


eda European Dairy Association

Dairy Focus 07/2014

Italian EU Presidency

connect to the world of dairy

Foreword

Italian EU presidency : Leading Europe through transitional times

From July 1st to December 31st 2014, Italy will hold - for the twelfth time in history - the Presidency of the European Union. One of the main challenges for the Italian EU Presidency will be to maintain the optimal functioning of the EU institutional system in a period of complete change at all levels: European Parliament, European Commission and European Council.

The Italian EU Presidency will be marked by several institutional landmark events: during the presidency the newly elected European Parliament will start to work and will have to vote a new President of the European Commission, the Member States will propose a new team of EU Commissioners and the European Council will appoint a new President, when Herman Van Rompuy leaves office in November 2014.

The last time Italy held the presidency function, back in 2003, Romani Prodi headed the European Commission and the European Union. At that time the Union counted 15 Member States and prepared itself for its biggest enlargement ever.

The previous Italian presidency was marked by a number of crucial developments in EU agriculture. In June 2003, there was the Council agreement on the 2003 CAP reform ('Fischler-Reform'), a radical rebuilding of the Common Agricultural Policy (CAP), introducing the concept of decoupled payments and cross-compliance requirements. With this new reform, the European agricultural policy responded to two challenges: firstly, it took into account societal demands (for example relating to a more environmentally friendly and sustainable agriculture, as to requirements in the fields of food safety and animal welfare) and assured a broad basis of societal support for our agricultural policy and secondly it responded to the wish of aligning European policies with the requirements outlined by WTO and our trading partners.

The 2003 reform paved the way for the future: gaining and maintaining trust and support from the European citizens and facilitating global trade are still the two guiding principles for the agricultural and dairy sectors in 2014.

Over the last decade, the dairy sector not only committed to a more sustainable approach, but reached important milestones: the reduction of the environmental footprint at all stages of the life cycle of a dairy product and the improvement of animal health and welfare standards to start with. Furthermore, because the respect of the highest quality and safety standards went hand in hand with an impressive enhancement of our economic sustainability, we can clearly state that, today, the EU milk sector is well positioned to face the global challenges of competition and of a sustainable production increase to meet the global demand for added value dairy products and high quality proteins.

For the dairy sector specifically there are a number of important developments during the 2014 Italian presidency: the examination of the report of the European Commission on the implementation of the so-called 'milk package', a critical view on its ideas for the future of our dairy sector, and the close follow-up of the introduction of the European Milk Market Observatory launched in April of this year.

The European Dairy Association (EDA) and all its member associations, first and foremost ASSOLATTE, our Italian dairy association, are committed to be a reliable and constructive partner for the Italian presidency 2014 . To highlight our appreciation for the Italian leadership we will host our 2014 annual convention and our EDA World Dairy Forum 2014 from 08 to 11 October 2014 in Stresa at the shores of the Lago Maggiore.

Connect to the World of Dairy

Michel Nalet
President

Alexander Anton
Secretary General

The Italian EU Presidency at the start

This is an important period for Italy, and we hope it will lead to a positive change to the country's economy. The Italian and European enterprises are confronted with a two-speed market: on the one hand the European consumption data indicate a decline in 2014, but on the other hand, the signs coming from international analysts make us optimistic about the future.

From 2001 to today global demand for milk and dairy products went from 589 to 785 million tons, a growth of 33%, with an average annual growth rate of 2.9%.

And predictions for the future confirm this trend! World production of milk has managed to satisfy the consumer demand until 2009, while for the subsequent years there was a constant gap between demand and supply.

In the past, due to the limitation of milk production in Europe, the Italian milk sector could benefit only partially of this growth. Dairy has also faced the strong price volatility to which we are starting to adapt. Meanwhile large milk producing countries in the world were in a better position of us and they have gained significant market share.

We are close to the end of the quota system, and the EU dairy sector needs to make the right step forward to keep the competitiveness on the world market.

This semester gives to us the opportunity to develop the work already started, with the aim to try to enhance the European dairy products, to limit bureaucratic constraints, modernizing and simplifying as much as possible the regulatory framework. A particular effort will be needed to develop business contacts with the main destinations for Italian and European exports, removing trade barriers and encouraging the positive outcome of trade negotiations.

Furthermore, we should be able to share with non-EU countries the concept that the IG policy should not be seen as a constraint on the freedom of the market but as a way to further enhance the traditional products that bring the value of the territory on consumer's tables. In this context it will be very important to follow closely the on-going negotiation of the Transatlatic TradeTransatlantic Trade and Investment Partnership (TTIP).

