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The new CAP (2023-2027) of the European Union

Launched in 1962, the Common Agricultural Policy (CAP) of the European Union (EU) is defined[1] by Brussels as *"a partnership between agriculture and society, and between Europe and its farmers.*

It aims to:

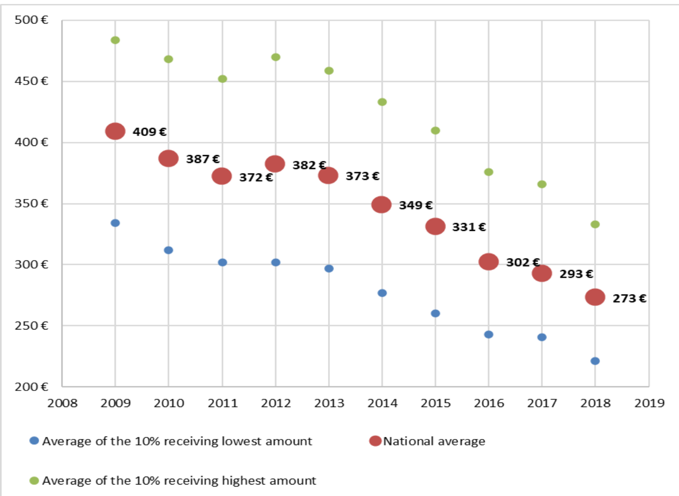
- ***support farmers and improve agricultural productivity, ensuring a stable supply of affordable food,***
- ***safeguard EU farmers to make a reasonable living,***
- ***help tackle climate change and the sustainable management of natural resources,***
- ***maintain rural areas and landscapes across the EU,***
- ***keep the rural economy alive by promoting jobs in farming, agri-food industries and associated sectors."***

With the expiry of the 2014-2020 CAP, in force until 31 December 2022, the negotiations of the next CAP programme to apply for the 2023–2027 period were concluded at European level on 25 June 2021. The details relating to its application in France are explained in the National Strategic Plan (NSP), submitted to the European Commission at the end of 2021 and awaiting validation by Brussels.

Information on the terms and consequences for French sugar beet farms are presented in this document.

1. Reminder of the effects of the CAP (2014-2020) on French sugar beet growers

For French beet growers, the CAP 2014-2020, which remains in force until 31 December 2022, led to a 33% reduction in payments per hectare (all payments in Pillars I and II combined) between 2009 and 2018 (Graph 1), even though the fall in producer prices has made these payments all the more essential for farm results: one third of sugar beet farms having a negative result without CAP payments in 2018[2].



Graph 1: Total amount of CAP payments (pillars I and II) received per hectare by French sugar beet farms (Source: RICA France, processed by Pluriagri)

[1] https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/cap-glance_fr

[2] For more details, see the beet growers' profile 2018: https://www.artb-france.com/nos-analyses/profil-des-betteraviers/2018.html

The situation is seen to be particularly alarming if this amount is compared with the amount received by sugar beet farms in other EU countries with significant beet production (Table 1). Although in terms of productivity per hectare[3], and excluding CAP payments, France remains at the head of the European peloton, behind Poland (whose level of competitiveness is currently out of reach), this differential in the level of public aid strongly alters the competitive agricultural advantage of the French sector.

	CAP average payments (all payments combined) per hectare of beet received in 2018 (source: Pluriagri)	Difference with France in 2018
France	273 EUR/ha	
Belgium	354 EUR/ha	81 EUR/ha (+30%)
Germany	373 EUR/ha	100 EUR/ha (+37%)
Netherlands	436 EUR/ha	163 EUR/ha (+60%)
Poland	656 EUR/ha *(of which 388 EUR/ha coupled support)*	383 EUR/ha (+140%)

Table 1: Comparison of CAP average payments per hectare of beet received in 2018 in different beet growing countries (Source: RICA France, processed by Pluriagri)

2. CAP (2023-2027): budgetary and regulatory framework

2.1. General budgetary framework

The total Community budget allocated to the CAP for France was already validated in 2020. For the 2023-2027 period, France's share will be:

- 7.285 billion Euros (EUR) per year under Pillar I (direct payments to farmers),
- and 1.459 billion EUR under Pillar II (rural development payments).

