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DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT

Directorate Markets
The Director

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MINUTES CDG

MEETING OF THE CDG ON AGRICULTURAL MARKETS – RICE

6 July 2023

Chair: AGRI.E4

All organisations were present, except: Bee Life - European Beekeeping Organisation, BEUC - Bureau Européen des Unions de Consommateurs, CIUS - Committee of European Sugar Users, CEVI - Confédération Européenne des Vignerons Indépendants / European Confederation of Independent Winegrowers, CEJA - Conseil Européen des Jeunes Agriculteurs / European Council of Young Farmers, EuroCommerce, EUROLIVEPOMACE, Euromalt, EAPF - European Alliance for Plant-based Foods, CEFIC - European Chemical Industry Council, CEPM - European Confederation of Maize Producers, ECVC - European Coordination Via Campesina, EUROCOTON - European Federation of Cotton and Allied Textiles Industries, FEFAC - European Feed Manufacturers Federation/Fédération européenne des fabricants d'aliments composés, EIHA - European Industrial Hemp Association, EFOW - European Federation of Origin Wines, FEFAC - European Feed Manufacturers Federation/Fédération européenne des fabricants d'aliments composés, EIHA - European Industrial Hemp Association, EMIDAS - European Molasses Importers and Distributors Association, Tomato Europe - European Organisation of Tomato Industries, Euroseeds, FTAO - Fair Trade Advocacy Office, FEDOLIVE - Federation de l'Industrie de l'Huile d'Olive de l'UE, Food Drink Europe, Freshfel - Freshfel Europe, EUCOFEL - Fruit Vegetables Europe, IFOAM - International Federation of Organic Agriculture Movements European Regional Group, SACAR - Joint Secretariat of Agricultural Trade Associations / Secrétariat des Associations du Commerce Agricole Réunies, PFP - Primary Food Processors, Semouliers - Union des Associations des Semouliers de l'UE, WWF - World Wide Fund for Nature

1. Approval of the agenda

The agenda was approved.

2. Nature of the meeting

The meeting was non-public.

3. List of points discussed

Overview of the market situation

The Commission presented the international situation with the prices through 22 June 2023. Asian prices have been mostly up since September 2022 and US rice had held steady over the last few months. Last month the International Grains Council (IGC) came out with a new global rice estimate: marketing year 2022/23 world rice production is estimated to be broadly steady year on year. Total production is estimated at 514 million tonnes due to a bigger than expected crop in India that compensates for declines elsewhere. The IGC further noted that consumption is going up, and with production being steady year-on-year, global inventories are set to decline by 6 million tonnes. World trade is projected to rise to 55 million tonnes, with India's exports accounting for 40% of the total.

EU total imports were up 5% compared to the last marketing year. The price in the EU is so high that the market attracts cheaper imports. Millers import from third countries while some EU growers withhold their paddy in the hope to get a higher price for that in the future.

The Commission also discussed the imports of small packages below 5 kilograms. They have been strong lately and are up by 7% compared to last marketing year. At least 90% comes from developing countries. Imports of the small packages from 5 to 20 kilograms showed a different picture, but imports have been strong as well although they come in at the same level as last year.

Because of the upcoming Free Trade Agreement negotiations with India, the Commission presented rice imports from India over the last seven years and the imports from India per Member State for the current marketing year. It would appear the Indian exports to the EU have been on a long-term downtrend, but that that trend is mostly due to a decline in husked rice imports. After Brexit, Italian millers have moved into the basmati market and that shows immediately in the statistics as Italy takes 14% of the imports from India.

Aromatic rice imports from India and Pakistan, both milled and husked, show a long-term trend whereby Indian exports are being displaced by Pakistani exports. For the current marketing year imports are very low from both countries compared to previous years.

Although not currently problematic, the Commission nonetheless did offer some insights into Cambodian rice exports to the EU. Japonica exports are historically low and stable. France takes 40% of Cambodian rice imports into the EU. For Myanmar the Commission noted that the safeguard affected the level of imports. After the expiry of safeguard

(January 2022), Myanmar rice exports to the EU show no consistency. But indica exports to the EU have rebounded and are now stronger than before the safeguard. Combined imports of Everything But Arms (EBA) origins rice since September 2018 are up by 12%.

EU monthly export data since September 2018 are up 1% were last month the number was still down 5%. Spectacular increases in paddy and husked were noted.

