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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

**Development of the dairy market situation and the operation of the "Milk Package"
provisions**

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1. SCOPE

Published in March 2012 (and further integrated in Regulation (EU) No 1308/2013¹ - 'CMO Regulation'), the 'Milk Package'²³ is a set of legislative provisions that has been in force since 3 October 2012 and continues to apply until 30 June 2020.

Article 225(b) of the CMO Regulation provides that the Commission presents two reports to the European Parliament and to the Council, one by 30 June 2014 and the other by 31 December 2018. The reports should cover market developments in the milk and milk products sector and, in particular, the impact of Articles 148 to 151, Article 152(3) and 157(3) (the 'Milk Package provisions'), assessing the effects on milk producers and milk production in disadvantaged regions, in connection with the general objective of maintaining production in such regions. The reports should also cover potential incentives to encourage farmers to enter into joint production agreements, together with any appropriate proposals.

The first of the two reports required by the Regulation was adopted by the Commission on 13 June 2014.⁴

At the Extraordinary Agriculture and Fisheries Council held on 7 September 2015,⁵ in the light of the difficult market situation, the Commission proposed to bring forward to 2016 the Milk Package report originally planned for 2018.

The Slovak Presidency has earmarked the functioning of the supply chain as a priority under its term covering the second half of 2016 and this subject has been examined by the Agricultural Markets Task Force (AMTF).

This report is based on the replies from Member States to a questionnaire and the notifications provided for in the implementing rules⁶. Data from an independent study on producer

¹ Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007 (OJ L 347, 20.12.2013, p. 671).

² Regulation (EU) No 261/2012; OJ L 94, 30.3.2012, p. 38.

³ Not to be mistaken with the different support packages implemented for the dairy sector in years 2014 to 2016.

⁴ http://ec.europa.eu/agriculture/milk/milk-package/com-2014-354_en.pdf

⁵ http://ec.europa.eu/agriculture/commissioner-speeches/pdf/katainen-agri-council-07-09-2015_en.pdf

organisations under the Milk Package provisions commissioned to the Institute for Prospective Technological Studies of the Joint Research Centre also feed into the analysis.

2. EVOLUTION OF THE MARKET SITUATION FOR MILK AND MILK PRODUCTS

Having observed the historically high prices reached for milk and milk products by the end of 2013 and the beginning of 2014, the milk sector entered a phase of global supply-demand imbalance which has characterised the market throughout 2015 and the first half of 2016. While world demand suffered due to the introduction of the Russian import ban in August 2014 coupled with the slowdown of imports in China during the first half of 2015, global supply - fuelled by remunerating prices and favourable weather conditions - was boosted.

The Commission has kept the safety net instruments in operation without disruption since September 2014. Skimmed milk powder has been offered to public intervention since July 2015.

Market conditions have improved since spring 2016, when prices for EU dairy products bottomed out. These positive signs have not yet materialised into better farm gate milk prices, but estimates point to a change in the trend since August 2016.

The medium term prospects for milk and dairy commodities remain favourable. Global and domestic demand is still expected to increase steadily, giving the possibility for the EU dairy sector to develop its production potential and improve its position and share in the global markets.

More detailed information on the evolution of the market situation and prospects can be found in the Commission staff working document accompanying this report.

3. THE OPERATION OF THE "MILK PACKAGE" PROVISIONS⁷

The Milk Package contains a series of provisions having different scope and coverage. The provisions on compulsory contracts can be relevant to **all** types of milk collecting systems. However, the provisions on producer organisations (POs) and collective negotiations are generally more relevant in Member States where cooperatives are less developed.