However, the greater effort should be made within the EU, to remove legislative and national limitation to the internal EU trade, to claim the nutritional value of dairy products and the key role in a balanced diet, and to fight against the national protectionist measures, such as the rules on the origin of the ingredients, labelling schemes that highlight only the negative nutrients, or even the 'food tax' that affect the agri-food sector, particularly dairy products.

I'm confident that the next six months will be an excellent opportunity to further strengthen our daily cooperation.

Giuseppe Ambrosi
President of Assolatte

Assolatte

Outlook on the Italian Presidency priorities and challenges

The official logo of the Italian Presidency, chosen through a competition which has involved high schools from all over the Country, is a stylized dove, characterized by the colors forming the flag of Italy and the blue of Europe: it symbolizes the values of peace and freedom on which the Union is founded.

The handover between Athens and Rome, scheduled for 2 July, was the start of the six month period of the Italian Presidency of the Council of the European Union. For the 11th time ever, Italy will be responsible for the continuity of the European Agenda and for representing the Institution in its affairs with the Commission and Parliament, in a delicate period such as the shaping of the new political balances in the aftermath of the elections.

It should be noted that 2014 will be characterized by a considerable amount of changes in the Union's institutions. Following the 22-25 May election of a new European Parliament (EP), the new assembly will not be realistically fully operational before September. The term of the current European Commission expires at the end of October, and the appointing procedure for new Commission will most likely start in July. The European Council President's term also expires at the end of November, and its successor will also probably have to be chosen in the context of a balanced package of appointments. This calendar of institutional changes will clearly have a strong impact on the work of the Italian Presidency. As a matter of fact, this situation will give Italy the delicate task of ensuring the continuity of Union activities in a complex phase of transition, and the responsibility of contributing to the smoothest possible transfer of powers to the new European leadership.

More in general, however, as 2014 begins to unfold, Europe appears uncertain about prospects for economic recovery, and how sizeable that recovery will be; still characterized by a lack of confidence in its ability to significantly close the competition gap with its major world partners.

The Italian Presidency will have to consider all these concerns, but also contribute to re-establishing the conditions for recovering political support for the European project, and with the longer-range goal of preparing the terrain for a vigorous reinforcement of the integration process.

(*) extract of TEPSA Conference, Italian Ministry of Foreign Affairs.

With regard to individual dossiers, the Italian Presidency will inherit from the Greek Presidency's work programme, some relevant dossiers in the sector of agriculture and food safety. For some of them, the process of approval will depend on the reactivation of the legislative co-decision procedure by the Parliament.

In the field of agriculture, the Presidency will focus on the improvement of the tools and measures promoting the agricultural products, and highlighting the contribution of the diversity as a competitive advantage and value added for the European agriculture. Particular attention will be paid to the continuous improvement of the European framework for the promotion of the quality, nutritional value and hygiene of agricultural products, as well as on food security and food waste.

The Italian presidency will complete the procedure of approval of the new regulation on information and promotion of agricultural products on internal market

and third countries, after the political agreement reached beginning of April. Italy intends to work actively on the proposal of revision of biological production, to enhance the debate of Member States in the Council for the simplification of the procedures and for a better valorisation of these products.

Another relevant measure is the scheme of aid for distribution of vegetables and milk at school that was already presented in February, but there are already some juridical aspects that need to be clarified, and this can slow down the process.

The so-called "Milk Package" was designed with a view to the longer-term future of the dairy sector following the end of the quota system in 2015. The measures established by the Milk Package will apply until mid-2020, but the Commission is mandated to report in 2014 and 2018 on the market situation and the implementation of the measures. This report was presented end of June, and will assess in particular the effects of these measures on milk producers and milk production. The Presidency will give a great attention to the impact of the liberalization of milk in Member States and intends to focus the debate on the importance for prevention of crises and on the necessary appropriate reactive measures.

Considering the theme of the Expo 2015, "Feeding the planet, Energy for life", one of the priority areas of the Presidency will also be food policy in its broader sense. In particular, food labeling, as well as control of the food chain and nutrition, will be key themes.

