



LMC Monthly Report – May 2017

Brexit negotiations - The Council has now authorised the opening of the Article 50 negotiations with the UK and nominated the Commission as Union negotiator. As expected, the first phase of negotiations will tackle three main areas: safeguarding the status and rights of citizens – EU27 citizens in the UK and UK citizens in the EU27 – and their families; reaching an agreement on the principles of the financial settlement of the UK's obligations as an EU member; providing for the new external borders of the EU, including the protection of the Good Friday Agreement, and finding imaginative solutions in order to avoid a hard border on the island of Ireland. Other issues include arrangements regarding dispute settlement and the governance of the withdrawal agreement. In preparation for the first meeting between the EU and UK negotiators, the Commission already shared 2 draft negotiating documents with the EU27 Member States. These documents cover the following areas: citizens' rights and Brexit financial settlement.

Brexit and the Irish agri-food sector – According to a recently published TEAGASC paper, goods not exported to the UK in the event of a very hard Brexit would be diverted to other markets in the remaining EU27 and outside of the EU. Almost certainly such diverted trade flows would return lower value to Irish agri-food exporters with the diversion of large volumes of Irish beef, butter and other agricultural commodities to other EU markets likely to also lead to lower prices in these markets that might reasonably have been expected to prevail if Brexit was not happening. The increase in the tariff and non-tariff barriers faced by firms exporting to the UK will mean that efforts to continue to reduce the reliance on the UK market will have to continue. In the event that the UK leaves the EU without a FTA being agreed and applies its' current WTO tariff bindings to agri-food trade large parts of existing agri-food trade flows between Irish and UK markets might cease.

Brexit and China - The Royal Institute of International Affairs has published a paper on how Brexit will impact EU-China relations. It shows that the extent to which Brexit will have an impact on the EU-China ties will largely depend on China's strategic approach to the bloc as well as the EU's own trajectory over the next ten years. The paper highlights that the impact on post-Brexit EU27 trade with China will be felt both in the volume of trade and its composition. Following Brexit the EU will no longer be China's largest trading partner. However, by 2025, the EU will have compensated for Brexit's impact in some areas. Analysts also warn that for Beijing, the EU-China relationship will take priority over UK-China ties. Within the EU, China's relative focus on Germany will be even more significant.

Animal Welfare (AW) - EFSA has published a Scientific Opinion on AW of pregnant animals at slaughter. On average 3% of dairy cows, 1.5 % of beef cattle, 0.5% of pigs, 0.8% sheep and 0.2% of goats in the EU are slaughtered during the last third of gestation. Reasons may vary – from farmers not being aware that animals are pregnant, to considerations linked to animal health and welfare or economic reasons. EFSA scientists agreed that livestock fetuses do not experience pain in the first two thirds of gestation because the relevant physical and neurological structures develop only during the last part of gestation. They also concluded that the most probable scenario is that fetuses don't experience pain either during the final third of gestation due to the presence of a series of inhibitory mechanisms in the body of the fetus. The opinion proposes practical measures for reducing the number of pregnant animals slaughtered.

CAP - For the 3rd time, Commission agreed to delay CAP payment application deadline. The deadline can now be extended by one month, from 15 May to 15 June 2017. Countries wishing to extend the deadline for applications EU aid for farmers will be allowed to do so. Following the closure of the 12 week period of public consultation on the Common agricultural Policy, preliminary figures indicate that the European Commission has received in excess of 320,000 responses from all 28 Member States. A full analysis of the responses will now be undertaken and the initial results will be presented to the stakeholder event in Brussels on 7 July.

2016 Food Fraud report - Out of the 172 EU coordinated cases, 161 concern food and 11 concern feed. Most of the time, fraud is resulting from mislabelling composition. Looking at cases per product category, meat and meat products (other than poultry) are the most represented, followed by fish and fish products, fats and oils and poultry meat.

Feed – A FERN report highlights the linkages between the EU Common Agricultural Policy (CAP) and the expansion of soybean cultivation, which has been the largest source of agricultural deforestation. The EU is involved mainly because European farmers rely on imported soy from Brazil, Argentina and Paraguay to use as animal feed for pigs and chicken but also for cattle, other farm animals and farmed fish. 70 per cent of the protein feed used in the EU is imported and of all the soy meal consumed in the EU, 83 per cent goes in concentrate feed for pigs and poultry. According to the authors, past iterations of the CAP have tended to encourage EU farmers to produce meat and to a lesser extent to produce grain. Among the recommendations, the authors suggest to abolish direct payments made per head of animal and to reduce livestock production based on protein feed imports.

Competitiveness – A TEAGASC paper reports that the competitive position for Irish beef farms outside the EU is not very positive even when cash costs of production were considered. For both finishing and cow-calf farms, whilst Irish farmers had lower cash costs than some US and Canadian cow-calf farms, the returns from these north American farms in general were superior to those on the typical Irish farm. Ireland had the highest economic cost to output ratio (139 per cent), followed by UK (120 percent), Germany (118 percent), with France recording the lowest total economic costs at 111 percent of output. When it comes to sheep, Ireland and the UK had relatively low stocking rates and land productivity compared to France, but Irish sheep farms did have higher technical performance based on these two measures compared to the UK. However, the UK and France both outperformed Ireland in terms of labour productivity.

EU agri-food exports - According to the latest figures published by the European Commission, the monthly value of EU agri-food exports in March 2017 reached a value of almost €12.7 billion, which is €1.31 billion (+11.3%) higher than in March 2016. This is the highest monthly export value seen over the last 5 years. Following the strong increase in exports, the trade balance in March 2017 reached €1.8 billion. When looking at the last 12 months, from April 2016 to March 2017, EU agri-food exports reached a value of €133.5 billion, corresponding to an increase by 3.6% in value terms compared to the same period one year ago.

WTO - Australia has become the first WTO member with export subsidies entitlements to eliminate them from its WTO schedule of commitments, in line with the landmark 2015 commitment by WTO members to eliminate farm export subsidies. Australia's modified schedule is effective as of 22 May 2017, three months after the document outlining the changes was circulated to WTO members.

Timetable of the month ahead:

6 June: EU Animal Welfare Platform 1st meeting

12 June: CDL meeting in Brussels: EU promotion policy, Trade fairs, ETPO are on the agenda.

12-13 June: EU congress on food fraud to take place in Berlin

19-20 June: EU Animal Health seminar

22 June: Council meeting to discuss Brexit

22 May: Council to adopt Brexit Negotiating Directives.

22-23 May: Informal Agriculture Council