



European Dairy Association

CONNECT TO THE WORLD OF DAIRY

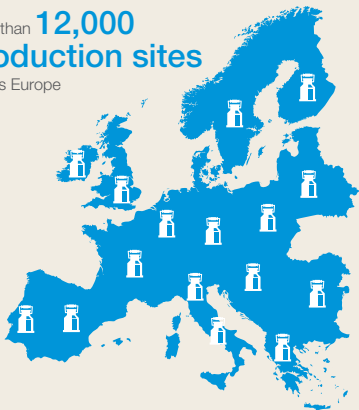
Annual Report 2017/18

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More than **12,000**
production sites
across Europe



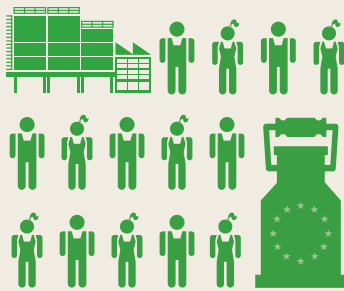
More than
300,000
direct jobs
on milk
processing sites



World dairy leaders
5 of the top 10 global dairy
companies are European



More than **45,000 jobs**
in dairies are directly linked to **export**



The economic
power of
European
dairy
at a glance

Positive EU trade balance

The European milk processing industry brings more than
10 billion € to the overall EU trade balance



Balanced & Successful

coexistence of cooperative model
and private ownership

Around **50%** of milk collected
in Europe by coops



Partnering

around **700,000**
dairy farms across Europe



**A rich and tasty
cultural heritage**

of more than **300** registered
cheeses and dairy products



Foreword

“The success of the dairy industry across the Union is based on the Single Market, on the EU Trade Strategy and on the Common Agricultural Policy – the success of our industry is based on the European project”.

This was our EDA statement at the opening of our EDA Annual Convention 2017 in Stockholm and this reflects the essence of our EDA mission. After heavily troubled times, markets stabilized in 2017 – but market imbalances and volatility do for sure not belong to the past. In times of increased price fluctuations, a stable foundation for dairy operators is more vital than ever. This foundation is constituted by the European project with its **Single Market concept**, its ambitious **EU Trade Strategy** and its **Common Agricultural Policy**. As EDA we placed these European fundamentals in the centre of our activities over the past twelve months.

25 years of the European Single Market

Our EDA Dairy Policy Conference on 22 March 2017 showcased both the importance and the fragility of the Single Market. The Single Market defines the EU as one territory without any internal borders or other regulatory obstacles to the free movement of goods. The free movement of safe and wholesome food is an essential aspect of the Single Market. In a time when we all would like to celebrate the 25th anniversary of the completion of our Single Market, this concept is no longer functioning the way it should. Recent EU Commission activities were obviously driven by complaisance. As a trade association we had to remind the ‘guardian of the treaty’ in Brussels of the value of the Single Market concept. Indeed, we were standing up against all attempts to re-nationalise the food law. We were more than outspoken at all levels when it came to defend the Single Market and to raise issues like national origin labelling schemes or discriminating nutrition labelling rules, including at the High Level Forum for a Better Functioning Food Supply Chain, where we regularly meet with **EU Commissioner Elżbieta Bieńkowska**, **EU Commissioner Vytenis Andriukaitis** and **EU Commissioner Phil Hogan**.

The European project is shattered beyond the Single Market concept: Brexit is threatening the European Union and more specifically it is endangering the success story of the European dairy industry, as much in the United Kingdom as in the EU27.

We are proud that we were able to send our joint EDA DairyUK ‘Future EU – UK Dairy Framework’ to the chief negotiators of the Union and the UK.

An ambitious EU Trade Strategy

In her opening speech at our EDA Annual Convention 2017 in Stockholm, **EU Commissioner for Trade Cecilia Malmström** focussed on ‘capturing trade opportunities for EU dairy’ and we had a unique opportunity to share with her our dairy expectations for the EU Trade Strategy.

We also congratulated **EU Commissioner Phil Hogan** who completed his tenth High Level Mission in 2017 – he travelled a total of more than 55,000 miles across the world to open new markets for our European high-quality milk and dairy products. The results of his personal commitment are outstanding: we reached record EU dairy exports in 2017.

Our Common Agricultural Policy

From the very first moment, we took part in the discussions on the set-up of the CAP 2020 and from the beginning we were a major interlocutor for the decision takers when they defined the long series of market intervention measures in place in 2017. We also fully supported **EU Commissioner Phil Hogan**, when he claimed in a podium discussion with EDA chair Michel Nalet that *“the CAP needs to do more to assist broader challenges and commitments, such as the UN Sustainability Development Goals or the COP 21 climate agreement”*. Our EDA work on economic and environmental sustainability is impressive and lately, our work on the ‘dairy contribution to social sustainability’ was another highlight and important contribution to ensuring a viable future for the European dairy industry. **“A Green Future for European Dairy”** – this is the overall theme of our 2018 Annual Convention in Dublin on 15 and 16 November 2018.

Let’s continue to work together for

***A Green Future for European Dairy,
Vive l’Europe et vive le lait***



Alexander Anton
EDA Secretary General



Michel Nalet
EDA President



connect to the world of dairy

Our primary role as European trade association is to facilitate the exchange and dialogue within our industry and with the Brussels based EU institutions.

Next to our commitment within official consultative bodies, contacts at all levels of the European institutions and with our dairy chain partners are of strategic importance for us.

We are grateful to our EDA president Michel Nalet and to our Presidium and Board members. They invest their time and energy in Brussels, to share our EDA positions and to help to shape the European framework for our industry.



EU Commissioner Phil Hogan and EDA chair Michel Nalet during a podium discussion at the XV Polish Dairy Cooperatives Forum on 19 October 2017 in Serock (PL)



EU Trade Commissioner Cecilia Malmström with EDA vice chair Ingo Müller (DMK) at our Annual Convention on 29 September 2017 in Stockholm (SE)



EDA vice chair Kasper Thormod Nielsen (arlafoods) with Peter Giortz-Carlsen, Executive Vice President, arlafoods Europe and Markus Hübers (arla board of directors)



EDA chair Michel Nalet with Léon Delvaux (cabinet EU COM President Jean-Claude Juncker) and EDA vice chair Claude Steinmetz (Luxlait) at a meeting in the Berlaymont building on 18 October 2017 in Brussels (BE)



Tom Tynan, cabinet EU COM Phil Hogan with EDA past president Werner Buck (FrieslandCampina) at our EDA Dairy Policy Conference 2017 on 22 March 2017 in Brussels (BE)



EDA vice chair Attilio Zanetti (Zanetti spa) as key note speaker at the DG SANTE conference '15 years EU Food Law' on 27 November 2017 in the bibliothèque Solvay, Brussels (BE)



Christiane Canenbley (cabinet EU COM President Jean-Claude Juncker) with EDA chair Michel Nalet



EDA secretary general Alexander Anton met with Arnold Schuler, Minister of Agriculture of the South Tyrol region on 23 October 2017 in Bolzano (IT)



EDA chair Michel Nalet with the vice minister of agriculture of the Czech Republic, Mr Jiri Sir at the XV Polish Dairy Cooperatives Forum on 19 October 2017 in Serock (PL)



Spanish Minister of Agriculture, Ms Isabel Garcia Tejerina, with EDA chair Michel Nalet on 08 June 2017 in Cordoba (ES)



Polish Minister of Agriculture Krzysztof Jurgiel and EDA chair Michel Nalet on the discussion podium at the XV Polish Dairy Cooperatives Forum on 19 October 2017 in Serock (PL)



Willy Borsus, Belgian Federal Minister for Agriculture visiting our EDA booth at the 'Open Door Day' of the EU institutions on 05 May 2017 in Brussels (BE)



EDA chair Michel Nalet, the newly elected chair of DG AGRIs 'Civil Dialogue Group MILK' with his vice presidents Anne Randles (Ornua) and German dairy farmers' president Karsten Schmal (DBV).



French and European dairy farmers' president Thierry Roquefeuil (FNPL) with EU Commissioner Phil Hogan and EDA chair Michel Nalet at the IDF World Dairy Summit on 30 October 2017 in Belfast (UK)



Palle Borgström, president of the Swedish (dairy) farmers (LRF) with EDA chair Michel Nalet at our EDA Annual Convention on 29 September 2017 in Stockholm (SE)



EDA secretary general Alexander Anton with the newly elected COPA President, Mr Joachim Ruckwied (DBV)





Dr Mehrnoush Ammjadi (IDF Iran) with EDA secretary general Alexander Anton on 11 November 2017 in Teheran (Iran)



EDA vice chair Attilio Zanetti, Riitta Brandt (Valio), EDA chair Michel Nalet and secretary general Alexander Anton at the 'EDA EP Day' on 14 March 2017 in Strasbourg (FR)



MEP Daniel Dalton (ECR, UK) with EDA chair Michel Nalet on the podium at our EDA Dairy Policy Conference 2017 on 22 March 2017 in Brussels (BE)



EU Commissioner Phil Hogan discussing with EDA chair Michel Nalet, the dairy sector leader at the High Level mission to Saudi Arabia on 08 November 2017 in Riyadh (Saudi-Arabia)



Joost Korte, Deputy Director General DG TRADE with EDA chair Michel Nalet at our EDA Dairy Presidents' Lunch on 22 March 2017 in Brussels (BE)



EDA chair Michel Nalet with Prof Dr Rudolf Mögele, deputy director general and his DG AGRI colleague Carlos Martin Ovilo at our EDA Board meeting on 23 March 2017 in Brussels (BE)



EDA and the Iranian Dairy Industries Society signed a 'Memorandum of Understanding': Lene Naesager (EU Commission), EDA secretary general Alexander Anton, Mr Mrtazavi (Tehran Chamber of Commerce) and Reza Bakeri (president Iranian Dairy Industries Society) on 11 November 2017 in Teheran (Iran)



EDA vice chair Attilio Zanetti with Peder Tuborgh (arlafoods) at our Annual Convention on 29 September 2017 in Stockholm (SE)





EDA in the official Brussels' stakeholder world

The EU institutions have established a wide range of sophisticated consultation and exchange fora to allow stakeholders from all parts of the European civil society to have their say within the Brussels decision making processes.

As EDA, we are honoured to be officially part of the following official consultative bodies, since this is the acknowledgment of the importance of our voice, the acknowledgement of our work in all milk and dairy relevant areas.

- Presidium of the Civil Dialog Group (CDG) Milk
- Member of CDG Quality & Promotion, CDG International Aspects of Agriculture, CDG CAP, CDG Non-Annex I,
- High Level Forum for a Better Functioning Food Supply Chain
- Economic Board of the Milk Market Observatory
- Market Access Advisory Committee and Working Group on SPS
- DG SANTE Advisory Group
- EU Food Waste Platform
- EU Animal Welfare Platform
- EFSA Stakeholder Forum
- EFSA Industry Roundtable
- Steering Committee and Technical Advisory Board of the Product Environmental Footprint (PEF)

And we, our committed members and the Brussels EDA team, we are conscious about the responsibility that comes along with these appointments, as with others like our Governor role at the global Dairy Sustainability Framework (DSF) or the Board membership at the umbrella organization FoodDrinkEurope.

We are grateful to our members from dairy companies and dairy associations all over Europe, who invest their time and energy to make most out of these opportunities to share our view and to voice our interests : the active content preparation, constructive participation and the follow-up of the various meetings is an essential part of our mission and the backbone of our EDA credentials in the Brussels arena.

EDA Speeches 2017/18

Voicing our interests across Europe and beyond

EDA President Michel Nalet shaped the discussions in Brussels and beyond, especially on our key themes in 2017/2018:

- the EU Single Market,
- EU trade policies
- the Common Agricultural Policy & dairy sustainability.

Together on the high level panel with EU Commissioner Phil Hogan and the Polish minister of agriculture, Mr Krzysztof Jurgiel, at the 15th Dairy Cooperatives Forum on 19 October 2017 in Serock (PL) Michel Nalet underlined the pillars of our dairy success in Europe: a functioning **EU Single Market** and a pro-active **EU trade policy**.

On 08 June 2017, Michel Nalet outlined our **dairy sustainability approach** as key note speaker at the European Feed Congress in Cordoba (ES).

Our **EDA vice chair Attilio Zanetti** shared our dairy assessment of the EU Food Law as key note speaker at the official celebration event '**15 years EU Food Law**' of the EU Commission (DG SANTE) with EU Commissioner Vytenis Andriukaitis on 27 November 2017 in Brussels (BE).