EU paddy prices through 20 June show a spectacular drop in Italian paddy and for the first time in many years Italian prices are now below Spanish prices. The Commission noted that, interestingly enough, this coincides with reports that Italian farmers still have large amounts of rice in storage and were hoping to sell that at higher prices, but millers have started to import from third countries in the meantime. Also, the farmers need to sell at any price soon because the new harvest is only a few months away.

COPA referred to a difficult year with little production in the EU. There are high prices and the producers are concerned about the high level of imports. There is a call for a safeguard to stabilize the prices. Production is at a good level now although producers would like a balanced price. FERM added that they are doing an analysis internally on imports of rice in small packs which should be finalized in the coming months. In addition, the Commission's question on broken rice would be relayed to millers.

COPA further added that, while most of Japonica rice consumed in Spain is produced in Spain, the production shortfall has been covered by imports from Myanmar. They are concerned what happens when there is a return to normal production levels.

FERM added that basmati prices went from USD 700 to USD 1 100 per tonne, but actual cost is actually USD 300 higher because a lot of shipments are rejected due to issues on the maximum residue limit (MRL). Direct imports in small packs into the UK have increased, millers raised concerns in the UK of which two-thirds failed to comply with the MRL. The drop in basmati imports from India into the EU could be explained by difficulties for Indian basmati rice to stay within the various limits for MRL, issues with pesticides, as well as strong border controls.

The Commission appreciated a comment from CELCAA in the chat, in which the situation regarding imports into Poland was explained. According to that, these are imports from Myanmar which replace Italian and Greek rice. The competition was both on consumer preferences for softer Asian rice as well as on price. The Myanmar rice was imported in bulk as opposed to containers. In addition, it was said that Cambodian rice is displacing Thai Jasmin on the French market, which is aided by the high Indica prices in the EU, which makes fragrant rice relatively more affordable.

The Commission also said that apparently in Italy, weather phenomena made some growers switch to other crops as well. As to the issue of an automatic safeguard: from a market perspective it was said that it is difficult to see a correlation between import prices and production.

GSP, India and other Free Trade Agreements

The Commission presented the situation on the Generalised Scheme of Preferences (GSP). On 4 July, the Commission proposed a four-year extension of the current GSP, from 1 January 2024 until 31 December 2027. This will make sure that we can continue to provide legal certainty to beneficiary countries and make sure that GSP preferences remain in place after the current expiry date of 31 December 2023.

The Commission proposed a new GSP for the period 2024 to 2034. Negotiations between the European Parliament and the Council on the new GSP are ongoing, but have not been concluded and there is a risk that they will not be concluded in time. In the context of the trilogue discussion, while being a sensitive issue, readmission is not the only area where efforts will be needed to strike the right balance among different views. If a new Regulation is not in place by 1 January 2024, only EBA preferences would continue. Therefore, standard GSP and GSP+ beneficiaries would lose their tariff preferences. This is an outcome that we must avoid, as it would have negative effects on industry and supply chains as well as adverse impacts on workers and local communities that depend on preferential trade with the EU. The prolongation will last until the moment an agreement is reached and then it will be the next agreement that enters into force. The negotiation will continue for as long as there is no agreement.

COPA commented that we should have an automatic safeguard in order to have a more balanced market and a safeguard for two years in order to regulate the market.

UNISTOCK spoke in favour of a prolongation of the GSP if no agreement will be reached.

The Commission then elaborated on several negotiations with Indonesia and India and future negotiations with Thailand, Malaysia and the Philippines.

Indonesia: round 15 is scheduled next week in Indonesia. We will see if Indonesia is ready to conclude the anticipated deadline before the elections in both Indonesia and in the EU in 2024. The agriculture sectors are complementary. Rice is not a threat as Indonesia is a net importer. There is also the issue of palm oil. Finally, the EU needs to protect its Geographical Indications (GIs) with 221 names on the list.

