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MILK SECTOR – (4) IMPACT ON MILK MARGINS OF A PRICE REDUCTION COMPLEMENT ON MOUNTAIN AREAS

This analysis on the *Milk sector* – (4) *Impact on milk margins of a price reduction Complement on mountain areas* 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.

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MILK SECTOR – (4) IMPACT ON MILK MARGINS OF A PRICE REDUCTION COMPLEMENT ON MOUNTAIN AREAS

Executive Summary

This chapter analyses the impact on milk margins in **mountain** areas of the price reduction that would result from the phasing-out of milk quotas. It complements the milk chapter (3).

The **impact of the price drop on the margin per ton** would **not be significantly higher** in the **mountain areas** of **EU-15**, but it would be in the **EU-10**. The margin would decrease by 15% in the LFA mountain areas of the EU-15 instead of 16% on total average (all areas), but by 26% instead of 14% in the EU-10. The percentage of farms remaining with positive margin would be 95% in the LFA mountain areas of the EU-15 instead of 96% on total average (all areas), but of 89% instead of 97% in the EU-10.

The share of the milk margin in the farm income is higher in the LFA mountain areas of the EU-15. Therefore, even though the impact of the margin per ton is not significantly higher, **the income might be more affected**. Moreover, their initial income level is already significantly lower for both the EU-15 and EU-10. The main national peculiarities would be for Sweden and Poland, where the mountain milk farms would be significantly more affected than their respective national average.

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 chapter (3) as concerns the particular impact on **mountain areas**. The objective is to assess whether or not the share of producers that might choose to change orientation in reply to the price reduction is higher in the mountain areas, and if yes to analyse why¹. To approach the mountain areas, two different FADN classification variables have been used: the Less-Favoured Areas class and the altitude class.

The next section reminds the core elements of the **methodology** applied. The third section describes the **characteristics** of the milk specialised farms in the mountain areas in comparison with the total average (all areas). The fourth section analyses the **impact of the price reduction on milk margins** for the mountain areas at EU and national level when possible.

¹ The first and second milk chapters should be considered as useful background information to interpret the results of this analysis.

2. **METHODOLOGY**

Basically the same methodology as used for the other chapters has been applied. The reader should refer to the first section of this note for a more detailed presentation of the methodology applied. The core elements are the following:

- The model of allocation of costs for milk² is used to estimate the margin;
- We use the margin over variable costs = Total receipts from $milk^3$ specific costs⁴ – farming overheads⁵ – wages.
- The simulations are based on 2005⁶ data and on a sample of milk specialised farms⁷.
- The simulations compare the '2007' margins to the estimated margins with the price reduction. The '2007' margins are estimated on the basis of the 2005 margins, applying the **decoupling of the dairy payments**⁸.

The price reductions applied by Member State are based on the preliminary results of the study Economic analysis of the effects of the expiry of the EU milk quota system⁹.

² The detailed description of the model is available in the first chapter. It must be noted that <u>family production factors</u>, 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 'Total receipts from milk' includes the subsidies linked to milk production, i.e. possible subsidies on dairy cows, on cows' milk, products of cows' milk and the dairy premium for 2005 (if not decoupled). The super levy is deducted.

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.

⁶ 2005 FADN data have been updated for Malta, Italy, Sweden, the United Kingdom and Slovenia (weighting coefficients) since the last note Dairy sector - Impact on milk margins of a price reduction (15.JAN08 000955). 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 EU-10, 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 carefully 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 EU25 covers 68% of the dairy cows in 2005: Table 9 in annex.

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 remain coupled, i.e. included in the margin.

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.

Member State	Price drop (%)
Belgium	-6.61
Luxembourg	-6.61
Denmark	-6.20
Germany	-6.11
Greece	-4.06
Spain	-12.20
France	-5.63
Ireland	-7.63
Italy	-4.59
Netherlands	-9.02
Austria	-7.22
Portugal	-6.04
Finland	-5.79

Member State	Price drop (%)
Sweden	-4.89
UK	-3.54
Czech Republic	-5.95
Hungary	-4.37
Poland	-6.06
Cyprus	-5.63
Estonia	-5.63
Latvia	-5.63
Lithuania	-5.63
Malta	-5.63
Slovakia	-5.63
Slovenia	-5.63

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.

The Less-Favoured Areas (LFA) class divides the farms into four groups:

- Not in less-favoured areas;
- In less-favoured not mountain areas;
- In less-favoured mountain areas;
- No significant areas in the Member State or region.

The analysis is focused on the comparison between the average of the farms in "less-favoured mountain areas" and the average of all the farms.

The **altitude class** indicates the location of the majority of the Utilised Agricultural Area (UAA) of the holding:

- (1) At less than 300 metres;
- (2) At from 300 to 600 metres;
- (3) At above 600 metres;
- (4) Data not available.

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

3. CHARACTERISTICS OF THE MILK SPECIALISED FARMS IN THE MOUNTAIN AREAS

3.1. Average characteristics at EU level

The **LFA mountain** areas and the >600m altitude class gather respectively 17% and 12% of the milk specialised farms of the EU-25 (Table 1 and Table 2).

The milk specialised farms of the LFA mountain areas have on average a **lower number of dairy cows**: 27 dairy cows instead of 38 dairy cows for the total average (all areas) and 40 for the non-LFA areas. They produce significantly **less milk**: on average 166 tons in comparison to 254 tons for the total average (all areas) and 329 tons for the non-LFA areas. The trend is similar for the >600m altitude class, although the gap is less marked: they have 29 dairy cows and produce on average 174 tons of milk.

The **average producer price** is significantly higher in the LFA mountain areas $(333 \mbox{ }\mbox{\ensuremath{\mathfrak{E}}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{\mathfrak{E}}\mbox{\ensuremath{$

Table 1: Characteristics of milk farms by LFA area in the EU-25

EU-25	Variables	(1) not in less- favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas ¹⁰	Total
Representativ	Sample farms	4 174	4 795	2 365	334	11 668
eness (2005)	Farms represented	144 594	173 296	70 685	19 980	408 554
chess (2003)	% of farms represented	35%	42%	17%	5%	100%
	Forage area (ha)	40	34	35	43	37
Structural	Dairy cows (LU)	48	31	27	71	38
information	Total labour (AWU)	2.08	1.87	1.86	1.64	1.93
(2005)	Milk yield (kg/cow)	6 920	6 219	6 184	7 593	6 649
	Milk production (tons)	329	194	166	541	254
M:11 .	Average 2005 producer price	296	281	333	309	297
Milk margin information	Receipts with decoupling of dairy payments	296	282	350	309	299
(€t of milk)	Variable costs	184	180	213	163	184
(Ot of finite)	Margin with decoupling of dairy payments	112	102	137	146	115
Income	% of 2005 milk margin in FNVA	70%	61%	77%	103%	71%
(2005)	FNVA (€)	56 478	33 987	34 119	88 730	44 647
(2003)	FNVA /AWU (€AWU)	27 175	18 147	18 324	54 075	23 105
Diamet.	% Direct payments /FNVA	36%	49%	63%	23%	43%
Direct	% Environmental payments /FNVA	2%	7%	11%	2%	5%
payments (2005) (€)	% LFA payments /FNVA	0%	7%	16%	0%	4%
(2003) (9	% Other dairy subsidies /FNVA	0%	1%	9%	0%	1%

Source: EU FADN – DG AGRI, Milk allocation costs model.

Table 2: Characteristics of milk farms by altitude in the EU-25

EU-25	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available ¹¹	Total
D	Sample farms	7 273	2 732	1 312	351	11 668
Representativ eness (2005)	Farms represented	255 267	97 505	48 095	7 686	408 554
elless (2003)	% of farms represented	62%	24%	12%	2%	100%
	Forage area (ha)	38	30	38	63	37
Structural	Dairy cows (LU)	43	29	29	45	38
information	Total labour (AWU)	1.99	1.90	1.67	2.05	1.93
(2005)	Milk yield (kg/cow)	6 822	6 212	5 992	7 421	6 649
	Milk production (tons)	294	182	174	330	254
	Average 2005 producer price	294	295	316	324	297
Milk margin	Receipts with decoupling of dairy					
information	payments	297	295	316	324	299
(€t of milk)	Variable costs	180	190	185	241	184
	Margin with decoupling of dairy payments	117	105	131	83	115
Income	% of 2005 total milk margin in FNVA	74%	62%	71%	61%	71%
(2005)	FNVA (€)	50 529	33 138	35 504	52 499	44 647
(2003)	FNVA /AWU (€AWU)	25 373	17 482	21 209	25 568	23 105
D: 4	% Direct payments /FNVA	40%	48%	47%	72%	43%
Direct	% Environmental payments /FNVA	3%	8%	11%	15%	5%
payments (2005) (€)	% LFA payments /FNVA	3%	7%	12%	7%	4%
(2003) (9	% Other dairy subsidies /FNVA	2%	0%	0%	0%	1%

Source: EU FADN – DG AGRI, Milk allocation costs model.

¹⁰ This class corresponds to milk specialised farms mainly from the Netherlands, but also a few from Cyprus, Poland and Slovenia.

¹¹ This class corresponds to milk specialised farms mainly from Sweden, but also a few from Poland, Spain and Ireland

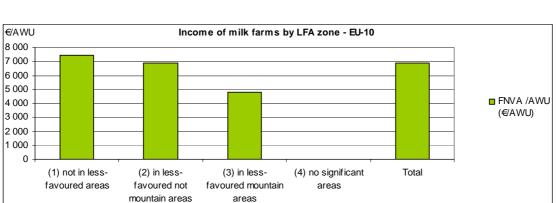
The **average income** (FNVA/AWU¹²) is also significantly lower for the LFA mountain areas (18324 €AWU) and to a lesser extent for the >600m altitude class (21209 €AWU), compared to the total average (23105€AWU).

Moreover, for the LFA mountain areas, the **farm milk margin** represents on average a slightly higher **share of the total Farm Net Value Added (FNVA)** of the farm: 77% compared to 71% for the total average (all areas) and to 70% for the non-LFA areas. It means that the <u>evolution of milk price might have a slightly greater impact on the income in the milk specialised farms of the LFA-mountain areas</u>. For the >600m altitude class, the share of milk margin in the FNVA is the same as the total average. The **direct payments** represent a significantly greater share of the FNVA for the LFA mountain areas (63%), a slightly greater for the >600m altitude class (47%) in comparison with the total average (43%).

Table 3 and Table 5 present the same data for the **EU-15**; Table 4 and Table 6 for the EU-10. The LFA mountain areas concentrate 21% of the milk specialised farms in the EU-15 and only 8% in the EU-10. The characteristics of the milk specialised farms in the LFA mountain areas and in the >600m altitude class identified above for the EU-25 are more marked for the EU-15. However, in the EU-10 the farms do not show the same pattern: they have indeed a lower margin (57 €t for the LFA mountain and 35 €t for >600m altitude) than the total average (97 €t). Nevertheless, as concerns the income, the pattern is always the same for the LFA areas in the EU-25, EU-15 and EU-10 but it has a lower level for these areas (Figure 1). Regarding the altitude classes, the income is lower for the intermediate class 300-600m in the EU-10 and for the >600m class in the EU-15.

€/AWU Income of milk farms by LFA zone - EU-15 60 000 50 000 40 000 FNVA /AWU 30 000 (€/AWU) 20 000 10 000 (1) not in less-(2) in less-(3) in less-(4) no significant Total favoured areas favoured not favoured mountain mountain areas areas

Figure 1: Income of milk specialised farms by LFA areas in the EU-15 and EU-10



Source: EU FADN – DG AGRI, Milk allocation costs model. The class (4) no significant areas corresponds to milk specialised farms mainly from the Netherlands, but also a few from Cyprus, Poland and Slovenia.

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The income indicator used is the Farm Net Value Added, which is the remuneration of the fixed factors of production (work, land and capital), whether they are external or family factors, divided by the total number of Annual Work Units.

Table 3: Characteristics of milk farms by LFA zones in the EU-15

EU-15	Variables	(1) not in less- favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total
Representativ	Sample farms	3 154	2 888	2 142	324	8 508
eness (2005)	Farms represented	108 014	97 891	61 250	19 702	286 857
chess (2003)	% of farms represented	38%	34%	21%	7%	100%
	Forage area (ha)	47	46	37	43	44
Structural	Dairy cows (LU)	57	44	29	71	48
information	Total labour (AWU)	1.99	1.78	1.78	1.63	1.85
(2005)	Milk yield (kg/cow)	7 043	6 507	6 278	7 613	6 835
	Milk production (tons)	403	285	180	544	325
N. 111	Average 2005 producer price	301	291	338	309	303
Milk margin information	Receipts with decoupling of dairy payments	300	291	356	308	305
(€t of milk)	Variable costs	187	189	213	163	188
(Ot of milk)	Margin with decoupling of dairy payments	113	102	143	146	117
Income	% of 2005 total milk margin in FNVA	71%	62%	78%	103%	73%
(2005)	FNVA (€)	69 724	49 620	37 588	89 209	57 340
(2003)	FNVA /AWU (€AWU)	35 027	27 899	21 148	54 855	31 033
D: .	% Direct payments /FNVA	37%	51%	62%	23%	43%
Direct	% Environmental payments /FNVA	2%	8%	11%	2%	5%
payments (2005) (€)	% LFA payments /FNVA	0%	6%	16%	0%	4%
(2003) (€)	% Other dairy subsidies /FNVA	0%	1%	9%	0%	1%

Source: EU FADN – DG AGRI, Milk allocation costs model.

Table 4: Characteristics of milk farms by LFA zones in the EU-10

EU-10	Variables	(1) not in less- favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total
Representativ	Sample farms	1 020	1 907	223	nd	3 160
eness (2005)	Farms represented	36 579	75 405	9 435	nd	121 697
CHC33 (2003)	% of farms represented	30%	62%	8%	nd	100%
	Forage area (ha)	20	19	25	nd	20
Structural	Dairy cows (LU)	19	15	15	nd	16
information	Total labour (AWU)	2.34	2.00	2.41	nd	2.13
(2005)	Milk yield (kg/cow)	5 825	5 118	5 013	nd	5 365
	Milk production (tons)	110	76	75	nd	87
M:11	Average 2005 producer price	243	234	254	nd	240
Milk margin information	Receipts with decoupling of dairy payments	247	236	259	nd	243
(€t of milk)	Variable costs	152	133	202	nd	146
(or or man)	Margin with decoupling of dairy payments	95	103	57	nd	97
Income	% of 2005 total milk margin in FNVA	61%	57%	39%	nd	58%
(2005)	FNVA (€)	17 364	13 692	11 604	nd	14 728
(2003)	FNVA /AWU (€AWU)	7 429	6 862	4 811	nd	6 908
D: 4	% Direct payments /FNVA	30%	41%	76%	nd	39%
Direct payments	% Environmental payments /FNVA	2%	2%	11%	nd	2%
(2005) (€)	% LFA payments /FNVA	0%	8%	26%	nd	7%
(2003) (9	% Other dairy subsidies /FNVA	2%	1%	3%	nd	2%

Source: EU FADN – DG AGRI, Milk allocation costs model.

Table 5: Characteristics of milk farms by altitude in the EU-15

EU-15	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total
Dommosantativ	Sample farms	4 784	2 178	1 219	327	8 508
Representativ eness (2005)	Farms represented	164 809	68 976	45 978	7 095	286 857
cliess (2003)	% of farms represented	57%	24%	16%	2%	100%
	Forage area (ha)	49	35	37	66	44
Structural	Dairy cows (LU)	58	35	29	46	48
information	Total labour (AWU)	1.95	1.76	1.58	2.05	1.85
(2005)	Milk yield (kg/cow)	7 044	6 359	6 030	7 485	6 835
	Milk production (tons)	409	221	176	348	325
V4.11	Average 2005 producer price	300	304	318	327	303
Milk margin information	Receipts with decoupling of dairy payments	303	303	318	326	305
(€t of milk)	Variable costs	185	194	184	245	188
(Ot of finite)	Margin with decoupling of dairy payments	118	109	134	82	117
Income	% of 2005 total milk margin in FNVA	76%	64%	73%	61%	73%
(2005)	FNVA (€)	70 126	41 227	36 036	55 025	57 340
(2003)	FNVA /AWU (€AWU)	35 924	23 451	22 846	26 901	31 033
D	% Direct payments /FNVA	40%	49%	46%	73%	43%
Direct	% Environmental payments /FNVA	3%	8%	11%	16%	5%
payments (2005) (€)	% LFA payments /FNVA	2%	6%	11%	7%	4%
(2003) (9	% Other dairy subsidies /FNVA	2%	0%	0%	0%	1%

Source: EU FADN – DG AGRI, Milk allocation costs model.

Table 6: Characteristics of milk farms by altitude in the EU-10

EU-10	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total
D	Sample farms	2 489	554	93	24	3 160
Representativ eness (2005)	Farms represented	90 459	28 529	2 117	592	121 697
clicss (2003)	% of farms represented	74%	23%	2%	0%	100%
	Forage area (ha)	19	19	57	21	20
Structural	Dairy cows (LU)	16	16	27	21	16
information	Total labour (AWU)	2.06	2.23	3.77	2.15	2.13
(2005)	Milk yield (kg/cow)	5 351	5 434	5 091	5 742	5 365
	Milk production (tons)	86	86	135	122	87
3.6:11	Average 2005 producer price	238	243	256	239	240
Milk margin information	Receipts with decoupling of dairy payments	242	245	259	239	243
(€t of milk)	Variable costs	137	166	224	115	146
(Ct of fillik)	Margin with decoupling of dairy payments	105	79	35	124	97
T	% of 2005 total milk margin in FNVA	61%	50%	21%	68%	58%
Income (2005)	FNVA (€)	14 824	13 582	23 946	22 215	14 728
(2003)	FNVA /AWU (€AWU)	7 185	6 096	6 347	10 342	6 908
D: 4	% Direct payments /FNVA	36%	46%	78%	32%	39%
Direct	% Environmental payments /FNVA	2%	3%	13%	0%	2%
payments (2005) (€)	% LFA payments /FNVA	5%	9%	31%	3%	7%
(2003) (€)	% Other dairy subsidies /FNVA	2%	1%	2%	0%	2%

Source: EU FADN – DG AGRI, Milk allocation costs model.

Therefore, according to the analysis of the EU average, the mountain areas (LFA mountain areas and/or the >600m altitude class) in the **EU-15** seem to valorise the regional characteristics of milk production with a significantly **higher price**, which allows covering the often **higher variable costs** linked to these regional mountainous characteristics, and so, obtaining a **better margin**. However, the milk farms in LFA mountain areas produce less milk on average and have a significantly **lower income**. In the **EU-10**, the pattern is slightly different because the higher price in the mountain areas does not totally cover the higher costs and therefore, the milk margin is on average lower.

3.2. Average characteristics at national level

The detailed data of the milk specialised farms by Member State, and by LFA areas and altitude classes are displayed in the annexes. The main data are also displayed in Table 8 of the next section. The analysis of these data shows that the **characteristics of the mountain** milk farms (LFA mountain areas or >600m altitude class) are **not identical for all the Member States**. The aggregate data at EU-25, EU-15 and EU-10 levels reflect an average of different Member States, weighted according to the share of mountain milk farms in the Member States. Figure 2 illustrates where the mountain milk farms are located in the EU-25. The milk specialised farms in LFA mountain areas are mainly in Italy, France, Austria and Finland. The ones in the >600m altitude class are mainly in France, Germany, Austria, Italy and Spain. The average results EU-25 are therefore mainly driven by these Member States.

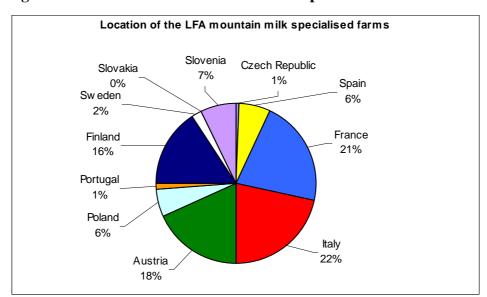
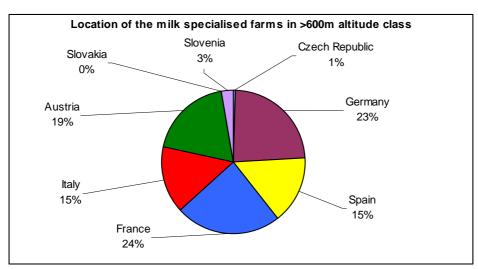


Figure 2: Location of the "mountain" milk specialised farms



Source: EU FADN - DG AGRI

The main national peculiarities in comparison to the EU-15 average are the following:

- In **Spain** the milk specialised farms in LFA mountain areas produce on average more milk than the total average (276 tons instead of 233) and have a lower milk margin due to the higher costs.
- In **France**, although the average milk producer prices are higher for both the LFA mountain areas and the >600m altitude class, and the average milk margins are slightly lower than the total average due to high costs.
- In **Portugal**, the situation is different, with slightly lower prices for both LFA mountain and >600m altitude class, but slightly higher margins because of lower variable costs.

It should be also noted that in Italy, Austria and Finland, the LFA mountain areas gather respectively 55%, 72% and 77% of the milk specialised farms, and therefore they have a big importance for milk production in these Member States.

The main national peculiarities in comparison with the EU-10 average are the following:

- In **Poland, Slovakia** and **Slovenia**, the milk specialised farms in the LFA mountain areas have on average a lower price than the total average.
- In **Czech Republic**, the income of the milk farms in LFA mountain areas is slightly higher than the total average.
- In **Slovakia** and **Slovenia**, the income is also higher for the milk specialised farms in the >600m altitude class.

It is important to remind that the results for **Czech Republic** and **Slovakia** might not reflect entirely the reality of the national milk production because the milk specialised farms in these Member States cover a particular low percentage of dairy cows.

This reflects the **high heterogeneity of the milk farms' characteristics and of the opportunities for milk production in the different LFA mountain** areas (and/or >600m altitude class) **among the EU-15 and the EU-10**. The conclusions on the mountain areas drawn for the EU-15 and for the EU-10 in the previous section can not be generalised to all the LFA mountain areas and the >600m altitude class, at the national level. This might reflect also a high heterogeneity of the different LFA mountain areas and the different regions within each Member State¹³.

4. IMPACT OF THE PRICE REDUCTION ON MILK MARGINS FOR THE MOUNTAIN AREAS

The price reductions applied are presented in the first section.

4.1. Impact analysis at EU level

Table 7 and Figure 3 present the main results for the mountain areas and the total average (all areas) in the EU-25, EU-15 and EU-10. The detailed data by Member State are displayed in the annexes. On average, the % of reduction of the margin due to the price drop would not be significantly higher in the mountain areas of the EU-25 and EU-15.

¹³ For a presentation of the regional differences of milk production and of the distribution of milk margins in the EU, please refer to the note *Milk margins in the European Union* (2004), 09.10.07*025856.

Similarly, the % of farms remaining with a positive margin would not be significantly lower in the EU-25 and EU-15.

Table 7: Impact of the price reduction on milk farms for the mountain areas (EU)

Member State	Variables	LFA mountain (A)	> 600 m (D)	Total (B)	((A)- (B))/(B)	((D)- (B))/(B)
	% of farms represented	17%	12%	100%	_	
	Milk production (tons)	166	174	254	-35%	-32%
	Average 2005 producer price (€t of milk)	333	316	297	12%	7%
EU-25	Margin with decoupling of dairy payments (€t of milk)	137	131	115	20%	14%
120-25	% of reduction of the margin due to the price drop	-15%	-17%	-16%	2070	14/0
	FNVA /AWU (€AWU)	18 324	21 209	23 105	-21%	-8%
	% of farms remaining with positive margin	94%	95%	96%	-3%	-2%
	The state of the s	, , , ,	7570	, , , ,	270	
	% of farms represented	21%	16%	100%	_	_
	Milk production (tons)	180	176	325	-44%	-46%
	Average 2005 producer price (€t of milk)	338	318	303	11%	5%
EU-15	Margin with decoupling of dairy payments (€t of milk)	143	134	117	22%	15%
	% of reduction of the margin due to the price drop	-15%	-16%	-16%	-	_
	FNVA /AWU (€AWU)	21 148	22 846	31 033	-32%	-26%
	% of farms remaining with positive margin	95%	95%	96%	-2%	-1%
-						
	% of farms represented	8%	2%	100%	-	-
	Milk production (tons)	75	135	87	-14%	56%
	Average 2005 producer price (€t of milk)	254	256	240	6%	7%
EU-10	Margin with decoupling of dairy payments (€t of milk)	57	35	97	-41%	-64%
	% of reduction of the margin due to the price drop	-26%	-42%	-14%	-	-
	FNVA /AWU (€AWU)	4 811	6 347	6 908	-30%	-8%

Source: EU FADN – DG AGRI, Milk allocation costs model.

% of farms remaining with positive margin

Figure 3: Impact of the price drop on milk margins by LFA and altitude (EU-25)

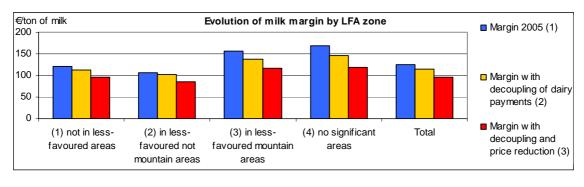
89%

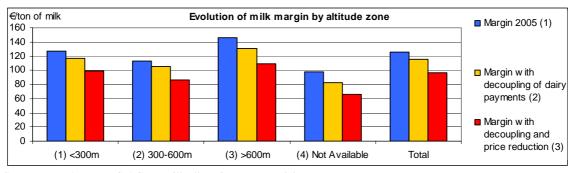
90%

97%

-7%

-8%





Source: EU FADN - DG AGRI, Milk allocation costs model.

Regarding the **EU-10**, the price drop would cause a decrease of 26% of the margin in the LFA mountain areas and of 42% in the >600m altitude class, instead of a 14% decrease for the total average (all areas) EU-10. The higher % of decrease is also due to the lower absolute level of the margin in the EU-10 (97€t to be compared to 117€t in the EU-15). But the % of farms remaining with a positive margin would be also lower (89% instead of 97%).

Therefore, on average **the margin per ton in the mountain areas** would not be significantly more affected by the price drop in the **EU-15**, but it would be in the **EU-10**. It should be reminded here, that the share of the farm milk margin in the total FNVA is higher in the LFA mountain areas of the EU-15. Therefore, even if the impact of the margin per ton is not significantly higher, **the income** might be more affected. Moreover, as it is illustrated in Figure 1, the income level of milk farms in the LFA mountain areas is significantly lower for both EU-15 and EU-10.

4.2. Impact analysis at national level

Table 8 provides the same results by Member State (for the Member States with enough milk specialised farms in the mountain classes¹⁴). For the EU-15, the main national peculiarities comparing with the average are the following:

- In **Portugal,** the % of farms remaining with a positive margin would be 5% higher in the LFA mountain areas and 7% higher in the >600m altitude class.
- In **Sweden**, the LFA mountain areas would be significantly more affected than the total Swedish average: the margin per ton would decrease of 43%, to be compared to -22% for the national average. Moreover, the absolute level of the margin was already significantly lower: 38€t instead of 7€t. The % of farms remaining with a positive margin would be also significantly lower: 74% in the LFA mountain areas instead of 85% on average in Sweden.

For the EU-10, the main national peculiarities in comparison to the average are the following:

- The milk specialised farms in the LFA mountain areas of **Poland** might be more affected than the average: only 82% of them would keep positive margin, instead of 98% for the national average.
- **Slovenia** does not show very important differences between the mountain areas and the total average (all areas): the milk specialised farms in LFA mountain represent indeed 74% of the total.

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¹⁴ Confidentiality rule: data are not displayed for cells with less than 15 farms for one year.

Table 8: Impact of the price reduction on milk farms for the mountain areas by **Member State**

Member State	Variables	LFA mountain (A)	> 600 m (D)	Total (B)	((A)- (B))/(B)	((D)- (B))/(B)
		T				ı
	% of farms represented	nd	15%	100%	nd	-
	Milk production (tons)	nd	196	309	nd	-37%
_	Average 2005 producer price (€t of milk)	nd	301	291	nd	4%
Germany	Margin with decoupling of dairy payments (€t of milk)	nd	119	93	nd	29%
	% of reduction of the margin due to the price drop	nd	-15%	-19%	nd	-
	FNVA /AWU (€AWU)	nd	23 596	29 468	nd	-20%
	% of farms remaining with positive margin	nd	96%	96%	nd	0%
	0/ - [[]	240/	200/	1000/	1	1
	% of farms represented	24%	38%	100%	700/	70/
	Milk production (tons)	276	217	233	19%	-7%
a :	Average 2005 producer price (€t of milk)	313	302	309	1%	-2%
Spain	Margin with decoupling of dairy payments (€t of milk)	145	163	154	-6%	6%
	% of reduction of the margin due to the price drop	-26%	-23%	-25%	-	-
	FNVA /AWU (€AWU)	31 729	39 186	34 213	-7%	15%
	% of farms remaining with positive margin	96%	98%	97%	-2%	1%
	% of farms represented	25%	18%	100%	1	l
	Milk production (tons)	213	210	278	-24%	-25%
	Average 2005 producer price (€t of milk)	327	329	302	8%	9%
France	Margin with decoupling of dairy payments (€t of milk)	112	116	118	-5%	-2%
Trance		+	-16%		-3/0	-2/0
	% of reduction of the margin due to the price drop FNVA /AWU (€AWU)	-16% 18 402	19 569	-14% 24 704	-26%	-21%
	% of farms remaining with positive margin	95%	95%	98%	-3%	-3%
	78 of farms remaining with positive margin	9376	9370	9070	-370	-370
	% of farms represented	55%	25%	100%	_	_
	Milk production (tons)	159	111	299	-47%	-63%
	Average 2005 producer price (€t of milk)	404	410	385	5%	6%
Italy	Margin with decoupling of dairy payments (€t of milk)	199	187	185	8%	1%
· · · · · · ·	% of reduction of the margin due to the price drop	-9%	-10%	-10%	-	-
	FNVA /AWU (€AWU)	24 839	17 142	35 731	-30%	-52%
	% of farms remaining with positive margin	96%	96%	96%	0%	0%
	70 of farms remaining with positive man gui	2070	7070	2070	0,0	070
	% of farms represented	72%	49%	100%	-	-
	Milk production (tons)	110	103	116	-5%	-11%
	Average 2005 producer price (€t of milk)	290	293	290	0%	1%
Austria	Margin with decoupling of dairy payments (€t of milk)	110	107	112	-2%	-5%
	% of reduction of the margin due to the price drop	-19%	-20%	-19%	_	-
	FNVA /AWU (€AWU)	16 677	16 386	16 793	-1%	-2%
	% of farms remaining with positive margin	92%	90%	93%	0%	-2%
					•	
	% of farms represented	23%	11%	100%	-	-
	Milk production (tons)	105	130	183	-43%	-29%
	Average 2005 producer price (€t of milk)	288	287	299	-4%	-4%
Portugal	Margin with decoupling of dairy payments (€t of milk)	107	115	107	1%	7%
	% of reduction of the margin due to the price drop	-16%	-15%	-17%	-	-
	FNVA /AWU (€AWU)	9 710	12 203	13 628	-29%	-10%
	% of farms remaining with positive margin	97%	98%	92%	5%	7%
1-						
Finland ¹⁵	% of farms represented	77%	nd	100%	-	nd

¹⁵ As regards **Finland**, which would seem more resistant to a price drop, one should note that the margin includes the **national aids** that are supposed to be constant in these simulations. A complementary analysis on the national aids is presented in the fifth milk chapter.

