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NOTE

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

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 Italian delegation on the above-mentioned subject.

COUNCIL OF MINISTERS OF AGRICULTURE

March, 14th 2016

MARKET CRISIS

DOCUMENT OF ITALIAN DELEGATION

DAIRY SECTOR

Origin labelling for milk and dairy products

For a long time we are witnessing an increasing loss of interest by consumers towards dairy products, also because no policy has been fulfilled in order to understand the different needs of the consumer, which deeply changed over time. In order to provide for actions that could help to overcome this trend, the product should be better characterized, in particular through the mandatory indication of the Country of origin, both for milk and dairy products.

The Commission's report of 20th of May 2015 has highlighted that the food sector easily succeeds in tracing the origin of the products; indeed all the process is compulsory traced according to Regulation 178/2002. Therefore, the industry will not be burdened by new commitments and proper costs.

The above-mentioned report has focused the attention on the consumer and has highlighted that most of European consumers (more than 84%) clearly ask for the indication of milking place and origin labelling. This fact is "*an important purchase factor for milk and dairy products*". The report also stresses that milk origin indication provides consumers with additional information and moreover contributes for more transparent choices. Overall, origin labelling tends to be perceived by the consumers with a range of positive attributes, including quality.

Moreover, the indication of origin will be particularly useful in order to control as rapidly and effectively as possible emergencies in food safety.

Furthermore, it is worth to notice that the application of mandatory indication of origin on some products has not caused negative effects to the free market circulation; on the contrary, the consumers put more confidence in products which indicate the origin of products and other information.

Indeed, for instance it is proved that the compulsory indication of origin for meat has had an extremely positive impact in the EU market, with an increase of consumption and an improvement of the value added of the products.

For these reasons, we do believe that the indication of origin for milk could help to increase the consumption and the value added, without causing negative impacts on the free market circulation but, instead, it will strengthen consumers' confidence and also contribute to reduce the risks caused by possible crisis.

Strengthening of the bargaining power of the farmers.

The measures stated in the regulation EC n. 1308/2013 ("milk package") have not been sufficient to reach a real and effective balance for the actors within the food chain. It is necessary to make more efforts for strengthening the bargain power in order to ensuring fair standard of living for dairy farmers.

In particular, main problems come from the contractualization of the prices between farmers and industries.

Because of the complete liberalization of production and the end of the quotas, the market oscillation and volatility are weakening more and more our dairy farms.

Therefore, we believe that is important to make a greater effort to adopt proper rules that could allow to reach the target of a fairer distribution of the added value along the supply chain.

In particular, it could be helpful to state controls for the real signing of the contracts between farmers and purchasers; in particular, the controls should be carried out before the payments to the farmers in order to ensure the best transparency and check every details: from the price to the quality rules.

Moreover, it should be useful to promote the introduction of specific mechanisms for the adapting of the price during the contract period. In this context we do believe that during the contract period it is necessary to adequate the prices by considering proper economic, technical and financial indexes that should take into account of the different territories and productive specializations. This will increase more transparency and coherence in the agreements.

The system should be applied voluntarily by Member States.

This system could also be adopted in the contractual relationship in other animal sectors.

Strengthening and additional promotion and communication measures for milk products

Taking into consideration the importance of communication and the drastic decrease in consuming fresh milk, it would be worth to give a greater impulse to communication measure through large-scale communication campaigns with the aim of promoting fresh milk consumption.

These campaigns, financed with extra EU financial resources, should be carried out directly by the EU or by Member states, through the co financing of specific programmes.

Cheese private storage

In this moment, it could be useful to ensure Member States more quantities of cheese within the measure of private storage.

De minimis ceiling increased for the dairy farms

Increase in *de minimis* ceiling, and redouble it at least for the next three years.

FRUITS AND VEGETABLES SECTOR

Measure to support tomato sector

Exports towards European Union of Moroccan tomato in December 2015 and January 2016 have registered a substantial increasing compared to the same period of the last year. In particular, during 3 weeks (the last week of December- the first two weeks of January) imported quantities increased for 74% . This situation has caused an excess of the offer of the product and the consequent drop in prices of the European product.

