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EU-UK relations

The EU has launched legal proceedings against the UK following the announcement by the latter that they would extend some of the derogations and grace periods applicable to products going from Great Britain to Northern Ireland (NI) to allow more time for businesses such as supermarkets to adapt to the requirements under the NI Protocol. The EU argues this constitutes a violation of the good faith obligation under the Withdrawal Agreement because the UK took the decision without informing the Joint Committee. The UK decision also led the European Parliament to postpone the vote to give their consent to the EU-UK Trade and Cooperation Agreement, a step needed for the formal ratification of the deal, which consequently, remains pending. The deadline for ratification is the end of April. The US President Joe Biden has intervened too, calling for “the good faith implementation of international agreements designed to address the unique circumstances on the island of Ireland” in a joint statement with the Taoiseach Micheál Martin. The UK also announced in March the postponement of the implementation of the next phases of the Border Operating Model, a move much better received by the EU side, and particularly by EU exporters, who now have six extra months to get ready for the pre-notification and certification requirements for products going from the EU to GB. In other Brexit-related news, Michel Barnier has stepped down as Special Advisor to the EC's President. A new Service for the EU-UK Agreements has been established within the EC's Secretariat-General to partly replace the former Task Force for Relation with the UK. The new Service is headed by Richard Szostak.

Brexit Adjustment Reserve

Last year, the EU put forward a proposal for a €5 billion fund aimed at providing support to EU Member States, regions and sectors that are most severely affected by the UK's withdrawal. While the process for adoption is still ongoing, the European Court of Auditors has published an opinion raising some concerns over this proposal. In particular, EU auditors point to the architecture of the Brexit Adjustment Reserve, under which Member States would receive an unusually high level of pre-financing without having to give the EC advance details of the measures to be funded. The auditors recognize that this would allow for a swift reaction to the exceptional situation, but they warn that the proposed structure and timing would increase the risk of sub-optimal and ineligible measures being chosen, as the European Commission (EC) would not have to assess the eligibility and appropriateness of any measure before the end of 2023. Auditors also raise concerns regarding the eligibility period for implementing measures (July 2020 to December 2022), as they consider that the EC did not provide sufficient reasoning for choosing this eligibility period or examine its suitability.

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Short-term outlook for EU agriculture

The EC has published its latest short-term outlook for EU agricultural markets presenting an overview of the trends and prospects for each agri-food sector. EU beef production is expected to continue decreasing in 2021 by 0.9%, despite a potential recovery of demand in the second half of 2021, assuming a progressive reopening of restaurants and return of tourism. EU sheep and goat meat production is also projected to decrease by 1% in 2021 due to a decline in flock size and less on-farm slaughtering in Romania. The lower availability of sheep meat on the domestic market could lead to an increase of prices. Prices for all main cereals have increased, in line with global prices. Global consumption is estimated to grow, mainly driven by animal feed demand, and EU cereals production could increase by 5.3% compared to last year. Production of EU oilseeds is also expected to increase by 3.4% despite the difficult weather conditions, and production of protein crops could grow by 5.2% driven mainly by domestic food demand.

EU agri-food trade

According to the EC's monthly trade report for January-December 2020, last year the EU agri-food exports increased by 1.4%, while imports grew by 0.5%. The resulting balance for trade for 2020 stood at a surplus of €62 billion, an increase of 3% compared to 2019. The major growth destinations for EU agri-food exports in 2020 were China (driven by pigmeat, wheat and infant food), Switzerland (thanks to a wide range of products) and the Middle East and North Africa region (propelled by cereals and dairy products). However, EU exports fell in relation to the US, Turkey and Singapore. Canada grew significantly as a source of EU agri-food imports in 2020, thanks to a rise in imports of rapeseed and durum wheat. Imports from Brazil (driven by soya beans) and Indonesia (driven by palm oil) also increased. EU imports fell most in relation to Ukraine, US and India. In terms of EU-UK trade, EU exports to the UK increased slightly by 1.1% compared to 2019, with wheat, pasta and pastry amongst the leading products, although significant losses were reported for butter and live animals. EU imports from the UK dropped by 7.2%, affecting the majority of agri-food products, although spirits and liqueurs were particularly hit.

EU's international relations

The climate for cooperation between the EU and the US has certainly improved since the new US administration took office. The EU Commissioner for Agriculture had a meeting this month with the US Secretary for Agriculture Tom Vilsack and said that there is now a willingness from both sides to work together to promote a high level of standards, including in environmental issues. Other positive developments in the trade side included the agreement reached between the EU and the US for a mutual suspension of the tariffs related to the WTO aircraft disputes for four months, announced after a similar agreement had been reached between the UK and the US. The EU and the US have also concluded negotiations to adjust the EU's agricultural tariff rate quotas following the UK's withdrawal from the EU. This is the culmination of two years of negotiations in the WTO framework to divide these EU quotas, with part of the volume remaining with the EU-27, and part going to the UK. The agreement between the EU and the US covers dozens of quotas in sectors such as beef, pork and dairy. Very different picture, however, for EU relations with China. The EU has finally decided to impose sanctions on China over human rights abuses in Xinjian. China reacted immediately, imposing retaliatory sanctions on the EU. These are all targeted sanctions – that is, they target specific individuals and their companies, where relevant, not the whole country. However, the consequences for the overall relationship are obvious and some are already being felt. For instance, some MEP have already threatened not to ratify the EU-China investment deal agreed last December.

