

## **STRATEGIC AGENDA FOR ARABLE CROPS**

Humans have been highly dependent on plants for millions of years. Plants are the primary source of energy, nutrients and tissue-building substances for most other organisms. They convert atmospheric carbon dioxide into carbohydrates via a solar energy-dependent process. Hence, plants are the roots of the European food and feed chain on which we depend. Arable crops form the basis of Europe's industries, with an annual turnover of more than €1 trillion and represent a positive EU net trade balance of €8.3 billion per year. This sector therefore contributes to the growth of the European economy and to the creation of jobs. The primary production, processing and agri-food sectors are thus inextricably linked. Establishing a joint vision of the arable crops sector and the challenges it faces will make it possible to maintain the momentum behind innovation, value creation and replying to society's expectations.

We consume cereals, oilseeds, sugar and rice both directly and as processed goods, for example as beer (hops and malting barley), pasta (durum wheat), rapeseed oil, and starch (corn, potato). Even meat ultimately comes from arable crops since we feed plants to animals. Plants are also used for non-food purposes, notably the production of fibres, which is the first non-food outlet. Cotton, flax and hemp are crucial production sectors for the EU textile industry. We in Europe already have a bioeconomy that provides biofuels and green chemicals to the EU's industry and transport sector.

The agricultural and agri-food sector needs a strong and innovative seed sector in order to have varieties that can resist diseases and weather vagaries, and are adapted to consumer demands. In order to achieve this, the sector also needs a dynamic policy and a European regulatory framework that supports innovation. Several European regulations will be reviewed, adapted and modernised in the years to come.

All 28 European Union Member States produce arable crops. This sector spans a wide range of varieties and provides an essential habitat to foster biodiversity (for pollinators etc.). Arable crops are grown on 24% of EU land and half of the 13 million EU farms grow cereals. The group represents a whole host of economic and non-economic stakeholders, who are firmly convinced that the most appropriate approach is to turn to future solutions in order to tackle the challenge of feeding 9 billion inhabitants and improving the performance of Europe's single market.

Arable crops have helped humanity thrive and they will be every bit as essential in the future. The continually growing world population has to be fed, and increasing demand for high-quality, safe and affordable foods has to be satisfied. Fossil-fuel resources, limited in availability and a major source of greenhouse gas emissions, will need to be replaced with renewable resources. Sustainable and growing economies will have to be based largely on renewable biological resources. The Civil Dialogue Group on Arable Crops will focus its debate on how to:

- Ensure a dynamic arable crops market and a good functioning of the single market, which will benefit all actors in the EU food and feed chain, including the consumer. It is therefore primordial for national authorities to provide reliable data.
- Keep a constant flow of innovation to the farm in order to contribute to the EU 2020 strategy for growth and employment, and to develop the bioeconomy.
- Integrate the environment and productivity into the arable crops sector via green growth and improving the indicators on the efficient use of resources.
- Develop guidelines based on scientific knowledge and respect the consumers' and economic operators' freedom of choice when advising policy-makers.

The group intends to play an advisory role to the Commission's services. In order to do so, the group hopes to:

- See the services of DG Agriculture and other Directorate Generals actively participating, especially if they are the leading DG on a particular matter.
- Draft an agenda that fosters “before-hand” exchanges of views on decisions reached by DG Agriculture.
- Formulate written contributions to send to DG Agriculture's services, which express majority opinions and also reflect minority views.
- The group will draft a sectoral "scoreboard" (see attached) and analyse strengths and weaknesses, which will make it possible to monitor the situation over the next 7 years.

## **SPECIFIC AGENDA**

### ***Cereals sector***

Cereals are produced across the entire EU. A dynamic European cereals market forms the basis of diversified and sustainable agricultural production in Europe. Good knowledge of these markets (production, stocks and outlets) and their product movements is therefore vital for the cereals sector and also the livestock sector. Due to market volatility and unpredictable climate conditions, farmers and stakeholders in the chain must be provided with coherent tools to manage risks and smooth incomes on the financial markets (MiFID and the input market), and also to protect the health of plants and products for food or feed purposes (plant protection products and integrated pest management).

