Basic information

2005/0119(CNS) CNS - Consultation procedure Regulation	Procedure completed
Common agricultural policy (CAP): support schemes for producers in the sugar sector Amending Regulation (EC) No 1782/2003 2003/0006(CNS) **Subject** 3.10.06.07 Sugar 3.10.14 Support for producers and premiums	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
AGRI Agriculture and Rural Development	FRUTEAU Jean-Claude (PSE)	02/09/2004

Committee for opinion	Rapporteur for opinion	Appointed
DEVE Development	The committee decided not to give an opinion.	
INTA International Trade	GLATTFELDER Béla (PPE-DE)	12/07/2005
BUDG Budgets	The committee decided not to give an opinion.	
CONT Budgetary Control	The committee decided not to give an opinion.	
REGI Regional Development	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	2688	2005-11-08
Agriculture and Fisheries	2708	2006-02-20
Agriculture and Fisheries	2676	2005-07-18
Agriculture and Fisheries	2685	2005-10-24
Agriculture and Fisheries	2692	2005-11-22

European

Commission DG	Commissioner

Commission	Agriculture and Rural Development	

Key events

Date	Event	Reference	Summary
22/06/2005	Legislative proposal published	COM(2005)0263	Summary
18/07/2005	Debate in Council		Summary
06/09/2005	Committee referral announced in Parliament		
24/10/2005	Debate in Council		Summary
08/11/2005	Debate in Council		
22/11/2005	Debate in Council		Summary
29/11/2005	Vote in committee		Summary
06/12/2005	Committee report tabled for plenary, 1st reading/single reading	A6-0392/2005	
17/01/2006	Debate in Parliament	CRE link	
19/01/2006	Decision by Parliament	T6-0024/2006	Summary
19/01/2006	Results of vote in Parliament		
20/02/2006	Act adopted by Council after consultation of Parliament		
20/02/2006	End of procedure in Parliament		
28/02/2006	Final act published in Official Journal		

Technical information

Procedure reference	2005/0119(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
	Amending Regulation (EC) No 1782/2003 2003/0006(CNS)
Legal basis	EC Treaty (after Amsterdam) EC 037-p2
Stage reached in procedure	Procedure completed
Committee dossier	AGRI/6/29287

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Amendments tabled in committee		PE362.830	23/09/2005	
Amendments tabled in committee		PE362.837	21/10/2005	
Committee opinion	INTA	PE360.344	14/11/2005	
Committee report tabled for plenary, 1st reading/single reading		A6-0392/2005	06/12/2005	

Text adopted by Parliament, 1st reading/single reading		T6-0024/2006	19/01/2006	Summary

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2005)0263	22/06/2005	Summary
Document attached to the procedure	SEC(2005)0808	22/06/2005	Summary
Commission response to text adopted in plenary	SP(2006)0584	09/02/2006	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
ESC	Economic and Social Committee: opinion, report	CES1251/2005 OJ C 028 03.02.2006, p. 0052-0056	26/10/2005	

Additional information		
Source	**Document**	**Date**
European Commission	EUR-Lex	

Final act	
Regulation 2006/0319 OJ L 058 28.02.2006, p. 0032-0041	Summary

Common agricultural policy (CAP): support schemes for producers in the sugar sector

2005/0119(CNS) - 20/02/2006 - Final act

PURPOSE : to introduce income support measures for sugar beet growers as a consequence of reduced market support in the sugar sector.

LEGISLATIVE ACT : Council Regulation 319/2006/EC amending Regulation 1782/2003/EC establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers

CONTENT : the Council adopted by qualified majority the three Regulations on the reform of the sugar sector. The Greek, Polish, and Latvian delegations voted against. A set of statements issued by the Council, the Commission and by delegations are annexed to the Regulations. A general approach on the reform of the sugar sector was reached under the United Kingdom Presidency in November 2005. The political compromise was later clarified and confirmed by the Special Committee on Agriculture in December 2005. The European Parliament gave its Opinion on 19 January 2006.

