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MILK SECTOR – (3) IMPACT OF A PRICE REDUCTION ON MILK MARGINS

This analysis on the *Milk sector – (3) Impact of a price reduction on milk margins* is a contribution to the Impact Assessment of the Health Check of the Common Agricultural Policy (CAP). It is part of the Annex F Microeconomic (FADN) analyses.

For more information on the Health Check:
http://ec.europa.eu/agriculture/healthcheck/index_en.htm

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

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

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

For more information: http://ec.europa.eu/agriculture/rica/index.cfm

MILK SECTOR – (3) IMPACT OF A PRICE REDUCTION ON MILK MARGINS

Executive Summary

This chapter analyses the **impact on milk margins** of the estimated **price reduction** that would result from the **phasing-out of milk quotas**.

On average in the EU-25, **96.4%** of the milk specialised producers would keep a positive margin after the price drop consecutive to the phasing-out of the dairy quotas. The price drop would cause a **switch from positive to negative margin** only for **1.3%** of the milk specialised producers. The average milk margin would decrease by **16%**.

The Member States with the lowest share of farms keeping positive margin would be **Sweden**, **Portugal**, **Austria** and the **United Kingdom** in the EU-15, and **Slovakia**, **Czech Republic**, **Malta**, **Estonia** and **Latvia** in the EU-10. It must be underlined here, that in some Member States, certain regions would be significantly more affected than the national average.

However, the maintenance of the production and the consequent impacts would also depend on the **possibilities of alternatives** in each region. Moreover, one should note that these simulations do not take into account the **expected increase of production** as a consequence of the phasing-out of dairy quotas, the possible consecutive structural adjustments, and the scale economies that could occur.

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. The present chapter analyses the impact of the phasing-out option creating the highest milk price reduction. The objective is to assess the share of producers that might choose to change the orientation as a reply to this price reduction.

The first chapter studying the composition and the distribution of the margins in the EU-25 and the second one analysing the evolution of the margins and of the milk specialised farms' should be considered as useful background information to interpret the results of this analysis.

The next section reminds the core elements of the methodology applied. The third section presents a preliminary work regarding the calculation of the level of price reduction switching the national average milk margin by Member State (Member State). The fourth part analyses the impact of a price reduction on milk margins at EU, national and regional levels (when possible).

2. METHODOLOGY

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

The **margin over variable costs** has been has been chosen as the parameter of study for these simulations. It is defined as follows: Total milk receipts[1] – specific costs[2] – farming overheads[3] – wages. It is generally used when looking at alternative productions' opportunity (no matter the production selected, rent, interests and depreciation still have to be paid).

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**[4]. It has been chosen to use only **2005** data, and not an average of two or three years[5], for the following reasons:

– The intervention prices for butter and skimmed milk powder have been reduced each year between the period 2004-2007,

– 2005 data are the most recent available data[6].

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 system*[7].

[1] '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.

[2] Specific costs: feed and other specific livestock costs.

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

[4] 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 MS of the EU-10 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 EU-10 remain coupled, i.e. included in the margin.

[5] A three-year average is generally used to limit conjectural price fluctuations' impact.

[6] 2005 FADN data are still provisional for Malta, Italy, Sweden, the United Kingdom and Slovenia. For Germany the estimations of costs and margins are provisional, and therefore for the total EU15 or EU25. The most recent statistics have been used for calculating the number of farms represented by sample farm: Farm Structure Survey (FSS 2005) and Standard Gross Margin coefficients (SGM 2002).

[7] 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"*.

To get reliable estimations of milk margins, it is necessary to focus on **milk specialised farms**. To define them, the same criteria as in the previous chapters on milk have been used[8]. Table 8 in annex shows the number of farms respecting those requirements in 2005 and the number of dairy cows covered, in comparison with the FSS 2005 (Farms Structure Survey). The very small number of sample farms for **Cyprus** and **Greece** does not allow displaying any data for these Member States in 2005[9]. Moreover, the 2005 results should be interpreted with care for the following Member States because of a low percentage of dairy cows covered: **Czech Republic, Hungary, Lithuania, and Slovakia[10]**. The FADN sample of milk specialised farms in the EU-25 covers **68% of the dairy cows in 2005**.

It should be noted that the averages of the costs and of the margins presented (in €/t) are obtained by dividing the average receipts, costs or margin in the Member State (or region) by the average quantity of milk produced in this Member State (and not by the average of the ratio by farm).

As a result of this analysis, the percentages of farmers switching to a negative margin with the price reduction always refer to the sample selected.

[8] 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, and for EU-10, the share of milk output in the total output.

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

[10] A low share of dairy cows can be explained by two major reasons: (1) a lot of dairy cows are held by non commercial farms which are not covered by FADN (FADN covers only the agricultural holdings having an economic size equal to, or greater than, a minimum threshold of economic size, the so-called *commercial farms*) ; (2) a lot of dairy cows are held by farms with a lowest milk specialisation rate.

3. PRICE REDUCTION SWITCHING THE AVERAGE MARGIN FROM POSITIVE TO NEGATIVE

As a preliminary work to the simulations, the price reduction switching the national average margin from positive to negative has been calculated. It allows identifying quickly the most and the least sensitive Member State to any price drop. Table 1 presents for each Member State the 2005 average milk margin, the milk margin with the decoupling of the dairy payments, the 2005 average milk producer price and the milk price reduction switching the ***average*** milk margin from positive to negative. The price reduction X is calculated for the margin with decoupling of the dairy payments.

(1+X)Receipts + Total dairy subsidies – Decoupled dairy payments – Variable costs = 0

X = (Decoupled dairy payments + Variable costs - Total dairy subsidies) / Receipts - 1

Apart from the milk specialised farms from **Slovakia** which have already a negative margin on average (see the first milk chapter for more details), the **most sensitive Member States** would be **Czech Republic**, a 3% price drop would annul the average milk margin, **Estonia** (-13%) and **Hungary** (-17%). Regarding Slovakia, Czech Republic and Hungary, the sample of milk specialised farms does not cover an important share of the dairy cows, and therefore, the results should be interpreted with caution (see Table 8 in Annex).

Table 1: Level of price reduction switching the average margin by Member State

Member State	Sample farms	Farms represented	Margin 2005 (€/t of milk)	Margin with decoupling of the dairy payments	Average milk producer price (€/t of milk)	Reduction of price switching the average margin from positive to negative
Belgium	223	5 440	172	148	293	-51%
Cyprus	nd	nd	nd	nd	nd	nd
Czech Republic	182	1 399	9	9	275	-3%
Denmark	369	5 028	102	102	308	-33%
Germany	1 857	72 644	93	93	291	-32%
Greece	nd	nd	nd	nd	nd	nd
Spain	682	18 752	175	154	309	-50%
Estonia	186	1 570	32	32	246	-13%
France	1 144	60 622	140	118	302	-39%
Hungary	78	1 038	47	47	274	-17%
Ireland	278	13 827	115	115	264	-43%
Italy	1 341	28 316	205	185	385	-48%
Lithuania	222	14 451	113	113	207	-54%
Luxembourg	238	715	139	139	304	-46%
Latvia	273	4 779	75	75	230	-32%
Malta	38	91	99	92	334	-28%
The Netherlands	324	19 702	169	146	309	-47%
Austria	563	17 924	133	112	290	-39%
Poland	1 908	91 126	116	116	233	-50%
Portugal	232	4 402	131	107	295	-36%
Finland	369	14 338	165	143	327	-44%
Sweden	358	7 553	90	74	325	-23%
Slovakia	43	227	-14	-14	250	*already negative*
Slovenia	225	6 716	129	121	258	-47%
The United Kingdom	519	17 469	80	80	267	-30%
EU-25	**11 667**	**409 219**	**126**	**115**	**297**	**-39%**

Source: EU FADN – DG AGRI, Milk allocation costs model. nd: not displayed (less than 15 farms in the cell).

Among the EU-15, the most sensitive Member State would be **Sweden**; a 23% price drop would annul the average milk margin. In the case of **Finland**, which seems to be 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.

The **most "resistant" Member States** would be **Lithuania** (-54%), **Belgium** (-51%), **Spain** (-50%), **Poland** (-50%) and **Italy** (-48%). Nevertheless, the Lithuanian result may not represent the majority of Lithuanian producers, given the relatively small percentage of dairy cows covered by the milk specialised farms (32%, see Table 8 in Annex). Given that the price level is very different from one Member State to another, one should note that the percentage of price reduction does not have the same meaning in absolute value, in the different Member States.

In the next section, the impacts of the estimated price drop consecutive to a phasing-out of dairy quotas on milk specialised producers are analysed by Member State and by region.

4. IMPACTS ON MARGINS OF A PRICE REDUCTION

This section presents the main results and the detailed data by Member State and when possible by region are displayed in the annexes.

4.1. Impact analysis at EU level

Comparing the '2007' margins[11] to the estimated margins with the price drop, it is possible to classify the farms into three categories: the farms remaining with a negative margin, the farms switching from a positive to a negative margin, and the farms keeping a positive margin. Table 2 presents the % of farms in each category for the EU-10, EU-15 and EU-25.

On average, in the EU-25, **96.4%** of the milk specialised producers would keep a positive margin after the price drop consecutive to the phasing-out of the dairy quotas. Among the remaining 3.7%, 2.4% had already negative margins. Therefore, the price drop would cause a **switch from positive to negative margin** only for **1.3%** of the milk specialised producers. The results are similar for the EU-15 and EU-10. The EU-10 is characterised by a greater proportion of farms which had already negative margin (2.6%), and a lower share of farms switching from positive to negative margin (0.5%).

Table 2: % of farms by category in the EU

EU	Remain negative	From positive to negative	Remain positive
EU-15	2.3%	1.6%	96.2%
EU-10	2.6%	0.5%	96.8%
EU-25	**2.4%**	**1.3%**	**96.4%**

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

[11] The '2007' margins are estimated on the basis of 2005 margins, applying the decoupling of the dairy payments. See the second section regarding the methodology.

Table 3 displays the average margins before and after the price drop in the EU. On average, in the EU-25, the milk margin would decrease by **16%** in comparison with the margin after the implementation of the decoupling of the dairy payments[12]: it would pass from **115€/t** to **97€/t** of milk. The results are similar for the averages EU-15 and EU-10. However the decrease is slightly lower for the EU-10 (-14%).

Table 3: Average margins before and after the price drop in the EU (€/t)

EU	Margin 2005 (1)	Margin with decoupling of dairy payments (2)	Margin with decoupling and price reduction (3)	*((3)-(1))/(1)*	*((3)-(2))/(2)*
EU-15	129	117	98	*-24%*	*-16%*
EU-10	98	97	83	*-15%*	*-14%*
EU-25	**126**	**115**	**97**	***-23%***	***-16%***

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

Table 4 and

Table 5 provide key data and average margins of the farms by category of margins' evolution related to the price drop respectively for the EU-15 and the EU-10. On average, both in the EU-15 and EU-10, the **farms switching from positive to negative** margins are significantly **bigger** than the average.

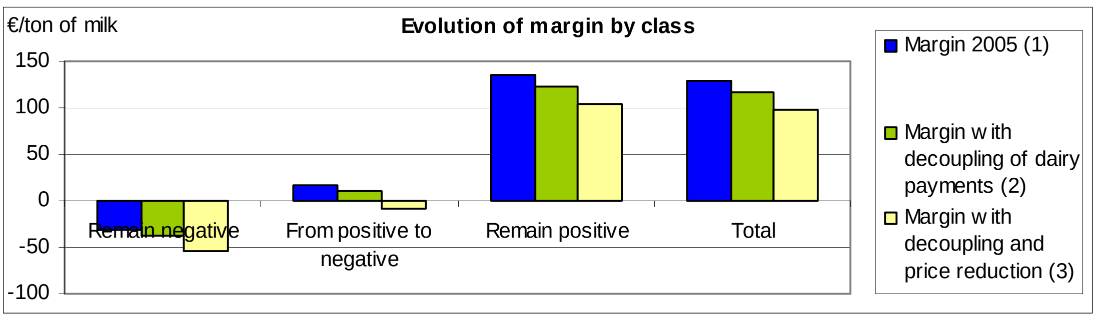
[12] It should be noted that the decoupling of the dairy payment implies a decrease of the margin between 2005 and 2007. However, the farm income may not change because the dairy payments are included into the Single Payment. For more details on these issues, see the milk chapter two.

Table 4: Characteristics of the farms by category in the EU-15

EU-15	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	264	141	8 102	8 507
	Farms represented	6 556	4 506	276 580	287 642
	% of farms represented	***2.3%***	***1.6%***	***96.2%***	***100.0%***
Structural information (2005)	Forage area (ha)	75	66	43	44
	Dairy cows (LU)	54	59	47	48
	Total labour (AWU)	3.1	3.0	1.8	1.9
	Milk yield (kg/cow)	6 397	6 730	6 841	6 827
	Milk production (tons)	345	398	323	325
Milk margin information (€/t of milk)	Receipts 2005	299	315	317	317
	Receipts with decoupling of dairy payments	292	309	305	305
	Receipts with decoupling and price reduction	276	291	286	286
	Feed costs	109	105	79	80
	Other specific costs	24	27	19	20
	Farming overheads	128	106	74	76
	Wages	70	61	10	12
	Variable costs	331	299	182	188
	Margin 2005 (1)	-32	16	135	129
	Margin with decoupling of dairy payments (2)	-38	10	123	117
	Margin with decoupling and price reduction (3)	-55	-9	104	98
	((3)-(1))/(1)	*74%*	*-155%*	*-23%*	*-24%*
	((3)-(2))/(2)	***43%***	***-191%***	***-15%***	***-16%***
Income (2005)	FNVA (€)	41 726	59 420	57 738	57 399
	FNVA/AWU (€/AWU)	13 295	19 753	32 105	31 062
Direct payments (2005) (€)	Total direct payments (EU & national)	50 902	45 433	23 702	24 662
	% Direct payments /FNVA	*122%*	*76%*	*41%*	*43%*
	Environmental payments	9 600	6 138	2 658	2 871
	% Environmental payments /FNVA	*23.0%*	*10.3%*	*4.6%*	*5.0%*
	Less-Favoured Areas payments	5 521	4 669	2 223	2 336
	% LFA payments /FNVA	*13.2%*	*7.9%*	*3.9%*	*4.1%*
	Other dairy subsidies (national)	686	956	834	832
	% Other dairy subsidies /FNVA	*1.6%*	*1.6%*	*1.4%*	*1.4%*

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

Figure 1: Evolution of margin by category in the EU-15



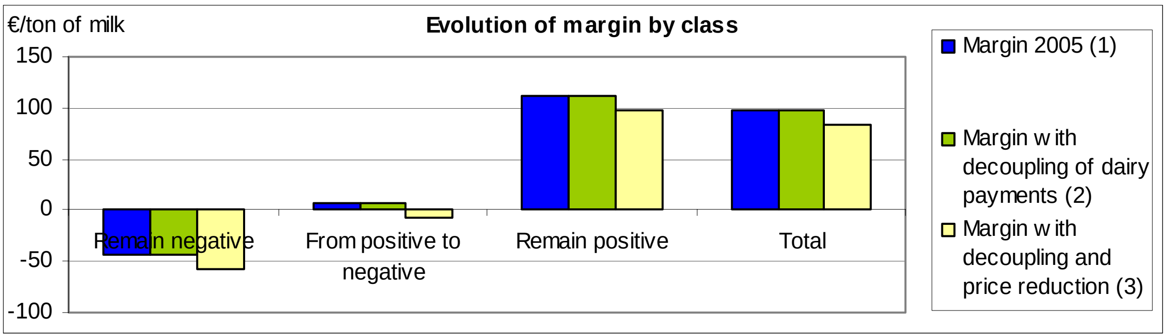
Source: EU FADN – DG AGRI, Milk allocation costs model.

Table 5: Characteristics of the farms by category in the EU-10

EU-10	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	161	53	2 946	3 160
	Farms represented	3 192	644	117 742	121 578
	% of farms represented	***2.6%***	***0.5%***	***96.8%***	***100.0%***
Structural information (2005)	Forage area (ha)	98	155	17	20
	Dairy cows (LU)	42	87	15	16
	Total labour (AWU)	6.0	8.5	2.0	2.1
	Milk yield (kg/cow)	5 300	6 284	5 344	5 368
	Milk production (tons)	220	546	81	87
Milk margin information (€/t of milk)	Receipts 2005	259	261	242	244
	Receipts with decoupling of dairy payments	259	261	241	243
	Receipts with decoupling and price reduction	245	247	227	229
	Feed costs	95	94	66	69
	Other specific costs	21	19	10	11
	Farming overheads	102	80	45	50
	Wages	84	61	10	16
	Variable costs	302	254	130	146
	Margin 2005 (1)	-43	7	111	98
	Margin with decoupling of dairy payments (2)	-43	7	111	97
	Margin with decoupling and price reduction (3)	-57	-8	97	83
	((3)-(1))/(1)	*34%*	*-209%*	*-13%*	*-15%*
	((3)-(2))/(2)	***34%***	***-210%***	***-13%***	***-14%***
Income (2005)	FNVA (€)	31 182	75 011	14 008	14 781
	FNVA/AWU (€/AWU)	5 192	8 804	7 027	6 929
Direct payments (2005) (€)	Total direct payments (EU & national)	30 191	43 398	4 910	5 777
	% Direct payments /FNVA	*97%*	*58%*	*35%*	*39%*
	Environmental payments	4 406	4 726	197	332
	% Environmental payments /FNVA	*14.1%*	*6.3%*	*1.4%*	*2.2%*
	Less-Favoured Areas payments	7 228	6 662	764	965
	% LFA payments /FNVA	*23.2%*	*8.9%*	*5.5%*	*6.5%*
	Other dairy subsidies (national)	824	1 740	254	277
	% Other dairy subsidies /FNVA	*2.6%*	*2.3%*	*1.8%*	*1.9%*

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

Figure 2: Evolution of margin by category in the EU-10



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

In the EU-15, the farms switching from positive to negative margins, have on average 59 dairy cows, 66 ha of forage area (0.9 dairy cow/ha), they produce 398 tons of milk per year and use 3 Annual Work Units (AWU). The farms keeping a positive margin have 47 dairy cows, 43 hectares (1.1 dairy cow/ha), they produce 323 tons and use 1.8 AWU. The farms remaining with a negative margin have a lower density of dairy cows (54 cows for 75 ha of forage, i.e. 0.8 cow/ha), produce 345 tons and use 3.1 AWU.

In the EU-10, the size gap between the farms switching from positive to negative margins and the farms keeping positive margin is even bigger. The first ones have on average 87 dairy cows, 155 ha of forage area (0.6 dairy cow/ha), they produce 546 tons of milk by year and use 8.5 AWU, while the farms keeping a positive margin have 15 dairy cows, 17 hectares (0.9 dairy cow/ha), produce 81 tons and use 2 AWU. The farms remaining with a negative margin have a lower density of dairy cows (42 cows for 98 ha of forage, i.e. 0.4 cow/ha), produce 220 tons and use 6 AWU.

In the EU-15, the farms switching from positive to negative margins do not have significantly lower **receipts** comparing to the farms keeping positive margins (315 €/t compared to 317 €/t). Their receipts after the decoupling of the dairy payments and the price drop are even higher (291 €/t compared to 286 €/t). In the EU-10, the receipts 2005, the receipts with decoupling of the dairy payments and the receipts with decoupling and price drop are always higher for the farms switching from positive to negative margins in comparison with the farms keeping positive or negative margins.

The **variable costs** are significantly higher for the farms switching from positive to negative margins: 299 €/t compared to 182 €/t for the farms keeping positive margin in the EU-15, 254 €/t compared to 130 €/t in the EU-10. In particular, the farming overheads and the wages are much higher (respectively 143% and 609% of the corresponding values for the farms keeping positive margin in the EU-15, 180% and 631% in the EU-10).

In the EU-15, the farms remaining with a negative margin have slightly lower receipts (299 €/t compared to 317 €/t on average) and significantly higher variable costs (331 €/t compared to 188 €/t on average). In the EU-10, they have slightly higher receipts (259 €/t compared to 244 €/t on average), but much higher variable costs (302 €/t compared to 146 €/t).

In the EU-15, the total farm **income** (measured with FNVA[13]) is a little bit higher for the farms switching from positive to negative, mainly because of the difference of structures (59 420 €/farm compared to 57 738 €/farm), but the income per AWU is significantly lower: 19 753 €/AWU compared to 32 105 €/AWU for the farms keeping positive margins. The average income per AWU of the farms remaining with negative margin represents 41% of the average income of the farms keeping positive margin.

The results are not similar for the EU-10, where the farms switching from positive to negative have a very high total farm income, 75 011 €/farm compared to 31 182 €/farm for the farms remaining with negative and 14 008 €/farm for the farms keeping positive margin. Even if the gaps are amplified by the differences of farm structures, the income per AWU is slightly more favourable for the farms switching from positive to negative:

[13] FNVA = Farm Net Value Added = remuneration of the fixed factors of production (work, land and capital), whether they are external or family factors.

8 804 €/AWU compared to 7 027 €/AWU for the farms keeping positive margin and 5 192 €/AWU for the farms remaining with negative margin.

The **share of the direct payments** in the farm income is on average less important for the farms keeping positive margins (41%in the EU-15, 35% in the EU-10) than for the farms switching from positive to negative margins (76% in the EU-15, 58% in the EU-10), which is less important than the one for the farms remaining with a negative margin (122% in the EU-15, 97% in the EU-10). Similar conclusions can be drawn for the environmental subsidies, the Less-Favoured Area payments and the other dairy subsidies (national direct payments).

