Brussels, 29/3/2019

MINUTES for written procedure

Meeting of the Civil Dialogue Group Milk

Date: 22 February 2019

Chair: Michel Nalet - FoodDrinkEurope

Organisations present: All Organisations were present, except for EEB.

1. Approval of the agenda (and of the minutes of previous meeting[1])

The agenda was adopted, with the inclusion of an AOB point on Mercosur.

2. Nature of the meeting

The meeting was non-public.

3. List of points discussed [Name of each point, one by one]

1) Milk market situation

The EC representative gave a presentation on the current milk market situation:
- EU milk collection between January-December: +0.9%
- NZ milk production increased in the biggest proportion among main exporter countries in 2018 (+2.3%).
- milk price: 35.6€/100kg (December 2018), a -1.4% compared to last month and 2.9% higher than the average of last 5 years.
- EU commodity prices are increasing
- EU exports less dynamic in 2018 than in 2017, except for SMP, whey powder, lactose and cheese.
- EU public intervention stocks of SMP are almost empty (1,383 t left)

<u>Discussion / Q&A</u>

COPA: Milk price in 2018 is below 2017, what could be the explanation when all other parameters are good? On the SMP stocks, are we sure that the stocks have been already sold on the market or is it possible that they are in private stocks? There was lower production in 2018 due to the drought; this seems to continue beginning of 2019. What's the EU COM take on this trend ?

[1] If not adopted by written procedure (CIRCABC)

ECVC: the drought in summer will impact production costs

Eucolait: Exports are aligned with Eucolait assessment. It is good that the exports by product charts are also expressed in value as otherwise liquid products would be overrated.. EU market share for WMP is down (long term phenomenon). US has been a major beneficiary of the world demand in the first months of 2018 but EU has taken the lead at the end of the year. Demand & supply in balance at global level, only NZ has a big increase in milk production.

EDA: Price movements show that market is stable & in balance; production in past year (exporting countries) lower than 2017 and we had good demand in China and South East Asia; within exporting countries, today only NZ shows an increase in milk production; cheese has a solid export performance; in powders we face competition; long term tendency: stability.

A question was asked about milk price average per MS, if data is available?

Eurocommerce: EU COM said it will sell 100,000 t of SMP, where did they go so quickly?

EMB: asked why the EU COM is not in the possession of the data on the destination of stocks.

The EC representative replied that the prices are below 2017 level but above the 5 year average. Milk prices will seasonally decrease in the first months of the year, coinciding with the spring production flush. Exports in value have decreased in 2108... The Commission has no information if the stocks sold in the tender have actually left the warehouses, nor on final destination of SMP. For the sake of transparency and equal access, the Commission does not have the information on the companies participating in the tender (MS have do have that information) . The Commission publishes quarterly indexes on production costs, milk prices and gross margins; once December production data is consolidated the indexes for Q4 2018 will be made available on the MMO website. The farm gate milk prices per MS are available on the MMO website. With regards to the effects of the drought on milk production, the situation is different depending on the MS: IE was the country theoretically more impacted by the drought and milk deliveries are increasing by more than 20% in last 2-3 months.

a) Short term outlook
b) SMP intervention stocks management : state of play

The EC representative gave a presentation on the short-term outlook. Disclaimer : preliminary forecast only.

- Slaughterings of both cows and heifers is high, this will have an impact on the milk production in 2019
- Deliveries in 2018 increased despite the decline of dairy cows number (-1.6%) – resulting in the yield increase 2.2%
- Farm structure changes – ongoing increase of average number of cows per farm; dairy farms (without RO - statistic problem) number declined at slower path compared to past, but still at the higher rate than in the sector in general; increase in herd size per farm (+18 cows per farm on average) (average wo RO : 48)

- Preliminary deliveries projection 1st quarter 2019 ./. -1%, but overall 2019: : +0.5% vs 2018;
- Global dairy market: world supply expected to increase (NZ, U.S.);
- Expected slowdown of economic growth in China but still domestic production is low and there is still a room to import.

