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Newsletter March

Dear Dairy Farmers and Interested Parties,

It has long ceased to be a secret. Once again, the downward trends in the milk market this month show all too clearly how vital a rethink of the milk market policy is; how essential it is to adapt milk supply to demand. This is the conclusion that more and more institutions that play a part in the political life of the European Union are coming to. For instance, in an official position paper, the European Economic and Social Committee (EESC), which operates as a civil advisory body of the EU Commission, the European Council and the European Parliament, clearly criticises the EU milk market policy hitherto. According to the EESC, supply and demand have to be balanced out, as food in general and milk in particular are too important for the well-being of the citizens to be left to the vagaries of a free, unregulated market. The Committee advocates stable prices and fair incomes for dairy farmers, which it regards as crucial to ensuring the supply of high-quality dairy products and preserving a vibrant rural environment in Europe. Following the European Court of Auditors, which criticised the EU policy a few months ago, the EESC has now manifestly expressed itself as a mouthpiece for European civil society. This all points in one direction: the European Agricultural Policy has to be changed if it is not to lose its justification in two respects. If it carries on its course of liberalisation, it is working against the wishes of European civil society; against the wishes of the citizens of Europe. Secondly, it is aggravating the destruction of agricultural structures, which are fundamental to sustainable food production geared to quality. Can the EU – can we as citizens of Europe – afford that?

Statements from all parts of society and political institutions are important, given the acute nature of the situation. Contrary to the EU Commission's forecasts, largely intended to justify its own measures as effective, farm-gate prices are again tumbling, at an ever greater remove from a cost-covering level. In France, for example, prices in January were 29 cents a litre; they are expected to fall to 26 cents a litre by March. In the Netherlands, the Friesland Campina dairy was paying producers 32.75 cents in December. In January it was still 30 cents, but in February 28.5 cents. Prospects for the next few months remain gloomy. A further deterioration in the situation is to be expected when the EU launches its stockpiles on the market in May. (For current farm-gate prices in Europe, take a look at the EMB's price comparison: www.europeanmilkboard.org/de/emb/milchpreisvergleich.html.)

European milk producers expressed their hope for a turn-around in the EU policy at an event put on by the Belgian organisation Milcherzeuger Interessengemeinschaft (MIG) when the new European Commissioner of Agriculture Dacian Ciolos took office in Brussels. On 9 February, they had gathered outside the EU Commission to bid farewell to the liberal policy of outgoing Commissioner Mariann Fischer-Boel and to demonstrate their support for a new, sensible market configuration policy.

One thing that has nothing to do with a sustainable market policy is contractualisation, championed by such parties as French dairies and the French politicians, as Willem Smeenk from the French Organisation des Producteurs de Lait (OPL) makes patently obvious in this newsletter.

However, the way a sensible milk policy can be created was shown by representatives of the Canadian milk producers, the Dairy Farmers of Canada (DFC), on their tour through France. Before thousands of dairy farmers they explained the Canadian system, which guarantees Canadian dairy farmers a fair income and points up prospects for European milk

producers. The news from France is rounded off by an interview with Christian Manauthon from the French organization APLI, who gives an overview of the Office du Lait milk pooling organisation currently being developed in France. Good prospects have also been in evidence from the start of Die faire Milch in Germany, as Jutta Weiß from the BDM Aktuell journal reports. The reception given by consumers in the first month to the product, which guarantees participating farmers 40 cents per litre sold, was considerably stronger than anticipated.

Also read in this Newsletter about interesting news from Sweden and Ireland and an interview with Werner Locher, a representative of the Swiss producers' organisation BIG-M. He makes it clear that the state, which wanted to wash its hands of regulating the milk market, continues to intervene in the market and yet praises up liberalisation. This inconsistency is to the regret of the milk producers. The state's declaration to the effect that resolutions on prices passed by the recently founded dairy sector organisation (Branchenorganisation Milch) are universally binding forces the producers to accept decisions that reflect the interest of the dairies.

Netting in Austria will be the the information that concludes our march newsletter.

I wish you an interesting read.

*Best regards,
Silvia Däberitz
EMB*

European civil society backs the milk producers – the Economic and Social Committee favours a milk market with supply control

As the European Economic and Social Committee (EESC) announced on 18 February, measures were needed urgently to balance out supply and demand in the milk market. The Committee's press release said: "Food in general and milk in particular are too important for the well-being of citizens to be left to the vagaries of a free, unregulated market."

