



Study on the adaptation strategies of the sugar supply chain after the end of sugar quotas – Statement by Germany

Joint Meeting GREX Arable Crops & CDG

BMEL 413 – Plant Products Unit



The focus of the Study

1. Structure and competitiveness,
2. Threats and risk management strategies,
3. Institutional setting and policy instruments ('current' and 'prospective')
4. Risks



The storyline of the Study (1)

1. heterogeneous productivity levels in sugar beet farming across Member States, combined with handicaps affecting the processing stage;
2. Vertical integration, business alliances among producers + contracts [resilience in crisis];
3. Removal of the quota/minimum price system, trade policy (FTA–quotas + tariffs), decoupled direct payments, voluntary coupled payments,



The storyline of the Study (2)

3. ... , new-CAP-strategic-plans interventions (coupled payments), nutrition-, bioenergy-, environmental/plant-protection policy
4. Agro-ecological ('weather', pests), interaction with competitors or 'systemic risks' (volatility), policy-risks (*)
4. Risk-management/adaptation toolkit:



The storyline of the Study (3)

4. “what works” (§ 2.2.1.1) :
farming practices, crop insurance, hedging based on futures and options, product/sector diversification, Technical and product innovation, ethanol production (blending in fuel)
+ voluntary coupled support, decoupled direct payments, supply agreements and contracts, Price monitoring and reporting systems



The storyline of the Study (4)

4. “wait and see” (§ 2.2.1.2)

Mutual funds against pest and diseases, Income Stabilisation Tool, hedging based on futures and options (farmers),
+ *instruments foreseen by the CMO Regulation*

“what does not work” (§ 2.2.1.3) *CMO-toolkit:*

Aid for private storage; measures against market disturbance; measures to resolve specific problems; derogation from Article 101(1) TFEU under Art. 222; safeguard measures under Art. 194 and 195.

→ no practical application in the EU sugar sector in the post-quota period.

→ since no concrete evidence was available to conclude on their actual effectiveness in addressing the risks faced by the EU sugar sector in the post-quota period the contractor filed them in the category “wait and see”.



Qualifications

1. Main shortcoming of price monitoring in the Sugar Market Observatory → fact that it does not capture the dynamics of the spot market [fixed!];
2. Regarding the relationship between producer and processors new contractual settings could be elaborated in order to strengthen farmers position;
3. Further measures for the broader supply-chain could also be considered;
4. We understand that the last CAP-revision of the crisis measures in the CMO strengthened the toolkit of measures available for crisis situations in the sugar sector.



Our Position

- We are aware of the overall importance and strength shown by the sector
- We advocate a market-oriented policy in the sugar sector
- We advocate fair competition for the EU and the international sugar markets
- We are still aware of the international (WTO) pressure on the ‘old CAP’ sugar market system – the phasing out was needed.
- We are aware of the pressure perceived by concessions given through FTAs and recognizes the success of the negotiations conducted by the EU-Commission.
- The “what works” elements showed suitable and should be taken on board as core of the “toolkit” to address the upcoming challenges of the EU sugar sector
[→ F2F + agri-food system transformation]



Thank you for your attention