



**CORPORATE SOCIAL RESPONSIBILITY**



## **CODE OF CONDUCT OF THE EUROPEAN SUGAR INDUSTRY**

*Sixth implementation report (year 2008)*

27.02.2009

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## **INTRODUCTION**

The Code of Conduct on corporate social responsibility in the sugar industry, signed on 7 February 2003, states that within the framework of their sectoral dialogue committee EFFAT and the CEFS are to monitor the progressive implementation of the Code and regularly update the examples of good practice. To this effect, EFFAT and the CEFS have undertaken to carry out a joint evaluation of implementation of the Code at European level each year, in February, in the form of an annual report covering the previous calendar year.

The first report on implementation of the Code was presented at the plenary session on 27 February 2004. Since then an implementation report has been presented on the last working day of February in 2005, 2006, 2007 and 2008. The present report constitutes the sixth implementation report, covering the year 2008, and will be presented at the plenary session of the sectoral committee for the sugar sector on 27 February 2009. These different reports can be accessed on the joint site "[www.eurosugar.org](http://www.eurosugar.org)".

### **I – ECONOMIC AND POLITICAL CONTEXT**

#### **A - Reform of the sugar regime: latest developments**

It will be recalled that the reform of the sugar regime in 2006 stipulated that - compared to a production quota of 17.4 million tonnes of sugar in 2005 - six million tonnes had to be relinquished before marketing year 2009/2010, otherwise the Commission would itself make a compulsory linear reduction in quotas in February 2010.

On the 31.3.2008, relinquishment of the sugar quota announced by the different sugar companies amounted to 5,644,283 tonnes. Consequently, there remains a balance of 355,717 tonnes to reach the total of 6 million. This balance can be cancelled out:

- . either by additional relinquishments by companies before the 31.1.2009, the closing date for the restructuring fund;
- . or through a compulsory measure taken by the Commission, announced for the end of February 2010.

From a forward-looking perspective, a number of questions can be asked in terms of the economic aptitude for preserving beet supplies in certain areas or in terms of the relocation or construction of refining units in countries with a sugar deficit.

It is important in any case to take all necessary measures to maintain a balanced CMO, that is one allowing the EU to remain as self-sufficient as possible in its procurement of raw materials, i.e. covering 80% of its needs as envisaged by the initial reform.

#### **B - Trends in external trade policy having an effect on the regime**

It will be recalled that the reform of the sugar regime is a result, firstly, of external pressures ("Everything But Arms" agreement - Loss of the sugar panel at the WTO) and, secondly, internal pressures (reform of the Common Agricultural Policy). The result is that from being a net exporter of sugar the EU is becoming a net importer. However, the restructuring imposed with a view to a regime compatible with a more efficient CMO - already at a high cost for the sector - could be increased substantially by measures connected with the EU's external trade policy choices

with a risk, if the necessary precautions are not taken, of endangering the sustainability and viability of the sector. It is a matter in particular of the following questions:

- . the policy connected with products not listed in Annex I
- . the results of the negotiations in course at the WTO
- . implementation of the Economic Partnership Agreements
- . concessions granted within the framework of the different free trade agreements in course of negotiation
- . revision of the rules of origin applicable to the GSP and the different bilateral agreements.

### **1. Processed products and inward processing**

About 1,000,000 tonnes of sugar are exported in the form of processed products. To compensate for the difference in price between European sugar and sugar on the world market, which is lower, a refund on 400,000 to 600,000 tonnes of sugar is granted to these exporters. This provision, applicable until marketing year 2007/08, was to have been abolished as from marketing year 2008/09, but these measures were extended exceptionally for this marketing year. They should disappear definitively in 2009/10, however, as the Commission considers that with a reference price for white sugar of 404 Euros exporters should be able to face up to the situation by improving their competitiveness.

However, users still refuse to suffer this consequence of the reform of the sugar regime taking effect in 2010 and to bear a loss of earnings even though on the domestic market they have benefited from a fall of 16% in their sugar invoice<sup>1</sup>. They propose in this respect that a simplified IPR<sup>2</sup> system be adopted. It will be recalled that the current IPR system allows goods to be imported from third countries for processing and re-exporting. Customs duties are then either suspended or paid and refunded on re-exportation.

Instead of using quota sugar in this processing, as has been the case until now, users want to be able to use sugar from the world market and re-export it in the form of processed products. This would lead to a corresponding reduction in the sugar quotas authorised in the EU and, therefore, a reduction in production capacities well beyond that planned in the reform. The industry would then become “over-sized” and would have to close down more factories, entailing further job losses.

In a letter to President Barroso dated 21 October 2008<sup>3</sup>, the CEFS President drew the Commission’s attention to the risk involved in the revisions in course, estimated at a million tonnes of quota sugar, to be added to the 6 million tonnes already required by the reform of the regime, with no possibility of turning to the restructuring fund, which will be closed on the 31.1.2009. This seems even less acceptable given the fact that due to the fall in sugar prices between 2004 and 2008 users have already made substantial profits, estimated at 2 billion Euros a year<sup>4</sup>. It therefore appears essential to maintain the export refunds system for sugar in the natural state and for the sugar contained in sugared products as it exists at present. The CEFS argues in particular that the high stocks of sugar in the EU at the moment and the possibility within the framework of the WTO of using refunds until 2013 could allow this system to be maintained until 2013.

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<sup>1</sup> Source: CIAA report

<sup>2</sup> IPR : Inward Processing Regime

<sup>3</sup> See Annex 1

<sup>4</sup> Publications by the Commission departments 2004-2008 and the CIAA

## 2. Multilateral, regional and bilateral agreements with third countries

### Negotiations at the WTO

The Doha Round, the aim of which was to favour the development of poor countries, is taking some time to be concluded for political reasons: election of a new President of the United States not taking up office until the end of January 2009 and clashes of interests between developed countries and some emerging countries. The technical work began seven years ago and continued until the end of December 2008. A final ministerial meeting was not convened but there is still a strong political will to try to consolidate and finalise the results obtained as soon as this can be envisaged politically. For the sugar sector, the “package” that has been negotiated contains a number of points considered to be reasonable, such as:

- . The possibility of maintaining the special safeguard clause (SSC) for sugar even if it is only for seven years, providing protection against imports in certain conditions.
- . The possibility of designating sugar a “sensitive product” and thus escaping a considerable reduction in customs duties on imports which would be incompatible with the level of domestic prices fixed by the reform of the regime and would be liable to aggravate the consequences substantially. However, such a designation would entail the obligation to accept a duty-free tariff quota representing 4% of domestic consumption. This tonnage of about 700,000 would weigh heavily on the Community’s sugar supply balance and would destroy the equilibrium in the reform. No final decision has yet been taken by the CEFS on the question of whether sugar should be treated as a sensitive product or not.

The sugar sector hopes that the package currently proposed can be respected in future negotiations and that sugar will indeed be treated as a product benefiting from a longer period of tariff reductions (gradual erosion of preferences) and not as a tropical product (for which customs duties would be reduced by 85%).

### Economic Partnership Agreements (EPAs)

On a mandate from the Council, as replacements for the old Cotonou agreements, the Commission envisaged finalising Economic Partnership Agreements with all 77 African, Caribbean and Pacific countries in 1977, to come into effect on the 1.1.2008. However, this took longer than expected and a number of agreements were negotiated in 2008 on an interim basis.

Council Regulation EC/1528/2007 of the 20.12.2007 (OJ L 348/1 of the 31.12.2007) specifies the general agreements concluded for sugar.

