

Dear [REDACTED]

Please note that the letter to Minister Coveney I forwarded to you yesterday was eventually able to be signed by Minister Faugoo of Mauritius.

I also attach the paper which is the source of our response to Minister Coveney's assertion that the loss of the Irish beet quota had caused price increases. The facts show this to be totally untrue. Like many political statements the lack of any factual basis for wild public assertions by Ministers is quite startling and depressing. Minister Heath's recent parliamentary pronouncement on 19th June continues the mythology that

a) Council had decided some time ago that beet quotas would end in 2015. All the evidence is that it was not a fixed date and would depend on "a stable market situation and in a non disruptive manner at a date to be determined". The Commission proposal contained no explanation for the change in this position and was accompanied by an erroneous and inadequate Impact Assessment which despite promises has never been replaced by an amended credible version.

b) That the current regime is responsible for a 35% rise in wholesale prices and 1% increase in household bills. These are old and discredited figures. They ignore the influence of high world prices which the 2005 Reform instigated through its removal of fixed import quotas and drive for so called liberalisation. If as occurred with Reform in 2005 one deliberately creates a link with World Prices the periods of supply shortage and price consequences in an undoubtedly unstable world structure must be suffered. However even then I think if your statisticians look at the charts it will be shown that the full impact of high world prices was actually ameliorated by the market regime. It was undoubtedly true that the Commission did not manage affairs in a sensible manner and contributed to shortages and unfair treatment of refiners. It was always disappointing that Mancom did nothing to counter this as the market management tools were available to smooth prices much further and to allow refiners a much better supply opportunity. The 1% figure should be discarded as it has been clearly shown that the housewife has suffered much more from predatory pricing by end product manufacturers and retailers who failed to pass on the reduced primary supply prices which occurred after 2008 and

before the advent of higher import and beet supply prices (this is confirmed by a German Govt study). Furthermore statistically the impact is only 0.15% on total consumer costs which is the effect of only 15% of the cost of living being attributed to food. As you know I dispute the scale of problems claimed by and on behalf of sugar users. There are opportunities for bona fide exporters to obtain World Price sugar under the IPR arrangements. However most of these industrial users failed to understand the difficulties created by the Reform of 2005 and still expected delivery of sugar "just in time" at guaranteed prices, as had occurred under the Sugar protocol arrangements. They along with many others were caught out by the unexpected change in World Market conditions to which the Reform had linked the internal market. It is curious and disappointing that Minister Patterson is fighting for them and ignoring our claims to give his serious attention to the problems of the ACP/LDC suppliers. We are clearly collateral damage in the master plan to export more cakes and sweets.

c) The mention by Minister Heath of "wine lakes and butter mountains" is seriously outdated. This is not the battle being waged at the moment. The ending of beet quotas is not as claimed a move to end surpluses. It will merely deliberately release onto the EU food market a known huge existing annual surplus of 4 to 5m tonnes (a beet sugar mountain indeed!) A no quota situation will generate an avalanche of sugar onto the market to the detriment of other stakeholders such as the ACP/LDC suppliers (the Commission freely acknowledges this impact and forecasts a drop in imports to 1.5m from a current 4m plus tonne level.) If as expected this occurs it will not as apparently is desired help the refiners one little bit. Furthermore much as I genuinely support a fairer deal for Refiners HMG's proposal to guarantee an amount of 3.5m duty free imports of raw sugar is perverse as it will add to the undoubted supply surplus and undermine the actual market value further unless there is some simultaneous containment of the beet sugar supply. In these circumstances possible alternative suppliers to the ACP will not wish to deliver to a low priced market in the EU and the EC study in any case envisages an oversupply and EU producers resorting to exports which again is no help for refiners. The UK cannot have it all ways and furthermore the duty free factor will together with the inevitable levy free beet sugar supply destroy the value of the preferences currently benefiting ACP/LDC countries. These are supposed

to be the cornerstone of the two way trading system envisaged in the EPA's (with sugar being specifically mentioned) A cornerstone apparently constructed on shifting sand!

I note some e-mail correspondence of today (and copied to DEFRA) from [REDACTED] MEP which is attacking the ACP and is equally incorrect as to many facts on the events since Reform. She perpetuates the view that the ACP has received 1.3Bn Euros as "compensation" for Reform and also have received the exaggerated spot prices often quoted in the EU. Her implication is that we should be satisfied. As you are aware from our previous correspondence the AMS funds have been slowly disbursed; they are now being cut in total and have not been handled in the manner originally intended to assist us in improving efficiency. As to prices for many of us these have been linked to long term contracts at much lower price levels and we have never nor do we now expect short term spikes in the market to continue. These are unhealthy for all but it is amazing that none of the proponents of free trade /liberalisation recognise this as an inevitable occasional but probably now more frequent occurrence. Instability is the enemy of stable consumer prices, the enemy of certainty of supply to all end users, the enemy of investment in supplier assets inc EU processors and farmers. I do hope most fervently that [REDACTED] [REDACTED] is not influencing HMG's understanding of the EU sugar market !

Where is the coherence in all this ? The notion which is still cherished by ACP countries that the UK is their friend and supporter within the EU is about to be exposed as seriously flawed. The EPA's will also be shown to be a total sham. Is there no way to get our case properly heard ? The silence from DFID is particularly astonishing although I would not wish our position to be banished to the narrow corridor of a debate on Aid. It is above all an issue of trade with strong developmental linkages

Regards

Barry