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NOTE

From: General Secretariat of the Council
To: Delegations

Subject: Market situation in particular following the invasion of Ukraine
- Information from the Commission and the Member States
- Exchange of views

With a view to the meeting of the Council (Agriculture and Fisheries) on 10-11 December 2023, delegations will find in the Annex a background document that includes a summary of Member States' written contributions on the above-mentioned subject and the question proposed by the Presidency to guide the discussion.

1. As the year 2023 comes to a close, several Member States (MS) report in their written contributions¹ that the situation of the Union’s agricultural markets continues to remain challenging. Despite some reduction in the cost of important inputs compared to the previous year, the cost of energy, fertilisers and feed remains high, putting several sectors under pressure given that the increase in cost is hardly reflected in the prices paid to farmers. A number of factors, including the situation in the Ukraine, global economic slowdown and the more recent geopolitical developments in the Middle East, combined with adverse weather and climatic events, animal diseases and sanitary problems, keep the profit margins from farming and farmers’ incomes at generally low levels. Some MS even report that production, notably of livestock, is abandoned in some cases. It follows that assistance from the CAP remains critical in order to maintain the food security of the Union.
2. This is particularly relevant for arable crops where the cost of inputs sourced in advance was quite high, whereas, as a number of MS report, the prices paid to farmers have fallen considerably during 2023 for a number of reasons. Several MS also reported a drop in yields, notably as a result of extreme weather conditions, and increased competition from imports from third countries. Some MS report continuing problems due to high inflow of shipments from Ukraine and the lack of sufficient storage capacity. Established trade flows within the EU also seem to have been affected in some cases. During the SCA discussion, several MS repeated their call for the removal of unilateral bans on Ukrainian exports.
3. On the positive side, a number MS reported an even slight increase in milk and dairy prices, still remaining under the level of last year. Some other MS have noted that during the same period their producers saw themselves in need to sell their milk at prices below cost.

¹ 16122/23

4. Indeed, several MS report that the profit margins of other livestock products are also under pressure not only because the cost of feed remains high but also due to animal disease outbreaks in some parts of the Union, namely of African Swine Fever, Bird Flu and Blue Tongue.
5. Several MS report that the markets for fruit, vegetables and other specialised crops were affected significantly by adverse weather conditions, in addition to the high cost of energy and processing, which has reduced the profitability of their production. MS also report a significant reduction in the consumption of wine and organic products due, inter alia, to the economic slowdown and inflation that has forced consumers to shift their focus from purchasing fresh and other high-value food products.
6. A number of MS also reported that the rapid increase in interest rates has created another burden for agriculture, especially for farms that have invested and have grown fast. Should the interest rates remain high for a long time, agricultural development opportunities might be foregone.
7. In view of the information provided above, it is considered opportune to hold a political discussion focused on the main factors that affect the margins and profitability of farming in the EU and the income of European farmers. In combination with the discussion on the first year of implementation of the CAP Strategic Plans, such an exchange could be of value for addressing the problems and challenges mentioned above in a timely and effective way through the CAP.
8. In this regard, the Presidency would like to ask delegations to address the following question during the ministerial debate:

“In light of the current international situation and macroeconomic forecasts, what are the main factors identified by Member States which, in the short to medium term, may have a significant impact on agricultural markets and on the margins and profitability of European farming?”