

Common organisation of the market in milk and milk products

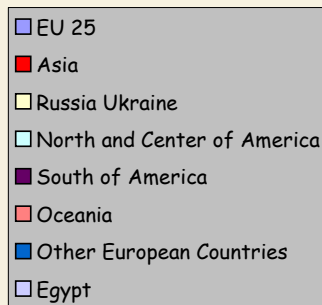
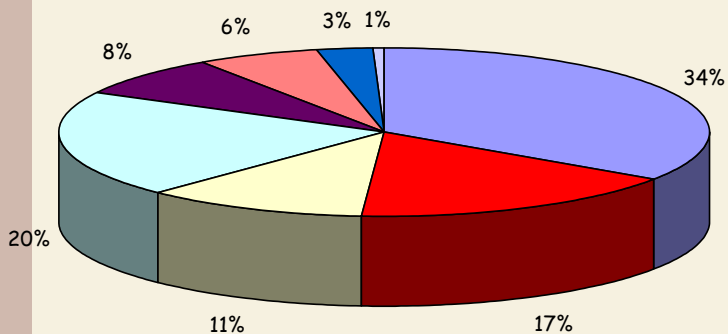
***Regulation (EC) N° 1255/1999
amended by regulation (EC) n° 1787/2003***



Position of milk sector for EU 25

Main Production Area

(in % share of the milk cow production 2004 in the world)



Main EU agricultural products

(% share of production by value-2002)

	%	EU 15	EU 1
cereals		13,6	17,7
milk		14	15
cattle		9,9	4,2
Pigs		8,3	17,1
sheeps&goats		2,4	0,3
eggs&poultry		5,8	11
fresh fruit and vegetables		14,4	11,2
other		31,6	23,5

