



Brussels,  
AGRI.DDG3.G/MS

## MINUTES

### *Meeting of the CDG Arable Crops – Cereals, Oilseeds, Protein Crops Sectors*

7 September 2022

Chair: AGRI.E4

Organisations represented: Bee Life-European Beekeeping Coordination (Bee Life), Confédération Européenne De La Production de Maïs (C.E.P.M), Europabio, European Agri-Cooperatives (Cogeca), European Agroforestry Federation (Euraf), European Biodiesel Board (EBB), European Environmental Bureau (Eeb), European Farmers (Copa), European Landowners' Organization Asbl (Elo Asbl), European Liaison Committee For Agriculture And Agri-Food Trade (Celcaa), Fooddrinkeurope (Fooddrinkeurope), Ifoam Organics Europe, Observer: Ibma - International Biocontrol Manufacturers Association.

### **1. Approval of the agenda**

The agenda of today's meeting was approved.

### **2. Nature of the meeting**

The meeting was non-public.

### **3. List of points discussed**

#### **Exchange of views on the Sustainable Use Regulation proposal**

The European Commission (DG SANTE) gave a presentation on the newly adopted Commission Proposal for the Sustainable Use of plant protection products (PPP) Regulation (SUR), replacing the Sustainable Use of pesticides Directive (SUD). The Regulation will be directly binding and uniform with two EU pesticide reduction targets by 2030: to reduce by 50% the overall use and risk of chemical pesticides and to reduce the use of more hazardous pesticides by 50%. In the proposal, separate national reduction targets will be set, based on the historical use and the circumstances in the Member States, for example concerning the intensity of pesticide use. New element in the SUR is a proposed ban on all pesticides being used in sensitive areas, unless a derogation for their use is granted. Integrated Pest Management (IPM) will be subject to more specific

record-keeping, rules and advisory services. Professional users should get strategic advice on IPM at least once a year and must keep records of it.

The participants were informed that the public consultation on the adopted SUR proposal has been extended until 19 September and participants were encouraged to take part in the consultation.

Representatives from COPA had several questions to the Commission.

DG SANTE referred to Regulation 1107/2009 for the distinction between plant protection products and under which category they fall.

A representative from COPA expressed concerns of the limitation to use PPP's in sensitive areas in Spain as 30% of the area is already a part of Natura 2000. DG SANTE replied that there is a derogation possibility foreseen in the proposal. However, Member States already have a clear obligation under Article 12 of the 2009 SUD to minimise or prohibit the use of pesticides in sensitive areas.

Another representative from COPA expressed concerns that the 50% target reduction in PPP's could be an issue for some years in Ireland due to wet climate. DG SANTE informed that the variation in climate has been taken into account with the baseline three-year average data.

The Bee-Life representative asked what efforts would be made to improve the methodology on harmonised risk indicators (HRIs). The Commission is working on improving the HRIs but would need more data to develop better indicators.

### **Overview of the market situation**

The International Grains Council (IGC) forecasts world **all-wheat production** to reach 778.0 million tonnes (-0.4% y/y) in 2022/23, slightly below last season's record harvest, and including record crops in **Russia** and **China**. Although world **consumption** is forecast at a new peak of 782.7 million tonnes (+0.3% y/y), the annual growth would be minimal, with feed use actually decreasing modestly (-1.1%). Ending **stocks** are expected to fall to a four-year low of 274.9 million tonnes (-1.7% y/y), including potentially record inventories in China representing 50.0% of the total. Major exporters' stocks are seen at a 9-year low of 61.1 million tonnes (-4.4% y/y).

