

Minutes of the Beef Advisory Group, 10th April 2014

The Chairman, Mr Henry Burns, welcomed the participants and chaired the meeting.

AGENDA:

1. Approval of the agenda.

- The agenda was approved although the Chairman highlighted that the group was not happy that DG Trade did not come to give a presentation on ongoing trade negotiations due to the particular impact of the discussions on the sector. The Chairman said the failure of DG Trade to appear before the Committee was not acceptable to the Group. Other members of the group gave their support to this position.
- The Commission stated that DG Trade did not feel the need to come because trade issues are discussed in another advisory group and said that even though DG Trade would not attend, the negotiations could still be discussed.

2. Adoption of the minutes of the meeting held on 22nd November 2013

- The minutes were adopted without amendment or comment.

3. Exchange of views on the beef market

- Presentation by the Commission of the results of the Forecast Group

The European Commission representatives gave a presentation on the market which can be found at http://ec.europa.eu/agriculture/consultations/advisory-groups/beef/index_en.htm.

- The December survey shows that after the reduction in the number of animals in the last few years in 2013 there was a stabilisation. This is particularly true for dairy cows due to the upcoming abolishment of milk quotas. However the number of animals under 1 year has been reduced.
- Over 2013 there was a decrease in production similar to that of 2012, of about 4%. More animals were kept alive to strengthen the herd. There is no change in the number of animals which were killed from January 2013 to January 2014. However there is a decrease of 4.4% in the weight of the slaughtered animals.
- Prices for category A animals more or less follows the general trend of 2013. There was a drop in the middle of the year then a stable situation. This continued into 2014 but from mid to late February there has been a drop in prices. This could be in line with an increase in production. For steers there was the same pattern. For cows it more or less follows the previous trend with a considerable decrease half way through the year and an upward trend in the beginning of 2014. For heifers there was a downward trend in 2013 at the end of the year and a similar trend has been seen in recent weeks.

- Carcass prices dropped in the second half of 2013 but now there is an upward trend despite the fact that the prices are considerably lower than this time last year.
- There was an increase in margins towards the end of 2013 and in the first quarter of 2014, mainly as a result in the decrease in live cattle prices.
- In 2013 there was a downward trend in exports; this was partially due to the virtual cessation of exports to Turkey. Prospects are not good for a return to this market. However there was an increase in exports to other countries, such as Ghana and Algeria. Algeria is particularly importing live animals. 2013 also saw a slight opening up of the Chinese market. However these markets did not make up for the loss of the Turkish market. There was also a decrease in exports to Russia but it remains the main export market.
- The political climate and conflict with Russia has not affected beef exports although it should be noted that Russia is general decreasing imports, not just from the EU.
- In 2013 tonnes of export went up but the value went down.
- Brazil remains the main supplier of imports; there was an increase of Brazilian imports in 2013. Prices are going up in Brazil but they remain the leader in Mercosur. Uruguay and Argentina are in second place but there has been a big decrease in Argentina in the last years because they have changed their view of exports politically. Australia is also significant and will remain so in 2014. There was a 9% increase in imports in 2013.
- In 2010 the EU became a net exporter again and despite the change in 2013 remains a net exporter and is likely to again in 2014.

Discussion

- Producers had doubts about whether the Commission was taking into account the decrease in the beef herd and wondered if production statistics bring together identification and slaughter. It was also questioned that although the Commission says prices are high, high production costs have to be taken into consideration. The example of a French study which found production costs for young cows in France of €4.50 per kg while prices are at €3.80 per kg was given as an example.
- It was noted that markets are very political; an example is the end of exports to Turkey.
- There was doubt about how the EU could do trade when the value of the Euro is so high, for instance with South America.
- Some members were concerned that with low margins beef farmers might start moving towards growing crops instead.
- Producers were interested in industry's vision for the future.
- A representative of industry pointed out that although agriculture (and beef obviously) has to be included in trade deals and the group is not against trade deals in general, it should be consulted about them. Concerns have been raised in relation to the manner in which bilateral trade is

conducted. The Commission was urged to make sure that when trade deals are done exporters to the EU will be required to find markets for all the cuts of beef and it should be clear that it is not just carcass trade. It was also suggested that there should not be a major tariff quota with no basis in historical trade and the Commission should remember that beef is a sensitive product and cannot be dealt with on a first come first serve basis.

