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## **REPORT**

on the proposal for a Council regulation on the common organisation of the  
markets in the sugar sector  
(COM(2005)0263 – C6-0243/2005 – 2005/0118(CNS))

Committee on Agriculture and Rural Development

Rapporteur: Jean-Claude Fruteau

### ***Symbols for procedures***

- \* Consultation procedure  
*majority of the votes cast*
- \*\*I Cooperation procedure (first reading)  
*majority of the votes cast*
- \*\*II Cooperation procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\* Assent procedure  
*majority of Parliament's component Members except in cases  
covered by Articles 105, 107, 161 and 300 of the EC Treaty and  
Article 7 of the EU Treaty*
- \*\*\*I Codecision procedure (first reading)  
*majority of the votes cast*
- \*\*\*II Codecision procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\*III Codecision procedure (third reading)  
*majority of the votes cast, to approve the joint text*

(The type of procedure depends on the legal basis proposed by the Commission.)

### ***Amendments to a legislative text***

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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## DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a Council regulation on the common organisation of the markets in the sugar sector  
(COM(2005)0263 – C6-0243/2005 – 2005/0118(CNS))**

### **(Consultation procedure)**

*The European Parliament,*

- having regard to the Commission proposal to the Council (COM(2005)0263)<sup>1</sup>,
  - having regard to Articles 36 and 37 of the EC Treaty, pursuant to which the Council consulted Parliament (C6-0243/2005),
  - having regard to Rule 51 of its Rules of Procedure,
  - having regard to the report of the Committee on Agriculture and Rural Development and the opinions of the Committee on Development, the Committee on Budgets, the Committee on Budgetary Control and the Committee on International Trade (A6-0391/2005),
1. Approves the Commission proposal as amended;
  2. Calls on the Commission to alter its proposal accordingly, pursuant to Article 250(2) of the EC Treaty;
  3. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
  4. Asks the Council to consult Parliament again if it intends to amend the Commission proposal substantially;
  5. Instructs its President to forward its position to the Council and Commission.

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Text proposed by the Commission

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Amendments by Parliament

Amendment 1  
Recital 2

(2) The sugar market in the Community is based on principles which for other common market organisations have been

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<sup>1</sup> Not yet published in OJ.

**substantially** reformed in the past. In order to pursue the objectives set out in Article 33 of the Treaty, and notably in order to stabilise the markets and to ensure a fair standard of living for the agricultural community within the sugar sector, it is necessary to **fundamentally review** the common organisation of the market in the sugar sector.

reformed in the past. In order to pursue the objectives set out in Article 33 of the Treaty, and notably in order to stabilise the markets and to ensure a fair standard of living for the agricultural community within the sugar sector, it is necessary to **introduce modifications in** the common organisation of the market in the sugar sector.

#### *Justification*

*The common organisation of the market in the sugar sector needs a degree of reform so as to adapt it to international constraints while keeping most of its initial principles intact.*

#### Amendment 2 Recital 3 a (new)

***(3a) The Community sugar market is likely to be particularly volatile for the first four years of the reform (2006 to 2010), whilst the restructuring scheme is put into operation. The reference price system has not been successful in other agricultural sectors in either stabilising markets or establishing a floor price on the market. It is therefore necessary to retain the intervention price system for the four-year period 2006 to 2010, with provision being made, where necessary, for sugar being bought in by the intervention agencies. To this end, an intervention price should be set for white sugar together with an intervention price for raw sugar, at a level that ensures a fair income for sugar beet and sugar cane producers, while protecting the interests of consumers. Such price guarantees for sugar in practice also benefit sucrose syrups and isoglucose and inuline syrup, the prices of which are dependent on the price of sugar. As from the 2010/2011 marketing year, a reference price should be established in place of the intervention system.***

Amendment 3  
Recital 5 a (new)

***(5a) In order to ensure a fair standard of living for beet producers, a minimum price should be fixed for quota beet which takes account of the intervention price for white sugar and the estimated Community yield of 130 kg of sugar per tonne of standard quality beet.***

*Justification*

*The estimated Community yield of 130 kg has always been used to establish price/levy ratios between beet and sugar. It is vital that such an arrangement should be incorporated into the regulation, with a view to avoiding serious disputes between growers and manufacturers. Moreover, the estimated Community yield of 130 kg is referred to in Recital 7 of the current regulation on the organisation of the sugar market.*

Amendment 4  
Recital 6 a (new)

***(6a) As only a small proportion of the reduction in sugar prices will be passed on to the European consumer (1.5% for white sugar, which accounts for 70% of sugar production; 5% for raw sugar, which accounts for the remaining 30%), the reference or intervention price and the minimum price for beet should be established primarily on the basis of the trends in quantities produced, imports and consumption, in such a way as to ensure balance on the Community market.***

*Justification*

*Economic studies have shown that price reductions will probably not bring consumers any major advantage. The earlier reforms did not result in lower raw material prices being passed on to the consumer. It is therefore vital that the main criterion for the reform should be the need for a balance on the Community market between production, consumption, imports and exports.*

Amendment 5  
Recital 7

(7) Specific instruments are needed to ensure a fair balance of rights and obligations between sugar undertakings and sugar beet growers. Therefore, standard provisions should be laid down to govern the contractual relations between buyers and sellers of sugar beet. ***The diversity of natural, economic and technical situations makes it difficult to provide for uniform purchase terms for sugar beet throughout the Community.*** Agreements within the trade ***already exist between associations of sugar beet growers and sugar undertakings.*** ***Therefore, framework provisions should only define the minimum guarantees required by both sugar beet growers and the sugar industry to ensure a smooth functioning of the sugar market with the possibility to derogate from some rules in the context of an agreement within the trade.***

(7) Specific instruments are needed to ensure a fair balance of rights and obligations between sugar undertakings and sugar beet growers. Therefore, standard provisions should be laid down to govern the contractual relations between buyers and sellers of sugar beet. ***If specific economic difficulties arise for which the framework provisions cannot provide a valid solution, it should be possible for agreements within the trade to introduce, following consultation of the Commission's services, derogations from certain rules provided they are proportionate and time-limited.***

*Justification*

*The framework provisions contribute to setting the operational rules for the Community sugar sector, and also influence its coherence. Their role should not be diminished, and it is therefore desirable to specify that the derogations mentioned must be proportionate and time-limited.*

Amendment 6  
Recital 8

(8) The reasons which in the past led the Community to adopt a production quota system for sugar, isoglucose and inuline syrup still remain valid. However, due to developments within the Community and internationally, it is necessary to adjust the production system ***in order to provide for new arrangements and reductions of the quotas.*** In line with the previous quota system, a Member State should allocate quotas to the undertakings established

(8) The reasons which in the past led the Community to adopt a production quota system for sugar, isoglucose and inuline syrup still remain valid. However, due to developments within the Community and internationally, it is necessary to adjust the production system, ***especially the quotas, with a view to ensuring balance on the markets in the sugar sector.*** In line with the previous quota system, a Member State should allocate quotas to the undertakings



within its territory. The new common organisation of the markets in the sugar sector should maintain the legal status of the quotas in so far as, according to the case-law of the Court of Justice, the system of quotas constitutes a mechanism for regulating the market in the sugar sector which aims to ensure the attainment of public interest objectives.

established within its territory. The new common organisation of the markets in the sugar sector should maintain the legal status of the quotas in so far as, according to the case-law of the Court of Justice, the system of quotas constitutes a mechanism for regulating the market in the sugar sector which aims to ensure the attainment of public interest objectives.

*Justification*

*The objective of the reform as such is not quota reduction but, rather, to ensure a balance between production, consumption, imports and exports.*

Amendment 7  
Recital 8 a (new)

***(8a) The introduction by the European Union in 2000 of a regime based on unlimited zero-duty access to sugar from the Balkan countries resulted in an unprecedented rise in imports, thanks notably to irregular trade practices which remained undetected for a considerable time. The return to controlled imports in 2005 has made it possible to block illegal imports of sugar into the Community and to ensure balance on the internal market.***

*Justification*

*The consequences of an unregulated opening of the markets in the very recent past should make us think twice before determining what trade relations the EU should develop with its commercial partners. Since the objective of the reform of the COM in sugar is to achieve balance on the Community market, we need to recall that the return of irregular trade practices of this kind would impact severely on price levels and price stability. Experience has shown that the return to regulated trade has made it possible to ensure a stable internal market.*

Amendment 8  
Recital 8 b (new)

***(8b) There are objective risks that the irregular trade practices which developed following the opening-up of the***

***Community market to zero-duty, quota-free sugar imports from the Balkan countries could reappear with the full entry into force of the ‘Everything But Arms’ initiative for the least developed countries. If the Community is to adapt its production quotas in an effective and rational fashion, it will need suitable regulatory instruments which enable it to keep control over the supply of sugar on its market and to eliminate all irregular trade practices, given that the latter disturb the market and unbalance the Community’s production system. Developing countries will also require substantial assistance so that they can guard against these practices and take full advantage of the ‘Everything But Arms’ initiative.***

#### *Justification*

*There is an evident risk of the reappearance of irregular sugar imports by means of the opportunities offered by the ‘Everything But Arms’ (EBA) initiative. A massive influx of sugar on to the Community market would threaten the basic coherence of the COM in sugar and, therefore, price stability and price levels. Such practices would have dramatic consequences for sugar producers and refiners in the Union. They would also be catastrophic for the LDCs, which would be prevented from benefiting from a lucrative market: the EBA initiative would thus be deprived of all its promise. It is therefore essential to reaffirm the vital role of trade regulation: in this way trade can be a source of development, both within the outside the Union.*

*Efforts to control irregular sugar imports must be carried out by both developing countries and the EU.*

#### Amendment 9 Recital 8 c (new)

***(8c) In the case of the ‘Everything But Arms’ initiative, under which the least developed countries will be able to import sugar tariff- and quota-free, some risk exists of the appearance of three-way trading which would be virtually impossible to detect under reasonable financial conditions and which could potentially undermine the stability of the Community***

***market. This three-way trading might also threaten development itself in the least developed countries, since it would benefit only the major international operators, whilst having no positive effect on the local communities dependent on sugar production. Given that many developing countries are in fact dependent on sugar under purely export-oriented production regimes, it is crucial to ensure that the threat of three-way trading does not hinder developing countries' access to EU markets.***

*Justification*

*The appearance of a three-way trade system (SWAP) and irregular trade practices would represent a threat to sugar producers in both the EU and the least developed countries (LDCs). It is necessary for EU customs authorities to work together with developing to ensure to prevent such practices and ensure that developing country access to EU markets is not impeded.*

Amendment 10  
Recital 9

***(9) Following the recent decisions on export subsidies of the World Trade Organisation Panel and the Appellate Body on EU export subsidies for sugar and in order for Community operators to ensure a smooth change-over from the previous quota system to the present system, it should be possible during the marketing year 2006/2007 for sugar undertakings that produced C sugar in the marketing year 2004/2005 to be allocated an additional quota under conditions that take the lower value of C sugar into account.***

***Deleted***

*Justification*

*It does not seem correct for a restructuring process to include an additional quota of 1 m tonnes for certain countries which are actually those responsible for the surpluses.*

Amendment 11  
Recital 9 a (new)

***(9a) The depletion of oil resources worldwide has led to an unprecedented rise in the price of crude oil. In this climate, alcohol production in the sugar sector is a major asset for the development of alternative energies. Given the impact of the reform of the COM on production levels, it is important to anticipate and reinforce these trends by opening up prospects for the sugar sector and clearly including the bioethanol outlet within production outside the quota.***

*Justification*

*Biofuels are an alternative for the sugar sector, especially in view of trends worldwide regarding fossil fuels and in the context of the need to ensure energy independence and combat the greenhouse effect. It is therefore essential to include the bioethanol outlet in the new sugar regulation.*

Amendment 12  
Recital 10 b (new)

***(10b) Undertakings which are allocated an additional isoglucose quota should agree in advance to renounce the subsidy provided for under the temporary scheme for the restructuring of the sugar industry.***

*Justification*

*It would not be healthy for the management of Community funds if undertakings which have received additional isoglucose quotas free of charge were subsequently to receive a subsidy for giving up quotas.*

Amendment 13  
Recital 11

(11) To ensure ***that the Community's production of*** sugar, isoglucose and inuline

(11) To ensure ***balance on the Community market, if the situation so warrants the***

*syrup is reduced sufficiently, the Commission should be entitled to adjust the quotas to a sustainable level after the termination of the restructuring fund in 2010.*

*Council should be entitled, on a proposal from the Commission and after consulting the European Parliament, to adjust the quotas for sugar, isoglucose and inuline syrup, and to set them at a sustainable level after the termination of the restructuring fund in 2010.*

*Justification*

*The objective of the reform remains a balanced Community market. Should it prove necessary for this objective to adjust the quotas after the termination of the restructuring regime, it is for the Member States to set the appropriate levels, after consulting the EP.*

Amendment 14  
Recital 15 a (new)

***(15a) Steps should be taken to ensure that the chemical and pharmaceutical industries can obtain supplies of sugar at the world market price.***

*Justification*

*This wording takes up a statement made in the introduction to the Commission proposal. This idea, which is important for the interpretation of the regulation, should be incorporated into the text of the regulation.*

Amendment 15  
Recital 28 a (new)

***(28a) The rules of origin should be reinforced in order to prevent the acquisition of origin being determined by the refining process.***

*Justification*

*It is obvious that some countries cannot provide the customs cooperation needed for controls. This leads to behaviour that harms European producers.*

Amendment 16  
Recital 29

(29) The Community has several preferential market access arrangements with third countries which allow those countries to export cane sugar to the Community under favourable conditions. Therefore, it is necessary to evaluate refiners' need for sugar for refining and, under certain conditions, to reserve import licences to full-time refiners in the Community.

