

Final Minutes of the meeting of the Civil Dialogue Group on Arable Crops

Cereals, Oilseeds -Rice
22 september 2015

The agenda and the minutes of the previous meeting were adopted.

Item 1: Forecast and market outlook for grains and oilseeds

DG agri representative has remained the main facts of the 2014/15 campaign: EU net exporter by 36.2 tons. Besides France and Germany, Poland had record wheat exports. Saudi Arabia increased its EU imports considerably. For barley, it is mostly France exporting to China; Romania increased its exports of barley. China remains the main importer of EU barley. Maize exports was record in relation with the record production. Romania performed 2/3 of EU maize exports. Main destinations are Turkey, China (bilateral agreement with Bulgaria). EU imports of wheat originate in Ukraine for 50% destined to Italy and UK mostly. Durum wheat goes from Canada to Italy. Maize is imported by Spain, Netherlands and Italy mostly, originating in Ukraine for 60%.

In relation to the new 2015/16 campaign (end of August estimation): total area of 57.7 mln ha. Production is foreseen at around 300 mln ton. Stocks are expected to decrease for the first time in 5 years. On oilseeds and protein crops: Soy area increased mostly thanks to Italy. The peas increased more significantly. Rapeseed production decreased as compared to last year and to the previous forecasts. Also sunflower production was revised down. Protein crops production is foreseen to increase by 8% mostly thanks to peas.

Comments

Copa representative comments the positive trend on protein crops with new areas coming from new measures under the CAP, so hopefully there will be a market for more EU proteins to take part in feed composition. The next campaign will depend on the conditions for plantings and the progress of the harvest of the current crop. Prices are on the low side for the second year in a row, this is a great concern for the farmers income. Therefore, advance the payment of CAP direct payment will have a positive impact on the cash flow.

Cogeca representatives pinpointed the area for durum wheat production in Canada increased, but yields are forecasted down. 4.4 mln tons are foreseen for 2015 crop (down since 2013), which will influence the price.

Fefac is disappointed in the measures that the Council took to mitigate the effects of the crisis in livestock sector. All meat sectors are experiencing a crisis, not only pig meat and dairy. The protein crops in the EU are performing well, but we will have less feed wheat and maize. Availability is not as much as production. The Commission is invited to look at how to balance out the protein balance sheet.

Copa representative from Poland remind the record crop in 2014, but this year an unusual drought hit the country and production suffered. Cereals results are not as bad, but there are problems with maize production with up to -50% production in some regions.

There is discrepancy on sunflower production among different forecasts. According to Copa representatives there is no alarming news from farmers, but the harvest has just begun. Numbers are lower than last year but not too concerning.

The Cogeca representatives asked that the EU starts looking at the effect of the Gulf Stream on EU production.

Commission's replies: EU protein production will not change the balance but will contribute to soothe the protein deficit. The Council's aid to agriculture is not perceived as sufficient but considering the priorities of the Commission in this moment (i.e. refugees) it can be considered satisfactory.

MiFID 2 Update – Presentation 3

Copa representative made a presentation telling not only farmers but also cooperatives are looking at MiFID measures. Forward contracts must not be caught under MiFID scope, they are not features. Farmers are usually small businesses and cannot take up additional costs, burden for managing their risks. Farmers are using more and more forward contracts and hedging instruments as well to manage risk on several years but also as price indicator. They hope that in future there will be instruments developed for fertilisers, dairy, etc. If the EU will start already hitting this possibility, there will be no opportunity. Farmers must not be regulated out of their markets.

Cogeca representatives from Germany and Italy fully support this position: they need price management tools without further administrative burden. but the cooperatives fear they might entail speculative positions.

Copa representative from UK support this position, future markets ensure farmers to take control on their destiny. They provide a transparent tool to check prices even if farmers don't use these instruments directly. It is however odd that legislators look at establishing future market for dairy sector to help solving the crisis, at the same time when they try to rescript the possibility of using them in the cereals and oilseeds sector.

Fefac support the farmers' position on MiFID 2 as well. Fediol supports the views of farmers. The technical standards risk endanger the possibility of using Futures. COCERAL supports the initiative of Copa-Cogeca and the remarks of Fediol.