Partly due to a sharp decline in the EU, world **maize production** is forecast to decrease by 3.4% y/y to 1,178.6 million tonnes. The US harvest is placed at 364.7 million tonnes, however yield prospects worsened lately and the crop could be lower than the current forecast. Due to reduced feed use, **consumption** is expected to fall by 1.5% from last year's peak to 1,196.8 million tonnes, incl. 705.0 million tonnes for feeding (-2.2% y/y). IGC estimates total EU maize demand at 76.1 million tonnes (-8.4% y/y), incl. 56.3 million tonnes of feed use (-9.0% y/y). Ending **stocks** are forecast at 264.7 million tonnes (-6.4% y/y) with 2/3 attributed to China. Reflecting reduced domestic supplies, **EU** import demand was raised to 19.0 million tonnes; if realized, the EU could be the largest importer together with China.

Regarding **barley**, world production is forecast at 145.3 million tonnes (-0.5% y/y). Rains slowed harvesting in Russia, however the crop was raised on better yields to 20.0 million tonnes. Global consumption is expected to fall to 146.8 million tonnes (-2.4% y/y), incl. feed use at 101.8 million tonnes (-2.6%).

Regarding **Ukraine**, IGC forecasts total grain production to fall by 38% to 53.5 million tonnes, incl. 19.4 million tonnes of wheat (-41%) and 27.7 million tonnes of maize (-34%). The Russian invasion has seriously disrupted exports, although shipments via the Solidarity Lanes provided some outlet. As from August, shipments from three ports of the Odessa area became feasible again, which boosted the country's export capacities. Total exports in 2022/23 are forecast at 30.4 million tonnes (-37%), incl. 13.0 million tonnes of wheat (-31%) and 15.5 million tonnes of maize (-35%).

Compared to a modest IGC figure of 87.6 million tonnes, many local analysts are more optimistic with regard to the **Russian wheat** crop expecting it to reach around 95 million tonnes. However, due to ample rains in summer, wheat quality is expected to be significantly worse y/y with reduced share of milling wheat, especially with high protein. Despite the bumper harvest, Russian wheat exports have been relatively slow at the start of the 2022/23 marketing year due to difficulties linked to payment and insurance arrangements, as well as a strong rouble and slow producer selling.

**Brazilian** maize production will reach a record of 114.7 million tonnes (+31.7%) in 2021/22, allowing for exports of 37.5 million tonnes in 2022/23. According to a first official outlook, Brazil could harvest record maize and soya crops in 2022/23 with plantings to start in September for the next season.

Growing conditions are broadly favourable in **Canada** and all-wheat production is expected to reach 34.5 million tonnes (+59.4%), incl. 6.3 million tonnes (+136%) of durum wheat.

World cereals **prices** have decreased from the multi-year highs reached in early spring, however remain above their levels a year ago. Besides the usual seasonal harvest pressure, **wheat prices** decreased also due to a record Russian crop, opening of three Ukrainian ports, concerns for a global economic slowdown reducing demand and improved prospects in Australia.

Russian milling wheat is quoted at USD 315 per tonne (+5% y/y), while EU (FR Rouen) at around USD 330-335 per tonne (+10%). US wheat prices are considerably higher, incl. Hard Red Winter wheat quoted at around USD 400 per tonne. In particular, maize prices were quoted at around USD 290 per tonne for South America, USD 320 per tonne for the US Gulf, while at only USD 260 per tonne for Ukraine. Ukrainian producers and traders are under pressure to speed up export in order to free up storage capacity for the new harvest and to generate cash revenue for the autumn field works.

### **The situation of protein crops in the new CAP**

The Commission presented the situation of protein crops eligible for coupled income support (CIS) in CAP Strategic Plan (CSP) Regulation (EU) 2021/2115. According to Article 32, in contrast to other sectors, Member States shall not be required to demonstrate the difficulties encountered in relation to protein crops as it is recognised that the production of protein crops is encountering serious difficulties in the EU. Additionally, Article 96.3 gives the possibility to increase by a top-up of 2% dedicated to protein crops the maximum financial allocation for CIS of 13% of the direct payments. Article 33 lists the sectors for which coupled income support may be granted with a distinction between:

(b) oilseeds excluding confectionary sunflower seeds as laid down in Article 11(7) and

(c) protein crops, including legumes and mixtures of legumes and grasses provided that legumes remain predominant in the mixture.

