



CONGRESS RESOLUTIONS

XLV CIBE Congress – 16-18 May 2018



The International Confederation of European Beet Growers (CIBE), representing over 280 000 sugar beet growers from 18 Western & Central European Countries and 15% of world sugar production, held its 45th Congress in Ghent (Belgium) from 16th to 18th May 2018. It examined the situation of the world sugar economy and the main economic and political issues currently facing beet growing in Europe, with a special focus on the impacts of the abolition of the EU quota system as from 1st October 2017. CIBE released the following resolutions adopted by its Board of Directors.

THE 2017/18 BEET CROP AND BEET SUSTAINABILITY

- 1) CIBE highlights the constant progress in the agricultural sugar yield: since 2000 on average in the EU, the gain in sugar yield per hectare amounts to 2-4 % per annum. This improvement in sugar beet efficiency over the past decade (yield increase combined with input decrease) and an improvement in industrial productivity is the result of constant investment by the beet sugar sector. This improvement in competitiveness has so far ensured the regular supply of a high quality and sustainable product to European users and consumers.
- 2) CIBE points out the direction towards more economical beet growing techniques and reduction of input uses.
- 3) However, CIBE is extremely concerned by the decision of the EU Commission on 27 April 2018 to ban neonicotinoids, including in pelleted beet seed. This decision is a severe blow for the sustainability of the EU beet sector. The quantities of plant protection products that have been reduced per ton of sugar produced thanks to more environmentally-friendly techniques, including neonicotinoid seed treatment, will necessarily increase. Several post-emergence spray treatments, which are less efficient and more costly, will be necessary.
- 4) This ban will have immediate and long lasting negative consequences both economically and environmentally.
- 5) European beet growers urge Member States and the European Commission to work with the EU beet sugar sector to look at possible derogations to this ban and to at least put in place manageable phasing-out and exceptional and accompanying measures, including research and development support, to help mitigate as much as possible the negative consequences of this ban and maintain the highest level of sustainability achieved by the sector so far, as illustrated by the CIBE-CEFS-EFFAT partnership on sustainability launched in 2013.
- 6) Furthermore, the lack of scientific proof that the use of neonics on beet impacts bees' health is of great concern for the future renewal of other active substances under examination by DG-SANTE, notably in fungicides and herbicides that are currently used by EU beet growers.
- 7) CIBE stresses that this process puts at risk the progress made towards productivity and efficiency and deprives EU beet growers of diversified and efficient phytosanitary solutions.
- 8) Moreover, it leads to inconsistency with the CAP and EU trade policy whose objectives are to head for a level of global competitiveness.
- 9) CIBE welcomes the significant investments in ongoing medium-term research projects (example: innovative breeding tools to boost the production of new beet varieties with high potential) but full benefits are only expected around 2020.
- 10) Moreover, CIBE highlights the multiplication of severe pest attacks in some Member States that could not be managed with current means and that could put beet growing in these regions in severe, perhaps even terminal, crisis.
- 11) Given the current extremely difficult context, CIBE asks the relevant authorities to support the beet research institutes to continue to promote innovation and technical progress which further reduces the impact of beet growing on the environment, improving its already significant positive energy balance and economic competitiveness for the benefit of the consumer and society.

