

EUROPEAN PARLIAMENT

## Working Documents

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11 November 1974

DOCUMENT 339/74

### Report

drawn up on behalf of the Committee on Agriculture

on the proposals from the Commission of the European Communities to the Council (Doc. 313/74) for

- I. a regulation on the common organization of the market in sugar
- II. a regulation on the fixing and alteration of the basic quotas for sugar

Rapporteur: Mr L. MARTENS



By letter of 21 October 1974 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 43 of the EEC Treaty, to deliver an opinion on the proposals from the Commission of the European Communities to the Council for

I. a regulation on the common organization of the market in sugar,

II. a regulation on the fixing and alteration of the basic quotas for sugar.

The President of the European Parliament referred these proposals to the Committee on Agriculture as the committee responsible and to the Committee on Budgets, the Committee on External Economic Relations and the Committee on Development and Cooperation for their opinions.

The Committee on Agriculture appointed Mr Martens rapporteur.

It considered these proposals at its meetings of 22 and 23 October 1974 and 4 and 5 November 1974.

At its meeting of 4 and 5 November 1974 the committee adopted the motion for a resolution by 11 votes to 1 with 5 abstentions.

Present: Mr Houdet, chairman; Mr Vetrone and Mr Laban, vice-chairmen; Mr Martens, rapporteur; Mr Baas, Mr Cifarelli, Mr Cipolla, Mr Espersen (deputizing for Mr Brégégère), Mr Frehsee, Mr Früh, Mr Gibbons, Mr Howell, Mr Liogier, Mrs Orth, Mr Premoli (deputizing for Mr Brøndlund Nielsen), Lord St. Oswald, Mr Scott-Hopkins.

The opinions of the Committee on External Economic Relations and the Committee on Development and Cooperation are attached.

The opinion of the Committee on Budgets will be given orally.

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The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinions of the European Parliament on the proposals from the Commission of the European Communities to the Council for

- I. a regulation on the common organization of the market in sugar;
- II. a regulation on the fixing and alteration of the basic quotas for sugar.

The European Parliament,

- having regard to the proposals from the Commission of the European Communities to the Council (COM(74) 1570 final),
- having been consulted by the Council pursuant to Article 43 of the EEC Treaty (Doc. 313/74),
- notes that the Council, by adopting decisions on the new common organization of the market in sugar at its meeting of 22 October 1974, has infringed the right of the European Parliament to deliver an opinion which the Council itself had asked for,
- objects strongly to such practices which help to undermine the institutional foundations of the Community,
- feels it necessary, however, in view of the grave anxieties at present being felt in agriculture, to consider the new Council decisions which have come to its attention, within the framework of the Commission's proposals,
- having regard to Article 39 of the EEC Treaty and Protocol 22 of the Act of Accession,
- having regard to the second interim report of the Committee on Development and Cooperation on the future sugar policy of the Community with particular reference to imports of sugar from the developing countries and in the light of the Commission's Memorandum of 12 July 1973 (Doc. 32/74),
- having regard to the report of the Committee on Agriculture and the opinions of the Committee on Budgets, the Committee on External Economic Relations and the Committee on Development and Cooperation (Doc. 339/74),

- whereas the basic regulation, No. 1009/67, was drawn up at a time of surplus and has been amended a number of times to adapt it to a situation of shortage,
  - whereas this situation of shortage is likely to change again in the near future;
1. Approves, with the reservations that follow, the two proposals for regulations as a joint arrangement for achieving the objectives listed in the recitals under any circumstances;
  2. Welcomes, in particular, the fact that the basic regulation, No. 1009/67, has been recast and the numerous texts amending it have been brought together;
  3. Also welcomes the fact that in future the Council will have to act in respect of implementing provisions by qualified majority;

