

Brussels,
... / ... (2018)

FINAL MINUTES

Meeting of the Civil Dialogue Group “Arable Crops – Sugar and Starch”

21/11/2018

Chair: Mr Paul MESTERS (CEFS)

Organisations present: All Organisations were present, except Beelife, Birdlife, CEPM, EBB, ELO, Europa Bio, Fertilizers Europe IFOAM and PAN Europe.

1. Approval of the agenda (and of the minutes of previous meeting¹)

2. Nature of the meeting

The meeting was non-public.

3. List of points discussed [Name of each point, one by one]

Morning session SUGAR

1. Approval of the report of the last meeting of 16 March 2018
2. Approval of the draft agenda
3. Market situation
 - a. Situation and prospects in the world market for EU sugar exports (report to be presented by an expert designated by ASSUC)
 - b. Presentation by the Commission on the EU market and updated sugar and isoglucose balance sheet
 - c. Report on the Sugar Market Observatory meeting on 15 November
4. Trade related issues (to be confirmed)
 - a. Exchange of views on India sugar export policy and possible actions against subsidised exports by WTO members
 - b. Australia FTA negotiations
 - c. Mercosur FTA negotiations
 - d. Mexico FTA negotiations
5. Commission's update on the CMO modifications in the CAP-post 2020
6. Commission's update on its recent initiatives on
 - a. unfair trading practices
 - b. market transparency

¹ If not adopted by written procedure (CIRCABC)

7. A.O.B.
- a. Meeting dates for 2019

Afternoon session STARCH

1. Market situation

Impact of the weather on cereal and potato crops (Copa-Cogeca / CESPU)

Starch Europe's 2017 statistics

2. Isoglucose developments

3. CAP reform: - coupled payments

4. China: Starch Europe's activities to fight the anti-dumping duties on potato starch ahead of February 2019's decision

5. JRC work on plastic LCA including alternative feedstock to produce bioplastics – state of play (videoconference)

6. Starch Europe's activities: product reputation and www.starchinfood.eu

7. AOB

Morning session SUGAR

1. Approval of the report of the last meeting of 16 March 2018

The report of the last meeting of 16 March 2018 was approved.

2. Approval of the draft agenda

The agenda was approved.

3. Market situation

a. Situation and prospects in the world market for EU sugar exports (report to be presented by an expert designated by ASSUC)

ASSUC presented the situation on the world sugar market. Futures prices rallied in September/October 2018 before falling again through November. World market price unlikely to rise above 14.5 cents/pound in the near future.

2018/19 expected to be another surplus year. But the picture is different according to one's perspective: the surplus is significantly larger if one takes the Sep/Oct marketing year as the basis, or the national crop year.

India a highly volatile and uncertain player. Discussions on an increase in the minimum sugar price are ongoing, as well as possible promotion of ethanol. Production for 2018/19 recently revised downwards due to a combination of weather conditions and disease).

Brazil likely to be the biggest contributor to the fall in production in 2018/19. Sugar mix likely to be the lowest ever (36 per cent!). Nevertheless, continued pressure on crude oil prices could decrease the relative competitiveness of hydrous ethanol and shift increase the sugar mix somewhat.

World sugar consumption increasing at a rate of c. 1 per cent per annum.

CEFS registered concern with India's sugar policies, noting the publication of an Australian WTO counter-notification during W/C 12 November 2018. It remains unclear what action COM will take to support Australia on this point.

b. Presentation by the Commission on the EU market and updated sugar and isoglucose balance sheet

See presentation for complete figures.

COM noted that spot prices have risen markedly in past weeks, indicating a possible recovery on the EU sugar market.

Imports are up in 2018/19, but it is too early to derive trends.

c. Report on the Sugar Market Observatory meeting on 15 November

COM debriefed members on the outcome of the Sugar Market Observatory (SMO) meeting of 15 November 2018.

A revised balance sheet had been presented and discussed in the SMO meeting. Some of the experts considered that production could fall below even 18.7 mt in 2018/19 and that exports could decrease further in consequence.

During the SMO meeting an ISO representative stated its expectation that world sugar consumption will continue to grow in the future, and that there has been no proven link between sugar taxes and consumption.

