



TATE & LYLE
Process Technology

EU Commission CAP Reform Process: A threat to ACP suppliers and EU cane refineries

Ian Bacon
President, Tate & Lyle Sugars
22nd August 2012

TATE & LYLE SUGARS

Introduction



- EU Sugar Market Overview
- Protectionism on the increase in the EU
- Makes investment in cane difficult
- EU needs to adopt a parallel and fair policy for cane and beet sector
- Without this, cane refiners and preferential suppliers are doomed

What is the future for cane in Europe?



TATE & LYLE SUGARS

EU Sugar Market Overview



- Cane and beet sugar have co-existed in EU market since the early 19th Century
- Current EU market demand* of circa 17.2mt
- Current internal sugar beet + isoglucose quota of 13.6mt
- Remaining 3.6mt intended to be met by imports
- Market regulated by European Commission
- Recent legislative change has driven consolidation amongst producers
- Current and proposed market legislation threatens future of cane industry



TATE & LYLE SUGARS

*includes isoglucose

Protectionism is on the increase in the EU

- *What form does it take?*



The 2006 Council Agreement

EPA/EBA imports to reach 3.5M

Quotas to be cut by 6M tonnes

Prices cut by 36%

€1.24bn of Accompanying Measures

The Reality

- Less than 2M entering EU
- Replaced by beet quota increase
- And cane imports at high duty

- Part offset by increase in beet quotas
- €5bn of aid to cut quotas
- Increase in cane refining capacity by beet processors

- EU price 57% above world price
- Risen 46% in 18 months
- Prices higher than pre-reform

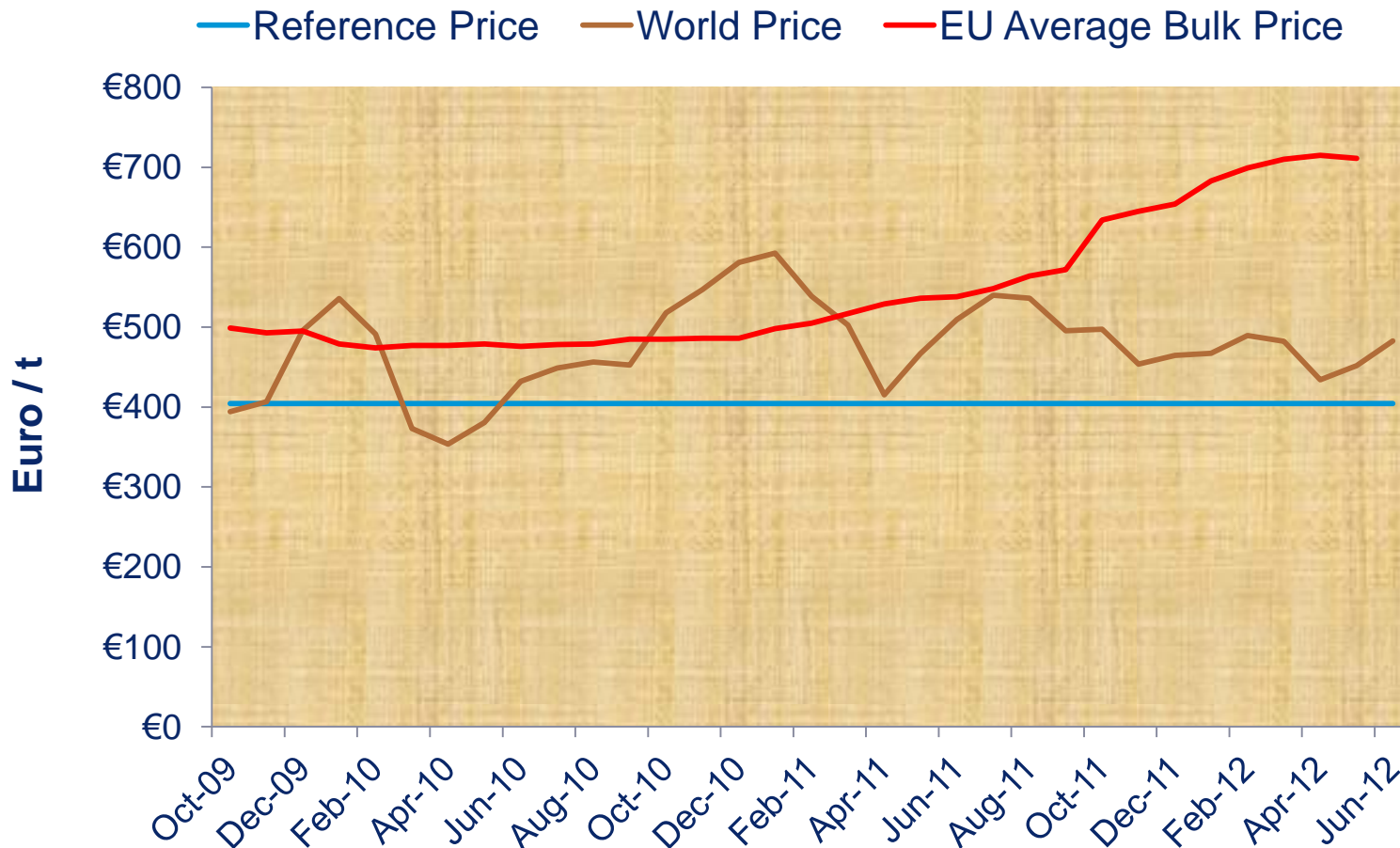
- Slow to be dispersed
- Full amount not committed
- Difficult to access

