

EUROPEAN PARLIAMENT

2004



2009

Session document

FINAL
A6-0309/2007

6.9.2007

REPORT

on the proposal for a Council regulation amending Regulation (EC)
No 320/2006 establishing a temporary scheme for the restructuring of the sugar
industry in the Community
(COM(2007)0227 – C6-0176/2007 – 2007/0085(CNS))

Committee on Agriculture and Rural Development

Rapporteur: Katerina Batzeli

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.

CONTENTS

	Page
DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION	5
EXPLANATORY STATEMENT	18
OPINION OF THE COMMITTEE ON BUDGETS	22
PROCEDURE.....	28

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a Council regulation amending Regulation (EC) No 320/2006 establishing a temporary scheme for the restructuring of the sugar industry in the Community
(COM(2007)0227 – C6-0176/2007 – 2007/0085(CNS))

(Consultation procedure)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2007)0227),
 - having regard to Article 37 of the EC Treaty, pursuant to which the Council consulted Parliament (C6-0176/2007),
 - 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 opinion of the Committee on Budgets (A6-0309/2007),
1. Approves the Commission proposal as amended;
 2. Considers that the indicative financial reference amount set out in the legislative proposal must be compatible with the ceiling of heading 2 of the new Multiannual Financial Framework (MFF) and points out that the annual amount will be decided within the annual budgetary procedure in accordance with the provisions of point 38 of the IIA of 17 May 2006.
 3. Calls on the Commission to alter its proposal accordingly, pursuant to Article 250(2) of the EC Treaty;
 4. Calls on the Council to notify Parliament should it intend to depart from the text approved by Parliament;
 5. Asks to be consulted again if the Council intends to amend the Commission proposal substantially;
 6. Instructs its President to forward its position to the Council and Commission.

Text proposed by the Commission

Amendments by Parliament

Amendment 1
RECITAL 9 A (new)

(9a) Where a sugar undertaking submits an application for restructuring aid in lieu of

an application from growers, decisions as to which growers are to cease sugar beet production should be taken by mutual agreement between the growers and the sugar undertaking concerned. Agreements within the trade should contain an appropriate reference to such agreements.

Justification

Where a sugar undertaking takes up an application from growers, the decision as to which growers are to leave the sector must be made on the basis of consultations and agreements between both parties.

Amendment 2

ARTICLE 1, POINT (-1) (new)

Article 1, paragraph 3 (Regulation (EC) No 320/2006)

-1. In Article 1(3), subparagraph 2 is replaced by the following:

"All compensation payments for quota renunciations must be so calculated that the resources in the fund are fully exhausted. Any amount that may be available in the restructuring fund after the financing of the expenditure referred to in paragraph 2 shall be assigned to the regions where sugar factories have been closed because of partial or total quota renunciations."

Justification

Compensation payments which have not been exhausted should particularly benefit the regions where sugar factories have been partially or wholly closed.

Amendment 3

ARTICLE 1, POINT (1), POINT (-A) (new)

Article 3, paragraph 1, point (b) (Regulation (EC) No 320/2006)

(-a) In paragraph 1, point (b) is replaced by the following:

"(b) renounces the quota assigned by it to one or more of its factories, partially dismantles the production facilities of the factories concerned and does not use the remaining production facilities of the

factories concerned for the production of products covered by the common market organisation for sugar; the facilities in question may receive funding for the processing of raw materials, including sugar beet, for the production of bioethanol for energy purposes,"

Amendment 4

ARTICLE 1, POINT (1), POINT (-A A) (new)

Article 3, paragraph 3, point (c) (Regulation (EC) No 320/2006)

(-aa) In paragraph 3, point (c) is replaced by the following:

"(c) the restoring of the good environmental conditions of the factory site and the production of a business development plan which covers the planned economic activity and the impact of the restructuring on the environment and employment and which takes account of the situation in the region; within the period referred to in point (f) of Article 4(2). Member States may require the undertakings referred to in paragraph 1 to make commitments which go beyond the statutory minimum requirements imposed by Community law. However, such commitments shall not restrict the operation of the restructuring fund as an instrument."

Justification

A business development plan is urgently needed for income and employment in the light of compulsory diversification.

Amendment 5

ARTICLE 1, POINT (1), POINT (- A B) (new)

Article 3, paragraph 4, point (c) (Regulation (EC) No 320/2006)

(c) the restoring of the good environmental conditions of the factory site and the production of a business development plan which covers the planned economic activity

and the impact of the restructuring on the environment and employment and which takes account of the situation in the region; within the period referred to in point (f) of Article 4(2), insofar as necessitated by the cessation of the production of the products mentioned under (a).

Member States may require the undertakings referred to in paragraph 1 to make commitments which go beyond the statutory minimum requirements imposed by Community law. However, such commitments shall not restrict the operation of the restructuring fund as an instrument.

Justification

A business development plan is urgently needed for income and employment in the light of compulsory diversification.

