



LMC Brussels update – March 2016

**Market - EU aid package** - The Council and the Commission agreed to supplement the existing aid package to European farmers with a set of additional measures. The proposals made by the Commission at the Agriculture Council meeting include the possibility to enable producer organisations, interbranch organisations and cooperatives in the dairy sector to establish voluntary agreements on their production and supply (Article 222 from the Common Market Organisation, which can be applied in case of severe imbalance in the market). This is an exceptional measure, included in the 2013 CAP reform but never used before. Specific support for the pigmeat sector includes the introduction of a new private storage aid scheme (details to be confirmed) as well as the establishment of a Meat Market Observatory, which will also cover beef. Regarding promotion, over €30 million were specifically earmarked for the pigmeat and dairy sectors last September. An additional amount will be added to the €30 million to reflect the market disturbances in those sectors. Among other proposed measures is a temporary increase in state aid. The Commission is also examining the feasibility of an export credit scheme, which could supplement the schemes which Member States are operating on a national basis.

**Animal Health law** - A new Animal Health Regulation has been adopted by both the EU Parliament and the Council. The regulation establishes a single regulatory framework for animal health which integrates, streamlines and simplifies about 40 basic legal acts under the existing legislation. All farmers, animal owners and traders will be obliged to apply the principles of good animal husbandry and prudent use of veterinary medicines. The regulation further requires that animal welfare is taken into account when considering the impacts of diseases and measures to combat diseases. A listing, categorisation and prioritisation of diseases is introduced, where diseases are assigned different sets of measures based on their importance and impacts. The law also empowers the Commission to take urgent measures immediately to tackle emerging diseases that could have a highly significant impact on public health, agricultural production or animal welfare and health. The new rules will apply from 21 April 2021.

**Veterinary medicines review** - The EU Parliament adopted a position at first reading on the proposed review of EU law on veterinary medicines. Besides limiting the prophylactic use of antibiotics, the draft law would empower the European Commission to designate antimicrobials which are to be reserved for human treatment. MEPs also voted to put an end to online sales of antibiotics, vaccines and psychotropic substances. The Parliament voted to open negotiations with the Council, with the aim of reaching a first reading agreement on the proposals by the end of the year.

**Animal welfare** - A new Eurobarometer survey shows that a majority of Europeans (94%) think it is important to protect the welfare of farmed animals, and 82% believe that the welfare of farmed animals should be better protected than it is now. Almost two thirds of Europeans (64%) indicated they would like to have more information about the conditions under which farmed animals are treated in their country. 59% of EU citizens mentioned they would be prepared to pay more for products sourced from animal welfare-friendly production systems. 35% are prepared to pay up to 5% more and 16% are prepared to pay 6% to 10% more.

Meanwhile, the Commission published long-awaited recommendations on measures to reduce the need for tail-docking in pigs, accompanied by a staff working document on best practices for the prevention of routine tail-docking and the provision of enrichment materials to pigs. These recommendations are not legally binding. At the same time, Eurogroup for Animals launched a new campaign, [#StopTheTrucks](#), which calls on decision makers to reduce and ultimately end long distance live animal transportation. The Commission is expected to publish guidelines on the protection of animals during transport in 2017.

**CAP financial discipline** - The Commission adopted a proposal on the application of the financial discipline mechanism for the CAP budget for the financial year 2017. In order to ensure that the crisis reserve of €

450.5 million is available in the 2017 budget, the proposal aims to reduce CAP Direct Payments exceeding € 2000 by 1.366744%, with the exception of direct payments for farmers in Croatia as they are still being phased-in. This rate is slightly lower than the 1.393041% that was applied in 2016 (for a reserve of € 441.6 million) as the 2017 exercise will include Romania and Bulgaria for the first time. The Council and European Parliament now have until 30 June 2016 to fix the rate of financial discipline. In the absence of such an agreement by 30 June, the Commission will set the rate. Amounts generated by financial discipline which remain available at the end of the financial year shall be reimbursed to farmers.

**CAP audit system** - The Agriculture Council took note of a contribution by the UK delegation aimed at simplifying the current audit system and methodology of expenditure related to the common agriculture policy, regarding in particular: the risk-analysis methodology; streamlining the number of audits; consistency of audit methodology (sample sizes, outcome focus, interpretation of rules); proportionality and transparency between audit findings and financial corrections.

**Origin labelling** - The EU Parliament Food Safety Committee adopted a motion for a resolution in favour of mandatory labelling of the country of origin or place of provenance of meat in processed foods. MEPs add that this labelling should also be made mandatory for meat other than that of bovine, porcine, ovine and caprine species and poultry meat, for milk and milk used as an ingredient in dairy products, for unprocessed foods, single-ingredient products and for ingredients that make up more than 50% of a food. MEPs point out that voluntary labelling, as advocated by the Commission, might lead to the introduction of a variety of different schemes, which could be confusing for consumers. The motion for resolution will be put to a vote by the full House during the April or May plenary sessions in Strasbourg.

