

INFORMATION NOTE ON THE RUSSIAN BAN ON AGRI-FOOD PRODUCTS FROM THE EU

The Russian Federation decreed on 6 August 2014 a ban on agricultural products and foodstuffs from countries which have adopted sanctions against Russia in the context of the situation in Ukraine. On 7 August, the Russian government adopted a list of products to be banned for a period of one year from the EU, US, Norway, Canada and Australia. These products cover almost all meat products (beef, pigmeat, poultry, and certain sausages), milk and dairy products, fruits and vegetables, as well as fish and crustaceans. Some processed agricultural products are also banned.

These restrictions put a serious pressure on our agriculture and food sector:

- because of the temporary loss of a significant commercial market (the banned products on the Russian market represent 4,2% of all EU agri-food exports). Some sectors and Member States are more heavily affected – i.e. 29% of EU fruits and vegetables exports, 33% of cheese, 28% butter;
- and because of possible cascade effects leading to oversupply on the internal market given the volumes involved, and the quantity of perishable products banned in full harvesting season.

Alternative market opportunities will exist for some of these EU products but rerouting will take time. The overall temporary restrictions currently applied by Russia potentially jeopardise 5 billion EUR worth of trade and affects the income of 9.5 million people in the EU working on the holdings most concerned.

For these reasons, it is of utmost importance to continue to address this challenge with a common EU approach, to act swiftly and use the appropriate tools available at EU level to mitigate the effects of these restrictions. This can be done via the Common Agricultural Policy, notably with the new market stabilisation tools that are and will continue to be mobilised where and when needed. Our external communication should underline the availability of these CAP measures and the resilience of the EU in response to the Russian ban.

It is therefore necessary to ensure a common, coherent EU response, centred on three main objectives:

- to maintain the stability of the internal market via effective and properly calibrated market crisis management at EU level, for instance by reducing overall supply of exposed products on the European market as and when price pressures become too great;
- to strengthen the resilience of our agricultural and food sector and encourage reorientation towards new markets and opportunities, including in particular via enhanced promotion measures;
- to address negative impacts of the restrictions on some vulnerable EU sectors and holdings where and if needed, by exploring ways to provide adequate and well-targeted

compensation. The effectiveness of different options to unlock emergency compensations either at EU or national level is currently being examined.

For immediate action, priority has been given to an efficient use of market management tools for stabilising the internal market and to facilitate a rapid reorientation towards new markets.

An analysis of potential impacts, sector by sector, and an assessment of policy options to provide meaningful support where and if needed, follows. Immediate measures have already been taken. Further market interventions will be proposed as and when needed. The issue of compensation is also being examined. The task now is to continue to bolster market confidence. It will be essential to work closely and actively between the three European Institutions, to deliver timely and coordinated actions. This note is intending to provide materials for the upcoming discussions which will take place in European Parliament the 4th of September and in Council the following day.

Market confidence through European solidarity is the overriding objective and acting swiftly and decisively in this context is key.

1/ The "Russian ban" in perspective

The ban covers a list of specific products over several sectors:

- Vegetables and fruits, except prepared vegetables and fruits.
- Dairy products: milk, dairy products (notably cheese, skimmed-milk powder, butter, whey powder, fresh products, whole-milk powder, condensed milk), and some food preparations containing milk components.
- Meat: meat of bovine animals, swine and poultry (whether fresh, chilled or frozen), as well as meat salted, in brine, dried or smoked, sausages and similar products.

Exceptions are introduced for goods destined to baby food, certain animal products (fat, meat offal) and live animals, as well as preparations in the fruit and vegetables sector (such as fruit juices, canned fruit or prepared vegetables). Since 20 August, lactose-free milk and milk products, seed potatoes, onion sets, hybrid sweet corn and nutritional supplements are also lifted from the ban.

Russia is the second most important destination for EU agri-food exports (after the USA), representing in total a value of about € 11.8 billion in 2013, i.e. 10% of all EU agri-food exports. The agri-food products covered by the Russian ban represent a value of € **5.1 billion** in 2013 exports, i.e. 43% of EU agri-food exports to Russia¹. In a global perspective, the ban affects **4.2% of total EU agri-food exports** but, depending on the sector, this share can represent a considerable part of EU exports in the sectors concerned (see table 1 below). Processed agricultural products represent up to 10% of the total value of banned products. For the animal sectors it should be noted that the ban doesn't include trade in certain animal

¹ This value is a rather high estimate, as it includes considerable pork exports which have been already blocked by Russia since early 2014 due to the few cases of African Swine Fever in wild boars identified close to the border with Belarus.

products and live animals. Within those aggregate figures, the situation varies significantly from Member State to Member State, from region to region and from producer to producer.

Table 1: EU exports to Russia as share of production

(2013, based on quantities)	EU production used domestically	Ban affected exports to Russia in EU production	% of banned exports to Russia in total EU exports
<i>Fruit and vegetables*</i>	90%	3.0%	29%
Cheese	92%	2.7%	33%
Butter	95%	1.7%	28%
Pigmeat	90%	2.0%	20%
Beef	96%	0.5%	25%
Poultry meat	90%	0.7%	6%

More details available in the Annex

* in value (current prices)

These trade restrictions are putting serious pressure on our agriculture and food sector because of the temporary loss of a significant commercial market in main agricultural sectors (almost all meat products, milk and dairy products, fruits and vegetables). Given the volume involved and the quantity of perishable products banned in full harvest season, cascade effects with oversupply on the internal market are likely to happen.

In such exceptional events of oversupply – or sudden drop in demand, markets react to such extreme events and this leads to an initial negative price reaction that might exceed the level at which prices tend to stabilise after the initial shock is absorbed. This is especially true for those products that are perishable, and thus non-storable, and those that are at the early stage of the marketing year, when prices are generally the highest under normal conditions.

In such context, rapid actions are decisive to limit the initial EU market reactions, notably to rebalance supply with the demand, and to stimulate the latter both within the European Union and externally.

