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Directorate E – Markets
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MINUTES

Meeting of the CDG ON ANIMAL PRODUCTION “MILK, BEEF AND VEAL, PIGMEAT”

29 SEPTEMBER 2023

Chair: AGRI E3 – Animal Products

The following organisations were represented: AnimalhealthEurope, AVEC, BEUC, CEJA, CELCAA, COGECA, COPA, EAPA, ECVC, EEB, EFA, EFFAT, EFPRA, EMB, EURAF, FACEnetwork, FEFAC, FESASS, FoodDrinkEurope, IFOAM and IPIFF (details in Annex)

1. Approval of the agenda.

The agenda was adopted and no AOB points were brought forward.

2. Nature of the meeting.

Hybrid, non-public

3. List of points discussed.

1. Brief update on the milk, beef and pigmeat market situation including price development along the chain.

Milk: The Commission presented the most recent market data. EU milk collection has been increasing since September 2022 at a modest rate (+0.8% in Jan.-July 2023) and is expected to slow down in 2H2023. In July, collection went up by +0.7 %, (+82 000 t) and deliveries increased in 16 EU MS. So far this year, milk production is increasing in DE, PL, NL while declining in FR, IT and IE. In the first seven months of 2023, milk production increased also in the US, UK, NZ and declined in AU (-1.4%). SMP is the only EU dairy product for which production decreased in Jan-Jul 2023. EU raw milk prices paid to farmers (estimated price for August: 43.58 c/kg) have declined (-25% since Jan 2023) but the pace is slowing down. Organic milk collection is still rather modest (3.9%) but the price premium for organic raw milk is again increasing. All dairy prices went up last week (except for whey powder) and last month (except for gouda). Nevertheless, they are lower than a year ago with one exception- Emmental prices

increased by 3.9%. General growth of EU dairy exports for all products in 1H2023 (except for butteroil). Stronger competition expected from Oceania, more price competitive on milk powder.

Beef and veal: The Commission presented the most recent market data. The beef market is characterised by a strong decrease in production and a positive price situation. Producer margins are under pressure due to high production costs but the feed part of the equation allowed for a slight recovery. EU production is expected to decrease in 2023, following a 2.4% reduction in 2022.

Inflation and limited purchasing power are affecting consumption in several Member States. EU exports recovered in the last months thanks to the reopening of the Turkey market. Exports to this country compensated the reduction flow towards traditional destinations. Imports are decreasing due to limited shipments from the UK where production is reduced.

Participants highlighted that, despite high prices, farmers are not in a position to invest, especially because of uncertainty surrounding future policies' impact on the sector. Participants also stressed that reciprocity of standards should apply on imported meat.

Pigmeat: The Commission presented the most recent market data. Pigmeat production showed a strong decline. Reductions have been observed across nearly all EU Member States.

According to the results of Eurostat's May/June population survey, which encompassed 13 Member States, there has been a sustained decrease in the pig population over the past two years. Notably, the population of fattening pigs weighing over 50 kg has experienced a notable decline.

After several months of maintaining record high price levels, the past two months have seen a downward trend in both pig carcass prices and piglet prices. Still, it is worth noting that both remain above the prices of last year and the historical average of the last five years.

Export volumes continue to decline, although the decrease in value was less pronounced. Exports have decreased to most third country destinations, except for the UK. Import volumes have decreased as well, due to a substantial reduction in imports from the UK. They have increased though in value.

2. Revision of the Industrial Emissions Directive (IED): state of play

The Commission provided an overview on the status of the review of the 2010 Industrial Emissions Directive, with a focus on the role of livestock farming, and the need to extend the livestock scope. In this respect, the co-decision process has been ongoing since April 2022, involving the Commission, Council and Parliament. The goal is to conclude these discussions by the end of the year. The Commission proposal seeks to update and expand the directive's scope. This involves covering more pigs and poultry farms as well as including cattle farming and addressing artificial divisions among farms. This should support the livestock sector in reducing their emissions of methane, ammonia, and nitrates.

3. Ban (in the EU) on the use of ruminant processed animal proteins in fish, pig and in poultry feed

The Commission reminded the group of the critical role played by the EU feed ban measures in the prevention and control of transmissible spongiform encephalopathies. It recalled that since a total feed ban was implemented in 2001, EU measures have been regularly reviewed. The last relaxation was adopted in September 2021. The Commission explained the main drivers which made this last relaxation possible and insisted on the political acceptance by all stakeholders and the public of any new measure in this regard. The Commission concluded that it does not intend to propose any relaxation of the prohibition on feeding ruminant processed animal protein to farmed animals and of the prohibition on feeding processed animal protein to ruminant, and more generally herbivorous animals.

