



LMC Brussels Update – December 2017

Brexit - A last minute agreement was finally reached between the UK and the EU. The adopted [guidelines](#) were endorsed by EU Member States on 15th December and underline that negotiations in phase 2 “can only progress as long as all commitments undertaken during the first phase are respected in full and translated faithfully in legal terms as quickly as possible.” The text now also highlights that the UK will stay in both customs union and internal market for the time of a transition period, which includes the whole *acquis* and the jurisdiction of the European Court of Justice. The Council is expected to adopt these additional negotiating directives on transitional arrangements in January 2018.

COPA-COGECA on Brexit - COPA and COGECA have published a position paper outlining their concerns about the impact of Brexit on farmers on both sides given how integrated agricultural trade is between the UK and the EU. The paper calls for for the EU and the UK to maintain the closest possible trading relationship and for full recognition of food safety systems and veterinary certifications. It also invites the Commission to consider the possibility of implementing crisis management tools (PSA for cheese, butter, pigmeat and an operational fund for fruits and vegetables) to compensate for the Brexit impact on agriculture.

Agricultural Outlook to 2030 – According to the [EU agricultural outlook](#), total EU agricultural income is expected to decrease considerably in real terms over the outlook period. By contrast, agricultural income per worker is expected to increase slightly due to continued structural change and the numbers of people leaving agriculture. The expected increase in the value of production will be partly offset by the expected increase in production costs, stemming mainly from higher energy prices and stronger depreciation. World population and income growth are expected to drive higher global meat demand. This will also contribute to higher EU meat exports, as EU meat consumption is stabilising at best. Still, 90 % of total EU meat production will go to EU consumers. Worth noting that since the negotiations on the UK’s exit from the EU are ongoing, the projections are made on basis of a European Union of 28 Member States, i.e. including the UK, for the full duration of the outlook period.

CAP reform – The Commission has published a [communication on the future of the CAP](#). The highlight of the communication is the new delivery model proposed where the EU would agree the overarching CAP objectives on climate change and environmental issues but member states would be given the autonomy and responsibility to decide how to deliver these goals and targets. The communication also looks at how to make the CAP smarter, more modern and more sustainable. It includes proposals on maintaining direct payments along with new ways to redistribute them, encouraging the use of modern technologies, encouraging the next generation of farmers and creating an EU-level platform on risk management. The Commission is working on an impact assessment on the new proposals that is expected to be published in April. New legislative proposals on the future CAP are likely to follow after June 2018.

Omnibus regulation – Updated rules recently agreed as part of the wide-ranging Omnibus proposal will enter into force on 1st January. They will ease the competition restrictions on producer organisations and associations of such organisations with regard to sales and production planning activities. The changes will also enshrine in law the right of farmers to ask for a written contract (unless trading with an SME), bringing greater transparency and enforceable rights to farmers when dealing with their partners throughout the supply chain.

Zoonotic diseases - The declining trend of salmonellosis cases in the EU has levelled off according to an [EFSA annual report on zoonotic diseases](#). Cases of *Salmonella* Enteritidis acquired in the EU have increased in humans by 3% since 2014. In laying hens, the prevalence increased from 0.7% to 1.21% over the same period. At the same time, *Campylobacter*, the most reported food-borne pathogen in humans, was detected in 246,307 people, an increase of 6.1% compared with 2015. Despite the high number of cases, fatalities were low (0.03%).

TSEs - EFSA has published its second [EU summary report on the monitoring of transmissible spongiform encephalopathies](#) (TSEs). For the first time since the BSE epidemic started and BSE cases have been reported, the UK did not report any cases of the disease. Five cases of BSE were found in cattle (out of 1,352,585 animals tested) in the EU – none of which entered the food chain. Only one of these was classified as classical BSE. At the same time, 685 cases of scrapie in sheep (out of 286,351

Unfair Trading Practices – The results of the EU consultation on unfair trading practices (UTPs) shows that 90% of respondents agreed that unfair trading practices (UTPs) exist, citing for example payment periods longer than 30 days for agri-food products and unilateral and retroactive changes to contracts. A majority of respondents also agreed that action needed to be taken to tackle unfair trading practices, and that the EU level was the most appropriate to do so, through legislation. Most believed EU action would result in better enforcement of rules on unfair trading practices, as well as bringing more legal certainty for businesses and ensuring a level playing field in the internal market. The 1500+ responses to the consultation will feed into an impact assessment that will explore how to improve the fluidity and efficient functioning of the food supply chain and address market failures or shortcomings that lead to unfair trading practices, and its effect on the internal market. Further work on market transparency is expected later in 2018. Based on the results of the current impact assessment, the European Commission expects to make legislative proposals on tackling unfair trading practices in the first half of 2018.

Mercosur - Mercosur members had been hoping to announce a political framework for a deal either at the WTO meeting but EU Trade Commissioner Cecilia Malmstrom said the two parties were “weeks away” from announcing an agreement, noting that she still needed to explain it to member countries and the European parliament. Next round of negotiations will be organised in Brussels at the end of January.

Japan Economic Partnership Agreement – The final discussions on the EU-Japan Economic Partnership Agreement (EPA) were concluded successfully in December. The agreement will remove the vast majority of the €1 billion of duties paid annually by EU companies exporting to Japan, as well as a number of long-standing regulatory barriers. It will also open up the Japanese market of 127 million consumers to key EU agricultural. In particular, it will allow the EU to increase its beef exports to Japan substantially. Tariffs on **beef** will be cut from 38.5% to 9% over 15 years for a significant volume of beef products. On pork, there will be duty-free trade in processed meat and almost duty-free trade for fresh meat. Once the legal verification of the text is completed, the Commission will submit the agreement for the approval of the European Parliament and EU Member States, aiming for its entry into force before the end of the current mandate of the European Commission in 2019.