Brussels,

MINUTES

Meeting of the Civil Dialogue Group Arable Crops – COP Sector

7 September 2021

Chair: Mrs Silke BOGER, Head of Unit, Ms Justyna WROBEL, Head of Sector, AGRI-G.4

Organisations present: All Organisations registered participants, except BirdlifeEurope, EFFAT, Europabio, PAN Europe and SACAR.

1. Approval of the agenda

The agenda was approved including the presentation by Euroseeds protein plan under the AOB point.

2. Nature of the meeting

The meeting was non-public.

3. List of points discussed

Adoption of the Rules of Procedure

The Commission representative reminded that the member organisations of the civil dialogue groups (CDGs) have been appointed for a seven-year mandate, which expired in July 2021. In June 2021, the Commission decided to temporary extend the current CDGs organisation trough Commission Decision (EU) 2021/1112 of 25 June 2021 amending Decision 2013/767/EU as regards the extension of the mandate of the member organisations of the civil dialogue groups dealing with matters covered by the common agricultural policy.

The necessity to renew the mandate for member organisations coincided with the final phase of the inter-institutional negotiations on the new Common Agricultural Policy. Therefore, a temporary prolongation of the members organisations mandate was necessary until the end of 2022 given that new CAP will be applicable only as from 2023. This comes from a logic that CDG organisation should match the CAP architecture.

In addition to a mere extension of the mandate, the Commission decided to take over the role of the chair of the CDGs meetings. Moreover, certain arrangements with regard to the agenda and the minutes of the meetings would aligned with the practice followed in other expert groups with a view to ensuring consistency.

A dedicated CDGs stocktaking meeting, in presence of the Secretaries-General of the CDGs member organizations, as well as the Chairs of these groups, has taken place on 1 July, to present and explain these changes.

As a consequence of these changes, new Rules of Procedures were necessary. A draft proposal was shared with members through CircaBC. The new rules reflect changes stipulated in the Commission Decision on the extension of the mandate.

The members were asked if they had any comments to this proposal and if they approved it.

There were no comments, therefore the new Rules of procedures were considered to be approved by the group.

Presentation of the cereals, oilseeds and protein market situation

Concerning the agro-meteorological events the Commission highlighted that weather conditions and the associated impacts on crops and yield expectations had been rather contrasting within the EU. Severe heatwaves affected parts of Central and Southern Europe, as well as several regions of northern Europe negatively impacting crops. On the other hand, frequent and abundant rains in Western Europe hampered the harvest of winter crops in some areas, potentially reducing wheat quality.

The outlook for global supply and demand situation in 2021/22 was presented on the basis of the latest report of the International Grains Council (IGC). Accordingly, world total grains production is forecast at a record 2,283 million tonnes (+3.2% year-on-year), although it was lowered from before due to smaller wheat and barley crops, especially in Canada and Russia. With tighter supplies of barley and wheat, total grains consumption was also reduced to 2,288 million tonnes (+2.4% y/y), still an all-time high. Ending stocks are placed at a seven-year low of 589 million tonnes (-0.7% y/y).

World wheat production is still expected to reach a new peak of 782 million tonnes (+1.1% y/y), however the forecast was cut from before as severe drought in Canada reduced yield prospects, while the Russian harvest was lowered due to smaller winter wheat area and worse yields reported than expected. In contrast, Ukraine harvested a record crop and the outlook remains mostly favourable in Australia and Argentina as well. Wheat demand is estimated at 783 million tonnes (+1.6% y/y), incl. 541 million tonnes of food use (+1.6%).

Mainly linked to a sharp fall of the Canadian output, world durum wheat production is expected to decrease to 32 million tonnes (-4.6%), the least in 20 years.

Global maize production is projected at a record 1,202 million tonnes (+6.7% y/y), however the figures are highly tentative at this stage for Argentina and Brazil where plantings have just started for the 2022 harvest. Given attractive maize prices, area is expected to increase in Brazil and assuming trend yield the 2021/22 production could rebound by over 30% from the drought-hit crop of 2020/21. Both the US and Ukraine are expected to have very good crops this season. Boosted by strong growth of feed use, maize consumption is forecast at an all-time high of 1,201 million tonnes (+3.9% y/y), incl. feed use at 716 million tonnes (+4.5%). Ending stocks are forecast at 270 million tonnes (+0.5% y/y), 16% below the five-year average, with 2/3 of the world total attributed to China.

