

EU Member States agree to one-year cut in sugar production

European Union governments today agreed on a Commission proposal for a one-year cut of 2.5 million tonnes (13.6 percent) in sugar, isoglucose and inulin syrup production. This one-off reduction is necessary to ensure that the newly-reformed sugar regime gets underway without heavy surpluses undermining market balance. The production cut is divided up between the individual Member States according to a balanced weighting of the reduction coefficients traditionally used in the sugar sector and the linear cut laid down in the new Common Market Organisation (CMO) Regulation. The coefficients reduce production more for those countries which previously had higher "B" quotas: in other words those which produced more sugar for export. Under the sugar reform, this distinction between "A" and "B" quotas will disappear. In calculating the cut in production for 2006/07, special account will also be taken of those countries which undertake large reductions in quota in the first year of the reform through the newly-introduced Restructuring Fund.

The first marketing year under the reformed sugar regime could be very difficult because of possible oversupply of the market, due to limited export possibilities and the fact that in this first year, the effects of the Restructuring Fund will not yet be felt. The EU will of course use the export possibilities available under its international obligations, but will have to respect the ruling of the WTO appellate body and take account of budgetary constraints.

Following requests from a number of Member States to do so, the Commission proposed to reduce sugar production under quota in the first year of the reform by 2.5 million tonnes (13.6 percent) in order to relieve the pressure on the market. This will improve the balance on the sugar market without creating new stocks of sugar.

The regulation agreed today also fixes transitional arrangements to take account of the fact that the first year of the new regime will last 15 months. This is so that, in future, the marketing year will run from 1 October to 30 September every year.

Background on sugar reform

On February 20, EU agriculture ministers formally adopted a radical reform of the EU sugar sector. The reform, which will come into force on 1 July, will bring a system which has remained largely unchanged for almost 40 years into line with the rest of the reformed Common Agricultural Policy. It will ensure a long-term sustainable future for sugar production in the EU, enhance the competitiveness and market-orientation of the sector and strengthen the EU's position in the current round of world trade talks. The key to the reform is a 36 percent cut in the guaranteed minimum sugar price, generous compensation for farmers and, crucially, a Restructuring Fund as a carrot to encourage uncompetitive sugar producers to leave the industry.

The table below shows the effects of today's decision to reduce production under quota for one year:

(1)

QUOTAS

(2)

Production allowed under quota after application of coefficient

Account will be taken of quotas taken out under the Restructuring Fund during 2006/07

Member State	coefficients	sugar		isoglucose		Inulin syrup		TOTAL	
		(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Belgium	0,8558	819.812	701.595	71.592	61.268	215.247	184.208	1.106.651	947.072
Czech Republic	0,9043	454.862	411.332					454.862	411.332
Denmark	0,8395	420.746	353.216					420.746	353.216
Germany	0,8370	3.416.896	2.859.942	35.389	29.621			3.452.285	2.889.563
Grece	0,8829	317.502	280.323	12.893	11.383			330.395	291.706
Spain	0,8993	996.961	896.567	82.579	74.263			1.079.540	970.830
France (metropole)	0,8393	3.288.747	2.760.245	19.846	16.657	24.521	20.580	3.333.114	2.797.483
France (DOM)	0,8827	480.245	423.912					480.245	423.912
Ireland	0,8845	199.260	176.245					199.260	176.245
Italy	0,8621	1.557.443	1.342.672	20.302	17.502			1.577.745	1.360.174
Latvia	0,9136	66.505	60.759					66.505	60.759
Lituania	0,9141	103.010	94.161					103.010	94.161
Hungaria	0,9061	401.684	363.966	137.627	124.704			539.311	488.670
The Netherlands	0,8475	864.560	732.715	9.099	7.711	80.950	68.605	954.609	809.031
Austria	0,8522	387.326	330.079					387.326	330.079
Polen	0,8960	1.671.926	1.498.046	26.781	23.996			1.698.707	1.522.041
Portugal (continental)	0,8852	69.718	61.714	9.917	8.779			79.635	70.493
Portugal (Açores)	0,8845	9.953	8.803					9.953	8.803
Slovenia	0,8844	52.973	46.849					52.973	46.849
Slovakia	0,8833	207.432	183.225	42.547	37.582			249.979	220.806
Finland	0,8841	146.087	129.156	11.872	10.496			157.959	139.652
Sweden	0,8845	368.262	325.728					368.262	325.728
Untied Kingdom	0,8834	1.138.627	1.005.863	27.237	24.061			1.165.864	1.029.924
Average EU 25	0,8631	17.440.537	15.047.113	507.681	448.023	320.718	273.394	18.268.936	15.768.530