

Title: LMC Brussels News Update January 2021

Source: Livestock and Meat Commission

Date: 08 February 2021

Contact: bulletin@lmcni.com

Website: www.lmcni.com

Market Information Department



- EU-UK Trade and Cooperation Agreement
- EU-UK relations
- EU Coronavirus response
- Impact of trade deals in the agri-food sector
- EU agri-food trade
- US assessment of the EU-Mercosur trade deal
- EU-US relations
- EU Promotion Policy
- Eco-schemes in the new CAP
- Transparency of risk assessment in the food chain
- Scientific opinion on edible insects

EU-UK Trade and Cooperation Agreement

Scrutiny of the EU-UK Trade and Cooperation Agreement (TCA) started in January in the European Parliament. In the first exchange of views in the Agri Committee, MEPs praised the EU negotiating team for reaching the deal in time, being particularly happy with the non-regression clauses. Yet, several MEPs showed their concern for the increased costs for traders and the difficulties they are facing to comply with SPS rules and other new requirements such as rules of origin. But the European Commission (EC) representatives were adamant that those are the unavoidable consequences of becoming a third country, and they are not planning to soften any rule for the UK. Several think tanks have also started to produce their own analysis of the deal. With a focus on the agricultural sector, Farm Europe makes an overall positive assessment, although they do point out that the real impact in the EU-UK agriculture trade balance “will take a few years to show-up, as the UK opens-up gradually to highly competitive third countries”.

EU-UK relations

The EU-UK diplomatic relationship did not get off to a very good start in the new era after the end of the transition period. The UK refusal to grant full diplomatic status to the EU Delegation in London has raised concerns in Brussels (so far, only the Trump administration had downgraded the diplomatic status of the EU) and, consequently, the EU institutions have “postponed for the time being” their meetings with the UK Ambassador to the EU. In addition, the EC’s misstep in the vaccines row that threatened to override the Northern Ireland Protocol (see EU Coronavirus response paragraph below) was received with “shock and anger” in the UK and especially in Northern Ireland (NI). In order to “rebuild trust and confidence in Northern Ireland” the UK Government has requested the EU a number of measures including an extension until 2023 of the arrangements currently applying to NI supermarkets and their suppliers and permanent solutions for GB-NI trade of currently prohibited products such as chilled meats and seed potatoes. While no specific solutions have been found yet, the EU and the UK have committed to “immediately work intensively to find solutions to outstanding issues”.

EU Coronavirus response

Following the increase in case numbers, the EC published a Communication setting out a number of actions needed to step up the fight against the pandemic. It calls on Member States to update their testing strategies to account for new variants and expand the use of rapid antigen tests. While preserving the Single Market and free movement remains a priority, recommendations have been updated and the EC has called for all non-essential travel to be strongly discouraged until the epidemiological situation has considerably improved. Proportionate travel restrictions, including testing of travellers, should be maintained for those travelling from high-risk areas. The Communication also calls on Member States to accelerate the roll-out of vaccination across the EU, with the target being having a minimum of 70% of the adult population in Europe vaccinated by summer 2021. However, the EU's vaccine roll-out is going slower than expected due in part to production shortfalls by pharmaceutical companies. Media attention focused particularly on the dispute between the EC and AstraZeneca, as the company announced their vaccine deliveries to the EU would be lower than initially agreed. The issue escalated, with the EC eventually imposing a temporary export authorisation mechanism in a rushed and badly managed move that basically overrode the NI Protocol and could have led to the imposition of a hard border in the island of Ireland. The specific provision, which caused dismay everywhere, was later removed and recognised as a mistake by the EC.

