

Final Minutes

Meeting of the Civil Dialogue Arable Crops – COP (Cereals, Oilseeds and Protein crops) sector

08 September 2020 (videoconference)

Chair: Philippe MITKO (CELCAA)

Organisations present: All Organisations were present, except Europa Bio, EBB, ECVC, EFFAT, SACAR and Birdlife.

1. Approval of the agenda

The agenda was approved without any changes.

2. Nature of the meeting

The meeting was non-public.

3. List of points discussed

Elections of the Chair and Vice Chairs

The Commission received three candidatures:

- for the mandate of CDG's Chair: Mr Philippe MITKO (CELCAA),
- for the mandates of Vice-Chairs: Mr Paul MESTERS (FoodDrinkEurope) and Mr Max SCHULMAN (Copa-Cogeca).

The three candidates presented their background. Philippe Mitko is an agronomic expert and has been in the grain industry for 35 years. He has been member of the French grains association for seven years, and of France Export Céréales. Philippe Mitko is currently President of COCERAL.

Paul Mesters was introduced by Marie-Christine Ribera, CEFS. He is currently CEO of Cosun Beet Company, a sugar beet processor in the Netherlands, and a member of the board of Royal Cosun, a Dutch farmer cooperative. He has more than 25 of experience in the food ingredient business with various executive positions in production, research & development, and marketing. Paul Mesters is currently President of CEFS.

Max Schulman has been the previous Chair of the CDG Arable Crops. He has been farming since 1986, but also been a grain broker in the EU and the US. He is involved in the agri-supply chain from the field to the consumer.

The vote is open electronically through the interactive system. Philippe Mitko and Max Schulman were elected respectively for the position of Chair and Vice-Chair of the CDG Arable Crops, with 2/3 of the vote. Paul Mesters, due to not reaching the 2/3 majority of the experts present, has not been appointed as Vice-Chair.

Market situation - Exchange of views on the market situation for cereals, oilseeds and protein crops

The Commission presented the agrometeorological conditions of the past two months. Contrasting conditions were recorded with heatwaves of max temperatures above 35°C in Western Europe, while Scandinavia and the Baltic countries had slightly cold conditions. There was a significant dry deficit in large parts of Europe (western, north-central, and southeastern regions) and rain surplus in areas of southern and southeastern Europe.

Between 1st April and 29 August, dry deficit and high temperatures depleted soil moisture levels in France, Belgium, Luxemburg, the Netherlands and northern Germany, negatively affecting yield potentials of summer crops. Drought conditions returned to eastern Romania and Bulgaria, negatively affecting summer crops. Summer crops profited from beneficial rain surplus in eastern Italy, Austria, Slovakia, Hungary and western Romania and Bulgaria, recovering from unfavourable dry start of the season.

On the global cereals markets, there was a record in cereals production according to the IGC report; due to the high production of wheat and maize. The projected 2020 production is at 2,230 Million tonnes, while consumption is at 2,222 Million tonnes. There is a strong demand for feed and industrial use of grains.

Wheat stocks are at record level with a projected 294 million tonnes, mainly in China (about 50%) and India (about 10%). For the 2020/2021, the main change expected is a lower production of wheat in EU (-2.7%) while the US production will be mostly stable. Favourable increase in Canada, Russia and Australia.

For maize, consumption figures are at a record level due to the increase in feed and industrial use. Stocks are going down in China, reflected in the global storage level (China will represent 60% of the global storage). US sees an increase in stock (23%) which is its highest level since the 1980s. In August, a massive windstorm crossed the US. In the Midwest, three million hectares of land were impacted which gives uncertainty to the level of the maize production this year. For trade, there is a strong demand in Mexico. The EU export figures are high. The Ukrainian exports are at 31 million tonnes. In Brazil and Argentina, the figures are highly tentative as planting just started. The internal demand in Brazil is high and dry conditions are seen in Argentina.

Notably in Canada, the first outlook on the new season has been published. There is a sharp increase of durum wheat production. Barley and oats are expected to increase.

Looking at the EU cereals market the figures for the 2019/2020 season have been updated. There is a large volume of exports of soft wheat (37 million tonnes). The EU is number one exporter of soft wheat.

For the current season, there is a reduction in the total area of 2.1%. The soft wheat area has also been reduced year on year of -1.4 million hectares (- 6.2%). There is a large drop in volume for soft wheat due to reduction in area but also in yield. France was mainly affected with the lowest levels seen in the last four years.

For maize, Romanian figures published by Reuters forecast is substantial reduction in production compared to the Member State's forecast.

