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THE EUROPEAN UNION**

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ADDENDUM TO THE REPORT

from: Special Committee on Agriculture
on: 13 February 2006
to: Council

No. Cion prop.: 10514/05 - COM(2005) 263 final

Subject: Adoption of a

- Regulation on the common organisation of the markets in the sugar sector
- Regulation amending Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers
- 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

= **Statements**

Delegations will find attached the statements made by Commission and/or Council and by delegations on the draft regulations mentioned above to be entered in the minutes of the Council.

STATEMENTS FOR ENTRY IN THE COUNCIL MINUTES

I. GENERAL STATEMENTS

Statement by Poland

"Poland takes the view that the solutions adopted in connection with reform of the sugar sector fall short of expectations in terms of:

- improving the sector's competitiveness,
- preventing market disruption,
- creating the right conditions to ensure the stable, long-term growth of the sugar sector in the Community.

Poland disapproves of many of the solutions proposed in connection with reform of the sugar sector as they do not treat producers from different regions of the EU on the same basis. On the one hand, they fail to take account of the sugar sectors of the New Member States, which are being restructured in order to comply with Community standards; on the other hand, they ensure additional support for sugar beet producers in countries which have a competitive sugar sector.

Poland would stress that the allocation of new sugar and isoglucose production quotas is contrary to the basic aim of the reform - i.e. to limit sugar production in the EU.

Poland notes that a reduction in EU sugar production should be achieved primarily by eliminating production under the present B quota.

In Poland's opinion, the provisions of Article 44 of the Regulation on the common organisation of the markets in the sugar sector, together with the Commission statement on the application of that Article, support a negative assessment of the reform.

In the light of the above, Poland cannot support the reform of the sugar sector as it stands at present."

II. REGULATION ON THE CMO IN THE SUGAR SECTOR

A. Council statement

On Rules of Origin

"The Council considers it important to ensure that the benefits of the EBA agreement accrue to the EBA countries concerned and therefore invites the Commission to come forward as soon as possible with a modification of the legislation regarding rules of origin.

The more general rules will apply and without being exhaustive, the following operations in the case of sugar should be considered as insufficient to confer origin: refining, flavouring, colouring, packaging as well as mixing with less than 80% of products fully originating in the country concerned. However, the sugar incorporated in such mixings must be entirely produced in EBA countries."

B. Council and Commission statements

On the Isoglucose Quota for Romania and Bulgaria

"The Council and the Commission declare that the isoglucose quota agreed for Romania and Bulgaria in the Accession Treaty will be increased on the same conditions as for other Member States by 1 966 t for Romania and by 11 045 t for Bulgaria during each of the first three years after Accession."

On Raw Sugar imported into Romania and Bulgaria

"The Council and the Commission declare that the quantities of imported raw sugar for refining agreed in the Accession Treaty for Romania and Bulgaria will be reserved for these two future Member States for the period up to and including the marketing year 2008/09."

C. Commission statements

On Industrial Sugar

"The Commission declares that it is in the EU interest to ensure a competitive EU industry when utilising EU sugar as raw material. The Commission has at its disposal different instruments to ensure the availability of sugar at competitive prices:

- out of quota sugar
- production refunds
- inward processing
- duty free imports

The Commission will make use of one or more of these different instruments in order to ensure that sugar for industrial use is made available at competitive prices in relation to world market prices for sugar. Should supplies of EU sugar with or without production refund not be available at competitive prices, the Commission will proceed without delay to open tariff quotas for duty-free imports."

On the Safeguard Clause

"If in any given year from the marketing year 2008/09 onwards, sugar imports into the Community from a third country under the EBA arrangements increase by more than 25% in comparison with the imports from that country in the previous marketing year, the Commission will automatically open the procedure to decide whether measures such as suspension or temporary withdrawal of trade concessions, surveillance or other safeguard measures need to be applied."

On the Transitional Rules for the 15 month marketing year 2006/2007

"The Commission will lay down transitional rules in respect of the marketing year 2006/07 providing for an additional quota without restructuring levy for:

- sugar from sugar beet sown in autumn 2005 and receiving the basic price in force for 2005/06, and
- isoglucose and inulin syrup corresponding to three twelfths of the quota set out in Annex 3."

On Article 2(7)

"The Commission is of the opinion that the definition in Article 2(7) does not exclude the possibility of producing out of quota isoglucose in parallel with quota isoglucose."

On Article 8

"The Commission will specify in the implementing regulations the conditions governing the allocation of additional quotas in 2006/2007 marketing year."

On Article 12

"The Commission will take into account in the implementing regulations of the need to allow for delivery of industrial sugar throughout the marketing year."

On the application of Article 44 for reducing the production under quota 2006/2007

"In view of improving the balance of the sugar market without creating new stocks of sugar during the marketing year 2006/2007, the Commission will apply the transitional rules provided for in Article 44 of the new CMO Regulation to reduce the production eligible for 2006/2007 under the quota referred to in Annex III of the said Regulation.

In limiting the eligible production the Commission will in its proposal take into account a combination of the criteria referred to in Article 19 of the new CMO Regulation and of those referred to in Article 10 of Regulation (EC) No 1260/2001. The reduction will also take into account the special efforts undertaken by Member States giving up quotas for 2006/2007 in the context of the restructuring fund."

