Description of the EU sugar regime

Core elements of the regime

1. The EU Sugar Regime, properly called the Common Market Organisation in the Sugar Sector, is renegotiated every five years and is currently governed by Council Regulation (EC) No 1260/2001 which is applicable until 30 June 2006. The Regime sets an intervention price, which is the minimum guaranteed price for sugar produced in the EU. Since the intervention price is higher than world market prices, production quotas and tariffs are set to prevent oversupply of sugar to the European market. To ensure that the existence of the intervention price does not impede competitiveness on international markets, refunds are available for exports of both sugar and processed goods containing sugar. A system of production levies on sugar producers ensures that the EU sugar regime remains self-financing.

2. In order to prevent high EU prices stimulating excess production, only sugar produced within quotas can be traded within the EU. The quotas are established for each EU member state, within an overall EU quota. There are two types of quota: the 'A' quota reflects Community consumption of sugar and is split between member states based on historical national consumption, whilst the 'B' quota was originally designed as a margin allowing processors to fill their 'A' quota without being penalised for fluctuations in crop yields. Over time the rationale for 'B' quotas has become irrelevant. Following a period of stability between 1980/81 and 2001/02, quotas have been reduced to comply with the 1994 Agreements on Agriculture of the Uruguay Round of the GATT negotiations.

3. Quotas for the current Regime are as follows:

TABLE 1 **Quotas for sugar beet for the 2001/02 to 2005/06 marketing years (tonnes '000)**

	A quota	*B quota*	*Total quota*
Denmark	325	96	421
Germany	2,613	804	3,417
Greece	289	29	318
Spain	957	40	997
France (incl overseas departments)	2,970	799	3,769
Ireland	181	18	199
Italy	1,311	247	1,558
Netherlands	684	180	864
Austria	314	73	387
Portugal (incl Azores)	72	7	79
Finland	133	13	146
Sweden	335	33	368
Belgium/Luxembourg	675	145	820
United Kingdom	1,035	104	1,139
Total EU—15	**11,894**	**2,588**	**14,482**

Source: Council Regulation (EC) 1260/2001.

TABLE 2 **Accession Country Quotas for sugar beet forthe 2003/04 to 2005/06 marketing years (tonnes '000)**

	A quota	*B quota*	*Total quota*
Czech Republic	441	14	455
Latvia	66	0	66
Lithuania	103	0	103
Hungary	400	1	401
Poland	1,580	91	1,671
Slovenia	48	5	53
Slovakia	190	18	208
Total Accession Countries	**2,828**	**129**	**2,957**

Source: Council Regulation (EC) 1260/2001.

4. The entire UK quota for sugar from beet of 1.139 million tonnes white sugar is held by British Sugar. Tate & Lyle is the sole refiner of imported cane sugar in the UK, and has a contracted supply with ACP signatory countries of some 1.1 million tonnes white sugar equivalent (see paragraph 8*(e)*).

5. Quotas are also applied to two sugar substitutes, isoglucose and inulin syrup.

6. Certain prices in the sugar sector are established administratively by the EU on an annual basis for both raw and refined sugar:

   (a) The Intervention Price is the price paid to the producer by intervention agencies if the sugar cannot be marketed within the EU.

   (b) The Basic Sugar Beet Price is deduced from the Intervention Price. It is based on the assumption that 58 per cent of the intervention price goes to growers and that 7.7 tonnes of standard quality beet is needed to produce one tonne of sugar. In practice this price is only used as a reference for setting the prices paid to growers.

   (c) The Minimum Sugar Beet Price is the price at which sugar manufacturers are required to buy beet from growers. It is set at 98 per cent of the basic beet price if it is produced within the 'A' quota and 68 per cent of the basic price if the sugar is produced within the 'B' quota.

   (d) The Effective Support Price1 is derived from the intervention price by adding a storage premium of €20.

7. A trading system comprising import levies and export refunds prevents prices inside the Community from being affected by price fluctuations on the world markets.