Impact of trade deals in the agri-food sector

The EC's Joint Research Centre has published a study on the expected cumulative economic effects by 2030 of EU trade deals on the EU agricultural sector. The results are based on a theoretical modelling exercise focused on twelve agreements, including some that have already been agreed (Canada, Japan, Vietnam, Mexico, and Mercosur), and others that are under negotiation (Chile, Australia, New Zealand, Indonesia, Malaysia, Philippines, and Thailand). Overall, the study shows a positive impact on the EU agri-food trade balance by 2030 as trade agreements are due to result in substantial increases in EU agri-food exports, with more limited increases in imports and moderate impacts on production and producer prices. It also confirms that the EU's approach to grant a limited amount of lower duty imports through tariff rate quotas (TRQ) is the best approach in terms of protecting specific vulnerable agri-food sectors in the EU. The potential gains for the dairy and pork sectors remain particularly large, while growing imports are to be expected for products such as beef and sheep meat. In the case of beef, most of the increase in imports derives from Mercosur, with Australia also gaining market access. Consequently, by 2030 producer prices would fall by about 2.4%, with marginal effects on consumption (0.6%) and production (-0.3%) due to an increase in exports to Japan and the Philippines and a production strongly linked to the development of the dairy herd.

EU agri-food trade

Between January-October 2020, EU-27 agri-food trade reached a value of €253.7 billion, i.e. 0.3% more than in the same period last year, with exports increasing by 0.5% while imports were just 0.1% higher during the same ten months in 2019, according to the latest EC's trade report. As compared with the previous month, in October both EU-27 exports (+9%) and imports (+5%) increased, confirming the upward trend observed in September after the downward trend since April 2020. The strong performance of EU exports to China continued, with a growth of €3.09 billion led by pig meat, wheat and infant food. There was also a raise in the value of EU exports to Saudi Arabia and Switzerland. Canada was the leading source of growth for EU imports, with a rise of €713 million driven by rapeseed and wheat. Other growing sources included Brazil, Indonesia and Turkey. Looking at EU-UK trade for the period January to October 2020, EU imports from the UK dropped in value (-11%) compared to the same period in 2019 affecting the majority of agri-food products,

although the highest loss in value was reported for spirits and liqueurs. EU exports to the UK also declined (-2%) in the first ten months of 2020 compared with the same period in 2019, with the product categories that reported the highest losses including butter and live animals. Other countries where EU agri-food trade endured difficulties were the US (with a reduction in the EU's intake of US soya beans and also in EU exports of spirits and wine), Ukraine and India.

US assessment of the EU-Mercosur trade deal

The US Department for Agriculture has published a preliminary analysis of the EU-Mercosur trade agreement concluding that US agricultural products that compete with Mercosur and EU products will be at a significant disadvantage. In the EU market, exports of US agricultural and related products averaged \$15.4 billion annually from 2015 to 2019. Some \$4 billion of those compete directly with similar products from Mercosur and are therefore at particular risk, including products such as feeds & fodders. In the case of the highly sensitive beef sector, however, the paper concludes that the US market share in the EU is unlikely to be significantly affected due to the complexity of the EU's TRQ allocations and the differing products offered by the US and Mercosur. In the Mercosur market, the impact of the agreement for US exports will be varied and product specific. It will reduce potential export opportunities for US intermediate products in Mercosur, such as wheat gluten, hops and others. Other products at potential risk could be food preparations (e.g. bread, pasta and others), processed vegetables such as French fries and tomatoes, and dairy products. In addition, the agreement protects 350 geographical indications and adopts language on EU food safety and health standards, including the "precautionary principle", representing a major win for the EU in the arena of global norms. It also recognizes the principle of regionalization, while some of the Mercosur countries do not fully recognize it for US products, thus disrupting or entirely precluding US exports to these markets.

EU-US relations

The inauguration of the new President of the United States has been a widely welcomed event in the EU. The President of the European Commission praised Joe Biden's oath as a "message of hope for a world that is waiting for the US to be back in the circle of like-minded states". She also made clear that EU-US leadership is needed to address the main global challenges, inviting the new US administration to increase cooperation in a number of areas. From an industry point of view, the issue that should be given the highest priority is the resolution of the ongoing trade disputes, as confirmed by a letter written to Presidents Biden and Von der Leyen by 72 US and EU association representing a wide range of industries, including several agri-food sectors. The letter calls for the immediate suspension of retaliatory tariffs. This movement would not only provide an economic stimulus at a time when it is needed most, but it will also provide the positive momentum to reset the important bilateral relationship and cooperative efforts to address other global economic challenges.

