



# Challenges Ahead of European Milk Producers

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EP hearing “**The milk package and prospects for the dairy sector**”, Brussels, 27/01/2015

# About Copa-Cogeca

**Copa – European farmers**  
**Cogeca – European agri-cooperatives**

**70** member organisations (**38** from the new Member States)  
**34** partner organizations from other European countries such as Iceland, Norway, Switzerland and Turkey

Representing around 12 million farmers and 38.000 cooperatives

Objective:

- defend the general agricultural interest of our members
- find solutions of common interest

Copa-Cogeca Working Party on Milk and Dairy Products: milk producers and dairy cooperatives from EU28 (more than 40 participants)

# Challenges for milk producers

- **Short-term**
- **Medium-term**
- **Long-term**

# Short-term challenges

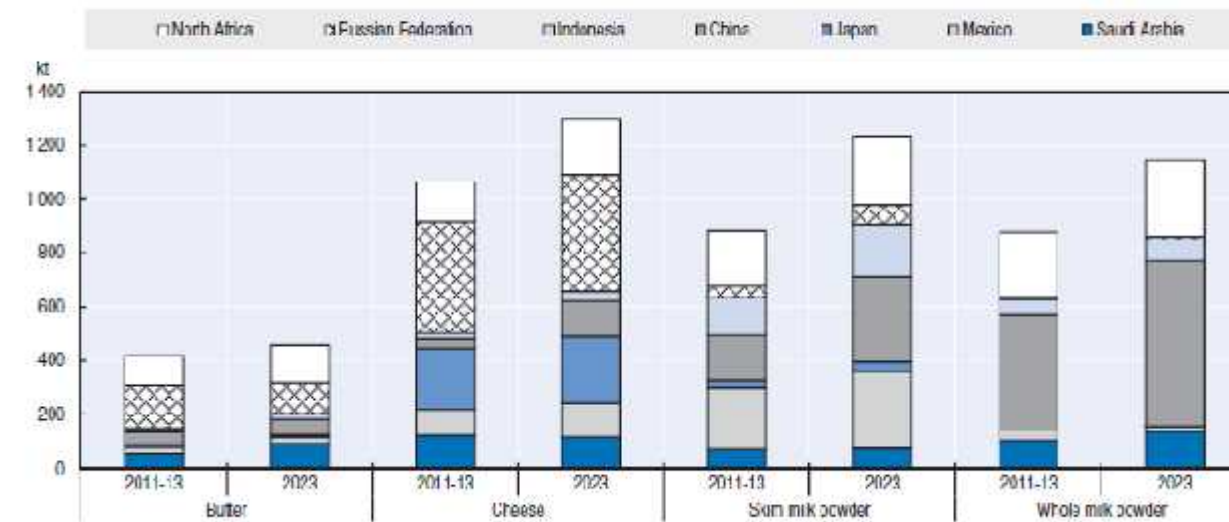
Loss of EU's main export market for dairy products (13% in terms of volumes and 13,4% in terms of value) and consequently the current market pressure

## Medium and long-term challenges...

- Extreme market volatility and maintaining milk producers in business within this context
- How to ensure a good functioning of the dairy supply chain and better income for milk producers
- Having all conditions in place for milk producing and processing in order to maintain dairy production across the whole EU