These amounts will be broken down differently, the Ministry having chosen:

- to take 7.53 % from Pillar I (an identical volume to the previous CAP, knowing that Brussels authorizes up to 15%) to further supplement Pillar II,
- to allocate an additional 383 MEUR to Pillar II through national financing.

The CAP annual budget (2023-2027) will thus be:

- **6.736 billion EUR under Pillar I,**
- **and 2.390 billion EUR under Pillar II.**

Excluding inflation, this corresponds to a 2% cut in the Pillar I budget in comparison with the CAP currently in force, and the maintenance of a constant budget under Pillar II.

2.2. Regulatory framework

The new CAP programme implies the revision of the four European regulations constituting the CAP, these being:

- on direct payments to farmers (Regulation 1307/2013),
- on support for rural development (Regulation 1305/2013),
- on establishing a common organisation of the markets in agricultural products (Regulation 1308/2013, also known as the Single CMO),
- on the financing, management and control of the CAP (Regulation 1306/2013).

In the context of the CAP (2023-2027), the first two regulations are merged into a new regulation

[3] For more details about the level of French agricultural competitiveness, see the ARTB study "Comparison of beet production costs in different European countries" available here: https://www.artb-france.com/nos-analyses/economie-de-l-exploitation-contractualisation/476-comparaison-du-cout-de-production-betteravier-dans-differents-pays-europens.html

(2115/2021) establishing rules on the "*National Strategic Plans"* (NSP): each Member State is asked to define its own declination of the CAP in its NSP. Although this new regulatory framework aims to answer the European Member States' requests for subsidiarity, it could nevertheless lead to unfair competition for some productions.

In parallel, the regulation on financing, management and control is replaced by Regulation 2116/2021 (this analysis document does not specifically address this point).

Finally, regarding the common organisation of the markets, the regulation adopted (2117/2021) merely amends the previous one (1308/2013), which thus remains in force in its consolidated version. It is nevertheless expected to be further amended in coming years (see hereafter).

2.3. Link with the European Green Deal

Negotiations of the new CAP have collided with the Community Green Deal ambition. Still at the Communications stage at the European Commission, the regulatory formatting is underway but the overreaching ambition of this Green Deal is to make the European Union "the first continent with no net emissions of greenhouse gases by 2050" where "economic growth will be decoupled from resource use". It will therefore have a major impact beyond the effective implementation of the new CAP.

This ambition implies several policies, affecting all sectors, which aim at what can be considered as a historic break.

For the sugar beet sector, the following should be mentioned in particular:

- On the industrial side, the "Clean Energy" and "Sustainable Industry" policies which aim at ensuring that industrial processing emits no greenhouse gases by 2050. It could also mean the end of thermal vehicles in the transport sector from 2035.
- On the agricultural side, the "Biodiversity" and "Farm to Fork" policies have the ambition to halve the use of pesticides by 2030, achieve a 20% reduction in fertilizer use, reach 25% of farming area under organic farming and introduce 10% of non-productive farmland.

The United States Department of Agriculture (USDA) is the first body to assess this new policy line. It evaluated the effects of such a policy in November 2020.

The USDA considers that the European Commission's proposals would:

- reduce agricultural production by 12%, significantly impacting the production of oilseeds and protein crops (- 61%), wheat (- 48%) and sugar (- 20%),
- bring about a 16% reduction in overall agricultural income in the EU,
- lead to a 17% price increase: the annual food cost for each European consumer increasing by 153 USD[4],
- lead to a net weakening of European presence on the world markets with a 20% reduction in European exports and a 2% increase in imports.

Shortly afterwards, INRAe (French Institute for Agricultural Research) and AgroParisTech published another study, which concludes that this policy would cause a 25% reduction in the average income of conventional farms and up to 42% if we include the fact that 10% of agricultural area is devoted to non-productive crops. It underlines that for the proposal to be without effect on average farm income, the prices paid to producers will have to increase by:

- 4.6% for general crops,
- 11% for livestock.

In these conditions, the study concludes that the agricultural part must not be the only policy implemented on this subject but must be accompanied by:

- a food policy over the EU, aimed at changing European citizens' food diets,
- a renewed foreign trade policy to avoid any pollution transfer within the EU supplying

[4] By ricochet, this new policy would increase the average food cost in the world by 51 USD/inhabitant.

countries (concept of “Pollution leakage”); there is also mention of a border adjustment mechanism (new customs duty) taking into account the carbon balance and the impact of imported products on biodiversity.

