

**MINUTES OF COPA-COGECA WORKING PARTY ON MILK AND DAIRY
PRODUCTS ON 02/09/2014**

PRESENT: Abrate, l'Hermitte, Martin, Schlüter, Börger, Nicolis, Masure, Sormus, Maciulevicius, Varga, Dreijere, Kärner, Basto, Lamminen, Tiainen, Mulvihill, Gotting, Ahtonen, Flanagan, Harrison, Davies, Loyer, Roquefeuil, Thurner, Martin, Heschl, Stefano, Valentini, Corbalan, Magaraggia, Zbigniew, Aniszewska, Verset, Cardoso

SECRETARIAT: Gyorffy

SUMMARY AND CONCLUSIONS:

Item 1 and 2: Adoption of the agenda and approval of the minutes of the previous meeting

→ The group adopted the agenda [LP\(14\)6173 \(rev.1\)](#). The minutes of the previous meeting will be approved in the meeting on 18.11.2014.

This meeting has been organized exceptionally, as a result of the Russian ban on EU dairy products.

Item 3: Market Situation and Forecasts

→ A roundtable discussion took place.

Germany expects price decreases by 10-12% by the end of the year. Production has increased by 3% in the first 5 months of the year, there are expectations for production to decrease. German dairies produce more milk powder, milk powder exports have increased and cheese exports have decreased. Belgium underlined having exceeded the quota level, and price falls. Since it does not exports to Russia much, there is no direct effect but indirect one. Potential markets exist but lot of conditions still need to be fulfilled. Hungary underlined a fragile situation. Hungary's exports to Russia are negligible. It is important to find new markets and speed promotion campaigns to avoid the domino effect. Estonia is dependent on the Russian market (30% of the exports go to Lithuania, 25% to Russia). More than 30% drop has been observed in prices. In Lithuania, the milk price has reached 0.17€/l, being beyond production costs. Finding new markets will take more time. The situation is similar in Latvia. Good production in Ireland, and above quota level. Farmers will have to face the highest super-levy fines. Greater price adjustments are possible. Most of the milk is consumed domestically in UK, no direct impact but pressure on prices due to overall situation, price of cream has also been affected. In Denmark, when ban was announced, the retailers asked the coops to go in negotiation. There is a need to find alternative markets. Indirect effect in Sweden, with pressure on domestic market. Finland expects 100 million € loss as a result of the Russian ban. In Poland prices are decreasing, producers are expected to pay a high super-levy. In Italy, coops try to manage risk for farmers, PDO cheeses need specific measures. Spain could exceed quotas in 2014/2015. In next negotiations of contracts, there might be a downward pressure. In Austria, good weather has favoured production, 5-6% above. In France there is a delay in the impact of the Russian ban, the industry will be pushing prices down. Declining prices in Portugal, there are hopes that at least a stability on the market can be maintained.

The Secretariat referred to the Milk Market Observatory and the need to have a reliable information system and data to present to the COM, while avoiding doubling the data sent by MS.

The opinion of the group was that forecast data is difficult to be delivered because of the variety of factors which need to be taken into account, including the different production systems. In Germany, dairies produce an on-farm survey asking farmers how much milk they intend to produce. It would be useful if data which can be gathered is compiled in a PowerPoint and presented in the meeting. Confidentiality of data is a problem. Lithuania suggested that the cost

of modernizing a farm should also be taken into account. The Spanish organisation insisted on the need to show our capacity as organisation to gather EU wide data, underlining that other working parties are already doing it. The Austrian delegation referred to the Excel file created some time ago.

The Secretariat underlined that due to the frequency of the meeting (4 times per year), it is difficult to rely only on the exchanges in the working parties which take place less than 4 times/year; the online tool is the same as the Excel file built some time ago.

The Chairman underlined the importance of anticipating the outlook.

Item 4: Discussion of the impact of the Russian embargo decision on the European dairy market

→ The Secretariat presented the existing measures within the CAP to address particular situations on the market [LP\(14\)6366 \(rev.1\)](#).

The group considered that there is a need to identify alternative markets for our products and address the SPS problems on certain markets to which EU can export (currently a lot of conditions need to be fulfilled as far as standards, licences, food safety controls on certain markets on which EU would have the potential to export, the process of getting all the approvals could even last for an year). We also need to speed up promotion campaigns to stimulate new demand. The extension of the public intervention period to the end of the year was welcomed. However, the aim of the safety net is to set a floor price to prevent market collapse. With the current prices which do no longer cover the production costs, the current levels of the reference thresholds may no longer contribute to maintaining milk producers in business in times of crisis. A revision of the reference thresholds may be needed to ensure this is avoided if market prices go below the safety net level. Longer storage period for private storage is needed. By the time the storage period ends, EU will face the production peak (butter) which might be detrimental to the sector. Using the agricultural funds (especially crisis reserve) for economic consequences caused by geopolitical reasons should be as limited as possible since this would be taken from farmers by a cut in their direct payments, in the end; instead additional sources of financing should be identified. There needs to be a clear statement from the COM on the funds they will use to finance the measures taken.

The chairman concluded by the need to have a regular exchange to see how things evolve. It is important to tackle the cause and see what measures are necessary in the context of a difficult situation at EU level and more specific in certain countries.