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MINUTES

Meeting of the Civil Dialog Group on Agricultural Market - Sugar

20 September 2023

Chair: AGRI.E.4

The following organisations were represented: CEFIC, CEJA, CEPM, COGECA, COPA, EFFAT, Euroseeds, FoodDrinkEurope, IFOAM, PFP, SACAR.

1. Approval of the agenda and of the minutes of previous meeting

2. Nature of the meeting

Non public

3. List of points discussed

3.1. Market situation

Overview of the world sugar market situation

A representative of SACAR (ASSUC) presented the world market situation. Global availability is difficult to forecast. Most experts expect a global deficit for marketing year 2023/24, mainly caused by lower-than-expected production in Asia because of the El Niño's negative impact. Global consumption expected to stay relatively strong, but the increased cost of living across the world does affect the demand for sugar. Long lines in the main port of Brazil and high oil prices make the market bullish.

A representative from COGECA (CIBE) asked about the possible impact on the UK domestic market of the recent sugar imports from Australia. SACAR (ASSUC) responded that it is difficult to predict the impact. Australia has good quality sugar, but the distance could limit the economic attractiveness of imports from this origin.

A representative from COPA (CGB) noted that the imports from Australia are already replacing EU sugar on the UK market. French exports this year represented only half of the amount exported in the past. The Commission underlined that one important factor to consider is the EU low sugar production, including in France, that significantly reduced the EU's export capacity.

Overview of the EU sugar market situation

The Commission presented the recent price developments, trade flows, and production estimates for EU Member States for marketing year 2023/24. Participants were asked to comment on the proposed balance sheet for marketing year 2023/24.

A representative from COGECA (CIBE) asked the Commission about the extent to which imports from Ukraine were included in the total import figure for 2023/24. The Commission indicated that according to market experts the export capacity of this country could be between 450 000 and 700 000 tonnes depending on processing capacity, of which the majority could enter the EU market. This is reflected in the total imports' estimation for the current marketing year.

COGECA (CIBE) asked about the applicability of the rules of origin for sugar imported under inward processing regime (IPR). The Commission explained that the rules of origin do not apply on products imported under IPR.

Additional clarification was requested by a representative from PFP (CEFS) on a recent consultation from DG TAXUD on a IPR request from Spain, where a product produced with sugar imported under IPR would be released in free circulation in the EU. The Commission confirmed that this is possible. The request will be assessed by an expert group of Member States representatives and the final decision will be taken by Member States that received the request, usually following the advice of the expert group.

A representative from COPA (CGB) asked about the reasons behind the incomplete data for imports into Italy and exports to the UK. The Commission explained that the main reason for the incomplete data in the TAXUD database is linked to the fact that some problems with the Italian customs system have not yet been resolved. EUROSTAT figures are complete but are available two months later. DG TAXUD is working with the Italian authorities to solve the issue. The incomplete data on exports to the UK is caused by the special position of Northern Ireland. Figures are collected and sent to the Commission with a delay.

Ukraine production, export to the EU market

The Commission presented an overview of Ukrainian imports for marketing year 2022/23. For marketing year 2023/24, the expected production and export capacity was shared with the participants.

Representatives from COGECA (CIBE) and PFP (CEFS) expressed concern regarding the large quantity of potential imports coming from Ukraine and the lack of sufficient tools to control the inflow. The Commission explained that the improved safeguard tool that is part of the Autonomous Trade Measure since June 2023 offers a short-term tool to handle possible adverse effect of imports on the EU market.

PFP (CEFS) pointed out that the indicators that are used by the Commission are insufficient to rapidly respond to possible market disturbance and that the Commission would need to act more proactively. The Commission replied that the monitoring process goes beyond the bimonthly reports published by DG TRADE. For example, detailed information is collected, presented and published for the sugar sector in the context of the monthly expert groups meetings with the Member States representatives.

A representative from COGECA proposed that the Commission sets up a quota to prevent large sugar quantities entering the EU market. The Commission replied that the best tool to prevent such situation is the safeguard measures under the current the Autonomous Trade Measure. COGECA asked if the Commission expects an increase in acreage in 2024 in Ukraine. The Commission responded that this is too early to know.

