European Dairy Association

Annual Report 2013

connect to the world of dairy

Index

Foreword

Dear reader,

You are about to read the first edition of EDA's Annual Report. In recent months a number of changes have taken place at the European Dairy Association (EDA). From the external communications perspective, quite some decisions were made as well: amongst others, we decided to replace the two yearly editions of the Major Issues with an Annual Report. In the Annual Report we shall give you an overview of EDA's activities of the last year 2013, as well as look ahead at the coming year.

Looking at the overview of EDA's activities in 2013, we can state that the organisation of the EDA Policy Conference in March in Brussels and the World Dairy Forum in September in Cologne were both key achievements. In this report you will learn that both the Trade & Economics desk (TEC) and the Food, Environment & Nutrition Policies desk (FEP) have been very active in their respective regulatory fields on the Brussels scene and have obtained really valuable results from which the whole European milk processing industry and dairy sector will benefit.

From a broader economic perspective, 2013 can be considered a record year for the dairy sector in many European regions. In countries such as Germany and France, new records on respectively turnover and milk price have been set. Despite the increase of the European milk quota of 1% compared to the previous year, the overall milk production increased only by 0.4% due to the less favorable weather conditions in spring.

Looking at the demand for dairy products in 2013, it seems evident that significant increase in demand could only be expected from outside the EU. Within the EU dairy consumption is already high and many countries were still struggling with the consequences of the financial crisis. The traditional big players on the demand side outside the EU, Russia and China, have increased their imports of European milk powder, even in spite of the Russian restrictions imposed on European companies.

In September 2013, the European Commission organised a stakeholder conference on the future outlook for dairy markets. A subsequent Report from the European Commission on the Agriculture markets 2013-2023, published in December, identified the key drivers for the further growth of the dairy sector: the dynamic of world demand, the capacity of European dairy producers to react to market signals and the competitiveness of the European milk processing industry. With the establishment of the European milk market observatory, Europe acknowledges that the development of dairy markets is no longer linked to public policy measures, and that European agriculture is no longer market-oriented, but market-driven. EDA can only welcome these developments, visions and initiatives. We believe that the positive trend for the European dairy market is likely to continue in 2014.

The global demand development is expected to create demand-driven dairy markets. In major European milk producing countries, we will see a further increase in milk production in the coming months.

It is safe to expect that there will be at least 1.5% more milk in Europe: 2.1 million tons of additional European milk that will be processed into high quality and high added value products, such as cheese or proteins. The global demand for those competitive products will probably be above this supply increase.

The information in this Annual Report reflects the importance of the EU milk processing industry for Europe and the work EDA, as a representative body of the whole industry, is doing on a daily basis to contribute to the further growth of the sector. EDA also grew as an organisation in 2013: we are happy and proud that Croatia and Latvia have joined EDA and have become active members.

Connect to the world of dairy !

Michel Nalet
President

Alexander Anton
Secretary General

2013

Fluctuations of supply and prices

The first half of 2013 for the European dairy market was defined by weak milk output and high prices. After several difficult years for the whole sector, we observed the longest period of high prices for dairy products than ever before. The major driving force behind this was – in our view - modest milk production in major regions of the world coupled with growing demand (especially from China).

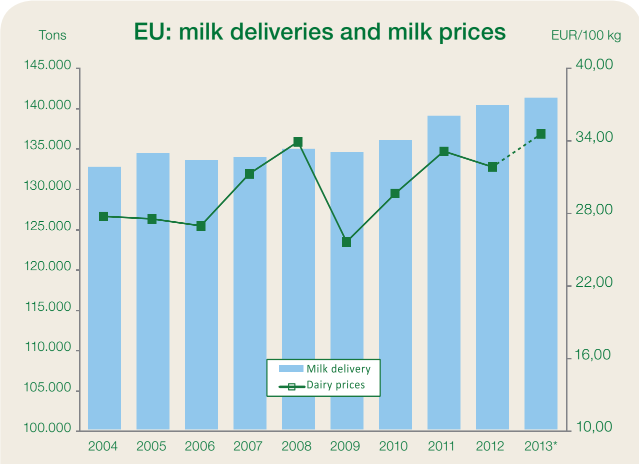
The dairy framework 2013

On 1 July 2013, the European Union officially welcomed Croatia as its 28th Member State. EDA is proud to count CroMilk, the Croatian Association of Dairy Purchasers and Processors, amongst its members. Croatia represents an additional 4.4 million inhabitants and a total annual production of 0.8 million tonnes of cow milk.

In late 2013, reforms to the Common Agricultural Policy were agreed on. While no general changes for the milk market policy were decided, the fact that the Private Storage Aid (PSA) scheme for butter will no longer be mandatory starting in 2014, is a source of uncertainty. The butter PSA has been a heavily used tool that has been instrumental in reducing price volatility.

Milk deliveries increased only marginally

For the second consecutive year, 2013 saw only modest growth for milk deliveries. According to ZMB's estimates, EU-28 milk intake for 2013 increased by 0.8 million tonnes to a total of 142 million tonnes. This figure represents a calendar-adjusted year-on-year increase of 0.6%; growth in 2010 and 2011 was significantly larger. Additionally, due to an absence of stocks of dairy products, supply was reduced for 2013 – from 2010 through 2012 offerings had been complemented by the reduction of stocks.



*2013 Estimated farmgate milk prices EU-25, milk deliveries EU-27.

Regarding milk output, 2013 was separated into two parts. During the first two quarters, milk deliveries contracted by 1.3% on daily average. This decrease occurred for two different reasons. Firstly: the decrease in margins for milk producers caused by high feed costs. Secondly: unusual weather conditions with an exceptionally cold and long winter, adversely affecting milk production.

Dairy farming conditions improved in the second half of the year. Profitability of milk production grew along with increasing pay-outs for dairies and decreasing feed costs. Weather in summer and autumn was favourable in most of Europe, especially the North-West. That said, Austria and parts of Southern Europe were stunted by summer drought that reduced fodder availability.

Obviously, dairy farmers are preparing for the end of the milk quota. The number of dairy cows in the EU increased in 2012 and in 2013. More dairy cows have been counted especially in the Netherlands, Germany, Ireland, and France in mid-2013 compared to the year before. Conversely, other Member States followed the long-term trend of decreasing cow inventories.

Milk deliveries picked up in the second half of 2013. In most Member States, output measured beginning from the middle of the year surpassed the same period in 2012. During this span, several Member States demonstrated higher growth rates than observed in the past; specifically, the Netherlands, Belgium, Ireland, the United Kingdom, and Germany. In Finland and Sweden, more milk deliveries were observed than indicated by the long term trend. The situation was different in Eastern European countries. While milk output increased in Estonia, Latvia, Lithuania and Poland, production contracted in other parts of the region.

For the 2013/14 quota year, the Netherlands, Germany, and Denmark are expected to overshoot their allotment. Milk quotas are also predicted to be exceeded by Ireland, Poland, Belgium, Austria, and Luxembourg. Some of these countries are likely to receive super-levies substantially higher than in years before.

Less milk exported

The recent growth-trend in EU milk exports was interrupted in 2013. With the slowing increase of milk deliveries for two consecutive years, and the reduction of stocks between 2010 and 2012, less product was available for export to international markets. The EU dairy industry has not been in a position to respond to high demand and has lost market share at global scale.

European Union : Balance Sheet of Cow Milk

m. tonnes	2008 EU-27	2009 EU-27	2010 EU-27	2011 EU-27	2012[1] EU-27	2013[1] EU-28
Deliveries of milk	135,0	134,7	136,7	139,5	140,5	142,0
+ Imports in milk equivalent	2,3	2,0	1,5	1,1	1,2	1,2
- Exports in milk equivalent	12,2	12,7	14,7	16,0	17,0	16,0
- Change in stocks in milk equivalent	+ 1,9	+ 0,9	- 1,8	- 0,6	- 1,2	- 0,3
Consumption in milk equivalent	123,1	123,1	125,4	125,2	125,8	126,9
of wich						
- At market prices	123,1	123,1	125,4	125,2	125,8	126,9
- Subsidised consumption	0,0	0,0	0,0	0,0	0,0	0,0
Consumption per capita	247	246	250	249	250	249
Self-sufficiency (%)	110	109	109	111	112	111

1) Provisional or forecast.
Source: ZMB

Less milk powder produced

Development of milk processing was mixed in 2013. There was stagnation in the white range after several years of slight increases. Consumption of liquid milk is stable in most countries while demand for fermented products weakened in some. Cheese production experienced continued growth in 2013 albeit at a slower pace than in past years due to limited availability of milk. The manufacture of milk powder and butter decreased with skim milk powder seeing the greatest decline.

