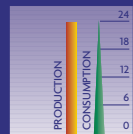
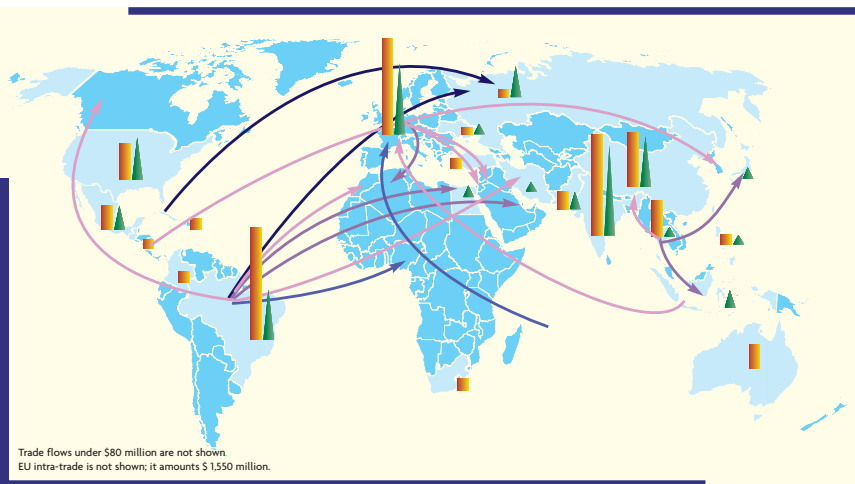


Million metric tons, situation in 2003.



Trade flows of sugar in value, 2002.



Production, consumption and trade of sugar.

The United Nations SITC (revision 2) defines sugar as sugar raw and refined SITC code 061.1 and 061.2.

Derived from two distinct raw materials, sugar is produced under a wide range of climatic conditions in some 120 countries or territories. Sugar beet is grown in temperate regions and sugar cane in tropical and subtropical ones. Sugar cane accounts for approximately 70% of total production of raw sugar.



Sugarcane harvest in the United States.

Sugar cane and sugar beet

Sugar cane is a grass and a perennial crop, with a production cycle of five years. Most cane is milled using the centrifugal method, which yields an impure brown sugar known as raw sugar. Raw sugar can be consumed directly, but most of it is processed into various types of white sugar (refined sugar and a variety of non-refined white sugars – crystals, plantation whites and washed whites). Sugar cane can produce several times more energy and fibre per hectare than any other crop. The principal by-products of sugar cane processing are bagasses and molasses. Sugar beet is an annual root crop. Unlike the processing of cane, the beet production process is designed to yield refined sugar directly.

Dependency

Sugar is a major source of export earnings for a number of developing countries. However, developing countries' share of total sugar exports has declined from 71% during the 1980s to 54% in the 2000s, as a result of increased exports from developed countries. Twelve countries received 10% or more of their total export earnings from sugar during 1995–2000, and an additional five received 5%–10% of their total export earnings from sugar.

International Sugar Organisation (ISO)

The ISO is an intergovernmental organization which administers the 1992 International Sugar Agreement (ISA). It is dedicated to improving conditions on the world sugar market through debate, analysis, special studies and transparent statistics such as sugar production, usage, trade and price series. It holds international forum where producing and consuming countries can exchange their views, and seminars and workshops to increase knowledge and understanding on topics such as health or WTO issues.

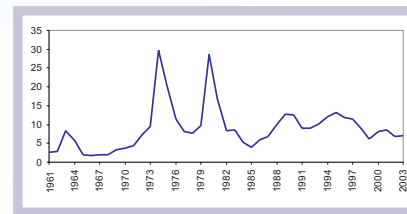


Sugar factory – juice extracted from sugar cane in Haiti.

Sugar prices: a history of volatility

Until 1988, sugar prices were more volatile than those of any other major commodity. The instability index, calculated as the average percentage deviation of prices from their exponential trend, was 58% in the 1970s and 52% in the 1980s – double the figure for food and triple the figure for all commodities.

Annual average of the International Sugar Agreement daily price of sugar, 1961 – 2003 (US cent/lb.)



The main reasons for the instability were the limited size of the free market and the various national systems of protection in place. Since 1989, preferential trade in sugar has lost much of its importance, owing to the drop in Cuba's preferential trade with the former Soviet Union. As a result, preferential trade is now essentially reduced to US quota market arrangements; the barter arrangements between China and Cuba; the European Union's preferential trade regime and the EU "Everything but Arms" initiative for least developed countries. Despite liberalized sugar policies, roughly 80% of world production and 60% of world trade still occur at subsidized or protected prices.

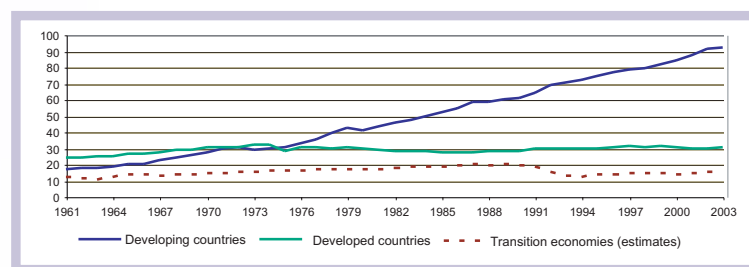
Environmental concerns: organic sugar

Organic sugar is cultivated using methods and materials that have a minimal impact on the environment. Estimated world production of organic sugar in 2001 was around 63,700 metric tons. The leading producers are Brazil and Paraguay, with production also reported in Argentina, Colombia, Costa Rica, Cuba, the Dominican Republic, El Salvador, Guatemala, Guyana, India, the Philippines, South Africa, the United States and the European Union.

Sugar and sweeteners

A major factor in today's reduced sugar consumption is concern about the negative health effects of excessive consumption. Consequently, competition from alternative sweeteners has developed. Health information campaigns and promotion campaigns by sweetener producers have influenced consumer attitudes towards sugar and encouraged the use of substitutes. Another factor is the production cost of other sweeteners, which can be lower than that of sugar. For instance, high-fructose corn syrup has replaced sugar in almost all sodas.

Sugar consumption, 1961–2003 (million metric tons)



Source: FAO, UNCTAD and USDA.

The "Everything but Arms" initiative

In February 2001, the European Union adopted the "Everything but Arms" (EBA) initiative to grant the world's 49 least developed countries preferential access (free of import duties) to the European market for all products except arms. However, this arrangement does not apply fully to three sensitive agricultural products – sugar, bananas and rice – which will undergo progressive liberalization to be completed in 2009.

The current price gap between EU and world sugar prices is substantial, with the EU price up to 2.6 times higher than that on the international market. Thus, the European Union is a very attractive destination for sugar exports.

Since its inception, EBA has contributed to the growth of the sugar industry in Ethiopia, Malawi, Mozambique, Sudan, Tanzania and Zambia, where combined production recently grew by more than 10% in one year. EBA has also stimulated investment in net-sugar-importing countries.

To learn more

UNCTAD/INFOCOMM, Market Information in the Commodities Area www.unctad.org/infocomm

International Sugar Organisation www.sugaronline.com