



Market without milk quota

“It is hard to find a sector with more promising prospects than dairy in the future”



Author: Alexander Anton, Secretary General EDA (European Dairy Association); EDA represents the interests of the whole EU milk processing industry in Brussels; It is the industry's platform to exchange and discuss on all kinds of dairy topics

This above quote comes from the EU Commissioner for Agriculture, the Irish Phil Hogan. And the quote is from a January 2015 speech and not from the almost euphoric dairy year 2013.

After a sustained positive market development over the last years, we have seen a weakening of the international and EU milk markets. Since mid-2014 the global dairy markets have entered into what seems to be another cyclical downturn, also influenced by the Russian import embargo for dairy products from the EU, the U.S.A., Canada, Australia and Norway and the lower than forecasted Chinese market activities.

The milk production increase in Europe reached an unexpected level with 5,5% in 2014, which is due to good weather conditions and the high milk prices. Even if for 2014/2015 several countries – and more than the eight EU Member States that did overshoot in 2013/2014 – will exceed their national milk quota volumes, the overall EU quota will be underused.

The recent price declines, from very high levels, are as expected, to quote once more EU Commissioner Phil Hogan. I very much liked the approach of a group of Austrian farmers with whom I had the opportunity to discuss. Their summary for the dairy outlook 2015 is: ‘Overall, 2014 was a good year, and for 2015 we will only really know in October 2015’.

The low energy prices will most probably fuel the economic growth in a few of important importing countries and stimulate the consumption. The relatively weak Euro will support the competitiveness of the EU dairy at global level. Furthermore, at the current price level, the milk volumes produced in Europe will not increase at the same pace than during the last twelve months. “So, let us not talk ourselves into a crisis,” to quote, for the last time today, Phil Hogan.

The end of the EU milk quota is not the ‘big thing’ in Europe

The potential impact of the elections on 25 January in Greece, in fall in Portugal and in December 2015 in Spain and the elections in the United Kingdom on 07 May 2015 can have a much bigger impact on the dairy sector in 2015 than the end of the milk quota. This is also true for the future development of the sanctions and counter-sanctions following Russia's illegal annexation of Crimea. The latest further EU sanctions have been decided on 18th December 2014, an in-depth re-evaluation of the EU sanctions against Russia is scheduled for March/April 2015. In any case, the Russian reaction on this assessment will only have an impact if the embargo is lifted. A continued embargo is already factored in today's market situation.

The end of the EU milk quota regime is not an accident

The dairy sector, the dairy farmers and their milk processors have prepared for this fundamental change for more than ten years now. At least since June 2003, the political masters clearly indicated the direction towards market orientation and the definitive end of the public milk volume management.

Of course, milk production is of utmost importance for the agriculture and an important element of the overall economy in basically in all EU Member States, that is why we have to debate the future of the dairy sector. In rough market times and just a few weeks before the end of the milk quota regime, those discussions have intensified in Brussels – in January 2015 alone three hearings are scheduled in the European Parliament on different aspects of the dairy sector.

The European dairy industry, and EDA as its representative body in Brussels has discussed and exchanged in the first two weeks of 2015 with several Members of the European Parliament, with two EU Commissioners and quite a few civil servants of the EU Commission and shared our 9 pages 'EDA Policy Recommendations', that we elaborated consensually across Europe.

Our message is clear: after a decade of successive and deep dairy policy reforms our sector needs policy stability. The efforts that are needed today to alleviate the impact of the current market situation must (and can!) be only done through market focused measures within today's existing policy framework.

I see good reasons to be optimistic that the market will balance out quicker than most expect and that prices will recover earlier – for the benefit of the whole dairy sector, the dairy farmers and their milk processors.

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