

Russian import ban: EMB calls for voluntary production cuts to ease situation on dairy market

Measures planned by EU Commission not sufficient to stabilise milk market

(Brussels, 29th August 2014) "The fact that the European Commission reacted to the import ban was important. However, the planned private storage aid for butter, skimmed milk powder and certain cheeses and the extension of the period for public intervention do not provide a sufficient solution", commented Romuald Schaber, President of the European Milk Board (EMB), on the measures for the milk market recently announced by the European Commission.

Use crisis aid efficiently: use of voluntary production cuts and milk quotas

According to Romuald Schaber, not only is it important to grant financial aid for the dairy sector. The way in which this money is used is also of great significance. In this sense, the EMB suggests to stabilise the market by means of **EU-wide voluntary production cuts**, in order to prevent a major crisis. "The crisis aid should be used in a way to serve as an incentive for farmers to produce less milk. Otherwise these excess quantities will prevent a recovery of the milk market on the long term and cause serious harm to agriculture", says Romuald Schaber.

The instrument of voluntary cuts in production should aim at reducing produced volumes by two per cent. If after three months this appears to be insufficient, other measures would need to follow. The EMB President explains that in that case, the quotas now still in force should be reduced for all producers. "The quota system is indeed still in force until the beginning of 2015. Consequently, it can – and has to – be used as an instrument", says Romuald Schaber. He further explains that it is necessary to prevent milk which cannot be absorbed by the market to be produced in the first place. Even if in that event dairy farmers produce and thus deliver less milk, they can sell it for a relatively stable price. In the end, this will guarantee the necessary stability for the whole milk production sector.

The implementation of such a crisis instrument is even more important given that no functioning follow-up measures for the milk market have been decided yet for the period after the abolition of quotas, i.e. as from April 2015. "Otherwise the market will be exempt of any rules and it will be difficult to deal even with small crises – not to mention a Russian import ban", explains Romuald Schaber to stress the necessity of this crisis instrument. The instrument of voluntary production cuts, associated to the existing quota system, brings the advantage that crisis aid can be used really efficiently. If the money were to be used only for private storage aid, it would be far from being enough. Other aids – not only those of the agricultural sector – would then have to be used in order to at least partially make up for impending losses for farmers. With voluntary cuts in production this would be different: this instrument would allow to achieve *more* stability with *less* money.

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