In the summer of 2021, the European Commission published a partial impact study conducted by its dedicated body, the Joint Research Centre (JRC), which concludes:

- a 15% fall in cereal production,
- a 26% reduction in income for cereal producers,
- a reduction in greenhouse gas emissions twice as low as expected due to the “displacement” of pollution resulting from increased Community imports.

Finally, the implementation of the Green Deal should be accompanied by regulatory changes which could change the application of the CAP by 2027, but also of its trade policy. On the latter point, the French government, which has the Presidency of the Council of the European Union since 2022, has announced its intention to implement “mirror clauses” to require that products imported into the EU be produced according to the same standards as those required of European producers.

For the moment, such clauses are not in line with WTO rules and imply reviewing all the existing bilateral agreements.

3. French "National Strategic Plan"

The National Strategic Plan explained here corresponds to the one submitted to the European Commission at the end of 2021 for validation.

3.1. Conditionality (cross-compliance) of payments

As a preamble, it should be recalled that CAP payments made to a farm are subject to compliance with various rules. The payment is thus "conditioned": this is the cross-compliance rule. In the event of non-compliance and as things currently stand, a reduction (which varies depending on the degree of seriousness) of the amount of the payment made can be applied. From 2023, this cross-compliance will not only apply to direct payments (as is currently the case) but to all area payments.

These cross-compliance rules are defined under 9 Good Agricultural and Environmental Conditions (GAEC), two of which particularly concern sugar beet:

- During the negotiations and through the GAEC entitled "Diversification or crop rotation", (GAEC 7) some wanted to force rotation to be applicable to the plot, for example banning rotation including two consecutive wheat crops. Finally, diversification will be recognised as sufficient once 2 eco-scheme points have been obtained (point 3.2.4),
- Regarding non-productive areas, the GAEC entitled "Maintenance of non-productive features" (GAEC 8) gives farmers the opportunity to justify:
  - that 4% of their farm area is made up of a whole including non-productive features (like hedges or ponds) and fallow land or,
  - having only 3% of this whole, as long as 4% of the area contains catch-crops or leguminous crops grown without recourse to plant protection products.

3.2. Direct payments to farmers in Pillar I

Regarding Pillar I (direct payments), the French NSP includes the five main components currently making it up, namely:

- specific payments to young farmers,
- an increased payment for small farms, known as "redistributive payment",
- a specific allowance earmarked for certain productions under the "coupled support mechanism",
- specific payments aimed at guiding farms towards environmental practices. Up till now, this constituted the Green Payment but will be replaced by the "Eco-scheme" mechanism which appears as the novel instrument of this new CAP programming,
- a per-hectare payment or "Basic Payment", the financial amount of which corresponds to the remaining budgetary envelope of this Pillar I, once the other payments have been deducted.

3.2.1. Young farmers payment

The amount allocated to young farmers setting up for the first time is increased: from 1% of the Pillar I envelope (67 MEUR per year at present) to 1.5% (101 MEUR per year under the new programme). This payment will be allocated as a lump sum, and no longer per hectare, to support all types of installation.

3.2.2. Redistributive payment

The Community rules require that Member States allocate at least 10% of their Pillar I national envelope to "redistributive payments". This is to pay more to small and mediums-sized farms than to the large ones. The French NSP has chosen this rate of 10%, in the same way as under the previous PAC. In practice, this payment will be made per hectare and only to the first 52 hectares of each farm.

3.2.3. Coupled support

Coupled support is considered as a tool intended to support certain listed sectors to answer the difficulties they encounter with a view to improving their competitiveness, their sustainability and their quality. The maximum budgetary envelope authorized by Brussels is 13% of the funds in Pillar I, to which are added 2% specifically allocated to protein crops.
The French NSP uses this authorized maximum envelope (as has been the case up till now).

It should be remembered that currently:

- French sugar beet is not concerned by coupled support, unlike 11 other Member States (Czech Republic, Greece, Spain, Croatia, Italy, Lithuania, Hungary, Poland, Romania, Slovakia and Finland), which represent an average amount of 359 EUR/ha,
- coupled support in France is mainly dedicated to the livestock sector (60% of the envelope being dedicated to suckler cows, 12% to dairy cows and 11% to sheep).

