

EU NEWS

FARM COUNCIL: SINGLE CMO RULES IN THE LIMELIGHT; CAP turns 50;

EU Farm Ministers scrutinised Commission plans on the Single CMO at this month's Farm Council, which saw two divergent groups emerge on the abolition of the EU sugar quota regime at the end of September 2015. Meanwhile, the Council put its weight behind the establishment of the High Level Group (HLG) on wine, which was announced by EU Farm Commissioner Dacian Cioloş in the margins of the 'Green Week' in Berlin this month [see p.8]. The meeting kicked off at 11am with a presentation on the Danish Presidency priorities by Agriculture, Fisheries and Food Minister Mette Gjerskov [*5196/12]. Copenhagen is keen to put the discussion of the CAP center stage during its mandate and present a progress report on the reform process by the end of its tenure. Under the Any Other Business (AOB) points, EU Health Commissioner John Dalli presented the new Animal Welfare Strategy [see p.16] and the Dutch delegation briefed the Council on the recent outbreak of the *Schmallenberg* virus [*5511/12], which has now spread across five Member States in Northern Europe. On the occasion of the 50th Anniversary of the CAP, Cioloş invited Ministers to attend the inaugural ceremony at the Berlaymont at 12.30pm. Some 150 people attended the gathering including Commission President José Barroso, EP COMAGRI Chair Paolo De Castro, EU Budget Commissioner Janusz Lewandowski and ex-Commissioners Mariann Fischer Boel (Denmark) and Frans Andriessen (NL). To mark the occasion, a special CAP@50** communication campaign was launched by the Commission, with a series of events planned to take place in the 6 founding members over the coming months - Italy (Verona, February 2), France (Paris, February 27) and Benelux (tbc, April 4).

[See 'Inside Cover' for some of the CAP milestones & also <http://www.viewws.eu/issues/10-eu-agriculture/21-eu-commission/> for three CAP-related interviews].

Following the 66% 'yes' vote in this month's referendum, Croatian Deputy Agriculture Minister Snježana Španjol expressed her confidence that Zagreb would continue with all the necessary reforms and gain access to the EU on July 1, 2013, calling on Member States for the "swift ratification of the accession treaty in the respective parliaments". The Council meeting adjourned just before 5.30pm, with the next Ministerial debate on direct payments and CAP simplification scheduled to take place on March 19-20. [As it is relatively quiet in policy terms, the Danes have decided to cancel next month's Farm Council, originally scheduled to take place on February 23].

*To get the full text on these dossiers, enter the document number given here under 'Advanced Search' at the Council website

http://ue.eu.int/cms3_fo/showPage.asp?id=549andlang=ENandmode=g

**For more see http://ec.europa.eu/agriculture/50-years-of-cap/index_en.htm

DENMARK PRESENTS WORK PROGRAMME FOR FOOD & FARM SECTORS

The Danish Presidency will focus on laying the foundations for CAP reform, while pushing ahead with agreements on a number of key dossiers including quality products and revising rules on infant and medical foods, Danish Farm Minister and current Council Chair Mette Gjerskov said this month. Presenting the Presidency work programme to Farm Ministers [*5196/12 & p.6], Gjerskov also flagged up a number of conferences taking place during her mandate focussing on food safety and animal welfare. Stakeholders will gather in Brussels from February 29 to March 1 to discuss the Commission's four-year strategy on animal welfare, launched on January 19 [see p.16]. Denmark has said it hopes to secure Council Conclusions at the June meeting (18/19) on

both the Strategy and the protection of animals during transport. Copenhagen will also host conferences on modernising meat inspection systems on February 2-3 and tackling Anti-Microbial Resistance (AMR) on March 14-15. In line with Denmark's desires to promote the transition to a 'green' economy, the Presidency will also be present at a Commission conference on research and innovation in the farm sector (March 7).

Meanwhile, Gjerskov will seek to oversee a deal between Council and the EP on the application of direct payments to farmers in respect of the year 2013 and regime of the single payment scheme and support for vine growers. A similar deal is also expected on aligning agricultural legislation to changes under the Lisbon Treaty, relating to 'delegated' and 'implementing' acts. EU Farm Commissioner Dacian Cioloş said that talks on this issue were "at the last trilogue stage" and called for "one last push" to ensure an agreement. Elsewhere, Cioloş commented that a deal on increased tariff quotas for high quality beef regarding the US and Canada should be finalised in the course of the Danish Presidency [see p.15]. Bringing to a close the long-running WTO dispute over hormone treated beef, the EU has agreed to step up tariff quotas from 21 500 tonnes in the 1st phase to reach 48 200t in the 2nd stage of the deal. But the US has made clear that the Community approval of lactic acid is a pre-requisite before advancing the 2nd phase of the agreement, which would see increased access for EU pork, cheese and chocolate exports. A trilogue is scheduled to take place on February 1 with a view to reaching a 1st Reading Agreement. Denmark will also lead preliminary talks on the Commission's Communication on Promotion Policy set to be launched in the coming months, he said.

High Level Group on wine – "no subject will be taboo", says Cioloş

The newly launched High Level Group on wine will serve as a forum for all issues and concerns related to the wine sector, where "no subject will be taboo", Farm Commissioner Dacian Cioloş told the Farm Council this month. Announced in the margins of this month's 'Green Week' in Berlin [see p.8], the HLG on wine will ensure "structured debate at a high level", Cioloş said, noting that concerns had been raised over the phasing out of vine planting rights by a number of Member States and the EP. The HLG will allow for a "no holds barred" discussion particularly on the question of planting rights, with conclusions from the meetings to be presented to the Commission before the end of 2012, he said.

SINGLE CMO: BROAD SUPPORT FOR HLG ON WINE; DIVERGENT VIEWS ON SUGAR;

The Commission needs to react more swiftly to market disturbances, but a more precise definition of 'exceptional circumstances' is needed in order to clarify the conditions under which the crisis reserve fund would be triggered, EU Farm Ministers stated at this month's Council meeting. Limited to three minutes per delegation, the public debate on the Single CMO was structured around two themes [*5240/12] – i) *exceptional measures in case of market disturbances*; ii) *the proposed measures aiming at a more competitive and well-functioning food supply chain*;

During the 2½ hour discussion, there was broad support for the establishment of the High Level Group on wine [see p.8], but two divergent camps emerged for and against the abolition of the EU sugar quota regime at the end of September 2015. Member States such as Latvia and UK spoke out in favour of the Commission move, with Irish Minister Simon Coveney adding that the "current situation is untenable, especially in countries with no sugar production". Other delegations such as Romania, Slovakia, Finland, Belgium, France, Portugal, Hungary, Greece, Poland and Lithuania were of the opinion that the end of the sugar quota regime should be reviewed much later, with some suggesting an extension until 2020. Wine-producing countries such as Cyprus, Greece, Italy, Luxembourg, Austria, France, Portugal, Spain, Germany and Hungary welcomed the establishment of the HLG on wine and called for the extension of planting rights to be placed at the centre of discussions. Speaking at the post-Council press conference, EU

Farm Commissioner Dacian Cioloş confirmed that the debate should kick off in the spring-time and that recommendations from the HLG are expected at the end of the year.

Meanwhile, a handful of delegations – Slovenia, Poland and Portugal aired their grievances on the end of the dairy quota regime in 2015, with the latter adding that this move would jeopardise the dairy sector in the Outermost regions such as the Azores Islands. Meanwhile, Dutch Farm Minister Henk Bleker called for the abolition of export refunds “as the image of the CAP is damaged with these distorting factors”. This message was supported by UK Junior Minister Jim Paice, Swedish Farm Minister Eskil Erlandsson and the German delegation. In broad terms, EU Farm Ministers put their weight behind a proper Single CMO tool-box with adequate market management measures to respond to market crisis, price volatility etc. but the Danish delegation cautioned that “real crisis support should not develop into income support”. Ministers called for greater clarity on how Member States would access the agricultural crisis fund, while the UK, Slovenia and Denmark questioned why it is situated outside the Multi-annual Financial Framework (MFF). Speaking at the very end of the debate, Croatian Deputy Agriculture Minister Snježana Španjol requested further details regarding the “conditions and the manner in which the crisis reserve would be implemented and financed”.

On the better functioning of the food supply chain, Ministers favour a voluntary approach vis-à-vis the new rules on the recognition of Producer Organisations (POs) in all agricultural sectors. The Danes welcomed a “well organised food supply chain” but questioned the obligatory recognition of POs and the fact that “non-members would have to comply with the rules of the organisation”. A balanced food supply chain “should come from the grass-roots and there should be no implications on the single market”, they added. Both Ireland and Latvia are “positively disposed to the strengthening of POs” but Coveney expressed his concern that “such collaborations might distort competition”. This point was echoed by the French, German, Hungarian and Luxembourg delegations, with the latter adding that the expansion of PO rules to all producers is “not desirable”, as this could lead to a “dominant position in a cross-border economy” and “hamper the proper functioning of the food supply chain”. Coveney hailed the move to “rebalance power” among the actors along the food supply chain and added that the High Level Forum on the better functioning of the food supply chain “is making a useful contribution”. This was echoed by the Greek and Bulgarian delegations, which insisted on the “need to avoid unfair practices” and called for a “fairer distribution of the added value”.

Speaking at the post-Council press conference, the EU Farm Chief said that a ‘crisis’ could be “based on price volatility, animal diseases or climate disasters” and insisted on the need for the Commission to be granted a “margin of manoeuvre to act quickly in each crisis situation... in order to save farmers’ incomes”. On the High Level Forum on the food supply chain, he added that the Commission will “decide on the next steps” on the basis of conclusions from stakeholders etc. scheduled for June.

EU must avoid repeat of caged hen non-compliance, says Dalli

Every effort must be taken to ensure that next year’s ban (January 1) on sow stalls does not see a repeat of Member State failures to phase out battery hen cages, EU Health Commissioner John Dalli told Farm Ministers this month. Better enforcement of animal welfare legislation is a Commission priority, he said. Failure by national capitals to enforce the sow stall ban fully would result in serious complications for the single market, Council sources warned this month. Meanwhile, the EU executive will later this month (January 26) send formal letters of notice, the first step in legal action, to Member States that failed to phase out their un-enriched cages for laying hens by the end of last year, while a further letter of warning will be sent to London in the next wave of infringement proceedings [see p.19]. “Insufficient enforcement by Member States remains a serious problem ... as it distorts competition between EU producers and undermines our credibility in international negotiations on animal welfare”, Dalli said. He called on Member States

to show greater cooperation with the Commission in enforcing EU rules, while adding that the March Council (19/20) would serve as an opportunity to gauge the level of compliance with the forthcoming sow stall ban.