Regarding exports, a significant decrease in export volumes is seen especially for soft wheat. France exported less than the previous year at the same date.

Basis today, A decrease of price has been noted for milling wheat. A similar trend has been observed for barley.

The Commission asked the stakeholders on the quality of soft wheat. It has observed that the French quality is good, meeting the requirements to export.

Regarding the world market of Oilseeds, in August, the projection for the world oilseeds production for 20/21 is raised by 6 million tonnes to 610 million tonnes. This was mainly due to a 7 million tonnes increase in the forecast for soya beans, while rape and sunflower seeds are set to stable projections with minor decreases.

In 2020/21, the global production and consumption of soya are expected to be in balance at record high levels, with strong demand from China gathering pace, as well as a continued increase in Brazilian supply.

The USDA forecasts a production of 370 million tonnes and a matching supply of 368 million tonnes.

For the 2019/20 marketing year, the ending stocks are low in both Brazil and the USA.

For 2020/21, the USDA has decreased the forecasted ending stocks by 1 million tonnes while simultaneously increasing USA stocks by 6 million tonnes to a total of 17 million tonnes.

Regarding prices, the Brazilian soya price has overtaken Ukraine as the most expensive, reaching 399 USD/tonne while US and Argentina prices remain balanced and the most competitive in general. However, there was a sudden drop in the Ukrainian prices in August, a decrease that was verified as well for rapeseed and especially for sunflower seeds, for which the Ukraine export price dropped to a rather low 358 USD/tonne. This may be explained by the sale of old stock and decreased export pressure.

The 2020/21 forecast for EU rapeseed area was revised upwards by 70 000 hectares, slightly above last year's figure but almost 13% below the average of the last 5 years. Germany (11.7%) and Poland (8.5%) register significant increases in rapeseed area on a y/y basis. The sunflower area is also revised upwards by 70 000 hectares, resulting however in a reduced production forecast, which is down by 0.12 million tonnes. Soya production is revised upwards by 70 000 tonnes, 13% above the 5-year average.

When compared to July, the area for oilseeds is revised slightly up on an increased area for rape and sunflower seeds. The production is also revised upwards, with increases both for rape and sunflower and improved yield for soya beans. Rapeseed imports forecast is revised downwards to 4.5 million tonnes while for soya beans imports the forecast is slightly up to 15 million tonnes.

Overall imports of oilseed meal are revised slightly downwards by 46 000 tonnes. As for vegetable oils, total production is slightly down, compensated by imports higher by 0.44

million tonnes. The projection for palm oil imports is raised by 7% when compared to last month, while soya bean oil exports is kept unchanged.

Trade data for the 2019/2020 marketing year: Recent trade data shows that EU total oilseed imports have reached 21.9 million tonnes in the 2019/20 marketing year, well above the 5-year average of 18.2 million tonnes. This one notably propelled by a record 6.2 million tonnes of rapeseeds imports. As for oilseed meal, Poland is now the largest importer of oilseed meal, at 3 million tonnes, 15% of all EU imports, slightly above France and Spain.

The Chair opened the floor for comments on the market situation.

COCERAL/CELCAA projects the same drop for grain production year on year. However, EU-27 wheat is projected at around 119 million tonnes, which is higher compared to the EU's estimate. A very good wheat crop is seen in Poland, the Baltics and in Germany. COCERAL/CELCAA is more sceptical regarding the corn production, which is estimated by the Commission to be as big as last year. Regarding oilseeds, the rapeseed crop is estimated at 15.9 million tonnes, slightly above the Commission estimates due to different forecasts in Germany, Poland and the Baltics.

Semouliers/FoodDrinkEurope promised to send the Commission a summary on the quality of wheat production.

FEDIOL questioned the crush levels of rapeseed for 2019/2020 and for 2020/2021 seasons as they seem very low. They requested the source of these numbers from the Commission. FEDIOL expects a low production in Ukraine. They also see more soya beans being crushed, which would take some capacity away from rapeseed. Overall, it agrees with the decrease but considers that the absolute numbers are too low. It proposed to have a bilateral exchange with the Commission on these numbers.

PANEurope asked the Commission if the market forecast also looks at the development of organic cereal production in the EU. The Commission answered that there is no distinction between organic and non-organic production in their forecast. The Commission will try to collect for the next meeting figures on production area and volumes with the help of Eurostat. The trade figures are more difficult to obtain.

CEFS/FoodDrinkEurope requested more explanation on the important decrease of soft wheat area. The Commission explained that for France, very bad planting conditions were recorded in Autumn but also in Spring explaining a reduction of the production for about 5 MT. The other 5 million tonnes drop was due to drought.