The main changes for the 2023-2027 programme are the following:

- the share devoted to leguminous crops (seed and fodder) will increase over the entire period, from 2% of the total envelope (currently) to 3.5% in 2027. This transfer will be made directly to the detriment of animal payments.

Cattle payments will thus be reviewed, with the creation of a common payment for the sector (110 EUR/LSU suckler cows, 60 EUR/LSU dairy cows), capped at 1.4 LSU per hectare of fodder area on the farm. Up till now this amount was 161 EUR/suckler cow up to the 50th, then 117 EUR/cow up to the 99th and 59 EUR/cow up to the 139th.

At the same time, existing crop payments (in particular on durum wheat, rice, hops, starch potatoes, etc. are maintained.

Furthermore, Brussels allows 3% of this envelope to be used for Operational Programmes: this amount is not destined directly for the producer, but for his producer organisation (or association of producer organisations), in order to respond to a project aimed at taking action on the environment, quality improvement, production planning and risk management. Nevertheless, since the NSP has not extended the list of production eligible for coupled support, sugar beet will not have access to it, unlike plant proteins, which, by way of example, will benefit from an envelope of 33 MEUR.

In total, support for plant proteins (soya, protein crops, dried pulses, dehydrated leguminous) will therefore be doubled in comparison with the former CAP: coupled support and the Operational Programme having to represent an envelope of 270 MEUR per year.

3.2.4. Eco-schemes

The end of the Green Payment and the introduction of eco-schemes is the real novelty of the 2023-2027 CAP. These mechanisms must be explained in detail by the Member States according to a defined framework, with the aim of reaching the ambitions of the Green Deal (point 2.3). They must represent at least one quarter (25%) of each country's Pillar I.
France has chosen to use this rate (25%). This will mean two levels of payments to farmers, depending on their situation with regard to the applicable constraints; a standard level, expected to be around 54 EUR/ha, and a higher level at 76

EUR/ha. So a farmer who does not reach the standard level will not receive any payment under the eco-scheme. Finally, access to this mechanism can be achieved in 3 possible non-cumulative paths and at the farmer's choice: certification, agri-ecological infrastructures and diversification of agricultural practices.

✓ **Certification**

If the farmer chooses certification to access the eco-scheme, he will be able to access:

- the higher level if the whole of his farm is certified Bio (organic) or HEV (level 3 High Environmental Value certification),
- the standard level by obtaining a so-called "2+" environmental certification. This corresponds to environmental certification level 2, completed by:
    - one of the four criteria of HEV certification (biodiversity, plant protection product management, fertiliser management, irrigation management) at the farmer's choice or,
    - requirements regarding precision farming (proof of the use of OAD (decision aid tools) favouring the reduced use of inputs) and proof of the farm's commitment to waste recycling (Adivalor certification).

It should be noted that the conditions for HEV certification are currently being revised and should be finalized by 2023. It is therefore difficult to assess the beet growers' capacity to have access to it. In the current state of the HEV, it remains a scheme which is difficult to achieve, mainly as regards plant health criteria, due to the construction of a reference (based on the average of several farms, even without any sugar beet specificity[5]).

✓ **Agri-ecological infrastructures (AEI).**

If the farmer chooses this path to have access to the eco-scheme, he counts the total area of his farm that is represented by hedges, trees, groves, ponds, fallow land, traditional walls, etc. The standard level is reserved for farms where this combined area represents 7% of the total area, whereas the higher level is reserved for farms where it represents more than 10%.
Therefore, this path will probably not be very accessible to sugar beet farms.

✓ **Diversity of agricultural practices**

If the farmer chooses this access path, he will have to commit to certain practices in connection with his arable land (including temporary grassland and fallow land), permanent grassland (i.e. in place for more than 5 years) or his perennial crops.
For each category, it will be necessary to check whether the farm is eligible for the standard level or the higher level. Ultimately, the farmer will receive the standard level payment if at least one category is met; he can only qualify for the higher level if all three are met.

<u>Concerning permanent grassland,</u> the rule involves the renovation of grassland by ploughing: the standard level is reached if this renovation only concerns at most 20% of the area and 10% for access to the higher level.