The Italian Presidency will raise awareness on food security and related issues by creating positive synergies also with the 2nd International Conference on Nutrition, which will be held at the United Nations Food and Agriculture Organization (FAO) Headquarters in November 2014

The Presidency intends to give a considerable attention and effort on further highlighting the importance of trade agreements with the aim of improving the position of European food products in international markets. Italy will be determined in pursuing the Transatlantic Trade and Investment Partnership (TTIP) aimed at tipping the United States foreign policy balance in favour of Europe. The measures that need to be implemented of the Canada agreement, as well as the negotiation with some Asian countries and with Mercosur, will also be un important task for the Presidency. In the contest of trade negotiations, Italy will pay specific attention to the the recognition of the European scheme of Geographical Indication.

Furthermore, Italy should promote a more coherent and effective common European policy with Russia and greater convergence among the positions of the United States, Europe and Russia on specific aspects of security and the management of major crisis areas.

In the field of health, veterinary and phytosanitary sectors, the Presidency will make progress on legislative proposals on official controls in the food and feed chain. Togheter with the revision of the Hygiene package, these legislation will greatly enhance confidence in the EU food system.

The Italian Presidency, in cooperation with the Commission, will examine whether the current legislation concerning both food supplements based on plants and plant derivatives - "botanicals" - and probiotic products needs to be reviewed, with particular reference to removing the gaps in the application of the legislative framework for claims, which represents a relevant area of interest for the food production sector at national level. A priority objective of the Presidency will be to strengthen EU negotiations with the most relevant third countries in order to ensure greater compliance with the international health standards laid down by the Sanitary and Phytosanitary Agreement (SPS) and to promote the export of agro-food products.

Other important themes that will occupy the agenda of the Italian Presidency

Towards better economic governance: how to improve Eurozone stability and resilience and stimulate growth and employment

To generate a growth agenda, given the lack of common budgetary resources for countercyclical interventions (with the exception of structural funds which are characterized by extremely long planning times), it will be necessary to implement measures aimed at creating the conditions of context at the European level to foster growth and employment:

- completing the internal market, including with regard to services;
- accelerating negotiations under way on free trade areas (with special consideration for a free trade agreement with the United States);
- pursuing the simplification of administrative and bureaucratic burdens, especially for businesses;
- urging implementation of the digital agenda; and
- stimulating new real economy funding sources by tapping the potential of the European Investment Bank (EIB), in combination with the instruments made available by the EU budget.
- An effective European response to the economic and financial crisis needs to take into account the importance of the real economy and of strong manufacturing and services sectors. Fostering industrial competitiveness will be at the centre of the Presidency's activity, to help to develop a framework that systematically includes the "Industrial Renaissance" in all policies impacting on competitiveness.

More than **2,000 companies** across Italy, employing **100.000 workers**

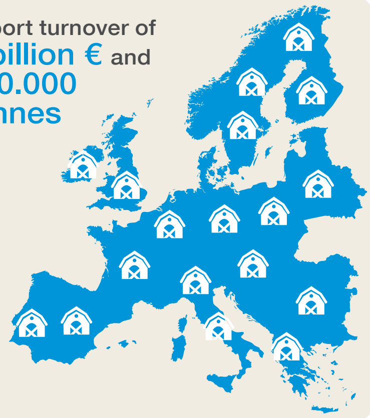
About **15 billion €** turnover

1st sector of the Italian food industry

280 million € invested every year in control activities

The Italian dairy sector in numbers

Export turnover of **2 billion €** and **320.000 tonnes**



Balance of sale in growth

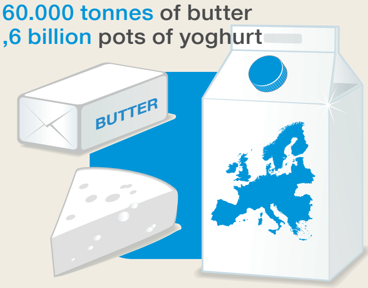
The Italian dairy industry brings more than 245 million € in the Italian trade balance

46 PDO CHEESES

Italy is the European country with the highest number of PDO cheese

YEAR PRODUCTION:

2,7 million tonnes of liquid milk
1 million tonnes of cheese, of which
0,46 million tonnes of PDO cheese
160.000 tonnes of butter
1,6 billion pots of yoghurt



Introduction to...

The Italian Dairy sector is the first food sector in Italy and it represents around 11,3% of the global food turnover. The value of the dairy production is about 15 billion euro. Every year the Italian dairy companies produce 1 million tons of cheeses, of which 46% are PDO cheeses, 3 billions liters of drinking milk, 1.8 billion pots of yogurts and 160.000 tons of butter.

