FINAL Minutes of the Civil Dialogue Group "Arable crops"- Section "Cotton and Tobacco" on 5th April 2017

Morning - Cotton

1. **Approval of the agenda**
2. **Information and exchange of views on the European cotton market situation:**

- **Provisional balance sheet for the marketing year 2016/2017: areas sown; production; yield, prices**
- **Estimation from the production sector for the marketing year 2016/17**
- **Current market and outlook**

3. **Information on the future of the CAP:**
   a) **Single CMO setting up of a European inter-branch organization**
   b) **Information on the future of the CAP: public consultation and next steps**
4. **Phytosanitary issues: information on the state of play on minor uses *(written contribution)***
5. **An effective strategy for establishing a trademark for European cotton. The Protected Geographical Indication (PGI) framework applied in the cotton sector in Europe**
6. **Use of effective defoliants cotton crops. The need to allow the use of "Thiadiazuron-diuron" (Dropp Ultra defoliant) for a limited period as a substance than can be applied on minor crops. *(written contribution)***
7. **Cotton and the problem of gossypol content. Situation in Spain. *(written contribution)***
8. **AOB**

1. Approval of the agenda

The Chair welcomes the members.

A representative from Copa stressed that the farmer representatives are disappointed about not being able to have an exchange of views with a number of Commission representatives who are not going to participate in the CDG meeting. Many of the participants travel from far away for this meeting.

The Chair supports this comment and highlights that it is not acceptable that out of 7 items, 3 are covered by written contributions.

The agenda is then adopted.

2. Information and exchange of views on the European cotton market situation:

- **Provisional balance sheet for the marketing year 2016/2017: areas sown; production; yield, prices**
- **Estimate from the production sector for the marketing year 2016/17**
- **Current market and outlook**

The representative from trade gave a presentation on the world market situation. This presentation is available on the DG AGRI Website.

He highlighted that production at world level has been decreasing and stabilising since 2012 and consumption has been increasing. Since 2015, stocks have been reduced. This is mainly due to the new policy in China, where it was decided not to build stocks anymore.

India remains the biggest cotton producer with 5.8 million tonnes foreseen for the marketing year 2016/2017, followed by China with an expected production of 4.7 million tonnes, then the USA with 3.7 million tonnes and Pakistan with 1.7 million tonnes. India has been able to double its production quickly thanks to the introduction of GMO cotton seeds.

In Greece, it is expected that production will stand at 213,000 tonnes for the 2016/2017 marketing year and in Spain at 58,000 tonnes for the same marketing year.

Polyester is the biggest low-price competitor for cotton. In addition, it is foreseen that by 2021, the use of polyester will increase, whereas the use of cotton fibre will slightly decrease. In addition, the cotton sector does not have major marketing campaigns, whereas the contrary is true of polyester, which is promoted by multinational companies. We have to wake up.

However, due to the increase in the world's population, fibre demand worldwide will increase by 2021 at least.

In terms of costs of production, they are higher in China, followed by the USA and Africa. The lowest costs of production are in Australia.

A representative from EEB wondered how it was possible that the USA and China had the highest production costs. The representative from trade explained that in the USA, this was due to high labour costs and in China, it was due to the high costs of chemical products.

A representative from IFOAM believes that the reason for the production increase in India has no link with the introduction of GMO cotton.

The Commission representative gave a presentation on EU cotton production. This presentation is available on the DG AGRI Website.

The representatives from Copa and Cogeca and the industry provided further information on cotton production in Spain and in Greece.

A representative from Copa informed the Commission that 84% of the cotton area in Spain is produced under integrated production.

3. Information on the future of the CAP:

a) Single CMO setting up of a European inter-branch organization

A representative from the Commission gave a presentation on the current rules under the CMO regulation as regards interbranch organizations. In particular, she explained that cotton is not included in the scope of Regulation 1308/2013 for the setting up of a European interbranch organisation. Within the current Omnibus discussions, the Commission did not propose to enlarge the scope to other sectors, however the European Parliament and the

Council still have the possibility to do so. As regards interbranch organisations, they are often considered as being a structure with better links with national authorities. According to the study of ARCADIA, interbranch organisations can better facilitate a good functioning of the chain. However, given that in Annex I, only cotton seeds are included, it is not so clear if it is possible to have recognised interbranch organisation on cotton fibres.