COPA-COGECA commented on the cereal situation in France that the only good point is the quality of the cereal harvest.

European Agroforestry Federation asked if the area and yields are collected at regional level (NUTS2). The Commission mentioned that it will check at which level the information is collected.

COPA-COGECA asked if there any relation between increased durum wheat in Canada and decrease of EU soft wheat. COCERAL replied that the increased durum in Canada is mainly a consequence of a very tight durum market last year and very attractive prices. This was a driver for farmers to expand the area in Canada.

The development of economic situation in cereal farms in the EU

COPA-COGECA presented the economic situation of cereal farms in the EU. They mainly relied on the available FADN data over the last 15 years. Farm income of farmers in the European Union remains at unacceptable levels: farmers earn less than half than in other economic sectors in the EU. Although there are large annual fluctuations, due to price and volume volatility, average farm income is slowly improving in all segments, except for farmers specialising in cereals and oilseeds where income is decreasing. Other segments are experiencing stable income (grazing livestock), others moderate growth (dairy farming) and some experiencing strong growth (pork/poultry, viticulture) over the long term.

On average, at least a third of farms specialising in cereals and oilseed crops suffered income losses of more than 30% annually during the period 2008-2015.

FADN data across the EU show that the output for grain and oilseed farms barely cover the costs. For COPA-COGECA, these specialised farms are unprofitable, and their profitability depends on subsidies. Arable farming is no longer attractive, due to low income and poor prospects. There are 13% fewer farms specialising in cereals and oilseeds in 2018 compared to 2016.

COPA-COGECA also observed a loss of international competitiveness, which also results in a deterioration of incomes.

There are many reasons explaining the negative trend in income:

- Stagnant yields due to climate change, reduced water availability and restricted access to inputs and innovation (genetic progress is limited).
- Prices generally set internationally with long-term downward trends in real terms.
- Strong international competition (Russia, Ukraine, etc.) with EU production costs higher than the competitors.
- High production costs: some agricultural inputs such as fertilizers are protected by import barriers in the European Union with higher prices than in the rest of the world.
- Weak import barriers and limited measuring instruments.
- Standard products, with limited differentiation on the market.
- Increasingly strong regulatory and environmental constraints.
- The price of agricultural equipment is trending upward due to technology.
- The size of certain agricultural structures and their fixed costs can also lead to a lack of profitability.
- Finally, support for the CAP is declining in the European Union, with trends that differ from sector to sector. For farms specialising in cereals and oilseed crops, the average support (first and second pillars) decreased from € 282 / ha in 2004 to € 248 / ha in 2017.

For COPA-COGECA, this situation is worrying. It raises the question of the profitability of an entire sector of activity which still contributes to food security in the EU, and which needs a long time to be able to meet the expectations of society.

The Chair opened the floor for comments.

NFU/COPA added that there is a loss of tools and active ingredients. It is important to use technology in all its forms, use of active ingredients and plant breeding. These tools are critical, if the EU want to be competitive globally. When changes occur, there is a need for a full impact assessment focused not only on environment but also on farmers and economic profit.

BeeLife emphasised that if tools are not safe to use, they should not be used and as such, there should not be any need for an impact assessment on the economic impact on farmers. The EU does not use the same tools than in India and in China because the EU focuses more on safety. Thanks to this positioning, it fosters more innovation in the EU.

Risk management tools for maize crop

Lorenzo Furlan, researcher at Veneto Agricoltura, presented ‘risk management tools for maize crop’ presenting experience on how the offer of mutual fund (MF) to cover the risk of IPM implementation can reduce soil insecticide use by 95% as demonstrated by a long term experimentation (35 years, many farms (thousands of hectares) completely untreated). After 2 years from MF launch in northeast Italy, newly involved maize growers reduced soil insecticide use by only 10-20 % since the independent advice to farmers is getting more and more limited. The issue is the large use of soil insecticides intended to protect the early stages of maize crop. This has direct costs and severe environmental impact.

In Veneto, a maize (at early stages) mutual fund was established in 2014 giving insurance cover to maize growers for crop establishment failure whatever the cause (maize pests, crust, flooding, frozen etc.). IPM at maize early stages implies many “non – chemical” solutions: for viruses transmitted by insects, neonics are effective but diseases have low incidence and hybrids are usually resistant. As such, resistant hybrids are as effective as neonicotinoids against a vector of Maize Rough Dwarf Virus, therefore non insecticide application at sowing is needed. As to Diabrotica (WCR) rotation is the only full effective strategy, a strategy that is mentioned as the first IPM tool in EU Directive on Sustainable Use of Pesticides (EU Directive 128/2009) and should therefore be mandatory for farmers to apply.

