

Commissioner Phil Hogan's opening statement on the Nicholson dairy package report - EP Plenary session debate, 6 July 2015

- President, distinguished members, I am very pleased to have the opportunity to participate in this evening's debate. I welcome the fact that this is a full debate, which reflects the importance of the European milk sector. It is a critical element of the EU agricultural sector, which is itself a key driver for jobs and growth, contributing significantly to the Commission's jobs and growth agenda.
- I would like to say something about the current market situation. Perhaps not surprisingly and maybe even inevitably, there has been some price volatility following the ending of quotas. This volatility, which has been contributed to by a global oversupply of milk, has led to downward pressure on milk prices, with the effects being felt more acutely in some MS than in others.
- The EU average price in May is € 30.48 cents per kilo. In absolute terms and if applied consistently across the EU, this would represent a reasonable return for most farmers. However, I acknowledge that the variation in prices paid to farmers in different MS can be quite significant. I am concerned about these developments and have, therefore, instructed my services to monitor and assess the market situation very closely.
- **In 2014, the Union produced 4.5% more milk than the previous year while other main world suppliers increased their output in the area of 2%. In 2015, and in spite of the limited reduction in deliveries during the first quarter, we are already on par with last year and projections indicate that, in spite of moderate prices, we will end the year with an overall increase of 0.9%. Outlets have to be found for these additional quantities of milk.**
- While we have some challenges to face, we are fortunate that we can count on a complete toolkit of measures available in the CAP to address these challenges. The Parliament has been instrumental in making the toolkit available thanks to its work on the CAP reform and I want to acknowledge the work done by people like Paolo de Castro, Michel Dantin, Jim Nicholson and others.
- The measures available include the:
 - o Safety net tools (including the public buying-in of butter and skimmed milk powder as well as private storage aid schemes).
 - o Possibility to intervene in exceptional circumstances, as it was the case last year with the abrupt imposition of the Russian import ban.
 - o Direct payments to support farmers' incomes, including coupled support (up to 13% of the national envelope).

- o Rural development policy, which allows farmers to finance investments, be better trained, or receive compensation for being located in areas with natural constraints and the possibility to implement risk management tools (income stabilisation tool).
- o The Milk Package, which has yet to be fully exploited and which can strengthen the integration of the producers in the supply chain.
- o The Milk Market Observatory provides for a closer monitoring of the market. I have strengthened its role in the immediate months after the quota abolition and in anticipation of the post-quota volatility. The timeliness of data has been improved and the MMO Economic Board is meeting on a monthly basis and providing a very useful assessment of the market.
- I have heard some suggestions recently that the Commission is doing very little to support dairy farmers. Any objective analysis of the facts simply does not support that suggestion. Let me illustrate the reality:
 - o Safety net measures (intervention and private storage both for butter and skimmed milk powder) have been made available to EU operators since last summer.
 - o Special targeted support for a total amount of € 40 million was granted to dairy farmers from those MS most directly hit by the Russian ban.
 - o Dairy is the second recipient of voluntary coupled support with a 20% of the total amount, amounting to some €820 million (in 19 Member States).
 - o Milk package. Its full potential has yet to be exploited, but we should not underestimate the huge progress achieved so far: 13 MS have provided for compulsory contracts, the number of recognised producers organisations is growing and, what is more relevant, is their impact on jointly negotiated volumes of milk deliveries.
 - o School Milk Scheme: last school year 19 million children participated with more than 300 000 t of milk and milk products distributed for a total EU expenditure of €66 million.
- **Some voices claim that increasing intervention prices is the solution. In my view, this would be counterproductive. Indeed, in a situation where production quotas no longer exist, it is of paramount importance that farmers and economic operators follow market signals.**
- **Let me also say and be very clear about proposals to increase intervention prices = this would do nothing but delay the inevitable and necessary adjustment and make it more painful. As we move towards a market-orientated policy, such a move would give the wrong signal. There is a need to change our mind-set of: the goal is not to produce as much as we can but as much as much we can find a market for.**

- While I accept that there are short-term difficulties being experienced in the milk sector, essentially due to temporary oversupply, I believe that we should concentrate our energy in helping the European dairy sector reap the full benefit of long-term positive prospects in terms of world consumption.
- This is a sector with enormous potential and a positive future, we must all work together to ensure that this potential is fully realised.