Those categories are not completely exclusive with notably soya, which is an oilseed and a legume, and could fall under both categories. Historically, the definition of protein crops was limited to peas, field beans and sweet lupins (cf. Article 79 of Council Regulation (EC) No 73/2009). If the extension in the CSP Regulation of the protein crop definition to all legumes as well as to the mixtures of legumes and grasses (provided that legumes remain predominant in the mixture) may have brought some confusion, sunflower and other oilseed crops could benefit of coupled income support within the 13% of direct payments allocation, but cannot be supported through the 2% top-up dedicated to protein crops. The only oilseed that can benefit from the 2% top-up is the soya beans.

**Exchange of views on the impacts of Russia's military aggression against Ukraine on input costs (energy, fertilisers), logistics (trucks, fuels) and EU domestic production**

The Commission presented the evolution of the fertiliser prices in the EU since 2021, the key drivers of the prices increase being: availability of natural gas as well as the import dependencies of potash and phosphate. The various measures taken by the EU were explained.

A member of COPA expressed concerns that the situation of fertilisers could lead to a decline in production.

A member of FEFAC informed that the production costs are up by EUR 30-60 per tonne for compound feed due to surging energy costs. The feed sector should be recognised as an essential industry.

COPA expressed concerns that the farmers might not be able to grow some of the crops due to the high costs and limited availability of fertilisers.

COPA added that the farmers need transparent fertiliser market and better access to new suppliers. The farmers need lower import duties on fertilisers to be able to compete with their products on the world market.

The Commission replied that the Commission proposed to suspend the MFN import duties for certain raw materials of fertilisers but the approval of this proposal is pending the Council decision.

The Commission considers that nitrogen availability is sufficient despite that EU fertiliser plants partly halted their production, as nitrogen fertilisers are widely available on the world market. However, the Commission continues to monitor the situation.

COCERAL expressed concerns about the Black Sea corridor and asked for information on the Single Market Emergency Instrument (SMEI) and whether it will be presented and discussed during the EFSCM meetings.

The Commission explained that it would work as an umbrella instrument and that it would give powers to the EU in case of crises.

Concerning the logistical situation the Commission has worked on facilitating the transport of cereals and oilseeds from Ukraine by train, trucks and through inland-water ways. Owing to a close collaboration with relevant Member States, the pace of exports have increased and the Commission continues working on further improvements to increase the capacity to export Ukrainian grains. All parties involved have been very supportive (public authorities, logistic operators, traders...). Some concerns from the neighbouring Member States' were expressed, as certain farmers suffered from lower prices observed locally due to the strong inflow of Ukrainian grains or oilseeds. Bulgarian sunflower producers for example have suffered from the reduced sunflower crushing capacity as the Ukrainian sunflower seeds were crushed in Bulgaria. With reopened crushing facilities in Ukraine, the pressure should ease in the near future.

The agreement on the re-opening of certain Ukrainian Black Sea ports is only valid for 120 days, until end of November, and its prolongation depends on the good will of the parties involved, especially Russia. The Commission is in close contacts with the UN counterparties that work on the prolongation of the agreement.

COCERAL mentioned its concerns about the continued problems at the EU/Ukraine border crossing points due to lengthy waiting times. COCERAL hopes that Member States will invest more in infrastructure and administration to boost the overall capacity of the transport corridors.

The Commission is fully aware that the Black Sea corridor could be closed suddenly due to increasing geopolitical tensions, therefore it will continue investing in Solidarity Lanes as these alternative trade routes are there to stay. Moreover, it is important to keep in mind that the Black Sea corridor is now only open for food and fertilisers products, whereas Ukraine needs to export other products as well, e.g. metals.

### **Exchange of views on nature restoration targets**

The Commission (DG ENV) presented its proposal for EU Nature Restoration Law adopted in June.

