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NOTE

From: General Secretariat of the Council
To: Delegations

Subject: Market developments
- Note from the Irish delegation

With a view to the "Market developments" item at the Council ("Agriculture and Fisheries") on 7 September 2015, delegations will find in Annex a note from the Irish delegation

Market Developments in the EU

1. Ireland, noting the recent market developments affecting agricultural commodity prices in the EU notably in the dairy and pigmeat sectors, presents below some possible solutions which we believe should be considered by Council and Commission in response to the issues. This list is not exhaustive and we are open to considering other appropriate solutions proposed.
2. Clearly there should be no question of reverting to a Common Agricultural Policy focussed on market management. For the dairy sector it is clear that the medium to long term outlook for the global dairy sector remains broadly positive, having regard to global population and demand growth. It is equally clear that the Council's decision in 2008, as reiterated in the 2013 CAP reform, to abolish milk quotas remains the correct decision and strongly positions European farmers and processors to respond appropriately to market opportunities as they arise.
3. Nonetheless, input and output price volatility remain a significant challenge. Primary producers are extremely vulnerable to reductions in milk prices and increases in input costs. It is precisely for this reason that the Common Market Organisation Regulation (CMO - 1308/2013) provides for the full range of market support measures, to be deployed as a safety net. The Council, Commission and the Parliament also recognised in 2013 that these measures may not, on their own, be sufficient to deal with market disturbance and provided, in Article 219 of that Regulation, for exceptional measures against market disturbance.

4. Ireland welcomes the steps taken by the Commission to date including the extensions to the dates for Aids to Private Storage and Intervention. However, having regard to the acute downturn in global milk prices over the past several months, and the severe impact this is having on farm incomes, Ireland considers that a number of further steps are urgently required including:

i. Taking immediate steps using the provisions of Article 219 of the CMO Regulation to temporarily increase the threshold prices, with particular reference to skimmed milk powder. Such an adjustment will provide a much needed positive market signal and a more realistic floor price over a period of acute, but temporary difficulty for farmers. It should also be noted that EU funds spent on buying-in of product will ultimately return to the EU budget when the product in question is sold.

ii. Restoring the scheme providing Aids to Private Storage for cheese which was introduced by the Commission in September 2014 but discontinued shortly after. In addition the existing aid rates in the PSA schemes for butter and SMP should be reviewed immediately.

Increasing the EU budget for the market support measures outlined in this paper in light of the fact that the assigned revenues deriving from super levies will be more than €400 million higher than originally foreseen in the draft budget for 2016.

iii. Using exceptional promotion measures to promote the consumption of dairy products on EU, but especially on 3rd country markets.

iv. Increasing the advance of the Basic Payment and other elements of Direct Payments Scheme and from 16th October 2015 to 70%, to alleviate cash flow difficulties.

Reopening of the scheme on Private Storage for Pigmeat which was closed in May of this year.

Longer term, it will be necessary to give consideration at EU level to responses to volatility issues in the future such as more price transparency through the EU's Milk Market Observatory, further consideration of the role that might be played by futures markets, and the use of financial instruments specifically designed to take account of the cash flow impact of downward price cycles in commodity markets. It is also important to keep under review the reference thresholds for intervention as required under article 7.2 of Article 2 of the CMO Regulation, taking account of developments in production, production costs, and market trends, and adjusted as necessary to ensure that they continue to provide an effective net for the dairy sector.