Protectionism is on the increase in the EU

- Leads to unsustainable pricing in Europe



White sugar market comparable pricing



Source: Bloomberg & EU Commission

TATE & LYLE SUGARS



TATE & LYLE
Process Technology

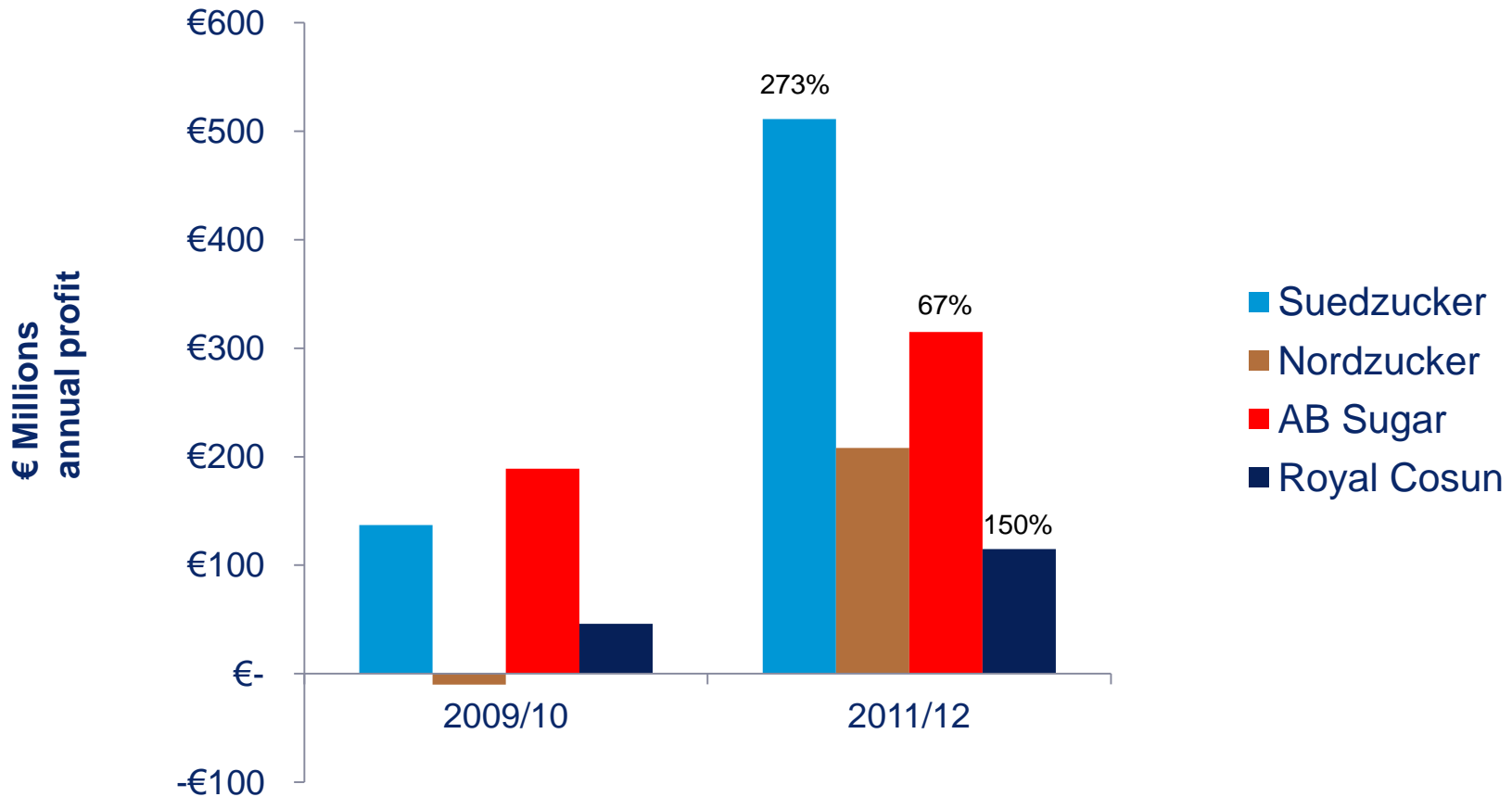
TATE & LYLE SUGARS

Protectionism is on the increase in the EU

- Gifts beet processors windfall profits = concentration



Like for like margin increase of major beet processors



Source: public data

TATE & LYLE SUGARS

Protectionism is on the increase in the EU

- Proposal is to legislate protectionism post-2015



Commission Proposal

Remove beet and isoglucose quotas

Keep cane refiners constrained

Keep import duties

Allow Member States to pay coupled aid to beets

EP Dantin Report

Keep quotas

Allow automatic increase in quotas when supply of imports insufficient

Member States

Protectionism is on the increase in the EU

- *What does this mean for cane in Europe?*



- Odds stacked increasingly heavily in favour of beet
- No more guaranteed share for cane
- Special treatment for beet industry means cane will not survive in any material way
- Businesses that produce both beet and cane will always have their main focus on beet
- Businesses that produce just cane will not survive the unfair legislation



TATE & LYLE SUGARS

Protectionism impacts investment in cane

- *Uncertain future*



- Policy environment in EU increasingly hostile to cane
- Preferential suppliers have the potential to be competitive
- Trying hard – eg. 30 Tate & Lyle Sugars people embedded throughout world
