LMC Brussels Update – July 2017

Brexit – Not much emerged from the 2nd round of Brexit negotiations as further clarification is needed on UK's position on the sensitive issues of financial settlement and border issues with Ireland. Next meeting should take place in August. The Commission and the Parliament warned once again that discussions on trade will only start if sufficient progress is achieved on the three main withdrawal areas: citizens' rights, the financial settlement and the border issue on the island of Ireland. The EU was initially hoping to review the situation in October but it now looks like that it will be postponed.

Estonian Presidency work programme: The Presidency presented its work programme and priorities in the areas of agriculture and fisheries. They include the simplification and the future of the CAP, as well as the monitoring of the market situation and ongoing trade negotiations. Emergency preparedness and antimicrobial resistance will also feature high in the next six-month agenda.

Greening measures - New rules for the simplification of environmental measures came into force on 3 July. They provide simplified definitions of what constitutes an EFA and the conditions that have to be met for it to be designated as such and more flexibility for EU countries with regard to the period permitted for crop diversification, depending on their individual climatic condition. They also ban the use of pesticides on productive and potentially productive EFAs. Although the new rules have now entered into force, they do not need to be applied at national level until 2018 (the next full year for which farmers can claim direct support through the common agricultural policy - CAP). EU countries are however free to begin implementing some of them immediately if they wish to let their farmers take advantage of the new flexibilities already this year.

CAP reform – 1st results of the consultation on the future of the CAP show that 90% of respondents are clear that there is a real added-value in managing agricultural policy at the European level, as it ensures a level playing field within the single market and ensures that agriculture can respond more effectively to the shared challenges such as environmental protection (85%) and tackling climate change (73%). The findings of the consultation are also clear about what the Common Agricultural Policy should achieve. Ensuring a fair standard of living for farmers is a key demand, with a majority of respondents (88%) recognising that farm incomes are lower than the EU average and that farmers receive only a small amount of the final consumer price for food (97%). Direct income support for farmers is considered the best way to achieve this (66% of respondents). The findings of the consultation will now feed into the Commission's ongoing reflection on the future of food and farming with a communication expected to be published by the end of this year, beginning of the next.

AMR - A new report presents data on antibiotic consumption and antibiotic resistance and reflects improved surveillance across Europe. Overall antibiotic use is higher in food-producing animals than in humans, but the situation varies across countries and according to the antibiotics. In particular, a class of antibiotics called polymyxins – which includes colistin – is used widely in the veterinary sector. It is also increasingly used in hospitals to treat multidrug-resistant infections. The report notes that resistance to quinolones, used to treat salmonellosis and campylobacteriosis in humans, is associated with use of antibiotics in animals. The use of third- and fourth-generation cephalosporins for the treatment of infections caused by *E. coli* and other bacteria in humans is associated with resistance to these antibiotics in *E. coli* found in humans.

BSE isolated cases – EFSA has published an opinion on isolated BSE cases. Sixty cases of classical BSE have been reported in cattle born after the EU ban was enforced in 2001. None of these animals entered the food chain. EFSA experts concluded that contaminated feed is the most likely source of infection. This is because the infectious agent that causes BSE has the ability to remain active for many years. Cattle may have been exposed to contaminated feed because the BSE infectious agent was present where feed was stored or handled. A second possibility is that

contaminated feed ingredients may have been imported from non-EU countries. Experts could not rule out other causes due to the difficulty of investigating individual cases.

African Swine Fever (ASF) - On Thursday, 13 July, Member State experts endorsed an update of EU control measures to combat the spread of African swine fever (ASF), ahead of the expected summer peak of activity of the disease. The new Commission Decision modifies ASF regionalisation within the EU. These regionalised restrictions, reviewing the disease control measures for Estonia, Lithuania and Poland, adapt the measures to the evolution of the situation in the field. In addition following the confirmation end of June of the 1st case of ASF in wild boar in Czech Republic, specific safeguard measures for the Czech Republic were confirmed. In practice this means that wild boar products will not be allowed to leave the infected area and pigs will not be moved from the infected area for intra-Union trade. In addition, the competent authority will have to increase the surveillance of wild boars and pig holdings in the region.

Hepatis E - According to a newly published EFSA report, domestic pigs are the main carriers of hepatitis E in the EU. Wild boars can also carry the virus, but meat from these animals is less commonly consumed. This scientific advice builds on a previous scientific opinion published in 2011. Presently, the only efficient control option for HEV infection from consumption of meat, liver and products derived from animal reservoirs is sufficient heat treatment. Experts recommend that Member States increase awareness of public health risks associated with raw and undercooked pork meat and advise consumers to cook pork meat thoroughly. More research on the epidemiology and control of HEV in pig herds is required in order to minimise the proportion of pigs that remain viraemic or carry high levels of virus in intestinal contents at the time of slaughter.

