

Date March 19th 2019

Subject Euronext High-Level Position on EU Agricultural Commodities Markets ahead of the Common Agricultural Policy 2020 Review

1. This memo sets out Euronext's high-level position on current EU policy initiatives in respect of agricultural commodities markets in view of the European Commission's ambition to make the farming sector more resilient.
2. We share the Commission's assessment, as laid out in its **Communication on the Future of Food and Farming¹ in 2017**, that the Common Agricultural Policy (CAP) should become more responsive to current and future challenges, notably by developing a common approach to risk prevention.

Euronext as a leading agricultural futures market operator...

3. As the [leading futures market operator](#) for a number of agricultural commodities (including wheat, corn and colza), Euronext supports the Commission's efforts in exploring new avenues for financial instruments to help farmers overcome temporary cash flow shortages.
4. Futures markets can be used as **a means to develop diversified pricing solutions to enable farmers to anticipate and secure their margin** (as it is currently the case in the grain sector) and grant them the possibility to strengthen their position in the food value chain. Cooperatives can function as risk management vehicles as contracting can enable farmers to benefit from well-functioning futures markets without themselves being direct users of them.
5. Fundamentally, when a futures market reaches sufficient liquidity, it provides a tool to commercial parties where they can lock-in opportunities or hedge risks.

Strongly supportive of initiatives to embed risk management tools in the food value chain...

6. Turning to the Commission's initiatives, we see the proposal to establish a **permanent EU-level platform on risk management** as a first step in the right direction: providing a forum for farmers, public authorities and stakeholders to exchange experience and best practices.
7. The CAP legislative framework, currently focused on compensating farmers for the negative effects of price volatility and tacking income volatility, should be complemented with additional incentives and/or measures to promote the use of risk management tools. We believe that the **creation of informative platforms would incentivise individual responsibility and enforce the position of the individual farmers in the food value chain**.
8. The subsequent proposals tabled by the Commission, notably on the creation of **CAP Strategic Plans²**, should embed this approach by the creation of a **European CAP Network**, providing peer-to-peer

¹ [COM \(2017\) 713 final](#)

² [COM \(2018\) 392](#)

learning and awareness-raising actions for the benefit of EU farmers in the management of their agricultural risks.

9. We believe that a **strong information and education process is needed at both national and European level to develop a risk management culture, notably in relation to existing market instruments such as futures contracts**. Having access to the **spot, forward and futures market** can be the most effective and (cost-) efficient tool for farmers to manage the marketing of their product, balancing opportunities versus risks.
10. Overall, the creation of informational platforms that would provide the farming community an opportunity to learn more on the use of futures contracts, whilst connecting policymakers with agricultural stakeholders to help improve any future policies on both the implementation and functioning of risk management tools for all actors in the food value chain.
11. We therefore strongly support the Commission's efforts in incentivising discussions and debates on the role of risk management tools in the food value chain.