(3) Brexit – DG AGRI preparedness and contingency plan (urgency measures, TRQ split, intervention stocks,…)

The EC representatives (DG AGRI and DG SANTE) gave an update on this point:

General CDG 1st February with a specific focus on BREXIT. The withdrawal agreement is still on the table.

Progress on agri acquis :

- TRQ split – implementing regulation has been voted, will be published beginning of March;

State of play hard Brexit:

1) Import & export conditions for UK as a 3rd country
2) Our preparedness for border controls

1) Import & export conditions for UK as a 3rd country

   - UK will become a third country
   - Imports from the UK to the EU will require a health/veterinary certificate (cf 14 SPS docs published so far on DG Sante website)
   - Urgency measures (published Nov 2018): EU COM will proceed to the listing of UK in the different agrifood sectors and we will receive a list of approved establishments in the near future
   - Discussions with UK still ongoing on these lists; facilitated process put in place (for instance no site inspections)
   - Still: some points need to be done: official candidature to become a country that can export to the EU; some technical issues still pending;
   - Assurance needed from UK that they will keep the sanitary level status quo for a certain period of time (9 months).
   - Sectorial texts (15) are ready, but still detail discussions are ongoing with UK;
   - Q to the UK : conditions for imports from the EU to the UK – simple answer from UK: we'll keep todays conditions (free circulation) – no certification needed; but the EU TRACE system access will be cut; UK is building up its own IT system for pre-notification; UK importers will need to connect to this system, apply for a number and share this number to the EU exporters in case of need of an vet certificate (live animals); intra-community certificate becomes export certificate (with UK number);

2) Our preparedness for border controls (in MS responsibility)

- Will only apply for UK exports to EU; no controls in UK for EU products so far foreseen
- On the maritime border facing the UK, entrance border inspection posts do not exist today in ferry terminals and Eurotunnel.
- Ferry ports have no equipment and no space for border inspections
- Black spot (one more) Eurotunnel – built at the time when free circulation was established. Built to facilitate the movement of trade as quickly as possible.
- MS have been informed; border inspection posts are under construction now, and need approval by EU COM (IE, DK, NL, ES, BE, FR have already applied for listing)
- Training of border inspection staff is ongoing in March (as part of the Better Training for Safer Food program).

<u>Discussion / Q&A</u>

EDA: on reciprocity of border inspection processes (no control within the UK ?)

Chair: reciprocity principle will apply following his intelligence gathered in the UK – so, if there is an EU control, the UK will establish a control system.

COPA: 30% of IE dairy goes to UK; high concern in IE; no deal impact will be severe for IE and EU dairy; we will need direct help (PSA, urgency measures). Border controls will be managed at MS level; so will there be a different control level MS by MS ?

Eucolait: exports to UK: no fundamental changes (no listing / approval of establishments), but simply a UK 'Traces" number ? EU to UK : labelling of dairy prods; FIC legislation (EU business address) compliance ? tariffs on milk products ?

EDA: IE is one dairy unit; 900h away from a huge crisis; 804 mio kg of milk is coming from NI to IE every year; our analysis : 15 pence collapse of milk price in NI;

EDA: labelling UK statement for hard Brexit: old labels will be accepted; EU takes a more formal approach ? TRQ split : accepted by other 3rd countries ?

The EC representative replied that at this stage, this is the status quo notices UK December 2018, that was confirmed on 20FEB2019 by the UK; but indeed, there is no certainty; and the uncertainty is also on how long this will last. UK will become a third country with certain impact on commercial relations and supply chains; IE is and has always been the first priority of the EU COM. Labelling: transition period: free circulation; in a no deal scenario: all imports as per 30 march need to be in conformity with EU law. UK to EU: sanitary certificate (as all 3rd countries) and will be controlled at border inspection posts. EU to UK : no changes in import processes. Border inspection posts: MS can decide if they set up, but once set up it is under harmonized EU rules; Labelling: EU obligations will be applied; TRQ split: WTO procedures (art 28) are applied (since summer 2018), in case of a hard brexit: unilateral implementation will be put in place;

Chair: formal request for a specific Brexit meeting beginning of April of CDG milk / CDG milk presidium.

