



12 June 2019

## Comments on the draft implementing regulation concerning market transparency (amending reg. 2017/1185)

Eucolait welcomes the consultation on the draft implementing regulation amending the current rules on notifications of dairy market data to the Commission.

We have submitted numerous statements on the subject of market transparency throughout the consultation process and to the Agricultural Market Task Force. Our key message remains that the market orientation of EU dairy policy needs to be accompanied by comprehensive, reliable and timely market information to provide operators in the dairy supply chain with the right signals. Market transparency is also essential for building and maintaining trust between actors in the supply chain.

From the outset, it is worth highlighting that in the dairy sector, the products differ in pricing depending on origin, producing company, brand, specification etc. It would therefore be unrealistic to expect the same transparency as with soy, grain or other commodities that are traded in bigger volumes on a more homogeneous market.

### 1. Improvements to existing data

The EU dairy market already enjoys a high degree of transparency. We have therefore continuously stressed that the primary focus of any new initiative should be to improve the quality and timeliness of existing data. In this sense, we fully support the requirement that milk deliveries would have to be notified by the 15<sup>th</sup> of each month (instead of the 25<sup>th</sup>). It is also crucial that the fat and protein content would be part of the notification since in the end it is the total milk solids delivered that matter. If possible, the volumes should be notified directly by the operators to the Commission via the relevant IT system rather than via Member States authorities so as to avoid any delays. Even though apparently not covered by the regulation, we hope that the monthly output volumes of the various dairy products (cheese, butter, powders etc.) will also be updated by the 15<sup>th</sup>. In the same vein, we appreciate the planned faster notification of the prices of raw milk by the 15<sup>th</sup> of each month (with respect to the preceding month).

### 2. New notifications

The draft implementing regulation also provides for new notification requirements for products that have so far not been covered and adds the obligation to notify buying prices for butter and cheese. We would like to make the following observations with regard to each of the proposed additions:



- **Organic milk**

This is a growing market niche characterised by a lack of comprehensive data and Eucolait therefore supports the publication of information on production and prices at European level.

- **Milk powder with vegetable fat**

There is currently no publicly available information on the prices or production of fat filled powder and even trade volumes are only estimates since dedicated CN code(s) for this product group do not (yet) exist. The challenge lies in the multitude of products described as fat filled. Unlike for SMP, WMP or butter, there is no clear definition or marketing standard. A minimum milk protein content should be set for a product to be considered as fat filled powder (e.g. 24%). We would strongly encourage the Commission to rapidly finalise the process of establishing dedicated CN codes for fat filled powders. Due to the growing importance of this product category, information on production and import/export trade flows would be relevant from a market analysis perspective.

- **Selling prices of cream**

Bulk cream is traded in large quantities and also increasingly exported. As such, having a European price reference makes sense but a clear product definition is required.

- **Selling prices of drinking milk**

We question the value of publishing such prices. Due to the large number of “quality schemes” (pasture milk, GMO-free, local milk, fair milk, lactose-free, enhanced with vitamins etc.) the price of milk varies greatly between basic private label milk and any higher value alternative. There is also a difference between pasteurised and UHT milk and it is not specified whether skimmed, semi-skimmed and whole milk would all be assessed together. We are concerned that creating an average price consisting of all categories will not be very meaningful and could even be misleading. In particular, the price of drinking milk should not be compared to the price of raw milk as the valorisation of the latter is determined by the complete product portfolio of a dairy processor.

- **Buying prices of butter and commodity cheeses by representative retailers and other food business operators:**

We are strongly opposed to the collection and publication of these prices as they are likely to be misinterpreted and misused. The decisions made by individual processing companies regarding the use of the milk to ensure maximum valorisation (drinking milk, yogurt, cheese and whey, cream, butter and SMP, WMP etc.) depend on price and demand developments in all these segments as well on capacity.



All these products are sold through multiple channels (retail, food service, ingredients for food industry, export) all of which influence the product prices and the milk price. In addition, prices of commodity dairy products are not simply the result of bargaining power but are driven by supply and demand fundamentals, many of which are largely outside the control of businesses (e.g. weather, consumption trends or even trade barriers).

Due to this complexity, it is not possible to make meaningful price comparisons at different stages of the dairy supply chain or to identify margins. Such data is bound to be misinterpreted and would most likely be detrimental to the interest of producers, the aimed beneficiaries of this regulation.

### 3. Conclusion

Eucolait will and does support initiatives for meaningful transparency in the dairy supply chain.

We welcome enhancing the timeliness of existing information schemes.

We believe prior work is needed involving different DG's (TAXUD) to define and codify fat filled powders prior to collecting meaningful data on this product category.

We question the feasibility and relevance of publishing an average price for all types of drinking milk.

Aside from all the complexities in garnering additional data on cheese and butter from buyers, Eucolait is of the opinion that the hoped for transparency will not contribute to a better understanding of dairy market developments but disseminate a simplified and wrong assessment of the complex supply chain dynamics.

We must therefore conclude that these new draft rules in their current proposed form will overshoot the avowed aim and are likely be detrimental to the interest of dairy farmers, the aimed beneficiaries of this regulation.

Eucolait invites the Commission to consider our constructive input and not rush the publication of this important piece of legislation.

Eucolait is on call for further consultation on the subject.