4.2. Impact analysis at national level

Table 6 presents the share of farms in each category by Member State. It shows that the proportion of specialised farms keeping a positive margin by Member State would vary from 85.2% in **Sweden** to 100% in **Luxembourg** in the EU-15 and from 43.6% in **Slovakia** to 98.2% in **Poland** in the EU-10. Regarding Slovakia, the sample of milk specialised farms does not cover a high share of the dairy cows, only 17%, (Table 8 in annex), and therefore, the result should be interpreted cautiously.

Table 6: % of farms by category by Member State

Member State	Remain negative	From positive to negative	Remain positive
Belgium	nd	nd	99.6%
Denmark	nd	nd	97.4%
Germany	2.1%	1.8%	96.0%
Spain	nd	2.0%	97.3%
France	1.5%	nd	97.9%
Ireland	nd	nd	98.0%
Italy	2.4%	nd	96.0%
Luxembourg	nd	nd	100.0%
The Netherlands	nd	nd	99.0%
Austria	4.9%	nd	92.5%
Portugal	nd	nd	92.4%
Finland	nd	nd	94.4%
Sweden	11.7%	nd	85.2%
The United Kingdom	3.6%	nd	94.5%
EU-15	**2.3%**	**1.6%**	**96.2%**
Cyprus	nd	nd	nd
Czech Republic	23.7%	4.3%	72.1%
Estonia	12.0%	nd	82.5%
Hungary	nd	nd	92.7%
Lithuania	nd	nd	97.7%
Latvia	8.3%	nd	88.6%
Malta	nd	nd	79.1%
Poland	nd	nd	98.2%
Slovakia	44.5%	nd	43.6%
Slovenia	nd	nd	94.3%
EU-10	**2.6%**	**0.5%**	**96.8%**
EU-25	**2.4%**	**1.3%**	**96.4%**

Source: EU FADN – DG AGRI, Milk allocation costs model. nd: not displayed (less than 15 farms in the cell).

In the EU-15, the most "vulnerable" Member States, i.e. with the lowest share of farms keeping positive margin, would be **Sweden** (85.2% keeping a positive margin), **Portugal** (92.4%), **Austria** (92.5%) and the **United Kingdom** (94.5%). The average milk margin in these Member States would decrease[14] respectively by 21%, 17%, 19% and 12%. The decrease of the margin would vary from -10% in Italy, where the level of margin is high in comparison with the other Member States, to -25% in Spain. In absolute values, Germany would have the highest number of farms in the category switching from positive to negative margins (1 337 farms in Germany for 4 506 farms switching in the EU-15), mainly because of the high number of milk specialised producers in this Member State. The most "resistant" Member States would be **Luxembourg** (100% keeping a positive margin), **Belgium** (99.6%), the **Netherlands** (99%), **Ireland** (98%) and **France** (97.9%). Regarding the results of **Finland**, one should note that the margin includes the **national aids** which are supposed to be constant in these simulations. A complementary analysis on the national aids is presented in the fifth milk chapter.

Table 7: Average margins before and after the price drop by Member State

Member State	Margin 2005 (1)	Margin with decoupling of dairy payments (2)	Margin with decoupling and price reduction (3)	*((3)-(1))/(1)*	***((3)-(2))/(2)***
Belgium	172	148	129	*-25%*	***-13%***
Denmark*	102	102	83	*-19%*	***-19%***
Germany*	93	93	75	*-19%*	***-19%***
Spain	175	154	116	*-34%*	***-25%***
France	140	118	101	*-28%*	***-14%***
Ireland*	115	115	94	*-18%*	***-18%***
Italy	205	185	167	*-18%*	***-10%***
Luxembourg*	139	139	119	*-14%*	***-14%***
The Netherlands	169	146	118	*-30%*	***-19%***
Austria	133	112	91	*-31%*	***-19%***
Portugal	131	107	89	*-32%*	***-17%***
Finland	165	143	124	*-25%*	***-13%***
Sweden	90	74	58	*-36%*	***-21%***
The United Kingdom*	80	80	71	*-12%*	***-12%***
EU-15	**129**	**117**	**98**	***-24%***	***-16%***
Cyprus	nd	nd	nd	*nd*	***nd***
Czech Republic	9	9	-7	*-179%*	***-179%***
Estonia	32	32	18	*-43%*	***-43%***
Hungary	47	47	35	*-25%*	***-25%***
Lithuania	113	113	101	*-10%*	***-10%***
Latvia	75	75	62	*-17%*	***-17%***
Malta**	99	92	74	*-26%*	***-20%***
Poland	116	116	102	*-12%*	***-12%***
Slovakia	-14	-14	-28	*101%*	***101%***
Slovenia**	129	121	107	*-17%*	***-12%***
EU-10	**98**	**97**	**83**	***-15%***	***-14%***
EU-25	**126**	**115**	**97**	***-23%***	***-16%***

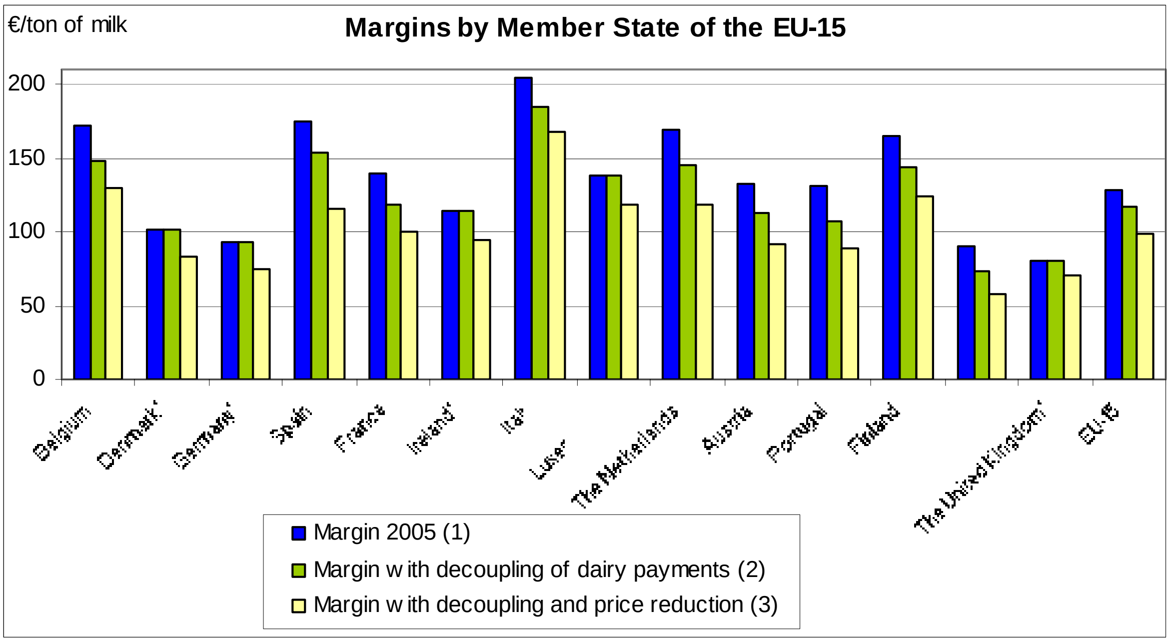
Source: EU FADN – DG AGRI, Milk allocation costs model. nd: not displayed (less than 15 farms in the cell). * Denmark, Germany, Ireland, Luxembourg and the United Kingdom applied the decoupling of the dairy payments in 2005. ** Malta and Slovenia do not apply SAPS and granted dairy payments in 2005.

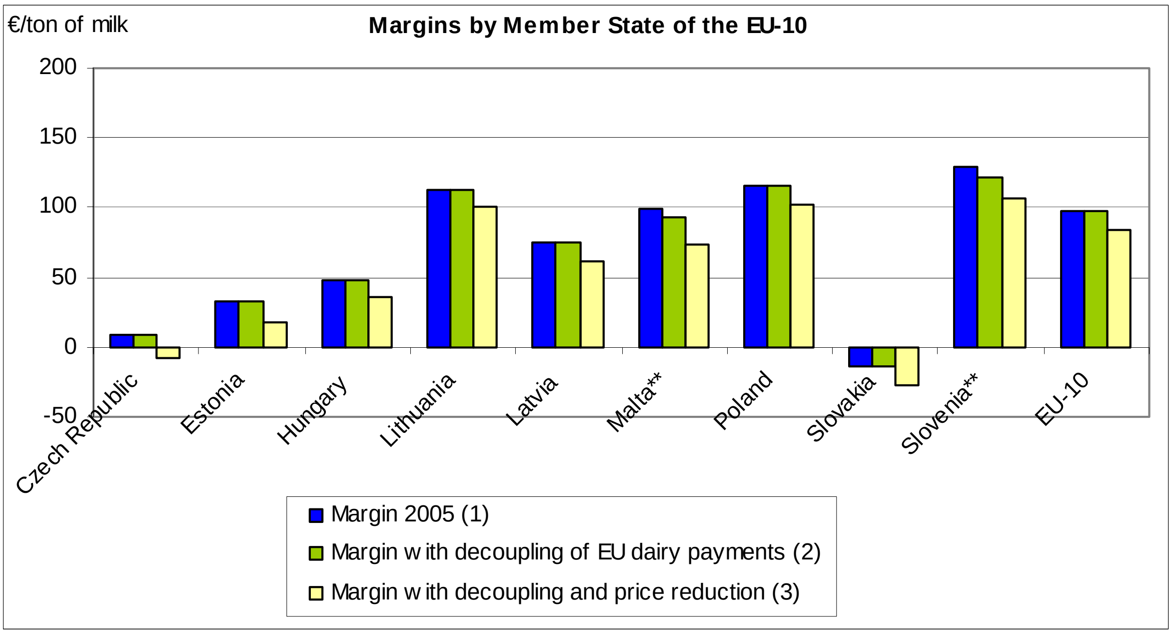
[14] Margin with decoupling of the dairy payments and price drop in comparison with the margin with decoupling.

In the EU-10, apart from the case of **Slovakia** mentioned at the beginning of the sub-section, the more affected Member States would be **Czech Republic** (72.1%), **Malta** (79.1%), **Estonia** (82.5%) and **Latvia** (88.6%). The average milk margin in these Member States would decrease respectively by 179%, 20%, 43% and 17%.

However, the initial level of the margin is very different from one Member State to another, for the EU-10 as well as for the EU-15. Figure 3 illustrates this aspect. For a detailed analysis of the initial level of the margins and of the margins' distribution by Member State, please refer to the first milk chapter.

Figure 3: Average margins before and after the price drop by Member State





Source: EU FADN – DG AGRI, Milk allocation costs model. * Denmark, Germany, Ireland, Luxembourg and the United Kingdom applied the decoupling of the dairy payments in 2005. ** Malta and Slovenia do not apply SAPS and granted dairy payments in 2005.

In the annexes, tables present by Member State key data Member State, by category of margin evolution, allowing a characterization of the farms by category similar to the one made for the average EU-15 and EU-10. The characteristics of the farms switching from positive to negative margins, or keeping positive margins identified at the EU level, are not always applicable to the national level. For example in Italy, the farms keeping positive margin are on average bigger than the farms belonging to the other two categories and contrary to the EU-15 level.

4.3. Impact analysis at regional level

When it is possible, i.e. when there are enough specialised farms by region, regional data are provided (see the annexes). It is the case for the following Member States: Belgium, Germany, Spain, France, Italy, Poland, Portugal, Finland, Sweden, and the United Kingdom. This analysis allows identifying if there are significant differences of impact in the regions of each Member State. One should note that the price drop consecutive to the phasing-out of dairy quotas is supposed to be the same in all the regions of each Member State. This sub-section sums up the main results of the analysis.

In Belgium, Poland, and Sweden, no significant regional differences of impact can be identified. On the contrary, a clear gap can be seen between the eastern and western Länder in **Germany**, the **eastern regions** being more "sensitive" to the price drop: only 64.5% of the specialised farms would keep a positive margin in *Sachsen*, 70.3% in *Brandenburg*, 71.9% in *Sachsen-Anhalt*, 72.6% in *Thueringen*.

In **Spain**, *Cataluña* would be more affected than other Spanish regions: only 90.2% of the farms would keep a positive margin. In **France**, *Aquitaine, Auvergne* and *Limousin* would be the most affected regions, with respectively 83.2%, 93.6% and 94.5% of the specialised farms keeping a positive margin. In **Italy**, *Veneto, Alto-Adige, Valle d'Aoste*, and *Trentino* would have the lowest share of specialised farms keeping positive margin, respectively, 91.7%, 92.1%, 92.8%, and 93.8%. In **Portugal**, *Entre Douro e Minho/Beira Littoral*, would be most sensitive regions to the price drop with only 90.8% of the farms keeping a positive margin.

For the **Finish**[15] regions, the significant difference would be for *Pohjanmaa*, where the proportion of farms keeping a positive margin (98%) would be significantly higher than the average (94.4%). In the **United Kingdom**, the region *England-East* would have a significantly lower share of producers keeping a positive margin: 86.3% in comparison with the average of 94.5%.

5. CONCLUSION

The analysis shows that on average, in the EU-25, **96.4%** of the milk specialised producers would keep a positive margin after the price drop consecutive to the phasing-out of the dairy quotas. The price drop would cause a **switch from positive to negative margin** only for **1.3%** of the milk specialised producers. The average milk margin would decrease by **16%** in comparison with the margin after the implementation of the decoupling of the dairy payments, from **115 €/t** to **97 €/t** of milk. The farms switching

[15] As regards the Finish results, one should note that the margin includes the national aids that are supposed to be constant in these simulations. A complementary analysis on this issue might be done in the future.

from positive to negative margin are in general **bigger** (in terms of number of dairy cows and production of milk) than the farms keeping positive margin, they have similar receipts, but much **higher variable costs**, and the **direct payments** represent a greater share of their income.

The Member States with the lowest share of farms keeping positive margin would be **Sweden**, **Portugal**, **Austria** and the **United Kingdom** in the EU-15 and **Slovakia**, **Czech Republic**, **Malta**, **Estonia** and **Latvia** in the EU-10. The **regional analysis** has shown that in some Member States, certain regions would be significantly more affected by the price drop than the national average, this is in particular the case for the *eastern Länder* in Germany, *Cataluña* in Spain, *Aquitaine, Auvergne* and *Limousin* in France, *Veneto, Alto-Adige, Valle d'Aoste*, and *Trentino* in Italy, *Entre Douro e Minho/Beira Littoral* in Portugal, and *England-East* in the United Kingdom.

Also, one should note that these simulations do not take into account the **expected increase of production** as a consequence of the phasing-out of dairy quotas, the possible consecutive structural adjustments, nor the scale economies that could occur. Moreover, the maintenance of the production and the consequent impacts would also depend on the **alternative possibilities** in the region and on the level of margin for these possible alternatives.

Annexes

Table 8: 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.

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

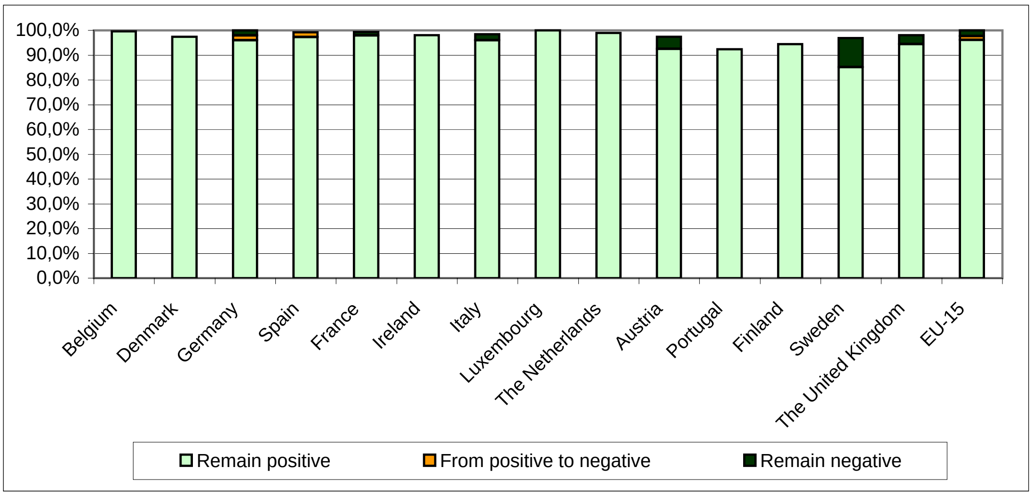
% of farms by category

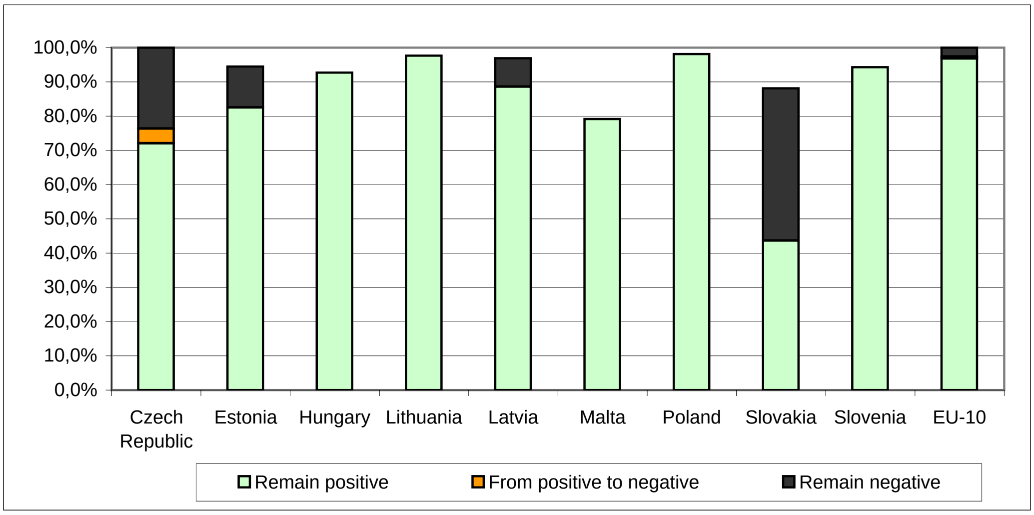
Member State	Remain negative	From positive to negative	Remain positive
Belgium	nd	nd	99,6%
Denmark	nd	nd	97,4%
Germany	2,1%	1,8%	96,0%
Spain	nd	2,0%	97,3%
France	1,5%	nd	97,9%
Ireland	nd	nd	98,0%
Italy	2,4%	nd	96,0%
Luxembourg	nd	nd	100,0%
The Netherlands	nd	nd	99,0%
Austria	4,9%	nd	92,5%
Portugal	nd	nd	92,4%
Finland	nd	nd	94,4%
Sweden	11,7%	nd	85,2%
The United Kingdom	3,6%	nd	94,5%
EU-15	**2,3%**	**1,6%**	**96,2%**

Member State	Remain negative	From positive to negative	Remain positive
Cyprus	nd	nd	nd
Czech Republic	23,7%	4,3%	72,1%
Estonia	12,0%	nd	82,5%
Hungary	nd	nd	92,7%
Lithuania	nd	nd	97,7%
Latvia	8,3%	nd	88,6%
Malta	nd	nd	79,1%
Poland	nd	nd	98,2%
Slovakia	44,5%	nd	43,6%
Slovenia	nd	nd	94,3%
EU-10	**2,6%**	**0,5%**	**96,8%**

EU-25	**2,4%**	**1,3%**	**96,4%**

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





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

Average margin over variable costs (€/ton of milk)

Member State	Margin 2005 (1)	Margin with decoupling of dairy payments (2)	Margin with decoupling and price reduction (3)	*((3)-(1))/(1)*	***((3)-(2))/(2)***
Belgium	172	148	129	*-25%*	***-13%***
Denmark*	102	102	83	*-19%*	***-19%***
Germany*	93	93	75	*-19%*	***-19%***
Spain	175	154	116	*-34%*	***-25%***
France	140	118	101	*-28%*	***-14%***
Ireland*	115	115	94	*-18%*	***-18%***
Italy	205	185	167	*-18%*	***-10%***
Luxemburg*	139	139	119	*-14%*	***-14%***
The Netherlands	169	146	118	*-30%*	***-19%***
Austria	133	112	91	*-31%*	***-19%***
Portugal	131	107	89	*-32%*	***-17%***
Finland	165	143	124	*-25%*	***-13%***
Sweden	90	74	58	*-36%*	***-21%***
The United Kingdom*	80	80	71	*-12%*	***-12%***
EU-15	**129**	**117**	**98**	***-24%***	***-16%***

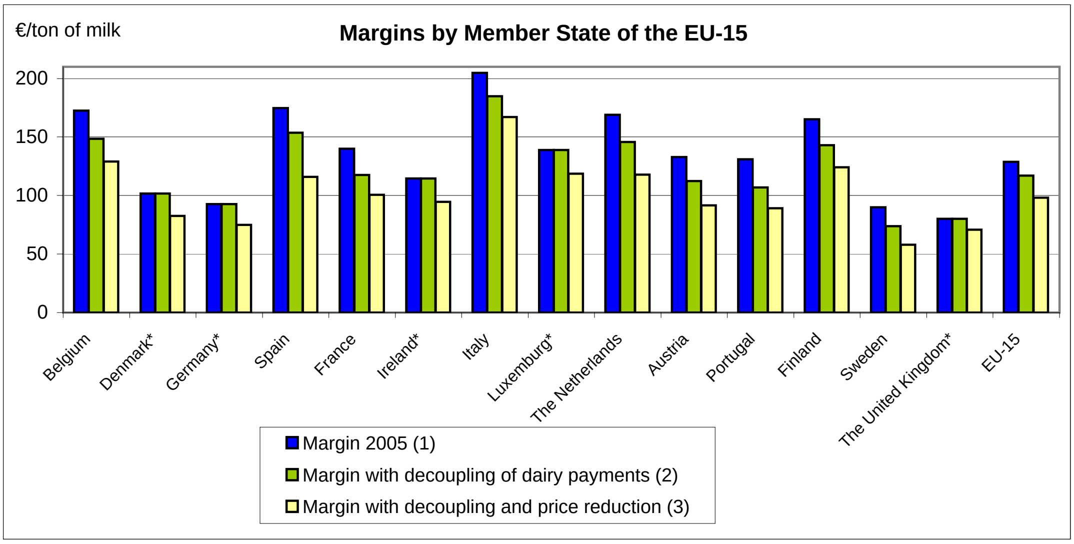
* Denmark, Germany, Ireland, Luxemburg and the United Kingdom applied the decoupling of the dairy payments in 2005.

