EU Milk market developments until today

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European Commission
Agriculture and
Rural Development

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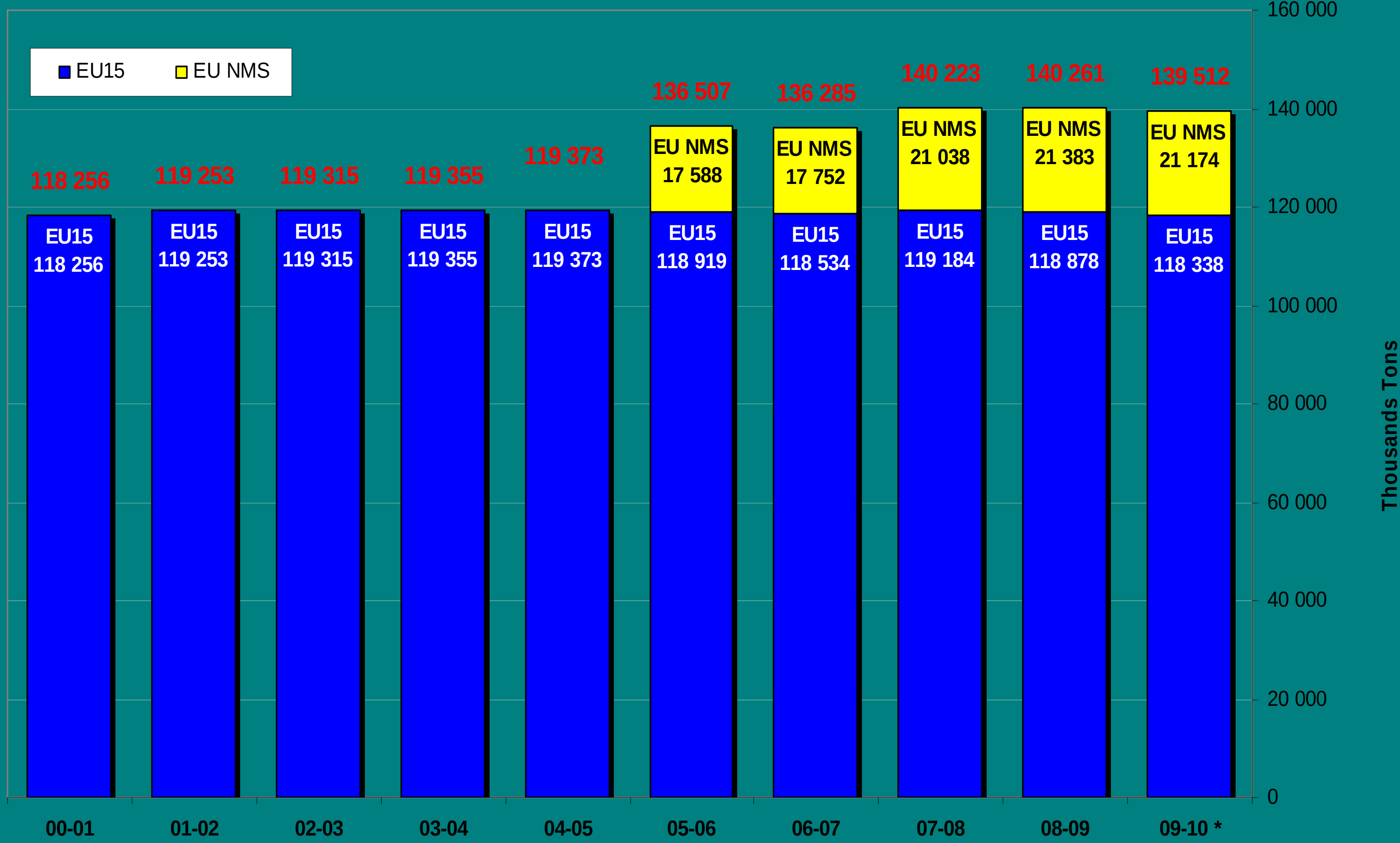
  - Market orientation
  - Crisis management
  - Restructuring
  - Costs

Soft landing?

- It is ***not*** business as usual but:
- Quota gradually irrelevant for production decisions;
- Quota value gradually reduced to “0” in 2015;
- Every landing may have turbulence;
- Reform = Change!

