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DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT

Directorate E – Markets
The Director

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MINUTES

Meeting of the CDG Arable Crops – Starch Sector

20 October 2022

Chair: AGRI.E.4

The following organisations were represented:

All the delegations were present except: BeeLife, BirdLife Europe, CELCAA, COGECA, EBB, ECVC, EEB, EFFAT, EuropaBio, Fertilizers Europe, IFOAM organics Europe, PAN Europe.

1. Approval of the agenda and of the minutes of previous meeting

The agenda of the meeting was approved.

2. Nature of the meeting

Non-public

3. List of points discussed

3.1. Market situation

3.1.1. Overview of the market situation for starch potato and arable crops

Starch potato: CESPU presented the market situation for potatoes, including starch potato. As in other sectors, input costs for potato farmers have surged due to the high energy and fertilizer prices. In 2022, the total EU area with potato is estimated at 1.46 million ha (-0.02 million ha y-o-y). The share of starch potato area has decreased in most regions, except for Denmark. Not only farmers decide to cultivate other crops, but the competition of other types of potatoes (for processing) is also contributing to the reduction of the starch potato area (-5% y-o-y). The production of organic potato is upcoming, but compared to total EU potato area, the share is only 2.4%. More extreme weather events have affected the yields, although growing conditions in Scandinavia were better than in most other regions. Irrigation was needed to stabilize yields in many regions, but it caused additional costs for farmers.

Total EU potato production in 2022 is estimated to reach 45 million tonnes, well below the five-year average of 51.8 million tonnes. The largest decrease in potato

production is estimated in France (-19.6%), Poland (-14.6%) and Belgium (-10.5%). As a result, there is also less raw material available to produce potato starch, though the higher starch content partially compensates the decrease. In the largest producing countries for processing potatoes (BE, DE, FR, NL), the yield of potatoes for consumption is also decreasing. On the other hand, demand for potatoes is high in the EU and exports of (frozen) chips increased. The strong dollar makes it attractive to export at the moment. On the EU market, prices for processing potatoes have increased substantially and reached 20.50 – 26 EUR per 100 kg, a doubling compared to 2021 and 2019. Ware potato prices for fresh market increased too. However, this increase should be seen in the light of increased input costs and other challenges farmers face (e.g. reduced availability active substances, inflation).

Other crops: COPA-COGECA presented the developments in winter crops sowing. In the EU, rape seed area is increasing, as well as winter cereals. Several factors are currently affecting the sowing decisions of farmers: the negative output of 2022 harvests for maize due to the drought, high energy and fertilizer prices. Farmers have problems with supply of legume seeds, due to lower seed production and higher demand. The uncertainties around the CAP strategic plans make it difficult for farmers in some Member States to complete their sowing plans.

3.1.2. International trade

The Commission (DG AGRI) presented the trade data on different starch types. Potato starch exports increased in 2021 to 412,000 tonnes, but EU exports for 2022 (given the figures available for only seven months of 2022, amounting to 357,000 tonnes) could only be slightly above the five-year average. Maize starch represents almost a fifth of global starch exports to third countries. Also for maize starch, 2021 was a year with higher exports (123,000 tonnes, 17,000 tonnes above five-year average). Wheat starch exports in 2021 were 3% lower than the 2020. In 2022, wheat starch exports could increase compared to the previous year. Germany is the largest exporter of potato and maize starch (to third countries), representing 48% and 25% respectively of the EU total in 2021. France exports the largest share of wheat starch (28% in 2021). UK is the largest trading partner for both EU maize and wheat starch, South Korea for potato starch. Imports (of starches) are mainly maize and tapioca starch. Main trading partners are: Serbia, Ukraine (maize) and Thailand.

Starch Europe noted that the trade data that were presented by the Commission are only focussing on native starches. Much imports/exports of starch are in the form of polyols and wheat gluten. Imports from Thailand should be monitored, as they are on the increase and are the main competitor of EU starch production. In the chat box, **Starch Europe** also highlighted the importance of the EU/UK trade agreement and the duty free exports of native corn starch to the UK; the same is expected for other starch products.

