



# What future for milk in the EU ?



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Copa-Cogeca has long maintained its firm policy line. Forming the corner stone of this are three guiding principles: **stability, balance and predictability** in the EU dairy sector.

Copa-Cogeca supports both an improvement of the EU dairy sector's **competitiveness** and additional **market orientation**, provided that the market functions correctly and is beneficial for all involved. The entrepreneurial role of dairy farmers should also be recognised. Copa-Cogeca has been calling for measures allowing the **better organisation of producers** and dairy structures for many years.

In addition to fulfilling the goals set in the EC Treaty, the ultimate goal of the EU dairy policy must be to maintain and increase the **income of the 1 million milk producers** who require a remunerative market which secures their considerable long-term investments, offers prospects for the future and encourages young dairy farmers to set-up business.

This is of strategic importance to EU citizens, as it will also ensure that the production of milk and dairy products is sustainable, throughout Europe (including specific vulnerable regions) and continues to fulfil its multifunctional role through EU policies.

The future CAP and EU dairy policy must remain common policies, thus reinforcing the internal market. The EU dairy policy also needs to reflect how diverse milk production systems and conditions are across Europe. In addition to this, the EU dairy sector as a whole must remain competitive internationally.

## The fundamentals of the Copa-Cogeca dairy policy

A degree of EU involvement will continue to be crucial in order to respect the three guiding principles and in order to achieve a stable and satisfactory income for milk producers, thus preventing/fighting the effects of extreme volatility on the dairy market.

Copa-Cogeca calls for a dairy market Community regulation, which would itself be based on **EU market measures** and **robust collective bargaining provisions** set into a **framework of flanking measures**.

### EU market measures as safety nets

- Balance on the internal EU market must be preserved. Existing market instruments should remain in place and should be improved so they serve as real safety nets in order to set inter alia a floor price to secure the income of milk producers (e.g. public intervention, private storage and emergency measures).
- EU policy makers must always bear in mind that the EU is not disconnected from the world market, where it is still a major player. Dairy export incentives should continue to be part of the future EU dairy policy.
- EU market access policy must continue to be proficient at keeping the intervention floor price effective. The market access policy must reflect the EU's high product and production standards and must contribute to the competitiveness of EU dairy farmers.

# New elements of the EU dairy policy

## Strengthening the bargaining power of milk producers

In concrete terms, Copa-Cogeca fully supports and calls for:

- An enhanced **concentration of milk supply** through recognised producer-owned organisations, in particular dairy cooperatives, and their associations (including cross-border mergers), operating on a voluntary basis. This would ultimately strengthen farmers' bargaining power and stimulate competitiveness and rationalisation.
- A clear community framework for **collective bargaining in the milk sector**. Recognised producer-owned organisations and their associations should be able to **jointly plan and market** their production and **negotiate** the conditions for its delivery and payment, including contractual terms with purchasers (milk processors, retailers). These producer-owned organisations should be able to negotiate and manage production (capacity and volumes) and prices within their organisations in order to fulfil the EC Treaty objective of market stabilisation.
- Development and promotion of **tools and measures** which would make the concentration of supply and collective bargaining truly effective, such as:
  - a. framework community legislation to avoid unfair contractual practices and EU guidance on contractual arrangements for raw milk intended for processing. This would take the form of an **EU guide to best contractual practices** in milk production applicable to both individual and collective formalised (written) contracts. The guide would specify a set of minimum obligatory conditions, which would be deemed necessary for a balanced relationship between raw milk sellers and purchasers using contracts. For example, a clear indication of the parties involved in the contract, minimum contract duration, milk price indication, milk quantity and quality indications with sampling and testing of milk, obligation for milk collection, prohibition of retrospective price changes, dispute settlement etc. A certain degree of contract standardisation should be permitted if it is the result of collective bargaining.

- b. the creation, communication and exchange of reliable, independent, timely and fully transparent market information, reporting production and market indicators, including prices, to farmers and their cooperatives. The information would be based first and foremost on the extension of existing Community monitoring of the dairy market situation and forecasts.
- c. EU recognition of the role of inter-branch organisations in the dairy sector at all levels. These organisations should be allowed *inter alia* to conclude sector agreements and make recommendations on contractual arrangements between raw milk suppliers and purchasers (milk processors, retailers), while respecting the EU law.

## A framework of flanking measures including:

- crisis and risk management tools to cope with market volatility and other risks:
  - a. Copa-Cogeca believes that effective risk and crisis management tools need to be part of both private business strategies and the EU legal framework (e.g. insurance).
  - b. Copa-Cogeca would only see interest in developing futures markets in the EU dairy sector if certain conditions are met: if this business financial risk hedging tool is EU-wide; if it is supervised by European authorities; if it is available to dairy farmers or their organisations as well and if it covers liquid milk too. The discussion should also be extended to futures markets for dairy inputs. European authorities should give a clear signal and stimulus for the development of futures markets.
- measures to enhance the competitiveness of the sector (e.g. restructuring incentives and support, research and innovation).
- greater transparency and information for both producers and consumers on the market and dairy products (including distribution of profit margins and clear distinction of dairy substitute/imitation products), better promotion on the markets and better functioning of the milk and food supply chain.

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## Presentation of Copa and Cogeca : the voice of European farmers and their cooperatives

Copa (Committee of Professional Agricultural Organisations in the European Union) and Cogeca (General Confederation of Agricultural Cooperatives in the European Union) are the organisations which represent the vast majority dairy producers and their cooperatives in the European Union. These organisations represent 15 million people working either full-time or part-time on EU farm holdings and more than 40,000 cooperatives. They have 76 member organisations from the EU member states. Their aim is to defend the general interests of agriculture.

### Copa- Cogeca

61 Rue de Trèves  
1040 Brussels  
Belgium

Phone: +32 (0)2 287 27 11  
Fax: +32(0)2 287 27 00  
E-mail: [mail@copa-cogeca.eu](mailto:mail@copa-cogeca.eu)

The voice of European  
farmers  
and their cooperatives

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[www.copa-cogeca.eu](http://www.copa-cogeca.eu)