

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(83) 242 final

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## COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

ACP sugar: the problem of ocean freight costs

## COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

on the guaranteed prices applicable in the 1983/84 delivery period  
to cane sugar originating in the ACP States referred to in  
Protocol 7 annexed to the Second ACP-EEC Convention and  
in the overseas countries and territories (OCT)  
referred to in Council Decision 80/1186/EEC

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COMMUNICATION FROM THE COMMISSION TO THE COUNCILACP sugar: the problem of ocean freight costs

COM 242

1. During the 1982 negotiations on ACP sugar guaranteed prices it was agreed that an examination of the problem of ocean freight costs, as presented by the ACP States, should be undertaken and that the result should be presented in good time before the negotiation of guaranteed prices for ACP sugar for 1983/84.
2. In accordance with Article 5(4) of the Protocol 7 on ACP sugar the guaranteed price, originally expressed in units of accounts, but now in ECU, refers to unpacked sugar, cif European ports of the Community and is fixed in respect of standard quality sugar. It is negotiated annually, within the price range obtaining in the Community, taking into account all relevant economic factors. This definition clearly excludes freight costs from the guarantee. That means that such costs have to be borne by the ACP suppliers.
3. In their annual memoranda on prices the ACP States have constantly referred to the burden of freight costs and requested the Community to find ways and means to compensate for them. The matter became urgent for the ACP States when in the 1979/80 delivery period the freight rate increased considerably. As result they pressed the Community to take into consideration in determining the guaranteed price the cost of freight as a relevant economic factor. The Community recognized the ACP States' concern at the increasing levels of freight rates but did not accept that a freight element could be included in the determination of the guaranteed price. The Community took the view that in the matter of price guarantees the ACP States cannot be more favorably treated than the Community sugar producers and that the return guaranteed to the ACP States should be comparable with the net return to the Community producers of raw beet sugar.
4. During the price negotiations in 1981, the Community agreed to examine the freight question outside the framework of Article 5(4) of the Protocol. It was suggested that studies should be carried out to examine the costs of transporting sugar from the factory to the port of destination for each Member State of the Sugar Protocol. This offer was not accepted by the ACP States who felt that it did not meet their immediate request for a price supplement to take account of freight costs.

5. Meanwhile the situation on freight rates has improved for the ACP states. The percentage which the transport costs represent of the guaranteed price is now the same as it was in 1975/76 and is below the level which prevailed during the negotiation of the Protocol ( see annexed table). In the memorandum submitted by the ACP States to the Community with respect to the 1983/84 guaranteed prices, however, they have once again emphasized that the freight costs remain "appreciable" in absolute terms.
6. The Commission considers that the Community should now determine its position in respect of the undertaking to examine the freight costs problem. The Commission recommends that the Council should adopt the following declaration:

- " 1. The Community acknowledges that transport costs are a permanent charge for the suppliers of preferential sugar. The Community sees no way, however, in which this situation can be alleviated within the framework of the Protocol on ACP sugar or the sugar market organization. Article 5(4) of the Protocol lays down that the guaranteed price is cif European port and therefore the freight costs and maritime insurance are for the seller's account.
2. Article 1(2) provides that the implementation of the Protocol is carried out within the framework of the management of the common organization of the sugar market. This means that after imported ACP raw sugar has been refined it must be marketed under the same general rules which apply to Community sugar. According to Article 5(1) white or raw sugar shall be marketed on the Community market at prices freely negotiated between buyers and sellers. Thus if the guaranteed price for ACP sugar were increased by a freight element then the only means of implementing the import obligation in the Protocol would be to buy preferential sugar into intervention because such sugar could not be freely marketed within the Community.

3. In these circumstances the Community takes the view that a freight cost element cannot be taken into account as a relevant economic factor for the determination of the guaranteed prices within the meaning of Article 5 (4) of the Protocol.
  
4. The Community is prepared, however, to cooperate with the ACP States to find means and ways outside the framework of the Sugar Protocol and the common market organization to alleviate the burden of freight costs. For this purpose the Community renews its offer to carry out a study to examine for each ACP State, member of the Protocol, the transport costs from the factory to the port of destination. As a result of that study individual or regional projects could be envisaged within the framework of the Lomé II convention under the provisions for financial and technical cooperation as and when appropriate requests are received from the ACP states."

