LMC Brussels Update – March 2017

BREXIT: On March 29th article 50 was triggered by the UK, confirming its wish to withdraw from the EU. The EU 27 are determined to reach an agreement not only for the divorce settlement but also for future trade relationships. On March 31st the EU 27 released its priorities, which are citizens' rights, UK obligation regarding the EU budget framework and borders. The next step is the adoption of a set of negotiating guidelines by the EU Council on April 29th during an extraordinary European Council. These guidelines will define the overall principles that the EU will pursue during the negotiations.

Campaigns to introduce changes in the Common Agricultural Policy (CAP): In the context of the consultation organised by the EU Commission on the simplification of the CAP which runs until 2 May. Several campaigns have been launched by NGOs. Over 150 civil society organisations expressed their concerns about the "broken European food and farming system". Separately, Birdlife Europe supported by 140 other organisations call on the Commission to introduce radical changes to the CAP. Eventually, all signatories advocate for a fair, environmentally sustainable, healthy and inclusive CAP.

Forging a new ambition for the EU livestock sector: During the discussion on the *"Future of the EU livestock sector – The way forward"*, at the European Parliament organised by Farm Europe, the ability to be a global actor, to cope with new market conditions and to respond at the same time to societal expectations (i.e. climate change and animal welfare) arose. Farm Europe strongly highlighted in its report that it is very urgent to set up a EU revitalisation plan for the EU beef meat sector in order to: Encourage market segmentation and build on this strategy to create value for each beef market segment; Strengthen solidarity within the beef supply chain reinforcing producers' position in the context of the Omnibus regulation; Enhance the capacity of the sector to invest and innovate.

EU Short term outlook: The outlook reports that the EU meat production reached a record level in 2016 but is showing signs of downward adjustments. Continued good beef exports held EU price decreases in check. The outlook for 2017 beef exports is fairly positive (+5%). In 2016, the availability of beef for consumption in the EU increased by 2.2% and consumption is expected to continue to increase in 2017 (+1.2%). Sustained pig meat exports to China facilitated a recovery in the EU price. In 2017, EU pig production is expected to decrease slightly to around 23.4 million t (-0.3%) and stabilise in 2018. All EU countries exporting to China saw their exports more than double or triple in 2016. According to the Chinese Agricultural Outlook, the significant yearly import demand for pig meat is projected to continue over the medium term, but at a lower rate (close to 900 000 t by 2025). With this in mind, the current level of EU exports to China should be considered as a short-term opportunity. In 2017, EU pig meat exports are expected to decline by 9%, but stay above 2.5 million t, mainly due to lower exports to China. The production of sheep meat is growing at a slower rate, on the back of lower prices. Even though sheep and goat meat net production went up by 1.6% in the first half of 2016, it fell back in the second half, triggered by a slowdown in slaughtering in France and Spain. The UK recorded a significant decrease of 5% year on year. Besides, EU per capita consumption dropped by almost 1%.

Blue tongue: EFSA's experts have reviewed control measures for bluetongue and options for safe trade of animals from infected to free areas. The experts reported that the eradication of bluetongue is very difficult – at least five consecutive years of vaccination covering 95% of susceptible cattle and sheep would be needed; Mass vaccination programmes lasting at least five years in combination with improved, continuous surveillance

systems would be the only effective measures for eradicating bluetongue in Europe. Some species of the midges that transmit the disease are active throughout the year – especially in mild-winter areas such as the Mediterranean basin. EFSA's scientific advice will assist policy-makers as they review legislation on bluetongue, they will also classify different types of bluetongue according to their characteristics by the end of June 2017. This will help identify specific protection and control measures.