Amendment 6

ARTICLE 1, POINT (1), POINT (- A C) (new)

Article 3, paragraph 5, point (a) (Regulation (EC) No 320/2006)

(-ac) In paragraph 5, point (a) is replaced by the following:

(a) In the cases referred to in points (a) and (b) of paragraph 1:

- EUR 730 for the marketing year 2006/2007,

- EUR 730 for the marketing year 2007/2008,

- EUR 625 for the marketing year 2008/2009,

- EUR 520 for the marketing year 2009/2010;

Justification

In the event of facilities being partially dismantled and the industry shifting to the production of bioethanol, the compensation should be equivalent to that applying to full dismantling of facilities.

Amendment 7

ARTICLE 1, POINT (1), POINT (- A D) (new)

Article 3, paragraph 5, point (c) (Regulation (EC) No 320/2006)

(ad) In paragraph 5, point (c) is replaced by the following:

(c) in the case referred to in point (c) of paragraph 1:

- EUR 255.50 for the marketing year 2006/2007,

- EUR 255.50 for the marketing year 2007/2008,

- EUR 625.00 for the marketing year 2008/2009,

- EUR 182.00 for the marketing year 2009/2010.

Justification

With the aim of encouraging the maximum voluntary renunciation of quotas in 2008/2009, the full compensatory payment of EUR 625 per tonne of quota renounced should even be granted if production facilities are not wholly or partially dismantled.

Amendment 8

ARTICLE 1, POINT (1), POINT (A)

Article 3, paragraph 6, subparagraph 1, introductory sentence (Regulation (EC) No 320/2006)

"An amount of **10%** of the relevant restructuring aid fixed in paragraph 5 shall be reserved for:

"An amount of **50%** of the relevant restructuring aid fixed in paragraph 5 shall be reserved for:

Justification

The sugar quota scheme was introduced in order to guarantee the incomes and employment of beet growers. Renunciation of quotas must therefore be the result of a joint decision by growers and the sugar producer. Moreover, the compensation to the grower is justified by the loss of capital arising from the loss of rights to supply beet and the enforced abandonment of beet growing, which results in the abandonment of the relevant special agricultural equipment and in the necessity to convert beet growing businesses. In addition, the procedures for making decisions on restructuring and the allocation of aids must be laid down in an agreement within the trade.

Amendment 9

ARTICLE 1, POINT (1), POINT (A)

Article 3, paragraph 6, point (a) (Regulation (EC) No 320/2006)

(a) growers of sugar beet **and** cane having delivered these products during **a period**

(a) growers of sugar beet, **sugar cane and chicory** having delivered these products

preceding the marketing year referred to in paragraph 2 for the production of sugar under the relevant quota renounced;

during ***the cultivation periods*** preceding the marketing year referred to in paragraph 2 for the production of sugar ***or inulin syrup*** under the relevant quota renounced; ***With the consent of the Member State, it may be laid down in agreements within the trade how the beet grower is to participate in the restructuring aid.***

Justification

The principle of retroactivity established by Recital 4 should be implemented in the Regulation by means of a paragraph 8 which the Commission proposes to insert in Article 3. But this paragraph 8 itself refers to the preceding paragraphs 1 to 6. In order for chicory producers likewise to have the benefit of retroactivity, they must be mentioned in Article 3, point (a). The amendment tabled retains in point (a) the existing text of the Regulation.

It should be made clear that the reference period determining the access of growers to restructuring regime aid may make up more than a single marketing period and also that during consultations on the allocation of aid account shall be taken of objective criteria which do not lead to discrimination between producers.

It should be possible for the share of the restructuring premium which accrues to farmers to be used flexibly and to optimise structures.

Amendment 10

ARTICLE 1, POINT (1), POINT (a)

Article 3, paragraph 6, subparagraph 1 a (Regulation (EC) No 320/2006)

The Commission shall issue implementing provisions in accordance with the procedure laid down in Article 12 which ensure that the share of the restructuring fund received by producers leaving the sector is used for the creation of economically rational alternative forms of production.

Amendment 11

ARTICLE 1, POINT (1), POINT (A A) (new)

Article 3, paragraph 6, subparagraph 5 a (new) (Regulation (EC) No 320/2006)

(aa) In paragraph 6, the following subparagraph 5a is added:

"Where facilities have been converted to bioethanol production, full dismantling

shall be deemed to have taken place."

Justification

This will enable farming to continue by moving it into an emerging sector with a bright future ahead of it.

Amendment 12

ARTICLE 1, POINT (1), POINT (B)

Article 3, paragraph 7 (Regulation (EC) No 320/2006)

"7. ***For the 2008/2009 marketing year***, growers referred to in paragraph 6(a) shall receive an additional payment of EUR **237.5** per tonne of quota renounced.

"7. Growers referred to in paragraph 6(a) shall receive an additional payment of EUR **260** per tonne of ***sugar*** quota renounced.

Justification

The restructuring mechanism has not operated according to the Commission's original estimates. As a result there has been an accumulation of significant amounts of resources in the restructuring fund which make it possible to offer additional incentives to growers. Moreover, it is essential to make clear the fact that the granting of supplementary aid is retroactive, as moreover provided for in the proposed new paragraph 8 of Article 3 of Regulation (EC) No 320/2006.

