



## LMC Brussels update: November 2015

**EU Sheepmeat forum** - The EU Sheep meat Forum met for the first time. Contributions to the discussions were mainly dominated by Ireland, France and the UK and raised the following points: the absolute necessity of promotion for the sheep and lamb sector, the fact that we currently undersell the environmental/social benefits of sheep farming at a time when red meat is under attack, the need for innovation (mostly breeding techniques) to be incentivized and the need to look at what can be done to support sheep farmers' incomes under the CAP. Some called for a Sheep Observatory to be set up, deploring the poor transparency due to the fact that price reporting for sheep was only voluntary (contrary to other meat species). The forum aims to provide the Commission with a list of 5 practical recommendations to better support the European sheep sector. Next meeting will take place in February and should focus on the broader market aspects (imports/exports).

**Food Promotion** - 33 new programmes, worth €108 million (€54m from the EU budget), have been adopted to promote EU agricultural products in the EU and third countries. As far as meat is concerned, several programmes have been adopted, including a Danish programme worth €4.6 million which will promote beef/Veal and pig meat on the Chinese market. This is the final wave of programmes under the 'old' system ([Regulation 3/2008](#)). From December 1, the new promotion rules will introduce a number of important administrative changes, a bigger budget and higher EU co-financing rates.

**EU aid package** – At the AGRI Council meeting, most ministers responded favourably to the rapid implementation of the EU aid package decided in September, to answer the difficult market situation for pork and dairy in particular. Many however said that structural changes may be necessary to assist producers in the longer-term. The Commission noted that for milk, the market situation has slightly improved in the latest weeks but considered it premature to talk about a steady recovery. The sectors experiencing persistent difficulties are sugar and pigmeat. A new private storage scheme for pork is expected to be adopted early December, and enter into force in January 2016.

**Food supply chain** - DG AGRI is setting up an Agricultural Markets Task Force to provide advice and expertise to the EU regarding the functioning of agricultural markets and the farmers' position in the food supply chain. The group will have to present a report on ways to improve the food supply chain by the end of 2016. Meanwhile, agriculture MEPs called for an EU framework legislation to combat unfair trading practices in the food supply chain. They urge the Commission to draw up an open list of unfair trading practices that are prohibited at EU level. The Commission is expected to present guidance on this issue early 2016.

**CAP simplification** – At the AGRI Council, the Commission presented a set of measures to simplify the regulation on single common market organisation (market measures) and the regulation on direct payments. The measures proposed include a reduction in on-the-spot checks, preventive preliminary checks as part of the aid application process, and a system of collective claims under the second pillar (Rural Development) in relation to agri-environmental and climate measures. More flexibility on voluntary coupled payments and the young farmers' scheme are also proposed. Those measures, to be formally adopted at the end of this year, could be implemented already in 2016. In addition, the Commission considers the adoption before the summer of 2016 of other simplification measures, including on the greening of direct payments.

**CAP funds** - €410 million, deducted from 2015 Direct Payments to create the agricultural crisis reserve, were unused and will be reimbursed to European farmers by mid-October 2016. €284 million of EU CAP funds, unduly spent by Member States, are however claimed back by the Commission. The UK is due to

reimburse around € 35 million (€ 34million for deficiencies in fruit and vegetable operational programmes and € 591,000 linked to errors in Rural Development payments).

**Beef labelling rules** - A study on EU beef labelling rules concludes that the overall economic performance of the beef industry has not changed; labelling and traceability requirements helped the beef supply chain to reorganise and to consolidate. Consumer associations agreed that compulsory labelling and its enforcement have helped to maintain consumer confidence in beef in the EU, although consumers are mostly unaware of the specific indications displayed on beef labels in accordance with the compulsory rules. Country of origin information is clearly important to the consumers interviewed, who tend to prefer their own 'national' beef over foreign products for several reasons (trust in their national authorities, supporting domestic farmers, national self-sufficiency in agriculture). However, consumers are not willing to pay more than a small premium for beef of national origin. The consultants finally recommend evaluating the new provisions for voluntary labelling.