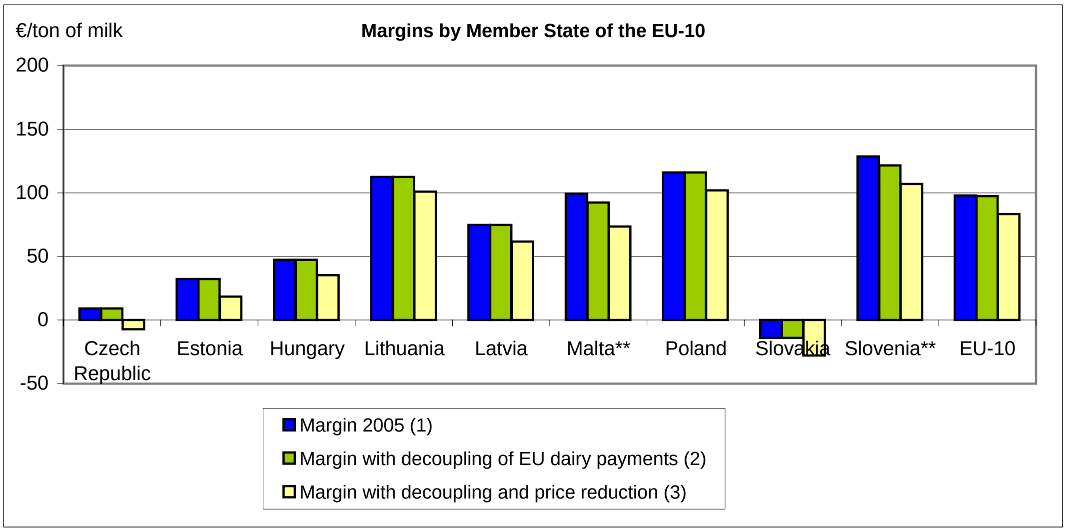
Member State	Margin 2005 (1)	Margin with decoupling of EU dairy payments (2)	Margin with decoupling and price reduction (3)	*((3)-(1))/(1)*	***((3)-(2))/(2)***
Cyprus	nd	nd	nd	*nd*	***nd***
Czech Republic	9	9	-7	*-179%*	***-179%***
Estonia	32	32	18	*-43%*	***-43%***
Hungary	47	47	35	*-25%*	***-25%***
Lithuania	113	113	101	*-10%*	***-10%***
Latvia	75	75	62	*-17%*	***-17%***
Malta**	99	92	74	*-26%*	***-20%***
Poland	116	116	102	*-12%*	***-12%***
Slovakia	-14	-14	-28	*101%*	***101%***
Slovenia**	129	121	107	*-17%*	***-12%***
EU-10	**98**	**97**	**83**	***-15%***	***-14%***

** Malta and Slovenia do not apply SAPS and granted dairy payments in 2005.

EU-25	**126**	**115**	**97**	***-23%***	***-16%***

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





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

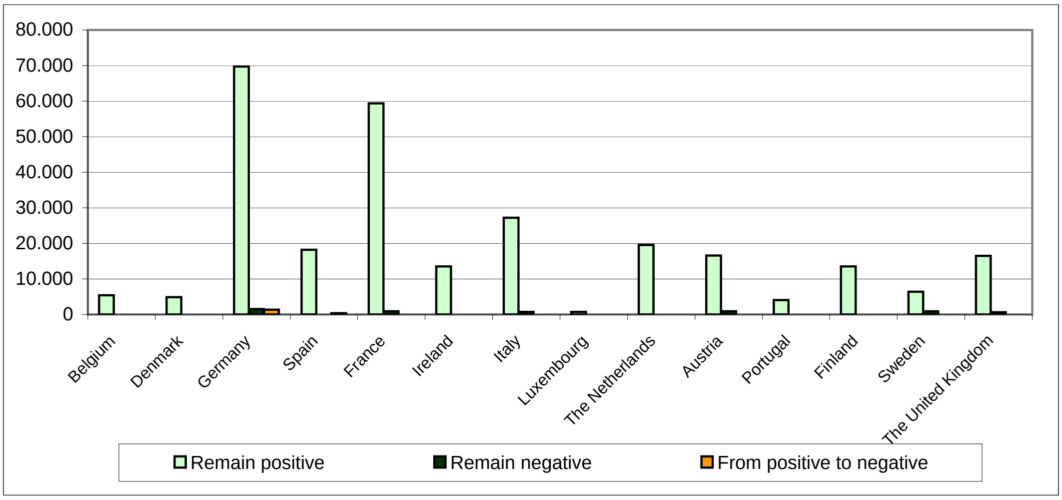
Number of farms by category

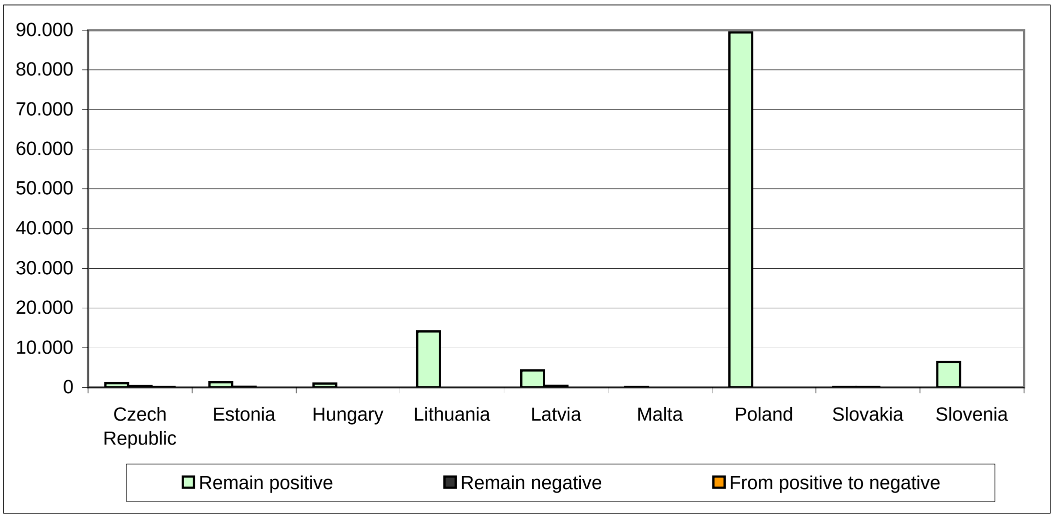
Member State	Remain negative	From positive to negative	Remain positive
Belgium	nd	nd	5.416
Denmark	nd	nd	4.896
Germany	1.536	1.337	69.772
Spain	nd	374	18.242
France	885	nd	59.339
Ireland	nd	nd	13.556
Italy	693	nd	27.193
Luxembourg	nd	nd	715
The Netherlands	nd	nd	19.509
Austria	870	nd	16.584
Portugal	nd	nd	4.069
Finland	nd	nd	13.534
Sweden	887	nd	6.436
The United Kingdom	635	nd	16.502
EU-15	**6.556**	**4.506**	**276.580**

Member State	Remain negative	From positive to negative	Remain positive
Cyprus	nd	nd	nd
Czech Republic	331	60	1.008
Estonia	188	nd	1.296
Hungary	nd	nd	962
Lithuania	nd	nd	14.117
Latvia	396	nd	4.234
Malta	nd	nd	72
Poland	nd	nd	89.441
Slovakia	101	nd	99
Slovenia	nd	nd	6.333
EU-10	**3.192**	**644**	**117.742**

EU-25	**9.748**	**5.149**	**394.322**

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



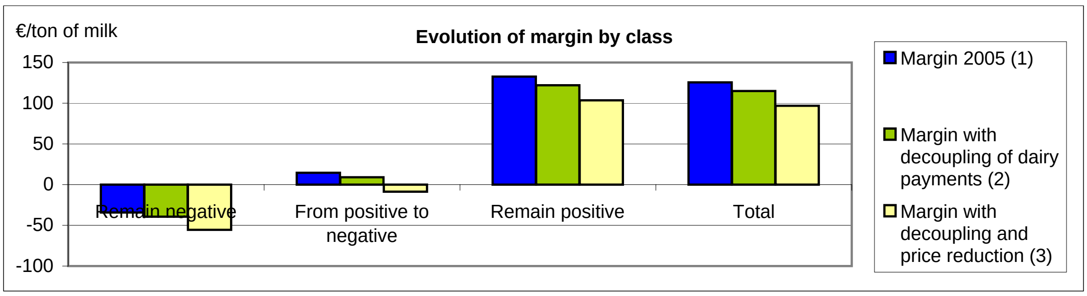


Source: EU FADN - DG AGRI, Milk allocation costs model.

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

EU-25	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	425	194	11.048	11.667
	Farms represented	9.748	5.149	394.322	409.219
	% of farms represented	***2,4%***	***1,3%***	***96,4%***	***100,0%***
Structural information (2005)	Forage area (ha)	83	77	35	37
	Dairy cows (LU)	50	63	38	38
	Total labour (AWU)	4,1	3,7	1,9	1,9
	Milk yield (kg/cow)	6.098	6.653	6.661	6.643
	Milk production (tons)	304	416	251	254
Milk margin information (€/ton of milk)	Receipts 2005	290	306	310	309
	Receipts with decoupling of dairy payments	285	301	299	299
	Receipts with decoupling and price reduction	269	283	281	280
	Feed costs	106	104	78	79
	Other specific costs	23	26	19	19
	Farming overheads	122	101	71	73
	Wages	74	61	10	13
	Variable costs	324	292	177	184
	Margin 2005 (1)	-34	14	133	126
	Margin with decoupling of dairy payments (2)	-40	9	122	115
	Margin with decoupling and price reduction (3)	-55	-9	104	97
	((3)-(1))/(1)	*62%*	*-159%*	*-22%*	*-23%*
	((3)-(2))/(2)	***40%***	***-193%***	***-15%***	***-16%***
Income (2005)	FNVA (€)	38.273	61.369	44.680	44.738
	FNVA/AWU (€/AWU)	9.387	16.599	24.065	23.148
Direct payments (2005) (€)	Total direct payments (EU & national)	44.120	45.179	18.091	19.052
	% Direct payments /FNVA	*115%*	*74%*	*40%*	*43%*
	Environmental payments	7.899	5.962	1.923	2.116
	% Environmental payments /FNVA	*20,6%*	*9,7%*	*4,3%*	*4,7%*
	Less-Favoured Areas payments	6.080	4.918	1.787	1.929
	% LFA payments /FNVA	*15,9%*	*8,0%*	*4,0%*	*4,3%*
	Other dairy subsidies (national)	731	1.054	661	667
	% Other dairy subsidies /FNVA	*1,9%*	*1,7%*	*1,5%*	*1,5%*

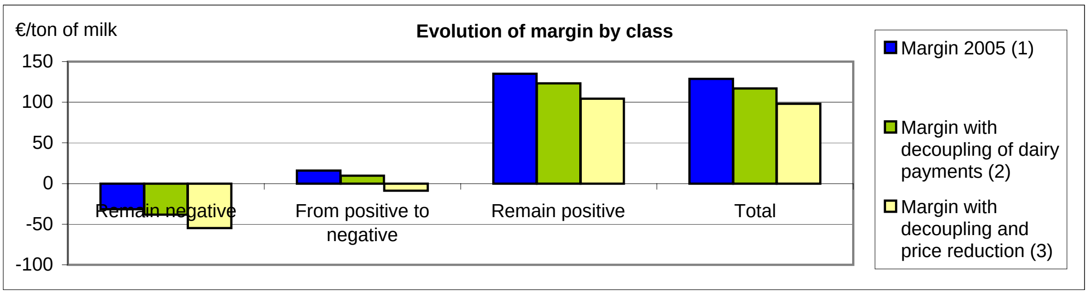


Source: EU FADN - DG AGRI, Milk allocation costs model.

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

EU-15	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	264	141	8.102	8.507
	Farms represented	6.556	4.506	276.580	287.642
	% of farms represented	***2,3%***	***1,6%***	***96,2%***	***100,0%***
Structural information (2005)	Forage area (ha)	75	66	43	44
	Dairy cows (LU)	54	59	47	48
	Total labour (AWU)	3,1	3,0	1,8	1,9
	Milk yield (kg/cow)	6.397	6.730	6.841	6.827
	Milk production (tons)	345	398	323	325
Milk margin information (€/ton of milk)	Receipts 2005	299	315	317	317
	Receipts with decoupling of dairy payments	292	309	305	305
	Receipts with decoupling and price reduction	276	291	286	286
	Feed costs	109	105	79	80
	Other specific costs	24	27	19	20
	Farming overheads	128	106	74	76
	Wages	70	61	10	12
	Variable costs	331	299	182	188
	Margin 2005 (1)	-32	16	135	129
	Margin with decoupling of dairy payments (2)	-38	10	123	117
	Margin with decoupling and price reduction (3)	-55	-9	104	98
	((3)-(1))/(1)	*74%*	*-155%*	*-23%*	*-24%*
	((3)-(2))/(2)	***43%***	***-191%***	***-15%***	***-16%***
Income (2005)	FNVA (€)	41.726	59.420	57.738	57.399
	FNVA/AWU (€/AWU)	13.295	19.753	32.105	31.062
Direct payments (2005) (€)	Total direct payments (EU & national)	50.902	45.433	23.702	24.662
	% Direct payments /FNVA	*122%*	*76%*	*41%*	*43%*
	Environmental payments	9.600	6.138	2.658	2.871
	% Environmental payments /FNVA	*23,0%*	*10,3%*	*4,6%*	*5,0%*
	Less-Favoured Areas payments	5.521	4.669	2.223	2.336
	% LFA payments /FNVA	*13,2%*	*7,9%*	*3,9%*	*4,1%*
	Other dairy subsidies (national)	686	956	834	832
	% Other dairy subsidies /FNVA	*1,6%*	*1,6%*	*1,4%*	*1,4%*

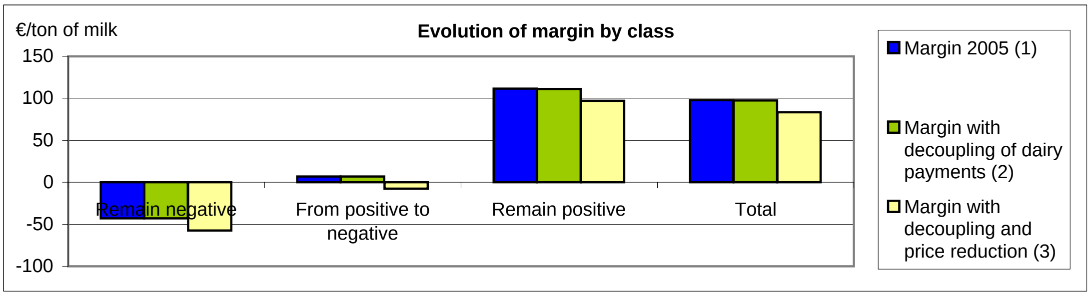


Source: EU FADN - DG AGRI, Milk allocation costs model.

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

EU-10	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	161	53	2.946	3.160
	Farms represented	3.192	644	117.742	121.578
	% of farms represented	***2,6%***	***0,5%***	***96,8%***	***100,0%***
Structural information (2005)	Forage area (ha)	98	155	17	20
	Dairy cows (LU)	42	87	15	16
	Total labour (AWU)	6,0	8,5	2,0	2,1
	Milk yield (kg/cow)	5.300	6.284	5.344	5.368
	Milk production (tons)	220	546	81	87
Milk margin information (€/ton of milk)	Receipts 2005	259	261	242	244
	Receipts with decoupling of dairy payments	259	261	241	243
	Receipts with decoupling and price reduction	245	247	227	229
	Feed costs	95	94	66	69
	Other specific costs	21	19	10	11
	Farming overheads	102	80	45	50
	Wages	84	61	10	16
	Variable costs	302	254	130	146
	Margin 2005 (1)	-43	7	111	98
	Margin with decoupling of dairy payments (2)	-43	7	111	97
	Margin with decoupling and price reduction (3)	-57	-8	97	83
	((3)-(1))/(1)	*34%*	*-209%*	*-13%*	*-15%*
	((3)-(2))/(2)	***34%***	***-210%***	***-13%***	***-14%***
Income (2005)	FNVA (€)	31.182	75.011	14.008	14.781
	FNVA/AWU (€/AWU)	5.192	8.804	7.027	6.929
Direct payments (2005) (€)	Total direct payments (EU & national)	30.191	43.398	4.910	5.777
	% Direct payments /FNVA	*97%*	*58%*	*35%*	*39%*
	Environmental payments	4.406	4.726	197	332
	% Environmental payments /FNVA	*14,1%*	*6,3%*	*1,4%*	*2,2%*
	Less-Favoured Areas payments	7.228	6.662	764	965
	% LFA payments /FNVA	*23,2%*	*8,9%*	*5,5%*	*6,5%*
	Other dairy subsidies (national)	824	1.740	254	277
	% Other dairy subsidies /FNVA	*2,6%*	*2,3%*	*1,8%*	*1,9%*

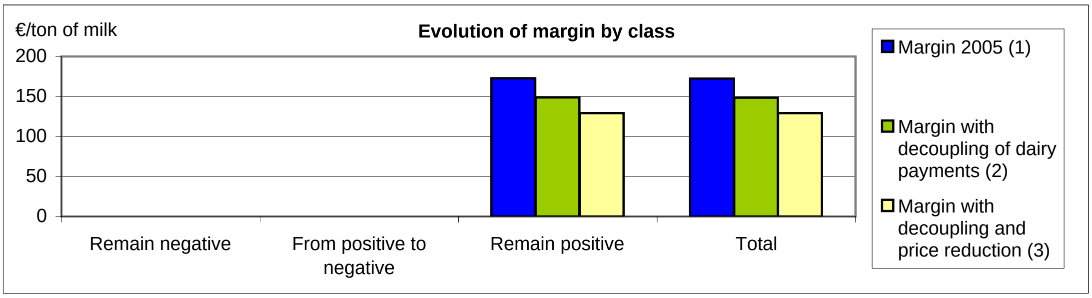


Source: EU FADN - DG AGRI, Milk allocation costs model.