Animal welfare must be supported by market incentives, says Dalli

The Commission's new Animal Welfare Strategy (2012-2015), unveiled this month, must be backed up by market incentives for producers to comply with welfare rules, Commissioner John Dalli said this month [see p.16]. "Consumers are not sufficiently empowered to make informed choices on animal welfare when buying food", the EU Health Chief said. He stressed that guaranteeing the welfare of animals in farming should be seen as a business opportunity, as it becomes "an integral part of the overall concept of food quality". "More and more European consumers are calling for welfare-friendly products", he added. Dalli laid out to Ministers his intention of allowing producers more flexibility in how they enforce welfare requirements, by putting more emphasis on science-based indicators assessing animal behaviour, stress levels etc. "This will help producers focus on concrete results for the welfare of animals, whilst using the most economically suitable means", he said. Meanwhile, he outlined plans for a new legislative framework setting out requirements for animal handlers – such as farmers, animal keepers, veterinarians and animal transporters. The establishment of a European network of reference centres for animal welfare would seek to provide technical and scientific assistance to stakeholders through dissemination of research, technical innovation and vocational training, he added.

Commenting at the post-Council briefing, Danish Minister Mette Gjerskov noted the impact of an online petition signed by over one million EU citizens calling for the introduction of an eight-hour limit for transporting livestock*. The petition provides "food for thought" for future Council talks, Gjerskov said. Responding to the Commission's presentation, Swedish Minister Eskil Erlandsson was most vocal in criticising current rules as "insufficient", while Dutch Minister Henk Bleker favoured moves to extend the scope of EU rules to other species including pets and fish. A number of delegations including France and Spain warned that welfare rules must be enforced at an international level to prevent 3rd countries from undermining EU standards with exports that do not comply with the same requirements.* See <http://www.8hours.eu/>

Commission plays down calls for obligatory virus notification

EU Health Commissioner John Dalli played down Dutch demands at this month's Council for compulsory notification of EU cases of the *Schmallenberg* virus, stressing the need to avoid "unjustified" disruption on the internal market and backlash from trade partners. "Our aim is to act in a proportionate manner, taking into account that the impact of this virus on animal health is limited, and that there is no evidence that it can cause illness in humans", Dalli told Farm Ministers. *The midge-borne Schmallenberg virus, that can cause deformities in new-born lambs and calves, has been confirmed on over 280 cattle, sheep & goat farms in Germany, over 70 sheep farms, several cattle & goat farms in the Netherlands, at least 20 cases in Belgium & 30 cases in France, while at least 11 cases were identified on UK sheep farms, according to latest figures at the end of this month [see p.17].* Veterinarians suggest that the symptoms being observed now are the result of infections that most likely took place months ago as a result of a lengthy incubation period. While notification is not compulsory at EU level, France has already introduced the requirement at national level, with Germany set to follow suit. Elsewhere, Dalli was more favourable to Dutch calls for Community funds to support scientific research into the disease. "Close collaboration is needed on vaccine development to protect ruminants against infection", Bleker said. Dalli stressed that further data that will become available in the coming months "will help guide our decisions on the best possible measures to cope with this problem".

Ministers sign off ‘Food for the most deprived of the EU’ for 2012 & 2013

Among the ‘A’ points adopted without discussion was the temporary solution on the ‘Aid for the needy’ scheme for 2012 & 2013 [**18733/11+ADDI*]. Following the political agreement on the revised text reached at the December Farm Council [*see AGRA FOCUS, December 2011, p.2*], Ministers signed off the 1st Reading position on the regulation, with Sweden, Denmark and UK voting against and Czech Republic abstaining. The European Parliament plenary vote is expected in mid-February. Once adopted, the regulation will apply retroactively as from January 1, 2012, as it was not possible to adopt it at the end of last year. The Council also adopted Council Conclusions on a European Court of Auditors report on the agri-environmental measures [**18556/11 and AGRA FOCUS, October 2011, p.21*] and the recovery of undue payments [**18558/11*].

THOUGHTS ON THE FUTURE CAP

DANISH PRESIDENCY LAYS OUT CAP-HEAVY FARM COUNCIL WORK PROGRAMME

Discussions on all areas of the Commission’s proposals for CAP reform post-2013 are set to go up a gear under the Danish Presidency of the Council, which took over the reins from Poland on January 1. According to a draft work programme for Council meetings during Copenhagen’s six-month mandate, EU Farm Ministers kicked off on January 23 with a discussion on plans for reforming the Single Common Market Organisation (CMO) including the sugar sector, crisis instruments and producer organisations. At the same meeting, the Commission presented a Communication on the new animal welfare strategy, on which Ministers should adopt conclusions at the June Council (18/19). The Council gathering on February 23 has been called off due to the relatively light workload. But Ministers will have plenty to discuss at the following month’s Council meeting (March 19/20), where the principles for redistributing direct payments and the balance between the two CAP Pillars will be the main focus. At the same meeting, Farm Commissioner Dacian Cioloş is scheduled to present the contents of a letter, sent by DG AGRI to national capitals in November, outlining ways the post-2013 CAP reform plans would cut back on bureaucracy [*see AGRA FOCUS, December 2011, p.5*]. The Council meeting in Luxembourg (April 26/27) is set to focus on the finer points of plans to reform Pillar 1 including the ‘active farmer’ definition, young and small farmer proposals, capping for direct aid, Less Favoured Area top-ups and coupled support. The May Council (14/15) will return to direct payment rules, while the final Council meeting (June 18/19) chaired by Copenhagen will look at plans to reform Rural Development rules regarding environmental schemes, innovation and LFAs. The Danish Presidency is also expected to present a report summing up progress made in CAP reform talks. While the broad theme for the informal meeting to be held in Horsens (June 3-5) remains to be finalised, progress in CAP reform talks is likely to dominate discussions between Ministers in the margins. The Danes announced this month* their intention to push a distinctly ‘green agenda’ with innovation, research and simplification at the top of their wish list for reform in the agricultural sector [*see AGRA FOCUS, January 2012, p.23*].

*<http://eu2012.dk/en/NewsList/Januar/~media/C7302481785E4F9A876B0EAEC29F9A11.aspx>

DANISH PRESIDENCY OUTLINES PLANS TO ADVANCE LONG-TERM BUDGET TALKS

The Danish Presidency* intends to table a “solid basis for a substantial discussion on the future Multi-annual Financial Framework” at the European Council meeting in June in a bid to ensure its adoption by the year’s end. But EU sources concede that this is a very tight schedule and that discussions on the long-term EU budget 2014-2020 could slip into the beginning of 2013. A five-page Presidency note, setting out its work programme in the 1st semester of 2012, suggests that

Council discussions should serve to “narrow gaps between delegations’ positions on the key issues and, where possible, reconcile them, in order to meet this ambitious framework”. The note underlines the importance “to make as much progress as possible on the sectoral legislative proposals [including the CAP] that should be adopted as soon as possible to allow successful implementation from January 1, 2014”. To this end, it aims to steer the debate towards a ‘partial general approach’ i.e. pending the EP plenary vote an agreement on the non-budgetary aspects of the proposals. In the absence of final budgetary figures, the decision-making process on the future CAP is very tricky. European Parliament sources indicate that there are divergent views in COMAGRI about the next steps to take. Some members want to press ahead with the publication of draft reports on the future CAP by June and then to “put them on ice” until the final decision is taken on the budget, others prefer to continue working on the reports and then to adjust them accordingly once there is greater clarity on the figures. Given the need for an agreement on the MFF by December 2012, the EP and Council have realistically until March 2013 at the latest to strike a deal on the future CAP, thereby allowing adequate time to draw up implementing rules ahead of the January 1, 2014 target date.

In terms of the next steps, European Affairs Ministers will meet on January 31 to discuss the main priorities and the budgetary framework of the Commission proposals. Orientation debates are set to follow until April, with a view to narrowing the focus of discussions from May onwards. An informal gathering for European Affairs Ministers is scheduled to take place in Horsens on May 10-11. In tandem, the ‘Friends of the Presidency’ working party will focus on clarifying the technical financial aspects of the Commission budgetary plans. Copenhagen aims to organise a conference in partnership with the EP and the Commission before the end of its tenure, but no date has been confirmed as of yet. *See <http://eu2012.dk/en>

Provisional ‘budget’ work calendar under the Danish Presidency

Key dates in February 2012

February 1: Own Resources Working Group: Outstanding clarifications on the proposed VAT own resource.

February 3: Friends of the Presidency: Outstanding clarifications (if needed) and discussion on horizontal issues on the basis of questions from the Presidency.

February 8: COREPER: State of play on the basis of technical work (MFF and revenue side)

February 29: Friends of the Presidency: Discussion on Heading 2 on the basis of Presidency questions.

BALTIC FARM MINISTERS & LOBBY GROUPS LASH OUT AT CAP DIRECT AID PLANS

Baltic Farm Ministers and farm lobby representatives expressed “their overwhelming disappointment” this month with Commission plans for the redistribution of direct aid among EU members, which they say perpetuates “the deep division between Member States”. [Under the CAP 2020 proposals, Finland, Sweden, Bulgaria, Spain, UK, Poland, Slovakia, Portugal, Romania and the three Baltic States would see the gap between their direct aid level & 90% of the EU average closed by one third over the 2014-2020 period]. In a joint declaration penned in the margins of this month’s ‘Green Week’ in Berlin, the 12 signatories* call for an “adjustment of the distribution of the direct payments between Member States ... in such a way that substantial differences between the highest and lowest level of direct payments in the EU are avoided”. [the current average EU-27 direct payment works out at €269/hectare, which is well above the direct payments to be received in Lithuania (€144/ha), Estonia (€117/ha) and Latvia (€97/ha) in 2013]. The two-page text entitled ‘On a fair CAP for all EU Member States’, which follows the wish-list drawn up by a coalition of nine Central European Chambers of Agriculture in Budapest last month [see AGRA FOCUS, January 2012, p.9], calls for an EU farm policy that is based on the “principles of solidarity, fair treatment and equal competition”. The declaration reiterates that farmers in the three Baltic States receive the lowest level of direct support

compared to other Member States. Despite this discrepancy, Riga, Vilnius and Tallinn comply with the same EU *Acquis Communautaire* as the rest of Europe, the authors add. On Rural Development Policy, the signatories insist that the distribution key should be “based on criteria that reflect the essence of the policy and the actual needs and challenges e.g. utilised agricultural area, gross value added, *Natura 2000* area, forestry, low population density and the GDP per capita”. Direct payments and CAP simplification will be put under the spotlight at the next Ministerial discussion in March (19-20). **Comprising Farm Ministers from Latvia, Lithuania and Estonia, representatives from farmers’ unions and chambers of agriculture;*

SCOPE TO REINFORCE THE ROLE OF COOPS IN THE CAP2020, CAPOULAS SANTOS

There is scope to reinforce the role of cooperatives in the CAP post-2013 proposals, particularly under the 2nd Pillar and the Single CMO, Portuguese Socialist MEP Luís Capoulas Santos stated this month. Addressing a joint press conference to formally launch the *United Nations International Year of Cooperatives (IYC)**, the EP *Rapporteur* on two key CAP 2020 dossiers (Direct payments & Rural Development) added that there “are several windows of opportunity to be explored”. Gathering at the *COPA-COGECA* premises, the main message emanating from the panel discussion, comprising representatives from *CECODHAS, CECOP, EACB, COGECA & Euro Coop*, was that there should be greater political recognition of the cooperative model & its democratic governance and that EU policy should be adjusted accordingly to take account of its specificities. For his part, Pekka Pesonen, Secretary General of *COGECA* highlighted the importance of “joining forces” and called for greater cooperation between producers and retail & consumer cooperatives. He bemoaned the fact that EU Competition Law is the “biggest obstacle” preventing greater interconnectedness between coops - “even if there is a willingness, sometimes it is not legally possible”, he added.

