

**FINAL MINUTES OF THE MEETING OF THE
CIVIL DIALOGUE GROUP ON HORTICULTURE,
OLIVES & SPIRITS “Flowers and Ornamental
Plants sector” HELD IN BRUSSELS ON
10/10/2014**

1. Approval of the agenda and of the report of the meeting of 9 October 2013

The first meeting The Civil Dialogue Group on Horticulture, Olives and Spirits “**Flowers and Ornamental Plants sector**” was chaired by Mr. Sanchez de Puerta Diaz (Vice-Chair):

- He thanked the delegates for their support and indicate its willingness to take the most of these meetings for the benefits of the sectors represented and for the Commission.
- He thanked the previous chairs of each sector of the advisory groups now represented in this Horticulture Civil Dialogue group for their work in the past years.
- He pointed out the differences between each sector represented in this CDG and the importance of cooperation to defend the interests of all these different sectors.

The agenda of the meeting and the minutes of the previous meeting were approved as circulated.

2. Presentation of the new system of the civil dialogue groups/strategic agenda

The Chairman informed that the following chairmanship was elected in the previous meeting of the CDG Horticulture, Olives and Spirits “fruits and vegetables” held in Brussels on 1/10/2014.

President: Mr Garcia Fernandez - elected (representing SACAR – FRESHFEL)

Vice-President: Mr Sanchez de Puerta Diaz - elected (representing COPA- COGECA - Confederación de Cooperativas Agrarias de España - Olive Oil sector)

Vice-President: Mr Sanchez Recarte - elected (representing FoodDrinkEurope -Spirits Europe)

Agenda settings and strategic agenda :

The chairman call for close collaboration with the Chairmanship in particular regarding the drafting of the agenda of future meetings and strategic agenda:

- The Commission indicates that setting a strategic agenda is a voluntary option for the group.
- The new chair indicated that a strategic agenda might be useful. The chair will work on a draft with the support of the vice chair and the organizations represented in the CDG. Once available the draft would be posted on CIRCA for consultation and be discussed by the various subgroup. It could serve as a basis for the work of the dialogue group for the next 7 years.

The Commission presented the new system of the civil dialogue groups:

- a. The system of Advisory Committee in place since 2004 has been revised on the basis of Commission Decision 2013/767. In total 68 organisations were selected, 50% being newcomers. 47% of the organizations are not for profit organisations according to their classification in the EU register.
- b. The new system is in a "phase-in" period. Adjustments on working procedure might be needed in the coming months.
- c. Chair: According to the Commission, chairs should be "professional in managing meetings" and steering the discussions. Chairman can bring an assistant to take notes.
- d. Agenda need to be targeted according to the competence of the Civil Group. Point that would be more specific to another group (eg international aspects, promotion, quality,...) will be discussed there. It is the responsibility of the chairs to set the agenda under the supervision /acceptance of the Commission services.
- e. Exchange of delegates during meetings are not possible, but delegates should not stay for the whole day if agenda items are not relevant for them (eg in a group of Horticulture covering spirits, olive oil, flowers, fruit and vegetables). For mixed meetings if any (eg flowers and spirits), it is up to the horizontal organizations to coordinate the representation. Similarly, they were reiterated concerns regarding the diversity of sectors (4) represented in this group, but only three posts in the presidency and the difficulties to chair the flower meeting. According to the Commission the chair and vice-chair to organize the work /chair for each of the groups. Meetings will be organized by the Commission according to availability of rooms.
- f. Concerns by NGO on the number of meetings but Commission confirmed that each organization should take its responsibility to attend meetings where they applied. However, the Commission understands that sometimes the availability to attend might not always be possible.
- g. Presentations by the Commission of the rules of procedure and terms of reference for the working group (=expert groups). Under the Civil Dialogue Group Horticulture, Olives and Spirits, the following WG are in place: apples and pears, citrus, tomatoes and peaches and nectarines. The WG potatoes are cancelled.

