

Report: Focus groups – Sugar beet production in Flanders, Belgium (21. & 23.02.2017)

2 focus groups were conducted with Flemish sugar beet farmers. Farmers for each of the focus group were selected according to the refinery they are delivering to. The first focus group took place in Ieper on the 21st of February 2017, the second in Sint-Truiden on the 23rd of February 2017. In Ieper six farmers were present and was facilitated by Dries Maes. Steven van Passel facilitated the second focus group where eight farmers participated.

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Introduction

SUFISA is a larger European project connecting the research efforts of eleven European countries and 13 research institutes. The goal of SUFISA is the identification of current problems of farmers and of strategies they are employing or are (potentially) going to be employed in order to tackle these problems. In a final step the project aims at identifying the performance of each strategy. Seven different case study groups are examined. Thus, SUFISA does not focus on one product but on several ones. Looking at different case studies in detail may allow researchers identifying differences and communalities across countries and commodities. Hence, the project embraces the heterogeneity of the agricultural sector, which policy makers also have to account for.

Within Belgium two case studies are examined, apples and pears (KUL) and sugar beet (UH). Sugar beet was chosen since the termination of the quota system provides an interesting case to analyze. All case studies follow the same research steps, which can be divided in a qualitative and a quantitative part. The former consisted of interviews, focus groups and a workshop. The latter will be a survey. Information gathered during the qualitative steps will influence the survey questionnaire and design. Interviews and focus groups, were primarily conducted with farmers since SUFISA is farmers oriented. The final qualitative research step, will be a workshop that will allow the inclusion of other stakeholders of the supply chain.

The focus groups were conducted in order to generate additional information and to validate the information gathered during the interviews. Focus groups offer the possibility of getting insights that arise due to the more dynamic character of interaction during a focus group. Thus, a discussion among focus group participants with opposing views was envisioned.

From the interviews main topics were identified that were further discussed during the focus groups. A semi-structured focus group outline was chosen in order to give some guidance of the discussion, but at the same time allow farmers to expand on issues that are important for them. Power imbalances, that seem to become more prominent due to the abolition of the quota system, were the main topic of the semi-structured questions. Apart from letting farmers reflect on these power imbalances and the role of

the sugar beet syndicate, future strategies were discussed. Interviews allowed the identification of 13 different strategies farmers mentioned in the course of the individual interviews. In order to allow farmers to discuss as many strategies as possible, while spreading the information burden on focus group participants, strategies were split up in two sets (one strategy was deliberately present in both focus groups). Each strategy was captured with an illustration and a short explanation rendering possible the simple recognition of the strategies¹. Farmers had the freedom to talk about the strategies that were most important to them. Thus, not all strategies were covered in detail during the focus groups.

Focus group discussion

The following topics have been discussed:

- Power imbalances
 - Role of the syndicate
 - Number of farmers
 - Lack of alternative marketing channel
 - Multinational company
 - Farmers' holding in the refinery
 - Profit margins
 - Risk distribution
 - Biophysical conditions
- Syndicate
 - Decreasing legitimacy
 - Steering common actions
 - Regional differences
- Policies
 - Low impact of farmers
 - Focus on consumers
 - Rural policies versus agricultural policies
 - Increasing burdens
 - The syndicate as role model
 - Support of large scale actors
- Strategies
 - Vertical integration
 - Innovation
 - Branding
 - Alternative crops
 - Alternative end-products
 - Additional income
 - Choosing another refinery
 - Intensification

¹ See the accompanying pdf.

Power imbalances

- Role of the syndicate

Farmers recognize power imbalances between farmers and the refineries. The sugar beet syndicate is understood to improve the position of farmers regarding these power imbalances. Farmers communicated their worries about future developments that may lead to the weakening of the sugar beet syndicate. They report instances where refineries contacted farmers individually. These instances give farmers the impression, that refineries may prefer not to cooperate with the sugar beet syndicate. Not only may this weaken the position of sugar beet farmers, but farmers also fear that this will increase the inequality among farmers. They pointed out that large farmers would have advantages regarding negotiations with the refineries. However, there seems to be already a reduced interest of large-scale farmers to participate in the sugar beet syndicate.

