

# **The effects of sugar imports from Ukraine on markets and stakeholders in the EU**

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by

Stephan von Cramon-Taubadel<sup>1</sup> and Oleg Nivievskiy<sup>2</sup>

<sup>1</sup> University of Göttingen, Department of Agricultural Economics and Rural Development  
[scramon@gwdg.de](mailto:scramon@gwdg.de)

<sup>2</sup> Free University of Berlin, Institute for East European Studies, and Kyiv School of Economics  
[onivievskiy@kse.org.ua](mailto:onivievskiy@kse.org.ua)

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## Executive summary

In 2016 the EU granted Ukraine trade preferences in the form of tariff rate quotas (TRQs) for agricultural products including sugar under the Deep and Comprehensive Free Trade Agreement. In June 2022 in response to Russia's attack on Ukraine, the EU extended these preferences to full liberalisation of sugar trade under the so-called Autonomous Trade Measures (ATMs).

Prior to 2022, EU imports of sugar from Ukraine were sporadic and never amounted to more than 11% of total EU imports in any given month. However, in late 2022 in response to the ATMs, EU imports of white sugar from Ukraine increased, and by late 2023 and early 2024 Ukraine was supplying over 50% of the EU's monthly sugar imports.

In July 2024, in response to pressure from domestic sugar producers and refiners, the EU revised the ATMs to reintroduce TRQs for sugar from Ukraine. The revised ATMs allow Ukraine to export 109,439 tonnes of sugar to the EU between January 1 and June 5, 2025. This is considerably less than the roughly 407,000 and 510,000 tonnes of sugar that the imported from Ukraine in 2022/23 and 2023/24, respectively.

Some argue that the EU was 'flooded' by imports of sugar from Ukraine. This is not the case. EU imports increased by roughly 1.1 million tonnes (from 1.497 to 2.575 million tonnes) between 2021/22 and 2022/23, but over the same period EU production fell by over 2 million tonnes, and domestic sugar prices increased to over \$800/tonne. Hence, imports from Ukraine in 2022/23 helped to relieve a domestic shortage – they did not flood the EU market.

Ukraine continued to export to the EU in 2023/24, and its share of EU sugar imports increased. Nevertheless, the total volume of EU sugar imports fell strongly, from 2.575 million tonnes in 2022/23 to 1.6 million tonnes in 2023/24, while sugar prices remained high. Imports of sugar from Ukraine may have displaced imports from other sources, but they did not lead to over-supply and declining prices.

No doubt many sugar producers and refiners in the EU would have preferred even higher prices. And some refiners would have preferred to import and process raw sugar from other countries, and to forego white sugar from Ukraine altogether. However, the interests of consumers and users of sugar in the EU also bear consideration. White sugar imports from Ukraine fostered competition and the contestability of sugar markets in the EU.

In recent years the EU has been an annual net exporter of roughly 1.6 million tonnes sugar in processed form. For some branches of the food processing industry, such as confectionary and the production of preserves, sugar is a major cost component. The competitiveness of firms in these branches depends on reasonably-priced and reliable supplies of sugar. As demonstrated in 2022/23 and 2023/24, Ukrainian sugar can make a significant contribution to ensuring the availability of such supplies.

Under current conditions, agriculture in general and sugar in particular is one of the few areas in which Ukraine can generate value added and earn export revenue. In the longer run, rebuilding Ukrainian agriculture in the aftermath of war and on its path towards eventual EU accession will represent a huge opportunity for agribusiness and other sectors in the EU. However, economic integration is a two-way street. In return Ukraine must be allowed to develop those sectors of its economy, such as agriculture, in which it has a comparative advantage.

## 1. Introduction

In 2016, a Deep and Comprehensive Free Trade Area (DCFTA) between the EU and Ukraine came into effect. Under this DCFTA, agricultural trade between Ukraine and the EU was almost fully liberalized. The remaining import restrictions imposed by the EU were tariff rate quotas (TRQs) for 40 product lines (including cereals, beef, pork, sheep and poultry meat, sugar, eggs and selected dairy products). These products made up 35% of total Ukraine's total agricultural export to the EU in 2021, and less than 1% of the EU's total agricultural imports (Nivievskyi, 2024). In June 2022, in response to Russia's attack on Ukraine, the EU introduced so-called Autonomous Trade Measures (ATMs) that removed the remaining trade barriers, including the DCFTA TRQs on agricultural products such as sugar.

In response to this easing of trade restrictions, Ukrainian exports of agricultural products (mainly grains and oilseeds) to the EU grew rapidly. Farmers in some regions as well as the representatives of some agricultural processing industries expressed their concerns that imports from Ukraine represented unfair competition that was depressing prices in the EU. In June 2024, the EU announced that it was revising the ATMs to introduce an "emergency brake" that would automatically reintroduce the TRQs for seven agricultural products<sup>1</sup> if their import volumes reached the average annual levels registered between July 2021 and December 2023.

When the emergency brakes were announced in June 2024, it was clear that they would inevitably and soon be triggered for sugar. The critical threshold for sugar defined by the EU's average annual imports from Ukraine between July 2021 and December 2023 amounted to 262,653 tonnes. By January 2024, EU imports of sugar from Ukraine in the 2023/24 marketing year<sup>2</sup> already totalled 251,000 tonnes, just short of this threshold. By June 2024 this total volume had grown to 511,000 tonnes, almost double the critical threshold. On July 2, 2024, the EU Commission announced that the emergency brake for sugar had been triggered.

Since that announcement, imports of sugar from Ukraine into the EU are subject to Most-Favoured Nations (MFN) tariff rates. The MFN rate for white sugar, which is by far the dominant sugar product that the EU imports from Ukraine, is 419 €/tonne. This rate is prohibitively high, which has effectively brought EU imports of sugar from Ukraine to a standstill. As a result, Ukraine has stepped up efforts to export its white sugar to non-EU destinations in Europe but also to the Middle East and Africa. The revised ATMs announced in June 2024 grant Ukraine a new TRQ for sugar of 109,439 tonnes of sugar (five twelfths of the critical threshold) that will be open from January 1 until June 5, 2025.

In essence:

- In 2016 the EU granted Ukraine trade preferences in the form of TRQs for sugar under the DCFTA;
- In June 2022 in response to Russia's attack on Ukraine the EU extended these preferences to full liberalisation of sugar trade under the ATMs;
- In July 2024 the EU scaled back these preferences by reintroducing TRQs under the revised ATMs.