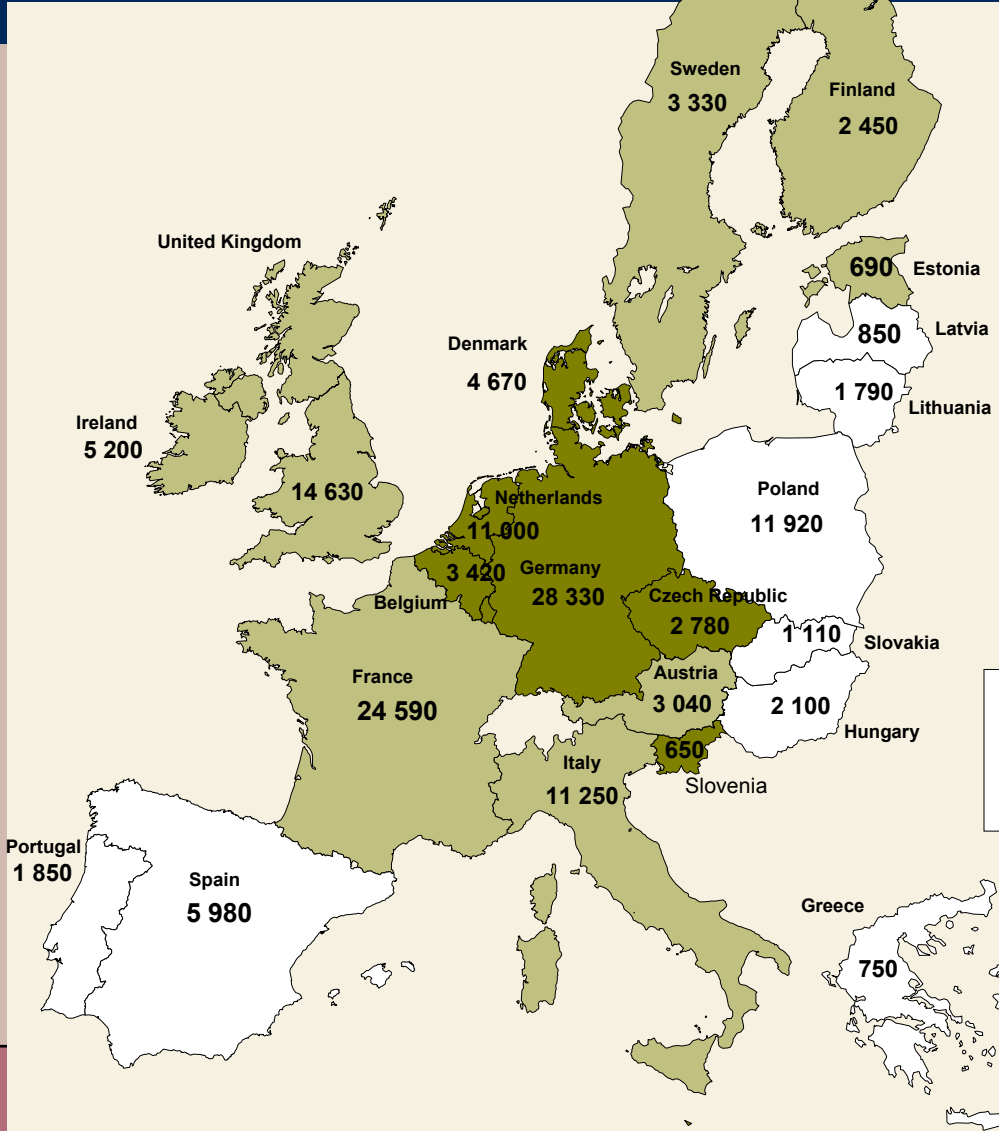


EU-25 Milk Production

(in mio Tonnes)

Milk productions (mio tonnes)	EU-15	10 new Member states	TOTAL
Quota	119.0	16.4(*)	135.4
Own consumption	3.0	6.7	9.7
TOTAL	122.0	23.1	145.1

(*) Total quota 2006: 18.9.

