

# FRENCH MILK PRICING SCHEME

NATIONAL WORKSHOP FOR DAIRY ECONOMISTS  
AND POLICY ANALYSTS – 25<sup>TH</sup> OCTOBER 2023



# RELATIONS BETWEEN FARMERS AND DAIRY PROCESSORS IN FRANCE

Milk collection: 45% directly by private companies (Lactalis, Danone, Savencia, etc.)  
55% directly by dairy co-operatives (Sodiaal, Eurial-Agrial, etc.)

Since 2011, the French law requires that:

→ Each **farmer** delivering milk to **private companies** must have a **written contract** for at least five years specifying information on:

- \* volume of production (annual reference; condition of payment above and below the reference)
- \* price (indicators used)

→ Each **farmer** delivering milk to a **dairy co-operative** also has an annual reference of production. The **rules of procedure** of each cooperative must include similar indicators as the ones in contracts between farmers and private companies.

# INDICATIONS ON MILK PRICE DETERMINATION IN CONTRACTS MADE BETWEEN FARMERS AND PROCESSORS (OR IN CO-OP RULES OF PROCEDURE)

Set of market indicators\* used to determine the standard milk price (38g of butterfat, 32g protein per litre) for each type of milk collected (conventional, organic, PDO)

+

Rules for quality-based milk payment (additional grams of butterfat and protein, somatic cells, germs, butyric spores counts, freezing point)

+

Rules for other optional criteria (seasonal bonus/penalty, non-GMO feeding, grazing, etc.)



- Specific to each company
- Depends on the product portfolio and outlets of the company
- Results from negotiation between farmer organizations and the dairy company
- Frequently refers to indicators published by CNIEL (French Dairy Board)



- Frequently refers to regional reference tables edited by regional branches of CNIEL

