

FINAL REPORT FROM THE CIVIL DIALOGUE GROUP ON SUGAR, HELD ON 4/11/2015

1. Approval of the agenda and report of the last meeting of 17th June

The agenda and the report were approved. The Commission indicated that a new decision has been taken internally to organise the civil dialogue group meetings on a Friday after the management Committee or the week after. The President as a result proposed the following dates in 2016: 26th February am, 28th June pm, 30th September pm and 20th December am. [introduce new dates agreed in meeting December in order to avoid confusion]

Stakeholders in the room had no objection and the Commission indicated that these dates needed confirmation as usual.

2. Opinion of the group on the situation and prospects for the world markets for EU sugar exports (ASSUC presentation – see ASSUC presentation for details)

This year is the first year with a small deficit after 5 years of surplus. However stocks remain at their highest levels since 2007/2008 i.e. close to 50% consumption/stocks ratio. Most of the additional stocks are in China (9 million tonnes out of 15 million tonnes additional stocks). Prices have responded to this situation and are at a rather low level. However in Brazilian reais, the sugar price is at its highest level (3,9 reais for 1 dollar).

World raw sugar prices, the New York No. 11 quotations plus CXL duty of 98€ give a Eu landed prices of 420 Euros /t i.e. higher than the EU average white sugar price. It is therefore not profitable to import CXL sugar at the moment

Brazil Center South: sugar production estimates at 31 million tonnes (assuming 41% of the cane is processed in to sugar and the rest in ethanol. This is lower than last year as rain has started disrupting harvest and is due to continue.

India is expected to produce 23 million tonnes. High beginning stocks pressure millers to export, but world market prices are not encouraging so stocks should remain high depending on final production figures

As mentioned above, China has high stocks and nevertheless, the import prices remain attractive to import sugar adding further to stocks. In the EU, production forecast in 2015/16 is 23% lower than last year.

CIBE reacted to medium-term forecast of world market prices presented by ASSUC (20cts/lb in 2020) which were significantly more optimistic than those foreseen in DG agri outlook for agriculture markets 2015/2025. CIBE asked whether this difference was related to different macroeconomic assumptions compared to the DG agri outlook.

CIBE and CIUS asked about the questions raised by the EU at WTO on India sugar export subsidies. The Commission said that they do allow some interaction with the world market with some imports without duties. This is a fine compromise between protecting and allowing competition. As the interaction is relatively low, the Commission does not intend to do anything now. Commission may decide to go to WTO only from 2017 onwards if subsidies impact EU exports.

3. Presentation by the Commission on the sugar and isoglucose 2014/15 balance and provisional balance sheet for 2015/16 – exchange of views

A DG AGRI representative presented the various documents regarding the topics.

CIBE asked information on the end of transitional import TRQ granted to Croatia following its accession and on the discussions at WTO. It was replied that the transitional import TRQ does no longer exist and discussions on a final package for compensation as a result of the accession of Croatia is still on-going. CIBE commented the figures presented, underlined the large volumes of out-of- quota carried forward, the efforts from the sector to rebalance the market by reducing drastically the areas and ask whether the imports of quota sugar in the balance sheet 2015/16 presented were not underestimated. CIBE requested that the second tranche of out- of-quota exports be included in the balance sheet as usual and be opened. This request was echoed by CEFS and ASSUC as the revised balance-sheet does not include the opening of the 2nd tranche of out-of-quota exports. CIBE and CEFS stressed that the opening of this 2nd tranche was a normal market measure and was necessary for operators to benefit from opportunities on the world market.

CIBE, CEFS and ESRA made clear that at this stage it is not relevant to envisage any kind of temporary measures. CIUS noted the efforts made to improve the balance-sheet and stated that the level of ending stocks of quota sugar was a concern and suggested that temporary measures may be necessary.

The Commission confirmed that at this stage no measure will be taken. The services will monitor the market and update the balance sheet either with final data or better estimates. 545 000T stock is too low and if it stays like that, exceptional measures will be necessary. The decision on the 2nd tranche of exports of out of quota sugar will be taken later.

4. Information by the Commission on the outcome of the expert Group on 29th November :

A Commission representative briefly explained the main outcome of the last discussions of the Group.

Germany raised the issue of voluntary coupled aid which the claimed distorts the EU single market. The Commission replied that this aid is limited, WTO compatible and part of a political compromise between the Council and the Parliament.

The UK presented a report on imports and refining for discussion.

Regarding collective agreements, DG AGRI mentioned the possibility to clarify the issue of collective negotiations by establishing a delegated act in order to update the annex establishing the conditions of beet purchase.

CIBE stated it is crucial to progress rapidly on these issues in order to have clear provisions for the negotiations of the written agreements within the trade post-2017 that must advance and be concluded by autumn 2016.

On price notifications, DG AGRI explained that 5 questions were asked to Member states. It seems that the first outcome is to maintain one price to be reported. CIBE reiterated its position regarding market information and transparency for post-2017 and considered that it was necessary to provide notification on sugar price for direct uses (food consumption) and indirect uses (non-food uses). In addition, CIBE said that it will be necessary to provide notifications for isoglucose price as the development of isoglucose will be an important element of the market in the post-2017 period.

This was echoed by Via Campesina which noted that transparency and information on prices were necessary and which noted that in France despite 80% of the beet were delivered to cooperatives the transparency remained an issue.

CEFS recalled its position supporting a transparent price reporting scheme and keeping one price for white sugar when quotas are eliminated.

EFFAT stressed that the social impact of the abolition of quota was not taken into consideration at the expert group.. EFFAT requested that the Commission take measures to alleviate these consequences. The Commission replied that a restructuring fund of 6.2 billion was created after

the reform in 2005 and that any company that wished to make use of that to allow for a social acceptable dismantling of production had the opportunity to do so between 2006 and 2010. ESRA pointed out that the survival of raw cane refiners was also a key issue and asked how the Commission will envisage tackling this.

