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Producers count on Member States and the European Commission to approve the important crisis instruments in trilogues

(Brussels, 14/12/2020) The Parliament, the Council and the Commission are currently negotiating the future of the EU's Common Agricultural Policy (CAP) in trilogues. On 23 October 2020, the European Parliament adopted its position on the reform of the Common Market Organisation within the CAP. It includes a number of good proposals that will help make farming, in general, and the dairy sector, in particular, more crisis-resilient.

Position of the European Parliament

Voluntary volume reduction (in the form of Article 219a*typo3/#_ftn1typo3/#_ftn1) during severe crises is part of the Parliament's position. As per this provision, producers would be given the opportunity to reduce their production compared to the same period in the previous year by a few percentage points during a specific period, when faced with imminent, significant price reductions at EU level. Those who take up this offer would receive compensation for every litre of milk not produced.

The fact that we dairy farmers have been hit by three major crises over the last ten years – in 2009, 2012 and 2015-17 – highlights the need for such an instrument. It was only in the third crisis, in June 2016, when the EU average price was a paltry 25.7 cents/kg, that the EU activated a voluntary volume reduction scheme after much hesitation. However, as soon as this instrument was operational, prices began to recover very quickly. In just a few months, they climbed from well below 30 to 33.4 cents/kg (January 2017).

For the dairy sector, it is safe to say: voluntary volume reduction works! Even relatively small reductions can have a significant positive effect on the price, as also demonstrated in 2016/17. When dealing with an especially severe crisis where a voluntary volume reduction scheme alone would not be enough, the European Parliament recommends further strengthening the instrument: for a short period, individual farmers would be asked to cap their production, so that the reductions undertaken by their counterparts across the EU can have their full effect (Article 219b*typo3/#_ftn2).

Council and Commission still to sign off on volume reduction

We are very glad to see that MEPs analysed the previous crises and came to some very important conclusions for our sector. This means that an important player in the ongoing trilogue negotiations is already defending a future-oriented position. However, neither Council nor Commission have foreseen such an instrument in their positions. It is absolutely essential for the reluctant Member States as well as the European Commission to recognise the need for this instrument and the sound reasoning behind it, thus paving the way during the ongoing trilogue negotiations for it to become part of the Common Market Organisation.

It is important for this instrument to be anchored in legislation because past crises have shown that without legal enforceability, there is a great risk that the instrument is not used (as in the first and second crisis) or is activated too late (as in the third crisis).

To ensure that the instrument is deployed in a timely manner, however, it is important to clearly define when it would be triggered. It is great to see that the European Parliament has also included an early warning mechanism in its proposal. However, it must be improved with the addition of an appropriate definition of crises and must be linked with the activation of a voluntary volume reduction scheme, in order to make it a warning system with teeth.

The effectiveness of the instrument cannot be questioned. In fact, in 2016/17, when the voluntary volume reduction scheme was launched, interested EU farmers receiving compensation for the milk they did not produce were able to successfully coordinate with their colleagues and thus find a way to quickly come out of the crisis together. Over 48,000 producers – more than expected – took on their collective responsibility for the dairy sector, in order to stabilise the market and make it functional again.

Why does the instrument work for severe crises?

The big advantage of the instrument is that it prevents the production of milk surpluses that are then transformed into products like cheap milk powder.

- Towering stocks of milk powder exert very strong downward pressure on prices. This pressure continues to exist when the powder is taken off the market in the form of intervention. It prevents prices from recovering even as it sits in storage.
- In addition to this price suppression, overproduction also wastes precious resources and threatens the livelihoods of our fellow farmers in the global south in the form of cheap exports of surplus products.

We can fully circumvent all these issues during crises if a voluntary volume reduction scheme is activated across the EU. After all, it acts at the level of raw milk production, that is, where the overproduction actually takes place. This instrument breaks and ends the problematic chain of overproduction at the first link and brings the real relief needed by those affected by the crisis at hand. It is us producers who incur major loss, not processors!

Therefore, we sincerely hope that this crisis instrument will find its way into the final Common Market Organisation Regulation. In addition to the European Commission and the Council of the European Union, we also call on other farmers' organisations to encourage their members to support this instrument and to refrain from bad-mouthing or campaigning against voluntary volume reduction.

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* European Parliament's position: P9_TA(2020)0289 “Common agricultural policy – amendment of the CMO and other Regulations”

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