Brussels, 14 October 2013

Final Report of the AG Cereals, Oilseeds and Protein Crops
Brussels, 4 October 2013

Approval of the agenda and the report of the meeting of 21 June 2013

Members asked to add two points to the agenda: the situation concerning biofuels certification in Austria; the organisation of the meetings.

The report of the last meeting was approved.

Commission's presentation on the market situation for cereals and oilseeds

The Commission's forecasts show a 9% cereal production increase for 2013/14 as compared to the previous campaign, but with a slight decrease in the areas as compared to the August forecasts. In terms of production the forecasts report an increase in production as compared to the August forecasts, notably with an increase in wheat, barley, rye; while corn production is foreseen lower than in the previous forecasts. Durum wheat is stable. Total production is at 301 million t, which is not a record crop tout court but still the highest since a few years.

The supply and demand show a stock recuperation of 12 million t for wheat, so the general stock level goes back to the volume of the beginning of the 2012/13 campaign. Stocks are foreseen on the increase for all cereals. Wheat and barley exports are foreseen to increase, striking a record for wheat.

Oilseeds area is expected to increase by 5.5% as compared to the previous campaign. In terms of production we are looking at an almost record crop with 29.8 million t.

Stakeholders' presentation on the market situation

Crop forecasts are to a large extent in line with the Commission ones, with some exceptions. COCERAL forecasts a slightly more optimistic for total cereals and oilseeds.

The trade representative also focused on the oilseeds and protein market situation. Even if this year we are in a situation of plenty, we should not forget that the situation on the protein market is tense. The market is extremely in need of protein, so the soybean/corn price ratio reached a high of 3, while in normal conditions this ratio is around 2-2.5. The evolution of protein consumption has shown a steady increase in the last 15 years. Consumption of rapeseed meal has increased in the last 10-15 years, also fuelled by co-products of the biodiesel industry encouraged by the EU policy on renewable energies.

<u>Discussions</u>

Farmers' representative: Copa-Cogeca figures are still referring to EU-27, but besides this they are generally in line with the Commission's and traders' forecasts. The difficult spring conditions this year have had an influence on the harvest, in particular for corn, but we will be able to see the actual results only later. The quality looks to be stable all over Europe. Price relation for cereals as compared to inputs is not favourable with input costs still too high as compared to the crop revenues for farmers. Exports are still slow, but we will probably see a rush as spring comes. The representative welcomed the traders' presentation on the oilseeds and protein market. The on-going review of the biofuel legislation will have a crucial impact on the agricultural sector.

EU protein producers are concerned about the uncertainties on the biofuel legislation: oilseeds producers need a stable legislative framework. They are also calling for a boost in research and innovation in the oilseed sector, and in particular the legislation on plant protection products is causing increasing pressure due to a steady reduction of active substances.

Farmers are expecting prices to decrease as compared to the previous campaign, for both cereals and oilseeds.

There are uncertainties concerning the farmers, such as the availability of plant protection tools and the impact of the new CAP greening provisions. What will be the impact of crop diversification?

Young farmers' representative: price volatility is still high. In order to increase the yield and remain competitive, there is a need for an effort in biotechnology.

Feed compunders' representative: Soybeans in Portugal and Spain are not sufficient. They suffer high prices for cereals from the Black Sea area. It doesn't look like we can expect a feed price decrease in the coming period, with the situation still being difficult for the sector. The aflatoxin levels are still of concern. With all these elements, the sector cannot share the optimism of the farmers.

Traders' representative: there have been climatic problems in Ukraine that may delay and make planting difficult for the next season. There are rumours that Ukraine and Russia may create a sort of OPEC for grains and this would concern the EU trading sector.

Commission: There is agreement that the EU will have a good crop but also that we were extremely in need for it. The stocks should be comfortable for maize, but concerns remain for wheat stocks at global level.

As concerns protein, China is driving the market. EU imports of soybean meal have fallen in the last campaign and the Commission cannot clearly explain this phenomenon.

On the Parliament's vote on the biofuel file one could speculate that there will be no agreement under this Parliament and Commission.

In Kazakhstan the wheat crop is large but not of good quality. So there might be an extra export volumes at low prices and very competitive, that could sooth the high prices mentioned by the feed compounders.

In Ukraine there are indeed abundant rains that might make planting difficult. There could be administrative restriction in the future, but not for the moment.

Debriefing of the Expert Group on agricultural commodity derivatives and spot markets

The meetings always start with a presentation of DG MARKT, leader on the financial market reform, and of ESMA. At yesterday's meeting also a presentation on the possibility of having a European Market Authority was given. If the MIFID/MAR are adopted as they stand, they make reference to public bodies competent for the oversight, administration and regulation of physical markets. This topic was further commented on by DG AGRI: 1) at this point in time DG AGRI and the Expert Group need to reflect on the future role of the group.; 2) while in the past markets were heavily regulated so that DG AGRI was able to monitor and manage markets with the CAP liberalization the Commission is not anymore in the same position, hence the question of the information availability for the market has to be posed. There is not really a centralized body as it exists for example in the US. Stocks information is crucial to follow agricultural markets. The Commission invites stakeholders to reflect on how to reply this question and collect this information. In this context the Commission welcomes the initiative to tackle the issue of port infrastructure. This point will also be discussed with Member States at the next management committee meeting.

