REPORT

Transformation in the European sugar industry

A leaders' guide to success

Roland Berger

Management summary

The European sugar industry is at a pivotal juncture, facing a convergence of global and regional forces that demand decisive action. On the one hand, the world's appetite for sugar continues to grow, driven by population increases and rising incomes in developing regions. Yet, paradoxically, Europe is on the brink of chronic oversupply, with production capacity outstripping declining domestic demand.

This imbalance is the result of several interconnecting trends. Adverse regulations, heightened sustainability requirements, and shifting consumer preferences have all contributed to a challenging environment for European producers. At the same time, the global sugar market is experiencing increased volatility, with climate change, geopolitical tensions, and supply chain disruptions causing unpredictable swings in prices and availability.

Despite these headwinds, there is reason to be positive. The current challenges present a unique opportunity for transformation. By embracing innovation, diversifying product portfolios, and shifting from supply-driven thinking to a demand-driven approach, European sugar producers can emerge as leaders in a new era of sustainable, value-added growth.

This report explores the key insights and strategic imperatives that will define the future of the European sugar industry. It includes chapters on the global and European sugar markets, challenges and opportunities, and recommendations for producers, which include Roland Berger's strategic framework for transformation. In conclusion, the report calls on leaders to make their own plans, drive the change, and turn today's challenges into tomorrow's opportunities.

Contents

Fast facts

5.2 %

CAGR in the global sugar market through 2029

APAC is the largest, fastest growing region

77 %

of global sugar market revenue comes from sugarcane

1 The global sugar market

The global sugar market is in flux. Demand for sugar – a fundamental dietary ingredient and feedstock for industries – keeps growing, yet the ability to meet this demand is increasingly constrained by a host of demographic, economic, and environmental challenges. Regional disparities are heightening the problem.

PRODUCTION: SUGARCANE DOMINATES BUT SUGAR BEET VALUE NOT FULLY LEVERAGED

Two source crops dominate the global sugar market: sugarcane and sugar beet. Sugarcane accounts for around 77 % of global sugar production, thriving in the (sub)tropical climates of Asia, Africa, and South America. Sugar beet, meanwhile, is cultivated in temperate regions such as Europe, North America, and Russia. It accounts for about 23 % of global output.

Sugarcane enjoys several competitive advantages over sugar beet. It can be harvested multiple times from a single planting, offers higher yields per hectare, and benefits from larger-scale plantation farming. Production efficiency is also higher, and labor and operating costs are generally lower. In contrast, sugar beet requires annual replanting and is more labor-intensive, making it less financially competitive at a global level. However, it does offer advantages in terms of sustainability, requiring less land and water, for example, and being more resource efficient (the whole plant can be utilized). Furthermore, it functions as very good feedstock for the future biobased circular economy.

DEMAND: GLOBAL GROWTH IS STRONG BUT UNEVEN

The global sugar market is expected to grow at a compound annual growth rate (CAGR) of 5.2 % through 2029. ▶ A

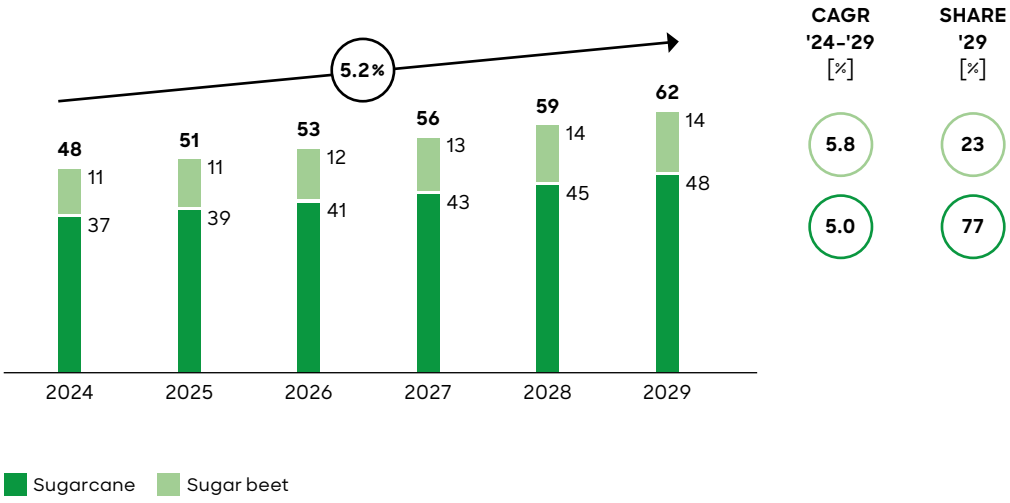
The growth will be unevenly distributed, however, with different regions performing at different levels. The Asia-Pacific (APAC) region is leading the way. Countries such as India, China, Thailand, and Indonesia are driving the APAC market's growth, thanks to their burgeoning populations, rising incomes, and increasing demand for industrial sugar. Indeed, demand from these developing economies is expected to account for the bulk of global demand growth in the coming years, as dietary patterns shift and processed foods become more prevalent. Sugarcane production will benefit most from this demand, as it is the dominant source in the APAC region.

In contrast, developed countries have reached a saturation point in sugar consumption. Health trends, regulatory pressures, and the proliferation of low- and no-calorie sugar alternatives are curbing demand in Europe and North America. As saturation is particularly acute in Europe, a key sugar beet producer, it is this crop that will lose out as the global market grows.

Elsewhere, South America, particularly Brazil, remains a powerhouse in sugar production and export. But domestic demand is relatively flat, and there is a growing shift toward ethanol production. The Middle East and Africa, though smaller in absolute terms, are experiencing rising sugar consumption, albeit constrained by high import dependency and limited domestic production capacity. ▶ B

A The sugar market is expected to grow strongly, with sugarcane remaining the main plant source

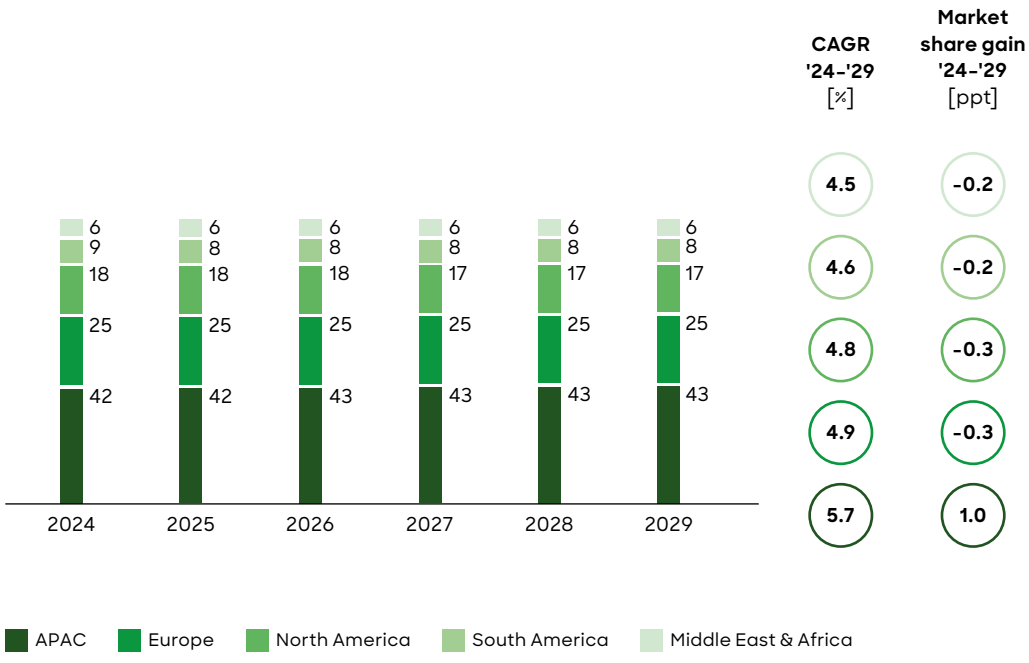
Global sugar market by plant source, 2024-2029 [USD bn]



