

Brussels,

FINAL MINUTES

MEETING OF THE «CDG ARABLE CROPS – SUGAR SECTOR

Date: 19-11-19

Chair: Paul Mesters (FoodDrinkEurope)

Organisations present: All Organisations were present, except Birdlife Europe, Confédération Européenne de la Production de Maïs (C.E.P.M), EuropaBio, European Agroforestry Federation (EURAF), European Biodiesel Board (EBB), Fertilizers Europe and International Federation of Organic Agriculture Movements EU Regional Group (IFOAM EU Group).

1. Elections of Chair and Vice-Chairs

The CDG elected:

- Mr Max SCHULMAN representing COPA as Chairman (2nd term);
- Mr Paul MESTERS representing FoodDrinkEurope as Vice- Chairman (2nd term) and
- Mr Philippe MITKO representing CELCAA as Vice-chairman (2nd term).

The election took place with unanimity with the exception of two abstentions.

2. Approval of the agenda

The agenda was approved.

3. Nature of the meeting

The meeting was non-public.

4. List of points discussed

1. Opening (Agenda)

- a) Approval of the report of the last meeting on 12 April 2019

The Report of the meeting of 12 April was approved with the modifications asked by Pan-Europe.

- b) Approval of the draft agenda

- c) Meeting dates for 2019: reminder
- 2. Opinion of the Group 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 outlooks for the major players (cf. presentation).

In response to the presentation COPA asked a clarification on the position on traders and the interest in exporting sugar within the EU or to extra EU markets. ASSUC clarified that traders are ready to export and provide their services if there is available sugar to export.

- 3. Trade related issues:
 - a. Mercosur FTA negotiations

COM delivered an update on the outcome of negotiations. An agreement among EU and the Mercosur region was reached after 20 years. Negotiations were difficult with highly competitive agriculture countries, with an interest in having access to the European most sensitive markets. It is believed that the outcome is balanced and overall positive for European agriculture with market access to Mercosur for many products: dairy, wine, olive, oil, fruit and vegetables. The Commission negotiated until the last moment on sensitive sectors such as sugar and bioethanol. Several measures have been taken to minimize the consequences for these markets: the sugar quota is not an additional one, but within the CXL already granted to Brazil, and for Bioethanol it is addressed to the Chemical sector; it is foreseen, for the first time in any agreement, the application of a safeguard clause to TRQs.

As regards next steps, the schedules, together with market access offers, are expected to be published soon, in the next weeks. A proposal to the Council from the Commission on the implementation of the agreement could be presented not before one year; after this another 12 months could be needed for the discussion with the European Parliament.

COPA criticized the concessions on sugar which is indeed a bad news for the sector, and stressed the opposition to the final implementation of the agreement. COPA questioned how could the safeguard clause apply for the sugar TRQ and underlined how it risks not being applicable. There are divergent standards of production among the EU and Mercosur. Importing sugar from those countries will increase divergency of standards and augment deforestation.

FoodDrinkEurope questioned on the meaning of a balanced agreement and if it can apply to the sugar concessions. FoodDrinkEurope asked how the 1 billion euro package announced by Commissioner Hogan will work and how the specific impact for the sugar sector will be calculated.

EBB stressed that the devil is in the details and is looking forward to see the schedules. It is very important to pay attention to the environment clause and how it will apply. EU has strict norms and imports need to respect them. The import concessions granted on sugar and bioethanol are one drop in the already severe difficulties that these sectors are already on going in the absence of market management instruments applied by the Commission.

CEJA underlined that the European farmers are increasingly asked to produce in a more environmentally way in the current CAP, whereas with the EU-Mercosur agreement it seems, it is requested less from imports. CEJA asked about the presence in the agreement of references to COP 21, of sanctions in case of lack of respect of environmental engagements and of measures to protect specifically young farmers.

Another representative of FoodDrinkEurope recalled the importance to find a balance among sugar beet producers and raw cane refiners; these last consider positive the elimination of the 98 euro/tonne duty of the CXL TRQ.

COM replied to the different interventions recalling the mandate given to the European Commission by the EU Council and the indication to strike a balance among defensive and offensive interests. Sugar and beef were two of the most important matters in the negotiations which were decided at the very last moment and at the highest political level. On the application of the Paris agreement it is true there are no sanctions foreseen, but there is commitment by the counterparts. The safeguard clause will apply if there are disturbances on the markets; it has been applied already in other cases, such as rice. To be enforced evidence will need to be found. The tool is there to be applied.

As regards the 1 billion euro package, COM stressed that the agreement has not yet entered into force. Once applied, if there will be a situation of too hard conditions for any sector, the EU has a package of instruments to be ready to intervene. On safety standards, the EU is currently fully applying them to imports; every week shipments are sent back because they don't comply with required standards.

b) Australia FTA negotiations (DG AGRI))

COM updated on the agreement. Commission received the mandate in May. Australia, in a similar way as Mercosur, is a highly competitive agriculture country and is asking to have access to EU most sensitive sectors such as sugar, beef and sheep. Concluding an agreement without any concessions on sensitive sectors is not going to be realistic. A market access exchange of offers has already taken place, in which sugar is excluded. Next round is schedule for February 2020.

