

What Future for Milk ?

Brussels, 26 March 2010



EU Milk market developments until today

By Martin Van Driel



- **Content**
 - Soft Landing
 - Market orientation
 - Crisis management
 - Restructuring
 - Costs

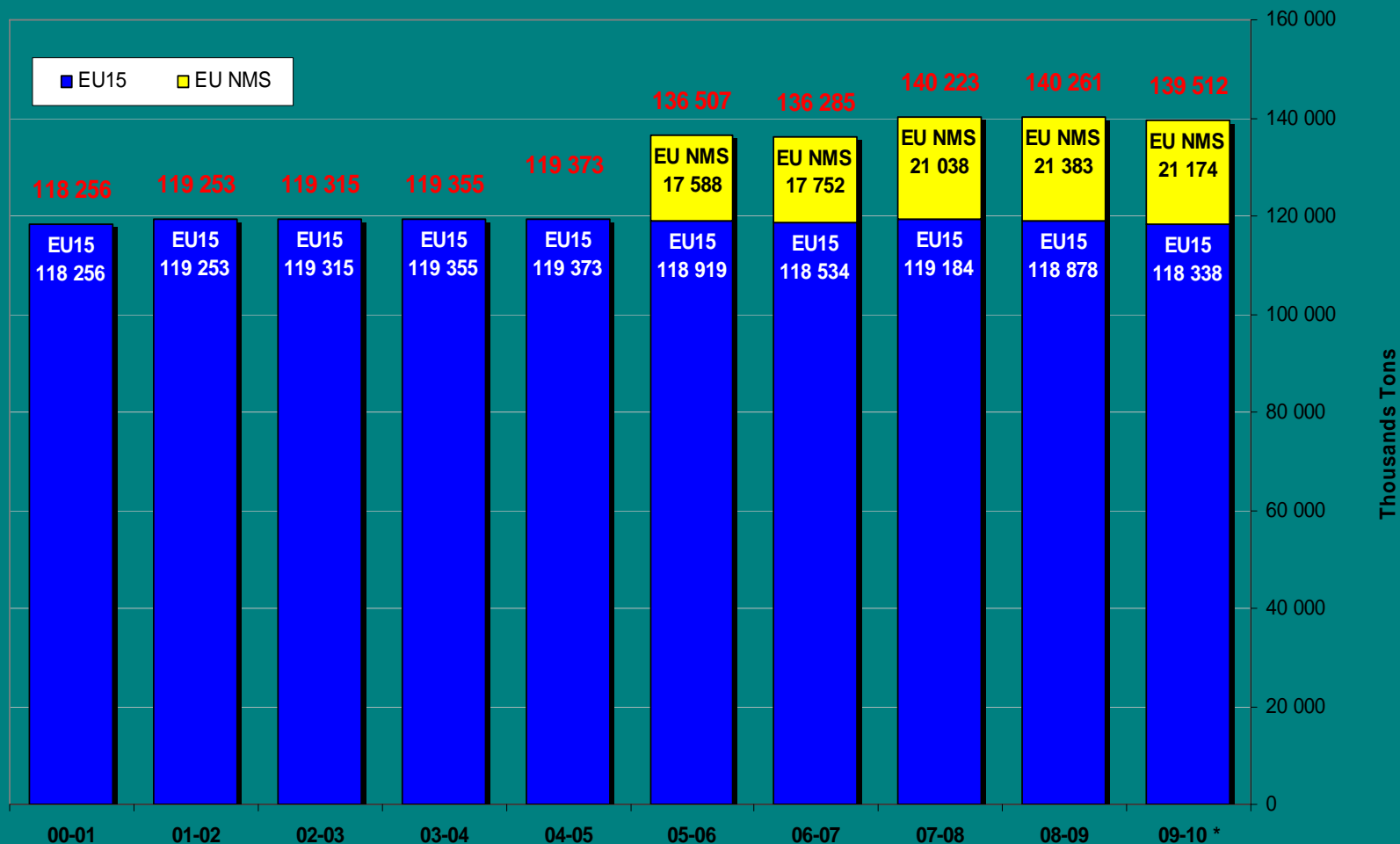


Soft landing?

