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EU-25

Trade Policy Monitoring

Commission Proposes Sugar Reform to Begin 2005/2006

2004

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Report Highlights:

On July 14, 2004, the EU proposed a reform for its highly criticized sugar industry. The changes will be phased in over four years and are suggested to begin July 2005. Member States will begin discussing the proposal on July 19 at the Agriculture Council. The Member States must agree to the reform before it is finalized. The detailed legislative proposals should be available by the end of this year. The proposal includes decreasing the institutional support price by about € 210/t, replacing public intervention buying with a private storage scheme, cutting production quotas, and providing a direct payment to farmers.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Brussels USEU [BE2]
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Reforms

The Commission summarized the major reforms as the following:

- Reduction of the institutional support price from €632/t to €421/t in two steps over three years
- Reduction of the minimum price for sugar beet from € 43.6/t to € 27.4/t in two steps over three years
- Abolishing public intervention, replaced by a private storage scheme
- Reduction of EU production quota by 2.8 million tons (from 17.4 mt to 14.6 mt) over four years
- Reduction of subsidized exports by 2 mt (from 2.4 mt to 0.4 mt)
- New, decoupled payment for sugar beet farmers to partially compensate (60%) income losses
- Quotas transferable between operators of different Member States
- Conversion scheme of € 250/t for factories leaving the sector

Application

It is important to note that these reforms and the direct payment associated with them will apply equally to the entire EU-25, i.e. NMS will receive the same direct payment amount as the EU-15 rather than having the payment phased-in. Poland has brought a lawsuit against the Commission concerning the phase-in period for the dairy and nut reforms. According to Poland applying the phase-in scheme to these reforms changes the accession terms, which were agreed upon months before the dairy and nut reforms were finalized.

Trade Relations

The EU promises to stand by their commitments to the ACP countries and India. Before the end of 2004, the EU and affected countries will work together to define appropriate trade and development measures. The EBA agreement will not be affected. Furthermore, the reforms will be reviewed in 2008 to adjust for any changes regarding international trade agreements or decisions made by institutions, such as the WTO.

Fischler noted in his press conference on the sugar reform that "[T]hese figures clearly still take no account of two factors: The results of the Doha Round and the WTO panel looking into our sugar market organization. But the proposal does give us scope to make adjustments to production or export refunds if need be."

Social and Economic Impacts

The reform will work to tackle some environmental issues caused by intensive production. It will also ensure that EU farmers are partially compensated for the decreased price protection by supplying decoupled direct aid. However, industry workers will be negatively affected in the short-run. In the past ten years, 17,000 sugar related jobs were lost and this trend will continue. The hope of the reformers is that the jobs that remain will be competitive and sustainable. Moreover, the reform allows for an adjustment time of four years.

For more detailed information on this reform visit

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=MEMO/04/177&format=HTML&>

[aged=0&language=EN&guiLanguage=fr](#) and
http://europa.eu.int/comm/agriculture/capreform/index_en.htm

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