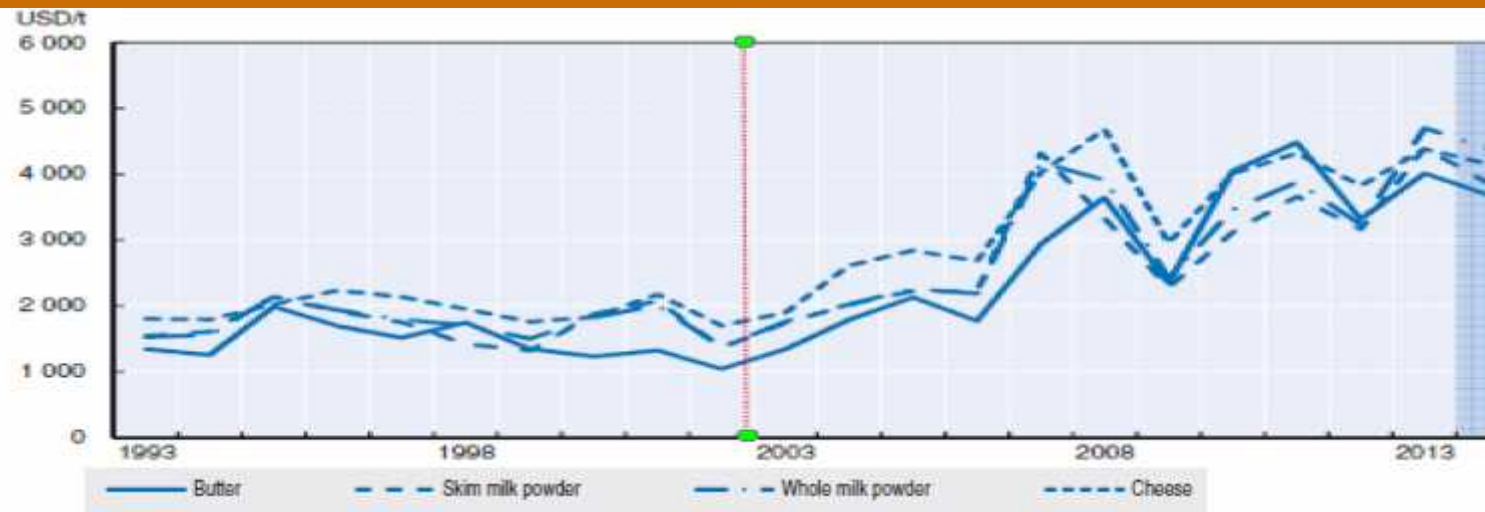
# ...but also opportunities

Figure 9.7. Major dairy product importers

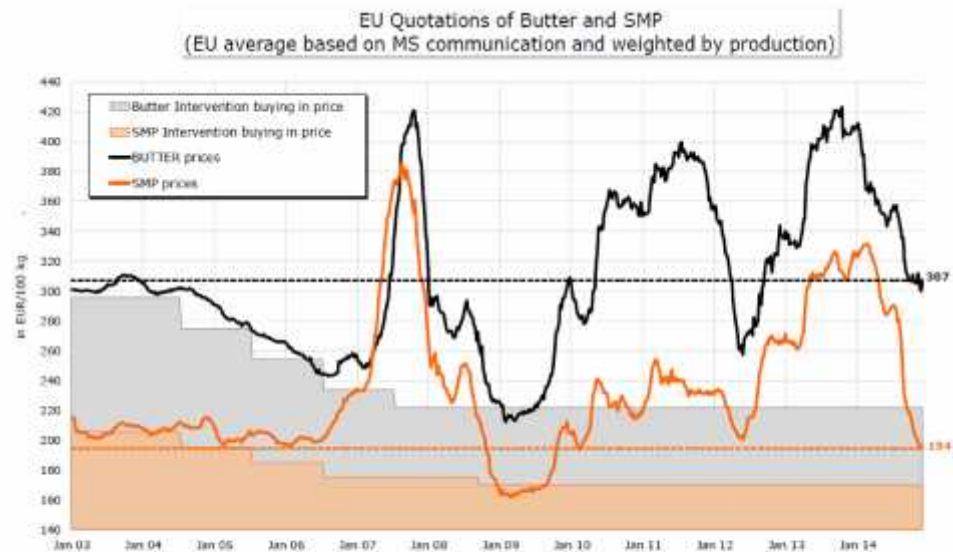


Source: OECD and FAO Secretariats.

