

# **The current crisis on EU agricultural markets**

## **Statement by Commissioner Phil Hogan at the Agriculture Council**

**Brussels, March 14**

### Introduction

President (Martijn), colleagues, when we met in February, I committed myself to an EU level debate to address the current crisis in EU agricultural markets. I asked for your help in bringing forward proposals and, in doing so, I suggested the best way to help farmers is to have realistic proposals which can command a broad support, and respect the legal and financial parameters of the CAP, and safeguard the internal market.

I am grateful to all of you for the wide range of proposals that you made and I am grateful to the Presidency for the way in which they summarised those proposals and for the organisation of the Special Committee on Agriculture last week, which was very helpful in preparing today's meeting.

We have been discussing the markets' situation for some considerable time now and that in itself is an indication of how long-lasting and profound this global crisis is. We need to find a solution and we need to give some reassurance to our farmers and some confidence to the markets.

Having considered the proposals you have made since the last Council and having discussed the markets situation with COMAGRI last week, I am determined to show today that the Commission will play its full role in assisting European farmers, using all of the tools available to me and to the Commission.

### Response to MS Proposals

The more than 100 measures proposed by MS were usefully categorised by the Presidency for last week's SCA. Given the wide range of measures and initiatives proposed and having regard to the different sectors involved, some of them can be described as short-term, while others are of a more structural nature and more long-term in their implementation.

Moreover, my analysis of the measures proposed is that there are those which can be done – both short-term and medium to long-term, those which cannot be done (because of

legislative, budgetary or policy constraints) and those which I am prepared to consider further.

Before commenting on a number of specific elements, I want to make one general but critically important point.

In February, I set out three parameters within which proposals should be made. One of those parameters related to the resources available and I made two specific points in this regard. The first relates to the refugee crisis in respect of which Heads of State and Government agreed just last week to pursue a European solution.

I also recalled that last September's €500 million solidarity package was substantially funded from the once-off receipts from the final year of the superlevy, a source which is no longer available.

I noted with great interest the outcome of last week's SCA, at which MS were specifically asked for their attitude to the activation of the crisis reserve. In particular, I noted that vast majority of MS wanted only to use the crisis reserve as a last resort.

My position on the activation of the crisis reserve is that it is a road that I would prefer to avoid, at least for as long as possible, as the money is effectively farmers' own money.

I accept that this is a global crisis that is affecting EU markets as well and which demands a comprehensive response, to supplement the considerable measures already introduced by the Commission, which in two years has mobilised more than €1 billion in additional money to support the European agricultural sector.

That comprehensive response means that we should use all of the appropriate measures available, including the exceptional measures provisions of the sCMO.

Rather than recall the measures taken to date, today is about looking forward to what the Commission can and is prepared to do to support farmers in a number of sector, notably in the dairy, pigmeat and fruit and vegetable sectors.

### New Measures

It is now nearly a year since dairy quotas were abolished after a period of 30 years. However, their abolition had been clearly envisaged as far back as 2003 and reaffirmed several times thereafter. Their abolition was always likely to be followed by a period of some

volatility. Due to a number of factors, which I will not repeat, what we have seen since is a significant increase in production in a number of MS which, when taken with the global changes in supply and demand for milk has created a severe market imbalance which is weighing heavily on the market.

I see from your discussions and the summary provided by the Presidency that it is the common view of the Council that the return to quotas or any other instrument of mandatory supply control is not on the agenda. This is a wise approach.

#### Article 222 of the CMO

I have also noted, however, that the question of oversupply is at the forefront of MS preoccupations, and that you have identified a significant degree of convergence on another approach which is in line with existing CAP instruments, specifically on the provisions of Article 222 of the CMO, relating to cooperation among producers.

In particular, a number of MS have requested access to the possibility to enable voluntary agreements of producer organisations, interbranch organisations and cooperatives in relation to production and supply management.

**I am prepared to propose the application of such rules, whereby the Commission, in a situation of severe imbalance in the market, would decide to permit on a temporary basis such voluntary agreements for the dairy sector.**

I am satisfied that the all the other conditions apply to justify the application of this Article to the dairy sector, viz. that the Commission has already adopted exceptional measures, and in this case also the use of intervention and of private storage. This provision was included as part of the 2013 CAP Reform and has not been used to date. I am prepared, in the interest of EU farmers, to use all instruments that the legislators have put at our disposal as a short-term measure.

The full modalities of this measure have yet to be finalised by the Commission and I expect that we will be in a position to communicate these to MS very shortly.

You yourselves have identified the need to reaffirm the market orientation as the most effective support for a sustainable agricultural sector, and that there must also be a longer-term view of the appropriate instruments and actions to enable farmers to be resilient in the face of volatility.

