

Procedure file

Basic information		
CNS - Consultation procedure Regulation	2007/0085(CNS)	Procedure completed
Temporary scheme for the restructuring of the sugar industry in the Community		
Amending Regulation (EC) No 320/2006 2005/0120(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		20/06/2007	
		PSE BATZELI Katerina		
	Committee for opinion	Rapporteur for opinion	Appointed	
	DEVE Development	The committee decided not to give an opinion.		
	INTA International Trade	The committee decided not to give an opinion.		
	BUDG Budgets		23/05/2007	
	PPE-DE SURJÁN László			
	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	Meeting	Date	
	Economic and Financial Affairs ECOFIN	2822	09/10/2007	
	Agriculture and Fisheries	2819	26/09/2007	
	Agriculture and Fisheries	2815	16/07/2007	
	Agriculture and Fisheries	2797	07/05/2007	
European Commission	Commission DG	Commissioner		
	Agriculture and Rural Development	FISCHER BOEL Mariann		

Key events			
07/05/2007	Debate in Council	2797	
07/05/2007	Legislative proposal published	COM(2007)0227	Summary
21/06/2007	Committee referral announced in		

	Parliament		
16/07/2007	Debate in Council	2815	Summary
03/09/2007	Vote in committee		Summary
06/09/2007	Committee report tabled for plenary, 1st reading/single reading	A6-0309/2007	
25/09/2007	Results of vote in Parliament		
25/09/2007	Debate in Parliament		
25/09/2007	Decision by Parliament	T6-0404/2007	Summary
09/10/2007	Act adopted by Council after consultation of Parliament		
09/10/2007	End of procedure in Parliament		
27/10/2007	Final act published in Official Journal		

Technical information

Procedure reference	2007/0085(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
	Amending Regulation (EC) No 320/2006 2005/0120(CNS)
Legal basis	EC Treaty (after Amsterdam) EC 037
Stage reached in procedure	Procedure completed
Committee dossier	AGRI/6/49438

Documentation gateway

Legislative proposal		COM(2007)0227	07/05/2007	EC	Summary
Committee draft report		PE390.610	28/06/2007	EP	
Committee opinion	BUDG	PE392.011	17/07/2007	EP	
Amendments tabled in committee		PE392.176	23/07/2007	EP	
Committee report tabled for plenary, 1st reading/single reading		A6-0309/2007	06/09/2007	EP	
Text adopted by Parliament, 1st reading/single reading		T6-0404/2007	25/09/2007	EP	Summary
Commission response to text adopted in plenary		SP(2007)5401	18/10/2007	EC	

Additional information

National parliaments	IPEX
European Commission	EUR-Lex

Final act

Temporary scheme for the restructuring of the sugar industry in the Community

PURPOSE: to improve the voluntary restructuring scheme in the sugar sector in order to create a further incentive to participate in the scheme; to preserve structural market balance by refining rules on temporary sugar withdrawal by amending Council Regulation (EC) No 320/2006.

PROPOSED ACT: Council Regulation.

BACKGROUND: as well as a 36% price cut and the payment of decoupled aid to farmers, a key element in the EU sugar reform was the establishment of a restructuring fund financed by sugar producers to assist in the restructuring process. The main objective of the sugar reform has been to take out about 6 million tons of quota in order to ensure a better equilibrium of the sugar market.

In the first year of application, about 1.5 million tons 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 tons. In the case of a full dismantling of production facilities, each ton of quota renounced was compensated with EUR 730/t from the restructuring fund. For 2007/08 the compensation level remains the same (i.e. EUR 730/t). However, that restructuring aid will then fall to EUR 625/t in 2008/09 and EUR 520 /t in 2009/10, the fourth and final year. Sugar enterprises unable to produce at around EUR 400/t should take advantage of the restructuring aid.

Unfortunately, in year two of the scheme, producers only renounced about 0.7 million tons of sugar, well below the target of 5 million tons and way below what is necessary to balance the market. Forecasting an oversupply of about 4 million tons, the Commission decided in March to withdraw at least 13.5 percent of quota sugar, or about 2 million tons.

Because of the phase-in of the price cuts in the reform, the effects are yet to be felt by growers and are only moderate for processors. Processors have been insecure because, under the current system, Member States can fix the percentage of aid to be given to farmers above the 10 % minimum. They therefore have to decide if an application to the restructuring fund is appropriate for them without knowing exactly how much aid they will get.

