

# **MINUTES OF THE CIVIL DIALOGUE GROUP ON MILK WHICH TOOK PLACE ON 10<sup>TH</sup> NOVEMBER 2015**

## **AGENDA:**

- 1. Adoption of the agenda and approval of the minutes of the previous meeting of the CDG which took place on 12<sup>th</sup> May 2015**
- 2. Elections of the Chairman and Vice-Chairmen**
- 3. Market Situation**
  - a. Presentation by Commission and comments from stakeholders/exchange of views**
  - b. Short-term outlook and 2025 EU dairy market projections - Summary of the feedback received from experts during the Outlook workshop in October 2015**
- 4. Follow-up and implementation of the support package announced at the Agriculture Council of 7 September 2015**
  - a. Targeted aid - state of play**
  - b. Enhanced schemes for the private storage of SMP and cheese**
  - c. Strengthening of the Milk Market Observatory – steps to be taken by the Commission**
  - d. Implementation and evaluation of the milk package (timetable for the Commission report)**
  - e. Addressing unfair trading practices– update on the work of the Commission and of the European Parliament (possible)**
- 5. Results of a recent survey among Member States by Compassion in World Farming and Eurogroup for Animals on measures to guarantee the implementation of Art. 3 of Council Directive 98/58 in the dairy sector**
- 6. Implementation of the CMO Regulation**
  - a. Revision of the rules governing public intervention for SMP and butter (alignment to Lisbon)**
  - b. Revision of trade mechanisms legislation: what are the impacts for the dairy sector?**
  - c. Marketing standards – possible revision in the context of CAP simplification (possible)**
- 7. Food Law & quality issues**
  - a. Study on mandatory origin labelling for milk and milk as an ingredient in dairy products: presentation by the Commission**
- 8. Recent developments in FTA negotiations**
  - a. Application of the DCFTA with Ukraine**
  - b. New trade agreement with Iceland**
- 9. US margin protection programme**
- 10. School Milk Scheme – state of play and exchange of views**

## **11. AOB**

### **1. Adoption of the agenda and approval of the minutes of the previous meeting of the CDG which took place on 12<sup>th</sup> May 2015**

The agenda was adopted with a request from Copa to address the issue of the specific promotion envelope for dairy and pig meat which was made available following the Council of Agriculture Ministers on 7<sup>th</sup> September and the issue of the new High Level Group on Supply Chain (now called Task Force).

The Commission services informed that it is premature to speak about the specific envelope for dairy and pig meat and that they will give some information on the Task Force on Agricultural Markets.

The minutes were adopted by the group.

### **2. Elections of the Chairman and Vice-Chairmen**

The Commission services presented the rules for the elections. Under the new system, the chairman is elected for 1+1 years by qualified majority of those present.

After two years as Chairman of the CDG on Milk, Mr Jack Baines (Eucolait) thanked the members of the group for their support and collaboration. The group and the Commission thanked him for his work.

M. Tommaso Mario Abrate (Cogeca) presented himself as candidate for the chairman position, and Mr Jack Baines (Eucolait), Mr Michel Nalet (EDA) and Felipe Medina (Eurocommerce) as candidates for Vice-chairmen. Mr Abrate, Mr Baines and Mr Nalet were elected for the Chairmanship of the group.

### **3. Market Situation**

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

#### **b. Short-term outlook and 2025 EU dairy market projections - Summary of the feedback received from experts during the Outlook workshop in October 2015**

