

## PRESS INFORMATION



# European Dairy Association sees no reason to change the policy lines set with the CAP Reform and the Health Check.

In a speech to the Agriculture Committee of the European Parliament, the European Dairy Association (EDA) addressed today the main challenges of the EU dairy sector. The EDA believes that the recent developments in the market are no reason to change the policy approach initiated with the CAP Reform 2003 and Health Check.

### Brussels, 9 November 2009

*Today the EDA's President, M. Werner Buck, unveiled the dairy sector's challenges and issues to the Agriculture Committee at the European Parliament. The EDA focused on the recent issues with pricing for raw milk and dairy products. For the EDA these developments are no reason to change the stable policy approach which has been conducted since the CAP Reform 2003 and the Health Check. The EDA also referred to a study on price volatility in the dairy market it asked the University of Cork to carry out. This study indicates that price volatility to a certain extent is desirable, and that private instruments could limit the risks of related to price volatility, whereas public instruments may be needed to take away the extremes in price volatility.*

### Need for a stable policy approach

M. Werner Buck, President of the EDA, started his contribution by focusing on the pricing issues the dairy market has been coping with in the last months. Although these developments have triggered many discussions on how to proceed with the EU dairy policy, the EDA sees no reason in these developments to drastically change the EU's stable policy approach which has been initiated with the CAP Reform 2003 and the Health Check. In the EDA's view these reform measures have been aimed at a broader market orientation for the production of dairy, and have secured the EU dairy sector's leading position in the world.

For the EDA, the valuation of raw milks is crucial to the competitiveness of most of the processors, since these have only little or no control on non-milk costs such as packaging and energy. The CAP Reform policy has made that the EU market for raw milk is determined by the prices of the dairy commodity products. Recent price reports show the market is operating efficiently and that farmers receive the market conform valuation for their milk. For the EDA this consequently means that there are no grounds for broadly intervening in the operation of the raw milk market now, but that the possibility should be considered to give the various market players some news tools in order to remain profitable.



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## Study on Price Volatility in the dairy market

The EDA has commissioned the University of Cork to carry out a study on price volatility in the dairy market. This study, of which M. Buck presented the main conclusions during his speech today, indicates that price volatility to a certain extent is desirable, this to allow an optimal functioning of the market. Extreme price volatility however is undesirable, because this would disturb market conditions. In order to operate well in a volatile market, the EDA believes in the use of risk management tools such as forward contracting, futures and insurance products. The EDA also calls for public instruments to reduce price volatility: management of a scheme of intervention at safety level to tackle the extreme low prices and management of strategic stocks to work on the extreme high price levels are mentioned as possibilities. Both the use of private risk management tools and the application of public instruments could limit the risks inherent to price volatility.

For the EDA it is essential that the EU develops and continues a stable policy: *'In order to maintain an efficient and profitable market for the dairy sector, a stable policy is essential'* says Werner Buck, the EDA's President. *'With the CAP Reform 2003 and the Health Check, clear policy lines have been determined; the EU has to follow those now. We also believe that the EU should adopt a holistic approach integrating all initiatives from the different DG's; in this respect we consider the communication of the European Commission on Agriculture Product Quality as crucial for the well functioning of the European dairy market'*, M. Buck concludes.

## Annex: full text of M. Buck's contribution

### ABOUT THE EUROPEAN DAIRY ASSOCIATION

The European Dairy Association represents the interests of dairy processors in the European Union. The membership of the EDA consists of the national trade associations for dairy processors in each EU Member State.

### FOR MORE INFORMATION

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