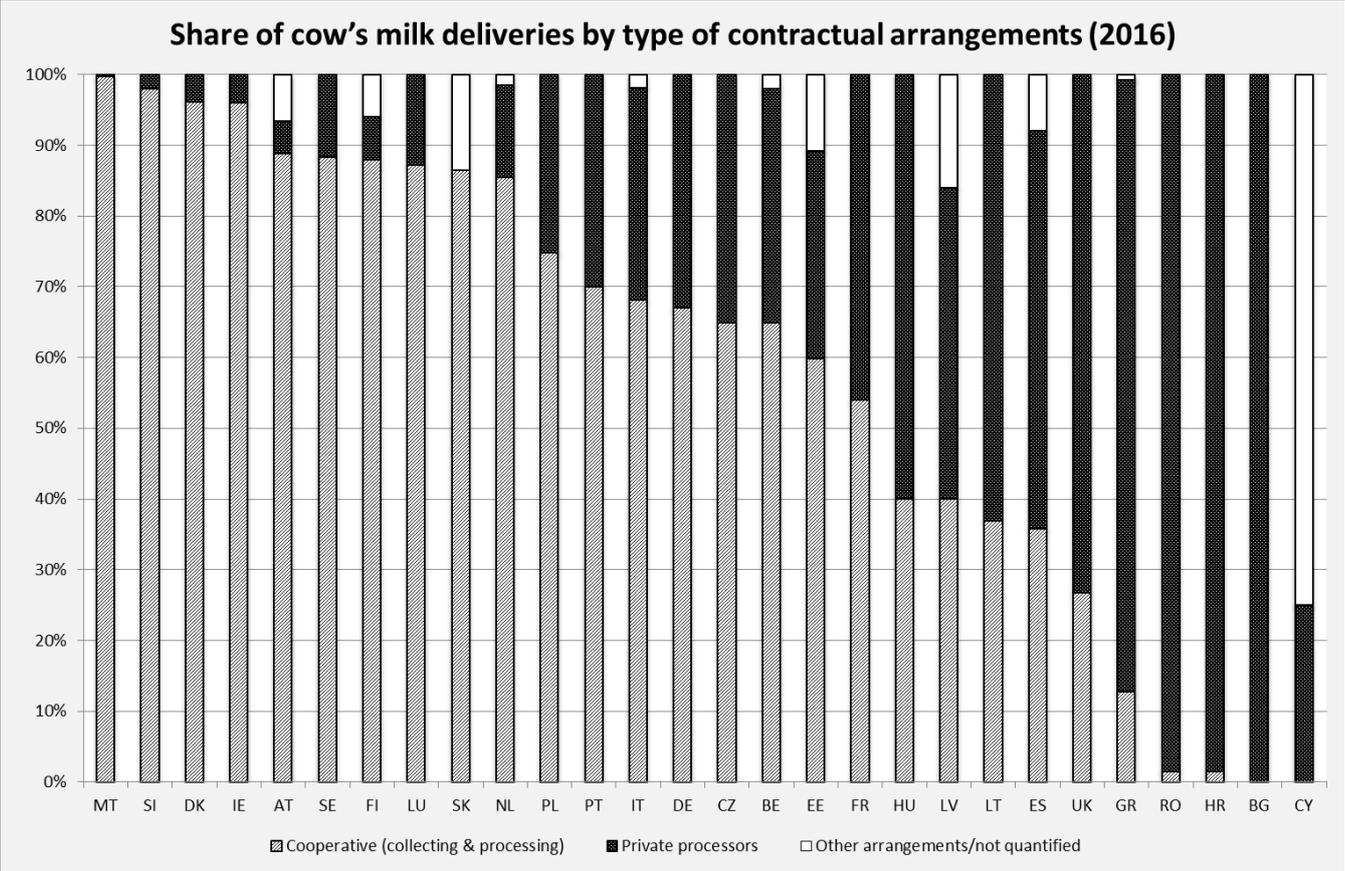
⁶ Commission Implementing Regulation (EU) No 511/2012 of 15 June 2012 on notifications concerning producer and interbranch organisations and contractual negotiations and relations provided for in Council Regulation (EC) No 1234/2007 in the milk and milk products sector.

⁷ Milk Package instruments outlined on http://ec.europa.eu/agriculture/milk/milk-package/index_en.htm.

The provisions on collective negotiations are limited to producers organised in recognised POs, provided that the raw milk is not covered by an obligation to deliver arising from the farmer's membership of a cooperative⁸.

Graph 1 gives an estimate of the share of cow's milk production by type of contractual arrangements. **The provisions of the Milk Package on POs and collective negotiations are relevant for some 36% of EU deliveries of cow's milk** (e.g. deliveries outside cooperatives).

Graph 1 Contractual relations



The following subsections provide the state of implementation for each of the Milk Package provisions. More detailed information on the evolution of compulsory contracts and producer organisations can be found in the Commission staff working document accompanying this report.