The Sugar Protocol, which formed part of the Cotonou agreements, was denounced by the Council with effect as from 1st October 2009. This means in particular that the import quotas currently provided for will disappear on that date, giving way to unlimited duty-free imports. The Everything But Arms (EBA) regime currently applicable to the Least Developed Countries (LDCs) will then become generally applicable. The total liberalisation of imports from the other ACP countries, as provided for in the EPAs, will occur at the same time.

The major risk, therefore, is that of encouraging a level of imports which the EU could not bear. To face up to this situation, the Commission is proposing a safeguard clause for the period 2009-2015, with complete liberalisation in 2015. But this clause is so complex and its trigger level so high that there is little possibility of it actually being applied. The Commission

is currently trying to draw up implementing texts. An initial draft should be presented to the Management Committee for Sugar at the beginning of 2009.

When the compromise on the EPAs was adopted on the basis of the above-mentioned Regulation, the Council of Ministers recalled the statement of the 20.2.2006 indicating that - as from marketing year 2008/2009 - if sugar imports from one of the LDCs into the EU increased by more than 25% compared to the previous year, the Commission would immediately initiate a procedure allowing a decision on a possible temporary suspension or withdrawal of the concessions granted<sup>5</sup>. As far as the sugar profession is concerned, it is important for implementing texts to be published in order to put this Council statement into effect.

It is essential for the sugar sector for pragmatic and balanced solutions to be found so that the volume of imports under EPAs and from LDCs remains compatible with the production and absorption level of the EU. In the absence of such a balance, overabundant investments could be made in the beneficiary countries, resulting in a fall in market prices which would be negative for both parties. It is therefore essential for the Commission to observe the greatest prudence when it comes to granting new concessions for sugar and products with a high sugar content within the framework of the bilateral negotiations, with the preferences granted so far, particularly in favour of the EPAs and LDCs, already making the EU the largest importer of sugar in the world in 2010.

#### *Other free trade agreements*

If there is no finalisation of the multilateral negotiations at the WTO, the Commission will probably seek to intensify the free trade agreements with third countries.

At bilateral level, a close examination should be made of the discussions in course with some major sugar-producing countries, particularly Ukraine<sup>6</sup>, some Central American countries<sup>7</sup> and the Andean Community<sup>8</sup>. In the event of the definitive failure of the Doha Round, the agreements with Mercosur could also be quickly reopened. Extreme caution will be required as regards the concessions granted for sugar, especially for products with a high sugar content. It should be noted that the agreements negotiated with Egypt and Israel in July 2008 observed these requirements.

The so-called “new generation” agreements in course with a number of Asian countries also need to be managed with a great deal of prudence. For example, South Korea is seeking a

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<sup>5</sup> Council Document 16352/07 of the 11.12.2007 within the context of the adoption of Regulation EC/1528/2007 – Council Statement: The Council recalls the Commission Statement on the Safeguard Clause for sugar imports into the Community from a third country under the EBA arrangements, entered in the minutes of its 2708th meeting (Agriculture and Fisheries) held in Brussels on 20.2.2006, which reads as follows :

“If in any given year from the marketing year 2008/2009 onwards, sugar imports into the Community from a third country under the EBA arrangements increase by more than 25% in comparison with the imports from that country in the previous marketing year, the Commission will automatically open the procedure to decide whether measures such as a suspension or temporary withdrawal of trade concessions, surveillance or other safeguard measures need to be applied”.

<sup>6</sup> Ukraine: production in 2007: 2 million tonnes (source ISO)

<sup>7</sup> Costa Rica, El Salvador, Guatemala, Honduras, Panama, Nicaragua (total production in 2006: 4 million tonnes with exports of over 2 million tonnes, the biggest exporter being Guatemala – source ISO)

<sup>8</sup> Bolivia, Colombia, Ecuador, Peru, Venezuela (production in 2006: 4,810,000 tonnes with exports of over 1 million tonnes, the biggest exporter being Colombia)

substantial relaxation of the rules of origin, particularly to allow origin to be conferred on the basis of refining. Such a concession would carry with it a double risk because it could entail large quantities of raw sugar bought by Korea on the world market (for example, Guatemala, Australia, Thailand or India), entering the EU in the form of duty-free refined sugar with Korean origin, even though there is no sugar production in Korea. Furthermore, this would set a dangerous precedent within the context of the coming negotiations with other third countries.

#### Revision of the rules of origin applicable to the Generalised System of Preferences (GSP)

The revision of the rules of origin applicable to the GSP is still in course. The Commission now recognises that for a number of agricultural and processed products a prudent sectoral approach must be adopted. A number of precautions are proposed for sugar and products with a high sugar content. In particular, the Commission plans to recognise “*mixtures of sugar and any other product*” as an insufficient operation to confer origin. This provision has already been included in a number of bilateral agreements<sup>9</sup> and it would be desirable for it to be gradually included in all preferential agreements. In effect, this would represent major progress towards preventing misuse of the preferential rules of origin or fraud through mixtures of products with a high sugar content. The problem of refining – which must be regarded as an insufficient operation to confer origin – will not be definitively resolved unless sugar and products with a high sugar content are excluded from cumulation, which allows operations with a very low added value to confer origin without having to perform so-called “sufficient” processing. This question has yet to be approved by the national experts on the Customs Code Committee and is of fundamental importance for our sector.

#### In conclusion concerning external trade

Balanced management of imports of sugar and of sugar contained in sugared products into the Union is essential to guarantee the success of the reform of the sugar regime. The concessions currently granted through the EPAs, along with any additional concession granted within the context of bilateral negotiations, tend to increase considerably the efforts demanded of the sugar sector over and above the reform of the sugar regime and could reach limits which would no longer allow this sector to remain viable.

#### Reformulation of products containing sugar

Apart from the obstacles linked with external trade, mention should also be made of a number of nutrition initiatives by the European Commission that are likely to impair the competitiveness of the sugar industry. Within the context of a general nutrition policy aimed at combating obesity by reducing the intake of sugar, salt and fat, it is a question in particular of reformulating a number of products with a view to reducing their sugar content. This reformulation is not necessarily based on a scientific nutritional approach since it can be seen in a number of cases that the calorie content of the final product is the same as before or even higher. In fact, sugar has to be replaced by other products such as starch (cereals, biscuits) or fats (ice-creams, pastry products). According to reports by multinationals such as Unilever, Coca-Cola and Nestlé<sup>10</sup>, this reformulation can lead to a substantial reduction in the use of sugar by

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<sup>9</sup> Montenegro, Serbia, EPAs, etc.

<sup>10</sup> Unilever indicates that it reduced its sugar procurement by 17,000 tonnes over the period 2005-2006 (source: CIAA) – Coca Cola Belgium reports that low-calorie products now represent 40% of its sales compared to 12% in 1996 (source: Coca Cola Belgium Sustainable Development Report 2007) – Nestlé reports a reduction of over

traditional clients. Yet it does not provide any real nutritional benefit for consumers and merely weakens the European sugar industry.

### **C. Foreseeable economic and social consequences**

The competitiveness and sustainability of the European sugar sector are closely linked to compliance with the rules adopted at each stage in the reform of the sugar regime. It is absolutely essential for the Commission to undertake to observe these rules and ensure that the Union's external policy remains compatible with the proper functioning of the sugar CMO. Any measure having the effect of increasing sugar imports into the Union to a level above that which the European market can absorb has the effect in particular of undermining the sugar CMO and lowering production quotas, leading to further factory closures.