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

- Milk production is up 1.3% between January and August. Surges in deliveries have been noticed for August, mainly in the Netherlands, Ireland and Germany;
- Raw milk price has been on a declining trend up to July. It stabilized in August and increased by 0.6% in September. Estimates for October foresee a slight decrease (by the time the minutes are produced, final data for October actually show a 1.9% increase);
- Dairy commodity prices have generally increased since end of August, but for a majority of them, a decreasing trend has been noticed since January;
- Stocks for butter under the private storage scheme: the rhythm of collection has decreased, around 150 000 t of butter have been offered into PSA since the scheme was opened in September 2014, and some 100 000 t are reported to be in stock by the end of August 2015. For SMP, 53 000 t were offered under the traditional PSA scheme while 2 000 t under the new enhanced scheme (stock level by end of August is about 24 000 t). 3 MS (IE, SE, UK) reached their national allocation for the private storage scheme for cheeses;
- The Euro has fluctuated towards the US dollar in recent months, but it has remained at a competitive level;
- At world level, SMP prices are at a similar level in all main producing regions, with stronger fluctuation for Oceania and US; for butter prices, there is a big difference between US and

EU/Oceania price due to high level of domestic demand for butter in US; similar level for WMP, with EU being the most competitive; Cheddar prices are fluctuating;

- Exports of butter are down for US given the high domestic demand and high prices; EU and Belarus increased exports this year, Belarus becoming the third world exporter of butter; EU has been first exporter of cheeses and SMP;
- Main importing countries: Chinese and Russian imports have decreased so far this year, although China has shown some recovery in recent months. Egypt and Mexico have performed well; Japan is the biggest importer of cheese; China remains a big importer of SMP even if imports have gone down;
- Australian milk production is up in the current season starting in July; New Zealand milk production is down 4% in September, low milk prices might bring production down (El Niño might potentially impact negatively in production in Oceania, but it is uncertain); USDA forecasts a +1.4% increase in US milk production in 2015.

In conclusion, the situation seems to be better than six months ago and the market sentiment has somehow improved, as expressed by experts in the Milk Market Observatory Economic Board. Demand from China has recovered in last months, up to pre-peak levels; production is decreasing in New Zealand but in the EU and US, it is still increasing. Cautiousness is needed, as fundamentals are still weak: It is too early to confirm a solid change in market trend.

The Commission services also gave a presentation on the short-term outlook and 2025 EU dairy market projections - Summary of the feedback received from experts during the Outlook workshop in October 2015, which can be found on [CIRCABC](#).

- On short-term, milk deliveries are forecasted to increase by 1.1% compared to last year. When it comes to data for Germany, there are some statistical problems and this figure should be treated with caution. The current 8% production increase forecast for SMP might be revised downwards. WMP is expected down by 4.5%. Butter and cheese production will be up. In few countries, the consumption of liquid milk is up (like in the UK) but in the EU the general trend is oriented downwards;
- On the medium-term: a workshop took place in October to debate the projections. Distinction should be made between increases in demand and increases in imports. EU will be the main contributor to the increase in exports, EU's share will increase, however New Zealand will still be the most important exporter.

Danone presented total consumption developments in the last 6 years based on Euromonitor data, i.e. retail sales (+2.3% per year between 2010 and 2015 at world level). The increase in sales was higher for fresh dairy products and liquid milk than for cheese (India being a big driver).

The baseline presented at the workshop was only a draft for validation by the experts. EU milk collection is expected to increase by 0.9% per year in the next 10 years; the increase in production is due to better yield rather than an increase in the number of cows;

Extra milk is channeled into cheese and exported powders (1 million t cheese exports by 2025);

The total domestic consumption of dairy products in the EU is expected to increase but trends vary between products (with EU consumption levels of cheese to increase while the consumption of fresh dairy products is expected to decrease);

Industrial use of dairy products is increasing: butter is mainly used in bakery, viennoiserie and patisserie and biscuits, while SMP and WMP is greatly used to process chocolate;

At the workshop, Barilla presented perceptions on dairy products: the use of butter depends on the culture of individual countries. Cheese is very much appreciated by EU consumers. Faced with the general trend of mentioning the use of palm oil on a mandatory basis, the consumption of butter has increased. It is however more expensive;

- The Commission has invited the participants to the 'EU Agricultural Outlook Conference' on 1<sup>st</sup> and 2<sup>nd</sup> December.

