



Press information

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Oxfam and WWF Sugar Media Briefing July 2004 **EUROPEAN SUGAR REFORM: WHAT, WHEN AND WHY IT MATTERS**

On Wednesday 14 July, the European Commission will release its proposals for reform of the EU sugar regime. This will determine the way sugar is traded across the world and will have an impact on the lives of millions of people and the environment they live in.

Under the current regime, Europe produces a surplus of around 6 million tonnes of sugar every year. This is then dumped on world markets at prices that undercut local farmers and deprive them of their livelihoods. At the same time, Europe shuts many developing country farmers out of its market by slapping high taxes on their imports.

Europe is a very inefficient sugar producer compared to many developing countries. For this reason, European farmers need high subsidies and a managed market to remain in business. The EU system costs the European taxpayer €1.5bn a year in direct subsidies. It is estimated to cost those who consume sugar a further €7.5bn in higher prices.

The winners from this regime are big sugar farmers and sugar processing companies. The losers are poor farmers in the developing world, consumers, taxpayers and the environment.

Malawi, Mozambique and Ethiopia, three of the world's poorest countries, lost \$238m between them in 2001 because of EU sugar rules. Meanwhile heavily subsidised sugar crops in Portugal and Spain are irrigated, which contributes to salinisation of groundwater, pollution of rivers and competition for water with wildlife.

Reform Proposals

Reform of this unfair and unsustainable regime is long overdue. Sugar has been treated separately from general negotiations on reforming the EU's Common Agricultural Policy (CAP). It has faced no major reform since 1968 but reform proposals must be agreed by the end of 2006.

On Wednesday, the first detailed proposals will be released by the European Commission following an internal consultation. The anticipated reforms (based on media reports and leaked documents) include the following:

- Cutting the guaranteed sugar price by one-third between 2005-7.
- Reducing sugar quotas by 2.8m tonnes, from 17.4m to 14.6m.
- Reducing subsidised sugar exports from 2.4m to 400,000 tonnes

Oxfam and WWF are disappointed by this proposal as it will not end the dumping of subsidised sugar, which destroys poor people's livelihoods, nor will it increase developing countries' access to the European market. In fact it will cut the price they receive for their current modest exports to Europe. The EC proposal is understood to be only a "starting position".

What do we want?

- Oxfam and WWF believe that the overall aim of EU sugar reform should be to increase sugar earnings in developing countries, with the objectives of reducing poverty and achieving higher environmental standards

To achieve these ends the following is necessary:

- The immediate elimination of EU export subsidies, direct and indirect, leading to the end of EU sugar export dumping.
- An increase in imports from the poorest countries.
- A cut in EU production to eliminate overproduction and allow for increased imports. Oxfam and WWF estimate that this would require a cut of between 33 and 40 per cent.

Other desirable reforms include the following:

- EU beet must be grown to high environmental standards. In particular the irrigation of beet must be eliminated, where it is has negative impacts on sensitive rivers.
- Greater transparency in the EU regime, including the provision of basic information about who gets what
- Developing countries should be helped to improve the environmental sustainability of their sugar sectors
- Developing country governments, companies and producers should be encouraged and helped to improve labour rights and working conditions in their sugar industries

Reform of the sector will involve certain transaction costs. These should be minimised by the following:

- African, Caribbean and Pacific (ACP) countries must be compensated for losses incurred due to reform and should be helped to improve standards or even diversify away from sugar if appropriate. Finances for this purpose should not be at the expense of existing development programmes.
- Small farmers in Europe should be protected from sharp adjustment costs. This should not necessarily take the form of compensation but should be part of a wider move to shift the payment of farm subsidies away from production or land holdings towards specific social and environmental benefits, even if not delivered by beet farming.

Ends

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Editor's notes

WWF is now known simply by its initials and the panda logo, in line with the whole international network.

WWF, the global environment network, takes action to conserve endangered species, protect endangered spaces and address global threats, by seeking long term solutions.