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EUCOLAIT POSITION ON THE CAP 2020 PROPOSALS

General appreciation

EUCOLAIT, the European Association of Dairy Trade, welcomes the publication of the legal proposals for the CAP after 2013. EUCOLAIT has always pleaded for a strong CAP which is market oriented but also provides food security, relative price stability and a positive outlook for farmer's income.

The availability of dairy products at competitive prices and sufficient quantities is of utmost importance for dairy trade. We firmly believe the European dairy sector has an opportunity to respond positively to the growing global demand for nutritious dairy products. Consequently, measures developed to achieve other objectives within the CAP should not deteriorate the competitiveness of the European dairy sector.

Facilitating global trade is the most effective and efficient way to tackle temporary market imbalances inherent to the dairy industry and as such helps securing fair and stable prices to farmers. We therefore consider it extremely important to ensure that the future CAP legislation is fully compatible with EU's commitments under the WTO agreement on agriculture and that it will not be a handicap in any multi- or bilateral trade negotiations.

For EUCOLAIT members, the single CMO proposal is naturally the most important one. On the different market instruments and the changes foreseen, we would like to make the following observations.

Private Storage Aid for butter

The PSA regime for butter should remain mandatory, i.e. be opened automatically, as is the case at present. A PSA scheme the opening of which depends on the Commission's discretion would create uncertainty in the market and hence completely undermine the benefits of the regime. Indeed, operators in the butter sector need to know in advance whether they can count on the instrument or not. Speculation about the opening of the scheme at a given moment will further increase price volatility to the detriment of the whole dairy supply chain and contrary to the objectives of the CAP.

EUCOLAIT aisbl

Avenue de Roodebeek 44 - B-1030 Brussels - Belgium
Tel. : 32 (0)2 230 44 48 - Fax : 32 (0)2 230 40 44
dairy.trade@eucolait.be - www.eucolait.be

BNP Paribas Fortis Bank : 210-0751020-01 - Avenue des Arts 45 - B-1040 Brussels IBAN : BE43 2100 7510 2001 SWIFT : GEBA BE BB

Of all market instruments, PSA for butter is certainly the most cost-effective tool to achieve price stability. Given that there is no change in ownership, it is in the interest of the operator to sell the butter under the best possible conditions. A well-functioning PSA scheme can also avoid wide-scale intervention and guarantees the best possible remuneration of an essential component of the milk price paid to the farmer.

The unique characteristics of the butter sector justify the existence of a programme that covers most of the storage costs intrinsic to its production cycle. In point of fact, butter consumption is contra-cyclical. Additionally, the product characteristics change significantly during the year. Winter butter cannot be sold for the same uses as summer butter. These factors make it necessary to build up stocks throughout the year. The high storage costs however are a considerable hurdle to operators and represent a significant part of the butter price.

Moreover, a comparison over the past ten years between the price developments on the EU and the US butter market, which is characterised by the absence of a PSA scheme, clearly shows that prices in the US have been significantly more volatile.

Market instruments with a good track record and proven efficiency should not be removed. In this context, we would like to reiterate that maintaining PSA for butter in its current form would be in line with the recommendations of the High Level Expert Group on Milk. The report concluded on market measures that the HLG generally regards the existing safety net as appropriate and invites the Commission to explore new WTO green box compatible instruments. The HLG did not recommend any changes to the present private storage system. The report of the HLG is the fruit of an extensive consultation of Member States, Commission services, stakeholder associations, academic experts and third country representatives. Overall, the Commission has followed the advice of the HLG while preparing both the milk package and the CAP 2020 proposals. It would be inconsistent not to follow its recommendation on this particular point.

Private storage aid for SMP

EUCOLAIT sees PSA for SMP as another instrument that can prove useful. Still, its relation with public intervention should be very clear, so that operators know what to expect in case of a fall in prices. The effectiveness of this tool will depend largely on the operational modalities.