- 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

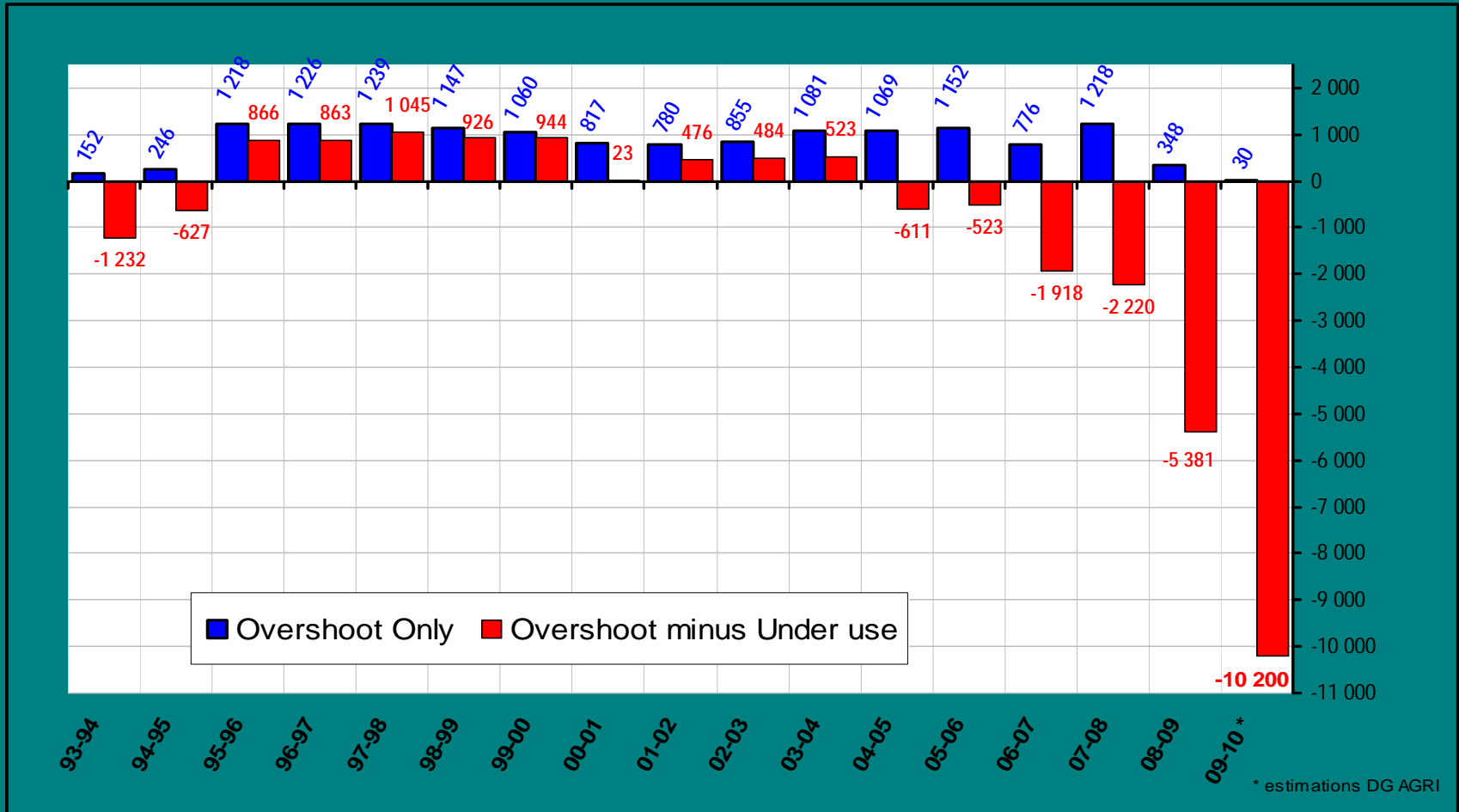


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EU Quota use

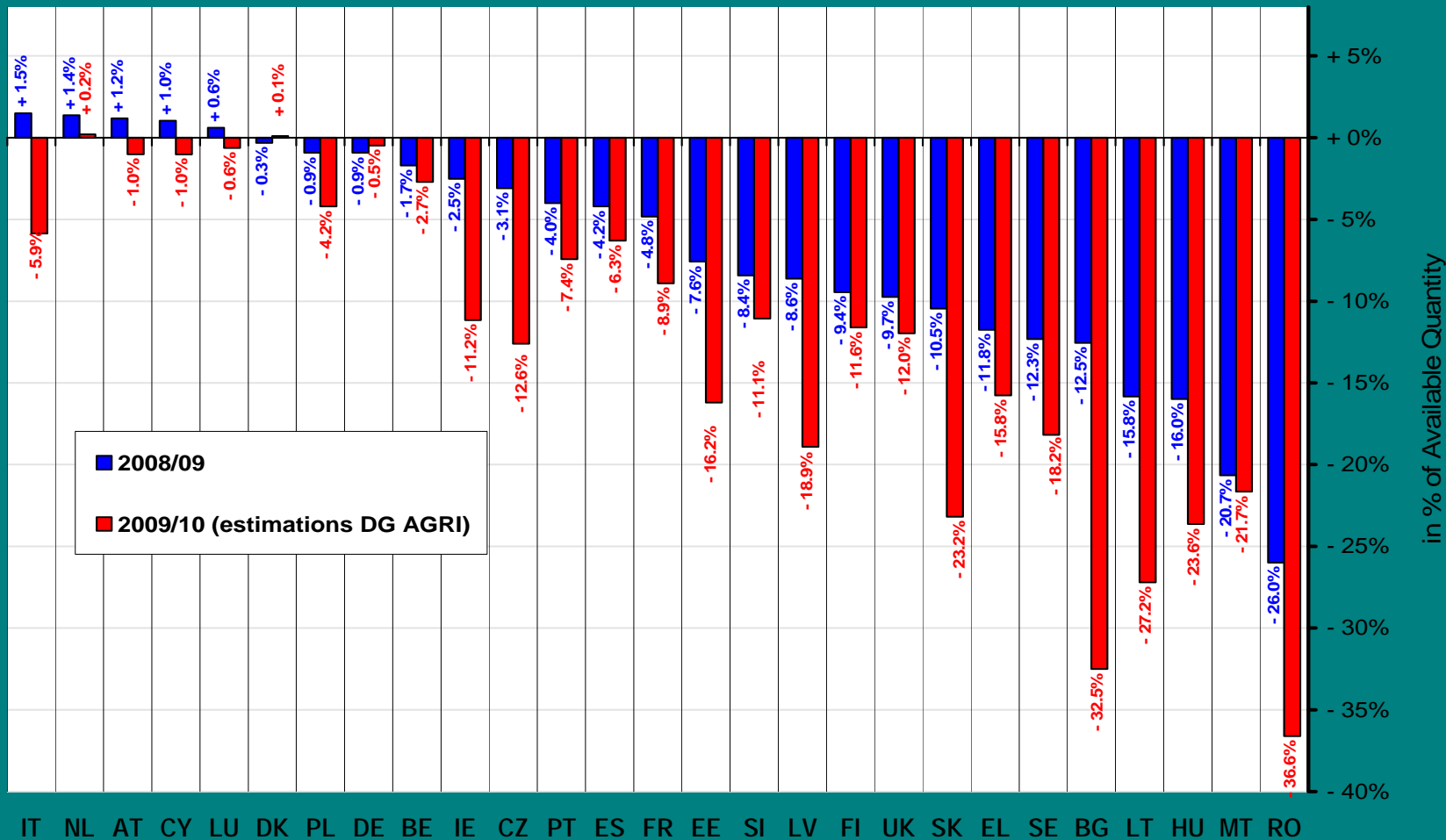