- Number of farmers

Apart from the sugar beet syndicate as a means to create a level playing field the actual number of sugar beet farmers was also mentioned as a factor influencing power balances. The more farmers there would be, the more power they would have. This does not only apply to business connections but also to politics in terms of voter voices.

- Lack of alternative marketing channel

The problem of being forced to come to an agreement with one buyer is pointed out. Not having a choice who to sell your produce to, equips buyers with power. The danger of allowing market forces to work unchecked if the situation was like this was mentioned.

- Multinational company

Negotiations between farmers and the Tiense Suikerraffinaderij seem to have become more difficult since the restructuring of the market due to the refineries accountability towards Südzucker. Farmers complain that Südzucker is only interested in their profits, which may be related to the Südzuckers' accountability towards their shareholders. Another aspect farmers indicated is the power structure within the Südzucker group. They stated that it can be assumed that Südzucker may think about stopping refining in Belgium altogether if negotiations were always that difficult. Thus, farmers realize that there is pressure on Tiense Suikerraffinaderij as well.

- Farmers' holding in the refinery

Farmers' holding in the refinery is discussed, pointing out that farmers' being shareholders alone does not improve the situation. The focus group participants bring up the example of Cosun (the cooperation of Dutch sugar beet farmers) and compare it with Südzucker, where farmers hold a larger amount of shares. In the former case farmers being the owner of the refinery themselves results in them having a long term perspective. This is in contrast to Südzucker, where short term profits are more relevant to

please shareholders. Anyhow, farmers understand that having a stronger holding in the refinery would improve their situation. On the other side, this seems to oppose Belgian tradition.

- Profit margins

Farmers indicate that power imbalances are visible through profit margins, which are lowest for farmers. The industry demands farmers to produce more following stricter regulations, while not increasing the price they receive for their produce.

- Risk distribution

Refineries intend to increase production. Since this means that sugar beet needs to be harvested in a period with higher climatic risks, the risks for farmers increase, while their remuneration remains the same. In contrast refineries can increase their profit margin through such measures, by reducing their unit costs. While a scheme to compensate for reduced sugar contents caused by unfavorable harvesting periods exists, farmers emphasize that first these compensations are not enough and second they are mainly financed by farmers themselves. The money for this stems from premiums farmers received in the past. However, with reduced premia, financing these compensation schemes will become more difficult.

- Biophysical conditions

Power imbalances depend on the situation of the farmers. Refineries are also dependent from sugar beet farmers in the region. The more alternative options these farms have, the higher is their bargaining power. Due to the soil conditions in the different Belgian regions different power distributions between the two refineries present in Belgium evolve. Thus, these biophysical conditions create a competitive advantage for one refinery in an already concentrated market.

Syndicate

- Decreasing legitimacy

Farmers do not realize the amount of work and tasks the sugar beet syndicate fulfills. This in combination with the fee that farmers are obliged to pay for their (forced) membership contributes to the reduced interest in the syndicate of some farmers. Additionally, now that the syndicate has problems negotiating a price that is acceptable for farmers, the legitimization of the syndicate further reduces. It is suggested to outline more clearly to farmers what the syndicate does to regain its legitimization.

- Steering common actions

From the perspective of the focus group participants, the role of the syndicate is perceived as being important. For example, it is indicated that the syndicate potentially has the power to regulate the overall sugar beet output. Such a measure may be important to stabilize prices.

- Regional differences

Farmers pointed out that the cultural differences between Flemish and Walloon farmers hinder a smooth cooperation, which is further weakening the position of the sugar beet syndicate. Farmers do not seem to perceive them as Belgian sugar beet farmers but rather as either Flemish or Walloon sugar beet farmers. Communication practices may need improvement to strengthen the syndicate.

