



Case study summary sheet : AZUCARERA-EBRO

PN, Nov. 6th, 2006

- ✓ AZUCARERA, the sugar production company, has been a – small - division (since the '90s) of the EBRO food distribution group. With 2,000 employees, mainly located at the production units in Andalusia and Castilla-Leon, AZUCARERA produces sugar and other products derived from sugar beets grown in Spain and imported sugarcane. The company's activities generate approximately 3,000 indirect jobs among subcontractors and notably 23,000 farmers who provide the raw materials (sugar beets). The place of the "stakeholders" in this case appears decisive and the geographical proximity between the sugar beet producers and the production plants is a main characteristic of the sector due to high transport costs which prohibit excessive distances (on the other hand, sites near ports of import are preferred for sugarcane).
- ✓ The sugar sector in Spain, as in the other countries in the European Union (EU) is directly affected by developments in the Common Agricultural Policy (CAP) and international trade negotiations (WTO). The most recent period has, in fact, been characterised by the end of certain protections, supports and subsidies heretofore provided to sugar beet producers and the entire sector under the CAP (a kilo of sugar costs €1 compared with €0.20 on the world market!). These changes are the result of concessions made by the EU in the context of international trade negotiations on agriculture. A little more than 350 direct jobs at AZUCARERA are concerned by restructuring. Furthermore, with the end of European aid, many farmers find themselves having to stop sugar beet production: production subsidies are being replaced by "aid to people".
- ✓ The Spanish political authorities, directly involved as stakeholders in the issue, had emphasised the inevitable character of this restructuring early on in the operation studied here. This feeling is shared by the various stakeholders in the sector and reinforced by the complaint filed at the WTO by Brazil against the EU. From this point of view, we may consider that the restructuring operation had been undertaken early on due to the foreseeable changes to the "rules of the game", although there is no monitoring system on the sector level to foresee such developments. It was mainly the large number of farmers in question (23,000) that logically led the political authorities to take up the issue, as the number of employees at the industrial end of the sector is much smaller.
- ✓ Operational planning lies mainly with the public authorities (central and regional) and employee trade unions. A mechanism for compensation and aid for halting sugar beet production has notably been set up to help the farmers in question (principal population affected by the new situation). The management at AZUCARERA has also initiated a process for negotiations on the management of the restructuring operation which is an extension of what occurred in the context of a previous industrial reorganisation. The search for diversification toward the production of biofuels which could receive... European aid can be envisaged. Overall, this activity involves the same professions but requires a consequential training plan.
- ✓ Lastly, a system of social support essentially based on bonuses for voluntary departures and geographical mobility was set up for employees whose jobs are lost at AZUCARERA. The agreement signed is valid until 2010.