EDA Speeches 2017/18

Alexander Anton, secretary general

- 'La politique laitière Européenne du 21^{ème} siècle', SODIAAL Brussels visit, 21 March 2017, Brussels (BE)
- 'Sustainable Food Value Chains', Tetra Pak roundtable, 24 March 2017, Modenta (IT)
- 'EU Milchperspektiven 2020 und darüber hinaus', International Cheese Conference, 29 March 2017, Kempten (DE)
- 'Milk & Dairy – increasing visibility in Brussels', IHECS seminar, 25 April 2017, Brussels (BE)
- 'The European lactosphere in a world of opportunities and challenges', University of Göttingen study visit, 15 May 2017, Brussels (BE)
- 'Uncorking the dairy potential', FEVE Annual Congress, 13 June 2017, Brussels (BE)
- 'An European perspective on the U.S. dairy', NMPF event, 22 June 2017, Paris (FR)
- 'La réforme de la PAC dans une lacto-perspective', séminaire avec M le Ministre Fernand Etgen, 11 July 2017, Beringen (LU)
- 'The new CETA cheese TRQ', ICCO ANUGA conference, 09 October 2017, Cologne (DE)
- 'Dairy industry – a strategy on short term ?' COPA-COGECA Working Party on Milk and Dairy Products, 16 October 2017, Brussels (BE)
- 'Brexit and the 'Future EU – UK Dairy Framework'', 15th Dairy Cooperatives Forum, 19 October 2017, Serock (PL)
- 'European Dairy: Product Quality and Innovation', EU Business Forum Saudi Arabia, 08 November 2017, Riyadh, Saudi-Arabia
- 'European Dairy – Health, Nutrition, Taste & Pleasure', EU – Iran Agri-Food Forum, 11 November 2017, Tehran, I.R.I.
- 'Zukunft des europäischen Milchmarktes', Swiss Representation to the EU, 24 November 2017, Brussels (BE)
- 'EDA – une association au service de la lactosphère européenne', Bernussou study tour, 12 January 2018, Brussels (BE)

Bénédict Masure, deputy secretary general

- 'The Dairy Future in Europe', Hungarian Milk Interbranch Organization and Dairy Board Conference, 17 November 2017, Velence (HU)
- 'Brexit', MSc Eurama visit to Brussels, 23 November 2017, Brussels (BE)

Hélène Simonin, director food, environment & health

- 'EU food chain contribution to the SDG 12: Ensure sustainable consumption and production patterns', The EU Food SCP conference, 02 February 2017, Brussels (BE)
- 'Product Environmental Footprint (PEF) Dairy and its effects on the chain, incl. the upcoming legislative reflection phase', DG Agri Civil Dialogue Group Milk, 08 March 2017, Brussels (BE)
- 'The European cheese guides of good manufacturing practice: cheese as raw material and production of processed cheese', EU Commission's Standing Committee of Plant Animal Food & Feed (SCOPAFF), 29 March 2017, Brussels (BE)

- 'Sustainability in dairy and its impact on the supply chain and the buying decision for consumers', Dairy Innovation Summit, 06 April 2017, Amsterdam (NL)
- 'Por un sector lácteo en forma: La mejor combinación de nutrientes – the European perspective', FeNIL conference World Milk Day, 01 June 2017, Madrid (ES)
- 'Sustainability How to Achieve Optimal Efficiency and Analysing the Link to Consumer Engagement', Dairy International Summit, 26 October 2017, Amsterdam (NL)
- 'Product Environmental Footprint PEF: A quoi sert-il ? A quels besoins répond-il? / Product Environmental Footprint PEF: Was kann es leisten? Welche Erwartungen kann es erfüllen?', Swiss Environmental Agency OVEF/ BAFU event, 02 November 2017, Ittingen (CH)
- 'Do we know what we eat or do we eat what we know?', Italian Agency ENEA/ MetroFood conference, 19 December 2017, Brussels (BE)
- 'Sustainable nutrition and nutrition security how much knowledge do we already have and what action is possible?', Sustainable Development in the Food & Beverage Industry Summit, 17 January 2018, Berlin (DE)
- 'Sustainable nutrition and nutrition security – what role for dairy?', MEP Assistants' Roundtable on Dairy Nutrition & Health, 29 January 2018, Brussels (BE)
- 'Fair food labelling: informing without misleading', MEP Paolo De Castro and MEP Elisabetta Gardini EP event, 30 January 2018, Brussels (BE)

Flora Dewar, Trade & Economics Officer

- 'The European dairy industry', Leuven Institute for Ireland in Europe, 28 March 2017, Leuven (BE)
- 'Current issues for the European dairy industry', 10th Euroforum of Polish Dairy, 16 May 2017, Dąbrowa Górnicza (PL)
- 'Perspectives of EDA on EU trade and market policy measures after 2020', Master's Students University of Applied Sciences Kiel, Faculty of Agriculture visit to EDA, 14 November 2017, Brussels (BE)
- 'The European dairy industry', MSc Eurama visit to Brussels, 23 November 2017, Brussels (BE)

Kinga Adamaszwili, Nutrition, Health & Food Law Officer

- 'Aktualne zagadnienia z zakresu prawa żywnościowego, polityki żywieniowej i zdrowotnej UE' (An overview of current issues related to EU food law, nutrition and health policy), 10th Euroforum of Polish Dairy, 16 May 2017, Dąbrowa Górnicza (PL)





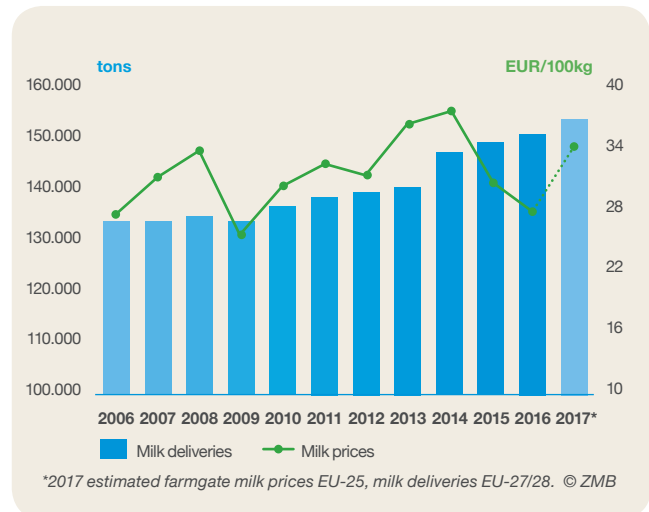
2017

Dairy Market 2017: Butter supported milk prices

The European Dairy Industry could to take a deep breath in 2017 after the difficult previous years. Volatility of prices was still ongoing. A shortage of butter lifted the price-level in general, despite the continuous pressure on prices of skimmed milk powder. The intervention stocks of Skimmed Milk Powder increased again. Farm gate milk prices recovered substantially to the highest level since 2014. At the end of 2017, milk prices corrections began to emerge.

Framework conditions:

- Less market measures had been taken up by the European Commission compared to the previous years.
- Milk reduction schemes decided in 2016 had been in force in the first months of 2017.
- No Private storage schemes for skimmed milk powder, butter or cheese had been offered. The private storage scheme for skimmed milk powder ended on February 28th, 2017. Intervention of skimmed milk powder was opened until end of September 2017. For 2018 the EU-Commission made a proposal the change the intervention scheme for skimmed milk powder into a tendering system instead of buying-in at fixed prices.
- The Russian government extended up to the end of 2018. The import ban on EU dairy and other food products imposed in August 2014.
- At the beginning of 2018 intervention stocks of 375,000 tonnes of skimmed milk powder in EU are hanging over the market.



Milk deliveries reached new record

EU milk deliveries in 2017 had been the highest ever. A new all-time-record of 155 Million tonnes was reached according to ZMB-estimations. Compared with 2016, output increased by about 2,5 Mill. tonnes or 1,9 % adjusted for leap day. The growth-rate was higher than the average speed observed in the last decade. Higher milk prices in the second half of the year stimulated milk production. Since March, output was continuously higher compared to the same period of previous year. The seasonal pattern of milk-output was smoothed compared with 2016. During the peak in spring-time, growth was still limited. Deliveries increased by more than four percent in the last quarter of the year, despite of reduced cow stocks in the most Member States. The number of dairy cows decreased to estimated 23.4 million of heads. The biggest herd reduction took place in the Netherlands due the phosphate-regulation. The average milk yields increased further. In the biggest Member States Germany and France, milk deliveries contracted marginally in the average of 2017. Main drivers of growth had been Ireland, United Kingdom, Poland and Italy. The outstanding increase in the Netherlands observed in the previous years stopped, but milk production exceeded all expectations after the reduction of cow numbers by 100,000 heads from December 2016 to April 2017.



Dairy Market 2017 (ZMB)

European Union : Balance Sheet of Cow Milk

m. tonnes	2013	2014	2015	2016	2017 ¹⁾	2018 ²⁾
	EU-28	EU-28	EU-28	EU-28	EU-28	EU-28
Deliveries of milk	141,9	148,8	152,0	152,8	155,2	157,0
+ Imports in milk equivalent	1,2	1,2	1,0	1,1	1,0	1,0
- Exports in milk equivalent	15,9	18,0	19,1	18,7	20,3	21,3
- Change in stocks in milk equivalent	+0,2	+2,0	+2,5	+1,4	-0,1	-0,7
Consumption in milk equivalent	127,0	129,9	131,5	133,8	136,0	137,4
Consumption per capita	251	256	259	262	266	268
Self-sufficiency (%)	112	115	116	114	114	114

1) Provisional 2) Forecast. Source: ZMB. Updated January 2018.

Production reduction schemes from EU Commission and some Member States, adopted during the low-price period in 2016, had a certain reducing impact on milk deliveries in the first semester of 2017. Not all applications of farmers had been fulfilled because of increasing milk prices.

Export of dairy products increased

EU export of dairy products increased by more than 1 Million Tons of milk equivalents in the first eleven months of 2017. At the same time, global trade in dairy products nearly stagnated. Growth of international demand was disappointing for the third consecutive year and substantially reduced compared to the first years of the current decade. EU gained market shares in world dairy trade in 2017, while competitors from New Zealand and South America exported less.

EU-exports of different dairy products had mixed developments. Top performer has been cheese and skimmed milk powder. Export of the latter reached a new all-time-record of nearly 800,000 tonnes. Cheese exports had been higher than ever before, too. Less butter was sold to third countries due to low availability and high prices. For the first time, growth of export of liquid milk was interrupted. Export of whole milk powder and whey powder increased slightly. A stronger increase was observed in lactose.

Less butter and skimmed milk powder produced

The processing capacity of dairies in EU was sufficient in 2017. More milk was channelled into cheese processing, while production of butter and skimmed milk powder decreased. After strong reductions of butter and skimmed milk powder in the first half of the year, volumes picked up again later in the year. Whole milk powder production was nearly unchanged. The production of liquid milk is shrinking year by year since 2014 despite of growing population in the EU. 2017 was no exception. At the same time more of fermented fresh dairy products and more cream have been produced.

Up and down of cheese prices

The cheese market was volatile in 2017. Growth of production, export and consumption was observed like in the previous year once more, but with limited speed. Export to third countries recovered further from the disruption after the Russian ban and reached a new record of more than 800.000 tonnes. Major destinations had been the USA, Japan, Switzerland and South Korea. Growth of internal consumption decelerated compared to the previous years. Short supply in the first months of the year pushed cheese prices up. In the Summer time, export suffered from high prices and more competition from the United States. At the same time, production picked up in line with increasing milk deliveries. Prices came under pressure in the last months of year, especially these of semi-hard cheese. Prices of whey powder and derivatives also dropped. This development had an additional negative impact on cheese valorisation.

Butter prices rocketed

Butter supported the entire dairy market to a high extend in 2017. Butter prices reached an outstanding historical high level and initiated price increases of other fat containing dairy products like liquid milk, cheese, cream and whole milk powder. The driver of the surge of prices was a reduction of production. In 2017, the butter production decreased for the first time since 2013 after several years of continuous increases. The market had totally absorbed the higher butter volumes in the previous years due to the improved image of butter, increasing consumption of spreads with a high butter content, increased usage in the baking and confectionary industry and higher exports to third countries. The lower production in the second half of 2016 and first half of 2017 caused a decline of stocks and a shortage of butter. A fast rise of prices was the consequence. The market came closer to a balance in the last months of the year when production picked up again and consumption and export went down. Imports of EU remained on a historical low level. Butter supplies had been limited worldwide and international prices reached a new record, too.





Whole milk powder robust

The EU-market of whole milk powder was characterised by a nearly unchanged production and a slight increase of export in 2017. EU-suppliers did not suffer from the reduced global trade of whole milk powder and took advantage from reduced supply from South America. However, New Zealand is continuously dominant on international market. Main producers in EU are Germany, the Netherlands and France. Prices improved substantially compared with the low levels in the two years before.

Skimmed milk powder remained oversupplied

The problem of over-supply of the skimmed milk powder market remained unsolved in 2017. Nevertheless, the market was in a much better balance than in 2016. Production decreased to a certain extent and export reached a new all-time-high of estimated 830.000 tonnes. Total stocks could have been reduced, but only private stocks decreased. The intervention stock increased again and reached a level of 375.000 tonnes. This is equivalent to nearly one quarter of a yearly production of EU. Despite of favourable export opportunities it was not possible to reduce intervention stocks. 180 tonnes of skimmed milk powder from intervention stock had been sold in 2017 at decreasing price levels. The market prices had been strongly influenced by intervention-measures. So long as intervention was open prices had been equivalent to intervention price. When intervention closed at end of September and intervention powder was sold below support level market prices went down to their lowest level since decades. International prices followed the EU direction. The proposal of the European Commission to switch intervention into a tender-system instead of buying at a fixed-price puts additional pressure on prices.

Milk prices recovered

The farm-gate milk prices recovered in all Member States during 2017 and reached a three-year high in the most Member States. The biggest increases had been observed in the second half of the year. The recovery was mainly driven by the historical high butter prices. However, the higher prices stimulated milk production in the last months strongly.

Outlook

In 2018, dairy market will be challenging for the players once again. Due to decreases of commodity prices, milk prices will drop in the first months of 2018. Milk deliveries will grow again throughout the Union. The growth will be concentrated in the first months of the year driven by adequate milk prices. The higher output in the high-season will hamper the recovery of product prices compared with the low levels observed in late 2017. Later in the year the output could be depressed by lower payments. Production of cheese,



butter and milk powder will increase in 2018. The availability of butter will be higher than in the exceptional year of 2017. However, a balanced butter market and a price level above the long-term-average is likely. The situation of skimmed milk powder will be very different. Production will increase again and despite of expected high exports the market will be oversupplied. Stocks will be reduced but be far from being removed completely. Market measures of the EU Commission will impact market prices. The cheese market will grow further but will not be able to absorb all additional milk. Demographic change and changing consumption habits will be challenging for further growth of internal consumption of dairy products. Export opportunities could take advantage from the actual growth of world economy, increase of import demand from China, recovery of oil-prices and stagnating milk production in parts of Southern hemisphere.



Monika Wohlfarth
ZMB GmbH



Trade & Economics in 2017/18



The word of the TEC Chair

In 2017, our EDA Trade & Economics Committee (TEC), the CAP Task Force and the Trade Task Force had again many opportunities to develop inputs and to shape the debates on agriculture, on the functioning of the food chain and on trade.