At their annual joint meetings and in their joint positions, the social partners have constantly drawn the Commission's attention to the need to ensure management of sugar imports into the Union which is compatible with the sugar regime, through the use of quotas<sup>11</sup> or through rules of origin taking account of the specificity of the product<sup>12</sup>, so as not to endanger the industry's future.

Community policies regarding energy reduction and nutritional profiles not established on proven scientific bases can also damage the image and therefore the competitiveness of the industry.

As mentioned above, the effort being made today within the context of the reform of the sugar regime is already considerable and has serious consequences for employment. Any additional constraint would harm the sustainability of the European sugar industry, would hinder the viability of the sugar CMO and would lead to further job losses.

## **II – MANAGEMENT OF RESTRUCTURING**

### **A. Monitoring of factory closures and the relinquishment of quotas**

The social partners have been monitoring factory closures on the basis of public information, press releases and information received through trade union representatives for EFFAT and human resources managers for the CEFS. Essentially, they base themselves on public information provided by companies.

Below - as on the 31.12.2008 – is the trend in the situation for marketing years 2005/2006 (adoption of the reform), 2006/2007, 2007/2008 and 2008/2009:

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290,000 tonnes of sugar since 2004 and forecasts a reduction of the percentage of sugar in its products of at least 16% by 2012 (Nestlé Website 2008).

<sup>11</sup> Consultation of the social partners in February 2001 by the Directorate-General for Trade concerning the procedures for implementation of the Everything But Arms Regulation until 2009. Joint position of the 20.2.2001.

<sup>12</sup> Joint positions on the preferential rules of origin of the 2.4.2004 and on the GSP of the 14.11.2001.

**Trend in factory closures since 2005/2006**

|                                       | <b>2005/2006</b><br>(Reference year –<br>Adoption of the<br>reform) | <b>2006/2007</b>   | <b>2007/2008</b>   | <b>2008/2009</b>   |
|---------------------------------------|---|--|--|--|
| <b>Number of factories</b>            | 183   | 154  | 139  | 107  |
| <b>Closures</b>                       | 6   | 29   | 15   | 22   |
| <b>Countries</b>                      | Ireland, Lithuania,<br>Netherlands, Poland                          | Austria, Belgium,<br>Denmark,<br>Germany, Ireland,<br>Italy, Poland,<br>Slovakia, Spain,<br>Sweden | Belgium, Czech<br>Rep, Finland,<br>Germany, Greece,<br>Hungary, Latvia,<br>Slovakia, Slovenia,<br>Spain, United<br>Kingdom | Belgium, France,<br>Germany, Hungary,<br>Italy, Lithuania,<br>Netherlands, Poland,<br>Portugal, Slovakia,<br>Spain, UK   |
| <b>Relinquishment of sugar quotas</b> | -   | Ireland, Italy,<br>Portugal, Spain,<br>Sweden<br><br>(1.149 Mio t)                                 | Czech Rep.,<br>Finland, Greece,<br>Hungary, Italy,<br>Latvia, Portugal,<br>Slovakia, Slovenia,<br>Spain<br>(0.678 Mio t)   | Belgium, Denmark,<br>Germany, Spain,<br>France, Lithuania,<br>Hungary,<br>Netherlands, Poland,<br>Portugal, Slovakia,<br>Slovenia, Sweden,<br>Accumulated<br>relinquishment on the<br>31.3.2008: 5,644,283 t |

The number of factory closures and the volume of quotas relinquished for 2009/2010 will not be known until February 2009 since the restructuring fund will be closed on the 31.1.2009, the deadline by which companies must announce whether or not they plan to relinquish any more quotas.

This table again shows that all the regions of the EU will be affected by the reform in course: Northern, Southern, Central and Eastern Europe. It is quite clear that to remain competitive the industry will have to carry out further mergers and continue with its concentration. The merger of the Danisco sugar branch with Nordzucker has already been announced, along with that of Ebro with British Sugar. We are also expecting a strong concentration of companies in Poland. In time, therefore, there should only be a few producing companies left.

A number of countries which were previously producers have already shut down production completely, especially Bulgaria, Ireland, Latvia, Lithuania, Portugal and Slovenia.

As mentioned previously, we can also ask ourselves if countries which have relinquished a large part of their quotas will be able to maintain their procurement of beet supplies in the long term.

A number of companies are thinking about reorienting their activities, be it a question of refining (Portugal), biomass or ethanol production (Italy) or additional activities or diversification, or even in some cases activities totally different from their previous ones.

### *C. Social impact*

As indicated in part I of the report, it is very likely that the relinquishment of 6 million tonnes of production by 2010 at the latest will lead to the closure of 47% of factories and the loss of over 25,000 direct jobs. The restructuring is all the more difficult that it takes place in rural areas where unemployment is already present and offers few job outlets.

It emerges from all this that there is no “ready-made” solution at European level. Every case must be analysed individually. Countries respond differently to the challenges with which they are faced, depending on national priorities such as employment, rural development, etc. Ultimately, it is impossible to obtain a European intervention model since the specific aid granted depends above all on the quantity of quotas which has been or will be given up to the Commission.

With the notable exception of Italy (where trade unions, sugar companies and regional and national authorities have signed an ambitious national framework agreement for the conversion of sugar factories into biofuel production units, with the support of an ambitious social package), in most countries the social partners have to negotiate a social plan and governments then set about checking that these plans are compatible with the European regulations. In general, the social plans include a redeployment panel, financial compensation, training and early retirement. The balance between these different elements varies considerably from one country to another depending on the national economic environment.

The speed of the reform and the acceleration constraints introduced, particularly in 2008/2009, to which must be added the threats caused by a number of external policy measures considerably strengthening the impact of the reform, have not allowed companies to **implement sound forward preventive management of jobs**. As indicated in the **conclusion**, nobody could have foreseen when the Code of Conduct was signed the extent of the reform or its economic and social consequences.

## **III – IMPLEMENTATION OF THE CODE OF CONDUCT IN 2008**

### *A. Minimum standards*

As is done every year, a survey has been carried out on the implementation of the CSR Code of Conduct in 2008 by the different delegations. This survey confirms that the CSR process is developing constructively within the different delegations, despite extremely difficult restructuring conditions following the reform of the sugar regime and the accelerated rate of quota relinquishments demanded by the Commission in 2008/2009 to attain the relinquishment target of 6 million tonnes in 2010.

Apart from continuation of the measures systematically and integrally introduced into company life going beyond the different minimum standards, as regards health and safety for instance, in 2008 due to the circumstances encountered in practice particular accent was placed on standards No 2 (vocational training) and above all No 7 (restructuring).

Observing at their plenary session in February 2008 that it is no longer possible today to guarantee long-term employment to employees within the same company, the social partners deliberated in particular the introduction of a project to improve employability in the sugar

industry. They submitted a request for financing to the European Commission (DG Employment) for such a project under budget heading 04.03.03.01 (invitation to tender VP/2008/0001/405). This request was accepted. The joint work thus began on 1st December 2008 and will continue until November 2009. In particular, the social partners propose to:

- . *develop a joint definition of the concept of employability in the sugar industry;*
- . *highlight a number of examples of good practice illustrating different aspects of employability, particularly within the company and if necessary outside;*
- . *analysing the industry's present and future needs as regards skills and qualifications.*

This project will be completed by information concerning certain legislative and financial aspects connected with employability at both European and national level, in the form of interactive links.

