

Evaluation of CAP measures applied to the dairy sector

Evaluation carried out by LEI,
part of Wageningen UR,
in collaboration with partners



European Commission
Agriculture and
Rural Development



1 Introduction

The EU dairy market is regulated by the Common Market Organisation (CMO) for milk and milk products through the traditional instruments of the Common Agricultural Policy (CAP) (import duties, export refunds, and intervention stockholding for butter and skimmed milk powder). These measures are aimed at directly supporting dairy product prices, and hence indirectly the raw milk price and the incomes of dairy farmers. Alongside public intervention, the private sector's stockholding role has also been stimulated by measures including mandatory private storage aid for butter, and optional private storage aid for skimmed milk powder and cheese. Moreover, in order to stimulate final demand for dairy products, internal disposal aids for butter, cream and skim milk powder have been used.

The 2003 CAP reform

In 2003, new and revised CAP measures for the dairy sector were adopted. The most radical component was the switch of some income support out of market prices into a direct payment for milk producers, known as the dairy premium. The aim of this reform was to bring dairy policy into line with measures already adopted in other sectors to replace price support with direct income payments, with the aim of promoting a more market-oriented and competitive agriculture. The reform of the measures for dairy was part of a larger, more comprehensive set of policy changes introducing a Single Payment Scheme (SPS) of decoupled income support, which combined several pre-existing direct payments into a single farm payment (SFP). The dairy premium was scheduled to be incorporated into the SFP between 2005 and 2007. The decoupled SFP is intended to maintain income support levels whilst allowing farmers more freedom to respond to market demand.

The Member States that joined the EU after 2003 had the option of applying a simplified decoupled support scheme, the Single Area Payment Scheme. They also had the possibility of granting additional support to the approval by the Commission, in the form of complementary national direct payments (CNDP).

Objective and methodology

The objective of this retrospective evaluation is to analyse the economic and structural aspects of the EU dairy sector, and to assess the impacts of the CAP measures applied to this sector since the 2003 CAP reform. Therefore, the first policy changes to be evaluated are those enshrined in decisions legislated in 2003, or decided earlier but not implemented until after 2003. The evaluation period begins on 1 July 2004, when the first cuts to intervention prices were implemented and the phasing-in of the dairy premium began. In order to capture the impacts of implementing the 2003 CAP reform, data from the pre-2004 period are used to establish a reference point or period. Most of

the indicators on which the evaluation is based are reported up to 2009 or 2010, depending on data availability. Those based on farm accounting data from the EU-FADN data base extend up to 2007.

The study follows a standard evaluation methodology, encompassing four phases:

- Structuring: detailed planning of the study, identification of sources, theoretical analysis of the policy measures applicable to dairy and their impact on production, demand, markets, and trade; development of questionnaires for producers and processors, empirical analysis of the sector; identification of judgement criteria and indicators to answer the evaluation questions; define and create the evaluation tools for answering the evaluation questions. This phase is based on an elaboration of the *intervention logic*;
- Observing: data collection by means of exploiting existing data sets and primary data gathering; carry out case studies, interviews and surveys. This phase comprises two main components: (a) an extensive descriptive chapter, based on official data sources, presents data on the evolution of the EU dairy sector and dairy markets in their international and policy contexts; (b) 13 case studies in 10 Member States, supplementing the official statistics used to answer the evaluation questions with additional data and insights;

Limitations of the analysis

The period 2007-2009 was characterised by the severe disruption of internal EU markets, which originated in world commodity markets. The sharp spike in dairy prices dominated price movements and overshadowed any price impacts that may have been triggered by EU dairy policy changes. 'Noise' caused by exogenous factors that cannot be removed from the observations made in real time can cause the analysis to be inconclusive.

Regarding the twelve Member States that joined the EU since 2004, the evolution of their dairy sectors was strongly marked by their adjustment to the CAP and more generally their acceptance of the Single Market. It was often impossible to separate out the impacts of specific dairy policy changes from the more powerful trends set in motion by these accession processes.



- **Analysing:** based upon the data collected organisation of the analysis around the 11 evaluation questions raised by the European Commission. The analysis is based on empirical indicators. These indicators are defined with the intention of verifying the impacts of the policy changes under evaluation, as predicted by the intervention logic. Indicators are calculated at EU level, at Member State or regional level, or for the average (dairy) farm, according to the type of impact that is being investigated and subject to data availability.
- **Judging and recommending:** evidence-based conclusions regarding the performance of policy measures, both as a package and individually. Judgements are qualitative, based on the indicators and their interpretation. They are formally expressed as qualitative scores for each policy measure in relation to its target. The scores represent the consensus of the evaluation team and endorsed by other market experts. Formulation of recommendations are made based on lessons learned from the evaluation, relating achieved results to stated policy objectives.

As a preliminary step step to interpreting the empirical evaluation questions and defining the indicators for addressing them, an intervention logic was developed which links measures and their impacts to the specified objectives, and aims to identify the expected effects of changes in policy measures. Establishing the intervention logic is a challenging task in the context of dairy policy, with its on-going policy agenda, steady stream of legislation and interlinked policy changes. For the measures agreed in the 2003 reform package, we consider that (although some were not implemented for 2 or 3 years) enough time has elapsed to allow a full ex post evaluation of the intermediate impacts (i.e. short- to medium-term impacts) based on empirical indicators. The global impacts are assessed in terms of the trends set in motion by these changes and whether they are likely to continue in the desired direction towards fulfilling the global objectives in the coming period. For later policy changes (in particular those of the 2008 Health Check package), it was too soon to attempt the same kind of evidence-based analysis even of the intermediate impacts.

