European Commission

CAP measures and tools
-
Sugar sector

AGRI G 4
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Agriculture and Rural Development

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CMO – Sugar sector

Private Storage Aid (PSA) (Art 17)

Sugar sector agreements (Art 125 and Annex X)

Price reporting (Art 126)

Measures against market disturbance (Art 219)

Measures to resolve specific problems (Art 221)

Derogation from Art 101 TFEU (Art 222)

Private Storage Aid (1)

- Tool to balance the market and stabilise prices

- For white sugar of EU origin

- Two options: aid fixed in advance or by tender

- **Fixed in advance: quickly operational, higher cost**
- **Tender: reduces cost, offers market information, benefits most competitive and less vulnerable stakeholders**

Private Storage Aid (2)

- Long period sowing contracts between beet growers and sugar producers: slow reaction to adapt production to market forces

- Sector still adapting to post-quota environment

- Operational stocks:

- **above 6 million t during 2/3 of the marketing year**
- **at least 1 to 1,5 million t at any given point**

Private Storage Aid (3)

- Limited effect unless:

- **quantity under PSA is substantial**
- **quantity is released the following marketing year**
- **measure taken before sowing decisions for next year are made**

- Quantity under PSA adds to next year production: risk to create effect opposite from intended

Private Storage Aid (4)

- *Cost of the measure to be considered*
- *PSA weakens the incentive for self-regulation*
- *Larger stocks in larger producer MS: PSA not necessarily benefits producers in MS where production might be at stake*
- *2018/2019 production reduction due to weather conditions last summer*

Sugar sector agreements (Art 125 and Annex X)

Framework for better balance in negotiating power between beet growers and sugar producers

New value sharing clauses – large variety of use:

- **Possibility to choose between fixed and variable beet price only in some MS**
- **Other MS only fixed or variable price**
- **Variable beet price often linked to sugar price or to the performance of the company**

Price reporting (Art 126)

Publication of EU average price increases market transparency

Since 2017/2018, publication of 3 average regional prices

Measures against market disturbance (Art 219)

To address market disturbance or threat thereof

May extend or modify scope, duration or other aspects of other CMO measures

Only if other CMO measures not sufficient

Measures for specific problems (Art 221)

Commission can take urgency measures to resolve specific problems

Only if Art 219 not possible

May derogate from other CMO provisions to the extent and period strictly necessary

Not exceeding 12 months

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Derogation Art 101 TFEU (Art 222)

Commission may derogate from competition rules so stakeholders can agree to adjust/planify production, store, processing, etc

By recognised POs/APOs and IBOS and now also farmers' associations

Short period of application: 6 months, extendable

Restrictive interpretation – only in severe cases

Producers organisations (PO) Associations of Producer Organisations (APO)

Producer cooperation contribute in general to:

- *increased bargaining power within the supply chain (upstream /downstream)*
- *better position and adaptation to market trends*
- *reduce costs*

POs / APOs

Benefits for recognised POs within the current CAP

- *certain exemptions from the competition rules (collective negotiation of price and joint selling)*
- *support for the setting up of producer groups and producer organizations under their RDP,*

Voluntary coupled support

Voluntary: depends on the MS support decisions that can be reviewed on an annual basis

MS define applicable eligibility criteria specific to each VCS measure

Not a crisis scheme. *Though the Omnibus introduced the annual review possibility, it still aims to help sectors/types of farming affected by* ***long-term/structural difficulties***

Subject to various conditions limiting access / Strict budgetary limit.

11 MS took this option for sugar beet

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Risk management schemes

Main types of risks: Price risks and Income risk

Existing risk management instruments in EU agriculture:

1. Private risk management tools
2. Public –private subsidies (RD)
3. National policies

Risk management tools: private

Forward contracts

Future contracts

Risk management tools: public -private partnerships (1)

Insurance

- *maximum support rate: 70% of the insurance premiums*
- *programmed total public expenditure : almost EUR 2.2 billion.*

Mutual Funds

- *maximum support rate : 70% of the administrative costs of setting up the fund and the financial compensations to farmers*
- *total public expenditure programmed for contributions to mutual funds limited to EUR 325 million*

Risk management tools: public -private partnerships (2)

Income stabilization tool:

- *EU maximum contribution: up to 70 % of the administrative costs of setting up the fund and the financial compensations to farmers.*
- *planned expenditure for an IST, for EUR 130 million.*

Risk management tools: national policies

Special treatment on taxation to farmers: tax calculated on average income over a certain period of time to reduce the variability of income.

Reduced tax rates

Concessions related to inputs and property, such as special inheritance policies.

Investment support under RD policy

High flexibility

…also some limitations

Optimisation through synergies with other measures / instruments

Measures to target unfair trade practices (UTP)

April 2018 - Commission proposal to ban the more damaging unfair trading practices in the food supply chain

Aims to compensate for the relative lack of bargaining power of smaller operators compared to their larger buyers.

Includes effective enforcement provisions: sanctions can be imposed by MS where infringements are established.

Member States can take further measures as they see fit.

Commission's proposals CAP post 2020

What remains unchanged and what changes in relation to CMO, VCS, RDP measures?

CAP post 2020- proposed changes (1)

CMO instruments remain largely unchanged

….but more effectiveness and simplification

- **Integration of sectoral interventions in the CAP plan Regulation**
- **The possibility to initiate sectorial interventions to other agricultural sectors … <u>including sugar</u>**

CAP post 2020-proposed changes (2)

VCS and existing RD measures will still be available.

The biggest change will be the shift from compliance to performance (based upon objectives and indicators), which means eliminating prescriptive measures which set eligibility conditions at EU level for beneficiaries

Conclusions

Current CAP – quite detailed system of measures, mechanism, tools

It include some specific measures for sugar sector but most are horizontal and can help to accompany the adaptation of the sugar sector to the new economic environment after the end of the production quotas.

Uptake of risk management tools remains low