

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

RAPPORT ANNUEL 2007

ANNUAL REPORT 2007

JAHRESBERICHT 2007

ASSIFONTE Report 2007



ASSIFONTE
Jägerstraße 51
D – 10117 Berlin
Tel: +49 30 4030445-0
Fax: +49 30 4030445-55
E-Mail: hetzner@milchindustrie.de
E-Mail: bindseil@milchindustrie.de
Internet: www.assifonte.eu

April 2008



CONTENTS

| | Page |
|---|--------------|
| Some thoughts | 2 |
| 1 International economic trends | 3 |
| ▪ Positive expectations fulfilled..... | 3 |
| ▪ Increasing convergence | 3 |
| ▪ Euro remains strong against the Dollar..... | 4 |
| 2 The Common Market | 4 |
| ▪ Direct subsidies dictate spending in agriculture..... | 4 |
| ▪ Spending on the milk market reduced | 4 |
| ▪ New market regulation..... | 5 |
| ▪ WTO negotiations on the point of failure?..... | 5 |
| ▪ Health check and the milk quota..... | 5 |
| ▪ Rising prices in 2006/07 | 5 |
| ▪ Processed cheese production | 5 |
| 3 European Union..... | 6 |
| ▪ EU expansion eastwards | 6 |
| 4 European Legislation | 6 |
| ▪ Requirements of European claims regulation | 6 |
| 5 Work in the international association of the milk industry | 7 |
| ▪ Standard codex for processed cheese | 7 |
| 6 ASSIFONTE's central remits..... | 7 |
| ▪ Guidelines for good manufacturing practice | 7 |
| ▪ Work group: recovered cheese..... | 8 |
| ▪ Comité Directeur..... | 8 |
| ▪ General Assembly | 8 |
| ▪ Advisory Committee "milk" | 9 |
| ▪ European Dairy Association | 9 |
| Closing remarks..... | 9 |
| Statistical appendix..... | |



Some thoughts

Since the WTO negotiations began in 2004, it has become clear that this process, surrounded by such high hopes, is stuck in a cul-de-sac. It is becoming increasingly hard to avoid coming to the conclusion that a lot more energy is being expended by the various parties discussing why they cannot (or do not want to) budge, rather than actually trying to think up a solution.

After almost a year of inaction, proposals have been tabled which demand yet further concessions from the European Union. This has not, however, been accompanied by a corresponding signal from other parties that they are willing to offer concessions in return, or open their markets further. Yet this is precisely the reason why the negotiations failed last autumn. A lot depends on the position of the United States, but the presidential elections of 2008 have already led to a lack of strong leadership and decision-taking here. So it would appear that we shall have to wait quite some time for action.

As it stands, the stated aim of the World Trade Organisation (WTO) to remove obstacles to free trade has, due to the current situation in the world milk market, already had to take a back seat. In 2007, the world market started to affect prices in the EU. Export subsidies and other financial help were stopped by the EU, and the continuing weakening of the Dollar against the Euro contributed further to driving European dairy products from the world market.

In view of the demands made by WTO partners to remove European external protection of our markets, it is just as well to act with caution in order to avoid suffering a nasty surprise in the case of a collapse in world milk prices.

In 2006/7, the European processed cheese industry had to learn the hard way that raw materials can be subject to strong price fluctuations the effects of which, especially within the framework of long-term supply deals, must be taken into account in the end-product.

At the end of 2007 and beginning of 2008, the situation with regard to raw materials became somewhat better. We can therefore hope that the problems of 2007 will not be repeated in the future.

Under the leadership of our Vice President, Gerard Kasbergen, ASSIFONTE was greatly occupied by the production of guidelines for good manufacturing practice. This voluntary agreement for producers of processed cheese is currently in the process of being recognised by the European Commission. The work represents another step forward in our efforts as an industry to further improve our reputation as quality-orientated manufacturers.

Alain Cougoulic
President



1 INTERNATIONAL ECONOMIC TRENDS

▪ Positive expectations fulfilled

Positive trends in European economic development were starting to appear as early as last year; however, it was still impossible, at that stage, to state clearly the effect that the ten new EU members – with a further two as of January 2006 – would have on the economic situation as a whole. The economic data which we now have access to shows a mainly positive trend, as we might already have suspected last year. 2006 saw economic growth of 2.9%, and the result for 2007 should be comparable.