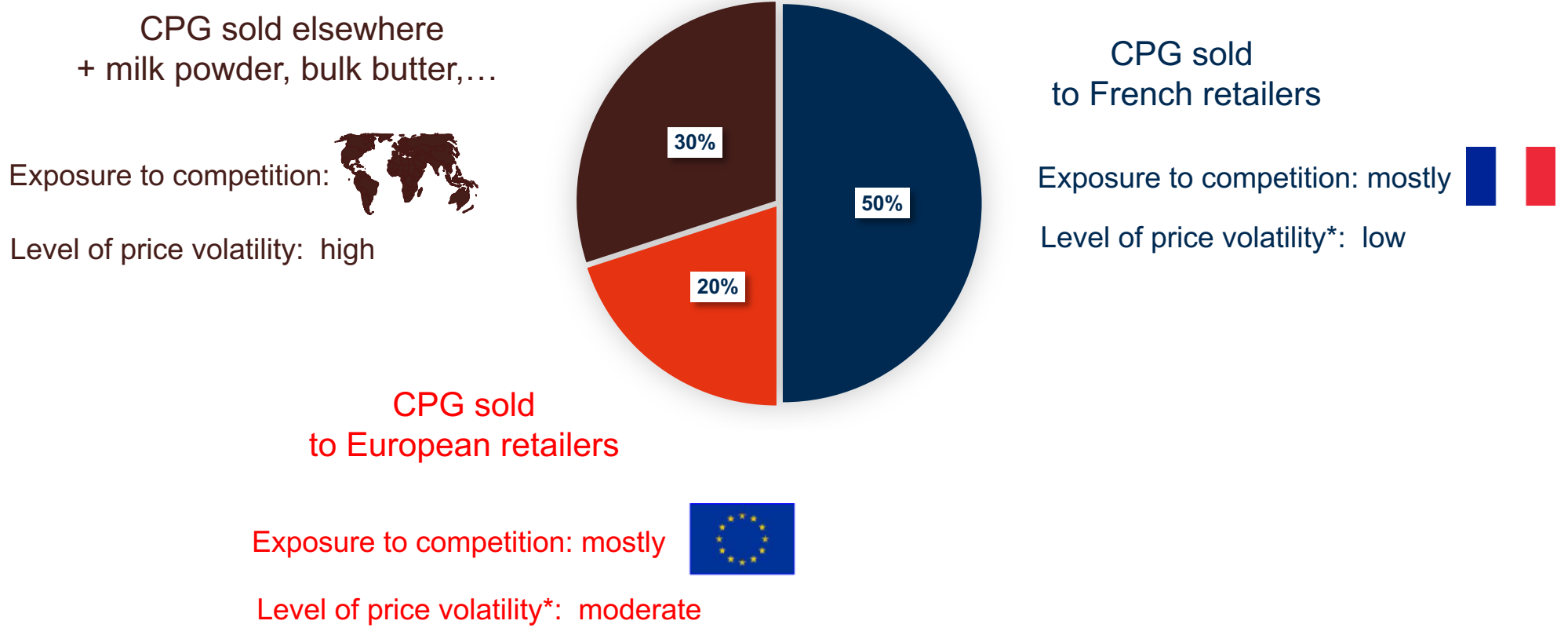


- Specific to each company
- Results from negotiation between farmer organizations and the dairy company
- No indicators released by CNIEL



