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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 Polish delegation on the above-mentioned subject.

**Poland's request for launching stabilisation measures on milk and pigmeat markets**

Market stabilisation is the objective of Common Agriculture Policy as set out Article 39(1)c of the Treaty on functioning of the European Union. In our opinion the European Commission is not fulfilling this objective at present.

During the meeting of EU Agricultural and Fisheries Council on 15 February 2016, there was a debate on critical situation in pigmeat and milk markets, basing on a request provided by Poland. The positions on the above issue were also submitted in writing by Cyprus, France and Spain. The European Commission addressed Member States which judge the situation on those markets in a similar way to present their comments and requests in writing within the deadline of 25 February 2016. The Commission committed itself to analyse the possibility to implement those requests and to present its opinion during the Council meeting in March 2016 under the context of legislative and financial framework. Those proposals will also be discussed during a meeting of Special Committee for Agriculture on 7 March 2016.

Having in mind the above, Poland would like to fully sustain its position presented during the AGRIFISH Council meeting on 15 February 2016.

Poland is more and more concerned with the development of the situation in the milk and dairy products market. Despite increasing involvement in public intervention and aid for private storage prices are going down and long-term quotations do not show signs of being optimistic with reference to improvement in the coming months. Situation in Poland is even more difficult due to the fact that prices paid to farmers are much lower than EU average. Farm gate price of milk in Poland in December 2015 amounted to 27,39 euro/100 kg and compared to the EU average was more than 10% lower.

The prolonged destabilization of the pigmeat market is also worrying. So far support measures for the pigmeat market, carried out in a very small scale, have not resulted in improvement in the market situation, including the income of farmers. The funding provided by temporary exceptional aid is not enough to significantly support this sector and the period for submission of applications for the private storage aid lasted a short time and did not solve the basic problem of elimination of pigmeat surpluses from the market. The difficult situation in the pigmeat market in Poland, according to experts, results from the fact that Poland bears the burden and effects of protecting the European Union from the spread of African swine fever. Although the disease is controlled and has been limited to a small territory in Podlaskie region, Poland suffers losses due to the lack of export opportunities. Industry representatives estimate that due to limitations on the exports of meat and meat products to some third countries, especially Asian markets (China, Japan, South Korea) the price of pigs paid to farmers is lower by 10% compared to the price which would be achieved if those limitations were not in place.

Poland also suffered particularly because of last year's drought, which has caused very serious problems in the livestock sector due to lack of feed and increase of its price.

Difficult situation in the both markets requires further courageous, decisive and effective actions. Taking the above into account, Poland requests to take any possible urgent measures to help the swine producers and milk producers being from long time in a critical economic situation resulting from the crisis situation in the pigmeat and milk markets and from the factors which are beyond control of the agricultural producers:

- allocation of financial resources as part of exceptional support addressed to crisis-affected producers:
  - in the milk sector 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;
  - in the pigmeat sector in order to cover by the aid farms producing pigs because due to low prices and African swine fever as well as Russian embargo they are in objectively worse situation compared to other Member States;
  - granting of temporary support for pig producers in Poland due to African swine fever. Pig producers in the whole Poland incur significant losses due to lower prices received. Decreasing prices by slaughterhouses is caused by restrictions on exports of meat and meat products especially into Asian markets (China, Japan, South Korea);
- extension of the safety net, in particular through:
  - launching mechanisms to promote and encourage the exports, including export refunds for dairy products and pigmeat and export credits, 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 with their increasing by ca. 10% for skimmed milk powder from the current level of 169,80 euro/100 kg and by ca. 25% for butter from the current level of 221,75 euro/100 kg,
  - re-launch of the private storage aid mechanism for pigmeat and adjustment of implementation periods. The current period of its functioning (possibility to submit requests during the period of less than three weeks), did not result either in the improvement in the situation or the rise in prices to the level guaranteeing the reimbursement of the incurred production costs;
- granting of exceptional market support measures based on Article 220(1)a of Regulation of European Parliament and the Council No 1308/2013 due to extension of the area subject to veterinary restrictions with regard to ASF despite lack of justification in epizootic situation. Extension of area under restrictions introduced by the European Commission recently caused problems for producers to sell their pigs and in case of selling drastic drop in prices;
- increasing of the current *de minimis* aid per one holding and increasing general limits for Member States;
- establishing legal basis for the fair margins for agricultural producers in the food chain;
- intensification of efforts to acquire new market outlets outside the EU and to abolish non-tariff barriers. Undertaking negotiations with third countries should take place at the EU level and not at the level of each Member State;
- 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;

- regulating the provisions on the marketing standards for meat products, especially their content;
  - 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;
  - supplement the guidelines on state aid in the agriculture and forestry sectors and in rural areas in the years 2014-2015 for assistance in eliminating the consequences for farms undergoing difficulties in the milk and pigmeat sectors, including in particular with reference to:
    - temporary suspension of financial burden, especially fiscal burden, for holdings being in difficult situation which are often threatened with bankruptcy;
    - creating of stabilisation fund for holdings which took loans for modernisation and which are not able to pay them on a daily basis due to difficult market situation,
    - exemption of the milk producers or postponement of an obligation to pay a levy due to exceeding the milk quotas,
    - compensations for milk producers which incur costs of purchasing milk quotas on the market and in the moment of abolition of milk production quotas they do not receive compensation due to that fact.
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