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#### NOTE

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| From:    | General Secretariat of the Council   |
| To:      | Delegations  |
| Subject: | <b>AOB item for the meeting of the “Agriculture and Fisheries” Council on 18 November 2024.</b><br>Presidency summary of the discussions on the challenges and future perspectives of the different agricultural sectors<br><i>- Information from the Presidency</i> |

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Delegations will find in the Annex a note from the Presidency on the above-mentioned subject, to be dealt with under "Any other business" at the Council (Agriculture and Fisheries) on 18 November 2024.

## **Presidency summary of the discussions on the challenges and future perspectives of the different agricultural sectors**

Farmer-focused EU agriculture is a horizontal priority for the Hungarian Presidency of the EU. One of the five agricultural priorities is making future EU agriculture crisis-proof. In line with this objective, the Hungarian Presidency initiated separate political discussions on the different agricultural sectors to assess their current situation and their future needs.

Six meetings of the Special Committee on Agriculture were dedicated to discussing the challenges and future perspectives of the:

- milk sector (8 July),
- pig and poultry sectors (9 September),
- beef, veal sheep and goat meat sectors (16 September),
- cereal, oil seed and sugar sectors (30 September),
- wine sector (11 October), and
- fruit and vegetable, apiculture and olive sectors (4 November).

During these debates, Member States were invited to deliberate on the main challenges and possible structural problems, the effectiveness of current CAP support measures, and risk-management and crisis-handling aspects.

### **I. Challenges**

Agricultural sectors in the European Union have been facing numerous and complex challenges resulting in structural or market problems.

Delegations highlighted the following **general challenges**:

- **Market and price volatility and increased production costs** have a significant impact on farmers' incomes and profitability.
- The **relative weakness of farmers' position and bargaining power** in the food supply chain remains to be solved.
- **Climate change and natural disasters**, such as changing weather patterns, and extreme weather events like droughts, frosts and floods, affect yields and production in traditional growing seasons.
- **Animal diseases, plant pests and diseases** continue to pose serious threats on production and profitability.
- **Compliance with current or future EU legislation**, such as the deforestation regulation, or the rules on animal welfare and environmental protection, can increase the administrative burden for farmers and may affect their competitiveness.
- **Access to finance** is one of the barriers for many farmers for investments in agricultural technologies, infrastructure, research, innovation, knowledge transfer, and sustainable practices.
- **Trade-related issues**, such as market access, barriers to trade, non-recognition of the regionalisation principle and the EU's production standards, tariffs, and competition with imports, impact the competitiveness of EU agriculture.
- The **ageing farming population** underscores the need to attract younger people to the sectors to ensure generational renewal and long-term viability.
- **Changes in consumption patterns** require farmers and production systems to adapt swiftly, necessitating increased investments to meet evolving consumer demands.

Delegations highlighted the following sector-specific challenges:

- In the **dairy sector**, changes in consumption habits, sustainability requirements, animal welfare regulations, decline in the number of farms, as well as the lack of generational renewal are considered the main challenges.
- For the **pig and poultry sectors** specific challenges include outbreaks and spread of animal diseases such as African swine fever and highly pathogenic avian flu, increasing environmental and upcoming animal welfare constraints, increased production costs, inflation and price volatility and trade-related issues such as non-recognition of the regionalisation principle and the EU's animal welfare standards, China's anti-dumping investigation, market pressure linked to increased imports from Ukraine, and the impact of the deforestation regulation on soya-based animal feed.
- For the **beef, veal, sheep and goat sectors** challenges include outbreaks and spread of animal diseases such as bluetongue, increasing environmental and sustainability constraints, regulations on compliance with animal welfare during transport, the deforestation regulation as well as the decreasing number of farmers involved in these sectors, and the increasing wolf population, which threatens small ruminants.
- For the **cereal, oilseed and sugar sectors** challenges include climate change, extreme weather events, market volatility, phytosanitary problems, pesticide active substance withdrawals, and import-related issues.
- For the **wine sector** delegations identified structural problems, including changes in consumption patterns and declining exports. The High-Level Group on Wine Policy is also focusing on those challenges.
- For the **fruit and vegetable sector** challenges include climate change, unequal distribution of costs in the value chain, different sustainability standards applied by market operators, labour shortages, the spread of plant diseases, withdrawal of pesticide active substances, lack of new plant varieties, inflation, and reduced purchasing power causing a decrease in consumption, and the small average size of farms.

- The **olive sector** has shown improvement compared to the past two years, nevertheless it continues to face pressure from extreme weather conditions and plant diseases like *Xylella*.
- The **honey sector** faces structural problems. Prices are under pressure due to high competition with low-priced imports. Consumption is impacted by inflation and the resulting reduced consumer purchasing power.

## II. Effectiveness of the current CAP measures

There is a wide range of measures in the current CAP toolbox to support the different agricultural sectors to become competitive, resilient and sustainable.

Delegations considered the following **measures** important to promote these goals:

- **Basic income support** plays a key role in ensuring farm viability and income support.
- **Coupled income support** can enhance competitiveness, sustainability, and quality in eligible sectors.
- **ANC payments** are essential income support for farming in areas with natural and other constraints compensating higher costs for producing food and feed.
- **Sectoral interventions** can strengthen farmers' position in the supply chain in specific sectors, such as fruit and vegetables, apiculture, wine, hops, olive oil and table olives and other sectors.
- **Rural development measures** support investments, modernisation, cooperation and promote sustainable practices together with financial instruments.
- **Promotion policy** assists EU producers to sell their farm products in an increasingly competitive global marketplace.

