



**EUCOLAIT comments on the recommendations of the High Level Experts Group on Milk:**

**“No surprises”**

Like other stakeholders the EU dairy trade is very much interested in the discussions organized by the European Commission in the High Level Experts Group on Milk (HLG) concerning the midterm and long term arrangements in the dairy sector. EUCOLAIT participated in several HLG meetings and our assessments of the discussions there have been sent already to the Commission. The establishment of the HLG also underlines the importance the Commission attaches to the dairy sector. Following the official presentation of the final report on June 15<sup>th</sup> 2010, in summary EUCOLAIT would like to give the following reaction.

*Market measures and futures*

EUCOLAIT appreciates that following the serious crisis in 2008/ 2009 in dairy markets, the Commission acted swiftly with the well known market management measures. Intervention was underlined by nearly everyone in the HLG discussions as an essential instrument. EUCOLAIT repeatedly underlined the need for intervention as a tool providing greater stability. With clear set intervention prices and active market management the Commission could stabilize prices. In this way intervention policy could be turned into a buffer stock policy.

EUCOLAIT took note of the intention of the HLG to stimulate the use of futures markets with “targeted training programmes”. EUCOLAIT would like to underline that futures in general do not contribute to stability in markets. They can provide a useful role however in individual cases as risk management tool. Improved and timely statistical information will contribute to the functioning of this instrument. Here is more a role to play for governments.

*Contractual relations*

It was stated several times during the HLG conference that the milk price paid much depends on the prices at the commodity market. There is no single proof that the lack of sound contracts has led to problems. The dairy industry/ trade repeatedly have given arguments to the contrary. Again, the low prices for producers were a European and even a worldwide phenomenon. Finally the market determines what price can be paid and not the type of contractual relation. In the HLEG representatives of major EU dairy processors give also evidence of this. Therefore further guidance from Brussels as advised by the HLG, in particular in a legislative format, relating to contracts is not needed.

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### *Producer organizations/ inter branch organizations*

With reference to Producer Organizations we saw no further evidence during the HLG discussions that they might perform a solution in the dairy sector. The potential for producer organizations to increase producer prices is inexistent. Arguments to the contrary were not given. There is therefore no need to change present competition law to further stimulate producer organizations. The same is in fact true for the so called "inter professional organizations".

### *Transparency*

The HLG invites the Commission to elaborate further the European Food Price Monitoring Tool referring to the need for greater market transparency. According to EUCOLAIT this should inhibit in particular the need for timely and correct statistical information like production, consumption, storage, imports and exports. When the HLG recommendations would lead only to monitoring of prices and/or margins in the chain, this will be turn out to be detrimental and might even lead to lower prices.

### *Marketing standards and origin labeling*

In the conclusions of the HLG hardly reference is made concerning the need to maintain the current marketing standards in the dairy sector. EUCOLAIT underlines that marketing standards have contributed to the production and trade of uniform quality products.

On place of farming the recommendations of the HLG inhabit an invitation to the Commission to bring forward proposals if justified. EUCOLAIT repeatedly argued against the mandatory place of farming labeling as being not a condition for quality as such and leading to serious infringements to the internal market principles.

### ***In conclusion***

**The final version of the HLG report does not provide major surprises. It would nevertheless have been better to acknowledge the need for current, proven common market organization tools. The few new measures mentioned (Producer organizations, contracts, origin labeling, relaxation of competition rules) will not contribute to the well functioning of the internal market.**

EUCOLAIT: EU DAIRY TRADE ASSOCIATION

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