Amendment 13

ARTICLE 1, POINT (1), POINT (B)

Article 3, paragraph 8 (Regulation (EC) No 320/2006)

8. This paragraph shall apply to

(a) undertakings having renounced quota under the restructuring scheme in the 2006/2007 or 2007/2008 marketing year, and

(b) growers and machinery contractors concerned by the quota renunciation referred to in point (a).

Where the amounts granted in the 2006/2007 and 2007/2008 marketing years under paragraphs 1 to 6 to persons covered by ***the previous subparagraph***, were less than the amounts that they would have received under the conditions applicable in the 2008/2009 marketing year, the difference shall be granted to them retroactively.

8. This paragraph shall apply to

(a) undertakings having renounced ***part or all of their*** quota under the restructuring scheme in the 2006/2007 or 2007/2008 marketing year, and

(b) growers and machinery contractors concerned by the quota renunciation referred to in point (a).

Where the amounts granted in the 2006/2007 and 2007/2008 marketing years under paragraphs 1 to 6 to persons covered by ***point (a)***, were less than the amounts that they would have received under the conditions applicable in the 2008/2009 marketing year, the difference shall be granted to them retroactively.

Where the amounts granted in the 2006/2007 and 2007/2008 marketing years to growers under paragraph 7 were less than the amounts that they would have received under the conditions applicable in the 2008/2009 marketing year, the difference shall be granted to them retroactively.

Where the amounts granted in the 2006/2007 and 2007/2008 marketing years to growers **referred to in point (b)** under paragraph 7 were less than the amounts that they would have received under the conditions applicable in the 2008/2009 marketing year, the difference shall be granted to them retroactively.

Amendment 14

ARTICLE 1, POINT (1), POINT (B)

Article 3, paragraph 8 a (new) (Regulation (EC) No 320/2006)

"8a. In the event that for a given marketing period, the additional payment requirements referred to in paragraph 7 cannot be met from available resources of the restructuring fund, the remaining cost shall be covered by a commensurate increase in the equivalent temporary restructuring amount provided for in Article 11(2).

Justification

As a last source of funding to cover increased additional aid to growers of the order of EUR 260/tonne, provision should be made for the possibility of increasing the provisional restructuring amount, as provided for in paragraph 2 of Article 11 of Regulation (EC) No 320/2006.

Amendment 15

ARTICLE 1, POINT (2)

Article 4, paragraph 1 (Regulation (EC) No 320/2006)

"The Commission may extend for the 2008/2009 marketing year the application deadline mentioned in the first subparagraph **for up to 20 working days**, if by **31 December 2007** there are reliable indications that the 3.8 million tonnes objective of quota renunciation under the temporary scheme for the restructuring of the sugar industry in the Community will **nearly** be reached in the 2008/2009 marketing year. **The Commission shall make this extension known by means of a communication published in the C series of**

"The Commission may extend for the 2008/2009 marketing year the application deadline mentioned in the first subparagraph if by **31 January 2008** there are reliable indications that the 3.8 million tonnes objective of quota renunciation under the temporary scheme for the restructuring of the sugar industry in the Community will **not** be reached in the 2008/2009 marketing year. **To this end, once the Commission has set for each Member State the preventive withdrawal percentage for the 2008/2009 marketing year, undertakings shall have a**

*the Official Journal of the European Union
before 1 January 2008."*

*period ending on 30 April 2008 in which to
submit an additional application to
renounce quotas and to adjust the social
plan established for the employees."*

Justification

The possibility of revising their quota renunciation application upwards with the benefit of a knowledge of the preventive withdrawal percentage for 2008/2009 should encourage undertakings to renounce more quotas. The period running until 30 April will make it possible to comply with the prescribed periods for consulting employees, and the fact that the additional renunciation of quotas will be based on preventive withdrawal will simplify discussions with growers, as it will involve renouncing a quantity of quotas which cannot be produced in 2008/2009.

Amendment 16

ARTICLE 1, POINT (2), SUBPARAGRAPH 2 A(new)
Article 4, paragraph 2, point (b a) (new) (Regulation (EC) No 320/2006)

In Article 4(2), the following point (ba) is added:

"(ba) a confirmation that growers affected by the restructuring plan through renunciation and/or decrease of their beet delivery rights are informed about the restructuring plan."

Justification

The restructuring plan must be prepared in consultation with sugar beet and cane growers and it is necessary that affected growers be informed about their future before the sowing period.

Amendment 17

ARTICLE 1, POINT (3)
Article 4 a, paragraph 1 (Regulation (EC) No 320/2006)

1. For the 2008/2009 marketing year, any grower of sugar beet or cane intended to be processed into quota sugar may submit to the Member State concerned a direct application for the aid provided for in Article 3(6), accompanied by a commitment to cease his delivery of quota beet or cane to the undertaking with which he has concluded a delivery contract ***in the preceding marketing year.***

1. For the 2008/2009 marketing year, any grower of sugar beet or cane intended to be processed into quota sugar may submit to the Member State concerned a direct application for the aid provided for in Article 3(6), accompanied by a commitment to cease his delivery of quota beet or cane to the undertaking with which he has concluded a delivery contract.

