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EU-UK Trade Negotiations

Following the publication of the Internal Market Bill deviating from parts of the Withdrawal Agreement (WA), the European Commission (EC) has launched legal actions (an infringement procedure) against the UK. This was to be expected – the EC launches infringement procedures against EU Members for not upholding the law. However, as the Dutch PM put it, this step is “more administrative than political”. In any case, this will only go anywhere if there is no trade deal. Meanwhile, the 9th round of negotiations took place at the end of September. According to Barnier’s statement, the negotiators took the opportunity to note the points of convergence and some positive new developments on issues such as social security coordination, among others. However, they haven’t been able to reach progress on issues such as protection of personal data, climate change commitments or carbon pricing. In addition, serious divergences remain on the key sticking points (level playing field, governance framework including a robust enforcement and dispute settlement mechanism, and fisheries). Despite these differences, both sides agree on the importance of finding a deal, as stated by the President of the EC and PM Johnson following their recent call, so they have asked for negotiations to be intensified. In any event, a recent study shows that both scenarios (trade deal and no trade deal) will have a significant impact in the food supply chain and will result in reduced product availability of EU products, reduced traded volumes across the UK and the EU and higher prices for all types of products.

EU agri-food trade

The EU-27 increased its agri-food trade surplus by 5% between January and May 2020 as compared to the corresponding months of 2019 despite the Coronavirus and Brexit challenges. The value of exports rose by 2% during this period, compared to the same period of 2019, while the value of imports increased by nearly 1%. The growth of exports was driven by exceptionally high sales of pig meat to China and of cereals to the Middle East and North Africa region, notably to Saudi Arabia, with wheat and barley leading the increase. The total value of EU agri-food exports to the UK however fell by €899 million, with wine, spirits and liqueurs, fruits and vegetable preparations and cheese amongst the main products affected. Imports from the UK also fell by €807 million. Spirits and liqueurs were again the most affected products. In the short-term outlook, the impact of the crisis on the EU’s agri-food sector is expected to remain limited and existing trends will likely be reinforced, such as an increase in demand for local food, short supply

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chains and online food sales. In the second half of 2020, beef production is estimated to decline by 1.4%, with consumption also projected to decrease by 2.1%. Sharper declines are expected for sheep and goat production, which will go down by 3% in 2020, assuming smaller herds, fewer ewes and stagnating domestic demand. Consumption should decline by 4% in 2020.

Animal Welfare & Pesticides legislation compliance

The EU Commissioner for Health and Food Safety has sent letters to the EU-27 national governments demanding them to ensure immediate and full compliance with EU requirements linked to the Farm to Fork strategy, according to documents obtained by POLITICO under a freedom of information request. The Commissioner has even threatened to take them to court if they continue to intentionally not obey EU rules on reducing the environmental impact of pesticides and securing the welfare of farm animals. Each of the letters was tailored to the specific country, but 21 of them were reprimanded for not reducing the routine practice of tail docking. Hungary and the Czech Republic are told off for exporting livestock to Turkey in “extremely high temperatures”, Poland for inadequate transport conditions, and Spain for not preventing the transport of unfit animals to slaughterhouses, as well as for not guaranteeing the inspections of vessels to transport livestock comply with the relevant EU legislation. Non-compliances with pesticides legislation were also brought to the spotlight. In total, the EC named 82 points on which 23 EU countries are failing to meet EU standards set in the Sustainable Use of Pesticides Directive. These failings range from needing to update their national action plans to an urgent need to inspect pesticide-spraying equipment. The letters were made public by POLITICO, although those addressed to France, Croatia, Portugal and Romania were redacted by the EC because revealing the content could “be detrimental to the serenity of the ongoing discussions” between Brussels and the capitals.

EU coordination of COVID-19 measures

The EU response to the pandemic has demonstrated a lack of coordination between Member States that has led to significant disruption for trade and citizens movements. In an attempt to minimise future disruption, the EC has adopted a proposal to ensure coordination at EU level of any measure taken by Member States that restrict free movement in the context of the coronavirus pandemic. The proposal sets out four key areas for Member States to work closer together: common criteria and thresholds to decide whether to introduce travel restrictions, a common colour code to map risk areas, a common approach on how to deal with travellers from high risk zones, and clear and timely information to the public about any restriction. This proposal is now under discussion in the Council and it could be formally adopted in the coming days. Complementary, the EC has also issued recommendations for consideration by Member States when updating or adapting their national testing strategy, with the aim to achieve an agreement on a coherent approach to COVID-19 testing across Europe.