(29) The Community has several preferential market access arrangements with third countries which allow those countries to export cane sugar to the Community under favourable conditions. Therefore, it is necessary to evaluate refiners' need for sugar for refining and, under certain conditions, to reserve import licences to full-time refiners in the Community. ***However, as from the marketing year 2009/2010 import licences should be issued to other sugar factories as well.***

*Justification*

*Refining of imported sugar should not be the exclusive right of full time refiners. Other sugar factories should be allowed to do so as from the end of the reform. This will enforce a better functioning of the EU markets for sugar.*

Amendment 17  
Recital 29 a (new)

***(29a) Preferential market access for the least developed countries in respect of sugar products should be temporarily withdrawn in cases where their exports to the European Union exceed their domestic production capacity, minus the quantities otherwise disposed of, primarily through domestic consumption and exports to third countries. The Commission should therefore receive information from beneficiary countries comprising figures on their domestic sugar production and consumption, as well as their imports and exports of sugar. These figures should also include sugar in processed products.***

*Justification*

*Beneficiary countries of the Generalised System of Preferences should be closely watched concerning their compliance with the rules of origin, especially for sugar. The Commission*

*should have the necessary information to examine their compliance, and should take immediate action when incompliance is found. This will also maximise the desired positive impacts of the scheme for the poorest people in the beneficiary countries.*

Amendment 18  
Recital 29 b (new)

***(29b) Beneficiary countries of the Generalised System of Preferences should be prohibited from using sugar from third states which do not belong to the group of least developed countries for products which they intend to sell to the EU under the preferential access scheme.***

*Justification*

*Mixing, refining, flavouring and colouring of sugar originating from third countries, destined for the EU, should be forbidden in order to guarantee stability of the EU sugar markets. It will also maximise the desired positive impacts of the preferential market access scheme for the poorest people in the beneficiary countries.*

Amendment 19  
Recital 30

***(30) Provisions for granting refunds on exports to third countries, based on the difference between prices within the Community and on the world market, and falling within the limits set by the EC's commitments in the WTO, should serve to safeguard the possible Community participation in international trade in sugar. Subsidised exports should be subject to limits in terms of quantity and budgetary outlay.***

***Deleted***

*Justification*

*Export refunds cause heavy distortion on the world market and should therefore be abolished immediately.*

Amendment 20  
Recital 32

(32) Compliance with the quantity limits should be ensured by a reliable and effective system of monitoring. To that end, the granting of export refunds should be made subject to an export licence. Export refunds should be granted up to the limits available, depending on the particular situation of each product concerned. Exceptions to that rule should be permitted only for processed products not listed in Annex I to the Treaty, to which volume limits do not apply. Provision should be made for derogating from strict compliance with management rules where exports benefiting from export refunds are not likely to exceed the quantity laid down.

(32) Compliance with the quantity limits should be ensured by a reliable and effective system of monitoring. To that end, the granting of **both** export refunds **and non quota exports** should be made subject to an export licence. Export refunds should be granted up to the limits available, depending on the particular situation of each product concerned. Exceptions to that rule should be permitted only for processed products not listed in Annex I to the Treaty, to which volume limits do not apply. Provision should be made for derogating from strict compliance with management rules where exports benefiting from export refunds are not likely to exceed the quantity laid down.

*Justification*

*The European Union must be able to check that the quantitative limits on export set by WTO are respected, whether these exports are made with refund within the quota or without refund outside the quota.*

Amendment 21  
Recital 34

(34) It is appropriate to provide for measures to be taken when a substantial rise or fall in prices disturbs or threatens to disturb the Community market. **These** measures may include the opening of a quota at reduced tariff for imports of sugar from the world market for the time necessary.

(34) It is appropriate to provide for measures to be taken when a substantial rise or fall in prices disturbs or threatens to disturb the Community market. **Should there be a deficit in Community production,** these measures may include the opening of a quota at reduced tariff for imports of sugar from the world market for the time necessary.

*Justification*

*To open a new tariff quota at a low rate makes no sense unless there is a deficit in Community production, and such a measure should therefore apply in those circumstances alone.*



Amendment 22  
Recital 38

(38) The characteristics of sugar production in the outermost regions of the Community distinguish that production from sugar production in the rest of the Community. Financial support should therefore be given to the sector by allocating resources to farmers in those regions after the entry into force of the support programmes to assist local production which Member States draw up under Council Regulation (EC) No .../2005 of [...] laying down specific measures for agriculture in the outermost regions of the Union.

(38) The characteristics of sugar production in the outermost regions of the Community distinguish that production from sugar production in the rest of the Community. Financial support should therefore be given to the sector by allocating resources to farmers in those regions after the entry into force of the support programmes to assist local production which Member States draw up under Council Regulation (EC) No .../2005 of [...] laying down specific measures for agriculture in the outermost regions of the Union. ***Provision should also be made for specific aid schemes for Community areas and regions facing economic and social hardship.***

*Justification*

*Some areas of the Community are penalised by climatic and structural conditions. The total disappearance of production in them is unsustainable for social and economic reasons and hence provision must be made for specific forms of support.*

Amendment 23  
Recital 40

(40) The change-over from the arrangements in Regulation (EC) No 1260/2001 to those provided for in this Regulation could give rise to difficulties which are not dealt with in this Regulation. In order to deal with such difficulties, the Commission should be enabled to adopt transitional measures.

(40) The change-over from the arrangements in Regulation (EC) No 1260/2001 to those provided for in this Regulation could give rise to difficulties which are not dealt with in this Regulation, ***such as the uncertainty generated in areas where autumn sowing is carried out for 2006-2007.*** In order to deal with such difficulties, the Commission should be enabled to adopt transitional measures.

*Justification*

*In many areas, especially in southern Europe, sowing is proceeding although the outcome of the reform is still uncertain. Transitional measures are therefore needed.*

Amendment 24  
Recital 40 a (new)

***(40a) In the context of the restructuring of the European sugar industry, the Council must mobilise the Union's Structural Funds and all the social cohesion policy instruments, with a view to optimising the management of the restructuring and encouraging job creation. Given the extent of the proposed reform, over a short period, especially in rural areas, and covering various types of economic activity, it will be vital to develop regional programmes quickly, with the support of the Union's Structural Funds and of all the social cohesion policy instruments. That is in line with the objectives of the Lisbon Strategy and the European Employment Strategy and of the Commission's cohesion guidelines for 2007-2013, and reflects, in particular, the terms of the Commission communication on restructuring and employment<sup>1</sup>. That communication stresses that the EU should, as a matter of consistency, assume the costs of the policies it implements (point 1.1), and draws attention to the need to make use of all the Community financial instruments available to the Member States in a complementary and integrated fashion, with a view to managing economic change and optimising the impact on employment (point 2.1.3).***

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*<sup>1</sup> Commission communication entitled 'Restructuring and employment - Anticipating and accompanying restructuring in order to develop employment: the role of the European Union', COM(2005)0120.*

*Justification*

*The reform of the COM in sugar will most certainly impact on the sugar production areas, especially the rural ones. It will affect all agents involved in the industry itself, as well as numerous activities that depend directly or indirectly on the sector. If the EU is to honour its commitments regarding employment and social and territorial cohesion, the restructuring*

*regime proposed under the reform should not be the only instrument mobilised. The EP therefore urges the Council to mobilise the EU's Structural Funds and all the social cohesion policy instruments, so as to optimise the management of the restructuring and encourage job creation.*

Amendment 25

Article 1, paragraph 1 a (new)

***1a. The common organisation of the markets in the sugar sector shall seek to pursue the objectives set out in Article 33 of the Treaty, and notably to stabilise the markets, to increase the market orientation of the Community sugar regime and to ensure a fair standard of living for the agricultural community within the sugar sector.***

*Justification*

*It is absolutely essential that the reform of the Community sugar regime is carried out in a manner that seeks to increase the sector's market orientation.*

Amendment 26

Article 2, point (6 a) (new)

***(6a) 'exported sugar', 'exported isoglucose' and 'exported inuline syrup' mean the quantity of sugar, isoglucose or inuline syrup exported to third countries during a given marketing year within the limits of the agreements concluded pursuant to Article 300 of the Treaty;***

*Justification*

*The European Union occupies an important position on the world sugar market. Although there was a ruling against it in the WTO, it retains the possibility of exporting a certain tonnage of sugar. This possibility can be covered by quota sugar exports with refund, but also by exports of non-quota sugar without refund. In addition, the European Union retains the possibility of freely exporting quota sugars without refund, particularly to countries with which it has concluded commercial or free trade agreements.*

Amendment 27  
Article 2, point (7)

(7) ‘surplus sugar’, ‘surplus isoglucose’ and ‘surplus inuline syrup’ mean any quantity of sugar, isoglucose or inuline syrup production attributed to a specific marketing year over and above the respective quantities referred to in points (5) **and** (6);

(7) ‘surplus sugar’, ‘surplus isoglucose’ and ‘surplus inuline syrup’ mean any quantity of sugar, isoglucose or inuline syrup production attributed to a specific marketing year over and above the respective quantities referred to in points (5), (6) **and (6a)**;

*Justification*

*The European Union occupies an important position on the world sugar market. Although there was a ruling against it in the WTO, it retains the possibility of exporting a certain tonnage of sugar. This possibility can be covered by quota sugar exports with refund, but also by exports of non-quota sugar without refund. In addition, the European Union retains the possibility of freely exporting quota sugars without refund, particularly to countries with which it has concluded commercial or free trade agreements.*

Amendment 28  
Article 2, point (11 a) (new)

***(11a) ‘Preferential sugar originating from the least developed countries (LDCs)’ corresponds to quantities produced and exported by a specific LDC above its consumption declared to the International Sugar Organisation.***

*Justification*

*As the imports from LDCs are the only unmanaged flow, it is essential to limit this flow to the net export capacity of the LDCs. In this way, we ensure that LDCs are really developing production capacity which will serve first their domestic markets and afterwards third country markets. In this respect, it seems logical that the most competitive LDCs should first supply the deficit countries in their regions.*

Amendment 29  
Article 2 a (new)

***Article 2a***

***Price system***

***1. During the 2006/2007, 2007/2008,***

**2008/2009 and 2009/2010 marketing years, an intervention system based on an intervention price shall be established in accordance with the procedures laid down in Article 17a.**

**2. As from the 2010/2011 marketing year, the intervention system shall be replaced by a system based on a reference price.**

Amendment 30  
Article 3

Reference price

1. For white sugar, the reference price shall be:

(a) EUR 631.9 per tonne for the marketing year 2006/2007;

(b) EUR **476.5** per tonne for the marketing year 2007/2008;

(c) EUR **449.9** per tonne for the marketing year 2008/2009;

(d) EUR **385.5** per tonne as from the marketing year 2009/2010.

2. For raw sugar, the reference price shall be:

(a) EUR 496.8 per tonne for the marketing year 2006/2007;

(b) EUR **394.9** per tonne for the marketing year 2007/2008;

(c) EUR **372.9** per tonne for the marketing year 2008/2009;

(d) EUR **319.5** per tonne as from the marketing year 2009/2010.

3. The reference prices referred to in paragraphs 1 and 2 shall apply to unpacked sugar, ex-factory, loaded on to a means of transport chosen by the purchaser. They shall apply to white sugar and raw sugar of the standard quality described in Annex I.

Reference *or intervention* price

1. For white sugar, the reference *or intervention* price shall be:

(a) EUR 631.9 per tonne for the marketing year 2006/2007;

(b) EUR **571.2** per tonne for the marketing year 2007/2008;

(c) EUR **525.8** per tonne for the marketing year 2008/2009;

(d) EUR **442.3** per tonne as from the marketing year 2009/2010;

2. For raw sugar, the reference *or intervention* price shall be:

(a) EUR 496.8 per tonne for the marketing year 2006/2007;

(b) EUR **496.8** per tonne for the marketing year 2007/2008;

(c) EUR **441.2** per tonne for the marketing year 2008/2009;

(d) EUR **366.6** per tonne as from the marketing year 2009/2010.

3. The reference *or intervention* prices referred to in paragraphs 1 and 2 shall apply to unpacked sugar, ex-factory, loaded on to a means of transport chosen by the purchaser. They shall apply to white sugar and raw sugar of the standard quality described in Annex I.

Amendment 31  
Article 5, paragraph 1

1. The minimum price for quota beet shall be:

(a) EUR 32.86 per tonne for the marketing year 2006/2007;

(b) EUR **25.05** per tonne as from the marketing year 2007/2008.

1. The minimum price for quota beet shall be:

(a) EUR 32.86 per tonne for the marketing year 2006/07;

(b) EUR **31.6** per tonne as from the marketing year 2007/08;

**(ba) EUR 30.6 per tonne as from the marketing year 2008/09;**

**(bb) EUR 29.4 per tonne as from the marketing year 2009/10.**

***However, the minimum price for quota beet may be reduced by a maximum of 10% by way of an agreement within the trade.***

Amendment 32  
Article 5, paragraph 2

2. The minimum price referred to in paragraph 1 shall apply to sugar beet of the standard quality described in Annex I.

2. The minimum price referred to in paragraph 1 shall apply to sugar beet of the standard quality described in Annex I ***and shall correspond to a yield of 130 kg of quota sugar.***

***This price shall apply to the ‘delivery to the place of delivery’ stage.***

*Justification*

*The 130 kg yield is a constant in regulation, and must be reiterated as the central indicator for apportioning profit between growers and manufacturers. The traditional stage of ‘delivery to the place of delivery’ must also be recalled in order to prevent the danger of conflict between growers and manufacturers, particularly in anticipation of a radical restructuring.*

Amendment 33  
Article 5, paragraph 4

4. For the quantities of sugar beet corresponding to the quantities of industrial sugar ***or surplus sugar that are subject to***

4. For the quantities of sugar beet corresponding to the quantities of industrial sugar, the sugar undertaking concerned shall

*the surplus amount provided for in Article 15, the sugar undertaking concerned shall adjust the purchase price so that it is at least equal to the minimum price for quota beet.*

*be required to pay at least the price set by agreements within the trade, bearing in mind the added value of the sugar concerned, the relationship between the institutional sugar prices and quota beet after the restructuring period, and the conventional yield of 130 kg per tonne of beet with 16% sugar content.*

*Justification*

*It is logical that the price obtained by the manufacturer for the sale of industrial sugar should be used to determine the price for the corresponding beet, and that at least the proceeds from the sale should be divided up between growers and manufacturers in the same proportions as for quota products.*

Amendment 34  
Article 5, paragraph 4 a (new)

*4a. For the quantities of sugar beet corresponding to the surplus quantities of sugar, which, as provided for in Article 15, form the basis for levies on surpluses or are sold on the Community market without the levy on surpluses being applied, the sugar undertaking concerned shall adjust the purchase price so that it is at least equal to the minimum price for quota beet.*

*Justification*

*Sugar beet which corresponds to the surplus quantities of sugar sold in the internal market - whether the sale is lawful or unlawful - must receive at least the minimum price applicable to sugar beet that corresponds to quota sugar.*

Amendment 35  
Article 6, paragraph 7

7. If no agreements within the trade exist, the Member State concerned **shall** take the necessary steps under this Regulation to protect the interests of the parties concerned.

