

DRAFT MINUTES OF THE CIVIL DIALOGUE GROUP ON ANIMAL PRODUCTS – BEEF ON 6TH APRIL 2017

1. Adoption of the Agenda and of the minutes of the meeting held on 30th of November 2016
2. Market situation and perspectives, including
 - a. Market report by the European Commission, including the impact on trade flows following the devaluation of the sterling
 - b. Short presentation of the feed market situation including information on the draft EU protein balance sheet
3. Agricultural market crisis: presentation by the EC on the use of the exceptional adjustment aid (the July package) in the beef sector at member state level
4. Information from DG Competition on the planned study on contractual negotiations in the beef sector (art. 170 of the CMO Regulation)
5. Information from EC on the CAP post 2020 (including the timeline);
6. Follow-up on the implementing and delegated acts concerning the simplification and reduction of administrative burden for beef carcass classification and price reporting
7. State of play on the animal health situation in the EU (bluetongue and lumpy skin disease) and exchange of views
8. Market access - SPS barriers to trade - progress report with a focus on China, Japan, South Korea and the USA
9. Animal Welfare during sea transport presented by Dr. Cecilia Pedernera Tierschutzbund Zurich I Animal Welfare Foundation
10. State of play on the developments regarding the Memorandum of Understanding between US and the EU on hormone-free beef
11. The Brazilian Meat scandal – implications for the EU and the controls in place
12. AOB

1. Adoption of the Agenda and of the minutes of the meeting held on 30th of November 2016

The agenda and the minutes were adopted. A point on Brexit has been added to the agenda.

2. Market situation and perspectives, including

a. Market report by the European Commission, including the impact on trade flows following the devaluation of the sterling

The European Commission representative gave a presentation which can be found on CIRCABC:

- The December survey shows a variable situation in livestock numbers. Dairy cow numbers slightly decreased;
- Slaughterings were 3.1% higher in heads and 2.6% higher in tonnes due to significant increases in cow and heifer slaughterings;

- Last year was a bad year in terms of prices, which were below last 5 year's average. Even if declining, prices recovered in autumn and stabilized in December. The decline in prices is due to the situation in the dairy sector but also to the constant devaluation of the pound, which has impacted Ireland. The Polish currency has also decreased;
- Exports (both in volume and value) were dynamic in 2016, and have helped take away a certain pressure from the market. New markets opened like Philippines, Vietnam, Ivory Coast. Exports to Turkey and Lebanon declined in January but no conclusion can be drawn. It is expected that the management of imports by Turkey will improve.
- Imports saw a slight increase in Mercosur in 2016. Some signs of decline were noticed for Brazil in January (they lost competitiveness due to real...), at the same time with increases when it comes to Uruguay, Argentina, but also US;
- Trade balance (in volume) remains positive, even excluding live animals but it is negative in value. Live exports account for 52% of exports in value terms.
- Brazil is still more competitive than EU. US prices are sky rocketing;
- TRQ use: Hilton quota is used up to 92% while the high quality beef quota (hormone free quota) has been fully used;
- In terms of forecast for 2017: production is likely to be more stable, prices might see a slight recovery, consumption is likely to further decline.

Discussion

The Chairman opened the floor for remarks by underlining that cautiousness is needed as several factors as Russia, devaluation of sterling, the dairy cull cow programme have already had a major impact on the beef market with prices today well below 2012-2015 average.

EEB underlined that beef production is very much supported by aid systems which are financed by the tax payers. No live animal transport should be allowed, rather EU should export only meat. Grass-based production is not questioned here. Less monogastric, more ruminants.

Copa thanked the Commission representative for the excellent presentation. We are talking today about stability but at a very low price level which does no longer remunerate producers which are facing severe cash flow problems. Raised the attention to the risk of ruining EU's own production to the advantage of imports. This also in the context of campaigns against the EU livestock sector. Producers are open for dialogue but the economic reality and the competition the sector is facing should not be ignored. When it comes to imports, 70% of these come from one single region, Mercosur. We should not be too dependent on a single market as this might in the end play against us (took the example of China which is very dependent on Brazil and despite the recent food safety scandal, they had to reopen the market). The fact that the Hilton quota is not fully used is due to the tariff in place. Finally, expressed concerns on the future, also when it comes to DG AGRI restructuring.

