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NOTE

From: General Secretariat of the Council
To: Council

Subject: Difficult situation in milk and pig sectors
- Information from the Polish delegation

Delegations will find in Annex a note from the Polish delegation on the above subject to be presented under "Any other business" at the Council ("Agriculture and Fisheries") on 15 February 2016.

Difficult situation in the pigmeat and milk markets

Poland expresses deep concern at the development of the situation in the pigmeat market as well as in the milk and milk products market, which, as a result of the dramatic deterioration in the market functioning, *inter alia*, the extension of the embargo on Polish food products in the Russian market, is becoming critical.

In 2015, Poland consistently highlighted the difficult situation in the pigmeat and milk markets and asked for more extensive support for those markets on the part of the EU, and in particular:

- on 24 November 2015, Poland requested Commissioner Phil Hogan to accelerate the launch of private storage aid for pigmeat and to launch export refunds;
- the situation in that market and taking further measures was also the subject of a debate at the meeting of the EU Agriculture and Fisheries Council on 15 December 2015 and of the speeches delivered by the Minister of Agriculture and Rural Development, Krzysztof Jurgiel at that meeting;
- Poland also requested Commissioner Hogan to exempt the milk producers from an obligation to pay a fee for exceeding the milk quotas in the quota year 2014/2015.

The pigmeat market in Poland has been subject to destabilisation since the beginning of 2014 due to the emergence of African swine fever (ASF) cases and, consequently, to blocking the Russian market and Asian markets, which resulted in a drastic decline in pigmeat purchase prices over 2014. Since August 2014, the Russian embargo has been introduced additionally on the import of other agricultural products, including also dairy products and this affected the milk market struggling with the consequences of abolishing the milk quota system and the necessity to pay levies for exceeding those quotas.

The annual average price paid to the farmers for pigs in 2015 in Poland was lower by 12% when compared to 2014 and this is also the price lower by 12% when compared to the long-term price in the years 2010-2014. The decline in the price in Poland was one of the highest in the European Union and severely affected the further reduction in the swine production level. According to the latest statistical data, the number of pigs in Poland in December 2015 amounted to 10.6 million head and was by 6% lower when compared to December 2014. At the same time, the number of sows decreased drastically, i.e. by as many as 15%. As a consequence of those phenomena and the intra-Community deliveries from the EU countries by the end of 2015, the purchase prices fell below the production costs and the swine producers who continue to suffer losses due to the low prices, found themselves in a situation of the further reduction in the herds and number of pigs. In addition, the Polish producers have been significantly affected by the results of the restrictions related to the occurrence of African swine fever, in particular, the closure of many directions of exporting pigmeat outside the EU, although ASF in Poland is under permanent control and does not spread outside the current area.

Also in the milk market in Poland, the price situation deteriorated to a large extent as a consequence of the negative impact of the embargo on Polish dairy products in the Russian market since August 2014. This applies, in particular, to cheese which in the export of dairy products to Russia accounted for as many as 76%. So far, Russia has been one of the more important consumers of dairy products from Poland. However, in December 2014, Poland, unlike the Baltic countries and Finland, was not covered by the EU compensation for the Russian embargo on dairy products. As a consequence of those phenomena, the average milk purchase price in Poland decreased in June 2015 by almost 20% (year-on-year) and by 25% in relation to the prices from the beginning of 2014. The situation in the production and in the milk market in Poland deteriorated significantly in the summer of 2015 due to disastrous drought in the large part of the country and to the lack of feed.

As a consequence of the difficult conditions in the milk market and declining selling prices of milk products, the interest in public intervention and private storage aid mechanisms is growing. However, so far this has not translated into the improvement in the income situation of the farmers producing milk.

The market support measures available under the safety net in both markets in question and implemented so far have not brought the expected effects and are insufficient. Poland notices and appreciates the measures taken so far, including the possibility of using exceptional support provided for within the framework of the Commission Delegated Regulation (EU) No 2015/1853 providing for temporary exceptional aid to farmers in the livestock sectors. However, the envisaged financial resources will not be sufficient to significantly support the pigmeat and milk sectors.

The critical situation in the milk and pigmeat markets requires further decisive and effective actions. Taking the above into account, Poland requests the following:

- allocation of financial resources as part of exceptional support addressed to crisis-affected milk and pigmeat sectors in order to compensate for losses incurred by the producers due to the consequences of the embargo for Polish products in the Russian market and the effects of disastrous drought in 2015;
- extension of the safety net, in particular through:
 - launching mechanisms to promote and encourage the export, including export refunds for dairy products and pigmeat, for the purpose of permanent removal of existing surpluses from the EU market,
 - adjustment of the reference thresholds and intervention prices in the milk sector,
 - re-launch of the private storage aid mechanism for pigmeat and adjustment of implementation periods. The current period of its functioning, amounting to less than three weeks, did not result either in the improvement in the situation or the rise in prices, which does not guarantee the reimbursement of the incurred production costs.
- intensification of efforts to acquire new outlet markets outside the EU and to abolish non-tariff barriers.
- taking urgent measures on the EU scale leading to the lifting of the embargo and the re-opening of the Russian market for EU agricultural products. This process requires a uniform approach with respect to all EU Member States and the entire EU market and the solidarity of the EU countries exporting animal products to Russia;

- exemption of the milk producers or postponement of an obligation to pay a levy due to exceeding the milk quotas in the quota year 2014/2015, resulting from the installments referred to in the Commission Regulation (EC) No 595/2004, which must be paid by 30 September 2016 and by 30 September 2017;
- creating in the pigmeat sector, as it is in the milk market, a market observatory monitoring the situation. It is also necessary to link the observatory in both markets with intervention mechanisms.

Bearing the above in mind, Poland requests to take any possible urgent measures to help the swine producers and milk producers being, for a longer time, in a critical economic situation resulting from the crisis situation in the pigmeat and milk markets and from the factors which are, to a large extent, beyond control of the agricultural producers.