LMC BRUSSELS MONTHLY UPDATE

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Brexit—No decisive progress was made on Brexit negotiations, so EU leaders decided during the October European Council not to convene a November summit. If no progress is achieved over the coming weeks, there will probably be a decisive summit mid-December. As regards May’s offer to extend the transition period, EU Leaders responded positively and would be ready to consider the proposal, but this does not appear as the most pressing issue as there cannot be any transition period if there is no withdrawal agreement. In the meantime, preparations for post-Brexit continue. In the WTO, both the EU and the UK have received objections from other countries to their proposals on the TRQs split, so they will have to enter negotiations. In parallel, in order to fill the legal vacuum if the WTO negotiations are not finalised by the date of Brexit, the EU is working on the adoption of a regulation for the apportionment of the TRQs. EU Ambassadors have already agreed on the draft schedule and it will now have to be agreed with the EP before it becomes EU law, probably before the end of this year. Work on no-deal is taking place also in member states, such as France, where a proposal for a law to enable the government to implement the measures needed to get prepared for the exit of the UK was published this month.

Unfair Trading Practices—Important steps were given this month towards the approval of the European Directive aiming at setting minimum standards for all EU member states (MS) concerning unfair trading practices (UTPs) – both the Council of the EU and the European Parliament (EP) have approved their negotiating position so trilateral talks among the three institutions (Council, EP and Commission) have started. The aim is to finalise talks by Christmas and approve the Directive before the EP elections (in May 2019). The Council and the EP want to amend the original proposal so it covers also agricultural products other than food and to make it possible for suppliers to lodge a complaint in their own member state. Co-legislators differ, however, in terms of scope – while the Council wants the Directive to apply only to UTPs occurring in relation to sales of products by a supplier that is an SME to a buyer that is not an SME, as in the original proposal, the EP is pushing to broaden the scope to include all actors in the food supply chain. The steps forward were widely welcome by the food and drink industry and the European farmers. However, the retail and wholesale sector consider the new legislation will make powerful food multinationals even stronger.

EU agri-markets outlook—The European Commission (EC) has published its autumn short-term outlook for EU agricultural markets in 2018 and 2019. Continuous dry conditions throughout the summer affected total EU cereal production, which is estimated to drop 8% below average. Compared with last year, EU wheat harvest suffered most and this in a context of reduced global cereal output by 2%. By contrast, global maize availability is increasing slightly. EU oilseed production has also declined, but global oilseed supplies are ample. Feed prices are higher than last year, mainly due to wheat and barley prices, while soya bean prices are lower. Growth in EU milk collection is expected to be less than anticipated, due to the drought. With farmers lacking forage until next spring due to the drought, and thus in need to purchase more feed, costs are likely to increase. In 2018, beef production is growing more than anticipated, because of a reduced suckler herd and farmers bringing forward slaughtering due to a shortage of forage. Ample supply is keeping pigmeat prices down, while the expansion of the breeding herd is grinding to a halt. Sheep and goat meat production is down, driven by lower supply from the UK and Romania. EU apple harvest is expected to be 2.8 million t more than the low level in 2017/2018.

Trade—The EC has published its second annual report about the implementation of trade agreements, detailing developments in 2017 as regards 35 EU trade agreements (out of 39 in total). It concludes these agreements, covering nearly 70 markets all over the world, are proving effective in removing barriers to trade and promoting high standards of labour and environment protection. EU agri-food producers are among the main beneficiaries of scrapped customs duties, with strong export increases last year especially to Ecuador (+34%), Chile (+29%), and Serbia (+23%). However, the report also finds that EU companies are not making full use of the opportunities available, so the Commission is boosting its efforts to inform and help EU companies, especially smaller ones, to benefit from trade deals. At the same time, the EU remains committed at increasing the number of deals with third countries, with some steps forward given during this month, including the adoption by the EC of the EU-Vietnam trade and investment agreements, and the subsequent submission to the co-legislators (Council and EP) for signature and conclusion, and the adoption of the Council decision to sign the EU-Singapore trade and investment agreement.

Veterinary medicines—The EP has adopted a package of three files to update the legislative framework for veterinary medicines aiming at tackling antimicrobial resistance and improving availability of veterinary medicines in the EU, including a resolution on veterinary medicinal products, a resolution on authorisation and supervision of medicinal products for human and veterinary use, and a resolution on manufacture, placing on the market and use of medicated feed. The agreement will now go to the Council for adoption, expected before the end of 2019, so rules would start applying in 2022. The new legislation will introduce relevant changes such as the ban of use of veterinary medicines to improve performance, and further restrictions as regards the preventive use of antibiotics and the practice of treating all animals in a group when only part of them show signs of illness. It will also introduce an obligation for imported foodstuffs to respect the ban on antibiotics for growth promotion and the restriction on antimicrobials reserved for use in humans. This is likely to have an important impact on trade, especially with the US.

Farm economics—The EC has published a report providing an overview of key economic developments in European agricultural holdings based on 2015 data. Overall, it shows that farm incomes in the EU farming sector began to grow in 2014 and the positive trend continued in 2015, reversing the decline seen in 2013. The income growth was due to the increase in the value of agricultural output, mostly linked to the increase crop production (+4% per farm) which compensated for the decline in livestock production (-2% per farm) from 2014 and 2015. However, there is a wide variety of farm structures and systems within the EU so differences between sectors and Member States are remarkable. The report also provides data on structure of farms across Europe in terms of their asset value, labour input and land use.

