



**EUROPEAN COMMISSION**

## **MEMO**

Brussels, 3 September 2014

# **Questions & Answers on the potential impact of the Russian measures against EU agricultural products and the EU response so far**

On August 7, 2014, Russia announced the introduction of an import ban, applicable from August 8, on certain meat, dairy, fruit, vegetable and processed food products from the EU, USA, Canada, Australia and Norway. This memo is aimed at addressing the most Frequently Asked Questions relating to these measures.

## **What will be the impact of the Russian sanctions?**

It is far too early to say what the exact economic impact of the Russian import restrictions will be because it is only a few weeks since the measures were introduced (on August 7) and agricultural markets tend to fluctuate anyway from one year to the next. The Commission remains optimistic that alternative sales outlets can be found for much of the produce, in particular in the medium term. However, it is also clear that certain products and certain regions will face serious difficulties as a result of the Russian measures, especially in the short term. The most immediate concern is that products previously exported are sold cheaply on the EU market, leading to a more global price collapse – hence the swift action of the Commission to introduce emergency market measures.

Russia is the second biggest export market for EU agricultural products. Food and raw materials account to 10% of all EU exports to Russia – but this is maybe only 1-3% of overall EU production. But again this varies from product to product and region to region.

Generally speaking, the EU will be the most affected partner among all those targeted by the measures, as 73% of imports that are banned come from the EU. This comes as no surprise, given that the EU alone represents 86% of Russia's total imports from the EU, US, Canada, Australia and Norway (and 43% of entire Russian imports from the world).

## **What products are covered?**

The Russian measures cover meat, dairy, fruit and vegetables and certain process products bans the following products from the EU, United States, Canada, Australia and Norway:

- Meat of bovine animals, fresh, chilled or frozen
- Pork, fresh, chilled or frozen
- Meat and edible offal, of the poultry of heading 0105, fresh, chilled or frozen
- Meat salted, in brine, dried or smoked
- Fish and crustaceans, molluscs and other aquatic invertebrates
- Milk and dairy products
- Vegetables, edible roots and tubers

**MEMO/14/517**

- Fruit and nuts
- Sausages and similar products of meat, meat offal or blood; food preparations based thereon
- Several products of processed food, including malt extract and preparations of flour and starch content

*NB These were subsequently adjusted to exclude certain niche products such as:*

- lactose-free milk and lactose-free milk products
- seed potatoes, seed onion, sugar maize hybrid for planting, peas for planting
- hatchlings of salmon (*Salmo salar*) and trout (*Salmo trutta*)
- biologically active supplements; vitamin-mineral complexes; flavour additives; protein concentrates & their mixtures; food fivers; food additives;

An [English translation](#) of the Russian legislation, which includes these adjustments, is given on the [DG AGRI page dedicated to Russian ban](#).

## What is the value of EU agricultural exports to Russia?

Last year, overall EU agricultural exports to Russia were worth €11.3 billion, but the Russian measures cover only exports worth €5.1bn, i.e. 43% of these exports. For example they do not include wine & spirits, cereals, pasta, olive oil, beverages, and a range of other products.

*(NB The value of 2013 exports of the original list of banned products was €5.252 bn (inc fisheries products) – but Russia subsequently exempted certain niche products for which the export value is estimated at less than €50 million.)*

### EU exports of banned agri-food products to Russia in 2013 – by product groups & most important Member States concerned *(in €million)*