Italian dairy consists of high value products, fruit of a continuous innovation and a noble tradition of processing. Products that use a delicate ingredient, the raw milk, requiring specific treatments and a professionalism that only the industry can provide.

And it is thanks to the activity of the industries that they became widespread consumer goods, available to everyone, in more than 140 different countries all over the world.

Italian domestic milk production is 11 million tons per year and the dairy processers ensure the withdrawal of all the milk produced by farmers in Italy, at a price higher than the European average. However, the raw milk available is not sufficient to cover domestic demand and export, so Italy imports milk and dairy ingredients for further processing. There are structural and environmental reasons that limit the availability of milk production in Italy, even with the elimination of the quota system in the EU.

Import of milk and milk ingredients

Given that domestic production of milk is not sufficient to answer to the demand, for the Italian dairy the import of milk and milk ingredients for further processing is a very important resource. Whether it are finished products or raw materials, 80% of milk and dairy products imported in Italy comes from Germany, France and Austria, countries of great dairy tradition. The remaining 20% are supplied by other European Union countries. Of course these products are complying with same EU rules as the national products.

Export

Export is one of the strengths of the Italian dairy sector, thanks to strong demand from European consumers and third countries who appreciate Italian products. The commitment and the ability of Italian companies have led to a constant growth in export over the last thirty years.

... the Italian Dairy Industry

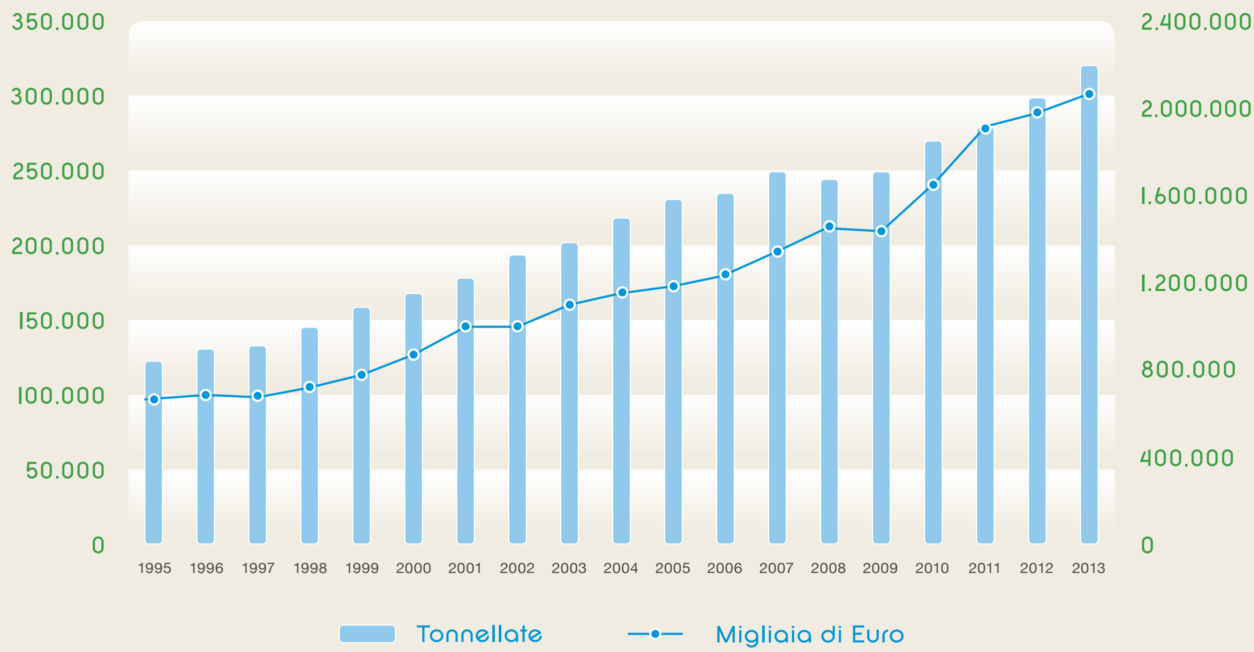
by Assolatte

Cheeses produced in Italy are loved by an ever-increasing number of consumers in a growing number of countries. This constant trend witnessed in 2013 an annual rise of 7.4% in volume and 4.2% in value.

