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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 Belgian delegation on the above-mentioned subject.

**Agricultural markets' crisis: Belgian contribution ahead of the next Agrifish Council**

25 February 2016

For several months now, European cattle farmers, especially in the dairy and pork sectors, have been facing an economic and human situation that is barely tenable. The price drop, made worse by the closure of the Russian market, which is a major importer of European agricultural products, renders impossible fair pay for their work, and endangers their capacity to reimburse the investments they made to adapt their work instruments to the new challenges. Even the most successful and promising farms are working at a loss and are under direct threat. Moreover, in the past 15 years the number of Belgian companies has already fallen by over 40%.

Analyses show an imbalance between supply and demand. This requires a strong signal from the European Union and asks for structural and specific measures in the dairy and pig meat sector, whilst maintaining the attention required to other sectors in need of some of the proposed measures.

Belgium underlines the fact that, in general, the agricultural sector cannot be held accountable for the crisis. That is why supplementary support should be made available at the European level to implement the crisis measures.

At the Council of 15 February last, several Member States recognised the urgency of the situation.

**Belgian proposals**

**Reinforcing the producers' organisations and the position of producers in the food supply chain**

In a horizontal manner, producers' organisations can play an important role in the management of the crisis. If they take crisis measures, they should be compensated financially through European support. Additionally, producers' organisations in the livestock sector should be provided with support to develop operational programs aiming at strengthening the position of farmers and at improving the balance between supply and demand.

Moreover, producers' organisations could work on temporary, voluntary and financially supported reductions of the European supply.

### **Short term measures**

Belgium asks for measures financed by European means. Member States or regions could take one or several of the following measures:

#### **- Measures to lighten producers' fixed costs:**

1. Financial incitation for dairy and pig meat farmers to partially limit the renewal of their herds in order to reduce the fixed costs of their exploitation;
2. Support for grazing and thus encouraging dairy farmers to increase the part of roughage in cattle feed. This will reduce producers' dependency on cattle feed and reinforce the link between production and soil and finally valorise grass production;
3. Enhanced solidarity at the benefit of young farmers by the possibility to install new support mechanisms in the direct aid scheme for young dairy and pig meat producers;
4. Measures to facilitate the access to credit. Investment-related bank obligations require farmers to produce under any circumstances. A more flexible term for credit would enable producers to adapt their production in order to limit financial losses.
5. Additional measures for investment and innovation in several sectors.

#### **- Measures to stimulate consumption:**

1. European promotion campaigns focused on raising awareness among citizens about the quality of European products and their origin;
2. To amplify and to reinforce the existing instruments for the free distribution of food by food banks and charitable organisations.

## Medium and long term measures

1. A better market monitoring through a more proactive and efficient functioning the European observatory:
  - a. Establishment of a price observatory for the pork and bovine sector (that monitors production and slaughter levels, insemination levels...)
  - b. To extend its monitoring with respect to production costs and profit margins
  - c. Development of early warning and crisis prevention mechanisms in order to empower operators

This monitoring should take into account the characteristics of each Member State or geographical area.

2. To develop mechanisms for a fairer distribution of the added value in the supply chain;
3. To accelerate the work of the Task Force for the Agricultural Markets and the High Level Forum on the Functioning of the Food Supply Chain;
4. A study on an income stabilization instrument, carried out by the European Commission.
5. Increasing efforts related to export – Lifting of sanitary restrictions:
  - a. Acceleration of the dialogue with Russia in order to lift the sanitary restrictions because of the African swine flu
  - b. Opening of new markets / export support

The economic contacts are important, but cannot be realised without an agreement on the non-tariff barriers, mainly concerning sanitary and phytosanitary (SPS) issues.

Belgium would like to come to an integrated approach of the SPS talks in every internal discussion. Such coordination with the DG Health and the DG Trade will in the end lead to stronger arguments and the opening of new markets. Within this framework, it is important to look for a system that is feasible and efficient, in order to swiftly come to a concrete political and technical export agreement.

Belgium is convinced that we need to accelerate the ongoing negotiation process in order to achieve concrete results.

Finally, it is necessary to implement a system of European export guarantees or insurances for agricultural and food products, as is the case for other exporting sectors.

### **International trade negotiations**

European farmers should not be disadvantaged by international trade agreement, such as TTIP. Agriculture may not be used as a bargaining chip for any agreement negotiated between the European Commission and a third country.

Belgium reiterates its demand to assess the impact of such agreements on agriculture and keeps asking for a cumulative impact study on the recently agreed and ongoing negotiations.

### **National tax measures and social measures**

Belgium asks the Commission to give Member States the possibility to use tax instruments or instruments related to mandatory national contributions to alleviate the financial pressure on farmers and thus support the sector. This is not about giving direct support. It rather aims at reducing some burdens on farm sectors in difficulty.

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