

Title: LMC Brussels News Update May 2021

Source: Livestock and Meat Commission

Date: 08 June 2021

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EU agri-food trade

According to the European Commission's latest monthly report, both EU agri-food exports (-6%) and imports (-12.5%) fell in January and February 2021, compared to the same period in 2020. Still the EU's agri-food trade surplus for the first two months of 2021 increased by 8% (standing at €10.3 billion) compared to the corresponding period in 2020. The fall in both exports and imports is driven by a decrease in trade with the UK following the end of the transition period. On a year over year basis, the EU-27 exports to the UK fell by 17%, with meat preparations (-€92 m) and pig meat (-€84 m) leading the decrease. The value of EU-27 imports from the UK also decreased by 54%, with spirits (-€128 m) and food preparations (-€62 m) among the most affected products. Similarly, EU exports also decreased to the US (-8%), Russia (-13%) and Japan (-12%). On the other hand, EU-27 export values significantly increased for China (+22%), mainly driven by pig meat exports (+€239 m). Looking at EU-27 imports, an important decrease was observed in imports from the US (-10%), driven by reduced purchases of tropical fruits (-€191 m). However, EU imports did increase for US soybeans (+€194 m). Imports also increased from India (+13%) and Canada (+8%).

EU's view on UK-Australia trade deal

The speculation about the potential full liberalisation of UK-Australia trade has also raised concerns among EU stakeholders. The think tank Farm Europe has published a note looking at the potential knock-on effects that such an agreement would have on EU agriculture. It focuses on beef, which would face "dramatic competition from cheaper Australian cuts". They argue that even if tariffs were to be phased out gradually, for example, over a period of ten years, the quantities of Australian beef sold in the EU market would increase before that. The argument is that at a certain point in time, it becomes profitable for Australia to export their beef out of the quota and paying the full tariff, as the volumes exported under the quota would make the overall exports economically viable. At the same time, another key concern for the European industry is that this deal sets the level of ambition for other potential UK trade partners such as the US. The EU country suffering the most would be Ireland, who would face "dramatic competition" from Australian beef and would probably struggle to find other export markets to compensate for the loss of the UK. Quite likely, part of those exports would end up in continental Europe, adding further competition in what already is a "stagnant market, under pressure from all sides".

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EU-US trade

The EU food and drink industry has called on EU leaders to build on the positive momentum in the transatlantic relation to resolve the ongoing disputes with the US. “As an industry unrelated to, but victim of, the long-standing civil aircraft subsidies disputes, and the steel and aluminium dispute”, they asked both sides to remove retaliatory tariffs on agri-food products. They welcome the latest developments in the EU-US relationship, including the launch of discussions to address global steel and aluminium excess capacity announced in May, and the four-month tariff suspension in the Airbus-Boeing dispute announced in March, but they fear the risk of further collateral damage on unrelated sectors as we approach July 11, the end of the four-month tariff suspension. Furthermore, a new investigation was recently concluded by the US on Digital Service Taxes adopted by several countries, included three EU members and the UK. As a result, further tariffs were imposed on certain goods from these countries (non-food mainly, although the list did include some fishery products from Spain). Although these tariffs were immediately suspended to provide time for negotiations to progress, the US maintains the option of imposing them in the future, if need be.

EU relations with third countries

Following a Leaders meeting, the EU and India have agreed to “resume negotiations for a balanced, ambitious, comprehensive and mutually beneficial trade agreement”. They also agreed to start negotiations on a separate agreement on geographical indications. Depending on the pace of negotiations, this could be concluded separately or integrated as part of the overall trade agreement. In order to create the right “dynamic for negotiations” both sides showed willingness to solve long-standing market access issues. In other news, the EU and Japan have announced their intention to form a Green Alliance to accelerate the transition of both economies towards becoming climate-neutral, circular and resource-efficient in the coming decades. One of the priority areas of the Alliance will be to promote more sustainable, circular practices in production and consumption, and contributing to the global goal of protecting at least 30% of both land and sea to conserve biodiversity. Overall, the aim is to combine efforts to bring both parties closer to living up to their Paris Agreement commitments.

Research & Innovation cooperation

The European Commission has adopted its strategy for international cooperation in the area of research and innovation (R&I). The EU’s aim is to take a leading role in supporting international research and innovation partnerships to facilitate global responses to global challenges. The strategy builds on two objectives. The first is ensuring a R&I environment that is based on rules and values and is open by default to help researchers and innovators around the world to work together. The second is to ensure reciprocity and a level-playing field in international cooperation in R&I. The next EU R&I framework programme for 2021-2027, Horizon Europe, will be a key instrument for the implementation of the strategy. The association of non-EU countries to this programme will offer additional opportunities to participate with generally the same conditions as those of the Member States. The UK is expected to become an associated country to Horizon Europe. Following the entry into force of the Regulation establishing the Horizon Europe programme earlier in May, the formalization of the UK’s association is expected anytime soon.