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

BELGIUM	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	nd	nd	222	223
	Farms represented	nd	nd	5.416	5.440
	% of farms represented	***nd***	***nd***	***99,6%***	***100,0%***
Structural information (2005)	Forage area (ha)	nd	nd	37	36
	Dairy cows (LU)	nd	nd	46	46
	Total labour (AWU)	nd	nd	1,6	1,6
	Milk yield (kg/cow)	nd	nd	6.418	6.412
	Milk production (tons)	nd	nd	294	293
Milk margin information (€/ton of milk)	Receipts 2005	nd	nd	315	315
	Receipts with decoupling of dairy payments	nd	nd	291	291
	Receipts with decoupling and price reduction	nd	nd	271	271
	Feed costs	nd	nd	66	66
	Other specific costs	nd	nd	21	21
	Farming overheads	nd	nd	54	54
	Wages	nd	nd	1	1
	Variable costs	nd	nd	142	142
	Margin 2005 (1)	nd	nd	173	172
	Margin with decoupling of dairy payments (2)	nd	nd	149	148
	Margin with decoupling and price reduction (3)	nd	nd	129	129
	((3)-(1))/(1)	*nd*	*nd*	*-25%*	*-25%*
	((3)-(2))/(2)	***nd***	***nd***	***-13%***	***-13%***
Income (2005)	FNVA (€)	nd	nd	63.541	63.190
	FNVA/AWU (€/AWU)	nd	nd	40.001	39.753
Direct payments (2005) (€)	Total direct payments (EU & national)	nd	nd	17.320	17.269
	% Direct payments /FNVA	*nd*	*nd*	*27%*	*27%*
	Environmental payments	nd	nd	941	937
	% Environmental payments /FNVA	*nd*	*nd*	*1,5%*	*1,5%*
	Less-Favoured Areas payments	nd	nd	527	525
	% LFA payments /FNVA	*nd*	*nd*	*0,8%*	*0,8%*
	Other dairy subsidies (national)	nd	nd	0	0
	% Other dairy subsidies /FNVA	*nd*	*nd*	*0,0%*	*0,0%*



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

Regions	Variables	Remain negative	From positive to negative	Remain positive	Total
Vlaanderen	Sample farms	nd	nd	120	121
	Farms represented	nd	nd	3.243	3.267
	% of farms represented	***nd***	***nd***	***99,3%***	***100,0%***
	Margin 2005 (1)	nd	nd	179	179
	Margin with decoupling of dairy payments (2)	nd	nd	154	154
	Margin with decoupling and price reduction (3)	nd	nd	135	134
	((3)-(2))/(2)	***nd***	***nd***	***-13%***	***-13%***
Wallonie	Sample farms	nd	nd	102	102
	Farms represented	nd	nd	2173	2173
	% of farms represented	***nd***	***nd***	***100,0%***	***100,0%***
	Margin 2005 (1)	nd	nd	164	164
	Margin with decoupling of dairy payments (2)	nd	nd	141	141
	Margin with decoupling and price reduction (3)	nd	nd	122	122
	((3)-(2))/(2)	***nd***	***nd***	***-13%***	***-13%***

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

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
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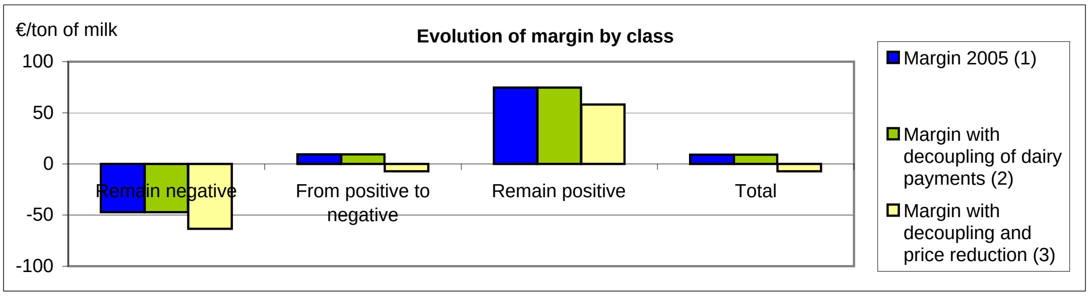
CZECH REPUBLIC	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	65	15	102	182
	Farms represented	331	60	1.008	1.399
	% of farms represented	***23,7%***	***4,3%***	***72,1%***	***100,0%***
Structural information (2005)	Forage area (ha)	410	491	67	167
	Dairy cows (LU)	188	341	44	90
	Total labour (AWU)	24,7	31,5	4,6	10,5
	Milk yield (kg/cow)	5.720	6.492	6.953	6.272
	Milk production (tons)	1.075	2.217	303	568
Milk margin information (€/ton of milk)	Receipts 2005	273	277	276	275
	Receipts with decoupling of dairy payments	273	277	276	275
	Receipts with decoupling and price reduction	257	260	260	259
	Feed costs	92	91	73	84
	Other specific costs	19	19	12	17
	Farming overheads	104	86	75	90
	Wages	105	71	41	75
	Variable costs	320	268	202	266
	Margin 2005 (1)	-47	9	75	9
	Margin with decoupling of dairy payments (2)	-47	9	75	9
	Margin with decoupling and price reduction (3)	-63	-7	58	-7
	((3)-(1))/(1)	*35%*	*-178%*	*-22%*	*-179%*
	((3)-(2))/(2)	***35%***	***-178%***	***-22%***	***-179%***
Income (2005)	FNVA (€)	204.301	401.838	57.910	107.312
	FNVA/AWU (€/AWU)	8.258	12.773	12.686	10.228
Direct payments (2005) (€)	Total direct payments (EU & national)	152.662	200.670	25.846	63.352
	% Direct payments /FNVA	*75%*	*50%*	*45%*	*59%*
	Environmental payments	20.504	19.055	674	6.154
	% Environmental payments /FNVA	*10,0%*	*4,7%*	*1,2%*	*5,7%*
	Less-Favoured Areas payments	36.272	32.604	4.478	13.206
	% LFA payments /FNVA	*17,8%*	*8,1%*	*7,7%*	*12,3%*
	Other dairy subsidies (national)	0	0	0	0
	% Other dairy subsidies /FNVA	*0,0%*	*0,0%*	*0,0%*	*0,0%*

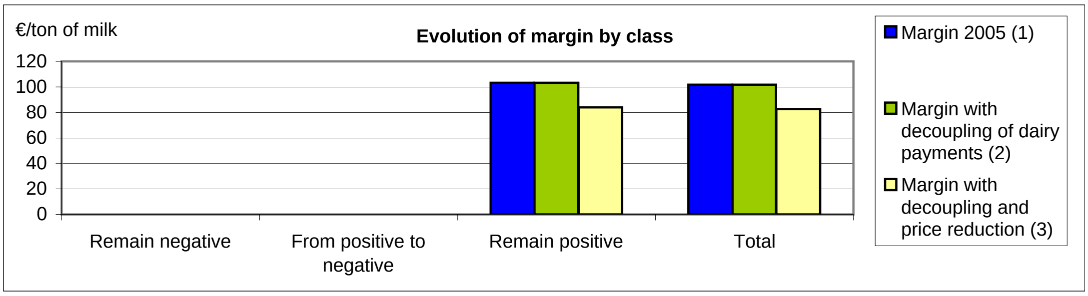


Source: EU FADN - DG AGRI, Milk allocation costs model.

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

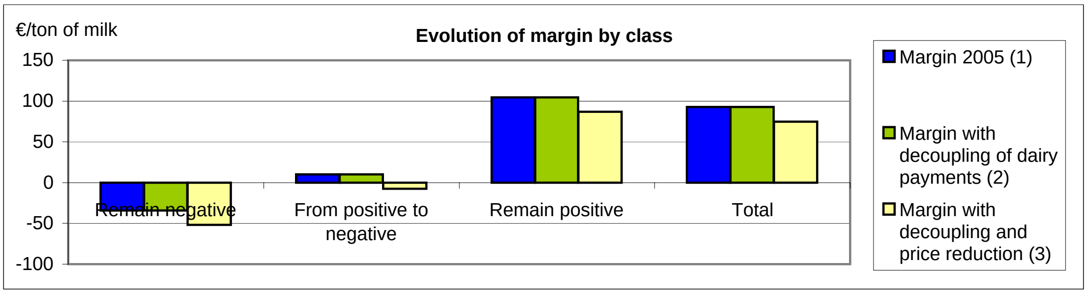
DENMARK	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	nd	nd	362	369
	Farms represented	nd	nd	4.896	5.028
	% of farms represented	***nd***	***nd***	***97,4%***	***100,0%***
Structural information (2005)	Forage area (ha)	nd	nd	64	64
	Dairy cows (LU)	nd	nd	101	100
	Total labour (AWU)	nd	nd	2,0	2,0
	Milk yield (kg/cow)	nd	nd	8.181	8.133
	Milk production (tons)	nd	nd	824	811
Milk margin information (€/ton of milk)	Receipts 2005	nd	nd	308	308
	Receipts with decoupling of dairy payments	nd	nd	308	308
	Receipts with decoupling and price reduction	nd	nd	289	289
	Feed costs	nd	nd	86	86
	Other specific costs	nd	nd	24	24
	Farming overheads	nd	nd	72	73
	Wages	nd	nd	23	23
	Variable costs	nd	nd	205	206
	Margin 2005 (1)	nd	nd	103	102
	Margin with decoupling of dairy payments (2)	nd	nd	103	102
	Margin with decoupling and price reduction (3)	nd	nd	84	83
	((3)-(1))/(1)	*nd*	*nd*	*-19%*	*-19%*
	((3)-(2))/(2)	***nd***	***nd***	***-19%***	***-19%***
Income (2005)	FNVA (€)	nd	nd	120.905	117.971
	FNVA/AWU (€/AWU)	nd	nd	60.739	59.794
Direct payments (2005) (€)	Total direct payments (EU & national)	nd	nd	43.447	42.949
	% Direct payments /FNVA	*nd*	*nd*	*36%*	*36%*
	Environmental payments	nd	nd	2.953	2.921
	% Environmental payments /FNVA	*nd*	*nd*	*2,4%*	*2,5%*
	Less-Favoured Areas payments	nd	nd	34	33
	% LFA payments /FNVA	*nd*	*nd*	*0,0%*	*0,0%*
	Other dairy subsidies (national)	nd	nd	0	0
	% Other dairy subsidies /FNVA	*nd*	*nd*	*0,0%*	*0,0%*



Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

GERMANY	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	91	52	1.714	1.857
	Farms represented	1.536	1.337	69.772	72.644
	% of farms represented	***2,1%***	***1,8%***	***96,0%***	***100,0%***
Structural information (2005)	Forage area (ha)	148	103	39	43
	Dairy cows (LU)	111	100	42	45
	Total labour (AWU)	7,1	5,4	1,7	1,9
	Milk yield (kg/cow)	7.430	7.413	6.859	6.912
	Milk production (tons)	825	739	290	309
Milk margin information (€/ton of milk)	Receipts 2005	285	286	290	289
	Receipts with decoupling of dairy payments	285	286	290	289
	Receipts with decoupling and price reduction	268	268	272	272
	Feed costs	84	82	68	69
	Other specific costs	14	14	22	21
	Farming overheads	128	98	86	89
	Wages	92	82	9	17
	Variable costs	320	276	185	197
	Margin 2005 (1)	-34	10	105	93
	Margin with decoupling of dairy payments (2)	-34	10	105	93
	Margin with decoupling and price reduction (3)	-52	-7	87	75
	((3)-(1))/(1)	*51%*	*-174%*	*-17%*	*-19%*
	((3)-(2))/(2)	***51%***	***-174%***	***-17%***	***-19%***
Income (2005)	FNVA (€)	142.830	138.216	52.029	55.535
	FNVA/AWU (€/AWU)	20.188	25.411	30.565	29.468
Direct payments (2005) (€)	Total direct payments (EU & national)	126.015	87.225	23.212	26.563
	% Direct payments /FNVA	*88%*	*63%*	*45%*	*48%*
	Environmental payments	23.510	8.825	2.868	3.414
	% Environmental payments /FNVA	*16,5%*	*6,4%*	*5,5%*	*6,1%*
	Less-Favoured Areas payments	11.410	7.484	1.957	2.259
	% LFA payments /FNVA	*8,0%*	*5,4%*	*3,8%*	*4,1%*
	Other dairy subsidies (national)	0	0	0	0
	% Other dairy subsidies /FNVA	*0,0%*	*0,0%*	*0,0%*	*0,0%*



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

Regions	Variables	Remain negative	From positive to negative	Remain positive	Total
Schleswig-Holstein	Sample farms	nd	nd	164	165
	Farms represented	nd	nd	4.789	4.803
	% of farms represented	***nd***	***nd***	***99,7%***	***100,0%***
	Margin 2005 (1)	nd	nd	102	101
	Margin with decoupling of dairy payments (2)	nd	nd	102	101
	Margin with decoupling and price reduction (3)	nd	nd	85	84
	((3)-(2))/(2)	***nd***	***nd***	***-16%***	***-17%***
Niedersachsen	Sample farms	nd	nd	240	241
	Farms represented	nd	nd	11.087	11.164
	% of farms represented	***nd***	***nd***	***99,3%***	***100,0%***
	Margin 2005 (1)	nd	nd	109	109
	Margin with decoupling of dairy payments (2)	nd	nd	109	109
	Margin with decoupling and price reduction (3)	nd	nd	92	92
	((3)-(2))/(2)	***nd***	***nd***	***-16%***	***-16%***
Nordrhein-Westfalen	Sample farms	nd	nd	151	155
	Farms represented	nd	nd	3.973	4.077
	% of farms represented	***nd***	***nd***	***97,4%***	***100,0%***
	Margin 2005 (1)	nd	nd	114	112
	Margin with decoupling of dairy payments (2)	nd	nd	114	112
	Margin with decoupling and price reduction (3)	nd	nd	96	94
	((3)-(2))/(2)	***nd***	***nd***	***-16%***	***-16%***
Hessen	Sample farms	nd	nd	132	138
	Farms represented	nd	nd	2.425	2.561
	% of farms represented	***nd***	***nd***	***94,7%***	***100,0%***
	Margin 2005 (1)	nd	nd	99	96
	Margin with decoupling of dairy payments (2)	nd	nd	99	96
	Margin with decoupling and price reduction (3)	nd	nd	81	79
	((3)-(2))/(2)	***nd***	***nd***	***-18%***	***-18%***
Rheinland-Pfalz	Sample farms	nd	nd	114	122
	Farms represented	nd	nd	1.860	2.000
	% of farms represented	***nd***	***nd***	***93,0%***	***100,0%***
	Margin 2005 (1)	nd	nd	113	109
	Margin with decoupling of dairy payments (2)	nd	nd	113	109
	Margin with decoupling and price reduction (3)	nd	nd	95	91
	((3)-(2))/(2)	***nd***	***nd***	***-16%***	***-17%***
Baden-Württemberg	Sample farms	nd	nd	134	143
	Farms represented	nd	nd	7.712	8.197
	% of farms represented	***nd***	***nd***	***94,1%***	***100,0%***
	Margin 2005 (1)	nd	nd	105	102
	Margin with decoupling of dairy payments (2)	nd	nd	105	102
	Margin with decoupling and price reduction (3)	nd	nd	87	84
	((3)-(2))/(2)	***nd***	***nd***	***-17%***	***-18%***
Bayern	Sample farms	nd	nd	466	484
	Farms represented	nd	nd	35.874	37.061
	% of farms represented	***nd***	***nd***	***96,8%***	***100,0%***
	Margin 2005 (1)	nd	nd	110	106
	Margin with decoupling of dairy payments (2)	nd	nd	110	106
	Margin with decoupling and price reduction (3)	nd	nd	92	88
	((3)-(2))/(2)	***nd***	***nd***	***-17%***	***-17%***
Saarland	Sample farms	nd	nd	49	50
	Farms represented	nd	nd	167	170
	% of farms represented	***nd***	***nd***	***98,2%***	***100,0%***
	Margin 2005 (1)	nd	nd	97	96
	Margin with decoupling of dairy payments (2)	nd	nd	97	96
	Margin with decoupling and price reduction (3)	nd	nd	80	78
	((3)-(2))/(2)	***nd***	***nd***	***-18%***	***-18%***

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

Brandenburg	Sample farms	nd	nd	39	54
	Farms represented	nd	nd	281	400
	% of farms represented	***nd***	***nd***	***70,3%***	***100,0%***
	Margin 2005 (1)	nd	nd	59	29
	Margin with decoupling of dairy payments (2)	nd	nd	59	29
	Margin with decoupling and price reduction (3)	nd	nd	41	12
	((3)-(2))/(2)	***nd***	***nd***	***-30%***	***-60%***
Mecklenburg-Vorpommern	Sample farms	nd	nd	47	52
	Farms represented	nd	nd	418	464
	% of farms represented	***nd***	***nd***	***90,1%***	***100,0%***
	Margin 2005 (1)	nd	nd	80	60
	Margin with decoupling of dairy payments (2)	nd	nd	80	60
	Margin with decoupling and price reduction (3)	nd	nd	62	43
	((3)-(2))/(2)	***nd***	***nd***	***-22%***	***-29%***
Sachsen	Sample farms	27	nd	85	122
	Farms represented	289	nd	630	977
	% of farms represented			***64,5%***	***100,0%***
	Margin 2005 (1)	-28	nd	58	11
	Margin with decoupling of dairy payments (2)	-28	nd	58	11
	Margin with decoupling and price reduction (3)	-46	nd	40	-7
	((3)-(2))/(2)		***nd***	***-31%***	***-166%***
Sachsen-Anhalt	Sample farms	nd	nd	52	72
	Farms represented	nd	nd	323	449
	% of farms represented	***nd***	***nd***	***71,9%***	***100,0%***
	Margin 2005 (1)	nd	nd	75	39
	Margin with decoupling of dairy payments (2)	nd	nd	75	39
	Margin with decoupling and price reduction (3)	nd	nd	58	22
	((3)-(2))/(2)	***nd***	***nd***	***-23%***	***-44%***
Thueringen	Sample farms	nd	nd	41	59
	Farms represented	nd	nd	233	321
	% of farms represented	***nd***	***nd***	***72,6%***	***100,0%***
	Margin 2005 (1)	nd	nd	49	3
	Margin with decoupling of dairy payments (2)	nd	nd	49	3
	Margin with decoupling and price reduction (3)	nd	nd	31	-14
	((3)-(2))/(2)	***nd***	***nd***	***-36%***	***-571%***

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

Milk - Simulation of the impact of a price reduction on milk margins

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With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
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nd: not displayed (confidentiality rule, less than 15 farms in the cell).
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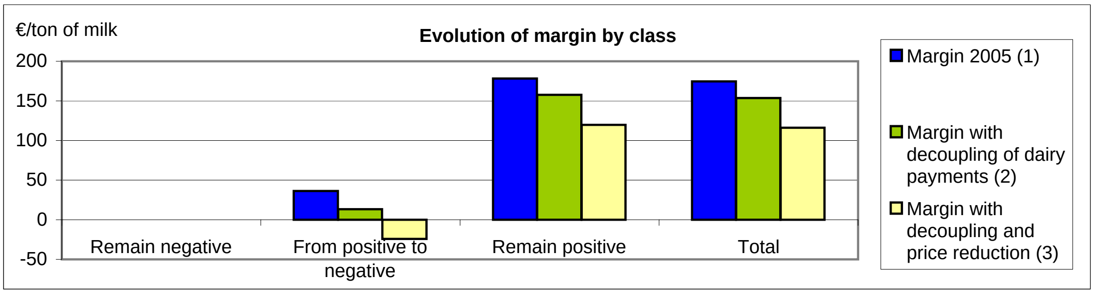
SPAIN	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	nd	17	658	682
	Farms represented	nd	374	18.242	18.752
	% of farms represented	***nd***	***2,0%***	***97,3%***	***100,0%***
Structural information (2005)	Forage area (ha)	nd	18	19	19
	Dairy cows (LU)	nd	36	38	38
	Total labour (AWU)	nd	1,6	1,5	1,5
	Milk yield (kg/cow)	nd	6.659	6.208	6.195
	Milk production (tons)	nd	237	233	233
Milk margin information (€/ton of milk)	Receipts 2005	nd	331	330	330
	Receipts with decoupling of dairy payments	nd	308	309	309
	Receipts with decoupling and price reduction	nd	270	272	271
	Feed costs	nd	199	104	107
	Other specific costs	nd	22	16	17
	Farming overheads	nd	67	28	29
	Wages	nd	7	3	3
	Variable costs	nd	294	152	155
	Margin 2005 (1)	nd	36	178	175
	Margin with decoupling of dairy payments (2)	nd	13	157	154
	Margin with decoupling and price reduction (3)	nd	-24	120	116
	((3)-(1))/(1)	*nd*	*-167%*	*-33%*	*-34%*
	((3)-(2))/(2)	***nd***	***-285%***	***-24%***	***-25%***
Income (2005)	FNVA (€)	nd	13.330	53.064	51.904
	FNVA/AWU (€/AWU)	nd	8.377	34.969	34.213
Direct payments (2005) (€)	Total direct payments (EU & national)	nd	9.175	8.813	8.811
	% Direct payments /FNVA	*nd*	*69%*	*17%*	*17%*
	Environmental payments	nd	15	19	19
	% Environmental payments /FNVA	*nd*	*0,1%*	*0,0%*	*0,0%*
	Less-Favoured Areas payments	nd	146	258	257
	% LFA payments /FNVA	*nd*	*1,1%*	*0,5%*	*0,5%*
	Other dairy subsidies (national)	nd	0	50	49
	% Other dairy subsidies /FNVA	*nd*	*0,0%*	*0,1%*	*0,1%*



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

Regions	Variables	Remain negative	From positive to negative	Remain positive	Total
Galicia	Sample farms	nd	nd	248	254
	Farms represented	nd	nd	11.701	11.971
	% of farms represented	***nd***	***nd***	***97,7%***	***100,0%***
	Margin 2005 (1)	nd	nd	189	187
	Margin with decoupling of dairy payments (2)	nd	nd	168	166
	Margin with decoupling and price reduction (3)	nd	nd	131	129
	((3)-(2))/(2)	***nd***	***nd***	***-22%***	***-22%***
Asturias	Sample farms	nd	nd	113	119
	Farms represented	nd	nd	2.124	2.222
	% of farms represented	***nd***	***nd***	***95,6%***	***100,0%***
	Margin 2005 (1)	nd	nd	184	177
	Margin with decoupling of dairy payments (2)	nd	nd	165	158
	Margin with decoupling and price reduction (3)	nd	nd	127	120
	((3)-(2))/(2)	***nd***	***nd***	***-23%***	***-24%***
Cantabria	Sample farms	nd	nd	53	57
	Farms represented	nd	nd	867	923
	% of farms represented	***nd***	***nd***	***93,9%***	***100,0%***
	Margin 2005 (1)	nd	nd	155	147
	Margin with decoupling of dairy payments (2)	nd	nd	133	124
	Margin with decoupling and price reduction (3)	nd	nd	95	87
	((3)-(2))/(2)	***nd***	***nd***	***-28%***	***-30%***
Pais Vasco	Sample farms	nd	nd	83	87
	Farms represented	nd	nd	480	502
	% of farms represented	***nd***	***nd***	***95,6%***	***100,0%***
	Margin 2005 (1)	nd	nd	140	135
	Margin with decoupling of dairy payments (2)	nd	nd	118	112
	Margin with decoupling and price reduction (3)	nd	nd	79	73
	((3)-(2))/(2)	***nd***	***nd***	***-33%***	***-35%***
Navarra	Sample farms	nd	nd	30	30
	Farms represented	nd	nd	203	203
	% of farms represented	***nd***	***nd***	***100,0%***	***100,0%***
	Margin 2005 (1)	nd	nd	126	126
	Margin with decoupling of dairy payments (2)	nd	nd	105	105
	Margin with decoupling and price reduction (3)	nd	nd	66	66
	((3)-(2))/(2)	***nd***	***nd***	***-37%***	***-37%***
La Rioja	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***
Aragón	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***
Cataluna	Sample farms	nd	nd	22	25
	Farms represented	nd	nd	507	562
	% of farms represented	***nd***	***nd***	***90,2%***	***100,0%***
	Margin 2005 (1)	nd	nd	114	101
	Margin with decoupling of dairy payments (2)	nd	nd	92	79
	Margin with decoupling and price reduction (3)	nd	nd	51	39
	((3)-(2))/(2)	***nd***	***nd***	***-44%***	***-51%***