I. With regard to prices

4. Notes with satisfaction that a target price, an intervention price and derived intervention prices will still be fixed for white sugar ex-factory, and the system of minimum prices for sugar beet will be maintained;
5. Proposes, however, that:
  - these prices should be fixed in the shortest possible time for the 1975/76 marketing year to enable sugar beet growers to make their growing plans as soon as possible so as to take account of the envisaged increase in production quotas, which will no doubt be considerable;
  - the mixed price system should be retained;
6. Deplores the fact that, in the absence of a Community directive harmonizing prices for sugar at consumer level, Member States do not take measures to prevent abnormal trade in sugar within the Community;

II. With regard to trade

7. Considers that the creation of a minimum buffer stock is desirable, but doubts whether under present circumstances such a stock could reach 10% of actual production or of the basic quota;
8. Suggests that the Council give closer attention to the question of whether this figure of 10% would be an optimal amount for all production zones; wonders whether it might not be desirable to make provision for larger stocks in deficit areas than in surplus areas, to finance these stocks through the EAGGF and to entrust the Commission with their management;

9. Hopes that:

- Community production may contribute towards reducing or eliminating the world sugar shortage;
- the quota shares of Member States will be retained, having regard to:
  - actual production during the reference period 1968/69 to 1972/73, with the exception of the three new Member States, to which special criteria will be applied;
  - the production potential of each Member State;
  - the desirability of granting a reasonable quota to Member States which include areas less suited to the production of sugar beet, while maintaining appropriate price conditions for these regions;
- the allocation per undertaking should be based on objective Community criteria;

III. With regard to production:

10. Considers that the production quota system is a suitable means of guiding production so as to achieve a harmonious balance on the market;
11. Awaits a substantial increase in basic quotas for 1975/76 to 1979/80 and the fixing of maximum quotas at 145% for the 1975/76 marketing year, even if these quotas cannot be taken up from 1975/76;
12. Suggests that, if a reduction in quotas were necessary to balance the market, this should be done in stages to avoid excessive fluctuations from one year to the next;
13. Considers that arrangements should be made to ensure collaboration between growers and manufacturers in the allocation and management of A and B quotas and in the management of the market for sugar produced under B and C quotas, especially where the price of this sugar does not attain the same level as that of the A quota;
14. Agrees on the principle of a margin calculated according to the basic quotas fixed for five years; wonders, however, whether the margin should be 10% of the basic quota, and accordingly asks for this percentage to be reconsidered;

IV. With regard to preferential imports

15. Considers that the undertaking contained in Protocol 22 should be respected;

16. Reaffirms that imports under this commitment should be at a price which ensures the producing countries reasonable export revenue; cannot, however, agree to a guaranteed C.I.F. price higher than the intervention price for sugar in surplus areas for as long as Community production is subject to quota restrictions;
17. Considers that future participation by the Community in stabilizing the international sugar market can only be made as part of an international agreement involving equivalent commitments for all developed countries and that buffer stocks should be set up to avoid sudden upsets in world prices;
18. Requests the Commission to amend its proposals on the basis of the above observations, pursuant to the provisions of Article 149(2) of the EEC Treaty;
19. Instructs its President to forward this resolution and the report of its committee to the Council and Commission of the European Communities.



Proposal for a regulation (EEC) of the Council  
on the common organization of the market in sugar

Although only Article 23 of the proposal for a regulation on the common organization of the market in sugar has been formally amended by the European Parliament, Parliament nevertheless insists on the necessity for the Commission to amend the whole of the two proposals for regulations to take account of the observations contained in the motion for a resolution.

TITLE III

Article 23

- 1.
2. This basic quota shall be equal to the average annual sugar production of the undertaking concerned, considered to be such pursuant to the provisions of Regulation No. 1009/67/EEC during the 1968/69 to 1972/73 marketing years multiplied by the coefficient 0.93.
- 3.
- 4.