Policy objectives

The relevant legislation specifies the following policy objectives as the main guiding principles of the reforms that were evaluated:

- Improving market performance (market balance and market stability);
- Maintaining producer incomes;
- Enhancing the competitiveness and market orientation of the sector;
- Improving structures and facilitating structural change;
- Policy simplification;
- Promoting environmental standards and product quality.

Policy measures

The intervention logic related the policy measures to the specified objectives, and helps to identify the expected effects of changes in policy measures. The following new measures or changes in existing measures are covered:

- Milk quota system;
- Quota management;
- Direct payments to producers (dairy premium, additional payment for milk);
- Special payments by Member States (CNDP in New Member States);
- Decoupling of direct payments that were previously coupled to production;
- Price targeting;
- Public intervention measures for butter and skimmed milk powder;
- Private storage aids for butter and cheese;
- Consumption aids in the milk and milk products sector;
- Butter, concentrated butter and cream disposal scheme;
- Trade policy (export refunds, import duties, licence system and tariff rate quotas);
- Article 69 of Reg. (EC) No. 1782/2003;
- Cross compliance.

The school milk programme was not included among the measures under evaluation, as a separate evaluation study for this measure is foreseen.

Reading Guide

The following sections present for each topic some background and indicator information, the evaluation question, and selected main findings.

2 Milk production and farm structure

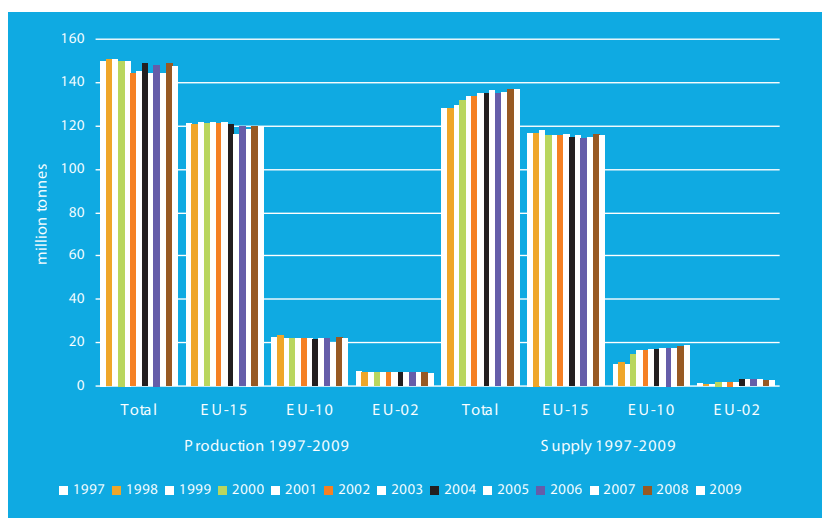


Figure 1: Milk production and supply in EU-15, EU-10 and EU-02, 1997-2009

Source: Eurostat

4

EU-15 milk supply peaked in 1999 (at just over 118 million tonnes), and was stable at 115-116 million tonnes over the next five years. Supply was below 115 million tonnes in 2006 and 2007. The question is whether this is a lagged reaction to the lower price level for milk already recorded in 2005 and persisting in 2006¹, or the combined effect of a short-run response to price plus longer-run adjustments (herd closures, etc.) due to decoupling of the dairy premium and uncertainty about the future of the quota scheme. A rigorous statistical analysis would be needed to determine the relative importance

of each of these policy-induced changes as drivers of this behaviour. However, in the absence of other explanations, we conclude that the lower EU-15 supply levels after 2003 and up to 2007 resulted from the package of policy measures implemented after 2003. Lower EU-15 supply during this period does not show up in the total supply for EU-27 because of an increase (+800 thousand tonnes) in EU-10 supply (Figure 1). The average herd size for specialist dairy farms grew faster after 2003 than before. For non-specialist dairy farms, it remained more or less constant (Table 1).

Table 1: Evolution of herd sizes (cows per farm) and their output for specialist and non-specialist dairy farms

	EU-15				EU-10			
	Herd size		% of total milk production		Herd size		% of total milk production	
	2000	2007	2000	2007	2004	2007	2004	2007
Specialist	41	51	83	87	18	18	54	56
Non-specialist	25	25	17	13	8	8	46	44

Source: Eurostat

The average herd size in 2007 in the EU-02 for specialist (share in production is 83%) and non-specialist dairy farms was 5 and 3, respectively.

