

ATTACHMENT

MINUTES OF THE MEETINGS

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Minutes of the Meeting with AVEC of 22 July 2014

Summary

[not relevant]

Views were exchanged on AVEC's report on production costs (EU vs. third countries) in which the extra cost of compliance with EU legislation relating to poultry meat is estimated at 5% of the production costs.

[not relevant]

Participants

AVEC: [Deleted under Article 4.1.b]

DG AGRI: [Deleted under Article 4.1.b]

DG TRADE: [Deleted under Article 4.1.b]

Detail

DG AGRI [Deleted under Article 4.1.b] [not relevant].

On why the costs of the EU egg industry related to the compliance with EU legislation (15% of total costs) are relatively higher than the costs in the poultry sector (5% as above), AVEC explained that the structure of costs is substantially different (different feed conversion rate). In Europe the product of interest is yolk (EU defensive; afraid of "yolk tsunami" as stated by EU egg industry during TTIP stakeholder event), while in the U.S. is albumin. In the poultry sector, the interest is in boneless meat. In the U.S., in poultry production there are still some substances used which are banned in the EU (ractopamine in turkey). E.g. recently, the U.S. had a consignment blocked by Russia (ractopamine apparently can be detected; as we have no MRLs, there is zero tolerance).

The EU has also different marketing standards (e.g. water content) than 3rd country partners. Exporters can export higher water content than allowed in EU standards but the industry is not aware what marketing standards the U.S. has (e.g. precise definition of cuts).

[Not relevant].

Minutes of the Meeting with EUWEP of 19 February 2013

EUWEP: [Deleted under Article 4.1.b]

DG AGRI: [Deleted under Article 4.1.b]

EUWEP [Deleted under Article 4.1.b] presented the outline of a study commissioned by EUWEP on production costs in the EU egg industry and in main competitor countries and the impact of tariffs cuts within the framework of the future EU-U.S. trade negotiations.

He stressed that, in addition to feeding costs (lower in the U.S. due to the use of cheaper soya feeding for poultry), a key difference in production costs for egg products between the EU industry and its main competitors is housing requirements. Before the introduction of the additional requirements of enriched cages in the Directive 1999/74 the EU housing requirement still added a +9% cost difference compared to main competitors, while with the new requirements there is a +15% total cost difference. None of the competitors adopted similar measures. The result is that with the current border measures (import levies) the final offer prices in the EU territory of the EU producers and the main third-country competitors are almost aligned, notably for egg powder. The study simulated the impact of both a 50% reduction of import tariffs and a 10% reduction of exchange rate. In both cases, notably in case of 50% reduction of import tariffs, the offer price of EU producers would be higher than all main competitors. A "full liberalisation" would be "unthinkable" as it would have dramatic consequences.

AGRI [Deleted under Article 4.1.b] noted that the EU industry still appear from the table to have other higher costs compared to the main competitors. The industry must undertake an effort to remain competitive (possibility also to profit from CAP resources for research on new technology). In addition, the fact of applying stricter standards with regard to animal welfare must be adequately branded and labelled in order to get a premium from the market. The EU will of course take into account the sensitivity of the sector but the request for specific protection is more credible when supported by a stronger effort on competitiveness. EUWEP [Deleted under Article 4.1.b] noted that the difficulty in branding the EU housing additional requirements is that poultry still are grown in cages, even if larger than in the U.S. Consumers do not easily differentiate between caging systems. He noted that the U.S. is still mainly a consuming country and they are only exporting under particular conditions (sometimes below costs) in case of overproduction, and this makes the EU industry particularly vulnerable. In addition, a bilateral liberalisation of the sector with the U.S. would not be a fair result, since the EU egg and egg products exports to the U.S. are blocked for SPS reasons, since the U.S. requests third country exporting to the U.S. to apply AMT treatment (chlorine) not allowed in the EU.

[not relevant]

Minutes of the Meeting with EUWEP of 27 November 2013

Summary

The EU egg industry representatives expressed concerns about a possible liberalization of EU imports of eggs and egg products in TTIP. The industry presented results of a study which showed a reduction of competitiveness of the EU industry vis-à-vis third partners due to EU new legislation on enriched cages. The industry argued that increased imports from the US would have a negative impact on the industry.

Participants

EUWEP: [Deleted under Article 4.1.b]

DG Agri: [Deleted under Article 4.1.b]

Detail

The representatives presented the results of a LEI study on the competitiveness of the EU industry, showing an increase in production costs due to new EU animal welfare requirements on battery cages. The share of products associated with EU animal welfare and food safety regulation rose from 9% in 2010 to 15% in 2012, thus worsening EU competitiveness. U.S. is EU one of the most important suppliers of eggs and egg products. Its costs of production are roughly 25% lower than EU costs. The increase of EU costs of production led to a situation where even at the current tariff level third countries become competitive (eg. Argentina, U.S. above EU but only slightly).

The dried egg products are the most sensitive ones as the fresh egg product require a short period of delivery and closeness to the market. The federation thus confirmed that fresh/fertilizer eggs are less sensitive than dried eggs. However, a potential increase of imports of fresh eggs might take place if the status quo changes. Their concerns related to a possible revision of the “sell by date” (21 days) and “best before date” (28 days) - proposal now analysed by EFSA at the request of DG SANCO.

Moreover, EU regulation as regards food safety differs from the U.S. regulation (U.S. chlorinates eggs). However, U.S already expressed interest in exporting class B (shell eggs) for processing.

At present, EU imports represent only 0.3% of production and EU is a net exporter. However, the industry argued that even small increases of imports can have a very negative impact on the sector, as EU prices may fall rapidly.

[Deleted under Article 4.1.a] .

[not relevant]

Minutes of the Meeting with AVEC of 13 February 2013

AGRI met with representatives of EU poultry industry [Deleted under Article 4.1.b]. The stakeholder underlined the link between the SPS issues and market access offer, arguing these issues are interlinked and cannot be decoupled from each other. [Deleted under Article 4.1.a]

Participants:

AVEC: [Deleted under Article 4.1.b]

DG AGRI: [Deleted under Article 4.1.b]

DG TRADE: [Deleted under Article 4.1.b]

TTIP

The stakeholder informed about the results of a recent study on the competitiveness of the EU poultry sector. Additional costs related to higher food safety and environmental standards are estimated to account for around 5% of production costs. A problem for the sector is higher cost of feed than that of third countries. EU competitors (Brazil, Thailand) are competitive even at the current tariffs as substantial volumes enter the EU outside the quota (in fresh/frozen poultry 0207). The quota of around 20 000 t allocated to the US is not used due to the ban on chlorination of poultry in the EU. The organization is of the view that in the TTIP negotiations, the market access offer should not be “decoupled” from the SPS issues.

[not relevant]