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

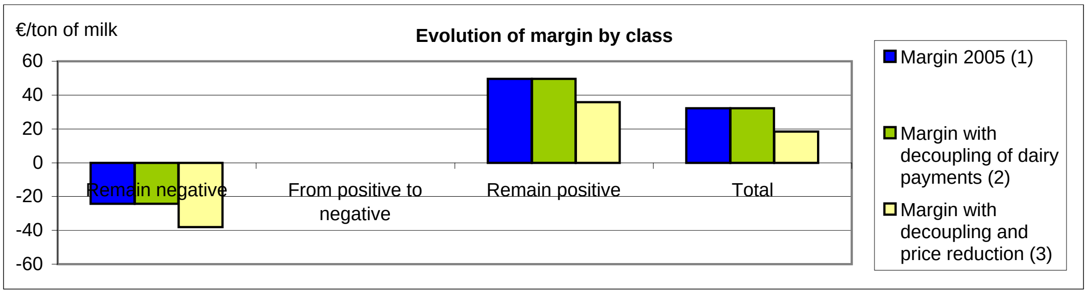
Baleares	Sample farms	nd	nd	26	27
	Farms represented	nd	nd	191	200
	% of farms represented	***nd***	***nd***	***95,5%***	***100,0%***
	Margin 2005 (1)	nd	nd	209	205
	Margin with decoupling of dairy payments (2)	nd	nd	187	183
	Margin with decoupling and price reduction (3)	nd	nd	151	147
	((3)-(2))/(2)	***nd***	***nd***	***-19%***	***-20%***
Castilla-León	Sample farms	nd	nd	29	29
	Farms represented	nd	nd	1.598	1.598
	% of farms represented	***nd***	***nd***	***100,0%***	***100,0%***
	Margin 2005 (1)	nd	nd	38.334	38.334
	Margin with decoupling of dairy payments (2)	nd	nd	33.272	33.272
	Margin with decoupling and price reduction (3)	nd	nd	25.512	25.512
	((3)-(2))/(2)	***nd***	***nd***	***-23%***	***-23%***
Madrid	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***
Castilla-La Mancha	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***
Murcia	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***
Extremadura	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***
Andalucia	Sample farms	nd	nd	40	40
	Farms represented	nd	nd	313	313
	% of farms represented	***nd***	***nd***	***100,0%***	***100,0%***
	Margin 2005 (1)	nd	nd	192	192
	Margin with decoupling of dairy payments (2)	nd	nd	172	172
	Margin with decoupling and price reduction (3)	nd	nd	137	137
	((3)-(2))/(2)	***nd***	***nd***	***-20%***	***-20%***
Canarias	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***

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

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

ESTONIA	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	21	nd	153	186
	Farms represented	188	nd	1.296	1.570
	% of farms represented	***12,0%***	***nd***	***82,5%***	***100,0%***
Structural information (2005)	Forage area (ha)	227	nd	110	137
	Dairy cows (LU)	74	nd	42	51
	Total labour (AWU)	8,8	nd	4,8	5,7
	Milk yield (kg/cow)	5.028	nd	6.244	6.074
	Milk production (tons)	372	nd	263	308
Milk margin information (€/ton of milk)	Receipts 2005	246	nd	246	246
	Receipts with decoupling of dairy payments	246	nd	246	246
	Receipts with decoupling and price reduction	232	nd	232	232
	Feed costs	78	nd	77	80
	Other specific costs	10	nd	15	14
	Farming overheads	100	nd	56	65
	Wages	83	nd	48	54
	Variable costs	271	nd	196	213
	Margin 2005 (1)	-24	nd	50	32
	Margin with decoupling of dairy payments (2)	-24	nd	50	32
	Margin with decoupling and price reduction (3)	-38	nd	36	18
	((3)-(1))/(1)	*57%*	nd	*-28%*	*-43%*
	((3)-(2))/(2)	***57%***	nd	***-28%***	***-43%***
Income (2005)	FNVA (€)	62.125	nd	44.660	49.662
	FNVA/AWU (€/AWU)	7.064	nd	9.382	8.773
Direct payments (2005) (€)	Total direct payments (EU & national)	43.323	nd	19.487	23.976
	% Direct payments /FNVA	*70%*	*nd*	*44%*	*48%*
	Environmental payments	13.283	nd	5.054	6.121
	% Environmental payments /FNVA	*21,4%*	*nd*	*11,3%*	*12,3%*
	Less-Favoured Areas payments	2.998	nd	1.836	1.965
	% LFA payments /FNVA	*4,8%*	*nd*	*4,1%*	*4,0%*
	Other dairy subsidies (national)	0	nd	0	0
	% Other dairy subsidies /FNVA	*0,0%*	*nd*	*0,0%*	*0,0%*

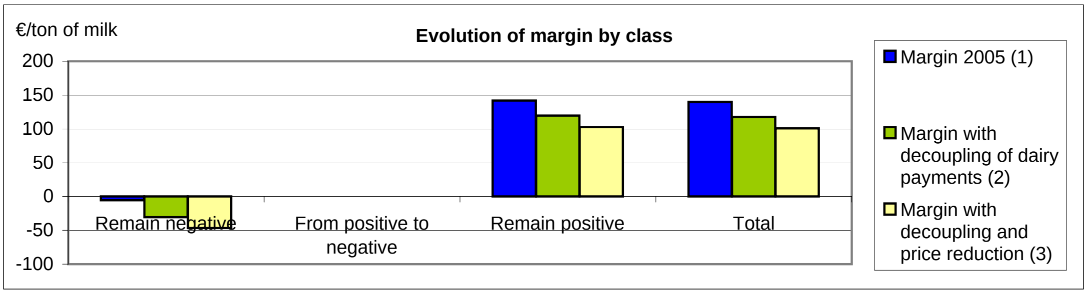


Source: EU FADN - DG AGRI, Milk allocation costs model.

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

France	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	16	nd	1.121	1.144
	Farms represented	885	nd	59.339	60.622
	% of farms represented	***1,5%***	***nd***	***97,9%***	***100,0%***
Structural information (2005)	Forage area (ha)	48	nd	55	55
	Dairy cows (LU)	39	nd	43	43
	Total labour (AWU)	1,6	nd	1,7	1,7
	Milk yield (kg/cow)	4.731	nd	6.514	6.481
	Milk production (tons)	185	nd	281	278
Milk margin information (€/ton of milk)	Receipts 2005	311	nd	324	324
	Receipts with decoupling of dairy payments	286	nd	302	302
	Receipts with decoupling and price reduction	270	nd	285	285
	Feed costs	135	nd	75	76
	Other specific costs	23	nd	12	12
	Farming overheads	150	nd	92	93
	Wages	9	nd	4	4
	Variable costs	317	nd	183	184
	Margin 2005 (1)	-6	nd	142	140
	Margin with decoupling of dairy payments (2)	-31	nd	120	118
	Margin with decoupling and price reduction (3)	-47	nd	102	101
	((3)-(1))/(1)	*725%*	*nd*	*-28%*	*-28%*
	((3)-(2))/(2)	***53%***	***nd***	***-14%***	***-14%***
Income (2005)	FNVA (€)	-15	nd	43.701	42.805
	FNVA/AWU (€/AWU)	-10	nd	25.157	24.704
Direct payments (2005) (€)	Total direct payments (EU & national)	21.740	nd	24.686	24.607
	% Direct payments /FNVA	*-144933%*	*nd*	*56%*	*57%*
	Environmental payments	2.581	nd	1.807	1.840
	% Environmental payments /FNVA	*-17206,7%*	*nd*	*4,1%*	*4,3%*
	Less-Favoured Areas payments	4.024	nd	2.069	2.115
	% LFA payments /FNVA	*-26826,7%*	*nd*	*4,7%*	*4,9%*
	Other dairy subsidies (national)	0	nd	0	0
	% Other dairy subsidies /FNVA	*0,0%*	*nd*	*0,0%*	*0,0%*



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

Regions	Variables	Remain negative	From positive to negative	Remain positive	Total
Île de France	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***
Champagne-Ardenne	Sample farms	nd	nd	38	38
	Farms represented	nd	nd	840	840
	% of farms represented	***nd***	***nd***	***100,0%***	***100,0%***
	Margin 2005 (1)	nd	nd	156	156
	Margin with decoupling of dairy payments (2)	nd	nd	133	133
	Margin with decoupling and price reduction (3)	nd	nd	117	117
	((3)-(2))/(2)	***nd***	***nd***	***-12%***	***-12%***
Picardie	Sample farms	nd	nd	31	31
	Farms represented	nd	nd	1.202	1.202
	% of farms represented	***nd***	***nd***	***100,0%***	***100,0%***
	Margin 2005 (1)	nd	nd	123	123
	Margin with decoupling of dairy payments (2)	nd	nd	102	102
	Margin with decoupling and price reduction (3)	nd	nd	85	85
	((3)-(2))/(2)	***nd***	***nd***	***-16%***	***-16%***
Haute-Normandie	Sample farms	nd	nd	36	36
	Farms represented	nd	nd	1.512	1.512
	% of farms represented	***nd***	***nd***	***100,0%***	***100,0%***
	Margin 2005 (1)	nd	nd	143	143
	Margin with decoupling of dairy payments (2)	nd	nd	120	120
	Margin with decoupling and price reduction (3)	nd	nd	103	103
	((3)-(2))/(2)	***nd***	***nd***	***-14%***	***-14%***
Centre	Sample farms	nd	nd	33	33
	Farms represented	nd	nd	733	733
	% of farms represented	***nd***	***nd***	***100,0%***	***100,0%***
	Margin 2005 (1)	nd	nd	138	138
	Margin with decoupling of dairy payments (2)	nd	nd	117	117
	Margin with decoupling and price reduction (3)	nd	nd	100	100
	((3)-(2))/(2)	***nd***	***nd***	***-14%***	***-14%***
Basse-Normandie	Sample farms	nd	nd	100	101
	Farms represented	nd	nd	7.874	7.958
	% of farms represented	***nd***	***nd***	***98,9%***	***100,0%***
	Margin 2005 (1)	nd	nd	151	150
	Margin with decoupling of dairy payments (2)	nd	nd	128	127
	Margin with decoupling and price reduction (3)	nd	nd	111	110
	((3)-(2))/(2)	***nd***	***nd***	***-13%***	***-14%***
Bourgogne	Sample farms	nd	nd	23	23
	Farms represented	nd	nd	528	528
	% of farms represented	***nd***	***nd***	***100,0%***	***100,0%***
	Margin 2005 (1)	nd	nd	122	122
	Margin with decoupling of dairy payments (2)	nd	nd	99	99
	Margin with decoupling and price reduction (3)	nd	nd	83	83
	((3)-(2))/(2)	***nd***	***nd***	***-17%***	***-17%***
Nord-Pas-de-Calais	Sample farms	nd	nd	49	49
	Farms represented	nd	nd	1.772	1.772
	% of farms represented	***nd***	***nd***	***100,0%***	***100,0%***
	Margin 2005 (1)	nd	nd	148	148
	Margin with decoupling of dairy payments (2)	nd	nd	125	125
	Margin with decoupling and price reduction (3)	nd	nd	108	108
	((3)-(2))/(2)	***nd***	***nd***	***-14%***	***-14%***
Lorraine	Sample farms	nd	nd	56	56
	Farms represented	nd	nd	2.112	2.112
	% of farms represented	***nd***	***nd***	***100,0%***	***100,0%***
	Margin 2005 (1)	nd	nd	146	146
	Margin with decoupling of dairy payments (2)	nd	nd	124	124
	Margin with decoupling and price reduction (3)	nd	nd	107	107
	((3)-(2))/(2)	***nd***	***nd***	***-14%***	***-14%***

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

Alsace	Sample farms	nd	nd	33	33
	Farms represented	nd	nd	707	707
	% of farms represented	***nd***	***nd***	***100,0%***	***100,0%***
	Margin 2005 (1)	nd	nd	133	133
	Margin with decoupling of dairy payments (2)	nd	nd	111	111
	Margin with decoupling and price reduction (3)	nd	nd	93	93
	((3)-(2))/(2)	***nd***	***nd***	***-15%***	***-15%***
Franche-Comté	Sample farms	nd	nd	114	115
	Farms represented	nd	nd	3.797	3.827
	% of farms represented	***nd***	***nd***	***99,2%***	***100,0%***
	Margin 2005 (1)	nd	nd	155	154
	Margin with decoupling of dairy payments (2)	nd	nd	133	132
	Margin with decoupling and price reduction (3)	nd	nd	114	114
	((3)-(2))/(2)	***nd***	***nd***	***-14%***	***-14%***
Pays de la Loire	Sample farms	nd	nd	91	91
	Farms represented	nd	nd	7.478	7.478
	% of farms represented	***nd***	***nd***	***100,0%***	***100,0%***
	Margin 2005 (1)	nd	nd	146	146
	Margin with decoupling of dairy payments (2)	nd	nd	124	124
	Margin with decoupling and price reduction (3)	nd	nd	108	108
	((3)-(2))/(2)	***nd***	***nd***	***-13%***	***-13%***
Bretagne	Sample farms	nd	nd	177	178
	Farms represented	nd	nd	13.033	13.143
	% of farms represented	***nd***	***nd***	***99,2%***	***100,0%***
	Margin 2005 (1)	nd	nd	143	143
	Margin with decoupling of dairy payments (2)	nd	nd	121	121
	Margin with decoupling and price reduction (3)	nd	nd	105	104
	((3)-(2))/(2)	***nd***	***nd***	***-13%***	***-14%***
Poitou-Charentes	Sample farms	nd	nd	38	39
	Farms represented	nd	nd	1.334	1.364
	% of farms represented	***nd***	***nd***	***97,8%***	***100,0%***
	Margin 2005 (1)	nd	nd	122	122
	Margin with decoupling of dairy payments (2)	nd	nd	101	101
	Margin with decoupling and price reduction (3)	nd	nd	85	84
	((3)-(2))/(2)	***nd***	***nd***	***-16%***	***-16%***
Aquitaine	Sample farms	nd	nd	29	34
	Farms represented	nd	nd	1.506	1.810
	% of farms represented	***nd***	***nd***	***83,2%***	***100,0%***
	Margin 2005 (1)	nd	nd	113	95
	Margin with decoupling of dairy payments (2)	nd	nd	91	73
	Margin with decoupling and price reduction (3)	nd	nd	74	56
	((3)-(2))/(2)	***nd***	***nd***	***-18%***	***-23%***
Midi-Pyrénées	Sample farms	nd	nd	39	40
	Farms represented	nd	nd	2.767	2.784
	% of farms represented	***nd***	***nd***	***99,4%***	***100,0%***
	Margin 2005 (1)	nd	nd	129	128
	Margin with decoupling of dairy payments (2)	nd	nd	107	105
	Margin with decoupling and price reduction (3)	nd	nd	90	89
	((3)-(2))/(2)	***nd***	***nd***	***-16%***	***-16%***
Limousin	Sample farms	nd	nd	19	20
	Farms represented	nd	nd	494	523
	% of farms represented	***nd***	***nd***	***94,5%***	***100,0%***
	Margin 2005 (1)	nd	nd	139	139
	Margin with decoupling of dairy payments (2)	nd	nd	118	117
	Margin with decoupling and price reduction (3)	nd	nd	102	101
	((3)-(2))/(2)	***nd***	***nd***	***-14%***	***-14%***
Rhônes-Alpes	Sample farms	nd	nd	97	99
	Farms represented	nd	nd	6.031	6.240
	% of farms represented	***nd***	***nd***	***96,7%***	***100,0%***
	Margin 2005 (1)	nd	nd	148	147
	Margin with decoupling of dairy payments (2)	nd	nd	126	125
	Margin with decoupling and price reduction (3)	nd	nd	107	105
	((3)-(2))/(2)	***nd***	***nd***	***-15%***	***-15%***

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

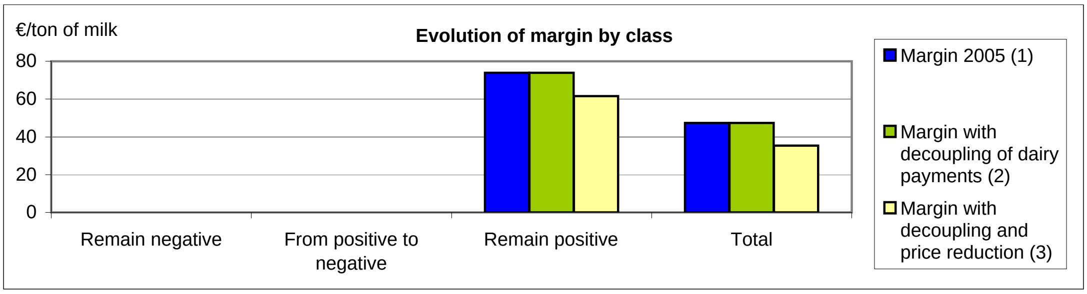
Auvergne	Sample farms	nd	nd	103	110
	Farms represented	nd	nd	4.984	5.323
	% of farms represented	***nd***	***nd***	***93,6%***	***100,0%***
	Margin 2005 (1)	nd	nd	123	116
	Margin with decoupling of dairy payments (2)	nd	nd	101	94
	Margin with decoupling and price reduction (3)	nd	nd	84	77
	((3)-(2))/(2)	***nd***	***nd***	***-17%***	***-18%***
Languedoc-Roussillon	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***
Provence-Alpes-Côte	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***

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

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

HUNGARY	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	nd	nd	65	78
	Farms represented	nd	nd	962	1.038
	% of farms represented	***nd***	***nd***	***92,7%***	***100,0%***
Structural information (2005)	Forage area (ha)	nd	nd	63	82
	Dairy cows (LU)	nd	nd	53	70
	Total labour (AWU)	nd	nd	4,3	5,6
	Milk yield (kg/cow)	nd	nd	7.076	6.806
	Milk production (tons)	nd	nd	373	473
Milk margin information (€/ton of milk)	Receipts 2005	nd	nd	292	287
	Receipts with decoupling of dairy payments	nd	nd	292	287
	Receipts with decoupling and price reduction	nd	nd	280	276
	Feed costs	nd	nd	105	109
	Other specific costs	nd	nd	17	19
	Farming overheads	nd	nd	62	71
	Wages	nd	nd	35	41
	Variable costs	nd	nd	218	240
	Margin 2005 (1)	nd	nd	74	47
	Margin with decoupling of dairy payments (2)	nd	nd	74	47
	Margin with decoupling and price reduction (3)	nd	nd	62	35
	((3)-(1))/(1)	*nd*	*nd*	*-17%*	*-25%*
	((3)-(2))/(2)	***nd***	***nd***	***-17%***	***-25%***
Income (2005)	FNVA (€)	nd	nd	57.960	64.721
	FNVA/AWU (€/AWU)	nd	nd	13.483	11.567
Direct payments (2005) (€)	Total direct payments (EU & national)	nd	nd	24.200	33.664
	% Direct payments /FNVA	*nd*	*nd*	*42%*	*52%*
	Environmental payments	nd	nd	3.686	5.074
	% Environmental payments /FNVA	*nd*	*nd*	*6,4%*	*7,8%*
	Less-Favoured Areas payments	nd	nd	0	139
	% LFA payments /FNVA	*nd*	*nd*	*0,0%*	*0,2%*
	Other dairy subsidies (national)	nd	nd	4.515	6.584
	% Other dairy subsidies /FNVA	*nd*	*nd*	*7,8%*	*10,2%*



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

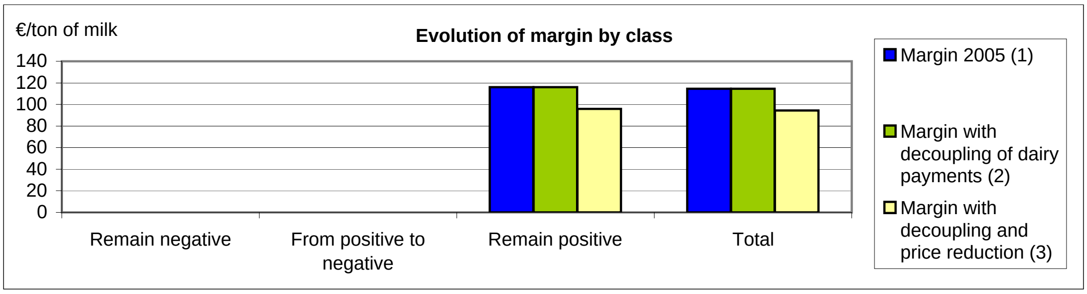
Regions	Variables	Remain negative	From positive to negative	Remain positive	Total
Közép-Magyarország	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	***nd***	***nd***	***nd***	***nd***
	((3)-(2))/(2)	nd	nd	nd	nd
Közép-Dunántúl	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***
Nyugat-Dunántúl	Sample farms	nd	nd	nd	15
	Farms represented	nd	nd	nd	188
	% of farms represented	***nd***	***nd***	***nd***	***100,0%***
	Margin 2005 (1)	nd	nd	nd	63
	Margin with decoupling of dairy payments (2)	nd	nd	nd	63
	Margin with decoupling and price reduction (3)	nd	nd	nd	51
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***-18%***
Dél-Dunántúl	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***
Észak-Magyarország	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***
Észak-Alföld	Sample farms	nd	nd	24	27
	Farms represented	nd	nd	376	389
	% of farms represented	***nd***	***nd***	***96,7%***	***100,0%***
	Margin 2005 (1)	nd	nd	82	58
	Margin with decoupling of dairy payments (2)	nd	nd	82	58
	Margin with decoupling and price reduction (3)	nd	nd	70	46
	((3)-(2))/(2)	***nd***	***nd***	***-14%***	***-20%***
Dél-Alföld	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***

