

Brussels,
agri.ddg3.i.4(2018)4522739

FINAL MINUTES

Meeting of the Civil Dialogue Group Animal Products – Poultry Meat and Eggs Sectors

Date: 18/05/2018

Chair: Mr Mark Williams

Organisations present: All Organisations were present, except Beelife, BEUC, Birdlife, ECVC, EFFAT, EFNCP, EMB, EPHA.

1. Approval of the agenda (and of the minutes of previous meeting¹)

The agenda and minutes of the previous meeting were approved.

2. Nature of the meeting

The meeting was non-public.

3. List of points discussed

a. Market Prospects - Latest information on the market situation for poultry meat and eggs markets, including expert production forecast

Poultry meat

Total poultrymeat production is estimated to increase by 1.2% in 2018 compared with 2017. For broilers there is a forecast 0.7% increase, with a 0.4% increase for turkeys. There is a forecast 16.4% increase for ducks, following the avian influenza outbreaks in 2017.

PL is leading the increase with a forecast 6% rise, while FR, IT and UK are also expecting higher production. DE, NL and ES are expected to decrease production.

Imports overall decreased by 8.3% during the period January - March 2018 compared with the same period in 2017. Imports from Brazil have decreased by 43%, due to the fraud scandal, whilst imports from Ukraine have increased by 190%.

¹ If not adopted by written procedure (CIRCABC)

Exports have risen by 8.6% during the first quarter, however the South African market is down by 46%, due to country-wide AI-related import bans imposed by South Africa on EU member states, with the exception of DK and IE. Exports to Philippines, Vietnam and Ukraine have increased. The decline in exports to Saudi Arabia is due to strong price competition from Brazil, but more recently also due to a recent bankruptcy of key EU exporter, French company *Doux*.

It was raised during the discussion that the cost of production is rising at a faster rate than prices, which was recognised by the Commission.

There was real concern about imports from the Ukraine to the EU, and that they could potentially be illegal. The Commission is looking into this (see below under the section on Ukraine: update of poultry and egg imports into the EU).

Eggs

There was a request from the Commission for all member states to submit accurate data on time.

Total egg production is forecast to increase by 2.9% in 2018 compared with 2017, with eggs for consumption forecast to increase by 2.6% and hatching eggs by 5.1%. Data from IE is thought to be erroneous and RO data has been omitted. The increase overall is driven by high 2017 prices. [Following the CDG meeting, some numbers were modified by the responsible experts, resulting in the following EU forecast on eggs: Total egg production: +3.2%; Eggs for consumption: +3.6%; Hatching eggs: +0.1%]

Imports have increased by 172.5% during the first quarter of 2018 compared with the same period in 2017, with the majority of imports from the USA and Ukraine. Exports have decreased by 24.7% during the same period with exports to Japan down by 14.7%. Hatching egg exports are slightly reduced.

The industry recognises that the high spot market prices in 2017 are not good for the market in the long term and stability is welcomed.

Latest situation on the market situation for feed

World cereals production is forecast to be 2088 million tonnes in 2018, with consumption at 2139 million tonnes. World wheat production is forecast to be 745 million tonnes in 2018, with consumption at 739 million tonnes. World maize production is forecast to be 1099 million tonnes in 2018, with consumption at 1054 million tonnes.

The EU is the largest producer of wheat. Maize is expected to reach a record level of consumption that outstrips supply, with poor harvests in South America. Barley production is in line with demand and remains stable.

Soy bean production increased with record levels for USA and Brazilian production. Total for 2018/19 is forecast at 355.22 million tonnes.

Overall prices have increased for most cereals. Wheat around 10%, maize by 20-30%. US soy is at \$412 per tonne. There has been volatility due to the weather and US/China trade tension.

Record imports for maize into the EU is forecast and an increase of closing stocks. There is predicted to be an increase in total exports.

Rabobank have previously reported the impact on soya with the trade dispute between US and China. This would result in China buying from South America which would drive these prices higher, whilst lowering prices for US soy.

