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DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT

Directorate G. Markets and Observatories Director
Director

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MINUTES

*Meeting of the Expert Group for Agricultural Markets, in particular concerning
aspects falling under the single CMO Regulation*

High Level Group on Sugar

Date: 29 January 2019

Chair: Mr J. Plewa, Director General of DG Agriculture and Rural Development

Delegations present: All Member States were present.

1. Nature of the meeting

The aim of the High Level Group meeting was to gain an overview of:

- the specific evolution of the sugar sector in the different Member States across the EU as well as the specific concerns of the main actors in the respective Member State
- Explore possibilities to address the current situation, i.e. possible actions of the Commission, Member State and economic actors in the sugar sector

2. List of points discussed

1. WELCOME BY MR JERZY PLEWA, DIRECTOR-GENERAL, DG AGRI

The Chairperson introduced the purpose of the High Level Group on Sugar and highlighted the various difficulties faced by the sector in the first year after the end of the quota system, for which there are no straightforward solutions. He pointed out that the current situation of the sugar market and the situation of the milk sector a few years ago are different in many regards and thus, past solutions cannot be used as a blue print. The Chairperson invited all participants to contribute actively to the group's work.

2. COMMISSION PRESENTATION ON THE DEVELOPMENT OF THE EU SUGAR MARKET AFTER THE END OF THE QUOTA SYSTEM

The meeting continued with a presentation by Unit AGRI.G.4, about the evolution of the sugar market from the beginning of the restructuring period until the end of the quota system as well as the latest developments in production, external trade, EU and world prices, and the latest balance sheet. The presentation also summarised the findings of the DG AGRI Mid-term Outlook for the sugar sector as published in December 2018.

3. PRESENTATION BY MEMBER STATES' REPRESENTATIVES ON THE DEVELOPMENT OF THEIR RESPECTIVE SUGAR SECTOR

Under this item Member States presented the developments and challenges of their national sugar sectors during the transition period and highlighted their main concerns.

A great number of Member States indicated that the restructuring aid received during the quota system was used to reduce the production capacity of the sugar sector, as illustrated by a significant reduction in the number of farmers and sugar producers.

A vast majority of Member States mentioned the importance of the sector, not only for ensuring the achievement of the food security objective of the CAP but also for the job opportunities it offers to the low income population in rural areas. Some emphasised the strong dependencies between farmers and sugar producers, as a significant price reduction would farmers make abandon sugar beet cultivation with a negative effect on production cost and, ultimately, the closure of sugar factories.

In many Member States, contractual relationships between farmers and producers had become more difficult in the context of reduced prices, and in some countries arbitration was needed. Only few Member States indicated that these arrangements have continued to work smoothly. Although, in the majority of Member States, cooperation among farmers in producers' organisation, the existence of Interbranch Organisations and the use of voluntary value-sharing clause are considered to have contributed to an improvement in the farmer's bargaining power, the authorities consider that more needs to be done in this respect.

Concerns were also raised in relation to the fact that price transmission between sugar producers and users/retailers is not sufficiently transparent and more work is needed to improve transparency in this part of the value chain.

Member States agreed that the situation in the sector was difficult for both, beet growers and sugar producers, because of very low prices, decreased profitability and reduced incentives for further investments to increase productivity. A large majority of Member States identified the following factors as contributors to the difficult economic situation:

- Unfair trading practices in the form of irregular subsidies granted in countries that are among the largest world suppliers. The Commission was asked to launch actions against these practices at the WTO
- The sudden implementation of the ban of certain pesticides (in particular neonicotinoids) before suitable alternatives having been developed, and the decision of certain Member States to derogate from the application of this ban by using emergency authorisations, which impacts the competitiveness between Member States
- The use of Voluntary Coupled Support in certain Member States, some perceive as potentially distortive for the EU sugar market and call for more restrictive conditions;
- Member States with sugar refining capacities emphasised the lack of access to raw materials for their refining industries due to too high in-take duties.

A group of Member States have expressed the view that the current sector situation is unsustainable and identified the implementation of market measures as the most suitable solution. Other Member States supported the idea that the market needs to be given time to adjust/self-regulate and considered the introduction of market measure ineffective and called for further adjustments of the industry to the new market conditions.

Finally, a great number of Member States considered that climate change has an important negative effect on the current/future profitability of farmers and emphasized the increased role of risk management tools in tackling this issue, including in the sugar sector.

All Member States expressed their gratitude for the organisation of the High Level Group on Sugar and confirmed the Group to be an appropriate tool to identify suitable solutions for the sector to complete the transition to a post-quota environment.

4. COMMISSION PRESENTATION ON MARKET MANAGEMENT IN THE POST QUOTA SYSTEM

Under this item, DG AGRI presented an overview of available market measures and other CAP mechanisms that could accompany the sector in this transition to a less regulated market. In particular, private storage aid, support for investments, producers' organisations under the CMO, risk management tools and the newly proposed measures to counter Unfair Trade Practices.

3. Conclusions/recommendations/opinions

The Chair welcomed the contributions from Member States and emphasised that the variety of the opinions exchanged would need further analysis before any conclusions could be drawn.

4. Next steps

It was announced that the High Level Group on Sugar would continue with two more meetings, one to be organised in March and the second before the summer break. The Group will conclude its work with a report addressed to Commissioner Hogan.

5. Next meeting

The second meeting of the High Level Group on Sugar will take place on 19 March 2019. For this meeting, stakeholders and academic experts will be invited in order to present a comprehensive view of the sector's main concerns and potential solutions.

6. List of participants (see Annex)

< e-signed >
Michael Scannell
Director

List of participants– Minutes

*Meeting of the High level Expert Group on Sugar***19 January 2019**

MEMBER STATE	MINISTRY OR ORGANISATION	NUMBER OF PERSONS
BE	Vlaamse overheid Service public de Wallonie	1 2
BG	P.R.	1
CZ	Ministry of Agriculture P.R.	1 1
DK	The Danish Agricultural Agency	2
DE	Federal Ministry of Food and Agriculture	2
EE	Ministry of Rural Affairs	1
IE	Department of Agriculture, Food and the Marine	1
EL	P.R.	1
ES	Ministry of Agriculture, Fisheries and Food P.R.	2 1
FR	Ministère de l'Agriculture et de l'alimentation R.P.	1 1
HR	Ministry of Agriculture P.R.	1 1
IT	Ministero delle politiche agricole alimentari, forestali e del turismo	3
CY	P.R.	1
LV	P.R.	1
LT	Ministry of Agriculture	2
LU	Service d'économie rurale	1
HU	Ministry of Agriculture	2
MT	P.R.	1
NL	Ministry of Agriculture, Nature and Food Quality Ministerie van Buitenlandse Zaken	2 1
AT	BMNT Bundesministerium für Nachhaltigkeit und Tourismus P.R.	1 2

MEMBER STATE	MINISTRY OR ORGANISATION	NUMBER OF PERSONS
PL	Ministry of Agriculture and Rural Development P.R.	1 1
PT	MAFDR-GPP	2
RO	Ministry of Agriculture and Rural Development P.R.	1 2
SI	Ministry of Agriculture, Forestry and Food P.R.	2 1
SK	Ministry of Agriculture and rural Development	2
FI	Ministry of Agriculture and Forestry	2
SE	Statens Jordbruksverk	2
UK	DEFRA	1
	European Council	1