Common organisation of the markets in agricultural products 2014-2020. Single CMO Regulation

2011/0281(COD) - 24/11/2016 - Follow-up document

The Commission has presented a report on the development of the dairy market situation and the implementation of the “milk package”.

The milk package is a set of legislative provisions, contained in Regulation (EU) No 1308/2013 (the "CMO Regulation"), in force since 3 October 2012 and which will continue to apply until 30 June 2020.

The milk package includes mandatory contract provisions that apply to all types of milk collection systems. Provisions relating to producer organisations (POs) and collective bargaining relate more to those Member States where cooperatives are least developed.

1. Market situation: following an unstable period in global supply and demand in the course of 2015 and in the first half of 2016, when prices of EU dairy products reached their lowest levels, **market conditions for milk have improved** since spring 2016. These positive signs could translate into an increase in producer milk prices from August 2016.

The medium-term outlook for the milk and dairy sector is **favourable**. Global and national demand is expected to continue to increase, allowing the EU dairy sector to improve its position in world markets.

2. Implementation of the milk package: the report finds that the main objective of the milk package, namely to improve the position of milk producers in the supply chain, has been partially met:

- ***Compulsory delivery contracts:*** these contracts cover **41% of EU milk deliveries** in 13 Member States, thus formalising the relations between producers and processors in the Member States. Approximately 95% of all milk deliveries from the EU are currently the subject of a formal agreement in one form or another;
- ***Producer organisations (POs):*** at the end of 2015, 26 producer organisations (POs) were recognised by **11 Member States**, mostly in Germany, France and Italy. About 60% of POs have confirmed that they have succeeded in obtaining a more stable price for milk. The activities of POs surveyed **go beyond negotiating prices**. They also negotiate delivery volumes, delivery and payment terms, provide value-added services in addition to milk supply, or support the activities of producers: milk collection, information exchange, quality control, technical or economic advice, etc;
- ***Collective bargaining:*** six Member States - mainly Germany, France and the Czech Republic and, to a lesser extent, Spain, the United Kingdom and Bulgaria - reported raw milk deliveries in 2014 and 2015 in the context of collectively negotiated contracts. The volumes collectively negotiated covered 25% of their total milk deliveries in 2015, accounting for approximately **13% of total EU raw milk deliveries**, with no reported infringements of competition;
- ***Regulation of supply for PDO/PGI cheeses:*** the two Member States that introduced it (Italy and France) gave a positive assessment as regards the proper adjustment of supply to demand, price stabilisation and protection of cheese production in disadvantaged areas;
- ***Interbranch organisations:*** these contribute to greater transparency across the supply chain and have proved their usefulness in a wide range of activities such as defining standardised contracts, promotion and providing technical advice;

- ***Compulsory declarations of milk deliveries:*** this has secured a rigorous volume information system, while improving significantly the timeliness of the information.

3. Possible improvements: the Commission considers that actions of a **pedagogical, financial, or operational nature** at EU and Member State level could be envisaged to **better exploit the potential** of two key instruments of the milk package, i.e. the POs and collective negotiations:

- organisation of workshops involving Member States' experts to share experiences and best practices in their countries
- launch of campaigns to raise farmers' and processors' awareness on the functioning and potential of POs;
- giving **POs a priority status** over individual producers accessing aid schemes, in the form of premiums, or tax advantages at national level;
- making additional financial support for POs conditional to the achievement of collective negotiation objectives as well as other joint activities that would help POs gain more value;
- consider setting an obligation to farmers belonging to a PO to deliver all their milk (or a minimum share) through their PO;
- revision of the administrative conditions and requirements for the recognition of POs so as to define reasonable minimum sizes while avoiding discrimination among farmers in different Member States due to current divergent criteria;
- expanding the role of interbranch organisations.

In view of this report’s findings, the Commission envisages extending the Milk Package beyond 2020 to allow its full potential to materialise.