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FINAL MINUTES

Meeting of the Civil Dialogue Group ANIMAL PRODUCTS Beef and Veal Sector

Date: 16/11/2017

Chair: Angus WOODS

Organisations present: All Organisations were present, except, Beelife, BEUC, Birdlife, EFFAT, EFNCP, EMB, EPHA, ERPA and EuroCommerce,

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

The agenda was adopted. The minutes of the previous meeting were adopted.

2. Nature of the meeting

The meeting was non-public.

3. List of points discussed

- 1) Market situation and perspectives, including
 - a. Market report by European Commission, including the impact on trade flows following the devaluation of the sterling
 - b. Presentation of the short term outlook for agricultural markets
- 2) State of the play on Mercosur and its impact on the beef sector and the results of the Brazilian audit.
- 3) Brexit – state of play
- 4) Information on Commission Implementing Regulation opening and providing for the administration of Union tariff quotas for fresh and frozen beef and veal and pig meat originating in Canada and amending Regulation (EC) No 442/2009 and Implementing Regulations (EU) No 481/2012 and (EU) No 593/2013
- 5) Information from EC on the CAP post 2020 (including the timeline) and state of play on Omnibus dialogues
- 6) State of play on DG Competition study on contractual negotiations in the beef sector (art. 170 of the CMO Regulation)
- 7) Market access – SPS barriers to trade – progress report with a focus on China, Japan, South Korea
- 8) AOB

- 1) Market situation and perspectives, including
 - a. Market report by European Commission, including the impact on trade flows following the devaluation of the sterling
 - b. Presentation of the short term outlook for agricultural markets

DG AGRI G3 representative gave a presentation on the market situation. The overall amount of bovine animals has slightly decreased compared to the previous year by 0,2%. The overall amount of bovine animals slaughtered has also slightly decreased by 0,1% (EU28). But the significant increase of heifers slaughtered (6,5%) indicate a potential decrease in future production potential. The producer prices have been increasing on average 6,2% compared to the previous year. Currency rates had an effect on these (weaker pound and stronger zloty). Producer prices are generally speaking higher than during the years 2015, 2016 and the average of 2012-2016. The gaps between different animal types are decreasing so that the main influence to the price comes from carcass properties. Calf prices are stronger than the previous year still varying cyclically. Veal prices are slightly decreasing indicating less demand.

DG AGRI G3 representative continued the presentation with figures on trade. EU27 beef exports to the UK divide roughly in a share of 77% IE, 9% NL, 6% PL, 3% DE and 5% others. From the previous year there has been a slight increase in volume and value. Due to the weak pound export, prices have slightly declined. Global exports increased by 15% in value as in volume. The Turkish market is now also importing beef (previously only live cattle). Live cattle and offal are exported to Russia. The main part of live cattle exports has the destination of Turkey. Live cattle exports are almost half of all bovine exports. Beef imports to the EU have declined by 12%. Brazil, Australia, New Zealand and Namibia have collapsed by 20%-37%. Uruguay, Argentina and US imports have increased by 10%-15%. All beef imports have been high value cuts and exports mainly live cattle.

DG AGRI G3 representative presented a forecast for the rest of the year and next year: production level will be stable. In trade, there will be an increase in imports by 10% and 1,4% in exports compared to 2018.

Copa emphasized that the EU producer price of beef is 380eur/t and in Brazil 200eur/t. DG AGRI should make an analysis what products are imported to the EU and what cuts are consumed. Additionally CETA trade should be included. Copa is concerned where additional beef of the rising quotas is supposed to be sold.

EEB emphasis that CAP is intended for farmers, animal welfare and landscapes. But DG AGRI's presentation is focusing only on economics.

DG AGRI G3 answered that CETA trade will be included in the future. Canadian prices are close to US prices and hormone free beef is not competitive to be exported to the EU. The product streams are complex. Mercosur imports are currently 240.000 tonnes carcass equivalent that is roughly 2% of EU production. As it is high value cuts, the import represents approximately 12%-20%. A quota increase by 78.000 tonnes will have an impact on EU producer prices. Structural

changes in the cattle sector are necessary that the EU farmer can tackle the change.

- 2) State of the play on Mercosur and its impact on the beef sector and the results of the Brazilian audit.

