



Poland's experience from the sugar market reform in EU and future vision of this market

**Ministry of Agriculture and Rural
Development**

11 October 2016



Sugar market in EU after the 2006 reform



- 2006 -2010 – period of fundamental structural and modernisation changes,
- concentration of sugar beet production (in UE over 70% of sugar beet is produced in 5 countries: France, Germany, Poland, Great Britain, the Netherlands),
- concentration of sugar production (analogous to sugar beet production – five member states produce approx. 75% of sugar, inc.: France (31%), Germany (22%), Poland (10%) Great Britain (7%) and the Netherlands (5%)),



Sugar market in EU after the 2006 reform



- sugar production in 2010-2015 – **14.9 – 19.5** million tonnes,
- quota for the sugar production in EU is lower than the consumption (19 million tonnes, inc. non-food),
- necessary import 3 - 4 million tonnes of sugar (20% of the demand)
- export approx. 1.5 million tonnes (9% of the production) – export limits for non-quota sugar,
- decrease in the difference between EU and world sugar prices.



Sugar market in Poland



Changes at the raw material level

Structural changes in the sugar industry in Poland resulted in great amendments in the resource base:

- the area of sugar beet production decreased by approx. 30% (from 265 thousand ha in 2006 to approx. 190 thousand ha in recent years),
- the area of production increased in medium and large farms,
- sugar beet yield increased from 48.6 t/ha in 2006 to 68.3 t/ha currently, i.e. by 40.5% and the technological yield of sugar, respectively, from 7.46 t/ha to 10 t/ha, i.e. by 34%, (average for UE – 11-12 t/ha),



Sugar market in Poland



Changes at the raw material level - cont.

- The number of growers decreased by 47% (from 64 thousand to 34 thousand) – social costs,
- The area of average plantation doubled - to 5.9 ha, but is still small (in comparison to 24 ha in Great Britain, 14 ha in France, 11 ha in Germany),
- The structure of the raw material base is still fragmented,
- The percentage of sugar beet in the national plant production dropped from z 5.8% to 3.5%,
- Increase in the scale of production while maintaining a low level of profitability.



Sugar market in Poland



Changes at the level of sugar producers

- modernization of sugar undertakings – under restructuring aid, the sugar producers received 180.4 million EUR,
- decrease in the number of active sugar undertakings by 52% from 34 (in 2005) to 18 (currently), hence the distance between the plantation and the undertaking increased,
- threefold increase in production per sugar undertaking, to 120 thousand tonnes,
- production potential of approx. 2 million tonnes,
- national production quota of 1.4 million tonnes, i.a. approx 10.3% of the EU quota,
- national sugar consumption of 1,7 million tonnes,
- variable profitability of sugar industry. Currently slightly above the average 4 % in the food industry.

Poland is the third largest sugar producer in EU and a net exporter of sugar.



Sugar production quota

Production quota is the mechanism

- stabilising the EU sugar market,
- ensuring management safety for sugar beet growers and sugar producers,
- ensuring food safety in the EU.



Sugar market after quota abolition

Projected impact on the market

- increased variability of market conditions,
- increased business risk,
- changed conditions of competition among the producers,
- lowered growers' bargaining power,
- decrease in sugar prices,
- lower profitability of sugar beet production,
- internal market will be increasingly supplied by the EU production.



Sugar market after quota abolition

Projected impact on Poland

- EU sugar producers will significantly increase the sugar production in order to reduce fixed costs,
- low sugar prices, due to the high supply, will lead to the decreased profitability of the sugar industry,
- Polish sugar beet growers may, in the first place, withdraw from sugar beet production, due to worse management conditions, compared with many EU Member States (low yield, smaller growing area in the holding, lower level of direct support),
- deep restructuring changes in Polish sugar industry.



Sugar market after quota abolition

Poland's position

- There is a need of deepened political discussion at the UE level regarding this sector, since already proposed regulation are not sufficient.
- In order to prevent difficulties similar to these of the milk sector, current quota system for sugar production should be maintained.



Sugar market after quota abolition

Major challenges

Despite existing regulations concerning mutual grower – producer relations, **it is necessary to strengthen the position of growers in the supply chain by means of:**

- introduction of obligatory agreements within the trade,
- enhancing the significance of agreements within the trade by giving competence to negotiate minimal purchase prices for sugar beet,
- proper market monitoring,
- introduction of solutions at the EU level aimed at the prevention of practices involving the unfair use of contractual advantage by one side of the agreement.



Thank you for your attention

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