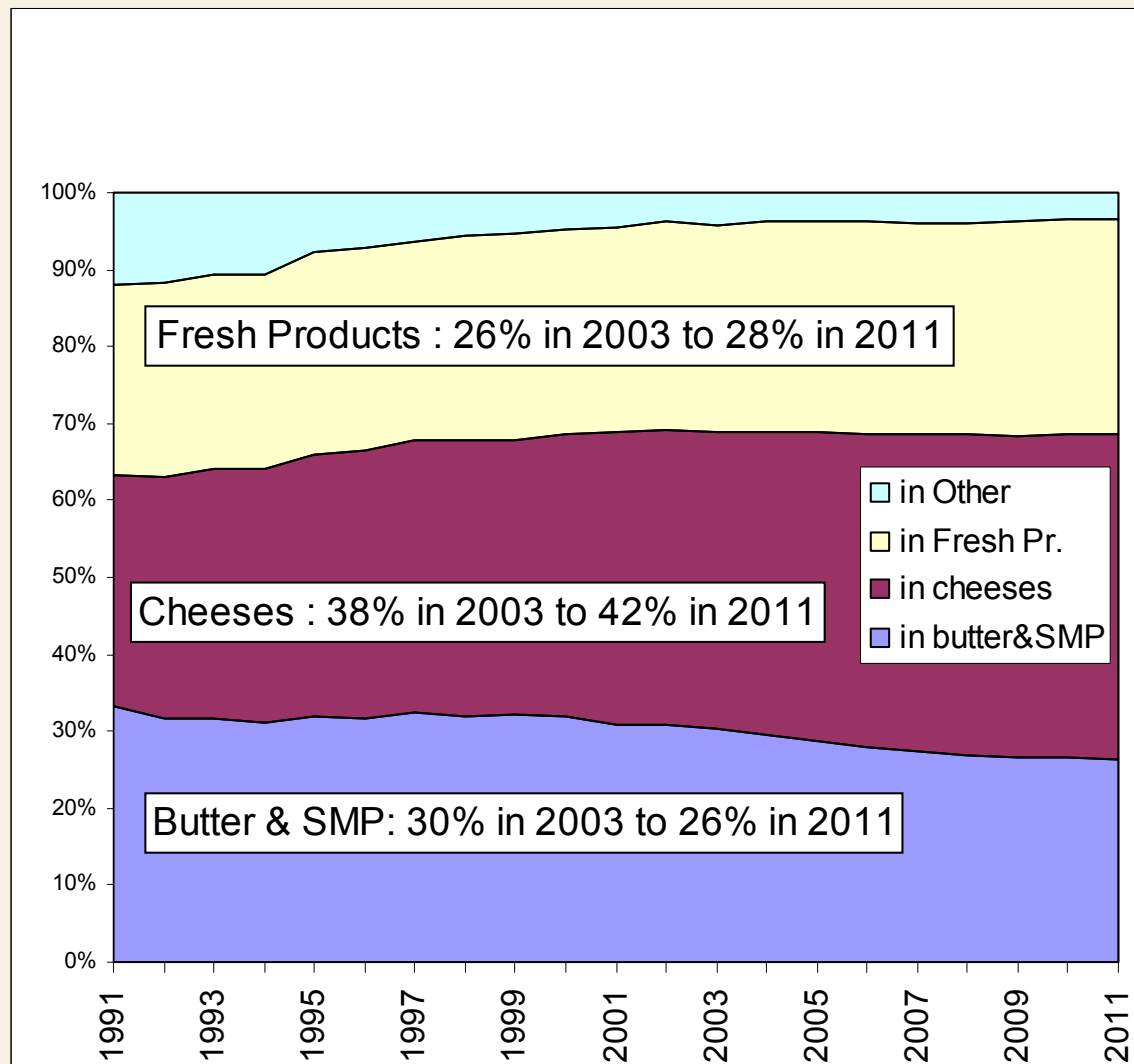


EU-25 Milk production per km²
(in 000 Tonnes per km²)

- 13.4 to 55.7 (8)
- 7 to 13.4 (8)
- 1.9 to 7 (8)



EU 15 – Milk used in main dairy products



- Average milk production per farm/number of cows
 - EU 15: 238 t/farm ; 6 480 kg/ cows
 - EU 10: 19 t/farm ; 4 690 kg/ cows
- Of EU production: 14% drinking milk; 13% yoghurt and other fresh; 40% cheeses; 28%butter/SMP
- Total production World: 512 700 000 t (cow milk)
Traded at World market: 44 000 000 t
- EU share of world market down from 35% in 1995 to 25% in 2004.
- Of Community production:
 - 9% exported with refunds
 - 10% sold at internal market with aid
 - ♦ butter in pastry icecream
 - ♦ SMP in animal feed



CMO for milk and milk products: main purposes

R. 1255/1999 amending by *R. 1787/2003*

- The key point is the **price regime**: In fact there are **two institutionnal prices (IP)**

- **Intervention price for butter**

Since 1st July 2005: 282,44 Euro/100 kg

- **Intervention price for Skimmed –milk powder**

Since 1st July 2005: 184,97 Euro/100 kg

Due to the last 2003 reform, a decrease of IP is planned from 2004 until 2007(butter) on 2006 (SMP)

- **A direct payment to producers has been introduced since 2004 (see next slide)**

