



Perspectives from the Real World ~~Absence of European vision~~

Benoît Rouyer
Workshop For Dairy Economists and Policy Analysts
11 May 2011

Milk price determination in Europe : no classes of prices



No European rules specific to milk price fixing

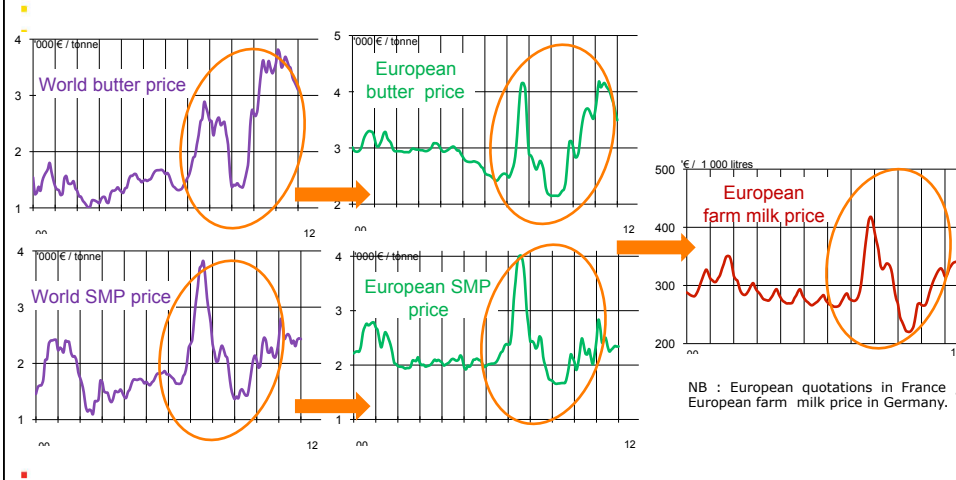


Milk price fixing is a national issue handled in accordance with European fair trading rules.



In most European countries, there are no national rules specific to milk price fixing.
-> milk price is determined by free negotiations between farmers and processors, but the context of those negotiations differs widely.

The volatility of the world market is impacting European milk prices at farm level.



This new exposure to volatility is linked to the CAP reform implemented in 2003

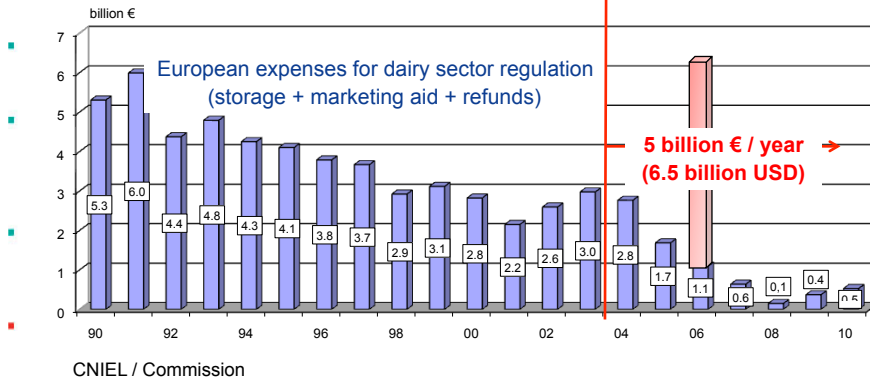


- Objective of the reform: to guide the European dairy sector gradually towards more market orientation.
 - ⇒ to confront the European dairy sector with world market signals in order to stimulate its reorganization and increase its competitiveness.
- In 2008, The 'CAP Health check' confirmed this free-market orientation with the ratification of milk quota abolition for 2015.

The principle of CAP reform



⇒ Less market regulation / Compensation by direct payment to farmers

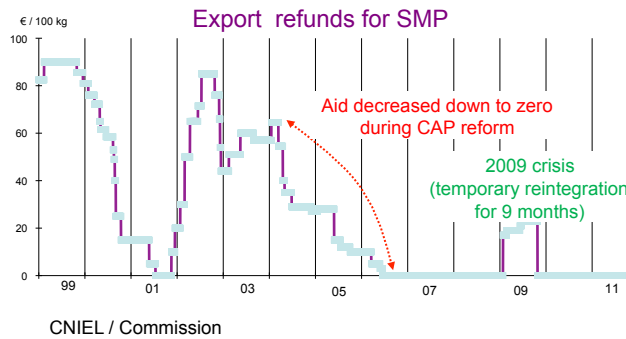


Balance of the CAP reform - What is the current health of the European dairy sector?



No more internal disposal subsidies

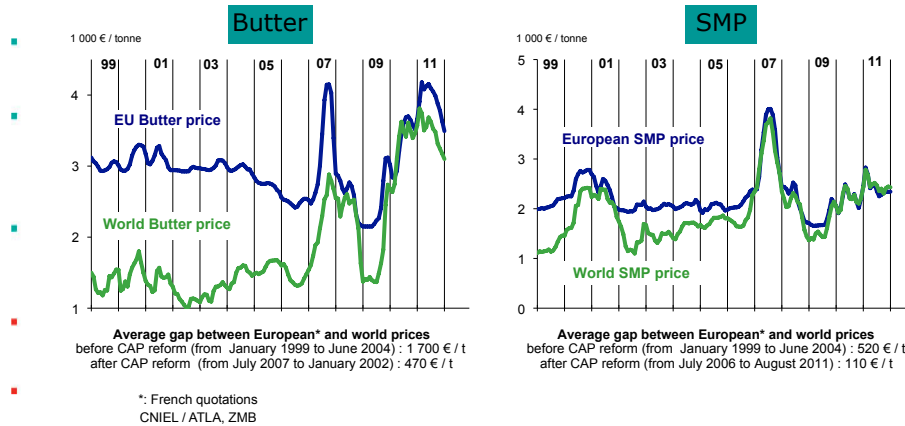
No export refunds (except during the 2009 crisis)



Balance of the CAP reform - What is the current health of the European dairy sector?



- Gap between world and European prices is narrowing, especially for SMP.



Workshop for Dairy Economists and Policy Analysts 10-11 May 2012

7

The duality of thoughts in the minds of many European dairy operators



- A clear conviction that the long term outlook is rather positive,..
- but also a relative anxiety of being defenceless if a new severe crisis should crop up.

Workshop for Dairy Economists and Policy Analysts 10-11 May 2012

8

Are we living in a reasonable world ?



- Can the world market be balanced if we all invest in the same field ?



Investments announced or finalized in 2011 and early 2012 concerning dried dairy products.



The tip of the iceberg :
total investments exceeding 3 billion USD

50 projects
28 countries
44 companies

