

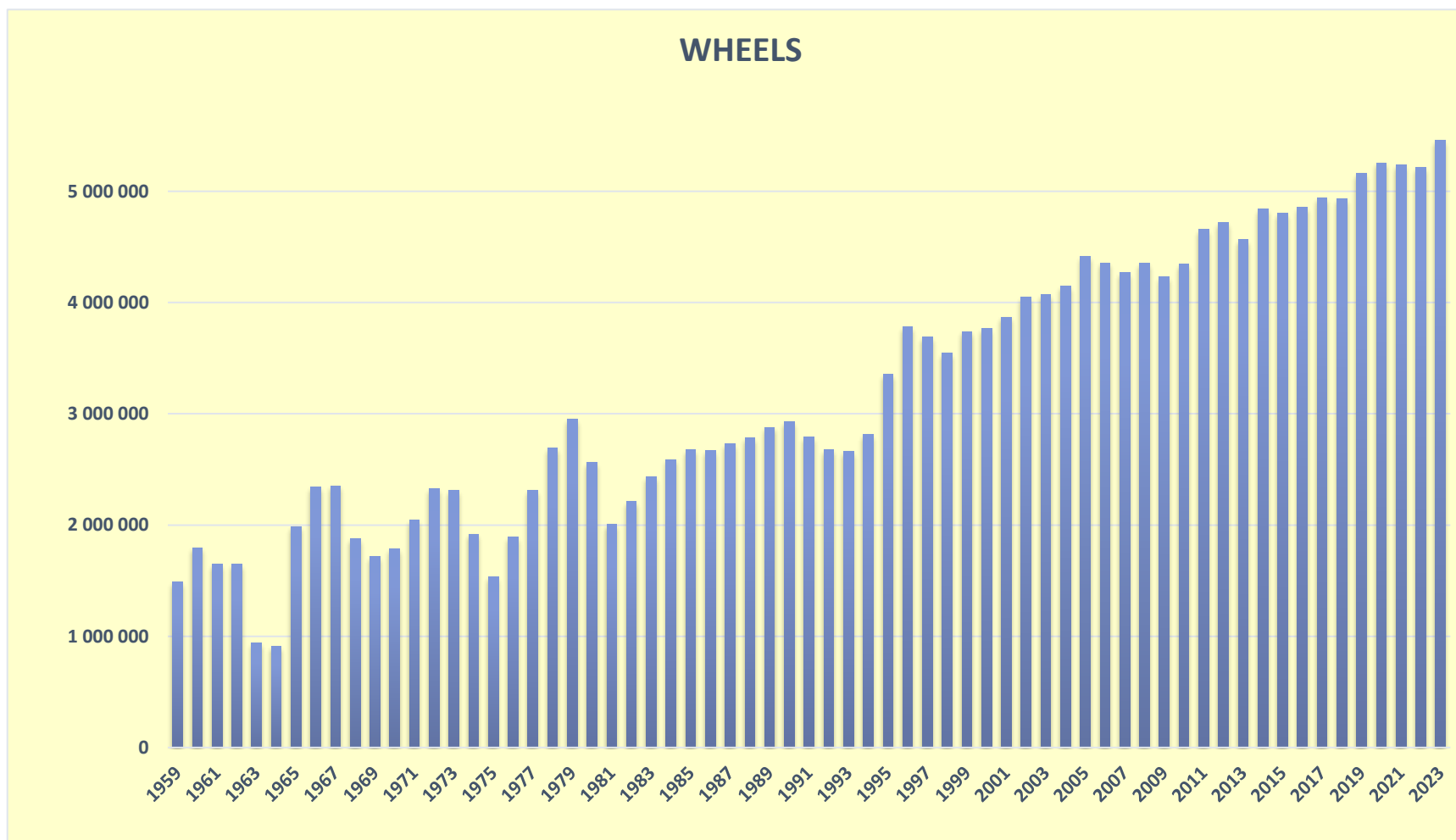
The GRANA PADANO cheese management of production volumes

OriGIn Expert meeting

Geneva – 10/11 October 2024



Grana Padano PDO cheese production 1959-2023



The regime prior to 1995

Production plans limiting the production quantities of each dairy

Approved from year to year by the Italian Ministry of Agriculture

According to a 1981 Decree of the Ministry



The Antitrust Investigation and following measures

- **1995**: start of **antitrust investigation**
- Concluded by an order issued at the end of October 1996, which **effectively cancelled the regime**
- This led to a **surge in the production**