In this context, examining the impact of the reformed Common Agricultural Policy, and particularly subsidiarity (greening, cross-compliance, direct payments), on the cereals sector should feed into discussions on administrative simplification, distortion of competition and the integration of the internal market.

Following up on and implementing trade negotiations is important because the markets for cereals, oilseeds and protein crops are all closely linked with the international market. Yet, goods produced outside of the EU are not subject to the same production standards as those in Europe. Trade negotiations may lead to European meat products being substituted with virtual imports of cereals and could increase the virtual import of land. Similarly, balanced and uninterrupted flows of imports and exports are of vital importance, on one side to provide the EU livestock sector and processing industries with the necessary raw materials. Finally, the group should examine how to better promote cereals in all their diversity, on both the import and export markets.

### ***Oilseeds, protein crops and dried fodder sector***

Oilseeds and protein crops are used as break crops on arable farms. They are also particularly grown in areas with intermediate agricultural potential, where they greatly contribute to farm income. The cereals, oilseeds and protein crops sectors wish to jointly debate issues relating to the markets, managing financial and climatic risks, implementing the new CAP, and international trade (problems with distortions to competition).

Plant protein is vital to the European livestock sector. Plant protein produced in the European Union is mainly derived from oilseed crops, but can also come from protein crops or dried fodder (alfalfa, lupins, etc.). The by-products from the cereal industry also have a role to play. In order to better manage the strategic challenge of supplying protein to the European livestock sector, the solution is to develop a "scoreboard" to record the supply of plant protein to the European livestock sector (production/imports/exports) in order to identify the different production levers.

Vegetable oil is a by-product of crushing oilseeds. The Civil Dialogue Group should also focus its attention on the challenge of producing European vegetable oils as a foodstuff, looking at supply, quality and meeting consumers' expectations. It is therefore vital to monitor the markets of these different products (EU production, imports-exports, consumption and stocks) as well as the development of the different outlets (food, biofuels and green chemicals).

The role of these plants in the fight against climate change and their useful environmental characteristics must be studied in greater detail, particularly in light of the issue surrounding pollinators. This sector also finds itself confronted with the issues of minor uses and the development of new outlets (aquaculture, as food for human beings). The Civil Dialogue Group should contribute to thinking on a strategic European approach to develop a mature market for this sector.

The group will develop an overview on plant proteins, including aspects on potential production increases, demand for food and feed, and developing renewable materials markets, the contribution of biofuel production.

### ***Rice sector***

Rice is extremely important from an economic, environmental and cultural standpoint for the regions where it is cultivated. Transparent market information, in particular on stocks, production volumes and the amounts that have entered the market for the main varieties of rice, is vital to support the sector's activities. Information is needed on import trends, including imports of packaged rice which amounts to 2/3 of all rice consumed in the EU, and exports of processed rice-based products, such as Japonica rice. More accurate information on EU production costs is also needed, as the increase in imports is putting the rice sector in the EU at risk. The group will focus its discussion on the following:

- The impact of the implementation of convergence, coupling support and agri-environmental and climate measures on EU rice production. It is primordial to monitor the implementation of the measures dealing with the recognition of POs and IBOs. The sector also needs to engage in deeper discussions concerning the distribution of costs, bargaining power and unfair practices within the supply chain.
- The sector is currently facing increasing competition from third countries and downward pressure on prices, in particular from countries benefitting from preferential tariff agreements (such as least developed countries). This issue needs to be discussed with all stakeholders in order to seek appropriate solutions.
- Since 1993, the revision of the list of permitted active substances in Annex I of Directive No 91/414/EC has resulted in a significant decrease in the number of herbicides and fungicides previously included on the list, which has restricted the ability of farmers to protect their crops. At the same time, pests are a growing problem for farmers. The issue of minor uses should be followed closely.
- Encouraging the use of the new opportunities provided by the reform of the promotion policy, with a view to boosting European rice consumption on the domestic market and making consumers aware of the quality of this crop, which complies with high production standards and full traceability. The increase of Japonica rice exports could be a good indicator.

