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NOTE

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

In September 2015 the Council broadly endorsed a €500 million-worth package of measures in response to the continuing supply-demand gap on several agricultural markets which, combined with other factors, resulted in a worrying situation for European farmers . As indicated in the conclusions drawn by the then Presidency at the informal meeting of Agriculture Ministers held on 15 September 2015, the effectiveness of this package would be evaluated in the following months.

It is recalled that this package supplemented other measures already undertaken, e.g. in relation with the Russian ban, and includes:

- a targeted aid package of €420 million, divided by Member State through national envelopes, supporting farmers in those sectors hardly hit by the difficult market situation;
- private storage aid for cheese;
- improved private storage aid scheme for skimmed milk powder;
- increased rate of advances of CAP Direct Payments and certain Rural Development measures;
- increase in EU funding under 2016 Annual Work Programme for promotion;
- humanitarian assistance;

as well as various initiatives outside the package proper such as:

- further intensification of efforts to tackle non tariff barriers in third countries;
- strengthening of the Milk Market Observatory and the establishment of the Task Force for the Agricultural Markets;
- rapid political agreement on the proposal on the school scheme for fruit and vegetable and milk;
- complete implementation of financing opportunities proposed by the European Fund for Strategic Investments.¹

Currently all the measures meant to address the short-term imbalances have been adopted and are implemented to a varying extent, while others impacting the longer term still need to be completed.

In light of the continuing difficult situation in several agricultural sectors, notably the dairy, pig meat and fruit and vegetables sector, the Presidency decided to hold a first exchange of views on the subject during a ministerial lunch on the occasion of the February 2016 AgriFish Council. Such debate was intended to prepare the formal discussion scheduled for the March 2016 AgriFish Council.

With a view to preparing this discussion and facilitating the assessment of the 2015 aid package by the Commission, delegations were invited to send their concrete proposals on possible future measures to address the difficult market situation in various agricultural sectors. Proposals and the ensuing discussion should take due account of the current legal and policy framework, as well as of the tight budgetary constraints.

The annexed table summarises the measures put forward by delegations: to the extent possible measures listed in the second column are organised by sector, intended duration (short- vs. medium/long-term) and nature (e.g. storage vs. export promotion). Endnotes recall the measures currently in force or recently enacted.

This table is only intended to facilitate further discussion and is without prejudice to the full contributions received from delegations and set out in doc. in docs. 5882/16, 5886/16, 5892/16, 6128/16 + COR1, 6484/16 + ADD 1 to 24.

¹ For a more comprehensive overview of existing measures, see doc. 13541/15.

The more than 100² measures and initiatives listed in the table roughly fall into five categories:

- Extension or reactivation of existing measures, e.g. storage;
- Flexibility in implementing the current regulatory framework, e.g. as regards the recovery of penalties;
- Accelerating already launched initiatives, e.g. addressing unfair trade practice in the food supply chain;
- Preparatory/supporting actions e.g. studies or setting monitoring bodies
- New measures, e.g. support to producers who voluntarily reduce their milk production;

Most of these measures are about better and more flexible implementation of existing tools and legislation while others would impact the existing regulatory and budgetary framework. Although it is difficult to assess the degree of support enjoyed by the proposed measures given the nuances in formulation and that delegations did not systematically react to proposals tabled by others, one can note that several proposals are shared by a number of delegations, e.g. additional promotion measures, while a few others are attracting diverging views, e.g. support to voluntary reduction of production.

As illustrated by the wide range of measures and initiatives listed at Annex and taking due account of the specificities of the various sectors and markets concerned, issues to be addressed are of a short-term as well as a more structural, long-term nature. It will be for the Commission to assess what is feasible when, from these measures taking due account of the current legal and policy framework as well as of the tight budgetary constraints.

