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FINAL MINUTES

Meeting of the Civil Dialogue Group Animal Products – Beef and Veal Sector

Date: 23/11/2018

Chair: Mr Angus Wood

Organisations present: All Organisations were present, except: Beelife, Birdlife, BEUC, EFNCP, EMB, EPHA and ERPA.

1. Approval of the agenda (and of the minutes of previous meeting¹)

The group adopted the agenda and the minutes of the last meeting.

2. Nature of the meeting

The meeting was non-public.

3. List of points discussed

- **Market situation**
- **Presentation by the EU COM, including on the impact of drought on the beef sector (and the state of play on cattle slaughtering)**
- **Presentation by the EU COM of the legislative proposals on CAP post 2020, with relevance to the beef sector**
- **State of play by the EU COM on the negotiations of an FTA with Mercosur and Mexico**
- **State of play by the EU COM on the revision of the Memorandum of understanding with USA regarding the hormone free beef quota**
- **Brexit– state of play by the EU COM**
- **State of play by the EU COM on tuberculosis in the EU**
- **Final report of an audit carries out in Brazil in order to evaluate the control of residues and contaminations in live animals and animal products including controls on veterinary medicinal products**
- **AOB**

- **Market situation**

¹ If not adopted by written procedure (CIRCABC)

The EC representative gave a presentation:

- There was a drop in the number of livestock heads and more especially in the number of cows (especially in other/beef cows). This is a structural reduction. But lately drought impacted cow herd numbers.
- Production was up 2% in heads and 2.2% in tons. In July and August, there have been signs of increase in slaughtering. This is the evidence of the drought impact. The decapitalization should continue until the end of the year.
- Prices have stabilised but at a lower level. In July, prices were under pressure. October prices are lower than last year but the situation differs between MS
- Exchange rate is more turbulent for sterling. The Polish currency is more stable.
- For live animals, we are on average trend, with some dynamics in exports until the end of the first half.
- Forecast: production will slightly increase as well as consumption, prices will stabilise
- Exports: -6.3% for beef. The value of exports increased due to the value of live animals, exports of meat to Turkey improved. For first time, in September, exports of live animals were below exports of fresh due to the devaluation of the Turkish lira and the reduction in the purchasing power. There is optimism that things will improve by the end of the year.
- Imports: +14% (Brazil +24.3%, +40% from Argentina). There is a concentration of imports during the first weeks of each of the sub-periods with regard to the High Quality Beef TRQ.
- Without live animals, the balance would be negative
- The use of Hilton quota is on upward trend. The hormone free quota is fully used since 2017.
- Because of currency devaluations, Brazilian meat is more competitive on the market.
- All data can be found on the observatory website and the new agrifood data portal is available for consultation.

The Chairman underlined that the management of quotas needs a particular attention.

Celcaa confirmed the data presented by the COM. Drought has led to increased slaughtering. Consumption (of high value cuts) is unspectacular and not able to cope with increased market output. Exports of beef are falling, imports are increasing. It would be useful to have an idea on stocks. Exports to Hong Kong and Philippines are challenging and slow. Brazilian price is extremely low. The value reduction for import doesn't mean a shift of products but more competitiveness for the imported beef. The forecast looks more encouraging. For the out of quota, it would be helpful to get a split to see how much fresh, chilled and frozen beef is been imported compared to cooked and canned beef.

The EC representative underlined that the COM is not in the possession of stock numbers but would like to have this information.

FDE underlined that stocks this year are high compared to last year when there were no stocks at all.

Copa underlined that production costs are above prices and that we need to have more viable prices paid to producers. The value added is not fairly distributed through the food chain even if the consumer is paying more. The EU Commission strategy on imports is

eroding EU's production base, especially the suckler cow herd. With +2.2% increase in production, a -6.3% decrease in exports, the +14% increase in imports is causing a major problem on the market, even with a stable consumption. There are concerns for forage stocks for the beginning of next year, especially for February.

Eurocommerce asked where the exports to Chile come from.

The EC representative replied that exports come from France but there are no details on the specific type of production falling under this tariff line that covers edible and non-edible products.

ECVC underlined that the presentation shows the gravity of the situation when it comes to destocking. Producers cannot survive on the low prices.

