

MINUTES OF THE CIVIL DIALOGUE GROUP ON MILK ON 3RD MAY 2016

AGENDA

1. Adoption of the agenda and approval of the minutes of the previous meeting of the CDG of 10th of November 2015

2. Market Situation

- a. Presentation by Commission and comments from stakeholders/exchange of views
- b. Short and medium term outlook (debrief from the Milk Market Observatory, presentation of the short-term outlook, presentation of the main outcomes of the agricultural outlook conference, December 2015)
- c. Commission prospects for consumption of milk and dairy products

3. Follow-up and implementation of the support package announced at the Agriculture Council of 7 September 2015 in particular:

- a. Targeted aid - state of play of the payment

4. Follow-up on the second package of measures (including discussions at Council and European Parliament level), in particular on:

- a. Application of article 222 of CMO Regulation (implementing, delegated acts, national implementation)
- b. Doubling intervention ceilings for skimmed milk powder and butter (implementing act)
- c. Financial instruments/European Investment Bank/European Fund for Strategic Investments (timetable and scope)

5. The role of European retailers during milk crisis - Presentation made by EuroCommerce

6. Overview to changes governing public intervention and private storage (alignment to Lisbon Treaty)

7. Implementation and evaluation of the milk package – state of play on the report

8. Addressing unfair trading practices – update on the work of the Commission and of the European Parliament

9. State of play on the revision of marketing standards and sales descriptions in the milk and dairy products sector

10. Tackling non-tariff barriers in ongoing or future trade negotiations (anti-dumping duties on SMP by Brazil, “grade A” by USA...)

11. School Milk Scheme – outcomes of the inter-institutional negotiations

12. State of play on the draft regulation on voluntary origin labelling and the impact of the EP resolution on mandatory country of origin labelling for milk and lightly processed dairy products

13. AOB

1. Adoption of the agenda and approval of the minutes of the previous meeting of the CDG of 10th of November 2015

The agenda was adopted and the minutes were approved.

2. Market Situation

a. Presentation by Commission and comments from stakeholders/exchange of views

b. Short and medium term outlook (debrief from the Milk Market Observatory, presentation of the short-term outlook, presentation of the main outcomes of the agricultural outlook conference, December 2015)

c. Commission prospects for consumption of milk and dairy products

The Commission representative gave the regular market presentation which can be found on [CIRCABC](#):

- EU milk collection increased by 7.4% between January-February 2016 compared to the same period of last year;
- Raw milk and dairy commodities prices have continued their decreasing trend;
- The ceiling for buying-in of SMP into public intervention has been reached in March;
- There has been an increase in SMP quantities for the longer contractual period for private storage period;
- Exports have been dynamic (including to US and Japan), and increased by 6% in milk equivalent in 2015 compared to 2014;
- Imports into China have seen an increase for all dairy commodities;
- Australia has decreased its production by 0.4%, New Zealand by 1.5%, while US production was 2.1% up;
- The MMO meeting in April concluded that there is high level of stocks, global demand is becoming more dynamic, there have been some improvements in the imports into China, but there is a mismatch between supply and demand.

The Commission representative gave a presentation on the short term situation which can be found on [CIRCABC](#):

- The next short-term report will be available next July;
- The increase in the number of cows especially in EU 15 will mean more production. In EU13, even if the number cows has decreased, productivity has increased;
- Expectations for 2016 EU deliveries: +1.4% = 2.8 million t (with a decrease foreseen towards autumn and until the end of the year); when comparing the first months of this year with the same months of the last year, we need to keep in mind the super-levy threat, the leap day; costs were reasonable, cash flow was needed and this also made production increase; uncertainty: weather, the phosphate discussion in the Netherlands;

- Informa (US) predicts +1.2% for the EU, +1.1% US, +0.5% for NZ, -0.1% for Australia = +1% for this year;
- There has been an increase in domestic use for several dairy products except for WMP, liquid milk and fresh dairy products.

The Commission representative gave a presentation on the medium term situation which can be found on [CIRCABC](#):

- the last report on medium term dates from December 2015;
- most of the increase in production will be in developing countries, with India having the strongest potential (in % terms). The increase in the EU is less important in terms of % but in terms of volume, the EU will have the biggest increase;
- +2% a year in world consumption and production;
- +2.3% a year in world imports = +1.5 Mt of milk eq. per year ;
- China to contribute (but less) to import increase (+1.5% compared to +3% in the past); a great accent will be on product quality, nutrition, taste; drinking milk is among the most preferred imports;
- The EU to contribute most to trade expansion;
- EU milk production is expected to be around 162 million t in 2025;
- Prices are not likely to see a notable increase before 2020;
- Consumption is decreasing for drinking milk and yogurt; in 10 years, cow' milk consumption has decreased by - 3.2 kg per cap (IE, NL, FR, IT are among the most affected countries); cheese consumption: EU13 has an increased potential; butter sales are increasing, at the expense of margarine.

