Basic information

2014/2146(INI) INI - Own-initiative procedure	Procedure completed
Prospects for the EU dairy sector - Review of the implementation of the "dairy package" See also Regulation (EU) No 261/2012 2010/0362(COD) **Subject** 3.10.05.02 Milk and dairy products	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
AGRI Agriculture and Rural Development	NICHOLSON James (ECR)	06/10/2014
	Shadow rapporteur HERRANZ GARCÍA Esther (PPE) SERRÃO SANTOS Ricardo (S&D) MÜLLER Ulrike (ALDE) CARTHY Matt (GUE/NGL) HEUBUCH Maria (Verts/ALE) MOI Giulia (EFDD)	

Committee for opinion	Rapporteur for opinion	Appointed
DEVE Development	The committee decided not to give an opinion.	
BUDG Budgets	The committee decided not to give an opinion.	
CONT Budgetary Control	SARVAMAA Petri (PPE)	22/10/2014
EMPL Employment and Social Affairs	The committee decided not to give an opinion.	
ENVI Environment, Public Health and Food Safety	The committee decided not to give an opinion.	

	REGI Regional Development	The committee decided not to give an opinion.	

European Commission	Commission DG	Commissioner
	Agriculture and Rural Development	HOGAN Phil

Key events

Date	Event	Reference	Summary
13/06/2014	Non-legislative basic document published	COM(2014)0354	
24/11/2014	Committee referral announced in Parliament		
08/06/2015	Vote in committee		
15/06/2015	Committee report tabled for plenary	A8-0187/2015	Summary
06/07/2015	Debate in Parliament		
07/07/2015	Decision by Parliament	T8-0249/2015	Summary
07/07/2015	Results of vote in Parliament		
07/07/2015	End of procedure in Parliament		

Technical information

Procedure reference	2014/2146(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Amendments and repeals	See also Regulation (EU) No 261/2012 2010/0362(COD)
Legal basis	Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	AGRI/8/01714

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE541.637	23/02/2015	
Committee opinion	CONT	PE541.466	25/02/2015	
Amendments tabled in committee		PE552.136	08/04/2015	

Committee report tabled for plenary, single reading		A8-0187/2015	15/06/2015	Summary
Text adopted by Parliament, single reading		T8-0249/2015	07/07/2015	Summary

European Commission

Document type	Reference	Date	Summary
Follow-up document	COM(2014)0354	13/06/2014	Summary
Commission response to text adopted in plenary	SP(2015)575	01/12/2015	

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

2014/2146(INI) - 15/06/2015 - Committee report tabled for plenary, single reading

The Committee on Agriculture and Rural Development adopted an own-initiative report by James NICHOLSON (ECR, UK) on prospects for the EU dairy sector – review of the implementation of the Dairy Package.

The 'Milk Package' came into force on 3 October 2012 and applies until 30 June 2020. Dairy quotas will expire on 31 March 2015.

Recalling 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, the report 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. Members 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.

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 is 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: the report stressed that it is 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. They considered that that it is 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: Members recommended that, in order to prevent further market instability, previous decisions on milk quotas be maintained. They 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: Members 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: 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 stated that POs can benefit from financial support under Pillar II (Rural Development) and urged **further incentivisation** at EU and Member State level.

Other recommendations: the report highlighted, *inter alia*, the following issues:

- **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;
- it is necessary to investigate the development of **further insurance tools** when the market is strong, in order to curb milk price volatility and so as not to deprive European dairy farms of income;
- 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;
- 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 is asked to immediately adapt the intervention prices;
- **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.

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

2014/2146(INI) - 13/06/2014

PURPOSE: presentation of the Commission report on the development of the dairy market situation and the operation of the "Milk Package" provisions.

BACKGROUND: the conference "**The EU dairy sector: developing beyond 2015**" held in Brussels on 24 September 2013 explored new challenges that the milk sector will face and discussed whether additional instruments were needed and feasible, taking into account the end of the quota system in 2015.

This report brings additional elements for the discussion and the Commission is keen to continue the debate with Parliament, the Member States and stakeholders on how best to manage the markets once the quotas have disappeared with a view to making further proposals where appropriate.

CONTENT: the main findings of the report, presented by the Commission in accordance with Regulation (EU) No 1308/2013 are as follows:

- Market development to date: the EU milk market is currently in a quite favourable situation. The EU average milk price in January 2014 was 40.03 c /kg which is 17% higher than in January 2013, and the highest average milk price for January ever recorded (statistics since 1977). This upward trend has also been observed in the price of dairy products, although butter prices have been under some pressure since the beginning of 2014. Up to now, the strong global demand has supported firm prices.

