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**NOTE**

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From:	General Secretariat of the Council
To:	Delegations
Subject:	The future of sugar sector in the EU

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Delegations will find attached in Annex a note from the Italian delegation on the above subject, concerning an item under "Any other business" at the Council ("Agriculture and Fisheries") on 13 July 2015.

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**THE FUTURE OF SUGAR SECTOR IN THE EU**

The decision to abolish sugar quotas by 2017 and the current sugar selling prices drastically dropped compared to the last year will cause serious risk for the economic viability of sugar sector in several Member States. The recent Commission study “Prospects for Agricultural Markets and Income in the EU 2013-2023” highlights as the EU sugar prices could fall to 406 €/t when the market will be completely liberalized.

The beet campaign 2015 was characterized by an exceptional harvesting and consequently sugar production. This situation has caused a strong availability of “out of quota sugar” for more than 6 million tons, with a stable consumption of approximately 3 million tons in a regulatory framework in which sugar exports on the world market are still limited until 2017 to a maximum of 1,3 million t.

Hence, an important part of this out of quota production will not find outlets with the possibility to be moved to the next beet campaign 2016. Therefore, this production should be consequently stocked, with high cost for operators. This situation could cause also the reduction of the beet areas for the next campaign.

During the Council of January 26th 2015 Italy called the Commission to assess deeply the difficult situation of the sector and invited to consider to hold a "high level group" for discussing the problematic and possible solutions. Eleven Member States supported the Italian request by recognizing the difficulties the sector is facing and the need for urgent action.

According to this request the Commission organized a proper “expert group” that has been summoned twice so far (26 March and 25 June 2015). Those meetings has been limited only to present mainly the market situation, without any discussion on possible solutions for facing the serious crisis of the sector.

In this scenario Italy wants to highlight again the serious difficulties for the future of the sugar sector in the EU. This situation is causing a strong impact on the economic viability of the sugar companies in several Member States, with the risk of heavy negative consequences over the entire supply chain, in particular for the farmers with strong damages for the direct and indirect employments.

The operators are very concerned for this situation and given the fact the new marketing year is approaching, they are waiting for some positive and urgent signals from the Institutions.

For those reasons we believe that the following elements and considerations should be taken into account by Commission.

The EU sugar sector is subjected to a “production charge” of 12 €for each ton of sugar produced which contributes the EU Budget. This “tax” has been always paid since 2007 by the entire sugar sector ( including the farmers) to the EU and it will continue until 2017 assuring an high level of contribution from the sector to the entire Union.

In this context it is also worth to remind that the past restructuring scheme of the sugar sector ( EC regulation no. 320/2006) has ended with a very positive amounts that have been destined to the EU budget.

For this reason we believe that the amounts related to the above mentioned “tax” could be used for possible solutions that could really support the sector in this moment.

A possible solution could be to use those amounts to mitigate the negative ( social and economical) consequences for the sector and to ensure also a smooth transition towards the end of the quotas. Given the high availability of the sugar in the EU, the possible solution should favour in particular a better market balance.

In alternative, other solutions could be found within the exiting crisis tools of the current EU legislations, in particular those stated in the CMO.

Moreover finally, at the end, we do believe that the sensitive and difficult situation of the sugar sector in the EU should deserve a higher attention from the Commission. For this reason, we invite again the Commission to start a discussion by holding a proper “high level debate” ( as has already been for other sectors) that can assess and propose possible solutions, including extraordinary measures.