This reform of the sugar sector takes place in the context of the CAP reforms of 2003 and 2004. It is intended to take proper account of farmers' incomes, consumers' interests and the situation of the processing industry. It also gives European producers long-term certainty about the rules they have to follow. The reform therefore fixes the economic and legal framework for the European sugar sector until 2014/2015 without foreseeing a review clause.

The main points of the reform are as follows:

- A 36% price cut over four years beginning in 2006/07 to ensure sustainable market balance: -20% for the first year, -27.5% the second year, -35% the third year and -36% the fourth year.

- Compensation to farmers at 64.2% of the price cut (with the compensation calculated on the figure of 36% for the final year.) Inclusion of this aid in the Single Farm Payment and linking of payments to respect of environmental and land management standards.

- Merging of ‘A’ and ‘B’ quota into a single production quota.

- In Member States with a significant reduction of sugar quota sugar beet producers will face particularly severe adaptation problems. In such cases the transitional Community aid to sugar beet growers will not suffice to fully address the beet growers’ difficulties. Therefore, Member States having reduced their quota by more than 50 % will be authorised to grant State aid to sugar beet growers during the application period of the transitional Community aid.

-To buffer the effects of the restructuring process in Member States which have granted the restructuring aid for at least 50 % of the quota, sugar beet and cane producers will be granted an aid for a maximum of five consecutive years.

- Progressive abolition of the intervention system over a period of four years and the replacement of the intervention price by a reference price.

- Introduction of a private storage system as a safety net in case the market price falls below the reference price.

- Voluntary restructuring scheme lasting 4 years for EU sugar factories, and isoglucose and inulin syrup producers, consisting of a payment to encourage factory closure and the renunciation of quota as well as to cope with the social and environmental impact of the restructuring process.

- This payment will be 730 euros per tonne in years one and two, falling to 625 in year three, and 520 in the final year.

- A top-up payment for beet producers affected by the closure of factories.

- Both these payments will be financed by a degressive levy on holders of quota, lasting three years.

- Sugar beet will qualify for set-aside payments when grown as a non-food crop and also be eligible for the energy crop aid of 45 euros/hectare.

- To maintain a certain level of production in the current “C” sugar producing countries, an additional amount of 1.1 million tonnes will be made available against a one-off payment corresponding to the amount of restructuring aid per tonne in the first year.

- Sugar for the chemical and pharmaceutical industries and for the production of bio-ethanol will be excluded from production quotas.

- Increase of Isoglucose quota of 300,000 tonnes for the existing producer companies phased in over three years with an increase of 100,000 tonnes each year.

- Possibility of buying additional isoglucose quote for Italy (60,000 tonnes), Sweden (35,000 tonnes) and Lithuania (8,000 tonnes).

ENTRY INTO FORCE : 03/03/2006. The Regulation is applicable from 01/01/2006.

Common agricultural policy (CAP): support schemes for producers in the sugar sector

2005/0119(CNS) - 22/06/2005 - Legislative proposal

PURPOSE : to introduce income support measures for sugar beet growers as a consequence of reduced market support in the sugar sector, and amend Regulation 1782/2003/EC.

PROPOSED ACT : Council Decision.

CONTENT : following the CAP reforms of 2003 and 2004, the Commission states that the time has now come to bring the sugar regime into line with the approach already adopted in other sectors. Sugar reform must take proper account of farmers’ incomes, consumers’ interests and the situation of the processing industry. The reform must bolster the competitiveness of the EU sugar industry, improve its market orientation and produce a sustainable market balance in line with the EU’s international commitments. (Please refer to CNS/2005/0118 for details of the proposed reform to the sugar regime.)

The Commission reform proposals include a two-step cut totalling 39% in the price for white sugar; compensation to farmers for 60% of the price cut through a decoupled payment - which would be linked to the respect of environmental and land management standards and added to the Single Farm Payment; a voluntary restructuring scheme lasting four years to encourage less competitive producers to leave the sector (Please refer to CNS/2005 /0120); and the abolition of intervention.

As a consequence of reduced market support in the sugar sector, income support measures for sugar beet growers will be introduced. That measure will take the form of a payment to sugar beet and chicory growers the overall level of which will develop in parallel with the gradual reduction of market supports.