The new course of production governance: the so-called “*Contribuzione Differenziata*” (i.e. Additional Contribution Fee)

- Mechanism that would allow for the governance of production growth but...
overcoming the imposition of quantity restrictions on the production of the dairies
- So-called ***CONTRIBUZIONE DIFFERENZIATA*** (i.e. Additional Contribution Fee): each dairy is free to produce as many wheels as it wishes; however, if it exceeds its production benchmark, the fee it is required to pay to the Consortium will progressively increase
- When a certain number of wheels exceeds the forecasted total production, **additional resources are needed**, in addition to the ordinary fee, to ensure that all the Grana Padano produced is placed on the market
- It is **right and appropriate that these additional resources be funded/made available by the companies that, by exceeding their production benchmark, have contributed to the unbalanced situation** and the resulting need for greater and more substantial investments



The new production governance: first experiences

- **First trial: years 2003-2004**

- 2005: imposed stop by the Antitrust Authority due to the complaint of a dairy
- Production plan for **2006-2010** (with a few corrections from the Italian Ministry of Agriculture)
- Renewed for **2011-2012**

- Plans essentially **based on a self-imposition by the Consortium members**, endorsed by the Ministry and the Antitrust Authority, but lacking regulatory support and therefore exposed to possible criticisms



The new production governance: normative legitimacy

- Since April 2012, **(EU) Regulation 261/2012** (Art. 126 *quinquies*) was in force [since 1st January 2014, it was replaced by Regulation 1308/2013 (Art. 150)]
(Implementing Decree of October 2012)
- **Production Plan 2013–2015** was therefore drafted with a **legal basis**
- Substantial novelty: **approval of the Plan extended** not only to dairies, but **also to milk suppliers**, and thus to the entire production chain
- Production Plans 2016–2018, 2019–2021, 2022–2024: drawn up in continuity with the general framework, except for a few adjustments and corrections prompted by the practical application of the Plans



(EU) Regulation 1143/2024

- If there is a **recognised producer group**, it is the only one with **the right to:**
- request **binding rules for the regulation of the supply** of products designated by a geographical indication, even for a **maximum period of six years**



Grana Padano PDO cheese production 1994-2023

- The number of **Grana Padano wheels** produced **increased by 93,84 %**
(average annual increase: 3,24 %)
- The **quantity of Grana Padano** produced **increased by 119,20%**
(average annual increase: 4,11%)



Grana Padano PDO cheese Production Plan Characteristics

OBJECTIVE

Management of the Grana Padano supplies in order to adapt to the demand

Achieved by:

- Consolidation of the product's presence in key markets and capturing new market shares
- Promotion, protecting and improving its quality

*This makes it necessary to find **additional resources** in the event that the production growth reaches beyond a certain limit*



Grana Padano PDO cheese Production Plan Characteristics

DURATION

Three years, but reviewed and adjusted annually, in response to market trends

Now extended to up to 6 years by (EU) Regulation 1143/2024

BALANCE POINT

Maximum production level up to which the production of Grana Padano can be placed on the market and sold with the resources of the ordinary contribution

*It is **annually set by the Consortium** according to the macroeconomic scenario of the moment and the market developments that are expected in the short to medium term*

PRODUCTION REFERENCE (Reference Point)

Production level assigned to each dairy on the basis of the previous years' production statistics

If the annual production of the dairy will remain within this level, the dairy will not have to pay any additional contribution/fee (so-called "Contribuzione differenziata") compared what it paid during the year



Grana Padano PDO cheese Production Plan Characteristics

ORDINARY CONTRIBUTION

It is the **amount that each dairy is required to pay** for any Grana Padano produced wheel:
on average **5 Euro/wheel** (from € 4,82 to € 5,48, depending on the weight of the wheels)

the so called “SCALETATA” (Range chart)

At the beginning of the following year, on the basis of the dairy's production in the previous year, the **Ordinary Contribution is re-evaluated**

This revaluation is done on the basis of productive ranges/targets equal to 5% of the assigned Reference Point, according to which the first 5% will be worth about 3,20 Euro a wheel and the last 5% will be worth 15 Euro a wheel

