Brussels, 18 June 2021

FINAL MINUTES
Meeting of the Civil Dialogue Group Arable Crops - SUB GROUP DRIED FODDER ENERGY CROPS

21/05/2021

CHAIR: Mr Max SCHULMAN (COPA)

Organisations present: All organisations were present, except EuropaBio, European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT), IFOAM Organics Europe, Pesticide Action Network Europe (PAN Europe), SACAR - Secrétariat des Associations du Commerce Agricole Réunies, Stichting BirdLife Europe (BirdLife Europe)

1. Approval of the agenda

2. Nature of the meeting

The meeting was non-public.

3. List of points discussed

<u>Overview of the market situation, including the EU protein balance sheet</u>

The Commission presented the oilseed market situation with the most recent figures made available in the April USDA and IGC reports. The total world oilseed production was close to the high record level of 2018/2019. Recently, the price of soya bean had surged as a result of adverse weather conditions in South America and strong Chinese demand. South America remained the most competitive supplier. Rapeseed prices moved in the wake of soya beans, Australia being the most competitive. Comparable situation for sunflower prices, Ukraine had limited sunflower oil exports due to the low harvest in 2020.
The Commission presented the projections for MY 2021/2022. Total oilseed area of 10.73 m ha (+1.6% area Y/Y but -2.2% 5Y trim average). Rapeseed area of 5.16 m ha (-0.3% Y/Y but -10.6% 5Y trim average). Assuming favourable weather conditions, total oilseed production of 30.36 m t (+9 % Y/Y and +1.4% 5Y trim average) due to higher area of sunflower and soya beans. Rapeseed production of 16.45 m t (+0.7 Y/Y but -6.3% 5Y trim average). The cold weather conditions were delaying the growing season by two weeks.
Regarding protein crops, increasing area and production in MY 2021/2022. Total protein crop area of 1.48 m ha (+5% Y/Y (= 70,000 ha) and +1.3% 5Y trim average) mainly due to increasing area for field peas (4.6 m ha) and sweet lupins and total production of 3.62 m t.
EU balance sheets were presented for oilseeds, vegetable oils and meal for MY 20/21 and 21/22.
Participants intervened and asked several questions, including in the chat.
The Commission referred to an increase in oilseed demand for the animal feed industry projected at 180,000 t because of the strong demand for dairy products and meat in the EU. FEFAC reacted by saying that this amount of 180,000 t was not consistent with the feed production in 2020. FEFAC did not see demand recovering in the next two quarters but instead expected a stabilisation. FEFAC was concerned about the surge in oilseed prices. The

Commission was reviewing the figures on a monthly basis and following the situation. In the chat, FEFAC replied regarding the 2020 figures, which would not even cover the decrease in EU feed production as seen in the 2019 figures.
COPA reacted to the projected increase in palm oil imports as palm oil use was gradually being phased out in EU biofuels. FEFAC also had its doubts about the increased demand for oils. The Commission responded that the figure was an average based on the previous period and that they would monitor the situation. The speed of the switch in the biofuel industry was slow. The Commission needed more expertise on this issue.
The Commission presented the EU feed protein balance sheet. While the figures on crops were updated according to the oilseed market presentation, other figures were those from last year. Overall, while the EU feed protein balance sheet was rather stable, the share of co-products was projected to increase by 1% (sunflower and soya meals) in 21/22. The Commission was working to improve the forecasts for roughage in the review of the agriculture statistic regulation.
Participants intervened and asked several questions, including in the chat.
In the chat, an NGO asked a question about the substitution of imported soya meal by domestic alfalfa in animal nutrition. FEFAC clarified that feed nutrition did not work that way; one could not simply substitute raw materials without taking into account anti-nutritional factors; soya and fodder did not cover the same nutritional needs and there were also some digestive concerns. An NGO declared that soya meal was not well adapted to the nutritional needs of ruminants stating that alfalfa was much better and as a result dairy products were of higher quality. FEFAC responded that this was only true for ruminants and mainly for ruminants whose main purpose was milk production. It was not true for the remaining animal species, which accounted for the majority of the feed production in the EU. They had no objection to the use of fodder, quite the opposite as it was one of their favourite feed materials. The NGO responded that an increased EU production of peas and faba beans could replace imported soya beans in poultry and pigs. FEFAC replied that if we chose to reduce our European livestock production (and hence our feed capacity) by 70%, put together, the EU would only be sufficient to meet 30% of our needs at most. If we chose to do so we would be forced to dramatically increase the imports of meat from thirds countries, which did not seem to be either ecologically or environmentally sound.
CIDE indicated that the unbalanced market situation resulted from the impact of the pandemic on international maritime transport logistics, which was making exports from Spain and Italy impossible. Spain and Italy usually exported about 1.8 million tonnes to Mediterranean countries. These countries were supplied by the USA at the time of the meeting and had made huge investments in Romania by buying land and dehydration factories. CIDE believed that the USA had fewer maritime logistical problems than the EU. CIDE thought that the EU was more affected by the maritime route disruptions because more investments were made in the Asia Pacific routes.
In the last MY, there were no stocks. The level of stocks was high and was going to jeopardise the dehydration marketing year in Italy and Spain. If the dehydration industry were to face difficulties, farmers would run the risk of being penalised and having to switch to another crop the following year. This would have negative effects on the EU feed protein supply and the environment. CIDE called on the EU livestock farmers to buy and use more alfalfa to feed animals in this difficult time. CIDE concluded by underlining that members were facing three problems: a lack of containers, increasing freight costs and higher levels of stocks. They did not expect the situation to improve until six to seven months' time.
The Chair stressed that there was an issue with access to containers and the increasing cost of freight. COPA and COGECA had alerted the Commission to this by sending a letter to DG

