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MILK SECTOR – (5) IMPACT ON MILK MARGINS OF A PRICE REDUCTION COMPLEMENTS ON NATIONAL AIDS

This analysis on the *Milk sector – (5) Impact on milk margins of a price reduction Complements on national aids* is a contribution to the Impact Assessment of the Health Check of the Common Agricultural Policy (CAP). It is part of the Annex F Microeconomic (FADN) analyses.

For more information on the Health Check:

http://ec.europa.eu/agriculture/healthcheck/index_en.htm

The Farm Accountancy Data Network (FADN) is a European system of sample surveys that take place each year and collect structural and accountancy data on the farms, with the aim to monitor the income and business activities of agricultural holdings and to evaluate the impacts of the Common Agricultural Policy measures.

The FADN field of survey covers only the farms exceeding a minimum economic size (threshold) in order to cover the most relevant part of the agricultural activity of the EU Member States, i.e. at least the 90% of the total Standard Gross Margin (SGM) covered in the Farm Structure Survey (FSS). For 2005 data, the sample gathers approximately 75 000 holdings in the EU-25, which represent 4 millions farms out of a total of about 10 millions farms (40%) included in the FSS.

The rules applied aim to provide representative data along three dimensions: region, economic size and type of farming. FADN is the only source of micro-economic data that is harmonised, i.e. the bookkeeping principles are the same in all EU countries.

For more information: <http://ec.europa.eu/agriculture/rca/index.cfm>

MILK SECTOR – (5) IMPACT ON MILK MARGINS OF A PRICE REDUCTION COMPLEMENTS ON NATIONAL AIDS

Executive Summary

This chapter analyses the impact on milk margins **with and without the national aids** of the price reduction that would result from the phasing-out of milk quotas. It complements the milk chapters (3) and (4).

This analysis shows that the **share of the national aids in milk margin is high** in some Member States, especially **Finland**, but also **Malta**, and to a lesser extent in **Latvia, Lithuania, Hungary** and **Slovenia**. In Finland, the national aids refer to the schemes applied under the Articles 141 and 142 of the Act of Accession. In the new Member States, they correspond to the Complementary National Direct Payments (CNDP). According to the analysis of FADN data, the national aids for milk represent in Finland on average 57% of the milk margin and 42% of the Farm Net Value Added (FNVA). In the new Member States, they represent on average, from 10% (Lithuania, Slovenia) to 35% (Malta) of the margin, and from 5% (Lithuania) to 27% (Malta) of the FNVA.

The price reduction associated to a hypothetical removal of the national aids for milk would therefore have a great impact in the milk business of these Member States. In **Finland** and **Malta**, the share of milk specialists keeping a positive margin with the price drop, would be reduced by respectively 22% and 20%.

1. PROBLEM DEFINITION

In the absence of a decision to extend the national reference quantities beyond the 31 March 2015, the milk quota regime would effectively expire. Since dairy production is relatively capital intensive and investment decisions have to be taken in a longer time frame than most other sectors, an early strategy would allow the sector to gradually adjust to a quota-free policy environment. The phasing-out of dairy quotas is supposed to create a milk price reduction, in parallel to an increase of production. In these analyses, the impact of the phasing-out option creating the highest milk price reduction is studied.

This chapter complements the milk chapters (3) and (4) as concerns the **coupled national aids**. The price reduction is supposed to be one of the consequences of the phasing-out of milk quotas together with a production increase. The objective of this note is to assess the share of the coupled national aids in the milk margin and to analyse the impact of the price reduction on the margin without the national aids (NA) by Member State of the EU-25¹.

It concerns especially **Finland**, which applies two schemes of national aids, one for the northern and another one for the southern part of the country, under respectively the

¹ The milk chapters (1) to (4) should be considered as useful background information in order to interpret the results of this analysis.

Articles 142 and 141 of the Act of Accession. Each scheme includes aids coupled to milk production. The national aids for Southern Finland applied pursuant to Article 141 are temporary. Thus several schemes have been authorised by the Commission, each time for a limited period. The last scheme authorised by Commission Decision C(2004)475fin was implemented during the period 2004-2007. For 2007, a budget of around 25 millions € was allocated to all the ruminants sectors (milk, bovine animals, ewes and she-goats). The maximum rate of the aid for milk was between 56 €/t to 68 €/t according to the sub-regions. The scheme expired on 31.12.2007.

During the autumn 2007, Finland negotiated a new scheme of national aids under the Article 141 for the period 2008-2013. The political agreement reached at the end of 2007 foresees a decreasing budget from 24.3 millions € in 2008 to 22.7 millions € in 2013 for the ruminants sectors. The maximum rate of aid would be identical to the one of the previous period. A Commission Decision regarding the national aids is expected on 27.02.2008, but the aid would be paid from 01.01.2008 onwards.

Therefore, one can assume that Finland will continue granting similar milk national aids at least until 2013. However, the simulations carried out in the next sections allow assessing the possible impact on the milk margin of the removal of these national aids.

The next section reminds the core elements of the **methodology** applied for the estimation of the margins with and without the national aids. The third part presents the levels of the **average margin with and without national aids** by Member State. The fourth section analyses the **impact of the price reduction** on milk margin with and without national aids by Member State.

2. METHODOLOGY

Basically, the same methodology used in the previous chapters has been applied. The core elements are the following:

- The **model of allocation of costs for milk**² is used to estimate the margin.
- We use the **margin over variable costs** = Total receipts from milk (with or without the coupled national aids)³ – specific costs⁴ – farming overheads⁵ – wages.

² The detailed description of the model is available in the first milk chapter. It allocates farm costs to milk production using different ratios. It must be noted that family production factors, i.e. land, labour, assets and in particular, the asset that milk quota can represent in some Member States, are not included in the costs' estimation.

