



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 11 July 2012

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NOTE

from:	Polish delegation
to:	Council
Subject:	Situation on the dairy market - Request from the Polish delegation supported by the Lithuanian delegation

Delegations will find attached a note submitted by the Polish delegation, supported by the Lithuanian delegation, to be dealt with under "Any other business" at the meeting of the Council (Agriculture and Fisheries) on 16 July 2012.

The situation on the market in milk and milk products, as evaluated by Poland at the meetings of the Agriculture and Fisheries Council in April and June 2012, has not changed.

In recent months we have observed a significant growth in the production of dairy raw materials on the global scale. The recent data indicate that in the 2011/2012 season, due to, among others, favourable weather conditions, the production of milk on the southern hemisphere increased by 4.3% in Australia and by as much as 9.7% in New Zealand compared to the previous year. Between January and April 2012 and compared to the analogical period of 2011, the increase by 4.7% in the milk supply was observed on the US market. The overproduction of milk on global markets leads to the decline in prices of sale and the increase in milk products stocks. As of 1 July 2012, 104.5 thousand tons of butter were stored in EU-27 under private storage scheme, i.e. by 35% more than in the previous year. The saturation of the global market, collapse of prices and the increased internal inventory of dairy products in particular Member States have led to the worsened financial situation of milk processing plants. In consequence, an ever more visible pressure on decreasing the farm gate milk price has appeared. In Poland this price fell from PLN 126.31/100 kg in January 2012 to PLN 117.49/100 kg in May 2012 (-7.0%). The analogical situation was observed in the same period on the EU market, where the average farm gate milk price fell from EUR 35.1/100 kg in November 2011 to EUR 31.6/100 kg in May 2012 (-10.0%).

Polish milk producers and processors begin talking about the crisis similar to the one from 2009 again. Opinions appear that in order to maintain the processing plants' profitability, the price of milk should be reduced by as much as PLN 0.20 per litre. In the opinion of the representatives of the sector, it could lead to the reduced milk production, which in turn could have severe effects on the entire sector. The existing intervention instruments, with too low reference prices that have remained unchanged for years, are incapable of safeguarding the minimum profitable level of production at constantly growing prices of fuel, fertilizers and feed.

Poland is expecting that the alarming situation of the dairy industry, which Poland has called attention to for several months now, will be treated with due understanding. Therefore, Poland would like to address the European Commission with a question of what countermeasures the Commission intends to introduce to prevent the crisis from developing on the market in milk and milk products. Poland holds the opinion that all possible mechanisms adequate to present circumstances should be set in motion, including the reintroducing of export refunds to dairy products as fast as possible.