Amendment 18
ARTICLE 1, POINT (3)
Article 4 a, paragraph 3 (Regulation (EC) No 320/2006)

3. The Member State concerned shall establish a list of applications referred to in paragraph 1 in the chronological order of their lodging and shall communicate **this list** to the applicants and undertakings concerned within 10 working days following the deadline for submission as referred to in paragraph 2.

3. The Member State concerned shall establish a list of applications referred to in paragraph 1 in the chronological order of their lodging and shall communicate **details of the overall quantity covered by the applications lodged** to the applicants and undertakings concerned within 10 working days following the deadline for submission as referred to in paragraph 2.

Justification

Were undertakings to be provided with details of which growers wish to renounce quota, the information could be used against the growers.

Amendment 19
ARTICLE 1, POINT (3)
Article 4 a, paragraph 3 a (new) (Regulation (EC) No 320/2006)

3a. The Member State concerned may at its own discretion decide that – notwithstanding paragraph 3 – it will first assess applications from growers who have the right to transport less than 250 tonnes of beet.

Justification

Member States may decide first to make it possible for smaller, less competitive sugar beet growers to renounce on favourable terms the right to transport beet.

Amendment 20
ARTICLE 1, POINT (3)
Article 4 a, paragraph 4, subparagraph 2 (Regulation (EC) No 320/2006)

In the case where the limit of 10% **is reached**, the Member State concerned shall **totally or partially reject the remaining applications**.

In the case where **the application by a grower is liable to result in** the limit of 10% **being overshot**, the Member State concerned **shall either reject this application, or accept it in respect of a tonnage which does not lead to the 10% limit being overshot**.

Justification

The proposed amendments seek to make the text more readily comprehensible.

Amendment 21

ARTICLE 1, POINT (3)

Article 4 a, paragraph 5, points (a) and (b) (Regulation (EC) No 320/2006)

(a) for growers, 10% of the relevant aid amount fixed in Article 3(5)(c) and, for *the 2008/2009 marketing year*, the additional payment referred to in Article 3(7);

(b) for undertakings, the relevant aid amount fixed in Article 3(5)(c), reduced by 10%, or by 60% if the undertaking concerned does not respect the requirement set out in the *second* subparagraph of paragraph 4 of this Article.

(a) for growers *and contractors*, 10% of the relevant aid amount fixed in Article 3(5)(c) and, for *growers*, the additional payment referred to in Article 3(7);

(b) for undertakings, the relevant aid amount fixed in Article 3(5)(c), reduced by 10%, or by 60% if the undertaking concerned does not respect the requirement set out in the *third* subparagraph of paragraph 4 of this Article.

Amendment 22

ARTICLE 1, POINT (3)

Article 4 a, paragraph 6 (Regulation (EC) No 320/2006)

6. Paragraphs 1 to 5 shall not apply in the case where an undertaking submits an application for restructuring aid in accordance with Article 4 by which it renounces a quota corresponding to at least the amount of quota that would have been reduced as a result of the Member State's acceptance of growers' aid applications.

6. Paragraphs 1 to 5 shall not apply in the case where an undertaking submits an application for restructuring aid in accordance with Article 4 by which it renounces a quota corresponding to at least the amount of quota that would have been reduced as a result of the Member State's acceptance of growers' aid applications, ***unless otherwise specified in an agreement within the trade. In such cases, the agreement within the trade shall contain a reference to the mutual agreements concluded between the undertaking and its growers concerning the decision as to which growers are to cease growing sugar beet or cane.***

Justification

Where a sugar undertaking takes up an application from growers, the decision as to which growers are to leave the sector must be made on the basis of consultations and agreements between both parties.

Amendment 23

ARTICLE 1, POINT (4)

Article 5, paragraph 1, subparagraph 1 a (Regulation (EC) No 320/2006)

“Where the Commission extends the deadline *referred to in Article 4(1), as provided for in the third sub-paragraph of that Article*, the deadline *mentioned in the first sub-paragraph of this paragraph* is extended automatically by the same length of time.”

“Where the Commission extends the deadline *for applications for the 2008/2009 marketing year by up to 20 working days pursuant to Article 4(1)(3)*, the deadline *for the decision by Member States on the granting of restructuring aid pursuant to Article 5(1)(1)* is extended automatically by the same length of time.”

Justification

The formulation in the Commission proposal is open to misunderstanding and confusing, as it is unclear which extension of a deadline is being referred to and which deadline is to be automatically extended. The new version is also easier to read.

Amendment 24

ARTICLE 1, POINT (4 A) (new)

Article 6, paragraph 2 (Regulation (EC) No 320/2006)

(4a) In Article 6, paragraph 2 is replaced by the following:

"2. The total amount of aid available to a Member State shall be established on the basis of:

- EUR 109.50 per tonne of sugar quota renounced in the marketing year 2006/2007,

- EUR 109.50 per tonne of sugar quota renounced in the marketing year 2007/2008,

- EUR 109.50 per tonne of sugar quota renounced in the marketing year 2008/2009,

- EUR 109.50 per tonne of sugar quota renounced in the marketing year 2009/2010."

Justification

An increase in diversification aid is essential and is a logical follow-up to increasing restructuring incentives. Moreover, there will be an increased need for rehabilitation measures for regions and alternative solutions for growers affected by the restructuring regime when measures are taken to encourage abandonment of production.

