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**A6-0393/2005**

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## **REPORT**

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))

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 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))**

### **(Consultation procedure)**

*The European Parliament,*

- having regard to the Commission proposal to the Council (COM(2005)0263)<sup>1</sup>,
  - having regard to Article 37 of the EC Treaty, pursuant to which the Council consulted Parliament (C6-0245/2005),
  - 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 Budgets, the Committee on Budgetary Control, the Committee on Development and the Committee on International Trade (A6-0393/2005),
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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<sup>1</sup> Not yet published in OJ.

## Amendment 1

## Recital 1

***(1) Due to developments within the Community and at international level the sugar industry in the Community is faced with structural problems which could seriously put at stake the competitiveness and even the viability of the industry as a whole. These problems cannot be addressed effectively by using the market management instruments as provided for in the common market organisation (CMO) for sugar.***

To bring the Community system of sugar production and trading in line with international requirements and ensure *its* competitiveness in the future it is necessary to launch a ***profound*** restructuring process leading to a ***significant*** reduction of ***unprofitable*** production capacity in the Community. To this end, as a precondition for the implementation of a functioning new common market organisation for sugar a separate and autonomous temporary scheme for the restructuring of the sugar industry in the Community should be established. ***Under this scheme quotas should be reduced in a manner that takes account*** of the legitimate interests of the sugar industry, sugar beet and chicory growers and consumers in the Community.

***(1) To bring the Community system of sugar production and trading in line with international requirements and ensure the competitiveness and viability of sugar-producing regions in the future it is necessary to launch a restructuring process leading to a reduction of production capacity in the Community and the creation of new sources of income in the regions concerned. This restructuring process must allow those who so wish to leave the system on decent terms by means of voluntary departure involving the permanent abolition of their production quotas in exchange for fair financial compensation.*** To this end, as a precondition for the implementation of a functioning new common market organisation for sugar a separate and autonomous temporary scheme for the restructuring of the sugar industry in the Community should be established. ***The reduction in Community production capacity - which should come about through the implementation of the above scheme - must be no greater than what is***

***strictly required and must be carried out with due regard to the legitimate interests of the sugar industry, sugar beet and chicory growers and consumers in the Community. Furthermore, the restructuring scheme must be implemented in partnership and consultation with all stakeholders involved in the process, including farmers, processors, industry employees and public authorities.***

Amendment 2  
Recital 4a

***(4a) Moreover, in order to ensure that the restructuring process can be fully financed, it is important that all proceeds resulting from the transfer of 1 million tonnes of sugar additional to the quota be paid back into the restructuring fund.***

*Justification*

*The proceeds from the funding of the transfer of 1 million tonnes of sugar additional to the quota is considered as an own resource of the EU budget and not as a resource allocated to the restructuring fund. It would be regrettable for the restructuring fund to be deprived of EUR 730 million owing to an unduly orthodox approach. It therefore seems appropriate, for the purposes of ensuring the full restructuring of the sector, to allocate the proceeds from the transfer of one million tonnes of sugar additional to the quota to the restructuring fund. The increase in resources allocated to the restructuring fund is all the more important since beet growers who cease the delivery of sugar beet to a factory that has abandoned sugar production – Article 4 of the proposal for a regulation – will need to receive compensation.*

Amendment 3  
Recital 5

(5) An important economic incentive for sugar undertakings ***with the lowest productivity*** to give up their quota production in the form of an adequate restructuring aid during a limited period should be introduced. To this effect, a restructuring aid should be set up that creates an incentive to abandon production and renounce the quotas concerned, at the same time allowing ***to take*** into due account the respect of social and environmental

(5) An important economic incentive for sugar undertakings ***wishing*** to give up their quota production in the form of an adequate restructuring aid during a limited period should be introduced. To this effect, a restructuring aid should be set up that creates an incentive to abandon production and renounce the quotas concerned, at the same time allowing ***economic alternatives to be developed for the regions concerned whilst taking*** into due account the respect of

commitments linked to the abandon of production. The aid should be available during four marketing years with the aim to reduce production to the extent necessary to reach a balanced market situation in the Community.

social and environmental commitments linked to the abandon of production ***(protection of sugar producers' employees and farmers)***. The aid should be available during four marketing years with the aim to reduce production to the extent necessary to reach a balanced market situation in the Community.

