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EUCOLAIT reaction to the Communication of the Commission: “The CAP towards 2020”

“Functioning of the common market is essential”

Today the Commission presented the communication “The CAP towards 2020” with the subtitle “Meeting the food, natural resources and territorial challenges of the future”. EUCOLAIT, the EU dairy trade association, representing more than 850 companies active in dairy trade, would like to give the following initial reaction which has also been sent to Commissioner Ciolos.

EUCOLAIT has always supported the Health Check, leading to increased market orientation keeping in mind stability of markets and food security. We would also plead for a smooth phasing out of the milk quota system. Milk producers should be able to react to market possibilities and not be frustrated by paying super levy.

One of the unwanted side effects of the policy of support price reduction is sometimes extreme volatility of market prices. Therefore EUCOLAIT favors an active intervention policy as the main tool to stabilize markets. This will contribute to a market in which producers get more realistic price signals to base their production on.

In the CAP 2020 communication the importance of food security for EU citizens and the availability of agricultural products for a competitive agricultural processing and trade sector, is underlined. EUCOLAIT supports this point of view: producing circumstances have changed and we acknowledge that food security is fundamental to the CAP.

Intervention as a tool is foreseen to remain, but solely as a safety net. We feel this is a missed opportunity: the tool could also be used to establish increased food security and to stabilize markets. Nevertheless we are looking forward to work actively together with Commission to further “streamline and simplify existing market instruments” where needed.

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Another point of great importance for trade is the functioning of the internal market and the need to maintain a level playing field in the whole EU. When we look at the measures proposed in the CAP 2020 communication, this internal market can possibly be put at danger. In particular if market management by producer organizations or interbranch organizations were to be promoted, this might lead to fragmentation of the market and distortions. The functioning of the supply chain is best served by stimulating, not by limiting competition. The same dangers can be signaled for the increased possibilities proposed in the communication for national co financing of payments to producers. In this way a further substantial change of design of direct payments, going further than only the introduction of more equity, can threaten equal opportunities for producers in the EU.

To further stimulate agricultural trade in a genuine common market, a real common sanitary approach is necessary. The absence of a strong centrally EU coordinated veterinary policy is difficult to understand by third countries and used to apply non tariff barriers. When the EU could speak with one voice this would improve EU's competitive edge.

The CAP 2020 communication should also have an "external vision": how to deal with exports to the world markets and imports from the world markets. To our surprise there is no single reference to the set of measures in this area, notably export refunds and import tariffs. EUCOLAIT repeatedly stated and recent history has proven it, that under certain conditions, export refunds still have a useful role to play. The same is true for imports. In particular circumstances a temporary reduction of tariffs could facilitate market stabilization.

Sustainable price signals should in fact determine production decisions. Therefore a clear link between EU prices and those at world markets is needed. A reliable and transparent tariff structure based on specific (fixed) duties is paramount.

In conclusion: in the CAP towards 2020 communication the EU Commission underlines the need for food security and implicitly the importance of the production function of agriculture. Indeed availability of material is paramount to a competitive trade and industry and hence to incomes of farmers. Functioning markets will have to determine production decisions. Whilst the CAP is part of a broader economic context, this communication lacks a clear vision on aspects of the internal market- and external -trade.

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