This is why, as the fruit and vegetable sector is the most affected by the current ban, the Commission announced emergency measures for that sector immediately on 11 and 18 August (see point 3/ below) while monitoring very closely the impact of the ban on other sectors (dairy and meat). The Commission has always stood ready to adopt further measures where and when needed.

It should finally be underlined that countering the effects of the ban is a joint responsibility of operators, Member States and the EU.

2/ Addressing agricultural market disturbances - EU market measures
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The reformed Common Agricultural Policy has been equipped with an inventory of measures to ensure EU solidarity in cases like this. Next to the safety net provisions, exceptional measures can be deployed to address the market disturbances that result from the ban.

An overall safety net covering:

- In the fruit and vegetable sectors Producer Organisations have the possibility to integrate crisis prevention measures within their operational programmes, covering actions such as market withdrawal, harvest insurance, the setting up of mutual funds etc. The maximum EU support normally limited to 4.1% of the Producer Organisation's turnover is increased to 4.6% if the amount in excess of 4.1% of the turnover is used solely for the financing of the crisis management/prevention measures.
- Public intervention: available in the milk and milk products sector (for butter and skimmed-milk powder) and may be opened in the beef and veal sector (for fresh or chilled meat)². For the dairy sector, public intervention is open each year from 1 March till 30 September. The buying-in occurs at fixed price up to 50 000 t butter at 221.75 EUR/100 kg and 109 000 t SMP at 169.80 EUR/100kg, and automatically continues by tender once those quantitative limits are reached. Public intervention may be opened for the beef and veal sector, if prices are below 85% of the reference threshold for carcasses of male bovine animals. The reference threshold is set at 2 224 EUR/ton.
- Private storage aid: may be granted to some dairy products as well as for some fresh or chilled meat of bovine animals and pigmeat³.
- Exceptional measures that could be envisaged (not exhaustive):
 - Temporal increase of quantities for withdrawal with support in the fruit and vegetables sector, in particular for free distribution to certain organisations, such as charitable organisations and schools, but also for animal feed, biomass, processing industry, destruction, etc. (depending on the Member State) and for non-harvesting and green harvesting. Possibility to extend to producers who are not members of a recognised producer organisation
 - Extension of the buying-in period for butter and skimmed-milk powder (SMP) into public stocks⁴
 - Enlargement of the list of possible products eligible for Private Storage Aid.⁵
 - Export refunds⁶
 - Further emergency measures to resolve specific problems where necessary and justifiable for a limited period⁷

² Art. 7-16 of CMO Regulation 1308/2013 & Art. 2-3 of Regulation 1370/2013

³ Art. 17-18 of CMO Regulation 1308/2013 & Art. 4 of Regulation 1370/2013

⁴ Art. 219 of CMO Regulation 1308/2013

⁵ Art. 219 of CMO Regulation 1308/2013

⁶ Art. 196 of CMO Regulation 1308/2013 & Art. 13 of Regulation 1370/2013

- If the Commission has already adopted an exceptional measure, if public intervention applies or if aid for private storage has been granted, the Commission has the possibility to authorise recognised producer organisations, their associations and recognised interbranch organisations to take a series of measures, derogating from normal competition rules provided that they do not undermine the proper functioning of the internal market and strictly aim to stabilise the sector concerned⁸.

The 2014-2020 Multiannual Financial Framework fixes the amounts available in the EAGF (European Agricultural Guarantee Fund) for the financing of market expenditure and direct payments. A crises reserve is established every year by applying a reduction to direct payments through the financial discipline mechanism. The total amount of the crises reserve for the period 2014-2020 is EUR 2 800 million with equal annual instalments of EUR 400 million (at 2011 prices).

Altogether the above mentioned measures offer a wide spectrum of policy instruments to stabilise markets at EU and the Member State level.

The main challenge in the current crisis is to implement the right measures targeting the most critical sectors or operators, at the right time, and in a cost-efficient way. Targeted efficient measures implemented at the very early stage are the most cost effective way to act. To this end meetings between the Commission services and experts from the Member States and the EP have already taken place in August and are continuing on a weekly basis.

An extraordinary AGRIFISH Council has been convened for 5 September and the EP ComAGRI will meet on 3 and 4 September. The Foreign Affairs Council adopted conclusions on the ban at its meeting of 15 August.

3/ Impact and measures – Analysis by sector

The ban has already had an immediate negative impact on prices in some sectors. This is both related to concrete oversupply situations (e.g. rerouting of existing products towards the European markets combined with difficulties to find alternative markets, which hits particularly perishable and seasonal products) and to "psychological" effects of the announcement of the ban which can act as incentive to local distributors to apply further pressure on prices.

The analysis so far shows that not only countries which were traditionally exporting substantial quantities to Russia are affected, but that oversupply may also spread into the internal market as a result of producers and operators' efforts to find alternative markets in the EU and because of the time necessary to find new markets outside the EU. This is already the case on some markets in the Fruits and vegetables sector and the milk sector.

⁷ Art. 221 of CMO Regulation 1308/2013

⁸ Art. 222 of CMO Regulation 1308/2013

The European Commission services are in close contact with Member States experts to monitor the prices in the different sectors at all level of the food-supply chain, and identify the most difficult situations (sectors, countries, types of operators etc.).

Adapting to such a significant external trade disruption will take time and may imply very significant short to medium term costs for private operators and producers. For those sectors in severe economic difficulties there is a clear need to use the new CAP policy and budgetary framework pre-emptively and proportionately, so as to mitigate these losses, assist this transition, and thereby maintain a fully functioning single market. Early and decisive actions are more cost effective, both for European producers and taxpayers.

These mitigating measures can be activated swiftly and effectively via the Common Agricultural Policy, through the new market stabilisation tools established as part of CAP reform. In order to deal without delay with the first effects of this ban, the Commission has already announced a number of exceptional market management measures for several European productions.