#### Amendment 4

##### Recital 5 a (new)

***(5a) Abandonment of production will automatically go hand in hand with the abandonment of delivery rights enjoyed by growers. It will have a detrimental effect on farmers' investments, particularly as regards the specific material required for farming sugar beet and chicory. To ensure a dynamic restructuring process, such producers should also be allowed to benefit from the sector's restructuring aid. Therefore, a share of at least 50% of the restructuring aid should be granted to sugar beet and chicory growers in order to offset the resulting loss of capital. Furthermore, the allocation of restructuring aid to growers and producers should be conditional on the signing of an agreement within the trade.***

#### Amendment 5

##### Recital 6 a (new)

***(6a) Bioethanol production is a way of contributing to the objective of complying with European Parliament and Council Directive 2003/30/EC of 8 May 2003 on***



***the promotion of the use of biofuels or other renewable fuels for transport<sup>1</sup> and the commitments made in the Kyoto Protocol while at the same time curtailing the production of greenhouse gases. This is an important asset from the point of view of diversification of energy sources and it offers new openings which could replace the sugar industry in the European Union. In order to foster its development, sugar companies taking part in the temporary restructuring scheme should not have to destroy their facilities if they are to be reconverted into bioethanol distilleries.***

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<sup>1</sup>OJ L 123, 17.5.2003, p. 42.

#### *Justification*

*In order to encourage the diversification of energy sources and to provide new alternative openings to the sugar industry, the current restructuring scheme must offer sugar factories the opportunity of developing their potential as bioethanol producers by converting their production facilities with distilleries. In this specific case, therefore, the abandonment of sugar quotas must not be conditional on destroying industrial facilities. It should be possible for the distilleries required for the production of alcohol for use as fuel to be set up by adding to existing industrial tools, with a view to limiting the level of investment required for this operation and in order to ensure continuity of activity in existing factories.*

Amendment 6  
Article 2 a (new)

#### ***Article 2a***

***As a consequence of reduced market support in the sugar sector the restructuring aid also needs to be used to finance support measures for employees in sugar farming as well in the sugar industry. These measures should help them to find new opportunities.***

Or. en

*Justification*

*The reform of the CMO sugar has also serious implications for employees in sugar farming and the sugar industry.*

Amendment 7

Article 3, paragraph 1, first subparagraph

1. Any undertaking producing sugar, isoglucose or inuline syrup to which a quota has been allocated prior to the application of this Regulation shall be entitled to a restructuring aid per tonne of quota renounced, provided that it abandons production during one of the marketing years 2006/2007, 2007/2008, 2008/2009 and 2009/2010. Abandonment of production during the marketing year 2005/2006 shall be deemed to have taken place in the marketing year 2006/2007.

1. Any undertaking producing sugar, isoglucose or inuline syrup to which a quota has been allocated prior to the application of this Regulation shall be entitled to a restructuring aid per tonne of quota renounced, provided that it ***totally or partially*** abandons production during one of the marketing years 2006/2007, 2007/2008, 2008/2009 and 2009/2010 ***and develops alternative economic activities in the region. Total or partial*** abandonment of production during the marketing year 2005/2006 shall be deemed to have taken place in the marketing year 2006/2007.

Or. pt

*Justification*

*In Member States which have only one refinery, partial abandonment of the quota should be possible, as the reduction in the Community price for sugar could lead to a significant drop in supplies of the raw material from the Member State concerned, so that the refinery's critical production level is not reached. It should therefore be possible to abandon only the part of the quota which can no longer be produced using national material, making use of the restructuring fund in order to adapt the plant to processing from sugar cane from third countries, thus making up the shortfall in national production.*

*The restructuring of the sector must include the proposal of other sources of employment and income.*

Amendment 8

Article 3, paragraph 1 a (new)

***1a. The quotas allocated for isoglucose on the basis of Article 9 of Council Regulation (EC) No. ... / ... of ... on the common***

**organisation of the markets in the sugar sector shall not be eligible for restructuring aid.**

Or. de

*Justification*

*The purpose of this amendment is to prevent undertakings which have received an extra isoglucose quota without payment pursuant to Article 9 of the new organisation of the market in sugar from subsequently being entitled to compensation for giving up this quota.*