³ The super levy is deducted, even for the simulations of the impact of the price reduction consecutive to the phasing-out of the quotas. It was chosen to do so, although one can expect that the super levy would be less applied in case of an increase of milk quotas because it would have been difficult to estimate to which extent and because it was intended to assess the "maximum" impact. If the super levy was not deducted to the margins after the price drop, the decrease of the margin would be attenuated.

⁴ Specific costs: feed and other specific livestock costs.

⁵ Farming overheads: contract work, upkeep of machinery, motor fuel, car expenses, upkeep of land and buildings, electricity, heating fuels, water, insurance.

- The simulations are based on **2005**⁶ data and on a sample of **milk specialised farms**⁷.
- The **decoupling of the dairy payments** is applied⁸.

As a result of this analysis, the percentages of farmers keeping a positive margin with the price reduction always refer to the sample of milk specialised farms.

The price reductions applied by Member State and used in section 4 are based on the preliminary results of the study *Economic analysis of the effects of the expiry of the EU milk quota system*⁹.

Member State	Price drop (%)	Member State	Price drop (%)
Belgium	-6.61	Sweden	-4.89
Luxembourg	-6.61	UK	-3.54
Denmark	-6.20	Czech Republic	-5.95
Germany	-6.11	Hungary	-4.37
Greece	-4.06	Poland	-6.06
Spain	-12.20	Cyprus	-5.63
France	-5.63	Estonia	-5.63
Ireland	-7.63	Latvia	-5.63
Italy	-4.59	Lithuania	-5.63
Netherlands	-9.02	Malta	-5.63
Austria	-7.22	Slovakia	-5.63
Portugal	-6.04	Slovenia	-5.63
Finland	-5.79		

For the rest, the simulations are made "*all other things being equal*". It means that the structures, the milk quantity produced, the number of annual work units used, etc. are supposed to remain identical.

⁶ At the time of drafting this note, 2005 FADN data have been updated for Malta, Italy, Sweden, the United Kingdom and Slovenia (weighting coefficients) in comparison to the previous chapters. This explains slight changes in the data for these member States.

⁷ Farms within types of farming (TF): 41 Specialists dairying, 43 Cattle dairying, rearing and fattening combined, 71 Mixed livestock, mainly dairying, 81 Field crops – grazing livestock combined and with a specialisation rate greater than 50%. The specialisation rate is calculated according to the following: for the EU-15, the share of milk output & subsidies in the total output & coupled subsidies, for EU10, the share of milk output in the total output. The very small number of milk specialised farms for **Cyprus** and **Greece** does not allow displaying any data for these Member States in 2005. Moreover, the 2005 results should be interpreted with care for the following Member States because of a low percentage of dairy cows covered: **Czech Republic, Hungary, Lithuania, and Slovakia**. The FADN sample of milk specialised farms in the EU-25 covers **68% of the dairy cows in 2005** (see previous milk chapters).

⁸ The decoupling of the dairy payments has to be implemented at the latest in 2007. They are not any more linked to the margin, but enter into the total income. In the Member States of the EU-15, the EU dairy payments are taken out from the total milk receipts. In the Member States of the EU10 not applying the Single Area payment Scheme (SAPS), i.e. Slovenia and Malta, 30% of the EU dairy payments are taken out from the total milk receipts. The dairy Complementary National Direct Payments (CNDP) applied in certain Member States of the EU10 are considered as national aids.

⁹ IEI, *Economic analysis of the effects of the expiry of the EU milk quota system*, December 2007. Contract 30-C3-0144181/00-30. The price reductions applied correspond to the highest price decrease obtained in the different options studied.

3. MILK MARGINS WITH AND WITHOUT NATIONAL AIDS

According to the analysis of FADN data, in the **EU-15** only **Finland** applies national aids coupled to milk production (Table 1, the information for the other Member States is displayed in annex). The table shows that the milk national aids (NA) represent on average 57% of the milk margin in €t (for the milk specialists) and 42% of the Farm Net Value Added¹⁰ (FNVA) in €. Moreover, one can notice that the total direct payments (EU and national) represent 130% of the FNVA, which is the highest share among the EU-15, where they represent on average 43% of the FNVA.

Table 1: Milk margin information in Member States with milk national aids- EU-15

EU-15	Variables	Finland
Representativeness (2005)	Sample farms	369
	Farms represented	14 338
Structural information (2005)	Forage area (ha)	29
	Dairy cows (LU)	24.6
	Total labour (AWU)	2.1
	Milk yield (kg/cow)	8 326
	Milk production (tons)	205
Milk margin information (€t of milk)	Average producer price (2005)	327
	Receipts with national aids (NA)*	408
	Receipts with NA and price reduction*	389
	Receipts without NA	327
	Receipts without NA with price reduction	308
	Variable costs (2005)	265
	Margin with NA (1)*	143
	Margin without NA (3)*	62
	$((3)-(1))/(1)$	-57%
Income (2005)	% Total milk margin with NA /FNVA	85%
	FNVA /AWU (€AWU)	19 032
Direct payments (2005)	% Direct payments /FNVA	130%
	% Dairy national payments /FNVA	42%

Source: EU FADN – DG AGRI, Milk allocation costs model. * The super levy is deducted.

In the **EU-10**, **Hungary**, **Lithuania**, **Latvia**, **Malta** and **Slovenia** apply national aids coupled to milk production: **Error! Not a valid bookmark self-reference.** (the information for the other Member States is displayed in annex). They correspond to the so-called Complementary National Direct Payments (CNDP) applied for milk. The table shows that the milk national aids represent on average from 10% (Lithuania, Slovenia) to 35% (Malta) of the milk margin in €t, and from 5% (Lithuania) to 27% (Malta) of the FNVA in €

¹⁰ The Farm Net Value Added corresponds to the remuneration of the fixed factors of production (work, land and capital), whether they are external or family factors.

