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DIRECTORATE-GENERAL FOR AGRICULTURE

CAP WORKING NOTES 1992



SUGAR

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I N T R O D U C T I O N

The information in this document is arranged in three parts:

- the "analysis" part describes the market situation and the mechanisms of the market organization in the product;
- the "statistics" part gives most of the tables appearing for the product in the annual report on agriculture in the Community;
- lastly, the "explanatory memorandum" of the Commission's annual agricultural price proposals seem to us to provide an indispensable illustration of the Community policy.

* * *

DESCRIPTION OF THE MECHANISMS
OF THE COMMON MARKET ORGANIZATION
FOR SUGAR (*)

A. INTRODUCTION

10 years after the foundation of the EEC a first Common Organisation of the Community's sugar markets was introduced on 1.7.1968. Already at that time it was based on price guarantees, production quotas and the corresponsability of producers for the costs of production surpluses. The historical justification was that most Member States applied similar systems prior to the Community. After a review in 1974 these arrangements continued until the 1980/81 marketing year. From 1.7.1981 the system was considerably revised with the principal change being the full financial responsibility of producers for the cost of production surplus and the inclusion of isoglucose (HFCS).

This system, which is laid down in Council Regulation (EEC) No. 1785/81, is of indefinite duration. Only the quota arrangements are due for regular review. The last review which took place in 1991 resulted in a continuation of the quotas at their existing levels. In the past quotas had been adjusted following marketing opportunities or accession of new Member States (see table 1).

B. DESCRIPTION OF THE SYSTEM

The system is geared to guaranteeing beet growers a certain price level differentiated between production quotas (A and B), through intervention, external border protection and export financing. Intervention has not normally been used as surpluses can be exported without difficulties onto the world market. Sugar is the unique Common Market Organisation which is fully financed by producers within the limits of their production surpluses (see page 8).

*) Author: DG VI.C.3, Nov. 1989, Rev. 1992.

1. INTERNAL MARKET MEASURES

Beet price/Intervention price

Beet prices are in the first place guaranteed by the obligation of intervention agencies in the Member States to buy white or raw sugar at the intervention price.

Beet prices and the white sugar intervention price are fixed annually by the Council by taking into account a processing margin corresponding to about 40 % of the white sugar price (see annex I). The common intervention price is fixed for surplus areas. Derived intervention prices are fixed for deficit areas (United Kingdom, Ireland + 1,21 ECU/100 kg and Italy + 1,94 ECU/100 kg) and for raw sugar.

Export

To ensure that sugar not needed for internal consumption can be exported (and not placed into intervention) refunds are granted to bridge the gap between the internal Community price level and the world market price level.

Threshold price

To assure Community preference, a threshold price is fixed by the Council which serves for the Commission to determine regularly an import levy corresponding to the difference between this price and the world market price. The threshold price is determined as follows for 1989/90:

Target price	55,89 ECU/100 kg
+ storage levy	3,50 ECU/100 kg
+transport cost from surplus area to de- ficit area	5,61 ECU/100 kg
-----	-----
	65,00 ECU/100 kg

Molasses

A threshold price is also fixed for molasses. Since 1987 the cif-prices for molasses have been constantly lower than this price (6,90 ECU/t) so that an import levy is in application also for molasses.

Quotas

The guarantees outlined above are applied only to the limited quantities of sugar production within the A and B quotas. A quotas have initially been defined as the consumption need and B quotas as a security margin. At present the B quota, as a percentage of the A quota, ranges from 4,17 % (Spain) to 30,77 % (Germany). Quotas are allocated to undertakings by the Member States. They are only in a limited way transferable⁽¹⁾. Factories have individual contracts with beet growers which are governed by Community rules (minimum standards) and interprofessional agreements. The production exceeding these quotas, the so-called C-sugar, is not allowed to be marketed within the Community and has to be exported without refund onto the world market before 31 December following the year in which the relevant marketing year ends. C-sugar does not participate in the financing of the disposal of the production surpluses nor is it subject to the storage cost equalization scheme.

C-sugar/carry forward

Producers can however carry forward a quantity of C-sugar up to a limit corresponding to 20 % of their A quota production which must be compulsorily stored for 12 months (last possibility to declare to Member States such an intention is 31 January of the marketing year in question). This blocked sugar becomes then the first A quota production of the following marketing year. During this time it participates in the storage cost equalization scheme. The decision to carry forward C-sugar depends largely on the expectation of whether the world market will offer a better and at least a profitable valorisation of C sugar in the following marketing year.

(1) Provision exists for transfers of quotas between undertakings, notably in the case of amalgamations or changes of ownership and taking into consideration the interests of all the parties concerned and in particular those of the farmers.

Financial responsibility

Since the 1986/87 marketing year, the full financial responsibility of producers for the cost of disposing of their production surpluses is assured on an annual basis. The producers responsibility covers the disposal costs of that part of their quota production which exceeds internal consumption. Accordingly they must not bear Community expenditure in the sugar sector for those exports which result from the imports under preferential arrangements (ACP sugar protocol, agreement on cane sugar with India, and imports to Portugal), no more than for the cost for production refunds for sugar used by the chemical industry up to the limits of 60.000 tonnes, the traditional quantity before Council regulation (EEC) No. 1010/86 established the financial responsibility of producers for the quantities exceeding this limit.

Production levies

Producers are in the first place charged production levies at 2 % of the intervention price on their A quota and up to 39,5 % on their B quota production. If these normal levies are insufficient to cover the corresponding disposal costs in a marketing year, an additional levy is fixed by the Commission whereby in all Member States a uniform coefficient is applied to the normal levies for additional payments by the producers.

The normal levies have to be paid in two instalments (May and December) and the additional levy at the time of the final payment in December. Sugar Producers and beetgrowers share the burden of the levies in the same proportion as they participate in the sugar revenue (40 : 60).

