Temporary scheme for the restructuring of the sugar industry

2005/0120(CNS) - 22/06/2005 - Legislative proposal

PURPOSE : to establish a temporary fund for the restructuring of the sugar industry in the EC and amend Regulation 1258/1999/EC on the financing of the common agricultural policy.

PROPOSED ACT : Council Decision.

CONTENT : following the CAP reforms of 2003 and 2004, the Commission states that the time has 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, and CNS/2005/0119 for income support measures for sugar beet growers.)

As a precondition for the implementation of a functioning new common market organisation for sugar a separate and autonomous temporary scheme for the restructuring of the sugar industry in the Community needs to be established. Under this scheme quotas will be reduced in a manner that takes account of the legitimate interests of the sugar industry, sugar beet and chicory growers and consumers in the Community.

The Commission proposes a new, voluntary and temporary restructuring scheme for the EU sugar sector, which will operate for four years (2006/07 to 2009/10).

The restructuring fund has three main objectives:

- to provide incentives to encourage less competitive producers to leave the industry;

- to provide money to cope with the social and environmental impacts of factory closure (financing of social plans or redeployment programs and reconversion measures to bring the site into good environmental condition) and

- to provide funds for the most affected regions.

The scheme will provide:

- a high, degressive per-tonne restructuring aid, available to EU sugar factories, isoglucose and inulin syrup producers, which will be granted for factory closure and renunciation of the quota; workers in zones that are particularly hard hit by the consequences of the reform;

- a top-up payment, to ensure sugar beet growers the possibility of receiving the full, final direct payment, as from the first marketing year, in the event that they abandon production, owing to the fact that the factory, with which they have sugar beet delivery rights, has closed under the restructuring scheme.

The conditions for having access to the restructuring fund are to be fixed on Community level in accordance with the economic, social and environmental objectives of the fund. The fulfilment of these conditions has to be controlled by the Member States; restructuring aid can only be granted once the closing factory is clearly committed to the respect of these conditions.

Financing for the restructuring scheme will come from a specific, per-tonne amount, charged over three years on all sweetener quota. The restructuring amount will be set at EUR 126.40/t in 2006/07, EUR 91.00 /t in 2007/08 and EUR 64.50/t in 2008/09.

The scheme will provide a high, degressive per-tonne aid, available only to EU sugar factories, isoglucose and inulin syrup producers, wishing to cease production. In year 1, the aid will be set at EUR 730/t of quota, falling gradually to EUR 420/t of quota in year 4. In order to encourage an early uptake of the scheme, sugar factories closing as from 1 July 2005 will be eligible for the restructuring aid. Furthermore, as from 2008/09, a part of the restructuring aid may be earmarked for diversification measures in regions most affected by the sugar reform. Note should also be taken of the additional possibilities provided for by the instruments of

European Cohesion policy, to assist the economic restructuring and the retraining of workers in zones that are particularly hard hit by the consequences of the reform.

Through the restructuring scheme budget, sugar beet growers will receive a top-up payment, to ensure the possibility of receiving the full, final direct payment to those growers, who have to abandon production owing to the closure of the factory with which they have sugar beet delivery rights, from year 1 of the price cuts.

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 hocrestructuring 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).