⁸ There are cooperatives that collect and process milk and others that only collect. From a competition law perspective, the Specialisation Block Exemption Regulation No 1218/2010 can cover the activities of processing cooperatives. The situation of cooperatives that only collect milk and are not covered by the Milk Package provisions needs to be assessed on a case-by-case basis under competition rules.

3.1. Compulsory contracts (Article 148)

Compulsory contracts falling under Article 148 of the CMO Regulation cover **41% of EU milk deliveries** in 13 Member States.

Table 1 Compulsory contracts

Member State	National Legislation	Minimum Contract Duration	Written Contracts / Offers compulsory
France	April 2011	5 years	C+O
Italy	March 2012	1 year	C+O
Spain	October 2012	1 year	C+O
Lithuania	October 2012	-	C
Hungary	December 2012	6 months	C
Slovakia	December 2012	-	C
Croatia	June 2013	6 months	C
Cyprus	June 2013	1 year	C
Portugal	June 2013	6 months	C+O
Bulgaria	November 2013	6 months	C
Romania	February 2014	6 months	C+O
Slovenia	January 2015	1 year	C
Poland	October 2015	-	C

In Bulgaria, France, Italy, Poland and Romania compulsory written contracts only apply to the relationship between producers and first purchasers. In the other Member States, conditions apply to all supply relations in the chain between farmers and processors, even if there are several intermediaries between them.

Delivery contracts between farmers and the cooperative of which they are members as well as codes of good practice are not covered by the Milk Package. However these can sometimes include provisions similar to those of Article 148 of the CMO Regulation.

Inspired by the Milk Package provisions, a voluntary code of practice was agreed between producers and processors in the United Kingdom in 2012⁹. The code provided for contracts under similar conditions as those found in the Milk Package and covers more than 85% of raw milk production in this Member State. A review of the code's operation conducted in 2014 by the Scottish Parliament was broadly positive.

In Belgium, non-binding interbranch codes covering 85% of the producers and 98% of the purchasers are also in place since 2009, including notably quality agreements, agreements on

⁹ http://www.dairyuk.org/images/2012_Voluntary_Code_of_Practice.pdf

the notice period to be given by farmers and buyers, sustainability agreements and arrangements on the role of producer organisations.

In Germany, binding rules governing the conditions for raw milk deliveries existed before the adoption of the Milk Package, which generally meet the requirements set by Article 148 of the CMO Regulation.

In Spain, different voluntary codes of good practice and conventions have been put in place in 2015¹⁰, involving agents in the agri-food sector and in particular the Interbranch Organisation (IBO) in the milk sector.

By combining the coverage provided altogether by compulsory contracts (under Article 148 of the CMO Regulation), voluntary codes and cooperative relations, some **95% of total EU milk deliveries are currently the subject of a formal agreement, in one form or another.**

3.2. Producer organisations (POs) and their associations (APOs) (article 152(3))

260 POs were recognised by 11 Member States under the Milk Package provisions by the end of 2015, most of them in three Member States: Germany, France and Italy. Only one of them concerns ewe's milk. The current situation on criteria for the recognition of POs in each Member State and the number of recognised POs is summarised in Table A of the annex to this report.

3.2.1 Member States' assessment on POs

Most Member States see potential for POs and APOs in their territories, apart from those declaring having a satisfactorily working cooperative system or structures based on producer groups. Germany, having the most developed PO structure in the EU, argues in favour of transforming existing POs into larger structures (APOs), rather than creating new ones. In France, producers are showing an increasing interest for APOs as well.

The annual marketable production of the 259 POs recognised for cow's milk would approximate 13% of total EU milk deliveries in 2015 and **37% of total EU milk deliveries outside of the cooperative circuits.** The main reasons for not having a bigger uptake are:

- 1) insufficient knowledge of farmers on the goals, implications and advantages deriving from joining into POs;
- 2) lack of financial support for setting up POs (to some extent also linked to deficient information, as possibilities exist under rural development);

Other reported causes are:

- Administrative and financial burden linked to the creation and recognition of the POs.

¹⁰ <http://www.magrama.gob.es/es/megustalaleche/acuerdos-lacteos/>

- In some EU-13 Member States, farmers having switched from pre-1992 cooperative production systems to private businesses might be reluctant to re-enter collective structures. Fear of losing autonomy in a broader way is also reported.
- Farmers are not aware of success stories that could encourage them to mirror better practices.
- Uncertainty about the room of manoeuvre of POs and APOs within competition rules.
- Scepticism about the capacity of POs to achieve better results by means of collective negotiation, or assuring milk collection for all their members.

