

SUGAR SECTOR

ACQUIS SCREENING
CROATIA & TURKEY
BRUSSELS, 5 DECEMBER 2005

HISTORY OF CMO

- Introduced in 1968
- Revisions every 5 years
- From net importer into net exporter
- UK accession (1973) – ACP Protocol (1975)
- 1977: isoglucose
- 1994: inulin syrup
- 1995: GATT Uruguay Round
- 2001: minor simplification
- 2006: reform

MAIN PRODUCTS COVERED

Article 1(1) of Regulation 1260/2001

- Beet or cane sugar (CN code 1701)
- Sugar beet (CN code 1212 91)
- Sugar cane (CN code 1212 92)
- Isoglucose (CN code 1702 30 10, etc.)
- Inulin syrup (CN code 1702 60 80, etc.)
- Molasses (CN code 1703)

EU PRODUCTION

- Sugar beet area: 2.1-2.2 million ha
 - Sugar beet harvested: 120-130 million t
 - Sugar produced: 20 million t (2004/05)
 - White sugar yield: 8.5 t/ha (4 year average)
 - Isoglucose produced: 500 000 t
 - Inulin syrup produced: 240 000 t
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- Non producer MS: CY, EE, LUX, MT

CURRENT SUGAR REGIME

Basic Regulation of the current Common
Market Organisation:

COUNCIL REGULATION (EC) No 1260/2001

Expires: 30 JUNE 2006

Marketing year: 1 July – 30 June

MAIN INSTRUMENTS

■ **Guaranteed prices**

- White sugar intervention price: 631.9 €/t
- Raw sugar intervention price: 523.7 €/t
- Basic sugar beet price: 47.67 €/t
- Minimum beet price: 46.72 €/t ('A') or 32.42 € ('B')

■ **Production quotas** (sugar, isoglucose, inulin)

- « A » and « B » quotas
- Over quota: « C » sugar (export obligation)

■ **Intervention buying-in**

■ **Interprofessional agreement**

■ **Production refund for chemical industry**

MAIN INSTRUMENTS

- **Producers' financial responsibility** (levies)
- **Export/import rules**
- **Preferential imports** (ACP, Western Balkan, EBA)
- **Refining regime**

QUOTA SYSTEM (R1260/2001)

- Fixed per product and Member State (region)
- Sugar quota: 17.4 mio t (82% A and 18% B)
- Isoglucose quota: 507 000 t
- Inulin syrup quota: 320 000 t
- Total sweetener quota: 18.3 mio t
- Consumption: 16 mio t

- « A » / « B » quota: difference in levy payable

QUOTA SYSTEM

Detailed rules: R 314/2002

- MS allocates quota for undertakings
- Undertakings distribute it among factories
- Beet to be delivered: interprof. agreements
- Strict production control (competent authority)
- Carry forward to next marketing year
- Eventual quota cut – ‘declassification’
- Communication (also Reg. 779/96)

Interprofessional agreement

Annex III of Reg. 1260/2001

- Terms for buying sugar beet
- Framework rules
- Sugar beet delivery rights
- Quantities to be delivered
- Payment of premium
- Beet reception points, transport costs
- Pulp delivery
- Min. sugar content and determination of gross weight, etc.

EXPORT/IMPORT RULES

- Exp/imp – licence compulsory
- General rules: Reg. 1291/2000
- Detailed rules: Reg. 1464/1995
- Export refund/levy
- WTO limits: 1.273 mio t and 499 mio €
- Common detailed rules: Reg. 800/1999
- Export tender: standing invitation to tender opened per marketing year (Reg. 1138/2005)
- Management Committee for Sugar

PREFERANTIAL TRADE

- **Import tariff** (419 €/t – white sugar, 339€/t – raw)
- **Additional import duty** (R 1422/95 and R 1423/95)
- Refiners' supply: **Max. Supply Needs** – 1.8 mio t
- ACP/India Protocol: 1.3 mio t
Price guarantee: 523.7 €/t (raw) and 645.5 €/t (white)
- CXL quota: 85 000 t (98€/t)
- EBA: unlimited as from 2009
- SPS
- 'Balkans' Initiative