DG AGRI A3 representative presented the state of play on the MERCOSUR negotiations. In the beginning of October progress has been made in the negotiations, with an offer by the EU being put forward. The previous week negotiations in Brasilia have taken place and a MERCOSUR delegation will visit Brussels at the end of November. The quotas in beef from autumn 2017 will not be discussed further at this point. Beef is important for all four Mercosur countries and their aim is to talk about beef quotas. The current WTO quotas for high-value cuts are 29.700 tonnes ARG, 10.000 tonnes BRA and less for Uruguay and Paraguay. The tariff is 20% on these WTO quotas and the countries are also exporting to the EU with full tariff. The current exports result in a carcass equivalent weight of 240.000 tonnes during the years 2013-2016. The US beef quota has been opened autonomously and 48.200 tonnes in product weight (around 60.000 tonnes carcass equivalent) can be imported duty free into the EU . There is a Memorandum of Understanding between the EU and the US. MERCOSUR will be offered new quotas, separate from the WTO quotas, and due to include frozen beef.

Celcaa acknowledged that trade will happen and sees some benefits. Still concern remain on what will happen to the EU beef market as a result of Brexit as the EU market is now 102% self-sufficient. In the EU27, self-sufficiency would reach 116% and a MERCOSUR deal should not be done before Brexit trade agreements have been settled. The proposal put forward by the EU goes against the conclusions in the cumulative impact assessment. EU is sacrificing its agricultural sector for the benefits in the automobile and services sectors. All the existing and potential FTAs should be taken into account to measure the impact on the beef market.

FoodDrink Europe also asked if the EC has a global vision on all agreements and what would be the quantity envisaged.

Copa asked for the values of the current beef offer and emphasises that beef is a sensitive sector. What market in the world can take over 70.000 tons of additional beef? All of them are well supplied at the moment. What is the impact of such a deal to the sustainable European beef production? If the prices decline (as the EC impact assessment foresees) by 16%, it means a loss of 5 billion euros for the EU market. In the CETA agreement, Canada announced poultry to be sensitive and it was left out. The same should be done with beef in the Mercosur negotiations. Japan has got 15 years of transition for sensitive products and maintain 15% tariffs during this period. It is known that Brazilian rain forest is wiped out to be able to export more beef to the EU. This is a huge political contradiction which needs to be addressed.

The Chairman asks what would be the highest amount of beef the EU market could absorb from MERCOSUR?

ECVC underlined that the negative effects of such a deal are not analysed. With this deal not only farmers but the whole beef sector will be destroyed. EEB underlined that CAP has environmental benefits to follow and now EU taxpayers money has to be used to support the beef sector which is facing the impact of these agreements.

CEJA argued that a decline in prices will not be 16% but rather 36% and 52% (with Brexit) as Mercosur countries are able to produce beef at lower costs. Is the commissions intention to destroy cattle farmers, how to convince young farmers take up this business? A Mercosur deal is in no way sustainable until Brexit is finished. The increase in EU import quotas have to be seen in relation with consumption data. Farmers don't want to be dependent on CAP support but want to be able to live from agriculture and young farmers payments are insufficient to generate trust in the future.

CELCAA is concerned in the future of the beef sector if young farmers cannot be attracted to the sector.

Fesass supported the intervention from CEJA and underlined the need to be able to replace aging farmers and continue agriculture.

DG AGRI A3 representative stated that the mandate given by EU member states is to continue negotiations. The president of the Commission said after the last European summit that the heads of the member states gave him their support on the negotiations. The goal is to reach a free trade agreement, under which most of the products can be traded without restrictions. Beef is one sector where there are quotas and they will remain. There are various sensitive issues in these negotiations.

DG AGRI A3 representative explained that publicly no comment can be made on possible final quota volume while negotiations are on-going. The question as to which Member States may import the additional beef meat is difficult, the market section of the Commission may have some further elements.

DG AGRI A3 recognises the sensitivity of beef and it will remain like this in a MERCOSUR agreement. The Commission is well aware of economic and political aspects. There are member states and economic sectors that want a deal. Mercosur pushes for concessions in sensitive sectors like sugar, ethanol and beef. If the EU makes no concessions, Mercosur will make no concessions on other sectors. The Commission seeks a balance. The Chairman underlined that given all the issues at stake, the CDG on Animal Products – Beef sector is clear not to proceed with Mercosur negotiations on this basis.

DG SANTE D3 representative presented briefly the results of the Brazilian audit. Immediate actions have been taken by the Commission after the message from the Brazilian police authorities on 17.3.2017 that a fraud in the beef sector has been revealed. The Commission asked for removal of enterprises from the export lists. A next audit is foreseen in January 2018 instead of December 2017. Since the fraud 4.257 shipments out of 15,432 have been checked at the external

borders of the EU(BIPs). 336 shipments have been rejected. And the imports in fresh meat declined 38%-40% and in meat products 20%.