Amendment 9  
Article 3, paragraph 2

2. Abandonment of production shall require:

(a) the renunciation of the relevant quota after consultations to be conducted in the framework of the relevant agreements within the trade,

(b) the definitive and total stop of production in at least one factory,

(c) the closure of the factory or the factories concerned and the dismantling of the production facilities thereof, **and**

(d) the restoring of the good environmental conditions of the factory site and **the facilitation of redeployment of the workforce.**

2. Abandonment of production, **on which access to the restructuring scheme is dependent**, shall require:

(a) the renunciation of the relevant quota after consultations to be conducted in the framework of the relevant agreements within the trade; **in the absence of agreements within the trade, the Member State in question shall take the necessary measures to protect the interests of the parties concerned,**

(b) the definitive and total stop of production in at least one factory,

(c) the closure of the factory or the factories concerned and the dismantling of the production facilities thereof,

(d) the restoring of the good environmental conditions of the factory site and **the opening up of economic prospects for the region and the creation of jobs, in particular through the possible conversion of the premises for social or cultural purposes,**

**(da) the implementation of measures (to be defined in agreements between undertakings, with trade union involvement and pursuant to national law) to facilitate the redeployment of the workforce or compensation for job losses on the part of**

*workers of the undertakings concerned,*  
*(db) the signing of an agreement within the trade concluded with sugar beet and chicory growers or their official representatives and concerning the share of restructuring aid to be allocated to growers, and*

*(dc) the submission of a restructuring plan and its approval by the relevant authorities of the Member State concerned. This agreement shall be signed inter alia by sugar beet and chicory growers, as regards their aid entitlements, and by employees of sugar factories, as regards labour-related matters.*

#### Amendment 10

#### Article 3, paragraph 2 a (new)

*2a. Where industrial facilities are to be converted to produce bioethanol for energy purposes, the abandonment of production shall require:*

*(a) the renunciation of the relevant quota after consultations to be conducted in the framework of the relevant agreements within the trade;*

*(b) the conversion of industrial facilities into distilleries enabling the effective production of bioethanol for energy purposes;*

*(c) the setting up of measures, to be defined through agreements between companies and without prejudice to national legislations, aimed at facilitating the redeployment of the workforce or compensating job losses suffered by employees of the factories concerned;*

*(d) the signing of an agreement within the trade concluded with sugar beet and chicory growers concerning the share of*

*restructuring aid for growers;*  
*(e) the presentation of a restructuring plan and its approval by the relevant authorities of the Member State concerned.*

#### *Justification*

*In order to encourage the development of the production of bioethanol for energy purposes, the initial conditions for abandonment of production (paragraph 2) must be modified to suit this particular eventuality. These specific conditions include, in particular, the supplementary obligation to transform industrial facilities into bioethanol distilleries in order to ensure that the aid granted for restructuring is indeed used to this end. By the same token, for obvious reasons of continuity of industrial activity and limiting the level of investments, the definitive and total stop of production, the closure of factories and the dismantling of production facilities are not required. Furthermore, the restoration of good environmental conditions is no longer necessary.*

#### Amendment 11

##### Article 3, paragraph 3

Applications for restructuring aid shall be submitted to the Member State by 31 January of the year preceding the marketing year during which the production is to be abandoned at the latest. However, applications shall be submitted by 31 July 2006 at the latest for production to be abandoned in the marketing year 2006/2007.

Applications for restructuring aid shall include:

- (a) a commitment to renounce the relevant quota;
- (b) a commitment to abandon definitively and totally production in at least one factory during the marketing year concerned. The marketing year 2006/2007 shall be deemed to be the following marketing year for applications submitted before 1 August 2006;
- (c) a commitment to meet the requirements provided for in paragraphs 2(c) **and** (d) within a period of time to be determined by

Applications for restructuring aid shall be submitted to the Member State **and approved by the Commission** by 31 January of the year preceding the marketing year during which the production is to be abandoned at the latest. However, applications shall be submitted by 31 July 2006 at the latest for production to be abandoned in the marketing year 2006/2007.