The SMO experts were presented with the provisional DG AGRI medium-term outlook for agricultural income and markets. Sugar production may be at a level of 19.3 mt in 2030, in the context of a world market surplus of 4-8 mt.

Certain SMO experts noted that organic sugar production is not keeping up with demand. Neo-nicotinoids was a further topic of discussion.

CIBE registered concern that there is a lack of information concerning consumption (ending stocks revised down by 200 kt in most recent balance sheet). CIBE queried where this sugar has gone.

COM noted that more will be known by 30 November 2018, the deadline for the notification of final production 2017/18 (including the production of bio-ethanol from sugar).

CEFS stressed that over the course of 2018/19 approximately 2 billion EUR have been transferred from the primary to the secondary processing industry as a result of lower sugar prices. CEFS noted also that weather conditions play a key role in determining sugar production, which adds an important element of uncertainty to the market. CEFS addressed the tools available to manage the market: if we are facing structural over-production, the only course of action would be support for restructuring; in the short-term, the only available tools are aid for private storage and Art. 222, of which COM has is inclined to use neither. CEFS queried how COM plans to respond to the serious and ongoing market crisis, and asked for more details regarding the announced High-level Meeting on sugar.

CIBE concurred and noted that the current situation is not sustainable for European beet growers.

COM stated that the details of the High-level Meeting on sugar are still under discussion. However, the aim is to set up such a meeting quite quickly. A first meeting could therefore take place in January 2019. **COM** noted that market management tools do exist, the question is whether they are efficient in the current market context. **COM** noted that most of Member States are not effectively implementing existing risk management tools. **COM** stated that all actors including farmers could do more for the use of available tools to manage risks.

4. Trade related issues

a. Exchange of views on India sugar export policy and possible actions against subsidised exports by WTO members

COM presented its activities as regards India's distortive sugar policy regime. **COM** has put questions to India on this topic during every WTO Agriculture Committee meeting over the past two years. India's policies can be separated into:

- 1) Export subsidies, which India claims fall within the scope of Art. 9.4 of the WTO Agreement.
- 2) Internal support measures (e.g. minimum cane and sugar prices).

The recent Australian counter-notification concludes that India is substantially overshooting the 10 per cent *de minimis* domestic market price support to which it is entitled as a developing country. The counter-notification will be discussed during the WTO Agriculture Committee of W/C 26 November 2018. India is unlikely to change policy course in response to the counter-notification.

CIBE asked how **COM** plans to support Australia in its challenge to India. **CIBE** called for a more offensive **COM** position *vis-à-vis* India's sugar policy.

COM replied that it plans to support Australia in the Agriculture Committee. Nevertheless, **COM** noted that action against India is a joint effort and that work is shared with Australia and Brazil. **COM** will analyse the legal arguments that Australia puts forward. Two questions are key: (i) Is the federal Fair & Remunerative Price (FRP) for sugar cane a support price under WTO rules? (ii) What is the eligible production of sugar that benefits from the FRP? **COM** also referred to an ongoing U.S. case against China, in which the former accuses China of under-reporting domestic support. This will inform a possible DSU panel against India.

CIBE noted that the EU is now WTO-compliant, and that European beet growers are counting on **COM** to defend the EU sugar sector and attack trade-distorting support measures in third countries. **CIBE** also queried **COM**'s activities on China.

COM replied that Brazil has requested consultations with China on that country's safeguard duties on sugar imports. **COM** has requested third party status and is awaiting a response.

EEB noted that the EU is an exemplary WTO partner, in contrast to many other members of that organisation. The world sugar market is in deep crisis, in part because sugar is not

always produced in line with best environmental practices. The WTO ought to take these practices into account. EEB stressed that the EU must not accept the environmental dumping of third country sugar on the EU market.

COM concurred that the EU is rather a role model within the WTO, and that India's policy is increasingly questioned as regards its compatibility with trade rules.

CIBE expressed worries regarding recent attacks on the CAP and requested information on the U.S. anti-dumping and countervailing duties on imports of black olives from Spain.