Stemming from these shortages, Member States suggest a number of ideas to stimulate the creation of new POs or to improve the functioning of existing ones (and with a wider approach, to encourage farmers to enter into joint production agreements):

- Raise farmers' awareness on the functioning and potential of POs.
- Improve management and negotiation skills of PO staff.
- Provide financial support for the creation and functioning of POs. Support to the set-up of POs is already available under the second pillar¹¹ although it has been only programmed in 16 Member States¹². On the operational side, rural development policy already provides for certain measures in the fields of cooperation, training/advice and investments. Therefore, any initiative in this respect should point at better exploiting the instruments already available rather than conceiving new ones.
- Provide financial incentives for POs and cooperatives to invest in processing capacities so as to process their own milk and get a better share of the final value added. Possibilities for this already exist under rural development¹³.
- Privilege POs over individual producers accessing aid schemes, in the form of premiums, higher priority when setting eligibility criteria or higher co-financing rates.

3.2.2 The view of POs and Farmers' Representatives

All the POs recognised under the Milk Package have been contacted to complete a survey to find out the reasons behind creating their organisations and to understand the benefits and drawbacks for their members of belonging to a PO. 63 POs replied to a questionnaire made available in their national languages.

¹¹ Article 27 of Regulation (EU) No 1305/2013: Setting -up of producer groups and organisations.

¹² BE, BG, CY, EE, ES, FR, GR, HR, HU, IT, LT, LV, PL, PT, RO and SI.

¹³ Article 17 of Regulation (EU) No 1305/2013: Investments in physical assets.

Among the reasons for establishing a PO, getting a *better milk price* is ranked as the first priority for most of the respondents, followed by getting a *more stable price*, *overall improvement of producer's position in the supply chain* and *assuring milk collection for all the PO members*.

In terms of achieving their objectives, about 60 % of the POs confirmed having met partially to fully a *more stable price*. Close to 70 % achieved a *better price*, while some 20 % of the POs confirmed not having at all achieved either of these two objectives. About 65% of POs report having partially to fully improved the producers' position in the chain whereas 14% found they did not.

The goal showing the highest degree of realisation is *assuring milk collection to all PO members*, for which close to 60% of respondents declared having fully met the objective. When including replies regarding partial achievement of the objective, this percentage reaches 71 %. Obtaining better market information for taking production decisions was also achieved partly or fully in about 73% of cases, although this objective was more often achieved partly.

The core activities of POs surveyed go far beyond negotiating prices (c. 85% of POs). POs also negotiate delivery volumes (c. 75%), delivery conditions (c. 60%) and payment conditions (c. 70%). Most of these POs (c. 80%) provide one or more other services that add value to the supply of milk and/or support producers' activities: collecting milk (c. 50%), organising information/experience exchange (c. 65%), organising quality controls (c. 50%), organising technical or economic advice (c. 40%), organising joint input purchases (c. about 30%).

The main benefits for farmers belonging to a PO are reported by POs to be the possibility for the *collective negotiation* of contract terms and the *better management of milk volumes*. Some POs also mention that better milk prices, business stability, having a single interlocutor *vis-a-vis* the processors and better market information are advantages.

Drawbacks for farmers belonging to a PO are less frequently mentioned. Some respondents consider the following: the contributions that have to be paid by PO members, resources (both human and material) required and the limitation to farmers' independence in entrepreneurial decisions.

Only 11 out of the 63 POs would consider evolving into a processing cooperative, notably motivated by the opportunity for business development, to obtain better milk prices for their members and to improve the producer's position in the supply chain. A vast majority of POs do not really consider this option, mostly because of the substantial investment required (and insufficient public support) and the lack of entrepreneurial interest of the PO members.

Most respondents see potential for the creation of more POs in their Member States (only 11 replied negatively). Insufficient organisation in the sector, lack of success stories and certain unwillingness for cooperation among farmers (also related to farmer's preference to have direct contact with purchasers) are quoted as the main reasons why POs have yet to be fully exploited.