Article 23

1. unchanged
2. This basic quota shall be equal to the average annual sugar production of the undertaking concerned, considered to be such pursuant to the provisions of Regulation No. 1009/67/EEC during the 1968/69 to 1972/73 marketing years, multiplied by the coefficient 1.00.
3. unchanged
4. unchanged

<sup>1</sup> For complete text see COM(74) 1570 fin.

EXPLANATORY STATEMENT

1. Article 22 of the current regulation on the common organization of the market in sugar<sup>1</sup> stipulates that the rules governing production shall apply until the end of the current sugar marketing year. In addition, the sugar agreement between the United Kingdom and the Commonwealth countries in force since 1951 ends on 31 December 1974. The present negotiations with countries in Africa, the Caribbean and the Pacific concerning an Association agreement, which is to include a special arrangement for sugar imports from sugar-producing countries, must also be finished by the end of the year. This means that the Community must determine the production arrangements and import preference arrangements for sugar without delay.

What objective criteria must be taken into account in dealing with these two matters?

2. The existing organization of the market in sugar was created at a time when there was a tendency towards overproduction on domestic and external markets. The object of the organization of the market was therefore to adapt total production to actual need, with the costs of over-production to be borne by the producers. In addition a limited amount of production was to be made possible in areas least suitable for the growing of sugar beet while progressive specialization was to be encouraged in the most suitable areas.

The common organization of the market in sugar went a long way towards achieving these aims.

During the past few years, however, there has been a reversal of the sugar production trend on the external and domestic markets. Demand is far in excess of production. The situation is roughly as follows:

3. Between 1970 and 1973 world production was lower than consumption, with the result that carryforward stocks were rapidly marketed. By September 1973 stocks were at the absolute minimum required to ensure supplies for the beginning of the new season. No immediate lessening of these international market difficulties can be foreseen.

The result has been that world sugar prices have more than trebled between 1968 and 1973, resulting in a dramatic reversal in the relationship between the Community and the world price levels. In 1968 when the present organization was set up, the price of sugar on the international market was 5 u.a. per 100 kg. as compared to a minimum price for sugar

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<sup>1</sup> Regulation No. 1009/67/EEC, 18 December 1967, OJ No. 308, 18 December 1967,

of 22 u.a. in the Community. In 1974, however, the situation has been completely reversed: sugar on the international market is 72 u.a. per 100 kg. on the international market and 25 u.a. in the Community.

These high world prices have encouraged exports of sugar from the Community to accelerate. These exports stood at 0.6 million tonnes in 1968/1969 and 1.2 million tonnes in 1973/74. An important part of these exports consists of 'C sugar' not benefitting from export restitutions. These have developed in the following manner:

1968/69	1969/70	1970/71	1971/72	1972/73	1973/74
1000 tonnes					
34	79	122	620	215	660

This is in relation to a total production which has progressed as follows:

1968/69	1969/70	1970/71	1971/72	1972/73	1973/74
6.823	7.435	7.051	8.071	7.639	8.274

4. The Commission has sought to ensure adequate Community supplies of sugar by means of a series of amendments to the basic regulation in the course of this year:

- (a) raising the level of the maximum quota for 1974/75 from 135% to 145%<sup>1</sup>;
- (b) providing for an export levy on 'C' sugar (up to 80%)<sup>2</sup>;
- (c) authorizing Italy to increase supplementary payments to beet growers<sup>3</sup>;
- (d) providing for the suppression of the production refund to the chemical industry to encourage the use of Community sugar<sup>4</sup>;
- (e) proposing a stocking policy, by which each manufacturer will be required to hold 10% of his production in stock<sup>5</sup>;
- (f) proposing import subsidies and subsidies to that part of 'C' sugar (20%) not subject to an export tax<sup>6</sup>.

<sup>1</sup>Regulation No. 1600/74, OJ No L 72/74

<sup>2</sup>Regulation No 2084/74, OJ No L 217/74, p. 17

<sup>3</sup>Doc. 92/74

<sup>4</sup>Doc. 233/74

<sup>5</sup>COM (74) 30 final, part X, p. 2

<sup>6</sup>Doc. 303/74

5. The new situation on the world market has been partly responsible for the fact that it has been impossible to make full deliveries of sugar to the United Kingdom under the Commonwealth sugar agreement. The excess demand in the enlarged Community has therefore increased.

