



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from: Commission
to: Council

Subject: Conclusions of the Beef Reflection Group
- Presentation by the Commission

Delegations will find attached the information document from the Beef Reflection Group, as transmitted by the Commission, to be dealt with under "Any other business" at the meeting of the Council (Agriculture and Fisheries) on 19 July 2011.

SUMMARY OF THE DISCUSSIONS FROM THE EXPERT GROUP AND THE ADVISORY COMMITTEE ON BEEF ON 15TH, 16TH AND 29TH JUNE 2011

I. INTRODUCTION

In the margins of the Informal AGRI Council of 29-31 May 2011 at Debrecen, the Commissioner for Agriculture and Rural Development decided to launch a reflection process involving Member States and stakeholders on the beef sector. Therefore the Commission organised an Expert Group on beef on 15th of June and an Advisory Committee on 16th of June, in order to prepare the joint discussion meeting on 29th of June.

Both preparatory meetings were organised in a similar way. The morning session was dedicated to the presentations by Commission services on the following subjects:

1. *Beef market situation*
2. *Analysis and evolution of costs and margins in the EU beef production sector*
3. *Measures currently in place in the CAP:*
 - *Possible measures within the rural development regulation*
 - *Direct Payments*
 - *Market Measures*

In the afternoon, on both occasions, the members of the group were invited to express any position, comments and proposals which they found relevant concerning the current challenges facing the beef sector.

II. DEBATE

The Commissioner's initiative was welcomed by many delegations who expressed their thanks for the organisation of the meeting and stressed the importance of this reflection group not to mention the expected results of its deliberations. Namely the current crisis was underlined, aggravated by the increase in production costs and also by the drought in some MS.

One delegation also briefly presented the content of the memorandum on EU bovine sector signed by 11 MS.

Preliminary to the debate on possible new instruments itself, several other delegations formulated their reservations as regards the starting point of the reflection meeting, namely by questioning whether the beef sector is in (a market) crisis situation. The evolution of high prices and a potential for growth through export and the opening of new markets was underlined. According to them, the focus on EU policy for the beef sector should be on increasing their competitiveness in order to secure future challenges.

Concerning current and possible future **market measures** the following opinions were expressed by various delegations:

- Maintain public intervention and private storage for beef meat but activate them on a more effective and prompt basis. One MS raised the necessity to be able to activate these measures also for the outermost regions.
- Adapt the level of intervention opening prices and reference prices, including a regular review. In this regard the proposal was made to take changes in production costs (margins) into account.
- Adapt measures for intervention and private storage to include meat of young cattle (8 to 12 months).
- Maintain exceptional market support measures but activate them on a more effective and prompt basis.

Concerning the more horizontal market measures within Regulation (EC) No 1234/07 many delegations wanted to maintain current Articles 44 and Article 191. One MS asked for a 100% EU financing of Art 44. Several delegations were in favour of a revision of the scope of Article 186 in order to include also margins as a trigger for necessary measures instead of only prices and of the broadening of Article 45 (loss of consumer confidence) to the beef and veal sector.

Finally concerning export refunds, some delegations expressed their wish for the maintenance of the instrument as long as they are legally compatible with international agreements, for an immediate adjustment of the level of refunds in line with the price gap between EU and world prices and the reintroduction of export refunds for live animals Others stated that they were not in favour of the instrument.

Concerning Article 122 of Regulation (EC) No 1234/07 (producer organisations) and Article 123 (interbranch organisations) many delegations asked for the expansion of the relevant principles of the milk package to the beef sector. All these provisions should be voluntary and be in line with the functioning of the single market. One MS requested that this expansion should include an optional written contracts obligation, a rebalancing of the bargaining power of the producers (PO's and possibility for the farmers to negotiate collectively such contracts terms, including the price), the role of interbranch organisations, the improvement of knowledge and the transparency of production of the market.

On the contrary a concern was also noted towards a possible expansion of the diary package towards the beef sector.

With regard to **the direct payment schemes** the following views were expressed:

Concerning the specific characteristics of the bovine sector, many delegations expressed their wish that for the CAP-reform the current Article 68 of Regulation (EC) No 73/2009 should be maintained with specific sectorial measures included and with greater flexibility for the MS and by eliminating the 3.5% ceiling for coupled support.

In addition, several delegations requested the maintenance of the suckler cow premium. Finally, one stakeholder supported the possibility for MS to give support for grassland based farming – even beyond LFA - (current article 111 of RE 73/2009).

Some delegations asked for a more balanced redistribution of direct payments in the CAP post 2013, for a targeted aid towards active farmers and a redistribution taking into account the specificities of the different MS. The opposition to a possible future capping of direct payments was also expressed and the possibility to continue supplementary EU direct payments in the new MS was also requested. One MS asked for an introduction of a similar tool as article 68 within the POSEI-programme.

In this respect a stakeholder recommended the possibility to create another specific type of coupled support in order to enhance the self-sufficiency in feed by farms, namely specific support for fodder crop production and a more flexible management of permanent pasture for growing cereals for livestock use only without the farmers' direct payments being penalised. The introduction of specific support systems was proposed in order to maintain different production models such as farmers without land (fatteners), common grasslands, etc. and in order to enhance protein production within the EU.