It seems however advisable that the Council put such an assessment in a proper policy context. The package, which has been agreed last year, has not yet been fully implemented by Member States and will therefore not produce its full effect before some time. As noted above this package was designed mainly as a short-term response, largely focused on the demand side, to the prevailing supply-demand gap: whatever its final impact and while all the means provided under the package should be put to full use, the current situation would therefore call for a reflection on the supply side of the market as well as on more structural factors.

² In fairness to delegations` contributions and while attempting at presenting measures in as compact a manner as possible some measures are presented as separate ones although they may differ in formulation more than in substance.

At the SCA on 7 March the Presidency would therefore like to invite delegations to provide their views, taking due account of the specificities of the various sectors and markets and of their inherent volatility, on:

1. How could farmers and other operators be encouraged to adapt their production to the evolution of demand in full respect of the market orientation of the reformed CAP and the market freedom of operators?
2. Several of the measures proposed by Member States would require the use of financial means from the EU budget. Would delegations be prepared to support the use of the crisis reserve to finance those measure, in light of the severity of the situation on the market?
3. The current tools provided for in the CAP, in particular by means of direct payments and rural development programmes, seems insufficient to accompany the necessary structural adjustments in the agricultural sector. What needs to be improved? Structural adjustments to improve the market orientation, for example taking out overcapacity in the market, needs to be considered. In this respect how can the European Investment Bank as well as national banks play a role in facilitating or stimulating these and other necessary structural adjustments of the agricultural sector?

Possible measures in response to the market situation

Sector	Measures ⁱ
I. Dairy ⁱⁱ	<p data-bbox="336 416 533 450"><u>A. Short-term:</u></p> <ol data-bbox="336 465 1458 1944" style="list-style-type: none"> <li data-bbox="336 465 954 499">1. temporary increase in the intervention price; <li data-bbox="336 517 1401 584">2. exceptional promotion measures, both on the internal market and towards third countries; <li data-bbox="336 607 963 640">3. the creation of a European export credit tool; <li data-bbox="336 658 1414 725">4. exemption of the milk producers or postponement of an obligation to pay a levy due to exceeding the milk quotas in the quota year 2014/2015; <li data-bbox="336 748 1098 781">5. increasing the intervention ceilings for butter and SMP; <li data-bbox="336 799 1422 911">6. revision of the PSA for SMP reducing the minimum number of storage days and removing the 10% penalty for product withdrawn from storage before the maximum of 365 days; <li data-bbox="336 929 1458 1041">7. allowing for an increase of the quantitative limit for buying SMP into intervention at a fixed price for 2016 and extending the intervention buying-in period to beyond the 30 September deadline to Q1 2017, if necessary; <li data-bbox="336 1059 1442 1126">8. increasing the quantitative limit for buying butter into intervention at a fixed price for 2016; <li data-bbox="336 1144 1449 1211">9. extending the duration of the PSA for cheese and improving its allocations, e.g. by making unused quotas available to interested Member States; <li data-bbox="336 1234 1070 1267">10. maintaining and making PSA schemes more flexible; <li data-bbox="336 1285 1414 1352">11. adopting in 2016 exceptional temporary support measures similar to the ones of 2015; <li data-bbox="336 1375 1449 1442">12. increasing the aid level (euro/100kg), for the current and the following year, under school milk scheme; <li data-bbox="336 1464 1442 1498">13. maintaining the scope of the products eligible for the EU School milk scheme aid; <li data-bbox="336 1516 1385 1583">14. encouraging the transfer of production from cow's milk to sheep/goat milk or meat; <li data-bbox="336 1606 1347 1673">15. introducing measures for market support (financial aid through operational programmes) of producer organisations; <li data-bbox="336 1695 1414 1762">16. support for grazing to reduce producers' dependency on cattle feed and valorise grass production; <li data-bbox="336 1785 1406 1852">17. prolongation of the private storage aid and intervention for butter and skimmed milk powder; <li data-bbox="336 1874 1401 1942">18. introducing in the PSA scheme the possibility to export stocks at the end of the period;