Elimination levy

Before the current annual accountability system was introduced it became evident during the preceeding five year period 1981/82 to 1985/86 that the normal levies could not secure the full selffinancing as expected even at their maximum rates. It was therefore decided that the accumulated deficit of 400 Million Ecu for this period should be charged to producers over the five years to 1990/91 by a further levy known as the elimination levy. This levy is fixed at a different percentage for each Member State (excluding Spain and Portugal) according to the relative participation of the Member States concerned in the total production levies paid during this period.

Storage costs equalisation scheme

To provide a regular flow of sugar from the manufacturer to the consumer at a constant price the costs of holding sugar (storing, financing, etc.) are reimbursed monthly at a flat rate. In order to keep the system financially neutral to the Community budget a storage levy is collected at the moment of marketing by the manufacturer, calculated to cover the monthly reimbursements. The Council fixes annually this reimbursement amount which is currently 0,48 ECU/100 kg/month. The storage levy is fixed by the Commission taking into account the quantities of sugar subject to the system and the average number of months this sugar is stored before it comes into the retail pipeline. Manufacturers charge the amount of the storage levy to their customers so that the effectively supported market price within the Community is the intervention price plus the storage levy. This effective market support price is therefore not only subject to the decision on intervention prices but also to the variations of the storage levy. This mechanism is neutral to white sugar manufacturers.

Minimum stocks

To ensure security of supply in the Community in case of shortage, all manufacturers are required to hold minimum stocks during the year which amount to 5 % of their A quota. In the event that a manufacturer does not fulfill the obligation, he is obliged to pay a significant penalty.

Production refund for the chemical industry

The use of Community sugar in the chemical industry was not subject to a sufficient enough incentive to make the final products competitive on the world market until a new regime was adopted by the Council (Regulation 1010/86) which makes sugar (together with starch for which also a similar Regulation was adopted) available to the chemical industry at roughly world market conditions with payments of so-called production refunds to manufacturers.

2. SPECIAL PROVISIONS FOR THE INTERNAL MARKETS

Preferential ACP sugar imports

As a consequence of the accession of the United Kingdom, the Community in 1975 entered into the Protocol on ACP sugar as an annex to the Lomé Convention together with an agreement with India. It commits the Community to import annually 1,3 Mio tonnes (white sugar value) at a guaranteed price. This guaranteed price is negotiated formally between the signatories of the Protocol and the Community. The guaranteed price has in practice normally been fixed at the Community intervention price. The ACP countries concerned deliver over 90 % of their quota in the form of raw sugar which is primarily refined in the United Kingdom.

DOM sugar aids

Sugar produced in the French overseas departments (DOM) receive special aid to allow it to be marketed in the European regions of the Community. This aid consists of four elements : two to compensate for fobbing and transport costs to the european ports on a flat rate basis and two to place DOM sugar under the same price conditions for refiners as ACP sugar, these are a premium for a different scale of yield compared with ACP sugar and a reimbursement of the cost of participation in the storage cost equalisation scheme from which ACP sugar is excluded. The total aid amounts to around 7,2 ECU/100 kg.

Portugal: importation at reduced levy

The abovementioned scheme, which completed the former aid existing before the entry of Portugal into the Community, makes DOM-sugar fully competitive with the other sugar available for refining in Portugal. The aid is only applicable after the Commission has determined for each marketing year the quantities of DOM sugar available for refining in the different regions of the Community.

This determination is based on an overall raw sugar supply balance for the Community comprising all the various availabilities of raw sugar (DOM, ACP, Community beet raw and special provisions for Portugal) for the demand side (refineries in United Kingdom, France and Portugal). Portugal is allowed in conformity with the accession Treaty to import 75.000 tons from 4 ACP countries (Malawi, Zimbabwe, Swaziland, Ivory Coast) at a reduced import levy which places this sugar on similar price conditions as Community sugar. Any further quantity of sugar needed to satisfy the demand of the portuguese refiners is allowed to be imported at the same conditions from the World market. The decision on further quantities is taken by the Commission through the Management Committee procedure (see point B.4., page 13). This special regime is to be reviewed before the end of the transitional period on 31.12.92.

National aids

National aids have been authorised by the Community basic regulation to be paid by France and Italy since 1968. They are supposed to be phased out by the end of the marketing year 1992/1993. The maximum aid for France, destined only for the French DOM, is 6,04 ECU/100 kg sugar. The Italian aid, previously allowed at maximum 23,64 % of the intervention price, is for the marketing years 1991/1992 and 1992/1993 fixed at 70 % of this amount.

Special refining aid

Although a refining margin is defined as the difference between the white sugar intervention (or guaranteed) price and the raw sugar intervention (or guaranteed) price), this does not cover the full refining costs. The storage levy, which is added to the white sugar intervention price to form the white sugar market price or the effective support price for refined sugar, is therefore an important element in the effective refining margin because refined preferential sugar receives the effective white sugar market support price without paying itself the storage levy. When, as a consequence of a change in the normal relationship between the white sugar and raw sugar prices in 1986, a special compensation aid was adopted by the Council, it was also decided that this aid could be adjusted in the case of a variation (in practice a reduction) in the amount of the storage levy, in order to keep the effective refining margin stable. This aid is limited to the end of the 1992/1993 Marketing year.

3. TRADE MEASURES WITH THIRD COUNTRIES

General

Any import and export of sugar, isoglucose or any of the products covered by article 1 of the basic sugar Regulation (EEC) No 1785/81 are subject to the issuing of a licence. The licence is valid for a given period (for most exports 5 months + the current month; for imports : 3 months + current month). Where the licence is not used, a deposit, which has to be lodged at the moment of application, is forfeited.

In principle the levies or refunds fixed on the licence are those in force on the day of the acceptance. Export refunds can be prefixed at the rate in force on the day of application.

Import levy

On importation a variable import levy is applied, calculated as the difference between the threshold price and a cif-price⁽¹⁾. This levy is changed within a margin of 0,24 ECU/100 kg. Very little quantities are imported at this full levy. ACP sugar is exempt from the levy. Imports into Portugal are at a reduced import levy.