6. In view of the changed circumstances the instruments of the common sugar policy must be adapted to a situation of shortage.

Supplies for the population of the Community must first be ensured. This obligation calls for a production system enabling Community sugar producers to direct their production to Community requirements at suitable prices.

The common organization of the market in sugar must be suitable for carrying out the other task required of it, as outlined above.

7. As far as external trade is concerned the Community has entered into commitments to many sugar-producing third countries.<sup>1</sup> These commitments must not be questioned. The conditions for the purchase by the Community of fixed quantities of sugar must be determined in the current negotiations. In addition to a long-term guarantee of purchase, the agreed prices must be such as to guarantee the sugar-producing third countries adequate returns. At the same time, however, the prices must not be such as to cause disorder on the Community market or to give rise to extra budgetary burdens.

8. In connection with the reformulation of Community sugar policy there naturally arises the question of an international agreement among the major sugar-producing regions and the sugar buyers. The aim of such an agreement should be to ensure supplies of an important basic foodstuff while guaranteeing an adequate revenue for third countries largely dependent on sugar production. The Community should unequivocally announce its willingness to participate in the creation of a new international sugar agreement. The Community's position with regard to such a conference, however, can only be finally determined in negotiations with the other States taking part and after a careful joint assessment of the situation on the world sugar market. It therefore seems premature to attempt to define such a position in a legislative text on the organization of markets on the basis of assumptions whose viability can be tested only in the course of drawn out negotiations.

9. The Committee on Agriculture recommends that Parliament approve the proposals for regulations, subject to an express appeal to the Commission to incorporate the foregoing amendments.

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<sup>1</sup>See Protocol No 22 to the Act governing the Accession of Denmark, Ireland and the United Kingdom, OJ No L 73 (Special Edition), 27 March 1972, p 177

ANNEX I

BASIC QUOTA, MAXIMUM QUOTA AND BEET-GROWING AREA

	DK	D	F	IRL	I	NL	B/L	UK	EEC
Basic quota, Regn. 1009/67 (1000 t)	290	1,750	2,400	150	1,230	550	550	900	7,820
Basic quota envisaged by Council (1000 t)	328	1,990	2,996	182	1,230	690	680	1,040	9,136
Difference in %	+13%	+14%	+25%	+21%	-	+25%	+24%	+16%	+17%
Maximum quota Regn. 1009/67 for 1974/75 (1000 t)	420	2,537.5	3,480	217.5	1,783.5	797.5	797.5	1,305	11,339
Maximum quota envisaged by Council (1000 t)	475	2,885.5	4,344.5	263.9	1,783.5	1,000.5	986	1,508	13,247
Beet-growing area 1973/74 (1000 ha)	64	356	478	30	233	117	105	189	1,572
White sugar yield per hectare (t/h) 1969-73	5.69	6.24	6.77	5.61	4.33	6.68	6.85	5.21	5.92
Additional area needed to reach maximum quota envisaged by the Council (1000 ha)	9.7	55.8	127.7	8.3	-	30.4	27.5	38.9	298.3
Total arable area 1972 (1000 ha)	2,638	7,890	17,137	1,476	9,461	810	881	7,146	47,441
Production in excess of maximum quota 1973/74 (1000 t)	-	59	325	-	-	133	86	63	666

## SUGAR PROCESSING CAPACITY

	DK	D	F	IRL	I	NL	B/L	UK	EEC
(A) White sugar processing capacity (1000 t) <sup>1</sup>	472.5	2,475	3,971.5	153	2,722.5	873	900	913.5	12,453
(B) Maximum quota envisaged by the Council (1000 t)	475	2,885.5	4,344.5	263.9	1,783.5	1,000.5	986	1,508	13,247
(C) Difference between maximum quota laid down in Reg. 1009/67 and maximum quota envisaged by Council (1000 t)	55.1	348	864.5	46.4	-	203	188.5	203	1,908.5
(D) (C) as a percentage of A	+12%	+7%	+22%	+30%	-	+23%	+21%	+22%	+15%

<sup>1</sup> Based on a 90-day processing period.