In the following we analyse the effects of these steps on markets and stakeholders in the EU.

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<sup>1</sup> Eggs, poultry meat, oats, maize, groats, honey, and sugar.

<sup>2</sup> The sugar marketing year in the EU runs from October to September.

## 2. The world sugar market

Sugar for human consumption and other uses can be produced from sugar beets and sugar cane. The average annual global production of sugar beet between 2013 and 2022 was 269 million tonnes; over the same period, the average annual global production of sugar cane was 7 times larger at 1.892 million tonnes. However, due to the lower concentration of sugar in sugar cane, it only accounted for roughly 4 times as much sugar production as sugar beet.

Over 100 countries produce either sugar beet or sugar cane, and a few (such as the US) produce both. Sugar beet is produced in temperate regions and with few exceptions (such as Chile) in the northern hemisphere, while sugar cane is a tropical crop that is mainly produced in the southern hemisphere (exceptions include Central America and the Caribbean). Table 1 lists the top 10 sugar producing, consuming, exporting and importing countries in the 2023/24 marketing year.

**Table 1: The top 10 producers, consumers, exporters and importers of sugar\* (2023/24)**

Production			Consumption		
Rank	Country	Mill. t	Rank	Country	Mill. t
1	Brazil	45.5	1	India	31.0
2	India	34.0	2	EU	16.8
3	EU	15.0	3	China	15.6
4	China	9.9	4	US	11.2
5	Thailand	8.8	5	Brazil	9.5
6	US	8.3	6	Indonesia	7.5
7	Pakistan	6.7	7	Pakistan	6.4
8	Russia	6.6	8	Russia	6.2
9	Mexico	4.9	9	Mexico	4.6
10	Australia	4.1	10	Egypt	3.6
	Other	39.7		Other	64.9
	World total	183.5		World total	177.3
	Share of top 10	78%		Share of top 10	63%
18	Ukraine	1.8	Not in top 25	Ukraine	0.9
Exports			Imports		
Rank	Country	Mill. t	Rank	Country	Mill. t
1	Brazil	36.0	1	Indonesia	5.0
2	Thailand	10.0	2	China	4.6
3	India	4.6	3	US	3.1
4	Australia	3.4	4	EU	3.0
5	Guatemala	1.4	5	India	2.5
6	EU	1.1	6	Malaysia	2.0
7	S. Africa	0.8	7	Bangladesh	2.0
8	S. Arabia	0.8	8	Algeria	1.9
9	Colombia	0.7	9	Nigeria	1.9
10	UAE	0.6	10	UAE	1.8
	Other	8.8		Other	29.1
	World total	68.2		World total	56.9
	Share of top 10	87%		Share of top 10	49%
11	Ukraine	0.6	Not in top 25	Ukraine	0.003

\* Centrifugal sugar, raw value

Source: USDA Foreign Agricultural Service (2024a), own calculations.

Production and exports of sugar are highly concentrated, with the top 10 countries accounting for 78% and 87%, respectively. Brazil is especially dominant, accounting for 25% of global production and 53% of global sugar exports. The EU is a top 10 producer and consumer of sugar. It is a net importer of sugar to meet domestic consumption but also as an input into a variety of industries, including the confectionary industry, that ultimately export sugar in processed form. Ukraine is not among the top 10 in

any of the categories included in Table 1. In 2023/24 it was ranked 18<sup>th</sup> with just below 1% of global production (1.8 million tonnes), and 11<sup>th</sup> with 0.9% of global exports (0.6 million tonnes). Ukraine is not among the top 25 largest consumers of sugar and accounts for only 0.5% of global consumption. Its imports have been negligible in recent years.

### 3. The EU sugar market

For decades the sugar market was among the most regulated agricultural markets in the EU. Producers and processors benefitted from high levels of price support generated by means of a production quota system, prohibitive tariffs to restrict imports, and export subsidies to dispose of (dump) surplus production on world markets.<sup>3</sup>

EU Agriculture Commissioner MacSharry's 1993 reform initiated a paradigm shift in the history of the EU's Common Agricultural Policy (CAP). For most agricultural products, price support and market interventions were phased out and replaced by direct payments to farmers. At first, the EU's Sugar Market Organisation (SMO) remained largely unaffected by these changes. However, in 2004 the World Trade Organisation's (WTO) dispute settlement body, in response to a complaint raised by the major sugar exporters Australia, Brazil and Thailand (see Table 1), found that the EU was exporting more sugar with subsidies than it was permitted to. The EU responded by reforming the SMO in 2006. By 2009, support prices had been reduced by 36% from over 600 €/tonne to 404.40 €/tonne. Steps were implemented to first buy back production quota from producers (and thus both reduce sugar production and concentrate it in the most productive areas of the EU), and ultimately abolish the quota system altogether. By the 2017/18 marketing year production quotas and export subsidies had been fully eliminated.<sup>4</sup>

Table 2 shows that EU production, stocks and use were high in 2018/19 and have followed downward trends since. In all years since 2018/19, the EU has been a consistent net importer of sugar as such (raw and white) and a net exporter of sugar in the form of processed products.

**Table 2: The EU's sugar supply balance (2018/19 to 2024/25, '000 tonnes)**

Attribute	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Beginning stocks	2,423	1,829	2,160	1,225	1,519	2,068	1,862
Production	17,631	17,456	14,546	16,618	14,603	15,624	16,400
Imports, of which...	2,489	2,434	2,075	2,281	3,349	2,400	2,150
Sugar as such	1,910	1,848	1,313	1,497	2,575	1,600	1,350
In processed prods.	579	586	762	784	769	800	800
Total supply	22,542	21,719	18,780	20,124	19,471	20,092	20,412
Exports, of which...	3,334	2,432	3,410	3,490	3,196	3,850	3,750
Sugar as such	1,610	795	860	800	624	1,400	1,300
In processed prods.	1,724	1,637	2,550	2,690	2,585	2,450	2,450
Use	17,379	16,926	14,146	15,115	14,192	14,380	14,380

Source: EU Commission (2024d). Values for 2023/24 (2024/25) are (early) estimates.

EU imports of sugar are subject to Most-Favoured Nations (MFN) tariff rates, which amount to 339 €/tonne for raw sugar for refining, and 419 €/tonne for other raw sugar and refined sugar.<sup>5</sup> These rates

<sup>3</sup> The evolution of the EU's Sugar Market Organisation (SMO) is reviewed in Berger et al. (2021).

