



The European
Pet Food Industry

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2018



Highlights:

Academic Session on International Trade



Highlights: Academic Session on International Trade



International Trade was the topic of the Academic Session during the 2018 FEDIAF AGM. A panel of five experts moderated by Victor Vlam held an animated discussion on the subject before breaking into groups with participants to continue the debate in more detail.

Panellists included:

- **Diwakar Dixit** from the World Trade Organisation (WTO)
- **Dr Elzo Kannekens** from the Ministry of Agriculture, Nature and Food Quality, The Netherlands
- **Dr Matjaz Klemencic**, European Commission Directorate General Health and Food Safety (DG SANTE)
- **Dr Monika Prenner**, Chair of FEDIAF Feed Material and Trade Working Group
- **John Williams**, Chairman of the GAPFA Trade and Food Safety Working Group.

(Bios of the panellists and moderator are at the end of this document.)

International trade is the movement of goods, services and capital across international borders or territories and for many countries it represents a substantial proportion of GDP.

In 2017, EU pet food exports amounted to some € 1.2 billion while for the same period, imports into the EU reached a value of € 330 million. With growing competition and more mature markets within the EU, pet food manufacturers have to look to geographic expansion and digital channels to ensure sustainable growth.

This compares to the US pet food industry exporting US\$1.2 billion in value and importing US\$602 million.

EU as one trading block

The EU has clear and well-established rules and regulations for importing and exporting. In the EU, trade between Member States is not considered “international trade” and is straightforward as if within a Member State.

To export to a third country requires:

- Either an agreement between the EU and the third country,
- Or bilateral agreements between individual Member States and the third country

FEDIAF clearly favours agreements between the EU and third countries: In all 28 EU Member States the same strict safety and hygiene rules apply and there should be no reason why a pet food from France is allowed to be exported to country X, but not a pet food from Italy or Poland.

*“To grow,
we need to go
outside the EU”*

Monika Prenner,
Chair of FEDIAF Feed Material
and Trade Working Group



According to Dr Kannekens of the Dutch Ministry of Agriculture, Nature and Food Quality, the only way to get third countries to consider the EU as one trading block is to have all Member States aligned and speaking with one voice. However, trade and politics are inextricably linked, some countries may not want to open the door to trade with all 28 Member States.

The key to facilitating trade is transparency and trust: To have the EU seen as a single trading block, there must be trust in the safety systems throughout the EU and trust in each individual Member State’s willingness to trade freely; equally important is the trust in the individual official veterinarians involved in international trade.

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Brexit

The impact of Brexit on trade depends on how swiftly EU policy develops and the route the UK decides to take. For instance, will it be more in line with the US or stay in line with EU?

With the UK exiting the EU there is a lot at stake for the remaining Member States with several already making preparations. The Dutch government, for example, anticipating the additional controls needed in the port of Rotterdam has estimated that it will need an additional 200 vets to oversee the checks at the port. That's a 50% increase in staff due to the anticipated additional work load after Brexit.

“The UK pet food industry did not want Brexit and our stated policy is to stay aligned with Europe as closely as we can.”

Tony Parkinson, Chairman of PFMA UK



The UK is and will remain a WTO Member; however, its trade undertakings under the WTO have always been part of the EU. ***‘The challenge is to have an agreement on acceptable terms of trade for the UK’s WTO membership, which we don’t have at the moment. This is unprecedented...’*** stated Diwakar Dixit of the WTO. However, the WTO is not involved in the Brexit negotiations. This is between the UK and the EU only.

Whatever form Brexit takes, as an industry the focus needs to be on pet health and ensuring the products imported into the UK support the pet’s health and wellbeing.

Zoonosis as an export barrier

“To build trust, we need to demonstrate to our trading partners that the EU has things under control.”

Dr Matjaz Klemencic, European Commission
Directorate General Health and Food Safety (DG SANTE)

Time is essential in the face of a disease outbreak; there is no time to react, everything stops. The reaction to the problem i.e. closing borders, needs to be reasonable and grounded in science. At the same time it must be measured so that the public and stakeholders perceive the response and actions as robust. ***‘We have to do everything possible to prevent the spread of the disease but base the actions on science’*** stated Monika Prenner.

There is a delicate balance between taking measured action to ensure human health first and secondly to ensure the safety of products and eradication of the disease whilst moving quickly enough to allow trade to resume to normal.



Moderator Victor Vlam pre-discussing with the panellists

For trade to resume, it is paramount to have established trust and confidence in the management of the outbreak. The BSE experience is a sober reminder of the time it can take to restore trust. Although almost 30 years ago, the consequences of the BSE outbreak on trade are still being felt. ***‘The Netherlands only last year signed a deal on beef and veal with the USA and this year with China’*** commented Dr Kannekens. Concern for human health is the main reason why third countries were slow to trust beef products from the EU again.

There is progress however, with Dr Kannekens stating that the unified approach taken by the EU is perceived as a real strength.