COM replied that it is fighting hard against these measures. COM is considering all legal aspects before requesting a panel.

b. Australia FTA negotiations

COM informed members that a second round of negotiations started on 19 November 2018. Talks remain in their early stages. COM has been firm that sugar is a sensitive sector. Nevertheless, Australia is requesting increased access to the EU sugar market. The EU is interested to export food processed products containing sugar.

CEFS noted that sugar is a highly sensitive sector. Australia requested access of 500 kt to the U.S. market in the context of the TPP negotiations. COM must exercise extreme caution in these negotiations, in particular since the EU sugar market is already substantially open.

CIBE concurred with CEFS, and noted that Australia has frequently attacked the EU's agricultural policy in public. CIBE reiterated the beet sugar sector's request that no concessions be offered to Australia in the context of these discussions.

CELCAA requested information on the EU's offensive interests in the EU-Australia negotiations.

COM responded that these interests include some dairy, pigmeat, and geographical indications.

c. Mercosur FTA negotiations

COM informed members that following the completion of the most recent round of negotiations on 20 November 2018, the conditions have not been met for a hoped-for ministerial meeting before the end of 2018. COM's TRQ offer on sugar remains valid, including the in-quota duty. Brazil has requested a 0-duty TRQ.

d. Mexico FTA negotiations

COM noted that the EU and Mexico reached a political agreement in April 2018. Technical items remain to be finalised. However, the schedules should be published in the coming days.

To recall, concessions to Mexico include: a TRQ of 30,000 tonnes of sugar, to be phased in over a period of three years and subject to an in-quota duty of 49 EUR/tonne; a 0-duty TRQ of 500 tonnes of piloncillo sugar (a type of solid, unrefined cane sugar); a 0-duty

TRQ of 1,000 tonnes of other sugars falling under tariff heading 1702. There was no opening of the Mexican sugar market given Mexico's special trading relationship with the U.S.

CEFS recalled the need to open new markets for EU sugar. Mexico is not an interesting export market for EU sugar exports *tel quel*, and in other negotiations such as Japan the EU has failed to achieve substantial gains.

CIBE queried when the trade agreement with Mexico will enter into force.

COM confirmed that the trade agreement with Mexico will enter into force upon provisional application. The precise timeline will depend on the calendars of the EU Council and the European Parliament, the approval of which is a pre-condition for the agreement's entry into force.

CELCAA asked whether the TRQ agreed will be implemented on a first-come, first-served basis or on the basis of licences.

COM replied that the agreement offers the EU the flexibility to implement the TRQs as it pleases. **COM** requested input from members regarding their preferences.

5. Commission's update on the CMO modifications in the CAP-post 2020

COM outlined its proposed modifications to the Single CMO regulation as regards sugar. **COM** has proposed to delete all definitions and obsolete provisions relating to the quota system, notably Arts. 124, 147-8, 192-3, as well as annexes XI, XII, and XIII. **COM** has proposed to delete the definition of standard beet quality, which was traditionally linked to the former minimum beet price.

Remaining provisions for the sugar sector concern: aid for private storage; exceptional measures; contractual provisions (e.g. Art. 125 and annex X), and the system of notifications.

In addition, **COM** has proposed in its draft to clarify the existing approach to molasses imports.

CIBE requested that the definition of standard beet quality be retained, even if in a simplified form.

COM replied that it is up to contracts to refer to beet quality. **COM** noted however that it is up to the Council and European Parliament to decide whether or not to do away with the definition. The definition is of little significance; its removal follows the logic of simplification only.

6. Commission's update on its recent initiatives on

a. unfair trading practices

b. market transparency

On Unfair Trading Practices (UTPs), **COM** recalled the publication of its proposal on 12 April 2018. Trilogues started in October. **COM**'s position is that the impact assessment justifies the scope of the proposed directive, which is limited to SMEs.

On market transparency, COM noted that the Single CMO remains the legal basis, and that Delegated Regulation 2017/1183 and Implementing Regulation 2017/1185 codify specific provisions for market transparency, including in the sugar sector. COM summarised the process of stakeholder engagement. A JRC/University of Wageningen study on the costs of market transparency for Member States is currently ongoing. There are already existing provisions within the Single CMO Regulation and Implementing Regulation 2017/1185 that confidentiality concerns and the possible negative effects on competition of increasing market transparency.

