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REPORT

on the proposal for a Council regulation amending Regulation (EC)
No 318/2006 on the common organisation of the markets in the sugar sector
(COM(2007)0227 – C6-0177/2007 – 2007/0086(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.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a Council regulation amending Regulation (EC) No 318/2006 on the common organisation of the markets in the sugar sector (COM(2007)0227 – C6-0177/2007 – 2007/0086(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 (C6-0177/2007),
 - 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 (A6-0310/2007),
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 should it intend to depart from the text approved by Parliament;
 4. Asks to be consulted again if the Council intends to amend the Commission proposal substantially;
 5. Instructs its President to forward its position to the Council and Commission.

Text proposed by the Commission

Amendments by Parliament

Amendment 1

ARTICLE 1, POINT 2

Article 10, paragraph 2, subparagraph 2 (Regulation (EC) No 318/2006)

By way of derogation from the first subparagraph, for Member States for which the national quota has been reduced as a result of renunciations of quota *in accordance with Articles 3 and 4(a)4 of Regulation (EC) No 320/2006, the applicable percentage shall be fixed in*

By way of derogation from the first subparagraph, for Member States for which the national quota has been reduced as a result of renunciations of quota *by less than 13.5%, the remaining quota shall be cut to 86.5% of the quota allocated to them at the beginning of the 2006/2007 marketing year.*

accordance with the criteria laid down in Annex VIII to this Regulation. Such Member States shall adjust, for each undertaking in their territory holding a quota, the percentage derived from the application of Annex VIII in proportion to the individual renunciation of quotas within the restructuring scheme for the undertaking concerned, in such a way that the total reduction of quotas in the Member State resulting from the percentage referred to in the second subparagraph remains unchanged.

Any further cuts required shall be made in accordance with the criteria laid down in Annex VIII to this Regulation, taking account of renunciations of quotas only as from 2008/2009.

Or. de

Justification

A two-stage procedure is advisable for the final cut. At the first stage, Member States and/or undertakings which have voluntarily renounced none or less than 13.5% of their quotas for 2008/2009 should have those quotas cut by 13.5%.

The second stage can then be carried out in accordance with the formula proposed by the Commission, although returned quotas for 2006/2007 and 2007/2008 should be excluded, since they have already benefited from the backdated increase in the structural premium.

Amendment 2

ARTICLE 1, POINT 3 (B), SUBPARAGRAPH -1 (new)
Article 11, paragraph 1, indent 2 (Regulation (EC) No 318/2006)

In paragraph 1, the second indent is replaced by the following:

'- by up to 10% for the marketing year 2008/2009 and following, while duly respecting the freedom of undertakings to take part in the mechanisms laid down by Regulation (EC) No 320/2006.'

Justification

During the first two marketing years (2006/2007 and 2007/2008) it was found that some Member States sought to use the provisions of Article 11 in order to obstruct those undertakings which declared themselves prepared to take part in the restructuring regime. It is indispensable that amendments be made so as to ensure that phenomena of this kind will not continue.

Amendment 3
ARTICLE 1, POINT 5
Article 19, paragraph 1, subparagraph 1 a (Regulation (EC) No 318/2006)

In this case, the traditional supply needs of imported unrefined sugar for refineries referred to in Article 29, paragraph 1, of this regulation shall be reduced by the same percentage in the marketing year in question.

Justification

This provision formed part of the political balance of the regulation adopted by the Council in February 2006. The withdrawal applicable to Traditional Supply Needs (TSN) does not reduce the preferential access for ACP countries, since they are then able to sell the volume of raw sugar in excess of the TSN either to traditional refiners or to sugar beet producers.

Amendment 4
ARTICLE 1, POINT 6
Article 19 a, paragraph 1, subparagraph 1 (Regulation (EC) No° 318/2006)

1. By way of derogation from Article 19(2), and in accordance with the procedure referred to Article 39(2), the Commission may decide to fix the coefficient referred to in Article 19(2) for the 2007/2008, **2008/2009 and 2009/2010 marketing years** by 16 March at the latest of the previous marketing year, taking into account the result of the reduction in each Member State of the national sugar quota as fixed in Annex III to this Regulation compared to the version of Annex III applicable on 1 July 2006. For those Member States which were not members of the Community on 1 July 2006, the comparison should take account of the version of Annex III applicable on the date of their accession to the Community.

