Prospects for the EU dairy sector - Review of the implementation of the "dairy package"

2014/2146(INI) - 07/07/2015 - Text adopted by Parliament, single reading

The European Parliament adopted by 510 votes to 154 with 44 abstentions, a resolution on prospects for the EU dairy sector – review of the implementation of the Dairy Package. The latter entered into force on 3 October 2012 and applies until 30 June 2020. Milk quotas will expire on 31 March 2015.

Need for a viable, sustainable and competitive dairy sector across the EU: Parliament recalled the important role of dairy farming in terms of land management, rural employment and the economic, environmental and social development of numerous European agricultural regions. It stressed that the issues identified in the Milk Package remain a barrier to a sustainable, competitive and equitable milk market and a fair income for farmers.

Small-scale dairy farmers are particularly vulnerable to income variations and risks owing to high capital costs, the perishability of production, volatile dairy commodity prices and input and energy costs. European farmers have to cope with high costs owing to the prices of items involved in production, such as livestock feed, and that, as a result of stringent European regulations on animal welfare and food safety, their competitiveness is reduced in comparison with other countries.

Impact of the Russian embargo and the current crisis in the dairy sector: the Russian ban on European dairy products since August 2014 has had a negative impact on the EU internal market, thus demonstrating the need to be prepared for the application of crisis-related market measures. Parliament called on the Commission to address, with **further targeted market measures**, the crisis currently affecting domestic dairy markets as a result of downward price pressure resulting from a lack of adequate crisis instruments, a dip in global demand, global price volatility and the Russian embargo.

Members regretted that Parliament’s request aiming to provide **subsidies for farmers who voluntarily reduced their production in the event of severe crises,** had been rejected by the Council. They underlined the importance of reopening the debate on this crisis management tool. They also underlined that the abolition of quotas risked leading to an additional concentration of milk production to the advantage of the largest dairy farmers and to the detriment of the smallest farmers, without guaranteeing efficiency or income.

Challenges and opportunities for the dairy sector: whilst noting that the medium- and long-term prospects for the dairy sector in both domestic and global markets remain fluid with fluctuating demand, Members stressed the importance of **encouraging research and innovation** in order to allow all producers and processors to adapt their apparatus and production techniques in response to economic, environmental and social expectations.

The Commission was called upon to:

- establish **new financing opportunities** for Member States, including with the aid of the European Investment Bank (EIB), by means of which the dairy industry will be reformed;
- consider **measures to mitigate the risks arising from increased exposure to the world market**, to monitor more closely the correct functioning of the single market in milk and milk products and to set up an action plan in order to show how it intends to mitigate these risks.

Disadvantaged, mountainous, insular and outermost regions: Parliament stressed that it was essential to create a **transition mechanism** in the outermost regions between the elimination of quotas and the liberalisation of the markets which makes it possible to protect farmers and the sector in these regions. It requested that the **safety-net measures** be activated as specific indicators for dairy operations and businesses in mountainous regions.

The Commission should closely monitor the evolution of dairy production in these areas and to assess the economic impact of the end of quotas on dairy farms. Parliament considered that that it was necessary to **allocate additional resources to the POSEI programme** so as to assist milk producers in adapting to the effects resulting from the deregulation of the markets and enabling them to maintain viable and competitive dairy production relative to the rest of the European area.

Price volatility and the end of milk quotas: EU dairy policy after the expiry of milk quotas must include means for making the most of the expansion opportunities for the EU economy in order to make milk production attractive to farmers. Any future measures must strengthen its competitiveness and stability in order to facilitate sustainable growth and innovation in the agricultural sector and the quality of life in rural areas. Parliament called on the Commission to present one or more **regulatory tools** to prevent and effectively manage new crises in the dairy sector, notably by facilitating the organisation of dairy production in terms of supply management.

Implementation of the Milk Package: Parliament called on the Commission to carry out an in-depth study of the obstacles to implementing the Milk Package and of measures that would ensure optimal use of tools made available to the Member States. Regretting the low levels of implementation of **compulsory contracts**, Members urged that these be extended to all Member States. They recommended that the Commission adopt clear objectives as regards producer organisations, contracts and collective negotiations.

Role of producer organisations: Parliament defended the need to improve the provisions of the Milk Package with a view primarily to setting up producer organisations **with a greater capacity for management and negotiation** on the market.

Regretting the fact that there have only been limited moves towards setting up producer organisations (POs), particularly in the new Member States, Members considered that the rules for recognition of POs should be strengthened to increase more effectively the influence of producers in the negotiation of contracts. They stressed that POs could benefit from **financial support under Pillar II of the CAP** and urged further incentivisation at EU and Member State level, for stakeholders wishing to create and join POs and to participate in different ways in their activities.

Other recommendations: Parliament stressed the following points:

- **strengthening the Milk Market Observatory**: the information provided by the MMO should involve updates on market and price trends, data on production costs and the interactions between beef and milk production, consumption, stock situation, prices and exchanges of imported or exported milk at European level;
- the Commission should engage more in opening new markets in third countries and removing trade barriers and take due regard of ‘protected designation of origin’ (PDO), ‘protected geographical indications’ (PGI) and ‘traditional speciality guaranteed’ (TSG) concerns during trade negotiations;
- the dairy sector could benefit from **increased promotion initiatives** on domestic and third-country markets under new Promotional Measures;
- reinforcing the **aid scheme for the distribution of milk in educational establishments**;

- the Commission should simplify the rules concerning the regulation of supply of **cheese** with a ‘protected designation of origin’ or ‘protected geographical indication’, in particular as regards the minimum conditions required for the approval of those schemes;
- the Commission should implement more **responsive and realistic safety-net provisions**, and for the intervention price to better reflect real production costs and real market prices, and to be adapted as the market changes; the Commission was asked to immediately adapt the intervention prices;
- the Commission should work together with stakeholders to fix indicators on production costs which take into account energy costs, fertilisers, animal feed, salaries, rent and other key input costs, and to revise the reference prices accordingly;
- **new income stabilisation instruments** should also be studied, such as income insurance or implementing a dairy Margin Protection Programme.

Lastly, Members stated that **unfair commercial practices** severely restrict the sector’s ability to invest and adapt, and that it is necessary to combat them at both EU and Member State level.