7. If no agreements within the trade exist, the Member State concerned **must** take the necessary steps under this Regulation to protect the interests of the parties concerned.

## *Justification*

*The more difficult economic conditions confronting sugar planters and refiners will increase the likelihood of conflicts and will make it harder to negotiate agreements within the trade. Member States must be obliged to interest themselves in these circumstances and act where no agreement is reached. Such an obligation should make it easier to conclude agreements within the trade.*

## Amendment 36 Article 8

- 1. By 31 July 2006 at the latest, sugar undertakings that produced C sugar under Regulation (EC) No 1260/2001 during the marketing year 2004/2005 may request from the Member State where they are established the allocation of an additional quota for a total as set out in Annex IV. The additional quotas shall be allocated according to objective and non discriminatory criteria.** Deleted
- 2. If the demand for additional quotas exceeds the available national quantity, the Member State concerned shall provide for a proportional reduction of the quantities to be allocated.**
- 3. A one-off amount shall be levied on the additional quotas that have been allocated to undertakings in accordance with paragraphs 1 and 2. This amount shall be set at an amount equal to the level of the restructuring aid applicable in the marketing year 2006/2007. It shall be collected per tonne of additional quota allocated.**
- 4. The totality of the one-off amount paid in accordance with paragraph 3 shall be charged by the Member State to the undertakings on its territory that have been allocated an additional quota. The payment of the one-off amount by a sugar undertaking concerned shall be made by a deadline to be determined by the Member States. The deadline shall not be**



*later than 28 February 2007.*

***5. If the sugar undertaking has not paid the one-off amount before 28 February 2007 the additional quotas shall not be considered as allocated to the sugar undertaking concerned.***

*Justification*

*It does not seem correct for a restructuring process to include an additional quota of 1 million tonnes for certain countries which are actually those responsible for the surpluses.*

Amendment 37  
Article 9

***In the marketing year 2006/2007 an isoglucose quota of 100 000 tonnes is added to the total of the isoglucose quota fixed in Annex III. In each of the marketing years 2007/2008 and 2008/2009 a further isoglucose quota of 100 000 tonnes is added to the quota of the preceding marketing year.***

***Deleted***

***Member States shall allocate the additional quotas to undertakings, proportionately to the isoglucose quota that have been allocated in accordance with Article 7(2).***

*Justification*

*At a time when beet growers and sugar manufacturers are being required to cut their production by more than 30% within three to four years, it is incomprehensible that isoglucose manufacturers should be allowed an increase in quota. Any increase in the isoglucose quota would in effect be reflected in a requirement for a corresponding reduction in the sugar quota, putting pressure on beet growers and sugar manufacturers.*

Amendment 38  
Article 10, paragraph 2

***2. Taking into account the results of the restructuring scheme provided for in Council Regulation (EC) No .../2005 (restructuring scheme), the Commission shall decide by the end of February 2010 at the latest, in accordance with the procedure***

***2. On a proposal from the Commission and after consulting the European Parliament, and taking into account the results of the restructuring scheme provided for in Council Regulation (EC) No .../2005 (restructuring scheme), the***

referred to in Article 39(2), the common percentage needed to reduce the existing quotas for sugar, isoglucose and inuline syrup per Member State or region with a view to avoid market imbalances in the marketing years as from 2010/2011.

**Council** shall decide by the end of February 2010 at the latest, in accordance with the procedure referred to in Article 39(2), the common percentage needed to reduce the existing quotas for sugar, isoglucose and inuline syrup per Member State or region with a view to avoid market imbalances in the marketing years as from 2010/2011.

*Justification.*

*Any adjustment of the quotas at the end of the restructuring scheme will require crucial choices to be made as regards the continuation or further abandonment of production in the Union. The Member States must be able to intervene. It is therefore proposed that all decisions on adjusting production capacities after 2010 should be made by the Council, on a proposal from the Commission and after consulting the EP.*

Amendment 39  
Article 12, point c a) (new)

***ca) exported to third countries, subject to the conditions laid down in this Regulation.***

*Justification*

*The Commission is exceeding its powers in wishing to end sugar exports from the Union. The option of exporting to third countries should be maintained subject to compliance with the WTO's conditions.*

Amendment 40  
Article 12 a (new)

***Article 12a***

***Outlets for sugar surpluses***

***The Commission shall carry out a study in order to identify transitional outlets for sugar surpluses for energy use.***

*Justification*

*Production surpluses of sugar must distort neither the domestic EU market nor the world market. Challenges regarding climate change and oil depletion call for alternative use of sugar beet and renewable energy production.*

Amendment 41  
Article 13, paragraph 1, point a)

a) it has been subject to a delivery contract concluded before the end of the marketing year between a producer and a user which have both been granted approval under Article 17;

a) it has been subject to a delivery contract concluded before the end of the marketing year between a producer **and/or supplier** and a user which have both been granted approval under Article 17;

*Justification*

*The aim of this amendment is to maintain competitiveness, open up the market and prevent the creation of artificial barriers, in line with the Commission's objectives in the proposal for a regulation.*

Amendment 42  
Article 13, paragraph 2, point (a)

(a) alcohol, rum, live yeast and "Rinse appelstroop";

(a) alcohol, **bioethanol for energy purposes**, rum, yeast and "Rinse appelstroop";

*Justification*

*Bioethanol should be mentioned separately in the new sugar regulation, under production outside the quota, so as to ensure that it constitutes a separate outlet for Community sugar production. This also brings the sugar regulation into line with the incentives proposed by your rapporteur in respect of the two new regulations, namely Regulation (EC) No 1782/2003 (direct support regime) and Regulation (EC) No 1258/1999 (temporary restructuring scheme).*

Amendment 43  
Article 13, paragraph 2, point (b)

(b) industrial products without sugar content but the processing of which uses a quantity of sugar, isoglucose or inuline syrup **higher than 50% of the weight of the final** product;

(b) industrial products without sugar content but the processing of which uses a quantity of sugar, isoglucose or inuline syrup **as the base** product;

*Justification*

*The wording proposed by the Commission rules out many chemical/biochemical products and future developments in terms of new processes, as biochemical processes often use mixtures*

*of various carbohydrates, for example white sugar and raw sugar, sugar syrup, isoglucose, glucose, etc. in varying concentrations. The proposed amended wording is intended to address this problem.*

#### Amendment 44

##### Article 13, paragraph 3, subparagraph 1

3. A production refund **may** be granted on the products listed in Article 1(1)(b) to (e) if surplus sugar, surplus isoglucose or surplus inuline syrup is not available at a price corresponding to the world price for the manufacturing of products referred to in paragraph 2 points (b) and (c) of this Article.

3. A production refund **shall** be granted on the products listed in Article 1(1)(b) to (e) if surplus sugar, surplus isoglucose or surplus inuline syrup is not available at a price corresponding to the world price for the manufacturing of products referred to in paragraph 2 points (b) and (c) of this Article.

#### *Justification*

*This more precise wording allows the industries concerned to plan with certainty, whilst safeguarding farming interests.*

#### Amendment 45

##### Article 13, paragraph 3, subparagraph 3

The production refund shall be fixed taking into account in particular the costs arising from the use of imported sugar which the industry would have to bear in the event of supply on the world market and the price of the surplus sugar available on the Community market or the reference price if there is no surplus sugar.

The production refund shall be fixed taking into account in particular the costs arising from the use of imported sugar which the industry would have to bear in the event of supply on the world market and the price of the surplus sugar available on the Community market or the reference **or intervention** price if there is no surplus sugar.

#### Amendment 46

##### Article 14, paragraph 2, first subparagraph, point (a)

(a) inform the Member State concerned by **31 January** of the current marketing year at the latest, of the quantities of sugar, isoglucose or inuline syrup being carried forward;

(a) inform the Member State concerned by **15 February** of the current marketing year at the latest, of the quantities of sugar, isoglucose or inuline syrup being carried forward;

### *Justification*

*The 15 February date already applies in certain cases, and the trend in Europe is towards longer production years, with a view to using the industry's facilities as efficiently as possible. This date also corresponds to the objectives of improvement and competitiveness, while facilitating the harmonisation of rules within the Union.*

### Amendment 47

#### Article 14, paragraph 2, second subparagraph

However, the date of **31 January** referred to in point (a) of the first subparagraph shall be replaced:

However, the date of **15 February** referred to in point (a) of the first subparagraph shall be replaced:

### *Justification*

*The 15 February date already applies in certain cases, and the trend in Europe is towards longer production years, with a view to using the industry's facilities as efficiently as possible. This date also corresponds to the objectives of improvement and competitiveness, while facilitating the harmonisation of rules within the Union.*

### Amendment 48

#### Article 14, paragraph 2, second subparagraph, points (b) and (c)

**(b) for undertakings established in the United Kingdom, by 15 February;**

**(c)** for undertakings established in the French overseas departments of Guadeloupe and Martinique, by 30 April.

**(b)** for undertakings established in the French overseas departments of Guadeloupe and Martinique, by 30 April.

### *Justification*

*The 15 February date already applies in certain cases, and the trend in Europe is towards longer production years, with a view to using the industry's facilities as efficiently as possible. This date also corresponds to the objectives of improvement and competitiveness, while facilitating the harmonisation of rules within the Union.*

### Amendment 49

#### Article 15, paragraph 1, point (a)

(a) surplus sugar, surplus isoglucose and surplus inuline syrup produced during any marketing year, except quantities carried

(a) surplus sugar, surplus isoglucose and surplus inuline syrup produced during any marketing year, except quantities **exported**

forward to the quota production of the following marketing year and stored in accordance with Article 14 or quantities referred to in Article 12(c);

***to third countries within the limits of the agreements concluded pursuant to Article 300 of the Treaty, or carried forward to the quota production of the following marketing year and stored in accordance with Article 14 or quantities referred to in Article 12(c), and the quantities whose export is permitted as indicated in Article 12(ca);***

*Justification*

*The European Union occupies an important position on the world sugar market. Although there was a ruling against it in the WTO, it retains the possibility of exporting a certain tonnage of sugar. This possibility can be covered by quota sugar exports with refund, but also by exports of non-quota sugar without refund. In addition, the European Union retains the possibility of freely exporting quota sugars without refund, particularly to countries with which it has concluded commercial or free trade agreements.*

Amendment 50

Article 15, paragraph 1, point (b)

(b) industrial sugar, industrial isoglucose and industrial inuline syrup for which no proof has been supplied, by a date to be determined, that it has been processed in one of the products referred to in Article 13(2);

(b) industrial sugar, industrial isoglucose and industrial inuline syrup for which no proof has been supplied ***by the user undertaking***, by a date to be determined, that it has been processed in one of the products referred to in Article 13(2);

*Justification*

*The sugar manufacturer cannot be held responsible for any fraudulent behaviour by a user of industrial sugar. The penalty must be paid by the party at fault.*

Amendment 51

Article 15, paragraph 1, point (c a) (new)

***(ca) surplus sugar, surplus isoglucose or surplus inuline syrup for which proof of export has not been provided by the specified date.***

*Justification*

*It must be ensured that non-quota sugar to be exported has not been sold on the internal*

market.

Amendment 52  
Article 15, paragraph 3

3. The surplus amount paid in accordance with paragraph 1 shall be charged by the Member State to the undertakings on its territory according to the quantities of production referred to in paragraph 1 that have been established for the undertakings for the marketing year *concerned*.

3. The surplus amount paid in accordance with paragraph 1 shall be charged by the Member State to the undertakings on its territory according to the quantities of production referred to in paragraph 1 that have been established for the undertakings for the marketing year. ***Moreover, for the quantities referred to in paragraph 1(b) the surplus amount shall be charged to the user undertakings.***

*Justification*

*The sugar manufacturer cannot be held responsible for any fraudulent behaviour by a user of industrial sugar. The penalty must be paid by the party at fault.*

Amendment 53  
Article 16, paragraph 4

4. Community sugar and inuline syrup undertakings may ***require*** sugar-beet or sugar-cane growers or chicory suppliers to ***bear*** 50% of the production charge concerned.

4. ***In the context of interprofessional agreements,*** Community sugar and inuline syrup undertakings may ***share the burden of the production charge with*** sugar-beet or sugar-cane growers or chicory suppliers. ***The participation of sugar-beet or sugar-cane growers or chicory suppliers may not exceed 50%*** of the production charge concerned.

*Justification*

*If synergies between planters and refiners, as expressed in professional agreements, justify the idea that planters should bear part of the production charge, it follows that the cost-sharing should be negotiated and should be the subject of an agreement between the two parties. As a result of these negotiations, planters should not have to pay more than 50% .*

Amendment 54  
Article 17 a (new)

*Article 17a*

*Intervention scheme*

*1. During the 2006/2007, 2007/2008, 2008/2009 and 2009/2010 marketing years, the intervention agency appointed by each sugar-producing Member State shall be required, in accordance with the procedure referred to in Article 39(2), to purchase the white sugar and raw sugar produced under quota and manufactured from sugar beet and cane harvested in the Community that is offered to it, subject to prior conclusion of a storage contract between the seller and the said agency for the sugar in question. If the sugar quality differs from the standard quality for which the intervention price has been fixed, the latter shall be adjusted by application of bonuses or deductions.*

*2. During the 2006/2007, 2007/2008, 2008/2009 and 2009/2010 marketing years, the intervention agencies shall, where appropriate, buy in at the intervention price valid for the area in which the sugar is located at the time of purchase.*

*3. During the 2006/2007, 2007/2008, 2008/2009 and 2009/2010 marketing years, the intervention agencies may sell sugar only at a price higher than the intervention price.*

Amendment 55

Article 19, paragraph 1, subparagraph 1

1. In order to preserve the structural balance of the market at a price level which is close to the reference price, taking into account the obligations of the Community resulting from agreements concluded in accordance with Article 300 of the Treaty, a percentage, common to all Member States, of quota sugar, quota isoglucose and quota inuline syrup may be withdrawn from the market until the beginning of the following marketing year.

