

Brussels,
(2018)

MINUTES

Meeting of the Civil Dialogue Group "Arable Crops – Sugar"

Date: 16 March 2018

Chair: Mr J. Marihart (FoodDrinkEurope)

Organisations present: All Organisations were present, except Beelife, Birdlife, CEPM EBB, ECVC, Europa Bio and Fertilizers Europe.

1. Approval of the agenda (and of the minutes of previous meeting¹)

2. Nature of the meeting

The meeting was non-public.

3. List of points discussed [Name of each point, one by one]

Application of new AGM system

COM presented the new AGM system, an online portal that allows for the preparation and organisation of meetings electronically. There are several advantages to this new system: details can be found in the attached presentation.

Opinion of the Group on the situation and prospects for the world market for EU sugar exports (presented by Julian Price, President of ASSUC)

No. 11 falling for six months at this point. But raw sugar spreads may indicate a correction of the world market surplus. White premiums have risen somewhat. Appreciation of EUR has made world market white sugar cheaper.

In Brazil CS the sugar/ethanol mix looks to favour ethanol. RenovaBio will not result in a compulsory increase of the anhydrous ethanol gasoline blending rate, which is currently set at a maximum of 27%.

In Thailand 2017/18 is expected to be a record season. Production is expected to further increase in 2018/19. Cane is now the most attractive crop for farmers.

¹ If not adopted by written procedure (CIRCABC)

In India production levels for 2017/18 and 2018/19 are expected to be high.

Pakistan has shown strong exports so far.

In NAFTA prices are holding up reasonably well, despite the revision of the Suspension Agreements between the U.S. and Mexico.

Presentation by the Commission on the updated sugar market situation and updated sugar and isoglucose 2017/18 balance sheet and exchange of views

EU white sugar prices are well below past levels, at 400 EUR/tonne in December 2017. Kingsman Platts has reported spot prices of c. 365 EUR/tonne in FR, DE, NL, BE.

EPA/EBA imports are at just over half of where they were at the same time in 2016/17. The South Africa TRQ filled in the last 10 weeks of 2017. The annual increase of the Latin American TRQs (Colombia, Peru, Ecuador, Central America, Panama) means that they are worth 283 kt total in 2018.

Apparently lower utilisation of IPR for use in the manufacture of processed products. IPR sugar traditionally comes from Brazil, Algeria, Argentina.

NB: the stocks graph in the presentation now shows total stocks, rather than quota stocks only.

In presenting the balance sheet, COM noted that consumption now includes sugar only (as opposed to sugar and isoglucose together, which was the case in the past). The figure of 1.35 mt of sugar used for bioethanol production is substantially up on 2016/17. COM noted that the 3.2 mt of tel quel exports in the balance sheet remains a conservative figure. The 1.6 mt of sugar exported in the form of processed products is a forecast based on the figures from 2016/17, rounded upward.

Isoglucose production remains only slightly higher than in 2016/17. This may change with the entry into operation of a new production facility in Hungary. Isoglucose imports are entering the EU mainly from Ukraine. Isoglucose consumption remains fairly stable. COM noted that the beginning and ending isoglucose stocks fulfil accounting functions within the balance sheet – in reality, isoglucose is not stocked but is manufactured to order.

CIBE requested information on how to track IPR imports via Eurostat.

- COM responded that IPR imports can be tracked in Easy Comext using DS-057380 and selecting “inward processing” as the stat regime.

CIBE registered concern with the level of prices noting that EU prices are now close to export parity prices and below the reference threshold while world market prices are depressed, and the absence of a safety net for beet growers in such conditions. **CIBE** stated that after 6 months of quota abolition the only winners in the sugar sector are the sugar users. **Copa** asked how COM will react to sugar prices that remain below the reference threshold.

- COM responded that it is up to market players to determine the sustainability of prices. The reference threshold is a tool that takes account of the possibility to activate aid for private storage. COM stated that the stability of areas contracted for 2018/19 indicates that the market is not in crisis.

CEFS queried whether there are instruments that are available to alleviate adverse market situations. Specifically, could Art. 222 be implemented?