In conclusion, *Co-President of Cooperatives Europe* Étienne Pflimlin stated that the *UN IYC* should serve “as an opportunity to promote the cooperative principles and heighten the visibility of this member-driven business model among the public”. He added that a greater emphasis on research and education at third level would lead to a better understanding of this collective form of ownership and the value of the social economy. A Cooperative week is scheduled to take place in Brussels in April (23-27), while *COGECA* will present the *European Award for Cooperative Innovation* on June 20.

**European cooperatives comprise 123 million members and generate 5.4 million jobs in 160 000 enterprises – for more on the UN IYC see www.2012.coop;*

SECTORAL ISSUES

CIOLOS ANNOUNCES ESTABLISHMENT OF HLG ON WINE AT BERLIN ‘GREEN WEEK’

The Commission will set up a High Level Group (HLG) on the wine sector, with a particular focus on the forthcoming expiry of wine planting rights, EU Farm Commissioner Dacian Cioloş announced at the ‘*Green Week*’* in Berlin this month. Cioloş said the HLG would provide key input into a Commission review planned for the end of 2012 on the implementation of the 2008 wine reform, which saw Member States agree to phase-out planting rights by the end of 2015, with the possibility of extending this deadline to the end of 2018 [see *AGRA FOCUS, January 2008, p.2*]. But the liberalisation of planting rights has since been heavily criticised by wine producers and MEPs in the Parliament, with 13 Member States**, representing 97% of EU wine production, pushing to overturn this decision [see *AGRA FOCUS, December 2011, p.32*]. Speaking in Berlin this month, the EU Farm Chief stressed the need to “take time to reflect on the fears linked to the decisions taken recently by Member States”, adding that he is aware of the “concerns about

maintaining the quality and excellence of our wine sector". Commission officials were quick to stress that DG AGRI had "no intention of 'reforming the reform'", which intends to make the EU's wine sector more competitive on the world market. But they said that the high level forum would consider whether some adjustments were justified taking into account changes in the situation since 2008.

The *European Federation of Origin Wines (EFOW)* welcomed the initiative, with *EFOW* President Riccardo Curbastro stressing that the creation of the forum "testifies that the Commissioner takes into account the seriousness of the situation and the heavy consequences of the deregulation of the sector". For his part, chair of the *COPA-COGECA* wine working group Thierry Coste said that liberalisation of planting rights would "add to the existing imbalances in the food chain, to the detriment of the production sector". The Commission must launch proposals which maintain planting rights in the wine sector "without further delay", Coste said.

*See <http://www.gruenewoche.de/en/> and **Germany, France, Italy, Spain, Portugal, Hungary, Austria, Romania, Luxembourg, Cyprus, Czech Republic, Slovakia and Greece;

DG AGRI 2020 OUTLOOK PROJECTS MODEST GROWTH FOR EU FARM SECTOR

EU agricultural commodity markets will see modest growth over the period until 2020 driven by high prices, the growing global demand for food and an expansion in the biofuel industry, according to projections by the Commission's DG AGRI published this month. But the foreseen strengthening of the euro would limit the competitiveness of EU exports compared to other exporters, while high input costs such as feed and fuel as well as a decline in crop yield growth are factors that would temper supply growth in the long term. The 96-page report* providing an outlook for arable crop, meat and dairy markets is based on existing CAP policies and commitments made as part of the 2008 'Health Check' reform, while excluding the possible effects of CAP reform post-2013 and any outcomes of on-going trade talks. Farm income is projected to fall slightly by 3.5% in the EU15 countries in contrast to the EU12 countries which would see a healthy 35% upsurge, driven in large part by restructuring and a drop in farm labour as well as the continued phasing-in of subsidies. While food prices are expected to remain high, providing a boost to exporters, volatility should continue to perturb markets over the long term. Tight market conditions are expected for EU arable crops characterised by low stock levels and low growth in yields (0.5%/year). Maize and soft wheat would see their share of total cereal area increased up to 16% and 39% respectively, while barley would decline to 21%. Growing demand for oilseeds and sugar beet from the biodiesel and bioethanol industry is expected to drive domestic supply in these sectors. However the report projects that the expiry of sugar quotas would see sugar beet increasingly replaced by isoglucose in food.

Growth in the meat sector is expected to be driven by increasing poultry and pig meat consumption, with the production of both expanding by 3.6%. But the prospects are less favourable for lamb and beef production, which are estimated to drop by 7.9% and 1.3% respectively. EU milk production is projected to increase by 7% on the back of a higher growth rate for milk delivered to dairies and the on-going fall in production for on-farm use. Elsewhere, analysts project a 6% rise in the production of fresh dairy products (including drinking milk, yoghurts), while cheese output is forecast to grow by 10% as demand ratchets up worldwide. The outlook is also positive for skimmed milk powder (SMP) which is expected to grow by 10%, with a slight increase in its world market share to reach 23% of all global exports. By contrast, the EU's global market share for whole milk powder as well as cheese and fresh dairy produce is expected to decline gradually to 27% and 20% respectively. Authors of the report stress that the current period of major volatility means that the projections have to be interpreted with caution and that modelling becomes increasingly difficult as external factors assume a greater role. The strengthening of the link between agricultural and energy markets as well as the financialisation of such markets imply that "developments in agriculture are increasingly driven by external

factors that are not inherent to agricultural markets or policies”, DG AGRI officials state. Crude oil prices and exchange rate developments have an ever more important role, they add.

*See http://ec.europa.eu/agriculture/publi/caprep/prospects2011/index_en.htm

EU farm lobby seeks changes to fertiliser trade rules

The Commission should repeal anti-dumping measures on nitrate fertilisers as disproportionately high prices for imports are harming farmers’ profitability, the EU’s farm lobby group told EU Trade Commissioner Karel De Gucht in a letter* this month. The fertiliser market has seen a series of irregular price hikes that are independent from changes in the price of natural gas and can be attributed to the concentration of monopolies in the world market, according to the letter signed by *COPA-COGECA* Secretary General Pekka Pesonen. Commenting on EU cereal harvest figures published at the end of last year [see *AGRA FOCUS*, January 2012, p.28], EU farm lobby representatives said that high fertiliser costs were crippling cereal producers and that the tight market situation was untenable in the long-term. Fertiliser costs have increased by 36.8% since 2002, they said. The EU is faced with a nitrate fertiliser deficit of over two million tonnes and farmers cannot expect any increase in domestic nitrate fertiliser production to fill the gap in the medium-term, *COPA-COGECA* writes. The EU’s executive must also work to ensure fair competition on the European market, it adds. The EU currently has anti-dumping procedures in force against Russia and Ukraine for ammonium nitrate, with the latter scheduled to expire on June 17, Commission officials say. With Russia one of the major players on the world fertiliser market and completion of its accession to the World Trade Organisation (WTO) likely this year, the EU must make fertiliser market access one of the key elements of talks between the two sides, *COPA-COGECA* adds. *Copies of the letter were also sent to EU Commissioners Dacian Cioloş (*Agriculture*) & Joaquín Almunia (*Competition*);

Billion-euro illegal pesticide trade is growing in EU, Europol warns

Trade in illegal pesticides, worth billions of euro a year, is growing across the EU, presenting a severe risk to public health and the environment, the EU’s cross-border police agency *Europol* has warned. In a statement this month (January 13), the EU’s law enforcement agency said that over 25% of pesticides sold in some Member States are thought to have come from the illegal pesticide market. Investigators suggested that the crime networks exploited legal companies to conceal their activities, with counterfeit products thought to be masked under well-known brands. The Holland-based agency pointed to one investigation in which two multi-tonne shipments of illegal pesticides – intercepted in E. Europe in May 2011 – were found to contain chemicals banned in the EU due to health-related concerns. The lack of harmonisation in the implementation of EU pesticide rules and the high profit margins have made the trade “a fast growing area of organised crime”, *Europol* states. North East Europe in particular has been targeted by criminal networks, which are highly sophisticated and have developed complex global supply chains, they add. The EU must step up its cross-border investigations, boost the cooperation of law enforcement agencies and draw up a study looking at the traceability of hazardous materials used in the illegal production of pesticides, The Hague-based agency said.

EU must counterbalance rising dominance of farm business, new report

EU policymakers must find ways to balance out the negative effects of dominant agri-business monopolies that are forcing farmer income downwards, according to a new report presented to this year’s *Oxford Farming Conference* (January 3-5). Drawn up by researchers at the Scottish Agricultural College, the report entitled ‘*Power in agriculture*’ suggests that economic and political power has been steadily shifting away from governments and supranational bodies towards mainly EU and US-based corporate business. This is having a negative impact on farm incomes and reducing their powers in the food supply chain, the researchers say. “The challenge for European and American countries is to balance corporate and farmer power whilst maintaining global power” according to the report. The paper shows that four companies account

for between 75% and 90% of the global grain trade, while seven companies control almost all fertiliser supply and three dominate nearly 50% of the seeds market. “Whilst this process may be seen to be advantageous for the countries where the Transnational Corporations (TNCs) are based, it does give rise to a dilemma for policymakers considering the negative effects of TNCs monopolistic positions in the marketplace”, the authors state. Future trade estimates suggest that the focus of power is likely to remain with the EU and US in the near future “although the BRICs countries will continue to gain in importance”.

*See <http://www.ofc.org.uk/files/ofc/papers/fully-referenced-power-report.pdf>

ENVIRONMENT UPDATE

EU ENVI AGENCY ENCOURAGES SHIFT TOWARDS ENVIRONMENTAL TAXATION

Member States could stimulate innovation, bring down pollution and cut income tax by introducing environmental taxes on non-eco-friendly goods and activities, according to reports published by the European Environment Agency (EEA) this month. In two reports* released on January 9, the Copenhagen-based agency argues that shifting the tax burden from labour to environmentally damaging activities would serve as a catalyst for ‘green’ innovation, while allowing governments to boost employment by simultaneously cutting labour tax. For advanced economies like the EU, such schemes would also boost exports of new technologies, the reports outline. Using a series of models, the report shows that emissions taxes - with the revenues used to support innovation as well as reduce income tax and social security costs – could create more than 1 million jobs, with only a small (0.04%) cost to GDP to achieve the 20% GHG reduction target at EU level. But the research makes clear that a delicate balance has to be achieved as higher prices for energy in the short-term could hit the poorest hardest, as they spend a higher proportion of income on energy. The effects of eco-taxation are extremely complex and variable, the authors stress. But in the long term “it arguably holds the key to sustained prosperity by enabling economic growth to continue within environmental limits”, one of the reports concludes. Encouraging a taxation shift was a key feature of the Commission’s Communication on Resource Efficiency** published on September 20 last year as part of the *Europe 2020 Strategy* [see *AGRA FOCUS, October 2011, p.23*]. “By 2020 a major shift from taxation of labour towards environmental taxation, including through regular adjustments in real rates, will lead to a substantial increase in the share of environmental taxes in public revenues”, the Commission said.