Politics

- Low importance of farmers

Farmers indicated that farmers are not ranked high on the priority list of policy makers. As mentioned above, farmers related this to the reduced number of farmers within the country. Farmers participating in the focus groups indicated that not only policy makers do not appreciate their work, but that consumers do neither. People seem to have lost the understanding where food comes from and with this the appreciation for farmers vanished.

- Focus on consumers

The perversion of the system was pointed out as well. Consumers' share spent for food is kept low by policies in order to allow them buying other commodities that fulfill their wants (rather than their needs). The analogy to bread and games was made indicating that giving consumers enough budget to consume games (wants), they would be kept quiet. Such a strategy is to the disadvantage of the farmers and the whole food system suffering from deteriorating standards. They understand that the reason for not giving farmers more power is to guarantee low food prices for consumers. However, farmers argue that this argument is unfounded. They point out that the industry passes on increasing prices but not reducing prices, while farmers do experience these fluctuations. Thus, the problem is rooted downstream, rather than on farm level. Farmers also point out that opening the market for the sake of lower consumer prices will be unsuccessful with the current power imbalances. Further farmers understand that rendering possible low food prices makes the financial support of farmers necessary.

- Rural versus agricultural policies

Farmers complain that politics are more and more focusing on rural development while less and less considering actual agricultural issues. They point out that policies support environmental protection in order to supply citizens with a healthy environment. It is understood that these policies are made for citizens who want to enjoy a clean environment, rather than to support farmers. Thus, the move to cut back the first pillar of the CAP in order to strengthen the second pillar, is not supported.

- Increasing burdens

Farmers state that policies are rather covering symptoms instead of offering remedies for the root problems. Policies aim at increasing food safety and supporting environmental protection, which make food production more expensive. The increased costs are however, not passed on to consumers. Thus, production costs for farmers rise, while they do not get higher prices for their produce. Additionally, regulations are not imposed equally on all primary producers. This inequality (even within Europe) causes further problems regarding fair competition.

- The sugar beet syndicate as role model

The sugar beet syndicate is seen as a model for building producer organizations. However, farmers point out that they still do not have the necessary means to truly create a level playing field.

- Support of large scale actors

Another issue during the focus group was the increased size of farms, which is also related to the reduced number of farms. It was discussed that policies support large scale farms, while neglecting smaller farms. Farmers linked large scale farms to the problem of reduced resilience, indicating that less turbulences are caused by a small farm failing, compared to a large one. Not only large scale farms seem to be more supported than smaller ones, also large companies receive more attention from policy makers. On the other hand, farmers also point out that politicians are not able to influence multinational companies. Thus it is indicated that multinational companies rather have the power to influence policy makers.

In conjunction with the problem of the increasing farm size, it was pointed out that there is an ever increasing competition for land. Only financially potential farmers can compete in this market, where businesses and private investors buy big plots.

Further, farmers struggle to find a successor for their farms. Thus, it will be a natural process that the number of farms decreases. However, the reason for not finding a successor is two-fold; financially and socially. First, the financial burden seems to be too high. Young farmers who would need to invest in order to make the farm profitable, would have problems finding financial resources. The increasing problem of earning profits with farming is neither attracting young people. Second, the farm business does not have a high reputation, thus young people are less interested.

Strategies

Vertical integration

Vertical integration was one strategy that came up during the interviews, but was rather related to either, farmers buying more shares of the refinery, or the refinery getting more engaged in farm activities. Regardless, another strategy was suggested during the focus groups; farmers opening up their own refinery. While this strategy is not very concrete yet, it indicates the severity of the sugar beet farmers' situation.

Selling the land to the refinery is a highly contested topic. Nevertheless, farmers stated that farmers are forced to do this as a last resort. By far this is not a welcomed strategy, since farmers would not be able anymore to hand over their farm to their offspring. Also, by such a step, farmers would no longer be entrepreneurs, but employees, which is neither seen as a favorable situation.