1. In order to preserve the structural balance of the market at a price level which is close to the reference **or intervention** price, taking into account the obligations of the Community resulting from agreements concluded in accordance with Article 300 of the Treaty, a percentage, common to all Member States, of quota sugar, quota isoglucose and quota inuline syrup may be withdrawn from the market until the beginning of the following marketing year.



Amendment 56

Article 19, paragraph 3, subparagraph 2, indent 2

- supplementary quota production;
- supplementary quota production **up to 105%**;

*Justification*

*It is difficult to understand why only domestic production should adapt when market disequilibrium appears, and certainly when the latter is caused by a sharp increase in imports. The withdrawal must obviously be based on a quantitative balance forecast. To establish the balance, the sugar industry takes the view that the Commission should consider the volume of imports. This balance should be updated during the marketing year, particularly to take into account the real volume of imports.*

Amendment 57

Article 25, paragraph 1 a (new)

***1a. Should imports from one of the least developed countries be in excess of the volumes guaranteeing a net balance between normal internal production capacity and normal internal consumption in the country concerned, the Commission shall suspend such imports from that country.***

Amendment 58

Article 25, paragraph 2, subparagraph 1

2. If the situation referred to in **paragraph 1** arises, the Commission shall, at the request of a Member State or on its own initiative, decide upon the necessary measures.

2. If the situation referred to in **paragraphs 1 and 1a** arises, the Commission shall, at the request of a Member State or on its own initiative, decide upon the necessary measures.

Amendment 59  
Article 25 a (new)

**Article 25a**

**Volume of preferential imports**

**Where Article 18 applies or where preferential imports exceed the volume laid down in Article 19, the Commission shall adopt the measures required to apply Article 27(2) and (3).**

*Justification*

*In cases of market imbalance, it will be necessary to take measures that affect not only internal production but also imports from third countries.*

Amendment 60  
Article 26, paragraph 3

3. If the production refund provided for in Article 13(3) does not guarantee the supply necessary for the manufacturing of products referred to in Article 13(2), the Commission may suspend ***in whole or in part for certain quantities*** the application of import duties on ***white*** sugar falling within CN code 1701 and isoglucose falling within codes 1702 30 10, 1702 40 10, 1702 60 10 and 1702 90 30.

3. If the production refund provided for in Article 13(3) does not guarantee the supply necessary for the manufacturing of products referred to in Article 13(2), the Commission may suspend the application of import duties on sugar falling within CN code 1701 and isoglucose falling within codes 1702 30 10, 1702 40 10, 1702 60 10 and 1702 90 30.

*Justification*

*It is the Commission's intention to ensure that the industry concerned, including the pharmaceuticals industry, can supply itself with sugar at a price equivalent to the world market price. Using a suspension of the import duty only comes into consideration if sugar supplies cannot be secured by means of surplus sugar or by granting production refunds. Suspension of the import duty is therefore the last possibility of securing sugar supplies to the industry concerned and should therefore not be restricted.*

Amendment 61  
Article 27 a (new)

**Article 27a**

*Imports from least developed countries*

*1. Imports of sugar from least developed countries shall be subject to duties under the Common Customs Tariff on the basis of the existing levels, until 1 July 2012. Duties under the Common Customs Tariff shall be reduced by 20% on 1 July 2012, 50% on 1 July 2013 and 80% on 1 July 2014. As from 1 July 2015 they shall be completely phased out.*

*2. Pending the complete phasing-out of duties under the Common Customs Tariff in accordance with paragraph 1, for each marketing year a zero-rated global tariff quota shall be opened for products corresponding to tariff heading 1701 originating in least developed countries. The initial tariff quota for the 2006/2007 marketing year for products corresponding to tariff heading 1701 shall be 149 212 tonnes, expressed in white sugar equivalent. For each of the following marketing years the tariff quota for products corresponding to heading 1701 shall be raised by 27% as compared to the quota for the previous marketing year.*

*3. As from the 2010/2011 marketing year, should sugar imports from least developed countries be in excess of the levels guaranteeing a net balance between internal production and consumption in one or more of the countries concerned, as determined from its declarations to the International Sugar Organisation, the Commission may suspend such imports in accordance with the procedures set out in Article 25, at the request of a Member State or on its own initiative.*

Amendment 62  
Article 28, paragraph 1

1. Tariff quotas for imports of products listed in Article 1(1) resulting from

1. Tariff quotas for imports of products listed in Article 1(1) resulting from

agreements concluded in accordance with Article 300 of the Treaty or from any other act of the Council shall be opened and administered by the Commission under detailed rules adopted in accordance with the procedure referred to in Article 39(2) of this Regulation.

agreements concluded in accordance with Article 300 of the Treaty or from any other act of the Council shall be opened and administered by the Commission under detailed rules adopted in accordance with the procedure referred to in Article 39(2) of this Regulation **and pursuant to Articles 308a, 308b and 308c of Commission Regulation (EEC) No 2454/93 of 2 July 1993 establishing certain implementing provisions for Council Regulation (EEC) No 2193/93 establishing the Community Customs Code<sup>1</sup>.**

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<sup>1</sup> OJ L 253, 11.10.1993, p. 1.

#### *Justification*

*This is a technical amendment adding a reference to the relevant articles of the regulation establishing certain implementing provisions of the Community customs code (Commission Regulation (EEC) No 2454/93).*

#### Amendment 63

Article 28, paragraph 3 a (new)

***3a. Where the Commission finds that there is sufficient evidence of fraud or failure to provide administrative cooperation as required for the verification of evidence of origin, or that there is a massive increase in exports into the Community above the level of normal production and export capacity, it may take measures to suspend in whole or in part the application of tariff quotas for a period of six months, provided that it has first:***

***(a) informed the Committee referred to in Article 39(1);***

***(b) called on the Member States to take such precautionary measures as are necessary in order to safeguard the Community's financial interests;***

***(c) published a notice in the Official Journal of European Union stating that there are grounds for reasonable doubts about the lawful implementation of tariff***

***quotas, which call into question the right of the beneficiary country or territory to continue enjoying the benefits of such arrangements.***

*Justification*

*It is absolutely essential that the Commission retains the right to temporarily suspend the application of tariff quotas in case of fraud or a temporary surge of exports above normal production capacity from countries and territories that are the beneficiaries of such trade measures.*

Amendment 64

Article 29, paragraph 2, subparagraph 1

2. Import licences for sugar for refining ***shall*** be issued ***only to full-time refiners*** provided that the concerned quantities are below the traditional supply need referred to in paragraph 1. The licences in question shall be issued for 75% of the ACP/Indian sugar before being available for any other sugar. They may be transferred only between full-time refiners and their validity expires at the end of the marketing year for which they have been issued.

2. Import licences for sugar for refining ***may*** be issued provided that the concerned quantities are below the traditional supply need referred to in paragraph 1. The licences in question shall be issued for 75% of the ACP/Indian sugar before being available for any other sugar. They may be transferred only between full-time refiners and their validity expires at the end of the marketing year for which they have been issued.

*Justification*

*Since some manufacturers will have their beet supplies reduced thanks to the lower prices paid to the growers, they should be allowed to supplement their activity with refining activities, especially in areas where a deficit exists.*

Amendment 65

Article 29, paragraph 2, subparagraph 2

This paragraph shall apply for the marketing years 2006/2007, 2007/2008 and 2008/2009, and for the first three months of each of the following marketing years.

This paragraph shall apply for the marketing years 2006/2007, 2007/2008 and 2008/2009, and for the first three months of each of the following marketing years. ***As from the marketing year 2009/2010 import licences for sugar for refining shall be issued to other sugar factories as well, in accordance with rules to be laid down in due course.***

### *Justification*

*Refining of imported sugar should not be the exclusive right of full-time refiners. Other sugar factories should be allowed to do so as from the end of the reform. This will enforce a better functioning of the EU markets for sugar.*

Amendment 66  
Article 31 a (new)

### *Article 31a*

#### *Checks on preferential imports*

***Preferential imports from the least developed countries shall not exceed the quantities of sugar produced locally and shall be separate from the volumes required for internal consumption in the countries concerned.***

### *Justification*

*The aim of this amendment is to avoid 'triangular' trade, which would be contrary to the spirit of the 'Everything But Arms' initiative.*

Amendment 67  
Article 40, paragraph 1, point a)

a) detailed rules for applying Articles 3 to 6, in particular those concerning increases and reductions of prices to be applied for deviations from the standard of the reference price referred to in Article 3(3) and the minimum price referred to in Article 5(3);

a) detailed rules for applying Articles 3 to 6, in particular those concerning increases and reductions of prices to be applied for deviations from the standard of the reference ***or intervention*** price referred to in Article 3(3) and the minimum price referred to in Article 5(3);

Amendment 68  
Article 40, paragraph 1, point c)

c) detailed rules for applying Articles 13, 14 and 15, and in particular the conditions for granting production refunds, the amounts of sugar refunds and eligible quantities;

c) detailed rules for applying Articles 13, 14 and 15, and in particular ***the conditions for granting export licences for non-quota sugar and isoglucose***, the conditions for granting production refunds, the amounts of sugar refunds and eligible quantities;

### *Justification*

*It is necessary to distribute export licences, when necessary according to quota and non-quota production.*

#### Amendment 69

#### Article 44

In accordance with the procedure referred to in Article 39(2), transitional measures may be adopted to facilitate the transition from the rules provided for in Regulation (EC) No 1260/2001 to those established by this Regulation.

In accordance with the procedure referred to in Article 39(2), transitional measures may be adopted to facilitate the transition from the rules provided for in Regulation (EC) No 1260/2001 to those established by this Regulation. ***In particular, the quotas for 2005/2006 shall be increased in those Member States practising autumn sowing, in proportion to the volume of sugar produced from ground beet prior to 31 September 2006. Such beet shall be subject to the conditions regarding price and contract arrangements laid down in Regulation (EC) No 1260/2001.***

### *Justification*

*In some areas of Europe, the natural productive cycle is such that beet has to be sown in autumn in order to be harvested before the summer. Owing to the change of calendar in the new COM, the first marketing year under the reform will be from 1 July 2006 to 30 September 2007. This means that in those areas there would be two harvests in one marketing year, something which is not foreseen either from the viewpoint of the Member States' quotas or from that of the compensatory aid for that marketing year. The current marketing year has already begun in the Mediterranean Member States, where autumn sowing is being carried out despite the fact that the exact details of the reform are not yet known. These circumstances and those mentioned above need to be taken into account.*

## EXPLANATORY STATEMENT

The evolution of the rules governing world trade, the EU's initiatives for developing countries, and the need to bring the common organisation of the market (COM) in sugar into line with the principles of the new CAP are among the reasons why the EU's sugar sector is now faced with new constraints which make the reform of its COM a necessity.

From this viewpoint, the Commission, on 22 June 2005, published a set of proposals aimed at reforming the sugar sector in the Union (COM(2005) 263). This project has three distinct aspects, namely:

- introduction of a Council regulation on the organisation of the COM in sugar;
- amendment of Council Regulation No 1782/2003 on the direct support regime;
- amendment of Council Regulation No 1258/1999 on the financing of the CAP, with the aim of introducing a temporary restructuring scheme.

A few months previously, in response to the Commission's communications of September 2003 and July 2004, Parliament had examined the dossier and had expressed its position and recommendations, in an oral question (B6-01-023/2004) and subsequently in a resolution which was adopted by a large majority on 10 March 2005 (P6\_TA(2005)0079).

### **Rapporteur's general comments**

Your rapporteur welcomes the fact that a number of the recommendations which appeared in Parliament's resolution have been taken up in the Commission's final proposal.

In contrast to the initial project, this text abandons the idea of a two-phase reform of the COM in sugar (2005 and 2008), replacing it with a longer-term arrangement which would continue up to the 2014-2015 marketing year, and also allowing agents in the sector sufficient visibility to make the investments required for a coherent and competitive economic activity. Further, the Commission has taken up the idea of a restructuring fund, to be financed by the sector's agents on the understanding of budgetary neutrality, which would enable those so wishing to leave the sugar production system on favourable terms.

It is, however, regrettable that for the other aspects of the reform Parliament's positions have been ignored and that the proposals put forward in the communication of 14 July 2004 have not been modified.

Your rapporteur draws attention in this respect to the radical nature of the reduction in the price of sugar proposed by the Commission (-39% over two years). This is well in excess of the dictates of world trade, and is liable to have economic and social consequences, in both Europe and the developing countries, which have so far been greatly underestimated.

It also appears that the instruments proposed by the Commission are not sufficient to respond to the new patterns of world trade, be it for the Community's sugar industry or for the ACP/LDC group of countries, for whom development is in part dependent on the profitability of their agriculture and sugar production.



It is also counter-productive that the reform should focus on the quantitative management of the COM, with no attempt at the long-term examination of means of developing alternatives for sugar sector agents.

### **Rapporteur's amendments**

The amendments submitted in this report are intended to improve the Commission proposal by suggesting solutions to these persistent problems in the interests of a fair and effective reform. With this in mind, your rapporteur's amendments may be divided into four categories:

1. The reduction in prices should be kept at a level that enables the sector to improve competitiveness while maintaining production at a sustainable level and ensuring fair income levels for farmers in the EU and for their counterparts in the ACP/LDC countries;
2. It is essential to regulate the market on a flexible basis that will ensure the coherence and stability of the new COM;
3. The EU must show solidarity to farmers and workers in the sector and to the most vulnerable regions;
4. The development of new market outlets must be supported, via the production of bioethanol for energy purposes.

Points 1 and 2 are directly related to the text under discussion, i.e. the regulation on the common organisation of the market in the sugar sector.

Points 3 and 4 relate to measures under the regulations on, respectively, the direct support regime and the new temporary restructuring scheme, and are therefore touched on only very briefly in the present explanatory statement.

#### ***1. A less drastic reduction in prices***

If the COM is to be brought into line with the dictates of the international trade system, as an indirect consequence the institutional price of sugar in the EU will have to be reduced.

In parallel, the EU's legislative authorities cannot ignore the socio-economic weight of sugar production, which, in the Union as in the developing countries, is a source of regular income for farmers and contributes to the social and territorial cohesion of rural areas.

Taking account of these two points of view, your rapporteur proposes that the reduction in the price of sugar should be no greater than is absolutely necessary, in order to ensure the economic effectiveness of the reform while minimising the impact on the communities that depend on the sector. Your rapporteur considers that a 25% reduction in the price of sugar should serve to achieve these objectives, while retaining the calendar initially proposed by the Commission (two years).

