















Procedure file

Basic information	
INI - Own-initiative procedure	2014/2146(INI)
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
	 Agriculture and Rural Development	 NICHOLSON James	06/10/2014
		Shadow rapporteur	
		 HERRANZ GARCÍA Esther	
		 SERRÃO SANTOS Ricardo	
		 MÜLLER Ulrike	
		 HEUBUCH Maria	
		 MOI Giulia	
	Committee for opinion	Rapporteur for opinion	Appointed
	 Development	The committee decided not to give an opinion.	
 Budgets	The committee decided not to give an opinion.		
 Budgetary Control		22/10/2014	
	 SARVAMAA Petri		
 Employment and Social Affairs	The committee decided not to give an opinion.		
 Environment, Public Health and Food Safety	The committee decided not to give an opinion.		
 Regional Development	The committee decided not to give an opinion.		

Key events

13/06/2014	Non-legislative basic document published	COM(2014)0354	Summary
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	Results of vote in Parliament		
07/07/2015	Decision by Parliament	T8-0249/2015	Summary
07/07/2015	End of procedure in Parliament		

Technical information

Procedure reference	2014/2146(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
	See also Regulation (EU) No 261/2012 2010/0362(COD)
Legal basis	Rules of Procedure EP 54
Stage reached in procedure	Procedure completed
Committee dossier	AGRI/8/01714

Documentation gateway

Follow-up document		COM(2014)0354	13/06/2014	EC	Summary
Committee draft report		PE541.637	23/02/2015	EP	
Committee opinion	CONT	PE541.466	25/02/2015	EP	
Amendments tabled in committee		PE552.136	08/04/2015	EP	
Committee report tabled for plenary, single reading		A8-0187/2015	15/06/2015	EP	Summary
Text adopted by Parliament, single reading		T8-0249/2015	07/07/2015	EP	Summary
Commission response to text adopted in plenary		SP(2015)575	01/12/2015	EC	

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

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 sectors 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"

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 Parliaments 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 sectors ability to invest and adapt, and that it is necessary to combat them at both EU and Member State level.