Economic indicators

| | Real GDP (% last year) | | | Unemployed (% gainfully employed) | | |
|-----------------|---------------------------|------------|------------|--------------------------------------|------------|------------|
| | 2005 | 2006 | 2007P | 2005 | 2006 | 2007P |
| Belgium | 1,5 | 3,0 | 2,6 | 8,4 | 8,2 | 8,0 |
| Germany | 1,0 | 2,8 | 2,6 | 11,3 | 11,3 | 11,3 |
| Finland | 3,3 | 3,6 | 2,8 | 8,4 | 8,0 | 7,5 |
| France | 1,2 | 2,1 | 1,7 | 9,9 | 9,2 | 8,7 |
| Greece | 3,7 | 3,5 | 3,1 | 9,9 | 9,7 | 9,6 |
| Ireland | 4,7 | 5,2 | 5,0 | 4,3 | 4,3 | 4,1 |
| Italy | 0,1 | 1,4 | 1,2 | 7,7 | 7,5 | 7,2 |
| Netherlands | 1,5 | 2,7 | 2,4 | 4,7 | 4,5 | 4,1 |
| Austria | 1,8 | 2,4 | 2,0 | 5,2 | 5,0 | 5,1 |
| Portugal | 0,4 | 1,0 | 1,2 | 7,6 | 7,8 | 7,7 |
| Spain | 3,4 | 3,2 | 2,8 | 9,0 | 8,3 | 8,0 |
| Euroland | 1,4 | 2,9 | 2,8 | 8,6 | 8,0 | 7,6 |
| Danmark | 3,3 | 2,5 | 2,0 | 5,7 | 5,1 | 4,8 |
| United Kingdom | 1,9 | 2,6 | 2,4 | 4,8 | 5,3 | 5,4 |
| Sweden | 2,7 | 3,5 | 2,7 | 5,8 | 5,5 | 5,2 |
| Poland | 3,5 | 5,8 | 6,0 | 18,2 | 16,2 | 12,0 |
| Hungary | 4,1 | 3,9 | 2,4 | 7,2 | 7,5 | n.a. |
| Czech Rep. | 6,1 | 6,0 | 5,5 | 7,9 | 7,2 | n.a. |
| Slovakia | 6,1 | 8,3 | 8,0 | 11,6 | 10,4 | n.a. |
| Slovenia | 4,0 | 5,2 | 4,7 | 10,1 | 9,6 | n.a. |
| Estonia | 10,5 | 11,4 | n.a. | 7,9 | 5,9 | n.a. |
| Latvia | 10,6 | 11,9 | n.v. | 8,9 | 6,8 | n.a. |
| Lituania | 7,6 | 7,5 | n.v. | 8,3 | 5,6 | n.a. |
| Malta | 3,0 | 2,9 | n.v. | 7,3 | 7,3 | n.a. |
| Cyprus | 3,8 | 3,8 | n.v. | 5,2 | 4,6 | n.a. |
| Bulgaria | 5,5 | 6,1 | 6,0 | 10,1 | 9,0 | n.a. |
| Romania | 7,7 | 6,5 | 5,8 | 7,2 | 7,3 | n.a. |
| Turkey | 7,4 | 6,1 | 5,2 | 8,8 | 8,4 | n.a. |
| Switzerland | 1,9 | 2,5 | 2,0 | 3,8 | 3,3 | 3,0 |
| Norway | 2,3 | 2,8 | 2,3 | 3,5 | 2,9 | 2,6 |
| USA | 3,2 | 3,1 | 2,3 | 5,1 | 4,7 | 4,8 |

2007 = preliminary | Source: Research Büro, Destatis | n.a. = not available



It is particularly pleasant to note that this growth has been built on solid foundations in the bigger EU member states: Germany showed 2.8% growth; France grew at 2.1%; Spain produced 3.2%. Ireland continues to lead the pack, however, with a GDP increase of 5.2% in 2006. These developments should continue into 2007, although it must be remembered that, as has been made clear today, OECD forecasts might well prove to be conservative.

Developments in the new member states are also interesting. Entry into the EU has given their economies extra impetus for growth, especially in the smaller countries such as Estonia and Latvia, both growing at over 11%; larger states profited, too, with Poland growing at almost 6% in 2006, which is a very positive result for the year.

The trend for 2007 can, at this stage, not be forecasted for all Eastern European countries. We can be sure, however, that there will be no collapse, and can reckon with continued positive developments in the year at hand.

Economic growth has also had a positive effect on employment. The Euro-zone as a whole has seen its unemployment rate reduced from 8.6% to 8%, and further improvements to this figure are expected this year. Germany, however, was unable to produce an improvement in this area, despite strong economic growth in 2006. However, the OECD prognosis for 2007 may well be rather too high, and unemployment could then sink in this case. The remaining member states were able to match the results of the previous year, mostly improving on them slightly: the upward trend continues.

