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European Commission

Newsletter

Directorate-General for Agriculture and Rural Development

EU sugar reform: the next logical step for the CAP provides a long-term perspective for sugar producers

The European Commission has proposed a far-reaching reform to the common market organisation for sugar. The reform is based on a cut of 39 % to the support price, the abolition of intervention, a slimming-down of production through a voluntary restructuring scheme, and a decoupled compensation payment to beet farmers. The reform will improve the EU sugar sector's long-term prospects by enhancing its competitiveness and market-orientation, while strengthening the EU's negotiating position in the current WTO talks. Sugar from developing countries will continue to enjoy preferential access to the EU market.

Following the CAP reforms of 2003 and 2004, the time has now come to bring the sugar sector — largely unchanged for 40 years — into line with the approach already adopted in other sectors. As is well known, the status quo is no longer sustainable. Without reform, quotas would have to be drastically reduced across the board, hitting the most competitive producers hardest and leading to an attrition scenario. 'I am fully aware of the bitterness of the battle that lies ahead. But I am equally convinced that there is no alternative to a profound reform. I am convinced that EU sugar producers have a competitive future, but only if we act now and act decisively to prepare them for the challenges ahead,' said Mariann Fischer Boel, Commissioner for Agriculture and Rural Development.

Furthermore, the reform must produce a sustainable market balance in line with the EU's international commitments. It must take proper account of farmers' incomes, consumers' interests and the situation of the processing industry.

European producers must be given long-term certainty about the rules they have to follow. The reform proposal therefore fixes the economic and legal framework for the European sugar sector until 2014/15 without foreseeing a review clause.

A two-step price cut of 39 %: The Commission's proposal involves abolishing the intervention mechanism and replacing it with a reference price for sugar, which will be set 39 % lower than the current intervention price. Aid for private storage systems will be available whenever the market price falls below the reference price. The price cut will be introduced in two steps over two years from 2006 (if the contribution to the restructuring fund is taken into account — see below):

Reference period:	EUR 631.9/t
2006/07:	EUR 505.5/t (1)
2007/08:	EUR 385.5/t

The minimum price for beet will fall over the same period:

Reference period:	EUR 43.63/t
2006/07:	EUR 32.86/t
2007/08:	EUR 25.05/t

Farmers will be compensated for 60 % of the beet price cut with a direct payment to be integrated into the single payment scheme.

The proposal seeks **to merge the existing A and B production quotas**, which between them amount to 17.441 million tonnes at present.

There will be no compulsory quota cuts in the first four years of the reform. But a restructuring levy will be charged for three years. This will finance a four-year restructuring scheme making payments to sugar factories for every tonne of production quota given up. This payment will be EUR 730 per tonne in year one of the scheme, falling to EUR 625 in year two, EUR 520 in year three and EUR 420 in the final year. In other words, an earlier exit from production will mean a higher payment. The aims of the scheme are:

- to provide incentives to less competitive producers to leave the industry;
- to provide money to cope with the social and environmental impacts of factory closure (financing of social plans or redeployment programmes and of measures to return the site to good environmental condition); and
- to provide funds for the most affected regions to develop new business along principles laid down by EU structural and rural development funds.

EU Member States which currently produce C-sugar will have the opportunity to acquire an extra 1 million tonnes of extra quota between them. Producers to which the quota is allocated will pay a one-off administrative charge for each tonne of quota.

Sugar used in the chemical and pharmaceutical industries or for the production of bioethanol will be excluded from production quotas. The current isoglucose quota will rise by 300 000 tonnes, at a rate of 100 000 tonnes per year over three years.

Furthermore, sugar beet should qualify for set-aside payments when grown as a non-food crop, and also be eligible for the energy crop aid of EUR 45/hectare.

Assistance scheme for ACP countries: Under the new regime, the India Agreement and the Sugar Protocol with African, Caribbean and Pacific (ACP) countries will remain intact. However, Sugar Protocol countries will benefit from programmes to help them adjust to lower guaranteed prices. EUR 40 million will be available for these programmes in 2006.

Further information on the sugar reform can be found at:
http://europa.eu.int/comm/agriculture/capreform/sugar/index_en.htm

(1) Institutional/reference sugar price, net of restructuring amount (EUR/t).

