



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 3/10/2006

GAIN Report Number: E36044

EU-25

Sugar

EU Agrees One-Year Cut In Sugar Quota

2006

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Report Highlights:

EU sugar production under quota will be cut by 2.5 million tonnes in 2006/07. This represents about 13.6 percent of EU production of sugar, isoglucose and inuline syrup. The planned reduction is intended to ease the overall supply pressure on the EU market in the first year of the reform.

The specific cuts will vary among the MS from 8.6 percent in Latvia and Lithuania to more than 16 percent in Denmark, Germany and France. These reductions are based, in part, on past "B" quota export volumes.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Brussels USEU [BE2]
[E3]

The EU governments have agreed on the Commission proposal for a one-year cut of production of 2.5 million tonnes (13.6 percent) in sugar, isoglucose and inulin syrup production for the marketing year 2006/07. This one-off reduction is seen as necessary to ensure that the new sugar regime gets underway without heavy surpluses undermining market balance.

The first year under the reformed sugar regime is expected to be difficult for the EU sugar sector because of possible oversupply of the market due to limited export possibilities and because in this first year the effects of the Restructuring Fund will not yet be felt.

The production cut is divided between the Member States according to a balanced weighting of the reduction coefficients traditionally used in the sugar sector, and the linear cut laid down in the new Common Market Organization (CMO) Regulation. In calculating the cut in production for 2006/07, special account will also be taken of those countries that undertake large reductions in quota in the first year of the reform through the newly introduced Restructuring Fund.

The quota cuts vary among the MS, from 8.6 percent in Latvia and Lithuania to more than 16 percent in Denmark Germany and France. These coefficients reduce production more for those countries that previously had higher "B" quotas. In other words those that produced more sugar for export. Under the sugar reform, this distinction between "A" and "B" quotas will disappear.

The Commission proposed to reduce sugar production under quota in the first year of the reform in order to relieve the pressure on the market following requests from a number of Member States to do so. Following last years WTO panel this will be the first full year where all EU exports will be designated as subsidized and there fore limited to just 1,273 million tons. This is caused by the fact that there will no longer be any "C" sugar exports for disposing of surplus production. However officials have confirmed that the full restructuring levy of €126.4/ton outlined in the sugar reform will be payable in 2006/07 on 100 percent of the quota held, even if production through this decision is limited to 84-92 percent of the quota.

Commission legal experts have not yet resolved the issue of the precise date by which EU sugar exporters have to stop exporting unsubsidized C sugar, in line with a WTO panel ruling. Although the panel verdict effectively ruled exports of C sugar illegal as from May 22, it remains unclear as to whether the Commission will take this as the date by which physical exports must stop – or the date on which licenses to export C sugar will cease to be issued.

The regulation agreed on the quota cuts also fixes transitional arrangements to take account of the fact that the first year of the new regime will last 15 months. This is so that, in future, the marketing year will run from 1 October to 30 September every year.

Figures approved by the EU sugar management committee indicate a reduction in the total sugar production quota from 17.4 million tonnes to 15.0 million tonnes, while isoglucose is cut from 507,681 tonnes to 448,023 tonnes, and inulin syrup from 320,718 tonnes to 273,394 tonnes. This creates a reduction in the overall sweetener quota from 18.3 million tonnes to 15.8 million tonnes for 2006/07.

Production Quota Cut per Member State

Member State	Coefficients	% Cuts	Sugar		Isoglucose		Inulin syrup		TOTAL	
			(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Belgium	0.8558	14.42	819,812	701,595	71,592	61,268	215,247	184,208	1,106,651	947,072
Czech Republic	0.9043	9.57	454,862	411,332					454,862	411,332
Denmark	0.8395	16.05	420,746	353,216					420,746	353,216
Germany	0.837	16.3	3,416,896	2,859,942	35,389	29,621			3,452,285	2,889,563
Greece	0.8829	11.81	317,502	280,323	12,893	11,383			330,395	291,706
Spain	0.8993	10.07	996,961	896,567	82,579	74,263			1,079,540	970,830
France	0.8393	16.07	3,288,747	2,760,245	19,846	16,657	24,521	20,580	3,333,114	2,797,483
France (DOM)	0.8827	11.83	480,245	423,912					480,245	423,912
Ireland	0.8845	11.55	199,260	176,245					199,260	176,245
Italy	0.8621	13.79	1,557,443	1,342,672	20,302	17,502			1,577,745	1,360,174
Latvia	0.9136	8.64	66,505	60,759					66,505	60,759
Lithuania	0.9141	8.59	103,010	94,161					103,010	94,161
The Netherlands	0.8475	15.25	864,560	732,715	9,099	7,711	80,950	68,605	954,609	809,031
Hungary	0.9061	9.39	401,684	363,966	137,627	124,704			539,311	488,670
Austria	0.8522	14.78	387,326	330,079					387,326	330,079
Poland	0.896	10.4	1,671,926	1,498,046	26,781	23,996			1,698,707	1,522,041
Portugal	0.8852	11.48	69,718	61,714	9,917	8,779			79,635	70,493
Portugal (Azores)	0.8845	11.55	9,953	8,803					9,953	8,803
Slovenia	0.8844	11.56	52,973	46,849					52,973	46,849
Slovakia	0.8833	11.67	207,432	183,225	42,547	37,582			249,979	220,806
Finland	0.8841	11.59	146,087	129,156	11,872	10,496			157,959	139,652
Sweden	0.8845	11.55	368,262	325,728					368,262	325,728
Untied Kingdom	0.8834	11.66	1,138,627	1,005,863	27,237	24,061			1,165,864	1,029,924
Average EU 25	0.8631	13.69	17,440,537	15,047,113	507,681	448,023	320,718	273,394	18,268,936	15,768,530

(1) - Quotas, (2) - Production allowed after quota cut, Source: *The European Commission*

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