



**COUNCIL OF
THE EUROPEAN UNION**

**Brussels, 25 May 2009
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NOTE

from : German, French and Austrian delegations
to : Council
Subject : Situation on the milk market

Delegations will find annexed hereto a note from the German, French and Austrian delegations.
This note will be submitted to the Agriculture and Fisheries Council as an "Other business" item at its meeting on 25 May 2009.

NOTE FROM THE GERMAN, FRENCH AND AUSTRIAN DELEGATIONS

The situation on the market in dairy products has continued to show serious deterioration since the beginning of the year, even though intervention buying has been able to help to limit this deterioration over recent weeks. Supply for public intervention has been considerable at each sale by tender (more than 8 000 tonnes of butter and 26 000 tonnes of skimmed milk powder were again recorded at the last sale by tender), reflecting a longstanding imbalance on the markets.

Despite the reintroduction of export refunds at the end of January, the European Union is still not very competitive on the markets in butter/butteroil, and above all in cheeses. During the first three months of 2009, European exports thus fell by 10 % for cheeses and by 3 % for butter/butteroil, after considerable falls already noted in 2008.

Collection is indeed about 2 % down on the first two months of the year, but this regression is mainly due to the drop in production which is returning to a "normal" level after an exceptional first quarter of 2008. It could therefore rapidly return to a level close to that of 2008, in view of the increases in collections reported in certain countries.

The market prospects for the second half of 2009 thus remain uncertain, and the situation continues to be very worrying.

This is why France and Germany's request concerns the following six points:

- **the emphasis should continue to be placed on public intervention measures until the end of August.** A reduction in the buying-in price between successive sales by tender should be avoided. Such reductions in fact cause a downward spiral in prices. The last sale by tender for intervention buying will take place at the end of August, at a time when dairy production theoretically decreases in the European Union. Stocks of intervention products should be reduced only in a context in which the markets will be able to absorb such volumes without causing prices to fall; if necessary, public intervention measures must be extended beyond 31 August;
- **the export refunds tool must be used in compliance with the provisions of the COM and while ensuring that any risks of dumping and distortions of the market are avoided, particularly in the developing countries.** It is important to be able to grant higher aid for cheeses (by raising the rates significantly and/or by reducing the minimum price of EUR 230/100 kg in order to be eligible for refunds, as the Irish have been requesting for many weeks now);
- the scheme for **aid for skimmed milk powder** intended for animal feed must be reactivated in order to increase demand;
- aid for school milk consumption must be increased and simplified in order to make it more attractive; specifically, greater flexibility should be created in the composition of the products for which the aid is granted;

- there must be greater compliance with the rules concerning protection of the designations and names of milk and of dairy products so as to avoid deceiving consumers and distorting competition, as well as the substitution of dairy products, particularly as regards the use of "similar" products in gastronomy and the food industry;
- **lastly, and more specifically, the Commission report scheduled for 2010** on trends in market situations and conditions for the gradual abolition of milk quotas **must be produced as soon as possible**. This report should comprise the appropriate proposals to enable a new form of governance of the dairy sector to be put in place, if need be, in particular by means of structural adjustments to the management of the market in dairy products. It must be followed up with annual reports in order to monitor market trends very closely.