### De Minimis/State Aid

It is perhaps appropriate at this stage to say something about the *de minimis* ceiling. *De minimis* aid is not regarded as State Aid, because the amounts involved are regarded as so unimportant that the aid is considered not to distort or threaten to distort competition or to have any effect on trade between Member States. A large number of MS have proposed a temporary increase from €15,000 to between €20,000 and €30,000.

I take the reference to *de minimis* ceilings to express the need for MS to be able to provide rapid and targeted aid to farmers. I would like to point out that revision of *de minimis* is not an immediate solution as the adoption procedure requires a number of steps which will take at least seven months.

**Given the level of support which this proposal has, I am prepared to give my full consideration to a temporary acceptance of state aid that would indeed allow MS to provide equivalent sums, i.e. a maximum of €15,000 per farmer per year and no national ceiling and indeed even more quickly.**

### Intervention Ceilings for SMP & Butter

Another proposal which has the support of a significant number of MS is to temporarily increase the ceilings for public intervention at fixed price for skimmed milk powder and butter. The current ceilings are 109,000 tonnes and 50,000 tonnes, respectively. Above those ceilings, a tendering system applies. Recent weeks have seen a significant increase in the rate at which product is being out into intervention.

I accept that there is value in sending a signal to the market of the Commission's commitment to supporting the fixed intervention price. **I am, therefore, proposing to double the ceilings for SMP and butter to 218 000 tonnes and 100 000 tonnes, respectively.**

I would also recall that the Commission is obliged not to release product placed into intervention back on to the market in a manner that would have a market distorting impact.

### Structures in Dairy Sector

I noted too that there was some support for the establishment of a High Level Group on Milk. I regard this proposal as an acknowledgement that there are some structural shortcomings in the dairy sector, at least in some Member States. I am not in favour of a proliferation of expert groups, particularly when there is potential overlap in their work. As

you are aware, I have already established the Agri Markets Task Force, under the chairmanship of Cees Veerman.

The mandate for the Task Force is to discuss relevant issues, such as market transparency, access for farmers to financial instruments and futures markets to hedge price risks, options for arranging contractual relations within the chain and legal possibilities for organising farmers' collective actions. All of this is with a view to improving the position of farmers in the food chain.

I know that many if not all of these issues are of concern to you and, for that reason, I have previously encouraged the Council to engage proactively with the Veerman Group, a message I passed to the European Parliament last week. I welcome the Presidency's decision to have a discussion with Mr Veerman at the June Council.

Mindful, however, of the proposal to establish a High Level Group and given the role of the Veerman Group, **I propose that a meeting or seminar be arranged between High Level Representatives of the Member States and the Agri Markets Task Force**, at which structural issues in the dairy sector can be discussed and arising from which the Task Force could be asked to make proposals aimed at addressing some of those structural problems.

The Task Force is due to report in the autumn and the indications already are that it making good progress and working very effectively. I await the outcome of its deliberations with great interest and I look forward to following up concretely the recommendations, particularly in the area of risk management tools etc.

#### Support for Pigmeat Sector

Unlike the dairy sector, there are fewer options in terms of providing additional support for the pigmeat sector. In January, I opened a private storage aid scheme for pigmeat, which was closed three weeks later, by which time some 90,000 tonnes had been taken off the market at a cost of €28 million.

I appreciate that there have been calls from a large number of MS for a new scheme, which would obviously come at a cost to the EU budget. However, there are other factors to take into consideration, notably the timing of the introduction of any such scheme. You all know that the price for pigmeat fluctuates on a seasonal basis and it is important, therefore, that

we don't introduce a scheme which results in a very significant volume of product being released into the market at a time when prices are seasonally at their lowest.

**In response to the proposals for a new private storage aid scheme for pigmeat, I am prepared to consider the introduction of a new scheme.** The details of the scheme, including the timing of its introduction, will have to be confirmed.

#### Monitoring of Beef and Pigmeat Markets

Earlier in the year, MS asked for some changes to be made to the working of the Milk Market Observatory to make it more responsive to the deteriorating market situation. The MMO has since been meeting more frequently and I believe that the information and market analysis provided has been very helpful to the sector.

A number of you have proposed an extension of the MMO model to cover meat products. In view of the contribution which the MMO has made to the dairy sector, **I am prepared to establish a Meat Market Observatory, covering beef and pigmeat.** I believe that the sectors will benefit from reliable information and credible market analysis which can be provided and I will ask my services to engage immediately with the relevant sectors to set up the new observatory.

#### International Trade

At last month's Council, I gave a comprehensive account of my efforts to increase exports and updated you on the state of play in bilateral negotiations as well as trade relations with Eastern Neighbourhood countries. I want to assure you of my continued efforts to identify new markets.

When I spoke to you in February, I had just returned from a successful trade mission to Colombia and Mexico and next month I will lead another trade mission of around 45 companies from throughout the EU to China and Japan and later in the year I will go to Vietnam and Indonesia. I will be unstinting in my efforts to support the promotion of EU agri-food products.

