Final Minutes of the “CDG ARABLE CROPS” – “ TOBACCO AND COTTON” – 13th May 2016

Morning – Tobacco

1. Approval of the agenda

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

3. CAP: single CMO - establishment of a European interbranch organisation

4. Plant health: inventory minor uses (written contribution)

5. Plans of the Commission with regard to calls from the ECOFIN Council to tackle the raw tobacco – related issues in the process of revision of Directive 2011/64/EU (on structure and rates of excise duty applied to manufactured tobacco)

6. AOB

1. Approval of the agenda

The agenda was adopted with an addition under AOB: the seventh session of the Conference of the Parties (COP7) of the WHO Framework Convention on Tobacco Control.

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

The Commission gave a presentation on the European market situation. In 2014, the total surface area stood at 88,000 hectares, of which 52% was of Virginia variety. Italy had the biggest area with almost 16,000 hectares, followed by Greece, Poland and Bulgaria. The harvest was 213,000 tonnes and Italy was the main producer with 54,000 tonnes, followed by Greece with 34,000 tonnes, Spain and Poland with 32,000 tonnes. In 2014, average prices varied between, €2.27 for group I, €1.83 for group II, €1.46 for group III, €3.74 for group IV and €3.07 for group V. The number of farmers in Bulgaria was 23,720, with 12,600 in Greece and 9,000 in Poland.

In 2015, 429,000 tonnes of raw tobacco was imported in the EU. The main raw tobacco supplier to the EU28 is Brazil (18%), followed by Malawi (14%) and Tanzania (10%). In 2015, the EU exported 127,000 tonnes of raw tobacco.

PAN EUROPE asked if there were any figures about organic tobacco.

Several producer representatives explained that production in 2015 has continued to decrease in all the member States producing tobacco to reach 200 000 tonnes (-6%). Forecasts for 2016 show again a decreasing trend. Prices have slightly increased in 2015. In France, some farmers begin to grow organic tobacco or tobacco for water-pipes. Organic tobacco are sold to the USA and Japan, but are not legally recognised in the EU. In Spain, production reached 29,300 tonnes in 2015. Prices do not cover production costs. In Poland, the situation was no better, with many farmers on the verge of bankruptcy. In Italy, the harvest was 51,400 tonnes in 2015, which was less than in 2014. Farmers were very worried by the situation and with the prices that do not cover production costs. Organic Kentucky was being produced. In Greece in 2015, the production of Katerini fell by more than 2,000 tonnes. In Bulgaria, oriental tobacco production decreased by more than 20% and prices remain low. In Croatia, in the last few years there has been a decrease in the production of tobacco. The main reasons are the weather and prices.

A representative from trade stressed the need to focus on the data covered by production per hectare in order to assess the situation. As regards organic tobacco, due to the Tobacco Directive it is not possible to market organic tobacco in the EU and to highlight these characteristics.

The Commission asked the industry their views in terms of the future of tobacco production in the EU. A representative from industry replied that there is a decrease in the production of end products that goes along with the decline of the sales. Regulations such as plain packaging had also an impact as well as the discussions at the WHO on nicotine levels.

3. CAP: single CMO - establishment of a European interbranch organization

A representative from the producers said that the sector no longer had the support previously provided by the CAP. Now it was also facing challenges in terms of competitiveness. Therefore, it seems wise for producers to use the new tool offered by the CAP to try to establish a European interbranch organisation. This organisation can play a key role in terms of reorganising the market. It would be interesting for the operators in the value chain to be able to take part in the discussions. In this case, UNITAB and FETRATAB would be the key organisations.