Fruit and vegetables

The Russian ban is affecting in the first place the perishable products sector. This effect is immediate, as for many products the harvest is ongoing or about to start in the EU and Russia is traditionally an important destination for EU fruit and vegetables. This country represented about 30% of the EU's fruit and vegetable exports in 2013. The main products concerned are apples, tomatoes, peaches, nectarines, pears but also mushrooms, cucumbers, sweet peppers and cabbage among others (more details in dedicated Annex). Russia was also a growing market for fresh apples, pears and tomatoes for which sales increased during the last decade. In 2012-2013, the EU supplied 25% of Russian fruit imports and 34% of vegetables imports. The main EU suppliers for fruits were Poland (7%), Spain (6%), Greece (4%), Italy (3%) and Belgium (2%) and for vegetables the Netherlands (10%) Poland (9%), Spain (8%), and Belgium (2%)⁹. Lithuania is an important exporter of EU fruit and vegetables, which mainly re-exports products from Spain, the Netherlands and Germany¹⁰. Russia has indicated that it intends to source vegetables and fruit in particular from Turkey, Serbia, Azerbaijan and Uzbekistan. The EU expects candidate and third countries to refrain from measures which are aimed at exploiting new trading opportunities arising from the introduction of the ban.

The Commission is closely monitoring the price developments in the fruit and vegetables sector since they have been affected as from the beginning. Updated market data can be followed on the AGRI website¹¹.

In this regard emergency measures were decided on 18 August by the Commission in the fruit and vegetables sector:

- For perishable fruit and vegetables: (tomatoes, carrots, cabbage, sweet peppers,

⁹ These figures represent the share in total Russian imports based on Comtrade data for 2012 and 2013, in value.

¹⁰ That is why Lithuania appears as the main EU exporter of fruit and vegetables in the European trade database (Comext) but not in Comtrade the international trade database where Russia declares more often the country of origin of the products.

¹¹ http://ec.europa.eu/agriculture/russian-import-ban/index_en.htm

broccoli, cauliflower, cucumbers and gherkins, mushrooms, plums, soft fruits, fresh table grapes, kiwis, apples, pears) whose harvest takes place primarily at this time of the year, market withdrawals especially for free distribution, and compensation for non-harvesting and green harvesting are provided for in a delegated act. The measures are open to all producers regardless whether they are members of a producer organisation or not. The Union contribution to Producer organisations is set at 75%, while the contribution for free distribution is 100% for all producers. The measures have a retroactive effect as from August 18, and apply until the end of November with a budget foreseen of up to €125 million.

- Besides the measure previously taken for peaches and nectarines (11th of August) to address the exceptional increase in supply due to anomalous weather conditions before the Russian import ban added further pressure, will be aligned as regards the withdrawals to the above regulation.
- Close market monitoring will be pursued on a weekly basis. If by doing so, it appears that market developments are evolving in such a way that additional measures are necessary, the Commission will react accordingly

Dairy

The most affected dairy products are cheese (257 000 tonnes or 33% of total EU cheese exports) and butter (37 000 tonnes or 28% of total EU butter exports). The banned dairy products amount to some 1.5% of total EU milk production in milk equivalent, which is a significant share of the total 9% of EU milk production which is exported.

For the dairy sector, cheese is the product most affected by the ban. Russia is an exclusive trading partner for cheese for Finland and the Baltic countries (about or over 90% of these countries' cheese exports) which also represents for each of these Member States around or above 1/5 of national cheese production (e.g. around 35 000 tonnes for both Finland and Lithuania). Cheese exports to Russia also represent a high share of certain Member States cheese exports: 42% for the Netherlands (corresponding to 8% of national production), 38% for Germany (corresponding to about 2% of national production) and 43% for Poland (corresponding to less than 4% of national production). Close to half of the butter exported to Russia comes from Finland (17 000 tonnes covering 95% of Finland's butter exports). Russia has indicated that it is looking for alternative suppliers for dairy products¹².

Downward pressure on prices for dairy products had been registered since early 2014 due to increased supply both in the Union and in the main milk producing regions of the world. Since the introduction of the ban, further downward pressure has been registered in EU average prices for the main commodities ranging from – 0.1% for Gouda (- 0.8% for Cheddar, - 2% for butter, - 7.7% for whey powder, - 9.2% for whole milk powder) to – 10.3% for skimmed milk powder in two weeks. European average prices remain well above intervention levels. At Member States' level, the situation is variable: those Member States who are the primary suppliers of dairy products to Russia undergo deeper price drops.

¹² The EU supplied 44% of the dairy products imports by Russia in 2012-2013 (Comtrade, in value)

Dairy products manufactured for the Russian market have to find their way on the internal market, increasing pressure on European prices. In addition to this immediate impact on the internal market, while looking for alternative outlets, some of the volume of milk that would have been used for cheese production will have to be channelled to butter and powder production, increasing the risk of unbalancing those markets.

Way forward:

While not underestimating the sector's ability to address the situation by its own means, companies cannot be expected to adjust to the direct and indirect consequences of the Russian ban from one day to the next. Therefore additional public support is necessary to bridge the gap where and as needed.

As a first immediate step private storage for butter and skimmed milk powder will be opened until the end of the year to give the necessary time for the sector to find alternatives for the Russian market.

Similarly, private storage should be opened until the end of the year for cheeses which are affected by the ban. .

Furthermore, intervention buying-in that would normally close at the end of September will be extended until the end of this year.

Finally, close market monitoring will be enhanced, notably through the Milk Market Observatory.

If by doing so, it appears that market developments are evolving in such a way that additional measures are necessary, the Commission will react accordingly.

Meat

The EU meat sector has been confronted with SPS-related trade restrictions from Russia even before the imposition of the recent ban. Relatively high producer prices for all meats, moderate feed costs and – until now – good export demand from other markets than Russia limit the immediate impact of the current ban. However the Commission remains vigilant as regards the medium and long term effects the ban might have on these sectors.