A representative from FoodDrinkEurope (Südzucker) asked for an explanation of the link between the monitoring activities and the safeguard measure. The Commission explained that the monitoring activities are used to observe a potential surge in EU imports, that could create a risk of market distortion. If the safeguard is triggered, the existing trade arrangement under the EU-Ukraine DCFTA will be reinstated (i.e. a quota of 20 070 tonnes and MFN duties for any imported quantity outside this quota).

Another representative from FoodDrinkEurope (CIUS) raised concerns about sugar availability in the EU. It confirmed the Ukrainian export capacity of 0.7 or 0.8 million tonnes (pre-war level). The only option for Ukrainian exports now being the EU market, and with global sugar prices at a 12-year high, EU exports are expected to increase and could keep the market balanced.

A representative of FoodDrinkEurope (CEFS) indicated that it is difficult for the Polish farmers to make planting decisions for next year, due to uncertainties linked to the Ukrainian imports.

In the chatbox, a representative from SACAR (ASSUC) asked about the type of prices in the slide of the Commission's presentation with the comparison of import prices from the main origins and the EU average sugar price. The Commission clarified that import prices are CIF prices while the EU average sugar price is ex-works.

3.2. 2023 crop development, crop protection and beet growers' implementation of integrated pest management

A representative of COGECA (CIBE) presented the sugar beet crop development for marketing year 2023/24. The representative stressed that the extreme weather patterns (heat waves, excessive rains) have become the new norm. However, farmers did not encounter significant issues except for a low sugar content in many regions in the beginning of this processing campaign. With the return of sunshine and high daytime temperatures in the beginning of September, it is hoped that beet could further catch up on its development delay and further increase its sugar content. Pest pressure was not intense this year contrary to the estimates of the production models. This might be due to climate (windy) conditions, but it demonstrates the absolute need of good models to predict crop infestation. The main issues encountered this season were the development of foliar diseases, weevil infestation in Austria, beet flea beetle infestation in Finland and the low sugar content syndrome – SBR in Germany. The representative of COGECA (CIBE) stressed the need for effective tools (alternatives to neonicotinoids) to ensure satisfactory control of various harmful organisms and the farmers' concerns over weed control as the key active substance Triflurosuron methyl will be banned shortly. To this end, the speaker called the Commission and the Member States to adapt the timing of this ban by allowing a derogation under Article 4(7) or Reg (EU) 1107/2009. The EU sugar production for marketing year 2023/24 is expected to be around 15.5 million tonnes, the same as the Commission's first estimate. The production cost has increased significantly

mainly because of the energy prices and inflation. Current market prices mitigate the difficulties encountered by beet growers but this may take a turn for the worst in case the sugar price starts to decline. Uncertainties in the geopolitical and macro economical level, in addition to the ones caused by the climate change, point out that progress in the management of these risks is urgently needed.

Concerning the use of Integrated Pest Management, the COGECA (CIBE) representative informed the members of the group of measures taken by farmers in this regard. Crop rotation which prevents the built-up of host-specific pests and diseases and the use of resilient varieties are practices well established in all beet cultivating Member States. Progress on triple resistant varieties, seed treatment and precise agriculture are among the tools used by farmers. Detailed information on the Integrated Pest Management developments across the EU are found in the [Farmer's Toolbox for Integrated Pest Management, EU Commission Final report, November 2022](#).

The representative of COGECA (CIBE) mentioned that the EU project 'Farmer's toolbox for Integrated Pest Management (IPM)' provides only a superficial glance of the IPM practices in sugar beet and invited the Commission to engage in a dialogue with all interested parties with the aim to improve this toolbox. The speaker added that CIBE welcomes the Commission proposal on New Genomic Techniques and the fact that farmers are invited to engage with the Commission in a strategic dialogue on this proposal. Further information on the content of the presentation is found on the dedicated Europa webpage: [Agricultural markets \(europa.eu\)](#).