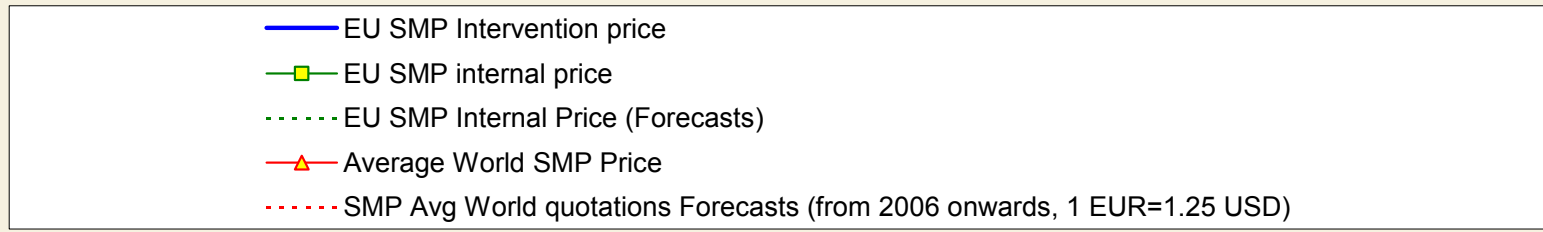
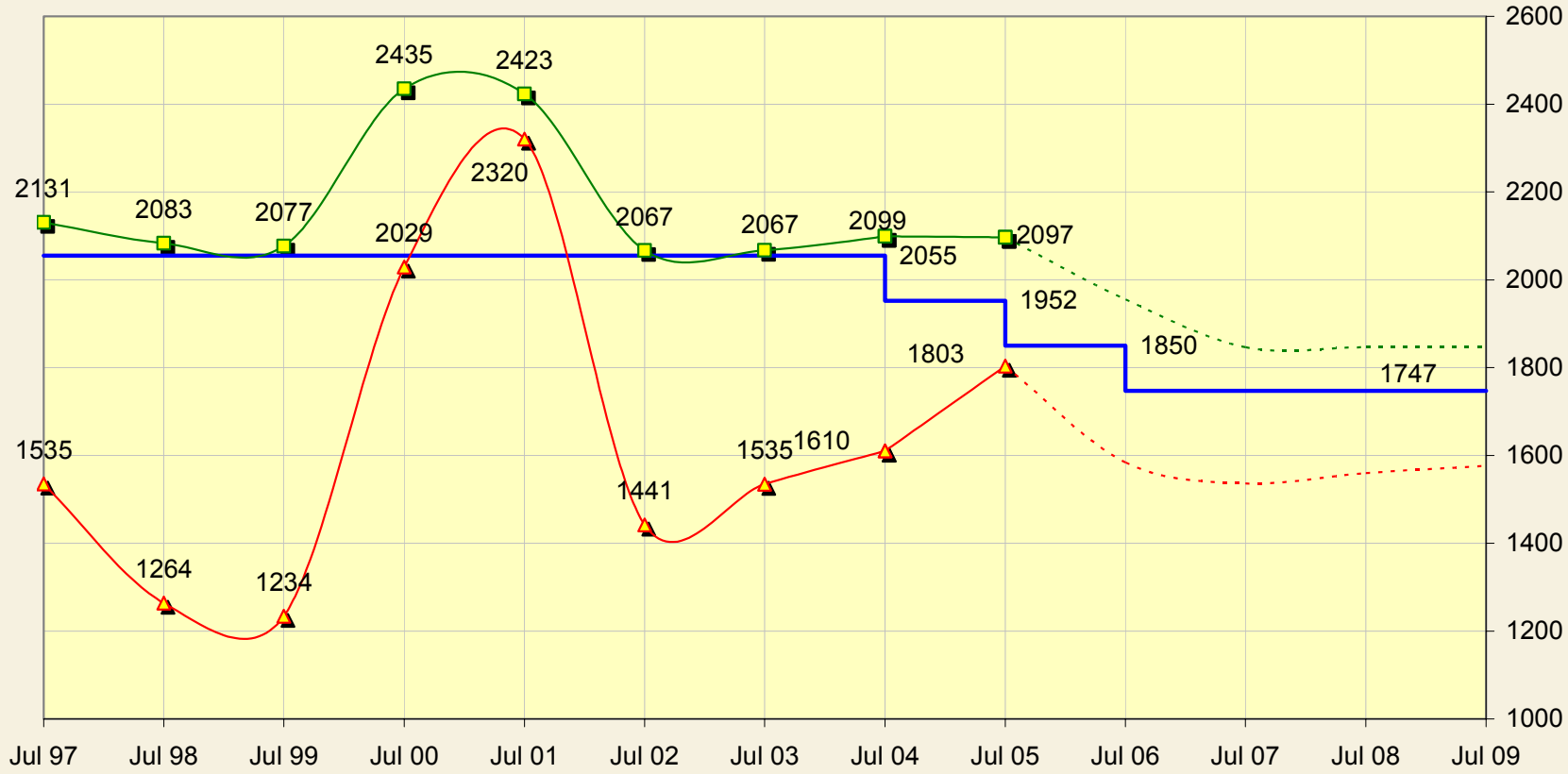


Reform 2003: schedule for price reduction and compensation (direct payments)