Farmers' Organisations were likewise surveyed, notably to evaluate the potential for POs in their Member States.

Among Member States with no recognised POs, Denmark, Finland, the Netherlands, Sweden, Austria, Ireland, Slovenia and Poland do not see any potential for this instrument, as the cooperative structure (producer groups in the case of Poland) already allows for a well organised sector. Lithuania refers to the insufficient organisation of the sector to explain the absence of POs and their limited potential. A positive perception on the potential for POs is reported by farmers' representatives from Estonia and Latvia.

In Member States with recognised POs, this instrument is close to being exhausted in Germany, Italy and France, which account for 92% of all recognised POs in the EU. In the particular case of France, the expected evolution is towards less but bigger POs (or grouped in APOs) and transversal (delivering to more than one processor).

Farmers' Organisations see little potential for POs in Spain (insufficient organisation in the sector, not the convenient tool), Czech Republic (already relatively big farms), and Portugal and Belgium (well developed cooperative structure). On the contrary, representatives from Croatia, Romania and the United Kingdom perceive a clear potential for more POs in their territory.

3.3. Collective negotiation (Article 149)

Six Member States reported deliveries of raw milk in 2014 and 2015 under contracts collectively negotiated. The volumes collectively negotiated covered 25% of their total milk deliveries in 2015, accounting for **approximately 13% of total EU raw milk deliveries**.

No intervention of the competition authorities has been reported as regards competition being excluded or serious damage to SME processors of raw milk due to collective negotiations.

Table 2 Deliveries of cow's milk in 2014 and 2015 under contracts collectively negotiated

Member State	Volume collectively negotiated (x1000 t)	Approximate share of MS deliveries	Volume collectively negotiated (x1000 t)	Approximate share of MS deliveries
	2014		2015	
Bulgaria	0	-	5,6	1,1%
Czech Republic	1 053	44%	497	17%
Germany	14 249	45%	13 253	42%

Spain	840	13%	621	9%
France	4 469	18%	5 171	20%
United Kingdom	0	-	820	5%

In Spain, the only PO recognised for ewe's milk reported joint negotiations in 2014 and 2015 for some 71 000 tonnes and 46 000 tonnes respectively (close to 100 % of its marketable production). The decrease in the volume delivered stems from the reduction in the number of PO members (from 729 to 548). Furthermore, in Spain there was a new PO in 2015 and one having lost its recognition, but the new one is significantly smaller.

The decrease in the share of deliveries collectively negotiated in the Czech Republic in 2015 is mostly due to the disappearance of 7 POs that year.

In France, the share has steadily increased in the last three years, in line with the progression in the number of POs recognised each year.

In Germany, the percentage remains rather stable given that the potential for constituting new POs has almost reached its limit so any variation relates mostly to the evolution of the total milk deliveries in the country. The share has slightly decreased in 2015 compared to 2014, with a growing role of APOs: two out of the four recognised APOs have declared collective negotiations in 2015 for a total volume of 5.5 million tonnes (accounting for 42% of the total volume collectively negotiated).

Some success factors outlined by Member States about the potential for further developing collective negotiation are related to the following:

- Adequate dimension of the POs. A minimum size is necessary for POs to have real bargaining power. At the same time too big newly created POs risk being inoperative. Germany and France are the Member States with the highest number of recognised POs and the biggest share of collective negotiation. Members of their POs are on average about 100 and 250 farmers respectively. It seems desirable to create, as a first stage, POs with a manageable size that eventually evolve into bigger structures such as APOs, rather than enormous POs with 1 000 to 2 000 members with little operational capacity.
- Raise awareness among milk purchasers about the potential benefits of engaging in collective bargaining with groups of farmers (ease of negotiating, reduced transaction costs, guarantee of supplies, and improved communication).
- Financial support for POs (in addition to what is already available) conditional to the achievement of collective negotiation objectives might stimulate this practice and encourage further integration between producers and processors.

- Solidarity among producers is crucial for the effective operation of the POs. The possibility for farmers to circumvent the agreements reached by the POs in order to seek for more favourable conditions undermines the proper functioning of the PO.

In a majority of the POs answering the survey (73%), the result of collective negotiation is binding for PO members. Only in 9 out of the 63 respondents, PO members negotiate/deliver part of their milk outside the PO. Contracts are concluded either by farmers or by POs on their behalf, this second option being the most popular (close to 60%).

