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European Union

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**NOTE**

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From: General Secretariat of the Council  
To: Delegations

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Subject: Introduction of additional market measures in the dairy sector in view of the impact of the Russian ban on this sector  
- Note from the Bulgarian and Romanian delegations

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Delegations will find attached a note from the Bulgarian and Romanian delegations on the above subject, which is of relevance to the item "Market developments, including the effects of the Russian ban" at the Council (Agriculture and Fisheries) on 26 January 2015 .

**„INTRODUCTION OF ADDITIONAL MARKET MEASURES IN THE DAIRY SECTOR IN VIEW OF THE IMPACT OF THE RUSSIAN BAN ON THIS SECTOR”**

The agricultural producers in Bulgaria have suffered losses as a result of the Russian ban on the import of certain agricultural products from EU, as the most affected are the fruit and vegetables sector and the dairy sector.

The complicated situation in the dairy sector since August 2014 has affected negatively the Bulgarian dairy sector.

The buying-in prices of the raw cow milk in the country for November 2014 have decreased with 8 % compared to November 2013 and are 12 % lower than those in January 2014. According to the preliminary data for December 2014 the milk price has decreased with another 4 % compared to the price in November 2014. For the first time in the last 5 years the buying-in prices are decreasing in the autumn-winter period, i.e. they are moving outside the frames of the ordinary seasonal fluctuations. According to the preliminary data, the tendency of decreasing milk prices has been maintained throughout December 2014.

The same trend has been noticed also for the ex-works prices of the monitored cheeses. The ex-works price of the white brine cow cheese in October 2014 has been 12 % lower than the price in October 2013, while for the kashkaval (Bulgarian yellow cheese) from cow milk the decrease is 11 %.

The redirection of higher quantities of milk products within the internal market of the European Union and the low prices of the milk powder have put further pressure on the prices, which affects also the demand of the raw cow milk for processing.

Bulgaria considers that it is extremely important to support the milk producers in the present situation of increasing pressure on the EU market and increasingly negative trends in the prices of raw milk and milk products.

In Romania, the situation in the dairy sector is also critical, main actors in the milk supply chain are facing serious problems and risking bankruptcy. Due to the Russian embargo a lot of milk products are flooding the Romanian market at a very low price. As a result, national producers can no longer sell their products and have been obliged to store huge quantities. In this context, many holdings were compelled either to reduce their activity or even to stop it.

Moreover, processors and collectors refused to conclude new contracts with milk producers.

Therefore, the current crisis proves that intervention measures failed to mitigate the negative effects of the Russian embargo on dairy products.

In this regard, we propose the following possible solutions for consideration:

- If the situation on the dairy market continues to deteriorate, the Commission should implement its power, according article 219, Regulation 1308/2013, by introducing a temporary exceptional support for the milk producers in the whole European Union. Super levies on the overproduction could be used as a source of financing that additional measure. We consider appropriate the formation of national financial packages, combined with a possibility for complementary national financial support for direct support for the producers to compensate their losses, result of the crises.
- To introduce under article 219 of Regulation 1308/2013 a temporary exceptional support regarding a compensation for income loss.
- To reintroduce the export refund scheme for cheese, including Bulgarian white brine cheese and kashkaval (Bulgarian yellow cheese) in compliance with international commitments.
- The reference price needs to be adjusted upwards for those dairy products included in intervention (these would make the intervention more attractive for stakeholders having a surplus of dairy products).
- Increasing the amount of the aid for products covered by the School Milk Scheme.

- Adoption of specific measures for the mountainous regions, where the abolition of the quota system will have negative impact, by encouraging the operators to buy milk, produced in these areas, for example by co-financing of the transport costs with EU funds.
- Introduction of a scheme for private storage of cheese with fixed quotas for the Member states
- To allow State aid, similar to the one implemented in 2010, under the “Temporary Community framework for State aid measures, supporting the access to finance in the current financial and economic crisis”, by increasing the maximum amount of the de minimis aid (de minimis).
- To consider some measures - especially after the expiry of quota – that would provide for the obligation to buy in a certain percent of raw milk produced locally. In case of market disturbances, due to milk overproduction, the Council will ask the Commission to propose measures to discourage the involved producers to produce in excess.

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