Copa asked if the 87 farms, mentioned by the Commission, that are eligible for export to the EU have to fulfil the same production standards as European farmers? The EU must be able to validate what is happening in Brazil especially with regard to the ongoing MERCOSUR-EU trade agreement negotiations. Farmers would like to stand beside DG SANTE and protect EU citizens from antibiotic and hormone residues in their food but EU has difficulties in imposing its standards to the rest of the world. The CODEX Alimentarius and EU threshold values are different therefore production cost are also higher in the EU. Because of antibiotic resistance the use in the EU is limited to sick animals.

Copa stated that inspections are strict and EU residue levels don't apply for others. It was pointed out that antibiotics are allowed in feeding stuff in Brazil which is not allowed in the EU. International agreements on this issue have to be made. The work of DG SANTE is appreciated but there have to be conclusions. There is traceability from the birth to the plate in the EU. In Brazil only 90 days before slaughter. Copa emphasised that political actions necessary as a follow-up of the audits. Presented some key recommendations to DG Santé (these will be later sent by a letter to DG Sante) including an European Parliament inquiry committee on the audits.

Copa underlined that in previous audit reports it is written that Brazilian authorities cannot assure that export terms can be controlled, that they don't have enough human resources and the Brazilian systems are not up to date. Copa regrets that the audit was not presented and insists that the full report will be delivered. Copa asked on what grounds beef shipments were rejected and if ractopamine was detected during testing. Copa claims that a calf born is not registered anywhere, that Brazilian farms are accredited on the export list by announcement, that Brazilian cattle pass freely across borders. All applications of antibiotics and hormones are allowed and 70-80 days after application has stopped these cannot be detected anymore. The promise to EU consumers that only food complying to standards reaches the plates is in contradiction with the fact that the Brazilian authorities cannot guarantee proper inspections. The actual situation is that Brazilian system is failing to deliver.

EEB fully support the opinion of Copa. In addition the concern for animal welfare and environmental footprint in Brazil was highlighted. FoodDrink Europe supports the previous Copa opinion and believes in free trade. Asked if there has been any analysis of benefits and disadvantage for the EU agricultural sector in the Mercosur deal. It is unsustainable that Brazilian beef can be imported to the EU but that EU can't export to Brazil due to non-tariff barriers in place.

CELCAA supports the publication of the full reports with the deletion of confidential information, in compliance with the rules on confidentiality. Audits are more important than visits as decisions and recommend actions may be taken as a follow-up.

DG SANTE D3 answered that the issue of audits and visits are different, only as a result of audits, decisions can be taken. The Brazilian beef is one of the most inspected. Testing for antibiotics residues will also be part of the mission in January as this is a priority for this Commission. Brazil does not have to produce according to EU production standards but has to comply with production safety levels. In the EU farms don't have to authorise themselves and imported products offer the same level of protection. In Brazil only a few farms are authorised, not all meat can be exported, only deboned and matured cuts.

DG SANTE D3 representative emphasised that the strict residue thresholds in the EU are based on research and it is acknowledged that CODEX Alimentarius is not as strict in some cases. If a company has its headquarter in the EU also EU inspections apply. If an audit is negative, actions will be taken. DG ENVI is responsible for environmental issues. What happens in the next audit, it not linked to MERCOSUR negotiations. The Commission does not want to give Brazil excuses why some implementations are still pending. 2018 audit will inspect also if there is ractopamine in feeding stuff. Regarding Mercosur negotiations, SPS issues and public health come before trade. The exporting country has to comply with import requirements. There is already cooperation between Eu and Mercosur on the issue of antimicrobial resistance as well as animal welfare.

DG SANTE D3 representative promised to forward the requests and concerns to the hierarchy.

The Chairman concluded that the suggestions made will be put in written form jointly by Copa, Cogeca and CELCAA. The members have common views on hormones, antibiotic residues and traceability. The full report of the audits have to be published.

3) Brexit – state of play

DG AGRI A1 representative presented the state of play of Brexit negotiations. The negotiations follow the procedures defined in article 50. Progress in the negotiations of the first stage on rights of citizens, Northern Ireland and Irish borders and UK financial commitments have to be made in October. The issues on citizen and human rights has always been close. The question of Ireland and Northern-Ireland makes good progress. Financial issues are still open. The commission is preparing to proceed to the second stage of negotiations but sufficient progress needs to be achieved. In the second stage, questions of the transition phase are appointed. The British Prime Minister stated in Florence that the transition should be two years with an open market. It is obvious that the UK has to comply with all *acquis* during this transition period. This UK view on two years has not been approved in the UK. But status quo does not exist. The Commission and the UK have prepared a joint paper delivered to the WTO where the EU28 quotas are supposed to be split between the EU and UK according to trade figures over a reference period. Copa asked what is the UK parliament view on the effects of Brexit. What is the Commission doing to support the beef sector? How is beef redistributed after Brexit?