Low cheese stocks

The cheese market witnessed further demand-growth and continuously low stocks in 2013. Strong buying interest in the single market and on the international stage completely absorbed the supply. Stocks began at a low level and remained that way throughout the year. The dearth of available milk production hindered further production of cheese. Exports to non-EU countries continued to increase and reached record highs in 2013; nevertheless, due to limited growth in supply, this increase was lower than in previous years. Russia remained the most important cheese destination with a share of one third of total EU export. Cheese prices rose continuously through 2013. High returns for whey supported the return of cheese production. However, the returns of processing milk into butter and milk powders increased faster than those for cheese.

Strong butter market

Butter prices recovered strongly in 2013 and reached a yearly average nearing the record level set in 2011. The market reflected a balance of supply and demand. Production decreased compared to 2012 and output was substantially reduced in the first half of the year. Consequently, less butter went into private storage. Despite reduced stocks, supply was sufficient when production picked up in the second half of the year. Exports to the world market reached volumes comparable to 2012 despite a high premium for EU butter compared to other sources. Internal consumption was not affected by higher prices and remained stable.

Strong prices for whole milk powder

After weak development in 2012, an extraordinarily strong increase of whole milk powder prices was observed in 2013. Supply for the international market was affected by high demand in China and a drought during early 2013 in New Zealand. EU producers reacted to high prices in summer and autumn by increasing output. However, weak production in the first half of the year was not fully compensated for. Despite strong international demand, EU export was slightly lower than in 2012.

Less skim milk powder produced and exported

The EU market for skim milk powder shrank in 2013. Availability contracted due to decreasing production and a reduction in stocks from past years. Exports to international markets decreased compared to the record level of 2012. Consequently, the EU lost global market share and conceded its position as the largest exporter to the United States. India became a player among exporters of skim milk powder in 2013. International demand remained strong and prices increased substantially. Internal demand decreased too. While human consumption increased slightly, the use for

calf feed may have decreased further. Alternative protein sources are becoming more prominent in milk replacers in an effort to reduce costs.

Record price level

Driven by strong international demand and limited worldwide supplies, prices for all dairy commodities increased in 2013. This trend was first observed though a surge in prices for butter and butter milk powder starting in April followed by cheese and other products. High prices were maintained for three consecutive quarters. As a result, milk producer prices reached record highs. Prices have been less volatile than in previous years when only short term price peaks followed by rapid declines were observed. Milk prices decoupled from the, in general, weaker price development of agricultural goods in 2013.

Dairy Outlook

Stimulated by higher returns for dairy farmers, milk production will increase faster in 2014 than in the last two years. However, growth in some countries might be reduced due to overshooting quotas. It is likely that demand will absorb supplies completely, at least in the first half of the year; there are no signs that high international buying interest will slow down. Several big importers are predicted to have low stocks of dairy products and will be forced to stay in the market. Export opportunities for milk protein might be more favourable than for butter. Market development in the second half of the year will depend on milk production conditions in the Southern hemisphere and on the economic development of major importing regions. The outlook for milk prices in the opening months of 2014 is stable.

Trade & Economics in 2013

Market Management by the European Commission

Due to the overall positive market conditions the only active support scheme in 2013 was the Private Storage Aid for butter. Opened on 1 March, the total volume entered in PSA on 31 August amounted to 89,681 tons to be compared to 133,306 in 2012. Given the good return from the market, there has been no sale of butter or SMP into intervention.

CAP towards 2020

Started in October 2011 with the Commission's proposals, the Common Agricultural Policy (CAP) towards 2020 continued its institutional process. On 23-24 January 2013, the European Parliament's Committee on Agriculture (COMAGRI) voted on the four reports drafted by the Members of European Parliament (MEPs) based on the Commission's proposals:

- Proposal for a regulation of the European Parliament and of the Council of the European Union establishing rules for direct payments to farmers under support schemes within the framework of the CAP
- Proposal for a regulation of the European Parliament and of the Council of the European Union establishing a common organisation of the markets in agricultural products (single Common Market Organization (sCMO) Regulation)
- Proposal for a regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)
- Proposal for a regulation of the European Parliament and of the Council on the financing, management and monitoring of the Common Agricultural Policy

Over 8,000 amendments were submitted by MEPs. Rapporteurs and shadow rapporteurs worked together to present compromise amendments for the vote. The reports voted at the COMAGRI were presented in March 2013 at the European Parliament plenary for vote. The EP vote confirmed the EP's negotiating mandate. At the same time, the Council, under the Irish Presidency, agreed on their own negotiating mandate. It had numerous meetings since the publication of the Commissions' proposals in October 2011. Each presidency since January 2012 (Denmark, Cyprus and Ireland) has submitted several proposals to the Members States which lead to the Council mandate in March 2013.

In April 2013, both institutions, along with the Commission, met in so-called "trialogues" to agree on one common position. Finally, on 26 June 2013, the three institutions settled on a political agreement outlining the main items of the four reports.

As regards to the milk sector, the main changes compared to the current CAP are:

- Reference prices are subject to review
- Intervention period is extended by one month; the ceiling for butter is increased to 50,000 tons; once the ceiling is reached, buying in continues automatically via a tender system
- Private storage: is made optional, SMP and PDO/PGI cheese are eligible
- Extension of rules to non-members of Producers Organisations and Interbranch Organisations, for a limited period of time at the discretion of Member States
- Repeal of the aid for casein production and SMP into feed
- Repeal of the restriction to use casein and caseinates in the manufacture of cheese

EDA spent lots of energy and passion throughout 2013 to follow and contribute to these processes. Our EDA CAP Task Force continuously and intensively worked on the proposals and the processes. Several positions were developed, orientated both to the EP and to the Council, underlining EDA's four main areas of concern: opposition to introducing supply management in times of crisis, no more derogation to competition law, no reopening of the dairy package and maintenance of marketing standards.

The idea of "supply management in times of crisis", as proposed by the European Parliament, has been defined as one of the main threats for the dairy sector. This is why part of the EDA Dairy Policy Conference held in March 2013 was dedicated to this issue. Prominent academics such as Michael Keane and Declan O'Connor (Ireland) were given the opportunity to present the results of their study on supply management in times of crisis to many stakeholders. A four page summary of the conference conclusions was developed by our CAP Task Force and proved to be a powerful tool in discussions with both the European institutions and other stakeholders.

During the summer of 2013, the draft texts were reviewed by the legal services of the Commission and translated. The European Parliament gave its consent to the final text in November, followed by the Council in December 2013. The market instruments are to be implemented in January 2014 followed by the national envelops and transfers between the two pillars in 2015. During the final quarter of 2013, the Commission worked on the delegated and implementing acts resulting from the CAP reports. Draft acts on public intervention and private storage aid were prepared by the Commission and are currently in discussion in an expert group composed of members of the Commission, European Parliament and Council.

Simultaneous to the process of the CAP reform, the Commission launched a call for tender to analyse the future developments in the milk sector. Ernst & Young was commissioned and contracted six experts to develop the requested report.

The final report was presented to the stakeholders at a conference on the 'Future of the Dairy Sector Beyond 2015' organised by DG AGRI on 24 September 2013. At this conference, EU Commissioner Dacian Cioloş shared his intention to create a market observatory "responsible for short-term analysis and present the data to the sector" and requested input from stakeholders. EDA responded to this call in October 2013 and elaborated arguments and ideas to fuel the reflection. The paramount request is of course, that this future market observatory must be independent, high quality and timely in order to be effective. Our EDA full position can be found on our website:
http://www.euromilk.org/EDA

Dairy Package

In 2013 the Dairy package continued to be implemented in various Member States. Written contracts are made compulsory in ten Member States with eight of them providing a minimum duration of six months to five years. Three other Member States are still considering the use of mandatory contracts.

Regarding Producers Organisations (POs), minimum criteria have been foreseen by Member States including the number of farmers and marketable production.

On Interbranch Organisations, the notion of "significant share" as provided in the EU legislation has been further defined by seven Member States, referring to either the volume delivered and/or processed, the turnover, the percentage of economic agents, or some other criteria. Last but not least, France, Italy and Spain allow supply management for PDO/PGI cheeses.

Trade & Economics in 2013

Multiannual Financial Framework (MFF)

In February 2013, the Heads of State and Government of the – at this time still - 27 EU member countries reached an agreement on the MFF. As per the European Council conclusions, the budget for the period 2014-2020 has been reduced compared to the previous period (2007-2013). However, funds for research, innovation and education have increased to follow EU's priorities for growth and jobs. The European Parliament did not agree with the Council's conclusions as they were not included in the negotiations. The discussions on the MFF then followed the same process as the CAP discussions with trialogues between the Commission, the Council and the European Parliament.

On 27 June 2013, the parties reached a political agreement on the MFF. Heading two, "sustainable growth: natural resources, which covers the CAP, will amount up to EUR 373.18 billion (2011 prices). It is reduced by 11.3% compared to the previous budget. The new MFF addresses four items raised by the EP:

- Flexibility: in order to ensure that EU can fulfil its commitment, the unused margins can be carried over to the following years
- Review/revision will take place at the latest in 2016
- Unity of the budget: the EU and Euratom (European Atomic Energy Community) expenditure and revenue will be included in the budget
- Own resources: a review of the own resource system will take place by a high-level group constituted of members selected by the Commission, the Council and the European Parliament

The European Parliament consented to the regulation laying down the EU's MFF for 2014-2020 which was then approved by the Council in December 2013. This new budgetary framework applies from 1 January 2014. For the next MMF in 2021, the Commission will have to present a new proposal before January 2018.