With the so-called Omnibus process, the dairy sector has seen already an anticipated reform of the Common Agriculture Policy, reform that was expected for after 2020. Although under public consultation by the Commission, the Omnibus introduced new provisions on value sharing among others. We regret the lack of input from the public and stakeholders in this Omnibus process, important for the future of our sector. The EDA prepared an initial position following the Communication of the Commission on the future CAP 'The Future of Food and Farming'

On the trade side, we have monitored closely the efforts of the European Commission to secure more market access, either through free trade agreements or by solving market access difficulties, giving our input and updating our positions when necessary.

And there have been two major political events at global level: the inauguration of President Trump in the US in January 2017 and the agreement on the first phase of Brexit negotiation in December 2017. These events might change trade opportunities. At least there is a need to follow developments closely and to plead as before for access to important markets for the EU dairy industry. Whereas the EU dairy industry is aware of the importance of freer trade in dairy products, we at the same time are insisting on an equilibrium in trade negotiations. We can only accept further openings of the EU market when we have equal market access in important export markets, like China and like our competitors.

In addition to export the TEC closely looked at the functioning on the internal market in relation to internal veterinary certification and other internal barriers to trade.

Wim Kloosterboer
TEC Chair
Corporate Manager Trade & Dairy Affairs
Royal Friesland Campina



EU Dairy Policies and market management

'Omnibus'

The EU Commission has been working on the 'lisbonisation' of the four CAP regulations, including the single CMO, i.e. it is translating the CAP regulations into delegated and implementing acts. The whole exercise is called Omnibus.

EU Commission's initial position on the Omnibus was to allow "incorporating uncontroversial adjustments into the EU acquis. Swiftness is crucial to the exercise and requires sticking to the elements of the original proposal as much as possible, avoiding the proliferation of new elements that risk, altogether, jeopardising the whole exercise."





The Committee on Agriculture of the European Parliament (EP Comagri), taking advantage of this work, has proposed several amendments to the single CMO which brings new ideas to the table, such as value sharing mechanisms and bargaining organisations. Most ideas reflect what has been recommended by the November 2016 report of the Agriculture Markets Task Force. For the European Commission and the Council, the Omnibus should be a simple exercise resulting in amendments to be implemented on 1 January 2018, and not the place for an anticipated CAP reform. Internal dialogue negotiations between the three institutions started beginning of July and ended in October 2017.

Due to the changes in the position of the Council, the following points were taken up:

- to allow POs to negotiate contracts on behalf of their members without quantitative limitations,
- to allow – along the sugar model – agreements on value allocation
- to accept the idea of the establishment of standard value sharing clauses and of concerted price formula (via competition law exemption),

In May 2017, we as EDA, we organised an in-depth exchange on the Omnibus with eight MEPs at an EDA breakfast meeting with EDA Board members in the European Parliament in Strasbourg.

EDA has further communicated to the Members of the Special Committee on Agriculture (SCA) our concerns on this change of position and that new mechanisms deserves an in-depth discussion and consider that it is too early for a complete reform of the CAP. Given the delays in the negotiations of the non-agricultural issues of the Omnibus, an agreement on the overall package was not expected before the end of 2017. Thus, the EP COMAGRI and the Council's Special Committee on Agriculture agreed to split the CAP related issues from the overall Omnibus package. Doing so would allow the agricultural rules to enter into application on 1 January 2018. The agriculture package was formally adopted by the Council of the EU and the European Parliament in December 2017.

The Regulation (EU) 2017/2393 of the European Parliament and Council of 13 December 2017, amending CAP Regulations, was published early January 2018. Within this Regulation, the Commission states its concerns as regards to new measures especially on producer co-operation. The Commission notes the lack of impact assessment on these new measures leading to an “unwelcome degree of legal and procedural uncertainty of which the impact and implications are not known”. Furthermore, the Commission “regrets that the issue of the very limited role for both the Commission and the National Competition authorities to act



EDA vice chair Attilio Zanetti, Riitta Brandt (Valio), EDA chair Michel Nalet and secretary general Alexander Anton at the 'EDA EP Day' on 14 March 2017 in Strasbourg (FR) where we discussed the omnibus proposal with 8 MEPs

to preserve effective competition has not been addressed in a satisfactory manner by the co-legislators, and expresses concern with the possible implications of this limitation for farmers and consumers”.

In agreement with these statements, EDA is in the process of preparing an in-depth analysis of the Omnibus measures and their impact on the dairy sector, namely on contracts and value sharing initiatives.

CAP post-2020

The Commission launched a public consultation on “Modernising and Simplifying the CAP”. This consultation was open between 2 February and 2 May 2017 and was focused on 3 areas:

- Agriculture, Rural Areas and the CAP today
- Objectives and Governance
- Agriculture, Rural Areas and the CAP tomorrow



“Within the CAP Task Force we did prepare our EDA positions on several ‘dairy-critical’ CAP chapters and we had high level exchanges with the EU Commission and the European Parliament. The Communication on the Future of the CAP will further guide our work.”

Luis Calabozo
CEO FENIL
Chair of the EDA CAP Task Force



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EDA chair Michel Nalet with Prof Dr Rudolf Mögele, deputy director general and his DG AGRI colleague Carlos Martin Ovilo at our EDA Board meeting on 23 March 2017 in Brussels (BE)

On the solid basis of our previous EDA work, EDA presented a comprehensive position paper along with our answers to the EU Commission consultation, calling for simplification and policy coherence. This paper was done thanks to a joint work of the EDA CAP Task Force and our EDA Sustainability Working Group. Our ideas were initially shared with the Commission officials present at our committee meetings and with EDA's strong presence at the Commission event on the CAP.

In total, there were 322,912 online contributions, including 1,417 position papers. The Commission presented the outcome of the consultation during a high-level conference on 7 July 2017.

End of November 2017, the Commission issued its Communication on the future of the CAP ('The Future of Food and Farming'), which will feed into the Impact Assessment foreseen in 2018. While the Commission Communication focuses mainly on the farming side, EDA congratulated the EU Commission on the publication. We appreciated the identified need for a new delivery model as expressed in the Commission Communication, with undoubtable more space for national ruling (subsidiarity), we consider however that the new CAP should not lead to fragmentation of the internal market. Enhancing the dairy sector's competitiveness on the global market also ensures the future sustainability of EU milk production. EDA will continue to actively accompany the EU Commission's Communication and we are looking at any opportunity for further development and improvement of the CAP.

Intervention/Private Storage Aid

At the end of 2016, the levels of Skimmed Milk Powder (SMP) in storage under the intervention scheme and private storage aid scheme (PSA) were at an all record high.

While no new PSA scheme for butter and cheese were open in 2017, PSA for SMP remained open until end of February 2017. Below are the final figures for PSA SMP:

Article 4(1)a of Reg. (EU) No 948/2014 – storage period max. 210 days

- EU 28 Cumul 2017, up to 28 February 2017: **22,210 t.**
- EU 28 Cumul 2016: **43,808 t.**
- EU 28 Cumul 2014-2015, since 1st September 2014: **60,221 t.**

Article 4(1)b of Reg. (EU) No 948/2014 – storage period of 365 days

- EU 28 Cumul 2017, up to 28 February 2017: **3,671 t.**
- EU 28 Cumul 2016: **45,348 t.**
- EU 28 Cumul 2015, since 19th October 2015: **9,183 t.**

TOTAL quantity offered into private storage (All storage periods)

- EU 28 Cumul 2017, up to 28 February 2017: **25,881 t.**
- EU 28 Cumul 2016: **89,156 t.**
- EU 28 Cumul 2015, since 19th October 2015: **52,062 t.**

On the other hand, sales into intervention of SMP was open from January till September 2017 with 30,647 tonnes going into intervention for the 2017 period. In total, from the first usage of the intervention scheme back in 2015, a total of 378,578 tonnes of SMP were stored.

Since the opening of the tenders selling SMP out of intervention in December 2016, 16 tenders were held. Many of these tenders resulted in no offers being accepted, while the below tenders have seen products sold out of intervention:

Tender 10 (20 June 2017):

- Accepted quantities: **100 tonnes**
- Minimum Price fixed: €185.00 /100kg
- Price offered Minimum: €138.00 – Maximum: €185.00

Tender 13 (17 October 2017):

- Accepted quantities: **40 tonnes**
- Minimum Price fixed: €144.05 /100kg
- Price offered Minimum: €120.10 – Maximum: €144.05

Tender 14 (21 November 2017):

- Accepted quantities: **40 tonnes**
- Minimum Price fixed: €139.02 /100kg
- Price offered Minimum: €80.00 – Maximum: €139.02

Tender 16 (16 January 2018):

- Accepted quantities: **1,864 tonnes**
- Minimum Price fixed: €119.00 /100kg
- Price offered Minimum: €7.00 – Maximum: €135.00

In total, including the first tender in December 2016 (40 tonnes), 2,084 tonnes were sold out of intervention.





Because of the exceptional situation with buying-in under public intervention between 2015-2017, the EU Commission feared that the scenario would repeat during the 2018 campaign. As such, the Commission has called for new ideas to ensure that buying-in operates on a rational basis.

EDA shared with the Commission its initial thoughts on two options and their potential implementation. The first option would be the tendering system from the opening of the campaign. To avoid speculation on prices when intervention starts, we suggested that the EU Commission could consider accepting offers that are made at or very close to the current intervention price. The second option was an intervention made in several batches, with pre-announced fixed prices for each volume batch.

The EU Commission approved in November 2017 the new intervention scheme for the 2018 campaign where the limit at which public intervention takes place at fixed price in 2018 should be set at zero. At the end of January 2018, the Council adopted EU Reg 2018/147 leading to the opening of a tendering procedure from 1 March 2018.

Furthermore, the EU Commission has published the EU Implementing Regulation 2017/1479 amending Implementing Regulation (EU) 2016/1240 as regards the disposal of intervention stocks for the scheme for food distribution to the most deprived. This Implementing Regulation sets the framework condition to allow – one day if deemed appropriate – the use of intervention stocks for the most deprived. It frames how Member states may express their interest and specify the volume of products they wish to buy. While this regulation does not open the possibility for Member States to express their interest at this stage, interested Member States would be those considering that they can sell intervention product with a benefit that will be used for most deprived.

High-level Forum for a Better Functioning of the Food Supply Chain

In January 2016, EU Commissioner Elżbieta Bieńkowska appointed the members of the High-Level Forum for a Better Functioning Food Supply Chain. EDA chair Michel Nalet has accepted to become a member of this new High-Level Forum that is called to assist the EU Commission to develop the European industrial policy in the agri-food sector. It took almost a year for the kick-off meeting to take place on 15 December 2016.



“Following the example of the Milk Market Observatory, similar bodies have been established for the meat, crops and sugar markets. This underlines the success of the MMO. On the other hand, the EU Commission seems to look for additional developments since the issue of ‘price transparency’ is now high on the agenda of the High-Level Forum for a Better Functioning Food Supply Chain.”

Gérard Calbrix
*Director Economic Affairs, ATLA
 Chair of the EDA MMO Task Force*

Four subgroups have been created and EDA is actively involved in three of them:

- **The Food Price Composition Indicator (#food€).** Price transparency is one of the three areas of the Work Programme of the High-Level Forum, approved in December 2016. Furthermore, the Agricultural Markets Task Force in its report from November 2016 has recommended undertaking and publishing ‘food euro’ calculations at the EU and at Member State level for all major food products. EDA is represented by Gérard Calbrix (ATLA, France). Reporting to the High-Level Forum in December 2017, the group proposed a #FoodEuro – price composition tool, aiming at raising awareness at every level of the food chain and ultimately provide a better identification of market failures and better forecast of market conditions. Pending political endorsement and available funding, the Commission will sign an arrangement with the contractor on the creation of the first price composition indicator. Findings of the #FoodEuro pilot project are expected to be published in Spring 2019.
- **Single Market for Food.** The main objective of this group is to further reduce existing barriers in the single market for food, in particular stemming from fragmentation due to national regulations and practices. EDA is represented by Kirsten Holm Svendsen (Danish Dairy Board, Denmark). The role of the subgroup focused on the promotion of harmonisation and coordination of legislation and policies at EU level in the food and drink sector. It also addressed the question of dual quality and territory constraints.



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Bénédicte Masure, EDA Deputy Secretary General

- **Private Labels.** The main objective of this group is to provide a better understanding of the role of private labels and their impact on the food supply chain. EDA is represented by Bénédicte Masure (EDA). A first meeting was held end of November 2017 to provide a platform for dialogue, define the role of the group and explore possible actions if deemed necessary and/or feasible. Based on the further input provided by participants, both Member States and stakeholders, the Commission will assess how a result-oriented structured dialogue amongst the parties concerned could be established.

The High-Level Forum met again on 6 December 2017. The first part of the meeting was dedicated to the reporting of the activities carried out in 2017: the composition differences between branded food products sold on the single market (dual food quality), the step towards a fair and efficient trading environment (UTPs), a better understanding of the barriers affecting the internal market, the digitalisation in the food supply chain and the price transparency in the chain. The second part was focusing on the future work program of the Forum, its ambitions and objectives for 2018.

Unfair Trade Practices (UTPs)

At their December 2016 meeting on UTPs, the European Council conclusions called for an impact assessment on the relevance of introducing a European legislation or framework to address and solve unfair trade practices. There are also regular calls for EU wide rules in the European Parliament that hosted early January 2017 the annual event of the Supply Chain Initiative (SCI). EDA as member of the High-Level Forum for a Better Functioning Food Supply Chain of DG Growth, we participated in its sherpa group early March 2017 to exchange on how to promote a fair-trading environment in the food supply chain. Members presented their best practices in national self-regulatory schemes, while national

authorities made a presentation on how national models can inspire a EU framework action on UTPs. The idea voiced by EDA chair Michel Nalet to establish a dedicated Ombudswoman/man at EU (Commission) level did find some support at Member State level.