EU-Mercosur trade deal

The EC has published the final version of the Sustainability Impact Assessment (SIA) on the potential economic, social, environmental and human rights impact of the trade part of the association agreement between the EU and the Mercosur countries. The SIA is an independent report carried out by the London School of Economics, and it suggests an overall positive impact on the economies of both parties. The modelling carried out by the authors suggests a positive impact in the GDP of both the EU and Mercosur countries that would see a slight expansion by 2032 in comparison to the modelling baseline without the free trade agreement. However, the report also highlights concerns about the agreement's potential impact on environment, human rights and indigenous people, making recommendations to minimise this impact. In a position paper published together with the SIA, the EC's services confirm they are in agreement that these areas of concern need to be monitored closely. The EC is therefore engaging with Mercosur countries to seek progress on commitments on the Paris Agreement and deforestation and since December 2020 officials have intensified contacts with a view to identify additional specific and measurable sustainability commitments. Nevertheless, these efforts remain not good enough for Member States such as Austria, who openly oppose the signature of the deal.

Action plan for organic production

The EC has presented its Action Plan for the development of organic production, designed to provide tools to the organic sector to achieve the target of 25% of agricultural land under organic farming by 2030. It puts forward 23 actions structured around 3 axes – boosting consumption, increasing production, and further improving the sustainability of the sector. It largely focuses on the “pull effect” of the demand side to encourage farmers to convert to organic farming, including concrete actions to boost demand such as stimulating a greater use of organics in public canteens through public procurement, together with other actions aimed at informing and communicating, preventing fraud, increasing consumers' trust, and improving traceability of organic products. To support organic production, the future Common Agricultural Policy will include eco-schemes which will be backed by a budget of €38-58 billion – depending on the outcome of the ongoing negotiations – for the period 2023-2027. Beyond the CAP, key tools include certification for groups of farmers rather than for individuals, research and innovation, reinforcing local and small-scale processing and improving animal nutrition. The EC will also encourage the development of organic tourism networks through “bio districts”, areas where farmers, citizens, tourist operators, associations and public authorities enter into an agreement for the sustainable management of local resources.

EU Research & Innovation priorities

The EC has adopted a strategic plan for the targeting of investments in the first four years of the new EU research and innovation programme, Horizon Europe, worth €95.5 billion. The strategic plan sets out the key strategic orientations for EU research, including promoting an open strategic autonomy by leading the development of key digital, enabling and emerging technologies, sectors and value chains; restoring Europe's ecosystems and biodiversity, and managing sustainably natural resources; making Europe the first digitally enabled circular, climate-neutral and sustainable economy; and creating a more resilient, inclusive and democratic European society. The strategic plan also presents new approaches to facilitate implementation, such as the European Partnerships that will pool resources of public and private partners, avoiding duplication of investments and reducing fragmentation of research in critical areas such as biodiversity and food and circularity. The strategic plan prepares the ground for five EU Missions, which are commitments to solve major societal challenges in a holistic and interdisciplinary way. One of those missions will focus on ensuring soil health. The plan also explains the principles underpinning international cooperation in the framework of Horizon Europe, a very relevant aspect for the UK, who has secured continued participation in this programme as an associated country.

Food Systems emissions

Researchers from the EC's Joint Research Centre and the FAO have developed a new global food emissions database called EDGAR-FOOD, estimating greenhouse gas (GHG) emissions for every country for the years 1990 to 2015. It provides a picture of how an evolving world food system has responded to the evolution of world population in the last 25 years, representing a milestone in the understanding of how the global food system has developed. From these data, researchers estimate that food system emissions represented in 2015 a 34% of total GHG emissions, with the largest contribution coming from agriculture and land use/land use change activities (71%). The remaining were from supply chain activities including retail, transport, consumption, fuel production, waste management, industrial processes, and packaging. It also shows the decoupling of population growth and food-related emissions, as emissions have been growing at a lower rate compared with population growth during the period covered, although this varies depending on the region. Researchers also argue that this detailed and consistent dataset of emissions related to the various stages of the food system will be crucial to the anticipation of future changes in the overall food system and to the design of efficient mitigation strategies that avoid creating additional emissions in non-targeted sectors.

Veterinary residues in animals & food

The European Food Safety Authority has published a report summarising the monitoring data collected in 2019 on the presence of residues of veterinary medicinal products and certain substances in live animals and animal products in the European Union, Iceland and Norway. Only a 0.32% of the over 670,000 samples reported exceeded maximum levels. The percentage of non-compliant samples in 2019 was comparable to the previous 11 years (0.25%-0.37%). Compared to the previous two years, non-compliances increased slightly for antithyroid agents and steroids and decreased slightly for resorcylic acid lactones, prohibited substances, antibacterials, anticoccidials, and dyes.