While the trust within the EU for the pet food industry comes from self-regulation, this may be challenging for third countries who do not have a similar system. While an OIE certificate would be very helpful in facilitating trade, it will take some time to establish.

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E-commerce and Compliance

With 68% of internet users in the EU having shopped online in 2017 according to Eurostat¹, e-commerce is a reality for businesses. Compliance, however, is a real challenge. A consumer can order any product online from anywhere in the world and have it delivered to their home. The product purchased is never checked. How confident can the consumer be that the product they have bought is authentic and in line with European laws and regulations?

“E-commerce is not the problem, it is the control.”

Diwakar Dixit



There is consensus that something needs to be done quickly but the question is what. It is impossible to control every website or check every product that enters the EU through the postal system.

E-commerce presents challenges to health, safety, hygiene, which are hard to control. Is there a role for industry to regulate these players? It would seem so but only to a degree. Trade Associations play a big role in this but not all pet food manufacturers are part of a Trade Association.



Facilitators summarising the break-out session

There is a need to protect the high standards consumers expect in the EU thanks to the stringent standards EU manufacturers adhere to. Products purchased online are not controlled and therefore do not necessarily meet these standards. This has a two-fold effect: on the one-hand it leaves pet owners and their pets open to health and safety risks. On the other, it creates unfair competition with manufacturers of products sold online able to make claims on the labels that are not checked. ***‘Normally trade is regulated by trust in each country’s competent authorities. The issue with e-commerce is that it is completely outside of the normal trading streams’*** said Dr Klemencic.

The WTO Member governments and industry are increasingly looking into reducing trade transactions costs including through E-certification but there is no easy solution to date.

E-commerce is a complex issue. Educating consumers on the problem and providing them with the tools to identify good and reliable products can go a long way to helping to address this challenge. For instance, through clear communication and direct contact (websites and on pack), engaging influencers including veterinarians, breeders and online influencers.

¹http://ec.europa.eu/eurostat/statistics-explained/index.php/E-commerce_statistics_for_individuals

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Brexit/WTO break-out session

The break-out session was led by Michael Bellingham with expert support from Diwakar Dixit. The group was asked to consider the different scenarios after the Brexit with regards to trade between the UK and the EU. Much would depend on the nature of the final agreement between the UK and the EU. The heads of terms of such an agreement were due to be finalised by autumn.

The current scenarios included the UK/EU failing to agree the future relationship and having a “hard Brexit” which would mean applying tariffs both ways and becoming a third country with all the barriers to trade that would involve. A “soft Brexit” might involve the UK remaining in a customs union.

If the UK remained in a customs union its trade policy would be harmonized with that of the EU including through the maintenance of common external tariffs in respect of third countries’ trade. On the other hand, if it

left the customs union and had its own tariffs, it would have a more independent trade policy. According to Mr Dixit, a decision with regard to these scenarios would be solely at the discretion of the EU and the UK, a decision finally taken might nevertheless have a bearing on the negotiations on the UK’s terms of membership within the WTO.

Seeking an agreement on future WTO terms of trade for agriculture would, for example, raise the issue of dividing the tariff rate quotas that currently give access to a number of countries into the EU, as a part of the consolidated EU schedule. Some of these quotas also arose as compensation for previous rounds of EU enlargement. This exercise may be complex and sensitive until resolved satisfactorily. Another issue would revolve around the UK’s independent domestic agriculture policy including the determination of WTO cap on subsidies that are believed to be trade-distorting.



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Moderator



Victor Vlam

Victor Vlam is a host and presenter of various business conferences, meetings and political debates. In this capacity, Victor has interviewed leaders in business and politics such as Alexander Pechtold, Ronald Plasterk and Femke Halsema.

In 2008 and 2012 Victor worked in the United States for Barack Obama's presidential campaigns. Victor can frequently be seen, heard and read in various Dutch media as a commentator on American politics. He is a guest in programs such as Radio 1 Journaal, RTL Live, Editie NL, EenVandaag, Ekdom in de Ochtend (Radio 2), Shownieuws (SBS 6), Jeugdjournaal and RTL Nieuws. He is also frequently interviewed in newspapers and magazines such as Trouw, NRC, Vrij Nederland and the Nieuwe Revu. Furthermore, he is a curator of the USA-channel on Blendle.

Furthermore, Victor is frequently asked to give trainings in the field of communication. He is specialized in trainings in debate and communication skills. He has helped CEOs, politicians, accountants, scientists and military officers communicate their message with more persuasive power. Multiple nationally known political leaders have been coached by Victor to prepare for important televised debates. Victor was chairman of the Dutch Debating Association and reached the semifinal of the Worlds Universities Debating Championships during his time as a law student in Tilburg.

Panellist



Diwakar Dixit, World Trade Organization

Diwakar Dixit is a Counsellor in the Agriculture and Commodities Division of the World Trade Organization where he has been working since February 2006.

