EU sugar quota plan would force consumers to pay more for longer

2:30pm GMT

* Plenary European Parliament vote set for March
* Smaller sugar users risk going out of business
* Protected regime limits production of isoglucose

By David Brough

LONDON, Feb 20 (Reuters) - European consumers look set to pay a premium on sugar for longer, even while global prices bump along at 2-1/2 year lows, as the European Union debates extending the years of protection for sugar beet farmers and processors.

The EU sugar beet industry had been bracing for the end to restrictive production quotas by a target date of 2015, which would leave them to compete with imports from low-cost producers such as Brazil. But the European Parliament's agriculture committee on Jan. 23 voted to extend the current European Union sugar regime, one of the most highly protected aspects of European agricultural policy, until October 2020.

A plenary European Parliament vote is scheduled for the week starting March 11, with a final decision due by June after talks involving the European Commission and the European Council.

Food and beverage companies that use sugar and starch say extending the quotas will damage small and medium-sized firms by inflating their costs and could put the least efficient out of business.

Sugar growers and refiners say they need more time to make improvements to be able to compete in the global market and that removing barriers too soon would threaten their survival.

The average reported price for white sugar in the EU is around 728 euros ($970) per tonne, according to European Commission data, well above the world price of 372 euros on Wednesday.

"We are trying to demonstrate to members of the European Parliament the negative economic impact that the current regime has on users, particularly small and medium-sized businesses," Muriel Korter, secretary general of the Committee of European Users of Sugar (CIUS), said in an interview.

"Quotas are benefiting the sugar processing industry hugely, whereas some small sugar-using companies are struggling for survival," she added.

Members of the Brussels-based CIUS, which includes companies such as Coca-Cola, Danone and Nestle, buy almost 70 percent of Europe's annual consumption of sugar.

EU PROPOSAL

Jon Dalby, president of the International Confederation of European Beet Growers (CIBE), said the agriculture committee vote was a step towards ensuring the future survival of beet farming in the European Union.

The European beet sector has raised efficiency and yields since the 2006 introduction of EU reforms to phase out protection. Jamie Fortescue, managing director of the European Starch Industry Association (AAF), said in an interview.

The latest proposal acknowledges that the EU sugar sector needs more time to be able to compete effectively on the world market, Johann Marihart, president of the European Committee of Sugar Processors (CEFS), said in a statement.

The debate over whether to prolong quotas pits Britain, Italy, Scandinavian countries and the Netherlands, which favour 2015, against France, Germany and Spain which want protection to carry on for a further five years, EU trade sources said.

This issue is part of planned reforms to the EU's hugely expensive Common Agricultural Policy (CAP), which protects farming by subsidising growers' livelihoods.

An eventual compromise solution involving a partial extension of quotas, perhaps to 2018, is a possibility.

"Chances of getting a 2020 deal waved through without compromise are reasonably limited," said John Ireland, a trader at London-based commodities house Czarnikow.

"In reality, we'll probably see a negotiated settlement, possibly what the Commission describes as a 'soft landing'."

ISOGLOUCOSE

The EU sugar regime has limited output of isoglucose, a cereal-based sugar used in soft drinks, also known as high-fructose corn syrup.

"The proposal merely extends an unfair and anti-competitive system and continues to restrict the European starch industry's production of isoglucose to less than 5 percent of the total EU sugar production quota," the AAF said in response to the committee vote.

http://uk.reuters.com/assets/print?aid=UKL6N0BJEGB20130220

20/02/2013
The AAF's Fortescue said that in times of economic crisis, continuing to artificially limit the production and competitiveness of a European sector processing EU-grown cereals cannot make sense and called for an end to the quotas.

He said the EU's isoglucose output would be 2 million to 3 million tonnes in a free market, far more than the current quota at 670,000 tonnes.

Fortescue said that if quotas were extended to 2020, they would then fall under the next review of the CAP when they potentially could be extended further.

"The debate would start all over again," he said.

European beet growers and processors welcomed the committee vote.

"We need time to rebuild our capacity as an industry," said William Martin, head of the NFU Sugar Board, which represents UK beet growers, and who produces sugar beet and other crops on a 1,000-acre family farm in the Cambridgeshire Fens.

"If we were forced to compete with Brazil, I don't think we could do it," he said.

A spokesperson for processor British Sugar, a unit of Associated British Foods, said, "Maintaining quotas to at least 2020 will provide our industry with the opportunity to continue to invest in further advanced manufacturing in pursuit of achieving a globally competitive and sustainable operation."

© Thomson Reuters 2011. All rights reserved. Users may download and print extracts of content from this website for their own personal and non-commercial use only. Reproduction or redistribution of Thomson Reuters content, including by framing or similar means, is expressly prohibited without the prior written consent of Thomson Reuters. Thomson Reuters and its logo are registered trademarks or trademarks of the Thomson Reuters group of companies around the world.

Thomson Reuters journalists are subject to an Editorial Handbook which requires fair presentation and disclosure of relevant interests.

This copy is for your personal, non-commercial use only.