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NOTE

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| From: | General Secretariat of the Council |
| To: | Special Committee on Agriculture/Council |
| Subject: | Market developments - Update on the latest situation |

1. The difficult situation experienced by various agricultural sectors in the past years and namely between summer 2014 (introduction of the Russian embargo) and mid-2016 (implementation of the last aid package) seems now to be under control on most markets and especially in the pig meat, dairy and beef sectors. For some specific products, the price increases in 2017 have been very consistent (sugar) or even spectacular (butter).
2. At the Council meeting in June, Commissioner Hogan gave a broadly positive assessment of the current situation. After first signs of recovery since mid-2016 and steady price increases in the second half of the year, the situation became more stable during the first months of 2017. The main developments which influenced recent market results were: seasonal stagnation due to oversupply (dairy, especially Skimmed Milk Powder), good performance on export markets (pig meat, mostly to China, including Hong Kong), adverse weather conditions (cereals, fruit and vegetables, wine, affected both by late frost and recent drought in several Member States), the political situation (fruits and vegetables, dairy, concerned by continued Russian embargo) and veterinary diseases (poultry and pig meat hit respectively by Avian Influenza and African Swine Fever).

3. At the Council meeting in July, Portugal, Spain and Belgium called for exceptional support measures for the drought situation severely hitting agricultural sectors. Very unfavourable weather conditions, namely decrease of the rainfall, prolonged heatwaves and dry storms, affected farmers' yields and cash-flow situation. A number of delegations echoed similar concerns as regards their countries, caused either by the drought and wildfires or frost and hail. In response, the Commission tabled an Implementing Act to help to alleviate the situation by allowing extraordinary measures.
4. As far as the agri-food trade is concerned, recent reports from the Commission indicate sustained high levels of exports with an increase of 7% in July 2017 alone (versus July 2016; + EUR 708 million) and of 5% in a rolling yearly period (+ EUR 6628 million). The latest monthly results are mainly explained by well performing USA and Russian markets (except for products included in the Russian embargo). In a year-to-year comparison, the highest export growth came from wines (+10%, EUR 1076 million), followed by infant food (+14%, EUR 893 million), milk powders (+14%, EUR 521 million) and the meat sector (+9%, EUR 1084 million).
5. In spite of general positive developments on the EU agricultural markets, some sector or Member State specific problems continue to undermine the overall recovery and present serious risks for farmers' financial viability. A case in point is the situation in the pig meat sector in Poland which, heavily affected by the infectious African swine fever, has been granted a temporary support measure to help pig farmers cease their activity in order to better control the disease. Another exceptional measure has been also proposed this summer for peach and nectarine producers in Spain, Italy and Greece to help them cope with the increasing stocks caused by the high level of production and limited export markets resulting from the Russian embargo and introduction of SPS measures in Belarus. Cereals, fruits and vegetables and rice also require further continuous monitoring, while the egg sector is struggling since the beginning of the year with the economic impact of the confinement measures in response to outbreak of Highly Pathogenic Avian Influenza (HPAI) and the recent Fipronil contamination incident which, despite the Commission efforts to protect public health and ensure transparency vis-a-vis third countries, has already had some negative impact on trade figures.

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In response to some 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.
