

Brussels, 21 November 2006

## **Sugar Reform – Commissioner Fischer Boel urges further efforts in restructuring the EU sugar industry**

*Mariann Fischer Boel, European Commissioner for Agriculture and Rural Development, called on Monday for renewed efforts by agricultural ministers and the sugar industry to make the restructuring process in the sugar industry a success. A key element in the EU sugar reform, which came into force on 1 July 2006, was the establishment of a restructuring fund financed by sugar producers to assist the restructuring process needed to render the industry more competitive. The objective is to take out about 6 million tonnes of quota in order to ensure balance on the market after a four-year transition period. In the first year of application, about 1.5 million tonnes of quota were renounced under the restructuring scheme. The deadline for applications for 2007/2008 is 31 January 2007, but given that consultations with interested parties could take up to 45 days, restructuring intentions have to be announced by early December. Regrettably, at present the declared intentions to renounce quota for 2007/2008 amount to only 0.7 million tonnes which is far below what is necessary to balance the market.*

"Sugar producers who are not competitive should get out now for their own benefit as well as for the overall balance of the market – that is the logic of our reform," said Commissioner Fischer Boel. "The quantity renounced so far is far below our expectations when we drew up the reform. If this is the end result, we will have a surplus of 4.5 million tonnes, corresponding to 25% of the quota for the marketing year 2007/2008. The Commission is not going to bail out the industry. In collaboration with Member States, the sugar industry needs to take its responsibility to facilitate the restructuring process. If the restructuring scheme fails, the consequences are clear to everybody – there will be no other funds to facilitate the restructuring of the sugar industry and we will have to apply a linear cut in quotas by 2010."

**Background:**

A key element in the EU sugar reform, which came into force on 1 July 2006, was the establishment of a restructuring fund financed by sugar producers to assist the restructuring process needed to render the industry more competitive. The objective is to take out about 6 million tonnes of quota in order to ensure balance on the market after the transition period.

In the first year of application, about 1.5 million tonnes of quota were renounced under the restructuring scheme. This means that by the start of the marketing year 2006/2007 on 1 July 2006 quotas were reduced by 1.5 million tonnes. Each tonne of quota renounced was compensated with 730 €/t from the restructuring fund. This is also the level 2007/08, but the restructuring aid then falls to 625 €/t in 2008/09 and 520 €/t in 2009/10, the fourth and final year. Sugar enterprises unable to produce at around 400 €/t should take advantage of the restructuring aid this year, while it is still set at 730 €/t.

In order to encourage producers to renounce their quotas in the second year of application of the fund - i.e. for the production year 2007/2008 starting on 1 October 2007 - the compensation is maintained at the high level of 730 €/t. The deadline for applications for 2007/2008 is 31 January 2007. However, at present the declared intentions to renounce quota for 2007/2008 amount to only 0.7 million tonnes which is far less than what is necessary to balance the market. Because of the time needed for consultations, restructuring intentions need to be announced by early December.

The fund is sourced by payments by sugar, isoglucose and inulin producers according to their production quota. Producers who give up production may benefit from restructuring aid from the fund. The amount of the restructuring aid varies according to the degree of dismantling of production facilities and will be reduced gradually over the four-year restructuring period. The fund and the programme will be closed after four years.

Commissioner Fischer Boel announced that she will soon publish a notice to inform the industry of the Commission's position and help the decision-making process.

For further background on the purpose of the reform, see also the Commission website on sugar reform:

[http://ec.europa.eu/agriculture/capreform/sugar/index\\_en.htm](http://ec.europa.eu/agriculture/capreform/sugar/index_en.htm)