Stocktake of the EU Dairy Policy post 2015

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13 million farmers,
38,000 agricultural cooperatives
from all EU MS

European Dairy Industry

•13% of turnover of total food and drink industry in Europe

•compound feed consumption of 17 million t/year (~50% cereals)

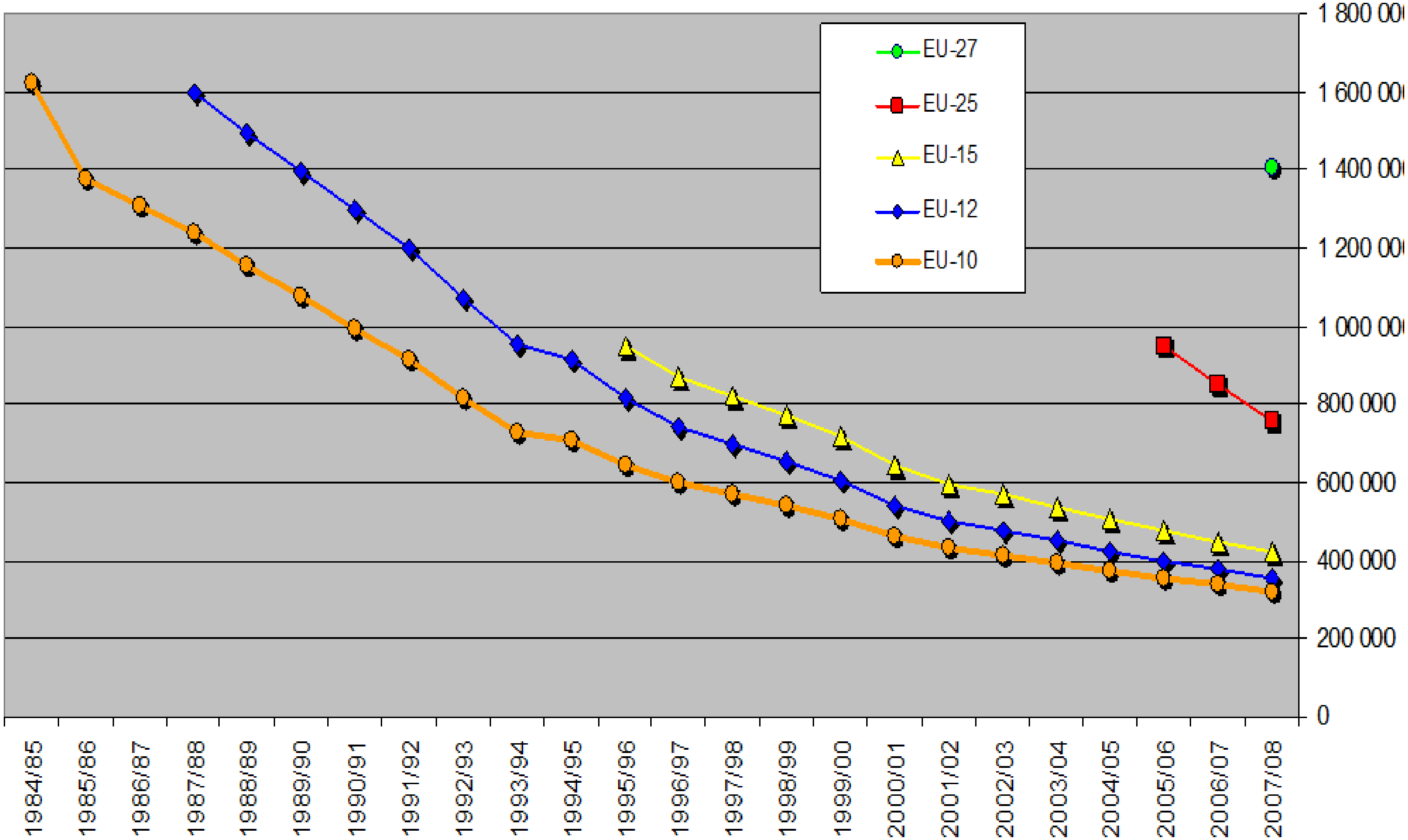
Future EU Dairy Policy

Mitigate the effects of extreme market volatility

A better income for milk producer

Milk production across the entire EU

Number of EU milk producers is decreasing



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Reasons why milk producers have considered stopping milk production