Table 2: Milk margin information in Member States with milk national aids- EU-10

EU-10	Variables	Hungary	Lithuania	Latvia	Malta	Slovenia
Representativeness (2005)	Sample farms	78	222	273	38	225
	Farms represented	1 038	14 451	4 779	86	6 840
Structural information (2005)	Forage area (ha)	82	24	44	3	12
	Dairy cows (LU)	69.5	11.1	16.3	61.5	13.0
	Total labour (AWU)	5.6	2.1	2.6	2.2	2.0
	Milk yield (kg/cow)	6 806	5 018	5 107	5 365	5 368
	Milk production (tons)	473	55	83	330	70
Milk margin information (€t of milk)	Average producer price (2005)	274	207	230	333	257
	Receipts with national aids (NA)*	287	218	248	366	269
	Receipts with NA and price reduction*	276	207	235	347	255
	Receipts without NA	274	207	230	333	257
	Receipts without NA with price reduction	262	196	217	314	243
	Variable costs (2005)	240	106	174	273	150
	Margin with NA (1)*	47	113	75	93	120
	Margin without NA (3)*	33	101	56	60	108
	$((3)-(1))/(1)$	-29%	-10%	-25%	-35%	-10%
Income (2005)	% Total milk margin with NA /FNVA	35%	54%	44%	82%	109%
	FNVA /AWU (€AWU)	11 567	5 668	5 430	18 039	4 056
Direct payments (2005)	% Direct payments /FNVA	52%	41%	62%	64%	69%
	% Dairy national payments /FNVA	10%	5%	11%	27%	10%

Source: EU FADN – DG AGRI, Milk allocation costs model. * The super levy is deducted.

4. IMPACT OF THE PRICE REDUCTION ON THE MARGIN WITHOUT THE NATIONAL AIDS

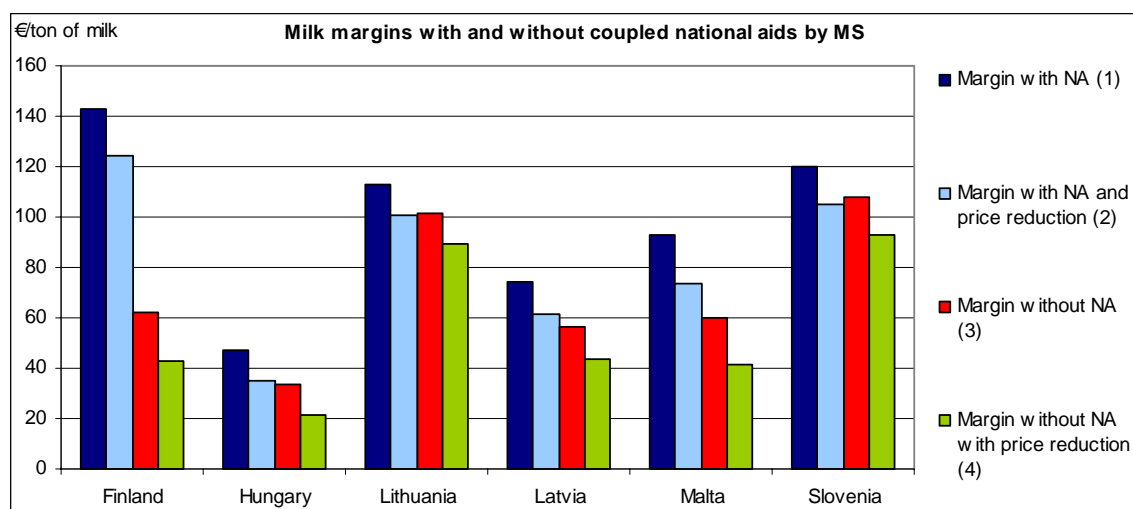
Table 3 and Figure 1 illustrate the impact of the price reduction supposed to be the consequence of the phasing-out of dairy quotas on milk margins with and without the national aids, for the Member States applying milk national aids.

Table 3: Milk margins with and without national aids (NA) before and after the price reduction

Variables	Finland	Hungary	Lithuania	Latvia	Malta	Slovenia
Margin with NA (1)	143	47	113	75	93	120
Margin with NA and price reduction (2)	124	35	101	62	74	105
Margin without NA (3)	62	33	101	56	60	108
Margin without NA with price reduction (4)	43	21	90	43	41	93
$((2)-(1))/(1)$	-13%	-25%	-10%	-17%	-20%	-12%
$((3)-(1))/(1)$	-57%	-29%	-10%	-25%	-35%	-10%
$((4)-(1))/(1)$	-70%	-55%	-20%	-42%	-55%	-22%
With NA - % of farms keeping a positive margin with the price drop	94%	93%	98%	89%	79%	94%
Without NA - % of farms keeping a positive margin with the price drop	72%	88%	97%	86%	59%	87%

Source: EU FADN – DG AGRI, Milk allocation costs model. * The super levy is deducted.

Figure 1: Milk margin with and without national aids (NA) before and after the price reduction



Source: EU FADN – DG AGRI, Milk allocation costs model. * The super levy is deducted.

These simulations allow assessing the impact of the price reduction if the coupled national aids were removed. All other things being equal, it would decrease the average milk margin by **70% in Finland**, **55% in Hungary and Malta**, 42% in Latvia, 22% in Slovenia and 20% in Lithuania. The impact on the share of farmers keeping a positive margin with the price drop would be also the highest in **Finland**: only 72% of the milk specialists would keep a positive margin after the price drop and the hypothetical removal of the milk national aids, whereas 94% would keep a positive margin after the price drop with the national aids. The impact of the removal of milk national aids would be also rather high in **Malta** (only 59% of milk specialists would keep a positive margin, instead of 79% with the milk national aids).