B. Medium/long-term:

1. permanent review of the reference thresholds and intervention prices;
2. defining different crisis levels on the basis of objective criteria, determining early warning and crisis prevention mechanisms, and providing tools to support holdings, production areas facing strong market imbalance;
3. a mechanism of EU support granted to producers who voluntarily reduce supply in times of falling prices through production reduction withdrawal, processing, storage or other production planning;
4. more structuring measures to modernise the sector (innovation and modernisation support, better segmentation and promotion of 'meats', new markets, etc.);
5. mobilisation of the Juncker Plan for operators upstream and downstream of the sectors;
6. financial instruments set up at European level(with the support of the European Investment Bank), e.g. to help the most indebted holdings;
7. work on the distribution of added value and sectoral dialogue and on the rebalancing of trade relations within the food chain with a view to establishing rules which penalise bad practices;
8. discussion on holdings in areas with natural constraints, less-favoured or ultra peripheral areas;
9. intensification of efforts to acquire new markets outside the EU and abolish non-tariff barriers,
10. reopening the Russian market;
11. making it mandatory for first buyers to buy a certain % of raw milk produced locally (no additional EU cost);
12. if the situation does not improve in 12 months, imposing a restriction of production and payment of a super levy;
13. establishing a working party to determine the value of the production on one kg cow milk in EU and set a minimum price of the raw milk, under which the holdings will not be viable;
14. strengthening the farmers' bargaining power and allowing for a fairer distribution of the added value along the supply chain e.g. through contractualisation;
15. creation of a special High Level Group to solve the structural problems of the sector and submit proposals;
16. considering proposals for a central supervision system and a mechanism to balance dairy production across the EU and ensure prices for producers which are above costs;
17. considering new risk management tools or tools to protect profit margins;
18. more flexibility in the use of coupled support;
19. more flexibility in prioritising milk producers in Rural development;

II. Pig meat ⁱⁱⁱ	<p><u>A. Short-term:</u></p> <ol style="list-style-type: none"> 1. reopening and improving private storage aid, e.g. through extended duration and list of products or the introduction of national ceilings; 2. introducing in the PSA scheme the possibility to export stocks at the end of the period; 3. introducing a measure to reduce the number of sows put in production to adjust it to breeders' fattening capacities; 4. diplomatic action to lift the health embargo on pig fats and offal, and other products not covered by the political embargo; 5. direct and immediate financial aid to farmers; 6. a mechanism of support granted to producers who voluntarily and temporarily reduce their production volume, e.g. through POs; <p><u>B. Medium/long-term:</u></p> <ol style="list-style-type: none"> 1. reopening the Russian market; 2. introducing effective measures to open and sustain new export markets by working on both tariff and non-tariff issues; 3. implementing substantial exceptional promotion measures at European level. 4. creating a European market observatory; 5. granting exceptional market support measures based on Art 220(1)a of the CMO in relation to ASF despite lack of justification in epizootic situation; 6. setting up a crisis management tool funded by savings from the CMO budget to tackle market disturbance; 7. introducing support for producers' organisations on the basis of the F&V sector model (including voluntary regulation of the supply); 8. creation of a High Level Group for pig meat; 9. financial support for investment; 10. not implementing new environmental and animal welfare requirements until all Member States have met the existing requirements and the crisis is over;
III. Fruit & vegetables ^{iv}	<p><u>A. Short-term:</u></p> <ol style="list-style-type: none"> 1. continuation of exceptional measures introduced in 2015; with equal support for producers who are members of a producer organisations and non-member producers; 2. increasing withdrawal prices; 3. identifying and promoting new support measures/schemes, e.g. compensation for income loss; 4. review of the quantities eligible for implementing the exceptional measures under Regulation 1369/2015, by allowing for re-distribution of the quantities not used and from one category to another, as well as for including new eligible products;

