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Market transparency: comments concerning the proposed definitions of products subject to new price reporting requirements

Regulation 2019/1746 sets out new reporting requirements for milk and milk products which will apply from 1 January 2021. Weekly price reporting is already in place for whey powder, SMP, WMP, butter and commodity cheeses. The prices are expressed in terms of 100 kg of product, ex-works, in contracts concluded for delivery within 3 months:

- From Member States representing 2% or more of total EU production
- For commodity cheese, where the particular cheese type represents 4% or more of the Member State's total cheese production

The new regulation extends these reporting requirements to the selling prices of cream, drinking milk, mozzarella (would already be covered by the rules today but has not been included) and fat filled powder.

In order to provide a clear and accurate view of the market conditions, the Commission has proposed some definitions for cream, drinking milk, mozzarella and fat filled powder. Eucolait suggests a number of changes to the proposed definitions, which are outlined below.

Cream

Commission proposed definition: centrifuged cream, pasteurised, with 20-40% fat in bulk (packed in min 15kg bags)

Eucolait comments: we consider the 20-40% fat range to be too broad to give an accurate picture. We would suggest 40% fat as the definition to apply, as this is the most commonly traded category of bulk cream. In addition, the minimum bag size for cream could be set at 20kg. Otherwise, sales to food service will be included which is a different market.

Drinking milk

Commission proposed definition: Baseline: UHT treated semi-skimmed milk (fat content ranging from 1,50% to 1,80%). In 1l brick or bottle.

Eucolait comments: there are a wide range of products that fall into the category of drinking milk, not least because in most northern Member States (pasteurised) fresh milk is the standard drinking milk. We think that the Commission baseline is appropriate but that a conversion factor should be created

to allow for reporting on fresh milk prices. Similarly, if prices of drinking milk with a higher or lower fat content than the range stated above are to be used, they would have to be subject to conversation factor. We would advise against including any specialty milks subject to price premiums such as GMO-free, lactose free, pasture-based or enriched milk. For calculating whether the “2% of EU production” benchmark is reached, will all drinking milk be taken into account or only the milk corresponding to the definition?

Mozzarella

Commission proposed definition: Low moisture (min 40% dry matter) cheese made by ‘pasta filata’ processing of milk, chilled/frozen, in block (1-5 kg minimum)

Eucolait comments: we propose that the baseline weight should be 15kg blocks. Another very common format is 4*2,3 kg loaves of mozzarella within one foil (9,2kg), or 4*2,5kg (10kg). Possibly both formats could be included in the definition. The minimum dry matter should be slightly higher at 45% or even 50% as that is the standard for bigger blocks for industrial processing.

Fat filled powder

Commission proposed definition: Blend of skimmed milk and vegetable fats (max 30% fat content, min 20% protein content), in powder form (25kg bags)

Eucolait comments: standard FFP has a 24% protein content, therefore we consider that the definition for price reporting purposes should be aligned with this (or at least minimum 23%). Even though the share of non-standard FFP is increasing, it would not be opportune to include products with different protein contents within the same quotation. The price difference between 24% and 20% protein is substantial.

Buying prices for cheese and butter

Despite considerable opposition from stakeholders, regulation 2019/1746 also introduces mandatory reporting of buying prices for butter and for the five main cheeses by retail and ‘other food business operators’. We understand that ‘other food business operators’ include food industry buyers as well as traders. It is worth noting that buyers already provide input to many of the selling prices notified by Member States to the Commission. Due to the complexity of the dairy supply chain(s), we do not consider the separate publication of buying prices and their comparison with selling prices as helpful for the purpose of greater market transparency. On the contrary, such price references may be wrongfully used by certain operators to drive a hard bargain. We would like to reiterate that because of the multiple outlets (retail, food service, ingredient use, exports) for all the different dairy products derived from milk, price comparisons at different stages are not meaningful. We are concerned that the publication of these buying prices will lead to simplified margin calculations. If such buying prices are nevertheless published, due consideration needs to be given to business confidentiality.