- COM confirmed that Art. 222 of 1308/2013 allows for certain concerted actions to reduce supply. But for this there is a need for a serious crisis. The interpretation of COM of Art. 222 has thus far been restrictive, given that it entails a change – albeit temporary – to competition rules.

CEFS requested more transparency from sugar users.

- COM responded that the share of sugar as a percentage of the sales prices of processed products is generally low. There is only a loose correlation between the price of sugar and the price of confectionery.

CIBE reiterated that without efficient safety net, risk management tools are necessary for growers to manage such periods of low prices, if not the sustainability of the sector will be put into danger.

CIUS asked whether stocked sugar may be used to produce bioethanol. CIUS queried the reason for the large increase in sugar used for bioethanol production in 2017/18.

- COM confirmed that stocked sugar may be used to produce bioethanol.
- Regarding bioethanol production, COM responded that the 1.35 mt reflects historical levels. For the 2017/18 balance sheet 1.2 mt was taken as the original starting point, but ethanol producers in the Sugar Market Observatory felt this figure was too low.

ASSUC considered that additional production will be exported rather than stocked, especially given that production in 2018/19 is likely to be similar to that in 2017/18. ASSUC considered that import levels may be too high in COM's balance sheet, given low EU prices.

Organic sugar: state of play

COM presented the legal framework of organic agricultural production in the EU. The full presentation can be found attached to these minutes.

CIBE presented the evolution of the cultivation of organic sugar beet. This remains very limited due to processing difficulties, agricultural difficulties, lower yields, and increased labour costs. CIBE stressed the need for support for investment in new technologies for organic beet. Organic beet makes up only around 0.2 per cent of the EU's beet area. However, the cultivation of organic beet and the market of organic beet sugar are expanding significantly and the premium of organic sugar is currently significant. CIBE presented some information regarding trade and in particular on EU import of raw cane sugar for direct consumption and special sugars, stressing that there are no specific tariff lines for organic sugar. CIBE mentioned also the issue of specifications and EU organic labelling regarding imported organic sugar. Finally, CIBE pointed out that conventional beet has a good/very good environmental sustainability and a high economic sustainability.

IFOAM requested that a systematic distinction be made between organic and non-organic sugar regarding: trade, yields, production, etc.

- COM responded that there are not enough statistics on organic sugar production. Unit G.4 (arable crops) collects information on sugar production as a whole, and does not differentiate between organic sugar beet and conventional sugar beet production. Nevertheless, the new organic import certificate means that more reliable figures on organic sugar imports may soon be available.

CIUS noted that only 10 per cent of the demand for organic sugar is provided by European sugar producers. CIUS queried how the new organic regulation could impact organic sugar imports.

- COM has not analysed the impact the new organic regulation will have on organic sugar imports. COM confirmed that the implementation of the trade part of the new regulation should take place 3-5 years after the implementation of the rest of the regulation on 1 January 2021.

IFOAM queried what sugar producers are doing to promote organic sugar production.

- The Chair responded in his professional capacity that Agrana is increasing its organic sugar production. The Chair noted organic white table sugar is not popular in the shops, but is more popular for use in processed organic products. High transport costs and processing difficulties still present obstacles, but increases in cultivation and production is alleviating these somewhat.

Trade-related issues – Mexico & Mercosur

Giulio Menato (DG AGRI) presented a state of play of the ongoing trade negotiations with Mexico and Mercosur.

In Mercosur, COM has made an offer of a tariff-rate quota with an in-quota duty. Negotiations are ongoing concerning the quantity of the concession and the in-quota duty. More information could not be disclosed. COM indicated that sugar remains a bigger issue in the EU-Mercosur discussions than in the negotiations with Mexico as the US will remain the primary market for Mexico's sugar.

CEFS registered its concern with the EU-Mercosur negotiations. Specifically, the 98 EUR/tonne in-quota duty must be maintained in COM's offer. 100,000 tonnes at 98 EUR/tonne duty remains an absolute red line. CEFS asked whether speciality sugars are the subject of either negotiation, given the high sensitivity of producers in La Reunion.

