

# INTERNATIONAL DAIRY magazine



About 200 representatives of the EU dairy industry and EU officials heard about the Brexit and the Single Market at the EDA Dairy Policy Conference (photo: IDM)

## EDA Dairy Policy Conference 2017

### Single Market and Brexit: Urgent action is required

The EDA Dairy Policy Conference 2017, held on 22 March in Brussels, underlined the importance of dairy for jobs, growth and investment throughout the Union as well as the importance of a well-functioning Single Market, undisturbed from national barriers. Naturally, the Brexit was also in the focus. IDM compiles the highlights of this important gathering of about 200 representatives of the EU dairy industry and EU officials.



There are good reasons to deepen the European idea in times when parts of the population seem to lose confidence in Europe, said Michel Nalet, president of the European Dairy Association (EDA). The 60th anniversary of the Treaty of Rome and 25 years EU Single Market, that are being celebrated this year, were good reasons to place Europe into the center of the EDA conference. However, given actual tendencies for renationalisation like mandatory origin labelling – which is unacceptable for Nalet, urgent action is required both on European and Member State level. The Single Market is far from being completed and the EU must exploit all sources of competitiveness in order to be able to cope with international competitors, Nalet said. The EU dairy industry needs a strong home base in its 500 million

consumer market to be able to make sure here are jobs, growth and investments in the rural areas of the Continent.

Antti Peltomäki, Deputy Director-General DG Grow at the EU Commission, pointed out to the High Level Forum for the Food Supply Chain that the Commission has established. The forum will address unfair trading practices in the food chain and use stakeholder contributions to identify key barriers in the Single Market. The forum targets to develop ways to overcome such barriers and it will also look at the interests of dairy farmers, Peltomäki promised.



Talking about the Single Market ( from left): Antti Peltomäki, EU Commission, Wim Kloosterboer, FrieslandCampina, and Gilles Morel, Mars and FDE (photo: IDM)

Peltomäki acknowledged that mandatory origin labelling may form a barrier but the Commission has not (yet) said yes or no to it. The regulations put in place by several countries are limited in time and Brussels expects reports on how the origin labels have influenced markets after two years.

### **31 million jobs**

The EU food and beverage industry is the biggest single industry sector in Europe. Gilles Morel, Chairman of FoodDrinkEurope and President Mars Chocolate Europe & Eurasia, told the forum that the industry stands for sales of over one trillion Euros, almost 100 billion Euros of exports and 350 billion Euros of intra-trade in the Single Market. EU foods and beverages are the safest in the world and the sector provides a total of 31m jobs, 4.1m of them directly in the food and beverage companies. The sector has a positive trade balance but 90% of food and drink exports have to be

made against unfair trade practices. There is a trend towards protectionism, Morel said, and food is often taken as hostage in political conflicts. Renationalisation policies in Member States are not acceptable and will ultimately lead to lower choice and quality but higher prices, Morel added. To prevent a proliferation, FoodDrinkEurope supports an EU-wide framework for the food supply chain and advocates an EU Directive that governs it. According to Morel, intra-trade certificates should be developed in order to ease third country exports of products that contain ingredients from different Member States. This was seconded by Kasper Thormod Nielsen, Director for Global Trade Policy & Regulation Affairs at Arla Foods amba, who also disagrees with mandatory origin labelling and demands a more even national implementation of EU legislation.

### **The future of the Single (dairy) Market**

The EU Single Market is contested, said Prof. Roel Jongeneel, Wageningen University. Despite that the CAP has long since put market orientation to its center, macro-economic conditions, social concerns and territorial balance still matter for Member States, making them erect barriers here and there. Jongeneel demands that a balance is kept between free movement and territorial requirements.



**The Brexit is the biggest uncertainty that the EU dairy market has experienced so far, agreed Michel Nalet, EDA and Lactalis, Prof. Riel Jongeneel, Wageningen University, and Kasper Thormod Nielsen, Arla Foods (photo: IDM)**

Until 2026 (based on 2016), the EU milk production will grow by 9% or 40m tons with a CAGR of 1 to 2%, said Jongeneel. Most of the growth will happen in a “dairy belt” along the North Sea with Ireland, which today produces 70% of all EU milk. Ireland, France and Germany will be the main contributors to the growth of milk production. Demand for milk products will not increase in line with production so that the EU’s dependency on exports will grow further.

### **Brexit**

The EU Single Market is of uppermost importance to Arla Foods which calls itself a European co-op. Two thirds of Arla’s sales are generated in this area, said Kasper Thormod Nielsen, Director for Global Trade Policy & Regulation Affairs at Arla Foods amba. Arla generates 15% of total sales and a third of its European sales in the UK. 70% of Arla’s UK business is made of local produce. The rest, 162,000 tons of product, is sent from Continental Arla factories to Great Britain.

Therefore, the Brexit has enormous consequences for Arla. Would WTO-determined tariffs be put in place, Lurpak butter would become 30% more expensive in UK stores, Nielsen told the forum.



British MEP Daniel Dalton left no uncertainty at the EDA forum, however: the Brexit will happen. But despite all the gossip about a hard exit, the British government aims at keeping markets together as much as possible and pleads for a strategic partnership with the EU. This will include mutual recognition of bodies that set regulations and a customs facilitation agreement, even if the UK does not intend to stay in the EU customs union and rather will go for individual FTAs with any number of third countries.

Ireland will be one of the biggest challenges for Brexit negotiations. Dalton expects that the border between the UK and Ireland will not be a closed curtain but rather open, although closely monitored. Again, FTAs shall enable exports of products that contain British ingredients (behold the massive stream of Northern Ireland milk into Ireland) to third countries. Dalton said it is very likely that the EU and the UK will find transitional agreements on markets as two years of Brexit negotiations just seem too short a period for a constructive accord. Peltomäki confirmed that the Commission intends to come to an agreement with the UK that is as comprehensive as possible. EDA has established a dedicated Brexit working group because the association “is here to move things”, as Nalet put it.