### Discussion

Copa raised the issue of cash flow which is needed to pay the bills and which has severely deteriorated. Given this, production is likely to decrease on short-term. The big question is how many dairy farmers will continue into the winter, given also the increased costs. These will have consequences on long-term. Farmers coming back into the business is a long-term process, experience shows. Only some member states have advanced payments and this is not acceptable for dairy farmers. Asked questions on: whether the very good stories for butter in relation to margarine have been considered in the prospects, on the reaction of processors, and questioned the fact that future price prospects do not show the volatility pattern.

CEJA mentioned that viability and profitability of young farmers is being tested as they have invested heavily or need to invest. Cash flow is a huge problem and farmers can't pay their bills. There is a need for more young farmers into the sector. Asked a question on the impact of refugees on dairy consumption.

Via Campesina reminded Mr Junker's speech about milk being cheaper than water. There are serious problems in many production areas, low and different prices across the regions. Galicia lost 500 holdings last year, people go out of business. Production costs are high. The difficult situation will lead to losses of jobs, desertification of rural areas, while small producers will disappear. In addition to this, young farmers do not want to come into this business. Questioned the way contracts are performing. The current tools do not allow producers to live and have an income. There is a need to respond properly to the need for supply-demand balance. Asked a question on EU milk being exported to Belarus given the increase in production in this country.

EDA reminded that market does not seem to recover and that we should not be optimistic. Milk production is still increasing. Fresh products and liquid milk are suffering. Butter and cream see more positive trends also due to stronger demand and EU has a very important role to play there. Questioned the optimistic milk powder figures. Showed concern over our outlets, such as Algeria. Raised serious concerns about the discussions for a FTA between EU-New Zealand and requested the Commission to involve the stakeholders in these discussions. Asked a question on the difference in milk price prospects compared to last year's projections.

Eucolait welcomed the long-term positive projections. On the short-term we have to be cautious on the extent of optimism. Market balance has not changed, there is an oversupply. Expectations for prices to pick up are too optimistic, given that for the first time there will not be quotas in January, February, March. The official stocks level is not something to be worried about, but many stocks in warehouses are not accounted for. We should better make use of the positive stories for butter. When it comes to exports, some of our destinations have proven very instable politically, like Egypt. Algeria will change its

management of preferential access quota for the EU. Cheese exports are performing well but this does not mean that we will be exporting more cheese as the loss of the Russian market is still visible.

IFOAM showed interest in figures on the production of organic milk in the EU.

The projected price corresponds to the average trend agricultural prices are expected to follow however we know market tend to be more volatile, e.g. the uncertainty on macroeconomic conditions is taken into account. In addition, there will be imbalances but short term imbalances can't be reproduced. The lower price level projected this year compared to last year is due to the reduction in energy costs, feed cost less. There will be more room for the EU on the world market, New Zealand will get less increase than in the past decade, the US will be focused more on internal demand. On Belarus, there have been some increases in imports of liquid milk soon after the ban was introduced but they have stopped quickly. The Commission will however look more closely into that. Consumer trends for butter were taken into account.

The Chairman concluded on the need to stay vigilant on the price situation which is critical in a context where production costs are important. There is not much enthusiasm on possible market recovery.

#### **4. Follow-up and implementation of the support package announced at the Agriculture Council of 7 September 2015**

##### **a. Targeted aid - state of play**

##### **b. Enhanced schemes for the private storage of SMP and cheese**

##### **c. Strengthening of the Milk Market Observatory – steps to be taken by the Commission**

##### **d. Implementation and evaluation of the milk package (timetable for the Commission report)**

##### **e. Addressing unfair trading practices– update on the work of the Commission and of the European Parliament (possible)**

##### **a. Targeted aid - state of play**

420 million € were made available out of the EU budget to address the difficulties faced by livestock farmers. Each member state has received an envelope on the basis of several criteria. The full benefit has to be passed to farmers. The criteria for distribution at national level is to be fixed by member states which need to communicate these to the Commission by the end of the year. Member states may top-up this money by 100% and distribute it to farmers before end of June 2016.

