



**Tithe an
Oireachtais**
Houses of the
Oireachtas

An Comhchoiste um Thalmhaíocht, Bia agus Muir

**Cion Polaitiúil – COM(2017)692
Idirghabháil Mhargaidh i leith Púdar Bainne Bhearrtha**

Meitheamh 2018

Joint Committee on Agriculture, Food and the Marine

**Political Contribution – COM(2017)692
Market Intervention for Skimmed Milk Powder**

June 2018

32/AFM/19

Introduction

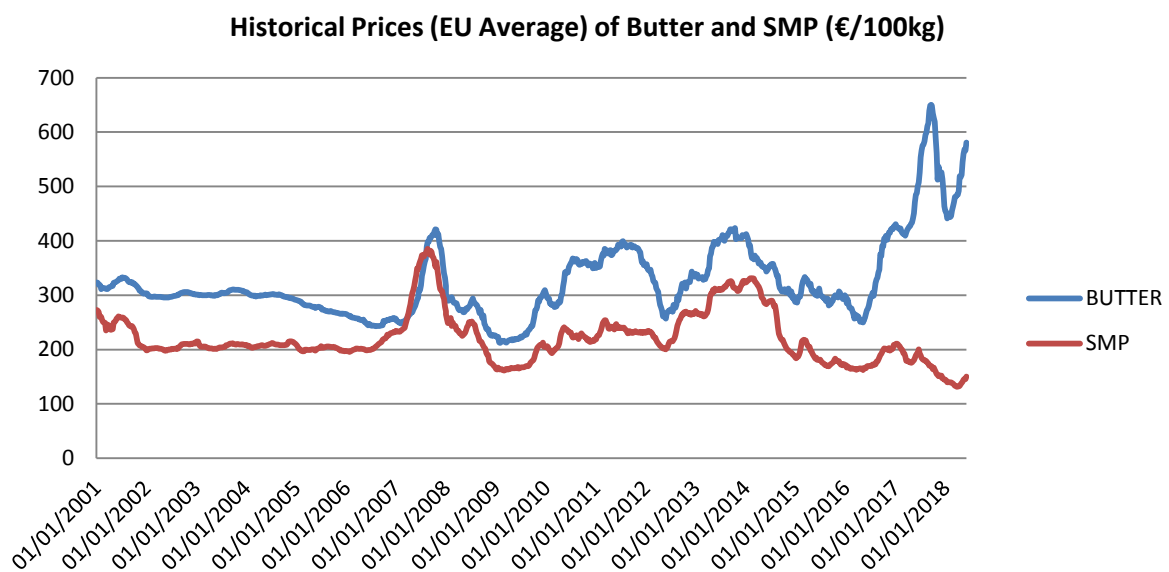
The Oireachtas Joint Committee on Agriculture, Food and the Marine (the Committee), considered COM(2017)692¹ and the issue of intervention for Skimmed Milk Powder (SMP) in January 2018, and raised the progress on SMP intervention with Commissioner Hogan in April 2018.

The Committee agreed to submit a Political Contribution to the EU institutions with regard to its concerns on the long term impact on SMP, outlining the potential issues it believes should be considered by the European Commission. Among these issues are the apparent reliance on increasing butter prices and the possibility of tendering becoming the norm in setting intervention prices.

Detailed Consideration of COM(2017)692 by the Committee

Since the ending of milk quotas in 2015, the level of milk production has increased dramatically to serve a vibrant export sector and an ever increasing demand for high-quality dairy products, particularly within the Single Market. Understanding the purpose of target and floor prices within the CAP, the Committee is concerned that such a high increase in demand may have distorted the market to support growth for some products to the detriment of other products, in this case SMP.

The Committee acknowledges that the current situation presents a number of difficulties and concerns, including issues with the market which are illustrated with the below graph:



Data Source: EU Milk Market Observatory

In this context, the need for an intervention price cannot be overstated and the use of a tendering process has the potential to create further uncertainty. The Committee's fundamental concern is that this may become a long-term issue.

¹ Proposal for a Council Regulation amending Regulation (EU) No 1370/2013 determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products, as regards the quantitative limitation for buying-in skimmed milk powder

The issue of the increase in butter prices being offset against losses in the SMP sector was also considered. The Committee is of the view that such an approach may have serious impact on the SMP sector generally and that the increase in demand for butter on other related sectors should continue to be monitored. One possible measure is the adoption of voluntary reduction schemes which may reduce the level of production on SMP, though it may also increase the price of butter further through limiting the level of supply to demand. There is also a possible impact through the levels of wastage from unused by-product should the focus of production be on butter only.

A summary of points considered by the Committee are as follows:

- the proposal, reducing the threshold for intervention from 109,000 tonnes to zero tonnes, is for 2018 only;
- the intervention mechanism is utilised during market troughs in the dairy sector;
- there was significant recourse to SMP intervention in 2015 and 2016;
- SMP and Butter are part of the same production process; and
- while the price of butter has increased significantly, the price of SMP has been dramatically reduced.

View of the Committee

The key concern of the Committee arises from the effective reduction in the floor price of SMP for 2018, while also raising concerns on the long-term impact on the sector, particularly if current high demand for butter continues. On this proposal and the wider challenges on the SMP sectors:

1. The Committee welcomes the efforts of the European Commission to sell current stocks of SMP in intervention, in particular agreements that remove these stocks from the Single Market.
2. The Committee is of the opinion that a reduction of the threshold for intervention prices to zero tonnes should be avoided. The Committee believes the effect of reducing the floor price for SMP products could have a detrimental impact on producers if this becomes a regular occurrence.
3. The Committee also believes that a threshold for intervention that is agreed under the CAP should not be reduced over the duration of that CAP.
4. The Committee believes there should be a high degree of caution on any over-reliance on butter to offset the reduction in SMP prices. While the level of production of SMP is approximately twice that of butter per tonne, such an approach could have profound consequences for producers, particularly those exclusively in the SMP market, while also leading to overproduction of SMP where there is no demand.
5. The Committee is concerned that price volatility may continue, with measures such as the reduction of intervention threshold becoming the norm in addressing built-up supplies of products such as SMP.
6. The Committee recommends that the viability of options such as voluntary reduction schemes are examined to address future issues behind the current oversupply of SMP products, as well as formalising possible avenues for removing excess products from the Single Market, such as through developments in trade policy.