EU Milk deliveries



* estimations DG AGRI

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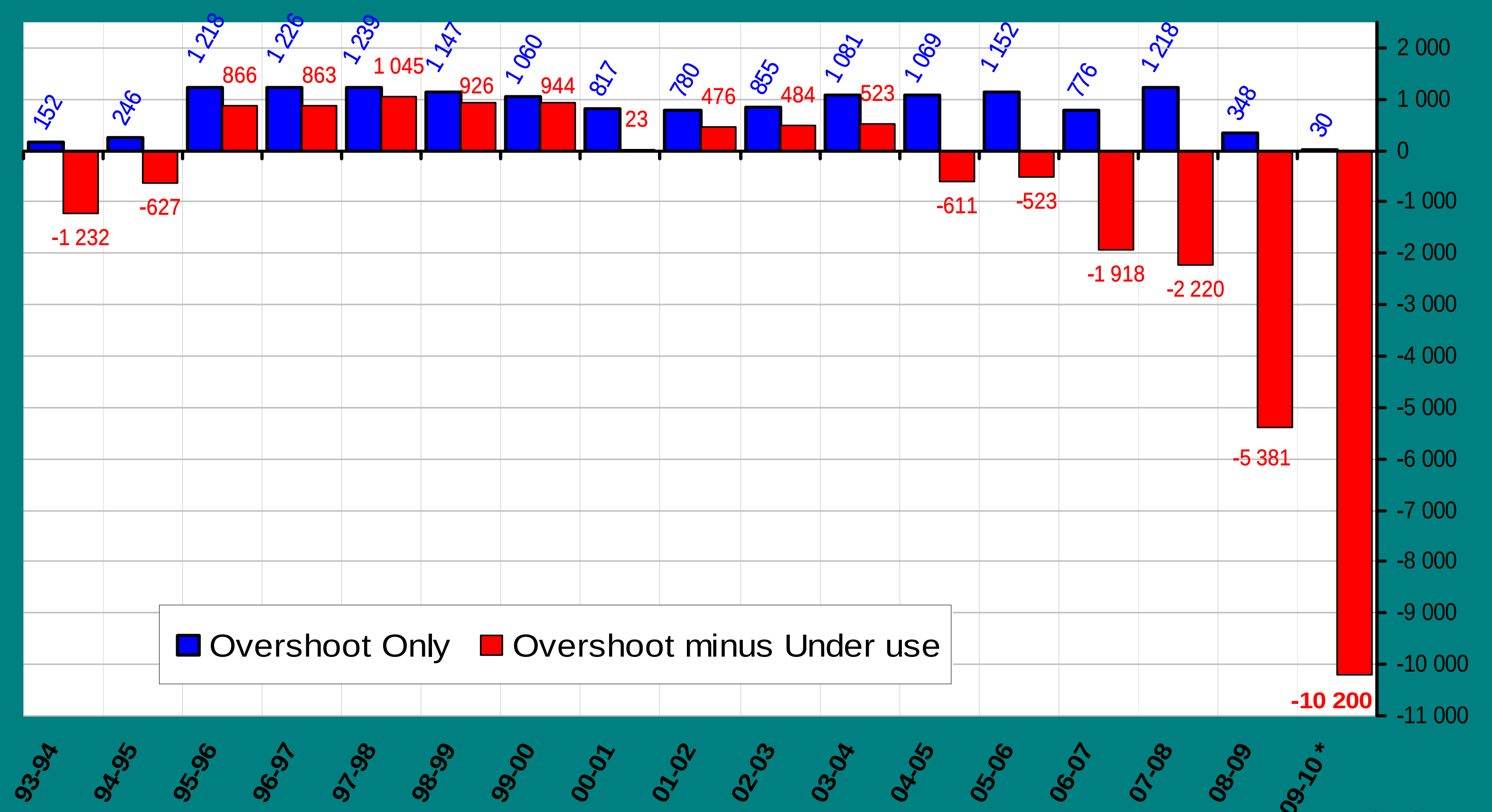
EU Quota use



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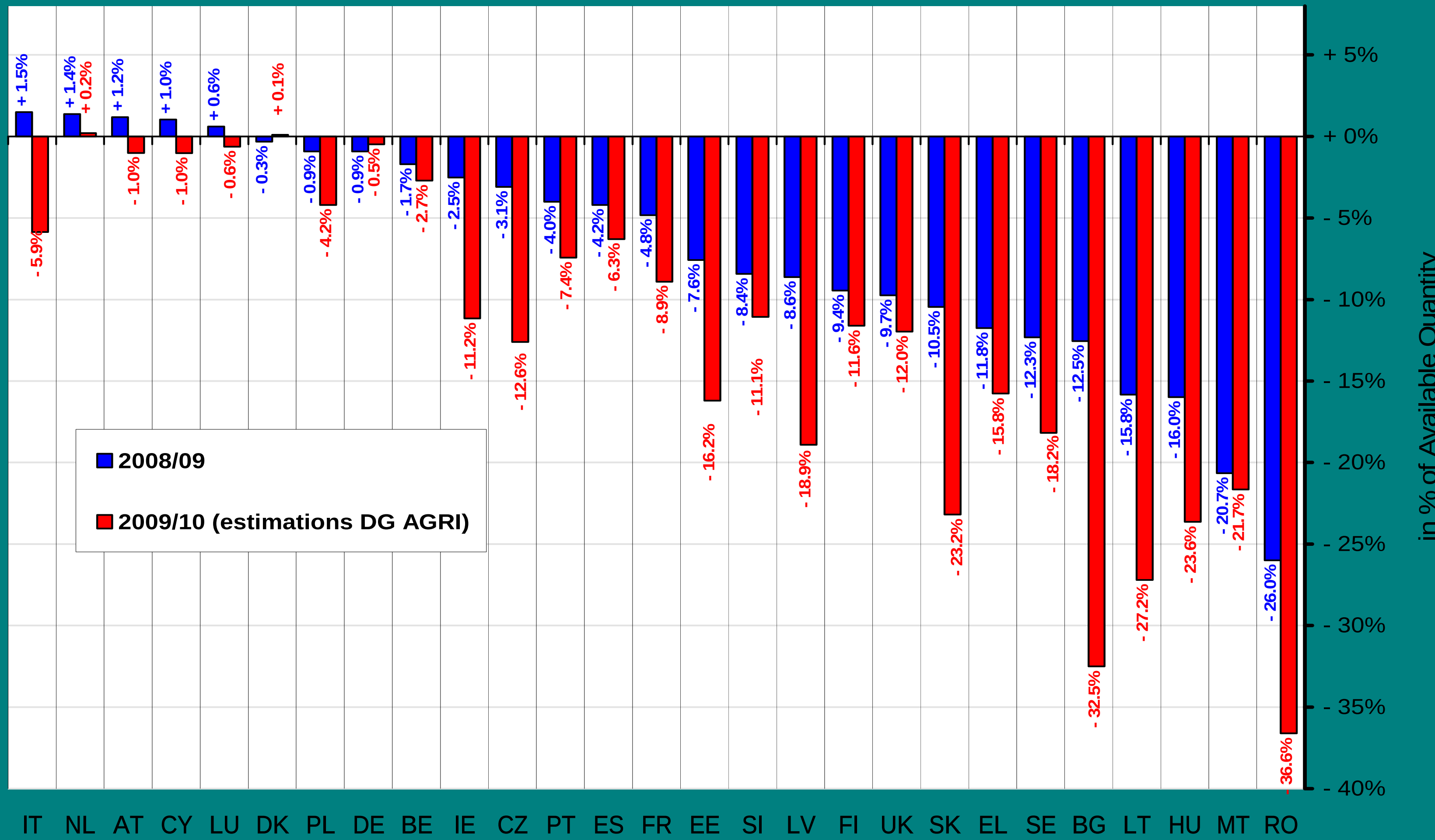
EU Deliveries Overshoot/Under use *(in % of quota)*