Table 5.6 **Reasons why milk producers have seriously considered stopping milk production at some time since 2003**

Case study area	A	F-B	F-FC	D-B	D-L	IE	IT-ER	IT-L	LV	NL	PL	ES	UK	Sum	Rank
Answer:															
Yes, considered stopping because	12	6	3	11	7	7	13	13	7	4	12	11	13	119	
...low milk prices	*4*	*6*		*8*	*5*	*7*	*11*	*13*	*5*	*2*	*2*	*8*	*10*	81	*1*
...environmental regulations	*2*		*1*	*4*	*1*	*2*	*5*	*2*			*1*		*5*	23	2
...no potential to grow	*1*			*3*	*2*		*2*	*3*	*2*		*3*	*1*	*2*	19	*3*
...increased fluctuation of milk prices	*3*	*1*		*3*	*2*	*2*		*1*	*1*		*1*	*2*	*1*	17	*4*
...quota prices	*2*			*1*	*1*	*1*	*3*	*4*			*1*		*2*	15	5
...introduction of cross compliance				*3*	*1*	*2*	*1*	*2*			*4*			13	6
...no successor				*1*	*2*			*1*	*1*		*3*	*1*	*2*	11	*7*
...other off-farm activity become more profitable	*1*		*1*	*4*	*2*						*1*	*2*		11	7
...alternative farm activities became more profitable	*1*		*1*	*3*	*2*						*2*			9	9
...changes in quota regulation				*1*				*1*			*1*	*2*		5	10
Never considered stopping	18	24	27	19	22	22	18	18	23	25	18	24	12	270	

Notes: The case study areas were: A, Austria; F-B, France, Bretagne; F-FC, France, Franche-Comté; D-B, Germany, Bavaria; D-L, Germany, Lower Saxony; IE, Ireland; IT-ER, Italy, Emilia Romagna; IT-L, Italy, Lombardy; LV, Latvia, NL, Netherlands; PL, Poland; ES, Spain; UK, United Kingdom. The empty cells denote that no respondent chose this answer.

Source: EC evaluation of CAP measures in the dairy sector, 2011

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First strategic pillar of EU dairy policy

Coping with extreme market volatility:

❑ <u>Already existing tools</u>

✓ **Market measures:** - of primary importance

- public intervention – sufficient level to maintain production potential in times of crisis?
- private storage
- export refunds

✓ **Important role of dairy cooperatives**

❑ <u>Complementary tools</u>:

✓ <u>New tool</u>: **Income stabilisation tool** – has to deliver

✓ <u>Other options</u>: **Trade derivatives, fixed price contracts etc.** – need to be further investigated

Second strategic pillar of EU dairy policy

Better income for milk producers

❑ Already existing tools:

✓**Milk package:**

11 MS mandatory contracts (BG, ES, FR, IT, CY, LV, LT, HU, PT, RO, SK)

8 MS minimum duration (BG, ES, FR, IT, CY, HU, PT, RO),

23 MS minimum criteria for POs recognition

✓**Promotion (School Milk Scheme)**

❑ What is still needed?

A fair supply chain, help farmers increase their productivity and competitiveness.