Export refund

For all exports except C sugar, a variable export refund is paid in a period where Community internal prices are higher than prices on the free world market. Two procedures are applied. One is applicable on a permanent basis, the refund for which is fixed every two weeks. The far more important procedure is the weekly tender where traders and operators can make offers for the refund they need to bridge the gap between Community prices and world market prices. The Commission analyses the offers and fixes a maximum refund so that all bids below this amount are accepted. The Commission's decision is preceded by a weekly meeting of a Management Committee, chaired by the Commission in which Member States are represented and in which a proposal of the Commission services is discussed and a position taken. The bids are analysed by means of the so-called theoretical rate of refund which is established as the difference between the intervention price + storage levy + transport and fobbing costs, and the quotations for white sugar on the terminal market of the preceding day; normally this is the nearest term on the Paris market (see calculation annex II).

Offers exceeding this theoretical refund are not accepted and due to competition there is normally a gap, which at times can reach 3-4 ECUS/100 kg. Thus world market prices are not undercut.

Export policy

The exportable surplus of a marketing year is therefore disposed of on a regular basis through the tender system. During a marketing year, the exportable surplus in the Community is estimated and adjusted

(1) This cif-price is calculated daily on the basis of communications from the Member States of the most favourable purchasing opportunities, basis CIF Rotterdam.

following the information available for production, consumption as well as positions taken on the desirable level of ending stocks under certain circumstances. Export licences obtained through this tender system are normally made available at regular quantities week by week. Weekly variations in quantities are mainly due to variations in the quality of the offers and not to speculative positions. The total annual quantity disposed of under the Commission's responsibility varies very little year by year. This is because production under the quota regime and imports do not vary considerably. Changes in the Community's total export availability are essentially determined by the production of C sugar and by the part of it which producers decide to carry forward to the next marketing year together with changes in the stock levels of non-blocked quota sugar. The general principle of the tender policy is to release steady weekly quantities in order not to disturb the world market evolution.

4. GENERAL PROVISIONS OF THE MANAGEMENT OF THE COMMON MARKET ORGANISATION

Community decision making procedure

The arrangements for the common organisation of the markets and amendments to them as well as regular fixings on items of importance within these organisations (e.g. prices) are decided by the Council of Ministers (of Agriculture) on a qualified majority basis (54 votes out of 76). The Council's work is prepared by a Special Committee on Agriculture. The Council can only take decisions on proposals from the Commission. However there is an exception where the Council decides otherwise on a unanimous basis. The European Parliament has to be consulted on all proposals for legislation based on Article 43 of the Treaty which lays down the mandate for working out the Community's Agricultural Policy.

In the basic Regulations provisions are made to confer on the Commission the powers necessary to establish detailed rules for the day to day management of the common organisation of the markets. Any such measures are normally adopted by the Commission through the management Committee procedure. This Committee consists of representatives of the Member States and it gives advice before the Commission takes a decision. In case this committee disagree to a Commission proposal the Council could decide differently.

Implementation

The measures decided are carried out by the competent Member States' authorities.

Consultative Committee

The Commission consults several times a year with a an Advisory Committee on sugar, established by the Commission, and particularly with its joint working group (composed of sugar manufacturers and beet growers). The export programme for example is established in consultation with this group and regularly reviewed.

Agrimonetary arrangements

National currencies are maintained within a band of fixed rates to the ECU (except Greece and Portugal). These rates can be adjusted by the Council following the evolution of the currency values on the exchange markets. Any such re-alignment affects the trade between Member States in agricultural products subject to a common market organisation with certain price guarantees because agricultural prices are fixed in ECUS. In order to avoid abrupt changes in agricultural prices expressed in national currencies special green rates have been in operation since 1969 which involve the payments of monetary compensatory amounts (MCAs). Negative MCAs for example are granted on importation and charged on exportation. This system was reviewed in 1984 with the result that now only negative MCAs may be created following a realignment by introducing a so-called green ECU central rate based on the strongest currency within the European Monetary System (EMS). This so-called "switchover" system is quite complicated and therefore this paper would not be the right place to explain it in detail. Currently MCAs in the sugar market are only applied in the United Kingdom, Greece, Spain, Portugal and Italy. It is the aim that MCAs should disappear with the completion of the Single Market.

Legal instruments

At the moment about 100 Community regulations, some dating from as long ago as 1968, are in force for the sugar sector and of these 25 are from the Council.

C. STATISTICAL BACKGROUND

Annex I Calculation of Community prices

Annex II Calculation of theoretical refund

Tables: EEC quotas: EUR 6 - EUR 12
 Production, consumption and C sugar
 Intervention prices
 Structure of the sugar industry
 Excise duties for sugar

ANNEX I

Calculations of Community prices
(marketing year 1989/90)

	<u>ECU/100 kg</u>	<u>cts/lb (3)</u>
A. Basic beet price	4,007	2,0035
B. Intervention price white sugar	53,10	26,55
C. Target price	55,89	27,95
D. Processing margin		
1. Revenu: intervention price	53,10	26,15
molasses (1)	1,89	0,95
	-----	-----
	54,99	27,10
2. Expenditure: beet value (2)	30,82	15,41
transport, reception	3,70	1,85
	-----	-----
	34,52	17,26
3. Processing margin (1.-2.)	20,47	10,24

- (1) 38,5 kg molasse/tonne beet = 29,6 kg molasse/100 kg sugar
6,40 ECU/100 kg molasse = 1,89 ECU/100 kg sugar
- (2) 1 tonne beet = 130 kg sugar (40,07 ./ . 1,3 = 30,82)
- (3) conversion rate week 8.11.89 - 14.11.89:
1 ECU = 1,10150 \$
1 ECU/100 kg = 0,5 cts/lb

