ASSIFONTE

Association de l´industrie de la fonte de fromage de l` UE

Association of the processed cheese industry in the EU

Vereinigung der Schmelzkäseindustrie in der EU

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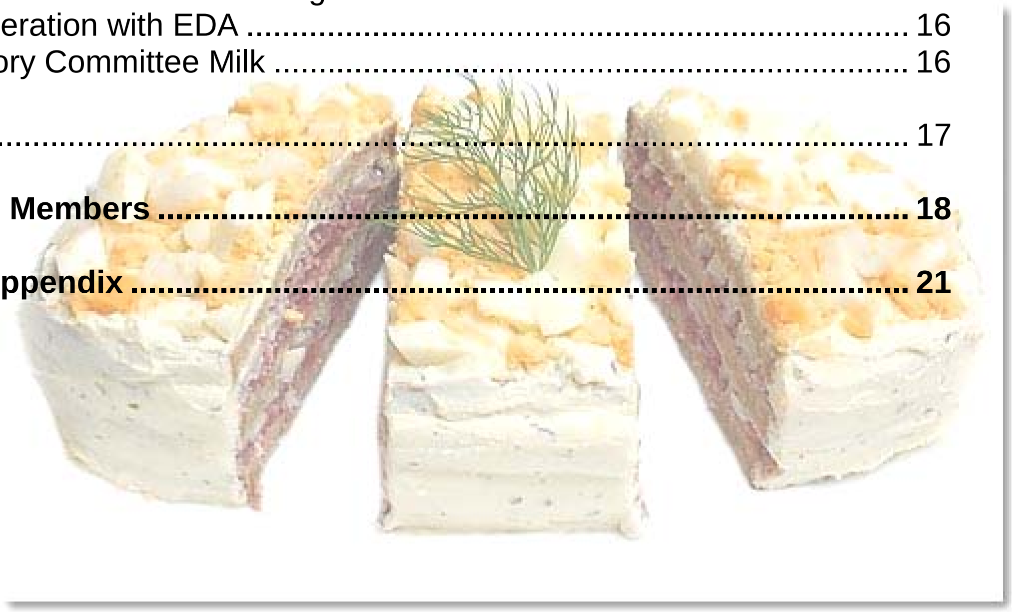
Content



Foreword

As WTO negotiations carry on, the European processed cheese industry is aware of its becoming increasingly dependent on world market developments. WTO-I brought a reduction in the support for agricultural exports. This is particularly important for the export-oriented processed cheese industry.

The Uruguay transition period has ended as has the commonly agreed peace clause. Up to now, there have not been any WTO panels involving our sector, obviously in order not to unnecessarily burden the next WTO round. WTO II stalled for some time as the negotiations in Cancun failed. Nevertheless, some 145 member states had enough sense not to break off negotiations completely but to give the talks another try.

Not least the European Commission, represented by the Commissioners for economy, Mr Lamy, and agriculture, Mr Fischler, did some preliminary work in this respect which is bound to have a lasting effect on all European agriculture. In the summer 2004, the WTO member states adopted a framework agreement, which is certainly a positive sign that there is the will to achieve an agreement going forward. However, for the European dairy industry, caution and scepticism are required, as this sector will probably be further deprived of support and protection.

The Agenda 2000 was adopted in 1999. Two years later, it was corrected by the mid-term review, and on 1 July 2004, implementation began in the markets. Although the planned price cuts had been known for a long time and had not been objected by farmers´ organisations, suddenly, milk producers sounded surprised about the consequences of the decisions. The first stage of price cuts has (still) not become fully effective in the market on account of improved third-country exports, while internal milk supply has gone down at the same time.

In 2004, the European Union grew by 10 member states to 25, adding some 75 m consumers to the market. The accession happened with practically no transition period or phasing. Market distortions were expected, but fortunately did not materialise.

The export situation has changed not least on account of the enlargement. Former third countries are now part of the European Union. Moreover, uncertainties in the administration of third-country exports have resulted in large companies relocating capacities and jobs outside the Union. This should give the political decision-makers and administrations some food for thought.

The aim of ASSIFONTE´s work is to monitor important developments for the processed cheese industry in Europe and to evaluate and influence these development before a decision is made. All members – now also including the new members – are invited to follow this path together.

Alain Cougoulic
President

1 INTERNATIONAL ECONOMIC DEVELOPMENT

Still no upturn in sight

The economic development of the European Union has not shown any significant growth impulses since 2002. In 2003, the EU15 achieved an economic growth short of one percent. The prospects for 2004 are somewhat more favourable and a two-percent growth is predicted for 2005.

