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**NOTE**

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From:	Presidency
To:	Council
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 7 September 2015, delegations will find in Annex a note from the Presidency on the above subject.

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**MARKET DEVELOPMENTS**

1. The "Agriculture and Fisheries" Council debated the issue of market developments in light of the impact of the Russian import ban on European agriculture most recently at its meeting on 13 July 2015. On that occasion delegations expressed concerns on the trends recorded in a variety of sectors and in particular on the dairy, pigmeat and fruit and vegetables sectors. The Commission, while recognising that the Russian ban was not the only cause of the difficult economic situation, announced the extension of the existing market measures for fruit and vegetables and milk.
2. On 7 August the European Commission extended until 30 June 2016 the safety net measures for the fruit and vegetables sector and is expected to do the same for the measures for the dairy sector. The measures currently in place set to expire on 30 September 2015, consisting of intervention and private storage aid for both butter and skimmed milk powder, will be prolonged to 29 February 2016.
3. The market situation remains challenging for a number of products . Coming on top of the extended Russian embargo, of slowing growth in China, as well as other detrimental factors such as the prolonged drought this summer, the slump in prices reflecting a supply-demand gap in certain sectors has hit hard on the European farmers putting severe pressure on farm incomes.

4. In light of this critical situation the Presidency would like to hold a debate on possible additional measures to address this worrying market situation in the short and medium term. Though the Presidency is aware that the impact of such situation varies from Member State to Member State and that a one-size-fits-all approach would not be appropriate, it is also convinced that a political drive is necessary at national and EU level to help European farmers react to the current challenge. Potential solutions should be workable, take due account of national specificities and be in line with the market orientation at the core of the reformed CAP. Furthermore, they should be mindful of budgetary constraints. In this respect one could reflect about having at least part of the funds collected by way of the 2014/15 milk super levy returned to the sector to ease its situation.
5. In order to alleviate short term difficulties and improve the competitiveness of European farmers, notably the following ideas could be considered:
- easing farmers' short term liquidity difficulties by anticipating direct payments from December to the autumn and exploiting all the flexibility available to do so;
  - providing financing under the EFSI regulation ("Juncker Plan"), notably as regards investment for the modernisation of agriculture and energy efficiency;
  - enhancing promotion measures both
    - externally: such measures should in particular address sanitary and phytosanitary-related restrictions as well as other non-tariff barriers, notably for pig meat, in third countries like Russia, Belarus and Japan, and others with which the EU has FTAs, including recently concluded ones such as with Vietnam, or other agreements (e.g. Mexico),
    - internally: a political agreement on the proposal on the aid scheme for the supply of fruit, vegetable and milk in educational establishments should be reached rapidly and provide for an adequate budget;
  - temporarily increasing the intervention price for dairy products;
  - considering the extension of the safety net measures for fruit and vegetables and dairy products beyond 30 June and 29 February 2016, respectively;

6. In addition to the above-mentioned initiatives, a deeper reflection should also be started on the medium term perspective of European agriculture with a specific focus on:
- the dairy sector: further reflection could be envisaged regarding issues such as the future role of the European Milk Market Observatory, futures market;
  - transparency and fairness along the supply chain: the on-going work of the Commission on the sharing of added-value along the supply chain, from production to distribution, should be speeded up;
  - simplification: taking into account the Council conclusions on simplification (doc. 8485/15), the Commission should give priority in the implementation of its simplification programme to those acts having the most direct impact on production costs.
7. Against this background, the Presidency will invite the Commission to update delegations on the EU agricultural market situation and outline a realistic package of measures to address it and delegations to react to this package as well as to the ideas outlined in paragraphs 5 and 6.
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