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EMB on the CAP deal: Crisis instruments are almost a hit, lack of price fairness is a flop!

(Brussels, 30 June 2021) The deal on the CAP reform, which has been officially adopted by the Council of Agriculture Ministers on Monday, is an important step in the right direction, allowing for greater stability in different areas of the agricultural sector with its tool box of crisis instruments. However, it does not set forth any measures to ensure that costs for more sustainable production and producer prices actually go hand in hand.

Positive elements in the deal on the CAP reform

With the *voluntary volume reduction* crisis instrument (Article 219) as well as the Market Observatories and their functions (like providing information on market disturbances, production, stocks, prices and, where possible, margins) for different agricultural sectors (Article 222) included in the Common Market Organisation, there is now a legal framework for crises to be identified early on and the above-mentioned reduction programme to be activated in response – provided that the correct decisions are, in fact, taken in a timely fashion. This possibility to avoid surpluses and thus price collapses is a positive development. But these instruments must be used effectively and without delay in the face of crises! This is where the European Commission must play its part! A crisis mechanism that would automatically activate the appropriate crisis instrument is still missing. The capping of producers with surplus output during the period of voluntary volume reduction also did not make its way into the reform. Another positive element is the increase of the pooling threshold for dairy farmers to 4%, who together can thus negotiate or let negotiate a volume of up to 4% of the EU milk volume. However, when looking at processors, this is still not enough. After all, you already have companies with a much higher market concentration, which makes it impossible for producers to negotiate on an equal footing.

Missing elements in the deal on the CAP reform

Costs in the milk production sector are already not covered at present.* Prices and subsidies are unable to match costs. More demanding sustainability requirements entail higher costs as well. It will not be possible to cover this additional burden with raw milk prices nor through green subsidies. This is bad news for both experienced producers as well as young farmers. Even though they can be further supported through a mandatory minimum level of 3% direct payments, young farmers will continue to be the losers in the agricultural sector as long as the cost of more sustainable production is not actually covered by market prices.

The European Milk Board would like to thank everyone who has played their part in ensuring that the CAP deal includes important crisis instruments. We would like to expressly acknowledge the work done by the European Parliament as well as the many European dairy-farmer organisations in this regard. However, for a truly sustainable policy, stakeholders like the European Commission and certain EU Member States must recognise the need for fairer prices and greater stability in the sector, and make efforts to achieve the same.

*A study with the latest cost data will be published on 5 July. If you would like to receive the study in full, please write to [office\[at\]europeanmilkboard.org](mailto:office[at]europeanmilkboard.org).

Contacts:

EMB president Sieta van Keimpema (EN, NL, DE) : +31 (0)612 168 000

EMB director Silvia Däberitz (EN, DE, FR): +32 (0)2 808 1936

EMB policy officer Simon Bauer (EN, DE, FR): +32 (0)2 808 1934

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