ANNEX: EVOLUTION OF FREIGHT CHARGES FOR ACP SUGAR

	I.	II.	III.	IV.	V.	VI.	VII.	VIII.
	Freight + insurance	Conversion rate	Freight + insurance	Guaranteed price (ecu)	Transport costs in % of the price: (III : IV)	Proceeds FOB position: IV - III	Annual increase rate: of VI	Annual increase rate: Guaranteed price
	element in LDP: (1 L - ua/ecu): raw sugar (L)		(ecu)	(ecu)				
January 1975	14.50	1.76273 ua	30.90	308.6	10.0%	275.9	-	-
July 1975	8.00	1.63671 ua	15.83	308.6	5.1%	292.8	-	-
January 1976	9.00	1.63047 ua	17.74	308.6	5.7%	289.1	-	-
July 1976	11.0	1.43469 ua	19.08	322.8	5.9%	303.7	3.7	4.6
January 1977	13.00	1.25439 ua	19.72	322.8	6.1%	303.1	-	-
July 1977	11.00	1.27402 ua	16.94	329.4	5.1%	312.5	2.9	2.0
January 1978	11.00	1.28042 ua	17.02	329.4	5.2%	312.4	-	-
July 1978	11.50	1.21875 ua	16.95	336.2	5.0%	315.6	1.0	1.0
January 1979	11.00	1.22759 ua	16.33	336.2	4.9%	316.3	-	-
July 1979	15.50	1.59329 ecu	24.70	341.3	7.2%	316.6	0.3	2.6
January 1980	16.50	1.53960 ecu	25.40	341.3	7.4%	315.9	-	-
July 1980	20.00	1.66099 ecu	33.22	358.9	9.3%	325.7	2.9	5.2
January 1981	17.00	1.86082 ecu	31.63	358.9	8.8%	327.3	-	-
July 1981	18.00	1.86369 ecu	33.55	389.4	8.6%	355.8	9.2	8.50
January 1982	14.50	1.77604 ecu	25.75	389.4	6.6%	363.6	-	-
February 1982	13.00	1.80563 ecu	23.47		6.0%			
March 1982	12.00	1.77864 ecu	21.34		5.5%			
April 1982	14.50	1.77864 ecu	25.79		6.6%			
May 1982	14.00	1.75551 ecu	24.58		6.3%			
June 1982	14.00	1.77833 ecu	24.90		6.4%			
July 1982	13.50	1.80723 ecu	24.40	426.3	5.7%	401.9	13.0	9.5
August 1982	13.00	1.80723 ecu	23.50		5.5%			
September 1982	12.00	1.80723 ecu	21.69		5.1%			
October 1982	12.00	1.83075 ecu	21.97		5.2%			
November 1982	13.00	1.83075 ecu	23.80		5.6%			
December 1982	13.50	1.70681 ecu	23.04		5.4%			
January 1983	13.50	1.63095 ecu	22.02	426.3	5.2%	404.3	(13.6)	(9.5)

5

Commission Communication to the Council on the guaranteed prices applicable in the 1983/84 delivery period to cane sugar originating in the ACP States referred to in Protocol 7 annexed to the Second ACP-EEC Convention and in the overseas countries and territories (OCT) referred to in Council Decision 80/1186/EEC

1. Protocol 7 on ACP sugar annexed to the Second ACP-EEC Convention contains the Community's undertaking to purchase and import, at guaranteed prices, cane sugar which the exporting countries concerned cannot market commercially in the Community at prices equivalent to or higher than the guaranteed prices.
2. In Declaration 2 annexed to that Protocol, the Community undertook to ensure the same treatment for sugar originating in certain OCT as that provided for in the sugar Protocol.
3. The present guaranteed prices (1982/83) apply until 30 June 1983. The Commission considers that the guaranteed prices for the delivery period 1983/84 should be negotiated in such a way that, with effect from 1 July 1983 at the earliest, the returns guaranteed to ACP States for their deliveries to the Community of raw cane sugar cif free out are comparable with the price guaranteed to Community producers of raw sugar.
4. The Commission therefore proposes that the Council should
  - 1) take note that the Commission will conduct negotiations with the countries concerned in accordance with the guidelines set out in Annex I<sup>(1)</sup>;
  - 2) adopt, following approval of the conclusions reached during these negotiations, the proposal for a regulation on the conclusion of an agreement in the form of an exchange of letters, as set out in Annex II;
  - 3) adopt, pursuant to 2, the proposal set out in Annex III for a regulation fixing the guaranteed prices applicable for the 1983/84 delivery period to cane sugar originating in the OCT referred to in Council Decision 80/1186/EEC.