School Milk

Under the Common Agricultural Policy (CAP), the European School Milk Scheme is set up for the distribution of dairy products to children in nurseries, other pre-school establishments, and primary and secondary schools. Moving towards CAP 2020, numerous proposals have been brought forward for how the School Milk Scheme can be altered and improved. Among these proposals are considerations from the Commission for addressing the "emerging challenges the agriculture producers are facing" and "market opportunities for certain farmers". Also, the Commission aims to connect children with food and agriculture in order to promote the importance of a healthy diet and to adopt healthy eating habits later in life. Moreover, the Commission is considering whether to maintain the separate School Milk and School Fruit schemes or to unify them, and possibly include other agricultural products, under a single scheme.

An EDA Task Force was set up early 2013 in order to contribute to the Commission's public consultation on School Food Schemes and EDA actively participated in a stakeholder meeting organized by the Commission in March 2013.

The Commission is currently working on the revised scheme, which will take into account the external evaluation they have commissioned and the impact assessment they are making internally. The revised scheme should be simplified and, if possible, provide increased financial support. The educational aspects will also be enhanced. The Commission's proposal is expected for January 2014.

Promotion

Following the subsequent release of a Green Paper in July 2011 and a Communication in 2012, the Commission published on 21 December 2013 its **Proposal for a regulation on information provision and promotion measures for agricultural products on the internal market and in third countries.**

These measures are aiming at enhancing the competitiveness of European agriculture both in the internal market and third countries by increasing consumer awareness of the quality of the EU's agricultural products and food products based on agricultural products. They are also aiming at developing and opening up new markets.

Producer organisations are added to eligible beneficiaries, more products are eligible, and it will be possible to mention the origin of the products or commercial brands (conditionally) in generic promotion. Also, the management of multi-Member State programs will be managed by a single desk at the Commission therefore reducing costs and time for those involved. As such, there will be no co-financing by the Member States in order to simplify the scheme, as Commissioner Cioloş declared.

The eligible measures on the **internal market** are information measures aimed at underlining the specific features of agricultural productions methods in the European Union, particularly in terms of food safety, authenticity, nutritional and health aspects, animal welfare, or respect for the environment.

The eligible measures in **third-countries** are promotion measures aimed at increasing sales of agricultural and food products from the EU.

Both schemes will concentrate on the following themes: quality schemes, organic production method, and the specific logo for quality agricultural products from the outermost regions of the EU.

The co-financing of 50% remains but can be increased to 60% for multi-national initiatives, schemes aimed at 3rd countries and promotion for fruit and vegetables in schools. The current budget of €61.5 M in 2013 will be increased to €200 M by 2020.

Trade & Economics in 2013

High Level Forum for a Better Functioning Food Supply Chain

The mandate of the High Level Forum has been extended in December 2012 by two years and its membership has been reviewed on the basis of a public call for applications.

FoodDrink Europe has proposed to include food sustainability, fitness check of EU policy legislation, Business to Business (B2B) relations and external competitiveness for the work programme.

On B2B, FoodDrink Europe and European retailers associations launched a voluntary code on unfair trade practices. Copa-Cogeca and Clitravi (European meat association) did not sign up, considering that protection against retaliation and sanctions are missing. For DG Markt, it is not "either" regulatory measures "or" self-regulatory measures, but it can be a combination of the two.

In parallel to this, the Commission published a Green Paper on Unfair Trading Practices in January 2013 and opened a public consultation. EDA contributed to this consultation.

WTO - Doha Development Agenda (DDA)

The WTO organized its 9th Ministerial Conference meeting in December 2013 in Bali.

The agricultural part of the so-called Bali Package can be summarized as follows:

Public stocks for food security in developing countries:

Developing countries will benefit from the "peace clause" for an interim period of time. A work programme is defined in order to find a permanent solution in four years. The "peace clause" guarantees a WTO member that it will not be challenged in Geneva even in the case that member exceeds its "trade-distorting domestic support" commitment.

Tariff quota administration:

The ministerial decision concentrates on the actions to carry over when less than 67% of the tariff quota are permanently used. Before traveling to Bali, the US were totally opposed to the proposal; they benefit (with four other members) from a derogation.

Export subsidies and other measures with similar effect:

There is no new text but only a political statement "recognizing that all forms of export subsidies and all export measures with equivalent effect are highly trade distorting and that export competition remains a key priority of the agriculture negotiations."

Ministers agreed to ensure that progress towards the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect will be maintained, that the level of export subsidies will remain significantly below the Members' export subsidy commitments, and that a similar level of discipline will be maintained on the use of all export measures with equivalent effect. Finally, they agreed to review the situation regarding export competition at the 10th Ministerial Conference in 2015.

Trade Facilitation

The trade facilitation decision is a multilateral deal aiming at the simplification of custom procedures by reducing their costs and improving both speed and efficiency. This legally binding agreement is one of the biggest reforms of the WTO since its founding in 1995. Its objectives are also to provide clarity and transparency, reduce bureaucracy and corruption, and use technological advances. The General Council should adopt the final text by 21 July 2014.

Bilateral Trade Issues and Free Trade Agreement (FTA) Negotiations

EDA is closely following trade issues and trade negotiations. EDA is in continuous contact and exchange with the European Commission at all levels and, when appropriate, with the European Parliament in order to secure the interests of our sector. Our Trade & Economics Committee has established an EDA Trade Task Force to increase our effectiveness and efficiency as regards to input to the Commission. This task force focusses on Free Trade Agreements, Market Access issues in the EU/3rd countries, and WTO/DDA negotiations.

Canada

The political agreement on the Comprehensive Economic and Trade Agreement (CETA) was signed on 18 October 2013 in Brussels. With this agreement, the European dairy sector has been given increased access to the Canadian market for cheese. 800 tonnes will be included in the current cheese TRQ (about 13,400t), 16,000 tonnes for "fine cheeses/high quality cheeses", and 1,700 tonnes for industrial cheese. Details of the agreement such as the administration of this new TRQ and the definition of the term "fine cheeses/high quality cheeses" still need to be set by the negotiators. In the 145 GIs which will be protected, 48 are PGO/PGI cheeses. For five PGO/PGI cheeses (Asiago, Feta, Fontina, Gorgonzola and Munster), the labels will live on for current producers in Canada and any future Canadian producers will have to add a word like "kind", "type", "style", or "imitation". Any other dairy products, except MPCs, have been excluded from this agreement. The agreement is expected to be implemented in 2015 or 2016. EDA had the possibility to express its position on the CETA negotiations with both the Cabinet of Commissioner Dacian Cioloş and DG Agriculture services.

Central America

The European Parliament approved the agreement in December 2012. To be finalised, ratification is still needed by some of the Central America partners. The trade pillar was applied from 1 August 2013 for Honduras, Nicaragua and Panama, from 1 October 2013 for Costa Rica and El Salvador, and from 1 December for Guatemala. The Commission expects that thanks to this agreement, EU exporters will save €87 million per year in lower customs duties.

Colombia & Peru (Andean Community)

The agreement with Colombia and Peru was ratified by the European Parliament in December 2012. Ratification procedures are still on-going in Colombia and Peru. The trade pillar has been provisionally applied between the parties from 1 March for Peru and from 1 August for Colombia. The Commission is currently exploring the possibility of including Ecuador and Bolivia in the agreement. According to DG Trade, the EU is the second trading partner of the Andean Community with a share of 14.3% of the total trade of the Andean Community in 2010.

India

Instead of having full negotiating rounds, discussions continued during the first half of 2013 on a targeted level. A ministerial meeting was organised in April to provide guidance to negotiating teams, to resolve outstanding issues, to assess feasibility of concluding soon and to agree on next steps. Both parties are currently negotiating on the offers giving a further opening of market access for goods, the services package and government procurement. However, the process might slow down again with the Indian federal electoral campaign starting already in 2014. In 2012, the EU exports of agriculture products to India amounted to €473 million, a growth of 7% compared to 2011 (source DG Trade).

Japan

On 25 March 2013, EU and Japan officially launched the negotiations for a free trade agreement. Three rounds of negotiations took place in 2013. The talks covered goods, services and investment with the main aim to eliminate tariffs and non-tariff barriers. A safeguard clause, also called a rendez-vous clause, is being kept in the EU negotiating mandate; the European Commission can suspend negotiations if it considers that no progress has been made by Japan in dismantling non-tariff barriers, especially in the industrial and automobile sector. The average annual growth of EU exports to Japan in agriculture amounts to 6% according to DG Trade.