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 the Single CMO n° 1308/2013 and on isoglucose quotas in 2016/17 including on private storage and price reporting**
- **CAP simplification.**

A DG AGRI representative informed that the draft regulations on private storage should be finalised by the end of 2015 to be in force in 2016/17. CEFS welcomed the move from DG AGRI to take into account the specificity of sugar. This was echoed by CIBE. The group took note of the presentation from the Commission on simplification of the CAP as a priority for Commissioner Hogan.

6. Presentation by the sector of the EU beet sugar sustainability partnership

There was not enough time to cover this topic.

7. MIFID II: EMSA final draft for the regulatory technical Standards of MIFID II

The group took note of the presentation from the Commission.

ASSUC explained that derivatives are crucial for all operators in the agri-markets to manage risks of physical operations. Main agriculture stakeholders have expressed strong concerns on the RTS proposed by ESMA. In particular the current wording of RTS 20 will bring operators into the scope of MiFID 2 even though their activity in the derivative markets is ancillary. The current proposal provides no certainty on the data source for the definition of "trading activity threshold". Moreover, the market size will be measured by trading activity in the EU. Thus, underestimating the size of the market, since the sugar derivate market is traded worldwide. As a consequence, the current draft proposed by ESMA would impact the ability to use future exchanges as an appropriate hedging tool which is necessary for the well-functioning of the European agricultural markets.

REPORT FROM THE CIVIL DIALOGUE GROUP ON ENERGY AND NON-FOOD CROPS, HELD ON 4/11/2015

1. ILUC

- 1.1. The Commission summarised the ILUC Directive in a PowerPoint presentation. The deadline for the Member States to transpose it is 10/09/2017. Copa asked the Commission to not call it the ILUC Directive, but to refer to the directive amending the RED and FQD because ILUC is not based on a solid scientific foundation. The Council and the EP rejected the introduction of ILUC factors in sustainability criteria. Bioenergy has become an important sector for European agriculture and employment in rural areas; Copa and Cogeca asked DG AGRI to give its full backing to the sector. Copa pointed out an inconsistency between the RED and the FQD, namely the comparative value to

assess CO₂ emission savings. The comparator for biofuels is 83.8 g CO₂/MJ, whereas the comparator for fossil fuels is 94.1 g CO₂/MJ, which penalises businesses whose biodiesel does not meet the 50% threshold for greenhouse gas savings. That is why Copa asked for the fossil comparator for biofuels to be amended before ANNEX V of the RED is revised. EURAF supports forest-based bioenergy, whose resources are under-exploited, but not energy from agricultural feedstocks. The EBB questioned the EC about its traceability initiatives and verification of residues.

1.2. Globiom

The Commission said that the results of the study were not available for the moment. They would be taken into account in the study that the EC was scheduled to present as part of Directive 2015/1513 by the end of 2016. The EBB and Copa criticised the lack of transparency surrounding the study and models. Copa informed those present that in California the ILUC values determined by the GTAP were decreasing. In addition, unlike the model used in the EC study, the GTAP is a public model.

2. Post-2020 political framework / 3. Energy Union

The Commission gave a PowerPoint to present its communication on the post-2020 climate and energy framework and the Road Map for an Energy Union. The AEBIOM questioned the Commission about governance. Copa asked for a stable policy and concrete measures to develop bioenergy. Copa asked for a world-wide sustainability assessment and for targets for the transport sector to be maintained, otherwise farmers and households would have to pay more in order to reduce their emissions. Copa asked for multipliers to be removed. The EBB said that electrification was the preferred solution, yet it was not feasible in every sector, such as the aviation and lorry sectors. Private automobiles only make up 55% of road transport.

2.3 COPA presented a BIP study on the situation in the vegetable oil sector in 2035. The study led to a debate. The BIP predicts that there will be greater tension on the plant protein market, as well as the oil market. Between now and 2035 there will be some margin for manoeuvre to use vegetable oils in the non-food sector. The ECVC and EURAF contested the results of the study. DG AGRI thought that soya should be promoted because it is high in protein. Copa reminded those present that the Blair House Agreement is still in place. Copa believed that the EU needed to reduce its dependence on imported plant protein and that the development of the oilseed/protein crop sector was vital. However, even the production of DDGS from grains is competitive, but the range of outlets needs to be widened to encompass energy and chemical uses.

3. Rural development

The Commission reminded those present of the Articles of the rural development Regulation that enable support to the bioenergy sector, which were Articles 17, 19, 20 and 35. The Commission retains 30% as the energy efficiency threshold. As regards the cap on food crops, there was not yet any overview because not all programmes had been approved (Article 13 of Regulation 807/2014).

5. CN TC 411

The Commission held the view that there is a misunderstanding by Copa on the current work that is being performed within CEN TC 411. Its work on the draft standards related to sustainability indicators and assessment approaches are focussing on sustainability indicators and assessment approaches for bio-based products by building upon the available sustainability criteria for biomass and the available certification systems for biomass and bio-based products such as ISCC-Plus . These draft standards received a number of comments that are currently being discussed in the respective CEN TC 411 WG4. The Commission also informed that CEN TC 411 does not work on new certification approaches but on tools for certification and B2B and B2C communication. Copa disagreed. Copa is opposed to new sustainability criteria and new certifications because the CAP is enough. It is unacceptable to impose new sustainability criteria on farmers, apart from those in place under the CAP and cross-compliance; nor is it acceptable to enter into new certification systems for bio-based products.

Disclaimer

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