



Council of the
European Union

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NOTE

From: General Secretariat of the Council
To: Council

Subject: Future of the European Sugar sector
- *Information from the Italian delegation*

Delegations will find attached a note from the Italian delegation on the above subject, to be dealt with under "Any other business" at the Council (Agriculture and Fisheries) on 26 January 2015.

Future of the European sugar sector

Italy would like to highlight the difficult situation faced by the European sugar sector following the EU decision to abolish the quota system for sugar from October 1st 2017.

Market data (Sugar Price reporting, AGRI C 4 - Committee for the Common Organization of Agricultural Markets, 18th December 2014) show a reduction of the average EU prices in the last 21 months of over 285 €/ t: indeed, from 738 €/ t on January 2013 the reported average arrived to 453 €/ t. (last data available on October 2014), with a decrease of - 38.6%. Considering the spot sales prices, the situation is even more difficult.

A recent European Commission study "Prospects and Income of Agricultural Markets in the EU-2013-2023" forecasts that the EU sugar prices could fall to 408 €/ t when the quotas will end. This downwards trend is also reported by the forecasts of FAO (FAO food price index), that confirm a global further decline in the coming years.

Such situation will result in considerable negative consequences in some EU countries, including Italy.

This situation will cause, therefore, that the sugar industry will no longer have the possibility to grant a sustainable beet price, with the risk of factories not being supplied of the raw material needed to operate in a competitive way.

A further proof of the difficulties that the sector is facing is also demonstrated by the decision adopted by 10 EU Member States, including Italy, to grant coupled support to sugar beet cultivation, within the CAP.

The prospects for the current campaign and next one indicate exceptionally high availability of product on the European market, with high stocks and an expected sugar production record of about 20 million tonnes for the 2014/15 campaign. More than 6 million tonnes are of out of quota sugar (compared with a consumption of out of quota of about 3 mln t. for exports and bioethanol production) for which it will be necessary to find appropriate commercial outlets (see the last Balance Sheet Directorate General Agriculture circulated on 30/10/2014 in the Single CMO management Committee).

Also, at a global level, there is a context of 4 years of strong surplus and have been registered prices among the lowest in the last decade.

This market situation is causing a strong impact on the economic viability of the sugar companies, with the risk of consequences over the entire supply chain: beet growers, sugar companies and, in particular, with strong damages for the direct and indirect employment. Operators are very concerned, both for the current marketing year and for the future of the sugar sector, with the necessity to ensure a responsible transition to the new production system without quotas, that will start from October 1st 2017.

At this regard, giving the sensitive and difficult situation of the sector, Italy invites the Commission to open, already now, a “high level” deep debate, as already activated for other sectors, to evaluate the current situation and the future of the sector (beet and sugar and raw sugar refineries) and to assess possible extraordinary measures to be taken to ensure a smooth transition, in view of the end of sugar quotas in 2017.