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EU-UK Trade Negotiations

Following the first four rounds of EU-UK trade negotiations, Prime Minister Boris Johnson and the Presidents of the EU institutions met on the 15th June for a High-Level Conference to take stock of progress and agree on the way forward. The EU took note of the UK’s decision not to request an extension to the transition period (the deadline for such request was 30th June), which in practice means the future UK-EU trade deal needs to be in place (agreed and ratified) by the 31st December 2020, when the UK will be leaving the Single Market and the Customs Union. Given the tight timeframe, the leaders in both sides agreed that new momentum was required and underlined their intention to “work hard” to achieve a deal in a timely manner. Talks will be intensified during the Summer – they will be meeting in person every single week of July, with the last formal round of negotiations scheduled for the week of 17th August. While the outcome of the High-Level Conference gave rise to some degree of cautious optimism, the latest round of negotiations, which took place during the week of the 29th June, broke up slightly earlier than envisaged, with both David Frost and Michel Barnier pointing out that serious divergences remain. Talks will continue in the coming weeks and both reiterated their commitment to find an early understanding, but the apparent lack of progress is increasing concerns on the risk of not being able to have a trade deal by the end of the year, with some speculation around August being a turning point to assess whether an agreement is possible at all. Meanwhile, the European Commission (EC) keeps encouraging stakeholders in both sides to start preparing for any possible outcome.

Animal Welfare during Transport

The Member of the European Parliament (MEPs) have decided to set up an inquiry committee to look into alleged breaches in the application of EU animal welfare rules during transport both within and outside the EU. It will focus on how EU rules are being implemented by Member States and it will look into the EC’s alleged failure to act upon evidence that EU rules on moving live animals are being seriously and systematically infringed in terms of space allowance and headroom for transported animals, their watering, feeding and bedding, and on temperature and ventilation system during transport. The Committee will have to report within 12 months from the date on which it was established. The implementation of these rules is of concern during the summer and high temperature periods. In an attempt to ensure correct enforcement of EU rules in this area, the EC has sent a letter to all Chief Veterinarian Officers. In addition, some EU countries (the

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Netherlands and some German regions) have temporarily stopped approval for long distance transport when the resting points are in third countries.

Air Pollution in the EU

The latest data released by the European Environment Agency show that in 2018 the EU-28 as a whole (including the UK) met the emission ceilings of the four main air pollutants: nitrogen oxides (NO_x), non-methane volatile organic compounds (NMVOCs), sulphur dioxide (SO₂) and ammonia (NH₃), with emissions of the latter plateauing after five consecutive years (2013-2017) of increase. While ammonia emission fell by 1.5% from 2017 to 2018, emission levels in 2018 were higher than in 2010 and five Member States exceeded their ceilings in 2018 (Croatia, Denmark, Germany, Ireland, Spain). The UK was in compliance with its national emission ceilings for all four air pollutants in 2018. However, according to the first EC's report to assess the implementation of the National Emission reduction Commitments Directive, there is no room for complacency as most Member States are at risk of not complying with their 2020 and 2030 commitments, with the report calling for especial efforts in the agriculture sector to reduce ammonia emissions, which is highlighted as the most common and severe implementation challenge across the EU. The Annexes to the report provide additional details on the projected compliance per Member State. A specific analysis of the UK's National Air Pollution Control Programme is also available online.

Biodiversity on Farmland

The European Court of Auditors has assessed the contribution made by the Common Agricultural Policy (CAP) to maintaining and enhancing biodiversity, finding that the CAP has not been effective in reversing the decline in biodiversity and that intensive farming remains a main cause of biodiversity loss. According to auditors, it is difficult to assess the performance of agriculture targets and actions in the EU biodiversity strategy because these are not measurable. The EC's tracking of CAP spending benefiting biodiversity is also unreliable because of methodological weaknesses, overstating the contribution of some measures while their effect on farmland biodiversity is actually limited, or unknown. Rural development programmes have greater biodiversity potential than direct payments, but Member States seldom use high-impact measures, which are usually less "popular" among farmers. The EC has published its reply addressing some of the issues raised by the auditors, including an explanation on the causes of biodiversity loss in Europe other than agriculture intensification.

Financial Needs in Agriculture

The EC and the European Investment Bank (EIB) have published a study looking at the financial needs in the agriculture and agri-food sectors in 24 EU Member States revealing that in most countries, financing of agriculture is subject to higher interest rates and unfavourable conditions, when compared to other sectors of the economy, and there is insufficient flexibility in lending and repayment conditions. While large farms seem to have an easier access to finance, young farmers, new entrants and small farmers often lack adequate financing possibilities. For the agri-food sector the analysis shows a better financial environment, where a greater diversity of financing sources exists, although start-ups and innovative companies were identified as having the most difficulties in finding the necessary capital to launch or expand their operations.

