



EUCOLAIT position relating to the CAP post 2013

“A strong CAP within a market oriented environment”

EU trade is a vital part of the dairy chain. Without the availability of ample produce of good quality the trade would lose its basis. That is why EUCOLAIT is concerned about the developments in the whole chain. EUCOLAIT always pleaded for an environment in which market forces determine as much as possible commercial decisions. For the CAP after 2013, in particular the dairy policy, EUCOLAIT can summarize the following conditions:

- A. Market orientation keeping in mind stability of markets and food security
- B. Safe dairy products of reliable quality in an open internal market
- C. EU dairy should be able to be competitive at world markets: level playing field

A. Market orientation keeping in mind stability of markets and food security

Recent experience

EUCOLAIT is convinced that EU market measures have minimized the downturn of EU dairy markets and have contributed to recovery. Most effective tool in an emergency situation is intervention. Refunds are politically more sensitive. Conditions for usage of refunds are that they do not spoil prices at the world market and lead to extra volumes of exports. By and large these 2 conditions have been met and therefore the overall judgment of EUCOLAIT of the recent emergency measures is positive.

Next to the level of the intervention prices volatility of market prices is seen as a major problem. EUCOLAIT is of the opinion that some fluctuation in prices, more than during past years, is unavoidable.

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Market instruments after 2013

With the market liberalization following the Health Check in the EU a number of programmes were deleted that offered valuable information about production and exports. At that time markets were rather transparent. In general EUCOLAIT appreciates efforts that could contribute to increased transparency of the dairy chain. Generic information on for instance production, storage, consumption, exports and imports are among the basic data operators in the market will need to manage their business. Apart from a wide area of information operators need also timely information. In this respect the EU could learn something from the situation in the United States where a whole range of relevant statistical information is available. Based on this information operators in the market can make funded decisions. In addition to that for a well functioning futures market, those data are also relevant.

EUCOLAIT repeatedly stressed the need for intervention as a tool providing greater stability. With clearly set fixed intervention prices and active market management throughout the year, the Commission can contribute to reduced volatility. In this way intervention can reduce the extremes (high and low prices). Such a buffer stock policy can be achieved at a low cost to the EU's agricultural budget.

In the dairy sector where seasonality is an important fact, private storage will be needed as a tool to offset short term fluctuations.

In addition to that, when temporary shortage occurs and prices tend to explode a temporary release of import levies can further contribute to price stability. In particular this should be envisaged when intervention levels are too low or not existent.

The benefits of such a policy of offsetting of extremes in prices and/ or availability are multifold:

- It will contribute to the good image of dairy as a reliable ingredient and therefore stimulate long term sustainable demand for dairy.
- Producers will get more realistic market signals getting a reliable income out of the market and not only have to rely too much on direct payments. Also the role of direct payments will change. No longer is it likely to be based on historic references. It will no longer be seen as a compensation tool but as an independent income support tool.
- Production will accordingly show a more flat pattern which enhances a stable supply and hence food security.
- Since there is a central Brussels role the need for additional national support policy is limited making internal market distortions less frequent.
- Also a stabilization policy saves budgetary outlays which otherwise would have to be spend on costly and little effective emergency measures.

B. Safe dairy products of reliable quality in an open internal market

To trade, the availability of enough dairy products at competitive prices and the required quality is also of the utmost importance. This can be optimally achieved in an environment that stimulates innovation and innovative trading practices. Red tape should be limited as much as possible in this regard.

Maybe the most important condition is that farmers produce good quality of milk and it is for them profitable to do so. The described safety nets should therefore centrally- at EU level- be regulated and applied. Less Brussels involvement will lead to more national efforts. This will result in a growing nationalism which in the end will threaten the internal market.

In this area a common sanitary approach is necessary. The absence of a strong centrally governed common sanitary approach to exports is sometimes difficult to understand by third countries and often used to apply non tariff like measures. Effectiveness would be hugely increased if the EU could speak with one voice here.

Transparency in the market, in such a way that consumers know what they can expect, is important for the image of dairy products. In this way analogue products will not be confused with milk based products. At the other hand we should be prevented overkill in the sense that “too much information kills information”.

Also the current rules on labeling of origin should stay. It is up to the responsibility of food business operators to respond to further demand. Mandatory origin labeling is contrary to the spirit of the single market and constitutes a step backwards towards national markets. We have described this tendency as “food nationalism”.

C. EU dairy should be able to be competitive at world markets: level playing field

EU agriculture has a role to play in worldwide food security and must be able to participate in growing world markets. To this end EU dairy prices should be competitive. The EU dairy sector has investments to make to fulfill EU requirements concerning food safety, environment and animal welfare. There is a strong need to have at least a level playing field.

The developments in the Doha Round cannot be seen independent from the present and future CAP. In particular the one sided concessions of the EU to end export refunds already in 2013 can have major consequences. In fact the use of export refunds totally differs from the past. There is no longer a massive usage that threatens sound market developments. Actual use is limited to particular market circumstances. But political reality remains that some people, not aware of market realities, make a fuss about it. When this instrument is deleted we will miss another useful instrument at times of crisis. Anyhow we do not see any reason to stick to the date of 2013. Extension with a few years could already be of help and facilitate the further transition.

Sustainable price signals should in fact determine production decisions. Therefore there should be a clear link between EU prices and those at world markets. Also for the future in the dairy sector, tariffs will continue to play a big role even if a reduction of tariffs as suggested now in the DDA, would be applied. It is important that there is a transparent and accessible tariff system. In this way EUCOLAIT contests ad valorem duties instead of the present specific ones. EUCOLAIT considers non tariff barriers as much more importance than tariff barriers. In fact trade would be facilitated if non tariff barriers would be transformed into tariffs. A major caveat in the DDA is that technical barriers are not discussed.

Conclusion

The Health Check has determined already the strategy for agricultural policy coming years. EUCOLAIT wants to maintain the direction of market orientation as described here.

The remaining market measures, in particular intervention, should be actively used to stabilize markets and to provide for food security. Also for the maintenance and improvement relating to quality and food safety, a strong CAP is needed. Relaxation of the community role in agricultural policy will not lead to real liberalization of markets since they will be replaced by national support or protectionism. This is a threat to the internal market.

A future CAP should also seek to improve the competitive edge of EU dairy. No one will benefit from a deletion of the *possibility* to use export refunds already in 2013 and is therefore not needed. Clear import rules/ tariffs and common international standards will facilitate EU and international dairy trade.