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Sugar

EU Agriculture Council Backs Changes in Sugar Restructuring Scheme

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Report Highlights:

At the September 26 EU Agriculture Council meeting, ministers backed changes in the sugar restructuring scheme in an attempt to make it more effective in reducing EU sugar production.

The European Commission believes that the changes should allow the renunciation of about 3.8 MMT of sugar quota in addition to the 2.2 MMT given up so far. If by 2010 insufficient quota has been renounced, the Commission will make compulsory quota cuts.

Includes PSD Changes: No
Includes Trade Matrix: No
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At the September 26 Council meeting, the European Union Agriculture Ministers backed changes to the sugar restructuring scheme. The aim is to make it more effective and consequently reduce the EU sugar production to sustainable levels. The Commission believes that these changes should allow the renunciation of about 3.8 MMT of sugar quota by 2010 in addition to the 2.2 MMT given up so far.

The main changes agreed are that the percentage of the aid given to growers and machinery contractors will be fixed at 10 percent. Growers who renounce quota will get an additional payment, and retroactive payments are foreseen to avoid penalizing those who have already given up their quotas.

One new element is that beet growers may apply directly for aid from the restructuring fund, up to a certain limit. As an additional incentive for companies to participate, those which renounce a certain amount of their quota in 2008/09 will be exempted from paying the restructuring levy on the part of their quota which was subject to preventive withdrawal in the 2007/08 marketing year. A two step application for renouncing quota for 2008/09 is introduced. The first step (deadline 1/31/08) as a minimum has to correspond to the preventive withdrawal decided in March this year in order to be able to participate in the second step (deadline 3/31/08). The Commission will let companies know after the first step to what extent they risk an uncompensated cut in 2010 if they do not participate in the second step.

If insufficient quota has been renounced by 2010, the Commission will make compulsory quota cuts. The level of these cuts will vary depending on how much quota each Member State had renounced under the restructuring scheme.

The German sugar producer Südzucker says in a press release that they appreciate the decision of the Council of Ministers, though it is the first time that the more competitive European regions will be affected. Südzucker says the improvements mark an important and promising incentive for further voluntary quota renouncements.

Danisco's executive Vice President says they are very satisfied with the steps taken. This amendment comprises a range of positive elements in that it provides clarity and rectifies some of the inexpedient aspects of the 2006 reform. Danisco expect the new incentives to accelerate the reduction of sugar production in Europe, bringing the EU back on track to restoring the market balance.

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