CONTENT: in a bid to meet the challenges outlined above, the Commission is presenting two related proposals the purpose of which is to amend the Regulations governing the reform of the sugar sector. The Regulations, and proposals, concerned are:

- Council Regulation (EC) No 320/2006 establishing a temporary scheme for the restructuring of the sugar industry in the Community; (See: [CNS/2005/0120](#)) ; and
- Council Regulation (EC) No 318/2006 on the common organisation of the markets in the sugar sector. (See [CNS/2005/0118](#) and [CNS/2007/0086](#)).

The purpose of this proposal is to improve the efficiency of the restructuring scheme and to increase the renunciation of quotas under that scheme. It also seeks to remove any uncertainty vis-à-vis the amount of aid to be reserved to growers and machinery contractors.

The proposal intends to achieve these objectives by:

- fixing the amount of aid to be reserved to growers and machinery contracts at 10% of the aid to be granted to sugar undertakings;
- granting growers an additional payment for the 2008/2009 marketing year (EUR 237.5 per tonne of quota renounced);
- paying, retroactively, the difference between the aid amount granted for the marketing years 2006/2007 and 2007/2008 with the amount paid in 2008/2009. This is being proposed in order not to penalise undertakings and growers who took part in the restructuring scheme before the amendments come into force;
- giving the Commission the power to prolong the deadline for applications in order to accelerate the restructuring process, if it has reliable indications that the aim of the restructuring fund (i.e. the renunciation of 3.8 million tons of quota) is nearly reached in the 2008/2009 marketing year;
- giving growers the possibility to apply directly for restructuring aid (Article 3 (6)) on condition that they cease to deliver sugar beet or cane to undertakings to which they were bound by delivery contracts in the previous marketing year;
- limiting the quota reduction to 10% of the quota allocated to each undertaking, which corresponds to the percentage of quota which the Member State can re-allocated each marketing year;
- giving sugar undertakings, who are affected by a growers aid application, the right to submit an application for restructuring aid ? provided that it too renounces a quota corresponding to at least the same level of quota reduction that would have resulted from the applications for aid lodged by growers. In such as case the sugar undertaking?s aid application should replace that of the sugar grower;
- providing an exemption of a part of the temporary restructuring amount that needs to be paid in accordance with Article 11 of the Regulation. The amount to be exempted should be proportional to this withdrawal percentage.

The purpose of the second proposal is to abolish the provision according to which traditional supply needs for refiners will be reduced in case of a withdrawal, by amending Council Regulation (EC) No 318/2006. It will apply as from the marketing year 2007/2008. In other measures 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 undertaking according to their individual restructuring effort;

- not to reduce the traditional supply needs in relation to the withdrawal.

Temporary scheme for the restructuring of the sugar industry in the Community

The Council held a policy debate on a communication and two proposals for Regulations submitted by the Commission in order to make the restructuring of the Community sugar industry more attractive.

The debate concentrated on the principal measures proposed to increase the effectiveness of the 2005 reform:

- make the restructuring fund in the 3rd year of restructuring more attractive, while retaining the principle of voluntary restructuring;
- enable growers to give up quotas on their own initiative, in order to strengthen the necessary restructuring process;
- adopt a two-phased approach for restructuring applications in 2008/2009;
- if a final quota cut is necessary in 2010, take into account restructuring efforts already undertaken at individual undertaking level and at Member State level.

The Commission proposal received the general support of a large number of delegations, subject to certain technical adjustments which the Presidency asked the Special Committee on Agriculture to take care of so that agreement could be reached on this package in September 2007.

Temporary scheme for the restructuring of the sugar industry in the Community

The Committee on Agriculture and Rural Development adopted by a large majority the report drafted by Katerina BATZELI (PES, EL) on the proposal for a Council regulation amending Regulation (EC) No 320/2006 establishing a temporary scheme for the restructuring of the sugar industry in the Community. The Committee adopted a number of amendments designed chiefly to increase the compensation to producers and to the regions. The main ones were as follows:

Optimising the restructuring regime: to encourage greater abandonment of quotas, MEPs call for firms to have the option of restructuring in two stages: those which have already renounced quotas should be able - once the forecasts for 2008/2009 have been published - to increase their applications for renunciation by 30 April 2008.