	<ol style="list-style-type: none"> 5. adoption of safeguard measures to protect the EU market from Moroccan tomatoes; 6. enlarging the scope of destinations of market withdrawal; 7. promotion and information measures; 8. continuing green harvesting and non-harvesting; <p><u>B. Medium/long-term:</u></p> <ol style="list-style-type: none"> 1. reviewing the current regime in order to ensure better targeting of the support in all Member States; 2. introducing changes to the scheme of support for F&V producer organisations by operational programmes (increased percentage of EU funding, coupling of the amount of annual investments with the number of members); 3. withdrawals should no longer be financed through the operational funds of the producer organisations but be funded separately, and greening should be treated as agri-environment commitments for the purposes of complying with the minimum environmental framework; 4. increase of the financial envelopes for the implementation of the School Fruit and Vegetable scheme for the school year 2016-2017; 5. reform of the entry price system for fruit and vegetable from third countries;
<p>IV. Other sectors and horizontal v</p>	<p><u>A. Short-term:</u></p> <ol style="list-style-type: none"> 1. additional targeted financial resources to compensate for losses incurred by the producers as a consequences of the Russian embargo 2015 drought, etc.; 2. allowing the payment of advances for farmers in 2016 as in 2015; 3. temporary increase of the current ceiling for the de minimis -support; 4. making specific provision for measures to deal with volatility in the Block Exemption - State Aids regulations; 5. more flexibility in the implementation of the EAFRD funded investment projects (not applying penalties and not recovering the funds already paid for cases when initial objectives cannot be achieved and/or the farm needs to restructure - temporary derogation from the application of eligibility rule on producers with economic difficulties); 6. introducing a new EU exceptional crisis package based on direct income support to every Member State as done in September 2015, allowing for national top-ups; 7. introducing new private storage aid schemes; 8. financial support to dairy and pig meat farmers to partially limit the renewal of their herds; 9. a new support mechanisms in the direct aid scheme for young dairy and pig meat producers; 10. measures to facilitate the access to credit; 11. measures for investment and innovation in several sectors; 12. increase of the Less Favoured Areas/Areas with Natural Constraints payment rate;

B. Medium/long-term:

1. introducing mechanisms to promote and encourage exports for dairy products and pig meat,
2. introducing export refunds for dairy products and pig meat;
3. alternative income safety net system using income indicators (e.g. agreed normative per hectare income) based on the FADN to address crisis situations;
4. a new EU instrument for insurance or compensation of income loss to farmers;
5. more transparency and robust market surveillance/analysis monitoring producers' margins, production costs and market trends and not only prices of agricultural products;
6. enhancing the country of origin labelling for milk and meat in processed products;
7. regulating the provisions on the marketing standards for meat products, especially their content;
8. maintaining of the NCA support as well as coupled support payments;
9. a new income stabilisation tool in the first pillar of CAP;
10. further consideration of price hedging tools/futures markets, fixed-price contracts and financial instruments taking account the cash flow impact of downward price cycles of commodities;
11. strengthening of and financial support for creation, operation, and investment of producer organisations and inter-branch organisations;
12. revising the conditions for use of the European Globalisation Adjustment Fund (EGF) to help farmers who lost their main source of income or that are restructuring their operations;
13. reinforcing the farmers' bargaining position in the food supply chain by introducing compulsory minimum contractual elements;
14. tackling unfair trading practices in the food supply chain;
15. establishing legal basis for the fair margins for agricultural producers in the food chain;
16. accelerating the work of the Task Force for the Agricultural Markets and the High Level Forum on the Functioning of the Food Supply Chain;
17. supplementing the guidelines on state aid in the agriculture and forestry sectors and in rural areas in the years 2014-2015 for farms undergoing difficulties in the milk and pig meat sectors;
18. evaluation on the effectiveness of intervention tools in the event of market crisis;
19. improving the conditions for acceding to risk management options, such as mutual funds and income stabilization tool;
20. creating a European market observatory for the beef sector;
21. using food aid as an outlet for agricultural products from sectors undergoing a crisis, e.g. by using intervention stocks for social purposes;