The member states Greece and Ireland are a encouraging exception to this development. With growth rates around 4 %, they currently are leading the countries of the old Union. The results of the two biggest economic engines in the Community, Germany and France, are rather less rosy. In Germany, the forecast for 2004 is 1.8 %, in France, 2.3 %; the estimates for the following year are again lower.

The economic development in the new member states is interesting; the currently available data for the biggest new EU members show very positive results. Slovakia announces a steady growth of more than 4 %; Poland seems to stabilise around a similar level.

Economic indicators

	Real GDP (% last year)				**Unemployed (% of gainfully employed)**			
	2002	2003	2004	2005	2002	2003	2004	2005
Belgium	0,7	1,1	2,3	2,3	7,3	8,1	8,4	8,1
Germany	0,2	-0,1	1,8	1,1	9,8	10,5	10,2	9,5
Finland	2,2	2,0	2,7	2,6	9,1	9,0	9,0	8,7
France	1,2	0,5	2,3	2,2	8,9	9,7	9,5	8,8
Greece	4,0	4,3	4,0	3,0	10,0	9,3	8,6	8,8
Ireland	6,9	3,7	4,2	4,5	4,4	4,6	4,5	4,4
Italy	0,4	0,4	1,1	1,6	9,0	8,7	8,4	8,1
Netherlands	0,2	-0,9	1,2	1,5	2,8	3,8	5,0	5,4
Austria	1,0	0,6	1,5	2,1	4,3	4,4	4,5	4,3
Portugal	0,4	-1,2	1,4	3,0	5,1	6,4	6,5	5,8
Spain	2,0	2,4	2,8	3,0	11,4	11,2	11,1	10,4
Danmark	2,1	0,5	2,2	2,3	5,2	6,0	6,3	5,8
United Kingdom	1,9	2,2	3,5	2,8	5,2	5,0	4,6	4,5
Sweden	1,9	1,6	2,8	2,4	4,0	4,9	5,3	4,5
EU-15	**1,1**	**0,8**	**2,1**	**2,0**	**7,6**	**8,2**	**8,1**	**7,9**
Poland	1,4	3,8	5,5	4,5		19,2		
Hungary	-13,0	2,9	3,5	3,7		5,8		
Czech Rep.	2,0	2,9	3,3	3,6		7,8		
Slovakia	4,4	4,2	4,2	4,9		17,1		
Slowenia						6,5		
Estonia						10,1		
Latvia						10,5		
Lituania						12,7		
Malta						7,8		
Cyprus						7,8		
Switzerland	1,0	-0,5	2,0	2,0	2,5	3,7	3,7	3,0
Norway	1,0	0,4	3,0	2,3	3,9	4,4	4,5	4,0
USA	2,4	3,1	4,6	4,2	5,8	6	5,4	5,0

2004 = preliminary / 2005 = estimated - Source: Deutsche Bank Research

Job situation hardly changed

The sluggish development in economic growth naturally has consequences on employment. In 2003, the European Community had an unemployment rate of 8.2 %. A slight downward trend is expected. Spain (11 %) has the highest rate, followed by Germany (10 %).

The new member states do not show a uniform picture. The unemployment rate varies between 19.2 % in Poland and 5.8 % in Hungary. Slovakia also suffers from high unemployment (17.1 %). As these countries will undergo great structural developments in industry and agriculture in the coming years, major changes are to be expected. Restructuring will reduce the number of jobs particularly in the agricultural sector. It is expected that the positive development of the overall economy will generate a corresponding number of jobs elsewhere.