Opinion of the Committee on External Economic Relations

Draftsman: Mr G. Kaspereit

On 22 October 1974 the Committee on External Economic Relations appointed Mr Kaspereit draftsman of an opinion.

At its meetings of 5 and 12 November 1974, the committee considered the draft opinion which it adopted unanimously on 12 November 1974.

The following were present: Mr de la Malène, Chairman; Mr Boano and Mr Thomsen, Vice-chairmen; Mr Kaspereit, draftsman; Mr Brewis, Mr Cousté, Sir Arthur Dodds-Parker, Mr Jahn, Mr de Koning, Mr Nyborg (deputizing for Mr Herbert), Mr Pintat, Lord St. Oswald, Mr Thornley.

1. In its Memorandum to the Council on the Community's future sugar policy prepared in the summer of 1973 (COM (73) 1177 final), the Commission of the European Communities considered it essential to limit Community sugar production (cf Memorandum, sec. 9). Events since then have shown that assertion to be wrong.

2. The situation of Community sugar supplies has in fact worsened constantly since the autumn of 1973. In seeking to explain this deterioration the Commission speaks of an abnormal increase in consumption of sugar and inadequate supplies from the Commonwealth countries. But was this increase so abnormal that it could not have been foreseen by the Commission's experts? There is room for doubt here, when it is considered that a great many developing countries do not have sufficient stocks to meet even the minimum needs of their own population.

Be that as it may, a sugar deficit amounting to somewhere between 300,000 and 500,000 tons is expected in the Community for the 1974/75 marketing year.

3. This deficit is largely the result of the policy carried out by the Commission since 1967 which did not encourage Community producers to increase their cultivation to meet growing consumer demand. This demand has been constantly underestimated by the Commission. Only a year ago, the Commission estimated the current needs of the Community at 9.2 million metric tons, whereas consumption in fact amounted to 10.15 million metric tons in the private sector, to which must be added 200,000 metric tons for the chemical industry and biscuit imports, which makes a total of 10.35 million metric tons. Also stocks which a few months ago amounted to 1.1 million metric tons have dropped to 450,000 metric tons. Home production has therefore in fact dropped to 9.1 million metric tons, since sugar beet diseases in certain Member States have also reduced Community production.

Furthermore, certain developing countries have not been in a position to export the quantities of sugar which they had undertaken to supply to the Community.

4. The scarcity of available sugar supplies is likely to lead to a very steep rise in the world price of this primary commodity and bring about a sharp reversal of the relationship between the level of Community and world prices. In 1968 when the Community organization was set up, the price of sugar on the international market was 5 ua/100 kg. The price on the Community market at the same time was 22 ua/100 kg. Today the respective figures are 72 and 26.55 u.a. More specifically, according to the latest press reports, sugar prices rose by some 20% in the last week of October 1974. The increase has exceeded 45% in the space of two months. Prices have almost quadrupled since January 1974.



5. This forecasting error cannot be viewed in isolation from a number of similar mistakes made by the Community authorities - in this respect the responsibility of the Council is no less than that of the Commission - in administering the common agricultural policy in recent months. These persistent errors are bound to have an adverse effect on the incomes of farmers and on consumers.

6. The common agricultural policy is based on two main principles: the unity of agricultural product prices within the Community and the common financial responsibility of the member states; it is therefore legitimate for the Community to accept responsibility for the cost of sugar imports, effected in particular by the United Kingdom and Italy - because their domestic production is insufficient - at the prevailing world price.

