

## EXPLANATORY MEMORANDUM FOR EUROPEAN UNION DOCUMENTS

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### REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL ON THE IMPACT OF ANIMAL WELFARE INTERNATIONAL ACTIVITIES ON THE COMPETITIVENESS OF EUROPEAN LIVESTOCK PRODUCERS IN A GLOBALIZED WORLD

### ANNEXES TO THE REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL ON THE IMPACT OF ANIMAL WELFARE INTERNATIONAL ACTIVITIES ON THE COMPETITIVENESS OF EUROPEAN LIVESTOCK PRODUCERS IN A GLOBALIZED WORLD

Submitted by the Department for Environment, Food and Rural Affairs

22<sup>nd</sup>

February 2018

#### SUBJECT MATTER

1. This report is the output of a study commissioned by the European Commission as part of objectives from the last EU Animal Welfare (AW) strategy. It provides an assessment of the overall impact of AW international activities on the competitiveness of EU producers and operators over the period of 2004-2015.
2. The report is based on the "*Study on the impact of animal welfare international activities*"<sup>1</sup>. It also takes into account the study "*Assessing farmers' cost of compliance with EU legislation in the fields of environment, animal welfare and food safety*"<sup>2</sup>. This latter study is not dedicated to AW but contains relevant information for this report.
3. The report includes a summary of EU interventions to raise AW standards internationally followed by an analysis of the impact on competitiveness using data from stakeholder interviews, two surveys targeted at EU and non-EU operators in selected non-EU countries, case studies and available publications.
4. The report enumerates EU interventions which have taken place during the study period. These are made of multilateral activities carried out in the framework of international intergovernmental organisations operating on a worldwide basis (e.g. World Organisation for Animal Health (OIE), Food and Agriculture Organization); bilateral activities taking place with individual or regional groups of non-EU countries like Mercosur; and capacity building interventions such as training and technical assistance interventions under the Better Training for Safer Food<sup>3</sup> (BTFSF)

<sup>1</sup> <https://publications.europa.eu/en/publication-detail/-/publication/dc039353-ca9c-11e7-8e69-01aa75ed71a1/language-en/format-PDF/source-49926262>

<sup>2</sup> [https://ec.europa.eu/agriculture/sites/agriculture/files/external-studies/2014/farmer-costs/fulltext\\_en.pdf](https://ec.europa.eu/agriculture/sites/agriculture/files/external-studies/2014/farmer-costs/fulltext_en.pdf)

<sup>3</sup> [https://ec.europa.eu/food/safety/btsf\\_en](https://ec.europa.eu/food/safety/btsf_en)

programme and Technical Assistance and Information Exchange instrument<sup>4</sup> (TAIEX), EU research programmes<sup>5</sup> and targeted projects.

5. Overall, the analysis of EU interventions concludes that they were effective in improving awareness of European and global AW standards with particular success in welfare at slaughter, although not so much progress has been achieved in welfare in transport and on farm. Pigs and laying hens are named as key farm welfare areas where EU legislation has served as inspiration to others for improvements to AW in production systems.
6. The role played by bilateral agreements that help raise AW standards, particularly welfare at slaughter and, to a lesser extent, AW at transport globally, in countries concerned is noted. Key tools for this have been the OIE AW standards and EC Regulation 1099/2009 on the protection of animals at the time of killing.
7. The report highlights a demand for AW friendly products in North American and Oceanian countries, and a positive impact on AW improvements in Latin American countries following EU intervention activities (i.e. pilot voluntary AW standards).
8. The report notes preliminary evidence of different AW standards uptake between large and small operators. The result of this is a delay in full implementation of international standards, with a two-tiered welfare implementation. Better welfare standards are only applied by producers selling to export markets whilst smaller operators that have not yet taken up the higher welfare standards cater for the domestic markets.
9. The report credits improvements in AW standards in Eastern Europe to international financial institutions, particularly the European Bank for Reconstruction and Development and the International Finance Corporation. Evidence from other funding institutions in relation to eggs and egg products market diversions due to uneven AW standards is less clear.
10. The analysis on impacts of AW international activities on competitiveness (i.e. improving the level playing field at global level between EU and non-EU producers) looks at four separate dimensions: productivity and cost competitiveness, market access, trade distortions, and capacity to innovate.
11. On **productivity and cost competitiveness** the report notes that the perceptions are different between EU operators, who see AW standards as a cost, versus non-EU operators who report higher productivity after compliance with AW legislation. However, both considered that improvements in product quality had occurred following compliance with animal welfare legislation. The report notes that animal welfare standards are not a key driver of competitiveness in the world market. This is because other factors strongly influence competitiveness (such as proximity of market, other production factors, the type of market segments or the existence or not of trade agreements). Increasing consumer awareness of the EU's sustainable production methods – including high AW standards – can and does improve the market position of EU products.

