



**EUROPEAN COMMISSION**

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## **The EU dairy sector: developing beyond 2015**

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Es gilt das gesprochene Wort

Conference "*The EU dairy sector: developing beyond 2015*" /Brussels  
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Ladies and Gentlemen,

I want to thank you for responding to this long-standing invitation. This conference is organized in a favourable context in terms of the milk market, which will allow us to think in a calm and collected way about the future of the sector in an EU of 28 Member States. I insist on this point: In our reflections we must take into account the great diversity of situations across the EU, in terms of production potential, and the different economic, or social or environmental importance of the sector in different areas. The aim of the conference is to create a platform expressing different ideas, asking questions, sharing options and analysing the situation and prospects for the sector.

What emerges from a few months of discussion, is that analyses differ on the situation of the sector, even if there is consensus on the fact that the effective end of quotas will create new opportunities for production in most areas competitive that have already invested to increase production. There is a potential for absorption in the EU and internationally. But in other areas, there are questions about how to maintain milk production in a post-quota context.

Following the 2009 crisis that we still all remember, we cannot rule out the possibility of crises associated with increased production costs or decreased consumption. It is therefore important to analyse, to take into account the diversity of the sector and to listen to each other. Because we live in a single market, we need to think of coherent action, ensuring that the needs of some do not affect the development of others.

In short, if I can summarize as follows: how can we ensure that the dairy sector continues to perform well, in a way that also covers the important territorial and social dimension that it supports, for example in mountain areas.

Firstly, let's look at what is already in place to support the adaptation of milk production process.

The Milk Package entered into force in October 2012. Its implementation is underway. 11 Member States have introduced mandatory contracts, four are planning to do - mainly members from cooperatives where weak states.

In parallel, the Commission will continue to work in the broader context of the structure of the food chain to promote a better balance, transparency and honesty in relationships within the food chain.

Secondly, the reform of the CAP. It is a horizontal reform. But it also relates to the dairy sector and can provide some answers.

The new structure of direct payments: Member States have the possibility to define different regions for direct payments using different criteria, including on the basis of specific agronomic criteria, which could therefore reflect the reality of the dairy sector. There is also the possibility of granting coupled payments and enhanced support for disadvantaged areas (no through the 1st Pillar, as well as through the 2nd Pillar). Similarly, the bonus for the first hectares - the so-called redistributive payment - can help small and medium-sized diversified farms.

Member States can therefore tailor 1st Pillar support to provide additional support for the dairy sector and for more vulnerable farms in certain areas.

In addition, it is possible to implement rural development sub-programs . These can target a sector facing a restructuring. I think that this is a very appropriate tool for certain areas with a concentration of vulnerable farms. They may be accompanied by investment measures. But then, it is important that Member States make choices and take responsibility in the matter.

Finally, we have enhanced tools to manage crisis situations, more responsive and more flexible tools, which I 'll come back to shortly.

The question today is whether the tools I have just outlined are sufficient to intervene firmly and effectively if there is a crisis of overproduction, falling consumption or a rapid and sudden rise in production costs (which is not mirrored by higher prices). Do we have the appropriate tools to prevent crises, to send alarm signals to the sector to adapt in time ? The new framework gives greater role to the sector. If the tools are not enough , what kind of tools should we put in place without being too rigid ?

Farmers in the most vulnerable regions may be the first affected by a crisis. But not the only ones. Those who invest heavily to increase their production – and are therefore heavily indebted - can come under threat in certain situations. The vulnerability can be found on both sides : due to their agronomic structure, or due to the level of investment.

How can we prevent the phenomena of crisis? And if there is a crisis, how should we react to prevent profitable dairy farms from disappearing under normal circumstances ? How should we empower actors and how should we ensure that everyone assumes their own responsibility ?

In this context, what is the role for traditional management tools and how effective are they? Is it feasible to resort to a form of exceptional control for a limited period? If so, at what cost? Should we develop new forms of crisis management that target more directly areas with excess production in order to protect the most sensitive areas ? How should we use structural instruments to strengthen our ability to respond in such situations ? Should there be a crisis support mechanism targeted geographically and sectorally in order to protect sensitive areas ? What part of the chain should we focus on in order to be most effective - farms or dairies – and to have the greatest efficiency at lowest budgetary cost ?

Today we have the crisis fund, but we must use the fund in the most efficient way because we must not forget that it has an impact on direct payments because of financial discipline. The more we spend for market crises, the more that direct payment will be reduced.

For these instruments to be effective, we need transparency. We need a more detailed analysis of the situation. You cannot come only six months after a problem has appeared. We must have a monthly or quarterly market vision. In the context of the end of quotas, we must put in place a new system of data collection to provide industry analysis in a shorter period of time.

So, I plan to offer this type of tool within the European Commission, creating a market observatory. It will be responsible for short-term analysis and present the data to the sector. Of course, this requires the involvement of the sector at national or regional level, and the involvement of producers and dairies. But we'll come forward with more details in the next few months on the operation and structure of the observatory.

Beyond that, we will come up with a clear explanation for the dairy sector of the elements provided in the context of the reform, in particular the potential crisis instruments. We will highlight what is available to Member States and regions in the context of rural development.

At the end of today's conference, my aim is not to present conclusions, but to stimulate discussion so that we can build something stronger.

To help discussion, certain studies will be presented this morning. Then the discussion will be structured around two themes "milk and markets" and "milk and territories" in order to analyse these studies from these two angles and leave as much room as possible for dialogue among you participants. It will be essential to bring out what is feasible technically, economically, budgetarily and politically.

For this reason it is important to have not only the opinion of the sector, but also the political representatives of the Member States and the European Parliament who are here today. The Commission services with today's experts and moderators will then draw conclusions from what emerges from the day. They will be presented to Parliament and the Council. Of course, they will be made public. I will take note of this process and will present the report, with additional elements if necessary.

Things are now in your hands. I encourage you come forward with analyses, questions and ideas which are pragmatic and realistic give the diversity of the European dairy sector.

Thank you.