- The Commission responded that it does not disagree with the points raised but is somewhat more optimistic about the prospects for beef than the group.
- The Commission clarified that when prices are categorised as 'high' this is not to say that it is the best possible situation: this is a comparison to prices of the past.
- The Commission acknowledged that a strong Euro is going to have an effect on trade balance but that applies to any sector, not just beef meat.

- Presentation by the Commission on market perspectives (including world production and consumption)

The European Commission representatives gave a presentation on the market perspectives which can be found at http://ec.europa.eu/agriculture/consultations/advisory-groups/beef/index_en.htm.

- It was stated that there is a strong world demand (the economy is expected to recover, population is expected to increase) which creates good opportunities for Europe. High input and energy prices will mean meat prices remain firm in the medium term. The limited growth in South America is not expected to drive imports in the EU.
- Beef world demand is growing in the next decade but growth will be at a lower level than in the previous decade. There is strong demand coming from Asia. Russia in the next decade will have a decline in demand related to its self-sufficiency policy.
- Consumption is increasing in Russia but will go down in the EU by 2023. The main consumers are Brazil and it will overtake the US and reach 30 kilos per capita and will stabilise at this level.
- Poultry meat is the most dynamic meat, increasing in both market share and quantity consumed per capita. Pork is the most consumed meat by Europeans.
- The recovery in production is linked to high milk prices in the context of the abolition of milk quotas but in the medium term will decline again.
- In 2012 there were less beef imports into the EU; volumes from Brazil declined because of limited supply and EU traceability rules. Argentinian imports declined in 2012 compared to 2005 because of the limited supply and because the government imposed restrictions on exports.
- Brazil has a big capacity to increase its production. Exports will see a slower pace due to dynamic domestic consumption.

Discussion

- There was concern in the group at the Commission projections that beef production and consumption will continue to fall in the long term. Some wondered what the EU would do to stop this decline. It was thought replacing production with imports that do not meet EU standards is not a good solution.
- A producer doubted that consumption would decline and doubted the low levels of growth predicted.
- A question was raised about multilateral agreements and hypothetical figures.
- The Commission explained that the presentation makes no allowance for multilateral agreements because none have been concluded; it is a projection not a forecast.

The Chairman expressed concerns about hypothetical figures and the impact on the sector if turned true.

- Producers disagreed with the Commission's views that things are better, highlighting the severe market difficulties in Ireland and problems with the live trade to Northern Ireland. The Commission said they understood the problems in Ireland.
- The hope was expressed that once the economic situation recovers, consumers will resume spending and consumption will not decrease as predicted.
- It was noted that there has been an increase in per capita consumption for dairy and in the case of meat consumption has grown in line with population growth in recent years.
- It was noted that currently meat and veal is mostly consumed in developed countries and Latin America but in the future increased meat consumption is foreseen in Africa and Asia. However consumption will not rise as fast as previously.

The Chairman concluded in a less optimistic manner, emphasizing the strong impact which austerity, buying power have on consumption and the need to protect the industry which is facing a difficult situation.

4. CAP - presentation of the main provisions in relation to the beef sector in the delegated acts

- It was reported that COMAGRI has given its agreement on the delegated acts but Plenary still has to agree. There will be a CSA meeting in the Council (14/04). The Commission believes it will be approved by both institutions. The Commission considers that the implementing and delegated acts should be published at the same time. All being well the Commission expects the adoption process to be finished by June and the acts to be published by at latest the beginning of July in the official journal.
- On voluntary coupled support, it is the responsibility of the MSs to define the eligibility criteria and to fix the quantitative limits for each kind of support they decide to implement. The basic act provides for the criterion for allocating support (risk of decline or of abandonment of production

in the region or sector concerned). In the case of livestock, a maximum number of animals will be fixed. The amount of support will result of dividing the total allocated amount either by the maximum number of animals or by the number of animals which are eligible for support in the year concerned. Therefore, the MS may decide that a larger number of animals can be paid for but each would receive a smaller amount of support than the one estimated. This option gives MSs more flexibility.

The delegated acts provides for the criteria the Commission will apply for assessing the MSs decisions subject or not to an approval.