Seven Member States from Central and Eastern Europe presented a 'non paper' on UTPs at a further Agricultural Council, asking for an establishment of an EU legislative framework to regulate UTPs. At the very same time, the EU Commission hosted the sherpa group of the High-Level Forum for a Better Functioning of the Food Supply Chain, where several Member States supported the German delegation claiming that EU legislative action in this dossier would not be of added value. *"Less than 5% of all food sales are sales from farmers directly to retailers. If we speak of a better position in the food supply chain, UTPs are important, but not the key for a solution"*, underlined the German delegation.

In this sherpa meeting, EDA voiced again the approach of limiting EU action to a coordinating and mapping role ('ombudsman' type approach). *"When it comes to the dairy, 50% of the milk is collected and processed by farmer owned cooperatives and for the other 50% the 'milk package' does set clear rules for the day to day partnership between dairy farmers and their dairies. On the other hand, the retail sector – our partner when linking to the consumer – has reached a level of concentration that merits our attention"*, stated EDA secretary general Alexander Anton in this meeting.

Notwithstanding the work of the High-Level Forum for a Better Functioning of the Food Supply Chain of DG Growth, EU Agriculture Commissioner Phil Hogan told MEPs in June 2017 that the EU Commission would, sometime around Spring 2018, present proposals to better tackle unfair trading practices and to improve farmers' position on the food chain. The EU Commission is carrying out an impact assessment where the results of the assessment will be presented in the first half of 2018. Over the Summer, DG AGRI has published its draft *"inception impact assessment"* open for comments over 4 weeks. EDA shared its views on market transparency, unfair-trading practices and producers' cooperation. Our EDAs submission can be found here (goo.gl/18BZVM)

Furthermore, DG AGRI launched an open consultation on *"improving the food supply chain"* where EDA expanded its opinion and arguments already shared in the inception impact assessment.





Milk and Dairy in school meals

The EU school fruit, vegetables and milk schemes have been merged in one single scheme that entered into force on 1 August 2017, ahead of the 2017-18 school year. Like the individual schemes it replaces, the combined scheme has been designed by the EU Commission to help promote the benefits of healthy eating to children and encourage them to increase their consumption of fruit, vegetables and milk.

EDA has issued a statement on the proposed guidelines on dairy in school meals that was drafted by the Maltese Presidency and EU Commission in the 'Public procurement of food for health: technical report on the school setting' report. While EDA welcomed the Maltese Presidency's and EU Commission's initiative in fighting against childhood obesity and ensuring the overall health of the youngest in our societies, this must, however, be done in a comprehensive manner, that reflects the latest dietary recommendations and scientific evidence. We use every opportunity to voice that milk and dairy products are important sources of many essential nutrients, including protein, vitamins and minerals, and therefore significantly contribute to the health of children and adolescents. The importance of milk and dairy foods in children's diet, especially in the critical periods of growth and development, as well as their positive role in shaping positive dietary habits of future generations, should be particularly considered.

In his speech at the World Heart Day, EU Health Commissioner Vytenis Andriukaitis referred to the benefits of the EU School Food Scheme focusing however entirely on the fruit and vegetable scheme and regrettably forgetting the benefits of the School Milk Scheme, despite the fact that we all know about his very positive approach to milk and dairy.



EDA was greatly concerned by this communication and reminded that the School Milk Scheme has been in place since 1977 and its aim to develop healthier dietary habits in school children remains even more relevant today than ever.

The EU Commission's support for healthy dietary habits among school children must include equal support of the existing School Food Schemes, highlighting the health benefits of milk and dairy.

Promotion of Milk, Dairy and Agricultural Products

The general objective of the EU promotion program focuses on enhancing the competitiveness of the EU agricultural sector. The Simple and Multi Programmes for promotion aim at the provision of information and at the promotion of EU agricultural products in the internal market and in third countries. Furthermore, the specific objectives were meant to increase:

- The awareness of the high standards of the EU agri-food sector's production;
- The promotion and consumption of certain food products;
- The EU's market share in third countries and restoring normal market conditions in case of a crisis.



A total of €128.5 million was made available for the 2017 scheme. The co-financing rates were ranging from 70% to 85%. Last year, bids for agri-food promotion programmes exceeded the available budget by around four times - a great sign for the success of the promotion policy of DG AGRI.

The 2018 work programme was adopted on 15 November 2017. Programmes for the promotion of EU agri-food products will focus primarily on the markets with the greatest potential growth, essentially countries outside the European Union. A total of €179 million will be available for promotion programmes selected for EU co-financing in 2018, compared to €142 million in 2017.

Within the EU itself, the focus will essentially be on co-financing campaigns designed to inform consumers about the various EU quality schemes and labels (organic, Protected Designation of Origin -PDO, Protected Geographical Indication -PGI, Traditional Speciality Guaranteed -TSG).

The 'Info Day' of the EU Commission on the calls for proposals for 2018 was organised by the Commission on 31st January 2018 with several EDA member organisations participating.



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EU Commissioner Cecilia Malmström – key note speaker at our EDA Annual Convention on 29 September 2017 in Stockholm, Sweden

Trade and Market Access

Bilateral Trade Issues and Free Trade Agreements (FTAs) Negotiations

Trade is of utmost importance for the EU dairy industry and hence for EDA. We have underlined this year that trade is the main focus of our industry at our EDA Annual Convention on 29 September 2017 in Stockholm, where EU Commissioner Cecilia Malmström engaged with executives from dairies and through the organisation of our EDA Trade Day.

The panel at the EDA Dairy Platform 2017 on international trade was made up from EU Trade Commissioner Cecilia Malmström, Ingo Müller (DMK), Bernard Ducros (Danone), Peder Tubørg (Arla), and Annika Hurme (Valio). The dairy CEOs congratulated EU Commissioner Cecilia Malmström on the EU Commission activities favouring trade while bringing up issues faced in future free-trade agreements.

Our EDA Trade Day, which now has become an annual event, welcomed high-level civil servants from DG Agriculture and DG Trade (SPS team), representatives from the US Food and Drugs Administration and consultants based in China. This is a perfect set-up to share informally EDA's vision on trade agreements and market access for dairy products.

The interests of the EU Dairy Industry are well received by the EU Commission. After many successful missions in 2016, EU Commissioner Phil Hogan continued in 2017 his trade offensive with missions to Canada in May 2017, to Saudi Arabia and to Iran in November 2017.

Furthermore, both EDA chair Michel Nalet and EDA secretary general Alexander Anton participated to EU Commissioner Phil Hogan's trade missions to Saudi Arabia and to Iran, where new links were created with the Iranian dairy industry.

EDA and ten other EU trade associations officially congratulated EU Commissioner Phil Hogan for the success of his personal commitment to open new markets for EU agri-food products.



Ingo Müller - DMK, Bernard Ducros - Danone, Peder Tubørg - Arla, Annika Hurme - Valio, and EU Trade Commissioner Cecilia Malmström



Lise Andreasen Hoyer (DDB) with John Clarke, director trade at DG AGRI at our 'EDA Trade Day' on 05 July 2017 in Brussels (BE)





EU Commissioner Phil Hogan discussing with EDA chair Michel Nalet, the dairy sector leader at the High Level mission to Saudi Arabia on 08 November 2017 in Riyadh (Saudi-Arabia)

To support our positions on trade agreements and ensure a level playing field, the EDA Secretariat analysed the market access provisions of free trade agreements signed by our main competitors around the world and comparing the import duties that we and our competitors have to pay when exporting to specific 3rd countries.

Andean Community

The EU has a comprehensive Trade Agreement with Colombia and Peru which has been provisionally applied since 2013. On 1 January 2017, Ecuador joined the Trade Agreement. EDA continued to inform the EU Commission of issues faced by the dairy industry, including certification for both Peru and Colombia and concerns on specific import tariff for Peru. In 2016, Colombia imported almost 13,000 tonnes of European dairy products whereas Peru imported more than 7,000 tonnes of European dairy products.

ASEAN

Launched in 2007, the free trade negotiations between the EU and the ASEAN countries (Brunei, Burma/Myanmar, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam) were broken off in 2009 for political reasons.

Since then, the EU has concluded separate free trade agreements with Singapore (in 2012) and Vietnam (2015). In March 2017, Ministers tasked the Senior Economic Officials to work out the parameters of a future ASEAN-EU region-to-region agreement and to report back to the next Ministerial meeting in 2018 under the Singapore chairmanship.

The ASEAN countries are a very interesting export market for EU dairy products. EU exports amounted between €120-140 million towards respectively the Singapore, Malaysian and Thai markets, whereas Indonesia imported more than €230 million worth of EU dairy products (about 154,000 tonnes).

On Tuesday 23 January 2018, EU Trade Commissioner Cecilia Malmström informed during an EP international trade committee that the text of the free trade agreement between the EU and

Vietnam was facing “delays at the level of its translation” into all languages of the EU. The text has already undergone a long legal scrubbing and the Commissioner hope that the agreement would be ratified before the end of her current term of office.

Australia

EU Commissioner Cecilia Malmström and Australian trade minister Steven Ciobo agreed on Thursday 6 April 2017 on a scoping exercise ahead of negotiations over an EU-Australia free-trade agreement. The European Commission has carried out an impact assessment on a possible trade deal and its implications for the EU economy. The study takes into account the agreed scope, new opportunities the agreement could create for EU businesses, as well as sensitivities in the farming sector. Based on this assessment, the Commission has asked Member States for the authorisation to launch formal negotiations and for the specific negotiating directives. The negotiating directives are still under discussion at the Council level.

Canada

On 15 February 2017, the European Parliament gave its consent for the EU-Canada Comprehensive Economic and Trade Agreement (CETA). The agreement was applied provisionally after Canada notified the adoption of all necessary legislative acts, including the trade pillar and the Tariff-rate quota for Cheese.

EDA argued that its preferred system of allocation of the TRQ would be a combination of allocation to historical importers, while offering also opportunities for new importers, based on strict eligibility criteria combined with a fair and accurate activity test and on a request of import license for the TRQ. For EDA, the allocation system must set up a transparent and public procedure in terms of timelines, application requirements, TRQ availability etc. The inherent costs to applications shall be minimum so that they are ‘trade-conducive’ and not a barrier. Certainty and predictability are essential for all operators to properly run their business.



Joe Dal Ferro, James McIlroy and ICCC chair Pat Pelliccione from the Board of the International Cheese Council of Canada (ICCC) during to a conference on the new CETA cheese import rules at the ANUGA on 09 October 2017 in Cologne (DE)



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EDA Trade Focus on Canada

After rumours circulated that 60% of the TRQ would be given to the Cheese manufacturers, we published a EDA press release on a fair management of the TRQ (14th July 2017): goo.gl/udfszA

At the end of August 2017, Canada published the new rules for the cheese TRQ. The percentage of the TRQ that is available for a given year is allocated in the following way:

- 50% of the TRQ is allocated to the cheese manufacturers group:
 - 30% is allocated to the small and medium-sized cheese manufacturers pool;
 - 20% is allocated to the large cheese manufacturers pool.
- 50% of the TRQ is allocated to the distributors and retailers group:
 - 30% is allocated to the small and medium-sized enterprise distributors and retailers pool;
 - 20% is allocated to the large distributors and retailers pool

At least 30% of the TRQ will be allocated to new entrants, who are not allocation holders under Canada's cheese TRQ under the World Trade Organization (WTO). A new entrant is considered as such for the first five years following the provisional application of CETA. EDA has shared with the Commission its strong concerns that the new allocation system favours parties that would not act in the interests of the European cheese sector. The Commission is currently studying the examples sent by EDA.

Furthermore, the Canadian authorities have introduced several special classes of milk pricing. The latest one established is the Class 7 covering milk ingredients such as milk protein concentrates, milk protein isolates, casein, milk powders, etc... The objective of this nationwide pricing strategy for dairy ingredients is to be competitive on the Canadian market and on the world market. However, it poses an issue of cross subsidisation, limiting the EU export opportunities to Canada and a possible dumping of

Canadian products on the world market. From EDA's side, we note that this measure has been introduced after the finalisation of the CETA negotiations. As we see that the Canadian consumption of butter has been increasing, they are producing more protein that they 'dump' on the world market and potentially on the European market after the implementation of CETA. EDA, along with other international dairy associations from the EU, Australia, Mexico, New Zealand and the U.S. already shared their concerns on this pricing strategy with their trade representative through a joint letter from 12 September 2016 and a second one, including the Argentinian association on 27 June 2017.

For more information, please see our **EDA Trade Focus on Canada** published in October 2017 advocating the EU dairy industry's position in terms of trade relations with Canada.

China

Food Safety Law

China is the number one importer of EU dairy products with an EU export of dairy products worth more than €1.1 billion in 2016. EDA continued in 2017 its work on the new draft implementing Rules of the Food Safety Law, including the Notice of the General Administration of the People's Republic of China on the Transitional Period for the Registration of Milk Powder Formulation for Infant Formula (2016 No. 160)). EDA sought via the EU Commission the clarification from the Chinese authorities if products legally produced until 31 December 2017 can also be imported into China after 1 January 2018 and afterwards until the end of their shelf life.

At several TBT Committees at WTO level in 2017, the EU expressed its concern, pushed by EDA, about some aspects of the new regulatory regime. The limitation to a maximum 9 recipes within 3 product lines per manufacturer has an unnecessary negative trade impact. The limit cannot be justified on the basis of food safety reasons. A transition period of one year is clearly insufficient. EDA had proposed 18 months adding that there is unequal and discriminatory treatment of imported products and that it would exacerbate the negative economic consequences of the regulation. The EU, along with Japan and the US requested China to modify the implementing rules accordingly. China responded that the transition period will not be extended and that it is important for the safety of infant milk powder. It considers that there are too many brands and formulae on the market.

China has also notified to WTO the request to have certification for certain food products, not covered by previous rules (G/TBT/N/CHN/1209). Dairy products should not be covered by the new initiative since there is already a certificate for dairy and infant formula. However, in the notification to WTO, CN codes related to dairy are included. On request of EDA, the EU Commission is asking for confirmation that dairy is not covered by this regulation.