Convergence Status

	Inflation rate (% last year)				Budget balance in % of GDP				Dept in % of GDP			
	2002	2003	2004	2005	2002	2003	2004	2005	2002	2003	2004	2005
Reference value:	**2,9**	**2,7**	**2,2**	**2,6**	**-3,0**				**60,0**			
Belgium	1,6	1,4	1,8	1,6	0,1	0,4	-0,1	-0,3	105,8	100,8	98,5	95,5
Germany	1,3	1,0	1,8	1,3	-3,6	-3,8	-3,7	-3,4	60,8	64,0	66,0	67,0
Finland	2,0	1,3	0,2	1,2	4,7	2,2	1,7	2,1	42,7	45,2	44,8	45,2
France	1,9	2,2	2,1	1,3	-3,1	-4,1	-3,8	-3,3	58,6	63,0	64,0	65,0
Greece	3,9	3,5	3,7	2,9	-1,2	-3,2	-3,1	-2,8	104,5	103,5	102,6	102,3
Ireland	4,7	4,0	2,4	2,8	-0,1	0,2	-0,6	-0,9	32,3	32,0	32,0	32,1
Italy	2,6	2,8	2,2	1,9	-2,3	-2,5	-2,9	-3,0	108,0	107,4	106,2	nv
Netherlands	3,9	2,2	1,4	0,9	-1,6	-3,2	-2,9	-2,8	52,6	54,8	56,4	57,3
Austria	1,7	1,2	1,7	1,5	-0,6	-1,1	-1,0	-1,9	66,6	65,0	63,9	63,6
Portugal	3,7	3,3	2,5	2,3	-2,7	-2,9	-2,9	-2,7	58,0	59,0	60,0	59,5
Spain	3,6	3,1	3,0	2,4	-0,1	0,3	-0,9	0,2	54,6	50,8	50,0	47,2
Danmark	2,4	2,0	1,3	2,0	2,0	1,5	2,0	2,5	47,2	44,7	42,8	40,0
United Kingdom	2,2	1,4	1,5	1,9	-2,2	-3,0	-3,0	-2,8	38,1	39,9	40,0	41,0
Sweden	2,6	2,2	1,0	1,8	1,1	0,7	0,8	1,5	52,4	51,9	51,4	50,5
EU 15	**2,1**	**2,0**	**1,9**	**1,7**	**-2,0**	**-2,5**	**-2,7**	**-2,4**	**62,6**	**64,0**	**64,5**	**64,5**
Poland		0,7				-4,3				45,1		
Hungary		4,6				-5,4				57,9		
Czech Rep.		0,1				-8,0				30,7		
Slovakia		8,5				-5,1				45,1		
Slovenia		5,7				2,2				27,4		
Estonia		1,3				0,0				5,4		
Latvia		2,8				-2,7				16,7		
Lituania		-0,9				-2,6				23,3		
Malta		1,3				-7,6				66,4		
Cyprus		4,3				-5,2				60,3		

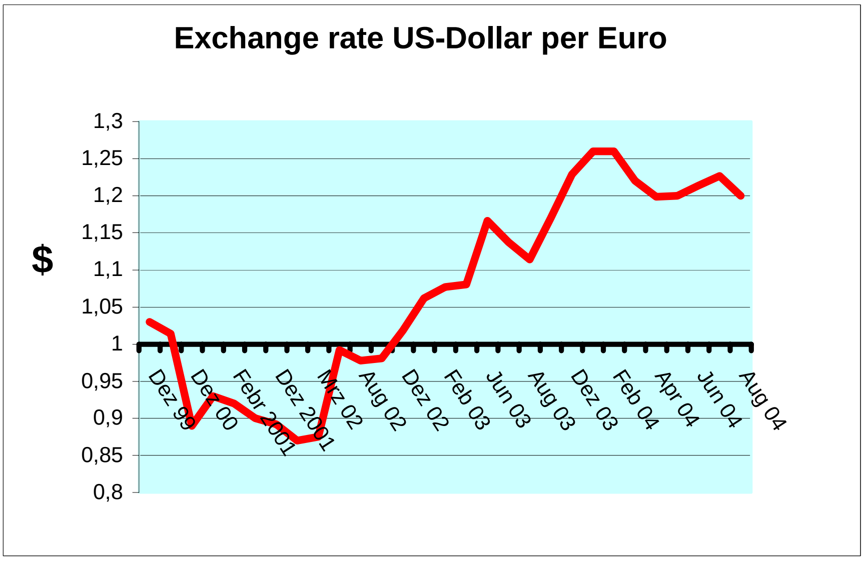
2004 preliminary / 2005 estimated; Source: Deutsche Bank Research

Convergence status in EU member states

The convergence criteria are the yardstick for the assessment of the currency situation in individual member states. 13 countries have joined the Euro-Zone. Three countries, Denmark, Great-Britain and Sweden, are still outside the monetary union as are the ten new member states. In 2003, the average inflation rate in the EU15 was 2 % and on a downward trend over the next two years. Greece diverges most from this reference rate with 3.5 and 3.7 %. Spain lies at around 3 % for both years. Germany lies below this rate with 1 % inflation in 2003 and an expected 1.8 % in 2004.