- COM responded that refined sugars have been excluded from both negotiations; EU offers cover only raw sugar for further refining. Speciality sugars have been excluded from Mercosur and subject to only a small TRQ offer in the context of the EU-Mexico negotiations.

CIBE noted that the playing field between the EU and Brazil will become more and more skewed in the coming years, with the entry into force of RenovaBio. CIBE noted that the EU has granted numerous EU market access concessions in several recent FTAs but has obtained very negligible access for EU sugar in FTA where EU sugar was offensive (in particular Japan). This imbalance was an issue and the EU sugar sector needs access to new markets to export production.

StarchEurope called for no more concessions on starch in the ongoing discussions with Mercosur.

ESRA stated that refiners cannot afford to import raw sugar for refining. ESRA claimed that the non-filling of the CXL quotas so far this marketing year shows that there is a need to increase the availability of duty-free raw sugar for refining on the EU market. ESRA noted that the EU has never offered its partners a sugar TRQ with an in-quota duty.

4. Conclusions/recommendations/opinions

5. Next steps

COM advised participants to raise outstanding questions on the market during the Sugar Market Observatory meeting of 12 April 2018.

6. Next meeting

Guidance

The next meeting of the CDG sugar will take place on 21 November.

7. 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

Civil Dialogue Group "Arable Crops – Sugar"

Date: 16 March 2018

	MEMBER ORGANISATION	NAME OF REPRESENTATIVES
1	CEJA	ANA ISABEL CAETANO FERREIRA
2	CEJA	TOMAS IGNAC FENIX
3	CELCAA	DANIEL BELLIZZI
4	CELCAA	ALEXANDRE DELMOULY
5	CELCAA	EMILIAN DOBRESCU
6	CELCAA	MICHAL GAWRYSZCZAK
7	CELCAA	JOHN IRELAND
8	CELCAA	HÉLÈNE ROUGES
9	CELCAA	VINCENT SCHLUETER
10	CELCAA	MARCELLO MOREIRA
11	CEFS (Note taker)	JOSH GARTLAND
12	COGECA	DIANE ARMITAGE
13	COGECA	JACOB BENNET
14	COGECA	IOAN GHERMAN
15	COGECA	JAN KROVACEK
16	COPA	ADRIENN CSABA-MORVAI
17	COPA	JORN DALBY
18	COPA	DOMINIQUE DEJONCKHEERE
19	COPA	PETER HAEGEMAN
20	COPA	PETER KASTEN
21	COPA	ELISABETH LACOSTE
22	COPA	ANTTI LAVONEN
23	COPA	KRZYSZTOF NYKIEL
24	COPA	PIERRE RAYE
25	COPA	MARKUS SCHOEBERL
26	EEB/BEE	JOSEPH RACAPE
27	EEB/BEE	ANAMARIJA SLABBE

28	EFFAT	THOMAS BERNHARD
29	EFFAT	ROBERTO IOVINO
30	ELO	KAREL MATOUSEK
31	EURAF	DARIO ARIAS MARTINEZ
32	EURAF	FRANCISCO JAVIER RODRIGUEZ RIGUEIRO
33	FoodDrinkEurope	AUORE BESCOND
34	FoodDrinkEurope	LUCA IBELLI
35	FoodDrinkEurope	JULIETTE JACQUES
36	FoodDrinkEurope	GWENAEL LECERF
37	FoodDrinkEurope (Chair)	JOHANN MARIHART
38	FoodDrinkEurope	BARRY MCKEON
39	FoodDrinkEurope	MARKUS NEUNDOERFER
40	FoodDrinkEurope	ERIC PINTAUD
41	FoodDrinkEurope	MARIE-CHRISTINE RIBERA
42	FoodDrinkEurope	MERIAM KHADIJA GHEDIRA
43	PAN Europe	HENRIETTE CHRISTENSEN
44	SACAR	HENNING KOCH
45	SACAR	DANIEL PEREZ VEGA
46	SACAR	JULIAN PRICE
	<i>TOTAL</i>	46