



## LMC Monthly Report – June 2016

**Brexit** - After UK citizens voted to leave the European Union, the Presidents of the EU institutions asked the UK to invoke article 50 of the Treaty on the EU as soon as possible so that the exit negotiations can be quickly launched. From the moment UK decision will be formally notified to the EU, negotiations for a withdrawal agreement can start for the next 2 years. In the meantime, Agricultural ministers are invited to discuss implications of Brexit on European farming and the shape of CAP 2020 in Paris on August 31. Discussions on the future of the Union already started with a second informal meeting now scheduled to take place in Bratislava on 16 September.

**EU Farmers' confidence** - New results from a Copa-Cogeca survey in the first quarter of 2016 shows that confidence amongst farmers is at an all-time low. In 9 of the surveyed 11 Member States, farmers' confidence about the current and future situation had fallen. Only 2 of the 11 Member States – Denmark and Sweden - were more optimistic about the current and future situation. In the UK in particular, farmers' confidence is at its lowest level in 6 years. In terms of expectations for the future, farmers believe that regulation and legislation, CAP reform, output prices and input prices may have a negative impact on their business. In 2016 Q1, the national confidence index fell from +9 to -14.

**Supply Chain** - The EU Parliament adopted a non-binding [resolution](#) urging the Commission to put forward proposals against unfair trading practices in the food supply chain. MEPs stress that selling below the cost of production, and the serious misuse of basic agricultural foods such as dairy, fruit and vegetables as “loss leaders” by large-scale retailers, threaten the long-term sustainability of EU production of these items. The resolution highlights that voluntary and self-regulatory schemes have so far shown limited results owing to a lack of proper enforcement, under-representation of farmers, conflicts of interest between the parties, dispute settlement mechanisms that fail to reflect the supplier “fear factor” and the fact that they do not apply to the whole supply chain. Eurocommerce – a Brussels-based organisation representing EU retail and wholesale – stated that the current milk and livestock crisis is structural and comes from farmers increasing production at a time of collapsing prices and low demand; while retailers have only limited influence in markets where they have very few direct relationships with farmers. They added that retailers need and support a farming sector which is better organised through cooperatives or producer organisations, more responsive to consumer demand and more responsive to market signals.

**CAP simplification** - Discussions on the future of the Common Agricultural Policy are at a preliminary stage. EU Agriculture Ministers however found common ground on the need for more measures fostering innovation, the importance of the link between agricultural and climate change policies, and the need to strengthen farmers' position in the supply chain. The French delegation circulated [a paper](#) with propositions for a new CAP, such as a more flexible system of coupled payments, the introduction of a turnover insurance or an income stabilisation tool, or a fourth “greening” mandatory measure relating to crop coverage over the year. Other Member States are expected to table their propositions.

**Greening** – After only one year of implementation, the Commission has published a [report on greening measures](#). It shows that most of the agricultural area in the EU (72%) is subject to at least one greening obligation (Ecological Focus Area (EFA), crop diversification, and the maintenance of permanent grassland). Almost 70% of the total arable land in the EU is subject to EFA, with 14% of arable land declared as EFA (9% weighted area). The report also shows that greening only had a limited effect on production in the first year, with the medium-term impact on production levels and market developments estimated as not significant. Proposals for the simplification of greening measures are expected to be published in July, for adoption in the autumn.

**Antimicrobial resistance (AMR)** - A new [Eurobarometer survey on AMR](#) shows that just over a third of Europeans (37%, against 28% in the UK) say that they were aware that the use of antibiotics to

stimulate growth in farm animals is banned in the EU. More than half (56%) of the Europeans agree that sick animals should be treated with antibiotics if this is the most appropriate treatment whilst 34% disagree. The Commission's Action Plan on AMR (2011-2016) is currently being evaluated and will, together with the Eurobarometer results, feed into the ongoing work to identify value added of EU action in the fight against AMR as from next year and beyond. Meanwhile, the Health and Consumer Affairs Council [called](#) on EU Member States to have in place before mid-2017 national action plans against AMR, including measurable goals to reduce the use of antimicrobials in the veterinary sector, actions to avoid the routine preventive use of veterinary antimicrobials and to restrict the use in animals of antimicrobials that are of critical importance to human health. The Council also asked the Commission to develop a new and comprehensive EU Action Plan on AMR.

