

# Final Minutes of the Civil Dialogue Group on Animal Products –

## Sector “Pig meat”

13<sup>th</sup> April 2016, Brussels

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3. *The economic situation of the pig meat sector:*
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    - 6.2.2. *Presentation of the Road Map on alternatives to surgical castration;*
    - 6.2.3. *Exchange of views on the stunning methods for pigs.*
7. *AOB.*

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The meeting was chaired by Mr Paul Brand.

## **1. Approval of the agenda and the minutes of the previous meeting of 28<sup>th</sup> October 2015**

The participants approved the agenda and minutes.

## **2. Information and exchange of views on pork and pork processed products market situation:**

### **2.1. Forecast for the pork market** (outcomes of the FWG of the CDG on pork held on 14<sup>th</sup> March 2016);

The Commission (GD AGRI C 3) presents the market situation following the results of the Forecast Working Group. The Members of the CDG received the slides. Some of the highlighted points were:

- Beginning of 2016 prices developed against the usual seasonal trend.
- In January the Commission opened the PSA (Private Storage Aid) for pork. Around 90.000 t were contracted. There is no information yet on release from storage. The prevision is purely based on contract periods. It is forecast that nearly 60.000 t will leave in April.
- Prices for piglets are below the average for 2011-2015.
- Forecast for pig meat prices: 2<sup>nd</sup> and 3<sup>rd</sup> quarter down and 4<sup>th</sup> quarter of 2016 up.
- New forecast figures for production 2016: 0.2 % up against 2015. After three quarters of increase the production is expected to decrease by 2.4 % in the 4<sup>th</sup> quarter.
- The theoretical calculation of the remainder for pig fattening has shown a very low level beginning of 2016. The remainder does not show the profit. It is only an indicator about the development of the profitability. The method to calculate the remainder was presented to the delegates in slides which have been forwarded to the delegates before the meeting.
- Foreign trade:

Exports in January 2016 were much higher than in 2015 (plus 23.5 %). An exceptional increase by 78 % was noted for the destination China which now takes over 42% of all EU pork exports. Together with Hong Kong the share is over 50%. As regards the exports of salted pork, despite the fact that the volumes are small (28 000 t with a total value of 307 000 €) they remain important. Over years, we notice that the quantity is steadily increasing and the value is increasing faster than the quantity. The most important destination is the USA with a continuing increase in volumes for the past four years.

Imports are negligible at 2 600 t. Main supplier is Switzerland with 1 600 t.

### **2.2. Long-term development**

The Commission (DG AGRI E 2) gave a presentation on the long term prospects for the pig sector (until 2025). The database with his presentation charts has been made available to the delegates.

#### Main findings:

- Saturation or little consumption growth in developed countries. Large further growth in consumption of pork (and poultry) in developing countries. All in all there will be a slow growth in worldwide demand.
- Steady growth (2 % p.a.) of trade to other countries. Main part of production increase will go abroad.
- It is important to look at the prices in local currency as some large producers (e.g. Brazil) face a heavy devaluation of their currency.
- The greenhouse gas emissions from animal production will go down in total but the emissions from pig and poultry will go up.

#### Some comments from delegates:

- Price development in national currency in third countries: if the prices increase in national currency because currency is weak that does not necessarily mean that the competitiveness of the production is increasing. One has also to take into account the development of the costs. Those are likely to increase as well since a weak currency often is accompanied by a high inflation rate.
- Greenhouse gas emissions: They may go up for pig and poultry production but less than the production increase. One has to take into consideration that there are efficiency gains and the specific emission is going down.
- Alternative methods of production: One should look at alternative methods of production and not only at quantities and prices. This has already been considered in the poultry sector.

### **2.3. Animal feed market development**

The Commission (GD AGRI C 4) presents the market situation in the grains and animal feed sector (charts were made available for the delegates).

His main findings are:

- **2015/16 crop year:**
  - 3rd consecutive record world wheat crop
  - Soybeans also record
  - Smaller maize crop, however ample supply due to large stocks
  - EU: record wheat crop but poor maize harvest

- **2016/17 crop year:**
  - Slight fall in production expected but supplies to remain abundant
  - Wheat crop to decline by 3%, maize to recover by 2%
  - Changes to Chinese maize policy could reduce import demand
  - Argentina to increase grain exports after reforms
  - EU-production will be reduced due to weather conditions; therefore the import will increase

### 3. The economic situation of the pig meat sector

3.1. **Farmer perspectives**, presentation by Antonio Tavares, Chairman of the CPOA/COGECA Working Party on pig meat

COPA/COGECA presents his results with charts which are made available to the delegates.