ANNEX II

Calculation of the theoretical refund

1. Community position (1989/90)

Intervention price	53,10
Storage levy	3,00
Export costs	4,91

	61,01

2. World market position (Paris terminal market)
(March quotation 13.11.1989)

36,14

Application of switchover coefficient
(0,879289)
Adjustment

31,78
+ 0,59

32,37

3. Theoretical refund (1.-2.)

(maximum gap between Community
trade position and world market)

28,64

TABLE 1

Quotas

(000 tonnes)

		EUR-6	EUR-9	ACP Protocol	EUR-10	EUR-12	ISO glucose
1968/69 - 1972/73	A MAX.	6.480 (1) 8.530					
1973/74	A MAX.		7.820 (1) 8.685				
1974/75	A MAX.		7.820 (2) 10.751				
1975/76	A MAX.		9.136 (2) 13.250	1.305			
1976/77 - 1977/78	A MAX.		9.136 (1) 12.335	1.305			
1978/79 - 1979/80	A MAX.		9.136 (3) 11.648	1.305			147,1 187,6
1980/81	A MAX.		9.136 (3) 11.648	1.305			147,1 187,6
1981/82 - 1985/86	A B			1.305	9.516 2.242		157,6 40,4
1986/87 - 1990/91	A B			1.305		10.540 2.889	240,7 50,3
1991/92 - 1992/93	A B					(4) 11.187 2.488	240,7 50,3

(1) B max. 35 % of A.

(2) B max. 45 % of A.

(3) B max. 27,5 % of A.

(4) After German unification

TABLE 2

(white sugar value, 000 tonnes)

	Production		Consumption (1)		C-sugar (2)	Carry over
	(EUR-12)		(EUR-12)		production	
		<u>EUR-6</u>		<u>EUR-6</u>	<u>EUR-6</u>	
1968/69	8.973	6.817	10.489	6.306	82	48
1969/70	9.594	7.435	10.689	6.410	185	106
1970/71	9.284	7.055	11.076	6.750	175	52
1971/72	10.762	8.081	10.722	6.397	689	63
1972/73	9.901	7.650	11.015	6.541	236	20
		<u>EUR-9</u>		<u>EUR-9</u>	<u>EUR-9</u>	
1973/74	10.422	9.516	11.972	10.414	677	7
1974/75	9.300	8.570	11.034	9.561	19	-
1975/76	10.891	9.703	10.995	9.535	97	-
1976/77	11.666	10.003	10.607	9.036	184	31
1977/78	12.931	11.536	11.042	9.481	817	24
1978/79	13.147	11.774	11.206	9.544	882	78
1979/80	13.247	12.289	11.133	9.414	1.570	124
1980/81	13.169	12.088	10.993	9.186	1.191	-
		<u>EUR-10</u>		<u>EUR-10</u>	<u>EUR-10</u>	
1981/82	16.058	15.029	10.953	9.597	3.522	991
1982/83	15.090	13.943	10.818	9.474	3.515	1.090
1983/84	12.249	11.003	10.665	9.314	1.165	214
1984/85	13.579	12.500	10.747	9.555	1.528	749
1985/86	13.626	12.720	10.647	9.391	2.243	1.021
		<u>EUR-12</u>		<u>EUR-12</u>	<u>EUR-12</u>	
1986/87	14.096		10.907		2.592	1.280
1987/88	13.212		10.847		2.092	1.273
1988/89	13.915		10.885		2.688	1.096
1989/90	14.273		11.271		2.895	621
1990/91 (3)	15.870		11.850		3.152	1.023
1991/92 (4)	14.779		11.850		2.480	905

(1) Excluding processed products.

(2) Before taking into account carry over.

(3) After German unification

(4) Estimate

TABLE 3

Intervention price white sugar (category 2)

	UC (1)	ECU	RAW SUGAR
1968/69	(2) 21,23		
1969/70	(2) 21,23		
1970/71	(2) 21,23		Different prices for Italy, DOM and Ireland + United Kingdom.
1971/72	22,61		
1972/73	23,34		
1973/74	23,57		
1974/75	25,22 (3)		From 1.7.1981 on only one raw sugar price was fixed
1975/76	30,45		
1976/77	33,14		
1977/78	(5) 32,83		
1978/79	33,49		
1979/80		41,09	
1980/81		43,27	
1981/82		46,95	38,58
1982/83		51,41	42,63
1983/84		53,47	44,34
1984/85		53,47	44,34
1985/86		54,18	44,85 (4)
1986/87		54,18	44,92
1987/88		54,18	44,92
1988/89		54,18	44,92
1989/90		53,10	44,02
1990/91		53,01	43,94
1991/92		53,01	43,94

(1) 1 UC = 1,208953 ECU

(2) Category 3

(3) 26,48 from 1.10.1974

(4) 44,92 from 1.04.1986

(5) From 1977/78 onwards the storage levy is not included in the intervention price.

TABLE 4

Number of sugar and refinery companies
(number of factories in brackets)

	: 1973/74 :	: 1988/89 :	1990/91	: of which daily
	:	:	:	: capacity
	:	:	:	: 5.000 tonnes
	:	:	:	: or more
B	: 13 (21) :	: 9 (14) :	7 (11)	: 7
DK	: 2 (6) :	: 2 (6) :	1 (5)	: 5
F (Metropole)	: 44 (72) :	: 31 (52) :	30 (50)	: 37
D	: 36 (55) :	: 17 (38) :	19 (37+42)	: 29
GR	: 1 (4) :	: 1 (5) :	1 (5)	: 3
IRL	: 1 (4) :	: 1 (3) :	1 (2)	: 2
I	: 20 (57) :	: 16 (33) :	12 (31)	: 25
NL	: 2 (11) :	: 2 (8) :	2 (7)	: 7
P	: 6 (6) :	: 4 (4) :	2 (4)	: -
SP	: 16 (34) :	: 7 (24) :	6 (24)	: 8
UK	: 3 (17) :	: 2 (13) :	2 (12)	: 8
	: 144 (282) :	: 92 (200) :	83 (188+42)	: 131

TABLE 5

Excises duties (100 kg) 1991	VAT (6 %)
B 60 BF	6
DK 400 DKR	22
D 6 DM	7
GR 600 DR	8
IT 8.818 LIT	9
NL 8,57 HFL	6
ESP -	6
F -	5,5
IRL -	0
P -	8

Source : C.E.F.S.