*See <http://www.eea.europa.eu/publications/environmental-tax-reform-opportunities> and <http://www.eea.europa.eu/publications/environmental-tax-reform-in-europe>

**See http://ec.europa.eu/environment/resource_efficiency/pdf/com2011_571.pdf

EUROPEAN PARLIAMENT NEWS

Deß retains group coordinator post after tie with McGuinness

German CSU MEP Albert Deß will retain the post of EPP COMAGRI coordinator after he rejected a proposal to share the role with Irish *Fine Gael* Mairead McGuinness following a tie vote on January 18. Both members received 15 votes, but the veteran MEP was appointed group spokesperson on agriculture on the grounds that he is older. A handful of MEPs did not turn up for the vote but EP sources are quick to point out that the German MEP is now presiding over a split group. *Halfway through the legislature – in tandem with EP President reshuffle - Committees have an opportunity to overhaul its composition and appoint a new chairperson, vice-presidents etc. With rumours circulating that De Castro is vying for the position of the next EU Farm*

Commissioner, the ex-Italian Farm Minister remains as Committee chair to steer the next decisive phase of the CAP reform process [see below].

De Castro stays on as COMAGRI Chair

Italian MEP Paolo De Castro was re-elected as Chair of the European Parliament Committee on Agriculture and Rural Development

(COMAGRI) for the next 2½ years on January 23. The Committee members also elected the four vice-chairs of the Committee Bureau. In

the only change, Polish MEP Czesław Adam Siekierski will replace fellow EPP Rareș-Lucian Niculescu from Romania. The other three vice-chairs remain unchanged. Following the debacle with the EPP COMAGRI contingent [see p.11], the situation was a little more straightforward for the other political groups - UK Liberal Democrat George Lyon (ALDE), Latvian leftist Alfrēds Rubiks (GUE/NGL) and UK Conservative James Nicholson (ECR) will remain as coordinators for their respective groups, while UKIP Stuart Agnew replaces *Legia Nord* Lorenzo Fontana for the EFD group. As expected, Luís Capoulas Santos and Martin Häusling were re-elected as the S&D and Green/EFA AGRI coordinators. Meanwhile, Matthias Groote replaced fellow German S&D

MEP Jo Leinen as the Chair of the EP Committee on the Environment, Public Health and Food Safety (COMENVI) for the 2nd half of this parliamentary mandate. Dutch ALDE MEP Gerben-Jan Gerbrandy has been appointed 1st vice-chair & is *Rapporteur* on the EU biodiversity Strategy.

EP COMAGRI CHAIR & VICE-CHAIRS			
Name	Group	Member State	Position
Paolo De Castro	S&D	Italy	Chair
Czesław Adam Siekierski	EPP	Poland	1 st vice-chair
José Bové	Greens/EFA	France	2 nd vice-chair
Janusz Wojciehowski	ECR	Poland	3 rd vice-chair
Marit Paulsen	ALDE	Sweden	4 th vice-chair

EP COMENVI CHAIR & VICE-CHAIRS			
Name	Group	Member State	Position
Matthias Groote	S&D	D	Chair
Gerben-Jan Gerbrandy	ALDE	NL	1 st vice-chair
Carl Schlyter	Greens/EFA	Sweden	2 nd vice-chair
Janos Ader	EPP	Hungary	3 rd vice-chair
Dan Jørgensen	S&D	Denmark	4 th vice-chair

EP PLENARY SESSION IN STRASBOURG (January 16-20)

EP targets high farm input costs

MEPs called on the Commission this month to push solutions that “prevent dominant positions” on the agri-input supply chain, as soaring and highly volatile input costs for energy, fertiliser, seed and feed have increased farmers’ insecurity. Voting through the own-initiative report drafted by French Green MEP José Bové at the plenary session in Strasbourg, the House urged the Commission to crack down on agri-business monopolies particularly in the fertiliser sector and earmark research funds for improving farm efficiency. MEPs said the Commission should create a mechanism for monitoring and introducing penalties “of a sufficiently deterrent and timely nature” in Member States, where monopolistic practices occur in the agricultural sector.

MEPs seek to halve food waste by 2025

The EU must take urgent action to cut food wastage along the supply chain by informing citizens and improving packaging, MEPs agreed in plenary this month. Noting that over 16 million EU citizens depend on food aid from charities at a time when households waste up to 50% of edible food, MEPs said it was our moral duty to overhaul wasteful consumption. But the EP also

underlined the economic benefits of using food more efficiently as food security and environmental concerns grow. This is an ethical, but also an economic and social problem, with huge implications for the environment, Salvatore Caronna, Italian Socialist *Rapporteur* for the non-legislative report said before this month's vote in Strasbourg. He called on the Commission to come up with "a convincing EU strategy that will steer all 27 Member States to systematically tackle the issue". Commission figures show that EU citizens waste a total of 89 million tonnes of food a year, a total which is forecast to soar by 40% to reach 126mt by 2020, if no action is taken. The majority of this waste occurs in households, but 60% of this is avoidable, the EU executive says. MEPs added that information campaigns were crucial to inform citizens about using food sustainably and to spread awareness of differing labels such as the quality-related 'best before' and safety-related 'use by' dates. MEPs also favoured measures to assist catering companies that use food efficiently, by awarding contracts to enterprises that use local produce and distribute leftover food to charitable food banks. Food packaging must also be adapted to minimise the amount of wastage, MEPs said. The House called for 2014 to be designated as the 'European Year against food waste'. Industry representatives from *FoodDrinkEurope* welcomed the report, particularly the recognition of industry practices such as using by-products to produce energy or animal feed.

Pest control products set for tighter checks

Safety checks on biocidal products used for pest and germ control such as insecticides and fungicides – but not pesticides, which fall under separate legislation – are set to be managed at EU level and will become stricter, after MEPs approved a 2nd Reading agreement on new rules for biocides this month. But management of pest control products to combat vermin, such as rat poison, will continue to be the responsibility of Member States. MEPs agreed that the use of biocidal products containing 'active' substances that pose a threat to human health should be limited to controlling the most serious threats. Meanwhile, assessment of new products will gradually be shifted to EU-level to ensure a simpler and more consistent application process. EU-level approval of products will be phased in from 2013, becoming possible for most biocides by 2020. Council is scheduled to rubberstamp the new Regulation by mid-2012, with its entry into force set for September next year. Commenting on the agreement, EU Environment Commissioner Janez Potočnik stressed that the simplification of approval procedures "will bring considerable economic benefits to European companies while ensuring a high level of environmental protection for citizens".

EP COMMITTEE FOR AGRICULTURE & RURAL DEVELOPMENT (January 23/24)

COMAGRI targets changes to CAP P1 reform plans

Fairer convergence between direct aid levels between old and new Member States, region-specific environmental requirements and a more user-friendly definition of 'active farmers' – these are among the key changes MEPs will seek to make to Commission proposals for reforming CAP direct aid. In a preliminary exchange of views (January 23) on Commission plans to reform the 1st Pillar of the CAP [see *AGRA FOCUS*, November 2011, p.2], MEPs in the Committee on Agriculture and Rural Development (COMAGRI) broadly welcomed the main objectives of the reform plans particularly on measures to assist young farmers, to maintain support for Less Favoured Areas and to allow wider scope for limited coupled aid. But a number of MEPs across the political groups said they would push for the 'greening' proposals to be better tailored to specific environmental problems faced by different Member States such as water shortages. UK Liberal Democrat MEP George Lyon called for more flexibility in the greening component, saying that the current list of three objectives was an attempt at a 'one size fits all' policy that "would not work". German Green MEP Martin Häusling sought more stringent requirements, particularly the inclusion of commitments to protect biodiversity. But some MEPs such as Polish Conservative Janusz Wojciechowski were less favourable to 'greening', claiming it was not among the core

treaty-enshrined objectives of the CAP. Elsewhere, a number of MEPs said that the proposed rate of convergence between direct aid levels among Member States was not fast enough. “We need to find a better balance without putting too much of a burden on Member States”, Portuguese Socialist MEP and *Rapporteur* for 1st Pillar reform plans Luís Capoulas Santos said. Santos appeared particularly favourable to Commission proposals for capping direct aid, welcoming suggestions that the money gained should be directed towards innovation projects. Parliament has a very tight schedule, he added, noting that its draft reports on the CAP reform will have to be compiled before the end of April.

EP *Rapporteur* seeks to strengthen farmer bargaining power

Bolstering the role of Producer Organisations (POs) and exempting them from restrictive competition laws will be the key elements of the EP’s response to Commission plans for reforming market management, EP *Rapporteur* Michel Dantin said this month. Speaking in an exchange of views in COMAGRI, the French Conservative MEP said that “if we want to prevent the need for massive public emergency spending [in the event of crises], we have to enable the sector to organise itself”. French Green MEP José Bové welcomed this emphasis, stating that while market management tools were vital, the Commission needed to deal with “the source of the fire”, by doing away with monopoly businesses controlling agricultural inputs and reconsidering competition laws. His calls follow the adoption in this month’s plenary (January 19) of two resolutions in which MEPs agreed on the need to reduce farmer input costs and to ensure stronger bargaining power [see p.12]. For his part, UK Conservative MEP Jim Nicholson called on the EU’s executive to limit the over-powerful role of the retailer in the food chain, a point that found favour with the Commission’s representative at the debate. The excessive power in the hands of major retailers is having a very detrimental effect on the income of producers and it is desirable to take measures to rectify that, the DG AGRI official said. Elsewhere, *Rapporteur* Dantin agreed with calls from some MEPs such as Spanish Socialist Iratxe García Pérez for postponing the Commission’s proposed expiry date of September 30, 2015 for sugar quotas. “We have to bear in mind the possibility of postponing the quotas to 2018 or 2020”, Dantin said. He also stressed that he intended to use his report to reinstate planting rights – currently set to expire on September 30, 2015 with a possible 3-year extension - for which there is “broad based consensus in the EP”.

COMAGRI mulls over CAP 2020 timetable

As the CAP 2020 proposals are directly hinged on the Multi-annual Financial Framework (MFF), the EP COMAGRI Committee is mulling over the procedural options available in order to advance its work on the reform package, it emerged this month. A 2½-page note circulated at the COMAGRI Coordinators’ meeting on January 24 outlines the three possible options available – i) COMAGRI waits for an agreement on the MFF before it adopts the CAP reports i.e. no negotiations before a long-term EU budget deal; ii) Before a deal on the MFF, COMAGRI votes on a mandate for negotiations i.e. adopts amendments only, without a final vote on the reports, thereby allowing more flexibility for the negotiating team; and iii) the Committee votes on amendments and reports before the MFF agreement and before talks take place with the Council. A plenary vote would be based on COMAGRI amendments only, with the file referred back to the Committee before the final vote (rule 57) – i.e. no binding position by the House until decision is taken on the MFF. No formal decision was taken at the meeting, but sources suggest that euro-deputies are eyeing options 2 and 3. Further details are expected to be fleshed out at the next meeting on February 6.

