



LMC Monthly Update – October 2017

Brexit negotiations – No sufficient progress was achieved under the 5th round of negotiations. The issue of financial settlement in particular is at a deadlock as underlined by Chief negotiator Michel Barnier. Ahead of the October Council, the EP parliament adopted a resolution highlighting the need for the UK to respect in full its financial obligations to the EU and calling on the Council not to open discussions on trade. The Council unanimously agreed to reassess the situation in December and in the meantime, EU Member States will start internal preparatory discussions on framework for the future relationship and on possible transitional arrangements. Both the UK and the EU insisted that they were keen to accelerate the pace of negotiations but the date for the next round of negotiations (9/10 November) was only fixed very late in the month with no clear agenda.

WTO schedules – The EU and the UK have sent a joint letter to all members of the World Trade Organization (WTO), setting out their intended approach to certain WTO issues arising from the UK's withdrawal from the EU. Both sides intend to follow a common approach regarding existing EU TRQs and intend to apportion these quotas to reflect current trade flows in order to ensure that, after the UK's withdrawal from the EU, WTO members maintain exactly the same level of access as they enjoy now. The EU and UK will also follow a common approach regarding the ceilings on domestic subsidies for agriculture. This is without prejudice to the position the EU might take on other trade-related matters. Reacting to this letter, a group of 7 WTO members, including the USA, Brazil and Canada, expressed caution over the methodology of how the UK and the EU will split the TRQs. They have stated that the principle adopted needs to ensure that no WTO member is any worse off in terms of quantity and quality of access following the split of TRQs.

Brexit and Agriculture – The European Parliament has published a study on the impacts on UK and EU agriculture of a return to WTO rules after Brexit. According to the report, agri-food trade is likely to decrease steeply, especially for meat and dairy sectors. However, there might be an opportunity for an increase in production in a reduced number of European sectors, such as red meat, cattle or wheat, to replace imports from the UK. More generally, Ireland is likely to be the most negatively impacted country and deserves particular attention during the Brexit process. The European Livestock and Meat Trades Union also intends to release a report on the impact of a cliff edge scenario for the European meat sector in November. The report will demonstrate that now is the time for constructive decision making by negotiators if the EU wants to avoid a much more severe crisis than the one provoked by the Russian political embargo on EU agricultural goods.

CAP Simplification – A deal was reached on the so-called omnibus regulation, paving the way for technical improvements to CAP regulations to enter into force on January 1st, 2018. Under direct payments, the distinction between active & non-active farmers will become optional, allowing national capitals to discontinue it if they so desired, while payments for young farmers will be granted for five years from the submission date, as long as the submission was made within five years from the setting up of the farm. Rules on permanent grassland & Ecological Focus Areas (EFAs) are rules are modified so as to provide greater flexibility. Under the Common Market Organisation, all recognised producer organisations will be allowed to plan production & negotiate delivery contracts on behalf of their members – already existing in sectors such as olive oil, beef & arable crops - with a view to improving the position of farmers in the food supply chain.

AMR – A new set of indicators will assist EU Member States to assess their progress in reducing the use of antimicrobials and combatting antimicrobial resistance. For food-producing animals, indicators for antimicrobial consumption include: overall sales of veterinary antimicrobials, sales of 3rd- and 4th-generation cephalosporins, sales of quinolones and sales of polymyxins. The chosen indicators, which should be reconsidered at least every 5 years, are expected to be valid tools in monitoring antimicrobial consumption and AMR.

Acrylamide - The Council decided not to oppose the adoption of Commission regulation establishing mitigation measures and benchmark levels for the reduction of the presence of acrylamide in food). The new Commission regulation therefore establishes mitigation measures which identify food processing steps susceptible to the formation of acrylamide in foods and sets out activities to reduce the levels of acrylamide in those foodstuffs. It also introduces benchmark levels, which are performance indicators used to verify the effectiveness of the mitigation measures.

Short-term agricultural outlook - EU cereal production is expected to recover slightly in the year ahead, although levels are likely to remain below average. The EU report, which is based on data collected up to 15 September 2017, also predicts that the quality of the cereal crop is expected to be mixed, and that world and EU prices are not projected to rise due to abundant supplies. Market conditions in the dairy sector have been unprecedented with a record gap between very high butter prices and skimmed milk powder prices at intervention level. High demand for cheese, butter, cream and powders is supporting milk prices, and thanks to good forage, milk collection is expected to increase from last year. At the same time, analysis of the meat sectors suggests that global and European demand for meat products should stay stable. The EU meat market should benefit from high exports of beef and sheep meat whilst the growing production of pigmeat combined with falling exports could lead to lower prices.

Farmland - The European Commission has issued guidance to help Member States protect agricultural land from threats such as excessive price speculation and ownership concentration.

Young farmers – According to a new EU brief, just a little over 5% of Europe's 11 million farms are operated by farmers under the age of 35. In contrast, farmers already past the retirement age of 65 account for 31% of all EU farmers – or around 3.2 million farmers

EU co-funded promotion programmes - Fifty-two new programmes aimed at promoting EU agri-food products in Europe and across the world have been approved by the European Commission. Out of the 52 approved programmes, 32 target non-EU countries. A further 10 so-called "multi" programmes are proposed by organisations working at the EU or multinational level, with the same goal of promoting EU agricultural products across a variety of different countries and/or regions. The approval of these programmes, for which a further €45 million is available, is expected later in the year. For the 1st time, draft promotion budget for next year is expected to specifically ring-fence 2 million for simple programmes on the internal market and 4 for multiple programmes for the promotion of sheepmeat.

Agri-food trade - The latest monthly trade report shows that European agri-food exports remain strong for August 2017 further increasing the trade balance to €2.4 billion. By sector, exports of milk powders (+521, +14%), pet food (+498; +14%) and **cheese** (385; +11%) have been performing well over the last twelve months. On the other hand, wheat and other cereals exports are experiencing the biggest drop in value terms (EUR million) on an annual basis (respectively, -1 709;-29% and -667; -30%). After an initial drop, EU exports of non-banned products to Russia resumed growth and reached €6 299 million in the period September 2016 to August 2017, which represents an increase in value by 14% compared to the previous period. This brings back Russia now to be the 4th biggest export destination for EU agri-food products, just before Japan.

EU-Australia FTA – According to the European Parliament, Australia represents a new market area of 23 million consumers being more than 20 times smaller than the European market, and therefore European offensive interests in agriculture are limited. The opinion also highlights the sensitive nature of some sectors of the European farming industry, and in particular the sheep and lamb sector. In the EU, lambs may be marketed only at the ages of six or nine months, whereas in Australia a higher age – 12 months – is permitted and therefore the EP calls for the future agreement to set an age limit of six or nine months for legal sale on the EU internal market of any lamb from outside the EU. It also calls on the Commission to take account of the ongoing Brexit negotiations and the impact of Brexit on the EU's agriculture and food sectors in the trade negotiations with Australia. The Commission aims to finalise the negotiations before the end of its mandate in late 2019.