	<p>22. longer term regulation allowing temporary reduction of production on the basis of interprofessional agreements or contracts;</p> <p>23. assessing the impact of international trade agreements on agriculture through a cumulative impact study on the recently agreed and ongoing negotiations.;</p> <p>24. giving Member States the possibility to use tax instruments or mandatory national contributions to alleviate the financial pressure on farmers;</p> <p>25. enhancing market access for agri-food products through a step-by-step approach, pilot visits, improved communication, etc.;</p> <p>26. diversification of the negotiating tactics in trade agreements to achieve a better balance in defence of the interests of the EU countries from low cost third countries;</p> <p>27. use of the crisis reserve;</p> <p>28. increasing the limits for voluntary coupled support for sensitive sectors;</p> <p>29. facilitating the process of market penetration of scientific developments (e.g. functional products with probiotic bacteria) with the aim of developing and promoting cooperation between processors and research organisations;</p> <p>30. abolishing the obligation to rely on out-of-date references in the payment of transitional aids;</p> <p>31. prioritising research and innovation.</p>
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ⁱ NB: the numbering of measures does not in any way reflect the priority attached to them.

ⁱⁱ **Dairy** - Measures in force or recently enacted:

- Flexibility for dairy farmers facing surplus levy bills
- Commission Delegated Regulation (EU) 2015/1549 of 17.09.15 laying down temporary exceptional measures for the milk and milk product sector in the form of extending the public intervention period for butter and skimmed milk powder in 2015 and advancing the public intervention period for butter and skimmed milk powder in 2016
- Commission Implementing Regulation (EU) 2015/1548 of 17.09.15 amending Implementing Regulations (EU) No 947/2014 and (EU) No 948/2014 as regards the last day for submission of applications for private storage aid for butter and skimmed milk powder
- Commission Implementing Regulation (EU) 2015/303 of 25.02.15 amending Implementing Regulations (EU) No 947/2014 and (EU) No 948/2014 as regards the last day for submission of applications for private storage aid for butter and skimmed milk powder
- Commission Delegated Regulation (EU) No 1370/2014 of 19.12.14 providing for temporary exceptional aid to milk producers in FI
- Commission Delegated Regulation (EU) No 1336/2014 of 16.12.14 laying down temporary exceptional measures for the milk and milk product sector in the form of advancing the public intervention period for butter and skimmed milk powder in 2015
- Commission Implementing Regulation (EU) No 1337/2014 of 16.12.14 amending Implementing Regulations (EU) No 947/2014 and (EU) No 948/2014 as regards the last day for submission of applications for private storage aid for butter and skimmed milk powder
- Commission Delegated Regulation (EU) No 1263/2014 of 26.11.14 providing for temporary exceptional aid to milk producers in EE/LV/LT
- Commission Implementing Regulation (EU) No 947/2014 of 4.09.14 opening private storage for butter and fixing in advance the amount of aid
- Commission Implementing Regulation (EU) No 948/2014 of 4.09.14 opening private storage for skimmed milk powder and fixing in advance the amount of aid
- Commission Delegated Regulation (EU) No 949/2014 of 4.09.14 laying down temporary exceptional measures for the milk and milk product sector in the form of extending the public intervention period for butter and skimmed milk powder in 2014

