

Brussels,

FINAL MINUTES
Meeting of the Civil Dialogue Group on Arable Crops - Sugar sector
Date: 18th November 2020

CHAIR: Mr Max Schulman

Organisations present: All Organisations were present, except Beelife, Birdlife, CEPM, EBB, ECVC, EURAF, Europa Bio and PAN Europe

1. Approval of the agenda

The agenda was approved with an additional topic requested by ESRA on Mercosur.

2. Nature of the meeting

The meeting was **non-public**.

3. List of points discussed [Name of each point, one by one]

1. Opening of the CDG meeting

a. Approval of the minutes of the last meeting on 19th November 2019: the minutes of the meeting held on 19th November 2019 were approved.

b. Approval of the draft agenda: the agenda was approved with an additional topic requested by ESRA on Mercosur.

c. Information from the CHAIR on the elections of the Chair and Vice-Chairs of the CDG on Arable Crops: the second Vice-Chair, Mr Paul Mesters (FDE) was elected in the CDG on Arable Crops/Starch held on 3rd November 2020. He would chair the next CDG/Sugar. Mr Philippe Mitko (CELCAA) was elected Chair and Mr Max Schulman (COPA) was elected Vice-Chair on 8th September 2020.

d. Meeting dates for 2021: the COM had not yet fixed the provisional dates. These would be announced later.

2. The Group's opinion on the situation and prospects for the world market for EU sugar exports (ASSUC)

ASSUC presented an overview of the world sugar market and the production outlook for the major players (see presentation).

In response to the presentation, COPA asked ASSUC to specify the conditions that would cause a shift to higher ethanol production in Brazil (ethanol parity price) and the estimated deadline for a decision of the Indian government on the sugar export programme. ASSUC clarified that there was limited flexibility in this campaign to shift to higher ethanol production in Brazil due to contractual relations. ASSUC estimated the current ethanol parity price to be at around 12cts/lb, meaning world sugar prices were expected to decrease to this level so as to motivate Brazilian operators to switch to ethanol production. The Indian government decision on the export programme was due to be taken mid-December and heavily depended on the world market situation. If world market prices were sufficiently high for remunerative exports, it was possible that the Indian government would deem it unnecessary to grant export subsidies.

3. EUBSSP report on “plant protection” and on the plant protection challenges related to recent beet crops and in particular those in 2019/20 and 2020/21 (CIBE)

CIBE presented the CIBE-CEFS-EFFAT Beet Sugar Sustainability Partnership, the EU BSSP, and reported the activities since 2015. She gave a report on the New Report: Good Practices – Plant Protection Products. She explained the strategies and challenges related to a further

reduction of insecticides, fungicides and herbicides, mentioning IPM and Good Practices. She presented the lessons learned from 2019/20 and 2020/21 crops and the challenging technical deadlock in France, Austria (as well as the Netherlands, southern Germany, Poland and the UK). This stemmed from the aphid/yellow virus and beet weevil infestations, which were fuelled by a lack of efficient active substances available on the market. She gave figures on the impacts in terms of loss of production and additional production costs.

The CHAIR recommended that all participants read the excellent presentation and report.

4. Farm-to-Fork implications on trade of agri-food products including legislation on Plant Protection Products (DG AGRI)

DG AGRI presented the F2F strategy and the pathways to the transition, including the possibilities of funding for research and innovation and new investments. In addition, DG AGRI referred to the recent AGRI-FISH Council conclusions on the F2F.

In response to various questions sent in the chat box and asked by the CHAIR, DG AGRI replied that the F2F was an umbrella strategy and that an impact assessment was not considered helpful. Impact assessments would be done before each legislative proposal. The answers to the various topics were:

- on carbon farming only for carbon in soils or biomaterials/bioplastics (FDE/CEFS): DG CLIMA is in charge of the topic and reminded that this action is planned for 2023. More concrete details about its implementation will be made available in due time.
- on reopening all bilateral agreements to align them with the F2F (COPA/CIBE): addressing this issue will require complex green diplomacy actions.. However, certain important sustainability requirements are already included in the existing trade agreements, including the one with Mercosur countries.
- on the WTO reform (the CHAIR): including sustainability requirements was at a very early stage and was a source of controversy with other parties.
- on the USDA impact assessment (the CHAIR): DG AGRI needs more time to assess the USDA report.
- On Mercosur, COPA insisted that the sector needed the same timeline for adaptation and called for a level playing field. Double standards were unacceptable.

COPA requested the help of DG AGRI to guide the sector in setting up an ambitious research programme to overcome the challenges. DG AGRI said that the Horizon 2020/Horizon Europe framework for the calls was prepared in an open manner with the co-legislators and stakeholder consultation. However, the COM services did not interfere in the selection procedure.

5. Presentation of the updated sugar and isoglucose 2019/20 balance sheet and 2020/21 forecast (DG AGRI)

The COM presented the most recent sugar market statistics. The COM reminded the participants of the new ISAMM forms put in place by Regulation (EU) No 2019/1746: two updated forms: Sugar prices (693) and Final sugar production (281) and three new forms: Buying prices for Sugar, Sugar use for previous marketing year UPDATED Agreement within the trade (see presentation).

