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INFORMATION MEMO

Proposal for the organization of markets in the sugar sector

The Commission has submitted to the Council of Ministers a proposal for a common organization of markets in the sugar sector. This draft is largely based on the common agricultural policy already in force, particularly in the cereals sector.

The arrangements for the sugar sector will include a system of prices whose level will be ensured by trading arrangements based on import or export levies and export refunds or import subsidies.

The Commission proposes that the price system come into effect on 1 July 1964 in Italy and on 1 October 1964 in the other Member States. The date proposed for the introduction of the trading arrangements is also 1 October 1964.

Products

The regulation applies to raw and refined beet and cane sugar, to sugar-beet, to molasses and to certain derived products such as sugar syrups, artificial honey, other sugars, caramel and molasses, with added flavouring or colouring matter as well as fruits and vegetables preserved by sugar, drained, glacé or crystallized (including fruit juices, jams and jellies). Lactose and glucose are not included, as they are already covered by the Dairy Products and Cereals Regulations respectively.

Price system

The price arrangements include a target price, a threshold price, a reference price and an intervention price. Because of the special features of the marketing of sugar-beet, the grower's income can only be ensured through the sugar price.

Before 15 November each year the Member States fix a target price for refined sugar ex factory for an identical quality standard in the whole Community. Before 1 October 1964 the Council will fix the limits of the target price brackets for the 1965/66 marketing year. The divergences between the target prices fixed by the Member States will be gradually reduced so as to arrive at a single target price at latest by the expiry of the transition period.

As regards the future pattern of the sugar economy, a wheat/sugar-beet relationship is to be established with a view to a desirable balance between different agricultural products. To maintain this relationship the sugar regulations will have to be modelled in the light of the decision introducing a single price for cereals (harmonisation of cereals prices).

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The Member States will also annually fix an intervention price for refined sugar. This is equal to the target price less a percentage between 5 and 10 % which is determined by each Member State. Holders of home-produced sugar can sell their products to the intervention agency throughout the whole marketing year at the intervention price. This agency can also conclude storage contracts so as to avoid having to buy refined sugar.

Because of the geographical concentration of areas of production and consumption, there will be no planned regionalization of prices.

The Member States also fix a minimum sugar-beet price for a quality standard identical throughout the Community. Sugar manufacturers are obliged to purchase sugar-beet at this minimum price, allowing for rebates or possible re-invoicing according to the characteristics of the product and delivery conditions. The minimum beet price is derived from the intervention price of sugar by applying a ratio which takes into account certain criteria. The ration will be progressively adjusted with the object of harmonizing competitive conditions.

A system of compensation for the costs of stocking refined sugar is established in each Member State. The costs of stocking during the last nine months of the marketing year are refunded to those who have incurred them. The expenditure involved is financed by proportionate subscriptions from sugar manufacturers, refiners and importers.

Trading arrangements

The levies are intended to offset the price differences existing between the importing and exporting countries.

The levy is equal to the difference between the threshold price of the importing country and either the cif price if the product is imported from outside the Community, or the free-at-frontier price if it is imported from another member country. Intra-Community levies on imports are gradually reduced as the prices of sugar or of molasses are approximated.

In trade with non-member countries autonomous levies are planned for raw sugar and refined sugar. At the Community level differentiation between the two levies is avoided by means of margin representing the costs of processing raw sugar determined by applying a processing coefficient.

In order to allow for regional trade flows, a levy on beet is necessary. This is calculated on the basis of saccharose content fixed yearly as a standard quantity for imports from non-member countries. The intra-Community levy is reckoned on the difference between the threshold prices.

The levies on molasses in intra-Community trade are equal to the differences between the prices of the molasses component in the cost of sugar production in the two Member States (when the ration between the sugar intervention price and the minimum beet price is fixed). In trade with non-member countries the levy on molasses is equal to the difference between the price of this same component in the importing Member State and the price obtaining on the world market during a reference period. Subject to necessary adjustments the levy on molasses is fixed annually. For special uses of molasses exceptions may be envisaged.

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For processed productsx there is a system of import levies and export refunds and, if necessary (i.e. if the cif price is higher than the threshold price), export levies and import subsidies. The import levy will contain a fixed component representing protection for the processing industry. To this can be added a variable component corresponding to the effect on the cost price of these products of levies charged on the basic products. The first component will be gradually reduced in intra-Community levies. The Council will also decide as to the processed products to which the import levy with two components shall apply.

The Member States annually fix a threshold price for raw sugar and a threshold price for refined sugar. The latter is for the same quality standard as that to which the target price applies. The threshold price must be so fixed that it is possible to obtain the sugar target price for the imported product taking into account the standard amount, which ensures a margin of intra-Community preference, and marketing costs between the single frontier crossing point fixed for each member country and the nearest factory. Allowance must be made in fixing the threshold price for raw sugar for a processing ratio which will be economically reasonable and uniformly valid throughout the Community.