		Complement on mountain areas					
Member State	Variables	LFA mountain (A)	> 600 m (D)	Total (B)	((A)- (B))/(B)	((D)- (B))/(B)	
	Milk production (tons)	199	nd	205	-3%	nd	
	Average 2005 producer price (€t of milk)	328	nd	327	0%	nd	
	Margin with decoupling of dairy payments (€t of milk)	152	nd	143	6%	nd	
	% of reduction of the margin due to the price drop	-13%	nd	-13%	- 070	nd	
	FNVA /AWU (€AWU)	19 479	nd	19 032	2%	nd	
	% of farms remaining with positive margin	96%	nd	94%	2%	nd	
	70 of Jarms remaining with positive margin	9070	na	24/0	2/0	nu	
	% of farms represented	19%	nd	100%	-	nd	
	Milk production (tons)	232	nd	363	-36%	nd	
	Average 2005 producer price (€t of milk)	330	nd	325	2%	nd	
Sweden	Margin with decoupling of dairy payments (€t of milk)	38	nd	74	-49%	nd	
	% of reduction of the margin due to the price drop	-43%	nd	-22%	-	nd	
	FNVA /AWU (€AWU)	22 213	nd	26 054	-15%	nd	
	% of farms remaining with positive margin	74%	nd	85%	-13%	nd	
			1			1	
	% of farms represented	29%	21%	100%	-	-	
	Milk production (tons)	521	343	568	-8%	-40%	
~ .	Average 2005 producer price (€t of milk)	278	256	240	16%	7%	
Czech	Margin with decoupling of dairy payments (€t of milk)	-12	-25	9	-227%	-372%	
republic	% of reduction of the margin due to the price drop	142%	65%	-179%	-	_	
	FNVA /AWU (€AWU)	10 658	9 454	10 228	4%	-8%	
	% of farms remaining with positive margin	66%	nd	72%	-8%	nd	
		1	I		l	ı	
	% of farms represented	4%	nd	100%	-	nd	
	Milk production (tons)	28	nd	75	-62%	nd	
	Average 2005 producer price (€t of milk)	216	nd	233	-7%	nd	
Poland	Margin with decoupling of dairy payments (€t of milk)	100	nd	116	-13%	nd	
	% of reduction of the margin due to the price drop	-13%	nd	-12%	_	nd	
	FNVA /AWU (€AWU)	2 494	nd	6 862	-64%	nd	
	% of farms remaining with positive margin	82%	nd	98%	-16%	nd	
	g was passed as g					1	
	% of farms represented	44%	39%	100%	-	_	
	Milk production (tons)	870	881	855	2%	3%	
	Average 2005 producer price (€t of milk)	245	248	250	-2%	-1%	
Slovakia	Margin with decoupling of dairy payments (€t of milk)	-27	-10	-14	95%	-25%	
	% of reduction of the margin due to the price drop	51%	134%	101%	-	_	
	FNVA /AWU (€AWU)	4 941	5 910	5 428	-9%	9%	
	% of farms remaining with positive margin	nd	nd	44%	nd	nd	
			•				
	% of farms represented	74%	18%	100%	-	-	
	Milk production (tons)	59	73	70	-15%	4%	
	Average 2005 producer price (€t of milk)	254	248	257	-1%	-4%	
Slovenia	Margin with decoupling of dairy payments (€t of milk)	114	118	120	-5%	-2%	
	% of reduction of the margin due to the price drop	-13%	-12%	-12%	-	-	
	FNVA /AWU (€AWU)	3 691	4 788	4 056	-9%	18%	
	% of farms remaining with positive margin	97%	98%	95%	3%	3%	

Source: EU FADN – DG AGRI, Milk allocation costs model.

5. CONCLUSION

This analysis shows that on average in the **EU-15** the milk farms of the **mountain areas** valorise the regional characteristics of milk production with a significantly **higher price**, which allows covering **higher variable costs**, and thus obtaining a **better margin**. However, they produce less milk and have a significantly **lower income**. In the **EU-10**, the pattern is slightly different because the higher price in the mountain areas does not totally cover the higher costs and therefore the milk margin is on average lower. It should be highlighted that the EU-15 gathers 70% of the milk specialised farms of the EU-25 and that the mountain areas of the EU-15 concentrate a higher share of the milk specialised farms than the ones of the EU-10 (21% in the EU-15 and 8% in the EU-10 for the LFA mountain areas).

The national analysis highlights the high **heterogeneity** of the milk mountain farms' characteristics and of the opportunities for milk production in the different **mountain areas** among the EU-15 and the EU-10. The conclusions drawn for the EU-15 and for the EU-10 can not be generalised to all mountain areas at national level. This might reflect regional heterogeneity of milk farms described in the first milk chapter.

The impact of the price drop on the margin per ton would not be significantly higher in the mountain areas of the **EU-15**, but it would in the **EU-10**. The margin would decrease by 15% in the LFA mountain areas of the EU-15 instead of 16% on total average (all areas), but by 26% instead of 14% in the EU-10. The percentage of farms remaining with positive margin would be 95% in the LFA mountain areas of the EU-15 instead of 96% on total average (all areas), but it would be 89% instead of 97% in the EU-10.

However, the share of the milk margin in the farm income is higher in the LFA mountain areas of the EU-15. Therefore, even though the impact of the margin per ton is not significantly higher, **the income might be more affected**. Moreover, their initial income level is already significantly lower for both the EU-15 and EU-10. The main national peculiarities would be for Sweden and Poland, where the mountain milk farms would be significantly more affected than their respective national averages.

It should be reminded that these simulations do not take into account the **expected increase of production** as a consequence of the phasing-out of dairy quotas and the possible consecutive structural adjustments. Moreover, the maintenance of the production and the consequent impacts would also depend on the **possibilities of alternatives** in the region and on the level of margin for these possible alternatives.

Annexes

Table 9: Number of farms in the FADN sample of milk specialised farms

	Sample of milk specialised farms in FADN 2005			FSS 2005	Comparison
Member State	Sample farms	Farms represented	Number of dairy cows represented	Total number of dairy cows	FADN sample / FSS
Belgium	223	5 440	248 341	549 330	45%
Cyprus	nd	nd	nd	24 250	nd
Czech Republic	182	1 399	126 552	440 500	29%
Denmark	369	5 028	501 441	557 870	90%
Germany	1 857	72 644	3 250 577	4 235 960	77%
Greece	nd	nd	nd	167 920	nd
Spain	682	18 752	704 132	1 001 920	70%
Estonia	186	1 570	79 629	115 230	69%
France	1 144	60 622	2 601 737	3 883 840	67%
Hungary	78	1 038	72 181	236 390	31%
Ireland	278	13 827	672 900	1 081 960	62%
Italy	1 341	28 316	1 337 295	1 860 180	72%
Lithuania	222	14 451	159 807	493 890	32%
Luxembourg	238	715	30 457	39 340	77%
Latvia	273	4 779	77 876	172 360	45%
Malta	38	91	5 863	7 270	81%
The Netherlands	324	19 702	1 408 167	1 433 200	98%
Austria	563	17 924	321 974	535 790	60%
Poland	1 908	91 126	1 310 871	2 853 740	46%
Portugal	232	4 402	124 657	287 290	43%
Finland	369	14 338	353 234	318 760	111%
Sweden	358	7 553	353 127	393 260	90%
Slovakia	43	227	32 164	193 200	17%
Slovenia	225	6 716	94 130	130 680	72%
The United Kingdom	519	17 469	1 742 128	2 065 070	84%
Total	11 667	409 217	15 665 232	23 079 200	68%

Source: EU FADN – DG AGRI, FSS 2005.

$\label{eq:milk-limit} \textbf{Milk-Impact on milk margins of a price reduction-Complements on mountain/non-mountain areas}$

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

Margins over variable costs

With decoupling of the dairy payments (as from 2007 onwards)

Costs and margins' estimations are provisional for Germany (and therefore the total EU-25 and EU-15). nd: not displayed (confidentiality rule, less than 15 farms in the cell).

Member State	Variables	LFA mountain (A)	> 600 m (D)	Total (B)	((A)-(B))/(B)	((D)-(B))/(B)
1	10/-1/	470/	400/	1000/	1	
	% of farms represented Milk production (tons)	17% 166	12% 174	100% 254	-35%	-32%
	Average 2005 producer price (€/ton of milk)	333	316	297	12%	-32 <i>%</i> 7%
EU-25	Margin with decoupling of dairy payments (€/ton of milk)	137	131	115	20%	14%
	% of reduction of the margin due to the price drop	-15%	-17%	-16%	-	-
	FNVA /AWU (€/AWU)	18.324	21.209	23.105	-21%	-8%
	% of farms remaining with positive margin	93,8%	94,8%	96,4%	-2,7%	-1,6%
	% of farms represented	21%	16%	100%	-	-
	Milk production (tons)	180	176	325	-44%	-46%
EU-15	Average 2005 producer price (€/ton of milk)	338	318	303	11%	5%
EU-13	Margin with decoupling of dairy payments (€/ton of milk) % of reduction of the margin due to the price drop	143 -15%	134 -16%	117 -16%	22%	15%
	FNVA /AWU (€/AWU)	21.148	22.846	31.033	-32%	-26%
	% of farms remaining with positive margin	94,5%	95,1%	96,2%	-1,7%	-1,1%
	, ,					,
	% of farms represented	nd	15%	100%	nd	-
	Milk production (tons)	nd	196	309	nd	-37%
	Average 2005 producer price (€/ton of milk)	nd	301	291		4%
Germany	Margin with decoupling of dairy payments (€/ton of milk)	nd	119		nd	29%
	% of reduction of the margin due to the price drop	nd	-15%	-19%	nd	- 0001
	FNVA /AWU (€/AWU) % of farms remaining with positive margin	nd nd	23.596 96%	29.468 96%	nd nd	-20% 0%
	70 or larms remaining with positive margin	iiu	90%	90%	IIU	υ%
	% of farms represented	24%	38%	100%	-	-
	Milk production (tons)	276	217	233	19%	-7%
	Average 2005 producer price (€/ton of milk)	313	302	309	1%	-2%
Spain	Margin with decoupling of dairy payments (€/ton of milk)	145	163	154	-6%	6%
	% of reduction of the margin due to the price drop	-26%	-23%	-25%	-	
	FNVA /AWU (€/AWU)	31.729	39.186	34.213	-7%	15%
	% of farms remaining with positive margin	96%	98%	97%	-2%	1%
	% of farms represented	25%	18%	100%	I_	_
	Milk production (tons)	213	210	278	-24%	-25%
	Average 2005 producer price (€/ton of milk)	327	329	302	8%	9%
France	Margin with decoupling of dairy payments (€/ton of milk)	112	116	118	-5%	-2%
	% of reduction of the margin due to the price drop	-16%	-16%	-14%	-	1
	FNVA /AWU (€/AWU)	18.402	19.569	24.704	-26%	-21%
	% of farms remaining with positive margin	95%	95%	98%	-3%	-3%
	0/ - 6 for many and ma	EE0/	250/	4000/	ı	
	% of farms represented Milk production (tons)	55% 159	25% 111	100% 299	-47%	-63%
	Average 2005 producer price (€/ton of milk)	404	410	385	5%	6%
Italy	Margin with decoupling of dairy payments (€/ton of milk)	199	187	185	8%	1%
,	% of reduction of the margin due to the price drop	-9%	-10%	-10%	-	-
	FNVA /AWU (€/AWU)	24.839	17.142	35.731	-30%	-52%
	% of farms remaining with positive margin	96%	96%	96%	0%	0%
	To an				1	
	% of farms represented	72%	49%	100%	- 50/	- 440/
	Milk production (tons) Average 2005 producer price (€/ton of milk)	110 290	103 293	116 290	-5% 0%	-11% 1%
Austria	Margin with decoupling of dairy payments (€/ton of milk)	110		112		-5%
/ tubina	% of reduction of the margin due to the price drop	-19%	-20%	-19%	-	-
	FNVA /AWU (€/AWU)	16.677	16.386	16.793	-1%	-2%
	% of farms remaining with positive margin	92%	90%	93%	0%	-2%
	Toy or					
	% of farms represented	23%	11%	100%	- 4001	- 0001
	Milk production (tons) Average 2005 producer price (€/ton of milk)	105 288	130 287	183 299	-43% -4%	-29% -4%
Portugal	Margin with decoupling of dairy payments (€/ton of milk)	107	115	107	-4% 1%	-4% 7%
. Jragai	% of reduction of the margin due to the price drop	-16%		-17%	-	-
	FNVA /AWU (€/AWU)	9.710	12.203	13.628	-29%	-10%
	% of farms remaining with positive margin	97%	98%	92%	5%	7%
	% of farms represented	77%		100%	-	nd
	Milk production (tons)	199		205	-3%	
Finland	Average 2005 producer price (€/ton of milk) Margin with decoupling of dairy payments (€/ton of milk)	328 152		327 143	0% 6%	
	wargin with decoupling of dairy payments (€ton of milk) % of reduction of the margin due to the price drop	-13%		-13%	- 0%	na nd
	FNVA /AWU (€/AWU)	19.479		19.032	2%	nd
	% of farms remaining with positive margin	96%		94%	2%	nd
	,					
		400/	nd	100%	-	nd
	% of farms represented	19%				
	Milk production (tons)	232	nd	363	-36%	nd
	Milk production (tons) Average 2005 producer price (€/ton of milk)	232 330	nd nd	325	2%	nd
Sweden	Milk production (tons) Average 2005 producer price (€/ton of milk) Margin with decoupling of dairy payments (€/ton of milk)	232 330 38	nd nd nd	325 74		nd nd
Sweden	Milk production (tons) Average 2005 producer price (€/ton of milk) Margin with decoupling of dairy payments (€/ton of milk) % of reduction of the margin due to the price drop	232 330 38 -43%	nd nd nd nd	325 74 -22%	2% -49% -	nd nd nd
Sweden	Milk production (tons) Average 2005 producer price (€/ton of milk) Margin with decoupling of dairy payments (€/ton of milk)	232 330 38	nd nd nd <i>nd</i> nd	325 74	2%	nd nd nd nd

Member State	Variables	LFA mountain (A)	> 600 m (D)	Total (B)	((A)-(B))/(B)	((D)-(B))/(B)
	% of farms represented	8%	2%	100%	-	-
	Milk production (tons)	75	135	87	-14%	56%
	Average 2005 producer price (€/ton of milk)	254	256	240	6%	7%
EU-10	Margin with decoupling of dairy payments (€/ton of milk)	57	35	97	-41%	-64%
	% of reduction of the margin due to the price drop	-26%	-42%	-14%	-	-
	FNVA /AWU (€/AWU)	4.811	6.347	6.908	-30%	-8%
	% of farms remaining with positive margin	89,0%	89,9%	96,9%	-8,1%	-7,2%
					1	
	% of farms represented	29%	21%	100%	-	-
	Milk production (tons)	521	343	568	-8%	-40%
Czech	Average 2005 producer price (€/ton of milk)	278	256	240	16%	7%
republic	Margin with decoupling of dairy payments (€/ton of milk)	-12	-25	9	-227%	-372%
	% of reduction of the margin due to the price drop	142%	65%	-179%	-	-
	FNVA /AWU (€/AWU)	10.658	9.454	10.228	4%	-8%
	% of farms remaining with positive margin	66%	nd	72%	-8%	nd
	% of farms represented	4%	nd	100%	-	nd
	Milk production (tons)	_	nd	75	-62%	nd
	Average 2005 producer price (€/ton of milk)	216		233	-7%	
Poland	Margin with decoupling of dairy payments (€/ton of milk)	100	nd	116	-13%	nd
	% of reduction of the margin due to the price drop	-13%	nd	-12%	-	nd
	FNVA /AWU (€/AWU)	2.494	nd	6.862	-64%	nd
	% of farms remaining with positive margin	82%	nd	98%	-16%	nd
	To the second se	T			T	
	% of farms represented	44%	39%	100%		-
	Milk production (tons)	870	881	855	2%	3%
	Average 2005 producer price (€/ton of milk)	245	248	250	-2%	-1%
Slovakia	Margin with decoupling of dairy payments (€/ton of milk)	-27	-10	-14	95%	-25%
	% of reduction of the margin due to the price drop	51%	134%	101%	-	-
	FNVA /AWU (€/AWU)	4.941	5.910	5.428	-9%	9%
	% of farms remaining with positive margin	nd	nd	44%	nd	nd
	% of farms represented	74%	18%	100%	-	-
	Milk production (tons)	59	73	70	-15%	4%
	Average 2005 producer price (€/ton of milk)	254	248	257	-1%	-4%
Slovenia	Margin with decoupling of dairy payments (€/ton of milk)	114	118	120	-5%	-2%
	% of reduction of the margin due to the price drop	-13%	-12%	-12%	-	-
	FNVA /AWU (€/AWU)	3.691	4.788	4.056	-9%	18%
	% of farms remaining with positive margin	97%	98%	95%	3%	3%

Milk - Impact on milk margins of a price reduction - Complements on mountain / non-mountain areas

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

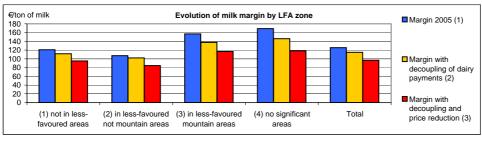
Basis 2005

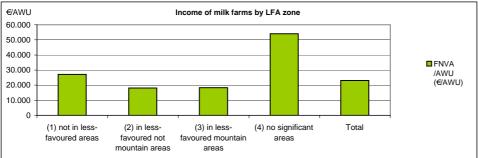
Margins over variable costs

With decoupling of the dairy payments (as from 2007 onwards)

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

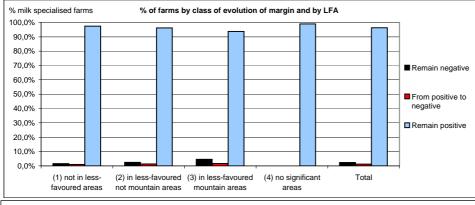
				LFA zones		
EU-25	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total
	lo mala farma	1 4474	4 705	0.005	004	11.00
•	Sample farms	4.174	4.795	2.365	334	11.66
veness (2005)	Farms represented	144.594	173.296	70.685	19.980	408.55
(2005)	% of farms represented	35%	42%	17%	5%	1009
	Forage area (ha)	40	34	35	43	3
Structural	Dairy cows (LU)	48	31	27	71	3
information	Total labour (AWU)	2.08	1.87	1.86	1.64	1.9
(2005)	Milk yield (kg/cow)	6,920	6,219	6.184	7,593	6.64
(/	Milk production (tons)	329	194	166	541	25
	, ,				I.	
	Average 2005 producer price	296	281	333	309	29
	Receipts 2005	305	287	370	332	30
	Receipts with decoupling of dairy payments	296	282	350	309	29
	Receipts with decoupling and price reduction	279	264	330	281	28
	Feed costs	80	76	101	62	7
Milk margin	Other specific costs	19	18	18	21	1
information	Farming overheads	70	73	84	77	7
(€/ton of	Wages	15	13	10	4	1
milk)	Variable costs	184	180	213	163	18
	Margin 2005 (1)	121	107	157	169	12
	Margin with decoupling of dairy payments (2)	112	102	137	146	11
	Margin with decoupling and price reduction (3)	95	85	117	118	9
	((3)-(1))/(1)	-21%	-21%	-26%	-30%	-239
	((3)-(2))/(2)	-15%	-17%	-15%	-19%	-169
	00 - 50005 (-1-1-1-1)	700/	040/	770/	4000/	744
Income	% of 2005 total milk margin in FNVA	70%	61%	77%	103%	719
(2005)	FNVA (€)	56.478	33.987	34.119	88.730	44.64
	FNVA /AWU (€/AWU)	27.175	18.147	18.324	54.075	23.10
	Total direct payments (EU & national)	20.469	16.695	21.518	20.464	19.04
	% Direct payments /FNVA	36%	49%	63%	23%	439
	Environmental payments	1,139	2.265	3.837	1.835	2.11
Direct	% Environmental payments /FNVA	2%	7%	11%	2%	59
payments	Less-Favoured Areas payments	26	2.254	5.553	1	1.92
(2005) (€)	% LFA payments /FNVA	0%	7%	16%	0%	49
	Other dairy subsidies (national)	92	278	2.946	147	66
	% Other dairy subsidies /FNVA	0%	1%	9%	0%	19
	,	070	170	370	570	

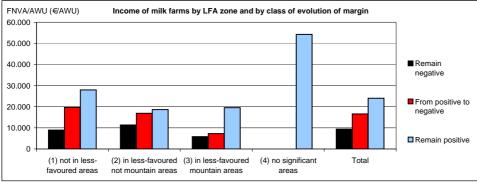


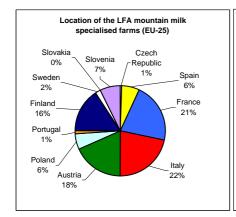


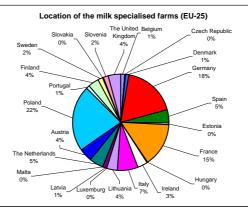
The classes compare the margins with decoupling of the dairy payments to the margins with decoupling and price drop. nd: not displayed (confidentiality rule, less than 15 farms in the cell).

		LFA zones					
Class of evolution of margin	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total	
	Cample forms	407	400	405	1	405	
	Sample farms	107	192	125		425	
	Farms represented	2.253	4.210	3.197		9.723	
Remain	Margin 2005 (1)	-31	-35 -37	-37		-34	
negative	Margin with decoupling of dairy payments (2)	-37				-39	
	Margin with decoupling and price reduction (3)	-51	-54	-68		-55	
	((3)-(2))/(2)	40%	44%	34%		40%	
	FNVA /AWU (€/AWU)	8.914	11.390	5.864	nd	9.387	
	Sample farms	71	82	39	nd	194	
	Farms represented	1,459	2.339	1.185		5.111	
From positive to negative	Margin 2005 (1)	13	13		nd	14	
	Margin with decoupling of dairy payments (2)	9	9		nd		
	Margin with decoupling and price reduction (3)	-7	-9	-14		-9	
	((3)-(2))/(2)	-174%	-201%	-257%		-194%	
	FNVA /AWU (€/AWU)	19.684	16.946			16.641	
	THE CONTROL CONTROL	10.004	10.040	7.207	IIu	10.041	
	Sample farms	3.996	4.521	2.201	331	11.049	
	Farms represented	140.882	166.747	66.303	19.788	393.720	
Remain	Margin 2005 (1)	126	117	168	169	133	
	Margin with decoupling of dairy payments (2)	117	111	148	146	122	
positive	Margin with decoupling and price reduction (3)	101	94	127	118	103	
	((3)-(2))/(2)	-14%	-16%	-14%	-19%	-15%	
	FNVA /AWU (€/AWU)	28.015	18.639	19.568	54.339	24.018	
	Sample farms	4,174	4.795	2.365	334	11.668	
	Farms represented	144.594	173,296	70.685		408.554	
	Margin 2005 (1)	144.594	173.296	157	19.960	126	
Tatal							
Total	Margin with decoupling of dairy payments (2)	112	102	137	146	115	
	Margin with decoupling and price reduction (3)	95	85	117	118		
	((3)-(2))/(2)	-15%	-17%	-15%	-19%	-16%	
	FNVA /AWU (€/AWU)	27.175	18.147	18.324	54.075	23.105	
	% of farms remaining with negative margin	1,6%	2,4%	4,5%	nd	2,4%	
	% of farms switching from positive to negative	1,0%	1,3%	1,7%	nd	1,3%	
	% of farms remaining with positive margin	97%	96%	94%	99%	96%	









Milk - Impact on milk margins of a price reduction - Complements on mountain / non-mountain areas

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

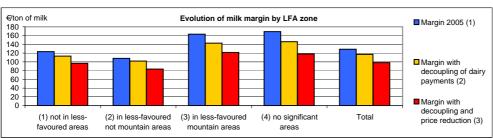
Basis 2005

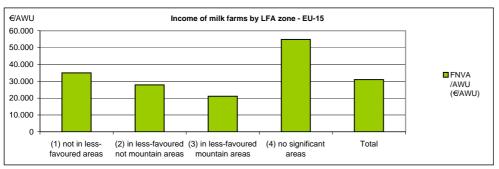
Margins over variable costs

With decoupling of the dairy payments (as from 2007 onwards)

