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**A DESCRIPTION OF**

# **THE COMMON ORGANISATION OF THE MARKET IN SUGAR**

**September 2004**

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## CMO in the sugar sector

### 1. OVERVIEW

When set up in 1968 the main purpose of the common market organisation (CMO) in the sugar sector<sup>1</sup> was to ensure a fair income to Community producers and self-supply of the Community market. Import levies provided firm protection against external competition. Community production was firmly restrained by quotas in line with internal demand. Levies on producers credited to the Community budget covered the cost of exporting the surplus of production over consumption. Since the sector was kept in profit by the prices consumers indirectly paid, the organisation incurred scarcely any budget expenditure.

The first change was in 1975 following the United Kingdom's accession, when the CMO incorporated that country's previous commitments to certain ACP countries to import raw cane sugar for refining and subsequent sale on the UK market. The 'ACP Protocol' opened the Community market to cane sugar and guaranteed the Community price to the countries in question. The influx of these quantities without any new restriction on Community production resulted in the need to export an additional quantity of sugar, at a cost met exclusively from the Community budget. That opening of the market to Community refineries was reinforced - albeit to a limited quantity - when Portugal, Finland and then Slovenia joined.

The second big modification came in 1995 with the limitation of export refunds following the Uruguay Round. The CMO was adjusted by making provision to reduce production quotas if this limitation no longer allowed excess sugar available on the Community market to be exported. In practice, in the event of higher imports, market balance is re-established by reducing Community production.

That provision has not been used for some years. However, the opening of the Community market, particularly to the Balkans in 2001, has resulted in an increasing inflow of sugar and hence production quota reductions. Since the CMO maintains a Community price much higher than the world price, the EU market is very attractive to any third country and the risk now is of increasing supply of the Community market by third countries profiting from preferential agreements, with a steady reduction in Community production.

At present the CMO is governed by Council Regulation (EC) No 1260/2001 (the 'basic Regulation'). Its primary provisions, quotas and prices are applicable only up to 30 June 2006.

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<sup>1</sup> Council Regulation No 1009/67/EEC, OJ 308, 18.12.1967.

## 2. INTERNAL MARKET

### 2.1. Price and income arrangements

Internal support is provided and income safeguarded by intervention buying of sugar and a minimum price for beet. These provisions have hardly been modified since the CMO was introduced.

#### 2.1.1. Intervention price

The intervention price is the price at which intervention agencies are required to buy in the eligible sugar delivered to them. Since 1993 it has been frozen at €631.90 per tonne for white sugar and €23.70 per tonne for raw sugar.

*How raw sugar differs from white sugar:*

*The sugar contained in beet or cane is extracted by dissolving it in water. The resulting sugar juice is concentrated into sugar syrup that crystallises from a particular degree of supersaturation. Plant waste impurities retained on crystallisation colour the sugar: this is raw or brown sugar with a sweetening power less than that of white. Refining involves eliminating these impurities to less than 0.5% to obtain perfectly white sugar.*

*Raw beet sugar is not useable as such since the impurities give it a disagreeable taste. The industrial processing of beet is always continued to the white sugar stage of the marketed product.*

*Raw cane sugar, on the other hand, can be ingested as it is. The impurities give it a particular taste, some nutritional value and a natural product image that is of weight with some consumers.*

*World trade in cane sugar is primarily at the raw sugar stage. Refineries, generally located close to the consumption zones, provide the whole quality range needed for the various industrial uses of white sugar. A tonne of 'standard' raw sugar gives 0.92 tonnes of white sugar. But the raw cane sugar imported into the Community gives a yield close to 0.97.*

In the beginning the intervention price for raw sugar was deducted from the price for white, through reductions of €4.20 a tonne and €8.50 a tonne (at 2000/01 values), these amounts relating respectively to the refining margin (a variable refining cost for a sugar factory) and the average transport costs from a factory producing raw sugar to a refinery, after which the coefficient of 0.92 is applied.

Intervention is conceived as a 'safety net' guaranteeing a minimum price for sugar. The other tools of the CMO, notably import duties and restriction of available quantities, keep market prices above the level of intervention, which was activated only in the very first years of the CMO. Only once in the last 25 years has sugar been offered to the intervention agencies: 15 000 tonnes in 1986.

2.1.2. The **minimum price** is the price at which sugar factories are required to buy beet from growers. It is set by the Council at €46.72 a tonne for the A beet used to produce A quota sugar and €2.42 a tonne for the B beet used to produce B quota sugar (see 3.1).

The purpose of setting these beet prices is to ensure a fair income to the grower and a proper balance in the distribution of income from sugar between growers and factories.

Originally the split, based on production costs, was about 58% to growers (i.e. €366 a tonne at the present intervention price) to cover beet production costs and margins and 42% to the industry (€265 a tonne ) to cover processing costs and margins. There has been practically no variation in this split.

On the basis of 7.7 tonnes of standard quality beet needed to produce one tonne of sugar (processing coefficient 0.13), the agricultural share of €366 per tonne of sugar corresponds to a price of €47.67 per tonne of beet, the level at which the basic Regulation sets the 'basic price' for beet. This basic price is the reference for setting the minimum beet prices: the A and B prices are the basic price reduced by 2% and 32% respectively. These percentages are linked to the levies (how these work is explained at 3.4).

These official prices have remained stable following two periods of increase in the mid-1970s and at the beginning of the 1980s, coinciding with two world sugar crises when world prices rose sharply (see Annex I). Hardly any correction was made when the world price fell to the previous level as quickly as it had risen. The world market/intervention sugar price ratio, barely 1:2 in the opening years of the organisation, is now 1:3.

The present prices, unchanged since the 1993/94 marketing year, are in force up to the end of 2005/06.

## 2.2.Derived prices

Each year the Commission sets 'derived' intervention prices for white sugar for the Community's sugar 'deficit areas'. These are between €16 and €23 a tonne higher than the basic Regulation intervention price (set in Article 2), depending on the area.

The difference is calculated by estimating sugar transport costs between surplus and deficit zones; beet growers receive it in full in the form of a 'regionalisation premium' of €2 to €3 a tonne, to be added to the minimum beet price. This cost falls to the sugar manufacturers and, in the absence of intervention, entails no budget expenditure.

Derived intervention prices and corresponding regionalisation premiums, 2004/05<sup>2</sup>:

Member States	Derived intervention price (€a tonne of sugar)	Regionalisation premium (€a tonne of beet)
Ireland, UK, Portugal, Finland	646.50	1.90
Spain	648.80	2.20
Greece, Italy	655.30	3.04

Originally there were derived prices only for Italy, the only Member State where sugar production was lower than consumption. Except for a short period between 1998 and 2002 Italy has always had a sugar deficit, and this deficit has increased recently because of the drop in production.

<sup>2</sup> Commission Regulation (EC) No 1216/2004, OJ L 232, 1.7.2004.

Derived prices were subsequently introduced in the United Kingdom, which pointed to its deficit in beet sugar production and a need to boost its beet-growers' competitiveness against refiners of imported cane sugar. Ireland, a country with high production costs and surplus sugar but very closely linked to the UK market, was therefore joined with the United Kingdom to form a 'common deficit area' in which derived prices applied.

The provisions were lastly extended to Spain, Portugal and Finland, all three in a situation similar to that originally prevailing in Italy: a deficit and high growing costs.

Greece suffered a deficit for the first time in 2004 as a result of the collapse of its production. The new Member States have been deemed to form a single, non-deficit market area.

### **2.3. Interprofessional agreements**

Since it began the organisation has incorporated framework provisions on contractual relationships between beet growers and sugar manufacturers aimed at ensuring an equitable balance between the two sets of partners and encouraging inter-trade agreements of benefit to the entire sector and the competitiveness of Community production.

