European Dairy Association

Dairy Focus 07/2017

Estonian EU Presidency

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connect to the world of dairy

Foreword

Estonia joined the EU in 2004 and its economy has doubled in size since then. Estonia was the first of the Baltic States to become a member of the Eurozone back in 2011 and Estonia will now hold the EU Presidency for the first time during the second half of 2017.

Originally scheduled for the first half of 2018, Estonia agreed to take the lead of the EU already in July this year, following the Brexit decision of the United Kingdom.

Estonia will head the European Union in unprecedented circumstances.

Indeed, the negotiations on the way how to organize and manage the Brexit process will start under Estonian leadership. The history of the European Union has shown that it has always been beneficial for difficult processes at European level, when smaller countries were in an influential and driving position.

This is also true when it comes to discussions within the Eurozone, where Estonia excels by a constitutional requirement of a balanced national budget. Basically, there are not many debt-free countries in the world.

The geopolitical situation in this second half of 2017 will most probably not enable the Estonian Presidency to focus on agricultural topics as much as we and the Estonian Presidency would like to.

However, when it comes to agriculture and dairy, Estonia will chair the Council meetings that tackle the future of the Common Agricultural Policy after the publication of the results of the EU Commission's public consultation in a high-level conference in Brussels on 07 July 2017.

One working field of the Estonian presidency will be about the possibilities to tackle unfair trading practices in the food chain at European level, where the EDA idea of considering an ombudsperson approach has gained some momentum.

Estonia has scheduled five Agricultural Council meetings until the end of 2017 (17/18 July, 03/05 September, 09/10 October, 06/07 November and 11/12 December 2017).

We are looking forward to the Estonian EU Presidency: even if Estonia with its roughly 800,000 tons of annual milk production is rather a small dairy producing country in the European Union, we know we can count on the Estonian Presidency when it comes to defend the European dairy sector, the milk producers and their dairies, and the single market principle.

Connect to the world of dairy!

Michel Nalet
EDA President

Alexander Anton
EDA Secretary General

The Estonian Presidency of the Council of European Union

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Tarmo Tamm
Minister of Rural Affairs

Estonia will start its first Presidency of the Council of European Union in July. The preparation process has been long and thorough and our ambitions are high. We are eagerly waiting for the opportunity to drive the EU forward. In the context of a more turbulent international setting, the number of challenges we need to tackle together has also increased.

The four main priorities of the Estonian presidency are the following:

- An open and innovative European economy
- A safe and secure Europe
- A digital Europe and the free movement of data
- An inclusive and sustainable Europe

Considering the world's growing need for food in a situation where the resources are scarce and the pressure on climate is growing, sustainable agriculture continues to be one of the cornerstones of EU economy and policies. **The future of the Common Agricultural Policy** with challenging goals to ensure responsiveness to market signals, while simultaneously

offering a toolbox for crisis management and be simple to manage, is a central topic of the Estonian Presidency. The results of the CAP public consultation will emerge in July 2017, enabling us to continue moving towards the renewed CAP. The future CAP will also be the theme for the September Informal Council in Tallinn, where the future of risk management will be debated. In addition, we are hoping to be able to start discussions on the Communication on the future of CAP. We will put great emphasis on the simplification of the CAP, with the aim to agree on the **Omnibus Regulation**, which would make the life easier for both farmers and the administration.

The dairy sector, a leading agricultural sector in the EU as well as in Estonia, has suffered difficult times over the past years with high price volatility, squeezed margins and a fierce competition on international markets. Although the market situation has improved in 2017, it is important for the Estonian Presidency to ensure the **sustainability and competitiveness of the EU dairy sector and agriculture** as a whole also in the future. Thus, monitoring the agricultural markets and working very closely with the Commission to react quickly with feasible solutions when difficulties occur, is a key priority.

Mankind is said to depend on two things: the last half a meter in the upper layer of the soil, and the frequency of rainfall. Therefore, we want to draw attention to the sustainable use of agricultural soils by organising a high-level conference taking place in October in Tallinn, titled **“Soils for sustainable food production and ecosystem services”.**

The Estonian Presidency is waiting for a Commission proposal on **the food supply chain initiative** to be able to start negotiations on this important topic. Further in the area of market organisation, we will also continue examining the Commission proposal for a regulation on the definition, presentation and labelling of **spirit drinks**.

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As the Presidency, Estonia will be in charge of **consolidating the EU’s positions in International Organisations**. We will strive towards an open trade policy and trade agreements, which take into consideration the interests of EU agriculture. We consider it is important to tackle the issue of the growing **antimicrobial resistance**. The Presidency will contribute to the implementation of the ”One Health” policy covering human, animal and environmental aspects by facilitating discussions and exchange of experiences at different levels. In addition, we will continue the effort made by previous Presidencies to move forward with the Veterinary Medicine and Medicated Feed Regulations.

