



LMC Brussels Update November 2017

Brexit negotiations – The 6th round of Brexit negotiations did not bring any big announcement or decisions. The EU was still expecting clarifications from the UK on financial settlement and Ireland before the Council meeting due to take place mid-December.

Brexit and CAP – According to an EP study on the consequences of Brexit on CAP funding, the overall 'Brexit gap' is estimated at €10 billion and a 'CAP gap' of €3 billion. In a nutshell, the study shows that there is no pain-free path to adjustment and recommends that the EU's priority in the Brexit bill negotiations should be to minimise the adverse financial impact of Brexit. At the same time, authors highlight that Brexit can provide the narrative for a profound reform in the architecture of CAP, aimed not only at reducing overall CAP spending but at rendering CAP more effective and sustainable. However, a major revision of CAP seems unlikely before 2022 or 2023, with implementation starting in 2024 or 2025.

Brexit and the EU meat sector – The European Meat and Livestock Trade Union has published a report on the impact of a hard Brexit on the European Meat Sector. It highlights that meat sector faces the highest tariffs of all sectors under WTO rules, with an estimated average tariff rate close to 50% and exceeding 100% for some products. The export costs imposed by tariff barriers, customs and veterinary checks and increased transport costs would reduce exports of meat on conservative estimates from the EU to the UK by up to 84% for beef, 48% for pigmeat and 76% for sheepmeat. The key conclusion is that the magnitude of the shock of a Hard Brexit would be significantly greater than that caused by the Russian food import ban in 2014. This would increase costs at current trade levels for EU meat exporters by over €43 million per year. This scenario would result in the loss of at least 32,000 jobs.

Brexit and Ireland - The European Parliament has published a report on the impact of Brexit on Ireland. It shows that the future economic prosperity of Northern Ireland depends on three future UK policies even more than on EU-UK trade arrangements. The three policies are the UK's future agricultural policy, its policy on bilateral trade arrangements with third countries (and whether this leads to imports of cheap food into the UK), and the willingness of the UK government to continue to make large fiscal transfers to Northern Ireland. A "visible" border between the two parts of Ireland will certainly be unavoidable, however politically unwelcome it may be, if there is no trade agreement between the EU and the UK, if the UK adopts a cheap food policy, or if the UK lowers phytosanitary standards or other quality standards for agricultural or industrial products.

Acrylamide - Member States representatives voted in favour of European Commission's proposal to reduce the presence of acrylamide in food. Once implemented, the new regulation will require that food business operators (FBOs) apply mandatory measures to reduce the presence of acrylamide, proportionate to the size and nature of their establishment. The text will now be sent to the Council and the European Parliament. The two institutions will have three months to examine it before final adoption by the Commission. The entry into force could be foreseen spring 2018. The Commission is also planning to initiate discussions on additional measures, such as setting maximum levels of acrylamide in certain foods without delay once this Regulation is adopted.

Organic farming - EU member states agreed to a new set of rules for organic farming, simplifying the system and creating a level playing field for EU produce and imports. The main improvement is the introduction of one set of EU-wide rules covering the whole EU organic sector. The new organic Regulation will apply to the live and unprocessed agricultural products, including seeds and other plant reproductive material and processed agricultural products used as food and feed. Processed products could be labelled as organic only if at least 95% of the agricultural ingredients are organic. Once adopted, the new rules will enter into force on 1 January 2021. This will give enough time for producers, operators and trade partners to adapt to the new framework.

BSE in Spain – A cow carrying bovine spongiform encephalopathy (BSE) (commonly known as mad cow disease) in the province of Salamanca was discovered during a routine screening on 10 November. The source of the infection was "unknown or uncertain". An earlier case of BSE was found in the same region in March, according to the OIE.

Animal Welfare – The 2nd meeting of the EU platform on Animal Welfare took place on 10 November 2017. Under the motto "Everyone is responsible", 75 stakeholders involved in this area will gather to work towards three main goals: a better application of EU rules on animal welfare, the development of voluntary commitments by its members and the promotion of EU animal welfare standards at global level. On this occasion, the Commission established a sub-group on animal transport with a specific focus on improving enforcement in this area – a key priority of the EU Commission in the field of animal welfare.

FAO Food Outlook - While food commodity prices have been generally stable, the cost of importing food is set to rise in 2017 to USD 1.413 trillion, a 6 percent increase from the previous year and the second highest tally on record according to FAO's latest Food Outlook report. The higher import bill is driven by increased international demand for most foodstuffs as well as higher freight rates. The meat import bill is set to reach an all-time high of USD 176 billion this year, up 22 percent from 2016.

Promotion of EU agrifood products. – The Commission has now adopted the 2018 work programme for the promotion of EU agrifood products. A total of €179 million will be available for promotion programmes selected for EU co-financing in 2018, compared to €142 million in 2017. A portion of the funding allocated for 2018 promotion campaigns is targeted at particular sectors: this year, the focus will be on promoting sustainable sheep/goat production to try to counter the impact of the ongoing difficulties the market is experiencing. An additional allocation has also been set aside for campaigns designed to promote healthy eating and increase the consumption of fruits and vegetables within the EU, a direct response to the difficulties the fruit and vegetable

EU trade agreements – According to an EU report assessing the implementation of the EU's existing trade agreements, export increases observed amount to as much as 416% for Mexico, 170% for Chile, and around 60% for South Korea and Serbia. The agricultural and car sectors appear to be benefiting the most (e.g. 92% and 73% increase to Colombia and Peru respectively for agricultural goods since 2013).

Greenhouse Gas Emissions (GHGs) - Greenhouse gas emissions across the European Union decreased modestly in 2016, according to estimates published in the latest climate 'trends and projections' assessments released today by the European Environment Agency (EEA). The estimates confirm that the EU remains on track to meet its emission reduction target set for 2020, but more work is needed to meet longer-term goals. In sectors for which Member States have annual emissions targets at national level under the Effort Sharing Decision (sectors (such as transport, buildings, agriculture and waste), preliminary estimates indicate that emissions aggregated at EU level increased by 0.9 % in 2016. A higher demand for heating (because of weather conditions) and a higher transport demand in 2016 help explain the increase. Emissions from these sectors are now 11% below 2005 levels.

Horizon 2020 – The new Horizon 2020 work programme includes an investment of €1 billion towards knowledge and innovation in agriculture, food and rural development. The sustainable food security call dedicates €753 million to a more sustainable use of resources and to producing better quality food, building in particular on better-managed ecosystems and natural resources. Key features of this call also comprise a €75 million investment in soil management, including the creation of a €40 million European joint programme on agricultural soil management as a major contribution to climate-related mitigation efforts. The rural renaissance (RUR) call offers €263 million to promote smarter, younger, greener, more circular and better-connected rural communities and value chains. The emphasis is on making the digital transformation of society a reality for rural people and communities. Almost €100 million will also be invested in innovation in value chains, with a focus on the circular bioeconomy.