Thus the annexes to the basic Regulation defines standard sugar and beet qualities and set purchase terms for beet and rules on quota transfers between enterprises.

### **2.4. National aids**

Article 46 of the basic Regulation authorises national aids in some Member States up to the 2005/06 marketing year.

In Italy the aid is restricted to €54.3 per tonne of sugar and to producers in certain southern regions. In Spain a maximum of €72.5 per tonne of sugar can be granted to cane growers. In Portugal aid of €31.1 per tonne of sugar can be granted to beet growers on the Portuguese mainland. Finland is authorised to grant storage aid for sugar carried over.

For Italy since the market organisation was launched, and for the other Member States since their accession, these temporary provisions have always been renewed, but on more restrictive terms.

### **2.5. The outermost regions**

#### *2.5.1. Special provisions for French Overseas Departments (FOD)*

Under Article 7(4) of the basic Regulation 'disposal' aid is granted on cane sugar produced in the French overseas departments to offset the handicap of the distance between the production zones and refineries located in Continental Europe. It covers a maximum of 240 000 tonnes, corresponding to a total amount of €18 million.

Averaging €74 a tonne, it comprises:

- aid for transport from the production regions to the European Continent averaging €66 a tonne. Paid to the FOD sugar producer, this is calculated on transport and storage costs<sup>3</sup>;
- refining aid averaging €8.1 a tonne<sup>4</sup> paid to Continental European refineries to offset the difference resulting from application of two price scales, one for ACP sugar and the other for Community sugar, when the refining yield varies from the standard quality. Additional aid will be added to this aid (see page 21).

In addition, under Article 4(1) and (4) of Council Regulation (EC) No 1254/89<sup>5</sup>, France pays a national aid to its OD cane growers in the form of a price supplement.

### 2.5.2. Support under POSEI programmes<sup>6</sup>

Under the special supply arrangements for the outermost regions, there is exemption from import duties for certain food products and aid on supplies drawn from the Continental Community market.

In the sugar sector these provisions apply to white sugar for direct consumption in the Canaries and Madeira (61 000 and 6 200 tonnes respectively) and on 6 500 tonnes of raw beet sugar to be refined in the Azores.

Most of this supply is Community sugar: aid is given on 5 000 tonnes, the same rate as for export refunds, (total expenditure about €2.4 million).

In the Azores aid paid to beet growers of €800/ha and to sugar factories of €270 per tonne of sugar, accounts for a total expenditure of €0.2 million for a production of 700 tonnes of sugar.

In the FOD aid of an average of €2 to €3.2 a tonne, depending on the FOD, is granted for the transport of cane from the fields to the sugar factory (total appropriation €8.8 million.)

Under Articles 17 of Regulation (EC) No 1452/2001 and 18 of Regulation (EC) No 1453/2001, aid is granted in Madeira and the FOD for the processing of cane into sugar syrup or rum<sup>7</sup>.

The aid is paid on the final product. It is €90 a tonne in the FOD and €53 a tonne in Madeira for sugar syrup. For rum it is €64.22 (FOD) or €90 (Madeira) per hl of pure alcohol. These aids are conditional on payment of a minimum price to the cane grower varying by region from €45 to €79 per tonne. There are maximum limits of

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<sup>3</sup> Commission Regulation (EC) No 1554/2001 (OJ L 205) Article 2 (transport to fob stage €17 or €24 a tonne, sea transport €25.6 a tonne, storage cost €3.3 a tonne /month, sea transport adjustment €5.0 a tonne ).

<sup>4</sup> Regulation (EC) No 1554/2001, Article 4.

<sup>5</sup> OJ L 126, 9.5.1989, p. 5.

<sup>6</sup> Council Regulations (EC) Nos 1452, 1453 and 1454/2001, OJ L 198, 21.7.2001.

<sup>7</sup> Implementing Regulations: (EC) Nos 738/2002 (FOD) and 1410/2002 (Madeira), OJs L 113 and L 205.

250 tonnes of syrup both in the OD and in Madeira, and for rum of 75 600 hl in the FOD and 2 500 hl in Madeira.

These sugar syrup and rum aids involve a budget commitment of €1.1 million.

### 3. RESTRAINTS ON COMMUNITY PRODUCTION

With production of about 19 million tonnes, the European Union is the third largest sugar producer in the world, after Brazil and India.

#### 3.1. Quota sugar

The Community prices are guaranteed only for production within quotas.

The total quota amount of 17.4 million tonnes for the Community of 25 splits into A quotas (82%) and B quotas (18%) set per Member State. Each Member State allocates its quotas by sugar undertaking and each factory converts its quotas into 'delivery rights' for each grower.

In 1968 the CMO's provisions identified first of all a 'basic' quota, the present A quota, corresponding to Community consumption and split among the Member States<sup>8</sup> on the basis of their previous production. In addition to the basic quota granted, each enterprise could produce an additional quantity set at between 30% and 45% of the basic quota, according to market disposal potential. The basic quota and its supplement formed the maximum quota of each enterprise. The supplement evolved to become the present B quota.

Originally the A quota guaranteed each Member State a share of the Community market, whereas the B quota afforded what was a rigid organisation some degree of flexibility and adaptability to better growing and market conditions.

Initially the B quota was the margin allowing enterprises to fill their A quota without any risk of penalisation if they overshoot it given the fluctuations intrinsic to all agricultural production. Accordingly B sugar could (and can still) be 'carried over'.

In theory the B quota was that part of Community production that could be exported with a refund. Thus it primarily gave enterprises that had the capacity, i.e. the most competitive, the possibility of expanding by producing, on less favourable terms, quantities additional to the A sugar: the cost of exporting the surplus thus produced had to be met by the enterprises through levies on B production. The thinking was that prices obtained for B sugar net of the levies would approximate to selling conditions on the world market.

In reality, for various reasons indubitably linked to price trends and the distribution of levies, this did not happen and contrary to expectation B sugar production slowly became general. The initial thinking behind the B quotas came to be forgotten and in the mid-1980s they were frozen at earlier production levels. The role initially assigned to the B quota was then to be taken over by C sugar.

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<sup>8</sup> Except for Luxembourg and, after the most recent enlargement, Cyprus, Estonia and Malta.

The 1975 reform<sup>9</sup> was a significant milestone in the evolution of the overall size of the quotas.

The Commission's memorandum of July 1973 projected a reduction in the A quota to 8.4 million tonnes, restriction of the B quota to 15% of A and a complete prohibition on C sugar. The A quota would be equivalent to consumption (9.8 million tonnes) less projected imports from the ACP countries. But at this time there was an exceptional production crisis and high world market prices. In the end an A quota of more than 9 million tonnes was set, a B quota of 45%, and no C restriction was imposed. The same period was also to see official prices increased by 30%.

There was no further change in quantities except the additions for new Member States at approximately the level of their previous production. The most recent basic Regulation reduced quotas by 115 000 tonnes, or half the exportable structural surplus<sup>10</sup> over the WTO quantitative ceiling at the time (see 5.2).

For the May 2004 enlargement, quotas have been allocated as follows:

- for the four countries in surplus (Czech Republic, Hungary, Lithuania, Poland): the A quota is set at the level of consumption and the B quota is the sum of the refund-aided exports permitted under the WTO Agreements and exports to the other members of the Union of 25.
- for the three deficit countries (Latvia, Slovakia, Slovenia): the A quota is set at the level of production and the B quota at 10% of the A quota; the total quota may not exceed the level of consumption.
- for the three countries not producing sugar (Cyprus, Estonia, Malta): no quota set.