The Chairman underlined the difficult situation of the industry caused by several factors which have as consequence many farmers and processors out of business.

Discussion

Via Campesina condemned the lack of impact of the Commission's measures in September and underlined that producer prices continue to fall (also due to high stock levels). A production limiting instrument would be needed.

Copa underlined that dairy farmers are suffering from severe deterioration of their cash flow which prevents them paying their bills/debts. If the situation continues, they will start slaughtering their dairy cows with negative consequences on rural regions. This will be seen in the later production figures for this year. The supply chain has to take more responsibility. Thanked the Commissioner for the trade missions, especially in China which looks for quality product, infant formula, where the EU can take advantage.

EDA supported the views on the difficult market situation. SMP price tendency imposes long term contractual periods and give an indication that the difficult situation is likely to continue.

Eucolait asked for data on consumption of palm oil and its use in pastry and asked if it is possible to quantify the use of butter as a replacer of palm oil.

EEB mentioned their worry about globalisation and the downward pressure on prices. The society would like to see a production type based on grazing (and reminded the dairy cow welfare presentation in the previous meeting). It is important to safeguard agriculture in order to safeguard grazing production.

The Commission services will look into data on palm oil and revert to the experts.

3. Follow-up and implementation of the support package announced at the Agriculture Council of 7 September 2015 in particular:

a. Targeted aid - state of play of the payment

The Commission representative referred to the following:

- The 420 million € has been allocated as follows: 52% to the dairy sector, 35% cross-sectorial, 11% to pigmeat, 2% to beef. Up to 14th April, only 46% of the budget has been executed;
- Most MS granted the support per production unit, some granted an indirect support, some supported loans. 15 MS notified their intention to top-up their envelopes with national funds.

4. Follow-up on the second package of measures (including discussions at Council and European Parliament level), in particular on:

a. Application of article 222 of CMO Regulation (implementing, delegated acts, national implementation)

The Commission representative gave a presentation which can be found on [CIRCABC](#):

- Article 222 refers to the derogation from the competition policy under specific conditions, by allowing the collective planning of milk production;
- It covers the period 13th April to 12th October (with a possibility for renewal for another 6 months);
- The potential coverage of this tool (producer organisations, cooperatives, inter-branch organisations included) could reach 85% of EU milk production;

b. Doubling intervention ceilings for skimmed milk powder and butter (implementing act)

The Commission representative underlined that the Council Regulation doubling the SMP and butter quantities bought-in at fixed price (from 109 000 t to 218 000 t for SMP and from 50 000 t to 100 000 t) has been published in the Official Journal on 19th April. This decision has been taken in order to allow the buying-in of these products at fixed price. The tender procedure was run once but closed once the new ceilings have been published.

c. Financial instruments/European Investment Bank/European Fund for Strategic Investments (timetable and scope)

The Commission representative gave a presentation which can be found on [CIRCABC](#):

- There is a regulatory framework for financial instruments under the EAFRD 2014-2020. Member states may receive advice on how to program and deliver these mechanisms. The standard terms to use financial instruments for agriculture are being developed by EIB, which hopefully may result in more intensive use of financial instruments
- There have been 35 ex-ante assessments (these are an obligatory step before the launch of the financial instruments under the Rural Development programmes)
- 2 financial instruments are already functional;
- The total envelope amounts for 410 million € for now.
- The European fund for strategic investment is the cornerstone of the Investment plan for Europe. It intends to mobilise 315 billion € over a period until the end of 2017, of which 25% has already been achieved. There are 2 windows: infrastructure and innovation, for projects or investment platforms beyond 25 million € and the SME Window, for smaller ones. EFSI Funds and EAFRD resources can be combined. Guidance is available for stakeholders. The European Investment Project Portal (EIPP - https://ec.europa.eu/eipp/index_en.htm) has already been launched. DG AGRI has organised 2 workshops for stakeholders on this topic. In the dairy sector, two projects were already supported, one in Normandy, the other in Poland.

Discussion

Via Campesina wondered about the cost of liberalisation of the sector on the tax payer. Asked if the strategic fund could finance the reduction in milk production in the EU instead of being used for increasing production. Reiterated their calls for a mandatory production reduction scheme and that national money is lacking.

Eucolait welcomed the increased in intervention ceilings which provides a clear price floor. Asked if another increase in quantitative ceiling is envisaged.

EEB would like to know more about the criteria for the distribution of the financial instruments and in particular if social responsibility in respect to the environment is taken into account. Because of restructuring which it involves, innovation causes job losses.

Cogeca asked what happens with the undistributed targeted aid.

Copa underlined the need for an EU dimension of the schemes, in particular when it comes to financial incentives. Otherwise, there will be a negative impact from a social, employment and territorial point of view.