3.3. State of play FTA negotiations – (Mercosur, Australia, India and Thailand)

Mercosur

The Commission informed the members of the group that President von der Leyen during her visit to Latin America, stressed the strategic importance of the Mercosur Agreement and the ambition to conclude it by end of the year at the latest. This was echoed by the Presidents of Brazil and Argentina who confirmed their political will to conclude. The Commission is actively engaging with Mercosur to address the environmental concerns expressed on the Mercosur Free Trade Agreement; The Commission proposed in early spring an additional instrument on environment and climate, which is seen as a necessary additional assurance from Mercosur. However, Mercosur considers it to be a burden for its interests, considering the obligations from the upcoming EU horizontal legislation (on deforestation and due diligence). The Commission has now received Mercosur's official reaction to the additional instrument on environmental and climate aspects and is currently analysing this reply. In the meantime, work continues at the technical level to finalise the trade part of the Agreement and the revision of the legal texts. From the moment the finalised text is ready, the Commission will need at least 5-6 months to complete its internal procedures (including translation and College Decision).

Australia

The Commission informed the members of the group that after 15 formal rounds of negotiations that started in 2018 (last round took place in late April), discussions entered

in an “end game” mode. High level political meetings took place in early June and early July between Executive Vice-President (EVP) Dombrovskis/Commissioner Wojciechowski from the EU side and Trade Minister Farrell from the Australian side. However, it was not possible to conclude negotiations by July given the gap between each side’s positions. Agriculture is a key area of discussion, with Australia presenting ambitious requests for improved agricultural market access into the EU market and the EU requesting an ambitious outcome on Geographical Indications (GIs), Sanitary and Phytosanitary measures and some other elements. Sugar is one of the top sensitive sectors for the EU and will continue to be in the final stretch of discussions to take place in the coming months. The negotiations will re-start in the coming weeks.

India

The Commission informed the members of the group that in the past, the EU had already been engaged in negotiations with India between 2007 and 2013 but these had been suspended in 2013. 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. Today, the objective is still to conclude negotiations before the Parliamentary elections of 2024 in India and the appointment of a new Commission in Europe. There were five rounds of negotiations so far. The last round took place from 19 to 23 June 2023 in New Delhi. The objective of the 5th round was to accelerate the work on the text and deepen the mutual understanding of the main areas of convergence and divergence between the EU and India. Round 6 will be held from 16 to 20 October 2023 in Brussels. The first market access offer for goods has been exchanged in August and is still under analysis.

Thailand

The Commission informed the members of the group that Thailand Commerce Minister Jurin Laksanawisit and EVP Dombrovskis agreed to kick off negotiations on a Thailand-EU FTA in March this year. The first of the negotiations round took place on 18 September in Brussels. Its aim was for both parties to present their respective positions, provide explanations and increase mutual understanding on some issues; there was no discussion on the market access. There is no fixed date for the timeline to finalise this FTA but if there is a willingness from Thailand and no major issues that could block the process, the Commission could anticipate a conclusion by the end of 2025 or early 2026. With the aim to have a clearer view on the consequences of potentially granting access to Thailand to the EU markets without tariffs, the Commission will conduct a sustainability impact assessment.

A representative of COGECA (CIBE) raised concerns about the fact that these future FTAs are with important sugar producing countries and asked the Commission to maintain a firm defensive position for sugar and suggested that “mirror clause” provisions are included to ensure that the EU sector is protected from market distortions caused by lower production standards applied in these countries.

A representative from FoodDrinkEurope (CIUS) welcomed the Agreement with Mercosur and suggested that in the future sugar is no longer considered a sensitive

product given the fact that EU has remained a net sugar importer for most of the post-quotas system period.

In response to a request from a representative of SACAR (ASSUC) for an update on the FTA with **Mexico**, the Commission informed the members of the group that in principle the Agreement is ready to enter into force and this would happen in two stages. Just as the Agreement with Chili, the EU proposed to split the trade part and the political part to speed up the entry into force for trade. Mexico has not yet responded to this proposal, due to an issue not related to agriculture.

4. Next meeting

The date of next meeting is not yet established.

5. List of participants

See next page

(e-signed)

Pierre BASCOU

List of participants– Minutes

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CEFIC - European Chemical Industry Council
CEJA - European Council of Young Farmers
CEPM - European Confederation of Maize Producers
COGECA - European agri-cooperatives / General Confederation of Agricultural Co-operatives of the European Union
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
Euroseeds
IFOAM - International Federation of Organic Agriculture Movements European Regional Group
FoodDrinkEurope
PFP - Primary Food Processors
SACAR - Joint Secretariat of Agricultural Trade Associations
EUROPEAN ECONOMIC AND SOCIAL COMMITTEE