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

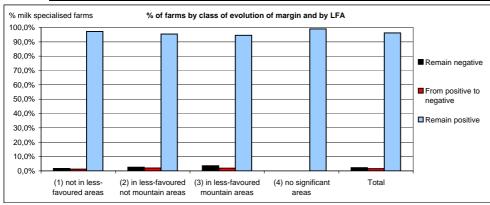
Representati Sample farms 3.154 2.888 2.142 324				LFA zones					
Veness (2005) Farms represented 108.014 97.891 61.250 19.702 28 38% 34% 21% 7% 7% 7% 7% 7% 7% 7%	EU-15	Variables	favoured	favoured not mountain	favoured mountain	significant	Total		
Veness (2005) Farms represented 108.014 97.891 61.250 19.702 28 38% 34% 21% 7% 7% 7% 7% 7% 7% 7%			1 0.54	2 222	0.140	201			
Structural information (2005) Structural information (2005						V	8.508		
Forage area (ha)							286.857		
Structural information (2005) Dairy cows (LU) S7 44 29 71	(2005)	% of farms represented	38%	34%	21%	7%	100%		
Dairy cows (LU) Dairy cows (LU) Total labour (AWU) 1,99 1,78 1,78 1,63 1,63 1,74 1,63 1,63 1,74 1,63 1,74 1,63 1,74 1,63 1,74 1,63 1,74 1,63 1,74 1,63 1,74 1,63 1,74 1,63 1,74 1,63 1,74 1,63 1,74 1,63 1,74 1,63 1,74		Forage area (ha)	47	46	37	43	44		
Total labour (AWU)	Structural		57	44	29	71	48		
Milk yield (kg/cow) 7.043 6.507 6.278 7.613		, , ,		1 78			1.85		
Milk production (tons)							6.835		
Average 2005 producer price 301 291 338 309 Receipts 2005 310 297 377 332 Receipts with decoupling of dairy payments 300 291 356 308 Receipts with decoupling and price reduction 284 273 335 281 Feed costs 81 78 103 61 Other specific costs 20 20 18 21 Other specific costs 77 18 85 77 Wages 15 14 8 4 Variable costs 187 189 213 163 Margin 2005 (1) 123 108 163 169 Margin with decoupling of dairy payments (2) 113 102 143 146 Margin with decoupling and price reduction (3) 97 84 122 118 ((3)-(1))/(1) 222 23 234 255 306 FNVA (© 69.724 49.620 37.588 89.209 5 FNVA /AWU (€/AWU) 35.027 27.899 21.148 54.855 3 Total direct payments (EU & national) 25.637 25.262 23.481 20.374 2 **Specific costs 1.433 3.824 4.236 1.847 **Specific costs 1.443 3.844 0.06 Other dairy subsidies (national) 0 355 3.341 00 Other dairy subsidies (national) 0 355 3.341 00	(====)	, , , ,					325		
Receipts 2005 310 297 377 332 Receipts with decoupling of dairy payments 300 291 356 308 Receipts with decoupling and price reduction 284 273 335 281 Feed costs 81 78 103 61 Milk margin Other specific costs 20 20 18 21 Information Farming overheads 71 78 85 77 Wages 15 14 8 4 Wariable costs 187 189 213 163 Margin 2005 (1) 123 108 163 169 Margin with decoupling and price reduction (3) 97 84 122 118 ((3)-(1))/(1) -22% -23% -25% -30% ((3)-(2))/(2) -15% -18% -15% -19% Income (2005) FNVA 71% 62% 78% 103% FNVA FNVA 71% 62% 23.481 20.374 20.374 FNVA FNVA 37% 51% 62% 23% Environmental payments 1.433 3.824 4.236 1.847 FNVA FNVA 70% 60% 16% 00% Cother dairy subsidies (national) 0 355 3.341 0		1							
Receipts with decoupling of dairy payments 300 291 356 308		Average 2005 producer price	301	291	338	309	303		
Receipts with decoupling and price reduction 284 273 335 281		Receipts 2005	310	297	377	332	317		
Feed costs 81		Receipts with decoupling of dairy payments	300	291	356	308	30		
Milk margin information (efton of milk) Other specific costs 20 20 18 21 milk) Wages 15 14 8 4 Variable costs 187 189 213 163 Margin 2005 (1) 123 108 163 169 Margin with decoupling of dairy payments (2) 113 102 143 146 Margin with decoupling and price reduction (3) 97 84 122 118 ((3)-(1))/(1) -22% -23% -25% -30% ((3)-(2))/(2) -15% -18% -15% -19% Income (2005) 69.724 49.620 37.588 89.209 5 FNVA (€) 69.724 49.620 37.588 89.209 5 FNVA /AWU (€/AWU) 35.027 27.899 21.148 54.855 3 Total direct payments /FNVA 37% 51% 62% 23% Ervironmental payments 1.433 3.824 4.236 1.847 % E		Receipts with decoupling and price reduction	284	273	335	281	280		
Farming overheads		Feed costs	81	78	103	61	80		
(Efton of milk) Wages	Milk margin	Other specific costs	20	20	18	21	20		
milk) Variable costs 187 189 213 163 Margin 2005 (1) 123 108 163 169 Margin with decoupling of dairy payments (2) 113 102 143 146 Margin with decoupling and price reduction (3) 97 84 122 118 ((3)-(1))/(1) -22% -23% -25% -30% ((3)-(2))/(2) -15% -18% -15% -19% Income (2005) ** of 2005 total milk margin in FNVA* 71% 62% 78% 103% FNVA (€) 69.724 49.620 37.588 89.209 5 FNVA /AWU (€/AWU) 35.027 27.899 21.148 54.855 3 Direct payments /FNVA // Direct payments /FNVA 37% 51% 62% 23% 23% Environmental payments 1.433 3.824 4.236 1.847 2% Less-Favoured Areas payments 22 3.098 5.945 0 Cother dairy subsidies (national) 0 355	information	Farming overheads	71	78	85	77	76		
Margin 2005 (1) 123 108 163 169 Margin with decoupling of dairy payments (2) 113 102 143 146 Margin with decoupling and price reduction (3) 97 84 122 118 ((3)-(1))/(1) -22% -23% -25% -30% ((3)-(2))/(2) -15% -18% -15% -19% Income (2005) **Y of 2005 total milk margin in FNVA* 71% 62% 78% 103% FNVA (€) 69.724 49.620 37.588 89.209 5 FNVA /AWU (€/AWU) 35.027 27.899 21.148 54.855 3 Direct payments /FNVA / Direct payments /FNVA 37% 51% 62% 23% 23% Environmental payments 1.433 3.824 4.236 1.847 4.236 1.847 ** Environmental payments /FNVA 2% 8% 11% 2% 2% ** Environmental payments /FNVA 2% 8% 11% 2% ** LFA payments /FNVA 0% 6% 16% 0% ** LFA payments /FNVA 0% <td>(€/ton of</td> <td>Wages</td> <td>15</td> <td>14</td> <td>8</td> <td>4</td> <td>12</td>	(€/ton of	Wages	15	14	8	4	12		
Margin with decoupling of dairy payments (2)	milk)	Variable costs	187	189	213	163	188		
Margin with decoupling and price reduction (3) 97 84 122 118		Margin 2005 (1)	123	108	163	169	129		
((3)-(1))/(1) -22% -23% -25% -30% ((3)-(2))/(2) -15% -18% -15% -19% -19% -15% -18% -15% -19% -19% -15% -18% -15% -19% -15% -18% -15% -19% -15% -18% -15% -19% -15% -18% -15% -19% -15% -18% -15% -19% -15% -18% -15% -19% -15% -18% -15% -19% -15% -18% -15% -19% -15% -18% -15% -19% -15% -15% -15% -15% -15% -15% -15% -15%		Margin with decoupling of dairy payments (2)	113	102	143	146	117		
Income (2005)		Margin with decoupling and price reduction (3)	97	84	122	118	98		
Note Section		((3)-(1))/(1)	-22%	-23%	-25%	-30%	-24%		
FNVA (€) 69.724 49.620 37.588 89.209 5		((3)-(2))/(2)	-15%	-18%	-15%	-19%	-16%		
FNVA (€) 69.724 49.620 37.588 89.209 5			1	1		· · · · · · · · · · · · · · · · · · ·			
FNVA /AWU (€/AWU) 35.027 27.899 21.148 54.855 3	Income						73%		
Total direct payments (EU & national) 25.637 25.262 23.481 20.374 2	(2005)						57.340		
Solution Direct payments FNVA 37% 51% 62% 23%	. ,	FNVA /AWU (€/AWU)	35.027	27.899	21.148	54.855	31.03		
Solution Direct payments FNVA 37% 51% 62% 23%		Total direct payments (FLL& national)	25 637	25 262	23 491	20 374	24.687		
Environmental payments 1.433 3.824 4.236 1.847							43%		
We Environmental payments /FNVA 2% 8% 11% 2%	Direct						2.87		
Less-Favoured Areas payments 22 3.098 5.945 0		. ,					5%		
(2005) (€)					,.	-7-	2.33		
Other dairy subsidies (national) 0 355 3.341 0	(2005) (€)						4%		
, , ,							83		
		% Other dairy subsidies (FNVA	0%	1%	9%	0%	1%		

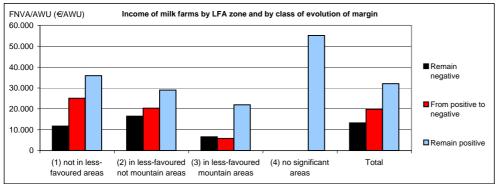




The classes compare the margins with decoupling of the dairy payments to the margins with decoupling and price drop. nd: not displayed (confidentiality rule, less than 15 farms in the cell).

		LFA zones					
Class of evolution of margin	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total	
	Sample farms	66	114	02	nd	26	
	Farms represented	1.748	2.538	2,202		6.55	
	Margin 2005 (1)	-30	-35		nd	-3	
Remain	Margin with decoupling of dairy payments (2)	-38	-37	-43		-3	
negative	Margin with decoupling and price reduction (3)	-52	-54		nd	-5	
	((3)-(2))/(2)	38%	46%	42%		43%	
	FNVA /AWU (€/AWU)	11.722	16.529	6.588		13.26	
	ITWA/AWO (GAWO)	11.722	10.329	0.366	nu	13.20	
	Sample farms	49	57	33	nd	14	
	Farms represented	1.279	1.924	1.142	nd	4.47	
From positive to	Margin 2005 (1)	14	14	34	nd	1	
	Margin with decoupling of dairy payments (2)	10	9	9	nd	1	
negative	Margin with decoupling and price reduction (3)	-7	-10	-15	nd	-	
	((3)-(2))/(2)	-167%	-203%	-259%	nd	-191%	
	FNVA /AWU (€/AWU)	25.093	20.324	5.828	nd	19.80	
	· · ·	•	1	l.			
	Sample farms	3.039	2.717	2.026	321	8.10	
	Farms represented	104.988	93.429	57.906	19.509	275.83	
Remain	Margin 2005 (1)	128	117	170	169	13	
	Margin with decoupling of dairy payments (2)	118	111	150	146	12	
positive	Margin with decoupling and price reduction (3)	101	93	129	118	10	
	((3)-(2))/(2)	-14%	-16%	-14%	-19%	-15%	
	FNVA /AWU (€/AWU)	35.934	29.011	21.967	55.129	32.07	
	Io	0.454	0.000	0.440	324	0.50	
	Sample farms	3.154	2.888	2.142		8.50	
	Farms represented	108.014	97.891	61.250		286.85	
T. (.)	Margin 2005 (1)	123	108	163		12	
Total	Margin with decoupling of dairy payments (2)	113	102	143		11	
	Margin with decoupling and price reduction (3)	97	84	122		9	
	((3)-(2))/(2)	-15%	-18%	-15%		-16%	
	FNVA /AWU (€/AWU)	35.027	27.899	21.148	54.855	31.03	
	% of farms remaining with negative margin	1,6%	2,6%	3,6%	nd	2,3%	
	% of farms switching from positive to negative	1,2%	2,0%	1,9%	nd	1,6%	
	% of farms remaining with positive margin	97%	95%	95%	99%	96%	





Summary by Member State for the LFA mountain areas and the total average

Member State	Variables	LFA mountain (A)	Total (B)	((A)-(B))/(B)
	% of farms represented	21%	100%	-
	Milk production (tons)	180	325	-44%
	Average 2005 producer price (€/ton of milk)	338	303	11%
EU-15	Margin with decoupling of dairy payments (€/ton of milk)	143	117	22%
	% of reduction of the margin due to the price drop	-15%	-16%	-
	FNVA /AWU (€/AWU)	21.148	31.033	-32%
	% of farms remaining with positive margin	95%	96%	-2%
	% of farms represented	24%	100%	-
	Milk production (tons)	276	233	19%
	Average 2005 producer price (€/ton of milk)	313	309	1%
Spain	Margin with decoupling of dairy payments (€/ton of milk)	145	154	-6%
	% of reduction of the margin due to the price drop	-26%	-25%	-
	FNVA /AWU (€/AWU)	31,729	34.213	-7%
	% of farms remaining with positive margin	96%	97%	-2%
	% of farms represented	25%	100%	_
	Milk production (tons)	213	278	-24%
	Average 2005 producer price (€/ton of milk)	327	302	8%
France	Margin with decoupling of dairy payments (€/ton of milk)	112	118	-5%
	% of reduction of the margin due to the price drop	-16%	-14%	-
	FNVA /AWU (€/AWU)	18.402	24.704	-26%
	% of farms remaining with positive margin	95%	98%	-3%
	% of farms represented	55%	100%	-
	Milk production (tons)	159	299	-47%
	Average 2005 producer price (€/ton of milk)	404	385	5%
Italy	Margin with decoupling of dairy payments (€/ton of milk)	199	185	8%
italy	% of reduction of the margin due to the price drop	-9%	-10%	-
	FNVA /AWU (€/AWU)	24.839	35.731	-30%
	% of farms remaining with positive margin	96%	96%	0%
	% of farms represented	72%	100%	-
	Milk production (tons)	110	116	-5%
	Average 2005 producer price (€/ton of milk)	290	290	0%
Austria	Margin with decoupling of dairy payments (€/ton of milk)	110	112	-2%
Austria	% of reduction of the margin due to the price drop	-19%	-19%	-270
	FNVA /AWU (€/AWU)	16.677	16.793	-1%
	% of farms remaining with positive margin	92%	93%	0%
	% of farms represented	23%	100%	078
	Milk production (tons)	105	183	-43%
	Average 2005 producer price (€/ton of milk)	288	299	-43% -4%
Portugal	Margin with decoupling of dairy payments (€/ton of milk)	107	107	1%
Fortugal	% of reduction of the margin due to the price drop	-16%	-17%	1 70
	FNVA /AWU (€/AWU)	9.710	13.628	-29%
	% of farms remaining with positive margin	9.710	92%	-29% 5 %
		77%	100%	5%
	% of farms represented Milk production (tons)	199	205	-3%
		328		-3% 0 %
Fieless	Average 2005 producer price (€/ton of milk)		327 143	
Finland	Margin with decoupling of dairy payments (€/ton of milk)	152		6%
	% of reduction of the margin due to the price drop	-13%	-13%	- 00/
	FNVA /AWU (€/AWU)	19.479	19.032	2%
	% of farms remaining with positive margin	96%	94%	2%
	% of farms represented	19%	100%	-
	Milk production (tons)	232	363	-36%
	Average 2005 producer price (€/ton of milk)	330	325	2%
Sweden	Margin with decoupling of dairy payments (€/ton of milk)	38	74	-49%
	% of reduction of the margin due to the price drop	-43%	-22%	-
	FNVA /AWU (€/AWU)	22.213	26.054	-15%
	% of farms remaining with positive margin	74%	85%	-13%

Milk - Impact on milk margins of a price reduction - Complements on mountain / non-mountain areas

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

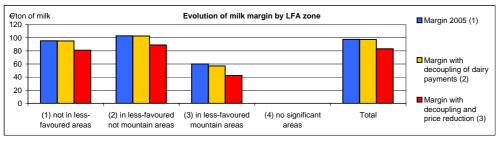
Basis 2005

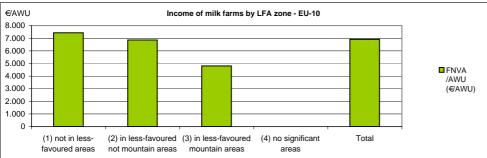
Margins over variable costs

With decoupling of the dairy payments (as from 2007 onwards)

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

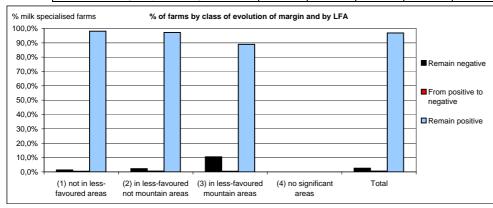
			LFA zones					
EU-10	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total		
		1				0.10		
•	Sample farms	1.020	1.907	223		3.16		
veness (2005)	Farms represented	36.579	75.405	9.435	_	121.69		
(2005)	% of farms represented	30%	62%	8%	na	100%		
	Forage area (ha)	20	19	25	nd	2		
Structural	Dairy cows (LU)	19	15	15	nd	1		
information	Total labour (AWU)	2,34	2,00	2,41	nd	2,1		
(2005)	Milk yield (kg/cow)	5.825	5.118	5.013	nd	5.36		
, ,	Milk production (tons)	110	76	75	nd	8		
	Average 2005 producer price	243	234	254	_	24		
	Receipts 2005	247	236	262		24		
	Receipts with decoupling of dairy payments	247	236	259		24		
	Receipts with decoupling and price reduction	233	222	244		22		
	Feed costs	71	65		nd	6		
Milk margin	Other specific costs	12	10		nd	1		
information	Farming overheads	50	47		nd	5		
(€/ton of	Wages	20	11		nd	1		
milk)	Variable costs	152	133	202		14		
	Margin 2005 (1)	95	103		nd	9		
	Margin with decoupling of dairy payments (2)	95	103		nd	9		
	Margin with decoupling and price reduction (3)	81	89		nd	8		
	((3)-(1))/(1)	-15%	-14%	-29%		-159		
	((3)-(2))/(2)	-15%	-13%	-26%	nd	-149		
	% of 2005 total milk margin in FNVA	61%	57%	39%	nd	589		
Income	FNVA (€)	17.364	13.692	11.604	-	14.72		
(2005)	FNVA /AWU (€/AWU)	7.429	6.862	4.811	_	6.90		
	[7.1.20	0.002		1	0.00		
	Total direct payments (EU & national)	5.208	5.572	8.774	nd	5.75		
	% Direct payments /FNVA	30%	41%	76%	nd	399		
Disease	Environmental payments	269	242	1.244	nd	32		
Direct	% Environmental payments /FNVA	2%	2%	11%	nd	2		
payments (2005) (€)	Less-Favoured Areas payments	35	1.158	3.006	nd	96		
(2000) (E)	% LFA payments /FNVA	0%	8%	26%	nd	7:		
	Other dairy subsidies (national)	363	179	381	nd	27		
	% Other dairy subsidies /FNVA	2%	1%	3%	nd	29		

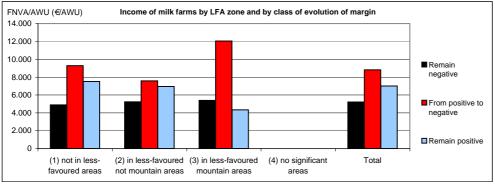




The classes compare the margins with decoupling of the dairy payments to the margins with decoupling and price drop. nd: not displayed (confidentiality rule, less than 15 farms in the cell).

		LFA zones				
Class of evolution of margin	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total
	I Committe forms	41	70	40	nd	404
	Sample farms		78			161
	Farms represented	505	1.671	995		3.171
Remain	Margin 2005 (1)	-31	-38	-65		-43
negative	Margin with decoupling of dairy payments (2)	-31	-38	-65		-43
_	Margin with decoupling and price reduction (3)	-45	-52	-80		-58
	((3)-(2))/(2)	46%	37%	24%		34%
	FNVA /AWU (€/AWU)	4.896	5.238	5.404	nd	5.215
	Sample farms	22	25	6	nd	53
	Farms represented	180	415		nd	638
From	Margin 2005 (1)	7	8		nd	7
positive to	Margin with decoupling of dairy payments (2)	7	7		nd	7
negative	Margin with decoupling of dairy payments (2) Margin with decoupling and price reduction (3)	-8		-10		-8
negative		-222%		-10 -248%		-8 -210%
	((3)-(2))/(2) FNVA /AWU (€/AWU)		-188%			
	FNVA /AVVO (€/AVVO)	9.291	7.576	12.055	na	8.826
	Sample farms	957	1.804	175	nd	2.946
	Farms represented	35.894	73.318	8.397		117.887
	Margin 2005 (1)	106	115	109		111
Remain	Margin with decoupling of dairy payments (2)	106	115	105		111
positive	Margin with decoupling and price reduction (3)	92	101		nd	97
	((3)-(2))/(2)	-13%	-12%	-14%		-13%
	FNVA /AWU (€/AWU)	7.503	6.955	4.336		7.001
	Sample farms	1.020	1.907	223	nd	3.160
	Farms represented	36.579	75.405	9.435	nd	121.697
	Margin 2005 (1)	95	103	60	nd	98
Total	Margin with decoupling of dairy payments (2)	95	103	57	nd	97
	Margin with decoupling and price reduction (3)	81	89	42	nd	83
	((3)-(2))/(2)	-15%	-13%	-26%	nd	-14%
	FNVA /AWU (€/AWU)	7.429	6.862	4.811	nd	6.908
<u> </u>						
	% of farms remaining with negative margin	1,4%	2,2%	10,5%		2,6%
	% of farms switching from positive to negative	0,5%	0,6%	0,5%		0,5%
	% of farms remaining with positive margin	98%	97%	89%	nd	97%





Member State	Variables	LFA mountain (A)	Total (B)	((A)-(B))/(B)
	% of farms represented	8%	100%	-
	Milk production (tons)	75	87	-14%
	Average 2005 producer price (€/ton of milk)	254	240	6%
EU-10	Margin with decoupling of dairy payments (€/ton of milk)	57	97	-41%
	% of reduction of the margin due to the price drop	-26%	-14%	-
	FNVA /AWU (€/AWU)	4.811	6.908	-30%
	% of farms remaining with positive margin	89%	97%	-8%
	% of farms represented	29%	100%	-
	Milk production (tons)	521	568	-8%
Ob	Average 2005 producer price (€/ton of milk)	278	275	1%
Czech	Margin with decoupling of dairy payments (€/ton of milk)	-12	9	-227%
republic	% of reduction of the margin due to the price drop	142%	-179%	-
	FNVA /AWU (€/AWU)	10.658	10.228	4%
	% of farms remaining with positive margin	66%	72%	-8%
	% of farms represented	4%	100%	-
	Milk production (tons)	216	233	-7%
	Average 2005 producer price (€/ton of milk)	216	233	-7%
Poland	Margin with decoupling of dairy payments (€/ton of milk)	100	116	-13%
	% of reduction of the margin due to the price drop	-13%	-12%	-
	FNVA /AWU (€/AWU)	2.494	6.862	-64%
	% of farms remaining with positive margin	82%	98%	-16%
	% of farms represented	44%	100%	-
	Milk production (tons)	870	855	2%
	Average 2005 producer price (€/ton of milk)	245	250	-2%
Slovakia	Margin with decoupling of dairy payments (€/ton of milk)	-27	-14	95%
	% of reduction of the margin due to the price drop	51%	101%	-
	FNVA /AWU (€/AWU)	4.941	5.428	-9%
	% of farms remaining with positive margin	nd	44%	nd
	% of farms represented	74%	100%	-
	Milk production (tons)	59	70	-15%
	Average 2005 producer price (€/ton of milk)	254	257	-1%
Slovenia	Margin with decoupling of dairy payments (€/ton of milk)	114	120	-5%
	% of reduction of the margin due to the price drop	-13%	-12%	-
	FNVA /AWU (€/AWU)	3.691	4.056	-9%
1	% of farms remaining with positive margin	97%	95%	3%

-20

-30

$\label{eq:milk-limit} \textbf{Milk-Impact on milk margins of a price reduction-Complements on mountain/non-mountain areas}$

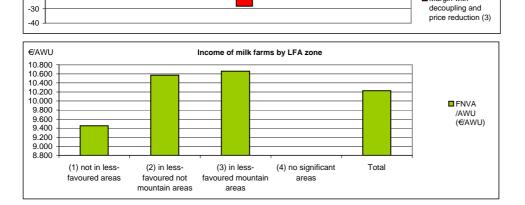
Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

2005

Margins over variable costs

With decoupling of the dairy payments (as from 2007 onwards)

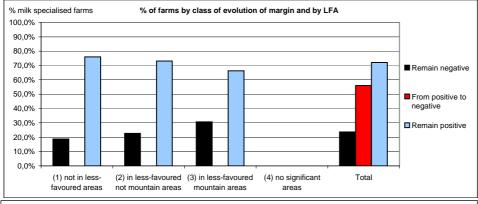
				LFA zones		
CZECH REPUBLIC	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total
Representati	Sample farms	60	71	51		1
veness	Farms represented	459	538	401		1.3
(2005)	% of farms represented	33%	38%	29%		100
	Forage area (ha)	121	177	205		1
Structural	Dairy cows (LU)	86	90	96		
information	Total labour (AWU)	10,55	10,36	10,61		10
(2005)	Milk yield (kg/cow)	6.764	6.570	5.400		6.2
	Milk production (tons)	581	591	521		
	Average 2005 producer price	275	273	278		- 1
	Receipts 2005	275	273	278		
	Receipts with decoupling of dairy payments	275	273	278		2
	Receipts with decoupling or dairy payments Receipts with decoupling and price reduction	259	257	261		
	Feed costs	88	82	84		-
Maille and annia	Other specific costs	14	18	17		
Milk margin information	Farming overheads	82	93	97		
(€/ton of	Wages	67	71	92		
milk)	Variable costs	251	263	290		
mik)		251	10	-12		
	Margin 2005 (1)	25	10	-12 -12		
	Margin with decoupling of dairy payments (2) Margin with decoupling and price reduction (3)	8	-6	-12		
	((3)-(1))/(1)	-67%	-165%	142%		-17
	((3)-(1))/(1) ((3)-(2))/(2)	-67%	-165%	142%		-17
	11-7-1-77-1-7					
Income	% of 2005 total milk margin in FNVA	14%	5%	-5%		,
(2005)	FNVA (€)	99.741	109.511	113.034		107.3
(2003)	FNVA /AWU (€/AWU)	9.454	10.572	10.658		10.2
	Total direct payments (EU & national)	47.259	67.091	76.762		63.3
	% Direct payments /FNVA	47%	61%	68%		5
Direct	Environmental payments	2.000	7.223	9.477		6.
payments	% Environmental payments /FNVA	2%	7%	8%		40
(2005) (€)	Less-Favoured Areas payments	2.548	12.932	25.771		13.
	% LFA payments /FNVA	3%	12%	23%		1
	Other dairy subsidies (national)	0	0	0		
	% Other dairy subsidies /FNVA	0%	0%	0%		
€/ton of milk	Evolution of m	ilk margin by LFA	A zone		■ Margin	2005 (1)
0 (1)	not in less- (2) in less-favoured (3 in less-favoured areas not mountain areas mountain areas			Tota	■ Margin decoupl paymen	ing of dair

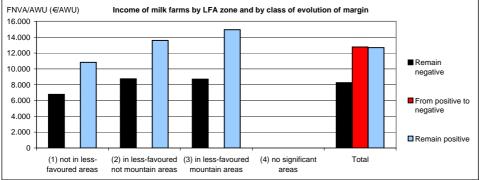


■ Margin with

The classes compare the margins with decoupling of the dairy payments to the margins with decoupling and price drop. nd: not displayed (confidentiality rule, less than 15 farms in the cell).

Remain positive Farms represented 349 393 266 1.008 Margin 2005 (1) 76 76 70 75 Margin with decoupling of dairy payments (2) 76 76 70 Margin with decoupling and price reduction (3) 59 60 54 ((3)-(2))/(2) 2-21% -22% -24% -22% FNVA /AWU (€/AWU) 10.812 13.594 14.954 12.686 Total Sample farms 60 71 51 182 Margin 2005 (1) 25 10 -12 9 Margin with decoupling of dairy payments (2) 25 10 -12 9 Margin with decoupling of dairy payments (2) 25 10 -12 9 Margin with decoupling of dairy payments (2) 25 10 -12 9 Margin with decoupling of dairy payments (2) 25 10 -12 9 Margin with decoupling of dairy payments (2) 25 10 -12 9 Margin with decoupling of dairy payments (LFA zones					
Farms represented 86 122 123 331 Margin 2005 (1)	evolution of	Variables	favoured	favoured not mountain	favoured mountain	significant	Total	
Farms represented 86 122 123 331 Margin 2005 (1)		Sample farms	17	24	24	1	65	
Remain negative Margin 2005 (1) -40 -36 -69 Margin with decoupling of dairy payments (2) -40 -36 -69 Margin with decoupling and price reduction (3) -57 -52 -86 ((3)-(2))/(2) 42% 45% 24% FNVA /AWU (€/AWU) 6.777 8.745 8.700 Sample farms nd nd nd Farms represented nd nd nd Margin 2005 (1) nd nd nd Margin with decoupling of dairy payments (2) nd nd nd Margin with decoupling and price reduction (3) nd nd nd ((3)-(2))/(2) nd nd nd nd Farms represented 349 393 266 1.006 Margin with decoupling of dairy payments (2) 76 76 70 Margin with decoupling of dairy payments (2) 76 76 70 Margin with decoupling of dairy payments (2) 22% -24% Margin with decoupling and price reduction (3)		<u> </u>						
Remain negative Margin with decoupling of dairy payments (2) -40 -36 -69 -47					_			
Margin with decoupling and price reduction (3) -57 -52 -86 -65								
((3)-(2))/(2)	negative							
Sample farms		0 1 0 1						
Sample farms								
From positive to negative Remain positive Remain positive Sample farms Sample far		TIVA/AWO (GAWO)	0.777	0.743	0.700		0.230	
Margin 2005 (1) Nargin with decoupling of dairy payments (2) Nargin with decoupling and price reduction (3) Nargin with decoupling of dairy payments (2) Nargin with decoupling of dairy payments (2) Nargin with decoupling and price reduction (3) Nargin with decoupling of dairy payments (2) Nargin with decoupling and price reduction (3) Nargin with decoupling of dairy payments (2) Nargin with decoupling of dairy payments (3) Nargin with decoupling of dairy payments (4) Nargin with decoupling of dairy payments (4) Nargin with decoupling of dairy payments (5) Nargin with decoupling of dairy payments (6) Nargin with decoupling of dairy payments (7) Nargin with decoupling of dairy payments (8) Nargin with d		Sample farms	nd	nd	nd		15	
Margin 2005 (1) Ndargin with decoupling of dairy payments (2) Ndargin with decoupling and price reduction (3) Ndargin with decoupling of dairy payments (2) Ndargin with decoupling of dairy payments (2) Ndargin with decoupling and price reduction (3) Ndargin with decoupling and pri		Farms represented	nd	nd	nd		60	
Margin with decoupling of dairy payments (2) nd nd nd nd nd nd nd n	From		nd	nd	nd		9	
Margin with decoupling and price reduction (3) nd nd nd nd -178% Remain positive Sample farms 36 43 23 102 Remain positive Farms represented 349 393 266 1.006 Margin with decoupling of dairy payments (2) 76 76 70 75 Margin with decoupling and price reduction (3) 59 60 54 55 ((3)-(2))/(2) -21% -22% -24% -22% FNVA /AWU (€/AWU) 10.812 13.594 14.954 12.686 Sample farms 60 71 51 182 Farms represented 459 538 401 1.396 Margin with decoupling of dairy payments (2) 25 10 -12 5 Margin with decoupling and price reduction (3) 8 6 -28 -7 Margin with decoupling and price reduction (3) 8 6 -28 -7 Margin with decoupling and price reduction (3) 8 6 -28 -7	positive to	U 17	nd	nd	nd		9	
Remain positive Sample farms 36 43 23 102 103 104 105	negative		nd	nd	nd		-7	
Sample farms 36 43 23 102	-	((3)-(2))/(2)	nd	nd	nd		-178%	
Sample farms 36 43 23 102			nd	nd	nd			
Remain positive Farms represented 349 393 266 1.008 Margin 2005 (1) 76 76 70 75 Margin with decoupling of dairy payments (2) 76 76 70 75 Margin with decoupling and price reduction (3) 59 60 54 58 ((3)-(2))/(2) 2-21% -22% -24% -222% FNVA /AWU (€/AWU) 10.812 13.594 14.954 12.686 Total Sample farms 60 71 51 182 Margin 2005 (1) 25 10 -12 9 Margin with decoupling of dairy payments (2) 25 10 -12 9 Margin with decoupling of dairy payments (2) 25 10 -12 9 Margin with decoupling of dairy payments (2) 25 10 -12 9 Margin with decoupling of dairy payments (2) 25 10 -12 9 Margin with decoupling of dairy payments (2) 25 10 -12 9 M				1				
Remain positive Margin 2005 (1) 76 76 70 75 Margin with decoupling of dairy payments (2) 76 76 70 75 Margin with decoupling and price reduction (3) 59 60 54 55 ((3)-(2))/(2) -21% -22% -24% -22% FNVA /AWU (€/AWU) 10.812 13.594 14.954 12.686 Total Margin error sepresented 459 538 401 1.399 Margin with decoupling of dairy payments (2) 25 10 -12 5 Margin with decoupling of dairy payments (2) 25 10 -12 5 Margin with decoupling of dairy payments (2) 25 10 -12 5 Margin with decoupling of dairy payments (2) 25 10 -12 5 Margin with decoupling of dairy payments (2) 25 10 -12 5 Margin with decoupling of dairy payments (2) 25 10 -12 5 Margin with decoupling of dairy payments (2) 25 10		Sample farms	36	43	23		102	
Remain positive Margin with decoupling of dairy payments (2) 76 76 70 75 75 75 75 76 70 75 75 75 75 75 75 75 85 58 58 58 58 58 58 58 52 52 52 52 52 53 14.954<		Farms represented	349	393	266		1.008	
Margin with decoupling of dairy payments (2) 76 76 70 75	Damaia	Margin 2005 (1)	76	76	70		75	
Margin with decoupling and price reduction (3) 59 60 54 ((3)-(2))/(2) -21% -22% -24% FNVA /AWU (€/AWU) 10.812 13.594 14.954 12.686 Sample farms 60 71 51 Farms represented 459 538 401 Margin 2005 (1) 25 10 -12 Margin with decoupling of dairy payments (2) 25 10 -12 Margin with decoupling and price reduction (3) 8 -6 -28 ((3)-(2))/(2) -67% -165% 142% -179% FNVA /AWU (€/AWU) 9.454 10.572 10.658 10.226 % of farms remaining with negative margin 18,7% 22,7% 30,7% % of farms switching from positive to negative nd nd nd nd 56%		Margin with decoupling of dairy payments (2)	76	76	70		75	
Sample farms 60 71 51 182 13.594 14.954	positive	Margin with decoupling and price reduction (3)	59	60	54		58	
Sample farms 60 71 51 182 Farms represented 459 538 401 1.399 Margin 2005 (1) 25 10 -12 9 Margin with decoupling of dairy payments (2) 25 10 -12 9 Margin with decoupling and price reduction (3) 8 -6 -28 -1 ((3)-(2))/(2) -67% -165% 142% -179% FNVA /AWU (€/AWU) 9.454 10.572 10.658 10.226 % of farms remaining with negative margin 18,7% 22,7% 30,7% 24% % of farms switching from positive to negative nd nd nd 56%		((3)-(2))/(2)	-21%	-22%	-24%		-22%	
Farms represented 459 538 401 1.395		FNVA /AWU (€/AWU)	10.812	13.594	14.954		12.686	
Farms represented 459 538 401 1.395 Margin 2005 (1) 25 10 -12 Margin with decoupling of dairy payments (2) 25 10 -12 Margin with decoupling and price reduction (3) 8 -6 -28 ((3)-(2))/(2) -67% -165% 142% -179% FNVA /AWU (€/AWU) 9.454 10.572 10.658 10.225 % of farms remaining with negative margin 18,7% 22,7% 30,7% % of farms switching from positive to negative nd nd nd 56% **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling of dairy payments (2) 25 10 -12 **Total Margin with decoupling						ì		
Margin 2005 (1) 25 10 -12 5 Total Margin with decoupling of dairy payments (2) 25 10 -12 5 Margin with decoupling and price reduction (3) 8 -6 -28 -7 ((3)-(2))/(2) -67% -165% 142% -179% FNVA /AWU (€/AWU) 9.454 10.572 10.658 10.228 % of farms remaining with negative margin 18,7% 22,7% 30,7% 24% % of farms switching from positive to negative nd nd nd 56%		· ·			_			
Total Margin with decoupling of dairy payments (2) 25 10 -12					_			
Margin with decoupling and price reduction (3) 8 -6 -28 -1								
((3)-(2))/(2)	Total							
FNVA /AWU (€/AWU) 9.454 10.572 10.658 10.228		0 1 0 1 1 7		_				
% of farms remaining with negative margin 18,7% 22,7% 30,7% 24% of farms switching from positive to negative nd nd nd 56%			_					
% of farms switching from positive to negative nd nd nd 56%		FNVA /AWU (€/AWU)	9.454	10.572	10.658		10.228	
% of farms switching from positive to negative nd nd nd 56%		% of farms remaining with negative margin	18 7%	22 7%	30.7%		24%	
		% of farms remaining with positive margin			66%		72%	





