

Brussels,
... / ... (2018)

FINAL MINUTES

Meeting of the Civil Dialogue Group «CDG ANIMAL PRODUCTS – BEEF MEAT SECTOR »

Date: 24 April 2018

Chair: Mr Woods (COPA)

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

1. Approval of the agenda

The agenda was approved. The minutes were approved by written procedure.

2. Nature of the meeting

The meeting was non-public.

3. List of points discussed

2. Market situation and perspectives, including

- a) Market report by the European Commission
- b) Presentation of the EU agricultural outlook for 2017-2030

DG Agri G3 gave a presentation on the beef market situation. It was pointed out that the average producer price is higher than the three-year average. A convergence of the different categories (A-C-Z-E) can be observed. The number of slaughtered heads has been increasing during the last two years and as a result the number of bovine animals has decreased by 0,8% compared to the previous year. In Ireland, Spain and Poland the number of bovines has increased. In the beginning of 2018 the exports have decreased by 5%. However, the imports from Brazil have increased compared to the period last year. Particular attention was drawn to the impact of administration method of certain quotas (e.g. HQB quota) on the monthly flow of imports. UECBV reminded that while the market at present and Commission forecasts for 2018 show reasonable market balance, major threats – in particular Brexit – loom large over the EU beef sector.

DG Agri C2 gave a presentation on the short- and medium-term outlook for the beef sector. The beef sector is facing a change in consumer behaviour

(flexitarians), animal welfare and environmental issues. A small decline in meat production is forecasted. The future of the sector is driven by sustainability and climate change challenges.

EEB complained that trade has a higher priority than the goals of the CAP. The consumer wants grazing and not mixed fed cattle. CELCAA stated that consumption is recovering in some countries, live exports are rising. Copa and Cogeca welcome the presentation but emphasise that it is unacceptable that agriculture seems to be only a means of exchange for DG Trade in several trade negotiations and particularly Mercosur. Brexit is also a major challenge for the EU beef sector.

DG Agri answered that the outlook is only a baseline to reflect possible FTA's against. The Russian embargo last for now until the end of 2018. A decline in exports and consumptions are expected and efforts have to be made to open new markets.

EEB stated that EU imports must not come from regions threatening deforestation. Copa and Cogeca supported EEB and added what will be done with grass areas if EU cattle production is not competitive anymore and the number of heads decline. DG Agri answered that studies of CO₂-sequestrations in grasslands need more work.

3. Information from EC on the CAP post 2020 (including the timeline)

DG Agri G presented the communication on the 'Future of Food and Farming'. The new CAP will aim at a solid performance and will be based on a new delivery model. The key issues are taking advantage of research and innovation, income support, investments to improve farmer's market rewards, risk management, stepping up environmental and climate action, growth and jobs in rural areas, attracting new farmers, addressing consumer concerns, trade and migration. The presentation was concluded by a timeline of the process where legislative proposals should be published end of May 2018.

CEJA asked if the impact assessment is public and if the new nationalisation is causing a delay in payments. CELCAA, CEJA, COPA, COGECA all emphasised that the budget cannot decrease and must be increased. Low income is already a major problem in the sector. COPA, COGECA and CEJA stated that coupled support has to remain in the future CAP and measures have to be taken that young farmers will enter the sector. COPA and COGECA asked if the timetable is realistic, risk management is a major point and simplification has to lead to faster and reliable payments. EEB wondered that productivity in the beef sector increases constantly but income is not. Indicators have to be adjusted to meet the objectives of the CAP.

DG Agri answered that generation change will be targeted with measures. The timetable of the CAP is tight but the Commission is already working. The budget has pressures to prioritise new sectors such as migration and security. Coupled support can be relevant in certain conditions and for certain sectors, e.g. to support extensive livestock. The new delivery model is not renationalising as the objectives of the CAP remain common. Risk management is a key issue.