A seminar will be organised at the end of the project in order to present the results of this work to a larger public and allow an exchange of views before the finalisation of the project. An initial impact analysis will be conducted at the plenary session in February 2010 so as to decide whether certain aspects of this work should be taken further.

The results expected are the following in particular:

- . for employees: improvement of their employability should favour better qualifications and a better ability to adapt to change within a spirit of life-long employability;
- . for the employer: this should favour a more dynamic state of mind geared towards better productivity and should improve the attractiveness of the industry;
- . as a multiplier effect, this would allow an example to be set of the different ways of anticipating and coping with change in an industrial sector by improving the employees' ability to take on new responsibilities within and/or if necessary outside the company.

### **B. Examples of good practice**

About fifteen examples of good practice connected with employability can already be found on the joint site [www.eurosugar.org](http://www.eurosugar.org) (CSR - Standards 2 and 7), for instance on:

- . apprenticeship
- . transferable or multipurpose skills
- . the development of alternative projects
- . the structures of retraining and re-employment or redeployment.

At the meeting planned for 26 February 2009, the members of the steering group set up to manage the "Employability" project will present a series of examples of good practice concerning the different aspects of employability existing at present in the European sugar industry.

In addition, one sugar company has presented a new example of good practice relating to vocational training (see Annex 2).

### **C. Concerted action by the European social partners in 2008**

The secretariats of the European social partners kept each other constantly informed on developments in the reform of the sugar regime and in external trade policies. They wrote a number of joint letters to the European Commission and the other European institutions in

order to defend together the main interests of the European sugar industry. In March 2008, for instance, they sent a joint letter to the Council and the European Parliament on the subject of the incompatibility of certain policy trends within the framework of the EPAs and the WTO with the reform of the sugar regime (see Annex 3).

They recently undertook successful joint action within the context of the high-level group on the competitiveness of the agro-food industry set up by the Commission to oppose an “inward processing regime” system applicable to processed products which would have been very negative for the European sugar industry.

It is also indicated in this high-level report that “the social dialogue is one of the pillars of European social policy and is recognised as a tool of “good governance. “The main objectives of the social dialogue are: a better understanding with a view to facilitating consensus, better capacities for promoting sectoral interests and the ability to act together”. ... “This dialogue has been successfully developed in the sugar industry”... (Annex 4).

The social partners also recently gave a joint lecture for the French association Europe & Société to explain to an audience consisting of representatives of employers, trade unions, European sectoral committees, ministries and universities what the work of the sectoral committee for the sugar industry comprised, how it operated and what results had been obtained and what projects were to come (see Annex 5: summary of the presentation).

#### **D. Official recognition of the representativeness of the social partners in the European sugar industry**

Finally, it should be pointed out that in 2007 the European Commission asked the European Foundation for the improvement of living and working conditions (called the “Dublin Foundation”) to carry out a study on the representativeness of the social partners in the European sugar industry. The objective of this initiative was to ensure that the European social partners in the sugar industry were officially entitled to be consulted by the Commission in accordance with Article 138 of the Treaty and to obtain official recognition of their sectoral social dialogue committee. The conclusions of the study were very positive since they confirm that EFFAT and the CEFS are the undisputed representatives of the social dialogue in the European sugar industry (see the summary in Annex 6 dated the 9.7.2008).

## **IV - SYNTHESIS AND MAIN CONCLUSIONS**

With the strong encouragement of the European Commission, which considered that the relinquishment of quotas was not happening quickly enough, the pace has been speeded up during marketing year 2008/2009. By 31 March 2008, the relinquishment of quotas announced by the different sugar companies amounted to 5,644,283 tonnes, which leaves a balance of 355,717 tonnes to reach the planned total relinquishment level of 6 million tonnes before marketing year 2009/2010. Companies can still announce relinquishment of quotas up to 31 January 2009, the date on which the restructuring fund is to be closed. The objective of reducing production by a third in barely four marketing years has therefore practically been attained.

A result of the reform in course has been a reduction in production of about 35% and in the manufacturing margin of about 20%, leading to the closure of some 47% of sugar factories. All the regions in the Union are affected, especially in rural areas where employment possibilities are limited.

Six producing countries have already given up all production. It seems likely that to safeguard its competitiveness the industry will continue with its concentration and by the end of the reform only a few producing companies will be left. Beet production could disappear from certain regions that are still producing a little. New refining activities could develop in regions with a deficit. A number of companies could considerably change their business orientation.

It is important in any case for all measures to be taken to maintain a balanced CMO allowing the EU to remain self-sufficient in its raw material supplies to the extent of at least 80%, as provided for by the reform.

However, if the players in the sugar industry have shouldered their responsibilities and fulfilled their commitments within the framework of the reform, this has not always been the case on the part of the main European decision-makers. As constantly recalled by the European social partners, the reform decreed in 2005 is intensifying considerably due to the new demands connected with the external policy of the European Commission. Forgetting the undertakings entered into by the Member States for the reform of the sugar regime, in the bilateral and multilateral negotiations in course the Commission is in fact constantly tending to offer third countries new possibilities of imports into the Union which are incompatible with the proper functioning of the regime and are liable to aggravate the effects of the reform to a potentially substantial extent.

At the WTO, for example, it is a matter of concluding the Doha Round negotiations, in which the designation of sugar as a sensitive product sensible would make it possible to escape a problematic reduction in customs protection, but only by accepting a tariff quota likely to lead to a substantial increase in imports, which would therefore mean going well beyond the planned reduction in quotas of 6 million tonnes.

A pragmatic and effective safeguard clause is also essential within the framework of the Economic Partnership Agreements which are to replace the present so-called "Cotonou" agreements. As the Sugar Protocol which was attached to them was denounced on the 1.10.2009, the import quotas provided for with these countries will disappear in favour of unlimited duty-free imports. This is an extension of the "Everything But Arms" regime to all ACP countries. In the absence of such a clause, the reform of the sugar regime could prove

negative for both parties. From being a net exporter at the start of the reform, the preferences granted to date to the EPAs and the LDCs already make the EU the biggest importer of sugar in the world by 2010.

Other examples quoted in the report illustrate the fact that the repeated allocation of new import quotas genuinely endangers the very existence of the common organisation of the market in sugar and leads one to ask oneself whether the policy-makers really do want to ensure the sustainability of this industry, as claimed during the reform.

The European social partners in the sugar industry have constantly underlined over the years and forcibly at the time of the introduction of the Everything But Arms Regulation the lack of coherence between the Commission's agricultural policy and its external policy. The decisions that are yet to be taken concerning the safeguard clauses, the rules of origin and import concessions will all constitute crucial stages for the future of the sugar industry, in the knowledge that any additional import has an impact on domestic production capacities and therefore on employment.

In this particularly sensitive context, and within the framework of their European mandate, the social partners are making every effort to favour, in an atmosphere of trust, mutual understanding and constructive quality communication. They are trying to make progress on any question of joint interest, to monitor the measures taken in the different countries and to establish a useful exchange of information and reflections for the profession as a whole.

With the financial support of the DG for Employment, they are currently undertaking substantial work on improving employability in the sugar industry so that – as far as possible – everyone can be supported in their efforts to preserve their ability to perform a lifelong job, thus replacing the notion of lifelong training by that of lifelong employability, implying a high level of social responsibility.

In this connection, companies are observing the Code of Conduct on social responsibility signed in 2003 and are endeavouring as far as possible to support employees losing their jobs, far beyond their legal obligations. It should be noted that the closure of almost a half of factories and the 10,000 job losses in three years have given rise to virtually no social conflicts.

