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
**Reasons why milk producers have considered stopping milk production**

| 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 low milk prices    | 12 | 6   | 3    | 11  | 7   | 7   | 13    | 13   | 7  | 4  | 12 | 11 | 13 | 119 |      |
| ...environmental regulations                         | 4  | 6   | 8    | 5   | 7   | 11  | 13    | 5    | 2  | 2  | 8  | 10 |    | 81  | 1    |
| ...no potential to grow                              | 2  | 1   | 4    | 1   | 2   | 5   | 2     | 1    | 5  |    |    |    |    | 23  | 2    |
| ...increased fluctuation of milk prices              | 1  | 3   | 2    | 2   | 3   | 2   | 3     | 1    | 2  |    |    |    |    | 19  | 3    |
| ...quota prices                                      | 3  | 1   | 3    | 2   | 2   | 1   | 1     | 1    | 2  |    |    |    |    | 17  | 4    |
| ...introduction of cross compliance                  | 2  |     |      | 1   | 1   | 1   | 3     | 4    | 1  |    |    |    |    | 15  | 5    |
| ...no successor                                      | 3  | 1   | 2    | 1   | 2   |     | 4     |      |    |    |    |    |    | 13  | 6    |
| ...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    |

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
First strategic pillar of EU dairy policy

Coping with extreme market volatility:

- Already existing tools
  - 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

- Complementary tools:
  - New tool: Income stabilisation tool – has to deliver
  - Other options: 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.
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

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

Source: Support for farmers’ cooperatives (LEI-WUR study)
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)
The third strategic pillar: Dairy production carried out across the entire EU (3)

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

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
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!