Brussels, 5 May 2015

Report from the Civil Society Dialogue Group on Arable Crops (Rice and Fibers)

28 April 2015

1. **Approval of the agenda and the minutes of the last meeting of 12/12/2014**

The agenda and the minutes were approved. The next Civil Society Dialogue (CSD) group on rice and protein crops will take place on 22 September.

RICE

1. **Exchange of views on market situation – see the presentation**

The Commission gave an overview of world and EU rice markets. Both rice consumption and production were at very high levels in 2013 and 2014 and this trend is set to continue in the upcoming years. The world rice prices have been falling in the last 6 months mainly due to high global production and also huge rice stocks of Thailand that is a key rice exporter.

The production of Japonica rice in the EU is stable, but Indica production is decreasing. There was a strong demand for EU rice in 2013/2014 and rice exports rose. Italy and Spain are key rice producers and exporters, and Portugal is also exporting lots of rice comparing to its domestic production. The main destination for EU rice is Turkey.

Over the last 2 years EU rice imports increased about 10 per cent. Basmati rice imports from India and Pakistan are strong, and imports from countries benefiting from Everything But Arms (EBA) initiative are expanding. The main exporters of rice to the EU market are India, Pakistan, Cambodia, Thailand.

2. **Update and Commission perspective on the evolution in rice imports from EBA countries – see the presentation**

The Commission reported that rice imports from EBA countries to the EU had strongly increased from 2012/2013 to 2013/2014. Broken rice imports increased by 62 per cent.

In total 49 countries benefit from EBA regime and with regard to rice exports to the EU, Cambodia and Myanmar benefit the most. Exports of broken rice from Myanmar strongly increased in the last couple of months, while Cambodia mainly exports to the EU milled rice.

On 20 March a DG TRADE and DG AGRI delegation visited Cambodia and discussed rice exports with their authorities. According to Cambodia's officials, the current export figures to the EU represent maximum capacity and are not going to increase further. The EU delegation also asked Cambodia to stabilize exports and diversify their rice trade while focusing on exports of quality rice, especially fragrant rice.

Comments

Representatives of producers reported that around 50000 ha of rice have been lost in Europe over the last years and expressed strong concerns about shrinking Indica rice production and its possible shortage in the next marketing year. Participants also commented that lots of surface area for planting rice had been abandoned in France, especially in Camargue. There were also strong concerns that the EU policy is forcing producers to grow less Indica rice.

Stakeholders also explained that Turkey imported lots of rice from the EU over the last year because of droughts affecting its own rice production. Furthermore, the weak euro currency currently favours EU rice exports.

The participants commented on the increase of exports of broken rice that have an impact on rice prices in the EU market. The stakeholders also asked whether the Commission has a plan if Myanmar and Cambodia do not stabilize their rice exports to the EU. Representative of producers had concerns that broken rice imported from Myanmar will be turned into milled rice in the future while the EU market capacity for milled rice is filled.

The Commission replied that in June the delegation is planning to go to Myanmar to discuss the increase in rice imports. Furthermore, there is a safeguard clause in the EU legislation, allowing to introduce duties even under EBA regime if imports have a negative impact on the EU market. The Commission stressed that the conditions for duty introduction are not met and they are going to continue the dialogue with Cambodian and Myanmarese authorities. The Commission is also going to monitor closely rice imports from these countries in the upcoming months.

There was an inquiry about import trends of rice packed in small packs. Data on their imports are available online but not easy to use for public. The Commission commented that their imports are also increasing.

According to some participants, the current rice imports might have a knock- down effect on producers in Europe. In some areas in the EU there is no alternative for growing rice and shrinking rice production migh bring huge losses for inhabitants in some areas e.g. there are some river deltas in Europe where 80 per cent of land is used for growing rice.

The Commission replied that in certain areas it is possible to substitute rice with other cultures e.g. substitution with maize is done in Italy. According to the Commission, rice will continue to be planted in the EU, as many countries decided to give coupled support for rice under new CAP and the price of rice in the EU remains high.

There was a suggestion for the Commission to introduce additional CN codes for some types of rice e.g. jasmine rice from Thailand, so that it would be easier to monitor their imports and impact on the EU market.