**Nature legislation** - A new study concludes that more EU action is needed for the preservation and restoration of Europe's biodiversity. It estimates that even a 1% reduction of the ecosystem services flowing from the Nature Directives would cause losses of €2- 3 billion/year. The Birds and Habitats Directives alone however cannot deliver the EU 2020 goal of halting the loss of biodiversity without complementary action being taken, especially in other key policy sectors such as agriculture, the report says. The authors suggest that the CAP could contribute more, especially if Rural Development funding was increased and Member States targeted their measures more towards biodiversity priorities. The findings also reflect the feedback provided by over 552 000 citizens and interest groups during a public consultation on the future of EU nature legislation, which ran from May to July 2015. The overwhelming majority of Europeans (89%) believe that areas where nature is protected should be expanded, and about as many (88%) support strengthening existing nature and biodiversity conservation rules. The Commission will deliver its own conclusions on the Fitness Check of nature legislation in spring 2016.

**Impact of CAP greening** - A report on the environmental impact of the new CAP greening measures concludes that Ecological Focus Areas (EFAs) are unlikely to deliver significant additional environmental benefits, since most EU countries tend to maintain the agricultural status quo when implementing the measure - by permitting elements which allow continued production (e.g. nitrogen-fixing crops), whilst also permitting fertilisers and pesticides to be used. Under the new EFA measure, farmers have to ensure that at least 5 % of the arable area of the holding is dedicated to ecologically beneficial elements such as fallow land, field margins, hedges etc, and indirectly through a reduced use of inputs on the farms, such as areas covered by catch crops or nitrogen-fixing crops. It is too early to assess the actual implementation of the new CAP on the ground, but the report points towards the strengths and weaknesses of the environmental approaches taken by a few Member States (inc. the UK).

In the meantime, a briefing by DG AGRI shows that as of 2015, farmers receive more than €12 billion in exchange for carrying out the prescribed CAP greening practices, including maintenance of landscape features and crop diversification. In rural development, 17.6% of agricultural and 3.5% of forest land is expected to come under management contracts contributing to biodiversity. Concrete figures on the impact of greening will only be known in 2016.

**Agricultural stats** - New online EU [agricultural dashboards](#) offer full access to all available market data through a single page for five different sectors: dairy, beef, cereals, pig meat and poultry (No data on sheep at this stage). They are made and updated almost daily on the basis of the latest national, European and international data.

**Antitrust** - The European Commission adopted new Guidelines on how specific agricultural derogations from EU antitrust rules apply to the sale of certain agricultural products. The Guidelines explain to farmers how, if certain conditions are fulfilled, they can jointly sell olive oil, beef and veal, and arable crops in compliance with EU competition rules. The new Guidelines complement the 2013 CAP reform which

introduced a number of changes to the rules on how EU farmers can cooperate. For instance, they provide a clear indication of the type of activities that can benefit from the derogation, and give guidance on how to calculate the volumes marketed by farmers' organisations.

**EU exports** - The value of EU agri-food exports went down quite significantly in August 2015 compared to July. This drop by €1.45 billion (-13%) was even more pronounced than the drop in export values immediately after the announcement of the Russian embargo one year ago. EU agri-food exports to third countries however increased in value by 6.3% compared to the preceding 12-months period, confirming the positive trend since several months. Analysing export performance per product category over the 12 months period shows that sheep and goat meat suffered a loss of 15% in export values (although at minor absolute value compared to other products). On the other hand, export values for live animals (including bovines; +18%) and meat, in particular beef (+8%) but also pork (+4%) increased over the last 12 months compared to the year before.

**EU-Philippines** - The EU Council gave the go-ahead for negotiations to start on a free trade agreement with the Philippines. The negotiations will be led by the Commission on behalf of the EU. The EU is currently negotiating with two ASEAN countries - Malaysia and Thailand - whilst talks with two others - Singapore and Vietnam - have concluded.