<sup>4</sup> Sugar beet producers receive coupled support in ten EU member states. All coupled support payments together account for 12% of expenditure on direct payments to farmers, and 7% of total CAP expenditure. Only a small proportion of this share (roughly 4%) is targeted at sugar production (EU Commission, 2023).

<sup>5</sup> In addition to these specific tariffs, the EU can also impose *ad valorem* tariffs, however these are currently set to zero.

are prohibitively high and would otherwise all but preclude imports of sugar into the EU. However, imports do take place (Table 2) because the EU grants preferential access to its domestic market to imports raw cane sugar and refined sugar from a variety of sources. The EU grants preferential access to African, Caribbean and Pacific (ACP) countries, many of which are former colonies of EU member states. In addition, 42 least developed countries are granted duty-free access to the EU's sugar market under the Everything But Arms (EBA) initiative.<sup>6</sup> Finally, sugar TRQs are in place for a number of countries – including the Balkan countries, Brazil, Cuba and, since the DFCTA came into effect in 2016, Ukraine.

Granting ACP and EBA countries preferential access to the EU sugar market is a form of development cooperation. However, development cooperation is not the only motive for granting preferential access to these countries. In an import situation, TRQs make it possible to control import volumes and thus the difference between domestic and world market prices, i.e., the level of domestic price support. Although most sugar produced in the EU is refined from sugar beets, some refiners in the EU (for example in Denmark, Italy and Spain) specialise in processing imported raw cane sugar. This results in a complex spectrum of shared and competing interests in the EU sugar chain.

- *Sugar beet producers and beet refiners* in the EU have little interest in any preferential imports, whether of raw sugar or of refined white sugar, which compete with their production.
- *Cane refiners* in the EU are also averse to white sugar imports, which compete with their production on the EU market. However, in order to be able to produce they require competitively-priced supplies of raw cane sugar. ACP and EBA countries are not always able to provide such supplies. Many ACP and EBA countries are relatively high-cost producers of raw sugar. Duty-free raw sugar from these countries is only competitive in the EU if domestic prices in the EU are sufficiently high to ensure a positive refining margin. If EU prices fall, the value of preferential access to the EU market falls, a process that is referred to as preference erosion. In such a situation (as occurred from 2017 until the early 2020s – see Figure 1), cane refiners in the EU face difficulties securing sufficient volumes of raw cane imports (ESRA, 2019). When EU prices increase, as was the case in 2022/23 (Figure 1), the margin that can be earned from processing duty-free imported raw sugar increases.
- *Consumers in the EU*, excepting the relative few who earn their livelihoods in the sugar supply chain, are primarily interested in low sugar prices.<sup>7</sup> Households in the EU spend on average 14-15% of their incomes on food and non-alcoholic beverages, and sugar only accounts for a small proportion of this expenditure.<sup>8</sup> Representatives of the sugar industry therefore often argue that lowering sugar prices in the EU would not appreciably benefit consumers. In aggregate, however, EU consumers do pay a high price for the protection of EU sugar production: given annual consumption of roughly 14.5 million tonnes of sugar in the EU (Table 2), reducing EU sugar prices by 100 €/tonne could reduce consumer expenditure by up to 1.45 billion €.
- *Sugar users in the EU's food and drink sector* – for example firms that produce confectionary products, jams and marmalades for which sugar is a key ingredient – are, like EU consumers, interested in low-cost sugar. However, given the high cost-share of sugar in their finished products, they feel the effects of fluctuations in sugar prices much more acutely than individual

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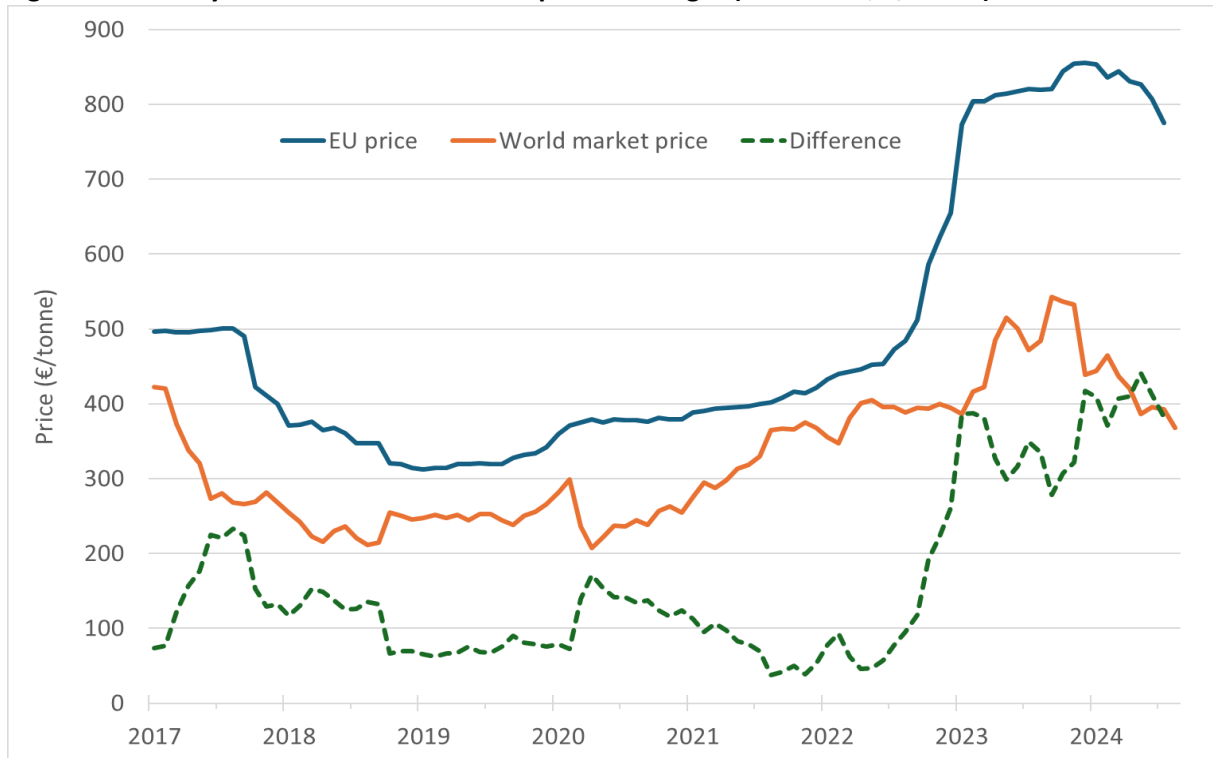
<sup>6</sup> Rules of origin apply to EU imports under the EBA initiative, and there are provisions for safeguard measures.

