



CORPORATE SOCIAL RESPONSIBILITY



CODE OF CONDUCT OF THE EUROPEAN SUGAR INDUSTRY

Seventh implementation report (year 2009)

26.2.2010

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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, 2008 and 2009. The present report constitutes the seventh implementation report, covering the year 2009, and will be presented at the plenary session of the sectoral committee for the sugar sector on 26 February 2010. These different reports can be accessed on the joint site "www.eurosugar.org".

I – ECONOMIC AND POLITICAL CONTEXT

I.A – MANAGEMENT OF THE CMO IN SUGAR

a) – *Regulatory completion of the reform of the sugar regime*

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 31.1.2009, the deadline for relinquishment of quotas, abandonment of quota sugar – plus isoglucose and inulin – by the different sugar companies amounted to 5,773,364 tonnes. There thus remained a balance of 226,636 tonnes to reach the total of 6 million. The Commission announced on the 27.1.2010 (IP/10/59) that with a rate of reduction in production reaching 96.6% of the initial target, it considered the reform to be successfully completed. However, implementation of the reform will continue until 2011. Furthermore, in the view of the social partners the success of this reform can only be naturally analysed in time, on the basis of the economic changes that it brings about and their social impact.

***b) New market balance: from being a net exporter,
the EU is becoming a net importer***

A direct consequence of the reform has been a fundamental modification of the balance on the European sugar market. In particular, it has determined a new balance between Community production and preferential imports from the ACP countries and the LDCs. Today, the European Union depends on supplies from third countries to meet a quarter of its domestic needs and has become the second largest net importer of sugar in the world, whereas it was a net exporter before the reform.

The latest figures available for marketing year 2009/10 indicate production of 13.3 million tonnes and consumption of around 16 million tonnes. One of the objectives of the reform was to provide a stable outlet for the LDCs and the ACP countries. Following the reform, imports have doubled, rising from 2 million tonnes in 2005 to an expected total of about 4 million tonnes in 2010. The European sugar industry is therefore making a real contribution to the development of these groups of countries.

The stability of this outlet for preferential sugar must not be called into question by further concessions on the part of the European Union within the framework of bilateral, regional or multilateral agreements. Similarly, EU production cannot be regarded as the only adjustment variable on the EU market, since such a situation would result in a reduction in production and therefore further factory closures and job losses.

***c) Need to be able to export non-quota sugar
beyond the limits of the CMO***

During marketing year 2009/2010, production of Community sugar was especially high due to particularly favourable weather conditions, generating over 4 million tonnes of sugar above the quota. At the same time, on the world market, following unfavourable weather conditions, supplies from India and Brazil fell, leading to an increase in world prices to a higher level than on the Community market, because according to the experts there is a shortage of around 7 million tonnes at world level.

Following the sugar panel at the WTO, exports of non-quota Community sugar were limited to a level of 1.37 million tonnes. Yet the European sugar industry is capable of partly reducing the shortage on the world market with an export capacity of around 2 million tonnes.

In a press release on the 27.1.2010, the Commission acknowledged that in the exceptional market conditions that exist at present, at both European and world level, the EU can export an additional 500,000 tonnes of non-quota sugar whilst complying with the WTO rules. The European sugar industry, welcoming this decision, requests that the duration of the validity of export certificates not be limited to one month because this complicates exporting. In addition, the sector hopes that this reactivity to market conditions will continue during the coming

marketing years, so as to exploit fully the Community's export potential whenever market conditions favour this without infringing WTO rules.

d) The unused balance of the restructuring fund should be appropriated to the sugar industry with a view to consolidating its restructuring

The restructuring fund created in 2006 was closed on the 31.1.2009 as regards the relinquishment of quotas. In return for this relinquishment, a company was entitled to receive restructuring aid decreasing in time, provided that it fulfilled a number of conditions, such as presenting a restructuring plan including, among other things, a social plan. This restructuring fund was fed by a financial contribution by the sugar profession. 640 million Euros have not been used and – according to the regulations – should be paid back into the general CAP budget (European Agricultural Guarantee Fund).

At a conference organised on 28 October 2009 on improving employability in the sugar industry, the social partners asked the Commission to appropriate this amount to the financing of industrial measures still in course.