# HOW THE MARKET INDICATORS SET FOR MILK PRICE DETERMINATION IS CONSTRUCTED ? AN EXAMPLE BY WAY OF ILLUSTRATION

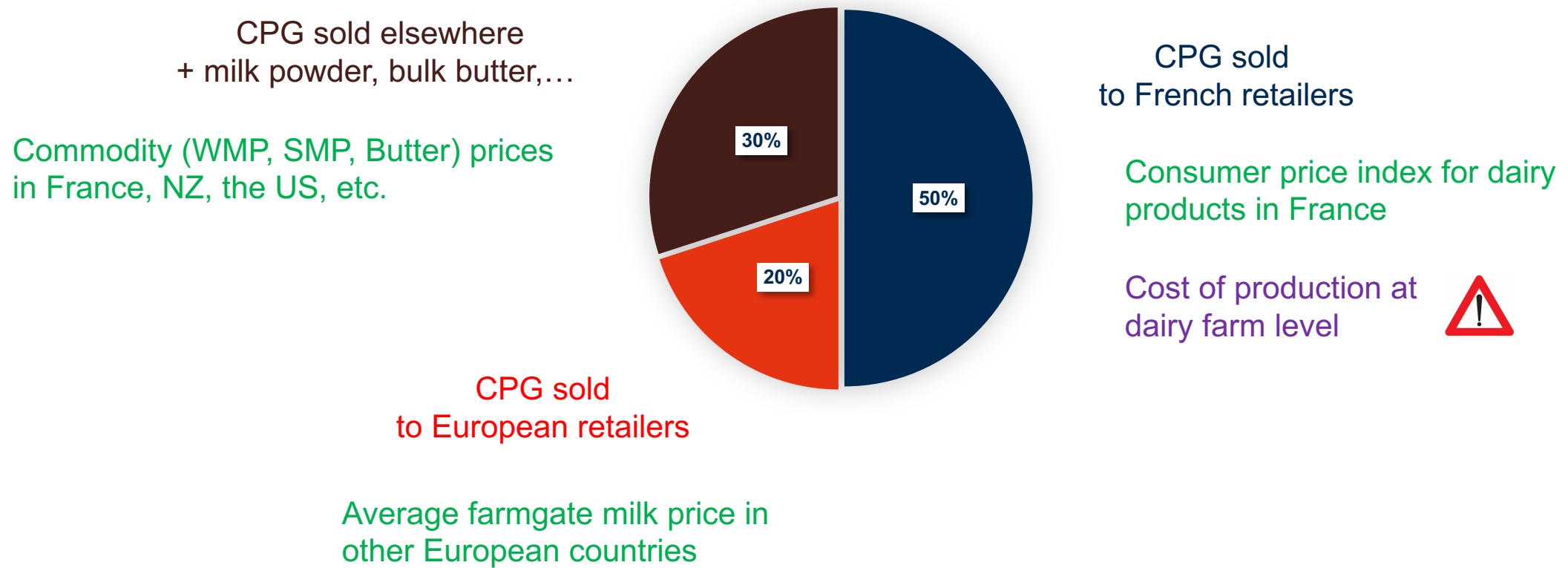
## Dairy company business breakdown



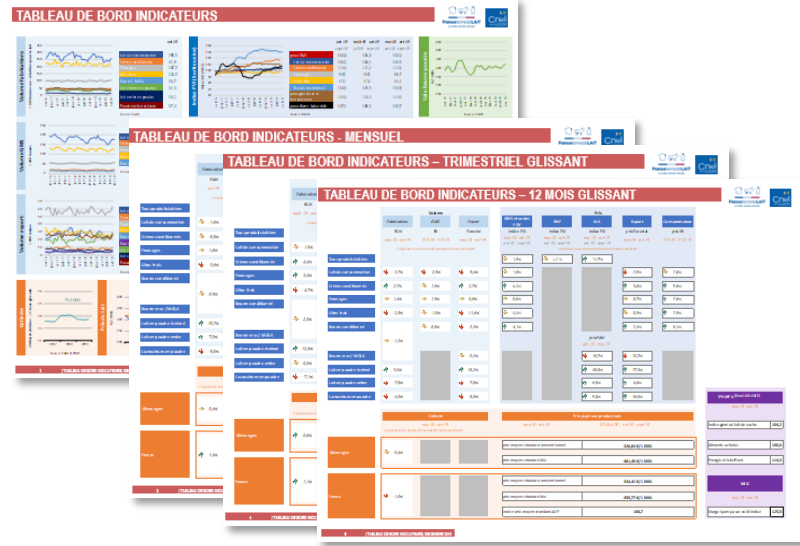
\*: outside recent hyperinflation periods

# HOW THE MARKET INDICATORS SET FOR MILK PRICE DETERMINATION IS CONSTRUCTED ? AN EXAMPLE BY WAY OF ILLUSTRATION

## Relevant market indicators for each outlet



# THE FRENCH DAIRY BOARD (CNIEL) MONTHLY RELEASES AN INDICATOR DASHBOARD

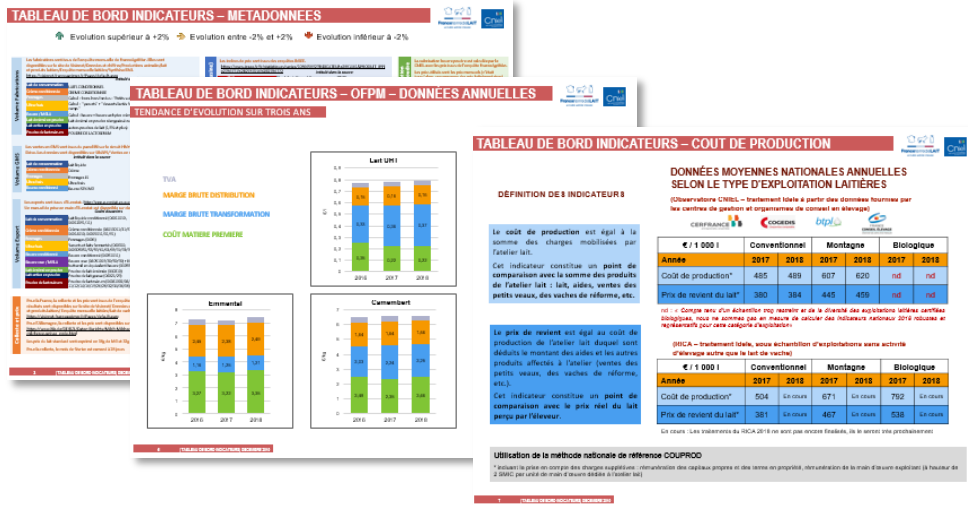


7 pages of market indicators and cost development information at farm level

available to all dairy operators

to mitigate asymmetry of information

Dashboard notified to the European Commission, which gave a favourable opinion in 2019