EU beet: a model of sustainability threatened

Consistency between CAP, trade policy and plant health policy is needed

2017/18 MARKET AND PRICE SITUATION

- 12) The EU 2017/18 sugar beet crop is the first of the new sugar regime without quotas. The total production in sugar equivalent (including ethanol) amounts to around 21.3 Mt (+27% compared to MY 2016/17). It results from an increase in beet area to 1.72 Mha but also from good weather conditions in most key beet sugar producing countries. The provisional EU-28 average 2017/18 sugar yield stands at a new record of around 12.7 t/ha.
- 13) CIBE notes the collapse of the EU average sugar market price (Sugar price Reporting) from around €500/t in September 2017 to €370/t in February 2018, a 26% drop within 6 months. This price drop could continue as spot prices in the western EU region dropped to an historic low of €322/t delivered at the beginning of May 2018.
- 14) CIBE takes note of the increase in EU sugar exports as from 1st October 2017, these exports being a key element for balancing the EU market.
- 15) But CIBE points out that the world market prices reached a record low on 25th April 2018 at 10.86 cts/lb on New York n°11 contract (July 2018) and around \$312/t on London n°5 contract (August 2018). Analysts consider that this trend may continue as the International Sugar Organization ISO forecast a further global surplus of around 5 Mt for the 2018/19 season and as accumulated stocks might need time to decrease.
- 16) CIBE points out that the increase in global production in MY 2017/18 is largely due to the huge increase of sugar production in two major cane sugar producing countries: India (+55%) and Thailand (+50%) which subsidize heavily their sugar production
- 17) These very poor market conditions are bad for MY2017/18 beet prices. For many growers, the first visible results in terms of beet prices and beet revenue for this MY 2017/18 are a severe blow. Such a situation is not sustainable.
- 18) The destruction of economic value between January 2017 and January 2018 represents €2 billion that have been transferred from growers to the sugar buyers/users (but not to the EU consumer).
- 19) CIBE takes note that the Commission does not envisage implementing the only safety net available under Article 17 of Single CMO Regulation, the aid for private storage. Moreover, the provision in Article 222 of the Single CMO amended by the “Omnibus Regulation” appears extremely difficult to put in place without a strong political will.
- 20) European beet growers recall that responding to market signals and adjusting their sowing accordingly is limited by:
- Weakened power in the negotiations of the terms of beet purchase and delivery conditions;
 - Increased competition between sugar manufacturers;
 - Long-term beet delivery contracts and cooperative membership;
 - Necessity for beet processors to run their factories at full capacity and for as long as possible;
 - Insufficient market transparency (delay and lack of precision in the sugar price reporting, poor information regarding consumption dynamic in the EU).
- 21) CIBE underlines that asymmetry of information on prices would be to the detriment of beet growers, who would not have access to the necessary information:
- to negotiate their supply contracts and
 - to implement properly the rules, stipulated in the sCMO (Annex X, Point II.3 and Point XI. 4, h), on the adaptation of beet prices to the evolution of sugar market prices and on the evolution of

Very poor market conditions and absence of safety net should drive to new schemes in sharing risks and value

beet prices in the case of pluri-annual contracts.

- 22) CIBE takes note that the current Sugar Price Reporting provides less information on the EU market than under the quota regime. CIBE welcomes the recent proposal by the EU Commission to provide an additional regionalisation of EU market prices and calls on Member States to agree on it.
- 23) In addition, EU beet growers emphasize the potential advantages, notably in terms of price risk management, of futures sugar markets.
- 24) EU beet growers warn that the expected reduction of sugar consumption in food and beverages in the EU, resulting from anti-sugar campaigns and possible substitution by isoglucose on a declining EU sweeteners market, needs to be better documented.

- 25) CIBE fears that without tools or appropriate measures, the adjustment of EU production could be deferred, at a cost for beet growers and could also result in further factory closures.
- 26) Therefore, CIBE considers it absolutely crucial that the position of growers be strengthened and that resilience of the EU beet sugar sector be improved with the introduction of risk management tools so as to be in capacity to better face long periods of depressed market.
- 27) CIBE welcomes the newly introduced “Income Stabilisation Tool for specific sectors” agreed in the “Omnibus Regulation” and calls on Member States to work with sugar beet growers to implement such tools.

TRADE RELATIONS WITH THIRD COUNTRIES

- 28) CIBE stresses that the impact of the UK withdrawal from the EU and from the EU Single Market and Customs Union will be significant for the EU27 beet sugar sector.
- 29) The Brexit could potentially impact not only the EU-UK sugar trade but also the EU27-third countries trade flows and consequently the future EU27 sugar balance. To limit any disruption and detrimental impacts, CIBE considers of utmost importance that the UK withdrawal and the EU27-UK future agreement respect the following principles:
 - the preservation of existing flows between the EU and UK on the basis of historical trade;
 - the reallocation / apportionment of the sugar import TRQs (WTO CXL-TRQs and FTAS-TRQs);
 - the respect of strict rules of origin in the future EU-27-UK agreement;
 - the consideration of Brexit impacts in the ongoing and upcoming negotia-

FTAs undermine the sustainability of the EU beet sugar sector

tions on future free trade agreements (in particular with Mercosur, Thailand, Australia).