However, it is important to recall once again that when the Code was signed the economic conditions were very different. Nobody then could have imagined the extent of the reform or its consequences, not only economic but also social and human. Nor could anyone have foreseen the fact that the Commission's external policy could call into question the success of the reform.

Knowing that the reform of the sugar regime is largely due to a political choice by the Union and the Member States within the context of globalisation, the social partners in the sugar industry recall once again to policy-makers – both European and national – that it is essential to do everything possible to ensure that this reform is successful by having a clear and concerted vision and taking decisions making external policies consistent with agricultural policies. On this depends in time the survival of the European sugar industry and the ability of its companies to remain profitable and competitive on the market, whilst continuing to offer their employees prospects of employment and employability.

27.02.2009

## **Annexes to CSR Report**

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## ANNEX 1: Non Annex I - letter to Mr Barroso (21.10.2008)

### Comité Européen des Fabricants de Sucre

182, avenue de Tervuren - B-1150 Bruxelles

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T.V.A.: BE 436.324.311 - Banque : BBL 310-1000803-43

The President

Brussels, 21 October 2008

Mr José Manuel BARROSO  
President of the European  
Commission  
EUROPEAN COMMISSION  
Rue de la Loi, 200  
1049 Brussels

Dear President Barroso,

The European sugar sector is undergoing a very fundamental restructuring in achieving the ambitious political target fixed by the EU in the context of the sugar reform adopted in 2005 stipulating abandonment of 6 million tonnes of sugar production quota corresponding to one third of its total quota production. This on-going process of restructuring for 3 years now has been extremely difficult economically and psychologically for all the stakeholders. But this part of the socio/political contract has been managed without any negative message against the Commission in newspapers or in any media. Today I am really sorry to tell you, Mr President, that the beet growers, the employees and the sugar industry managers seem to be betrayed by your Commission.

The massive restructuring of the EU sugar industry has been implemented within the context of the political commitment and engagement of the EU in moving towards a smaller and sustainable European sugar industry. The sector responded to this situation with the shutting down of 79 factories within three years and the lay off of more than 10 000 employees. The industrial capacity on the remaining 104 factories has been calculated on the basis of the EU target of 6 million tonnes to be renounced and the keeping of a quota of 12 million tonnes beet sugar. This being said, we cannot avoid feeling betrayed when faced with what DG Enterprise is currently doing within the Non Annex 1 management Committee and within the High Level Group for Food and Drink Industry. Despite the fact that the producers of Non Annex 1 products (e.g biscuits, chocolate) are those having already benefited from the EU sugar reform by paying as much as 2 billion euros a year less for their sugar according to sugar prices published by the Commission services for 2004 and 2008, this DG is inviting Member States and High Level Group members to ignore the political agreement for sugar reached in 2005 in the context of the sugar balance for quota sugar during the implementation period and after the sugar reform has been implemented. Actually in recent working documents they suggest to the Member States to choose between 4 options, each of them consisting in putting the European quota sugar out of the market of exported Non Annex 1 products.

If any of these proposals were to be adopted, it would put at risk up to 1 million tonnes of quota sugar on top of the 6 million tonnes due to the reform. Such market loss was never foreseen in the balance when the target of 6 million tonnes was announced. Any of these options would endanger the competitiveness of the EU sugar industry by making it suddenly oversized again in capacity without any legal possibility to adapt via the restructuring fund that closes on 31<sup>st</sup> January 2009.

Mr President, we therefore urgently ask you to stop this development. There is still a completely legitimated solution that exists in the current legislation. It consists in paying export refunds for sugar as such as well as for processed products containing sugar. The present high level of EU sugar stocks and the still existing WTO ceiling for export subsidies support this solution. In addition to that the producers of processed products containing sugar will in competition with import for other purposes have access to the increasing quantities of the preferential import of sugar as regulated by the Economic Partnership Agreements signed with African, Caribbean and Pacific countries and with the Least Developed Countries.

Mr President, your Commission is on the way to destroy what we consider as a mutual contract based on trust, when we are still implementing our painful part. The growers, the employees and the sugar industry managers would not understand such an action and neither you, nor us, want to feed a negative image of the European Commission.

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cc: Mr Günter VERHEUGEN, EU Vice-President - DG Enterprise and Industry  
Mrs Mariann FISCHER BOEL, Commissioner for Agriculture

## ANNEX 2: Good practice Example – Nordzucker

### Beispiele für gute Verfahrenspraktiken für den CSR Bericht von [Jahr]

#### Unternehmen:

|                        |  |
|------------------------|--|
| <b>1. Ort und Zeit</b> | <i>Deutschland (Nordstemmen, Clauen, Klein Wanzleben, Uelzen) 2007, 2008</i>   |
| <b>2. Thema</b>        | <i>Zoran-Djindjic-Stipendienprogramm der deutschen Wirtschaft</i>  |
| <b>3. Kontext</b>      | <ul style="list-style-type: none"> <li>• <i>Ausbildung von akademischen Nachwuchskräften</i></li> <li>• <i>Know-how-Transfer aus Deutschland an die serbischen Standorte</i></li> <li>• <i>Intensivierung der deutsch-serbischen Wirtschaftsbeziehungen</i></li> <li>• <i>Unterstützung des wirtschaftlichen Wiederaufbaus in Serbien</i></li> <li>• <i>Imagestärkung für die deutsch-serbische Wirtschaftskooperation in der deutschen und serbischen Öffentlichkeit</i></li> </ul> |
| <b>4. Projekt</b>      | <i>Vermittlung von Praktikumsplätzen für hoch qualifizierte serbische Stipendiaten in den Bereichen Technik, Rohstoffbeschaffung, Umwelt</i>   |
| <b>5. Ergebnis</b>     | <i>Gewinnung von qualifizierten Nachwuchskräften für das In- und Ausland</i>   |
| <b>6. Mittel</b>       | <i>Finanziell: Unterkunft, Verpflegung, Krankenversicherung, Logistik<br/>Personell: Betreuung durch qualifizierte Mitarbeiter am Standort sowie<br/>Organisation und Koordination durch den Bereich Personalentwicklung</i>   |
| <b>7. Kontakt</b>      | <i>Für weitere Informationen, bitte wenden Sie sich an Frau Dr. Heike Sanden<br/>Telefon: 0049 531 2411 312<br/>Fax: 0049 531 2411 310<br/>E-Mail: heike.sanden@nordzucker.de</i>  |

## **ANNEX 3: Open letter to the Council of Ministers and the European Parliament (3.3.2008)**

**CONFEDERATION INTERNATIONALE COMITE EUROPEEN DES  
DES BETTERAVIERS EUROPEENS FABRICANTS DE SUCRE  
29 rue du Général Foy 182 Avenue de Tervuren  
F- 75008 Paris B-1150 Brussels**

**EUROPEAN FEDERATION OF FOOD, AFRICAN, CARIBBEAN AND  
AGRICULTURE AND TOURISM TRADE UNIONS PACIFIC GROUP ON STATES  
38 rue Fossé-aux-Loups Avenue Georges Henri 451  
B-1000 Brussels B-1200 Brussels**

**LDC LONDON SUGAR GROUP  
Cottons Center  
Hays Lane  
UK-SE1 2QE LONDON**

### **OPEN LETTER TO THE COUNCIL AND THE PARLIAMENT**

In 2005, the EU Council and the European Parliament adopted a major reform of the common market organization for sugar. They set a goal to reduce EU quotas production by 6 million tonnes, in order to drastically decrease E.U. exports and make room on its domestic market for increased sugar imports from the Least Developed Countries. This reduction, within four marketing years, represents almost a third of the common production of sugar subject to quotas. In this context, the EU Council and the European Parliament gave clear guidance to sugar industries from E.U. Member States and provided accompanying measures to Sugar Protocol ACP countries so that they could reorganize themselves in such a way as to be more competitive at the end of the first four marketing years of this new system; and to adapt to the progressive price reduction in the range of 36%.