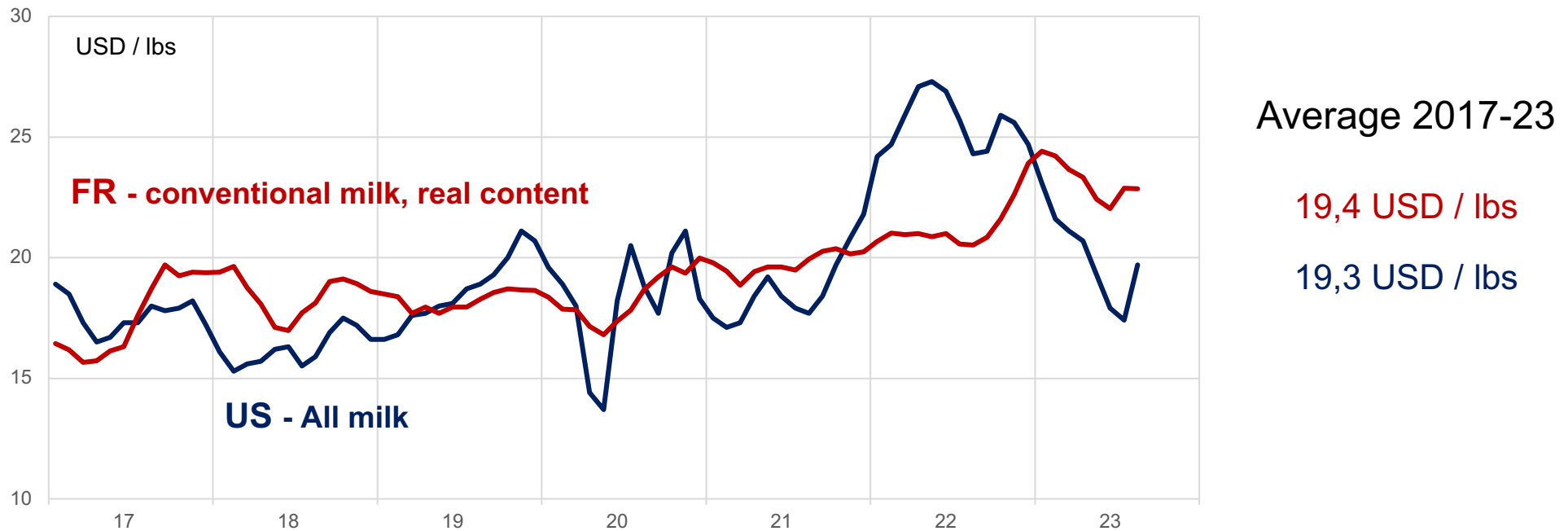
2 types of information concerning milk production cost:

- Annual information issued from dairy farm accountings (precise data, but low reactive)
- Monthly information on input price (reactive data, but imprecise [no information on input volume consumption])

