



EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT

Directorate G. Markets and Observatories
Director

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MINUTES

***JOINT MEETING of the
ECONOMIC BOARD OF THE MILK MARKET OBSERVATORY and of the «CDG
MILK»***

Date: 28 November 2017

Chair: Jens Schaps, Director G

Delegations present: CEJA, COGECA, COPA, CELCAA/EUCOLAIT, EUROCOMMERCE, EUROPEAN COORDINATION VIA CAMPESINA (ECVC), FoodDrinkEurope/EUROPEAN DAIRY ASSOCIATION (EDA), EUROPEAN MILK BOARD (EMB), EFA, EFFAT, IFOAM.

Speakers: Bayern MeG w. V., AGAPROL, PIENAS LT, VBT, DANONE SPAIN, SUNLAIT

09h30 Welcome and introduction

09h40 Framework for producer organisations in the milk sector (DG AGRI)

10h20 Framework for producer organisations in the fruit and vegetables sector and practical example (DG AGRI, VBT Belgium)

10h50 Producer cooperation and organisation in the milk sector (1st part) - practical experience from:

Bayern MeG w.V (Germany)

Pienas LT (Lithuania)

11h40 Producer cooperation seen from the dairy industry (Danone)

12h10 Producer cooperation and organisation in the milk sector (2nd part) - practical experience from:

Sunlait (France)

Agaprol (Spain)

13h00 Closure and conclusions

1. List of points discussed

Framework for producer organisations in the milk sector (DG AGRI)

Framework within competition rules:

- Agricultural derogations to competition law:
 - o Article 42 TFEU;
 - o CMO Regulation: general derogations (Arts 209, 210 and 222), sector specific rules (sugar, milk, PDO/PGI cheese, wine, ham, olive oil, beef/veal and arable crops).
- CMO derogations relevant for milk POs:
 - o Article 149 CMO: contractual negotiations by recognised POs
 - o Article 152 CMO: recognised POs all sectors (see endives judgment)
 - o Article 150 CMO: supply management PDO/PGI cheese
 - o Article 209 CMO: agreements between farmers, farmers associations or recognised POs on joint production and sales
 - o Article 222 CMO: agreements in situations of severe market imbalances, temporarily allowed for 6 months (renewable once)
- The right of POs/APOS to fulfil their missions – endives judgment of ECJ (C-671/15)
- New Article 152 CMO after Omnibus
- Article 101 TFEU – justified agreements
- Specialisation Block Exemption

Financing possibilities under Rural Development:

- Setting up of producer groups and organisations;
- Investments - support to performance of holdings - modernising, processing, new products;
- Farm restructuring;
- Diversification - setting up of young farmers;
- Production of bioenergy;
- Quality products – organic;
- Climate, environment, water and soil;
- Animal welfare;
- Cooperation - supply chains - local products;
- Risk management – insurances - mutual funds.

Framework for producer organisations in the fruit and vegetables sector and practical example (DG AGRI, VBT Belgium)

- POs in the centre of the fruit and vegetables sector;

- Tasks of PO's;
- Fundamentals EU Scheme F&V sector;
- Structure of Operational Programmes;
- Trends in POs in Belgium;
- POs as a solution:
 - o Overall balance in Belgium is positive;
 - o A lot of the challenges/concerns of the market are met;
 - o POs bear large responsibility but get many possibilities;
 - o Most producers are happy with their PO.

Producer cooperation and organisation in the milk sector:

Bayern MeG w.V

- The job of Bayern MeG:
 - o Coordination of marketing
 - o Representing member farmers at the conclusion of the contract
 - o Consultation;
 - o Information, in conformity with competition law.
- The milk package is very useful and needed also in the future;
- Size limitation for PO's does not reflect current market developments (the limit of 3.5 % of EU production should be increased);
- Goal for the future: strengthening negotiating positions (marketing and not delivering).

Pienas LT

- Motivations to create the cooperative:
 - o World economy crisis 2008;
 - o 40:60 local market/export - need to open exports of dairy products;
 - o Oligopoly situation at dairy processing level in Lithuania;
 - o World practice: vertical integration.
- The cooperative now involves > 210 farms, > 410 t raw milk processed per day.
- Cooperative seen as a platform for regional cooperation.
- Processing plant focused on dairy protein concentrates (B2B ingredients), cream being a coproduct. It counts with 3 drying towers and was financed at 37% with EU funds.
- Development of products to create added value allow for good remuneration to farmers: above 40 €/tonne raw milk.

Sunlait

- Mission: collective negotiation of contractual conditions for all members.

- Aim: building a win-win partnership with their purchaser.
- Milk pooling - development of a tool to forecast milk production.
- From 12 POs to an Association of POs (APO).
- 2 400 farms members.
- Ongoing work:
 - o Milk pricing formulas.
 - o Creating and sharing value.
 - o New framework contract.
- POs and APOs are seen as a real added value in terms of:
 - o Bringing producers together;
 - o Collective milk volume management;
 - o Price negotiations;
 - o Value building.

Agaprol

- Starting with 3 farmers, the PO reached 208 members in one year. It is now composed by 520 members.
- Functions:
 - o Information to PO members;
 - o Negotiation with 20 milk processors (of different types and sizes);
 - o Optimizing production costs;
 - o Since recently: management of milk surpluses (as first purchaser).
- Farmer members have given the PO a mandate to negotiate 100% of their milk production.
- Different kinds of contracts:
 - o Duration: three-month, annual, 3-annual.
 - o Pricing: fixed price, indexed price, controlled price (ceiling/floor).
- The introduction of the Milk Package has made a real difference for the sector. The potential is big and there is still a long way to go. It is also an opportunity for the processing industry.

Producer cooperation seen from the dairy industry (Danone)

- Snapshot and challenges of the dairy sector in Spain.
- One PO represents some 12% of their total milk input.
- It is beneficial for a PO to work with several processors (to be able to compare different conditions and working methods).
- Farmer relationship pillars:
 - o Security;

- Transparency;
- Development;
- Recognition.
- Strengths of producer cooperation:
 - Professional Negotiation;
 - Market knowledge;
 - Supply capacity;
 - Farmer pedagogy;
 - Transparency and trust.
- Fields for improvement:
 - Challenges beyond price;
 - Volume management;
 - Different contractual models.

2. Next steps

Possibility to organise on-site workshops, subject to interest manifested by Member States and sector.

The documents used in the meeting, together with those of the Expert Group held on 19th October, will be published in the Milk Package website: https://ec.europa.eu/agriculture/milk/milk-package_en

3. List of participants

See table below.

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Jens SCHAPS

Director

List of participants– Minutes

**JOINT MEETING OF THE
ECONOMIC BOARD OF THE MILK MARKET OBSERVATORY and OF THE
«CDG MILK»
Date: 28 November 2017**

Organisation	NUMBER OF PERSONS
CEJA	5
COGECA	12
COPA	12
CELCAA/EUCOLAIT	5
EUROCOMMERCE	1
EUROPEAN COORDINATION VIA CAMPESINA (ECVC)	2
FoodDrinkEurope/EUROPEAN DAIRY ASSOCIATION (EDA)	7
EUROPEAN MILK BOARD (EMB)	2
EFA	1
EFFAT	1
IFOAM	1
Bayern MeG w. V.	1
AGAPROL	1
PIENAS LT	1
VBT	1
DANONE SPAIN	1
SUNLAIT	2
<i>TOTAL</i>	56