Amendment 25
ARTICLE 1, POINT (5)
Article 11, paragraph 6, subparagraph 1 (Regulation (EC) No 320/2006)

In the 2008/2009 marketing year, undertakings which were subject to the application of the withdrawal percentage set on 16 March 2007 by Article 1(1) or Article 1(2) of Regulation (EC) No 290/2007* and renounce a percentage of their quota of at least this withdrawal percentage, shall be exempted from part of the temporary restructuring amount to be paid for the 2007/2008 marketing year.

In the 2008/2009 marketing year, undertakings which were subject to the application of the withdrawal percentage set on 16 March 2007 by Article 1(1) or Article 1(2) of Regulation (EC) No 290/2007* and renounce a percentage of their quota of at least this withdrawal percentage, shall be exempted from part of the temporary restructuring amount to be paid for the 2007/2008 marketing year.
Likewise during the 2008/2009 marketing year, undertakings which are subject to the application of a withdrawal percentage to be fixed by the Commission in March 2008 and which, within the framework of the modification of their quota renunciation application, renounce an additional tonnage of their quota, shall be exempted from part of the temporary restructuring amount to be paid for the 2008/2009 marketing year.

Justification

This addition follows on from the modifications to Article 4, paragraph 1. It clarifies the obligations of sugar producers in the event of the modification of their applications to renounce quotas for 2008/2009 and specifies that the additional tonnage of the quota renounced in 2008/2009 shall not be subject to the temporary restructuring amount.

EXPLANATORY STATEMENT

1. Situation of the market following the reform of the Common Organisation of the Market (CMO) in sugar in 2006

In February 2006 the EU's Ministers of Agriculture reached an agreement on a far-reaching reform of the common organisation of the market (CMO) in the sugar sector, set out in Regulations (EC) 318/2006, 319/2006 and 320/2006. This reform sought, inter alia, to restore Community sugar production to a viable level by introducing a voluntary restructuring scheme up to 2010 and a withdrawal mechanism with a view to adjusting the production level on an annual basis.

Today Community production amounts to approximately 16.6 million tonnes, i.e. is approximately 25% lower than in 2005/2006, while world sugar production outstrips demand and prices on the international market have fallen to their lowest level since 2005.

Given the stabilisation of imports (2.8 million tonnes) and the restrictions on exports (which amount to 1.3 million tonnes compared to 4.6 million tonnes during previous marketing periods), the 'sacrifice' being made by the Community in reducing production does not appear to be sufficient to ensure market equilibrium.

According to Commission assessments, it is expected that the 2007/2008 marketing period will see surplus supplies of the order of 4 million tonnes, despite restructuring efforts and despite annual withdrawals during the 2006/07 and 2007/08 marketing periods¹.

Restructuring regime

The implementation of voluntary production renunciation schemes led to a fall in production of 2.2 million tonnes during the first two marketing periods, i.e. substantially below the target of 6 million tonnes set for the transitional period of (4) marketing periods for the implementation of the restructuring regime.

There are three basic reasons for the limited implementation of the restructuring regime:

(1) The financial environment was particularly favourable for undertakings during the first two years of implementation of the regime, since the impact of the reform had not yet begun to be felt, especially as regards the fall in prices. Furthermore, the profit margin was never greater for undertakings than during the first year.

(2) Another factor was the malfunctioning or ineffectiveness of other provisions of Community legislation on sugar, in particular:

- (a) the possibility for Member States to redistribute national quotas, particularly in the case of those Member States in which quotas are in the hands of foreign investors and
- (b) the flexibility enjoyed by Member States in determining compensation for growers and

¹ Regulation (EC) 1541/2006 (EC) 290/2007.

machinery contractors from undertakings and the low level of such compensation, particularly for sugar beet growers;

(c) a number of shortcomings in Regulation 320/2006 regarding in particular the need to take measures in favour of workers in the event that the restructuring regime leads to job losses;

(d) the relatively low level of diversification aid for regions where production is being abandoned.

(3) Given the scheduled linear decline in quotas in 2010, those undertakings wishing to pursue their activities beyond the year in question did not wish to renounce quotas in order to continue production after 2010.

Action should therefore be taken to make the restructuring scheme more attractive and in order to avert a linear decline in national and regional quotas at the end of restructuring (2009/2010), as provided by Article 10(2) of Regulation (EC) 318/2006, without any provision being made for compensation from the restructuring fund.

The withdrawal mechanism

Within the framework of the restructuring of the CMO, provision is made for withdrawal from the market of a percentage, common to all Member States, of sugar and isoglucose (Article 19(1) of Regulation (EC) 318/2006) in order to preserve the structural balance of the market.

However, the anticipated market imbalances during the 2006/2007 and 2007/2008 marketing periods have led the Commission to implement exceptional preventive withdrawal arrangements from March 2006 (1.1 million tonnes) and in March 2007 (2 million tonnes).