Quota value

	Ø 2005	End 2008/ Start 2009	End 2009/ Start 2010
DE	+/- 60 ct/kg	39 ct/kg	18 ct/kg
NL	> 2 €/kg	75 ct/kg	96 ct/kg
DK	+/- 60 ct/kg	21 ct/kg	19 ct/g
CY	+/- 85 ct/kg	88 ct/kg	93 ct/kg
BE/LU			+/- 50 ct/kg

Sector on track for the soft landing?

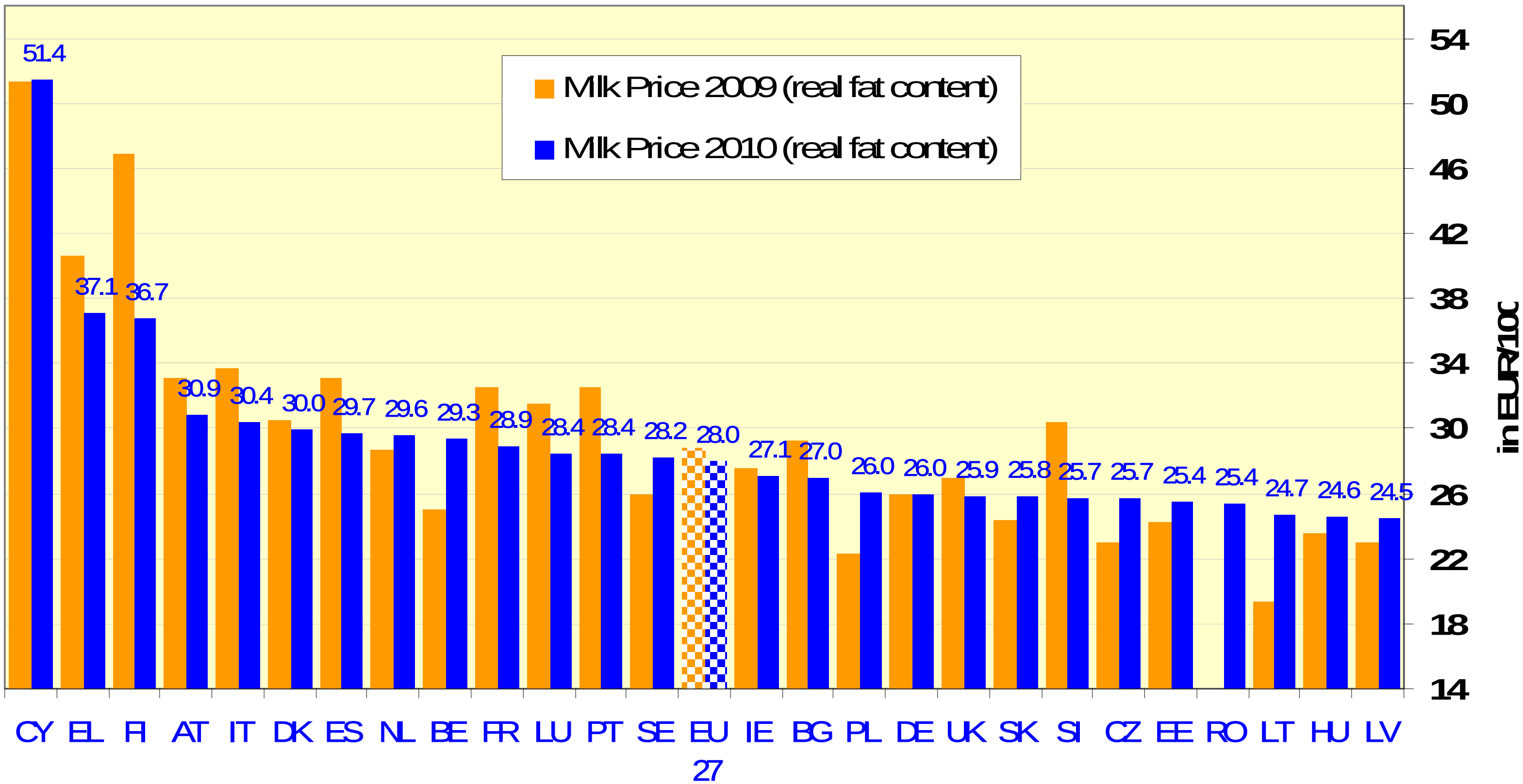
- Quota value has been reduced
- An ever larger number of member States are not using their full quota.
- Exceptions:
  - above quota: DK, NL;
  - Close to quota: AT, BE, CY, DE, LU, PL
- Market report of the EU Commission, end 2010.

