



Brussels,
AGRI.E4/AV/ck (2022) (1.2.5) 7754924

MINUTES

Meeting of the CDG Arable Crops – Sugar Sector

19 September 2022

Chair: AGRI.E4.

All the organisations were represented except: CEPM, EBB, EFFAT, Fertilizers Europe, Pan Europe, Birdlife Europe, Europabio and IBMA (observer)

1. APPROVAL OF THE AGENDA

The agenda was approved.

2. NATURE OF THE MEETING

Non-public.

3. LIST OF POINTS DISCUSSED

3.1 Market situation

a. Overview of the world sugar market situation

The president of ASSUC gave a presentation on the global sugar market. For the moment there is a deficit at world level but a small surplus is expected for the next marketing year. The tightness observed in the market and the accompanying high sugar prices are expected to ease in the short term as the relatively good production from Brazil, Thailand and India will bridge the supply gap. The presentation included also the situation in the major producing countries with a focus on India's significant role in the global sugar trade and its increased flexibility to switch to bio-ethanol and Brazil's increased production for the next year and the prospect of increase of the sugar mix due to the lower profitability of the ethanol.

Over the long term, global sugar production has barely grown over the last years. This is due to prices not being attractive enough while increasing health concerns have a negative effect on demand weighing on the investments and improvements in production capacity. Sugar consumption is growing mainly due to population increase and not so much due to an increase of the non-food consumption (i.e. ethanol, bioplastics).

The CIBE representative mentioned the perceived stagnation of food and non-food consumption in the EU and asked about the potential reasons for this situation. ASSUC responded that the situation can be explained by the EU market being a mature, well supplied one. In the less developed countries, the consumption is growing because it comes from a very low level.

b. Overview of the EU sugar market situation

The European Commission (DG AGRI) presented the EU sugar market situation. EU average sugar price for July was EUR 473 per tonne, an increase of EUR 20 compared to previous month as well as an increase of 18% compared to July 2021. The Commission presented an update of EU average selling prices for the short-term contracts (representing 3.6% of the total sugar quantities sold) which in May 2022 reached EUR 546 per tonne. The imports for the first ten months of the marketing 2021/22 reached 1 158 000 tonnes of (-34 000 y-o-y) while exports reached 716 000 tonnes (+91 000 tonnes y-o-y). EU stocks reached 4 120 000 tonnes (+8.4% y-o-y) in July 2022. The cumulated isoglucose production until end of July was 470 000 tonnes (-7% y-o-y).

The CIBE representative suggested that in future this presentation includes a more comprehensive analysis regarding the trade flows under the inward processing regime, the impact of the energy cost and supply problems faced by the sector and the reasons for the decrease of the cultivated area. The Commission (DG AGRI) took note of the suggestion and indicated that some of the concerns raised will be addressed under other points of the agenda. Responding to a question from CGB France, the Commission (DG AGRI) informed the participants that an update of the sugar balance sheet for both marketing years 2021/22 and 2022/23 will be presented to the EU Member States in the next GREX Committee meeting after which it will be published in the next version of the Short Term Outlook. In reply to a question from ASSUC (in the chat) the Commission (DG AGRI) indicated that the official and reliable data on import tariff quotas for sugar is publicly available on https://agriculture.ec.europa.eu/common-agricultural-policy/market-measures/trqs_en and particularly under: Allocation coefficients for import tariff rate quotas.

3.2 Update on Food Trade Agreements – India, Australia and Mercosur

The European Commission (DG AGRI) presented the state of play of the negotiation for the EU-Australia FTA negotiations that started in 2018 and for which 12 rounds have taken place until now. The upcoming round takes place mid-October at the occasion of which a second exchange of offers on trade in goods is foreseen (after the first one of October 2019). At this stage, the EU offer still does not cover the most sensitive sectors and tariff lines (including raw sugar cane for refining) which will be left for the later stage of negotiations, in 2023.

For the EU-India FTA negotiations, the first round took place in New Delhi from 27 June to 1 July 2022. The main focus of this round was to discuss all the chapters to be part of the future FTA. A dedicated web page on the EU-India trade and investment negotiations is available: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/india/eu-india-agreement_en. No discussion took place on the exchange of market access offers. The second round of EU-India

negotiations will be held in Brussels from 3 to 7 October but no discussion on specific agri–food products (including sugar) is planned.