In October 2007, the EU Council and the European Parliament reinforced the financial measures as an incentive to EU stakeholders to renounce production quotas while maintaining the objectives of volume and price reduction. The sugar arrangements under Economic Partnership Agreements agreed in December with the ACP countries confirmed the objectives in terms of volume (with reference to the 3.5 million tonnes ceiling) and price reduction for them too.

Due to these constraining perspectives, the sugar industries from ACP and E.U. countries have become engaged in restructuring programs with promises of financial assistance from the E.U. This thus entails programs of investment or disinvestment with heavy socioeconomic consequences for the countries concerned. The investments in the ACP countries are being carried out within the context of Multi-Annual Adaptation Strategies approved by the European Commission. To date, the European industry has made the irrevocable commitment to implement at least 80% of the objective of quota renunciation as of the third year of the reform, and 73 factories out of 183 will close at that point and the industry from the Least Developed Countries is negotiating with public and private sponsors.

The EU and the ACP sugar industries stakeholders have therefore embarked restructuring programmes consistent with the political orientations given to them by the EU Council and the European Parliament. Yet, this entire restructuring scheme is now being called into

question by the Chairman of the Committee on Agriculture, Ambassador Falconer's draft "modalities" for Agriculture in the context of the WTO Doha Round negotiations.

Therefore, the EU and ACP sugar industries' stakeholders wish to alert the European Commission, the European Parliament and the EU Council on the inconsistency that transpires between the reform criteria of the CMO for sugar reform and the proposed terms of a multilateral WTO agreement in Geneva. Given the political involvement of the EU and ACP sugar industries' stakeholders at the time of the reform, and given the severe economic and social cost associated with the current implementation of this reform, EU and ACP sugar industries' stakeholders solemnly ask the European Parliament and the EU Council to oppose the adoption in Geneva of an agreement that would not be consistent with the terms of the CMO for sugar reform, and to give clear instructions to the European WTO negotiator to ensure strict adherence to the undertaking under the reform commitments. Doing otherwise would call into question the credibility of the entire European Commission and then it will be up to the political officials to explain to the electorate, on the eve of the next European elections, that considerable sums of EU and private money were invested at a loss in the restructuring of the EU and ACP countries' sugar industries, and that the lost jobs in the European sugar sector, which already amount to more than one employee out of two, are insufficient.

Jos Van Campen, President of the CIBE

Johann Marihart, President of the CEFS

Harald Wiedenhofer, Secretary General of EFFAT

His Excellency Dr. Patrick Ignatius Gomes, Ambassador, Chairman of the ACP Sugar Group

Graham Clark, Chairman – LDC London Sugar Group

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| <p style="text-align: center;"><b>ANNEX 4: High level Group on Competitiveness - Extract<br/>Recommendation N° 16. (16.2.2009)</b></p> |
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High Level Group on the Competitiveness of the Agro-Food Industry

**Report by the Sherpa sub-group**

**16 February 2009**

**European Commission  
Enterprise and Industry Directorate General  
Food Industry Unit**

**High Level Group on the Competitiveness of the Agro-  
Food Industry: Report by the Sherpa sub-group**

This Report reflects the deliberations, opinions and agreements within the **High Level Group (HLG) on the competitiveness of the European Agro-Food Industry**, which was set up by Vice-President Verheugen in June 2008. With the objective of, setting out a “forward looking and holistic” approach, the Group has examined, a number of major policy areas that have an impact on the operation of the food sector. Specifically, the High Level Group was mandated to make recommendations for the short, medium and the long term public policy and regulatory framework for the European food industry.

*In this context, the Sherpa representatives suggest the High Level Group to adopt the recommendations contained in this Report.*

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- 2. Key Facts of the Food Supply Chain**
- 3. Major Concerns, Trends and Vision for the future**
- 4. Recommendations for Actions**
  - 4.1. Agricultural and Environmental Policy**
    - 4.1.1 Common Agricultural Policy**
    - 4.1.2 Access to Raw material**
    - 4.1.3 Environmental Policy**
  - 4.2. Internal Market for Food**
  - 4.3 Operation of the Food Chain**
    - 4.3.1 Small and medium-sized enterprises (SMEs)**
    - 4.3.2 Relationships along the food supply chain**
    - 4.3.3 Workforce and Skills**
    - 4.3.4 Business services to the food supply chain**
    - 4.3.5 Consumer Issues**
  - 4.4 Research and Innovation**
  - 4.5. Exports and Trade**

## **Recommendation n°16**

*The European Commission should study the effect of private labels on the competitiveness of the Agro-Food SMEs and examine ways to reduce where appropriate the imbalances of power in the food supply chain should they be found to exist.*

### **4.3.3 Workforce and Skills**

Today Europe is experiencing changes at a scale comparable with that of the Industrial Revolution. These rapid economic and social changes and the transition to a knowledge-based society imply that all Europeans need to continually update their skills and professional competences. A highly qualified workforce is greatly complementary to technological capital and fundamental for the overall competitiveness of enterprises. The Lisbon Strategy, therefore, aims at Europe “to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion”.

The European agro-food industry, nonetheless, still encounters difficulties regarding **workforce availability**. Stakeholders indicate that there is a shortage of qualified and competent employees in the sector, since it does not appear to be perceived as an attractive career choice. As far as young workers are concerned, given the demographic challenge increasingly present, their attraction into industrial production has turned out to be a challenge for many industries and this is the case also for the food sector. At undergraduate level, students are tending to choose directions other than food and drink related degrees. In the light of this situation there is an agreement among the HLG members that the image of the European food industry has to be improved in order to trigger the interest of individuals to develop food-specific scientific qualifications.

At the same time, future **industry specific skills** needed are not sufficiently identified so as to be able to follow market evolutions and secure the competitive position of companies. The content in appropriate university and research degrees must correspond to the needs of the industry. However, it has been noted that public authorities and industry are not adequately involved in the identification of essential skills for the sector as well as in the adjustment of the qualifications to the requirements of companies. Human resources management it is crucial for the agro-food processing industry so as to guarantee that the workforce employed in the production of certain food and drink products possess the necessary competences and skills required by manufacturing. As far as innovation is concerned, high-level research is essential to keep the industry ahead of its competitors. In addition, possessing an **entrepreneurial spirit** is required in order to be able to create additional value for purchasers through designing new products and procedures and exploiting new market opportunities. This highlights the societal need to always provide young people with the essential skills, such as ICT, management, languages, etc. to enable them be creative. Education at school and university level is fundamental to create a risk-taking culture that encourages innovation.

