

LMC Brussels Monthly Update – February 2018

Brexit negotiations – The European Commission (EC) published the [draft Withdrawal Agreement](#) between the European Union and the UK on 28 Feb. It translates into legal terms the political agreement reached in December and fills a few blanks not expressly covered by this agreement. It also integrates the text on the transition period, based on the supplementary negotiating directives adopted by the Council (Article 50) on 29 January 2018. Particularly controversial has been the Protocol on Ireland. As Barnier highlighted, all the three options agreed in December remain on the table. However given that discussions on the future relationship had not yet started and the EU had still not received practical proposals from the UK to tackle this matter, this protocol focused on how the option of regulatory alignment would work. The text will now be discussed by the Council and the European Parliament before being transmitted to the UK for negotiation. It is expected that a final agreement can be reached in October to allow for the timely ratification by the EP, Council and the UK. The Council is expected to adopt additional guidelines on the framework for future relationship in March.

Impact of Brexit – The Irish government has published a [study](#) on the impact of Brexit on Irish economy showing that trade costs will increase in all scenarios. Trade and production in agri-food sector are predicted to fall significantly below the non-Brexit baseline level in 2030, being processed foods, beef, sheep and other cattle meat and dairy the sub-sectors in which the largest impacts occur. Production in other primary agriculture sub-sectors such as grains, fruit and vegetables, will be negatively affected to a smaller extent. The potential impact of Brexit and mitigation measures are being assessed also in other sectors by EU countries. Representatives from the ports of Zeebrugge and Dublin, among other speakers, explained during a recent [hearing](#) how they are preparing for consequences on maritime transport. In Dublin, for instance, they have planned the physical infrastructure they would need in terms of border facilities. It will be up and running in March 2019 in case it is needed. Shipping operators are also deploying more capacity on direct routes to Continental Europe. These positions contrasted sharply with the position of Associated British Ports, whose representative foresees that regulatory alignment of UK and EU will prevent a big increase of additional checks in products moving between the EU and the UK. As regards international trade, deputy Brexit negotiator [Sabine Weyand said](#) recently that London will need permission from all of Europe's more than 40 trade partners to stay in agreements during the post-Brexit transitional period. She revealed that two countries (South Korea and Chile) had already raised objections.

European Protein Plan – The EC updated the AGRI Council on its intentions for an EU protein plan (to be published by the end of 2018) to address the EU's significant and long-standing feed protein deficit. As a first step, the EC has already launched a [survey](#) (it will close on the 23rd March 2018) to assess existing knowledge and ongoing initiatives in the EU protein sector, as well as challenges and opportunities. Ministers welcomed the EC initiative but some of them, including the UK, raised concerns on the need to address the issue in a way that is compatible with the protection of environment and the fight against deforestation.

Support for EU sheep and goat farmers – COMAGRI MEPs have adopted [a draft non-legislative resolution](#) calling for greater support for EU sheep and goat farmers (maintaining the voluntary coupled aid for sheep and goat farming, extending the agri-environmental payments to pastures used for sheep and goat grazing and better supporting farmers who do more in terms of animal welfare). They also stressed the need for simpler identification systems and greater market transparency. It highlights that the Brexit deal must ensure that neither British nor the EU's market are oversupplied by sheep meat imported from third countries. To this end, the UK should maintain its current share of third countries tariff quotas after it leaves the EU. MEPs urge the EU's executive to be cautious in trade talks with New Zealand and Australia. They reject any increase of preferential access to EU market above existing tariff quotas and advocate excluding sheep and goat sectors from trade talks with third countries.

African Swine Fever – An EC's proposal to reinforce the communication on the risks linked to African Swine Fever (ASF) was endorsed by Member States' experts in the context of a Standing Committee. It will be a crucial element to prevent the spreading of the disease. Communication actions – eligible for financial support by the EC – will target passenger transport operators as well as postal services operators. In addition, travellers will have to be informed on the risks related to ASF via public awareness campaigns in all Member States on the main international road networks.

Report on Lumpy skin disease (LSD) outbreaks – According to a [recent report](#), outbreaks of LSD in the Balkan region fell dramatically by 95% in 2017. Figures confirm that vaccination of cattle is the

most effective way to contain the disease. In 2017 most of the outbreaks were reported in areas of Albania where the vaccination programme had not yet been completed. Few outbreaks occurred elsewhere. One of the factors responsible for the spread of LSD is an increase in the number of insects that transmit the disease, as a result of warm temperatures.