As regards the EU – Mercosur FTA, its legal revision is continuing according to the plan. The tariff elimination schedules have been made public in July last year (https://trade.ec.europa.eu/doclib/docs/2021/july/tradoc_159728.pdf). The Commission will present a proposal to the Council and the European Parliament for signature and conclusion after which the timeline for the following steps of the formal ratification process will be set.

In response to a comment from the representative of CGB France, DG AGRI reassured the members of the CDG that the farmers’ concerns are echoed in the negotiations of the trade agreements. In response to a question in the chat from ASSUC, the Commission (DG AGRI) informed the members of the group that a decision on the provisional application of the EU – Mercosur FTA will not be taken before the text is finalised in view of its submission to the European Parliament and the Council.

3.3 Update on the European Commission’s Report to the European Parliament and the Council on the application of EU health and environmental standards to imported agricultural and agri-food products – COM/2022/226 final

The Commission (DG AGRI) presented the [Report on the application of EU health and environmental standards to imported agricultural and agri-food products](#). The report provides an overview of the sustainability challenges for EU and global food systems. It reminds that EU sanitary and phytosanitary standards apply equally to domestic and imported products. However, the EU environmental and animal welfare standards are usually not imposed on imported products with some exception. The report includes a detailed legal analysis of the possibility to apply environmental and animal welfare standards to imports under WTO legislation. The Commission noted that measures aimed at addressing global issues such as climate change, deforestation or protection of pollinators could be justified under the WTO rules but this would not be the case for any measures based on competitiveness or level playing field considerations. The report further explains the different areas for action at multilateral, bilateral level or EU level (autonomous action) and outlines each area’s benefits and constraints. The Commission invited the participants to take account of the findings of the report when developing their position on related issues.

Responding to a comment from the representatives of CGB France and CIBE that cane sugar should be included in the list of deforestation-free products, DG AGRI informed the participants that the deforestation proposal is currently being discussed by the European Parliament and Council and invited them to address their concerns to DG ENV, that is responsible for this initiative.

3.4 Update on the Sustainable Use Regulation proposal

The European Commission (DG SANTE) reminded that the slides of their presentation on the Sustainable Use Regulation proposal had been made available to the participants in advance of the meeting and expressed their openness to answer to any questions on this proposal. The CIBE representative mentioned that detailed views on the SUR proposal are included in their contribution to the

public consultation. Their main concerns, also shared by CEFS, are: the lack of an impact assessment (qualitative, not quantitative), the lack of affordable and sustainable alternatives (this view was also supported by CEJA), the unsolved issue of new breeding techniques and the uncertainty as regards the bio-control products which are not as sustainable as the chemical ones. In addition, concerns were raised regarding the ban of pesticides in sensitive areas, the definition of IPM (Integrated Pest Management) and the Harmonised Risk Indicators. The pesticide use and risk reduction targets to be reached by 2030 are considered not feasible and have to be changed accordingly to the reality faced by farmers. The Commission (DG SANTE) informed the members of the CDG that more than 7 000 contributions have been received in the context of the public consultation call. As regards the Impact Assessment, the lack of data on certain aspects did not always allow for a qualitative assessment. The proposal outlines various record-keeping requirements which would improve the availability of monitoring and evaluation data in the future, although such record-keeping would place extra administrative burden on farmers and other professional pesticide users. As regards the support for alternative tools, funding is provided through CAP for the IPM Toolbox and IPMWORKS, the latter being a project aiming to disseminate the proven successful implementation of IPM which can reduce the use of pesticides. Regarding the ambitious proposal to ban all pesticide use in sensitive areas (with some derogations) the Commission (DG SANTE) pointed out that under the current legislation (article 12 of the SUD) Member States already had the obligation to minimise or prohibit pesticide use in various sensitive areas. Numerous modelling studies (using differing assumptions) have been published concerning the potential impacts of achieving the 2030 pesticide use and risk reduction targets. As regards the impact of the reduction of the use of plant protection products on the sugar beet yields, data stemming from different studies (e.g. Wageningen University/ CropLife Europe) indicate that achieving the targets can have varying impacts on crop yields, i.e. for some crops there could be no yield reduction while for other crops there could be a reduction of 5%, 10% etc. In response to a question from CIBE (in the chat), the Commission reminded the participants that its SUR proposal is the starting point of the discussions with the other EU institutions and Member States, which are expected to last for at least 18 months. A summary of the feedback received will also be transmitted by the Commission to the European Parliament and Council to be taken into account in these negotiations. In reply to a comment from CIBE (in the chat) mentioning that the proposal is disproportionate, the Commission stated that political discussions on topics such as pesticides often involve difficult decisions and trade-offs between the protection of the environment and human health and the maximisation of the crop yields. The EU Group of Chief Scientific Advisers already delivered an opinion in 2020 which stated that while the EU food system has achieved high levels of food security, food safety and a wide consumer choice, it is currently not sustainable with respect to the environmental, economic and social aspects. This report stated that continuing with 'business as usual' will significantly endanger natural resources, human health, climate, and the economy.

