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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 Spanish delegation on the above-mentioned subject.

**PROPOSALS OF THE SPANISH DELEGATION REGARDING THE DIFFICULTIES
FACING CERTAIN AGRICULTURAL MARKETS**

The worrying situation that certain agricultural and livestock sectors are facing in the European Union (EU) makes it necessary to adopt measures at EU level to alleviate farmers' situation. At the meeting of the Council of Ministers for Agriculture on 15 February, the Spanish delegation outlined the difficulties facing dairy sector, pigmeat, and fruits and vegetables producers. Bearing in mind that this difficult situation is applicable to many countries in the European Union, the Commissioner for Agriculture and Rural Development has asked the Member States for proposals to tackle it, with the objective to open a debate on those measures at the meeting of the Council scheduled for 14 March.

This document includes the Spanish proposals to be submitted to the meeting of the Council of Ministers for Agriculture on 14 March 2016.

1. Dairy sector.

It appears that the imbalance between existing supply and demand in the European dairy sector will not be corrected until the end of this year, at the earliest, according to all the analysts. Meanwhile, the prices paid to farmers in all Member States continue to fall. The extraordinary measures announced at the meeting of the Council of Ministers for Agriculture on 7 September did not have the desired effect on prices. If no corrective measure enabling supply to be rebalanced with demand is taken in the short term, many farms will be led to shut down their installations as they will not be able to maintain their activity.

Therefore, we propose the following measures¹:

Interim measures:

1. **Intervention price.** Temporary increase of the intervention price for skimmed milk powder and, where applicable, butter for a strictly limited time, to enable a minimum amount of those products established in advance to be withdrawn from the market.
2. **Private storage.** Analyse the possibility of making the application of private storage measures more flexible, with the aim to encourage a more extensive use of this measure by operators.
3. **Promotion.** Exceptional measures to promote consumption at the internal level and in third countries. It is necessary to insist on the need to consolidate and open up external markets and to develop procedures to avoid the fall of demand in the internal market.

¹ Many of these measures have already been proposed by Spain at different meetings of the Council during 2014 and 2015.

Although the Commission has included the dairy sector and the pigmeat sector in the annual work programme on information and promotion measures and has allocated €30 million for promotion of those sectors, it could go further by applying the exceptional measure covering market disturbances, lost confidence or specific problems, according to which the sector's financial contribution could be reduced to the minimum possible, standing at 15%.

4. **Agreements during periods of serious imbalances.** Application of Article 222 of Regulation 1308/2013, thus involving the sector in reaching agreements and decisions to alleviate the current situation of market imbalance. It seems clear that the circumstances have arisen permitting this Article to be triggered since the measures adopted until now (public intervention and private storage) have not produced results. The possibility of reaching agreements to stabilise the sector, with measures such as product withdrawal, product transformation, storage, planned production, etc., could be very effective in the current state of market saturation.

The novelty of this tool makes it necessary for the Commission to present guidelines specifying the limits of the actions adopted and guaranteeing that they do not undermine the functioning of the internal market. In this regard, the Commission must guarantee that the burden of rebalancing supply and demand does not unjustifiably concentrate on certain Member States or production regions.

5. **Credit.** Provision to livestock farms of access to credit through existing financial instruments, ensuring they have the necessary liquidity to enable them to maintain their activity.

Structural measures.

6. **Crisis management tools.** Optimisation of the use of the tools available in Regulation 1308/2013 promoting the use of the Milk Market Observatory in order to include estimates of medium-term market performance as well as indicators defining different crisis levels and the tools applicable in each case for each crisis level. Although the Milk Market Observatory has brought notable transparency to the sector, it cannot by itself provide solutions to crisis situations like the present.
7. **Risk management.** Analyse the possibility of developing new support tools for farmers through the application of risk management or revenue protection measures.
8. **Coupled payments.** Greater flexibility in the design of coupled payments, so that Member States may tackle the demands of sectors in difficulty more quickly, directing aid to the more vulnerable dairy cattle farms.
9. **Rural development aid.** Greater flexibility in prioritising dairy cattle farms in the granting of rural development aid.
10. **High-Level Group.** Creation of a High-Level Group whose purpose would be to analyse the application of the “Milk Package” and in particular to improve the position of livestock farmers in the milk and milk products value chain, so that their position may be strengthened in crisis situations like the present.

11. **New markets.** Urgent actions at an EU level to open up new export markets as well as to remove tariff and non-tariff trade barriers.

2. Pigmeat sector.

The pigmeat sector is characterised by its clear market orientation and therefore its ability to adapt better to periodic volatile situations. During the current state of imbalance between supply and demand, the private storage measure implemented by the Commission last January has had little effect on the prices received by farmers. Notwithstanding whether the market situation justifies the relaunch of the private storage measure, it is necessary to analyse the implementation of additional measures. Therefore, we propose the following measures:

1. **New markets.** Measures to improve access to new export markets and to get the sanitary ban imposed by the Russian authorities on EU pigmeat lifted.
2. **Market Observatory.** Creation of a Pigmeat Market Observatory similar to the existing milk market observatory, in order to improve available information about the sector.
3. **High-Level Group.** Creation of a High-Level Group to analyse the current and future situation of pigmeat in the European Union and in particular to analyse the most suitable market regulation and crisis management tools for the sector.
4. **Promotion of consumption.** Measures to promote consumption and provide information on healthy meat consumption habits, both in the internal market and in third countries.
5. **Aid for investment.** Provision of access to investment support measures to farms within the framework of Pillar II of the CAP, to help pig farms adapt better to environmental and climate change challenges to help them access innovation aid.

3. Fruits and vegetables.

The Russian embargo on EU exports of agricultural products has had a very noticeable effect on the fruits and vegetables sector. This is added to the periodic difficulties affecting this sector arising from the significant influence of weather conditions as well as from the competition posed by imports of certain products from third countries, such as tomatoes.

In these circumstances, many products have recorded this winter the lowest prices in recent years and in some cases the lowest prices in the last decade. However, on many occasions, instead of using the crisis management measures foreseen under operational programmes, farmers have preferred to destroy harvests directly or to sell them on the market thus ruining prices even more.

The maximum amounts of support for market withdrawals established by Regulation 543/2011 represent a small percentage of the production and sorting costs of the product, so that these costs must be borne mostly by the farmer in order to be able to use the crisis management measures.

Therefore, it is necessary to revise those amounts upwards, so that crisis management measures within the framework of the operational programmes effectively fulfil their objective. Especially when this increase barely has budgetary implications, since the regulation limits by value and by volume the product amounts which can be intended for crisis management measures. In addition, it shall be noticed that this is a very market-oriented sector in which crisis management measures just represent around 0.5% of the volume marketed by the producer organisations.