During the discussion it was mentioned that the EU cannot be left behind the science in producing raw materials for industry. GMO and animal protein must be looked into for the EU to remain competitive.

b. Presentation by COM on update on work relating to antimicrobial resistance

The EU One Health Action Plan against antimicrobial resistance was launched in 2017 and led by DG SANTE. The findings from the 2011 to 2016 evaluation recommend that; the issue still requires action; coordination between member states; and a boost in scientific developments.

Some deliverables from the plan include One Health visits to member states which can be requested, and the EC can help evaluate progress. There is continued evaluation of EU legislation relating to AMR in food and animals. Importantly, the EU is continuing to raise the matter in international forums like the G7 and G20.

It was put to the Commission that this is a global issue and that trade agreements between the EU and third countries need to recognise the seriousness of the issue. According to the Commission, partners are hesitant, although mindsets are changing. It was stressed that the world leading work the EU is doing in this field would be undermined if there were imports that do not conform. It is up to the Commission to look at conformity and ensure the rules are met by third countries.

There was one call for the wellbeing of animals and intensive production to be considered by the Commission. In response, it was noted that good management can help reduce antibiotic use as demonstrated by the Nordic member states and there is no correlation between intensive farming and antibiotic use.

People travelling from the Far East could have an impact on antibiotic resistance and has the Commission considered this? It was considered a management issue for member states individually.

The Commission recognise that this is not a simple campaign but will continue to promote it internationally and are able to monitor imports and compliance through certification.

Antibiotics should be used as little as possible but as much as necessary in order to protect the welfare of animals.

c. Animal Health - Avian influenza situation update

The comparison between 2016/17 and 2017/2018 was shown. So far this year, there have been four member states affected by AI cases in poultry flocks. The most recent case was reported on 24 April in Bulgaria. Two strains are present across the continent.

Wild bird findings demonstrate that there is a continuing risk. The H5N6 virus found in the EU is different to the strain seen in Asia.

The Commission has adopted eight decisions relating to avian influenza.

The EU reference laboratory, currently in the UK, will be transferred to Italy.

The OIE is currently revising the chapter on avian influenza with a priority to have standards that clearly differentiate between high path and low path AI. First, newly available scientific data are reviewed before recommendations for trade will be formulated. These have then to be agreed with the OIE's 180 member countries. The OIE's work is promising.

Industry believes avian influenza is the biggest threat to its success.

Trade

The situation is complex with barriers in place on many markets particularly China which only PL has access to. It is more positive news in Japan, Hong Kong, Taiwan and Singapore.

There is progress, but it is an uphill battle once barriers are in place. South Africa continues restrictive policies.

Regionalisation recognition continues to be pushed. The Commission will look to address the situation with those who impose country wide bans.

The work on removing barriers from third countries carried out by the Commission is appreciated.

d. Market Access

Mexico and Mercosur FTA update

Negotiations are continuing on both fronts. There is nothing further to add on Mercosur, where market access for automotive vehicles is currently the focus.

Most of the Mexico negotiations have been agreed. A robust SPS chapter has been negotiated that the Commission is content with and contains regionalisation in relation to avian influenza.

Mexico has a large deficit for poultry meat and allowed for liberalisation on most poultry lines, allowing the EU to compete with the USA and Brazil. The Commission has secured access to the Mexican market for poultry producers by securing the full liberalisation of tariff lines for MSM on the day of entry into force of the agreement, as well as a TRQ of 20,000 tonnes for leg quarters. On the other side, the Commission has granted a TRQ of 10,000 tonnes of breast products and processed chicken meat), protecting the defensive interests of the sector while other tariff lines have been fully liberalised.

Eggs is a more defensive position with a maximum 5,000 tonnes (shell egg equivalent) quota for dried egg products phased in over seven years. Albumen will be fully liberalised over ten years. Avian influenza has, however, affected the market in Mexico.

The Commission was asked if the SPS includes animal welfare conditions and particularly on egg products. According to the Commission, the SPS Chapter addresses the issue of animal welfare, as well as antimicrobial resistance.

It was commented that the poultry meat sector is satisfied with the agreement although the TRQs granted on breast is not reflecting the price of the concessions we had on leg quarters, as leg quarters are 4 times cheaper than breast.

