



LMC Brussels Update – January 2016

Pork PSA - Member States voted in CMO Committee the closing of the pigmeat Private Storage Aid Scheme open since 4 January 2016. The private storage scheme for pigmeat, operational for 3 weeks, took a substantial amount of pigmeat off the market and the decision to close the scheme was taken after the planned volumes of products were reached. The total quantity of product put into storage, most of it for a period of 5 months, was 89,841 tonnes (4,5 % of the monthly slaughter in the EU) at an estimated cost of €27.6 million. An initial analysis of price developments since the scheme was introduced suggests that the decline in prices seen in the end of 2015 has been halted and there are indications of a modest recovery in prices in the early weeks of 2016. In addition to the PSA scheme, 15 Member States have notified the Commission of their intention to use some of the direct targeted aid from the Commission's €420 million solidarity package for the pigmeat sector.

Cloning - An EU study examines the implications of labelling products derived from the offspring of clones. There is no compulsory system for ancestry recording in the EU and it is estimated that for the EU as a whole ancestry recording takes place, at least for the sire and dam, for approximately 47% of total cattle, about 10% of pigs; 5-10% of sheep and goats; and around 75% of horses. All bovine animals in the EU are currently individually identified throughout their whole life. However, in the pig sector identification is done on a batch basis and only breeding pigs (15-20% of the total) are individually identified. Approximately two-thirds of sheep are individually identified, as are up to 80% of goats. The General Food Law does not allow food to be traced to individual animals. The link is broken well before the product reaches the consumer. Linking animal products to the individual animals from which they originate would therefore require further development of the systems. The alternative, in the context of a labelling obligation for products derived from clone offspring, is segregation of clone offspring and derived products from the rest of the supply chain. The report concludes that a clone offspring labelling obligation would trigger additional operating costs in the order of €10 billion per year if a DNA verification system were required, and around €800 million per year in the absence of such a system. The majority of the €10 billion annual cost (78%) would be incurred in the pig sector, 13% in the sheep sector, 6% in the bovine sector and the remainder in goat and horse production.

CAP simplification – Hogan announced a new CAP simplification package to take into account unintentional mistakes in farmers' applications and apply reduced penalties where relevant. It consists of 3 main elements: preliminary checks of aid applications, a simplified system of administrative penalties and a 'yellow card' system for first offenders. Another simplification package is scheduled for spring 2016, with the aim of reviewing some technical elements of the greening measures and cross-compliance rules. More substantial proposals for a post 2020 CAP might be presented only after 2017.

CAP greening - Scientists developed an "EFA Calculator" software - Ecological Focus Areas (EFAs) is one of the measures that are being introduced as part of the "greening" under the new CAP, where farmers need to declare 5% of their arable land as an area covered with ecologically rich landscape features. The software tool is meant to help farmers select EFA elements that can deliver the optimal environmental benefits considering the farms site specific characteristics and the pragmatic requirements of ensuring that the EFA solution overall are realistic in terms of farm management.

Supply Chain - A Commission report concludes that there is no added value of a harmonised EU regulatory approach to address unfair business-to-business trading practices (UTPs) in the food

supply chain at this stage. In total, more than 20 Member States have introduced legislation to combat UTPs (15 have introduced it in the last 5 years) or are planning to do so in the near future. The report suggests that all Member States' enforcement systems allow confidential complaints and own initiative investigations in order to address the fear factor. The Commission also concludes that the EU-wide Supply Chain Initiative has stimulated discussion of best practices and UTPs among operators and started to induce a cultural change in the food supply chain. The report however finds that voluntary initiatives work better in some countries than in others, and were less successful in the UK, confirming the need for regulatory measures and effective independent enforcement.

Animal Diseases - The EU committed €161 million to co-finance 130 programmes that aim to eliminate animal diseases and zoonoses in EU Member States in 2016, including €62 million for programmes targeting bovine tuberculosis; about €12 million for TSEs, and €7 million (against €5.7 in 2015) for the implementation of programmes targeting African Swine Fever.