As in economic development, the new member states also show a big differences on the monetary side. Slovakia has an inflation rate of 8.5 %, its neighbour Czechia lies at 0.1 % and Lithuania even experienced deflation in 2003. Here again, some convergence will have to be achieved over the coming years. It is interesting to note that most of the new member states actually meet the terms of the „debt“ criterion, unlike the „old“ Union members Belgium, Greece and Italy where the prescribed debt limit of 60 % GDP is still greatly being exceeded, with figures way over 100 %.

A series of new members is striving to join the monetary union in the future. On account of the current economic developments in the EU member states, Czechia, Hungary and Poland could join the Euro region by 2010 at the earliest, Slovakia is expected to take this step as early as 2009.



Euro still strong

The trend in the exchange rate of the euro against the US dollar reversed in September 2002. The exchange rate reached all time peak in January/February 2004. At the time, the rate was 1.26 dollars to one euro. Compared to the lowest rate in March 2002, this was an appreciation of around 40 %. For international trade, this meant a significant burden on exports. In this light, the export performance of the European dairy industry in 2003 and early 2004 is to be considered positive.

2 THE COMMON MARKET

Dairy market reform : first year in transition

In 2003, the agriculture ministers decided the Mid-Term Review, a decision to correct the Agenda 2000 with far-reaching consequences for the dairy industry and agriculture. For the dairy sector, the following is planned :

- The intervention prices are lowered. For butter, the decrease amounts to 25 % in four annual steps, starting in 2004. For skim milk powder, the intervention price is cut by 15 % over three years, by 5 % each year. As partial compensation, the milk producers are offered a milk premium, first in 2004, an amount of 1.12 cent per kg milk quota, until the third year, when it reaches the top rate of 3.55 cent/kg. As of 2005, the premium will be decoupled, i.e. it is granted even if the farm no longer produces any milk. In subsequent years, the premium will be reduced progressively, i.e. funds are taken out of the premium budget for the development of rural areas.
- The milk quota is increased by 1.5 %. This was a concession to those EU countries that wanted to completely abolish the quota system.
- The intervention safety net is further being loosened. As for skim milk powder, a maximum intervention quantity of 70,000 t is now also fixed for butter, and will be gradually reduced to 30,000 t over the next five years. Moreover, the intervention period for butter is shortened to the period from 1 March to 30 August.
- The reference price for milk, offering guidance to political decision makers in using market regulation instruments, is abolished.

Farm price package 2003/2004

	2003	2004	
Reference milk price	**30.98 €/100 kg**	**as of 01/04/2004**	**abolished**
Intervention price butter	**328.20 €/100 kg**	**as of 01/07/2004**	**305.23 €/100 kg**
skim milk powder	**205.52 €/100 kg**	**as of 01/07/2004**	**195.24 €/100 kg**

The first stage of the agricultural reform was implemented in 2004. The intervention prices for butter and skim milk powder were cut. The reference price was abolished.

3 EUROPEAN UNION GROWS

On 1 May 2004, ten new East-European countries joined the European Union. The relevant decisions had already been taken at the Luxembourg summit in 2003. The referenda or votes in the parliaments of the EU-15 turned out positive, so that all ten countries could be welcomed as fully-fledged members punctually on 1 May 2004.

From a market point of view, the transition was smooth. It had initially been feared that this sector could come under pressure in the enlarged EU. Too little information was available on stocks, production volumes and external trade figures from the new member states.

In the veterinary sector, important decisions have been taken. Lists of establishments in the new member states had to be drafted and rules for international trade be created. However, some establishments in the new states were authorised although they did not always comply with the hygiene standard of the EU-15. The responsibility for this is mainly with the national administrations in the new member states. Some tidying-up is to be expected.

Since 1 May 2004, free circulation of goods has been extended to the ten new member states, i.e. no more regular customs checks at the border and veterinary checks only take place before shipment in the exporting and/or importing country. These checks tend to be random spot checks and are far from achieving the same inspection density as before the accession.

From the customs policy angle, the enlargement was a great challenge. In most countries of the EU-10, the milk price was considerably lower than in the EU-15. There was a risk that large stocks would be hoarded before accession and pushed onto the market of the EU15 after accession, with corresponding „windfall profits“ to cream off. Thanks to effective regulations, not only this development was prevented, but also the possibility that products exported with export refunds to the countries joining the EU be re-exported from there after 1 May 2004 with a second helping of export refunds.

