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Association of the Chocolate, Biscuits and Confectionery Industries of Europe

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CAOBISCO POSITION STATEMENT THE FUTURE OF THE EU DAIRY MARKET

Through its **2000+** companies, CAOBISCO, the Association of the Chocolate, Biscuits and Confectionery Industries of Europe, represents more than **245,000** direct employees and generates more than **51** billion Euros annual turnover. CAOBISCO industries show a production of **10,4** million tons of products; **4,4** billion Euros of exports, i.e. **10%** of the total value of food exports from the European Union; and an import value of € **1,2** billion. In terms of dairy ingredients, CAOBISCO is a major industrial user of butter and skimmed milk powder (30% of annual production).

CAOBISCO POST-2015 OBJECTIVES

CAOBISCO's long-term objective is for a transition to a more deregulated dairy market that ensures continued security of supply. The Common Agricultural Policy governing dairy should be simplified with less management tools. CAOBISCO recognises that this will take some time.

CAOBISCO members are significant users of dairy ingredients and support the use of dairy ingredients from EU origin. Like other stakeholders in the dairy supply chain, CAOBISCO members need a sustainable supply of dairy ingredients.

- CAOBISCO supports the important role of the EU dairy industry in an expanding world market. To act so, EU policy should encourage the sector to become efficient, structurally competitive and independent from direct support.
- CAOBISCO companies need to be competitive on the world market with the support of a healthy EU cost base, taking advantage of the increasing global consumer demand. To achieve this, we need EU ingredients to be cost competitive.
- CAOBISCO encourages an EU internal market without government support. For this reason, our priorities for the post-2015 Dairy Market Reform are:
 - Elimination of production quotas in accordance with the Health Check agreement.
 - Review of the private storage scheme and of the intervention rules. Due to the seasonality of production and consumption, the management of stocks is key for the stability of the dairy market, however this should not be used as an instrument to control price. Caobisco is open to discuss a complete reform of these instruments.
 - Elimination of export refunds and import duties, but encouraging the dairy industry's export competitiveness.
 - Preservation of least favored production areas with specific support related to rural development (pillar 2).
 - The development of successful dairy futures markets would provide a reliable financial instrument for both suppliers and users to budget and plan for the future.

CAOBISCO believes that current market management tools in place do not help farmers to be more efficient but encourage them to be overly reliant on EU support measures and dampen any ambition to be competitive on the global market.



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CAOBISCO EXPECTATIONS TOWARDS THE 2015 DAIRY MARKET REFORM

- The European Union must respect Dairy Health Check rules and deadlines for private storage and intervention procurements, avoiding delays and modifications in their application (e.g. 2 tenders/month instead of 1; extension of the private storage term). This is essential for forward planning.
- Private storage for skimmed milk powder (SMP) and butter oil must be supported. It is important that data on volumes in private storage is published without delays. Private storage facilities must be made accessible and manageable by the end-user industry as well, so as to secure supply for the low season.
- The Commission should envisage the possibility to privately store concentrated butter, which would have considerable cost saving benefits in two ways: concentrated butter is 99.8% milk solids compared to butter's 82% meaning storage savings of 17% by weight; unlike butter, concentrated butter does not need frozen storage, it has a longer shelf-life due to the absence of water.
- Transfer of production quotas inside a Member State and between Member States should be allowed. Due to the fact that quotas cannot be phased-out before 2015, the tradability of the quotas is the only way to move quotas to most efficient countries or regions.
- The volume of EU Intervention stocks should be limited (120 000T allowed for SMP). Any extra surplus should be handled by Private Storage schemes suggested above. The Commission and Member States need to comply to Health Check rules and improve Private Storage Aids. No tender should be allowed on surplus.
- Intervention stocks of skimmed-milk powder should have a maximum shelf-life of 1 year. Above one year, the stock causes quality risks until becoming unsuitable for human consumption and therefore, is only accessible for animal feed. CAOBISCO manufacturers stress the importance they attach to the use of the highest quality ingredients.
- Export refunds for dairy ingredients need to be eliminated. They support prices for global buyers but do not structurally support EU players during the current transition period. It is important to avoid any tender on exports.
- There is an urgent need of more transparency on public data as regards production, processed products, public and private stocks and consumption (comparable to the USDA system). This would help eliminate speculation which also plays a big role in market volatility.

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