Furthermore, every wheel produced over the Reference Point is charged 15 Euro a wheel



“SCALETTATA” current chart

- If the dairy produced **exactly** its reference point, **nothing will change**
- If it produced **less**, it is entitled to a **credit note** for the overpaid contribution/fee
- If it produced **more**, it will have to pay **an additional fee**

REFERENCE POINT LEVEL/RANGE/STEPS	COST PER WHEEL (due to the re-evaluation)
1° - 5% of the quota	€ 3,20
2° - 5% of the quota	€ 3,30
3° - 5% of the quota	€ 3,40
4° - 5% of the quota	€ 3,50
5° - 5% of the quota	€ 3,60
6° - 5% of the quota	€ 3,70
7° - 5% of the quota	€ 3,80
8° - 5% of the quota	€ 3,90
9° - 5% of the quota	€ 4,00
10° - 5% of the quota	€ 4,10
11° - 5% of the quota	€ 4,20
12° - 5% of the quota	€ 4,30
13° - 5% of the quota	€ 4,40
14° - 5% of the quota	€ 4,50
15° - 5% of the quota	€ 4,60
16° - 5% of the quota	€ 4,70
17° - 5% of the quota	€ 4,80
18° - 5% of the quota	€ 7,00
19° - 5% of the quota	€ 10,00
20° - 5% of the quota	€ 15,00
OVER THE QUOTA	€ 15,00



Grana Padano PDO cheese Production Plan Characteristics

COMPENSATION / BALANCE

The production of dairies which have produced more than their Reference Point is balanced/compensated by the lower production of dairies which have produced below their assigned Reference Point

As a result of the compensation, for the dairies that have produced more than its Ref. Point, the **“DIFFERENZIATA” contribution applies only to wheels that are not found to be balanced by the lower production of dairies that have produced less than their Ref. Point**

However, the compensation is activated when the sum of the wheels produced in less quantities exceeds the difference between the sum of the individual Reference Points and the Balance Point

The distribution of the total wheels offset between the dairies that have produced more than their Ref. Point is done proportionally



Grana Padano PDO cheese Production Plan Characteristics

“DIFFERENZIATA” CONTRIBUTION (ADDITIONAL FEE)

When the production of a cheese dairy exceeds the assigned Reference Point, an additional contribution/fee (compared to the “ordinary”/usual fee) is applied the following year, in relation to the quantities produced in excess by said dairy

The wheels produced in excess in fact generate the need for more marketing resources, and therefore are subject to a higher contribution (“*DIFFERENZIATA*” contribution)

The “*Differenziata*” contribution is however **applied only to the wheels produced in excess that exceed the Compensation**



“DIFFERENZIATA” current chart

The “*DIFFERENZIATA*” contribution/fee’s calculation is **evaluated at the beginning of the following year** according to the range of percentages of production exceeding the reference point of each individual cheese dairy, which will receive an increase of contribution/fee.

Percentage exceeding the reference point of each dairy (net of the Compensation)	“DIFFERENZIATA” CONTRIBUTION/FEE
From 0 to +1%	€ 10,00
From +1% to +2%	€ 20,00
From +2% to +3%	€ 30,00
From +3% to +4%	€ 40,00
From +4% to +5%	€ 50,00
From +5% to +6%	€ 60,00
From +6% to +7%	€ 70,00
Over 7%	€ 80,00



Grana Padano PDO cheese Production Plan Characteristics

REASSIGNMENT OF THE WHEELS

Dairies that have paid the “*DIFFERENZIATA*” are assigned a number of wheels in proportion to their payments. These wheels go to increase the Reference Point of the dairy in question.

The criteria for reassignment is determined by the Consortium at the beginning of the year, when it also sets the Reference Points of each individual dairy, on the basis of market trends and the increase in the level of consumption.

In any case, the reassignment will not be less than 0.5% of the total Balance Point.

The reassignment will be complete if the “*DIFFERENZIATA*” contribution will reach 2 million Euro and proportionately reduced if the “*DIFFERENZIATA*” contribution will be less.



