FINAL MINUTES
Civil Dialogue Group – Arable Crops, Sugar and hops, 7 February 2017

SUGAR

1. The agenda was approved.

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: strong correlation between speculative long position and NY11 price. Record longs seen in 2016 (350 kt) fell back but have since rebounded slightly (to 250 kt). Producers are well-hedged and it is not certain which way speculators will go. World sugar market to face substantial surplus in 2017/18. This surplus will be increased by higher EU exports due to the end of the WTO export limit. **But** Global Uncertainty Index very high: uncertain macro-economic context could lead to surprises.
Brazil: record NY11 prices denominated in BRL. 30 mmt less cane than previously expected due to weather factors. Higher sugar mix (46.5 per cent).
China: 75-80 per cent of Chinese imports are unofficial (smuggled), largely from Myanmar. But imports expected to fall in 2017, due to higher Chinese sugar production and flat consumption.
India: production for 2016/17 forecast at c. 20 mmt; some observers put it at less. Imports will be needed because to feed refiners, but government waiting hesitating. Rebound of production expected for 2017/18, but reaching 25 mmt will be a challenge.
Thailand: low stocks → lower exports.
China: strong incentive to import remains, despite high stocks, due to high domestic prices; market remains in deficit; around 1.5 mmt smuggled into the country from Myanmar, Laos per year.
Thailand: low stocks leading to lower exports in the region of 7 mmt for 2016/17.
Central America: production forecast for 2016/17 at 5 mmt. Exports of c. 3.5 mmt. 0.5 mmt delivered against NY11 March contract – this is one to watch.
Indonesia: domestic prices high; strong import demand.
Russia: production exceeding consumption for the first time in 2016/17.
Ukraine: exports of 600 kt in 2016/17, largely destined for the EU's traditional markets in MENA.

3. Presentation by the Commission on the updated sugar and isoglucose 2015/16 balance sheet and new balance sheet for 2016/17 – exchange of views

Sugar market situation

EU white sugar price at 480 EUR/t for November 2016. Slight increase in January 2017 price expected, due to new contracts.
Industrial sugar at 371 EUR/t (producers) and 353 EUR/t (buyers) in September 2016.

ACP imports at 508 EUR/t (whites) and 440 EUR/t (raws) (CAF) for September 2016. ACP raws for refining at 394 EUR/t for November 2016.
CXL quotas full, except for Brazilian and Australian quotas – no change since last CDG in December 2016.
Balkans quotas under half full, with most (75 k t) from Serbia.
TAXUD quotas (CY 2016): 66 kt from Moldova; Latin American quotas 2/3 filled (mostly from Central America – 109 kt, but Colombia & Peru quotas also filled); no imports of sugar-containing products from Colombia and Peru; Ukraine quota filled.
TAXUD quotas (CY 2017): Ukraine quota filling up fast (17 kt), others still virtually empty.
EU total imports for 2015/16: big fall in EPA/EBA imports, but rise in imports from other destinations (e.g. Brazil, Cuba).
EU imports for 2016/17 down on 2015/16.
Higher export prices reflect higher world market price.
Increase in use of inward processing in 2015/16 vs. 2014/15.
EU quota ending stocks for 2015/16 at 1.001 mmt (sans new production). This is reflected in the revised balance sheet from 22 December 2016.

CIUS registered its concern with the decline in EBA/EPA imports. Queried whether Brazil CXL sub-quota would fill. COM unable to predict whether Brazil CXL sub-quota will fill or not.
ASSUC confirmed that 1-2 cargoes of Brazilian sugar has been shipped. ASSUC also pointed to the EU's offer of compensation to Brazil resulting from the accession of Croatia to the EU.
CIBE queried the methodology of the export price per tonne presented by the COM. COM made known that the export price can be derived from Eurostat by dividing the value of exports by the quantity in tonnes. The export price cannot distinguish between bulk whites and speciality whites, since this distinction is not reflected in the EU Common Nomenclature..
CIBE requested to DG-AGRI regular updates of EU exports as from 2017 based on a TAXUD's Surveillance System, as is done in the cereals sector. Similarly CIBE asked how precisely operators will access DG Taxud's update figures of imports from ACPs/LDCs under the EPA/EBA schemes as from the end of imports licences (1st October 2017). Chair advised participants to submit a formal request to this effect to COM.
CEFS noted the substantial share of the EU's imports that is constituted by Brazil.

Balance sheet

Areas up by 7.6 per cent in 2016/17. Yields better in several Member States (ES, DE, RO, et al.) Dry period in autumn → below average yields in FR; below-average yields in BE, NL, PL.
16.6-16.7 mmt of fresh production expected for 2016/17.
CXL quotas expected to fill. Information from South Africa suggests that the quota for 2017 could be half-filled (i.e. 75 kt). Ecuador, Ukraine expected to fill.
Consumption for 2016/17 forecast for 16.7 mmt, up 200 kt on 2015/16.

CIUS considered imports to be optimistic. Ending stocks for 2016/17 too low. Manufacturers of high sugar-containing products operating at below capacity for want of sugar. Consumption not declining but rather flat for a number of years. UNESDA announcement that it will use 10 per cent less sugar in its soft drinks by 2020 vs. 2015. But consumption of sugar in confectionery form stable. CIUS therefore asked for no second export tranche.