The basic reason why the Commission implemented the above exceptional measure, rather than the measures provided for in Article 19(1) of Regulation (EC) 318/2006 is as follows: under this measure, the percentage withdrawal is applied across the board to all quantities produced on the basis of quotas, without any account being taken of possible attempts to adjust production by certain undertakings. As a result, the provisions of Article 19 do not help avoid the creation of surpluses. On the contrary, they generate additional costs (storage) which could have been avoided if surplus production had been averted at an earlier stage.

The shortcomings of the withdrawal mechanism referred to above, in conjunction with the ineffective implementation of restructuring make it imperative to improve it and adapt it to the needs and objectives of the CMO.

2. The Commission's proposals

In order to streamline the mechanisms introduced with the 2006 reform and ensure market equilibrium at a level close to the reference price, the Commission proposes that the Community restructuring plan be strengthened and that the withdrawal mechanism be adjusted.

The additional resources required to implement the proposed measures would respect the principle of budgetary neutrality and be funded by the restructuring fund.

(a) The restructuring regime (Regulation (EC) 320/2006) provides for:

- the percentage of restructuring aid for growers and machinery contractors to be fixed at 10%, thereby removing the uncertainty resulting from the current possibility that a Member State may decide to set a higher percentage.
- the granting of an additional payment to growers;
- for the 2008/2009 marketing period, growers should be given the opportunity to trigger the restructuring procedure by making a direct application to restructuring aid provided that they renounce their delivery rights in relation to undertakings to which they have been bound by delivery contracts in the previous marketing period. As a consequence, the Member State should reduce the quota of the undertaking concerned accordingly. The implementation of the proposed measure is however limited to a quota reduction of up to 10% of the quota allocated to the undertaking in question, and Member State's acceptance of 'growers' applications should be based on a first-come-first-serve list. The amendments to Regulation (EC) No. 320/2006 should start to apply as from the 2008/2009 marketing year.

(b) The withdrawal regime (Regulation(EC) No. 318/2006) provides for the following:

- the integration in the Council's Regulation of criteria laid down in Commission Regulation (EC) No. 290/2007 in respect of possible further withdrawals in autumn 2007;
- the abolishment of the provision providing for a reduction in the traditional supply needs for refiners in the event of withdrawal from the market. Implementation of these amendments should begin with the 2007/2008 marketing year.

3. Your rapporteur's position

Your rapporteur subscribes to the Commission's analysis and considers it indispensable that Regulation (EC) 318/2006 and 320/2006 be amended. She would also stress that this amendment should not under any circumstances involve a further review of the CMO. It is rather an attempt to strengthen the restructuring and withdrawal mechanisms with a view to achieving its targets and to enable the European sugar sector to prepare itself in view of the forthcoming liberalisation of the sugar market.

Within this framework, any malfunction or delay in the implementation of the present CMO means that there is a risk that the EU market will have accumulated significant surpluses at the end of the transitional period (2010) when a linear decrease in national quotas is scheduled. This would be prejudicial both for the competitiveness of the sector and for growers themselves and owners and contractors of machinery for whom there is no provision for compensation.

While generally endorsing the Commission's position, your rapporteur takes the view that a number of amendments could improve the text, in particular by strengthening reallocation and withdrawal mechanisms with the overall purpose of supporting all those involved: growers, contractors, workers affected by the regime, undertakings and regions.

She therefore considers that the basic issues on which the debate should focus and on which amendments could be tabled by the European Parliament with a view to improving the text are as follows:

- the level of restructuring aid: can increases be proposed as a supplementary incentive to undertakings and as compensation for growers, in view of the fact that the restructuring fund has more than enough resources, since in the first two years of the reform no recourse was made to it?
- direct access by growers to the restructuring fund: how can this measure offset quotas reductions, without disturbing the overall activity of undertakings? Furthermore, how will it provide an outlet for uncompetitive growers?
- additional aid for growers: is the amount proposed by the Commission sufficient to act as an incentive and adequate compensation for growers?
- implementation of a linear reduction in 2010: what approach should be adopted so as to avoid cases of discriminatory treatment between Member States or undertakings, or the penalisation of Member States or undertakings which have made significant efforts as part of the restructuring regime?
- the preventive withdrawal mechanism: is it enough that it operate until the end of the transitional period, or should provision be made for an extension?

Your rapporteur wishes to stress that any amendments must take into account both the legal and budgetary distinction between: (a) resources of the restructuring fund which may only be allocated to measures within the framework of the restructuring regime, and (b) resources available within the framework of the EAGF for market measures and support for growers.

Finally it would be politically advisable - that even though this does not form part of the proposals for a partial amendment of Regulation (EC) 318/2006 and 329/2006 - to point out the need for the Commission to ensure the viability and competitiveness of the European sugar industry after barriers on imports from ACP countries and LDCs are lifted in October 2009.

Under no circumstances should attempts to restructure the sector undertaken before 2010 be frustrated by the absence of a clear and transparent negotiating position by the Commission in respect of the regime governing imports from ACP countries and LDCs.