**Meat outlook** - According to the EU's latest outlook, EU beef production reached 7.72 million tonnes in 2015, a 2.2% increase year-on-year. Still driven by the increase in dairy supply, an increase of 2% in beef production is foreseen in 2016, followed by a stabilisation in 2017. Beef exports are expected to increase by 5% in 2016 (at 217,000 tonnes) before declining in 2017. EU beef consumption reached 10.7 kg/capita in 2015 (+2%) and is expected to grow by another 1.6% in 2016, in line with the higher availability of beef.

In 2015, EU net production of sheep meat increased by more than 4% while goat meat reported a 2.5% increase after years of decline (reaching 915 000 tonnes overall). The sheep flock in the EU-15 increased by more than 2% compared with 2014, representing almost 1 700 000 extra heads. The largest increases were recorded in Spain and the UK (+1 100 000 and +960 000 heads respectively). But the sheep flock increase is expected to slow down, and production to increase only marginally in 2016 (by 0.5%), as exports are limited and consumption is quite stable at 1.8kg per capita.

As for pork, the decline in the EU reproductive pig herd in 2015 is confirmed, with Poland, Germany, the Netherlands and France showing the largest decreases in absolute numbers, totalling 300 000 sows. On the other hand, Spain saw its herd increasing by more than 100 000 heads. The reduced breeding herd should bring pigmeat production slightly down in 2016 (at 23.28 million tonnes against 23.35 million tonnes in 2015), while a slight increase of less than 1% is expected in 2017. 2015 saw a surge in pigmeat exports (+9%, 2 million tonnes). EU exports to China in particular almost doubled in volume, reaching around 500 000 tonnes. In 2016, EU exports are expected to expand further but at a slower pace (3%) due to increased competition and availabilities in USA and Brazil. EU consumption of pigmeat reached 32.5 kg per capita in 2015, almost 1 kg up compared to 2014. This level of consumption is expected to decrease slightly in 2016 and stabilise in 2017, in line with the trend over the last ten years.

**Sustainable diets** - The international food policy research institute's 2016 global **food** policy report highlights that global diets are on an unsustainable trajectory. The report proposes three possible diet shifts: reduce overconsumption of calories, reduce overconsumption of animal based proteins or reduce beef consumption specifically. The report insists that beef has one of the lowest "feed-to-food" conversion efficiencies of commonly consumed foods. As a result, beef would use more land and freshwater, and generate more GHG emissions per unit of protein than other commonly consumed food. The report adds that ruminants are responsible for nearly half of GHG emissions from agricultural production. The authors conclude that the effects of reducing beef consumption would be larger than the calories reduction

scenarios, but smaller than the most ambitious scenario that reduced animal-based food consumption more broadly.

**Organic fertilisers** - The Commission presented a proposal for a regulation bringing organic and waste-based fertilisers on a level playing field with traditional, non-organic fertilisers. The reuse of raw materials that are now disposed as waste is one of the key principles of the Circular Economy Package adopted in December 2015. The proposed regulation sets out common rules on converting bio-waste into raw materials that can be used to manufacture fertilising products. The proposal does not apply to raw waste products, to unprocessed animal by-products nor to plant protection products. Raw manure is therefore not regulated by the proposal, but dried manures or digested manures fall within its scope. The proposal clarifies the point at which a substance is no longer treated as waste or animal by-product and can be treated as an input to another process and thus be moved freely under single market rules. The draft Regulation will be sent to the European Parliament and Council for adoption.

**Australia/New Zealand FTA** - The Commission launched a public consultation on future trade and economic relations between the EU and Australia/New Zealand. The results of the consultation will feed into the Impact Assessment on potential Free Trade Agreements. The consultation is open until 3 June 2016. Meanwhile, an EU Parliament's resolution stresses that agriculture is a very sensitive sector and calls for the inclusion of safeguard measures in potential FTAs with Australia and New Zealand, to prevent a surge in imports that would threaten European producers in sensitive sectors.

**EU-Mercosur FTA** - At the end of last year, the EU and Mercosur failed to agree on a target level for tariff removal, in the context of their negotiations for a free trade agreement. The Mercosur offer of a removal of 87% of all tariff lines was deemed insufficient by the Commission. In April, the EU and Mercosur are expected to exchange revised tariff offers. In view of the exchange, a coalition of nine EU member states (Austria, France, Greece, Hungary, Ireland, Lithuania, Luxembourg, Poland, and Romania) has called on the European Commission to exclude from its proposal tariff lines on sensitive products - such as meat, fruits and vegetables. An impact assessment of the impact on agriculture of trade negotiations is expected to be published by the Commission in the autumn this year.