

	26th March 2015
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**Press conference
with
EU Commissioner for
Agriculture & Rural Development
Phil Hogan**

on

"The end of EU milk quotas"

Check against delivery



- The EU milk quota system is coming to an end next week [March 31st].
- This is certainly not taking us by surprise. Indeed, the decision to finally abolish the quota system was taken twelve years ago.
- For the first time in more than 30 years it will be only market forces determining how much milk is produced in Europe.
- The situation today is completely different to that in 1984, when these production limitations were introduced, with a more market oriented sector:
 - We don't have mountains of butter and lakes of milk in public storage anymore.
 - Intervention prices are set at a level that doesn't encourage surplus milk production.
 - European and world prices have converged so that we are competitive enough to export some 11% of our milk production without any kind of subsidies.
- Global demand for dairy products is projected to increase at a 2% annual rate, so the removal of production constraints in the dairy sector can be regarded with optimism from this perspective.
- Each year until 2030, at least 150 million people will be entering the middle class, bringing almost 60 per cent of the world's

population into a middle income bracket – wanting to consume dairy products.

- To give just one example, between 2010-2014 EU exports to South Korea more than doubled – aided by our bilateral trade agreement.
- Numerous debates have been held in the recent years about the expected impact of the abolition of the milk quota system from every possible angle. Many producers have expressed concerns.
- EU production rose by roughly 5% in 2014, slowing down towards the end of the year, and so we don't expect a major increase to follow the end of the quota regime in the short term.
- I will remain highly vigilant as to any threats to the milk market. It is for this reason that I will continue to have recourse to the policy toolbox should the need arise:
 - whether through Private Storage Aid (PSA) or intervention under the market regulation;
 - targeted measures as was the case with the Russian ban;
 - also Direct Payments will continue to be a cushion for farmers' incomes;
 - as well as **voluntary coupled support** and a broad range of **Rural Development Programme** measures;
 - The **Milk Package** will add to this toolkit when fully rolled out.

- And we have put in place the **Milk Market Observatory** for a closer monitoring of the market. I am anxious to strengthen the role of the MMO by ensuring more frequent meetings and economic analysis of the market, so that the industry can take full advantage of the opportunities available on the world market.
- Last, but not least, dairy farmers can benefit from the EU's quality policy and research and innovation policies, which are particularly relevant for producers oriented to niche products.
- The sector will be unavoidably confronted with periods of short-term volatility. There is a whole range of tools to cope with it that deserve a further exploring:
 - integrated supply chain contracts,
 - forward contracts,
 - fixed margin contracts,
 - price differentiation according to volumes.
- The dairy sector needs to develop and use these risk management tools.
- After a long time of strong governmental involvement in the dairy market the industry has to find its way to adapt to the new reality.

We will remain vigilant and ready to act, should the situation so require it.

- The Commission is fully committed to support the continued market orientation of the dairy sector, and I'm optimistic that the industry has a bright and prosperous future.

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