

**Title:** LMC Brussels News Update August 2020

Source: Livestock and Meat Commission

Date: 08/09/2020

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**EU-UK Trade Negotiations**

The seventh round of EU-UK trade negotiations took place in August. With less than four months away from the end of the transition period, the negotiations seem to be “going backwards more than forwards” in Barnier’s own words. While there is some progress on technical issues, the main sticking points remain the same – namely fisheries, dispute settlement and level playing field provisions. In the EU’s view, the UK government is still looking to keep the benefits of the EU and the Single Market, without the obligations. While Barnier insists they understand the UK’s willingness to regain full sovereignty, they argue that some guarantees are needed to keep the comprehensive relationship they are aiming at. In particular, Barnier has recently regretted the lack of reassurances on the future sanitary and phytosanitary regime that the UK will apply after January 2021. He has also noted the UK is looking to go back on protections for Geographical Indications secured in the Withdrawal Agreement. In this sense, he reminded the importance of living up to the commitments in the Withdrawal Agreement, not only because of their legal nature, but also as a matter of trust for the EU and other trade partners. In this context, pessimism regarding the prospects for a deal keeps increasing. And yet, there are still good reasons for both sides to spend political capital on reaching an agreement. The next round of negotiations will start on the 8 September.

**COVID-19 impact on agricultural trade**

A report published by the WTO Secretariat shows that agricultural trade has been more resilient than overall trade. While overall merchandise trade fell sharply – with a likely historic drop in the second quarter of 2020 –, agricultural and food exports increased by 2.5% during the first quarter of 2020 compared to the same period in 2019, with further increases in March and April. However, the pandemic has exerted downward pressure on prices, and therefore on producer revenues. The pandemic’s impact on jobs and incomes has also increased the number of hungry people worldwide. June saw the first increase in world food prices since the beginning of the year, but prices are expected to remain at low levels. Nonetheless, as countries are still fighting the pandemic, the repercussions for food supply chains are still unfolding. A food crisis is not expected but disruptions to food supply chains remain a risk. The WTO Secretariat has also looked at how the pandemic may push up trade costs, with transport and travel restrictions likely to account for a substantial increase in trade costs, while trade policy barriers and regulatory differences have so far only affected a small subset of products. The high levels of uncertainty magnify existing trade costs but the transition to electronic interactions may lessen some of the impact, although this will vary across economies depending on the quality of their digital infrastructure and preparedness.

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## EU-US tariff agreement

For the first time in more than two decades, the EU and the US have agreed on a package of tariff reductions that will increase market access for US and EU exports. Under the agreement, both sides will lower their Most Favoured Nation duty on certain products that they mainly import from the other party. Thus, the EU will eliminate tariffs on imports of live and frozen lobster products and the US will reduce by 50% its tariff rates on certain products, including certain prepared meals, certain crystal glassware and cigarette lighters, among others. While the scope of this mini deal is very limited, it is seen as a positive development and both sides have stated their intention for this package to mark the beginning of a process that will lead to additional agreements.

## Ratification of EU trade deals

The national parliament of Cyprus has voted down the EU-Canada trade deal (CETA) by 37 votes to 18, becoming the first EU country to reject the free trade agreement that has been provisionally in force since 2017. Several concerns were mentioned to justify the negative vote, but it seems that one of the main reasons was the lack of adequate protection for Cyprus's halloumi cheese. While officials in Brussels seem confident there are enough safeguards into the legal framework of trade deals to ensure that one country's national parliament cannot block the entire accord, the main worry now is whether this move will trigger similar reactions in other countries. Another deal whose ratification will likely prove challenging is the EU-Mercosur agreement, as scepticism about Brazil's commitment to fighting deforestation grows even among the most ardent defenders of the deal, such as Germany, whose government spokesperson has stated they are looking with great concern at the Amazon region and serious questions are arising as to the future implementation of the agreement.

## Trade Commissioner resignation

The EU Trade Commissioner, the Irish Phil Hogan, has submitted his resignation after reports emerged that he had travelled across Ireland without respecting the COVID-19 restrictions. While he claims he did not break any law, he does acknowledge that as a public representative he should have been more rigorous in his adherence to the COVID-19 regulations. The Irish government has nominated the Fine Gael MEP Mairead McGuinness and the former Vice-President of the European Investment Bank Andrew McDowell as potential candidates to replace Hogan. It is now for the President of the European Commission to interview them in the coming days, as part of the process to select the future Irish Commissioner. It remains unclear whether Ireland will maintain the trade portfolio – which has been temporarily allocated to Vice-President Dombrovskis – although a reshuffle of responsibilities within the College seems the most likely outcome.

## EU-wide animal welfare label

Germany holds the rotating presidency of the Council of the European Union this semester and one of the core objectives for their term in the agricultural sector is to proceed with the introduction of an EU-wide animal welfare label with mandatory criteria. The idea has been discussed this month in an informal Council meeting where it received general support from the EU Farm Ministers, although they insisted in the need for a science-based system, with clear information easy to understand for consumers. There is still disagreement on whether the label should be mandatory or voluntary, but a couple of delegations did insist on the need for the label to also apply to imported products of animal origin. The European Commission is now considering options for this animal welfare labelling and will launch an external study during the first half of 2021.

## Soil Erosion

A new study led by the European Commission's Joint Research Centre forecasts global changes in soil erosion by water, driven by land use and climate change, until 2070. In the worst-case scenario, with no additional policies implemented to limit global warming, yearly soil loss could reach roughly 71.6 petagrams – a 66% increase compared to today. Economically vulnerable tropical countries are expected to be hit particularly hard, while rich countries with high fertiliser use and moderate climates can expect erosion at a lower rate. Soil is already under pressure from deforestation, overgrazing, ploughing and unsustainable agricultural practices, but the study also identifies trends such as meat consumption, the increase in global population and climate change inducing a more intense water cycle that further strain the degradation effects. The model used in the study involves remote sensing, interpolation techniques and statistical cross-checking, and it is the first time it has been used to gain an estimate of future soil erosion at the global level. Data on land use and climate change that will be used in the next year's report of the Intergovernmental Panel on Climate Change fed into the model. In order to address the issue in a more comprehensive way, the European Commission will adopt a new Soil Strategy in 2021.

## Import duties for cereals

The EU tariff for maize, sorghum and rye has been reviewed and set at €0 per tonne as of 27 August 2020, a reduction from the €5.48 per tonne duty that had been established on 12 August 2020. The import duties for these three cereals have been updated multiple times since April due to a significant drop of the US cif maize price, mainly as a result of the collapse of bioethanol demand in the US. The damages to maize caused by the 10 August storm in the US Midwest and the dry and hot weather, among other factors, have led to a reduced forecast of the 2020/2021 maize harvest and therefore US maize prices have increased. This has triggered the downwards revision of the EU import duty, that will apply until a new import duty is fixed and enters into force.