Evaluation question:

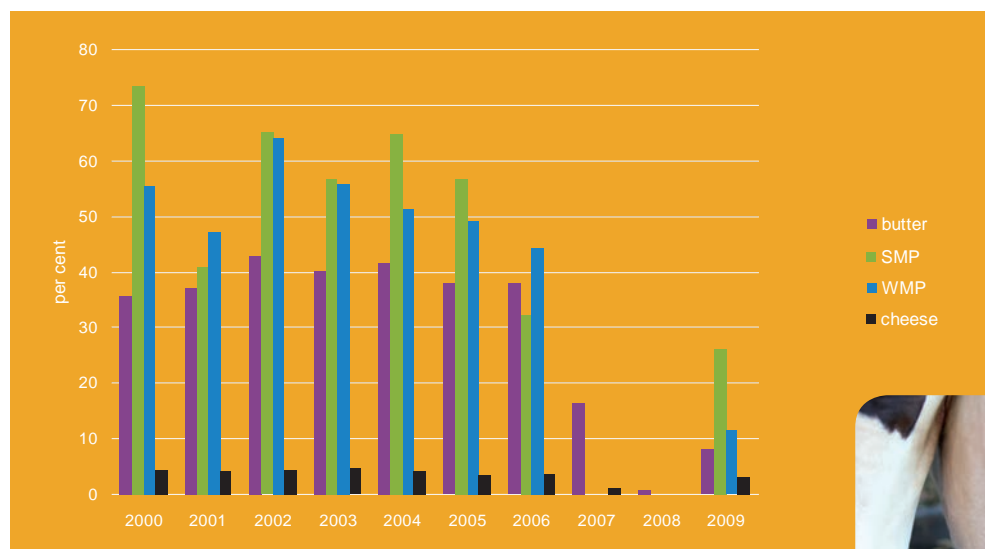
To what extent did the CAP measures applicable to the dairy sector contribute to balancing the supply and demand of milk and lead to production restructuring?

Main findings:

- Domestic supply became less determined by quota ceilings and more responsive to milk prices, with quota no longer always being filled for most Member States.
- Structural changes affecting the number of dairy cows and herds, the herd size distribution and extent of specialisation of farms in milk production continued, but they cannot directly be linked to specific CAP measures studied here.
- Higher national quota ceilings led to greater geographic mobility of productive capacity in some Member States.

3 Market balance

Figure 2: Structural excess supply as share (%) of total EU supply of butter, SMP, WMP and cheese, 2000-2009



Sources: DG AGRI (various years and unpublished); OECD-FAO (2011); own calculations

Figure 2 shows that the dairy products with the largest share of production classified as structural surplus were in every year (except 2007 and 2008) one or other of the milk powders. The structural excess supply of these two products also show more annual variation than that of butter and cheese. Structural excess supplies nearly disappeared for all products in 2007-2008. It is not possible to say whether the higher excess supplies observed in 2009 mark a return to the situation prior to 2007 or merely a temporary increase due to the depressed state of the EU milk sector in 2009.



Evaluation question:

To what extent did the CAP measures applicable to the dairy sector contribute to balancing supply and demand for milk products?

Main findings:

- Structural excess supply declined for the main dairy products after 2003.
- The main factor driving these falls was an increase in unsubsidised demand.
- Because of the absence of lower product prices (apart from weak evidence regarding butter), only a limited impact of the policy changes could be identified.

1 Although market price falls were 'compensated' by the milk premium (calculated as a function of quota currently held) and then the decoupled payment (unrelated to current milk production) in these years, these direct income payments did not depend on the amount of milk produced, which therefore reacted to the price signal alone.

4 Producer income

Evidence from EU-FADN indicates that the income of specialist dairy farms continued to follow previous trends and that the switch of some income support out of market price support into a decoupled payment did not perturb these trends. Figure 3 shows that farm net value-added is consistently higher on dairy farms than for agricultural holdings as a whole. Farm net value-added per annual work unit is also higher on FADN dairy farms despite the fact that dairying tends to be one of the more labour-intensive types of farming. The figures shown for just two years for the EU-27 appear to be strongly influenced by 'transition' behaviour in the two new entrant countries, which pull the results in a different direction from that shown by the EU-25 results. It is unwarranted to attribute the downward movement in the EU-27 figures between 2007 and 2008 to the dairy policy changes under evaluation here.

Figure 3: Farm net value-added and farm net value-added per annual work unit, all holdings and dairy holdings, 1997-2008

Source: EU FADN (series compiled from Agrista)

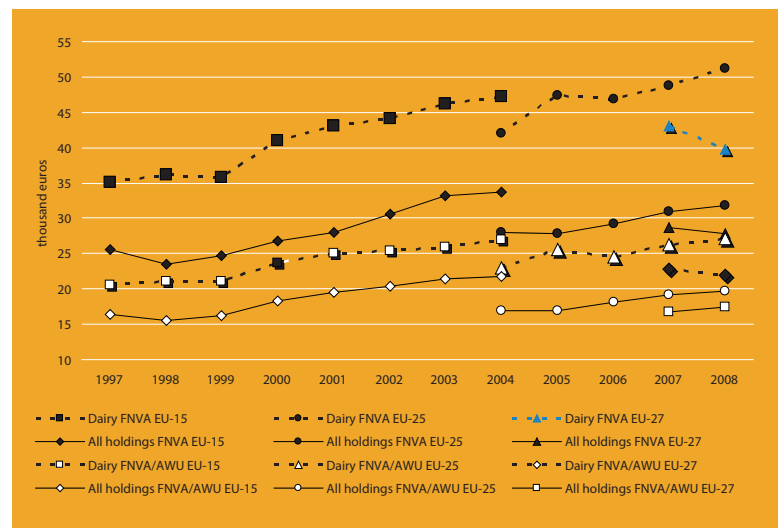
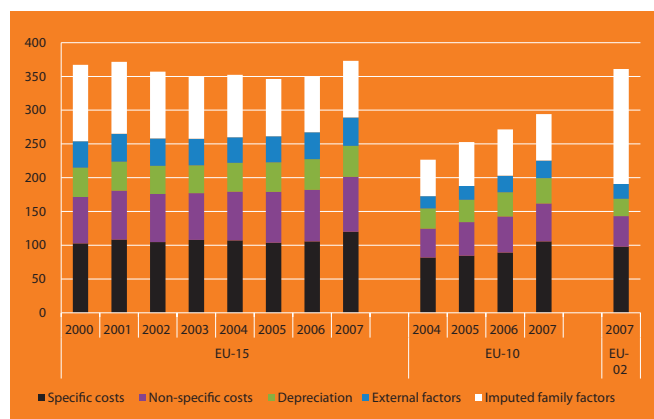