3.4. Regulation of supply for PDO/PGI cheeses (Article 150)

Two Member States have adopted rules on the supply management for PDO/PGI cheese. France for *Comté*, *Beaufort*, *Reblochon* and *Gruyère* and Italy for *Asiago*, *Grana Padano*, *Parmigiano Reggiano* and *Pecorino Romano*. The corresponding notifications are published on the Milk Package website¹⁴.

The two Member States assess positively the effectiveness of this instrument as regards the proper adjustment of supply to demand, price stabilisation and protection of production in disadvantaged areas

3.5. Interbranch organisations (IBOs) (Article 157(3))

10 IBOs are recognised for the dairy sector in five Member States: France (6 in total, four of them of a regional dimension), Spain, Hungary, the Netherlands and Portugal. In Hungary the IBO covers the three stages of the supply chain from producers to retail while the rest IBOs only involve producers and industry (in the Netherlands, the trade organisation has a partnership relation with the IBO, and participates in its board as an advisor).

All these five Member States consider as satisfactory the functioning of their respective IBOs in their role of bringing together the interests of different stakeholders in the supply chain.

Among the Member States not having recognised any IBO, Italy, Slovenia, Poland, Greece, Romania, Croatia, Belgium and to a lesser extent Latvia see potential for such structures. In the rest of the cases, a well-developed cooperative model or just little interest shown by operators are the main reasons for not making use of this instrument.

Article 210 of Regulation (EU) 1308/2013¹⁵ provides for agreements and concerted practices of recognised IBOs, exempted from Article 101(1) of the TFEU under certain conditions.

Article 164 of Regulation (EU) 1308/2013 sets requirements for the mechanism on the extension of rules that can be mobilised by IBOs. In the light of these provisions, four notifications have been submitted by France in 2015 and 2016 regarding members'

¹⁴ http://ec.europa.eu/agriculture/milk/milk-package/index_en.htm

¹⁵ Formerly Article 177 of Regulation (EU) No 1234/2007.

subscriptions for financing common actions of general interest for the milk sector by regional IBOs.

Both the POs and farmers organisations who were surveyed argue in favour of IBOs having more room to manoeuvre in order to make them more effective. A few argue for more flexibility in the requirements to apply the mechanism on the extension of rules, or an enhanced role in crisis prevention and management (notably as regards production planning, beyond what is already provided in Article 222 of the CMO).

3.6. Compulsory declarations of milk deliveries (Article 151)

From 1 May 2015, Member States are required to notify the Commission, no later than the 25th of each month, of the total quantity of raw cow's milk delivered in the preceding month to first purchasers established in their territory.

With a few exceptions, the information provided by Member States about the measures put in place to comply with these regulatory requirements gives reasonable reassurance that all milk delivered in a month is notified within the deadline.