Therefore, in order to complete IPM implementation, it remains to establish if and where a population of wireworms exceeding the threshold occurs making planting maize crop possible where and when there is no serious economic damage risk (risk factors). Risk factors evaluation, pheromone traps and bait traps are useful to spot fields where an economic damage may occur, despite in most cases the wireworm damage risk is negligible.

On risk assessment, farmers should compile a list of risk factors on their maize crop. If there is no or a low risk factor, there is no need for insecticides use or other pest control methods. Where risk factors occur bait traps for larvae can be placed down and the average number of larvae found compared with the threshold. If possible, the maize crop may be moved to a no risk field without any further monitoring.

On insurance cover, Veneto applies a mutual funds instrument, managed by a collective of farmers, aimed to create a compensation and to balance the risk through an interregional distribution of risks, including adverse weather conditions, due to soil pests (e.g. wireworms, black cutworms), or diseases, such as Fusarium spp. (rotten roots, seedlings) and Diabrotica (WCR) damage. The costs of this instrument is €3-5/ha all inclusive, with a compensation of up to €500/ha including resowing (up to €250/ha) if

stand below 4 pls/m²; Yield reduction (up to €250/ha) based on sowing delay, crop change; and up to €1000/ha for WCR damage.

Lorenzo Furlan presented the environmental and economic performance of the different approaches presented versus the pesticide approach, concluding that the IPM with mutual funds based on risk factors approach is the least costly compared to the pesticides approach, but the mutual funds instrument has the best general evaluation.

The Chair opened the floor for comments.

NFU/COPA asked about Lorenzo Furlan position on GM use and traits such as BT maize. Lorenzo Furlan replied that GM hybrid may be just a potential agronomic solution (among others) to contrast soil pest damage. As to wireworm damage, they have no role as there is no GM hybrid that has resistance to wireworm. Rotation works better than any other solution against Diabrotica so there is no need to use available GM hybrid to control diabrotica populations. Eventually there is no need of use GM hybrids to reduce soil insecticides.

NFU/COPA also commented that a crop risk of 4% is very low and wondered how this would work with much higher risk factors. Lorenzo Furlan answered that one should apply the MF for all the pest/crop combinations having a low risk assessment (< 5% damage risk). If the risk assessment is 1% damage, one must do something to avoid damage on 1% of the field at low cost while the rest is left untreated. With this low risk, a specific strategy to reduce pesticide use dramatically can be implemented. Mutual funds concerning pest/crop combinations having a higher damage risk are under study either for arable crops or perennial crops.

CEPM stated that the association is promoting the IPM instruments towards the producers. Regarding Diabrotica (WCR), one part of the IPM strategy is chemical to fight against the adults, and one part of confinement with rotation. CEPM requested to present their IPM measures at a next CDG.

EU strategy on biodiversity

The Commission presented the Biodiversity Strategy under the EU Green Deal. This strategy is proposing both the actions to be taken within the EU and on the international level to halt biodiversity loss. Biodiversity and ecosystems are deteriorating worldwide, with 75% of terrestrial and 40 % of marine environment severely altered. There is a number of drivers of biodiversity loss: land use and overexploitation, climate change, pollution and invasive alien species. Evidence shows that, among those drivers, land use and over exploitation are the ones having the biggest impact on ecosystems and species. Data on protected habitats and species show that the ecosystems in agricultural land and forestland are in worse conservation status than the others. A decline on farmland birds is seen and in particular insect-hunting bird population, due inter alia to the decrease in insect population (e.g. in Germany overall biomass of insects -76% in the 26-year period from 1989 to 2014).

The four pillars of the Biodiversity Strategy are: Protect Nature, Restore Nature, Enable Transformative Change, and EU for an Ambitious Global Agenda.

One of the flagships of the strategy is increasing the area of protect areas to 30% of EU land and sea by 2030. In land, the current baseline is 26% (counting Natura 2000 areas and other protected under other national regimes). The biggest effort will concern

protected areas in the sea, since currently, the baseline in the EU is 12%. Out of this 30% of protected areas the Commission proposes to strictly protect 10% in land and sea. The Commission proposes a very inclusive and open process to discuss with Member States the needs for additional designations as well as the definition of what means “strictly protected”.

