



Mr. Bruno Buffaria
Head of Unit
Directorate-General for Agriculture
European Commission
B-1049 Brussels

Brussels, 11 October 2006

Dear Mr. Buffaria,

Re.: Article 19 – withdrawal of sugar

I write on behalf of CIUS, the Committee of the Industrial Users of Sugar. Industrial users of sugar in Europe employ more than 350,000 people and use 9 million tons of sugar each year, accounting for more than 65 per cent of EU sugar usage, and therefore have a direct and vital interest in the management of the EU sugar regime.

Article 19 of the new sugar regulation for the COM on sugar (318/2006) sets out that any decision on the withdrawal of sugar from the market must be taken by the end of October. This letter expresses the views of CIUS on this important subject.

The objective of withdrawal is to maintain a price level, which is close to the reference price. It is the experience of industrial users of sugar that the current market price is some way above the reference price, meaning that a withdrawal under the terms of Article 19 would not be justified.

The current marketing year is, exceptionally, a 15 months' year as opposed to a 12 months' year and so demand for sugar during that "year" will accordingly be higher. Stocks should therefore be expected to be higher than normal in such circumstances. Despite this, the market for sugar has in fact been tighter than normal during recent months and the reports of lower yields as a result of the exceptionally hot summer lead the whole market to expect that such tightness will continue.

Furthermore, it should be borne in mind that sugar in the intervention stocks is not necessarily available for use by the food and drink industry. The demands of food safety and quality, with their accompanying regulatory obligations regarding traceability, make it impossible for intervention stocks to be relied upon. An extensive quality audit might bring clarity to this question, but until then it should not be assumed that intervention sugar is a realistic source of supply for the food and drink industry. (A more detailed paper on this question is attached.)

A great deal rests on the successful implementation of the new sugar COM regulation, now that it has been agreed and put in place. A central objective of this new regulation is to increase the overall efficiency of sugar production by reducing the output of the less efficient producers. A decision to withdraw sugar by an across-the-board percentage, regardless of efficiency, would go completely against the logic of the reform.

For these reasons, therefore, CIUS believes that a decision to withdraw any sugar from the market should not be taken this October. We are available to supply more data and evidence in support of the arguments above, if required, and also remain at your disposal to answer any other questions you might have.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "D. Whimmes", with a horizontal line underneath.

Secretary-General CIUS

CC: Mr. Michel Coomans – DG ENT