   (a) Originally import duties varied with world prices but following the Uruguay Round of negotiations, they have been replaced by fixed import tariffs which have been reduced over the 1995/96 to 2000/01 period (see Table 3). In addition, under a safeguard clause, the EU may charge an additional duty if the import volume exceeds a trigger level or if the world market price falls below €531/tonne.

[1]Beet deficit areas benefit from an additional support mechanism to compensate for the sugar transport cost.

TABLE 3 **Basic EU import tariff**

	White sugar in euro/tonne	*Raw sugar in euro/tonne*
1995/96	507	410
1996/97	490	396
1997/98	473	382
1998/99	456	368
1999/00	439	354
2000/01	419	339
2001/02	419	339
2002/03	419	339

Source: Agritrade.

(b) Sugars produced under 'A' and 'B' quotas and sugars imported under preferential agreements can be exported with refunds, which are financed through production levies collected from beet growers and sugar producers (this arrangement is commonly referred to as export with restitution). The refunds for maximum quantities and a maximum price are determined by the Sugar Management Committee 36 times a year. Producers are then invited to tender, quoting an export refund and quantity of sugar. Awards are made to tenderers in ascending order of export refunds quoted from a budget established for this purpose.

(c) Any sugar produced in excess of the quotas is not eligible for support and cannot be marketed within the EU. It is either carried over to the following year or exported on the world market without any support. The exported portion of this sugar is called 'C' sugar.

Preferential agreements

8. Although the Sugar Regime was originally conceived as a support mechanism for beet sugar production, a number of Preferential Agreements with cane producing countries have been signed over the years.

(a) The Protocol on Sugar attached to the 1975 Convention of Lomé between the EU and ACP countries, originated in the Commonwealth Agreements, which covered 2/3 of the UK's consumption of sugar prior to its accession to the EU. The initial terms of the Agreement were renewed in June 2000 via the Cotonou agreement. For marketing year 2003/04, the quantities of the delivery obligations under this agreement amount to 1,279,414 tonnes, of which 10,000 originate from India and the remaining 18 ACP signatory countries.

(b) An agreement with the Overseas Countries and Territories (known as the OCT agreement) signed in 1991 exempts sugar produced in these countries from custom duties. 23,000 tonnes of raw cane sugar were imported mostly from the Netherlands Antilles and Aruba into the EU under this agreement in 2003.

(c) The 1995 enlargement of the EU to Finland led to a new agreement, the Most-favoured Nation Agreement which allows the import of 85,463 tonnes of raw cane sugar under the CXL quota from Brazil and Cuba.

(d) The 'Everything but Arms' initiative suspends all common customs tariff duties for products from 46 least-developed countries, including six of the signatories to the ACP Protocol. Particular provisions apply to sugar. Raw cane sugar under quotas of increasing size (see Table 4) has been imported without duties since 2001/02, whilst duties on imports of all sugar from these countries are due

to be phased out between 2006 and 2009, at which point, all sugar imports from these countries will be quota free and duty free.

TABLE 4 **EBA transitional quotas for raw sugar (tonnes)**

Year	*Quota*
2001/02	74,185
2002/03	85,313
2003/04	98,110
2004/05	112,827
2005/06	129,751
2006/07	149,213
2007/08	171,595
2008/09	197,335

Source: European Commission.

(e) In order to ensure that the seven sugar cane refineries based in the UK, France, Portugal, Finland and Slovenia can continue to access adequate supplies of raw sugar, a quota equivalent to their 'presumed maximum needs' has been set and is open to the signatories to the ACP Protocol, MFN Agreement and EBA Initiative. The maximum supply needs of the cane refineries were set at 1,774,074 tonnes white sugar equivalent for the 2003/04 season.

(f) At the end of 2001, all import duties for products, including sugar, originating in Albania, Bosnia-Herzegovina, Croatia, Former Yugoslavian Republic of Macedonia, Serbia and Montenegro, were eliminated. This so-called 'Balkans Initiative' resulted in the import of 300,000 tonnes of sugar into the EU, which was counterbalanced by a decrease in national quotas. The preference granted to Serbia and Montenegro has now been suspended.