A representative from the industry (first processors) gave a presentation on raw tobacco controls in Italy. Until 2014, EU subsidies were available and contracts were compulsory. Controls were carried out by the agency of the Ministry of Agriculture. The sanctions included reduction (even complete) of subsidies for the growers and a withdrawal of the authorization to sign contracts for processors/ purchasers. From 2015, there were no more EU subsidies for tobacco growing. However, the new CAP has included the possibility to recognise an Interbranch Organization (IBO) (growers and processors/merchants) under EU Reg. 1308/2013 Articles 157 to 165. An IBO was recognized in Italy and the Ministry of agriculture extended *erga omnes* the IBO rules and financial contribution. The controls are operated by the Agency of the Ministry of Agriculture but paid by IBO members and other operators, and the sanctions are imposed by law. To conclude, the IBO made it possible to restore in Italy the same rules/controls/sanctions system as when EU subsidies were provided. This should inspire the establishment of an EU IBO.

Another representative from the trade sector informed the members about the IBO that was set up in Spain.

A representative from the producers stressed the importance of having an IBO with members that are fully representative.

A representative from EEB said that tobacco growing in the EU produces employment; however, it needs to be regulated, and thus being able to set up an IBO within the single CMO is positive. This will be useful to fight against smuggling.

A representative from Beelife asked if it would be possible for other organisations to provide input on the work of the IBO in Italy. The representative from the trade explained that every input from other organizations will be very welcome and that the relevant minutes and other documents of the IBO are made public and can be found (in IT) on the website of the Italian Ministry of Agriculture at the link:

www.politicheagricole.it/flex/cm/pages/ServeBLOB.php/L/IT/IDPagina/8996

4. Plant health: inventory minor uses (*written contribution*)

The Commission representative could not participate in the meeting, which meant a written contribution was sent to the meeting.

The members and the Chair stressed that the issue of minor uses is very important for the sector and we all have to be vigilant on this point.

5. Plans of the Commission with regard to calls from the ECOFIN Council to tackle the raw tobacco – related issues in the process of revision of the Directive 2011/64/EU (on structure and rates of excise duty applied to manufactured tobacco)

A Commission representative gave a presentation on this item. DG TAXUD carried out a study on Directive 2011/61 in order to assess the possible ways to review the legislation. Several DGs will be consulted and this study will take some time. The adoption process of a new Directive should end by 2017. DG AGRI wishes to be involved because raw tobacco could fall under its scope.

A representative from trade thanked the Commission for the presentation and presented the two systems currently implemented by Member States. Should raw tobacco be included in the scope, it will become very burdensome for operators, in particular the very small scale growers, and possibly afflicting only the officially registered and authorized operators leaving untouched who operates in the grey area.

A representative from trade said that there are other ways than excise duty on raw tobacco to fight against fraud, in particular compulsory cultivation contracts for raw tobacco, between recognized/authorized growers POs and purchasers in all EU producing MS.

A representative from the producers stressed that the legislator should be careful about the impact that any new rule can have on the producers such as applying excise duties to raw tobacco. In this case, an interbranch organisation can play a key role in the fight against the black market.

6. AOB

The Commission explained that the seventh session of the Conference of the Parties of the WHO Framework Convention on Tobacco Control would be hosted in November 2016 in New Delhi, India. A progress reports on the implementation of Articles 17 and 18 will be presented during this session. Therefore, the Commission asked the Member States to provide them with information on the national implementation, but only 5 out of 11 had replied for the time being (Belgium, Bulgaria, Germany, Spain, and Greece) but there is still time for the Member States provide information. The report from the EU will include a summary and an annex with all the contributions received. Once finalised, it will be sent to the permanent representations too.

A representative from industry said that they would like to propose a statement as a conclusion of this point. This statement covers the request for DG Agri to be active in COP 7.

A representative from the producers added that DG Agri has a key role to play in supporting EU farmers.

The members of the CDG supported the statement and unanimously proposed for the statement to be included as an Annex in the minutes (below) and circulated to the Commission.

The Commission replied that DGAGRI participation to COP7 will depend on the subjects on the agenda and whether DG AGRI's participation is deemed necessary. DG AGRI also stated that health issues are not in DG AGRI's competence.

Annex - Statement on FCTC – COP 7

The 7th Conference of the Parties to the WHO Framework Convention on Tobacco Control will take place on 7-12 November 2016. The European Commission as well as the EU Presidency and the Member States will participate as parties to the Convention. They will be called to express their views on several proposals which may impact the future livelihoods of tobacco farmers.

