

## Title: LMC Brussels News Update July 2021

Source: Livestock and Meat Commission

Date: 20 August 2021

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### EU-UK relations

Difficulties in the implementation of the Northern Ireland (NI) Protocol continue to be the main driver of tensions between the EU and the UK. Given the lack of progress finding solutions through the existing mechanisms of the Protocol, the UK has published a new NI Command Paper seeking to re-negotiate significant changes to the NI Protocol. The paper proposes possible alternative arrangements under which it would be the primary responsibility of any UK trader moving goods to NI to declare whether the final destination of those goods was NI or the Republic of Ireland. Full customs formalities would only be required for goods going to Ireland and the UK would undertake to enforce them, while other goods would not require customs processes. For SPS controls to agri-food goods, this model would operate in the same way. The paper also proposes a “standstill” period to continue graze periods currently in force and to freeze existing legal actions and processes to allow for additional time to negotiate. The EU rejected the possibility of a renegotiation of the Protocol. However, they reiterated their commitment to find practical solutions to overcome the existing difficulties. They have identified examples of flexibilities to facilitate the full implementation of the NI Protocol, and they have published a series of non-papers, including one on Sanitary and Phytosanitary measures clarifying the rules that apply to EU-origin animal products that are exported to Great Britain for storage before being moved to NI. In another sign of goodwill, the European Commission has also confirmed it would freeze the two lawsuits against the UK to avoid escalation of the conflict and allow for additional time to “constructive discussions”.

### EU agri-food trade

According to the latest European Commission’s report, the value of EU agri-food exports in the period January-April 2021 surpassed the value of the same period in 2020 (+1.7%). EU imports were 5.1% lower than in the first four months of 2020. The resulting agri-food trade surplus’ value stood at €22.7 billion, an increase of 17% compared to the corresponding period in 2020. On a year over year basis, for the period January-April 2021, EU agri-food export values fell most to the UK (-6%), driven by pork meat (-€121 million) and preparations of vegetables, fruits, or nuts (-€106 million). However, EU exports in value to the UK in April 2021 were 8.5% higher than in April 2020. The highest increases per product category were for bulbs, roots and live plants (+€164 million), wines (+€139 million), cut flowers and plants (+€123 million). The UK, together with the US, China (driven by pork meat), Switzerland and Russia were the main EU export destinations with 51% of total EU agri-food exports going to these five countries. Looking at imports, a

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significant fall in the value of EU imports from the UK continued over January-April 2021 compared with the same period last year (-37%). A decrease was also observed in EU imports from the US (-10%). However, EU imports increased the most from India, Brazil, Serbia, Australia and Argentina. The product categories with the highest increases in EU imports were oilcakes (+32%), soya beans (+27%), cut flowers and plants (+17%). EU imports decreased most for tropical fruit, nuts and species (-12%), and palm and palm kernel oil (-12%).

#### Short-term outlook

The European Commission has published the summer 2021 edition of the short-term outlook report for the EU agri-food sector. The economic recovery of the EU is already underway and is stronger than previously forecast, but uncertainties and economic risks will remain for as long as the health crisis lasts. In the meat sectors, beef production is expected to decrease by 1.3% in 2021 due to lower demand from food services, but exports to high-value markets such as Canada and Japan should continue to increase. EU sheep & goat meat production should remain stable in 2021 (+0.1%) despite high prices. The reopening of food services should have a positive impact in demand in the second half of 2021. In 2021/22, EU cereal production is expected to increase by 3% as compared to last year, thanks to an increase in soft and durum wheat and maize. Similarly, EU oilseed and protein crops production could increase up to 9.5% and 6.7% respectively as compared to last year.

#### EU Code of Conduct for food businesses

The European Commission (EC) and industry stakeholders have launched the EU Code of Conduct on Responsible Food Business and Marketing Practices, one of the first deliverables of the Farm to Fork Strategy. It sets out actions that the different actors across the food chain can voluntarily commit to undertake to improve and communicate their sustainability performance. It includes seven aspirational objectives, each with specific targets and a list of indicative, tangible, and measurable actions to make healthy and sustainable food choices easier. The idea is to complement the existing or future legislative proposals with voluntary, non-regulatory initiatives addressed to pioneers in the industry that are keen to support the green transition. The 65 signatories include EU associations such as UECEV or Copa Cogeca and companies such as Down Meats and Nestlé.

#### Fit for 55

The European Commission has adopted a comprehensive package of thirteen policy proposals setting out the reforms it will undertake to enable the EU to achieve its target of reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. The new proposals include the application of emissions trading to new sectors and a tightening of the existing EU Emissions Trading System; increased use of renewable energy; greater energy efficiency; a faster roll-out of low emission transport modes and the infrastructure and fuels to support them; an alignment of taxation policies with the European Green Deal objectives; tools to preserve and grow the natural carbon sinks (including an EU Forest Strategy – please see below); and measures to prevent carbon leakage. On the latter, the key initiative is the new Carbon Border Adjustment Mechanism that will put a carbon price on imports of a targeted selection of products (fertilisers, cement, iron and steel, aluminium, and electricity) to avoid pushing carbon-intensive production outside Europe. It has been designed in compliance with WTO rules and it would basically require EU importers to buy carbon certificates corresponding to the carbon price that would have been paid if the goods had been produced under the EU's carbon pricing rules.