CELCAA welcomed the good focus on currency. Given the traded volumes, the euro-sterling relation is important. This may cause volatility which has already happened already since the Brexit vote. Live exports are relevant. Our exports are not predominantly represented by value added products but by offals and fifth quarter.

ECVC underlined the importance of a strategy for the sector faced with decreasing consumption by creating an EU preference against imports, develop exports and support the livestock sector.

FESASS highlighted the production standards which are different compared to imported products.

The Commission representative reminded that this is a factual presentation on markets. Exports provide value not added value. Demand is there and the EC tries to further open markets while paying attention to the fact that beef is sensitive in trade agreements.

The Chairman reminded the importance of same standards for imports.

2. b. Short presentation of the feed market situation including information on the draft EU protein balance sheet

The European Commission representative gave a presentation which can be found on CIRCABC:

- Presented the situation at EU and world level. This varies depending on the category.
- Presented the cereal prices which remain low (attractive from a user point of view) and referred to the balance sheets for cereal types and oilseed types and futures prices.
- Presented the protein balance sheet (including its structure) and reminded that this tool will be made accessible on DG AGRI website. It focuses on feed uses.

Discussion

ECVC asked if grassland, which is the first source of protein, is reflected in this approach and if clover is included.

The European Commission representative underlined that it is difficult to get reliable data on the amount of protein delivered by grassland. This is underlined in the explanatory note.

2. c. (new) Brexit

The European Commission took the opportunity of referring to Brexit.

- last months, art. 50 was triggered;
- there will be 3 phases: preparation, negotiation, ratification. The first one will last until June. The adoption (by QMV) of the EU guidelines is expected for 29th April. Then, the negotiations may start and are expected to last for 18 months. In autumn next year, the results will be endorsed by both sides (ratification) with the final ratification expected for February 2019. EP will vote by simple majority and the Council will need to re-state their agreement. When it comes to MFF (2014-2020), what has been agreed upon up to 2020 needs to be respected. For the next MFF, UK is no longer member. By beginning of next year, an MFF proposal is to be expected. TRQs are part of negotiations, nothing else can be said at this stage. Welcomed any suggestions.

Discussion

The Chairman underlined the importance of having a proper discussion in the next meeting and opened the floor for comments.

Copa underlined the importance of having a state of play on this as it might severely impact beef meat (it has already had an impact due to sterling devaluation). Around 50% of Irish beef exports go to UK market. In case of a « hard » Brexit, around 200 000 t will have to be redistributed, most probably to other EU markets. And “Brexit calves” are on their way. Questioned the possibility of absorption of this quantity by the EU market. And prices are very low already. It is important to have a transitional arrangement as farmers are purchasing their calves today and ensure a favourable outcome of the negotiations. A crisis however might be inherent and it might be the biggest one since BSE. Also underlined the importance of the CAP budget. It is important to have an impact assessment on beef in view of Brexit. Asked if this can be tackled within the Meat Market Observatory meeting in June.

CELCAA underlined that EU will lose a major import market. Several MS are to be impacted with Ireland being the biggest exporter to UK. A close trading relation with UK is preferred. There is a need for a transitional arrangement to secure future planning and investments. Brexit has already produced some effects (half billion € have been lost due to currency). There will be further volatility. TRQs need to be dealt with.

The Chairman underlined the serious implications for the EU market and the need for a smooth transition agreement.

3. Agricultural market crisis: presentation by the EC on the use of the exceptional adjustment aid (the July package) in the beef sector at member state level

The European Commission representative gave a presentation which can be found on CIRCABC:

- €350 million have been distributed in national envelopes. 18 MS topped-up this money by a further €211 million. 5 MS grant aid for the beef sector.

4. Information from DG Competition on the planned study on contractual negotiations in the beef sector (art. 170 of the CMO Regulation)

The European Commission representative presented the planned study on this.