(4) Trade:

(a) State of play on FTAs between New Zealand & EU and Australia & EU and its impact on the dairy sector

(b) USMCA (US, Mexico, Canada) agreement – information on class VII, TRQ management for cheeses, GI protection

(c) FTA with Japan – information on the ratification process/timeline and on the practical modalities concerning dairy exports, such as TRQ management.

(d) CETA: management of cheese TRQ's – review 2018 & outlook 2019

The EC representative gave an update on this point: Success story of EU gri-food, especially dairy exports over the last few years (basis: CAP reform; increasing global demand; high reputation of EU food); "rather successful picture" for dairy; cumulative impact assessment of all FTA shows that dairy & wine will be the 'big winners'.

AUS: early stage, no market offers yet, dairy here not a defensive sector.

NZ: first market access (95% tariff lines) have been exchanged; dairy is a sensitive sector here; no offer has been exchanged for sensitive dairy products; there will be no full liberalization for these products.

USMCA: class VII rules to be changed; price will be adapted to U.S. prices; export duties on class II exports beyond 55K tons; cheese: US have got smaller volumes 14.200 tons over 19 years), but better TRQ management system (no pool system for US cheese exports, no allocation to CAN producers).

CAN TRQ management cheese: high quota fill; but only in the last months of the year; as volumes will increase over the coming years, this situation will be difficult to accept (8000 tons in 2019); 50% of quota goes to CAN producers and licences are traded (40%; with 2.5 CAN dollar price per kg of cheese); EU is in discussion on this point with CAN and will try to secure some changes.

EU – Mexico: very good agreement for the dairy sector; good volumes on cheese and milk powders while GI key cheeses get protection, including Feta. Expected enter in force before end 2019;

Japan: again, very good; in force for 3 weeks; some technical JN dairy quotas issues at customs level; TRQ administration by lottery – we will review this operation within the coming years.

Vietnam FTA (to be finalized and hopefully come into force by the end of 2019, as will the FTA with Singapore;

Mercosur: identified as interesting market for dairy; no timeline can be given here; cheese offer of the last round was 'ridiculous' (less than 5K tons) – a "joke". Rather pessimistic outlook on Mercosur.

<u>Discussion / Q&A</u>

COPA: Sanitary and qualitative expectations of the EU citizens are very high; is there an equivalence assessment of these standards ?

Eurogroup for animals: Animal welfare concerns and FTAs ?

EDA: good to see EU COM to focus also on execution of FTA ! Lottery in JN: good for JN based importers, less for EU exporters; tariff reduction and not TRQs would have been be a better solution in this case; not the perfect instrument;

Eucolait: Vietnam Singapore – what about Indonesia ? Algeria relation & 70% import tax ?

Cogeca - Vietnam and GI ?

The EC representative replied: animal welfare: some of the EU rules are applied extra-territorially; for others, we do not request a similar AW level, but we have always cooperation provisions in place aiming at increasing the other countries AW levls. s in place. Exception in Mercosur: egg products must respect EU standards; SPS standards: imports must meet our standards (as EU production), like any imports (also outside a FTA); EU environmental standards do not apply to third countries; Philippines: negotiations suspended (human rights issues). Thailand: suspended after military coup. Indonesia: promising market; negotiations ongoing, will take another year or two; the COM is very optimistic. Vietnam & GI: all of our important dairy GIs are protected (Feta). JN : ground-breaking quotas -esp. for cheese; lottery system: first time did cause some surprises but we will get used to it; it has the advantage of being non discriminatory; Task Force on Rural Africa: identification of new ways to improve Africa's agricultural economy and how we can work with Africa to achieve agricultural transformation and to make Africa more food-secure; initial conclusions at green week in Berlin, final report will be issued on 07 March 2019; Relations between Africa and the EU have changed – more equal, no longer a donor-recipient relationship. Algeria: working on high tariffs with Algeria that are not aligned with bilateral agreement.

