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Fruit Processing Industry calls for 2015 end to EU sugar regime

"The European Parliament's Agricultural Committee yesterday missed a chance to introduce a level playing field in the sugar market ", say PROFEL¹, the voice of the European Fruit and Vegetable Processors. **"The Committee vote to prolong the current sugar market mechanism until 2020 will reduce the competitiveness of jam makers and fruit canners all over Europe"**, according to Costas Apostolou, PROFEL Vice-President. "In fact, it's a vote to the detriment of sugar users." In a nutshell, today's market imbalances will persist, while profits will continue to be redistributed from sugar users to sugar producers.

The current sugar market regime limits the sugar using industry's access to the vital raw material to 85 % of demand. The remaining 15 % were meant to be imported from the world market but sugar producers worldwide do not deliver.

The resulting scarcity of sugar has led to enormous price increases, up by 50 % from 2011 levels, which are eating away the already low profit margins of fruit processors. Companies are having to forgo export opportunities and have reduced chances for growth.

Equally devastating are the effects on companies' international competitiveness. Access to lower priced sugar from the world market, currently selling at roughly half the EU price, is economically impossible with import tariffs set at 419 €/t. This tariff rate, set to protect the EU's sugar market regime before the last reform in 2006, was never adapted to the new market realities.

"We need a healthy competition between EU sugar producers and sugar suppliers worldwide," appeals PROFEL sugar expert Rainer Hartmann from German fruit processor Schwartauer Werke. "Today, only 4 companies deliver more than 60% of all the EU's quota sugar to the processors."

As temporary relief, PROFEL welcomes the European Commission's recently proposed emergency measures which acknowledge the supply situation and plan to put an additional quantity of 1.2 million tons on the market - equivalent to around 8% of the overall sugar quotas.

The sugar market regime is the last of the "old" market management systems in the EU's agricultural policy. PROFEL now calls on the EP plenary in March to support the Commission's proposal to abolish quotas in 2015. "The sugar industry has transformed since 2006 and is competitive today." says Rainer Hartmann, "It's time to free the market."

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¹ PROFEL represents the interests of EU manufacturers of canned, frozen and dehydrated vegetables, canned fruit, jams and similar products, fruit spreads and compotes. Fruit processors are important users of sugar: depending on the product, sugar represents between 15% and up to 40% of the costs of the final product.