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**NOTE**

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From: General Secretariat of the Council  
To: Delegations

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Subject: Memorandum on EU measures to be implemented in response to the  
agricultural crises in the dairy and pig sectors

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Delegations will find attached a note from the French delegation on the above-mentioned subject.

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**Memorandum on EU measures to be implemented in response to the agricultural crises in the dairy and pig sectors**

The livestock sectors are currently experiencing serious difficulties. For several months, a sharp decline in prices has been making itself felt throughout Europe, in particular in the dairy sector, in its first marketing year without quotas, and in the pork sector.

This situation is linked to a short-term market imbalance, notably due to decreasing demand from our trading partners, in particular Russia and the countries of Asia. Opportunities to export to other markets are developing, but in the longer term and for lower volumes than the markets lost.

The duration of the crisis is taking a heavy toll on the financial soundness and sustainability of many agricultural holdings that produce cow's milk, pork and beef, thus jeopardising a whole segment of value-generating economic activity, particularly in the most vulnerable areas.

The current context linked to the Russian embargo further increases short-term uncertainties, which affect European prices for dairy and pork products, on markets that were already very volatile. Prospects for early 2016 warrant the utmost vigilance.

In addition, the recent report by the Milk Market Observatory states that the projected increases in global demand for dairy products, offering long-term opportunities for European producers, are no longer guaranteed, while the level of production continues to grow throughout Europe.

In addition to the emergency direct aid for breeders decided on in autumn 2015, the current crisis requires temporary market measures to rebalance the flows. Structural responses are also needed at EU level, given the European dimension of the crisis.

### **The dairy market**

**Short-term measures** must be taken to meet the concerns of markets and operators.

It is essential that the Commission immediately:

- implement a **temporary increase in the intervention price** of a few cents per litre, coupled with a commitment on the volumes produced, as a complement to the extension of private storage aid, which is a good decision;
- implement **exceptional promotion measures**, both on the internal market and towards third countries;
- develop a **genuine European export credit tool**. Export credits promote exports by allowing exporters to offer financing solutions to their foreign customers, and therefore to conclude sales. Our foreign competitors all have such solutions for all their exporters.

**Structural measures** are also needed.

To that end, a **high level group on the dairy sector** needs to be established swiftly to further develop structural measures for the sector:

- To allow intervention to live up to its role as a safety net, the group should consider a **permanent review of the reference thresholds and intervention prices** (at the same level since 2008), taking into account the purchasing power parities between the Member States.

- To prevent a production race to the bottom, it should examine the following **innovative mechanisms**:

1) Guidelines, which will aim to:

- determine early warning and crisis prevention mechanisms so as to ensure the accountability of operators;
- define different crisis levels on the basis of criteria and the European observatory indicators;
- provide tools to support holdings, farming systems and production areas which, although economically viable and having mastered their production, are threatened by a strong market imbalance.

2) A mechanism of EU support granted to producers who voluntarily reduce their production volume in times of falling prices (based on the model adopted by a Dutch cooperative).

The following are also needed:

- a discussion on more structuring measures to modernise the sector (innovation and modernisation support, better segmentation and promotion of 'meats', new markets, etc.);
- a discussion on the mobilisation of the Juncker Plan for operators upstream and downstream of the sectors;
- financial instruments set up at European level with the support of the European Investment Bank (EIB), in particular to help the most indebted holdings;
- work on the distribution of added value and sectoral dialogue and on the rebalancing of trade relations within the food chain with a view to establishing rules which penalise bad practices;
- a specific discussion on holdings in less-favoured areas (aid for collection in remote areas, etc.).

## **The pork market**

Faced with the continuing imbalance between supply and demand, **private storage aid measures** have had only limited and partial effects and need to be maintained as long as the exchange rates so require and the measures to open new markets have not yielded results. If those measures are not maintained, a measure to reduce the number of sows put in production to adjust it to breeders' fattening capacities could have an equivalent effect of reducing supply.

In addition, the reopening of the Russian market is a determining factor in solving the current crisis in the pigmeat sector. The European Commission should swiftly undertake vigorous diplomatic action to **lift the health embargo on pig fats and offal**, which are affected by the health embargo but are not covered by the Russian political embargo. Without wishing to interfere with the ongoing discussions at the WTO nor to discriminate between EU Member States, it is imperative that the Commission present its forthcoming initiatives to put an end to this situation.

The Commission must put offensive and effective measures in place to **open and sustain new export markets** by working on both tariff and non-tariff issues. Assertive action should be taken to restore the Russian markets as soon as possible, especially for certain specific products not covered by the political embargo.

In addition to the progress needed on the Russian market, tangible progress must also be made on non-tariff barriers, which further complicate European exports, in particular on the Chinese, American, Australian and Mexican markets. Finally, substantial exceptional promotion measures must be implemented at European level.

At its plenary session on 11 February 2015, the European Parliament adopted a resolution on **country of origin labelling for meat in processed foods**. That resolution calls on the European Commission to swiftly submit legislative proposals as a follow-up to its report of 17 December 2013, thereby meeting the expectations of meat consumers and professionals, who consistently demand that the origin of meat in ready meals should be clearly indicated.

Likewise, similar measures on origin labelling should be considered for milk and dairy products.

As the Commission's report points out, 90 % of consumers are in favour of such labelling. France therefore stresses the need to have reliable rules on traceability and labelling and calls on the Commission to submit a proposal to that effect.

To prevent any 'social dumping', the European Union must establish rules ensuring the full application of host-country rules (maximum working hours, pay). The revision of the Posting of Workers Directive is therefore fundamental to ensuring the principle of 'equal pay for equal work in the same place'.