The overall quota for the new Member States is 2.9 million tonnes, more than 95% of which is A quota. It is virtually the consumption level of these countries but 11% below their average production during the reference period 1995-2000<sup>11</sup>.

The EU-25 quota will be 17.4 million tonnes, for projected production of around 19 or 20 million tonnes and consumption around 16 million tonnes.

### 3.2. Non-quota sugar

The CMO allows quotas to be exceeded but there is no support for production above the quotas, nor can it be freely marketed within the Community. This production must be 'carried over' to the following marketing year, or else exported as it is, without a refund.

#### Carry over

The carryover involves, for a sugar factory that has produced beyond its quota, storage of the surplus for a minimum period of 12 months, following which it is treated as A sugar produced by the factory as part of that year's production. It can then be sold on the Community market and the guaranteed prices are applied to the beet used to produce it. Production is, as it were, delayed for a year.

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<sup>9</sup> Council Regulation (EEC) No 3330/74, OJ L 359, 31.12.1974.

<sup>10</sup> Total of production and imports, minus consumption.

<sup>11</sup> Quota: 2 958 392 tonnes, consumption: 2 912 000 tonnes, production: 3 302 000 tonnes.

### C sugar

The sugar produced outside the quota that is not carried over must be exported without refund, and is called C sugar. Its value is the price of sugar on the world market and the beet used to produce it, termed 'C beet', is paid for at a non-guaranteed variable price.

The price of C beet is freely negotiated between growers and manufacturers. Under some agreements the beet price is derived from the price obtained for the C sugar using the same split as for official prices (58% to growers and 42% to manufacturers). In practice the price of C beet can be reckoned at between €10 and €20 per tonne depending on the year and the specific position of each enterprise. Its profitability as a crop is to be assessed by comparing its net return per hectare with that of an alternative crop, usually a cereal<sup>12</sup>.

The choice between carryover or export of the surplus sugar lies with the growers and manufacturers. Generally carryover absorbs one third and export two thirds of the quota overruns.

Carryover is preferred in certain zones where overruns are chance events, e.g. resulting from very favourable weather. In contrast, some regions with competitive production conditions now systematically turn out C sugar to up to 30% of the quotas (see Annex III). C sugar plays the part intended for B sugar when the CMO began by permitting extension of production based on the comparative advantage of certain regions. Thus it acts as an ongoing spur to improvement of the competitiveness of Community production. The C production percentage of a sugar factory is a good indicator of the region's productivity.

C sugar production, nil in the first years of the CMO, has risen steadily with productivity gains to exceed 2.6 million tonnes, i.e. the equivalent of 20% of production under quota.

Thus C sugar, when added to the exportable sugar of the A and B quotas (1 million tonnes) and exports of a quantity equivalent to the ACP and India preferential imports (1.6 million tonnes) has made the Union the main player on the world white sugar market, with average exports of around 5 million tonnes.

### **3.3. Non-CMO sugar**

Under Article 20 of the basic Regulation, sugar for certain industrial uses is not included when calculating production. That sugar is considered non-CMO sugar and so does not qualify for any CMO measure and there is no limit on its production. This provision<sup>13</sup> has applied since the start of the CMO to sugar processed into alcohol, including fuel ethanol, rum or spreadable syrups (e.g. Rijnse appelstroop). Since 1 February 2004 it has been extended to sugar used to produce yeasts. While this provision has had limited effect up to now, it is of fresh interest given the prospects offered by Directive 2003/30/EC of the European Parliament and of the Council on the promotion of the use of biofuels or other renewable fuels for transport<sup>14</sup>.

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<sup>12</sup> In the area of €1 000/ha: 70t/ha at €15 a tonne for C beet, 8t/ha at €20 a tonne for wheat.

<sup>13</sup> Commission Regulation (EC) No 314/2002, OJ L 50, 21.2.2002, Article 1(2)(f) and (h).

<sup>14</sup> OJ L 123. 17.5.2003, p. 42.

The price paid for this beet is determined on the same lines as for C beet and varies for “alcohol-beet” in line with alcohol prices on the Community market<sup>15</sup>. The value added to it is on a par with or slightly greater than for C beet.

### 3.4. Other sweeteners

Sweeteners fall into two categories: natural sweeteners containing calories that are extracted from plants, such as sugar itself, and 'artificial' sweeteners with zero calories.

Beet and cane sugar is sucrose, a glucide formed by the combination of a molecule of glucose and a molecule of fructose. It has a sweetening power of 1. Any mixture or combination of these basic molecules produces a natural calorie-containing sweetener, providing an energy input of about 4 calories per gramme.

There are no CMO provisions covering artificial sweeteners, which have a sweetening power of tens or even hundreds of times that of sugar, no calories, and no impact on blood glucose levels. The best known of these include saccharin, aspartame, cyclamates and the ‘alcohol sugars’ such as sorbitol. They enjoy an estimated market share of 15%. This market share is restricted for two reasons, one health-related and the other technical (use in the food industry). The list of authorised products and the terms of their use are laid down in European Parliament and Council Directive 94/35/EC of 30 June 1994 on sweeteners for use in foodstuffs<sup>16</sup>.

#### 3.4.1. Isoglucose

Isoglucose is a syrup with a high fructose content, obtained by isomerisation of glucose under the action of particular enzymes.

The raw material is wheat or maize, from which starch is extracted. The basic industrial product is glucose, obtained from starch through hydrolysis, and used particularly in the food industry for its nutritional and structural qualities. Despite its low sweetening power (around 0.5), glucose can also be used as a sweetener<sup>17</sup>.

Liquid in form, it is used as a sugar substitute mainly in production of drinks. The reference composition is isoglucose ‘F 42’ containing 42% fructose and 58% glucose and with a sweetening power close to that of sugar. Its market price is about 15% below that of sugar.

The isomerisation process that allowed the starch industry to start producing isoglucose was devised in the mid-1970s. Isoglucose has rapidly become a strong competitor to sugar and was added to the CMO in 1977. Its production has been limited to a quota of 300 000 tonnes, the production level reached at the time. This quota represents only a marginal activity for the starch industry, which produces about 10 million tonnes of starch. In the most recent enlargement the quotas assigned to Hungary, Poland and

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<sup>15</sup> 1 tonne of beet produces about 150 kg of sugar worth €100 on the Community market (€30 on the world market) or 1 hl of alcohol worth between €30 - €40.

<sup>16</sup> OJ L 237, 10.9.1994, p. 3.

<sup>17</sup> According to some estimates, such use could involve a quarter of the 4.5 million tonnes of glucose and derived products produced by the starch industry and would be equivalent, in sweetening terms, to 0.5 million tonnes of sugar.

Slovakia, amounting to 0.2 million tonnes, increased Community isoglucose production by two thirds.

The main provisions laid down for sugar, in particular the refund arrangements, also apply to isoglucose, with the notable exception of pricing arrangements.

The isoglucose quota amounts to less than 3% of the sugar quota. In the developed countries with high sugar prices it has taken a significant market share. It is on a par with sugar in the USA and amounts to a third of sugar consumption in Canada, Japan and Korea. But there has been no development of production in the countries with relatively low sugar prices. Storage and transport constraints limit its international trade and it is not competitive with sugar on the world market.

### **3.4.2. Inulin syrup**

Inulin syrup has a very high fructose content (80%) obtained by hydrolysis of an inulin extracted from Cichorium roots.

The raw material is chicory (*Cichorium intybus*), a plant cultivated for its roots which are either 'forced' for French endive production, or ground to produce coffee substitutes. Alongside these traditional uses, inulin production began in the 1980s when the industrial hydrolysis and extraction processes were developed.

