

## **FINAL MINUTES**

### **Civil Dialogue Group – Arable Crops, sugar and dried fodder, 2 June 2017**

#### **SUGAR**

1. The agenda was approved. The report of the last meeting of 7 February 2017 will be circulated on CIRCABC for approval.
2. Opinion of the Group on the situation and prospects for the world market for EU sugar exports

ASSUC presented the situation and prospects for the world sugar market.

World market: NY No. 11 and London No. 5 contracts down substantially since Feb 2017, as the world market prepares to revert to surplus in 2017/18.

Supply-side increases in India (+5 mt); EU (+2.5 mt); Pakistan (+2 mt); Thailand (+1.5 mt).

Other bearish factors include: limited import quota by India (0.5 mt), which did not reach expectations; weakening of BRL; more sugar cane than expected in Brazil; import duty rise in China (safeguards of 45 per cent to add to MFN duty of 50 per cent for non-quota imports); doubts on consumption growth; general commodity weakness; downward trend/price pattern; struggle for market share.

Bullish factors include: low prices, which may discourage investments and exports, favour ethanol and work against the critical risk/reward ratio of short positions; no/low weather risk premium; low world stocks.

EU sugar exports will face a number of challenges, namely:

- 1) Competition from refineries in the traditional export destinations in the MENA region. This is intensified by the fact that container rates (used to transport white sugar) are increasing at a greater rate than are bulk freight rates (used to transport raw sugar).
- 2) Competition from the CIS. EU sugar exports will have to compete with sugar from Russia & Ukraine to maintain/increase market share in traditional export destinations in Central Asia.
- 3) Limited implantation in the markets of the major net white sugar importers.

CIBE queried the relative levels of hedging of the Brazilian and EU sugar producers. ASSUC could not provide verifiable information on this point. ASSUC made clear that such hedges may be repurchased, i.e. the sugar repurchased for sale on the domestic market.

CIUS queried the level of exports that can be expected from the EU in 2017/18. For ASSUC, this is difficult to predict. 2.5-3.5 mt may be a reasonable estimate. This figure will depend partly on the level of imports.

CEFS recognised that consumption is a point of considerable uncertainty, both at the EU and world levels. CEFS asked that more be done to increase information on the consumption of sugar in the EU by sugar users.

3. Presentation by the Commission on the updated sugar and isoglucose 2015/16 balance-sheet, the revised balance-sheet for 2016/17 and exchange of views, possibly on sowings 2017/18

## *Sugar market situation*

EU white sugar price at 495 EUR/t for March 2017.

Industrial sugar at 349 EUR/t (producers) and 375 EUR/t (buyers) in March 2017.

ACP imports at 532 EUR/t (whites) and 463 EUR/t (raws) (CAF) for March 2017.

CXL quotas full, except for Brazilian and Australian quotas; 295 kt unfilled.

Balkans quotas 75 per cent filled; 53 kt unfilled.

TAXUD quotas (CY 2017): Ukraine, Peru quotas already filled; Central American quotas 99 kt filled, 69 kt unfilled; Panama unfilled.

EU imports for 2016/17 marginally down vis-à-vis the same point in 2015/16. EPA/EBA imports forecast at 1.35 mt for 2016/17.

Considerable variation of export destinations between 2015/16 and 2016/17. Israel top export destination for both years.

Stocks at 8.4 mt for Feb 2017, i.e. 870 kt less than Feb 2016.

Forecast of sugar beet yield for 2017/18: 73.9 t/ha. Lack of rain in Western Europe; coldness in Central/Eastern Europe may affect yields.

Areas for 2017/18 at 1,650 thousand ha, versus provisional areas of 1,413 thousand ha for 2016/17. This represents an increase of 16.8 per cent. Such areas do not include sugar beets to be used for the production of jus vert.

CIUS queried why a new balance sheet has not been published since December 2016. COM responded that an internal balance sheet has been updated. Provisional production figures for 2016/17 can be found in the sugar market situation presentation from the April 2016 Management Committee.

CIUS queried why export prices have increased. COM responded that export prices vary from month to month, depending on destination and commercial specificities.

A CIBE representative requested information on Spanish beet areas for 2017/18. COM does not have this information; an estimate of Spanish areas for 2017/18 was used to calculate an figure for total EU areas for 2017/18.

#### 4. Presentation by the Commission on the Sugar Market Observatory

COM presented the new Sugar Market Observatory (SMO). This information can be found in the attached presentation in its entirety.

A CIBE representative expressed its dissatisfaction that proposed notifications were not sufficient and that more steps are needed to increase transparency on the EU sugar market and to get an efficient SMO. He requested the publication of white sugar prices by Member State. He requested weekly updates on trade, as in the cereals sector. He asked for a regular publication of balance sheets for the sugar, isoglucose and bioethanol sectors. He claimed that all these elements are necessary otherwise the SMO would be inefficient. CIBE recalled that expectations vis-à-vis the SMO was high and that it should deliver in terms of transparency, which is essential for growers.

CEFS queried why the application criteria for the sugar and crops observatories differ from the criteria for the meat market observatory. CEFS highlighted that the discussions within the SMO must not contravene EU competition rules. COM responded that the different

observatories were launched at different times. For the SMO experts with direct and regular involvement in the EU sugar and isoglucose markets are desired. A provision has been made for observers to attend the meetings of the Economic Board of the SMO. COM stated that the discussions within the Economic Board of the SMO will concern only the EU sugar market situation.