This request was partly heeded. In Regulation 1204/2009 of the 4.12.2009 (OJ L 323/64 of the 10.12.2009), the deadline for implementing the measures decided on within the context of restructuring plans and national diversification programmes was deferred until the 30.9.2011, on presentation by the company of a modified restructuring plan. Payments by the Member States were extended until the 30.9.2012. Beyond this date, the unused amount will be paid back into the CAP budget.

I.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). As indicated above, 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:

- . Multilateral negotiations: continuation of the Doha Round
- . Regional agreements: EPAs – ACP countries - LDCs
- . Bilateral agreements: free trade agreements in course of negotiation
- . Revision of the rules of origin applicable to the GSP

a) **Multilateral negotiations: continuation of the Doha Round**

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: for the new President of the United States, in office since January 2009, the WTO negotiations are not a priority. Furthermore, the clash of interests among certain developed countries and some emerging countries has still not been resolved. The technical work which began seven years ago is ongoing at the WTO departments in Geneva because 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 these elements will 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%).

b) ***Regional agreements***

Liberalisation of imports from the ACP countries and the LDCs

Since 1st October 2009, Community imports of sugar from the ACP countries¹ and the LDCs² have been completely liberalised, in accordance with the “Everything But Arms” regime³ and the denunciation of the “Sugar Protocol”, included in the former Cotonou agreements. The Economic Partnership Agreements (EPAs) now govern relations between the EU and the ACP countries, divided into six regions. Council Regulation EC/1528/2007 of the 20.12.2007 (OJ L 348/1 of the 31.12.2007) sets out the general agreements concluded for sugar and products containing sugar.

In order to avoid a level of imports which the EU could not absorb without a risk to the market organisation, the Commission proposed a safeguard clause for the period 2009-2015, with

¹ ACP countries: African, Caribbean and Pacific

² LDCs: Least Developed Countries

³ GSP Regulation No 732/2008 of the 22.7.2008 OJ L 211/1 of the 6.8.2008 – Section III – Article 11

complete liberalisation in 2015. This clause is relatively complex and the trigger point is high (double level of 3.5 million tonnes and 1.38 million tonnes for 2008/09 gradually increasing to 1.6 million tonnes in 2014/15). Regulation No 828/2009 of the 10.9.2009 (OJ L 240/14 of the 11.9.2009) establishes the detailed rules of application for imports and the refining of sugar sector products until 2014/2015 and explains how this clause functions.

Moreover, when the compromise on EPAs was adopted on the basis of the above-mentioned Regulation No 1528/2007, the Council of Ministers recalled the statement of the 20.2.2006 indicating that – as from marketing year 2008/2009 – if sugar imports into the EU from one of the LDCs rose by over 25% compared to the preceding year, the Commission would immediately open a procedure allowing a possible temporary suspension or withdrawal of the concessions made⁴. The implementing regulation of September 2009 does not explicitly take up this commitment, even though the Commission indicated that it would take it into account if appropriate.

The current level of imports from the ACP/LDC countries does not require this safeguard clause to be brought into effect. However, investments are being made in different third countries concerned by the liberalisation measures and it is too early today to evaluate with any certainty the growth in imports to be expected in the long term. It remains essential for the sugar sector for the management of a pragmatic, balanced and reactive market to be ensured continuously.

c) Other free trade agreements – Central America – Latin America

With the multilateral negotiations at the WTO not yet finalised, the Commission is seeking to intensify the free trade agreements with third countries.

At bilateral level, special attention should be paid to the discussions in course with certain Central American countries⁵ and the Andean Community⁶ and a close watch kept on any

⁴ Council Document 16352/07 of the 11.12.2007 within the framework of 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”.

⁵ Costa Rica, El Salvador, Guatemala, Honduras, Panama, Nicaragua (total production in 2006: 4 million tonnes, with exports of over 2 million tonnes, the largest exporter being Guatemala – source ISO)

⁶ Bolivia, Colombia, Ecuador, Peru, Venezuela (Production in 2006: 4,810,000 tonnes, with exports of over 1 million tonnes, the largest exporter being Colombia)

revival of the agreements with Mercosur, in the knowledge that the current Spanish Presidency is particularly interested in that region of the world.

According to our information, in the discussions with the Andean Community it would appear that a TRQ of 84,000 tonnes of sugar would be offered to Colombia and Peru (of which 62,000 tonnes for Colombia), together with a TRQ of 30,000 tonnes for products with a high sugar content (of which 22,000 tonnes for Colombia).

