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NOTE

From:	General Secretariat of the Council
To:	Council
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, while it might be too early to fully assess the impact of the already deployed measures and packages, very few encouraging signals can be recorded in spite of positive developments on export markets for dairy and pigmeat as confirmed by the updates on the market situation provided by the Commission at the SCA, and at Council on 27 June. In particular as regards the dairy market, the increase in milk deliveries in May this year compared to last year is less pronounced than in the first four months of 2016, but oversupply and low prices are still characterising the market picture and the more positive developments seen for dairy products have yet to be noted for farm gate prices. To quote the last report of the Milk Market Observatory Economic Board on 28 June "Despite the overall improvement of market sentiment, a correction on the supply side is still considered necessary".
4. This difficult situation is further compounded by weather-related factors such as those presented by Cyprus in its Note on Catastrophic forest fires (10657/16) and Poland on the occurrence of drought and its impact on arable crops (11125/16).
5. A number of Member States, either individually or jointly (see e.g. the V4+4 statement set out in 8676/16, the Warsaw statement set out in 10534/16 and the ES/FR/IT statement set out in doc. 10251/16) 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 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.
6. On measures, besides the attached updated table of measures the Commission noted in particular that:
 - about 60 % of the € 420 million of targeted aid under the September 2015 package have been spent so far by 20 Member States, mostly in the dairy sector;
 - regarding voluntary agreements on milk production (art. 222 CMO) the Commission has yet to receive formal notifications that such arrangements will be used;
 - several Member States have expressed interest in making use of the State aid schemes;
 - regarding another PSA scheme for pigmeat, while the option is still on the table market developments do not seem to justify its activation;

- on financial means, activating the crisis reserve does not appear as a viable option, on the other hand, there are as yet unresolved significant uncertainties regarding what is actually available under the existing margins given what could still be paid as direct payments and/or targeted aid.
7. At Council on 27 June most delegations expressed concerns about the continued difficult market situation and reiterated their demands that new measures and additional EU support be delivered at the July Council, a call echoed by the European Council on 28 June (see para. 18, doc. EUCO 26/16). At Council it was confirmed that the Commission was working on a package of additional measures and expected to be able to present them at the July Council.
8. A few shared principles or parameters could be noted for the design of such a package, such as:
- reaffirming the market orientation of the CAP with the objective of providing the most effective support for a more competitive and sustainable agricultural sector in the EU;
 - reaffirming that actions should be based on solidarity and should respect the principles of the internal market;
 - the need for all relevant market operators to act responsibly and contribute to restoring balance between supply and demand;
 - the importance of avoiding a renationalisation of agricultural policy;
 - designing measures easy to implement and providing adequate flexibility.
9. Among the requests and suggestions made but not necessarily shared by all delegations, one could note e.g. the provision of EU financial incentives linked to voluntary agreements to stabilise or reduce milk production, temporary targeted aid, raising the *de minimis* ceiling to € 30 000, more flexibility in the use of State aid schemes, better response to the needs of small holdings, the possibility of advancing payments, intensify actions to address SPS-related trade barriers, continue promotion support, use marking of origin, continuation of measures for fruit and vegetables, a timely support mechanism for pigmeat, the strengthening of farmers' position in the supply chain, to name but a few.

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At the Council on 18 July, the Commission is expected to provide a brief update on the market situation and to unveil a new set of measures, including with a financial component, which hopefully, taking due account of budgetary constraints, will provide a solid response to Member States' concerns and which Ministers will therefore be invited to endorse.

Follow-up AGRIFISH Council 14 March 2016			
	Subject	Follow-up action	Indicative timing
1	Voluntary supply management in the dairy sector	- 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	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	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	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)	Adoption by Council on 24 June and entered into force
4	Meat Market Observatory	- 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	- Meeting on milk of the Agricultural Markets Task Force with High Level representatives of all Member States - Consideration of structural issues in the dairy sector with a view to drafting recommendations	16 September 2016
6	Promotion	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	Promote EU interests via FTA negotiations by opening new markets for EU products and negotiating a differentiated treatment for sensitive products.	Continued
8	EIB	Commission will prioritise engagement with the European Investment Bank	Immediately
9	Export Credits	- 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 presented at SCA on 20 June Questionnaire sent to delegations on 21 June
10	Russian / SPS Bans	- 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	• Further exceptional measures for the fruit and vegetables sector beyond 30 June 2016.	Delegated act adopted on 10 June with urgency procedure
12	Support for the Fruit and Vegetable sector	• 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	• Report on the functioning of the milk package has been moved forward from 2018 to 2016	Autumn 2016
14	State aid	• 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	• 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	• 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	• 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