



Presentation TTIP Stakeholder event July 16th

1. REPEAT EUCOLAIT POSITION:

- a. Strong support for TTIP conclusion
- b. Fully liberalised dairy market with immediate elimination of tariffs
- c. Strong SPS and TBT chapters with workable provisions for equivalence

2. CONFERENCE HELD IN LISBON: Impact of TTIP on dairy trade

- a. Clarification of conference theme
- b. Cost of milk production
 - i. Milk production models all over the world are very dynamic and diverse.
 - ii. Different farm types in different regions and very diverse pictures when it comes to the cost of milk production: the EU has the possibility to compete with the eastern United States
 - iii. Competing with the western United States is less likely now but these models are less resilient.
- c. Developments in EU and US physical and derivative markets of dairy commodities
 - i. Convergence and the development of price risk tools – convergence can be messy. Look at today's price quotations within the EU and the US.
 - ii. Market prices for non-dairy commodities are much more centralised than for dairy commodities. Physical markets drive the futures markets in dairy whereas for other agricultural commodities it is the other way around.



- iii. It is uncertain whether we will see more movement of global grain and soybean traders (ABCD companies) into dairy trading in the future. Only one of the major grain and soybean traders has so far made this move and only very recently.
- iv. One must consider whether trade can be described as being 'truly global' or just 'regional' in nature. In the US for example, there are differences in that Wisconsin produces more cheese and California is focused mainly on powder production.

d. Mergers and Acquisitions

- i. M & A activity between EU and US somewhat lean.
- ii. Lots of strategic reasons exist for companies to look at mergers and acquisitions.
- iii. Market access is a key driver for M&A, but by no means the only driver. Extension of distribution network will be needed to benefit from the approved market access from any deal.

e. US trade to the EU

- i. Having a bigger supply pool is interesting
- ii. Huge gaps between US and EU commodity prices on occasion – On/off trade expected between the EU and US
- iii. Butter fat and cheese – greatest potential for convergence. Differences – 80% vs 82% fat, yellow vs white butter etc.



f. EU trade to the US

- i. Current trade from EU to US is mostly cheese
(branded – specialty) average value per MS differs
- ii. Only 2% of growing US consumption and static
- iii. Potential for growth in a TRQ free environment

3. CONCLUSIONS

The conference in Lisbon confirmed the great interest of exporters from both side of the Atlantic to move towards a fully liberalised EU-US dairy market. Both US and EU exporters are confident about the competitiveness of their dairy sector and their ability to supply global demand. A liberalised EU-US market would further strengthen their respective position on that global market.

A full liberalisation is not expected to cause great shocks in the current EU-US trade flows and therefore do not justify transition periods for tariff reduction.

Benefits of a fully liberalised EU-US dairy market will be gradual and should not be jeopardized by regulatory hurdles.