Grana Padano PDO cheese Production Plan Characteristics

REASSIGNMENT OF THE WHEELS

A reassignment in favour of small-medium producers is provided for they will concur to the **reassignment for amounts higher than those actually paid by way of “*Differenziata*” contribution:**

- 160% if they have a Ref. Point equal to or less than 20,000 wheels
- 140% if they have a Ref. Point between the 20,001 and 30,000 wheels
- 120% if they have a Ref. Point between the 30,001 and 40,000 wheels



Grana Padano PDO cheese Production Plan Characteristics

QUALITY AWARD

The plan includes a **policy to enhance quality** which is structured as follows.

If a dairy, which is in “*DIFFERENZIATA*” position, has a percentage of “top quality” (“Scelto”) cheese:

- more than 80%, then it is entitled to an increase of 30% in the distribution of wheels
(ex.: the dairy paid an extra contribution of 100.000 €: wheels for a value of € 130.000 are reassigned);
- more than 90%, it is entitled to a 10% reduction in the “*Differenziata*” fee and an increase of 25% in the distribution of wheels
(Ex.: the dairy with a payment of 100.000 €, will pay 90.000 € and wheels for a value of € 130.000 are reassigned).



Grana Padano PDO cheese Production Plan Characteristics

NEW PRODUCERS

A 10% of the globally reassigned wheels, but not less than 0.10% of the Balance Point, will be distributed to new producers of said year, at a 25% reduced cost compared to the actual price

This applies only for the first year of entry in the Grana Padano production system



Grana Padano PDO cheese Production Plan Characteristics

TRANSFER OF REFERENCE POINTS

Each dairy is **free to transfer or rent all or part of its reference point to another dairy** interested in increasing its production without having to pay the “*DIFFERENZIATA*” contribution fee.

To avoid damage to the Plan, rent or sale of Ref. Points, will have effect on the “*DIFFERENZIATA*” of that year only if notified to the Consortium by 30 of September.

The validity of these transfers shall be subject to the fulfilment of contribution obligations towards the Consortium.

The Consortium, having verified the position and making sure that all contribution fees of both parties have been paid, **shall validate each individual transfer deed**



Grana Padano PDO cheese Production Plan Characteristics

FAIR CORRELATION

In order for the production plan to remain in force, *Nomisma* and *ISMEA* must certify that there is a fair correlation between the price of milk paid to the farms and the value of cheese sold wholesale

This ensures that all the over 3.500 conferring milk producers **are paid a fair price in return for greater effort and higher costs** in terms of, for example, animal feed and cowshed management



Grana Padano PDO cheese Production Plan Characteristics

IMPACT ON OTHER PRODUCTIONS

3 parameters/values are constantly monitored:

Fresh milk, Asiago and Provolone Valpadana cheeses, also using surveys and projections made and processed by major banks and neutral companies such *ISTAT* and *CLAL*

If the three monitored parameters **should highlight ongoing market difficulties** over time, due to excessive market supply of milk in the Grana Padano circuit, **additional allocations to produce Grana Padano will be activated** that discourage the sale on the open market of milk by Grana Padano dairy producers



Grana Padano PDO cheese Production Plan Characteristics

FURTHER REGULATIONS/PROVISIONS

- The plan **does not provide for any price fixing** even as a indicative guide or recommendation, which are expressly prohibited
- It is also not intended to render unavailable a percentage of already produced Grana Padano and neither to limit future production thus creating an excessive unavailability of Grana Padano
- The Plan does not create prejudice to the contract negotiations in the milk and dairy products sector nor has it effect on the milk market that may exceed those established in the guidelines of the Italian Ministry of Agriculture



Grana Padano PDO cheese Production Plan Characteristics

FURTHER CHARACTERISTICS

- **Involvement of all operators in the sector**
- **Absolute transparency: all the plan's results are consistently communicated to the dairies**

During the year, they will also receive projections to the 31st December to track the evolution of their Consorzio's contributive position, **so that they can adjust their production**



Grana Padano PDO cheese Production Plan Characteristics

SUMMARY - MAIN CHARACTERISTICS

The essential features of the Production Plan designed and developed by the Grana Padano Consortium, based on the idea of “*Differentiated Contribution*” are as follows:

- **PLACES NO QUANTITATIVE LIMITS** on dairies, which are perfectly free to produce as much Grana Padano as they see fit.
- The «Differenziata» (*Differentiated Contribution*) **IS NOT A FINE OR A PENALTY**:
 - because **it applies only to the wheels that exceed compensation** (the reference is to the entire production of Grana Padano and not limited to the individual dairy in its own right, albeit taking into account that the production of the individual dairy, which is the result of its own free entrepreneurial choice, nevertheless has an effect on the overall balance of the system);
 - because it allows for proportional participation in the **reallocation of wheels** and thus **increases the point of reference** of the dairy for years to come.
- **FAVOURS IMPROVEMENT OF PRODUCT QUALITY**, thanks to the premium provided for productions with high percentages of cheese of the best quality (so-called “*Scelto*”).