(5) Presentation by the EU COM: update on the state of play of the legislative proposals on the CAP post 2020 with a focus on the provisions relevant to the dairy sector and short presentation on new promotion campaigns

The EC representative gave an update on this point: certain progress at Council & EP level, AT presidency has redrafted EU COM proposals and the EP is progressing at both technical & political level. The RO presidency is continuing on the basis of the AT Presidency work with the ambitious goal of achieving a partial general approach by June; nearly 10.000 EP amendments are now condensed at EP level into compromise amendments within the political groups; COM AGRI vote planned for early April; work will probably not be completed at EP level in this EP term and the next EP will decide how to take things forward. The constitution of the new COMAGRI after the European elections should take place in July.

Discussion / Q&A

EDA: BREXIT : urgency market management (CAP) measures ?

COPA: Draft proposal are different to Impact assessment.

EMB: Drought has impacted our farm economy; there is still no crisis definition in the CAP; we will need precise criteria for defining a crisis in order to be able to act in time; we need to draw the consequences from the crisis and its impacts

The EC representative replied that the Commission services are not lagging behind with their preparedness and contingency work, but no details can be disclosed as per today; past experience shows that the COM acts appropriately when confronted with exceptional circumstances. The budget aspect also plays a role at a time where the UK leaves. The IA for the post 2020 CAP does not exactly match each and every element contained in the Commission proposal, as the approach was to test well defined scenarios with strong emphasis on one element or another and see their impact, while the proposal takes the best out of the variety of possible options. There is no technical possibility to define a crisis, it is always a multi-facetted situation that cannot be catched by one definition; in 2016 the EU Commission reacted rapidly and took adequate actions; if there is a proposal for a definition, it should be tabled.

New promotion campaigns

The EC representative gave a concise overview on 2018 annual promotion programs with a focus on dairy projects. And a very valuable insight into 2019 program line (with an increase of 12.5mio € vs 2018 to a total of 201 mio € in 2019). Nota bene : Chafea portal; deadline 16th April 2019, 17.00 Brussels time.

<u>Discussion / Q&A</u>

EDA: The fact that there is a high demand for "simple" programs shows maybe that more money should be allocated to these projects ? Seeing the 2018 statistics, there is a clear focus on a few countries for this program; smaller countries seem to be less attracted – maybe there should be a reflection on how to make this programs more attractive for smaller countries.

The EC representative replied that there is no regional or MS ('national envelopes') criteria for allocation of the budget, neither for products; the award criteria to evaluate the proposals are laid down in the annual work programme and the calls for proposals. External evaluators are intrusted with the evaluation of the proposals that are ranked according to the points awarded; Union's financial contributions are awarded to the highest scoring proposals up to the available budget.

(6) Study on "The Civil Dialogue Groups for the Common Agricultural Policy – Analysis of EU Policy Consultation" (information point)

The consortium is formed of: Deloitte, AFC, Arreté, Agra Ceas. The policy study will analyse the role of the CDGs and their effectiveness, efficiency, impact, and consider operation improvements by means of four Study Themes. The methodology for the study includes four steps (structuring, observing, analysing, and reporting), each corresponding to a particular objective and approach. Ten Case Studies will be conducted, one on the merging of the school schemes. There will be an online questionnaire, in-depth interviews, case studies and in the beginning of July, we will host a half-day workshop open to all interested member organisations to discuss lessons-learned and suggestions for improvement. The study will result in a policy report to DG AGRI which will be delivered end of the year.

The contractor asked the participants three questions on the effectiveness of the CDGs and the representativeness.

Discussion / Q&A

COPA: this is an important platform for dialogue. Each participant is given the possibility to take the floor in the meeting.

EDA: there is a good balance and representativeness of the sector. It is important to have the diversity around the table as milk producers might have different approaches depending on the country they belong to.

ECVC asked how many farmers were in the room as there were fears that only national representatives were taking part in these meetings.

Eurocommerce: the COM is doing a great job and the presentations delivered ae very important.