Thus the EESC supports the position of the European milk producers that are members of the European Milk Board (EMB), who stress time and again the necessity for flexible supply control to achieve fair milk prices. "a system of marketing measures that relate to supply and demand is central to securing sustained and environmentally friendly production in the years after 2015", the report says.

The EESC's criticism of the EU policy hitherto, which is at present increasing milk quotas and will abolish them in the medium term, could not be clearer. This approach is incompatible with the EU's stated aim of developing sustainable agriculture, the EESC stated in its press release. This was a mistaken reaction to the increasing concentration in the retail trade sector, which has degraded milk producers to the role of price-takers instead of price-makers.

The EESC also sees far-reaching negative consequences of deregulation of the milk market for the cultural heritage and multifunctional development of rural regions.

Following the European Court of Auditors, the European Economic and Social Committee has now clearly shown the urgent need to replace the course of liberalisation pursued to date by the EU Commission and the European Council with a sensible market configuration policy.

PR, EMB

News from France

French President Sarkozy took part in a television programme together with French consumers, whose attention was drawn last year to the desperate state of affairs in the milk market. Sylvie Poux, Regional Board Member of the APLI (Association des Producteurs de Lait Indépendants) in southwest France was also invited along, and explained vividly and precisely the many problems dairy farmers have to contend with.

The European Parliament is trying to define its position with regard to a new agricultural policy. George Lyon, an MEP from Scotland, is travelling to every EU country until late March to meet the Ministers of Agriculture and other representatives of agriculture (farmers' organisations, etc.). He is trying to gain an overall picture of what the new Agricultural Policy as of 2013 needs to bring about. Willem Smeenk as representative of Coordination Rurale, the OPL and the EMB, met Lyon in Paris on 21 January. Sylvie Goulard, a French MEP, organised the invitation. It is vital that Lyon is told the milk producers' position as often as possible. Every organisation and all the national representatives should try to contact George Lyon and ask whether he has already visited their country. His contact details are available

from the EMB.

Lyon explained that not only the positions of the individual countries should be presented. Where possible, proposals drawn up for every country ought to be put forward. The EMB is on the right track with its position paper, which applies to all 14 member states.

In France the dairies – primarily the co-operatives – are trying to tie the milk producers in with contracts. And in the new agriculture legislation they talk of contracts. The argument used for pushing this through is the dairies' control of volumes, although in legal terms this would not be at all possible under the Cartel Office's conditions. When the plans are implemented, 80% of milk supplied will be paid for at consumer prices (roughly 30-32 cents a litre). The price of the remaining 20% will depend on the world market (15-40 cents a litre). There is no doubt that this plan will bankrupt the majority of milk producers. It is evident that only supply control on producer level will work. This control must be organised by a European Monitoring Agency. The members of this Monitoring Agency must be milk producers, consumers, retailers and the industry.

We are working hard in France to avert the threat of these contracts. Throughout France there were meetings with milk producers from Canada, who sometimes spoke before up to 2,000 farmers, explaining the Canadian milk market system. All milk in Canada is sold through a type of monitoring agency (Plan Conjoint). Production volumes are constantly adjusted to demand. This eliminates excess production. In Canada there are no subsidies for milk production. The average farm-gate prices in 2009 were 46 cents a litre. Yet the consumer prices are no higher than here in France! What is going wrong here, then???

So far, milk pooling in France has amassed just under 25% of milk volumes.

Forecast milk prices until June (possible 3-8% deviation):

January	28.932 cents/litre
February	27.432 cents/litre
March	25.632 cents/litre
April	25.277 cents/litre
May	25.277 cents/litre
June	27.977 cents/litre

Willem SMEENK, OPL

There is only one way – the European way

The APLI pools on a national level to make a European Milk Board strong

Interview with Christian Manauthon, Association des Producteurs de Lait Indépendants

In France the APLI pools milk in the Office de Lait. What exactly is the Office de Lait?

Our aim is to pool as much volume of milk as possible in the Office de Lait to achieve a strong position in the dairy sector. In association with the other Milk Boards in the various countries of Europe, we will then form a European Office du Lait, whose bargaining power should be just as great as or even greater than that of the processing industry and the food retail trade. We must never forget that these two are nothing without our product. They would cease to exist. So it is up to us to unite in solidarity and organise ourselves to push through sensible economic rules.

What do you mean by economic rules?

Two things are key and should be implemented on a European level via a European "Office", a Monitoring Agency:

- A real European regulation (binding since the legislation governing the free movement of goods and persons came into force), that takes into consideration the economic reality of corporate needs and the political decisions on storage reserves.
- A standardised minimum base price for Europe to be worked out in a similar way to the Canadian model based on production costs (with reference farms throughout Europe), stipulated annually and binding on everyone as the lower limit.

