30.03.2012

EMB calls for suspension of the milk quota increase

To the Ministers of Agriculture of the European Union,

Members of the national parliaments and

Members of the European Parliament

Hamm, 29 March 2012

The Milk Package adopted is a first step in the right direction – now there have to be further steps!

Dear Ministers and Members of Parliament,

The Milk Package which has just been adopted is a first step towards a long-term reform of the EU dairy sector. For this we wish to thank you on behalf of the European milk producers.

This new regulation has initiated some forward-looking steps that now have to be systematically implemented and extended. Otherwise the measures will remain ineffective by and large.

Above all the step we regard as particularly positive is the **possibility of pooling** dairy farmers in producer organisations, of **obligatory contracts** between producers and processors which can help balance the asymmetrical relations between the market players in the dairy sector and the new **Price Monitoring Tool** to be created.

However, these measures will only be effective if they are ideally adapted to the real market situation. This means that the pooling options have to be extended to members of co-operatives. In addition, an EU-wide obligation to enter into contracts must be introduced, taking into account the milk producers' production costs. Otherwise the provisions adopted cannot help improve the milk producers' position in the market.

The planned **Price Monitoring Tool should be** introduced **as soon as possible** and both empowered to monitor the milk market (prices, supply, demand **and** production costs) and equipped with effective regulatory powers to prevent market-damaging surpluses being produced. Price monitoring alone is not enough. Moreover it is important to keep an eye on margins. For instance, from July 2010 to July 2011 the prices of supplies required for milk production rose by 10-15% in many European countries. This means that the average costs of producing milk are now well in excess of 40 cents.

It has been obvious in the last few weeks and months that the dairy sector is not self-regulatory throughout the EU. **The markets are noticeably under pressure**, which is evident in plummeting farm-gate prices. In Belgium alone the base price fell from 29.84 to 28.5 cents between December 2011 and March 2012. Some French dairies have already announced a decrease in the farm-gate price to 27.5 cents for April 2012. There are similar developments in the other member states.

At the same time the producers have so far been unable to react appropriately to this conspicuous market signal. The volumes of milk supplied are still at peak levels.

That is why it is essential that the 1% increase in quotas scheduled for 1 April 2012 is abandoned for the time being to prevent the markets being burdened even further! This step is vital to stop prices plummeting again

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for now.

We call on you to take active steps in this direction. The market situation can be re-analysed in the middle of the milk year to evaluate the suspension of the increase in quotas.

Yours sincerely,

Romuald Schaber (President of the EMB)

For a pdf version of the letter, please click here

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