3.2. Energy availability and food security

The Commission (DG ENER) presented the situation on the energy market and the measures that are proposed at EU level to mitigate high prices and tight supply. After an extended period of low prices, prices started to increase mid-2021, when the global economy rebooted after the pandemic. Prices reached

record-high levels in the wake of the Russian invasion of Ukraine, which were again surpassed in summer 2022 due to Russian weaponisation of gas supply, tight global markets and the need to refill storages in the EU.

The current energy crisis is primarily a gas crisis. Uncertainty on the market is mainly caused by scarcity of supply. The market is projected to remain tight and prices could remain elevated in the next years. Looking at imports, gas from Russia has decreased gradually, but on the other hand, the EU has diversified its supply: LNG imports increased by 67% since the start of 2022. With regard to inflation, 3.4% of inflation is directly caused by energy price increase, but it has a knock-on effect on other goods and services.

REPowerEU was the first EU action plan, published in May 2022. It is based on three pillars: diversification, reduction of demand and acceleration of the clean energy transition. Relevant to agriculture is the increased goal for biomethane production, which should reach 35 bpm in 2030. Key to get through winter is to fill the gas storages: 90% is currently filled, whereas 80% was the goal set in REPowerEU for 2022/23.

More recent EU measures were presented in the Gas Demand Reduction Plan, which aims to reduce gas demand with 15%. Two additional packages were presented recently. The first proposal to address high energy prices was presented on 14 September and adopted on 6 October. Among other things, it plans to reduce electricity consumption by 5% for peak hours and voluntarily 10% overall. In addition, it includes a windfall tax, which caps revenues of fossil fuel companies, a revenue cap on inframarginal energy producers. It aims at redistributing this excess revenue to the most vulnerable citizens. The Commission published its second proposal for gas prices on 18 October, which aims to collectively buy gas on the world market and thereby avoiding EU Member States to bid against each other and increase prices. Solidarity is also included in the proposal, where in case of urgent need in one Member State, other Member States are asked to sell excess supply to the country in need. Finally, it sets down the development of a new benchmark to better represent LNG prices and the establishment of a dynamic price limit on the TTF gas exchange.

Starch Europe noted that affordable and available energy is vital for the starch sector. It welcomed the measures presented by **DG ENER**. In case of rationing, the health and food supply chain are given priority, but the definition of food supply chain is vague. The Commission defined general principles, but the details of the implementation still have to be discussed. Only in case that a situation of scarcity will present itself these details will be filled in.

In the chat, **COPA-COGECA** asked if individual farmers in the food sector are included in the priority list in case of rationing. **DG ENER** responded that the Commission's plan only lays down general goals and that it is up to the Member States to implement it in the way they see fit.

3.3. EU Starch Industry figures and priorities

Starch Europe gave an update on developments in the starch production sector. It represents 29 starch producers in the EU (95% of production). The sector processes around 25 million tonnes of EU grown raw materials, yielding 16 million tonnes produce. In 2021 (first year in which UK is not included in their

data), 36% came from wheat, 31% from maize, 33% potato. The share of wheat starch has decreased due to the UK leaving the EU. EU starch production originates for 40% from wheat, 45% from maize, and 15% from potato. Out of the total starch production, 60% is destined for the food sector, 40% for industrial applications. The share of native starches in the production has been increasing at the cost of modified starches and starch based sugars.

The sector is facing high energy prices, starch production is an energy intensive sector. This also affects the producers indirectly, when costumers have to shut down production due to high energy prices. Despite the war in Ukraine and the drought, raw materials are available, but prices are increasing. Several EU measures (Green deal, Farm to Fork, CAP strategic plans) were already increasing the prices. International competitiveness is at risk due to energy and raw material issues. Import duties are currently protecting the sector in the EU, but if production costs increase further, this might not be enough anymore. The starch sector is resilient, but would need support to get through the crisis.

Distortion of competition within the EU (due to uneven energy support, national pesticide targets etc.) could weaken the sector as a whole. As long as energy is available, starch producers are able to meet the demand of their consumers. With regard to sustainability of production, a 2022 LCA study showed a 19% reduction in GHG emissions per tonne between 2009 and 2019, the aim is to further reduce by 25% up to 2030. In 2031, the sector plans to do another LCA study.