Government Policies to Support Farmers

The OECD has published its annual report providing estimates of government support to agriculture for all its member, plus the EU as a whole and key emerging economies (including Argentina, Brazil, China and Russia, among others). It shows that the 54 countries studied provided on average €469

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billion per year of direct support to farmers from 2017 to 2019, half of this coming from policies that kept domestic prices above international levels, harming poor consumers, increasing the income gap between small and large farms and reducing the competitiveness of the food industry overall. However, most countries spend little to underpin the long-term performance of the sector. Despite productivity gains in the past decades and some recent initiatives to improve the sector's environmental performance, the overall pace of policy reform has stalled. The report also provides information on government responses to the COVID-19 pandemic, showing that many countries have focused on facilitating trade, but some have imposed temporary trade restrictions that can undermine supply in both the short and longer-term.

EU Trade Policy

The EC has launched a review of the EU's trade policy aimed at setting its political direction in the years to come to make sure that it can effectively respond to the new global context and address any shortcomings that have been identified. The review will look at the main issues and challenges facing global trade, such as assessing how trade policy can contribute to a swift and sustainable socio-economic recovery and how trade policy can help build a stronger EU based on a model of "Open Strategic Autonomy" (reaping the benefits of openness for businesses, workers and consumers, while protecting them from unfair practices and building up resilience to be better equipped for future challenges). It will also cover issues related to the WTO reform. A public consultation has already been launched and will be open until 15 September 2020 to gather broad input from citizens and stakeholders. This input will feed into a communication to be published towards the end of the year. From an agriculture perspective, the think tank Farm Europe has made a series of proposals for the new trade policy with a view to ensuring the EU pursues the benefits of freer trade whilst shielding vulnerable agriculture sectors or adopting specific programmes to help those sectors cope, as well as insisting on the need to respect a level playing field between the EU and third countries.

Barriers to Trade

The EC has published its annual Report on Trade and Investment Barriers offering an analysis of the types of barriers causing most problems to EU's companies and the sectors where EU action to eliminate barriers have brought benefits for EU companies. The report shows that EU action has contributed to the full or partial removal of 40 barriers in 2019, with EU exports concerned by those measures being worth at least €19.4 billion. However, at the same time 43 new barriers (most of them – 16 – in the agriculture and fisheries sector) were registered in 2019, showing that protectionism is increasing and has become ingrained in trade relations. China remains the country with the highest number of recorded barriers, with 38 obstacles hindering EU export and investment opportunities, Russia comes second (31 barriers currently in place), followed by Indonesia (25) and the US (24). Most breakthroughs took place in the agrifood sector, while removal of key industrial and services barriers proved more challenging. Overall, the report illustrates what seems to be a paradigm shift, with protectionism becoming ingrained in trade relations, barriers affecting sectors at the heart of the EU's technological sovereignty, increasing challenges in addressing industrial and services barriers, and barriers spreading across specific regions in a sort of contagion effect.

EU Imports of Organic Products

The EC has published its [report](#) on the EU imports of organic agrifood products in 2019, showing that while the EU market of organic agrifood products keeps growing, organic imports remained stable with a total of 3.24 million tonnes of organic products imported in 2019 (0.4% down compared to 2018). This represents about 2% of total agrifood imports to the EU. Most of the products imported (54%) were commodities (cereals, vegetable oils, sugar, milk powders and butter). However,

commodities and other primary products have a lower value than processed products, so they only represent 38% and 43% respectively in terms of value. The Member States that imported most organic products in 2019 in terms of volume were the Netherlands (32%), Germany (13%), the UK (12%) and Belgium (11%). Compared to 2018, the biggest increases were for tropical fruit, nuts and spices imports (+13%), sugar (+29%), and soybeans (+25%). In terms of decrease compared to 2018, cereals – other than wheat and rice – were down by 8%, wheat by 16%, and oilseeds other than soya beans by 17%.

“EU-UK – Our farmers need trade” webinar

The AHDB Brussels office, together with other six European farming association, joined forces to organise a webinar focusing on the future EU-UK trade relationship. Over 150 people attended to listen to AHDB’s Senior Strategic Insight Manager, Sarah Baker, who presented an update of AHDB’s impact assessment work showing how different sectors in the UK would fare operating under WTO terms. Harry Smit, Senior Analyst at Rabobank, presented the impact of trading under WTO in the EU’s agrifood sector, while Katrina Williams, UK’s Deputy Ambassador of the UK Mission to the EU shed some light on the ongoing negotiations and reassured the audience that the UK Government fully recognise the value of the EU-UK trade relationship, so they are very much willing to get on with the deal and give certainty to all stakeholders. Minette Batters, President of the National Farmers Union, concluded the event stressing the need for the trade relationship to be as frictionless as possible, as a no trade deal scenario would be catastrophic for producers and consumers in both sides.