Source: Technavio 2025: Global Industrial Sugar Market

B APAC is the biggest sugar market and the main driver of growth

Global sugar market by regions, 2024-2029 [% of total]



Source: Technavio 2025: Global Industrial Sugar Market

PRICES: SUPPLY CONSTRAINTS DRIVE HIGH VOLATILITY

Sugar is a globally traded commodity, and its price is subject to considerable volatility. Several factors contribute to this instability.

- Climate and weather events: Extreme weather, such as droughts, floods, and heatwaves, can devastate sugar crops. In recent years, Brazil, India, and Thailand have experienced poor harvests due to El Niño and other climatic phenomena, for example.
- Geopolitical tensions: Trade barriers, export restrictions, and currency fluctuations can disrupt supply chains and amplify price swings.
- Policy changes: Government interventions, such as export quotas and subsidies, can have far-reaching effects on global supply and demand.
- Energy markets: Ethanol production for use in biofuels is an alternative market for sugar, with the price of crude oil influencing its profitability. This particularly affects production in Brazil and India.

These factors have led to dramatic sugar price movements in recent years. After a sharp decline during the COVID-19 pandemic, prices have rebounded strongly, driven by tight supply, adverse weather, and policy interventions. The war in Ukraine, while not directly impacting sugar production, has contributed to broader commodity price inflation, further intensifying the upward trend. In 2024, expansions in cultivation areas in the European Union (EU), rainy weather, low expectations of damage from diseases, and predictions of demand reductions led to a price drop. Between the peak in late 2023 and the beginning of 2025, the benchmark price of raw sugar fell by around a third to roughly EUR 400 per tonne. This decline was halted in 2025 due to reduced production forecasts. The current higher crude oil prices have also influenced sugar production.

FUTURE SUPPLY: THE EMERGING GLOBAL SUGAR DEFICIT

Despite a period of oversupply between 2021/22 and 2023/24 driven by increased production in Brazil, China, and Europe, the global sugar market is now facing a short-term deficit. Production declines in key countries, particularly India and Brazil, are expected as, among other things, more sugarcane is diverted to ethanol production. At the same time, global demand continues to rise, and production in other regions is not keeping pace.

The result is a tightening global sugar balance. In view of the ongoing growth in demand, an overall production recovery (esp. India) is expected in 2025/26.

2 The European sugar market

Europe bucks the global trend when it comes to sugar production. It is already running a sugar surplus, and the problem of oversupply is only likely to increase in the coming years. A look at the continent's market reveals why.

CULTIVATION AND PRODUCTION: WHY THE BEET-BELT FIVE DOMINATE IN THE EU

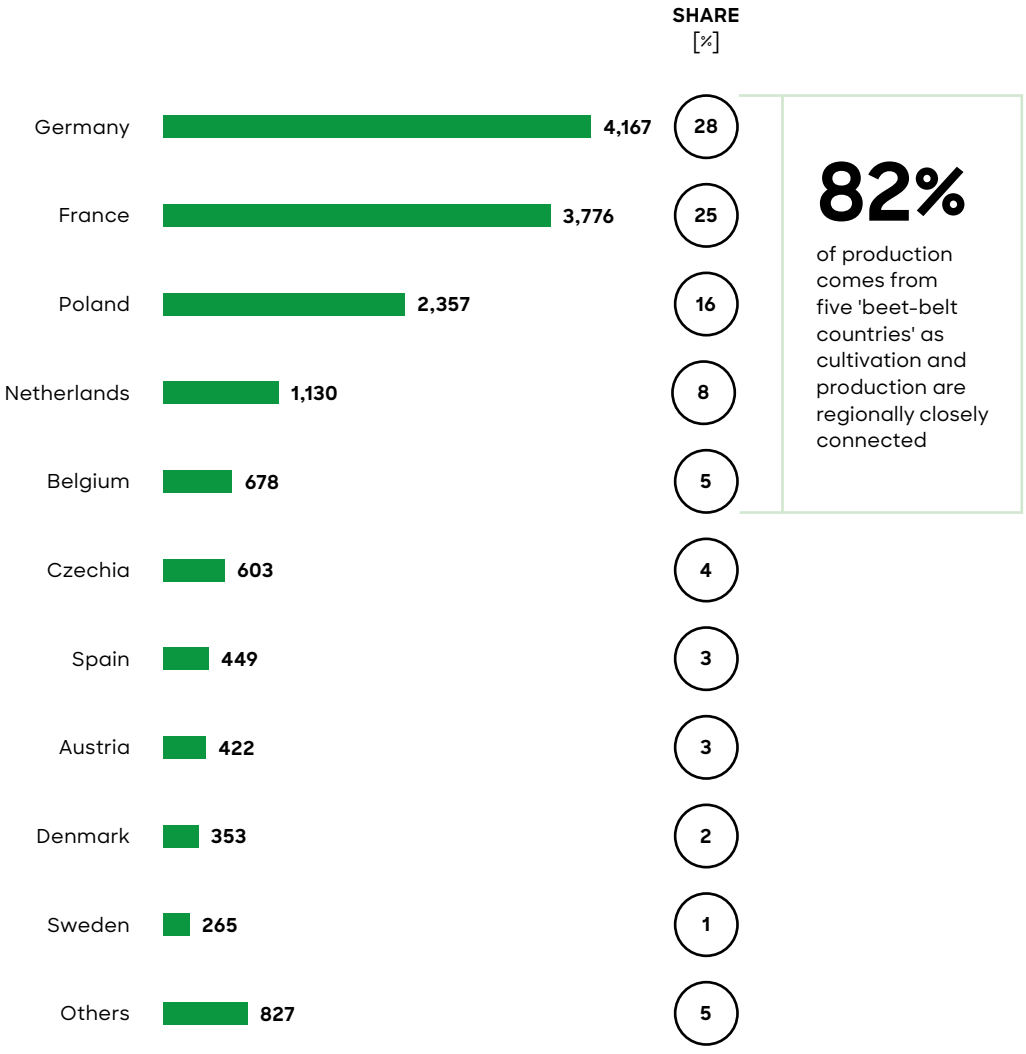
There is 1.5 m hectares of sugar beet cultivation in Europe, which is highly concentrated in five so-called beet-belt countries today: France (28 %), Germany (26 %), Poland (17 %), the Netherlands (5 %), and Belgium (4 %). Together, they account for 80 % of European sugar beet

cultivation. The high concentration is largely the result of a loosening of the EU's former quota regime (completely abolished in 2017). Reductions in quotas triggered a decline in sugar beet production, prompting several countries to restrict or abandon their own cultivation. Instead, they transferred their quota amounts to neighboring states through contract production, largely to the beet-belt five. The countries' dominance has since been sustained by their higher sugar yields per hectare, which ensure better profitability.

