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OUTCOME OF PROCEEDINGS

From:	General Secretariat of the Council
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To:	Delegations

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Subject:	Special Report No 11/2021 from the European Court of Auditors entitled "Exceptional support for EU milk producers in 2014–2016: Potential to improve future efficiency" - Council conclusions

Delegations will find in the annex the Council conclusions on:

Special Report No 11/2021: "Exceptional support for EU milk producers in 2014–2016: Potential to improve future efficiency"

adopted by the Council at its 3838th meeting held on 12 December 2021.

Council conclusions**Special Report No 11/2021 from the European Court of Auditors entitled: "*Exceptional support for EU milk producers in 2014–2016: Potential to improve future efficiency*"****THE COUNCIL OF THE EUROPEAN UNION**

1. NOTES the Court's Special Report No 11/2021 entitled "*Exceptional support for EU milk producers in 2014–2016: Potential to improve future efficiency*", which assesses whether the exceptional measures taken to counteract the disturbances that affected the dairy market in the period 2014-2016¹ were properly designed and had the intended effect;
2. TAKES NOTE of the Court's recommendations to the Commission on: dealing with future market imbalances while avoiding oversupply and reducing the risk of deadweight; ensuring a more efficient use of public funds by establishing thresholds for analysing potential market imbalances and linking support to clear objectives and targets; and drawing lessons from the 2014-2016 market disturbance with a view to increasing preparedness for future market disturbances;
3. RECALLS that, in case of a severe market disturbance, such as in 2014-2016, where the price in volatile agricultural markets causes significant liquidity problems for farmers, the legislator has the possibility to make available a series of instruments, including flexibility in direct payments to stabilise farmers' income, market intervention ('safety net') to support prices by temporarily removing surpluses (public intervention and private storage aid), and exceptional measures to counter market disturbances;

¹ The EU dairy sector faced a severe market disturbance in the years 2014-2016: in 2014-2015, fuelled by high prices and favourable weather conditions, milk production in the EU, the USA and New Zealand increased while growth in domestic consumption and exports barely absorbed half of that volume, mainly because of the slowdown of imports from China and the introduction of the Russian import ban.

4. ACKNOWLEDGES that the urgent situation in the dairy sector required a trade-off between comprehensive analysis and rapid action but BELIEVES that the measures taken in the period 2014-2016 were based on appropriate analyses and assessments with the full involvement of the Member States, and supported the recovery of the dairy sector in a flexible and pragmatic manner although some of the measures, such as the voluntary milk production reduction scheme, were introduced late in the crisis management process;
5. NOTES that the milk production reduction scheme was primarily targeted towards providing financial support to those farmers who adjusted supply to demand, thereby contributing to the rebalancing of the EU dairy market and eventually influencing milk price recovery;
6. NOTES in a general manner further that, in line with more market orientation, market participants themselves should in the first place address fluctuations in supply, demand and prices through appropriate adjustments in their own production and that safety net or other measures should only be considered as a last resort in case of market disturbances;
7. WELCOMES the Commission's broad acceptance of the Court's recommendations and INVITES the Commission and the Member States to take the lessons learnt from the 2014-2016 market disturbance into account when future crises (including COVID-like pandemics) occur, such as regarding the effects of exceptional aid on dairy farms' behaviour and liquidity and on market stabilisation as well as the role of risk management by producers and dairies;
8. RECOMMENDS that the market observatories set up under the Common Agricultural Policy should continuously assess market disturbances while taking account of the evolution of margins for each step of the food supply chain, in particular at farm level.