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EU Deliveries Overshoot/Under use (in % of quota)



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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.



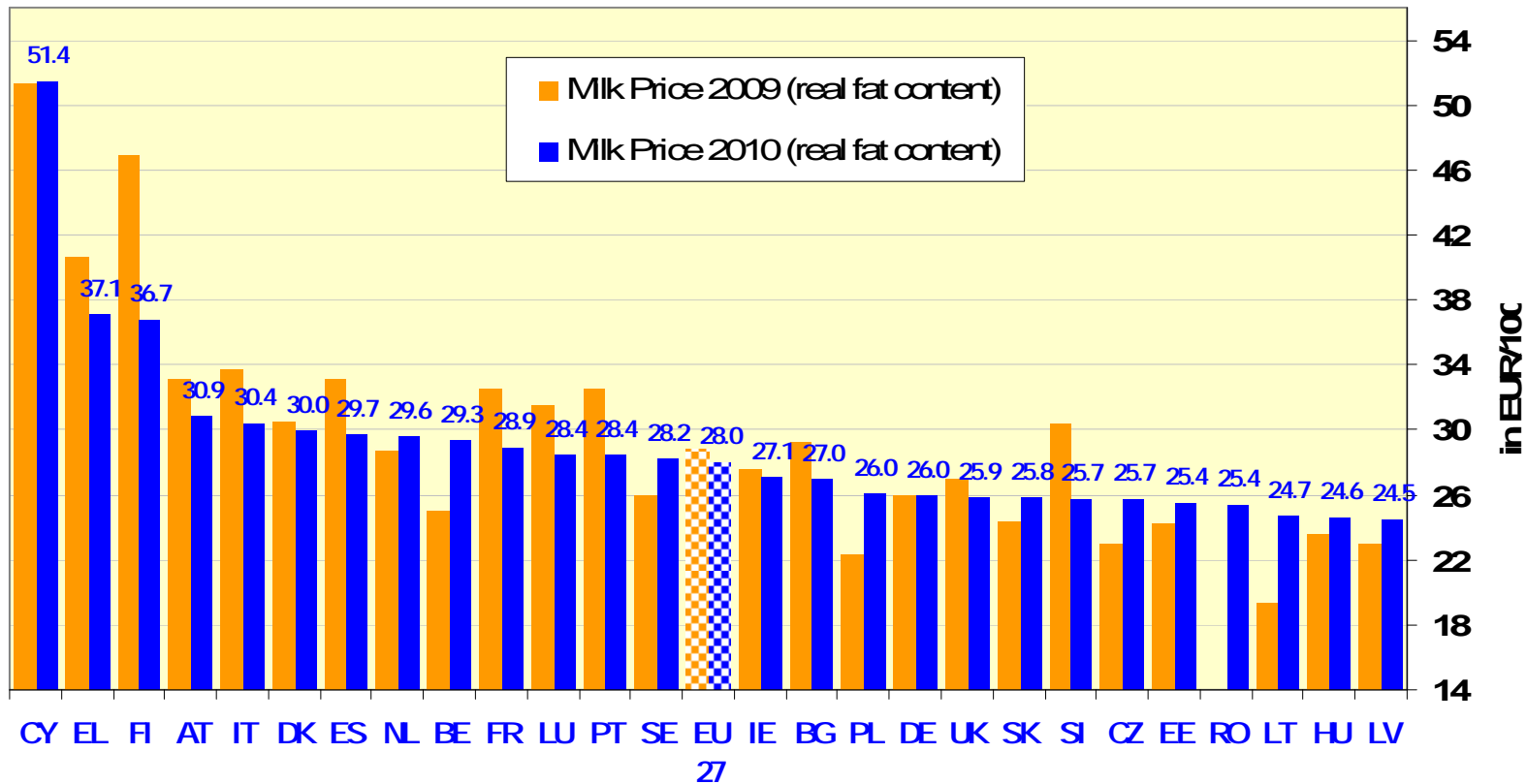
Market orientation?