The beet-belt five also dominate sugar production. Together, they account for 82 % of EU-27 production, with Germany and France being the clear leaders. The close regional connection between cultivation and production underscores the importance of these countries in the European sugar landscape. ▶ C

C **Germany and France account for more than half of EU sugar production**

EU-27 sugar production by country [k tonnes wet weight]



Source: S&P Global 2025: International Sugar and Sweetener Report

DEMAND AND SUPPLY: FROM DEFICIT TO A LOOMING OVERSUPPLY

As in the global market, the EU-27 experienced a sugar deficit between 2021/22 and 2023/24, with demand exceeding production. The highest deficit, 1.4 million tonnes, occurred in 2022/23. However, a shift has occurred in recent years. In 2023/24, increased cultivation areas and stable yields led to a rise in production, while consumption dropped. For 2024/25, further increases in production are expected, with only a slight recovery in sugar consumption. As a result, experts forecast a reduction in cultivation areas from 2025/26 onward, as the market adjusts to the new reality of oversupply.

MARKET STRUCTURE: THE BIG PRODUCTION PLAYERS ARE STRONGLY LINKED TO FARMERS

The European sugar market is dominated by a handful of major producers, many of which are traditional family businesses or cooperatives. Companies such as Südzucker, Nordzucker, Pfeifer & Langen (German), Tereos, Cristal Union (French), Cosun (Dutch), Krajowa Spółka Cukrowa (Polish), Finasucre (Belgian), and Agrana (Austrian) play central roles. Each is deeply rooted in their region, with sugar beet farmers or cooperatives often the key stakeholders. For example, Südzucker's key stakeholder is SZVG, which holds 55 % of shares and represents around 9,000 farmers, while Cosun is a cooperative with about 8,400 sugar beet growers. Production is highly fragmented and scattered across more than 150 sites, with the majority in the beet belt. While the high number of production sites squeezes profitability, the market is largely resistant to consolidation because of vested interests.

Product diversification has gained traction over recent years. All the big players offer refined sugars, specialty sugars and syrup/liquid sugars, and have added animal feed to their portfolios, derived from sugar beet byproducts. In addition, a valorization toward ethanol, biochemicals, and functional ingredients has gained traction in recent years, while a handful of producers also offer alternative sweeteners.

PRODUCT SEGMENTATION: REFINED SUGAR IS KING BUT BYPRODUCTS HOLD THE POTENTIAL

A total of 84 % of sugar produced in Europe is sold as refined (white) sugar. Refined sugar is thoroughly processed to remove impurities and achieve high purity. It is the most common and widely used type of sugar, characterized by its fine crystalline texture and neutral taste, and is available in fine to coarse particle sizes.

Around 8 % of sugar produced is raw (brown) sugar, a partially refined sugar that contains some of the natural molasses and moisture from sugar beet juice.

Most of the remaining share of produced sugar (5 %) belongs to byproducts. Primary byproducts include beet pulp, lime fertilizer, and molasses, while secondary byproducts encompass animal feed, biogas, ethanol, and vinasse fertilizer. While comparably small in revenue terms, these offer considerable opportunities for diversification (see below).

Lastly, the production of liquid sugar accounts for 2 % of total revenues. It is made by dissolving sugar in water, with the solution then filtered, decolorized, and sterilized. This results in a clear, colorless liquid. Liquid sugar enables a uniform sweetness and a stable texture in final products.

BYPRODUCT VALORIZATION: UNLOCKING THE FULL POTENTIAL OF SUGAR BEET

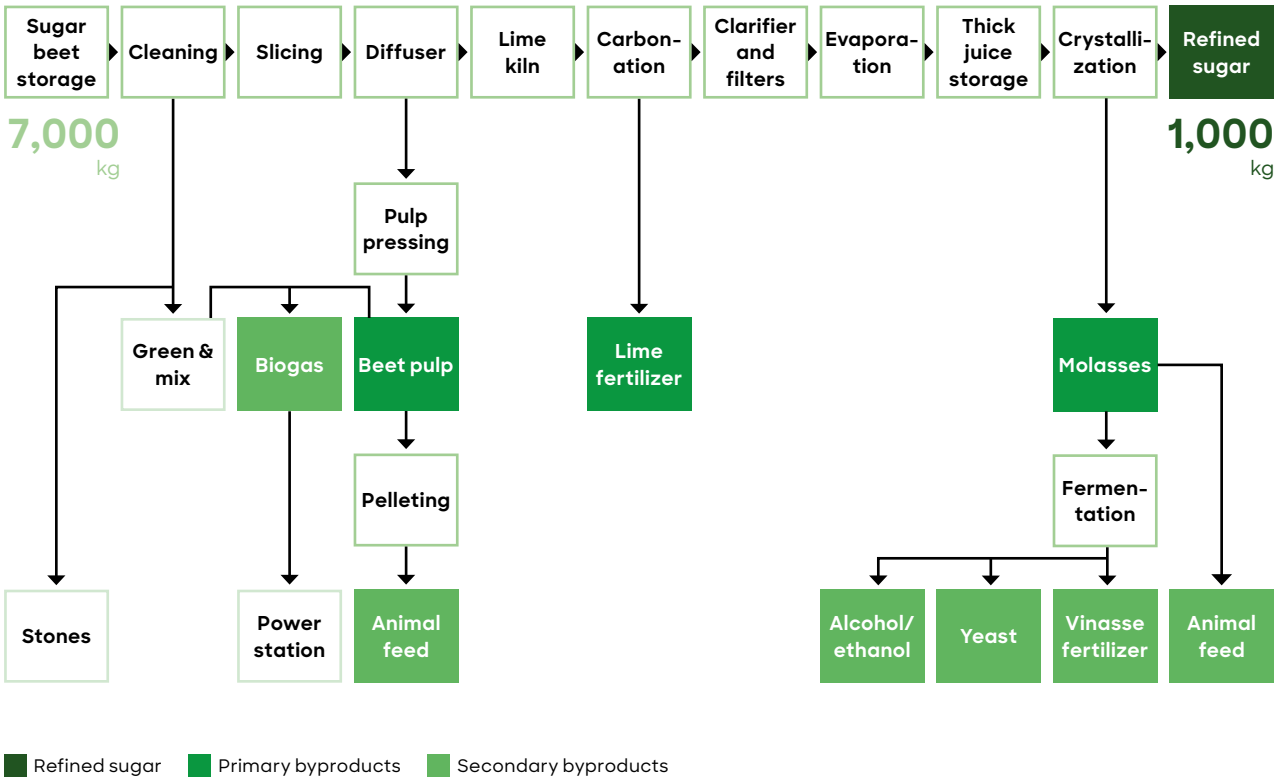
A sugar beet has only 20 % sugar content. Traditionally, EU sugar companies supplied commoditized raw materials to industry using only this content. However, the valorization potential of sugar beet is much broader as the other 80 % of the crop contains valuable raw materials – the primary byproducts – that are extracted while processing sugar:

- **Beet pulp** is the fibrous residue that remains after sugar extraction. It can be converted to biogas or animal feed and sold to the energy and feed industry.
- **Lime fertilizer** is a calcium-rich byproduct from sugar juice purification. It is used as fertilizer and can be sold to the agricultural industry.
- **Molasses** is a syrup left after sugar crystallization, still rich in sugar and minerals. It can be mixed into animal feed to enrich it with minerals and nutrients, further processed into vinasse fertilizer or used for various types of fermentation to produce yeast or alcohol/ethanol.

Sugar beet's primary byproducts therefore offer broad industrial applications. In addition, there is a trend toward further upcycling to secondary byproducts. The opportunities for these are outlined in the next chapter. ▶ D

D The valorization potential of sugar beet extends far beyond refined sugar to numerous primary and secondary byproducts

Valorization overview



Source: Desk research, Roland Berger

SALES CHANNELS: THE FOOD INDUSTRY IS THE BIGGEST CUSTOMER, NON-FOOD RIPE FOR ENTRY

Most sugar in the EU (77 % of total volume in 2023/24) is sold to food and drink manufacturers, who rely on industrial sugar for processed foods and beverages. The top three categories are confectionary, baked goods, and soft drinks/fruit juices/wine. As the food and beverage market grows and diversifies – driven by population growth, urbanization, rising incomes, etc. – the demand for industrial sugar will remain strong.

Retail sales, or "household sugar," represent a smaller segment (13 % of total volume in 2023/24). Since 2012/2013, the term household sugar has been newly defined as sales to end consumers and retail, as well as to wholesalers that further distribute to end consumers through retail chains or to gastronomy and large kitchens.

The non-food industry is still an emerging area, with sugar for use in biofuels, biogas, paper, bioplastics, fertilizers, chemicals, and cosmetics making up only 3 % of total volume in 2023/24. While the food and beverage industry will remain the primary market for sugar, portfolio diversification can help to balance increasing volatility, supply risks, and declining consumption.

3 Challenges and opportunities

The European sugar industry faces a complex array of challenges that threaten traditional business models. But with these challenges come potentially transformative opportunities. This chapter identifies seven key challenges, each demanding a strategic response, and outlines their respective opportunities. Particular focus is placed on the need for diversification. By addressing these head on, industry leaders can not only safeguard their organizations but also position themselves for long-term, sustainable growth.

3.1/ Decreasing consumption

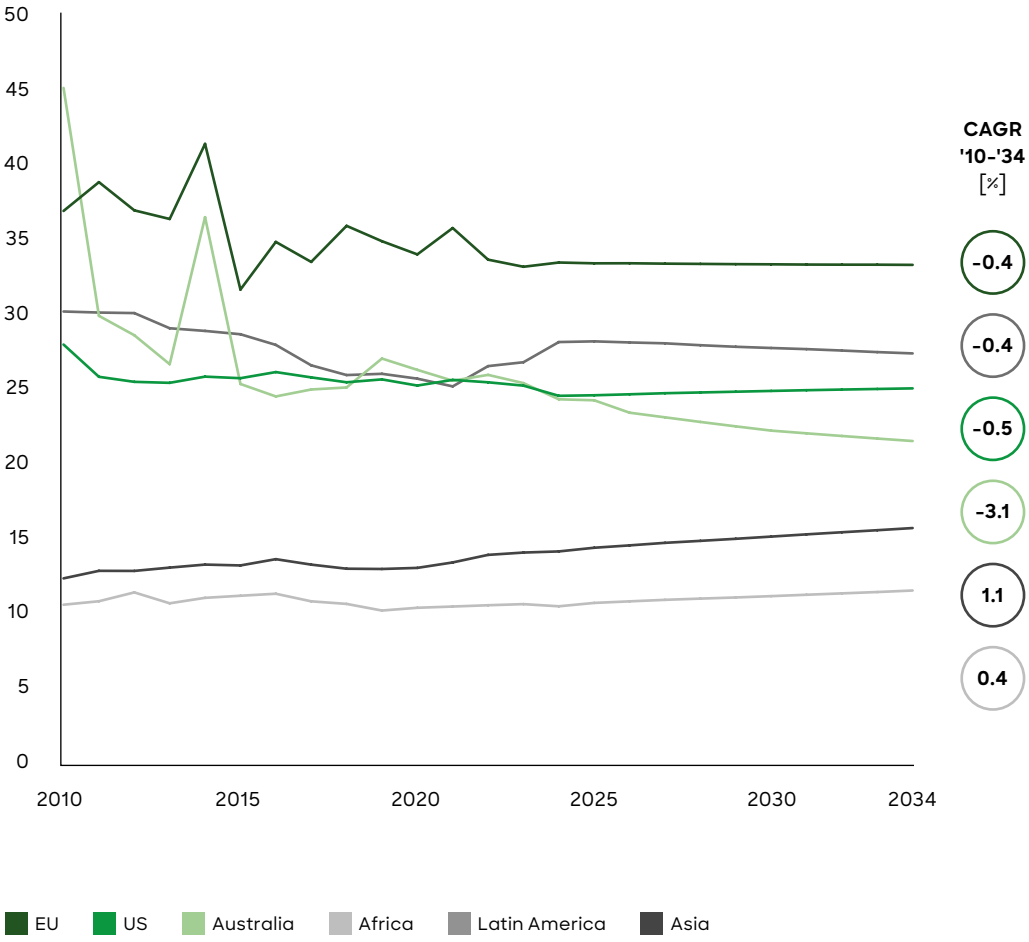
THE CHALLENGE

One of the most pressing challenges is the steady decline in sugar consumption across developed markets, particularly in Europe. This trend is driven by a combination of health-conscious consumers, regulatory pressures, and the proliferation of low- and no-sugar alternatives. The World Health Organization (WHO) and national governments have actively encouraged reduced sugar intake, amplifying public awareness of the health risks associated with excessive sugar consumption, such as obesity, diabetes, and cardiovascular disease.