The Commission proposes to grant direct payments to farmers on the global base of those who produced sugar beet under quota in the historical reference period, 2000-2002. However, Member States may, for reasons of fairness, exercise flexibility in calculating the direct payment of individual farmers over a different period.

The national envelopes for each Member States for the direct payments will represent 60% of the estimated revenue loss from the two-step, 39% institutional price cuts. The revenue loss was estimated taking into account the change in the weighted minimum sugar beet price in each Member State, multiplied by the quota

Level. Member States will also receive an additional envelope destined to compensate growers in their territory supplying chicory for the production of inulin syrup.

The direct payment for Outermost Regions will be brought into the single framework for the POSEI, currently under discussion, and will thus be excluded from the single payment scheme. Moreover, the French outermost regions that were the only ones to benefit from disposal aid will receive an additional amount corresponding to current disposal measures under the reference period.

FINANCIAL IMPLICATIONS :

For the period, the cost of the proposed reform respects the status quo expenditure, as proposed at the time of the CAP Reform proposals of January 2003. The costs of the new measures proposed for this sector, for which the direct decoupled payment to producers represents the major element, will be mainly offset by the savings resulting from a substantial reduction in export refund expenditure and abolition of the refining aid.

When the proposed measures for the sector have been fully implemented, the envelopes for direct income support will involve an annual cost of EUR 1 542 million. Any costs in respect of the private storage scheme (see CNS/2005/0118) should be limited and only arise if market prices risk falling significantly below the reference price.

With regard to the restructuring scheme, an ad hocrestructuring amount will be charged to finance it and will be assigned to a restructuring fund. The amount of EUR 4 225 million will be charged over three marketing years (2006/07 up to 2008/09) and the restructuring aid will be available for four marketing years (2006/07 to 2009/10).

Common agricultural policy (CAP): support schemes for producers in the sugar sector

2005/0119(CNS) - 18/07/2005

The Council, having heard the Commission's presentation of the three legislative proposals and the preliminary reactions given by delegations to the three questions on the main principles underlying the sugar reform proposal, invited the Special Committee for Agriculture to conduct a thorough examination of all the issues and to prepare a report which the Council will examine at a future session.

The questionnaire, which had been submitted to the Special Committee on Agriculture (SCA) on 11 July, aimed at getting political guidance from the ministers. The general political orientation following the round table held at the Council could be summarised as follows:

- in general an overwhelming majority of delegations acknowledged the need for a reform of the sugar sector; delegations also recognised the importance of complying with the World Trade Organisation's legal requirements, following the outcome of the WTO Panel. Most of the delegations also supported the introduction of a restructuring scheme in particular in order to alleviate the social effects of the sugar price cuts on sugar producers and beet growers;

- concerning the options proposed, between the voluntary restructuring scheme combined with a larger price cut or the smaller price cut and mandatory quota cuts as proposed in the Commission Communication of July 2004, a large number of delegations could support the first approach included in the proposals. However, several delegations supported reduced price cuts, these cuts being possibly extended for a longer period of time than the two years proposed. Some of these delegations also supported in some cases a reduction of the current B quota (exported sugar at guaranteed prices) and a further reduction of current C sugar (sold outside the EU without export refund) and asked to keep the current distinction between A quota (sugar for domestic use at guaranteed prices) and B quota, in order to protect the EU sugar output for domestic consumption;

- concerning the extension of the reformed regime until the 2014/15 marketing year, most of the delegations supported this long-term perspective which would provide for stability for EU producers and consumers as well as sustainability of the regime for the sugar imports from the African Caribbean and Pacific (ACP) countries and the Least Developed Countries. Nevertheless, some delegations suggested that a mid-term review be inserted in the proposals, possibly after the restructuring scheme in 2010, in order to consider possible further price and quotas cuts;

- as regards the Commission proposals for compensation under the scheme of a decoupled payment and of national envelopes for direct payments that would represent 60% of the estimated revenue loss: although many delegations found this approach in line with recent CAP reforms to be fair and balanced, several delegations asked for an increased rate of compensation while others insisted on sticking to budget neutrality. A few delegations asked to keep part of the payment coupled to production in order to avoid the total ceasing of activity in regions of the EU.