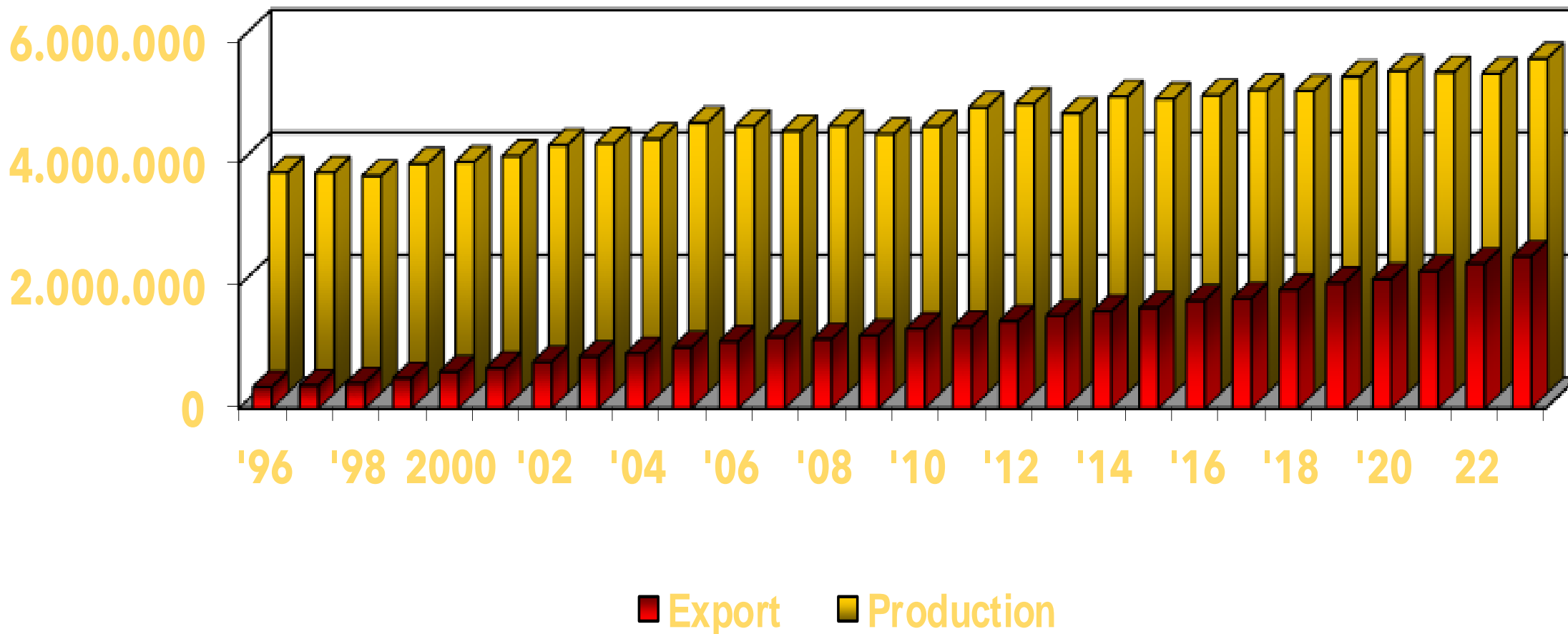
Grana Padano PDO cheese Production Plan Characteristics