Intervention schemes will be maintained as they are currently. The new CAP will switch its focus from compliance to performance, this should also include simplification for beneficiaries including for payments.

The Chairman concluded that the CAP Budget must be an absolute priority and must be increased to meet the increased requirements and expectations of farmers as well as inflation.

4. Market access – SPS barriers to trade – progress report with a focus on China, Japan, South Korea

DG Trade D3 presented trade developments to different countries. China has recently opened its market to Irish beef and access for France is expected to be agreed in a few weeks. Access to South Korea is progressing for Dutch and Danish beef and Ireland and Sweden are supposed to follow next. Taiwan will open its market later this year for the Netherlands and Sweden with Italy, France and Denmark following. Japan opened its market for Austrian and Swedish fresh and frozen beef and for Italian meat products. Five other member states are pending. Regarding Mexico several member states are already eligible to export (Belgium, Denmark, France, Germany, Italy and Spain), while the Netherlands and Ireland have applied and are at an advanced stage. Significant progress has been made in Saudi Arabia.

CELCAA pointed out that South Korea is frustrating and asks what will be the next engagements with Japan and South Korea. DG Trade answered that they put a lot of pressure on South Korea, Commissioner Hogan is promoting beef but pig meat has a higher priority for now.

5. State of play on the actions taken by Brazil to meet EU standards since the Weak Meat scandal

DG SANTE D3 gave a presentation on the audit to Brazil earlier this year. The audit had a focus on poultry. The preliminary report of the audit has been sent to Brazil for comments in March and by the end of April Brazil has to reply to the report. Overall Brazil has made progress. However new frauds have been revealed as salmonella analyses were falsified. The plants involved in this fraud are supposed to be banned from the export list later in May.

EuroCommerce asked when the new banning regulation will be in force. FDE asked if the measures taken after the meat fraud are still in place. CEJA asked if there will be other measures and regulations. COPA and COGECA argued that the production standards are not equivalent and doubted that beef production and processing are compliant when poultry is not and new frauds have been revealed. COPA and COGECA asked where improvements can be seen and what kind of traceability and controls are carried out on the cattle holdings.

DG SANTE answered that Brazil has controls for years and the number of exporting companies declined since 2007. For the salmonella analysis fraud a regulation is “in the pipe”. All measures (100% microbiological analysis) are already in place at the borders. DG SANTE emphasised that an audit is internationally regulated and the results are useful only if complying with a formal procedure. DG SANTE stated that officials have been corrupted.

The chair concluded that the ongoing failure of Brazil to meet EU standards is totally unacceptable and by allowing Brazil continued access, substandard imports had damaged the EU beef market.

6. State of play on Mercosur negotiations

DG Agri A3 presented the state of play on Mercosur negotiations. Progress has been made on the negotiating text, market access and GI's. There has been no progress in beef. Since autumn 2017 the Commission has not made any new offer on beef. The Commission realises the high sensitivity of beef in negotiating with partners that are the most competitive beef producers in the world. Mercosur negotiators are in Brussels this week. Beef will not be discussed and there is not a precise agenda for the next meeting.

DG Agri A3 introduced also briefly the free trade agreement with Mexico. For beef a quota of 10,000 tonne cwe and offals a 10,000 tonne cwe quota have been agreed. The duty on them will be 7.5% and the transition period 5 years. Mexico is not a traditional beef exporter to the EU. Mexico has more focus in developing exports to US and Japan. In Mexico hormones are used in production, it lacks a traceability system and slaughterhouses are not certified.

EuroCommerce and CELCAA asked about quotas for pig and sheep and if there are subdivisions for beef. EuroGroup for Animals is disappointed that the EU trade deal is boosting the intense production in Mexico.

DG Agri answered that sheep and pig are liberalised within 7 years the EU having an offensive interest in pig and a defensive one in sheep. Some specialised hams and loins will be kept under a quota. DG Agri had no information on subdivisions.