The basic industrial product is inulin, a polymer of fructose. The food industry uses inulin powder and its oligofructose derivatives for their nutritional and dietary qualities rather than as a sweetener, since their sweetening power is limited.

Two-thirds of inulin productin is processed by full hydrolysis into inulin syrup, which has a very high sweetening power. Its price is about a third higher than the price of sugar. It is used by the food industry in drinks in particular, either on its own or mixed with glucose. A significant proportion of Community production (25-30%) is exported with refunds totalling some €30 million.

Inulin syrup was taken into the CMO in 1994 on the same lines as isoglucose. The quota is 0.3 million tonnes, shared between three Member States<sup>18</sup>. This industry has not developed as expected. High production costs limit its production to no more than the A quota, at most. None of the new Member States produces inulin syrup and so no quota has been allocated to them.

### **3.5. Molasses**

Molasses is a by-product of the process of extracting sugar from beet and cane. It is the residue left after crystallisation of the sugar syrup. Its interest lies in its residual sugar content and energy value. It is used as animal feed and for alcohol production and as a substrate in the production of yeasts, amino acids and proteins.

When the CMO began, the income split between industry and growers (see point 2.1.2) was calculated by incorporating the return from the sale of molasses in the sugar factories' accounts while the beet pulp was returned to the growers after the sugar was extracted. The return is reckoned at €22.5 per tonne of sugar, on the basis of production

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<sup>18</sup> 320 718 t: (white sugar equivalent) Belgium 215 247 t, Netherlands 80 950 t, France 24 521 t.

of 296.75 kg of molasses per tonne of sugar produced and a molasses selling price of €76 a tonne.

The conventional import duty of €3.5 a tonne is normally suspended but reintroduced if import prices fall below a given reference. In a second stage, additional duties are added under the special protection provisions.

The purpose is to support the molasses price on the Community market and hence the level of the abovementioned return.

The Community produces between 4 and 5 million tonnes of molasses but is in shortfall. Exports are trifling but nearly 3 million tonnes is imported, essentially cane molasses for animal feed.

### 3.6. Levies

The levies are collected by the Member States from the sugar factories based on their production under quota. The levies are booked to the Community budget after the Member States have withheld 25% in collection charges. These levies must cover the 'overall loss' which is equal to the sum of the average refund multiplied by the surplus of quota production relative to Community consumption, less the quantities used by the chemical industry with a refund (see point 5.3).

The precise levy rates are not calculated on the budget expenditure recorded on refunds but are instead determined each year by the Commission using production and consumption statistics and the average rate of the various Community refunds on sugar (see 5.1).

Originally in 1968 the levies applied only to B sugar, considered to be the part of the production quota that could be exported with refunds. The first change came in 1974 with restriction of the levy to 30% of the intervention price. Even when subsequently raised to 37.5% this restriction meant that levies no longer covered the cost of the surpluses. Clearance of the accumulated deficit was begun in 1981 by extending the levies to A sugar and the mechanism was supplemented in 1986 with an additional unlimited levy.

Several levies are applied in succession as required until the amount needed to cover the overall loss is obtained:

- The basic levy on all A and B quota production is equal to 2% of the intervention price, i.e. €12.60 per tonne of sugar;
- The B levy is imposed solely on B quota production at a maximum rate of 37.5% of the intervention price, i.e. €37 a tonne ;
- The additional levy, imposed if the amount generated is still insufficient, is a flat-rate percentage of the amounts due by each enterprise under the above two levies, with no maximum being set so as to achieve the sum required. Since 1990 the additional levy has had to be applied one year out of two; the maximum amount was 18.5%.

The levies are split 42% to sugar factories and 58% to growers. They are collected in full from the factories but the latter recover the growers' share when they purchase their beet.

Between 1990 and 2002 the average levy has been €13 a tonne on A sugar and €238 a tonne on B sugar (38%).

Levies (€a tonne sugar)			Split (€a tonne sugar)	
A	B	Average A+B	Manufacturers	producers
13	238	53	22	31

As a weighted average of total production under the A and B quotas the levy works out at €53 per tonne of sugar, €22 charged to the sugar factories and €31 (i.e. €4.00 a tonne of beet) to the growers.

These levies result in a 'net' minimum price for beet growers of €46.70 a tonne for A beet, €29.70 a tonne for B beet and a weighted average of €43.75 a tonne<sup>19</sup> for all production under quota.

Until recent years surplus sugar production relative to consumption exceeding 1.6 million tonnes and the levies amounted to some €800-€900 million a year.

Since then, the drop in production in some Member States (Italy and Greece), a possible quota reduction (see 5.2) and the most recent enlargement have combined to produce a smaller surplus and reduced levies.

The B levy was set at 20% for the 2002/03 marketing year and the levies paid to own resources hardly exceeded €350 million<sup>20</sup>.

## 4. SUGAR IMPORTS

With imports of about 2 million tonnes, the European Union is the third largest sugar importer in the world, after Russia and Indonesia.

### 4.1. Import rules

Protection at the Community's borders ensures the coherence of the CMO and keeps prices within the Community high (they currently are three times the world price).

Originally in 1968 protection took the form of import levies that varied according to the world market price. The tariffs applied since 1995 following the Uruguay Round have practically maintained the same level of protection for unprocessed sugar. Import duties have been maintained at levels such as to deter non-preferential imports.

Protection for sugar (CN 1701) comprises a fixed duty of €419 per tonne (except in the case of raw sugar for refining to which a duty of only €339 per tonne applies) and an additional duty<sup>21</sup> which varies depending on the world price applied under the special safeguard clause for the CMO, once the representative price falls below the 'trigger' price.

<sup>19</sup> Community average, levies deducted. Adding, as appropriate, C beet or alcohol, the regionalisation premiums and supplements, the average price to the producer can vary between €35 a tonne and €50 a tonne.

<sup>20</sup> Of the (estimated) amount of €472 million in levies for 2002/03, 25% was held back by the Member States to cover their collection costs and so has to be deducted.

<sup>21</sup> Commission Regulation (EC) No 1423/95, OJ L 141, p. 16.  
fixings: Commission Regulation (EC) No 1166/2003, OJ L 162, p. 57.

The trigger price was set at €31 per tonne during the Uruguay round, which was the average price of imports into the Community. In the absence of non-preferential imports, this average price was none other than the guaranteed price for preferential imports (see point 4.2).

The representative price is the cif import price excluding the fixed duty. It is close to the world price and therefore well below the trigger price.

Consequently, the safeguard clause has been applied permanently since 1995.

The additional duty covers part of the difference between the representative and trigger prices. In 2003 the average representative price was €191 per tonne and the additional duty was €15 per tonne (€240 a tonne and €87 a tonne respectively in 2002). Over recent marketing years, the total protection comprising the fixed duty and the additional duty has been around €500 per tonne, which, given shipping costs and a world price of around €200 per tonne, offers Community sugar protection of more than €700 per tonne.

#### **4.2. ACP protocol and the India Agreement**

What distinguishes the CMO in sugar, within the CAP as a whole, is that it establishes close links with a number of sugar-producing ACP States.

This peculiarity originated in the Commonwealth Agreements governing the import of raw cane sugar into the United Kingdom for refining and marketing. This sugar covered two thirds of UK consumption.

The Agreements were taken over by the European Community and adjusted to suit its needs when the United Kingdom joined. The Protocol on sugar attached to the 1975 Lomé Agreement between the ACP countries and the Community sets out a commitment from both parties, a commitment by the Community to buy certain quantities of sugar at guaranteed prices and a commitment by the 16 ACP signatory countries to supply that sugar.