Mercosur

Mercosur is currently carrying out consultations regarding access to agriculture and industrial markets. Negotiations are expected to be launched again in 2014. The EU is Mercosur's first trading partner, accounting for 20% of Mercosur's total trade.

Trade & Economics in 2013

Moldova, Georgia & Armenia

Negotiating rounds continued over the first half of 2013. The negotiating talks have ended respectively in June and in July for Moldova and Georgia. On 29 November 2013, the EU initialled the Association agreement with both countries which includes provisions establishing a Deep and Comprehensive FTA. Regarding Armenia, after seven rounds of negotiations, the Commission is now assessing future cooperation following Armenia's declaration to join the Customs Union of Belarus, Kazakhstan and Russia.

Singapore

Further to the completion of the negotiating talks in December 2012, both parties have initialled the text on 23 September 2013. The EU Council of Ministers needs now to agree on the draft text which will then be ratified by the European Parliament. This procedure is expected to end in autumn 2014.

Thailand

Negotiations for a FTA were officially launched in February. The European Commission has launched a consultation for the stakeholders to which EDA responded in May. Three rounds of negotiations were completed in 2013 and talks are still on-going.

Vietnam

Four rounds of negotiations took place in 2013. The talks involved several subjects such as tariffs, non-tariff barriers and regulatory issues.

Ukraine

Both parties had agreed in March to sign the Association agreement at the end of November 2013. However, the Ukrainian government due to political and economic pressure from Russia decided to suspend the preparation for signing the Association Agreement.

United States

The United States and the EU agreed in February to launch a comprehensive trade and investment agreement now called the Transatlantic Trade and Investment Partnership (TTIP). The Council agreed on the negotiating mandate submitted by the Commission's College of Commissioners for approval. On the side lines of the G8 summit in mid-June, both parties agreed to launch the negotiations. Three rounds of negotiations were held during 2013.

EDA has being particularly active in informing the Commission as regards to its position on the TTIP. It has responded to a Commission public consultation and participated in several meetings with the Commission and Members States. EDA's priority is the regulatory issues such as the Grade A and the Food Safety Modernization Act. EDA is also part of a Task Force composed of members of FoodDrinkEurope and COPA-COGECA. This Task Force submitted a common position from the Agriculture sector to the Commission and other stakeholders to address non-tariff barriers.

Enlargement

Croatia (joined the EU on 1 July 2013)

Before joining the EU on 1 July 2013, Croatia had been acting as an active observer within the European institutions. It is now the 28th member of the EU, but the country has yet to adopt the Euro or join the Schengen area. We are welcoming Croatia and proud to have a very active Croatian dairy association (CroMilk, see www.cromilk.hr) in our EDA membership.

Iceland (Candidate Country - Negotiations suspended)

The newly elected coalition government decided in May to suspend the negotiating rounds until a referendum is organised on EU membership. Subsequently, the government decided to dissolve their negotiating committee in September 2013. The Icelandic government has stated that no decision on withholding its candidature will be made until a report on the negotiations, which was expected end 2013, is issued.

Serbia (Candidate Country)

Recognised as candidate country in March 2012, Serbia has now taken further steps towards EU accession. Indeed, thanks to the deal struck with Kosovo in April, the EU has accepted the launch of negotiations for accession. The first step towards EU membership, the EU-Serbia Stabilisation

and Association Agreement, was signed in September 2013. The Council agreed on the negotiating framework in December which kicked-off the first negotiating talks to be held in January 2014.

We are proud to have the Serbian dairy association (see http://www.srpskemlekare.org/en) as an associated EDA member and we are looking forward to the further integration process of Serbia and the Serbian dairy.

Kosovo[1)] (Potential Candidate)

Although not recognised by all EU countries, Kosovo progressed towards the Stabilisation and Association agreement with the EU, with the first talks being held in October 2013. Kosovo agreed with Serbia in April not to block each other's bids.

1) This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

Other Countries

Despite no progress during 2013, the following countries are considered candidate countries: Montenegro, the Former Yugoslav Republic of Macedonia and Turkey. Albania and Bosnia and Herzegovina have the status of potential candidate.

Bénédicte Masure
Deputy Secretary General

Flora Dewar
Trade & Economics Officer

Food,

Environment and Sustainability

Emission Trading Scheme (ETS)

End of 2013, the EU Commission has recognised the application for Emissions Trading System (ETS) Carbon Leakage recognition for solid whey products. This application has been elaborated in a great cooperation of EDA with many of our member associations, companies and with EWPA. It is based on data representing 50% of the production of solid whey products in the EU. With a trade intensity of 20-28% and a carbon costs ratio of 15-20%, the application largely fulfils the criteria set for such an application. Based on this, the European Commission has added solid whey products on the list of products to the carbon leakage list for 2014.

Best Available Techniques Reference Document (BREF)

The European Commission has informed the food industry that the Best Available Techniques Reference Document (BREF) for the food industry will be revised in the period 2014-2016. EDA has already started preparing the work of this revision. This BREF documents are of a certain strategic importance, since they will be used in the future as a basis for the decision and policy making process on crucial topics like water or energy use in our sector.

Food wastage

The reduction of the wastage of food, along the entire food production and consumption chain, remains high on the political agenda. With food wastage reaching up to 30% of total food production, reduction of wastage can give a significant contribution to the food availability for the increasing world population. In the dairy sector a broad range of initiatives have been taken, both at production and processing stage and at the level of products sold. EDA has been strongly involved in the development of the FDE multi-stakeholder food wastage declaration “Every Crumb Counts” and the related food wastage reduction toolkit.

Dairy Sustainability Framework

The Global Dairy Platform has taken the initiative to develop the Dairy Sustainability Framework (DSF). The framework is a “living” document that shall give guidance to the dairy sector worldwide as to how to work towards improvement of its sustainability. The Framework also allows the sector and industries working in the sector to develop coherent communication on the progress they made.

environment and health in 2013

In order to do this, the framework explicitly distinguishes between the global approach and the approach in many different regions of the world. The framework has been structured around a global vision, a series of global issues, regional issues, existing initiatives and guidance along the Plan-Do-Check-Adjust cycle. This way, every dairy company, independently of its size or structure, can integrate its efforts and best practices into a global framework and help the sector as a whole to prove the improvements in terms of sustainability.

EDA is committed to help the DSF to engage dairy companies and associations to sign up and add their activities to the catalogue of global dairy sustainability activities – be it at farm, processing or even at retail level.

Ensuring and managing food safety

Official Controls

The European Commission has issued its “review package for safer food” on 6 May 2013. One of the five draft regulations presented is a review of the existing legislation on official controls. The proposals have officially been forwarded for discussion in European Parliament and the Council of the European Union, where the one on official controls has been quickly taken onto the agenda with the aim to finalise a first reading before the end of the current European Parliament’s mandate mid 2014.

EDA has prepared a detailed positioning and shared its view in discussions and meetings with various stakeholders, the EU Commission and key members of the European Parliament in Brussels with good results.

EU hygiene rules

While the overall review proposal of the European Commission has not been published yet, EDA has been an active player in some details and in specific discussions in preparation of the wider package, e.g. on frozen foods of animal origin.

Animal by-products (ABP)

EDA is monitoring the various reviews of the implementing regulation on ABP. EDA met with the European Commission to voice its point of view on certain concerns regarding the ABP regulations. EDA is also in a leadership position when it comes to clarifying certain points on the ABP legislation with other concerned stakeholders of the chain.

Contaminants

EDA follows closely all discussions about changes in the existing legislation or possible emerging issues relating to findings of substances in food or feed or on new European Food Safety Authority (EFSA) opinions.

The latest draft of the Commission on the management of the occurrence of cadmium, focuses on cocoa and infant formula and was adopted by member states on 29 Nov 2013. It does not impose limits or testing for products which do not have a significant impact on the intake of the contaminant.

Quaternary Ammonium Compounds (QACs) are a group of substances that can be used as a cleaning agent. The residues of QACs found in milk and dairy products remain extremely low. The current legislative limit for QAC residues in infant formula is nearly zero. This limit can be difficult to achieve even in the best processing structures. EFSA is preparing an opinion on QACs which will be the basis of a thorough evaluation of residues of these substances in food.

The dairy industry’s internal monitoring systems detected an increase of aflatoxin levels in spring 2013. This has brought attention back to the increased potential occurrence of aflatoxins in feed due to specific climate conditions and also due to climate change. The difference between aflatoxin levels tolerated within the EU compared to aflatoxin levels permitted by Codex and non-EU countries (like for instance the USA) is representative of two different approaches to food safety issues and good manufacturing practices.

Food, environment and health in 2013

Food Safety Platform (FSP)

EDA's FSP ensures an internal platform for members for quick exchange in moments when emerging issues make it necessary. The recent aflatoxin issue (cf. Contaminants section) shows again the utility of such a tool.