The Parliament formally endorsed the political agreement on market abuse, which is nonetheless subject to the finalisation of MIFID. On MIFID trilogues are on-going with the intention to finalize the political process by the end of the year. There will be 18 months of technical work for ESMA, with full entry into force probably in the course of 2015.

During the preparation of implementing measures stakeholders' inputs will be important, as of 2014. The measures to be defined include position limits, position reporting, and definition of ancillary activities. DG AGRI will make sure to inform stakeholders if there is a public consultation from ESMA.

The next meeting of the Expert Group will be scheduled in the first quarter of 2014, depending on the progress of the trilogues.

Farmers' representative: farmers want to make sure that all farmers, even small ones, can easily access financial instruments. We also need to carefully define the word "speculation".

Crushing industry: the industry is fully in line with DG AGRI on the need of having the specificities of the agricultural commodity markets being taken into account by the financial market regulators, yet the industry is opposed to regulation of the physical agricultural commodity markets. DG AGRI replied that we are already beyond this stage and that public regulatory bodies of physical markets are mentioned in the current draft legal texts.

Update on GM authorization for import and processing

A representative of DG SANCO gave an overview of the latest and on-going authorisation for import and processing, including oilseed rape and maize.

A young farmers' representative questioned the Commission on when farmers in the EU will be able to use this technology. There are regions in Southern EU where the impact of dry conditions is becoming increasingly worrying.

Another representative of DG SANCO reported that in the context of the TTIP there will be no change of the EU GM legislation, but it will be another occasion for the discussion an exchange on the authorization process.

The work on the socio-economic impacts of GM is being carried out by the JRC in Sevilla. They are now in the phase of collecting literature information and Member States have time until November to provide inputs. In February 2014 there will be the next meeting: maize BT, HT, soya HT, sugarbeet HT, are to be analysed.

There are International discussions at the level of FAO and Codex. The Commission is in contact with FAO to exchange the whole EU database on authorizations. During next spring there should be a meeting to discuss the results of a FAO study; if confirmed the Commission will be there.

A representative of organic farmers argued that GM are not competitive. He regrets that colleagues identify the EFSA timing as delays when consumers' safety is at stake.

Update on the new fertilisers regulation, phosphorous recycling and expiry review of the antidumping measures against imports of Ammonium Nitrate from Russia

(i) new fertilisers regulation

(ii) phosphorous recycling

(iii) expiry review of the antidumping measures against imports of Ammonium Nitrate from Russia

Anti-dumping measures on imports of Ammonium Nitrate from Russia have been in force since 1995. They were meant to expire in July 2013 but a European association of fertilisers manufacturers, 'Fertilisers Europe', lodged a request for an expiry review containing sufficient evidence that the expiry of the current measures being imposed would likely result in a continuation or recurrence of dumping and injury.

The Commission initiated an expiry review and, as a consequence, the current measures remain in force until the end of this investigation, i.e. for a maximum of 15 months. All interested parties have the possibility to provide comments on whether or not it is in the interest of the Union that the current measures should be maintained.

In particular, any views from fertilisers users would be very appreciated

Update on AMIS

Also AMIS has favourable forecasts, but the exportable volumes of the 8 Bigs for wheat are lower than last year. If there will be a shock in the other hemisphere, the wheat balance could be tense for next year. Soya production forecasts are dependent on Latin America where we are still far from harvest. There are considerations on having more information on wheat quality and on monitoring more crops, such as rapeseed. All AMIS members except for Kazakstan have provided data which are now available on the website.

Ukraine expressed its candidature for the Presidency in 2014, after Australia. The next meeting will take place in Mexico on 28 & 29 April 2014. China proposed to hold the autumn meeting but this is not confirmed. There is the possibility that in the future a summary of the AMIS meeting – prepared by the Chair and agreed with all participants - will be made public.

A.o.B

DG AGRI presented a staff change in the Unit C5 in charge of this expert group.

Some representative from Germany and Austria had an exchange on biofuel sustainability certification: the interested parties will provide a written question.

The Group asks for having date for the meetings of the whole year fixed in advance and with changes in these dates to be as limited as possible. During the current years almost all the date foreseen have been changed.

The next meeting has been reported to 16 December, possibly for the whole day. The Group asks to start later in the morning to allow members to arrive in Brussels on a Monday morning: the meeting will possibly start at 10:30.

Provisional 2014 calendar:

14 March; 20 June; 3 October; 12 December.

Disclaimer
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