Trend of appropriations (*)

(Ecus)

Article	Heading	Appropriations 1992	Appropriations 1991
B1-110	Refunds on sugar and isoglucose	1.389.000.000	1.248.000.000
B1-111	Intervention for sugar	721.000.000	698.000.000
TOTAL FOR CHAPTER B1-11 (Sugar)		2.110.000.000	1.946.000.000

(*) Extracted from "Final adoption of the general budget of the European Communities for the financial year 1992."
OJ L 26, 3.2.1992.

THE SITUATION OF THE MARKETS (*)

The world sugar market in 1990/91 saw a continuation of the halt in the widening deficit between production and consumption which had been a feature of 1989/90 after four deficit years. For the second year in succession, therefore, the level of world stocks rose.

During 1990/91 world production reached 114.2 million tonnes (raw sugar equivalent), about 4 million tonnes in excess of consumption, which is provisionally put at 110.3 million tonnes.

World market situation

(million t raw sugar)

		Production	Consumption	Surplus or deficit	Stocks as % of consumption
		(1)	(2)	(3) = (1) - (2)	(4)
World	1981/82	100.9	91.9	+ 9.0	36.6
	1982/83	100.6	93.6	+ 7.0	42.6
	1983/84	98.0	95.9	+ 2.1	42.7
	1984/85	100.4	98.1	+ 2.3	42.4
	1985/86	98.8	100.5	- 1.7	38.8
	1986/87	104.2	105.7	- 1.5	34.2
	1987/88	104.8	107.5	- 2.7	30.4
	1988/89	104.6	108.1	- 3.5	26.3
	1989/90	109.2	108.6	+ 0.6	28.2
	1990/91	114.2	110.3	+ 3.9	30.7
(forecast)	1991/92				n.a.

Source: F. O. Licht

(*) Extracted from "The agricultural situation in the Community. 1991 report".

Although world consumption seems to be taking off after having reached a standstill in 1988/89 and 1989/90, the surplus production was reflected in the level of stocks and, subsequently, in the fall of world market prices.

The rise of the previous two years which, in March 1981, brought world prices for sugar to their highest level since 1981, has since been completely overturned with the downward trend continuing throughout 1990/91.

Average spot price:

Paris Stock Exchange (<i>white sugar</i>):	ECU 37.68/100 kg in 1989/1990
	ECU 24.25/100 kg in 1990/1991 (- 35.6 %)
New York Stock Exchange (<i>raw sugar</i>):	ECU 27.72/100 kg in 1989/1990
	ECU 16.46/100 kg in 1990/1991 (- 40.6 %)

A factor to be noted in the world figures for 1990/91 is the considerable growth of production in the importing countries, mainly developing countries, which have responded in this way to the rise in world prices. The political and economic upheaval in Eastern Europe and the first steps being taken to develop market economies have also had an effect on consumption habits there and at the same time have given a boost to production. These are factors that will certainly have to be taken into consideration in the near future. The Gulf crisis, half-way through the year, contributed to the feeble demand for imports at the end of the year. For all of these reasons it would seem that the best that can be expected is that world prices will remain steady at their present levels.

The increase in world production and consumption of sucrose substitutes—mainly isoglucose, cyclamates, aspartame and recently acetosulfam—continued. In the USA, consumption of isoglucose rose by 2.75 % between 1989 and 1990. In Japan consumption during the same period rose by 15.65 %. In the second half of the 1980s, however, the increase in world production of isoglucose (4.4 %) was sharply down on that (18.4 %) for the first half. In 1990 consumption of sweeteners derived from starch accounted for around 10 % of world consumption and that of low-calorie sweeteners for around 4 %.

Following the incorporation from 1 July 1990 of the territory belonging to the former German Democratic Republic into the common agricultural policy, this new Community territory was allocated a production quota of 847 000 tonnes of white sugar equivalent. The Commission, furthermore, proposed to the Council that the system of quotas in force under the market organization for sugar should be renewed for the marketing years 1991/92 and 1992/93. It also proposed the continuation of the existing self-financing arrangements whereby the cost of disposing of quantities which may be exported under Community guarantee is borne entirely by producers (growers and

processors). In principle, the common organization of the sugar market should be re-examined and possibly adjusted before the end of the 1992/93 marketing year.

The Commission, acting under the terms of the Act of Accession of Spain to the Community, presented proposals, which the Council has adopted, for the alignment of Spanish sugar and beet prices with the common prices. This should take place in two stages to be completed at the close of the 1995/96 marketing year, the first stage to include the marketing years 1991/92 and 1992/93 and the second those from 1993/94 to 1995/96.

In 1990, the area under sugarbeet rose to 2 085 000 ha, 12.4 % more than in 1989, on account of German unification (the rise would have been 1.6 % if the territory of the former GDR had been excluded). Current forecasts of the area sown in 1991/92 are that it will be 5.2 % down on 1990/91. However, the area under beet accounts for only about 1.5 % of the Community's total utilized agricultural area (UAA). After falling for the previous two years, the number of beet farms in 1990/91 was around 345 000 (excluding the former GDR). Sugar production again rose sharply on account of excellent weather conditions. The average sugar yield in the Community in 1990/91, at 7.48 tonnes per hectare, was 8.12 tonnes per hectare if the territory of the former GDR is excluded, and thus above the all-time record of 7.59 tonnes/ha in 1989/90.