It should be noted that these options are pending a vote on a report by the EP Committee on Constitutional Affairs (AFCO) seeking to change Rule 70 of the Rules of Procedure in order to make inter-institutional talks more transparent. This report, steered by Spanish Socialist MEP Enrique Guerrero Salom, is expected to go to plenary before the summer break.

EP COMMITTEE FOR INTERNATIONAL TRADE (January 25)

INTA give green light for high-quality beef MFN quota

Proposals to open an autonomous tariff quota for imports of 48 200 tonnes of high-quality beef from 3rd Countries (US, Canada & Australia) were signed off by the European Parliament's International Trade Committee (INTA) this month (January 25), paving the way for a plenary approval of the regulation on March 13. Commenting after the vote, German CDU MEP Godelieve Quisthoudt-Rowohl (*Rapporteur*) said that this was a "win-win resolution, as the EU keeps it ban on hormone treated imports without putting European agricultural products at a disadvantage". In exchange, the US and Canada terminated trade sanctions, amounting to about €100 million, levied against EU products such as chocolate, pork, *Roquefort* cheese, mustard & onions. The MFN hormone-free import quota is expected to take effect this August.

EU green light for lactic acid in exchange for US recognition of OIE BSE rules?:

The US has previously stated that in order to be able to fill the high-quality beef quota, the EU would have to authorise the use of lactic acid to decontaminate bovine carcasses, cuts & trimmings, which is standard procedure in the States. Following EFSA's favourable scientific opinion last July [see *AGRA FOCUS, August 2011, p.15*, discussions are on-going among Member States at the Standing Committee on the Food Chain & Animal Health (SCoFAH). At the initial meeting on January 16, the main concern from veterinary experts related to the labelling of treated meat, a move which the Commission opposes claiming that it would set a precedent. Clarity is also required on whether the decontaminant would be classified as a food additive or a processing agent - if it were to be the former, the definition of fresh meat would have to be changed, Brussels sources have suggested. As the EU executive readies proposals to allow food business operators use the substance as a post-slaughter decontamination treatment, both the Irish & Dutch delegations have been vocal at the Special Committee on Agriculture (SCA) about the lack of alignment of US & Canadian legislation with OIE rules related to BSE (controlled & negligible risks) and the impact that this is having on EU beef & veal exports.

EP COMMITTEE FOR ENVIRONMENT, PUBLIC HEALTH & CONSUMER AFFAIRS (January 24)

Biodiversity-proof CAP plans, says COMENVI

The 7% 'ecological focus area' in the Commission CAP 1st Pillar plans should be increased to 10%, while the environmental provisions of the 2nd Pillar should be strengthened, Dutch Liberal Democrat MEP Gerben-Jan Gerbrandy stated this month. During a EP COMENVI debate on a draft report on the 'EU Biodiversity Strategy to 2020', the *Rapporteur* called for a 30% restoration of damaged ecosystems by 2020 and at least €5.8 billion to be allocated to the *Natura 2000* network per annum. He evoked the "weak" Environment Conclusions on biodiversity signed off by Ministers in December, which failed to include a paragraph on specific CAP biodiversity protection measures [see *AGRA FOCUS, January 2012, p.13*]. This move is a further reflection that the Environment Council is no longer the "ambassador of nature and the environment", but the 1st vice-chair of the EP Committee questioned if the Farm Council could be trusted to address the "silent crisis of biodiversity loss", which costs €450 billion/year.

The overhaul of the CAP, Cohesion & Fisheries Policies is a "golden opportunity" to integrate and mainstream the preservation of biodiversity into sectoral legislation that has the greatest impact, he added. Gerbrandy advocates the 'no net loss' approach, whereby governments and companies have to make up for the damage they cause to nature through the funding of compensation projects - similar to the 'polluter pays' principle. "This is the most effective way to stop the decline of biodiversity...subsidies that cause damage to nature must be eliminated as soon as possible - now we pay twice: we first finance the destruction of nature and then pay to fix it". To this end, he

called on Member States to identify all existing environmentally harmful subsidies and has requested the Commission to draw up an action plan in 2012 to phase them out. In terms of the next steps, the Biodiversity Resolution is up for a COMENVI vote on February 29 and will be voted at the plenary session in April.

DG SANCO NEWS

DALLI UNVEILS ANIMAL WELFARE PLANS - FALLING SHORT OF NGO EXPECTATIONS

The Commission is considering drawing up a consolidated EU legislative framework for animal welfare and intends to better enforce existing measures across the EU, according to the *EU Strategy for the Protection and Welfare of Animals (2012-2015)** unveiled this month. The Strategy proposes a shift away from a ‘one size fits all’ towards a more outcome-based approach, taking account of the diversity of climate conditions, terrain etc. across the EU and granting national capitals greater flexibility to draw up practices to address welfare issues. Speaking to journalists this month, EU Health Commissioner John Dalli conceded that the “implementation of EU directives and regulations leaves a lot to be desired” and that “infringement procedures are lengthy and expensive”. A “shift in concept is needed on how we deal with animal welfare”, he added. The European network of reference centres is one of the central planks of the blueprint - these would be mandated to develop outcome-based animal welfare indicators, provide technical and scientific assistance to authorities and stakeholders and disseminate the results of research and technical innovation. The provision of information to consumers is another motif of the Strategy - “specific communication campaigns for consumers will have to be launched in order to inform them better on the existing animal welfare standards for EU products”, Dalli stated. The EU Health Chief favours voluntary action rather than legislative proposals – “the transfer of best practice is easier when there is a voluntary regime rather than compulsory legislation”, but added that this could “serve as a prelude” to a legislative framework on animal welfare labelling. Dalli is keen to emphasise the value of European animal welfare standards and “to continue our efforts to promote animal welfare internationally and ensure that our producers are not at a competitive disadvantage with producers from 3rd Countries”.

The Strategy has been slammed by the animal welfare groups as “too cautious, lacking ambition and a missed opportunity”. Sonja Van Tichelen Director of *Eurogroup for Animals*, expressed her astonishment that “no future laws are planned and that high profile issues such as live animal transport, the cloning of animals for food and animal testing for cosmetics are not even mentioned in the strategy”. This was echoed by Peter Stevenson, Chief Policy Advisor at *Compassion in World Farming*, who regretted “some disappointing omissions” in the text. On the role of the CAP in animal welfare, he stated that it “does not get anywhere close to addressing the core issue that CAP reform needs to be doing much more to help European farmers move away from factory farming and into more humane and sustainable farming systems”. For the period 2000-2008, Commission figures indicated that some €70 million per year is dedicated to support animal welfare, of which 71% is paid to farmers through measures under the CAP’s 2nd Pillar. The draft recognises the impracticalities of a ‘one size fits all’ approach and concedes that the “net result is that animal welfare conditions in the Union fall short of a level playing field, which is required to sustain the enormous economic activity that drives the treatment of animals in the EU”.

The EU farm lobby group *COPA-COGECA* cautiously welcomed the Strategy but lamented that it “lacks concrete actions on how to better distribute along the food chain the high animal welfare production costs EU producers have to meet”. The lobby group states that the EU “must ensure when negotiating trade agreements with non-EU countries that the same standards which apply in

the EU also apply to imports”, adding that the blueprint is lacking any concrete actions. An international conference on animal welfare, co-organised by the Danes and the Commission, is scheduled to take place in Brussels at the end of next month (February 29-March 1).

NGOs expose “inhumane” animal trade with Turkey

Animal welfare NGOs* called this month on the Commission to crack down on widespread breaches of EU animal transport laws in the soaring “inhumane” trade of live sheep and cattle to Turkey. The EU’s executive must push for an EU suspension of live exports to Turkey, launch infringement cases against Bulgaria and Hungary for failing to enforce Community rules and engage in immediate talks with the Turkish authorities to end border delays, the NGOs said. Presenting the findings of four investigations by animal welfare organisations at the border between the EU and Turkey at a briefing in Brussels, NGO representatives said that 67% of the 158 livestock vehicles monitored were in breach of EU Animal Transport laws (Regulation 1/2005), with inspections exposing widespread cases of severe overcrowding, insufficient headroom as well as a major lack of ventilation and water. Long delays at the Turkish border due to defective paperwork and strict import rules have seen animals collapse through exhaustion and injury, representatives said. NGOs pointed to one case where 14 sheep out of one consignment originating from Greece died as a result of a 4-day delay. Peter Stevenson, *Compassion in World Farming’s* Chief Policy Advisor warned that the “inhumane trade has grown very quickly and with over one million sheep and cattle exported to Turkey in the last year, is now one of the world’s largest export trades”. NGO officials added that long journeys through Turkey would add to the animals’ suffering and Turkish slaughter practices – such as suspending conscious animals upside down by a rear leg – was in breach of international standards at the World Organisation for Animal Health (OIE). Animals are transported to the EU border between Bulgaria and Turkey from Hungary, Bulgaria, Austria, Greece, Lithuania, Latvia and Estonia, while trucks for their transport also originate from Netherlands, Germany, Poland, Romania and Croatia.

Responding on behalf of the Commission, Head of the Unit for Animal Welfare Andrea Gavinelli stressed that monitoring would be intensified and the Commission would step up talks with Member State authorities on the issue over the next weeks. Meanwhile, Gavinelli welcomed moves by the Danish Presidency of the EU to make animal welfare a priority during their mandate. **Compassion in World Farming, Eyes on Animals & Animal Welfare Foundation*

FARMERS WARNED OVER SPREAD OF NEW RUMINANT VIRUS IN NORTHERN EUROPE

Farmers in Northern Europe have been put on alert after a newly identified ruminant virus has spread across the Netherlands, Belgium, France, UK and Germany. The disease, transmitted through mosquitoes and midges, causes fever and reduced milk yields in cattle and even congenital deformities among new-born lambs, young goats and calves. [*The midge-borne Schmollenberg virus, that can cause deformities in new-born lambs and calves, has been confirmed on over 280 cattle, sheep & goat farms in Germany, over 70 sheep farms, several cattle & goat farms in the Netherlands, at least 20 cases in Belgium & 30 cases in France, while at least 11 cases were identified on UK sheep farms, according to latest figures at the end of this month*]. Chief Veterinary Officers (CVOs) in France, Luxembourg and the UK have put farmers on alert and are monitoring the situation closely. The Dutch delegation raised the issue at this month’s Standing Committee on the Food Chain and Animal Health (SCoFCAH) and called for European joint research into the disease and requested the Commission to instate an EU-wide notification obligation for the *Schmollenberg* virus. On the basis of a preliminary assessment carried out by the European Centre for Disease Prevention and Control (ECDC), it is “unlikely” that the virus would cause disease among humans, but it “cannot be excluded at this stage”.