Significantly improved economic growth in Eastern Europe has also led to a far better situation on the job market in almost all countries in the region – only in Hungary did unemployment not decrease. As far as we can tell from data for 2007 thus far, this positive trend looks set to continue. On the whole, we can conclude that not only the new member states, but also “old Europe”, as it is called, finally managed to pull up from the economic nosedive of recent years.

▪ Increasing convergence between European member states

The convergence criteria were set out several years ago, and are intended to keep track of key data from individual member states in order to allow them entry into the Euro when their economic development fits the criteria. Of the 15 old members, 12 have joined the Euro: Denmark, Great Britain and Sweden remain outside. This, however, is more a question of the attitudes of the populations than of economics. On the other hand, there are plenty of Eastern European member states who joined the Union in recent years and who would like to join the single currency. For most of the hopefuls, however, there will need to

be a continued period of observation before they are allowed to join.

As far as the current Euro-zone countries are concerned, it is possible to state that discipline in terms of inflation and budgets has improved. Germany especially, a country which did not keep its budget deficit to the level required in recent years, returned to the specified range this year. This is an important event, since the behaviour of the bigger member countries functions as an example to the smaller ones; keeping to the criteria also sends the correct message about the importance of doing so to the new EU member states.



Convergence status of potential EEC Countries

| | Inflation rate (% last year) | | | | Budget balance % of GDP | | | | Debt % of GDP | | | |
|-----------------------|---------------------------------|------------|------------|------------|----------------------------|-------------|-------------|-------------|------------------|-------------|-------------|-------------|
| | 2005 | 2006 | 2007P | 2008P | 2005 | 2006 | 2007 | 2008P | 2005 | 2006 | 2007 | 2008P |
| Reference value | 2,5 | | | | -3,0 | | | | 60,0 | | | |
| Belgium | 2,5 | 2,3 | 1,8 | 1,7 | 0,0 | 0,2 | 0,3 | 0,1 | 95,2 | 89,8 | n.a. | n.a. |
| Germany | 1,9 | 1,8 | 2,0 | 1,9 | -3,3 | -1,6 | -0,5 | 0,0 | 67,0 | n.a. | n.a. | n.a. |
| Finland | 0,8 | 1,3 | 1,5 | 1,7 | 2,6 | 3,9 | 4,0 | 3,8 | 41,1 | 38,6 | 36,7 | n.a. |
| France | 1,9 | 1,9 | 1,5 | 1,8 | -2,9 | -2,5 | -2,5 | -2,3 | 66,6 | 66,6 | 67,5 | 68,0 |
| Greece | 3,5 | 3,3 | 2,8 | 3,0 | -4,5 | -2,6 | -2,3 | -2,4 | 102,3 | n.a. | n.a. | n.a. |
| Ireland | 2,2 | 2,7 | 2,8 | 2,9 | 1,0 | 2,9 | 1,5 | 1,1 | 32,1 | n.a. | n.a. | n.a. |
| Italy | 2,2 | 2,2 | 1,9 | 2,0 | -4,1 | -4,4 | -2,5 | -2,2 | n.a. | n.a. | n.a. | n.a. |
| Netherlands | 1,5 | 1,7 | 1,7 | 2,0 | -0,3 | 0,6 | -0,3 | 0,4 | 52,2 | 49,8 | 47,3 | 46,9 |
| Austria | 2,1 | 1,7 | 1,9 | 1,9 | -1,5 | -1,1 | -0,8 | -0,7 | 63,6 | n.a. | n.a. | n.a. |
| Portugal | 2,1 | 3,0 | 2,6 | 2,5 | -6,0 | -3,9 | -3,6 | -3,2 | 59,5 | n.a. | n.a. | n.a. |
| Spain | 3,4 | 3,6 | 2,7 | 3,3 | 1,1 | 1,8 | 1,7 | 1,3 | 47,2 | n.a. | n.a. | n.a. |
| Euroland | 2,2 | 2,2 | 2,0 | 2,0 | -2,4 | -1,6 | -0,9 | -0,7 | 71,2 | 70,8 | 70,9 | n.v. |
| Danmark | 1,7 | 1,9 | 1,8 | 1,8 | 4,9 | 4,2 | 3,0 | 3,0 | 43,2 | 41,3 | 39,0 | n.a. |
| United Kingdom | 2,0 | 2,3 | 2,4 | 1,9 | -3,2 | -2,4 | -2,5 | -2,1 | 41,0 | n.a. | n.a. | n.a. |
| Sweden | 0,8 | 1,2 | 1,3 | 1,8 | 2,9 | 2,2 | 1,7 | 1,5 | 52,0 | 51,1 | 50,8 | 49,9 |
| Poland | 2,2 | 1,3 | n.a. | n.a. | -2,5 | n.a. | n.a. | n.a. | 42,5 | n.a. | n.a. | n.a. |
| Hungary | 3,5 | 4,0 | n.a. | n.a. | -6,5 | n.a. | n.a. | n.a. | 57,7 | n.a. | n.a. | n.a. |
| Czech Rep. | 1,6 | 2,1 | n.a. | n.a. | -3,6 | n.a. | n.a. | n.a. | 30,4 | n.a. | n.a. | n.a. |
| Slovakia | 2,8 | 4,3 | n.a. | n.a. | -3,1 | n.a. | n.a. | n.a. | 34,5 | n.a. | n.a. | n.a. |
| Slovenia | 2,5 | 2,5 | n.a. | n.a. | -1,4 | n.a. | n.a. | n.a. | 28,0 | n.a. | n.a. | n.a. |
| Estonia | 4,1 | 4,4 | n.a. | n.a. | 2,3 | n.a. | n.a. | n.a. | 4,5 | n.a. | n.a. | n.a. |
| Latvia | 6,9 | 6,6 | n.a. | n.a. | 0,1 | n.a. | n.a. | n.a. | 12,1 | n.a. | n.a. | n.a. |
| Lituania | 2,7 | 3,8 | n.a. | n.a. | -0,5 | n.a. | n.a. | n.a. | 18,7 | n.a. | n.a. | n.a. |
| Malta | 2,5 | 2,6 | n.a. | n.a. | -3,3 | n.a. | n.a. | n.a. | 74,2 | n.a. | n.a. | n.a. |
| Cyprus | 2,0 | 2,2 | n.a. | n.a. | -2,4 | n.a. | n.a. | n.a. | 69,2 | n.a. | n.a. | n.a. |
| Bulgaria | 6,0 | 7,4 | n.a. | n.a. | 3,1 | n.a. | n.a. | n.a. | 29,9 | n.a. | n.a. | n.a. |
| Romania | 9,1 | 6,6 | n.a. | n.a. | -0,4 | n.a. | n.a. | n.a. | 15,2 | n.a. | n.a. | n.a. |
| Turkey | 8,1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