17.7.2007

OPINION OF THE COMMITTEE ON BUDGETS

for the Committee on Agriculture and Rural Development

on the proposal for a Council regulation amending Regulation (EC) No 320/2006 establishing a temporary scheme for the restructuring of the sugar industry in the Community (COM(2007)0227 – C6-0176/2007 – 2007/0085(CNS))

Draftsman: László Surján

SHORT JUSTIFICATION

1. Background of the proposal

The two proposals for regulations proposed by the Commission consist of an update of the two regulations: (EC) No 318/2006 and (EC) No 320/2006¹ which were part of the big sugar reform of 2005².

18 months later the measures have already been shown to be insufficient to achieve the reform goals by 2010 and have to be adapted, according to the Commission. The voluntary reductions on the part of producers have so far given a 2.2 million tonne decrease, nowhere near the 6 million tonne objective intended by the reform.

However, some Member States have reached the reform targets, in some cases even reducing their sugar quotas by half. Therefore, your draftsman believes that it is reasonable to focus the reform adjustment on those Member States where the sugar reform of 2005 failed.

The EU is under ongoing pressure from sugar producing countries like Brazil, Australia and Thailand and the World Trade Organization who accuse the European Union of violating, by its sugar regime, its obligations under the *WTO Agreement on Agriculture*.³

The Commission therefore proposes in the proposal to amend Regulation (EC) No 320/2006 to:

¹ OJ L 58, 28.2.2006, p. 1.

² 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 – 2005/0118(CNS)), Draftsman: Terence Wynn.

³ World Trade Organisation, 28 April 2005, WT/DS265/AB/R, WT/DS266/AB/R, WT/DS283/AB/R - EUROPEAN COMMUNITIES – EXPORT SUBSIDIES ON SUGAR - Report of the Appellate Body: http://docsonline.wto.org/gen_search.asp?searchmode=simple.

- fix the amount of aid to be reserved to growers and machinery contracts at 10% of the aid to be granted to sugar undertakings;
- grant growers an additional payment for the 2008/2009 marketing year (EUR 237.5 per tonne of quota renounced);
- pay, retroactively, the difference between the aid amount granted for the marketing years 2006/2007 and 2007/2008 and the amount paid in 2008/2009. This is being proposed in order not to penalise undertakings and growers who took part in the restructuring scheme before the amendments come into force;
- give the Commission the power to prolong the deadline for applications in order to accelerate the restructuring process, if it has reliable indications that the aim of the restructuring fund is nearly reached in the 2008/2009 marketing year;
- give growers the possibility to apply directly for restructuring aid on condition that they cease to deliver sugar beet or cane to undertakings to which they were bound by delivery contracts in the previous marketing year;
- limit the quota reduction to 10% of the quota allocated to each undertaking, which corresponds to the percentage of quota which the Member State can re-allocate each marketing year;
- give sugar undertakings which are affected by a grower's aid application the right to submit an application for restructuring aid.

By proposing this to the Council, the Commission hopes that producers will abandon the other 3.8 million tonnes foreseen until 2008/2009 and 2009/2010.

2. Amendments

From the perspective of financial transparency, actual recipients of EU compensation should be clearly visible to the EU taxpayer. The proposed publication of information on beneficiaries of Community funds¹, as inserted into the Financial Regulation by Council Regulation (EC, Euratom) No 1995/2006, provides that the necessary details shall be laid down in the relevant sector-specific rules. This should apply as from 1 January 2008 also to sugar producers.

3. Conclusion

The Committee on Budgets will assess the fact that national quotas have been left in place. A true EU market will not therefore be achieved, thus probably artificially pushing up the price to the consumer and to the Budget. Also it has to be ensured that compensation and adjustment aids reach those in need, i.e. the smaller beneficiaries on lower incomes, and not those who have already made extensive profit margins from the system. The current rule of "first come first served" discriminates against small sugar growers and should therefore be corrected.

¹ COM(2007)0122, regulation to amend Regulation (EC) No 1290/2005 on the financing of the common agricultural policy, Chatzimakakis report

AMENDMENTS

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

Draft legislative resolution

Amendment 1 Paragraph 1 a (new)

1a. Considers that the indicative reference amount indicated in the legislative proposal must be compatible with the ceiling of heading 2 of the new Multiannual Financial Framework (MFF) and points out that the annual amount will be decided within the annual budgetary procedure in accordance with the provisions of point 38 of the IIA of 17 May 2006;

Proposal for a regulation

Text proposed by the Commission¹

Amendments by Parliament

Amendment 2 RECITAL 9 A (new)

(9a) In the context of the revision of Council Regulation (EC) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities¹, Articles 30(3) and 53b(2)(d) on the annual ex-post publication of beneficiaries of funds deriving from the budget were inserted into that Regulation in order to implement the European Transparency Initiative. Sector-specific Regulations like Regulation (EC) No 1290/2005 are to provide the means for such a publication. The temporary scheme for the restructuring of the sugar industry as established by Regulation (EC) No 320/2006 forms part of the budget of the European Communities and finances expenditure in a context of shared management between the Member States

¹ Not yet published in OJ.

and the Community. Rules should therefore be laid down for the publication of information on the beneficiaries of this scheme. To that end, Member States should ensure annual ex-post publication of the beneficiaries and the amounts received per beneficiary.

¹ OJ L 248, 16.9.2002, p. 1. Regulation as amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p. 1).

