SOC-132-09

Brussels, 26th March 2009

To the Members of the Sectoral Social Dialogue Committee for the Sugar Industry

To the Members of the Working Group on Social Questions

Main conclusions of the plenary session of the Sectoral Social Dialogue Committee for the Sugar Industry held on Friday 27 February 2009

Dear Sir/Madam,

Please find attached for information the main conclusions of the plenary session of the sectoral social dialogue committee for the sugar industry held on Friday 27 February 2009.

These conclusions, along with the Annexes, will shortly be posted on the joint site www.eurosugar.org (under section "Sugar Dialogue Committee").

Yours sincerely,

Dominique LUND

SECTORAL SOCIAL DIALOGUE COMMITTEE FOR THE SUGAR INDUSTRY

Plenary Session held on Friday 27 February 2009

11.00 – 17.00

Borschette Centre

Chaired by

Norbert KAILICH - Harald WIEDENHOFER

Participants

COUNTRY	EFFAT	ORGANISATION	CEFS
BELGIUM	Aicha SAYAH	CSC Alimentation et Services	-
BULGARIA	Slavello PETROV	FITU FOOD	-
CZECH REPUBLIC			Richard VIT (Czech Moravian Sugar Association)
FRANCE	Jean-Michel DESMECHT Jean-Paul BRULIN	FGA CFDT CFE-CGC	Jean Pierre PINASSEAU (French Federation)
GERMANY	Bern MAIWEG	NGG	Norbert KAILICH (Südzucker) Stefan RÖSSING (Verein der Zuckerindustrie)
GREECE	-	-	Themistoklis CHRYSICOPOULOS (Hellenic Sugar Industry SA)
ITALY	Pierluigi TALAMO Armando SAVIGNANO	UILA-UIL FAI CISL	Giorgio SANDULLI (Assozucchero)
POLAND	Stanislaw LUBAS Tomasz WIRKUS Piotr BAKOWSKI	NSZZ "Solidarnosc" NSZZ "Solidarnosc NSZZ "Solidarnosc	
PORTUGAL	Antonio EUSEBIO Penalva Louva (?)	SETAA VGT	-
SPAIN	Félix GONZALEZ DEL VAL Montserrat SAGARRA FITÓ Alberto de FRUTOS	CC.OO CC.OO UGT-FTA	
NETHERLANDS			-
UNITED KINGDOM	Ray BOYLE	GMB	Simon HARRIS (British Sugar)
European Commission	Carlos LOPES (DG EMPL) Maria GUNTHER (DG AGRI) Nadia GARGANO		
European Secretariats	EFFAT Harald WIEDENHOFER Eric DRESIN Codutra-Liliana FILIP Kim TRONCQUO CEFS Dominique LUND Stefan LEHNER Patrick PAGANI		
Observatoire Social Européen - OSE	SAFUTA Anna		

I – Reform of the sugar regime and social consequences

Presentation by Mrs Maria Gunther (DG AGRI)
(See presentation in Annex 1)

Mrs Gunther (Sugar Unit) presented the current status of the reform of the sugar regime and the measures envisaged to cope with total liberalisation, coming into effect as from marketing year 2009/2010, with a view to ensuring the sustainability of the regime.

Of the 6 million tonnes of quota which were to be relinquished by 2009/2010 at the latest, about 5.8 million already had been, with a notable acceleration in 2008/2009.

Five Member States had given up production completely (Bulgaria, Ireland, Latvia, Portugal and Slovenia)[1]. Six Member States had relinquished a very significant part of their quota: Spain, Finland, Hungary, Greece, Italy and Slovakia (ranging from 45% to 75% of their quotas). Twelve other Member States had relinquished an average of 20% of their quota.

The Commission considered this to be a success overall, with the reform having allowed production to be concentrated in the seven most profitable Member States. A final compulsory elimination of the remaining quotas (a "final cut") could take place in 2010.

Following the reform, the reference price for white sugar would fall from 632 Eur/t at the beginning of the reform to 404 Eur/t.

The Commission intended to continue opening an import quota for industrial uses of 0.4 million tonnes in 2009/10, as was already the case for 2008/09.