Under the Protocol on sugar<sup>22</sup>, the signatory ACP countries benefit from a total exemption from import duties on sugar, whether cane, raw or white. Sugar is marketed in the Community at a price freely negotiated between buyers and sellers but the Community undertakes to buy at a guaranteed price any sugar that cannot be marketed at a price equal to or higher than the guaranteed price. This intervention measure, limited to 'agreed' quantities, is carried out by the intervention agencies or other agents designated by the Community. This mechanism has never been applied. An identical agreement was concluded at the same time with India.

While the conditions of purchase might now seem very favourable to the supplier countries, given the guaranteed price level, they have to be looked at in the light of the situation prevailing at the time, referred to in point 2.1.2, with shortages on the world market, shortfalls in Community production and world prices above Community prices. The terms of the initial Protocol of 1975 were not amended when it was renewed in Cotonou in June 2000<sup>23</sup>.

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<sup>22</sup> Protocol No 3 attached to the Partnership Agreement, Article 5.

<sup>23</sup> OJ L 317, 15.12.2000, p. 3.

The guaranteed price is fixed each year by a Council decision approving an exchange of letters between the European Community and each country concerned. It amounts to €23.70 per tonne for raw sugar, this being the Community intervention price, and €45.50 per tonne for white sugar, which is the 'derived' intervention price applicable to the UK.

The difference between the guaranteed price and the world price or the price on their own market encourages some of the Protocol countries to export as much of their production as possible to the Community, even if that means supplying their own consumption needs by purchasing white sugar on the world market. That sugar may well be Community sugar exported with a refund or, in the case of C sugar, without a refund, but the possibilities for this are limited by the fact that the Protocol covers 'agreed' quantities.

### **4.3. Other preferential imports**

#### **4.3.1. OCT sugar**

Council Decision 91/482/EEC of 25 July 1991 on the association of the overseas countries and territories with the European Economic Community<sup>24</sup> exempts sugar originating in those countries and territories from customs duties.

The OCTs either do not produce sugar or produce only small quantities. However, the possibility of conferring OCT origin on sugar originating in the Community or in ACP countries after minimal processing led to a 'carousel' situation in which Community sugar exported with a refund was being reimported onto the Community market. The same could occur with sugar from neighbouring ACP States.

Article 6 of the Council Decision of 27 November 2001<sup>25</sup> lays down that the cumulation of ACP/OCT/EC origin is permitted for a maximum of 28 000 tonnes of sugar per year. This limit will be gradually reduced from 2008 and will reach zero on 1 January 2011.

In 2003 the EU imported 23 000 tonnes of OCT sugar (CN 1701), mostly from the Netherlands Antilles and Aruba. Exports to that same area amounted to 60 000 tonnes.

#### **4.3.2. CXL quota**

This quota was agreed in the GATT XXIV.6 negotiations at the time of the accession of Finland. It covers 85 463 tonnes of raw cane sugar for refining (CN 1701 11 10), to which a reduced duty of €8 per tonne applies. It is mostly assigned to Cuba (58 969 tonnes) and Brazil (23 930 tonnes)<sup>26</sup>.

This sugar does not qualify for a price guarantee. Its average import price is around €400-420 a tonne. This is equivalent to the guaranteed price in the Protocol, less the customs duty and refining aid.

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<sup>24</sup> OJ L 263, 19.9.1991, p. 1.

<sup>25</sup> OJ L 314, 30.11.2001, p. 1.

<sup>26</sup> Commission Regulation (EC) No 1159/2003, OJ L 162, p. 25.

### 4.3.3. 'Balkans' Initiative

Under the stabilisation and association process implemented by the European Union<sup>27</sup>, all import duties for products originating in the Western Balkans (Albania, Bosnia-Herzegovina, Croatia, FYROM and Serbia and Montenegro) were abolished at the end of 2001.

The difference in the prices for sugar on the two markets makes the concession very attractive. The production, which fell sharply during the conflicts but was almost one million tonnes in former Yugoslavia, is being encouraged by the local authorities, in particular in Croatia and Serbia and Montenegro.

Imports of sugar originating in the Balkans, which were previously nil, reached 300 000 tonnes in the 2002/03 marketing year; the average price was €650 a tonne.

Year	Imports		Exports	
	tonnes	€a tonne	tonnes	€a tonne
1999	1	700	207.635	215
2000	618	706	237.313	229
2001	70.171	649	353.114	284
2002	240.593	635	298.598	304
2003	271.515	659	363.946	218

This additional supply of sugar to the Community market has resulted in a reduction in the Community's production quotas, in order to comply with its WTO commitment (see 5.2). Trade declined in 2003/04 because the preference granted to Serbia and Montenegro was suspended.

In parallel, EU sugar exports to the Balkans have developed to supply local consumption. This sugar is sold to the Balkans at a price two or three times lower than the sugar bought from them.

In order to avoid a sugar 'carousel' between the EU and the Balkans developing on the basis of the refunds paid out of the Community budget, the Commission has made sugar destined for those countries ineligible for the export-refund scheme. The Balkans can be supplied only with Community C sugar. The countries concerned are therefore likely to increase their purchases from third countries (Brazil, Thailand), which would, in the event of accession to the European Union, lead to the establishment of reference quantities for fixing preferential import quotas under GATT XXIV.6 for these supplier third countries.

### 4.3.4. *Everything but Arms (EBA)*

The 'Everything but Arms'<sup>28</sup> initiative suspends all common customs tariff duties for products from 46 least-developed countries, including six of the signatories to the ACP Protocol.

However, special provisions have been adopted for sugar.

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<sup>27</sup> Council Regulation (EC) No 2007/2000, OJ L 240, p. 1.

<sup>28</sup> Council Regulation (EC) No 2501/2001, OJ L 346, p. 1, Article 9(4) and (5).

Until 2006, the suspension of duties is limited to a tariff quota of raw cane sugar for refining, falling within CN code 1701 11 10. The quota of 74 185 tonnes in 2001/02 will increase by 15% each year, to reach a maximum of 129 751 tonnes in 2005/06.

These growing imports of 'EBA' sugar are now included in the supply needs of refineries (see point 4.4) and the SPS quota is reduced by the same amount. They therefore have no effect on the market.

Between 2006 and 2008 customs duties will be gradually reduced, without quantity restrictions, by 20%, 50% and then 80%. They will be completely suspended as from 1 July 2009<sup>29</sup>. The reduction and subsequent suspension will cover all types of sugar falling within CN 1701 of the common customs tariff, not just the raw sugar destined for Community refineries.

#### 4.3.5. Fructose

Fructose is a 'sugar' naturally occurring in a large number of fruits just as sucrose is the sugar present in beet and cane. The importance of fructose lies in its sweetness: one tonne of fructose used as is or in association with glucose is equivalent to more than two tonnes of sugar. At import, the duties on chemically pure fructose (CN code 1702 50 00) are made up of a 16% ad valorem duty and a fixed duty of €507 a tonne. These rates of duty prevent fructose imports, other than a WTO quota exempt from the fixed duty of 4 504 tonnes.

Turkey and Israel, which are exempt from duties with no limit on volume under the Euro-Mediterranean Agreements, produce fructose for the Community market from potato starch in the case of Turkey and from Community sugar bought on the world market<sup>30</sup> in the case of Israel.

These imports are increasing steadily and stood at over 70 000 tonnes in 2003 for an average price of €800 a tonne. In view of the existing investment, they have the potential to replace 300 000 tonnes of sugar.