The new set of rates serving as a reference for establishing the price of raw sugar and the minimum price for beet will mean the following changes for the new COM:

Price of white sugar

	<b>Reference period</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
Institutional/reference price for white sugar (EUR/tonne)	631,9	631,9	<b>564,9</b>	<b>538,4</b>	<b>473,9</b>
Institutional/reference price for white sugar minus restructuring payment (EUR/tonne)	631,9	505,5	<b>473,9</b>	<b>473,9</b>	<b>473,9</b>
Restructuring payment (EUR/tonne)	–	126,4	91,0	64,5	–

Minimum price for beet

	<b>Reference period</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
Minimum price for beet (EUR/tonne)*	43,63	<b>36,73</b>	<b>32,01</b>	<b>32,01</b>	<b>32,01</b>

Price of raw sugar

	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
Institutional/reference price for white sugar (EUR/tonne)	631,9	564,9	538,4	473,9
Institutional/reference price for raw sugar (EUR/tonne)	496,8	<b>468,2</b>	<b>446,3</b>	<b>392,8</b>

These new price levels will not affect the Commission's competitiveness objectives, as they will contribute to the restructuring of the sector by making production more efficient.

The less drastic reduction proposed by your rapporteur will help alleviate the economic shock of the reform, and will thus better guarantee continued activity in the production regions, safeguarding hundreds of thousands of jobs directly and indirectly related to the sector.

This more moderate approach is also in line with the Community's development commitments and will enable the ACP/LDC countries which export part of their production to the EU to continue to practice remunerative prices.

However, the profitability of both LDC exports and the EU's own sugar production can be ensured by one single condition only: the preservation of a certain stability on the Community market.

If this crucial objective is to be attained, your rapporteur insists that it is vital to retain a degree of regulation of the market, while keeping in mind the competition-oriented objectives of the reformed CAP.

## *2. A flexibly regulated Community market*

One of the fractures of the new agricultural policy is the greater importance placed on the logic of the market. This objective is reflected in the replacement of a fixed intervention price by a fluctuating market price, as has been the case in the reforms of other COMs.

The reference price will make for a more *flexible* COM that is more in line with the new world economic context. However, price stability will be no longer guaranteed, as prices will in future vary in accordance with the quantities present on the Community market.

Your rapporteur therefore strongly advocates the preservation, in parallel, of suitable instruments of supply management, since these are vital for the necessary *regulation* of trade.

If consumption, production and export levels can be controlled, that is not necessarily the case for the volumes of sugar imported into the Community market. The total and uncontrolled opening-up of the Community market to sugar from the western Balkan countries has spotlighted the destructive consequences of totally deregulated trade: it showed that it is totally impossible, under normal financial conditions, to combat the emergence of a three-way trade pattern (SWAP) or the appearance of fraudulent export practices.

From this viewpoint, a major risk attaches to the 'Everything but Arms' initiative, based as it is on a similar principle, namely the opening up of the market from 2009 on a tariff- and quota-free basis. The risk is that those same phenomena of three-way trade and import fraud will lead to a massive and uncontrollable influx of sugar into the Community market.

This would be highly damaging for the EU's producers, who would witness a drastic fall in their income; it would be no less so for their ACP/LDC counterparts, for whom exports to the EU would cease to be profitable, to the point where the very survival of their industries would be in doubt.

Your rapporteur therefore believes that the 'Everything but Arms' initiative needs to be substantially adapted, with a view to maintaining supply management capacities and thus ensuring a degree of market stability. His amendments accordingly propose the following:

– there should be a six-year extension of the phase during which LDC sugar exports remain subject to a quota while tariffs are phased out. In parallel, he proposes an increase in the export quotas of 20% per annum (as opposed to 15% at present), with a view to boosting those countries' export potential. This measure would be in line with the LDCs' own demands and would allow both EU and developing-country producers the necessary time to restructure their sugar industries, thus increasing their capacity to handle a more competitive environment;

– there should be a safeguard clause limiting volume to a net level of exports, to be taken as being the difference between the amount of sugar produced and the habitual

consumption level. This arrangement would help reduce incentives to fraud, while ensuring for the LDCs that their sugar workers will actually benefit from the preferential trade regime with the EU. It would not affect the growth prospects of the LDCs' sugar industries and would be fully compatible with the development objectives of the 'Everything but Arms' initiative.

### ***3. EU solidarity***

Trade regulation should enable market stabilisation while preventing excessive price fluctuations for the future. In addition, it should, in application of the principle of Community solidarity, be flanked by measures to offset the impact of the reform on the communities most affected by cessation of activity, above all those which are most fragile.

These measures are set out in some of the amendments tabled by your rapporteur relating to the Council regulations on, respectively, the direct support regime and the new temporary restructuring scheme.

### ***4. Support for alternative outlets***

Those same amendments are additionally aimed at ensuring that we have a coherent set of legislative provisions that also encourage and provide incentives for the development of bioethanol, which can provide outlets for beet planters and for industrialists in the sector.

In a world context characterised by rising oil prices and the need to fight greenhouse gases, alcohol production in the sugar sector offers a major asset for the development of alternative energies.

In view of the impact of the reform of the COM on production levels, your rapporteur proposes anticipating these trends by means of a proactive policy involving both the agricultural and the industrial aspects. Agriculturally, measures are needed to improve access to aid for energy crops; industrially, the restructuring scheme should be adapted to encourage the development of bioethanol distilleries.

It is today vital to reform the COM in sugar. However, reform will only be fair and efficient if it responds to all four imperatives set out above. This will have to mean a less drastic reduction in prices in a regulated environment, as well as the creation of appropriate instruments to offset the impact of restructuring and offer new prospects to sugar sector agents.

Only by means of such a joint effort, embracing both the internal and the external aspects of the reform, can the Union attain the goals of competitiveness, solidarity and social justice which are the objectives today's Community has set itself for its agriculture.

From this perspective, Parliament needs to play its role in all respects and must send out the necessary signals to the Council in order to ensure a viable and sustainable sugar sector for the EU. Your rapporteur hopes, in this respect, that Parliament's recommendations will be examined with the greatest of attention and that they will contribute to the substantial improvement of the Commission's initial proposal.

4.10.2005

## **OPINION OF THE COMMITTEE ON BUDGETARY CONTROL**

for the Committee on Agriculture and Rural Development

on the proposal for a Council regulation on the common organisation of the markets in the sugar sector

(COM(2005)0263 – C6-0243/2005 – 2005/0118(CNS))

Draftsman: Terence Wynn

### **SHORT JUSTIFICATION**

1. The Commission is to be congratulated on its far reaching proposals for reform of the sugar market. However, some fine tuning is needed.

#### Background

2. Already as far back as 1991, the Court of Auditors carried out an extensive study of the operation of the common market organization in sugar (special report 4/91 OJ N C290) and concluded that the system was inefficient and out of balance. It noted in particular that there were several major problems:
  - Oversupply
  - Inefficient production patterns: national quotas had frozen production patterns preventing the development of an efficient market and encouraged the production of sugar in areas not traditionally suited to beet production (above all in Southern Europe). And supposedly ‘transitional measures’ were still in place ‘in the preservation and maintenance of vested interests’ (special report 4/91, para 2.29 )
  - Cost of preferential imports to the agricultural budget, which the Court felt belonged in the Development aid budget
  - Self financing myth. The Court of Auditors challenged the notion that the sugar regime was budget neutral. The consumer was ultimately paying for the high EU sugar price
  - Non-monitoring of export refunds.
3. The Budgetary Control Committee then recommended that the ‘nationalization of sugar quotas is contrary to the spirit and logic of the Community and that it impairs the efficiency of sugar production, thus leading to unnecessarily high budgetary expenditure

and increased cost to the consumer' (PE 202.251/fin). However, the plenary did not endorse this approach.

4. Almost a decade later and after minimal changes to the sugar regime, the Court published a further report on the management of the Common Market Organisation for Sugar special report 20/2000 (2001/C/50/01).
5. The objectives of the 2000 audit were to obtain assurance that the management by the commission of the Common Market Organisation (CMO) for sugar was sound and to review the extent to which the specific objectives of the CMO as well as the overall objectives had been achieved. Overall the Court concluded that the sugar regime gave stability and a good revenue for beet growers, but high prices were imposed on the EU consumer and there was a structural production surplus and a highly regulated industry with little competition.
6. Following the publication of the Court's report, the Commission subsequently acknowledged that much of the information needed to prepare a long term reform of the CMO in sugar was still not available to it. It proposed to launch a number of studies on the sector.
7. Over many years throughout ongoing contacts with the various stakeholders in this sector it is to be noted that even those benefiting from the sugar regime were aware that change was needed and were expecting reform. They have been aware changes could intervene even in the short term. We have underestimated the capacity of those involved in this complex sector to adjust. We have had signals for nearly two decades that the system needed changing for numerous reasons and we have failed to give the right signals.
8. The Court of Auditors in its Annual Report 2001 paragraphs 2.90-2.103 (28.11.2002) was particularly critical of the Commission for failing to obtain the necessary information needed as background for its 2001 sugar proposals. In March 1999, the Commission launched an extensive evaluation study in preparation for its 2001 sugar proposals which proved inconclusive and was never used by the Commission. The Court said that given that it was decided in 1995 that the sugar regime would expire in 2001, the Commission should have ensured that basic information was available to it as it prepared the 2001 proposals. Once again, the EU clearly missed an opportunity to reform a beleaguered regime and send clear messages to stakeholders.
9. Five years on we finally have well researched, well balanced, far reaching proposals which aim to redress some of the imbalances in the sugar sector which have occurred over the last forty years.

#### The Commission's proposals

10. The Commission is to be congratulated on its proposed reforms. As the Budgetary Control Committee, however, we must be vigilant and assess whether sufficient mechanisms have been put in place to ensure the safe management of supplies from developing countries and that internal measures are financially sound and transparent.

We must look carefully at the fact that national quotas have been left in place. A true EU market will not therefore be achieved, thus constantly pushing up the price to the consumer and to the Budget. We must also ensure that the compensation and adjustment aids reach those in need ie the smaller beneficiaries on lower incomes, and not those who already have made extensive profit margins from the system.

#### Management of external supplies

11. There are several potential problems in managing external sugar supply. First there is the question of swaps whereby sugar producing countries wish to export their entire sugar production onto the EU or world market and then subsequently import their entire consumption needs from a cheaper source. This is entirely legal, but must be monitored closely as under the Everything But Arms agreement (EBA), from 2009 the least developed countries (LDCs) will be able to export sugar freely onto EU markets. We must ensure that firstly LDCs export their own, and not imported sugar to the EU (which is clearly not legal) and also keep close track of production levels. The recent scandal concerning sugar exports from the Balkans is a clear example of the fraud possibilities. The preferential system was suspended in May 2003 when it was discovered that much of the sugar entering the EU did not originate from local production. Instead large quantities of imported sugar were being repackaged and exported to the EU.
  
12. It would be helpful for the Court of Auditors to look in particular at these areas and report to CONT on the adequacy of the Commission's proposals. The Commission should draw up clearer rules of origin for LDC produce and ensure close monitoring 'on the ground' of LDC exports to the EU.

#### Restructuring fund

13. From an internal point of view, the restructuring fund will also need to be monitored closely. The scheme seems excessively generous in providing upwards of 4 billion euros over 4 years. In the first year factory closures will be eligible for 730 euros/tonne. The Commission should provide a detailed explanation of the reasoning for these very high figures. From the perspective of financial transparency, actual recipients of EU compensation should be clearly visible to the EU taxpayer.
  
14. Moreover, it is imperative that farmers and not only factory shareholders benefit from the closure compensation.

### **AMENDMENTS**

The Committee on Budgetary Control calls on the Committee on Agriculture and Rural Development, as the committee responsible, to incorporate the following amendments in its report:

Amendment 1  
Recital 29 a (new)

***(29a) In order to guarantee proper functioning of the Generalised System of Preferences, and compliance with the rules of origin, the information from beneficiary countries, as laid down in Article 17(2)(a) of Council Regulation (EC) No 980/2005 of 27 June 2005 applying a scheme of generalised tariff preferences<sup>1</sup>, shall entail also figures on the domestic sugar production and consumption of the country concerned, as well as the imports and exports of sugar of that country.***

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<sup>1</sup> ***OJ L 169, 30.6.2005, p. 1.***

*Justification*

*Beneficiary countries of the Generalised System of Preferences should be obliged to submit sufficient data, which will enable the Commission to investigate their compliance with the rules of origin.*

Amendment 2  
Article 28, paragraph 1 a (new)

***(1a) Tariff quotas shall be allocated to third countries on the basis of the core principle that such quotas cannot exceed the net balance of domestic production and consumption levels in those countries.***

*Justification*

*It is absolutely necessary that tariff quotas granted to third countries do not exceed the difference between domestic production and consumption levels so as to avoid the emergence of fraudulent triangular trade in sugar with the European Community, as it was the case in the Western Balkans before the Commission before the Commission imposed tariff quotas on sugar imports from that region under Regulation (EC) No 374/2005. Hopefully we can forestall illegalities of swap- dealings and other fraud.*

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<sup>1</sup> Not yet published in OJ.



Amendment 3  
Article 43 a (new)

**Article 43a**

**Rules of origin report**

***The Commission shall present an annual report to the Committee examining the compliance with the rules of origin by beneficiary countries of the Generalised System of Preferences.***

*Justification*

*The Commission should submit an annual report to the Management Committee for Sugar in order to guarantee compliance with the rules of origin by beneficiary countries of the Generalised System of Preferences.*

Amendment 4  
Article 43 b (new)

**Article 43b**

**Review**

***The Commission shall present a report assessing whether the measures set out in this Regulation have achieved the objectives of eliminating overproduction and eliminating subsidised exports of sugar. If these objectives have not been achieved, the Commission will bring forward further proposals aimed at achieving them. In its report the Commission will also analyse progress to date in the creation of a free market in sugar and in particular the need to maintain national production quotas. The report shall be presented at a time no later than the end of the fourth marketing year to which Council Regulation (EC) No ... of ..... establishing a temporary scheme for the restructuring of the sugar industry in the European Community and amending Regulation (EC) No 1258/1999 on the financing of the common agricultural***

*policy*<sup>1</sup>.

