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Market Information Department



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### EU-UK trade deal

On 24 December, the EU and the UK reached a much-awaited deal on the terms of their future relationship. It was signed on 30 December, allowing for it to enter into force on a provisional basis from 1 January 2021, pending formal ratification from the EU side, which requires unanimous approval in the Council and European Parliament consent. The Trade and Cooperation Agreement (TCA) consists of three main pillars: a Free Trade Agreement (covering not just goods and services, but also a broad range of other areas such as investment, State aid, transport and sustainability); a new framework for law enforcement and judicial cooperation, and a horizontal agreement on governance providing clarity on how the agreement will be operated and controlled. While this deal will by no means match the level of economic integration that existed when the UK was an EU Member State, it goes beyond traditional free trade deals in several aspects, providing a solid basis for preserving the EU-UK cooperation. The main next step now is the formal ratification of the deal on the EU side. The European Parliament is currently scrutinising it and intends to hold a final vote during their March 2021 plenary session. Once this is done, the Council will have to adopt the decision on the conclusion of the Agreement. On the UK side, Parliament approved the relevant legislation to allow for the implementation of the EU-UK TCA on the 30 December 2020, receiving royal assent just before the end of 2020.

### Agri-food trade under the TCA

From an agri-food trade perspective, one of the main highlights of the TCA is that it provides for zero tariffs and zero quotas on all goods as long as these comply with the appropriate rules of origin. In addition, while SPS checks and customs declarations are an inherent part of our new trade relationship as a third country with the EU, the TCA does include measures to limit import procedures where possible. It ensures a simplified process for the approval of exports by providing for pre-listing, so there is no need for audits on establishment and no need for inspections for pre-clearance. Specific arrangements have been agreed in some sectors to facilitate trade. In organics, for instance, reciprocal recognition of equivalence of the current EU and UK legislation and control system has been agreed. The deal also provides for UK participation in key EU funding programmes, such as Horizon Europe which focus on research and innovation. The representatives of the EU's agri-food chain have issued joint statement welcoming the conclusion of negotiations as a positive step, but also outlining the need for urgent measures to ensure an effective transition towards the

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full implementation of the new rules, including the swiftly deployment of the €5 billion EU Brexit Adjustment Reserve proposed by the European Commission (EC). The EC has informed they are closely monitoring the impact of Brexit on agricultural markets. While they have not seen major changes on volume or prices in the first week of the year, they are aware this can be due to factors such as anticipation by operators and stock building. They are also aware of increased costs of transportation and issues of availability of trucks, so they call for prudence as there are a number of risk factors and disruption could take place along the line.

#### EU Agricultural Outlook 2030

The EC has published its annual EU agricultural outlook, a report providing projections for the different agricultural markets over the next decade (2020-2030). Overall, the impact of the COVID-19 crisis on food markets has been limited and there seems to be a reinforcement of some pre-existing trends rather than a complete overhaul of the food system, with for instance an increase in e-commerce food sales and greater demand for locally produced food and short supply chains. Nutritional value, origin and health concerns are prominent among drivers of consumer choice, together with environment and climate change. As macroeconomic projections and crop yield expectations are by nature surrounded by uncertainty, a systemic uncertainty analysis has been included in the report. In addition, specific scenarios look at alternative COVID-19 recovery pathways, including a slow recovery and a green recovery. For both scenarios, the supply and demand shocks lead to lower meat and grain prices, while butter, cheese and poultry prices are less affected. Finally, a scenario about the use of food losses and food waste for insect farming to produce protein meal for aquaculture and oil is analysed and presented in the report. By 2030, the insect industry is expected to produce 23 million tonnes of protein meal and 2.5% of oil world consumption. Regarding environmental and climate aspects, projections for 2030 show that greenhouse gas emissions will remain largely unchanged from current levels under the current policy framework.

#### EU Agricultural Outlook for beef & sheep

According to the EU agricultural outlook 2020-2030 report, the total EU agricultural area is projected to reduce slightly, mainly driven by reduced cereals and oilseed acreage. By contrast, the use of land for pasture, fodder and protein crops is expected to grow. The area dedicated to organic production should also increase and reach 10% of total agricultural land by 2030. In the short term, the global disease situation (including COVID-19 but also African Swine Fever) will bring about a lot of uncertainty as regards demand for meat. Production of beef is expected to continue to reduce, but export opportunities may improve in the medium term. Imports could also rise slowly following the gradual entry into force of recent free trade agreements. The EU production and consumption of sheep meat is projected to remain stable. Exports of live animals are due to decrease, while imports of sheep meat should remain stable