4. State of play of EU trade agreements with third countries

The Commission presented an overview of the trade agenda for 2030:

- Improving the implementation of existing FTAs (Canada, Japan, South Korea);
- Pursuing the entry into force of new agreements (New Zealand, Chile, Mexico);
- Concluding negotiations with Australia, Mercosur and later on with India and Indonesia;
- Starting negotiations with Thailand and the Philippines.

Overall, the cumulative study of 2021 showed that overall FTAs were beneficial for the EU in all sectors. An update of the cumulative impact assessment is under preparation.

Reciprocity is a clear issue that needs to be negotiated on a case-by-case basis. The EU is achieving results on the sustainability of EU imports.

Participants expressed growing concerns for the cumulative impacts of meat imports, in particular for beef, facing a situation of structural production drop in the EU.

5. Update on the review of the EU school scheme

The Commission informed about the state of play and planning for the review of the school scheme, as foreseen in the Farm to Fork Strategy.

ECVC and EURAF highlighted the importance of educational measures in raising awareness and educating children on different agrifood sectors and types of farming.

6. Regulation on deforestation-free products

The Commission provided an update on the EU Regulation on deforestation and forest degradation free supply chains. The legislation entered into force in June 2023 and obligations for operators will enter into application in December 2024, with reviews planned for the future to possibly expand its scope. The objective is to minimise the EU contribution to deforestation and forest degradation worldwide and to contribute to the UN sustainable development target of halting global deforestation. Its main elements are mandatory due diligence rules for all operators that place the relevant products on the EU market or export them from the EU, with a specific focus on products that are important drivers of deforestation such as palm oil, soy, wood, cattle, cocoa, coffee, rubber and some derived products. The regulation categorizes countries into standard risk, low risk, and high-risk countries, with varying levels of control and inspection intensity based on these risk categories. The regulation introduces requirements for

traceability and geolocation information for products, and it applies both to imported and domestically produced goods.

7. Promotion programmes in third countries

The Commission gave a presentation on the promotion policy of EU agri food products. After stressing the objectives of the policy as well as the current political context, the intervention focused on the draft annual work programme for 2024, and the indicative timeline for the Call and submission dates. The Commission will hold an Info Day (31/1-1/2 2024) in Brussels to explain the annual work programme 2024, guide potential applicants for the submission phase and assist them in building consortia (with matchmaking sessions for interested potential beneficiaries).

The last part of the presentation included examples of the Commission's own initiatives that took place recently such as the seminar in GCC countries (December 2022), export promotion seminar in Thailand (June 2023), High level mission to Japan (July 2023) and the forthcoming High-level mission to India (December 2023). These initiatives support and build on the results of individual promotion programmes that are implemented by beneficiaries. The examples and visuals were given for promotion programmes promoting cheese, lamb, beef and pork in third countries (outside the EU).

8. Impact of the phasing out cages in EU livestock farming (pigs and hens)

Copa and Cogeca presented its views on the phasing out of cages in the EU livestock sector, focusing on sows and laying hens. The presentation cantered around an EU-wide impact assessment¹ in response to the European Commission's policy initiative announced on June 30, 2021, following the European Citizen's initiative "End the Cage Age."

The objectives of the Study are:

- To understand the socioeconomic and environmental consequences of phasing out cages in the pig and layer sectors.
- Emphasise the need for a science-based approach, sufficient time, and funds for farmers to transition.

Copa and Cogeca's general views on the animal welfare legislation revision focused on:

- the need to maintaining high standards in food safety, quality and sustainability, together with the necessity of harmonising legal text implementation at EU Level.
- For all livestock sectors, the important need for a science-based approach, sufficient transition time, and funds for farmers. All this with the aim of protecting rural economy and social fabric.
- The need for legislation to ensure consistency with other policies (Trade, CAP, Sustainability).

¹ Study from 3 research institutes:

- Institute of Agricultural Economics Nonprofit Kft. (AKI, Budapest, Hungary),
- Foundation Science and Education for Agri-Food Sector (FNEA, Warsaw, Poland),
- European Centre for Agricultural, Regional and Environmental Policy Research (EuroCARE GmbH, Bonn, Germany)

The study assesses the impacts of the ban on farrowing crates for sows and enriched cages for laying hens on supply balances and prices, producer incomes and selected macroeconomic indicators in the EU27. The main results for all selected scenarios (2025, 2035, and 2045) are presented below.

