Sweetener groups line up against EU sugar quota extension

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Shortages of refined sugar that have forced the European Commission to temporarily ease its sugar regime are giving industry groups new ammunition in their fight against efforts to extend the EU’s production quota.

The beverage, confection and starch industries have called on the EU to stick to its 2015 commitment to end quotas on sugar beet production. The quota system, dating to 1968, provides farmers a guaranteed minimum price aimed at ensuring stable supplies.

But with no shortage of demand for sweets, soft drinks and automotive biofuels, the sugar sector’s competitors and buyers alike are asking why the commodity should continue to get special treatment. Since early 2011, the Commission has had to authorise extra sales of sugar to address domestic shortages.

“We would certainly question why sugar is the only EU agriculture raw material out there which is still benefiting from a quota system now that dairy is also going,” said Jamie Fortescue, managing director of a group representing Europe’s starch industry, the Association des Amidoniers et Féculteurs (AAF).

The future of the sugar quotas will be part of a far broader debate this autumn over the Common Agricultural Policy (CAP) beyond 2013, including financing and Commission proposals to encourage sustainable farming.

Fortescue argues that the sugar quota regime is holding back manufacture of isoglucose, a liquid sweetener produced from starch. Extending the quota, he said, would discourage starch companies from expanding their market that is now limited to 5% of the sugar market, or annual production of nearly 700,000 tonnes.

“Our position is very clear: that we must get rid of the quota as soon as possible and thank you Commission for suggesting that,” said Fortescue, whose organisation represents starch companies with 69 production plants in the EU.

“If it’s not 2015, that would frustrating, but what we really have to have is a clear, final date in order for our members to start making the necessary investment in building capacity,” he told said in an interview from AAF’s Brussels office.

Powerful opponents

But starch manufacturers and their allies could be fighting an uphill battle against powerful agricultural nations, sugar producers and farm organisations.

NEPs are due to consider amendments to the CAP this autumn that would extend sugar quotas through 2020. Proposals now under consideration also would postpone the demise of restrictions on planting rights for wine production from 2016 to 2030.
France, Germany and Spain are among the countries that want to extend the sugar quotas to 2020 and farmers’ groups intend on defending EU payment schemes also want more time.

Last month, Johann Marihart, president of the sugar industry group Comité Européen des Fabricants de Sucre, backed efforts by French MEP Michel Dantin (European People’s Party) to extend the quota, saying at the time that “domestic agricultural production is a reliable source of stable supply.”

Gerd Sonnleitner, president of Copa, an organisation of European farmers, has urged EU decision-makers to keep the quotas to help European farmers maintain their competitiveness in the face of world competition.

But critics say quotas distort the market and stymie Europe’s export potential because of limits imposed by the World Trade Organisation in response to the EU support regime.

Juliette Jacques, deputy director of the AAF, contends that high sugar prices mean the quotas are no longer necessary.

Today’s European prices of around €700 per tonne are well above the anticipated benchmark when the EU executive set out to scrap production limits in 2005. “They had set a reference price of €404 per tonne and ever since the reform the price of sugar has been increasing,” Jacques said.

While calling for changes to the sugar regime, the starch industry also benefits from EU protections. Europe restricts imports of starch – an ingredient used in food, animal feed, medicines and production of adhesives as well as a substitute for sugar in the beverage and candy industries. AAF defends such restrictions, noting that cut-rate imports from Asia could harm the European market.

Sweet market in biofuels

Meanwhile, another EU policy has helped create a boom for sugar beet – the 10% renewable target in ground transport by 2020, which includes “sustainable” biofuels as part of a wider mix of renewable energies.

Some environmentalists have accused the Commission of using biofuels to soften the blow of cutting price guarantees for sugar, since beet is an important source of ethanol as well as biochemical applications.

Claude Turmes, the European Parliament’s rapporteur responsible for steering the Renewable Energy Directive into law, said that lobbyists had influenced his negotiations with the European Council.

“There were two lobbies, the sugar farmers lobby and the German car industry who tried to prevent the EU’s CO2 and cars legislation,” Turmes (Greens/Luxembourg) told EurActiv in April following the release of an EU report that questions the sustainability of biofuels.

“The origin of the 10% renewables in transport target was the fact that these two lobbies joined forces to impose it on the Commission.”

Positions:

CEFS (Comité Européen des Fabricants de Sucre) welcomed MEP Michel Dantin’s proposal to extend the sugar quotas until 30th September 2020. In a statement that followed Dantin’s report to the European Parliament’s agricultural committee in June, CEFS President Johann Marihart said: “MEP Dantin acknowledges the notion that domestic agricultural production is a reliable source of stable supply. In the sugar sector, this translates as the extension of the sugar quotas until 30 September 2020.”

Referring to the same parliamentary proposal, Robert Guichard, president of the European Sugar Users (CUIS), said: “EU sugar users have seen an increase of 40% in sugar price within the last year, leading to significant financial instability for many food manufacturers across Europe, particularly SMEs. This situation is not acceptable.”

Referring to the forthcoming debate over sugar quotas, Jamie Fortescue, managing director of the Association des Amidonniers et Féculeurs (AAF), a starch industry group that opposes extending the sugar quota, told EurActiv: “It’s very difficult to predict which way the debate is going to go, but in essence France is very keen on keeping the quota, Spain is keen on keeping the quote, Germany is keen on keeping the quota but is more understanding of the fact that it can’t remain forever. On our team would be the UK, the Scandinavians, Dutch. It’s a bit of a classic agricultural policy divide.”