#### Citizens' expectations from food

A recently published Special Eurobarometer survey aims to uncover what factors influence EU's citizens food buying and eating habits, what they believe constitutes "sustainability", what would help them adopt a healthy, sustainable diet and who they think has a role to play in change. It finds out that taste (45%), food safety (42%) and cost (40%) are the main factors influencing Europeans' food purchases, and these factors are prioritised over sustainability concerns. The multi-dimensional nature of sustainability (integrating the economic, social and environmental dimension) is not generally reflected in how Europeans view sustainable food and diets. For Europeans, food is sustainable when it is nutritious and healthy (41%), it has been produced with little or no use of pesticides (32%) and it is affordable for all (29%). But far above all other items, Europeans consider

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food being healthy for them (74%) as the most important aspect of a sustainable diet. Around two thirds of those surveyed say that producers (65%) have a role to play in making our food system sustainable, while EU citizens themselves only have a secondary role. More than eight in ten Europeans agree that regulations should force food producers and other food business operators to meet more stringent sustainability standards and nearly eight in ten consider that marketing and advertising that do not contribute to healthy, sustainable diets should be restricted.

#### EU Animal Welfare Strategy

The EC has published a study commissioned to support the evaluation of the 2012-2015 EU Strategy on Animal Welfare by providing an independent evidence base. It shows that, whilst the Strategy has made progress against some of its objectives, most of them remain relevant, particularly as regards some key challenges, such as the need to improve compliance across Member States in some legislative areas. The study also concludes that the Strategy has been coherent with animal health policy, while coordination with the Common Agricultural Policy was only limited. Yet, the Strategy is considered as overall effective, especially as regards improving enforcement across Member States and changing the practices of animal owners/handlers, but there has been shortcomings in its contribution to providing consumers with information and extending the legal protection of animals.

#### EU-wide animal welfare labelling

The Council has invited the EC to submit a proposal on an EU-wide animal welfare label for food produced under animal welfare standards higher than those provided by EU legislation, making such food easier to recognise for consumers. Ministers agreed that the EC should consider the development of a tiered transparent labelling scheme allowing for sufficient incentives for producers to improve animal welfare, as well as EU-wide harmonised relevant, measurable and verifiable criteria that go beyond current EU legal requirements. These criteria should also take into account Member States' geographical and climatic specificities and should not disadvantage Member States that have animal welfare legislation in place which is stricter than current EU legal requirements. While Ministers would like the label to gradually cover all livestock species during their entire lifetime (transport and slaughter included), priority should be given to species for which EU legal requirements on animal welfare have already been set.

#### EU-US relations

The EC has put forward a proposal for a new transatlantic agenda with concrete suggestions for cooperation under the future Biden administration. The new agenda is centred on the areas where the interests of both parties converge and where global leadership is required, and it highlights first steps for joint action. In particular, the EU is proposing to establish a comprehensive transatlantic green agenda, to coordinate positions and jointly lead efforts for ambitious global agreements, starting with a joint commitment to net-zero emissions by 2050, a joint trade and climate initiative and measures to avoid carbon leakage. The EU also wants to work closely with the US to solve bilateral trade irritants through negotiated solutions and to lead the reform of the World Trade Organisation (WTO). There is no greater need for global cooperation in the short term than in tackling the pandemic, so the EU wants the US to join its global leadership role in promoting global cooperation in response to the coronavirus. Finally, the EU is also proposing to re-establish a closer transatlantic partnership in different geopolitical arenas and as initial steps, the EU will play a full part in the Summit for Democracy proposed by President-elect Joe Biden. The European Council is expected to endorse the new agenda ahead of its launch at an EU-US Summit in the first half of 2021.

### EU-China investment agreement

The EU and China have concluded in principle the negotiations for a Comprehensive Agreement on Investment (CAI), committing China to a greater level of market access for EU investors than ever before. In particular, China is making commitments for EU investments in various services sectors, such as international maritime transport and air transport-related services. In the sectors covered, European business will gain certainty and predictability for their operation, laying down clearer rules on Chinese state-owned enterprises, transparency of subsidies and prohibiting forced technology transfers and other distortive practices. China has also agreed to effectively implement the Paris Agreement on climate change and the International Labour Organisation Conventions (ILO) it has ratified. Both sides are now working towards finalising the text of the agreement, which will need to be legally reviewed and translated before it can be submitted for approval by the Council and the European Parliament.

### EU long-term budget

Following the European Parliament's consent, the Council has adopted the regulation laying down the EU's Multiannual Financial Framework for 2021-2027. This is the final step in the adoption process of the regulation providing for a long-term budget of €1,074.3 billion (in 2018 prices) for the EU. Together with the Next Generation EU, the recovery instrument of €750 billion created to fuel Europe's recovery from the COVID-19 pandemic, it will allow the EU to provide an unprecedented €1.8 trillion of funding over the coming years to support recovery from the current crisis and the EU's long-term priorities across different policy areas, including the green and digital transitions. The Common Agricultural Policy and Cohesion Policy will continue to receive significant funding, but they'll have to undergo modernisation to ensure that they best contribute to Europe's economic recovery and the green and digital objectives. The EC will be able to start committing the funds as of 1 January 2021, following the adoption of the relevant sector-specific legislation and the annual budget for 2021.