EEB underlined that the taxpayer is already paying to support beef producers and it seems it will have to pay more. Taxpayers will finally end up in financing South American beef production. It is urgent to explain to DG Trade what the situation is when it comes to livestock in South America. The situation on biodiversity in the EU should be more explained to DG TRADE. The difficult market situation in the EU is the direct result of the policy conducted by DG Trade.

Celcaa underlined that EU high quality cuts are being stocked while we continue importing steak from South America.

The Chairman concluded by underlining the serious concerns raised by the experts. There is a lot of pressure on the primary production. The Market is in a difficult situation, because of increased imports and also because of drought. We need to fill the data gap on stocks.

- **Presentation by the EU COM of the legislative proposals on CAP post 2020, with relevance to the beef sector**

The EC representative gave a presentation:

- 5 guiding principles, 3 regulations and 9 specific objectives
- The direct payments will be composed of a: basic income support for sustainability, complementary redistributive income support for sustainability, eco-schemes, complementary income support for young farmers. The only support which will be voluntary will be the coupled support. Conditionality will still apply.
- Rural Development programme is focused on 8 measures, with minimum 30% of the money to be allocated to environmental and climate change objectives.
- On CMO, there are no big changes. Sectorial interventions are included in the strategic plans, using the model existing in the fruit and vegetables sector.

The Chair asked if there Brexit agreement foresees a transition period for CAP and when would the CAP start?

The EC representative replied that the next CAP will enter into force on 1st January 2021, after the Brexit transitional period. In the discussions between EP and the Council, there are references to 2023. The EC works on transitional regulations but will not be able to table them before knowing what the next spring brings.

Celcaa asked what a small farmer is. Asked what % will receive more than 60 000 € in the future. Supports climate change focus but farmers would need to compete on the international market and this would be extremely difficult if they need to comply with additional criteria. Celcaa representative is also sceptical on the redistribution of the CAP budget.

EEB asked for indicators focused on impact in order to achieve a significant result. Greenhouse gas emissions need to be tackled. 70% of expenditure in the Rural Development programme will not have an effect on climate.

FESASS underlined that capping might impact family farms.

ECVC underlined that direct payments would be further reduced if the aid to the POs would come from the direct payments envelope.

Copa underlined the importance of direct payments for livestock producers and the fact that these should not be reduced. Redistribution of payments goes against this principle. Half of farmers receive less than 1250€. If redistribution and internal convergence apply, this would erode livestock farms. What objective criteria does the COM envisage for the definition of active/genuine farmer?

The EC representative replied that capping would not apply to livestock farmers as the income is below this limit. Convergence is applied to the basic income. Indicators for climate change are of different types: output indicators, results indicators and impact indicators. There is a need that stakeholders approach their national authority in order to have something close to their expectations. On the genuine farmer, the activity needs to be significant. The other criteria depend on the MS.

The Chairman concluded by underlining the importance of increasing the CAP Budget and highlighting that direct payments are critical for livestock farm incomes, which is key to survival of the family farm model.

- **State of play by the EU COM on the negotiations of an FTA with Mercosur and Mexico**

The EC representative presented the state of play on Japan, Vietnam, Singapore. For Japan, a quota of 50 000 t at an annual 9% tariff (16th year) will be open, for Vietnam there will be no duty over 2 years, while the FTA with Singapore will liberalise the imports. With Mexico, a political agreement was reached some months ago. Negotiations have been finalised two weeks ago: 10 000 t beef, 10 000 t beef offal at 7.5% permanent duty, while Mexico offers a quota of 30 000 t for EU beef and 10.000 t for beef offal with a 7.5% duty phased out in 7 years. For Mercosur, the EU offer was of 70 000 t split equally between fresh and frozen with a duty of 7.5%. It is possible that another round of negotiations for an EU-Mercosur FTA takes place before Christmas but there are still large gaps for wine and GIs. With Australia and New Zealand, negotiations did not yet include the sensitive sectors. Under WTO rules, agriculture can't be excluded from trade agreements.

Celcaa welcomed the agreement with Mexico and in particular the 40 000 t access for the EU. Reminded that SPS elements in the FTAs are essential. Reminded that there are still problems with South Korea. Asked about the expected date of entry into force of the Japanese FTA.

Cogeca underlined that Mexican beef is not subject to traceability. Raised the issue of EU standards and imposing these in the trade agreements. Asked who will be responsible for TRQ management in the Mercosur deal. Reminded the high value added cuts.