##### **b. Enhanced schemes for the private storage of SMP and cheese**

**Enhanced scheme for private storage of SMP:** the enhanced scheme was proposed as it has the potential to more effectively alleviate the market pressure, to guarantee surplus is taken out of the market for a long period. The second contractual storage period proposed comes with an increased level of aid (until now, 2.000 t have been stored under the second contractual storage period). It is too early to assess the scheme.

**The scheme for cheeses:** a maximum volume of 100 000 t was foreseen, the allocations per member state being based on their production. Operators need to submit the applications by 15<sup>th</sup> January 2016. Unused quantities will be made available to the member states which notify the Commission by end of December that they would like to make greater use of the scheme. The national ceilings for Ireland, Sweden and UK have been fully subscribed. The Netherlands and Italy are also close to their maximum quantity.

### **c. Strengthening of the Milk Market Observatory – steps to be taken by the Commission**

The MMO is being improved daily, also on the basis of the received suggestions. Every Thursday, the dashboard is updated. By 25<sup>th</sup> of the month, milk production figures are updated, by the 5<sup>th</sup> of the month, milk prices are updated. Those who want to receive updates, can to subscribe to the updates. The twitter account of the MMO is also active. The MMO meetings have taken place monthly since April. Defining milk market indicators is still an internal project.

### **d. Implementation and evaluation of the Milk Package (timetable for the Commission report)**

The Commission has sent a questionnaire to member states on 28<sup>th</sup> October (deadline for submissions: 15<sup>th</sup> January) with the purpose of publishing the report on the implementation of the Milk Package in 2016. There will be a contractor who will contact the producer organisations and farmers which are non PO members to have a global overview on the implementation of the Milk Package.

### **e. Addressing unfair trading practices (UTP)– update on the work of the Commission and of the European Parliament**

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

The Commission has been looking into this issue for several years now. There is no EU legislation against UTPs, but many member states are addressing the problem and have introduced legislation against UTPs, in many cases recently. Effective enforcement of rules at national level is crucial, and a one-size-fits-all approach at EU level is difficult to define. In a number of member states, there are independent enforcement bodies which can accept confidential complaints. The Commission is currently assessing national frameworks and also the voluntary Supply Chain Initiative. A report with the Commission's findings will be submitted to EP and Council early 2016. The report will also help to clarify whether further EU action is needed.

The EP is working on its own report on UTPs (responsible committee IMCO, opinion COM AGRI). The report will be discussed in December and possibly adopted early 2016. [Timing has changed in the meantime: planned timing for vote in IMCO is now April 2016.]

#### Discussion

Eucolait welcomed the extension of PSA for cheeses. Asked how the remaining quantities will be distributed and how the volume per member state will be calculated. For PSA for SMP, welcomed the higher aid rate but the minimum storage period of 270 days will limit the use of the scheme. It should be possible to switch between the old and the new system. Asked a question on the EU competence to legislate food chain issues in the context of subsidiarity.

Via Campesina wondered how much the dairy sector can be involved in the discussions at EU level and propose solutions against UTPs.

Eurocommerce reminded that UTPs exist but they are not generalized. The problem is not the market power but abusing market power. Unfair trading practices represent less than 12% of the problems that Spanish farmers and manufacturers declare to face as a recent study publish by the Spanish Ministry of Agriculture shows. We should look for best solutions related with the correct magnitude of the problem, which is smaller than it seems.

Copa acknowledged that the MMO has improved and underlined the need that this stays technical and have up-to-date information. The milk package remains important to continue beyond 2020. Something has to be done on UTPs as milk producers feel vulnerable and sell a perishable product. We need a fair supply chain. In UK, the code of good practice is in its early stage. Voluntary initiatives need to be

backed by legislation. Asked for the involvement of the stakeholders in the composition of the Task Force on agricultural markets. Cogeca supported these views.