1. A severe impact on the EU27 net trade balance in all scenarios: In most scenarios studied, sharp increase in imports, and a decrease of exports for pork & eggs.
2. The average producer price increases by 47.4% for pork and 3.7% for eggs with an immediate transition. Changes in producer and consumer prices for eggs are less significant when a longer transition is planned.
3. Different impacts on farm profits depending on production: profits in the EU-27 pig sector shrink by a considerable 37.8% against the CAPRI baseline in the shortest scenario, explaining the sizeable decline in pork production in the extreme situation where no transition period is provided for. In the egg sector, the impacts are expected to be less severe with profits diminishing by 0.9% in the shortest scenario because of the substantial advancement in transitioning to cage-free housing systems.
4. Concentration of pig and egg farms is also expected to intensify due to some small-scale producers possibly leaving the profession.
5. A real challenge for the integrity of the EU27 internal market: Regardless of the length of the transition period, the new policy appears to have a lasting dividing effect on the economic performance of the EU livestock sectors.
6. Carbon leakages: part of pig and egg production could be relocated.
7. The cumulative impact of the European Green Deal would reduce internal production and ultimately make the EU dependent on imports from third countries and increase the price of products for the final consumer.

In this regard, Copa and Cogeca ask for a gradual implementation of the measures and substantial EU aid for the livestock sector to cope with the investments needed. To achieve this without impacting production, the choice of the transition period is key:

- As stated by the authors of the study, “The Commission is advised to give consideration to a framework fit for this purpose and manage the transition smoothly, instead of implementing a shock scenario.”
- Banks will be reluctant to finance these improvements if they cannot ensure of a return on their investment.
- The older generation of farmers must also be considered in the scope, just like the ones that have already converted or enlarged their cages to a surface that may not match with the future legislation.
- There are already difficulties for farmers to obtain permits and upgrade their building. This is why certain rules must apply only to new buildings.
- Standards relating to cage sizes must be clearly defined and harmonised in all EU countries to prevent unfair competition.
- Copa and Cogeca invite the legislators to learn from Member States that already have experience with the ban and to take into account the impact it had at national level. For example, after the national ban of cages for sows, Swedish pig production decreased by 30% due to imports of cheaper pigmeat from other MS. In France, the transition from cage production to floor production for hens entailed a 25% drop in productivity, hence the importance of a longer transition period.

The ban on cages is only a limited part of a much greater equation – the overall animal welfare legislation revision. The study on the impacts on the ban for the sow and hen

sectors shows that the ban itself will have detrimental effects on the sectors. The cumulative impact of all the European policies that will impact livestock production (such as the IED) must be considered.

COPA and COGECA highlighted the complex implications of phasing out cages in the EU livestock sector, calling for a balanced approach that considers the economic, social, and environmental aspects of such a transition. The presentation underscored the need for a well-thought-out policy that takes into account the diverse challenges faced by farmers and ensures a sustainable and competitive livestock sector within the EU.

4. List of participants

See annex.

(e-signed)
Pierre BASCOU

List of participants– Minutes
Meeting of the Civil Dialogue group on
ANIMAL PRODUCTION - MILK, BEEF AND VEAL, PIGMEAT
29/09/2023

ORGANISATIONS
AnimalhealthEurope
AVEC - Association of Poultry Processors and Poultry Trade in the EU
BEUC - Bureau Européen des Unions de Consommateurs
CEJA - Conseil Européen des Jeunes Agriculteurs / European Council of Young Farmers
CELCAA - European Liaison Committee for the Agricultural and AGRI-Food
COGECA - European agri-cooperatives / General Confederation of Agricultural Co-operatives of the European Union
COPA - European farmers / Committee of Professional Agricultural Organisations of the European Union
EAPA - European Animal Protein Association
ECVC - European Coordination Via Campesina
EEB - European Environmental Bureau
EFA - Eurogroup for Animals
EFFAT - European Federation of Trade Unions in the Food, Agriculture and Tourism sectors
EFPPRA - European Fat Processors & Renderers Association
EMB - European Milk Board
EURAF - European Agroforestry Federation
FACEnetwork - Farmhouse and Artisan Cheese and Dairy Producers' European Network
FEFAC - European Feed Manufacturers Federation / Fédération européenne des fabricants
FESASS - Fédération Européenne pour la Santé Animale et la Sécurité Sanitaire
FoodDrinkEurope
IFOAM - International Federation of Organic Agriculture Movements European Regional Group
IPIFF - International Platform of Insects for Food and Feed

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