It was also questioned whether the TRQ on leg quarters will apply on day 1 of the entry into force of the agreement. The Commission explained that there will be a phasing in period for this TRQ.

There is disappointment for the agreement relating to duck. However, there is content over leg quota for Mexico, but concern over Mercosur.

Food fraud in Brazil

March 2017 was the first instance of the Commission becoming aware of the food fraud in Brazil and immediately adopted measures.

To date, monitoring continues, and has implicated the federal police, major companies and ministers in Brazil.

For domestic and export consumption, the Commission withdrew authorisation for all firms and products concerned.

100 % of the consignments are undergoing controls in lab in Brazil, while 100% undergo physical checks in the EU and 20% undergo microbiological checks, at the cost of importers. An audit by the Commission in January indicated progress is being made by Brazil in resolving the issue, however laboratories which were supposed to guarantee the compliance with EU rules have now been implicated and three have been suspended.

Of the 21,600 consignments sent, 5,703 have been tested in labs, 461 have been rejected at the border, 414 for non-compliance with EU rules on salmonella, 22 on Escherichia coli, and 2 for drug residues in horsemeat. There is clear differences between the EU and Brazilian authorities and the Commission has been strong in condemning action from Brazil.

Delegates support the EU action, but believe it should be stronger and 100% of lab checks of all the consignments must occur in the EU at the cost of importers. The results show that 8% have uncovered salmonella, and any EU plant with similar results would be shut down. There needs to be guarantees that the exports are compliant with EU standards and assurances are required.

The Commission said there needs to be trust in exporters and there will be further audits which will lead to more decisions. The Commission is determined to remain very firm with the Brazilian authorities and Commissioner Andriukaitis has repeated it to Brazilian Minister Maggi at a recent meeting.

South Africa

There has not been much progress since the previous presentation.

Only two member states, Denmark and Ireland, can export to South Africa. The figure was five last year. Exports from third countries to SA have increased replacing completely EU imports. These are predominantly from Brazil and the USA.

Of ten exporting EU countries, eight have bans following avian influenza. Three member states have had visits from the South African delegation, to Hungary, Poland and Spain. A report was due to be presented but is missing for Spain. The remaining five member states are awaiting visits, but the dates have not been set, while South Africa expressed they are lacking resources to perform these visits.

SPS issues are persisting at the port of Durban, which means checks against all imports. This is resulting in export to South Africa facing hurdles. The Commissioner has sent a letter to South Africa.

The Commission was thanked for the efforts to open up the South African market.

Ukraine – update of poultry and egg imports into the EU

The issue has almost become a standing item on the CDG agenda.

Poultry meat

Brazil and Thailand remain the biggest exporters to the EU. However, Ukraine has been growing its poultry exports since 2014. The trade balance in terms of volume, is positive for the EU, but this is not the case for value. It became negative in 2017.

Ukraine imports can come in via TRQs, liberalised tariff lines, erga omnes TRQs, or full duty.

Last year we observed a huge increase of imports out of TRQs by the tariff line 02071370 which was liberalised under the DCFTA; Ukrainians have created a cut (breast cap with the first part of the wing on) which was not broadly commercially used before matching the definition of that that line. This cut is later deboned in EU plants and breast meat is sold on the EU market.

Imports through that line have reached 27,000 tonnes in 2017 and continue to increase in 2018.

The Commission is working on a solution to stop these imports which run counter to the explicit intention of the concessions that have been granted to Ukraine under the DCFTA, i.e. maintaining tariff protection for poultry meat in exchange for the opening of quantitatively limited duty-free tariff rate quotas.

Some stakeholders were also concerned about the increase to 46 tonnes in 2017, from 1 tonnes in 2014, of fatty livers imported into the EU has caused concern. The Commission maintained that imports of fatty livers are negligible and must comply with EU marketing standards.

Industry is unhappy with the current situation and the spirit of the agreement being breached and needs to be resolved as soon as possible.

