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NOTE

From: General Secretariat of the Council
To: Delegations
Subject: Market situation and support measures
– Update from the Commission

1. Since the start of the Russian embargo in summer 2014 about 40 measures have been adopted, either as separate ones or as part of more comprehensive packages (September 2015, March 2016), to mitigate the impact of the crisis. In September, 2015 the Council endorsed a package of measures, focusing on demand and short-term, worth €500 million to address cash-flow difficulties faced by farmers, stabilise markets (notably by stimulating demand on export markets) and improve farmers' situation in the food supply chain.
2. The continued difficult situation in certain sectors led the Council and the Commission to agree on a second package of measures in March 2016, with more focus on production planning e.g. with the introduction of coordinated voluntary planning of the milk production and the temporary relaxation of State aid rules to support the reduction or freeze of milk production, as well as other measures, listed in the Annex. These measures are intended to be market-oriented and budget-neutral.

3. Since March, and while it might be too early to fully assess the impact of the already deployed measures and packages, very few positive signals can be recorded in spite of developments on export markets. In particular as regards the dairy market, the increase in milk deliveries in April this year compared to last year is less pronounced than in the first quarter of 2016, but oversupply and low prices are still characterising the market picture. A number of Member States as well as EP political groups, as evidenced at the hearing on 25 May and plenary on 26 May, are calling for more action at EU level, with possibly mandatory measures and extra EU financial support. This relates not only to support measures per se but also to the question of how to incentivise producers and operators to restore balance on the market.
4. The buying-in of skimmed milk powder into public intervention at fixed priced resumed on 20 April after the doubling of the ceiling by the Council. The new ceiling of 218.000 tons was reached in less than 6 weeks. The Commission is proposing a new increase up to 350.000 tonnes. In the meantime, a tender took place on 9 June where 36 000 tonnes were accepted. 321.000 tonnes of skimmed milk powder have been bought in so far in 2015 and 2016.
5. As announced at the May Council, assessing the support measures, especially in terms of financial constraints, will be on the agenda of the June Council. Regarding financial means, on the occasion of the WP on AGRIFIN on 19 May, delegations were already provided with information on the implementation of the agricultural budget. The Council also decided to discuss additional measures as well as additional EU-funding, including the use of the crisis reserve, in conjunction with measures to reduce production in the June Council.

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In light of the above, with a view to preparing the discussion at the June Council, the Presidency invites the Commission to provide further update on the market situation and on the implementation of the measures referred to in point 1 and 2 as well as to outline the possibilities of additional action, including additional EU-funding. Delegations will have the opportunity to make suggestions and ask questions of clarification.

Follow-up AGRIFISH Council 14 March 2016		
<i>Subject</i>	<i>Follow-up action</i>	<i>Indicative timing</i>
1 Voluntary supply management in the dairy sector	<ul style="list-style-type: none"> ● Implementing regulation activating Article 222 CMO ● Urgent delegated regulation on the basis of Art. 219 CMO extending application of the implementing regulation based on Art. 222 to cooperatives and other forms of producer organisations. 	Adopted & entered into force in April. Expiring on 12 October 2016
2 Private Storage Aid for pig meat	<ul style="list-style-type: none"> ● Possible PSA scheme for pig meat 	To be determined, based on the evolution of the market situation.
3 Doubling intervention ceilings for skimmed milk powder and butter	<ul style="list-style-type: none"> ● Proposal for amendment of Council Regulation (EU) No 1370/2013 increasing the 2016 ceilings for fixed price intervention to 100 000 t for butter and 218 000 t for skimmed milk powder 	Adopted by Council on 15 April and entered into force
3a Further increase of the SMP ceiling at fixed price	<ul style="list-style-type: none"> ● Proposal to amend Council Regulation (EU) No 1370/2013 to further increase the 2016 ceiling for buying-in skimmed milk powder at fixed price (350 000 t) 	Submitted to the Council for adoption on 10 June
4 Meat Market Observatory	<ul style="list-style-type: none"> ● Meat Market Observatory to be established for beef, pig meat ● Call for expression of interest of meat market experts launched on 14 April ● Following the call and the subsequent selection procedure, the organisations Members of the Observatory were selected and appointed on 31 May 	First meeting and launching of the dedicated website scheduled for 15 July 2016
5 High Level meeting on milk	<ul style="list-style-type: none"> ● Meeting on milk of the Agricultural Markets Task Force with High Level representatives of all Member States 	16 September 2016

		<ul style="list-style-type: none"> • Consideration of structural issues in the dairy sector with a view to drafting recommendations 	
6	Promotion	<ul style="list-style-type: none"> • Increase of the dedicated 2016 budget for promotion projects for milk/dairy and pig meat products on the internal market (topic 3), in light of the market situation, as part of the running call for proposals (deadline 28 April 2016). 	Immediately
7	International trade	<ul style="list-style-type: none"> • Promote EU interests via FTA negotiations by opening new markets for EU products and negotiating a differentiated treatment for sensitive products. 	Continued
8	EIB	<ul style="list-style-type: none"> • Commission will prioritise engagement with the European Investment Bank 	Immediately
9	Export Credits	<ul style="list-style-type: none"> • Examination of the feasibility of an export credit scheme for agri-food products • Possible EU action complementary to national schemes • On the basis of further contacts including with Member States and the European Investment Bank 	First assessment June 2016 (SCA 20 June)
10	Russian / SPS Bans	<ul style="list-style-type: none"> • Continuation of Commission efforts to lift the Russian ban, including the SPS ban • Continued efforts to lift unjustified or disproportionate SPS barriers in other third countries 	Continued
11	Exceptional aid for Fruit & Vegetables	<ul style="list-style-type: none"> • Further exceptional measures for the fruit and vegetables sector beyond 30 June 2016. 	Adoption of delegated act on 10 June with urgency procedure
12	Support for the Fruit and Vegetable sector	<ul style="list-style-type: none"> • Possible improvements to the functioning of the withdrawal system for fruit and vegetables, if appropriate, in the context of the preparation of new delegated and implementing acts for the support scheme for this sector, which are being finalised. 	Second half 2016

13	Review of the Milk Package	<ul style="list-style-type: none"> • Report on the functioning of the milk package has been moved forward from 2018 to 2016 	Autumn 2016
14	State aid	<ul style="list-style-type: none"> • State aid scheme for farmers voluntarily freezing or reducing production (compared to a reference period) for up to EUR 15.000 per farm per year (without national ceiling) in the form of a grant, loan or guarantee (for the dairy, pig meat and fruit and vegetable sectors, on the basis of a notification according to 107(3)(c) TFEU). • State aid scheme for access to finance to bridge a liquidity gap in the form of loans or guarantees (for the dairy, pig meat and fruit and vegetable sectors, on the basis of a notification according to 107(3)(c) TFEU.) • Rescue and restructuring support (under the horizontal State aid Guidelines) • State aid for closing of production capacity 	Immediately (but subject to deadlines inherent in state aid notification procedures)
15	Private Storage Aid dairy products	<ul style="list-style-type: none"> • Currently four private storage aid schemes are operating in the dairy sector, two for skimmed milk powder (SMP), one for butter and one for cheese. • These schemes provide sufficient flexibility for operators, also in combination with the possibility to sell volumes into public intervention. 	-
16	Advance payments	<ul style="list-style-type: none"> • Need for the requested flexibilities as regards payment of possible advances of direct payments in autumn 2016 are to be considered at a later stage. 	Summer 2016
17	Rural Development	<ul style="list-style-type: none"> • COM to work with MS to see where and how rural development programmes can be adjusted to make them more responsive to the current crisis 	Immediately