## ***Sugar sector***

The European sugar industry processes almost 100 million tonnes of sugar beet per year (100% of EU origin) and produces a large range of products made from sugar beet (for food, feed, green chemistry, etc.) Sugar beet is produced by 150,000 farmers in 19 Member States and processed by 109 industrial sites. This sector boasts 180000 direct and indirect jobs. Currently, under the sugar quota system, the European sugar and isoglucose market is 85% self-sufficient. Imports are mainly of sugar produced from sugar cane, which either fall under the "Everything But Arms" (EBA) initiative duty-free, quota-free or come from other countries than EBA countries with preferential access. The end of the quotas in 2017 casts doubt on the balance on the European sugar market and how competition will develop with the isoglucose market.

The recent important developments on both the world and EU sugar markets have highlighted the importance of regular exchanges between stakeholders, as well as regular updates, at least on the following:

- World market statistics and developments on global markets (for white and raw sugar) presented by the sugar traders.
- Data on beet crop and sugar production presented by the European beet growers and the European sugar industry.
- Information on the Commission's estimates of the EU sugar and isoglucose balance.
- Exchanges of view on the trade negotiations between the EU and third countries, focussing on the cumulative impact of trade concessions.
- Contributions on sugar policy in third countries.
- Information on the dynamics of the market for sugar products including molasses.  
Data on the sweeteners market (including isoglucose and other artificial or natural products).

The debate may focus on identifying, suitable ways for the European Commission to manage the European market as long as quotas are in place and if possible quantifying, distortions to competition on the EU internal market or in relation to competitors from third countries..

## ***Starch sector***

The European starch industry processes 15 million tonnes of almost exclusively EU-grown cereals. That amounts to roughly 6% of EU wheat production and 13% of the EU maize crop. This sector is the biggest outlet for cereals after feed and is an outlet that may increase in size with the market liberalisation of isoglucose production as of 2017. The sugar and starch industries should hold a dialogue on the market prospects for their respective products.

Concerning the European Innovation Partnership for Agriculture, the group will investigate the feasibility of setting up an operational group for starch, bringing together farmers, researchers and the industry (both starch and bio-industries from CEFIC and CEPI) to transfer knowledge and innovative practices from the laboratory to the fields and to manufacture innovative bio-based products, with funds from the rural development policy and the Horizon 2020 research and innovation framework for the period 2014-2020. The aim is to provide opportunities for developing, testing and applying innovative approaches all along the supply chain.

Because the starch industry is an energy-intensive industry at risk of carbon leakage (i.e. relocating production to less environmentally stringent areas), it receives a greater amount of free greenhouse gas emissions every year until 2014. The list of sectors at risk of carbon leakage is being reviewed and should apply from 1<sup>st</sup> January 2015 for a five-year period. The group will have an exchange of views on the impact on the markets that this new additional cost could have.

## ***Energy crops and non-food crops***

The green chemicals market is showing a lot of potential and the EU has decided to dedicate €2 billion to bioeconomy pilot projects. The newly elected Commission President, Mr Juncker, has called for investment projects worth €300 billion. The challenge now is to ascertain how this sector can contribute to this target.

The group will discuss the following points:

- The climate and energy policy post 2020, including energy security.
- Developing second-generation biofuels, especially from miscanthus and willow (perennial plants).
- Reviewing the default values for the GHG emissions of biofuels (FQD and RED Directives) and reviewing the fossil fuel comparator (RED and FQD Directives).
- The methodology behind fossil fuel GHG emissions (FQD) and ILUC will be discussed in order to ensure a better understanding amongst all stakeholders and to develop recommendations for DG AGRI.
- As a global trade in biofuels is developing, better market information is needed, such as an ethanol balance sheet, a follow-up on biodiesel and bioethanol anti-dumping cases, and energy taxation.
- Finally, the group will address the bioeconomy strategy and biomass sustainability criteria in order to develop recommendations for the Commission's services.

## ***Tobacco sector***

Tobacco production contributes to the stability and viability of numerous multifunctional farms, yet this is being jeopardised in many regions by the rapid decline in the amount of arable land devoted to tobacco production. Tobacco production demands more than 1,000 working hours per hectare. On average, each producer cultivates a mere 1.25 hectares of tobacco. The European tobacco sector is a significant source of income and employment (400,000 jobs) in rural areas in countries with high unemployment rates. The group needs more accurate information on EU production costs. Finally, under the successive CAP reforms, the tobacco sector has undergone complete decoupling from direct payments, yet it is also the only sector that has been excluded from the possibility of recoupling support.