He oversees the agriculture notification system with a specific emphasis on the implementation of Members' undertaking in the area of domestic agricultural subsidies. He supports the ongoing agriculture negotiations towards further opening of the global agricultural markets and assists the acceding countries on agricultural matters. He also handles the food security dossier in the WTO, including the participation of the WTO in various international organizations and other global food security-related initiatives.

Prior to joining the WTO, Mr. Dixit was a part of India's team at the Permanent Mission of India to WTO in Geneva during 2002-2006. Mr. Dixit holds B.Tech and M.Tech degrees from the Indian Institute of Technology, Kanpur (IITK), India.

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Panellist



**Dr Elzo Kannekens, Ministry of Agriculture,
Nature and Food Quality, The Netherlands**

Dr Elzo Kannekens is the Deputy Chief Veterinary Officer in the Head of Unit Veterinary Market Access at the Ministry of Agriculture, Nature and Food Quality in the Netherlands.

After studying Veterinary Science at Utrecht University, he started as vet in general practise. He returned to the Faculty of Veterinary Science to become lecturer in bovine health management and worked as vet in the university's bovine health practice.

Experiencing the importance of good communication strategy as a lecturer and vet, he started as consultant Sustainable Agriculture focussing on communications and business strategy for multinational companies in the animal production chain.

With a growing interest for lobby and stakeholder management he joined Boehringer Ingelheim as Public Affairs Manager. Uniting stakeholders, thereby strengthening the position of the company on the subject of reduction of the usage of antibiotics was the main focus of the position, besides working on the brand identity of the company and key account management.

Late 2014 he switched to the other end of the table and joined the Ministry of Economic Affairs as Deputy Chief Veterinary officer and Head of Unit for Veterinary Market Access. In this job, he's responsible for maintaining good relationships with governments of countries outside of Europe. Primary focus is on negotiating terms and sanitary conditions for the export of products of animal origin from the Netherlands, worth 10 billion euro on yearly basis.

Besides this international aspect, he's responsible for policy development in the field of animal health and is involved in the crisis management team with regard to notifiable disease outbreaks.

Panellist



**Dr Matjaz Klemencic, European Commission
Directorate General Health and Food Safety
(DG SANTE)**

Dr Matjaz Klemencic is a doctor of Veterinary Medicine. Following his veterinary practice, he joined the Veterinary Administration of the Republic of Slovenia in 1997. He is an expert in trade, import and export of live animals and animal products. Dr Klemencic is in charge of cooperation with the European Commission, EU Member States and international organisations OIE, WTO/SPS, FAO and WHO.

In February 2009, he joined the European Commission handling the Animal By-Products file including:

- Chairing of the Working Groups on Animal by-products. Representing the Commission at the Standing Committee on Plants, Animals, Food and Feed meetings (SCoPAFF);
- Drafting of and participation in the EU Commission education programme (speaker at Better Training for Safer Food -BTSF and TAIEX events), Animal Health and Trade Sector;
- Cooperation with international organisations in the area of expertise (drafting a chapter for the OIE code: Aquatic Animal Health Code on disposal of aquatic animals; notification on the EU legislation to WTO/SPS notification system);
- Negotiation with third countries within the WTO/SPS agreement on health requirements related to import into the EU or export from the EU to third countries of animal by-products.

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Panellist



Dr Monika Prenner, Chair of FEDIAF Feed Material and Trade Working Group

Dr Monika Prenner is a Market Quality & Regulatory and Scientific Affairs Manager for Nestlé Purina Petcare based in the UK.

With more than 15 years of regulatory experience in food and feed, she has worked extensively on the intra and intercommunity trade issues over the years. Furthermore, her background in entomology and ecotoxicology is valuable in providing insight in new feed material opportunities for the pet food industry.

Facilitating first trade as part of the UK Pet Food Manufacturers' Association's team and now for Nestlé Purina Petcare she has extensive insights in how non-tariff barriers can affect the pet food industry. By working in the UK Monika has gained first-hand experience in mitigating the practical implications of notifiable animal disease outbreaks (e.g. Foot and Mouth Disease (UK, 2007)).

Monika is Co-Chair of the UK Pet Food Manufacturers' Association's Review committee. Since 2014 she is also chairing the FEDIAF Feed Material and Trade Working group.

Panellist



John Williams, Chairman of the GAPFA Trade and Food Safety Working Group

John Williams has a degree in Food Technology and was working for the human food industry prior to his work in pet food.

He has been the European Quality Manager for Nestlé Purina Petcare for 17 years, the last 10 of which he has been responsible for implementing the management systems covering Quality and Food Safety in Europe.

For the last four years, John has looked after both pet food and human food.

John leads the technical committee of the Dutch Pet Food Association, the FEDIAF "Pet Food Safety and Hygiene" working group, as well chairing the Pet Food Safety work stream of the Global Alliance of Pet Food Associations (GAPFA).

In his private time, he is an international dog show judge covering 66 breeds. John and his wife currently own a giant Bullmastiff.



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