

## **MINUTES OF THE CIVIL DIALOGUE GROUP ON ANIMAL PRODUCTS - BEEF MEAT ON 30<sup>TH</sup> NOVEMBER**

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### **1. Adoption of the Agenda and of the minutes of the meeting held on 28th of April 2016**

The agenda was adopted and the minutes were approved. Eurocommerce raised the issue of CIRCABC access and the fact that the documents can't be found on the public website.

The EC representative explained that there is limited access to CIRCABC but the public website has been recently updated and by mistake, the beef documents were put under another section. This will be corrected. In any case, the documents are always sent to the members before the meeting.

## 2. Market situation and perspectives

The EC representative gave a presentation which can be found on [CIRCABC/public website](#):

- Slaughterings have been +3.2% up between January and August 2016 (with + 7.3% slaughtered cows, in heads); there is still a time lag in data, there is no production data for September, October, November; it is possible that in autumn, a moderation in production will take place;
- Prices have seen improvements in recent weeks but remain below last year and even below the 2011-2015 average; the EC representative presented the prices per category:
- The remainder for dairy type calves fattening has somehow improved but the one for beef type calves fattening has worsen;
- EU exports increased by 17% up to September. Exports to Turkey have increased by 22% despite trade import condition changes(they have stopped in June but resumed in September). Exports to Russia increased due to exports of offal. There is a significant improvement in volume and values;
- EU imports have been +2.7% due to Brazil, Uruguay, Argentina. Even if imports from Australia, USA have fallen, they have increased in value due to the high value of the imported cuts. The value of Brazilian imports have fallen slightly. Trade balance is still positive;
- Globally, China and Hong Kong have become the main market for beef meat and offals, followed by US. Australia remains the first exporter of beef but exported less, followed by US and Brazil;
- Brazilian price is the lowest;
- Hilton quota for high quality beef and veal: Brazil use of quota has increased significantly; for the non-hormone quota, the applications have exceed the available quantities and the oversubscribed applications have been subject to the payment of the full duty.
- Production is forecasted to increase by + 4,33% this year, with a more stable production next year. Consumption remains challenging. Price situation seems more optimistic next year. More details can be found on the observatory website.
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### a. Market report by the European Commission, including the feed market situation

The EC representative gave a presentation which can be found on [CIRCABC/public website](#):

- World wheat production and consumption have increased;
- For maize, there is record production and stocks;

- Oilseed production registered a record level for soybean but a decline in rapeseed;
- World cereal prices are on a downward trend.

### **b. Presentation by the European Commission on the short-term**

The EC representative gave a presentation which can be found on [CIRCABC/public website](#):

- Suckler cow herd has seen a slight increase in certain countries; the dairy herd decreased in 2016 resulted in an increase in beef output; the increase in milk price might impact beef production;
- Eager to see the numbers of the new livestock survey for December which will provide valuable indications on the production potential;
- Imports are expected to increase, including from Brazil which has gained a competitive advantage due to the devaluation of the Real, and Australia (recapitalisation).

### **c. Meat Market Observatory – progress report**

The EC representative reminded the background for the creation of the Meat Market Observatory. Its aim is to facilitate a technical analysis on the market situation, assess trends and foresee the evolution in order to achieve more market transparency. The observatory should also facilitate the collection of consumption data. It has two components: a website and an economic board. Two meetings have taken place this year. Next meeting will be held on 16<sup>th</sup> March.

#### Discussion

Copa welcomed the presentation on feed. On the market situation, cash flow is a big problem. Beef producers will have to recover their cash flow and this will be done only in several years. Russian embargo, the problems with exporting to Turkey, Brexit with its impact on exchange rate, all make 2017 an uncertain year. With production decreasing, stable exports, decreasing consumption and increasing imports, solutions need to be identified. The income stabilisation tool is not working today, it needs to be adapted to sectorial needs. NGOs need to support EU producers faced with stiff competition from other countries where beef producers do not have to comply with the same production standards and where feedlots are a common practice. Consumers will be faced with imports from those countries if NGOs do not defend the EU production base. 60 million ha of grassland in the EU are maintained due to this economic activity. We need to identify ways to conduct promotion campaigns for specialised beef production in order to reverse the perception of other countries that EU's beef production only comes from the dairy herd. Underlined the need for consumption data broken down by individual MS. It is important to differentiate between carcass weight and what consumers eat.

Celcaa explained the importance of exporting live animals. Further efforts can be made in animal welfare, improve sea export but the fact remains: third countries want to import live animals. If this would not be possible, the situation would be much worse. Underlined the vulnerability when it comes to the dependence on particular markets in the absence of Russia. Markets are reacting to

Brexit, the sterling is weaker, making UK more competitive. 50% of the Irish beef goes to UK, if sterling continues to weaken and if there is an unfavourable outcome to the Brexit negotiations, Irish beef will have to find new outlets, including on the continental market.

EFA underlined that there is evidence how animals are slaughtered and handled when exported live outside the EU and that they are sentient live beings. There are OIE standards on welfare which need to be enforced.

