

# The Restructuring Process of the European Sugar Industry



- 1. The 2006 reform: basic features**
- 2. First 2 marketing years of reform**
- 3. Mid-term forecasts**
- 4. Economic and social impact of the reform.**
- 5. Future alternatives for EU sugar plants.**



## 1. The 2006 sugar reform

# Main tools

- **Gradual price reduction -36% in 4 years**
- **Voluntary restructuring regime (4 years), financed by levies on quotas**
- **Withdrawal to adjust production to needs on annual basis**
- **Possible final quota cut in 2010**

## 2. First 2 years of the reform

# Restructuring scheme

Objective : 6 million t

Achievements of the first 2 years :  
(2006/07 & 2007/08)

2.18 million t

## 2. First 2 years of the reform (Commission estimates @ Nov. 2007)

tonnes	Initial Quota	% EU27	Renunciation % of initial quota	Add. Quota	Quota 2007/08	% EU27
Ireland	199 260	1%	<b>100%</b>		0	
Latvia	66 505	0.4%	<b>100%</b>		0	
Slovenia	52 973	0.3%	<b>100%</b>		0	
Portugal	69 718	0.4%	<b>78%</b>		15 000	0.1%
Italy	1 557 443	9%	<b>52%</b>		753 846	5%
Greece	317 502	2%	<b>50%</b>		158 702	1%
Finland	146 087	1%	<b>38%</b>		90 000	0.5%
Slovakia	207 432	1%	<b>34%</b>	10 000	147 299	1%
Hungary	401 684	2%	<b>27%</b>	5 000	298 591	2%
Cz. Rep	454 862	3%	<b>24%</b>	20 070	372 459	2%
Sweden	368 262	2%	<b>12%</b>	17 722	343 422	2%
Spain	996 961	6%	<b>11%</b>		887 164	5%

### 3. Adjustment of Regulations (27 October 2007)

## Restructuring 2008/2009

- Quota renunciations in two phases  
(Article 4(1bis) of Regulation 320/2006)
  - First round : deadline 31 Jan 2008
  - Second round : deadline 31 March 2008  
under following conditions :
    - First round quota renunciations accepted
    - minimum withdrawal % in first round.
      - Minimum % = 13,5%  
except CZ, ELL, ESP, IT, HU, PT, SK, FIN, SWE  
(annex of Regulation 290/2007)

