Dear Commissioner

Your letter of 18th March was not seen by me until 3rd April which after allowing time to consult my colleagues explains this delayed response. On behalf of the ACP and LDC suppliers to the EU I must express our keen disappointment with the contents of your letter which fails to address adequately our concerns about the impact of the latest proposals ~~-~~on the economies and development objectives which we believe that we share with the EU.

Our views differ with your statements on several counts~~-~~.

Firstly we do not agree with your implication 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. Whilst it has always been understood that this would occur at some time in the future it was equally understood that market stability would be a precondition. The Commission's own statement that the ending of beet quotas would occur in a non-disruptive fashion and at an undefined date in the future confirms that it was not a fixed programme. The final cut in the 36% price reduction and the reduction of beet sugar production contained in the 2005 Reform did not occur until October 2009.The major policy objective of stabilising the sugar market was thought to have been met. Indeed the Commission's own response to the Court of Auditors Special Report 6/ 2010 endorsed this but despite this apparent expectation of stability it also stated that the Commission would be considering several options for the rules governing sugar after 2014/15.However the period of calm did not continue as after a short period conditions in the market have been exceptionally unstable, not least because of the planned greater linkage with the world market which has experienced a period of price turmoil. This has not in our view provided the conditions in which to achieve the stability on which EU policy is said to be based and which will be further jeopardised by the premature removal of beet quotas

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 must strongly challenge the view that this finance has been disbursed in a manner which has allowed us to take advantage of the promised EU support. We were originally 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 to us by DG Devco-provides a completely different picture with only 41% of the original total allocation of 1.24 Bn Euros having 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 p~~P~~roject-~~-~~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 required to go through project type arrangements have only received 20% of their total allocation at 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 would 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. Perhaps even more importantly the delays in the disbursement of supporting finance to small farmers has 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 we believe endorsed by EU delegates and by the Commission in Brussels. We hear frequent references to a lack of the absorption capacity in AMS recipient countries but despite obvious problems with the lack of experience and resource in most ACP capitals we believe that insufficient consideration and constructive support has been a more significant cause of the low delivery of the promise finance. The impact of the delays has also failed to appreciate the significantly longer crop cycle of the cane crop. B~~Unlike b~~eet~~ which~~ 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, t~~T~~he 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 until at least 2020.

Thirdly, you refer to the proposal containing no changes to the existing trade regime. Whilst it may be superficially correct that ACP/LDC countries will continue to have duty-free and quota free access to the EU market, ~~(, with the exception of access to the outermost territories)~~ 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 eg Ethanol these are currently at a discount and likely to continue to be so. With the concentrated and integrated ownership in the EU sugar market, it is certain that priority will be given to supplying the food market and 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 find it difficult to 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~~our~~ 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, ~~and~~ 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 contribution 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, I am taking the liberty of copying this letter to members of the Parliament the Presidency and Member States with whom we have discussed our concerns .