The EU10 states had their own WTO commitments. They need to be added to the commitments of the EU15 resulting from the WTO-I round. Currently, representatives of the EU Commission are negotiating with WTO partners across the world to achieve an agreement.

Next accession wave rolling

The EU Council of Ministers has already decided to accept Bulgaria and Rumania as additional members of the EU by 2007. The negotiations are nearly completed, and accession is expected as planned. Although the two countries have a weak purchasing power, they are going to increase the population of the EU by almost 20 m people. The accession of these two countries is to proceed according to the internal market principle. This means that no transition periods are planned, the borders will open on the date of accession.

Other countries are also knocking on the EU´s door. Among them Turkey, but also the successor states to former Yugoslavia. In autumn 2004, the EU is to adopt a recommendation in the Council of Ministers, which should allow the accession of Turkey to the EU. Although the date of the accession is still unpredictable, easier trading relations are expected already earlier. For the dairy sector, this would be positive, as Turkey is a net importer of milk and dairy products.

WTO II is coming

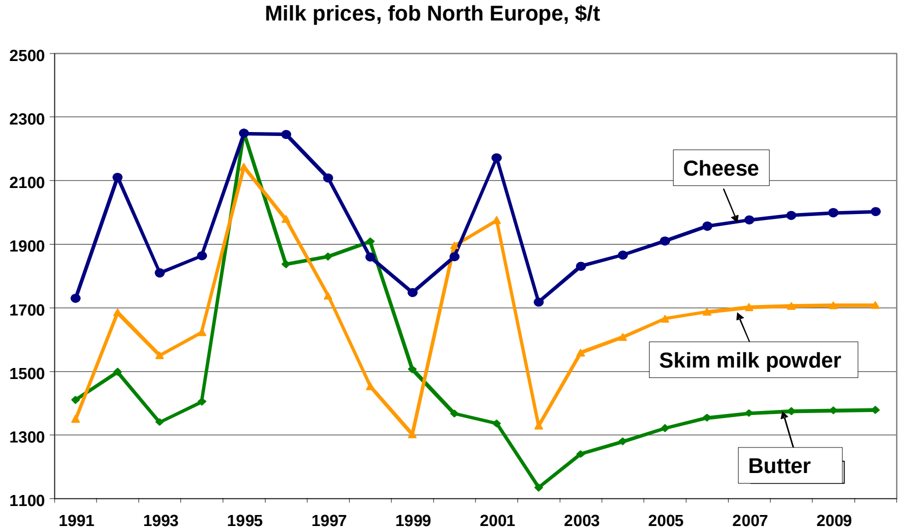
The negotiations at the World Trade Organisation (WTO) were completed successfully in August 2004 with a framework agreement. In the previous round of negotiations, ministers in Doha and Cancún had not been able to achieve their ambitious aims. On the contrary, they parted in disagreement and put off the most important decisions.

For the processed cheese industry, an agreement in the WTO-II round is essential, be it only to avoid arbitration panels at the WTO. Other product sectors (e.g. sugar) are ridden by complaints with considerable consequences for their market organisation. The peace clause ended at the end of 2003. Across the world, everybody is still behaving as if it was still there. Safety, however, can only prevail if an agreement is achieved soon.

In the run-up to the negotiations, Europe has offered to abolish export refunds altogether after an appropriated adjustment period. This also has consequences for the processed cheese sector. In response, the other WTO partners are to give up similar measures, such as export credit programmes, but also the abolition of the monopoly position of state trading enterprises. The EU also offered the review of internal support measures and the abolition or reduction of customs barriers.

The consequences of this decision can not yet be assessed, although one thing is certain: Europe is going to further reduce its support for the dairy market organisation and will further open up to the world market. These decisions must be explained to milk producers openly and honestly. The challenge for industry and trade will be great, combined with accelerated structural change. By the end of 2005, observers expect more detailed decisions on the WTO-II agreement. The transposition phase will start in 2007 at the earliest and be completed between 2013 and 2015. The decisions of the mid-term review also have effect until that date. Another review will then probably be necessary.

World market price – estimation till 2009



Free trade agreements lure

Easier trade relations are not only being discussed at the WTO. The European Union is currently negotiating a free-trade agreement with Mercosur. For agricultural products the EU offers broad access to its market, while in the industrial sectors, it wants to supply more products to Mercosur states. The negotiations look difficult, an agreement is not expected soon.