However, a correction in prices should not be excluded, given the milk production increase observed across the major exporters. The medium-term prospects for milk and dairy commodities are favourable on both the world and domestic markets. World demand remains dynamic, especially in the emerging economies. Despite the slowdown in economic growth, dairy products are featuring more prominently in people's diets due to a higher proportion of middleclass households. Production increases resulting from the lifting of quotas can be expected especially in those Member States currently restricted by the quota such as Ireland, Germany, the Netherlands, Denmark, Austria and Poland, as well as in France. Production will depend on the pace of consumption increase in both the EU and the world and on other factors such as environmental constraints.

- "Milk package" provisions: the "Milk Package" was published in March 2012, has been fully in force since 3 October 2012 and applies until 30 June 2020. Implementing and delegated regulations were published in June and September 2012.

The Milk Package provisions have been transposed into national legislation. 12 Member States have provided for **compulsory contracts** between farmers and processors. In two other Member States codes of good practice inspired by the Milk Package have been agreed between farmers and processors organisations.

Almost all Member States have adopted national criteria for the recognition of **Producer Organisations** (POs), though some only recently. In 6 Member States a total of 228 POs were recognised by the end of 2013, a number of which existed before the Milk Package came into force. The creation of (new) POs requires time and of course a strong dynamic coming from farmers themselves. The recent favourable market developments and prospects might not have stimulated farmers to join in POs. In this context potential incentives to encourage farmers to enter into joint production agreements have been provided in the reformed Rural Development Policy (support for setting op of POs, new measures on cooperation and eligibility of groups of farmers for a series of rural development measures). Furthermore, the possibilities for extension of certain rules of POs and compulsory contributions for non-members might stimulate the creation of large POs.

- Collective negotiations under the Milk Package have been conducted by recognised POs in four Member States. Such negotiations lead to actual deliveries in 2013, varying between 4 to 33% of the total deliveries in the respective Member States. Regulation of supply for PDO/PGI cheese has, so far, been provided by 2 Member States for 3 cheeses. Further initiatives have been announced.

- Inter-branch organisations (IBOs): the possibilities for extension of rules and financial contributions referred to above also apply for interbranch organisations (IBOs) and might be an incentive for their creation. So far, IBOs have been recognised in four Member States. It is too early to see significant effects of the Milk Package on the milk sector in disadvantaged regions. In so far as data are available and based on the variety of criteria used by Member States to identify "disadvantaged regions", the trends of milk production in those regions vary significantly between Member States and between regions within the same Member State. Nevertheless, in several Member States the share of deliveries to cooperative processors in disadvantaged regions is reported to be higher than in other regions. It was not possible to obtain concrete data on activities of POs in disadvantaged regions.

- Under the new CAP (2014-2020), the dairy sector is equipped with a safety net (intervention buying-in for butter and skimmed milk powder, private storage aid for butter , skimmed milk powder and PDO/PGI cheeses), coupled with a regulatory framework for the Commission to react to exceptional circumstances (e.g. extension of the intervention buying-in period, private storage aid for other dairy products, export refunds, authorise a temporary derogation from competition rules as regards agreements and decisions of recognised organisations to take certain measures, exceptional counter-cyclical payments). In addition, milk producers benefit from direct payments and rural development programmes, under which Member States enjoy a considerable leeway to target measures specifically to the milk sector.

- Creation of a milk market observatory: the idea of a European Milk Market Observatory was launched in 2013 and is currently being implemented by the Commission services. The Observatory is a tool within the European Commission responsible for the dissemination of market data and short-term analysis for the dairy market, with the involvement of producers, processors, trade and retail as well as independent experts, and the ambition of addressing the growing need for transparency through more detailed and timely information. Stakeholders contribute with their expertise and market knowledge, adding a qualitative aspect to the quantitative approach of data collection and market analysis. The ultimate objective is to give quantitative and qualitative tools for economic operators to increase their market awareness and help them with their business decisions. The Observatory will also be in a position to send early warnings to the Commission services, when the market situation so requires.

Next steps: the Commission will pursue the debate to address these concerns. In particular, it will explore the need and scope for additional tools for better anticipating crisis situations and for coping better with crisis situations and market volatility. Additionally, **further analysis is needed** to find more efficient ways of supporting the milk sector so as to contribute to improved competitiveness and sustainability of milk supply across the EU after thirty years of milk quotas. The debate on the instruments already in force and the need for additional ones will take place without delay, before the next Commission report on the operation of the Milk Package and on market developments scheduled for 2018.

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.