The participants expressed concerns about possible concessions regarding rice imports from Vietnam in the context of anticipated free trade agreement.

The representatives from Italy commented that Italy has already substituted 20000 ha of rice fields.

3. **Information on Commission review of TRQ management system – see presentation**

The Commission commented on the main issues under discussion of the existing TRQ management system, such as sub-periods for applications, speculations, complexity and the selective nature of access to the system. Under the existing system it is necessary to deliver proves of previous trade, which makes **it**itmore difficult for newcomers to enter the market. Under the traditional/newcomer system the traditional users get a **access**biggeraccess share.

The Commission also stressed the advantages of license - based system managed by DG AGRI, as it gives more certainty and flexibility for operators, although its administration is complex.

The Commission is in the intermediate phase of setting policy lines for future legislation on TRQ; there are no draft delegated and implemented acts yet.

The Commission also points on different rules for obtaining and managing certificates of origin under the Customs Code. It is possible that harmonisation in that respect will be initiated, as far as that can be done independently of the international arrangement concerned.

Comments

The participants commented that under current rules importers are responsible if the certificate of origin does not match goods imported. The Commission replied that the matching of Harmonised System/Common Nomenclature codes is based on world customs organization rules. The operator using the certificate of origin is responsible for using a correct version. If there is a mis-match in codes between the certificate of origin and the EU customs declaration, there are tools for reducing such risks e.g. customs might take contact with the organization issuing certificates. The participants expressed concerns over the Commission's plans to make licenses not transferable under the new TRQ management system. The Commission replied that in one of the concepts discussed, non-transferable licenses will be a part of a comprehensive new system with rules ensuring that those who obtain licenses would not make profits from selling them.

The Commission informed that the legal framework for TRQ could be drafted in 2015 under an optimistic scenario. **II**Its application could than start from the beginning of 2016, starting for the different TRQs according to their year cycle of application.

FIBERS

1. **Situation of flax and hemp markets 2014-2015**

The representative of the European Industrial Hemp Association (EIHA) made a presentation on hemp usage and market prospects.

Hemp is used mainly for fibers, seeds, oil and pharmaceuticals, and interest for hemp is growing. Hemp fibers are mainly used to produce reinforcement pads in cars, house building materials, paper for cigarettes, bedding materials for animals, etc.

In France industrial hemp is cultivated for feed. Furthermore, there is a large demand for vegetarian and vegan food produced from industrial hemp, especially from hemp certified as organic. The surface area for hemp in Europe is increasing.

Comments

The representative of EIHA was asked what revenues per hectare are from hemp, comparing to main crops, such as wheat, and what income forecasts are for the upcoming 10 years. He replied that incomes will largely depend on future EU regulations favoring certain crops e.g. at the moment hemp competes with energy crops as energy crops get support from the EU. Furthermore, jute imported from Asian countries is a competitor for hemp for fibers.

Italian representatives informed that they are planning to grow hemp in highly polluted areas like Naples. This hemp would be used as fiber isolation as there is a growing demand for bio-isolation materials. Participants also commented that it would be easier for farmers if hemp could be considered as a crop eligible to be grown in ecological focus areas (EFAs). Hemp has ecological qualities as it can improve soil quality and can be grown in toxic soils.

To get fibers from hemp special factories have to be build and that require extra investments up to 10 mln EUR. Farmers have to wait some years for investments to pay back. For seed, oil and pharmaceuticals production no special investments are needed.

Hemp can be grown in the same area for many years, but rotation is often done with potatoes, wheat, sugar beets as hemp improves soil quality.

2. Market prospects for hemp and flax - see presentation

The representative from flax industry gave a presentation on market prospects for flax. He stressed that for long fibres the demand is fluctuating and for short fibres demand is much more balaced. FR, MT and NL are the main producers of flax.

Comments

Participants commented that countries like India seems interested in European flax and flax advertisement campaigns were very efficient. In the French pavillon during Expo 2015 in Milan products from flax and hemp, such as shoes, textiles, raquets will be presented.

The total area for flax is around 94000 ha in three main producing countries and it has increased by 15 per cent.