The representative from the Commission also shared the following links:

- o Conference on interbranch organisations

  https://ec.europa.eu/agriculture/events/conference-role-interbranch-organisations-food-supply-chain_en

- o Study on interbranch organisations

  https://ec.europa.eu/agriculture/external-studies/2016-interbranch-organisations_en

- o General information on interbranch organisations

  https://ec.europa.eu/agriculture/producer-interbranch-organisations/interbranch-organisations_en

b) Information on the future of the CAP: public consultation and next steps

A representative from the Commission gave a presentation on this process, which is available on DG AGRI's Website.

The representative from EEB said that it is very important to maintain a common CAP.

The representative from Cogeca explained to the Commission all the practices carried out and the costs needed within integrated management.

The representative from industry said that in terms of rural activities, the people in these regions are very dependent on cotton production.

5. An effective strategy for establishing a trademark for European cotton. The Protected Geographical Indication (PGI) framework applied in the cotton sector in Europe

A representative from industry gave a presentation. This presentation is available on the DG AGRI Website.

After the presentation, another representative from industry said that the current timing to develop a trademark for European Cotton is very good. In addition, the sector should better value all of its quality characteristics.

The Commission representative said that as regards the PGI item, he is not the best expert on this topic, however he believes that the whole of the chain has to be involved and work together so as to be able to have an impact on the final consumer. Should there still be any questions on the process of how to set up a PGI, members are invited to send a letter to DG AGRI with all of their questions and concerns.

A representative from Copa said that as regards the objectives pursued, the farmers and cooperatives also support these approaches.

A representative from trade said that trade welcomes this initiative. Given that production of cotton in the EU only represents 1.5 % of global production, special quality is what should be offered. Nowadays, consumers are also more demanding in terms of labour conditions and for example this was the main reason for the creation of the "German textile alliance".
A representative from EEB said that he supports such initiatives as they are also of interest in terms of sustainability, traceability, European identity and production methods better suited

to protecting the environment.

Another representative from industry said that the additional advantage is that all producers and industry from Greece and Spain support this target to better value the quality of EU cotton.

The Chair concluded by saying that this a good example of European integration and cooperation.

4. Phytosanitary issues: information on the state of play on minor uses *(written contribution)*

This point was not discussed since there were no representatives from the Commission to cover this item. The same happened for items 6 and 7.

6. Use of effective defoliants cotton crops. The need to allow the use of "Thiadiazuron-diuron" (Dropp Ultra defoliant) for a limited period as a substance than can be applied on minor crops. *(written contribution)*

The Cogeca representative explained the problems that the sector is facing in renewing substances that were previously used. Indeed, the pharmaceutical industries are not interested in developing products for the cotton sector because of the very low area in the EU.

A representative from industry explained that given that this product is a defoliant, it is needed in order to ensure the quality of cotton fibres without impurities.

7. Cotton and the problem of gossypol content. Situation in Spain. *(written contribution)*

A representative from trade explained their issues on this item.

Afternoon - Tobacco

1. Approval of the agenda
2. Information and discussion on the state of the European market: production, imports/exports, prices, costs of production

3. Inter-branch organization in the EU

4. WTO Framework Convention on Tobacco Control: information on the outcome of COP7 in New Delhi

5. Information on the revision of Directive 2011/64 as regards excise duties on raw tobacco

6. Plant Health: state of playon Minor Uses *(Written contribution)*

7. AOB

1. Approval of the agenda

The agenda was approved.

2. Information and discussion on the state of the European market: production, imports/exports, prices, costs of production

The Commission gave a presentation which is available on DG AGRI's website. In particular, he said that at EU level, the area of tobacco was 82,121 hectares in 2015. Italy and Greece had the biggest area. In terms of production, 182,372 tonnes were produced in 2015. Italy was the main producing country with 32% of EU production. The main raw tobacco suppliers of the EU are Brazil and Malawi.