It will be recalled that apart from the growing imports expected from the ACP countries and the LDCs, additional sugar quotas have been granted to Brazil following enlargement to include Romania and Bulgaria (300,000 tonnes for Brazil and 250,000 tonnes erga omnes). Negotiations are in course with Croatia, in particular, for membership in 2011, with the result of further concessions to be expected for sugar and products containing sugar.

The sugar industry considers that any further concession granted by the Commission in the bilateral negotiations in course would go beyond the commitments entered into in the reform of the sugar regime and would be of a nature to endanger the market organisation. A letter along these lines was sent to Mrs Catherine Ashton, then external trade commissioner, last June.

d) Revision of the rules of origin applicable in the Generalised System of Preferences (GSP)

The revision of the rules of origin applicable in the GSP, which began in May 2005, seems close to being finalised. A number of precautions are proposed for sugar and products with a high sugar content. In particular, the Commission provides for recognition of “*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 agreements⁷ and it would be desirable for it to be gradually included in all the preferential agreements. In effect, this represents a major step forward to prevent misuse of the preferential rules of origin or fraud through mixtures of products with a high sugar content.

The problem of refining – which should be regarded as an insufficient operation to confer origin – should be resolved through an annex prohibiting cumulation between LDCs and large sugar-producing countries, which will thus not be able to avail themselves of the concessions granted to the LDCs and will have to pay the usual customs duties on entry into the EU.

These provisions should be adopted this spring.

⁷ Montenegro, Serbia, EPAs, etc.

I.C - NEED FOR BALANCED MANAGEMENT OF THE SUGAR CMO AND EXTERNAL TRADE

Balanced and reactive management of imports of sugar and of products containing sugar into the Union is essential to guarantee the success of the reform of the sugar regime. The concessions currently granted to the ACP countries/LDCs, 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.

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 so as not to endanger the industry's future. This message was reiterated at the conference organised on the 28.10.2009 within the context of the joint project on employability in the sugar sector (see part III of the report).

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.

1.D – SUGAR AND CLIMATE CHANGE: ANTICIPATING THE ECONOMIC AND SOCIAL IMPACT OF THE EUROPEAN EMISSION TRADING SCHEME

In the context of its policy on climate and energy, the European Union has set some ambitious objectives for 2020:

- reduction in greenhouse gas emissions of at least 20% compared to 1990 (30% if the other developed countries undertake to reduce their emissions to a comparable extent);
- increased use of renewable energies to a level of 20% of total energy production (as opposed to \pm 8.5% at present);
- reduction in energy consumption of 20% compared to the level forecast for 2020, through improved energy efficiency.

One of the main measures approved in December 2008 is aimed at reducing total emissions by major energy-consuming industries – including the sugar sector – by 21% between now and 2020 compared to their levels in 2005. The key tool for this will be lowering the number of emission quotas granted within the European Union’s Emission Trading Scheme (which concerns about 40% of the Union’s total emissions).

The EU has provided for a system which is supposed to “protect” industries said to be at risk of ‘carbon leakage’ in order to reduce the risk of factory closures in Europe and the replacement of this European production by equivalent production in a third country where the environmental obligations linked to climate change are less severe. These industries at risk of carbon leakage, which include the sugar industry, are supposed to receive 100% of the emission quotas free of charge between 2013 and 2020 but in actual fact this is a calculation concerning the 10% most efficient factories in each sector. In practice, it is estimated that for European sugar factories the number of emissions not covered by this measure could be between 20% and 50% of real emissions which, depending on the factory’s energy efficiency, could involve between 1 and 2.5 million euros in additional annual costs per factory as from 2013. Factories running on coal and having no access to natural gas could have to pay proportionally more.