Finally, **social dialogue**<sup>13</sup> is one of the pillars of the European social policy and is recognised as a tool of "good governance". The main objectives for European social dialogue are: a better understanding to facilitate consensus, a better capacity to promote the sectoral interests and a

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<sup>13</sup> Article 138 EC Treaty.

capacity to act together. Even though such a dialogue has already been successfully achieved in the sugar sector, it has not yet been achieved for the entire food industry.<sup>14</sup>

### **Recommendation n°17**

*As a means of attracting highly qualified personnel and strengthening innovation in the sector, the European Commission and Member States, in cooperation with the stakeholders should develop educational programmes that raise awareness of the importance of the food industry and its operation and encourage entrepreneurship. Moreover they should promote practical experience through placements for students and young graduates as well as apprenticeship schemes and develop food specific qualifications. At the same time, to enhance the employability of people, they should reinforce access of personnel to life-long training programmes. Sector-specific prizes<sup>15</sup> should be set up as an incentive to reward innovative developments and create best practices for other players.*

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<sup>14</sup> The European Commission decision of 20 May 1998 – 98/500/EC lays down precise provisions concerning the establishment, representativeness and operation of new sectoral committees, intended as central bodies for consultation, initiatives and negotiation.

<sup>15</sup> An example would be Trophelia, which is a European-wide competition that encourages the creation, implementation and development of new grocery products by teams of students from commercial or scientific establishments of higher education. Moreover, **Erasmus for young entrepreneurs** is a new mobility scheme launched by the European Commission for recently established and budding entrepreneurs in order to support their cross-border mobility.

**SECTORAL SOCIAL DIALOGUE  
RESULTS AND OUTLOOK**

Europe & Société  
16-17 October 2008

***EUROPEAN SUGAR  
INDUSTRY***

*Dominique Lund – Eric Dresin*



**SECTORAL SOCIAL DIALOGUE  
IN THE SUGAR INDUSTRY**

**I – Aim and functioning**

**II – Joint achievements and action**

**III – Current projects and prospects**

## **EUROPEAN SUGAR INDUSTRY SOCIAL PARTNERS**

### **COMITE EUROPEEN DES FABRICANTS DE SUCRE CEFS**

*Industrial sugar producers and  
refiners in the EU  
i.e. 21 European countries  
+ Switzerland  
17 millions of sugar tonnes  
per year  
36 000 direct jobs  
About 180 000 jobs in total  
(growers, subcontractors, transport)  
Statistics 2006/2007*

### **EUROPEAN FEDERATION OF FOOD, AGRICULTURE AND TOURISM EFFAT**

*Represents the interests of  
agriculture,  
agri-foddstuffs, catering and  
tourism industries  
  
128 national trade unions  
Set up in 37 European countries  
2 600 000 members*

3

## **SOCIAL DIALOGUE IN THE SUGAR INDUSTRY AIM AND FUNCTIONING**

*The social dialogue in the sugar industry was  
established nearly 40 years ago (1969)  
It is based on exchange of views and concerted  
action on all subjects of common interest.*

*Negotiation remains a matter  
of national competence.*

**1999**

**Creation of the Sectoral Social Dialogue  
Committee in the sugar industry  
formalising official recognition  
by the European Commission**

4

## **Functioning**

### **Chairmanship of the sectoral committee**

*Alternately CEFS or EFFAT  
for one year.*

*In practice « joint chairmanship ».*

### **Meetings**

*At least a plenary meeting each year  
(each year on 27 or 28 February)*

*with a presentation of the annual implementation report  
of the CSR Code of Conduct in the sugar industry  
and an overview of the current economic and social challenges  
facing the sugar industry.*

*Specific ad hoc group are set up to pilot  
common projects if needed.*

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## **JOINT ACHIEVEMENTS AND ACTIONS**

***Common position***

***Joint letters***

***Consultation by the Commission***

***Organization of Conferences/seminars***

***Creation of interactive tools***

***Implementation of a Code of Conduct on  
Corporate Social Responsibility***

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## **Common positions**

### **Joint letters**

#### ***Common position at social level***

Apprenticeship (1998-2000), Corporate Social Responsibility (2001), Enlargement (2002)

#### ***at economic level***

Everything But Arms (2000-2001),

Generalised System of Preferences (2001), Preferential Rules of Origin (2004)

#### ***at political level...***

Common Organisation of the Market  
World Trade Organisation (WTO), globalization

#### ***Joint letters***

***To the Council and the European Parliament on the sugar reform and WTO negotiations in March 2008***

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## **Consultation - Conferences**

#### **Everything But Arms (February 2002)**

***The consultation of the sectoral committee by DG Trade resulted in specific implementing modalities for sugar in the framework of the EBA Regulation until October 2009.***

#### **Bratislava Conference (November 2002)**

***Anticipation of the impact of enlargement for the sector with candidate countries, public authorities and trade unions and commitment to establish a constructive and responsible dialogue in the EU 25.***

#### **CIBE-CEFS-EFFAT Conference (June 2005)**

***with growers, employers and trade unions to reflect on the reform of the sugar regime and management of change.***

8

## Joint achievements

### Safety in sugar factory – Leonardo Kit (2000)

*Launch of an interactive tool for safety training in eleven languages distributed to all European sugar factories*

### Access to structural funds

#### Practical Guide (February 2006)

*Interactive tool with direction for use of the structural funds dedicated to the sugar industry*

## **Code of Conduct on Corporate Social Responsibility (CSR)**

February 2003 : joint signature of CSR Code of Conduct in effect since 1st January 2004.

8 minimal standards - 50 examples of good practice regularly updated.

Presentation of an implementation report in February of each year.  
(See the joint website [www.eurosugar.org](http://www.eurosugar.org)).

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## Dynamic use of the CSR Code of Conduct

The Code of Conduct is an essential tool to promote CSR in the sugar industry in a dynamic and lively way.  
It is covering all human resources issues and goes even beyond :

#### Minimal standards

*1. Human rights – 2. Lifelong training – 3. Health and safety –  
4. Relationship between social partners – 5. Fair pay – 6. Working conditions –  
7. Restructuring – 8. Business relations and choice of suppliers.*

**=> The yearly report allows to highlight essential messages intended to the Institutions and political decision makers in particular regarding the sugar reform and the globalization of economy, as well as on social consequences.**

(See the fifth implementation report on « [www.eurosugar.org](http://www.eurosugar.org) )

**=> An in-depth reflection is now taking place on the «Restructuring » standard regarding « employability ».**

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eurosugar.org • Social Dialogue in the Sugar Sector •

Who are we ?

The CEFS represents the interests of all industrial sugar producers in the European Union of 25 (excluding the non sugar producing countries Cyprus, Estonia, Luxembourg and Malta) vis-à-vis the European institutions and other international bodies.

EFFAT comprises 128 national trade unions set up in 27 European countries representing some 2 600 000 members. This federation represents the interests of agriculture and the agri-foodstuffs, catering and tourism industries.

The European social dialogue in the sugar industry has been based on exchange of views and concerted action on all subjects of common interest. Since 1998 the European social partners have signed about 12 joint positions on social and economic matters. In February 2003 they took a further step forward by launching a Code of Conduct on Corporate Social Responsibility, which came into force on 1st January 2004.

