

Draft Minutes of the Civil Dialogue Group Fruit and Vegetables

16 February 2016

1. Administrative matters:

- a. The meeting was chaired by Mr Jose Antonio Garcia, vice-chair of the CDG Horticulture, Olives and Spirits.
- b. The chair thanks the Head of Unit Mr J Onofre and Deputy Head of Unit Mr R Serra for attending the meeting.
- c. The Minutes of the CDG meeting of Horticulture (18/10/2016) are approved.
- d. A discussion on the reform/simplification of the horizontal rules of TRQ management and import and export licenses is requested to be added under AOB.

2. Common agriculture policy

- a. Simplification of Regulation 543/2011: new delegated and implementing acts.
 - Public consultation through the Better Regulation Portal closed 10 February 2017: 65 contributions received for the delegated and implementing acts including 33 from IT, 14 from FR, 10 from ES, 1 from DE, 4 from NL, 1 from FI and 2 from COPA-COGECA.
 - Review of the main arguments provided during the consultation regarding the delegated and implementing act and the changes taken on board. These cover percentage of marketing outside the producer organization calculation based not only on volume but on value and on the notification of force majeure from 10 to 30 working days aligning to horizontal rules. Following FR request during last F&V GREX held on January, the extension of rules has also been adapted (aiming at making the rules more flexible),.
 - Several representatives ask the Commission to review its position regarding the implementing act covering in particular environmental measures at a zero cost as part of the operational programmes. The Commission explained why this proposal was disregarded (difficult to control and risk of fraud). Already exhaustively discussed with Member States.
 - The final texts are now on CIRCABC. The implementing act will be voted the 26th February. The adoption for both acts is planned for 13th March. Afterwards, the scrutiny period of two months (plus 2 months maximum) will start. Only after this period, the texts should be published, enter into force and be applicable (planned for end of May-beginning of June).
 - Discussion focused on:
 1. the limited scope of the threshold of 25% of sales of producers outside the PO, except for organic produce which could reach 40%. The Commission explained that the main role of the producer organisations is the common marketing. Therefore, marketing outside the producer organisation has to be limited. The threshold is based on what is currently applied by the majority of the Member States at national level.

2. environmental measures at a zero cost (see point a.3)
3. improvement of the crisis prevention and management measures of the operational programmes by making export credits eligible. The Commission confirms the interest of this action, though asked for quantitative analysis from stakeholders to assess its eligibility through the operational programmes could be viable.

b. Marketing Standards

- Evaluation of the marketing standards is planned to allow the Commission services to assess the need to review marketing standards (in fruit and vegetables and other sectors)
- Regarding an indicative timing, four steps are considered:
 1. The evaluation roadmap should be published in the first half of 2017 with a period of 4 weeks for stakeholders to provide input (e.g. if they consider that the scope needs to be adapted). The procurement phase and selection of the contractors should take place in the second half of 2017. In end 2017 or during 2018, a consultation will take place with stakeholders for 12 weeks.
 2. Evaluation report by the consultant and the Commission staff working document by end 2018 or beginning 2019. It will lead to an assessment by DG AGRI on whether to make (or not) an amendment to the legislation on marketing standards.
 3. This evaluation is independent from the current alignment of EU marketing standards to UNECE and minor adjustments of the provisions to adapt legislation to business evolution (e.g. on-line sales,..)
- Discussion:
 1. Stakeholders highlighted that some products currently excluded from marketing standards would benefit from the marketing standards (e.g. truffles, saffron, wild mushroom, IV gamme...).
 2. Commission confirmed that this is precisely the kind of input needed in the roadmap and in the public consultation and that contributions should be as factual as possible. The indication of the origin for products of the F&V sector covered by marketing standards is required based on article 76.1 of Regulation 1308/2011.
 3. Commission confirmed that technical amendments in articles 1-18 and alignment to UNECE standard will be done before 2020.

c. Interbranch: Arcadia report and way forward

- The Arcadia report is due to be published by end of February.
- There are currently across Europe 123 Interbranch organizations (119 based on the EU criteria), covering mainly the fruit and vegetables, as well as wine sector. Most of the Interbranch are located in France and Spain. Interbranch work on consensus.

- On March 24, a conference will take place on Interbranch organized by DG AGRI. The next steps will depend on the conclusion of the report and the outcome of the conference. Not a clear calendar yet.

d. School fruit and vegetables schemes: latest state of play

- Delegated and implemented acts were adopted on 3 November 2016 for the reform the merge the school schemes (milk and fruit and vegetables). Following the scrutiny period which did not attract any comments from EP/Council, the acts were published on 10 January 2017 and entered into force 3 days later. The full set of rules are now available. The Europa webpage was updated (school schemes, under policy areas) with all the full legal texts with an infographic and posters.
- Member states have now submitted their request for EU aid under the new scheme for 2017/2018 school year. Final allocation will soon be available allowing the MS to set their strategy, which needs to be submitted by 1 August.