CN code	Product Group	EU exports	Member States most concerned
	<b>Meat</b>	<b>1 233</b>	<b>DE 249; DK 217; PL 145;</b>
0203	Pig meat	969	DE 240; DK 199; PL 99;
0201, 0202	Beef meat	111	LT 31; PL 30;
	<b>Dairy products</b>	<b>1 349</b>	<b>NL 257 ; FI 253 ; LT 160 ; DE 159 ; PL 140 ;</b>
0406	Cheese and curd	985	NL 233; DE 141; LT 136; FI 128;
0405	Butter and other milk fats	144	FI 74;
	<b>Fruit</b>	<b>1 258</b>	<b>PL 340; LT 309; ES 158; BE 155; EL 108;</b>
0808	Apples, Pears, Quinces	523	PL 272; BE 100; LT 64;
0809	Apricots, peaches, nectarines, cherries and plums	249	ES 75; EL49; LT 41; BE 39;
0810	Strawberries and other red fruit	196	LT 83; EL 51;
0805	Citrus Fruit	126	ES 48; LT 43; CY 11;
	<b>Vegetables</b>	<b>769</b>	<b>LT 338; PL 175;</b>
0702	Tomatoes	254	LT 122; PL 42; ES 40;
0709	Other vegetables	200	LT 123; PL 48;
0704	Cabbages, cauliflowers, etc	49	PL 23;
	<b>Food preparations</b>	<b>489</b>	<b>DE 159;</b>
2106 9098	With high content of milkfat, sugar or starch	358	DE 116; AT 56; PL 34; DK 32;
2106 9092	With low content of milkfat, sugar or starch	116	DE 42;

**Value of EU agri-food exports\* to Russia in 2013 – global and "banned" products (in € million)**

	<b>"banned" agri-food products**</b>	<b>ALL agri-food exports</b>
<b>EU-28</b>	<b>5 064</b>	<b>11 864</b>
Lithuania	922	1 374
Poland	840	1 267
Germany	589	1 649
Netherlands	503	1 551
Denmark	341	627
Spain	326	572
Belgium	281	558
Finland	273	464
France	229	756
Italy	163	705
Greece	114	158
Austria	103	247
Hungary	77	266
Ireland	70	216
Latvia	67	628
Estonia	60	228
United Kingdom	20	148
Portugal	13	48
Sweden	13	107
Cyprus	12	12
Czech Republic	11	96
Slovenia	10	34
Bulgaria	8	56
Croatia	7	16
Slovakia	6	32
Luxembourg	5	8
Romania	1	42
Malta	0	0

Source: European Commission; Notes: \* excluding fisheries products (€144m);  
 \*\* corresponding to the revised list of 20<sup>th</sup> of August 2014 (but still includes lactose-free milk products & some processed products for which detailed data is not available)

**What is the Commission doing to analyse the impact?**

As soon as the measures were announced, the Commission established a Task Force of Commission experts to assess the situation from the point of view of EU markets & world markets for each product covered, and considering the legal and budgetary aspects. Within a week, the Commission organised a Committee meeting of Member State experts to follow the situation and it was agreed to hold weekly meetings to follow the evolution of the situation. Working closely with Member States, **the Commission now monitors market prices for every product in every Member State every week.** Emergency market support measures have already been taken for the most immediately affected fruit & vegetables and dairy products (see below) and the Commission has made clear that it will not hesitate to take further market measures if necessary.

The Commission also agreed with the Italian Presidency to hold an additional Agriculture Council on September 5 so that EU Agriculture Ministers could discuss the potential impact of the measures and the policy response.

### **How can the Commission intervene? Does it have to be approved by the Member States?**

The Common Market Organisation rules (Regulation 1308/2013) provides various market management tools to stabilise markets at such times. Some are automatic and others can be introduced by the Commission through "implementing acts", voted by Member States in the Committee. (NB If Member States fail to take a clear position for or against such measures, the Commission is then authorised to introduce these measures.) Under the reformed CAP, the Council and European Parliament also empowered the Commission to take "exceptional measures" if necessary in cases of market disruption as "delegated acts", without having to consult with Member States first. This "Article 219" procedure was used for the first time for the measures for peaches & nectarines announced by the Commission on August 11<sup>th</sup>, and subsequently for the other perishable fruit & vegetables, and private storage aid for cheese. (In such urgent cases, the measures apply immediately but the Council and European Parliament have the right to object to such measures within 2 months, in which case the decision would be repealed).