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<sup>1</sup> *OJ L ...*

## PROCEDURE

<b>Title</b>	Proposal for a Council regulation on the common organisation of the markets in the sugar sector
<b>References</b>	COM(2005)0263 – C6-0243/2005 – 2005/0118(CNS)
<b>Committee responsible</b>	AGRI
<b>Committee asked for its opinion</b> Date announced in plenary	CONT 6.9.2005
<b>Enhanced cooperation</b>	No
<b>Drafts(wo)man</b> Date appointed	Terence Wynn 12.7.2005
<b>Discussed in committee</b>	12.9.2005
<b>Date amendments adopted</b>	3.10.2005
<b>Result of final vote</b>	for: 15 against: 0 abstentions: 0
<b>Members present for the final vote</b>	Simon Busuttil, Mogens N.J. Camre, Paulo Casaca, Szabolcs Fazakas , Ingeborg Gräßle, Umberto Guidoni, Ona Juknevičienė, Jan Mulder, Bart Staes, Margarita Starkevičiūtė, Jeffrey Titford, Kyösti Tapio Virrankoski, Terence Wynn
<b>Substitutes present for the final vote</b>	Edit Herczog, Esko Seppänen

6.10.2005

## **OPINION OF THE COMMITTEE ON DEVELOPMENT**

for the Committee on Agriculture and Rural Development

on the proposal for a Council regulation on the common organisation of the markets in the sugar sector

(COM(2005)0263 – C6-0243/2005 – 2005/0118(CNS))

and

on the proposal for a Council regulation establishing a temporary scheme for the restructuring of the sugar industry in the European Community and amending Regulation (EC) No 1258/1999 on the financing of the common agricultural policy

(COM(2005)0263 – C6-0245/2005 – 2005/0120(CNS))

Draftswoman: Glenys Kinnock

### **SHORT JUSTIFICATION**

The EC's proposals for the reform of the common organisation of the markets in the sugar sector has serious implications for Europe's external development interests and priorities. Although predominantly intended to change the EU's internal sugar regime, it will inevitably have a serious impact on developing countries

The Commission proposes an Action Plan which is set out in a separate legislative proposal and is intended to offset potential harmful effects of the reform on ACP countries. The Action Plan provides adjustment assistance which is judged by the ACP to be insufficient to meet the inevitable and considerable reduction in earnings which will be incurred. The Action Plan proposal is not the subject of this Opinion and is dealt with separately in the Report of the Development Committee by Bernard Lehideux.

ACP and LDC sugar producing countries predict there will be 'dire consequences' for their economies and to the livelihoods of hundreds of thousands of sugar farmers and workers. They maintain that the proposals cannot be reconciled with the commitments made by the EU to the Millennium Development Goals or to the objectives of the Doha Development Round.

Countries which are signatories to the 1975 Sugar Protocol and to the Cotonou Agreement (Article 30 (4)) and LDCs which are beneficiaries of the Everything But Arms (EBA) Initiative agree that the EC's proposals are too drastic, that the implementation period is too short and that their entry into force is too quick.

In ACP countries sugar has provided secure earnings which have contributed to the stability of rural economies and has provided the foundation for economic growth and development.

There is agreement amongst ACP/LDC states that there is a need to reduce domestic overproduction in the EU but they argue that this should not jeopardise the priority given to poverty reduction, sustainable development and the integration of ACP states into the world economy by the Cotonou Agreement.

Furthermore, LDCs maintain that their benefits under the EBA Initiative would be severely and negatively affected by price cuts which would reach an unsustainable level.

It is clear that the EU's sugar reform will be a litmus test of its seriousness about the need for coherence between trade and development. Article 178 of the EC Treaty obliges the community to take account of development objectives 'in the policies that it implements'.

The reality is that the reduction in export earning will effectively be 43% for the ACP/LDCs, whereas for EU farmers production levies averaging €23 per tonne will be abolished and 60% of their price cut will be compensated for by direct decoupled income support. Funds for restructuring under the separate Action Plan for the ACP are limited to €40 million for 2006. Plans for subsequent years are not specified.

The Commission proposes to buy annually at a guaranteed price an agreed quota of 1.4 tonnes of white sugar equivalent. However, it is argued that such access is meaningless without a similar commitment to provide at least the current level of earnings, which is missing from the proposal.

An orderly managed market is necessary but for developing countries it has to be a remunerative one.

ACP/LDC countries want price reductions to be more modest, gradual and predictable. They call for a phasing in over an extended period of 8-10 years from 2008.

The conclusions drawn by developing countries are that proposed changes are both unfair and discriminatory and that severe consequences for them will ensue if adjustments are not made.

### **Mitigating the impact**

Your draftsman therefore proposes that the price-cut for ACP producers should be gradually phased-in over a period of eight years. This follows the recommendations of the recent ACP Council for a longer period of adjustment. The most appropriate means to achieve this change is by a modification to the levy on domestic production which is included in the Commission proposals as a means to make the change self-financing.

The price changes that would result from the Commission's proposal without modification are shown in the following table:

## Changes in domestic and external sugar prices under Commission proposals

	<b>EU producers (net of levy)</b>	<b>Restructuring Levies</b>	<b>ACP producers</b>
Reference price (€/t)	655 <sup>1</sup>		523.7
2006/07	505.5 (-22.8%)	126.4	496.8 (-5.1%)
2007/08	385.5 (-41.2%)	91.0	394.9 (-24.6%)
2008/09	385.5 (-41.2%)	64.5	372.9 (-28.8%)
2009/10	385.5 (-41.2%)	0	319.5 (-39%)

An extension of the restructuring levy to cover a period of eight years would allow for a more gradual introduction of the price-cut for ACP producers. It would also increase the funds resulting from the reform beyond the level considered necessary for domestic compensation and restructuring. Your draftsman proposes that these additional funds be used to increase the level of restructuring finance available for ACP producers. Recent studies indicate that at least €500 million in transitional assistance would need to be made available to the ACP to offset the projected losses from cuts to the internal EU sugar price and to fund their diversification.

Following the amendments proposed by your draftsman, the table of price changes would be modified as follows:

## Changes in domestic and external sugar prices following draftsman's amendments

	<b>EU producers (net of levy)</b>	<b>Restructuring Levies</b>	<b>ACP producers</b>
Reference price (€/t)	631.9		523.7
2006/07	505.5 (-22.8%)	126.40	496.8 (-5.1%)
2007/08	385.5 (-41.2%)	108.7	409.5 (-21.8%)
2008/09	385.5 (-41.2%)	91.0	394.9 (-24.6%)
2009/10	385.5 (-41.2%)	77.75	383.9 (-26.7%)
2010/11	385.5 (-41.2%)	64.5	372.9 (-28.8%)
2011/12	385.5 (-41.2%)	43.0	355.1 (-32.2%)
2012/13	385.5 (-41.2%)	21.5	337.3 (-35.6%)
2013/14	385.5 (-41.2%)	0	319.5 (-39%)

## AMENDMENTS

The Committee on Development calls on the Committee on Agriculture and Rural Development, as the committee responsible, to incorporate the following amendments in its report:

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<sup>1</sup> Average "2001" for EU 15

**Proposal for a Council regulation on the common organisation of the markets in the sugar sector**Amendment 1  
Recital -1 (new)

***(-1) The EU should seek to abolish export subsidies. Such subsidies have an adverse impact on the world market price and are thus detrimental to developing countries.***

*Justification*

*Pursuant to Article 178 of the EC Treaty, the Community has an obligation to take account of development objectives in the policy which it pursues. The EU's export subsidies have an adverse impact on developing countries.*

Amendment 2  
Article 3, paragraph 1

1. For white sugar, the reference price shall be:

- a) EUR 631.9 per tonne for the marketing year 2006/2007;
- b) EUR **476.5** per tonne for the marketing year 2007/2008;
- c) EUR **449.9** per tonne for the marketing year 2008/2009;
- d) EUR **385.5** per tonne as from the marketing year 2009/2010.

1. For white sugar, the reference price shall be:

- a) EUR 631.9 per tonne for the marketing year 2006/2007;
- b) EUR **494.2** per tonne for the marketing year 2007/2008;
- c) EUR **476.5** per tonne for the marketing year 2008/2009;
- d) EUR **463.25** per tonne as from the marketing year 2009/2010;
- e) EUR 450 per tonne as from the marketing year 2010/2011;***
- f) EUR 428.5 per tonne as from the marketing year 2011/2012;***
- g) EUR 407 per tonne as from the marketing year 2012/2013;***
- h) EUR 385.5 per tonne as from the marketing year 2013/2014.***

<sup>1</sup> Not yet published in OJ.

### *Justification*

*Modification of the internal price is needed to extend application of the production levy over a longer period. This has the effect of making the price cut to ACP producers more gradual and also providing additional funds for restructuring of the sugar sectors of ACP sugar-producing countries and their diversification.*

*Given that discussions are continuing on the level of the price cut, adoption of the proposed system for raising funds through a modification of the restructuring levy system should also be considered possible in the event of a lower price cut.*

### Amendment 3 Article 3, paragraph 2

2. For raw sugar, the reference price shall be:

- a) EUR 496.8 per tonne for the marketing year 2006/2007;
- b) EUR **394.9** per tonne for the marketing year 2007/2008;
- c) EUR **372.9** per tonne for the marketing year 2008/2009;
- d) EUR **319.5** per tonne as from marketing year 2009/2010.

2. For raw sugar, the reference price shall be:

- a) EUR 496.8 per tonne for the marketing year 2006/2007;
- b) EUR **409.5** per tonne for the marketing year 2007/2008;
- c) EUR **394.9** per tonne for the marketing year 2008/2009;
- d) EUR **383.9** per tonne as from *the* marketing year 2009/2010;
- e) EUR 372.9 per tonne as from the marketing year 2010/2011;***
- f) EUR 355.1 per tonne as from the marketing year 2011/2012;***
- g) EUR 337.3 per tonne as from the marketing year 2012/2013;***
- h) EUR 319.5 per tonne as from the marketing year 2013/2014.***

### *Justification*

*This amendment gives effect to the more gradual price-cut for ACP producers.*

*Given that discussions are continuing on the level of the price cut, adoption of the proposed system for raising funds through a modification of the restructuring levy system should also be considered possible in the event of a lower price cut.*



Amendment 4  
Article 12 a (new)

**Article 12a**

**Outlets for sugar surpluses**

***The Commission shall carry out a study in order to identify transitional outlets for sugar surpluses for energy use.***

*Justification*

*Production surpluses of sugar must distort neither the domestic EU market nor the world market. Challenges regarding climate change and oil depletion call for alternative use of sugar beet and renewable energy production.*

Amendment 5  
Article 12 b (new)

**Article 12b**

**Abolition of C-sugar exports**

***The export of C-sugar to the world market shall be abolished.***

*Justification*

*The export of C-sugar to the world market has caused massive distortion of the world market price at the expense of European farmers. It has reduced the income of EU farmers, whose earnings from the quota production of sugar were used to dump C-sugar onto the world market. A study has to be conducted on alternative use of sugar surpluses for non-food purposes such as energy production and as industrial raw material.*

Amendment 6  
Article 32

***1. To the extent necessary to enable the products listed in Article 1(1) (b) and (c) to be exported without further processing or in the form of processed products listed in Annex VII, on the basis of world market quotations or prices of sugar and within the limits resulting from agreements concluded in accordance with Article 300 of the Treaty, the difference between those quotations or prices and prices in the***

***Deleted***

*Community may be covered by export refunds.*

*2. Provision may be made for export refunds to be granted on the products listed in Article 1(1)(d), (e) and (g) and exported without further processing or in the form of processed products listed in Annex VII.*

*In that case, the amount of the refund per 100 kg of dry matter shall be fixed taking particular account of:*

*(a) the refund applicable to exports of products falling within CN code 1702 30 91,*

*(b) the refund applicable to exports of the products listed in Article 1(1)(c),*

*(c) the economic aspects of the planned exports.*

*3. The export refund for raw sugar of the standard quality defined in Annex I may not exceed 92% of that granted for white sugar. However, this limit shall not apply to export refunds to be fixed for candy sugar.*

*4. Export refunds on the products exported in the form of processed products listed in Annex VII may not be higher than those applicable to the same products exported without further processing.*

#### *Justification*

*Export refunds cause heavy distortions on the world market and create high costs for European tax-payers. Therefore they have to be immediately abolished.*

#### *Amendment 7 Article 33*

*1. The quantities which may be exported with an export refund shall be allocated by the method which:*

*Deleted*

*(a) is most suited to the nature of the product and the situation on the market in question, allowing the most efficient possible use of the resources available, account being taken of the efficiency and structure of Community exports without creating discrimination between the operators concerned and notably between large and small operators;*

*(b) is least cumbersome administratively for operators, account being taken of administration requirements.*

*2. Export refunds shall be the same for the whole Community. They may vary according to destination, where the world market situation or the specific requirements of certain markets make this necessary.*

*Export refunds shall be fixed in accordance with the procedure referred to in Article 39(2).*

*Refunds may be fixed:*

*(a) at regular intervals;*

*(b) by invitation to tender for products in respect of which provision was made for that procedure in the past.*

*Export refunds fixed at regular intervals, may, if necessary, be amended in the interval by the Commission, at the request either of a Member State or on its own initiative.*

*3. Export refunds on products referred to in Article 32(1) and (2) and exported without further processing shall be granted only on application and on presentation of an export licence.*

*The export refund applicable to products referred to in Article 32(1) and (2) exported without further processing shall be that applicable on the day of application for the licence and, in the case of a differentiated refund, that applicable on the same day:*

*(a) for the destination indicated on the licence,*

*or,*

*(b) where appropriate, for the actual destination if this differs from the destination indicated on the licence, in which case, the amount applicable shall not exceed the amount applicable to the destination indicated on the licence.*

**4. The scope of paragraphs 1 and 2 of this Article may be extended to apply to the products in question that are exported in the form of processed products listed in Annex VII, in accordance with the procedure referred to in Article 16(2) of Council Regulation (EC) No 3448/93. Detailed implementing rules shall be adopted in accordance with that procedure.**

*Justification*

*Export refunds cause heavy distortions on the world market and high costs to European taxpayers. Therefore they have to be immediately abolished.*

**Proposal for a Council regulation establishing a temporary scheme for the restructuring of the sugar industry in the European Community and amending Regulation (EC) No 1258/1999 on the financing of the common agricultural policy**

Amendment 8

ARTICLE 3, PARAGRAPH 5, SUBPARAGRAPH 1 A (new)

***1a. Any revenue raised under Article 6 which is not disbursed under this Article will be applied to restructuring actions in ACP countries signatories to the ACP/EU Sugar Protocol to the Cotonou Agreement.***

*Justification*

*This amendment ensures that additional funds raised under the restructuring levy will be used to ease the burden of restructuring in ACP countries.*

Amendment 9

ARTICLE 6, PARAGRAPH 2

2. The temporary restructuring amount shall be set at

- EUR 126.40 per tonne of quota for the marketing year 2006/2007,
- EUR **91.00** per tonne for the marketing year 2007/2008 *and*
- EUR **64.50** per tonne for the marketing year 2008/2009.