3. Omnibus regulation

a. The objective of this review is the simplification of direct aid, CMO, rural developments for a midterm review by unit F&V

b. Presentation by AGRI D1 on change planned to Reg 1307/2013 on voluntary coupled support (VCS). The objective of the proposal is to have a tool (optional) for market crisis management on a long term for claim year 2018 and onwards (not limited to one year). It will be applicable to all sectors eligible to VCS undergoing structural market imbalances. The possible tools available currently are based on 'emergency measures' provisions of Reg.1307/2013 and are therefore limited to 12 months.

c. Timing: Latest developments are in discussion. The report should go to COMAGRI in May? and plenary in June? with a view of trilogues as of summer. Expected to come into force in 2018. [TBC with I1 as it is the coordination unit for the omnibus]

d. Measures under discussion:

- Environmental measures in OP for organic products
- Prevention of crisis: enlarge the list of action e.g. for market diversification
- Decrease of scheme for free distribution
- Coaching to reduce difference among MS to provide incentive to create transnational PO
- Export credit
- Increase the threshold of 4,6% to raise to 6,88% (request from PL)

e. Discussion: Russian embargo remains an issue and the Commission should not move now from a conjectural measures into structural measures to adjust the orchard (e.g. in Poland => the second pillar already provides the possibility of grubbing up). In regard to the CMO, the Commission is eager to listen. This will however not be in part of the Omnibus reform. [not clear. The topic is the omnibus not the Russian ban]

4. Market situation and prospects:

- a. Evolution of EU markets of certain F&V on internal markets: impacted by Russian ban and climatology. Ban due to continue up to end of 2017, affecting more importantly the permanent crops. Adverse weather conditions leading to shortage of supplies increased price which could discourage consumers. Detailed presentation by the Commission services with the latest trends for the main fruit and vegetables categories.
- b. Review by products:
 - Tomatoes: hot weather in September affected production and prompted virus diseases, and then cold weather delayed production with shortage of supplies from ES and MA. Upwards price trends for tomatoes and peppers.
 - Other vegetables: winter rain, cold and snow decreased production. High prices for cauliflowers, broccoli and leafy vegetables. Supply shortage.
 - Apples and pears: reduced crops and better balance of the markets.
 - Citrus: smaller fruit size caused by drought, warm autumn affected demand, but more positive prospects for the second half of the year.
- c. Dashboards provide regular market updates: a new update on apples was recently provided on the webpage.
- d. Discussion: high volatility of prices and high prices risk of hindering consumption of products. While the Commission's presentation focused on main trends of products, it was understood that prices may vary significantly with product varieties. The Commission invited members of the CDG to provide additional data or market information in order to improve the market analysis. . Concerning the ECJ ruling on Western Sahara, discussions are currently taking place among the 3 EU Institutions as well as with Morocco on the practical application of the ruling.

5. Plant health

- a. Reform of the annex 2000/29: on-going activities of revision based on latest scientific evidence. The current reform initiated in September with a public consultation. A technical vote took place on the latest Standing Committee at the end of January, and then submitted to WTO for a 60 days' consultation ending 14 April. The new legislation modifying some current requirements of existing pests (CBS, canker, the vector for greening) and also add 4 new pests are now covered with specific requirements for imports into the EU. The Commission will discuss the proposal (end April of May), based on comments of third countries, and vote. After publication, a period of 5 months starts for transposition at MS level.
 - Concerns of Spanish and Italian Cooperatives on the outcome of the discussion at the Standing Committee and in particular disappointment of the European citrus industry, and differences and lack of reciprocity of conditions between import and exports. Dutch cooperatives insisted on the need to have a scientific evaluation and not a political debate and secure that products are imported in a safe manner. From the trade side, it is indicated that in regard to cold treatment, most of the protocols in place were concluded many years ago and new technics are available and could be efficiently implemented while fostering innovation. The WTO

provided that the less detrimental measures should be adopted to minimize impact on trade. French and Italian growers stressed the contradiction in Europe of not having plant protection products to cope with diseases and the new priorities in regard to plant health. PSA and drosophila are some of the latest cases, as well as Xylella, with difficulties to contain an outbreak.

- Commission shares the concerns of risks relating to the introduction of pests and therefore takes a more proactive approach. This is done namely through the new plant health legislation based on the principle that prevention is better curing. Besides the current revision of the annexes lead to a reinforcement of the rules based on science and a PRA and not a weakening of the rules. For FCM, during the next citrus season the texts will be in the final stage of approval, but MS are already aware and monitoring. FCM applies to several products, not only to citrus. Third countries have to provide in advance the system they will operate for mitigation. The Commission proposal is based on EPPO and recognizes the possibility of an alternative treatments to cold treatment.

- b. Reform of the plant health legislation: the new regulation entered into force in December 2016 (Reg 2016/2031) and will come into force in December 2019. In the meantime, implementing acts will have to be adopted on plant passports (by December 2017), after which a list of high risk plants and products exempted from plant health certificate will be drafted (by December 2018). Working groups will be set up to prepare these implementing acts.