<sup>7</sup> We do not consider the health-related costs of (excessive) sugar consumption. Policies such as sugar taxes designed to reduce these costs (see, for example, Mandeville et al., 2023) would affect all sugar consumed in the EU independent of its origin (beet/cane, domestic/imported).

<sup>8</sup> In Germany in 2018, the average household spent 321 € per month on food, of which 19 € (6%) were spent on sugar, jams and confectionary products (Destatis, 2024). While sugar is also present in other food groups (e.g., soft drinks), the share of sugar in total consumer expenditure is limited.

households. This is especially true for sugar users that export to countries outside the EU where they compete with other suppliers that have access to lower-cost sugar. Recall that the EU is a net exporter of processed products that contain sugar (Table 2). Furthermore, sugar users operate in a complex chain between concentrated sugar refining and food retail sectors. In order to plan their operations and negotiate and fulfil contracts, they require reliable supplies of sugar and stable prices.

**Figure 1: Monthly EU\* and world market\*\* prices for sugar (2017-2024, €/tonne)**



\* EU price ex-work for refined standard quality sugar in bulk or big bags.

\*\* International Sugar Agreement (ISA) price for raw sugar f.o.b. Caribbean ports.

Source: EU Commission (various issues) Average prices for white sugar within the community

Hence, the EU imposes import restrictions to protect its domestic sugar market and support domestic sugar prices above international prices. Furthermore, it manages a complex system of trade preferences in an attempt to fine-tune this protection and thus balance the various stakeholder interests outlined above. Against this background, unrestricted zero-tariff imports of white sugar from Ukraine under the June 2022 ATMs are viewed as a threat by sugar beet producers, as well as by beet and cane refiners in the EU who also benefit from price support.

#### 4. The sugar market in Ukraine

Ukraine produces refined sugar from sugar beet. When Ukraine became independent in 1991, annual sugar production was roughly 5 million tonnes. However, the beet production and sugar refining structures and technologies inherited from Soviet times were outdated and highly inefficient. Despite efforts by the Ukrainian government to support sugar production (a production quota, import restrictions and various support schemes for farmers), production fell rapidly to about 2 million tonnes in the early 2000s and stabilised around that level over the next 15 years. Annual production fell further to below 1.5 million tonnes in 2020-2022. However, it has since recovered, stimulated by increasing

prices, favourable growing conditions and increasing high yields, as well as by improved access to EU markets under the ATMs that were granted in June 2022 (Table 3).

**Table 3: Ukraine’s sugar supply balance (2017/18 to 2024/25, ‘000 tonnes)**

Attribute	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24*	2024/25**
Beginning stocks	76	196	58	273	369	504	490	772
Production	2,180	1,753	1,638	1,240	1450	1330	1820	1780
Imports	2	2	2	167	5	1	3	2
Total supply	2,258	1,951	1,698	1,680	1824	1835	2313	2554
Exports	602	443	125	61	70	465	611	650
Human cons.	1,380	1,370	1,250	1,200	1150	830	880	890

\* Provisional

\*\* Forecast

Source: USDA Foreign Agricultural Service (2024b).

Sugar does not play a major role comparable to grains and oilseeds in Ukrainian agriculture. Sugar beet production currently accounts for only roughly 1% of Ukraine total agricultural output (Nivievskiy et al., 2021). However, large parts of central and western Ukraine are agronomically well suited to sugar beets production, and the contraction of sugar beet farming and processing in Ukraine has led to a consolidated, vertically integrated and increasingly efficient industry. Most sugar beet is produced on large farm with over 1000 hectares, and the share of small farms and household plots in total output has fallen below 5%. Sugar processing has also consolidated, with the number of sugar refineries falling from 192 in 1990 to 30 in 2023. The consolidation of sugar beet production and processing has been accompanied by increasing vertical integration, whereby sugar beet producers are integrated with the sugar producers in private holding companies. Currently, the 10 largest of these companies account for just under 90% of Ukraine’s sugar production (Table 4). In the process, the industry has become highly spatially aggregated, with sugar beet producers clustered around individual refineries to minimise logistic costs (USDA, 2024c).

**Table 4: The largest producers of sugar in Ukraine (2024)**

Company	Share of Ukraine’ sugar production (%)
Pfeifer & Langen	25.3
Astarta Holding	18.7
Ukrprominvest-Agro	16.6
GK Agro-Expres-Servis	8.3
Svitanok	5.7
ASPIK Group	4.5
GK Ukraina-2001	3.2
GK Panda	2.6
Zelena Dolina	2.3
I&U Group	2.0
Other	10.7

Source: UkrSugar Association.

Altogether, this evolution has led to the emergence of a Ukrainian sugar industry that is currently small by international standards, but highly competitive. A caveat, however, is that Ukraine exclusively exports white and no raw sugar. Raw sugar can be transported like other bulk commodities such as grains and oilseeds that are loaded unpackaged onto ships, rail cars and trucks. While it is being transported and handled, bulk raw sugar might be exposed to moisture and contamination, but this can be removed when it is refined. White sugar by contrast is a food product that must be protected from moisture and contamination to maintain hygiene and quality (e.g., to avoid clumping that might affect its suitability for further processing steps). For protection, white sugar is generally packaged and



transported in polypropylene bags (OECD, 2024). Handling and transporting such bags is slower and more costly than bulk transportation.

As a result, most international trade, especially over longer distances, is in raw rather than white sugar. Ukrainian white sugar can compete directly with domestic EU production on proximate EU markets that are connected by good infrastructure. It is less competitive on more distant markets. In addition, many countries prefer to import raw rather than white sugar because they want to capture the value added of sugar refining rather than importing it.<sup>9</sup> In net importing, sugar producing countries, raw sugar imports can enable factories with co-refining facilities to extend operations beyond the end of the domestic beet or cane season, which can improve capacity utilisation and lower unit costs. Hence, import regimes often use measures such as tariff escalation to encourage raw rather than white sugar imports.

