



Council of the
European Union

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NOTE

From: Presidency
To: Council

Subject: Future of the dairy sector
- Exchange of views

With a view to the meeting of the Council ("Agriculture and Fisheries") on 15-16 December 2014, delegations will find in Annex a Presidency questionnaire regarding the future of the dairy sector.

Future of the dairy sector

Milk is produced in every single EU Member State without exception. Furthermore, milk is the EU number one single product sector in terms of value at approximately 15 % of agricultural output. The EU is a major player in the world dairy market as the leading exporter of many dairy products, it means an essential agricultural sector due to its economic, social and territorial importance.

Long-term prospects are quite positive as the overall rise in the global demand could offer opportunities to the sector.

Nevertheless, the challenges to be faced in the coming years remain numerous. The 2009 crisis showed that market liberalisation and dependence on international markets were followed by increased market instability and price volatility. Increased volatility can lead to severe economic crises, jeopardising the development of sustainable business and production, in particular in the most vulnerable areas.

The recent Russian embargo has increased even more the short-term market uncertainties. European dairy prices have declined significantly since the announcement of the embargo. As a consequence the prospects for the beginning of 2015 deserve the utmost vigilance, especially in light of the fact that some farmers could be further penalised for facing the payments of the super-levies in the last year of quotas. This could create a sensitive situation at political and social level.

The availability of market information and transparency in the dairy sector is the prerequisite for the effective use of the available tools. In view of that the Commission created the milk market observatory in April 2014, as step considered as necessary and welcomed by many stakeholders.

In view of the recent deterioration of the dairy market conditions and in light of the forthcoming end of the milk quotas, it is important and necessary to continue a reflection on the following questions:

1. Do you consider the market volatility as one of the main concern and challenges in the near future? Which instruments could be exercised to face market volatility?
 2. How the European Milk Market Observatory could be further improved to contribute to a fully effective and timely analysis of market fluctuations?
 3. What actions could be useful to help farmers to face the possible consequences of the end of the milk quota, for instance by the possibility to facilitate the payments of the super-levies, for the 2014/2015, with per-year quota in non-interest instalments?
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