CELCAA suggested that an impact analysis should be done. No one wants truck queues. CELCAA has done its on impact assessment. The outcome is that if there

will be trade with the UK under WTO rules, exports to the UK will decline by 88%, with a decrease in price by 8% and an annual loss of 2 billion €. There is no solution for the excess beef on EU market. The situation will be worse than the Russian embargo and there will be losses of 32 000 jobs in the livestock and meat chain.

CELCAA asked whether new free trade agreements are negotiated from EU28 or EU27 bases. CELCAA insists on clear communication so that everyone is aware what is going on.

DG AGRI A1 stated that at this point possible impacts are reported. Member states are preparing for infrastructural changes at borders with the UK. There are impact assessments conducted internally in the Commission. Possible agricultural impacts can be mitigated through the CAP. Not know what the role of the UK Parliament will be. DG AGRI A1 claims that FTA's are difficult to change because there is no legal ground. In future trade agreements, the change from EU28 to EU27 is tried to be emphasized. The EU is not negotiating on behalf of the UK. Communication is intended to be clear. On future relations, the UK has no position yet.

Copa asked whether the CETA quota on beef is an EU27 quota after Brexit?

CEJA asked what about MERCOSUR quotas.

CELCAA supported CEJA and insisted on the need to give young farmers a perspective. Young farmers start their business currently with 2-3 times bigger farms than before.

DG AGRI A1 said that the Commission negotiates as EU not as a geographical conglomerate regardless how many countries leave or enter the EU. The moment of signature does not matter. FTAs' import quotas are not a Brexit question and the impact on farmers has to be addressed through the CAP.

The chairman proposed a cumulative analysis of what different scenarios will bring. It cannot be that Brexit is playing no role in future in the ongoing trade negotiations.

- 4) Information on Commission Implementing Regulation opening and providing for the administration of Union tariff quotas for fresh and frozen beef and veal and pig meat originating in Canada and amending Regulation (EC) No 442/2009 and Implementing Regulations (EU) No 481/2012 and (EU) No 593/2013

DG AGRI G3 representative gave a presentation on the CETA beef quota and imports implementing rules. Quotas will gradually increase from 2018 to 2022.

FoodDrink Europe asked if the Commission is planning a similar allocation method for US quotas.

Copa asked that the issue of quota allocation should be debated in the Meat Market Observatory on the basis of the market situation. Asked what is the impact of zero tariff in high quality beef.

DG AGRI G3 representative answered that imported beef has to comply to the same standards as EU beef. In high quality beef, the zero tariff is given by a first come first served basis. Took note of the suggestion that the Meat Market Observatory analyses the TRQ management and that the COM is invited to make use of its advice in this respect.

- 5) Information from EC on the CAP post 2020 (including the timeline) and state of play on Omnibus trilogues

DG AGRI G representative introduced the timeline of the CAP post 2020 and the Omnibus trilogues. 29.11.2017 the Commission communication on CAP will be released. MFF proposals are scheduled for May 2018. In the second trimester of 2018, legislative proposals on the CAP are scheduled to be released, accompanied by an impact assessment. When it comes to the Omnibus regulation, a split of the agricultural part is desired. If this takes place, the agricultural provisions can apply starting with 1.1.2018. The public consultation on the impact assessment on the food supply chain ends on 17.11.2017. The results of this assessment is scheduled to be presented in the second quarter of 2018 together with legislative proposals if relevant.

- 6) State of play on DG Competition study on contractual negotiations in the beef sector (art. 170 of the CMO Regulation)

Postponed to the next meeting.

- 7) Market access – SPS barriers to trade – progress report with a focus on China, Japan, South Korea

DG TRADE D3 representative gave a presentation on market access and SPS barriers to trade. The Commission enforced regular coordination work between the DGs AGRI, TRADE and SANTE with particular focus on the removal of SPS barriers in key priority countries. Top issue is the removal of unjustified BSE bans, followed by accepting the concept of regionalisation in case of outbreaks of diseases and streamlining and shortening of burdensome application processes. Besides periodical reviews, intensified communication, demarches, negotiations an extra push is given on all technical and political levels. Input from stakeholders and Member States is needed and always very welcome. For gaining success it is crucial to provide coherent messages to our Third country partners.

CELCAA stated that the Commission should do a greater effort to increase export possibilities to China and Korea. The age restriction of 30 month in cattle severely affects beef exports. Efforts should be made so that countries where BSE has not been detected in years should be released. Efforts should also be done with Japan. Commissioner Hogan's trade missions are important.