A discussion on the balance sheet also took place during the meeting of the Expert Group of the Sugar Market Observatory on 12th November.

The Commission services were always interested in receiving comments and market analyses from the participants in order to have the best and most complete market overview. However, they could only rely on official notifications from the Member States for the COM balance sheet. COPA indicated that the yield for France was at 9.5 t/Ha and at 65 t/Ha of sugar beet instead of 81 t/Ha sugar beet forecast by JRC/MARS.

The CHAIR asked several questions in the chat box. The COM replied that the final ending stock for 2019/2020 would be known in December after the final notification of the Member States. The first MY 20/21 balance sheet would only be available in December, if the outcome of the Brexit negotiations will be known by then. The balance sheet covered EU-27 + UK during the transitional period and from 1st January it would only cover the EU-27. The COM was aware of the forecasts prepared by other fora. The JRC/MARS modelling did not reflect the impact of

pests. The COM could present the ethanol market if the participants reached a consensus to add this topic to the agenda.

FDE: reiterated its position expressed in other previous meetings with COM representatives that, taking into account the sugar reference price in the CMO, the sector had lost 2.5 billion euros over the past three MYs. Another 0.9 million euros were expected to be added due to the missing level playing field with Brazil. Bearing in mind that three quarters of the industry were directly or indirectly controlled by European beet growers, one could imagine that they were not only affected as suppliers but also as shareholders. Responding to a comment by CIUS, COPA asked CIUS to share the financial results of sugar users as beet growers could not obtain a decent income from sugar beet production. CIUS forecast a bullish sugar market by the end of 2020 or the beginning of 2021.

6. Trade-related issues (AGRI)

a. Egypt's ban on imports of EU sugar: The COM were trying, using different avenues (bilateral and multilateral), to put pressure on the Egyptian government to lift restrictions on EU white sugar imports. The COM had chosen to settle the dispute through diplomatic approaches, rather than launching a procedure via the dispute settlement mechanism of the Association Agreement or via the Chief Trade Enforcement Officer (CTEO). ASSUC indicated that Egypt had recently imported 50,000 MT of raw sugar, which demonstrated that there was not enough domestic production. ASSUC called on the COM to ensure that the restrictions were lifted because ASSUC members were majorly affected.

b. Canada's investigation into countervailing measures and anti-dumping duties: The COM explained on 2nd October that the Canadian International Trade Tribunal had initiated an expiry review of its order issued on 30th October 2015. This concerned the dumping of refined sugar, refined from sugar cane or sugar beet, in granulated, liquid and powdered form (refined sugar), originating in or exported from the United States of America, Denmark, the Federal Republic of Germany, the Netherlands and the United Kingdom. It also concerned the subsidising of refined sugar originating in or exported from the European Union (EU). The determination would be made no later than 1st March 2021 and a Statement of Reasons would be issued by 16th March 2021. c. WTO activities on India's sugar export subsidies: The COM provided an update on the Panel and on the actions initiated by Australia, Brazil, Guatemala against India's 2018/19 sugar support measures. The EU had reserved its right to participate in the proceedings as a third party. The panel had been delayed due to the COVID-19 pandemic. If India appealed the report, which was likely, the existing paralysis of the WTO Appellate Body and the fact that India was not one of the 15 WTO members that had agreed on contingency appeal arrangements for trade disputes, would prevent any outcome in 2021. Nevertheless, the EU would participate in the panel and defend the fact that the Indian sugar export programme was not in line with the WTO rules.

d. Vietnam: The COM provided an update. The sugar trade was very limited and Vietnam had not used its TRQ. The EU imported molasses.

CIBE underlined that the EU had opened the TRQ while Vietnam was not complying with Chapter 13 and Article 13 of the agreement on sustainability with regards to the ratification of one of the core ILO conventions. The COM replied that the European Commission had appointed a Deputy Director-General in the Directorate-General for Trade (DG TRADE), which encompassed the new role of Chief Trade Enforcement Officer (CTEO). The COM reminded the participants that Vietnam committed before the European Parliament and the COM would need to follow compliance with their commitments.

FDE indicated that the Vietnam and Thai harvests had been low over the past two years. Therefore, fewer exports from these countries were expected on the world market.

e. Brexit developments and implications, affect the establishment of monthly representative prices of molasses. The COM provided an update on the implementation of the Withdrawal Agreement.

- The Withdrawal Agreement provided for an orderly process for the UK's withdrawal and opened a transition period, which would end on 31st December 2020 at midnight. Implementing it fully, notably the sections dealing citizens' rights and the Protocol on Ireland/Northern Ireland, was an essential condition for mutual trust in the talks regarding the future EU-UK partnership. Since its entry into force, neither the EU nor the UK would

be able to unilaterally change, clarify, amend, interpret or remove the provisions of the Protocol. On 9th September, the UK tabled a bill that, if adopted, would violate this agreement. The UK had refused to withdraw the contentious provisions. On 1st October, the Commission initiated legal proceedings against the UK for breaching Article 5 of the Withdrawal Agreement. The UK had until the end of October to submit its observations to this letter of formal notice.