The Commission replied that the targeted aid envelopes for member states took into account different kinds of situations. The Task Force on agricultural markets will be based on input from independent experts (15 experts) for which a call for application has been published on the Commission website. This will look at the functioning of agricultural markets and the work is expected to start early 2016. For cheeses, the Commission will see exactly the unused quantities by 15<sup>th</sup> January. It is likely that the quantity applied for by member states will be taken into account. On UTPs, any intervention at EU level has to prove its added-value. Member states have taken different approaches but different routes can lead to the same objective. Acknowledged that dairy farmers are more vulnerable because of the perishability of the products. Specific legislation has already been introduced in milk package.

## **5. Results of a recent survey among Member States by Compassion in World Farming and Eurogroup for Animals on measures to guarantee the implementation of Art. 3 of Council Directive 98/58 in the dairy sector**

Compassion in World Farming and European Environmental Bureau gave a presentation which can be found on [CIRCABC](#).

A questionnaire has been sent to the competent authorities. Some of them did not reply, some of them gave general replies and other have sent detailed replies. EU ratified the Council of Europe recommendations, OIE adopted standards for dairy cows. EFSA raises the issue of lameness and there is a need for a specific directive.

Copa reminded that EU dairy farmers produce according to very high standards and the supply chain is working together on these aspects and has put in place quality schemes. It is important that the animal welfare NGOs work with farmers. Found it unacceptable to generalize the situation. Happy cows should also have been showed. Asked if EU and US legislation on animal welfare have been compared. CEJA supported this approach.

Via Campesina raised the issue of concentration in macro holdings, access to pasture being important. Expressed worries about the issues mentioned but raised also the issue of animal health (the use of antibiotics and antimicrobial resistance).

EDA raised the issue of imported products which do not comply with the same standards.

Compassion in World Farming and European Environmental Bureau reminded that there is scientific evidence that not all problems are addressed. It is in everybody's interest to ensure a suitable level of animal welfare. Showed discontent on how people reacted.

The Chairman underlined the fact that the level of production shows how happy animals are, otherwise they would not produce to the same extent. EU dairy farmers and the industry take this seriously and make a lot of efforts in complying with animal welfare standards.

## **6. Implementation of the CMO Regulation**

- a. Revision of the rules governing public intervention for SMP and butter (alignment to Lisbon)**
- b. Revision of trade mechanisms legislation: what are the impacts for the dairy sector?**
- c. Marketing standards – possible revision in the context of CAP simplification (possible)**

#### **a. Revision of the rules governing public intervention for SMP and butter (alignment to Lisbon)**

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

The purpose of this exercise is to align the regulation to the Lisbon Treaty and make the system better, give more clarity and improve when needed. The draft delegated act should be finalised by end of the year and would be adopted in parallel with the draft implementing act by February, with the earliest possible entry into force in April next year, but probably later.

##### Discussion

CEJA asked a question on the need to have the same quantities of cheese in storage as in the beginning of the storage period.

The Commission replied that natural paying agencies would be able to take into account natural weight loss during storage.

#### **b. Revision of trade mechanisms legislation: what are the impacts for the dairy sector?**

The Commission representative presented this point. Licenses, management of import quotas and export refunds are the three components of the exercise. Trade mechanism licenses are being revised in the spirit of simplification and harmonization of the rules. The purpose is to limit the use of licenses to minimum (only for quota management). There are many agricultural products for which a license is needed. The impact on the dairy sector is small. The management of import quotas has been postponed for summer with the rules to be in place at end 2016. The delegated act on licenses will be adopted in December, with publication expected for March 2016, at the earliest. The part on export refunds will be addressed in the second half of next year.

