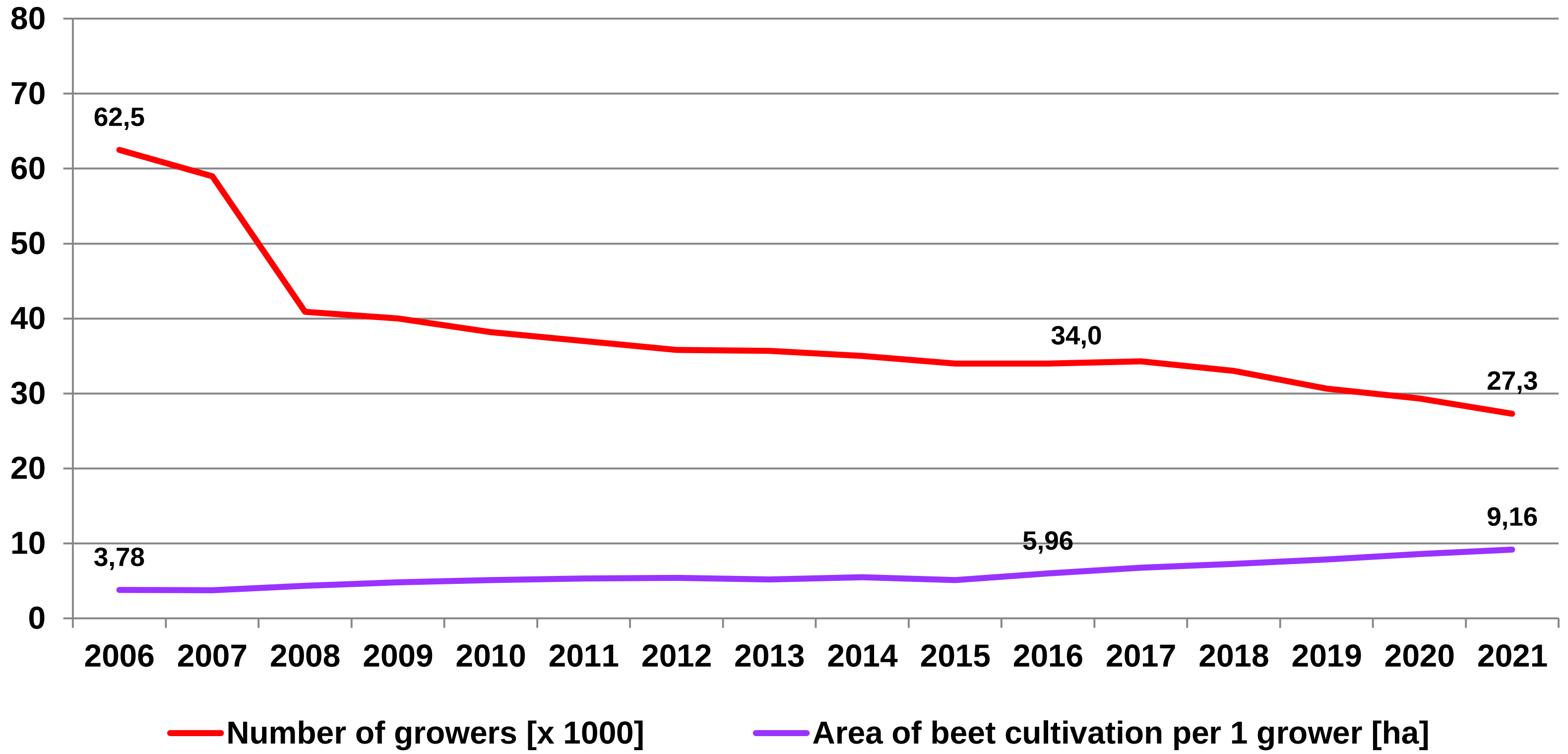
Ministry of Agriculture
and Rural Development

