



LMC Brussels Update – June 2017

Brexit - Brexit negotiations have finally been launched. Negotiation rounds will be organised once every 4 weeks and the 1st phase of the negotiation will be in line with EU priorities: citizens, financial settlement, Ireland. There is now a mutual agreement that the scope of EU/UK relationship will be discussed in a 2nd step. In the meantime, Copenhagen University published a paper on the potential impacts of Brexit on the Danish agricultural sectors. Simulation results suggest that bilateral exports from Denmark to the UK would shrink significantly under the WTO scenario, particularly for key export products such as processed foods, pork products, and dairy. Total Danish food and agricultural exports to the UK would fall by as much as 79 percent under the WTO scenario and by about 48 percent under the FTA scenario. The study suggests that the overall negative results arising from rising trade costs due to Brexit are more pronounced for the UK. For Denmark, while bilateral exports for key exportable sectors may be hit hard, overall Danish exports would be impacted relatively little.

EU budget - The EU budget faces a tough challenge to fund more (security, immigration) with less (without UK's net contribution of EUR 12 billion/year). The Commission has published a reflection paper structured around the five scenarios of the White Paper. Options range from reducing spending for existing policies to increasing revenues. It sets out the basic features of the EU budget and charts the principal trends and developments in key policy areas like cohesion or agriculture. Commissioner Phil Hogan recently commented that maintaining CAP funding at its current level will be challenging but that the issue "*can be resolved if Member States decided to collectively cover the shortfall or develop new financial resources*".

AMR - The Commission has released its action plan to tackle AMR. The new plan draws on the recommendations of an independent external consultation and views of stakeholders gathered through a public consultation. The Commission has pledged to support Member States to establish, implement and monitor their AMR action plans. They also plan to review EU implementing legislation on monitoring AMR in farm animals and food, carrying regular audits in Member States to monitor MAR in food-producing animal populations and to promote antimicrobials veterinary alternatives. The incoming Estonian Presidency will hold a high-level AMR meeting on November 23rd.

Animal Welfare (AW) – The 1st meeting of the AW platform took place in June and gathered 75 representatives from stakeholders, NGOs, scientists, Member States, EEA (European Economic Area) countries, international organisations and EFSA (European Food Safety Authority). It is expected that this platform will contribute to support voluntary initiatives and to promote EU standards at global level. The Commission is of the view that before considering any new legislative initiative on animal welfare, it should first complete the actions listed in its strategy adopted in 2012.

Support to Agriculture – According to a recently published OECD report, 52 countries studied – representing all OECD and EU countries, and 11 key emerging economies – provided on average USD 519 billion (EUR 442 billion) annually to support agricultural producers during the 2014-16 period. Sixty percent of this support is provided by maintaining prices on domestic markets higher than those on international markets. In the EU, nearly 50% of the support to producers is conditional on mandatory environmental constraints. Payments supporting farmers who voluntarily engage in environmental schemes represent about 10% of support to producers

Young farmers - The European Court of Auditors examined the role of the EU in supporting young farmers and fostering generational renewal. They carried out audits at the European Commission and in the four Member States with the most spending for young farmers (i.e. those under 40 years of age): France, Spain, Poland and Italy. The report shows that the overall number of farmers in the EU (excluding Croatia) fell rapidly in the last decade, dropping from 14.5 million in 2005 to 10.7 million in 2013. As the numbers decreased across all age groups, the percentage of young farmers remained relatively stable, at just over 20 %. However, significant differences exist between Member States. The EU has allocated €9.6 billion in aid for young farmers for the

period between 2007 and 2020 to enhance farms' competitiveness and to foster generational renewal in agriculture.

Livestock production –A scientific study carried out by INRA in 2015-2016 on livestock production in Europe shows that the advantages of livestock production have been underestimated compared with its drawbacks. It also highlights that a global assessment of the impacts of livestock production, be they positive or negative, is not feasible. Lastly, the study points out that suppressing livestock production entirely would mean a loss of environmental and cultural services at both local and global level.

Organic - The negotiators of the Council and the European Parliament finally reached an agreement to update the rules for organic production. They agreed to leave out the 2 most difficult issues – non-authorised substances and the use of demarcated beds in greenhouses. Member States who currently apply thresholds of non-authorised substances may continue to do so, while countries using demarcated beds will be permitted to maintain the practice for 10 years, in which time the Commission will prepare a report on how this practice fits with the principle of organic production. The new rules should enter into force on 1st July. At the same time, the Commission has published a report showing that organic farmers receive higher prices than conventional farmers but the producers' share of the total added value created in the entire supply chain remains relatively low. Comparisons of farm gate and retail prices suggests that also in the organic sector there is a limited link between agricultural commodity prices and the price premium paid by the consumers.

Diet trends - Data from Mintel show that the "free-from" market has grown considerably over the past years. It highlights that nearly half of UK consumers are avoiding something, ingredients wide for health reasons. Plant based products are becoming more successful with people looking for animal proteins alternatives. Mintel predicts more demand for grain-free and ancient grain products. At the same time lactose free milk is becoming less popular than plant based alternatives.

Food Price Monitoring Tool - Eurostat has just launched a new food price monitoring tool visualising the development of agricultural prices, import prices and producer and consumer prices, broken down by product categories (milk, beef, pork, potatoes, fruits, bread and cereals) and/or country. The tool can show to what extent price increases and decreases are transmitted from one stage of the supply chain to the next, what impact they have and how quickly.

Trade - The latest figures on EU agri-food trade show that the highest increases in monthly export values (April 2016 compared to April 2017) were recorded for Turkey (+ €87 million) and Korea (+ €86 million). As with the previous month, the biggest growth in exports came from milk powder. Major gains in annual values were achieved in agri-food exports to the USA (EUR +1.1 billion; +6%) and China (EUR +0.7 billion; +6%). Annual export values went down for North African and Middle East destinations, such as Egypt (EUR -520 million; -26%), Algeria (EUR -404 million; -14%) and Saudi Arabia (EUR -358 million; -7%). Despite a reduction in pig meat exports in April 2017 export performance increased significantly over the last twelve months (EUR +1.1 billion; +25%). Other cereals exports experience the biggest drop on an annual base (EUR -926 million; -34%), closely followed by wheat exports (EUR -677 million; -12%).

China - EU and China agreed to formally publish a list of 200 European and Chinese geographical indications - 100 from each side- that will be considered for protection through a bilateral agreement to be concluded in 2017. This publication opens the process for protecting the listed products against imitations and usurpations and is expected to result in reciprocal trade benefits and increased consumers' awareness and demand for high-quality products on both sides.

Russian ban – Back in February, the WTO's Appellate Body confirmed that Russia's import bans on live pigs, pork and other pig products from the EU is illegal under international trade rules. Following discussions with the EU, Russia agreed to withdraw its unjustified measures from 6 December 2017. This was confirmed to me yesterday by the Russian Agricultural Attaché. For most of the products dealt with in this case, trade continues to be restricted by a politically motivated ban Russia imposed on EU agri-food products in August 2014. However, certain products such as pig fat, offal and live animals for breeding were covered by the sanitary ban addressed by the WTO and are outside the scope of the 2014 political ban.