Contrary to the positions mentioned above, some other MS requested the phasing out of coupled direct payments. An overall request was made for maintaining the current level of the CAP budget within the future financial framework and specifically to maintain the pillar 1 funds in the CAP post 2013 was underlined, particularly for the bovine sector.

Furthermore one MS asked for the creation of a specific crisis management tool in the future CAP post 2013.

Concerning the **Rural Development legislation** the following issues were brought forward by various delegations:

- Maintain and reinforce second pillar payments, including agri-environmental measures.
- Maintain the Less-Favoured Area payment with current delimitation and protect farms located in disadvantaged areas or subject to production constraints. Increase funds with focus on agriculture itself.
- Strengthen the "first-axis" measures (young farmers, investments).
- Enhance research and innovation support, with priority to those aiming for the reduction of production costs and sustainability of the production systems.

- Support for greater innovation and competitiveness through research and development.
- Qualified support for collaboration between producers.
- Strengthen the new innovative management risk tools, including income stabilisation tools or mutual funds.
- Support systems which could be directed towards environment friendly and carbon friendly grazing systems.
- Introduce measures in order to increase the resource efficiency at farm level.
- Create measures to enhance genetic diversity for livestock rebuilding.
- Strengthen support for small farms.
- Measures to compensate livestock farmers going beyond production standards at EU level even when those standards are imposed by national legislation.
- Revision of the compulsory co-financing requirements.
- Facilitating access to bank financing at subsidised interest rate for cattle farmers.

In answer to a question by a stakeholder the Commission confirmed that it would be possible for MS to take appropriate measures in response to the current drought situation and in line with article 20 (vi) of Regulation (EC) 1698/05, if such a measure had been foreseen within its rural development programme. Furthermore it was mentioned that MS were able to take any possible action provided that EU state aid rules were applied.

A large number of delegations asked for measures to obtain a **better functioning of the food chain**, more transparency and a better distribution of the margins between the different links of the chain, namely a correction of the predominant power of the retail sector and in this line, establishing EU legislation to address retail concentration. In this regard the setting up of a European observatory system was brought forward and a study on prices and margins should be undertaken.

Many delegations expressed their concerns towards the ongoing **trade negotiations** both at the multilateral (Doha) and the bilateral (Mercosur) level. More specifically with regard to the expected impact from a future EU offer on market access to the EU beef market but assuring the supply for the processing industry. One MS mentioned that the compensation in POSEI programmes for possible losses due to negotiations should be increased. The maintenance of an effective tariff protection was proposed, with no further concessions on agriculture. They also feared the difference in competitiveness due to the various European production standards compared with those in third countries. In this context the eventual use of PAP's for/from monogastrics would have an indirect positive impact in the feed cost also for the beef sector. On the other hand it was stressed that the starting point on this issue has to be the EU consumer's demand. The EU beef meat chain has to look at consumers preferences both in terms of quality and of prices.

Furthermore, it was asked by some delegations that priority be given by the Commission to remove ESB-barriers still applied by some third countries and that the Commission should redouble its efforts to obtain market access to the US and China and to simplify trading arrangements with Russia. Finally the need for coherence between the different EU policies (CAP, Climate, Environment, Trade, ...) was underlined. In this regard one MS asked for a more narrow collaboration with DG Climate in order to face greater resilience towards (future) strong weather fluctuations.

Some delegations requested the removal of the administrative burden of voluntary labelling and asked for technical **simplification** regarding compulsory **labelling**. With the aim of reducing the administrative burden, more risk-based meat controls were suggested. The opportunity to apply labelling requirements on the standard of production in third countries – if not in line with EU policy – was also requested. Some MS expressed their support for the current carcass classification system and asked to maintain this instrument within the future CAP. Furthermore the need to strengthen the Commission's **promotion** policy on the internal market by including generic beef meat and towards third countries was requested. The introduction of greater flexibility of the implementing rules was also mentioned. One stakeholder also raised the question to focus EU **research**-programmes on animal feed systems, the reduction of the use of energy resources, productivity improvement, and meat quality.

As regards BSE rules, one delegation expressed the wish to review the list of specified risk materials (SRM) after risk assessment (e.g.: intestines).

Furthermore one MS promoted multi Member State initiatives on quality marks (e.g.: ongoing discussions on traditional speciality guaranteed (TSG) on grass-fed beef) and asked for an amendment of the EU public procurement code in order to favour local EU producers regarding call for tenders, particularly in catering.

Another MS requested the increase of the "de minimis"-aid ceiling in order to enhance the flexibility of the MS to respond effectively to ad hoc crisis situations.

Finally, the influence of possible changes in other relevant agricultural policies, namely that of the future dairy reform, was noted. Consequently, according to many delegations, an impact analysis of the liberalisation of the dairy sector on the livestock sector should be foreseen), as well as an analysis on the perspectives of the beef sector towards the "2020" scenario. Also a review of the EU policy on biofuels due to its relation to the increase of feed prices was requested by some delegations.

III. CLOSING REMARKS

The Chairman informed the delegations that Commissioner Ciolos would report to the Council on the 19th of July on the conclusions to be drawn from the discussions.
