



**Sugar reform in CAP post-2013 and impacts on marginalised producers and workers
in ACP/LDC countries**

Fair Trade Advocacy Office briefing note (16 April 2012)

This note aims at providing information on the Fair Trade movement's views on the current discussions on the Common organisation of the markets in agricultural products (Single CMO Regulation) 2014-2020¹, with regards to sugar.

The objective of the Fair Trade Advocacy Office is to sustain the livelihoods of sugar cane farmers in ACP/LDC countries, in particular marginalised producers and workers. In order to achieve this the Fair Trade Advocacy Office identifies three key areas that need to be addressed by the EU namely;

- 1) The extension of the EU sugar beet quota
- 2) The functioning of the supply chain
- 3) Support to producers

The Fair Trade Advocacy Office would like to stress that merely the extension of the quota should not be considered the solution, but rather a necessity through the provision of the minimum time frame needed for the producers and their industries to adjust to the new situation.

Most importantly, the EU should ensure that the objective of sustainable livelihoods for the producers can be fulfilled when the abolition of the quotas takes place. It is therefore essential that the EU ensures a fair and equal relationship between the actors all along the supply chain and provide the producers with the support they need in order to empower them and increase their efficiency and competitiveness.

1) Extension of the EU sugar beet quota to 2020

Extending the EU sugar beet quota to 2020 to provide the ACP and LDC sugar producing countries with a time frame necessary to adjust to the liberalisation of trade in sugar, permitting them to do so under secure and stable market conditions.²

¹ http://eur-lex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexplus!prod!DocNumber&lg=EN&type_doc=COMfinal&an_doc=2011&nu_doc=626

² For further reading regarding the extension of the sugar beet quota see position papers by the International Confederation of European Beet Growers (CIBE), Comité Européen des Fabricants de Sucre (CEFS) and the African Caribbean and Pacific Group of States (ACP Group).

2) Fairness across the supply chain

The EU should ensure that EU-based companies' business to business relationships with ACP producers are based on transparency in price-formation, deductions and fair contractual arrangements.³

With the phasing out of the quotas the EC should put in place tools (e.g. system to avoid abuse of buyer power, framework contracts) to apply to the relationships, not only in the beet sector in the EU, but also to the cane sugar producers in the ACP/LDC countries and their counterparts in the EU.

Additionally we propose that the EC, in their bilateral relations, encourages these measures to be taken within the sugar cane supply chain within ACP/LDC countries in order to achieve transparency and empower producers to ensure an equitable share of the revenues from all sugar cane based revenue streams.

3) Provide support to producers

The EU should put in place of financial mechanisms to support partnerships of Fair Trade actors with commercial companies in order to improve the competitiveness and efficiency of the producers and ensure high corporate standards, in particular on how companies deal with small-hold producers. The aim of the aid should also be to reduce costs through economies of scale and better agricultural practices and enhancing product quality that matches demand.

In order to empower the producers and give them the possibility to make independent and informed decisions they should also be provided training on how to position themselves on global markets and improve negotiation and management skills. This support should ensure that they become independent business partners.

The current situation for sugar producers in ACP/LDC countries

The EU has been liberalising the sugar market since 2006. The reference price cut of 36% has cost the ACP producers €1,75 billion and the Least Developed Countries (LDCs) have also lost many millions in lost trade expectations. Supported by EU financial assistance of €1,2billion many investments are taking place in sugar producing ACP/LDC countries in order to achieve better productivity and more competitive production. However the current proposal by the EC and its destabilising effect on the market would make the profitability of such investments highly unpredictable thus put all current efforts at risk.

This current EU sugar market reform should also be seen in the light of on-going bilateral negotiations of new Free Trade Agreements (Central America, The Andes countries, India, Mercosur and Ukraine) and the Tariff Rate Quota (TRQ) already granted with the first two regions of 300,000 tonnes per year. This undermines the preferential treatment granted the ACP/LDC countries through the EPA/EBAs and was not taken into account when the reform first started.

³ For more information, see the following reports by Technical Centre for Agricultural and Rural Cooperation (CTA)
<http://agritrade.cta.int/Agriculture/Commodities/Sugar/Executive-Brief-Update-2011-Sugar-sector>
<http://agritrade.cta.int/Resources/Agritrade-documents/Special-reports/Corporate-restructuring-in-the-EU-sugar-sector-Implications-for-the-ACP>

80% of the Fair Trade sugar comes from ACP countries, namely Belize, Jamaica, Guyana, Fiji, Malawi and Zambia, with potential new sources from South Africa and Swaziland. In most of these countries the sugar sector is vital for the country's economy and the producers' livelihoods. These countries rely on sugar exports often as their only source of income. In many countries producers only stayed in "business" because of the Fairtrade premium and without the Fairtrade premium which helps producers to increase productivity more sugar mills are said to disappear. Especially in the Caribbean farmers quoted that the income of sugar is too low to feed a family, notwithstanding keeping cane growing sustainable.

With the anticipated increase in price volatility resulting from the market liberalisation the management of price volatility will be a pressing issue for the ACP sugar exporters and in particular so for the small-hold producers. This should be seen in the light of a market sector that has experienced an increased concentration of market power within its corporate alliances. Given the need for the producers to protect themselves from increasing price volatility, to avoid carrying a disproportionate burden of the risk and in order to avoid abuse of buyer power it is important to address the issue of the functioning of the supply chain. More specifically it is essential to seek transparency in the contractual relationships and the profit-sharing agreements given the growing importance of new sources of incomes indirectly linked to sugar (e.g. electricity or ethanol). This is for example already the case in Mauritius where sugar cane farmers take part of the non-sugar revenue streams, whereas in other ACP- countries the farmers merely share the revenue derived from sugar and molasses.

Fair Trade & the Fair Trade movement

Fair Trade is a trading partnership, based on dialogue, transparency and respect, which seek greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. Fair Trade Organizations, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.⁴

The Fair Trade Advocacy Office (FTAO) speaks out for Fair Trade and trade justice with the aim to improve the livelihoods of marginalized producers and workers - especially in the South. Based in Brussels, the office is a joint initiative of Fairtrade International (www.fairtrade.net), the World Fair Trade Organisation-Europe (www.wfto-europe.org) and the European Fair Trade Association EFTA. (www.european-fair-trade-association.org).

These three networks bring together over 2 million Fair Trade producers and workers from more than 65 countries, 24 labelling initiatives, hundreds of specialised Fair Trade importers, 4,000 World Shops and more than 100,000 volunteers.

⁴ Definition of Fair Trade as laid down by the Charter of Fair Trade principles, available under http://www.fairtrade-advocacy.org/index.php?option=com_content&view=article&id=74:charter-of-fair-trade-principles&catid=46:other-publication-on-fair-trade&Itemid=65