2. The temporary restructuring amount shall be set at

- EUR 126.40 per tonne of quota for the marketing year 2006/2007,
- EUR **108.7** per tonne for the marketing year 2007/2008,
- EUR **91.00** per tonne for the marketing year 2008/2009,
- **EUR 77.75 per tonne for the marketing year 2009/2010,**
- **EUR 64.50 per tonne for the marketing year 2010/2011,**
- **EUR 43.00 per tonne for the marketing year 2011/2012 and**
- **EUR 21.50 per tonne for the marketing year 2012/2013.**

#### *Justification*

*This amendment extends the application of the levy until 2013 hence providing for a more gradual price cut for ACP producers and generating increased funds for restructuring in ACP countries.*

## PROCEDURE

<b>Title</b>	Proposal for a Council regulation on the common organisation of the markets in the sugar sector and proposal for a Council regulation establishing a temporary scheme for the restructuring of the sugar industry in the European Community and amending Regulation (EC) No 1258/1999 on the financing of the common agricultural policy
<b>References</b>	(COM(2005)0263 – C6-0243/2005 – 2005/0118(CNS)) (COM(2005)0263 – C6-0245/2005 – 2005/0120(CNS))
<b>Committee responsible</b>	AGRI
<b>Opinion by</b> Date announced in plenary	DEVE 6.09.2005
<b>Enhanced cooperation – date announced in plenary</b>	
<b>Drafts(wo)man</b> Date appointed	Glenys Kinnock 21.6.2005
<b>Discussed in committee</b>	12.7.2005      29.8.2005      5.9.2005
<b>Date adopted</b>	5.10.2005
<b>Result of final vote</b>	+:            24 -:            0 0:            1
<b>Members present for the final vote</b>	Alessandro Battilocchio, Margrietus van den Berg, Thierry Cornillet, Fernando Fernández Martín, Michael Gahler, Filip Andrzej Kaczmarek, Hélène Goudin, Glenys Kinnock, Ģirts Valdis Kristovskis, Miguel Angel Martínez Martínez, Maria Martens, Manolis Mavrommatis, Gay Mitchell, Toomas Savi, Pierre Schapira, Frithjof Schmidt, Jürgen Schröder, María Elena Valenciano Martínez-Orozco, Paul Verges, Jan Zahradil, Mauro Zani
<b>Substitute(s) present for the final vote</b>	Milan Gaľa, Alain Hutchinson, Linda McAvan, Manolis Mavrommatis, Karin Scheele, Anders Wijkman
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	
<b>Comments (data available in one language only)</b>	...

24.11.2005

## OPINION OF THE COMMITTEE ON INTERNATIONAL TRADE

for the Committee on Agriculture and Rural Development

on the proposal for a Council regulation on the common organisation of the markets in the sugar sector  
(COM(2005)0263 – C6-0243/2005 – 2005/0118(CNS))

Draftsperson: Béla Glattfelder

### SHORT JUSTIFICATION

Building on the landmark reforms of the Common Agricultural Policy (CAP) that the Commission launched in 2003, the Commission's proposal seeks to overhaul the sugar sector in a manner that puts it on a sustainable footing, bolstering its competitiveness and market-orientation while honouring the European Union's international commitments to third countries and the World Trade Organisation (WTO). The draftsperson wishes to make several amendments to this proposal.

These amendments touch on the following broad areas:

1. Due to significant external and internal pressures on the common organisation of the market in sugar, the Commission believes that a fundamental reform of the sugar regime is necessary. In the draftsperson's view, the magnitude of the **price cuts** proposed by the Commission—a 39 % reduction of the price of white sugar—is excessive and will lead to the cessation of production in several Member States. Considering that the CAP seeks, as one of its core objectives, to ensure a fair standard of living for European farmers, the draftsperson proposes a more modest, 25 %, cut in the price of white and raw sugar, to be implemented in a single marketing year. The draftsperson also wishes to highlight that the WTO Appellate Body's report on the European Community's export subsidies on sugar, adopted on 19 May 2005, did not find that the European Community's high intervention prices for sugar violated the Community's obligations under the WTO Agreement on Agriculture.
2. The draftsperson welcomes the merger of 'A' and 'B' production quotas into a **single quota**, but is proposing to eliminate the allocation of additional quotas to Member States that produced 'C sugar' in the past. In light of the WTO Appellate Body's recent negative ruling on the EC's cross-subsidisation of 'C sugar', it would be unwise to create further incentives for the production and subsidised export of surplus sugar to

third countries.

3. As concerns the European Union's trade relations with third countries, the draftsman wishes to pay credit to the Commission for introducing **tariff quotas** in the sugar trade with the Western Balkans under Regulation (EC) No 374/2005. Should the Commission wish to conclude similar agreements in the field of the sugar trade, the draftsman recommends employing the principle, originally elaborated in the 10 March 2005 European Parliament resolution on the forthcoming reform of the common organisation of the market in sugar, that tariff rate quotas should not overrun the net balance of domestic production and consumption levels in the beneficiary countries of such arrangements, so as to prevent the emergence of fraudulent triangular trade in sugar.
4. The draftsman seeks to strengthen this proposal by adding a clause for the **temporary suspension** of tariff quotas in case of fraud or an extraordinary surge of exports from trade partners.

## AMENDMENTS

The Committee on International Trade calls on the Committee on Agriculture and Rural Development, as the committee responsible, to incorporate the following amendments in its report:

Text proposed by the Commission<sup>1</sup>

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Amendments by Parliament

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Amendment 1  
Recital 1 a (new)

***(1a) The EU's prosperity depends upon creating an open economy benefiting from international trade, by exporting those products in which the EU has a comparative advantage and importing those which its trading partners produce more cheaply.***

*Justification*

*The core principle of comparative advantage ought to provide the foundation of trade relations between the European Union and third countries.*

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<sup>1</sup> Not yet published in OJ.



Amendment 2  
Recital 1 b (new)

***(1b) The perpetuation of high levels of subsidy combined with tariff and quota protection cannot be the basis of the long-term future of any economic sector.***

*Justification*

*It is absolutely essential that the reform of the Community sugar regime is carried out in a manner that seeks to increase the sector's market orientation.*

Amendment 3  
Recital 1 c (new)

***(1c) Environmental, social and other non-trade goals should as far as possible be achieved, in agriculture as in other sectors of the economy, by targeted measures rather than through manipulation and controls over prices, production and trade.***

*Justification*

*It is absolutely essential that the reform of the Community sugar regime is carried out in a manner that seeks to increase the sector's market orientation.*

Amendment 4  
Recital 2

(2) The sugar market in the Community is based on principles which for other common market organisations have been substantially reformed in the past. In order to pursue the objectives set out in Article 33 of the Treaty, and notably in order to stabilise the markets and to ensure a fair standard of living for the agricultural community within the sugar sector, it is necessary fundamentally review the common organisation of the market in the sugar sector.

(2) The sugar market in the Community is based on principles which for other common market organisations have been substantially reformed in the past. In order to pursue the objectives set out in Article 33 of the Treaty, and notably in order to stabilise the markets, ***to increase the market orientation of the Community sugar regime***, to ensure a fair standard of living for the agricultural community within the sugar sector ***and to respond to international constraints affecting the European Union***, it is necessary to fundamentally review the common organisation of the market in the sugar sector.

### *Justification*

*It is absolutely essential that the reform of the Community sugar regime is carried out in a manner that seeks to increase the sector's market orientation. In the framework of this reform the European Union cannot ignore the international constraints upon the Common Organisation of the Market in Sugar, i.e. the loss of the panel in respect of certain provisions applicable to exportation, as well as the multilateral trade negotiations taking place within the framework of the Doha Development Agenda. It is therefore of crucial importance for this reform to incorporate these constraints, failing which a further reform will rapidly become necessary.*

### Amendment 5 Recital 9

(9) Following the recent decisions on export subsidies of the World Trade Organisation Panel and the Appellate Body on EU export subsidies for sugar ***and in order for Community operators to ensure a smooth change-over from the previous quota system to the present system, it should be possible during the marketing year 2006/2007 for sugar undertakings that produced C sugar in the marketing year 2004/2005 to be allocated an additional quota under conditions that take the lower value of C sugar into account.***

(9) ***Given the original function of the sugar market organisation to regulate quantities and*** following the recent decisions on export subsidies of the World Trade Organisation Panel and the Appellate Body on EU export subsidies for sugar, ***the reform of the sugar market organisation should eliminate C sugar quotas while making moderate price reductions in order to make it easier for Community economic players to make a smooth transition from export-oriented to sustainable single market-oriented production.***

### *Justification*

*In line with the recent ruling of the WTO Appellate Body, which found that the production of C sugar benefited from export subsidies by being cross-subsidised from production under A and B sugar, the current Regulation must seek to eliminate C sugar as from the marketing year 2006/2007.*

*The organisation of the market in sugar is an instrument for controlling the market and regulating the volume of production. The volume of production was originally adapted to consumption within the EC. Since the quotas have not been adapted to changes in the sugar market through the Sugar Protocol and surplus production within Europe has increased, re-exports of ACP sugar and so-called C sugar are being n the world market with export refunds. This creates market distortions, competitive disadvantages for producers from Third World countries and high costs for European taxpayers.*

### Amendment 6 Recital 9 a (new)

***(9a) In order to ensure sustainable methods of production and fair competition in the production of and trade in sugar, social and environmental standards must gradually be introduced as part of the reform of the organisation of the sugar market which are applicable both in the internal market and to sugar imports.***

*Justification*

*Free market access has not worked as a guarantee of fair economic development. This is why the amendment introduces the notion of qualified market access.*

Amendment 7  
Recital 29 a (new)

***(29a) The increase in fraud which occurred as a result of the unregulated opening of the Community market to sugar from the western Balkan countries threatens to reappear with the entry into force of the 'Everything but Arms' (EBA) initiative. It is obvious, furthermore, that applying the regime as it stands to the least developed countries will give rise to triangular trade (SWAP), which imperils the balance of the Community market and has undesirable effects in terms of the development of the LDCs.***

***It is therefore essential that the Community equip itself with the regulatory tools to take proactive steps to counter these two threats. In order to do this, the implementation phase of the EBA initiative must be adapted via action on deadlines and quotas, in accordance with the recommendations made previously by the European Parliament in its position of 9 March 2005<sup>1</sup>. It must also be ensured that imports from the LDCs cannot exceed their net export capacities.***

<sup>1</sup> *Texts adopted, P6\_TA(2005) 0066.*

### *Justification*

*Defining trading relations with our partners, including the developing countries, requires us to take account of past experience. With this in mind, we must remember the massive and almost undetectable fraud occasioned by the total, sudden and uncontrolled opening of the Community market to sugar from the western Balkans. Avoiding these pitfalls calls for the introduction of appropriate regulatory tools, which will guarantee a certain stability in the European market, while avoiding impacting on the growth prospects of the least developed countries, in accordance with the 'Everything but Arms' initiative.*

### Amendment 8 Recital 30 a (new)

***(30a) Export without refund of quota sugar and isoglucose, as well as export without refund of non-quota sugar and isoglucose, within the limits of the agreements concluded pursuant to Articles 133 and 300 of the Treaty should be permitted.***

### *Justification*

*The European Union occupies an important position on the world sugar market. Although there was a ruling against it in the WTO, it retains the possibility of exporting a certain tonnage of sugar. This possibility can be covered by quota sugar exports with refund, but also by exports of non-quota sugar without refund. In addition, the European Union retains the possibility of freely exporting quota sugars without refund, particularly to countries with which it has concluded commercial or free trade agreements.*

### Amendment 9 Article 1, paragraph 1 a (new)

***1a. The common organisation of the markets in the sugar sector shall seek to pursue the objectives set out in Article 33 of the Treaty, and notably to stabilise the markets, to increase the market orientation of the Community sugar regime and to ensure a fair standard of living for the agricultural community within the sugar sector.***

### *Justification*

*It is absolutely essential that the reform of the Community sugar regime is carried out in a*

*manner that seeks to increase the sector's market orientation.*

Amendment 10  
Article 2, point 6 a (new)

***(6a) ‘exported sugar’, ‘exported isoglucose’ and ‘exported inuline syrup’ means the quantity of sugar, isoglucose or inuline syrup exported to third countries during a given marketing year within the limits of the agreements concluded pursuant to Articles 133 and 300 of the Treaty;***

*Justification*

*The European Union occupies an important position on the world sugar market. Although there was a ruling against it in the WTO, it retains the possibility of exporting a certain tonnage of sugar. This possibility can be covered by quota sugar exports with refund, but also by exports of non-quota sugar without refund. In addition, the European Union retains the possibility of freely exporting quota sugars without refund, particularly to countries with which it has concluded commercial or free trade agreements.*

Amendment 11  
Article 3, paragraph 1, points (b) to (d)

(b) **EUR 476.5** per tonne for the marketing year 2007/2008;

(c) **EUR 449.9** per tonne for the marketing year 2008/2009;

(d) **EUR 385.5** per tonne as from the marketing year 2009/2010.

(b) **EUR 564.9** per tonne for the marketing year 2007/2008;

(c) **EUR 538.4** per tonne for the marketing year 2008/2009;

(d) **EUR 473.9** per tonne as from the marketing year 2009/2010.

*Justification*

*A reduction of 25% will be enough to achieve the objectives of a balanced European production system in accordance with world trade rules. Nevertheless, in order to maintain a fair standard of living for the farming population and to guarantee a sustainable sugar regime in the European Union, this 25% decrease in the price of sugar, without of the restructuring contribution, should be carried out over two years, and not, as the draftsman proposes, in one.*

Amendment 12  
Article 3, paragraph 2, points (b) to (d)

(b) **EUR 394.9** per tonne for the marketing year 2007/2008;

(c) **EUR 372.9** per tonne for the marketing year 2008/2009;

(d) **EUR 319.5** per tonne as from marketing year 2009/2010.