- 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)

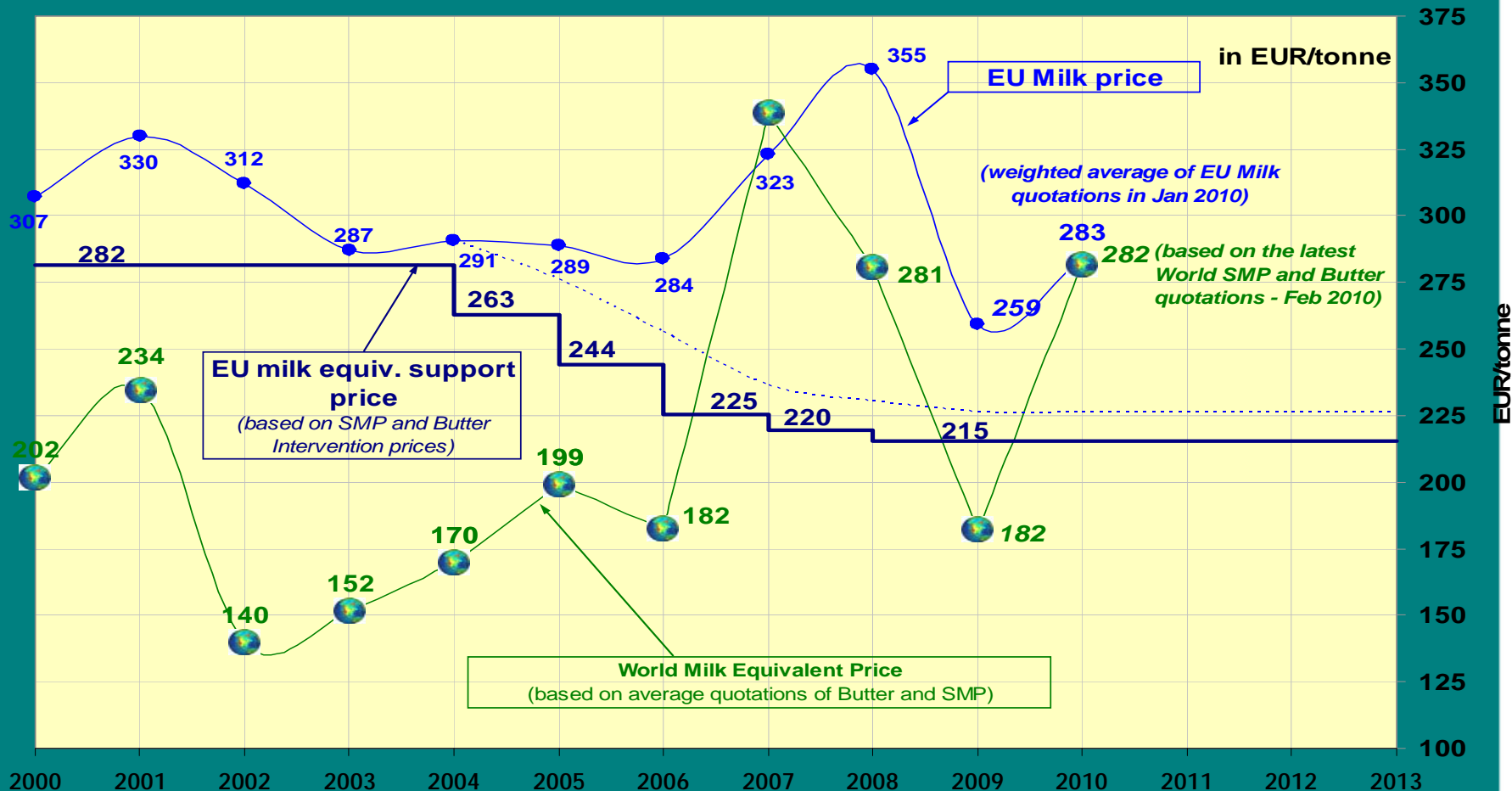


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Farm gate milk price development since the start of the 2003 reform

