

EU: Current Agriculture News and Issues

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Agreement reached on sugar reform

In November 2005, the 25 member countries of the European Union reached an agreement on the region's sugar reform. It is estimated that EU sugar production will fall significantly as a result of the reform.

After many months of disagreement and three days of intense discussions in late-November 2005, the European Union's (EU) 25 member states finally reached an agreement on the European Commission's (EC) proposed sugar reform.

The biggest change under the new reform, which is expected to go into effect in July 2006, relates to the reduction in the EU's guaranteed sugar price. Under the new reform a 36 percent price reduction, compared to 39 percent in the original proposed sugar reform, will be phased in over a four year period and will be in effect until 2014. In addition, farmers will be compensated for an average of roughly 64 percent of the price cut and those countries reducing at least half of their total production could be compensated for close to 100 percent of their losses until 2011.

As a result of the new sugar reform, it is expected that the EU's sugar production will drop significantly causing a number of job losses throughout the region as well as causing the EU to move from being a leading net exporter of sugar to a net importer of sugar. According to some industry analysts, it is expected that production could fall from roughly 17 million metric tons today to as low as 11 million metric tons over the next five years. Meanwhile, the US Department of Agriculture (USDA), which pegs the EU's current sugar production at 20 million metric tons, estimates that production could fall to between 13 and 15 million metric tons. Furthermore, the International Confederation of European Beet Growers estimates that more than 120,000 sugar beet farmers could be out of jobs and more than 80 sugar factories could be forced to close down.

After the agreement was reached, the EC's Agriculture Commissioner, Mariann Fischer Boel, and the United Kingdom's (UK) Minister of Agriculture, Margaret Beckett, praised the decision of the 25 member countries and indicated that passing the reform would help the EU become more competitive in the future. However, the news was not as well received by those farmers and sugar industry players that face losing their livelihoods or other less developed countries that will no longer benefit from preferential status or a guaranteed sugar price.

SOURCES: Dow Jones International News Service, Financial Times, Foreign Agricultural Service of the US Department of Agriculture, and the Wall Street Journal