Market orientation?

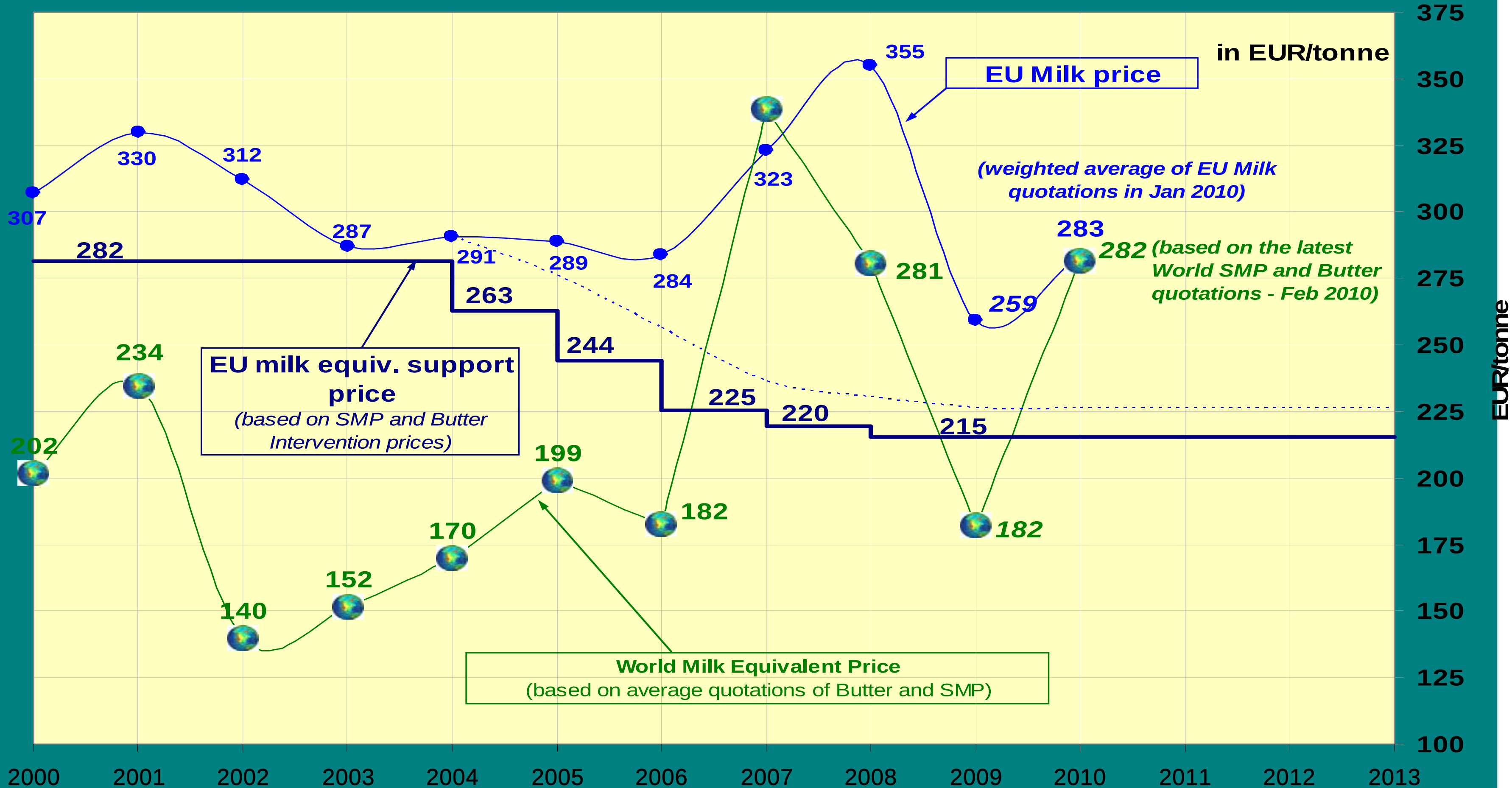
- It is ***not*** liberalisation but:
  - Market signals reach farm level
  - Essential safety net measures in times of crisis
    - (intervention, private storage and export refunds).

