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EU milk production: Effects of drought spell trouble for a sector in crisis

EMB demands permanent crisis management instrument

Photo: A. Sauvage

(Brussels, 22.08.2018) Due to the consequences of the ongoing drought, farmers all across Europe are facing major difficulties. In the dairy sector, developments in recent years have only led to the situation becoming even more acute. In the throes of the dairy crisis, reserves were completely decimated and, in many places, debts piled up. These underlying factors make it even more difficult to deal with the current situation. Drastic decreases in yield and failed harvests are hitting producers hard. Rising feed costs imply increased pressure and are leading to growing financial deficits.

In this extreme situation, financial aid is useful in addressing the direct effects of the drought. In addition, milk powder from EU intervention stocks should definitely be kept off the market at the moment because this would only put further pressure on the anyway low milk prices, which are currently averaging at just about 33 cents/litre in the EU.

As President of the European Milk Board (EMB) Erwin Schöpges emphasises, besides working on short-term measures, it is also very important to come up with long-term solutions that would improve the sector's general framework conditions. "A mechanism that would bring the long series of crises in the sector to an end is an indispensable element in this regard. It should contribute to producers being paid prices that actually cover production costs – including a decent income – and thus allow farms to operate sustainably and to survive," says Schöpges.

Boris Gondouin, EMB Executive Committee member and French dairy farmer, also echoes this sentiment. He believes that progressive crisis management is the only way to ensure that farms stay alive and such extreme situations like the current drought can be dealt with better. "Since the 2000s, droughts have become more severe and much more frequent both in France and beyond. It shows that it is important for us to earn enough in the so-called normal years without digging into our savings, so that we can fall back on them during such more difficult years," says Gondouin. "But this would only be possible if instruments such as the Market Responsibility Programme (MRP) were integrated into the EU Common Agricultural Policy (CAP)."

The MRP could make the sector more resistant to crises. This instrument envisages temporary adjustment of production volumes so that the collapsing milk prices can recover. Flexibly adapted to the market situation, different phases of the MRP can be activated – voluntary production cuts is one such example. The MRP prevents value creation losses that massively weaken producers. To meet the many challenges of sustainable, environment-, animal- and climate-friendly dairy farming, crisis-proof markets and cost-covering prices for producers are needed. In this context, Erwin Schöpges clarifies: "Prices can only be considered cost-covering when they cover all the costs of milk production – including fair remuneration for the labour put in by producers."



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EMB Vice-President Sieta van Keimpema sees the MRP as an important step toward a truly common agricultural policy, reducing the unequal treatment currently meted out to EU producers. "Some countries are currently supporting their producers during the drought, while others are very reluctant to do so. The MRP adopts a different approach. As it would apply in the same way to all countries in the European Union and would also predict and avoid crises at EU level, it would help stabilise the dairy market as a whole, which, in the end, would benefit all EU producers."

[Here you can find a short description of the Market Responsibility Programme \(PRM\)](#)

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