Sanitary and Phytosanitary Measures (SPS)

Sanitary issues in international trade

EDA has highlighted the priorities of the European dairy sector with Member States at the European Commission market access working group for SPS issues in July 2013. At a moment where the USA are clearly the focus of attention due to the bilateral TTIP negotiations, EDA has given solid input on the situation of the dairy industry and barriers for the SPS chapter. The main points are 'Grade A' dairy products and the final impact of new food safety rules of the Food Safety Modernisation Act (FSMA), even if the latter have the advantage of taking a risk based approach as already experienced in the EU.

With regards to China, the full picture of the food safety legislation is still not totally visible. Additional notifications on the projected legal framework are being received regularly. The test report on pathogens, contaminants, additives and any other items covered by Chinese food safety standards are now required for all "first imports". EDA – together with the European Commission – has made a lot of effort to get more clarification about the exact meaning of the requirements. Some demands of the veterinary certificates and delay in delivering the quarantine certificate are other topics of concern where EDA was in a position to give some input.

The inspections of the Russian sanitary authorities within EU Member States continue partly in the well-known manner of establishment inspections. Since the opening of the Custom Union, the legislative frame has varied in some parts. Due to Russia's access to WTO, the authorities partly started to make system audits, attempting to audit the national competent authorities in the Member States instead of providing authorisation for single establishments. Currently, both systems exist in parallel, and the results of both are not very helpful for EU exporters to Russia.

The equivalence exercise started by the European Commission with Russian legislation should now be continued towards the Custom Union legislation; however, EU counterparts appear hesitant.

Dairy food production process

Additives

The 'Union list of Additives', which entered into force on 1 June 2013 after a transition period of 18 months, has already been amended with a first group of corrections and additions to the list published in 2011. A draft for a second revision is being prepared by the European Commission, and is being discussed with Member States. EDA has given input into this draft.

The descriptors of the additives categories have finally been published on the Commission's website. These clarify the categories of products for the authorisation of additives, and are valid only for this categorisation system.

Several data collections to future EFSA evaluations of additives have been dealt with as demands of EFSA are becoming more burdensome. EDA also gathers data on finalised EFSA evaluations where a refined assessment seems necessary.

Enzymes

The future 'Union list of Enzymes' will be drafted after EFSA has evaluated all enzymes used in food production. Enzyme manufacturers are preparing for the dossiers. EDA has given support in gathering information about the technological use in the process and product groups for which enzymes are being used.

EDA has also given input to the discussions on the future framework for authorisation of enzymes to ensure dairy producers can continue using enzymes in the future.

'New' technologies

EDA monitors new and less recent technologies with possible impact or use in our sector.

Therefore, EDA follows very closely the framework legislation for Novel foods, including cloning. The now separated proposals have been finalised by the European Commission services, discussed internally and published on 18 December 2013. EDA has contributed – when and where adequate - to the debate on the assessment of cloning for food use at the European Commission and stakeholder level and it will be present during the ongoing legislative process in the EP and at Council level.
Nanotechnologies are also being discussed in the political context. The Food Information Regulation (EC) No 1169/2011

demands that, from December 2014 on, all “engineered nanomaterials” in food must be labelled as “nano”. In order to broaden the definition of the term “nanomaterial” and adapt it to the specificities of the food industry, the European Commission has been consulting stakeholders and working internally on a proposal.

EDA has positioned itself with the primary focus of ensuring that long-existing and well-known processes do not suddenly fall under a restriction meant to indicate a new process. The EU Commissions’ proposal for a so-called delegated act has been forwarded to the European Parliament and to the Council for scrutiny in December 2013. It contains a reference to a specific purpose of the nanomaterials that would prevent traditionally produced products to fall under the labelling obligation.

The dairy chain in the production process

Origin labelling

As requested by the Food Information Regulation (EC) No1169/2011 the European Commission is called to write down implementing rules on how to precisely address origin indications when put on a package voluntarily.

An external contractor of the European Commission has gathered information about the market realities for different products, with whom EDA had an intense exchange on the specificities of the dairy market. The study has been forwarded to the competent services of DG SANCO of the European Commission who has drafted its first version of an impact assessment.

For the consideration of possible mandatory origin indication on dairy products, the European Commission, led by DG Agriculture, has also chosen a consultancy to prepare a study.

This study will need to scrutinise the possibility of rules for mandatory origin labelling for milk and milk used in dairy products, including its feasibility and costs, the consumer needs for this information and impacts on internal market and external trade. EDA has prepared itself and is committed to voice the sector’s view in this assessment process.

Feed catalogue

The feed catalogue lists definitions of feed materials for commercial exchange and serves as a set of marketing standards. For dairy products being used as feed when no outlet for the human food chain remains, EDA has helped intensively in the drafting and revision of the catalogue. It is an important tool for dairy processors in their relationship with their customers in the feed manufacture sector.

Standardisation / definition of dairy products

Marketing standards

Marketing standards and protected terms for dairy products are part of the single Common Market Organisation (sCMO), and have been part of CAP reform negotiations (see in this report the chapter on Trade and Economics).

As it will be scrutinised in the impact assessment demanded under the Food Information Regulation (EC) No 1169/2011 (see also Origin labelling), the European institutions have finally accepted to delete the mention of “place of farming” for milk and spreadable fats from the sCMO as requested by EDA.

The discussions on the protected terms for spreadable fats, including butter, and their alignment to the Claims Regulation (EC) No 1924/2006 (see Nutrition & Health Claims) resulted in a notable achievement: while the term ‘low fat’ is not in place for butter anymore, the terms ‘reduced-fat’ and ‘light’ have been aligned, and can therefore continue to be used for a wide range of products.

Optional reserved terms

EDA has been monitoring the drafting of the detailed implementation rules of the term “mountain product” from the Quality schemes Regulation (EC) No 1151/2012. EDA also discussed a possible optional term with the current working title of “product from my farm”.

Food, environment and health in 2013

Quality schemes

The new rules for the application of geographical indications (PDO, PGI) and the 'tradition schemes guaranteed' (TSG) are applicable since January 2013. Geographical indications are also more and more part of bilateral negotiations with third countries (see chapter FTAs), as it is currently the case with the USA and Georgia. EDA coordinated the positioning of its members and followed up on specific questions towards the European Commission.

Protection of dairy terms

In the beginning of this year, EDA has established a collection of visual examples on the misuse of protected dairy terms from several EU Member States and shared those with the European Commission in view of the foreseen update of the 2007 report on the evolution of the market in milk products and competing products.

EDA regrets that the European Commission decided not to continue to prepare this report. EDA continues to monitor and react to the misuse of protected dairy terms on EU and national level.

Consumer information and Labelling

EDA is actively involved in the implementation of the Regulation (EU) No 1169/2011 on the provision of food information to consumers. The main focuses of the European Commission are the implementing rules and studies on origin labelling. These are topics of high interest for the dairy sector and EDA is very closely involved in these (see "Origin labelling").

EDA is also following in detail the work of the European Commission on the interpretation of certain general labelling and nutrition declaration questions. An EDA Q&A was published in April 2013 and new questions are regularly discussed. EDA has raised several issues relevant for the dairy sector for inclusion in FoodDrinkEurope comments on the Commission Q&A as well as the joint FoodDrinkEurope-Eurocommerce guidance which was published in the fall of 2013.

Voluntary front of pack nutrition labelling

In June 2013, the UK authorities launched a voluntary front-of-pack nutrition labelling scheme for foods marketed within the UK. This scheme provides information on the content of certain nutrients using reference intakes and colour coding. EDA has repeatedly raised concerns with the European Commission about the non-compatibility of the UK scheme with basic EU legislation. EDA is convinced that the UK scheme is an obstacle to the free movement of goods in the internal market.

Furthermore, the development of a national scheme runs contrary to the idea of harmonising food information in Europe and could lead to the proliferation of labelling schemes in other EU countries. EDA also strongly questions the health benefit of using "traffic lights". Many nutrient-rich dairy foods such as yoghurts and cheeses would have to be labelled amber or red because of some of the nutrients considered by the scheme. The focus on a few selected nutrients neglects the nutritional contribution of whole foods to the diet. EDA is currently evaluating other options to raise its concerns and to keep the discussion about the UK scheme on the Brussels agenda.

Guidance on tolerances

The new European Commission guidance on 'tolerances and rounding rules' are creating practical issues for the food industry. EDA has already identified a number of issues for the dairy sector: the single sided tolerances for claims and the tolerance for salt, especially for cheese salted in brine. EDA collaborates with FoodDrinkEurope to collect practical examples of the infeasibility of the tolerances guidance as input to a stakeholder workshop to be organised in 2014.

Lactose statements

Regulation (EU) No 609/2013 on food intended for infants and young children foresees the integration of statements on the reduced presence and absence of lactose in foods into the Food Information Regulation. Although the development of lactose statements is not a priority for the European Commission, they would however start working on "lactose-free" statements. For this, the European Commission has to take into account the EFSA's opinion on lactose intolerance from 2010. EDA has collected information about the current use of "lactose-free" and "low lactose" and developed general principles for the use of those statements. In addition, EDA discusses the eligibility of non-dairy foods to carry "lactose-free" statements in the context of Art 7.1 of the Food Information Regulation.