For raw sugar and refined sugar the cif prices, which are the lower term in the calculation of the non-member country levy, are determined daily by the Commission on the basis of the most favourable offers on world markets.

The price is determined for a standard variety in relation to which the prices of other varieties can range freely according to quality. Where the offer price is below world prices and the price of a given transaction is not linked with considerations of an economic order, the cif price is replaced, solely for the imports in question, by a price determined in the light of the offer price.

In order to avoid insignificant changes in world prices causing a change in the levies, a certain latitude is allowed for price fluctuation.

The free-at-frontier price of refined sugar as a term in the calculation of intra-Community levies is determined on the basis of :

(i) The intervention price when the cif price is equal to or less than the intervention price of the exporting Member State;

(ii) The cif price when this is between the intervention price and the target price;

(iii) The target price when the cif price is equal to or above the target price of the exporting Member State.

The free-at-frontier price of raw sugar is derived from the free-at-frontier price of refined sugar by applying a processing ratio. The levies between Member States are reduced by a standard amount in order to ensure a Community preference. These amounts are determined annually by the Commission through the Management Committee. Wide fluctuations on the world sugar market may cause cif prices to rise higher than the threshold price of an importing Member State. The latter may then grant import subsidies calculated on the same principle as the "non-member" levy. Such subsidies will make it possible to sell sugar imported either from non-member countries or from another Member State at the domestic market price. To avoid any flow of exports endangering supplies in a Member State, it is provided that in such cases the price

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of sugar may be raised to the world level by an export levy. This levy is equal to the difference between the cif price and the target price, less transport costs in order to ensure the necessary market penetration, and in the case of intra-Community trade the standard amount is also subtracted. These levies and subsidies are also applied to trade in raw sugar and may be applied to trade in processed products. In intra-Community trade their use is obvisously limited to the transitional period.

Any import or export except of processed products must be accompanied by a certificate valid, in the case of imports, until the 45th day following its issue and, for exports, until the end of the third month after that in which it was issued. Issue of the certificate is subject to the deposit of a surety. At the time of making the application both the importer and the exporter may fix in advance for a period equal to the term of the certificate the amount of import levies or export refunds. In this case a premium is added to the levy in order to prevent abusive speculation and the risk of unexpected developments for the regulating body.

If home market prices fall below a reference price for a given product, the Member State in question suspends the issue of certificates for the import of this product from non-member countries. This danger point is necessary in order to avoid rapid price falls and too frequent recourse to intervention on the home market. The reference price is fixed annually by the Member States for raw sugar and for refined sugar. For the latter the reference price is fixed between the target price and the intervention price in a relationship to these two which is identical for all the Member States.

In order to permit exports of refined sugar a refund system is provided for. "Non-member" refunds cover the difference between world prices and the intervention price of the exporting Member State when allowance is made for transport costs. The same refund may be granted in respect of intra-Community trade when the free-at-frontier price is above the threshold price of the importing Member State. In this case the latter applies the "non-member" levy reduced by the standard amount.

If, however, the intervention price of the exporting country is lower than the target price in the importing Member State, the refund may not exceed the difference between the free-at-frontier price and the threshold price of the importing Member State, plus the standard amount. Refunds may also be granted on exports of processed products, particularly when the source of the sugar used has been government purchases.

Incompatibilities.

The following are incompatible with the levy system: customs duties, charges with equivalent effect, quantitative restrictions and minimum prices (recourse to Article 44 EEC). Aids which would throw the levy machinery out of gear are also incompatible with this system. Articles 92 to 94 of the EEC Treaty therefore apply to State aids in the sugar sector.

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Associated African States and Madagascar - Overseas countries and territories.

Overseas Departments

The can sugar production of the overseas departments is an integral part of the French sugar market organization. In the interest of balance between supplies and needs, it is advisable to maintain this trade flow, and the grant of aid to cover transport costs seems indispensable. A decision will have to be envisaged for these departments which, under Article 227 of the Treaty, are covered by the market organization measures but without the benefit of financing from the Agricultural Fund. As the price system has a close bearing on intervention by the Fund, the Council will have to determine arrangments for financial intervention to enable the price system to be applied in these departments.

The Commission intends to submit at a later date proposals concerning the system for imports from the associated African States and Madagascar and from the overseas countries and territories. The Community is committed by the Yaoundé Association Convention and internal agreements to take the interests of these States into consideration in settling its common agricultural policy.

Other measures

The measures concerning the safeguard clause are identical to those in Regulation No. 19 (cereals).

Financial Regulation No. 25 and the arrangements concerning the Agricultural Fund will apply to the sugar market.

A ugar Management committee will be set up.