#### **c. Marketing standards – possible revision in the context of CAP simplification**

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

The purpose is to align these to the Lisbon Treaty. The Commission wants to simplify rules but changes are not excluded (following an impact assessment, but no arbitrage yet). Some of the provisions will be horizontal, some sector specific. The work on a draft has already started in a way of a spring cleaning. One key issue will be on controls, some marketing standards have extensive control provisions, in this respect DG Sante's work in official controls will be analyzed. The initial idea was to include these controls as risk-based, on the basis of FVO audits. The final decision on whether the Commission goes for a simplification or an impact assessment to change the marketing standards will be taken by the Commission soon.

### **7. Food Law & quality issues**

#### **a. Study on mandatory origin labelling for milk and milk as an ingredient in dairy products: presentation by the Commission**

The Commission representative introduced this point. The legal basis is Regulation 1169/2011. The feasibility of introducing mandatory labelling of origin for milk and milk used as an ingredient was analyzed. A study was carried out to look at the impact of different labelling scenarios. A workshop was organized. The conclusion of the study is that the benefits of mandatory labelling will not compensate for the investments done, there will be a huge administrative burden, therefore voluntary labelling is the most appropriate option. The report will be submitted to the European Parliament and the Council. The report was tabled to the Council and several discussions have taken place also in the European Parliament.



Via Campesina showed disappointment on the fact that only a voluntary approach has been chosen. It might be more difficult to label the origin for the milk used in butter but not as difficult for liquid milk. Asked if consumers accept this approach and how much they have been involved in this.

Copa underlined that there is no size fits all approach. While this is important for consumers, the technical issues need to be taken into account. Asked if the Commission will favour the voluntary labelling.

Eucolait welcomed the results of the study. Asked to what extent the reactions from member states and European Parliament may impact the work of the Commission and also if there are news from DG Santé on the implementing act on voluntary labelling.

The Commission reminded that consumers were consulted but the consumers' willing to pay is under a question mark. There are different opinions in the Council and EP, sometimes this topic is more political. DG Santé is working on the voluntary labelling file, being the leader on this dossier.

## **8. Recent developments in FTA negotiations**

### **a. Application of the DCFTA with Ukraine**

### **b. New trade agreement with Iceland**

### **a. Application of the DCFTA with Ukraine**

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

The DCFTA will come into force starting with 1<sup>st</sup> January 2016. Import duties for the EU of between 10-13% will be reduced or eliminated over 6-8 years. Ukraine has duty free access for cheese and duty free quotas for the rest and quota increases over 5 years.

#### Discussion

Copa asked about Ukraine's potential to export to the EU given that they could be more competitive and their standards are not as stringent as ours.

Via Campesina underlined the trade-offs within this agreement and mentioned that this is not a sign of approaching Russia. Farming is not done as in the EU. Gave the example of table eggs.

EDA spoke about the need to integrate this country and its people. Production models are similar to the ones we have in Europe.

The Commission replied that the EU has been offensive when it comes to cheese. Milk powders are covered by quotas (5.000 t), and also for butter (3.000 t). Ukraine has similar farm models. There were some shortcomings on eggs and FVO made some recommendations. Ukraine should meet the animal welfare and SPS standards and they need to present an action plan on that.

### **b. New trade agreement with Iceland**

The Commission representative introduced this point. On 17 September EU and Iceland initialed agreements on GIs and on further liberalization of trade in agricultural and processed agricultural products. The GI policy in Iceland is new, their internal legislation entered only in force in January 2015. There were intense discussions on the concessions. An additional TRQ of 510 t has been granted for EU cheeses (300 t conventional cheese, the rest GIs). The TRQs will be phased during a period of 5 years.