# World dairy prices vs EU dairy prices

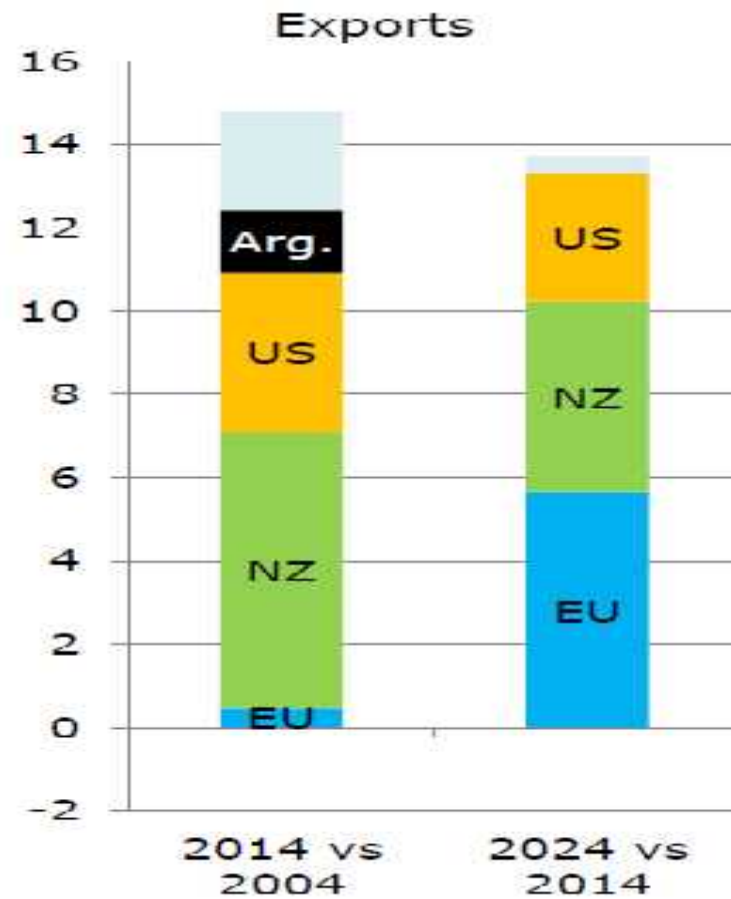


Source: OECD/FAO



Source: DG AGRI

# World dairy product exporters



Source: DG AGRI

# Extreme market volatility and maintaining milk producers in business

## ❑ Tools:

- ✓ **to prevent EU market collapse and farmers going out of business;**  
make it more efficient?

### **Safety nets**

- Public intervention:
  - level below cost of production of milk producers
  - inadequate to maintain production potential in times of crisis
  - regional approach?
- Private storage
- Export refunds – financing? ➡ Alternatives? More dynamic tools? Export credit insurance?
- Dairy coops play an important role in reducing market volatility

- ✓ **to manage risk** (complementary to safety nets):

### **Risk management tools**

- Dairy trade derivatives/futures market – where are we with discussion at EU level?
- Fixed price contracts – New Zealand, US, Ireland; rest of the EU?

# Ensure a good functioning of the dairy supply chain and better income for producers

## □ Tools:

✓ **Milk package** – early stage, important developments so far

Compulsory contracts – mainly in countries where dairy coops have a lower market share

BG	ES	FR	IT	CY	LV	LT	HR	HU	PT	RO	SK
C	C	C+O	C+O	C	C	C	C	C	C+O	C	C
6m	1y	5y	6m	6m	-	-	6m	6m	6m	6m	-
1st buyer	all	1st buyer	1st buyer	all	1st buyer	all	all	all	all	1st buyer	all
Nov 2013	Oct 2012	April 2011	March 2012	June 2013	Sept 2009	Oct 2012	June 2013	Dec 2012	June 2013	1st Q 2014	Dec 2012

Source: DG AGRI

# Ensure a good functioning of the dairy supply chain and better income for producers

Milk package implementation - POs

BE	BG	CZ	DK	DE	EE	EL	ES	FR	HR	IT	CY	LV
40/20	?	10	5	5	-	5/20	-	200	5	5	35	10
-		-	3	-	5%	0,5/5	200	or 60	3	3	20	0.125
Dec 2012	plan 2014	Oct 2012	Early 2013	Nov 2013	Sept 2012	Sept 2013	Nov 2011	Existing	Jun 2013	Dec 2012	June 2013	Jan 2013

LT	LU	HU	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
20	10	-	150	20	20	12	5	20	5	15	10	10
1	-	30	90	or 3	2	20	0.035	2	-	3	6	6
Oct 2012	Plan 2014	Dec 2012	June 2012	Oct 2012	Nov 2013	Existing	1st Q 2014	Feb 2014	Dec 2012	May 2012	May 2013	April 2013

Source: DG AGRI

# Ensure a good functioning of the dairy supply chain and better income for producers

## ❖ **Need for a proper functioning of the dairy supply chain:**

- “fear factor”, “below cost selling” not acceptable
- voluntary initiatives should be underpinned by legislative measures

## ❖ **Milk Market Observatory** – need for increased transparency across the whole dairy supply chain

## ❖ **Income stabilisation tool** – more targeted to dairy sector?

# Have all conditions in place for milk producing and processing to maintain dairy production across the whole EU

Regions with structural difficulties, natural handicaps

## **Challenges for producers:**

- Producing at reasonable costs
- Having access to processing facilities/not enough processing facilities
- Continue milk production from generation to generation

## **Challenges for dairy coops:**

Dairy coops are often the only processing option

- Small size, less modern
- High collection and processing costs

# Have all conditions in place for milk producing and processing to maintain dairy production across the whole EU

## □ Tools:

- ✓ **Dairy cooperatives** need support to continue their activity, in particular in disadvantaged (mountainous) and to modernize;
- ✓ **Supporting milk collection costs** would be important
- ✓ **Coupled support**
- ✓ **Support for areas with natural and other specific constraints**
- ✓ Promoting **mountain milk**
- ✓ Support for **quality schemes**



**Thank you for  
your attention!**