COVID-19 impact

The European Parliament Research Service has produced an interesting briefing on how the COVID-19 pandemic has shaken our relationship with food. It covers the effects of panic-buying and border closures at the beginning of the pandemic, the food safety concerns that arose and how they have been dismissed, and the issues in relation with the working conditions of some workers in the food chain. It argues that the pandemic has provided an opportunity to learn more about the vulnerabilities in the food system and to identify the necessary investments and reforms that would further strengthen its resilience. More generally, Eurofund has produced a study looking at the impact of the pandemic on people’s living conditions and financial situation in Europe to help identify areas in which support is most needed. The study shows that the financial

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measures implemented by government and social partners during the pandemic succeeded in lessening financial hardship among those who received support, however governments should ensure access is made available to all groups in need. It also points out that it is likely that the full impact of the crisis is yet to come, especially given the risk of rising unemployment. And it warns against the serious unintended consequences for gender equality and mental wellbeing.

EU organic farming

The EC has proposed to postpone the entry into force of the new organic legislation by one year (from January 2021 to January 2022). The move follows requests from Member States, the European Parliament, third countries and other stakeholders due to the complexity and importance of the secondary legislation that is still under preparation and is expected to be adopted at the end of 2020. The new organic rules will replace the current organics regulations to reflect the changing nature of the sector. They are also relevant for third countries exporting to the EU, as they will have to comply with the same set of rules as those producing in the EU. The postponement intends to allow enough time for a smooth transition between the current and future legislation. Complementary, the EC is working on an Action Plan to help Member States stimulate both supply and demand of organic products and ensure consumer trust through green public procurement and promotion activities (a specific budget will be allocated as of 2021 under the EU promotion policy). The Action Plan will also aim at responding to the challenges in reaching the target set in the Farm to Fork Strategy of at least 25% of European Agricultural land under organic farming by 2030. A public consultation has been launched to gather feedback on the draft plan. It will be open until 27 November.

EU-China relations

The EU and China have signed a bilateral agreement to protect 100 European Geographical Indications (GIs) in China and 100 Chinese GIs in the EU. In 2019, China was the third destination for EU agri-food products, reaching €14.5 billion. It is also the second destination of EU exports protected as GIs. The agreement was first concluded in November 2019. Following its signature and the European Parliament consent, it will be officially adopted by the Council. It is expected to enter into force at the beginning of 2021. Within four years after its entry into force, the scope of the agreement will expand to cover additional 175 GI names from both sides. The signature of this agreement was welcomed by Chinese President Xi Jinping and the Presidents of the EU Institutions during their Leaders' Meeting that took place in September. While this agreement will improve access to the Chinese market for high-quality European agricultural products, during their meeting the EU leaders also stressed that more needed to be done to improve market access in the agri-food trade, among other sectors. The comprehensive agenda of this meeting covered other trade-related topics, investment, climate change and biodiversity, the response to the COVID-19 pandemic, as well as international affairs and other issues.

EU upcoming priorities

The President of the European Commission, Ursula von der Leyen, delivered its annual State of the Union address this month highlighting what will be the main legislative priorities for the year to come. Von der Leyen stressed that the work to continue managing the pandemic will remain vital. The EU will hold their course and protect the progress made so far as "this is not the time to withdraw support from the EU economies", although she did point out that as the year goes on, they will have to find a balance between providing financial support and ensuring fiscal sustainability. In parallel, the EU will start work on building the "Union of tomorrow" with major initiatives such as the European Green Deal. In this context, the President revealed that the EC is proposing to increase the 2030 target for emissions reduction from 40% to at least 55% to put the

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EU on track for climate neutrality by 2050 in line with its Paris Agreement obligations. To that aim, the EC will revise all the EU's climate and energy legislation by next summer and 37% of the funding available in the EU's recovery instrument will be invested in European Green Deal objectives. In an attempt to ensure third countries will follow Europe's lead, the EC will create a Carbon Border Adjustment mechanism that will put a carbon price on imports of certain goods from outside the EU. A public consultation on this initiative is currently ongoing.

Food labelling debate

Food labelling plays an important role in the EU's Farm to Fork Strategy to empower consumers to make informed, healthy and sustainable food choices. The EC is expected to make a proposal on a harmonized mandatory front-of-pack nutrition labelling (FOPNL) by the end of 2022. However, the debate on this subject is already ongoing, actively promoted by the German Presidency of the Council of the EU, who intends to identify the key aspects of a possible EU harmonized scheme. One of the options, preferred by countries such as France, would be to roll out nutri-score across the EU. In September, a coalition of mostly southern and eastern Member States have submitted a paper arguing against this proposal.

Strategic Foresight Report

The EC has published the first ever Strategic Foresight Report, becoming the first major public administration to bring strategic foresight into the highest political level. By embedding foresight in the policy cycle, the EC aims to make full use of its knowledge, information, and research to future-proof EU policies, and to strengthen the culture of preparedness and evidence-based anticipatory policymaking. The first report starts applying strategic foresight to analyse the EU's resilience in respond to the pandemic. It identifies the vulnerabilities, strengths and opportunities of EU resilience exposed by this crisis, painting a picture of what needs to be addressed in the medium- to long-term. Particular attention was given to the green dimension of resilience, with a key finding being that a shift to a greener economy could create 24 million new jobs globally and its impact in the recovery from the COVID-19 crisis could be significantly larger than previously thought.