

# Procedure file

Basic information		
CNS - Consultation procedure Regulation	<a href="#">2007/0086(CNS)</a>	Procedure completed
Sugar: common organisation of the markets CMO		
Amending Regulation No 318/2006 <a href="#">2005/0118(CNS)</a>		
Subject 3.10.06.07 Sugar		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>AGRI</b> Agriculture and Rural Development		20/06/2007
		PSE <a href="#">BATZELI Katerina</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	<b>DEVE</b> Development	The committee decided not to give an opinion.	
	<b>REGI</b> Regional Development	The committee decided not to give an opinion.	
	<b>CONT</b> Budgetary Control	The committee decided not to give an opinion.	
	<b>INTA</b> International Trade	The committee decided not to give an opinion.	
	<b>BUDG</b> Budgets		23/05/2007
		PPE-DE <a href="#">SURJÁN László</a>	
Council of the European Union	Council configuration	Meeting	Date
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2822</a>	09/10/2007
	<a href="#">Agriculture and Fisheries</a>	<a href="#">2819</a>	26/09/2007
	<a href="#">Agriculture and Fisheries</a>	<a href="#">2815</a>	16/07/2007
	<a href="#">Agriculture and Fisheries</a>	<a href="#">2797</a>	07/05/2007
European Commission	Commission DG	Commissioner	
	<a href="#">Agriculture and Rural Development</a>	FISCHER BOEL Mariann	

Key events			
07/05/2007	Debate in Council	<a href="#">2797</a>	
06/05/2007	Legislative proposal published	<a href="#">COM(2007)0227</a>	Summary
21/06/2007	Committee referral announced in Parliament		
16/07/2007	Debate in Council	<a href="#">2815</a>	Summary
03/09/2007	Vote in committee		Summary
06/09/2007	Committee report tabled for plenary, 1st reading/single reading	<a href="#">A6-0310/2007</a>	
	Results of vote in Parliament		

25/09/2007			
25/09/2007	Debate in Parliament		
25/09/2007	Decision by Parliament	<a href="#">T6-0405/2007</a>	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	2007/0086(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
	Amending Regulation No 318/2006 <a href="#">2005/0118(CNS)</a>
Legal basis	EC Treaty (after Amsterdam) EC 037
Stage reached in procedure	Procedure completed
Committee dossier	AGRI/6/49444

### Documentation gateway

Legislative proposal		<a href="#">COM(2007)0227</a>	07/05/2007	EC	Summary
Committee draft report		<a href="#">PE390.612</a>	28/06/2007	EP	
Committee opinion	<b>BUDG</b>	<a href="#">PE392.012</a>	17/07/2007	EP	
Amendments tabled in committee		<a href="#">PE392.175</a>	23/07/2007	EP	
Committee report tabled for plenary, 1st reading/single reading		<a href="#">A6-0310/2007</a>	06/09/2007	EP	
Text adopted by Parliament, 1st reading/single reading		<a href="#">T6-0405/2007</a>	25/09/2007	EP	Summary
Commission response to text adopted in plenary		SP(2007)5401	18/10/2007	EC	

### Additional information

National parliaments	<a href="#">IPEX</a>
European Commission	<a href="#">EUR-Lex</a>

### Final act

[Regulation 2007/1260](#)  
[OJ L 283 27.10.2007, p. 0001](#) Summary

[Corrigendum to final act 32007R1260R\(01\)](#)  
[OJ L 303 14.11.2008, p. 0026](#) Summary

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**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 318/2006.

**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 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 [CNS/2007/0085](#)) ; and
- Council Regulation (EC) No 318/2006 on the common organisation of the markets in the sugar sector. (See [CNS/2005/0118](#)).

To recall, Council Regulation (EC) No 318/2006 governs the instrument of withdrawal. This includes integrating a possible further withdrawal in autumn 2007. The purpose of this proposal is to abolish the provision according to which traditional supply needs for refiners will be reduced in case of a withdrawal. 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.