The group will discuss the following points:

- The impact of the implementation of convergence, greening measures and cross-compliance on the sector and explore the stability of tobacco growers' incomes via specific tools such as POs, IBOs, mutual funds and income insurance.
- Develop recommendations to improve the contractual bargaining position of the sector's operators, in particular the distribution of added value created by the sector.
- Follow-up on bilateral and WTO negotiations: European raw tobacco constitutes less than 4% of global production and imports have been increasing. Trade negotiations may have an impact on the commercial development of the industry in the EU.
- Implementation of the revised Tobacco Products Directive: the impact this will have on farm income should be further assessed with a view to EU secondary legislation.

- The WHO Framework Convention on Tobacco Control (FCTC): this convention attempts to develop alternatives to tobacco production. The group should contribute to the process and assess whether the proposals tabled by the WHO (Articles 9, 10, 17 and 18 of the FCTC) are consistent with the EU's 2020 strategy.
- Develop specific solutions on minor uses and specialty crops due to the limited amount of area covered by tobacco at EU level.
- Evaluate how European producers may be affected by other initiatives to draft European or international regulations on tobacco (e.g. packaging or ingredients).
- The group will work on the use of biomass to as a way for tobacco to make a positive contribution to the EU's climate change strategy.

### ***Flax and hemp sectors***

Flax and hemp are crops under vertical integration contracts, which guarantee annual or multi-annual supply and price stability through contractual compliance.

The sector is highly dependent on exports to one main purchasing country. It must be capable of organising itself when dealing with its clients' purchasing strategy. In order to do this, the stakeholders need reliable production and trade statistics, particularly in order to trigger the measure on private storage aid or recoupling if the market conditions require it, as the new CAP allows.

The sector has invested in a promotion programme, which is currently underway, worth €3 million, as well as in a natural fibres observatory that aims in particular to tackle labelling fraud in the flax-based textile sector. Since promotion is of the utmost importance for the future, the sector intends to present a new programme focussing on the development of third country markets for the post-2013 period.

Finally, the sector needs the support of the European Commission to take better account of life-cycle analyses of new materials which make it possible to demonstrate their positive environmental impact and thus their inclusion in green growth supported by the 2<sup>nd</sup> pillar of the CAP. The fibres sector is firmly rooted in the bioeconomy and in new markets for bio-sourced products.

### ***Cotton sector***

The production of cotton is of major economic and social importance for the regions where it is cultivated, and it provides rural and industrial employment to more than 200,000 people. Furthermore, in some areas it adds up to more than 50% of total agricultural income. In 2013, cotton production was estimated at 300,000 tonnes, which equates to only 1% of world cotton production. Market monitoring plays a key role in supporting the development of EU producers.

Cotton production is included in the Protocols of Accession to the European Community of Greece, Spain and Portugal and it benefits from a specific payment. However, in order to receive direct payments, cotton farmers must comply with cross-compliance and greening measures. The implementation of these measures, as well as rural development measures and agri-environment and climate measures should be monitored. Monitoring the implementation of Articles 59 and 60 of Regulation No 1307/2013 concerning the recognition of interbranch organisations is also primordial.

The quality of the cotton fibre produced in the EU is acknowledged by operators. This is why, in the context of the EU quality policy, the possibility to create a quality brand of EU cotton could enhance the value of this product.

As EU cotton production differs from the cotton produced outside of the EU in a number of ways, the group should examine the added value of promotion campaigns for European producers.

## ***Hops sector***

The EU is the main player on the global hops market, with 14 EU producing countries. There are some 2,600 farms in the EU that grow hops, covering 26,500 ha, which equates to 60% of the total surface area worldwide. Regular monitoring is needed due to the increased volatility on the global market (the demand for alpha acid is not increasing much, although world beer production is on the rise). In this context, strengthened cooperation with the IHGC (International Hop Growing Convention) would help to gain a better overview of the global hops market.