Given that the legal basis for these proposals is Article 37 of the Treaty, the so-called consultation procedure applies - no legally binding Opinion from the European Parliament -: the EP's Opinion is scheduled for 15 November 2005, the adoption of the report by the Committee being expected on 11 October.

Common agricultural policy (CAP): support schemes for producers in the sugar sector

2005/0119(CNS) - 22/06/2005

COMMISSION’S IMPACT ASSESSMENT

For further information concerning the background to this issue, please refer to the summary of the Commission’s initial proposal COM(2005)0263 of 22 June 2005 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers.

Note: This is one of a package of three proposals put forward by the Commission comprising measures to 1) provide direct income support to sugar beet producers, 2) reform the sugar COM (common organization of the market) (please refer to summary relating to CNS/2005/0118) and 3) restructure the EU’s sugar industry (please refer to summary relating to CNS/2005/0120).

1- POLICY OPTIONS AND IMPACTS: The Commission initially considered three possible policy orientations for the EU sugar regime, which were analysed in the September 2003 Extended Impact Assessment, taking into account the effects of the internal and external constraints placed on the sector and the dispute that was taking place before the WTO. This impact assessment incorporates new information gathered since the publication of the initial impact assessment.

1.1- Option 1 - No reform: As a reference for the alternative scenarios, the consequences of an extension of the present regime beyond 2006 were assessed. This consisted of keeping intact the current common market organisation, based on flexible quotas, which maintain market balance through the quota adjustment mechanism and price intervention. The EU market would be open to import quantities according to the various international commitments already agreed or agreed in the future.

1.2- Option 2 - Price cut: The second scenario evaluated was a reduction in the EU internal price. Once imports and production levels stabilised, production quotas would be phased out and the internal market price would be allowed to adjust itself to the price of those imports. To smooth the effects of the reduction in the EU sugar price, this scenario also looked at the possibility of introducing the single payment scheme into the sugar sector, in line with the June 2003 CAP reform.

The June 2005 proposal remains based on the “Price cut” option with quota adjustment and consists of the following the EU sugar regime will be prolonged until the end of the 2014/15 marketing year and there will be no review of price and quota levels in 2008; there will be a significant reduction (39%) of the institutional support price net of restructuring amount for EU sugar, in two steps, with the abolition of intervention and the introduction of a reference price; direct decoupled payments within CAP budget limits will be introduced, with the same historical reference period as used in the 2003 CAP reform (2000–2002).

1.3- Option 3 - Full Liberalisation – removal of price support and quota regime: The third option for reform represented a complete liberalisation from the current regime. This meant that the domestic EU price support system would be abolished and production quotas would be abandoned. In its July 2004 Communication, the Commission discarded two of the three options. The “No reform” option was deemed unsustainable in the medium term while the “full liberalisation” option was considered unbalanced, in terms of its impact on EU producers and trade partners, such that it did not offer realistic prospects for their long-term future.

CONCLUSION: The Commission concluded that option 2 offered the best solution of the three. If the proposal is adopted as it stands, the EU institutional price, net of the restructuring amount, will be cut by 39%, over two years, to ensure a sustainable EU market balance, consistent with the EU’s international commitments; the national envelopes for the farmer direct payments in each Member State will grant 60% of the estimated revenue loss from this 39% institutional price-cut; the sugar quota regime will be extended until the end of the 2014/15 marketing year.

IMPACTS: Starting with actors at the end of the food chain, it is expected that some internal price reductions should benefit **consumers** but, due to the rigid price elasticity of sugar, the impact on sugar consumption is expected to be low. The most important **health impact** would not be on the overall consumption level but rather the composition of the intake of sweeteners. Since sugar is an important input for **the agri-food industry**, lower sugar prices would mean they would benefit from a decrease in their variable costs. Within the starch industry, **isoglucose production** should remain competitive at the price level envisaged by the current legal proposal. Regarding **inulin syrup producers**, the less competitive ones would probably find it attractive to take advantage of the restructuring scheme.