Community production of white sugar equivalent totalled 15 882 000 tonnes (1 610 000 tonnes higher than in 1989/90, 883 000 tonnes being produced in the former GDR) comprising:

- (i) beet sugar: 15 598 000 tonnes
- (ii) cane sugar: 265 000 tonnes
- (iii) molasses sugar: 19 000 tonnes

Estimated overall consumption in the Community in 1990/91 was 11 850 000 tonnes, remaining at the level for 1989/90. A slight drop in use in the chemical industry was offset, however, by an increase in human consumption. German unification seems to have contributed in that region to an increase in consumption of sugar and processed products containing sugar and, consequently, intra-Community trade in those products in the last two years has been stimulated to a certain extent.

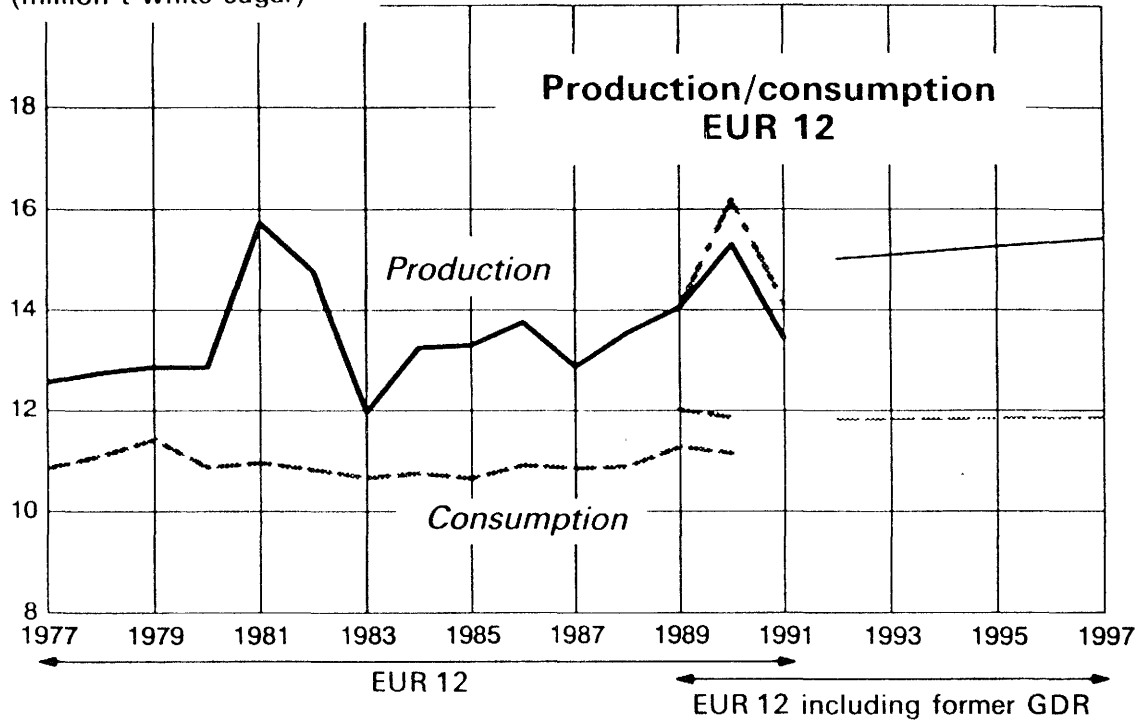
In 1990/91 Community sugar prices in ecus remained unchanged after the cut of 2 % in 1989/90.

Imports, principally of preferential sugar and sugar for Portuguese refineries, amounted to 1 530 000 tonnes, 5.3 % less than in 1989/90. Exports of unprocessed sugar are estimated at around 4.9 million tonnes, of which 2.1 million tonnes was C sugar, most of it awarded by tender for export under Community guarantee. The rise in exports of sugar in the form of processed products recorded in 1989/90 was repeated in 1990/91. Such exports amounted to around 550 000 tonnes.

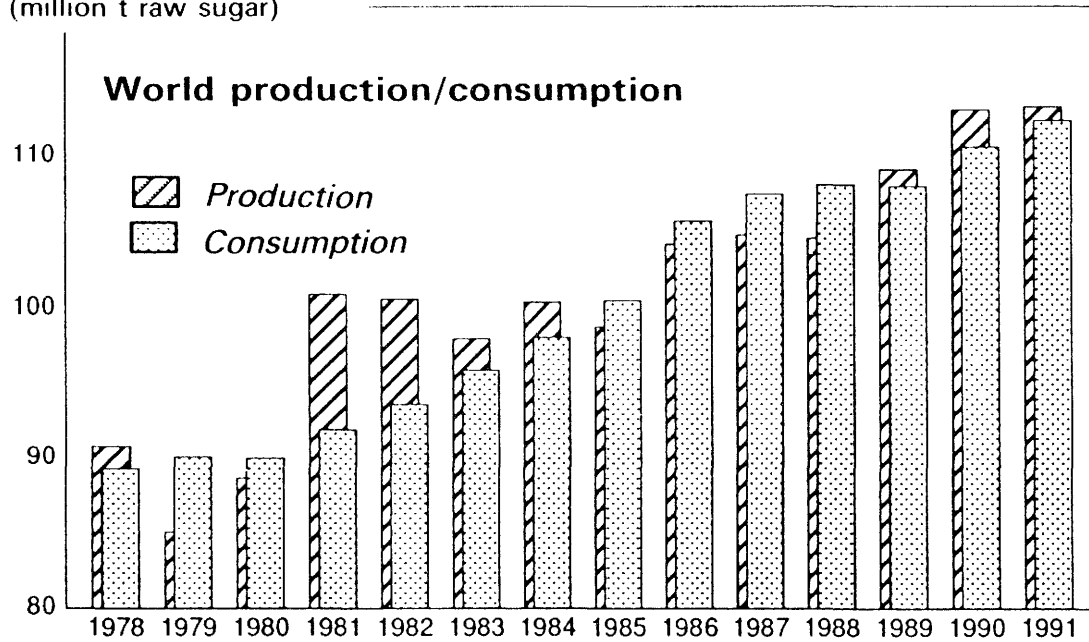
As far as the development of the Community market over the next few years is concerned, with production increasing slightly and consumption virtually steady the present imbalance is likely to become more accentuated.