Delegations made the following **sector-specific recommendations**:

- Suggestions concerning the **dairy sector** included enhancing animal welfare, rewarding compliance with stricter national regulations, strengthening and extending relevant eco-scheme measures and improving contractual relations, increasing support for ANC areas and reviewing the school scheme.
- For the **pig and poultry, beef, veal, sheep and goat sectors** it was acknowledged that rural development measures such as investment, training, innovation, and animal welfare were important. Member States also proposed improving animal welfare and biosecurity through appropriate incentives and subsidies, with some suggesting the possible extension of origin labelling. Granting coupled support for the pig sector was recommended by some delegations, while others favoured a market-orientated approach.
- As regards the **cereal, oilseed, and sugar sectors**, emphasis was put on the importance of basic income support, coupled payments, ANC support and other rural development measures. Plant breeding, tolerant varieties, innovation, research and knowledge transfer were also underlined, with a call to increase support for protein crop production.
- Concerning the **wine sector**, recommendations include enhancing promotion policy, strengthening producers' position in the supply chain, adapting production to changing consumption habits (innovation in packaging and bottling, promotion of organic production, organic wine, oenological practices especially for low-alcohol or de-alcoholised wines), protection of origin, promotion of wine tourism, managing production potential, including by extending the validity of replanting authorisations, improving trade in the single market through harmonisation of labelling/designation and one-stop shop distance sales. Delegates also suggested allowing the carry-over of unused funds in the sectoral intervention.

- Within the **fruit and vegetable sector** the need to strengthen further producer organisations and associations were identified, including their bargaining position in the supply chain. There were also calls to provide some flexibility on mandatory expenditure for the operational programmes as well as exploring how to reduce the administrative burden for producer organisations and producers. The importance of innovation and knowledge were also highlighted. A promotion policy encouraging diversity, taste and health benefits is vital to change consumers' attitudes towards healthier diet, therefore a solid budget is needed.
- In the case of the **olive sector** the importance of quality schemes, GIs and PDOs were highlighted.
- As regard the **honey sector**, delegations welcomed the revision of the Honey Directive and looked forward to the start of the Honey Platform and some crucial pending steps, such as the implementation of a European traceability system, the improvement of quality parameters and the establishment of a European reference laboratory system.

### III. Risk management and crisis handling

Several tools are available in the current framework to tackle the challenges such as **exceptional measures** under the CMO Regulation (Articles 219 to 222), **market intervention** (public intervention and private storage aid) and **rural development** measures, including prevention actions, research, innovation, and animal welfare supports, aimed at promoting sustainable growth. The **Agricultural Reserve** of at least 450 million EUR per year provides budgetary support for tackling crisis situations.

Delegations considered the following to improve risk management and crisis handling:

- A **more flexible toolbox** is essential to handle crisis situations adequately.
- Delegations stressed the importance of **prevention measures** and called for quicker and more flexible use of the **agricultural reserve**, highlighting its limited financial resources.

- Member States proposed under risk management tools the possibility of **insurance and reinsurance schemes** at EU level.
- Encouraging farmers to **diversify** their crops can help to reduce the impact of crises on one particular crop.
- **Innovation, new technologies** and facilitating **knowledge sharing**, and **capacity building** among farmers, advisors, and policymakers on crisis preparedness, best practices for risk management, and innovative technologies can enhance the resilience of the agricultural sector as a whole.

Delegations made the following **sector-specific recommendations**:

- For the **pig and poultry sectors** they advised to utilise the agricultural reserve more quickly and in a flexible manner. Additionally, delegations suggested considering insurance and reinsurance schemes, exploring preferential credit schemes.
- As regards the **beef, veal, sheep and goat sectors** the focus should be on prevention and making risk management systems more effective. It was also recommended to strengthen the relevant measure under Pillar II.
- Concerning the **cereal, oilseed and sugar sectors** delegations called to consider insurance and reinsurance schemes, and highlighted the importance of decreasing import dependencies.
- For the **wine sector** several delegations suggested a multiannual financial management of the wine sectoral national programmes.
- For the **fruit and vegetable, apiculture and olive sectors** delegations recommended enhancing responsive market and risk management measures.



#### **IV. Conclusions**

- The agricultural sectors in the European Union are facing significant challenges impacting farmers' income, profitability and competitiveness. These challenges underscore the necessity for policies and strategies that promote sustainable agricultural practices, support farmers in adapting to changing conditions, and ensure a fair and resilient agricultural sector within the EU. Those measures are necessary also to ensure that the EU - as a net food exporter and top agri-food producer - contributes to global food security. Farmers' bargaining power and their position in the value chain should be improved and strengthened.
- While the existing policy instruments are generally considered appropriate and effective, the above-mentioned challenges indicate the need to adjust, better address and simplify the rules to support farmers in adapting to changing conditions, and ensure a fair and resilient agricultural sector in the EU.
- While efficient measures exist, the increasing frequency and complexity of crises necessitate flexible support mechanisms that can adapt to changing situations quickly. The primary focus should be on preventive measures.

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