Under Restore Nature, the legally binding targets will be proposed in 2021. Several 2030 commitments related to agriculture have been proposed:

- Organic farming: at least 25% utilised agricultural area. There will be both support towards supply (under Rural Development and eco-scheme) and towards demand (upcoming action plan on organic farming that could envisage measures such as green public procurement, reduced VAT, etc). A large part of the target is likely to come from the dairy sector. Indeed, conversion to organic may be easier for the dairy sector, as a number of extensive producers may not need to change their practice a lot to become organic. There is a high level of conversion going on for fruits and vegetables due to the high demand but these are not big surfaces. Therefore, to achieve the 25% for the EU, there will be a need to see more conversion and maintenance to organic farming in cereals.
- Landscape features including rotational and non-rotational set aside 10% agricultural area. This would be feasible as yields would improve via better biological pest control, less erosion and better soil quality, pollination, and climate adaptation benefits. In the medium term, the increased yields can offset setting aside of 8% of agricultural land. In the context of the Farm to Fork Strategy, work will also be to reduce food waste and improving information for dietary choices.
- 50% reduction of use and risk of pesticides. It would be achieved partly through the other targets, but also by a change in agricultural practice through the Good agricultural and environmental conditions (GAEC) on crop rotation, IPM, Precision farming and through Biological control.
- Reduction of pollution from fertilisers by 50% which will lead to a reduction of 20% their use. It would be achieved through the full implementation of the Nitrate Directive and Water Framework Directive, the CAP strategic plans, the “Farm Sustainability Tool for Nutrients” and Precision Farming.

In Autumn, the Commission will present to the Member States recommendations on the nine objectives of the CAP, taking into account the EU Green Deal proposals.

The Chair opened the floor for comments.

LR/COGECA commented that farmers are a key player in this change. However, with these reductions, the environmental and biodiversity issues will be moved to the third countries. Farmers’ income is more and more pressed and combined with a reduced budget for CAP, it seems hard to achieve all of this goals without any further pressure on competitiveness and farmers’ income.

Asaja/COPA questioned the target of 25% of organic farming by 2030 and on the fact that no impact assessments have been done on these targets. There is a difference in yield between organic and conventional farming. This difference will be covered by more imports and as such the carbon footprint will be transferred to the third countries.

The Commission agreed that for the moment there is a yield gap between conventional and organic production. However, the Farm to Fork Strategy looks also into diets, nutrition, food waste and local production. This will change the equation as it is known today. The Commission is approaching these targets in a holistic manner. Regarding the impact assessments, a small internal assessment was done. The Commission states that the targets are political and also important in respect of international commitments and upcoming negotiations. The Commission wishes that organic farming stops being a niche market and become more important. The loss in biodiversity needs to be counteracted and the farmers are at the heart of these discussions.

Juliette Jacques from StarchEurope/FoodDrinkEurope commented on the biodiversity targets that the food and drink industry is a major buyer of agricultural raw materials, about 70% of all EU farm produce. FoodDrinkEurope urges the Commission to conduct thorough impact assessments to ensure any targets on organic farming, pesticides and fertilisers preserve the food chain's ability to provide consumers with a secure supply of quality, safe and affordable food.

COPA-COGECA commented that farmers cannot pay for political aspirations. Farmers can engage to meet targets but how to do it without any profit. Consumers have also a role to play but are not ready to change their eating habits without any constraints.

4. Conclusions/recommendations/opinions

5. Next steps

Participants requested for the next meeting more time to discuss the farm to fork and biodiversity strategies, a point on palm oil and its imports, and CEPM requested to present their IPM measures at a next CDG.

The Chair agrees to begin the next CDG with a discussion on the impact of the farm to fork and biodiversity strategies and the CEPM IPM measures.

6. 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
Meeting of the Civil Dialogue Group
“Arable Crops – Sectors Cereals, Protein Crops and Seeds”
08 September 2020 (videoconference)

MEMBER ORGANISATION	NUMBER OF PERSONS
Beelife	1
Confédération européenne de la production de maïs (CEPM)	1
COPA-COGECA	12
Europa Bio	--
European Agroforestry Federation (EURAF)	1
European Biodiesel Board (EBB)	--
European Coordination Via Campesina (ECVC)	--
European Council of Young Farmers (CEJA)	2
European Environmental Bureau (EEB)	1
European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT)	--
European Landowners' Organization asbl (ELO asbl)	2
European Liaison Committee for Agriculture and agri-food trade (CELCAA)	6
Fertilizers Europe	1
FoodDrinkEurope	5
International Federation of Organic Agriculture Movements EU Regional Group (IFOAM EU Group)	2
Pesticide Action Network Europe (PAN Europe)	1
SACAR - Secrétariat des Associations du Commerce Agricole Réunies / Joint Secretariat of Agricultural Trade Associations (SACAR)	--
Stichting BirdLife Europe (BirdLife Europe)	--
Invited expert	1
Total: 36	