Ferments in Cheese

An internal note from the Shanghai Inspection & Quarantine Services in China was issued on 10 August 2017, concerning the interruption





of food imports, in particular cheeses, containing ferments not listed in the “List of foods authorized in foodstuffs” (e.g. *Penicillium Candidum*, *Geotrichum Candidum* etc. which are standard in cheese making). We understand that the origin of this action of the CIQ would be:

- The numerous complaints received in recent months by the CIQ Shanghai from the ‘Professional extortion for fraud fighting’, questioning the CIQ on the basis of the authorising the importation of products such as Camembert and Brie using ferments such as *Geotrichum Candidum*, *Penicillium Candidum* which are not mentioned in the ‘List of food-authorized ferments’
- The fact that some ‘Professional extortioner for fraud fighting’ file a complaint to the Court against the ICC Shanghai on this subject

However, there is an existing ‘Footnote’ in this list of ferments authorised in China which states that: “*The ferments traditionally used in the processing of foodstuffs may continue to be used*”. On this basis, the Chinese authorities opened again the imports of EU cheese on the market.

GI agreement

The EU and China agreed on 6 June 2017 to formally publish a list of two hundred European and Chinese geographical indications – 100 from each side – that will be considered for protection through a bilateral agreement. For Dairy, 14 PDO/PGI cheeses from Denmark, Greece, Spain, France, Italy and the UK would be protected.

Japan

EU Commissioner Cecilia Malmström and EU Commissioner Phil Hogan spent the week of 26 June 2017 in Japan working hard to close the deal on the EU-Japan FTA. And indeed, on 6 July 2017 the EU and Japan reached an agreement in principle on the main elements. These elements were finalised on 8 December 2017 where the tariff schedules for both parties were published.

The agreement will provide for full liberalisation of tariffs for hard cheeses (eg. parmesan, fontina, gouda, cheddar...). Tariffs of up to 28.9% will be eliminated over 15 years. A tariff rate quota will grant access for other cheeses like fresh and processed cheese including mozzarella, blue veined cheese and soft cheeses such as camembert, brie and feta. The tariff rate quota will cover fully EU’s current export and will be growing over time in line with the growing cheese consumption in Japan. For other dairy products like whey, mineral concentrated whey, whey infant formula, and whey permeate, the agreement provides for a duty-free Tariff Rate Quota (TRQ), for whey products with specific protein content tariffs will be reduced by 70%. For skimmed milk powder for feeding, tariffs will be reduced by 95%. In addition, a quota for SMP/butter and condensed milk will give us preferential access besides the existing WTO quota. For Lactose, it will be fully liberalised.

EDA shared its position in May 2017 with the EU Commission requesting that the negotiators must seek the most beneficial deal for the EU and Japanese dairy sector. It adds that even if the Trans-Pacific Partnership between Japan, the U.S. and New Zealand a.o. has failed to be implemented, it is important that the negotiators use the TPP and the Japan-Australia agreement as a minimum reference to secure a more ambitious result. The EU 28 exported more than 134,000 tonnes of dairy products in 2016.

Mercosur

Relaunched after the exchange of offers that took place in May 2016, the negotiations made progress during 2017. The Commission hopes to finish the negotiations in the first half of 2018.

In particular, Brazil is a country we see as an export destination with a good potential. However, both in relation to Brazil and to Mercosur in general, the huge challenges with non-tariff barriers hinder the sectors export potential to the bloc. It is therefore essential that these are solved prior to or as part of an EU-Mercosur FTA. Otherwise, EDA fears that a possible trade agreement, including tariff reductions, would not deliver in relation to giving EU producers actual better market access and increase export to the Mercosur.

Regarding the labelling requirements, through the publication of the Instrução Normativa no 1 of 11 January 2017, the Brazilian Ministry of Agriculture (MAPA) informed that a new electronic system is online and open for new requests. Requests from foreign establishments previously entered in paper form will still be processed as normal. Exporters and the competent authorities of exporting countries will be part of the process. It is expected that MAPA will use it to facilitate imports by speeding up the registration of labels (electronic registration instead of paper approval of labels). However, its implementation remains unclear and EDA will closely follow-up the topic.

The dairy issues, such as complicated procedure for registration at product level and complex labelling requirements, and the anti-dumping duties on milk powders are often raised by EDA at Commission meetings on SPS and TBT issues (Market Access Working Group on SPS and Market Access Advisory Committee).

Mexico

The aim of the modernisation of EU-Mexico FTA is to improve market access in goods, services and investments and to modernize provisions dating back to 2000, such as tariff liberalisation and access for agricultural products.

Early 2017, EDA answered the EU Commission’s consultation stating that liberalisation of tariffs for dairy products is the first priority for the European Dairy Industry in these negotiations. EU dairy exports are at a competitive disadvantage to U.S. and Chilean products because of different free trade agreement, giving them full tariff-free access. Negotiating rounds happened every month from Summer 2017 and the Commission hopes to finalise the negotiations in the first half of 2018.



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New Zealand

The EU and New Zealand have ended in 2017 preparatory talks for a potential trade negotiation. As a next step, the European Commission has asked Member States for a mandate to negotiate on behalf of the EU on the basis of specific objectives. In parallel, the EU Commission is finalising its assessment of the potential impact of such a trade deal, taking into account the preliminary scope agreed.

In the internal scoping exercise from the EU Commission, it is stated that: *“Consideration should be given in negotiations to particular sensitivities that each side may have, such as for certain agricultural goods, including through the use of long dismantling periods, tariff rate quotas or any specific treatment agreed by both sides.”* The European Parliament also acknowledges the sensitivities of the dairy sector in these negotiations.

In our **EDA Trade Focus on New Zealand**, EDA acknowledges both the efforts of the EU Commission to support our dynamic sector and the limited resources of the EU Commission to implement a broader trade strategy and to engage in trade negotiations with more countries. In this context, the market access efforts must be focussed on trade negotiations with countries that have a real market (access) potential, like China and other markets in South-East Asia.

U.S.A.

Transatlantic Trade and Investment Partnership (TTIP)

Since the investiture of U.S. President Donald Trump on 20 January 2017, the trade policy of the U.S. was reviewed with the declared aim to favour U.S. interests. For the Transatlantic Trade and Investment Partnership (TTIP), the EU Commission stated that *“Following three years of intense talks, TTIP negotiations are now effectively on hold. The EU stays committed to ensuring a strong trade and investment relationship with the U.S. but the new US administration is still in the process of defining its trade policy and contacts between the U.S. and EU are in an early stage. We need some more time to see where we are.”*



“The trade agenda is constantly developing and changing. While the internal market is of huge importance for the dairy sector - we are again reminded about that in the Brexit process - we must not forget that the growth in demand in the future is expected to be found in 3rd countries.”

Lise Andreassen Høyer
Chief Consultant Danish Dairy Board Brussels
Chair of the EDA Trade Task Force

Implementation of the Food Safety Modernisation Act

This act is not fully implemented. Proposed rules which are not yet fully implemented can create new non-tariff barriers.

Two implementing rules were published at the end of November 2015 and came into force on April 2017 (Food Safety Verification Program and Third-Party Certification), importers can perform checks on their suppliers and introduces third party audits and certification. This increases the importer responsibility as to the products it imports on the U.S. market. The U.S. importers would be exempt from these rules if their suppliers come from a country where their Food Safety legislation is recognised as equivalent.

EDA has requested for the above non-tariff barriers that both parties seek for recognition of equivalence between the different systems for quality management, at the same time by taking care that the EU standards would not be lowered to satisfy the U.S. negotiating demands.

Grade A

Dairy companies who wish to export certain dairy products to the U.S. need to be “Grade A” certified. The Commission is still waiting for the audit reports from the U.S. FDA for the three pilot programmes in France, Ireland and the Netherlands.

At the same time, National Milk Producers Federation (NMPF) has launched a proposal that will be discussed during the Inter-State Milk Shippers Conference in May 2017. The changes proposed by NMPF would make the process even more complicated, long, burdensome and questioning the possibility of finding a solution. EDA has requested the EU Commission to oppose this initiative.

Retaliation measures against EU on management of hormone-free beef quotas

Earlier this year, the U.S. launched a consultation on possible retaliation measures against the EU on the way the hormone-free beef quota is managed. EDA answered the consultation. The U.S. was considering reintroducing 100% ad valorem duties on a series of food products. Roquefort cheese was on the original list. Other cheeses have been added onto a second draft list. EDA follows the topic closely with the EU Commission and its U.S. counterparts. The EU Commission is trying to resolve the issue at a technical level with the United States Trade Representative (USTR). Due to the late nomination of the new the head of USTR, the dossier has been delayed.

WTO meeting in Buenos Aires: A missed opportunity

The Doha Development Agenda (DDA) that started in 2001 and has been stagnating since 2008, did again not deliver in 2018. The negotiations are progressing step by step, instead of being global, addressing the initial three pillars for agriculture: export competition, internal support and market access. The Bali package in 2013 and the Nairobi package in 2015 saw the end of the export refunds and the agreement on trade facilitations. The 11th Ministerial Conference took place in Buenos Aires from 10 until 13 December 2017 and was



BREXIT - our 'Future EU UK Dairy Framework'



Following the appointment of Kasper Thormond Nielsen (Arlafoods) as chair of the EDA Board Brexit task force, EDA further developed its lobbying activities to put the dairy industry on the agenda of the Brexit discussions. EDA Board members met several times with the members of the EU Task Force 50, dealing with the Brexit negotiations on the EU side. Furthermore, the second session of our 2017 EDA Dairy Policy Conference highlighted the impact of Brexit on the future of the Single Market.

EDA organised its first internal Brexit workshop early September 2017 in Brussels to discuss and elaborate our joint EDA-DairyUK position on the "Future EU-UK Dairy Framework". All EDA members agree that the UK dairy sector is an interlinked part of our EU dairy chain. It is vital for the dairy sector and all involved to allow it to continue to work on a free-access market basis for both the UK and EU milk and dairy products. The discussions continued during the second workshop held at the end of November 2017 in London. Our 'Future EU UK Dairy Framework' was finalised and shared with the chief negotiators of the EU, Mr Michel Barnier and the chief negotiator of the UK, Mr David Davis end of January 2017.



Bence Tóth (EU Commission, TF50) and EDA chair Michel Nalet



Robin Manning (DEFRA, UK) and EDA vice chair Kasper Thormond Nielsen (Arlafoods) at our joint EDA DairyUK workshop on 22 November 2017 in London (UK)

meant to focus on the internal support. The EU and Brazil have made last Summer a proposal to limit the trade distorting subsidies; this proposal was supported by several South American countries. It also addressed the issue of 'public stock holding for food security purpose' that was not supported by India. Furthermore, the U.S.A. kept repeating that the willingness of the WTO members to reach an agreement in Buenos Aires was not sufficient to encourage them to compromise. At the end of the Ministerial Conference, Ministers expressed their disappointment over the lack of progress, and gave their commitment to continuing to move forward on the negotiations related to all remaining relevant issues, including to advance work on the three pillars of agriculture (domestic support, market access and export competition) as well as non-agricultural market access, services, development, TRIPS, rules, and trade and environment.

"All WTO Members have to face a simple fact: we failed to achieve all our objectives, and did not achieve any multilateral outcome. The sad reality is that we did not even agree to stop subsidizing illegal fishing. Now, I hope that several WTO members, whose actions here in Buenos Aires prevented an outcome, will use the time following this Ministerial meeting for valuable self-reflection", stated EU Commissioner Cecilia Malmström.

EU Commissioner Phil Hogan, said: "From the agriculture perspective, it is very disappointing that a work programme could not be agreed post Buenos Aires. That means that important issues such as food security will not now be prioritised in the work of the WTO. This is not in the interest of farmers and rural people in the developing world, nor in the developed world for that matter. This is a lose-lose outcome for all involved - a negative-sum outcome. The WTO is not a zero-sum game, it is a positive-sum game when everyone plays their part".



Bénédicte Masure
Deputy Secretary General



Flora Dewar
Trade & Economics Officer



Food, Environment and Health in 2017/18



The word of the FEP Chair

Looking back to the last twelve month of work we are happy to have done a good and fruitful service to the many food, environment and health related matters of the dairy industry. And we can look forward with pride and pleasure: with our work we make sure to safeguard our dairy environment, both for our companies and for all the people around them. If we were not looking towards an upright future and working proactively on such long-term goals our work would be void – the inherent sense

and clear 'reason-to-be' for us is the future of our companies and associations, as well as our environment and the security of healthy nutrition for the population.

We have been looking deeper into the three pillars of our positive contribution to our world: providing healthy nutrition, societal as well as environmental benefits, and have been actively engaging to further enforce all of these pillars in the support of the Sustainable Development Goals (SDGs) of the United Nations.

Our industry is taking a responsible position in this global framework and proud of the great contribution it can give to sustain these goals, both inside as also outside the EU.

The benefits of dairy as an important actor for climate and the environment have been described for the first time in a specific factsheet, highlighting the essential role in converting inedible grassland into high quality nutrition for humans. Another new factsheet highlights the importance of dairying and the societal benefits it brings, especially for rural areas – as we have to realise that without our industry and the farmers we partner with, many rural areas would have no other means of gaining economic value or being viable with good infrastructure for the people who live, and also those who get their relaxation on the countryside.

This year we invite you to see the dairy industry with new eyes – while travelling, while eating, while relaxing. And also while doing sports or feeding your children our dear sector is as close to giving the best as we can.

With all our heart – and for a long-term positive future!

Yours,

Jørgen Hold Christensen
FEP Chair
Direktør Mejeriforeningen





Communicating the benefits of dairy for nutrition, health and its role for the environment

The dairy sector contributes every day to a healthy and balanced diet of the European citizens. One of our key responsibilities is to ensure that our communication on health, nutrition and sustainability aspects of milk and dairy products reaches all relevant stakeholders. In the light of the ongoing intensive debates on the state of health of the European population as well as the impact of diets on the environment, we have published open factsheets on a broad diversity of topics of high importance to our sector (please see inside the segments below, and also pictures in this section).

