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des Caraïbes et du Pacifique
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Brussels, 25 April 2013

Mr Dacian Cioloş
Commissioner
Agriculture and Rural Development DG
European Commission
L130 8/188
B-1049
Brussels

Dear Commissioner,

I thank you for your letter of 18th March, seen by me on 3rd April, required consultations among colleagues and hence today's response. On behalf of the ACP and LDC suppliers to the EU, we remain very disappointed, since your letter fails to adequately address the negative impact of the latest proposals on the economies and development objectives which we believe are shared by the ACP Group and the EU.

Our views differ with your statements on several counts.

Firstly, we do not agree with your assertion that the EC proposals of 12 October 2011, and in particular the date for the ending of beet quotas, were predicted when the 2005 reform was decided.

It is to be recalled that in the Commission Staff Working Paper SEC(2005)808, which, in describing the option that was eventually adopted said "Once imports and production levels stabilised, production quotas would be phased out and the internal market price would be allowed to adjust itself to the price of those imports." The Staff Working Paper COM(2010) 672, was the communication that referred to a non-disruptive ending of the quota system as one of the options under consideration.

This wording was coherent with what was said in SEC (2005) 808 and confirms that neither in 2005 when final preparations were being made for the negotiations on the 2006 reform nor in 2010, when the Commission gave a broad indication of its thinking at that stage of its preparation for the CAP to 2020 proposals, was it thought that ending quotas in 2015 was something the Council either would decide in the context of the 2006 reform or had decided in that reform. We therefore submit that the argument that such a decision had been taken in the 2006 reform only emerged after the Commission made its legislative proposals for the CAP to 2020.

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Secondly, your reference to the financial assistance for restructuring accorded to former Sugar Protocol countries infers that we should by now have been able to cope with more competitive market conditions.

We strongly challenge the view that this finance has been disbursed in a manner that has allowed us to take advantage of the promised EU support. We were advised by Commissioner Mandelson in 2004 that the financial support would "anticipate rather than cushion the effect of reform" and that the EU would provide "significant development support" to assist us to restructure.

The January 2013 schedule of disbursements issued by DG Devco provides a completely different picture. Only 41% of the original total allocation of 1.24 Bn Euros has been delivered. Furthermore, the manner in which the 18 country recipients have been treated demonstrates a considerable disparity between those entitled to receive Accompanying Measures Support (AMS) in the form of budgetary support and those required to suffer the complications of project-based financing. Whereas the former group of seven countries have received 50% of their total allocation (which is by no means satisfactory for a programme defined as ending in 2013), the 11 countries subjected to project financing arrangements have received only 20% of their total allocation as of January 2013. This repeats the very poor record which afflicted the banana Special Framework of Assistance programme which we had been promised would not be allowed to recur with the AMS. We also draw attention to the fact that, despite the EU's policy direction towards private sector development, the apparent regulations applied under the AMS have debarred private companies from receiving any part of the funding despite the crucial role of these organisations in driving the improvements in efficiency desired.

Even more importantly, the delays in the disbursement of supporting finance to small farmers have undermined the very significant investments made by the private sector in efficiency and diversification. These were founded on a belief that the small farming community would by now have received the support required to allow them to make the gains in cane output built into the Action Plans submitted in April 2006, which in most cases were endorsed by EU delegates and by the Commission in Brussels. The frequent references to a lack of the absorption capacity in AMS recipient countries are misleading. Despite limited experience and resources in most ACP capitals, we believe that insufficient consideration and constructive support have been a more significant cause of the low delivery of the promised finance.

The delays in disbursement have also failed to appreciate the significantly longer crop cycle of the cane crop. Beet is an annual crop often in a rotation with other products and is markedly different from cane which has a very heavy front-end agricultural expenditure and only recovers this investment over a minimum seven year period. Thus, the failure to allocate funds for seed cane proliferation, replanting, expansion and improved husbandry techniques has already damaged the Action Plan targets and even an accelerated release of funds now could not allow a recovery of the lost time before 2020.

Thirdly, you claim that the proposal contains no changes to the existing trade regime. Whilst it may be correct that ACP/LDC countries will continue to have duty-free and quota free access to the EU market, it is the threat to the value of this preferential position which concerns us. We seek a market which is reasonably remunerative, stable and predictable. This is an unlikely prospect if beet quotas are removed in an EU food market which has an almost static consumption, with an increasing unforeseen access in new FTA's and an existing massive overhang of Out-of-Quota beet sugar. This OOQ on its own is currently greater than imports and although much is made of the potential for other markets e.g. Ethanol, these are currently at a discount and likely to continue to be so. Moreover, one may expect isoglucose to take an increasing share of the EU sweeteners market if quotas are removed; as currently isoglucose accounts for 4% of the EU market compared with 45% in USA and 25% in Japan.

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With the concentrated and integrated ownership in the EU sugar market, it is certain that priority will be given to supplying the food market with the result that ACP/LDC suppliers will inevitably be squeezed out. This is predicted by all external studies of the Commission proposals and also by the Impact Assessment.

ACP/LDC suppliers are already operating at a cost disadvantage as we have to pay for high cost long distance international freight from the producing areas to the ports of the EU. We are also increasingly required to shoulder extra costs to meet rising EU institutional and consumer driven expectations on rural labour and environmental standards but without the benefit of assistance from Single Farm Payments which are accorded to EU farmers. We fully accept the need for improved standards of environmental care and also appreciate that the ACP/LDC countries are in a different category to domestic farmers. However, the issue of preference should not simply be measured in relation to other potential external suppliers, but to have meaning must also take account of competition from the domestic sector, especially when this will have inevitable negative and distorted consequences on price and thereby undermine the declared intention of the EU /ACP/LDC trading structure.

Fourthly, we cannot accept your affirmation that coherence of EU policies with development concerns is a permanent and significant feature of EU policy making. Despite many efforts to diversify their economies, most ACP sugar supplying countries still depend on sugar to be a significant and crucial generator of economic activity. The rural sector is especially vulnerable to any collapse of the sugar crop and the entire socio economic well being of many ACP countries is dependent upon it for broad GDP growth, in particular for foreign exchange earnings which provide the means to fund imports and food security. Furthermore, the diversification plans to generate electricity and fuel from cane are totally dependent on stable and viable sugar production operations.

We remain fully committed to the concept that trade is a better and more sustainable contributor to development than aid. Our concerns expressed above about the AMS failures is related primarily to the significant delays in providing agreed financial assistance to improving efficiencies necessary for us to compete in more liberalised market conditions.

The premature ending of beet quotas will introduce considerable volatility in a market increasingly linked to the World Market which in itself is predicted by OECD to be more volatile over the coming decade. The removal of any internal EU management of supply and demand in a period of considerable structural surplus will remove any prospect of generating funds from trading to help complete our drive for increased efficiency and to assist in meeting our Millenium Development Goals. Therefore, sadly, we can find no evidence of policy coherence in the current Commission proposals to end beet quotas in 2015 and we strongly urge an extension of the period to 2020 before beet quotas are allowed to lapse.

In view of the importance which we attribute to this aim of extending beet quotas beyond the period currently favoured by the Commission and Council, and of the imminence of a review of the CMO in the trilogue discussions, we are sharing these issues with Members of the Parliament, the Presidency and Member States with whom we have discussed our concerns.

Please accept, **Dear Commissioner**, assurances of highest consideration.

P.I. Gomes
Ambassador of Guyana
Chairman ACP Subcommittee on Sugar