Milk - Impact on milk margins of a price reduction - Complements on mountain / non-mountain areas

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

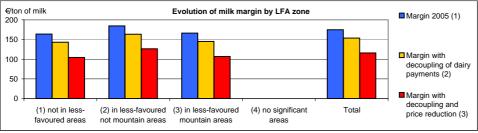
Basis 2005

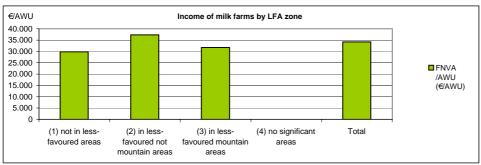
Margins over variable costs

With decoupling of the dairy payments (as from 2007 onwards)

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

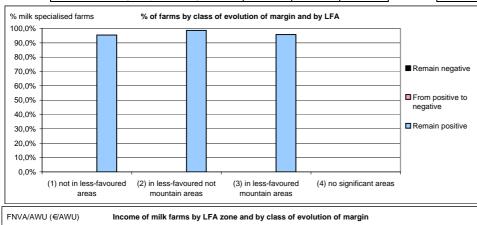
				LFA zones		
SPAIN	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total
Renresentati	Sample farms	131	283	268		682
veness	Farms represented	3.751	10.427	4.574		18.752
(2005)	% of farms represented	20%	56%	24%		100%
	Forage area (ha)	15	18	23		19
Structural	Dairy cows (LU)	39	34	43		38
information	Total labour (AWU)	1,63	1,41	1,67		1,52
(2005)	Milk yield (kg/cow)	6.379	6.021	6.373		6.195
	Milk production (tons)	249	208	276		233
	Average 2005 producer price	315	304	313		309
	Receipts 2005	336	326	334		330
	Receipts with decoupling of dairy payments	315	304	313		309
	Receipts with decoupling and price reduction	277	267	275		271
	Feed costs	109	102	113		107
Milk margin	Other specific costs	22	14	18		17
information	Farming overheads	40	23	32		29
(€/ton of	Wages	2	3	4		3
milk)	Variable costs	172	141	168		155
,	Margin 2005 (1)	164	185	166		175
	Margin with decoupling of dairy payments (2)	143	163	145		154
	Margin with decoupling and price reduction (3)	105	126	107		116
	((3)-(1))/(1)	-36%	-32%	-36%		-34%
	((3)-(2))/(2)	-27%	-23%	-26%		-25%
	Lover Cooper and a service in EAU.	0.40/	700/	070/		700/
Income	% of 2005 total milk margin in FNVA	84% 48.695	73% 52.601	87% 52.950		78% 51.904
(2005)	FNVA (€) FNVA /AWU (€/AWU)	29.801	37.346	31.729		34.213
	i i i i i i i i i i i i i i i i i i i	20.001	01.040	0120		04.210
	Total direct payments (EU & national)	8.369	8.845	9.093		8.811
	% Direct payments /FNVA	17%	17%	17%		17%
Direct	Environmental payments	0	12	51		19
	% Environmental payments /FNVA	0%	0%	0%		0%
payments	Less-Favoured Areas payments	0	275	429		257
(2005) (€)	% LFA payments /FNVA	0%	1%	1%		0%
	Other dairy subsidies (national)	2	74	30		49
	% Other dairy subsidies /FNVA	0%	0%	0%		0%

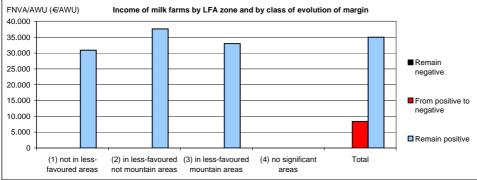




The classes compare the margins with decoupling of the dairy payments to the margins with decoupling and price drop.

		(2) in less-	(0) : !		
Variables	(1) not in less favoured areas	favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total
	.				
le farms	nd	nd	nd		nd
s represented	nd	nd	nd		nd
n 2005 (1)	nd	nd	nd		nd
n with decoupling of dairy payments (2)	nd	nd	nd		nd
n with decoupling and price reduction (3)	nd	nd	nd		nd
2))/(2)	nd	nd	nd		nd
. /AWU (€/AWU)	nd	nd	nd		nd
le farms	Ind	nd	nd		
s represented	nd	nd	nd		,
n 2005 (1)	nd	nd	nd		
n with decoupling of dairy payments (2)	nd	nd	nd		
n with decoupling and price reduction (3)	nd	nd	nd		
2))/(2)	nd	nd	nd		-28
./AWU (€/AWU)	nd	nd	nd		8.
le farms	126	278	254		
s represented	3.580	10.285	4.378		18.
n 2005 (1)	169	185	173		
n with decoupling of dairy payments (2)	148	164	152		
n with decoupling and price reduction (3)	110	127	114		
2))/(2)	-26%	-23%	-25%		-2
./AWU (€/AWU)	30.906	37.626	32.948		34.
le farms	131	283	268		
s represented	3,751	10.427	4.574		18.
•	164	10.427	166		10
n 2005 (1)	143				
n with decoupling of dairy payments (2)		163	145		
n with decoupling and price reduction (3)	105	126	107		
2))/(2)	-27%	-23%	-26%		-2
./AWU (€/AWU)	29.801	37.346	31.729		34.
farms remaining with negative margin	nd	nd	nd		nd
farms switching from positive to negative	nd	nd	nd		
farms remaining with positive margin	95%	99%	96%		9
/AW farms	U (€/AWU) s remaining with negative margin s switching from positive to negative s remaining with positive margin	U (€/AWU) 29.801 s remaining with negative margin nd s switching from positive to negative nd s remaining with positive margin 95%	U (€/AWU) 29.801 37.346 s remaining with negative margin s switching from positive to negative s remaining with positive margin 95% 99%	U (€/AWU) 29.801 37.346 31.729 3 remaining with negative margin s witching from positive to negative nd nd nd nd nd nd s remaining with positive margin 95% 99% 96%	U (€/AWU) 29.801 37.346 31.729 s remaining with negative margin nd nd nd s witching from positive to negative nd nd nd





Milk - Impact on milk margins of a price reduction - Complements on mountain / non-mountain areas

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

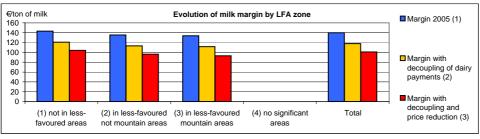
Basis 2005

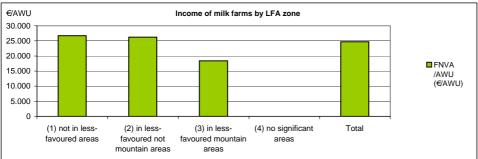
Margins over variable costs

With decoupling of the dairy payments (as from 2007 onwards)

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

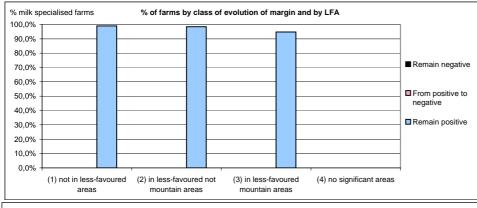
				LFA zones		
France	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total
Donrocentoti	Sample farms	618	240	286		1,144
veness	Farms represented	36.422	9.149	15.051		60.622
(2005)	% of farms represented	60%	15%	25%		100%
(2000)	70 OI Taims represented	0070	1370	25/0		1007
	Forage area (ha)	49	69	60		5
Structural	Dairy cows (LU)	44	47	37		4:
information	Total labour (AWU)	1.77	1.72	1,64		1.7
(2005)	Milk yield (kg/cow)	6.762	6.401	5.731		6.48
	Milk production (tons)	299	302	213		27
		1				
	Average 2005 producer price	296	300	327		30
	Receipts 2005	318	322	348		32
	Receipts with decoupling of dairy payments	295	300	326		30
	Receipts with decoupling and price reduction	279	283	308		28
	Feed costs	71	78	88		7
Milk margin	Other specific costs	11	12	15		1
information	Farming overheads	89	91	108		9
(€/ton of	Wages	4	4	4		
milk)	Variable costs	175	186	215		18
	Margin 2005 (1)	143	135	134		14
	Margin with decoupling of dairy payments (2)	121	113	112		11
	Margin with decoupling and price reduction (3)	104	96	93		10
	((3)-(1))/(1)	-27%	-29%	-30%		-289
	((3)-(2))/(2)	-14%	-15%	-16%		-14%
		ı				
Income	% of 2005 total milk margin in FNVA	90%	91%	94%		919
(2005)	FNVA (€)	47.430	45.039	30.256		42.80
	FNVA /AWU (€/AWU)	26.740	26.259	18.402		24.70
	Total disease as weeks (FLL 9 actions)	24.052	20, 420	20.475		24.00
	Total direct payments (EU & national)	24.653	28.426	22.175		24.60
	% Direct payments /FNVA Environmental payments	52% 1.132	63% 2.530	73 %		57% 1.84
Direct	% Environmental payments /FNVA	1.132	2.530	3.131 10 %		1.84
payments	Less-Favoured Areas payments	2%	1.019	7.900		2.11
(2005) (€)	1 7	0%	1.019	7.900 26%		Z.11 5%
	% LFA payments /FNVA Other dairy subsidies (national)	0%	2%	26%		5%
	, , ,		Ü	0%		0%
	% Other dairy subsidies /FNVA	0%	0%	0%		0%

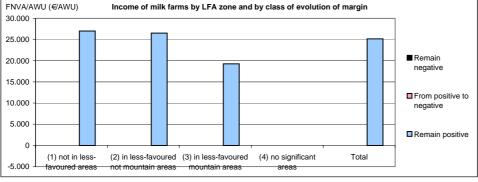




The classes compare the margins with decoupling of the dairy payments to the margins with decoupling and price drop. nd: not displayed (confidentiality rule, less than 15 farms in the cell).

				LFA zones		
Class of evolution of margin	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total
	Sample farms	Ind	nd	nd		
	Farms represented	nd	nd	nd		
	Margin 2005 (1)	nd	nd	nd		
Remain	Margin with decoupling of dairy payments (2)	nd	nd	nd		
negative	Margin with decoupling and price reduction (3)	nd	nd	nd		
	((3)-(2))/(2)	nd	nd	nd		5
	FNVA /AWU (€/AWU)	nd	nd	nd		
		1	1	1		
	Sample farms	nd	nd	nd		nd
	Farms represented	nd	nd	nd		nd
From	Margin 2005 (1)	nd	nd	nd		nd
positive to	Margin with decoupling of dairy payments (2)	nd	nd	nd		nd
negative	Margin with decoupling and price reduction (3)	nd	nd	nd		nd
	((3)-(2))/(2)	nd	nd	nd		nd
	FNVA /AWU (€/AWU)	nd	nd	nd		nd
	Sample farms	612	237	272		1.
	Farms represented	36.072	9.007	14.261		59.
Remain	Margin 2005 (1)	144	136	140		
positive	Margin with decoupling of dairy payments (2)	121	114	118		
poomro	Margin with decoupling and price reduction (3)	105	97	99		
	((3)-(2))/(2)	-14%	-15%	-16%		-1
	FNVA /AWU (€/AWU)	26.997	26.531	19.266		25.
	Sample farms	618	240	286		1.
	Farms represented	36,422	9.149	15.051		60.
	Margin 2005 (1)	143	135	134		
Total	Margin with decoupling of dairy payments (2)	121	113	112		
Total	Margin with decoupling of daily payments (2)	104	96			
	((3)-(2))/(2)	-14%	-15%	-16%		-1
	FNVA /AWU (€/AWU)	26.740	26,259	18.402		24.
	I IVA/AVO (GAVO)	20.740	20.239	10.402		24.
	% of farms remaining with negative margin	nd	nd	nd		
	% of farms switching from positive to negative	nd	nd	nd		nd
	% of farms remaining with positive margin	99%	98%	95%		9





Milk - Impact on milk margins of a price reduction - Complements on mountain / non-mountain areas

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

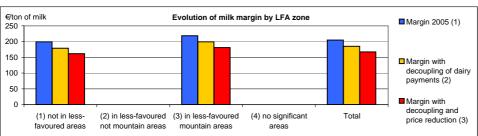
Basis 2005

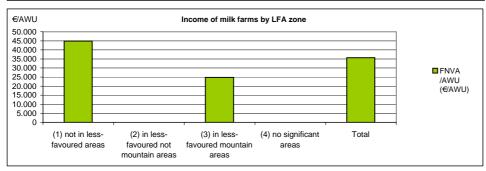
Margins over variable costs

With decoupling of the dairy payments (as from 2007 onwards)

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

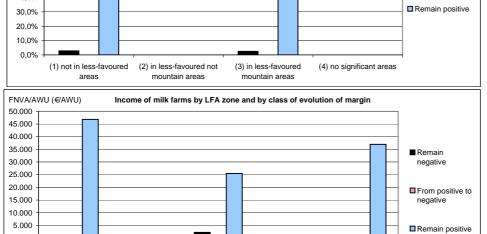
		LFA zones					
France	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total	
epresentati	Sample farms	571	1	773	ſ	1.3	
veness	Farms represented	12.671		15.309		27.9	
(2005)	% of farms represented	45%		55%	-	100	
(====)	// C. Talme Topicosmou	.070	J	0070	L	,,,,	
	Forage area (ha)	23]	25	ſ		
Structural	Dairy cows (LU)	67		29			
nformation	Total labour (AWU)	2,55		1,78		2	
(2005)	Milk yield (kg/cow)	6.931		5.512	•	6.4	
	Milk production (tons)	467		159		2	
			1		г		
	Average 2005 producer price	378		404		;	
	Receipts 2005	397		422		4	
	Receipts with decoupling of dairy payments	377		403		;	
	Receipts with decoupling and price reduction	359		385			
	Feed costs	126		136			
Milk margin	Other specific costs	15		13			
nformation	Farming overheads	42		45			
(€/ton of	Wages	15		11			
milk)	Variable costs	198		204		:	
	Margin 2005 (1)	199		218		:	
	Margin with decoupling of dairy payments (2)	179		199			
	Margin with decoupling and price reduction (3)	162		181			
	((3)-(1))/(1)	-19%		-17%		-1	
	((3)-(2))/(2)	-10%		-9%		-1	
	% of 2005 total milk margin in FNVA	81%	1	79%	ı	8	
Income	FNVA (€)	114.707		44.210		76.	
(2005)	FNVA /AWU (€/AWU)	44.899		24.839	-	35.	
	in i	11.000	ı	2	L		
	Total direct payments (EU & national)	23.180	1	8,661		15.	
	% Direct payments /FNVA	20%	1	20%	ļ	2	
	Environmental payments	813	1	1.424	ļ	1.	
Direct	% Environmental payments /FNVA	1%	1	3%	ļ		
payments	Less-Favoured Areas payments	133	1	1.374	ŀ		
(2005) (€)	% LFA payments /FNVA	0%	1	3%	ŀ		
	Other dairy subsidies (national)	0,0	1	0	ŀ		
	% Other dairy subsidies /FNVA	0%		0%	•		
		*			•		
€/ton of milk	Evolution of m						





are the margins with decoupling of the dairy payments to the margins with decoupling and price dro

			LFA zones				
Class of evolution of margin	f Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total	
	Sample farms	16]	29			
	Farms represented	360		330		-	
	Margin 2005 (1)	-26		-21			
Remain	Margin with decoupling of dairy payments (2)	-46		-44			
negative	Margin with decoupling and price reduction (3)	-62		-61			
	((3)-(2))/(2)	33%		38%		3,	
	FNVA /AWU (€/AWU)	562		2.192		1.1	
	[Titorimus (Gritte)	002	l	2.102			
	Sample farms	nd		nd		nd	
	Farms represented	nd		nd		nd	
From	Margin 2005 (1)	nd		nd		nd	
positive to	Margin with decoupling of dairy payments (2)	nd		nd		nd	
negative	Margin with decoupling and price reduction (3)	nd		nd		nd	
	((3)-(2))/(2)	nd		nd		nd	
	FNVA /AWU (€/AWU)	nd		nd		nd	
	T		1				
	Sample farms	550		736		1.2	
	Farms represented	12.101		14.790		26.8	
Remain	Margin 2005 (1)	206		223		- 2	
positive	Margin with decoupling of dairy payments (2)	185		204		1	
poomro	Margin with decoupling and price reduction (3)	168		185		1	
	((3)-(2))/(2)	-9%		-9%		-:	
	FNVA /AWU (€/AWU)	46.857		25.462		36.9	
	Sample farms	571	1	773		1.3	
	Farms represented	12.671		15.309		27.9	
	Margin 2005 (1)	199		218		27.5	
Total	Margin with decoupling of dairy payments (2)	179		199			
Total		162		181		-	
	Margin with decoupling and price reduction (3)	-10%	ł	-9%		-10	
	((3)-(2))/(2)						
	FNVA /AWU (€/AWU)	44.899]	24.839		35.7	
	% of farms remaining with negative margin	2,8%		2,5%		2,	
	% of farms switching from positive to negative	nd		nd		nd	
	% of farms remaining with positive margin	96%		96%		90	
% milk spec	cialised farms	olution of margi	n and by I FA				
100,0% —	,	g-			_		
90,0%					_		
80,0%							
70,0%					Remai	in negative	
60,0%						-	
50,0%					From I	positive to	
40,0%					negati		
					_		
					Remai	in positive	
30,0%					■ Remai	in positive	



Total

(2) in less-favoured (3) in less-favoured (4) no significant

mountain areas

areas

not mountain areas

0

(1) not in less-

favoured areas

Milk - Impact on milk margins of a price reduction - Complements on mountain / non-mountain areas

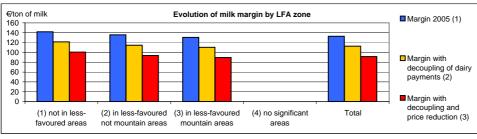
Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

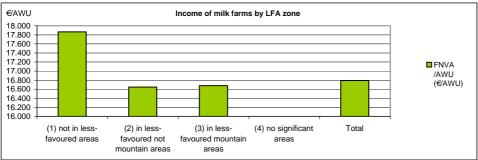
Basis 2005

Margins over variable costs

With decoupling of the dairy payments (as from 2007 onwards)

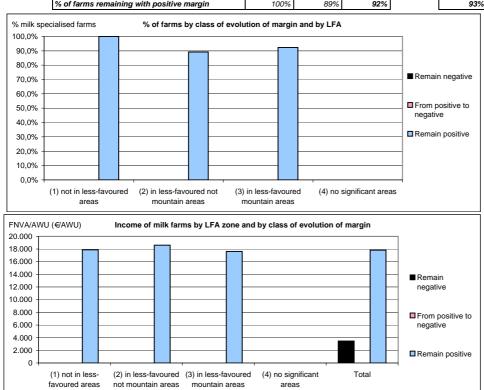
			LFA zones					
AUSTRIA	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total		
Dannanatati	Sample farms	63	108	392		560		
veness	Farms represented	1.854	3,244	12.826		17.924		
(2005)	% of farms represented	1.654	18%	72%		100%		
(2003)	% of farms represented	10%	10%	12%		1007		
	Forage area (ha)	19	19	30		2		
Structural	Dairy cows (LU)	22	19	17		1		
	Total labour (AWU)	1.66	1.69	1,68		1.6		
(2005)	Milk yield (kg/cow)	6.312	6.445	6.458		6.43		
,,	Milk production (tons)	139	124	110		11		
	The production (terre)							
	Average 2005 producer price	290	290	290		29		
	Receipts 2005	311	311	310		31		
	Receipts with decoupling of dairy payments	290	290	290		29		
	Receipts with decoupling and price reduction	269	269	269		26		
	Feed costs	63	64	68		6		
Milk margin	Other specific costs	16	17	19		1		
information	Farming overheads	88	93	90		9		
(€/ton of	Wages	3	1	2				
milk)	Variable costs	169	176	180		17		
	Margin 2005 (1)	142	136	130		13		
	Margin with decoupling of dairy payments (2)	121	115	110		11		
	Margin with decoupling and price reduction (3)	100	94	89		9		
	((3)-(1))/(1)	-29%	-31%	-32%		-31%		
	((3)-(2))/(2)	-17%	-18%	-19%		-19%		
						-		
Income	% of 2005 total milk margin in FNVA	67%	60%	51%		55%		
(2005)	FNVA (€)	29.602	28.192	27.963		28.17		
, ,	FNVA /AWU (€/AWU)	17.867	16.645	16.677		16.79		
	Total direct payments (EU & national)	16.430	17.951	19,669		19.02		
	% Direct payments /FNVA	56%	64%	70%		19.02 68 %		
	Environmental payments	5.838	6.087	7.592		7.13		
Direct	% Environmental payments /FNVA	20%	22%	27%		25%		
payments	Less-Favoured Areas payments	0	2.562	4.567		3.73		
(2005) (€)	% LFA payments /FNVA	0%	9%	16%		13%		
	Other dairy subsidies (national)	0,8	0	10%		13/		
	% Other dairy subsidies (Hational)	0%	0%	0%		0%		





The classes compare the margins with decoupling of the dairy payments to the margins with decoupling and price drop.

				LFA zones		
Class of evolution of margin	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total
	Sample farms	Ind	nd	nd	Ī	1
	Farms represented	nd	nd	nd	ŀ	87
	Margin 2005 (1)	nd	nd	nd	-	
Remain	Margin with decoupling of dairy payments (2)	nd	nd	nd	-	-3
negative	Margin with decoupling or daily payments (2)	nd	nd	nd	-	
	((3)-(2))/(2)	nd	nd	nd	-	66
	FNVA /AWU (€/AWU)	nd	nd	nd	-	3.45
	I WA AWO (GAWO)	na	IIG	IIu	L	0.40
	Sample farms	nd	nd	nd		nd
	Farms represented	nd	nd	nd	ľ	nd
From	Margin 2005 (1)	nd	nd	nd	H	nd
positive to	Margin with decoupling of dairy payments (2)	nd	nd	nd	H	nd
negative	Margin with decoupling and price reduction (3)	nd	nd	nd	<u> </u>	nd
3	((3)-(2))/(2)	nd	nd	nd		nd
	FNVA /AWU (€/AWU)	nd	nd	nd		nd
	,					
	Sample farms	63	104	375		54
	Farms represented	1.854	2.892	11.838		16.58
Remain	Margin 2005 (1)	142	143	136		13
	Margin with decoupling of dairy payments (2)	121	122	115		11
positive	Margin with decoupling and price reduction (3)	100	101	94		(
	((3)-(2))/(2)	-17%	-17%	-18%		-18
	FNVA /AWU (€/AWU)	17.867	18.621	17.634		17.83
	T-				r	
	Sample farms	63	108	392	•	56
	Farms represented	1.854 142	3.244	12.826	-	17.92
Tatal	Margin 2005 (1)		136	130	-	13
Total	Margin with decoupling of dairy payments (2)	121	115	110	-	11
	Margin with decoupling and price reduction (3)	100	94	89	-	400
	((3)-(2))/(2) FNVA /AWU (€/AWU)	-17%	-18%	-19%	-	-199
	FNVA /AWU (€/AWU)	17.867	16.645	16.677		16.79
	% of farms remaining with negative margin	nd	nd	nd	ſ	4,9
	% of farms switching from positive to negative	nd	nd	nd		nd
	% of farms remaining with positive margin	100%	89%	92%		939
% milk spec	cialised farms % of farms by class of evol	ution of margi	n and by LFA			
			_			
90,0%					\dashv	
80,0%					\dashv	
70,0%					Remain	negative
60.0%						



$\label{eq:milk-limit} \textbf{Milk-Impact on milk margins of a price reduction-Complements on mountain/non-mountain areas}$

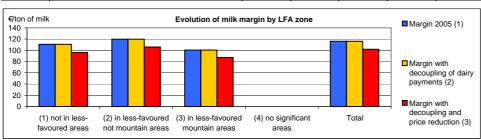
Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

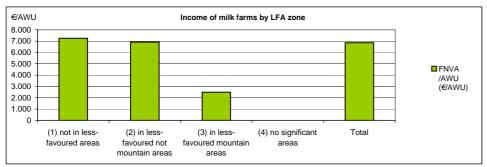
Basis 2005

Margins over variable costs

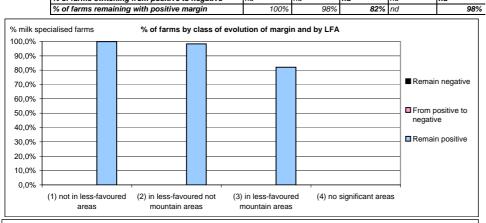
With decoupling of the dairy payments (as from 2007 onwards)

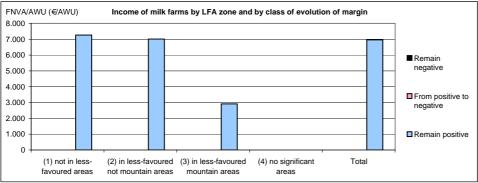
			LFA zones					
POLAND	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total		
Renresentati	Sample farms	565	1.323	18	nd	1.908		
veness	Farms represented	27.688	59.460	3.895		91.126		
(2005)	% of farms represented	30%	65%	4%		100%		
					•			
	Forage area (ha)	12	13	10	nd	1;		
Structural	Dairy cows (LU)	16	14	7	nd	14		
information	Total labour (AWU)	1,99	1,81	1,60	nd	1,86		
(2005)	Milk yield (kg/cow)	5.696	4.961	3.847	nd	5.188		
	Milk production (tons)	92	70	28	nd	75		
	Average 2005 producer price	237	232	216	nd	233		
	Receipts 2005	237	232	216	nd	233		
	Receipts with decoupling of dairy payments	237	232	216	nd	233		
	Receipts with decoupling and price reduction	223	217	203	nd	219		
	Feed costs	64	62	49	nd	62		
Milk margin	Other specific costs	11	9	10	nd	10		
information	Farming overheads	42	39	56	nd	40		
(€/ton of	Wages	9	2	0	nd	į		
milk)	Variable costs	127	112	115	nd	117		
	Margin 2005 (1)	111	120	100	nd	116		
	Margin with decoupling of dairy payments (2)	111	120	100	nd	110		
	Margin with decoupling and price reduction (3)	96	106	87	nd	102		
	((3)-(1))/(1)	-13%	-12%	-13%	nd	-12%		
	((3)-(2))/(2)	-13%	-12%	-13%	nd	-12%		
Income	% of 2005 total milk margin in FNVA	70%	67%	71%		68%		
(2005)	FNVA (€)	14.453	12.502	3.989		12.732		
	FNVA /AWU (€/AWU)	7.252	6.914	2.494	nd	6.862		
	Total direct payments (EU & national)	3.362	4.242	2.589	nd	3.903		
	% Direct payments /FNVA	23%	34%	65%		31%		
	Environmental payments	15	5	113		1:		
Direct	% Environmental payments /FNVA	0%	0%	3%		0%		
payments	Less-Favoured Areas payments	0,0	752	458		510		
(2005) (€)	% LFA payments /FNVA	0%	6%	11%		4%		
	Other dairy subsidies (national)	0,0	0,0		nd	7/		
	% Other dairy subsidies (FNVA	0%	0%	0%		0%		





	ayed (confidentiality fule, less than 15 farms in the cell).			LFA zones		
Class of evolution of margin	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total
	To and to an	La			1	La
	Sample farms	nd	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd	nd
Remain	Margin 2005 (1)	nd	nd	nd	nd	nd
negative	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd	nd
•	Margin with decoupling and price reduction (3)	nd	nd	nd	nd	nd
	((3)-(2))/(2)	nd	nd	nd	nd	nd
	FNVA /AWU (€/AWU)	nd	nd	nd	nd	nd
	Completence	nd	a a	la a	nd	1
	Sample farms		nd	nd		nd
F	Farms represented	nd	nd	nd	nd	nd
From	Margin 2005 (1)	nd	nd	nd	nd	nd
positive to	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd	nd
negative	Margin with decoupling and price reduction (3)	nd	nd	nd	nd	nd
	((3)-(2))/(2)	nd	nd	nd	nd	nd
	FNVA /AWU (€/AWU)	nd	nd	nd	nd	nd
	Sample farms	563	1,310	16	nd	1.89
	Farms represented	27,666	58.494	3.197		89.44
	Margin 2005 (1)	113	121	110	nd	118
Remain	Margin with decoupling of dairy payments (2)	113	121	110		118
positive	Margin with decoupling and price reduction (3)	98	107		nd	10-
	((3)-(2))/(2)	-13%	-12%	-12%		-12%
	FNVA /AWU (€/AWU)	7.257	7.007	2.915		6.95
	Sample farms	565	1.323	18	nd	1.90
	Farms represented	27.688	59.460	3.895	nd	91.12
	Margin 2005 (1)	111	120	100	nd	110
Total	Margin with decoupling of dairy payments (2)	111	120	100	nd	110
	Margin with decoupling and price reduction (3)	96	106	87	nd	103
	((3)-(2))/(2)	-13%	-12%	-13%	nd	-12%
	FNVA /AWU (€/AWU)	7.252	6.914	2.494	nd	6.86
	% of farms remaining with negative margin	nd	nd	nd	nd	nd
	% of farms switching from positive to negative	nd	nd	nd	nd	nd