- But investment that the industries need is unlikely whilst policy uncertainty remains
- Vicious downward spiral



TATE & LYLE SUGARS

The future for cane in Europe

- *Why does the EU need cane refining alongside beet?*



- Bring choice and variety to consumers
- Contribute to competition
- Aid food security by having a different raw material and processing model
- Provide a stable and long-term market for preferential suppliers in the developing world
- Provide an important link to global markets
- Provide hundreds of thousands of high quality manufacturing jobs in Europe and the developing world

TATE & LYLE SUGARS

The future for cane in Europe

- Why does the EU need cane refining alongside beet?



TATE & LYLE
Process Technology

The cane refining model



TATE & LYLE SUGARS

The future for cane in Europe

- *What do we need?*



Policy-makers must wake up and acknowledge the injustice of their proposals

Pre-2015

- Growth in preferential suppliers' volumes
- Any gap in the 3.5M forecast should be made good by raw cane imports at zero duty
- Any increase in quota should only come after that

Post-2015

- If quotas continue to exist, cane refiners need a minimum supply of raw cane sugar to compete
- If quotas are removed, cane refiners need increased access to duty free raw material in order to compete

We believe that the interests of the cane supplier and the EU cane refiner are inextricably linked



TATE & LYLE SUGARS



TATE & LYLE
Process Technology

EU Commission CAP Reform Process: A threat to ACP suppliers and EU cane refineries

Ian Bacon
President, Tate & Lyle Sugars
22nd August 2012

TATE & LYLE SUGARS