Main findings:

- Many technical requirements (environment, traceability, animal welfare) in the pork sector in the recent years have initiated a lot of investments which again resulted in strong increase in productivity.
- The prices are dramatically low. They are the lowest in 11 years
- Feed costs: Farmers mainly do not buy grains but buy ready to use feed. Since contracts have been made for that already last year the farmers do not benefit from the recent reductions of the prices of the feed components.
- APS destockings (30.000 t until 17 April) will have an effect. The quantity represents 3 % of the monthly production.
- Exports are only good because prices are low.
- Prices for fats are low because Russia ceased to be a customer for that. Low fat prices have a negative effect on the value of the carcasses.
- Additionally the EU has lost some alternative markets (e.g. Philippines)
- Will the EU open up a new APS?
- The pork sector in the EU has to respect a lot of cost producing requirements (animal welfare, environment etc.) which will not be relevant for many producers in third countries. Those elements should also be discussed on WTO-level
- There should be a discussion on capital risk management for pork producers

– Free trade agreements

- CETA: A zero tariff quota of 80.000 t was agreed. The problem is not the total quantity but the fact that the whole quota can be used for valuable cuts.
- MERCOSUR: the Commission suddenly came up with an offer of 12.000 t; The Commission should not go ahead with offers before other important issues like access to the market of the MERCOSUR countries is sorted out.
- TTIP: There are certain cuts which have only a low value market in the USA, but for which there is a good market in the EU. We must have a close look at the cuts and their access to the EU.
- Japan: The Transpacific Trade Agreement is a big danger for our access to the Japanese market. We must quickly agree at least the same conditions with Japan otherwise it will be a disaster for our pork market.
- Other markets: we have free trade agreements which are already in force (Andean, Central America) but we cannot deliver. The EU-Commission must become active.
- Russia: The Russian Ministry of Agriculture is practicing a black list. We cannot accept that. The Eu-Commission must become active on that.

COPA COGECA also demanded more market transparency in the pork sector. He mentioned especially better information about prices on retail level.

- Other elements for which a solution was demanded were the recent step of the Philippines to penalize the import of fats and the still unsolved problem of processed animal proteins for feed.

Some comments were made:

- Manufacturers

- Rather than using money for psa, the funds should be put n promoting activities
- As concerned transparency: processed meats could not be included in a transparency scheme. The products are too diverse to be compared.

- Smallholders

- Exports are not a solution for the market
- One must look for other solutions for a sustainable pork production.
- We must reconsider to use feed waste
- The pork sector should be protected better. That would result in a better price

- Environmental Groups

- The System is absurd. We lose money with the export but we think we must produce even more

- As regards animal welfare standards and environment: Do we really have a high level in the EU as the producers always claim? In animal welfare there are pseudo standards which even are not followed. Public funds should be used to improve animal welfare. We need a public funding of a production that can survive.
- By financing an overproduction the EU has contributed to the crisis. The EU support instruments are only financing large industrial production facilities.
- The Trade Unions representation (EFFAT)
  - Afraid of further loss of labour facilities
  - Market balance must be restored
  - Production must be in line with requirements of sustainable development (reference is made to OECD decisions)
  - Waste has to be minimized
  - There must be incentives to reduce production. However profitability must not be reduced. Labour facilities must be kept.
- The representative of the EU-Commission (Mr Luis Carazo, DG AGRI C3) comments the contributions
  - All contributions are legitimate
  - He refers to the Agricultural Council on 11 April 2016
  - Free Trade Agreements: They are requested by agriculture as well. Because of the failure to renew the WTO-agreement, there are more and more bilateral agreements which put pressure on those who are not part.
  - Figures for Mercosur-offers: The figures have been internal proposals which leaked unofficially. They have not been offers.
  - Russia:
    - There are groups of Member States who would like to negotiate separate agreements with Russia on access for agricultural products
    - There are other groups of MS who want a united approach
    - Commissioner Andriukaitis has pointed out that it is not the first time that Russia said that problems could be solved easily and it did not work eventually.
    - Aid to private storage: At present there is not a strong request for it. The real effect of the measure is widely questioned.
    - We will keep in mind to support to put money in promotion rather than in aps.