Long-term forecasts suggest a continuous decrease in sugar consumption in Europe, with a CAGR of -0.4 % through 2034. Health-driven innovation is a key driver of this decline. It is accelerating reformulation across food and beverage portfolios, further amplifying demand for value-added sugar alternatives. Producers are under increasing pressure to adapt, as traditional markets shrink and regulatory scrutiny intensifies. ▶ E

E **Long-term projections indicate a continuous sugar consumption decrease of -0.4% CAGR for Europe**

Sugar consumption, 2010-2034 [kg per person]



Source: OECD-FAO Agricultural Outlook 2025-2034

"The disruptive demand changes enforce a mindset shift toward demand-driven end-to-end thinking, growing the core operating model to a full valorization engine."

Nicolas Wüthrich
Partner

THE OPPORTUNITY

There is a clear opportunity for innovation and differentiation. Producers must invest in marketing intelligence to identify emerging consumer needs and preferences early. Developing sugar-reduced products and services, such as those incorporating microproteins, can broaden positioning as a service provider and foster collaborations with food manufacturers. By expanding into value-adding segments, companies can increase market share, improve profitability, and build customer loyalty through customized solutions. The shift toward healthier products is not just a defensive move – it is a pathway to new growth and competitive advantage.

3.2/ The need for diversification

THE CHALLENGE

The European sugar industry remains heavily reliant on refined sugar as its major product, a position that is increasingly untenable in the face of declining consumption, high competition, insecure raw material supply, volatile prices, and diluted margins. With the market already saturated, the commercial difficulties associated with commodity sugar are unlikely to disappear. Producers must diversify their product portfolios to balance market pressure and reduce dependency on a single revenue stream. Several options exist:

SUGAR ALTERNATIVES

Specialties, consumer trending formats, or customized services are straightforward windows of diversification. For example:

- Branded sugar: Brands drive up margins due to premium market positioning and ensure authenticity and product recognition in the sugar commodity business
- Flavored products: Intensive flavors that are combined with the unique characteristics of sugar offer a great opportunity to improve sweet or hearty meals and beverages
- Nutrition solutions: Consumers actively choose foods that contribute to their well-being. For example, scFOS is a dietary fiber syrup, produced from beet sugar by enzymatic rearrangement
- On-the-go formats: A steadily growing on-the-go trend creates the need for practical, smaller, or resealable product formats
- Convenience products: Sugar remains a core ingredient in many convenience products and precooked meals, adding taste, texture, and shelf-life to these products
- Customized solutions: Innovative recipes or formulas can be offered to strengthen partnerships with retail and industry.

Additionally, organic sugar, particularly from beet sources, is gaining traction as a sustainable diversification strategy. Health-conscious consumers are increasingly looking for clean-label products with transparent, regional sourcing and manufacturing processes. Organic beet sugar already has a better environmental footprint today (by up to two-thirds) compared to organic cane sugar. Climate-neutral sugar production would improve this value even further. However, efficient production and industrial scaling are necessary to realize the full potential of organic beet sugar, while the involvement of regulatory authorities and certification bodies will also be necessary.

ALTERNATIVE SWEETENERS

The sweeteners market has diversified considerably. Products now include: white sugar equivalents (also known as bulk sugars, for example sucrose and fructose); artificial and natural high-intensity sweeteners (HIS, such as aspartame, stevia, and monk fruit) and low-intensity sweeteners (LIS or sugar alcohols, such as sorbitol and erythritol). Specialty sugars, which are similar to regular sugar but have a lower energy content, also play a role (allulose is an example).

Challenges remain, however. Production of LIS and artificial HIS is a scale (cost) game. But there is a potential change in future labeling requirements due to criticism of artificial sweeteners over health concerns. Artificial sweeteners also struggle with flavor, as many

have a lingering sweetness or a licorice-like aftertaste.

Natural HIS and specialty sugars, on the other hand, require advanced technologies, for example fermentation. But increased demand for natural sweeteners and specialty sugars correlates with the increased demand for low-calorie, sugar-free food.

LIS, natural HIS and specialty sugars are the most interesting for sugar players, as they can be produced from sugar as a raw material. Erythritol, monk fruit, and allulose are the most promising in terms of market outlook, application spectrum and characteristics.

FERMENTATION

Fermentation is a promising valorization opportunity for sugar players, with a broad application field. The process involves the microbial or enzymatic conversion of organic substances, such as sugars, into acids, gases, or alcohol. These are used to make food more durable and easier to digest, as prebiotic microbes stay in the final product, promoting healthy gut flora and strengthening the immune system. Sugar plays a multifaceted role in fermentation as the main energy supplier, carbon source, and regulator of the process. For sugar players, it is a great opportunity to broaden their portfolio and service offering.

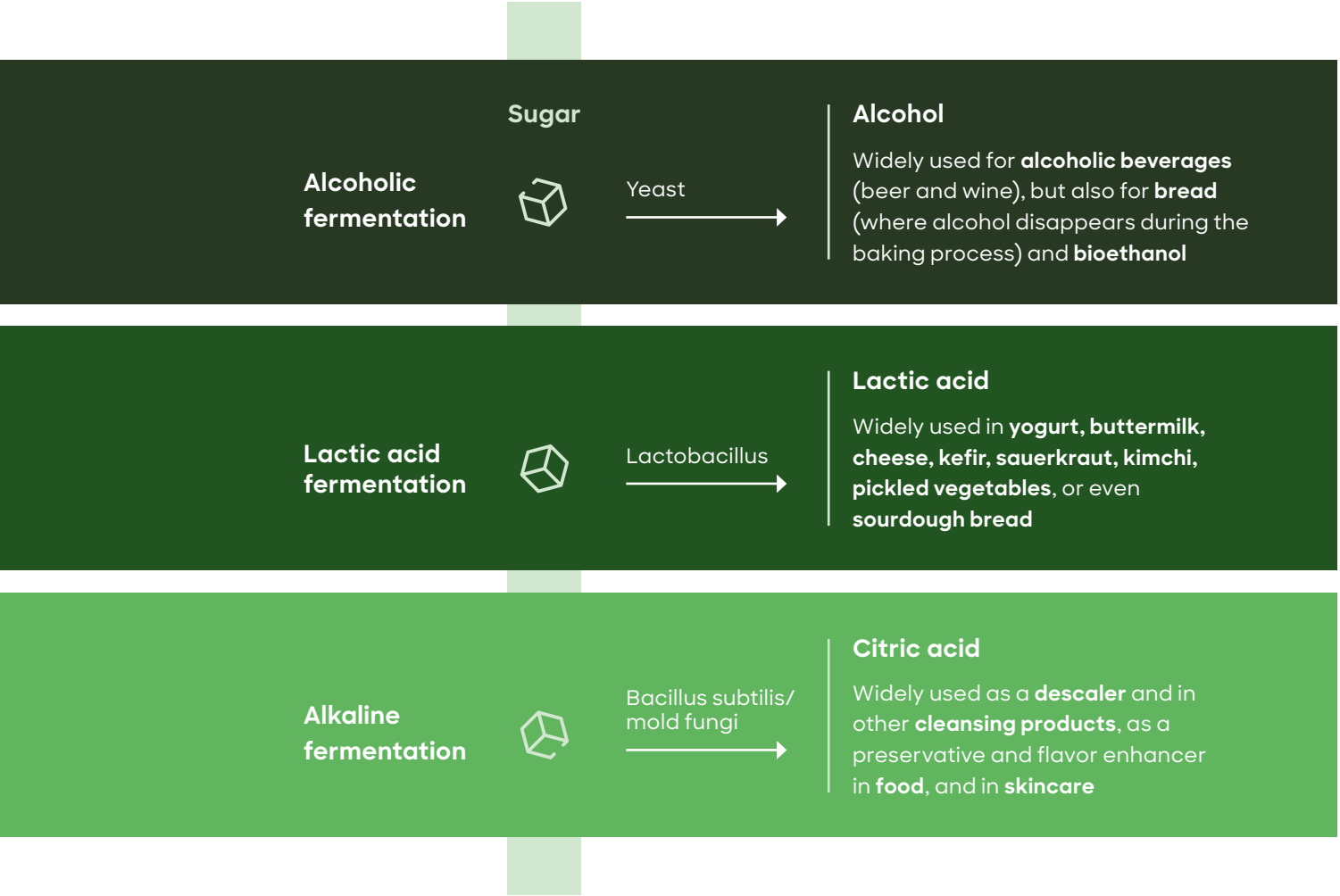
There are three key traditional fermentation processes that use sugar as an input source: alcoholic fermentation, lactic acid fermentation, and alkaline fermentation. The latter are of particular interest to sugar producers, as lactic acid and citric acid are core acidulants, with expected growth of 6 % per annum and relevant industry applications. ▶ F