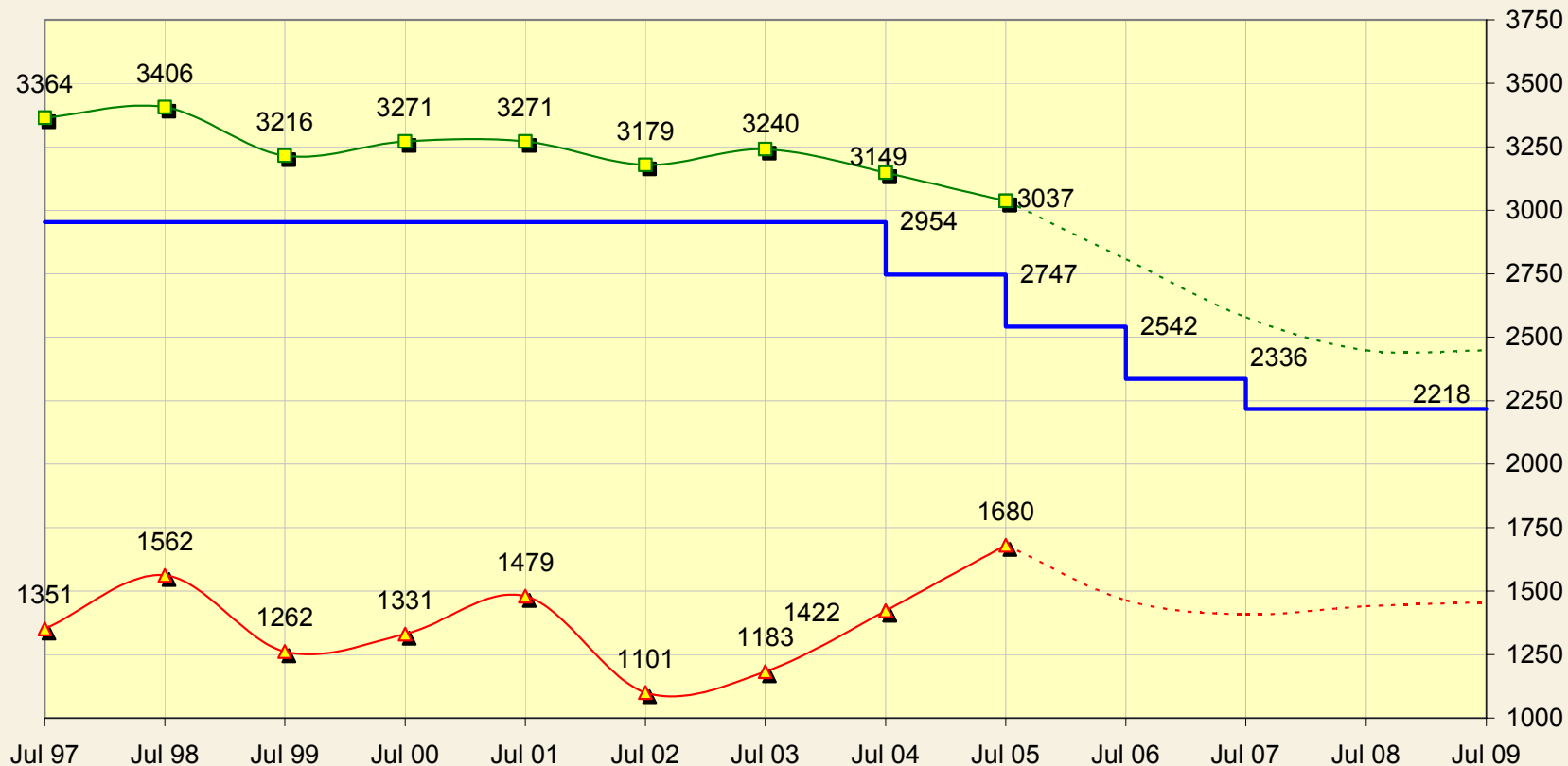
	Current Situation	1-juil-2004	1-juil-2005	1-juil-2006	1-juil-2007	1-juil-2008
. Butter €/100kg (3 * 7% - 1 * 4%)	328,20	305,23	282,44	259,52	246,39	246,39
. SMP €/100kg (3 * 5%)	205,52	195,24	184,97	174,69	174,69	174,69
. Support price (milk 3.7%) in €/100kg	27,27	25,45	23,65	21,84	21,32	21,32
<i>Milk levy (115 % virtual target price)</i>	35,64	33,265	30,906	28,539	27,834	27,83
<i>School milk aid (75 % virtual target price)</i>	23,24	21,69	20,16	18,61	18,15	18,15
Compensation (Dairy premium (€/Tonne))		8,15	16,31	24,49	24,49	24,49
Compensation (Addl' payment (€/Tonne))		3,66	7,34	11,01	11,01	11,01
Compensation (TOTAL) (€/Tonne)		11,81	23,65	35,50	35,50	35,50
Compensation (+) (%)		65,1%	65,4%	65,4%	59,6%	59,6%



