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CSR CODE OF CONDUCT – IMPLEMENTATION REPORT 2011 COMMUNICATION NOTE – 28.2.2011

Eighth CSR Report

Implementation reports of the 2003 CSR Code of Conduct of the European Sugar Industry are adopted each year at the plenary of the SSDC sugar held the last working day of February. They are available on the joint website “www.eurosugar.org”. The 2011 report is analyzing all developments intervened in 2010 with a possible economic and social impact.

Background

In the 2011 CSR report, the social partners question whether the sugar reform, now completed, can be considered as a full success, as stated by the Commission. Technically speaking, with a reduction in production of 35 % in five years, the reform is completed. This result was however obtained at high cost for industry and employees, since the restructuration resulted in the closure of about 80 factories, i.e. 45 % of factories since 2005/06. Some 20,000 direct jobs were lost, impacting about 100,000 indirect jobs, one direct job generating five indirect full time or part time jobs. Five EU countries completely shut down sugar production. It is essential that, in the future, the reform can really be considered as a success in economic and social terms. This does not only depend on companies and employees, but also on EU policy makers.

Main concerns and priorities

From being a net leading exporter the EU has become a net importer. It now depends on supply from third countries to meet 15 % of its domestic needs and has become the second largest importer of sugar in the world. The level of self supply within quota of around 85 % of domestic consumption is considered as satisfactory by the Commission. Imports from ACP and LDCs countries have been completely liberalized in accordance with the “Everything But Arms” agreement and EPA Regulation, the EU offering therefore a stable outlet to these countries as foreseen by the reform.

This preferential access should however not be eroded by a series a new concessions granted to third countries through an increasing number of bilateral FTA negotiations or at WTO level, as explained in the report. New concessions ultimately result in further reduction of EU production capacity. It should be recalled that a reduction of 100,000 t represents on average the closure on one factory. Once closed a factory cannot be reopened. This is an irreversible process.

Furthermore, in the current context of high volatility of world prices (mainly explained by substantial changes in world supply, strongly affected by climatic conditions) the widening of third country imports also increases the risk of instability of supply. **It is not acceptable that the European sugar industry can be considered as the “adjustment factor” to enable the EU to respond to fluctuating or increasing imports. It remains therefore essential to maintain an import management policy which enables the EU to achieve its objective of food security and sustainability.**

In the same way, in the middle term, the original conditions of the WTO Panel ruling should be re-examined so that **the EU has the same freedom to export as any other trading region in the world. The current situation where the sugar industry has to face restrictions on exports while new additional duty free imports are continuously imposed is not sustainable in the long term.**

Furthermore, in case of potential undersupply of the EU market, the Commission indicated in its reply to the Court of Auditors Report N° 6/2010, that the regime incorporates the necessary instruments to deal with such situations mainly by converting available out-of-quota sugar into quota sugar. **Priority should be given to such market instruments over the constant granting of additional TRQs.**

The social partners are also concerned by the current discussions regarding the climate and energy policy and urge the Commission **to give proper consideration to the specific characteristics of the sugar industry** in order to keep the potentially considerable economic and social impact of decisions to be taken within limits that can be managed by the industry.

In the context of the debate on the future of the CAP post 2013, the social partners remark that the beet sugar sector is the sole sector in the CAP in having to bear a production charge. They ask **a removal of this production charge when the CAP financial perspectives are reviewed.**

They also regret that the amount of about 640 million Euros remaining in the restructuring fund created in 2006 cannot be further used for restructuring measures still in course to allow the industry to continuously adapt to change. Although entirely funded by the sugar profession, they do not understand why the unused balance should be paid back to the general CAP budget and **ask the Commission to re-examine this issue.**

In the frame of the EU 2020 Strategy, the different initiatives linked to it, and the new TFEU Article 9, the social partners are prepared to get more involved in the European social dialogue. They take note of the “Single Market Act” Communication and welcome in particular its Proposal N° 29 entitled “Increasing solidarity in the single market” and providing that “*The Commission will first of all conduct an in-depth analysis of the social impact of all proposed legislation concerning the single market*”. They do hope that this principle will be duly implemented. As underlined over the years **ensuring consistency between the EU external policies and the agricultural policy is particularly crucial for the sugar industry in terms of economic and social impact.**

The social partners did their utmost to help and manage the restructuring period in the best way possible. They created several web based tools to facilitate the adaptation to change. The most recent one aims at improving employability in the sugar sector. The companies have thoroughly observed the CSR Code of Conduct, far beyond their obligations and made long term investments to improve efficiency.

Expected from EU policy makers

Knowing that the reform was largely due to a political choice by the Union and the Member States within the context of globalisation, **the social partners urge the Commission - as well as all policy makers - to also prove they act in a fully responsible way in particularly by increasing consistency between the different EU policies.** On this depends in time the survival of a sustainable European sugar industry and the ability of its companies **to remain profitable and competitive on the market** whilst continuing to offer their employees prospects of employment and employability, a key topic in the frame of the EU 2020 Strategy.

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