# Poland’s views on the outcome of the Study

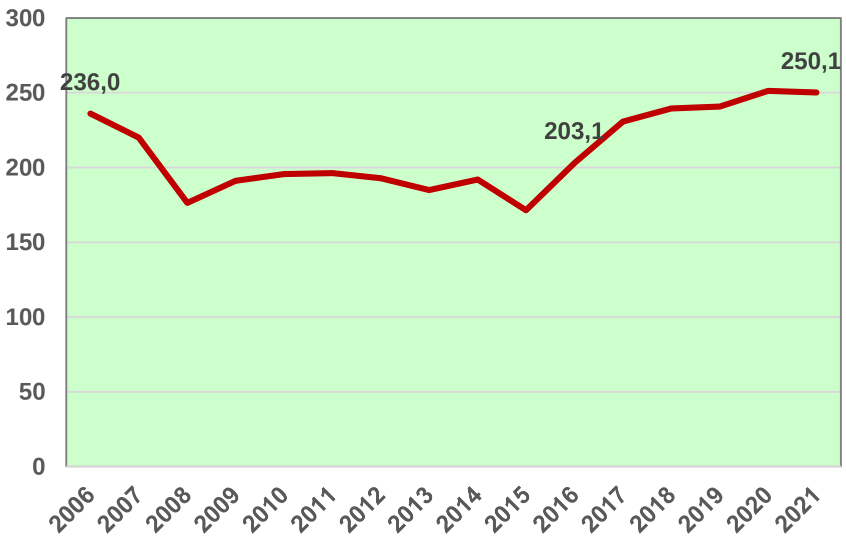
## EXPERT GROUP
## SUGAR

**25 February 2022**

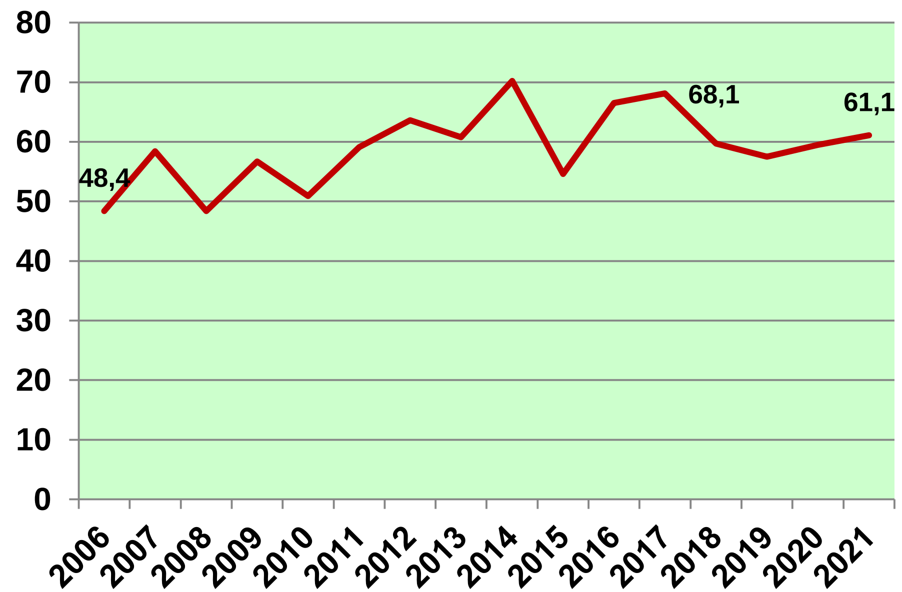
# Structural changes in sugar beet farms