Figure 4: Decomposition of costs of milk production in the EU (€/t)



Source: EU FADN

Figure 4 below shows the composition and evolution of costs for the EU-15, EU-10 and EU-02 regions. Non-specific costs include costs associated with machinery, building upkeep, energy (fuel, electricity), contract work, taxes (excluding milk superlevy) and other direct inputs (including water and insurance on farm buildings). Total costs of milk production include operational costs plus the opportunity costs of external and family factors of production. They were quite stable for the EU-15, but they strongly increased for the EU-10.

Evaluation question:

To what extent did the CAP measures applicable to the dairy sector contribute to maintaining/increasing the farmers' income?

Main findings:

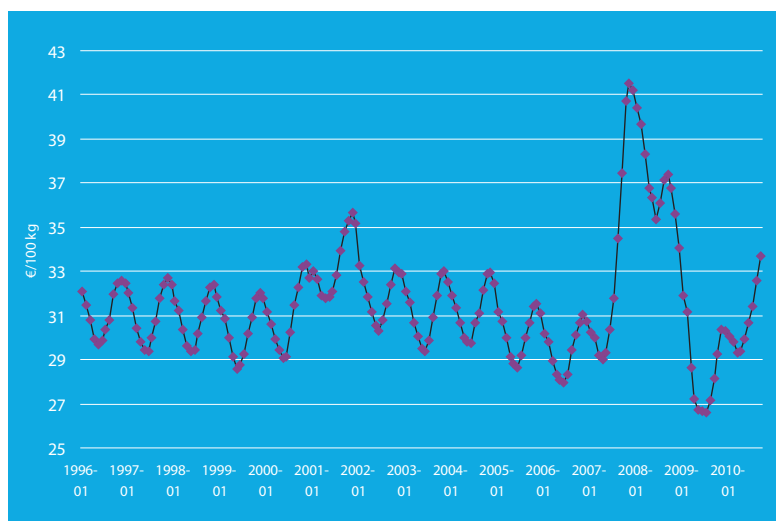
- Trends in dairy farm income, measured by FNVA/AWU, were maintained.
- The profitability of dairying relative to other commodity sectors was maintained.
- Maintenance of dairy farm income despite lower institutional prices is largely due to the role of direct payments.
- Structural change (farm size expansion) also had a positive effect on maintaining dairy farmers' income.

5 Prices of milk and milk products

Figure 5 shows the pattern of the monthly producer price for milk in the EU-15 countries between January 1996 and December 2010. From mid-2007 onwards, the pattern in milk prices is completely masked by the strong price fluctuations that characterised agricultural commodity prices worldwide, including those for dairy products. The strong and atypical price volatility, which affected dairy markets worldwide between 2007 and 2009, overrides the underlying downward shift in milk price after 2007.

Figure 6 shows the evolution of milk equivalent prices based on the respective butter and SMP prices. The average intervention milk price equivalent fell from about €283/t during 1997-2003 to approximately €256/t (-9%) in 2004-2006 and to €216.15/t by 2009 (-23.7% relative to 1997-2003). Thus, the greater reliance on direct payments and the reduction of the public intervention price to a lower safety net level meant a substantially lower support level for milk prices. The milk price equivalent for butter and SMP followed the IMPE downwards during 2004-2006, but became detached from it during the price boom of 2007-2008.

Figure 5: Monthly producer price for milk, EU-15, €/100kg, 1996(1)-2010(12)



