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## EU-27

### Sugar

## EU Agrees to Mandatory 2007/08 Sugar Production Cut

### 2007

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**Report Highlights:**

On February 22, 2007 the European Commission agreed to a compulsory 2 million MT production quota cut for the 2007/08 marketing year. This withdrawal comes after EU Agriculture Commissioner Mariann Fischer Boel made comments about the failure of the sugar reform to take the necessary amount out of production to balance the EU sugar market. The Commission also noted that in the future it would review and amend the restructuring payment scheme that compensates producers who surrender production. However, no proposals to amend the payment scheme were publicly offered by the Commission or Sugar Management Committee at this time.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Brussels USEU [BE2]  
[E4]

On February 22, 2007 the Sugar Management Committee voted on a European Commission proposal agreeing to a compulsory 2 million MT production quota cut for the 2007/08 marketing year. As this falls within the Commission's competence this effectively implements the production cut.

EU Agriculture Commissioner Mariann Fischer Boel laid the groundwork for the reduction a month earlier when she spoke at the January Agriculture Council stating that sugar companies had failed to withdraw the necessary amount of sugar to balance the market. Prior to this announcement European Union member states had agreed to take a little less than 700,000 MT out of production for the 2007/08 marketing year putting the two year total at just under 2.1 million MT well short of the Commission's goal of reducing production by 5 million tons by the end of the 2009/10 marketing year. The new production quota for 2007/2008 is almost 16.6 million MT, a 12 percent cut from the base quota.

Producers who voluntarily reduce their production by 13.5 percent are exempt from the mandatory production withdrawal, meaning beet growers who sow 86.5 percent of their quota are not subject to the withdrawal. Additionally, member states that have already reduced their quota by 50 percent over the course of the reform are not subject to the mandatory cut and can produce their full quota. Production in excess of the quota must be counted towards the next marketing year's production or sold as sugar for industrial/biofuels use.

The production cut for member states that have not reduced their quota by 50 percent will have their previous reduction commitments recognized by proportionally reducing the amount of the cut for the 2007/08 marketing year in reference to the previous commitments. Table 1 outlines member states' base production quota for marketing year 2007/08, the production cut taken, and the new 2007/08 quota.

After the 2006/07 campaign came in larger than expected it was anticipated that the European Union institute a mandatory production cut given the relatively few quota renouncements in the first two years of the sugar reform (MY 2006/07 and 2007/08). It is apparent that the European Commission was concerned that the EU sugar market still had a significant number of less efficient producers who intended to remain in production and not take the maximum restructuring payment.

The sugar reform sets forth a restructuring payment scheme which compensates producers who take quantities out of production. Payments were set at 730 euro/MT the first two years (MY 2006/07 and 2007/08). Payments are set to decline to 625 euro/MT for the 2008/09 marketing year and finally to 520 euro/MT for the 2009/10 marketing year.

The Commission also noted that it is necessary to review the restructuring payment scheme and amend it to make it more attractive for less competitive operators. However, no proposals are offered at this time.

The European Commission will evaluate the situation again at the end of October 2007 and could impose an additional reduction equal to the percentage of the mandatory cut if it is observed that member states have not reduced sugar production by 13.5 percent. This additional reduction is not linked to the quantity of quota member states have already renounced but is a temporary reduction of a one-year duration.

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**Table 1: EU-27 Production Quota and Withdrawal Commitment**

Member States	2007/08 Production Quota	Withdrawal Commitment
Belgium	862,077	116,380
Bulgaria	4,752	642
Czech Republic	367,938	26,823
Denmark	420,746	56,801
Germany	3,655,456	493,486
Greece	158,702	-
Spain	887,164	93,418
France (metropolitan)	3,640,442	491,460
French overseas departments	480,245	64,833
Ireland	-	-
Italy	753,845	-
Latvia	-	-
Lithuania	103,010	13,906
Hungary	293,591	18,543
Netherlands	876,560	118,336
Austria	405,812	54,785
Poland	1,772,477	239,284
Portugal (mainland)	15,000	-
The Azores	9,953	1,344
Romania	109,164	14,737
Slovakia	140,031	6,049
Slovenia	-	-
Finland	90,000	2,916
Sweden	325,700	33,417
United Kingdom	1,221,474	164,899
<b>Total</b>	<b>16,594,139</b>	<b>2,012,059</b>

## Related Reports from USEU Brussels:

Report Number	Title	Date Released
E36141	<a href="#">Sugar Semi-Annual</a>	11/17/2006
E36073	<a href="#">Sugar Annual</a>	5/8/2006
E36044	<a href="#">EU Agrees a One-Year Cut in Sugar Quota</a>	3/10/2006
E36019	<a href="#">The European Commission Publishes Warning on Sugar Quota Cut</a>	2/6/2006
E35225	<a href="#">EU agrees sugar reform</a>	11/30/2005
E35143	<a href="#">EU proposes radical sugar reform</a>	7/15/2005
E35080	<a href="#">EU Sugar Annual</a>	4/27/2005
These reports can be accessed through our website <a href="http://useu.usmission.gov/agri/">http://useu.usmission.gov/agri/</a> or through the FAS website <a href="http://www.fas.usda.gov/scriptsw/attacherep/default.asp">http://www.fas.usda.gov/scriptsw/attacherep/default.asp</a> .		