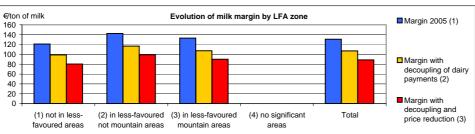
Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

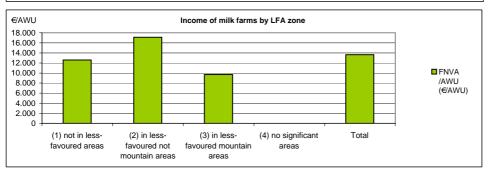
Basis 2005

Margins over variable costs

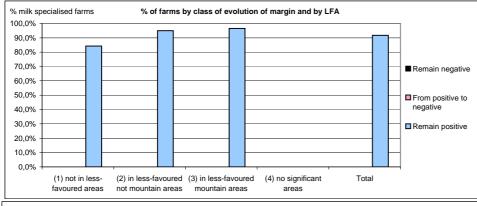
With decoupling of the dairy payments (as from 2007 onwards)

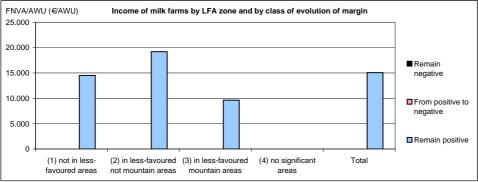
			LFA zones					
Portugal	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total		
Representati	Sample farms	73	107	52		232		
veness	Farms represented	1,329	1.773	906		4.007		
(2005)	% of farms represented	33%	44%	23%		100%		
(2000)	70 or rains represented	0070	4470	2070		10070		
	Forage area (ha)	9	26	16		18		
Structural	Dairy cows (LU)	37	30	18		29		
information	Total labour (AWU)	2,40	1,59	1,86		1,92		
(2005)	Milk yield (kg/cow)	7.361	5.323	5.811		6.234		
. ,	Milk production (tons)	270	158	105		183		
	Average 2005 producer price	307	292	288		299		
	Receipts 2005	329	317	314		322		
	Receipts with decoupling of dairy payments	307	292	288		299		
	Receipts with decoupling and price reduction	288	274	271		28		
	Feed costs	123	106	118		116		
Milk margin	Other specific costs	30	14	19		22		
information	Farming overheads	45	44	38		43		
(€/ton of	Wages	11	10	6		10		
milk)	Variable costs	208	175	181		192		
	Margin 2005 (1)	121	142	133		13 ⁻		
	Margin with decoupling of dairy payments (2)	99	117	107		107		
	Margin with decoupling and price reduction (3)	80	99	90		89		
	((3)-(1))/(1)	-34%	-30%	-32%		-32%		
	((3)-(2))/(2)	-19%	-15%	-16%		-17%		
Income	% of 2005 total milk margin in FNVA	108%	83%	77%		92%		
(2005)	FNVA (€)	30.267	27.268	18.035		26.17		
(2003)	FNVA /AWU (€/AWU)	12.606	17.116	9.710		13.628		
	Total direct payments (EU & national)	9.368	11.761	7.195		9.936		
	% Direct payments /FNVA	31%	43%	40%		38%		
	Environmental payments	74	2.804	500		1.378		
Direct	% Environmental payments /FNVA	0%	10%	3%		5%		
payments	Less-Favoured Areas payments	0	2.758	2.327		1.746		
(2005) (€)	% LFA payments /FNVA	0%	10%	13%		7%		
	Other dairy subsidies (national)	0,0	0	0		7/		
	% Other dairy subsidies /FNVA	0%	0%	0%		0%		





		LFA zones				
Class of evolution of margin	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total
	To	т.	1 .		ì	
	Sample farms	nd	nd	nd		nd
	Farms represented	nd	nd	nd		nd
Remain	Margin 2005 (1)	nd	nd	nd		nd
negative	Margin with decoupling of dairy payments (2)	nd	nd	nd		nd
3	Margin with decoupling and price reduction (3)	nd	nd	nd		nd
	((3)-(2))/(2)	nd	nd	nd		nd
	FNVA /AWU (€/AWU)	nd	nd	nd		nd
	T-				i	
	Sample farms	nd	nd	nd		nd
	Farms represented	nd	nd	nd		nd
From	Margin 2005 (1)	nd	nd	nd		nd
positive to	Margin with decoupling of dairy payments (2)	nd	nd	nd		nd
negative	Margin with decoupling and price reduction (3)	nd	nd	nd		nd
	((3)-(2))/(2)	nd	nd	nd		nd
	FNVA /AWU (€/AWU)	nd	nd	nd		nd
					_	
	Sample farms	62	103	49		21
	Farms represented	1.120	1.683	875		3.67
Remain	Margin 2005 (1)	135	139	137		13
positive	Margin with decoupling of dairy payments (2)	114	118	112		11
positive	Margin with decoupling and price reduction (3)	95	104	94		9
	((3)-(2))/(2)	-16%	-12%	-15%		-14%
	FNVA /AWU (€/AWU)	14.494	19.210	9.641		15.07
					-	
	Sample farms	73		52		23
	Farms represented	1.329	1.773	906		4.00
	Margin 2005 (1)	121	142	133		13
Total	Margin with decoupling of dairy payments (2)	99	117	107		10
	Margin with decoupling and price reduction (3)	80	99	90		8
	((3)-(2))/(2)	-19%	-15%	-16%		-17%
	FNVA /AWU (€/AWU)	12.606	17.116	9.710		13.62
					1	
	% of farms remaining with negative margin	nd	nd	nd		nd
	% of farms switching from positive to negative	nd	nd	nd		nd
	% of farms remaining with positive margin	84%	95%	97%		92%





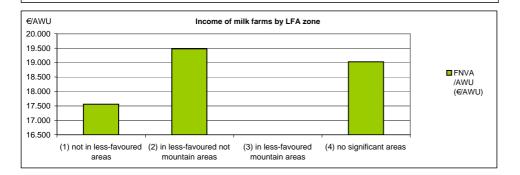
$\label{eq:milk-limit} \textbf{Milk-Impact on milk margins of a price reduction-Complements on mountain/non-mountain areas}$

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

Margins over variable costs

With decoupling of the dairy payments (as from 2007 onwards)

			LFA zones					
FINLAND	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total		
Representati	Sample farms		85	284		30		
veness	Farms represented		3.290	11.048		14.33		
(2005)	% of farms represented		23%	77%		100		
	Forage area (ha)		26	30	1	2		
Structural	Dairy cows (LU)		27	24		2		
information	Total labour (AWU)		2,13	2,09		2,1		
(2005)	Milk yield (kg/cow)		8.468	8.279		8.32		
	Milk production (tons)		227	199		20		
	Average 2005 producer price		224	220	i	20		
	Average 2005 producer price Receipts 2005		324 393	328 443		32		
	Receipts 2005 Receipts with decoupling of dairy payments		393	443		40		
	Receipts with decoupling or dairy payments Receipts with decoupling and price reduction		351	403		38		
	Feed costs		96	106		10		
Milk margin	Other specific costs		28	29		2		
information	Farming overheads		117	121		12		
L	Wages		11	13		1		
milk)	Variable costs		252	270		26		
	Margin 2005 (1)		140	174		16		
	Margin with decoupling of dairy payments (2)		117	152		14		
	Margin with decoupling and price reduction (3)		98	133		12		
	((3)-(1))/(1)		-30%	-23%		-259		
	((3)-(2))/(2)		-16%	-13%		-139		
	% of 2005 total milk margin in FNVA		85%	85%	ĺ	859		
Income	FNVA (€)		37.458	40.801		40.03		
(2005)	FNVA /AWU (€/AWU)		17.561	19.479		19.03		
	Total direct payments (EU & national)		48.931	52.943		52.02		
	% Direct payments /FNVA		131%	130%		1309		
Direct	Environmental payments		9.408	6.640		7.27		
payments	% Environmental payments /FNVA		25%	16%		189		
(2005) (€)	Less-Favoured Areas payments		14.067	13.169		13.37		
	% LFA payments /FNVA Other dairy subsidies (national)		38% 10.288	32% 18.512		33 9		
	% Other dairy subsidies /FNVA		27%	45%		429		
	, , , , , , , , , , , , , , , , , , ,	<u></u>						
€/ton of milk	Evolution	of milk margin by LF/	A zone		■ Margin :	2005 (1)		
150					paymen	ing of dairy ts (2) with		
(1) n	ot in less-favoured (2) in less-favoured not areas mountain areas	(3) in less-favoured mountain areas	(4) no sig	nificant areas	decoupl price re	ing and duction (3)		



				LFA zones		
Class of evolution of margin	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total
		_				
	Sample farms		nd	nd		nd
	Farms represented	_	nd nd	nd nd		nd
Remain	Margin 2005 (1) Margin with decoupling of dairy payments (2)	_	nd	nd		nd nd
negative	Margin with decoupling of daily payments (2)	_	nd	nd		nd
	((3)-(2))/(2)		nd	nd		nd
	FNVA /AWU (€/AWU)		nd	nd		nd
		_				
	Sample farms		nd	nd		nd
_	Farms represented		nd	nd		nd
From	Margin 2005 (1)		nd	nd		nd
positive to	Margin with decoupling of dairy payments (2)		nd	nd		nd
negative	Margin with decoupling and price reduction (3)	_	nd nd	nd nd		nd nd
	((3)-(2))/(2) FNVA /AWU (€/AWU)	-	nd nd	nd		nd
	111111111111111111111111111111111111111		na .	na		iiu
	Sample farms		78	275		3
	Farms represented		2.937	10.596		13.5
Remain	Margin 2005 (1)		150	179		1
positive	Margin with decoupling of dairy payments (2)	_	127	158		1
poomito	Margin with decoupling and price reduction (3)		108	139		1
	((3)-(2))/(2) FNVA /AWU (€/AWU)	_	-15% 19.389	-12% 20.194		-13
	I NVA/AWO (GAWO)		19.309	20.194		20.0
	Sample farms		85	284		3
	Farms represented		3.290	11.048		14.3
	Margin 2005 (1)		140	174		1
Total	Margin with decoupling of dairy payments (2)		117	152		1
				100		1
	Margin with decoupling and price reduction (3)		98	133		
	Margin with decoupling and price reduction (3) ((3)-(2))/(2)		-16%	-13%		-13
	Margin with decoupling and price reduction (3)					-13
	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU)		-16%	-13%		
	Margin with decoupling and price reduction (3) ((3)-(2))/(2)]]	-16% 17.561	-13 % 19.479		-13
	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin		-16% 17.561	-13% 19.479		-13 19.0 nd nd
	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin	blution of margin	-16% 17.561 nd nd 89%	-13% 19.479 nd nd 96%		-13 19.0 nd nd
% milk spec	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative	blution of margi	-16% 17.561 nd nd 89%	-13% 19.479 nd nd 96%		-1: 19.0 nd nd
% milk spec	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin	blution of margi	-16% 17.561 nd nd 89%	-13% 19.479 nd nd 96%		-13 19.0 nd nd
% milk spec 100,0% 90,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin	blution of margi	-16% 17.561 nd nd 89%	-13% 19.479 nd nd 96%		-13 19.0 nd nd
% milk spec	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin	olution of margi	-16% 17.561 nd nd 89%	-13% 19.479 nd nd 96%		-1: 19.0 nd nd
% milk spec 100,0% 90,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin	blution of margi	-16% 17.561 nd nd 89%	-13% 19.479 nd nd 96%	■Remai	-13 19.0 nd nd
% milk spec 100,0% 90,0% 80,0% 70,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin	olution of margi	-16% 17.561 nd nd 89%	-13% 19.479 nd nd 96%	■ Remai	-13 19.0 nd nd 94
% milk spec 100,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin	olution of margi	-16% 17.561 nd nd 89%	-13% 19.479 nd nd 96%	_	nd nd 9.
% milk spec 100,0% 90,0% 80,0% 70,0% 60,0% 50,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin	Dilution of margi	-16% 17.561 nd nd 89%	-13% 19.479 nd nd 96%	_	n negative to
% milk spec 100,0% — 90,0% — 80,0% — 70,0% — 60,0% —	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin	Dlution of margi	-16% 17.561 nd nd 89%	-13% 19.479 nd nd 96%	■ From p	nd nd 94
% milk spec 100,0% — 90,0% — 80,0% — 70,0% — 60,0% —	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin	blution of margi	-16% 17.561 nd nd 89%	-13% 19.479 nd nd 96%	■ From p	nd nd 94
% milk spec 100,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin	olution of margi	-16% 17.561 nd nd 89%	-13% 19.479 nd nd 96%	■ From p	nd nd 94
% milk spec 100,0% — 90,0% — 80,0% — 60,0% — 50,0% — 40,0% — 20,0% —	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin	blution of margi	-16% 17.561 nd nd 89%	-13% 19.479 nd nd 96%	■ From p	nd nd 94
% milk spec 100,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin	olution of margi	-16% 17.561 nd nd 89%	-13% 19.479 nd nd 96%	■ From p	nd nd 94
% milk spec 100,0%	Margin with decoupling and price reduction (3) (((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin italised farms % of farms by class of every 1) not in less-favoured (2) in less-favoured not	3) in less-favour	-16% 17.561 nd nd 89% n and by LFA	-13% 19.479 nd nd 96%	□ From p negativ	nd nd 94
% milk spec 100,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin idalised farms % of farms by class of evo		-16% 17.561 nd nd 89% n and by LFA	-13% 19.479 Ind Ind 96%	□ From p negativ	nd nd g,
% milk spec 100,0% — 90,0% — 80,0% — 70,0% — 60,0% — 30,0% — 20,0% — 0,0% —	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin italised farms % of farms by class of evo	3) in less-favour mountain areas	-16% 17.561 Ind Ind Ind Ind Ind Ind Ind Ind Ind In	-13% 19.479 nd nd 96%	□ From p negativ	nd nd 9.
% milk spec 100,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin italised farms % of farms by class of evo	3) in less-favour mountain areas	-16% 17.561 Ind Ind Ind Ind Ind Ind Ind Ind Ind In	-13% 19.479 nd nd 96%	□ From p negativ	nd nd 9.
% milk spec 100,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin italised farms % of farms by class of evo	3) in less-favour mountain areas	-16% 17.561 Ind Ind Ind Ind Ind Ind Ind Ind Ind In	-13% 19.479 nd nd 96%	□ From p negativ	nd nd g
% milk spec 100,0% 90,0% 80,0% 60,0% 50,0% 10,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin italised farms % of farms by class of evo	3) in less-favour mountain areas	-16% 17.561 Ind Ind Ind Ind Ind Ind Ind Ind Ind In	-13% 19.479 nd nd 96%	□ From p negativ	nd nd 9.
% milk spec 100,0% 90,0% 80,0% 60,0% 50,0% 10,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin italised farms % of farms by class of evo	3) in less-favour mountain areas	-16% 17.561 Ind Ind Ind Ind Ind Ind Ind Ind Ind In	-13% 19.479 nd nd 96%	□ From p negativ	n negative to ve
% milk spec 100,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin italised farms % of farms by class of evo	3) in less-favour mountain areas	-16% 17.561 Ind Ind Ind Ind Ind Ind Ind Ind Ind In	-13% 19.479 nd nd 96%	□ From p negativ □ Remai	nd nd nd g. n negative to ye n positive to
% milk spec 100,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin italised farms % of farms by class of evo	3) in less-favour mountain areas	-16% 17.561 Ind Ind Ind Ind Ind Ind Ind Ind Ind In	-13% 19.479 nd nd 96%	□ From p negative Remai	nd nd nd g. n negative to ye n positive to
% milk spec 100,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin italised farms % of farms by class of evo	3) in less-favour mountain areas	-16% 17.561 Ind Ind Ind Ind Ind Ind Ind Ind Ind In	-13% 19.479 nd nd 96%	□ From p negative Remains	nd nd nd g. n negative to ye n positive to ye in positive to ye in positive
% milk spec 100,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin italised farms % of farms by class of evo	3) in less-favour mountain areas	-16% 17.561 Ind Ind Ind Ind Ind Ind Ind Ind Ind In	-13% 19.479 nd nd 96%	□ From p negative Remains	n negative n negative to n positive to positive to positive to positive to n positive n positive to n positive to n positive n positive n p positive to n p p n p n p n p n n p n p n n p n
% milk spec 100,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin italised farms % of farms by class of evo	3) in less-favour mountain areas	-16% 17.561 Ind Ind Ind Ind Ind Ind Ind Ind Ind In	-13% 19.479 nd nd 96%	□ From p negative Remains	n negative n negative to n positive to positive to positive to positive to n positive n positive to n positive to n positive n positive n p positive to n p p n p n p n p n n p n p n n p n
% milk spec 100,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin italised farms % of farms by class of evo	3) in less-favour mountain areas	-16% 17.561 nd nd 89% n and by LFA	-13% 19.479 nd nd 96%	□ From p negative Remains	n negative to ye no positive to ve
% milk spec 100,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin italised farms % of farms by class of evo	3) in less-favour mountain areas	-16% 17.561 nd nd 89% n and by LFA	-13% 19.479 nd nd 96%	□ From p negative Remains	n negative n negative to n positive to positive to positive to positive to n positive to n positive to n positive to positive to positive to n positive to positive to n positive to posit
% milk spec 100,0%	Margin with decoupling and price reduction (3) ((3)-(2))/(2) FNVA /AWU (€/AWU) % of farms remaining with negative margin % of farms switching from positive to negative % of farms remaining with positive margin italised farms % of farms by class of evo	3) in less-favour mountain areas	-16% 17.561 nd nd 89% n and by LFA	-13% 19.479 nd nd 96%	□ From p negative Remains	n negative n negative to n positive to ve

Milk - Impact on milk margins of a price reduction - Complements on mountain / non-mountain areas

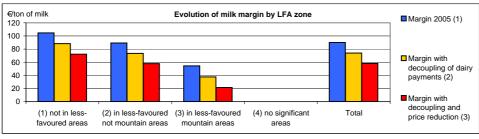
Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

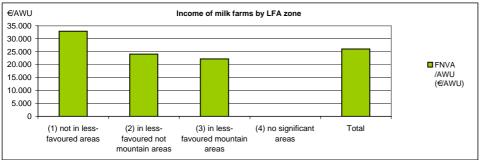
Basis 2005

Margins over variable costs

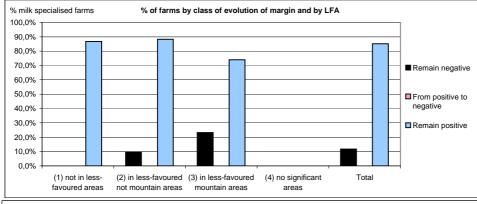
With decoupling of the dairy payments (as from 2007 onwards)

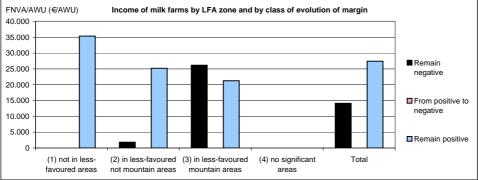
				LFA zones		
SWEDEN	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total
Danasastati	Sample farms	79	194	85	Ī	358
veness	Farms represented	1.887	4.253	1.413		7.553
(2005)	% of farms represented	25%	56%	1.413		100%
(2003)	% or farms represented	23/6	30%	1970		10070
	Forage area (ha)	68	67	80		70
Structural	Dairy cows (LU)	58	46	33		47
information	Total labour (AWU)	2,13	2,08	1,81		2,04
(2005)	Milk yield (kg/cow)	7.874	7.836	7.111		7.753
, ,	Milk production (tons)	459	363	232		363
	, , , , , , , , , , , , , , , , , , , ,				ı	
	Average 2005 producer price	330	321	330		325
	Receipts 2005	346	337	347		341
	Receipts with decoupling of dairy payments	330	321	330		325
	Receipts with decoupling and price reduction	313	305	314		309
	Feed costs	95	94	110		96
Milk margin	Other specific costs	16	18	25		18
information	Farming overheads	103	107	130		108
(€/ton of	Wages	27	28	28		28
milk)	Variable costs	241	247	292		251
	Margin 2005 (1)	105	89	54		90
	Margin with decoupling of dairy payments (2)	88	73	38		74
	Margin with decoupling and price reduction (3)	72	58	22		58
	((3)-(1))/(1)	-31%	-35%	-60%		-36%
	((3)-(2))/(2)	-18%	-21%	-43%		-22%
	% of 2005 total milk margin in FNVA	69%	65%	31%		61%
Income	FNVA (€)	70.112	50.106	40.165		53.245
(2005)	FNVA /AWU (€/AWU)	32.897	24.056	22.213		26.054
			1	1	ī	
	Total direct payments (EU & national)	37.631	37.770	59.426		41.786
	% Direct payments /FNVA	54%	75%	148%		78%
Direct	Environmental payments	8.489	9.064	13.513		9.752
payments	% Environmental payments /FNVA	12%	18%	34%		18%
(2005) (€)	Less-Favoured Areas payments	103	3.927	10.968		4.289
(2000) (0)	% LFA payments /FNVA	0%	8%	27%		8%
	Other dairy subsidies (national)	0	0	0		(
	% Other dairy subsidies /FNVA	0%	0%	0%		0%





		LFA zones					
Class of evolution of margin	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total	
_	1-						
	Sample farms	nd	21	20		49	
	Farms represented	nd	405	328		887	
Remain	Margin 2005 (1)	nd	-29	-10		-14	
negative	Margin with decoupling of dairy payments (2)	nd	-46			-32	
ogaro	Margin with decoupling and price reduction (3)	nd	-62	-43		-47	
	((3)-(2))/(2)	nd	35%	60%		51%	
	FNVA /AWU (€/AWU)	nd	1.823	26.125		14.116	
	Sample farms	nd	nd	nd		nd	
	Farms represented	nd	nd	nd		nd	
From	Margin 2005 (1)	nd	nd	nd		nd	
positive to	Margin with decoupling of dairy payments (2)	nd	nd	nd		nd	
negative	Margin with decoupling and price reduction (3)	nd	nd	nd		nd	
	((3)-(2))/(2)	nd	nd	nd		nd	
	FNVA /AWU (€/AWU)	nd	nd	nd		nd	
		•	•				
	Sample farms	67	169	63		299	
	Farms represented	1.636	3.753	1.046		6.436	
	Margin 2005 (1)	118	99	79		103	
Remain	Margin with decoupling of dairy payments (2)	102	83	62		87	
positive	Margin with decoupling and price reduction (3)	85	68	46		71	
	((3)-(2))/(2)	-16%	-19%	-26%		-18%	
	FNVA /AWU (€/AWU)	35,356	25.177	21.233		27,422	
	,					l	
	Sample farms	79	194	85		358	
	Farms represented	1.887	4,253	1.413		7.553	
	Margin 2005 (1)	105	89			90	
Total	Margin with decoupling of dairy payments (2)	88	73			74	
	Margin with decoupling and price reduction (3)	72	58			58	
	((3)-(2))/(2)	-18%	-21%	-43%		-22%	
	FNVA /AWU (€/AWU)	32.897	24.056			26.054	
1		02.007	2			20.00	
	% of farms remaining with negative margin	nd	9,5%	23,2%		11,7%	
	% of farms switching from positive to negative	nd	nd	nd		nd	
	% of farms remaining with positive margin	87%	88%	74%		85%	





$\label{eq:milk-limit} \textbf{Milk-Impact on milk margins of a price reduction-Complements on mountain/non-mountain areas}$

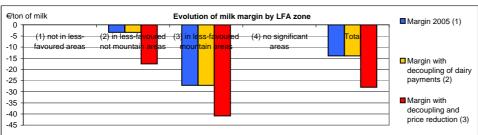
Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

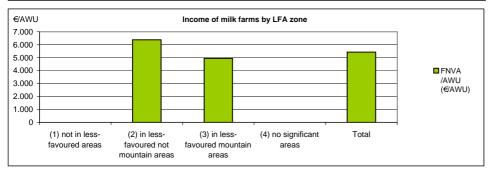
Basis 2005

Margins over variable costs

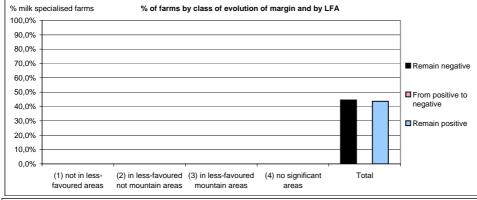
With decoupling of the dairy payments (as from 2007 onwards)

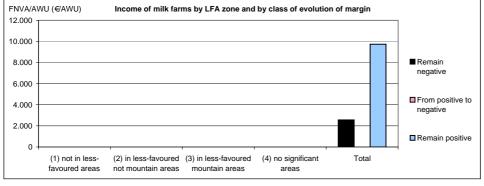
				LFA zones		
SLOVAKIA	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total
Dannanantati	Comple forms	nd	16	20	Г	
Representati	·	nd	78	101	-	2
veness (2005)	Farms represented	nd	34%	44%	-	
(2005)	% of farms represented	na	34%	44%		100
	Forage area (ha)	nd	499	569	Γ	4
Structural information (2005)	Dairy cows (LU)	nd	157	167		
	Total labour (AWU)	nd	22,38	26,03		20
	Milk yield (kg/cow)	nd	6.499	5.198		6.0
	Milk production (tons)	nd	1.021	870		8
	IA	la a	054	0.45	F	
	Average 2005 producer price	nd	251	245	-	- :
	Receipts 2005	nd .	251	245	-	
	Receipts with decoupling of dairy payments	nd .	251	245	-	
	Receipts with decoupling and price reduction	nd	237	231	F	
	Feed costs	nd	79	77	L	
Milk margin	Other specific costs	nd	26	29	L	
information	Farming overheads	nd	80	83	L	
(€/ton of	Wages	nd	68	82	L	
milk)	Variable costs	nd	254	272	L	
	Margin 2005 (1)	nd	-3	-27	L	
	Margin with decoupling of dairy payments (2)	nd	-3	-27		
	Margin with decoupling and price reduction (3)	nd	-17	-41		
	((3)-(1))/(1)	nd	419%	51%		10
	((3)-(2))/(2)	nd	419%	51%		10
	% of 2005 total milk margin in FNVA	nd	-2%	-18%	F	-1
Income	FNVA (€)	nd nd	142.880	128.646	+	109.
(2005)	FNVA /AWU (€/AWU)	nd	6.383	4.941	-	5.
		1000	0.000		_	
	Total direct payments (EU & national)	nd	125.540	147.571		111.
	% Direct payments /FNVA	nd	88%	115%		10
Direct	Environmental payments	nd	21.229	21.080	Ī	16.
payments	% Environmental payments /FNVA	nd	15%	16%	Ī	1
(2005) (€)	Less-Favoured Areas payments	nd	50.086	73.949	Ī	50.
(2003) (C)	% LFA payments /FNVA	nd	35%	57%	Ī	4
	Other dairy subsidies (national)	nd	0	0	Ī	
	% Other dairy subsidies /FNVA	nd	0%	0%		





		LFA zones					
Class of evolution of margin	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total	
	Sample farms	nd	nd	nd	İ		
	Farms represented	nd	nd	nd		1	
	Margin 2005 (1)	nd	nd	nd		-	
Remain	Margin with decoupling of dairy payments (2)	nd	nd	nd			
negative	Margin with decoupling of dairy payments (2)	nd	nd	nd			
	((3)-(2))/(2)	nd	nd	nd		20	
	[(3)-(2))/(2) FNVA /AWU (€/AWU)	nd				2.5	
	FNVA/AWO (EAWO)	na	nd	nd	l	2.5	
	Sample farms	Ind	nd	nd	l	nd	
	Farms represented	nd	nd	nd		nd	
From	Margin 2005 (1)	nd	nd	nd		nd	
positive to	Margin with decoupling of dairy payments (2)	nd	nd	nd		nd	
negative	Margin with decoupling and price reduction (3)	nd	nd	nd		nd	
	((3)-(2))/(2)	nd	nd	nd		nd	
	FNVA /AWU (€/AWU)	nd	nd	nd		nd	
		•			1		
	Sample farms	nd	nd	nd	ĺ		
	Farms represented	nd	nd	nd			
Remain	Margin 2005 (1)	nd	nd	nd	Ì		
positive	Margin with decoupling of dairy payments (2)	nd	nd	nd			
positive	Margin with decoupling and price reduction (3)	nd	nd	nd			
	((3)-(2))/(2)	nd	nd	nd		-35	
	FNVA /AWU (€/AWU)	nd	nd	nd		9.7	
	1-		1	1	1		
	Sample farms	nd	16				
	Farms represented	nd	78				
	Margin 2005 (1)	nd	-3				
Total	Margin with decoupling of dairy payments (2)	nd	-3	-27			
	Margin with decoupling and price reduction (3)	nd	-17	-41	1		
	((3)-(2))/(2)	nd	419%	51%	1	101	
	FNVA /AWU (€/AWU)	nd	6.383	4.941		5.4	
					I		
	% of farms remaining with negative margin	nd	nd	Ind			
	% of farms remaining with negative margin % of farms switching from positive to negative	nd nd	nd nd	nd nd		44,5 nd	





