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Directorate E – Markets
The Director

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MINUTES

Meeting of the CDG ON ANIMAL PRODUCTION - BEEF AND VEAL

8th March 2024

Chair: AGRI E3 Animal Products

1. Approval of the agenda

After the chair's welcoming words, the agenda was approved.

2. Nature of the meeting

Hybrid - Non-Public

3. List of points discussed

1) Exchanges of views on production figures with market experts

The Commission regretted not being able to provide a summary of production forecasts for lack of feedback prior to the meeting. Participants were informed that the Commission is working on an alternative system for gathering information, including discussions with Member States' experts at the CMO Expert Group on Animal Products. Such a system should provide a basis for discussions at future CDG meetings.

On the spot, various participants shared their views and forecasts on the beef market situation in several EU Member States.

While forecasts showed diversity depending on the Member State, overall, experts confirmed that current trends are expected to continue in 2024 and 2025, but with a more moderate decline in production and stable demand. Experts concurred that such forecast can be affected by a number of uncertainties.

2) EU beef market situation

The Commission presented an overview of the EU beef market situation.

Overall, the beef market remains stable. Reduced supply has helped to keep prices high despite demand being affected by inflation. Such prices combined with improved input costs helped improve producers' margins. Trade remained dynamic in 2023, with a largely positive trade balance for the EU, despite an overall reduction in trade volumes.

In the period January-November 2023, EU production registered a decline of -3.9% compared to the same period in 2022. Such a reduction concerns, at different degrees, the main producing Member States.

In the same period, EU exports increased by +1.3% and imports declined by -3% compared to 2022. As main features, the UK remains the EU's first destination, representing more than 38% of total exports, followed by Türkiye (9% of total exports). Exports to the UK remained stable while exports to Turkey registered a very significant increase. The UK was also the first EU supplier (29% of imports), closely followed by Brazil (26% of imports). Lower imports from the UK are only partly offset by increased imports from Mercosur countries (Brazil +5.4%, Argentina +2.6% and Uruguay +6.4%) and the US (+5.3%). The other main supplier registering a decline was Australia (-9.6%).

Overall, participants reported stability of the EU beef market situation but voiced concerns at the current situation and prospects. The sector is currently confronted with major challenges ranging from environmental and societal concerns to economic pressure, trade dynamics and regulatory concerns. Fluctuations in input costs (e.g. feed), developments in external trade and animal diseases are significantly hampering the economic viability of many producers. More regulatory pressure is coming at a cost for farmers that the market is not rewarding. Discussions emphasized that there is a need to provide the sector with clear prospects for the future within a comprehensive EU livestock strategy.

3) <u>World beef market – presentation from GIRA</u>

GIRA gave an overview of the global beef market situation.

Despite a very complex international situation (aftermath of COVID19 pandemic, the war in Ukraine and the Gaza situation, inflation, and global low economic growth prospects), global beef demand is in relatively good condition, with China playing an important contribution through the rise in its share of global beef imports over the last decade. Production has increased in Australia and South America. That has helped to a decrease in export prices. Whereas in Europe and North America beef supply remains very tight and cattle and beef prices are at record levels.

In this context, participants warned about the risk that, with stable demand, the current decline in EU production might lead to a progressive replacement of EU supply by imports.

4) <u>Regulation on certain commodities and products associated with deforestation and forest degradation</u>

The Commission provided a presentation focusing on the state of play of the implementation of the EU Regulation on deforestation and forest degradation. The presentation particularly focused on the Commission's Guidance on implementation and Frequently Asked Questions, Information System, Cooperation with partner countries, EU Observatory.

Participants raised deep and numerous concerns. The main concerns were about the short deadline for implementation and the need to extend it, the challenges and administrative burden for smallholders, a non-satisfactory experience during the pilot testing of the Information System, and a potential lack of resources in the public administration to provide support to operators and to implement the necessary controls.

5) Contribution of the CAP Strategic Plans to agricultural GHG (CH_4 and N_2O) emissions reduction

The Commission presented the summary of a work conducted internally to assess the main actions that Member States are taking in their CAP Strategic Plans (CSP) to reduce the agricultural greenhouse gas emissions − methane and nitrous oxide – and increase carbon removals in farmland soils.

This is directly relevant for climate mitigation action as part of Strategic Objective 4 of the CSP. The presentation does not focus on livestock but covers emissions stemming from animal and crop production. The main findings are that all CSP contribute to the climate change mitigation objective and a wide range of relevant interventions. However, few plans elaborate on the CSP contribution to the overall national reduction targets set out in the Effort Sharing Regulation and reflected in the national energy and climate plans.

