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Fewer agricultural subsidies necessitate framework for cost-covering prices!

Is the EU progressive enough to properly engineer stabilisation of farmers' income?

(Brussels, 09.05.2018) According to a proposal tabled by the EU Commissioner for Budget and Human Resources Günther Oettinger, the agriculture budget is to be cut by five percent. The planned savings under the Multiannual Financial Framework (MFF) 2021-2027 were presented in Brussels last week.

No more subsidies – fair farm-gate price for milk?

It makes sense to cut agricultural subsidies only if the market allows farmers to operate at cost-covering prices. Otherwise the situation of European milk producers is exacerbated even further, especially as the background scenario has been one market crisis after another over several years.

Erwin Schöpges, President of the European Milk (EMB), is not against less dependence of dairy farmers on subsidies *per se*. "All we dairy farmers want to do is generate our income by selling milk. For that, though, we need cost-covering prices, which means we should not be selling our milk below production costs, as is currently the case." If in future EU policy cuts subsidies, there will be even greater urgency to create framework conditions for cost-covering milk prices, he says.

So far the cost gap has been attenuated by direct payments

Under EU plans, as of 2021 direct payments to European dairy farmers are to be reduced by four per cent. In Germany, for instance, total production costs before deducting subsidies in January 2018 were 44.48 cents/kg milk. Producers were paid a farm-gate price of merely 36.75 cents/kg. The deficit of 7.73 cents was marginally offset by direct payments of 2.69 cents/kg milk.

The situation is similar in France, where total production costs before deducting subsidies in 2017 were 49.25 cents/kg milk, with producers being paid 34.42 cents. So far, the huge deficit of nearly 15 cents a kilo of milk has been slightly made up for by EU direct aid to the tune of 4.11 cents a kilo.

If in future these direct payments are cut, without any framework being set up for cost-covering prices in the market, the dairy farmers' income situation will be palpably worse.

Framework for stable income for dairy farmers

The European Milk Board calls for a legal framework that keeps supply and demand in equilibrium, enabling stable, cost-covering farm-gate milk prices. The EMB's [Market Responsibility Programme](#),



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for instance, provides for voluntary production cuts if the market situation is tense, to prevent a price collapse due to overproduction.

Sieta van Keimpema, dairy farmer in the Netherlands and vice-president of the EMB, comments as follows: "I very much appreciate the fact, for example, that the EU Commission is now advocating legislative instruments to counter unfair trade practices in the supply chain – at the micro level, in effect. But what we need more than anything on the macro level is a milk price that covers our production costs. The Common Agricultural Policy needs progressive proposals and an effective framework!"

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