Discussion

- Questions on the continuation of the beef quota allocation (premium rights), if MSs can give payments for improving quality, if there is an additional premium for producers belonging to POs, how distinguish dairy and suckler cows once dairy quotas disappear, if payment can be made per hectare using stocking conversion rate mechanism, if grassland payments are allowed, were asked.
- The Commission underlined that MSs may introduce individual rights but in a new framework (now the coupled support is voluntary), taking into account the number of potentially eligible animals that currently exist.
- The Commission confirmed that there is no compulsory coupled support to improve quality and that quality cannot be longer an objective or a justification of voluntary coupled support. Quality is now for Pillar 2 only. However it could be referred to quality as an eligibility criterion if it was demonstrated that a determined type of farming (for quality production) is facing difficulties which can be far from being easy to justify.
- The Commission also confirmed that if MSs want, they can include animal retention period as a criterion for farmers.
- The Commission stated that a MS cannot give a producer additional money solely for being a member of a producer organisation as that is not in line with the concept of type of farming or sector undergoing certain difficulties and that would be discrimination. However if these kind of producers were operating in types of farming facing difficulties they could be eligible provided that it is demonstrated that the level of such difficulties differ from the one faced by individual farmers and justify a support.
- Responding to a question on how distinction would be made between dairy and suckler cows for the purpose of direct payments in general the Commission responded that the distinction does not matter because there will be no payment linked to animals under the BPS and whatever a farmer has he will receive a single payment based on eligible hectare area.
- The Commission stated that if a MS was to adopt a sheep coupled payment this should be paid per animal but with the possibility to express the payment in livestock units. The list of production

sectors which would be eligible does not mention pastures or grasslands so these types of lands are not eligible for the optional coupled support. However the goal of up keeping grasslands can be done through other means (ex. Greening payments). MSs may decide to include a criteria linked to availability of grassland as an additional eligibility condition for a support addressed to animals (extensive type of farming for instance).

5. Electronic identification of cattle and deletion of the voluntary beef meat labelling - state of play of the presentation of the final agreement

- The Commission reported that this legislation has already gone through the EP but there remains the formality of the Council and Coreper considering it. Once the basic act has been passed the Commission will start to produce secondary acts. It is the intention that working groups are to be called by the end of the Summer. The wording could be decided by the end of the year.
- During the negotiations there were changes in the wording to make it easier to understand. Reference was made to international standards. There were also some derogation made for all animals born before 1998 which do not have obligation to wear an electronic ear-tag.
- The proposal of the Commission was based on the reduction of administrative burdens but some MSs have been pushing to keep provisions on passports. This will be reflected in the wording.
- There is a reference to extending the definition of summer grazing to transhumance.
- If new technologies become available it will be easy to change the legislation without having to go through the co-decision procedure again.
- The Commission will have to produce a report a few years after the entry into force . There will be a transitional period for this regulation to start to be applicable (2019).

Discussion

- A request was made for the same machine to be used to read cattle and sheep tags and for a WYSIWYG system where the same number is used in the tag and the chip to be used. The Commission responded that it has just finished the basic act and it does not include this level of detail. Working groups with competent authorities will decide this. Stakeholders may also be consulted. The Commission said it is trying to see if it is possible to meet with the stakeholders first to see what they think of the technologies.
- There is a 5 year transitional period. There is a risk that if technical decisions are made now they might change in 5 years. Technical standards should be set for both tags and readers.
- The Commission said that the main reason it came up with the proposals is that it knew electronic identification was already being established in the milk herd and there should be a harmonised implementation to avoid ending up with a different situation/technology between MS.

- The Commission wanted it to be implemented straight away but it was blocked by other co-legislators.

6. Implementation of regulation 1169/2011 on the provision of food information to consumers - labelling of origin for meat when used as an ingredient - information and exchanges of views