The Commission representative replied that the CAP still supports the incomes of farmers. Production limitation has been abolished after 30 years and during these years, we have seen crisis. During the past years, there has been an increase in production, stocks are currently high. MS which do not use the money, will lose it. It might be possible to extend the measures but the purpose would be to target the pick. The provisions of article 222 can't be made mandatory, unless somebody wants to bring quotas back. The situation can only improve if the chain acts in a responsible way. Some MS think to use state aid to foster these agreements. Investment needs to take place to improve competitiveness. Social criteria (environmental, social indicators) are used

by the EIB when financing these investments under EFSI so that EU objectives are achieved. Innovation creates jobs. There is a possibility for small farms to receive funding.

The Chairman highlighted the danger of persistent crisis on rural regions.

5. The role of European retailers during milk crisis

Eurocommerce gave a presentation which can be found on [CIRCABC](#).

Discussion

Copa underlined that there is a problem at retail level when price decreases have been higher at producer level than at retail level. Some actions taken in some countries are a good start but they are not near to be enough. There is a downward pressure from top all way down. Farmers need a basis for survival, there needs to be responsibility through milk supply chain. Producers need a fair share of the margins. Consumers would be prepared to pay more. Raised the attention about the negative impact of such actions on rural regions and environment.

Via Campesina raised the problem of lack of communication from retail side. The milk price today does not serve farmers to make money but it is used by the supply chain to make market share.

EEB underlined the need for supply chain responsibility. There should be proper information to consumers. We need a strategy which ensures better rewards for sustainable approaches.

Eurocommerce replied by underlining the existence of several studies on the supply chain. Only few producers are covered by liquid milk contracts, however these cover production costs. Farmers who have fixed agreements have enjoyed best prices. If a product is not on shop shelves, it means it is not something consumers want to buy (there is a need to ensure higher added value).

The Chairman concluded by underlining the need for a fair share of the value chain.

6. Overview to changes governing public intervention and private storage (alignment to Lisbon Treaty)

The Commission representative gave a presentation which can be found on [CIRCABC](#):

- The regulation has been split in delegated and implementing acts (for example, the security principle is in the delegated act, while the security amount is in the implementing act);
- The adoption of the delegated act in college: 18th May, which will be followed by Council and EP scrutiny;
- There are expectations for the DA and IA to be published before summer;
- The IA regulation on tariff rate quota is not expected before September;
- Public intervention is no longer a permanent tool, what is important is to have a quick implementation. The take-over of the product has been simplified in order to ensure a quick delivery of product to store;

Eucolait asked for more details about the revision of trade mechanisms and in particular about the plans to move from import licences to a "first come, first served" system for certain import quotas. It is not yet clear which dairy quotas will be concerned by this.

Cogeca asked about the possibility to have implementing decisions not only regulations according to the Lisbon Treaty.

The Commission replied that the TRQ debate is close to a final phase but it is too early to know the outcome. The methodology would be to screen the candidates for the past three years and allocate the 1st come, 1st served principle on the basis of their past activity. There are decisions or regulations which apply only to one MS (for state aid being possible but for CMO being unlikely).

7. Implementation and evaluation of the milk package – state of play on the report

The Commission representative introduced this point:

- The report on the milk package (as foreseen by regulation 1308/2013) is brought forward (from 2018 to 2016). It is likely to be ready in autumn;
- A consultation of MS has taken place;
- The commission services hope to come up with proposals for better implementation;
- An independent consultancy has conducted a study focusing on POs and farmers' organisations, which will be ready soon. This will also look into how the measures foreseen in the package can be improved.

Discussion

Cogeca asked why cooperatives have not been included in the consultation.

EDA asked whether the report of the Task Force on Agricultural Markets in autumn will be linked to the report on the milk package.

The Commission services replied that the purpose of the study is to identify the factors which influence the setting up of producer organisations. The findings of the two reports (Milk Package and AMTF) may influence each other, but formally speaking these are two independent reports. Cooperatives are covered if they are recognised POs according to the regulation, if not, they aren't.

The Chairman reminded the fact that cooperatives are "de facto" producer organisations.

8. Addressing unfair trading practices – update on the work of the Commission and of the European Parliament

The Commission representative referred to this point:

- The main point is to define practices which deviate from good commercial practices and which are unilaterally imposed by one party;
- The weakest links are small operators, farmers;
- The functioning of the food chain has got some attention:

- 2014 – Commission’s communication on how to tackle unfair trading practices: voluntary would be a good way;
- supply chain initiative (retailers are present but farmers are missing);
- Commission report from January on B2B. The shortcoming is the possibility to submit anonymous complaints;
- around 20 MS have adopted legislation in various ways. In some cases, codes of good practices. The enforcement system differs between MS.
- the report concludes that UTPs exist and are a problem although the situation has improved in last years;
- the High Level Forum will continue discussing how the situation can be improved;
- the Commission will assess if action is needed in relation to UTPs;
- EP own-initiative report is foreseen to be adopted in the Plenary by beginning of June;
- The Agricultural market task force will address the functioning of the food chain and will present conclusions and recommendations by the end of the year.