FoodDrink Europe argued that it makes no sense that, for example Lithuania, is granted an export permission of beef to Japan but because pork is not allowed to be processed in the same facility (due to ASF), beef export is not possible.

Another point is Iran, where Commissioner Hogan made a visit, there is an available quantity of 300 tonnes. These amounts are just too high for some producers.

DG TRADE D3 representative is taking these messages further.

8) AOB

No other business.

The chairman concluded the meeting giving his thanks to the participants and interpreters.

4. Conclusions/recommendations/opinions

On regard of the Brazilian audit the members of the Civil Dialogue Group on Animal Products – Beef sector call on the European Commission and the European Parliament to

- publish the full reports[1] of the audits carried out by DG SANTE in Brazil which concern the beef sector in order to have a better overview of the weakness of the Brazilian safety scheme,
- broaden the scope of future audits in Brazil in order to check if all the corrective measures suggested by DG SANTE have been taken into account and are efficient enough to avoid jeopardising the safety standards of the EU single market,
- consider the latest RASFF alerts (following the fraud in Brazil) regarding the presence of antibiotic residues that are not permitted in the EU (such as Naproxen and Doramectin),
- publish all information which is collected during the next audit mission to Brazil and
- set-up an European Parliament committee of inquiry to evaluate all conclusions and recommendations resulted from the audits and assess the decisions to be taken.

[1] Final reports of the audit carried out in Brazil in 2013, 2014, 2015, 2016 – ref: DG(SANCO) 2013/6886; DG(SANTE) 2013/6703; DG(SANTE) 2014/7234, DG(SANTE) 2015/7585, DG(SANTE) 2015/7639 and DG(SANTE) 2016/8827

5. Next steps

The group expects presentations on the state-of-play of the Brexit and Mercosur-negotiations. The results of the Brazilian audit will be evaluated.

6. Next meeting

The date of next meeting has not been discussed.

7. List of participants - Annex

Disclaimer

"The opinions expressed in this report represent the point of view of the meeting participants from agriculturally related NGOs at community level. These opinions cannot, under any circumstances, be attributed to the European Commission. Neither the European Commission nor any person acting on behalf of the Commission is responsible for the use which might be made of the here above information."

List of participants– Minutes

Civil Dialogue Group ANIMAL PRODUCT Beef and Veal Sector

Date: 16/11/2017

	MEMBER ORGANISATION	NAME OF REPRESENTATIVES
1	CEJA	DEL CASTILLO PAOLA
2	CEJA	GADDONI LUCA
3	CEJA	NICHOLSON NIALL
4	CELCAA	DRACUP JOHN
5	CELCAA	GAROTTE CARMEN
6	CELCAA	GEORGOUDIS ANDREAS
7	CELCAA	HAAHR THOMAS
8	CELCAA	LOPEZ LOPEZ JAVIER
9	CELCAA	MERIAUX JEAN-LUC
10	CELCAA	RYAN JOE
11	COGECA	ALBERT RAULI-JAN
12	COGECA	BAUBLYS ANDRIUS
13	COGECA	DIRKE MARIA
14	COGECA	EDER HELMUT
15	COGECA	ENDRODI GYORGY
16	COGECA	HODALIC TOMISLAVA
17	COGECA	LINGI NIKOLAS
18	COGECA	MEZZOGORI DANIELE
19	COPA (Note Taker)	GYORFFY CAMELIA
20	COPA	ACCION NAVARRO ENRIQUE
21	COPA	ADAM CHARLES
22	COPA	ASZTEMBORSKI MICHAL
23	COPA	FLEURY JEAN-PIERRE
24	COPA	GONCALVES JOSE
25	COPA	JAKOVOCKIS RAIMONDS
26	COPA	KILSELLA KEVIN
27	COPA	WOODS ANGUS
28	ECVC	RAYNAL VIRGINE

29	ECVC	VANDERVOORDE YVES
30	EEB/BEE	KIKOU OLGA
31	EEB/BEE	VONESCH ANNE
32	EFA	NALON ELENA
33	FESASS	LAVOLLEE GILLES
34	FoodDrinkEurope	DOBBELAERE DIRK
35	FoodDrink Europe	EGBERTS FRANS
36	FoodDrinkEurope	MACKEVICIUS EGIDIJUS
37	FoodDrinkEurope	TOMEI FRANÇOIS
38	IFAH-Europe	GOBBE CLARA
39	IFOAM-EU GROUP	ATKINSON CHRIS
40	IFOAM EU GROUP	SAKOWSKI TOMASZ
	<i>TOTAL</i>	40