

Common agricultural policy (CAP): support schemes for producers in the sugar sector

2005/0119(CNS) - 22/06/2005 - Legislative proposal

PURPOSE : to introduce income support measures for sugar beet growers as a consequence of reduced market support in the sugar sector, and amend Regulation 1782/2003/EC.

PROPOSED ACT : Council Decision.

CONTENT : following the CAP reforms of 2003 and 2004, the Commission states that the time has now come to bring the sugar regime into line with the approach already adopted in other sectors. Sugar reform must take proper account of farmers' incomes, consumers' interests and the situation of the processing industry. The reform must bolster the competitiveness of the EU sugar industry, improve its market orientation and produce a sustainable market balance in line with the EU's international commitments. (Please refer to CNS/2005/0118 for details of the proposed reform to the sugar regime.)

The Commission reform proposals include a two-step cut totalling 39% in the price for white sugar; compensation to farmers for 60% of the price cut through a decoupled payment - which would be linked to the respect of environmental and land management standards and added to the Single Farm Payment; a voluntary restructuring scheme lasting four years to encourage less competitive producers to leave the sector (Please refer to CNS/2005/0120); and the abolition of intervention.

As a consequence of reduced market support in the sugar sector, income support measures for sugar beet growers will be introduced. That measure will take the form of a payment to sugar beet and chicory growers the overall level of which will develop in parallel with the gradual reduction of market supports.

The Commission proposes to grant direct payments to farmers on the global base of those who produced sugar beet under quota in the historical reference period, 2000-2002. However, Member States may, for reasons of fairness, exercise flexibility in calculating the direct payment of individual farmers over a different period.

The national envelopes for each Member States for the direct payments will represent 60% of the estimated revenue loss from the two-step, 39% institutional price cuts. The revenue loss was estimated taking into account the change in the weighted minimum sugar beet price in each Member State, multiplied by the quota

Level. Member States will also receive an additional envelope destined to compensate growers in their territory supplying chicory for the production of inulin syrup.

The direct payment for Outermost Regions will be brought into the single framework for the POSEI, currently under discussion, and will thus be excluded from the single payment scheme. Moreover, the French outermost regions that were the only ones to benefit from disposal aid will receive an additional amount corresponding to current disposal measures under the reference period.

FINANCIAL IMPLICATIONS :

For the period, the cost of the proposed reform respects the status quo expenditure, as proposed at the time of the CAP Reform proposals of January 2003. The costs of the new measures proposed for this sector, for which the direct decoupled payment to producers represents the major element, will be mainly offset by

the savings resulting from a substantial reduction in export refund expenditure and abolition of the refining aid.

When the proposed measures for the sector have been fully implemented, the envelopes for direct income support will involve an annual cost of EUR 1 542 million. Any costs in respect of the private storage scheme (see CNS/2005/0118) should be limited and only arise if market prices risk falling significantly below the reference price.

With regard to the restructuring scheme, an ad hoc restructuring amount will be charged to finance it and will be assigned to a restructuring fund. The amount of EUR 4 225 million will be charged over three marketing years (2006/07 up to 2008/09) and the restructuring aid will be available for four marketing years (2006/07 to 2009/10).