Public intervention

Intervention remains the most effective instrument in the Commission's safety net tool box. EUCOLAIT therefore welcomes the Commission's proposal to maintain buying-in at fixed price up to the current ceilings for both butter and SMP. We feel that moving to a tendering system from the beginning on would create uncertainty, as stated in the impact assessment. If there was no buying-in at fixed price, the intervention prices would also lose their relevance.

We are somewhat concerned about the possibility to restrict buying-in by tendering to a Member State or even a region thereof. Such measures can potentially distort trade by creating unequal conditions between Member States. We understand however that these restrictions would be reserved for crisis situations affecting only the country in question and intended solely for absorbing

market surpluses created by the crisis. This could be made clearer in the text, for instance by enumerating possible trigger events rather than just referring to “*special and duly justified circumstances*”.

Most deprived persons

EUCOLAIT supports the disposal of intervention stocks for the implementation of the programme and hopes that the Council can agree on a new legal framework to secure its continuation. However, more flexibility is needed when it comes to the removal of the products from intervention storage in that the withdrawal periods need to be longer than at present. This way, operators can ensure that the products enter the market at an appropriate moment.

Export refunds

The discussion on export refunds is closely linked to the Doha negotiations for a new WTO trade deal. EUCOLAIT has always stressed that the possibility to use refunds should not be abandoned unilaterally, not at least for the sake of preserving a credible negotiating position within the WTO. In this respect, we support the Commission’s policy aiming to safeguard the EU’s participation on the world dairy market, subject to its present WTO commitments.

Should the necessity to use these export refunds occur in the future it is crucial that the rules governing the proofs of arrival at destination become more flexible. The current procedure for the payment of refunds does not take into account the complexity of today’s global dairy market and makes EU exporters extremely vulnerable in a competitive environment. This item should be addressed in the future delegated act to be adopted by the Commission setting the detailed rules for export refunds.

Exceptional measures

The proposal lays down measures that can be taken to tackle market disturbances caused by internal or external market developments on the one hand, and to respond to market crises caused by animal diseases and/or loss of consumer confidence on the other hand. We welcome the extension of the consumer confidence clause to the dairy sector and the continuation of the market disturbance clause that was extended to the dairy sector during the 2009 crisis. As far as the use of the crisis reserve is concerned, we feel that it should be made clearer in which cases the urgency procedure would be applied and to what extent price fluctuations could still be combated with normal market measures.

EUCOLAIT endorses the reference made to the partly or total suspension of import duties within the emergency toolbox. A greater use should be made of this instrument which can prove very efficient at times of supply shortages and resulting high prices. We also advocate an active use of the possibility to extend intervention and PSA periods, if market circumstances so require.

Producer Organisations and Interbranch Organisations

EUCOLAIT has shared its views on these items on numerous occasions in the context of the HLG on milk and the discussion on the milk package. The CMO proposal contains one additional element relating to POs and IPOs which merits specific comments, i.e. the extension of rules and compulsory contributions. Membership in these forums is voluntary. The possibility for such organisations to impose their internally agreed rules and financial contributions to non-members therefore seems to be in contradiction with free market and freedom of contract principles.

Conclusion

EUCOLAIT fully endorses the objectives of the Common Agricultural Policy as laid down in the Treaty of Rome. Furthermore, it is important to underline that the participation of the trading community in the dairy supply chain has been and will continue to be crucial to the success of the Policy.

We feel that the Commission proposals and notably the single CMO proposal by and large respect these objectives and we are pleased to see that most market instruments that have proven their efficiency and effectiveness in the past have been retained. The proposals certainly constitute a good basis for the discussions in the coming two years.

We are nevertheless doubtful about the functionality of some of the proposed changes and consider that further discussions are necessary to determine the exact role of certain market measures. In this regard, EUCOLAIT looks forward to a fruitful dialogue with the relevant actors within the European Institutions.