CELCAA requested more information on a potential European sugar futures contract. CELCAA queried whether the setting up of such a contract might increase transparency on the EU sugar market. COM replied that there are ongoing attempts to set up such a market. COM is pushing neither against nor in favour of the setting up of such a contract.

5. Information by the Commission on the progress of the process of Single CMO delegated and implementing regulations on sugar following the entering into force of Single CMO n°1308/2013 (notifications, TRQ management).

Regarding notifications:

- The Delegated Act should be published at the end of June 2017, comfortably in advance of its entry into force for the sugar sector on 1 October 2017.
- Discussions on the technical modalities of the sugar price reporting scheme are ongoing but advanced. The objective is to maintain as much consistency with the current EU white sugar price reporting scheme as possible.
- Discussions on the technical modalities of sugar beet price reporting are ongoing, but less advanced than those for the sugar price reporting scheme. Member States are deliberating which elements to include in the reported sugar beet price.

Regarding additional import duties:

- COM's objective is to maintain the status quo. This means maintaining the provisions of Regulation 951/2006. The special safeguard mechanism (SSC) for sugar is currently suspended.
- The SSC for molasses is not suspended, but has not been used in 10 years. In any case, the MFN duty on imports of molasses is 0.

Calculation of the sucrose content of raw sugar and certain syrups

- TAXUD has been engaged in discussions regarding how to update the calculation method of the sucrose content of raw sugar and certain syrups currently set out in Art. 42 of Regulation 951/2006.
- The updated calculations will be directly integrated into the Union Customs Code. There is a draft regulation to implement the update. The update will not result in changes for operators.

TRQ management

- Draft legislation still under discussion. It may be some months until the legislation is adopted.

- The current Regulation 891/2009 will remain in force until it is repealed by the new legislation. Regulation 891/2009 will not become obsolete with the end of production quotas on 1 October 2017.

## **DRIED FODDER**

1. The agenda was approved. Point 7 was removed from the agenda. Point 8 was covered in the morning session (sugar).
2. Market: balance sheet 2016/17 + outlook 2017/18

DG AGRI presented information on global weather conditions and data on production and trade of cereals, oilseeds and protein crops for 2016/17. The estimated cereals stocks of campaign 2017/18 will decline to a level of 32 mt. Regarding oilseeds, the production for 2016/17 is up by 7 per cent in relation to the five-year average. The imports of soya are down but those of sunflower and rapeseed are up. Crushing is increasing in Europe. For protein crops DG AGRI expects an increase in production of more than 50 per cent in 2017/18 in relation to the five-year average.

3. Presentation of the protein balance

DG AGRI presented a recent initiative to develop a EU protein balance sheet for 2015/16 with three main categories of protein sources for use in animal feed: crops, by-products (eg meals) and others. In September 2017 COM will publish the 2016/17 balance sheet and a historical series for years prior to 2015/16. The CDG welcome the initiative and asked for the inclusion of data on pastures. DG AGRI agreed that pastures were an important source of protein supply, but highlighted the difficulty to collect reliable data on pastures (grass is generally consumed on the farms where it is grown) hence the difficulty to include pasture in the balance sheet. COGECA suggested referring to the CAP declarations for grass areas. CIDE promised to provide data relating to the production and protein content of dehydrated fodder. For data on the import and export of such fodder Eurostat is an adequate source. The balance sheet will not cover stocks. DG AGRI asked for technical input from the CDG to allow an estimation of the protein content for each protein source and each marketing year. CIDE recalled that alfalfa produces 2,500 kg of proteins per ha. The data concerning the sowings of nitrogen-fixing crops in zones of ecological interest are available in a report by COM (COM(2017)152). In addition to stakeholders, DG AGRI also informed the Member States about this new EU balance sheet protein initiative (so far MS did not comment on it). CIDE presented a table with the data on dried fodder collected from members. Total production has grown slightly.

4. EU ETS: state of play on regulation post 2020

COM presented the state of play of the legislative process for the revision of the EU ETS for post-2020. CIDE underlined the specificities of the undertakings active within the sector of dehydration, which have made substantial efforts to reduce their consumption of fossil fuels. CIDE argued that ETS taxes emissions but does not take account of the life cycle of dehydrated alfalfa, which is positive thanks to the carbon storage of these plants.. COM

underlined the harmonized free allocation rules for all installations under the EU ETS, but expressed openness for a bilateral meeting on this subject requested by CIDE.

5. -update of CIDE concerning: a. The international definition of dehydrated alfalfa (cf: meeting of 03/06/2016); b. The EGTOP report on the ban on the use of processing aids (see meeting of 03/06/2016).
6. EC support for exports to third countries: promotion measures and phytosanitary protocols for export of dried fodder to Iran, China and Saudi Arabia

DG AGRI presented the support that is available through the promotion programmes as well as under the measures taken on the initiative of the Commission. COM representative invited CDG to inform the COM of eventual SPS related issues with the countries that are mentioned in the title of the agenda point.. CIDE has submitted a proposal for a promotion campaign B2B and awaits the results of the evaluation. CIDE is a candidate for the missions to Iran, Saudi Arabia and China.

7. Point removed from agenda
8. See section on sugar.
9. A.O.B.
  - a. CIDE asked DG AGRI to intervene to block the proposal of AAFCO aiming to modify the definition of dehydrated alfalfa in the USA. The Commission invited CIDE to contact DG AGRI to discuss in bilateral meeting about this point which is extremely technical.
  - b. –CIDE did not made such request!.

*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."*