For pigmeat, EU exports to Russia are banned since February 2014 (SPS – African Swine fever). The Commission started a WTO procedure against this unjustified measure. Therefore, pig prices did not show any reaction after the announcement of the new Russian embargo and stay at 165 €/100 kg carcass-class E while compared to last year European pig slaughter declined about 2 %. The EU's most relevant pig products for the Russian market are lard, fats and offal (about 50% of our exports in 2013), which are still permitted under the current embargo but banned due to African Swine Fever. Products affected directly by the ban represent 1.9% of EU production. After a short decline in March, EU pig prices increased during the year without benefiting from the usual increase of prices during the summer. Up to now, operators have been able to partially absorb the drop of exports to Russia through increased exports to Japan, South Korea and the Philippines. The Russian ban now also

affects other pigmeat exporters on the world market (USA and Canada) that are now looking for new outlets; however their market share in Russia was much lower than the EU part. In this context, the Commission will reinforce its monitoring of the pigmeat sector during the forthcoming weeks with the Member States and the stakeholders in order to establish whether there are first premises of prices' drops and to activate the crisis tools available if necessary. In parallel, conducting promotion actions would be opportune in order to increase our shares on export markets

Russia is the first destination of EU exports for beef meat, rising to 25% of all EU beef meat exports. The EU' most relevant beef products for the Russian market are breeding animals and low value products (trimmings, offal and fats). The ban affects the export of fresh, chilled and frozen beef but not the exports of live animals, offal or fats. The products affected directly by the ban represent less than 1% of EU production. In June, Russia had already issued a sanitary ban on beef offal and trimmings (due to the detection of pigmeat in a consignment).

The beef sector has been facing structural difficulties due to a weak internal demand and a declining production. Following two years with high prices in 2012 and 2013, average prices for adult male bovine have trended downwards in the first six months of 2014. Prices started to increase again at the beginning of July. After the announcement of the Russian embargo, average beef prices were at 370 €/100kg; they remained stable (+0.2%) in the first week of the ban. Producers' margins have also been above the historical averages since the beginning of the year due to decreased feed costs. Looking for alternative export markets is essential for this sector in order to avoid significant drops in prices which could generate an additional drop in European production. Alternative outlets for EU beef exports need to be encouraged in Asia. In parallel, a regular follow up of the evolution of the margins of producers in the beef sector will be conducted as margins are useful indicators to evaluate the potential threats on the sector.

Poultry meat is the least affected of the meats sector, as exports to Russia amount to 0.7% of EU production (or about 6.5% of EU's total poultry exports). The EU broiler price even increased after the announcement of the Russian ban to 194 €/100 kg. The sector is well integrated and has a short cycle of production (less than 2 months for broilers). The poultry meat sector has been growing in the last years as demand is increasing worldwide. It is therefore considered to have the capacity to adjust to the situation by its own means (adapting production, finding potential alternative markets for exports, decreasing imports).

Way forward:

Close monitoring of EU price developments of the main meat sectors has been enhanced and will continue actively with Member States and stakeholders in order to evaluate if any action appears necessary at this stage.

Commission is following closely the meat market. If needed, safety net provisions could be activated quickly (e.g. public intervention, private storage aid, exceptional measures).

4/ Other EU instruments

Trade policy measures:

As referred to earlier, rerouting of EU exports to new destinations would alleviate the consequences of the Russian ban.

The Commission started immediately to evaluate alternative export markets which are at present hampered for sanitary and phytosanitary (SPS) barriers. EU efforts to remove some of the existing long standing barriers to EU exports, notably for fruits meats and dairy products should be given an extra push to open or further increase market access where SPS barriers exist, both in the short-term and medium/ long – term. It would be vital to get a political push for the priority countries to deliver on solving the SPS issues especially for long- standing issues, where the technical level in third countries has not delivered results, especially for those countries with existing FTAs and current negotiations. Acceleration of current FTAs negotiations with third partners should be envisaged as well in order to ease the access of EU products to non EU markets. It should be underlined that FTAs by following a long term policy orientation are creating stable and predictable markets but cannot provide a quick and immediate reaction to market crisis..

Finally the legal feasibility and political opportunity of launching panel proceedings at the WTO against the Russian ban is being studied by the Commission services responsible.

Promotion of products on the internal EU market, or in third countries, and communication actions.

EU support for promotion campaigns should be enhanced towards exploring alternative markets especially outside the EU.

- Regarding the short term and existing contracts for programmes running and targeting also Russia, it is possible to modify the contract in such a way as to shift actions and amounts to other target countries already foreseen in the contract and Member states have already been informed hereof.
- regarding new promotion schemes and the very short term, an additional amount of 30 MIO EUR will be added to the available amounts to be used in the context of the submission of schemes foreseen by the 30.9.14. It means that 60 MIO EUR are available now for immediate action to cofinance promotion actions worth to 120 MIO EUR. This call offers the opportunity to launch new promotion schemes aimed at the diversification of exports towards other target markets. The budgetary impact will be spread over the budgets 2015-2017 in line with the implementation of the schemes and could be covered by the already planned increased budget for promotion.

The launch of communication actions aimed at contributing to market stabilisation is currently being considered. A first step in this direction is the launch of a dedicated website page designed to provide a single entry point for all Commission information regarding the Russian ban.

Further actions could aim at promoting daily consumption of fruits and vegetables across the EU thereby avoiding a nationalisation of communication actions. The choice of actions should

be adapted to this specific situation of the ban which is not related to lack of trust in the safety or quality of EU products.

In addition, Producers Organisations have the possibility, by means of their Operational Programmes, to allocate budget to promotion and communication measures locally, and to adapt this envelope annually if necessary.

School Fruit Scheme and School Milk Scheme

Union aid is granted for the supply of fruit and vegetables under the School Fruit Scheme and, to milk and milk products to children under the School Milk Scheme. Within the existing framework, Member States have the possibility to further encourage the use of these schemes and to provide more milk and fruit to children. Furthermore, the Commission proposals to revise these school schemes provide for increased flexibilities and possibilities and a swift agreement on the proposal by the legislator would provide further impetus to enhance consumption of these foods by young Europeans.