1. By way of derogation from Article 19(2), and in accordance with the procedure referred to Article 39(2), the Commission may decide to fix the coefficient referred to in Article 19(2):

- for the 2007/2008 marketing **year** by 16 March at the latest of the previous marketing year,
- **for the 2008/2009 marketing year by 4 February 2008 at the latest, and**
- **for the 2009/2010 marketing year until the 2014/2015 marketing year by 16 March**

at the latest of the previous marketing year taking into account the result of the reduction in each Member State of the national sugar quota as fixed in Annex III to this Regulation compared to the version of Annex III applicable on 1 July 2006. For those Member States which were not members of the Community on 1 July 2006, the comparison should take account of the version of Annex III applicable on the date of their accession to the Community.

Or. en

Justification

Given the full implementation and entry into force of the 'Everything But Arms' initiative from 2010, and the replacement of the reference price by the intervention price, the withdrawal mechanism constitutes the only available instrument for managing supply to the Community market. If therefore the Community is to be able to face market instability and price fluctuations, it is necessary to extend application of the preventive withdrawal scheme beyond 2010. The announcement of a possible preventive withdrawal has to allow additional renunciations in the second phase of applications. However in order for this second phase of applications to be efficient and manageable, the sugar beet growers as well as the industry have to take this decision rapidly, in particular to be able to react before the sowing period. As soon as the applications' deadline (31 January 2008) is reached, the Commission will be able to fix this coefficient in order to open the second phase of applications (Amendment 9 of Council Regulation n° 320/2006, Article 1, paragraph 1).

Amendment 5

ARTICLE 1, POINT 6

Article 19 a, paragraph 1, subparagraph 2 a (new) (Regulation (EC) No 318/2006)

For the application of this Article, the possible withdrawal percentage for the 2009/2010 marketing year shall be reduced by the corresponding percentage for those Member States which decided in the 2008/2009 marketing year to definitively suspend their sugar quotas by the same percentage as the temporary reductions as laid down in Annex III.

Or. en

Amendment 6
ANNEX
Annex VIII, paragraph 2 a (new) (Regulation (EC) No 318/2006)

2a. During the 2008/2009 marketing year, if a Member State renounces a percentage of the quota in excess of the withdrawal percentage set on 16 March 2007 in Article 1(1) or Article 1(2) of Regulation EC No 290/2007, the quota tonnage corresponding to the difference between the percentage renounced in 2008/2009 and the percentage of withdrawal shall be deducted in full from the final cut.

Within a Member State, this provision shall apply in the same way to the benefit of undertakings which have renounced a percentage of their quota in excess of the withdrawal percentage set on 16 March 2007 in Article 1(1) or Article 1(2) of Regulation (EC) No 290/2007 for their Member State.

Justification

Restructuring should be stimulated by making it easier to deduct withdrawals from the final cut, so that undertakings which renounce a percentage of their quota in excess of the percentage applied to their Member State when the cut is made benefit from their voluntary decision.

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 318/2006 on the common organisation of the markets in the sugar sector (COM(2007)0227 – C6-0177/2007 – 2007/0086(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 until 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 purpose of the second proposal (amending Council Regulation (EC) No 318/2006 on the

¹ OJ L 58 of 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

common organisation of the markets in the sugar sector) is to abolish the provision according to which traditional supply needs for refiners will be reduced in case of a withdrawal. Also, the proposal seeks:

- to introduce a system of thresholds – moving away from a system which reduces the level of sugar effectively produced under quota;

- to conclude a first decision before sowing takes place, possibly completed by a further withdrawal in October, based on updated data;

- to take account of those Member States who have participated in the restructuring regime. The threshold in those Member States should be adapted in proportion to the quota renounced, with a modulation between undertakings according to their individual restructuring effort.

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. 2008 budget procedure -some figures

What will the EC sugar regime cost in total?

The expenditure of the Community on the sugar regime has effect on the two main chapters of Title 05 of the Budget, 05 02, Intervention in agricultural markets, and 05 03, direct aids:

Chapter Article	Activity	Budget 2007		PDB 2008		Difference 2008-2007	
		CA	PA	CA	PA	CA	PA
01	Administrative expenditure of Agriculture and Rural Development policy area	126,18	126,18	129,87	129,87	2,92 %	2,92 %
02	Interventions in agricultural markets	5 615,19	5612,26	5 003,37	5004,57	-10,90 %	-10,82%
	of which Sugar 05 02 05	323,0	323,0	441,0	441,0	36,53%	36,53%

Concerning 05 02 (Direct aids) the expenditure development is easily recognisable, as Chapter 05 02 05 deals with sugar. An increase in appropriations is expected in PDB 2008 in the sugar sector (EUR 118 million), a normal development, as the Commission states in the PDB, "during what is effectively a transition phase of the market organisation following the reform of 2005, in particular because export refunds will continue to apply and because it is expected that there will no longer be any intervention stocks to be sold onto the domestic market at a net gain to the budget."