## **4. Pork market Management**

### **4.1. Market crisis and information on the implementation of the EU farm Ministers conclusions (temporary exceptional aid/APS/promotion/functioning of the food chain)**

The Commission (DG AGRI C3) reports:

- Farm aid of 2015: by end of June 2016 the targeted aid (from Regulation 2015/1583) must have been given. 18 Member States have allocated money to pork farmers.
- Promotion Programmes:
  - o There will be an increased budget for 2016. The co-financing level will be higher (70 or even 80 %)
  - o Generic pork in the Internal Market will be included in the support
  - o Deadline for proposals is 28 April 2016.

### **4.2. Agricultural Market Task Force – possible achievements**

The EU-Commission reports:

- The main issue of the exercise is to find ways and methods to improve the farmers' position in the food chain.
- 12 candidates have been chosen from an open call.
- Chairman of the group is Cees Veerman, member of the Dutch Parliament and former Dutch Minister of Agriculture.
- The Task Force started its work in January 2016
- There have been three meetings: The last one was on the day before (12 April 2016)
- The issues of the two meetings after the inaugural session have been market transparency (February) and futures markets, European Fund for Strategic Investments and Financial Instruments (April)
- There will be three further meetings (May, June and September) with the main issues
  - o Contractualisation and Contractual Relations between farmers and other actors in the food supply chain
  - o Collective self-help tools and the EU regulatory environment
  - o Climate change – challenges and opportunities for farmers
- There is a website of the group where all relevant information of the work can be looked at and downloaded.
- There will be a final report with recommendations which will hopefully concrete enough.

### **4.3. Information on the establishment of a Meat Market Observatory. Exchange of views.**

- In the Council of Ministers in March 2016 the Commission was asked to establish a Market Observatory for meat similar to the existing one for milk.
- The Commission has reacted and published a call for participation on 11 April 2016.
- The main groups participating in the market should be represented in the Economic Board.
- There will be two sub groups (beef and pork).
- The groups will consist of maximum 16 persons each.
- The groups of the Economic Board will meet 3 times per year.
- Organisations will be admitted only if they have a representation covering at least 15 member states.
- The aim of the exercise is to provide high level information on the functioning of the market.

EFFAT (Workers unions) asked whether the observatory would also deal with the provision of jobs in the sector. The Commission clarified that the task of the institution would rather be technical questions related to the market.

**5. Market Access: DG TRADE information and exchange of views about opportunities and challenges for the EU pig sector (e.g. Mexico, Colombia, Japan, Russia...)**

The Commission (DG TRADE D3) reports:

- There is a continuous discussion on the appropriate level of protection against human and animal diseases
- Many countries want zero risk, which of course is an illusion
- The issues can be seen on Mr. Maier's presentation which was distributed amongst the participants The headings are
  - o Pork sector – frequent SPS barriers
  - o Identification of priority markets
  - o Identified priority markets (SPS)
  - o Priority issue: African Swine Fever
  - o Developments (regarding Brazil, China, Japan, South Korea, USA/Canada, Colombia, India, Mexico, Philippines)
  - o MS and COM work on improved co-operation
  - o Sharing of information on SPS market access issues
  - o What DG TRADE can do
  - o What can industry do?
- The representatives of the Trade Unions and the Environmental Groups raised the considerations that weakening SPS standards in order to get better access to third country markets could put European consumers at risk.



The Commission representatives answered:

- This is not the case. We do not want to lower standards. We want to accept the standards of the third countries. However, we want to get approval processes to start, to be transparent and consistent.
- As concerned the European standards, which we apply on imports, we need to justify them. If we cannot explain our standards in the WTO we are going to face panels which we will lose.
- As concerned Ractopamin the EU does not accept it
- Animal welfare is a serious concern but it is a difficult area. In the USA there are few legal standards but a lot is done by industry commitments. We are well advised not to paint too much a black and white picture.
- Regarding the precautionary principle of which EFFAT claimed that this was not recognized in other countries: The Commission is aware of the issue, but points out that we must recognize that this is not true in general. E.g. in relation to Listeria the requirements in the USA are much stricter than in the EU. Furthermore, APHIS applies the precautionary principle on plant health.

