

POLICY BRIEF

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The future of sugar beet cultivation in Belgium – Market and structural challenges

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Belgium is the fifth largest sugar beet producer in the EU with a total harvested sugar beet area of about 60,000 hectares during the 2014/2015-crop season, representing about 4.5% of the total agricultural area. In Belgium, the total sugar production from sugar beet is approximately 646,000 tons. There are around 7,500 sugar beet farmers in Belgium currently, although the number of farmers has been declining steadily over the last decade, with a sharp decrease occurring between 2007 and 2008. The number of sugar beet refineries has also decreased from 174 in 1872 to currently just 3. These remaining refineries belong to two companies: Iscal Sugar and La Raffinerie Tirlemontoise / De Tiense Suikerraffinaderij. Despite the large degree of concentration at the refinery level, Belgian farmers were not exposed to market power issues until 2017. This change was the result of a quota regulation that guaranteed farmers above average prices and determined the amount of sugar beet sown each season. However, the termination of the quota system presents a challenge for the Belgian sugar beet sector. The future of Belgian sugar beet farmers is threatened by plummeting prices occurring after the quota termination. Additional problems that threaten the future of sugar beet cultivation in Belgium are: costs increasing more than revenue, lack of successors, lack of affordable land and increasing land prices.

In this policy brief the main findings pertaining to market and structural challenges for the Belgian sugar beet case study are outlined.

This summary represents the extract of the commodity report on sugar beet production in Belgium. The purpose of the report, which can be accessed via the project webpage, is to investigate the nature of policy requirements and market imperfections, and their implications for the resilience of sugar beet cultivation in Belgium, as part of the EU-funded Horizon 2020 project, SUFISA (Sustainable finance for sustainable agriculture and fisheries).



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Key messages

- Currently, the quota termination has a negative impact on farmers. This may change in the future when the market settles at a new equilibrium. The substantial price reduction that occurred after the quota termination, was anticipated by farmers. Despite this, market dynamics did not allow them to counteract this price reduction. Accordingly, policy interventions have to screen for all potential negative impacts and further action plans need to be developed in order to counterbalance negative effects to enable stakeholders to slowly adapt to the new situation. Specifically in the the sugar beet case, despite measures that were taken to prepare farmers for the new situation, these steps were not sufficient. A systems thinking approach could help in identifying critical issues in addition to the development of a comprehensive strategy to facilitate a smooth transition.
- If sugar beet cultivation becomes unprofitable, farmers would mostly shift to other crops. However, they face several obstacles: the lack of an alternative, the lack of a market for the alternative, the uncertainty of these alternative markets and the lack of affordable land. Potential alternative crops listed by farmers were mainly potatoes and vegetables. In a situation where a large number of farmers would transfer to similar alternative crops, one has to bear in mind that the respective market will be adversely affected (oversupply).
- Farmers emphasized that cultivation practices should be harmonized within Europe. Farmers have to compete on both a domestic and global level. At the global scale, Belgian farmers suffer from disadvantages relating to the compliance with social and environmental standards that are not universally practiced. This results in unequal competition and would call for policy intervention.
- The sugar beet market within Europe is generally concentrated and Belgium is no exception. The termination of the quota system may lead to market power problems and close attention needs to be payed to developments in this area during the coming years. The planned cooperative refinery may change market dynamics by reducing concentration. Nevertheless, it needs to be kept in mind that due to product characteristics, the sugar beet market is prone to exhibit high levels of concentration.
- The demographics of an ageing population represents another challenge within the Belgian agricultural sector. This was demonstrated by a survey which found that the most represented age group within the agricultural sector is above 50 years old. During interviews it was stated that farming is no longer an attractive activity as there are too many challenges (not enough land, increasing costs, need to get a big loan, reducing farm gate prices). Additionally, the occupation of a farmer is perceived as unattractive and this also has an effect on young farmers, making it difficult to find a partner. Thus, in addition to economic factors, social challenges need to be comprehensively addressed.
- The farming sector is continuing to go through a structural change where there are a smaller number of farms, but they exist on a much larger scale. The reduction and/or absorption of farms is often the only possibility for the remaining farms to expand their business. Other land for agricultural

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expansion is either not available or too expensive. As farmers have less options to expand, intensification and innovation are the main remaining strategies in order for farmers to maintain their income. However, the benefits of these options may also be coming to an end. Farmers have indicated that the sugar beet crop has already reached its maximum sugar content and further improvements may only be marginal at best. Intensification may oppose sustainability goals and may thus also be limited. Thus, as farmers' strategies are running out and decreasing in efficiency, new alternatives need to be offered.