A surprising effect of a reform, which, one would think, would have the opposite objective.

In detail, the expenditure on Article 05 02 05 is as follows (table 1):

Interventions in agricultural markets		Budget 2007 (in millions)		PDB 2008 (in millions)		DB 2008 (in millions)		Difference 2008 - 2007 (in millions)	
05 02 05 Sugar PDB 2008		CA	PA	CA	PA	CA	PA	Difference CA	Difference PA
05 02 05 01	Export refunds for sugar and isoglucose	419	419	440	440	406.7	406.7	21	21

05 02 05 03	Production refunds for sugar used in the chemical industry	33	33	p.m.	p.m.	p.m.	p.m.	-33	-33
05 02 05 08	Storage measures for sugar	-129	-129	1,0	1,0	0,924	0,924	130	130
05 02 05 99	Other measures (sugar)	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	0	0
	Subtotal 05 02 05	323	323	441	441	407.6	407.6	118	118

Although there is a temporary increase of EUR 118 million in 2008 compared to 2007, the sugar reform should normally have the effect that payments are shifted away from interventions into markets ("subsidising" -05 02) to Direct aids (05 03). In other words, what will be gained by reducing the domestic production will be spent on direct aids (fully decoupled from production) for producers and farmers, making the restructuring socially and environmentally acceptable.

In addition to this there is other expenditure related to sugar (table 2):

Interventions in agricultural markets		Budget 2007 (in millions)		PDB 2008 (in millions)		DB 2008 (in millions)		Difference 2008 - 2007 (in millions)	
05 02 05 Sugar PDB 2008		CA	PA	CA	PA	CA	PA	Difference CA	Difference PA
05 02 16	Sugar Restructuring Fund	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	0	0
05 03 01 03	Separate sugar payment	167	167	202	202	202	202	35	35
05 03 02 39	Additional amount for sugar beet and cane producers	20	20	30	30	30	30	10	10
21 06 03	Adjustment support for sugar protocol countries	165	50	149, 572	80	149. 6	80	-15.428	30
	TOTAL SUGAR	675	560	822. 572	753	789. 2	719. 6	147. 572	193

We note another increase of EUR 147.5 million in commitments and EUR 193 million in payments.

Concerning direct aids, as the Commission puts it in its PDB¹: "For direct aids, (05 03), the total appropriations for the chapter, EUR 37 213 million, are increased by EUR 334 million from 2007, after consideration for assigned revenue, the increase is mostly due to the increase in needs in EU-10 (+EUR 373 million), due to the increased phasing-in percentage, an increase in *sugar compensation* and the introduction of the energy crop payment, and in EU-2, the introduction of direct aids (+EUR 645 million). Other reasons for the increase are the *continued phasing-in of the compensation to sugar beet producers in EU-15 (+EUR 184 million)...*"

That is probably why the Commission states in the Financial Statement that the measure had "no financial impact". According to the Financial Statement attached to the proposal, the additional amounts for the restructuring aids can be financed within the Restructuring Fund whose principle of self-financing remains valid. The Fund would be fully spent with around

¹ COM(2007)0300, Expenditure analysis by Policy areas, page 21

3.85 million tonnes of quotas renounced in year 3 (residual balance: around only EUR 54 million), according to the simulation of the financial situation of the Fund under these new rules. The Restructuring Fund will also need to be monitored closely. Therefore your draftsman would like to ask the Commission to provide further clarification of the "financial impact".

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.

This will be achieved by close monitoring by the three parliamentary committees involved (BUDG, CONT and AGRI) and cannot be decided by the legislator.

Amendments are not proposed regarding the OCM regulation (2007/0086(CNS)) but in the parallel regulation for a temporary scheme for the restructuring of the sugar industry (2007/0085 (CNS)).

PROCEDURE

Title	Common organisation of the markets in the sugar sector
References	COM(2007)0227 - C6-0177/2007 - 2007/0086(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	Common organisation of the markets in the sugar sector			
References	COM(2007)0227 - C6-0177/2007 - 2007/0086(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:	24 4 1		
Members present for the final vote	Katerina Batzeli, Bernadette Bourzai, Niels Busk, Luis Manuel Capoulas Santos, Albert Deß, Ioannis Gklavakis, Lutz Goepel, Friedrich-Wilhelm Graefe zu Baringdorf, Elisabeth Jeggle, Heinz Kindermann, Stéphane Le Foll, Véronique Mathieu, 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	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			
Date tabled	6.9.2007			