Fighting animal diseases – The EC allocated about €154 million to the fight against animal diseases and infectious diseases of animals that can be transmitted to humans as well as to support survey programmes for plant pests in 2018. In the animal health area, €141 million was awarded to 134 programmes for eradication, control and surveillance of diseases such as bovine tuberculosis, rabies, bovine brucellosis, African swine fever and lumpy skin disease.

Antimicrobial Resistance (AMR) – The European Food Safety Authority and the European Centre for Disease Prevention and Control published [a report](#) on AMR highlighting that bacteria from humans and animals continue to show resistance to antimicrobials. Among the new findings, two Livestock-Associated Methicillin Resistant Staphylococcus aureus bacteria found in pigs were reported to be linezolid-resistant. Linezolid is one of the last-resort antimicrobials for the treatment of infections caused by highly-resistant MRSA.

Change in TSE regulation – The Standing Committee on Plants, Animals, Food and Feed (SCoPAFF) and voted in favour of allowing member states the ability to determine whether a sheep is older than 12 months using a fixed date. The change in the law could allow the UK Government to use a cut-off date, such as 31st May, rather than checking the teeth of a sheep to determine whether it is over 12 months old.

MFF and the future of CAP – The EC presented a [Communication on the post-2020 Multiannual Financial Framework \(MFF\)](#) on 14 February. This document aims at feeding into the debate setting out various possible options for the next long-term EU budget and their financial consequences. On the Common Agricultural Policy, the document presents three different scenarios: maintaining current expenditure levels, a reduction of support for the CAP by 30% and a reduction of support for the CAP by 15%. During an exchange of views with MEPs in the last COMAGRI meeting, Commissioner Oettinger stressed there is no way to keep current levels of funding for the CAP if the EU budget is not increased. He called for a post-2020 EU budget of 1.1-1.19% of GDP and asked MEPs to urge their National Governments to increase their contributions. In case this is not achieved, he informed cuts will not be higher than 10%. The Commissioner does not support co-financing of the CAP but does back the 2-pillar CAP structure.

Mercosur – Delegates from the EU and Mercosur started the latest round of trade negotiations in Asunción (Paraguay) on 21 February. Ahead of this round, the EU have informally offered to raise its offer to 99.000 tonnes of beef. Copa and Cogeca sent a [letter](#) to EC President opposing the move to give further concessions on agriculture in return for gains in other economic sectors. Cecilia Malström, the Trade Commissioner, declared afterwards that the EU has made no new official offer on beef quotas in the latest round of free trade talks (the official offer is still 78.000 t for beef and 2000 t for sheep meat) Some concerns were also raised by some national Ministers during the latest AGRI Council. They called for the EC to be careful in particular with protein crops and beef.

EU Trade – Eurostat has published its [first estimate](#) for the Euro area and the EU-28 international trade in goods in 2017. During 2017, extra-EU28 exports had an increase of 7.7% compared to 2016. Imports also rose by 8.2% so the trade balance is still positive but slightly lower than 2016's. Intra-EU28 trade was up 7.3% as compared with 2016's. According to the [latest monthly EU agri-food trade report](#), the value of EU agri-food exports reached €137.9 billion in 2017, increasing by 5.1% in value terms compared to 2016. Major gains in annual values have been achieved in agri-food exports to the USA, Russia and several Asian markets. Wheat and other cereals and pig meat exports decreased over the past year but milk powder (€+926 million; +26%) and infant food (€722 million; +11%) performed very well. The highest increases in import values in 2017 were recorded for palm oil, fatty acids, cereals other than wheat & rice, and oilseeds other than soybean.

Crops – According to the EC Crop monitoring [MARS Bulletin](#) published in February, the low-temperature acclimatisation of winter cereals remains weak in large parts of Europe and frost damage has been insignificant so far. Dry conditions in several parts of Europe do not represent an immediate concern for crops thus far. In contrast, the precipitation surplus reached or exceeded 50 mm along the western coastline of the British Isles. Copa and Cogeca have also published [initial EU-28 cereal and oilseeds estimates](#) – the grain area is expected to remain stable this year but extreme weather events, low market prices and high production costs create uncertainty about the final figures.