#### 5. Financial implications:

There are no financial implications other than those already taken into account within the framework of the agricultural price proposals for 1983/84 ( doc.COM (82) 650 final - vol.II of 22 December 1982).

(1) It would be useful for the Council to defer taking note of the guidelines directive until after the completion of the examination referred to in communication No I on the problem of ocean freight costs.

A N N E X E S  
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- I. Guidelines for negotiations with the ACP States referred to in Protocol 7 annexed to the Second ACP-EEC Convention of Lomé on the guaranteed prices applicable to cane sugar during the delivery period 1983/84.
  
- II. Proposal for a Council regulation on the conclusion of an Agreement in the form of an exchange of letters between the European Economic Community and Barbados, Belize, the People's Republic of the Congo, Fiji, the Cooperative Republic of Guyana, Jamaica, the Republic of Kenya, the Democratic Republic of Madagascar, the Republic of Malawi, Mauritius, the Republic of Suriname, the Kingdom of Swaziland, the United Republic of Tanzania, Trinidad and Tobago, the Republic of Uganda and the Republic of Zimbabwe on the guaranteed prices for cane sugar for the delivery period 1983/84. ( The text of the Agreement is annexed hereto.)
  
- III. Proposal for a Council regulation fixing the guaranteed prices applicable in the delivery period 1983/84 to cane sugar originating in the over-seas countries and territories (OCT).

A N N E X I

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GUIDELINES FOR NEGOTIATIONS

The Council of the European Communities hereby takes note of the following guidelines for negotiations :

"The Commission, pursuant to Article 5(4) of Protocol 7 on ACP sugar annexed to the Second ACP-EEC Convention of Lomé (1), shall initiate negotiations with the ACP States referred to in that Protocol on the guaranteed prices provided for under that Protocol that are to apply for the delivery period 1983/84. It shall conduct these negotiations in consultation with the Member States' representatives. The guaranteed prices, cif free out, shall be negotiated in such a way that the returns guaranteed to the ACP States for their raw cane sugar deliveries to the Community are comparable with the price guaranteed to Community producers of raw sugar. This implies that the guaranteed price for ACP raw sugar should not exceed the Community's intervention price for raw sugar in 1983/84. The prices thus negotiated shall apply at the earliest to the start of the 1983/84 delivery period on 1 July 1983."

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(1) OJ No L 347, 22.12.1980, p. 1.

A N N E X I I

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Proposal for  
COUNCIL REGULATION (EEC) No /  
on the conclusion of an Agreement in the form of an exchange of letters  
between the European Economic Community and Barbados, Belize, the People's  
Republic of the Congo, Fiji, the Cooperative Republic of Guyana,  
Jamaica, the Republic of Kenya, the Democratic Republic of Madagascar,  
the Republic of Malawi, Mauritius, the Republic of Suriname,  
the Kingdom of Swaziland, the United Republic of Tanzania, Trinidad  
and Tobago, the Republic of Uganda and the Republic of Zimbabwe  
on the guaranteed prices for cane sugar for the delivery period  
1983/84

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Protocol 7 on ACP sugar annexed to the Second ACP-EEC Convention of Lomé (1), hereinafter referred to as the "Protocol", and in particular Article 5(4) thereof,

Having regard to the proposal of the Commission,

Whereas the Protocol, in accordance with Article 1(2) thereof, is implemented within the framework of the management of the common organization of the sugar market;

Whereas it is appropriate to approve an Agreement in the form of an exchange of letters between the European Economic Community and the States referred to in the Protocol on the guaranteed prices for cane sugar for the 1983/84 delivery period,

HAS ADOPTED THIS REGULATION :

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(1) OJ No L 347, 22.12.1980, p. 1

Article 1

The Agreement in the form of an exchange of letters between the European Economic Community and Barbados, Belize, the People's Republic of the Congo, Fiji, the Cooperative Republic of Guyana, Jamaica, the Republic of Kenya, the Democratic Republic of Madagascar, the Republic of Malawi, Mauritius, the Republic of Suriname, the Kingdom of Swaziland, the United Republic of Tanzania, Trinidad and Tobago, the Republic of Uganda and the Republic of Zimbabwe on the guaranteed prices for cane sugar for the 1983/84 delivery period is hereby approved by the Community.

The text of the said Agreement is annexed to this Regulation.