Commission's reply: the Expert Group of DG AGRI has been postponed. The Director is on a mission and could not be here, but Mr Willems will report all comments made. DG AGRI hierarchy and Commissioner's Cabinet understand very well our concerns and it will be firm at the time of the inter-service consultation that is to come. However, DG FISMA fears that if there is too much flexibility one sector, this may open the door to other sectors as well and the Parliament would not accept it. So a balanced approach is needed for agriculture.

Timeline: the draft RTS to be adopted on 24 or 25 September by ESMA. Commission will have to adopt this package before end 2015 at the latest. 2 dates are blocked for the DG AGRI Expert Group: 15 October and 16 November, depending on the availability of ESMA. If 15 October, there will be still time before Commission's adoption of RTS.

Storage capacity study – Presentation 4

This study was conducted to relaunch on the study by Copa-Cogeca/Rabobank. 19 Member States (MS) participated to the survey; those who did not will be encouraged to do so. It is totally unrelated to intervention measures.

DG Agri representative explained the existing storage capacity is not a competitive advantage for all MS. In some cases MS have allocated resources to improve the situation for transport and storage. According to a qualitative assessment, it appears that 12 MS have a theoretical storage capacity below the level of the maximum production + the maximum stocks for both cereals and oilseeds, as observed in the last 10 years. For 7 MS, the available storage capacity is lower than the maximum cereal production as observed in the last decade.

Quality of transport is still considered unsatisfactory in the Eastern countries. Cost of transport is higher in Western countries. There are not official data on split between transport modes that are specific to grains. According to the questionnaire, the repartition follows generally the overall split of transport modes for all sectors.

It is difficult to collect reliable data on storage. Inconsistencies have been noted between the data provided by MS and data publicly available (and with the Rabobank study on storage infrastructure).

COCERAL commented that another element to consider is the need for segregation due to quality but also phytosanitary measures. Segregation could erode 10% of the available capacity. Another factor to take into account is port policies. The fobbing costs are very different from port to port and they risk undermining the competitiveness of certain regions and of EU grain exports. Study on this would be welcome, with the collaboration of the chain.

Fertilisers: nitrogen monitoring tool – Presentation 5

A representative of Fertilizer introduced the EU nitrogen expert panel has a first mandate to develop a Nitrogen Use Efficiency (NUE) indicator, with the objective of improving NUE. Most of the constraints to improve NUE is a silo-approach, so the panel brought together 20 experts to work in concert coming from: scientific community, EU and national policy makers, industries in the food chain (fertilisers, farmers, food to join).

NUE must integrate 3 dimensions: not only efficiency, but also N balance (for environmental benefits) and minimum productivity level for economic sustainability.

Definition of inputs and outputs are the critical elements of the NUE, they must be defined crop by crop and region by region. The tool can be used for all conditions by changing these elements.

AoB

Fefac discussed the GMOs opt-out proposal for imports. He asked if DG AGRI made a simulation of impact of this proposal in its feed model. From a legal point of view: could member states implement this measure independently if the EU rejects this proposal?

Commission's reply: DG AGRI did not made the exercise with its feed model, but the model would support it with an analysis at member state level. For the legal question, DG AGRI cannot reply.

Rice

Market situation – Presentation 6

Rice production figures for 2015 are based on estimations of areas coming from member states and of yields based on the last 3-year average. Strong increase of japonica and decrease of indica, resulting in a slight total increase. The figures may be changed in a few weeks with real harvest figures. Main uncertainty in the Commission estimates today derives from Spain, from which the Commission awaits revised numbers.

Demand has been pushed by exports, with an estimation of exports in 2014/15 of 245,000 tons. Stocks are decreasing, with final stocks down at 350,000 tons from 471,000 in 2013/14.

Italy represents ca. 50% of EU exports. Greece and Bulgaria represent 8% and 11% of exports despite them not being important producers. This is because japonica has been mostly exported to Turkey (42% of EU rice).

Prices in Spain: they have slightly increased since last summer, but in general prices are at average level. Prices in Italy: prices strongly increased along the campaign, up to 330 €/tons for indica and 430 €/tons for japonica, above average levels – and even higher for speciality japonica varieties.