Discussion

EDA asked about the link between DG Agri and HLF.

Cogeca underlined the need to break retail oligopolies (as per speech of President Juncker).

Copa underlined that producers will not come forward with complains as they fear reprisal. In this respect, something needs to be done.

The Commission services replied that the HLF is led by 3 commissioners, including Agriculture Commissioner. Short after summer, UTP is on the agenda. The fear factor is important, if there are ideas how these could be tackled, the stakeholders are encouraged to put them forward.

9. State of play on the revision of marketing standards and sales descriptions in the milk and dairy products sector

The Commission representative referred to this point:

- The work on marketing standards is still in progress; no concrete proposal is being discussed with MS;
- There are plans to have something concrete before summer but firstly, more knowledge needs to be gained in other sectors.

Discussion

EDA expressed its strong wish to keep the existing marketing standards / product definitions in the dairy sector, encouraging the Commission to further develop these parts of the single market in establishing for instance a common European cheese standard.

Eucolait supported EDA and opposed to any fundamental reform.

The Commission services took note of the views expressed.

10. Tackling non-tariff barriers in ongoing or future trade negotiations (anti-dumping duties on SMP by Brazil, “grade A” by USA...) (depend of the availability of the speaker)

The Commission representative referred to this point:

- Japan aligned international standards on listeria. The implementation will follow.
- South Korea: it is expected that they adapt their procedures for raw milk cheeses on 5th June;
- Grade A: last year, FDA audited FR, NL, IE. Some news may be expected in the next three months. There are hopes that once this is done, the next phase will be quicker.

Discussion

Eucolait expressed their support for Commission’s work and has hopes for US move in the equivalence programme. Hopes for Brazil anti-dumping duties to be tackled. Continued efforts are necessary.

The Commission services reminded that the anti-dumping duties introduced by Brazil in 2001 and which were extended in 2013 are difficult to remove even if exports are minimal.

11. School Milk Scheme – outcomes of the inter-institutional negotiations

The Commission representative gave a presentation which can be found on [CIRCABC](#). The Commission services presented the main elements of the scheme and mentioned that they are working on delegated and implementing acts. In this respect, a questionnaire has been sent to the stakeholders (CDG on Milk and CDG on Fruit and Vegetables).

EEB expressed concerns about this scheme as it could lead to an overconsumption of animal proteins being detrimental to health.

Copa asked about the date the questionnaire was sent to the stakeholders.

Copa, Eucolait and EDA underlined that recent studies have proved that animal protein is superior for human health. It is about nutritional advice and keeping the intake level as part of dietary recommendations.

The Commission services put the questionnaire to CIRCABC on April 11th.

12. State of play on the draft regulation on voluntary origin labelling and the impact of the EP resolution on mandatory country of origin labelling for milk and lightly processed dairy products

The Commission representative referred to this point:

- Regulation 1169/2011 recalls that mandatory origin labelling is necessary beef, and other meats. A report was drafted on the need for mandatory indication of country of origin for milk. It concluded that even if consumers have an interest in this, they are not willing to pay more and the mandatory approach would bring additional burden for operators;

- The Commission services are working on implementing rules for voluntary origin labelling (where origin of the final product is different from the origin of the primary ingredient);
- Timeline: MS experts revised the draft. The aim is to finalise the rules by the end of the year;
- The EP resolution emphasis the need to extend the mandatory origin for lightly processed food;
- For now, the Commission keeps the same line = no extension of the mandatory origin labelling but it is working hard on putting in place specifications.

Discussion

Via Campesina asked if national decisions are possible and if there are any estimations of potential costs with new origin labelling rules.

EDA support the voluntary approach.

Eucolait asked how a possible EP decision will influence the Commission's plans if it is taken by a majority of MEPs.

Copa underlined the need for a common market and shared solution, instead of national approaches.

The Commission services replied that the solution on origin labelling is the result of the compromise between the EP and the Council. The impact assessment underlined certain costs, but these are not necessarily quantifiable. There are no immediate analysis of the costs incurred by the new EP proposal. There is possibility for MS to introduce national mandatory origin labelling but this needs to comply with strict criteria (reinforce consumer confidence, protect the interests of consumers) and be scrutinized by the Commission. There has been a discussion about this in the Standing Committee.

13. AOB

EDA asked why the point on the emissions trading scheme was not on the agenda. The change in the carbon leakage list will cost the sector a lot of money. Asked to be discussed in the next meeting as well as the point on the overall climate package.

The Chairman asked the Commission services that this point is addressed during the next meeting.

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