5. CONCLUSION

This analysis allows highlighting the **high share of the national aids in milk margin** in some Member States, especially **Finland**, but also **Malta**, and to a lesser extent in **Latvia, Lithuania, Hungary** and **Slovenia**. In Finland, the national aids refer to the schemes of national aids applied under the Article 142 and 141 of the Act of Accession. In the new Member States, they correspond to Complementary National Direct Payments (CNDP). According to the FADN data analysis, the milk national aids represent in Finland on average 57% of the milk margin and 42% of the Farm Net Value Added. In the new Member States, they represent on average from 10% (Lithuania, Slovenia) to 35% (Malta) of the margin, and from 5% (Lithuania) to 27% (Malta) of the FNVA.

The price reduction supposed to be the consequence of the phasing-out of dairy quotas associated to a hypothetical removal of the milk national aids would therefore have a greater impact in these Member States. In Finland and Malta, it would reduce significantly the share of milk specialists keeping a positive margin with the price drop.

Milk margins with and without coupled national aids

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

Basis data 2005

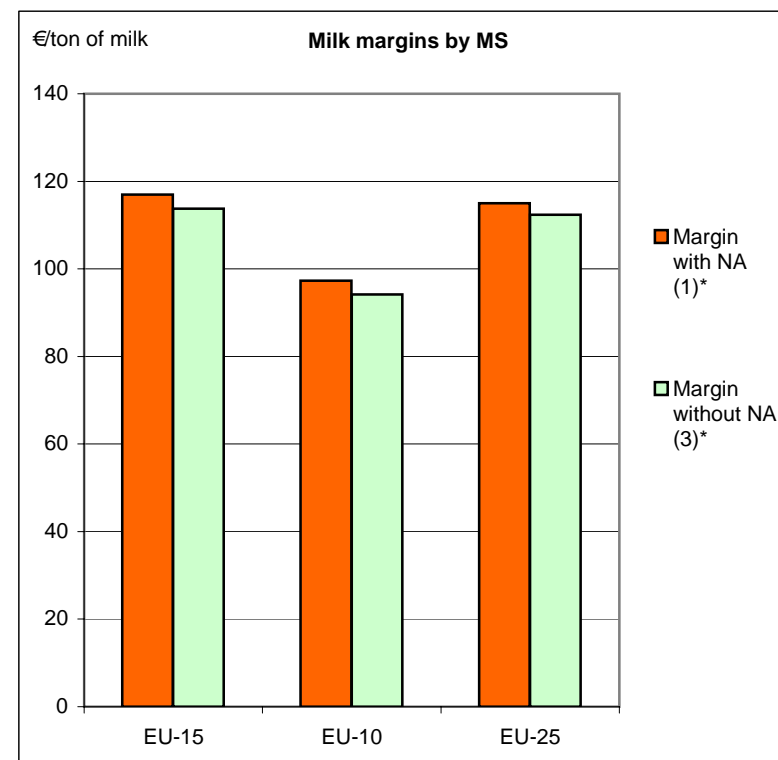
The decoupling of EU dairy payments, compulsory from 2007 onwards, is applied.

Margins over variable costs with and without national aids with and without price reduction.

Costs and margins' estimations are provisional for Germany (and therefore the total EU-25 and EU-15).

Variables		EU-15	EU-10	EU-25
Representativeness (2005)	Sample farms	8.508	3.160	11.668
	Farms represented	286.857	121.697	408.554
Structural information (2005)	Forage area (ha)	44	20	37
	Dairy cows (LU)	48	16	38
	Total labour (AWU)	1,9	2,1	1,9
	Milk yield (kg/cow)	6.835	5.365	6.649
	Milk production (tons)	325	87	254
Milk margin information (€/ton of milk)	Average producer price (2005)	303	240	297
	Receipts with national aids (NA)*	305	243	299
	Receipts with NA and price reduction*	286	229	280
	Receipts without NA	303	240	297
	Receipts without NA with price reduction	284	226	278
	Variable costs (2005)	188	146	184
	Margin with NA (1)*	117	97	115
	Margin without NA (3)*	114	94	112
	$((3)-(1))/(1)$	-3%	-3%	-2%
Income (2005)	% Total milk margin with NA /FNVA	73%	58%	71%
	FNVA /AWU (€/AWU)	31.033	6.908	23.105
Direct payments (2005)	% Direct payments /FNVA	43%	39%	43%
	% Dairy national payments /FNVA	1%	2%	1%

* The super levy is deducted.



