



LMC Monthly Update - June 2019

Brexit

Regardless of whoever will be the next UK prime Minister, the Withdrawal Agreement (WA) is not open for further negotiation. This is the message tirelessly repeated by the European Commission (EC) and EU-27 representatives since the beginning of the Tory leadership race. Therefore, a 'no-deal' scenario on 1 November 2019 very much remains a possible, although undesirable, outcome. For this reason, the EC has [screened](#) all the already agreed measures to ensure that they continue to meet their intended objectives, concluding that there is no need to amend any measures on substance. It has also provided details on the extensive preparations in the EU27 in areas such as citizens' residence and social security entitlements, customs and taxation, transport, fishing, financial services as well as medicinal products, medical devices and chemical substances. No new measures are planned ahead of the new withdrawal date. In addition, the Brexit Taskforce has also published the findings of a [mapping exercise](#) on cooperation between North and South in Ireland. It highlights its scale and breadth, including in the area of agriculture, which would be either explicitly or implicitly disrupted by Brexit.

EU-Mercosur trade agreement

The European Union and Mercosur (Brazil, Argentina, Uruguay and Paraguay) reached a political [agreement](#) for a comprehensive trade agreement on the 28 June, the date of the 20th anniversary of the opening of negotiations. The EU is the first major partner to strike a trade deal with Mercosur. The agreement will cover a population of 780 million people and save EU companies €4 billion worth of duties per year. However, the deal was not welcomed by the EU's [farming sector](#), as they consider it paves the way for cheap beef imports (the EU has granted a TRQ of 99,000t carcass weight equivalent). As a reaction, the EC has already announced it will stand ready to assist farmers to make the required adjustments with a financial support package of up to €1 billion in the event of market disturbance. On the other side of the spectrum, the big winners in the farming sector are olive oil, wine and dairy products. Geographical Indications have also been protected. Both sides will now perform a legal revision of the agreed text and translate it into the official languages of the EU. It will also need to be approved by the Council and the EP, and by the national parliaments of the Mercosur partners. The deal is expected to enter into force around 2022, and this would mean that full concessions would apply around 2027/2028.

EU-Vietnam trade agreement

The Council of the EU has [adopted](#) a decision to sign (and subsequently [signed](#)) the EU-Vietnam Free Trade Agreement (FTA), which can now be presented to the European Parliament (EP) for consent. Once the EP has given its consent, the FTA can be officially concluded by the Council and enter into force. This is the most ambitious FTA ever concluded with a developing country, providing for the reduction of non-tariff barriers to trade with Vietnam and almost complete (99%) elimination of customs duties between the two blocks. It is a particularly offensive FTA for the EU agri-food sector, particularly for the meat sector (especially for pork). 65% of duties on EU exports to Vietnam will disappear as soon as it enters into force, while the remainder will be phased out gradually over a period of up to 10 years. For instance: frozen pork meat will be duty free after 7 years, beef after 3 years, dairy products after a maximum of 5 years and food preparations after a maximum of 7 years. 71% of duties on Vietnamese exports to the EU will disappear upon entry into force and the remainder will be phased out over a period of up to 7 years.

Trade barriers

The latest edition of the [Trade and Investment Barriers Report](#) identifies 45 new trade barriers put in place in countries outside the EU in 2018, bringing the total number to a record high of 425 measures in 59 different countries. The report confirms the continuous rise in barriers encountered by European companies in foreign markets. China and Russia top the list, maintaining respectively 37 and 34 problematic trade measures. Most impact for EU exports arises from measures introduced by China, U.S., India and Algeria. They concern 80% of all EU exports affected by new measures and focus predominantly on steel, aluminium and Information and Communication Technology (ICT) sectors. Last year the Commission succeeded in eliminating as much as 35 trade barriers, among others in China, Japan, India and Russia, including among others Chinese restrictions on imports of bovine and ovine products, and duties on electronic goods and mandatory veterinary certificates restricting exports of leather goods in India.

Food Supply Chain

The EC has published the [final report](#) of the High-Level Forum for a Better Functioning Food Supply Chain, which provides recommendations in the areas of fair and efficient trading practices, competitiveness and price transparency. To increase transparency, the Forum proposes to create a price composition indicator to be launched in autumn. It will show how consumer expenditure is

distributed within the food supply chain. The report also highlights the lack of harmonised rules and uneven enforcement in certain areas as well as problems with territorial supply constraints.

Support for Irish beef farmers

Member States have [agreed](#) to the [proposal](#) from the EC to make €50 million available to Irish beef farmers, which can be matched by national funds to reach a maximum of €100 million. It is expected to be formally adopted by the Commission early July. Then, Irish authorities will have until the end of July to design the criteria within a set framework for granting the aid. In a nutshell, the measures taken by Ireland shall be aimed at reducing production or restructuring the beef and veal sector and one or more of the following objectives: implementation of quality schemes in the beef and veal sector or projects aiming at promoting quality and value added; boosting market diversification; and protecting and improving the farmers' environmental, climate and economic sustainability.

Ammonia emissions

The European Environment Agency (EEA) has released a [briefing](#) presenting progress made in 2017 by the EU and its Member States in meeting the emissions ceilings set out in the National Emission Ceiling Directive (2016/2284/EU). Although the total emissions of four main air pollutants (nitrogen oxides, non-methane volatile organic compounds, sulphur dioxide and ammonia) were below the respective ceilings set for the EU as a whole, emissions of ammonia in particular increased by 0.4% across the EU from 2016 to 2017. Over the period 2014-2017, the overall increase was about 2.5%. The briefing points out that these increases are due to the lack of emission reductions in the agriculture sector. In addition, 16 Member States do not consider themselves on track to meet their 2020 reduction for one or more pollutants. For ammonia in particular, a reduction of around 15% is required if the EU is to achieve its emission reduction commitments for 2030. The UK was compliant with its ammonia ceiling from 2010 to 2017 but is not expected to meet their ammonia reduction commitments for 2020 and 2030.

Biosecurity

The EU Agricultural Ministers approved during the last Council meeting a [document](#) emphasising the key role of biosecurity in facing current threats such as African swine fever and foot-and-mouth disease, particularly given the situation in neighbouring third countries and other trading partners. The

document calls upon Member States and the EC to facilitate coordination and cooperation of all relevant sectors (not only farmers but also transporters and hunters), to ensure sufficient biosecurity capacity at national and EU level and to support the collection and sharing of essential epidemiological data to identify pathways of introduction and spreading of diseases and to improve ways to eradicate and prevent them. They also stressed the need to address the risk posed by the human factor and to make available incentives and financial resources to encourage and support good biosecurity practices.

Dual Food Quality

As a response to concerns raised in some Eastern European countries about dual quality foods in the EU market, the EC has [published](#) the results of a pan-European quality testing campaign showing mixed results: while there is no evidence of an East-West divide in the composition of branded food products, up to one third of tested products have different compositions but are identically or similarly branded. The study assessed 1,380 samples of 128 different food products from 19 Member States (not the UK). Although this report will provide a basis for discussions, it is not representative of the vast diversity of food products on the EU market so further steps and research are needed. The EC has already launched a [call for proposals](#) with a total budget of €1.26 million to strengthen consumer organisations' capacities to test products and identify potentially misleading practices. The deadline for applications is 6 November 2019.