Source: Eurostat

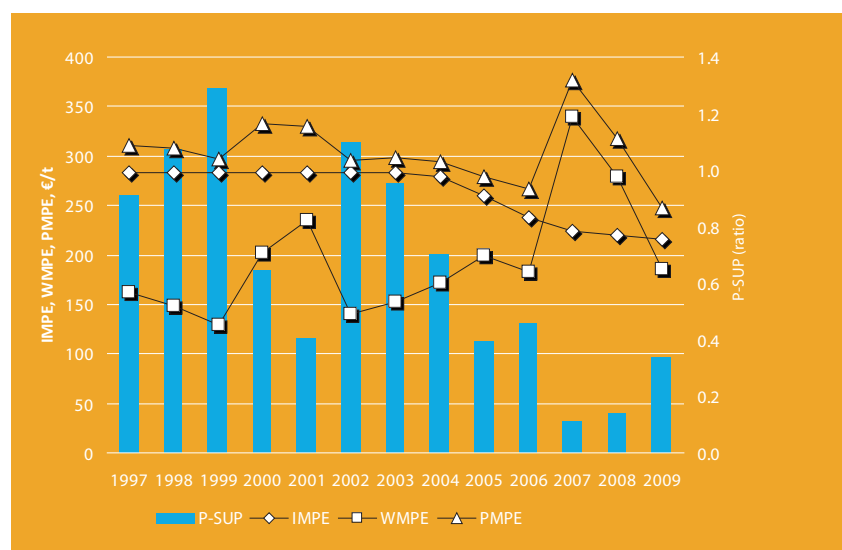
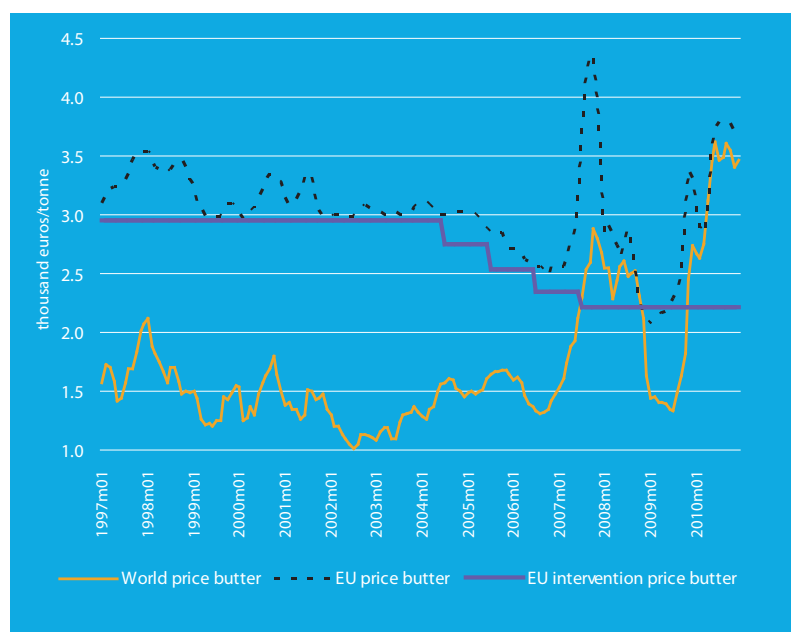


Figure 6: Evolution of price support and milk price equivalents in the EU-27

Note: P-SUP is a price support measure, defined as the ratio $(PMPE - WMPE) / WMPE$. PMPE is the domestic price of milk as used for butter and SMP; WMPE is the world milk price equivalent based on (FOB) world market prices for butter and SMP. IMPE is the intervention milk price equivalent based in the (effective) intervention prices of butter and SMP.

Source: own calculations

Figure 7: Evolution of EU and world butter prices, 1997-2010



Notes: The world market price is the Oceania FOB export price for butter (82% butterfat); the EU butter price is a representative price and is based on the Dutch producer prices for butter; the EU intervention price is 90% of the reference price.

Source: Agra Europe (2010a and b); Regulations (EC) 1787/2003 and 1234/2007; Productschap Zuivel (various years)

Figure 7 shows the evolution of butter prices in the EU and in the world markets. The effective intervention price (90% of the reference price) played a role in the evolution of the EU producer prices. Until mid-2002 it acted as a floor price limiting the decrease of the EU butter price and maintaining a rather stable gap between the EU and the world market prices. The gradual reduction of the intervention price, which started in 2004 as agreed in the 2003 policy reform package, meant that the EU butter price could fall lower than previously. Hence, after 2004 the gap between the world market price and the EU price narrowed. The period 2007-2009 was marked by imbalances worldwide and by sharp fluctuations in prices. For some months during this period, the world market price for butter was higher than the effective intervention price. During this period, export refunds were not relevant and EU dairy policy offered virtually no effective internal stabilisation instrument. Hence, the EU butter price moved in parallel with the world market price. The situation recurred in 2010.

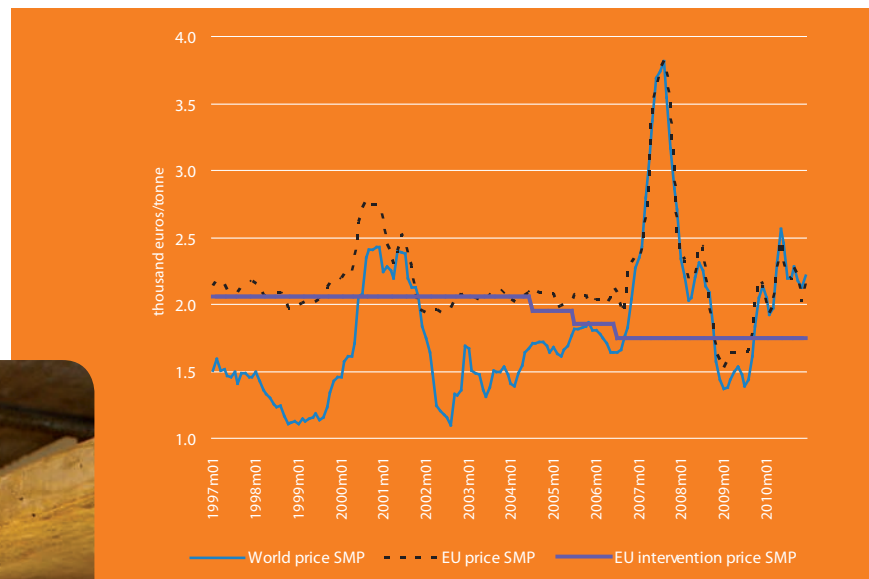
Figure 8 shows the evolution of the EU producer price and world market price for SMP. As in the case of butter, up to 2004 the intervention price for SMP was effective in keeping the EU producer price for SMP above the world market price except for several months at the end of 2001 when the two prices coincided. After 2004, the role of the intervention price for SMP decreased both because of the gradual decrease of the SMP intervention price and because of the increase of the world market price. Starting in mid-2006, the world market SMP price was higher than the intervention price until the last months of 2008, whereas from late 2008 until late 2009, the EU producer price was further below the intervention price than at any other time in the period covered in Figure 8. As was noted for butter, when the world market price was higher than the intervention price, the movements in the EU price were strongly correlated with those of the world market price. The traditional stabilisation measures (export refunds and intervention buying) are not operational in these conditions. From late 2008 until late 2009, the EU price for SMP was well below the intervention price, despite the fact that some of the months concerned coincided with the official 'open' buying-in period. Here too, as was observed for butter, the intervention system did not provide a fully effective safety net.