Russia suspends sheepmeat imports from Germany, NL & Bel

Russian authorities have imposed a temporary ban on sheep and sheep meat imports from Germany, the Netherlands and Belgium amid concerns over the spread of the *Schmallenberg* virus in N. Europe that can cause deformities in new-born lambs and calves. Russia's import restrictions, which also cover semen and embryos, were imposed on January 17 and would remain in place until the EU provides a detailed overview of the outbreak, *Rosselkhozadzor*, the Russian state veterinary service said on January 18.

OVER 30 BRITISH FARMS ARE IN BREACH OF EU-WIDE BAN ON BATTERY CAGES

Over 400 000 hens were still being held in defunct battery cages at 32 sites in the UK, it emerged on January 11. In a surprise announcement at the Standing Committee, the British delegation confirmed that 1.14% of hens in the UK were still housed in illegal cages [see table below], despite repeated assurances that its farmers would be fully compliant once the EU-wide ban entered into force on January 1. The British authorities have pledged to resolve the issue by the beginning of next month. In the meantime, a series of inspections and regulatory actions are planned against the offending farms and any producers selling "illegal" eggs to other Member States would be prosecuted. The UK has also insisted that the non-compliant eggs will not go into the 'Class A' market. The British Egg Industry Council has described the discovery as "embarrassing" and has called on consumers to look for the 'British Lion mark' to ensure that the eggs derive from animal welfare-friendly cages. For his part, *Compassion in World Farming's* chief policy adviser, Peter Stevenson expressed his "shock and disappointment" at the news and urged the UK government "to take steps to ensure that these illegal cages are replaced with compliant systems as a matter of urgency". Retailers should not sell these eggs as the sale of battery eggs is illegal, he added. DG SANCO officials have stated that it is still too early to say if infringement procedures will be launched against London, but that it is "not excluded". Meanwhile, Commission (DG SANCO) figures indicate that there are still around 47 million hens (14.3%) still kept in conventional battery cages throughout the 14* Member States that are still flouting the rules.

Meanwhile, the British Egg Industry Council (BEIC) began legal proceedings against the UK government this month (January 3), challenging the Department for Environment, Food and Rural Affairs (DEFRA) on its refusal to impose an outright ban on imports of illegal egg and egg-containing products. "Although the government has said it will conduct checks of shell egg imports, it does not plan to check imported egg products or products containing eggs", the BEIC said. Egg producers that have invested heavily to comply with the new EU rules have expressed fears for unfair competition from non-compliant producers. But UK Farming Minister Jim Paice said that legal and practical difficulties made a ban impossible.

Number (in millions) and % of laying hens and number of production sites by farming systems in the UK (as per January 9, 2012)

	Total Number		Free range		Barn		Organic		Enriched cages		Unenriched cages	
	Prod Sites	Hens	Sites	Hens	Sites	Hens	Sites	Hens	Sites	Hens	Sites	Hens
UK	2272	37.068	1611	17.52	171	2.28	191	1.33	267	15.50	32	0.423

*Belgium, Bulgaria, Cyprus, France, Greece, Hungary, Italy, UK, Latvia, Netherlands, Poland, Portugal, Spain & Romania;

13 Member States sent legal warning for flouting laying hen rules

Letters of formal notice, the first stage in legal proceedings, have been sent to 13 Member States* following their failure to meet the January 1 deadline for phasing out battery cages for laying hens, the Commission announced this month. The Member States concerned now have two months to provide further information on their level of compliance with the directive on welfare for laying hens (1999/74/EC), agreed over 12 years ago. A further warning is expected to be sent to UK authorities in the coming weeks [see opposite]. If Member States fail to provide an adequate response, the Commission will issue a 'Reasoned Opinion' demanding compliance within two months, failing which the case would be referred to the ECJ. The new rules stipulate that all laying hens must be kept in so-called 'enriched cages' providing extra space for nesting as well as areas for perching and scratching. DG SANCO figures indicate that there are still around 47 million hens (14%) kept in conventional battery cages, with about 18 million in Italy alone. For his part, EU Health Commissioner John Dalli told Agriculture Ministers earlier this month that the EU executive would step up efforts to ensure compliance with the upcoming ban on stalls for sows, coming into force on January 1, 2013 [see p.4]. *Belgium, Bulgaria, Greece, Spain, France, Italy, Cyprus, Latvia, Hungary, Netherlands, Poland, Portugal and Romania; N.B. Malta is now compliant with the rules, as it has culled all hens previously housed in battery cages;

EU urged to investigate Germany's illegal antibiotic use of on farms

EU veterinary inspectors should be sent to investigate Germany's use of antibiotics on farms, the Parliament's Group of Greens/EFA said this month, claiming that the misuse of antimicrobials as a growth stimulant in animal feed was endangering human and animal health. Green MEPs stated that German veterinarians were not only prescribing antibiotics but also selling them to farmers, a practice that is banned in other countries such as Denmark where consequently far less antibiotics are used. The misuse of antibiotics aggravates resistance to critical medicines, the Parliamentary group said. An EU-wide crackdown on the overuse of antibiotics in the veterinary sector was a key element of Commission plans launched on November 17 for tackling the growing trend of antibiotic resistance [see AGRA FOCUS, December 2011, p.21]. The Danish Presidency of the EU is set to hold a two-day conference* on the issue on March 14/15. "The EU can no longer turn a blind eye to Germany's clear misuse of antibiotics on farms", German MEP and spokesperson on agriculture for the EP Green group Martin Häusling stated. In a letter sent to Health Commissioner John Dalli, Häusling pointed to the results of German investigations published this month, showing antibiotic resistant strains found in 11 out of 20 probes into poultry meat. Germany tops the list of EU pork production and is the 3rd largest poultry meat producer in the EU. Following the French government's announcement last November of a plan to cut the use of antimicrobial medicines on farms by 25%, German Farm Minister Ilse Aigner said on January 10 that controls would be stepped up to ensure antibiotic use is kept to a "strict minimum", with plans also to limit veterinarians powers to sell antibiotics directly to farmers. *See <http://eu2012.dk/en/Meetings/Conferences/Mar/Bekaempelse-af-antibiotikaresistens---en-faelles-indsats>

EU on alert as US tests Brazilian orange for fungicide

EU imports of Brazilian orange juice and concentrate could be required to undergo testing for the fungicide *Carbendazim*, if US testing on imports - begun in early January - finds illegal levels of the toxic chemical, it emerged this month. *Carbendazim* is used in Brazil to combat the black spot mould on orange trees and although it is not authorised for use on EU citrus fruit production, there is a Maximum Residue Level (MRL) accounting for uses in non-EU countries. The tests undertaken in the US so far have all been negative, US FDA officials have said. But the lengthy testing procedure - that can take several days - could be continued for the next six months, FDA officials stated this month. The price of orange juice futures contracts soared to a 34-year high this month on fears that the US food safety regulator might consider blocking Brazilian orange-related imports.

NEW TECHNOLOGIES

GREATER ROLE FOR BIOTECH COMPANIES IN GMO AUTHORISATION PROCEDURE?

Member States that wish to restrict the cultivation of Genetically Modified (GM) crops on their territory should seek to strike up a deal with biotech companies before a product is authorised at EU level, the Danish Presidency said in the draft paper prepared for the Council 'ad hoc' working group on GMOs at the end of the month (January 30). In the Presidency text, drawn up in an attempt to break the current stalemate on the Commission's GMO proposals [see below], Copenhagen suggests that Member States opposed to the cultivation of a certain GMO should approach the company directly to forge an 'opt-out' agreement. "If the Member State is able to reach an agreement with the notifier [biotech company seeking authorisation] on the Member State's decision to restrict the cultivation of the GMO on its territory, then the concerned Member State shall notify the Commission & the other Member states in order for its decision to restrict the cultivation of a GMO to be included in the final consent", the Presidency working document states. However, the paper suggests that in the case of no agreement, the matter would be subject to comitology rules.

During initial discussions on the revised text at the meeting, Member States demanded greater clarification on the legal & technical aspects related to the procedural change. Italy & Portugal said that this new step risked making the procedure overly complex, whereas Hungary expressed fears over the legality of the proposal. For their part, the Dutch & Czech delegations sought clarity on whether or not such a deal could be made before or after EFSA's risk assessment. Austria & the Czech Republic both insisted that the use of comitology in the case of no agreement with the biotech company concerned ran against the Commission's logic of reverting greater power back to Member States. The Danes pledged to present explanatory flowcharts and a revised text ahead of the next 'ad hoc' GMO working group on February 10. Despite strong resistance to the plans, the Presidency is keen to push for a political agreement on this dossier at the Environment Council on March 9.

PRESIDENCY DRAWS UP EP-INSPIRED GMO OPT-OUTS

Member States should be able to restrict the cultivation of Genetically Modified (GM) crops on their territory on the basis of "complementary environmental grounds" in decisions independent from the results of assessments carried out at European-level, according to a leaked working document prepared by the Danish Presidency. The 7-page draft, discussed at the *ad hoc* working group on GMOs on January 30 [see above] stresses that "the grounds relating to the environmental impact, which may arise from the deliberate release or the placing on the market of GMOs must be complementary to the [EFSA] environment impact examined during the scientific assessment". [It is interesting to note that the draft text refers to the "possibility for the Member States to restrict the cultivation of GMOs in their territory" - all references to a "ban" have been deleted from the text]. The working document provides a detailed list of opt-outs, which goes beyond the Commission's indicative list [see AGRA FOCUS, March 2011, p.25] and largely mirrors the EP position from last July [see AGRA FOCUS, August 2011, p.16] – i) prevention of a negative impact on the local environment caused by a change in agricultural practices due to GM cultivation; ii) maintenance and development of agricultural practices, which reconcile production with ecosystem sustainability; iii) maintenance of local biodiversity including certain habitats and ecosystems, natural and landscape features; iv) the absence or lack of adequate data concerning the potential negative impact of the release of GMOs on the local or regional environment of a Member State including on biodiversity or the maintenance of ecosystem services (e.g. ground water);

Furthermore, Member States should have recourse to grounds related to negative socio-economic effects, which might arise from the cultivation of GM events on its territory. These could include - i) the impracticality or the high costs of co-existence measures or the impossibility of implementing co-existence rules due to specific geographical conditions; ii) the need to protect the diversity of agricultural production; and iii) to ensure seed purity i.e. organics. Besides these two broad opt-out solutions, EU countries should also be allowed to invoke “other legitimate factors” to restrict the cultivation of a GMO on their territory” such as land use, town and country planning and other grounds in conformity with Article 36 of the Lisbon Treaty such as public morality and public policy. Member States should be authorised to adopt these decisions, “in all or part of their territory”, but the moves “should not prevent biotechnology research from being carried out provided that, in carrying out such research, all necessary safety measures are observed”, the draft adds.

Contrary to the EP request, Article 114 is set to remain as the legal basis, which the Commission deems “best suited to the proposal”. With the dossier stalled at Council level since September 2010 [see *AGRA FOCUS*, July 2011, p.26] and a number of Member States including France and Germany showing opposition towards the initial Commission plans [see *AGRA FOCUS*, August 2010, p.17], Copenhagen is keen to make this a priority during its six-month tenure.