Very stable world market

World market prices for dairy products clearly improved in a dollar terms. For almost all products the 2,000 dollar per tonne mark was exceeded. However, Brussels cut export refunds and European suppliers were not always able to benefit from the improved world market. Moreover, the euro rose very firmly against the dollar reducing export possibilities.

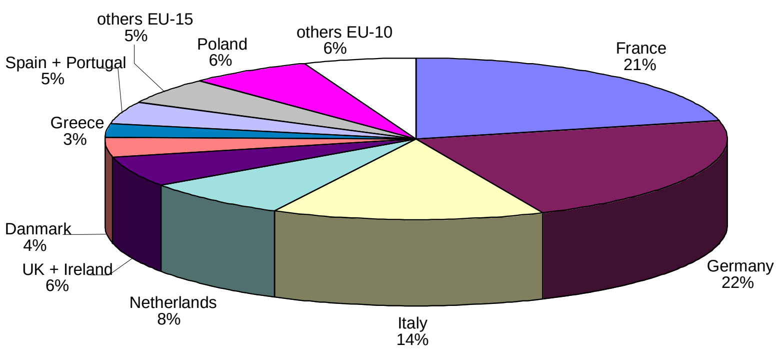
Demand on the world market has developed very well. At the current high oil prices, many oil-exporting countries can spend more foreign exchange income to buy milk and dairy products. However, increasing demand was also matched by increasing supply. In almost all regions of the Earth, more dairy products are being produced. Only Europe sticks to its self-imposed quota-related maximum limits.

Lasting development of cheese market

With the enlargement of the EU, the cheese production increased by around 150,000 t. Strong growth is also expected in the future. Until 2010, production is estimated to increase by 600,000 t.

When examining the EU25, it is interesting to note that imports will increase only slightly until 2010. The same applies to exports. On balance, the two increases cancel out. This may look surprising as the expected start of the second WTO period will not only further open the EU to imports but also limit growth in exports on account of the probable cuts in export support.

Cheeseproduction in the EU-25



The important factor is the development of internal consumption; here, some member states still have a lot of catching-up to do. With an increase of one kilogram per capita p.a. the estimate should be at the lower end of the scale.

Processed cheese should play a leading role in the overall cheese assortment. Handling advantages, variety and innovation as well as further image improvement are the key factors.

Processed cheese production in selected countries

	1999	2001	2002	2003
EU-15	**524.6**	**542.5**	**545.0**	**544.0**
Czech. Republic	21.0	25.2	21.3	19.9
Hungary	10.2	12.9	.	.
Poland	42.9	50.4	51.0	59.0
Slowakia	.	.	11.7	12.3
Ukraine	.	23.6	26.4	29.9
Switzerland	20.0			
Norway	3.0	3.4	3.4	3.4
USA	1 084.0	.	.	.
Canada	67.6	76.3	66.7	63.6
Argentina	9.0	10.1	6.4	6.5
Australia	40.5	.	.	55,0*
Japan	110.0	109.0	109.1	110.7
South Africa	.	5.4	5.5	4.7

*)Estimated
Source: ZMP

Folie Nr. 3

The processed cheese production in the new member states amounts to some 100,000 t, with Poland, Czechia, Hungary and Slovakia topping the list. The probable stagnation in the old member states results partly from the relocation of capacities to the new member states, but also from the building of new plants outside the EU25.

The biggest processed cheese producer in the world is America with around 1.1 m t. Japan (110,700 t), Canada (63,600 t) and Australia (55,000 t) are the other major producers. Only in Canada is production going down; in all other states it is growing.

EU: Processed Cheese Balance Sheet

1.000t	**2003** **EU - 15**	2004 EU-15	2004 EU-10	**2004** **EU-25**
Production	**544**	**550**	**100**	**650**
Import	3.8	.	.	5
Export	90.9	.	.	80
Consumption	**456.9**	**455**	**80**	**535**
- kg/capita	*1.2*	*1.2*	*1.1*	*1.2*

Source: ZMP

Folie Nr. 4

The processed cheese balance of the EU is stable also after the enlargement. The fall in exports can be accounted for by the EU enlargement. Third countries have become member states. The increase in per capita consumption is mainly due to the high processed cheese consumption in Czechia.