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

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

IRELAND	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	nd	nd	273	278
	Farms represented	nd	nd	13.556	13.827
	% of farms represented	***nd***	***nd***	***98,0%***	***100,0%***
Structural information (2005)	Forage area (ha)	nd	nd	50	50
	Dairy cows (LU)	nd	nd	49	49
	Total labour (AWU)	nd	nd	1,5	1,5
	Milk yield (kg/cow)	nd	nd	5.235	5.231
	Milk production (tons)	nd	nd	256	255
Milk margin information (€/ton of milk)	Receipts 2005	nd	nd	261	261
	Receipts with decoupling of dairy payments	nd	nd	261	261
	Receipts with decoupling and price reduction	nd	nd	241	241
	Feed costs	nd	nd	66	67
	Other specific costs	nd	nd	22	22
	Farming overheads	nd	nd	48	48
	Wages	nd	nd	9	10
	Variable costs	nd	nd	145	146
	Margin 2005 (1)	nd	nd	116	115
	Margin with decoupling of dairy payments (2)	nd	nd	116	115
	Margin with decoupling and price reduction (3)	nd	nd	96	94
	((3)-(1))/(1)	*nd*	*nd*	*-17%*	*-18%*
	((3)-(2))/(2)	***nd***	***nd***	***-17%***	***-18%***
Income (2005)	FNVA (€)	nd	nd	51.115	50.353
	FNVA/AWU (€/AWU)	nd	nd	33.245	32.768
Direct payments (2005) (€)	Total direct payments (EU & national)	nd	nd	17.451	17.272
	% Direct payments /FNVA	*nd*	*nd*	*34%*	*34%*
	Environmental payments	nd	nd	1.778	1.772
	% Environmental payments /FNVA	*nd*	*nd*	*3,5%*	*3,5%*
	Less-Favoured Areas payments	nd	nd	2.158	2.144
	% LFA payments /FNVA	*nd*	*nd*	*4,2%*	*4,3%*
	Other dairy subsidies (national)	nd	nd	7	7
	% Other dairy subsidies /FNVA	*nd*	*nd*	*0,0%*	*0,0%*

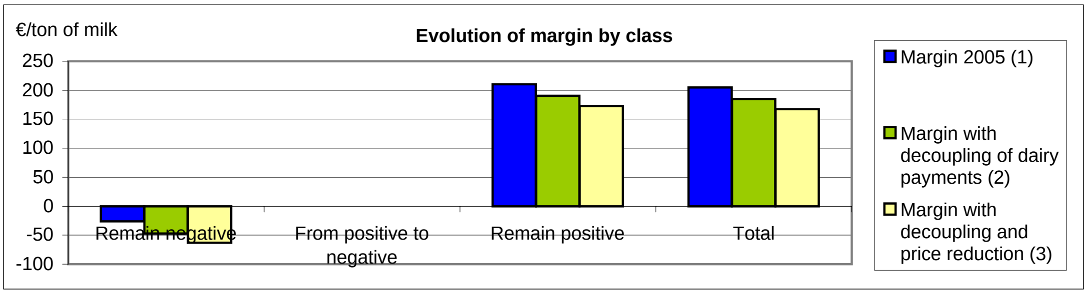


Source: EU FADN - DG AGRI, Milk allocation costs model.

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

ITALY	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	45	nd	1.283	1.341
	Farms represented	693	nd	27.193	28.316
	% of farms represented	***2,4%***	***nd***	***96,0%***	***100,0%***
Structural information (2005)	Forage area (ha)	22	nd	24	24
	Dairy cows (LU)	41	nd	48	47
	Total labour (AWU)	2,1	nd	2,1	2,1
	Milk yield (kg/cow)	5.637	nd	6.393	6.380
	Milk production (tons)	232	nd	305	301
Milk margin information (€/ton of milk)	Receipts 2005	349	nd	405	404
	Receipts with decoupling of dairy payments	328	nd	385	384
	Receipts with decoupling and price reduction	312	nd	367	367
	Feed costs	231	nd	126	129
	Other specific costs	31	nd	13	14
	Farming overheads	78	nd	42	43
	Wages	34	nd	13	14
	Variable costs	375	nd	194	199
	Margin 2005 (1)	-26	nd	211	205
	Margin with decoupling of dairy payments (2)	-47	nd	191	185
	Margin with decoupling and price reduction (3)	-63	nd	173	167
	((3)-(1))/(1)	*140%*	*nd*	*-18%*	*-18%*
	((3)-(2))/(2)	***33%***	***nd***	***-9%***	***-10%***
Income (2005)	FNVA (€)	3.007	nd	79.909	76.922
	FNVA/AWU (€/AWU)	1.406	nd	37.257	35.995
Direct payments (2005) (€)	Total direct payments (EU & national)	11.305	nd	15.510	15.282
	% Direct payments /FNVA	*376%*	*nd*	*19%*	*20%*
	Environmental payments	1.284	nd	1.121	1.122
	% Environmental payments /FNVA	*42,7%*	*nd*	*1,4%*	*1,5%*
	Less-Favoured Areas payments	1.038	nd	838	842
	% LFA payments /FNVA	*34,5%*	*nd*	*1,0%*	*1,1%*
	Other dairy subsidies (national)	0	nd	0	0
	% Other dairy subsidies /FNVA	*0,0%*	*nd*	*0,0%*	*0,0%*



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

Regions	Variables	Remain negative	From positive to negative	Remain positive	Total
Valle d'Aoste	Sample farms	nd	nd	172	190
	Farms represented	nd	nd	372	401
	% of farms represented	***nd***	***nd***	***92,8%***	***100,0%***
	Margin 2005 (1)	nd	nd	259	235
	Margin with decoupling of dairy payments (2)	nd	nd	234	210
	Margin with decoupling and price reduction (3)	nd	nd	211	188
	((3)-(2))/(2)	***nd***	***nd***	***-10%***	***-11%***
Piemonte	Sample farms	nd	nd	90	94
	Farms represented	nd	nd	2.120	2.214
	% of farms represented	***nd***	***nd***	***95,8%***	***100,0%***
	Margin 2005 (1)	nd	nd	174	169
	Margin with decoupling of dairy payments (2)	nd	nd	154	150
	Margin with decoupling and price reduction (3)	nd	nd	139	135
	((3)-(2))/(2)	***nd***	***nd***	***-10%***	***-10%***
Lombardia	Sample farms	nd	nd	194	196
	Farms represented	nd	nd	5.094	5.135
	% of farms represented	***nd***	***nd***	***99,2%***	***100,0%***
	Margin 2005 (1)	nd	nd	204	202
	Margin with decoupling of dairy payments (2)	nd	nd	183	181
	Margin with decoupling and price reduction (3)	nd	nd	166	165
	((3)-(2))/(2)	***nd***	***nd***	***-9%***	***-9%***
Trentino	Sample farms	nd	nd	33	36
	Farms represented	nd	nd	408	435
	% of farms represented	***nd***	***nd***	***93,8%***	***100,0%***
	Margin 2005 (1)	nd	nd	160	156
	Margin with decoupling of dairy payments (2)	nd	nd	140	135
	Margin with decoupling and price reduction (3)	nd	nd	121	117
	((3)-(2))/(2)	***nd***	***nd***	***-13%***	***-14%***
Alto-Adige	Sample farms	nd	nd	43	47
	Farms represented	nd	nd	2.947	3.200
	% of farms represented	***nd***	***nd***	***92,1%***	***100,0%***
	Margin 2005 (1)	nd	nd	177	170
	Margin with decoupling of dairy payments (2)	nd	nd	156	149
	Margin with decoupling and price reduction (3)	nd	nd	137	130
	((3)-(2))/(2)	***nd***	***nd***	***-12%***	***-13%***
Veneto	Sample farms	nd	nd	72	79
	Farms represented	nd	nd	3.165	3.452
	% of farms represented	***nd***	***nd***	***91,7%***	***100,0%***
	Margin 2005 (1)	nd	nd	183	176
	Margin with decoupling of dairy payments (2)	nd	nd	163	155
	Margin with decoupling and price reduction (3)	nd	nd	147	139
	((3)-(2))/(2)	***nd***	***nd***	***-10%***	***-10%***
Friuli-Venezia	Sample farms	nd	nd	109	110
	Farms represented	nd	nd	1.208	1.209
	% of farms represented	***nd***	***nd***	***99,9%***	***100,0%***
	Margin 2005 (1)	nd	nd	198	198
	Margin with decoupling of dairy payments (2)	nd	nd	178	178
	Margin with decoupling and price reduction (3)	nd	nd	161	161
	((3)-(2))/(2)	***nd***	***nd***	***-10%***	***-10%***
Liguria	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***
Emilia-Romagna	Sample farms	nd	nd	144	153
	Farms represented	nd	nd	2.863	3.012
	% of farms represented	***nd***	***nd***	***95,1%***	***100,0%***
	Margin 2005 (1)	nd	nd	194	176
	Margin with decoupling of dairy payments (2)	nd	nd	171	153
	Margin with decoupling and price reduction (3)	nd	nd	153	135
	((3)-(2))/(2)	***nd***	***nd***	***-11%***	***-12%***

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

Toscana	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***
Marche	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***
Umbria	Sample farms	nd	nd	17	17
	Farms represented	nd	nd	176	176
	% of farms represented	***nd***	***nd***	***100,0%***	***100,0%***
	Margin 2005 (1)	nd	nd	188	188
	Margin with decoupling of dairy payments (2)	nd	nd	166	166
	Margin with decoupling and price reduction (3)	nd	nd	148	148
	((3)-(2))/(2)	***nd***	***nd***	***-11%***	***-11%***
Lazio	Sample farms	nd	nd	52	53
	Farms represented	nd	nd	1.628	1.668
	% of farms represented	***nd***	***nd***	***97,6%***	***100,0%***
	Margin 2005 (1)	nd	nd	272	271
	Margin with decoupling of dairy payments (2)	nd	nd	256	255
	Margin with decoupling and price reduction (3)	nd	nd	238	236
	((3)-(2))/(2)	***nd***	***nd***	***-7%***	***-7%***
Abruzzo	Sample farms	nd	nd	52	53
	Farms represented	nd	nd	728	738
	% of farms represented	***nd***	***nd***	***98,6%***	***100,0%***
	Margin 2005 (1)	nd	nd	241	236
	Margin with decoupling of dairy payments (2)	nd	nd	233	228
	Margin with decoupling and price reduction (3)	nd	nd	215	210
	((3)-(2))/(2)	***nd***	***nd***	***-8%***	***-8%***
Molise	Sample farms	nd	nd	43	44
	Farms represented	nd	nd	711	712
	% of farms represented	***nd***	***nd***	***99,9%***	***100,0%***
	Margin 2005 (1)	nd	nd	186	185
	Margin with decoupling of dairy payments (2)	nd	nd	167	167
	Margin with decoupling and price reduction (3)	nd	nd	153	152
	((3)-(2))/(2)	***nd***	***nd***	***-9%***	***-9%***
Campania	Sample farms	nd	nd	56	57
	Farms represented	nd	nd	2.270	2.315
	% of farms represented	***nd***	***nd***	***98,1%***	***100,0%***
	Margin 2005 (1)	nd	nd	383	382
	Margin with decoupling of dairy payments (2)	nd	nd	370	369
	Margin with decoupling and price reduction (3)	nd	nd	339	338
	((3)-(2))/(2)	***nd***	***nd***	***-8%***	***-8%***
Calabria	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***
Puglia	Sample farms	nd	nd	61	64
	Farms represented	nd	nd	1.597	1.662
	% of farms represented	***nd***	***nd***	***96,1%***	***100,0%***
	Margin 2005 (1)	nd	nd	135	130
	Margin with decoupling of dairy payments (2)	nd	nd	118	114
	Margin with decoupling and price reduction (3)	nd	nd	102	97
	((3)-(2))/(2)	***nd***	***nd***	***-14%***	***-15%***
Basilicata	Sample farms	nd	nd	40	41
	Farms represented	nd	nd	544	568
	% of farms represented	***nd***	***nd***	***95,8%***	***100,0%***
	Margin 2005 (1)	nd	nd	279	275
	Margin with decoupling of dairy payments (2)	nd	nd	254	249
	Margin with decoupling and price reduction (3)	nd	nd	236	232
	((3)-(2))/(2)	***nd***	***nd***	***-7%***	***-7%***

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

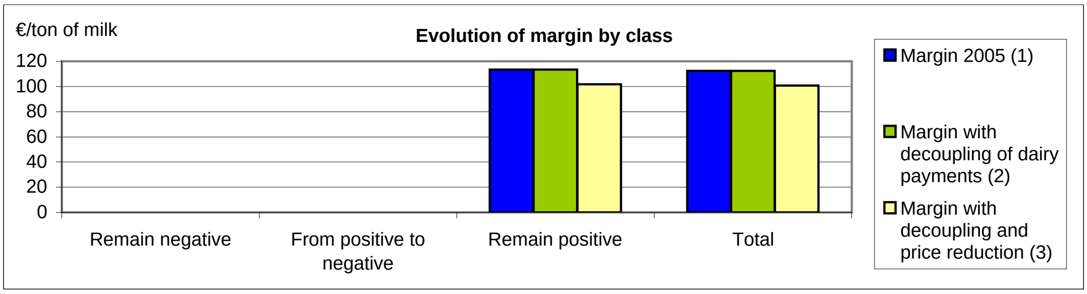
Sicilia	Sample farms	nd	nd	31	32
	Farms represented	nd	nd	908	954
	% of farms represented	***nd***	***nd***	***95,2%***	***100,0%***
	Margin 2005 (1)	nd	nd	250	244
	Margin with decoupling of dairy payments (2)	nd	nd	232	226
	Margin with decoupling and price reduction (3)	nd	nd	213	208
	((3)-(2))/(2)	***nd***	***nd***	***-8%***	***-8%***
Sardegna	Sample farms	nd	nd	40	40
	Farms represented	nd	nd	150	150
	% of farms represented	***nd***	***nd***	***100,0%***	***100,0%***
	Margin 2005 (1)	nd	nd	183	183
	Margin with decoupling of dairy payments (2)	nd	nd	160	160
	Margin with decoupling and price reduction (3)	nd	nd	144	144
	((3)-(2))/(2)	***nd***	***nd***	***-10%***	***-10%***

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

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

LITHUANIA	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	nd	nd	220	222
	Farms represented	nd	nd	14.117	14.451
	% of farms represented	***nd***	***nd***	***97,7%***	***100,0%***
Structural information (2005)	Forage area (ha)	nd	nd	24	24
	Dairy cows (LU)	nd	nd	11	11
	Total labour (AWU)	nd	nd	2,1	2,1
	Milk yield (kg/cow)	nd	nd	5.039	5.018
	Milk production (tons)	nd	nd	56	55
Milk margin information (€/ton of milk)	Receipts 2005	nd	nd	219	218
	Receipts with decoupling of dairy payments	nd	nd	219	218
	Receipts with decoupling and price reduction	nd	nd	207	207
	Feed costs	nd	nd	50	50
	Other specific costs	nd	nd	5	5
	Farming overheads	nd	nd	42	42
	Wages	nd	nd	9	8
	Variable costs	nd	nd	105	106
	Margin 2005 (1)	nd	nd	114	113
	Margin with decoupling of dairy payments (2)	nd	nd	114	113
	Margin with decoupling and price reduction (3)	nd	nd	102	101
	((3)-(1))/(1)	*nd*	*nd*	*-10%*	*-10%*
	((3)-(2))/(2)	***nd***	***nd***	***-10%***	***-10%***
Income (2005)	FNVA (€)	nd	nd	11.866	11.638
	FNVA/AWU (€/AWU)	nd	nd	5.779	5.668
Direct payments (2005) (€)	Total direct payments (EU & national)	nd	nd	4.809	4.766
	% Direct payments /FNVA	*nd*	*nd*	*41%*	*41%*
	Environmental payments	nd	nd	0	0
	% Environmental payments /FNVA	*nd*	*nd*	*0,0%*	*0,0%*
	Less-Favoured Areas payments	nd	nd	1.300	1.302
	% LFA payments /FNVA	*nd*	*nd*	*11,0%*	*11,2%*
	Other dairy subsidies (national)	nd	nd	632	623
	% Other dairy subsidies /FNVA	*nd*	*nd*	*5,3%*	*5,4%*



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

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
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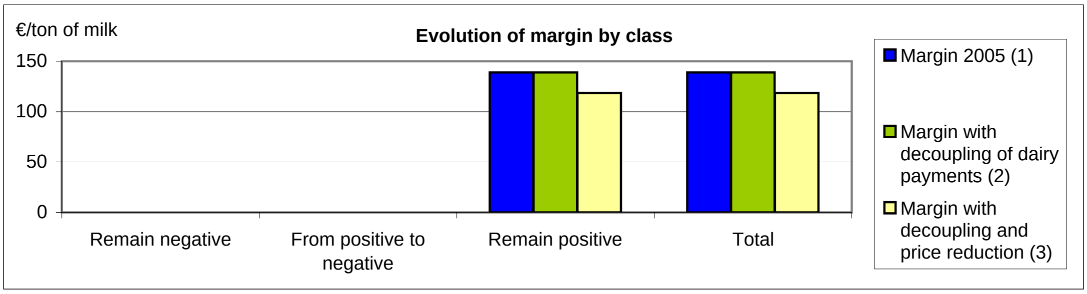
LUXEMBURG	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	nd	nd	238	238
	Farms represented	nd	nd	715	715
	% of farms represented	***nd***	***nd***	***100,0%***	***100,0%***
Structural information (2005)	Forage area (ha)	nd	nd	66	66
	Dairy cows (LU)	nd	nd	43	43
	Total labour (AWU)	nd	nd	1,7	1,7
	Milk yield (kg/cow)	nd	nd	7.412	7.412
	Milk production (tons)	nd	nd	316	316
Milk margin information (€/ton of milk)	Receipts 2005	nd	nd	301	301
	Receipts with decoupling of dairy payments	nd	nd	301	301
	Receipts with decoupling and price reduction	nd	nd	281	281
	Feed costs	nd	nd	61	61
	Other specific costs	nd	nd	18	18
	Farming overheads	nd	nd	78	78
	Wages	nd	nd	5	5
	Variable costs	nd	nd	162	162
	Margin 2005 (1)	nd	nd	139	139
	Margin with decoupling of dairy payments (2)	nd	nd	139	139
	Margin with decoupling and price reduction (3)	nd	nd	119	119
	((3)-(1))/(1)	*nd*	*nd*	*-14%*	*-14%*
	((3)-(2))/(2)	***nd***	***nd***	***-14%***	***-14%***
Income (2005)	FNVA (€)	nd	nd	59.749	59.749
	FNVA/AWU (€/AWU)	nd	nd	35.113	35.113
Direct payments (2005) (€)	Total direct payments (EU & national)	nd	nd	43.079	43.079
	% Direct payments /FNVA	*nd*	*nd*	*72%*	*72%*
	Environmental payments	nd	nd	8.809	8.809
	% Environmental payments /FNVA	*nd*	*nd*	*14,7%*	*14,7%*
	Less-Favoured Areas payments	nd	nd	11.445	11.445
	% LFA payments /FNVA	*nd*	*nd*	*19,2%*	*19,2%*
	Other dairy subsidies (national)	nd	nd	0	0
	% Other dairy subsidies /FNVA	*nd*	*nd*	*0,0%*	*0,0%*

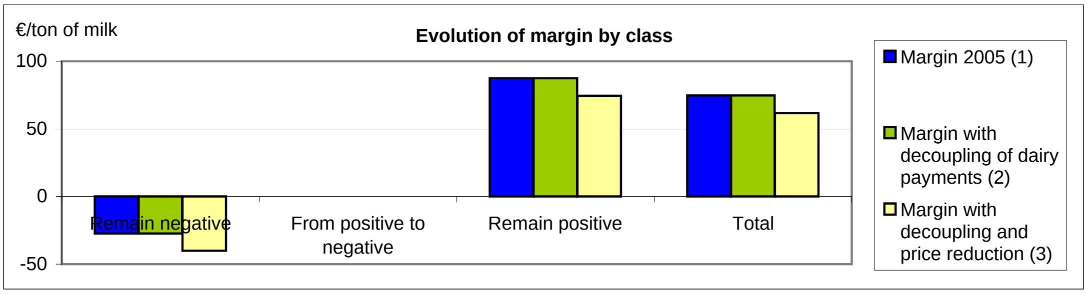


Source: EU FADN - DG AGRI, Milk allocation costs model.