SMP Intervention and market prices in EURO/tonne



Butter Intervention and market prices in EURO/tonne



Basic elements of COM Dairy

- **INTERVENTION on the internal Market (EU 25)**

1. **Public Intervention** for butter and skimmed milk powder
2. **Private storage** for butter, skimmed milk powder (never applied) and certain cheeses
3. **Internal disposal** for butter and skimmed milk powder, Schoolmilk

- **TRADE with third countries**

1. **Import protection** (tariffs, TRQ's..)
2. **Export refunds**

- **MILK QUOTAS**

In order to balance supply and demand.(Reg 1788/2003)



Public Intervention - generalities

- n Approved dairies are subject to regular controls and must keep specific records
- n National intervention agencies are responsible for purchase operations and storage of the products
- n Sales of intervention products governed by Community rules (at price fixed by tender, for all/restricted uses)



Public Intervention of butter (Art. 6 of reg 1255/99)

- n Butter offered for intervention has to fulfil certain strict criteria (physical, chemical, organoleptic, packaging, age...)

Produced directly and exclusively from cream in an approved dairy and not older than 21 days

- n Intervention is possible between 1 March and 31 August. It opens when during two consecutive weeks in a member state or a region the price of butter is lower than 92% of the intervention price.

- n Intervention access limited to a ceiling: maximum 60 000 t declining to 30 000 t from 2008

Above ceiling, possible tender for additional buying-in, decision Commission.

- n Intervention price is now 282,44 euro/100 kg and will decrease to 246.39 euro/100 kg from July 2007



Public Intervention for Skimmed milk powder (Art.7 of reg 1255/1999)

- n SMP offered for intervention has to fulfil certain strict criteria (physical, chemical, organoleptic, packaging, age...)
 - n Age: < 1 month/ max.water content: 3,5 %
 - n If protein content
 - n > 35.6 % at 100 % of Intervention Price
 - n 31.4 % <protein<35.6 % at reduced prices
 - n Intervention is open between 1 March and 31 August.
 - n Intervention access limited to a ceiling: maximum 109 000 t at buying-in price = full intervention price
- Above ceiling, possible tender for additional buying-in, decision Commission.
- n Intervention price is now 184,97 euro/100 kg and will decrease to 174,69 euro/100 kg from July 2006



Private storage for butter (Art. 6 of reg 1255/99)

- n Butter with a contract for private storage has to fulfil certain strict criteria (physical, chemical, organoleptic, packaging, age...) Age of the butter: 28 days max
- n Butter owns to Traders or dairies companies, but storage is under control of intervention agency
- n Period for conclusion of contract decided each according to market conditions. The start can vary from 1 March until 15 April. Butter can be released **after 16 August**;
- n Min.storage period: 90 days/ Max. period for which aid is paid: 210 days.
- n The aid is based on fixed costs (17,92 euro/100 kg), daily costs (0,33 euro/100 kg) and financial costs (2,25% interest) and a compensation for price decrease 102,60/100 kg euros for maximum of 110.000 tonnes.
- n In 2005 137.000 tonnes was stored under this scheme (app. 7% of community production)



- n **pastry and ice-cream scheme**: support for butter, concentrated butter and cream used in a variety of food products (ice cream and bakery products).
- n The support level is app. 40 euro/100 kg (with a butter price of 272 euro/100 kg) and it compensates the price difference between plant oils used in food manufacturing
- n **App. 500.000 tonnes are supported every year. This represents 25% of total butter production in the EU**
- n Other regulations: support for concentrated butter for direct consumption “cooking butter” and butter for non profit making organisations



Internal disposal of skimmed milk (Art. 11 and 12 of reg 1255/99)