CIBE expressed its support for increased market transparency, noting that there is a two-month delay in the publication of EU white sugar prices. According to CIBE, this makes it difficult for beet growers to react to market signals. CIBE stated that increased market transparency, in the form of reliable and symmetrical information, is required for effective value-sharing agreements.

CEFS regretted that COM's proposal on UTPs is limited to SMEs, given that UTPs are a problem for all players. CEFS noted that the current level of market transparency is sufficient at the primary processing stage, but that further transparency is needed at the secondary processing stage.

Afternoon session STARCH

1. Market situation

Impact of the weather on cereal and potato crops (Copa-Cogeca / CESPU)

CESPU delivered a presentation on the impact of the weather on cereal and potato crops.

Starch Europe noted that starch is more difficult to extract this year. StarchEurope underlined the need to differentiate between yield on the field, and yield in the factory.

Starch Europe's 2017 statistics

Starch Europe presented its statistics for 2017. See presentation for complete figures.

COM queried why isoglucose production fell in 2017/18, according to COM statistics.

Starch Europe replied that its own statistics are consistent with those of COM. The reason for this is primarily low sugar prices, which has also put pressure on isoglucose prices. Starch can be converted into a range of products. Currently, prices for other starch based ingredients are more attractive, resulting in lower isoglucose production.

2. Isoglucose developments

COM presented the production of isoglucose over previous marketing years. Isoglucose production fell in 2017/18, as addressed in the previous agenda point.

3. CAP reform: - coupled payments

COM presented its proposed revision of the system of coupled payments, which comes in the context of the CAP reform.

The current system of Voluntary Coupled Support is to be replaced by a system of Coupled Income Support. The key new element is the aim of the support: Coupled Income Support should address the identified difficulty faced by increasing the competitiveness and/or quality and/or sustainability of the sector concerned.

COM was unable to give concrete information on the timeline of the CAP reform.

Starch Europe noted that the implementation of coupled support in any form requires close scrutiny to avoid unfair competition conditions.

4. China: Starch Europe's activities to fight the anti-dumping duties on potato starch ahead of February 2019's decision

Starch Europe presented an overview of the Chinese measures against imports of potato starch from the EU.

DG TRADE completed the presentation with an update on activities to fight the anti-dumping duties that have been in place for almost ten years. COM noted that China normally allows such duties to lapse after ten years, but that this is not the case here. In contrast to the review of the countervailing duties, starch companies are not cooperating with the expiry review of the anti-dumping duties. The result is that MOFCOM will likely decide to extend the duties in February 2019. COM admitted that even if starch companies had cooperated with the investigation, the result would probably have been the same.

CESPU queried whether the Chinese case could prove to be a precedent for other countries.

COM noted that anti-dumping duties are not new. In 2017 COM considered action against China in the WTO, but COM eventually decided not to pursue this.

5. JRC work on plastic LCA including alternative feedstock to produce bioplastics – state of play (videoconference)

The JRC delivered a detailed presentation on the state of play of work to produce an LCA for plastics produced from alternative feedstocks.

The JRC thanked respondents for the information provided during the call for information and data of summer 2018 and welcomed any additional data that stakeholders may have, in particular a full LCA of starch products (instead of a summary report, which has been submitted to the JRC).

A stakeholder workshop will take place on 29/20 November 2018 in the Berlaymont, Brussels. The written stakeholder consultation lasts from 19 November to 20 December 2018 and can be accessed here: http://eplca.jrc.ec.europa.eu/?page_id=1862. Any input from the CDG is welcome.

6. Starch Europe's activities: product reputation and www.starchinfood.eu

Starch Europe presented an overview of its activities to promote the product reputation of starch.

7. AOB

StarchEurope queried the request by the Netherlands authorities to introduce an autonomous tariff suspension on dextrose.