The Commission has therefore submitted to the Council a proposal for a regulation on the implementation of a system of Community subsidies intended to make good the difference between the world sugar price and the Community price.

7. However, before the European Parliament even had an opportunity to deliver its opinion on this document, pursuant to the provisions of the EEC Treaty, the Council meeting in Luxembourg on 21 October 1974, agreed on the principle and procedures of such subsidies,

8. The Council expressed agreement with the proposals of the Commission on the introduction of an import subsidy for sugar, initially for 200,000 metric tons. The difference between the world price and the Community price - approximately 100 million u.a. - will therefore be borne by the Community. It should be pointed out here that this financial aid will be facilitated by the EAGGF revenue from levies on cereal exports, since the world price is higher than the Community price for cereals.

At the same meeting, the Council adopted measures to increase sugar production and, to this end, extend the price guarantee to a wider section of Community production. The 'A' basic quotas have been considerably extended (altogether accounting for 9,136,000 metric tons, instead of 7,820,000 metric tons, the Commission having proposed 8,500,000 metric tons). The 'B' quotas have also been increased (they are now 45% of the 'A' quotas),

9. The haste with which the Council has acted on this occasion, thus depriving the powers of the European Parliament of all substance, is obviously unacceptable. The fact that this action results from pressure exerted by individual Member States is no excuse.

Under these conditions and while our Parliament has received no official communication of the decisions taken by the Council, our opinion can only be of symbolic value. We shall therefore not consider in detail the Commission's proposals which have already been overtaken by events.

All we shall do is to express, in general terms, the opinion of the Committee on External Economic Relations as to the advisable basic strategy of Community sugar policy for the next few years, with particular reference to the new situation created by the world shortage of this product - which seems likely to persist for a relatively long time.

In this connection, we believe that three aims should be considered:

10. (a) safeguarding the interest of the developing countries

The Community has certain legal, and, more generally, moral obligations to a number of countries (belonging to the Yaoundé Convention, associable Commonwealth countries, India etc.).

In the light of these obligations which there can be no question of revoking, the Community has undertaken to lay down preferential import arrangements (for a quantity not exceeding 1.4 million t/year) at a guaranteed price for these beneficiary countries.

11. (b) The necessity, having regard to the serious balance of payments deficit of most member countries resulting from the increase in oil prices and a two-figure inflation rate in these countries, to limit as far as possible imports into the Community.

12. (c) The maintenance of secure Community supplies of a product needed for human nutrition. Any serious risk of a shortage would merely intensify the panic buying of this 'white gold' by housewives which occurred during the summer in a number of Member States. It therefore seems necessary to increase the area of sugar beet cultivation in the Community, and we welcome the decision taken by the Council in this respect.

13. Despite appearances, these three aims are not contradictory provided that they are applied flexibly, particularly in view of climatic irregularities and the resulting fluctuations of production. In the next few years mankind will be faced, as is apparent from the proceedings of the World Food Conference which opened in Rome on 5 November 1974, with increasing problems of food shortages to which there is no obvious short or medium term solution.

The mountains of butter or other food products which are periodically built up in the Community must not be allowed to lead us astray. In face of the inevitable increase in the world population, it therefore seems necessary, without jeopardizing the interests of the developing countries, to ensure the maintenance of indigenous sugar production at a level sufficient to meet the increasing needs of the Community in this sector.

14. In this respect, it is gratifying that the Council realised the need to safeguard consumer supplies by boosting Community production. The world sugar production deficit has lasted for some years and can probably be put down to structural causes.

The undertakings given by the Community to a number of developing countries will, of course, have to be respected. It is to be hoped that an agreement will soon be concluded between the Community and the ACP states to ensure the latter of a stable and secure revenue from their sugar exports to the Nine by guaranteeing prices and quantities.