Distribution of food to the most deprived

The programmes financed by the Fund for European Aid to the Most Deprived (FEAD), fall within the sole competence of Member States. They decide on what products they buy, make advance payments and get reimbursed later on. Member States that wish to do so may introduce the distribution of fruit and vegetables as well as other products affected by the Russian import ban in their operational programme for 2014-2020.

With regard to products bought in under public intervention, they may under certain conditions be disposed of by making them available for the scheme for food distribution to the most deprived in the Union.

Direct payments to farmers, including coupled support

Significant income support is provided annually to farmers in the form of direct payments throughout the EU¹³. Although most of these payments are "decoupled" (not linked to a specific production, but a simple per-hectare payment), from 2015 there are new possibilities for Member States through coupled support to target a share of direct payments to those sectors¹⁴ or those regions where specific types of farming or specific agricultural sectors undergo certain difficulties related to a risk of decline or abandonment of production.

This coupled support allows Member States to provide income support, within their envelope for coupled aid, to farmers in sectors and regions that have been particularly affected by the Russian ban. Eligibility criteria for coupled support refer to "types of farming", "sectors" or "regions", and thus do not enable targeting individual operators.

The income stabilisation tool in the Rural Development Programmes (RDP)

¹³ With the possibility for Member States to pay advances to farmers from 16 October 2014 in respect of applications made in 2014.

¹⁴ Most sectors covered by the ban are eligible for this support, except pigmeat and poultry.

The EU Rural Development Policy provides for some measures which Member States can use in their programmes (currently being finalised for the period 2014-2020) and could help in different ways producers who are facing major income losses. In particular, the income stabilisation tool (Risk management) could help farmers if their income drops by more than 30% of their average annual income. The compensation can be up to 70% of income loss. The Income Stabilisation Tool can be activated in a situation of market disturbance. It is for the Member States to include this tool in their programme(s) and to ensure a mutual fund is set up.

5/ Possible compensation measures for farmers affected by the ban – EU and National instruments

In order to further mitigate the consequences of the import ban on the most vulnerable EU sectors and holdings, and beyond the exceptional market management measures, the relevance of direct compensations could be analysed both at EU level or/and at National level bearing in mind previous experiences and the need of a common, coherent and cost-efficient approach.

Existing CAP market measures represent a powerful tool for addressing market disturbances. Direct compensation payments to farmers and/ or sectors most affected by the crisis might offer an additional possibility for addressing the effects of the Russian ban if targeted towards the most affected, while taking into account our WTO commitments. Depending on the scale of such measure, it might require a reduction of the direct payments which the EU currently pays to all farmers in the EU.

At EU level

The revised CAP provides for the possibility to adopt exceptional and emergency measures to address under severe market disturbances (e.g. steep price falls or other significant market disturbing events) and to resolve specific problems where a duly justified imperative ground of urgency is present.

The support given to the dairy sector end 2009 illustrates the possibility for the Commission to address income losses by farmers. But this measure, as decided, was clearly seen afterward as not efficient as expected and leading to a very limited mitigating effect.

Therefore, immediate priority to face crisis has been and should be given to an efficient use of market management tools.

The possibility of well-targeted compensations should be further discussed with Member States and with the European Parliament, against the light of the market and income developments that can be observed.

At National level

Member States also have possibilities to take support measures. Such measures could include certain financial guarantees, measures in the field of taxation, measures linked to employment and social policy, etc. Member States must respect EU rules for state aids when applicable (mainly for processed food, i.e. non-Annex I products).

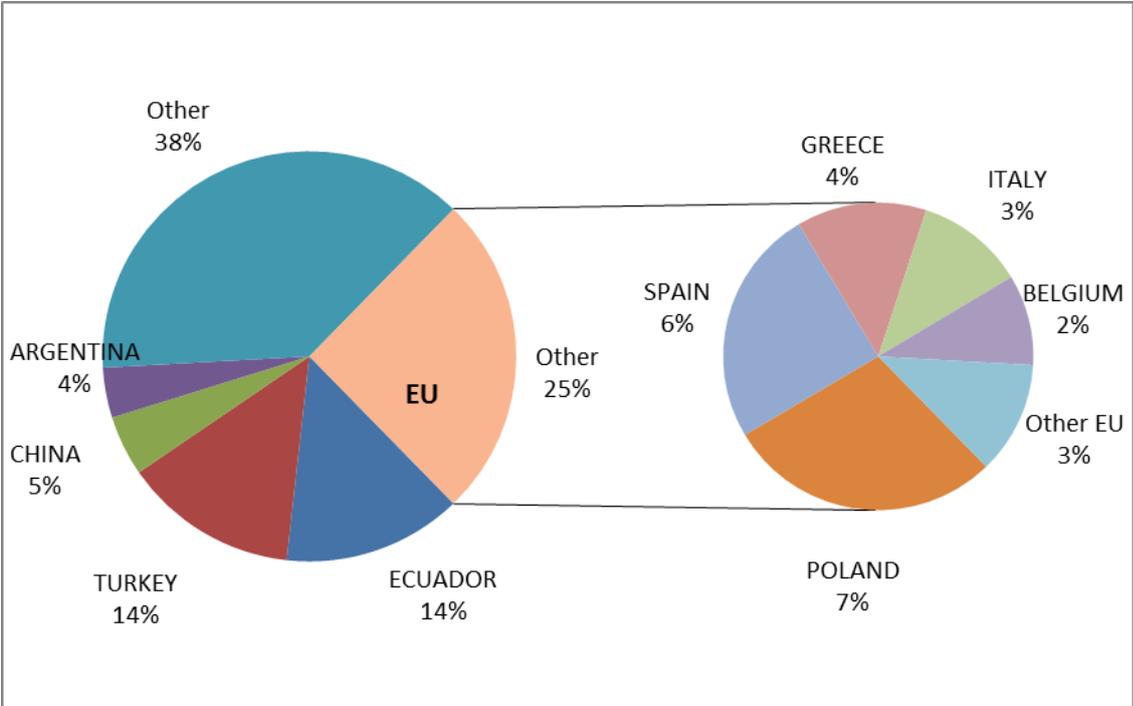
The State aid rules offer Member States some possibilities to grant aid to compensate for losses brought about by the embargo:

- Without the need for prior Commission approval, *de minimis* aids: for primary producers, up to 15 000 € per beneficiary over any period of three fiscal years, within the limits of a national ceiling representing 1% of the value of the annual agricultural output; for processing and marketing agricultural products, as well as for companies producing non-agricultural products - products not included in Annex I TFEU – up to 200 000 € over the same period, without national ceiling;
- State aid can also be authorised by the Commission, on notification by the Member States, if several conditions are fulfilled.:
 - Under the EU Guidelines for State aid in the agricultural and forestry sectors and rural areas, compensation can be authorised on notification by the Member State for damage brought about by exceptional occurrences. The term "exceptional occurrence" is subject to strict interpretation.. Moreover, several other conditions must be fulfilled (e.g. direct causal link between the exceptional occurrence and the damage suffered). The types of damage referred to in the Guidelines cover damage incurred as a direct consequence of the exceptional occurrence. The damage should be calculated at the level of the individual beneficiary in accordance with the methods indicated in the Guidelines. The aid may cover up to 100% of the eligible costs and could take different forms, under condition that it is paid directly to the undertaking concerned or to a producer group or organisation of which that undertaking is a member.
 - The Commission will take into account the sudden and unforeseen circumstances of the Russian ban in the examination of individual State aid notifications.

None of the above aids may be linked to the prices or quantities put on the market.

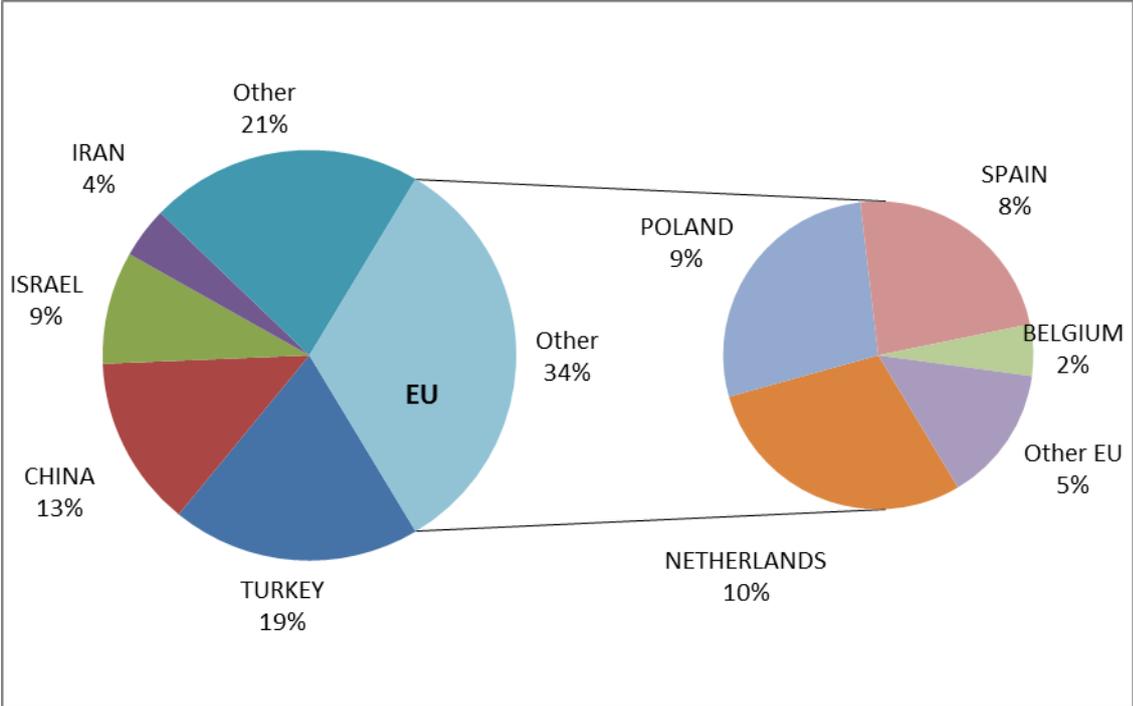
Annex on analysis of the market situation for the affected sectors – Russian ban

Graph 1. Top 5 Russian fruit import origins and EU exporting Member States, average value 2012-2013



