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NOTE

From: Presidency
To: Council

Subject: Market situation and support measures
– Information from the Presidency

1. In July 2016 the Council broadly endorsed a €500 million package of measures in response to the continuing market downturn and the concerns strongly relayed by ministers. The package, addressed mainly at the dairy and other livestock sector, aimed to tackle the crisis by stabilising production and indirectly prices as well as to provide liquidity to farmers. The seven regulations giving effect to the July package were adopted on 8 September and are now being implemented.

2. It is recalled that this package comes on top of other measures over the past year in relation with the Russian embargo and continued difficult situation notably in the dairy, pigmeat and fruit and vegetables sectors, namely:
 - the September 2015 support package of a similar amount of €500 million aiming to address difficulties in cash-flow faced by farmers, stabilise markets and address the functioning of the supply chain;
 - the March 2016 package of market-oriented and budget-neutral measures with more focus on production planning, market observation, products promotion and external markets.

3. The first feedback on the aid measures adopted in July 2016 has been very encouraging as more than 52.000 farmers from 27 Member States applied to participate in the EU Milk Production Reduction Scheme using already in the first reduction period 99% of the available amount of €150 million. The overall proposed reduction is of 1.06 million tonnes in the last quarter 2016 as compared to the same period in 2015.
4. For the dairy sector some encouraging signs have been noticed since May, with small increases of prices in dairy products (notably for butter, SMP, WMP), which have been gradually growing to achieve in September their highest levels in 2016. Such increases have however still to be seen at farm gates. On the quantity side milk deliveries in the EU have started to decrease, although not in all Member States.
5. As far as the agri-food trade is concerned, recent reports from the Commission indicate positive developments with particularly well performing pigmeat (+29% compared to export values in the 12-months period one year ago), live animals (+20%) and vegetables sector (+17%). This trend should support the recovery of the prices in the above-mentioned sectors. On the beef market, no real encouraging signals have been noticed yet with the supply continuing to grow and prices to decline below the 2015 level.
6. Despite the first signs of recovery noted above, several Member States continue to express concerns about the market situation, e.g. in the beef and pigmeat sectors (see e.g. 12870/16 regarding the market impact of veterinary restrictions), and requested to keep developments under close review at the next Council meetings, as agreed at the March Council. In the light of the turbulences affecting the milk market post-quotas concerns were also expressed regarding the market impact of the termination of sugar quotas next year (see 12861/16).

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In response to these concerns the Presidency is tabling the present note and, in continuation with the practice at previous meetings of the "Agriculture and Fisheries" Council, invites the Commission to update the Council on the latest developments on main agricultural markets and to provide information on the implementation of the measures proposed in the July aid package.