Imports

In 2014/15 imports increased by 11% y/y, reaching 1.17 mln tons milled-equivalent. Origins: India, Pakistan, Thailand, Cambodia (22%). Destinations: UK, France, Belgium, Netherlands. Regimes under which rice is imported: non-preferential (33%); TRQ (WTO): 8%; Basmati (25%); EBA (Everything But Arms, 29%).

Small packages (<5 kg and 5-20 kg): tendency to increase in imports, last year of 15% y/y with total volumes of 241,000 tons milled-equivalent. Origins: Thailand, Cambodia. Destinations: France, Germany, Netherlands.

EBA: 24% increase y/y for both milled and broken rice amounting to ca. 500,000 tons. Origins: Cambodia and Myanmar. Destinations: as above.

Rice from Cambodia is essentially milled; from Myanmar is essentially broken. Cambodia imports increased only by 5% y/y, whilst Myanmar by 34% y/y.

To conclude for the 2014/15 campaign: tight supply and demand supported EU prices; record high imports (indica) and exports (japonica); market switch to more japonica production in 2015.

For the 2015/16 campaign we expect a strong supply of japonica that will hopefully find market outlets.

Comments

Copa representative from Italy reiterated the request to have a specific and separated advisory group for rice, to ensure that all rice experts can have seats and be represented. The start of this campaign in Italy records much lower prices than those seen in the last campaign and well below 300 €/tons. This year Turkey is not foreseen to be an export market. Farmers have requested measures to control imports from EBA countries, if not safeguard clause at least reduced duty of TRQs. Rice production in Italy and Europe is at stake according to rice farmers. Rice farmers said they will take actions towards the European Parliament to block the trade agreement with Vietnam (whose technical negotiations are now concluded).

Update on the EU-Vietnam trade agreement

Rice tariffs and TRQs:

- Broken rice duty will be cut by 50% at the date of entry into force of the agreement, with full liberalization of the remaining duty over a period of 5 years;
- Paddy and husked rice: 20,000t (expressed in husked equivalent)
- Wholly milled and semi-milled rice: 30,000t (expressed in milled equivalent);
- Fragrant rice: 30,000t MEQ (a list of eligible varieties of fragrant rice will be drafted). This quota will be limited to eligible fragrant varieties, subject to certification by Vietnamese authorities.
- Vietnam will liberalize all rice imports within 10 years

The volume of these TRQs are fixed and will not increase in the future.

Rice millers asked the Commission to consider the cumulative effects of other trade agreements on the EU milling industry. Commission's answered that the other relevant negotiations for rice are still at an early stage. The Commission will continue to keep rice as a sensitive product considering the general context of the negotiation.

Vietnam will represent a competitor for EBA countries once the FTA enters into force.

Traders requested the Commission to distinguish between parboiled and milled rice; much of the rice imported from EBA is parboiled and not milled.

DG AGRI is discussing with DG TAXUD for the introduction of a specific line for fragrant rice in the CN Code.

State of play on neonicotinoids suspension – Presentation 8

Regulation 485/2013 foresees a review after 2 years according to article 21 of Regulation 485/2013 foresees that the Commission should initiate a review of new scientific information within 2 years. This review has been launched according to article 21 of Regulation 1107/2009. EFSA was requested to open a call of data that is opened until the end of September. Following the call for data, the Commission will request EFSA to assess the new data and to provide EFSA Conclusions, based on which the Commission may review its measures, only if it appears necessary. The timeline are not yet defined and will depend also on the amount of data collected.

The Commission in 2013 suspended also foliar application before flowering based on the precautionary principle. EFSA conclusion of 26 August 2015 on foliar use confirmed high acute risks for the scenarios under assessment.

A table is available listing the notifications received by the Member States as regards the emergency temporary authorisations (granted according to article 53 of Regulation (EC) No 1107/2009) for the use of neonicotinoids in 2014 and 2015.

Copa representative from UK commented that these national-base derogations may cause a competitive disadvantage for those farmers that do not have possibility to use the active substances.

The challenges to controlling rice blast – Presentation 9

DG SANCO was not in the room to listen to the rice sector presentation and the concerns of the EU rice sector. The possible non-availability of the active substance tricyclazole in the EU is very concerning. EPA in the USA has approved this substance while the EU is considering a ban on tricyclazole.

DG AGRI always asks DG SANCO to account for the economic impacts of the ban of an active substance in the assessment, but this has never been taken into account.

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