AGRI. The Commission responded that other sectors such as rice had reported the same issue, which was a global problem and not only valid for the EU.
COPA and COGECA had called for EU domestic consumption of alfalfa to be encouraged; support for the EU feed protein sector such as alfalfa was good for animal welfare and the environment.
The Chair concluded that the EU was becoming less competitive on the internal market due to logistics and asked the Commission to closely analyse this situation and the ways to use the oversupply of alfalfa in the intra EU market.

CAP post 2020: eco-schemes and voluntary coupled income support

The Commission presented the work in progress regarding the eco-schemes and hoped that an agreement would be found in the super trilogues at the end of May. Eco-schemes were relevant for the ecological transition. The Commission provided the recommendations to the Member States for their national CAP strategic plans and an indicative list of practices. The list might be extended by the Member States according to their needs and specific situation. Regarding the unused budget, the Commission defended the view that the budget, which would not be spent in the learning phase must be spent in the next phase before 31st December 2027. The budget allocation should be between 20 and 30% of Pillar 1. The Commission went through the calendar: hopefully, the co-legislators' decision by June 2021, approval of the secondary legislation by September 2021, CAP national strategic plans sent to the Commission by the end of 2021 and entry into force of the new CAP on 1st January 2023.
Participants intervened and asked several questions, including in the chat.
In response to a question raised by COPA and COGECA on protein crops in the eco-scheme, the Commission stated that a large part of the eco-scheme could be dedicated to protein crops but so as not to be classified in the WTO amber box, the eco-schemes must not be based on sectors.
The Commission presented the voluntary coupled income support for protein crops and rapeseed and a trilogue negotiation update. In the new CAP, the budget should be transferred from the WTO blue box to the WTO amber box to make the production limit more flexible to demonstrate.
COPA underlined the difficulties of increasing the protein crop area eligible for VCIS and, in the chat, the restriction on the use of PPPs on EFAs imposed by the co-legislators. Some questions remained open such as the EP's amendment aiming to eliminate the Member States' demonstration of the sectoral difficulties. The EP wanted to send out a political signal regarding the increase of EU protein self-sufficiency. However, the Commission strongly opposed the EP amendment. Indeed, the Commission believed that the Member State could easily demonstrate the difficulties faced by the protein crop sector.

The Commission presented the voluntary coupled support for alfalfa and rapeseed, then gave an update about the CAP reform negotiations (trilogues) and finally mentioned the main open issues in relation to coupled income support. At the end of the presentation, some voices questioned why the Commission does not support the EP's amendment on the derogation from difficulty for PC. .
In fact, the Commission believes that the Member State could easily demonstrate the difficulties faced by the protein crop sector (general difficulty in the EU), thus the amendment had only limited added value and that it would also go against the logic of the CIS pre-condition.