Sugar refineries will in time have access to a larger supply at lower prices, while during the transition period their supply needs will be ensured through privileged access to Traditional Supply Needs.

As concerns the **ACP countries**, any option involving a price reduction will affect the countries benefiting from the Sugar Protocol by reducing the income accruing from exports to the Community. Recognising the need for adjustment due to the reform, the Commission has initiated a dialogue with ACP countries on the basis of an Action Plan in order to define appropriate accompanying measures covering both development and trade.

The Least Developed Countries (LDC) benefit from the EBA initiative, which abolishes quotas and duties for all products except arms exported to the EU, with a transition period for sugar, to be fully implemented from 2009/10 onwards.

For **EU sugar beet processors,** the future profitability of sugar beet processing will depend on whether processors can keep their margins positive by reducing processing costs per tonne or reducing raw material costs. For **EU sugar beet growers,** the future maximisation of profit will depend on whether farmers can reduce their sugar beet growing costs per tonne or switch from sugar beet to alternative crop production, should the margin per hectare of sugar beet fall below that for the alternative crops.

The impact on **agricultural employment** will be much less accentuated than in the processing industry. Reductions in farm employment levels will come mainly from replacing beet production with less labour-intensive alternative crops.

Assessing the specific impact of the proposed price cut, based on estimates of the combined profitability of the industry (growers + manufacturers) the EU-25 sugar-producing **Member States** fall into three groups, depending on their level of costs compared with the new sugar price (€ 386/t):

- Member States where sugar production is likely to be drastically reduced or even phased out: Greece, Ireland, Italy, Portugal;

- Member States in the border zone: Czech Republic, Spain, Denmark, Latvia, Lithuania, Hungary, Slovakia, Slovenia and Finland. In these countries, production is likely to be maintained but at a significantly lower level;

- Member States where the decrease in sugar production will be limited**.** It is even likely that overall production would not decrease in some countries: Austria, Belgium, France, Germany, the Netherlands, Poland, Sweden and the UK.

2- FOLLOW-UP: In order to ensure good governance and monitor the management of the sugar CMO, the Commission services will follow, particularly, certain aspects of the EU sugar sector in the planned reform period (2006–2013):

- evolution of the sugar market economy (production, imports, exports and consumption, EU and world price trends);
- development of EU sugar production structures (agricultural holdings, sugar factories, refineries);
- incorporation of sugar beet growers into the 2003 CAP Reform process, in particular their inclusion in the single payment scheme.

Common agricultural policy (CAP): support schemes for producers in the sugar sector

2005/0119(CNS) - 24/10/2005

The Council had a very useful exchange of views on the proposals for a reform of the Common Market Organisation (CMO) of the sugar sector, on the basis of a questionnaire giving delegations the opportunity to clarify their positions on the key elements of the reform and providing excellent guidance for further work to be done.

The Council also announced on this occasion that a High Level Working Party will be convened for intensive discussions on the file on 8 and 11 November in order to prepare the Agriculture and Fisheries Council on 22-24 November, where it is expected to adopt a "general approach" on the reform.

Delegations acknowledged the need for sugar reform, several of them urging that a political decision be taken by the Council at its next meeting on 22-24 November. A few delegations stated, however, that the proposal needed to be strongly rebalanced.

As regards the questionnaire submitted by the Presidency:

1. Concerning the key improvements to the proposal needed to ensure market balance and the maintenance of a competitive EU sugar sector:

• delegations expressed concerns about the effectiveness of the market management tools proposed to ensure market stability;

• diverging opinions were expressed on the price cut, with some delegations considering 39% as a minimum and others considering that the aim of reducing production could be attained by a less radical price cut;

• some delegations considered that it would be more appropriate first to cut surplus production (i.e. the current "B quota" and "C" sugar production);

• some delegations considered that there should be scope for flexibility for the Member States so as to allow for the possibility of targeted partial coupling;

• a few delegations underlined the priority of ensuring the budget neutrality of the proposal;

• the question of EBA imports and especially their effective control was a major issue for many delegations in the context of the SWAPs effect, with effective measures to combat fraud, respect for rules of origin and the need for safeguard measures to be taken quickly and effectively called for.