Animal Health Research - An international research consortium on animal health was launched. This new initiative, which builds up on several years of research networking on animal health supported by the EU through its framework programmes for research (including Horizon 2020), aims to deliver measurable advancements in the control of animal diseases such as bovine TB and African Swine fever through the alignment of both public and privately funded animal health research programmes around the world. Fourteen organisations from eleven countries have signed so far (including DEFRA) and the consortium is likely to enlarge in the coming weeks and months. Together, they have committed a total budget in the region of EUR 1 billion to invest over a five year period to 2021.

#LivestockDebate - ARC2020, the platform on the Common Agricultural Policy for Civil Society organisations, has launched an online debate on livestock and the environment which addresses the following issues: Sustainable diets and agri-food systems, climate change (livestock's contribution to GHG emissions and carbon storage in soil via ruminant activity), and ethical issues such as animal welfare.

Climate - An FAO report on the AnimalChange project confirms the key role livestock can play in mitigating climate change through the development of more productive and resilient food systems. It is estimated that, in the short term, the European livestock sector can make a limited contribution to EU GHG emission reduction efforts, by curbing overall direct emission intensity by about 15 to 20 percent between 2005 and 2025. Mitigation potential is greater in the EU over the long term, leading to a 30 to 50 percent reduction by 2050, as the livestock system transforms and taps into new technologies and practices, such as legume introduction in grasslands, geographical relocation, or transformation of grass-protein in bio-refineries. The project recognises that efforts to address climate change in the EU livestock sector are being made, but should be complemented with targeted public policies within agriculture and within the Effort Sharing mechanism to achieve economy-wide mitigation objective set by the EU as part of its climate and energy package.

Transport - UECEV released EU guidelines to assess the fitness of pigs for transport. The guidelines are designed to provide easy to understand advice to professionals involved in the transportation of pigs and aim to complement existing EU legislation. The guidelines are visual and use photographs/drawings and simple texts to help all operators decide on the suitability of pigs for transport.

CAP survey - Over 80% of respondents to an EU survey consider the CAP very or fairly important for supporting the role of farmers in the food chain. More than nine out of ten respondents in the EU (94%) hold the view that agriculture and rural areas are important for their future. This represents a 2-point increase since the previous survey conducted in November 2013. 42% (+4 percentage points since 2013) think that supplying the population with diverse quality products is the top responsibility

for farmers. Ensuring the welfare of farmed animals comes second (35%, +8pp) and protecting the environment comes third (30%, -2pp). 62% agree that the CAP benefits all European citizens and not only farmers. Since the 2013 survey however, there is a 15-point decline in “total agreement”, with the largest decline seen in the UK (49%, -21 percentage points since 2013). The leading reason mentioned in 12 Member States as to why the EU spends a significant proportion of its budget on the CAP is that financial aid to farmers makes it possible to guarantee food supply, with considerable support from respondents in the UK (53%, +13 percentage points since 2013).

Coupled support - A report shows that livestock sectors received the highest levels of support under article 68 of the CAP (optional coupled payments) in 2007-2013. 26 Member States made use of Article 68 (all but Luxembourg and Malta). For the three first implementing years (2010-2012), the expenditure amounted to €3.8 billion and the livestock sectors were the most supported (44% of the 2010-2012 expenditure in ten Member States studied, almost equally distributed between the dairy, sheep and goats and beef sectors). In terms of production, coupled payments contributed significantly to slow down the decreasing trend in the sheep meat sector but their effects were limited for the beef sector and null for dairy, and durum wheat.

Feed - The compound feed production in the EU-28 reached an estimated level of 156.1 million tons in 2015, i.e. 0.2% more than in 2014, according to figures from the European Feed Manufacturers' Federation. Industrial pig feed production remained stable in 2015 at around 49 million tons. For cattle feed, the picture is very contrasted across Europe, depending on weather conditions, with an overall 1% decrease in industrial cattle feed, at 42 million tons. Poultry feed consolidated its position of leading segment of EU compound feed production, now well ahead of pig feed with 52.7 million tons. FEFAC market experts foresee a 0.5% decrease in compound feed production in 2016 vs 2015. A number of parameters may affect this picture e.g. disease outbreak threats or resumed exports of certain pig products to Russia.