### **What concrete measures has the Commission taken so far?**

The Commission has already responded to the Russian measures with short-term market support measures worth well over €155 million to address market oversupply problems for fruit & vegetables and dairy - the sectors most immediately affected - and will not hesitate to take more measures as the situation evolves. In specific terms, these measures relate to **peaches & nectarines** (worth €33m), **perishable fruit & vegetables** (€125m) and for **butter, SMP and cheese**. Today (September 3) the Commission is also announcing that an additional €30 million will also be made available to enhance **promotion programmes** on EU and third country markets starting in 2015 (see [IP/14/961](#))

- **Peaches & Nectarines**

On August 11<sup>th</sup>, the European Commission announced support measures for the EU peach & nectarine sectors by increasing the volumes of fruit eligible for withdrawal operations (in particular for free distribution. For members of Producer Organisations (POs) the measures increased from 5% to 10% the amount of production which POs may withdraw. These exceptional support measures, worth up to €29.7m, will also be made available to non-members of POs, provided the necessary controls are in place, so that the measures will also be available to individual growers. Finally, an extra €3m will be provided for promotion in the 4 Member States most affected (Spain, Italy, Greece, France) under the usual co-financing arrangements.

See [IP/14/920](#) for the press release of the announcement and [\(EU\) No 913/2014](#) for the text of the delegated regulation

- **Perishable Fruit & Vegetables**

On August 18<sup>th</sup>, the European Commission announced additional market support measures worth €125m for those perishable fruits and vegetables which most urgently needed support as there were no immediate storage options. More specifically these cover tomatoes, cucumbers, sweet peppers, mushrooms, headed broccoli, cabbages, kiwi fruit, table grapes, plums, soft fruit, apples and pears. Applicable from August 18 until the end of November at the latest, the measures comprise not only market withdrawals, but also green-harvesting / non-harvesting. In order to ensure that budget is not entirely taken up

by one or two sectors, the rules state that not more than €83m of the funds can be used for measures for apples and pears.

See [IP/14/932](#) for the press release of the announcement and [\(EU\) No 932/2014](#) for the text of the delegated regulation

- **Dairy**

On August 28<sup>th</sup>, the European Commission announced that it will open Private Storage Aid for butter, Skimmed Milk Powder (SMP) and certain cheeses in order to alleviate the impact of Russian restrictions on imports of EU dairy products and to limit the negative effects on the internal market. The Commission has also confirmed that the period for public intervention of butter & SMP will be extended until the end of the year. The move in particular to open Private Storage Aid (ie helping to fund the daily costs of storing these products for 3-7 months) was strongly supported by Member States in the Regulatory Committee on September 2, and the formal rules (an implementing regulation for butter & SMP and a delegated regulation for cheese) are set to be adopted in the coming days.

See [IP/14/954](#) for the press release of the announcement.

- **Promotion programmes**

On September 3 the Commission announced that it was making an additional €30m available for promotion measures available in 2015 in addition to the annual budget of roughly €60m. All such programmes are co-funded, usually 50-50. Organisations wanting to participate need to submit their projects to their respective Member State by the end of September.

See [IP/14/961](#) for the press release of the announcement.

## **What do "withdrawal for free distribution" and "withdrawal for other destinations" mean?**

Withdrawal "for free distribution" is a measure to withdraw fruit & vegetables from the market (in order to address the oversupply problems) and to use the produce for free distribution through charities for food banks, schools, hospitals etc. Withdrawals "for other destinations" means that the produce may only be put to non-food use, such as composting, fertiliser, energy conversion etc. The level of support for withdrawals for free distribution is generally significantly higher than for "other destinations", but also fully funded from the EU budget. For "other destinations", the EU contribution is 75% of the amount for PO members (with 25% coming from the PO itself) and 50% for non-members. In practice this means that the rate of EU funding is around 3 times higher for "free distribution" than for non-food.