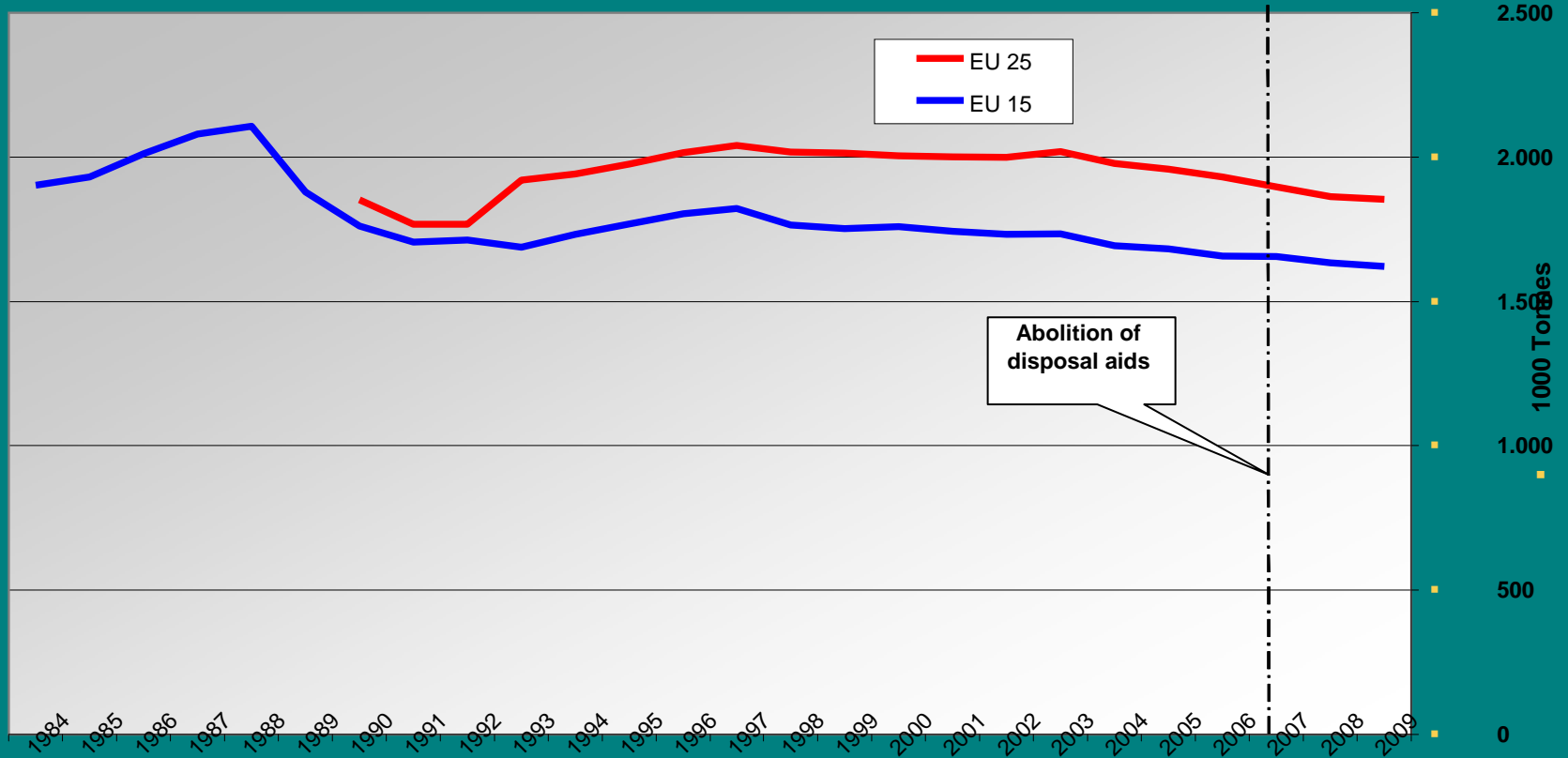


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Butter Consumption



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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

