EUROPEAN COMMISSION

Brussels,13.3.2013
C(2013) 1315 final

Dear Lord Boswell,

The Commission would like to thank you for the House of Lords' Opinion on "Leaving a bitter taste? The EU sugar regime." {COM(2011) 625_626_627_628 final} and apologises for the delay in replying. The Commission appreciated in particular the House's support for the Commission's proposal not to prolong sugar quotas beyond 2014/2015.

In line with your request, the Commission will focus on the conclusions you mention in paragraphs 70, 73, 76, 77, 79, 81, 82 and 84-88 of the report and would like to provide the following clarifications on the different issues raised.

Effect on the consumers of sugar and their voice as a stakeholder

The Commission would like to make clear that it takes all stakeholders into account when it proposes policy changes. The 2006 reform of the sugar CMO determined that the sugar quota system will apply until the end of the 2014/15 marketing year. On 18 November 2010 the Commission published a Communication on the CAP towards 2020: meeting the food, natural resources and territorial challenges of the future {COM(2010) 672 final}. This Communication was drawn up after a very intense process of public consultation, and following a major conference of Member States, stakeholder and NGO representatives. The objectives of the Communication were: to highlight the key challenges and the major policy issues and to outline possible policy orientations and options for the future. In this Communication, the Commission already signaled its intentions as regards removal of quotas and hence all the stakeholders could express their opinion on this subject. Moreover, the Commission is engaged in a regular dialogue with stakeholders. Four times per year these stakeholders discuss with the Commission in the so called advisory groups. Also with the ACP Secretariat at the technical level meetings take place twice a year and meetings at ambassadorial level are held as well.

In October 2011, taking into account these consultations, a proposal for a new Single Common Market Organisation (SCMO) was made {COM(2011) 626 final} that does not prolong the sugar quotas beyond the 2014/2015 marketing year for sugar which ends on 30 September 2015.

Lord Boswell
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Consumers are also consulted in the framework of the High Level Forum for a Better Functioning Food Supply Chain. In this context, consumer organisations have supported the work done under the B2B platform of the High Level Forum aiming at the implementation of a series of principles of good practice in business relations by all food chain actors.

On the specific issue of the impact of the ex-factory sugar price on the prices paid by consumers the European Commission is currently conducting a study into price transmission in the sugar sector. The results are expected by February 2013 and will be made publicly available.

Suggestions for a compromise solution in case quotas are prolonged

The Commission has taken due note of the House of Lords' suggestions for compromise. As you know, the Commission's proposal is currently being discussed by the Council and the Parliament.

Use of risk management tools to mitigate increased volatility after the end of quotas

The House of Lords' suggestion to increase use of risk management tools, such as insurance is very pertinent in the current volatile market circumstances. The Commission would like to confirm that the proposals on a new regulation for Rural Development made in October 2011 {COM(2011) 627 final} cover risk management tools for the new Common Agricultural Policy after 2013. More specifically these are mentioned in proposed Articles 37 to 40. After adoption it would be for the Member States to decide how to fit this option in their national rural development programs. Moreover, as elaborated below, the Commission has proposed that even after the end of quotas, the terms for buying sugar beet and cane should be governed by written contracts between EU growers and EU sugar undertakings in order to ensure a fair balance of rights between the parties.

Market management in recent marketing years

The Commission considers the House of Lords' observations on this issue to be supportive of the actions taken in the recent marketing years. The Commission will endeavor to continue taking measures in a balanced and transparent way.

Position of growers in their contractual relations

It is not the intention of the Commission to undermine the position of the farmers in their contractual relations with processors. As mentioned already, mandatory written contracts are proposed between EU sugar growers and EU sugar undertakings. These contracts have to fit in the general framework of improving the position of farmers in the food supply chain as proposed in the new CMO. In the current legal framework the purchase terms for beet in the contracts are defined in a Commission implementing regulation (Reg. 967/2006, Article 6a). Providing for a delegated act in line with the new requirements of the Treaty on the Functioning on the European Union follows the current approach.

ACP/LDC countries and the EU sugar regime

Up to 2013 the Accompanying Measures for Sugar Protocol countries (AMSP) provide substantial financial resources (€1.284 billion) to promote and support restructuring processes in former Sugar Protocol countries. Such commodity-specific targeted financial support is temporary (2006-2013) and exceptional for a very specific situation. The AMSP cover an appropriate period to allow former ACP sugar protocol countries to adjust to new market conditions.

Furthermore, duty free quota free access to the EU market is provided for all least developed countries by the "Everything But Arms" agreement under the General System of Preferences, and for those ACP countries that have signed an interim "Economic Partnership Agreements" with the EU.

Agriculture is one of the EU's priorities in its cooperation with partner countries and EU financial assistance should support integrated and comprehensive agricultural strategies elaborated within national development strategies. Countries who wish to continue supporting their sugar sector with EU financial assistance are encouraged to do so in the framework of the National Indicative Programmes.

Moreover, it should be highlighted that the adaptation process of the former ACP sugar protocol industries has been smoother than expected. For nearly three years, sugar world market prices have been very high. As a result, ACP sugar producers have had the opportunity to sell their sugar at a profitable price not only on the EU market - where prices have remained higher than expected – but also on regional and possibly world markets.

Whenever major proposals are made, including certain FTAs, the Commission conducts thorough impact assessments. For example, a detailed study was prepared for the negotiations with MERCOSUR, where concerns were raised in relation to a number of agricultural sectors, including sugar.

The Commission hopes that the clarifications provided above address the main suggestions and concerns expressed in your report and looks forward to continuing our political dialogue on these important issues.

Yours faithfully,

Maroš Šefčovič
Vice-President