Domestic sugar consumption fell by over 300,000 tonnes from 2021/22 to 2022/23 as millions of Ukrainians fled the country (Table 3). Ukraine's population is expected to rebound somewhat after the war ends, but the United Nations' projections suggest that it will then decline by roughly 300,000 persons per year (UN, 2024) in the long run. Assuming average annual per capita sugar consumption of 30 kilograms, this would reduce domestic sugar consumption and increase Ukraine's exportable sugar surplus by 9,000 tonnes annually.

## **5. Recent developments in sugar trade between the EU and Ukraine**

In 2022/23, EU sugar production fell strongly (15.5% from the previous year – Table 2) and sugar prices began to increase rapidly. By the end of 2022, they had almost doubled (Figure 1). Increasing sugar prices were welcome news for beet producers and refiners in the EU. Since world market prices did not increase as strongly as EU prices, refining margins increased and cane refiners in the EU benefitted as well. On the other hand, the rapid increase in EU sugar prices burdened consumers and especially sugar users such as the confectionary industry.

However, in June of 2022 the EU had introduced the Autonomous Trade Measures (ATMs), which granted Ukraine full trade liberalisation and suspended all remaining import duties, quotas and other trade restrictions on agricultural products such as sugar. At the same time, due to Russia's war, Ukraine was facing great difficulties supplying the traditional destinations for its sugar exports – primarily former Soviet markets in Central Asia and the Caucasus regions. Lucrative trade preferences granted by the EU combined with restricted access to traditional export destinations to trigger a rapid diversion of Ukraine's sugar exports to the EU. Nivievskyi et al. (2021) report that in the calendar year 2018 over 99% of Ukraine's sugar exports were destined for Kyrgyzstan, Uzbekistan and Tajikistan. Figure 2 shows how Ukraine's sugar exports evolved in the years that followed and both increased and shifted to the EU after 2020.

As Ukraine's dependence on the EU as an export destination increased in 2022, so did the EU's reliance on Ukraine as a source of imports. Figure 3 shows that EU imports of sugar from Ukraine were sporadic and never amounted to more than 11% of total EU imports in any month prior to 2022. However, in late 2022 EU imports from Ukraine increased, and by late 2023 and early 2024 Ukraine was supplying over 50% of the EU's monthly sugar imports. Altogether in 2023/24, Ukraine accounted for 39% of the EU's sugar imports. Ukraine's sugar exports to the EU were shipped mainly to nearby or peripheral EU

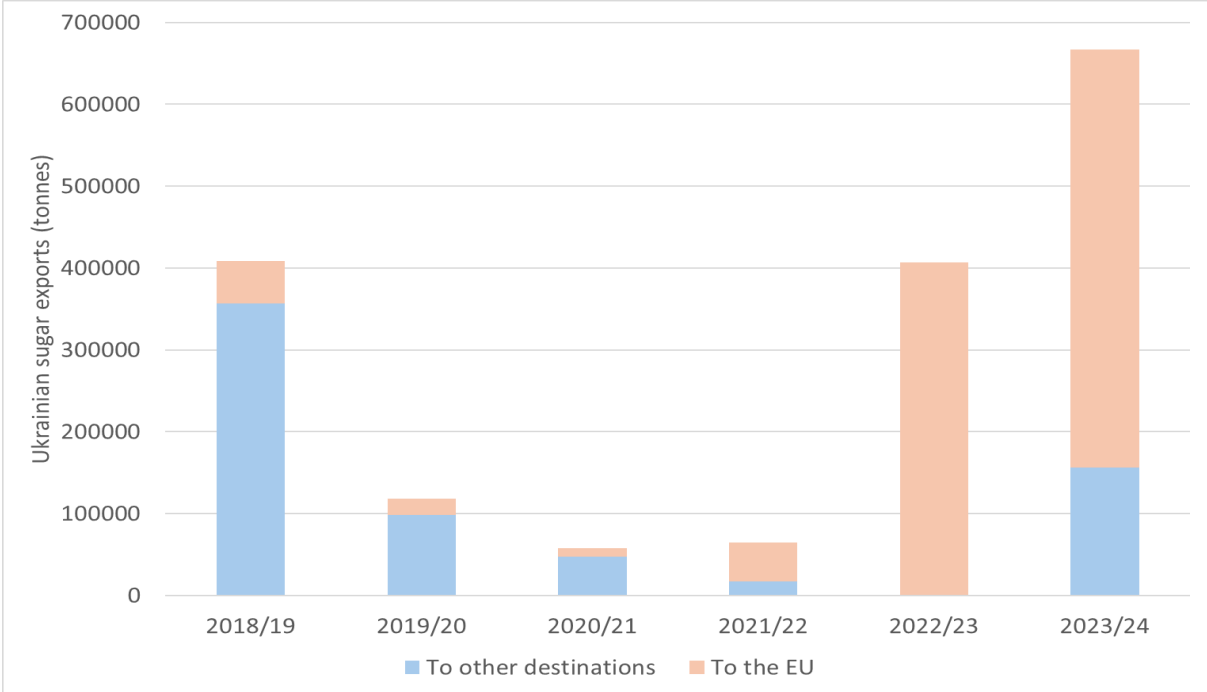
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<sup>9</sup> See the discussion of cane refiners in the EU above.

member states, thus increasing competition for sugar supplies from core sugar-producing member states such as Germany, France, the Netherlands and Belgium (Table 5).

It is sometimes argued that the EU market was ‘flooded’ by imports of sugar from Ukraine. However, this was not the case. EU imports did increase by roughly 1.1 million tonnes (from 1.497 to 2.575 million tonnes) between 2021/22 and 2022/23, but at the same time domestic EU production had fallen by over 2 million tonnes (Table 2). Furthermore, domestic sugar prices had more than doubled over the same period (Figure 1). Hence, imports from Ukraine in 2022/23 helped to relieve a domestic shortage – they did not flood the EU market. Ukraine continued to export to the EU in 2023/24, and its share of EU sugar imports even increased (Figure 3). Nevertheless, the total volume of EU sugar imports fell strongly, from 2.575 million tonnes in 2022/23 to 1.6 million tonnes in 2023/24, while sugar prices remained high and the EU was even able to expand its sugar exports (from 0.624 million tonnes in 2022/23 to an estimated 1.4 in 2023/24). Imports of sugar from Ukraine may have displaced imports from other sources, but it cannot be argued that they led to over-supply and declining prices.

