Summary report of the third meeting of the Agricultural Markets Task Force on 12 April 2016 – Futures markets, European Fund for Strategic Investments and Financial Instruments

1. FUTURES

The day was introduced by looking at the broader context in which farming takes place nowadays. More market orientation, globalisation and trade liberalisation are some of the principal factors. The agricultural sector has to cope with structural changes and the impact on farmers and rural areas. One of the instruments to facilitate these changes can be futures markets and market transparency.

With regards to initial comments on the first topic of the meeting – futures markets - the discussion focused on the role of futures markets in managing the volatility. It should be stressed that this instrument can dampen the effects of price volatility but this does not mean levels of prices which guarantee acceptable incomes for farmers. Certain factors are crucial for developing futures markets: price transparency, education, standardisation and participation of processors and financial actors (= risk takers) in these markets. Major problems encountered consist in (very) low liquidity, lack of knowledge about using these instruments.

Mr Teuwen, an expert external to the TF, explained the risk management strategies his company proposes to pigmeat producers, with particular focus on futures markets. See his presentation on the TF's website.

Mr Teuwen's presentation was followed by presentations by Mr Iwars and Ms Paumier. See the presentation on website of the TF.

2. DISCUSSION

In the discussion, it was widely recognised that futures markets can play an important role in stabilising incomes of farmers. Various elements were highlighted as crucial for developing futures markets. For one, information and more specifically market transparency are necessary to develop these instruments. It was argued that these markets do normally not exist without efficient physical markets (spot markets). Futures markets also require standardisation of agricultural products. The participants highlighted the essential role of cooperatives and non-commercials actors in these markets, in particular for liquidity. A sustained "educational effort" was needed to bring these products closer to farmers in all sectors. Policy action could prioritise and promote such measures carried out ideally by farmers' organisations such as cooperatives and advisory firms including banks or brokers.

3. EUROPEAN FUND FOR STRATEGIC INVESTMENTS AND FINANCIAL INSTRUMENTS

A Commission representative informed the TF members about the financial instruments supported by the European Agricultural Fund for Rural Development, the main objectives of DG AGRI and of the state of play. Furthermore, the Investment Plan for Europe, with a particular focus on the European Fund for Strategic Investments (EFSI), was described. The EUR 315 billion expected to be mobilised until 2017 for investments in Europe can benefit
agriculture and rural economies. The following areas were identified as having the greatest potential: precision farming, bio-economy, broadband, water and access to finance. It was also highlighted that almost 25% of the target (approx. EUR 75 billion) have already been mobilised, especially under the SME Window.

The members of the Task Force expressed a particular interest on how smaller farms could benefit from such economic resources and how the project appraisal procedure was designed, especially as regards the contribution to EU jobs and growth objectives. The role of the Member States in the implementation of the Investment Plan was also raised in the discussions, as well as the "additionality" aspect in those Member States where interest rates were already very low and no liquidity issue, at least on paper, seemed at stake. The Commission representative explained the possibility to set up investment platforms supported by EFSI which could finance small-size investments as a way to address the particular needs of smaller farms. It was also made clear the important role of the National Promotional Banks in the architecture and governance of the Investment Plan for Europe. Finally, the Commission explained that EFSI must ensure that only "riskier" project which wouldn't be supported under the existing financial system, are approved.