COM confirmed that the Dutch authorities have submitted such a request with the justification that there is a shortage of a specific quality of dextrose that is used in infant formula. A first discussion took place during the Customs Code Committee of 12 November 2018. It is proposed that the suspension apply from June/July 2019. COM requested the assessment of the industry.

4. Conclusions/recommendations/opinions

COM requested input on the following topics:

- The mode of operation of the Mexico TRQ for sugar (i.e. first-come, first-served or licence-based).
- The JRC alternative plastics LCA.
- The proposal for an autonomous tariff suspension for dextrose imports.

5. Next steps

None specified.

6. Next meeting

No information provided for the next CDG Sugar.

The next CDG Sugar/Starch will take place on 19 November 2019.

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."

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List of participants– Minutes

Civil Dialogue Group “Arable Crops – Sugar and Starch”

21/11/2018

#	Delegation	Last Name	First Name
1	European Agroforestry Federation (EURAF)	Silva	Pablo
2	European Coordination Via Campesina (ECVC)	SANTOS	Pedro
3	European Coordination Via Campesina (ECVC)	Dinis	João
4	European Coordination Via Campesina (ECVC)	Cismas	Daniel
5	European Council of Young farmers (CEJA)	Voncken	Willem
6	European Council of Young farmers (CEJA)	Mendonça	Rosana
7	European Council of Young farmers (CEJA)	Heikola	Otso
8	European Environmental Bureau (EEB)	SLABE	Anamarija
9	European Environmental Bureau (EEB)	RACAPE	Joseph
10	European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT)	BERNHARD	Thomas
11	European Liaison Committee for Agriculture and agri-food trade (CELCAA)	Dewar	Flora
12	European Liaison Committee for Agriculture and agri-food trade (CELCAA)	IRELAND	John
13	European Liaison Committee for Agriculture and agri-food trade (CELCAA)	Gawryszczak	Michał
14	European Liaison Committee for Agriculture and agri-food trade (CELCAA)	DOBRESCU	Emilian
15	European Liaison Committee for Agriculture and agri-food trade (CELCAA)	SPIEGELEER	Christian
16	European Liaison Committee for Agriculture and agri-food trade (CELCAA)	Stansfield	John
17	European Liaison Committee for Agriculture and agri-food trade (CELCAA)	Ghicioc	Vlad
18	European Liaison Committee for Agriculture and agri-food trade (CELCAA)	Mochukov	Ivaylo
19	European agri-cooperatives (COGECA)	LACOSTE	Elisabeth

20	European agri-cooperatives (COGECA)	Marshall	Arthur
21	European agri-cooperatives (COGECA)	KRICK	Alex
22	European farmers (COPA)	Gónelù	Hígniev
23	European farmers (COPA)	WIEDUWILT	Ramona
24	European farmers (COPA)	DE GRAAF	Kasper
25	European farmers (COPA)	DEJONCKHEERE	Dominique
26	European farmers (COPA)	Pfeuffer	Paul-Martin
27	European farmers (COPA)	Haegeman	Peter
28	European farmers (COPA)	LAINE	ERIC
29	European farmers (COPA)	Křováček	Jan
30	European farmers (COPA)	Lavonen	Antti
31	European farmers (COPA)	ZÁVODSKÝ	Peter
32	FoodDrinkEurope (FoodDrinkEurope)	GARTLAND	Josh
33	FoodDrinkEurope (FoodDrinkEurope)	Mesters	Paul
34	FoodDrinkEurope (FoodDrinkEurope)	MARIE-CHRISTINE	RIBERA
35	FoodDrinkEurope (FoodDrinkEurope)	Malysa	Lukasz
36	FoodDrinkEurope (FoodDrinkEurope)	fortescue	jamie
37	FoodDrinkEurope (FoodDrinkEurope)	PINTAUD	Eric
38	FoodDrinkEurope (FoodDrinkEurope)	POINTIER	Fabienne
39	FoodDrinkEurope (FoodDrinkEurope)	IBELLI	Luca
40	Secrétariat des Associations du Commerce Agricole Réunies / Joint Secretariat of Agricultural Trade Associations (SACAR)	Koch	Henning
41	SACAR	Moine	Cyril
42	SACAR	PÉREZ VEGA	Daniel