The science tells us that we are facing a biodiversity crisis, about one million of species are threatened with extinction. Even if we have legislation in place to protect the nature, situation in Europe is on the decline. Furthermore, the biodiversity crisis and the climate crisis are interlinked.

According to the Intercontinental Panel on Climate Change (2022), the world and Europe have a brief, rapidly closing window to secure a liveable future. The rise in weather and climate extremes has led to some irreversible impacts as natural and human systems are pushed beyond their abilities to adapt. Restoring ecosystems will therefore be fundamental in helping to combat climate change and to reduce risks to food security.

The annual Global Risks Report (2022) of the World Economic Forum estimates the biodiversity loss as the third most pressing global risk by severity, right after climate action failure and extreme weather.

One of the pillars in the European Green Deal is the protection and restoration of nature. The over-reaching objectives are the following:

- by 2030 restoration measures will cover 20% of EU's land and sea, and
- by 2050 measures in place for ALL ecosystems in need of restoration.

Each Member State will apply individually to fulfil the targets. The Commission will assess the plans submitted by the Member States and will then report about the progress in implementation and achievement of the targets to the European Parliament and the Council every three years.

Discussions started in the Council working group in July 2022, and the proposal is aimed for adoption by the end of March 2024.

A representative from ELO asked which actions we actively need to focus on, as well as the Commission's view on peatlands capacity to capture and store methane and carbon emissions.

The Commission replied that re-wetting peatlands decreases drastically the emission of greenhouse gases and will benefit the biodiversity. Therefore, the proposal contains specific targets and focus on organic soils. The climate change crisis is interlinked with the biodiversity crisis, the restoration is focusing on the eco systems with the maximum potential to capture and store carbon are prioritized taken into consideration the climate change. Colleagues in other DG's have worked on different scenarios and Member States have been invited to consider different climate change scenarios.

A representative from Bee Life asked how the Commission envisages to deal with the incompatibilities or interactions between the Nature Restoration Law and other policies like the CAP and SUR.

The Commission clarified that there is no incompatibility in the objectives to improve the eco systems but we will see how the Member States plan their interventions under the CAP and how they build-in those measures that are needed to achieve the restoration targets. The restoration needs to be financed through national, EU and private funds.

Bee Life asked for the floor to know how the Commission envisages to introduce the additional indicators to the indicators already foreseen in the CAP strategic plans. The Commission replied that the intention is not to modify the CAP regulation. The indicators proposed in the regulation on restoration represent an independent legal obligation which rather influences the implementation of the CAP and will hopefully come into force in 2024. The Member States will then have two years to implement and review their CAP strategic plans.

### **AOB**

No.

### **4. Next meeting**

The next CDG COP is foreseen to take place in March 2023. Due to the new organisation of the Civil Dialogue Groups, the final date and time will be confirmed by DG AGRI.

## **5. List of participants**

In annex.

Michael SCANNELL

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ORGANISATION
BEE LIFE-EUROPEAN BEEKEEPING COORDINATION (BEE LIFE)
CONFÉDÉRATION EUROPÉENNE DE LA PRODUCTION DE MAÏS (C.E.P.M)
EUROPABIO
EUROPEAN AGRI-COOPERATIVES (COGECA)
EUROPEAN AGROFORESTRY FEDERATION (EURAF)
EUROPEAN BIODIESEL BOARD (EBB)
EUROPEAN ENVIRONMENTAL BUREAU (EEB)
EUROPEAN FARMERS (COPA)
EUROPEAN LANDOWNERS' ORGANIZATION ASBL (ELO ASBL)
EUROPEAN LIAISON COMMITTEE FOR AGRICULTURE AND AGRI-FOOD TRADE (CELCAA)
FOODDRINKEUROPE (FOODDRINKEUROPE)
IFOAM ORGANICS EUROPE
OBSERVER: IBMA - INTERNATIONAL BIOCONTROL MANUFACTURERS ASSOCIATION