- The report is the result of an obligation in the Food Information Regulation and was a compromise agreed on during the negotiations between those who opposed origin labelling and those in favour. The EP pushed for more extensive labelling.
- The report was published in December last year and it examines the need for the consumers to be informed and assesses the feasibility of the impact of the introduction of such labelling.
- There are three possible scenarios: voluntary provision of origin information, providing EU level information and information at the level of MS. The report mirrors the study. The report does not take a position on legislative action.
- Regarding consumer attitude it is clear that there is a strong consumer interest in having such information. 90% of consumers want this information. The consumers' understanding and interest in this information varies according to the MS. Most of the interest in having the origin information is linked to food safety. Most Europeans think buying meat from their own country is safer than from other MS. However their willingness to pay does not reflect their interest. A hypothetical price increase of 10-20% sees interest in having the information fall to only 8%.
- Providing information at the level of MS would be costly and would require radical changes in the supply chain. There was intensive criticism by some stakeholders and MS. France was disappointed that the Commission did not accompany the report with a proposal.
- The Commission discussed the report with the MS. The positions are strong and there is a high political interest, however the positions are also contradictory. It will have to be discussed further at the Council. The Greek Presidency will organise a meeting at the level of attaché in the Council to discuss the report.

Discussion

- A delegate from Germany expressed concerns that legislation relating to this would make it difficult to bring together meat from animals coming from different origins. Germany has a lot of animals reared in Germany but not born there. The Commission stated that this would be taken into account if a proposal was made.
- The Commission stated that the issue is likely to come up during the hearings of the new Commissioner. There will not be much more progress before the end of the year. Progress will very much depend on the new Commissioner.

7. Round table on bilateral trade negotiations with Canada - quota management for beef meat and 8. Round table on bilateral trade negotiations with US and Mercosur.

The Chairman stressed again the disappointment not to have DG TRADE present. The main focus of the group was on bilateral trade negotiations with US.

- Producers stated their surprise to find that at election time the Commission is not suspending negotiations; negotiations are scheduled to be held in Washington at the time Europeans are voting. It was thought that this is not very democratic. The big concern is the fact that sensitive issues which could affect European standards are not discussed. Noble cuts are equally a concern because of the pressure on the carcass price. The Commission should not accept the decline in production and thus replacing it with imports.
- The group was disappointed not to have been presented with an impact assessment by DG AGRI.
- Other issues around the negotiations worrying to the group were that some 'hormone free' farms in the US actually use a certain hormone, ruminant feed in the US contains blood meal which is illegal in the EU, a lot of US meat tests positive for bacteria which is antibiotic resistant, fattening animals are fed with soya and animal's feedstuff contains products that are banned in Europe, in the US straw that is used as bedding for hens is fed to ruminants. It was thought that consumers should be aware of this.
- Some in the group felt export agreements should be considered equal important to import agreements by the EU.
- Some in the group thought that the social impact of the trade deal should be taken into consideration as livestock farms create jobs and if the trade deal impacted negatively on the EU producers this would have knock on social effects.
- The Commission stated that it had taken note of all the concerns and will pass these concerns on to their colleagues and DG Trade. The Commission stated that international negotiations are ongoing and that beef has to be included in them. DG AGRI wants the agreement to be the least damaging as possible for the sector.
- DG TRADE has a global impact assessment on these agreements.
- The Commission reiterated the principle that any imports would have to meet EU standards. The US authorities will have to certify that their own regulations have been followed and that they meet the EU standards.
- The Commission stressed that if the EU wants to export outside it has to accept imports.
- The trade highlighted that there should be a level playing field for standards and costs and this should be at the fore in trade deals. The beef industry accepts that beef has to be part of trade deals but it is a sensitive issue and should be treated as such. Access should be on a fair basis.

- It was suggested by the group that the chairman of the beef advisory group be invited to the next meeting of the advisory group on trade.
- The Commission confirmed that it takes the 'sensitive' categorisation seriously.

9. Information on the new set of tests to be performed by MS in order to verify the presence of horse meat DNA in processed food

The European Commission representative gave a presentation which can be found at http://ec.europa.eu/agriculture/consultations/advisory-groups/beef/index_en.htm.

- The second round of testing for horse meat in processed food is due to start at the end of April. In 2013 the Commission initiated a coordinated control plan on horse in meat products. Starting in last February tests took place for a month. There were tests for both horse DNA (4.66% positive) and phenylbutazone (0.51% positive). Following the results it was agreed to do a second round a year later.
- This time only DNA will be tested; there will be no residue testing. In the second round there are some changes in the methodology to make the results more comparable and testing more harmonised. The timeframe is not as rigid as it was last time; MSs can choose when to test within a fixed window. Results will be available in July.
- Co-financing for tests will be 50% instead of 75% as last time. The average costs of the test were lower than expected last time so the costs have been reduced to €120 from €400. The coordinating lab will get a lump sum of €20,000. The total commitment from the Commission is €165,440.