European countries account for the majority of sales: France + 7.6%; Germany +10.4% and the UK (+8.6%). These three countries account for about 43% of the Italian export volume. Outside of the EU, the United States are a very important destination, followed by Switzerland (+2.8%) and Russia (+35.5%).

The cheese most appreciated remain "mozzarella" and fresh cheeses which in 2013 recorded an additional rise of 15% in volume. Grana Padano and Parmigiano Reggiano (+5.9%) and grated cheeses (+4%) follow, although it has also been a good year for Gorgonzola exports which have risen by 5.1%. Small, medium-sized and big companies are producing in Italy, all aiming to meet the highest requirements. Innovation and investments are key to keep these positive performances.

But the activity at European level is essential to remove obstacles to export, develop harmonized rules and create a favorable framework to enhance both the internal and the external competitiveness of Italian and European dairy companies, and help them tackle new challenges.



The Italian dairy sector in numbers

Turnover

15 billion €

With a turnover of approximately 15 billion €, the milk processing sector is the most important sector in the Italian agro-food industry.
The dairy sector gives a positive contribution to the economic development in rural communities across the country.

Italian dairy providing jobs

More than 2,000 companies across Italy, involving directly and indirectly around 100.000 workers

As well as in other sectors of the Italian food production, the dairy industry is highly adiversified with more than 2,000 companies. About 25,000 employees are directly active at a milk processing site, and more than 100,000 workers are involved in the dairy chain.

Export

2 billion € and over 320.000 tonnes exported in 2013

Exports growth compensates the difficulties in domestic consumption. Export to Third Countries accounts for 85.219 tonnes. The record levels achieved in 2013 will probably increase in the coming years, thanks to the work of the EU on trade agreements.

Dairy in the Italian food sector

1°sector of the Italian food industry

The Italian food sector, with a turnover of almost 130 billion € is the second largest manufacturing sector in Italy. The dairy industry, with a turnover of 15 billion €, is the first sector of the food industry, preceding confectionery, wine and processed meat.

Control and safety

**Over 280 million €
invested annually**

Food safety is the main mission of the supply chain and is a value shared by the whole dairy industry.
The parameters imposed by the EU legislation together with the strict self-control procedures and with the “savoir faire” of the processors are the recipe for producing the most popular cheeses in the world.

Sales Balance

**Brings over 245 million €
to the Italian economy
in 2013**

Italy is one of the major cheeses exporters worldwide.
The main destinations of the Italian cheeses are:

1. France
2. Germany
3. USA
4. UK
5. Switzerland

PDO products

**With 46 PDO cheeses,
Italy is the European
country with the highest
number of PDO cheeses**

Out of 181 PDO cheeses recorded in Europe, 46 are produced in Italy. Grana Padano PDO is the most exported in the world. The PDO represent 50% of total production of cheese.
Top 5 production are:

1. Grana Padano DOP
2. Parmigiano Reggiano DOP
3. Gorgonzola DOP
4. Mozzarella di Bufala Campana DOP
5. Pecorino Romano DOP

Production

**35 millions liters of milk
collected every day**

All the milk available in Italy is collected and processed by the dairy plants located throughout the national territory.
The 10,7 million tonnes of raw milk collected cover only 87% of the needs of the processing companies. Every year, Italy imports nearly 2 million tonnes of milk for processing .

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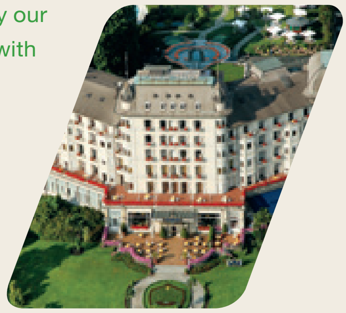
EDA World Dairy Forum 2014

08-10 October, Stresa, Italy

Benvenuto in Italia! Welcome to Italy!
Join us to discuss European dairy in a global context

EDA's 2014 Annual Convention (8-9 Oct.) and World Dairy Forum (10 Oct.) will be hosted by our EDA member ASSOLATTE at the shores of the scenic Lago Maggiore - a perfect match with the Italian EU presidency.



The European and global "lactosphere", EDA members, dairy stakeholders, policymakers and other specialists will get together at the **Regina Palace Hotel in Stresa** to discuss a broad range of economic, food regulatory and environmental topics, focused on European dairy in a global context.

For updates on the programme, practical details and for registration, keep your eye on **www.eda2014.eu**

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The European Dairy Association represents the interests of dairy processors in the European Union