Import controls— The EC has published its 2017 annual report on EUROPHYT–*Interceptions*, which provides an overview of the highlights and most pertinent interceptions of harmful organisms and other plant health risks found during import controls in the European Union and Switzerland. It also evaluates the overall and principal trends over the period 2013-2017 within the context of EU actions or measures taken. EUROPHYT–*Interceptions* (the rapid alert system for plant health interceptions in the EU) received an overall total of 8,072 notification during 2017 (1% less than in 2016). Of this, 7,719 originated from non-EU country consignments and 353 represented interceptions from intra-EU trade (0.7% and 7.4% decrease relative to the previous year, respectively). Russia, the US, China, India and Turkey were the countries with the highest number of interceptions. Detailed analyses of intra-EU interceptions is not included in the report (justified on the basis of the principal plant health risk to the EU arising from non-EU countries).

African Swine Fever—The spread of the virus remains a major concern in the EU. While the situation is relatively stable in Belgium – there have been some 73 outbreaks up to now but all of them affect only wild boar population in the same small and limited area – recent developments include a first case in the wild boar in Bulgaria and an outbreak in a new area in Poland, also in wild boar. Romania remains one of the most affected countries with several outbreaks in backyard farms during the last weeks. Outside Europe, the situation in China is also worrying, as there were at the end of October some 111,000 animals affected in 13 different provinces. The issue has become a high priority for the EU, and a Ministerial meeting on ASF has been confirmed on the 19th December 2018. Yet, trade consequences are already affecting European producers, such as the recent suspension by the United States Department of Agriculture (USDA) of imports of fresh and frozen pork and pork products from the whole of Poland due to concerns raised during a routine US audit in the EU country. The USDA has already lifted the restriction for Poland's contiguous ASF-free zones and only two establishments will remains suspended.

Sustainable meat—Several reports were published in October stressing the link between livestock production and environmental sustainability. A report published by the FAO assesses the livestock sector's interactions with each of the Sustainable Development goals, its potential synergies, trade-offs and the complex interlinkages involved. The overall message is the sector can make major contributions to the 2030 agenda, but important choices have to be made for a profound transformation of the sector worldwide. The Joint Research Centre of the European Commission has also published a report on "Global trends of methane emissions and their impacts on ozone concentrations". It presents an overview of current knowledge on atmospheric methane and ozone concentration trends, anthropogenic emissions and emissions scenarios, and it also shows there are "cheap and even profitable options to reduce emissions in a relatively short time frame", including reducing meat and dairy consumption and adjustment of animal's diets and vaccination, among others. The Oxford University has published an article in "Nature" along the same lines. It has been endorsed by many researchers and academia and deals with planetary boundaries and livestock reduction.

Beyond Brexit: Farming for our future conference

The AHDB Brussels office, together with other six European farming associations, organised on the 25th October in London a conference on “Beyond Brexit: Farming for our future”. This was conceived as a follow-up of the Brexit event organised in Brussels back in April 2018. The partner organisations included the NFU, the German Farmers' Association (Deutscher Bauernverband), the Danish Agriculture & Food Council (Landbrug & Fødevarer), the Dutch Federation of Agriculture and Horticulture (LTO Nederland), and in this occasion, both the French farmers’ union (Fédération nationale des syndicats d’exploitants agricoles) and the Irish Farmers’ Association were also on board.

With less than six months to go until the UK leaves the European Union and with total uncertainty as regards the prospects for a deal, some 120 people gathered in London to attend an event where European and UK farming leaders joined forces once again to show farmers in both sides are united in what they need – a Brexit deal able to survive in the long term and to provide certainty for businesses to keep successfully operating in the future.

This view was supported by all speakers, which included the Chairman of the Environment, Food & Rural Affairs Committee in the UK Parliament Neil Parish, the Netherlands Ambassador to the UK Simon Smits and Tom Tynan, Member of the Cabinet of the European Commissioner Hogan.

The UK withdrawal from the EU is generally regretted by European counterparts, as highlighted by the Dutch ambassador – it not only means losing a very important trade partner, but also a progressive and pro-science ally. It is also particularly challenging for the food and farming sector, possibly one of the most vulnerable sectors according to Tom Tynan, due to the high degree of integration of the food supply chain. For this very reason, Neil Parish stressed being pragmatic and getting a deal will be on everybody’s interest.

From a business point of view, the representative of ARLA said in the Brexit debate all comes down to trade, and trade means jobs and money. The EU created the most efficient system to trade across borders and the consequences of Brexit are already impacting businesses right now, as noted by the representative of International Meat Trade Association referring to how some investments have already been put on hold.

Focusing in particular in the prospects for UK agriculture, all possible scenarios imply change, including the restructuring of farming businesses and therefore preparation is key. Our AHDB Chief Strategy Officer Tom Hind informed the audience about all the work the AHDB has been carrying out to help farmers get prepared, such as the report on top performing farmers outlining the eight key aspects farmers should look at to improve their performance and thus improve their resilience to the inevitable changes that lie ahead.

Beyond Brexit, farmers in both sides will still share common challenges such as better uptake of innovation, climate change or health issues. Continuous collaboration with other European partners is key and very much needed, as there is much we can learn one from another. Tom explained how the AHDB has been doing so through the various European projects we are involved in, and all speakers agreed now it is key to make sure this collaboration is still possible in the future through a Brexit as less damaging as possible.