Update on the African Swine Fever (ASF): The latest epidemiological data of African Swine Fever (ASF) updated by EFSA indicates that the disease is spreading slowly in the Baltic. Since 2014, cases of ASF were identified in wild boar in Lithuania, in eastern Poland, in Latvia and Estonia. No additional Member States have been affected since. EFSA's report also presents the factors that may be associated with the presence of the virus in wild boar. These include a number of settlements, human and domestic pig population sizes and wild boar population density. The author concludes that it is critical to maintain high biosecurity standards on pig farms and adjust control measures in the backyard sector as well as at hunting ground level.

Report identifies good practices for rearing pigs with intact tails: A new report provides evidence that there are solutions to counter the commonly held belief that rearing pigs and avoiding tail docking is impossible. Based on visits to three countries where tail docking is not performed routinely (Finland, Sweden and Switzerland), it summarises good practices to rear pigs with intact tails. It finds that the key to do so is to lower stress levels through active management of enrichment materials; feed and air quality; reduction of competition between animals; and good animal health status. Another key factor to ensure intact tails is that farmers rapidly prevent outbreaks of tail biting.

Animal welfare: On June 6th, the first meeting of the animal welfare platform will be held. 75 organisations (Member States, international organisations (FAO, OIE), farmers, industry, civil society and independent scientific experts) will work together to improve and share best practices. During this first meeting, the EU's executives represented by a Sweden-led coalition (AT, BE, DK, DE&NL) will present its priorities on animal welfare, especially regarding the rules for the long distance animal transportation. The rules of procedure of the platform should also be adopted then.

EU-ASEAN trade to resume: On March 10th 2017, the EU Trade Commissioner Cecilia Malmström and Economic Ministers from the 10 countries of ASEAN (AEM) prepared a joint statement. Further to the implementation of the ASEAN-EU Trade and Investment Work Programme 2017-2018, they reaffirmed their commitment to develop a framework encompassing the parameters of a future ASEAN-EU Future Trade Agreement. This shows a continuing strong trade and investment relationship between the two regions, as ASEAN-EU two-way trade stood at € 208 billion in 2016.

Latest update on EU agri-food trade: The monthly value of EU agri-food exports in January 2017 reached a level of €10.3 billion, which is almost €1 billion higher than in January 2016. USA remains the most important destination for EU agri-food exports with the highest increases (€+206 million) in monthly export values (January 2017 compared to January 2016) followed by China (€+120 million). The highest increases in monthly export values were achieved for wine (€+127 million), pork (€+112 million) and spirits and liqueurs (€+83 million). In January 2017, agri-food imports to the EU increased to a value of EUR 10.2 billion from EUR 9.4 billion in January 2016. For the 12-month period February 2016 to January 2017, EU agri-food exports reached a value of EUR 132 billion, corresponding to an increase by 2.2% in value terms compared to the same period one year ago. USA remains the most important destination for EU agri-food exports.

New markets in Chili: EU beef exporters could soon be looking for new markets in Chili after the South American country published new definitions of meat marketing standards on 7 March, the last major hurdle to resuming trade from the EU. The EU has not been able to export beef meat to Chile because of specific requirements set out in Chilean legislation. The law requires that meat cuts be identified in accordance with a specific nomenclature and classification of bovine carcasses. The terminology and criteria it sets out, differ to those applied in the EU. Both parties have agreed on a correlation between Chilean and EU names for the cuts and classification of the carcasses, which will open the way to EU exporters to trade again with this preferential partner. Although not traditionally a major export market for EU beef, EU exporters could find Chile a potential new outlet for veal exports

European Compound Feed Manufacturers' Federation (FEFAC) estimates: The industrial compound feed production for farmed animals in the EU-28 in 2016 reached an estimated level of 153.4 mio. t, i.e. 1% less than in 2015. As regards cattle feed, the picture is extremely contrasted throughout Europe. On the pig feed side, after two years of moderate growth, the production decreased by 1.5% in 2016. FEFAC market experts are relatively pessimistic concerning industrial compound feed production in 2017. Overall, this would lead to a further 1% decrease in compound feed production in 2017 vs. 2016.