<u>Concerning perennial crops,</u> the standard level is reached if at least 75% of the inter-rows have green cover; for the higher level, this must represent 95%.

<u>Finally, concerning arable land,</u> crop diversity must be taken into account according to the analysis grid presented in Table 2. Once 4 points have been obtained, the farmer is eligible for the standard level. A total of 5 points is required to be eligible for the higher level.

[5] For more details on HEV certification, see the different ARTB analyses available on website www.artb-france.com

		Number of points (UAA: Utilised Agricultural Area, ARA: Arable Land)
Permanent grassland		>10% UAA: 1 point >40% UAA: 2 points >75% UAA: 3 points
Temporary grassland (including fallow land)		> 5% ARA: 2 points >30% ARA: 3 points >50% ARA: 4 points
Leguminous		>5% ARA or >5 ha: 2 points >10% ARA: 3 points
'Traditional crops' (the sum of which must be a maximum 4 points)	Winter cereals	>10% ARA: 1 point
	Spring cereals (maize, spring barley)	>10% ARA : 1 point
	Root crops (potatoes and beet)	>10% ARA : 1 point
	Spring oilseeds	> 5% ARA : 1 point
	Winter oilseeds	> 7% ARA : 1 point
Other crops		> 5% ARA: 1 point >10% ARA: 2 points >25% ARA: 3 points >50% ARA: 4 points >75% ARA: 5 points
Total area in ARA <10 ha: + 2 points		

Table 2: Eco-schemes through "Diversity of agricultural practices": method to calculate points to benefit from the standard level (4 points) or the higher level (5 points or more)

In the present state of French farms under OTEX (French farm typology) classification 15 and 16 (field crops), it is considered that only 56% of farms will be able to reach the higher level (76 EUR/ha) without making changes, and 18% for the standard level (54 EUR/ha), whereas 26% of farms may not benefit from the eco-schemes though this access path (as a reminder: beet farms currently benefit from an average 89 EUR/ha under the Green Payment).

3.2.5. Basic Payment Scheme

The remainder of the Pillar I envelope is a per-hectare payment, through a "Basic Payment Scheme". In 2019, according to RICA figures, processed by Pluriagri, the average value of a sugar beet grower's basic payment (BP) was 123 EUR/ha (compared to a national average of 114 EUR/ha, with considerable disparity between farms and French departments (Table 3).

Finally, concerning the paths to certification and agricultural practices, the farmers eligible for the higher level can request a "**sustainable hedge bonus"**, if the equivalent of his hedges represent 6% of his arable land and utilised agricultural area, for a total annual national envelope of 40 MEUR.

Department	Average BP in 2019 (EUR/ha)
28 - Eure et Loir	115
45 - Loiret	115
27 - Eure	119
77 - Seine et Marne	119
10 - Aube	120
60 - Oise	120
02 - Aisne	121
59 - Nord	121
76 - Seine Maritime	121
62 - Pas de Calais	122
80 - Somme	122
08 - Ardennes	124
78 - Yvelines	124
91 - Essonne	127
51 - Marne	130
68 - Haut Rhin	130
67 - Bas Rhin	174

Table 3: Average value in 2019 of the beet growers' Basic Payment per French department, in EUR/ha (Source: Pluriagri, according to RICA)

Although this basic payment is to be maintained, its value will be modified mechanically due to the change in the budgetary envelope.
Convergence, which consists of ultimately aligning all basic payments along the same amount, is continuing, but at a slower pace than initially requested by the European Commission.
In 2025, no basic payment can be less than 85% of the French average, which will be financed by:

- a cap at 1 000 EUR/ha,
- for above average basic payments, the difference between this basic payment and the average will be decreased by half, within a limit of a 30% reduction per hectare.

Therefore, most beet growers must expect a reduction in the basic payment, which may be limited (Eure et Loire, Loiret) or more substantial (around 8 EUR/ha in the Marne for example and up to 30 EUR /ha in Bas-Rhin).

To conclude, while the final effect of this reform must be assessed on a case-by-case basis, a reduction in Pillar I payments to sugar beet growers is to be expected: this reduction will however be less pronounced than during the previous CAP programme.

