26 July 2017 : Sugar production / Picardie

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Tereos takes commitments under the French competition authority that it will open up its procurement contracts.

Sugar beet growers will benefit from greater freedom to choose the sugar groups that they want to supply.

The complaint lodged by Saint-Louis Sucre

France's third-largest sugar producer, Saint-Louis Sucre, filed a complaint with the *Autorité de la Concurrence* about France's two leading sugar producers, Tereos (which markets sugar under the Beghin Say and La Perruche brands) and Cristal Union (Daddy brand).

Saint-Louis Sucre was, in particular, accusing them of foreclosure in the sugar beet procurement market in the area of Eppeville and Roye in the Picardy region, in the run-up to the abolition of EU sugar production quotas effective as of 1 October 2017 by asking growers to sign very long-term exclusive contracts to maintain their market shares.

How the sector operates

Sugar beet growers sell their produce to sugar producers, which process it to make sugar for the food sector and the chemicals industry. Sugar producers take the form of cooperatives (Tereos and Cristal Union) or commercial companies (Saint-Louis Sucre).
Growers who join a cooperative by acquiring shares undertake to produce a

certain volume of beet and to supply it to the cooperative.

The competition concerns raised: captive beet producers

The *Autorité's* investigators found that, in the run-up to the abolition of EU sugar quotas and Tereos, the main beet purchaser in the area of Eppeville and Roye (five out of eight sugar factories), had offered its cooperative partners contracts on withdrawal terms that were difficult to understand and to implement.

Thus, starting with the 2017-18 production campaign, Tereos included a new five-year commitment to its cooperative partners wishing to increase their tonnages by 20% in comparison with their historical production. Signing the new contract for additional tonnages entailed two separate but overlapping commitment periods: an initial ten-year commitment covering the historical beet tonnages and the new five-year commitment covering the additional beet.

This new period of time thereby extended the period of commitment to the cooperative by virtually all Tereos's cooperative partners until 2022, as almost all of them made the new commitment as from 2017.

In addition, the articles of association were not explicit enough about the possibility of cooperative partners being able to supply their product to other sugar groups competing with Tereos.

The investigators also found that over the same period Tereos had extended the advance notice period for leaving the cooperative from three to twelve months.

Tereos's commitments

In response to the authority's competition concerns, Tereos committed to:

- amend its articles of association in order to limit each cooperative partner's delivery obligation to the beet volumes contracted towards Tereos, thereby enabling them to supply other sugar factories at the same time;

- eliminate the double commitment period;
- reduce the advance notice period for terminating the commitment from twelve to three months;
- give its sector managers training in competition law.

These undertakings, which were substantially improved during the procedure, should free up the sugar beet market in the area of Eppeville and Roye and facilitate competition between sugar factories procuring from growers. The authority therefore ruled that the undertakings should be binding and closed the case.

Regarding the Cristal Union cooperative, the authority ruled that because of its small market share (11.9%), far behind Tereos and Saint-Louis Sucre, the latter's complaint about its practices did not raise any competition concerns.

The authority's ruling comes at a crucial point in the liberalisation of the sugar market, covers a geographical area representing about 40% of French sugar beet procurement and gives beet growers more freedom to choose the sugar groups that they want to supply.

> Read the full text of decision 17-D-XX of 26 July 2017 on practices regarding the sugar beet procurement sector.

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