

Temporary scheme for the restructuring of the sugar industry in the Community

2007/0085(CNS) - 09/10/2007 - Final act

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

LEGISLATIVE ACT: Council Regulation (EC) No 1261/2007 amending Regulation (EC) No 320/2006 establishing a temporary scheme for the restructuring of the sugar industry in the Community.

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 and is the subject of this summary.
2. The second concerns the question of **withdrawal** as set out in the Regulation on the common organisation of the sugar sector. See [Council Regulation \(EC\) No 1260 amending Regulation \(EC\) No 318/2006 on the common organisation of the markets in the sugar sector](#).

Thus, the specific purpose of this Regulation is to amend the **restructuring** scheme and to increase the renunciation of quotas under that scheme. It also seeks to remove any uncertainty vis-à-vis the amount of aid to be reserved to growers and machinery contractors.

More specifically, this amending Regulation:

- fixes the amount of aid to be reserved to growers and machinery contracts at 10% of the aid to be granted to sugar undertakings;
- sets up a two-phase application procedure which should allow undertakings who decide up until 31 January 2008 to renounce a part of their quota, corresponding to at least that withdrawal percentage, to submit a second application by 31 March 2008 enabling them to renounce a further part or the totality of their quota in view of the market situation known at that stage.
- grants growers an additional payment for the 2008/2009 marketing year (EUR 237.5 per tonne of quota renounced);
- will pay, retroactively, the difference between the aid amount granted for the marketing years 2006/2007 and 2007/2008 with the amount paid in 2008/2009. This is being proposed in order not to penalise undertakings and growers who took part in the restructuring scheme before the amendments come into force;

- gives the Commission the power to prolong the deadline for applications in order to accelerate the restructuring process, if it has reliable indications that the aim of the restructuring fund (i.e. the renunciation of 3.8 million tons of quota) is nearly reached in the 2008/2009 marketing year;
- gives growers the possibility to apply directly for restructuring aid (Article 3 (6)) on condition that they cease to deliver sugar beet or cane to undertakings to which they were bound by delivery contracts in the previous marketing year;
- limits the quota reduction to 10% of the quota allocated to each undertaking, which corresponds to the percentage of quota which the Member State can re-allocated each marketing year;
- gives sugar undertakings, who are affected by a growers aid application, the right to submit an application for restructuring aid – provided that it too renounces a quota corresponding to at least the same level of quota reduction that would have resulted from the applications for aid lodged by growers. In such as case the sugar undertaking's aid application should replace that of the sugar grower;
- provides an exemption of a part of the temporary restructuring amount that needs to be paid in accordance with Article 11 of the Regulation. The amount to be exempted should be proportional to this withdrawal percentage.

ENTRY INTO FORCE: 30 October 2007.