In very concrete terms, the level of the loss will depend on the level of basic payments, which could fall to 30 EUR/ha for farms which historically receive above average amounts, and on the beet growers' ability to access the eco-schemes: those who reach the higher level will lose 13 EUR/ha compared to the current Green Payment but those who will not be able to access this scheme will lose up to 89 EUR/ha.

3.3. Rural development aid under Pillar II

At present, beet growers are very little affected by the payments granted under rural development, known as Pillar II payments. The main measures announced in the NSP under Pillar II are the following:

3.3.1. ICHN

Representing almost half the Pillar II envelope, the Compensatory Allowance for Permanent Natural Handicap (ICHN) paid to French farmers mainly concerns mountain areas and targets livestock farming. The annual budget remains at 1.1 billion, an identical amount to that of the previous CAP, even if the Community envelope is falling (717 MEUR against 825MEUR in the past): therefore the maintenance of the envelope is a political choice, financed by France. It does not concern beet growing areas.

3.3.2. Support payments for conversion to organic farming

An organic farm will benefit, at cruising speed, from the Pillar I eco-schemes. During the conversion phase, it will benefit from specific support, of which the annual envelope under Pillar II increases from 250 to 340 MEUR. The government's ambition is to reach 18% of the UAA in 2027, i.e. double the current area.

3.3.3. Subsidy for crop insurance

The envelope dedicated to the crop insurance subsidy increases from 150 MEUR to 186 MEUR. This small increase (+36 MEUR per year) is indicated by the Ministry as "*necessary but not sufficient*" for the government's ambitions on the subject: complementary means to those of the CAP will therefore be used with regard to the reform of this insurance, announced for 2023.

3.3.4. Agri-Environmental and Climate Measures

An envelope dedicated to Agri-Environmental and Climate Measures (AECM), aimed at financing the efforts made by farmers on biodiversity, climate, soil conservation, animal welfare or water management is endowed with 260 MEUR (against 250 MEUR under the previous CAP). The government intends to benefit the so-called intermediate areas, reserving 11% of this envelope for them.

3.3.5. Regional mechanisms

Finally, the management of a budget of 668 MEUR (against 635 MEUR under the previous CAP) is entrusted to the regions, according to their particular ambitions. So the regions will have the possibility to finance the sugar beet sector's "Income Stabilisation Instrument" (ISI).

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4. Renovation of the Common Organisation of Markets

The regulation governing the Common Organisation of agricultural Markets (1308/2013) is an integral part of the CAP and has therefore been reviewed. The provisions specific to the beet and sugar sector, currently covered by Article 125 and Annex X, remain unchanged, particularly regarding the obligation to announce to the grower a pre-sowing price for beet, the establishment of rules for value sharing between the sugar undertaking and the beet seller, and the separate communication of compensation to be paid for pulp.
This regulation also gives a framework for market management measures that can be activated by the European Commission. In the beet sector, there are four management measures:

✓ Private storage aid

By subsidising part of sugar storage costs, the aim is to defer the marketing of surplus products in the hope of a reversal of future prices thanks to this change in the supply/demand balance. This measure is maintained even though, to date, it has never been activated in the sugar sector.

✓ Safeguard measure relating to imports

This measure makes it possible to respond to disturbances on the internal market due to excessive imports, or imports deemed unfair. It involves activating safeguard clauses (additional or customs duties or suspension of existing import quotas) on the condition that this has been provided for in the negotiated free trade agreements. These measures have never been activated.

✓ Derogation to the competition law

This involves authorising private actions usually contrary to the competition law aimed at:

- the withdrawal of a product from the market (agreement on volumes to be exported, for example),
- the conversion of a product (agreement on the volumes of sugar to be converted into ethanol, for example),
- production planning (concerted reduction of area).

This measure, which is not accompanied by European public financial support, can be subject to national support at the Member State's discretion. This is therefore likely to bring about intra-Community distortions. Another criticism of this measure is that it is not accompanied by a police force: the application of the measures collectively decided remaining at the discretion of the economic entities concerned. This last point is amended in the new CAP: a Member State will be able to decide to extend such decisions made by producer organisations or the interbranch; this will nevertheless remain at the scale of the Member State, and the harmonisation of these measures at Community level is still not very precise.

✓ Exceptional measures against market disturbance

Very broadly and in order to react against threats of market disturbance caused by significant price increases or decreases, the European Commission can take measures to rebalance the market, according to very general provisions.

