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Abstract

A tight global sugar market balance over the past 2 years has put global and national sugar markets under extreme pressure, resulting in extremely high sugar prices. Governments have acted in different ways to moderate these price gyrations for consumers and to ensure availability of supply. Responses have mainly been in sugar trade policy, such as the removal or reduction of import tariffs and the opening of new tariff rate quotas, but some governments have also released strategic stocks into the domestic market. No exporters have gone so far as to ban exports but early April there was discussion within the Brazilian government concerning the possible imposition of an export tax on sugar.

This survey focuses on how governments have responded to high sugar prices. Significant sugar trade policy related reactions to high world market and domestic sugar prices over the past two years are identified and analysed. In the second part of the survey attention is turned to the spawning of new Regional Trade Agreements (RTAs)– in particular Free trade Agreements (FTAs) – due to the lack of progress of the WTO Doha Round.

A key conclusion is that it has mainly been governments of sugar importing countries that have adjusted sugar related trade policy, taking action to moderate the cost of imports by cutting duties; but prices have nevertheless tended to trace the volatility of world market prices. The US and Mexico have been constrained by their TRQ systems, leading to exceptionally high premiums of domestic prices over world market prices (beyond import parity). In the EU, domestic prices were lagging behind the full cost of sugar imports and the Commission responded by opening a world market TRQ to cover a shortfall in imports from preferential suppliers. In India the government moved to successfully moderate domestic price rises by allowing duty free sugar imports, but with a much larger 2010/11 production it just recently approved significant volumes of exports. New RTAs to varying extents are providing improved access for sugar between participant countries, including to the US and to the EU. Whilst it's clear that a WTO Doha Round Outcome would have significant impacts for sugar trade policy, the likelihood of agreement being reached remains elusive, even after a decade of negotiations.