ETS review in the context of the climate law

The Commission presented the outcome of the co-legislative process on the EU climate law, the progress in ETS implementation system for the next five years and outlined the ETS review in the upcoming Fit for 55 package.
Participants intervened and asked several questions, including in the chat.
Via the chat, the Commission made it clear that the 2030 target of -55% was indeed a net target and that there was also a limitation to the contribution of the sinks.
Via the chat, COGECA commented that strengthening reduction targets to achieve carbon neutrality by 2050 was already having a significant impact in terms of costs for the sector's industries, some of which wanted to act more quickly. 'Are you in favour of setting up operating subsidies for industries aiming to achieve carbon neutrality in advance?' This was a question of compensating for the lack of competitiveness of these 'clean' energies compared to the existing mix, as long as the replacement technologies existed and had been set up. COGECA requested clarification on the aid within the framework of recovery plans and that most often related to investments, for example to using biomass. 'To compensate for the competitiveness deficit of these energies, would the Commission be in favour of an operating aid system that would of course be matched with the anticipated achievement of carbon neutrality objectives?'
Via the chat, the Commission answered that "support for innovative techniques was usually limited to investments and excludes operational costs". The aforementioned Innovation Fund was an exception, as it can would support up to 60% of the additional capital and operational costs of large-scale projects. Moreover, during the ETS revision, the Commission was exploring options to improve support for low-carbon investment and innovation such as Carbon Contracts for Difference.
Via the chat, COGECA "Support for innovative techniques is usually limited to investments and excludes. The aforementioned Innovation Fund is an exception, as it will support up to 60% of the additional capital and operational costs of large scale projects. Moreover, during the ETS revision, the Commission was exploring options to improve support for low-carbon investment and innovation such as Carbon Contracts for Difference."
Via the chat, COPA and COGECA stated that were not in favour of extending ETS to road transport as it jeopardised the blending obligation on fuel suppliers and ran the risk of limiting the blending of biofuels. They supported that emissions from the combustion neutrality of biomass are rated as zero. The Commission replied that the zero rating of biomass provided incentives for its use as fuel in ETS installations. However, there was also a risk of unintentional incentives for using unsustainable biomass. The Commission was assessing this during the review of the Renewable Energy Directive.

Update and state of play of the Fuel Quality Directive (FQD)

The Commission explained that FQD sets out specifications on the fuel quality as well as obligations regarding the decarbonisation of transport fuels (-6% in 2020). As the preparation of the Fit for 55% package was on-going, the Commission could not provide information on whether the FQD would be amended. However, the Commission is taking a particular care in ensuring consistency between the various policy instruments, in this particular case between the FQD and the RED.
Via the chat, COPA and COGECA called for a revision of the fuel specifications targeting higher biofuel blends.

Sustainable finance - Taxonomy

COPA presented the COPA and COGECA reflections on the provisional delegated regulation on climate adaptation and mitigation. COPA and COGECA welcomed the eligibility of food and feed crops in the manufacture of biochemical and bioplastics but regretted the exclusion of food and feed crops in the manufacture of biofuels. This was not in line with the outcome of the Commission Progress Report on renewable energy. COPA and COGECA welcomed the postponement of the criteria for agriculture given that the CAP reform was under discussion.

AOB

COPA and COGECA had a question on the transition from RED I to RED II and the certification of biomass under voluntary schemes when not yet re-approved according to RED II. The Implementing Regulation had not yet been published and was unlikely to enter into force until July. Therefore, it appeared very unlikely that any voluntary schemes would be approved by 1st July and that transitional measures would need to be introduced to manage this transition period before full re-certification of economic operators could be undertaken under RED II. However, this meant that there was a significant risk of disruption to trade in raw materials that may enter the biofuels industry over the next few months.

The Commission replied that voluntary schemes recognised under RED I needed to be reassessed and recognised under RED II. Many voluntary schemes only applied for this recognition at a very late stage. It could be expected that by the end of June, the majority of schemes would be positively assessed from a technical point of view. However, since the legal adoption of these decisions would take time, there was a risk that they would not be adopted on time. The Commission colleagues would communicate with the manager of voluntary schemes in order to propose a working-level solution to ensure business continuity.

4. Conclusions/recommendations/opinions

None

5. Next steps

None

6. Next meeting

Spring 2022

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."

List of participants– Minutes

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21 May 2021

MEMBER ORGANISATION	NUMBER OF PERSONS
Bee Life-European Beekeeping Coordination (Bee Life)	1
Confédération Européenne de la Production de Maïs (C.E.P.M)	1
European agri-cooperatives (COGECA)	4
European Agroforestry Federation (EURAF)	2
European Biodiesel Board (EBB)	1
European Coordination Via Campesina (ECVC)	1
European Council of Young Farmers (CEJA)	2
European Environmental Bureau (EEB)	1
European farmers (COPA)	8
European Landowners' Organization asbl (ELO asbl)	2
European Liaison Committee for Agriculture and agri-food trade (CELCAA)	1
Fertilizers Europe	1
FoodDrinkEurope (FoodDrinkEurope)	6
EuropaBio	0
European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT)	0
IFOAM Organics Europe	0
Pesticide Action Network Europe (PAN Europe)	0
SACAR - Secrétariat des Associations du Commerce Agricole Réunies	0
Stichting BirdLife Europe (BirdLife Europe)	0