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- Commission Delegated Regulation (EU) No 950/2014 of 4.09.14 opening a temporary exceptional private storage aid scheme for certain cheeses and fixing in advance the amount of aid (repealed by Commission Delegated Regulation (EU) No 992/2014 of 22.09.14
 - Commission Implementing Regulation (EU) 2015/1851 of 15 October 2015 amending Implementing Regulation (EU) No 948/2014 as regards the contractual storage period and the amount of aid to be granted for the private storage of skimmed milk powder
 - Commission Delegated Regulation (EU) 2015/1852 of 15 October 2015 opening a temporary exceptional private storage aid scheme for certain cheeses and fixing in advance the amount of aid
 - strengthening of the European Milk Market Observatory
 - use of products such as SMP to ease the condition of refugees (under the control of DG ECHO: €30 million from heading 5 of the budget, implemented in accordance with Regulation 1257/96 concerning humanitarian aid)
- iii **Pigmeat:** Measures in force or recently enacted:
- Commission Implementing Regulation (EU) 2015/2334 of 14.12.15 opening private storage aid for pig meat from 4 January 2016.
 - Commission Implementing Regulation (EU) 2016/85 of 25.01.16 suspending the submission of applications for the private storage aid for pig meat provided for in Implementing Regulation (EU) 2015/2334.
 - Commission Implementing Regulation (EU) 2016/132 of 1.02.16 fixing the closing date for the submission of applications for private storage aid for pig meat under Implementing Regulation (EU) 2015/2334
 - Withdrawal programmes under the CMO regulation;
 - Commission Implementing Regulation (EU) 2015/360 of 5.03.15 opening the possibility for private storage for pig meat
 - Commission implementing regulation (EU) 2015/679 of 29.04.15 suspending the submission of applications for the private storage aid for pig meat provided for in Implementing Regulation (EU) 2015/360
 - Commission implementing regulation (EU) 2015/725 of 5.05.15 fixing the closing date for the submission of applications for private storage aid for pig meat under Implementing Regulation (EU) 2015/360
 - Commission Implementing Regulation (EU) 2015/2334 of 14 December 2015 opening private storage for pigmeat and fixing in advance the amount of aid
- iv **Fruit and vegetables:** Measures in force or recently enacted:
- Commission Delegated Regulation (EU) No 913/2014 of 21.08.14 laying down temporary exceptional support measures for producers of peaches and nectarines;
 - Commission Delegated Regulation (EU) No 1031/2014 of 29.09.14 laying down further temporary exceptional support measures for producers of certain fruit and vegetables;
 - Commission Delegated Regulation (EU) No 1371/2014 of 19.12.14 amending Delegated Regulation (EU) No 1031/2014 laying down further temporary exceptional support measures for producers of certain fruit and vegetables;
 - Commission Delegated Regulation (EU) 2015/1369 of 7.08.15 amending Delegated Regulation (EU) No 1031/2014 laying down further temporary exceptional support measures for producers of certain fruit and vegetables;
- v **Other and horizontal measures in force or to be implemented:**
- Commission Delegated Regulation (EU) 2015/1853 of 15.10.15 providing for temporary exceptional aid to farmers in the livestock sectors
 - Commission Implementing Regulation (EU) 2015/1748 of 30.09.15 derogating in respect of claim year 2015 from the third subparagraph of Article 75(1) of Regulation (EU) No 1306/2013 of the EP and of the Council as regards the level of advance payments for direct payments and area-related and animal-related rural development measures and from the first subparagraph of Article 75(2) of that Regulation as regards direct payments
 - Commission Delegated Regulation (EU) 2015/1829 of 23.04.15 supplementing Regulation (EU) No 1144/2014 of the EP and of the Council on information provision and promotion measures concerning agricultural products implemented in the internal market and in third countries
 - Commission Implementing Regulation (EU) 2015/1831 of 7.10.15 laying down rules for application of Regulation (EU) No 1144/2014 of the EP and of the Council on information provision and promotion measures concerning agricultural products implemented in the internal market and in the third countries
 - negotiations to overcome existing tariff and non-tariff barriers
 - creation of an Agricultural Markets Task Force
 - better use of the milk package
 - Regulation on the aid scheme for the supply of fruit and vegetables, bananas and milk in the educational establishments
 - full implementation of the financing opportunities offered by the European Fund for Strategic Investments