I don't think that I need to recall what I said last month about the negotiations regarding TTIP and Mercosur. I am well aware of the sensitivities. **I want to reiterate my determination to promote the EU's interests and open up new markets for EU products,**

**while negotiating a differentiated treatment for sensitive products. Both angles are crucial for European agriculture.**

#### Increased Promotion

A crucial element in the pursuit of new markets is the effective use of our promotion budget, something for which I know this Council is very supportive. As you are aware, we are significantly increasing the promotion budget and, a little over a month ago, we launched a call for promotion projects, with a particular focus on third-country markets.

€111 million is available for co-funded projects, with EU support of up to 70 per cent. This funding is available to support promotion in third countries but also to encourage more consumption within the EU. It includes a specific €30 million envelope for dairy and pigmeat, as proposed in last September's solidarity package. **I will increase that allocation to use the additional amount available to reflect the market disturbances in those sectors.**

#### Russian/SPS Bans

I also referred briefly last month to the situation with regard to Russia. I want to assure you that we are continuing our efforts to try to ensure a rapid resumption of trade and contacts are continuing. Despite President Juncker having written to President Putin in an effort to regularise trade between the EU and Russia, very little has happened.

The Commission has sent several letters suggesting that the Russians submit acceptable proposals. Unfortunately, these offers have not been taken-up. I can tell you that the failure to break the deadlock is not due to any lack of effort on the EU side. Indeed, as we speak, the Foreign Affairs Council is discussing the issue of relations with Russia.

You also know that Commissioner Andriukaitis has been very active in his efforts to resolve protracted Sanitary and Phytosanitary (SPS) issues with third countries, including Russia. While many SPS barriers remain, it is clear that their removal could substantially increase trade flows.

**Indeed, together with Commissioner Andriukaitis we have made important progress in lifting of unjustified or disproportionate SPS measures by third countries.**

The US recently opened-up for beef from the Netherlands.

On 2 February, Japan lifted BSE ban on Danish beef. This means that the ban has now been lifted for Denmark, France, the Netherlands, Ireland and Poland. Others should follow soon.

Some progress can also be reported with Brazil (e.g. equivalence determination of France for dairy products), and with Ukraine like the lifting of cumbersome import permit requirements for fruit, vegetables and other plant products.

The recognition by the US of the EU regionalisation decisions for pig disease African swine fever (ASF), is a very important move which can be used by the EU when negotiating with other trade partner lifting of ASF related trade ban affecting EU (or MS) pork exports.

#### Financial Instruments/EIB

Earlier this morning, you had the opportunity to have an exchange of views with the Vice-President of the European Investment Bank with regard to the development by the EIB of particular financial instruments for the benefit of farmers and processors.

**The Commission will prioritise its engagement with the EIB, with a view to developing appropriate financial instruments to assist farmers and processors to invest in their enterprises to improve the competitiveness of those enterprises or to invest in making any necessary structural adjustments.**

**To make this happen, I encourage you also to make full use of the opportunities offered by the European Fund for Strategic Investment for investment in the agricultural sector. I encourage you to look into the possibilities of setting up dedicated platforms for EFSI financing. It is vital to make full use of all the opportunities on offer.**

#### Export Credit

I have also listened very carefully to calls for the development of an export credit tool that could supplement the schemes which Member States are operating on a national basis. **I have asked my services to examine the feasibility of such a scheme and to step up their contacts with the EIB and the relevant agencies in the Member States. In that regard, I hope that the previous discussion will be the catalyst for more productive engagement with the EIB.**

### Fruit & Vegetable Sector

I have taken note of your comments with regard to fruit and vegetables. We are carefully looking at the requests from Member States to make the system more effective. **As for the exceptional measures for Fruit and Vegetables, arising from the Russian ban which will expire on 30 June, I'm happy to consider a prolongation of the measures for another year, reflecting the new market situation.**

### Rural Development

I have said before and it bears repeating that MS are not making adequate use of the various RD tools available. In fact, the take-up of some of the instruments which could help in situations like this is very disappointing. Of course, I can't force any MS to include any particular measure in their RDP and I don't know why it is that there is such a low take-up of particular measures.

To make life easier and perhaps to encourage a greater take-up of some measures, **I have instructed my Services to work together with the MS to see where and how RDPs can be adjusted to make them more responsive to the current crisis.**

### Conclusion

I made a commitment to come here today to present a comprehensive response from the European Commission to the current market crisis.

I set out the constraints within which that response would have to be framed when I indicated the parameters within which your proposals should be made at the February Council. I believe that I have honoured that commitment, within those very real parameters.

I believe that this is a package of measures which, when taken with the full implementation of the September solidarity package, can have a material and positive impact on European agricultural markets.

This package of measures is not intended to be a magic bullet but I believe that we should give it a chance to succeed.

Thank you.