Growing up milks

The EFSA scientific opinion on nutrient requirements and dietary intakes of infants and young children in the EU was published in October 2013. It identified no unique role for so-called growing up milks compared to other foods such as cow's milk in the healthy and balanced diet of young children. A second EFSA opinion on the composition of milk based drinks for infants is expected in March 2014. These EFSA opinions will form the basis for the European Commission report that is due in July 2015. If deemed necessary, the European Commission can accompany its report with a proposal to legislate growing up milks. EDA will closely monitor the developments to identify potential concerns for the EU dairy industry.

Precautionary allergen labelling

The Food Information Regulation requires the European Commission to develop rules on the unintentional presence of substances causing food allergies or intolerances ("may contain" labelling). EDA is discussing the impact for dairy products of a qualitative risk assessment approach as mentioned by FoodDrinkEurope in its statement on precautionary allergen labelling.

Nutrition and Health Claims

Health claims

In December 2013, the Regulation (EC) No 1924/2006 on nutrition and health claims has been in place for seven years. The list of approved health claims applies as of December 2012. The authorisation (and rejection) of new health claims by the European Commission and EU Member States is ongoing in parallel to EFSA assessment of new claims applications, mainly under Art 13.5 and Art 14. The European Commission is still considering the list of pending claims including a claim on "foods with reduced lactose content and decrease of gastrointestinal discomfort" as well as how to deal with health claims on botanical substances.

Many open questions remain, mainly about the flexibility of wording for permitted health claims and the conditions of use of new health claims. A reasonable approach and certain flexibility in the application and interpretation of the regulation are necessary. EDA monitors the implementation of the regulation and raises the voice of the dairy sector when discussions on certain health claims and their conditions of use impact dairy products. The aim is to ensure maximal usage possibilities of claims for dairy products.

Nutrition claims

Work on the revision of the nutrition claims annex is on hold. EDA has, however, worked on an argumentation paper to allow the claim "with no added sugars" for a broad variety of dairy foods. EDA also continues supporting the Codex Alimentarius alignment for the nutrition claims "reduced", "increased" and "energy-reduced" from 30% to 25% and will raise its concerns when adequate.

Claims interpretation issues

The European Commission published guidelines for the implementation of specific conditions for health claims laid down in Article 10 in January 2013. EDA has developed an argumentation paper on the interpretation of "next to" and "following" in Art 10.3.
In September 2013, the European Commission has published rules for applications concerning the use of generic descriptors (denominations) pursuant to Article 1.4. Today, the discussions focus a lot on the mutual recognition by other EU Member States of a generic descriptor approved in one EU Member State. EDA is following the developments.

Food, environment and health in 2013

Nutrient profiles

In 2013, several stakeholders have again asked the European Commission to restart the work on nutrient profiles for the use of nutrition and health claims in the context of Regulation (EC) No 1924/2006. The European Commission has recently confirmed the legal obligation to develop nutrient profiles but did not provide a timeline for adoption. It is expected that work will only start after the new Commission is in place somewhere near the end of 2014. EDA is monitoring the changes in the environment that could impact nutrient profiles for claims and is prepared for the upcoming discussions.

Nutrition and Health

Also, in 2013, EDA has been successful in informing EU policy makers and Brussels-based stakeholders about the health benefits of nutrient-rich dairy products and the relevant contribution that dairy consumption makes throughout your life. It is important to constantly advocate this message to policy makers and make them recognize dairy's contribution to a healthy diet in all EU nutrition policies.

Communication

Science-based and concise communication of the nutritional and health benefits of milk and dairy products is essential. In October 2013 EDA has published several nutrition factsheets that provide information on the nutrition and health benefits of dairy, the importance of dairy consumption during childhood and that question the focus of EU nutrition policy on single nutrients. All these factsheets have been broadly shared in the Brussels environment and are – of course - available on our EDA website.

EDA's main message at its policy conference on 20 March 2013 in Brussels focussed on the direction of future nutrition policies. EDA and its members are urging that nutrition policies should move away from considering single nutrients only and concentrate much more on the nutritional contribution of whole foods and diets. EDA also raised concerns on existing and proposed consumer information legislation that limit the possibility for dairy products to communicate their nutritional characteristics and beneficial health effects.

Review of the EU nutrition strategy

The external report evaluating the European Commission strategy on nutrition, overweight and obesity-related health issues was published in June 2013. EDA was in a continuous discussion with the European Commission to assess the potential impact of the report's recommendations for dairy products. Main concerns for the dairy sector are the continued focus on food reformulation as well as the recommendation to widely implement voluntary front-of-pack labeling of energy, fat, saturated fat, sugar and salt. Another worrying recommendation is to restrict marketing of foods through the implementation of nutrient profiles for claims. EDA will continue to highlight its concerns with those policies to the European Commission.

EU action plan on childhood obesity

The European Commission has identified children and lower socio-economic groups as the most vulnerable groups of the EU population. The EU High Level Group on Nutrition and Physical Activity is currently preparing an EU action plan on childhood obesity that will contain eight activity areas with proposals for concrete actions. Implementation on national level will be flexible. Small scale co-funding from the EU public health programme might be available. The action plan should be launched by the Greek Presidency in February 2014. EDA is prepared to identify potential issues and/or opportunities for dairy foods and the EU dairy sector.

Reformulation

EDA is very concerned about the continued focus on food reformulation as confirmed by EU Member States in the EU framework on selected nutrients. As part of the Annex I on saturated fat, EU Member States committed to work on reducing saturated fat content in food products, on reducing saturated fat intake in the population, and on raising awareness among consumers.

In 2014, the European Commission plans to look at the contribution of dairy, meat products and school meals to saturated fat intake in the EU diet. The food industry will be consulted and EDA will carefully prepare its contribution. In EDA's view, EU nutrition policies must focus on education about healthy eating, the total nutrient composition of foods as well as on the contribution of whole foods to a healthy diet. A broad variety of different dairy products has been developed in response to consumer demand. There is therefore no reason to consider dairy products as part of an organised EU reformulation policy.

Milk fat

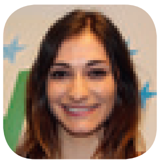
EDA presented data to the European Commission to demonstrate that dietary intake of naturally occurring trans fatty acids from dairy foods in the EU diet is not a health concern. Latest scientific publications show there is no scientific evidence that the consumption of ruminant trans

fatty acids at usual levels of intake has any negative effects on heart health. The focus should rather be on reducing as much as possible or even eliminating industrially produced trans fatty acids from food products. The European Commission is due to present a report on trans fatty acids by the end of 2014, accompanied with a legislative proposal, if appropriate.

EDA is continuously monitoring and communicating the scientific developments around saturated fat, e.g. as part of its policy position papers and to a broad readership via its nutrition newsletter EDA Dairy Nutrition Digest. A number of clinical trials have found no negative links between intake of saturated fat in dairy foods in relation to cardiovascular disease and diabetes. Some studies even show a protective effect. Saturated fat in cheese has been shown to have no adverse effects on cholesterol levels.

Hélène Simonin
Director Food, Environment & Health

Sophie Bruno
Junior Officer Nutrition & Health



Annex - Tables

Illustration of the various developments in the dairy markets. Source tables: M. Wohlfarth, ZMB Berlin

EU Dairy Markets Summary, including Forecast on 2014

in '000 t	2010 EU-27	2011[1)] EU-27	2012[2)] EU-27	2013[2)] EU-27	2013[2)] EU-28	2013[2)] EU-28
Dairy Cows (December census, '000head)	23,102	22,844	22,877	22,950	23,150	23,350
Milk Production	148,565	150,000	151,000	151,500	151,500	151,500
Milk Deliveries to dairies	136,667	139,521	140,456	141,468	141,968	144,300
Milk for liquid consumption	32,703	32,672	32,437	32,400	32,700	32,700
Fermented Products	9,468	9,464	9,416	9,350	9,420	9,450
Butter						
Production[6)]	2,010	2,080	2,105	2,070	2,075	2,115
Consumption	1,974	1,966	2,013	2,000	2,007	2,015
Cheese						
Production[4)]	9,497	9,611	9,700	9,800	9,835	9,935
Consumption[5)]	8,908	8,993	9,006	9,070	9,115	9,160
Skim Milk Powder						
Production	1,080	1,220	1,230	1,180	1,180	1,250
Consumption	800	810	810	780	783	780
Whole Milk Powder production	760	750	715	710	710	750
Condensed Milk production	1,130	1,120	1,190	1,150	1,150	1,160
Skim Milk used for Casein	4,400	4,900	4,600	4,753	5,000	5,001
Population (million head)	501	502	503	503	508	509

1) Revised. 2)Preliminary. 3) Estimated. 4)Incl. cheese made from other animals milk and processed cheese impact. 5) Including processed cheese.
6) Including an estimation for butteroil made from cream in butterequivalents. Source: ZMB, Berlin, Germany