Most of the CAP support to climate mitigation comes from area-based actions to improve soil health (rotations, leguminous), nitrogen efficiency and manure management and support to investments in manure storage and processing. Support for upgrading farm buildings and equipment also contributes to curbing methane and nitrous oxide (as well as ammonia). Those actions are linked mainly to result indicators R.19 (soil quality), R.16 (investments related to climate) and R.22 (nutrients management). Support for soil practices to enhance soil health and fertility (through mainly leguminous, conservation agriculture, crop rotation) and nitrogen management (limit nutrients losses, replace mineral fertilisers by organic products, precision farming) contributes greatly to reducing N_2O. Besides, environmental/climate area-based interventions, coupled income support to protein/leguminous also plays a role for reducing climate footprint. Only 11 CSP out of 28 set out targeted actions (eco-schemes) towards reducing livestock methane emissions from enteric fermentation (through adapted feeding plans) and linked to result indicator R.13. Current result indicators do not allow to accurately capture and quantify the contribution of CSP' actions towards GHG emission reduction.

As regards carbon removals and storage in soils, relevant RI are R.14 (35% of the EU agricultural area will be supported) and R.17 on afforestation. Relevant actions supported restoration and rewetting of wetlands and peatlands, agroforestry, afforestation, conversion of arable land to grassland, maintenance of permanent grassland, and a ban on ploughing of grassland and arable land.

Comments from the participants referred to the difficulties in setting an agricultural GHG emissions and trade emissions system, and to the specific role of grasslands as carbon sinks. Overall, they showed that the farming sector agrees that it is important to contribute to climate objectives, but the sector needs time to adapt and implement relevant measures without losing sight of production.

6) Recent livestock disease outbreaks - bluetongue disease and the viral epizootic haemorrhagic disease (EHD) – state of play

The Commission presented an update of the epidemiological situation of two diseases: bluetongue (BTV) and epizootic haemorrhagic disease (EHD). As regards BTV, the update was on MS or zones thereof with a BTV free status or with a BTV approved eradication programme. They were related to the detection and further spread of BTV-3 from the Netherlands to Belgium and areas of Germany, whereas in Spain BTV 4 further spreads to previously BTV free areas in Spain. Concerning EHD, the disease was detected for the first time in the EU in Sicily and southern Spain in late 2022 and spread in 2023 throughout the Iberian Peninsula and areas of France.

The Commission also highlighted that both diseases are regulated at EU level but with a different degree of EU intervention and explained the EU policy with regard to both diseases.

Participants highlighted that vaccines would be a key tool to control both diseases, the difficulties to control disease spread by vectors describing their experience and the need to update EU rules concerning the movement of animals with the Union.

7) EU agricultural outlook 2023-35

The Commission updated on the EU agricultural outlook 2023-35.

While EU meat consumption is expected to decline slightly by around 1.6 kg per capita, world meat consumption is increasing over time.

Demand for sheep and goatmeat is sustained despite being the most expensive meat because of religious events or cultural habits; decreasing trend for beef will continue, as in the past; poultry meat continues to replace pigmeat due to its healthier, convenient, cheaper, climate friendlier image and without religious constraints.

The dairy herd should decline progressively while the suckler cow herd is set to decrease to 9.5 million heads by 2035, due to low profitability and a stricter regulatory framework, in particular on environmental aspects. However, this decline may hide opposing developments in EU countries. EU beef production is expected to continue declining and will fall yearly by -0.7% on average.

Global import demand for beef will increase by 2.1 million tonnes between 2021-2023 and 2035, mainly due to a greater demand from China, Vietnam and sub-Saharan Africa. EU exports are to decline gradually mainly due to a decrease of exports of live animals. Imports of beef to the EU will slowly increase and reach 400.000 tonnes by 2035 due to limited EU supply and an attractive EU market.

4. Next meeting

Next CDG on Animal Production will take place on 22 April 2024 with a focus on beekeeping and sheep/goatmeat.

5. List of participants

All organisations were represented (details in Annex) except for AVEC, BEUC, BirdLife, ECVC, EEB, EFA, EFFAB, EFFAT EMB, EPHA, EFNCP, EFPRA, ELPHA, EMB, ERPA, FaceNetwork, FEEDM, IPIFF, OriginEu and EESC.

List of participants– Minutes

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ORGANISATIONS
AnimalhealthEurope
BEELIFE – European Beekeeping Organisation
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
EURAF - European Agroforestry Federation
EUROCOMMERCE
FEFAC - European Feed Manufacturers Federation / Fédération européenne des fabricants
FEFANA - EU association of Speciality Feed Ingredients and their mixtures
FESASS - Fédération Européenne pour la Santé Animale et la Sécurité Sanitaire
FoodDrinkEurope
IFOAM - International Federation of Organic Agriculture Movements European Regional Group

OBSERVERS
COMMITTEE OF THE REGIONS
AD HOC EXPERT
GIRA M. Richard Brown