The purpose of the second 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.

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## Sugar: common organisation of the markets CMO

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.

## Sugar: common organisation of the markets CMO

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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 318/2006 on the common organisation of the markets in the sugar sector. It adopted a number of amendments designed chiefly to increase the compensation to producers and to the regions. The main amendments are as follows:

- if a linear reduction of national quotas is needed in 2010, the Agriculture Committee believes this should be carried out in two stages. The first stage should concern only Member States or undertakings which, for 2008/09, would not have made a voluntary renunciation or would have renounced less than 13.5% of their quota. In a second stage, the formula proposed by the Commission would be used, although the Committee states that returned quotas for 2006/2007 and 2007/2008 should be excluded, since they have already benefited from the backdated increase in the structural premium;
- during the first two marketing years (2006/2007 and 2007/2008) the Committee stated that some Member States had sought to use the provisions of Article 11 in order to obstruct those undertakings which declared themselves prepared to take part in the restructuring regime, and accordingly, it inserted a clause aimed at ensuring that this would not continue;
- given the full implementation and entry into force from 2010 of the 'Everything But Arms' initiative (which will allow developing countries to export sugar duty-free to the EU), MEPs believe it is essential to extend up to 2015 the application of the scheme allowing preventive withdrawal of a part of production if there is a surplus on the European market;
- in addition, the Committee wants the Commission to take any decision on withdrawals for 2008/09 by 4 February 2008 (instead of 16 March, as in other years) so that beet growers can act accordingly before the sowing season;
- restructuring should be stimulated by making it easier to deduct withdrawals from the final cut, so that undertakings which renounce a percentage of their quota in excess of the percentage applied to their Member State when the cut is made, benefit from their voluntary decision. A new provision states that, during the 2008/2009 marketing year, if a Member State renounces a percentage of the quota in excess of the withdrawal percentage set on 16 March 2007 in Article 1(1) or Article 1(2) of Regulation EC No 290/2007, the quota tonnage corresponding to the difference between the percentage renounced in 2008/2009 and the percentage of withdrawal shall be deducted in full from the final cut. Within a Member State, this provision shall apply in the same way to the benefit of undertakings which have renounced a percentage of their quota in excess of the withdrawal percentage set on 16 March 2007 in Article 1(1) or Article 1(2) of Regulation (EC) No 290/2007 for their Member State.

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 320/2006 establishing a temporary scheme for the restructuring of the sugar industry in the Community ([CNS/2007/0085](#)).

## Sugar: common organisation of the markets CMO

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The European Parliament adopted a resolution drafted by Katerina BATZELI (PES, EL) by 525 votes in favour to 72 against with 69 abstentions and made some amendments to the proposal for a Council regulation amending Regulation (EC) No 318/2006 on the common organisation of the markets in the sugar sector. The amendments were designed chiefly to increase the compensation to producers and to the regions. The main amendments are as follows:

- if a linear reduction of national quotas is needed in 2010, Parliament agreed with its competent committee that this should be carried out in two stages. The first stage should concern only Member States or undertakings which, for 2008/09, would not have made a voluntary renunciation or would have renounced less than 13.5% of their quota. In a second stage, the formula proposed by the Commission would be used, although returned quotas for 2006/2007 and 2007/2008 should be excluded, since they have already benefited from the backdated increase in the structural premium;

- during the first two marketing years (2006/2007 and 2007/2008) Parliament stated that some Member States had sought to use the provisions of Article 11 in order to obstruct those undertakings which declared themselves prepared to take part in the restructuring regime, and accordingly, it inserted a clause aimed at ensuring that this would not continue;

- given the full implementation and entry into force from 2010 of the 'Everything But Arms' initiative (which will allow developing countries to export sugar duty-free to the EU), MEPs believed it is essential to extend up to 2015 the application of the scheme allowing preventive withdrawal of a part of production if there is a surplus on the European market;

