



Council of the
European Union

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NOTE

From: General Secretariat of the Council
To: Special Committee on Agriculture/Council

Subject: Market situation
- Update on the latest situation

1. In recent years agricultural markets have faced certain challenges, following in particular the Russian ban coupled with excess supply worldwide, increased price volatility in the wake of the end of dairy quotas and various outbreaks of diseases such as African Swine Fever. In response, several support packages were adopted and implemented between 2015 and 2016 focusing in particular on cash-flow measures, market stabilisation and production reduction, the functioning of the food supply chain and other measures such as promotion of European agriculture internally and at export. This difficult situation seems now to be under control on most markets.

2. At the Council meeting in June, Commissioner Hogan updated Ministers on the latest developments in the most important agricultural markets, in particular the dairy, sugar and pig meat markets. He gave a broadly positive assessment of the current situation and of the outlook in the main market segments. The remaining concerns related mostly to the difficult situation of the pig meat sector in the EU, the persistently high level of EU intervention stocks of skimmed milk powder and low sugar prices. The Commission and many Member States expressed solidarity with Spain following the approval of anti-dumping and anti-subsidy duties by the US Commerce Department on Spanish table olives and expressed concerns that they constituted a precedent for other EU decoupled payments.
3. In the dairy sector, seasonal growth of production was tempered this year by unfavourable weather conditions. With farmers being faced with lack of forage, the overall annual increase of production could be limited to only 0,8 % compared with 2017. On the price side, higher prices for skimmed milk powder (SMP) and more stable butter prices helped the EU milk price equivalent to reach EUR 36 per 100 kg in July. As far as the SMP stocks are concerned, according to the Commission's Milk Market Observatory they amounted to 280 000 t in September which is almost 100 000 t less than at the beginning of the year. It is partially explained by lower milk production and some successful tender sales in the past months.
4. Following the end of sugar quotas, the EU beet production reached 142 million t in the 2017/2018 marketing year, a level never reached in the past 15 years. It translates into sugar production of 21,1 million t, which is 26 % more than the year before. The excess supply maintains severe pressure on world prices, which have fallen steadily over the last two years from a peak of EUR 540/t in October 2016 to EUR 274/t in August 2018, the lowest level since 2007. In July 2018, the EU price was EUR 346/t, compared with a world price of EUR 284/t. In 2018/2019, the EU sugar production is forecast to decrease by 1,9 million t. However, in spite of this decrease, EU prices will remain low due to significant world sugar stocks.

5. As far as agri-food trade is concerned, recent reports from the Commission indicate a very stable performance in the previous 12 months (September 2017 - August 2018): agri-food exports maintained a value of EUR 136,6 billion, corresponding to a slight increase of 0,1% in value terms compared to the same period one year ago. As to specific sectors' performance, in a year-to-year comparison the highest export growth came from wine (+6%, EUR 634 million), sugar (+70%, EUR 501 million) and spirits and liqueurs (+4%, EUR 404 million). On the other hand, wheat exports have experienced the most significant drop both in value terms on an annual basis (-11%, EUR 478 million). Other categories with notable losses in export values over the last 12 months were milk powder (-10%, EUR 414 million), pork meat (-8%, EUR 392 million), fruit, excluding citrus and tropical fruit (-13%, EUR 327 million) and vegetables (-8%, EUR 252 million).

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In response to some of the remaining concerns and, as a continuation of the practice at previous meetings of the "Agriculture and Fisheries" Council, the Commission is invited to update the Council on the latest developments on the main agricultural markets.