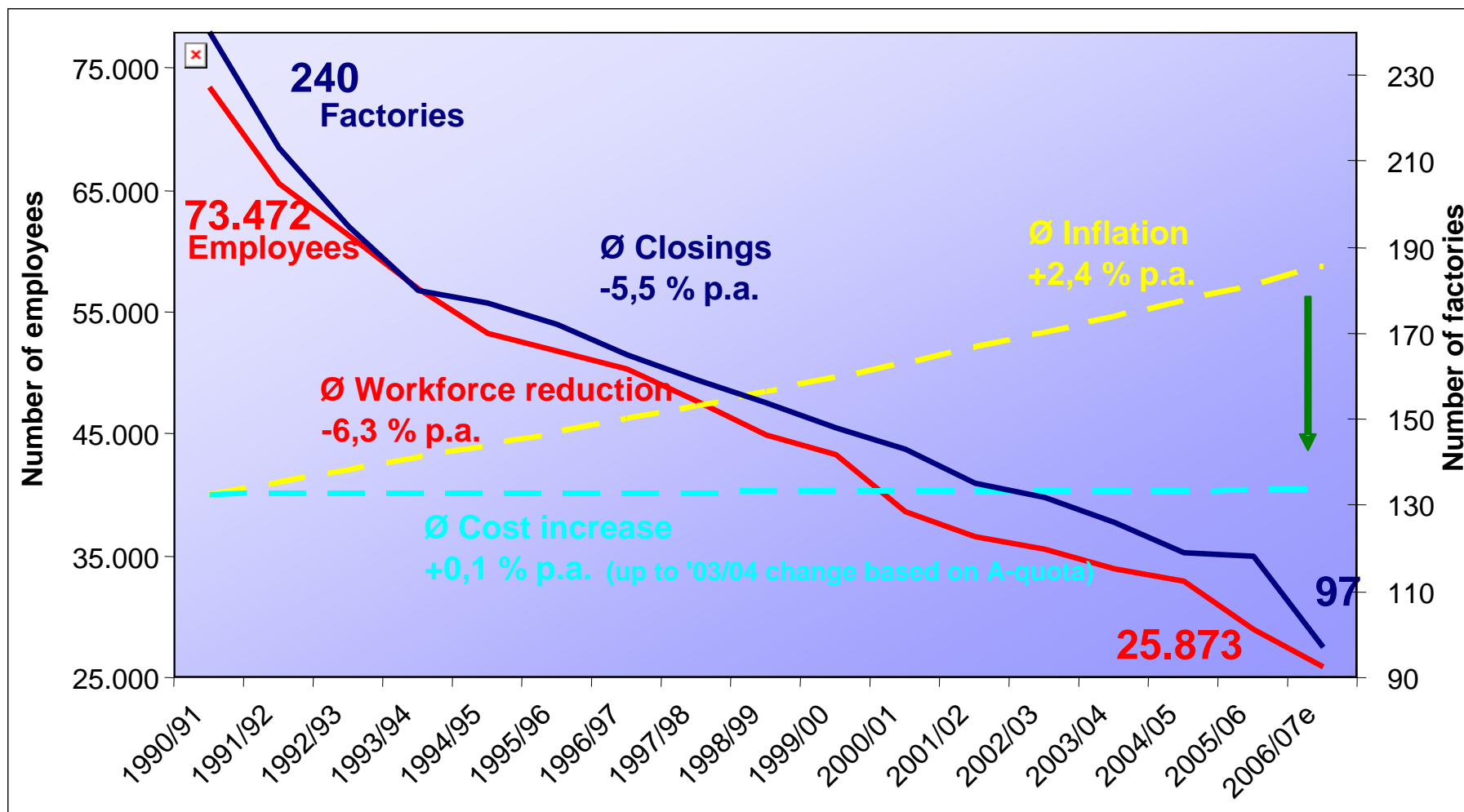
# Estimates @ February 2008

- Sugar companies would have renounced a total of 2.41 M tonnes of quota sugar by January 2008 (1.24 M tonnes yet to reach the 6 M target).
- Companies participating to the first wave of voluntary renunciation can opt to renounce further amounts by End of March 2008.