COPA and COGECA asked what is the last formal beef offer to Mercosur countries. They reminded that EU self-sufficiency in beef is 102% now, will be 116% after Brexit and a Mercosur trade deal with substantial increased imports will seriously damage the EU beef market. CELCAA emphasised the need for volume restraint and also quota sub-division.

DG Agri answered that the Commission appreciates the dialogue with the stakeholders and encourages stakeholders to continue providing relevant market information. In May 2016 beef was not on the table in Mercosur FTA negotiations. In October 2017 beef and alcohol were put on the table and no other offers have been made since. DG Agri emphasised that in any agreement the market has to be capable to handle the situation. Brexit impact is a consideration. Due to upcoming elections in the Mercosur countries they are under pressure to conclude an agreement.

The Commission confirmed that it is negotiating this deal on behalf of an EU-28.

The chair concluded that DG Agriculture cannot allow DG Trade conclude a Mercosur deal and agreement where beef farmers and the EU beef sector are sacrificed and have to carry all the costs.

7. Brexit – state of play

DG Agri A1 presented the ongoing developments in the Draft Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community. The Commission and the UK have agreed on several issues like the transitional period. Negotiations to reach a level playing field are still ongoing. In June is a general council and a political text should be agreed on in October/November 2018. Trade agreements are negotiated after the coming into force of the exit of the UK.

FDE emphasised that the UK cannot become a gateway to the EU market for third countries. CELCAA argued that after a possible hard Brexit the beef sector would be in trouble. COPA and COGECA asked what will be the mechanisms to insure the maintenance of EU standards in the future in the EU and UK. CELCAA highlighted the additional SPS controls challenges faced by animal products sectors, in addition to customs controls, and welcomed upcoming DG SANTE event.

DG Agri answered that minimizing the change in trade flows has a high priority. TF50 is working on the issue that the UK will not become a backdoor for third countries. Regulatory standards and a level playing field are the key issues to avoid this development. Existing FTA will not be changed after Brexit because there is no legal framework and no clearness at the moment. Upcoming FTA negotiations will be negotiated with regard to EU27. Ongoing FTA negotiations like Mercosur have reached their limits in terms of offer and one argument in the negotiations is Brexit.

The chairman concluded that Brexit is a major issue for the EU beef sector and the implications of a hard Brexit for farmers, processors and other in the sector are very severe.

8. State of play on DG Competition study on contractual negotiations in the beef sector (art. 170 of the CMO Regulation)

Wageningen Economic Research presented the Study on Producer Organisations and their activities in the olive oil, beef and veal, arable crops sectors. The objectives of the study were to make an inventory of producer organisations (POs) and associations of producer organisations (APOs) in 3 sectors, describe the activities of POs and APOs, analyse the benefits and disadvantages of these activities and analyse the relation to the CAP objectives and the recognition under the CMO regulation. The main conclusions of the study are that POs engaged in commercial activities also carry out other efficiency enhancing activities” (quality, logistics, promotion, input procurement etc.); market & price stability, reduced costs and economies of scale are the most important perceived benefits and that a majority considers that the activities contribute to the CAP objectives.

COPA and COGECA asked how the Commission is using the study and if and how negotiating power is given to producer organisations. In Sweden 11% of total household income is used for food and 20% of household food ends up as food waste.

DG Agri answered that the Commission is using this study to understand the market and to make policy decisions.

9. Commission proposals against unfair trading practices in the food supply chain

DG Agri G1 presented the Proposals for a Directive on Unfair Trading Practices in B2B relationships in the food supply chain. The occurrence of unfair trading practices is a fact, and is harmful for farmers and small suppliers. The context of the proposal is the imbalances of bargaining power in food supply chain. The proposal includes the protection of the SME supplier only towards a buyer who is not a SME and the protection includes also intermediaries, manufacturers and distributors, if they are SMEs. The Commission proposes to define payments later than 30 days for perishable food products, short-notice cancellations of perishable food products, unilateral and retroactive contract changes, and wasted product risk transferred to supplier as unfair and illegal practices. The Commission sets a minimum criterion that the member states can exceed. A designated authority in the member states will take care of the enforcement of the requirements.