Henceforth, mentioned in the new CAP are:
(1) the adjustment of customs duties,
(2) the possibility to subsidize a reduction in production in a sector.

Although these decisions are at Community level, national level is still given priority for the management of these payments and their amount, which could weaken this mechanism.

For these reasons, some members of European parliament had asked that sugar be included in the public intervention mechanism. This measure, which aims to respond to a surplus of Community production, involves the purchase of products by the public authorities, before storage and then the sale of these products by the said authorities.
In concrete terms, and in the event of activation of this measure, the European Commission chooses how to proceed. It can thus decide whether to buy a specific volume at a defined purchase price, or to buy a specific volume though price tenders – and similarly for sales. This mechanism was

considered efficient by the European Commission during the milk crisis[6], and is used in the sugar sector in several countries (China, India, and USA via the "Sugar to Ethanol" programme. It is compatible with the WTO and has no effect on world prices (The European Union being a minor player in the world sugar market).

Nevertheless, eligibility has not been extended to the sugar sector

The European Commission, Parliament and Council nevertheless seem to be aware that they have taken little action for the sugar sector, following four years of crisis. Indeed, a joint statement was issued at the end of the last trilogue on this subject:

- the three entities recognise the difficulties encountered by the sugar sector since the expiry of quotas,
- they refer the analysis of the situation to the conclusion of a study, commissioned at the end of 2020 and the results of which will be released in January 2022, aimed at analysing the public instruments available, the respective roles of the private sector and public institutions, and
- they will consider any regulatory or non-regulatory proposals related to the market, to risk management tools, to market transparency, to contractual relations between growers and processors, to international trade and to the bioeconomy.

This statement thus sounds like a possible preamble to the reopening of this file in 2022.

Public intervention and sugar

Public intervention is an exceptional crisis management mechanism which is only intended to be activated in the event of exceptional over-production phenomena. Applied to sugar, the cost of public intervention will depend on how it is implemented:

- The most favourable solution

In the event of the purchase, storage and then resale of sugar at a price similar to that of purchase (i.e. once the crisis has passed), the cost is finally that of storage, estimated at 3 EUR/t/month. Mobilising 0.6 Mt of sugar for one year thus costs 22 MEUR.

- The least favourable solution

In the event of the purchase and then the immediate sale to the ethanol sector at a lower cost for clearance purposes, the cost represents the difference between the purchase price and the selling price. If we refer to the prices during the sugar crisis, this differential, in the worst case, would represent 104 EUR/t: maximum purchase price of 404 EUR/t (reference threshold) and selling price at the height of the crisis at 300 EUR/t (December 2018). Activation of this kind, for a volume of 0.6 Mt, would thus represent the maximum cost of 62 MEUR.
This cost, between 22 and 62 MEUR, is to be seen in the light of the inaction on the 20 Mt of sugar produced (a 100 EUR/t fall in prices during the crisis, i.e. 2 billion EUR in losses for the sector and the closure of 5 factories). The public amount then only represents 3 EUR/t of sugar, or 0.7 % of its value.

The possibility of activating public intervention would, for some, be a stabilizing tool, making it possible to compensate for a market surplus which may be of a nature to destabilize the European market over several years, as was the case after the 2017 harvest. It must be recognized that, with the exception of the European Union, almost all the countries around the globe regulate their sugar sectors. This can be through national rules for value sharing (Australia, Brazil), production and import quotas (USA), "minimum" guaranteed prices for producers (India), the development of outlets via the bioeconomy in the event of crisis (USA, Brazil, Thailand...). This framework of the sector is due in particular to the fact that:

- sugar is a commodity whose price is very volatile: produced mainly in countries with a capricious climate (tropical climates, presence of monsoons), it responds to very impacting investment/disinvestment cycles which are also very sensitive to the strong variability of the currency market of leading exporters like Brazil or Thailand,
- the raw material required to produce sugar (sugar cane and beet) cannot be stored, is difficult to transport and the sugar processing industry needs very significant capital which is accompanied by long amortization periods and high fixed costs.

[6] Phil Hogan: "*Public intervention of skimmed milk powder has proven to be an effective tool*", *24/01/2019, lien* : https://ec.europa.eu/commission/presscorner/detail/en/IP_19_623