**Figure 2: Export destinations and volumes for Ukrainian sugar (2018/19-2023/24\*, tonnes)**



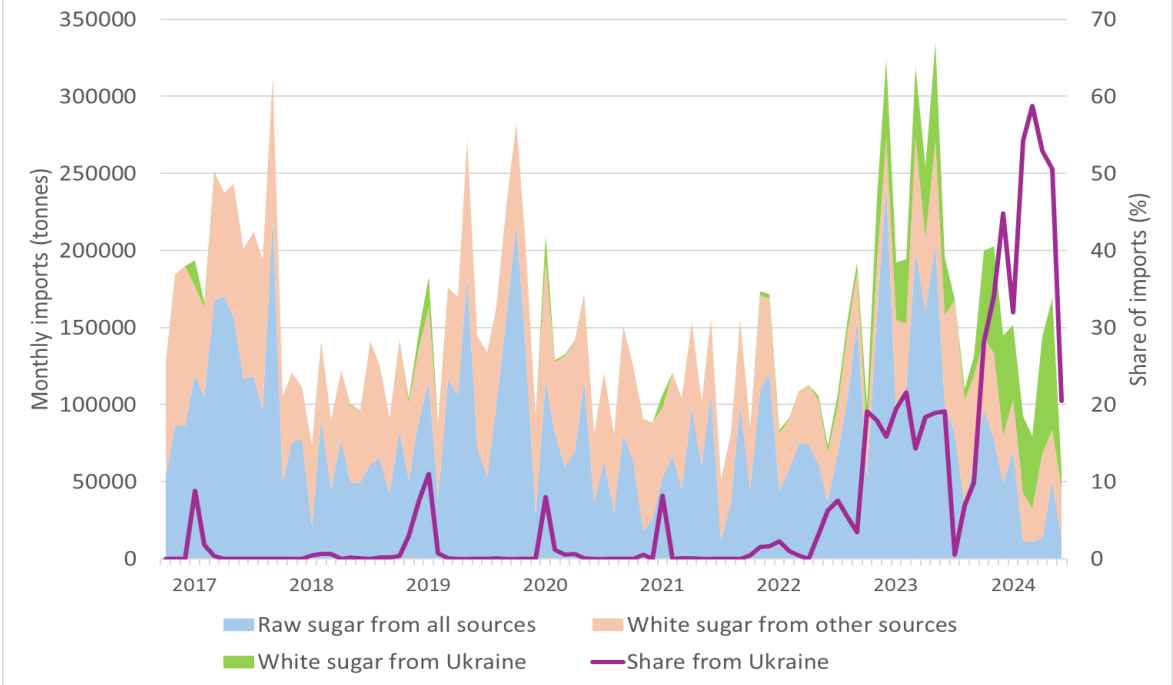
\* 2023/24 data preliminary up to and including July 2024  
 Source: USDA (2024c), EU Commission (2024a, 2024b), own calculations.

Figure 4 shows that unit values of Ukrainian white sugar imports into the EU followed a similar trend as unit values of white sugar imports from other sources in 2022 and 2023. In 2023, unit values of white sugar imports were in the same range (800-900 €/tonne) as the average market price for white sugar in the EU. At the same time, the average market price in Ukraine was roughly 200 €/tonne lower, at 600 to 700 €/tonne. Hence, even after accounting for transport costs, exporting to the EU was a lucrative proposition for Ukrainian sugar producers. However, in late 2023 the unit values of EU white sugar imports from Ukraine, and the average market price in Ukraine began to decline. At this time, EU beet and sugar producers began pressuring the EU to restrict white sugar imports from Ukraine.<sup>10</sup> As a result, Ukraine stepped up efforts to export its white sugar to other destinations for example in

<sup>10</sup> See, for example, Reuters (December 8, 2023): „A surge in EU imports of Ukrainian sugar is expected to continue for at least for another season, weighing on prices in the bloc. While this may be good news at a time of food price inflation, the EU sugar industry and farmers are demanding action.”

the Middle East and Africa. However, exports to more distant destinations incur higher transport costs, especially for white sugar. Hence, shifting to other destinations increased pressure on market prices in Ukraine and the willingness to sell at a discount on EU markets.

**Figure 3: Monthly EU imports of sugar by type (raw/white) and origin (Ukraine/other) (2017-2024, tonnes and %)**



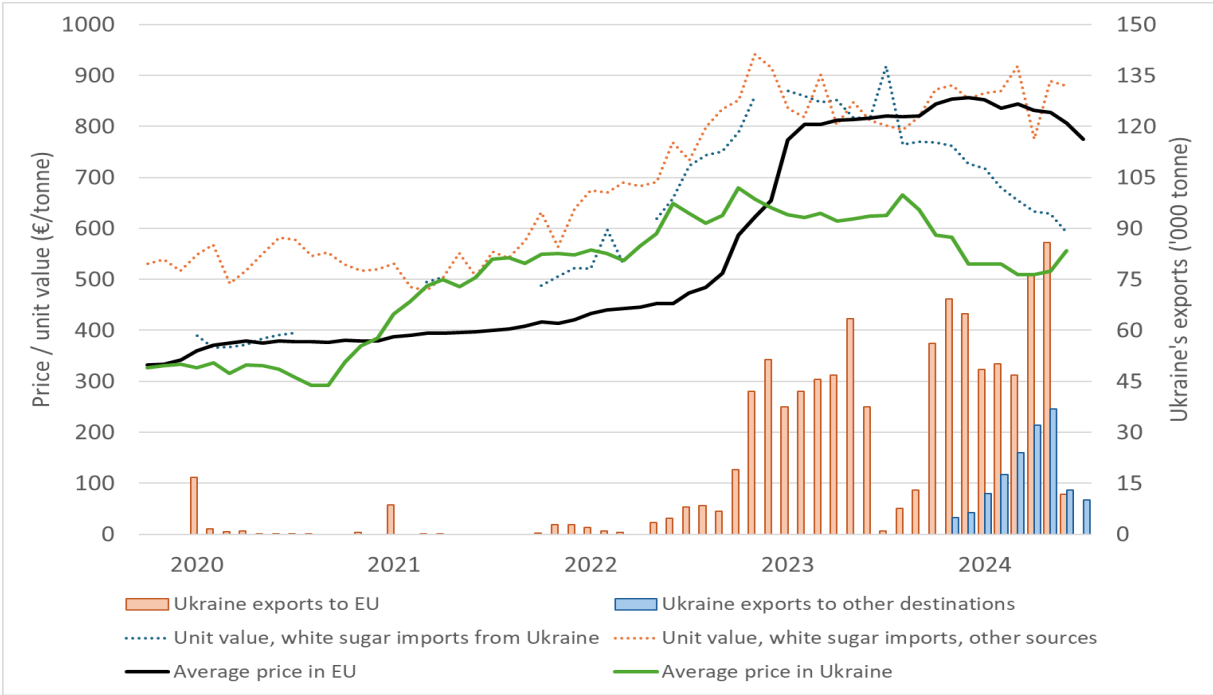
Source: EU Commission (2024b), own calculations.

