

Platform for fair and sustainable agricultures

*former "Campaign for an Immediate Change in the Direction of
the Common Agricultural Policy (CAP)"*

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EU Sugar Reform Position of the French Platform for fair and sustainable agricultures

**A common position,
initiated and developed by the following organisations :**

Farmers and Rural Organisations

Confédération Paysanne / Chrétiens dans le Monde Rural (CMR) / Mouvement Rural de Jeunesse Chrétienne (MRJC) / Réseau Agriculture Durable (RAD) / Association de Formation et d'Information pour le développement des Initiatives Rurales (AFIP)

Development NGO's

Coordination Sud / Centre de Recherche et d'Information pour le Développement (CRID) / Comité Français pour la Solidarité Internationale (CFSI) / Comité Catholique contre la Faim et pour le Développement (CCFD) / Groupe de Recherche et d'Echanges Technologiques (GRET) / Afrique Verte / Agir ici pour un monde solidaire / Centre International de Coopération pour le Développement Agricole (CICDA) / Fédération Artisans du Monde / Max Havelaar France / Solidarité / Peuples Solidaires

Environmental and Sustainable Development Organisations

4D - Dossiers et Débats pour le Développement Durable / Les Amis de la Terre / Réseau Action Climat France / Réseau Cohérence

Consumers Organisations

Action Consommation / Alliance Paysans Ecologistes Consommateurs / Confédération Syndicale des Familles (CSF)

The following organisations are also supporters :

A l'écoute de la nature, Accueil Paysan, Adéquation, Association pour un contrat mondial de l'eau, ATTAC, CEIPAL, Collectif Saône Doubs Vivant, Coordination des Associations de Solidarité Internationale de Bretagne (CASI), Femmes et Changements, Fondation France Libertés, Initiatives de Développement Stratégique, Institut de Recherche et d'Application des Méthodes de Développement (IRAM), Mouvement pour le Droit et le Respect des Générations Futures (MDRGF), Mouvement National de Lutte pour l'Environnement (MNLE), Rapsode, Réseau Afrique Europe Foi et Justice, Vétérinaires Sans Frontières.

EU Sugar Reform

I. THE EU SUGAR POLICY

The sugar common market organisation (CMO) was created in 1968, and has until now kept supply management mechanisms based on the following principles:

- A system of quota, with a fixed guaranteed price for the production tied to the European consumption (A-sugar) and for sugar exported on the international market through subsidies financed by the producers themselves (B-sugar). The sugar produced in excess of these quotas is sold on the world market, and producers are paid at the world market price (which is three times lower than the EU price on average).
- A strong border protection, in order to protect the European market from low price imports from other countries.
- Preferential import agreements, benefiting 19 African Caribbean and Pacific countries and India, at the European internal price, for a quantity that is partly fixed and partly negotiated each year (Sugar protocol). This sugar is then re-exported outside the EU, through subsidies issued from the European budget.
- A quota for imports of raw cane sugar with limited import tariffs, benefiting mainly Brazil and Cuba.

II. CONSEQUENCES OF THIS POLICY

I. Inside the EU

The EU sugar beet planted cropland in the EU25 is around 2.6 million hectares, among which 2 millions in former EU15.

The sugar CMO: a few figures

According to data related to the 2002/2003 harvest, the following data reflect the current balance of the EU market:

Yearly sugar production in the EU25: 20 to 21 million tonnes, among which 18 million for EU15 (due to de-classifications and transfers, the "available" production for a specific year is often less than the total physical production).

The total quota A+B for EU 25 has been fixed to 17 million tonnes, with 14 millions for EU15. Three countries benefit mainly from these quotas (Germany, with 3.5 million tonnes, Metropolitan France with 3.3 million, and 1.6 million for Italy).

Imports (sugar protocol and other systems): 2 million tonnes.

Total consumption inside EU25: around 17 million tonnes, with 13 million in former EU15.

Current exports outside EU25: 4 to 5 million tonnes.

Sugar houses receive A and B-sugar quotas, and these quotas are then distributed to the producers. The distribution, for certain factories, lacks transparency. The gaps between producers are significant.

There are around 350,000 sugar beet producers in EU25, and 240,000 in EU15. The average production per producer is 52 tonnes in EU25, while it was 70 tonnes in former EU15. The differences between countries are important (21 in Poland, 430 in Hungary, 200 in the UK, 126 in France, 79 in Germany, 28 in Italy).

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2. Outside the EU

The impact on ACP countries that have benefited from the protocol is positive since it has ensured stable and guaranteed export incomes. However, it encourages a one-product specialisation, and dependency vis-à-vis the EU. Moreover, only 19 out of the 78 ACP countries benefited from it, with a concentration benefitting only 5 (Morris, Jamaica, Guyana, Fidji, and Swaziland). Finally, non-ACP developing countries do not benefit from this preferential access.