4. Phytosanitary issues

4.c Information about the platform “minor users”

The Commission reported about the establishment of a steering group made up from representatives of the Commission. DE, FR and NL will finance a part of platform and the rest will be a contribution from the Commission.

Comments

There was a discussion about rice as a minor usa crop as its production in the EU is small comparing to other crops, such as wheat.

The Commission emphasized that the authorization of plant protection products are under the responsibility of member states. There are some difficulties for farmers that are living in border areas to follow these rules. However, there are possibilities for mutual recognition procedures in the legislation that provides room for agricultural organizations to be active.

4. d List of 77 candidate substances for substitution

The Commission reported that they went through all the active substances approved in 2013 and 77 of them fulfil criteria as candidates for substitution. Discussions with stakeholders followed the review. All applications for products that contain these substances need to go through the assessment procedure. The Commission informed that more information is available on DG SANTE website on pesticides.

Comments

Participants commented that there are not enough tools to justify the usage of certain substances. Furthermore, they inquired about the economic assessment of viability of certain substances offered as substitutes.

Commission answered that member states are obliged to perform internal risk assessment for candidate substances and that comparative assessment is compulsory for candidate substances.

Point 4.e Prochloraz and seed treatment

This is part of the candidate for substitution and the Commission addressed this issue under point 4.d.

4.b Classification as melliferous – flax plant is not

The Commission reported that flax is relevant for honey bees in terms of pollen and nectar according to EFSA's scientific opinion.

A representative of the producers is surprised to see this classification and would like to know which scientific study brought to this conclusion.

4.f Endocrine disruptors – see the presentation

The Commission presented endocrine disruptors in the EU legislation.

3.CAP

3.a Implementation modalities of private storage aid - see the presentation

In the new Common Market Organisation (CMO) regulation flax fibre isadded to the list of eligible products for private storage in order to provide a safety net in this sector. The CMO Commission level legislation is undergoing a simplification process at the level of DG AGRI in concert with experts from member states. The Commission is aiming at having only one delegated act and one implementing regulation on all support market mechanisms for all sectors, including flax.

The Commission presented a background on private storage under the new CMO. The simplification process is reaching its peak now, so the Commission welcome discussion with stakeholders and member states may as well request feedback from stakeholders.

A representative of producers asked about the definition of crisis. The indicators for defining a crisis are not yet clear. They should be identified at EU level and without them it seems difficult to trigger the private storage.

The Commission replied that a crisis is not necessary condition to trigger private storage. The Commission prefers to have a more flexible approach. The Commission believes to have shown flexibility and reactivity as, for example, with the Russian ban. Indicators are not necessarily needed, as the cases of milk and pig meat have shown recently: private storage has been opened despite the fact that prices are above abovethe intervention level.

A representative of producers asked about the limit of 140 days. The Commission replied that they will fix a limited period for private storage depending on the production and market cycle. Private storage is not a structural measure, it is a temporary solution to help producers through a difficult period when stocks are high and prices are low.

3.b Simplification – see the presentation

The Commission presented a general overview on CAP simplification.

3.c Coupled payment

The Commission reported that 27 member states decided to implement coupled payment for a yearly total amount of about 4 billion EUR in 2015 and the following years. The sectors that have been prioritized by member states (ms) for receiving coupled payments are:

1. 24 ms for beef meat, meaning >40% of coupled aid;
2. 19 ms for dairy, 20%
3. 22 ms for ovine/caprine, 12%

Only 3 member states (FR, PL, RO) have opted to support hemp and PL also decided to support flax. There are some member states that decided to target indirectly fibre crops by supporting seeds.

The objective of coupled payment is to incite to maintain a current level of production as in a reference period, i.e. one of the 5 years that preceded that decision.

A representative of producers asked if the figures mentioned by the Commission are available publicly. The Commission replied that **they will be made available at a later stage, once the member states will have received a complete information**.

3.d Greening for hemp

The Commission reported on hemp and its possible use in ecological focus area (EFA).

A representative of the processing industry asked what is the actual chance for hemp to be grown on EFA. Commission replied that it depends on when the Commission will revise the EFA, however this would be possible only if changes will affect delegated act and not the basic act. Also, before March 2017 there will be an evaluation of greening, so there could also be a chance for hemp.