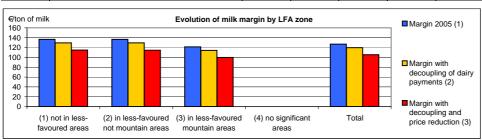
Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

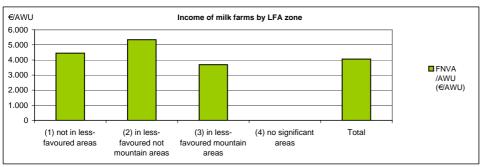
Basis 2005

Margins over variable costs

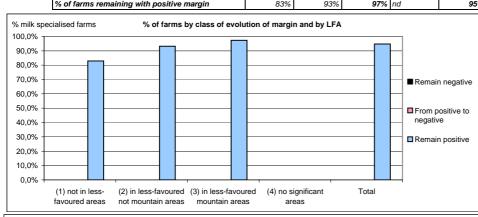
With decoupling of the dairy payments (as from 2007 onwards)

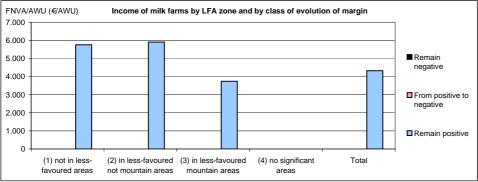
				LFA zones		
SLOVENIA	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total
Representati	Sample farms	50	37	134	Ind	225
veness	Farms represented	991	760	5.037		6.840
(2005)	% of farms represented	14%	11%	74%		100%
(====)	7. C. Halling Top. Coolings	, , ,	,0	, , ,	1.70	70070
	Forage area (ha)	12	14	12	nd	12
Structural	Dairy cows (LU)	18	17	11	nd	13
information	Total labour (AWU)	2,21	2,22	1,91	nd	2,00
(2005)	Milk yield (kg/cow)	5.574	5.502	5.278	nd	5.368
	Milk production (tons)	100	96	59	nd	70
		•		•	•	•
	Average 2005 producer price	261	265	254	nd	257
	Receipts 2005	281	283	273	nd	277
	Receipts with decoupling of dairy payments	274	276	266	nd	269
	Receipts with decoupling and price reduction	259	261	251	nd	255
	Feed costs	72	74	64	nd	68
Milk margin	Other specific costs	20	18	21	nd	21
information	Farming overheads	51	53	64	nd	60
(€/ton of	Wages	2	1	2	nd	2
milk)	Variable costs	145	147	152	nd	150
	Margin 2005 (1)	136	136	121	nd	127
	Margin with decoupling of dairy payments (2)	129	129	114	nd	120
	Margin with decoupling and price reduction (3)	115	114	100	nd	105
	((3)-(1))/(1)	-16%	-16%	-18%	nd	-17%
	((3)-(2))/(2)	-11%	-12%	-13%	nd	-12%
	% of 2005 total milk margin in FNVA	140%	110%	102%	n at	109%
Income	% 01 2003 total milk margin in PNVA FNVA (€)	9.817	11.880	7.065		8.101
(2005)	FNVA /AWU (€/AWU)	4.452	5.348	3.691	1	4.056
	FNVA/AWO (ĐAWO)	4.452	5.346	3.091	nu	4.056
	Total direct payments (EU & national)	4.841	7.611	5.358	nd	5.588
	% Direct payments /FNVA	49%	64%	76%		69%
	Environmental payments	504	1.748	1.065	nd	1.090
Direct	% Environmental payments /FNVA	5%	15%	15%		13%
payments	Less-Favoured Areas payments	93	1.360	1.741		1.451
(2005) (€)	% LFA payments /FNVA	1%	11%	25%		18%
	Other dairy subsidies (national)	1,294	1.062	714		848
	% Other dairy subsidies /FNVA	13%	9%	10%		10%





				LFA zones		
Class of evolution of margin	Variables	(1) not in less favoured areas	(2) in less- favoured not mountain areas	(3) in less- favoured mountain areas	(4) no significant areas	Total
	C	la d	l	1	1	1
	Sample farms	nd	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd	nd
Remain	Margin 2005 (1)	nd	nd	nd	nd	nd
negative	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd	nd
Ü	Margin with decoupling and price reduction (3)	nd	nd	nd	nd	nd
	((3)-(2))/(2)	nd	nd	nd	nd	nd
	FNVA /AWU (€/AWU)	nd	nd	nd	nd	nd
	Sample farms	Ind	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd	nd
From	Margin 2005 (1)	nd	nd	nd	nd	nd
positive to	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd	nd
•		1				
negative	Margin with decoupling and price reduction (3)	nd	nd	nd	nd	nd
	((3)-(2))/(2)	nd	nd	nd	nd	nd
	FNVA /AWU (€/AWU)	nd	nd	nd	nd	nd
	Sample farms	48	35	131	Ind	218
	Farms represented	822	708	4.903		6.484
	Margin 2005 (1)	141	146			131
Remain	Margin with decoupling of dairy payments (2)	134	139			124
positive	Margin with decoupling and price reduction (3)	120	124	102		109
	((3)-(2))/(2)	-11%	-11%	-12%		-12%
	FNVA /AWU (€/AWU)	5.759	5.911	3.741		4.326
	,	L.				
	Sample farms	50	37	134	nd	225
	Farms represented	991	760	5.037	nd	6.840
	Margin 2005 (1)	136	136	121	nd	127
Total	Margin with decoupling of dairy payments (2)	129	129	114	nd	120
	Margin with decoupling and price reduction (3)	115	114	100	nd	105
	((3)-(2))/(2)	-11%	-12%	-13%	nd	-12%
	FNVA /AWU (€/AWU)	4.452	5.348	3.691	nd	4.056
	Tax es					
	% of farms remaining with negative margin	nd	nd	nd	nd	nd
	% of farms switching from positive to negative	nd	nd	nd	nd	nd
	% of farms remaining with positive margin	83%	93%	97%	nd	95%





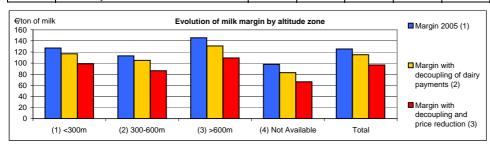
Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

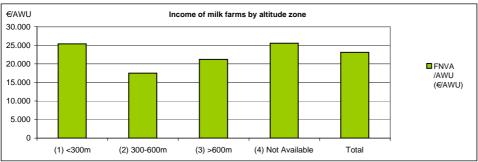
Basis 2005

Margins over variable costs

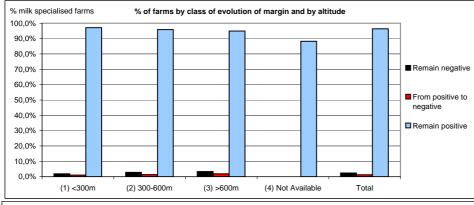
With decoupling of the dairy payments (as from 2007 onwards)

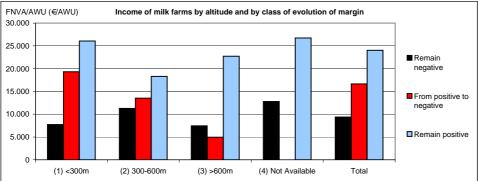
				Altitude zones	5	
EU-25	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total
	Sample farms	7.273	2.732	1.312	351	11.668
veness	Farms represented	255.267	97.505	48.095	7.686	408.554
(2005)	% of farms represented	62%	24%	12%	2%	100%
	Forage area (ha)	38	30	38	63	3.
Structural	Dairy cows (LU)	43	29	29	45	3
information	Total labour (AWU)	1,99	1,90	1,67	2,05	1,9
(2005)	Milk yield (kg/cow)	6.822	6.212	5.992	7.421	6.64
	Milk production (tons)	294	182	174	330	25
	Average 2005 producer price	294	295	316	324	29
	Receipts 2005	307	303	331	339	30
	Receipts with decoupling of dairy payments	297	295	316	324	29
	Receipts with decoupling and price reduction	279	276	294	307	28
	Feed costs	77	81	84	94	7
Milk margin	Other specific costs	20	17	17	17	1
information	Farming overheads	70	78	78	105	7
(€/ton of	Wages	13	13	6	25	1
milk)	Variable costs	180	190	185	241	18
	Margin 2005 (1)	127	113	146	98	12
	Margin with decoupling of dairy payments (2)	117	105	131	83	11
	Margin with decoupling and price reduction (3)	99	86	109	66	9
	((3)-(1))/(1)	-22%	-24%	-25%	-32%	-23%
	((3)-(2))/(2)	-15%	-18%	-17%	-20%	-16%
	% of 2005 total milk margin in FNVA	74%	62%	71%	61%	71%
Income	FNVA (€)	50.529	33,138	35.504	52.499	44.64
(2005)	FNVA /AWU (€/AWU)	25.373	17.482	21.209	25.568	23.10
	Total direct payments (EU & national)	20.087	15.989	16.784	37.584	19.04
	% Direct payments /FNVA	40%	48%	47%	72%	43%
.	Environmental payments	1.424	2.525	4.037	7.943	2.11
Direct	% Environmental payments /FNVA	3%	8%	11%	15%	5%
payments (2005) (€)	Less-Favoured Areas payments	1.324	2.200	4.260	3.853	1.92
(∠005) (€)	% LFA payments /FNVA	3%	7%	12%	7%	4%
	Other dairy subsidies (national)	1.042	49	37	1	66
	% Other dairy subsidies /FNVA	2%	0%	0%	0%	1%

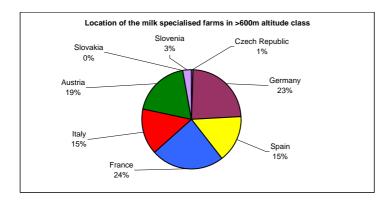




		Altitude zones					
Class of evolution of margin	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total	
	Sample farms	180	133	70	42	42	
	Farms represented	4.667	2.732	1.600	725	9.72	
	Margin 2005 (1)	-38	-32	-36		-3	
Remain	Margin with decoupling of dairy payments (2)	-45	-34	-30 -45	-31	-3	
negative	Margin with decoupling and price reduction (3)	-60	-51	-62	-47	-5	
	((3)-(2))/(2)	33%	49%	39%	52%	40%	
	FNVA /AWU (€/AWU)	7.713	11.269	7.448		9.38	
			11.200	71110	12.707	0.00	
	Sample farms	116	50	20	nd	19	
	Farms represented	2.751	1.296	882	nd	5.11	
From	Margin 2005 (1)	14	11	27	nd	1	
positive to	Margin with decoupling of dairy payments (2)	9	9	14	nd		
negative	Margin with decoupling and price reduction (3)	-8	-9	-6	nd		
	((3)-(2))/(2)	-187%	-209%	-141%	nd	-1949	
	FNVA /AWU (€/AWU)	19.334	13.537	4.938	nd	16.64	
	Sample farms	6.977	2.549	1.222	301	11.04	
	Farms represented	247.849	93.477	45.613	6.780	393.72	
Remain	Margin 2005 (1)	132	128	154	110	13	
positive	Margin with decoupling of dairy payments (2)	121	119	139	96	12	
positive	Margin with decoupling and price reduction (3)	103	100	117	79	10	
	((3)-(2))/(2)	-15%	-16%	-16%	-17%	-15%	
	FNVA /AWU (€/AWU)	26.056	18.288	22.717	26.724	24.01	
	Sample farms	7.273	2.732	1.312	351	11.66	
	Farms represented	255.267	97.505	48.095	7.686	408.55	
	Margin 2005 (1)	127	113	146	98	12	
Total	Margin with decoupling of dairy payments (2)	117	105	131	83	11	
	Margin with decoupling and price reduction (3)	99	86	109	66	9	
	((3)-(2))/(2)	-15%	-18%	-17%	-20%	-169	
	FNVA /AWU (€/AWU)	25.373	17.482	21.209	25.568	23.10	
	04 - 66	1 4 60.1	0.007	0.001	1		
	% of farms remaining with negative margin	1,8%	2,8%	3,3%		2,4%	
	% of farms switching from positive to negative	1,1%	1,3%	1,8%		1,3%	
	% of farms remaining with positive margin	97%	96%	95%	88%	96%	







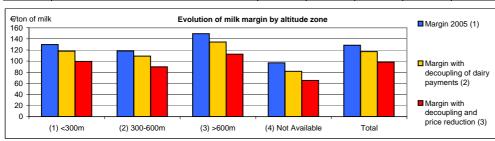
Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

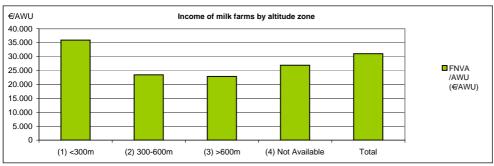
Basis 2005

Margins over variable costs

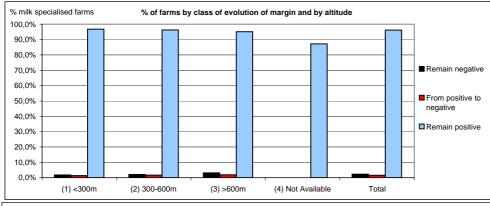
With decoupling of the dairy payments (as from 2007 onwards)

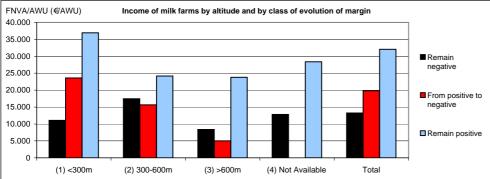
			Altitude zones				
EU-15	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total	
Dannanatati	Sample farms	4.784	2.178	1,219	327	8.508	
veness	Farms represented	164.809	68.976	45.978	7.095	286.857	
(2005)	% of farms represented	57%	24%	45.976 16%	2%	100%	
(2003)	% or rarms represented	37%	24%	10%	270	100%	
	Forage area (ha)	49	35	37	66	44	
Structural	Dairy cows (LU)	58	35	29	46	48	
information	Total labour (AWU)	1,95	1,76	1,58	2,05	1,85	
(2005)	Milk yield (kg/cow)	7.044	6.359	6.030	7.485	6.835	
i	Milk production (tons)	409	221	176	348	325	
	Average 2005 producer price	300	304	318	327	303	
	Receipts 2005	315	312	333	341	317	
	Receipts with decoupling of dairy payments	303	303	318	326	305	
	Receipts with decoupling and price reduction	285	283	296	310	286	
	Feed costs	78	83	85	95	80	
Milk margin	Other specific costs	21	17	17	17	20	
information	Farming overheads	73	82	77	106	76	
(€/ton of	Wages	13	11	4	26	12	
milk)	Variable costs	185	194	184	245	188	
	Margin 2005 (1)	130	118	149	97	129	
	Margin with decoupling of dairy payments (2)	118	109	134	82	117	
	Margin with decoupling and price reduction (3)	100	90	112	65	98	
	((3)-(1))/(1)	-23%	-24%	-25%	-33%	-24%	
	((3)-(2))/(2)	-16%	-18%	-16%	-20%	-16%	
Income	% of 2005 total milk margin in FNVA	76%	64%	73%	61%	73%	
(2005)	FNVA (€)	70.126	41.227	36.036	55.025	57.340	
(====)	FNVA /AWU (€/AWU)	35.924	23.451	22.846	26.901	31.033	
		T					
	Total direct payments (EU & national)	28.213	20.002	16.696	40.134	24.687	
Direct	% Direct payments /FNVA	40%	49%	46%	73%	43%	
	Environmental payments	2.082	3.381	4.081	8.605	2.876	
payments	% Environmental payments /FNVA	3%	8%	11%	16%	5%	
(2005) (€)	Less-Favoured Areas payments	1.637	2.632	4.116	4.126	2.335	
,(,	% LFA payments /FNVA	2%	6%	11%	7%	4%	
	Other dairy subsidies (national)	1.447	2	17	0	835	
	% Other dairy subsidies /FNVA	2%	0%	0%	0%	1%	





				Altitude zone	s	
Class of evolution of margin	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total
	Sample farms	113	67	42	42	264
	Farms represented	2.984	1.427	1.416	725	6.552
Remain	Margin 2005 (1)	-40	-27	-26	-14	-31
negative	Margin with decoupling of dairy payments (2)	-48	-29	-39	-31	-38
negative	Margin with decoupling and price reduction (3)	-63	-46	-58	-47	-55
	((3)-(2))/(2)	32%	61%	47%	52%	43%
	FNVA /AWU (€/AWU)	11.055	17.430	8.385	12.797	13.261
	Sample farms	82	33	18	nd	141
	Farms represented	2,272	1.166	853		4.473
From	Margin 2005 (1)	16	12		nd	16
positive to	Margin with decoupling of dairy payments (2)	10	9	15	nd	10
negative	Margin with decoupling and price reduction (3)	-8	-9	-6	nd	-9
	((3)-(2))/(2)	-186%	-203%	-140%	nd	-191%
	FNVA /AWU (€/AWU)	23.601	15.673	4.995	nd	19.808
	Sample farms	4.589	2.078	1.159	277	8.103
	Farms represented	159.552	66.383	43.709	6.188	275.832
Damaia	Margin 2005 (1)	134	130	155	110	135
Remain positive	Margin with decoupling of dairy payments (2)	123	121	140	95	123
positive	Margin with decoupling and price reduction (3)	104	101	118	78	104
	((3)-(2))/(2)	-15%	-16%	-16%	-18%	-15%
	FNVA /AWU (€/AWU)	36.948	24.139	23.770	28.389	32.077
	To well from	4 704	0.470	4.040	007	0.500
	Sample farms	4.784 164.809	2.178 68.976	1.219 45.978	327 7.095	8.508 286.857
	Farms represented				7.095	
Tatal	Margin 2005 (1)	130	118	149	82	129
Total	Margin with decoupling of dairy payments (2) Margin with decoupling and price reduction (3)	118 100	109 90	134 112	65 65	117 98
	0 1 0 1 17	-16%	-18%	-16%	-20%	-1 6 %
	((3)-(2))/(2) FNVA /AWU (€/AWU)	35.924	23,451	22.846	26.901	31.033
		00.021	20.101	22.010		31.000
	% of farms remaining with negative margin	1,8%	2,1%	3,1%	nd	2,3%
	% of farms switching from positive to negative	1,4%	1,7%	1,9%	nd	1,6%
	% of farms remaining with positive margin	97%	96%	95%	87%	96%





Member State	Variables	> 600 m (D)	Total (B)	((D)-(B))/(B)
	% of farms represented	16%	100%	_
	Milk production (tons)	176	325	-46%
	Average 2005 producer price (€/ton of milk)	318	303	5%
EU-15	Margin with decoupling of dairy payments (€/ton of milk)	134	117	15%
	% of reduction of the margin due to the price drop	-16%	-16%	_
	FNVA /AWU (€/AWU)	22.846	31.033	-26%
	% of farms remaining with positive margin	95%	96%	-1%
	% of farms represented	15%	100%	_
	Milk production (tons)	196	309	-37%
	Average 2005 producer price (€/ton of milk)	301	291	4%
Germany	Margin with decoupling of dairy payments (€/ton of milk)	119	93	29%
,	% of reduction of the margin due to the price drop	-15%	-19%	_
	FNVA /AWU (€/AWU)	23.596	29.468	-20%
	% of farms remaining with positive margin	96%	96%	0%
	% of farms represented	38%	100%	-
	Milk production (tons)	217	233	-7%
	Average 2005 producer price (€/ton of milk)	302	309	-2%
Spain	Margin with decoupling of dairy payments (€/ton of milk)	163	154	6%
	% of reduction of the margin due to the price drop	-23%	-25%	-
	FNVA /AWU (€/AWU)	39.186	34.213	15%
	% of farms remaining with positive margin	98%	97%	1%
	% of farms represented	18%	100%	_
	Milk production (tons)	210	278	-25%
	Average 2005 producer price (€/ton of milk)	329	302	9%
France	Margin with decoupling of dairy payments (€/ton of milk)	116	118	-2%
	% of reduction of the margin due to the price drop	-16%	-14%	-
	FNVA /AWU (€/AWU)	19.569	24.704	-21%
	% of farms remaining with positive margin	95%	98%	-3%
	% of farms represented	25%	100%	-
	Milk production (tons)	111	299	-63%
	Average 2005 producer price (€/ton of milk)	410	385	6%
Italy	Margin with decoupling of dairy payments (€/ton of milk)	187	185	1%
_	% of reduction of the margin due to the price drop	-10%	-10%	-
	FNVA /AWU (€/AWU)	17.142	35.731	-52%
	% of farms remaining with positive margin	96%	96%	0%
	% of farms represented	49%	100%	-
	Milk production (tons)	103	116	-11%
	Average 2005 producer price (€/ton of milk)	293	290	1%
Austria	Margin with decoupling of dairy payments (€/ton of milk)	107	112	-5%
	% of reduction of the margin due to the price drop	-20%	-19%	-
	FNVA /AWU (€/AWU)	16.386	16.793	-2%
	% of farms remaining with positive margin	90%	93%	-2%
	% of farms represented	11%	100%	-
I	Milk production (tons)	130	183	-29%
1	Average 2005 producer price (€/ton of milk)	287	299	-4%
Portugal	Margin with decoupling of dairy payments (€/ton of milk)	115	107	7%
1	% of reduction of the margin due to the price drop	-15%	-17%	-
1	FNVA /AWU (€/AWU)	12.203	13.628	-10%
	% of farms remaining with positive margin	98%	92%	7%

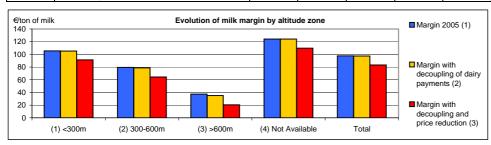
Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

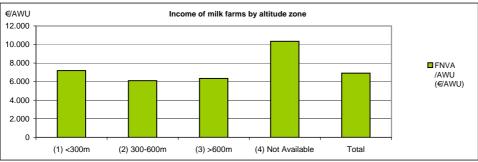
Basis 2005

Margins over variable costs

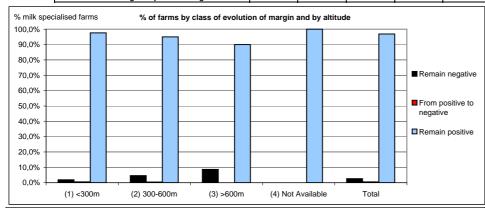
With decoupling of the dairy payments (as from 2007 onwards)

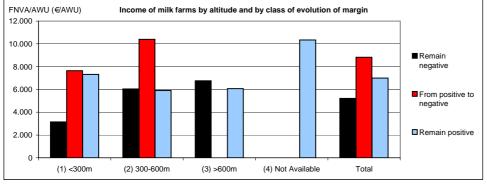
		Altitude zones					
EU-10	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total	
Representati	Sample farms	2.489	554	93	24	3.160	
veness	Farms represented	90.459	28.529	2.117	592	121.697	
(2005)	% of farms represented	74%	23%	2%	0%	100%	
	I=						
_	Forage area (ha)	19	19	57	21	20	
Structural	Dairy cows (LU)	16	16	27	21	16	
information	Total labour (AWU)	2,06	2,23	3,77	2,15	2,13	
(2005)	Milk yield (kg/cow)	5.351	5.434	5.091	5.742	5.365	
	Milk production (tons)	86	86	135	122	87	
	Average 2005 producer price	238	243	256	239	240	
	Receipts 2005	242	246	261	239	243	
	Receipts with decoupling of dairy payments	242	245	259	239	243	
	Receipts with decoupling and price reduction	228	231	244	224	229	
	Feed costs	68	69	70	65	68	
Milk margin	Other specific costs	10	14	21	10	11	
information	Farming overheads	46	58	79	39	50	
(€/ton of	Wages	12	25	55	0	16	
milk)	Variable costs	137	166	224	115	146	
	Margin 2005 (1)	105	79	37	124	98	
	Margin with decoupling of dairy payments (2)	105	79	35	124	97	
	Margin with decoupling and price reduction (3)	91	64	20	110	83	
	((3)-(1))/(1)	-13%	-19%	-45%	-12%	-15%	
	((3)-(2))/(2)	-13%	-18%	-42%	-12%	-14%	
	T						
Income	% of 2005 total milk margin in FNVA	61%	50%	21%	68%	58%	
(2005)	FNVA (€)	14.824	13.582	23.946	22.215	14.728	
, ,	FNVA /AWU (€/AWU)	7.185	6.096	6.347	10.342	6.908	
	Total direct payments (EU & national)	5,282	6.286	18.687	7.021	5.759	
	% Direct payments /FNVA	36%	46%	78%	32%	39%	
	Environmental payments	227	456	3.085	3270	329	
Direct	% Environmental payments /FNVA	2%	3%	13%	0%	2%	
payments	Less-Favoured Areas payments	752	1.155	7.401	578	962	
(2005) (€)	% LFA payments /FNVA	5%	9%	31%	3%	7%	
	Other dairy subsidies (national)	305	164	483	18	274	
	% Other dairy subsidies /FNVA	2%	1%	2%	0%	2%	
	•						





			Altitude zones				
Class of evolution of margin	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total	
	Sample farms	67	66		nd	16	
	Farms represented	1.683	1.305	183		3.17	
Remain	Margin 2005 (1)	-31	-46	-53		-4	
negative	Margin with decoupling of dairy payments (2)	-31	-46	-53		-4	
	Margin with decoupling and price reduction (3)	-43	-61	-68		-5	
	((3)-(2))/(2)	41%	33%	29%		349	
	FNVA /AWU (€/AWU)	3.154	6.039	6.753	nd	5.21	
	Sample farms	34	17	nd	nd	5	
	Farms represented	479	130		nd	63	
From	Margin 2005 (1)	7		nd	nd	0.	
positive to	Margin with decoupling of dairy payments (2)	7	7	nd	nd		
negative	Margin with decoupling and price reduction (3)	-7		nd	nd		
negative	((3)-(2))/(2)	-197%	-229%		nd	-210	
	((3)-(2))/(2) FNVA /AWU (€/AWU)	7.641	10.394		nd	8.82	
	TIVA/AWO (GAWO)	7.041	10.394	IIu	nu	0.02	
	Sample farms	2.388	471	63	24	2.94	
	Farms represented	88.297	27.094	1.904	592	117.88	
	Margin 2005 (1)	112	109	110	124	11	
Remain	Margin with decoupling of dairy payments (2)	112	108	106	124	11	
positive	Margin with decoupling and price reduction (3)	98	94	92	110	9	
	((3)-(2))/(2)	-13%	-13%	-13%	-12%	-13	
	FNVA /AWU (€/AWU)	7.322	5.901	6.064	10.342	7.00	
	Sample farms	2.489	554	93	24	3.16	
	Farms represented	90.459	28.529	2.117	592	121.69	
	Margin 2005 (1)	105	79	37	124	(
Total	Margin with decoupling of dairy payments (2)	105	79	35	124	ę	
	Margin with decoupling and price reduction (3)	91	64	20	110	8	
	((3)-(2))/(2)	-13%	-18%	-42%	-12%	-149	
	FNVA /AWU (€/AWU)	7.185	6.096	6.347	10.342	6.90	
	% of farms remaining with negative margin	1,9%	4,6%	8,6%	nd	2,69	
	% of farms switching from positive to negative	0,5%	0,5%	nd	nd	0,59	
	% of farms remaining with positive margin	98%	95%	90%	100%	979	





Member State	Variables	> 600 m (D)	Total (B)	((D)-(B))/(B)
	% of farms represented	2%	100%	-
	Milk production (tons)	135	87	56%
	Average 2005 producer price (€/ton of milk)	256	240	7%
EU-10	Margin with decoupling of dairy payments (€/ton of milk)	35	97	-64%
	% of reduction of the margin due to the price drop	-42%	-14%	-
	FNVA /AWU (€/AWU)	6.347	6.908	-8%
	% of farms remaining with positive margin	90%	97%	-7%
	% of farms represented	21%	100%	-
	Milk production (tons)	343	568	-40%
Czech	Average 2005 producer price (€/ton of milk)	256	240	7%
Republic	Margin with decoupling of dairy payments (€/ton of milk)	-25	9	-372%
Republic	% of reduction of the margin due to the price drop	65%	-179%	-
	FNVA /AWU (€/AWU)	9.454	10.228	-8%
	% of farms remaining with positive margin	nd	72%	nd
	% of farms represented	39%	100%	-
	Milk production (tons)	881	855	3%
	Average 2005 producer price (€/ton of milk)	248	250	-1%
Slovakia	Margin with decoupling of dairy payments (€/ton of milk)	-10	-14	-25%
	% of reduction of the margin due to the price drop	134%	101%	-
	FNVA /AWU (€/AWU)	5.910	5.428	9%
	% of farms remaining with positive margin	nd	44%	nd
	% of farms represented	18%	100%	-
	Milk production (tons)	73	70	4%
	Average 2005 producer price (€/ton of milk)	248	257	-4%
Slovenia	Margin with decoupling of dairy payments (€/ton of milk)	118	120	-2%
	% of reduction of the margin due to the price drop	-12%	-12%	-
	FNVA /AWU (€/AWU)	4.788	4.056	18%
	% of farms remaining with positive margin	98%	95%	3%