### 4.4. Supply of refineries

#### 4.4.1 Quantities:

Article 39 of the basic Regulation stipulates that the refineries of five Member States must have access to 1.8 million tonnes of preferential raw cane sugar<sup>31</sup>, corresponding to their "presumed maximum needs". Refining cover is ensured through:

- Community production (French overseas departments): 0.2 million tonnes
- Imports
  - under ACP Protocol/India : 1.3 million tonnes
  - CXL quota : 0.08 million tonnes

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<sup>29</sup> The persistence of this price split between the world and Community markets risks producing in some ACP countries the same 'swap effect' as that seen in the Balkans: a rise in production going to the EU while local consumption is supplied by the world market.

<sup>30</sup> Two tonnes of sugar (sucrose, value on world market < €450) produce a tonne of fructose reimported into the EU (value €100) and a tonne of glucose (value €300).

<sup>31</sup> 1 796 351 tonnes expressed as white sugar, split between the UK: 1 128 581 tonnes, France: 296 627 tonnes, Portugal: 291 633 tonnes, Finland: 59 925 tonnes and Slovenia: 19 585 tonnes.

- under the EBA quota : 0.1 million tonnes

The ‘missing’ quantities, given that part of the FOD and Protocol sugar is intended for direct consumption, are subject to a tariff quota at a zero rate of duty for raw cane sugar for refining, known as Special Preferential Sugar. This quota of approximately 200 000 tonnes is opened each year for the ACP Protocol states and India, in two tranches<sup>32</sup>.

#### **4.4.2 Detailed arrangements:**

Protocol sugar covers all kinds of sugar, both raw sugar in bulk for refining and raw or white sugar for direct consumption, for example. In contrast, the SPS, CXL and EBA quotas apply only to raw sugar for refining and special conditions are attached to their use.

SPS, CXL and EBA sugar can be imported only to supply a refinery within the meaning of the last subparagraph of Article 7(4) of the basic Regulation, i.e. ‘a production unit whose sole activity consists in refining raw sugar’. The definition does not encompass in particular sugar plants or factories producing sugar from beet but in a position to refine cane sugar in the off-season.

The import and use of these preferential quantities is limited to six refineries of the Tate & Lyle company in the UK and Portugal (Refinarias de açúcar reunidas), Saint Louis Sucre and Tereos in France, Alcantâra refinarias Açucares in Portugal and Finsugar in Finland. The Slovene sugar factory (Ormoz Sugar Factory) was exceptionally recognised as a refinery during the most recent enlargement of the Community. The detailed rules for applying these quotas<sup>33</sup> ensure (particularly through the use of import licences) that no other enterprise can import, use or refine preferential SPS, EBA or CXL sugar.

The second point concerns the pricing arrangements for the SPS quota: in accordance with Article 39(1) of the basic Regulation and Council Decision 2001/870/EC of 3 December 2001 on the conclusion of an agreement in the form of an exchange of letters between the Community and the ACP countries and India (see OJ L 325, p. 21), SPS sugar is subject to “a minimum purchase price to be paid by refiners”. As indicated in Article 17 of Regulation (EC) No 1159/2003, this minimum price corresponds to the guaranteed price in the Protocol, less the refining aid (see point 4.4.3). It is set at €96.80 per tonne by the annual Regulation opening and managing this quota (Article 2 thereof).

Commission Regulation (EC) No 1381/2002 provides for the application of the same minimum purchase price to EBA quota sugar (Article 4 thereof).

The average price of raw cane sugar imports into the Community is stable at about €30 per tonne (sources: Comext/Eurostat). This scheme highly favours the supplier countries, by theoretically ‘overvaluing’ their production by more than €300 a tonne compared to sales on the world market. The scheme covers 1.6 million tonnes of preferential sugar and benefits the supplier countries to the tune of €500 million. In terms of the annual refund, the cost of re-exporting an equivalent quantity exceeds €800 million.

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<sup>32</sup> Commission Regulation (EC) No 1213/2004, OJ L 232, p. 17, for the first 2004/05 tranche.

<sup>33</sup> Commission Regulations (EC) No 1159/2003 (OJ L 162, p. 25) for SPS and CXL and No 1381/2002 (OJ L 200, p. 14) for EBA.

As Community production is in surplus, the raw cane sugar imported<sup>34</sup> at a high price (€30 a tonne) must be re-exported at a low price (€230 a tonne) once it has been refined. The export refund (€500 a tonne) and, where appropriate, refining aid (€29 a tonne) compensates for this loss and protects profit margins.

#### **4.4.3 Aid for refining**

Article 38(1) of the basic Regulation provides for ‘adjustment’ aid for raw cane sugar imported under the ACP Protocol and refined in ‘refineries’ as the term is understood in the CMO. The adjustment aid is intended to equalise conditions of competition between refineries processing exclusively cane sugar and factories producing beet sugar. It was introduced in 1986 to offset the margin differential that had then arisen between the refineries and factories: the intervention prices for sugar had been increased without changing the minimum price of beet, from ECU 12.7 a tonne for white sugar and ECU 5.8 a tonne for raw sugar.

Article 38(3) of that Regulation provides ‘additional’ aid for sugar from the French overseas departments. This aid is in addition to the disposal aid provided for in Article 7 (see point 2.5.1, page 7) and seeks to re-establish the equilibrium (upset by the adjustment aid) between ACP and FOD sugar.

The Council fixed these aids at €1 a tonne and gave the Commission the option of adjusting them in line with economic developments. Originally calculated on the basis of the storage levies<sup>35</sup>, these aids have been set at €29.20<sup>36</sup> a tonne since 1997.

This aid is paid on a total of 1.4 million tonnes, or 1.2 million tonnes of ACP Protocol sugar and 0.2 million tonnes of FOD sugar and the cost to the budget is €1 million.

## **5. SUPPORT FOR DISPOSAL OF SUGAR**

With exports of about 5.5 million tonnes, the European Union is the second largest sugar exporter in the world, after Brazil.

### **5.1. Export refunds**

Export refunds were introduced when the common organisation of the market was established, with the maximum quota being set at a higher level than consumption. These refunds are intended to cover the difference between the Community price and the world price for sugar, allowing it to be sold on the world market. The average export price for white Community sugar is €23 per tonne<sup>37</sup>.

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<sup>34</sup> Or an equivalent quantity of Community beet sugar.

<sup>35</sup> Added to the Council’s basic amount (€1 per tonne) was the difference between the storage levy for 1987/88 (€48.20 a tonne) and the levy for the marketing year in question (€20 a tonne from 1997). The same amount of aid was fixed anew after the compensation system for the storage costs was abolished in 2001.

<sup>36</sup> White sugar equivalent, Article 3 of Regulation (EC) No 1646/2002, (OJ L 219, p. 4.)

<sup>37</sup> Source : Eurostat/Comext : average export price 2002/03 (€280 a tonne in 2001/02). These prices are higher than those quoted on LIFFE (London International Financial Futures and Option Exchange No 5).

The refunds apply to sugar obtained from beet or cane harvested in the Community, to sugar imported under the ACP Protocol/India Agreement, and to isoglucose and inulin syrup produced in the Community. They are granted for unprocessed sugar and for sugar used in certain processed products.

Refunds are mainly granted under a standing invitation to tender<sup>38</sup> for an annual quantity of between 2.1 and 2.5 million tonnes of white sugar. The level of the refund is fixed every week or every two weeks on the basis, among other things, of tenders submitted by exporters, the state of the world market and foreseeable developments and the maximum quantities that might be exported during the marketing year. The refunds are high: €443 a tonne in 2001/02, €485 a tonne in 2002/03 and €512 a tonne in 2003/04. The refunds bring Community sugar to a FOB value of over €700 a tonne.