The CEFS has initiated a campaign among European decision-makers to make them aware of the specific characteristics of the sugar sector focused on the following factors:

- The historical presence of sugar factories in rural areas is linked to the economic need to be close to the raw material. In effect, beet consists of 75% water and gradually loses its sugar content once it is harvested. It cannot, therefore, be transported over long distances, as is the case with other raw materials such as cereals or oilseeds.
- Their presence in rural areas therefore has negative effects as regards the accessibility of sugar factories to gas and electricity sources with sufficient power to supply factories during the campaign, which is short but intense in terms of energy consumption. Consequently, in all beet-sugar factories the only reliable source of energy supply is self-generation (combined heat and electricity).
- Many sugar factories would be placed at a disadvantage if the allocation of emission quotas was based on a system in which the distribution key was natural gas and not access to the gas distribution mains for each industrial site. Likewise, sugar factories cannot claim the compensation provided for at national level for major electricity users since they generate their own electricity. Each factory must be assessed on the basis of its relative access to the gas mains. The indissociable link between self-generation of energy and the necessary location of many sugar factories in rural areas must be taken into account.
- Over a short period, the reform of the sugar CMO has radically changed the industrial landscape of the sugar sector. During the reform, when a factory was closed down, part of the production quota was often transferred to another factory. It would therefore seem inappropriate for the Commission to take a reference period of 2005 to 2008 to grant emission quotas to sugar factories which will still be open in 2013. As the

phenomenon of the transfer of quotas was definitively consolidated in 2009, only 2009 must be taken as the reference years for sugar factories.

- Finally, the sugar sector is a major user of lime kilns, which are present in practically all beet-sugar factories. However, the kilns in the sugar industry are different from those in the solid sugar factory lime industry because the emissions from the process are recombined and end up in sugar lime. Consequently, the solution of allocating to lime kilns in sugar factories the emissions calculated in relation to the coal which supplies the kiln and not the emissions linked to the limestone, which has been applied so far in several countries, must be adopted as from 2013 for lime kilns in sugar factories when the EU system replaces all the existing national solutions.

II – MANAGEMENT OF RESTRUCTURING

II.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 31.12.2009 – is the trend in the situation for marketing years 2005/2006 (adoption of the reform) through to 2009/2010:

a) Trend in factory closures since 2005/2006

Source: CEFS statistics 2009 (EU 25)

www.cefs.org

	2005/2006 (Reference year- Adoption of the reform)	2006/2007	2007/2008	2008/2009	2009/2010 (<u>31.12.2009</u>)	
Number of factories	183	152	133	104	Difference: 79	
Closures	(7 compared to 2004/05)	31	19	29		
Countries	Ireland, Lithuania, Netherlands, Poland	Austria, Czech Republic, Germany, Ireland, Italy, Poland, Slovakia, Spain, Sweden	Czech Republic, Denmark, Finland, Germany, Greece, Hungary, Latvia, Poland, Slovakia, Slovenia, Spain, United Kingdom	Belgium, France, Germany, Hungary, Italy, Netherlands, Poland, Portugal, Spain	-	
Relinquishment of sugar quotas	-	Ireland, Portugal, Sweden (1.149 Mio t)	Italy, Spain (0.678 Mio t)	Czech Rep., Finland, Greece, Hungary, Italy, Latvia, Portugal, Slovakia, Slovenia, Spain (0.678 Mio t)	Belgium, Denmark, Germany, Spain, France, Lithuania, Hungary, Netherlands, Poland, Portugal, Slovakia, Slovenia, Sweden, Accumulated relinquished sugar 31.1.2009: 5,230,331	Spain
Jobs during the campaign	47 690	39 249	37 001	31 282	Jobs lost between 2005/06 and 2008/09: 16 408	

b. Relinquishment of quotas

Between 2006/07 and 2009/10 (4 marketing years), 5,230,331 tonnes of quota sugar were relinquished, along with 222,316 tonnes of isoglucose and 320,717 tonnes of inulin, i.e. a total of 5,773,364 tonnes.

The relinquishment of sugar quotas can be broken down as follows:

PERCENTAGE	COUNTRY
100%	Bulgaria, Ireland, Latvia, Portugal, Slovenia
At least 50%	Greece, Hungary, Italy, Slovakia, Spain
45%	Finland
19-25%	Belgium, Czech Republic, Denmark, France, Germany, Lithuania, Poland, Slovenia
14-15%	Austria, Netherlands, United Kingdom
4%	Romania

ILB - ECONOMIC AND SOCIAL IMPACT

a) Concentrations – New activities

These tables show that all the regions of the EU have been affected by the reform: Northern, Southern, Central and Eastern Europe. Restructuring is proving to be even more difficult given the fact that it is taking place in rural areas where unemployment is already present and where there are few opportunities in terms of employment.