September 2023 release

# HOW IS THE AVERAGE MILK PRICE IN FRANCE IN RELATION TO OTHER COUNTRIES?

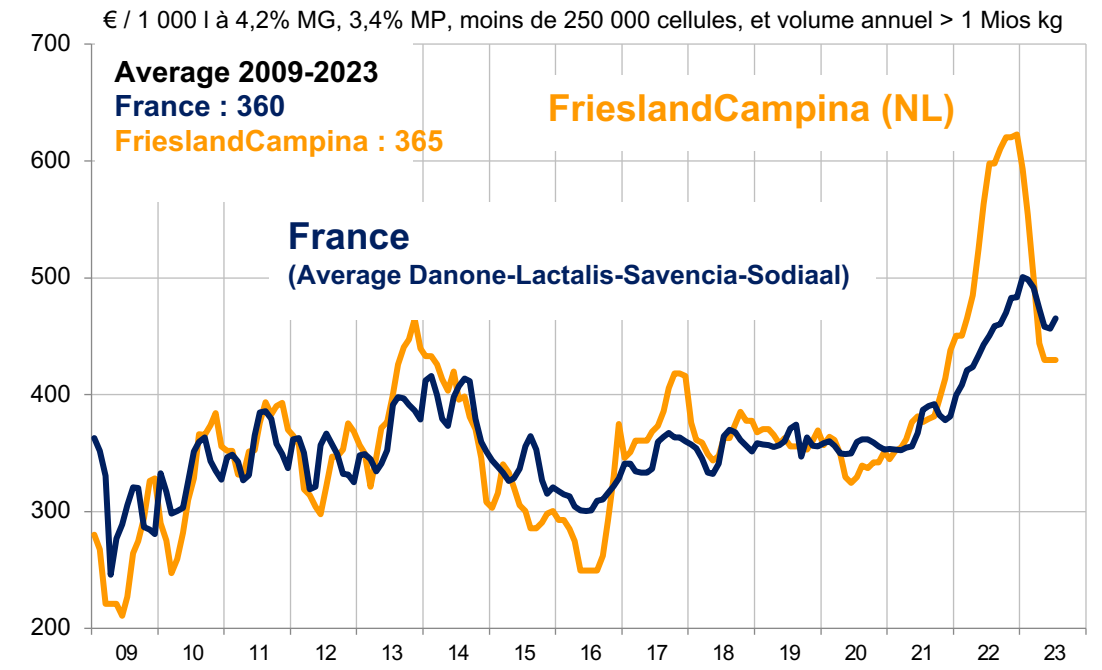
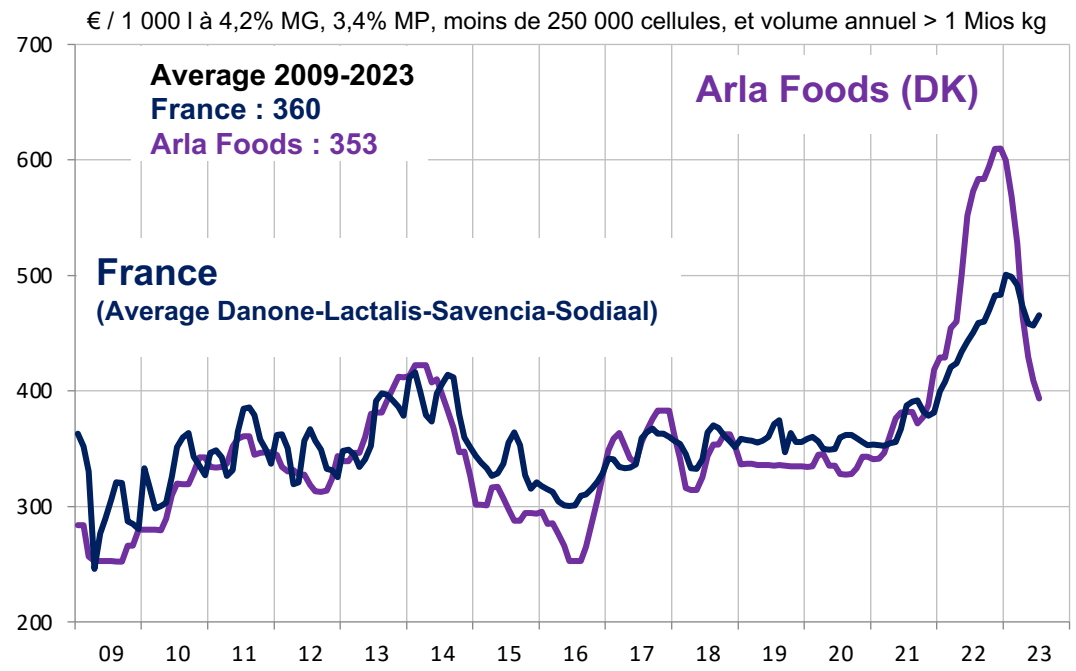
## Monthly milk price development in France and the US



NASS, FranceAgriMer

Over long period, no average differences between France and the US, but milk price development is smoother in France.

# HOW IS THE AVERAGE MILK PRICE IN FRANCE IN RELATION TO OTHER COUNTRIES?



LTO

Compared to European leader companies in the Netherlands or Denmark, milk price development is also smoother in France.



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