Direct payments are totally decoupled and hops farmers have to comply with greening requirements, convergence and cross-compliance. Voluntary coupled payment can also be granted to the hops sector by Member States. There is also a need to monitor the measures linked to the recognition of POs and interbranch organisations, as well as measures on aid to POs.

The EU is losing its market share to third countries such as the USA and China, which is having a detrimental effect on the European market. An exchange of views on the sector's priorities is needed to open up new markets (Japan, Brazil).

As hops are a minor crop, the development of EU legislation on minor crops should make it possible to provide adequate pest control in the hops sector. The group will have an exchange of views on the impact of this regulation on the markets.

## ***Seed sector***

The European seeds sector has a total turnover of €7 billion and plays a pioneering role at global level in the creation and production of seeds. More than 7,000 businesses, of which a large variety are small and medium-sized enterprises, and more than 50,000 highly qualified jobs also contribute to the growth of Europe's rural economy.

Every year, several thousand new varieties are developed and placed on the EU market. This is only possible thanks to intense research and development efforts made by these businesses (15% of the turnover). Thus, more than 35,000 different varieties (of arable and horticultural crops) are registered in the European catalogue and are available to farmers. The European seed sector is also a global leader in exports, thanks to an international system of trading and creating varieties, the high quality of seeds produced and an appropriate system of intellectual property protection.

What's more, the lack of information on the quantities of seeds produced at the propagation stage in Europe limits both conventional and organic production forecasts and could cause the European single market to function poorly in the future. That is why the Civil Dialogue Group on Arable Crops proposes that this specific issue be tackled from a quantity perspective. It is also vital to follow changes to legislation in the seed production sector to evaluate the impact thereof on productivity, food security and changes to farming practices:

- Draw up an inventory of seed production (at production level) and their marketing. The seed industry sector could propose a methodology to evaluate stocks.
- Monitor the legislative package on the placing on the market of seeds and plant health, as well as Member State controls to evaluate the impact on different sectors.
- The sectors that create different varieties, propagate and produce seeds are also currently grappling with a lack of plant protection tools. The group will also be able to have an exchange on the impact of community initiatives, such as the fund for minor uses, seed treatment technologies, or orphan crops, and propose potential avenues for the European Innovation Partnership to work on. The aim is to explore all possible avenues that enable the stimulation of an economic sector, which is vital to arable crop production.

- The Commission must revise the legislation on plant intellectual property rights and biotechnology inventions, as well as their interaction, limits and exemptions, such as the farmer's rights concerning farm-saved seed. The group will have an exchange on the impact of different scenarios on European agricultural production.
- Production with the help of biotechnologies on European soil is currently being debated in the European Parliament and Council. The group could examine the specific issues related to seed production (adventitious presence, coexistence measures in seed production, harmonised sampling methods, etc.).
- The group will also debate the opportunities provided under the CAP to support and strengthen the creation of seeds, aiming to improve the continual flow of new varieties to farmers.
- Seed production is eligible for coupled support under the CAP. The group will analyse the impact of this measure on the sector's development.

### ***Horizontal questions***

The group should also seek practical solutions on safeguarding biodiversity and protecting birds, pollinators and insects that are not considered as pests, as well as reflecting on other environmental issues.

Here, the group will use guidelines on good agricultural practices to analyse the suitability of alternative solutions, such as agri-forestry. The group could also contribute to the impact assessment on the implementation of greening measures, notably by showcasing initiatives based on these greening measures.

The use of water is also a cross-cutting matter for arable crop production. The group could evaluate this issue by investigating the practicalities of different opportunities to optimise water usage.

The interaction between pollinators and arable crops will also be evaluated in more detail, looking in particular at the practical aspects and relations between beekeepers and growers.

The CAP reform has introduced a greater possibility for cereal producers to organise themselves in producer organisations. Reflections on this could be widened to all crops covered by the Civil Dialogue Group on Arable Crops and the group could have an exchange of views on the positive and negative impacts that this approach may have.

The group could contribute to debates on all of these topics within DG Agriculture's other Civil Dialogue Groups, especially the Group on Direct Payments and Greening, the Environment and Beekeeping.

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