COPA reiterated the opposition to any additional concession on sugar; there is more than enough product on the European market. COPA expressed concerns for the European Commission position which is anticipating the need to grant concessions on sugar to strike an agreement and asked about the assessment of the impact of all these concessions for sensitive sectors, such as sugar.

FoodDrinkEurope questioned about environmental impact of transporting sugar from the other part of the world to the EU. All this has strong environment consequences.

COM replied that the negotiations are evidently not at the stage of exchanging on sensitive sectors. From the Australian point of view an agreement will not be concluded without any concession on sugar. As regards timeline, next negotiating round will take place in February 2020. Furthermore COM informed that a study is being updated on the cumulative impacts of FTAs on agriculture sectors. If all goes according to schedules, it should be ready by summer 2020.

c) WTO activities on India's sugar export subsidies

COM provided an update. WTO Director General determined the Panel on the actions initiated by Australia, Brazil, Guatemala against India's support measures on sugar for 2018/19. The EU, together with US, Thailand, Russia, Honduras, Indonesia, Japan, Panama, has reserved its right to participate in the proceedings as third party. The process could be concluded in the next 12 months.

FoodDrinkEurope favoured the action of the Commission on this matter and being ready to support technically the services if need be.

COPA asked what impact may have on the whole action the current crisis of the WTO Appellate body.

COM replied that on the Appellate body, the WTO Panel will go onwards arriving before Christmas 2020 to a Report which, will likely say that India has been providing non WTO compatible support. This is very important. After the Panel Report, if India is condemned, it will need to decide to make an appeal or not. The EU is in any case exploring alternatives with interested WTO members to have a workable Appellate body.

d) Brexit

COM delivered an update on the ongoing Brexit discussions. Extension until 31.1.2020 has been granted to reach an agreement. All scenarios are still open, including the No Deal. In the event that the Withdrawal Agreement is accepted by UK, the transition period will start. It will last until 31 December 2020, unless an extension is requested by 1 July 2020. During the transition period the future trade agreement with the UK will be negotiated

Ad hoc multi-CDG meetings took place in the past months to exchange on preparedness and contingency measures. COM prepared contingency plans for those sectors most exposed should a no-deal situation come to reality. In the agriculture markets the available tools are those foreseen by EU Regulations such as: Private storage aid, withdrawal, promotion measures. COM asked that all stakeholders inform of any disturbances to EU-UK trade in the run-up to Brexit.

A representative of FoodDrinkEurope asked about the impact study on FTAs on going by the Commission and if it will include the consequences of Brexit and TRQs apportionment.

Another representative of FoodDrinkEurope noted the infringement procedure activated by the EU against the UK in relation to the lack of indication by the Authorities of a Commissioner and asked if it will have consequences.

COM replied that on the impact study, is still in preparation. In case the Withdrawal Agreement is accepted, the split of the TRQs in WTO could be integrated.

5. Presentation by the Commission on the updated sugar and isoglucose 2018/19 balance sheet and 2019/20 forecast balance

COM presented the most recent sugar market statistics (cf. presentation). It was also underlined how Commission services are always interested in having comments and market analyse from operators, to have the best and complete market overview. A

discussion on the Balance sheet also took place at the meeting of the Expert Group of the Sugar Market Observatory of 15th November.

COPA noticed the elevate number of imports of sugar under Inward Processing Regime. The figure is questionable and asked if there are not incorrect practices on going. It is in any case sugar imported that is not produced from European beets.

COM replied recalling also that under Inward Processing the imported sugar needs to be re-exported within transformed products. There are more or less 400.000 tonnes of sugar which are exported in processed products under IP.

Another representative of FoodDrinkEurope asked whether the figures of 1,4 mln tonnes of ending stock is safe to assure the supply of sugar users. This might depend on the period in which stocks are available.

Another representative of COPA replied to previous intervention that there is no risk, with the current situation, of a lack of sugar. It needs to be noticed that at the currently reported sugar prices the whole European sugar beet chain is suffering and in particular beet growers. Contractual relations are important tools to support farmers.

Another representative of FoodDrinkEurope further underlined that current availabilities are more than sufficient in a context of depressed prices which go at the advantage at the end of the last part of the sugar chain on processed products producers.

Another representative of COPA underlined the importance of bioethanol as an outlet from sugar beet in relation to the EU Bioeconomy strategy. This needs always to be kept in mind.

6. Commission's report on High Level Group on sugar on 12 June 2019

COM updated members on the outcome of the High Level Group on sugar meetings (cfr. presentation). The main topics discussed include: market measures, market transparency, voluntary coupled support, the use of emergency authorisations by certain Member States in connection with the recent ban on neonicotinoids, contractual relations, the risk management tools and the international trade aspects. On two of these issues, Member States expressed opposing positions: voluntary coupled support Scheme and use of emergency authorisations on neonicotinoids.