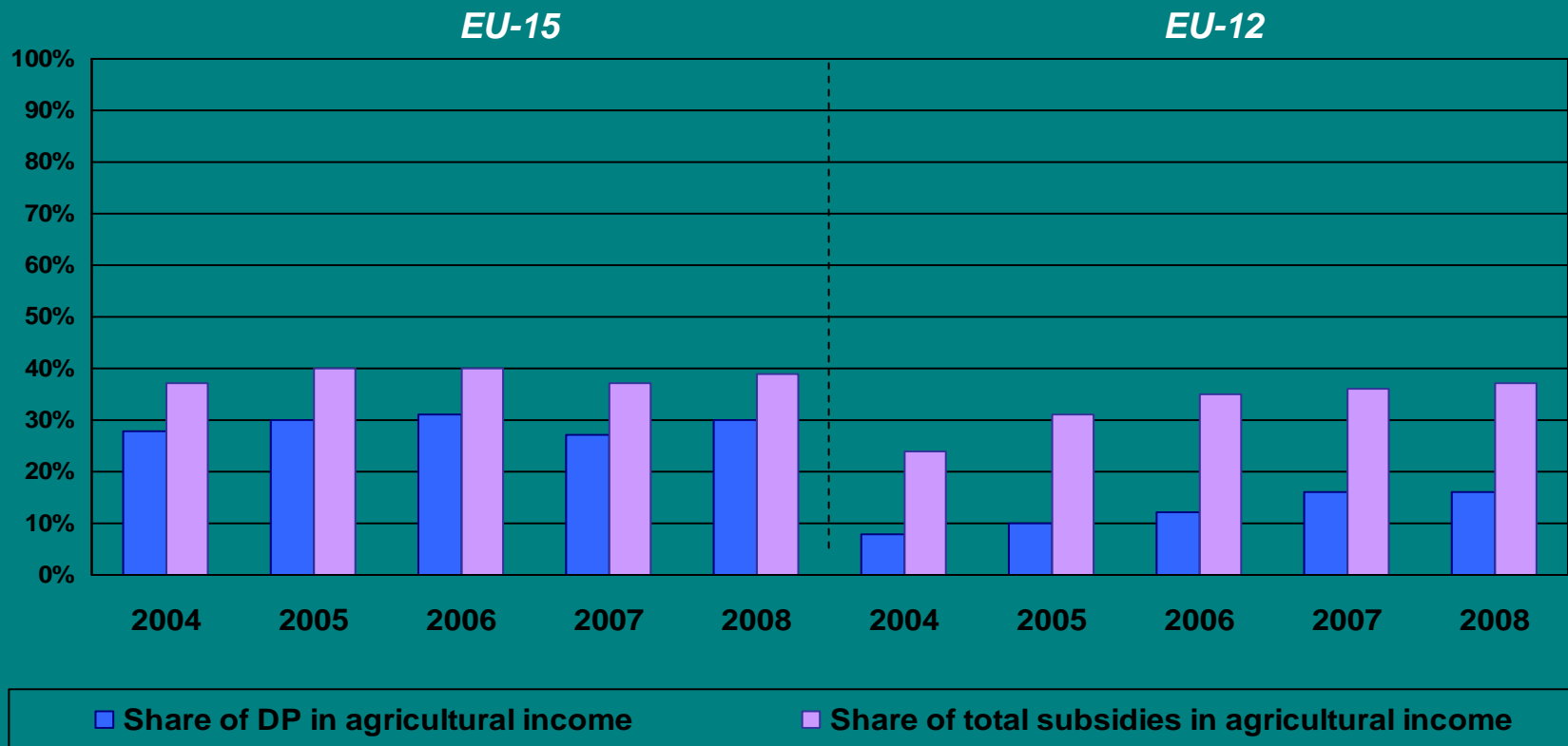


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Share of DP and total subsidies in agricultural income



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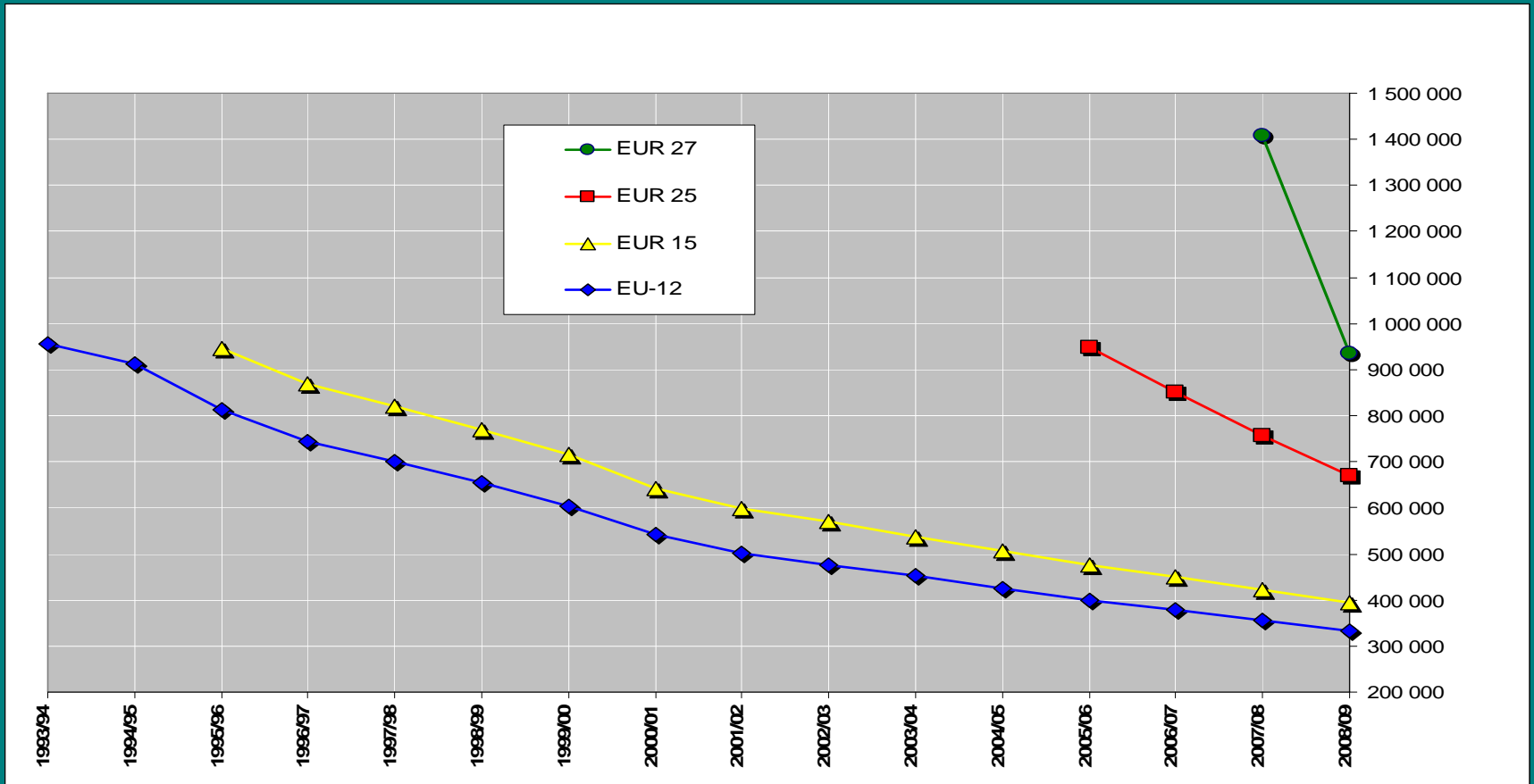