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The third strategic pillar: Dairy production carried out across the entire EU

❑ Already existing tools:

Dairy coops play an important role in the milk sector

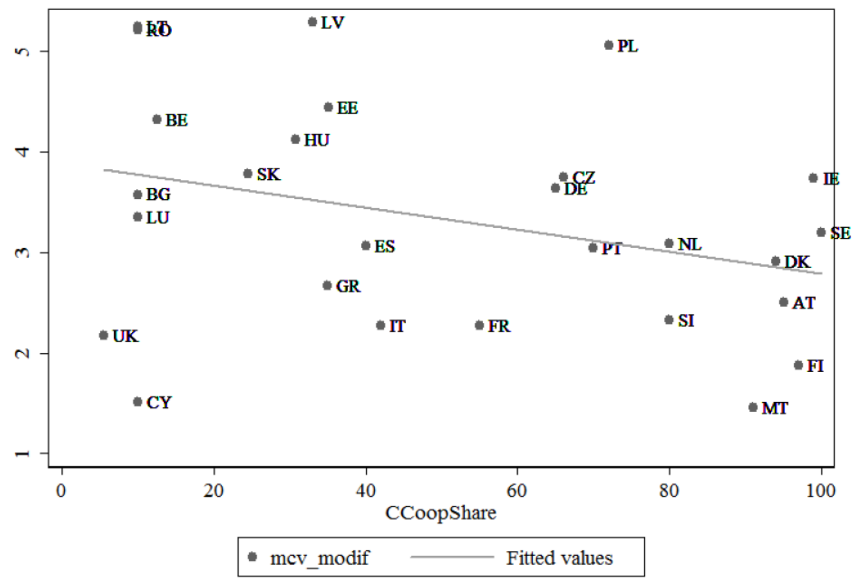

Figure 6.3. Cooperative market share and price fluctuation in average

Source: Support for farmers' cooperatives (LEI-WUR study)

✓**They play a strategic role in less favoured areas, and in particular mountainous regions**

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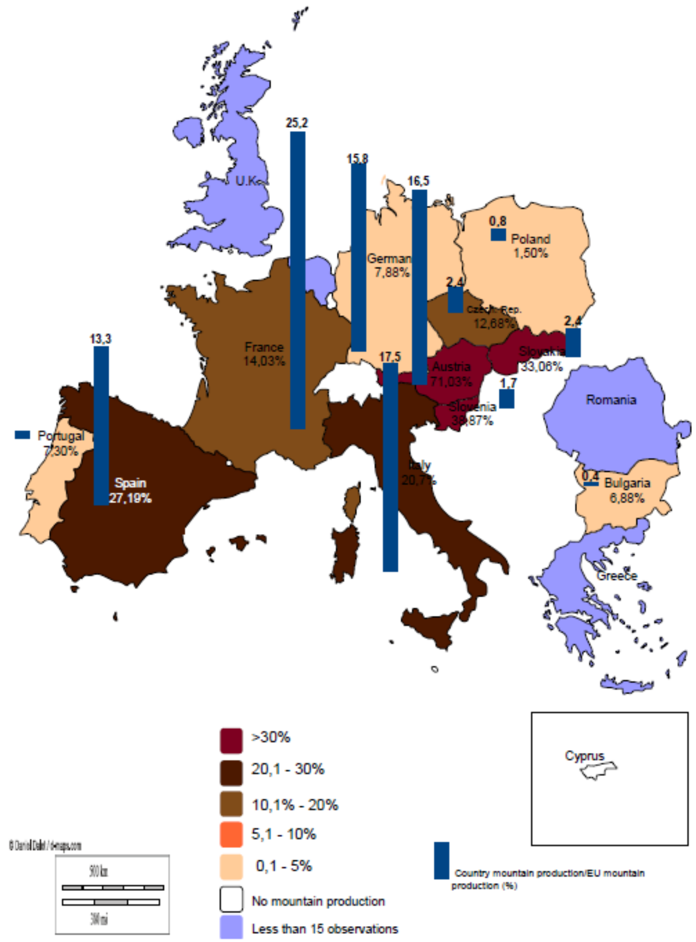
The third strategic pillar: Dairy production carried out across the entire EU (2)

Map 3: Cow milk production in mountain areas in the EU



Source: Labelling of agriculture and food products from mountain farming (JRC study)

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The third strategic pillar: Dairy production carried out across the entire EU (3)

Table 9 Weight of PDO / PGI and organic agriculture in the different dairy regions