4 EUROPEAN LEGISLATION

EU food and hygiene legislation restructured

On the basis of the White Paper of the European Commission, five EU food safety and hygiene regulations have been adopted in the past two years. The basic legislation is EU food Reg.178/2002 laying down the general principles and requirements for food legislation (Official Journal L 31 of 01/02/2002). It contains definitions, which have applied since 2002, provisions on traceability (article 18) and measures for food-processing establishments (article 19), which come into force on 1 January 2005. As to the measures in case of unsafe products, systems are in place which regulate the withdrawal of products.

5 WORK IN THE INTERNATIONAL DAIRY FEDERATION

Codex Alimentarius

In April of this year, the Codex Alimentarius Committee for Milk and Milk products (CCMMP) continued its deliberations on international dairy product standards and took further decisions. The Codex Alimentarius Commission (CAC) had already decided in principle to limit the revision of the Codex standard to a period not exceeding five years.

Codex processed cheese standard

For the Codex standard on processed cheese (A-8), product definition, product composition and labelling are still the controversial issues. Therefore, the standard was relegated to level 2 of the Codex adoption procedure.

A Codex working group under the chairmanship of the International Dairy Federation (IDF) now has the task of coming up with compromise solutions until the next meeting. Should this fail, it cannot be excluded that CCMMP will question whether the standard should be revised at all. It should then also be decided whether the "old" Codex standard A-8 for processed cheese should still apply or be abolished.

At the ASSIFONTE General Assembly in Salzburg in 2004, this issue was again raised. The President, Alain Cougoulic, appealed to the member delegations to make another effort to find a consensus within the EU. It should be possible to influence the global regulatory process with a common EU position.

6 PRIORITIES IN ASSIFONTE WORK

Comité Directeur

The Comité Directeur is ASSIFONTE´s steering committee. As only one General Assembly is held per year and only few ad-hoc working groups exist, which finish their work once the assigned objective is achieved, it is necessary to have an elected body that monitors the developments of agricultural, dairy and cheese policy in regular intervals (three to four times a year). In the year covered by the present report, three meetings were held, mainly to discuss market and external trade developments. It appears to be necessary to set up of working groups on two special issues. This was proposed to the General Assembly in Salzburg.

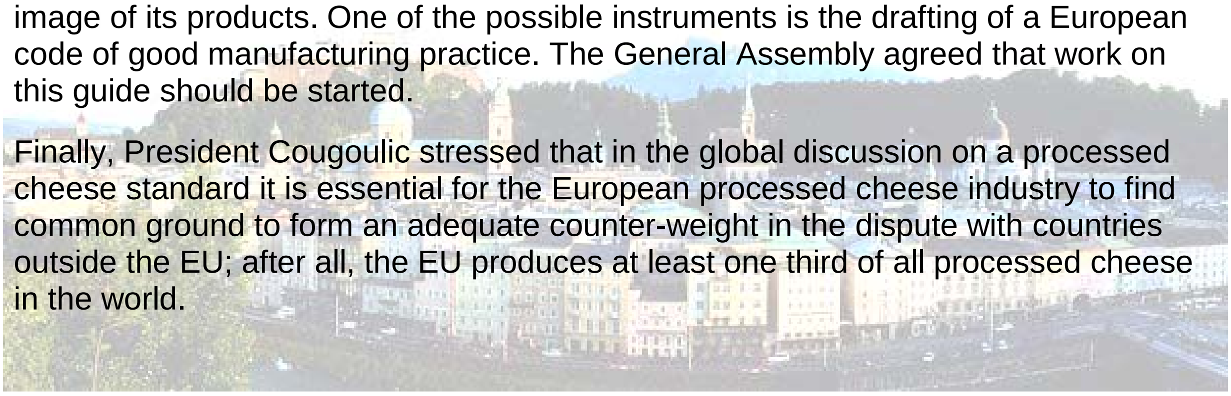
General Assembly

President Alain Cougoulic welcomed the extremely well attended ASSIFONTE General Assembly in Salzburg. The presence of representatives from four new member states should be particularly stressed, of which Poland and Czechia have already declared their membership. Firm intentions to join have been received from Hungary and Slovakia. It is expected that these countries will become full members on 1 January 2005.

For the first time, the new President of EDA, Veijo Meriläinen, and EDA Secretary General Joop Kleibeuker attended the meeting. In his welcome address, President Cougoulic said that with the changes in the common agricultural policy, a new area is dawning in Europe. This, together with the enlargement of the EU, will generate risks for the processed cheese industry, but also sales opportunities.

Mr Cougoulic mentioned the trend to relocate capacities and jobs from the EU to third countries. This is also taking place because market regulation by the Commission will become ever riskier in coming years. He appealed to EU officials to keep those market instruments allowing continued supply of third country markets.

