Q & A on the package of measures to address the market situation

September 2015

1) TARGETED AID

1.1 How is the total envelope distributed between the Member States?

Reflecting the significant drop in dairy prices over the past year, which has affected all EU producers, the vast majority of the total amount - 80 % - is allocated on the basis of MS milk quotas in the last quota year. In recognition of the particular factors and even a combination of such factors, the remaining 20 % is allocated on the basis of criteria that ensure additional assistance for farmers in those Member States which have been particularly hit by the fall in pigmeat prices, the impact of the Russian ban, very low milk prices and this summer's drought. Reflecting this, the distribution key used to calculate the national envelopes is designed to be fair and, in a spirit of solidarity, to provide a top-up for those Member States most affected by those further negative circumstances which many of you have raised, including the fall in pigmeat prices, the summer drought and the on-going impact of the Russian ban.

EU Member States	Total envelope MIO€
Belgium	13.0
Bulgaria	6.0
Czech Republic	11.2
Denmark	11.1
Germany	69.2
Estonia	7.6
Ireland	13.7
Greece	2.3
Spain	25.5
France	62.9
Croatia	1.8
Italy	25.0
Cyprus	0.4
Latvia	8.5
Lithuania	12.6
Luxembourg	0.7
Hungary	9.5
Malta	0.1
Netherlands	29.9
Austria	7.0
Poland	28.9
Portugal	4.8
Romania	11.1
Slovenia	1.4
Slovakia	2.5
Finland	9.0
Sweden	8.2
United Kingdom	36.1
Total EU-28	**420**

1.2 What can the Member States do with the funds?

Member States will be allowed the maximum flexibility to target aid for appropriate measures to address the negative market impact on farmers, including those farmers impacted by falling dairy and pigmeat prices or who have been affected by drought. Member States are best placed to identify and address the specific needs and challenges of their farmers.

2) PSA / INTERVENTION

2.1. How does Private Storage Aid function?

Like public intervention, Private Storage Aid (PSA) is a traditional market management measure to reduce oversupply on the EU market and thereby help prices to recover. The key difference is that with PSA the Commission only helps cover the costs of storage and only for a limited period (normally 3-6 months), after which the product (which still belongs to the operator) comes back on to the market. This measure is most suitable for products with a seasonal cycle, as it provides a temporary easing of market pressure and a number of months for producers to adjust production. In the dairy sector, PSA is available for butter and SMP and, agreed in the 2013 CAP reform, cheeses with a Geographical Indication.

2.2. What are the changes made to the new PSA scheme, and why will these extra conditions make a difference?

The aid rate for skimmed milk powder is increased by over 100 per cent and the storage period is fixed for a year. In relation to the new PSA scheme for cheese, any unused allocations will be available for redistribution after three months to those Member States which wish to make greater use of the scheme. In relation to the PSA scheme for pigmeat, to ensure the success of the scheme some of the low-value cuts have been including. In this light, the scheme will be extended to fresh lard, responding to the proposal that some of the so-called 'fifth-quarter cuts' should be included.

2.3. How does public intervention function?

One of the traditional safety net measures of the CAP is public intervention, whereby if market prices drop to a particular reference threshold, operators can then sell it to the Commission at this level. For dairy, the reference price is equivalent to 21.7 cents per litre and intervention only covers the basic products of butter and Skimmed Milk Powder (SMP). The product then belongs to the Commission, and it is the Commission which is then responsible for selling these volumes back onto the market in future when prices have recovered. Under current rules, there is an annual limit of 30 000 tonnes of butter and 109 000 tonnes of SMP on public intervention purchases. If there is still demand for intervention above these volumes, then this should be done via a tendering system, where the Commission has the right to reject offers according to the price that is offered.

2.4. Why not increasing the intervention price?

Commissioner Hogan has been clear all the way through the current situation that he doesn't believe that such a measure is the right response to what is expected to be a relatively short-term market imbalance, recalling that the co-legislators reconfirmed the intervention price level as recently as 2013. It would send a wrong signal to the marketplace, as operators would not be encouraged to reduce milk production. Even a relatively small increase would bring intervention prices close to the average 'operating costs' for some EU dairy farmers, hence creating an additional outlet for their production and moving away from the market orientation that has underpinned the CAP reform process since the 1990s. The Commission argues that the enhanced PSA system for SMP and cheese will prove a more effective and efficient instrument for reducing the current oversupply on the EU market.

Since any change of the reference prices would require the ordinary legislative procedure involving both the Council and the Parliament, it will have no immediate effect on current prices. The ordinary legislative procedure takes on average 18 months.

2.5. Why is the Commission against reintroducing new forms of production controls?

The end of milk quotas was first agreed in 2003. It is very unfortunate that this year's end to EU milk quotas coincides with an upturn in production in other main producing countries (USA, Australia, New Zealand), a drop in demand in China after several years of constant growth, and the Russian import ban. The Commission remains convinced that the medium to long-term prospects for the dairy sector are very positive. Any return to quotas or production controls will hinder these mid-term prospects for the EU sector.

2.6. Why are there no other market measures available for pigmeat?

The pigmeat sector, like eggs and poultry, has always been more market-oriented than most other sectors covered by the Common Agricultural Policy. The production cycle is relatively short and so the sector is more flexible to respond to market signals, for example by reducing production when prices fall. Pigmeat (and eggs & poultry) production per se have never been supported in the same way as other sectors – no public intervention; no intervention price; no direct payments (which were originally introduced as a compensatory payment for the reduction in the intervention price, and subsequently "decoupled" by being granted on the basis of historical production). Private storage aid for pigmeat was actually opened in March 2015 for a duration of 8 weeks. €17 million were spent on this measure temporarily removing 60 000 tonnes from the market which contributed to stabilising it.