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

LATVIA	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	24	nd	243	273
	Farms represented	396	nd	4.234	4.779
	% of farms represented	***8,3%***	***nd***	***88,6%***	***100,0%***
Structural information (2005)	Forage area (ha)	66	nd	42	44
	Dairy cows (LU)	22	nd	16	16
	Total labour (AWU)	4,5	nd	2,4	2,6
	Milk yield (kg/cow)	4.410	nd	5.217	5.107
	Milk production (tons)	96	nd	83	83
Milk margin information (€/ton of milk)	Receipts 2005	247	nd	248	248
	Receipts with decoupling of dairy payments	247	nd	248	248
	Receipts with decoupling and price reduction	234	nd	235	235
	Feed costs	96	nd	65	68
	Other specific costs	22	nd	12	13
	Farming overheads	103	nd	66	71
	Wages	53	nd	17	21
	Variable costs	274	nd	161	174
	Margin 2005 (1)	-27	nd	87	75
	Margin with decoupling of dairy payments (2)	-27	nd	87	75
	Margin with decoupling and price reduction (3)	-40	nd	75	62
	((3)-(1))/(1)	*47%*	*nd*	*-15%*	*-17%*
	((3)-(2))/(2)	***47%***	***nd***	***-15%***	***-17%***
Income (2005)	FNVA (€)	11.435	nd	14.479	14.016
	FNVA/AWU (€/AWU)	2.553	nd	6.000	5.430
Direct payments (2005) (€)	Total direct payments (EU & national)	12.713	nd	8.352	8.697
	% Direct payments /FNVA	*111%*	*nd*	*58%*	*62%*
	Environmental payments	633	nd	929	875
	% Environmental payments /FNVA	*5,5%*	*nd*	*6,4%*	*6,2%*
	Less-Favoured Areas payments	3.147	nd	1.671	1.807
	% LFA payments /FNVA	*27,5%*	*nd*	*11,5%*	*12,9%*
	Other dairy subsidies (national)	1.909	nd	1.506	1.528
	% Other dairy subsidies /FNVA	*16,7%*	*nd*	*10,4%*	*10,9%*

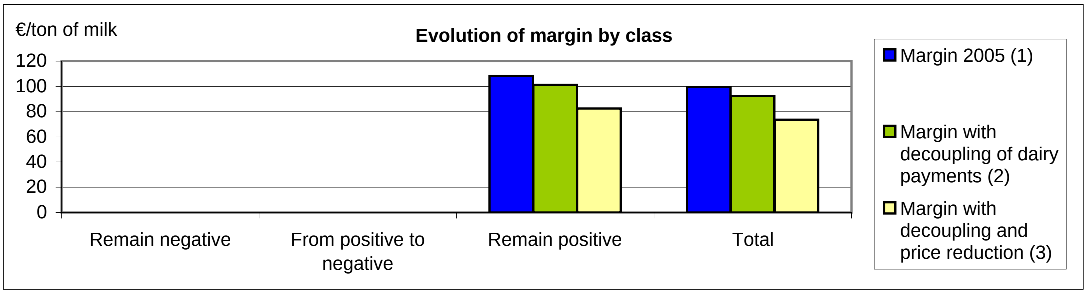


Source: EU FADN - DG AGRI, Milk allocation costs model.

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

MALTA	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	nd	nd	33	38
	Farms represented	nd	nd	72	91
	% of farms represented	***nd***	***nd***	***79,1%***	***100,0%***
Structural information (2005)	Forage area (ha)	nd	nd	4	4
	Dairy cows (LU)	nd	nd	73	65
	Total labour (AWU)	nd	nd	2,6	2,3
	Milk yield (kg/cow)	nd	nd	5.461	5.264
	Milk production (tons)	nd	nd	397	340
Milk margin information (€/ton of milk)	Receipts 2005	nd	nd	372	373
	Receipts with decoupling of dairy payments	nd	nd	365	366
	Receipts with decoupling and price reduction	nd	nd	346	347
	Feed costs	nd	nd	218	226
	Other specific costs	nd	nd	7	7
	Farming overheads	nd	nd	36	38
	Wages	nd	nd	3	3
	Variable costs	nd	nd	264	273
	Margin 2005 (1)	nd	nd	108	99
	Margin with decoupling of dairy payments (2)	nd	nd	101	92
	Margin with decoupling and price reduction (3)	nd	nd	83	74
	((3)-(1))/(1)	*nd*	*nd*	*-24%*	*-26%*
	((3)-(2))/(2)	***nd***	***nd***	***-19%***	***-20%***
Income (2005)	FNVA (€)	nd	nd	52.154	41.977
	FNVA/AWU (€/AWU)	nd	nd	20.404	18.530
Direct payments (2005) (€)	Total direct payments (EU & national)	nd	nd	28.110	26.216
	% Direct payments /FNVA	*nd*	*nd*	*54%*	*62%*
	Environmental payments	nd	nd	0	0
	% Environmental payments /FNVA	*nd*	*nd*	*0,0%*	*0,0%*
	Less-Favoured Areas payments	nd	nd	1.113	945
	% LFA payments /FNVA	*nd*	*nd*	*2,1%*	*2,3%*
	Other dairy subsidies (national)	nd	nd	12.785	10.915
	% Other dairy subsidies /FNVA	*nd*	*nd*	*24,5%*	*26,0%*



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

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
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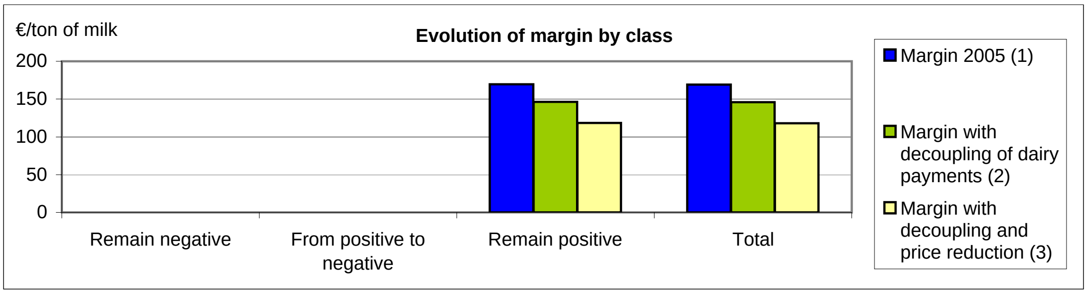
THE NETHERLANDS	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	nd	nd	321	324
	Farms represented	nd	nd	19.509	19.702
	% of farms represented	***nd***	***nd***	***99,0%***	***100,0%***
Structural information (2005)	Forage area (ha)	nd	nd	43	43
	Dairy cows (LU)	nd	nd	72	71
	Total labour (AWU)	nd	nd	1,6	1,6
	Milk yield (kg/cow)	nd	nd	7.630	7.613
	Milk production (tons)	nd	nd	548	544
Milk margin information (€/ton of milk)	Receipts 2005	nd	nd	332	332
	Receipts with decoupling of dairy payments	nd	nd	308	308
	Receipts with decoupling and price reduction	nd	nd	281	281
	Feed costs	nd	nd	61	61
	Other specific costs	nd	nd	21	21
	Farming overheads	nd	nd	77	77
	Wages	nd	nd	4	4
	Variable costs	nd	nd	162	163
	Margin 2005 (1)	nd	nd	169	169
	Margin with decoupling of dairy payments (2)	nd	nd	146	146
	Margin with decoupling and price reduction (3)	nd	nd	118	118
	((3)-(1))/(1)	*nd*	*nd*	*-30%*	*-30%*
	((3)-(2))/(2)	***nd***	***nd***	***-19%***	***-19%***
Income (2005)	FNVA (€)	nd	nd	90.075	89.209
	FNVA/AWU (€/AWU)	nd	nd	55.129	54.855
Direct payments (2005) (€)	Total direct payments (EU & national)	nd	nd	20.507	20.374
	% Direct payments /FNVA	*nd*	*nd*	*23%*	*23%*
	Environmental payments	nd	nd	1.866	1.847
	% Environmental payments /FNVA	*nd*	*nd*	*2,1%*	*2,1%*
	Less-Favoured Areas payments	nd	nd	0	0
	% LFA payments /FNVA	*nd*	*nd*	*0,0%*	*0,0%*
	Other dairy subsidies (national)	nd	nd	0	0
	% Other dairy subsidies /FNVA	*nd*	*nd*	*0,0%*	*0,0%*

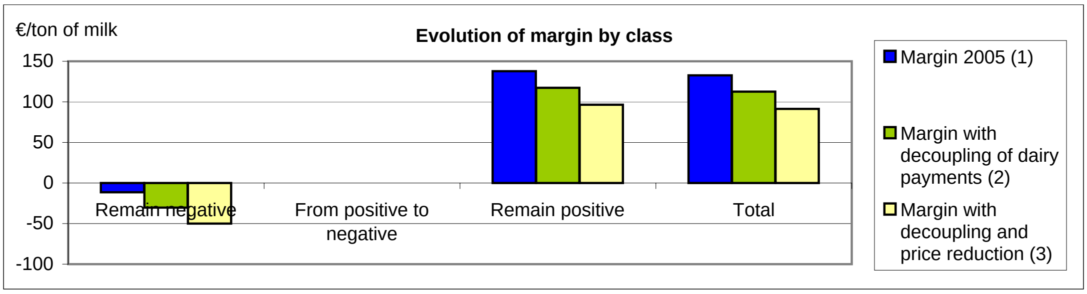


Source: EU FADN - DG AGRI, Milk allocation costs model.

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

AUSTRIA	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	15	nd	542	563
	Farms represented	870	nd	16.584	17.924
	% of farms represented	***4,9%***	***nd***	***92,5%***	***100,0%***
Structural information (2005)	Forage area (ha)	41	nd	26	27
	Dairy cows (LU)	11	nd	19	18
	Total labour (AWU)	1,4	nd	1,7	1,7
	Milk yield (kg/cow)	5.321	nd	6.473	6.437
	Milk production (tons)	57	nd	120	116
Milk margin information (€/ton of milk)	Receipts 2005	293	nd	311	310
	Receipts with decoupling of dairy payments	274	nd	291	290
	Receipts with decoupling and price reduction	254	nd	270	269
	Feed costs	100	nd	66	67
	Other specific costs	32	nd	18	19
	Farming overheads	171	nd	87	90
	Wages	1	nd	2	2
	Variable costs	304	nd	173	178
	Margin 2005 (1)	-11	nd	138	133
	Margin with decoupling of dairy payments (2)	-30	nd	117	112
	Margin with decoupling and price reduction (3)	-50	nd	96	91
	((3)-(1))/(1)	*338%*	*nd*	*-30%*	*-31%*
	((3)-(2))/(2)	***66%***	***nd***	***-18%***	***-19%***
Income (2005)	FNVA (€)	4.988	nd	30.000	28.174
	FNVA/AWU (€/AWU)	3.459	nd	17.835	16.793
Direct payments (2005) (€)	Total direct payments (EU & national)	14.985	nd	19.354	19.023
	% Direct payments /FNVA	*300%*	*nd*	*65%*	*68%*
	Environmental payments	5.525	nd	7.287	7.139
	% Environmental payments /FNVA	*110,8%*	*nd*	*24,3%*	*25,3%*
	Less-Favoured Areas payments	4.655	nd	3.678	3.732
	% LFA payments /FNVA	*93,3%*	*nd*	*12,3%*	*13,2%*
	Other dairy subsidies (national)	0	nd	0	0
	% Other dairy subsidies /FNVA	*0,0%*	*nd*	*0,0%*	*0,0%*

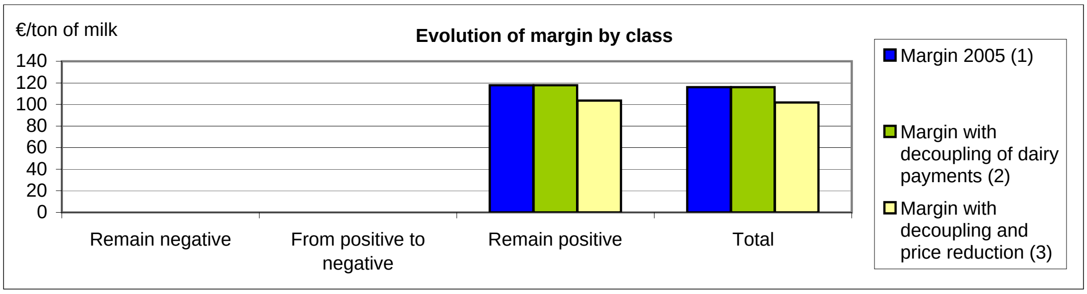


Source: EU FADN - DG AGRI, Milk allocation costs model.

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

POLAND	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	nd	nd	1.891	1.908
	Farms represented	nd	nd	89.441	91.126
	% of farms represented	***nd***	***nd***	***98,2%***	***100,0%***
Structural information (2005)	Forage area (ha)	nd	nd	12	13
	Dairy cows (LU)	nd	nd	14	14
	Total labour (AWU)	nd	nd	1,9	1,9
	Milk yield (kg/cow)	nd	nd	5.196	5.188
	Milk production (tons)	nd	nd	75	75
Milk margin information (€/ton of milk)	Receipts 2005	nd	nd	234	233
	Receipts with decoupling of dairy payments	nd	nd	234	233
	Receipts with decoupling and price reduction	nd	nd	220	219
	Feed costs	nd	nd	62	62
	Other specific costs	nd	nd	10	10
	Farming overheads	nd	nd	40	40
	Wages	nd	nd	4	5
	Variable costs	nd	nd	116	117
	Margin 2005 (1)	nd	nd	118	116
	Margin with decoupling of dairy payments (2)	nd	nd	118	116
	Margin with decoupling and price reduction (3)	nd	nd	104	102
	((3)-(1))/(1)	*nd*	*nd*	*-12%*	*-12%*
	((3)-(2))/(2)	***nd***	***nd***	***-12%***	***-12%***
Income (2005)	FNVA (€)	nd	nd	12.900	12.732
	FNVA/AWU (€/AWU)	nd	nd	6.959	6.862
Direct payments (2005) (€)	Total direct payments (EU & national)	nd	nd	3.883	3.903
	% Direct payments /FNVA	*nd*	*nd*	*30%*	*31%*
	Environmental payments	nd	nd	11	13
	% Environmental payments /FNVA	*nd*	*nd*	*0,1%*	*0,1%*
	Less-Favoured Areas payments	nd	nd	508	510
	% LFA payments /FNVA	*nd*	*nd*	*3,9%*	*4,0%*
	Other dairy subsidies (national)	nd	nd	0	0
	% Other dairy subsidies /FNVA	*nd*	*nd*	*0,0%*	*0,0%*



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

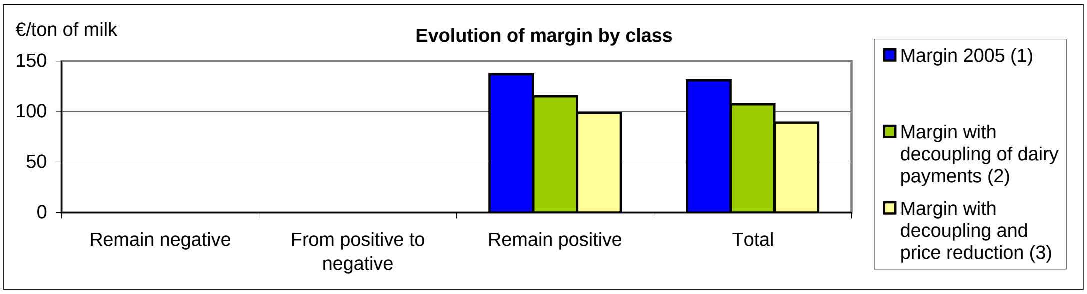
Regions	Variables	Remain negative	From positive to negative	Remain positive	Total
Pomorze and Mazury	Sample farms	nd	nd	246	250
	Farms represented	nd	nd	11.133	11.216
	% of farms represented	***nd***	***nd***	***99,3%***	***100,0%***
	Margin 2005 (1)	nd	nd	108	101
	Margin with decoupling of dairy payments (2)	nd	nd	108	101
	Margin with decoupling and price reduction (3)	nd	nd	94	87
	((3)-(2))/(2)	***nd***	***nd***	***-13%***	***-13%***
Wielkopolska and Slask	Sample farms	nd	nd	368	372
	Farms represented	nd	nd	12.025	12.220
	% of farms represented	***nd***	***nd***	***98,4%***	***100,0%***
	Margin 2005 (1)	nd	nd	101	100
	Margin with decoupling of dairy payments (2)	nd	nd	101	100
	Margin with decoupling and price reduction (3)	nd	nd	87	86
	((3)-(2))/(2)	***nd***	***nd***	***-14%***	***-14%***
Mazowsze and Podlasie	Sample farms	nd	nd	1.121	1.126
	Farms represented	nd	nd	40.372	40.946
	% of farms represented	***nd***	***nd***	***98,6%***	***100,0%***
	Margin 2005 (1)	nd	nd	129	129
	Margin with decoupling of dairy payments (2)	nd	nd	129	129
	Margin with decoupling and price reduction (3)	nd	nd	115	114
	((3)-(2))/(2)	***nd***	***nd***	***-11%***	***-11%***
Malopolska and Pogórze	Sample farms	nd	nd	156	160
	Farms represented	nd	nd	25.911	26.744
	% of farms represented	***nd***	***nd***	***96,9%***	***100,0%***
	Margin 2005 (1)	nd	nd	118	116
	Margin with decoupling of dairy payments (2)	nd	nd	118	116
	Margin with decoupling and price reduction (3)	nd	nd	104	102
	((3)-(2))/(2)	***nd***	***nd***	***-12%***	***-12%***

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

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

Portugal	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	nd	nd	214	232
	Farms represented	nd	nd	4.069	4.402
	% of farms represented	***nd***	***nd***	***92,4%***	***100,0%***
Structural information (2005)	Forage area (ha)	nd	nd	19	19
	Dairy cows (LU)	nd	nd	27	28
	Total labour (AWU)	nd	nd	1,8	1,9
	Milk yield (kg/cow)	nd	nd	6.557	6.165
	Milk production (tons)	nd	nd	176	175
Milk margin information (€/ton of milk)	Receipts 2005	nd	nd	295	319
	Receipts with decoupling of dairy payments	nd	nd	273	295
	Receipts with decoupling and price reduction	nd	nd	257	277
	Feed costs	nd	nd	97	114
	Other specific costs	nd	nd	20	22
	Farming overheads	nd	nd	36	43
	Wages	nd	nd	6	10
	Variable costs	nd	nd	158	188
	Margin 2005 (1)	nd	nd	137	131
	Margin with decoupling of dairy payments (2)	nd	nd	115	107
	Margin with decoupling and price reduction (3)	nd	nd	99	89
	((3)-(1))/(1)	*nd*	*nd*	*-28%*	*-32%*
	((3)-(2))/(2)	***nd***	***nd***	***-14%***	***-17%***
Income (2005)	FNVA (€)	nd	nd	26.639	25.484
	FNVA/AWU (€/AWU)	nd	nd	15.014	13.682
Direct payments (2005) (€)	Total direct payments (EU & national)	nd	nd	9.481	9.896
	% Direct payments /FNVA	*nd*	*nd*	*36%*	*39%*
	Environmental payments	nd	nd	1.573	1.509
	% Environmental payments /FNVA	*nd*	*nd*	*5,9%*	*5,9%*
	Less-Favoured Areas payments	nd	nd	1.829	1.835
	% LFA payments /FNVA	*nd*	*nd*	*6,9%*	*7,2%*
	Other dairy subsidies (national)	nd	nd	0	0
	% Other dairy subsidies /FNVA	*nd*	*nd*	*0,0%*	*0,0%*



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

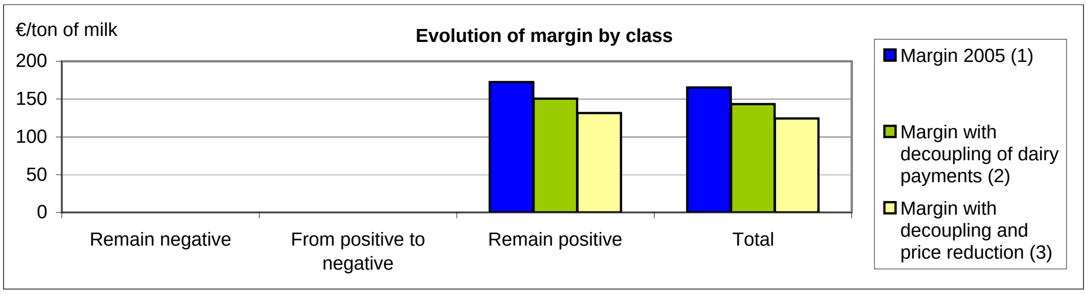
Regions	Variables	Remain negative	From positive to negative	Remain positive	Total
Entre Douro e Minho/Beira litoral	Sample farms	nd	nd	80	90
	Farms represented	nd	nd	1.477	1.626
	% of farms represented	***nd***	***nd***	***90,8%***	***100,0%***
	Margin 2005 (1)	nd	nd	141	134
	Margin with decoupling of dairy payments (2)	nd	nd	119	112
	Margin with decoupling and price reduction (3)	nd	nd	100	93
	((3)-(2))/(2)	***nd***	***nd***	***-16%***	***-17%***
Tras-os-Montes/Beira interior	Sample farms	nd	nd	34	36
	Farms represented	nd	nd	610	628
	% of farms represented	***nd***	***nd***	***97,1%***	***100,0%***
	Margin 2005 (1)	nd	nd	140	137
	Margin with decoupling of dairy payments (2)	nd	nd	114	111
	Margin with decoupling and price reduction (3)	nd	nd	97	94
	((3)-(2))/(2)	***nd***	***nd***	***-15%***	***-15%***
Ribatejo e Oeste	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***
Alentejo e do Algarve	Sample farms	nd	nd	nd	nd
	Farms represented	nd	nd	nd	nd
	% of farms represented	***nd***	***nd***	***nd***	***nd***
	Margin 2005 (1)	nd	nd	nd	nd
	Margin with decoupling of dairy payments (2)	nd	nd	nd	nd
	Margin with decoupling and price reduction (3)	nd	nd	nd	nd
	((3)-(2))/(2)	***nd***	***nd***	***nd***	***nd***
Açores	Sample farms	nd	nd	97	100
	Farms represented	nd	nd	1.923	1.972
	% of farms represented	***nd***	***nd***	***97,5%***	***100,0%***
	Margin 2005 (1)	nd	nd	140	136
	Margin with decoupling of dairy payments (2)	nd	nd	119	115
	Margin with decoupling and price reduction (3)	nd	nd	105	101
	((3)-(2))/(2)	***nd***	***nd***	***-12%***	***-12%***