Crisis management in EU dairy sector

- 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

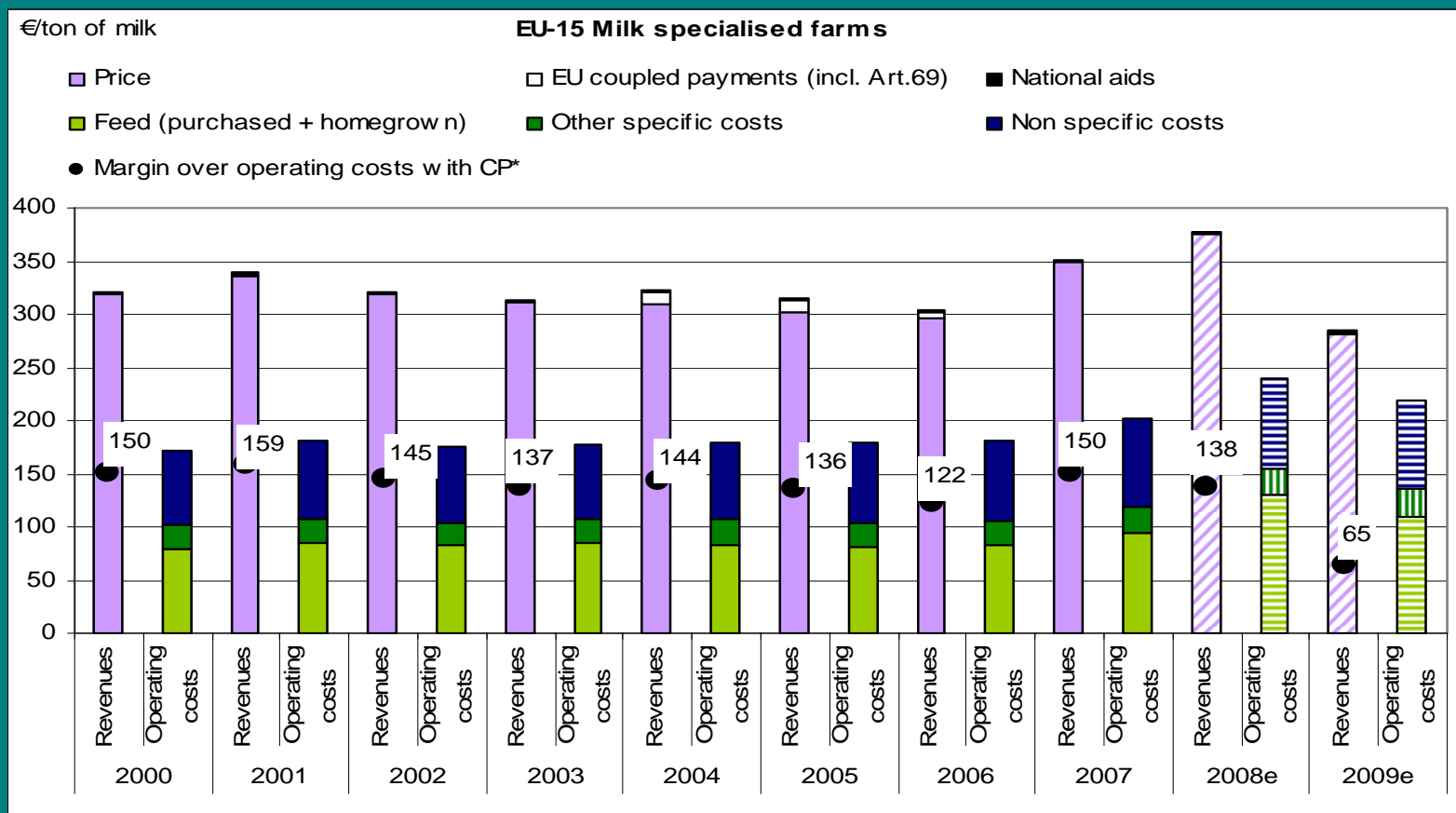


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EU-15 Margin over operating costs



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