## Sugar beet area [x1000 hectares]




## Sugar beet yield [tonnes/hectare]



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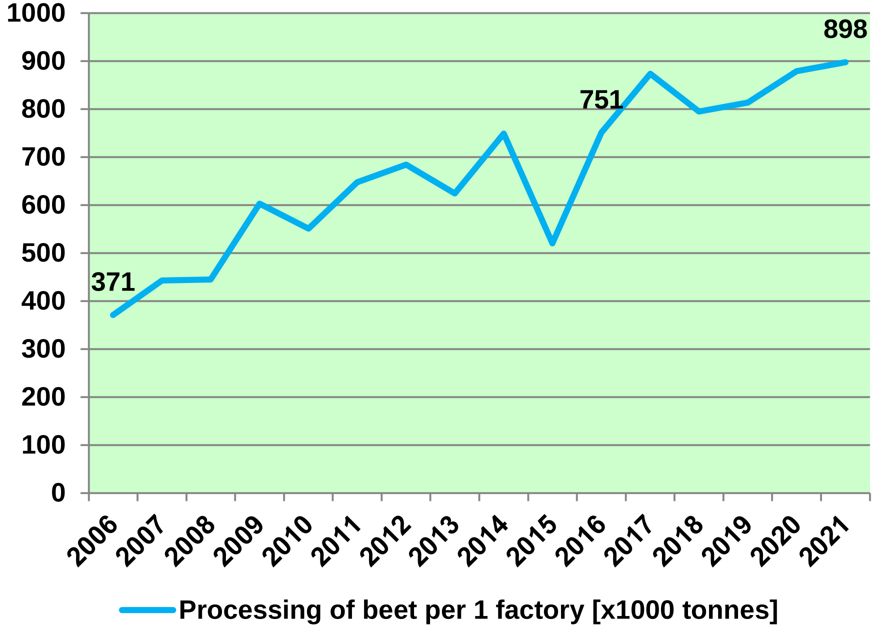
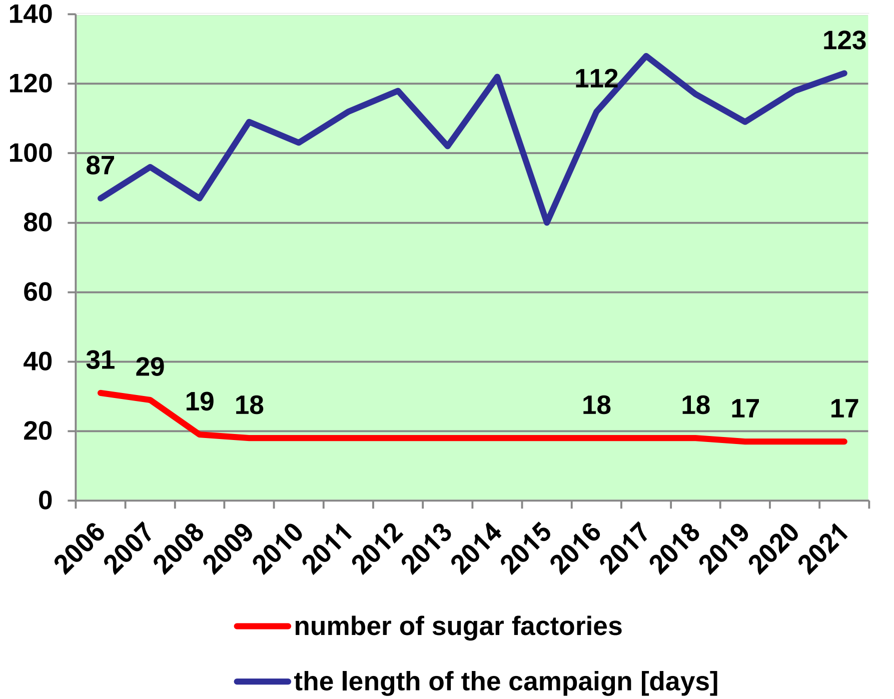
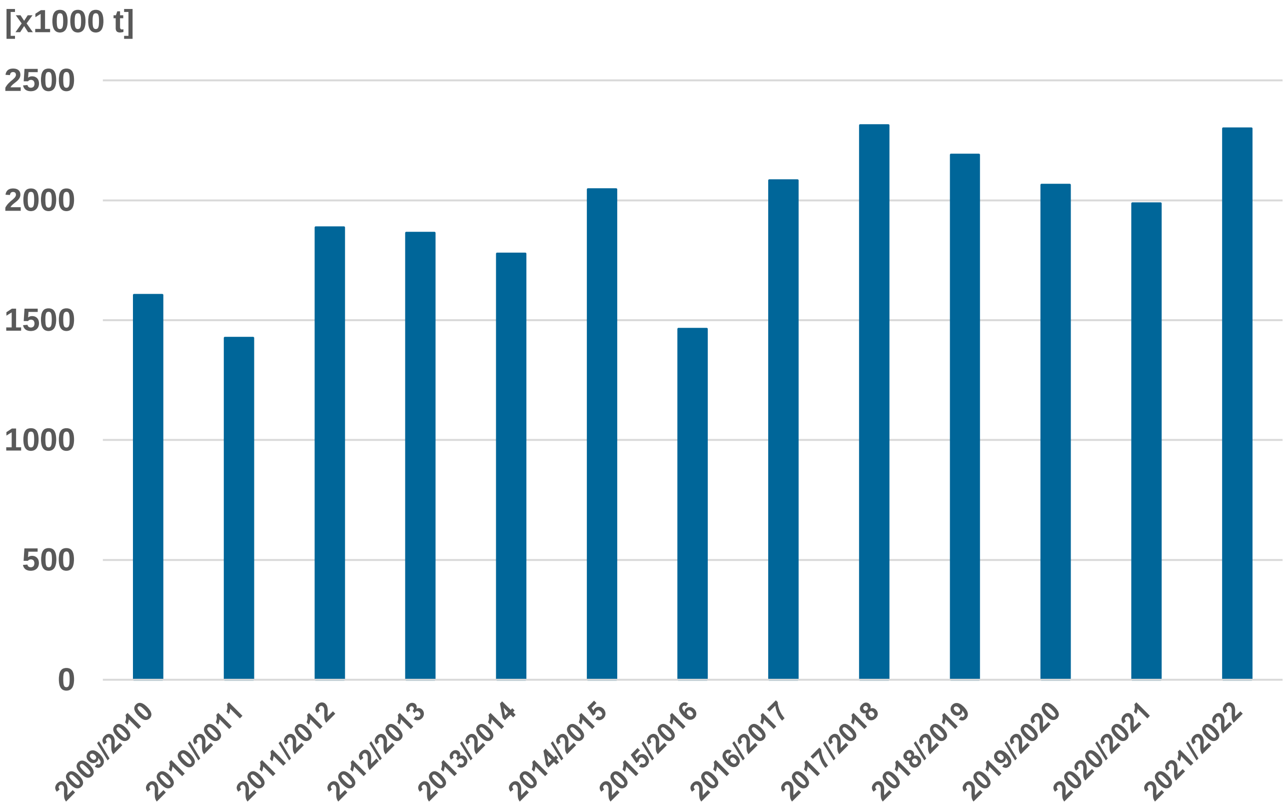
# Structural changes in sugar production