15. In any case, we consider it would have been dangerous for the Community deliberately to make itself dependent on third countries in the sugar sector. The shortfall in supplies from certain Commonwealth countries should put us on our guard. The crisis affecting the whole raw materials sector makes security of paramount importance. The oil situation stands as a reminder - if we really need one!

Opinion of the Committee on Development and Cooperation

Draftsman: Mr Jean Durieux

On 1 October 1974 the Committee on Development and Cooperation appointed Mr DURIEUX draftsman of the opinion.

The draft opinion was discussed by the Committee at its meeting of 6 November 1974, and adopted.

The following were present: Mr Deschamps, Acting Chairman, Mr Sandri, Vice-chairman; Mr Durieux, draftsman; Mr Broeksz, Sir Douglas Dodds-Parker (deputizing for Mr James Hill), Mr Dondelinger, Mrs Fenner, Mr Glinne, Mr Härzschel, Mr Premoli (deputizing for Mr Jozeau-Marigné), Lord Reay, Mr Romualdi, Mr Seefeld

1. In July 1973 the Commission of the European Communities submitted a memorandum on the Community's future sugar policy (COM(73)1177) on which the Committee on Development and Cooperation drew up two interim reports.<sup>1</sup> The memorandum dealt mainly with internal production policy, imports from the associated countries, and the status of the Community in a future international sugar agreement. In its report, the Committee laid particular stress on the Community's responsibility towards the developing countries, and called for a definite guaranteed import quantity at a reasonable price for those developing countries which are members of the Commonwealth Sugar Agreement and the OCAM Sugar Agreement. Since the situation on the sugar market continued to deteriorate, the Commission submitted to the Council in July 1974 a revised communication on the Community's future sugar policy, as sugar stocks had further contracted and sugar prices on the world market had risen to three times the EEC price.

2. On 16 October 1974, the Commission submitted to the Council a proposal for a regulation on the common organization of the market in sugar, and a proposal for a regulation on the fixing and alteration of the basic quotas for sugar. The purpose of this proposal for a regulation was to give legal form to the principles of future Community sugar policy as set out by the Commission in several communications to the Council and of the new Association Agreement between the Community and the ACP countries referred to in Protocol 22 to the Act of Accession.

3. On 22 October 1974 the Agriculture Ministers of the Nine came to a number of agreements in principle, of importance for future internal sugar policy, aimed at guaranteeing Community supplies. Discussion was complicated by numerous interrelated problems: regulation of internal production as from 1 July 1975, Community supplies in the light of the expected shortage of 940,000 t in the next few months, and relations with the ACP countries. Essentially only two questions were solved: the main principles for regulating internal production, and direct supplies to the Community. The Committee therefore regrets that the Council did not manage to give the Commission recommendations and suggestions for the continuing negotiations with the ACP countries.

4. The currently valid regulation on the common organization of the market in sugar provides in Article 22 for the provisions regulating production to remain in force until the end of the current sugar marketing year. The

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<sup>1</sup> DODDS-PARKER interim report, Doc. 376/73 and  
Second DODDS-PARKER interim report, Doc. 32/74.

sugar agreement between Great Britain and the Commonwealth countries, in force since 1951, ends on 31 December 1974, and the Second Yaoundé Convention expires on 31 January 1975. For the negotiations with the ACP countries, which must be completed before the end of the year, a special arrangement for sugar imports from the sugar-producing developing countries must be arrived at in the framework of the new Association Agreement. It follows that the Community must fix the production and import preference arrangements for sugar immediately.

5. The Community's present sugar market regulations were laid down at a time when there were sugar surpluses on both the internal Community market and the world market. The aim of the market regulations was therefore to adjust total production to actual demand. The situation now is that the demand for sugar exceeds the supply. The situation deteriorated further because some deliveries to Great Britain under the Commonwealth Sugar Agreement were not made, increasing the excess demand. The Community now has two problems to solve; firstly, supplies to the Community population must be assured and sugar producers must get appropriate prices for their products; secondly, the Community must, in accordance with Protocol 22 of the Accession Treaties and the Corresponding Joint Declaration of Intent, and with the obligations made to the AASM, make a quantitative offer accompanied by a reasonable pricing system.