The members of the Civil Dialogue "Arable Crops – Tobacco" urge the European Commission:

- To ensure that representatives from DG AGRI are involved and consulted in every step of the decision making process on COP7 items, to avoid therefore the adoption of measures impacting the growers which have no discernable benefit for public health.
- To guarantee the effective application of the principle, stated in the COP decisions, that tobacco farmers need to be consulted in the development of solutions affecting their future as farmers.
- To object to proposals[1] reducing nicotine levels in tobacco leaf to a value that would lead to a de facto prohibition of European tobacco leaf.

[1] http://www.who.int/tobacco/publications/prod_regulation/nicotine-reduction/en/

Afternoon – 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 2015/2016: areas sown; production; yield, prices

- Estimation from the production sector for the marketing year 2015/16

- Presentation by the trade sector about the current market and outlook.

3. Phytosanitary issues: information on the state of play on minor uses based on Commission report (*written contribution*)

4. Branding the European cotton: the EU cotton trademark- the identity features of the European cotton and the responsible way it is produced

5. Information on the status of the proposed regulation to extend the use of the herbicide glyphosate for 15 years (*written contribution*)

6. Information on the ongoing efforts for a sustainable cotton production and process on initiatives on European level like the German Textile alliance

7. Information about financing opportunities of promotional strategies of EU cotton

8. AOB

1. Approval of the agenda

This point was addressed in the morning session of the CDG.

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

- Provisional balance sheet for the marketing year 2015/2016: areas sown; production; yield, prices

- Estimation from the production sector for the marketing year 2015/16

- Presentation by the trade sector about the current market and outlook.

A representative from the producer explained that in 2015, the harvest was 170,000 tonnes in Spain and 660,000 tonnes in Greece. In 2015, the total surface area stood at 63,000 hectares in Spain and 264,000 hectares in Greece. In terms of forecast, it is estimated that the harvest in 2016 will be 160,000 tonnes in Spain and 700,000 tonnes in Greece.

A representative from industry said that previously the Commission gave a presentation on the market situation. However, it no longer did this, but the sector wanted to have updated data on the cotton market situation.

The Commission representative informed the members that the collection of data also depends on the willingness of the Member States to collect it. There is a current revision on this point and the sector should inform the Commission about the added value of collecting information.

3. Phytosanitary issues: information on the state of play on minor uses based on Commission report (*written contribution*)

No Commission representative could present this point, which meant that a written contribution was sent to the meeting.

Beelife said that the issues surrounding minor uses should not create any environmental problems.

4. Branding the European cotton: the EU cotton trademark- the identity features of the European cotton and the responsible way it is produced

A representative from industry gave a presentation on this point. He said that the EU accounts for 1.5% of world cotton production and Greece (75%) and Spain (25%) are the main producing countries. Both countries have a long tradition of cotton production. Total production is about 350,000 tonnes; around 25% is consumed on the domestic market and 75% is exported to Turkey, Egypt and Asian countries. Europe ranks within the first 10 leading cotton exporters. Cotton is very important for the regions where it is produced.

In addition, the EU is a big consumer of textile products. A large percentage of exported cotton returns to the EU as end textile products. EU consumers are focussed on quality and not simply price oriented. They pay a lot of attention to the environmental impact and sustainability of the raw materials used.

Within the EU, cotton is produced in compliance with EU Directives and Regulations (cross-compliance and greening), which reinforce sustainable production techniques. A large percentage is produced through Integrated Managements Systems techniques. There is a rational use of resources and pest management control and GMO free cotton is produced. Cotton is also machine picked with high spinability.

Marketing efficiency and pricing of the EU cotton could be improved considerably, increasing the awareness of EU cotton attributes worldwide.

This could be achieved by grouping the identity features of cotton produced in Europe in a strong EU COTTON ID, by establishing a strong trademark for EU cotton as part of a broader branding and promotional strategy; by communicating to spinners, retailers and final consumers the identity features of EU cotton in terms of its inherent quality and the responsible way it is produced; and by running a customized EU program facilitating this scope.