Copa underlined the shortcomings in the Brazilian audit report and the food safety problems. Mentioned the issue of in and out of quota and how Brazil can cope with this. Asked how much money customs authorities will invest in controls. Warned against the management of the TRQ by Brazil and underlined that huge implications this “technical point” may have.

The EC representative underlined that progress is being made on BSE related bans and hopefully the situation on the South Korean market will be solved. Once the FTA with Mexico will be in force, specific facilitation provisions in the SPS Chapter will apply to address any SPS concern.. The management of the imports TRQ will be done by the EU (licencing system). This is important as precedent for the FTA with Mercosur and discussions on this are taking place. Mercosur wants management by the exporting countries but the Commissioner is firm. The timetable for Japan: agreement by EP no later than January-February, with the earliest entry into force in May. The lack of traceability of Mexican beef is noted.. Either imports meet EU requirements or not. The EU will carry out audits to ensure the beef is hormone free, safe, that no antibiotics are used as growth promoters and controls are applied. In Mexico, one company is developing hormone free products. Any assessment starts from the presumption that one day, the partner can fill in the quota. In the case of Mercosur proposed further breakdown, beside the sub allocation for fresh and frozen, has been flatly rejected by our counterpart. If there will be further sub-allocations, Mercosur would ask for more volume.

- **State of play by the EU COM on the revision of the Memorandum of understanding with USA regarding the hormone free beef quota**

The EC representative reminded the context of the dispute. An erga omnes TRQ of 45 000 t product weight equivalent is available today to several partners, while US share has diminished. Australia, Uruguay and now Argentina are more price competitive. US demand the renegotiation of the MoU under threat of retaliation measures. They would like a specific volume especially for US. The Council mandate is clear, no change in volume is to be foreseen, nor the product specification. The objective is to finish the WTO dispute. If no agreement is reached, the TRQ may disappear. Also if other countries don't accept the agreement, the TRQ will disappear too and they will not receive anything. An agreement might be possible by the end of the year. This is not related to the broader EU-US relation and discussion on Executive Working Group (EWG) .

Copa underlined the importance of retaining the full quota management and raised the issue of in quota and out of quota volumes. Where would the 150 000 t extra imports find their place on the EU market before Brexit? How would Brexit be taken into account? The EU strategy on trade in beef is wrong leading to the erosion of the EU production base. DG Trade does not have the same vision on certificates. The Mercosur mandate is 20-30 years' old, while EU consumption is stable or rather decreasing.

Celcaa underlined the excellent results for Canada and Mexico on quota management, within which the beef sector is treated as sensitive. A tariff quota is a market management measure. Currently, there are concerns on the delegated act and the implementing act within the Lisbonisation process. Asked if it would be possible that this is examined by DG AGRI. There is a real risk in having an increase in out TRQs imports. The poultry quota management system might be used for beef. In the case of the ongoing negotiation with US on HQBTRQ, Celcaa expressed concerns on the possible retaliatory measures especially for EU pig meat exports which are substantial in case of failure. This may also impact EU beef export. What is at stake is broader than beef and even broader than the meat and food sector. When it comes to Mercosur, the proposed volume is not 1% of the EU beef consumption but a huge % of the steak market. Expressed wishes that the Japan deal enters into force before 1st of March.

Eurocommerce asked if the reduced customs duties will apply starting with April.

The EC representative underlined that 1 February is the best case scenario regarding the Japan EPA but slippage cannot be excluded. There are some commercial interests for EU beef (veal) on the Mexican market, but also for hormone free beef in Mexico and worldwide. There is some degree of cross subsidisation for in and out of quota trade but this is mainly in poultry. The impact can be mitigated, that is why a 7.5% tariff would be maintained for Mercosur and imports will be controlled through an import licensing system (this would reduce the risk of the allocation of the TRQs to specific operators). Mercosur asks 4 sub-quotas so that each country has a smaller quota. If this is allowed, it should not be an excuse to consider export licencing system by Mercosur.. Brexit has been taken into account when determining the offers. A free trade in goods is expected between the EU and UK. The UK negotiations for an FTA with Australia, US, other partners is not immediate. No major sector should be excluded. For Mercosur, there will be a 7 year transition period (up to 2029) when the full quota will be in place.

The Chair concluded that the EU must maintain the management of quotas.

