



**LMC Brussels Update
November 2014**

CAP funds - The Commission adopted a regulation allowing Member States to reimburse farmers a total of €68 million. Direct aids to farmers were reduced by €68 million in financial year 2014 by applying the financial discipline mechanism, to establish the agricultural crisis reserve. However, in 2014 it was not necessary to use the crisis reserve. In fact the support measures taken from August 2014 onwards in the wake of the Russian embargo on EU agricultural products will only lead to EU expenditure for the 2015 budget. This reimbursement mechanism was agreed in the 2013 CAP reform, and is now applied for the first time. It should be made no later than 15 October 2015.

EU 2015 budget – At the AGRI Council, Ministers had an exchange of views on the financing of the European Agricultural Guarantee Fund, in the context of the ongoing 2015 budget conciliation procedures. The amending letter adopted by the Commission in October updated the draft EU budget for 2015, reducing the overall commitments for agriculture by €448 million. Furthermore, €44 million of the €433 million in the agricultural crisis reserve were used to finance emergency market measures in response to the Russian ban. The majority of member states expressed opposition to the Commission's plans to use next year's agricultural crisis reserve to fund compensation for Russia's ban, as only €9 million would be left in the crisis reserve. The deadline for a deal between the European Parliament and the Council on the 2015 EU budget was November 17th but no agreement was reached. The Commission presented a new draft budget on November 28th, re-launching the budget procedure.

Cloning - The European Parliament's COMENVI voted on Commission's draft plans for a new novel foods Regulation. They added to the text provisions for compulsory labelling of cloned food products. The Commission tabled proposals for the review of the 1997 Novel Food Regulation in 2008 but conciliation talks failed in March 2011 as EU institutions did not find a compromise on cloning issues e.g. mandatory labelling requirements for foods derived from the offspring of cloned animals. In December 2013 the Commission adopted separate proposals for Directives on the cloning of farm animals and placing on the market of food from animal clones. The Parliament (COMENVI) is however insisting on the introduction of labelling requirements for foods from the offspring of cloned animals in the cloning proposals. As there has been no progress in this direction, the COMENVI amended the scope of the novel foods proposals. The move is likely to prove controversial after previous talks already broke down in 2011 when MEPs insisted on labels, which the Commission said would be unfeasible.

Sheep pox – EFSA delivered a scientific opinion on sheep pox (SPP) and goat pox (GTP), to provide an update on the characterisation of the diseases, assess the risk of spread and determine if further measures are justified. EFSA finds that the main mode of transmission of SPPV/GTPV is direct contact between infectious and susceptible animals. Therefore, the prompt introduction of movement restriction when SPP cases are detected is considered an important measure for limiting the spread of the disease. The most likely pathways of SPP introduction into the EU are the movement of people having contact with animals, vehicles and illegal movement of animals. The likelihood of SPP endemicity in the EU can however be reduced by extensive cleaning and disinfection measures of premises and risk materials, combined with a waiting period before re-stocking of culled herds is allowed. In term of preparedness, EFSA suggests that enforced biosecurity measures should be applied in risk areas. In terms of disease control, it recommends that after culling infected and in-contact sheep/goats and disinfection of affected farms, fully susceptible young sheep could be used as sentinel animals prior to re-stocking.

Retailers - In a recent case opposing an Austrian supermarket to Austrian local authorities, the EU Court of Justice ruled that retailers may be penalised if they sell salmonella-contaminated fresh poultry meat, even if the contamination occurred at an earlier stage in the food chain. The supermarket's manager - where a contaminated sample of vacuum packed fresh turkey breast was taken - was ordered by Austrian authorities to pay a fine, even though the supermarket was active only at the distribution stage. Asked

about the extent of liability of food business operators by an Austrian administrative chamber, the EU Court stated that the fresh poultry meat referred to by EU law must satisfy the microbiological criteria for salmonella at all the stages of distribution, including the retail sale stage. Food business operators active only at the distribution stage may therefore be fined for having placed on the market a foodstuff which fails to comply.

Supply chain - A report on power concentration in agricultural chains, commissioned by fair trade NGOs, states that the rising dominance of a few retailers, traders and agri-food firms is worsening farm earnings and working conditions. The study comes as the Commission is considering the possible adoption of legislation to combat unfair trading practices in the food supply chain. According to the authors, EU competition policy is not in a position to address the issues related to buyer power, and the existing legal tools to address unfair trading practices are too fragmented and not designed to tackle this problem. They propose solutions to address power concentration in agriculture e.g. supporting farmers' and workers' organisations, enhancing transparency of the costs in agricultural chains, building stricter enforcement mechanisms to stop unfair trading practices, promoting fair trade principles and practices in agricultural chains etc.

Antibiotics - BEUC, the European Consumer Organisation, has launched a campaign urging EU institutions to restrict antibiotic use among livestock so as to reduce resistance. BEUC's campaign stems from tests by its member organisations on raw meat sold in 9 European countries. The results showed that in Italy, Portugal, Spain, Belgium, Netherlands and Germany, 72%-98% of poultry samples were contaminated with antibiotic resistant bacteria. BEUC states that the new Commission proposals on veterinary medicines and medicated feed are too vague. It gives recommendations e.g. phase out prophylaxis, i.e. treatment as a herd when no animal experiences symptoms; make individual treatment the norm and herd treatment the exception whenever possible; allow veterinarians to only prescribe antibiotics and not sell them to remove potential economic incentive; test more meat products for the presence of antibiotic resistant bacteria and set clear reduction targets.

Food prices - The FAO Food Price Index fell in October 2014, by 7% below its corresponding level one year ago. Overall, the Food Price Index is at its lowest levels since August 2010. However, quotations for most types of meat are still at historic highs. In October 2014, the quotations of bovine meat and, especially, pig meat moved lower, while those of poultry and ovine meat were, respectively, stable and slightly stronger. Pig meat prices have shown signs of weakness since July, as production recovered in some of the countries affected by outbreaks of porcine endemic diarrhoea – reducing import demand and increasing availability for export. Also, favourable weather and prices are supporting a recovery in the bovine herd in Australia and hence export availability. As for cereals, the FAO forecasts the 2014 world production at 2 522 million tonnes. The Cereal Price Index fell sharply over the recent months as global wheat and maize production appeared set for record harvests.

Trade barriers - An EU report on protectionism shows that between June 2013 and June 2014, G20 members and other key EU trading partners adopted 170 new trade restrictive measures – more than during the previous period. Russia applied the highest number of individual measures affecting imports, and was followed by other emerging economies like China, India and Indonesia. The number of new exports restrictions has also risen, which is particularly worrying as countries depend on each other's natural resources. Countries also resorted more frequently to “behind the border” measures such as fiscal and regulatory discrimination of imported goods and foreign companies – with China introducing the highest number of such measures. The report calls on G20 countries to honour their anti-protectionism commitments.

At the same time, a WTO report on recent trade developments finds that the stock of restrictive trade measures introduced by G-20 economies since 2008 has continued to increase during the period between mid-May 2014 and mid-October 2014 and that the total number of restrictive measures still in place now stands at 962 – up by 12% from the end of the reporting period in November 2013.

Russian ban - During a meeting between representatives of veterinary services from France, Italy, Netherlands and Denmark, and the Russian state veterinary authority Rosselkhoznadzor, Russia agreed to lift a ban in place since October 21st on beef offal, meal and animal fats (but not pork fat) from

establishments that get approval from Rosselkhoz nadzor. Russian officials also said they were “considering” opening the Russian market to the supply of breeding pigs from the EU.