EU Milk Prices

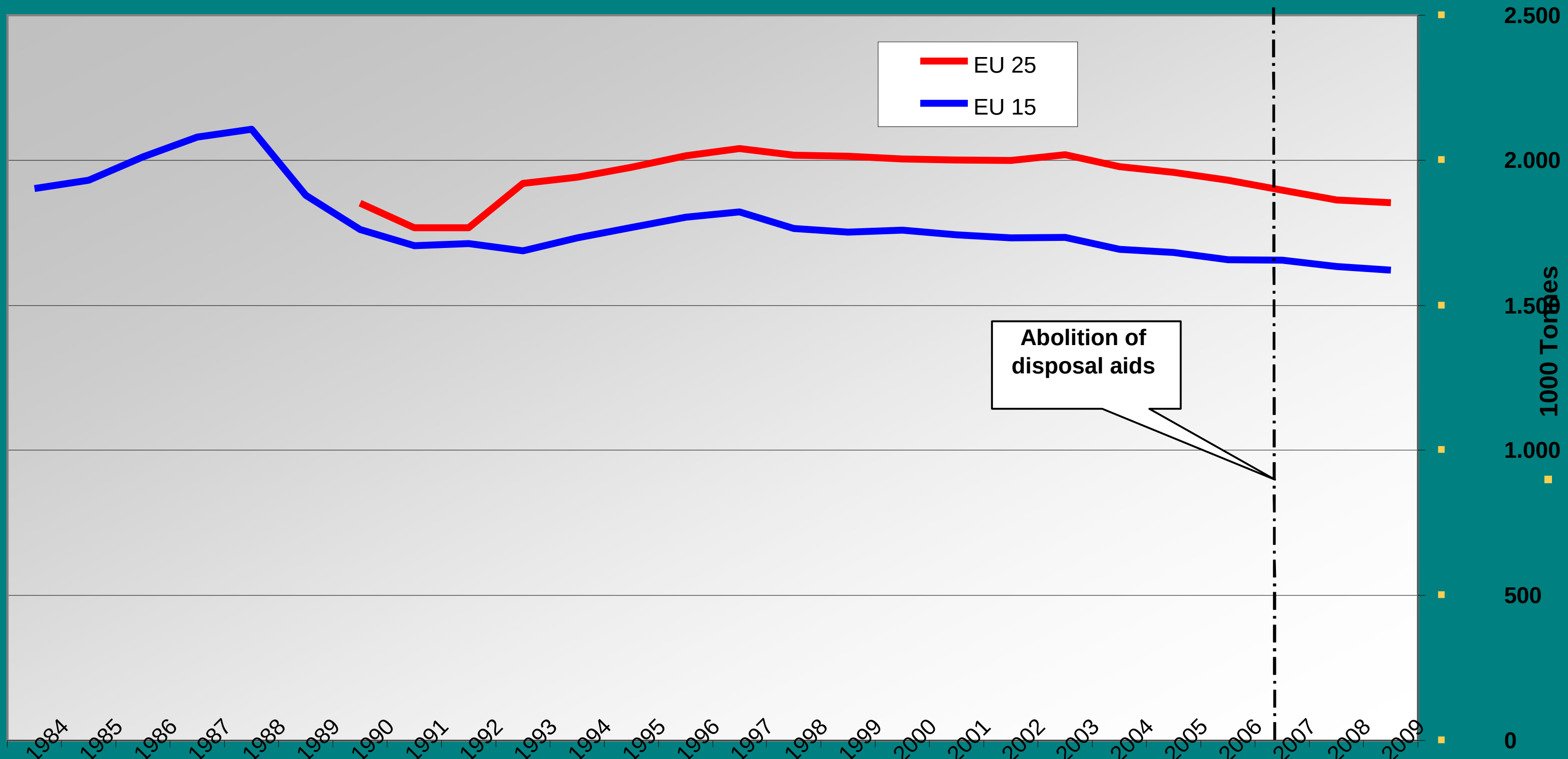
(January 2010 compared to January 2009)



