

WHY AND HOW ADAPTING THE RESTRUCTURING SCHEME ?

CEFS'BOARD POSITION
ADOPTED ON 6/02/2007¹

¹ 1 delegation among 23 has reservations but let CEFS announcing the position under the condition that its concern is expressed at the same time

THE PRESENT RESTRUCTURING SCHEME WILL DAMAGE THE SECTOR

- The present restructuring scheme without adaptation will damage the sector with:
 - large withdrawal in 2007/2008 and 2008/2009
 - useless restructuring levy charged on this withdrawal
 - a final linear flat cut of 10 to 20% without any indemnity
 - accumulation of increasing stocks with pressure on the market and unjustified costs

THE BRAKES ON THE RESTRUCTURING ARE KNOWN

- The reasons of this negative development:
 - many more growers and sugar factories are able to stay in business than assumed by the Commission on the basis of the Council compromise
 - the growers' expectations attached to the 10% minimum share of the restructuring amount
 - the threatening possibility for any Member State to redistribute up to 25% of the quota of a sugar manufacturer to others (in 06/07 and 07/08)
 - the resistance of local Governements to factory's closure

A COMPREHENSIVE PACKAGE AIMED AT IMPROVING THE RESTRUCTURING SCHEME

WAS ADOPTED UNANIMOUSLY ON
6th OF FEBRUARY 2007 BY CEFS
BOARD AFTER A SERIOUS
ANALYSIS OF THE SITUATION

A PACKAGE TO IMPROVE THE RESTRUCTURING FUND (1)

- Maintaining 730 euros/ton in 08/09 for any voluntary quota abandonment
- paying 730 euros/ton of abandoned quota sugar when the sugar factory is transformed into a bio-mass factory
- fixing the share of the 730 restructuring aid to a fix 10% for the growers and paying them a reasonable top up aid

A PACKAGE TO IMPROVE THE RESTRUCTURING FUND (2)

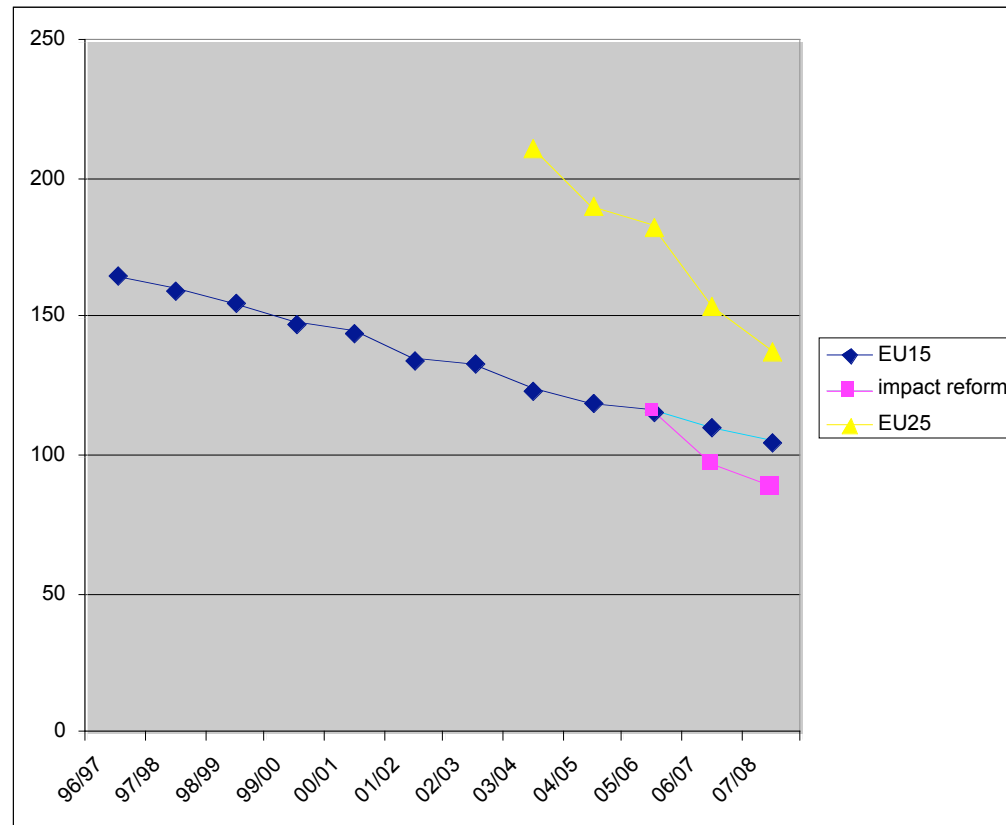
- maintaining in 08/09 the diversification aid paid to the local Governments at 109,5 euros/ton of quota abandoned
- reintroducing the flexibility in the minimum beet price via a local intertrade agreement as considered in the initial Commission's proposal for the sugar reform

A PACKAGE TO IMPROVE THE RESTRUCTURING FUND (3)

- implementing as quick as possible a 10% compulsory quota flat cut¹:
 - at national level
 - with a restructuring aid of 730 euros/ton (90/10+ top up) including in case there is no dismantling of any facility
 - on quota sugar as well as on isoglucose quota and TSN of refiners

¹ Portugal delegation can only accept this cut if its own voluntary quota abandonment already done in the past is taken into account but this request is rejected by all the other CEFS delegations representing 99.91% of the EU 25 quota.

Evolution of number of sugar factories



Outlook “Medium term”

	2005/2006		2007/2008e	
	Factories		Factories	
EU-15	118			
EU-10	<u>66</u>			
Total	184	-48	-26%	136
	Quota		Quota	
Initial quota (w.o. DOM)	16,9 Mio.t s			16,9 Mio.t s
+ Additional quota	0,0 Mio.t s			0,9 Mio.t s
- Renounced Quota	<u>0,0</u> Mio.t s			<u>-1,8</u> Mio.t s
sugar Quota	16,9 Mio.t s			16,0 Mio.t s
- declassification/withdrawal	<u>-1,8</u> Mio.t s			<u>-4,5</u> Mio.t s
sugar Quota	15,1 Mio.t s	-3,6	-24%	11,5 Mio.t s
Quota/Factory	82 000 t s/factory	2,5	3%	85 000 t s/factory

Press release
DG-Agri Nov 06

 but inflation/cost increase

 Despite dramatic rationalization no fix cost degression