30) CIBE underlines that the additional WTO import quantities at reduced duty, as well as both the concluded and ongoing intensive negotiations on bilateral agreements which follow the slowdown of the Doha Round negotiations, are real and unacceptable threats to our sector as long as there is no playing field.

- 31) CIBE notes that the repeated opening up of the EU market through bilateral concessions and duty-free import quotas granted to Central America, Peru, Colombia, Panama, Ecuador, the Ukraine and South Africa are totalling 515 370 tonnes of sugar in 2017/18. This amount will increase further annually according to the deals concluded. In addition, the EU has recently granted an access of 30 000 t to Mexico at reduced duty (€49/t).

- 32) CIBE regrets that the agreed Comprehensive Trade and Economic Agreement (CETA) concluded with Canada includes EU sugar market access concessions with relaxed Rules of Origin.
- 33) CIBE recalls that the respect of effective and strict Rules of Origin for sugar and sugar processed products is crucial, in particular to avoid triangular trade.
- 34) CIBE is particularly concerned by the ongoing negotiations with Mercosur and urges the EU Institutions to remain extremely firm and not go beyond the EU current market access offer which includes a TRQ of 100 000 t at a reduced duty of €98/t.
- 35) Free Trade Agreements not only erode the preferences granted to ACP and LDC countries. They also constantly undermine the restructuring of the EU beet sugar sector towards improved competitiveness and sustainability. This is in contradiction with the ever stricter standards put in place by the EU. This is also in contradiction with the Growth and Jobs strategy of the European Union.
- 36) In view of the more than sufficient supply of the EU sugar market, CIBE emphasizes that no additional imports outside cur-

No further EU sugar market access concessions should be granted to third countries

rent preferential schemes should be opened by the Commission and no further EU sugar market access concessions should be made to third countries.

- 37) Moreover, CIBE is concerned by the new developments on the global sugar market and by the growth of various support and trade distorting measures implemented by third countries which move away from the WTO logic. In this regard, CIBE notes that the main beet and cane sugar producing and exporting countries in the world implement support policies with market regulation tools, various domestic supports for sugar and ethanol as well as various export supports.
- 38) European beet growers call on the European Commission to ensure actively at WTO that competitors in third countries respect their WTO commitments. The European Commission deregulates its sugar policy. At the same time Thailand, India, Brazil and the US are actively regulating and supporting their sugar cane industry.
- 39) Therefore, CIBE calls on the European Commission to treat sugar and ethanol as extremely sensitive products in the bilateral negotiations with these countries (Thailand, India, Brazil and the US).