Chair: the question on the number of farmers (far more than 50% of the CDG MILK attendance) shows that farmers are well represented and very much part of the approach. It is important to keep the balanced structure.

(7) Single Market and Origin labelling for milk and dairy products – information by the EU COM on the recent development in France

Standstill period of 3 months – no objection. France can go ahead with their extension of the application of the rules. FBOs were aware of the situation in France.

No objections because it was a political decision. There are various experimental legislations in European Countries (7) – the last will end at the end of March 2020. We know that there is a demand from consumers to know the origin.

On 1 April 2020 the implementing regulation on the origin labelling of the primary ingredient will be applicable, so they have to stop at the end of March 2020. There will no longer be a need for Member States to have their national measures once the implementing rules are in place. A few days ago, Finland notified an extension of their measures until the end of March 2020, (was due to be done by end of June 2019). Standstill period for this ends on 16 May.

French report is due next.

Discussion / Q&A

Celcaa asked if the Com considered having an impact assessment? And what is the link between the upcoming implementing regulation and mandatory origin labelling.

EDA: the single market principle should be respected. Urged the COM to do an assessment of the national measures from a Single Market, id est EU perspective.

Copa: this measure has been introduced following the 2015-2016 crisis. It should be taken into account that some member states may want this, some others don't. An in-depth discussion between farmers, governments, industry and traders should be organized.

Eucolait: No link should be made between the mandatory national measures and the implementing regulation on country of origin labelling on a voluntary basis. The national measures are clearly detrimental to the functioning of the single market as they have changed sourcing practices of operators. Such changes are not necessarily visible in trade statistics.

The EC representative replied that the COM will compare the information in the national reports but given that there will be a new Commission, it is not possible to say if a decision will be taken in this respect. All national legislations are focused on the primary ingredient, some cases might be solved with the voluntary labelling.

(8) Follow-up on unfair trading practices (UTP)

Political agreement on 19 December. *Likely* adoption of directive in April 2019. In the meantime, the COMAGRI and the SCA have endorsed the agreement.

The Directive protects weaker suppliers against stronger buyers (B2B) against UTPs occurring in the food supply chain, links to ag and food products, follows minimum harmonisation approach (MS can go farther), protects against 16 specific unfair trading practices, provides for minimum enforcement power, foresees coordination between MS authorities. There are black and grey UTPs. MS have to designate an enforcement authority. This is linked to the other COM initiative on market transparency.

Eucolait: what will the directive add compared to the Late Payments Directive? And how are these linked to the milk package?

Eurocommerce: Spain has its own legislation, which is more balanced. Every member in the chain can denounce the UTPs. There is a legal debate in Spain on how to transpose the Directive. Made a reference to retail alliances.

The EC representative replied that the difference between these rules and the Late Payments Directive is that the rules on payments can't be sidestepped. This approach does not influence the national legislation, Spain is free to continue with its legislation. POs which negotiate raw milk contracts are subject to production thresholds. COM supports retail alliances. Eurocommerce signed up to these practices in the voluntary chain initiative, there is nothing different in this directive.

(9) Presentation and exchange of views on the Communication 'Towards a stronger international role of the euro' (Com(2019)796 of 5.12.2018)

Euro represents 20% of financial reserves and 36% of financial transactions worldwide. These percentages were even higher before the crash in 2008.

The dollar is currently the 'global' currency of reserve. There are challenges to getting the euro to this position.

Consultation on the 'role of the euro' launched on 23 January. COM is looking for responses from members for this. Responses will be used to draw up a small but important Commission document on this. Commission has committed to holding a global commodities summit in 2020.

Discussion / Q&A

EDA: what is the weight of the agricultural sector

The EC representative replied that agriculture might come high in importance on this issue.

(10) AOB & close of the meeting

The AOB point on Mercosur was addressed within the Trade points.

4. Next meeting

The next meeting is provisionally scheduled for the 4th October, but a specific request for a meeting on Brexit to take place in the beginning of April has been made.