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

The number of sugar companies fell from 45 in 2005/06 to 30 in 2008/09. To remain competitive, the industry has had to carry out further mergers and continue with its concentration. The merger of the Danisco sugar branch with Nordzucker has already given birth to Nordic Sugar A/S, whilst the merger of Azucarera Ebro with British Sugar is now in course. We are also expecting a strong concentration of companies in Poland. In time, therefore, there could only be a few producing companies left.

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.

b) Job losses

Over the same period, 82 factories have disappeared, leading to the loss of 16,408 direct jobs during the campaign and about 8,200 direct jobs during the off-season. It is generally acknowledged in the sugar industry that the loss of one direct job gives rise to the loss of five indirect full-time or part-time jobs (transport, logistics, IT, etc.). Some 80,000 indirect jobs would therefore be concerned during the campaign and 40,000 indirect jobs during the off-season.

c) Conclusions

There is no “ready-made” solution at European level. Each case must be analysed separately. Countries are responding in different ways to the challenges posed, according to national priorities geared towards employment, rural development, etc. Ultimately, it is not possible to have a European intervention model since the specific aid granted depends above all on the volume of quotas relinquished to the Commission.

With the exception of Italy where – following the closure of 15 sugar factories out of 19 – a specific agreement linked to the reform of the sugar regime has been concluded at national level, the social partners in the other countries have negotiated a social plan and administrations have been busy verifying the compatibility of these plans with the European regulatory provisions. In general, the social plans comprise a redeployment panel, financial compensation, training and early retirement. The balance between these different elements varies considerably from country to country depending on the national economic environment.

III – IMPLEMENTATION OF THE CODE OF CONDUCT IN 2009

III.A - MINIMUM STANDARDS

As is done every year, a survey has been carried out on the implementation of the CSR Code of Conduct in 2009 by the different delegations. This survey confirms that the CSR process is developing constructively within each delegation, taking account in particular of the restructuring situations still in course following the reform of the sugar regime, in order to ensure the sustainability and viability of companies. All the measures are being taken at all levels in a systematic manner, integrated in the life of the company to go beyond the different minimum standards, particularly as regards health and safety (Standard 3 of the Code of Conduct). Thus the partners consider that in future the report on the general implementation of the Code of Conduct could be drawn up every two years, dealing in greater detail with such and such a particular point in the Code.

For example, in 2009, in a context of substantial instability due to restructuring, with 16,500 direct jobs lost in four years, the social partners focused more particularly on the need to improve employability in the European sugar industry. Observing at their plenary session in February 2008 that it is no longer possible today to guarantee long-term employment for employees in the same company, they applied to the European Commission for financing to carry out a project on employability (DG Employment – Budget Heading 04.03.03.01). Accepted by the European Commission, this project is essentially based on standard 7 of the Code of Conduct, which states that “in case of restructuring, the sugar industry acts in a socially responsible way. Steps are taken to improve the employability of employees”. It also implements standard 2 of the Code of Conduct concerning lifelong training. This project naturally goes beyond the simple management of restructuring in so far as – in addition to the reform of the sugar regime – companies are today faced with a constantly changing environment which requires a new integrated and dynamic approach to the concept of employability.

III.B - DEVELOPMENT OF AN INTERACTIVE WORKING TOOL ON EMPLOYABILITY IN THE SUGAR INDUSTRY

The joint work of the social partners began on 1st December 2008 and should have been finalised on 30 November 2009. An extension of three months was then granted with a view to final presentation of the working tool at the plenary session of the sectoral committee for the sugar industry planned for Friday 26 February 2010.

a) Contributions towards the project

A joint steering group was set up comprising experts from the CEFS and EFFAT. Chaired by Jean Pierre Pinasseau (S.N.F.S. – France) for the employers and Thomas Buder (Agrana – Austria) for the employees, this group consisting of twenty members from eight different countries met on six occasions (1.12.2008 – 26.2.2009 – 6.5.2009 – 23.9.2009 – 24.11.2009 (select meeting) – 28.1.2010). The CEFS and EFFAT Secretariats coordinated the work. The European Social Observatory contributed

towards certain aspects of the project, particularly in the identification of good practices, questions connected with European financing and translations.

b) Content of the project

In particular, this project allowed the following questions to be examined in greater depth:

- Definition of the concept of employability in the sugar industry
- Good practices in the sugar industry or the agri-foodstuffs industry (8 examples)
- Good practices outside the sugar industry (5 examples)
- Itemised success and employability factors for good internal and external practices
- Possible recommendations on the basis of the success and employability factors analysed
- Skills currently required in the sugar industry
- Skills that should be developed
- Skills common to different trades
- European and national financing possibilities in 20 sugar-producing countries
- A practical lexicon defining different concepts connected with employability regularly used within the context of the project.

c) Presentation of the project (interactive tool)

The results of the work carried out on each of these themes will be presented in an interactive form with the help of corresponding computerised pages containing links and allowing direct practical access to the type of information sought by the user. For instance, users will be able to access directly the employability factors itemised internally or externally and, if they so wish, have access to all the corresponding example(s). They will even be able to consult the skills specific to the sugar industry, under development and/or common to different trades. They will also be able to obtain, in their own language, full information on the financing possibilities in their country and region.

d) Objective of the project

This tool has not been conceived as the completion of a series of analyses but as an instrument for dynamic reflection which – with the help of the experience acquired in the sugar industry and in other sectors – will progressively be enriched by new contributions, both internal and external. Essentially, it allows the exchange of experiences and its objective, by opening up avenues of reflection, is to serve as a source of inspiration. In a constantly changing world, the responses to employability must themselves be constantly readjusted within the framework of a dynamic process. It is up to each company and each employee to assume reciprocal responsibility for an appropriate response in an ever-changing industrial environment.

The working tool will be available on the joint site www.eurosugar.org as from the end of February 2010, in three languages (French, English and German). It will be regularly updated, particularly as far as the examples of practices are concerned.

III.C – CONFERENCE ON EMPLOYABILITY **ORGANISED ON 28 OCTOBER 2009**

(see the site www.eurosugar.org: introductory note, presentations)

A conference bringing together over sixty participants was organised in Brussels on Wednesday 28 October 2009 in order to present the first results of the work in course to the Commission and different external sectors. Several Commission representatives provided their support for the work in course. A number of experts from the employability group reported on their experience in their own countries connected with their contribution to the project. Representatives of the external sectors also reported on their respective approaches in the field of employability and their achievements.

a. Presentations

Mr Jean-François Lebrun, Head of the “Working conditions and adaptation to changes” Unit (DG Employment) presented the deliberations and work in course within the context of change, along with the working and anticipation instruments developed and the financing possibilities available. Mr Lebrun recalled that ten years ago he was already following the work of the social partners in the sugar sector in the field of health and safety (Leonardo Kit).

Mr Frank Siebern, Head of Department at the “European social dialogue” Unit (DG Employment) presented the latest trends in the social dialogue within the context of the Lisbon Treaty, together with the Commission’s expectations of the social partners. He also underlined the concern of DG Employment to ensure coordination among the different Directorates-General as regards the impact of Community policies on employment. He welcomed the joint work by the social partners in the sugar sector for their pragmatic and anticipatory nature and their transparency, emphasising in particular that the sectoral committee for the sugar industry was one of the few to have a joint site.

Mrs Marie Christine Ribera, Director-General of the CEFS, clearly described the different challenges with which the European sugar industry was confronted, as regards both the reform of the sugar regime and the EU’s external trade policy, underlining the need for coherence between Community policies on agriculture, development and external trade in order to ensure a sound market balance.

Mr Alessandro Albani (DG Agriculture – Sugar Unit) presented the vision of DG Agriculture as regards the reform of the sugar regime and took note of the different questions raised by the social partners.

Ilaria Savoini, Eurocommerce representative, reported on the work in course in European commerce concerning employees’ skills and the tools of forward management and anticipation that were currently being created.

Laurence Kopelman described the functioning of Danone's "Evoluance" programme, aimed in particular at improving the employability and internal promotion of employees and enabling them to acquire skills through different diplomas and certificates.

Jean Pierre Pinasseau of the French Federation (S.N.F.S.) presented the work in course on the "Skills" part of the joint project: present skills, skills being developed and skills common to different trades. Thomas Buder reported on the measures taken in Austria to improve employability. Giorgio Sandulli (Italian Federation) described the specific situation in Italy and a few retraining projects undertaken by certain companies.