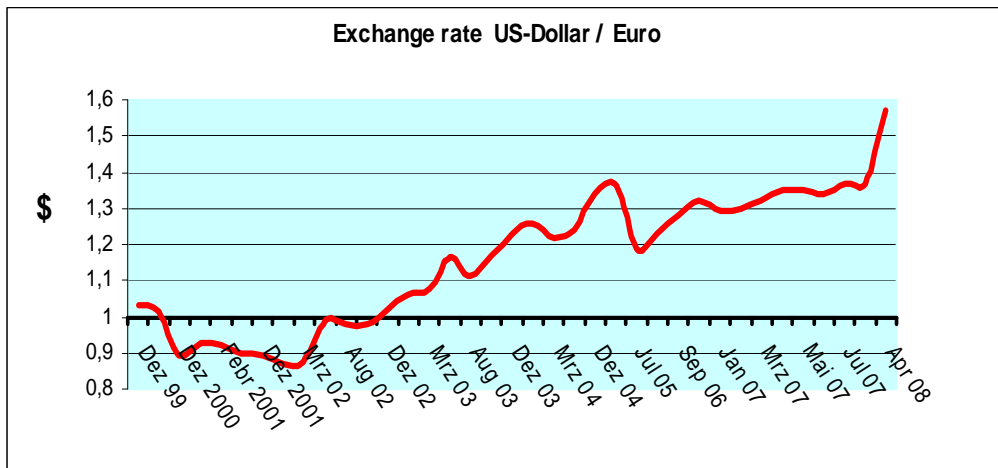
2007 preliminary / 2008 estimated; Source: DB Research Büro und Destatis, n.a. = not available

- **The Euro remains strong against the Dollar**

In August 2002, the Euro began to gain in value against the US Dollar. After hitting a peak of \$1.3 for one Euro in August 2004, the exchange rate has remained constantly at this relatively high level. Indeed, the value of the Euro has not dipped below the \$1.2 line since this date.

The strength of the Euro carries with it the danger that European exports to Dollar-countries will become a lot more expensive. This has not however, as yet, proven to be the case: instead, the flow of exports actually increased.

