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NOTE

From:	General Secretariat of the Council
To:	Council
Subject:	Background note on the future of crisis management in EU Agriculture

With a view to the “Agriculture and Fisheries” Council on 27 May 2024, delegations will find in the Annex a Presidency note on the above-mentioned subject.

Background note on the future of crisis management in EU Agriculture

At the SCA on February 12, 2024, under the Belgian Presidency, a first exchange of views was held regarding the Commission's report on the use of crisis measures adopted under Articles 219 to 222 of the CMO regulation. This report (doc. 5676/24 + ADD 1), published on January 22, 2024, assessed the effectiveness of the measures taken in response to various crises. Articles 219 to 222 of the CMO regulation specifically address the crisis measures that may be adopted in response to severe market disturbances, including the impacts of health risks to humans, animals, or plants on consumer confidence (Article 220), specific problems (article 221) or disruptions to market balance (Article 222).

Crisis measures are essential to support producers and stabilize markets in the event of major disruptions. The effectiveness of these measures, as well as their deployment and impact, should be closely monitored and evaluated to ensure they meet the needs of the EU agricultural sector. According to the OECD methodology, also recognized by the EU, all agricultural risks can be categorized into three risks:

- Normal business risks: these are risks inherent in the day-to-day operations of farmers (e.g. animal illness or death, equipment breakdowns, variable crop yields, fluctuations in market demand due to weather conditions).
- Marketable risks: these are risks too large for individual management but can be shared across a larger group of people (e.g. insurance against weather events, price volatility, mutual assistance funds for certain diseases)
- Catastrophic risks: these are risks so significant that (insurers or) markets cannot cover them at a reasonable price (e.g. severe floods, earthquakes, diseases that threaten entire populations of livestock).

Whereas normal business risks should be covered by the business plan of farmers, marketable and catastrophic risks can't be borne by the individual farmer alone. Therefore, risk management instruments are necessary.

The CAP provides different instruments to help manage these risks, including support for diversification of production or marketing methods, exceptions to competition rules for recognized Producer Organizations (POs), support for mutual funds, insurance, public market intervention, temporary allowance for private supply management...

The agricultural reserve, with a yearly allocation of at least 450 million euros, is an important element in the EU's crisis management strategy. This separate budget is intended to enhance predictability and responsiveness in crisis situations. The utilization and management of this fund are critical points for discussion, especially in terms of how they can be better used to respond to not only market disruptions but also to adverse weather conditions and the impact of climate change. While this fund has proven its use, it is clear that it cannot serve as the only tool to cushion the impact of the risks described above. On September 19, 2023, the Commission organized a meeting with the Directors-General of the Member States to review the first year of implementing the agricultural reserve. During this meeting, discussions centered on the types of crises addressed by the agricultural reserve, ensuring solidarity among Member States, policy effectiveness and coherence, and financial management. Member States shared their experiences and challenges in managing the agricultural sector during crises and utilizing the agricultural reserve effectively. The consensus emerged on the need for clear allocation criteria, policy coherence and flexible financial management to enable timely support throughout the year.

In light of the above and previous discussions on SCA level, it became clear that there is a need to evaluate and, where necessary, adapt this toolbox, both inside and outside the CAP, of crisis measures to respond to future challenges.

In December 2023, the European Commission published the report on the activities of the group of experts on the European Food Security Crisis Preparedness and Response Mechanism (EFSCM). This report underscores, in the light of the current geopolitical situation and its consequences on trade flows and price volatility, the importance of ensuring food security at all times by a series of well-functioning emergency instruments to ensure market stability and producer support.

In a report on ‘Ensuring food security and long-term resilience of the EU agriculture’ (2022), the EP has also highlighted the need for the EU to strengthen its food security and the resilience of its agricultural sector and its entire supply chain by reducing its dependence on imports from third countries and diversifying the supply of critical imported products such as fertilisers, animal feed and raw materials (2022/2183(INI)). A study requested for the EP AGRI Committee (March 2024) analyses the vulnerabilities of the EU food system, describing the tools to secure inputs and make the EU less dependent on foreign suppliers. It provides recommendations for appropriate measures to increase the EU food system’s resilience to disruptions in trade flows and price increases of imported inputs.

In March 2024 the European Environment Agency published the European Climate Risk Assessment (EUCRA). The EUCRA report builds on and complements the existing knowledge base on climate impacts and risks for Europe. It identifies agriculture as one of the policy areas directly affected by climate change risks. It involves drivers such as extreme weather conditions (heat stress, droughts, excessive rainfall, floods, and erosion) that can impact food production, the food supply chain, food consumption, market responses and security. The report analyses for example the risks that would affect EU food production, the EU food systems and EU food security, looking at the short, medium and long term. Some preliminary opportunities and solutions are presented in the report, also including the mentioning of the CAP flexibility mechanism for crisis situations. The European Commission reacted to EUCRA with its Climate Risk Communication on managing climate risks to protect people and prosperity (doc. 7732/24).

Also in March 2024, the European Council called in its conclusions (doc. EUCO 7/24) for a strengthened preparedness and crisis response at EU level in an all-hazards and whole-of-society approach and a Union Preparedness Strategy.

The need for a proactive and structured approach to manage future crises is evident. This discussion aims to further refine and enhance the EU's strategic response to agricultural crises, both in terms of crises preparedness and crises management, building resilience to risk and ensuring both short- and long-term stability for farmers and agricultural markets.

In light of the above, the Presidency invites delegations to answer the following questions during the exchange of views at the AGRIFISH Council on 27 May 2024:

- What changes do you believe are necessary in the current crisis management framework to better address future marketable and catastrophic risks?
 - How can farmers be better supported in their transition to resilient farming practices as a way to prevent extreme climate-related risks?
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