Link: goo.gl/GKRsdG

The European dairy sector in the middle of global change

A sustainable dairy sector and global sustainable development

The dairy industry is fully aware of its responsibilities in the climate change debate and has been moving in the right direction of attaining sustainable production cycles. With governments reaching agreement in Paris at the COP21 in 2015 and the United Nations (UN) releasing the Sustainable Development Goals (SDGs) all aspects of sustainability are now more than ever on the agenda. And these are all linked – not one can be singled out, as they are ‘indivisible’. The European dairy industry is aiming at being at the forefront of the implementation process by making a positive contribution to the wide range of SDGs.



Building on our EDA factsheet ‘The European Dairy Sector & the Sustainable Development Goals (SDGs)’ ([Link: goo.gl/HH4SGP](http://goo.gl/HH4SGP)) we go into further depth of the various connections between the SDGs and our activities in the dairy sector in our latest factsheets on the Important contribution of dairy to climate and the environment, as also on the societal benefits of dairying (see also the word of our FEP chair Jørgen Hald Christensen).

The European Emissions Trading Scheme (ETS)

The Emissions Trading Scheme represents a core pillar of the EU’s solution to reducing industry emitted greenhouse gases. In the current ETS framework a few dairy products were given a specific status in the scheme, as they are recognised to be at risk of so-called carbon leakage. This means that the production is at risk of moving (‘leaking’) outside the EU due to increased production costs. Now with the new ETS framework for 2020-2030 being discussed, the important question is whether these products can remain on the carbon leakage list.



“Did you know that Dairy is good for the Environment? We work to show that European dairy does just that.”.

Richard Laxton
Sustainability Manager
Arla Foods amba
Chair of the EDA Sustainability Working Group



Food, Environment and Health in 2017/18

The removal of the carbon status would subsequently mean steep increases in production costs and therefore negative competition effects in relation to third countries that have no ETS. It is vital for us to protect the competitiveness of our production by ensuring the conservation of the carbon leakage status for a restricted number of dairy products. This needs an effort of the whole sector to prove the special status of certain dairy products. Securing these funds would allow the sector to further improve its sustainability and carbon efficiency.

Land-use, Land-use change and Forestry (LULUCF) in the climate context

In line with the 2015 Paris Agreement (COP21) and the EU's objective of including all sectors in achieving its ambitious emission reduction targets by 2030, the Union's new energy framework is to include the land-use sectors.

Already in 2016, these notions became more concrete with the EU Commission launching a land-use, land-use change and forestry proposal, which was based on the principles of effort-sharing amongst all stakeholders and the encouragement of carbon sequestration - meaning capturing carbon in the soils, plants and trees. Just before the end of 2017, the EU Commission, the European Parliament and the Council finally reached a provisional agreement on the 'Effort Sharing' regulation. Just a few days before, the trilogue had also sealed the agreement on the so-called LULUCF draft regulation, which was then endorsed by Member States' ambassadors to the EU. The two complementary proposals cover together over 50% of all greenhouse gas emissions of the EU, with the general objective of decreasing the collective emissions by 30% by 2030.

Throughout the legislative process, EDA developed and shared our position vis-à-vis the European Parliament and the Council, thus contributing to the outcome of the proposals. In regard to this policy innovation, the positive contribution dairy can make in maintaining grasslands and lively rural areas cannot be encouraged enough.

National Emission Ceilings (NEC)

The new National Emissions Ceilings (NEC) Directive (2016/2284/EU) entered into force on 31 December 2016. Replacing earlier legislation (Directive 2001/81/EC), the new NEC Directive sets 2020 and 2030 emission reduction commitments. It is part of the EU Commission 'Clean Air Policy Package' of 2013 with new objectives for EU air policy for 2020 and 2030.

The new NEC Directive targets reduction of the five main air pollutants (sulphur dioxide, nitrogen oxides, volatile organic compounds, ammonia and fine particulate matter) responsible for acidification, eutrophication and ground-level ozone pollution which leads to significant negative impacts on human health and the environment. It also ensures that the emission ceilings for 2010 set in the earlier directive remain applicable for Member States until the end of 2019.

The renegotiations of the national emissions ceilings in the EU were a heavily contended issue, and were followed closely at EDA. This is due to the fact that too tight emission ceilings, especially on methane and ammonia, would have a heavy negative impact on the dairy farms and industry, that provide valuable benefits to social sustainability and health through their activity.

Sustainable Diets

The notion of a sustainable diet and its role in future environmental actions was a key issue for EDA in 2017. With ongoing public discussions about the role of animal products in people's diets, it is vital that we ensure at Brussels level that the correct information is made available to the relevant stakeholders and decision makers.

We therefore released an EDA factsheet 'Why dairy is so important for achieving a healthy and sustainable diet' ([Link: goo.gl/u8LQKm](http://goo.gl/u8LQKm)) with the most recent science on the role of dairy products in a healthy and sustainable diet. Not only does this paper advocate dairy and its many health-related benefits as a fundamental part of any diet, but it also shows that milk and dairy actually have a smaller environmental impact compared to other foodstuffs, when taking into consideration the significant nutritional value of milk and dairy.

Linking nutritional and environmental assessments only works, when the different aspects of diets as a whole and not only single foods are analysed when taking the environmental impacts into consideration.





Currently science limits itself when researching dietary changes to only considering the respective carbon footprint and possibly some minor additional indicators, in the future it will be key to have an approach that is as comprehensive as possible and looks at the issues from all relevant angles.

Moreover, it will be an essential challenge for the dairy sector and hence for us within EDA to keep this debate on the right track. Otherwise we run the risk of seeing the occurrence of dietary ideals and recommendations that do not reflect the basic nutritional requirements, therefore being unhealthy for people.

MEP Assistant Roundtable on Dairy Nutrition & Health with MEP Norbert Lins (EPP, DE)

On 29 January 2018, the fourth edition of the MEP Assistant Roundtable 'Dairy, Nutrition & Health' has been hosted by **MEP Norbert Lins** (EPP, Germany). The event is an informal exchange between dairy experts and assistants of MEPs from across the Union on currently hot nutrition and health topics. The highlights of the 2018 edition were presentations on a 'Dairy perspective on sustainable nutrition' by **Hélène Simonin** (Director Food, Environment & Health at EDA) and 'The White Creamy desire - dairy vs alternatives. Update on dairy versus plant-based "dairy alternatives" from a nutritional and population health point of view' by **Anne Louise Mørbak** (Director Global Nutrition, Arla Foods).

With an attendance of more than 20 MEP's assistants and under the chairmanship of MEP Norbert Lins our MEP Assistant Roundtable has once more been highly appreciated as an excellent opportunity for all participants to get a better understanding of dairy nutrition and sustainability topics.



Jane Østergaard Norsk (Arla Foods), MEP Norbert Lins (EPP), Anne Louise Mørbak (Arla Foods) & Helene Simonin (EDA)

The positive image of milk and dairy

Milk and dairy products have been known to carry unique and overall positive attributes for centuries. The positive image of dairy has however in recent years been misused by dairy substitutes and 'ersatz' products, that not only squander the positive characteristics and images of milk and dairy, but also their nutritional benefits.

In order to continue and improve the positive image of dairy, it will be vital to actively communicate the unique and specific qualities of our products.

The baseline for our communication work is what we refer to as the '**Dairy Protective Shield**', which is a comprehensive collection of positive arguments on dairy, as well as answers to questions. This project runs along five topical themes: environment, animal health & welfare, nutrition & health, dairy processing and a global sector.

Furthermore, we have launched via our member associations a survey, asking how dairy is perceived, not only will this provide us with a clear and EU wide understanding of the issue, but it would also allow us to establish targeted communication strategies. By identifying wrong or not proven information that is currently circulating, this project will help us to respond with scientifically based arguments in the most effective manner.

Dairy marketing standards and the protection of dairy terms

In 2017, we celebrated the 30th anniversary of the EU wide protection of dairy terms, as defined in the 'Common Market Organisation' (CMO) Regulation, and hence the recognition of the unique place of dairy in European (agri)culture and nutrition. With the EU dairy market being continuously infringed upon by alternative products, that claim to offer a direct replacement to the nutritional value of dairy, it is now more important than ever to protect the special terms of our European dairy products. The 2017 ECJ ruling 422/16 ('tofu-town')- strengthened the place of the dairy protected terms within the European food law legislation, both for combined wordings, and for single use of dairy terms.



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From the DMK Group Annual report 2016, issued October 2017 (Link: goo.gl/bBEh5K)

In the framework of the EU Commission roadmap for an evaluation of marketing standards, an EDA Task Force was set up to protect the importance of dairy products' definitions and to consider an amendment of the list of dairy standards by an overall one on cheese fully aligned with the relevant CODEX rules. Finally, EDA drafted a CAP post 2020 briefing paper to defend the 30 years old protection of dairy terms in the future CAP, which, with several other EDA papers on the topic, aims to defend the heritage of the European dairy culture and the intrinsic characterising of milk and milk-made products within the future agricultural EU policy.

Assuring a sustainable production all along the dairy chain

The Dairy Product Environmental Footprint (PEF) (Factsheet: goo.gl/SXZtkc)

The Dairy PEF and its Product Environmental Footprint Category Rules (PEFCR) - coordinated by EDA - are now nearing its finalisation.

EDA, along with six dairy processors and other institutional and private stakeholders, is developing a comprehensive set of rules for the assessment of the environmental footprint of products. This will be a scientifically based and harmonised basis to inform consumers and other actors along the supply chain about the environmental impacts of the product. It will also allow them to not only improve the overall footprint of products, but also help each actor in directing their work on sustainability more efficiently.

The Dairy PEF as part of the 15 Life Cycle Impact Assessment (LCA) categories, takes into consideration a broad range of environmental issues. The added value of this methodology is not only to look at carbon footprint – an important, but only one indicator – but to have a wider understanding of actions to improve the footprint also for water, land use, fertilisers use, etc.

Since its induction in 2013, the framework of the Dairy PEF has been taken up by the EU Commission's DG Environment, in its initiative 'Single Market for Green Products' and it is set to provide the basis for any further European regulations in this context.

Just as there are environmental footprint labels for most electronic goods, the EU Commission has launched this pilot phase for a pre-assessment of similar schemes for other food and non-food products, which could form a key pillar in future EU legislative proposals on circular economy. EDA and the dairy pilot actors have taken this opportunity to co-create and shape the methodology for the assessment of dairy products.



Combined annual report and sustainability report 2016



Stakeholder relations

"In the European Dairy PEF Project, a standard method for calculating the environmental footprint in the dairy sector was developed. The DMK GROUP played a crucial role in this and tested it on products in practice. The project could not have succeeded otherwise. We are proud that companies like DMK are advancing the leading role of the European dairy industry in environmental protection issues as well as elsewhere."

H  l  ne Simonin, Director Food, Environment & Health, European Dairy Association (EDA)

The project has passed the testing of different communication tools. The communication vehicles have the aim of communicating environmental footprint information along the chain, raising awareness and thus improving the environmental footprint. The communication test looked at the understandability of three indicators, and the propensity to change behaviour at different parts of the chain.

The EU Commission then bought data sets for future free use of those using the PEFCRs. This allowed to remodel the original screening and took some adaptation of the rules themselves. Horizontal questions are still being solved one by one, so the process slowly moves forward.

Additionally, the methodology is being independently revised by a panel of four global experts.

The upcoming months will be of major importance, as they include the final vote of the category rules (PEFCR for all of the pilots) and will see a discussion about the use in legislation really starting up.

The dairy industry efforts on food wastage reduction and the special EU platform

Food losses and waste, the first during the production process and the second mainly in private households, continues to be a hot topic and has become an essential component of the EU's sustainability efforts. This has also translated into our work and we have released EDA factsheets (Links: goo.gl/xd0M9c - goo.gl/v6xADz) on the continuous efforts and achievements of the dairy sector in reducing food losses and waste, not only during the production cycles, but also at the end stage, with the consumers.





EDA has been bringing this knowledge and will to further improve into the **EU Stakeholder's Platform on Food Losses and Food Waste**, led by DG SANTE.

The Animal Health Regulation, the use of antibiotics and anti-microbial resistance

Healthy cattle – as well as sheep, goats and buffaloes – are the key to producing safe and high-quality milk. Therefore, these animals that give us our valuable milk require particular care and attention. The European dairy industry fully endorses and supports a responsible use of antibiotics for dairy animals. Antimicrobials are after all necessary for treating sick animals. All raw milk is tested according to the regulatory framework and will be used for dairy processing only if it fully complies with the regulatory requirements, thus ensuring food and consumer's safety.

Our **EDA statement** clarifies this point and has been widely shared; it is available on EDA's website (**Link: goo.gl/EBmUIX**).

The use of antimicrobials, either in human or veterinary medicine, might result in the development of antimicrobial resistance (AMR) and might have an impact on human and animal health. The dairy industry is fully aware of the importance of limiting the resistance of disease-causing bacteria to antibiotics: this requires 'fewer antibiotics' and 'better antibiotics', i.e. antibiotics with a specific effect instead of a broad-spectrum of application. Throughout 2016 and 2017, the battle against antimicrobial resistance has been frequently in the spotlight. Several Council Presidencies have declared the fight against AMR as one of their priorities.



Animal welfare

EDA is a full member of the EU Platform on Animal Welfare and bring forward there its support of every effort in keeping dairy animal healthy and well as key of its dairy production. This is also elated in our special factsheet '**The European Dairy Industry fully endorses and supports Animal Welfare - The European manufacturers rely on healthy animals and well-kept dairy livestock**' (**Link: goo.gl/7mq2FK**).

In order to optimise our EDA input into the EU Animal Welfare Platform, we did set up an EDA Animal Health and Animal Welfare Task Force, that is supported by Dr. med. vet. Olivier Espeisse, our EDA Counsel European Veterinary Affairs (CEVA).