As another way of encouraging producers to withdraw from production more quickly, MEPs suggest increasing the restructuring aid introduced in 2006 to EUR 625 instead of EUR 218.75 for 2008/09. The Committee also stresses the need for undertakings to devise business development plans to diversify revenue and employment. It adds that restructuring plans must be prepared in consultation with growers and that the growers must be informed about their future before the sowing period;

Special cases: small growers and bioethanol: under the Commission proposal, beet growers will be able to take the initiative to renounce quotas up to 10% of the undertaking's quota. MEPs believe that in this context priority must be given to small-scale growers so that they can renounce on favourable terms the right to transport beet.

The Committee also calls for 100% compensation in the case of firms which partially dismantle their production facilities provided they shift towards bioethanol production. Until now, the aid granted for partial dismantling was 35%.

Boosting aid for producers and regions: MEPs repeated one of the amendments adopted at the time of the 2006 reform, which called for growers to receive 50% of the aid paid under the restructuring fund. The Commission, in its latest proposal, seeks to set the figure at 10%. In the first two years of the reform this same could vary from Member State to Member State provided it is not less than 10%. The Committee wants to increase from EUR 237.5 to EUR 260 per tonne of quota renounced the additional aid to beet growers - which the Commission proposes to grant for 2008/09 and retroactively for growers who have already abandoned production over the two years of the reform.

It also called for aid for diversification paid to the regions affected by restructuring to be kept at the current level of EUR 109.5 per tonne of quota for sugar renounced up to 2009/10 (the regulation adopted in 2006 provides for this aid to fall to EUR 93.80 in 2008/09 and EUR 78 in 2009/10).

Lastly, it should be noted that this report is closely linked to the 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 ([CNS/2007/0086](#)).

Temporary scheme for the restructuring of the sugar industry in the Community

The European Parliament adopted a resolution drafted by Katerina BATZELI (PES, EL) on the proposal for a Council regulation amending Regulation (EC) No 320/2006 establishing a temporary scheme for the restructuring of the sugar industry in the Community. Parliament adopted a number of amendments designed chiefly to increase the compensation to producers and to the regions. The main ones were as follows:

- optimising the restructuring regime: to encourage greater abandonment of quotas, MEPs call for firms to have the option of restructuring in two stages: those which have already renounced quotas should be able - once the forecasts for 2008/2009 have been published - to increase their applications for renunciation by 30 April 2008. As another way of encouraging producers to withdraw from production more quickly, MEPs suggest increasing the restructuring aid introduced in 2006 to ?625 instead of ?218.75 for 2008/09. A new clause states that, in the 2008/2009 marketing year, undertakings that renounce a percentage of their quota superior to the withdrawal percentage set on 16 March 2007 by Article 1(1) or Article 1(2) of Regulation (EC) No 290/2007, shall be exempted from the restructuring tax to be paid for the 2007/2008 marketing year in proportion to the supplementary quantities renounced.

Parliament also stressed the need for undertakings to devise business development plans to diversify revenue and employment. It adds that restructuring plans must be prepared in consultation with growers and that the growers must be informed about their future before the sowing period. In addition, MEPs want there to be an option for the restructuring fund to continue operating for one extra year if necessary;

- dismantling of production facilities during the marketing year 2005/2006 shall be deemed to take place in the marketing year 2006/2007, the 2007/2008 marketing year or the 2008/2009 marketing year;

- special cases: small growers and bioethanol. Under the Commission proposal, beet growers will be able to take the initiative to renounce quotas up to 10% of the undertaking's quota. MEPs believe that in this context priority must be given to small-scale growers so that they can renounce on favourable terms the right to transport beet.

Parliament also calls for 100% compensation in the case of firms which partially dismantle their production facilities provided they shift towards bioethanol production. Until now, the aid granted for partial dismantling was 35%.

-boosting aid for producers and regions: MEPs called for growers to receive 25% of the aid paid under the restructuring fund. The Commission, in its latest proposal, seeks to set the figure at 10%. In the first two years of the reform this same could vary from Member State to Member State provided it is not less than 10%.