It is worth to stress in this context that the Moroccan producers have less production costs and moreover less rules for environmental, sanitary and phytosanitary matters than the European ones. For this situation, our producers cannot compete with the Moroccan products that moreover enter in the EU market at zero duty.

In this context, the survival of the European fresh tomato sector is at risk.

Safeguard clause

Article 7 of protocol no. 1, annexed to the EU-Morocco Agreement on agricultural, processed agricultural and fisheries products, states that if the increase in import of a product granted in the same agreement causes large market disturbance and/or a damage in the production industry, the parties will immediately open negotiations in order to solve the problem adequately.

While waiting for this solution, the EU can adopt safeguarding measures that we consider necessary.

Indeed, article 194 of EU Regulation no. 1308/2013, as far as the safeguarding measures are concerned, sets up that these measures could be adopted by Commission through enforcement acts, of its own initiative or on demand of one of the member States.

In this context, we urge the Commission to assess an immediate restoration of import duties.

Withdrawal prices

Article 219 of EU regulation no. 1308/2013 states that, in order to react efficiently and effectively against threats of market disturbance caused by significant price falls where that situation is likely to continue or deteriorate, the Commission can adopt a delegated act, also through urgent procedure, in order to take the measures necessary to address this market disruption.

The adopted measures can extend or modify the scope, duration or other aspects of other measures provided for in the regulation (EU) no. 1308/2013.

The current withdrawal prices set by the EU regulations are not adequate in order to address the current situation. Indeed, the fresh tomato in this part of the year is produced in the greenhouses with a high level of inputs, in particular for the harvesting.

Moreover, the actual withdrawal prices do not take into account the difference between the main types of products: cherry and round tomato that have different selling prices and costs.

In the framework of the crisis of the fresh tomato, the Commission should adopt an exceptional and provisional support measure, which could be the same of the one adopted following the Russian ban on several European foods.

This measure should consist in an increase of the withdrawal prices fixed for the period 1st November- 31st May, that should be diversified according to the two main commercial types: “cherry” and the other commercial typologies:

For the commercial species “cherry”:

- Increase of 50% for the product intended to free distribution;
- Increase of 30% for the product for other destinations.

For the other commercial typologies:

- Increase of 30% for the product intended to free distribution;
- Increase of 20% for the product for other destinations.

Moreover, the measures should be extended also to producers who are not associated to POs.

HORIZONTAL MEASURES

Promotion and support extra EU exports

There is an important potential for exports of quality agro-food products towards extra-EU Countries, in particular from SMEs. Therefore, it is strategically important to start a medium-long term action aimed at promoting and strengthening the increase in this potential. In particular, we propose to introduce useful tools to promote investments, which will strengthen a direct and continuous commercial presence of the European enterprises in extra EU markets.

These investments should favour also the birth of network or cluster collaboration and cooperation among EU export enterprises, also in collaboration with, but not subordination to, economic entities of the destination Countries.

Evaluation on the effectiveness of intervention tools in the event of market crisis.

Among measures laid down in Regulation (EU) 1308/2013, the ones related to intervention in case of market crisis are turning out to be inadequate and extremely ineffective in order to face market crisis.

We remind that the goal of stabilizing markets is stated in Lisbon Treaty (article 39 TFUE). The recent experience has showed that the great disruptions of agro-food product markets cannot be addressed adequately through the tools currently envisaged in the EU regulation.

Therefore, it is necessary to start a deep analysis about nature, modalities, duration and intensity of the current intervention tools in order to propose their deep review within the next CAP revision, while maintaining their essential purpose of ensuring market stabilization.

Risk management and rural development

In addition to the insurance measures the rural development policy has introduced new tools for the risk management, such as mutual funds and the income stabilization tool (IST).

However, two conditions are necessary in order to trigger these tools: a decrease in revenue which should be higher than 30% (this ceiling has been fixed by WTO) and the maximum level of the support must be not higher than 65% of the revenue losses.

Fulfilling these conditions makes the new intervention tools less desirable (in fact, the 28 member States have allocated very few resources to these tools).

These limits, in particular the one of 30%, must be reconsiderated.