Recommendations are addressed to Commission, National Authorities and Stakeholders. It must be noted that the final Report is not a Commission document but is the outcome of the work of the High Level Group. As a follow up of some of the Recommendations, the Commission is launching a study on the resilience of the sugar sector and analyse strategies and possibilities for the sector. Terms of reference are currently being defined. On art 222 of the single CMO, COM is assessing in dialogue with operators the possibilities given by this article. It is a supply management tool foreseen by the EU regulation.

FoodDrinkEurope asked more information on the study and if it will have the objective of giving advice, provide recommendations to the sector.

COPA asked for the timing of study.

COM replied that a call for the study has not yet been launched; this should happen at the beginning of next year and the work will run in all 2020. As all studies commissioned by the Commission it may end with recommendations.

PAN Europe expressed interest in having more information on the risk management tools being discussed. It recalled, as a good example of risk management tool what is being done in the Maize sector in Veneto which could be worth considering for sugar <https://www.pan-europe.info/sites/pan-europe.info/files/public/resources/briefings/pan-e-risk-management-tool.pdf> The interested good practice could also be presented at next Advisory Group meeting.

COPA recalled the violent market conditions experienced by the sector in the last months which confirm the need to have multiple risk management tool to act quickly.

Another representative of COPA recalled and asked the Commission information on the current risks emerging for beets of yellow virus and the impact for countries not having granted an emergency derogation for neonicotinoids.

COM took note of the example presented by PAN Europe, while on neonicotinoids recognised not having information at this stage.

COPA informed having conducted a study among beet growers members. The first outcome shows that with the use of alternative solutions to neonicotinoids there is an increase in costs of 100 euro/t.

COM informed that deputy Head of Unit of Arable crops and olive oil (AGRI.DDG3.G.4) is leaving the Unit dealing with the sugar sector. The deputy Head of Unit of Arable crops and olive oil thanked stakeholders for the fruitful dialogue in the course of these challenging times.

The Chairman in the name of CDG members thanked the Deputy Head of Unit for the collaboration over the years and wished good luck in the new post.

7. Presentation of organic sugar production

BIO AUSTRIA informed about the activities on organic production in Austria (cfr. presentation).

COPA commented on the relation among organic sugar beet growing and conventional one as regards the ban of neonicotinoids in Germany how in the Austrian example presented it was dealt with viruses **and insects** such as the sugar beet weevil.

BIO AUSTRIA commented that it is not easy to produce organic sugar, but it can give satisfaction to farmers and there is a market interest. As regards yellow spots disease, it was not **widespread last years**, but in previous campaigns pest brought strong reduction and loss of yields. **The breeding of new varieties** could help fighting with diseases and loss of productivity.

Another representative of COPA stressed the sustainability of sugar beet production and worries for the reduction of tools available to farmers to protect from pest.

BEE life asked if there is a cooperation among beekeepers which use syrup with bees and organic producers.

COPA further stressed the need to use new technologies, risk management tools and the need to have an EU strategy for the support of organic production. In this sense the EU-Mercosur agreement which consider a TRQ which could affect also organic sugar is a non-sense.

PAN EUROPE explained that a speaker on organic had been invited as an example of how to grow sugar beets without neonicotinoids; it stated that in its view organic sugar production is a forgotten practice that now is positively coming back.

COPA recalled that organic sugar production faces big challenges and innovation helps to further develop. It doesn't share the view that it is a forgotten practice.

8. Conclusions/recommendations/opinions

See above for account of discussion.

9. Next steps

Due to the lack of time, the presentation by CIBE on the Agriculture and Progress platform was postponed to next meeting. PAN Europe offered to match this by preparing a presentation on results after a first year without neonicotinoids.

PAN EUROPE would invite representative of Mais production to explain their use of risk management tools or BEE life to invite a Belgium sugar beet grower.

PAN Europe asked for a slight change in the minutes of last meeting, removing 'wrongly' when talking about the invited speaker.

10. Next meeting

The meetings of April and November 2020 have been confirmed. The exact dates will be confirmed at a later stage.

11. 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

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| MEMBER ORGANISATION | NUMBER OF PERSONS |
|--|-------------------|
| Bee Life-European Beekeeping Coordination (Bee Life) | 1 |
| European agri-cooperatives (COGECA) | 4 |
| European Coordination Via Campesina (ECVC) | 1 |
| European Council of Young farmers (CEJA) | 2 |
| European Environmental Bureau (EEB) | 2 |
| European farmers (COPA) | 8 |
| European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT) | 1 |
| European Landowners' Organization asbl (ELO asbl) | 1 |
| European Liaison Committee for Agriculture and agri-food trade (CELCAA) | 8 |
| FoodDrinkEurope (FoodDrinkEurope) | 8 |
| Pesticide Action Network Europe (PAN Europe) | 1 |
| SACAR - Secrétariat des Associations du Commerce Agricole Réunies / Joint Secretariat of Agricultural Trade Associations (SACAR) | 3 |
| Bio Austria (add. Expert) | 1 |