



## EUCOLAIT conference paper: “What future for milk”

26 March 2010

EUCOLAIT, the European Association of Dairy Trade has always pleaded for an environment in which market forces determine as much as possible commercial decisions. Trade without hindrances within the EU single market and between the EU and the world market, are at the heart of the work of this organisation. For trade, the availability of enough dairy products at competitive prices and the required quality is also of utmost importance. Therefore we have also to keep a vital primary sector whereby reasonable prices have to be paid for farmer’s milk.

### **The medium to long term perspective: the need for new instruments (HLEG questions)**

- *Contractual relations between milk producers and dairies to better balance supply and demand on the dairy market*

First the environment should become more predictable and stable with the help of market instruments. Parties are then likely to go into longer standing agreements which would be more manageable.

- *What can be done to strengthen the bargaining power of milk producers?*

The best guarantee for the well functioning of the internal EU dairy market is that the Commission maintains and executes its role as responsible overseer to guarantee the right environment. If Brussels does not fulfill this role national initiatives will take over. Inter-professional organisations can lead to infringement of the free market principles. Prices should preferably be determined by sound market forces and not set by cartels.

- *Transparency for the benefit of milk producers, dairy industry and consumers*

Generic information on for instance production, storage, consumption, exports and imports are among the basic data operators in the market will need to manage their business. Apart from a wide area of information operators also are lacking timely information. In this respect, the EU could learn something from the situation in the United States where a whole range of relevant statistical information is available.

#### **EUCOLAIT aisbl**

Avenue de Roodebeek 44 - B-1030 Brussels - Belgium  
Tel. : 32 (0)2 230 44 48 - Fax : 32 (0)2 230 40 44  
dairy.trade@eucolait.be - www.eucolait.be

BNP Paribas Fortis Bank : 210-0751020-01 - Avenue des Arts 45 - B-1040 Brussels IBAN : BE43 2100 7510 2001 SWIFT : GEBA BE BB

- *Are the existing market instruments appropriate?*

EUCOLAIT insists in particular on an active approach for intervention as an emergency/stabilization measure. Eventually the present intervention policy should be turned into a buffer stock policy. Fundamental for this approach is the buffer stock operator (the Commission) acts timely when unwanted situations occur. Also a minimum amount of product in store will be needed at all time. Private storage should also be maintained to offset seasonal disturbances.

The level of the safety can also be subject for discussion. Moderate higher intervention prices will not immediate lead to extra production. Point of departure for EUCOLAIT is that when an adaption is executed, it should not harm our competitive position.

The import regime should be manageable and predictable: specific tariffs are needed and import should be handled with import certificates subscription (status quo). Export refunds as a tool proved to be useful but possible application depends on how far the EU limits herself under the WTO. At the moment there is no need to mention any end date.

- *A possible futures market in dairy*

Futures might in individual cases constitute a risk management tool. In general however futures do not contribute to stability for the market as a whole. Furthermore it will take years before this instrument is fully operational to play its desired role.

- *Marketing standards for dairy products*

The current marketing standards for milk and dairy products have proven to work well and should consequently be maintained.

- *Origin and place of farming*

The indication of the place of farming and/or country of origin should remain voluntary in the future. Mandatory origin labelling is contrary to the spirit of the single market and the principle of free movement of goods. EUCOLAIT is particularly opposed to so-called place of farming labelling which requires the indication of the place of provenance of primary products or ingredients. Especially the obligation to label the provenance of individual ingredients of a multi-ingredient food would cause severe operational difficulties and substantially increase administrative burden. It is the responsibility of food business operators to respond to possible consumer demands. Origin labelling should preferably be dealt with separately in each sector. A horizontal solution in the context of the food information proposal would make it harder to take into account particularities of the nevertheless very different product categories falling under the scope of the provision.

Further Information : Wim Kloosterboer +32 2 2304448 ; wkloosterboer@eucolait.be

EUCOLAIT EU Dairy Trade Association; March 2010.