Exchange of views:

The representative of producers underlined that the sectors represented in this CDG are very different from each other with different priorities and pointed out that this sector has not been represented in the Chairmanship. He suggested that the number of vice-chairs could be increased to 3 in order to promote a fair representation of all the sectors involved. He also suggested that the Commission could chair the meetings.

The Commission clarified that is not possible to increase the number of vice-chairs. Even though officials would not chair the meetings they would be always present in the meeting. The Commission informed that the sector will have independent meetings as in the previous system.

3. Flower and ornamental plant market situation in Member States: roundtable

A presentation was given by DG Agriculture-Unit C2, summarizing the main figures and trends set out in the working document: "Live plants and products of floriculture sector in the EU" available on CIRCA. The EU value of production was estimated at about Eur 21 billion in 2013, a decrease of 0.4% compared to 2012 (at constant prices). But the trend is not the same in all the MS. Concerning trade with third countries, the total import value is estimated at Eur 1 525 Mio in 2013, it means - 3,7% compared to 2012. Import of cut flowers represent Eur 1 170 Mio and are also decreasing. EU export continue to increase with 2.9% and have reached in 2013 a value Eur 1 950 Mio,

Roundtable: The general feeling of the group is rather pessimistic. In Portugal the market is rather smaller and the consumption has been decreasing in result of the economic crisis. Consequently some producers changed to other type of production (mainly to fruits or vegetables). In recent years the main challenges have been the appearance of new diseases, lack of substances to treat these pests and bad weather. In Italy, sales have stagnated but prices for flowers and foliage decreased 8% and the quality of the production decreased in result of the poor weather conditions. Competition from third countries is increasing, in particular on flowers for weddings, and is leading to oversupply. In ES the market size is shrinking due to economic crisis. In 2014 the situation improved for a short term due to elections in the municipalities, but historically consumption decreases from spring to summer. Export of cut flowers increased 5%. The PL delegate described how this sector suffered indirectly from the Russian embargo on fruits and vegetables due to shortage and increase of price of reproductive material. Despite this, plants, and in particular bulbs (nurseries), are becoming more popular leading to an increase of production, sales, exports and investments on new plants and green houses. The main challenge is the climate. The main clients are eastern countries and Russia (uncertain market). In BE the first semester was not good (especially for cut flowers), even though consumption was going up slightly. Consumption per capita amounted to €40 but far from the numbers of northern Europe. Most of the consumers buy for self-consumption and a small percentage for gift purposes. Concerning the distribution channels, shops are the most important (35%) and retailers rank 2nd. Older people are not buying and the interest of young people is increasing. Export decreased by 1,3%. In FR all type of HOR products are facing difficulties, and since July, volumes improved but not in terms of value. In AT 2014 has been difficult mainly due to the bad weather and decrease in turn over. The delegate reported a change in the consumer habits as people are buying more plants with small fruits and vegetables to keep in the balcony instead of growing plants. Also people buy less flowers for funerals. In DE, 2014 was a better year when compared to 2013 but it was not as good as a normal year. Consumption and prices are quite stable in the main segments. Even though sales (volumes) of cut flowers had slight increase, prices remained stable. Production is stable due to the huge volumes available in the EU market, and consequently is very difficult to find outlets for 10% of the production. In the UK spring started quite well but the long warm summer brought lower sales. Warm Autumn helped to keep heating costs relatively down. Concluding the delegate was optimistic as UK economy is improving. In DK, 2014 has been slightly better when compared to 2013 (terrible). The production in the first half has increased but sales didn't follow this trend due to a decrease in prices. The situation improved in summer but prices are not great. In the NL the turnover of the major auction increased

(only) by 0,25% reflecting a stagnation of the market. In the other hand direct trading increased. The NL exports increased by 5,5% but exports to Russia decreased by 5% due to the devaluation of the Roebel. In SE, there has been no growth in terms of consumption and turn over in the sector but in 2013 there has been increase of imports of cut flowers and pot plants. In 2014 the situation is slightly improving but it's premature to take conclusions.