A number of strategies had been applied to adapt to the reform: industrial modernisation, mergers, diversification of supply, opening of new refineries in areas with a deficit, investment in ethanol production, etc.

The real challenge, on the other hand, was to try to estimate the volume and rate of imports to be expected on total liberalisation at the end of the reform, particularly from the ACP countries and the LDCs[2]. The possible volume of imports from these countries could reach 3.5 million tonnes. The rules of origin and free trade agreements negotiated with third countries could also alter the position. The aim was to preserve the structural balance on the market, at a price close to the reference price. Measures could be taken in the event of a shortage of raw materials. Furthermore, within the context of the financial crisis Member States were permitted to pay to producers 100% of the restructuring aid in June 2009. Other requests from the sugar sector aimed at managing the financial crisis were also being studied.

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[1] To which must now be added Lithuania.

[2] Total liberalisation in October 2009.

Presentation by Stefan Lehner
<u>Director-General (ad interim) of the CEFS</u>
(See presentation in Annex 2)

Stefan Lehner summed up the objectives and results of the reform of the sugar regime, also including the beet-growing agricultural aspect. He underlined that from being a net exporter, the EU had become a net importer. Sugar production had become concentrated in the most efficient countries. Prices had to fall by 36% in 4 years. The manufacturing margin had been reduced considerably. A restructuring fund had favoured the relinquishment of quotas, with a view to reducing initial production by 6 million tonnes. 5.8 million tonnes had already been relinquished. From 542 Eur/t on the 1.10.2008, the reference price had to reach 404 Eur/t on the 1.10.2009. The fall in the guaranteed price for beet reduced the profitability of this crop. Rationalisation of production costs had been achieved by closing down the least efficient companies and through a series of administrative measures. The number of factories had fallen but their size had increased, as had the length of the campaign. New activities were appearing: production of biofuel, refining. The reduction in the number of factories was considerable (about 79 factories over three campaigns). As the number of companies was falling, the restructuring potential was reaching its limits. All regions were affected by the reform, although the Central and Eastern European Countries and regions in the South of the EU were affected more. To maintain the balance on the market, imports should not exceed 3 million tonnes. Furthermore, an export market of 1 million tonnes of quota sugar in the form of processed products could be lost if export refunds disappeared and this sugar was replaced by sugar from the world market (inward processing system). Any additional measures taken within the framework of bilateral, regional or multilateral agreements could cause a considerable imbalance on the EU sugar market and erode its viability. It was essential for the Commission to monitor the level of imports to ensure that they did not exceed the quantities provided for by the reform of the sugar regime. Moreover, within the context of the current financial crisis, the Commission had to take all the necessary measures urgently in order to reduce companies' costs.

<u>Exchange of views</u>

The participants emphasised the risk of beet-growers turning to other more profitable crops and the possibility of a shortage of raw materials, in certain regions in particular.

Due to imports from the Balkans, the ACP countries and the LDCs, only a small margin was left to allow durable functioning of the Sugar CMO. Sugar producers had made considerable efforts to comply with the reform of the sugar regime. They realised that the additional imports which were constantly being allowed (in the form of TRQs, relaxation of the rules of origin, etc.) within the framework of the external trade negotiations considerably increased the constraints provided for by the reform. The financial crisis was making the situation worse. The limits were now being reached in terms of the sustainability of the sector.

Mrs Gunther confirmed that the Sugar Unit was fully aware of the importance of stepping up external trade protection, particularly with regard to the rules of origin and mixtures, and to avoid any abuse or fraud situation, which had to be reported to the Commission immediately if there was any suspicion. She admitted that no measures were planned for a possible shortage of beet. In the event of insufficient sugar production, the situation would have to be anticipated before sowing, otherwise the Commission could not act. If the amount of imports largely exceeded the Commission's forecasts, there would only be two ways in which action could be taken at EU level: either on prices or on quantities, neither of which would be satisfactory for producers. As regards the money which might remain available in the restructuring fund, this would be placed at the disposal of the CAP agricultural fund. The sugar industry had made requests in this connection. The Commission would examine them.