Milk margins with and without coupled national aids

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

Basis data 2005

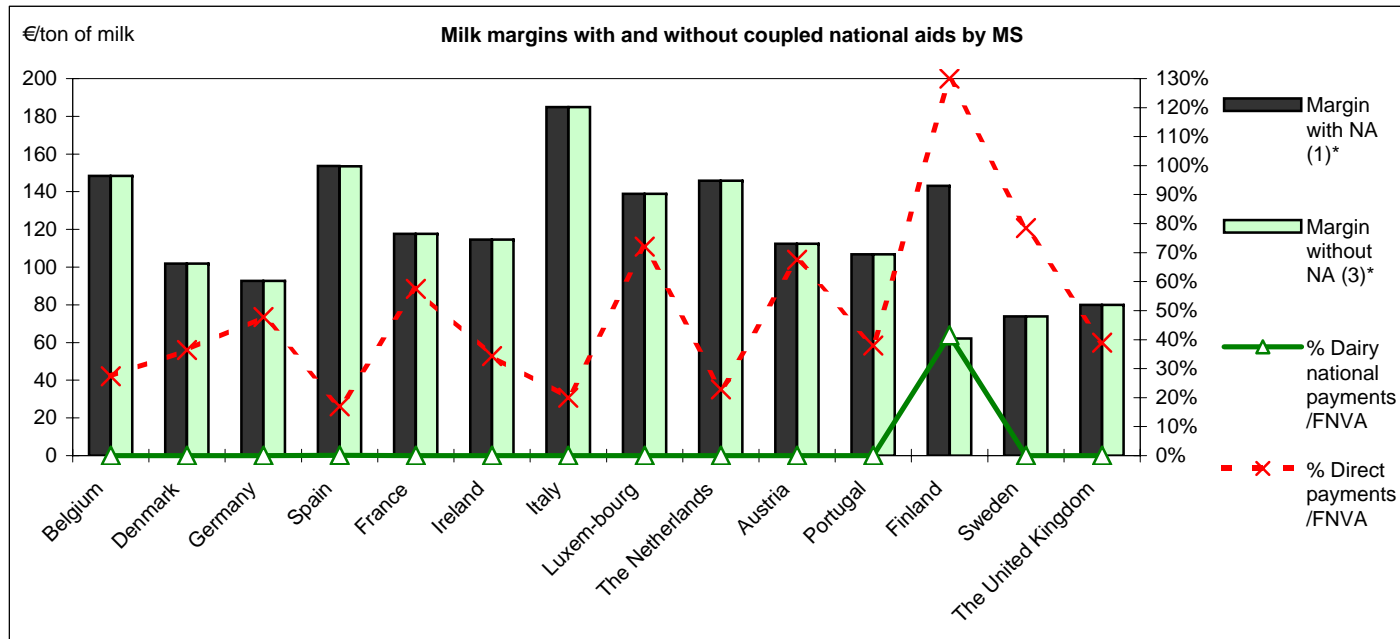
The decoupling of EU dairy payments, compulsory from 2007 onwards, is applied.

Margins over variable costs with and without national aids with and without price reduction.

Costs and margins' estimations are provisional for Germany (and therefore the total EU-25 and EU-15).

EU-15	Variables	Belgium	Denmark	Germany	Spain	France	Ireland	Italy	Luxem- bourg	The Netherlands	Austria	Portugal	Finland	Sweden	The United Kingdom
Representative- ness (2005)	Sample farms	223	369	1.857	682	1.144	278	1.344	238	324	563	232	369	358	517
	Farms represented	5.440	5.028	72.644	18.752	60.622	13.827	27.980	715	19.702	17.924	4.007	14.338	7.553	17.416
Structural information (2005)	Forage area (ha)	36	64	43	19	55	50	24	66	43	27	18	29	70	90
	Dairy cows (LU)	45,7	99,7	44,8	37,6	42,9	48,7	46,3	42,6	71,5	18,0	29,4	24,6	46,8	99,8
	Total labour (AWU)	1,6	2,0	1,9	1,5	1,7	1,5	2,1	1,7	1,6	1,7	1,9	2,1	2,0	2,4
	Milk yield (kg/cow)	6.412	8.133	6.912	6.195	6.481	5.231	6.447	7.412	7.613	6.437	6.234	8.326	7.753	7.073
	Milk production (tons)	293	811	309	233	278	255	299	316	544	116	183	205	363	706
Milk margin information (€/t)	Average producer price (2005)	293	308	291	309	302	264	385	304	309	290	299	327	325	267
	Receipts with national aids (NA)*	291	308	289	309	302	261	384	301	308	290	299	408	325	267
	Receipts with NA and price reduction*	271	289	272	271	285	241	367	281	281	269	281	389	309	257
	Receipts without NA	293	308	291	309	302	264	385	304	309	290	299	327	325	267
	Receipts without NA with price reduction	274	289	273	271	285	244	368	284	281	269	281	308	309	257
	Variable costs (2005)	142	206	197	155	184	146	200	162	163	178	192	265	251	186
	Margin with NA (1)*	148	102	93	154	118	115	185	139	146	112	107	143	74	80
	Margin without NA (3)*	148	102	93	154	118	115	185	139	146	112	107	62	74	80
	((3)-(1))/(1)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	-57%	0%	0%
Income (2005)	% Total milk margin with NA /FNVA	80%	70%	52%	78%	91%	58%	80%	73%	103%	55%	92%	85%	61%	60%
	FNVA /AWU (€/AWU)	39.753	59.794	29.468	34.213	24.704	32.768	35.731	35.113	54.855	16.793	13.628	19.032	26.054	38.782
Direct payments (2005)	% Direct payments /FNVA	27%	36%	48%	17%	57%	34%	20%	72%	23%	68%	38%	130%	78%	39%
	% Dairy national payments /FNVA	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	42%	0%	0%

* The super levy is deducted.