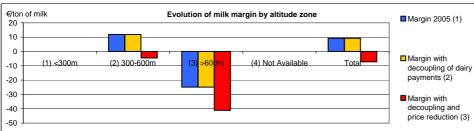
Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

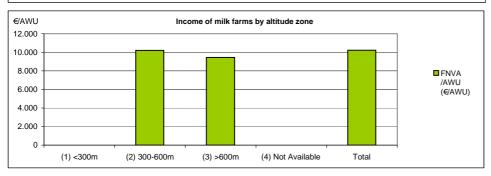
Basis 2005

Margins over variable costs

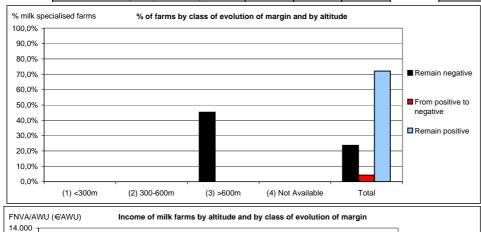
With decoupling of the dairy payments (as from 2007 onwards)

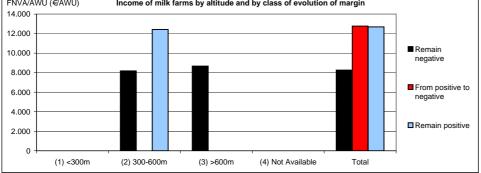
	Altitude zones				
	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total
1	nd	142	30		18
	nd	1.042	292		1.39
	nd	74%	21%		1009
				Ì	
	nd	171	151		16
	nd	95	68		9
	nd	11,14	8,04		10,4
	nd	6.397	5.039		6.27
	nd	607	343		56
	nd	276	272		27
	nd	276	272		27
ayments	nd	276	272		27
reduction	nd	259	256		25
	nd	86	76		8
	nd	17	17		1
	nd	88	108		9
	nd	74	96		7
	nd	264	297		26
	nd	12	-25		
ments (2)	nd	12	-25		
. ,	nd	-5	-41		
(-)	nd	-138%	65%		-179
	nd	-138%	65%		-179
			1	· Í	
Ά	nd	6%	-11%		5
	nd	113.667	76.009		107.31
	nd	10.206	9.454		10.22
al)	nd	65,412	57.515	ĺ	63.35
	nd	58%	76%		59
	nd	5.884	7.754		6.15
	nd	5%	10%		6
	nd	11.888	20.457		13.20
	nd	10%	27%		12
		0	70		
		ŭ	0%		09
		nd nd	nd 0	nd 0 0	nd 0 0





		Altitude zones					
Class of evolution of margin	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total	
	Sample farms	nd	46	17		6	
	Farms represented	nd	187	132		33	
	Margin 2005 (1)	nd	-44	-60		-47,0	
Remain	Margin with decoupling of dairy payments (2)	nd	-44	-60		-47,0	
negative	Margin with decoupling and price reduction (3)	nd	-60	-76		-63,2	
	((3)-(2))/(2)	nd	37%	27%		0,3454506	
	FNVA /AWU (€/AWU)	nd	8.176	8.664		825	
	Sample farms	nd	nd	nd		1	
	Farms represented	nd	nd	nd		6	
From	Margin 2005 (1)	nd	nd	nd		9,2	
positive to	Margin with decoupling of dairy payments (2)	nd	nd	nd		9,2	
negative	Margin with decoupling and price reduction (3)	nd	nd	nd		-7.2	
3	((3)-(2))/(2)	nd	nd	nd		-1,784398	
	FNVA /AWU (€/AWU)	nd	nd	nd		1277	
	Sample farms	nd	83	nd		10	
	Farms represented	nd	800	nd		100	
Remain	Margin 2005 (1)	nd	72	nd		74,5	
positive	Margin with decoupling of dairy payments (2)	nd	72	nd		74,5	
positive	Margin with decoupling and price reduction (3)	nd	56	nd		58,1	
	((3)-(2))/(2)	nd	-23%	nd		-0,2204344	
	FNVA /AWU (€/AWU)	nd	12.430	nd		1268	
	Sample farms	nd	142	30		18	
	Farms represented	nd	1.042	292		139	
	Margin 2005 (1)	nd	12			9,1	
Total	Margin with decoupling of dairy payments (2)	nd	12			9,1	
	Margin with decoupling and price reduction (3)	nd	-5			-7,2	
	((3)-(2))/(2)	nd	-138%	65%		-1,7890710	
	FNVA /AWU (€/AWU)	nd	10.206			1022	
	% of farms remaining with negative margin	nd	nd	45,2%		23.79	
	% of farms remaining with negative margin % of farms switching from positive to negative	nd nd	nd nd	45,2% nd		23,7% 4,3%	





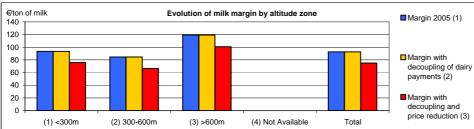
Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

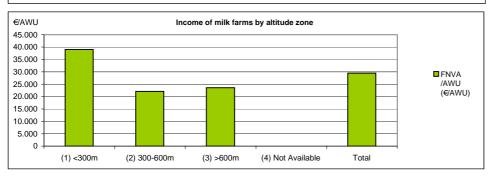
Basis 2005

Margins over variable costs

With decoupling of the dairy payments (as from 2007 onwards)

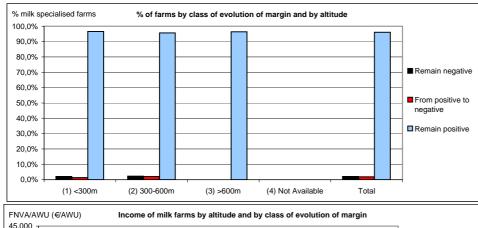
				Altitude zones	5	
GERMANY	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total
Representati	Sample farms	972	700	185		1.85
veness	Farms represented	26.288	35.401	10.955		72.64
(2005)	% of farms represented	36%	49%	15%		1009
	Forage area (ha)	62	32	33		4
Structural	Dairy cows (LU)	65	34	31		4
information	Total labour (AWU)	2,21	1,74	1,58		1,8
(2005)	Milk yield (kg/cow)	7.402	6.384	6.347		6.9
	Milk production (tons)	478	219	196		30
	Average 2005 producer price	285	297	301		29
	Receipts 2005	284	295	299		2
	Receipts with decoupling of dairy payments	284	295	299		28
	Receipts with decoupling and price reduction	267	277	281		2
	Feed costs	66	77	59		
Milk margin	Other specific costs	23	19	23		
information	Farming overheads	83	98	92		
(€/ton of	Wages	19	16	6		
milk)	Variable costs	191	210	180		1:
	Margin 2005 (1)	93	84	119		9
	Margin with decoupling of dairy payments (2)	93	84	119		
	Margin with decoupling and price reduction (3)	76	66	101		
	((3)-(1))/(1)	-19%	-21%	-15%		-19
	((3)-(2))/(2)	-19%	-21%	-15%		-19
	% of 2005 total milk margin in FNVA	52%	48%	63%		52
Income	FNVA (€)	86.132	38.498	37.168		55.5
(2005)	FNVA /AWU (€/AWU)	39.051	22.100	23.596		29.4
	Total direct payments (EU & national)	35.945	21.947	18.969		26.56
	% Direct payments (EU & Hattorial)	42%	57%	51%		48
	Environmental payments	2.120	3.563	6.038		3.4
Direct	% Environmental payments /FNVA	2.120	9%	16%		3.4
payments	Less-Favoured Areas payments	1.024	2.720	3.733		2.2
(2005) (€)	% LFA payments /FNVA	1.024	7%	10%		4
	Other dairy subsidies (national)	0	0	0		-
	% Other dairy subsidies (FNVA	0%	0%	0%		0
	70 Outor daily substities // NVA	070	070	070		

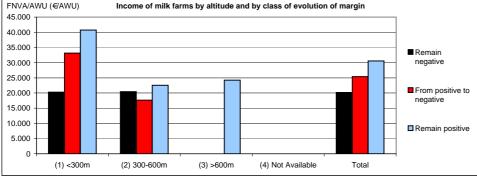




re the margins with decoupling of the dairy payments to the margins with decoupling and price dro

				Altitude zones	3	
Class of evolution of margin	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total
	Sample farms	40	45	nd	Ī	
	Farms represented	548	810			1.53
	Margin 2005 (1)	-43	-28	nd	•	
Remain	Margin with decoupling of dairy payments (2)	-43	-28	nd		-
negative	Margin with decoupling and price reduction (3)	-61	-46	nd	ŀ	-
	((3)-(2))/(2)	40%	61%	nd	•	51
	FNVA /AWU (€/AWU)	20.282	20.448	nd		20.18
	Sample farms	29		nd		
	Farms represented	360	754			1.33
From	Margin 2005 (1)	10		nd		
positive to	Margin with decoupling of dairy payments (2)	10		nd		
negative	Margin with decoupling and price reduction (3)	-7		nd		
	((3)-(2))/(2)	-173%	-181%			-174
	FNVA /AWU (€/AWU)	33.150	17.670	nd		25.4
	Sample farms	903	636	175	Г	1.7
	Farms represented	25.380	33.838	10.554	-	69.7
	Margin 2005 (1)	102	102	10.554	-	19.7
Remain	Margin with decoupling of dairy payments (2)	102	102	128	-	10
positive	Margin with decoupling of daily payments (2)	85	84	109		- 1
	((3)-(2))/(2)	-17%	-18%	-14%	-	-17
	FNVA /AWU (€/AWU)	40.709	22.576	24.263	•	30.56
					L	
	Sample farms	972	700			1.8
	Farms represented	26.288	35.401	10.955		72.64
	Margin 2005 (1)	93	84	119		(
Total	Margin with decoupling of dairy payments (2)	93	84	119		9
	Margin with decoupling and price reduction (3)	76	66			
	((3)-(2))/(2)	-19%	-21%	-15%		-19
	FNVA /AWU (€/AWU)	39.051	22.100	23.596		29.46
	% of farms remaining with negative margin	2,1%	2,3%	nd		2,1
	% of farms switching from positive to negative	1,4%	2,1%			1,8
	% of farms remaining with positive margin	97%	96%	96%	•	96
0/ milk ana	cialised farms % of farms by class of evol			1-		
100,0% 1	cialised farms % of farms by class of evol	ution of margin a	and by annu	Je	_	
90,0%						
80,0%					■ Daw · · ·	
70,0%					— ■ Remain	negative
60,0%						
50,0%					From po	





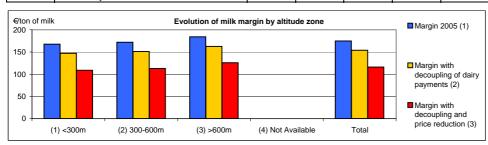
Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

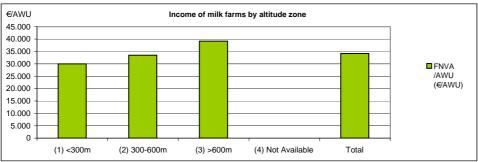
Basis 2005

Margins over variable costs

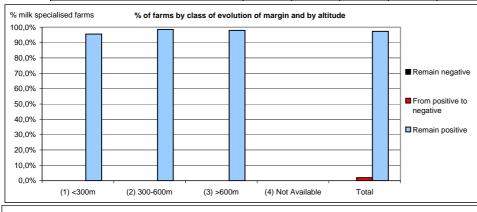
With decoupling of the dairy payments (as from 2007 onwards)

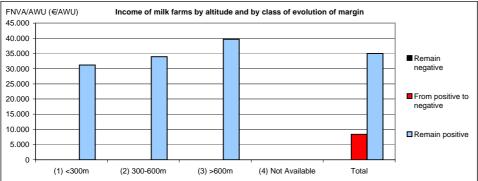
				Altitude zone	s	
SPAIN	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total
•	Sample farms	252	275			68
veness	Farms represented	6.298	5.301	7.130		18.75
(2005)	% of farms represented	34%	28%	38%	nd	1009
	Forage area (ha)	18	18	20	nd	1
Structural	Dairy cows (LU)	38	39	36	nd	3
information	Total labour (AWU)	1,58	1,60	1,40	nd	1,5
(2005)	Milk yield (kg/cow)	6.206	6.438	5.991	nd	6.19
	Milk production (tons)	238	249	217	nd	23
	Average 2005 producer price	314	312	302	nd	30
	Receipts 2005	334	333	324		33
	Receipts with decoupling of dairy payments	314	312	302		30
	Receipts with decoupling and price reduction	276	274	265	nd	27
	Feed costs	110	108	102	nd	10
Milk margin	Other specific costs	19	20	12	nd	1
information	Farming overheads	36	29	23	nd	2
(€/ton of	Wages	2	5	2	nd	
milk)	Variable costs	167	161	140	nd	15
	Margin 2005 (1)	168	172	184	nd	17
	Margin with decoupling of dairy payments (2)	147	151	163	nd	15
	Margin with decoupling and price reduction (3)	109	113	126	nd	11
	((3)-(1))/(1)	-35%	-34%	-32%	nd	-349
	((3)-(2))/(2)	-26%	-25%	-23%	nd	-259
	% of 2005 total milk margin in FNVA	84%	80%	73%	nd	789
Income	FNVA (€)	47,244	53.629	54.859		51.90
(2005)	FNVA /AWU (€/AWU)	29.981	33.461	39.186		34.21
			,			
	Total direct payments (EU & national)	8.027	9.701			8.81
	% Direct payments /FNVA	17%	18%	16%		179
Direct	Environmental payments	35	13		nd	1
payments	% Environmental payments /FNVA	0%	0%	0%	nd	09
(2005) (€)	Less-Favoured Areas payments	197	347	243		25
(2000) (C)	% LFA payments /FNVA	0%	1%	0%	nd	09
	Other dairy subsidies (national)	1	26	108		4
	% Other dairy subsidies /FNVA	0%	0%	0%	nd	09





				Altitude zone	s	
Class of evolution of margin	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total
	Sample farms	nd	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd	nd
	Margin 2005 (1)	nd	nd	nd	nd	nd
Remain	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd	nd
negative	Margin with decoupling and price reduction (3)	nd	nd	nd	nd	nd
	((3)-(2))/(2)	nd	nd	nd	nd	nd
	FNVA /AWU (€/AWU)	nd	nd	nd	nd	nd
	Sample farms	nd	nd	nd	nd	1 1
	Farms represented	nd	nd	nd	nd	37
From	Margin 2005 (1)	nd	nd	nd	nd	3
positive to	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd	1
negative	Margin with decoupling and price reduction (3)	nd	nd	nd	nd	-2
	((3)-(2))/(2)	nd	nd	nd	nd	-285
	FNVA /AWU (€/AWU)	nd	nd	nd	nd	8.37
	Sample farms Farms represented	239	268 5,222			65 18.24
	Margin 2005 (1)	174	175			17
Remain	Margin with decoupling of dairy payments (2)	153	154			15
positive	Margin with decoupling and price reduction (3)	115				12
	((3)-(2))/(2)	-25%	-25%			-249
	FNVA /AWU (€/AWU)	31.181	33.915			34.96
	Sample farms	252				68
	Farms represented	6.298		7.130		18.75
	Margin 2005 (1)	168	172			17
Total	Margin with decoupling of dairy payments (2)	147	151			15
	Margin with decoupling and price reduction (3)	109				11
	((3)-(2))/(2)	-26%	-25%			-259
	FNVA /AWU (€/AWU)	29.981	33.461	39.186	na	34.21
	% of farms remaining with negative margin	nd	nd	nd	nd	nd
	% of farms switching from positive to negative	nd	nd	nd	nd	2,0%
	% of farms remaining with positive margin	95%	99%	98%	nd	97%





$\label{eq:milk-limit} \textbf{Milk-Impact on milk margins of a price reduction-Complements on mountain/non-mountain areas}$

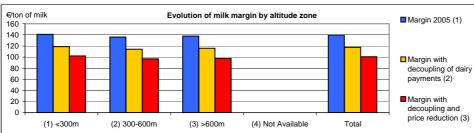
Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

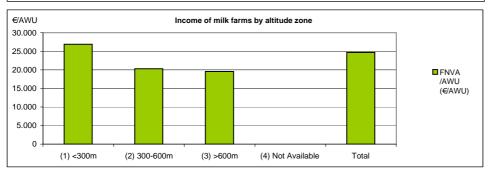
Basis 2005

Margins over variable costs

With decoupling of the dairy payments (as from 2007 onwards)

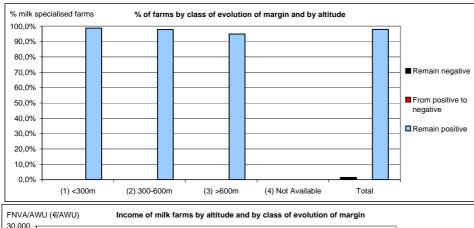
				Altitude zones	3	
France	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total
Representati	Sample farms	736	197	211		1.144
veness	Farms represented	41.016	8.497	11.109		60.622
(2005)	% of farms represented	68%	14%	18%		100%
	Forage area (ha)	51	64	63		55
Structural	Dairy cows (LU)	45	42	37		43
information	Total labour (AWU)	1,76	1,82	1,58		1,73
(2005)	Milk yield (kg/cow)	6.710	6.200	5.698		6.48
	Milk production (tons)	300	260	210		278
	Average 2005 producer price	296	311	329		302
	Receipts 2005	318	332	351		324
	Receipts with decoupling of dairy payments	295	310	329		302
	Receipts with decoupling and price reduction	279	293	310		28
	Feed costs	73	79	87		7
Milk margin	Other specific costs	11	12	15		1
information	Farming overheads	89	100	107		9
(€/ton of	Wages	4	5	4		
milk)	Variable costs	177	196	213		18
	Margin 2005 (1)	141	136	138		14
	Margin with decoupling of dairy payments (2)	119	114	116		11
	Margin with decoupling and price reduction (3)	102	97	97		10
	((3)-(1))/(1)	-28%	-29%	-29%		-28%
	((3)-(2))/(2)	-14%	-15%	-16%		-14%
	% of 2005 total milk margin in FNVA	90%	96%	94%		91%
Income	FNVA (€)	47,228	36.976	30.936		42.80
(2005)	FNVA /AWU (€/AWU)	26.908	20.282	19.569		24.70
	In the second second			00 ==0		
	Total direct payments (EU & national)	25.105	24.855	22.579		24.60
	% Direct payments /FNVA	53%	67%	73%		57%
Direct	Environmental payments	1.186	2.801	3.518		1.84
payments	% Environmental payments /FNVA	3%	8%	11%		4%
(2005) (€)	Less-Favoured Areas payments	79	4.419	7.871		2.11
	% LFA payments /FNVA	0%	12%	25%		5%
	Other dairy subsidies (national)	0	0	0		
	% Other dairy subsidies /FNVA	0%	0%	0%		0%

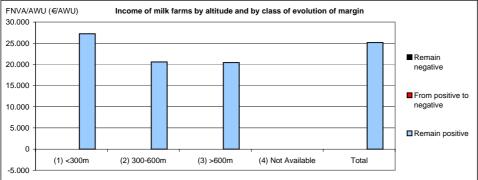




re the margins with decoupling of the dairy payments to the margins with decoupling and price dro

					Altitude zone:	S	
Class of evolution of margin	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total
	Sample farms	nd		nd	nd		
	Farms represented	nd		nd	nd		8
	Margin 2005 (1)	nd		nd	nd		
Remain	Margin with decoupling of dairy payments (2)	nd		nd	nd		-
negative	Margin with decoupling and price reduction (3)	nd		nd	nd		
					nd		53
	((3)-(2))/(2) FNVA /AWU (€/AWU)	<i>nd</i> nd		<i>nd</i> nd	nd nd		5.
	I WA/AWO (GAWO)	Ind		IIIu	Ina		
	Sample farms	nd		nd	nd		nd
	Farms represented	nd		nd	nd		nd
From	Margin 2005 (1)	nd		nd	nd		nd
positive to	Margin with decoupling of dairy payments (2)	nd		nd	nd		nd
negative	Margin with decoupling and price reduction (3)	nd		nd	nd		nd
noguaro	((3)-(2))/(2)	nd		nd	nd		nd
	FNVA /AWU (€/AWU)	nd		nd	nd		nd
	1147777470 (07470)	IIIG		i i d	i i u		IIG
	Sample farms		728	193	200		1.1
	Farms represented		40.488	8.313			59.3
	Margin 2005 (1)		142	138			1
Remain	Margin with decoupling of dairy payments (2)		120	116			1
positive	Margin with decoupling and price reduction (3)		103	99			1
	((3)-(2))/(2)		-14%	-15%	-15%		-14
	FNVA /AWU (€/AWU)		27.241	20.606			25.1
				20.000	20.101		20
	Sample farms		736	197	211		1.1
	Farms represented		41.016	8.497	11.109		60.6
	Margin 2005 (1)		141	136	138		1
Total	Margin with decoupling of dairy payments (2)	_	119	114			1
Total	Margin with decoupling and price reduction (3)	_	102	97	97		1
	((3)-(2))/(2)		-14%	-15%	-16%		-14
	((3)-(2))/(2) FNVA /AWU (€/AWU)		26.908	20.282	19.569		24.7
	1147777470 (07470)		20.000	20.202	10.000		2-7.7
	% of farms remaining with negative margin	nd		nd	nd		1,5
	% of farms switching from positive to negative	nd		nd	nd		nd
	% of farms remaining with positive margin		99%	98%	95%		98
	<u> </u>	-		•	•	•	•
	cialised farms w of farms by class of ever	olution	of margin	and by altitue	de		
100,0% ⊤							
90,0%							
80,0%							
70,0%						■ Rema	in negative
60,0%							
						From	positive to
50,0%						negati	
40.00/							-
40,0%							





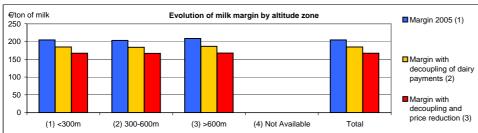
Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

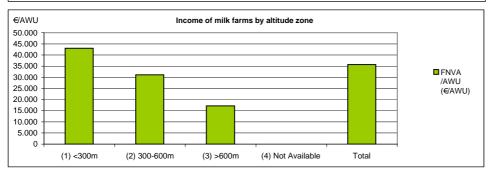
Basis 2005

Margins over variable costs

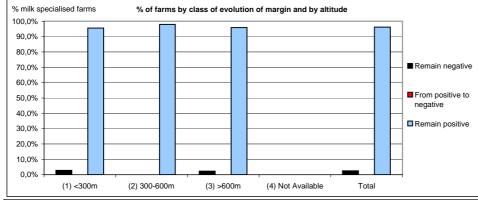
With decoupling of the dairy payments (as from 2007 onwards)

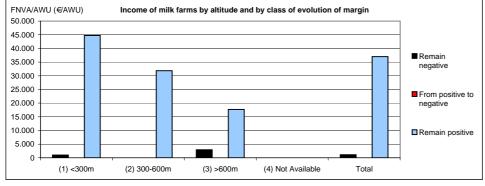
			,	Altitude zones	\$	
ITALY	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total
Representati	Sample farms	659	323	362	1	1.3
veness	Farms represented	14.870	6.126	6.983	•	27.9
(2005)	% of farms represented	53%	22%	25%	į	100
	Forage area (ha)	22	28	26	[
Structural	Dairy cows (LU)	62	37	20	ľ	
information	Total labour (AWU)	2,43	2,01	1,60	•	2
(2005)	Milk yield (kg/cow)	6.617	6.320	5.533	•	6.4
,	Milk production (tons)	413	235	111		2
	Average 2005 producer price	386	368	410	ſ	3
	Receipts 2005	405	385	432	•	
	Receipts with decoupling of dairy payments	386	366	410	•	- ;
	Receipts with decoupling and price reduction	368	349	391	•	
	Feed costs	127	127	142	•	-
Milk margin	Other specific costs	15	11	16	•	
	Farming overheads	42	38	57	•	
(€/ton of	Wages	16	7	8		
milk)	Variable costs	201	182	223		
	Margin 2005 (1)	205	203	209		
	Margin with decoupling of dairy payments (2)	185	184	187	ľ	
	Margin with decoupling and price reduction (3)	167	167	168	ľ	
	((3)-(1))/(1)	-18%	-18%	-20%		-1
	((3)-(2))/(2)	-10%	-9%	-10%	į	-1
	% of 2005 total milk margin in FNVA	81%	76%	85%	ĺ	8
Income	FNVA (€)	104,624	62,513	27.416	•	76.1
(2005)	FNVA /AWU (€/AWU)	43.037	31.138	17.142	ļ	35.7
	Total direct payments (EU & national)	20.232	11.172	8.163	ſ	15.2
	% Direct payments (EO & national)	19%	18%	30%	ŀ	2
	Environmental payments	748	1.323	1.843	•	1.1
Direct	% Environmental payments /FNVA	1%	2%	7%	ŀ	1.
payments	Less-Favoured Areas payments	211	1.009	1.919	ŀ	
(2005) (€)	% LFA payments /FNVA	0%	2%	7%	ŀ	
	Other dairy subsidies (national)	0%	0	0	ŀ	
	TOTAL DE LIGHT SUDSILIES (HALIUHAH)	U	U	U		





Sample farms						Altitude zones	8	
Farms represented 414 nd 157 Margin 2005 (1) -25 nd -32 -32 -33 -	evolution of	Variables	(1) <	300m		(3) >600m		Total
Farms represented 414 nd 157 Margin 2005 (1) -25 nd -32		In well town	-	40	I	1.5		
Margin 2005 (1) -25 nd -32 Margin with decoupling of dairy payments (2) -46 nd -55 Margin with decoupling and price reduction (3) -61 nd -73 ((3)-(2))/(2) -33% nd -33% -33% nd -33% -33% -33% -33% nd -33%		·	_					
Margin with decoupling of dairy payments (2) 46								- 6
Margin with decoupling and price reduction (3) 61 nd -73 33% nd 33% nd nd nd nd nd nd n	Remain	ů ()						
Sample farms	negative							
Sample farms								
Sample farms		11 / 1 // 1 //						34
From Positive to Margin 2005 (1)		FNVA /AWU (€/AWU)		1.015	nd	2.939		1.1
From Positive to Margin 2005 (1)		Sample forms	lnd		nd	nd		nd
From positive to negative Margin with decoupling and price reduction (3)		·						
Margin with decoupling of dairy payments (2) nd nd nd nd nd nd nd n	F							
Inegative (3) - C2)/(2) Margin with decoupling and price reduction (3) nd <								
((3)-(2))/(2)	•							
Sample farms 6.34 3.10 3.42 1.	negative							
Sample farms 634 310 342 1.								
Farms represented 14.201 5.996 6.693 26.		FNVA /AWU (€/AWU)	nd		nd	nd		nd
Farms represented 14.201 5.996 6.693 26.		Sample farms		634	310	342		1.2
Remain positive Margin 2005 (1) 211 206 213 Margin with decoupling of dairy payments (2) 192 187 191 Margin with decoupling and price reduction (3) 174 170 172 ((3)-(2))/(2) 9-9% -9% -10% FNVA /AWU (€/AWU) 44.756 31.837 17.692 Sample farms 659 323 362 Farms represented 14.870 6.126 6.983 Margin 2005 (1) 205 203 209 Margin with decoupling of dairy payments (2) 185 184 187 Margin with decoupling and price reduction (3) 167 167 168 ((3)-(2))/(2) -10% -9% -10% FNVA /AWU (€/AWU) 43.037 31.138 17.142 % of farms remaining with negative margin 2,8% nd 2,2% % of farms switching from positive to negative nd nd % of farms remaining with positive margin 96% 98% 96% % of farms remaining with positive margin 96%								
Margin with decoupling of dairy payments (2) 192 187 191			_					20.0
Margin with decoupling and price reduction (3) 174 170 172 ((3)-(2))/(2) -9% -9% -9% -10	Remain							1
((3)-(2))/(2)	positive		-					1
Sample farms 659 323 362 1.			-					-9
Sample farms 659 323 362 1.								
Farms represented		I IVA /AWO (GAWO)		44.730	31.037	17.032		50.5
Margin 2005 (1) 205 203 209		Sample farms		659	323	362		1.3
Total Margin with decoupling of dairy payments (2) 185 184 187 Margin with decoupling and price reduction (3) 167 167 168 ((3)-(2))/(2) -10% -9% -10% FNVA /AWU (€/AWU) 43.037 31.138 17.142 % of farms remaining with negative margin 2,8% nd 2,2% % of farms switching from positive to negative nd nd nd % of farms remaining with positive margin 96% 98% 96% % milk specialised farms % of farms by class of evolution of margin and by altitude		Farms represented		14.870	6.126	6.983		27.9
Margin with decoupling and price reduction (3) 167 167 168 ((3)-(2))/(2) -10% -9% -10% FNVA /AWU (€/AWU) 43.037 31.138 17.142 35. % of farms remaining with negative margin 2,8% nd 2,2% % of farms switching from positive to negative nd nd nd % of farms remaining with positive margin 96% 98% 96% % milk specialised farms % of farms by class of evolution of margin and by altitude		Margin 2005 (1)		205	203	209		2
Margin with decoupling and price reduction (3) 167 167 168 ((3)-(2))/(2) -10% -9% -10% FNVA /AWU (€/AWU) 43.037 31.138 17.142 % of farms remaining with negative margin 2,8% nd 2,2% % of farms switching from positive to negative nd nd nd % of farms remaining with positive margin 96% 98% 96% % milk specialised farms % of farms by class of evolution of margin and by altitude	Total	Margin with decoupling of dairy payments (2)		185	184	187		1
FNVA /AWU (€/AWU)				167	167	168		1
FNVA /AWU (€/AWU) 43.037 31.138 17.142 35. % of farms remaining with negative margin 2,8% nd 2,2% % of farms switching from positive to negative nd nd % of farms remaining with positive margin 96% 98% 96% % milk specialised farms % of farms by class of evolution of margin and by altitude		((3)-(2))/(2)		-10%	-9%	-10%		-10
% of farms switching from positive to negative nd nd nd nd % of farms remaining with positive margin 96% 98% 96% 96% % milk specialised farms % of farms by class of evolution of margin and by altitude				43.037	31.138	17.142		35.7
% of farms switching from positive to negative nd nd nd nd % of farms remaining with positive margin 96% 98% 96% 96% % milk specialised farms % of farms by class of evolution of margin and by altitude		T						
% of farms remaining with positive margin 96% 98% 96% 98% 96% % milk specialised farms % of farms by class of evolution of margin and by altitude			nd	2,8%				2,5
% milk specialised farms % of farms by class of evolution of margin and by altitude			nu	96%				96
		70 of farms remaining that postave margin	ļ	5070	3070	3070		
	% milk spe	% of farms remaining with positive margin			98%	96%		na
	90,0%						\vdash	
90,0%	80,0%						\sqcup	
							Rema	in negative
80,0%								-
80,0%							■ From	nositive to
80,0%	50,0%							
80,0%							l liegati	ve