DG ENER asked how feasible it is for the sector to replace gas with other energy sources and if hydrogen would be an option in the long-term. In reply, **Starch Europe** explained that for drying starch, high temperatures are needed which are most efficiently reached with gas. The sector prepared a decarbonisation plan, in which gas is the main energy source. In the chat, a member of **Starch Europe** elaborated that its company prepared for a fuel switch from natural gas to heating oil in the case of a natural gas shortage. This is possible for all drying processes that are powered by steam. However, it will not work for direct heating of food products. **DG ENER** responded in the chat, that biomethane could also play a role. Understanding if/how much fuel switch can happen in each industrial sector is becoming more and more important. **Starch Europe** referred to its recently published decarbonisation roadmap, which also spells out the various options available to the sector for further decarbonisation (available at www.starch.eu).

3.4. Recent EU initiatives on the development of plant proteins

The Commission (DG AGRI) gave a presentation on the actions taken in the field of protein crops. Plant proteins are high on the agenda because they are an important part of feed for livestock. For feed, the EU is dependent on imports of soya bean meals, which are at risk causing deforestation. Under the Green Deal, the Farm to Fork strategy aims to sustainable food systems, which entails among others a reduction of fertilizer use and boosting organic production. Protein crops can play a role in achieving these goals. After the adoption of the 2018 EU protein report, actions were taken under several policy initiatives to foster the development of protein crops (CAP, market transparency, promotion policy, Horizon Europe). Several Member States are developing their own protein strategies and the European Economic and Social Committee is finalising an own initiative opinion on a sustainable plant protein and plant oil strategy for the EU.

Currently, the Commission is reviewing the 2018 report and conducting a study on feeding strategies for diversifying feed sources with particular regard to protein feed. Final results of this study are expected by last quarter 2023.

3.5. Measures to support the development of protein crops / plant-based protein products

Starch Europe presented the opportunities for the starch sector in the field of plant based protein. Fibre and protein are co-products of the starch extraction process and are increasingly used for food applications. Fibres and protein from starch crops can be used as a solution for product reformulation. This contributes to the overall competitiveness of the starch sector. Protein production represents around one-third of the sector's produce, consisting of 1.1 million tonnes very high protein content (to be used in food, feed) and 4.2 million tonnes medium protein content (used for feed). Innovative food applications mainly focus on super protein (60-90% protein content). The EU demand for starch crops derived protein is increasing, driven by increased interest in meat and dairy alternatives and easy prepared meals. Demand can be enhanced by increased communication to consumers and the promotion of plant protein consumption. To increase the production of plant protein, it is important to include the processing steps in the EU Plant Protein Plan. In addition, there is a need for improved seeds for raw material and research and innovation funding across the whole supply chain.

StarchEurope asked if there is an indicative timeline for the promotion of plant protein, as well as for revamping the EU Plant Protein Strategy, as per the Council call of March 2022. **DG AGRI** explained that it is not possible to give this information at this stage.

3.6. EU Commission's Bioeconomy strategy progress report

The Commission (DG RTD) presented the bioeconomy policy. The first EU bioeconomy strategy was published in 2012. In 2018, an updated bioeconomy strategy was published, for which a progress report came out this year. The bioeconomy is a policy framework that brings together the three dimensions of sustainability. The progress report assessed the implementation of the EU Bioeconomy Action Plan and the bioeconomy strategy in the context of the Green Deal. Currently, biomass is mainly used for food and feed (50%), 28% are material uses. Regarding bio-energy, 50% is still produced from primary biomass, and the aim is to increase the use of secondary biomass, for example through an increased use of the cascading principle, and make sure that sustainable biomass supply does not compete with food production.

The overall implementation of the 2018 action plan is on track. Research and innovation is leading to more bio-based solutions and public/private investments are increasing. The ecological limits of the bioeconomy are better understood, but not everything is clear yet. In the current political context, pressure on land and biomass resources is increasing. It is vital to avoid a 'biomass gap' with higher demand of sustainable biomass than can be supplies. To this aim, work needs to be done on synergies, resource efficiency and decreasing demand. The report identified as possible additional future areas in the Bioeconomy Action Plan to focus on a biosphere strategy to understand and manage multiple pressures on land and biomass, and a shift towards a demand driven transformation to

sustainable consumption. The starch sector and protein from starch crops can play an important role in to the bioeconomy.