Milk margins with and without coupled national aids

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

Basis data 2005

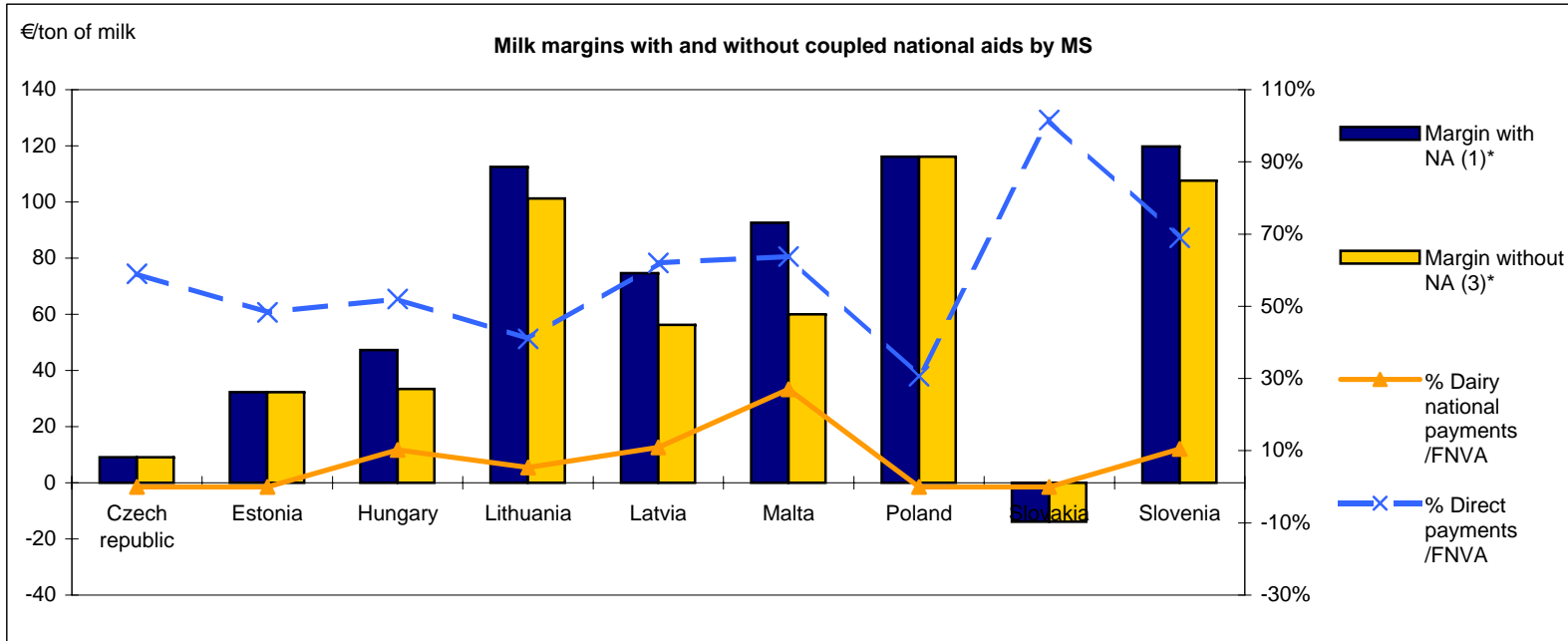
The decoupling of EU dairy payments, compulsory from 2007 onwards, is applied.

Margins over variable costs with and without national aids with and without price reduction.

Costs and margins' estimations are provisional for Germany (and therefore the total EU-25 and EU-15).

EU-10	Variables	Czech republic	Estonia	Hungary	Lithuania	Latvia	Malta	Poland	Slovakia	Slovenia
Representativeness (2005)	Sample farms	182	186	78	222	273	38	1.908	43	225
	Farms represented	1.399	1.570	1.038	14.451	4.779	86	91.126	227	6.840
Structural information (2005)	Forage area (ha)	167	137	82	24	44	3	13	434	12
	Dairy cows (LU)	90,5	50,7	69,5	11,1	16,3	61,5	14,4	141,5	13,0
	Total labour (AWU)	10,5	5,7	5,6	2,1	2,6	2,2	1,9	20,2	2,0
	Milk yield (kg/cow)	6.272	6.074	6.806	5.018	5.107	5.365	5.188	6.042	5.368
	Milk production (tons)	568	308	473	55	83	330	75	855	70
Milk margin information (€/ton of milk)	Average producer price (2005)	275	246	274	207	230	333	233	250	257
	Receipts with national aids (NA)*	275	246	287	218	248	366	233	250	269
	Receipts with NA and price reduction*	259	232	276	207	235	347	219	236	255
	Receipts without NA	275	246	274	207	230	333	233	250	257
	Receipts without NA with price reduction	259	232	262	196	217	314	219	236	243
	Variable costs (2005)	266	213	240	106	174	273	117	264	150
	Margin with NA (1)*	9	32	47	113	75	93	116	-14	120
	Margin without NA (3)*	9	32	33	101	56	60	116	-14	108
	$((3)-(1))/(1)$	0%	0%	-29%	-10%	-25%	-35%	0%	0%	-10%
Income (2005)	% Total milk margin with NA /FNVA	5%	20%	35%	54%	44%	82%	68%	-11%	109%
	FNVA /AWU (€/AWU)	10.228	8.773	11.567	5.668	5.430	18.039	6.862	5.428	4.056
Direct payments (2005)	% Direct payments /FNVA	59%	48%	52%	41%	62%	64%	31%	102%	69%
	% Dairy national payments /FNVA	0%	0%	10%	5%	11%	27%	0%	0%	10%

* The super levy is deducted.



Milk - Impact on milk margins of a price reduction - Complements on national aids