3.5 Revision of the Bee Guidance Document – State of play. Overview of emergency authorisations for the use of neonicotinoids on sugar beets in the European Union

The European Commission (DG SANTE) started its presentation with the state of play on the Revision of the Bee Guidance Document. The 2013 Bee Guidance

Document issued by EFSA was never fully endorsed by the majority of the Member States in the Standing Committee on Plants, Animals, Food and Feed. Commission mandated EFSA in March 2019 to review the 2013 Bee Guidance Document taking into account the scientific knowledge that has emerged since 2013. Discussions with Member States on the Specific Protection Goals (SPG) for bees started in 2020 and two information sessions with stakeholders were held in January and November 2021. The Specific Protection Goal for honeybees was set at 10% and this was supported by the majority of EU Ministers of Agriculture in June 2021. The value of 10% should be understood as the maximum permitted level of honeybee colony size reduction following pesticide exposure and will be applied for the entire EU. Contrary to honeybees, for bumblebees and solitary bees, this goal could not be defined due to the absence of robust scientific evidence. The majority of Member States indicated support for an undefined threshold approach for setting SPGs for both bumblebees and solitary bees. EFSA has finalised the first draft of the revised Bee Guidance Document in July and launched a [public consultation](#) which will be open until 3 October 2022. The Commission strongly invited all stakeholders to provide their feedback.

The European Commission (DG SANTE) continued its presentation with information on the emergency authorisations. These authorisations are granted for a period not exceeding 120 days by Member States and may concern active substances not approved for the intended use when there is a danger to plant health that cannot be controlled by other reasonable means. The emergency authorisations are notified in a public database and the Commission may ask EFSA for an opinion or for scientific or technical assistance. In 2020 the Commission took action to prevent unjustified emergency authorisations for two Member States based on EFSA's opinion. Subsequently, EFSA was asked to assess the justification provided by 11 Member States for granting emergency authorisations for the use of neonicotinoids on sugar beet in 2021. EFSA concluded in November 2021 that all of them were justified. However, the Commission intends to mandate EFSA to verify the justification for the emergency authorisations granted for sugar beet in 2022 and to develop a protocol for such verifications.

The CIBE representative expressed the farmers' concerns regarding the inclusion in the Bee Guidance Document of the sugar beet crop among the cultures attractive for bees. In their view there is no risk for the bees as the sugar beet is harvested before the flowering of the plant. As regards the use of the emergency authorisations for neonicotinoids, CIBE mentioned that the sector is working hard to find alternatives but without great success so far. DG SANTE reminded that the risk assessment contained in the Bee Guidance Document falls within EFSA's mandate. The public consultation call is the most suitable forum to address such concerns. As regards CIBE's work on alternatives to neonicotinoids, the Commission invited CIBE to share any developments in this respect.