SUGAR REFORM

- Political agreement in Council (24.11.2005)
- Preceded by two years of discussions
- Forced by internal
 - Status quo not sustainable
 - CAP reform process
 - Expiry of R 1260/2001
- and external factors
 - WTO compatibility (panel ruling)
 - EBA: full access from 2009

SUGAR REFORM: OBJECTIVES

- Improve competitiveness and market orientation
- Create a sustainable market balance in consistency with the EU's international commitments
- Bring the sugar regime in line with the CAP reform process
- Long-term policy framework (2014/15)
- Budget neutrality

SUGAR REFORM: PRICES

- Entry into force: 1 July 2006
- New marketing year: 1 Oct / 30 Sept
- Intervention abolished → reference price
- Price cut: 36% over 4 years
- White sugar reference price: 404.4 €/t (09/10)
- Raw sugar reference price: 335.2 €/t
- Minimum sugar beet price: 26.3 €/t

Timing of price cuts

		2006/07	2007/08	2008/09	2009/10	from 2010/11 onwards
PRICES						
Reference price (Price at consumer level)	(€/t)	631,9	631,9	524,0	404,4	404,4
Reference price at producer level (net of restructuring amount)	(€/t)	505,5	458,1	410,7	404,4	404,4
Reference price (raw sugar, ACP sugar protocol)	(€/t)	496,8	496,8	434,1	335,2	335,2
Cumulative reduction in reference price at consumer level	%	0%	0%	17,1%	36%	36%
Cumulative reduction in reference price at producer level	%	20%	27,5%	35%	36%	36%
Cumulative reduction in raw sugar price	%	5%	5%	17,1%	36%	36%
Minimum sugar beet price	(€/t)	32,9	29,8	26,7	26,3	26,3

SUGAR REFORM: QUOTAS

- 2006/07-2009/10: intervention maintained as a transitional measure at 80% of ref. price
- « A » and « B » quotas are merged
- Out-of-quota production: specific destinations
- « Super levy »
- 1 100 000 t quota can be purchased (730€/t)
- Isoglucose quota increased by 300 000 t
- 100 000 t isoglucose quota can be purchased
- Compulsory quota cut end of transition
- Carry forward and withdrawal

RESTRUCTURING SCHEME

- Voluntary
- Incentive to encourage less competitive producers to leave the sector
- Provide resources to cope with consequences of factory closures
- Aid: 730, 730, 625, 520 €/t (2006/07-09/10)
- Levy: 126.4, 173.8, 113.3, 0 €/t
- At least 10% of the aid reserved for growers
- 2008 – Commission report

REFINERS

- TSN (Total Supply Needs) fixed at EU level
- TSN allocated per MS 2006/07-08/09
- Minor increase for two MS
- Transitional aid for full time refiners up to 2009/10

OTHER MEASURES

- Direct payment to growers (64.2% on average)
- Private storage support (as from 2009/10)
- Sugar price reporting system
- Chemical industries: access to out-of-quota sugar (or production refund, or TRQ)
- Sugar beet eligible for energy crop aid: 45€/ha
- Production charge: 12 €/t (2006/07)

CONCLUSIONS

- Reform should enhance competitiveness
 - Coherent with the rest of the CAP
 - Ensures regular sugar supply
 - Income stability for farmers
 - Compliance with WTO rules
 - Budget neutrality
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- http://europa.eu.int/comm/agriculture/capreform/sugar/index_en.htm

OTHER RELEVANT RULES

- Council Directive 2001/111/EC relating to certain sugars intended for human consumption
- First Commission Directive 79/796/EEC laying down Community methods of analysis for testing certain sugars intended for human consumption
- Commission Regulation (EC) No 3300/94
- Commission Regulation (EC) NO 60/2004