Refunds are fixed at regular intervals for marginal quantities of white sugar outside invitations to tender and for other types of sugar (raw, sugar syrup), isoglucose and inulin syrup<sup>39</sup>. About 100 000 tonnes are exported under these arrangements. The refund is set at the level of the highest tender selected in the invitation to tender, less a flat-rate amount of €31.40.

The third form of export refund is for sugar contained in products not listed in Annex I to the Treaty<sup>40</sup>, primarily foodstuffs. These refunds are intended to prevent exporters of processed products being disadvantaged on the world market by the relatively high price of sugar on the Community market. The refund is fixed monthly at the same level as the regular refund for marginal quantities of white sugar outside invitations to tender, etc.

For completeness, it should be noted that Article 33 of the basic Regulation still provides for the possibility of applying export levies when the world price is higher than the Community price.

## **5.2. Refund restrictions**

### *5.2.1. Sugar in the natural state*

The limit on export refunds resulting from the Uruguay round is 1 273 million tonnes or €499 million. At current refund levels, this financial limit is the most restrictive.

This CMO limit covers sugar, isoglucose and inulin syrup in its natural state or added to processed fruit and vegetables falling with CN chapter 20.

However the CMO limit only begins to apply over and above a quantity equivalent to ACP and Indian imports, up to a maximum of 1.6 million tonnes. It is therefore made up of a quantity equivalent to 1.6 million tonnes of “ACP/India sugar” and an appropriation of €499 million corresponding, in terms of the current refund, to 1 million tonnes, making a total that can be exported with a refund of 2.6 million tonnes.

The sugar sector has adjusted to this restriction by agreeing that, where export quantities attracting a refund are likely to exceed the ceiling, the production quotas for sugar,

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<sup>38</sup> Commission Regulation (EC) No 1290/2003, OJ L 181, p. 7, for the 2003/04 marketing year.

<sup>39</sup> Implementing arrangements: Commission Regulation (EC) No 2135/95, OJ L 214, p. 16.

<sup>40</sup> Implementing arrangements: Commission Regulation (EC) No 1520/2000, OJ L 177, p. 1.

isoglucose and inulin syrup are reduced by a quantity equal to the overrun. This has resulted in the following reductions:

marketing years	reclassification (million tonnes)
2000/01	0.5
2002/03	0.8
2003/04	0.2

The operation involves reclassifying the sugar quota available on the Community market as C sugar for export without a refund.

### 5.2.2. Sugar in non-Annex I products

Sugar contained in all processed products other than fruit and vegetables, known as 'non-Annex I products', exported with a refund is subject to another WTO restriction applied to sugar, milk and milk products, eggs and cereals contained in those products. The limit is €15 million, of which €80 million is generally allocated for sugar, corresponding to approximately 450 000 tonnes.

Where there is a risk that this WTO limit might be exceeded, contracts may be concluded for imports under the inward processing arrangements to allow the industry to obtain supplies on the world market. For the 2002/03 marketing year, an IPA quota was opened for 90 000 tonnes of sugar.

### 5.3. Production refunds on chemicals

From the very beginning of the CMO, production refunds have been granted to the chemical and pharmaceutical industries for the sugar they use to make certain products<sup>41</sup>. This is justified by the fact that, unlike the food industry, those industries do not benefit from tariff protection at the Community's border for the sugar contained in processed products.

The measure is designed to ensure that these industries can obtain Community sugar at the same price they would have to pay on the world market. The refund is fixed each month on the basis of the average refund resulting from the invitation to tender, less €4.5 per tonne for shipping costs in particular.

This measure applies to some 400 000 tonnes of sugar and isoglucose, representing Community aid of €70 million (EU-15). The cost of these refunds is covered by levies and is not therefore a drain on the Community budget. The quantities used have tended to rise in recent years, and should exceed 500 000 tonnes in the EU-25.

## 6. BUDGET COST:

The 2004 Community budget has earmarked EUR 1 721 million for expenditure on the common organisation of the market in sugar (chapter 05 02 05). This expenditure is made up of:

- export refunds (75% of the total) : €1 290 million  
including €802 million for the equivalent of 1.6 million tonnes of ACP sugar

<sup>41</sup> Commission Regulation (EC) No 1265/2001, OJ L 178, p. 63.

–	production refunds (chemical industry):	:	€194 million
–	export refunds for non-Annex I products	:	€183 million
–	refining aid (cane sugar):	:	€41 million
–	aid for the disposal of raw sugar (FOD sugar)	:	<u>€8 million</u>
		TOTAL:	€ 721 million

The PDB for 2005 makes provision for €1 815 million, an increase of 5.5% (~~€~~4 million) over 2004. This increase is linked to enlargement and higher refunds.

Expenditure on sugar has trended downwards in recent years, falling from €2.1 billion in 2000 to €1.4 billion in 2003. This fall results from the drop in sugar quantities exported with a refund.

## Annex I

### Community sugar and beet prices

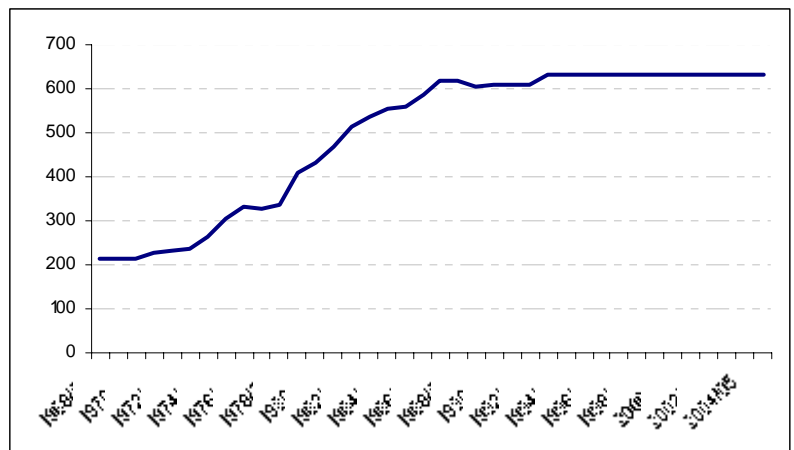
Marketing year	Intervention price for white sugar	Minimum price for beet	
		A	B
1968/69	212.30	17.00	10.00
1969/70	212.30	17.00	10.00
1970/71	212.30	17.00	10.00
1971/72	226.10	17.00	10.00
1972/73	233.40	17.68	10.40
1973/74	235.70	17.86	10.50
1974/75	264.80	19.78	11.63
1975/76	304.50	22.75	22.75
1976/77	331.40	24.57	17.20
1977/78	328.30	25.43	17.80
1978/79	334.90	25.94	18.16
1979/80	410.90	31.83	22.28
1980/81	432.70	33.10	23.17
1981/82	469.50	35.19	24.42
1982/83	514.10	38.53	23.79
1983/84	534.70	40.07	24.74
1984/85	534.70	40.07	24.74
1985/86	541.80	40.07	24.74
1986/87	541.80	40.07	24.74
1987/88	541.80	40.07	24.74
1988/89	541.80	40.07	24.74
1989/90	531.10	39.27	30.30
1990/91	531.10	39.20	24.20
1991/92	531.10	39.20	27.15
1992/93	531.10	39.20	24.20
1993/94	523.30	38.69	26.85
1994/95	523.30	38.69	26.85
1995/96	631.90	46.72	32.42
1996/97	631.90	46.72	32.42
1997/98	631.90	46.72	32.42
1998/99	631.90	46.72	32.42
1999/2000	631.90	46.72	32.42
2000/01	631.90	46.72	32.42
2001/02	631.90	46.72	32.42
2002/03	631.90	46.72	32.42
2003/04	631.90	46.72	32.42

Price per tonne in unit of account from 1968 to 1979, en ecus from 1979 to 1998 and in euro since 1999

The prices for 1995/96 are equivalent to those for 1994/95 after application of the switchover, (1.207509) when the green ecu was abolished: prices have been frozen since 1993/94.

