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European Union

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**NOTE**

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From: General Secretariat of the Council  
To: Delegations  
Subject: Market situation

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Further to the ministerial lunch discussion held on 15 February 2016 and in preparation of the March "Agriculture and Fisheries" Council, delegations will find attached a note from the UK delegation on the above-mentioned subject.



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24<sup>th</sup> February 2016

From George Eustice MP  
Minister of State for Farming, Food and Marine Environment

Dear Martijn

Thank you for leading the discussion at Council on 15 February about the continuing problem of low prices affecting EU farmers.

I sympathise with the position that many farmers are facing. Farmgate prices have fallen steeply and we are yet to see signs of improvement. In the UK, our dairy and pig producers have been hardest hit.

At the meeting I raised the issue of price hedging tools to create options for businesses to manage their own risks. I am very keen to support the development of futures markets in particular. We have a team within my department looking at how we could replicate the type of futures market for dairy products that currently runs in Chicago. To make that approach work, you would need very reliable market data in which the markets have confidence and faith. We need to look at this whole area of what data needs to be made available in order to facilitate a futures market in which the market speculators and market makers would have confidence. I hope we will have an opportunity to share the work we are doing at domestic level and to explore this further through the Agricultural Markets Taskforce.

Increased transparency in the dairy supply chain can also help to ensure that farmers are being treated openly and fairly and provide consumers with greater certainty about where the milk in dairy products comes from. The UK is a strong advocate of clear country of origin labelling. I would like to see this extended to dairy products across Europe. Strong consumer interest in the provenance of their food represents a huge opportunity to promote our high quality EU dairy products.

In addition, I would like to see more work at EU level to improve relationships and tackle unfair trading practices in the food supply chain. The Commission's review of the Milk



Package is an opportunity to explore new kinds of contracts and greater collaboration at farm level. The UK has experience of driving culture change in the supply chain through our Groceries Code Adjudicator. We are keen to share this with the Commission and look at ways to build on and improve the voluntary supply chain initiative which has been in place for some time

As I said on 15 February, I am sceptical about additional EU market support or intervention which would be a backward step. Such measures detach farmers from market signals, increase consumer prices and reduce the incentive for new risk hedging instruments. I am also concerned with the suggestion that we should seek to restrict the production of milk or pork in a period of low prices. This would damage the long-term competitiveness of our industry by penalising the most entrepreneurial and efficient farmers.

I hope these initial comments are helpful. I look forward to a further discussion with you and other Ministers at March Council.



**GEORGE EUSTICE MP**