Parliament wanted to increase from ?237.5 to ?260 euros per tonne of quota renounced the additional aid to beet growers - which the Commission proposes to grant for 2008/09 and retroactively for growers who have already abandoned production over the two years of the reform. This additional payment will also be made for the 2009/2010 marketing year in the event that the undertaking concerned renounces a part or the totality of the sugar quota allocated to it as from that marketing year, provided that the application is submitted before 31 January 2008.

Parliament called for aid for diversification paid to the regions affected by restructuring to be kept at the current level of ?109.5 per tonne of quota for sugar renounced up to 2009/10 (the regulation adopted in 2006 provides for this aid to fall to ?93.80 in 2008/09 and ?78 in 2009/10).

Lastly, it should be noted that this report is closely linked to the 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 ([CNS/2007/0086](#)).

Temporary scheme for the restructuring of the sugar industry in the Community

PURPOSE: (i) to improve the voluntary restructuring scheme in the sugar sector in order to create a further incentive to participate in the scheme; and (ii) to preserve structural market balance by refining rules on temporary sugar withdrawal.

LEGISLATIVE ACT: Council Regulation (EC) No 1261/2007 amending Regulation (EC) No 320/2006 establishing a temporary scheme for the restructuring of the sugar industry in the Community.

BACKGROUND: to recall, one of the key objectives of the sugar market reform, as set out in Regulation (EC) No 320/2006, is to enable the least competitive sugar producers to give up their quota production. This was to have been achieved by taking out about 6 million tons of quota in order to ensure a better equilibrium of the sugar market. However, the renunciation of quotas under that Regulation has not reached the level that was initially expected. Unfortunately, in year two of the scheme, producers only renounced about 0.7 million tons of sugar, well below the target of 5 million tons and way below what is necessary to balance the market. Forecasting an over supply of about 4 million tons, the Commission decided in March to withdraw at least 13.5 percent of quota sugar, or about 2 million tons.

CONTENT: in view of the failings outlined above the Community has decided to reform the sugar sector by amending two key Regulations.

1. The first concerns the restructuring of the sugar market and is the subject of this summary.
2. The second concerns the question of withdrawal as set out in the Regulation on the common organisation of the sugar sector. See [Council Regulation \(EC\) No 1260 amending Regulation \(EC\) No 318/2006 on the common organisation of the markets in the sugar sector](#).

Thus, the specific purpose of this Regulation is to amend the restructuring scheme and to increase the renunciation of quotas under that scheme. It also seeks to remove any uncertainty vis-à-vis the amount of aid to be reserved to growers and machinery contractors.

More specifically, this amending Regulation:

- fixes the amount of aid to be reserved to growers and machinery contracts at 10% of the aid to be granted to sugar undertakings;
- sets up a two-phase application procedure which should allow undertakings who decide up until 31 January 2008 to renounce a part of their quota, corresponding to at least that withdrawal percentage, to submit a second application by 31 March 2008 enabling them to renounce a further part or the totality of their quota in view of the market situation known at that stage.
- grants growers an additional payment for the 2008/2009 marketing year (EUR 237.5 per tonne of quota renounced);
- will pay, retroactively, the difference between the aid amount granted for the marketing years 2006/2007 and 2007/2008 with the amount paid in 2008/2009. This is being proposed in order not to penalise undertakings and growers who took part in the restructuring scheme before the amendments come into force;
- gives the Commission the power to prolong the deadline for applications in order to accelerate the restructuring process, if it has reliable indications that the aim of the restructuring fund (i.e. the renunciation of 3.8 million tons of quota) is nearly reached in the 2008/2009 marketing year;
- gives growers the possibility to apply directly for restructuring aid (Article 3 (6)) on condition that they cease to deliver sugar beet or cane to undertakings to which they were bound by delivery contracts in the previous marketing year;
- limits the quota reduction to 10% of the quota allocated to each undertaking, which corresponds to the percentage of quota which the Member State can re-allocated each marketing year;
- gives sugar undertakings, who are affected by a growers aid application, the right to submit an application for restructuring aid ? provided that it too renounces a quota corresponding to at least the same level of quota reduction that would have resulted from the applications for aid lodged by growers. In such as case the sugar undertaking's aid application should replace that of the sugar grower;
- provides an exemption of a part of the temporary restructuring amount that needs to be paid in accordance with Article 11 of the Regulation. The amount to be exempted should be proportional to this withdrawal percentage.

ENTRY INTO FORCE: 30 October 2007.