Justification

The principle of transparency is provided in Article 30(3) of the Financial Regulation and more particularly in Article 53b(2) for shared management. The Commission has already adopted detailed specific rules for sectoral funds (i.e. for the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Fisheries Fund). This requirement of publication of beneficiaries will also be laid down in the modified Council Regulation 1290/2006, currently proposed (COM(2007)0122).

Amendment 3 RECITAL 9 B (new)

(9b) Making this information accessible to the public enhances transparency regarding the use of Community funds in the common agricultural policy and improves the sound financial management of these funds, in particular by reinforcing public control of the money used. Given the overriding weight of the objectives pursued it is justified with regard to the principle of proportionality and the requirement of the protection of personal data to provide for the general publication of the relevant information on beneficiaries.

Justification

The principle of transparency is provided in Article 30(3) of the Financial Regulation and more particularly in Article 53b(2) for shared management. The Commission has already adopted detailed specific rules for sectoral funds (i.e. for the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European

Fisheries Fund). This requirement of publication of beneficiaries will also be laid down in the modified Council Regulation 1290/2006, currently proposed (COM(2007)0122).

Amendment 4
ARTICLE 1, POINT 4 A (new)
Article 10 a (new) (Regulation (EC) No 320/2006)

(4a) The following Article 10a is inserted:

"Article 10a

Publication of the beneficiaries

Pursuant to Article 53b(2)(d) of Regulation (EC) No 1605/2002 and Article 44a of Regulation (EC) No 1290/2005, Member States shall ensure annual ex-post publication of the beneficiaries of any of the aid referred to in Articles 3, 4a, 6, 7, 8 and 9 of this Regulation claimed for any of the marketing years 2006/2007, 2007/2008, 2008/2009 and 2009/2010 and the amounts received per beneficiary. The publication shall contain at least the total amount of public funding per beneficiary, his/her name and surname, or in the case of a legal person or enterprise, the firm, as well as the place of residence and/or registered seat."

Justification

The principle of transparency is provided in Article 30(3) of the Financial Regulation and more particularly in Article 53b(2) for shared management. The Commission has already adopted detailed specific rules for sectoral funds (i.e. for the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Fisheries Fund). This requirement of publication of beneficiaries will also be laid down in the modified Council Regulation 1290/2006, currently proposed (COM(2007)0122).

PROCEDURE

Title	Restructuring of the sugar industry
References	COM(2007)0227 - C6-0176/2007 - 2007/0085(CNS)
Committee responsible	AGRI
Opinion by Date announced in plenary	BUDG 21.6.2007
Drafts(wo)man Date appointed	László Surján 23.5.2007
Date adopted	17.7.2007
Result of final vote	+: 17 -: 0 0: 0
Members present for the final vote	Reimer Böge, Joan Calabuig Rull, Brigitte Douay, Salvador Garriga Polledo, Louis Grech, Nathalie Griesbeck, Catherine Guy-Quint, Jutta Haug, Anne E. Jensen, Vladimír Maňka, Mario Mauro, Francesco Musotto, Gérard Onesta, Gianni Pittella, Petre Popeangă, Esko Seppänen
Substitute(s) present for the final vote	Paul Rübig

PROCEDURE

Title	Restructuring of the sugar industry			
References	COM(2007)0227 - C6-0176/2007 - 2007/0085(CNS)			
Date of consulting Parliament	14.6.2007			
Committee responsible Date announced in plenary	AGRI 21.6.2007			
Committee(s) asked for opinion(s) Date announced in plenary	DEVE	INTA	BUDG	CONT
	21.6.2007	21.6.2007	21.6.2007	21.6.2007
	REGI 21.6.2007			
Not delivering opinions Date of decision	DEVE	INTA	CONT	REGI
	5.6.2007	4.6.2007	4.6.2007	26.6.2007
Rapporteur(s) Date appointed	Katerina Batzeli 20.6.2007			
Previous rapporteur(s)	Jean-Claude Fruteau			
Discussed in committee	7.5.2007	17.7.2007	3.9.2007	
Date adopted	3.9.2007			
Result of final vote	+: -: 0:	29 0 3		
Members present for the final vote	Katerina Batzeli, Bernadette Bourzai, Niels Busk, Luis Manuel Capoulas Santos, Albert Deß, Gintaras Didžiokas, Carmen Fraga Estévez, Ioannis Gklavakis, Lutz Goepel, Friedrich-Wilhelm Graefe zu Baringdorf, Elisabeth Jeggle, Atilla Béla Ladislau Kelemen, Heinz Kindermann, Stéphane Le Foll, Rosa Miguélez Ramos, Neil Parish, Agnes Schierhuber, Willem Schuth, Czesław Adam Siekierski, Petya Stavreva, Donato Tommaso Veraldi, Janusz Wojciechowski, Andrzej Tomasz Zapałowski			
Substitute(s) present for the final vote	Alejandro Cercas, Esther De Lange, Hynek Fajmon, Ilda Figueiredo, Béla Glattfelder, Roselyne Lefrançois, Catherine Anita Neris, Zdzisław Zbigniew Podkański			
Substitute(s) under Rule 178(2) present for the final vote	Giovanna Corda			