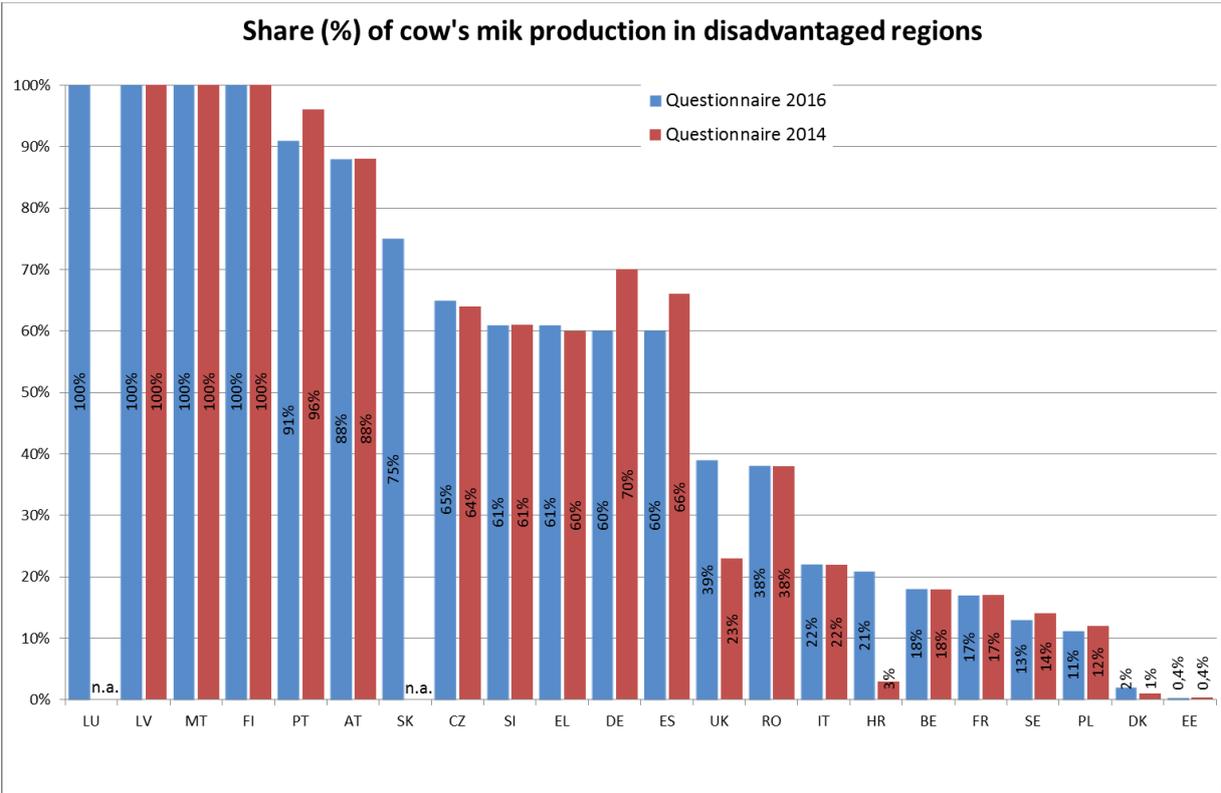
The level of compliance with the 25 day deadline in the first 13 months since the notification system was put in place (April 2015 to April 2016 included) is detailed in Table B of the annex to this report. 12 Member States have fully complied with the deadline while 8 Member States have noticeably improved their performance in the first months of 2016. Member States having less restrictive rules in place for first purchasers are the ones showing underperformance.

4. THE EFFECTS OF THE MILK PACKAGE ON MILK PRODUCERS AND MILK PRODUCTION IN DISADVANTAGED REGIONS

As there is no uniform definition of 'disadvantaged regions' in relation to milk production, Member States were requested to explain the criteria they used in this context. Five different legal basis were cited. The reference to '*areas facing natural or other specific constraints*' as defined in Articles 31 and 32 of Regulation 1305/2013 was the most frequent (12 Member States). Other Member States referred to less favoured areas (Regulation 1257/1999), less developed regions (Regulation 1308/2013), and Directives 75/268/CEE and 85/148/ECC. Six Member States provided different descriptions without legal references and four Member States did not declare any definition for disadvantaged regions.

On the basis of these rather heterogeneous definitions of 'disadvantaged areas', the proportion of milk production in disadvantaged areas would have evolved as shown in the following chart:

Graph 2 Milk production in disadvantaged regions



Graph 2 illustrates a rather stable distribution of milk production among disadvantaged and non-disadvantaged areas over the years. Only Croatia shows a noticeable gap but this is as a consequence of the redefinition of 'disadvantaged region' rather than a real shift between different regions.

Member States do not report any noticeable difference in trend between disadvantaged and non-disadvantaged regions as regards milk production and number of milk producers. Milk production growth and farm abandonment rates are indeed rather independent from the vulnerability of the area where milk production takes place. The tendency on stable to increasing milk production coupled with a decrease in the number of undertakings (with bigger herds and higher milk yield per cow) is therefore equally applicable.

As regards contractual relations, replies reported by Member States show that the relative weight of dairy cooperatives is higher in disadvantaged regions than in other areas of the country. This is the case for Italy, Poland, Sweden, France, Estonia and to a lesser extent Portugal, Greece and Romania, where the combined percentages of deliveries to processing and collecting cooperatives in disadvantaged regions are higher (and therefore the share of private processors lower) than those shown in Graph 1. Against this fact, the Milk Package provisions as regards contractual relations, POs and collective negotiation may have a relatively smaller relevance in disadvantaged regions.