## **9. US margin protection programme**

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

- The old Farm Bill from 2008 contained a number of support measures in the form of public intervention, coupled support, price fixing and export refunds. In new policy, most of the support schemes are replaced by a margin protection programme and a dairy products donation programme. A dairy market stabilization programme (supply management) has not been retained in the new Bill.
- According to the margin protection programme, farmers receive payments when conditions related to milk price and feed costs are met, depending on the level of coverage subscribed. . In order to be part of the scheme, they have to submit an application of interest and pay a fee and a premium depending on the level of coverage. So far, margins have remained high so no payments have been triggered. For 100 \$ fee per year, farmers have access to the minimum coverage level (4\$/cwt ~8.1 c/kg). For a higher coverage, they have to pay for a premium which is proportional to the volumes covered. 2015 is the first year of application, some 50% of farmers applied for the system (20-25% of milk production being covered). Farmers are obliged to be in the scheme for the whole scheme period. It seems that farmers find better ways to hedge the risk through cooperatives.
- The Dairy products donation programme: when the margin level is below the minimum (~8.1 c/kg) for two consecutive months, dairy products are bought at prevailing market price.

#### Discussion

The Chairman thanked the Commission for this presentation and underlined the great interest in this topic while inviting participants for a discussion.

Copa underlined that there is more than one option to cope with volatility, any tool has to be voluntary. There is still a need for safety nets and direct payments. Asked if the Commission is considering the US system for the next CAP discussion and how hedging the risk is to be addressed. Asked about calculation of feed costs.

Via Campesina considered this instrument useful but questions its efficiency. Instruments to support farmers' incomes are important. A letter has been sent to the Commissioner to ask for a specific policy approach. Asked about the low level of participation by small farmers and mentioned that participants are obliged not to increase their production.

The Commission replied that the milk price is published monthly and a coefficient is used to calculate the cost of compound feed (feed costs). The presentation serves for information purposes not to draw a new policy line. In the EU, this scheme would be more difficult to be applied because of the heterogeneity of the sector, the cost-price structure being also different. It was recalled that in the US there are neither direct payments nor Rural development policy (as it is conceived in the EU). WTO implications are also relevant, as the MPP would fall in the amber box. A possible explanation for the relatively low uptake might be high prices, as farmers might not see the need to subscribe for the system. Every farmer has a reference volume which is updated each year according to the national average but producers can produce as much as they want. Some of the farmers might find the scheme complex, farmers belonging to cooperatives have fixed-price contracts but this is not the only solution. The increase in price is not linked to the disappearance of direct payments but more to the high domestic demand.

The Chairman underlined that this is not the only solution, some other instruments may be needed. Cooperation is extremely important.

## **10. School Milk Scheme – state of play and exchange of views**

The Commission representative presented this point. The Commission put forward a proposal to merge the school milk scheme and the school fruit scheme. Several discussions have taken place in the Council. The European Parliament also adopted its report in April 2015. The evaluation of the current schemes took place in spring, with its outcomes to be published soon. The Commissioner asked institutions to finish the ongoing discussions on the proposals, however there are some outstanding issues to be still discussed.

### Discussion

EDA insisted on the need to have a wide distribution of products not only drinking milk. It is unacceptable that the decision-making takes so much time.

Copa also reminded the importance of the scheme, including the supply of dairy products. Health benefits have been significant for children and society.

Via Campesina asked for a discussion on structural measures (short-term assistance) to allow people to live from this activity.

The Commission underlined that the discussions on the products to be delivered to children are still ongoing, but in the meantime the current scheme is still running. The Commission does not claim that the school milk scheme is the only solution to address the difficulties in the sector, there are direct payments, rural development, payments for organic, the safety net etc.

The Chairman concluded on this point underlining the need to improve the scheme and not make it more rigid. The challenges ahead are tough, especially ensuring the production and processing facilities throughout the EU.

## **11. AOB**

No AOBs were presented.

The Chairman thanked the participants for their contributions and informed that the next CDG is provisionally scheduled for 3<sup>rd</sup> May.

### *Disclaimer*

*"The opinions expressed in this report represent the point of view of the meeting participants from agriculturally related NGOs at community level. These opinions cannot, under any circumstances, be attributed to the European Commission. Neither the European Commission nor any person acting on behalf of the Commission is responsible for the use which might be made of the here above information."*