Both wheat and maize prices have increased considerably in a year, with benchmark wheat export prices quoted in the range of USD 300-310 per tonne recently (+30-40% y/y). Given excellent local harvests, Romanian and Ukrainian wheat have been very competitive at the start of the season, while the variable Russian export tax created a lot of uncertainty for traders. Maize prices are about 40-50% more expensive than a year ago, however quotations have stabilised somewhat at around USD 260-270 per tonne for US and Ukraine ahead the start of the harvest.

The Commission also presented the global and EU oilseeds market situation. The latest USDA's global oilseeds projection is positive for marketing year 2021/22 with global production at 630 million tonnes (+30 million tonnes year-on-year). This rise is mainly due to an increase of sunflower seed (+7 million tonnes year-on-year) and soya beans (+20 million tonnes year-on-year). Those positive production figures are due to good prospects in the EU and in the Black Sea region for sunflower and better outlook in the Americas for soya beans. Rapeseed production forecast declined by 2 million tonnes year-on-year following Canadian low production forecast on unfavourable weather conditions.

In August, USDA revised downward world soya bean consumption and production figures for marketing year 2020/21 and 2021/22. Global ending stocks for marketing year 2021/22 were projected to rebound by 3 million tonnes and reach 96 million tonnes.

World soya bean prices dropped compared to last month and stabilised at around USD 530 per tonne. Despite good production prospects for 2021/22 in the EU and in the Black Sea region, rapeseed prices follow an upward trend since mid-July due to an expected low production in Canada following a severe drought.

Total EU oilseed production for marketing year 2021/22 was forecast at 30.45 million tonnes in August, reflecting higher yields for all crops, in particular for rapeseed in Germany, France and Romania and sunflower seeds in France and Bulgaria. However, rapeseed production is still 3.5% lower compared to the five-year average, while EU sunflower seed is expected to reach a record production of 10.67 million tonnes (+10.1% higher than five-year average).

Copa-Cogeca and COCERAL promised to share their new crops forecasts in the coming days. Fefac raised concerns over the impact of high cereals and oilseeds prices on the livestock production in the EU, in particular on pig sector. The participants also highlighted difficulties in the durum wheat market due to small production expected in Canada that push world prices. Copa-Cogeca requested some detailed information on palm oil imports, in particular data on importing Member States.

Farm to Fork: COCERAL impact assessment of the targets on EU grains production

Following the publication of the European Commission Biodiversity Strategy and the Farm to Fork Strategy, COCERAL presented their impact assessment of these strategies.

COCERAL's assessment is not academic in nature nor based on econometric modelling but it is rather an empirical evaluation put together by analysts and business operators, members of COCERAL. Its findings should contribute to the public debate on the Farm to Fork Strategy and Biodiversity Strategy targets. The scope of COCERAL's assessment is limited to estimating impacts of four objectives set in the Farm to Fork and Biodiversity strategies (transforming 10% of the total agricultural land to "high diversity landscape”, expand the organic area to 25%, reduce fertilisers applications by 20% and reduce nutrient losses by 50%, reduce pesticide use by 50%).

Different scenarios were analysed in the assessments (a low impact, a medium impact, a high impact and extreme impact scenario). According to COCERAL impact assessment, the EU would become a net importer of grains, especially under more extreme scenarios or bad weather conditions. Grain prices within the EU would rise at the expense of domestic consumers and livestock producers. As certain crops are not suitable for organic production, the EU would e.g. have to import at least 10 million tonnes of rapeseed to cover EU consumption. With less rapeseed, availability of rapeseed meal would fall, thus leading to a shortage of feedstuff.

COCERAL argued that Europe’s geographical location naturally offers among the best conditions for agri production in the world. This is one of the strongest assets of the EU, and it is why the agri-food industry has flourished on the continent. These investments would be put at risk. Volumes collected and stored locally would decrease as well, impacting the whole supply chain, including industry. In order to replace the EU grains on the world market, other countries, which can still bring additional land into production, would have to use up to five times as much land into production because yields are five times lower. This would unnecessarily tighten food supplies. The world market price would be determined by a smaller number of exporting countries leading to higher prices and higher volatility.

On behalf of the European Commission, Gijs Schilthuis (DG AGRI C1) intervened to thank COCERAL for sharing their assessment of the impact of the strategies. He referred to a study by the Commission’s Joint Research Centre assessing a number of Green Deal targets using the CAPRI model, published in July, and confirmed this study would be presented in the general Civil Dialogue Group on 18 October. While he recognised the potential pressure on production, he underlined the policy measures envisaged in the Farm to Fork strategy to deal with those challenges, in particular the research and innovation policy, and underlined the Commission’s objective to change the food system entirely. Such a system change, with different consumer conduct and lower consumption of meat would contribute to the overall transformation. Finally, he underlined the important role that the reformed Common Agricultural Policy would play in supporting farmers in making changes and adjusting their practices.