**Table 5: Ukrainian sugar exports by destination (2022-2024, '000 tonnes)**

2022		2023		2024 (Jan-May)	
World	181.3	World	516.0	World	424.8
EU-27:	178.9	EU-27:	504.6	EU-27:	303.5
Romania	61.4	Romania	146.2	Bulgaria	71.2
Poland	35.7	Italy	81.1	Hungary	57.7
Italy	16.3	Bulgaria	55.3	Italy	50.9
Greece	12.1	Hungary	45.2	Czechia	26.0
Hungary	11.9	Poland	39.6	Austria	17.4
Bulgaria	9.2	Croatia	27.8	Greece	16.0
Croatia	8.0	Czechia	25.7	Croatia	12.6
Slovenia	6.9	Spain	19.2	Poland	11.7
Czechia	6.6	Greece	15.9	Romania	11.3
Spain	4.7	Germany	11.4	Lithuania	8.4
Lithuania	2.3	Lithuania	9.3	Spain	7.8
Austria	1.8	Slovenia	7.8	Germany	3.9
Slovakia	1.2	Austria	5.8	Slovenia	2.2
Latvia	0.5	Latvia	5.4	France	1.8
Germany	0.4	France	4.7	Latvia	1.5
		Slovakia	1.8	Portugal	1.2
		Malta	0.9	Sweden	0.6
		Cyprus	0.6	Slovakia	0.3
		Netherlands	0.5	Malta	0.3
		Portugal	0.2	Cyprus	0.2
		Estonia	0.2	Netherlands	0.2
		Belgium	0.1	Belgium	0.1
				Finland	0.1

Source: UN Comtrade, own calculations.

**Figure 4: Sugar prices in the EU and Ukraine, import unit values in the EU, and Ukrainian exports of sugar to the EU and other destinations (2020-2024, €/tonne and '000 tonnes)**



Source: EU Commission (2024a, 2024b, 2024c), Ukrstat, own calculations.

**6. The effects of sugar imports from Ukraine on the EU market**

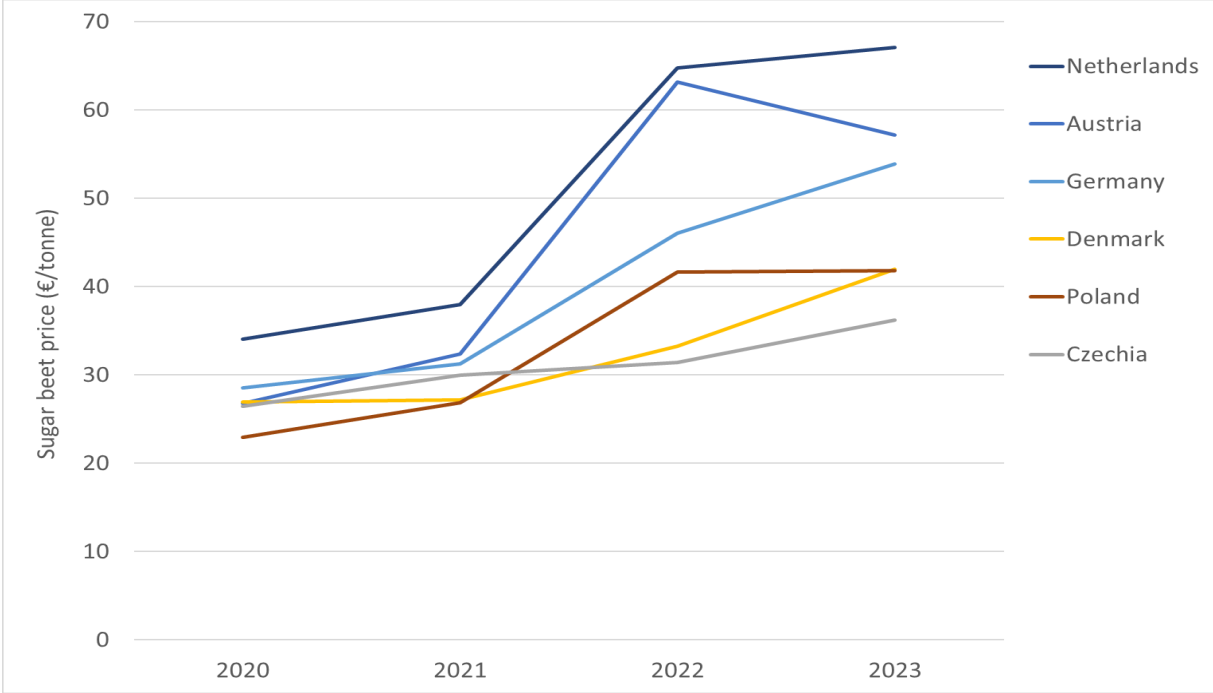
First, although increased imports of sugar from Ukraine had “EU producers fretting over prices” (Reuters, 2023), there is no evidence that these imports substantially reduced sugar prices in the EU. Farm groups and some representatives of the EU sugar industry suggested that imports from Ukraine were ‘flooding’ the market in 2022/23 and 2023/24. However, beginning in 2022, average sugar prices in the EU began to grow, and this growth accelerated even as imports of sugar from Ukraine increased. Domestic sugar prices in the EU reached and remained above 800€/t over the course of 2023 and 2024, and the difference between EU and world market prices also grew and remained high (Figure 1). Over this period, imports from Ukraine accounted for only 2.3% of the total supply of sugar in the EU.<sup>11</sup> It is true that Ukraine’s share of the EU’s sugar imports grew after 2022, but the total volume of EU sugar imports fell from 2022/23 to 2023/24. Hence, while imports of Ukrainian white sugar may have displaced some imports from other sources, they provided relief over a period of tight supply and high prices.