SUMMARY - MAIN CHARACTERISTICS

- **ENCOURAGES THE ENTRY OF NEW PRODUCERS**, thanks to the facilitated allocation provided for the first year in which new dairies enter the “Grana Padano” system.
- **ADVANTAGES FOR SMALL PRODUCERS**, thanks to the favourable reallocation provided for them.
- **CREATES COSPICUOUS VALUE FOR THE CHEESE PRODUCERS AND AT THE SAME TIME A SOLID GUARANTEE FOR THE CONSORTIUM WITH REGARD TO THE FULFILLMENT OF CONTRIBUTION OBLIGATIONS BY THE CHEESE PRODUCERS**, thanks to the possibility of transferring/leasing the production references, subject to the fulfillment of the contribution obligations towards the Consortium by the contractors.
- **GUARANTEES THE EQUAL CORRELATION BETWEEN THE PRICE OF MILK PAID TO THE FARM AND THE VALUE OF GRANA PADANO CHEESE SOLD ON THE MARKET**, thus guaranteeing that the farms which supply milk to Grana Padano are recognised fair compensation for the greater commitment and higher costs they have to bear to produce the milk suitable for processing into Grana Padano PDO.



Export/Production 1996 – 2023



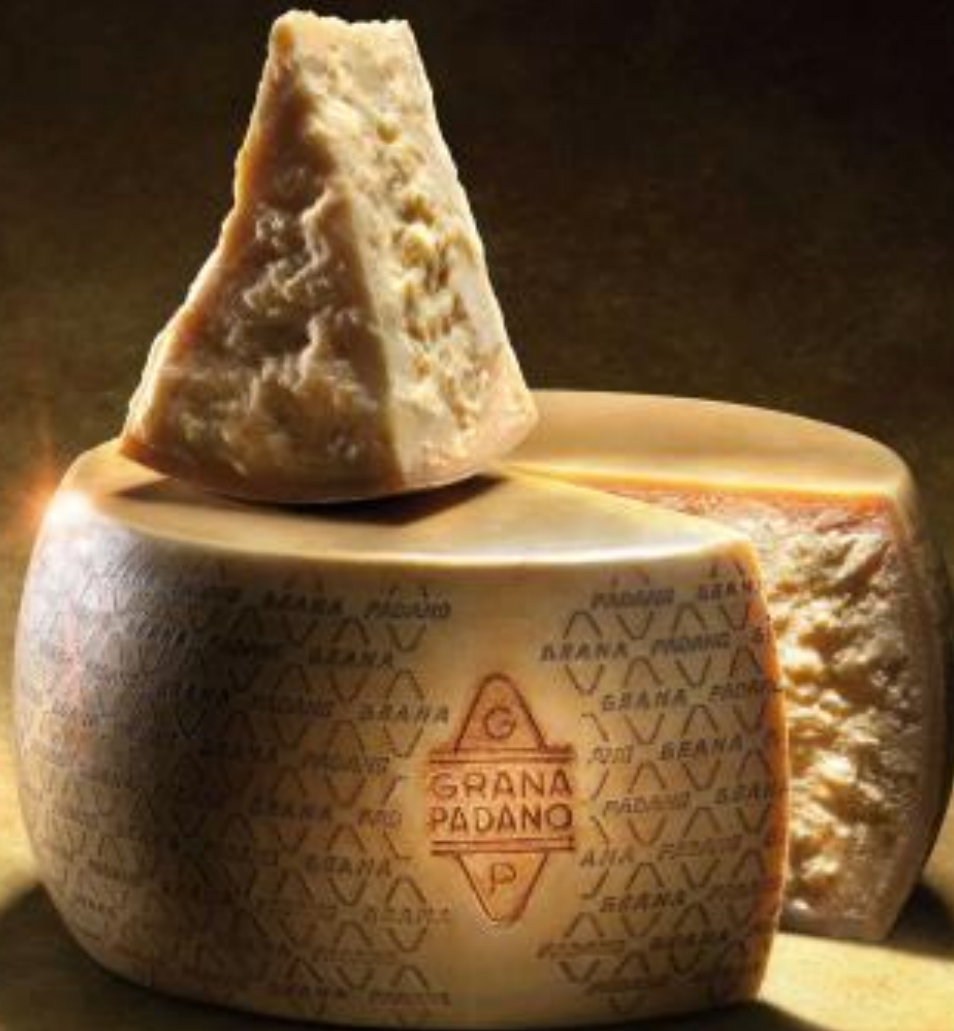
Export/Production 1996 – 2023

Since years, Grana Padano is the world's best-selling PDO cheese



THANK YOU!

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<https://www.granapadano.it/it-it/larte-della-produzione/la-dop/piano-produttivo-2022-2024/>