Figure 8: Evolution of EU and world SMP prices, 1997-2010

Notes: The world market price refers to Oceania FOB export price for non-fat dry milk (1.25% butterfat); the EU SMP price is a representative price and is based on the Dutch producer prices for SMP. The EU intervention price is the reference price.

Source: AgriView (2011); Regulation (EC) 1787/2003; Regulation (EC) 1234/2007 and 361/2008; Productschap Zuivel (various years)



Evaluation questions:

To what extent did the CAP measures applicable to the dairy sector affect prices paid to producers, the payment system and price stability; and to what extent did they contribute to stabilising the market prices for milk products?

Main findings:

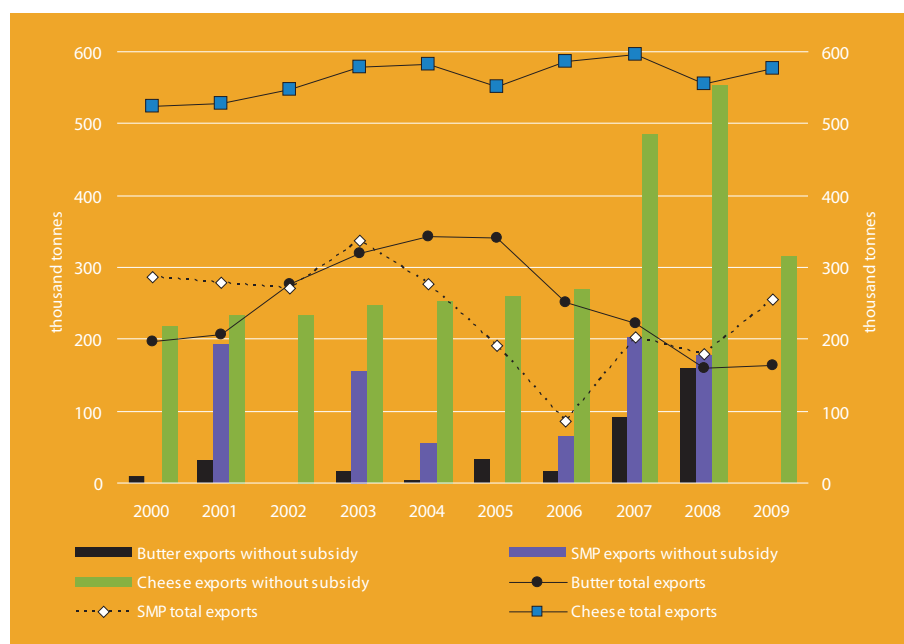
- The abolition of the target price for milk, reduction in intervention prices for butter and skim milk powder, the scaling down of consumption aids and relaxation of quota ceilings led to a reduction in commodity (and hence milk) prices and gradual convergence of the EU towards world market prices during 2004-2006.
- The case study surveys suggest that the changes in CAP measures did not affect the milk payment system.
- EU prices for dairy products were substantially above world market prices prior to 2003, and this situation continued after the 2003 reform until late 2006-early 2007. The price gap was eliminated for nearly two years thereafter, because of exceptionally high world market prices.
- Volatility began to increase sharply during 2006 for butter and WMP (some months earlier for SMP and about a year later, and much less markedly, for cheese) when world market price levels rose to very high levels, considerably above EU intervention prices. From here on, export refunds and intervention became inoperational as stabilisation instruments for butter and SMP.
- Clearly, the EU policy reform was not the cause of the increased volatility, which originated in the over-heating of world commodity markets and the price spikes for many agricultural commodities, including dairy products, on world markets.

6 Competitiveness

Figure 9 shows that up to 2006 somewhat over 40% of cheese exports were unsubsidised, and that this proportion had been slowly increasing. It then shot up to over 80% in 2007. In 2008, shares of unsubsidised exports in the total were nearly 100% for all three commodities shown, but by 2009 their share had dropped to zero for butter and SMP, and the share for cheese

was around 55%. The underlying trend post-2003 may well have been towards a smaller need for export subsidies, once intervention destocking was complete, but it is completely dominated by the impact of unusual world market conditions in 2008 and 2009.

Figure 9: Unsubsidised and total exports of butter, SMP and cheese, 2000-2009



Source: DG AGRI (various years and unpublished)

Evaluation questions:

To what extent did the CAP measures applicable to the dairy sector contribute to increasing farmers' market orientation and competitiveness; and to what extent did they contribute to the improved competitiveness of milk products on international markets?