Farm gate milk price development since the start of the 2003 reform



Butter Consumption



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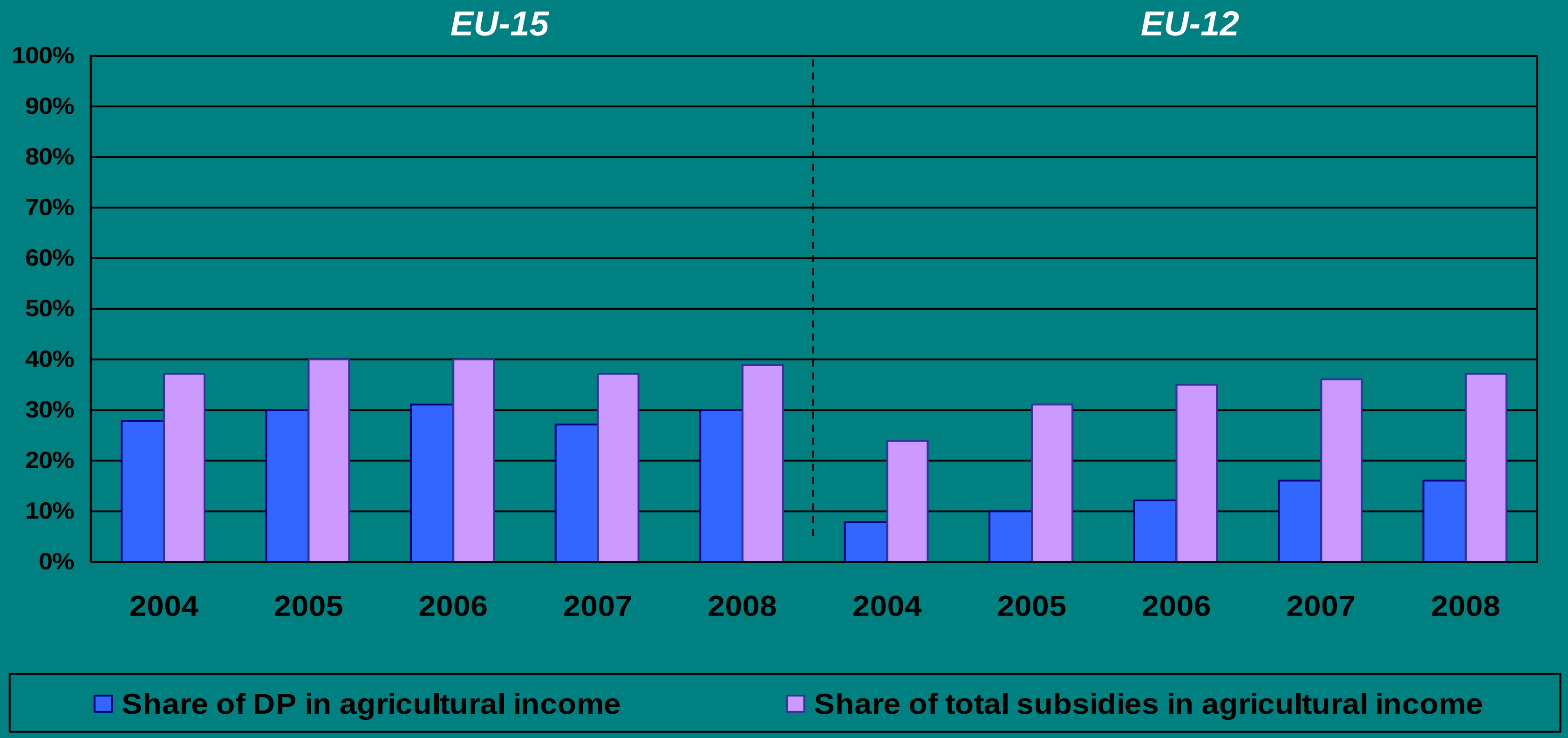
Sector on track for market orientation?

- EU and World market closer;
- Higher price volatility;
- Despite abolition of disposal aid no change in butter consumption;

Crisis management

Share of DP and total subsidies in agricultural income



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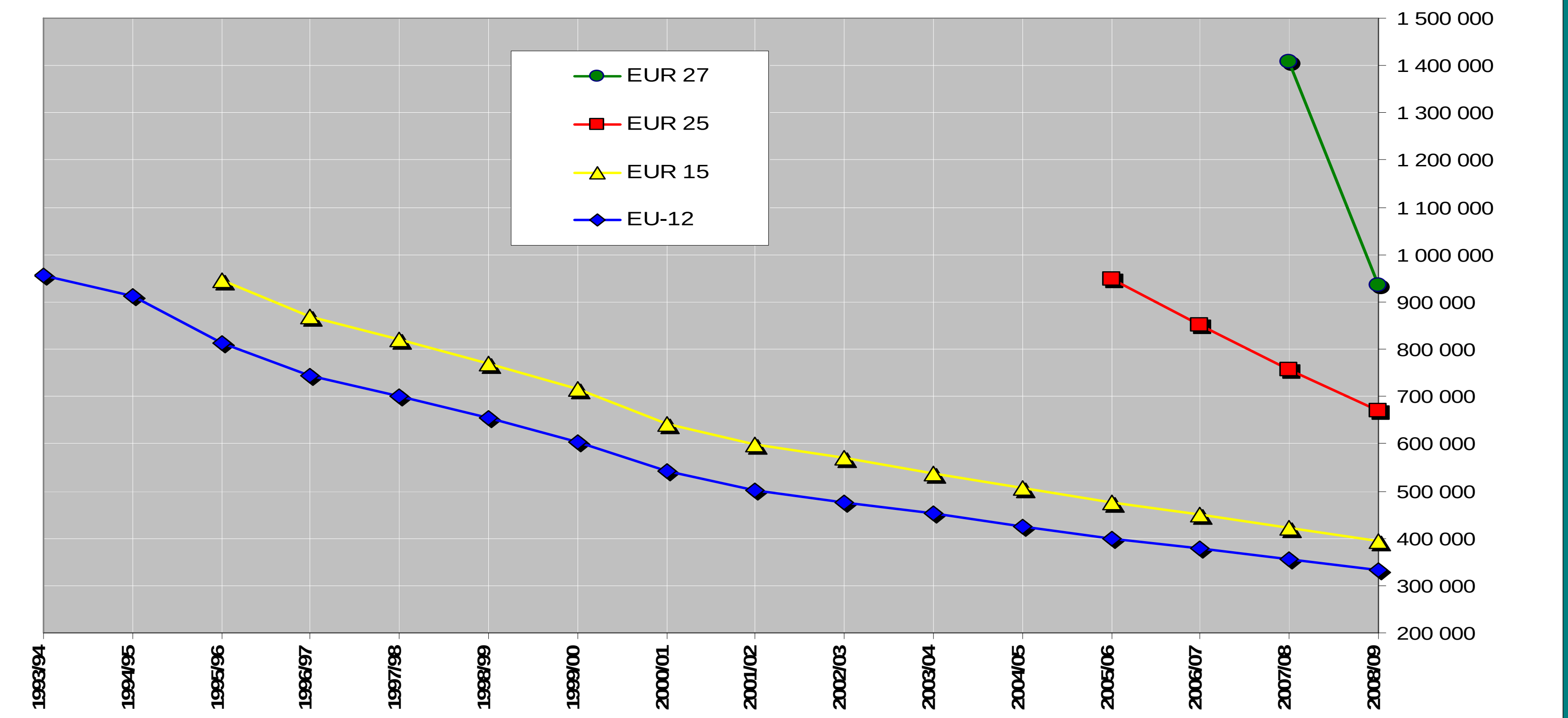
Crisis management in EU dairy sector