Norbert Kailich (Südzucker) et Harald Wiedenhofer (EFFAT) drew the initial conclusions on the significance and prospects of the work in course.

b. Press conference

A press conference was organised in the presence Marie Christine Ribera (CEFS Director-General), Norbert Kailich (Südzucker), Jean Pierre Pinasseau (S.N.F.S.), Harald Wiedenhofer (EFFAT), Alessandro Albani (Commission – DG Agriculture), Eric Dresin (EFFAT Secretariat) and Dominique Lund (CEFS Secretariat). Five journalists had responded to our invitation: AFP, AgraAlimentation, Agence Europe, Agra-Presse and The Economist. It was a question in particular of restructuring and employability, the role of the European social dialogue and the place of corporate social responsibility, management of the sugar market faced with imports from third countries, and a specific request by the social partners on the subject of the appropriation of the unused amounts in the restructuring fund (see report part I.A.d). This press conference gave rise to the publication of four articles (*See the site eurosugar.org: press dossier – articles*).

III.D - PLENARY SESSION OF THE SECTORAL COMMITTEE PLANNED FOR THE 26.2.2010

At the plenary session of the sectoral social dialogue committee for the sugar sector planned for Friday 26 February, the social partners will officially present to the Commission the final results of their work on improving employability in the sugar sector, together with the tool created and posted on the joint site "eurosugar.org".

The results of the reform of the sugar regime will be set out, along with their social impact. The main economic challenges at present will be addressed (climate change and the ETS, trade negotiations in course and rules of origin). The working programme for 2010 will be proposed and validated (see Annex 2).

IV - SUMMARY AND CONCLUSIONS

Already having brought about a reduction of 35% in production, implementation of the reform of the sugar regime which began in 2006 will be completed by 2011. The Commission has already confirmed that with a rate of reduction in production attaining 96.6% of the initial objective, it considers the reform to be successfully completed.

From 2005/06 to 2008/09, the reform resulted in the closure of about 80 factories and the loss of around 16,500 direct jobs during the campaign. As one direct job generates five indirect full-time or part-time jobs, a total of a hundred thousand direct and indirect jobs were affected. All the regions of the European Union were concerned: Northern, Southern, Central and Eastern Europe, and particularly rural areas where employment possibilities are limited. Five sugar-producing countries have given up production completely.

In our view, restructuring has not yet finished and it is possible that in order to safeguard its competitiveness concentration in the industry will continue. In addition, a number of companies are envisaging changing their business orientation. The social partners have asked the Commission for the amounts still available in the restructuring fund be appropriated to the financing of industrial restructuring measures still in course. As indicated in the report, they have been partly heeded.

The reform has also given rise to a fundamental shift in the balance on the European sugar market. In particular, it has determined a new balance between Community production and preferential imports from the ACP countries and the LDCs, which have been completely liberalised since 1st October 2009 following implementation of the “Everything But Arms” regime and the Economic Partnership Agreements (EPAs) replacing the old Cotonou agreements. It is thus making a real contribution to the development of these countries as imports from them have doubled since 2005, rising from two million tonnes to four million in 2010.

From being a net exporter, the European Union has become a net importer and depends on supplies from third countries for about a quarter of its domestic needs. Balanced and reactive management of imports of sugar and products containing sugar has therefore become crucial to guarantee the success of the reform of the sugar regime.

The concessions currently granted to the ACP/EPA countries, along with any additional concession granted in the bilateral, regional or multilateral negotiations, or successive enlargements, tend to increase considerably the efforts required of the sugar sector beyond the reform of the sugar regime and could well reach limits which no longer allow this sector to remain viable. However, the European social partners welcome the possibility temporarily provided by the Commission of being able to export non-quota sugar on the world market due to exceptional production in the EU compared to a shortage on the world market, with world prices becoming higher than those on the Community market. They request that this reactivity continue over the coming marketing years so as to exploit fully the potential for exporting whenever the market conditions lend themselves to this, without infringing the WTO rules.

Furthermore, within the context of the climate and energy policy currently under discussion, they emphasise the need to give proper consideration to the specific characteristics of the sugar sector in order to keep the potentially considerable economic and social impact of the decisions to be taken within limits that can be managed by the industry

The social partners 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 in this field will all constitute crucial stages for the future of the sugar industry, in the knowledge that any additional imports have 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, both mutual understanding and constructive high-quality communications. 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.

In particular, with the financial support of DG Employment, they have developed an interactive tool aimed at improving employability in the sugar sector in order to open up new avenues of reflection in this field, promote the exchange of good practices and to support all employees in their efforts to retain their ability to carry out a job throughout their lives, thus replacing the notion of lifelong training by that of lifelong employability. This implies a high level of social responsibility on the part of both the company and the employee.

