

Temporary scheme for the restructuring of the sugar industry

2005/0120(CNS) - 20/02/2006 - Final act

PURPOSE : to establish a temporary fund for the restructuring of the sugar industry in the EC in the context of restructuring the common organisation of the sugar market

LEGISLATIVE ACT : Council Regulation 320/2006/EC establishing a temporary scheme for the restructuring of the sugar industry in the Community and amending Regulation 1290/2005/EC on the financing of the common agricultural policy

CONTENT : the Council adopted by qualified majority the three Regulations on the reform of the sugar sector. The Greek, Polish, and Latvian delegations voted against. A set of statements issued by the Council, the Commission and by delegations are annexed to the Regulations. A general approach on the reform of the sugar sector was reached under the United Kingdom Presidency in November 2005. The political compromise was later clarified and confirmed by the Special Committee on Agriculture in December 2005. The European Parliament gave its Opinion on 19 January 2006.

This reform of the sugar sector takes place in the context of the CAP reforms of 2003 and 2004. It is intended to take proper account of farmers' incomes, consumers' interests and the situation of the processing industry. It also gives European producers long-term certainty about the rules they have to follow. The reform therefore fixes the economic and legal framework for the European sugar sector until 2014/2015 without foreseeing a review clause.

The main points of the reform are as follows:

- A 36% price cut over four years beginning in 2006/07 to ensure sustainable market balance: -20% for the first year, -27.5% the second year, -35% the third year and -36% the fourth year.

- Compensation to farmers at 64.2% of the price cut (with the compensation calculated on the figure of 36% for the final year.) Inclusion of this aid in the Single Farm Payment and linking of payments to respect of environmental and land management standards.

- Merging of 'A' and 'B' quota into a single production quota.

- In Member States with a significant reduction of sugar quota sugar beet producers will face particularly severe adaptation problems. In such cases the transitional Community aid to sugar beet growers will not suffice to fully address the beet growers' difficulties. Therefore, Member States having reduced their quota by more than 50 % will be authorised to grant State aid to sugar beet growers during the application period of the transitional Community aid.

- To buffer the effects of the restructuring process in Member States which have granted the restructuring aid for at least 50 % of the quota, sugar beet and cane producers will be granted an aid for a maximum of five consecutive years.

- Progressive abolition of the intervention system over a period of four years and the replacement of the intervention price by a reference price.

- Introduction of a private storage system as a safety net 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, consisting of a payment to encourage factory closure and the renunciation of quota as well as to cope with the social and environmental impact of the restructuring process.
- This payment will be 730 euros per tonne in years one and two, falling to 625 in year three, and 520 in the final year.
- A top-up payment for beet producers affected by the closure of factories.
- Both these payments will be financed by a degressive levy on holders of quota, lasting three years.
- Sugar beet will qualify for set-aside payments when grown as a non-food crop and also be eligible for the energy crop aid of 45 euros/hectare.
- To maintain a certain level of production in the current “C” sugar producing countries, an additional amount of 1.1 million tonnes will be made available against a one-off payment corresponding to the amount of restructuring aid per tonne in the first year.
- Sugar for the chemical and pharmaceutical industries and for the production of bio-ethanol will be excluded from production quotas.
- 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.
- Possibility of buying additional isoglucose quote for Italy (60,000 tonnes), Sweden (35,000 tonnes) and Lithuania (8,000 tonnes).

ENTRY INTO FORCE : 03/03/2006. The Regulation is applicable from 01/07/2006. However, Articles 12 and 13 (adoption of detailed rules and specific measures) shall apply from the date of entry into force of the Regulation.