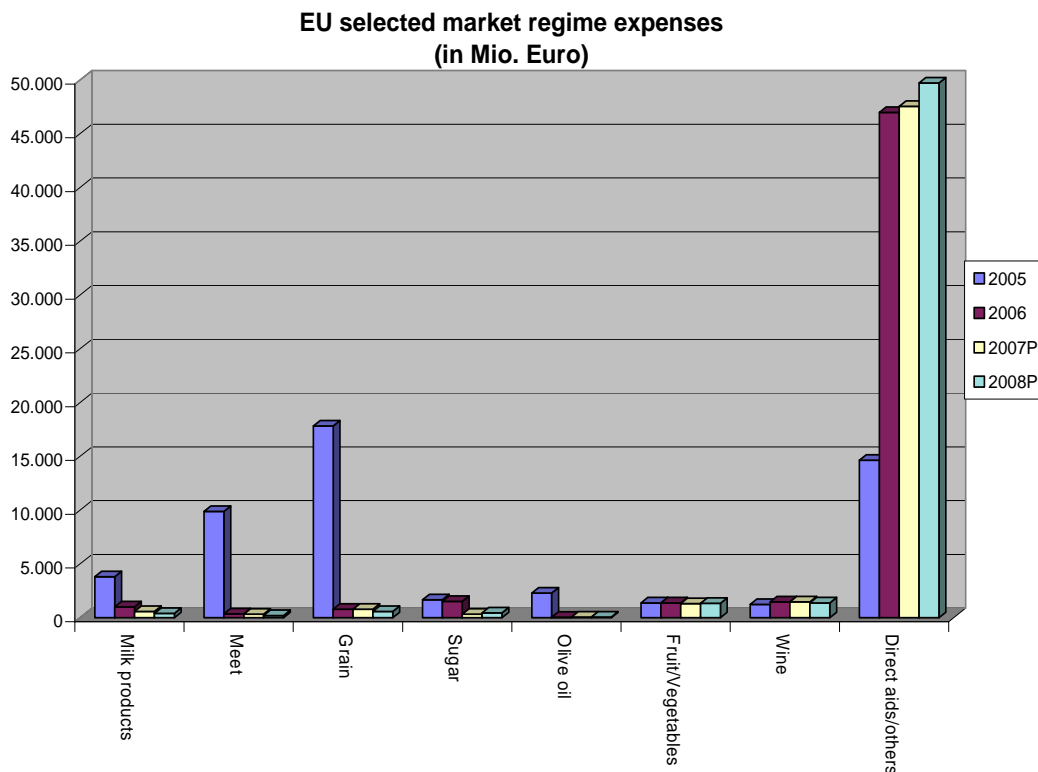




2 THE COMMON MARKET

- **Direct subsidies dictate spending in agriculture**

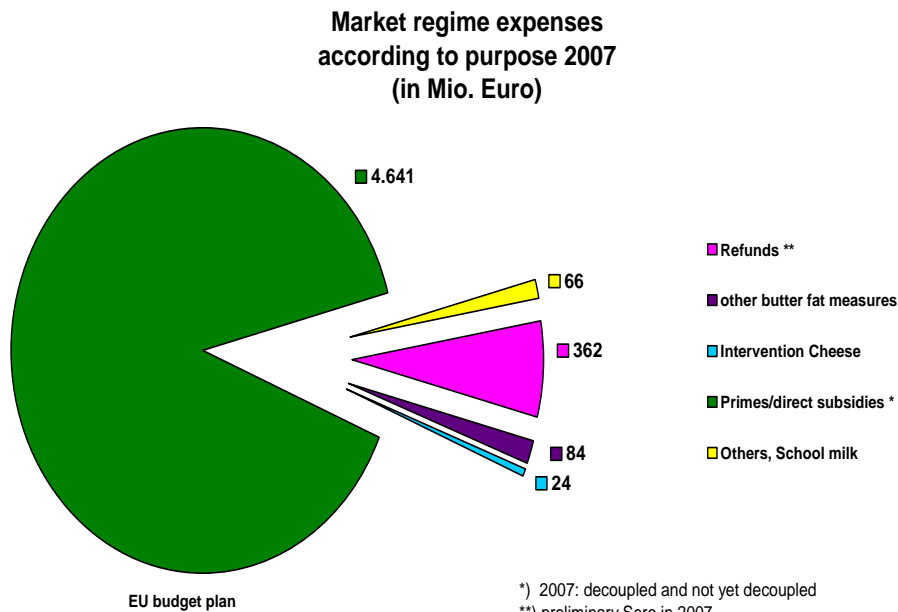
Now that most subsidies paid in the Common Market have been isolated, it is becoming ever more clear that this kind of system accounts for huge costs. Yet it is also the case that direct spending to subsidise the milk market has sunk to a real level of around €300 million. This is, more than anything, to do with the fact that the EU Commission no longer uses the subsidy instruments that were so cost intensive.