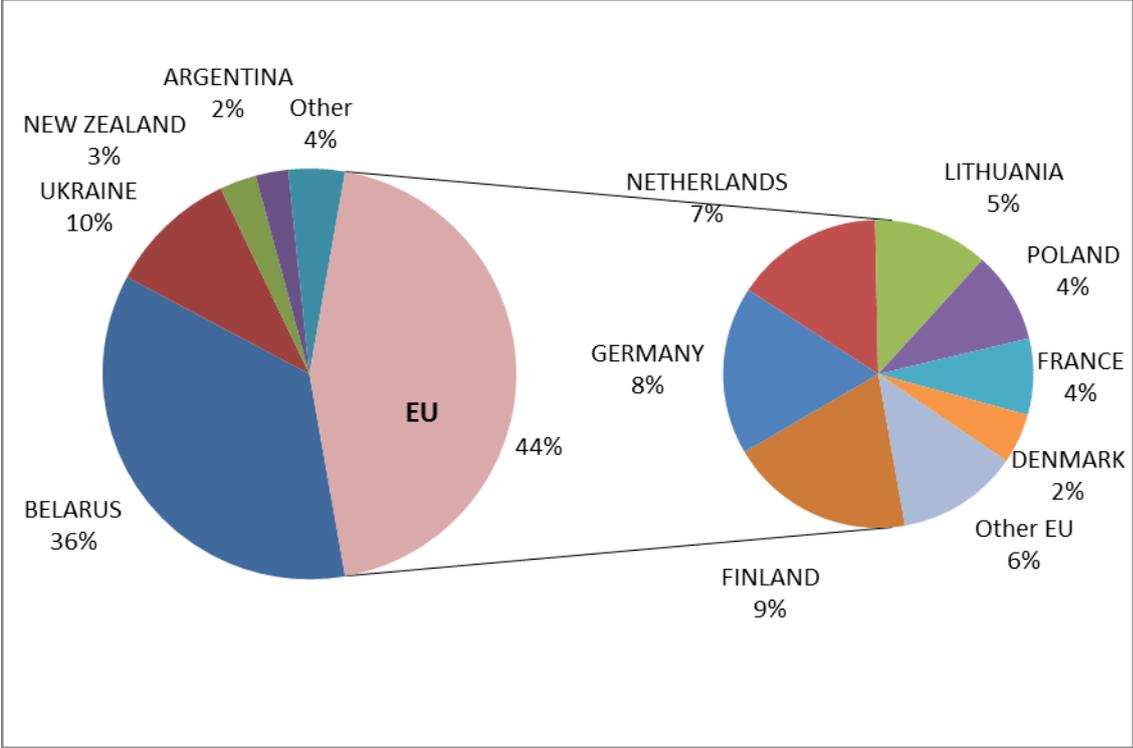
Source: Comtrade

Graph 2. Top 5 Russian vegetables import origins and EU exporting Member States, average value 2012-2013



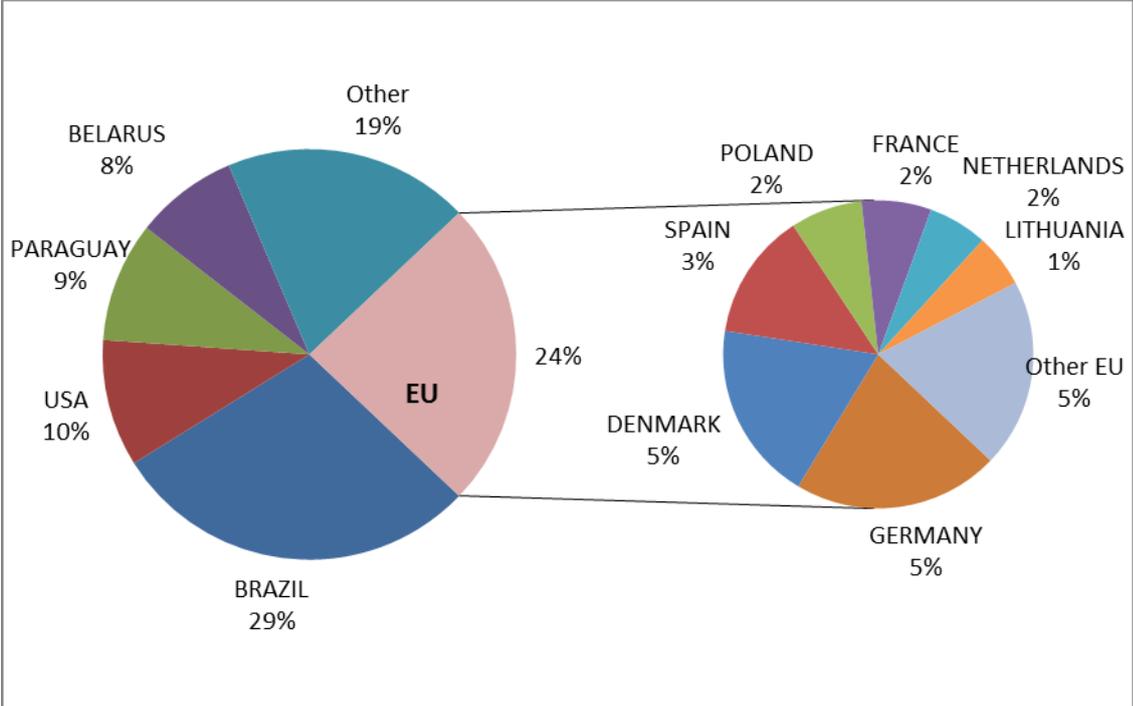
Source: Comtrade

Graph 3. Top 5 Russian dairy import origins and EU exporting Member States, average value 2012-2013



Source: Comtrade

Graph 4. Top 5 Russian meat import origins and EU exporting Member States, average value 2012-2013



Source: Comtrade

Table 1. EU production and banned exports of certain fruit and vegetables to Russia (2013)

In thousand tons	EU production	EU exports	% exports / prod.	EU exports to Russia	% exports to Russia / exports	% exports to Russia / prod.
Tomatoes	13.880	364	3%	230	63%	2%
Onions and shallots	5.552	769	14%	85	11%	2%
Carrots and turnips	5.098	112	2%	70	63%	1%
Cabbage (white)	3.178	124	4%	91	74%	3%
Sweet peppers	2.179	136	6%	54	40%	2%
Cauliflower and broccoli	2.062	62	3%	26	42%	1%
Cucumbers and gherkins	2.283	72	3%	35	49%	2%
Mushrooms	1.008	75	7%	43	57%	4%
Apples	11.416	1.510	13%	790	52%	7%
Pears	2.470	351	14%	201	57%	8%
Citrus fruits	8.617	779	9%	152	19%	2%
Peaches and nectarines	3.693	308	8%	165	54%	4%
Red fruits, strawberries, kiwi	2.062	398	19%	119	30%	6%

Source of data: Eurostat, Comext and DG AGRI estimations (for MS that the production is not available in Eurostat)

Table 2. EU production and banned exports of dairy products to Russia (2013)