In May 2004, a brochure on the "Corporate Social Responsibility and social dialogue in the European Sugar Industry, prefaced by Odile QUINTIN, Director-General of Directorate for Employment and Social Affairs at the European Commission, was published.  
> Brochure on the social dialogue CEFS / EFFAT (pdf)

CEFS: <http://www.cefs.org>  
(CEFS Members)

EFFAT: <http://www.effat.org>  
(EFFAT Members)

Webdesign & Hosting: [eMedia](#)

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## **CURRENT PROJECTS AND PROSPECTS**

### **Reform of the sugar regime (2006 – 2010)**

***Production reduced by 35 %***

***About half of factories closed***

***More than 25 000 direct job losses***

***All EU countries concerned.***

### **Management by the European social partners**

***Follow up of factory closures***

***Constructive communication on social plans***

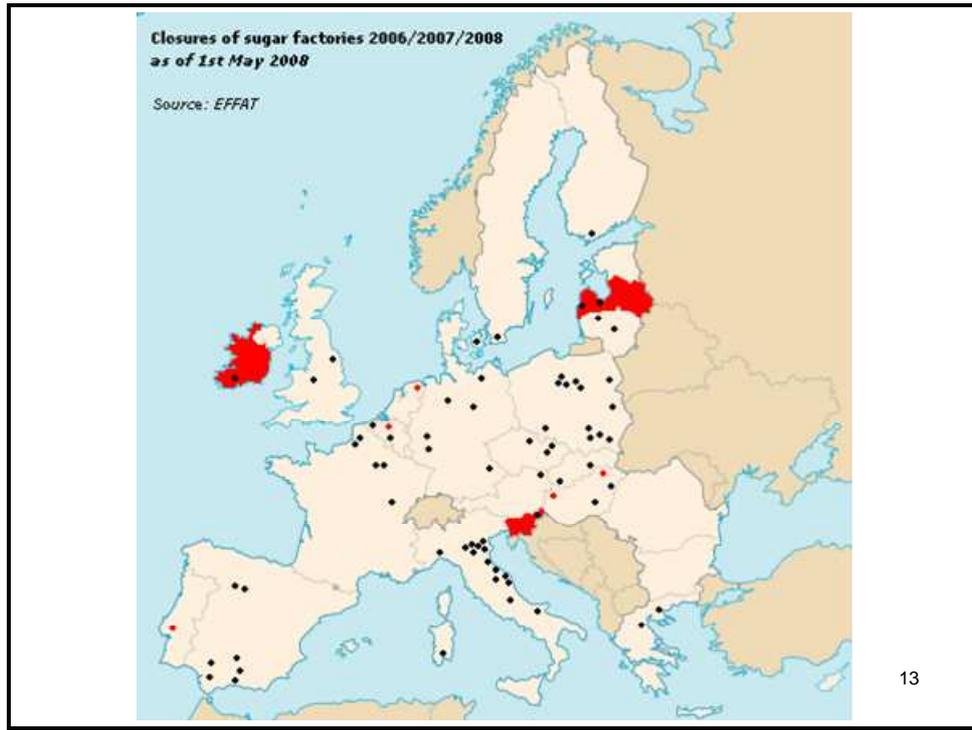
***supporting employees in their search for a new job***

***(redeployment of staff, outplacement, retraining, financial compensation..)***

***Creation of a tool on access to structural funds***

***Current reflection on improvement of employability in the sugar industry.***

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## **JOINT PROJECT ON EMPLOYABILITY IN THE SUGAR INDUSTRY**

### CSR Code of Conduct

*« Restructuring » Standard*

*«Steps are taken to improve the employability of employees».*

### Plenary meeting in February 2008

*The social partners stated that in the context of restructuring and globalization of economy  
it is no longer possible to guarantee long-term employment to employees  
within the same company.*

*It is therefore necessary to motivate them to improve their skills and qualification  
with a view to manage change in an optimal way.*

Request for funding of a joint project  
to improve employees' employability in the sugar industry :  
*Joint definition – Examples of good practice in the sugar industry –  
Future needs in terms of skills and qualifications –  
Legislative and financial aspects*

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## CONCLUSIONS

The CSR Code of Conduct in force since 2004  
has proved to be an efficient tool to manage  
corporate social responsibility in a period of great instability.

The closure of about half of the sugar factories due to the sugar reform  
has practically taken place without dramatic industrial actions.

*In force in all EU countries the Code of Conduct allowed a progressive  
implementation of minimal standards in the different new countries.*

*With the help of examples of good practice  
it facilitated the exchange of excellence.*

It also proves helpful to manage change and anticipate the future by reflecting on  
how to improve employees' employability  
within the company and outside the company.

This includes a reflection on future needs  
in terms of skills and qualifications and on the attractiveness and competitiveness  
in the European sugar industry.

The social partners are expecting the support of the Commission  
to be able to positively conduct this project.

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## EUROPEAN SOCIAL DIALOGUE IN THE SUGAR INDUSTRY

Thank you for attention !

*See joint works, brochure,  
Code of Conduct,  
Updated examples of good practice  
on the joint website*

**[www.eurosugar.org](http://www.eurosugar.org)**

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| <b>ANNEX 6: REPRESENTATIVITY IN THE SUGAR INDUSTRY -<br/>Conclusions of the Dublin Foundation (9.7.2008)</b> |
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## **Representativeness of the European social partner organisations:**

### **Manufacture of sugar**

#### ***Commentary***

In the past 10 years, the sugar manufacture sector has experienced major changes and restructuring. The first wave of restructuring resulted from the opening of the European sugar beet industry to global competition through the WTO trade liberalisation rounds and from other initiatives which sought to guarantee advantageous market access to producers from developing countries. The second phase of restructuring relates to the reform of the common market structure in the sugar sector – referred to as the so-called ‘sugar regime’ reform, which dates back to a Council of Ministers agreement in November 2005 that was subsequently adopted by the Council of Ministers in February 2006. The previous regulatory system for the sugar industry, which was in force until June 2006, had provided for measures such as quotas for domestic consumption and export, subsidised prices for sugar beet and multi-lateral trade agreements that regulate sugar imports from non-EU sugar producers. The new regime aims to make the European sugar sector more competitive on a global scale through measures such as significant price reductions for sugar beet, preferential access to the EU market for sugar producers from African, Caribbean and Pacific (ACP) countries and less developed countries, along with considerable quota reductions. However, market liberalisation and deregulation have resulted in major losses in sectoral employment and the closure of sugar manufacturing companies throughout Europe. In Latvia and Slovenia, for instance, the manufacture of sugar ceased in early 2007.

Despite the profound economic changes in the sugar manufacture sector, industrial relations structures appear to be well established. The persistence of collective bargaining institutions is reflected in the importance of multi-employer bargaining and the comparably high collective bargaining coverage rates, which exceed 70% in the vast majority of countries for which data are available. A comparison of cross-sectoral collective bargaining coverage in the 25 Member States of the EU prior to the entry of Bulgaria and Romania in 2007 (EU25) indicates that the sector’s bargaining coverage is higher in 20 of the EU25 countries for which comparable data are available (see Marginson, P. and Traxler, F., ‘After enlargement: Preconditions and prospects for bargaining coordination’, *Transfer*, 11, Brussels, ETUI-REHS, 2005, pp. 423–438). The exceptional organisational strength of sectoral interest organisations dealing with labour market issues is underlined by the strikingly high employer density rates, which exceed 80% in all of the countries for which data are available. By contrast, the sector’s unionisation rates are more in line with overall trade union density levels in most of the countries, with the exception of two of the Dutch sector-related trade unions, which report significantly lower densities for the sugar manufacture sector.

Overall, almost two-thirds of the 22 countries in question predominantly operate under a multi-employer bargaining system, whereas countries with prevalent single-employer

bargaining are clearly a minority in the sugar manufacture sector. This relatively homogenous structure of the sector makes it easier to form a coherent structure for representing the sector's employers at European level. The well-established European social dialogue in the sugar manufacture sector, which dates back to 1969 when an informal social dialogue forum was established, emphasises the organisational strength of the sector's social partner organisations throughout Europe. According to the findings of this study, both EFFAT and CEFS remain unchallenged in their position as representative European social partner organisations in the sugar manufacture sector.