	Tyrol (Austria)	Jura (Switzerland)	Bavaria (Germany)	Franche-Comté (France)	Emilia Romagna (Italy)	Massif Central (France)	Denmark
Volume of milk from the area (MT)	350	91	7 041	1 081	2 098	2 167	4 510
Proportion PDO / PGI	19%	Undetermined	0.6% (estimate)	40% (estimate)	60% (estimate)	15%	4%
Proportion organic	13%	5%	4 to 10%	3% (estimate)	2%	0.5%	9%

Source: adapted from ANDI – GEM – IE, 2010

Source: Labelling of agriculture and food products from mountain farming (JRC study)

The third strategic pillar: Dairy production carried out across the entire EU (4)

Processing level

•Low/insufficient number of processing facilities, smaller and less modern structures.

Dairy cooperatives need support to continue their activity in rural areas, in particular LFA (mountainous) and modernize

✓Support milk collection costs

✓Support for quality schemes

✓Promoting mountain milk as a specific brand

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The third strategic pillar: Dairy production carried out across the entire EU (5)

Producer level

•Higher production costs

The total cost of production of milk in mountain areas in France, Germany, Austria, Slovenia, Italy in 2005: 363€/t

while in normal conditions: 338€/t (Source*: Labelling of agriculture and food products from mountain farming (JRC study)*

The third strategic pillar: Dairy production carried out across the entire EU (6)

•High labour intensity, impossible to mechanize farms

•High living costs and limited production growth

•Identifying a successor is difficult, especially if there are possibilities to earn more money outside of agriculture.

The third strategic pillar: Dairy production carried out across the entire EU (7)

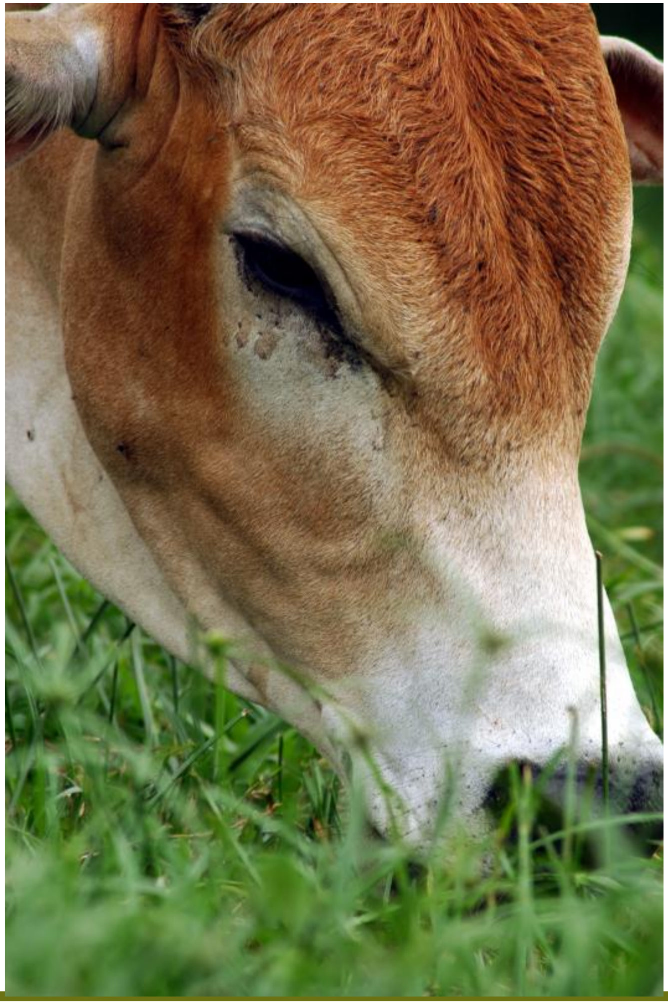
How to address these challenges?

✓**Support for LFAs**

✓**Possibility to grant coupled support**

✓**Better consider the natural handicaps (steep slopes) in agri-environmental payments**

Thank you for your attention!



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