

Brussels, 26.09.2017
(2017)

Dear Minister,

Thank you for your letter of 17 July and the attached document on the situation of the EU rice sector signed by you and your colleagues of the eight rice producing Member States. We wish to reply together to your letter to reiterate our commitment to the EU rice sector.

We are well aware of the rice forum that was held in Milan on 20th February, 2017. As you will remember, this event was discussed in the Agriculture Council meeting of 6th March. The importance and sensitivity of the EU rice sector was discussed and reaffirmed both by the Commission and Member States concerned.

Regarding EU rice imports in particular, we would like to reiterate that rice is, and will continue to be, a sensitive product in all trade negotiations with rice exporting countries. As regards unilateral preferences, we would like to add that the "Everything But Arms" (EBA) trade preference scheme has been established in line with WTO commitments and has been successful in promoting the economic development of the poorest and most vulnerable countries, through duty-free, quota-free access to the EU market.

As regards more specifically the "EBA rice issue" your letter refers to (i.e. EU rice imports from countries benefiting from the EBA preferential scheme, like Cambodia and Myanmar), we note that, while EU rice imports of long grain/indica rice have indeed increased significantly in recent years, at the same time, EU producers have switched to producing more japonica and less indica rice. As a consequence, and despite a strong increase in EU rice consumption over the past years, today the EU rice market is facing a situation of over-supply in the japonica/short grain segment that dominates EU rice production and where EU imports are low. Furthermore, a high level of stocks has been pressuring down rice prices in the past months in Italy, but prices have remained stable in other EU countries. For the current marketing year 2016/17, there is however some relief in the form of lower imports and higher exports than last year. Recently, Italian rice prices have also slightly recovered.

Nevertheless, whatever the reason for these market developments, please be assured that the Commission is closely monitoring developments (including prices) on the EU rice market ahead of the upcoming marketing year 2017/18 which will start on 1st September.

We now want to respond to the four requests contained in your letter for our consideration.

Mr Maurizio Martina
Minister of Agriculture, Food and Forestry Policies of Italy

Firstly, as regards the request to activate the EBA safeguard, the Commission has had intensive contact with the Italian authorities and has also been clear in its communication with the Italian government and the industry that a full dossier that follows the requirements of the trade defence rules would be needed. Our services are ready to examine such a dossier whenever one is submitted according to the Regulation.

As regards more broadly EU GSP Regulation 978/2012, the review of the regulation is on-going and has been open for discussion with stakeholders and Member States. The review will, in line with Article 40 of the GSP Regulation, result in a report on the application of the Regulation. Unlike the previous GSP system, the current scheme opted for stability over a period of ten years since entering into force. Therefore, should the Commission decide to submit a proposal to extend or replace the GSP Regulation, it would only apply after 1st January 2024.

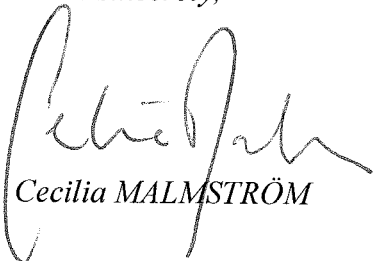
Secondly, you request the recognition of the specificity of the rice sector in the future CAP and in FTA agreements. There is no doubt about the specificity of the rice sector but the way this will be reflected in the future CAP is still to be discussed. By way of reassurance, we would reiterate the special consideration and sensitive treatment that the rice sector gets in all international trade negotiations with rice-exporting countries.

Thirdly, you specify the need for the rice sector to take full advantage of the possibilities offered by the strengthened promotion policy. This is a point on which we fully agree and which was already put forward during the discussion on the Milan Forum Paper in the 6th March Council. Labelling may play a role in promotional activities but we should make sure that any initiative on the labelling front does not run counter to existing EU legislation, especially when referring to mandatory national labelling schemes. On the other hand the promotional schemes offered by the CAP could in our view be helpful to increase consumption of EU-produced rice both in the Union and through exports.

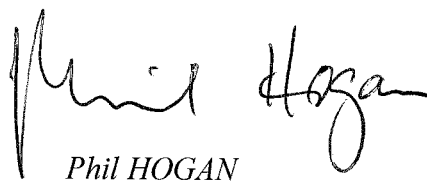
Fourthly, you request for an assessment of the environmental, social and economic impacts, including benefits on workers' rights that producers in EBA countries have as a result of increased market access to the EU. As part of the aforementioned review, the Commission is conducting an in-depth quantitative and qualitative assessment of the economic, social, environmental and human rights impact of the GSP scheme in the beneficiary countries¹. The findings will be presented in the above mentioned report on the application of the Regulation.

We stand ready to continue the discussion on the situation of the rice sector in the European Union.

Yours sincerely,



Cecilia MALMSTRÖM



Phil HOGAN

¹ <http://www.gspevaluation.com/>