FACTS

• Milk is produced in every single EU Member State without exception. Milk is the EU number one single product sector in terms of value at approximately 15% of agricultural output. The EU is a major player in the world dairy market as the leading exporter of many dairy products, most notably cheeses.

• Total EU27 milk production is estimated around 152 million tons per year (2011 data).

• The EU's main producers are Germany, France, the United Kingdom, the Netherlands, Italy and Poland which together account for more than 70% of the EU production.

• The days of the unpopular EU milk quota system are numbered. It was set up in 1984 to limit the amount of milk individual formers can sell to ensure national production is kept below quota.

• The EU has decided in the 2009 ‘Health Check’ reform that national quotas shall be increased by 1% every year, so that their value is slowly eroded. This shall prepare a soft landing in 2015 when the quotas expire and production is liberalized.
PROS and CONS

• Quotas distort markets
National quotas distort production across the EU. Some MS could competitively produce more milk than their quotas allow – notably Italy and Austria. Others are encouraged by their quota rights to produce a greater share of the EU’s total milk production than they would under free market conditions. So individual quotas for farmers distort competition within the member states. Less competitive farmers who own quota rights produce too much, while more efficient producers are restrained.

• Quotas are costly to administer
Governments need to register and compare quota rights and actual production for each farmer. Contributions are collected from farmers in advance to cover a potential national penalty.

• Quotas are unfair

• Without quotas, farmers will be free to expand and increase their milk production.

• The absence of supply management tools in the new regime could result in a massive oversupply of milk within the EU and provoke a collapse in prices.

• Some concerns are voiced with regard to rural areas and mountain areas in which milk production is playing a central role.

• In most of the new MS in Eastern Europe, milk collection remains very uncertain. It has fallen since 2005 and depends mainly on large herds in Hungary, the Czech Republic and Slovakia. Collection has also fallen in Bulgaria and Romania.

• Depopulation of these areas

• Unbalanced development of rural areas in different MS

• Pillar II of the new CAP is not enough

• The four measures in the milk package are insufficient
WHAT FOLLOWS

• The evolution of milk production after quota abolition depends on various factors: the evolution on the national and international milk markets including milk prices but also the shape of the CAP after 2013, production costs, environmental obligations, alternatives in terms of job and production, etc.

• According to the econometric model used in DG Agriculture to produce medium and long term prospects, EU milk production is projected to continue increasing at a moderate growth rate but to remain below the potential growth rate provided by the phasing-out of the milk quota regime. EU milk production is projected to register a cumulative increase of about 8% from 2009 to 2022, while milk delivered to dairies would increase by around 10%. By the last quota year (2014-15), EU milk deliveries are projected to be some 6% below quota. The expiry of the milk quota regime is projected to have a limited impact on milk deliveries at the aggregate EU level.

• The Commission has launched last summer a call for tender to obtain a prospective analysis on the most likely evolution of the sector based on the viewpoints of a number of independent experts in the future context without quotas. The study, which is expected to be finalised by the summer 2013, will address the following two themes in particular:
  a) Market balance and competitiveness
  b) Sustainable milk production including its territorial dimension.
Recommendations

• Urgent **Studies and Monitoring Observatory** of the Milk Prices
• Overcoming the **Imbalances within the Milk Chain**
• To develop **“European Milk” promotion strategies** based on the high quality of European Milk and dairy products and their health benefits. Better banding and support for European marketing campaigns across the globe.
• Elaboration of **EU Dairy Products Export Strategy**
• Need for a **clear risk management system for the dairy sector**. This could involve use of insurance schemes, supported by the EU.
• **Private intervention** can be used as a crisis management measure for a short period of time and on a local level when milk prices are going down. This system shall be carried by the producers and the dairies and shall be managed as a banking account. If the milk price on the dairy’s market is going down, the dairy can stock a reserve. This reserve shall be sold after a short period. It will be sold either on a local market or on a market where milk is lacking.
• **“Mountain product” mark** could be an useful tool for giving the milk sector regional identities
• Elaboration of **rural and milk development project** for mountain areas, for disadvantaged milk production areas and for Member States where most of the milk is produced by very small farms
THANK YOU!

Dilyana Slavova
NAT President