6. Outlook 2016-2025: baseline for review:

- a. Presentation of the main findings of the EU agriculture outlook, done for the last 25 years and aiming at facilitating a 10-year projections of agriculture markets and income. This year, fruit and vegetables, wine and olive oil were also included. As no model exists for fruit and vegetables, an ad hoc system was used by DG AGRI. The diversity of the product makes it complicated, but the relevance of the sector value, labour, and trade make it relevant to cover these categories. Full report is on-line. For fruit and vegetables, focus was made in December 2016 conference on apples and tomatoes. Main conclusions in regard to fruit and vegetables stressed the diversity of situations, the relative stagnation/decline of consumption, the trade role and the value adding being key for the sectors.

7. Trade issues

- a. Trade defense mechanisms: Investigation by the Australian authorities on the imposition of anti-dumping duties of exports of canned tomatoes from Italian processors. In 04/2014, duties for raised from 0% to 26,3% except for 2 exporters. These two exporters were then also adjusted to 4,5 and 8,4% respectively in 02/2016. In 06/2016 an appeal on the methodology was made to the Australian authorities. Australians consider that direct income support of the EU are affecting the tomato prices in IT and consequently costs of production of processors needs to be adjusted to offset the costs of production. This case (confirming BPS status in the green box) is sensitive for the Commission for other product exports. Using a standard methodology implied a revision of the dumping status for the tomato processors and a revision of the duties.

Discussion: Australians are currently looking at the BPS (Basic Payment Scheme) and not at the couple payment. The EU considers the BPS to be decoupled and part of the Green Box and should therefore be excluded of prices revision by third countries

- b. Cumulative impact assessment on trade deals: This report was requested by the AGRI Council and conducted under the limited time frame, looking at the economic effects of trade agreements. It looks at the different FTAs recently concluded, to be modernized and in negotiation. The theoretical scenarios were applied, with an ambitious and a conservative scenario. For those FTA in preparation the final result of negotiations is not known yet and assumptions are therefore more complex. Projections are subject to population growth, macroeconomics, nutrition... The report includes an overview of the trade impact for EU agri-food sectors based on the ambitious and conservative scenario. For fruit and vegetables, variations of imports and exports due to the FTAs are limited, compared to beef and rice (significant increase of import) and very positive (rise of EU export for dairy and pork). An additional study will be released on the impact of existing agreements with Mexico, South Korea and Switzerland.

Discussion: SPS issues need to be taken into account in market assessment and the importance of having not only free trade agreements, but also fair trade agreements. It is also questioned if the assessment is also evaluating the social and environmental changes in third countries. It is also on aggregate basis

- c. Concrete results in opening new markets: Review of the variations of trade for fruit and vegetables pre-embargo, and embargo year 1 and 2 to identify trends and look in particular at the 6 countries visited by Commissioner Hogan.
- d. Export of apples and pears to the USA: The collective applications for a joint protocol for apples and pears is still pending and is now with an uncertain outcome. The discussion started in 2011 with a work plan with mitigation measures finalized in 2014 and final rules still need to be published. The draft rules were published last year with some modification requested of the operational work plan. A final operational work plan is now finalized but not yet published and often postponed despite political pressure. Uncertainties need to be cleared at the earliest to provide the environment to allow export for next season.

8. Exceptional measures under Regulation 2016/921

- a. In regard to the regulation currently in place, 146.496 T were used for a total budget of 42 Mio €. Apples is the main category with 50.000 T, mandarins 15.000 T and peaches 11.000 T and 10.500 T. In regard to use, 80% is free distribution, 17% of other withdrawal. So far and since the start of the embargo 427.865 641 € were spent covering 1.533.798 T

Discussion: the question of what is happening after this year exceptional measures scheme. The sector stressed that the market remain under pressure for some categories. While the free distribution alleviated the market in the last three years they also indirectly distorted the market between the market and the free distribution channels. The sector recommend that some structural measures are considered and not any more conjectural one to remedy to the market lost due to the Russian embargo, as effects are likely to continue. It will also be important to look at improving market opening and market diversification.

- b. Future steps after Regulation 2016/921: The Commission is evaluating the situation. No final position taken yet. COM reminds that this is a temporary exceptional scheme and considers also the budgetary constraints.

Discussion: call of the sector for the continuation of the scheme despite the exceptional features of the measures. Remarks made under 8 a) are repeated for this point as well

9. Reform of the Horizontal rules for the management of import/export licenses and TRQ management in particular for garlic and mushrooms. Commission is evaluating this complex dossier which is influenced by a discussion about the fair entitlements of rights between traditional operators and newcomers, with the international implication in WTO of a bound system, on the inclusion of export volume to build reference, on the request to access to data of aggregate reference quantities which could facilitate identifying potential fraud or management issues at Member States level, and potential Court Case. The Commission therefore continues to evaluate carefully the situation and data to provide a fair balance between traditional importers and newcomers.
10. Next meeting of the CDG: Indicative date 19 October 2017, but a request to review the date is made given the coincidence of the date with Fruit Attraction.

Disclaimer

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