<sup>4</sup> [https://ec.europa.eu/neighbourhood-enlargement/tenders/taieux\\_en](https://ec.europa.eu/neighbourhood-enlargement/tenders/taieux_en)

<sup>5</sup> <http://ec.europa.eu/research/index.cfm?pg=sitemap>

12. On **market access** survey respondents noted that compliance with AW standards and legislation facilitated access to new markets. There is however a discrepancy: more than half of the non-EU respondents report improved access to international markets, whilst EU respondents denied such improved access. An example showing how welfare legislation can help promote welfare and add value to products regulated under improved welfare standards are the equivalency requirements on welfare at slaughter under Regulation 1099/2009. The report notes that it helped reduce gaps between exporting countries and the EU. In addition, non-EU operators consider that such compliance has positive impacts in terms of access to premium exports markets other than the EU.
13. On **trade distortions**, the study highlights two potential cases of trade distortions deriving from differences in AW legislation applied between EU and non-EU countries. The first one concerns eggs and egg products. The study shows that delayed implementation of EU requirements for laying hens in Neighbourhood countries, such as Ukraine, could have resulted in cost disadvantages for EU operators. However, concurrent sanitary factors (e.g. equivalent salmonella control system) did not allow export to the EU and therefore no trade distortion occurred. Further, distortions remained limited in size due to delayed implementation of quotas. The second one concerns trade of live bovines to non-EU countries; EU operators perceived that AW standards could distort long distance transport of animals (particularly by sea). However, the study found no conclusive evidence that different AW standards on sea transport have impacted on trade flows, or damaged the EU's competitive position in the case studies analysed.
14. On **capacity to innovate**, no specific findings are reported due to difficulties in quantifying the economic importance of the market in AW friendly products, lack of data and the multi-factorial aspects of marketing and consumer perception.
15. Key conclusions of the report confirm that the Commission has a cooperative approach to promoting AW on the international scene in place and has put AW in the dialogue with many non-EU countries. Interventions have been made on three key elements: awareness raising, capacity building and funding. The report confirms that significant results have been achieved and notes that interventions have resulted in a "prominent and decisive role", helping raise global awareness of AW as well as facilitating the implementation of EU import requirements on AW standards at slaughter.
16. Interventions in research, training and capacity building activities have helped increase the AW knowledge and skills of thousands, and has supported the implementation of AW policies and standards in beneficiary countries.
17. The report confirms that the Commission recognises that promoting AW is important and it is committed to undertake international trade based on values (i.e. a more responsive approach to the public's expectations on regulations and investment, and a trade agenda to promote sustainable development, human rights and good governance; see "Trade for All" strategy<sup>6</sup>). EU AW standards are reported to have had a "lighthouse effect" and inspired voluntary industry welfare initiatives. The EU has also had direct input in promoting and supporting OIE activities, including the OIE standards setting process and implementation, within and outside

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<sup>6</sup> COM(2015)497

of the EU, with particular emphasis on implementation of welfare at slaughter and transport standards.

18. Finally, the report notes that, overall, AW standards have a limited impact on the competitiveness of EU producers in world markets. Compliance costs remain low when compared to other production costs that affect global competitiveness and influence world trade patterns. The global promotion of EU standards on animal welfare contributes to the long term objective of improving animal welfare in the world and reducing unfair trading practices. It is also an opportunity to enhance the added market value of products obtained under such standards.

### **SCRUTINY HISTORY**

19. There is no Parliamentary scrutiny history relevant to this report.

### **MINISTERIAL RESPONSIBILITY**

20. Responsibility lies with the Secretary of State for Environment, Food and Rural Affairs, Scottish Ministers, Welsh Ministers and Northern Ireland Executive Ministers.

### **INTEREST OF THE DEVOLVED ADMINISTRATIONS**

21. Animal welfare is a devolved matter. Similar legislation for animal welfare, monitoring and enforcement processes exists in each of the devolved administrations. They support this Explanatory Memorandum.

### **LEGAL AND PROCEDURAL ISSUES**

22. There are no legal or procedural issues.

- i. Legal Basis**  
None. There are no legislative proposals in this report.
- ii. European Parliament Procedure**  
The Commission report is for information only.
- iii. Voting Procedure**  
There will be no vote on the Commission report.
- iv. Impact on United Kingdom Law**  
None. There are no legislative proposals.
- v. Application to Gibraltar**  
Not applicable.
- vi. Fundamental Rights Analysis**  
No issues arise.

### **APPLICATION TO THE EUROPEAN ECONOMIC AREA**

23. Not applicable.

## **SUBSIDIARITY**

24. Not applicable. There are no legislative proposals.

## **POLICY IMPLICATIONS (including exit implications where appropriate)**

25. Until exit negotiations are concluded, the UK remains a full member of the EU and all the rights and obligations of EU membership remain in force. During this period the Government will also continue to negotiate, implement and apply EU legislation.
26. There are no immediate implications for the UK from this report. We will have to wait to see how the report's conclusions are taken forward by the Commission, and will stand ready to discuss with the Commission and other Member States ways to further improve international AW globally.
27. The report includes as part of the reviewed documents the last UK Government 5 Year Progress Report on International Animal Welfare<sup>7</sup>. Several UK experts and non-governmental organisations (NGOs) have participated in a number of the training and technical assistance activities captured by this report. The UK OIE AW focal point and UK experts have contributed to the EU input into animal welfare standards through the EU coordination meetings and as members of the OIE chapter drafting working groups. The UK has also provided speakers for all three OIE Animal Welfare Global conferences to date. As part of the planning for the UK's departure from the EU, we will need to consider how UK experts and NGOs may be affected if future activities take place. The UK will also need to consider collaborative frameworks with the EU or alternative initiatives to promote international AW.
28. Information contained in this report is useful background for planning for the UK's departure from the EU, particularly in relation to AW and trade, as well as any future UK strategies to encourage improvements in international AW.

## **CONSULTATION**

29. Not applicable.

## **IMPACT ASSESSMENT**

30. There are no legislative proposals so an impact assessment is not necessary.

## **FINANCIAL IMPLICATIONS**

31. There are no financial implications for the EU or the UK from this report.

## **TIMETABLE**

32. The report is likely to be discussed by the Agriculture Committee of the European Parliament, but the timetable is currently unclear.

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<sup>7</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/412631/animal-welfare-5-year-progress-report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/412631/animal-welfare-5-year-progress-report.pdf)

*Gardiner of Kimble*

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