Applications for restructuring aid shall include:

- (a) a **joint** commitment **within the trade** to renounce the relevant quota;
- (b) a commitment to abandon definitively and totally production in at least one factory during the marketing year concerned. The marketing year 2006/2007 shall be deemed to be the following marketing year for applications submitted before 1 August 2006;
- (c) a commitment to meet the requirements provided for in paragraphs 2(c), (d), **(da)**, **(db)** **and** **(dc)** within a period of time to be

the Member State.

determined by the Member State;

*(ca) the drawing-up of a business development plan covering planned economic activity and the impact of restructuring on the environment and employment and taking due account of the situation in the region;*

*However, where industrial facilities are to be reconverted to produce bioethanol for energy purposes, applications for restructuring aid shall include the commitment to meet exclusively the requirements laid down in paragraph 2a.*

*The respect of these commitments shall be subject to a decision granting the aid as referred to in paragraph 7.*

*These commitments shall be notified to the Commission and shall be implemented within the Member State. The decision granting restructuring aid as referred to in paragraph 7 shall be conditional upon respect being shown for these commitments.*

Or. fr

Amendment 12  
Article 3, paragraph 4

4. Restructuring aid shall be granted exclusively for the marketing year during which the production is abandoned in accordance with *paragraph 2(b)*.

4. Restructuring aid shall be granted exclusively for the marketing year during which the production is abandoned in accordance with *the requirements laid down in paragraph 2 or, where industrial facilities are to be reconverted to produce bioethanol for energy purposes, with the requirements laid down in paragraph 2a.*

*Aid shall be granted without prejudice to other incentive measures aimed at encouraging the development of bioenergies.*

*Justification*

*Amendment for the purposes of consistency, which makes payment of financial aid conditional upon the fulfilment of special conditions (laid down in paragraph 2 a) under which the restructuring scheme can contribute towards developing production tools for bioethanol for*

*use as a fuel.*

Amendment 13  
Article 3, paragraph 5

5. The amount of restructuring aid per tonne of renounced quota shall be set at:

– **EUR 730** for the marketing year 2006/2007,

– **EUR 625** for the marketing year 2007/2008,

– **EUR 520** for the marketing year 2008/2009,

– **EUR 420** for the marketing year 2009/2010.

5. The amount of restructuring aid per tonne of renounced quota shall be set at:

– **EUR 800** for the marketing year 2006/2007,

– **EUR 741** for the marketing year 2007/2008,

– **EUR 622** for the marketing year 2008/2009,

– **EUR 516** for the marketing year 2009/2010.

*Justification*

*The level of restructuring aid must be re-evaluated in order to bring it into line with the new price cuts and to maintain the incentive aspect of the restructuring scheme. A minimum threshold should also be set to fix the share of aid for growers in order to guarantee that they are properly compensated. This threshold can be set at 10 % without removing the economic incentive for industrial businesses.*

Amendment 14  
Article 3, paragraph 5 a (new)

***5a. At least 50% of the total amount per tonne of quota renounced and made available to the sugar industry for restructuring shall be for sugar beet and chicory growers.***

***The Commission is called upon to draw up proposals on the use that might be made of the amount received by growers having ceased production under the restructuring fund arrangements with a view to the creation of economically appropriate alternative forms of production.***

Amendment 15  
Article 4, paragraph 1

1. Sugar beet growers shall be entitled to an additional payment, provided that they have ceased the delivery of sugar beet to a factory that has abandoned sugar production during the marketing year 2006/2007 in accordance with Article 3(1).

1. Sugar beet growers **and chicory growers** shall be entitled to an additional payment, provided that they have ceased the delivery of sugar beet to a factory that has abandoned sugar production during the marketing year 2006/2007 in accordance with Article 3(1).

Or. fr

*Justification*

*Farmers whose factories renounce a fructose syrup quota should be able to receive from the first year onwards the € 4.68 per tonne to which beet growers are entitled (Article 4). Chicory growers are in fact mentioned in recital 7 but do not appear in Article 4.*

Amendment 16  
Article 6, paragraph 1, subparagraph 2

Quotas that have been renounced by an undertaking during a given marketing year in accordance with Article 3(2)(a) shall not be subject to the payment of a temporary restructuring amount for the marketing year concerned and subsequent marketing years.