▪ **Considerable reductions in spending on the milk market**

In recent years, the relationship between direct payments and payments for certain competencies in the milk market has become particularly clear. Measures taken to support skimmed milk powder and butter have been abandoned. Since May of this year, there have been no further payments for butter; payments for other products were stopped before this point. The biggest chunk of spending now goes to-

wards replacing income lost when the price at which subsidies are paid was lowered. This price is now 3.5 cents per kilogram. It is regrettable that many milk producers no longer want to include subsidies when calculating their income from milk, despite the fact that the drop in milk prices was the very reason for their receiving these payments.



▪ **New market regulations**

As part of the “de-bureaucratisation” initiatives, the EU commission has rewritten 24 various market regulations into one law of several hundred pages in length. This law came into effect on

01/01/2008. The measures to regulate the market are, at the moment, of limited importance in milk and, due to current conditions on the market, its provisions are hardly applied at all.



▪ **WTO negotiations on the point of failure?**

WTO II negotiations continued in 2006/2007, too. The chairman of the Geneva Agricultural Board, Falconer, made several attempts to get the various parties to agree to a compromise; but this did not happen until Summer 2007. The negotiations will be given a last chance in September, and they must then lead to an agreement. All eyes are on Geneva. A particular stick-

ing point is the demands of other nations that the EU make a generous offer about dismantling its protective import tariff regime. ASSIFONTE is willing to admit that a fair agreement is necessary, but a measure of balance is also required. The new suggestions made known by the Chairman of the Board at the beginning of 2008 do not include any great changes.

▪ **Health check and milk quotas**

In preparation for a possible WTO agreement, the Commission is working on a wide-ranging discursive document on the subject of regulation in the milk market known as "Health check". In view of the disappearance of almost all other kinds of market regulation, the Commissioner for Agriculture Fischer-Boel sees

no sense in continuing with milk quotas. On a Union-wide level, as well as in the various member states, opinions vary. One thing that is clear is that the Commission will not suggest continuing with the current regulations as they stand.

▪ **Rising prices in 2006 / 07**

In the second half of 2006, the market for processed cheese raw materials was subject to rising prices. This trend continued into 2007, and the early part of 2007 saw explosive growth in prices. This was above all true of skimmed milk powder, but also applied to butter and unprocessed cheese. This meant that the European processed cheese industry soon found itself in a relatively difficult situation: on the one hand, trade prices remained fixed due to extant contracts whilst, on the other, the prices for raw materials continued to rise unabated. The situation could only be dealt with when the contracts in place were due for renewal.

Since these developments were different in the various parts of the Common Market, there were severe distortions in competition in our market sector between the various member states. Despite the lack of data, we can assume that there was a rise in processed cheese production in 2006. Within the scope of this rise, several traditional producer countries such as Austria, Denmark, and even France, scaled back production; Germany and Poland, however, saw particularly strong increases in production. In the case of France, it is correct to state that the reduction in production is related to outsourcing of production capacity to countries outside of the EU.



Processed cheese production in the EU

| Countries | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Austria | 18.017 | 20.900 | 23.990 | 29.385 | 31.659 | 33.214 | 31.996 |
| Belgium *) | 55.407 | 44.421 | 42.100 | 42.300 | 44.300 | 46.300 | 47.000 |
| Denmark *) | 20.060 | 21.000 | 20.500 | 20.500 | 20.000 | 22.000 | 20.000 |
| Finland | 15.579 | 18.597 | 19.613 | 19.600 | 17.000 | 17.257 | 19.249 |
| France | 138.655 | 135.299 | 132.276 | 125.872 | 129.133 | 123.570 | 121.660 |
| Germany | 170.676 | 175.369 | 177.484 | 167.330 | 175.200 | 177.100 | 190.000 |
| Ireland *) | 11.000 | 11.000 | 11.000 | 12.000 | 12.000 | 12.000 | 12.000 *) |
| Italy | 20.200 | 20.300 | 20.000 | 20.150 | 25.000 | 23.000 | 25.000 |
| Netherlands | 16.820 | 17.800 | 17.000 | 16.000 | 15.927 | 14.225 | 17.357 |
| Spain | 37.000 | 36.100 | 36.000 | 37.000 | 36.500 | 36.900 | 37.925 |
| Sweden | 7.565 | 6.000 | 7.314 | 7.406 | 6.870 | 6.870 | 4.176 |
| United Kingdom | 34.349 | 33.477 | 36.377 | 36.000 | 36.997 | 37.000 | 37.000 *) |
| Czech Rep. | | | | 19.900 | 19.913 | 19.913 | 18.877 |
| Estonia | | | | 2.000 | | | |
| Hungary | | | 12.900 | 10.000 | | | |
| Poland | | | | 59.000 | 59.000 | 63.300 | 78.000 |
| Slovakia | | | 11.700 | 12.300 | | | |
| Total | 545.328 | 540.263 | 568.254 | 636.743 | 629.499 | 632.649 | 660.240 |

*) estimated

3 EUROPEAN UNION

▪ EU expansion eastwards

On 1st January 2007, following a decision by the EU stipulating strict conditions, Bulgaria and Romania were taken into the EU. Since this date, we have been living in a community of 27 member states and an internal market of roughly 490 million consumers spread over 4,324km². The addition of these two new member states increased the EU population by 6.5%: this means that there are 30 million new consumers on the milk market.