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

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

FINLAND	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	nd	nd	353	369
	Farms represented	nd	nd	13.534	14.338
	% of farms represented	***nd***	***nd***	***94,4%***	***100,0%***
Structural information (2005)	Forage area (ha)	nd	nd	29	29
	Dairy cows (LU)	nd	nd	25	25
	Total labour (AWU)	nd	nd	2,1	2,1
	Milk yield (kg/cow)	nd	nd	8.334	8.326
	Milk production (tons)	nd	nd	209	205
Milk margin information (€/ton of milk)	Receipts 2005	nd	nd	431	430
	Receipts with decoupling of dairy payments	nd	nd	409	408
	Receipts with decoupling and price reduction	nd	nd	390	389
	Feed costs	nd	nd	103	104
	Other specific costs	nd	nd	28	29
	Farming overheads	nd	nd	116	120
	Wages	nd	nd	12	13
	Variable costs	nd	nd	258	265
	Margin 2005 (1)	nd	nd	172	165
	Margin with decoupling of dairy payments (2)	nd	nd	151	143
	Margin with decoupling and price reduction (3)	nd	nd	132	124
	((3)-(1))/(1)	*nd*	*nd*	*-24%*	*-25%*
	((3)-(2))/(2)	***nd***	***nd***	***-13%***	***-13%***
Income (2005)	FNVA (€)	nd	nd	42.149	40.034
	FNVA/AWU (€/AWU)	nd	nd	20.014	19.032
Direct payments (2005) (€)	Total direct payments (EU & national)	nd	nd	52.598	52.023
	% Direct payments /FNVA	*nd*	*nd*	*125%*	*130%*
	Environmental payments	nd	nd	7.252	7.275
	% Environmental payments /FNVA	*nd*	*nd*	*17,2%*	*18,2%*
	Less-Favoured Areas payments	nd	nd	13.476	13.375
	% LFA payments /FNVA	*nd*	*nd*	*32,0%*	*33,4%*
	Other dairy subsidies (national)	nd	nd	16.963	16.625
	% Other dairy subsidies /FNVA	*nd*	*nd*	*40,2%*	*41,5%*



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

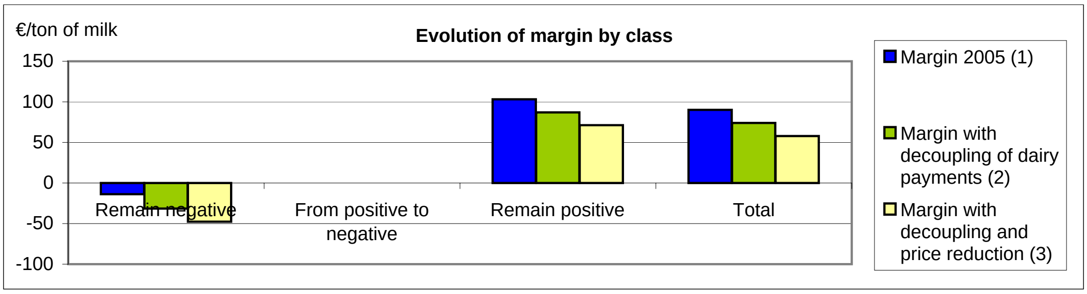
Regions	Variables	Remain negative	From positive to negative	Remain positive	Total
Etela-Suomi	Sample farms	nd	nd	84	90
	Farms represented	nd	nd	3.325	3.613
	% of farms represented	***nd***	***nd***	***92,0%***	***100,0%***
	Margin 2005 (1)	nd	nd	150	142
	Margin with decoupling of dairy payments (2)	nd	nd	127	119
	Margin with decoupling and price reduction (3)	nd	nd	108	100
	((3)-(2))/(2)	***nd***	***nd***	***-15%***	***-16%***
Sisa-Suomi	Sample farms	nd	nd	102	107
	Farms represented	nd	nd	4.373	4.663
	% of farms represented	***nd***	***nd***	***93,8%***	***100,0%***
	Margin 2005 (1)	nd	nd	165	157
	Margin with decoupling of dairy payments (2)	nd	nd	144	136
	Margin with decoupling and price reduction (3)	nd	nd	125	117
	((3)-(2))/(2)	***nd***	***nd***	***-13%***	***-14%***
Pohjanmaa	Sample farms	nd	nd	99	100
	Farms represented	nd	nd	2.975	3.037
	% of farms represented	***nd***	***nd***	***98,0%***	***100,0%***
	Margin 2005 (1)	nd	nd	185	180
	Margin with decoupling of dairy payments (2)	nd	nd	164	159
	Margin with decoupling and price reduction (3)	nd	nd	144	140
	((3)-(2))/(2)	***nd***	***nd***	***-12%***	***-12%***
Pohjois-Suomi	Sample farms	nd	nd	68	72
	Farms represented	nd	nd	2.861	3.024
	% of farms represented	***nd***	***nd***	***94,6%***	***100,0%***
	Margin 2005 (1)	nd	nd	197	190
	Margin with decoupling of dairy payments (2)	nd	nd	176	168
	Margin with decoupling and price reduction (3)	nd	nd	157	149
	((3)-(2))/(2)	***nd***	***nd***	***-11%***	***-11%***

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

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
Costs and margins' estimations are provisional for Germany (and therefore the total EU-25).

SWEDEN	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	49	nd	299	358
	Farms represented	887	nd	6.436	7.553
	% of farms represented	***11,7%***	***nd***	***85,2%***	***100,0%***
Structural information (2005)	Forage area (ha)	105	nd	64	70
	Dairy cows (LU)	36	nd	46	47
	Total labour (AWU)	2,0	nd	2,0	2,0
	Milk yield (kg/cow)	6.277	nd	7.979	7.753
	Milk production (tons)	224	nd	370	363
Milk margin information (€/ton of milk)	Receipts 2005	344	nd	341	341
	Receipts with decoupling of dairy payments	326	nd	325	325
	Receipts with decoupling and price reduction	310	nd	309	309
	Feed costs	120	nd	94	96
	Other specific costs	29	nd	17	18
	Farming overheads	150	nd	103	108
	Wages	59	nd	24	28
	Variable costs	358	nd	237	251
	Margin 2005 (1)	-14	nd	103	90
	Margin with decoupling of dairy payments (2)	-32	nd	87	74
	Margin with decoupling and price reduction (3)	-47	nd	71	58
	((3)-(1))/(1)	*240%*	*nd*	*-31%*	*-36%*
	((3)-(2))/(2)	***51%***	***nd***	***-18%***	***-21%***
Income (2005)	FNVA (€)	27.816	nd	55.558	53.245
	FNVA/AWU (€/AWU)	14.116	nd	27.422	26.054
Direct payments (2005) (€)	Total direct payments (EU & national)	54.159	nd	39.185	41.786
	% Direct payments /FNVA	*195%*	*nd*	*71%*	*78%*
	Environmental payments	14.553	nd	8.812	9.752
	% Environmental payments /FNVA	*52,3%*	*nd*	*15,9%*	*18,3%*
	Less-Favoured Areas payments	5.638	nd	4.084	4.289
	% LFA payments /FNVA	*20,3%*	*nd*	*7,4%*	*8,1%*
	Other dairy subsidies (national)	0	nd	0	0
	% Other dairy subsidies /FNVA	*0,0%*	*nd*	*0,0%*	*0,0%*



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

Regions	Variables	Remain negative	From positive to negative	Remain positive	Total
Slattbygdslan	Sample farms	19	nd	138	163
	Farms represented	388	nd	3.382	3.908
	% of farms represented	***9,9%***	***nd***	***86,5%***	***100,0%***
	Margin 2005 (1)	-10	nd	114	99
	Margin with decoupling of dairy payments (2)	-28	nd	98	83
	Margin with decoupling and price reduction (3)	-44	nd	82	67
	((3)-(2))/(2)	***56%***	***nd***	***-16%***	***-19%***
Skogs-och mellanbygdslan	Sample farms	17	nd	98	118
	Farms represented	295	nd	1.988	2.352
	% of farms represented	***12,5%***	***nd***	***84,5%***	***100,0%***
	Margin 2005 (1)	-32	nd	91	83
	Margin with decoupling of dairy payments (2)	-48	nd	76	67
	Margin with decoupling and price reduction (3)	-64	nd	60	52
	((3)-(2))/(2)	***33%***	***nd***	***-20%***	***-23%***
Lan i norra	Sample farms	nd	nd	63	77
	Farms represented	nd	nd	1.066	1.292
	% of farms represented	***nd***	***nd***	***82,5%***	***100,0%***
	Margin 2005 (1)	nd	nd	82	65
	Margin with decoupling of dairy payments (2)	nd	nd	65	48
	Margin with decoupling and price reduction (3)	nd	nd	49	32
	((3)-(2))/(2)	***nd***	***nd***	***-25%***	***-34%***

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

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
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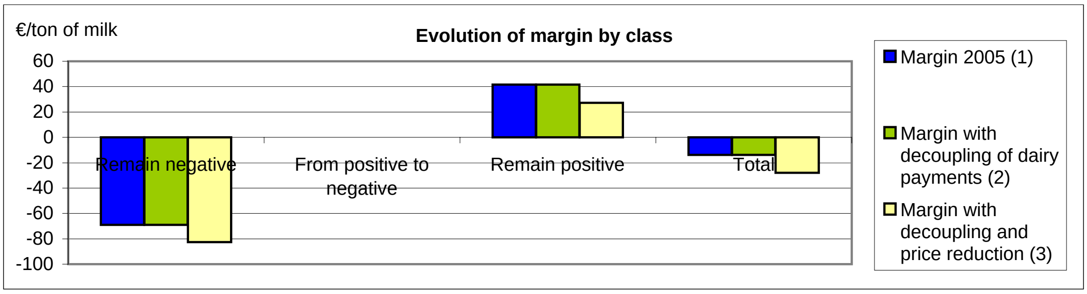
SLOVAKIA	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	22	nd	16	43
	Farms represented	101	nd	99	227
	% of farms represented	***44,5%***	***nd***	***43,6%***	***100,0%***
Structural information (2005)	Forage area (ha)	573	nd	225	434
	Dairy cows (LU)	162	nd	107	141
	Total labour (AWU)	25,1	nd	12,9	20,2
	Milk yield (kg/cow)	5.193	nd	6.783	6.042
	Milk production (tons)	844	nd	725	855
Milk margin information (€/ton of milk)	Receipts 2005	245	nd	256	250
	Receipts with decoupling of dairy payments	245	nd	256	250
	Receipts with decoupling and price reduction	231	nd	242	236
	Feed costs	88	nd	70	76
	Other specific costs	34	nd	23	29
	Farming overheads	107	nd	75	91
	Wages	85	nd	46	68
	Variable costs	314	nd	215	264
	Margin 2005 (1)	-69	nd	42	-14
	Margin with decoupling of dairy payments (2)	-69	nd	42	-14
	Margin with decoupling and price reduction (3)	-83	nd	27	-28
	((3)-(1))/(1)	*20%*	*nd*	*-35%*	*101%*
	((3)-(2))/(2)	***20%***	***nd***	***-35%***	***101%***
Income (2005)	FNVA (€)	64.362	nd	125.299	109.492
	FNVA/AWU (€/AWU)	2.568	nd	9.747	5.428
Direct payments (2005) (€)	Total direct payments (EU & national)	156.054	nd	55.965	111.201
	% Direct payments /FNVA	*242%*	*nd*	*45%*	*102%*
	Environmental payments	28.395	nd	1.976	16.643
	% Environmental payments /FNVA	*44,1%*	*nd*	*1,6%*	*15,2%*
	Less-Favoured Areas payments	73.406	nd	24.950	50.011
	% LFA payments /FNVA	*114,1%*	*nd*	*19,9%*	*45,7%*
	Other dairy subsidies (national)	0	nd	0	0
	% Other dairy subsidies /FNVA	*0,0%*	*nd*	*0,0%*	*0,0%*



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

Milk - Simulation of the impact of a price reduction on milk margins

Milk specialised farms (TF41,43,71,81 & specialisation rate of at least 50%)
With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
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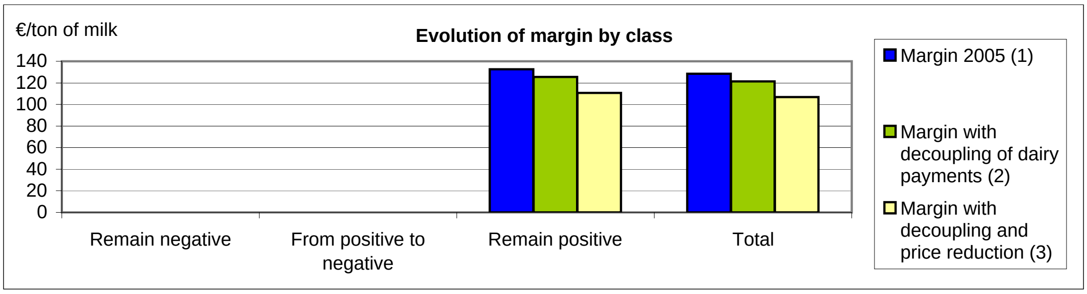
SLOVENIA	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	nd	nd	218	225
	Farms represented	nd	nd	6.333	6.716
	% of farms represented	***nd***	***nd***	***94,3%***	***100,0%***
Structural information (2005)	Forage area (ha)	nd	nd	13	13
	Dairy cows (LU)	nd	nd	14	14
	Total labour (AWU)	nd	nd	2,0	2,0
	Milk yield (kg/cow)	nd	nd	5.508	5.434
	Milk production (tons)	nd	nd	79	76
Milk margin information (€/ton of milk)	Receipts 2005	nd	nd	277	277
	Receipts with decoupling of dairy payments	nd	nd	270	270
	Receipts with decoupling and price reduction	nd	nd	256	255
	Feed costs	nd	nd	67	68
	Other specific costs	nd	nd	20	20
	Farming overheads	nd	nd	56	58
	Wages	nd	nd	2	2
	Variable costs	nd	nd	145	148
	Margin 2005 (1)	nd	nd	132	129
	Margin with decoupling of dairy payments (2)	nd	nd	125	121
	Margin with decoupling and price reduction (3)	nd	nd	111	107
	((3)-(1))/(1)	*nd*	*nd*	*-16%*	*-17%*
	((3)-(2))/(2)	***nd***	***nd***	***-12%***	***-12%***
Income (2005)	FNVA (€)	nd	nd	9.563	8.903
	FNVA/AWU (€/AWU)	nd	nd	4.741	4.411
Direct payments (2005) (€)	Total direct payments (EU & national)	nd	nd	5.931	5.892
	% Direct payments /FNVA	*nd*	*nd*	*62%*	*66%*
	Environmental payments	nd	nd	1.152	1.147
	% Environmental payments /FNVA	*nd*	*nd*	*12,0%*	*12,9%*
	Less-Favoured Areas payments	nd	nd	1.528	1.528
	% LFA payments /FNVA	*nd*	*nd*	*16,0%*	*17,2%*
	Other dairy subsidies (national)	nd	nd	937	910
	% Other dairy subsidies /FNVA	*nd*	*nd*	*9,8%*	*10,2%*



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

Milk - Simulation of the impact of a price reduction on milk margins

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With decoupling of the dairy payments (as from 2007 onwards)
Basis 2005
Margins over variable costs
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).
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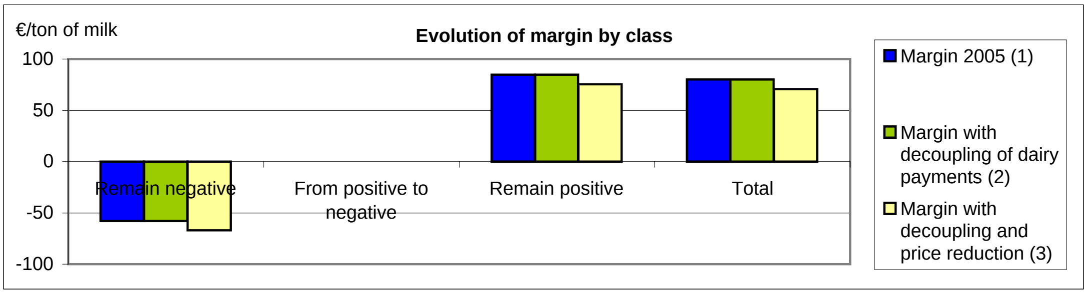
THE UNITED KINGDOM	Variables	Remain negative	From positive to negative	Remain positive	Total
Representativeness (2005)	Sample farms	17	nd	493	519
	Farms represented	635	nd	16.502	17.469
	% of farms represented	***3,6%***	***nd***	***94,5%***	***100,0%***
Structural information (2005)	Forage area (ha)	92	nd	88	90
	Dairy cows (LU)	77	nd	100	100
	Total labour (AWU)	3,0	nd	2,4	2,4
	Milk yield (kg/cow)	5.396	nd	7.141	7.083
	Milk production (tons)	415	nd	717	706
Milk margin information (€/ton of milk)	Receipts 2005	260	nd	266	267
	Receipts with decoupling of dairy payments	260	nd	266	267
	Receipts with decoupling and price reduction	251	nd	257	257
	Feed costs	95	nd	75	76
	Other specific costs	47	nd	26	27
	Farming overheads	104	nd	59	61
	Wages	72	nd	21	23
	Variable costs	318	nd	181	186
	Margin 2005 (1)	-58	nd	85	80
	Margin with decoupling of dairy payments (2)	-58	nd	85	80
	Margin with decoupling and price reduction (3)	-67	nd	75	71
	((3)-(1))/(1)	*16%*	*nd*	*-11%*	*-12%*
	((3)-(2))/(2)	***16%***	***nd***	***-11%***	***-12%***
Income (2005)	FNVA (€)	37.570	nd	95.434	93.640
	FNVA/AWU (€/AWU)	12.600	nd	40.194	38.833
Direct payments (2005) (€)	Total direct payments (EU & national)	43.922	nd	35.271	36.417
	% Direct payments /FNVA	*117%*	*nd*	*37%*	*39%*
	Environmental payments	5.189	nd	1.731	1.979
	% Environmental payments /FNVA	*13,8%*	*nd*	*1,8%*	*2,1%*
	Less-Favoured Areas payments	0	nd	545	528
	% LFA payments /FNVA	*0,0%*	*nd*	*0,6%*	*0,6%*
	Other dairy subsidies (national)	0	nd	0	0
	% Other dairy subsidies /FNVA	*0,0%*	*nd*	*0,0%*	*0,0%*



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

Regions	Variables	Remain negative	From positive to negative	Remain positive	Total
England-North	Sample farms	nd	nd	79	82
	Farms represented	nd	nd	3.366	3.500
	% of farms represented	***nd***	***nd***	***96,2%***	***100,0%***
	Margin 2005 (1)	nd	nd	83	81
	Margin with decoupling of dairy payments (2)	nd	nd	83	81
	Margin with decoupling and price reduction (3)	nd	nd	74	71
	((3)-(2))/(2)	***nd***	***nd***	***-11%***	***-12%***
England-East	Sample farms	nd	nd	68	78
	Farms represented	nd	nd	2.789	3.230
	% of farms represented	***nd***	***nd***	***86,3%***	***100,0%***
	Margin 2005 (1)	nd	nd	75	63
	Margin with decoupling of dairy payments (2)	nd	nd	75	63
	Margin with decoupling and price reduction (3)	nd	nd	65	54
	((3)-(2))/(2)	***nd***	***nd***	***-13%***	***-15%***
England-West	Sample farms	nd	nd	104	110
	Farms represented	nd	nd	3.479	3.665
	% of farms represented	***nd***	***nd***	***94,9%***	***100,0%***
	Margin 2005 (1)	nd	nd	84	80
	Margin with decoupling of dairy payments (2)	nd	nd	84	80
	Margin with decoupling and price reduction (3)	nd	nd	74	70
	((3)-(2))/(2)	***nd***	***nd***	***-11%***	***-12%***
Wales	Sample farms	nd	nd	99	102
	Farms represented	nd	nd	2.418	2.483
	% of farms represented	***nd***	***nd***	***97,4%***	***100,0%***
	Margin 2005 (1)	nd	nd	87	86
	Margin with decoupling of dairy payments (2)	nd	nd	87	86
	Margin with decoupling and price reduction (3)	nd	nd	78	77
	((3)-(2))/(2)	***nd***	***nd***	***-11%***	***-11%***
Scotland	Sample farms	nd	nd	56	58
	Farms represented	nd	nd	1.397	1.449
	% of farms represented	***nd***	***nd***	***96,4%***	***100,0%***
	Margin 2005 (1)	nd	nd	85	82
	Margin with decoupling of dairy payments (2)	nd	nd	85	82
	Margin with decoupling and price reduction (3)	nd	nd	76	73
	((3)-(2))/(2)	***nd***	***nd***	***-11%***	***-12%***
Northern Ireland	Sample farms	nd	nd	87	89
	Farms represented	nd	nd	3.053	3.142
	% of farms represented	***nd***	***nd***	***97,2%***	***100,0%***
	Margin 2005 (1)	nd	nd	101	100
	Margin with decoupling of dairy payments (2)	nd	nd	101	100
	Margin with decoupling and price reduction (3)	nd	nd	92	91
	((3)-(2))/(2)	***nd***	***nd***	***-9%***	***-9%***

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