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Poland

Sugar

Compensation for Sugar Beet Farmers Approved in Poland

2006

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WFM/EP

Report Highlights:

Poland approved support for sugar beet producers, which will partly compensate for losses they will face due to EU sugar production reforms.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Warsaw [PL1]
[PL]

During the last days of April, the Polish government approved changes to legislation governing direct payments to farmers that include per hectare single area payments and supplemental area payments. As a result of these changes, sugar beet farmers will be entitled to an additional supplemental payment. This additional payment will partly compensate for reduced sugar beet prices resulting from EU sugar reforms. The new payment will be in addition to current single area payments for cultivated land. The new legislation was published on April 25, 2006. This legislation is in line with EU legislation 319/2006, dated February 20, 2006, which allows for such producer support.

While Polish sugar and sugar beet producers benefited from increased sugar and sugar beet prices when Poland joined the EU in May 2004, reforms to the EU sugar market approved late last year will reduce incomes of both farmers and sugar beet processors.

Until now, Polish beet farmers were not entitled to supplemental area payments, as are grain, oilseed and other farmers. Under the new legislation, EU funds will be used to cover the new payment to sugar beet producers. Qualified producers will have to apply for compensation during a fixed time period. The payment amount will be based on each ton of beets contracted for this MY or, in cases where the sugar producer liquidated his production quota, contracted for last MY. The amount of EU funds available this year is Euro 99 million. This amount will increase each year to Euro 159.3 million in MY 2009/10.

About 80,000 sugar beet farmers in Poland have been affected by the sugar program reforms. The legislation is expected to compensate for about 60-65 percent of lost farmer income, as beet prices are reduced from Euro 46.72 per ton in 2005/06 to Euro 26.29 in 2009/2010.

The new legislation is supported by major farm organizations, including the Association of Sugar Beet Producers and the Association of the Sugar Industry. The legislation had strong support from all parties in Parliament.

Although the reforms to the EU sugar program provide significant compensation for voluntary reductions in sugar production, so far there has been no official announcement that any companies intend to liquidate their quotas. The only observed trend so far is industry reorganization. Less efficient refineries within a company are being closed and their production moved to more efficient refineries. It seems that because of lower sugar production costs in Poland, sugar producers are not interested in liquidating their sugar production quotas.