"Precision fermentation offers game-changing potential for specialty molecules, but economic viability remains challenging for commoditized products, even with significant yield improvements."

Alexander Belderok, Senior Partner

F **The products of sugar fermentation processes have numerous applications**

Traditional fermentation overview with sugar as input source



Biomass fermentation is a new but rapidly growing addition. It uses microbes to generate proteins from glucose, which the sugar industry can produce in bulk. The straightforward and easily scalable process is of great interest to the food industry, as the proteins created are nutritious and functional, and the entire end product can be consumed without further processing.

However, all types of fermentation require expertise, technological capabilities, and scale. Knowledge of strains, microbes, process engineering, and control parameters is essential, while the technologies involved require significant investment. Scale is needed to create a cost structure that can compete with lower-cost players in, for example, China. Mergers and acquisitions (M&A) and partnerships (for example, with licensed tech providers) are a strong option to address these requirements, although there are a limited number of M&A targets so far. Ultimately, in-house capabilities will be key to fully anchor fermentation in a sugar company.

So-called precision fermentation offers a future incentive. The in-development process uses genetically engineered microorganisms to produce "natural" food ingredients such as fats and proteins from sugars, a big attraction to the food and beverage industry. In theory, any natural molecule with known genetic code can be produced. However, significant challenges with price parity, consumer acceptance, and regulation remain (see *The promise of precision fermentation*).

BIOCHEMICALS/BIOTECHNOLOGY

Biochemicals is another valorization opportunity, even if early stage. Sugar beet's sucrose and fiber can be transformed into a wide range of biochemicals, either platform chemicals (such as lactic acid) or advanced biochemicals (including plant-based alternatives to petrochemicals, like PLA). The production of bioethanol is of particular interest to sugar players, as many produce ethanol already. Bioethanol can in turn be used to produce ethylene, a key platform chemical in the petrochemical sector.

There are two main options for sugar players in the sector:

- As long-term suppliers of raw material to biochemical or biotech companies, investing in both platform and advanced biochemicals production. Industry examples include Südzucker's agreement to supply feedstock to biotech company Afyren to make organic acids, and a deal between Tereos and Belgium-based Futerro to produce biobased platform molecules, such as lactic acid, and recyclable bioplastic, including PLA.
- Integrating downstream to produce platform chemicals directly from sugar. For example, Südzucker's subsidiary CropEnergies produces bioethanol and ethyl acetate (a platform chemical), providing a plant-based alternative to fossil-based solvents. Process byproducts include hydrogen and biogenic CO_2, which can be used for renewable energy conversion.

Beyond these options, the industry has also started various initiatives to drive upcycling, including dedicated product lines, subsidiaries, and R&D/innovation platforms. Examples include Cosun's Fidesse product line, which offers fiber ingredients, and Finasucre's Galactic subsidiary, which uses fermentation to produce lactic acid for the food and feed industry.

THE OPPORTUNITY

Product diversification offers a promising avenue for growth. To succeed, producers need to invest in targeted R&D for functional ingredients and biotechnological innovations. Strategic partnerships with food manufacturers and other essential industry partners or a smart M&A strategy targeting new market entrants could be good ways to diversify portfolios into very specific segments. Doing so can open new growth areas in sugar-independent segments, helping to meet current consumer preferences, stabilize profits with attractive margin profiles, and reduce the volatility risks of commodity sugar. In-house capabilities and collaborations will be needed to drive such diversification sustainably.

3.3/ Price volatility and insecure sourcing

THE CHALLENGE

The volatile and continuously increasing price of sugar beets are a result of external pressures and challenging purchasing conditions between farmers and producers.
External pressures come mainly from:

- Unpredictable climate and weather: Extreme droughts, floods, and heatwaves are increasingly frequent, reducing yields and tightening supply
- Geopolitical tensions and trade barriers: Export restrictions and tariffs disrupt global supply chains and restrict availability
- Rising energy and input costs: Fertilizer, fuel, and electricity costs inflate production expenses, leading to higher sugar beet prices
- Currency fluctuation: As sugar is traded globally in USD, unfavorable exchange rate shifts amplify import costs in Europe.

Purchasing conditions are made challenging due to:

- Long planning cycles with high uncertainty: Producers need to plan one year ahead how much raw material they might need and expect to receive
- Variable pricing and volume conditions: Long-term contracts (1-3 years) are typical but contain variable purchasing conditions that increase uncertainty for producers
- High dependency on sugar beet harvest: The harvest is only once a year, complicating planning, while the purchasing price depends on harvest quantity and quality
- Reduced number of farmers: Numbers are drastically declining (down by a fifth in Germany between 2017/18 and 2024/25), adding pressure on raw material availability, especially because sugar beet cannot be transported more than 100 km
- Lack of innovation in seeding: New seeding technologies are more crucial than ever to make cultivation more robust, efficient, protected, and sustainable
- Crop competition in cultivation: Land-use competition has intensified, due to reasons such as policy incentives for diversification.

Since quota abolition in 2017, sugar beet producer prices have increased by 47 %. The increase is expected to flatten in the coming years (+13 % by 2034).

THE OPPORTUNITY

To address these risks, producers must establish trustful partnerships with farmers, invest in AI-driven forecasting models, and create value chain transparency. Integrated planning and end-to-end thinking can help neutralize price volatility, reduce costs, and stabilize the quality and quantity of sugar beets. By optimizing supply chain operations, companies can improve margins and ensure a more resilient business model.