**Support to agriculture** - The OECD published a [new report](#) on support to agriculture showing that support to producers in OECD countries has roughly halved in intensity over the past 30 years, and now amounts to 17% of gross farm receipts. Together, the 50 countries covered in this year's report provided an annual average of USD 585 billion (EUR 469 billion) of support to their agricultural producers in the years 2013-15, and an additional USD 87 billion (EUR 69 billion) on general services supporting the sector. 68% of support to farmers was provided in the form of market price support, payments based on output or on input use without constraints. Support levels in the European Union (as a whole) are roughly at the OECD average and overall on a downwards trend. On the contrary, the support in China has increased and now accounts for 20% of gross farm receipts generated through farm policies. In Japan, Korea, Iceland, Norway and Switzerland, around half of gross farm receipts come from agricultural policies. Farm support in Japan, Korea and to some extent Iceland, remains dominated by the most production and trade distorting forms of support (mainly through supporting market prices).

**Official controls** - The EU Council and Parliament reached a political agreement on the EU proposal for revision of the provisions on official controls along the food chain. The text on charging largely maintains the current rules, with no changes from the current Regulation in relation to mandatory minimum charges at ports, slaughterhouses, cutting plants, fish and dairy processing plants. The text will now be presented in the coming months to the Council and then the European Parliament for formal agreement. It is expected to be published towards the end of 2016 or early 2017.

**Animal breeding** - The Council adopted a [new EU Regulation](#) on zootechnical and genealogical conditions for the breeding, trade in and entry into the Union of breeding animals and their genetic material. The past EU legislation in the area was organised according to species, while the new regulation provides a single and streamlined body of provisions for bovine, porcine, ovine, caprine and equine species. The revised rules regulate e.g. the recognition of breeding organisations and private undertakings, the approval of their programmes, the entering of animals in specific breeding books and registers, performance testing and genetic evaluation, and the content of zootechnical certificates. The regulation will enter into force by the end of 2016 and apply as from the second half of 2018.

**Exports** – According to the Commission latest [report on agri-food trade](#), over the past year EU agri-food exports reached a value of almost €129 billion, representing an increase of 2.8% compared to the same period one year ago. Analysing the performance over the last twelve months per product category, export values increased in particular for pig meat (EUR +582 million; +15%, with an increase by EUR +192 million in April 2016 compared to April 2015) and live animals (EUR +501 million; +25%). For April 2016, pork was the agri-food product that witnessed the highest increase in monthly export values. Exports of fresh, chilled and frozen pigmeat increased by 68% in April 2016 year on year. The EU's trade balance for pigmeat is largely positive, with annual exports worth nearly EUR 6 billion in recent years. More than half of EU exports of pigmeat to China (61% as an average by export value since 2013) are offal, the remaining exports consist of frozen shoulders, bellies and other frozen cuts in particular. Pigmeat from the EU has been very competitive in the last couple of years with prices lower or comparable to those of its main competitors, the US and Brazil. However, this also translates into lower returns for the EU pigmeat sector.

**Schmallenberg** - In May 2012, China introduced an import ban on imports of bovine semen, bovine embryo, ovine semen and ovine embryo produced after 1 June 2011 from several EU countries,

referring to an alleged risk of Schmallenberg virus (SBV) which can cause birth defects and stillbirths in cattle, sheep, and goats. This measure went beyond the international standards set by the World Organisation for Animal Health (OIE), which considers that the virus does not meet the OIE requirements for setting an international standard, meanings therefore that trade measures for this disease are not required. China confirmed this months that it is lifting its import ban introduced 4 years ago on bovine & ovine genetic material from Denmark, France, Germany and United Kingdom due to Schmallenberg virus.