

COMMISSION OF THE EUROPEAN COMMUNITIES

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THE COMMUNITY'S FUTURE SUGAR POLICY

(Commission communication to the Council)

I. INTRODUCTION

Background

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The Commission presented its views on the Community's future sugar policy in its memorandum of July 1973¹.

This memorandum included the three aspects of the problem, namely the internal production policy, imports from associated countries, and the status of the Community in a future international sugar agreement.

As regards this future agreement, the negotiations initiated in 1973, were rendered fairly difficult mainly because of the different estimates on the part of exporters and importers with regard to the future development of world production and consumption. In these conditions, it would hardly seem probable that an international agreement might be concluded in the near future.

The present communication aims at considering the present situation of the sugar market and at updating, to the extent necessary in view of the recent development of this market, the proposals made in the July 1973 memorandum.

Present world and Community situation in respect of sugar

At the time that the "sugar" memorandum had been submitted to the Council, the price of sugar on the world market, which was already fairly high, was nevertheless lower than the Community price (20 and 24 ua/quintal respectively). Since then, the imbalance between world production and consumption has become more serious by reason of the fact that world stocks could not be made up at short notice and that world prices have reached astonishing levels (more than 50 ua/quintal).

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¹. COM(73) 1177 Final

It is hardly likely that this situation will improve quickly. At the same time, at Community level, a series of unexpected events has created certain difficulties, particularly regional ones, with regard to insuring the supply of sugar.

Thus, the growth in the sale for human consumption in the Community, in 1973/74, has been much higher than the usual consumption, whilst at the same time deliveries from certain member countries of the Commonwealth Sugar Agreement were about 300 000 tons. below the quantities contracted for.

When submitting the memorandum on sugar in July 1973, the Commission had estimated the consumption for 1975/76 at about 9.8 million tons. The Commission believes that part of the present very high sales can be explained by the fact of stocks being purchased so that stocks in the pipe line had increased. The Commission therefore expects a real consumption in 1975/76 of about 10 million tons.

The proposals made in respect of internal policy will therefore have to be brought up to date as a result of the new factors, namely the present situation on the world market and on the Community market, with particular reference to the human consumption aspects as well as the import aspects.

Basis of the future domestic policy

The Commission maintains its position in providing for a system of production quotas. It also maintains the Community basis for fixing quotas (in relation to a uniform reference production - 1968/69 to 1972/1973 - and to a single coefficient of 0.93 to be applied to this reference basis). It also provides that no Community undertaking should have a new quota that will be below the present quota.

As regards the fixing of maximum quotas, that is to say the fixing of the maximum level of Community production combined with an overall marketing guarantee and an overall or partial price guarantee, it would seem advisable, in view of the situation of the market described above and of the regional specialization aspect of this matter, to lay down a higher level than that provided for in the July 1974 memorandum.

Finally, a supplementary production beyond the maximum quotas as regards the so-called "C" sugar might be authorized although such production should also be subject to certain rules.

The bases of this policy in figures

Starting from the bases above for fixing the quotas (reference period 1968/69 - 1972/73, coefficient of 0.93 and minimum level of future quotas), the sum of quotas (A) amounts to about 8.5 to 8.6 million tons. Taking into account the fixing of maximum quotas (B) at 125%, the probable total production within the framework of quotas A + B could be estimated at about 9.7 million tons. In view of the human consumption estimate for 1975/76 of about 10 million tons, the Community would therefore be in slight deficit.

In the event of a world shortage

In this event, any increase in production would be agreed to as sugar "C". As regards the status of this sugar "C", it is the Commission's opinion that:

- (a) The production of sugar "C" should not be limited so long as there is a shortage on the world market,
- (b) In the event of a surplus on the world market and within the framework of a new world sugar agreement, production of sugar "C" might be limited to equivalent undertakings by other developed countries,
- (c) In the exceptional event of production A + B and imports not be sufficient to meet Community consumption, sugar "C" should be available, in whole or in part, for domestic consumption.

Summary

In view of the above, the Commission has therefore updated its proposals on the future sugar policy as follows:

	Memorandum of July 1973	Communication of July 1974
Fixing of basic quotas (A)		
(a) Reference basis	1968/69 - 1972/73	1968/69 - 1972/73
(b) Coefficient to be applied	0.93	0.93
(c) Minimum level of basic quota	1. Equal to the present quota, if quota B is given up 2. The present quota for the new Member States	The present quota for each undertaking
(d) Sum of the basic quotas fixed individually	+ 8.4 million tons	+ 8.54 ¹ million tons
Fixing of maximum quota (B)	115 - 118%	125%
Probable total production within the maximum quotas (including production (B))	9.2 million tons (1.0 million tons)	9.7 million tons (1.4 million tons)
Estimated consumption 1975/76	9.8 million tons	10.0 million tons
Production of sugar "C"	If no, possible increase of quota B in certain circum- stances	If yes, possible decrease in certain circumstances

1. The figure of 8.4 million tons included in the memorandum was based on the overall estimate per Member State. The figure of 8.54 million tons was based on a provisional calculation carried out for any Community undertaking.