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

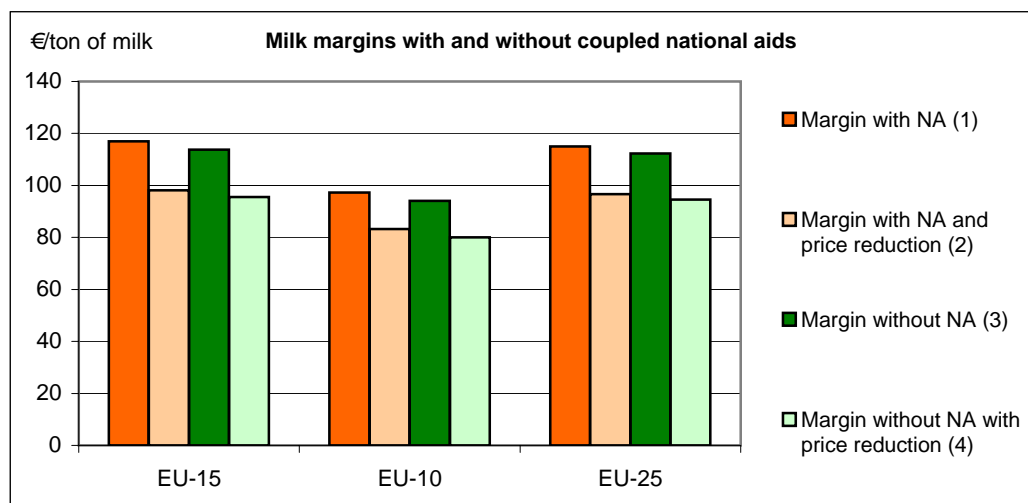
Basis data

The decoupling of EU dairy payments, compulsory from 2007 onwards, is applied.

Margins over variable costs with and without national aids with and without price reduction.

Costs and margins' estimations are provisional for Germany (and therefore the total EU-25 and EU-15).

Variables	EU-15	EU-10	EU-25
Margin with NA (1)	117	97	115
Margin with NA and price reduction (2)	98	83	97
Margin without NA (3)	114	94	112
Margin without NA with price reduction (4)	96	80	95
$((2)-(1))/(1)$	-16%	-14%	-16%
$((3)-(1))/(1)$	-3%	-3%	-2%
$((4)-(1))/(1)$	-18%	-18%	-18%
With NA - % of farms keeping a positive margin	96,2%	96,8%	96,4%
Without NA - % of farms keeping a positive margin	95,0%	96,1%	93,8%



Milk - Impact on milk margins of a price reduction - Complements on national aids

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

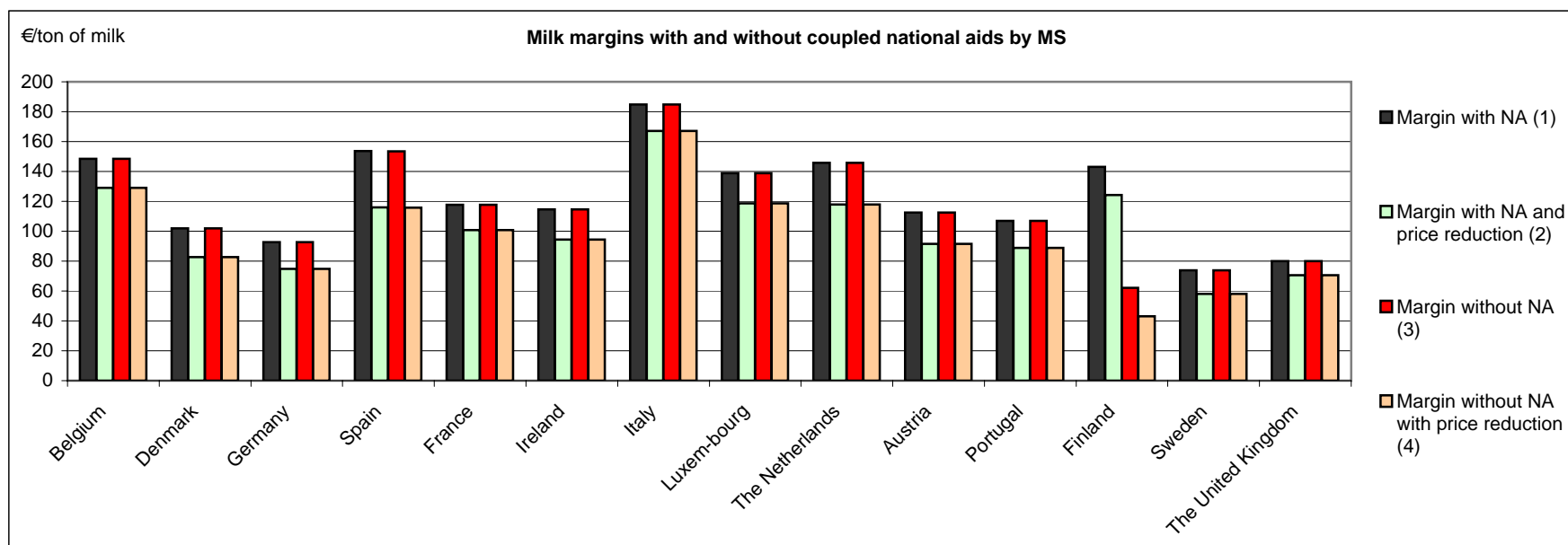
Basis data

The decoupling of EU dairy payments, compulsory from 2007 onwards, is applied.

Margins over variable costs with and without national aids with and without price reduction.

Costs and margins' estimations are provisional for Germany (and therefore the total EU-25 and EU-15).

Variables	Belgium	Denmark	Germany	Spain	France	Ireland	Italy	Luxem- bourg	The Netherlands	Austria	Portugal	Finland	Sweden	The United Kingdom
Margin with NA (1)	148	102	93	154	118	115	185	139	146	112	107	143	74	80
Margin with NA and price reduction (2)	129	83	75	116	101	94	167	119	118	91	89	124	58	71
Margin without NA (3)	148	102	93	154	118	115	185	139	146	112	107	62	74	80
Margin without NA with price reduction (4)	129	83	75	116	101	94	167	119	118	91	89	43	58	71
$((2)-(1))/(1)$	-13%	-19%	-19%	-25%	-14%	-18%	-10%	-14%	-19%	-19%	-17%	-13%	-21%	-12%
$((3)-(1))/(1)$	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	-57%	0%	0%
$((4)-(1))/(1)$	-13%	-19%	-19%	-25%	-14%	-18%	-10%	-14%	-19%	-19%	-17%	-70%	-21%	-12%
With NA - % of farms keeping a positive margin with the price drop	99,6%	97,4%	96,0%	97,3%	97,9%	98,0%	96,0%	100,0%	99,0%	92,5%	92,4%	94,4%	85,2%	94,5%
Without NA - % of farms keeping a positive margin with the price drop	99,6%	97,4%	96,0%	97,3%	97,9%	98,0%	96,1%	100,0%	99,0%	92,5%	91,8%	72,2%	85,2%	94,4%