Main findings:

- Market orientation improved due to a reduction in price gap, weaker quota constraints and hence stronger supply response to price signals.
- Cost-competitiveness did not improve, and the share of milk from 'profitable' milk enterprises declined after 2003 until the sharp price increase in 2007.
- Price gap relative to the world market declined due to lower intervention prices for butter and SMP, and increasing world market prices.
- The volume of unsubsidised exports of cheese increased (this holds in particular for quality and PDO/PDI cheeses).
- During 2003-2009, the EU was generally not competitive at world market prices for dairy products, but for some products (cheese) its competitiveness has improved.

7 Structure of the processing sector industry

Evaluation question:

To what extent have the CAP measures applicable to the dairy sector influenced structural changes in the processing sector?

Main findings:

- No strong conclusions could be drawn with respect to policy impacts.
- Concentration and consolidation of firms increased in some Member States.

8 Coherence

Evaluation questions:

To what extent have the CAP measures applicable to the dairy sector been coherent with the rural development measures and the national aid granted in accordance with relevant EU rules stated; and to what extent have been coherent with the overall concepts and principles of the 2003 reform of the CAP?

Main findings:

- Good degree of coherence between the CAP dairy measures, and rural development measures and state aids.
- Pillar 1, RDP and national aid measures operate at different levels and scales, giving them a complementary character.
- Several synergies and one source of potential conflict between CAP dairy measures and RDP objectives were identified.
- A high degree of coherence was found ex post.
- Market orientation and competitiveness improved to an extent.
- Income support was maintained at pre-2003 levels and income trends continued unchanged post-2003.
- Environmental sustainability increased.
- Socio-economic sustainability in question due to a fall in the rate of entry of young dairy farmers.

9 Efficiency

Evaluation question:

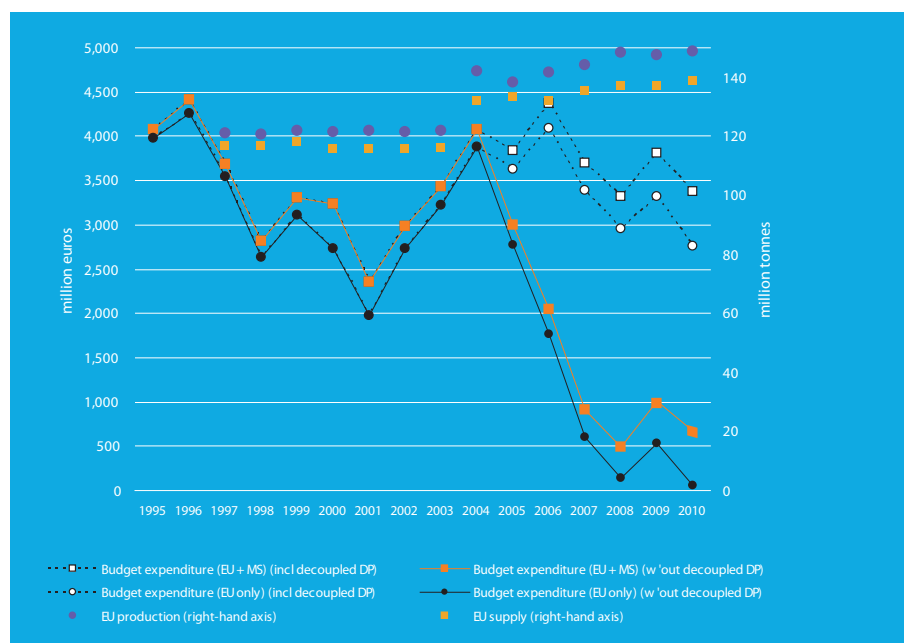
To what extent have the CAP measures applied to the dairy sector been efficient with respect to achieving their objectives?

Main findings:

- Market balance improved at decreasing costs.
- The total cost of dairy income support declined whilst market balance improved and producer income levels were maintained.
- Market orientation and sector structure improved somewhat without increased costs.
- There was no marked change in the competitiveness of milk or dairy products.
- Dairy production became more sustainable but at some additional cost.
- Price stability deteriorated, largely due to external factors, whereas costs of intervention and export refunds declined.

The evolution of the different cost totals, as well as that of production and supply, is shown in Figure 10.

Figure 10: Total budget costs, production and supply (EU and Member States), 1995-2010¹



Note: 1) 2010 figures are provisional

Sources: DG BUDG, OECD PSE database, Eurostat

10 Relevance of the policies

Evaluation question:

To what extent are the CAP measures applicable to the dairy sector been relevant with respect to the needs and problems of farmers, processors and consumers?

Main findings:

- The underlying aim of economic policy intervention is to modify the functioning of the economy or a sector of the economy so as to induce outcomes that are more beneficial or desirable to the main stakeholder groups. The findings are reproduced in the following table.