The Commission raised the issue of imports from Ukraine of poultry meat cuts under tariff line 0207 13 70 with the Ukrainian authorities at the Annual Agricultural Dialogue meeting held on 24 April 2018 and invited to jointly address this situation in the framework of the DCFTA. The Ukrainian authorities have been reminded that import of poultry breast has always been a sensitive issue in terms of market situation in the EU and therefore this type of poultry meat had not been liberalised under the DCFTA, but instead a duty free tariff rate quota had been granted to Ukraine.

There is a high political pressure from poultry stakeholders building up to address this situation rapidly.

Eggs

The situation for eggs is different than for poultry, but there is an increase in imports.

There are different ways in which imports can come into the EU, TRQs, erga omnes TRQs and imports under full duty. None of which are used fully.

Eggs not in shell for processing going to Denmark was the largest code in 2016. In 2017 fresh eggs for consumption increased and a large part came in outside the quota. The word from importers is that this was because the licence process was considered bureaucratic. Until April this year, out of quota from dried eggs not in shell was large. This would be looked into by the Commission, but industry needs to help if there is information available.

Packs coming into the EU for consumption should be labelled with country of origin and 'non EU standard'. The Latvian egg producers have questioned the application of this.

It was raised that there are problems being encountered by Poland who are subjected to imports from the Ukraine that may be illegal.

e. Market regulations: Use of names of animal origin products to market plant-based products

The application of EU legislation on food information is for Member States, who need to consider consumer understanding, including of certain terms, in order to judge which indications could be considered to be misleading.

DG SANTE provides audits and liaises with member states, where responsibility primarily lies.

The complaint from industry comes as the sectors comply with strict marketing legislation, to ensure misleading terms are not used. However, for plant products there is no such specific legislation.

Some believed it a marketing choice for retailers on the placement of the goods.

There were mentions that the current labelling adopted by some is confusing and consumer organisations in Spain have requested that plant-based products change their name. This information will be provided.

There were calls for a better scrutiny regarding labelling.

f. Revision of TRQ management: update and consequences for the poultry meat and egg sector

The review's scope, undertaken by the Commission attempts to maximise horizontal rules, common to all sectors and minimise exceptions. As much as possible, there seeks to be a simplification of the rules to address any significant problems.

The introduction of the LORI database will seek to address inefficiencies and problems of licenses.

Importers are in favour of the revision of TRQs as soon as possible. However, Brexit poses a problem and nothing will be certain until the outcome of Brexit is clear, and reference to exports should be included and not just imports.

The Commission recognises the need to implement the rules as soon as possible.

g. Brexit – update on the negotiations and state of play of the discussions on the split of TRQs

On the withdrawal agreement: on 19th March 2018 the Commission published an update on the situation which highlighted how supply chain issues could be dealt with regards to agricultural products.

The implementation/transition period is only relevant when a withdrawal agreement is agreed. This would come into play and remain in place until the end of 2020. During that period, full EU regulation applies to the UK, including ECJ and CAP. The UK will not take part in governance procedures. International agreements will also apply to the UK. It is not clear however, how the UK would benefit from FTAs, but the EU will notify third countries that they should treat the UK as a member state. It would complicate matters if they did not regarding rules of origin.

The CAP will be fully funded until the end of 2020 if there is a withdrawal agreement.

Areas that are not agreed will be progressed with the June Council looming. The ultimate deadline is October/November 2018 which has to be ratified. The EU sees progress internally, but there is uncertainty in the UK politically, which will delay business planning.

The UK is currently saying no customs union or single market, thus meaning only an FTA is possible. Zero tariff and zero quotas are favoured by the EU with limited regulatory divergence. Ultimately, some friction is likely, particularly at the border. An FTA may facilitate some elements. Member states are planning for a 'no deal' scenario which cannot be ruled out.

EU and UK have agreed a WTO schedule split. Third countries have dissented. A legal framework may have to be pursued as a backstop option. A formal process will begin soon.

The Irish border and other political issues are believed to be hurdles, as is Gibraltar which has seen the UK and Spain disagree. Both parties want to avoid a hard Irish border.

Concerns over the split of TRQs if imports enter the UK and are moved on to other member states remain for businesses. The objective of the EU is to reduce disruption and the Commission would welcome data from all stakeholders.

h. Animal welfare – update on alignment of Ukrainian animal welfare legislation with that of the EU

Ukrainian's commitment to align with Article 64, on SPS rules including animal welfare, is very different from agreement with other trading partners.

