

Brussels, 18 January 2017  
(OR. en)

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**NOTE**

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From:	General Secretariat of the Council
To:	Council
Subject:	Market situation and the milk package report = Information from the Commission = Exchange of views

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As a consequence of the difficult market situation experienced by various sectors in past years , the Commission adopted three support packages representing more than € 1.5 bn deployed since September 2015. These support packages helped to address the difficulties experienced by farmers, notably in the dairy and pigmeat sector. These packages focused on: cash-flow measures, market stabilisation and production reduction, the functioning of the food supply chain and other measures such as the promotion of European agriculture internally and on third country markets.

The last package from July 2016, worth €500 million is still being implemented. Among the measures, the Milk Production Reduction Scheme has been almost fully subscribed to in the first period allowing for a reduction of 1.06 million tonnes of milk in the last quarter of 2016. Taking into account the additional support provided as top-up by Member States, more than three-quarters of the support has been directed to the milk sector.

Some tentative recovery has been noted since mid-2016, mainly in the dairy and pigmeat sectors. At the December 2016 "EU agricultural outlook conference", Commissioner Hogan noted that the agricultural sector in Europe, particularly the dairy and pigmeat sectors, was experiencing a recovery with good prospects also in price terms, partly thanks to the role played by the measures deployed by the Commission and to the significant gains on export markets, notably the US and Asia.

Recent reports from Market Observatories published in January do confirm this to be case for dairy products, beef, veal and pigmeat.

At the SCA meeting on 16 January, the Commission updated delegations on the situation on the main agricultural markets and outlined the findings of the second milk package report (doc. 14886/16 + ADD1 + ADD2) adopted on 24 November 2016. The Commission noted in particular that:

- on the market situation, the overall assessment is positive in almost all the sectors (dairy, pigmeat, beef, fruit and vegetables, sugar), except for poultry where situation has been less encouraging due to the spread of the avian influenza virus;
- regarding the milk package report, the implementation of its provisions has been considered as successful, despite important differences in the uptake of certain measures between the Member States. The report concludes that an extension of its application beyond 2020 should be considered.

While generally acknowledging the market recovery, most Delegations highlighted the volatile nature of several sectors and called for the need to maintain continued and detailed monitoring. Several Delegations reiterated some of their concerns, mainly, the need for specific support measures for milk production in disadvantaged areas, and called for measures as a follow-up to the Council Conclusions on the Food Supply Chain. Some Delegations also referred to the need to look out for possible supply shortage for sugar, , and to the importance of preserving a competitive CAP and pursuing an active trade policy, to name but a few.

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At the Council on 23 January, the Commission is expected to provide a further update on the situation on the main agricultural markets and to present the findings of the second milk package report as well as those of the EU Sheep Meat Forum.

In order to facilitate the exchange of views scheduled after the presentation by the Commission, the Presidency invites Delegations to structure their interventions around the following questions:

- 1) On the general market situation , what is your assessment of the effectiveness of the last package adopted in September?
- 2) Do you consider that the Milk Package has proven useful over the last years and that, as concluded by the Commission, there is merit in extending its application beyond 2020?