Exchange of views

The representative of the traders recognized that the sector has faced some of their biggest challenges in the last two years but insisted on the need to have wise and not emotional discussions. The sector should focus on promotion of the products and not focus on protectionism. This delegate informed that part of the trade that used to pass through EU from third countries is now being redirected directly to other third countries.

The representative of producers recall that EU is dependent on exports and that consumption is stagnated or even decreasing in some member states. According to this delegate is important to have a clear picture of the situation and therefore reliable and robust EU data (also at Member State level) is vital to make wise business decisions.

A representative of DGAGRI acknowledges that Eurostat trend is reducing the number of categories instead of increasing the detail of the statistical information. Concerning the market situation and opportunities, he underlined the innovation power of the sector of creating new varieties and colors, providing the example of the number and color of "orchids" available today on the market compared to 10 years ago.

4. Trade updates

The Commission introduced the subject.

Kenya : On 1st October Kenya moved from duty-free import regime of the Market Access Regulation (MAR) to the Generalised System of Preferences (GSP) ~~duties~~-regime, which increases import duties for some tariff lines (between 5 to 8.5% ad valorem on cut flowers). The East African Community and the EU are now expected to conclude the negotiations of the Economic Partnership Agreement (EPA) at the next round which will take place on 14th October in Brussels, which will make it possible to renew the duty and quota free access for Kenyan exports to the EU promptly. The reinstatement of Kenya into MAR can be a rather fast procedure taking between 3 and 4 months.

Ecuador: In September, the EU and Ecuador published the documents of the trade agreement they negotiated (available on DG TRADE website), which will see Ecuador joining the EU's existing accord with Colombia and Peru. The legal revision of these documents has been completed in December, after which the necessary administrative and legal steps will be taken to approve Ecuador's accession to, and application of, the Agreement. Colombia and Peru will also be involved in the approval process by the Trade Committee. Possible entry into force in 2016.

Exchange of views

The producer representative enquire on the Phytosanitary provisions of the agreement, in particular if products treated with substances allowed in Ecuador but not in the EU could

come to the EU markets. The Commission clarified that EU Phytosanitary requirements apply to all products in the EU despite their origin. This delegate mentioned the MRL tests on different pesticides of roses to detect fungi in both partners. The Commission delegate asked for a written question in order to consult his colleagues from DG SANTE and answer this question. Following several questions, the Commission explained that it has proposed to extend the customs arrangement in place for Ecuador at the moment of initializing the negotiated documents (Regulation in this regard was adopted in December by the co-legislators) until completion of the ratification of the FTA. This Regulation would expire in the end of 2016 at the latest, which should be sufficient time to conclude the Agreement approval procedures. Given the conclusion of the negotiations ~~of a FTA~~ in summer 2014 (but no ratification yet), the significant increase in tariffs foreseen due to the end of GSP+ preferential scheme for Ecuador starting 1 January 2015 only to see them fall again in 18 months or so, would unnecessarily hurt economic operators in Ecuador and in the EU.

Norway and Horthensia: There was some optimism when the new Norwegian government was elected, as it had promised to remove these measures. In the context of EEA negotiations Commission is drafting a mandate of negotiations and this issue (and others) will be included. EU will also ask for compensation. National governments are asking for input in order to draft the EU mandate. The first round of negotiations could take place in Nov//Dec 2014. The trade delegate suggested to look at the possibility to reduce tariffs on cut flowers exported from the EU to Norway in the context of these new negotiations. But the Commission explained that it was unlikely that there would be a possibility to re-negotiate duties in this framework.

