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**NOTE**

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From:	Presidency
To:	Council
Subject:	Market situation and support measures

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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.<sup>1</sup>

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: it remains essential that Member States make full use of all the means provided under this package.

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 in the March 2016 AgriFish Council, delegations were invited to send their concrete proposals on possible future measures to address the difficult market situation in various agricultural sectors duly taking account of the current legal and policy framework, as well as of the tight budgetary constraints. A summary of contributions<sup>2</sup> organised by sector, intended duration and nature is set out in the Addendum to this document.

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

<sup>2</sup> This Addendum 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 25.

The more than 100 measures and initiatives listed in the Addendum 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.

At the SCA on 7 March 2016 the Presidency invited delegations to reflect in particular on: the possible role of farmers and other operators in adapting production to the evolution of market demand, how the suggested measures could be funded within the EU budget, with particular reference to the possible use of the crisis reserve, and how to improve the tools currently provided for in the CAP (e.g. direct payments and rural development programmes) and make better use of the financial opportunities provided by the European Investment Bank and national banks.

In the light of the ensuing debate and of the preliminary clarifications provided by the Commission, the Presidency notes a general will for Member States to take a firm orientation on possible measures and initiatives at the Council meeting on 14 March and considers that there is a significant degree of convergence on the following:

- guiding principles:
  - any agreed course of action should be implemented as soon as possible and clearly build on the principles of market orientation and solidarity, especially in relation to the Russian embargo, be easy to implement and respect the principles of the internal market (avoid new quota systems or other similar systems and avoid increase in intervention prices),

● measures and initiatives:

- the full use and possible continuation of several elements of the package adopted in 2015 and currently in force, especially with regard to the private storage of pigmeat and temporary increasing the current quantitative ceilings for SMP,
- considering how to improve the withdrawal system for fruit and vegetables,
- increased flexibility in the interpretation of State Aid rules, in this context the possibility for Member States to give temporary support for restructuring, reduction of supply or liquidity support measures on a voluntary bases (EU financial support to be considered/discussed in the Agriculture Council),
- temporarily increasing the current ceiling for the de minimis support,
- considering the possibility of special support by Member States in crises,
- to enable voluntary measures of operators, POs, IBOs and cooperatives in production or supply management, based for instance on article 221 and 222 of the CMO Regulation,
- measures addressing competition-related issues (e.g. on the fertilisers market, improved labelling of origin, strengthened fairness in the supply chain relations, etc.),
- strengthening of the European promotion strategy and increasing the funds for promotion,
- intensifying efforts to open new markets,
- intensifying efforts of the Commission and the presidency to lift the SPS ban on pigs and pigmeat,
- developing an export credit instrument at EU level, with a possible role for the EIB, including development of appropriate financials instrument, for example appropriate export credit tools,
- more flexibility in the implementation of provisions on voluntary coupled support,

- the creation of a European meat market observatory,
  - renewed attention to the specificities of the dairy sector through the work of the Task Force for the agricultural markets and in the context of the review of the milk package,
  - adjusting Rural Development Programmes to make them more responsive to crises,
  - conducting a special meeting of the Agricultural Market Task Force on solutions for improving the situation in the dairy market,
  - convening high level meeting of Member States representatives with the Agricultural Market Task Force,
  - renewed efforts on the CAP simplification.
- financing:
    - better use of existing budgetary margins while possible recourse to the crisis reserve should only be as a last resort,
    - better use of the opportunities provided by the European Investment Bank and call on the EIB to provide solutions more suited to the needs of the agriculture sector.

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While duly acknowledging that some of the above elements will have to be worked out in greater detail when concrete measures are deployed, the Presidency believes that, in the light of the current circumstances, the above elements would allow European farmers and operators to better face the current difficult market situation and invites Ministers to endorse them at the Council meeting on 14 March.