Common organisation of the markets in the sugar sector

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The Council reached a general approach on the three proposals for Regulations - on the CMO in the sugar sector, amending Regulation 1782/2003/EC establishing common rules for direct support schemes, and establishing a temporary scheme for the restructuring of the sugar industry - on the basis of an overall compromise drawn up by the Presidency and which the Commission endorsed. This general approach on the sugar reform was agreed without prejudice to the opinion of the European Parliament expected on 17 January 2006.

The key elements of the general approach agreed are as follows:

• A 36% price cut on white sugar beginning in 2006/07 to ensure sustainable market balance. This cut (from 631.9 EUR/t to roughly 404.5 EUR/t) will be operated over 4 years (2006/2007 to 2009/2010);

• Compensation to farmers at a level slightly above 64% of the price cut. Inclusion of this aid in the Single Farm Payment and linking of payments to respect of environmental and land management standards. The payment will be 100% decoupled. However, during a transitional period of up to 5 years, for Member States reducing their quota sugar by more than 50% a temporary adjustment coupled aid may be granted under the EAGGF Guarantee Section;

• For the 10 New Member States since 1 May 2004, introduction of a Separate Sugar Payment (SSP) in 2006-2007-2008 only for beet growers as an alternative to the Single Area Payment Scheme (SAPS). A new Member State would have either the possibility to opt for the SAPS non-specialised payment and to add national top-ups to provide incentives in regional areas or specific production or to opt for the SSP granted only to beet growers without possibility of national top-ups. The SAPS is a transitional payment before the NMS will benefit from the existing Single Payment Scheme applicable to the "old" Member States since the CAP reform in 2003;

• Validity of the new regime, including extension of the sugar quota system, until 2014/15. No review clause;

• Merging of "A" and "B" quota into a single production quota;

• Replacement of the existing intervention price by a reference price and by a private storage mechanism. However during the transitional period of four years (2006/2007 to 2009/2010), an intervention price is set at 80% of the reference price of the following year for a maximum quantity of 600 000 t per year of white sugar;

• Introduction of a private storage system, instead of the guaranteed price in case the market price falls below the reference price;

• Voluntary restructuring scheme - lasting 4 years - for EU sugar factories, and isoglucose and inulin syrup producers to encourage total factory closure and the renunciation of quota as well as to cope with the social and environmental impact of the restructuring process. The Commission will present a report on the working of the Restructuring Fund by the end of 2008;

• This payment will be EUR 730 per tonne of white sugar renounced in years one and two, falling to 625 EUR/t in year three, and 520 EUR/t in the final year;

• This restructuring aid will be financed by a degressive levy on holders of quotas, through the restructuring amount - production levy - of 126,4 EUR/t the first year, 173,8 EUR/t the second year and

113,3 EUR/t the third year;

• Greater flexibility is added with regard to eligibility for restructuring aid - at a lower percentage - including in the case of partial dismantling of a factory and continued use of the production site excluding products covered by the CMO sugar (75%), partial renouncing of sugar quota and continued use of the facility for products covered by the CMO sugar with the exception of refining raw sugar (35%);

• Regional diversification: 15% of the restructuring aid amount for each 2006/07, 2007/08, 2008/09 and 2009/10 year is earmarked for regions affected by the restructuring process;

• Import regime: statements by the Commission on the automatic triggering of a procedure when sugar imports from an Everything But Arms (EBA) country increase by more than 25% in comparison with the previous marketing year and by the Council on the modification of legislation on rules of origin are added to the compromise;

• To maintain a certain production in the current “C” sugar producing countries, an additional amount of (1 million tonnes) will be made available against a one-off payment corresponding to the amount of restructuring aid per tonne in the first year;

• Additional quotas of 10 000 t per Member State are granted to Greece, Spain, Ireland, Italy, Latvia, Hungary, Portugal, Slovenia, Slovakia and Finland, also against a one-off payment corresponding to the amount of restructuring aid per tonne in the first year;

• Increase of isoglucose quota of 300 000 tonnes for the existing producer companies phased in over three years with an increase of 100 000 tonnes each year (2006-2007, 2007-2008, 2008-2009). The existing figure of the quota is 507 680 tonnes for the EU 25. Additional quotas may be allocated by Member States during the transitional period (2006/2007 to 2009/2010) subject to a one-off payment of EUR 730 per tonne to Italy (60 000 t), Lithuania (8 000 t) and Sweden (35 000 t).

As a reminder, the budget foreseen for the sugar sector in 2004 represented EUR 1721 million, made up for the most part of export refunds (75% of the total). The draft Regulation establishing accompanying measures for the 18 Sugar Protocol countries affected by the reform of the EU sugar regime (COD/2005 /0117) is expected to be agreed upon at a later stage, under the co-decision procedure.