

# The future of the sugar market after the abolition of sugar quotas in 2017

## The Agreements within the trade (“Interprofessional agreement”)

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What is changed?

Interprofessional agreements & contracts  
after 2017

# The Interprofessional agreements

- The specificity of sugar beet: a perishable, non-storable, non-transportable product and a geographical feature which limits/imposes its delivery to only one factory
- An oligopolistic structure: around 140 000 growers in the EU versus 6 big sugar companies
- The equilibrium of the rights and obligations between beet growers and sugar undertakings can only be achieved by means of collective negotiations of interprofessional agreements and of key elements contained in the contracts
- The interprofessional agreements are obligatory and must be concluded before sowing. They must define the conditions of beet delivery and purchase: this concerns mainly the management of beet delivery/reception and includes elements such as delivery, pulp bonuses and rules on adapting prices in pluriannual contracts which directly affect farmers' incomes.

# Imbalance of rights and obligations between the parties

- But growers' bargaining power is strained despite a specific regulatory framework which is not sufficient to achieve the goals of the Single CMO in terms of fair balance of rights and obligations between the parties
- Growers bear the brunt of the abolition of quotas, of the low prices, of the exploitation by sugar undertakings of all the loopholes and the weaknesses of the sCMO regulation and the management (without safety net) of risk from very competitive markets

# Imbalance of rights between the parties

- **The sharing of value in the collective negotiations** confirmed in Amendment of Annex X in a Delegated Act – collective negotiations – that can be interprofessional agreements - can address the following points:

“A sugar undertaking and the beet sellers concerned may agree on **value sharing clauses**, including **market bonuses** and losses, determining how any **evolution** of relevant market prices of sugar or other commodity markets is to be allocated between them”

- Beet growers welcome this legal security. However, this provision is not mandatory, not obligatory part of the interprofessional agreements and has removed any reference to a “base” price!

# After 2017

The interprofessional agreements and contracts will be the **strategic centre** of the parties' relations and management of market risks

- The written contracts are obligatory and must be concluded before sowing. They must include **the following:**

# After 2017

- 0. Basic beet price must cover total cost at farm level

# After 2017

1. duration of the contract
2. the quantities
3. **the beet price** at standard quality (i.e. at 16°)
4. a specific sugar content and
5. the increases/reductions agreed regarding the beet quality compared to the standard quality
6. how the evolution of sugar market **prices is divided between the parties** => transparency and balance of rules of value sharing + **transparency on prices of sugar on domestic, export, industrial markets is crucial (reliable and efficient price reporting scheme is needed)**



# After 2017

7. the responsibilities in terms of transport

8. Beet pulp compensation

9. Early/late delivery allowances

10. Storage compensation

# The cooperatives were the first – will there be two categories of beet growers?

Regulatory framework less favorable to growers who do not own the sugar factory

More unfavorable economic context for growers

Interprofessional agreements valid from 2017 will be decisive (benchmark, difficult to renegotiate in future)

The cooperatives were the first, in their country of origin, to redefine their internal operating rules or to conclude interprofessional agreements

The majority of these agreements include rules on value sharing or leave the door open to value sharing but sugar undertakings impose the base price – **farmers in cooperatives have clear access to the actual selling price for sugar**

**A sharp deterioration in beet purchasing conditions on most issues covered by the interprofessional agreements and contracts is likely to happen**

# World dependence on oil-based plastics



# Plastic from sugar beet



# Future is in the sugarbeet

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