ECVC regretted that the proposal is a directive and not a regulation, that there will not be a single EU-wide authority, and trade below production costs is not banned. COPA and COGECA asked what the Commissioner for Competition thought about this proposal. In the UK only the existence of this authority has had a positive impact on unfair trading practices. CELCAA asked what would be the specific benefit for the beef sector, and noted that the proposals fails to cover all actors in the supply chain (being limited to SMEs).

DG Agri answered that an impact assessment will be done. The balance of market power between the trade partners is relevant when assessing the need for enforcement. The Commission sees that prohibiting unfair or illegal trading practices is not raising consumer prices. The UK model made an impression on the Commission and finds a central EU authority inappropriate. A directive is seen a better option as first step than a binding regulation.

10. AOB

ECVC asked to include the issue of bovine tuberculosis in the next meeting.

4. Conclusions/recommendations/opinions

No further conclusions or recommendations.

5. Next steps

The Commission will prepare a point on bovine tuberculosis on the next agenda.

6. Next meeting

The day of the next meeting will be confirmed later.

7. 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

Meeting of the Civil Dialogue Group

«CDG ANIMAL PRODUCTS – BEEF MEAT SECTOR »

Date: 24 April 2018

	MEMBER ORGANISATION	NAME OF REPRESENTATIVES	
1	BirdLife Europe	COPLAND	Alex
2	CEJA (European Council of Young farmers)	Del Castillo Mena	Paola
3	CEJA (European Council of Young farmers)	Raggi	Ambra
4	CEJA (European Council of Young farmers)	CASTILLA BARÓ	José María
5	CELCAA (European Liaison Committee for Agriculture and agri-food trade)	Moro	Matilde
6	CELCAA (European Liaison Committee for Agriculture and agri-food trade)	HEALY	Cormac
7	CELCAA (European Liaison Committee for Agriculture and agri-food trade)	MERIAUX	Jean-Luc
8	CELCAA (European Liaison Committee for Agriculture and agri-food trade)	Mocarski	Tomasz
9	CELCAA (European Liaison Committee for Agriculture and agri-food trade)	Dracup	John
10	COGECA	Vráblík	Miroslav
11	COGECA	JAKOVICKIS	Raimonds
12	COGECA	Baublys	Andrius
13	COGECA	Asztemborski	Michał
14	COGECA	Dirke	Maria
15	COGECA	MARKKANEN	Jukka
16	COGECA	McElwee	Nona
17	COGECA	Albert	Rauli-Jan
18	COGECA	Hodalic	Tomislava
19	COPA	FLEURY	Jean Pierre
20	COPA	EDER	Helmut

21	COPA	Adam	Charles
22	COPA	Garofalo	Angela
23	COPA	KINSELLA	Kevin
24	COPA	Woods	Angus
25	COPA	HAAHR	Thomas
26	COPA	Gonçalves	José Eduardo
27	ECVC (European Coordination Via Campesina)	REZZIN	Marzia
28	ECVC (European Coordination Via Campesina)	Camus	Blandine
29	EEB (European Environmental Bureau)	VONESCH	Anne
30	EFA (Eurogroup for Animals)	PORTA	Francesca
31	EuroCommerce	STACHETZKI	Detlef
32	FoodDrinkEurope	TOMEI	François
33	FoodDrinkEurope	DOBBELAERE	Dirk
34	FoodDrinkEurope	EGBERTS	Frans
35	FoodDrinkEurope	Pons Argimon	Ignacio
36	IFOAM EU Group (International Federation of Organic Agriculture Movements EU Regional Group)	Atkinson	Christopher
37	IFOAM EU Group (International Federation of Organic Agriculture Movements EU Regional Group)	BUSACCA	Emanuele