2. Concerning the restructuring fund, it was generally agreed that this was an important tool in the reform proposal. Delegations welcomed the possibility of further definition of the role of the Member State in determining how the restructuring plans should be drawn up, in particular to include conditions on environmental and social requirements, and in monitoring the effective implementation of these plans. A large number of delegations considered that the decision to close a factory should ultimately be taken by the industry.

Most delegations welcomed the possibility of having the restructuring payment extended to cases of partial dismantling of a factory in certain circumstances. The interests of sugar beet growers in particular were considered important in the context of the restructuring scheme, and the possibility of extending a specific restructuring payment to growers was discussed.

Commissioner Fischer Boel reiterated the urgent need for a 39% price cut, as an element essential to the overall balance of the proposal, bearing in mind the large volume of surplus sugar to be taken out of the EU market, and assured the Council that this reform had been proposed for the long term, without a mid term review, with a view to providing security for farmers. She justified the 60% rate of compensation on the grounds that this rate had been the same in past CAP reforms in 2003 and 2004 and respected budgetary limits. Concerning the restructuring fund, she made it clear that the Member States would be authorising and monitoring the restructuring plans. However, she made it clear that the decision to close was for the industry itself. She acknowledged the need for financial compensation in the case of partial dismantling of a factory.

Common agricultural policy (CAP): support schemes for producers in the sugar sector

2005/0119(CNS) - 19/01/2006 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a resolution drafted by Jean-Claude **FRUTEAU** (PES, FR) and made some amendments to the Commission's proposal.

-Parliament stated that substantial compensation needs to be provided for the reduction in income affecting sugar beet and cane producers. Income support measures should seek to offset loss of income and to foster economic development in the regions concerned and, in so doing, create new sources of income for Community producers. Furthermore, changes to the EU sugar regime will also have a considerable impact on ACP producers, who currently enjoy preferential access to the EU market under the Sugar Protocol. It is essential that these countries, many of whose economies are almost fully dependent on sugar, be given financial support. The latest need assessment put forward by the Commission estimates that ACP countries will require EUR 200 million per annum. This need must be met with new and fresh funding which is additional to existing development funding commitments.

Parliament went on to state that the incorporation of the sugar payment into the single area payment scheme is liable to deprive beet growers of most of the beet compensatory aid. The Member States concerned should therefore be allowed to derogate from this simplified scheme and to grant beet growers compensatory aid taking account of beet-growing areas for the reference period.

Parliament suggests making funds available for switching from sugar to different crops. A new Article states that aid of EUR 80 per hectare per year shall be granted for areas sown under energy crops, including arable crops (cereals, oilseeds, beet, potatoes, etc.), under the conditions laid down in the text. There will be a maximum guaranteed area of 2 200 000 ha for which the aid may be granted. The various figures in the Annexes (national ceilings and payments per hectare) for compensation for farmers' loss of income should be reviewed in order to bring them into line with the less radical price cuts which Parliament had proposed in relation to the regulation on the common organisation of the markets in the sugar sector (see CNS /2005/0118).

Common agricultural policy (CAP): support schemes for producers in the sugar sector

2005/0119(CNS) - 22/11/2005

The Council reached a general approach on the three proposals for Regulations - on the CMO in the sugar sector, amending Regulation 1782/2003 /EC establishing common rules for direct support schemes, and establishing a temporary scheme for the restructuring of the sugar industry - on the basis of an overall compromise drawn up by the Presidency and which the Commission endorsed. This general approach on the sugar reform was agreed without prejudice to the opinion of the European Parliament expected on 17 January 2006.