Horsemeat – This month, Europol dismantled an organised crime group that was trading horsemeat in Europe that was unfit for human consumption. The operation was carried out in coordination with Belgium, France, Italy, Portugal, Romania, Switzerland and the United Kingdom.

Food supply chain - The Commission has published an Inception Impact Assessment (IIA) on an initiative to "*Improve the Functioning of the Food Supply Chain*". It sets out a series of objectives and policy options, notably in relation to unfair trading practices (UTPs), producer cooperation and market transparency. Interested parties now have four weeks in which to respond to the IIA which will also be complemented by a public consultation on which the Commission is currently working with the intention of publishing it in the coming weeks.

FAO Food Index - Rising prices of cereals, meat and dairy products have pushed the global food price index up by 1.4 per cent compared to last month and 7.0 per cent compared to last year. In terms of the indices, the Cereal Price Index averaged 154.3 points in June (up 6.2 points compared to May); Dairy Price Index, 209 points (up 15.9 points); Meat Price Index averaged 175.2 points in June (up 3.2 points). In its cereal brief, the FAO also announced that despite tightening supply conditions for high-protein wheat, global cereal supplies are likely to remain abundant in the coming year.

FAO/OECD outlook - The OECD-FAO agricultural outlook for 2017-2026 has been recently published. In a nutshell, global food commodity prices are projected to remain low over the next decade compared to previous peaks, as demand growth in a number of emerging economies is expected to slow down and biofuel policies have a diminished impact on markets. The report foresees per capita demand for food staples remaining flat, except in least developed countries. Additional calories and protein consumption over the outlook period are expected to come mainly from vegetable oil, sugar and dairy products. Growth in demand for meat is projected to slow, with no new sources of demand projected to maintain the momentum previously generated by China.

EU agri- trade – A recent report shows that the total value of EU agri-food exports increased by 9% in May 2017 compared to last year. Monthly exports particularly increased for the US, China, Japan, Hong Kong, Russia and Korea. Between June 2016 and May 2017, EU agri-food exports reached a value of € 131.8 billion, corresponding to a sustained increase by 2.6%. Despite a reduction in pig meats exports in the March-May 2017 period, the export performance increased significantly over the last twelve months by 17%. Wheat and other cereals exports experience the biggest drop on an annual base (EUR - 1.0 billion;-18% and EUR 776 million, -30%, respectively).

EU short term outlook - According to the latest EU short term economic outlook for agricultural markets, the outlook is globally positive for EU meat exports, but falling for pigmeat, owing to lower availability. The increase in EU pigmeat exports driven by demand from China continued until March 2017. The expected decline began in April, with a 23 % drop in EU exports compared with March 2017 and a 30 % drop compared with April 2016. In contrast, exports of sheep and goat meat are doing better than expected, though they remain at a relatively low level. A 120 % increase was recorded during the first four months of 2017. Thanks to the weaker pound sterling, the UK is becoming more competitive on the international market. A 60 % increase is expected by the end of 2017. As far as beef exports are concerned, the outlook for 2017 is positive (+10 %), thanks to the substantial surge in early 2017, the EU's (renewed) access to certain (niche) markets and the extensive portfolio of other destinations.

New Zealand and Australia FTA - Beginning of July, EU farming ministers were informed that the Commission will be issuing the draft negotiating directives for FTA with New Zealand and Australia after the summer break. MEPs have already raised potential concerns for sensitive sectors such as lamb and urged the Commission to take into account the seasonal cycle of production in Europe. To allow a UK post-Brexit comparison: Australia and the EU first started showing mutual interest in a trade deal in 2013. Formal processes started in 2015, and only in 2019 they may get an agreement.

EU-China exchange programme – Following the signature of an EU - China agreement earlier this year, call for applications for exchange programmes between young Chinese and EU farmers has now been published. Study trips will be organised in November 2017 and June 2018. Applications are to be submitted by 10 September at the latest.

WTO - Agricultural domestic support is an important issue in the negotiations leading up to the 11th WTO Ministerial Conference (MC11) to be held in Buenos Aires in December 2017. The EU and Brazil - two of the world's biggest producers of agricultural products - submitted to the World Trade Organisation (WTO) a joint proposal on support for agricultural production and food security measures. The proposal suggests to level the playing field between WTO members by limiting trade-distorting farm subsidies in proportion to the size of each country's agricultural sector.

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