BIOTECH INDUSTRY UPDATES

BASF MOVES GMO BASE TO US

BASF, the German chemical company, has decided to end its development of GM crops in Europe, focussing instead on N. and S. America, following longstanding EU resistance to the technology. The headquarters of *BASF Plant Science* will be moved from Limburgerhof (Germany) to Raleigh (N. Carolina, US), while the company will end the sale of biotech products aimed for cultivation in the EU, including the 2010-approved GM potato *Amflora* intended for industrial starch production. Further GM varieties still awaiting authorisation include the starch potato varieties *Amadea* and *Modena*, blight-resistant *Fortuna* (for food and feed) and a fungal-disease resistant wheat [see *AGRA FOCUS*, December 2011, p.30]. *BASF* stressed that it would continue to seek EU authorisation for those products “to maintain all options”. The move will see the loss of 140 jobs in Europe, including the closure of sites in Gatersleben (Germany) and Svalöv (Sweden). “It does not make business sense to continue investing in products exclusively for cultivation in this market ... there is still a lack of acceptance for this technology in many parts of Europe – from the majority of consumers, farmers and politicians”, stated Dr. Stefan Marcinowski, member of *BASF's* Board of Executive Directors, dealing with biotechnology.

Environmental NGOs welcomed the news claiming a victory for European consumers. “This is another nail in the coffin for GM foods in Europe”, said Adrian Bebb, *Friends of the Earth* campaigner. But Carel du Marchie Sarvaas, *EuropaBio* Director for agricultural biotechnology, called it a “sad irony” that the EU relies on imported GMOs, particularly for feed. “We’re probably paying more for them than we need to and we’re losing research jobs to the places where they’re being produced”, he said.

MONSANTO SEES NO MARKET IN FRANCE FOR GM SALES

The Genetically Modified (GM) maize *MON810* will not be sold in France in 2012 or beyond due to the unfavourable political climate, the biotech giant *Monsanto* announced this month. The US firm “considers that favourable conditions for the sale of the *MON810* in France in 2012 and beyond are not in place”, according to a statement. This follows the French government’s announcement that it intends to provide further scientific evidence proving that the insect-resistant GM strain poses a threat to health and the environment to support the continuation of the moratorium ahead of the spring sowings. Just three months after France’s highest court

deemed the three-year ban illegal [see *AGRA FOCUS, December 2011, p.30*], French Ecology Minister Nathalie Kosciusko-Morizet stated that this scientific data would be forwarded to the Commission at the end of February and should justify the reactivation of the safeguard clause.

Commenting on the move this month, the DG SANCO spokesperson recalled the previous safeguard clause triggered by Paris in 2008, which EFSA said at the time “was not worthy” on the basis of evidence provided. If further scientific data has come to light suggesting health and environmental implications linked to the GM event, the French authorities should forward the information as soon as possible, he added. Referring to the proposal for a Regulation, which seeks to allow Member States greater freedom on the cultivation of GM crops on their soil, the spokesperson added that agreement on this dossier would “avoid these sorts of difficulties”. Brussels sources suggest that the Danish Presidency intends to table a compromise proposal on the dossier in a bid to get over the current impasse at the next meeting of the ‘ad hoc’ working group on GMOs on January 30.

GM AUTHORISATION PROCEDURE

Four GM soybeans set for approval after ‘Appeal Committee’ split vote

The EU’s executive looks set to approve imports of 4 GM soybeans for import and processing but *not* for cultivation, after Member States delivered a split ‘no opinion’ vote at this month’s ‘Appeal Committee’ – the final checkpoint of the GMO authorisation procedure. Despite hopes that the newly installed ‘Appeal Committee’ would deliver a majority outcome, high-ranking delegates broadly stuck to their positions at the Regulatory Committee [see *AGRA FOCUS, January 2012, p.22*]. Belgium switched from the group in favour to abstain on the *A5547-127 and 40-3-2* events, while also shifting to vote against the *MON87701* variety. Malta left the abstainers to vote in favour of all events. The four GM soybeans have been granted the green light from the European Food Safety Authority (EFSA), which found no risks for human or animal health or the environment. The biotech dossiers will return to the Commission for likely approval in the coming weeks.

Meanwhile, Member State officials held talks at the end of the month as part of the ‘ad hoc’ working group on GMOs on how to move ahead with Commission proposals allowing Member States more flexibility as regards GMO cultivation [see *AGRA FOCUS, August 2010, p.17*]. A new compromise text on the basis of the Commission proposals is set to be tabled at the next ‘ad hoc’ working group on January 30. At this month’s gathering, delegations from the UK, France and Germany, which are part of a blocking minority of seven Member States against the proposals, reiterated their multiple reservations with the plans. The Danish Presidency has said that ending the current stalemate on the dossier is one of its key priorities, eyeing the March 9 Environment Council as a possible occasion to attempt to forge an agreement.

New GM varieties approved for food & feed imports

Imports of three GM maize varieties and one GM cotton destined for food, feed and processing gained Commission approval on December 22. A split vote among Farm Ministers at the Council meeting on December 15 ensured that the dossiers were passed back to the EU executive for final approval at the end of last year [see *AGRA FOCUS, January 2012, p.5*]. The proposed authorisations, which do not cover cultivation and are valid for 10 years, concern three Syngenta developed maize hybrid events *Bt11xMIR604*, *MIR604xGA21* and *Bt11xMIR604xGA21* as well as the GM cotton *281-24-236/3006-210-23* developed by Dow AgroSciences Europe.

NATIONAL NEWS

FORMER FARM MINISTER RE-APPOINTED IN SPAIN

Miguel Arias Cañete, who served as Agriculture and Fisheries Minister in Spain's previous centre-right government from 2000 to 2004, has been recalled to head up the department for Agriculture, Food and the Environment under the new government. Cañete, who replaces Rosa Aguilar, also served as an MEP from 1986 to 1999. Born in Madrid, the 60 year old centre-right *Partido Popular* politician was previously standing for Madrid as an opposition parliamentarian. Spain's new centre-right government of Prime Minister Mariano Rajoy was sworn in on December 22.

CV of Miguel Arias Cañete **Spanish Minister for Agriculture, Food & Environmental Affairs**

Born: February 24, 1950 in Madrid

Education & Training:

1978 - 1982 Professor at the Faculty of Law in Jerez de la Frontera

1975 – 1982 State Lawyer in the Treasury Department of Ceuta, Cadiz & Jerez de la Frontera

1974 Graduates as State Lawyer

1971 Bachelor of Law from the Complutense University of Madrid

Professional Career:

Dec 2011 Appointed Spanish Minister for Agriculture, Food & Environmental Affairs

Nov 2011 Elected National Member of Parliament for Madrid during the general elections

2008 Appointed President of the National Electoral Committee of the Partido Popular at the 16th PP Party Conference

June 2008 Appointed President of the Mixed Committee for the European Union (Lower House of Parliament). Member of the Economy and Industry Committees

March 2008 Elected National Member of Parliament for Madrid during the general elections

2000 - 2004 Minister for Agriculture, Fisheries and Food

2000 Elected as Member of the Upper House of Parliament for Cadiz

1996 - 1999 President of the European Parliament Regional Policy Committee

1994 – 1996 President of the European Parliament Fisheries Committee

1986 – 1999 Elected Member of Parliament

1982 Elected Member of the Upper House of Parliament for Cadiz chairing the Budgets Committee of the Upper House

NATIONAL BRIEFS

Greece must claw back over €400m in illicit farm aid

Greek farmers will have to return over €400 million to the government, after the EU executive said this month that State subsidies agreed in early 2009 were incompatible with EU rules. The government aid – that included tax rebates - was paid out to farmers after substantial protests in January 2009 which forced the closure of border crossings with Bulgaria and a shutdown on major motorway junctions [see *AGRA FOCUS, February 2009, p.30*]. Farmers were calling on the government to cope with economic hardships particularly in the cereals, olive oil and cotton sectors hit by the economic downturn. Commission officials say that full details of repayment will be clear, once the formal decision is adopted and published in the EU Official Journal in the

coming weeks. Greek Farm Minister Kostas Skandalidis has said that Athens will appeal the decision.

Greece must recover illegal cereal aid

Greece must claw back over €150 million worth of aid granted to the cereals sector from 2008, after the Commission declared this month that the support was incompatible with internal market rules. Athens handed out the aid to cereal farms after prices crashed on the back of a year of over-production in 2008. This clawback follows formal investigations opened by the EU executive at the end of 2010 into the State Aid, which took the form of loans to unions of agricultural cooperatives worth €150m and subsidisation of the subsequent interest.

Commission opens probe into French State Aid

A formal investigation into inter-branch levies – totalling €14 million – granted to members of the French association for the development of professional horticulture and landscape products (*Val'Hor*) was launched by the Commission this month. The EU executive has questioned the compatibility of the measure with Community State Aid rules, which financed activities such as advertising, technical assistance, research and development via a compulsory levy on the members of the horticultural organisation. The investigation covers the period from 2005 to the present day. The non-confidential version of the decision will be made public on the State Aid Register* once any confidentiality issues have been dealt with.

*See http://ec.europa.eu/competition/state_aid/register/

Poland referred to ECJ for breach of seed law

Poland is set to face legal action at the European Court of Justice for breaching EU rules on conserving vegetable seed varieties, the Commission said this month. Commission officials say that Warsaw has failed to comply with Directive 2009/145/EC, which lays out a series of requirements for conserving 'old' vegetable seed varieties - increasingly threatened by genetic erosion – such as more simplified marketing rules as well as more flexible testing and registration procedures than for seeds intended for the mass market. As a result of Poland's non-compliance, 'old' varieties are no longer sold and traditional regional farming methods could be lost, the Commission says. Following Poland's failure to implement the Directive by the deadline of December 31, 2010, the Commission issued a reasoned opinion in June last year urging Warsaw to comply with the rules. Poland was also sent a 'reasoned opinion' for failing to assess the environmental impact of open-cast mining in a *Natura 2000* conservation area at Goplo Lake in the north of the country.

German fruit syrup & Italian cheese among new protected foods

The German fruit syrup '*Rheinisches Apfelkraut*' and the Bulgarian charcuterie '*Горнооряховски суджук (Gornooryahovski sudzhuk)*' have been awarded the protected PGI label, while the Italian cheese '*Salva Cremasco*' gained PDO status, the Commission announced this month. The Spanish bean '*Mongeta del Ganxet*' was also awarded a PGI label, while the French fig '*Figue de Solliès*' gained PDO status at the end of last year. Other additions to the protected list this month include the Italian olive oil 'Vulture' and the Polish bean 'Fasola Wrzawska' (PDOs). The products will be added to the EU's list of over 1 000 protected foodstuffs.

