



LMC BRUSSELS MONTHLY UPDATE

AHDB BRUSSELS OFFICE MAY 2018

Brexit—In light of the lack of significant progress in the latest rounds of talks, Barnier has advised the EU-27 to intensify the work on preparedness for any possible scenario, as the transition is not a given. Accordingly, the Task Force Article 50 has published some further documentation –a [possible structure](#) for the future partnership discussions with the UK, and a [slide](#) on the checks and controls that need to be carried out on goods entering, transiting or leaving the customs territory of the EU and what checks are not required if there is a customs union between the EU and a third country. The European Commission (EC) has also published the legislative proposals for a mandate to renegotiate the relevant concessions in the EU's WTO schedule, so as to apportion them between the EU and the UK. The proposed regulation includes a [detailed list](#) of the TRQ and the respective EU27 apportioned amount. The UK is also thereby [authorised](#) to launch the procedures for setting out its own schedule of concessions and commitments before the date on which it ceases to be a Member State of the EU.

Trade EU-New Zealand & Australia—The Council [has authorised](#) the EC to open trade negotiations with New Zealand and Australia. EC's aim will be to reduce existing barriers to trade, to remove custom duties on goods and to give better access for services and public procurement in Australia and New Zealand. The sectors likely to benefit the most are processed foods, motor equipment, machinery, chemicals and services. The mandates do not envisage full liberalisation of trade in agricultural products, which will benefit from specific treatment. Commissioner Malmström has informed she will be travelling to the two countries in mid-June to formally launch the negotiations. The technical teams will meet shortly after so the negotiations can start before summer. In the meantime, an Agreement on Cooperation and Mutual Administrative Assistance in Customs Matters between the EU and New Zealand signed in 2017 has entered into force this month, [providing](#) a comprehensive framework for the EU and New Zealand to cooperate in the area of customs to ensure effective controls while facilitating legitimate trade.

Trade EU-Mercosur—A new formal round of negotiations will take place from the 4th to the 8th June in Montevideo, Uruguay. Ahead of this meeting, the press has been reporting that a trade deal may be reached in July 2018, after the EU had allegedly raised its offer on beef to a TRQ of 99,000t and the Mercosur agreed to discuss “an acceptable range of options regarding the automotive sector”. EU farmers have already [expressed their opposition](#) to such a move in a letter addressed to EU Trade Commissioner, Cecilia Malmström.

Trade EU-US—The US will impose additional duties of 25% and 10% respectively on imports of steel and aluminium from the EU starting on 1st June 2018. The US has qualified them as “security measures”, but the EU considers they are intended to protect the US domestic industry from import competition, clearly at odds with WTO rules. The EU's response includes a dispute settlement case triggered at the WTO and rebalancing measures – the [list of US products](#) subject to additional duties (+25%) from 20th June 2018 covers mostly non-food products, but it also includes potato seeds, sweetcorn, maize, rice, and fruit and vegetable juices. Canada and [Mexico](#) are also affected by additional duties and have also announced retaliatory measures covering some agricultural products such as pork meat, fruits and some cheeses in the case of Mexico, and yoghurt, juice and other prepared meals (including of bovine) in the case of [Canada](#).

EU support to sheep and goat farmers—The EP has adopted a [non-legislative resolution](#) calling for increased EU support to sheep and goat farmers. MEPs want a new environmental payment for the public goods this sectors deliver, as well as maintaining the voluntary coupled aid, extending the agri-environmental payments to pastures used for sheep and goat grazing and better support for farmers who do more for animal welfare. Harmonisation of

tolerance levels for unintentional errors in sheep tagging, a more flexible and simpler identification system, and greater market transparency are also among the main claims of MEPs. The resolution notes the potential impact of Brexit and recommends that the UK maintains its current share of third countries tariff quotas after leaving the EU. It also advocates excluding sheep and goat sectors from trade talks with third countries.

African Swine Fever—Three new cases of ASF have been identified this month in the wild boar population in a region in Hungary near the Ukraine border. The [EC Implementing Decision](#) concerning interim protective measures in Hungary was published on 24th May, reflecting the evolution of the epidemiological situation in Hungary. [Four new cases](#) were also reported to the World Organisation for Animal Health in domestic pigs from backyard farms in Moldova.

Multiannual Financial Framework 2021-2027—The EC presented on the 2nd May its [proposal for the future MFF](#). Overall, the EC proposes a long-term budget of €1,135 billion in commitments (in 2018 prices), equivalent to 1.11% of the EU-27's GNI. This translates into €1,105 billion in payments (also in 2018 prices), which means 1.08% of GNI. Despite the increase in the overall budget, funding is reduced for major EU policies – by 5% for agriculture (direct payments would be reduced by around 4%) and by 7% for Cohesion, according to the EC's official figures. However, alternative analyses show that cuts will be much bigger. Even MEPs had complained about the lack of clarity of the MFF figures put forward by the EC—according to the EP's [preliminary analysis](#) of the proposal, cuts in agriculture will actually reach 15%, and the European Agricultural Fund for Rural Development will be particularly affected by a cut of around 27%. Not surprisingly, the EC proposal was not welcome in many sectors, including farm organisations which have already expressed their [disagreement](#) and called for sufficient budget to ensure the delivery of EU goals.

Organic food—The Council has formally adopted new EU rules on organic production and labelling of organic products. Producers, operators and trade partners will have two and a half years to adapt to the new legislative framework, as the [Regulation](#) will apply from 1st January 2021. It lays down the rules concerning organic production, related certification and the use of indications referring to organic production in labelling and advertising, as well as rules on additional controls. Main changes include the phasing out of a number of exceptions and derogations, tighter precautionary measures and robust risk-based checks along the entire supply chain, obligation for producers in third countries to comply with the same set of rules of those producing in the EU, a new group certification system for small farmers and a more uniform approach to reduce the risk of accidental contamination from pesticides. The scope of organic rules has also been enlarged to cover a wider list of products and additional production rules.

CAP rules—Due to the exceptional levels of rainfall in some areas of the UK, the EC [confirmed](#) earlier this month a derogation of crop diversification requirements under the greening provisions of the Common Agricultural Policy for arable farmers in Northern Ireland and Scotland, and an easing of the rules for farmers in some areas of England and Wales. On another note, the EC has also adopted [new rules](#) to allow Member States to replace or complement physical checks on farms for area-based CAP payments and cross-compliance requirements with a system of automated checks based on analysis of Earth observation data, including data from the EU's Copernicus Sentinel satellites, geo-tagged photos, drones and other relevant supporting documentation from farmers. Visits to the field will only be necessary when the digital evidence is not sufficient. This rules came into force on 22nd May but Member States will be free to choose whether to apply them and they will have flexibility on the degree of implementation.

Greenhouse Gas Emissions—The Council has given the final approval to two new pieces of legislation aimed at helping the EU reduce its greenhouse gas emissions during the period 2021-2030 to reach its Paris Agreement targets –a Regulation on emissions reduction targets and a Regulation on land use, land use change and forestry (LULUCF). The [Regulation on emissions reduction targets](#) lays down obligations on Member States with respect to their minimum contributions to fulfilling the EU's overall emissions reduction target in the sectors falling outside the ETS, including agriculture (non-CO₂ emissions), waste management, transport and industry. The target for the UK is a reduction of at least 37% of its greenhouse gas emissions by 2030 (as compared to 2005's). The [LULUCF Regulation](#) provides a framework for ensuring that emissions and removals generated by this sector are accounted for, but it does not set any obligations for private parties, farmers or foresters.