SUGAR SECTOR AGREEMENTS AND POSITION OF EU GROWERS IN THE SUPPLY CHAIN

- 40) CIBE highlights that the abolition of the quota regime as from 1st October 2017 has led to a drastic change of the beet sugar economy in the EU.
- 41) CIBE underlines that beet prices as from 1st October 2017 should not only cover beet production costs but also allow sufficient profit margin to ensure income for growers.
- 42) A properly functioning supply chain is indispensable for EU beet growers: to that end, the contract model in the EU beet sector is crucial. The maintenance as from 1st October 2017 of compulsory interprofessional agreements and pre-sowing contracts negotiated on a regular basis between growers' associations and processors is necessary, in particular because beet cannot be stored but needs to be processed rapidly, nor transported over long distances.
- 43) In a context of concentration of the European sugar industry and adjustments of interprofessional agreements, EU beet growers stress the need to respect these framework conditions provided for in Article 125 and Annex X of EU Regulation n°1308/2013. They are the necessary condition to the balance in rights and obligations between growers and processors to enable an efficient functioning of the beet and sugar supply chain.
- 44) CIBE welcomes the publication of the delegated act confirming the continuation of value sharing clauses between growers and undertakings after the abolition of the quota system (Commission Delegated Regulation (EU) 2016/1166 of 17 May 2016 amending Annex X to Regulation (EU) No 1308/2013 of the European Parliament and of the Council as regards purchase terms for beet in the sugar sector as from 1 October 2017).
- 45) However, despite this legal clarification, the post-2017 regulatory framework is significantly less favorable for growers' associations, mainly because it has made non-mandatory, changed or removed, some key elements of the collective negotiations of written agreements within the trade (ex. non mandatory value sharing clauses, changes in transport responsibility or costs, abolition of the minimum beet price, removal of the role of beet growers' associations in the allocation of beet quantities).
- 46) Article 125 and Annex X of sCMO are necessary but not sufficient to ensure fair balance between the parties. The Annex X of sCMO lists the different elements that should be included in the obligatory written agreements within the trade and written contracts before beet sowing. This is particularly important in the light of beet specificities. However, the liberty and flexibility given to beet processors in this Annex should be balanced with a general prohibition of unfair trading practices between farmers and processors.
- 47) CIBE fears that in some cases the imbalance in the negotiations could lead to the development of "unfair" practices with negative consequences in the quality of the relationships between some growers and some processors.
- 48) In this context, CIBE welcomes the Commission proposal for a Directive on unfair trading practices (UTPs) in business-to-business relationships in the food supply chain issued on 10th April 2018 ({SWD(2018) 91 final} - {SWD(2018) 92 final} - {SWD(2018) 93 final}) and asks the legislators to further complete the list of prohibited practices mentioned in this proposal.

**The position of
beet growers in the
supply chain
should be
strengthened**

THE ROLE OF BEET IN THE BIOECONOMY

49) CIBE shares the view that the bio-economy presents new opportunities for improving the lives of everyone, for example by offering rural communities the possibility to diversify their activities. It offers bioenergy (bioethanol and biogas) and products - such as biochemicals and bioplastics or household cleaning bioproducts - which can be biodegradable (and compostable) and which contribute to the reduction of greenhouse gas (GHG) emissions and fossil energy consumption. CIBE welcomes the EU Commission roadmap on the update of the 2012 Bioeconomy Strategy issued in February 2018 but stresses that it should:

- promote and include actions concerning farmers as important actors in the bio-based value-chain;
- reject to mention in the regulation the principle of market distortion and cascading use of biomass that could hamper innovation and the effectiveness of resources;
- ensure greater coherence and coordination between all relevant EU policies and objectives that contribute to de-fossilising the EU;
- support investments and enhance advisory services, knowledge transfer, skills and training.

50) However, EU beet growers are opposed to the Commission's initial proposal on the recast of Directive 2009/28/ EC (RED II) as it provides an EU framework that is less favourable to the contribution of biomass in the renewable energy sources mix by reducing the market share of biomass in the production of bioenergy and in particular of biofuels. As trilogue meetings between the Council, the European parliament and the Commission are ongoing, CIBE in line with COPA-COGECA recalls to the negotiators its position on the main following points:

- An incorporation obligation of renewable Energy Sources (RES) without technological restrictions of at least 15%;
- A contribution of crop-based biofuels of 7% of the share of renewable transport until 2030;
- The removal of all multipliers leading to a virtual incorporation of RES that benefit fossil fuels;
- The maintenance of molasses in the list of feedstock of Annex IX part B;
- The rejection in the regulation of references to market displacement/distortion and to cascading use.

51) This is justified by the advantages and contributions that beet ethanol and biogas offer to society: 60% reduction of GHG emissions compared to fossil fuels, as well as diversification for agricultural output and rural development.

52) CIBE participates in the "Horizon 2020 EU project 690142 – Agro Cycle: Integrated multi-approach solutions for agricultural waste, co-products and by-products (AWCBs) management". CIBE welcomes as well approved projects, supported by EU funding that help to build a bio-refinery system in our beet sector. CIBE will further develop its joint CIBE - CEFS - EFFAT partnership on sustainability launched in late 2013 so as to maintain leadership in our approach to sustainability.

53) EU beet growers insist that the development of the bioeconomy, and in particular of bioethanol uses, must benefit European producers, and that it is necessary to limit and control ethanol imports (through customs' tariffs, and anti-dumping measures) to the EU domestic market, in order to meet sustainability requirements.

Beet is a real asset for the EU bioeconomy