

Sugar: common organisation of the markets

CMO

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PURPOSE: (i) to preserve structural market balance by refining rules on temporary sugar **withdrawal** and (ii) to improve the voluntary restructuring scheme in the sugar sector in order to create a further incentive to participate in the scheme;

LEGISLATIVE ACT: Council Regulation (EC) No 1260/2007 amending Regulation (EC) No 318/2006 on the common organisation of the markets in the sugar sector

BACKGROUND: to recall, one of the key objectives of the sugar market reform, as set out in Regulation (EC) No 320/2006, is to enable the least competitive sugar producers to give up their quota production. This was to have been achieved by taking out about 6 million tons of quota in order to ensure a better equilibrium of the sugar market. However, the renunciation of quotas under that Regulation has not reached the level that was initially expected. Unfortunately, in year two of the scheme, producers only renounced about 0.7 million tons of sugar, well below the target of 5 million tons and way below what is necessary to balance the market. Forecasting an over supply of about 4 million tons, the Commission decided in March to withdraw at least 13.5 percent of quota sugar, or about 2 million tons.

CONTENT: in view of the failings outlined above the Community has decided to reform the sugar sector by amending two key Regulations.

1. The first concerns the **restructuring** of the sugar market. See [Council Regulation \(EC\) No 1261 amending Regulation \(EC\) No 320/2006 establishing a temporary scheme for the restructuring of the sugar industry in the Community.](#)
2. The second concerns the question of **withdrawal** and is the subject of this summary.

Council Regulation (EC) No 318/2006 governs the instrument of **withdrawal** whereby, in order to maintain the structural balance of the market, the Commission may decide to withdraw sugar from the market. Under provisions set out in the Regulation the Commission is to decide by the end of February 2010 on carrying out a linear reduction of national and regional quotas, with a view to adjusting these quotas to a sustainable level after the expiry of the restructuring scheme. Further, provisions set out in Regulation (EC) No 320/2006 provide the possibility for growers of beet and cane (intended for quota production) to submit a direct application for restructuring aid – on condition that they cease to deliver sugar to the undertakings to which they were bound by delivery contracts in the previous marketing year.

As a result of the acceptance of such applications, Member States are to reduce the quota of the undertakings concerned within the limit of the 10 %. It is in this context that amendments have been approved in order to allow for the definitive reduction of quotas allocated to the undertakings.

The purpose of this proposal, therefore, is to abolish the provision according to which traditional supply needs for refiners will be reduced in case of a withdrawal. It will apply as from the marketing year 2007/2008. More specifically the amending Regulation:

- introduces a system of thresholds – moving away from a system which reduces the level of sugar effectively produced under quota;

- concludes a first decision before sowing takes place, possibly completed by a further withdrawal in October, based on updated data;
- takes account of those Member States who have participated in the restructuring regime. The threshold in those Member States should be adapted in proportion to the quota renounced, with a modulation between undertaking according to their individual restructuring effort;
- seeks not to reduce the traditional supply needs in relation to the withdrawal.

ENTRY INTO FORCE: 30 October 2007.