

High Level Meeting on Milk – 16 September 2016 – brief summary

Following the Council Presidency conclusions of 14 March 2016, a joint meeting of High Level representatives of Member States with the Agricultural Markets Task Force (AMTF) to discuss structural issues in the dairy sector took place on 16th September.

The meeting was opened by the Slovak Presidency, Director-General **Mr Stefan Ryba**, who outlined the difficult situation experienced by the dairy sector in recent times and called for ideas for appropriate policy instruments to overcome future crises and, if possible, to anticipate and prevent them.

Following an introductory statement by the Director-General of DG AGRI, **Mr Jerzy Plewa**, recalling the characteristics of the dairy sector and the Commission's response to prevailing market difficulties, **Mr Cees Veerman** - chairman of the AMTF – presented the work in progress within the Task Force.

Without disclosing the tenor of the report to be presented by the AMTF towards the end of the year, **Mr Veerman** sketched some of the avenues being explored by the AMTF. The dairy sector is, as any other agricultural sector, confronted with a number of challenges such as generational renewal, societal legitimacy of public support, effects on climate change and vulnerability to geo-political developments. Being a farmer is a high risk business choice. Particularly relevant for dairy is the increasing price volatility, which has to be examined together with price levels: price volatility can be attenuated by risk management instruments (futures markets, insurances, contracts) while price levels have to do more with competitiveness (at individual farmer's or aggregate level) which can be improved by means of education and research. On the functioning of the supply chain, the AMTF is looking at the prevention of unfair trading practices and at possibilities for broadening derogations from competition rules so as to enhance farmers' position in the chain. The realisation of and support for cooperation in the milk sector is an essential element in the AMTF deliberations, as this has proven to be an effective instrument to improve farmers' resilience.

Member States' reactions mainly focused on the need to improve the functioning of the supply chain by increasing transparency, fighting unfair trading practices stemming from the concentration downstream the chain, and promoting better integration of farmers via cooperatives or producer organisations. Dairy policy should preserve market orientation while giving responses to increasing volatility, notably by developing risk management tools. Member States broadly called for a better connection between the farming community and consumers.

In the afternoon session, **Member States** were asked to give their views on three questions related to 1) the effectiveness of the safety net for the milk sector, 2) the role of decoupled payments and 3) the operation of price observatories.

With regards to the safety net, most Member States expressed broad satisfaction as regards its functioning and effectiveness to stabilise the market, although recent experiences have shown its limitations in supporting farm income. The possibility to couple the availability of public intervention to production discipline was suggested by some. Exceptional measures such as targeted aid were praised by a number of Member States. Price volatility could be better tackled with risk management solutions, both of a private nature (forward contracting, long-term contracts, fixed price/margin

contracts, creating reserves in profitable years, futures contracts) and public (income stabilisation tools, insurance schemes, mutual funds). The Milk Package is regarded as an effective instrument to improve contractual relations but its potential is still to be fully exploited.

Most Member States see in decoupled direct payments an effective way to protect and stabilise farmers' income. They allow farmers to respond to market signals while keeping a certain level of income. However, several Member States stressed the importance of coupled payments, notably to safeguard milk production in most vulnerable areas. Including a counter-cyclical component in decoupled payments was mentioned as a possible avenue to make them more effective.

Only a few Member States have in place price observatories as such, although all Member States run data collection and dissemination systems. The Milk Market Observatory is regarded as a major improvement in terms of market transparency that could usefully be completed with information on the other steps of the milk supply chain, while any improvement should be wisely assessed so as to avoid excessive red tape.

To conclude, the co-chairmen **Mr Stefan Ryba** and **Mr Jerzy Plewa** noted the importance of robust and effective instruments to assist the dairy sector in the challenging times ahead. These instruments should seek to strengthen farmers' competitiveness and resilience in a market oriented manner. It entails more focus on research, education and knowledge transfer, paving the way for new business models that enable farmers to get an increased share of market value. At the same time, cooperation and solidarity among farmers is crucial for strengthening their role in the supply chain. The co-chairmen concluded that the representatives of all Member States as well as the Commission are looking forward to the report of the AMTF, which will be food for thought for further debate on the future of the dairy sector.