



**COUNCIL OF  
THE EUROPEAN UNION**

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**NOTE**

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from:	Presidency
to:	Delegations
Subject:	Agricultural market situation – evolution of agricultural and food prices - Presidency Conclusions

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Delegations will find attached the Conclusions drawn up by the Presidency on the abovementioned subject, following the discussions at the Council (Agriculture and Fisheries) on 19 May 2008.

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**Agricultural markets situation – evolution of agricultural and food prices**  
**Presidency Conclusions**

"The recent dramatic surge in agricultural and food prices calls for a common and sustainable EU policy response to which EU agriculture and the CAP have a significant contribution to make. The Council (Agriculture and Fisheries) has discussed the evolving market situation on several occasions in the last year and will keep the situation under review.

The underlying reasons for this situation require careful examination and the Council has noted the Commission's intentions with a view to the EU taking the appropriate policy measures.

As guiding principles for EU policy action in this area, the Treaty objectives for the CAP to increase agricultural productivity, ensure availability of supply and ensure that supplies reach consumers at reasonable prices, remain highly relevant.

The EU has significantly improved the way in which EU agriculture and the CAP can respond to the current market situation. Successive CAP reforms have progressively removed supply controls and have left farmers more liberty and incentive to respond to market signals.

Consistent with these long term objectives, in the last year the EU has taken a number of concrete short term measures to moderate price increases in the EU:

- the volume of arable land available for food production in the EU has been increased through the suspension of compulsory set aside for 2008;
- milk production potential has been increased for 2008;
- there have been significant reductions in intervention stocks, as well as in export refunds;
- import duties on almost all cereals have been suspended. A further extension of the suspension of import duties on cereals is now under consideration.

The potential for increasing agricultural production should also be underlined. The new Member States are making rapid progress in modernising and restructuring their agricultural sector and boosting agricultural production potential. Similarly the EU is dedicating resources to modernise agriculture in the candidate countries. In addition, the Council emphasised the importance of developing agricultural production for local markets, notably in the Least Developed Countries.

The Presidency recalls the importance that the EU attaches to achieving a comprehensive, ambitious and balanced final outcome within and across all of the areas of the DDA. In this context it notes that in the context of an overall agreement in the WTO DDA negotiations the EU has already indicated a willingness to eliminate export subsidies by 2013.

Both within the EU and globally, there is a need to pursue work on innovation and research and development of agricultural production.

The 2008 Health Check of the CAP reforms takes place in the context of the recent evolution of agricultural and food prices. It therefore provides a further opportunity to allow farmers to adjust their production in response to market signals, in particular by:

- making definitive the suspension of compulsory set aside;
- ensuring a soft landing for the phasing out of the milk quota system by 2015;
- shifting the focus from energy crop subsidies towards more effective ways to encourage the EU bio energy sector, without displacing food and feed production, including the production of second generation biofuels.

Agriculture remains a vital sector for the EU and a dynamic CAP has and will continue to make a significant and sustainable contribution to the world food situation."