LMC Brussels Monthly Update - December 2018

Brexit

The EU initiated in December the formal process necessary to conclude the Withdrawal Agreement with the adoption of two proposals for Council decisions on the signature and conclusion of the text. However, in order for the Agreement to enter into force it needs, of course, to be ratified also by the UK, where the way ahead seems more challenging. After postponing the vote in the House of Commons to January 2019, Ms May went into a short EU tour to seek further reassurances from EU leaders that would help her sell the deal back home. She tried again during the European Council meeting with similar results: some kind words (the EU-27 wants to help), an overall feeling of frustration about the lack of clarity on what the UK wants, and a very strong key message – negotiations will not be reopened. Not surprisingly, leaders also called for further work on preparedness for a no-deal and the European Commission (EC) has adopted a set of measures in sensitive areas such as citizens' rights and trade in goods. The EU has also decided on the tariff rate quotas (TRQs) it will apply after Brexit in respect of a number of agricultural and processed products. At country-level, preparation is also ongoing and some Member States, such as Ireland, are working on and publishing their own Contingency Action Plans. In the meantime, an interesting ruling was also published by the European Court of Justice, confirming that the UK is free to revoke unilaterally its Brexit notification.

EU Outlook 2030 for Meat Markets

The EU has published its Agricultural Outlook report for 2018-30. Overall, EU meat consumption will decline from 69.3 kg per capita in 2018 to 68.7 kg in 2030. It will be driven by lower availability, even with higher imports, and a preference for lower meat intake and meat substitutes. Per sector, pork and beef consumption are expected to decline, while poultry will be increasingly consumed. Sheep meat will also increase, thanks to the diversification of meat diets and changes in the EU population structure. Since the low of 2013, EU beef production recovered at an estimated up 1.6% in 2018. However, production is expected to decrease again, influenced by a smaller herd, low profitability and declining demand. Competition on the global market will also be strong, leading to a fall in prices for the first half of the outlook period followed by price stabilisation towards 2030. As for sheep and goat meat, improved returns for producers, maintenance of coupled support and sustained domestic demand, will lead to production recovery during 2018-2030, reaching 950,000 t in 2030, compared to 903,000 t in 2018. EU price will stabilise to a level higher than between 2010-2017.

EU Outlook 2030 - Environment

The EU Agricultural Outlook report 2018-2030 published this month includes a section on the perspectives for environmental aspects in relation with agriculture. It anticipates a decrease in the amount of nitrogen lost to water in the EU (around 8% less as compared to 2012). There is also a corresponding drop in expected emissions, in line with the projected decrease in EU livestock numbers by 2030. However higher crop production and manure application will to a large extent counterbalance this change. Greenhouse gas emissions are therefore expected to stay at the same level as in 2012. Despite this, there is an anticipated drop in the level of atmospheric ammonia across the EU, with emissions estimated to decrease by 9% by 2030. Soil erosion by water, the most significant land degradation process, is still likely to be higher than soil formation rates. However, some EU countries that are particularly at risk of damaging soil erosion will see a decrease in the rate of decline with Greece exhibiting the most significant drop (11.2%) due to changes in crop types.

Agri-food trade

The latest monthly agri-food trade report shows that the EU maintained a monthly surplus of €2.2 billion in September 2018 in spite of a modest decline in export values of 6% compared with September 2017. The highest increases in monthly export values (September 2018 compared to September 2017) were recorded for Egypt (an increase €61 million), Algeria (up €34 million) and South Korea (a gain of €26 million). In contrast, exports to China dropped significantly (by €131 million). Wheat (-494; -12%) and milk powder (-493; -11%) exports have experienced the most significant drop in value terms (EUR million) on an annual basis. Other categories with notable losses in export values over the last 12 months were pork meat (-374; -7%) and fruit (excluding citrus and tropical) (-325, -13%).

Unfair Trading Practices

The European Parliament (EP) and the Council have reached a provisional political agreement on the directive on UTPs in business-to-business relationships in the agricultural and food supply chain. Once fully in place, the directive will cover certain UTPs which occur in relation to the sales of agricultural and food products and, to a certain extent, services in the agri food-chain. The protected suppliers will be enterprises with an annual turnover smaller than €350 million. The directive will cover buyers that are established both in the EU and in third countries. Practices such as late payments for perishable products, last minute order cancellations, unilateral or retroactive changes to supply agreements, the misuse of confidential information, and the retaliation or threat of retaliation against the supplier will be completely banned. Other practices will only be permitted if they are subject to previous agreement between the parties. The provisional agreement will need to be formally adopted by Parliament and Council before entering into force.

Transition to the future CAP

The EC has put forward a proposal for a regulation to modify rules on direct payments and rural development in order to guarantee a smooth transition between the current and the future CAP by allowing for the continuation of the flexibility between pillars and the transfer of the estimated product of reduction of payments in the calendar year 2020, phasing out of Area Natural Constraint, and widen technical assistance. During this month's Agricultural Council meeting the representative of the UK government (John Gardiner) welcomed the proposal, highlighting the importance in particular for Scottish farmers (with 85% Less Favoured Areas) but complained that the current wording does not give enough flexibility to address "current challenges and uncertainties". Commissioner Hogan accepted to have an exchange of views with the UK on this, but also suggested that maybe the reason for the problems of the UK is to be found internally in the UK.

Zoonotic diseases

The European Food Safety Authority has published its 2017 summary report on trends and sources of zoonoses, zoonotic agents and food-borne outbreaks, showing only minor fluctuations in reported cases of three main zoonotic diseases in the EU: the number of reported cases of salmonellosis and campylobacteriosis has remained stable over the past five years, but listeriosis continues to rise. The 5,079 foodborne and waterborne outbreaks reported in 2017 represent a 6.8% decrease compared with 2016. Salmonella bacteria were the most common cause of foodborne outbreaks, particularly in meat products and eggs, which caused the highest number of outbreaks. Although cases of campylobacteriosis decreased slightly in 2017 compared to 2016, it is still the most commonly reported zoonotic disease in the EU. The report further summarises trends and sources for tuberculosis due to Mycobacterium bovis, Brucella, STEC, Yersinia, Trichinella, Echinococcus, congenital Toxoplasma, rabies, Coxiella burnetii (Q fever), West Nile virus and tularaemia.

Single-use plastics

The Council and the EP have reached a provisional political agreement on a new directive setting new restrictions on certain single-use plastic products. This builds on the EU's existing waste legislation but it goes further by setting even stricter rules for those types of products and packaging which are among the top ten most frequently found items polluting the seas. In particular, the new rules will ban the use of certain throwaway plastic products for which alternatives exist, including food containers made of polystyrene, products made from oxo-degradable plastics, such as carrier bags, and plastic cutlery. Where possible, the aim is to give priority to waste prevention or to the transition to re-usable products rather than to other single-use alternatives. The agreement needs to be confirmed by EU ambassadors and finally approved by the EP and the Council.