

Brussels,

FINAL MINUTES

Meeting of the Civil Dialogue Group HOS - Tobacco

Date: 16 February 2021

Chair: Mr José Antonio GARCIA FERNANDEZ

Organisations present: All Organisations were present, except BEUC, Birdlife, ECVC, EFNCP, IFOAM, TomatoEurope and Pan Europa

1. Adoption of the agenda

The agenda was adopted.

2. *Information and discussion on the state of the European market: production, imports/exports, prices, costs of production; impacts of the Covid-19 pandemic on labour force, supply chain and market access - presentation from the sector*

Mr Sacchetto (CELCAA) and Mr Noworyta (COPA-COGECA) gave an oral presentation, supported by documentation, on the trends of European raw tobacco market in the last 9 years (2011-2019). The elimination of the EU subsidies, like any action on the supply side, has not diminished the demand for final tobacco products by final consumers and for raw tobacco by EU manufacturers, who just switched to third countries' origin tobacco, causing damages to EU growers, jobs along the supply chain and producing MS National Governments (losses in commercial balance). In addition EU raw tobacco represents around 3% of the overall world production volumes and, even before the elimination of EU subsidies, had no impact on the smoking prevalence. Although the raw tobacco sector is very relevant for its socio-economic and sustainability aspects, all indexes have been decreasing in the last 9 years. The removal of the tobacco from the CAP's list of recipients has negatively influenced the production. On the contrary, imports from Brazil, India and Sub-Saharan African countries have been increasing. In the period taken as reference (2011-2019), the production fell from 285.000T to 160.000T per year, the number of farmers dropped from 60.000 to 30.000 and the production costs become higher than the price paid to the farmers. In addition to these issues, COVID-19 has heavily influenced the last crop, as this sector depends a lot on seasonal workers (lack of available workers and borders limitations).

COPA-COGECA delegates supported Mr Sacchetto's intervention, in particular the representatives stated that Spain is facing a significant decrease in number of tobacco farmers, while Italy has registered an average annual decrease in production of 10%. In both Spain and Italy, farmers register production costs below than prices.

Mr Cardinali (CELCAA) stressed the attention to the social and environmental (integrity) aspects of raw tobacco production, and the 100% traceability of the supply chain.

3. CAP reform: state of the play & tobacco particularities

Ms Cinzia Tegoni (DG AGRI, C1) gave a presentation on the possible impacts of the new CAP post 2021 and the tobacco sector. Although tobacco is not a product eligible for financial support anymore, the Commission presented the opportunity for MS to support the sector in its Strategic Plans and in its SWOT analysis. However, the Commission reaffirmed its position to suggest tobacco farmers to think about a reconversion of the production and switch to different crops.

MR Sacchetto (CELCAA) underlined how the removal of tobacco as product eligible for EU support, has not brought the desired effects that the Commission wanted on health. All the production of tobacco the EU lost has been replaced by non-EU products.

Mr Castilla (COPA-COGECA) asked the Commission if it wants to oblige Spain to reduce its agricultural regions, as it would represent a big threat to Spanish tobacco farmers.

The Commission replied saying that continuous claims for increased EU support are not acceptable where the Commission and MS are spending money to fight smoking. The Commission's role is to help the conversion of tobacco farmers towards other agricultural systems. Regarding the Spanish agricultural regions, the Commission indicated that it had issued a recommendation to Spain to reduce their 50 agricultural regions to effect payment of direct aids, in view to facilitating internal convergence of direct aids. The Commission expressed its availability for future meetings to discuss problems and difficulties with the tobacco sector.

COPA-COGECA and CELCAA delegates stressed that the supply chain is completely aware that smoking tobacco products is harmful for the consumer's health but also that discriminating tobacco growers among other farmers has no impact at all on the smoking prevalence in the EU since the lacking European tobacco raw tobacco was simply substituted by raw tobacco imported from third countries, with less controls in terms of use of agrochemicals and good labour practices.

4. PPPs:-tobacco phytosanitary issues regarding authorized substances in tobacco production - Minor Uses Coordination Facility (MUCF) - Ms Barbara Elder, Coordinator at MUCF

Ms Elder presented the Minor Uses Coordination Facility (MUCF). The mission of the Facility is to enable European farmers to produce high quality crops by filling minor uses gaps in minor crops through collaboration, to improve availability of chemical and non-chemical tools within an integrated pest management (IPM) framework.

5. Tobacco Excise Directive possible revision

Mr De la Motte (DG TAXUD, C2) noted the Council (Ecofin) Conclusions of June 2020 inviting the Commission to work on this aspect in and that the Commission will deliver a draft proposal for the new TED by the end of 2021. There will be a public consultation on this matter, the Commission is working on an Impact Assessment with the support of an ongoing external study conducted by Economisti Associati. Numerous customs authorities have alerted about the increase of illicit manufacturing inside the EU and the smuggling of raw tobacco. This illicit trade damages National Governments (loss of tax revenue), it endangers the health, and it leaves room to criminal organisations.