Some participants questioned the 15% limit for the negotiation of contracts by producer organisations. The European Commission representative recalled that the legislator set this limit in the Regulation. He noted that producer organisations are much smaller than the limit of 15% of national production in the sector, that there is thus significant scope for the development of producer organisations within the rule and that, even with that limit, the rule entices the creation of large organisations of a similar or bigger size as that of most buyers.

Copa underlined the fact that the negotiations between producers-industry-distributors should take place at the same time.

The EC representative reminded that adding value in supply (e.g. through services) is also important getting better revenues for producers and not only the size of producer organisations. The size might be in some cases detrimental to revenues of producers.

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

The European Commission representative gave a presentation which can be found on CIRCABC. This mainly focused on the modernisation and simplification objectives the EC is envisaging for the CAP.

Discussion

CELCAA congratulated the EC for the questionnaire and wondered how the replies will be treated. It is important to keep in mind that farmers have to adapt all the time. Asked if the current CAP will continue up to 2021-2022.

CEJA highlighted the importance to communicate to the public that they should buy and consume EU meat. Young farmers are suffering due to difficult markets, trade agreements, Brexit and more attention should be paid to them.

Copa underlined the need for the financial framework to be kept in mind and that there are many uncertainties linked to Brexit. We do not want budget reductions. Stability is needed. We also need to tackle other topics like the functioning of the food chain, competition law. Some other pressures are coming from environment, climate. There is a need to strike a balance between the environmental and economic objectives. There is a need for more coherence. Consumers need to be aware of the high nutritional elements of beef and more funds should be made available for promotion. The different production conditions need to be acknowledged, the EU beef model is very much a grassland model, present also in vulnerable and poor land areas, having an essential role in job creation. The CAP should address the long term difficulties in income. Nitrate levels have been declining in several countries. Coupled support is important but more needs to be done to sustain a profitable sector.

Fesass mentioned that the crisis led to farmers out of business. It is important to identify a way to convince young people that there is a sustainable future in the sector.

Cogeca underlined the importance to maintain the current CAP aid (coupled support which should be available to beef producers regardless of production system) in order to help them maintain the high quality standards at the same time and ensure a better distribution of margins along the chain. POs have a greater role to play.

ECVC asked about the budget negotiations and the agricultural share.

FoodDrink Europe mentioned that coupled aid is important for beef and MS should be able to decide a greater level of protection for certain producer groups.

EEB underlined that the rise in milk production encouraged by CAP led to a rise in nitrates.

The European Commission representative reminded that the EC is currently looking at the options also in the spirit of ensuring that agriculture is in a better position.

The Chairman raised the attention on the critical income level in the beef sector, which is below sustainable levels.

6. Follow-up on the implementing and delegated acts concerning the simplification and reduction of administrative burden for beef carcass classification and price reporting

The European Commission representative informed that the implementing and delegated acts were voted in February. The delegated act is under scrutiny by the EP and Council. The publication will be done jointly with the ISAMM regulation (possibly beginning of June). There will be a transitional period of one year. Reminded the proposed changes.

7. State of play on the animal health situation in the EU (bluetongue and lumpy skin disease) and exchange of views

The European Commission representative gave a presentation which can be found on CIRCABC:

- In 2016 outbreaks of BTV 8 are reported in FR and BTV 4 in IT. The situation is relatively quiet as this is not high season and disease clinical impact is relatively low. ;
- EFSA confirmed that we need 5 years of vaccination of 95% of cattle to eradicate the disease. Another EFSA opinion on classification of BTV serotypes will follow;
- LSD in 2016 was present in Bulgaria and Greece. It is also present in Serbia, FYROM, Montenegro, Kosovo, Albania. In Croatia, LSD is not present but preventive vaccination is implemented. In all those countries annual revaccination of animals and vaccination of new born animals is in progress or planned for this year. Only sporadic cases reported so far in 2017 (EL, FYROM). There is EU financial support for vaccination. A new EFSA report on LSD will follow on epidemiological data.

