

Meeting of the Civil Dialogue Group Milk on September 3rd, 2014 – Final minutes

This was the first Civil Dialogue Group meeting ever. Further details about the functioning of the group in the new format will be provided by the Commission at the first regular civil dialogue group meeting scheduled for November 19th. The election of the Chairman should also take place at that date.

There was only one point on the agenda: the impact of the Russian ban on dairy products and the market measures taken by the Commission. A discussion took place following a presentation from the Commission.

1. Commission presentation – key messages

- The average milk price paid to farmers is still quite high (available up to June) whereas commodity prices have fallen significantly over the past weeks.
- EU dairy exports to Russia represent about 1,5 % of EU milk production. However in Finland and in the Baltic countries this share ranges from 16% in Estonia to 26% in Finland.
- Cheese exports to Russia represent 33% of total EU cheese exports. The equivalent figure for butter is 28%. The relative importance is lower for other dairy products, such as fresh products (10%), SMP (5%) or whey powder (5%).
- In absolute terms, the main countries affected by the ban are Germany, France and the Netherlands

2. Discussion

Eucolait

- It needs to be stressed that the market was already weak prior to the ban due to a global situation of oversupply. Therefore the ban only aggravated an existing problem.
- Buyers are delaying purchasing decisions due to lack of confidence in the market.
- There are some doubts about the efficiency of the Private Storage Aid (PSA) scheme launched by the Commission. To make it more attractive to operators, the aid rates should be set higher, especially for butter. The duration of storage should also be reviewed as with the proposed duration (up to 7 months), a lot of the product will enter the market during the peak production season. Finally, further clarifications are required when it comes to the age of the cheese that can benefit from the aid (maturation period).

EDA

- It is important to put matters into perspective. 1,5% of EU production is not that much and global demand growth is still there. The ban will of course create some short term disruptions however.
- In general, EDA welcomes the announced market measures but it will take some time before their impact is felt.
- The aid rate for butter is too low. All the aid rates should be flexible and adjusted if needed.
- The period of storage (maximum duration) should be reconsidered.

- The importance of Russia for Finland cannot be overstated. The announced measures are welcome but will provide only very limited relief.
- In Germany, the announcement of the measures lead to reticence among buyers and price cuts by retailers. The lack of definition of the maturation periods will lead to different interpretations in each Member State. Aid should therefore be granted from the moment of production onwards (even if this means lower aid levels). In addition, PSA should be given to fresh cheese which is stored in a frozen state. This was echoed by other participants.
- From the Danish perspective, intervention is the most efficient tool but the reference prices need to be adjusted upwards. It is also crucial to work on improving access in other export markets.
- Supply management as requested by some will not work because we are connected to the global market.

CEJA

- The impact of the ban should not be overestimated. We should not create panic on the market but wait and see how the situation develops.

EMB

- The Commission should introduce a voluntary supply management scheme compensating farmers who lower their production and using the funds dedicated to market measures.

Copa-Cogeca

- The announced measures are welcome but some changes are needed, in particular a longer storage period of at least 12 months.
- The extension of the public intervention period is welcome, however consideration should also be given to the revision of the intervention price to take into account production costs in order to avoid farmers going out of business.
- More promotion funds are needed to boost sales abroad and alternative markets need to be opened by working on removing trade barriers.
- The use of agricultural funds for economic consequences resulting from geopolitical decisions is not the right way forward.
- The situation created has nothing to do with farming as such, therefore a supply management scheme would not be the right tool.
- In the Baltic States and in Finland the cuts in the milk price have been huge. Farmers in these countries call for more targeted aid measures.
- From the Irish perspective, targeted export refunds would be an appropriate response. Because of the time lag between commodity and farmgate milk prices, it will take time for farmers to reduce production. In France, there hasn't been a real impact on prices but a "climate of fear". The importance of promotion measures was stressed.

Commission

- The response of the Commission is to be seen as a market stabilisation response. It constitutes a first step making use of the available framework.
- The longer intervention period (until the end of the year) is intended to give a positive message in the sense that intervention will be available if operators need it. The announcement was meant to reassure, certainly not to create panic.

- The two implementing regulations on PSA for SMP and butter have been endorsed by the Committee and should be adopted on the 4th of September.
- No committee vote is required for the delegated acts (on PSA for cheese and the change to the intervention period) and they will also be adopted on the 4th and most likely enter into force on the 6th. If the Council or the EP make use of their power to repeal the delegated regulation(s) there will be no retroactive effect.
- For PSA, the Commission has tried to grant as much flexibility as possible: a storage period between 3 and 7 months (2 and 7 for cheese). In fact, this means that products can be stored until the end of July 2015 (products for which aid applications will be lodged at the end of December). The idea of the scheme is to buy time for suppliers to find customers.
- As regards the age of cheese eligible for PSA, this depends on the type of cheese but the cheese needs to be “fully matured”. The Commission will not finance the “normal” maturation period. The case by case decision has to be taken by the Member State authorities..
- On the budget: if all goes well, there would be no need to touch the crisis reserve.
- The Commission is well aware of difficulties in certain Member States. Some additional non-market measures might be discussed in the Council on September 5th. Any hypothetical decision on such aid measures would have to be taken by the Council.
- The Commission is committed to improving market access via trade negotiations and removing technical barriers but these are of course more long term perspectives.
- Concerning supply management, this is in the hands of market participants. Every farmer is certainly in a different situation depending on age, size of farm, investments etc. but those who can avoid creating further surpluses should do so. We should not lose sight of the market orientation of the CAP.

Disclaimer

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