LMC Brussels Update – December 2014

Medium-term Outlook – According to the latest Commission medium-term outlook to 2024, Cereal prices, which set the tone for most market outlook prospects, are still expected to remain above historical averages in the EU, but significantly below the 2010 and 2012 peaks. At the same time, EU meat production is expected to increase to 44.9 million tonnes, driven mainly by sustained expansion in poultry meat. After two years of sharp decline, EU beef production is expected to recover in 2014-15 on the back of the recent increase in the dairy herd. However, the growth of the dairy herd is not expected to last, with cattle numbers likely to decrease again as soon as 2015 and production is expected to fall below 7.6 million tonnes by 2024. At the same time, production of sheep and goat meat is expected to stabilise thanks to improved profitability. However, this will not prevent sheep meat to remain the least consumed meat in the EU, accounting for only 2.8% of total meat consumption or 1.8 kg per capita (retail weight) in 2024. As for pig meat, production is expected to recover in 2015 and increase marginally by 2% in 2024 as compared with 2014. Global demand for pig meat is expected to remain strong, but will grow at a slower rate than seen in the previous decade (1.7% rather than 4.1% per year). A large part of this growth can be attributed specifically to China, with the proportion of total world imports destined for this country set to double between 2014 and 2024 (from 10% to 20%, equivalent to almost 1 million tonnes of additional imports). While Chinese imports are not expected to rise to more than 2 to 3% of its own total production, the EU is the main supplier of the Chinese market, providing over half of total imports, and this proportion is expected to remain unchanged in the medium term. Following falls in 2014, pig meat prices are expected to strengthen over the outlook period, supported by higher world demand, and are predicted to reach an average of 1 830 EUR/t in 2024 (an 11% increase on 2014 levels).

Agricultural income – Compared with 2013, EU28 real agricultural income per worker has decreased by 1.7% in 2014 (but increased by almost 7% in the UK) according to first EU estimates. Despite the recovery from the low point in 2009, real factor income for EU agriculture is characterised by a long-term downward trend. The level reached in 2014 is about 11% lower than in the year 2000. On a more positive note, agricultural input costs are estimated to have decreased in real terms (-3.6%), mainly due to significant reductions for feedingstuffs (-8.1%), fertilisers & soil improvers (-6.4%) and energy & lubricants (-3.9%).

Agricultural expenditure – The December AGRI Council adopted conclusions on the error rate for agriculture expenditure, stating in particular that 2015, as the first year of full implementation of the CAP, will be difficult for farmers and national administrations, especially in the implementation of the new direct payment schemes and new rural development measures. The Council considers that any increase in the level of on-the-spot controls beyond current levels would not be cost-effective and that the rate of controls should be lower for farms that consistently meet requirements. It is concerned that for rural development expenditure, the materiality threshold set at 2 % by the Court of Auditors might not be realistic to achieve and welcomes Commission's intention to simplify the rules governing direct payments, rural development and the single market organisation.

Official controls - While many difficulties identified in the discussions in the Council have been overcome since the submission of the proposal on official controls in May 2013, the Council Presidency deems further work needed on the following issues: the financing of the official controls and other official activities; the role of the official veterinarian in the performance of official controls; specific rules for official controls and action taken by the competent authorities in the different sectors covered by the scope of the proposal. The Council aims to agree on a common position by June 2015.

Russian import restrictions – At the December Agri Council, many member states expressed their concerns about the market situation for pig meat in light of the Russian import restrictions and requested the introduction of a temporary support scheme for private storage which would ease the market before alternative markets can be found. Even if the decrease in the price of pig meat observed in several member states is not yet at a crisis level, the Commission agreed to review this demand for targeted support at the beginning of next year in light of the evolution in this sector.

Animal welfare – Following a trilateral ministerial meeting on animal welfare which took place on 14 December 2014 in the Netherlands, a joint declaration was calling in particular the Commission to develop new welfare proposals taking into account scientific developments, to harmonise animal transport journey times, phase out piglet castration and tail docking in pigs.

Porcine Epidemic Diarrhoea (PED) – The July PED Regulation setting temporary import requirements on live pigs from North America, has been extended until 31 October 2015. It includes an additional requirement on the certificate for breeding/production pigs to have been kept for 40 days before dispatch in a holding in which no case of PED has officially been reported and subjected to an agent identification test to detect PED and Porcine Deltacoronavirus on faecal samples taken within seven days prior to dispatch with negative results.

Specified Risk Material (SRM) – A qualified majority vote in favour of a Commission proposal to amend the list of SRM was reached in December. Under the draft proposal, specified risk material from bovine animals will include the tonsils, the last four metres of the small intestines, the caecum and the mesentery. The text is now subject to scrutiny by the Council and the EU Parliament – which will have the right to raise objections before the proposal comes into force. Next month, a second proposal to repeal the requirement for EU Member States with a negligible BSE risk status to remove SRM, is expected to be discussed at SCFCAH.

Veal marketing standards - The Commission published an evaluation of the market implications of the veal and young cattle meat marketing standards established by Regulation (EC) No 700/2007. According to Eurostat figures veal calves slaughtering in the EU reached 646,000 tons carcass weight equivalent in 2012. This volume is distributed as follows: France: 29%, The Netherlands: 28%, Italy: 19%, Belgium: 8%, Germany: 7%, Spain: 3%, Portugal: 2% and Poland: 1%. The bovine animals bred to produce veal or young cattle meat account for 19% of the bovine animals in the EU 27 and for one third of the calves produced by dairy cows. These proportions have not significantly changed since the adoption of the Regulation.