- CY 2009:
  - +/- € 600 Million for essential market measures: intervention, private storage and export refunds
- 2010
  - € 300 Million additional aid
- 2010-2013
  - € 716 Million: Rural development (Modulation, Economic Recovery package and “unused” funds)
- From 2010 until 2013
  - € 590 Million annually: Article 68

Number of milk producers in the EU



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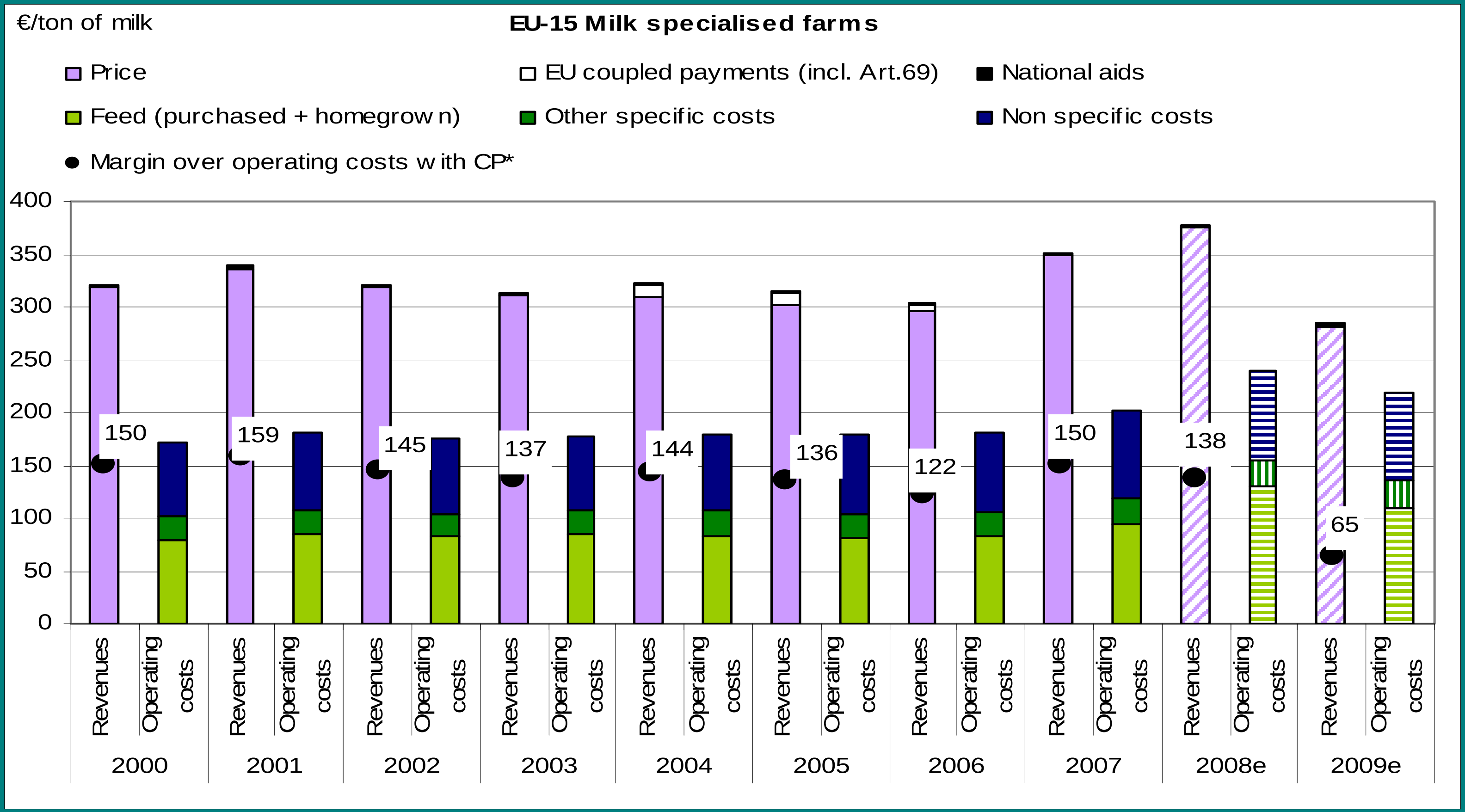
EU-15 Margin over operating costs