Discussion

Copa asked if LSD was also present in the Baltic region. The Croatian delegate asked if in the context of high vaccination costs, there can be a compensation of the full vaccination cost.

The Italian representative of Cogeca reminded the specific situation in Italy because of bluetongue and underlined that it was not possible to move vaccinated calves to slaughter and asked if these provisions will be changed. Asked who will pay for vaccination for 5 consecutive years. Wild animals are also a problem.

The EC representative replied that LSD outbreaks were also in the Russian Federation until October 2016. The risk of spread to Ukraine, Moldova and Romania is imminent. The cost of vaccine is reimbursed at 1.1 € per dose. EFSA's opinion on bluetongue was asked in order to assess the possibility of simplifying the movement requirements and this is being considered.

8. Market access - SPS barriers to trade - progress report with a focus on China, Japan, South Korea and the USA

The European Commission representative presented the state of play:

- For Japan, 9 MS are allowed to export: FR, NL, IE, PL, DK, SE, IT, HU, LT. There are other applications pending;
- For Korea, there is no positive progress. Four applications are pending and they will not start other evaluations before the first ones are finalised, it may take even 4-5 years;

- For China, RO and HU had access for live animals and beef but when the BSE case was discovered in RO, exports from that MS have been blocked. The ban has been lifted for IE, NL, FR but they still do not have access to the market;
- For US, 4 MS have access (IE, LT, NL, FR). Other applications are pending, 6 MS are at stage two, 6 are at stage three. US has changed the testing requirements for E-coli.

Discussion

The Chairman reminded that getting products to these markets is difficult even if the market is open.

FoodDrink Europe asked if more action should be taken in the case of China as it is an important country. Their standards are still not clear and we should ask for reciprocity on non-tariff barriers.

CELCAA underlined that it is unacceptable that some MS are still excluded and that there are additional barriers on those which already have access. The number of restrictions are not justifiable and are not in line with OIE.

The EC reminded that US refused to recognise the OIE standard for negligible risk and they have a country by country approach and not as a single entity as the EU is requesting. The EC is using all different forums to convince them to follow international standards.

9. Animal Welfare during sea transport presented by Dr. Cecilia Pedernera Tierschutzbund Zurich I Animal Welfare Foundation

Dr. Cecilia Pedernera gave a presentation on this by revealing the results of a study on sea transport focused on nine boats.

Discussion

The Chairman opened the floor for remarks by underlining the importance of the live export trade for price competition and the industry. EU countries take animal welfare seriously as it makes no economic sense for animals not to arrive in good conditions at destination.

CELCAA mentioned that these accusations are down to accidents, the reality of animal transport is different. We have to make the distinction between accidents and failure to comply with the rules. The ship is strictly inspected by harbour masters and competent authorities. Huge investments (€150 000) have been made. The results do not correspond to the information the industry has. These are old imagines. Animals are inspected, checked if they are ill and not shipped in these conditions. The study does not show European ports.

EFA asked when the ECJ ruling on applying the same animal welfare standards at destination will become applicable. EU standards should be respected at destination.

ECVC asked about the points of departure and points of destinations for the 9 boats inspected.

Dr. Pedernera underlined that it is acknowledged that there are countries that do well but there is a need for a further harmonisation. In some cases, no veterinarian was present on board.

EEB mentioned that it is not acceptable to see this when the CAP is supporting the sector with tax payers' money.

Copa asked about the number of the boats, departure, destination. According to trade logic, a seller and a buyer have both an interest to have healthy animals on board. It is good to see that there is no opposition to sea transport but to ensure rules are respected. There is legislation in place and it has to be respected. Questioned the credibility of the report as it is too much one sided. This is not the norm. Some national legislation is in excess of EU regulations. Journeys are also matched with sea forecasts. Animals transported by sea are examined by the veterinarians. Animals with horns are not allowed. Farmers pay a levy on the animals so that inspections take place. Teagasc has detailed research on welfare impact of sea transport of animals and the conclusion is that there is no impact on welfare of animals transported from Ireland to Lebanon.