	EU production ¹	EU exports ¹⁻³	% exports / prod.	EU exports to Russia ¹⁻³	% exports to Russia / exports	% exports to Russia / prod.	Exports to russia in milk equivalents ⁴
	a	b	c=b/a	d	e=d/b	f=d/a	g
Cheese	9 703	787	8%	257	33%	2.7%	1 460
SMP	1 092	407	37%	21	5%	1.9%	110
Butter (incl. Butteroil)	2 182	132	6%	37	28%	1.7%	420
Wheypowder	2 320 ²	515	22%	25	5%	1.1%	160
WMP	698	374	54%	3	1%	0.4%	20
Condensed	1 215 *	251	21%	3	1%	0.2%	10
Fresh products (incl. Yogurts)	46 495	675	1%	66	10%	0.1%	50
Buttermilk in powder		31		1	4%		-
Whey not in powder		1		0	0%		-
Other Milk constituents		62		2	3%		-
Finished products		572		45	8%		-
Food prep.		1 121		106	9%		-

~ 1.5 % of total EU milk production

¹ DG AGRI - Short Term Outlook - Summer 2014

² EUROSTAT - New Cronos, DG AGRI estimations

³ EUROSTAT - Comext

⁴ Based on fat and protein content

Table 3. EU production and banned exports of meat and meat products to Russia (2013)

in '000 Tonnes c.w.e

	EU production ¹ (2013) a	EU exports ² (2013) b	% exports / prod. c=b/a	EU exports to Russia ^{2,3} (2013) d	% banned exports to Russia / exports e=d/b	% banned exports to Russia / prod. f=d/a
Beef & veal	7 422	161	2%	41	25%	0.5%
Pig meat	22 389	2 207	10%	451	20%	2.0%
Poultry meat	12 832	1 300	10%	84	6%	0.7%
Total affected products	42 643	3 668		576		

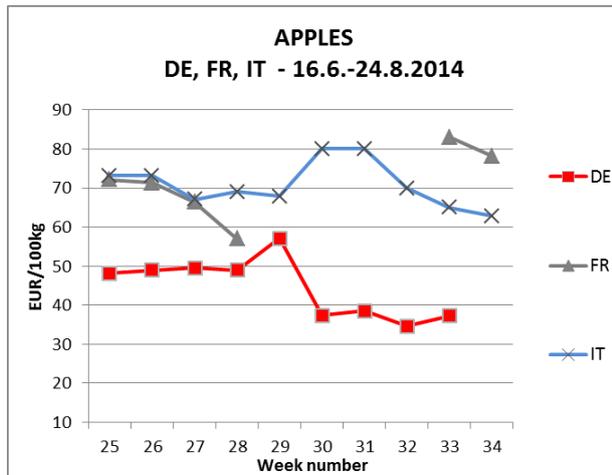
~1.4% of total EU meat production of beef, pig and poultry meat

¹ Net Production (Short Term Outlook - Summer 2014)

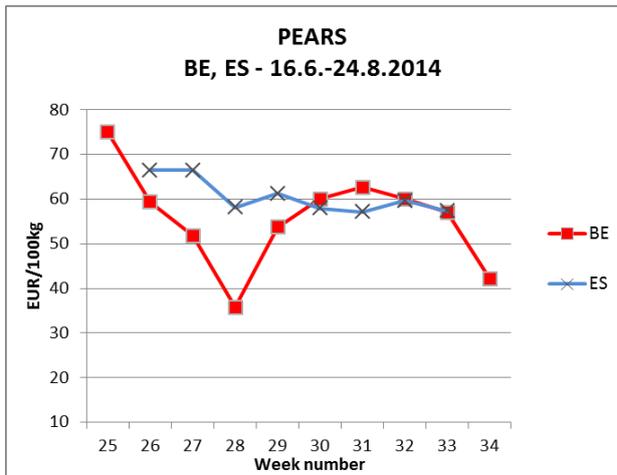
² Eurostat - Comext

³ Products banned on 7 August only (lard is not included although lard is banned since February for SPS reasons)

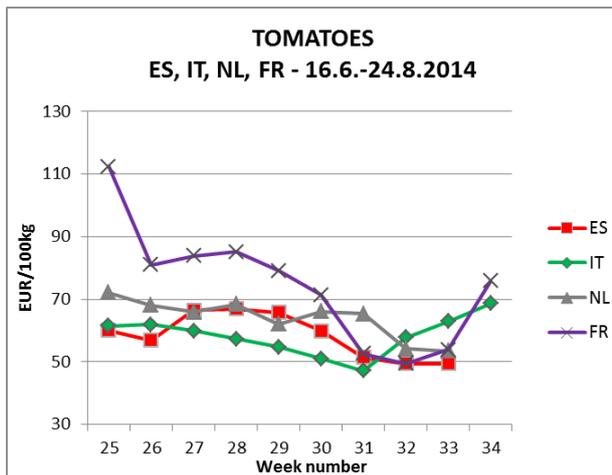
Graph 5. Latest price developments in the fruit and vegetables sector for selected Member States



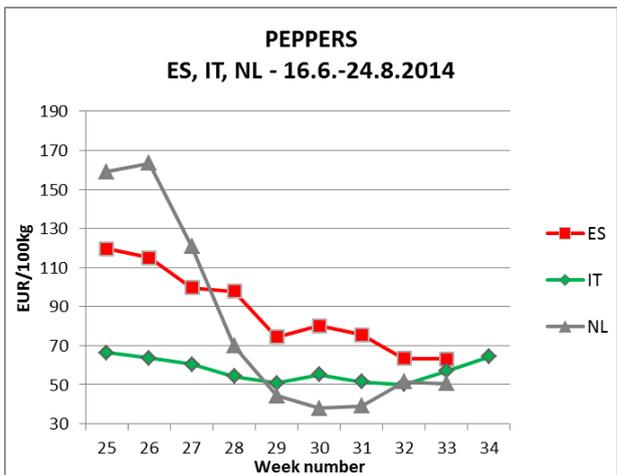
Source: AMIS (MS declarations); main producing countries for which prices are available



Source: AMIS (MS declarations); main producing countries for which prices are available



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Source: AMIS (MS declarations); main producing countries for which prices are available

Graph 6. Latest EU price developments in the milk and livestock sectors

