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European Union

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NOTE

From: General Secretariat of the Council
To: Delegations

Subject: Introduction of additional measures in the milk market in consequence of an embargo on dairy products introduced by the Russian government

Delegations will find attached in Annex a note from the Polish delegation to be presented under "Any other business" at the Council ("Agriculture and Fisheries") at its session on 13-14 October 2014.

Introduction of additional measures in the milk market in consequence of an embargo on dairy products introduced by the Russian government.

Measures for the milk sector, adopted so far by the European Commission, in a form of launching private storage aids for butter, skimmed milk powder and certain types of cheese, as well as extending the period of public intervention for butter and skimmed milk powder till the end of 2014, are inadequate to the embargo on dairy products introduced by the Russian Federation. Private storage aids for products are only a measure of temporary withdrawal of products from the market and intervention buying-in is not currently implemented due to the too low level of intervention prices. Also, the private storage aid scheme for certain cheeses, introduced by the European Commission on 8 September 2014, was repealed by the Commission on 22 September 2014.

In Poland's opinion, it would be necessary to launch export refunds, which, in an effective and permanent way, would clear the EU market of surpluses of dairy products resulting from the loss of the significant export market.

The situation in the milk market is very tense. The Russian embargo has significantly intensified downward trends in prices of dairy products related to the increased supply of milk. In Poland, in the last two weeks (week 37 vs. week 35), all dairy products became cheaper by, on average, from ca. 2.4% in case of cheeses (-3.6% whole milk powder, -5.0% butter) to 6.6% with respect to skimmed milk powder. In relation to the last year's quotations, dairy products became cheaper by, on average, from ca. 15% in case of cheeses to 30.6% with respect to skimmed milk powder. On an annual basis, the price of butter dropped by almost 27%. The decline in milk prices significantly affects milk buying-in prices paid to producers. In August, the milk buying-in price in Poland declined by 4.7%, which means the decline by 15.4% since the beginning of the year. The milk buying-in price was lower in comparison to the last year by 4.0%.

In Poland's opinion, it would be necessary to launch additional measures addressed directly to milk producers, which – apart from the measures mentioned in the common request of Latvia, Lithuania, Estonia, Poland and Finland – would be addressed to milk producers exceeding milk quotas. Particularly important is the fact that the declines in milk buying-in prices will coincide with the need for Polish milk producers to pay for the quota year 2014/2015 – according to the forecasts – a charge for exceeding quotas, in an unprecedented amount.

In this situation, we should not collect a charge for the quota year 2014/2015. In the absence of agreement as for the above, the solution improving the difficult situation of milk producers would be to allow them to make payments in instalments without interest – with regard to charges to be due for exceeding milk quotas in the quota year 2014/2015. It should be stressed that in this situation, the adjustment of fat coefficients would be the most desirable and effective measure which would not give rise to any additional administrative burdens and would lead to an immediate mitigation effect.