EU Promotion Policy

The EC has published its evaluation of the impact of the EU agricultural promotion policy showing that the activities funded under this policy contribute effectively to the objectives of increasing the sales and consumption of the EU products promoted in target markets, although it also acknowledges this is difficult to quantify precisely. The objectives of the current policy are relevant and meet the stakeholders' needs to address market challenges, with the policy being most relevant for activities outside the EU to raise awareness of EU product quality. While no major inconsistencies were found with other EU policies, the evaluation did not cover coherence with recently launched initiatives such as the Farm to Fork and the Biodiversity Strategies. This is set to change in the review of the policy planned for 2021, which will aim at enhancing its

LMC does not guarantee the accuracy or completeness of any third party information provided in or included with this publication. LMC hereby disclaims any responsibility for error omission or inaccuracy in the information misinterpretation or any other loss disappointment negligence or damage caused by reliance on third party information.

contribution to sustainable production and consumption. This has in fact already been addressed in the 2021 annual work programme, published also in January, where almost half (€86 million) of the total budget (€182.9 million) has been allocated to campaigns focusing on organic products, sustainable agriculture and fruit and vegetables. This allocation has been received with criticism by the EU agri-food industry because it is disconnected from the market reality. Yet, this will be the way forward in the upcoming review, as confirmed in the recently published Europe's Beating Cancer Plan, where the EC proposes to enhance the contribution of the policy to promoting a "more plant-based diet, with less red and processed meat and other foods linked to cancer risks".

Eco-schemes in the new CAP

The EC has published a list of potential agricultural practices that eco-schemes could support in the future Common Agricultural Policy (CAP). The eco-schemes are an instrument of the new CAP, currently under negotiation, that are designed to reward farmers that choose to go one step further in terms of environmental care, animal welfare and antimicrobial resistance. Activities covered include organic farming practises, low intensity grass-based livestock system, and carbon farming, among others. All of them should contribute to reaching the EU Green Deal targets and should be designed on the bases of the needs and priorities identified at national/regional levels in the CAP strategic plans. The strategic plans are a key element of the reformed CAP and will establish how each Member State will use the CAP instruments based on an analysis of their conditions and needs. To assist Member States in drafting their own strategic plans, the EC has also published national recommendations.

Transparency of risk assessment in the food chain

Ahead of the entry into force of the new EU Regulation on the transparency of the EU risk assessment in the food chain in March 2021, the European Food Safety Authority (EFSA) has published detailed practical arrangements on how the new rules and measures will operate in practise. These are binding means to interpret the new legal framework and therefore commit to how the Transparency Regulation will be applied by EFSA. They will help stakeholders such as applicants who want to place food products on the EU market to better understand how the new processes and tools affect them and what adjustments they need to make to operate effectively under the new rules. The practical arrangements cover areas such as proactive transparency, confidentiality, notification of studies, pre-submission advice and consultation of third parties. To further support stakeholders, EFSA will be producing tutorials, training sessions and other supporting materials.

Scientific opinion on edible insects

EFSA has completed the first safety assessment of a proposed insect-derived food product, the dried yellow mealworm (*Tenebrio molitor* larva), to be used as whole, dried insect in the form of snacks and as a food ingredient in a number of food products. This safety evaluation is a necessary step in the regulation of novel foods before policymakers decide whether or not to authorise these products to be put on the EU market. EFSA's scientific opinion concludes that the insect-derived product is safe under the proposed uses and use levels and its consumption is not nutritionally disadvantageous. However allergic reactions are likely to occur. These can be caused by an individual's sensitivity to insect proteins (insects may be high in protein), cross-reactivity with other allergens or residual allergens from insect feed, e.g. gluten. Therefore, EFSA recommends additional research is undertaken on the allergenicity to yellow mealworm.