One of the overall goals of the Estonia´s Presidency is digital Europe. In the field of agriculture and food, we will promote discussions on how to implement digital solutions for effective control measures and support new e-solutions by organising in cooperation with the European Commission a conference to discuss Integrated Information Management System for Official Controls (IMSOC). Digitalisation of agriculture will top the agenda of the informal meeting of Directors for rural development and Conference of Directors of the EU paying agencies. We also prioritize general awareness raising for promoting emergency preparedness in the field of plant health.

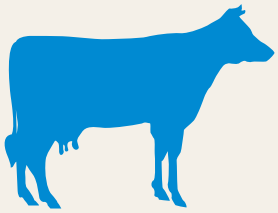
Tarmo Tamm
Minister of Rural Affairs

Introduction to The Estonian Dairy Sector

1,800
dairy farms

1,312,000
population of Estonia

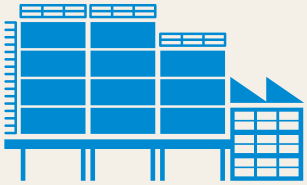
Number of dairy cows
86,000
Average herd size
150 dairy cows



786,000 tonnes
of milk per year

8,833 kgs
average milk yield per cow per year

The Estonian dairy sector in numbers



25 dairy processing plants

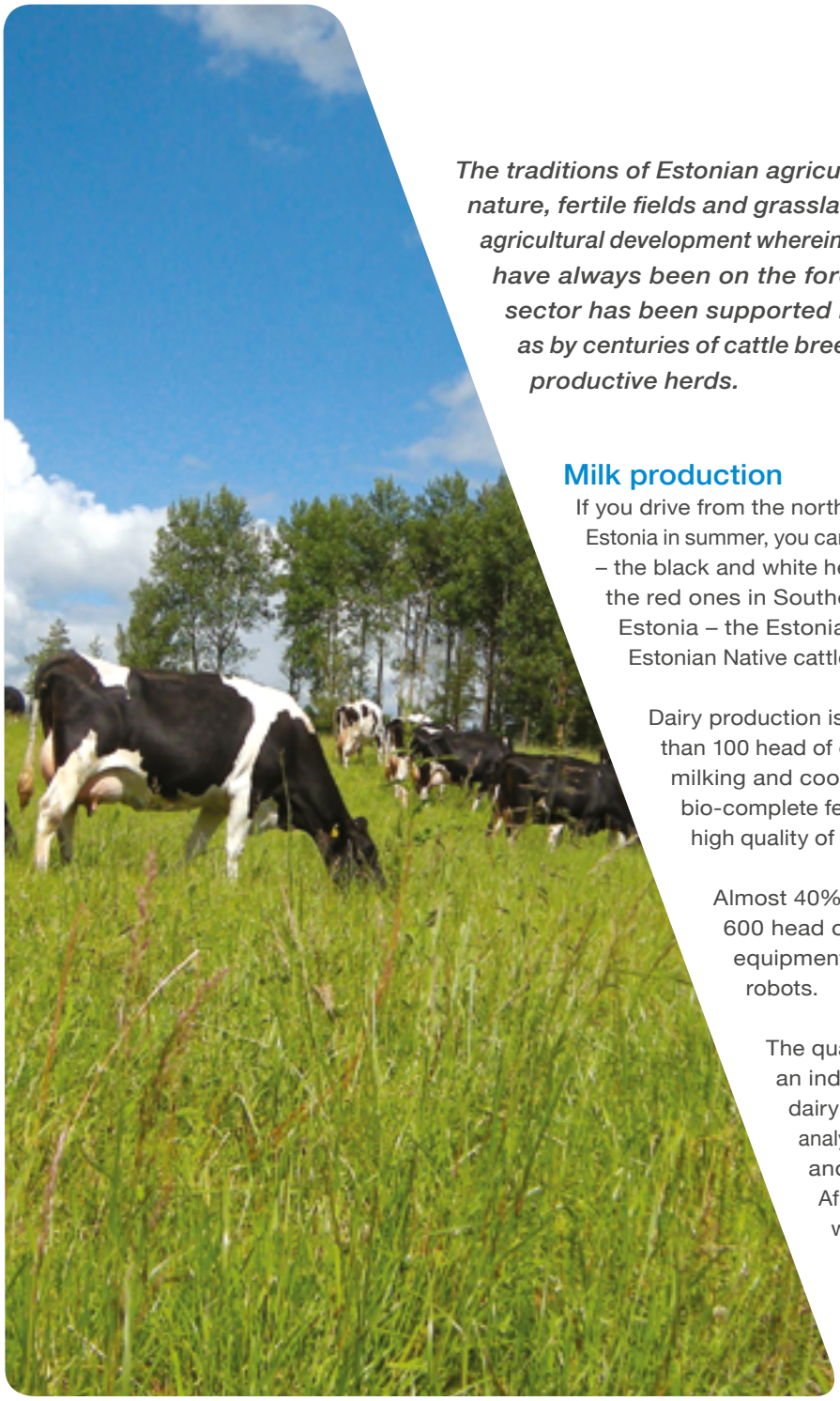
DAIRY EXPORTS
1/3
of total food industry exports

180%
self sufficiency in milk

THE MAIN PRODUCTS

Drinking milk, Cheese, Sour milk based drinks, Whey

The Estonian Dairy Sector



The traditions of Estonian agriculture go back centuries. Our clean nature, fertile fields and grassland have been the prerequisites for agricultural development wherein cattle breeding and dairy production have always been on the forefront. The development of dairy sector has been supported both by natural conditions as well as by centuries of cattle breeding resulting in healthy and highly productive herds.