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 also be noted that the loss of a third of direct jobs in four years has 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.

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.

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Annexes



The President

Brussels, 24 June 2009

Mrs Catherine ASHTON
Commissioner for External Trade
EUROPEAN COMMISSION
Rue de la Loi, 200 -1049 Bruxelles

Dear Mrs Ashton,

The European Commission is currently negotiating numerous bilateral trade agreements with different partners of the world. At the moment we are particularly worried with the advancing of the negotiations with Central America and Andean Community. A final negotiating round could already take place in July. These countries are claiming a huge access to the EU Sugar market conditional for an agreement and we fear that the Commission could grant concessions in this sense.

CEFS has carefully examined the EU balance from 2009/10 onwards, particularly in relation to imports of raw and white sugar. The latest forecasts demonstrate that there will be ample EU sugar supplies in 2009/10, and even more so in following years caused by a steady increase of sugar imports coming from the countries of Africa, Caribbean and Pacific (ACP) and the Least Developing Countries (LDCs). Consequently there is no room on the EU market and no justification for supplementary import concessions which additionally were never foreseen when the sugar reform was agreed.

In this context, ACP and LDC countries are doing large investments to take advantage of the free access which they will enjoy from 1st October 2009 and will progressively increase their sugar exports to the EU. Additionally in relation to the EU enlargement a considerable amount of quota has already been opened for Brazil and to all countries which are able to take advantage of it.

As you know the EU sugar sector has suffered from a large and painful restructuring with a huge number of EU factories closure, jobs losses and reduction of beet area. It would not be understandable to face further import concessions in bilateral agreements under negotiations. This would lead to further restructuring as well as undermining the EU's development programme for developing countries promoted under the Economic Partnership Agreements (EPA) and Everything But Arms (EBA) initiative. In addition Non Annex I quota sugar will be substituted by Inward Processing Relief and quota sugar exports are cancelled.

Given the above, we ask the Commission to reject any request of additional preferential access on the EU sugar market, in particular in the regional and bilateral trade agreements negotiations and more specifically with the Central American and Andean Community countries.

The CEFS remains at your service and at the service of your departments for any additional information you may deem useful on this subject.

Yours Sincerely,

Johann MARIHART

A handwritten signature in black ink, appearing to read 'Johann Marihart', is written over a white background.

C.C. Commissioner for Agriculture, Mrs Marianne FISCHER BOEL
Julian KING, Head of Cabinet, Commissioner Ashton

FBT-10-011-EDDL

WORK PROGRAMME OF THE SUGAR SECTORAL SOCIAL DIALOGUE COMMITTEE FOR 2010

Reform of the sugar regime and social consequences

The social Partners will continue to follow up the current and future developments of the revision of the sugar reform. This implies mutual work in relation to the challenges arising from the initiatives taken by the European institutions as well as mutual information on the restructuring trends, good examples and obstacles.

Corporate Social responsibility in the European sugar industry

The seventh implementation report of the corporate social responsibility Code of Conduct for the year 2009 is planned to be presented at the plenary session of the sugar sectoral committee on 26 February 2010:

- political and economic context;
- corporate management of the restructuring;
- implementation of the Code of Conduct.

All the elements of the report as well as the conclusions of the joint plenary meeting will be introduced on the website www.eurosugar.org after the meeting.

Employability in the European sugar industry

The social partners will finalise their joint project on improving employability in the European sugar industry in the context of restructuring. This implies first the introduction of the results of the work achieved in 2009-2010 on the website www.eurosugar.org and secondly the elaboration of the final report to the Commission detailing the action and the use of the financial aid received from the Commission to implement this project.

Major external challenges facing the European sugar industry

The social partners will continue to assess the developments related to the international trade commitments of the European Union which could influence the European sugar industry and produce joint positions and joint letters as needed (Bilateral, regional, multilateral agreements, revision of preferential rules of origin, imports of sugar and sugar mixings from ACP and LDCs and their management, non quota exports, EU Emissions Trading System, Reach Regulation implications,...).

Any other business

Notwithstanding the commitment of CEFS and EFFAT to have this year again a focus on the priorities of their work programme, they agree that unforeseen topical issues may request their collaboration.

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