



LMC Brussels Update – November 2016

Brexit - David Davis met with Guy Verhofstadt (EP Brexit negotiator) this month. On this occasion, Verhofstadt reminded him that the UK may have only 14 months of proper negotiations to tie up its EU exit and pressed for talks to be completed by mid-2019. At the same time, Michel Barnier (Commission Brexit Negotiator) held a meeting with senior EU officials next Tuesday to discuss Brexit and its technicalities. It is the first meeting of its kind since the UK voted to leave the EU in a referendum on June 23.

Unfair Trading practices in the food chain (UTPs) – EU Agriculture ministers were presented the findings of the Agricultural Market Taskforce's experts. The [taskforce's report](#) includes a series of recommendations on how to improve the position of farmers in the food chain in relation to, among others: market transparency, risk management, trading practices, access to financial instruments and futures markets, contractual relations and competition. The report also addresses the problem of unfair trading practices and the possible introduction of European-wide baseline legislation to limit this phenomenon. Ministers welcomed the report and expressed continued commitment to improve collaboration along the food supply chain and to strengthen the bargaining position of farmers. The issue will be discussed again at the December Agriculture and Fisheries Council with a view to defining the position of the Council on this matter.

Economic accounts for agriculture – According to a recent [Eurostat publication](#), total agricultural output in the EU decreased by 1.8% in 2015 compared with 2014, which is due to fall in animal production. The decrease includes a 14.4% fall for milk and 6.5% fall for pigs. Crops remained stable with prices up 3.9% and volume down by 2.9%. The total agricultural output weighed 411.2 billion Euro in 2015. The highest total agricultural output was produced in France. UK comes 5th with an output of 29.6 billion Euro, representing 7% of the total EU agricultural output.

Farmland concentration - The EP has prepared a draft own initiative [report](#) on the state of play of farmland concentration in the EU. It shows that in 2010, in the 27-member EU, only 2.7% of farms controlled 50.6% of farmland in Europe, and whereas by contrast, in 2012, 80% of farms had the use of only 12% of the agricultural land. The level of concentration of farmland in Europe is similar to the unequal distribution of land ownership in countries such as Brazil, Colombia and the Philippines. The report calls for the creation of a central observatory tasked with recording the level of farmland concentration in the EU. It also proposes setting a mandatory cap on the part of direct payments exceeding the upper limit of EUR 150 000, as set out in Article 11 of Regulation No 1307/2013 (the Direct Payments Regulation), as well as the compulsory reduction by at least 5% of the part of the basic payment due to the farmer which exceeds EUR 150 000. MEPs are expected to vote on the content of the report in AGR1 committee in February 2017.

Animal Welfare (AW)- Ministers discussed the need to improve the enforcement of existing legislation on AW during transport and whether existing legislation in this area should be updated. Delegations agreed on the importance of this issue highlighting different aspect from ethical concerns to unfair competition. There was however no consensus on the need to update legislation. Once more, the Commission insisted on the better enforcement of existing rules and recalled that the legislation already offers many tools including sanctions to promote AW during transport. At the same time, the Commission informed ministers of its intention to have the Animal Welfare platform operational in the first half of 2017 as a forum of discussion for all stakeholders.

EU promotion policy - The Commission has approved 60 new programmes to promote EU agricultural products on EU and non-EU markets, worth €94 million from the EU budget. Out of the 60 selected programmes, 24 target the internal market and 36 target third countries and regions including China, Middle East, North America, South-East Asia, Japan, South Korea, Russia, and Australia. This shows the increasing emphasis agreed in the context of the reformed promotion policy on promoting EU products on third country. At the same time, the Commission adopted the 2017 promotion strategy

for EU agricultural products with a total budget of €133 million compared to the €111 million available for 2016. This amount will co-finance several programmes, most of which will target third countries and regions, including China, Middle East, North America, South-East Asia and Japan. Worth noting that the Commission decided to dedicate a specific allowance (€15 million) for promotion programmes increasing the awareness of sustainable agriculture and the role of agriculture for climate action on the internal market.

FTA's impact on the agricultural sector - The Commission presented to the Council the results of its economic [study](#) on the cumulative effects of concessions made in the context of free trade agreements on the EU agricultural sector. The study covers 12 future trade agreements on the agri-food sector and their impact on producer prices and production volumes for a range of products accounting for 30% of the value of the EU exports in the sector. The results of the study highlight that significant gains can be anticipated for the EU dairy and pig meat sectors, but also show that the beef sector would be at risk, both in terms of trade effects and a decline in producer prices. In the debate that followed the presentation, ministers expressed the need for balanced trade agreements that respect the vulnerabilities of some EU agricultural sectors. The Council intends to closely scrutinize the result of the study and would return to it at its Agriculture and Fisheries meeting in January 2017.

Trade - According to the latest [EU estimates](#), the monthly value of EU agri-food exports in September 2016 reached a record value of almost €11.5 billion exceeding the export values in September of previous years by about €500 million. Highest increases in monthly export values (September 2016 compared to September 2015) were recorded for the USA and Japan. Agri-food exports to other Asian countries also increased notably (South Korea, Vietnam, India, Hong Kong). With overall EU agri-food exports from October 2015 to September 2016 reaching €129.9 billion (+1.6% on the previous year) and imports rising 0.9% to €112 billion, the EU increased its net surplus to € 17.6 billion.

Hong Kong - Prospects for EU exports of meat to Hong Kong have been given a boost this month following an agreement between EU Commissioner Phil Hogan and Hong Kong Secretary for Food & Health Gregory Ko over certification requirements. Both sides have now agreed on measures to simplify certification requirements for Hong Kong imports of meat from the EU. Instead of insisting that meat must come from animals that were born, raised and slaughtered in the exporting Member State, Hong Kong is now prepared to accept that animals may come from any Member State that is eligible to export to Hong Kong.

Food waste - The Commission has published its action plan to prevent food waste and strengthen sustainability of the food system in Europe. It includes the launch of an EU platform on food waste which will promote inter-sector cooperation and sharing of best practice and results. The Commission also intends to develop a common EU methodology to measure food waste. Measures to clarify EU legislation relating to waste, food and feed, and facilitate food donation as well as the valorisation of former foodstuffs and by-products as animal feed will also be considered.

Meat tax - Researchers from IFPRI, the International Food Policies Research Institute, and the Oxford Martin school have recently published a [study](#) on the potential consequences of levying taxes on red meat. According to this paper, under all the explored scenarios, taxing the carbon content of foods increased prices and reduced consumption – ultimately reducing carbon emissions. It is estimated that fully taxing carbon in food could reduce food-related emissions in 2020 by 9% while helping to avoid more than 100 000 deaths worldwide. The paper suggests to make red meat substantially more expensive and that this would have a positive impact on consumers' health.