Best Available Technique Reference Documents (BREF)

BREFs are industrial benchmarks for different kinds of emissions from manufacturing sites (as e.g. for dust or used waters) that were developed by the EU authorities. The benchmarks of industrial equipment and emissions in the revision of the previous 2006 document are set to become mandatory standards for producing within the EU once completed.

The dairy industry and EDA therefore have good reasons to be interested in these processes, as they could have negative effects on the dairy industry if they do not reflect the specificities of the dairy reality on the ground. It is through EDA action and thanks to the input by our members, that we strive to ensure that the rules under discussion truly reflect the reality of the future dairy processing.

We have actively been following these objectives by assisting the EU Commission's Joint Research Centre (JRC) in their work, providing ample sectorial information and industry expertise. After the JRC released its first draft conclusion on the 'Food, Drink and Milk Industry', EDA sent in detailed comments, to better clarify the reality and needs of the dairy industry. A dairy delegation also attended a special four day working meeting with the JRC to help shaping the future BREF document on dairy, food and drinks, and will join and contribute actively to the final one as well in 2018. The next steps are both an upcoming revised final draft, and a final stakeholder meeting.

The new rules will be used for environmental permits and other regional evaluations, but also lead to EU rules from around 2020 on.

Water footprint and (re-)use

Water use is a hugely important and immensely complex issue and part of the indicators of the PEF (see PEF). A global IDF water footprinting guide for use in the dairy sector is publicly available, and the options for safe (re)use of water are the main angles of attention of our current EDA work on water.

Since the end of 2015 and in the framework of several public consultations - on the Drinking Water Directive, water re-use (even if mostly linked to irrigation and aquifers) and Water Framework Directive - initiated by the EU Commission, we had the opportunity to put forward our ideas for overcoming the current legislative difficulties without compromising food safety. Following the consultations, the EU Commission is contemplating further changes in the EU legislation and arguing for additional EU guidance.



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In particular, the EU Commission plans to include certain measures on water re-use via the circular economy package, as from beginning of 2018. The dairy industry pushes for a wide scope of ambition, so as to address water re-use inside the dairy production cycle. A clearer definition of the different types of water is needed. In some member states the legal framework is further complicated by an overlapping terminology, like 'secondary water', 'technical water', 'process water' or 'white water'. The challenge is to address possible legislative barriers to further enhancing re-use where the resource water is scarce whilst maintaining all food and human safety measures needed. On Codex Alimentarius level, a revision of the general principles of food hygiene including HACCP is ongoing and, in parallel, the revision of the WHO guide lines is expected by 2019, and both will be targeting this dilemma.

On our side, we as EDA organised a joint task force between our EDA Hygiene working group and our EDA Sustainability working group, in order to determine how to best put forward the needs of the dairy industry. This task force is working on clarifying definitions, interpretations, and regulatory requirements in EU member states. In addition, our two factsheets, to be published at the beginning of 2018, offer a comprehensive yet simple outline on the many issues at stake (quantity and quality indicators, water re-use, water footprint, etc.).

Overall, the dossier is a challenge for European legislators, as many provisions differ in the member states and are highly complex.

Food safety and quality production along the chain

Revision of the rules on official controls

The new Regulation (Reg. 2017/625) is part of a package of proposals presented by the EU Commission back in May 2013 and designed to strengthen the enforcement of a broad range of rules applicable

"Food hygiene is the basis and the cornerstone of any food safety approach. Over the last 12 months, we focussed on many relevant topics, like the new rules for 'official controls' or the European guidelines on 'former foodstuffs'. And in our EDA guidance 'cheese as raw material' we really concentrated all the technical expertise of the dairy sector in one important paper."



Nelly Delfaut
Chargée de mission Regulatory
and Scientific affairs ATLA
Chair of the EDA Hygiene Working Group

to the agri-food chain and abrogates the current Regulation on Official Controls 882/2004.

The Regulation is expected to be applicable as of December 2019. Including the preparatory phase, the whole legislative process for this dossier took more than 8 years. The timescale for the adoption of delegated and implementing acts varies from date of entry into force, +1, +3 or +6 years, and those with open timeline.

As EDA, we have been following this process with a special focus on potentially critical issues for the dairy sector, and we work towards offering our members some dairy guidance through the implementation process.

Over the last year, we took the opportunity to express our dairy views on some ongoing implementation work of the EU Commission, namely on official controls in products of animal origin including import conditions, and future possible delegated and implementing acts, as presented at the EU Commission's **'Ad hoc working group meeting of the Advisory Group on the food chain and animal and plant health'** in November 2017.

Inspection fees

The rules for fees are part of the official controls regulation (see above). They vary between animal products, where they remain relatively unchanged to the previous system, but with a higher price tag, and the possibility for member states to also introduce fees for inspection of most of European food industry that is not subject to the animal-related hygiene requirements. In case of non-compliance and reinspection all plants would have to pay for this revisit of inspectors.

Animal by-products (ABPs)

Animal by-products are all types of food not suitable for human consumption anymore. These rules are specific to animal-based products, by history, but further reflection on simplifying the use of by-products are being encouraged in the context of the circular economy (see page 31, esp. on former foodstuffs).

(Factsheet: goo.gl/cb2HcB)





Circular economy and production

The dairy sector at the heart of a circular production cycles

The notion of circularity has taken a primary focus in the EU Commission's new 'Better Regulation' agenda. As a part of this agenda the EU circular economy package of December 2015 foresees both legislative proposals and non-legislative action plans. Calls for a circular economy are not only shared by EDA, but also by other food sector associations, as it is seen as a vital step towards allowing further resource efficiency and reducing the environmental footprint of industries. Furthermore, it presents the opportunity for an increase in efficiency in production and therefore reduce costs. But of course, all of this needs to be done in continued assurance of food safety and quality.

We have released an EDA factsheet on circular economy ([Link: goo.gl/C4kwR8](http://goo.gl/C4kwR8)) and how the encompassing principles can be applied in the dairy sector. Moreover, we will continue to coordinate with other food industry actors in promoting circular economy.

Former foodstuffs

According to Regulation 68/2013, 'Former foodstuffs' means "foodstuffs, other than catering reflux, which were manufactured for human consumption in full compliance with the EU food law, but which are no longer intended for human consumption for practical or logistical reasons or due to problems of manufacturing or packaging defects or other defects, but do not present any health risks when used as feed".

For dairy, the term hence refers to a broad variety of products from whey to left-overs from cheese production.

As specified in the EU Commission's '**Communication on Circular Economy**', the EU Commission has planned to take measures to clarify the EU legislation in order to facilitate the utilisation of former foodstuffs for animal feed, thus reducing food wastage. Indeed, former foodstuffs are part of a broader framework encompassing also Circular Economy, Hygiene and ABPs.

One of the actions coming out of the Communication is the EU Commission's work on guidelines on the legal status of 'former foodstuffs' for feed use. We contributed to the elaboration of these EU guidelines through our EDA position paper of June 2016. In November 2016, the draft EU guidelines for use of former foodstuff as feed were discussed with Member States' experts on feed and environment and presented for discussion to the EU Platform on Food Losses and Food Waste. We then shared a new EDA position paper with the EU Commission at the beginning of 2017. In September 2017, the EU Commission put forward a revised draft of the guidelines, which was easier to read but did not provide innovative solutions.

Altogether, while these draft guidelines reflect some of our input, no clear solution is foreseen for solving main issues at stake for dairy: transport of milk and milk products (including whey) in tankers and ABPs (animal by-products) labelling; registration of dairy plants or further requirements of feed hygiene legislation; oversized requirements for products with passed durability dates. Despite the document not helping to solve the issues at hand it seems ready to be published in 2018.

The dairy industry considers of major importance that the guidelines of the EU Commission on 'former foodstuffs', and their place in the overall picture of hygiene and animal health related laws, are fit for purpose. With this we mean that the future guidelines need to support an increased use of animal by-products from the food sector as feed, where use as food is no longer possible, and should not impact other uses of dairy by-products. We therefore seek for a more ambitious guide to address the open issues at stake for the dairy sector.

Date marking / Durability dates

Food waste and resource efficiency is a major source of political pressure, and date marking is considered as an important way to tackle these issues by improving the consumer understanding of 'use by' and 'best before' dates.

As part of the **Circular Economy Action Plan**, the EU Commission commissioned a study on how date marking and other information provided on food labels contribute to food waste in the EU. This study was first presented at the Food Waste Platform meeting and then discussed with Member States in November 2017. The full study is scheduled to be published in 2018.

The EU Commission's study shows a strong highlight on dairy products as one major category of interest and also pinpoints very diverging durability dates. This is in line with our input to the consultation, even though we also expressed the wish to keep this diversity. Opportunely, the EU Commission acknowledged that no legislative action will be taken if both the contribution of some food categories to food wastage and their impact on food wastage reduction would not be proven.

Nevertheless, some Member States are still looking into the possibility of shifting from 'use by' to 'best before' durability dates for certain fresh dairy products, with potential consequences for food safety.

Another point of interest is the date marking of non-perishable foods. Indeed, the list in Annex X to Regulation 1169/2011 is in discussion, and hard cheeses and certain (instant) powders are included in the EU Commission's proposal, but the concerns on food safety will not make that very realistic.



Food, Environment and Health in 2017/18

"The work of the EDA Additives & Contaminants WG in 2017 has been much focused on the data collection of the food additives. EDA and its members collect the data in order to make the EFSA safety assessment as realistic as possible. Based on the EFSA assessment, the European Commission is able then to make an informed policy decision on the authorisation of additives and other food improvement agents. We are proud to contribute to the EU safety assessment of the substances with our quality data. Our industry believes that for a long-term stable food policy the policy decisions should be based on science and evidence."



Christian Bruun Kastrup
Chief Consultant Dairy
Danish Dairy Board
Chair of the EDA Additives & Contaminants
Working Group

Dairy food production processes

EDA as a data provider to EFSA safety evaluation of food additives

Food additives are substances added intentionally to foodstuffs to perform certain technological functions, for example to colour, sweeten or help preserve foods. In the EU, food additives are subject to an independent safety evaluation by the European Food Safety Authority (EFSA) before they are permitted for use in food and additionally are kept under continuous observation. Over the past years, EFSA has been carrying out a wide re-evaluation programme of all additives currently permitted in the EU. For the purpose of this safety evaluation, EFSA is regularly publishing calls for data, including data on the actual usage levels by the industry.

EDA takes an active role in the EFSA data collections and acts as a coordinator of information on the use of additives in the European dairy products. Thanks to our members input and commitment, we have been able to submit numerous data for the EFSA call in Batch 6 in November 2017. We will continue to follow the re-evaluation programme very closely.

Organic production and products

The current Organic Regulation 834/2007 has allowed the organic milk production in Europe to grow substantially. In 2014 the EU Commission proposed a review of the organic legislation to include stricter rules for organic products and production.

Based on that proposal the final negotiation trilogues went through two Commissions, the threat to withdraw the proposal for revision, and negotiations of nearly three years. The most controversial issues were the re-classification of organic products, the question of imported organic products and the frequency of official controls.

Later in the process an issue arose with regards to enrichment with vitamins and minerals for organic foods, esp. baby foods.

In November 2017, the revised text of the organic regulation has been finalised - since the agreement in trilogue negotiations, the legal services reworked the text.

The agreement in trilogues now leads through the final formal adoption in both EP and Council. The entering into force of the revised organic legislation is planned for 2021.

The EDA position had been on specific items in the regular procedure, and then relatively neutral with regards to a successful conclusion or a failure, until a legal interpretation in disfavour of the 'old'/current rules lead us to the absolute need of a successful result; else the infant food manufacturing - and thus the whole production of organic dairy ingredients - would have stopped in the EU.

The agreed text for revision show that EDA was successful - both in bringing in the specific point and keeping it in the finally adopted text.

European Cheese Guidance

The work on the guidance for 'Cheese as raw material' was started back in 2008-09 to provide guidance on what can be used and how it should be treated for (re)use, e.g. in preparation of processed cheese. At EU and member state level this topic did not gain the necessary momentum over the past years.

Today, current political ideas encourage further resource efficiency, which has allowed us to create the opportunity of presenting our guidance to the member states for adoption as a European guide. This aims at getting the huge amount of work done by our experts over last ten years to be recognised and help the coordination between industry and authorities on national level.

We have restarted the procedure of getting approval of the industry guide on the EU Commission's website early 2017. Throughout the process, our members contacted the competent authorities' experts at a national level asking them to offer their support, and also nominated experts from their companies to create a dedicated Task Force. We are confident that the outcome by the start of this year 2018 will be successful.

(Factsheet: goo.gl/7yNV01)





Speaking to customers and consumers via our products

Health claims and Nutrient Profiles

Since the EU Commission launched its 'Roadmap on the Evaluation and Fitness Check of Nutrition and Health Claims Regulation' in autumn 2015, there has been an ongoing reflection whether the concept of Nutrient Profiles (one of the aspects of the Claims Regulation that has never been implemented) is still relevant in its current context.

After publication of the terms of reference for the evaluation on nutrient profiles in June 2016, we have been particularly active in promoting the position of the European dairy sector, which calls upon the EU Commission to eliminate the concept of nutrient profiles. In course of 2017, EDA contributed to the numerous consultations and interviews putting forward a strong dairy message against setting EU Nutrient Profiles.

In light of the current legal requirements, the concept of nutrient profiles is outdated and redundant. The European consumer is already protected against any misleading communication and the EU's food labelling laws also ensure that the consumer is well informed on the nutritional value of foods. For example, Regulation 1169/2011 on food information for consumers requires comprehensive nutrition information on the levels of energy, fat, saturates, carbohydrate, sugars, protein and salt on all foods.

"In 2017 the EDA Claims & Labelling WG experts focused on providing an evidence based contribution to the REFIT evaluations of Nutrient Profiles as well as to the Impact Assessment on Trans Fatty Acids. EDA believes that the concept of Nutrient Profiles is redundant in light of the new Food Information to Consumers requirements. For the TFA impact assessment it is important for EDA that the future legislative measure would exclude ruminant TFA from the scope. It remains crucial that EDA's voice is heard by the European Commission on these topics, which may have a particular impact on the European dairy companies."