EU Butter Balance Sheet

in '000 t	2010 EU-27	2011 EU-27	2012* EU-27	2013** EU-27	2013** EU-28	2014** EU-28
Initial stocks	135	50	80	100	100	95
Total production	**2,010**	**2,080**	**2,105**	**2,070**	**2,075**	**2,115**
- in dairies	1,990	2,060	2,085	2,050	2,055	2,095
- on farms	20	20	20	20	20	20
Imports	40	48	56	45	45	40
Exports	**161**	**132**	**128**	**120**	**118**	**140**
Final stocks	50	80	100	95	95	95
there of public stocks	2	1	0	0	0	0
Disappearance	**1,974**	**1,966**	**2,013**	**2,000**	**2,007**	**2,015**
Per capita (kg)	**3.9**	**3.9**	**4.0**	**4.0**	**4.0**	**4.0**

*)Provisional **) Forecast. Updated January 2014

EU Cheese Balance Sheet

in '000 t	2010 EU-27	2011 EU-27	2012* EU-27	2013** EU-27	2013** EU-28	2014** EU-28
Production	**9,237**	**9,366**	**9,465**	**9,560**	**9,595**	**9,695**
- from cows' milk in dairies	8,497	8,626	8,725	8,820	8,850	8,950
- on farms	100	100	100	100	100	100
- from other milk	640	640	640	640	645	645
Imports	83	74	77	75	75	75
Processing addition1)	260	245	235	240	240	240
Available	9,580	9,685	9,777	9,875	9,910	10,010
Exports	**676**	**675**	**776**	**810**	**800**	**850**
Stock Change	-5	10	-5	-5	-5	0
Consumption	**8,908**	**8,993**	**9,006**	**9,070**	**9,115**	**9,160**
- per capita (kg)	**17.8**	**17.9**	**17.9**	**18.0**	**17.9**	**18.0**

*)Provisional **) Forecast. Updated January 2014

EU Balance Sheet of Whole Milk Powder

in '000 t	2010 EU-27	2011 EU-27	2012* EU-27	2013** EU-27	2013** EU-28	2014** EU-28
Production	**760**	**750**	**715**	**710**	**710**	**750**
Imports	2	2	3	3	3	3
Exports	**447**	**390**	**388**	**380**	**378**	**410**
Change in stocks	-20	25	-20	-10	-10	0
Sales	**335**	**337**	**350**	**343**	**345**	**343**

*)Provisional **) Forecast. Updated January 2014

EU Balance Sheet of Condensed Milk

in '000 t	2010 EU-27	2011 EU-27	2012* EU-27	2013** EU-27	2013** EU-28	2014** EU-28
Production	**1,130**	**1,120**	**1,190**	**1,150**	**1,150**	**1,160**
Imports	3	1	1	1	1	1
Exports	**244**	**246**	**292**	**265**	**265**	**275**
Change in stocks	-5	-15	0	0	0	0
Consumption	**895**	**890**	**899**	**886**	**886**	**886**

*)Provisional **) Forecast. Updated January 2014

EU SMP Balance Sheet

in '000 t	2010 EU-27	2011 EU-27	2012* EU-27	2013** EU-27	2013** EU-28	2014** EU-28
Opening stocks	355	260	152	50,1	50,1	45
Production	**1,080**	**1,220**	**1,230**	**1,180**	**1,180**	**1,250**
Imports	4	0	2	5	5	5
Available	1,439	1,480	1,384	1,235.1	1,235.1	1,300
Consumption	**800**	**810**	**810**	**780**	**783**	**780**
- other than feed	635	635	650	660	663	680
- in feed	165	175	160	120	120	100
Exports	**379**	**518**	**523**	**410**	**407**	**470**
Ending stocks	260	152	50	45	45	50
- in intervention	195	54	0	0	0	0

*)Provisional **) Forecast. Updated January 2014

EU Whey Powder Balance Sheet

in '000 t	2011* EU-27	2012* EU-27	2013** EU-28	2014** EU-28
Production	**1,920**	**2,000**	**2,000**	**2,050**
Imports	6	7	8	8
Exports	450.6	491	500	550
Stock change	-10	20	10	10
Consumption	1484	1496	1498	1498
- of which in milk replacers	890	870	850	820
- other use	594	626	648	678

*)Provisional **) Forecast. Updated January 2014

EU Casein Balance Sheet

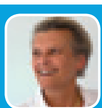
in '000 t	2011* EU-27	2012* EU-27	2013** EU-28	2014** EU-28
Production1)	**145**	**135**	**140**	**145**
Import	25	28	23	23
Export	**79**	**81**	**70**	**75**
Stock change2)	-5	-10	0	0
Consumption	97	92	93	93

*)Provisional **) Forecast. 1) Partly estimated. 2) Total stocks (manufactuerers and users). Updated January 2014

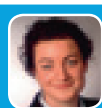
EDA Secretariat

Alexander Anton
Secretary General

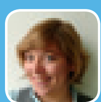
Angela Aris
Office Manager,
Assistant to Sec Gen



Bénédicte Masure
Deputy Secretary
General



Hélène Simonin
Director Food,
Environment & Health



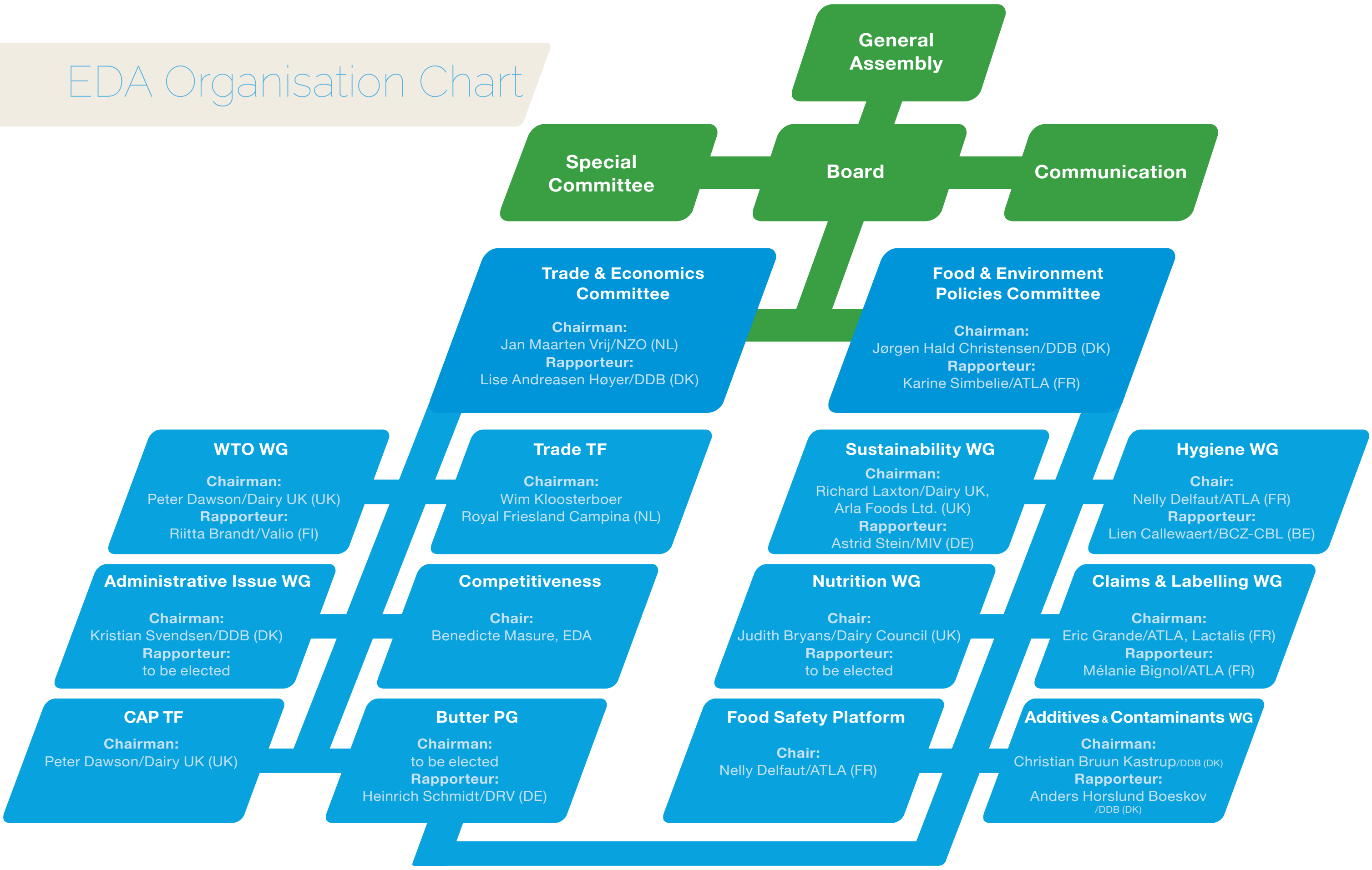
Flora Dewar
Trade & Economics
Officer

Sophie Bruno
Junior Officer
Nutrition & Health

Daniel Reichert
Assistant Trade
& Economics

Marieke Amblard
Assistant Food,
Environment & Health

EDA Organisation Chart



EDA Members

EDA President: Mr Michel Nalet - Lactalis - 10 rue Adolphe Beck - F 53089 LAVAL CEDEX 9, France