# Sugar production [tonnes]



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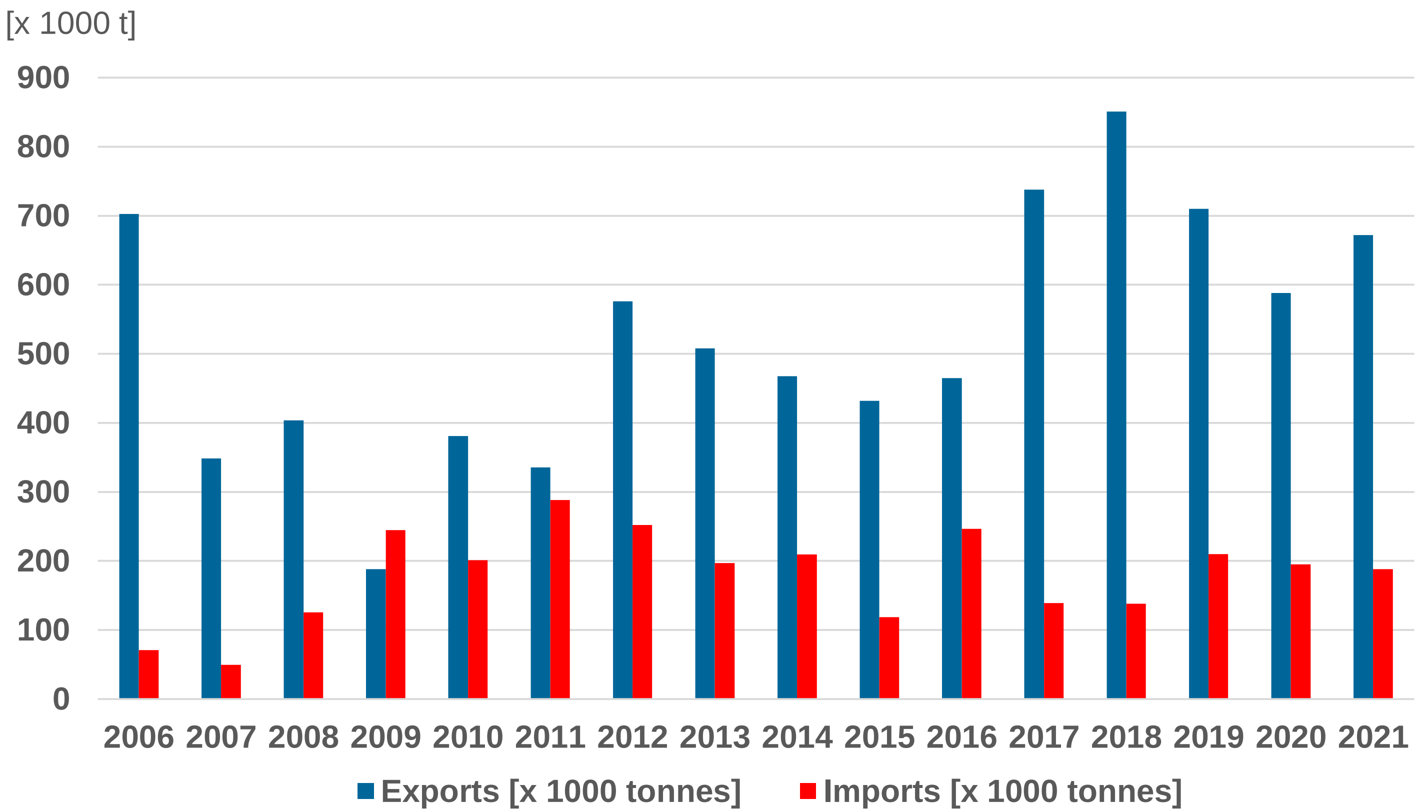
# Trade in sugar [tonnes]



## Changes in the sector since quota system abolition

- the sugar industry has carried out **adaptation processes** to changes in market regulations,
- strong connection of the EU sugar market with the world market, which **increases the uncertainty** on the market,
- **the processing capacity** of the sugar industry in Poland remains unchanged (approx. 2.5 million tonnes) and it is not fully used: sugar production in recent years was 2.0 - 2.3 million tonnes,
- the sugar beet cultivation area has increased, while the number of **beet growers decreased since 2016 by 20%**; **in 2019 one sugar factory ceased production**,
- the increase in sugar beet area resulted from **the competition of sugar producers to maintain market share** and exploit scale economy,
- in 2021 sugar beet growers reported (positive) income, but its level was low without the direct payments (voluntary coupled support).

## Poland's opinion on the Study:

- **well reflects changes in the EU industry after the 2017 reform**, including the description of structural changes, adjustment processes, volatility of sugar and sugar beet prices;
- **consistent recommendations**, in particular with regard to:
  - **the strategic importance of the industry** in the agri-food sector - because sugar remains the basic sweetener, and the cultivation of sugar beet has a positive effect on the biodiversity of production, environmental and soil protection,
  - **the importance of sugar beet contractual relations** in the supply chain,
  - **maintaining voluntary coupled support to sugar beet farming**, which have a positive effect on the resilience of the sector and play an important role in the profitability of beet cultivation,
  - implementation of production and trade risk management instruments,
  - identifying the risks associated with the implementation of the "European Green Deal" and "From Farm to Fork" strategies,
  - **threats resulting from further liberalization of rules of the sugar import** into the EU.