Article 2

The President of the Council is hereby authorized to designate the person empowered to sign the Agreement referred to in Article 1 in order to bind the Community.

Article 3

This Regulation shall enter into force on the day following its publication in the Official Journal of the European Communities.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council

Text of an AGREEMENT.

in the form of an exchange of letters between the European Economic Community and Barbados, Belize, the People's Republic of the Congo, Fiji, the Cooperative Republic of Guyana, Jamaica, the Republic of Kenya, the Democratic Republic of Madagascar, the Republic of Malawi, Mauritius, the Republic of Suriname, the Kingdom of Swaziland, the United Republic of Tanzania, Trinidad and Tobago, the Republic of Uganda and the Republic of Zimbabwe on the guaranteed prices for cane sugar for the delivery period 1983/84.

Letter No 1

Sir,

The representatives of the ACP States referred to in Protocol 7 on ACP sugar annexed to the Second ACP-EEC Convention of Lomé, and of the Commission, on behalf of the European Economic Community, have agreed within the framework of the negotiations provided for in Article 5(4) of the said Protocol, on the following:

For the delivery period 1 July 1983 to 30 June 1984 the guaranteed prices referred to in Article 5(4) of the Protocol shall, for the purpose of intervention within the terms of Article 6 of the Protocol, be:

- (a) for raw sugar, \*            ECU per 100 kilograms;
- (b) for white sugar, \*           ECU per 100 kilograms.

These prices shall refer to sugar of standard quality as defined in Community legislation, unpacked, cif free out European ports of the Community.

Although retroactivity is not provided for in respect of the 1983/84 prices, it is agreed that this year's decision does not prejudice the position of the ACP States in relation to retroactivity in any future negotiation in accordance with Article 4(3) of the above-mentioned Protocol.

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\* The amounts indicated will take account of the outcome of the negotiations with the ACP States.

I should be obliged if you would acknowledge receipt of this letter and confirm that this letter and your reply constitute an Agreement between the Governments of the above-mentioned ACP States and the Community.

Please accept, Sir, the assurance of my highest consideration.

For the Council  
of the European Communities

Letter No 2

Sir,

I have the honour to acknowledge receipt of your letter of today which reads as follows :

"....."

I have the honour to confirm the agreement of the Governments of the ACP States referred to in this letter with the foregoing.

Please accept, Sir, the assurance of my highest consideration.

For the Governments

A N N E X III  
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Proposal for  
COUNCIL REGULATION (EEC) No /  
fixing the guaranteed prices applicable for cane sugar originating  
in the overseas countries and territories (OCT) for the 1983/84  
delivery period

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,  
and in particular Article 136 thereof,

Having regard to the recommendation from the Commission,

Whereas, in accordance with Declaration 2 contained in the Annex to  
Protocol 7 on ACP sugar annexed to the Second ACP-EEC Convention of  
Lomé (1), the Community guarantees, for cane sugar originating in the  
overseas countries and territories mentioned in the said Annex, the same  
treatment as provided for in the said Protocol;

Whereas Council Decision 80/1186/EEC of 16 December 1980 on the  
association of the overseas countries and territories within the European  
Economic Community (2), embodies the application of this principle;  
whereas, in accordance with Article 4 of Annex IV to that Decision, the  
guaranteed prices are fixed annually;

Whereas the guaranteed prices valid for the 1983/84 delivery period for  
cane sugar originating in the ACP States have been fixed by an Agreement  
in the form of exchange of letters with the relevant ACP States; whereas  
it is now necessary for the same guaranteed prices to be fixed for cane  
sugar originating in the overseas countries and territories concerned,

HAS ADOPTED THIS REGULATION :

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(1) OJ No L 347, 22.12.1980, p. 1

(2) OJ No L 361, 31.12.1980, p. 1

Article 1

1. For the delivery period from 1 July 1983 to 30 June 1984, the guaranteed prices referred to in Article 4(4) of Annex IV to Decision 80/1186/EEC shall be as follows:
  - (a) for raw sugar, \*            ECU per 100 kilograms;
  - (b) for white sugar, \*           ECU per 100 kilograms.
  
2. These prices shall refer to sugar of standard quality as defined in Community legislation, unpacked, cif free out European ports of the Community.

Article 2

This Regulation shall enter into force on the day following that of its publication in the Official Journal of the European Communities.

It shall apply with effect from 1 July 1983.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council

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\* The amounts will be fixed in the light of the outcome of negotiations with the ACP States.