*See http://ec.europa.eu/agriculture/quality/schemes/index_fr.htm

BEYOND THE EU

EXPORTS FROM WORLD'S POOREST COUNTRIES TO GAIN GREATER ACCESS TO EU

Exports from the world's poorest countries are set to gain greater access to the EU market, according to Commission trade and development plans unveiled this month. The 21-page Strategy* calls for a more precise differentiation between developing countries, a move away from unilateral trade preferences for goods in favour of bilateral and regional trade negotiations that take into account trade facilitation, social and environmental considerations etc. and the swift adoption of the revamped Generalised System of Preferences (GSP) [see *AGRA FOCUS*, June 2011, p.23]. The 10-year Blueprint underlines that “developing countries as a single group is losing relevant and the EU trade, investment and development policy needs to be better tailored to reflect this”. To this end, the annual €10.5 billion allocated to ‘aid for trade’ efforts should be channelled away from emerging countries such as Brazil, Russia, India, China and South Africa (BRICS), which account for approx. 17% of the value of world GDP, towards less developed countries.

For his part, Olivier Consolo, Director at the European NGO confederation for relief and development (*CONCORD*) gave a cautious welcome to the Strategy and urged against a “BRICS vs. the rest” policy approach. He called on the Commission to “show evidence that the new policy won't negatively affect their development”. “Unfortunately great inequalities and poverty levels remain and are even increasing in some richer developing countries, despite their high economic growth levels”, he added. The Communication will now be discussed in the Council and the EP, with Trade Council Conclusions expected to be tabled by March 16.

*See http://trade.ec.europa.eu/doclib/docs/2012/january/tradoc_148992.pdf

TRADE NEWS

EU-Morocco trade deal - one step closer

An EU-Morocco trade deal, which would provide immediate duty-free access to the Moroccan market for 45% of the value of EU agricultural exports, rising to 70% in 10 years, took one step closer following the green light by the EP International Trade Committee (INTA) this month. Committee members voted by 21 votes to 7 and 1 abstention to approve the deal, despite calls by French Green MEP José Bové to withhold its consent on the grounds that it would damage the livelihoods of European farmers and its lack of provisions on child labour and trade union membership in Morocco. The trade liberalisation agreement is up for a plenary vote in Strasbourg next month (February 13-16). If the House gives its green light, it is expected to enter into force once the formalities have been completed. Under the deal, full liberalisation will be achieved for dairy products (except UHT milk and WMP), cereals and oilseeds (except common wheat and durum), tinned goods and fruit and vegetables (except beans, apples and sweet almonds). For these exemptions and for other products such as meat, cured meat products and olive oil, a system of tariff quotas will be introduced, i.e. lower duty access for a fixed volume. In return, the EU will provide duty-free access for 55% of imports from Morocco, with particular attention paid to EU sensitivities for fruit and vegetables – notably in the form of TRQs for EU imports of tomatoes, strawberries, courgettes, cucumbers, garlic and clementines. A safeguard clause is also included in the deal in order to prevent trade surges.

The Commission has hailed the INTA vote as a “welcome first step”, which paves the way for a “balanced Agreement which will benefit both the EU and Morocco” once the plenum gives its go

ahead. For its part, the EU farm lobby group *COPA-COGECA* says that the deal would have “a catastrophic impact on the EU fruit and vegetables sector, especially tomatoes”.

EU reinstates duty-free access for W. Balkans

Countries in the Western Balkans* will enjoy unlimited duty-free access to the EU's market until the end of 2015 for almost all products except some farm goods under a regulation adopted on December 30. The EU agreed the special trade access arrangement in 2000 allowing most products to enter the EU duty-free on an unlimited basis, while wine, sugar as well as certain beef and fisheries products remained subject to preferential tariff quotas. Under the original agreement, the tariff regime expired on December 31, 2010. But Parliament and Council agreed that the extension of the former regime could be applied retroactively to allow exporters to claim compensation for the duties paid last year. "These trade preferences support economic integration with the EU and hence foster political stability and economic progress in the entire region," Commission officials said. The special trade preferences are likely to be of particular benefit to Kosovo which unlike other W. Balkan states does not enjoy a Stabilisation & Association Agreement (SAA) with the EU. *Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia (FYRoM), Montenegro, Serbia & Kosovo

EU to begin FTA talks with 'Arab Spring' states

The EU's executive is set to start free trade talks in 2012 with Egypt, Jordan, Morocco and Tunisia with the aim of pushing democratic and economic reforms after popular revolts overthrew several leaders early last year. EU Foreign Ministers gave the green light last month (December 14) for the Commission to open bilateral negotiations with the N. African countries in order to establish "deep and comprehensive" free trade areas. Talks should start as soon as possible, Foreign Ministers agreed last month. Commission officials say that the FTAs will go beyond existing Euro-Mediterranean Association Agreements to cover technical barriers to trade and sanitary and phytosanitary measures as well as tariff cuts. "We want to improve the conditions for market access to the EU for these four WTO members as they engage in a process of democratic and economic reform", EU Trade Commissioner Karel De Gucht said. The readiness of each country to make the necessary changes will be assessed on a case-by-case basis in early 2012, DG Trade officials stressed. "Our door is open for other Southern Mediterranean partners once the same conditions are met", De Gucht added. EU leaders gave the green light for Commission plans to step up trade links with S. Mediterranean countries in March last year [see *AGRA FOCUS, April 2011, p.23*]. But the EU farm lobby group *COPA-COGECA* has warned that further opening of the EU market to N. African countries would have a "devastating impact" on the livelihood of European fruit and vegetable producers.

WTO Panel probes Chinese duties on US poultry

The World Trade Organisation's Dispute Settlement Body has set up a panel to probe US claims that Chinese anti-dumping and countervailing duties on US broiler imports flout WTO rules. Created on January 20, the investigation panel is a response to a second request from the US' authorities, which pointed to concerns related to every phase of China's investigation. Beijing has argued the necessity of the duties claiming that US poultry product producers are benefitting from unfair subsidies, which allow them to undercut products on the Chinese market. The on-going spat between the two sides saw China raise additional duties (of 43% - 105%) in February 2010 on US-imported chicken feet and wing tips, a popular snack in China [see *AGRA FOCUS, September 2010, p.15*]. The move may also have been prompted by complaints from Chinese authorities that the US was breaching international trade rules by holding up imports of Chinese poultry products. A WTO panel was set up already in July 2009 to look into Chinese complaints over the US Omnibus Appropriations Act of 2009, which contains a section prohibiting any funds being used to process imports of poultry products from China. Since the imposition of the tariffs, American exports of those products had tumbled by 90%, analysts say.

FAO & RIO+20 UPDATES

Food prices see end of year fall, but overall record year, says FAO

Food prices fell in the final month of last year, but overall 2011 was a record year for food prices, the FAO said this month. The FAO's food price index showed a sharp decline in December 2011, driven by bumper crop harvests, slowing demand and a stronger US dollar. Improved supply outlooks for major crops saw maize prices fall by 6%, while wheat (-4%) and rice (-3%) were also down. Larger than expected supplies of vegetable oil saw stocks rise, with the FAO's oil and fats price index marking a 3% drop on the previous month. But overall the Index averaged 228 points in 2011, marking the highest average since FAO started measuring international food prices in 1990. Meat prices in 2011 were 16% higher than in 2010, while dairy products were on average 10% costlier than the previous year. Skimmed milk powder and casein led the upsurge with a 17% rise in each, the FAO reports. Meanwhile, the FAO's sugar price index confirmed a 5-month downward trend (down 18% since the July 2011 peak). The results reflected rosy forecasts for a large global production surplus over the new season, following bumper harvests in India, the EU & Russia. *See <http://www.fao.org/worldfoodsituation/wfs-home/foodpricesindex/en/>

FAO head seeks stronger ties with farm cooperatives

The UN's Food and Agriculture Organisation (FAO) will step up its collaboration with Producer Organisations and farm cooperatives, as they become increasingly important in tackling hunger, FAO Director-General José Graziano da Silva said this month. Speaking at the 2012 Thematic Social Forum in Porto Alegre, Brazil, da Silva stressed that the UN had declared 2012 the *International year of Cooperatives* in recognition of the need to promote "the multi-faceted value of cooperatives" [see p.8]. "Cooperatives are paramount to creating a new social environment and helping to organize production ... without their contribution it would be very difficult to achieve food security on a sustainable level", commented Adalberto Martins, one of the leaders of the Landless Rural workers' Movement (MST) of Brazil. The FAO is committed to seeking out and sharing evidence of the impact of cooperatives and POs on food security at the global level and to strengthening its ties with such groups, Graziano da Silva said.

FAO chief's clarion call to global Agriculture Ministers

"Agriculture Ministers from the entire world must be present at the Rio+20 meeting (June 20-22) so that agriculture commits itself to helping clean up the planet", the newly-appointed FAO chief Jose Graziano da Silva said this month. Speaking ahead of the World Social Forum (WSF) in Porto Alegre [see above], which coincides with the World Economic Forum in Davos, the Brazilian head of the UN food agency underlined that global agriculture should be part of the solution and play a key role at the Rio Summit, which will focus on building a more social and green economy. "Agriculture can contribute a lot to the planet's sustainable development, by finding techniques less harmful to the environment, by helping with clean energy and with a better redistribution of production", the 61-year former Food Security Minister added. Less than one month into the post, the FAO boss lashed out against the "roulette" of world commodities prices and called on his native country to "assume its international responsibility" in the fight against global hunger "with a new form of international cooperation" with developing countries.

Rio+20 draft sets out global agricultural vision

Governments around the world appear to have signed up to the mantra of 'sustainable intensification' of food production in the future, without expanding the use of current land and water resources, according to a draft set of conclusions* for the Rio+20 Summit in June (20-22). Drafted for the talks at this year's 'Earth Summit', the first in 20 years, the document lays out a series of sustainable development priorities for food, water and energy, which governments around the world will commit to work towards. In a paragraph on food security, States are urged to "prioritise sustainable intensification of food production through increased investment in local

food production, improved access to local and global agri-food markets and reduced waste throughout the supply chain". Meanwhile, the draft text calls on governments to promote "practices that contribute to the stability of food prices and domestic markets" as well as the use of "appropriate technologies for sustainable agriculture". Agriculture is singled out as an area where "market distorting and environmentally harmful subsidies" that impede the transition to sustainable development should be phased out, negotiators responsible for drafting the document said. The document is underpinned by a commitment towards establishing a global 'green economy' that the UN stresses is necessary to cut poverty and depletion of natural resources.

****<http://www.uncsd2012.org/rio20/content/documents/370The%20Future%20We%20Want%2010Jan%20clean.pdf>***

Food crisis warning in Sahel region

EU Humanitarian Aid Commissioner Kristalina Georgieva warned this month of a looming food crisis in Africa's Sahel region*, as food prices soar and the region enters the 'lean season' next month after failed crop harvests last year. "Nobody should have to live in fear of famine yet within months people will begin to starve unless we act", Georgieva said ahead of a 4-day visit to the region this month including visits to Niger and Chad. Seven million people already face shortages, while food prices have already soared by 40%, with some predicting a three-fold hike as the 'lean season' takes its toll, 4 months earlier than usual. As a result of severe droughts, food production deficits are as high as 52% in comparison with last year. The EU's executive announced this month that it would double its humanitarian aid to the Sahel region to reach a total of €95m. "Every year we save more than 200 000 children from severe acute malnutrition but we must and will go further", Georgieva said. **Niger, Chad, Burkino Faso, Mali & Mauritania;*