Source: EU FADN - DG AGRI L3, Milk allocation costs model.

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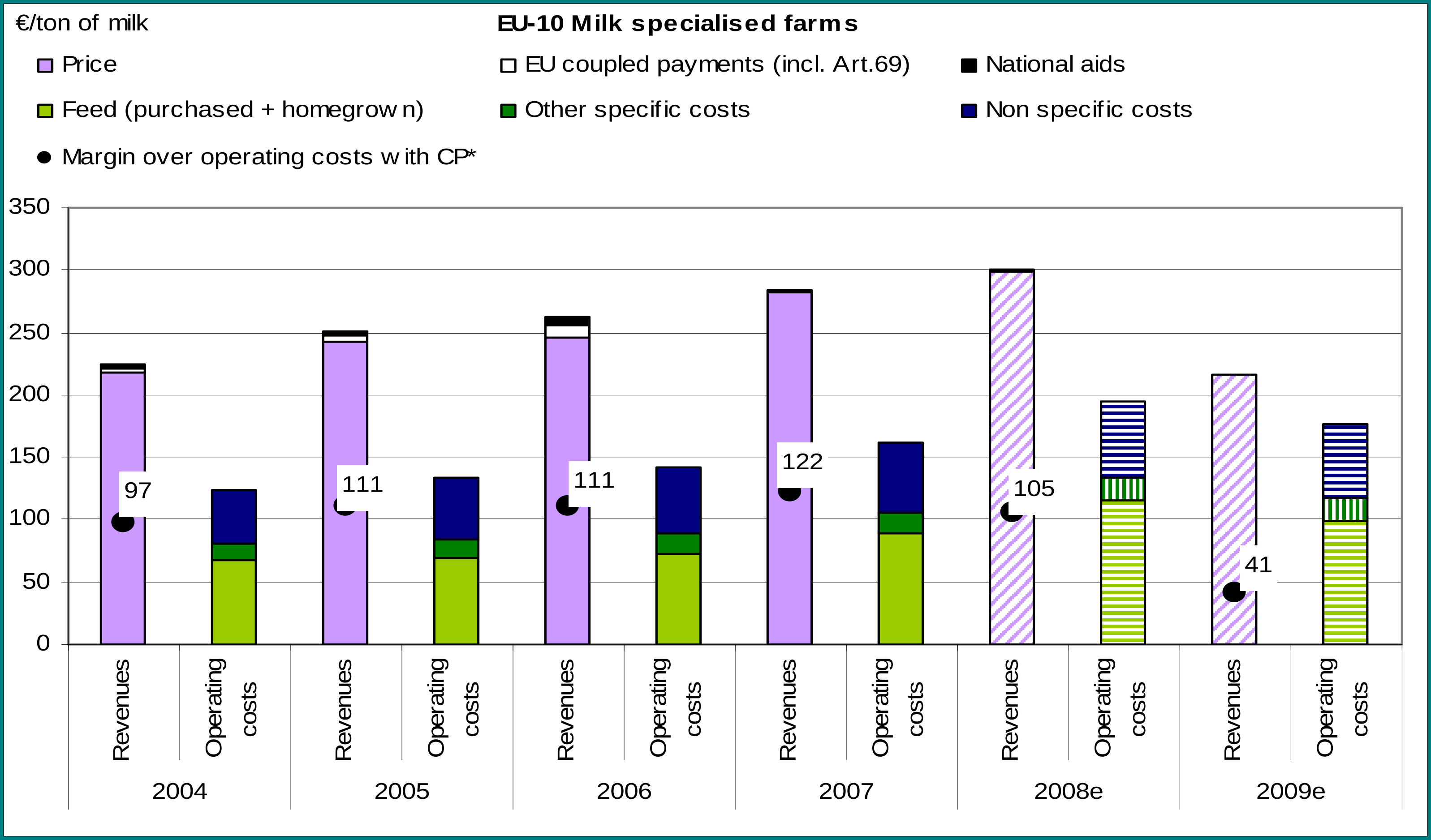
EU-10 Margin over operating costs



Source: EU FADN - DG AGRI L3, Milk allocation costs model.

Conclusions

- EU production more and more decided by farmers and not quota level: freedom to farm.
- Market orientation has improved while keeping essential market instruments.
- Restructuration continues
- Market determines your future.

Thank you for your attention

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