

<p style="text-align: center;">Minutes of the Advisory Group on Cereals, Oilseeds and Protein Crops 28th September 2012</p>
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1. Agenda

The meeting was moderated by Mr Jean-Michel ASPAR, Vice-Chairman of the Advisory Group. The agenda was approved.

2. Minutes

The representative of environmental NGO asked to refer to the dossier on climate change and agriculture. The Advisory Group approved the draft minutes with this amendment.

3. Market situation

Cereals: Sowings of cereals for the 2012 harvest have increased by 2.6 % from the previous year, whereas those of oilseeds and protein crops have declined by 5.6 and 16.3 %, respectively. Increased winter kill in parts of Poland, Germany and France resulted in considerable re-sowings and a drought during spring affected large parts of the Iberian Peninsula.

The 2012 EU cereal harvest is expected to be about three per cent lower than in 2011 with a usable production of 276.2 mio t. The sharpest drop would be in maize, with a usable production declining by 10.6 mio t (-15.5%) to 57.5 mio t, due to much lower yields caused particularly by the drought in Romania, Hungary and Bulgaria. Also common wheat production is estimated to decline compared to the previous year by 3.1 mio t (-2.4%) to 125.6 mio t usable production, mainly due to lower yields (down 2.0%). On the other hand, barley production increased by 3.0 mio t (+ 5.8%) to 54.4 mio t of usable production. During the present marketing year, imports are expected to stay below last year, as availabilities from Black Sea origin are considerably curbed.

Oilseeds: The 2011, EU oilseed harvest increased to 29.2 mio t (+1.7%) due to a sharp increase in sunflower production. Soybean imports, at 11.5 mio t during the July 2011-June 2012 period, were noticeably below the 13.1 mio t of the previous year. Unchanged production of oilseed meals (soybean, rapeseed and sunflower meal), combined with increasing imports of sunflower meal, increased meal use by 1% to 49.5 mio t in 2011/12, thus compensating the lower feed grain usage.

In 2012, EU oilseeds and protein crop harvest is expected to be lower for all covered crops, mainly due to reduced plantings. In the case of rapeseed, considerable winter kill occurred in the major production regions. Sunflower seed was affected even more than maize by the drought in Romania, Hungary and Bulgaria, reducing the EU yield by 19.8%. The expected oilseed production is now estimated at 18.6 mio t for rapeseed (down from 19.1 mio t) and at 7.0 mio t for sunflower seed down from 8.8. Production of protein crops is expected to decline to 2.4 mio t in 2012, down from 2.7 in 2011.

A representative of trade sector highlighted that the current cuts on US production would be cover to before next spring. The tense situation on EU cereals production was exacerbated by the US weather condition and the condition of Ukraine export was under question. He noted that the EU is not such a strong exporter as presented by the Commission. It looks like EU have enough cereals but will still scarcity in stocks. And we need to make sure that all origins for imports are available. The representative of farmers expressed the concern that 50% of the harvest has been sold before end may and farmers have benefiting of this increased at farm gate. Furthermore, the quality would become an issue for the crops harvested later. A representative

of the industry expressed his concern about the impact of cereals price to the feed materials market. The farmers' representative underpinned the need to increase the public support on breeding to improve the productivity of pulses varieties, the negative impact of the ILUC factor.

Commission replied the Black Sea has exported its maximum of wheat and there is only the EU to substitute that origin. The balance is going to be tense for wheat and this will likely bring to increased prices.

4. State of Play on the draft ILUC legislative proposal

A representative of the Commission presented the current debate within the Directorate General and the purpose of this proposal.

The farmers' representatives underpinned the complementary role of the biofuels production for the EU farming community, by developing new outlets for the cereals which generate value added, generate cheap high value proteins for the EU livestock sector and give an incentive to maintain jobs in agriculture by developing beef fattening system in cereals focus area. No competition between the land use Has been also highlighted as long as the cereals and oilseed area has not increased since the end of the mandatory set-aside and a sudden change in policy will not represent an incentive for the farmers to invest in the second generation of biofuels. The trader representatives supported the concern of the ILUC criteria impact on the oilseed market and the increase pressure on soy imports which is fit by 80% on GM. The industry representative highlighted the need for the food industry to use more oilseed and remark that the EU agro-food industry is ready to use it. The environmental NGO not supported the competition between food and fuel. Farmers' representative would like to present a draft motion on this issue. This point is postponed to AOB.

5. Mycotoxines

A representative of the Commission informed on a possible decision related to the legal exemption for extreme weather conditions.

The representatives of trade and farmers have supported this initiative in order to manage in a smooth way possible market disruption due to extreme conditions.

The representative of the Commission asked the organisations to express this support also in writing to the relevant Commission services.

6. European Innovation Partnership for Agricultural Productivity and Sustainability

A representative of the Commission presented this new tool to foster innovation in agriculture. A stakeholders' conference will be organised on the 19th November to discuss priorities and delivery mechanisms.

7. Trade update on the recent FTAs developments Canada and Mercosur

The chairman informs in absence of new development nobody from the unit was attended the meeting. An updated note was available for the dossier MERCOSUR.

8. Update on MIFID

A representative of the Commission presented the legislative proposal and the current debate in the Commission. Negotiations with the Parliament and Council are on-going. The Cyprus presidency is trying to speed up the process with the aim to start the trilogue process by the end of October. Ideally the political agreement would be reached by the end of the year. Then the implementing legislation will have to be put in place, so the process will not be finished.

DG AGRI has the intention to set up a working group to deal with the financial markets for derivatives and with the physical markets. It will include representatives from the member states and stakeholders to have an improved knowledge on how markets are functioning. If

possible the first meeting will be held this year. A call for application to participate to the group will be published on the AGRI website.

9. Presentation of the AMIS system

A representative of the Commission presented the structure AMIS under the FAO secretariat, the methodology to establish the balance sheet, the various involvements of the members and the objective of the meeting in the beginning of October including the session with the private sector.

The AMIS secretariat is still working to finalise the harmonisation of the historical balance sheets from the different G20+ countries, they will consolidate the data received monthly (monthly data only given by EU, USA, Canada and Australia so far). The Commission will keep sending the monthly balance sheet to AMIS. Soft and durum wheat data are aggregated at world level. There is not an indicator to split between GM/non-GM and AMIS will not tackle this issue. No budget of DG AGRI is put into AMIS. In the future it could be foreseen that DG DEVCO (development and cooperation) could enter into play in the framework of capacity building. DG AGRI offered to explain how the balance sheet is made, line by line, at the next AG meeting.

The trade representative welcomed this initiative and expressed the interest to work further on methodology to establish the balance sheet. The farmer representative welcomed this initiative and called for clarification on the contribution of by-products of biofuel into the balance sheet, the need to broaden the scoop to production cost.

10. Any other business

The chairman gave the opportunity of the Farmers and trade representatives to present a draft text relating to the draft ILUC legislative proposal and ask for a consultation of the members of the advisory group. The representatives of environmental NGO and food industry have put a reserve on this document.

The next meeting would be held on 14th December 2012.

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