- n Support to include SMP powder (or buttermilk powder) in animal feeding stuff. Mainly used for calf feeding.
- n Support is 30 euro/100 kg. with a price of 198 euro/100 kg for SMP
- n 400.000 tonnes are used in this scheme
- n Support to process skimmed milk into caseins and caseinates.
- n In 2004 5,9 million tonnes of skimmed milk was aided for the production of caseins and caseinates



School milk

- n Aid is paid for certain milk products(1) consumed by children for all schools days
- n Aid is paid for 0.25 litre/pupil/day
- n Aid is paid to school, supplier or local authority responsible for the school or organisation acting on behalf of school
- n Obligatory scheme (if schools apply for it) for primary schools, in others cases (secondary schools) it is optional

(1) Whole milk, Semi-skimmed milk, milk, yoghurt, fresh and processed cheeses and others cheeses.



Imports -general

n **An import licence is required to import milk products into the Union from third countries (exception: very small quantities)**

n **Validity of the licence:
month of issuing + 3 months**

n **Special import regimes are monitored either by the Commission or through use of the IMA 1 document**



Imports - special regimes

- n **Tariff quotas for specific countries (WTO current access)**
- n **Tariff quotas open to all countries (WTO minimum access)**
- n **Tariff quotas resulting from bilateral agreements (Norway/Turkey/ACP's,...)**
- n **Preferential regimes (without quota)**



Export regime (I)

- n **An export licence is required when a refund is requested (except for very small exports)**
- n **Validity of the export licence depends on the type of product (between 2 and 6 months following the month of issuing, 8 months in the case of tenders)**
- n **A security must be lodged to ensure proper use of the certificate**



Export regime (II)

- n **Compliance with WTO restrictions on subsidized exports through follow up of requests for export licences**
- n **Measures to ensure compliance with WTO limits: refusal of delivery of certificate, suspension of requests, refund reduction, application of coefficient to reduce licence volume delivered**



WTO Export commitments

Période	Catégories GATT							
	beurre et butteroil (1)		poudre de lait écrémé		fromages		autres produits laitiers	
	millions d'écus	1 000 tonnes	millions d'écus	1 000 tonnes	millions d'écus	1 000 tonnes	millions d'écus	1 000 tonnes
1995/96	1.392,1	487,8	406,2	335,0	594,1	426,5	1.024,7	1.185,0
1996/97	1.303,3	470,1	380,1	322,5	543,6	405,4	959,3	1.140,0
1997/98	1.214,4	452,4	354,0	310,0	493,1	384,4	893,9	1.094,0
1998/99	1.125,6	434,7	328,0	297,5	442,6	363,3	828,5	1.049,0
1999/2000	1.036,7	417,0	301,9	285,0	392,1	342,3	763,1	1.003,0
2000/2001 an onwards	947,8	399,3	275,8	272,5	341,7	321,3	697,7	958,0
(1) équivalent beurre								



Export regime (III)

- n Export refunds fixed for a four weeks period
- n Refunds can be differentiated according to the destination or packaging of the products
- n For cheeses, certain requirements on min. fat and max. water content apply
- n Specific rules apply for certain import quotas in third countries
- n Difference between world market and EU price
 - ô Butter: 40-50%
 - ô SMP: 10-15%
 - ô WMP: 20-30%
 - ô Cheeses: 25-30%



Rules on the production and marketing of milk products

- n **Drinking milk categories and composition (whole, semi-skimmed, skimmed milk)**
- n **Protection of milk designations (not “soya milk”, “vegetable butter” ...)**
- n **Classification of spreadable fats**
- n **Use of casein for the manufacture of cheese:
(required authorisation if used for technical reason:
processed cheeses, up to 5 %)**