- in addition, Parliament wanted the Commission to take any decision on withdrawals for 2008/09 by 4 February 2008 (instead of 16 March, as in other years) so that beet growers can act accordingly before the sowing season;

- restructuring should be stimulated by making it easier to deduct withdrawals from the final cut, so that undertakings which renounce a percentage of their quota in excess of the percentage applied to their Member State when the cut is made, benefit from their voluntary decision. A new provision states that, during the 2008/2009 marketing year, if a Member State renounces a percentage of the quota in excess of the withdrawal percentage set on 16 March 2007 in Article 1(1) or Article 1(2) of Regulation EC No 290/2007, the quota tonnage corresponding to the difference between the percentage renounced in 2008/2009 and the percentage of withdrawal shall be deducted in full from the final cut. Within a Member State, this provision shall apply in the same way to the benefit of undertakings which have renounced a

percentage of their quota in excess of the withdrawal percentage set on 16 March 2007 in Article 1(1) or Article 1(2) of Regulation (EC) No 290/2007 for their Member State.

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 320/2006 establishing a temporary scheme for the restructuring of the sugar industry in the Community ([CNS/2007/0085](#)).

## Sugar: common organisation of the markets CMO

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PURPOSE: Corrigendum to Council Regulation (EC) No 1260/2007 of 9 October 2007 amending Regulation (EC) No 318/2006 on the common organisation of the markets in the sugar sector (Regulation initially published in the Official Journal of the European Union L 283 of 27 October 2007).

The purpose of the Regulation is to improve the sugar restructuring scheme (sugar reform) aimed at making it more effective and thus reducing European Union sugar production to sustainable levels.

The corrigendum relates to an Annex to the Regulation:

- for: ?Annex IX calculation of the percentage applicable to undertakings in accordance with the third subparagraph of Article 10(2)?,
- read: ?Annex IX calculation of the percentage applicable to undertakings in accordance with the second subparagraph of Article 10(2)?.

## Sugar: common organisation of the markets CMO

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

LEGISLATIVE ACT: Council Regulation (EC) No 1260/2007 amending Regulation (EC) No 318/2006 on the common organisation of the markets in the sugar sector

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. See [Council Regulation \(EC\) No 1261 amending Regulation \(EC\) No 320/2006 establishing a temporary scheme for the restructuring of the sugar industry in the Community](#).
2. The second concerns the question of withdrawal and is the subject of this summary.

Council Regulation (EC) No 318/2006 governs the instrument of withdrawal whereby, in order to maintain the structural balance of the market, the Commission may decide to withdraw sugar from the market. Under provisions set out in the Regulation the Commission is to decide by the end of February 2010 on carrying out a linear reduction of national and regional quotas, with a view to adjusting these quotas to a sustainable level after the expiry of the restructuring scheme. Further, provisions set out in Regulation (EC) No 320/2006 provide the possibility for growers of beet and cane (intended for quota production) to submit a direct application for restructuring aid ? on condition that they cease to deliver sugar to the undertakings to which they were bound by delivery contracts in the previous marketing year.

As a result of the acceptance of such applications, Member States are to reduce the quota of the undertakings concerned within the limit of the 10 %. It is in this context that amendments have been approved in order to allow for the definitive reduction of quotas allocated to the undertakings.

The purpose of this proposal, therefore, is to abolish the provision according to which traditional supply needs for refiners will be reduced in case of a withdrawal. It will apply as from the marketing year 2007/2008. More specifically the amending Regulation:

- introduces a system of thresholds ? moving away from a system which reduces the level of sugar effectively produced under quota;
- concludes a first decision before sowing takes place, possibly completed by a further withdrawal in October, based on updated data;
- takes 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;
- seeks not to reduce the traditional supply needs in relation to the withdrawal.

ENTRY INTO FORCE: 30 October 2007.