Dr. Pedernera replied that some vessels are in bad conditions and if the immunological system of the animal is already affected, disease is likely to occur. Animals should be slaughtered closer to where they are produced. She also admitted some of the data in the reports are exaggerated in order to get people to take notice.

The EC representative said that new legislation is not envisaged as the subsidiarity principle is the approach followed. There are audits ongoing on live animal transport.

The Chairman reaffirmed the position regarding official veterinary inspections on live exports prior to transport and the high level of controls already in place.

10. State of play on the developments regarding the Memorandum of Understanding between US and the EU on hormone-free beef

The EC representative gave a state of play by underlining that no decision has been taken as the EC is waiting for the decision of the American administration (the new administration is not yet in place).

CELCAA reminded that the deal had been done to avoid trade war and massive disruptions. The MoU should be maintained.

Copa questioned if it is good to wait or the EC should already have a strategy. Duty free tariffs are the most attractive. One thing should be clear: no extra volume.

FoodDrink Europe underlined that nobody is happy with the current arrangement and wondered what can be done.

The EC representative reminded that the EU will stick with its commitment. The amount will not be touched and the deal has to be WTO compliant. There are red lines which the EC has defined.

11. The Brazilian Meat scandal – implications for the EU and the controls in place

The European Commission representative reminded about the outbreak of the scandal and that the information appeared first in the Brazilian press. Red meat and poultry should be subject to reinforced controls at border. The establishments concerned are no longer able to export to the EU. The EC is in close contact with Brazilian authorities. In the first half of May, audits will take place. The information has been presented at Council level where all MS supported the EC's approach. The EC also attended EP meetings.

The Chairman asked if the same authorities which have been subject to these acts can be trusted and if the investigations will be conducted at company/plant level or at the entire business/group level. Asked about the sanctions. Questioned the continuation of the negotiations with Mercosur from a food safety perspective.

Copa underlined that the risk was known at EU level: the FVO audits from May last year concluded that the establishments could “potentially meet the requirements” but at that time they weren’t. Deficiencies in sampling products for biological criteria but also in keeping the list up-to-date and the late notifications to the EC have also been underlined. And this is also valid for the previous FVO reports. Now, through their own investigations, Brazil has reconfirmed this. China is under pressure because of its dependence on imports, putting citizens’ health at risk. The sanctions were very light and this is difficult to be explained to farmers. Why not ban imports? Asked when it is possible to have the results of the audits which will be conducted.

CEJA underlined that the EC did not act fast enough on such a serious issue with huge impact. EU producers have to compete with Brazilian imports (Brazilian production having a detrimental impact on forests) at a time when EU consumption is dropping. EU producers comply with strict traceability rules ensuring a high level of safety and traceable products unlike the Brazilian producers. The EC should promote our production standards more. The investigation is going on for a number of years and many processors participated in fraud before this was announced publicly. It is important that the EC acts fast.

Ifoam considered this scandal unacceptable and asked how double standards can be avoided.

The European Commission representative replied that the report is a police report, no information has been received from the Brazilian authorities previously to this report. The plant itself and not the group is being investigated. Restrictive measures can be imposed on them. When it comes to Mercosur, the EC will not negotiate on EU’s health requirements. Only best cuts of meat can be exported. The EC does not investigate corruption cases. Older reports are more favourable. Following the May 2015 report of the FVO, the compliance with EU standards has been checked and on the basis of this, establishments were authorised. The reports concluded that the results were satisfactory. The EC acted responsibly, in the interest of protecting EU consumers. In the past, there have been strict limitations for ranches which did not have a traceability system. As well, on specific sanitary issues, strict controls of the holdings of origin were required. The future audits will be prepared in detail and the results will be shared with the MS.

The Chairman concluded that beef has to remain high on the list of products that the EC is defining as sensitive. The EC needs to send clear signals that it has serious concerns about what has happened and ensure such products do not enter the EU market.

DISCLAIMER:

"The opinions expressed in this report represent the points of views 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 information here above."