D. Delegations' statements

- *On the implementation of the price cut, the isoglucose quota:*

Statement by Estonia

"Estonia fully respects the political decision on the reform of the sugar common market organisation reached by the Council on November 24th and recognises the spirit of compromise under which the decision was made. Estonia holds that the Commission proposal for the implementation of the price cut of 36% as laid down in document 14982/05 is fully in line with the political compromise. Taken that into account, Estonia would like to emphasize that the new presidency proposal for the implementation of the price cut of 36% as presented in the SCA meeting on December 12, is a step backwards which jeopardises the balance reached by the Council. However, given the political sensibility and urgency of the matter, Estonia is ready to accept this certainly very final proposal in the context of further compromise by all delegations."

Statement by Sweden

"Sweden respects the political decision on the reform of the common market organisation for sugar reached by the Council on November 24. The Commission proposal for the implementation of the price cut of 36% as laid down in document 14982/05 is fully in line with the political compromise. The new presidency proposal on the implementation of the price cut of 36% as presented in the SCA meeting on December 12, is a step backwards and leads to an increase in consumer prices during the third year. When changing this part of the decision, Sweden deeply regrets that no change has been made in the wording on the isoglucose quotas regarding the terms for allocating of the quotas to Italy, Lithuania and Sweden. These terms make it impossible for the Swedish industry to use the quota it has been allocated. However, Sweden is ready to accept this in the spirit of compromise."

- *On Article 44:*

Statement by the Czech Republic

"The Czech Republic takes into account the significant surpluses of the sugar on the European market and therefore the Czech Republic supports the necessity to solve this situation in order to maintain the stability of the sugar sector.

With regard to this, the Czech Republic accepts the proposal of the European Commission and the Presidency, accompanied by the Commission declaration on the application of Article 44 of the CMO Regulation, to create a legal basis for the possibility of reduction of the production in marketing year 2006/2007, with the use for total reduction of the amount of production under the production quotas of a combined action in the ratio of 50:50 according to Article 10 of Council Regulation No 1260/2001 and Article 19 of the new draft basic Council Regulation on the common organization of the market in the sugar sector.

The Czech Republic agrees with this proposal under the condition that no further amendments to the compromise will be made. The Czech Republic will closely monitor the possible application of the above-mentioned provision by the Commission."

Statement by France and the Netherlands

"The French and Netherlands authorities regret that the Commission statement on the application of Article 44 of the new basic Regulation on the common organisation of the markets in sugar is not in keeping with the reform process. Taking account of calculations relating to categories provided for in the previous common market organisation in the transitional rules can be justified solely under Article 44, itself a unique, transitional and exceptional provision."

Statement by Latvia

"Latvia maintains its position that the Commission statement on the application of Article 44 for reducing the production quota 2006/2007 is unacceptable and considers that quota reduction must be primarily applied to B quota."

Statement by Finland

"Finland can agree to the compromise reached on the reform of the common market organisation of sugar. However, Finland is of the opinion that when implementing Article 44 of the new Council Regulation on the common market organisation of the sugar, the Commission should target the reduction in production quotas for marketing year 2006/2007 to regions from which the overproduction has originated. A neutral way to cut the quotas would be to use the coefficients of Article 10 of Regulation (EC) No 1260/2001. Moreover, the Commission should in its decision take into account the efforts made by the Member States in reducing Community production in the context of the restructuring programme and in this context also take into account amounts of carry over of sugar from the marketing year 2005/2006. The Commission decision on reduction of eligible production for marketing year 2006/2007 should not lead to a situation which would reduce production more than the approved restructuring plan."

III. REGULATION AMENDING REGULATION No 1782/2003

A. Commission statement

Regarding the transfer from the Single Area Payment Scheme (SAPS) for the New Member States to the Single Farm Payment (SFP)

"One of the key elements in the CAP reform from 2003 was the principle of support of the active farmer independently of ownership of the land he or she farms. This principle is also established under the Single Area Payment Scheme (SAPS) for the New Member States. The New Member States request that this principle also be assured at the moment of transition from SAPS and implementation of the Single Farm Payment by 2009 at the latest.

The Commission will examine whether a solution to the question can be found. Eventually, if necessary, it will present a proposal to the Council for an amendment of the direct payments scheme."

B. Statement by Portugal

"In the context of the agreement reached at the Brussels summit in October 2002, the Council and the Commission reiterated the importance of safeguarding the needs of producers in less-favoured regions of the EU. In contributing to the maintenance of sugar beet cultivation in the Union, Portugal would point out that the Council and the Commission cannot ignore the need to create alternatives for the diversification of farming in the Union's less-favoured areas. Portugal therefore stresses the necessity of taking account of natural suitability for the sustained production of certain products, in particular fruit and vegetables, to which the Council and the Commission must give special attention."

IV. REGULATION ON THE RESTRUCTURING FUND

Council and Commission statement

On the monitoring of restructuring

"The Council and the Commission consider that it is essential that the restructuring fund is successful in reducing sugar quotas in order to obtain balance on the EU market after the transitional period. Consequently the Commission will closely monitor the working of the restructuring fund and deliver a report on the progress by the end of 2008."