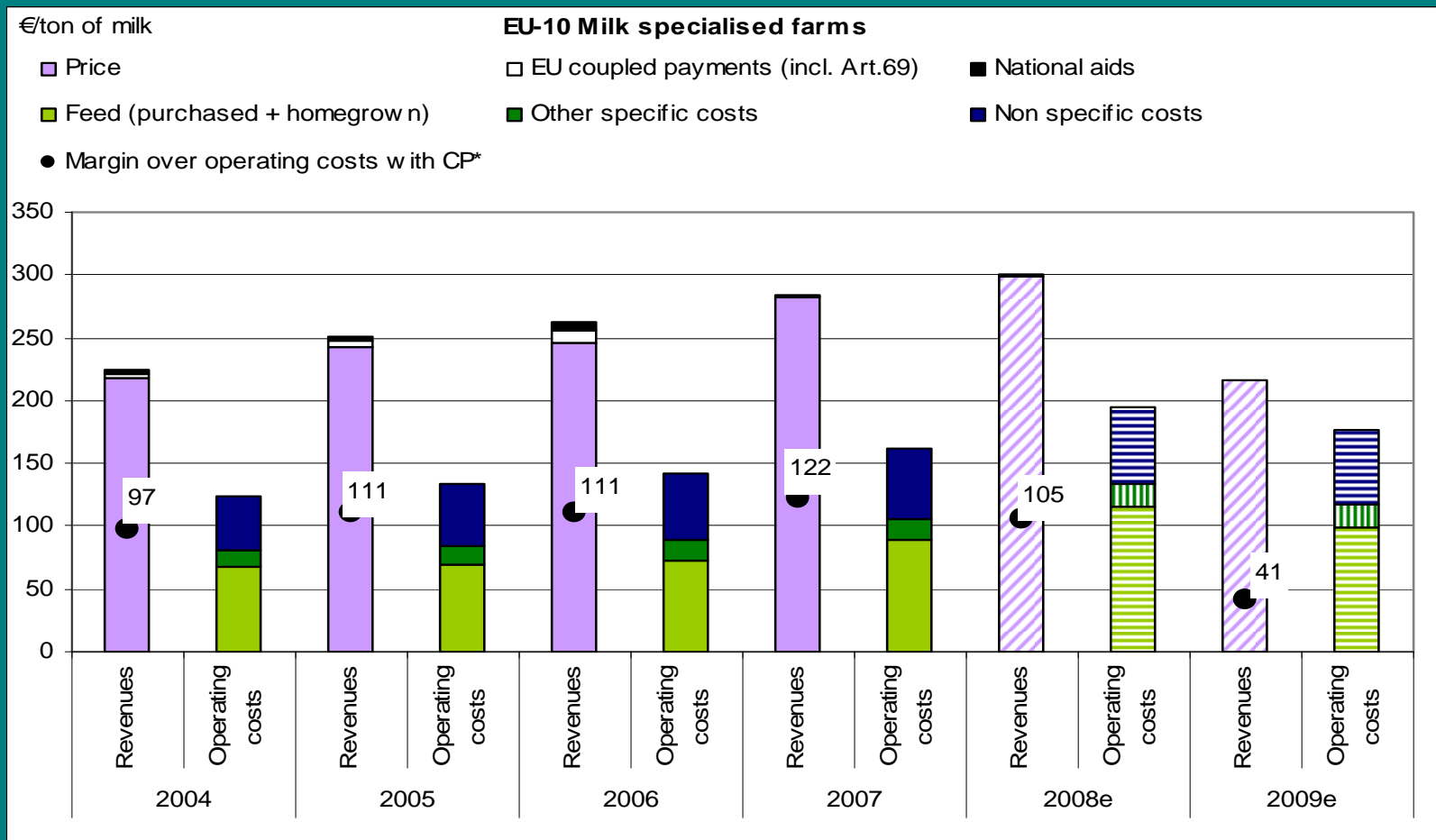


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EU-10 Margin over operating costs



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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