In response to CIUS, CEFS noted that quota ending stocks for 2015/16 were revised upwards in the December 2016 balance sheet and may still be revised upwards. CEFS called for a second export tranche as soon as possible, to enable EU sugar producers to benefit from the favourable world market conditions. CEFS noted that no temporary measures must be introduced in the last year before the end of sugar production quotas. CEFS noted that the complaints of sugar users seems to reflect more the recent increase in white sugar prices than a physical shortage of sugar.
A CIBE member requested information on the notifications of changes to coupled support payments deposited by Member States in August 2016. He would like to know which Member States have increased areas, and whether this can be linked to coupled support payments. COM still analysing the submissions from Member States.
CIBE queried the effects of Brexit on the EU sugar sector. For COM it is too early to tell; Art. 50 not yet activated.

4. Information on the progress of the process of Single CMO delegated and implementing regulations on sugar following the entering into force of Single CMO no. 1308/2013 (notifications, TRQ management)

Notifications: new legislation to apply from 1 October 2017. Notification and publication of beet prices to be introduced. Technical process underway to define the beet price. Working document circulated with Member States. Sugar price notifications will change from 1 October 2017, since quotas will disappear. COM requested input from stakeholders to define the bases for sugar and beet price notifications in the post-quota period.
To be notified in the post-quota period: sugar prices for the previous month and an estimate for the current month; beet prices for the previous marketing year (need to define beet prices here); surfaces for ethanol and for sugar; estimate of production in the current marketing year and definitive production figures for the previous marketing year; isoglucose quantities shipped; sugar stocks (monthly); isoglucose stocks (yearly).

ASSUC queried whether the new figures published by the price reporting scheme will be comparable to the figures dating back to 2006. COM replied that the new system will emulate the current system as far as possible, but that the new system will collect prices for all sugar, rather than just a part (as is currently the case – only quota sugar prices are reported by the current price reporting system). Therefore, prices are likely to be lower.
CIBE argued that the objective of the new legislation on notifications is to enhance and reinforce transparency on the EU sugar market. However CIBE registered disappointment with: the lack of differentiation between different outlets for sugar; the lack of price reporting for isoglucose; the lack of a proposal to introduce sugar price reporting by EU geographical zone, the delay in the sugar price reporting. In addition, CIBE called for a beet price notification methodology that is clear and harmonised and asked that beet price notifications be communicated per Member State. Finally, CIBE questioned the quality of the sugar market observatory as from 2017, in particular in comparison with other agricultural products and noted that this was in contradiction with the recommendations by all experts, as well as the recommendations by the Agricultural Markets Task Force and by the European Parliament. As currently discussed this sugar market observatory would not be up to the expected structural market changes expected as from 2017. CEFS responded that the EU sugar sector is already one of the most transparent in the Single CMO, and that COM's proposals will make the EU sugar sector even more transparent in the post-quota period.

5. Request from the sector to the Commission to initiate a review to eliminate on 1st October 2017 the anti-dumping duties and counter-veiling measures in place by Canada on EU sugar exports since 1995.

This item was not addressed owing to sickness of the responsible policy officer in DG TRADE.

HOPS

1. **Campagne de commercialisation du houblon 2015 et prévision pour 2016 et perspectives de marché**

La présentation des chiffres de la DG AGRI est disponible sur CIRCA.

La surface en 2015 s'établit à 28003 ha, en légère augmentation par rapport à 2014 mais la production est en baisse à 40 481 tonnes. La production d'acide alpha est aussi en baisse en en 2015 par rapport à celle de 2014. Le houblon aromatique représente 57 % de la production totale.

Dans l'UE, il n'y a pas de perspective de grande évolution des surfaces et de production (niche) mais la tendance est positive comme le démontre les chiffres d'exportation.

Le représentant polonais du COPA souligne la faible rentabilité de la culture dans son pays.

2. **Aperçu du commerce du houblon en 2016 et 2017**

La DG AGRI présente ses chiffres. En 2016, le volume de houblon importé en légère diminution de l'ordre de 129 tonnes mais la valeur unitaire est de 15 % supérieure à celle de 2015. L'exportation est en légère baisse de 239 tonnes mais la valeur unitaire à l'exportation est en hausse de 16 %.

Selon les experts, la croissance mondiale de la consommation de bière n'entrainerait pas une forte augmentation de la production de houblon dans l'UE car la progression de la production se réalise aux USA, près du lieu de l'augmentation de la consommation de bière.

Dans l'UE, l'augmentation de la surface cultivée en houblon résulte de la croissance de la demande pour les bières spéciales et les bières biologiques. FOODDRINKS souhaiterait disposer de chiffres concernant la production de houblon biologique. Le COPA propose à la commission d'ajouter à la collecte des données existantes la collecte de données concernant la production de houblon biologique.

3. **Simplification de la législation**

La DG AGRI présente la liste des règlements concernés par l'alignement sur le TFEU. La présentation est disponible sur CIRCA.

Le COPA, la COGECA et FOODDRINKS demandent le maintien du cadre règlementaire concernant la certification. La certification fonctionne bien dans les Etats membres. Les difficultés dans la mise en œuvre peuvent résulter de la transposition nationale du règlement européen.

FOODDRINKS demande aux membres de GDC de réaliser une étude comparative des différents régimes de certification et d'identifier les éventuelles barrières au commerce. FOODDRINKS souhaite que les meilleurs pratiques de certification puissent être échangées afin d'améliorer la compétitivité de la filière, bénéfique à l'ensemble du secteur.

4. **Plateforme de coordination utilisations mineures MUCF**

La DG SANTE a envoyé une contribution écrite postée sur CIRCA. Le COPA et la COGECA demandent le maintien du financement de cette plateforme au-delà de 2018. Cette plateforme a démontré son utilité. A l'échelle mondiale, il n'y a que 50 000 ha de houblon dont 30 000 ha dans l'UE.

Disclaimer

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