- **Brexit– state of play by the EU COM**

The EC representative gave a state of play. The withdrawal agreement has been endorsed at negotiators level. This also includes a protocol on IE and Northern Ireland to avoid a hard border. A political declaration has been drafted to outline how EU and UK are going to work once UK will become a third country. Both parties agree to keep the trading relation as close as possible. During the transitional period, the EU laws will continue to apply as if UK were part of the EU apart from decision making and governance. This will be in place until 2020, and can be extended once but it is not defined by how long. All goods placed on the market can continue to move until they reach the end user. The only big exception is live animals for which SPS checks and veterinary checks would be necessary. On GIs/intellectual property rights, there is agreement that UK takes over the same level of protection and all GIs which exist by that time. For future GIs, they remain under a question mark. Talked about the backstop option and the single customs territory. The extent of customs controls would be determined by customs regulatory relationship.

Next steps: extraordinary Council 25 November. EP would need to give its consent but the Council has the final word. Afterwards, there will be the ratification by the UK side. The EC published a document on preparedness for a “no deal” scenario. Once the basic act is agreed upon, there will be an implementing act. On the apportionment of the TRQs, the EC adopted a mandate to open negotiations with WTO members in parallel with a proposal to the Council and EP on the apportionment of TRQs between UK and the EU. In July, the EC notified the revised figures and WTO members had 90 days to comment

on these figures until 22nd October. There will be a meeting with WTO members to go through the comments. On the proposal, the EC hopes that one trialogue will be sufficient to reach an agreement between the co-legislators, and possible publication in January.

Celcaa underlined that businesses need clear and transparent rules.

Copa asked if custom officers will be needed or not. Asked if after 2022, the withdrawal agreement can guarantee no tariffs and if that market is worth exporting into. Asked if the UK will have any restrictions for negotiating international agreements.

The EC representative replied that lot is still to be negotiated. UK can start negotiations of trade agreements on 30th March 2019. No FTA can come into practice in the transition period nor during backstop. They can conclude agreements during the discussions on the future relation. No checks need to be done by custom officers. FTAs will not be changed, will stay in place on the EU territory. As long as UK is in the customs territory, they will apply to UK. During the transition period, no tariffs will be applied on beef between the EU and UK.

- **Final report of an audit carries out in Brazil in order to evaluate the control of residues and contaminations in live animals and animal products including controls on veterinary medicinal products**

The EC representative underlined that the audit report on the residue monitoring plan has been published on the website. In general, the report shows certain deficiencies, weaknesses. The Brazilian authorities have been asked to adopt measures to address these. The comments from the Brazilian authorities are included. There were changes adopted in the legislation by the Brazilian authorities following the audit, which have been notified end October. This includes therapeutic use of oestradiol 17 beta. 1/3 of meat establishments have been suspended. Commission also reminded the measures put in place since March 2017 against imports of several products of animal origin from Brazil.

Copa underlined the fact that a lot of deficiencies have been learned in the press. The audit report is clearly saying that a lot of things do not work, there is a long list of failures in relation to the certificates of beef imports into the EU. Asked what has changed in terms of controls, especially given that the previous report underlined the progress made, but the last one underlined deficiencies. The question was raised how the EU can rely on the Brazilian authorities. Referred to two paragraphs in the audit reports: substances authorized in cattle and which are illegal in the EU, and that the competent authorities are not in a position to meet the certification requirements. In the previous report, DG Sante said that if Brazilians are not meeting the requirements, the COM will demand and insist on the full ban and that they will never compromise the food safety. Phenylbutazone is not authorized in the EU. There are problems with the laboratories. The fact that only 1017 samples out of 3000 have been analyse is problematic. A lot of substances are not authorized in the EU. In the trade agreements, it is problematic that only exported animals need to comply with the traceability rules as all animals are kept together. Asked about the list of suspended companies. Did not understand why the Brazilian authorities have been asked for their opinion on the audit result. Antibiotics as growth promoters would need to be banned before 2022.

EEB underlined that EU citizens do not want beef coming from Mercosur countries and questioned the need for this FTA, and positioned against this FTA.

Celcaa underlined the increase in imports from Brazil this year (+25%) when relevant replies are expected to be given to relevant questions.