Sugar

(million t white sugar)



(million t raw sugar)



Estimates for 1991.

PRICE PROPOSALS - EXPLANATORY MEMORANDA (*)

The Commission proposes freezing the basic price for sugar-beet, the intervention price for white sugar and the manufacturing margin.

This proposal for sugar-beet relates to the basic price and to the minimum prices for A and B sugar-beet which are determined on the basis of the ceiling fixed for the basic production levy and for the B levy, the latter without prejudice to an increase later in the ceiling in accordance with Article 28 of Regulation (EEC) No 1785/81.

As regards the reimbursement of storage costs, the Commission also proposes to maintain the current rate of ECU 0.52/month, in the light of the proposed freeze on prices.

The prices proposed for Spain have been established in accordance with Articles 3, 4 and 5 of Council Regulation (EEC) No 1716/91 (OJ No L 162, 26.6.1991, p. 18).

As regards the prices proposal for Portugal, the Commission recalls that at the time of the accession of Portugal to the Community the basic price for sugar-beet guaranteed by the national regime was higher than that guaranteed by the Community regime and sugar prices were lower than those guaranteed by the Community regime.

With the "classic" transition period applying in the sugar sector, sugar prices are regulated by Article 238(2) of the Act of Accession of Spain and Portugal which provides for a seven-stage move towards alignment when the price of a product is lower than the common price. Thus, since the 1986/87 marketing year, sugar prices have been automatically increased by part of the difference so that the common price will apply in Portugal as of the seventh move to alignment, i.e. from the 1992/93 marketing year.

In accordance with the acts of the conference which preceded Portuguese accession, the reference common prices on which Portuguese prices must be aligned are the derived prices applicable in the Ireland/United Kingdom region, valid for 1992/93. This results in a final increase in the intervention prices for white sugar of 0.87 ECU/100 kg.

(*) Extracted from "Commission proposals on the prices for agricultural products and on related measures 1992/93 - Explanatory memoranda" [COM(92) 94 final - Vol. 1]

Sugar-beet prices are regulated by Article 238(3)(a) and (b) of the Act of Accession of Spain and Portugal which lays down that, where the price of a product in Portugal is higher than the common price, alignment will result from the development of common prices during the seven years following accession and that the Council will carry out an analysis of the development of moves towards a price alignment, on the basis of an opinion from the Commission accompanied, where appropriate, by suitable proposals.

Therefore, in order to give an opinion and present suitable proposals, the Commission has analysed the development of prices in the Portuguese sugar sector since the accession of Portugal to the Community.

The circumstances under which the Treaty of Accession was negotiated have completely changed as regards the sugar sector. Thus, not only did a certain alignment expected as a result of increases in Community prices for sugar-beet not occur but common prices were frozen and even reduced by 2.1% since then (1986). Portuguese prices have consequently been adjusted to avoid an increase in the gap between them and the common prices (Article 238(3)(a) of the Act of Accession).

The trend in Portuguese and Community prices for sugar-beet since the accession of Portugal to the Community is shown in Table 1. It will be seen that the difference existing at the time of accession has been fully maintained, with the Portuguese price continuing to be higher than the common price and by the same amount, i.e. ECU 1.26/tonne.

The Commission thus notes that for sugar-beet the difference of ECU 1.26/t between the Portuguese price and the relevant common price means that only 2.94% of the Portuguese price has to be made up. Under Article 237 of the Act of Accession, a gap of that size is to be classed as minimal because it is even less than the percentage of 3% fixed by the said Article as minimal.

The Commission also emphasizes that as the minimum prices for sugar-beet in question are determined by reference to regional price differentiation in the Ireland/United Kingdom region the sugar-beet price applicable in Portugal will be greater than the price applicable in areas where no shortfall exists .

The Commission points out that the extent of sugar-beet production remains reduced (cf. Table II), despite the transitional quota arrangements applied for some years now. Since in the 1987/88 season, production has not exceeded 2 000 tonnes.

Therefore, in the light of the above, the Commission proposes that the Council decide that the alignment in the prices of sugar-beet should coincide with the alignment in sugar prices, i.e. from the 1992/93 marketing year.

TABLE I

Community and Portuguese prices in the sugar sector

	86/87	87/88	88/89	89/90	90/91	91/92	92/93 prop.
1. Intervention price for white sugar (ECU/100 kg)							
- Portugal	50,12	51,00	51,88	51,68	52,47	53,35	54,22
- EEC (1)	55,39	55,39	55,39	54,31	54,22	54,22	54,22
Difference (ECU/100 kg)	-5,27	-4,39	-3,51	-2,63	-1,75	-0,87	0
2. Basic price for beet (ECU/tonne)							
- Portugal	43,72	43,72	43,72	42,90	42,83	42,83	41,57
- EEC (1)	42,46	42,46	42,46	41,64	41,57	41,57	41,57
Difference (ECU/tonne)	+1,26	+1,26	+1,26	+1,26	+1,26	+1,26	0

(1) UK/IRL derived intervention price.

TABLE II
Portugal - quota and sugar production

(tonnes)

	Mainland Portugal		Azores		Portugal, total	
	Quota	Prod.	Quota	Prod.	Quota	Prod.
1986/87	60.000	0	10.000	4.328	70.000	4.328
1987/88	60.000	207	10.000	1.663	70.000	1.870
1988/89	60.000	176	10.000	839	70.000	1.015
1989/90	60.000	656	10.000	1.046	70.000	1.702
1990/91	60.000	550	10.000	1.100	70.000	1.650
1991/92	60.000	150*	10.000	1.050*	70.000	1.200*

(*) Provisional estimate.