Broader, simpler, responding better to citizens' concerns: the new rural development policy and strategic guidelines for rural development, 2007–13

The new agreement modernises the EU's rural development policy and makes it a central tool in efforts to create growth and jobs in rural areas, while supporting sustainable development. The new policy will improve competitiveness, stimulate diversification and strengthen environmental protection.

EU agriculture ministers have reached political agreement on two new regulations: one for financing the CAP, and one for support for rural development in 2007–13. On the basis of the two new regulations, overall rural development policy will be broader, since it addresses innovation and restructuring needs in farming and forestry activities, strengthens environmental protection and should create more jobs and opportunities in rural areas. It should also be simpler, because it reduces the existing multiplicity of programmes and financial instruments into a single framework. And it should be better, because it will be able to respond to citizens' concerns for food safety and quality and their demand for rural amenities. Furthermore, it considers farmers within the food chain, land management issues, and the needs of farmers and the wider rural population. The future rural development policy will focus on three areas, in line with the three thematic 'axes' of measures laid down in the new rural development regulation: improving the competitiveness of farming and forestry; the environment and the countryside; and, finally, diversification of the rural economy, and the quality of life in rural areas. A fourth axis based on experience with the Leader method preserves possibilities for locally based, bottom-up approaches to rural development.

The main features of the new rural development policy are:

- one funding and programming instrument, the European Agriculture Rural Development Fund (EARDF);
- a new strategic approach for rural development with clear focus on EU priorities;
- reinforced control, evaluation and reporting and a clearer division of responsibilities between Member States and the Commission; and
- a strengthened bottom-up approach; Member States, regions and local action groups will have more say in attuning programmes to local needs.

Following political agreement on 20 and 21 June 2005 by the Agriculture Council on the new rural development regulation, the European Commission has also adopted EU strategic guidelines for rural development, which set out a strategic approach and a range of options.

Rural areas make up 90 % of the territory of the enlarged EU. The new programming period provides a unique opportunity to refocus support from the new rural development fund on growth, jobs and sustainability.

The target date for the adoption of the EU strategic guidelines by EU agriculture ministers is autumn 2005. Member States can then finalise the detailed programming of their national strategy plans in the first half of 2006, provided that there is agreement on funding for rural development under the financial perspectives. 'The Member States can choose from a toolbox, depending on their own situation and priorities. This will enable them to tailor their solutions to their specific needs,' said the Commissioner.

For each set of priorities, key actions are suggested. Member States will prepare their national rural development strategies on the basis of six Community strategic guidelines, which will help to:

- identify those areas of support which will create the most added value at EU level;
- make the link with the main EU policy areas, such as Lisbon and Göteborg;
- ensure consistency with other EU policies, in particular cohesion and environment,
- implement CAP reforms.

The **strategic guidelines** in detail are at: http://europa.eu.int/comm/agriculture/capreform/rdguidelines/index_en.htm

News in brief

Commissioner at the Royal Show

The Agriculture DG information stand at the Royal Agricultural Show in Warwickshire, UK, held from 3 to 6 July, played host to the 10 new Member States whose dance and music displays and sample tasting of national dishes were a big attraction for visitors to the show. 'National days' hosted by each new Member State in turn were a powerful draw.

Commissioner Fischer Boel gave the keynote speech at the show's opening conference on Sunday 3 July. In her speech she put EU spending on agriculture into perspective and outlined her views on the British press's 'Scrap the CAP' campaign. The EU funds the CAP almost entirely, whereas other policies are mainly funded nationally said Commissioner Fisher Boel before she then hosted a reception on the Commission stand. A high level of media interest was evident as the Commissioner gave numerous individual interviews and answered questions at a press conference in the afternoon.

Publications

The new poster map on EU agriculture is available in all languages. To order copies please send an e-mail with the reference number KF-63-04-941-EN-C (1) to agri-library@cec.eu.int.

(1) EN stands for English, so if you require another version the abbreviation for the required language should be given instead: CZ, DA, DE, EL, ES, ET, FI, FR, HU, IT, LT, LV, NL, MT, PL, PT, SL, SK, SV.

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