Member States generally regard the Milk Package as a helpful instrument for restructuring the milk sector in general, while acknowledging that it does not aim specifically at disadvantaged regions. France is the only Member State reporting an observed benefit of POs and supply

regulation for PDO/PGI cheese in preserving milk production in disadvantaged regions (with a farm abandonment rate slightly lower in mountainous areas in comparison to lowlands).

5. CONCLUSIONS

The Milk Package was adopted following the crisis of 2009. Its main goal was to improve the position of producers in the chain. There is evidence that it has done so to some extent, including through various other collective actions of producers going beyond the milk package, and more can be done to improve further that position in a meaningful way:

- Compulsory delivery contracts have been widely implemented in Member States where the share of cooperatives is low. This instrument formalises relations between producers and processors in Member States accounting for 41% of total milk deliveries in the EU.
- Producer Organisations are recognised in 11 Member States. These POs are delivering tangible results to farmers: more than 60% of POs that participated in the survey declare having better or more stable milk prices. Most POs do much more than negotiating prices and deliveries: 80% of the POs provide one or more services that add value to the supply of milk and/or support producers' activities, such as milk collection, quality control, technical support, and joint procurement of inputs. Successful examples in this respect should be valorised to the extent that they improve the efficiency and resilience of milk producers in the long term.
- Collective negotiation with first purchasers, regarded by farmers as one of the main benefits of belonging to a PO, materialised essentially in Germany, France and the Czech Republic and to a lesser extent in Spain, the United Kingdom and Bulgaria with no competition breach being reported.
- The regulation of supply for PDO/PGI cheeses is providing positive results in the two Member States where it is operated, as regards the proper adjustment of supply to demand, price stabilisation and protection of cheese production in disadvantaged areas.
- Interbranch Organisations are contributing to greater transparency across the supply chain and have proved their usefulness in a wide range of activities such as defining standardised contracts, promotion and giving technical advice.
- The provision on compulsory declarations of milk deliveries has secured a rigorous volume information system, while improving significantly the timeliness of the information.
- While Member States generally acknowledge that the Milk Package does not aim specifically at disadvantaged regions, POs and supply regulation for PDO/PGI cheese are deemed as positive in France for preserving milk production in such regions.

The potential of two key instruments of the Milk Package such as POs and collective negotiations is acknowledged by Member States, POs and farmers' organisations but not yet fully exploited. Actions of a pedagogical, financial, or operational nature at EU and Member State level could be envisaged:

- Workshops involving Member States' experts to share experiences and best practices in their countries.
- Campaigns to raise farmers' and processors' awareness on the functioning and potential of POs:
 - Practical examples of success stories in existing POs;
 - Discussions and exchange of best practices among farmers;
 - Financing opportunities under rural development programmes;
 - Benefits of collective bargaining and other collective actions for both producers and processors;
 - Clear information on what can or cannot be done or expected from a PO, notably as regards competition rules.
- Urge Member States which see a real potential for developing POs and have not included support for their set up in the rural development Programmes to propose the corresponding modifications.
- Privileging POs over individual producers accessing aid schemes, in the form of premiums, higher priority when setting eligibility criteria or higher co-financing rates. Tax advantages, at national level, could also be considered by Member States.
- Providing additional financial support for POs conditional to the achievement of collective negotiation objectives as well as other joint activities that would help POs gain more value.
- Foster the grouping of POs into APOs by giving APOs the same financing possibilities, once POs are well established.
- Consider setting an obligation to farmers belonging to a PO to deliver all their milk (or a minimum share) through their PO, or to milk purchasers to negotiate with POs and not with PO members, so as to avoid circumventing the collective negotiation pursued by POs.
- Revise the administrative conditions and requirements for the recognition of POs so as to define reasonable minimum sizes while avoiding discrimination among farmers in different Member States due to current divergent criteria.

Member States are, in particular, encouraged to take the necessary steps to foster the creation of POs with collective actions that go beyond collective bargaining and enhance their weight in the milk supply chain. In addition to these recommendations on POs and collective negotiation, consideration should be given to expand the role of IBOs.

In the view of the factual findings presented in this report, the Milk Package has made a real difference, but for its full potential to materialise, more time and means, notably regarding collective actions that go beyond collective bargaining, are needed. An extension of its application beyond 2020 will therefore be considered, taking into account the need to foster a deeper integration of producers into producer organisations.