3.6 Decarbonisation in the sugar sector

A CEFS representative presented the challenges of decarbonisation for the EU sugar sector. Sugar is an energy intensive industry (energy counts for more than 20% of the total factory costs at present). However the sector managed to reduce CO₂ emission by 51% during 1990-2018. Nowadays, high gas prices are causing many sugar factories to switch to oil and coal for the next campaign 2022/23 and

the cost of decarbonisation related investments have increased due to high steel prices. The main concern of the sector is the target set in the ‘Fit for 55 package’ on the 55% reduction of the emissions by 2030. The paths to reach this goal (electrification, hydrogen and biomass) were briefly described. The CEFS representative stressed the need: i) for a new section in the Annex IX of the RED II Directive on over stationary installations, ii) to exempt energetic self-use of biomass residues from the Energy Taxation Directive, iii) to recognise CHP (Combined Heat and Power) as a sustainable solution for electricity and heat, iv) to de-link energy audits and Emissions Trading System (ETS), v) to recognise specificities of sugar sector and vi) to recognise the role transport biofuels can play in the energy transition.

3.7 European Commission’s views regarding the biofuel policy

The European Commission (DG ENER) presented an update on the revision of the Renewable Energy Directive (REDII) with regards to biofuels. In May 2022, the Commission published the REPowerEU plan whose main goal is the transition of the energy system towards a circular and more efficient system based on deep electrification. For sectors that are harder to decarbonise, renewable and low carbon fuels could be a solution. In the context of food security, the use of food for biofuels is likely to be reduced. CEFS indicated that the sugar sector is difficult to decarbonise. DG ENER responded that the sugar sector should explore the use of biomass. CIBE stresses that there is no actual competition between food and fuel at the moment and asked if the 7% cap could be an EU-target instead of a Member State target. DG ENER explained that purpose of the 7% cap being set at Member State level is to reduce the actual consumption and its impact would be weakened if it were to be set as an EU target.

COFALEC reiterated the importance of molasses for the yeast industry. Molasses is a co-product of sugar production not a residue. The molasses’s availability is at risk if included in Annex IX. DG ENER informed that the proposal is currently being discussed by the Council and the Parliament.

3.8 Information on the European Gas Demand Reduction Plan with reference to the ‘socially critical sectors’

The Commission (DG AGRI) updated the participants on the actions to be taken at EU level in order to mitigate the impact of the increase in natural gas and electricity prices for farmers and the agri food supply chain. In this context it was reminded that DG AGRI activated the agricultural crisis reserve to finance emergency aid for farmers in March 2022. The Temporary Crisis Framework (TCF) state aid package was expanded to cover the energy intensive sectors in July. Under the REPowerEU plan, the Commission aims at accelerating renewable energy production and diversifying the energy supply. Further actions are presented in the Winter Preparedness Action Plan of July 2022, which sets out key actions and includes guidance on concerted pre-emptive demand reduction measures. The key element of the plan is the early coordination and planning in view of minimizing the risk of total gas disruption or rationing. Member States are encouraged to update their emergency plans and are given guidelines to determine which sectors are essential. The agri-food sector can be considered by as societally critical. CEFS stressed that for the sugar sector biogas from biomass is a solution to decarbonize the sector. In addition, CIBE informed that many

farmers are involved in decarbonisation and will continue to invest in biogas and bio-methanisers. DG AGRI responded that the REPowerEU plan includes action to step up the EU bio-methane production.

3.9 Any other business

The chair informed the participants on the future of the CDGs and announced that the call for representatives will be send out in Autumn 2022.

4. NEXT MEETING

No date is set for the next meeting of the CDG for the sugar sector.

5. LIST OF PARTICIPANTS

E-signed

Michael SCANNELL

List of participants– Minutes
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ORGANISATION
Bee Life-European Beekeeping Coordination (Bee Life)
European Agroforestry Federation (EURAF)
European Coordination Via Campesina (ECVC)
European Council of Young farmers (CEJA)
European Environmental Bureau (EEB)
European Landowners' Organization asbl (ELO asbl)
European Liaison Committee for Agriculture and agri-food trade (CELCAA)
European agri-cooperatives (COGECA)
European farmers (COPA)
FoodDrinkEurope (FoodDrinkEurope)
IFOAM Organics Europe
SACAR - Secrétariat des Associations du Commerce Agricole Réunies / Joint Secretariat of Agricultural Trade Associations (SACAR)