However, the new entrants into the Union have contributed low growth in terms of milk consumption. The EU milk quota was raised by 4 million tonnes (2.9%) upon the entry of Romania and Bulgaria.

The dairies of the 27 EU countries booked 1.7% more milk in April 2007 than in the same period in the previous year. This represents growth of 2.2% for the first months of 2007.

Questions related to enlargement will continue to come up at Brussels in the coming years. Croatia has been in negotiations with the EU since October 2005, and Macedonia has been a candidate nation since December 2005. Both countries have taken important steps forward in terms of adapting to European law; but criminal justice, anti-corruption measures and economic reform will require more efforts before they are allowed to join. Negotiations with Turkey have remained, since October 2005, without a clear result; this country still has significant deficiencies in terms of free speech, freedom of religious worship, and civil control of the military. Further potential EU countries in the Balkans are Albania, Bosnia and Herzegovina, Montenegro, and Serbia. Albania and Montenegro signed a stability and association agreement with the EU in 2006/7.



4 EUROPEAN LEGISLATION

▪ Requirements of the EU claims regulation

It is the case of the EDA (European Dairy Association) in EU claims regulation 1924/2006 that:

- information relating to nutritional content that has not to date been used, and is to be given on packaging for the first time, will not be procured directly before the date on which the regulation will come into force (1st July 2007). New labels are, according to the appendix, not ruled out by gaps in the nutritional profile of the product in question, and labels can thus still be produced even at the present moment. Nutritional profiles can only be included on labels once these former have been officially produced, and there is a transfer period of two years once the profile has been made available in any case. Until that time, nutritional information

can be used on packaging as it is presently, or otherwise according to the appendix of EU regulation 1924/2006.

- In terms of the use of “light” or equivalent terms in other languages, these can be used as directed in national laws, at least until the corresponding transfer period for nutritional profiles has expired. Independently of this, however, the fact that national governments will, in some cases, be able to keep their own laws on nutritional information regardless of European law is referred to. This point of view would allow for regulations concerning terms such as “light” to be kept in place on a national level, e.g. in milk products and regulations relating to cheese.

5 WORK IN THE INTERNATIONAL ASSOCIATION OF THE MILK INDUSTRY

▪ Standard Codex for Processed Cheese (A-8)

The revision of the Standard Codex for Processed Cheese (A-8) is continuing to be exceptionally difficult. At the beginning of February 2007, there was a meeting of the Codex Committee for Milk and Milk Products (CCMMP) workgroup in Brussels.

The draft of the Standard Codex produced at the last meeting of the CCMMP was rejected due to severe differences of opinion as regards the definition of processed cheese (delimitation to ‘processed cheese preparations’ which are not covered in the remit of the

standard). What is the minimum amount of cheese it can contain? Which ingredients are allowed, and what obligations are there in terms of labelling? The workgroup met once again to try and reach a compromise on the issues introduced above.

An idea for a differentiation between processed cheese and spreadable processed cheese with a fat in dry matter content of under 50%, which had been introduced earlier, was modified. In future, there will be a difference between processed cheese with high and



low dry-matter-content and reduced-fat processed cheese. There was also a serious disagreement about whether cheese has necessarily to be the major ingredient in the product in question, and whether the figures used in measuring were to be taken from the product itself or its weight when dried.

Despite the fact that several delegations signalled that they were ready to compromise, it was not possible to reach a consensus.

In February 2008, the CCMMP discussed a draft for the Standard Codex A8. The differences of opinion, especially on the European side, once again

flared up and, once again, prevented an agreement. In order to give the worldwide processed cheese industry another chance to come to some sort of agreement, it was decided that the Standard should be raised to 5/8 status to try to secure agreement in 2010. The stewardship of the Committee is currently a matter for New Zealand and France.

One thing is clear: if nothing can be agreed upon up until this point, the Standard Codex for Processed Cheese can be of no importance for the worldwide market.

6 ASSIFONTE'S CENTRAL REMITS

▪ Guidelines for good manufacturing practice

In order to document the high quality of processed cheese, and the great care that goes into producing it, ASSIFONTE decided to elaborate guidelines for good manufacturing practice (GMP). Acting on the decision of the General Assembly, Alain Cougoulic contacted all European processed cheese companies in order to ask them to support the production of these guidelines. Support was given by the overwhelming majority.