ECVC asked if the data from IGC has been cross-checked with OECD/FAO data.

The EC representative reminded that live exports keep market balance, the assessment is about markets. All efforts are done to ensure the enforcement of the legislation, all operators need to comply with the rules. DG Sante has established a Platform on animal transport, we may invite them for the next meeting to give us a state of play. The EC is aware of the challenges the sector is facing because of reaction to the Brexit vote. In terms of the longer-term implications of Brexit, what happens next is not possible to be discussed in this forum. The EC is aware of next years' uncertainties. The Hilton quota and the erga omnes one shows the pressure imports put on high value cuts. The consumption data will be improved.

The Chairman concluded this point by underlining that attention needs to be paid to the situation in the dairy sector and its impact on the beef sector and that the sector is looking forward to the new livestock survey in order to see the potential evolution of production.

### **3. Agricultural market crisis: European Commission July package of support to address the difficult situation in the markets, with a particular focus on the exceptional adjustment aid and the possibility to revise the provisions on the voluntary coupled support**

The EC representative gave a presentation which can be found on [CIRCABC/public website](#):

- The focus was on milk production reduction and the exceptional adjustment aid.
- For the milk production reduction scheme, there is a reference period, with a fixed aid of 14€/100 kg; the EC representative presented the number of milk producers per Member State who submitted applications (see details in the presentation).
- For the exceptional adjustment aid, provisional information was shared with the participants pending official notifications by all 28 Member States. That provisional overview showed that most Member States will allocate money for the dairy sector, some of them addressing also another livestock sector. 8 MS chose the first measure (production freeze or reduction of production beyond the EU measure), 6 MS chose to allocate money for small farmers, 3 for extensive production, 4 for climate, 4 for cooperation, 3 for quality and 2 for financial instruments. A synoptic view of MS' choices will be made available on the europa website once the picture is complete.

- The possibility to revise provisions on the voluntary coupled support was also highlighted: coupled support in the dairy sector is paid per head; the delegated act foresees that MS can revise their coupled support for milk and continue to pay farmers in 2017 on the basis of the eligible animals they had in 2016; only one MS decided to go for this (Slovenia).

### Discussion

Copa underline the impact any dairy crisis and volatility has on beef and that this is not sufficiently monitored. Around 1 million extra dairy cows have been slaughtered at EU level this year and this has had consequences on price. On the revision of coupled support, this is likely to have unintended consequences on the sector as slaughtering is also a means of reducing production. Switching from dairy to beef should be equally analysed. The EC should remain vigilant.

EEB underlined that the coupled aid for dairy cows is badly designed, it should not be used for intensive production. There is a need for a transfer of coupled aid to animals to be fattened on grass, which will satisfy consumers.

ECVC supported the previous speaker.

FESASS underlined the severe crisis in dairy and that many farmers have stopped dairying.

The EC representative reassured that the EC would remain vigilant. Switching from dairy to beef is an important point and the situation is kept under constant monitoring. The financial support was given for helping the sector cope with this unprecedented crisis.

The Chairman underlined the knock on effect on beef of any scheme for the reduction of production in dairy, which will have to be taken into account in any future scheme.

### **4. Progress report on the Agricultural Market Task Force work (in particular the solutions for the beef sector)**

The EC representative gave a state of play on the Agri Market Task Force report which has been recently issued, by also reminding the background of this task force. The task force issued recommendations that the policy framework can and should be improved at EU level, on improving market transparency, as well as recommendations on mandatory contracts, associations, facilitating farmers' access to finances. These have been presented to the Council. The COM is analysing the next steps, in a future meeting, a state of play can be delivered.

Copa asked what the EC is going to do with these recommendations. They are valuable and should not be put in a drawer.

### **5. State of play on simplification and reduction of administrative burden for beef carcass classification and price reporting (including on the implementing and delegated acts)**

The European Commission representative gave a presentation which can be found on [CIRCABC/public website](#).

The new changes have been reminded (the exemption to have carcass classification for slaughterhouses which slaughter less than 150 animals). The EC representative reminded the process and underlined that the publication of the delegated and implementing acts can be expected for April/May. A feedback mechanism will be open for 4 weeks once the regulations are translated and stakeholders and the public can make comments.

### Discussion

Eurocommerce thanked the EC for their work.

Celcaa welcomed the change in price reporting.

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

The EC representative gave a presentation which can be found on [CIRCABC/public website](#) by underlining that two new decisions on LSD protective measures and vaccination programs were adopted in 2016.

### Discussion

Copa asked if DG Sante has estimated the potential impact if LSD spreads in mainland Europe. Asked about the potential use of false vaccines in Turkey.

Celcaa asked what measures have been taken for the movement of animals in these zones and about the situation with the vaccination in Turkey. Asked about FMD in Russia, if there are any information.