TABLE III
Price proposals 1992/93

		1991/92 Prices ECU	1992/93 Proposal ECU	Change %
1. Basic price for beet	t	40,00	40,00	0
2. Minimum price for A beet ⁽¹⁾	t	39,20	39,20	0
3. Minimum price for B beet ⁽²⁾	t	27,20	27,20	0
4. Intervention price for white sugar	q	53,01	53,01	0
5. Target price for white sugar	q	55,79	55,79	0
6. Threshold price for white sugar	q	63,90	63,90	0
7. Intervention price for raw sugar	q	43,94	43,94	0
8. Threshold price for raw sugar	q	54,60	54,60	0
9. Threshold price for molasses	q	6,89	6,89	0
10. Monthly reimbursement of storage costs	q	0,52	0,52	0
11. Prices applicable in Spain ⁽³⁾				
(a) Basic price for beet	t	46,84	46,08	- 1,6
(b) Intervention price for white sugar	q	61,29	59,57	- 2,8
12. Prices applicable in Portugal ⁽⁴⁾				
(a) Basic price for beet	t	42,83	41,57	- 2,9
(b) Intervention price for white sugar	q	53,35	54,22	+ 1,6

(1) 98% of the basic price for beet.

(2) 68% of the basic price for beet, subject to application of Article 28(5) of Regulation (EEC) No 1785/81

(3) Established in accordance with Council Regulation (EEC) No 1716/91 of 13 June 1991 concerning the alignment of the sugar and beet prices applicable in Spain on the common prices.

(4) Established in accordance with Article 238 of the Act of Accession after alignment and including the effect of regional differentiation.

STATISTICAL TABLES (*)

Sugar supply balance
(October/September)

EUR 12

	1 000 t white sugar			% TAV	
	1986/87	1989/90	1990/91 p ⁽³⁾	1989/90 1986/87	1990/91 1989/90
1	2	3	4	5	6
Total production	14096	14272	15882	0,4	11,3
of which: C sugar production for export	1312	2273	2138	20,1	- 5,9
Usable production ⁽¹⁾	12784	11999	13744	- 2,1	14,5
Change in stocks	89	- 459	445	x	x
Imports ⁽²⁾	1769	1928	1860	2,9	- 3,5
Exports ⁽¹⁾ ⁽²⁾	3557	3115	3310	- 4,3	6,3
Intra-Community trade	(818)	(1891)	(2000)	32,2	5,8
Internal use					
of which:	10907	11271	11849	1,1	5,1
— animal feed	11	12	11	2,9	- 8,3
— industrial use	170	180	170	1,9	- 5,6
— human consumption	10726	11079	11669	1,1	5,3
Human consumption (kg/head) ⁽³⁾	33,2	34,0	35,7	0,8	5,0
Self-sufficiency (%) ⁽⁴⁾	129,2	126,6	134,0	- 0,7	5,9

Source: EC Commission, Directorate-General for Agriculture

(1) Excl. C sugar.

(2) Excl. sugar traded for processing.

(3) Ratio of human consumption to resident population at 1 January

(4) Ratio of total production to domestic use.

(5) Including ex-German Democratic Republic.

(*) Extract from "The agricultural situation in the Community. 1991 report".

Area under sugarbeet ⁽¹⁾, yield ⁽²⁾ and production ⁽³⁾ of sugar

	Area				Yield				Production						
	1 000 ha		% TAV		t/ha		% TAV		1 000 t		% TAV				
	1985/86	1990/91 p	1991/92 p	$\frac{1991/92}{1990/91}$ p	1985/86	1990/91 p	1991/92 p	$\frac{1991/92}{1990/91}$ p	1985/86	1990/91 p	1991/92 p	$\frac{1991/92}{1990/91}$ p			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
EUR 12	1886	2085	1977	2,0	- 5,2	7,05	7,48	7,24	1,2	- 3,2	13626	15598	14623	2,7	- 6,3
Belgique/België	125	113	108	- 2,0	- 4,4	7,55	9,12	7,61	3,9	- 16,6	944	1030	822	1,8	- 20,2
Danmark	73	66	65	- 2,0	- 1,5	7,26	8,24	6,92	2,6	- 16,0	530	544	450	0,5	- 17,3
BR Deutschland (3)	415	620	572	8,4	- 7,4	7,56	6,93	6,66	- 1,7	- 3,9	3155	4298	3827	6,4	- 11,0
Ellada	43	44	39	0,5	- 11,4	7,37	6,52	7,44	- 2,4	14,1	317	287	290	- 2,0	1,1
España (5)	178	170	170	- 0,9	0,0	4,99	5,52	5,53	2,0	- 0,1	900	953	955	1,2	0,2
France (4)	464	459	435	- 0,2	- 5,2	8,52	9,51	9,23	2,2	- 2,9	4249	4615	4294	1,7	- 7,0
Ireland	34	33	32	- 0,6	- 3,0	5,12	6,85	6,25	6,0	- 8,8	174	226	200	5,4	- 11,5
Italia	221	262	262	3,5	0,0	5,63	5,57	5,83	- 0,2	- 4,7	1244	1458	1528	3,2	4,8
Nederland	130	125	124	- 0,8	- 0,8	7,08	9,86	7,94	6,8	- 19,5	897	1232	985	6,6	- 20,0
Portugal (5)	1	0	0	x	x	-	-	-	x	x	6	2	2	- 19,7	0,0
United Kingdom	202	193	170	- 0,9	- 11,9	6,00	6,41	7,47	1,3	16,5	1210	1237	1270	0,4	2,7

Source: EC Commission, Directorate-General for Agriculture.

(1) Area planted with sugarbeet exclusive of area planted for distillery supply.

(2) In terms of white-sugar value.

(3) Including production of molasses. Including ex-German Democratic Republic since 1990/91

(4) Area and yield, metropolitan France only; production, including the French overseas departments

(5) Including production of sugar from sugar cane.

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