6. Community sugar policy must take account of both political and economic factors. The political factors relate to obligations to developing countries arising from the Accession Treaties, while the economic factors are connected with the Community's position on the world sugar market, and with the Common Agricultural Policy. For this reason, the Community must enter into agreements with the producing countries belonging to the Commonwealth Sugar Agreement and with the AASM and the future associable states referred to in the Accession Treaties.

7. The first decision to be taken concerns the obligations resulting from the spirit and the letter of Protocol 22 to the Accession Treaty, and from the Joint Declaration of Intent on the development of trade relations with Commonwealth countries in Asia. Since the Community's decision must be taken in the context of the enlargement and renewal of the association, and since there is a time limit fixed for the ratification of the new Association Agreement, the Community must reach a final solution by November at the latest. The Community therefore calls on the Foreign Ministers, due to meet in Brussels on 11 and 12 November, to take a decision, or failing that, the Agriculture Ministers, who are to continue their discussions on 18 and 19 November,

8. For the ACP countries, the fixing of a minimum price for a definite quantity, especially having regard to the high price of sugar on the world market, is of primary importance. On this point, the Joint Committee of the Parliamentary Conference in its final declaration of 25 October 1974 unanimously advocated guaranteeing satisfactory revenues for a guaranteed quantity to the sugar-producing ACP countries. In addition, the prices were to be reviewed annually, and adjusted to growth in production costs, prices of goods imported by the ACP and prices paid by European producers.

9. Safeguarding the interest of the sugar-producing developing countries is both a moral and an economic obligation for the Community, since Community guarantees in this area are of vital importance for those countries which exist almost entirely on sugar production. The Community's decision is therefore simultaneously a decision in favour of EEC development aid policy.

10. Regarding production and consumption in the Community, it may be said that world consumption is rising more rapidly at the moment than production, so that world market prices have reached a very high level. The Community is therefore justified in declaring its readiness to import 1.4 million t of cane sugar from the ACP countries, at a price which ensures the producing countries equitable export revenues. In view of the world-wide demand for sugar, this quantity would not endanger the income of beet sugar producers in the Community.

11. In view of the Community's position in international trade, especially as the largest exporter of white sugar on the world market, the Community should as soon as possible play an active role as initiator of negotiations for a new international sugar agreement.

### Conclusions

In order to meet the obligations entered into by the Community in the Accession Treaties and Declarations of Intent, the EEC must be prepared to import 1.4 million t of sugar from the developing countries which are members of the Commonwealth Sugar Agreement and the OCAM Sugar Agreement. This is a moral obligation, and at the same time part of an active Community development aid policy. Furthermore, the Community must decide to take this quantity of sugar at equitable prices, i.e., prices which take account of inflationary developments, in order to allow the developing countries some stabilization of export revenues.

The committee is of the opinion that the Community's agreement to import 1.4 million tons ought to provide a degree of security of access to the Community market comparable with, for instance, the situation the developing countries enjoyed under the Commonwealth Sugar Agreement.

This means, in other words, that their sugar exports must be used to cover part of Community demand. The Committee on Development and Cooperation therefore believes that Community production must in the future, and with an approximately normal market situation, be fixed in such a way as to take account of these goals and of the guarantee to import 1.4 million t of cane sugar.

The Community must as soon as possible take a decision on the goals of its future sugar policy, especially on the future position of the EEC in the world market, the obligations arising from the Accession Treaties, and its special responsibility to the developing countries, and on the market arrangements of importance to the Community's internal sugar market. Furthermore, the Community should take the initiative towards formulating a new international sugar agreement to facilitate adjustment of supply and demand on the world market, under conditions which offer advantages to both the producing and the consuming countries.



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