$\label{eq:milk-limit} \textbf{Milk-Impact on milk margins of a price reduction-Complements on mountain/non-mountain areas}$

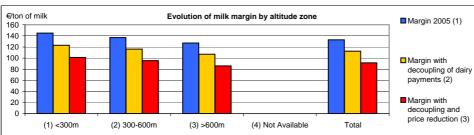
Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

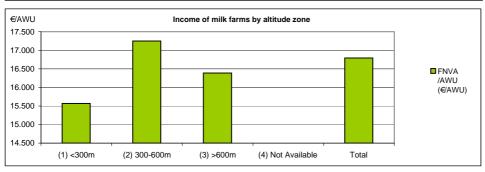
Basis 2005

Margins over variable costs

With decoupling of the dairy payments (as from 2007 onwards)

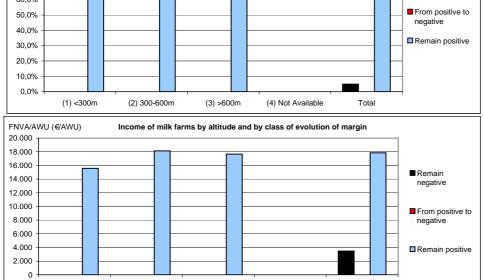
				Altitude zones	3	
AUSTRIA	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total
Representati	Sample farms	16	284	263		563
veness	Farms represented	382	8.807	8.736		17.924
(2005)	% of farms represented	2%	49%	49%		100%
	Forage area (ha)	20	22	31		2
Structural	Dairy cows (LU)	23	20	16		18
information	Total labour (AWU)	1,93	1,68	1,66		1,6
(2005)	Milk yield (kg/cow)	6.519	6.483	6.376		6.43
	Milk production (tons)	147	127	103		110
	Average 2005 producer price	303	287	293		29
	Receipts 2005	325	308	313		31
	Receipts with decoupling of dairy payments	303	287	293		29
	Receipts with decoupling and price reduction	281	266	272		26
	Feed costs	64	64	70		6
Milk margin	Other specific costs	17	16	21		1
information	Farming overheads	96	88	93		9
(€/ton of	Wages	3	2	2		:
milk)	Variable costs	180	171	186		17
	Margin 2005 (1)	145	137	127		13
	Margin with decoupling of dairy payments (2)	123	116	107		11
	Margin with decoupling and price reduction (3)	101	96	86		9
	((3)-(1))/(1)	-30%	-30%	-32%		-31%
	((3)-(2))/(2)	-18%	-18%	-20%		-19%
	% of 2005 total milk margin in FNVA	71%	60%	48%		55%
Income	FNVA (€)	30.036	29.067	27.192		28.17
(2005)	FNVA /AWU (€/AWU)	15.568	17.251	16.386		16.79
	Total direct payments (EU & national)	20.276	18.298	19.700		19.02
	% Direct payments /FNVA	68%	63%	72%		68%
	Environmental payments	5.802	6.726	7.613		7.13
Direct	% Environmental payments /FNVA	19%	23%	28%		25%
payments	Less-Favoured Areas payments	884	2.575	5.022		3.73
(2005) (€)	% LFA payments /FNVA	3%	9%	18%		13%
	Other dairy subsidies (national)	0	0	0		137
	% Other dairy subsidies /FNVA	0%	0%	0%		0%
	,	070	370	370		





re the margins with decoupling of the dairy payments to the margins with decoupling and price dro

							Altitude zones	3	
Class of volution of margin		Variable	s	(1)	<300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total
	Sample farms			nd		nd	nd		
	Farms represe	nted		nd		nd	nd		
	Margin 2005 (1			nd		nd	nd		
Remain	,	coupling of dairy	payments (2)	nd		nd	nd		
negative		coupling and price		nd		nd	nd		
	((3)-(2))/(2)		(0)	nd		nd	nd		6
	FNVA /AWU (4	€/AWU)		nd		nd	nd		3.4
	(1			1		
	Sample farms			nd		nd	nd		nd
	Farms represe	nted		nd		nd	nd		nd
From	Margin 2005 (1			nd		nd	nd		nd
positive to		coupling of dairy	payments (2)	nd		nd	nd		nd
negative		coupling and price		nd		nd	nd		nd
	((3)-(2))/(2)		` '	nd		nd	nd		nd
	FNVA /AWU (€/AWU)		nd		nd	nd		nd
		,							
	Sample farms				16	277	7 249		
	Farms represe	nted			382	8.318			16.
	Margin 2005 (1				145	140			
Remain		coupling of dairy	payments (2)		123	120			
positive		coupling and price			101	99	93		
	((3)-(2))/(2)		` '		-18%	-17%	-19%		-1
	FNVA /AWU (€/AWU)			15.568	18.119	17.655		17.8
	Sample farms				16	284	1 263		
	Farms represe	nted			382	8.807	8.736		17.9
	Margin 2005 (1	1)			145	137	7 127		
Total	Margin with de	coupling of dairy	payments (2)		123	116	107		
	Margin with de	coupling and price	ce reduction (3)		101	96	86		
	((3)-(2))/(2)				-18%	-18%	-20%		-1
	FNVA /AWU (€/AWU)			15.568	17.251	16.386		16.
		maining with ne		nd		nd	nd		4,
			sitive to negative	nd		nd	nd		nd
	% of farms re	maining with po	sitive margin		100%	94%	90%		9
% milk sne	cialised farms	% of fa	rms by class of evolu	ıtion of	margin	and by altitu	de		
100,0%		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,						_	
		r							
90,0%									
80,0%									
								■ Domoi	in negative
70,0%								- Nellia	iii iieyaiive
60,0%									
								■ From i	oositive to
50,0%								negati	ve
								negati	ve
50,0% -								- 1	ve in positive
50,0% — 40,0% — 30,0% —								- 1	
50,0%								- 1	



(3) >600m

(4) Not Available

Total

(1) <300m

(2) 300-600m

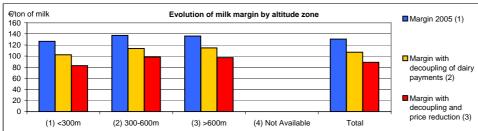
Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

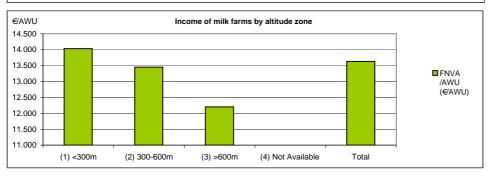
Basis 2005

Margins over variable costs

With decoupling of the dairy payments (as from 2007 onwards)

				Altitude zones	3	
Portugal	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total
Representati	Sample farms	97	101	34	Ī	2:
veness	Farms represented	1.759	1.806	442	F	4.00
(2005)	% of farms represented	44%	45%	11%	Į	100
	Forage area (ha)	16	19	25	Г	
Structural	Dairy cows (LU)	39	22	21		
information	Total labour (AWU)	2,26	1,64	1,71	F	1.
(2005)	Milk yield (kg/cow)	6.493	5.823	6.082	F	6.2
	Milk production (tons)	253	128	130	Į	1
	Average 2005 producer price	324	253	287	Г	2
	Receipts 2005	348	277	309	f	3
	Receipts with decoupling of dairy payments	324	253	287	F	- 2
	Receipts with decoupling and price reduction	304	238	270	F	- 2
	Feed costs	131	86	118	F	
Milk margin	Other specific costs	27	16	17	F	
	Farming overheads	49	35	34	F	
(€/ton of	Wages	14	4	4	f	
milk)	Variable costs	221	139	173		
	Margin 2005 (1)	127	137	136		
	Margin with decoupling of dairy payments (2)	102	114	115		
	Margin with decoupling and price reduction (3)	83	98	97		
	((3)-(1))/(1)	-35%	-28%	-28%	F	-3
	((3)-(2))/(2)	-19%	-13%	-15%		-1
	% of 2005 total milk margin in FNVA	101%	80%	85%	Г	9
Income	FNVA (€)	31,721	22.085	20.816	F	26.
(2005)	FNVA /AWU (€/AWU)	14.033	13.448	12.203	Ţ	13.0
	Total direct payments (EU & national)	10.905	9.520	7,777	Г	9.9
	% Direct payments (EO & Hational)	34%	43%	37%	F	3
	Environmental payments	520	2.339	871	F	1.3
Direct	% Environmental payments /FNVA	2%	11%	4%	F	1.5
payments	Less-Favoured Areas payments	991	2.254	2.677	F	1.
(2005) (€)	% LFA payments /FNVA	3%	10%	13%	F	
	Other dairy subsidies (national)	0	0	1370	F	
	% Other dairy subsidies (FNVA	0%	0%	U	L	





■ Remain positive

The classes compare the margins with decoupling of the dairy payments to the margins with decoupling and price drop.

						Altitude zone	s	
Class of evolution of margin		Variabl	les	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Tota
	I -				1	ſ	1	
	Sample farms			nd	nd	nd		nd
	Farms represe			nd	nd	nd		nd
Remain	Margin 2005 (. (0)	nd	nd	nd		nd
negative		ecoupling of dair		nd	nd	nd		nd
Ü		ecoupling and pr	rice reduction (3)	nd	nd	nd		nd
	((3)-(2))/(2)			nd	nd	nd		nd
	FNVA /AWU ((€/AWU)		nd	nd	nd]	nd
	Sample farms	<u> </u>		nd	nd	nd]	nd
	Farms represe			nd	nd	nd		nd
From	Margin 2005 (nd	nd	nd		nd
ositive to	_ ,	ecoupling of dair	v navments (2)	nd	nd	nd		nd
negative		ecoupling and pr		nd	nd	nd		nd
	((3)-(2))/(2)	occupiiiig and pr	ico roddollori (o)	nd	nd	nd		nd
	FNVA /AWU ((€/AWU)		nd	nd	nd		nd
					•		<u>.</u>	
-	Sample farms			84	97	33		<u> </u>
	Farms represe			1.494	1.751	433		3
Remain	Margin 2005 (134	142			
positive		ecoupling of dair		114	119			
,	Margin with de	ecoupling and pr	ice reduction (3)	96	103	99		
	((3)-(2))/(2)			-15%	-13%	-15%		-
	FNVA /AWU ((€/AWU)		16.507	14.226	12.277		15
	Comple forms			97	101	34	1	
	Sample farms Farms represe			1.759	1.806	442		
	Margin 2005 (127	137	136		<u> </u>
Total		ecoupling of dair	v navmente (2)	102	114			
Total					98			-
		ecouping and pr	rice reduction (3)	83				
	((3)-(2))/(2)		ice reduction (3)	-19%	-13%	-15%		
			ice reduction (3)					
	((3)-(2))/(2) FNVA /AWU (% of farms re	(€/AWU) emaining with n	egative margin	-19% 14.033	-13% 13.448	-15% 12.203		13 nd
	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s	€/AWU) emaining with n witching from p	negative margin	-19% 14.033 nd nd	-13% 13.448 nd nd	-15% 12.203 nd nd		nd nd
	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s	(€/AWU) emaining with n	negative margin	-19% 14.033	-13% 13.448	-15% 12.203		nd nd
% milk spec	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s	€/AWU) emaining with n witching from p emaining with p	negative margin	-19% 14.033 nd nd 85%	-13% 13.448 nd nd 97%	-15% 12.203 nd nd 98%		nd nd
	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re	€/AWU) emaining with n witching from p emaining with p	egative margin positive to negative positive margin	-19% 14.033 nd nd 85%	-13% 13.448 nd nd 97%	-15% 12.203 nd nd 98%		nd nd
	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re	€/AWU) emaining with n witching from p emaining with p	egative margin positive to negative positive margin	-19% 14.033 nd nd 85%	-13% 13.448 nd nd 97%	-15% 12.203 nd nd 98%		nd nd
100,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re	€/AWU) emaining with n witching from p emaining with p	egative margin positive to negative positive margin	-19% 14.033 nd nd 85%	-13% 13.448 nd nd 97%	-15% 12.203 nd nd 98%		nd nd
90,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re	€/AWU) emaining with n witching from p emaining with p	egative margin positive to negative positive margin	-19% 14.033 nd nd 85%	-13% 13.448 nd nd 97%	-15% 12.203 nd nd 98%	■ Remai	nd nd
90,0% 90,0% 80,0% 70,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re	€/AWU) emaining with n witching from p emaining with p	egative margin positive to negative positive margin	-19% 14.033 nd nd 85%	-13% 13.448 nd nd 97%	-15% 12.203 nd nd 98%	■ Remai	nd nd
90,0% 90,0% 80,0% 70,0% 60,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re	€/AWU) emaining with n witching from p emaining with p	egative margin positive to negative positive margin	-19% 14.033 nd nd 85%	-13% 13.448 nd nd 97%	-15% 12.203 nd nd 98%	H	nd nd
90,0% 90,0% 80,0% 70,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re	€/AWU) emaining with n witching from p emaining with p	egative margin positive to negative positive margin	-19% 14.033 nd nd 85%	-13% 13.448 nd nd 97%	-15% 12.203 nd nd 98%	H	nd nd nd nd no negative to positive to
90,0% 90,0% 80,0% 70,0% 60,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re	€/AWU) emaining with n witching from p emaining with p	egative margin positive to negative positive margin	-19% 14.033 nd nd 85%	-13% 13.448 nd nd 97%	-15% 12.203 nd nd 98%	■ From μ negati	nd nd nd nd no negative to ve
100,0% 90,0% 80,0% 70,0% 60,0% 50,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re	€/AWU) emaining with n witching from p emaining with p	egative margin positive to negative positive margin	-19% 14.033 nd nd 85%	-13% 13.448 nd nd 97%	-15% 12.203 nd nd 98%	■ From μ negati	nd nd nd nd no negative to ve
100,0% 90,0% 80,0% 70,0% 60,0% 50,0% 40,0% 30,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re	€/AWU) emaining with n witching from p emaining with p	egative margin positive to negative positive margin	-19% 14.033 nd nd 85%	-13% 13.448 nd nd 97%	-15% 12.203 nd nd 98%	■ From μ negati	nd nd nd nd no negative to ve
100,0% 90,0% 80,0% 70,0% 60,0% 50,0% 40,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re	€/AWU) emaining with n witching from p emaining with p	egative margin positive to negative positive margin	-19% 14.033 nd nd 85%	-13% 13.448 nd nd 97%	-15% 12.203 nd nd 98%	■ From μ negati	nd nd nd nd no negative to ve
100,0% 90,0% 80,0% 70,0% 60,0% 50,0% 40,0% 30,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re	€/AWU) emaining with n witching from p emaining with p	egative margin positive to negative positive margin	-19% 14.033 nd nd 85%	-13% 13.448 nd nd 97%	-15% 12.203 nd nd 98%	■ From μ negati	nd nd nd nd no negative to ve
90,0% — 90,0% — 70,0% — 60,0% — 40,0% — 30,0% — 10,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re	€/AWU) emaining with n witching from p emaining with p	egative margin positive to negative positive margin	-19% 14.033 nd nd 85%	-13% 13.448 nd nd 97%	-15% 12.203 nd nd 98%	■ From μ negati	nd nd nd nd no negative to ve
90,0% 90,0% 80,0% 70,0% 60,0% 50,0% 40,0% 30,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re	€/AWU) emaining with n witching from p emaining with p	egative margin positive to negative positive margin positive m	-19% 14.033 Ind Ind Ind 85%	-13% 13.448 nd nd 97%	-15% 12.203 nd nd 98%	■ From μ negati	nd nd nd nd no negative to ve
90,0% — 90,0% — 70,0% — 60,0% — 40,0% — 30,0% — 10,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms re italised farms	emaining with n witching from pemaining with p	egative margin positive to negative positive margin positive m	-19% 14.033 Ind Ind Ind 85%	-13% 13.448 Ind Ind 97% and by altitude	-15% 12.203 nd nd 98%	■ From μ negati	nd nd nd nd no negative to ve
90,0% — 90,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re cialised farms (1) <300m	emaining with n witching from p emaining with p % of f	egative margin positive to negative positive margin positive m	-19% 14.033 Ind Ind 85% Ition of margin	-13% 13.448 nd nd 97% and by altitue	-15% 12.203 Ind	■ From μ negati	nd nd nd nd no negative to ve
90,0% — 90,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re cialised farms (1) <300m	emaining with n witching from p emaining with p % of f	egative margin oositive to negative oositive margin farms by class of evolu 600m (3) >600n	-19% 14.033 Ind Ind 85% Ition of margin	-13% 13.448 nd nd 97% and by altitue	-15% 12.203 Ind	■ From μ negati	nd nd nd nd no negative to ve
100,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re cialised farms (1) <300m	emaining with n witching from p emaining with p % of f	egative margin oositive to negative oositive margin farms by class of evolu 600m (3) >600n	-19% 14.033 Ind Ind 85% Ition of margin	-13% 13.448 nd nd 97% and by altitue	-15% 12.203 Ind	■ From μ negati	nd nd nd nd no negative to ve
100,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re cialised farms (1) <300m	emaining with n witching from p emaining with p % of f	egative margin oositive to negative oositive margin farms by class of evolu 600m (3) >600n	-19% 14.033 Ind Ind 85% Ition of margin	-13% 13.448 nd nd 97% and by altitue	-15% 12.203 Ind	■ From p negati	n negative to ve
100,0% 90,0% 80,0% 70,0% 60,0% 40,0% 20,0% 10,0% 0,0% NVA/AWU 8.000 6.000 4.000 4.000 6.000 4.000 6.000 4.000 6.00	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re cialised farms (1) <300m	emaining with n witching from p emaining with p % of f	egative margin oositive to negative oositive margin farms by class of evolu 600m (3) >600n	-19% 14.033 Ind Ind 85% Ition of margin	-13% 13.448 nd nd 97% and by altitue	-15% 12.203 Ind	■ From pregative Remai	nd nd nd nd nn negative
100,0% 90,0% 80,0% 70,0% 60,0% 40,0% 20,0% 10,0% 0,0% NVA/AWU 8.000 6.000 4.000 4.000 6.000 4.000 6.000 4.000 6.00	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re cialised farms (1) <300m	emaining with n witching from p emaining with p % of f	egative margin oositive to negative oositive margin farms by class of evolu 600m (3) >600n	-19% 14.033 Ind Ind 85% Ition of margin	-13% 13.448 nd nd 97% and by altitue	-15% 12.203 Ind	■ From p negati	nd nd nd nd nn negative
100,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re cialised farms (1) <300m	emaining with n witching from p emaining with p % of f	egative margin oositive to negative oositive margin farms by class of evolu 600m (3) >600n	-19% 14.033 Ind Ind 85% Ition of margin	-13% 13.448 nd nd 97% and by altitue	-15% 12.203 Ind	■ From pregative Remai	nd nd nd nd nn negative
100,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re cialised farms (1) <300m	emaining with n witching from p emaining with p % of f	egative margin oositive to negative oositive margin farms by class of evolu 600m (3) >600n	-19% 14.033 Ind Ind 85% Ition of margin	-13% 13.448 nd nd 97% and by altitue	-15% 12.203 Ind	■ From p negati	n negative to ve n positive to ve
100,0%	((3)-(2))/(2) FNVA /AWU (% of farms re % of farms s % of farms re cialised farms (1) <300m	emaining with n witching from p emaining with p % of f	egative margin oositive to negative oositive margin farms by class of evolu 600m (3) >600n	-19% 14.033 Ind Ind 85% Ition of margin	-13% 13.448 nd nd 97% and by altitue	-15% 12.203 Ind	■ From p negati	n negative to ve n positive in in ive

4.000

2.000

(1) <300m

(2) 300-600m

(3) >600m

(4) Not Available

Total

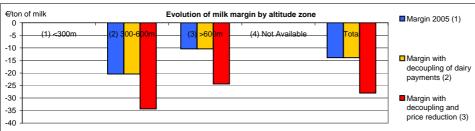
Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

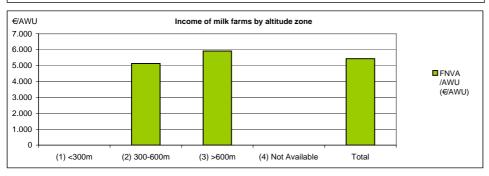
Basis 2005

Margins over variable costs

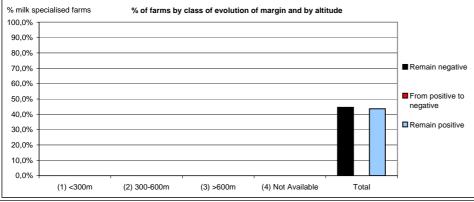
With decoupling of the dairy payments (as from 2007 onwards)

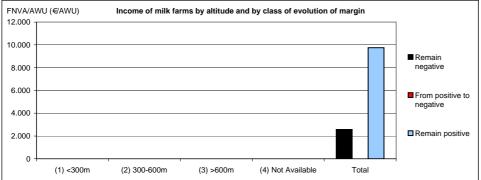
			-	Altitude zones	3	
SLOVAKIA	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total
Representati	Sample farms	nd	19	17	F	
veness (2005)	Farms represented	nd	91	88		2:
	% of farms represented	nd	40%	39%		100
	Forage area (ha)	nd	483	597	Г	4
Structural	Dairy cows (LU)	nd	154	172		1
information (2005)	Total labour (AWU)	nd	23,99	24,91	F	20,
	Milk yield (kg/cow)	nd	6.430	5.112		6.0
	Milk production (tons)	nd	988	881		8
	Average 2005 producer price	nd	247	248	Г	2
	Receipts 2005	nd	247	248	-	2
	Receipts with decoupling of dairy payments	nd	247	248	-	2
	Receipts with decoupling and price reduction	nd	233	234	F	2
	Feed costs	nd	83	72	-	
Milk margin	Other specific costs	nd	25	30	F	
information	Farming overheads	nd	83	80	F	
(€/ton of	Wages	nd	76	75		
milk)	Variable costs	nd	267	258		2
	Margin 2005 (1)	nd	-20	-10		
	Margin with decoupling of dairy payments (2)	nd	-20	-10		
	Margin with decoupling and price reduction (3)	nd	-34	-24		
	((3)-(1))/(1)	nd	68%	134%		101
	((3)-(2))/(2)	nd	68%	134%		101
	% of 2005 total milk margin in FNVA	nd	-16%	-6%	Г	-11
Income	FNVA (€)	nd	122.955	147.205	F	109.4
(2005)	FNVA /AWU (€/AWU)	nd	5.125	5.910		5.4
	Total direct payments (EU & national)	nd	130.078	146.142	Г	111.2
	% Direct payments /FNVA	nd	106%	99%	-	102
	Environmental payments	nd	19.660	22.686	-	16.6
Direct	% Environmental payments /FNVA	nd	16%	15%	-	1:
payments	Less-Favoured Areas payments	nd	52.446	75.052		50.0
(2005) (€)	% LFA payments /FNVA	nd	43%	51%	F	40
	Other dairy subsidies (national)	nd	0	0	F	
	% Other dairy subsidies /FNVA	nd	0%	0%		- (





				Altitude zone:	S	
Class of evolution of margin	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total
	Sample farms	nd	Ind	nd	Ī	
	,	nd	nd	nd		10
	Farms represented					
Remain	Margin 2005 (1)	nd	nd	nd		-6
negative	Margin with decoupling of dairy payments (2)	nd	nd	nd		-6
	Margin with decoupling and price reduction (3)	nd	nd	nd		
	((3)-(2))/(2)	nd	nd	nd		20
	FNVA /AWU (€/AWU)	nd	nd	nd		2.50
	Sample farms	nd	nd	nd		nd
	Farms represented	nd	nd	nd		nd
From	Margin 2005 (1)	nd	nd	nd		nd
positive to	Margin with decoupling of dairy payments (2)	nd	nd	nd		nd
negative	Margin with decoupling and price reduction (3)	nd	nd	nd		nd
Ü	((3)-(2))/(2)	nd	nd	nd		nd
	FNVA /AWU (€/AWU)	nd	nd	nd		nd
	Т.			T.	1	
	Sample farms	nd	nd	nd		
	Farms represented	nd	nd	nd		
Remain	Margin 2005 (1)	nd	nd	nd		4
positive	Margin with decoupling of dairy payments (2)	nd	nd	nd		
	Margin with decoupling and price reduction (3)	nd	nd	nd		:
	((3)-(2))/(2)	nd	nd	nd		-35
	FNVA /AWU (€/AWU)	nd	nd	nd		9.74
	Sample farms	Ind	19	17		
	Farms represented	nd	91	88		22
	Margin 2005 (1)	nd	-20			-
Total	Margin with decoupling of dairy payments (2)	nd	-20			
	Margin with decoupling and price reduction (3)	nd	-34			-7
	((3)-(2))/(2)	nd	68%	134%		101
	FNVA /AWU (€/AWU)	nd	5.125	5.910		5.4
	% of farms remaining with negative margin	nd	nd	nd	Ī	44,5
	% of farms remaining with negative margin % of farms switching from positive to negative	nd nd	nd	nd nd		44,5 nd
	% of farms switching from positive to negative % of farms remaining with positive margin	nd nd	nd	nd nd		na 44
	70 or raims remaining with positive margin	,,,,,	1110	,,,,		L 77





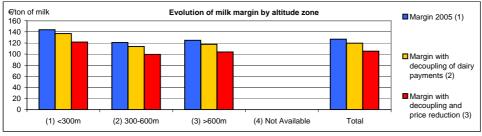
Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)

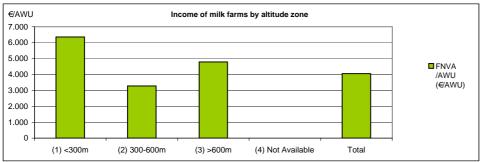
Basis 2005

Margins over variable costs

With decoupling of the dairy payments (as from 2007 onwards)

				Altitude zones	3	
SLOVENIA	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available	Total
Representati	Sample farms	55	127	43		22
veness	Farms represented	925	4.687	1,228		6.84
(2005)	% of farms represented	14%	69%	18%		1009
	Forage area (ha)	16	11	15		1
Structural	Dairy cows (LU)	21	11	14		1
information (2005)	Total labour (AWU)	2,43	1,91	1,99		2,0
	Milk yield (kg/cow)	5.637	5.312	5.231		5.36
	Milk production (tons)	119	59	73		7
	Average 2005 producer price	272	255	248		25
	Receipts 2005	290	274	266		27
	Receipts with decoupling of dairy payments	283	267	259		26
	Receipts with decoupling and price reduction	268	253	245		25
	Feed costs	74	67	61		(
Milk margin	Other specific costs	20	21	20		
information	Farming overheads	51	64	57		(
(€/ton of	Wages	2	1	3		
milk)	Variable costs	146	154	141		15
	Margin 2005 (1)	144	121	125		12
	Margin with decoupling of dairy payments (2)	137	114	118		1:
	Margin with decoupling and price reduction (3)	122	99	104		10
	((3)-(1))/(1)	-16%	-18%	-17%		-17
	((3)-(2))/(2)	-11%	-13%	-12%		-12
	% of 2005 total milk margin in FNVA	111%	115%	95%		109
Income (2005)	FNVA (€)	15.476	6.272	9.524		8.1
(2005)	FNVA /AWU (€/AWU)	6.360	3.279	4.788		4.0
	Total direct payments (EU & national)	7.532	4.824	7.039		5.58
	% Direct payments /FNVA	49%	77%	74%		69
	Environmental payments	1,356	838	1.852		1.09
Direct	% Environmental payments /FNVA	9%	13%	19%		13
payments	Less-Favoured Areas payments	959	1.304	2.383		1.45
(2005) (€)	% LFA payments /FNVA	6%	21%	25%		18
	Other dairy subsidies (national)	1.371	749	832		84
	% Other dairy subsidies /FNVA	9%	12%	9%		10
	,	- 570	.270	370		- 10





re the margins with decoupling of the dairy payments to the margins with decoupling and price dro

	<u> </u>			Altitude zones	3
Class of evolution of margin	Variables	(1) <300m	(2) 300- 600m	(3) >600m	(4) Not Available
	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	Margin 2005 (1)	nd	nd	nd	nd
Remain	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
negative	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	nd	nd	nd	nd
	FNVA /AWU (€/AWU)	nd	nd	nd	nd
	,				
	Sample farms	nd	nd	nd	nd
From	Farms represented	nd	nd	nd	nd
	Margin 2005 (1)	nd	nd	nd	nd
positive to	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
negative	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
Ü	((3)-(2))/(2)	nd	nd	nd	nd
	FNVA /AWU (€/AWU)	nd	nd	nd	nd
	Sample farms	53	123	42	
	Farms represented	829		1.203	
	Margin 2005 (1)	151			
Remain	Margin with decoupling of dairy payments (2)	144		119	
positive	Margin with decoupling and price reduction (3)	129			
	((3)-(2))/(2)	-11%		-12%	
	FNVA /AWU (€/AWU)	7.298		4.904	4
	Sample farms	55	127	43	
	Farms represented	925		1,228	
	Margin 2005 (1)	144	121	125	
Total	Margin with decoupling of dairy payments (2)	137			
	Margin with decoupling and price reduction (3)	122			
	((3)-(2))/(2)	-11%		-12%	-
	((3) (2))/(2)	1170			
	FNVA /AWU (€/AWU)	6.360)I 3.279	4.788	4
	FNVA /AWU (€/AWU)	6.360	3.279	4.788	
	FNVA /AWU (€/AWU) % of farms remaining with negative margin	6.360	nd 3.279	4.788	nd
		•			