The EC representative underlined that imports from Brazil are not subject to a FTA, as there is no current FTA in force between Brazil and the EU. While the FTA with Mercosur is currently being negotiated, it has not yet been adopted nor has it entered into force. Therefore, trade relations with Brazil are governed by the WTO-SPS and import requirements are those established in the EU legislation. In any case, SPS import requirements are not subjected to negotiation with any trade partner, therefore even imports from countries with Agreements shall meet the EU requirements. The current imports are not under the FTA and that there is no FTA in place. These are based on legislation and nothing is going to be changed.

SANTE also pointed out that the audit was undertaken to verify the implementation of the Residue Monitoring Plan, not only for meat products but also for a wider range of products. Therefore, not all the substances referred to in the report concern meat and meat products and not all the findings are related to beef production. This audit refers to residues. The laboratory deficiencies identified by the audit problems are about relates to the recognition of the method. This does not mean that the laboratory is not analysing the possible residues of veterinary medicines method is not capable to deliver. The agreement refers to the imports of animals not the use of the substances. None of the establishments which are delisted are on the list. The COM did not ask permission from countries to include the information or not but if mistakes have been made by the auditors, for example if an establishment has been or not been checked, these have been corrected.

Regarding antibiotics, SANTE reminded that AMR is a priority for the Commission and that a provision to cooperate on fighting the AMR is included in the FTAs.

On oestradiol, SANTE indicated that the use of this substance is also forbidden for food production in Brazil. However, it could be used in Brazil for therapeutic or zootechnical purposes. As the report underlines, the audit could not identify whether Brazilian cattle meat exported to the EU had been treated with oestradiol for mentioned purposes. Yet, this would concern a limited number of cases, as oestradiol for such uses is only applied to female cattle producing calves. Commission has asked Brazil to ensure that cattle eligible for export to the EU have not been treated therapeutically or for zootechnical reasons with oestradiol 17-beta.

The list of Brazilian establishments currently listed to export to the EU is published on SANTE website, establishments such as BRF or SHB (subjected to fraud investigation in Brazil) are not figuring on that list as they have been delisted by the Commission. SANTE informed that BRF has challenged the Commission Decision withdrawing its establishment from the EU list in the European Court of Justice. In this sense, Commission stressed the importance to ensure that decisions are well based, legally supported and respecting the international commitments. Adverse rulings may have bad consequences including the obligation to pay compensations.

Antimicrobial resistance is a priority. Oestradiol 17-beta is not used as growth promoter. It is used for female cattle, before slaughtering. EU has also used it some years ago for therapeutic uses. The COM asked for the suspension of the use of oestradiol 17-beta if the meat is exported. We can't compromise the health of consumers. WHO report released one year ago ranked the EU among the first first on the list of countries with the highest food safety standards.

Celcaa underlined that oestradiol 17-beta is not used in the EU, for food safety reasons.

Copa underlined the differences in approaches between DG Sante and DG Trade. The Brazilians can take the COM to Court because the EU is going beyond Codex rules. Today, the EU is importing 240 000 t of beef from Mercosur. If we negotiate larger volumes, how will we be able to monitor everything? How would it be possible for the customs authorities to monitor the consignments? The COM needs to do more to ensure our requirements are met as Brazilians won't do more. We need urgent and different actions, inform the Commissioners in charge and explain that this is not acceptable and that tougher action is needed. They should be aware that we are not able to rely on those certificates.

The EC representative underlined that Brazil will suspend the use of oestradiol 17-beta.

The Chair underlined that the Commissioners would be informed about the results of the previous and last audits and the agreement of the group on this was requested.

4. Next meeting

The date of the next meeting will be communicated in writing.

5. List of participants - Annex

Disclaimer

"The opinions expressed in this report represent the point of view of the meeting participants from agriculturally related NGOs at community level. These opinions cannot, under any circumstances, be attributed to the European Commission. Neither the European Commission nor any person acting on behalf of the Commission is responsible for the use which might be made of the here above information."

List of participants– Minutes

Civil Dialogue Group Animal Products: Beef and Veal

Date: 23/11/2018

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European Coordination Via Campesina (ECVC)	REZZIN	Marzia
European Environmental Bureau (EEB)	VONESCH	Anne
Fédération Européenne pour la Santé Animale et la Sécurité Sanitaire (FESASS)	DELMOTTE	Didier
International Federation of Organic Agriculture Movements EU Regional Group (IFOAM EU Group)	ATKINSON	Christopher
International Federation of Organic Agriculture Movements EU Regional Group (IFOAM EU Group)	SAKOWSKI	Tomasz