

Analyzing the Price of Sugar in the EU in the 2020s - EC48H World Economy

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Abstract

In this report, the change and fluctuation in the price of sugar in the European Union for the last 5 years will be analyzed. A line graph will be described. Two articles will be analyzed and evaluated, one about the price trend in the EU[2] and another one about the global price trend[3]. The conclusions of both articles will be discussed.

1 Introduction

Sugar has been in our lives for more than 6000 years. We are using it in many different ways, mostly in the culinary industry. Despite the rapid rise of obesity and other health complications caused by sugar, and First World countries (including the EU) adopting alternatives such as sweeteners; the sugar production industry has expanded in the EU significantly, causing the prices to stay rather stable in the last few years.

2 Analysis: Line Chart

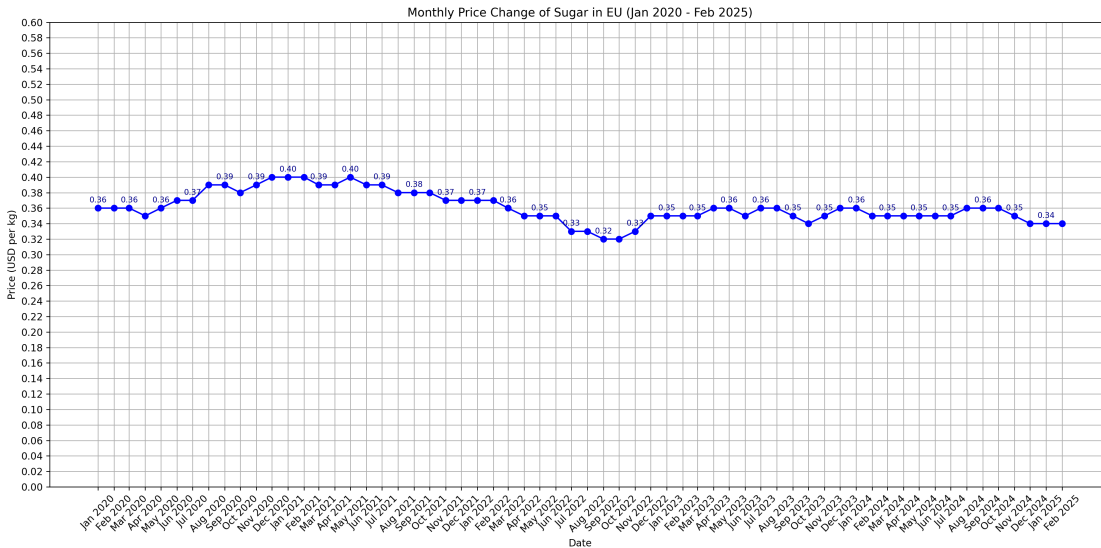


Figure 1: The line chart showing the price fluctuations for the last 5 years in the EU.

The graph above shows the fluctuation in sugar prices in the European Union. The first thing we notice is the mildness of the price changes compared to the price changes in the rest of the world.[1] Another thing we can see is that while the prices in other parts of the world continue to rise, the sugar prices in the EU have been quite stable. This can be attributed to a variety of things:

1. **The removal of sugar production quotas in 2017:** Members of the European Parliament decided to end the very last agricultural quota in the EU in 2017, the sugar production quotas. This has significantly increased the sugar production in the union, causing sugar prices to milder.
2. **Implementation of import tariffs and quotas:** The EU has imposed strict import quotas on sugar in recent decades. This was mainly because they wanted to decrease the dependence on imported cane sugar and have a stronger self sustainability with producing their own beet sugar. Because of this, the sugar industry in the EU has become resistant to shocks in the global transportation industry. A good example is, in the 2020 COVID-19 pandemic, while global sugar prices surged to double, the sugar prices in the EU increased by less than one fifth.
3. **Domestic supply management:** The trade agreements and unions between the countries in the EU has made it much easier for sugar producers to manage the supply of sugar they produce, between countries which have different demands. By this control of supply, the volatility of price for sugar has decreased significantly when compared to the rest of the world.

3 Analysis: Report - Sugar Annual[2]

The first article, named "Sugar Annual Report", is a report made by the USDA Foreign Agricultural Service about the beet sugar production, consumption and imports in the EU, in the last production year and evaluating its background that has its roots in the last decade.

The report states that sugar production is expected to remain steady and emphasizes several reasons for this expected outcome. Firstly, the unpredictable weather patterns caused by climate change impeding anticipated increases in production. Another reason is the necessity for sustainable practices intensifying its pressure on farmers.

The report then goes on to evaluate the sugar consumption in the EU. It is stated that just like production, consumption is also expected to remain steady throughout the EU. Reasons stated are a little more extraordinary, however. Firstly, the alarming rise in health complications caused by sugar and people becoming more aware as a result is stated, impeding the increase in consumption. Secondly, the war in Ukraine and its refugee crisis is another reason for the decrease in per capita sugar consumption in the EU.

The report also touches the import and export sectors of sugar in the EU. Similarly to production and consumption, these are also expected to remain stable throughout the EU. However, the free trade agreements and liberalizations made by the EU in order to aid Ukraine still introduce a level of uncertainty in these fields as well.

4 Analysis: Report - Global Sugar Prices / El Niño

The second article, named "Sugar prices are at their highest level since 2011. Here's what's causing the surge", starts by stating that sugar production in large sugar exporters like Thailand and India have hit a low after the dry climate phenomenon called "El Niño" ("The Boy" in English). This has caused the sugar production to drop by 2% globally, causing the sugar prices to raise by 55% in Q4 of 2023. (*Note: What is interesting, is that EU did not really feel the effects of this. Most of the reasons are discussed above.*)

It then continues to say that the (mostly cane) sugar stockpiles in the world began declining in 2020, and has been declining ever since. Although rich Western countries can bear the negative effects of this price raise; poorer countries that rely on imports when it comes to sugar, like Nigeria, are really struggling because of it.

The article is concluded by stating that the ever-growing population and the worsening climate change are expected to have a bigger impact on global sugar reserves, keeping this trend of steep rises in price.

5 Conclusion

As we can see from our analysis, the production and price trends of sugar differ drastically between EU and the rest of the world, with the latter being in a much harder situation since the global sugar consumption is rapidly catching up to the production in the recent years. This is partly due to the EU's production reforms and increasing health awareness, and partly due to unwanted effects of the climate change in the rest of the world. Although we cannot come to a strict conclusion about how to stabilize the prices and increase the production globally to meet the population's needs just by observing the EU's policies, there are still some things that the rest of the world can implement following in their footsteps.

References

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