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Mr [REDACTED]

Head of Unit

DG Agriculture and Rural Development

### The European Flour Millers & Euroflour's aspirations For the future of the CAP after 2013

The **European Flour Millers' association** represents the interests of the flour milling industry in the EU through its 25 national milling associations. **Euroflour** - its sister's association - represents the interests of the European exporting flour millers. We would like to share its views on the post-2013 Common Agricultural Policy (CAP) in order to contribute to the public debate on the future of European agriculture.

The European flour milling industry considers that consistent rules implemented through a common policy are needed to assure the competitive access to soft wheat and rye in the quantity and quality required. The future CAP will focus on its initial and fundamental targets, which we believe is assuring the availability of supplies and stabilising markets, whilst assuring the existence of local agriculture to feed the European consumers at reasonable prices.

#### European Flour Millers & Euroflour Key figures

- Over 45 m tonnes of soft wheat and rye processed in the EU each year
- The largest single food user of EU domestic wheat and rye
- The sector includes more than **3000 companies** employing over **45 000 people**
- The **average use of capacity** is around **65%**
- **15%** of the world flour exports
- The EU flour milling industry is worth more than **15 billion euro**

**1- Crisis management tools** - Budgetary constraints and the prospects for high prices in the short to medium term might be considered as an opportunity for a rapid and painless elimination of the intervention system in most sectors. However, the consequences of dismantling market instruments should be assessed under pessimistic scenarii regarding the impact of climate change, fluctuations in energy prices, exchange rates and the possibility of highly managed trade by exporters such as China, Russia and Ukraine in a context of increasing demand. This suggests that the Commission should at least keep **crisis management tools** such as safety nets or safeguards that could be triggered without having to reinstall complexes pieces of legislation.

The Commission is keen to encourage the development of risk management tools for producers to face difficult times. However, the Commission should also consider that mid- and long-term contracts between producers and industries are not always practically feasible, given the uncertainty of constraints in agriculture.

**2- Price volatility, speculation & futures market** – The European flour milling industry is increasingly confronted with more volatile and less predictable market prices. Futures markets can serve as a tool against unexpectedly changing prices. It is however crucial that **the revised Markets in Financial Instruments Directive (MiFID) take the specificities of agricultural commodities and food operators into account.** We expect full support from DG Agriculture services on this dossier.

**3- EU grain industry competitiveness** - It remains an open question whether **unilateral and stringent Regulations** on pesticides & fertilizers (nitrates), eco-conditionality and other costly issues of production are compatible with open borders in the absence of international harmonization. The European Union should seek international recognition of all its standards at WTO level and, in any case, be more proactive in **promoting EU cereal-processed products produced in accordance with EU standards on the internal market.** As far as we know, **cereal-based products have never been listed as eligible products for information and promotion campaigns' co-financing on the internal market.**

**4- Intra-EU supply and improving agricultural productivity by promoting technical progress** - In order to meet future increasing demand, it is crucial that the Commission and governments stimulate productivity improvements. The optimisation of agricultural resources and their efficiency of use are essential to increase production. New processes and methods of production using biotechnology, such as genetically modified organisms (GMOs), have however triggered deep concerns in Europe. It is important that the EU clearly explains its vision on the issue.

Practically speaking, no genetically modified wheat is being grown anywhere in the world today. However, the European flour milling industry are among food industry groups calling for European policy makers **to find workable solutions to the current problem of accidental low level presence of GM events authorised outside the EU**, both in food and feed.

Last but not least, a few impact analysis studies from official institutes and authorities (the UK Pesticides Safety Directorate<sup>1</sup>, the Nomisma Institute<sup>2</sup> in Italy or INRA) on the recent adopted legislation on Plant Protection Products emphasized the predicted difficulties in managing the risks of resistance of pests and diseases when few active substances would remain. The new legislative framework is said to bring about **losses up to 25% in cereal yields in EU countries.** The grain chain needs a range of plant protection products to protect their crops. If these are not available, yields will

<sup>1</sup> <http://www.pesticides.gov.uk/approvals.asp?id=1980>

<sup>2</sup> [http://www.nomisma.it/index.php?id=66&L=1&tx\\_ttnews%5BpS%5D=1202731338&tx\\_ttnews%5Bpointer%5D=1&tx\\_ttnews%5Btt\\_news%5D=2044&tx\\_ttnews%5BbackPid%5D=19&cHash=8ae6f9d282](http://www.nomisma.it/index.php?id=66&L=1&tx_ttnews%5BpS%5D=1202731338&tx_ttnews%5Bpointer%5D=1&tx_ttnews%5Btt_news%5D=2044&tx_ttnews%5BbackPid%5D=19&cHash=8ae6f9d282)

drop, prices will rise and it may be impossible to grow some crops in some EU countries, **in particular in a context of climate change that is expected to increase the presence of pests in grains**. So far, the Commission has failed to produce a full impact assessment of the proposal.

5- **Extra-EU supply** – Imports/exports are also market tools to assure the availability of supply and a stable EU market for European flour millers. A revised system must not have the effect of restricting access to, in particular, high quality wheat from outside the EU. Moreover, the opportunity should be used to allow a simplification of administrative procedures on imports and the elimination of securities. This will deliver benefits to both national administrations and companies.

6- **Agri-Energy** - Biofuels and biogas generate **new competition for land** between energy and food suppliers. So far, the consequences have been limited for the EU since the weak dollar has offset some of the effects of higher prices, but a reversal of this trend may add a further push to Europe's booming farm and food prices. In any case, both public subsidies and allowing derogation to the intervention price principle for **the sale of intervention (bread-making) cereals for non-food applications will definitely contribute to distort the internal market** and is not desirable anymore in the future. The **second generation** of agri-energy could change the situation. The technology has yet to become cost-effective. However, we still think public budgets would be better used if allocated to research rather than to the promotion of the first generation.

7- **Flour exports** - We strongly believe the future CAP should promote the competitiveness of extra-EU flour exports through a favorable policy framework. Indeed, in a context of global food demand and supply challenges, the EU should facilitate flour exports to extra-EU destinations like Africa where food shortages occur. In this context, we support EU's commitment to conclude the Doha Round as well as bilateral agreements, with a particular focus on relevant destinations for EU flour exports. We also draw attention on the need to see that the agreements already in place are correctly applied by EU's trade partners - the EU should be more active at international level to eliminate unfair practices while asking for the respect of bilateral and multilateral agreements.

If anything remains unclear, we would welcome the opportunity to have further discussions with you or your colleagues.

Yours sincerely,



Committee Chairman



President of Euroflour