Discussion

- The Commission has recommended to lower the threshold for a positive test from 1% to 0.5% in the preliminary screening, but the final result will be assessed only as positive for samples that have tested for 1% or above.

10. Animal cloning - state of play

The European Commission gave a presentation which can be found at http://ec.europa.eu/agriculture/consultations/advisory-groups/beef/index_en.htm.

- There are two proposals: the 'Proposal for a Directive of the European Parliament and of the Council on the cloning of animals of the bovine, porcine, ovine, caprine and equine species kept and reproduced for farming purposes' and the 'Proposal for a Council Directive on the placing on the market of food from animal clones' due to legal reasons.
- These proposals are not related to cloning for cultural or zoological reasons.

- Currently food cannot be brought onto the EU market from animals that have been cloned. The import of cloned animals or embryos is also not allowed.
- A number of issues were raised in the impact assessment: issues of animal welfare, the negative perception of EU citizens and inter-institutional discussions on Novel Food.
- EFSA has made statements on animal health; the surrogate dams and clones can suffer because the clones are very large and there can be miscarriages. Sometimes clones do not develop and have a very short lifespan.
- There is a very negative public opinion on cloning. Eurobarometer results showed that people have ethical concerns but there also are people who do not understand what cloning is.
- The EU institutions have had discussions on this issue. A resolution in 2008 reflected on discussions on novel foods was not adopted because a certain number of MEPs insisted on adding aspects on animals that are descendants of clones. The Council did not agree so there was no agreement. After the failed conciliation, the Commission has to make an impact assessment and decide on the legal basis of introducing legislation on clones.
- The information the Commission has gathered from stakeholders was fed into the impact assessment which can be found on the website. There are various options: maintaining the status quo, pre-market approval of food from clones, labelling of food from clones or a ban. None of the policy options alone was deemed to be good enough. There is no clear solution so there will have to be a combination of the options.
- There are no food safety concerns related to cloning so banning clones cannot be based on a health related issue.
- The reason why descendants have not been banned is because of proportionality. They do not suffer in any way more than other animals on the market. They are bred animals so there are no animal welfare issues and no food safety issues. The cost that farmers would incur to keep cloned animals apart from other animals and with traceability would be very high. DG AGRI will carry out a study.
- In the Council there was a meeting at the end of March, most MSs were unsure, some were in favour, and some were against. Next meeting will take place in May. The EP discussed this before the proposal and there is a resolution designed to force the Commission to produce a proposal. Many MEPs are disappointed because of the lack of traceability on descendants, they are also not completely happy with the legal approach. Debate has been also on the EP committee responsible of this issue.
- There is a WTO aspect as they have to be notified as TBTs. The EP will not get the proposal in time to discuss it before the end of this legislature. TBT has been notified and SPS has been informed.

Discussion

- There are some clones in other countries for purposes other than food; there is not a discussion about banning them. Even in those countries cloned animals are not found in the food chain.
- The Commission's approach allows for reviewing the situation in couple of years on the basis of scientific evidence which will be available.
- It was asked how the Commission could be sure the EU does not import meat from cloned animals from other countries where the technique is allowed and that there is no traceability system. As far as the Commission knows animals are cloned from reproductive materials and are used to produce more reproductive materials; not food. They could also be from research projects or from a zoo. This is fairly well monitored; it is easy to know which animals are involved. The Commission thought it should be trusted that cloned animals will not get into the food chain.
- The group was keen that specific discussions on clones take place in the context of the TTIP talks. The Commission thought this would not be necessary as there are very few cloned animals and they are very expensive to make.

The Chairman underlined the need to ensure that imports respect the same standards as European products, which is important to consumers. This was supported by producers.

- Members of the groups were worried that cloned animals from third countries could end up in the food chain and it was not sufficient to 'trust' it not to happen and it should be brought up in negotiations.
- Answering to a question on the cost of a cloned animal, the Commission replied that although it costs around \$20,000 to produce a cloned animal if the clone has particularly high quality offspring, the initial investment can be very quickly split across animals and the overall investment reduced.

The Chairman concluded by the need to put this point on the TTIP agenda.

The Chairman thanked the participants for their contribution, the Commission services for their support and the interpreters for their work.

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."