The B and C-sugar exports on the world market, as well as the re-export of ACP and Indian sugar have negative effects (drop in prices, dumping) on other markets. These effects add up to those caused by exports from other big producing countries, whose competitive advantage is often gained through environmental and social dumping.

3. Sugar exports and development

The link between exports and development raises numerous questions that go beyond the sole issue of prices and access to markets. Indeed, generally, the incomes of small producers and the working conditions of agricultural workers and workers of the sugar industry are rude. The distribution of benefits between landowners, farmers and temporary workers is most often inequitable.

The sugar cane sector is changing in Southern countries through investments and mechanization. Reorganization of the supply chain and more delocalisation can be observed. The responsibility of industrial business leaders in this movement is high, particularly in terms of control over and degree of fair distribution of income between all the players, and of the respect of workers' rights.

III. EVOLUTION OF THE SUGAR POLICY : A NECESSITY

1. Why a reform ?

The market balances are undergoing important changes, inside the EU as well as at the global level.

The "Everything but Arms" initiative, in force since March 2001, gradually opens the European market to sugar coming from LDCs, with a full liberalisation foreseen in 2009, thus threatening the border protection of the EU sugar regime.

In addition, Brazil, Thailand and Australia registered a complaint at the WTO against the EU sugar policy. If it succeeds, which is very likely, it will probably condemn the EU, specifically for exports of C-sugar.

All these elements call for a necessary evolution of the sugar CMO.

2. The options of the European Commission

Three reform options are proposed by the Commission:

- **Status quo:** the regime would remain the same, with border protection and a lower level of EU production. This option contemplates a decrease in EU quotas to take into account the preferential imports in the framework of EBA.
- **Price reduction:** once the levels of imports and production have been stabilized, the production quotas would be gradually eliminated while maintaining a minimum level of protection for imports. The level of internal prices would thus decrease, and this could be compensated by direct payments.
- **Liberalisation:** the quota system and border protection are abolished, and a direct payment could be granted to the producers.

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A fourth option that appeared in the preparatory works of experts has not been considered by the Commission: the return to fixed quotas: instead of fluctuating like they do at the moment in order to face the unlimited imports, they would come back to a fixed level. This implies putting a ceiling on imports, in particular the LDCs' ones, to ensure a certain balance on the European market.

IV. TOWARDS A FAIR AND SUSTAINABLE SUGAR POLICY

1. The principles of the French platform for fair and sustainable agricultures

The perspectives of a reform of the EU sugar CMO need to be integrated in an international framework. An international regulation of the sugar market is necessary in order to respect the following principles:

- Respect for the principle of food sovereignty
- Agricultural policies that contribute to family farming
- Agricultural prices should be remunerative, in a way that allows farmers and farm workers to live from their work with dignity
- Fair international exchanges, with preferential commercial agreements, that prohibit dumping
- Promotion of sustainable agriculture practices, respectful of the environment and satisfactory to the consumers.

2. What reform for the EU sugar regime?

Among the options proposed by the EC, none really respects these principles. The platform's member organizations propose the following measures:

- To maintain a quota system.
- To eliminate subsidies and all forms of funding that create dumping, which sums up to reducing progressively, in the perspective of their elimination, European surplus exports.
- To distribute sugar production in a better way among European producers, in order to promote sustainable family farming. The producers who currently enjoy important quotas will have to bear a bigger part of the burden than small producers.
- To distribute ACP quotas more equitably between the ACP countries.
- To create a quota for LDCs' access so that they can benefit from the high European price ; there is also a need for traceability tools in order to make sure that these quotas do not benefit mainly big private groups, disadvantaging small producers.
- To effectively launch bio-fuels, after having evaluated their energy balance and taken into account the necessity to pay a remunerative price for beet growers and to distribute production in favour of family farming. In this perspective, a production of protein-rich oil crops overcoming the limits of the Blair House agreement (1992) must be encouraged. Energy uses of the biomass should also be promoted.
- To encourage policies aiming at processing sugar in developing countries, as well as at the diversification of economic activities in these countries.
- To link developing countries access' to the EU market to the respect of the sugar cane cutter and workers of the sugar industry's fundamental rights in producing regions, and to the payment of a salary that enable them to live with dignity, after having consulted the local representative unions.
- To create a negotiating environment conducive to promoting corporate responsibility and sustainable development policies of European companies, taking into account the preservation of local interests, in dialogue with civil society and social actors (labour unions, ...).