3) PROMOTION

3.1. How do Promotion programmes work?

The EU helps the sector's professionals to finance information and promotion campaigns. By explaining to consumers, importers and other multipliers (such as the press), the standards and the quality of what EU agriculture puts on the table, EU promotion programmes can help European producers in an increasingly competitive world. The promotion policy has been recently reformed with the adoption of Regulation (EU) No 1144/2014. The new policy, which benefits from a more substantial budget, is intended to open up new markets and to diversify trading partners. With the common denominator 'Enjoy, it´s from Europe', the policy aims to help the sector's professionals break into or consolidate international markets and make consumers more aware of the efforts made by European farmers. The new policy will target promotion activities with an EU added value based on a genuine strategy established at European level, bring simplification and reduce red tape.

3.2. Why will this additional 30 million EURO make a difference, and from when?

The promotion policy is a useful tool in supporting farmers in their endeavours conquering new markets, gaining market shares and increasing exports with the view, in the mid-term, to restoring the market situation. Promotional programmes will therefore help producers to address market imbalances, and to create new market opportunities, notably in third countries. In order to react to the difficult situation faced by the dairy and pig sectors, the Commission decided to provide an additional amount of 30 M€ for promotion campaigns on dairy and pig meat in 2016. It means that a total of 111 M€ will be available for promotion programmes in 2016. By singling out dairy and pigmeat promotion, these sectors also have the significant advantage that the envelope is ring-fenced: dairy and pigmeat promotion campaigns are no longer in competition for funding with projects from other sectors. At the same time, other sectors will indirectly also benefit as they will not be in competition with programmes regarding dairy and pigmeat.

3.2. How will this change be adopted?

The new Regulation (EU) No 1144/2014 foresees the establishment of an annual work programme, to better target promotion measures and align them with the needs of the sector. This additional aid to the dairy and pigmeat sectors will be added in the annual work programme for 2016, to be adopted in the course of October 2015. The work programme will be implemented through the publication of a call for proposals in early 2016 with the aim to select promotion campaigns for funding.

4) OTHER

4.1. Where is this EU funding coming from?

As Vice-President Katainen confirmed on Monday September 7, the additional 500 million EURO will be funded from "existing margins within the 2016 CAP budget" (which starts on October 16, 2015). NB The 2016 budget has not yet been finalised by the budgetary authority. An amending letter will be tabled by the Commission in the coming weeks which provides an update to our original budget estimates for the 2016 budget year. A significant part of the additional margin arises from the fact that the surplus levy payment is considerably larger than was originally budget for.

4.2. What is the situation with the Crisis Reserve for Agriculture Markets?

Introduced in the 2014-2020 budget period, the Commission is required to withhold 400 million EURO [in constant 2011 prices] from CAP Direct Payments every year in order to hold a Crisis Reserve, which can be used as a last resort in case of agricultural market difficulties. If it is not used, it is reimbursed to farmers at the end of the year. In nominal prices, ie not adjusted for inflation, this amount was 433 million EURO for the 2015 budget year, and has been proposed at 442 million EURO for the 2016 budget year – which is the equivalent of withholding approximately 1.4% of CAP direct payments. For the 2015 budget year, the Commission has managed to finance a range of additional market measures linked to the Russian import ban on EU dairy, meat and fruit & vegetable products from within the budget margins, i.e. without triggering the Crisis Reserve. The same will be true for the 500 million EURO package of measures that the Commission now foresees from the 2016 budget.

4.3. How is the Commission going to put all these measures into place? Is it going to propose its adoption to the co-legislators (Council and Parliament)?

No, all the measures under consideration will be adopted by the Commission. Some of them (enhanced private storage aid for SMP, PSA for pigmeat) will be adopted by the Commission by using its normal powers to adopt Implementing acts. In other cases (targeted aid, PSA for cheeses; advanced payments), the Commission will use specific powers granted to it by the European Parliament and the Council to adopt delegated acts (or in some cases, implementing acts) to take exceptional measures in case of market disturbance (like under Article 219 of the Common Market Organisation). Delegated and implementing acts are both acts (regulations) adopted by the Commission, but they differ on the procedure (see below) and on the cases when one or the other can be adopted.

4.4. What is a Delegated Act?

Under this procedure, the Commission adopts rules or measures, but the Council and the European Parliament then a period of scrutiny (usually 2 months) before they can enter into force. During this period, one or other institution can block the Delegated Act with a majority in the EP/ a qualified majority in the Council, but they have no right to adjust the Commission text. The scrutiny period can be shorter if both institutions notify the Commission of their agreement, but one or other institution can also ask to extend the scrutiny period for a further 2 months. The Commission normally consults Member States before adopting Delegated Acts. The legal framework also allows for an urgency procedure that would allow a quick entry into force and application of the measure, even pending the scrutiny by the EP and Council. Although there is no obligation to do so, the Commission frequently consults Member States before adopting Delegated Acts.

4.4. What is an Implementing Act?

Under this procedure, the Commission tables draft rules to the Committee made up of Member State officials (formerly called the Management committee), which after discussion with MS representatives is then put for a vote. If there is a qualified majority of Member States in favour, the rules are adopted; if there is neither a qualified majority in favour, nor against, then the Commission is empowered to adopt the new rules under its own authority. Contrary to the Delegated Acts, the Implementing Acts are published and enter into force after adoption (i.e. without scrutiny by EP or MS).

LINKS:

Speech & Press release from Sept 7: http://europa.eu/rapid/press-release_IP-15-5599_en.htm

Milk Market Observatory: http://ec.europa.eu/agriculture/milk-market-observatory/index_en.htm

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