The key elements of the general approach agreed are as follows:

• A 36% price cut on white sugar beginning in 2006/07 to ensure sustainable market balance. This cut (from 631.9 EUR/t to roughly 404.5 EUR/t) will be operated over 4 years (2006/2007 to 2009/2010);

• Compensation to farmers at a level slightly above 64% of the price cut. Inclusion of this aid in the Single Farm Payment and linking of payments to respect of environmental and land management standards. The payment will be 100% decoupled. However, during a transitional period of up to 5 years, for Member States reducing their quota sugar by more than 50% a temporary adjustment coupled aid may be granted under the EAGGF Guarantee Section;

• For the 10 New Member States since 1 May 2004, introduction of a Separate Sugar Payment (SSP) in 2006-2007-2008 only for beet growers as an alternative to the Single Area Payment Scheme (SAPS). A new Member State would have either the possibility to opt for the SAPS non-specialised payment and to add national top-ups to provide incentives in regional areas or specific production or to opt for the SSP granted only to beet growers without possibility of national top-ups. The SAPS is a transitional payment before the NMS will benefit from the existing Single Payment Scheme applicable to the "old" Member States since the CAP reform in 2003;

• Validity of the new regime, including extension of the sugar quota system, until 2014/15. No review clause;

• Merging of "A" and "B" quota into a single production quota;

• Replacement of the existing intervention price by a reference price and by a private storage mechanism. However during the transitional period of four years (2006/2007 to 2009/2010), an intervention price is set at 80% of the reference price of the following year for a maximum quantity of 600 000 t per year of white sugar;

• Introduction of a private storage system, instead of the guaranteed price in case the market price falls below the reference price;

• Voluntary restructuring scheme - lasting 4 years - for EU sugar factories, and isoglucose and inulin syrup producers to encourage total factory closure and the renunciation of quota as well as to cope with the social and environmental impact of the restructuring process. The Commission will present a report on the working of the Restructuring Fund by the end of 2008;

• This payment will be EUR 730 per tonne of white sugar renounced in years one and two, falling to 625 EUR/t in year three, and 520 EUR/t in the final year;

• This restructuring aid will be financed by a degressive levy on holders of quotas, through the restructuring amount - production levy - of 126,4 EUR/t the first year, 173,8 EUR/t the second year and

113,3 EUR/t the third year;

• Greater flexibility is added with regard to eligibility for restructuring aid - at a lower percentage -including in the case of partial dismantling of a factory and continued use of the production site excluding products covered by the CMO sugar (75%), partial renouncing of sugar quota and continued use of the facility for products covered by the CMO sugar with the exception of refining raw sugar (35%);

• Regional diversification: 15% of the restructuring aid amount for each 2006/07, 2007/08, 2008/09 and 2009/10 year is earmarked for regions affected by the restructuring process;

• Import regime: statements by the Commission on the automatic triggering of a procedure when sugar imports from an Everything But Arms (EBA) country increase by more than 25% in comparison with the previous marketing year and by the Council on the modification of legislation on rules of origin are added to the compromise;

• To maintain a certain production in the current “C” sugar producing countries, an additional amount of (1 million tonnes) will be made available against a one-off payment corresponding to the amount of restructuring aid per tonne in the first year;

• Additional quotas of 10 000 t per Member State are granted to Greece, Spain, Ireland, Italy, Latvia, Hungary, Portugal, Slovenia, Slovakia and Finland, also against a one-off payment corresponding to the amount of restructuring aid per tonne in the first year;

• Increase of isoglucose quota of 300 000 tonnes for the existing producer companies phased in over three years with an increase of 100 000 tonnes each year (2006-2007, 2007-2008, 2008-2009). The existing figure of the quota is 507 680 tonnes for the EU 25. Additional quotas may be allocated by Member States during the transitional period (2006/2007 to 2009/2010) subject to a one-off payment of EUR 730 per tonne to Italy (60 000 t), Lithuania (8 000 t) and Sweden (35 000 t).

As a reminder, the budget foreseen for the sugar sector in 2004 represented EUR 1721 million, made up for the most part of export refunds (75% of the total). The draft Regulation establishing accompanying measures for the 18 Sugar Protocol countries affected by the reform of the EU sugar regime (COD/2005/0117) is expected to be agreed upon at a later stage, under the co-decision procedure.