Milk - Impact on milk margins of a price reduction - Complements on national aids

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

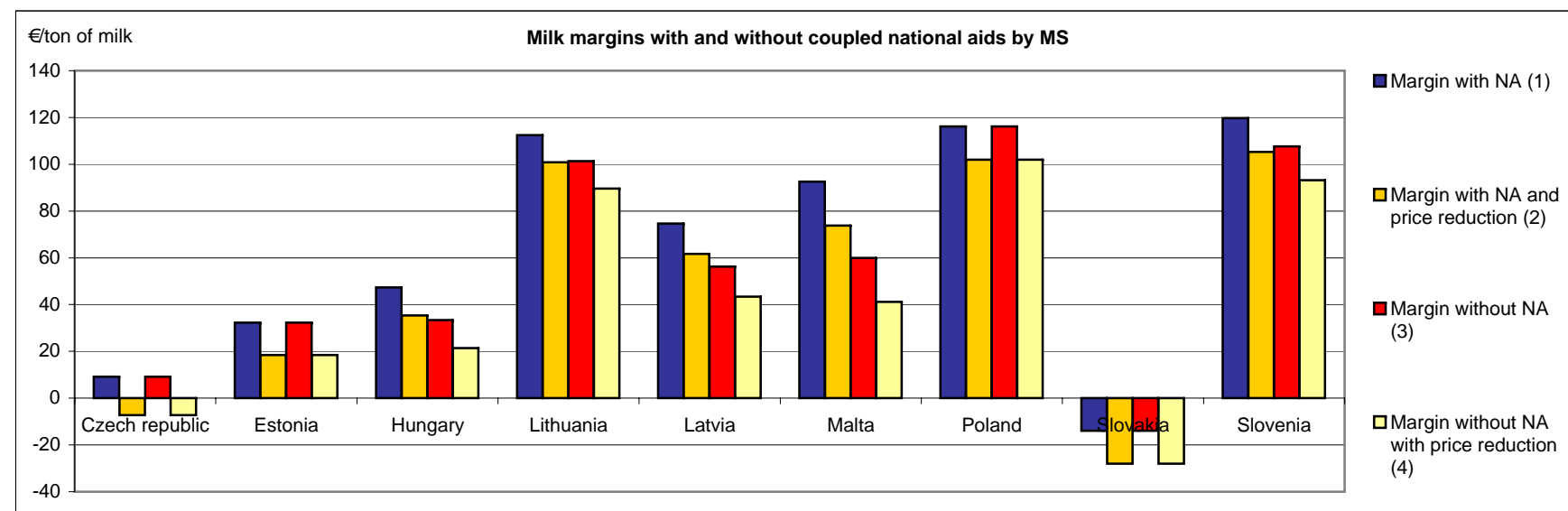
Basis data

The decoupling of EU dairy payments, compulsory from 2007 onwards, is applied.

Margins over variable costs with and without national aids with and without price reduction.

Costs and margins' estimations are provisional for Germany (and therefore the total EU-25 and EU-15).

Variables	Czech republic	Estonia	Hungary	Lithuania	Latvia	Malta	Poland	Slovakia	Slovenia
Margin with NA (1)	9	32	47	113	75	93	116	-14	120
Margin with NA and price reduction (2)	-7	18	35	101	62	74	102	-28	105
Margin without NA (3)	9	32	33	101	56	60	116	-14	108
Margin without NA with price reduction (4)	-7	18	21	90	43	41	102	-28	93
$((2)-(1))/(1)$	-179%	-43%	-25%	-10%	-17%	-20%	-12%	101%	-12%
$((3)-(1))/(1)$	0%	0%	-29%	-10%	-25%	-35%	0%	0%	-10%
$((4)-(1))/(1)$	-179%	-43%	-55%	-20%	-42%	-55%	-12%	101%	-22%
With NA - % of farms keeping a positive margin with the price drop	72%	83%	93%	98%	89%	79%	98%	44%	94%
Without NA - % of farms keeping a positive margin with the price drop	72%	83%	88%	97%	86%	59%	98%	44%	87%



Milk - Impact on milk margins of a price reduction - Complements on national aids

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

Basis data

The decoupling of EU dairy payments, compulsory from 2007 onwards, is applied.

Margins over variable costs with and without national aids with and without price reduction.

Costs and margins' estimations are provisional for Germany (and therefore the total EU-25 and EU-15).

Member States applying national aids coupled to milk in 2005

Variables	Finland	Hungary	Lithuania	Latvia	Malta	Slovenia
Margin with NA (1)	143	47	113	75	93	120
Margin with NA and price reduction (2)	124	35	101	62	74	105
Margin without NA (3)	62	33	101	56	60	108
Margin without NA with price reduction (4)	43	21	90	43	41	93
$((2)-(1))/(1)$	-13%	-25%	-10%	-17%	-20%	-12%
$((3)-(1))/(1)$	-57%	-29%	-10%	-25%	-35%	-10%
$((4)-(1))/(1)$	-70%	-55%	-20%	-42%	-55%	-22%
With NA - % of farms keeping a positive margin with the price drop	94%	93%	98%	89%	79%	94%
Without NA - % of farms keeping a positive margin with the price drop	72%	88%	97%	86%	59%	87%

