



Council of the  
European Union

**Brussels, 8 July 2015  
(OR. en)**

**10613/15**

**AGRI 377  
AGRIFIN 62  
AGRIORG 45**

**NOTE**

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From: Presidency  
To: Council

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Subject: Market developments  
- Information from the Commission and exchange of views

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With a view to the meeting of the Council ("Agriculture and Fisheries") on 13 July 2015, delegations will find in Annex a note from the Presidency on the above subject.

## MARKET DEVELOPMENTS

1. Market developments, including the impact of the Russian import ban, have been discussed on several occasions at the Special Committee on Agriculture and Council levels. The relevance and timeliness of these discussions have been heightened by the extension, on 24 June 2015 until 6 August 2016, of the Russian ban on the import of a variety of agricultural products, raw materials and foodstuffs from the European Union, the United States, Canada, Australia, and Norway. The ban, which covers several sectors, includes beef, pork, fish, cheese, vegetables, fruit, milk and dairy products, and may be expanded to include new products.
2. At the SCA on 6 July last, the Commission pointed out that EU market support measures , including those adopted since 2014 in reaction to the ban, have contributed to mitigating market volatility, whereas EU agricultural exports have trended upward in spite of the ban's lingering effects. The value of total EU agri-food exports has thus increased by 5% between August 2014 and April 2015. Regions and sectors have nonetheless performed differently and sometimes endured difficult situations.
3. The Commission then touched on the specificities of the fruit and vegetables, dairy, meat, sugar and cereals sectors. According to its analysis, whilst the **cereals** and **meat sectors** - with the exception of pig meat - did not appear to raise particular concerns, the **fruit and vegetables sector** presented a more varied market situation with some products such as peaches and nectarines experiencing a drop in prices, and others recording positive trends, also thanks to successful promotion campaigns that opened up new outlets for European products. The exceptional market measures for fruit and vegetables adopted since the summer of 2014 expired on 30 June; approximately 160 million euros were spent on the various programmes for this sector.

4. As for the **dairy sector** the Commission observed that prices did not seem to have bottomed out yet and the market situation should remain under watch. The situation is not so much due to the Russian import ban, but mainly to the existing imbalance between a reluctant increase in demand, mainly in Asia, and an increased supply benefitting from good weather conditions and the end of milk quotas. Public intervention for dairy products is open until end September, and also the exceptional market support in the form of private storage aid for butter and skimmed milk powder remain in place until 30 September 2015.
  
5. Similarly the **sugar sector** is undergoing a period of low prices as a consequence of the accumulation of stocks on the world market and of a record EU production of 19.5 million tonnes. The Commission recalled that only last year record prices for sugar were recorded in the Union. Quantities of out-of-quota sugar for which no exports or other outlets are found, are carried over the next marketing year, counting as quota sugar. Indeed, the 2015/2016 sugar beet area is estimated to have been reduced by 15%. The Commission recalled that an expert group on sugar has recently been created on the initiative of Commissioner Hogan to discuss the transition of the sector to a quota-free environment.
  
6. During the debate that followed:
  - most delegations raised concerns about the prospects for the dairy sector and asked for either the extension of existing exceptional market measures, or the introduction of new ones such as: the increase of intervention prices, the use of export refunds for a limited period of time, the reinvestment of the super levy in the sector, direct support for producers, use of the school milk scheme as an outlet for dairy products, provisional state aid for milk, and the conclusion of free trade agreements;
  - many delegations also recalled the difficulties undergone by the fruit and vegetables sector in general, with some focussing on peaches and nectarines in particular, and asked for extended measures as a sign of political support to a hard hit sector;

- several delegations expressed preoccupation for the pig meat sector, and individual interventions also focused on the following sectors: rice, cereals, beef meat and olive oil;
- several delegations raised concerns on the sugar sector, with some suggesting to reinvest the tax currently levied from the sugar quota in the sector;
- finally, few delegations asked for caution especially in light of the limited financial resources.

7. Similar concerns were conveyed by the European Parliament in the recently adopted Nicholson report on "Prospects for the EU dairy sector – review of the implementation of the Dairy Package" and Melo report on "The fruit and vegetables sector since the 2007 reform". Both these reports call on "the EU to introduce better tools for dealing with market disturbances and help farmers to find new outlets for produce shut out of the Russian market".
8. Against this background, the Presidency will invite the Commission to update delegations on the EU agricultural market situation. This update should make it easier to assess the extent to which existing measures are adequate.

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