Changes in intervention prices between 1968 and 2004 (€a tonne )

A coefficient expressing the difference between the agricultural ecu and the budget ecu has been applied to prices to make the changes clear.



## Annex II

### Production quotas

(tonnes of white sugar) Regions	<b>sugar</b>		
	A quota	B quota	TOTAL
Czech Republic	441.209,0	13.653,0	454.862,0
Denmark	325.000,0	95.745,5	420.745,5
Germany	2.612.913,3	803.982,2	3.416.895,5
Greece	288.638,0	28.863,8	317.501,8
Spain	957.082,4	39.878,5	996.960,9
France (continental)	2.536.487,4	752.259,5	3.288.746,9
France overseas departments	433.872,0	46.372,5	480.244,5
Ireland	181.145,2	18.114,5	199.259,7
Italy	1.310.903,9	246.539,3	1.557.443,2
Latvia	66.400,0	105,0	66.505,0
Lithuania	103.010,0	0,0	103.010,0
Hungary	400.454,0	1.230,0	401.684,0
Netherlands	684.112,4	180.447,1	864.559,5
Austria	314.028,9	73.297,5	387.326,4
Poland	1.580.000,0	91.926,0	1.671.926,0
Portugal (mainland)	63.380,2	6.338,0	69.718,2
Autonomous region of the Azores	9.048,2	904,8	9.953,0
Slovakia	189.760,0	17.672,0	207.432,0
Slovenia	48.157,0	4.816,0	52.973,0
Finland	132.806,3	13.280,4	146.086,7
Sweden	334.784,2	33.478,0	368.262,2
BLEU	674.905,5	144.906,1	819.811,6
United Kingdom	1.035.115,4	103.511,5	1.138.626,9
<b>TOTAL EU-25</b>	<b>14.723.213,3</b>	<b>2.717.321,2</b>	<b>17.440.534,5</b>
In tonnes of dry matter. Regions	<b>isoglucose</b>		
	A quota	B quota	Total
Germany	28.643,3	6.745,5	35.388,8
Greece	10.435,0	2.457,5	12.892,5
Spain	74.619,6	7.959,4	82.579,0
France (continental)	15.747,1	4.098,6	19.845,7
Italy	16.432,1	3.869,8	20.301,9
Hungary	127.627,0	10.000,0	137.627,0
Netherlands	7.364,6	1.734,5	9.099,1
Poland	24.911,0	1.870,0	26.781,0
Portugal (mainland)	8.027,0	1.890,3	9.917,3
Slovakia	37.522,0	5.025,0	42.547,0
Finland	10.792,0	1.079,7	11.871,7
BLEU	56.150,6	15.441,0	71.591,6
United Kingdom	21.502,0	5.735,3	27.237,3
<b>TOTAL EU-25</b>	<b>439.773,3</b>	<b>67.906,6</b>	<b>507.679,9</b>

Regions	inulin syrup (*)		
	A quota	B quota	Total
France (continental)	19.847,1	4.674,2	24.521,3
Netherlands	65.519,4	15.430,5	80.949,9
BLEU	174.218,6	41.028,2	215.246,8
<b>TOTAL EU-25</b>	<b>259.585,1</b>	<b>61.132,9</b>	<b>320.718,0</b>

(\*\*) in tonnes of dry matter - white sugar/isoglucose equivalent

	sugar + isoglucose + inulin syrup		
	A quota	B quota	TOTAL
<b>TOTAL EU-25</b>	<b>15.422.571,7</b>	<b>2.846.360,7</b>	<b>18.268.932,4</b>

### Annex III

#### ACP Protocol/Agreement with India

Countries concerned and initial and current 'agreed' quantities per marketing year

ACP Country	1975	2003/04
Belize (*)	39.400	40.349
Congo	10.000	10.186
Côte d'Ivoire	-	10.186
Fiji	163.600	165.348
Guyana	157.700	159.410
Jamaica	118.300	118.696
Kenya	5.000	0
Barbados	49.300	50.312
Madagascar (*)	10.000	10.760
Malawi (*)	20.000	20.824
Mauritius	487.200	491.031
Uganda	5.000	0
St. Kitts and Nevis	14.800	15.591
Surinam	4.000	0
Swaziland	116.000	117.845
Tanzania (*)	10.000	10.186
Trinidad & Tobago (*)	69.000	43.751
Zambia (*)	-	0
Zimbabwe	-	30.225
<b>India</b>	<b>25.000</b>	<b>10.000</b>
<b>TOTAL</b>	<b>1.304.300</b>	<b>1.304.700</b>

(\*) ACP and LDCs.

## Annex IV

Development of Community sugar production (in '000 tonnes)

	Total	under quota			Outside quota	
		Total	A	B	C	%
<b>EUR6</b>						
1968	7 038	7 004	6 330	674	34	0%
1969	7 376	7 297	6 406	891	79	1%
1970	7 108	6 985	6 307	678	123	2%
1971	8 071	7 445	6 216	1 229	626	8%
1972	7 664	7 448	6 301	1 147	216	3%
<b>EUR9</b>						
1973	9 528	8 858	7 522	1 336	670	8%
1974	8 575	8 363	6 983	1 380	212	3%
1975	9 703	9 606	8 532	1 074	97	1%
1976	9 973	9 820	8 599	1 221	153	2%
1977	11 543	10 750	8 885	1 865	793	7%
1978	11 720	10 916	9 003	1 913	804	7%
1979	12 243	10 797	9 005	1 792	1 446	13%
1980	12 212	11 021	8 910	2 111	1 191	11%
<b>EUR10</b>						
1981	14 037	11 507	9 382	2 125	2 530	22%
1982	13 844	11 419	9 366	2 053	2 425	21%
1983	11 879	10 928	9 268	1 660	951	9%
1984	11 965	11 186	9 270	1 916	779	7%
1985	12 448	11 226	9 300	1 926	1 222	11%
<b>EUR12</b>						
1986	13 837	12 525	10 343	2 182	1 312	10%
1987	13 218	12 399	10 236	2 163	819	7%
1988	14 094	12 501	10 296	2 205	1 593	13%
1989	14 747	12 474	10 239	2 235	2 273	18%
1990	15 468	13 338	10 933	2 405	2 130	16%
1991	14 822	13 249	10 885	2 364	1 573	12%
1992	15 602	13 337	10 937	2 400	2 265	17%
1993	16 273	13 355	10 934	2 421	2 918	22%
1994	15 245	13 262	10 889	2 373	1 983	15%
<b>EUR15</b>						
1995	15 709	14 128	11 722	2 406	1 581	11%
1996	16 535	14 166	11 716	2 450	2 369	17%
1997	17 486	14 338	11 785	2 553	3 148	22%
1998	16 251	14 218	11 738	2 480	2 033	14%
1999	17 680	14 295	11 761	2 534	3 385	24%
2000	17 663	13 886	11 424	2 462	3 777	<b>27%</b>
2001	15 466	14 146	11 697	2 449	1 320	9%
2002	16 654	13 390	11 044	2 346	3 264	24%
2003	15 436	13 394	11 168	2 227	2 042	15%
<b>EUR25</b>						
2004 (*)	18 434	16 482	14 114	2 368	1 954	

(\*) 2004/05 : estimates, C sugar and carry-overs included