CAP post 2020: CAP compromise presentation with a focus on conditionality and Good Agricultural and Environmental Conditions

The Commission representative made a brief overview of the future CAP provisions as regards the green architecture, including specific GAEC (on crop rotation and minimum share of agricultural area devoted to non-productive areas or features) and the main features of eco-schemes.

In replying to some questions, some clarifications have been given on rebate conditions: possibility to have a rebate on the eco-scheme ring-fencing if the planning of EAFRD funds foresees “dark green” interventions (excluding support for areas with natural constraints) beyond 30% of EAFRD allocations.

Based on national strategic plans, Member States shall address their needs based on ranked priorities. Some measures could be beneficial for protein crops developments (however, not at the processing stage level). In addition, coupled income support for protein crops will still be possible. In the context of eco-schemes, the support for protein crops can be made through crop rotation or crop diversification measures (where protein crops can be recognized as a crop to be introduced for its environmental benefit). As regards reduction of pesticide uses in relation to Integrated Pest Management (IPM) and under the Sustainable use of pesticide directive (SUD), support can be granted to farmers for voluntary practices. Under IPM, depending on Member States' decisions, there would be a mix of mandatory and voluntary measures. Now discussions have started with Member States to define the details. Some of them have already proposed interventions in their future CAP plan.

CAP post 2020: CAP compromise presentation with a focus on investment aids and risk management tools

The Commission representative presented the main changes compared to the Commission initial proposal from 2018 and explained the support mechanisms with a focus on risk management tools and investment aids.

As regards ring-fencing requirements, of the total EAFRD contribution envelope, 35% is ring-fenced for the green EAFRD (now also including 50% ANC payments and green investments benefiting from higher support rate) and 3% is ring-fenced for young farmers (including 50% investments by young farmer benefiting from maximum 80% support rate).

Concerning investments, the list has been extended, e.g.: the purchase of land up to 10% of total; the purchase of animals and plants restoration, livestock protection, machinery replacement in forestry, endangered breeds and genetic resources; broadband and flood/coastal protection. Regarding the maximum support rates, higher rate (80%) is applicable for green, young farmers, outermost and animal welfare investments. Even higher rate (85%) is available for small farmers. Moreover, investments for meeting new EU standards have been extended to a period of 24 months.

Concerning the investment in irrigation, the new article on irrigation (Art 68a) requires the Member States to include the potential and effective water savings in the CAP plan modernisation. No derogations for investments in expansion in areas under stress will be possible.

The provisions on start-up aid were also briefly presented as well as risk management measures.

Participants requested some additional clarification on agro-forestry investments, if they could be supported under Article 68. The Commission representative confirmed that maintenance and conservation of agro-forestry systems (management commitments) could be supported under eco-schemes (Art 28) or under agro-environment-climate interventions (Art 65). In addition, risk management can cover animal production too, either in a global scheme for the agricultural sector or in a separate instrument, depending on Member State needs.

Fit for 55: Presentation of the Copa Cogeca position on Carbon Boarder Adjustment Mechanism (CBAM)

Copa-Cogeca presented its position on the Carbon Boarder Adjustment Mechanism.

From the Copa-Cogeca point of view, it is crucial to have consistency within the agri-food value chain. Unfortunately, the EU trade policy is not consistent. EU market is open for cereals, oilseeds and protein crops trade but fertilisers market is protected by customs duties and anti-dumping measures. Copa-Cogeca fears that the consistency issue is set to worsen in the future, as production standards would become even more stringent in EU due to EU Green Deal commitments. Higher environmental standards would inevitably lead to rising production costs.

As a principle, Copa-Cogeca supports the idea of setting up Carbon Boarder Adjustment Mechanism for agricultural products, provided that certain conditions are met. CBAM should work as a measure to prevent carbon leakage. If successfully implemented it should not add excessive bureaucratic burden of carbon accounting and while acknowledging that agriculture must be granted free baseline emissions since certain emissions cannot be prevented as we are dealing with natural processes. Moreover, CBAM should be designed so that it is compatible with WTO rules, thus ensuring that EU agriculture is not exposed to retaliation from our trading partners. In addition, Copa-Cogeca stressed that applying a CBAM on iron and steel products would lead to an increase of costs of production, due to raising prices for equipment and machinery.