Under the chairmanship of the Vice President, Gerard Kasbergen, the work-group developed the GMP guidelines and presented them to the General Assembly in October 2007 in Prague. The next stage will be to work on the document with the European Commission and, eventually, to gain official recognition from the EFSA. Work continues on this project, and should be finished by the next General Assembly.

▪ Work-group: recovered cheese

It has become clear that there are many points at which member states differ as to their stipulations regarding recovered cheese (cheese that is reintroduced into circulation for consumption). The EU Commission, and especially DG Sanco, has taken on the case in order to clarify the issue in future. ASSIFONTE has, together with EDA and EUCOLAIT, set

up a working group whose aim is to develop regulations that will be acceptable for all parties involved and which can be understood by the European Commission. Gerard Kasbergen, Vice President of ASSIFONTE, has agreed to chair this group, too, and the work will be completed in the course of 2008.



▪ **Comité Directeur**

The ASSIFONTE board, or Comité Directeur (CD), had several meetings in the period covered by this report: of course, market events were the main topic of these meetings. A representative of the European Commission (DG Taxud) was also present to participate in discussions about sharper procedures in certificates of equivalency as regards processing, and to make suggestions for simplifying this aspect.

The recovered cheese initiatives and Code of GMP will be checked regularly by the CD with an eye to feasibility.

The CD is, at the present moment, making efforts to widen the membership of our organisation; Slovakia and Hungary are currently favourites, and measures to implement expansion will be taken in the course of 2008. The Treasurer, Hans Bender, and the General Secretary, Eberhard Hetzner, have produced a document about ASSIFONTE (see

www.assifonte.eu) and what it does in order to offer countries who express interest some information about the organisation. Chairman Alain Cougoulic has introduced a new initiative whose aim is to make it clear to our members what the nutritional characteristics of processed cheese are. It is necessary to show our members what the positive aspects of our product is, as well as make them aware of points on which critics of processed cheese might choose to alight.

Furthermore, the CD invited management level staff in the Milk section of the European Commission to Holland. Here, they saw both processed cheese production and cheese being produced on a farm. This allowed us to explain the difficulties of our own processing procedures, as well as showing that our efforts as an industry to be transparent are real.

▪ **General Assembly**

The ASSIFONTE General Assembly took place in October 2007 in Prague, following an invitation from the Czech delegation. A short series of lectures on milk policy and trade overseas, as well as a progress report concerning the

GMP guidelines, was given to an exceptionally large audience. It ought to be remembered, however, that here is a higher percentage of company managers at ASSIFONTE annual meetings.

▪ **Advisory Committee: milk**

The General Secretary of ASSIFONTE is a member of the Advisory Committee for Milk and Milk Products at the EU Commission. This board advises the EU authorities on all topics relating to the milk industry. Market developments are, of course, decisive here; but questions relating to labelling in relation to claims

guidelines have become increasingly important. As opposed to this, the problems at the WTO have retreated into the background since observers agree that there is very little chance of an agreement being reached within the next two years.



▪ **European Dairy Association**
www.euromilk.org

Cooperation between ASSIFONTE and EDA can currently be quite legitimately described as running smoothly. ASSIFONTE takes care of all topics relating specifically to processed cheese and the two organisations work side by side on topics where there is common interest. ASSIFONTE is, for this reason,

a member of the board of Trade and Economics, as well as of the WTO subgroup of this committee. Furthermore, the question of recovered cheese is being handled together by both organisations since it applies not only to processed cheese, but to unprocessed products too.

Closing remarks

This report should give readers interested in ASSIFONTE an overview of our remit as an organisation. The development of our markets, as well as legal issues and questions of hygiene and nutrition all play a roll in our work.

Further to this, the processed cheese industry is also deeply involved in questions of agricultural policy; as an industry in the second level of processing, we are greatly affected by decisions reached in this area. The increasing burden of administrative tasks and the sometimes unjustifiable strictness of checks is lead-

ing many in the industry to consider outsourcing to outside of the EU. This requires careful, long-term thought in order to make sure that jobs are exported, too.

The ASSIFONTE staff would like to thank all those who advised and supported us in the period covered by this report. This is especially the case for members of the Comité Directeur, led by Alain Cougoulic and Gerard Kasbergen. Kasbergen deserves thanks for having taken over the exceptionally difficult task of coordinating and leading the GMP work-group.

This vote of thanks is also aimed at all members who have continued to support our work with their contributions. The General Assembly in Prague once again showed just how much interest there is in European cooperation in the processed cheese industry, and we will work to make sure that this happens.



Eberhard Hetzner
General Secretary