Starch Europe welcomed the progress report. The starch sector sees some missed opportunities in the circular economy action plan, for example the methodologies used and the green procurement. The EU could help more to enhance the bioeconomy. For example by considering the introduction of plant-based carbon in bio-based ingredients products. The two methodologies the EU currently uses (LCA on alternative feedstock to plastic production and PEF for carbon accounting) put bio-based products at a disadvantage compared to their fossil counterparts. In addition, the EU could stimulate green public procurement as for example is done in the USDA's Bio-preferred program, aimed to support the development and expansion of markets for bio-based products, created by the 2002 Farm Bill and expanded in September 2022 by President Biden. Starch Europe asked why such an initiative could not be considered in the EU. This would boost the development, purchase, and use of bio-based products while at the same time reducing reliance on oil and increasing the use of renewable agricultural materials. In the chatbox, DG RTD thanked StarchEurope for their comments and agreed to continue the dialogue.

3.7. Any other business

3.7.1. China review anti-dumping duties for potato starch

The Commission (DG AGRI) draw the attention of the participants on the expiry review launched by the Chinese ministry of Commerce on the countervailing duties on potato starch: anti-dumping duties are in place for certain Member States (DE, FR, NL) and anti-subsidies duties for EU exports. The anti-subsidy duties imposed by China are against the WTO rules as the CAP direct payments are non-specific and therefore not countervailable under the WTO Subsidies Agreement. The Chinese government failed to proof pass-through of subsidies nor injury to the Chinese sector. Therefore the anti-subsidy duties should be removed. The Commission encourages the sector to reply to the questionnaire. The Commission will defend the interest of the EU growers and producers and has shown in the past that it is possible to fight these countervailing duties successfully (US ripe olives, Canada sugar case).

In response, **Starch Europe** noted that is in contact with the Commission services and willing to respond to the questionnaire. It asked if China would be challenged in a WTO panel. **DG AGRI** stressed that the Commission is confident that China can be convinced to stop these duties in the context of the Chinese domestic anti-subsidy proceedings. However, if need be, the Commission will start a case against China at the WTO because of the strategic importance of this case, and of the acknowledgment of the non-countervailable nature of the EU's direct payments.

3.7.2. Regulation on the Sustainable Use of Pesticides

CESPU made a statement on the Commission Proposal for a Regulation on the Sustainable Use of Pesticides (SUR). Potato farmers support the reduction of chemical pesticides and integrated pest management. However, the proposal is not considering the current crises, the structural impact on the agri-business as a whole and the impact on consumers. Plant protection products are needed for the

production of potatoes, there are currently no alternatives available to reach similar yields and quality. Seed potatoes require substantial amounts of plant protection products. If this is not possible anymore this could harm the whole sector. In the past, the sector has reduced its pesticides use. Most of the active substances used by the potato sector are phased out already. CESPU proposes a fundamental revision of the SUR to take into account the challenges already faced by the sector.

4. Next meeting

No date was set yet for the next meeting.

5. List of participants

See following page.

(e-signed)

Pierre BASCOU

List of participants– Minutes

Meeting of the CDG Arable Crops – Starch Sector

20 October 2022

ORGANISATION
CONFÉDÉRATION EUROPÉENNE DE LA PRODUCTION DE MAÏS (C.E.P.M)
EUROPEAN AGROFORESTRY FEDERATION (EURAF)
EUROPEAN COUNCIL OF YOUNG FARMERS (CEJA)
EUROPEAN FARMERS (COPA)
EUROPEAN LANDOWNERS' ORGANIZATION ASBL (ELO ASBL)
FOODDRINKEUROPE (FOODDRINKEUROPE)
SACAR - SECRÉTARIAT DES ASSOCIATIONS DU COMMERCE AGRICOLE RÉUNIES / JOINT SECRETARIAT OF AGRICULTURAL TRADE ASSOCIATIONS (SACAR)