The strategy is being worked on and presented to the Council, and amendments will occur to the annex of the agreement. The EU is willing to assist the Ukraine with regards to legislation. Regular liaison between the EU and Ukraine is occurring and management of the SPS strategy, when it is finalised, will happen.

There is concern that the process is slow and there is lack of engagement with stakeholders throughout the process.

Ukraine is a large poultry and egg producer and very competitive given its comparable low cost as the LEI reports illustrate. The sectors are frustrated that the Commission is working on the matter, but real progress has not happened. Ukraine has known for years what the EU standards are and has not put legislation in place to adhere with EU standards. As an example, conventional cages were continuing to be installed.

Next meeting

The next meeting will occur on 20th November 2018.

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."

4. List of participants - Annex

List of participants– Minutes

Civil Dialogue Group ANIMAL PRODUCTS – POULTRY MEAT AND EGGS SECTORS

Date: 18/05/2018

MEMBER ORGANISATION	NAME	FIRST NAME
AnimalhealthEurope (formerly known as IFAH-Europe)	Gobbe	Clara
EuroCommerce	Gruner	Bernd
Eurogroup for Animals	GHISLAIN	Stephanie
Eurogroup for Animals	Sansolini	Adolfo
European Council of Young farmers (CEJA)	Wouters	Brent
European Council of Young farmers (CEJA)	Jardim	Sara
European Council of Young farmers (CEJA)	CASTILLA BARÓ	José María
European Environmental Bureau (EEB)	KIKOU	Olga
European Environmental Bureau (EEB)	VONESCH	Anne
European Liaison Committee for Agriculture and agri-food trade (CELCAA)	PATEL	Aaron
European Liaison Committee for Agriculture and agri-food trade (CELCAA)	MOLNÁR	Györgyi

European Liaison Committee for Agriculture and agri-food trade (CELCAA)	Martinez	Pascual
European Liaison Committee for Agriculture and agri-food trade (CELCAA)	NYBERG LARSEN	Jørgen
European Liaison Committee for Agriculture and agri-food trade (CELCAA)	GAGLIARDI	STEFANO
European agri-cooperatives (COGECA)	ENDRODI	Gyorgy
European agri-cooperatives (COGECA)	COLLADO ALCALA	Victorio Manuel
European agri-cooperatives (COGECA)	MUNCK LARSEN	Stig
European agri-cooperatives (COGECA)	Gulbe	Solvita
European agri-cooperatives (COGECA)	Ukas	Tonci
European agri-cooperatives (COGECA)	Bourns	Charles
European agri-cooperatives (COGECA)	Čížmak	Valerija
European agri-cooperatives (COGECA)	VAN DIEPEN	Johan
European farmers (COPA)	Ford	Gary
European farmers (COPA)	ZUBKOW	Anna
European farmers (COPA)	HÖRMANN	Max
European farmers (COPA)	Boylan	Andy
European farmers (COPA)	Biasucci	Paolo
European farmers (COPA)	RANTALA	Jukka
European farmers (COPA)	SCHAEFFER	Jean-Michel
European farmers (COPA)	Piçarra	Anabela
FoodDrinkEurope (FoodDrinkEurope)	Lopez	Paul
FoodDrinkEurope (FoodDrinkEurope)	Zerbini	Michele
FoodDrinkEurope (FoodDrinkEurope)	WILLIAMS	MARK
FoodDrinkEurope (FoodDrinkEurope)	Hagen	Clara
FoodDrinkEurope (FoodDrinkEurope)	Mazzei	Laura
FoodDrinkEurope (FoodDrinkEurope)	LAVA	Paul-Henri
Fédération Européenne pour la Santé Animale et la	TER VEEN	Christiaan

Sécurité Sanitaire (FESASS)		
International Federation of Organic Agriculture Movements EU Regional Group (IFOAM EU Group)	Atkinson	Christopher
ERPA-European Rural Poultry Association	Protino	Juliette
	Total:	39