The representatives from Copa and Cogeca provided information on the results of the latest marketing years from several producing countries. In France, there are only 900 producers remaining and the situation is difficult in terms of profitability because the area of production has decreased excessively. In addition, production costs have been increasing at a fast pace. In Spain, there are 1,160 producers for variety I, 383 producers for variety II and 87 producers for variety III. Prices are very low in Spain compared to the EU average. In Italy, production is stable. An error as regards the prices mentioned by the Commission was corrected. There are 2,500 producers for an area of 15,600 hectares in Italy and after the establishment of the National interbranch organisation the number of producer organisations has decreased from 30 to 8, were the main 3 represent around 90% of the total volume. In Poland, production is higher than in 2015 because of bad weather conditions in 2015. The same production is expected for 2017 as for 2016. In Croatia, the sector is facing a number of challenges. In Hungary, the yields were better in 2016 than in 2017.

A representative from the industry provided information on the market situation at world level. Overall, tobacco production is decreasing, but the situation is more stable than a few years ago. Figures are available on DG AGRI's website.

3. Inter-branch organization in the EU

A representative gave a presentation on setting up an interbranch organisation at EU level, the headquarters of which would be in Italy. The founding members are UNITAB (EU growers' federation) and FETRATAB (EU first processors' federation). The goals of this European Interbranch organisation are to achieve the following:

- Strengthen the aggregation and contractual power of EU tobacco growers
- Represent EU raw tobacco sector common issues at EU Institutions
- Provide sustainability and perspectives for EU raw tobacco, boosting manufacturer multiannual purchase programs and commitments
- Define EU umbrella / harmonized rules for the proper functioning of the market
- Support the activities of national IBOs or growers' and processors' associations in MS without national IBOs in a coordinated way

The full presentation is available on DG AGRI's website.

A representative from the Commission informed the attendees about the results of the study of ARCADIA on interbranch organisations in the EU. On June 2016, there were 119 recognised interbranch organisations under EU law and 4 others were recognised under national law. This study underlines the benefits of these organisations by facilitating a good functioning of the chain. She also explained the benefits for these organisations in terms of implementing the extension of rules for non-members.

The representative from the Commission also shared the following links for further information:

o Conference on interbranch organisations

https://ec.europa.eu/agriculture/events/conference-role-interbranch-organisations-food-supply-chain_en o Study on interbranch organisations

https://ec.europa.eu/agriculture/external-studies/2016-interbranch-organisations_en

o General information on interbranch organisations

https://ec.europa.eu/agriculture/producer-interbranch-organisations/interbranch-organisations_en

4. WTO Framework Convention on Tobacco Control: information on the outcome of COP7 in New Delhi

The information is available at http://www.who.int/fctc/cop/sessions/cop7/en/ therefore this item was not discussed.

5. Information on the revision of Directive 2011/64 as regards excise duties on raw tobacco

A representative from the Commission gave a presentation on this item. He provided information on the public consultation which closed on 16th February 2017. The Commission received around 70,500 contributions. Therefore the results of the public consultation will take some time to analyse and they expect this to finish by the fourth quarter of this year. The impact assessment and the results of the public consultation will be published together with the results of the external study. It is too early to provide any conclusion on this.

A representative from the industry asked if the external study was finalised and if it could be published before the results of the impact assessment. The Commission representative informed him that they are still discussing this possibility.

A representative from Copa said that establishing an excise duty on raw tobacco would have a very bad impact in terms of costs and the administrative burden for small holdings which are the majority in the tobacco sector. In addition, the current initiative to establish a European interbranch organisation aims, in particular, to regulate the market in order to have more transparency, in order to overcome the lack of rules linked to the withdrawal of the tobacco CMO. The representatives of Trade and Industry agreed with the Copa position.

6. Plant Health: state of play on Minor Uses *(Written contribution)*

This item was not discussed as it was a written contribution.

7. AOB

The Chair said that the Civil Dialogue Group is meant to allow the entire chain and the NGOs to be able to carry out discussions with the Commission. This should be made possible for all CDG meetings.

The Chair thanked the attendees for coming, the interpreters and the Secretariat from the Commission for their work. For the next meeting, Polish should be included as a working language.