Quotas that have been renounced by an undertaking during a given marketing year in accordance with Article 3(2)(a) **and (2a)(a)** shall not be subject to the payment of a temporary restructuring amount for the marketing year concerned and subsequent marketing years.

*Justification*

*Amendment for the purposes of consistency aimed at bringing the text into line with the changes made to Article 3 of the regulation in the new paragraph 2a.*





## EXPLANATORY STATEMENT

### 1. Commission proposal

The third of the legislative proposals on reforming the sugar sector is concerned with a scheme restructuring the sugar industry. It is voluntary and temporary (lasting four years: 2006/2007 to 2009/2010) and includes a degressive payment. Its intention is to reduce Community production capacity and to encourage the conversion of industrial sugar concerns by means of a financial incentive offered to those who wish to do so to leave the system under reasonable conditions by renouncing the quotas in question.

A degressive charge will be levied on holders of sweetener quotas for a period of three years (2006/2007 to 2008/2009) in order, on the one hand, to make resources available to fund economic adjustment and diversification measures and, on the other hand, to cope with the social and environmental impacts of factory closure.

The new Commission proposal equates to a reformulation of the instruments envisaged in the first communications of September 2003<sup>1</sup> and July 2004<sup>2</sup>. The idea of transferability of quotas at European level has therefore been dropped, to be replaced by an incentive scheme under the aegis of the public authorities as proposed by the European Parliament in its resolution of 10 March 2005<sup>3</sup>.

This resolution expressed the view that the quota transfer scheme failed to ‘*meet the objectives of competitiveness, employment and Community solidarity*’ (paragraph 8) in relation to ‘*the resolutions adopted by the European Council in Luxembourg (12-13 December 1997) and Berlin (24-25 March 1999)*’ (citation I). In so doing, it went against the European agricultural model and did not comply with the principles of the sustainability and multifunctionality of agriculture. Parliament therefore called on the Commission ‘*to consider setting up a specific fund, managed by the European Union, to enable those wishing to leave the system to do so under reasonable conditions, through the voluntary sale of quotas to the European Union at an attractive price, degressive over time, for a limited period, immediately after which these quotas should be abolished*’ (paragraph 9).

In this context, the new restructuring scheme becomes the centrepiece of the process of sugar reform.

### 2. General remarks by the rapporteur

Even though there will be no compulsory quota reductions during the restructuring period and the transfer of quotas has been abandoned, the proposed new scheme does not meet all the

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<sup>1</sup> COM(2003) 554.

<sup>2</sup> COM(2004) 499.

<sup>3</sup> P6\_TA(2005)0079.

expectations expressed by the European Parliament in its resolution of 10 March 2005.

- First, it appears that the conditions set to be able to benefit from the restructuring fund are not properly suited to the social, environmental and territorial demands of such a profound and complex restructuring process.

The Commission proposal takes into consideration only the industrial aspect of restructuring, reserving all the aid relating to the abandonment of production quotas for sugar producers. This exclusive approach ignores the question of how cessations of activity impact on growers, who will lose their delivery rights and who will be forced to replace all of their agricultural material specific to sugar beet farming in order to be able to diversify into other types of production.

The Commission's proposals on social matters are also insufficient as regards employees of factories that will close as part of the restructuring process. While the draft regulation provides for the redeployment of the workforce as a precondition to the award of aid to industrial concerns, there remains a certain vagueness about the implementation of these measures, and no alternative solution has been put forward to date to offset potential net job losses.

In its resolution of 10 March 2005, however, the European Parliament had emphasised two points (agricultural restructuring and industrial employment), expressing the hope that *'some of the funds [...] can be earmarked for farmers' incomes, as compensation for the loss of their delivery rights and with a view to helping them switch to other activities'* and calling for *'social security measures for the workers affected by the closure of sugar farms'*. Indeed, the European Economic and Social Committee expressed a similar view in its Opinion 1646/2004<sup>1</sup>.

- Furthermore, the rapporteur regrets that the Commission has not taken into account the potential opportunities in the area of biofuels that could attenuate the socioeconomic and territorial impact of the reform by reconverting existing sugar establishments into biomass production facilities.

In this sense, restructuring is envisaged only in terms of the abandonment of production, without addressing the possibility of diversifying industrial facilities into related activities, which would create opportunities for alternative openings.