On 17 June 2022, the EU relaunched negotiations with India for a Free Trade Agreement (FTA), an Investment Protection Agreement (IPA) and an Agreement on (GIs). The EU had been engaged in negotiations with India between 2007 and 2013 but these had been suspended in 2013. The objective is still to conclude negotiations before the Parliamentary elections of 2024 in India and the installation of a new Commission in Europe. As regards the FTA there were 5 rounds of negotiations so far. Round 5 was held from 19 to 23 June 2023 in New Delhi. The next round 6 will be held from 16 to 20 October 2023 in Brussels. Round 6 is meant to accelerate work on the text, deepen the mutual understanding of the main areas of convergence and divergence between the EU and India and agree on the exchange of market access offer. The objective is to exchange the 1st offer end of July.

Thailand FTA negotiations have been a long process, as they were launched in 2013. In 2021 efforts to restart the negotiations were resumed. In December 2022 and January 2023 bilateral meetings were held. In March 2023 both sides announced the relaunch of the negotiations. Next step is the first round, which will take place in September 2023 in

Brussels. The Commission will carry out an in-dept analysis of EU sensitivities and offensive interests.

Negotiations with Malaysia and the Philippines have also been put on hold but both countries are now interested in resuming negotiations in 2024.

UNISTOCK/COCERAL raised concerns about market access asking the Commission to only give concessions on broken rice.

FERM added that rice millers are concerned with the India concessions: there should be no concession on rice. This was echoed by COGECA as well and it was emphasised that resilience and sustainability criteria must be adhered to.

The Commission replied on the requirements for sustainability criteria. For Thailand sustainability clear standards will be discussed. Reciprocity is always being sought although the negotiators will look at case by case. Products that are exported to the EU comply with the EU standards.

FERM asked about the Indian application for PGI protection.

The Commission replied that:

1) the Indian application for protection of Basmati as a GI is under scrutiny by the Commission. The process is currently ongoing so no further information can be communicated at this stage.

2) GI negotiations are ongoing with India, there have been three rounds so far. Negotiations were suspended due to a change of chief negotiator on Indian side. Round 4 of the negotiations is scheduled for 13 and 14 July. Discussions are still focussing v on the text of the agreement, we didn't exchange yet the list of GIs with India.

On concerns voiced by several participants on market access on rice being offered to India, the Commission said that we do not have the list of Indian offensive interests yet, but without surprise we can anticipate that rice will be an offensive interest for India. On the EU side, there is close contact with our experts in market units to prepare and negotiate the access to EU market. The Commission is aware that rice is a highly sensitive product for the EU and will keep a defensive position. The Commission encouraged rice sector representatives to share a position paper.

Basmati code of conduct

FERM presented the European code of practice for basmati rice, the list of 15 permitted varieties, the criteria for a rice variety to be classified as Basmati, the issues when testing the rice DNA and the consequences if the proposal for a PGI status for Indian Basmati would be accepted.

The Commission asked to clarify how it can be that prior to 2004 it was common to find basmati that was mixed with another varieties. FERM said there was an incentive at the time to mix in other varieties as there was a non-basmati 7% tolerance. FERM also said that Basmati 1121 is the one variety to add to the list.

Drought in Spain – effect on production

FERM also presented a short overview of the situation in Spain after the drought, and the effect on rice production. The presentation had many precise data, which has been distributed. It was said that the area for the year 2022 would be between 105 000 and 110 000 hectares. The production of cáscara rice is between 790 000 and 825 000 tonnes in milled equivalent.

Since the year 2019 Spanish area and production are on a downtrend because of drought. The Spanish production had an average of 815 000 tonnes in milled equivalent for the last ten years, but the number has been decreasing because of drought. About 55% is Japonica and 45% is indica. In fact, in 2022, indica rice production is the one that has decreased the most, being only 23% of total production and the same is expected for 2023. In addition, the average yield per hectare has decreased in the last year also due to the drought.

Any Other Business

No other point was raised.

4. Next meeting

The next meeting is foreseen to take place on 5 December 2023.

5. List of participants

See in annex.

(e-signed)

Pierre Bascou

List of participants– Minutes

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ORGANISATIONS
COGECA - European agri-cooperatives / General Confederation of Agricultural Co-operatives of the European Union
EEB - European Environmental Bureau
COPA - European farmers Committee of Professional Agricultural Organisations of the European Union
EFFAT - European Federation of Trade Unions in the Food, Agriculture and Tourism sectors
CELCAA - European Liaison Committee for the Agricultural and AGRI-Food Trade
FERM - Federation of European Rice Millers
UNISTOCK - Unistock Europe - Association of Professional Portside Storekeepers in the Food and Feed Chain