Milk production

If you drive from the north to the south through the small land of Estonia in summer, you can see how the color of their cattle changes – the black and white herds in North Estonia are replaced with the red ones in Southern Estonia. There are three breeds in Estonia – the Estonian Holstein, the Estonian Red and the Estonian Native cattle.

Dairy production is concentrated in large farms with more than 100 head of cattle, which are equipped with modern milking and cooling equipment. The year-round use of bio-complete feed ensures the stable composition and high quality of raw milk.

Almost 40% of milk is produced in farms with over 600 head of cattle. Farms use automatic milking equipment and nearly 15% of milking is done by robots.

The quality control of raw milk is performed in an independent laboratory not connected to dairy processing enterprise. Milk samples are analyzed weekly according to quality standards and as regulated by the Ministry of Rural Affairs. Almost 90% of milk is in accordance with EU raw milk standards.

Dairy processing industry

One of the most important branches of the Estonian manufacturing industry is the food industry. The leading branch of the food industry is the dairy industry which in 2015 made up 21% of the food industry turnover.

The share of milk processing enterprises is less concentrated in Estonia. In 2016 the market share of four processing plants (C4) were 63% and share of two biggest processing plants (C2) 43% of the sector's total turnover. According to the register of the Estonian Food and Veterinary Department there are 25 dairy processing units in Estonia. Out of that two are cooperatives and their market share is approximately 20%.

The main products are cheese (approximately 35% of raw milk is processed into cheese), consumer milk products like drinking milk, yoghurt, cream, desserts and various milk and whey powders.

Small dairies have found ways to stand out by producing niche products, dairy products with exclusive additives and traditional national products.

The last ten years for the Estonian dairy industry have seen constant investments into new equipment and packaging technologies. This helps ensure product quality and extend shelf life and the packages are more convenient for customer use.

Research and Development

Estonian dairy producers engage in close cooperation with Estonian universities and research institutions. A 2004 state initiative founded the competence centre BioCC which work is based on a "field to fork" principle, meaning the research focuses on the whole chain.

By now, the Estonian silage additives Lactobacillus plantarum E-98 NCIMB 30236 and Lactobacillus plantarum TAK-59 NCIMB42150 has been approved by EFSA, registered in the EU and added to the list of registered feed additives of the EU.

Today the healthiness is becoming a new religion. In Estonia cardiovascular disease is one of the leading causes of untimely deaths. Rising blood pressure is one of the risk factors. In BioCC the probiotic bacteria Lactobacillus plantarum TENSIA® (DSM 21380) was discovered. Cooperative E-Piim has launched the Harmony Cheese where the described probiotic is a component. It is obvious that in order to get final approval from EFSA, more work needs to be done but we are sure that this is just the beginning of the story of the functional dairy products with probiotics.

Foreign trade

Estonian dairy sector is oriented towards export. Of the total food industry export, the dairy sector accounts for approximately 1/3 and in agricultural products approximately 20%.

The foreign trade balance of dairy products has been still positive.

Our main export partners are mainly EU-countries (98%). The main countries are Lithuania 31%, Latvia 26%, Finland 20% and Italy 8%. The share of 3rd countries is not very big, but still growing and Estonia has exported the dairy products for instance to Japan, Malaysia, Vietnam, South Africa. Generally speaking we fully replaced the share of Russian market.

Organisation

In 2016 we celebrated the 27th year of operation for the Estonian Dairy Association, the organization that joint together a majority of Estonia's dairy processors. There aren't many unions in Estonia that have worked for as long towards one common goal. Nevertheless, the world has changed around us, the concentration of companies is ongoing, the voice of the sector must be louder. Due to that in September 2016 Estonian Dairy Association and Estonian Chamber of Agriculture and Commerce decided to join forces.

Eesti Põllumajandus-Kaubanduskoda
Estonian Chamber of Agriculture and Commerce

The Estonian Chamber of Agriculture and Commerce is an umbrella organization for the farmers, food processors, agricultural input providers and private forest owners and is now the Estonian EDA member.

Despite all the challenges the sector is facing, Estonian producers will continue the work to make sure that Estonian milk and milk products have an honorable and prominent place on the breakfast, lunch and dinner tables in Estonian homes as well as in many other countries.

Tiina Saron, MBA
Deputy Secretary General
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The European Dairy Association represents
the interests of dairy processors in the European Union

ASSIFONTE