National Delegations		Board Members
Austria		
VÖM (Vereinigung Österreichischer Milchverarbeiter) Friedrich-Wilhelm-Raiffeisen-Platz 1 A – 1020 Wien www.voem.or.at		Mr Helmut Petschar - CEO Kärntnermilch reg.Gen.m.b.H. Villacher Strasse 92 A - 9800 Spittal/Drau
Belgium		
CBL (Confédération Belge de l'Industrie Laitière) Hungaria Building Vaartkom 31/02.02 B - 3000 Leuven - www.bcz-cbl.be		Mr Renaat Debergh - Secretary General - BCZ/CBL Hungaria Building Vaartkom 31/02.02 B - 3000 Leuven
Croatia		
Association of Croatian Purchasers & Processors of Milk - CroMilk Zadarska 80/V, Zagreb www.cromilk.hr		Mrs Rašeljka Maras - President CroMilk, Zadarska 80/V, Zagreb
Czech Republic		
Czech & Moravian Dairy Association V Olšinách 75 CZ - 100 00 Praha 10	Potravinářská komora České republiky (Federation of the Food and Drink Industries of the Czech Republic) Počernická 96/272 - CZ 108 03 Praha 10 - Malešice.	Mr Jan Teplý Madeta a.s. Rudoflovská 246/83 CZ - 37050 Ceské Budejovice
Denmark		
Mejeriforeningen Danish Dairy Board 22 Frederiks Allé DK - 8000 Aarhus C - www.mejeri.dk		Mr Jais Valeur - Executive Vice President Arla Foods Amba - Global Categories & Operations Sønderhoy 14 DK 8260 VIBY J
Estonia		
Eesti Piimaliit Estonian Dairy Association J. Vilmsi 53 EE -10147 Tallinn - www.piimaliit.ee		Mr Aivar Häelm - Chief Executive Officer OÜ Kiire Trade, Str Vabriku 1A EE - 63306 Põlva
Finland		
Finnish Milk Processors and Dairy Products Wholesalers Association PO Box 10 FI-00039 VALIO	Finnish Food & Drink Industries Federation, P.O. Box 115, Pasilankatu 2 FI - 00241 HELSINKI - www.etl.fi	Mrs Riitta Brandt - VP Corporate External Relations Valio International Ops. P.O. Box 10 FI - 00039 Valio

National Delegations | Board Members

France

ATLA
Maison du Lait
42, rue de Châteaudun
F - 75314 Paris Cedex 09 - www.atla.asso.fr

Mr Olivier Picot - President
ATLA - Maison du Lait
42, rue de Châteaudun
F - 75314 - Paris Cedex 09

Germany

MIV (Milchindustrie-Verband)
Jägerstraße 51
D - 10117 Berlin - www.milchindustrie.de

DRV (Deutscher Raiffeisenverband)
Postfach 12 02 20
D - 53106 Bonn - www.raiffeisen.de

Mr Toni Meggle
Molkerei Meggle Wasserburg GmbH & Co. Kg
Megglestrasse 6-12
D - 83512 Wasserburg

Greece

SEVGAP
Hellenic Association of Milk & Dairy Products Industry
21, Agias Sofias Str.
GR - 154 51 Neo Psychiko - Athens

Vacancy

Ireland

IDIA (Irish Dairy Industries Association)
Confederation House
84-86 Lower Baggot Street
IRL - Dublin 3 - www.ibec.ie

Vacancy

Italy

ASSOLATTE
Via Adige 20
I - 20135 Milano
www.assolatte.it

Mr Attilio Zanetti
Zanetti spa
Via Madonna 1
I - 24040 Lallio

Latvia

Latvian Dairy Committee
Bauskas iela Nr.180,
LV1004 Riga

Mr Janis Šolks - Chairman of the Board,
Latvian Dairy Committee
Bauskas iela Nr.180,
LV1004 Riga

Luxembourg

A.L.L. Association Laitière Luxembourgeoise
7 rue Alcide de Gasperi
BP 1304
L - 1013 Luxembourg - info@luxlait.lu

Mr Claude Steinmetz - Directeur
Luxlait Association Agricole
L – 7501 Mersch

Netherlands

NZO (Nederlandse Zuivel Organisatie)
Louis Braillelaan 80
NL – 2700 AD Zoetermeer
www.nzo.nl

Mr Werner Buck - Corporate Director Public & Quality Affairs
RoyalFrieslandCampina
P.O. 1551
NL 3800 BN Amersfoort

Poland

ZPPM (Zwiazek Polskich Przetwórców Mleka)
Association of Private Dairy Processors
ul. Zlota 59, budynek Lumen, pietro 6
PL - 00-120 Warszawa - www.zppm.pl

KSM (Krajowe Stowarzyszenie Mleczarzy)
Dairy Technology Diploma Holders Association
ul. Hoza 66/68
PL - 00-682 Warsaw - www.mlekoland.com

KZSM (Krajowy Związek Spółdzielni Mleczarskich)
National Union of Dairy Co-operatives
ul. Hoza 66/68
PL - 00-682 Warsaw - www.kzsm.org.pl

PIM – (Polska Izba Mleka)
Polish Chamber of Milk
ul. Mickiewicza 7/23
PL - 15-213 Białystok - www.izbamleka.pl

Mr Marek Murawski - Manager Quality & Technology
KZSM
ul. Hoza 66/68
PL - 00-682 Warsaw

Portugal

FENALAC - Federacào Nacional das Uniones
de Cooperativas de Leite e
Lacticinios
Rua da Restauraçào 312 - 1
P - 4050 Porto - www.fenalac.pt

ANIL
Associação Nacional dos Industriais de
Lacticinios
Rua de Santa Teresa 2 - C2
P - 4050 Porto - www.anilact.pt

Mr Fernando Cardoso - Secretary General
Fenalac
Rua da Restauraçào 312 - 1
P - 4050 Porto

Serbia

SERBIA (Associate Member)
Nacionalna Asocijacija Prerađivača Mleka
Serbian Dairies Association-SEDA
www.serbiandairies.org

Slovenia

Slovene Dairy Association
Dimiceva 9
SI – 1000 Ljubljana
www.slovenskomleko.com

Mrs Cvetana Rijavec - Chairman of the Managing Board
Ljubjanske Mlekarne d.d.
Tolstojeva 63
SI - 1000 Ljubljana

Spain

FENIL - Federacion Nacional de Industrias Lacteas
Ayala 10 - 1, Izqda
E - 28001 Madrid
www.fenil.org

Mr Juan Camin Torrents - Director
Nestlé España
Gran Vía 16
E - 28013 Madrid

Sweden

Federation of Swedish Farmers,
SE - 105 33 Stockholm
www.lrf.se

Mr Jonas Carlberg
Head of Milk Policy Division
Federation of Swedish Farmers
SE - 105 33 Stockholm

United Kingdom

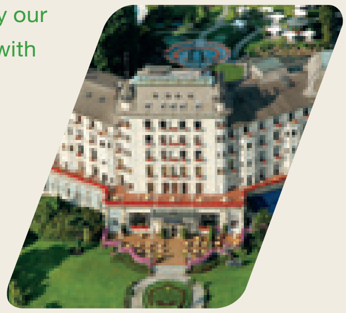
Dairy UK
93 Baker Street
UK - London W1U 6QQ
www.dairyuk.org

Ms Judith Bryans - Chief Executive
Dairy UK
93 Baker Street
UK - London W1U 6QQ

EDA World Dairy Forum 2014

08-10 October, Stresa, Italy

Benvenuto in Italia! Welcome to Italy!
Join us to discuss European dairy in a global context



EDA's 2014 Annual Convention (8-9 Oct.) and World Dairy Forum (10 Oct.) will be hosted by our EDA member ASSOLATTE at the shores of the scenic Lago Maggiore - a perfect match with the Italian EU presidency.

The European and global "lactosphere", EDA members, dairy stakeholders, policymakers and other specialists will get together at the **Regina Palace Hotel in Stresa** to discuss a broad range of economic, food regulatory and environmental topics, focused on European dairy in a global context.

For updates on the programme, practical details and for registration, keep your eye on **www.eda2014.eu**

EUROPEAN DAIRY ASSOCIATION

Avenue d'Auderghem 22-28
1040 Brussels
Belgium

Tel +32 2 549 50 40
Fax +32 2 549 50 89
eda@euromilk.org

www.euromilk.org

The European Dairy Association represents the interests of dairy processors in the European Union