The EC representative underlined that all countries have been warned of the situation. It will take 2-3 years to get rid of LSD, countries struggle in having vaccines. A vaccine bank has been established by the COM. Countries are prepared for possible vaccination. Turkey implements a ring vaccine policy (not all cattle is vaccinated but only the cattle around the area where the disease is present). The question is the dose used. The disease remains endemic.

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

The EC representative reminded that:

- there are two obstacles with EU exports to US: animal health as they have not adopted OIE standards and the recognition of equivalence/recognising EU as a single entity;

- for Japan, 8 MS can export today, this is a country by country application process. It is positive that the time for applications has shortened;
- for Korea, no exports are allowed, there are 4 MS which have started the application process which is an eight step process. EU has expressed its discontent;
- for China, there is also a country by country application.

### Discussion

Celca is not happy with the slow and painful process and asked the EC to put more pressure. Welcomed the Commissioner trade missions.

Copa underlined that Japan may present some opportunities for the beef sector and it is important to obtain a good deal for this sector.

The EC representative underlined that it is important for the COM to know how the individual applications are going.

## **8. The specific promotion envelope for beef and the applying condition**

The EC representative gave a presentation which can be found on [CIRCABC/public website](#):

- 133 million € are available;
- There is a new action on sustainable agriculture and the role for climate action (15.05 million €);
- Beef has got a specific envelope of 4 million € for the external market;
- 4.5 million € are available for serious market disturbances;
- if not used, the budget will go under topic 7 (dairy and pig meat);
- Early January, the new call for projects will be open;
- Agri Commissioner has started trade missions. In 2017, the Commissioner will go to Canada and Iran.

### Discussion

EEB mentioned that exports of live animals to Middle East and North Africa are in breach of the transport regulation and of art. 3 of the TFUE. There are deplorable conditions of slaughter in third countries and animal welfare should be ensured beyond the EU borders. The EC should investigate if operators comply with EU legislation. More transparency should be ensured on the promotion programmes and ensure that the climate aspect is also tackled.

Celcaa welcomed the information and the increase in funding. It is important to continue to promote to own EU citizens the high production standards and the positive contribution the sector plays to climate change unlike many parts of the world. It is important to continue the promotion for EU's 500 million citizens, in addition to the external market.

Copa underlined the importance of a promotion programme for the specialised herd. If sustainability, environmental preservation will be at the core, what are the chances for such programme to be accepted?

EEB favours the promotion of grassland.

The EC representative reminded that the scope of the promotion policy is promotion itself and not the transport of animals even if the concerns raised can be understood. 15 million € will be made available for sustainable agriculture and climate change and beef may be part of it. The best programmes are chosen by CHAFEA together with independent evaluators. There will be an information day on 31<sup>st</sup> January. On the internal market, within the quality and generic line, agricultural methods may also be included. Most money is for external market.

## **9. Cumulative impact study on the potential trade agreements**

The EC representative gave a presentation which can be found on [CIRCABC/public website](#):

- The motivation, limitations and objectives were presented;
- The reason for this study was the lack of analysis of cumulative impacts on a number of agreements;
- The study looks at the potential impact, at imports but also exports;
- Agreements recently concluded, under negotiation or likely to be launched and the ones which need to be modernised have been taken into account;
- Two scenarios: ambitious and conservative.
- No TRQs were considered, except for Canada and Vietnam;
- The EC representative presented the methodology, the limitations of the study;
- some sectors win: dairy, some lose: beef.

### Discussion

Eurocommerce asked if the EC has analysed the export potential of those countries.

Copa welcomed the study which is more than clear about the impact on the beef sector at a time when this sector is struggling to get an income. Questioned that consumption will see an increase. Asked about the small quantities from US (when a recapitalisation process is ongoing there) and if it is considered that TTIP agreement will not take place at all. Regretted that high value cuts were not



addressed in the study as this would have made the impact on price even more significant, as well as the timing of the imports. The differences in standards are not addressed either.

CEJA expressed worries about the assumptions. Prices have declined between 8%-15% in the past two years. Consumption is also stagnating, therefore there is no place for further imports. Wondered about the future of the sector.

FESASS asked why in the case of the dairy sector, there is a negative impact on butter but a positive one for the other dairy products.

EEB underlined that competitiveness is vital and the EC should have in mind the job loss. This has to be stopped.

Celcaa welcomed the study as a “must have” and the findings underline the validity of the concerns expressed by the sector in recent years.. 25% cut in tariff on some of beef cuts is significant. The positive aspects might also be overestimated if SPS are not removed. Moreover, the issues of TRQ management have not been taken into account. There is a need for an in-depth study on the impact of the potential trade agreements on the beef sector as certain questions have been ignored(for instance, the costs of production, the production standards).

The EC representative acknowledged that the success in the dairy sector might be detrimental to beef. CAP is still there to provide income support. If consumer prices decrease, this might lead to an increase in consumption. TTIP is « in the freezer ». The model does not allow to work on details, like high value cuts. This is a tool to identify the sensitive sectors, it has limitations.

As there were no AOBs, the Chairman thanked the members for their participation, the EC services for their assistance and the interpreters for their work and concluded the meeting.

**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."*