She thus underlined that within the context of the present crisis, on certain subjects the Commission would agree to analyse certain requests from the sector in greater depth, even though this was not possible for all subjects.

Factory closures

As regards factory closures, the CEFS statistics for 2008 gave the official figures communicated by the CEFS members (see the CEFS site www.cefs.org (*statistics*) and the joint site www.eurosugar.org (*economic statistics*).

The report on implementation of the Code of Conduct on corporate social responsibility in 2008 also provided the latest information available with regard to closures and the relinquishment of quotas (www.eurosugar.org -*CSR- 2008 Report - See part II – Management of Restructuring).*

It was also pointed out by the participants that the Tereos group had announced the temporary maintenance of the packaging activity at its Nantes factory and confirmed the relocation of its refining activity to Spain. In addition, Nordzucker had obtained authorisation to acquire Danisco Sugar (which had become Nordic Sugar), provided that the Anklam sugar factory which Danisco had in Germany was sold to Royal Cosun (Netherlands).

II – Social responsibility in the European sugar industry and joint project on employability

(*See presentation in Annex 3)*

Report on corporate social responsibility in 2008

Dominique Lund recalled the main messages of the report on the implementation of corporate social responsibility in the sugar industry in 2008. She underlined the economic and social consequences of the reform: reduction in production of around 35% and reduction in the manufacturing margin of about 20%, leading to the closure of some 47% of sugar factories. It was expected that about 25,000 direct jobs would be lost, with all EU regions being affected. Six countries had already given up production. It seemed probable that in order to safeguard competitiveness the concentration of companies was going to continue. Beet production could disappear from certain regions with a low level of production. New refining units could develop in deficit regions. Some companies could considerably change the orientation of their activities.

The social players in the sugar industry were very concerned to note that whilst sugar companies had assumed their responsibilities and observed their commitments as regards the reform, the same did not apply to the main institutional and European decision-makers. Forgetting the commitments entered into by the Member States at the time of the reform of the sugar regime, the Commission, within the framework of the bilateral, regional and multilateral negotiations in course, was constantly adding constraints, particularly in terms of imports, through tariff quotas, relaxation of the rules of origin and other trade liberalisation measures. These measures were liable to aggravate to a potentially considerable extent the effects of the reform and lead to a substantial increase in imports, which would mean going far beyond the reduction of 6 million tonnes of quotas provided for initially. It was especially important to ensure that the Sugar CMO could retain a self-sufficiency of at least 80% in terms of raw materials, as provided for by the reform.

A clear, coherent and concerted vision of the EU's external policy and the agricultural policy was vital to ensure the survival of the European sugar industry, to provide companies with the ability to remain profitable and competitive and to assure workers of employment and employability prospects.

The 2008 CSR report was available on the "eurosugar" joint site in three languages. As usual, it would be widely distributed to the Commission departments and had already been handed over to the DG AGRI Sugar Unit and to DG EMPLOI.

Project for improved employability in the European sugar industry

Jean Pierre Pinasseau and Eric Dresin summarised the work undertaken together with a view to improving employability in the European sugar industry. Eric Dresin recalled that the social partners had obtained financial support from the Commission of 150,000 Euros (DG EMPLOI budget – European social dialogue) to develop over twelve months a concrete, pragmatic and interactive project allowing tools to be developed with a view to replacing at all levels the notion of "lifelong training" by an approach of "lifelong employability". This project concerned the ability to occupy a position which could evolve within the company (new responsibilities, change of activities) and the ability to develop transferable skills, thus also making it possible, if necessary, to find alternative solutions such as, for example, in other branches of the agri-foodstuffs industry or in other sectors. It would include a definition of employability specific to the sugar industry and would give a series of topical examples concerning the various aspects of internal and/or external employability. It would also provide some practical information on legislative and financial aspects relating to employability. A specific steering group had been set up, headed by Jean Pierre Pinasseau of the French Federation (CEFS-Employers) and Thomas Buder of Agrana Zucker (EFFAT – Employees' Representative - Austria). It had already met twice. A seminar open to a large external audience would allow the first aspects of the work to be presented on 28 October 2009. The social partners were asked to mark this date in their diaries already.