## **6. Information and exchange of views on the veterinary issues:**

### **6.1. Animal health situation in the Baltic States and Poland**

The Commission (DG SANTE D3-001) reports:

- African Swine Fever (ASF)
  - Up to now in 2016 there have not been any new cases in domestic pigs
  - The conditions are met to lift some part III conditions in Lithuania and Poland
  - Regarding the suggestions to increase biosecurity: It must be considered not to increase the measures such that the incentives to circumvent the measures are too big. That would be even worse.
  - As concerned measures towards wild boar: A reduction of the population by 60 % is desirable and would help to reduce the infective movement. However, it is simply not manageable. I would help
    - not to increase the hunting pressure,
    - to stop feeding the animals,
    - to reduce the number of females,
    - to remove dead animals fast.

Further steps are:

- Up to now two ministerial meetings

- Multilateral communication with eastern countries (Russia, Ukraine, Belarus). The last meeting was on 15 March 2016.

The COPA representative from Lithuania asks whether contraceptives for female wild boars would offer a solution. Furthermore, he complains that fully secure farms are penalized because of the zoning policy. Could it be possible to apply different measures on wild and domestic animals?

The Commission representative answers that the issue of zoning and different measures for domestic holdings with high biosecurity level will be taken to the OIE. However, one should bear in mind that also some high biosecurity holdings have been affected. The system of high biosecurity of farms is not always working well.

As concerned contraceptives, research is still going on. It would already help a lot to reduce the reproduction if feeding the animals would be stopped.

## **6.2. Animal welfare**

### **6.2.1. Debriefing on the main conclusions of the EU conference on animal; welfare on 23/24 February and exchange of views on the EU platform on animal welfare**

The Commission (DG SANTE D2-002) gave a short outline:

The conference had one day including the participation of stakeholders and one day only for representatives of the Member States. Basically, it was concluded that strategies on national level are good but not enough. It was found that the industry is opposed to more legislation. The animal welfare organisations, however, are convinced that the legislation is not strict enough. During the Dutch presidency no new legislation is planned. But there were talks about the implementation of existing rules. An example is the rule that all pigs should receive enrichment material. Only some member states really implement it.

Mr Simonin added that this was not a simple point but essential. He pointed out that there was working document available on that issue. He strongly recommended reading it (Author's comment: The Commission services should send the addressed document to the associations participating in the CDG, since it is not easy to find the document addressed).

Other issues addressed at the conference were

- Stunning
- Animal welfare and use of antimicrobials
- International issues

Comment of the Commission: In the pork sector, import is very small so we do not have a large concern in that area presently. For future trade agreements, we have

difficulties to take a strong negotiating position on EU standards as long as we do not implement those standards properly.

- Investments in other countries that do not respect certain standards and which compete with our industry.
- Structure of the dialogue
- Future role of the animal welfare reference centre

According to the Commission the conference had not delivered anything conclusive. However, it had delivered results on how the dialogue could be structured.

### **6.2.2. Presentation of the Road Map on alternatives to surgical castration**

The Commission (DG SANTE G2-002) told the group that a road map could not be presented at this time. There is a new study ongoing, which should be finished by the end of the year.

Important issues would be

- How to manage the cost of ending surgical castration and how to share the cost,
- How to market uncastrated and chemically castrated pigs
- How to measure boar taint. Next year there should be a study on technical possibilities.

The representative of EUROCOMMERCE raised the question on the progress of an amendment of Regulation (EC) No 854/2004. Several meetings of the CDG ago it had already been highlighted by him that the Regulation rules that meat of animals with pronounced sexual odour is unfit for human consumption. That rule would be a big obstacle to ending of surgical castration. The Commission had promised several times that the rule should be amended.

The Commission representative told that nothing had happened yet.

### **6.2.3. Exchange of views on the stunning methods for pigs**

The representative of the Eurogroup for Animals raised the question on what research had been done on alternatives to CO<sub>2</sub>-stunning.

COPA's commented that up to now no viable alternatives were available. Mr Simonin of DG SANTE commented that the result of an EFSA opinion was that CO<sub>2</sub> is not the best solution. However, at the moment only electrical stunning would be an alternative, which is less than optimal. It seems that there is no other alternative in reach.

The representative of IFOAM (ecological agriculture) commented that it is not possible to apply laboratory methods to practical agriculture. He concluded that he does not support the exclusion of CO<sub>2</sub>-stunning.

The chairman Mr Paul Brand concluded the point that the industry does not stick to a particular method. The abattoirs would switch to another one if it could deliver a better result under practical conditions. We look for the most animal-friendly method were his comment.

After that point, the session was closed.

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