



Council of the  
European Union

083619/EU XXV. GP  
Eingelangt am 12/11/15

Brussels, 12 November 2015  
(OR. en)

13928/15

AGRI 587  
AGRIORG 86

**NOTE**

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From:	General Secretariat of the Council
To:	Delegations
Subject:	The future of the sugar sector in the EU - request from the Italian delegation

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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 16 November 2015.

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

The decision to abolish sugar quotas by 1<sup>st</sup> October 2017 and the drastically dropped sugar selling prices are causing strong impacts for the economic viability of the entire EU sugar sector.

The sector is under unprecedented pressure. The reported sales price of sugar in the EU are following a downward trend getting very close to the reference threshold and have been the lowest since the beginning of the price reporting scheme in 2006.

In this scenario, a recent study produced by the DG Agriculture of the European Commission “Prospects for Agricultural Markets and Income in the EU 2015-2024” reports that, after a slight rise in 2016, the EU sugar prices will fall to 392 €/t, in 2017.

The current situation and the scenario presented by the Commission itself with the level of prices towards the end of quotas, threaten the viability of sugar production in the many Member States EU and, consequently, the employment that, directly or indirectly, depend on it.

Many operators in different Member States at these price levels will not produce anymore and will be forced to leave the production. The farmers will abandon growing beets with consequent damages for agro-environment for the benefic effects that the beet cultivation has in the soils.

At the Council of EU Ministers of agriculture of January 26th 2015, and again at the Council meeting of last July, Italy called to deeply assess the difficult situation of the sector and invited the Commission to activate a "high level group" for assessing the situation and identifying, if it is the case, possible solutions and urgent actions. Eleven Member States supported the Italian request.

Following up that request the Commission decided to hold an "expert group" organized in three sessions (26 March, 25 June and 29 October 2015). Those meetings, were focused only the market situation, without any discussion on concrete possible solutions to face the crisis of the sector.

The current situation, coupled with the impending quota removal, will entail social consequences that institutions and operators need to anticipate and reply quickly. Operators are therefore waiting for some positive, urgent, and responsible signals from the Institutions.

Italy deems that the track forward the complete liberalization of the sugar market in the EU should be assessed more carefully by the Commission trying meanwhile to find proper solutions for a smooth transition of the sector towards the new era.

For these reasons we believe that this problematic deserves an attention at higher level, therefore we call the Commission to consider to activate a proper "high level group" as well as it has already done for other sectors in which it is possible to assess and propose possible solutions – even including extraordinary measures - to face the current situation. It would be moreover appropriate to involve operators and listen to their preoccupations and proposals.

Moreover, 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 a high level of contribution from the sector to the entire Union.

For this reasons 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 and mitigate the negative ( social and economic) consequences for operators which will not have the conditions to produce any more. At the same way, it could be ensured a smooth transition towards the end of the quotas and favor a better market balance.

This proposal is furthermore supported by the Social Dialogue of the sugar sector – formed by CEFS and EFFAT - officially recognized by the European Commission. At the last meeting of October has adopted a declaration on a possible restructuring fund reaffirming "the importance of using the funds raised from the sector to support the sugar industry, its human capital and employment it generates at this moment of deep market crisis".<sup>1</sup>

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<sup>1</sup> See joint statement at <http://www.effat.org/en/node/14097>