3.4/ Adverse regulations

THE CHALLENGE

The regulatory environment for sugar in Europe is increasingly complex and challenging. Trade-distorting subsidies, coupled payments, and the prolongation of special terms for

countries such as Ukraine create competitive imbalances. For example, the EU has opened its market to imports from around 100 countries, many of which benefit from direct or indirect subsidies. And within the EU, coupled support for sugar beet continues in 11 out of 19 cultivating countries, leading to differing competitive conditions. Additional regulations, such as plant protection requirements, sugar taxes, labeling, and restrictions on gene editing, further complicate the landscape.

THE OPPORTUNITY

Producers can turn regulatory challenges into opportunities by conducting gap analyses, reassessing product portfolios, and developing differentiated offerings. Given the volatility of the sugar market, robust scenario planning and risk management are critical.
Companies should:

- Conduct regular gap analyses to identify vulnerabilities and opportunities
- Develop differentiated offerings to escape commodity traps and reduce exposure to price swings
- Use scenario planning to anticipate regulatory changes, supply shocks, and market shifts
- Diversify portfolios to include sugar-reduced and non-sugar products, naturally reducing risk
- Take a proactive approach to risk management to help their organization remain agile and resilient in the face of uncertainty
- Develop a new country strategy to leverage opportunities around import/export conditions.

3.5/ Sustainability

THE CHALLENGE

Rising energy prices and stricter sustainability requirements are putting significant cost pressure on sugar producers. Energy is among the most expensive costs for producers, with electricity prices having more than doubled in the last three years. The EU's Renewable Energy Directive (RED III), Green Deal, and Fit for 55 initiatives mandate substantial reductions in greenhouse gas emissions and increased use of renewables. Compliance with these regulations requires costly investments in cleaner technologies and sustainable agricultural practices.

THE OPPORTUNITY

Sustainability is not just a regulatory requirement – it is a source of competitive advantage. Producers can leverage byproducts for renewable energy, such as biogas, aligning with decarbonization and circular economy goals. They can also implement sustainable agricultural practices to meet regulatory and consumer expectations. In addition, financial support for new technologies can offset investment costs, while transparent, sustainable practices can enhance brand reputation and consumer trust. Lastly, proactively addressing environmental, social, and governance (ESG) topics can improve operational efficiency and grant access to incentivized investments.

3.6/ High investments

THE CHALLENGE

Most of the EU's sugar processing plants are old and inefficient. But product and process innovation, digitalization, and infrastructure upgrades require substantial capital investment. To thrive in a volatile and competitive market, sugar producers must embrace digital transformation and process innovation. Potential tools include:

- AI-driven crop yield optimization: Using satellite imagery, drones, and soil sensors to monitor beet growth and predict optimal harvest dates, fertilizer needs, and expected sugar content
- Predictive maintenance: Deploying sensors and AI on factory equipment to detect anomalies and schedule maintenance before breakdowns occur, minimizing downtime and costs
- Smart manufacturing systems: Integrating real-time monitoring of energy use, throughput, and quality parameters across plants, enabling rapid adjustments to changing input quality or market demand.

These technologies not only improve efficiency and reduce costs but also enable greater flexibility and responsiveness - key attributes in a market characterized by uncertainty and change. But the return on investment (ROI) must be carefully assessed.

THE OPPORTUNITY

Effective capital allocation is key. Producers should right-size their workforce and overhead costs, invest in technical process innovation, and allocate resources to diversification opportunities based on commercial attractiveness. Lean organizational structures focused on attractive segments can enhance operational flexibility and product quality. By building a state-of-the-art organization, companies can position themselves for long-term success in a rapidly changing market.

3.7/ Market consolidation

THE CHALLENGE

The European sugar market needs to consolidate, especially in production capacities, due to changing consumption patterns, stricter regulations, declining willingness to invest, and volatile prices. Companies must decide whether to take an active or passive role in this process, as consolidation can impact raw material access, production site utilization, and overall profitability. They may also have to navigate opposition to consolidation from national and agricultural interests.

THE OPPORTUNITY

Market consolidation offers opportunities to secure raw material supply, build strategic alliances, and optimize production site strategies. Examples include:

- Collaborations with farmers: Building trust-based relationships to ensure stable supply, quality, and innovation in raw material sourcing

- Alliances with competitors: Forming regional alliances to optimize production site utilization, reduce raw material competition, and achieve economies of scale.

Strategic consolidation can lead to higher market shares, balanced business planning, and enhanced operational efficiency.

4 Recommendations

The European sugar industry's future will be shaped not only by its ability to recognize challenges, but by how decisively and creatively its leaders respond. The following strategic responses and leadership imperatives, derived from the analyses of challenges and opportunities in the previous chapter, are designed to guide industry stakeholders through the market transition, ensuring resilience, growth, and long-term value creation.

MINDSET CHANGE: SHIFT FROM A SUPPLY-DRIVEN TO A DEMAND-DRIVEN APPROACH

Historically, the European sugar industry has operated with a supply-driven, siloed mindset – focused on managing incoming sugar beet supply and optimizing internal operations. However, the new market reality demands a shift toward demand-driven, end-to-end thinking. This means repositioning the business as a full valorization engine: one that not only processes sugar but also maximizes the value of every output, byproduct, and partnership.

In short, this transformation requires:

- Breaking down silos between supply, production, and sales
- Understanding consumer and client needs and translating these into concrete product offerings/services
- Developing a business case with the best product mix in terms of operational efficiency and financial attractiveness
- Building newly required competencies and technologies in-house, opening R&D centers, developing innovation platforms, or identifying relevant M&A targets
- Investing in integrated planning to leverage the value chain from farm to fork.

By embracing this approach, sugar producers can unlock new revenue streams, improve operational efficiency, and build a more resilient business.

VISION AND ROADMAP: LEADERS MUST FOCUS ON WHERE TO PLAY AND HOW TO WIN

Ultimately, the future of the European sugar industry will be determined by the vision and leadership of its stakeholders. A robust roadmap, grounded in scenario planning and stakeholder engagement, will be essential for translating vision into action. Leaders must be willing to challenge the status quo, invest in new capabilities, and actively shape the market transition. Clear answers on three fundamental questions can help:

What
is your vision?

- What are the shareholders' expectations in terms of risk/return, time horizon, and portfolio composition?
- What is the aspiration regarding sugar?
- What are your key capabilities? What is your current competitive position?
- Which sectors are a good fit with your DNA?
- What adjacent markets should be explored?

Where
will we play?