**At the same time, the Study does not present new solutions that could improve the resilience of the sector.**

## The major challenges in the sugar sector in Poland (in the opinion of the sector and administration):

- **decrease in the profitability of sugar beet cultivation** as a result of the reduction of sugar prices after the abolition of the quota system and in connection with a significant increase in production costs (fertilizers, energy),
- **disparity in the bargaining power** between growers and sugar producers,
- **fragmentation of farms** and poor organization of growers in producer groups and organizations, no interbranch organization,
- strong competition between sugar producers which puts **pressure on the sugar prices and prices of sugar beets**,
- **progressive liberalization of the rules for sugar import** into the EU,

## The major challenges in the sugar sector in Poland (in the opinion of the sector and administration) cont.:

- **restrictions on the use** of plant protection products,
- from the growers' point of view - **insufficiently transparent rules for contracting sugar beets**, among others in terms of price fixing, value sharing clauses,
- **intensification of unfavourable weather phenomena** and increasing exposure to threats from weeds, diseases and pests.

## The main concerns of sugar market participants:

- are related to **the profitability of sugar beet production**,
- **insufficient effectiveness of the market management mechanisms**: market and risk management, volatility of prices, margins and revenues,
- **consequences of the implementation of** the "European Green Deal" and "From Farm to Fork" **strategies**,
- **increase of production and commercial risk**, and thus difficulties in planning sugar production connected with changes in the market situation,
- sugar beet diseases and pests,
- restrictions on the use of plant protection products,
- **increased costs in farming and processing** (plant protection chemicals, energy) and fluctuations in exchange rates,
- **volatility of sugar prices**, which hinders economic activity in many sectors of the food industry.

## Sector expectations:

- **improving risk management** to ensure the stability of the sugar sector,
- **maintaining voluntary coupled support to sugar beet farming**, which stabilizes growers' incomes, allows to mitigate the effects of price risk, allows for maintaining sugar beets cultivation and supplies of raw materials to sugar factories located in our country, also allows for appropriate crop rotation,
- **strengthening the negotiating power of farmers** in negotiations with sugar producers in EU regulations,
- **realistic approach** to the implementation of the principles of the Green Deal,
- conducting a trade policy with third countries that will ensure **compliance with EU production standards for imported goods**,

## Sector expectations cont.:

- supporting all initiatives aimed at providing farmers with effective tools to protect crops against pests,
- support for new breeding techniques that will contribute to the development of sustainable agri-food systems,
- farmers expect **more transparent delivery contracts**, in particular the way of reaching of sugar beet prices, as well as higher premiums for early and late delivery.

## Summary:

- **Maintaining the competitiveness** of sugar beet cultivation and sugar production is crucial, because among others:
  - sugar is the primary sweetener,
  - sugar beet cultivation has a positive effect on biodiversity, environmental and soil protection, feed management,
  - the lack of profitability in this sector will lead to a reduction in sugar production in subsequent regions of the EU; recovery of sugar production after its shutdown is practically impossible due to the scale of such investment; the place of EU origin sugar on the EU market will be quickly replaced by sugar from third countries due to the progressive liberalization of international sugar trade, and thus the EU will become dependent on the import of this strategic product,
  - the by-product of sugar production – molasses – is a basic product in the yeast sector and the availability and prices of molasses influence the situation in this sector.

## Summary cont.:

- The situation in the EU sugar sector is highly dependent on the global situation, and the cultivation of sugar beets is highly dependent on weather conditions and is highly exposed to threats from weeds, diseases and pests - factors on which we have a limited influence.
- The **CAP should continue to play its role in sugar sector**, including the maintenance of voluntary coupled support to prevent drastic decline in the number of sugar beet growers and sugar production with **social, economic and environmental consequences**.

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# Thank you for your attention