- On Readiness: Given that the United Kingdom decided to leave the European Union and its Single Market and the Customs Union, frictionless trade between the EU and the UK would no longer be possible after 31st December 2020. Even if the EU and the UK concluded an ambitious partnership, it would establish a relationship in terms of market access and regulatory controls, which would be very different to the current situation based on the UK's participation in the Internal Market and the Customs Union. On 9th July, the Commission adopted a Communication on readiness regarding the end of the transition period. This was addressed to public administrations, business and citizens. Furthermore, a number of agri-specific notices to stakeholders (food law, tariff rate quotas, organic products, geographical indications) and on SPS matters were available.
- On the negotiations for a future relationship: Negotiations between the EU and the UK started in Brussels on 2nd March 2020. At the European Council on 15th October, Member States confirmed that the EU's position continued to be based on the Political Declaration. There would be no economic partnership without: robust guarantees for a level playing field – including on state aid – to ensure open and fair competition among our businesses; a balanced, sustainable and long-term solution for our European fishermen and women; an overarching institutional framework and effective dispute settlement mechanisms. The EU was looking for agreed solutions to issues addressed in the Political Declaration that were fundamental to a relationship that was to last for many years and even decades. The EU was ready to offer the most ambitious trade deal that we have ever put on the table with a third country: “zero tariffs and zero quotas on all goods and an unprecedented partnership in terms of the scope of the issues covered. It would take us years of negotiations to move away from this commonly agreed zero tariffs/zero quotas model. It also would not lower the EU's ambitions for a balanced solution on fisheries and for effective assurances on respecting standards for fair and open competition and their enforcement to prevent distortion of trade and avoid unfair competitive advantages. Whatever the outcome of these negotiations, the EU will remain one of the largest markets in the world – a market made up of 440 million consumers and a GDP of over €15 trillion. This makes the EU the second largest economy after the USA. In July, the European Council decided on a Brexit adjustment reserve of €5 billion within the MFF for all sectors, not only agriculture, and Member States affected by Brexit.

The CHAIR welcomed the continuation of the negotiation process and hoped for a positive outcome. However, this situation created huge uncertainties in the sugar sector.

The COM underlined the uncertainties for the sugar sector. Even with a deal, the situation would not be comparable to the current situation with the UK in the internal market. Exports from the EU to the UK would be subject to border controls and there would be a greater administrative burden.

FDE asked when the tariff would apply at UK border. Would it be on 1st January or 1st June? The COM answered: 1st January 2021

COPA asked for details regarding the Brexit assistance package. The COM explained that this depends on the outcome of the on-going negotiations with the UK therefore, details are not yet available..

(new) Mercosur: The negotiations between the EU and Mercosur were concluded on 28th June 2019. The legal review of the agreement was still underway. There is no fixed deadline for the finalisation of the legal review. Once the legal review was finalised, the COM would start with the legal procedure of adoption. In response to COPA, the COM said that sustainability requirements and deforestation would be monitored.

7. Any other business

No item added

4. Conclusions/recommendations/opinions

No conclusions

5. Next steps

The CHAIR asked for the number of items on the agenda to be reduced, and to be able to read the presentation and prepare the questions for the chat box in advance to save time.

The COM suggested taking some specific actions related to the F2F and discussing these topics in details.

COPA asked for COM representatives in charge of RTD to be invited in order to help farmers' organisations to understand the EU programme. Indeed, the sector needed a very ambitious research programme to overcome the technical deadlock in controlling pests.

6. Next meeting

Date to be determined

7. List of participants - Annex

Disclaimer

"The opinions expressed in this report represent the point of view of the meeting participants from agriculturally related NGOs at community level. These opinions cannot, under any circumstances, be attributed to the European Commission. Neither the European Commission nor any person acting on behalf of the Commission is responsible for the use which might be made of the here above information."

List of participants– Minutes
Civil Dialogue Group Arable Crops – SUGAR sector
Date : 18th November 2020

| MEMBER ORGANISATION | NUMBER OF PERSONS |
|---|-------------------|
| Beelife | -- |
| Stichting BirdLife Europe (BirdLife Europe) | -- |
| European Council of Young Farmers (CEJA) | 3 |
| European Liaison Committee for Agriculture and agri-food trade (CELCAA) | 6 |
| CEPM | -- |
| European agri-cooperatives (COGECA) | 4 |
| European farmers (COPA) | 10 |
| EBB | -- |
| European Coordination Via Campesina (ECVC) | -- |
| EEB | 1 |
| European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT) | 1 |
| ELO | 2 |
| EURAF | -- |
| Europa Bio | -- |
| Fertilizers Europe | 1 |
| FoodDrinkEurope | 9 |
| International Federation of Organic Agriculture Movements EU Regional Group (IFOAM EU Group) | 1 |
| Pesticide Action Network Europe (PAN Europe) | -- |
| SACAR - Secrétariat des Associations du Commerce Agricole Réunies / Joint Secretariat of Agricultural Trade Associations (SACAR) | 3 |
| Total: 42 | |