The European processed cheese industry will make particular efforts to improve the image of its products. One of the possible instruments is the drafting of a European code of good manufacturing practice. The General Assembly agreed that work on this guide should be started.



Finally, President Cougoulic stressed that in the global discussion on a processed cheese standard it is essential for the European processed cheese industry to find common ground to form an adequate counter-weight in the dispute with countries outside the EU; after all, the EU produces at least one third of all processed cheese in the world.

More states on Brussels stage

In the future, the political weight of the „newcomers“ will be everything but a „*quantité négligeable*“: with 162 out of 730 MEPs since July this year and with ten Commissioners in the new Commission as of November 2004, the voices of the new member states – not only measured in terms of their economic power – have an over-proportionally high weight. The Brussels administrative apparatus is working on a quota-based distribution of positions, including leading positions, to nationals from the new member states.

Enlargement issues will also be on the Brussels agenda in the future: the next enlargement (Rumania and Bulgaria) is to be completed by 2007; Croatia and Turkey have already started pre-negotiations, which will very probably lead to the start of concrete accession negotiations already next year.

The newly elected European Parliament, the coming reshuffle of the European Commission and, particularly, the immense task of integrating the ten new member states has locked up a lot of energy in the Brussels institutions: in the legislative process for instance, the too weak translation capacity for all 19 official languages of the EU was not the only factor to have had a slowing effect.

For ASSIFONTE, it will be important to establish contact with important new appointees as early as possible, to safeguard the current discussion status and image. To achieve this, the help of our new colleagues is particularly decisive, as they can help establish contacts from within their member state.

Co-operation with EDA
(European Dairy Association - www.euromilk.org)
President: Veijo Meriläinen FIN
Secretary General: Dr. Joop Kleibeuker)

The European Dairy Association (EDA) focuses on coordinating the interests and approaches of our sister organisations within the EU. This platform allows speedy information exchange on the current market and legal developments in the other EU member states.

In the wake of the enlargement, EDA succeeded in winning the dairy industry of all new member states (bar Cyprus and Malta) as members of their association (while ASSIFONTE has initially concentrated on those countries that are leading in processed cheese production).

ASSIFONTE participates in several EDA working groups, mainly dealing with economic policy. At these meetings, our concerns are presented and explained to our colleagues from the rest of the dairy and cheese industry. Only on specific issues, exclusively concerning the processed cheese industry, will independent positions be developed and contacts be established with the EU administration and Parliament.

Advisory Committee Milk

The Advisory Committee „Milk“ has recently been reorganised. It used to have permanent members with maximum two nominated deputies.
The new rules do not provide for permanent nominated members. The organisations authorised to appoint members are required to appoint their experts for each new meeting. This means that the Committee could be composed of different persons each time. This has the disadvantage that this Committee could become less consistent. However, the advantage is that depending on the agenda, specialists from the member states can be appointed without burdensome administrative formalities.

Conclusion

The reporting year 2003/2004 was a key year for the European milk, cheese and processed cheese industry. It can be compared to the year 1968, when the European dairy market organisation came into force. At the time, the EU made sure it kept a strong influence on milk and cheese markets. This year, the opposite is happening. The EU gives up its market responsibility which it had kept for nearly 40 years.

Europe has grown and so ASSIFONTE will also extend its activities to Eastern Europe. It is a new challenge for all.

This year again, we have to thank all the people in the companies who have supported us with advice and action. Particular thanks go to our members and the Comité Directeur under the leadership of Mr Alain Cougoulic. The Comité Directeur sets out the operational and political orientation of ASSIFONTE, and thereby carries a big responsibility for the European processed cheese industry.

Particularly the last General Assembly in Salzburg has shown that ASSIFONTE is a platform for European processed cheese companies. This is what we want to achieve for the benefit of the whole sector at European level.

To promote understanding for our own concerns but also consider our partners' views is the basis of the successful work of our association. Together with our members, we will continue to uphold this principle in the future.

Bonn, November 2004

E. Hetzner

Eberhard Hetzner
Secretary General

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ASSIFONTE

Association de l´industrie de la fonte de fromage de l` UE

Association of the processed cheese industry in the EU

Vereinigung der Schmelzkäseindustrie in der EU

- STATISTISCHER ANHANG -

- APPENDICE STATISTIQUE -

- STATISTICAL APPENDIX -