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Austria

Sugar

Austrian Sugar Beet Farmers and Sugar Industry Fear EU Sugar Reform

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Report Highlights:
A recent study by the Federal Institute of Agricultural Economics concluded that implementation of the EU sugar reform will result in a 12.2% to 20% income loss for Austrian sugar beet farmers with some farms going out of business. The Austrian sugar refining industry will also be hit hard by reform with the country's sole sugar refiner, AGRANA, thinking that it will be forced to close one of its three factories in Austria.

Includes PSD Changes: No
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A recent study by the Federal Institute of Agricultural Economics ("Bundesanstalt fuer Agrarwirtschaft") on behalf of the Austrian Sugar Beet Farmers' Association ("Die Ruebenbauern") concluded that the EU Commission's proposal for sugar reform would result in a 12.2% income loss for the average Austrian sugar beet farmer. For farmers who have specialized in sugar beet production, the income loss could reach up to 20%, which amounts to $ 8,750 (Euro 7,000) on average. The calculations are based on the compensation payments proposed by the EU Commission.

These numbers were presented during a field trip for agricultural diplomats organized by the Austrian Agricultural Chamber on November 16. Representatives of the Austrian Sugar Beet Farmers' Association and the Austrian sugar industry presented their points of view on the planned EU sugar reform at one of the three remaining Austrian sugar factories located at the village of Leopoldsdorf.

About 9,500 Austrian sugar beet producers will be affected by the sugar reform. Since the production of sugar beet is a major income source for those farmers and no profitable alternative can be envisioned, the association fears that some farmers will go out of business.

On November 24, EU agricultural ministers agreed on a somewhat moderate EU sugar reform agreement than compared to the original proposal. Austria believes the agreement will hurt Austrian sugar beet producers and the Austrian sugar industry. The Austrian sugar sector maintains that a 36% cut (versus 39%) in the support price for sugar and a 39.4% cut (versus 42.6%) in sugar beet prices spread over four years will mean a significant loss for the Austrian sugar industry. The decoupled direct aid to sugar farmers at 64.2% of the price cut will not make up for the income loss to farmers.

Representatives of the Austrian sugar corporation AGRANA Zucker GmbH stated that AGRANA would need to take action to rationalize and optimize costs in order to be competitive in the new environment. Such action will also include re-examining the current production structures of the AGRANA group. At present, AGRANA has three sugar factories in Austria. Since labor costs in Austria are relatively high, management is considering closing one factory after the sugar reform is implemented.

AGRANA representatives also stressed that the European Union will need trade protection from non-EU member countries. They maintained that it will be important in WTO trade negotiations to retain the special safeguard clause and to give sugar "sensitive product" status.