Innovation

Innovation is seen as the main strategy for the time being in order to increase output and thus hopefully increase income.

Branding

Regarding branding farmers do not see much opportunities. On the one hand they realize that this is already partly done, but they also point out that these activities do not have a positive effect on them.

This is related to the problem pointed out in the section on power imbalances, where farmers stated that profits are generated only downstream the supply chain, but not on farm level.

Alternative crops

While choosing an alternative crop is indeed a strategy that farmers may need to take up, if prices are not acceptable, the practicalities of changing crop are by far not simple. Several aspects need to be considered, such as the demand for the alternative crop, or climatic and soil conditions necessary for the cultivation of the alternative crop. Additionally, farmers are aware that many farmers switching to an alternative crop could lead to reduced profits of the respective crop. Finally, farmers appreciate sugar beet as a good rotational crop maintaining soil quality. Thus, suspending the cultivation of sugar beet may have adverse effects on the soil.

Alternative end-products

Bio-plastics and bio-ethanol would offer alternative end-products for sugar beet. Up until now farmers see a limited solution in this strategy, since the demand is not big enough. Moreover, they do point out that using food for the production of these alternative end-products is related to the *food versus fuel debate*.

Additional income

Generating additional income is a common strategy employed by farmers. Often their wives have an additional job and many farmers seek a second income stream too. Mostly farmers get jobs outside of the agricultural sector. However, they point out the limitations of finding a side job, since farmers usually do not have another education that would allow them to find a high paying job.

Another issue brought up by focus group participants is the dependency from governmental subsidies. While subsidies are acknowledged as providing a basic income, this is not seen as positive. Farmers express that it should not be necessary to provide farmers with subsidies to guarantee their persistence. Farming should be profitable enough on its own.

Choosing another refinery

Although there are two refineries in Belgium, choosing the refinery that offers the best conditions is not an option. Farmers are bound to the closest refinery due to transportation costs.

Intensification

Farmers point out that they do not have an influence on prices, thus the only possibility to increase income is to produce more. Increasing production is the only aspect farmers can influence. On the other hand, it is argued that farmers should abstain from producing more, since this would result in increased production and thus in lower prices. Farmers suggest that premiums should not increase with the amount of sugar beet delivered, but should rather be a flat premium.

Increasing the farming area is an approach taken up by farmers if possible. However, they doubt that this is a real remedy and state it would rather only be a means to improve. Moreover, it is pointed out that they will never be able to compete with larger countries, which have generally much larger plots. Additionally, farmers doubt whether increasing plot sizes, will result in higher farm-gate prices. Overall, increasing plot sizes, which is related to decreasing the number of farms, may be more beneficial for refineries, than for farmers themselves, since this will reduce transaction costs.

Conclusion

The focus groups supported information gathered during the interviews. Power imbalances seem to be a mayor problem that may have increasingly negative impacts after the termination of the quota system. Means to tackle market imbalances are limited. The syndicate would offer a potential remedy. Nevertheless, the syndicate struggles with decreasing legitimacy. Thus, the position of the syndicate needs to be strengthened. This will require equipping the syndicate with means to create a level playing field regarding price negotiations.

The discussion about concrete strategies to overcome the current problems indicated that many options are already applied and have reached their limit. Innovation and intensification seem to be the most promising strategies, from the farmers' point of view. However, sustainability aspects need to be taking into consideration. Intensification may not be the most sustainable solution. If policies are now increasingly focusing on supporting sustainability, other options need to be provided to farmers.

More support from the political side is wished by farmers. Apart from political support for a level playing field between farmers and refineries, the role of consumers should be considered. An important point seems to be to foster people's understanding of agriculture. This may in turn also increase consumers' willingness to pay a higher price.

Finally, due to the high concentration in the sugar sector, price developments should be followed closely.