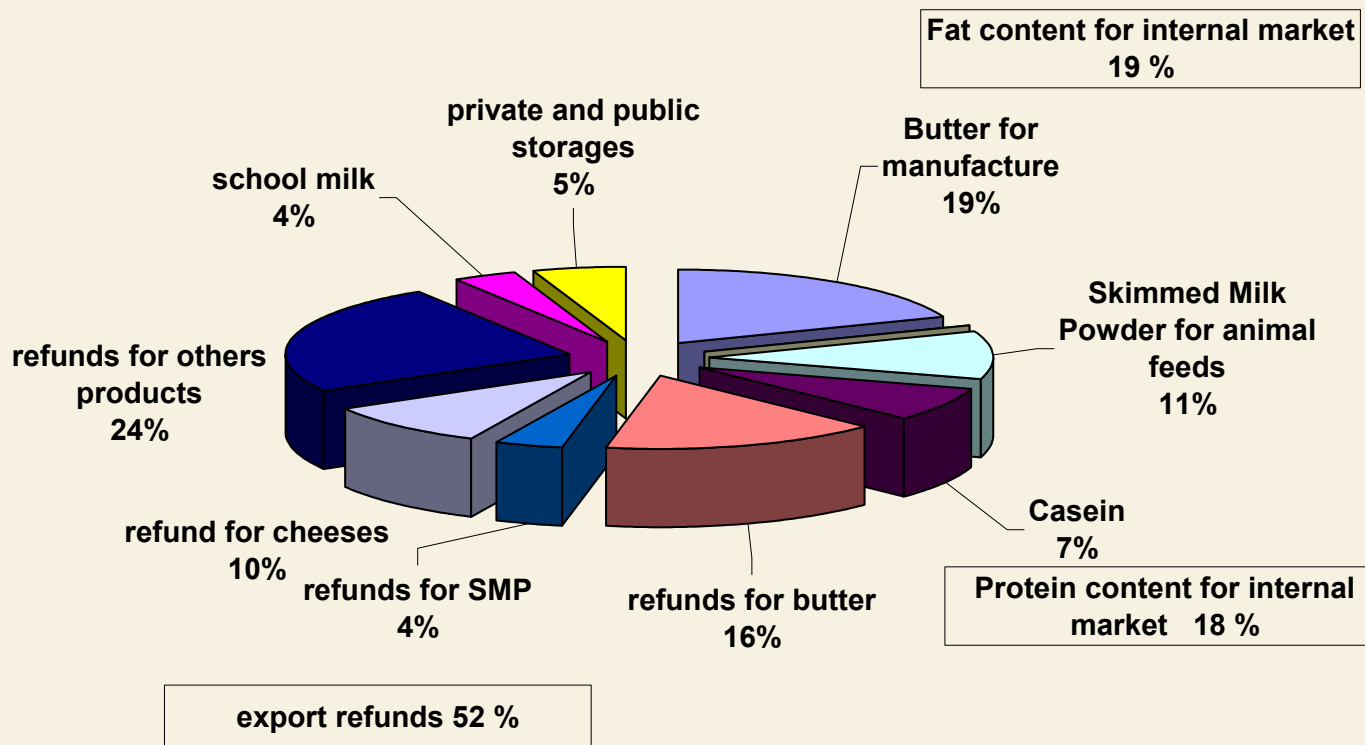


Drinking milk regulation

- n **Four categories: raw milk / whole milk (with natural fat content or with 3.5% fat) / semi-skimmed milk (1.5-1.8%fat) / skimmed milk ($\leq 0.5\%$ fat)**
- n **Minimum protein content: 2.9% (m/m)**
- n **Protein standardization not allowed**
- n **Specialcategories:lactose-reduced, vitamin/protein/mineral enriched milks**



EAGGF 2003



Year 2003/2004 (1 July – 30 June = WTO year)

Internal disposal 10% milk equivalent; external disposal 9% milk equivalent.

	2002/2003 (tonnes)	2003/2004 (tonnes)	Realisation 2004 (moi Euros)
<u>Internal disposal</u>			
- Butter disposal (Pastry/Icecream + Others)	480 868	519 614	402
- Butter intervention	69 527	33 374	-18
- Butter private storage	176 434	165 416	25
- SMP animal feed	444 509	414 235	239
- SMP intervention	102 799	46 992	-11
- Casein/Caseinates	4 814 506	5 622 308	352
- School milk	350 000	400 000	67
			1 495
			(total exports)
- Butter/buteroil (WTO limit: 399300)	291 863	353 182	572
- SMP (WTO limit: 272500)	220 215	256 992	131
- Cheese (WTO limit: 321300)	316 891	320 742	251
- Other (Total WTO limit: 958100)	832 945	853 707	
. WMP	481 924	569 089	542
. Condensed	254 593	185 601	
- Non Annex 1 (2nd processing)			204