### **3. The rapporteur's amendments**

The rapporteur's amendments propose the following modifications:

- A re-evaluation of the amounts of restructuring aid to bring them in line with the new level of price cuts proposed by the rapporteur (25 %) and to retain the incentive aspect of the restructuring scheme.

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<sup>1</sup> Opinion of the EESC 1646/2004, OJ C 157, 28.6.2005, point 2.4.

- Compensation for growers has been added in order to mitigate the loss of capital caused by the loss of delivery rights and the forced cessation of sugar beet farming, leading to the abandonment of existing specialised agricultural material. The minimum threshold for the share of financial support paid to growers can be set at 10 %.
- The allocation of funding for growers and producers is conditional to the signature of an agreement within the trade regarding the renunciation of the quota, which may be carried out only on the basis of a joint decision.
- The abandonment of production also requires measures aimed at facilitating the redeployment of the workforce or compensating for job losses suffered by employees of the establishments concerned.
- Restructuring plans, subject to the conditions laid down in Article 3 of the regulation, must always be approved by the relevant authorities of the Member State concerned in order to guarantee appropriate defence of public interests (as regards social aspects, national and regional development, the protection of the environment etc.).
- Finally, in order to foster development of the production of biofuels and to provide alternative openings to those in the sugar industry, sugar factories taking part in the restructuring scheme should be allowed to benefit from aid without having to destroy their facilities in specific cases where they are intended to be reconverted into bioethanol distilleries.

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 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))

Draftsperson: Béla Glattfelder

### **SHORT JUSTIFICATION**

As the restructuring of the sugar industry in the European Community does not fall within the remit of the Committee on International Trade, the draftsperson recommends the approval, without amendment, of the Commission proposal.

### **AMENDMENTS**

The Committee on International Trade calls on the Committee on Agriculture and Rural Development, as the committee responsible, to approve the Commission proposal.

## PROCEDURE

<b>Title</b>	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 – C6-0245/2005 – 2005/0120(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 12.5.2005
<b>Previous drafts(wo)man</b>	
<b>Discussed in committee</b>	29.8.2005      12.9.2005
<b>Date adopted</b>	23.11.2005
<b>Result of final vote</b>	+: 23 –: 2 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>	...

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:

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

## Changes in domestic and external sugar prices following draftsperson'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:

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

Amendments by Parliament

#### **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.*

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

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.**

*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

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 **372.9** per tonne for the marketing year 2008/2009;

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

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 enabling sugar surpluses to be used for energy purposes.***

#### *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

***Scope of export refunds***

***deleted***

***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 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

*Export refund fixation*

*deleted*

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

*(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<sup>1</sup>.*

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<sup>1</sup> OJ L 318, 20.12.1993, p. 18.

***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

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.

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>	...

## PROCEDURE

<b>Title</b>	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 – C6-0245/2005 – 2005/0120(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	CONT 12.7.2005	REGI 11.7.2005		
<b>Enhanced cooperation</b> Date announced in plenary	Jean-Claude Fruteau 2.9.2005				
<b>Rapporteur(s)</b> Date appointed	13.7.2005	12.9.2005	11.10.2005	23.11.2005	29.11.2005
<b>Previous rapporteur(s)</b>	29.11.2005				
<b>Simplified procedure – date of decision</b> Date of decision	+ : 27 – : 3 0 : 0				
<b>Legal basis disputed</b> Date of JURI opinion	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>Financial endowment amended</b> Date of BUDG opinion	María del Pilar Ayuso González, Bernadette Bourzai, Ilda Figueiredo, Béla Glattfelder, Vincenzo Lavarra, Astrid Lulling, Bernadette Vergnaud				
<b>Parliament to consult European Economic and Social Committee – date decided in plenary</b>	Inés Ayala Sender, Anne Ferreira				
<b>Parliament to consult Committee of the Regions – date decided in plenary</b>	6.12.2005				
<b>Discussed in committee</b>	...				
<b>Date adopted</b>					
<b>Result of final vote</b>					
<b>Members present for the final vote</b>					
<b>Substitute(s) present for the final vote</b>					
<b>Substitute(s) under Rule 178(2) present for the final vote</b>					
<b>Date tabled</b>					
<b>Comments (available in one language only)</b>					