(b) **EUR 468.2** per tonne for the marketing year 2007/2008;

(c) **EUR 446.3** per tonne for the marketing year 2008/2009;

(d) **EUR 392.8** per tonne as from marketing year 2009/2010.

#### *Justification*

*Since the price of white sugar determines the price of raw sugar, the latter must be changed accordingly.*

#### Amendment 13 Article 5, paragraph 1

1. The minimum price for quota beet shall be:

(a) EUR **32.86** per tonne *for* the marketing year 2006/2007;

(b) **EUR 25.05 per tonne as from the marketing year 2007/2008.**

1. The minimum price for quota beet shall be EUR **32.72** per tonne *as from* the marketing year 2006/2007.

#### *Justification*

*The minimum price for sugar beet proposed by the Commission for the marketing year 2006/2007 already represents a 25 % reduction over the average minimum sugar beet price of EUR 43.6 per tonne over the previous five marketing years.*

#### Amendment 14 Article 8

I. By 31 July 2006 at the latest, sugar undertakings that produced C sugar under Regulation (EC) No 1260/2001 during the marketing year 2004/2005 may request from the Member State where they are established the allocation of an additional quota for a total as set out in Annex IV. The additional quotas shall be allocated according to objective and non discriminatory criteria.

By 31 July 2006 at the latest, sugar undertakings that produced C sugar under Regulation (EC) No 1260/2001 during the marketing year 2004/2005 may request from the Member State where they are established the allocation of an additional quota for a total as set out in Annex IV. The additional quotas shall be allocated according to objective and non discriminatory criteria. ***In future marketing years, such quotas shall be allocated in a manner that fully exhausts the European Community's quantity commitment levels for the export***

***2. If the demand for additional quotas exceeds the available national quantity, the Member State concerned shall provide for a proportional reduction of the quantities to be allocated.***

***3. A one-off amount shall be levied on the additional quotas that have been allocated to undertakings in accordance with paragraphs 1 and 2. This amount shall be set at an amount equal to the level of the restructuring aid applicable in the marketing year 2006/2007. It shall be collected per tonne of additional quota allocated.***

***4. The totality of the one-off amount paid in accordance with paragraph 3 shall be charged by the Member State to the undertakings on its territory that have been allocated an additional quota.***

***The payment of the one-off amount by a sugar undertaking concerned shall be made by a deadline to be determined by the Member States. The deadline shall not be later than 28 February 2007.***

***5. If the sugar undertaking has not paid the one-off amount before 28 February 2007 the additional quotas shall not be considered as allocated to the sugar undertaking concerned.***

#### *Justification*

*Increasing the production quota of Member States that produced C sugar in the past would not only go against the spirit of reform in the sugar sector, but may be construed as a failure to comply with the ruling of the WTO Appellate Body, which found that the European Community has been providing export subsidies to its exports of C sugar since 1995, thus breaching its obligations under the WTO Agreement on Agriculture.*

*European Union sugar producers should be able to continue exporting sugar to third countries up to the quantity commitment levels agreed by the European Union in the framework of the WTO.*

Amendment 15  
Article 12, point (c a) (new)

***(ca) exported to third countries within the limits of the agreements concluded pursuant to Articles 133 and 300 of the Treaty.***

*Justification*

*The European Union occupies an important position on the world sugar market. Although it was found guilty in the WTO, it retains the possibility of exporting a certain tonnage of sugar. This possibility can be covered by quota sugar exports with refund, but also by exports of non-quota sugar without refund. In addition, the European Union retains the possibility of freely exporting quota sugars without refund, particularly to countries with which it has concluded commercial or free trade agreements.*

Amendment 16  
Article 13, paragraph 2, point (a)

(a) alcohol, rum, **live** yeast and “Rinse appelstroop”;

(a) alcohol, rum, yeast and “Rinse appelstroop”;

*Justification*

*The term ‘live’ has been deleted because it is too restrictive. Yeast is a microscopic fungus obtained by fermentation. It is therefore desirable for the yeasts concerned to include only active yeasts, as the text indicates, but also deactivated yeasts and yeast extracts.*

Amendment 17  
Article 15, paragraph 1, point (a)

(a) surplus sugar, surplus isoglucose and surplus inuline syrup produced during any marketing year, except quantities carried forward to the quota production of the following marketing year and stored in accordance with Article 14 or quantities referred to in Article 12(c);

(a) surplus sugar, surplus isoglucose and surplus inuline syrup produced during any marketing year, except quantities ***exported to third countries within the limits of the agreements concluded pursuant to Articles 133 and 300 of the Treaty*** or carried forward to the quota production of the following marketing year and stored in accordance with Article 14 or quantities referred to in Article 12(c);

*Justification*



*The European Union occupies an important position on the world sugar market. Although it was found guilty in the WTO, it retains the possibility of exporting a certain tonnage of sugar. This possibility can be covered by quota sugar exports with refund, but also by exports of non-quota sugar without refund. In addition, the European Union retains the possibility of freely exporting quota sugars without refund, particularly to countries with which it has concluded commercial or free trade agreements.*

Amendment 18  
Article 28, paragraph 1

1. Tariff quotas for imports of products listed in Article 1(1) resulting from agreements concluded in accordance with Article 300 of the Treaty or from any other act of the Council shall be opened and administered by the Commission under detailed rules adopted in accordance with the procedure referred to in Article 39(2) of this Regulation.

1. Tariff quotas for imports of products listed in Article 1(1) resulting from agreements concluded in accordance with Article 300 of the Treaty or from any other act of the Council shall be opened and administered by the Commission under detailed rules adopted in accordance with the procedure referred to in Article 39(2) of this Regulation, ***and in accordance with Articles 308a, 308b and 308c of Regulation (EEC) No 2454/93.***

*Justification*

*This is a technical amendment that includes a reference to the relevant provisions of the Implementing Provisions of the Community Customs Code (Commission Regulation (EEC) No 2454/93).*

Amendment 19  
Article 28, paragraph 1 a (new)

***1a. Should tariff quotas be phased out for sugar imports from third countries, the overall volume of imports shall be determined on the basis of the core principle that sugar imports to the European Union from third countries cannot exceed the net balance of domestic production and consumption levels in those countries. The net balance of domestic production and consumption levels are calculated by using the formula provided in Annex VIIa.***

### *Justification*

*This principle was originally elaborated in the 10 March 2005 European Parliament resolution on the forthcoming reform of the common organisation of the market in sugar. It is absolutely essential the volumes exported into the EU market through a preferential trade agreement, in particular from the Least Developed Countries, do not exceed the difference between domestic production and consumption levels in those countries, so as to avoid the emergence of fraudulent triangular trade in sugar with the European Community, as was the case in the Western Balkans before the Commission imposed tariff quotas on sugar imports from that region under Regulation (EC) No 374/2005.*

### Amendment 20

Article 28, paragraph 3 a (new)

***3a. Where the Commission finds that there is sufficient evidence of fraud or failure to provide administrative cooperation as required for the verification of evidence of origin, or that there is a massive increase in exports into the Community above the level of normal production and export capacity, it may take measures to suspend in whole or in part the application of tariff quotas for a period of six months, provided that it has first:***

***(a) informed the Committee referred to in Article 39(1);***

***(b) called on the Member States to take such precautionary measures as are necessary in order to safeguard the Community's financial interests;***

***(c) published a notice in the Official Journal of European Union stating that there are grounds for reasonable doubts about the lawful implementation of tariff quotas, which call into question the right of the beneficiary country or territory to continue enjoying the benefits of such arrangements.***

### *Justification*

*It is absolutely essential that the Commission retains the right to temporarily suspend the application of tariff quotas in case of fraud or a temporary surge of exports above normal production capacity from countries and territories that are the beneficiaries of such trade measures.*

Amendment 21

Article 30, paragraph 1, point (a)

(a) the least developed countries under the arrangements referred to in *Article 9 of Regulation (EC) No 2501/2001*;

(a) the least developed countries under the arrangements referred to in *Article 12 of Council Regulation (EC) No 980/2005 of 27 June 2005 applying a scheme of generalised tariff preferences<sup>1</sup>*;

<sup>1</sup> OJL 169, 30.6.2005, p. 1.

*Justification*

*This is a technical amendment that corrects the reference to the 'Everything But Arms' scheme from the old, 2001-2004, GSP scheme to the new, 2005-2008, scheme, which was adopted some five days after the Commission finalised this proposal.*

Amendment 22  
Article 31a (new)

*Article 31a*

*ACP/LDC Fund for sustainable rural development*

*The European Union shall establish a fund for sustainable rural development in ACP countries and LDCs in order to support those countries affected by the sugar market reform in developing and diversifying their rural economies. Payments from this fund shall be disbursed by the Commission according to the criteria of security of food supply, sustainable production methods and social security of producers.*

*Justification*

*It makes more sense to use the amount proposed by the Commission for export refunds to promote diversification and rural development, particularly in countries and regions affected by the reform of the organisation of the sugar market.*

Amendment 23  
Annex VII a (new)

*Annex VIIa*

*CALCULATION OF THE NET  
BALANCE OF DOMESTIC*

**PRODUCTION AND CONSUMPTION  
LEVELS IN THIRD COUNTRIES**

*The calculation of the net balance of domestic production and consumption levels (net production surplus) of a third country shall be determined in accordance with the following formula:*

*(a) If a net production surplus has not been projected for any previous year, the formula shall be:*

$$NPS = (PPy - CPy)$$

*(b) If a third country is projected to be a net surplus producer and has been projected to be a net surplus producer in a previous year, the third country's projected net production surplus shall be adjusted, to account for an underestimate or overestimate, as follows:*

$$NPS = (PPy - CPy) - ((PPys - CPys) - (PAys - CAys))$$

*where,*

*NPS: net production surplus*

*PP: projected domestic production of sugar*

*CP: projected total consumption of sugar*

*y: upcoming marketing year*

*ys: most recent previous marketing year in which a net production surplus was projected*

*PA: actual domestic production of sugar*

*CA: actual total consumption of sugar*

*(c) For the purpose of determining whether a third country is a net surplus producer, imported sugar shall not be treated as part of domestic production.*

*(d) The domestic production of a third country shall not include sugar that has been either processed or refined from sugar beets or sugar cane grown, or sugar processed or refined, outside of the territory of the third country.*

### *Justification*

*This calculation method is based upon a method used in the North American Free Trade Agreement. The purpose of this calculation is to provide a predictable and reliable method of determining the net balance of domestic production and consumption levels. It enables the EU to prevent fraud and illegal triangular trade.*

## PROCEDURE

<b>Title</b>	Proposal for a Council regulation on the common organisation of the markets in the sugar sector
<b>References</b>	(COM(2005)0263 – C6-0243/2005 – 2005/0118(CNS))
<b>Committee responsible</b>	AGRI
<b>Opinion by</b> Date announced in plenary	INTA 6.9.2005
<b>Enhanced cooperation – date announced in plenary</b>	No
<b>Drafts(wo)man</b> Date appointed	Béla Glattfelder 12.7.2005
<b>Previous drafts(wo)man</b>	
<b>Discussed in committee</b>	29.8.2005      12.9.2005
<b>Date adopted</b>	24.11.2005
<b>Result of final vote</b>	+:    22 -:    3 0:    0
<b>Members present for the final vote</b>	Jean-Pierre Audy, Enrique Barón Crespo, Daniel Caspary, Giulietto Chiesa, Christofer Fjellner, Glyn Ford, Béla Glattfelder, Jacky Henin, Caroline Lucas, Erika Mann, Helmuth Markov, David Martin, Javier Moreno Sánchez, Georgios Papastamkos, Bogusław Rogalski, Tokia Saïfi, Peter Šťastný, Zbigniew Zaleski
<b>Substitute(s) present for the final vote</b>	Panagiotis Beglitis, Danutė Budreikaitė, Jorgo Chatzimarkakis, Albert Deß, Elisa Ferreira, István Szent-Iványi
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	Paul Rübig
<b>Comments (available in one language only)</b>	...

## PROCEDURE

<b>Title</b>	Proposal for a Council regulation on the common organisation of the markets in the sugar sector				
<b>References</b>	COM(2005)0263 – C6-0243/2005 – 2005/0118(CNS)				
<b>Date of consulting Parliament</b>	25.7.2005				
<b>Committee responsible</b> Date announced in plenary	AGRI 6.9.2005				
<b>Committee(s) asked for opinion(s)</b> Date announced in plenary	BUDG 6.9.2005	CONT 6.9.2005	DEVE 6.9.2005	REGI 6.9.2005	INTA 6.9.2005
<b>Not delivering opinion(s)</b> Date of decision	BUDG 15.11.2005	REGI 11.7.2005			
<b>Rapporteur(s)</b> Date appointed	Jean-Claude Fruteau 2.9.2005				
<b>Discussed in committee</b>	13.7.2005	12.9.2005	11.10.2005	23.11.2005	29.11.2005
<b>Date adopted</b>	29.11.2005				
<b>Result of final vote</b>	+: 29 -: 3 0: 0				
<b>Members present for the final vote</b>	Katerina Batzeli, Thijs Berman, Niels Busk, Luis Manuel Capoulas Santos, Giuseppe Castiglione, Joseph Daul, Albert Deß, Michl Ebner, Duarte Freitas, Jean-Claude Fruteau, Ioannis Gklavakis, Lutz Goepel, Bogdan Golik, Friedrich-Wilhelm Graefe zu Baringdorf, María Esther Herranz García, Elisabeth Jeggle, Diamanto Manolakou, Mairead McGuinness, María Isabel Salinas García, Agnes Schierhuber, Willem Schuth, Czesław Adam Siekierski, Marc Tarabella, Kyösti Tapio Virrankoski				
<b>Substitute(s) present for the final vote</b>	María del Pilar Ayuso González, Bernadette Bourzai, Ilda Figueiredo, Béla Glattfelder, Vincenzo Lavarra, Astrid Lulling, Bernadette Vergnaud				
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	Inés Ayala Sender, Anne Ferreira				
<b>Date tabled</b>	6.12.2005				
<b>Comments (available in one language only)</b>	...				