Russia: No progress at EU level since the rejection of the Commission proposal of Memorandum of Understanding and the extension of administrative procedure. It's still possible to export to Russia if the EU facilities have been jointly inspected by both agencies. In addition, some Member States have bilateral agreements with Russia (such as Poland) to facilitate trade. A third route is trade via other countries mainly for nursery stocks. The Commission informed that chapter 6 was not included in the ban that Russia introduced in August and that Commission services are monitoring the situation.

5. Guidelines on State aid for environmental protection and energy 2014-2020

The Commission (DG COMP) introduced the subject. These guidelines intended to simplify and clarify the previous guidelines from 2008 in order to be in line with the EU energy strategy towards 2020. As Member States try to full fill the energy strategy 2020, it is foreseen, that some industries may be facing a too high cost burden from contributions to the financing of energy from renewable sources (RES). Specific regulation for state aid in this area is therefore needed and now included in the guidelines.

Sectors listed in the guidelines in annex 3 can be granted reductions from costs resulting from renewable support.

In addition to the sectors in annex 3, Member State are allowed in its national granting scheme to include companies that are having a trade intensity of at least 4% at EU level, and an electro-intensity of a least 20% at company level. Relevant mining and manufacturing sectors were listed in annex 5 for the trade intensity element. Beneficiaries should though pay at least 15% of the additional cost without reduction. In the guidelines the Commission have made it possible to grant reductions in the cost for renewable

support, on the background of a set of objective and transparent criteria. Transitional rules are foreseen.

The representative of producers presented a practical case from DK. On the basis of a question why the horticultural sector did not figure in annex 5, the Commission clarified that the list in annex 5 was made by the available data when the guidelines were finalized. It is up to the Member State, in case by case, to justify that a company can fully fill the objective criteria described in the guidelines.

6. Update on reform of EU rules for plant health and official controls and plant propagating materials

A written contribution was given by Commission. The documents are available on CIRCA. Reform of the plant health regime: Discussion continues at the Council, while the European Parliament finalized its first reading. The conclusions of this first reading have been accepted by the new Parliament. Some points remain for discussion at Council level, namely on the import regime (open or closed system). It will continue up to the end of the year under the Italian presidency and possibly under the Latvian presidency. Outstanding points will then go to trilogue discussions with the European Parliament, Council and Commission.

On plant propagating material, the producers representative asked to include some specific points for ornamentals, in particular the new regulation (COM(2013)262 final) must not be more restrictive than the current Council Directive 98/56/EC on the marketing of propagating material of ornamental plants. In addition ornamentals should be kept outside of Annex I.

7. Expert Group on EU minor uses and speciality crops: State of Play (and Report of the activities of the group)

A written contribution was given by Commission. The documents are available on CIRCA. The report from the Commission to the EP and the Council on the establishment of a European fund for minor uses in the field of plant protection products" was adopted by the Commission on 18 February 2014. A majority supported the option 3 in which the Commission is partly funding a coordination facility (Technical Secretariat) comprising of an independent central secretariat which coordinates the work between MS and stakeholders. As a result of the expert-meeting a draft outline of the Coordination Facility was prepared focussing on the following three areas: a) Operation issues b) Financial arrangements; c) Location and facilities. If the Financial Decision will be adopted and published in 2014 the technical secretariat can be established early 2015.

8. AOB

The trade and producers representatives stated that despite the outstanding contribution of floricultural products to the quality of life and a healthy lifestyle of EU citizens and to the social coherence across generations, as well as the benefits of a greening Europe, the participants feel that the attention of Commission services to this group doesn't reflect

the economic importance of this largely independent and liberalized sector. According to the agenda the Commission was due to provide information on points 6 and 7. However, both topics were not dealt with as the participation of the relevant European Commission services was ultimately not possible.

This annual meeting of the Civil Dialogue Group Meeting has been the only forum set up by the Commission to discuss policy areas that are important for this sector. In the light of this, the group ask to ensure that the European Commission, in particular from services other than DG AGRI, will make the effort to attend the next meetings in order to address the aforementioned topics.

Disclaimer

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