

Australian Sugar Industry Alliance Limited

ACN 126 688 962

Level 3, 348 Edward Street, Brisbane

GPO Box 945, Brisbane Q 4001

Telephone (07) 3231 5012

Facsimile (07) 3229 2113

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EU to breach WTO sugar commitments – Again!

Media Release

There is strong market speculation that the European Commission (EC) is set to breach its WTO commitments on sugar export subsidies for the second time in two years.

The Australian Sugar industry Alliance (ASA) says in 2005 the WTO ruled that the European Union was in breach of its commitment to limit exports of subsidised sugar to 1.273 million tonnes.

ASA Chairman Mr Alf Cristaudo says, “The WTO *EC Sugar* dispute finding was simple and clear. It established that all EU sugar exports (quota and out-of-quota alike) are subsidised. Profits on quota sugar produced for the internal EU market are used to cross-subsidise the production of out-of-quota sugar.”

“Despite this ruling, the EC is again preparing to announce its authorisation of exports in excess of its WTO commitments.”

Creating uncertainty, the EC’s lack of adherence to its WTO commitments through the management of its sugar regime continues to be an issue for the world sugar market.

Mr Cristaudo says, “Countries such as Australia that rely on the world market for their income suffer from the inevitable reduction in prices flowing from the subsidised surplus production.”

In an effort to circumvent its international obligations, the EC has expended its 2010-11 marketing year by three months to 31 December 2011 to allow the export quota to be filled by 700,000 tonnes of 2011-12 season production. It also delayed the commencement of its 2011-12 marketing year and established an initial 650,000 tonne export quota.

Together these decisions authorised the export of the full amount (1.35 million tonnes) of the EC’s WTO sugar export commitment for the period 1 October 2011 to 30 September 2012.

“Now the EC is contemplating the announcement of an additional 700,000 tonnes of subsidised sugar. This will take the total amount of its exports in the 2011-12 (Oct-Sep) to 2.05 million tonnes, exceeding its WTO export commitment by more than 65%.”

“If this action is taken it will be the EC’s second breach of its international obligations in less than two years. In February 2010 the EC’s announcement of additional exports was the catalyst for the loss of market confidence and world sugar prices subsequently collapsed.”

“It appears history is about to be repeated,” Mr Cristaudo said.

It is important that the European Union’s international obligations are not be overridden by EC regulatory fiat.

ENDS

Contacts:

Alf Cristaudo (Chairman): +61 418 181 204

Warren Males: +61 417 002 325