An external consultant, the Observatoire Social Européen, would provide its support and experience for the research by the social partners. The members of the steering group would also contribute actively to the work in course and had already made a series of contributions with substantial added value. The next meeting was to be held on 6 May.

III – Main economic challenges facing the sugar industry

A number of examples of incompatibility between the EU's agricultural policy and its external trade policy were described in the 2008 report on social responsibility which endangered the sustainability of this industry. It was a question of the following in particular:

- processed products and export refunds;
- liberalisation of imports from the ACP/LDCs;
- negotiations in course at the World Trade Organisation.

It should be noted that these different economic presentations gave rise to exchanges, sometimes lively, between employees' representatives (particularly Poland, the United Kingdom and Spain), employers' representatives and Commission representatives concerning the social consequences of the reform of the sugar regime. The Chairmen, Harald Wiedenhofer and Norbert Kailich, recalled, as also indicated as a conclusion, that this reform was not the result of a decision by producers but had been imposed on them.

Processed products

(See presentations in Annexes 4 and 5)

Patrick Pagani (CEFS) and Codutra Liliana Filip (EFFAT) reported on joint action by the CEFS and EFFAT within the context of the High-Level Group on Competitiveness set up by the Directorates-General for Enterprise, Health and Agriculture. As the Commission had decided to suspend in the near future export refunds for quota sugar exported in the form of processed products through the so called "inward processing" process, users were requesting the possibility of using cheaper sugar from the world market and proposed an "inward processing" system which would severely damage the European sugar industry. The potential losses were considerable (the figure of a loss of 1 million tonnes in exports was mentioned). The social partners were trying to obtain a more favourable situation. It was also to be noted that the "high-level report" quoted the example of social dialogue in the sugar industry in a positive light (see Annex 4 to the report).

Liberalisation of imports from the LDCs and the ACP countries in October 2009

(See presentation in Annex 6)

Full liberalisation, duty free and in unlimited quantities, for sugar and products containing sugar from the LDCs[3] and the ACP[4] countries would be brought in at the same time, as from October 2009, thus generalising the "Everything But Arms" agreement. The major risk was that of favouring a level of imports which the EU could not absorb and which would be liable to endanger the Sugar CMO. The target of 3.5 million tonnes mentioned by the Commission had to be managed by means of a safeguard clause for the period 2009-2015. But the complexity of this clause cast doubt on its application possibilities. As indicated in the report, to these figures had to be added the different concessions offered by the Commission within the framework of the bilateral, regional and multilateral negotiations (Asia, Central America, Ukraine, WTO, etc.).

Negotiations at the World Trade Organisation

(See presentation in Annex 7)

[3] Least Developed Countries

[4] Africa, Caribbean and Pacific

Simon Harris provided some valuable information on developments in the so-called Doha Round, which it had not been possible to finalise under the Bush Presidency and could possibly be restarted under the Obama Presidency. It was important to remain vigilant in this respect. The results obtained by the sugar industry at this stage were not negligible, particularly in so far as they provided for a longer period for the lowering of tariffs. If the political will existed to try to contain the present economic crisis, a final agreement could be reached very soon. If not, the longer it would be before the negotiations were resumed and the greater would be the probability of new concessions being demanded from the EU.

IV – Working programme of the social partners in 2009

(See Annex 8)

The working programme proposed by the social partners for 2009 was adopted. In particular, it comprised the development of the project on improved employability in the sugar industry and the desire to take all joint action allowing interests and jobs to be protected in the European sugar industry.

V – A.O.B. and conclusions

The social partners were to examine the possibility of drawing up a joint opinion intended for the European Commission on the economic aspects which should be analysed in greater depth, particularly with DG AGRI, in order to help the industry to face up to the current economic crisis and to strengthen the sustainability of the Sugar CMO.

Harald Wiedenhofer and Norbert Kailich thanked the participants in this joint meeting and underlined once more that the reform of the sugar regime had been imposed on the sugar industry and its employees following a political choice by the Union and the Member States. They also recalled that it was important for the partners to maintain their solidarity in order to mitigate the negative effects as far as possible, especially as new world economic trends were adding to the difficulties already faced by companies and workers.