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 – Milk

Date: 22 February 2019

ORGANISATION	LAST NAME	FIRST NAME
EuroCommerce	MEDINA	Felipe
Eurogroup for Animals	DI CONCETTO	Alice
European agri-cooperatives (COGECA)	CARDOSO	Fernando
European agri-cooperatives (COGECA)	PODMILJSAK	Matjaz
European agri-cooperatives (COGECA)	CAMELIA	Gyorffy
European agri-cooperatives (COGECA)	ŚMIGIELSKA	Dorota
European agri-cooperatives (COGECA)	TRANGALOS	Nikos
European agri-cooperatives (COGECA)	HARCZ	Zoltán
European agri-cooperatives (COGECA)	LONG	Jerry
European agri-cooperatives (COGECA)	DREIJERE	Silvija
European agri-cooperatives (COGECA)	EDER	Helmut
European agri-cooperatives (COGECA)	BROUWER DE KONING	Wilco
European Coordination Via Campesina (ECVC)	OLIVEIRA	Isménio
European Coordination Via Campesina (ECVC)	LECLOUX	Henri

European Coordination Via Campesina (ECVC)	MAISON	Pierre
European Coordination Via Campesina (ECVC)	REZZIN	Marzia
European Council of Young farmers (CEJA)	BELLEI	Giovanni
European Council of Young farmers (CEJA)	DALLEDONNE	Alda
European Council of Young farmers (CEJA)	DAUN	Christoph
European Council of Young farmers (CEJA)	WOUTERS	Wilbert
European Environmental Bureau (EEB)	============	==========
European farmers (COPA)	VAES	Roel
European farmers (COPA)	FURLANI	Flavio
European farmers (COPA)	TRANHOLM NIELSEN	Esben
European farmers (COPA)	SCHMAL	Karsten
European farmers (COPA)	ROQUEFEUIL	Thierry
European farmers (COPA)	CAUCHI	Robert
European farmers (COPA)	PRANAUSKAS	Eimantas
European farmers (COPA)	ALA-ORVOLA	Leena
European farmers (COPA)	IRVINE	William
European farmers (COPA)	SANTALLA	Roman

European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT)	BUDDENBERG	Peter
European Liaison Committee for Agriculture and agri-food trade (CELCAA)	KUYK	Andrew
European Liaison Committee for Agriculture and agri-food trade (CELCAA)	FEURLE	Klaudia
European Liaison Committee for Agriculture and agri-food trade (CELCAA)	LIKITALO	Jukka
European Liaison Committee for Agriculture and agri-food trade (CELCAA)	O'DONOVAN	Alice
European Liaison Committee for Agriculture and agri-food trade (CELCAA)	RASMUSSEN	Keld winther
European Liaison Committee for Agriculture and agri-food trade (CELCAA)	RANDLES	Anne
European Milk Board (EMB)	POULSEN	Kjartan
European Milk Board (EMB)	SCHOEPGES	Erwin
European Milk Board (EMB)	VAN KEIMPEMA	Jantje sieta
Farmhouse and Artisan Cheese and dairy producers’ European network (FACEnetwork)	SIENKIEWICZ	Miroslaw
FoodDrinkEurope (FoodDrinkEurope)	TAMBINI	Marco
FoodDrinkEurope (FoodDrinkEurope)	ANTON	Alexander
FoodDrinkEurope (FoodDrinkEurope)	BRANDT	Marja riitta
FoodDrinkEurope (FoodDrinkEurope)	KLOOSTERBOER	Wim
FoodDrinkEurope (FoodDrinkEurope)	KOELTRINGER	Hans
FoodDrinkEurope (FoodDrinkEurope)	MULVIHILL	Conor

FoodDrinkEurope (FoodDrinkEurope)	NALET	Michel
FoodDrinkEurope (FoodDrinkEurope)	VAN INGELGEM	Olivier
International Federation of Organic Agriculture Movements EU Regional Group (IFOAM EU Group)	EVANS	Clifford
Contractor	*KOSIOLEK*	*Anna Elisabeth*