Table 2: Relevance of policies to particular stakeholder groups

Policy change	Stakeholder Group			
	Milk producers	Processors	Consumers	Society
Package of changes involved in switching from market price support to a decoupled payment (including lower prices and more visible support through budget payments)	+++ (income levels maintained) ++ (more flexible production choices without losing support entitlement)	+ (lower prices for raw milk, but also potentially lower prices for processed products)	++ (potentially lower prices, BUT receiving them depends on price transmission along the chain)	+++ (the package is more efficient) - (cost becomes more visible as a budget item and hence needs to be properly explained)
Introduction of cross compliance requirements for milk producers	-- (investment costs, greater administrative burden)	0	0	++ (makes dairying more environment-ally friendly, helps to gain support for the CAP among the wider public)
Gradual increase and then abolition of quotas	++ (more scope for expansion, scale economies)	+ (more abundant milk supplies)	0	? (fear of negative environmental consequences, disappearance of dairy farming in mountain areas/ family farms)
Reduction of intervention to a safety net	-- (greater risk of price instability)	- (greater risk of price instability)	0	+ (large intervention stocks often seen negatively by society)
Simplification of policies	- Milk producers perceive greater complexity rather than simplification	+ (depends on the type of activities of the company)	0	? Difficult to obtain a balanced picture, more transparency needed

Legend: Key: --, -, and + indicate that the outcome has been contrary to one or more of the concerns of a particular stakeholder group, with the number of '-'s indicating the degree to which this has occurred; 0 indicates that the outcome of the particular measure has been largely unrelated to the concerns of the corresponding stakeholder group; +, ++, +++ indicate that the outcome has been met or been supportive of one or more concerns of the stakeholder group. '?' indicates conflicting tendencies, or insufficient evidence to conclude.

11 The effectiveness of the instruments employed

Table 3 provides an overview of the findings structured explicitly in terms of the effectiveness of each instrument, the

effectiveness with which particular instruments were deployed over the period 2004-2010.

Table 3: Summary of instrument effectiveness

Instruments	Expected effects	Success (scale 0 -✓✓✓)
Milk quota system and modifications to it	Market balance	✓✓✓
	Greater confidence for processors (stability of supply, investment decisions, etc.)	✓✓
	Relaxation of quota limits improves market orientation	✓
	Average score ¹⁾	✓✓
	Unintended side-effects	
	Impedes structural change	Not found
	Creates winners and losers from quota trading in periods of policy transition	Some evidence found
Public intervention measures for butter and skimmed milk powder and changes thereto	Use of intervention stocking -> milk price stabilisation	✓✓ (as long as intervention prices are higher than world market prices for butter and SMP and there is good price transmission from processors to producers)
	Use of intervention stocking -> dairy product price stabilisation	✓✓ (as long as intervention prices are higher than world market prices for butter and SMP)
	Lower intervention prices -> lower milk price	✓✓✓
	Lower milk price -> reduction of structural surplus	✓✓✓
	Lower milk price -> improvement in international competitiveness	✓
	Average score	✓✓
	Unintended consequence	
	Lower safety-net increases the probability of periods of high volatility transmission from world market to domestic prices	Strong evidence found
Mandatory and optional aid for private storage of butter, skimmed milk powder and cheese	Private storage -> market stabilisation	0
	Deadweight Impacts would have happened anyway	Evidence found
Disposal aids for butter and cream, SMP (manufacturing, persons, animal feed)	Well targeted to disposing of the surplus?	✓✓

¹ Notes: The 'average score' is a subjective assessment based on the distribution of the scores reported for each objective of the corresponding instrument.

Instruments	Expected effects	Success (scale 0 - ✓✓✓)
Licence system, tariff rate quotas, import duties and export refunds	Export refunds as disposal mechanism for surpluses	✓✓✓
	Export refunds as an instrument for price stabilisation of:	✓✓✓
	Dairy products	(as long as intervention prices are higher than world market prices for butter and SMP and (for raw milk) there is good price transmission from processors to producers)
	Raw milk	
	Tariffs and tariff rate quotas as a precondition for maintaining higher domestic price	✓✓✓
	Export refunds as means of improving international competitiveness	✓✓
Export refunds as a price stabilising mechanism	✓✓✓ (providing domestic prices are above world market prices)	
Average score		✓✓
Single Payment Scheme (SPS) and Single Area Payment Scheme (SAPS) (with respect to beneficiaries in the dairy sector)	Effectiveness in maintaining producers incomes despite the lowering of the milk price	✓✓✓
Dairy premium and additional payment	Effectiveness in compensating producers for the milk price reduction	✓✓✓
	Effect on structural change and the exit rate	✓ (not included in the average score)
	Improved market orientation	✓
	Average score	✓✓
Additional payments granted in the framework of Art. 69 of Council Regulation 1782/2003 and Art. 68 of Council Regulation 73/2009	Allocation by MS to the dairy sector	Art 69 (only one MS), Art 68 (two MS)
	Uptake by producers	Partial evidence of strong uptake
	Effectiveness in attaining specific objectives at MS level	Not assessed

The evaluation examines the effects of market measures and coupled direct payments, as modified by the 2003 CAP reform on market balance, prices, farm income, structures, competitiveness and market orientation. The effects of the decoupled direct payment schemes as introduced by Council Regulation 1782/2003 are examined in as far as these schemes provide income support to beneficiaries in the dairy sector. The study assesses the efficiency, coherence and relevance of the considered measures with respect to achieving their objectives.

For further info:

<http://ec.europa.eu/agriculture/eval>

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The evaluation study, financed by the European Commission, has been coordinated by LEI and has been carried out in collaboration with partners and experts. The conclusions, recommendations and opinions presented in this leaflet reflects the views of the consultants and not necessarily those of the European Commission.

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