Second, there is no clear evidence that imports of sugar from Ukraine had a negative effect on prices for sugar beet. Data on sugar beet prices are not uniformly available in the EU. For some countries – including major sugar beet producers such as France – Eurostat does not report any prices, for other countries reporting is sporadic and many observations are missing. Figure 5 presents the evolution of sugar beet prices since 2020 for selected member states. It is immediately apparent that sugar beet prices vary considerably between member states. Furthermore, while sugar prices increased by over 100% from under 400 to over 800 €/tonne between 2020 and 2023, the increases in sugar beet prices over the same period in vary considerably among member states, from as much as 113% in Austria to as little as 37% in Czechia. These observations suggest that the question of sugar imports from Ukraine

<sup>11</sup> Over these two marketing years, EU imports of white sugar from Ukraine totalled 0.92 million tonnes, while the total supply of sugar in the EU amounted to 39.56 million tonnes (Table 2 and Figure 4).

should not be used to deflect attention from fundamental underlying issues of transparency and the participation of farmers in the value added that is generated in the EU sugar chain. These are issues for EU competition policy that cannot be solved by simply ramping up protection.

**Figure 5: Sugar beet prices in selected EU members states (2020-2023, €/tonne)**



Source: Eurostat (2024).

Sugar beet producers and representatives of the sugar industry might argue that competition from Ukraine is based on unfair cost advantages because Ukrainian farmer face fewer environmental, traceability and other standards than their counterparts in the EU. We are aware of no recent comparative studies on sugar beet production costs in the EU and Ukraine. However, past studies that have assessed the costs of compliance with EU environmental regulations (e.g., EU Commission, 2014) show that these costs are not the main determinant of competitiveness, and that other cost components (labour, land rent) play much more important roles. When Ukraine becomes a member of the EU, any remaining unevenness in the regulatory playing field will be levelled out. Independent of this, Ukraine has a comparative advantage in agriculture, and it is in the EU’s best interests overall to help Ukraine develop its agricultural potential.<sup>12</sup>

Third, imports from Ukraine stimulated competition among suppliers of sugar on the EU market and provided important relief to sugar users when prices began to increase in late 2022. Table 5 presents data on the use of sugar in Germany. Almost 85% of the sugar used in Germany is used in the food processing industry. 25% is used in the preparation of confectionary products and jams and preserves, for which sugar is a major cost component and determinant of competitiveness on EU but also third-country markets. Sugar users are confronted with a concentrated sugar processing industry upstream, and a concentrated food retail sector downstream. In this setting, imports of white sugar from Ukraine helped to compensate for a sharp reduction in domestic EU sugar production in 2022/23 that was only partially corrected in 2023/24 (Table 2). EU imports of raw sugar from countries other than Ukraine also increased in 2022/23 (Figure 3), but imported raw sugar must first be processed on its way to

<sup>12</sup> On a related note: Sugar refiners in the EU argue that sugar beet production “is characterised by lower emissions than cane due to lower GHG emissions resulting from the use of fertilisers and non-existent land-use change effects” (CEFS, 2023, p. 16). This argument could be used to promote imports of white beet sugar from Ukraine over imports of raw and white cane sugar from other countries.

sugar users. While imports of Ukrainian white sugar were small relative to total sugar supply in the EU in 2022/23 and 2023/24 (2.3% as explained above), this small amount nevertheless fostered competition and the contestability of sugar markets in the EU by providing users with direct access to white sugar and a means of bypassing domestic sugar producers for at least some of their needs.

**Table 5: Sugar use in Germany (2022/23, tonnes and % of total)**

Use	Amount (tonnes white sugar equivalent)	Share of total use (%)
Food use, of which	2,386,500	84,7
Confectionary	553,300	19.6
Bakery products	429,500	15.2
Ice cream and other dairy	201,900	7.2
Baking agents*	36,100	1.1
Jams, fruit and vegetable preserves	146,400	5.2
Beverages	545,300	19.4
Other food	478,900	17.0
Industrial use	107,400	3.8
Household use	323,100	11.5
Total	2,817,000	100.0

\* Assumed unchanged from previous year.

Source: BLE (2024).

**7. Conclusions**

Exports of white sugar to the EU have provided Ukrainian agriculture with at least a modicum of relief from the devastating direct and indirect effects of Russian military aggression. At the same time, in 2022/23 and 2023/24 these exports provided relief to tight sugar markets in the EU. Sugar from Ukraine did not burden EU markets – it helped offset a shortfall that was caused by a sharp drop in EU production in 2022, thus stabilising supply and ensuring that domestic sugar prices in the EU, which had doubled since early 2022, did not increase further. There is also no evidence that imports from Ukraine lowered sugar beet prices for producers in the EU. No doubt many sugar refiners in the EU would have preferred even higher prices. And some refiners would have preferred importing and processing raw sugar from other countries, and foregoing white sugar from Ukraine altogether. However, the interests of consumers and users of sugar in the EU bear consideration as well. White sugar imports from Ukraine fostered competition and the contestability of sugar markets in the EU.

In recent years the EU has been an annual net exporter of roughly 1.6 million tonnes sugar in processed form. In Germany alone, almost 2.4 million tonnes of sugar per year are used in processed food products every year, compared with 0.32 million tonnes of household use. For some branches of the food processing industry, such as confectionary and the production of jams and preserves, sugar is a major cost component. The competitiveness of firms in these branches depends on reasonably-priced and reliable supplies of sugar. As demonstrated in 2022/23 and 2023/24, Ukrainian sugar can make a significant contribution to ensuring the availability of such supplies.

Under current conditions, agriculture in general and sugar in particular is one of the few areas in which Ukraine can generate value added and earn export revenue. Ukraine is suffering enormously under Russian military aggression, and should not have to face additional hardship to benefit the particular interests of a specific industry in the EU. In the longer run, rebuilding Ukrainian agriculture in the aftermath of war and on its path towards eventual EU accession will represent a huge opportunity for agribusiness and other sectors in the EU. However, economic integration is a two-way street. In return

Ukraine must be allowed to develop those sectors of its economy, such as agriculture, in which it has a comparative advantage. The EU will not be able to regulate imports of sugar from Ukraine indefinitely – in the EU Single Market, Ukrainian sugar will be EU sugar and free to move within the borders of the Union. By the same token, Ukraine will have to fully adopt EU standards for example in the areas of environmental protection and food safety.

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