COVID-19 impact on EU agriculture

The European Parliament has commissioned a study looking at the preliminary impacts of COVID-19 on European agriculture and the agri-food supply chain. While the EU agri-food supply chain has shown resilience, the value of the output of the agricultural industry declined by 1.4% in 2020 compared to 2019. It grew by 2.9% though when compared to the 2015-2019 average. The costs of the crisis will be borne primarily by the Member States. National financial support in the form of State Aid (estimated at €9 billion) and other instruments have been significantly higher than EU support (€80 million in private storage aids). The study concludes that the EU response has been effective in preserving the integrity of the Single Market, but the measures adopted under the Common Agricultural Policy (CAP) have had mixed results, as they have been implemented partially or inconsistently across Member States. The report includes some recommendations to better respond to future crises. The authors recommend that policy responses are designed following a “food systems approach” and that food assistance programmes for the most deprived are created. Looking at the CAP in particular, authors suggest that the reasons behind the limited impact of the CAP measures should be investigated and consideration should be given to the decoupling of the CAP crisis reserve from farmers’ direct payments. The report also includes specific sectorial analysis.

EU recovery spending

All EU Member States have now ratified the own resources decision which empowers the European Commission to borrow up to €750 billion on capital markets on behalf of the EU. This was a precondition for the use of the Recovery and Resilience Facility that will support the Member States in their process of recovering from the economic and social impacts of the COVID-19 pandemic. The European Commission has already announced that it estimates to issue around €80 billion of long-term bonds in 2021, to be topped up by additional short-term bills this year. These will cover the most urgent needs from Member States and “set them on the path towards a sustainable recovery and a green, digital and resilient Europe”.

EU travel measures

In view of the improving epidemiological situation and the pace of the rollout of the vaccination campaigns, the European Commission has updated its recommendation on the coordination of free movement restrictions put in place in the EU as a response to the COVID-19 pandemic. The European Commission recommends Member States to gradually ease travel measures, particularly for those holding an EU Digital COVID Certificate, a tool aimed at facilitating the free movement of citizen’s within the EU during the pandemic. The Regulation establishing the EU certificates was agreed this month and will enter into force in July. The EU Digital COVID Certificates will cover vaccination, test and recovery and will be available in digital and paper-based format free of charge. The idea is that Member States refrain from imposing additional travel restrictions on the holders of an EU Digital COVID Certificate, unless they are necessary and proportionate to safeguard public health.

CAP role supporting farm income

The European Commission has published an evaluation of the impact of the Common Agricultural Policy (CAP) measures on the objective of ensuring viable food production, with a focus on farm income, price stability and competitiveness. It concludes that direct income support contributes strongly to stabilising farm income, with both pillars of the CAP playing an important role. Market measures, quality schemes and rural development measures also support farm income by contributing to productivity growth, limiting downward price volatility, and improving competitiveness. However, the evaluation identified there is room for improving the administrative and management efficiency of the greening payment and the active farmer clause, which so far has had no notable effects. The effectiveness of the young farmer payment is also limited and highly dependent on the ambitions of individual Member States. In general, although measures

under 2014-2020 CAP are better targeted than in the past, their effectiveness depends on how Member State implement them. The coherence within the future CAP and with other EU policies will require close monitoring given the increased flexibility in implementation under the new rules and the objectives under the Green Deal and related strategies.

No deal on CAP reform

EU institutions have failed to reach an agreement on the reform of the EU's Common Agricultural Policy (CAP) after intense negotiations in May. While there was some expectation that the so-called "jumbo trilogue" held at the end of month would be the decisive moment to reach a deal, positions between the different institutions remained far apart, so after four days of interinstitutional negotiations, talks were postponed to June. One of the main points of friction was the percentage of direct payments' budget that the different institutions would like to see earmarked for environmentally friendly agricultural practises (eco-schemes). While it seems that both the Council and the European Parliament would be willing to accept a level of 25% per year, the two negotiators disagree on the floor above which Member States would be able to transfer unused funds to other decoupled direct payments. Euractiv has produced a handy summary table of the main differences in other areas. The failure to reach an agreement was frustrating but not entirely surprising for EU farmers, who point to the direct responsibility of the EU Agriculture Commissioner due to his "weakness and poor understanding of...the reality of farming in Europe".

EU Pollinators Initiative

The European Commission has published a report on the implementation of the first-ever EU Pollinators Initiative adopted in 2018 to address the decline of wild pollinating insects. It shows that significant progress has been made in the implementation of the initiative's actions. By the end of 2020, more than thirty actions have been implemented across three priority areas: improving knowledge of pollinator decline; tackling the causes of it; engaging the public and promoting cooperation to halt the decline. Nevertheless, challenges remain in tackling the various drivers of decline. The report says that efforts need to be stepped up to address the loss of habitats in farming landscapes and the impact of pesticides. EU initiatives such as the Biodiversity Strategy and the Farm to Fork strategy set specific objectives to address this. As a next step, the EC will launch a consultation in the second half of 2021 to collect views and more comprehensive evidence for possible improvements of the initiative.

Zero Pollution Action Plan

The European Commission (EC) has adopted an EU Action Plan Towards Zero Pollution for Air, Water and Soil. In line with the European Green Deal, this Action Plan will guide the EC's work to reduce pollution to levels that are no longer harmful to human health and natural ecosystems by 2050. It sets key 2030 targets to reduce pollution, including improving soil quality by reducing nutrient losses and chemical pesticides' use by 50%, and reducing by 25% the EU ecosystems where air pollution threatens biodiversity. It outlines a number of actions to reduce soil pollution and enhance restoration, and to foster zero pollution from production and consumption, among other initiatives. It also includes initiatives to address the EU's external pollution footprint and will step up the integration of the zero-pollution ambition in EU external action programmes. In the area of soil, the EC will put forward a Soil Strategy before the end of 2021. To integrate the monitoring of different types of pollution and assess their impacts, the EC will develop an integrated Zero Pollution monitoring and Outlook Framework. The first report is due in 2022.