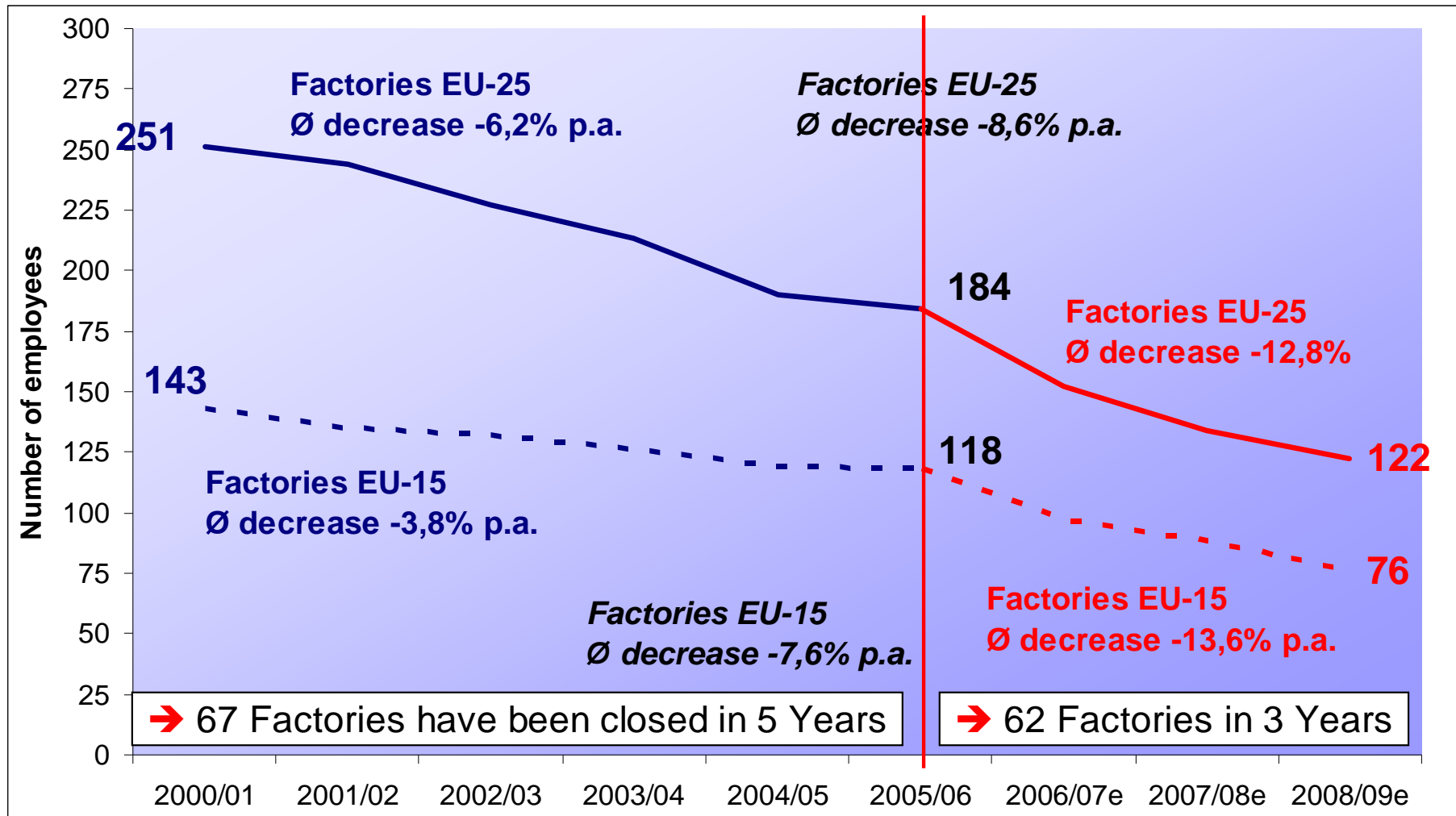


# 4. Economic and social impact of the reform.

# EU-15: Factory closings and cuts in workforce



# Restructuring is accelerating especially within EU-15!



# Restructuring process moves also to “strong” beet regions

<u>North</u>		
no. of factories '05/06	14	
factory closings '06/07+'07/08	-6*	-43%
<u>announced further closings after '07/08</u>	<u>0**</u>	<u>0%</u>
total closings	-6	-43%
no. of factories after closings	8	

<u>Central</u>		
no. of factories '05/06	67	
factory closings '06/07+'07/08	-5*	-7%
<u>announced further closings after '07/08</u>	<u>-9**</u>	<u>-13%</u>
total closings	-14	-21%
no. of factories after closings	53	

<u>East</u>		
no. of factories '05/06	65	
factory closings '06/07+'07/08	-19*	-29%
<u>announced further closings after '07/08</u>	<u>0**</u>	<u>0%</u>
total closings	-19	-29%
no. of factories after closings	46	

<u>South</u>		
no. of factories '05/06	36	
factory closings '06/07+'07/08	-18*	-50%
<u>announced further closings after '07/08</u>	<u>-3**</u>	<u>-8%</u>
total closings	-21	-58%
no. of factories after closings	15	

<u>Total EU</u>		
no. of factories '05/06	182	
factory closings '06/07+'07/08	-48*	-26%
<u>announced further closings after '07/08</u>	<u>-12**</u>	<u>-7%</u>
total closings	-60	-33%
no. of factories after closings	122	

\*Source: F.O.LICHTS Europäisches Zuckerjournal and Confederation Internationale Des Betteraviers Europeens

\*\* own enquiries acc. to official publications

# 5. Future alternatives for EU sugar factories.









# Alternatives left to sugar producers? (II)

- Reduction of administrative costs (merger of local HQs, etc.)
- Increased use of fixed capital/assets:
  - Lower the number and increase the size of production units (= increased length of production campaign, increased transport distances for beet).
  - Additional activities:
    - Refining raw sugar (sugar cane).
    - Bio-fuel production (sugar beet, wheat, etc.)