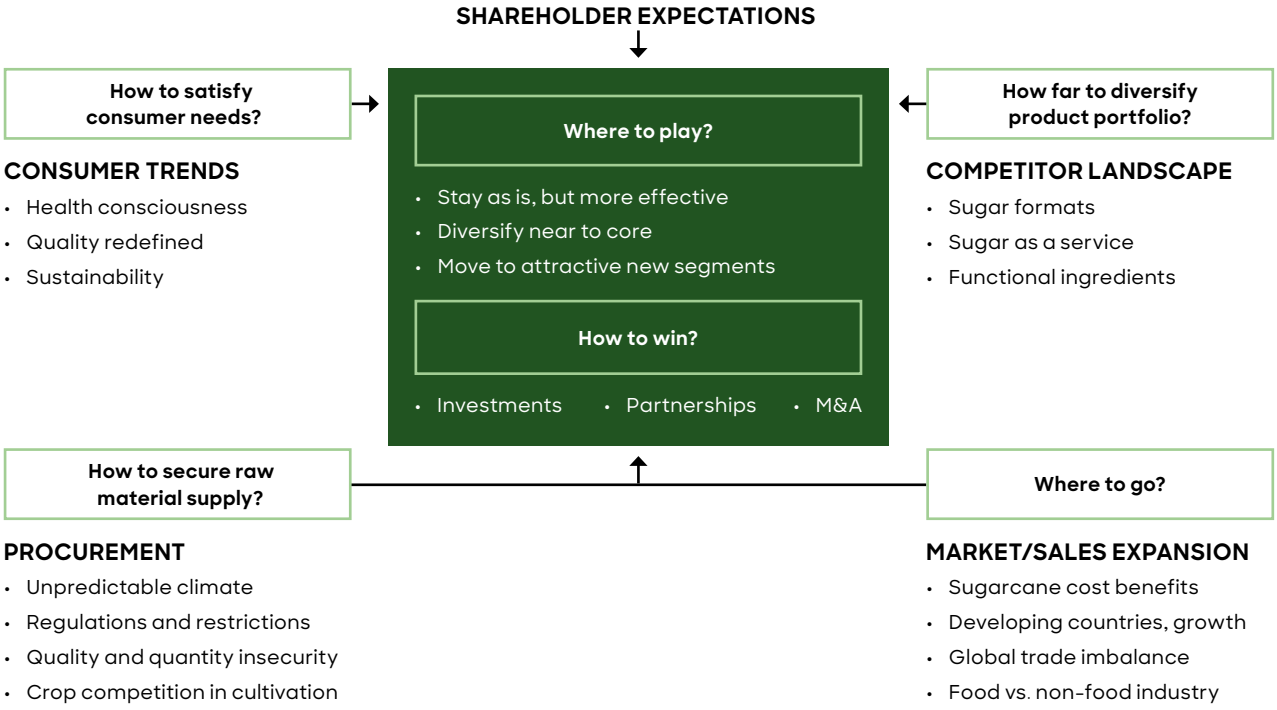
- How attractive are your current market segments?
- What are the underlying market trends?
- How should you anticipate and react to market developments (growth, regulation, etc.), market maturity, and client/competitor dynamics?
- Which adjacent market segments are most attractive and which ones fit best with you? How far will you go?
- How can you increase valorization?

How
will we win?

- How can you approach the selected market segments? What should the volume allocation look like?
- Should any partnerships be established? Should any investments/divestments be made? When? Is M&A an option?
- What will the business plan be going forward?
- What is the required investment strategy?
- What concrete roadmap should you follow?

Roland Berger's strategic framework for sugar producers incorporates structured solutions to these questions, forming the basis of a roadmap for future success. ▶ G

G Roland Berger's strategic framework outlines how to respond to pressures with winning solutions



TRANSFORMATION PLAN: THE FOUR STEPS TO FUTURE GROWTH

To help sugar producers successfully prepare and execute their roadmap, Roland Berger has developed a clear and structured plan consisting of four key steps:

Pre-transformation

- Assess the current status of the business and develop scenario planning
- Define a turnaround plan with clear ambitions and full commitment among stakeholders.

Transformation

- Set up an independent project management office (PMO) with appropriate capacity and a direct report to the board
- Work on strategic directions long term, as well as operational improvements and quick wins short term
- To support strategic directions, cautiously assess financial attractiveness, cultural fit, and ease of implementation.

Critical momentum

- Develop a prioritized roadmap to success
- Establish clear milestones and continuous steering to ensure the sustainable realization of transformation measures
- Think about how to retain the motivation and speed of key PMO stakeholders to maintain operational excellence.

Strategic growth

- Use financial leeway to make properly targeted strategic investments
- Continuously focus on margin-attractive business fields and assess opportunities through market consolidation/M&A/partnerships.

Conclusion

The European sugar industry needs to change. The abolition of EU quotas and shift to a demand-driven market has exposed both vulnerabilities and new avenues for growth, leaving producers with big decisions to make. As this narrative has shown, the challenges are formidable. Yet within each challenge lies the seed of opportunity. It is time for producers to act.

FOCUS ON LEADERSHIP

The future of the European sugar industry will be determined by the vision and decisiveness of its leaders. Those who recognize the necessity of transformation, who are willing to invest in innovation, sustainability, and digitalization, and who can forge strong partnerships across the value chain, will be best positioned to thrive. The industry must move beyond traditional boundaries, embracing an end-to-end valorization model that maximizes the value of every output and byproduct.

THINK STRATEGY

Success will require clear answers to fundamental strategic questions: Where to play? How to win? What is our vision? Companies must assess the attractiveness of current and adjacent market segments, anticipate regulatory and market developments, and build the capabilities needed to differentiate and lead. Diversification – into alternative sweeteners, upcycled byproducts, specialty products, and sustainable offerings – will be essential for reducing risk and capturing new growth.

PUSH SUSTAINABILITY AND DIGITALIZATION

Sustainability is a core driver of competitiveness and access to capital. Proactively addressing ESG topics will enhance operational efficiency, reputation, and stakeholder trust. Digital transformation – through AI-driven crop optimization, predictive maintenance, and smart manufacturing – will enable greater agility, efficiency, and responsiveness.

BUILD AN ECOSYSTEM

Strategic alliances with farmers, competitors, food and biotech companies, and energy providers will be crucial for securing supply, accessing innovation, and expanding into new markets. Open innovation platforms and joint R&D initiatives can accelerate transformation and resilience.

SEIZE THE MOMENT

By embracing change, investing in new capabilities, and leading with purpose, industry stakeholders can turn today's challenges into tomorrow's opportunities. The imperative is clear: make your own plans, lead the change, and build a future-ready organization that thrives in the new sugar economy.

For those willing to act, the rewards–sustainable growth, resilience, and leadership in a transformed market–are within reach.

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Further reading

- *THE PROMISE OF PRECISION FERMENTATION: CAN IT REALLY CHANGE THE GAME?*
- *THE COMPLEX SHIFT TO NATURAL INGREDIENTS*

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ROLAND BERGER is one of the world's leading strategy consultancies with a wide-ranging service portfolio for all relevant industries and business functions. Founded in 1967, Roland Berger is headquartered in Munich. Renowned for its expertise in transformation, innovation across all industries and performance improvement, the consultancy has set itself the goal of embedding sustainability in all its projects. Roland Berger generated revenues of around 1 billion euros in 2024.

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