Eric Grande
Regulatory Affairs Director
Groupe Lactalis
Chair of the EDA Claims & Labelling Working Group



Erin Coffield (US National Dairy Council), Dr Javier Fontecha (Spanish National Research Council), Peter M. Ngaruiya (CEO East & South African Dairy Association), Hélène Simonin (EDA) & Dr. Jorge Alcalde at Fenil panel discussion on essential nature of dairy products for societies, all around the world, 1st June 2017.

Endless discussions on nutrient profiles at all institutional levels in Brussels and beyond have shown that this issue cannot be solved due to the complexity and diversity of diets and foods. The fact that nutrient profiles have not been implemented over the last 10 years (since the adoption of the Claims Regulation 1924/2006), highlights the inadequacy of the artificial concept of nutrient profiles in addressing the complexities of foods and basic principles of human nutrition.

Data collected by EDA and our members throughout the EU display an evident negative economic impact if nutrient profiles were to be enforced in the EU dairy sector. This aspect needs to be carefully considered given the current economic climate in the EU. Introduction of nutrient profiles would have a major impact on innovation and the competitiveness of the dairy sector, including potentially huge economic consequences for dairies and dairy farmers. In light of the potential risk of implementing nutrient profiles, EDA has been very active in ensuring its concerns are heard. We will closely follow the next steps of the REFIT evolution in 2018, when the EU Commission report should be drafted and published. The political decision on this important topic will be taken not earlier than towards the end of 2019 when a new EU Commission will take office.

Food Information Regulation

The Food Information Regulation 1169/2011 represents a harmonised legislation on consumer information and gathers all labelling requirements on food products in one place. As of December 2016, a nutrition declaration is mandatory with the objective of creating transparent labelling information on the nutrient content in foods. However, certain issues on the interpretation and implementation of the Regulation still persist, such as on the issues of origin labelling and trans-fatty acids.



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Origin labelling

Ongoing work on harmonised EU voluntary rules

Local, regional or national indications of origin of milk used in dairy products can be a very useful marketing tool where feasible or appropriate. While voluntary rules allow producers to add origin indications when this is feasible, and it would bring an added value, compulsory origin labelling increases the overall costs for the milk processing industry at all stages and may be confusing for the consumers. Within EDA, our position is clear: only voluntary origin labelling is an option for milk and dairy products.

In the course of 2017 the EU Commission has continued consultations with Member States and stakeholders on its draft Regulation on voluntary origin labelling rules. EDA has actively contributed to this process – also by intervening at the highest level of the EU Commission - ensuring that the position of the dairy sector is taken into account. The main controversies around the new Regulation are trademarks and geographical indications as it is not clear yet whether these will be included in the scope of the new rules. EDA, as well as the other food industry sectors, believes that the existing legislative framework already ensures consumer protection and that trademarks, brand names and geographical indications should be excluded from the scope of the future Regulation. The draft EU Commission Regulation is expected to be finalised in the first half of 2018. EDA fully supports this EU Commission work and continues to encourage a rapid approval and enforcement of harmonised European rules on voluntary origin labelling in order to stop the process of disruption of the internal market caused by introduction of national rules on mandatory origin labelling in several Member States.

EDA is also working on an industry guideline for clear and credible voluntary labelling of origin in dairy.

Spread of national decrees on mandatory rules

Despite the EU Commission being in favour of voluntary rules, the European Parliament and several member states continue to put political pressure in favour of the introduction of national mandatory rules for country of origin, in particular for drinking milk, dairy products and other dairy ingredients.

Following France who was allowed by the EU Commission to introduce a two-year ‘testing’ period for mandatory origin labelling for milk and dairy, other Member States were encouraged to introduce similar national laws on origin of foods. In 2016 and 2017 dairy companies have been faced with a wave of numerous mandatory laws in Italy, Lithuania, Portugal, Romania, Greece, Finland and most recently Spain.

EDA continues to follow the implementation of the national laws and to react strongly as problems arise for the EDA members. A formal complaint against the Romanian law, which goes even further in its scope than other national decrees, has been filed by EDA in November 2017.

EDA has been the leading force in Brussels when it comes to the advocacy against national mandatory measures that hinder the free movement of goods among EU member states and threaten the integrity of the EU internal market.

EDA has been and will continue to be very outspoken on this issue. By allowing the adoption of numerous national decrees on mandatory origin labelling, the EU Commission has failed to defend the European Single Market and has opened the floodgates to notions that threaten the fundamental principles of the EU Treaties.

We furthermore remain deeply concerned by the latest developments and the steps towards nationalisation and fragmentation of the EU Single Market.

Trans-Fatty Acids (TFAs)

(Factsheet: goo.gl/LjA2eA)

Trans-Fatty Acids are a certain type of fat that are found in processed foods (industrial TFAs, iTFAs) but are also naturally occurring in small amounts in dairy products and meat (ruminant TFAs, rTFAs). There is a key differentiation between the two types of TFAs that are found in these different food groups. Ruminant TFAs are naturally found in dairy products in small amounts and represent an integral part of milk. Consumption of ruminant TFAs from natural sources is below 2 g/day in the average European diet. Contribution of ruminant TFAs to the overall energy intake is therefore minimal and is also below the maximum level for total TFA intake of 1% of energy set by WHO. Industrial TFAs can be found in processed foods such as margarines, snacks and fast foods, and the EU Commission is now carrying out an impact assessment on a future legal measure to limit the intake of the industrial TFA from processed foods.

Thanks to the intensive work of EDA in all levels of Brussels and beyond, the differentiation of ruminant TFA has been fully recognised by the EU Institutions in the past years. Several options are being considered by the EU Commission’s impact assessment, including establishing EU legal limits of iTFA (this is an option that is already implemented in several member states), introduction of TFA labelling and probation of partly hydrogenated oils (PHOs) in foods (U.S. approach).

The EU Commission’s impact assessment carried out in 2017 and early 2018 is an opportunity for EDA to highlight that the introduction of TFA labelling must not apply to naturally occurring ruminant TFAs. We will keep following all developments in 2018 to ensure that the specificities of (natural) ruminant TFA – and the importance of dairy foods for a healthy diet - are fully recognised.

Front of Pack Nutrition Labelling initiatives

In 2017 we have seen development of various nationally- and industry-led initiatives on Front of Pack Nutrition Labelling. EDA has been involved for many years in the Front of Pack discussions and our stand has always been against schemes which discriminate nutritious and wholesome foods such as milk, yoghurt or cheese.





UK Traffic Lights

EDA has actively pushed the infringement procedure launched by the EU Commission against the UK traffic light labelling scheme. In February 2017 EDA has received a formal reply from the European Commission to EDA's letter of complaint regarding the UK traffic light labelling. In addition, in March 2017, EDA together with other associations met the EU Commission to present data on the impact of the UK labelling. In November 2017 EDA Vice-President Attilio Zanetti during his speech at the General Food Law conference made a public request to EU Commissioner Vytenis Andriukaitis to have an update of the state of the infringement process.

Industry led traffic lights ENL initiative

In March 2017 six multinational food and drink companies producing mainly soft drinks and confectionary, announced their plans to use the UK traffic lights scheme which would be based on portions and not 100g, so called 'Evolved Nutrition Label (ENL)'. Some dairy stakeholders have been involved as observers in these discussions and suggested ways to incorporate dairy point of view, including positive nutrients such as calcium, into a possible future scheme. Unfortunately, these suggestions have not impacted the proposed scheme, making it as harmful to dairy foods as the UK traffic lights. In mid-October 2017 EDA has published a firm public press release criticising the ENL labelling system which has been widely up taken in the EU press. On behalf of the dairy industry, EDA secretary general Alexander Anton has made a strong political statement against the ENL scheme at the EU Platform on Diet, Physical Activity and Health in November 2017, where the ENL labelling scheme was presented to the EU Commission and member states.

French Nutri-Score

In parallel to these developments, in November 2017 the French Decree on the Nutri-Score labelling has been published. The decree formally recommends the (voluntary) use of the 'Nutri-Score' nutrition labelling scheme by food business operators in France. The labelling scheme combines five colours ranging from green to red with letters from A to E giving a total colour-coded score to a food or drink. Similarly, to the UK traffic lights scheme, the Nutri-Score is also a colour-coded scheme and based on the amount of energy, total fat, saturated fat, salt and sugar. However positive points are also given for the amount of protein as well as fibre from fruits and vegetables,

legumes and nuts, and a certain reference to use frequency of the product. A number of French retailers and manufacturers have already indicated they will apply the scheme in France.

European Commission report on additional forms of expression

According to article 35 of the Food Information Regulation the EU Commission was supposed to present a report additional forms of expression, including front of pack labelling schemes, by December 2017. However, this work has been postponed until December 2018 when the EU Commission together with the Joint Research Centre (JRC) will draft a report on the existing schemes. EDA will continue to closely follow further developments on Front of Pack labelling in 2018, making sure that the voice of the dairy industry is considered in the nutrition and labelling discussions.

Highlighting the positive role of dairy for Health and Nutrition

Nutrition science positions dairy products as natural sources of high quality protein and sources of vitamins and minerals, including calcium. The health benefits of milk and dairy have been continuously acknowledged in dietary recommendations of all national health authorities. The current dietary advice in the EU recommends on average 2 to 3 servings of dairy per day for adults and 3 to 4 servings for children. Unfortunately, the consumption data show that in many countries people do not meet their dietary

"Dairy foods are well known for being nutritious and healthy and have a well-established position in the dietary guidelines across the EU. The EDA Scientific Advisory Board Dairy Nutrition & Health provides a unique European forum for dairy experts to exchange on the latest science on nutrition-related topics. The SAB has been particularly active in 2017 to convey important the messages on the health benefits and nutritional value of dairy, high quality dairy protein and the nutrient richness of dairy. There is a continuous need for our industry to communicate the goodness of dairy to the EU policy makers and various stakeholders."



Dr Judith Bryans BSc PhD RNutr
Chief Executive DairyUK
Chair of the EDA Scientific Advisory Board
Dairy, Nutrition & Health



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recommendations for dairy which may lead to important shortages in nutrients. It is therefore important that the dairy sector and health authorities continue to promote the health benefits of dairy, as part of a balanced and varied diet for European citizens.

EDA Scientific Advisory Board Dairy Nutrition & Health (SAB DNH)

In order to provide substantiated and up-to-date EDA communication, we make sure that our messages are backed by the latest scientific evidence. The EDA Scientific Advisory Board Dairy Nutrition & Health (SAB DNH) is an active network of the top European dairy experts who oversee our scientific publications and papers on nutrition and health.

Over the last year, Dr Judith Bryans, CEO of Dairy UK and Chair of the EDA Scientific Advisory Board, held two meetings in May 2017 and in January 2018 in order to discuss the scientific developments and new projects in nutrition and health. The group also focused on new communication material that could assist in spreading the word on the nutritional benefits of dairy. In 2017, the SAB DNH has developed several nutrition factsheets which are available on EDA website: **Health benefits & Nutritional value of dairy** (Link: goo.gl/Kfthjb) ; **Dairy: A source of high quality protein** (Link: goo.gl/748ou5) ; **Questions & Answers on lactose intolerance** (Link: goo.gl/f3vr5b) ; and **Nutrient-rich dairy, an affordable source of nutrition** (Link: goo.gl/Vf9BeC).

Product formulation and added sugars

The health and nutrition debate has always been a very special one for the dairy industry. For decades, the European dairy sector has put a lot of effort, research and resources to ensure that consumers have access to a wide range of nutritious dairy products. In the past years, we have seen an intensification of debates on 'product (re-) formulation', in order to reduce 'bad nutrients' in foods and drinks. After concentrating on salt and saturated fat in the previous years, the focus has now shifted towards the reduction of added sugar. Keeping in mind that dietary guidance and science increasingly recognise the importance of the overall health effects of foods rather than of particular individual nutrients, we voiced on numerous occasions, and at all levels of the EU Commission and in member states, that dairy products are low contributors to added sugar intakes in Europe while they are high contributors of essential nutrients in all population groups.

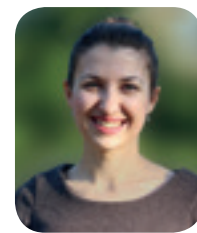


EDA together with our member associations remain closely engaged with the relevant stakeholders, highlighting that any approach on product reformulation must reflect the cultural richness and diversity of dairy products across Europe as well as the unique nutritional value of milk and dairy. The overall and simplistic focus on negative nutrients is misleading and unhelpful for the consumers. A more successful impact on health and fitness of the population may be given by recognising the role of whole foods and diets, as well as positive motivations and pleasures.

Once more, EDA went towards a fully transparent approach and proposes legislators and the wider public to have a look at the facts in our latest factsheet on **'Sugar in Dairy Products plain or sweetened, all dairy products can be part of a balanced and healthy diet'** (Link: goo.gl/fzyR9c).



H el ene Simonin
*Director Food,
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EDA participates in the first EFSA Stakeholder Forum meeting and the EFSA - Industry Associations Roundtable discussions

In May 2017, the European Food Safety Authority (EFSA) based in Parma, Italy, organised a first **EFSA Stakeholder Forum** conference where EDA was honoured to represent the EU dairy sector. The new EFSA Stakeholder Forum, chaired by the EFSA Executive Director Bernhard Url, provides strategic input to EFSA work plans and future priorities.

EDA has been also invited to participate in the annual **EFSA - Industry Associations Roundtable** meeting which took place in June 2017. The meeting was an excellent occasion for EDA to raise the pending issue of a need for an increased scientific dialogue between the industry applicants and EFSA, as well as to express EDA continuous support for the EFSA work, including the data collection where EDA and its members contribute on a regular basis.





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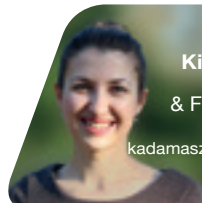
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