Another representative from industry said that this message was clear for whole the sector and the support of the Commission was needed to develop an EU cotton trademark.

A representative from the farmers said that farmers are aware of the project which aims to promote the added value of European cotton and we support this.

A Commission representative gave a presentation on the possibilities of establishing an EU collective trademark. A mark cannot describe a product's geographical origin (Article 7(1)(c) EUTMR 2015/2424 of 24 December 2015). The collective mark has to fulfil the requirements of the EUTMR e.g. not being descriptive of the goods ("do-it-yourself" refused: descriptive of the intended purpose of tools); not misleading in particular if it is likely to be perceived as something other than a collective mark: this is the case where it gives the impression that it is available for use by anyone who is able to meet certain objective standards. With an EU Certification mark, it is not possible to designate the geographical origin of the goods (Article 74 a EUTMR). Further information can be found on the EUIPO guidelines under:

https://euipo.europa.eu/ohimportal/en/trade-markguidelines

Another representative from the Commission gave a presentation on establishing a Protected Geographical Indication (PGI) or Protected Designation of Origin (PDO).

Regulation (EU) No 1151/2012 establishes quality schemes for agricultural products and foodstuffs and cotton is included. The differences between both quality schemes were presented as well as the way to register. In addition, PDO and PGI are eligible for rural development support measures (EAFRD) - Regulation (EU) No 1305/2013 and to the information provision and promotion measures - Regulation(EU) No 1144/2014.

The Commission representative stressed that the sector has a number of tools to achieve its objective and the sector should commit to take step to use the available tools.

5. Information on the status of the proposed regulation to extend the use of the herbicide glyphosate for 15 years (written contribution)

No Commission representative could present this point, which meant that a written contribution was sent to the meeting.

6. Information on the ongoing efforts for a sustainable cotton production and process on initiatives on European level like the German Textile alliance

A trade representative gave a presentation on this item. The Textile Partnership is a multi-stakeholder initiative with the objective of achieving social, ecological and economic improvements all along the textile supply chain. It was founded on 16th October 2014. The initiative was established due to incidents such as the collapse of Rana Plaza in Bangladesh in 2013. They believe that sustainability standards in global supply chains can only be implemented on an international basis. They have a joint definition of Partnership Standards and implementation requirements with deadlines for continuous improvement. They are striving for joint improvement of legal and political conditions in the producer countries and recommendations for action on policy and policy coherence in Germany and the EU. They engage in transparent communication that makes it easy for consumers to identify sustainable textiles. Communication about the progress made by the Partnership and its members must also be transparent. They also have a partnership platform to review and support progress and the feasibility in implementation, share experience and learn from each other.

7. Information about financing opportunities of promotional strategies of EU cotton

This point was not addressed during the CDG meeting.

8. AOB

- The EU Ecolabel for textiles (cotton)

A Commission representative gave a presentation on this point. The EU Ecolabel is a voluntary scheme that aims to promote products and services with a lower environmental impact. It provides consumers with an environmental certification they can trust. Regulation 66/2010 on the EU Ecolabel establishes multiple criteria and a life cycle based approach. Criteria cover the environmental impacts of the product as well as the technical performance.

There is an EU ECOLABEL for textiles (cotton) created by the Commission Decision of 5th June 2014 establishing the ecological criteria to grant the EU Ecolabel for textile products. Further information can be found here:

http://ec.europa.eu/environment/ecolabel/products-groups-and-criteria.html

A representative from industry said that EU cotton is produced using integrated management with no GMO varieties. Including EU cotton under the EU Ecolabel for textiles is an opportunity that should not be wasted.

A representative from the producers believed that based on the criteria presented, the sector should further investigate the possibilities of obtaining the EU Ecolabel for textiles.

A representative from trade said that the point on traceability could become very bureaucratic.

The Commission representative said that they were ready to help the sector on this.

- A representative from the industry said that it would be better if the meeting of the section cotton of the CDG could take place in the morning because of the flights from Spain and Greece.

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."