Mr Sacchetto (CELCAA) agreed with the Commission on fighting the illicit trade on tobacco, as counterfeited products do not have the rigid phyto-sanitary controls as the legal one, as well as the access to tobacco products by under 18 people; in general terms, the illicit damages all actors of the supply chain as well since it operates with no respect to fair competition rules. The legal operators represented at the CDG do want to cooperate with the Commission Services in order to tackle the illicit and are ready to implement the monitoring of the flows of raw tobacco, as requested by the Council, such measures will also provide added value to the legal products.

6 European Interbranch organization – ELTI

Mr Sacchetto (CELCAA) introduced ELTI, its members, activities and the survey and statistics they have released. The fact was stressed that ELTI represents currently around 75-78% of all raw tobacco grown and processed in the EU. Moreover, he explained the main issue at the moment for ELTI's members (revision of the Tobacco Excise Directive) and in particular the aspects on illicit bulk tobacco and misinterpretation, by some MS Custom Agencies regarding the judgement of the ECJ on the “Eko-tabak” case. In addition, ELTI fully agree with the Council conclusion proposing to the Commission to introduce a definition of “raw tobacco” and to register all legitimate operators, contract, shipments and along the supply chain, to guarantee the best and highest transparency and control over the sector, fighting once more the illicit tobacco. Another important matter is related to what an EU transnational and highly representative IBO like ELTI can do after the Authorities recognition, asking the COM to open a discussion on the issue.

Ms Annette Kliemann (DG AGRI, G1) and the other Commission officials welcomed the presentation on ELTI, currently the only recognized transnational IBO, according to the Commission delegated regulation 2016232 in any agro-food sector. It is an interesting example of “*good practice*” on what an interbranch can do (namely monitoring, surveys and in general chain governance activities).

6. COP9: WHO

*Ms Anita Hegyi (DG SANTE, B2)*The Commission gave a brief summary of the last Conference of the Parties (COP8) to the WHO FCTC. It stated that a draft agenda for COP9 is not available yet, but some topics will be discussed as mandated by COP8, such as progress made so far, WG and expert group meeting reports on tobacco advertising, promotion and sponsorships, novel products, ENDS, ENNDS and Heated Tobacco Products, and the FCTC as a means to raise awareness on human rights. COP9 most likely will not have an impact on raw tobacco.

7. Brexit – Rules of Origin

Ms Maria Aguado (DG AGRI, A1) presented the newly agreement with the UK. Even if the agreement is duty and quota free, in order to benefit from the duty preference products have to comply with the relevant Rules of Origin, as it is the case in all trade agreements signed by the EU. The Commission presented the product specific rules of origin for tobacco based products.

Mrs Nathalie Darge (FoodDrinkEurope) thanked the Commission and highlighted that the EU-UK TCA (trade and cooperation agreement) would be a good basis for future FTA's that EU will conclude with other 3rd parties. Special attention was given to both the characteristics and availability of EU leaf needs which needs to be taken into consideration.

Mr João Onofre Antas Gonçalves (DG AGRI, G2 Head of Unit) closing the meeting thanked the attendees, confirmed that CDGs on tobacco will not be scheduled on a regular basis but that the Commission is always open to discuss with the stakeholders in the view of improving the functioning of the EU markets in any sector, including tobacco.

List of participants– Minutes
Meeting of the Civil Dialogue Group HOS - Tobacco

| MEMBER ORGANISATION | NUMBER OF PERSONS |
|--|-------------------|
| BEUC | - |
| Birdlife | - |
| European agri-cooperatives (COGECA) | 7 |
| European Coordination Via Campesina (ECVC) | – |
| European Council of Young Farmers (CEJA) | 2 |
| European farmers (COPA) | 7 |
| European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT) | 1 |
| EFNCP | - |
| European Liaison Committee for Agriculture and agri-food trade (CELCAA) | 5 |
| European Public Health Alliance (EPHA) | 1 |
| FoodDrinkEurope (FoodDrinkEurope) | 7 |
| International Federation of Organic Agriculture Movements EU Regional Group (IFOAM EU Group) | - |
| Pesticide Action Network Europe (PAN Europe) | - |
| SACAR - Secrétariat des Associations du Commerce Agricole Réunion / Joint Secretariat of Agricultural Trade Associations (SACAR) | 2 |
| TomatoEurope | - |

Invited speaker:

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| Minor Uses Coordination Facility (MUCF) | 1 |
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