## **What is non-harvesting / green-harvesting?**

Non-harvesting/green harvesting is the concept of rewarding producers for reducing the produce they put on the market by paying them to harvest it before it is ripe. The rate of support, paid per hectare, is not more than 90% of the maximum level for "withdrawals for other destination" where again 75% of this cost is covered by the EU for PO members.

## **Is this aid intended to compensate farmers for loss of revenue?**

No. These measures are emergency market support measures aimed at helping to ensure in the short term that the loss of the Russian export market does not lead to such sudden

oversupply problems on the EU single market that EU market prices crash and farmers across the EU risk going out of business. As a result, the measures taken so far are in the interests of all EU farmers, whether or not they previously exported to Russia.

### **Is it true that an additional budget is available for such market crises? If so, how much?**

It is true that there is a "Reserve for Crises in the agricultural sector" introduced in last year's CAP reform amounting to €400m a year (in 2011 prices) i.e. €424m in 2014 and €433m in 2015 in current prices. However, **this is not additional funding**. The Reserve is created from within the CAP budget (from the "1<sup>st</sup> Pillar" EAGF) by cutting very roughly 1% off farmers' Direct Payments at the start of the year - which is then reimbursed to farmers if it is not spent. This is a form of solidarity among farmers and therefore offers the possibility for funding unforeseen measures to be applied in times of the crisis. However, the rules state that the Commission must first use all unspent funds from within the EAGF budget before proposing to the EP and the Council the triggering of this Reserve.

Given the time needed for Member States to implement the measures and for reimbursing from the EU budget the costs incurred, it seems likely that most of the additional measures so far introduced by the Commission will be funded out of the 2015 budget, rather than 2014. *(NB The Commission is likely to update its forecast budgetary needs for 2015 in October.)*

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### **What does the Russian ban mean for the fisheries sector?**

Russia is the EU's 6th export market for fisheries products, yet the fisheries exports affected by the ban represent less than 2% of the total value of the EU's fish and aquaculture annual product (EUR 144 million in 2013). The fisheries products affected by the ban are live, fresh, chilled, frozen, salted, in brine and smoked fish, molluscs and crustaceans, which are mostly exported to Russia by Denmark, Latvia, UK, Ireland, Estonia, Spain and France. Out of the EU's overall exports of fisheries products (€3.85 billion) to third countries, exports to Russia represent 5% (€203 million).

The Commission is monitoring the situation closely and striving to achieve a coordinated and appropriate response for all sectors affected by the ban, including of course the fisheries sector. Commissioner for Maritime Affairs and Fisheries, Maria Damanaki, has had letter exchanges with the UK authorities as well as with the Italian Presidency on the matter, and her services have been in contact with the Finnish and Danish authorities so far. The Commissioner has instructed her services to continue this work hand in hand with all Member States potentially concerned as well as with the industry in order to take into account all facts for a thorough analysis of the impact of the Russian measures.

The new financial instrument provided by the Common Fisheries Policy (CFP) - the European Maritime and Fisheries Fund (EMFF) - has allocations for coastal Member States to cover the costs of storing produce from the catching sector that cannot be marketed until new market outlets can be found. This support is managed by the Member States and is provided to Producers Organisations. It can be mobilised on the conditions set out in Art. 30 of the Common Market Organisation and in Art. 67 of the EMFF.

**What about turning to the WTO? Is the Commission going to use the WTO to defend the interests of the producers affected by the Russian measures?**

The Commission has been very active so far in defending European interests in the WTO against unjustified Russian measures. Several cases are already open against Russia in the WTO such as the pigmeat import ban introduced in February 2014, or the car recycling fee, or anti-dumping duties on light commercial vehicles). The latest measures are of a different nature. Of course, all options are being given consideration and the Commission will also be looking at them together with other affected parties.