In the conclusions, Copa-Cogeca expressed the views that the Emissions Trading System, even if revised, would not be sufficient to prevent possible dumping from countries that do not have our climate ambitions. Copa-Cogeca repeated that it supported the idea of setting up a CBAM for agricultural products; however, the European Commission decided to exclude them from the scope but at the same time included the fertiliser sector. Copa-Cogeca requested to either exclude the fertiliser sector from the scope of CBAM or develop a tool to prevent carbon leakage in agriculture. If this solution would not be feasible, adequate accompanying measures must be offered to farmers and sufficient transition period should be foreseen.

Sustainable finance: Presentation by the Commission and remarks of the participants

The Commission representative presented the latest updates regarding the sustainable finance taxonomy explaining the objectives, user obligations, the basic conditions as well as the work of the Platform on Sustainable Finance.

State of Play: A first delegated act on sustainable activities for climate change adaptation and mitigation objectives, which includes the forestry sector but not agriculture, was formally adopted on 4 June 2021 for scrutiny by the co-legislators. The finalisation of agriculture criteria was delayed to wait for adoption of CAP post 2020.

A second delegated act establishing technical screening criteria for the remaining environmental objectives will be published in 2022. This will be based on a Recommendation from the Platform on Sustainable Finance to the Commission, which is due in November. The Platform has published a draft report containing such technical criteria for a call for public feedback between 3 August until 24 September 2021.

In a general debate, participants expressed their concern that taxonomy would create a second layer of sustainability legislation and although agriculture sector was not yet covered, huge impact are expected on financing. The Commission representative explained that it was difficult to see the impact in the absence of fixed criteria and that alignment with such criteria was voluntary for companies. However, it recalled that the principles laid down in taxonomy were gaining interest in public finances, such as in the use of Recovery and Resilience Plan or in InvestEU.

AOB: Euroseeds protein plan

Euroseeds presented their Seed Sector Roadmap for EU protein in which several main challenges in the production of plant-sourced protein have been identified.

According to Euroseeds, the decrease of EU dependency on protein can only be achieved by a long term, clear strategy at European level. The Common Agricultural Policy and its reorientation, also considering the Green Deal and its related strategies (F2F, Biodiversity), provide good opportunities to strengthen domestic protein crop production. The options to cultivate protein crops could be used within the framework of environmental measures and on set-aside land. There is no unique solution for protein production so support should be considered for different crops. The selection of the crops to support this protein increase should be done based on agronomic conditions and value chain sustainability, from farm to fork.

To increase the economic profitability of these crops in Europe, breeders' need financial support for investments towards new crops or to breed more intensively on protein, not neglecting other criteria critical for a sustainable production.

The competitiveness of EU protein crops compared to imported plant proteins require to access the most modern breeding tools to compete with products coming from other countries.

Euroseeds consider it important that the EU supports the education and reconnection of consumers with local agriculture and the benefits of plant protein crops for protein-based food as well as highlight local efforts for the reduction of agricultural impact on climate and environment, providing traceable and safe food and feed.

Due to time constraints, Euroseeds had to shorten its presentation on their Seed Sector Roadmap for EU protein. This Roadmap is publicly available in the Euroseeds website:

(https://euroseeds.eu/news/european-seed-sector-launches-roadmap-for-a-european-protein-plan/).

Commission proposed them put this item again at the agenda of the next CDG.

4. Conclusions/recommendations/opinions

No conclusions nor recommendations or opinions to report.

5. Next steps

No further steps were agreed.

6. Next meeting

The dates of the future meetings will be communicated at the later stage.

7. List of participants - Annex

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."

List of participants– Minutes

Civil Dialogue Group Arable Crops –
CEREALS, OILSEEDS AND PROTEIN CROPS SECTOR
7 September 2021 (videoconference)

MEMBER ORGANISATION	NUMBER OF PERSONS
Bee Life-European Beekeeping Coordination (Bee Life)	1
Confédération Européenne de la Production de Maïs (C.E.P.M)	1
European agri-cooperatives (COGECA)	4
European Agroforestry Federation (EURAF)	1
European Biodiesel Board (EBB)	2
European Coordination Via Campesina (ECVC)	1
European Council of Young Farmers (CEJA)	2
European Environmental Bureau (EEB)	1
European farmers (COPA)	9
European Landowners' Organization asbl (ELO asbl)	2
European Liaison Committee for Agriculture and agri-food trade (CELCAA)	7
Fertilizers Europe	1
FoodDrinkEurope (FoodDrinkEurope)	9
EuropaBio	0
European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT)	0
IFOAM Organics Europe	2
Pesticide Action Network Europe (PAN Europe)	0
SACAR - Secrétariat des Associations du Commerce Agricole Réunies	0
Stichting BirdLife Europe (BirdLife Europe)	0