## EU Forests Strategy

The European Commission has adopted a new EU Forest Strategy for 2030 to help the EU deliver on its commitments to enhance carbon removals by natural sinks as required in the EU Climate Law. This Strategy is part of the package of measures proposed to achieve greenhouse gas emissions reductions of at least 55% by 2030 and climate neutrality in 2050 in the EU. The new strategy addresses social, economic and environmental aspects and sets a vision and concrete actions to increase the quantity and quality of forests in the EU and to strengthen their protection, restoration and resilience. The Strategy promotes climate and biodiversity friendly forest management practices and foresees the development of payment schemes to forest owners and managers for providing alternative ecosystem services such as by keeping parts of their forests intact. The Strategy is accompanied by a Roadmap for planting three billion additional trees across Europe by 2030 in full respect of ecological principles.

## Impact of the Farm to Fork Strategy

The Joint Research Centre of the European Commission has published a report presenting a modelled scenario of implementation of the Common Agricultural Policy reform proposals to measure the effects on EU agriculture of four of the targets put forward in the Farm to Fork and the Biodiversity strategies: the reduction of the risk and use of pesticides, the reduction of nutrient surplus, the increase of area under organic farming and the increase of area for high-diversity landscape features. It does not constitute an impact assessment of the strategies as such due to several limitations, but it provides insights on the potential impacts some of these targets could have on the agricultural sector. The modelling results indicate that reaching the targets in the four areas described above is possible for the EU farm sector and achieves significant environmental benefits in the form of reductions in greenhouse gasses and ammonia emissions as well as in gross nutrient surplus, though the extent of the benefits is not fully quantified. However, results also show a decline in EU production and variations in prices and income for selected agricultural products, as well as potential trade-offs in terms of leakage.

## Farmers and the CAP's green architecture

The Joint Research Centre of the European Commission has carried out an experiment with 600 farmers from across three EU countries to gather empirical evidence on farmers' behaviour to inform the implementation of the new green architecture of the Common Agricultural Policy (CAP). It explored the conditions under which farmers are more or less likely to decide to adopt voluntary environmentally friendly farming practices in addition to mandatory ones. They found out that the more mandatory requirements placed on farmers, the less likely they are to make additional voluntary contributions. However, if the mandatory requirements are ambitious enough, the positive impact on the environment more than offsets the drop in voluntary actions. For voluntary practices, the higher the level of direct payments farmers receive, the more likely they are to take up such green activities.

## Opinions on climate change

The European Commission has published a Special Eurobarometer survey on Climate Change carried out across all 27 EU Member States. 93% of the people surveyed consider climate change to be a serious problem, with 78% considering it "very serious". Nearly one in five Europeans think that climate change is the most serious problem facing the world as a whole, slightly ahead of poverty, hunger and lack of drinking water, and the spread of infectious diseases. This is the first time that climate change ranks first ahead of the other challenges. When asked who is responsible for tackling climate change within the EU, 63% of Europeans say national government, 58% point to business and industry and 57% to the EU itself. 41% of respondents say they are personally responsible and 96% ensure having taken at least one personal action that helps to tackle climate change. The most common is trying to reduce waste and regularly separate it

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for recycling (75%), but respondents are also likely to adopt dietary habits that contribute to actions against climate change – around a third of Europeans buy and eat more organic food (32%) and a similar proportion buy and eat less meat (31%).

#### Farm income in the EU

The European Commission has published the EU farm economics overview report, which provides an overview of the key economic developments in European agricultural holdings from 2007 to 2018, based on data collected for the farm accountancy data network. The value of agricultural output has increased by 34% for crops and 36% for livestock production, leading to a farm income increase over the analysed period, reaching €35,300 per farm and €22,500 per annual working unit in 2018. However, significant differences exist across the EU and based on types of farming. The highest income per annual work unit was registered in the North-Western part of the EU, whereas the lowest was in the Eastern part. Income of farms specialising in granivores, wine, horticulture and dairy was above the EU average in 2018, while it remained below average for permanent crop farms, farms specialising in grazing livestock and mixed farms. Income differences are also observed based on the sex, age and level of training of farm holders and managers, with farms run by women, young farmers or non-trained managers earning on average less than other farmers.

#### Livestock transport

The European Parliament (EP) has published an analysis of the main drivers and key features of livestock transport within the EU and to third countries to feed into the work of the EP's Committee of Inquiry that is investigating alleged violations in the application of EU law on the protection of animals during transport and related operations within and outside the EU. The report provides an overview of the main characteristics of animal transport in the EU and to third countries. It shows that almost all livestock transport occurs within the EU (85% of transports), while extra-EU trade is just a small portion (15%). Extra-EU trade is nevertheless an important component of livestock transport and in 2018 accounted for €3 billion, while intra-EU livestock trade accounted for €8.6 billion. The number of animals transported within the EU has increased by 19% from 2009 to 2015. Exports to third countries have also increased during the same period, driven mainly by a threefold increase in cattle exports, which nearly doubled between 2015 and 2017. However, the lack of coherent data collection and reporting from third countries prevents an accurate view of live animal trade outside the EU. The report also explores the various drivers that affect the transport of livestock outside and within the EU, such as the decreasing number of slaughterhouses in Europe in the past four decades that has led to a centralization of livestock slaughter in fewer larger abattoirs, increasing the distance that livestock has to travel.