Euro-MPs vote to extend sugar quotas

by Joshua Cheffin in Brussels

A plan to liberalise the EU sugar market, one of the most highly subsidised aspects of European agricultural policy, has been thrown into doubt after lawmakers rejected a proposal to end production quotas by 2015.

The European Parliament’s agriculture committee voted instead on Wednesday by a margin of 32 to 11 to extend the quotas until 2020. Some observers predicted they could last well beyond that.

The vote drew a sharp reaction from food and drink companies, which view the quota system as a protectionist relic and blame it for supply shortages and EU sugar prices that are roughly 50 per cent higher than those on world markets.

“IT is very disappointing because the system is out of date, it’s inefficient and it is hard for our industry,” said Robert Guichard, an executive at Kraft and the president of CIUS, the European sugar users’ trade group, which also includes companies such as Nestlé, Kellogg’s and Coca-Cola.

The system has also drawn strong opposition from European starch producers, whose sales of isoglucose – known as high-fructose corn syrup in the US – have been capped at just 5 per cent of the sugar market. Cane sugar refiners, such as the UK’s Tate & Lyle Sugars, have also called for an end to quotas.

The quota system dates back to the 1960s, and was established as a way to ensure stable prices for Europe’s beet farmers. Since then, it has also enriched a collection of large European sugar companies, including Germany’s Südzucker and France’s Tereos.

Supply shortages have become acute in recent years, with last year’s quota of 13.4m tonnes failing to keep pace with EU consumption of more than 16.5m tonnes. The price of sugar has risen to more than €700 per tonne in the EU, compared with world prices of just under €500.

EU prices have also been supported by high tariffs on imported sugar from all but the poorest countries – driving up the price for Tate & Lyle to access supplies of cane sugar from Brazil.

Under pressure from the World Trade Organisation, the EU adjusted its sugar policy in 2006, and member states agreed to end production quotas by 2015. The European Commission, the EU’s executive arm, has submitted a formal proposal to do so as part of its broader review of the common agricultural policy.

But the agriculture committee’s vote makes that unlikely. Under the Lisbon reform treaty, the parliament, once a relative bystander in Brussels, now has authority over agricultural policy. Germany and France, the EU’s biggest member states, are also thought to favour an extension of the quotas.

“We do not believe that the parliament position is fair to us or represents a good deal for competition, consumers and choice in Europe’s sugar market,” said Gerald Mason, a Tate & Lyle vice-president.

Mr Guichard said an extension of the quotas – and the high tariffs – would be particularly painful for small and medium-sized food companies, which have struggled to secure supplies, while maintaining profits for big sugar companies.

“Why do they need to be protected?” he asked.