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NOTE

From: General Secretariat of the Council
To: SCA/Council

Subject: Market situation
= Update from the Commission

Several market support measures have been adopted between summer 2014 and mid-2016 to mitigate the impact of the Russian embargo. They mainly took the form of comprehensive packages (September 2015, March 2016 and July 2016) and all in all amounted to more than €1.5 bn. These support packages helped to address difficulties experienced by farmers, particularly in the dairy and pig meat sector, and focused on: cash-flow measures, market stabilisation and production reduction, the functioning of the food supply chain and other measures such as the promotion of European agriculture internally and on third country markets.

More specifically regarding the dairy sector, among the measures from the last package of July 2016, the Milk Production Reduction Scheme proved to be a success, attracting nearly 44.000 farmers who agreed voluntarily to reduce their milk production by 0.852 million tonnes in the last quarter of 2016. Taking into account the additional support provided as a top-up by Member States, more than three-quarters of the total support has been directed to the milk sector.

Some uncertain recovery has been noted on the market since mid-2016, mainly in the pig meat and dairy sectors. EU agri-food exports reached a record value in March 2017, accounting for an increase of 11.3% as compared to the previous year. That has led, together with the domestic demand, to record prices for butter and a significant price recovery for cheese. Pig meat prices reached levels 30-50% higher than in 2016, largely thanks to very strong exports to China, Japan and South Korea. EU sugar prices are also catching up with high world prices, which is a positive sign on the eve of end of quotas.

In spite of these signals of market recovery, which are strong for pig meat and some milk products, the situation is still quite volatile in various sectors, which therefore require continued and detailed monitoring. Fruit and vegetables are a case in point and remain very vulnerable following the consequences of the Russian ban. Free-range egg producers are suffering from veterinary restrictions resulting from the spread of the avian influenza virus. On the dairy market, after quite steady increases in milk prices since last summer (+30%, up to 33,5 c/kg in January 2017), the prices started to become stable and even dropped slightly. April was the first month in 2017 when due to increased milk production DE, LT, NL and PL offered skimmed milk powder to public intervention.

The market situation and the implementation of support measures was last discussed at the Council meeting on 23 January. Commissioner Hogan updated Ministers on the situation in the main agricultural sectors and outlined the findings of the second milk package report (doc. 14886/16 + ADD1 + ADD2) adopted on 24 November 2016. The Commissioner noted in particular that the overall market situation was positive in almost all the sectors (dairy, pig meat, beef, fruit and vegetables, sugar), except for poultry where the situation was less encouraging due to the spread of the avian influenza virus. He also highlighted that African swine fever was still a concern for pig meat. As regards the milk package report, the Commissioner outlined that the implementation of its provisions was considered successful, despite important differences in the uptake of certain measures between Member States. The report's recommendation to extend its application beyond 2020 was largely shared by delegations.

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In response to some remaining concerns and, as a continuation of the practice at previous meetings of the "Agriculture and Fisheries" Council, the Commission is invited to update the Council on the latest developments on the main agricultural markets.