Will the milk producers give their milk to the French Office de Lait to enable it to market it as for instance the Milk Boards in Canada do?

No. The Canadian system remains an ideal. But let's not be too demagogic. This system cannot be applied to a region

like Europe. But adopting individual ideas that can be easily implemented here is not Utopian. The way the Canadians calculate the base price, their conception of solidarity and the representativeness of producers, the communal organisation of milk transportation, the billing.... those are elements that can be implemented on the EU level. In the framework of a European "Office", though. We can also take a very close look at the weaknesses of the Canadian system to avoid making the same mistake.

To what extent is the French Office de Lait similar to the German Milk Board and in what respects is it different?

First of all, the French Office de Lait is only important if it is a component of the European Office de Lait.

The main objective here in France is to pool volumes in order to be able to exert pressure. Only if the European organisation can put the two rules I mentioned into effect can a national Office play a part. We have to be very careful in dealing with the relations between producers and dairies. The national Office can then make adjustments, update and take special features into consideration based on what the European Office stipulates (control of volumes and the base price).

How are the milk producers in France reacting?

In France it is very early days still for the Office de Lait. Even if we have already pooled 4 billion litres of milk in two months, the structure still has to be built up step by step. And above all we still have to convince many more producers that involvement in the Office de Lait is the only alternative that will enable them to return to an acceptable life. But there is enthusiasm among the farmers, and it will grow and grow.

What are your aims for the next three months?

The Office de Lait, contacts with the other milk-producing countries, working together in the EMB on a concept for configuring the European milk market. In our view that is very important, not only for talks with the politicians, but also and especially for the producers, so that they can be convinced that our ideas are practicable and worth defending.

Has the spectre of contractualisation, which the French government had advocated, been banished?

No, it hasn't, but for the time being it's been put off. And that is another aim of our work in the coming weeks: to convince all our fellow producers in Europe and in France that direct contracts between milk producers and dairies are not only no solution, but are the worst possible option. Unless (grins Christian Manauthon) there is only one huge contract for the whole of Europe. It is up to us to propose this.... and to see it through.

Thank you very much for the interview.

Sonja Korspeter, EMB

Canadian milk producers support Europeans

After a long, combative summer and autumn, Europe's milk producers welcome the breather that winter heralds in. But the fight is far from over yet. Instead, new forces are gathering, preparations are being made for 2010 – with international support. In January 2010, Canadian dairy farmers took up an invitation from the French APLI and organised a trip to Europe.

At numerous events throughout France held in community halls, banquet halls and racetracks, the dairy farmers from Quebec presented the Canadian milk market system. The basic principle of the system is that supply is adjusted to the constantly changing demand for dairy produce. Production is focused largely on the domestic market. It is an exemplary model of a type of supply control that enables milk producers to be remunerated fairly and have their costs covered. At the same time, consumers can buy dairy produce of the highest quality at fair prices. The federal government limits imports of dairy produce through import duties and exports through milk quotas, producing only slight surpluses. It also sets a base price for milk geared to the level of production costs. In return, the producers have to adhere strictly to their allotted quota. If there are milk surpluses, they are personally liable for them.

The whole thing is co-ordinated by various institutions. For instance, each province has a Milk Marketing Board (sales organisation), of which every milk producer that has a milk quota is a member. The chairpersons of these Marketing Boards represent their province in the Dairy Farmers of Canada organisation. They stand directly for the milk producers' interests in price negotiations. The Dairy Processors Association of Canada is another lobby organisation. On the other hand, the sales organisations of the individual provinces have to negotiate with the Canadian Milk Supply Management Committee. Taking surveys of all the farms, it works out the volume of milk produced and sets a base price after evaluating the results. This is chaired by the Canadian Dairy Commission, which in turn reports to the federal government of Canada.

Two of us came from Germany to take part in one of the APLI events in Normandy on 20 January 2010. While two Canadians travelled through northern France, speaking to thousands of people on many an evening, two others visited the south. On the evening we were there in northern France, there were 1,700 people in the hall. 1,700 people! On just one evening! 1,700 farmers carrying on the fight to find ways out of the crisis and keen to discuss alternatives.

“How can such a system work in the EU with its 27 member states, whereas in Canada only two of the ten provinces produce 81% of the milk?”, was one of the many questions from the floor during the discussion.

The answer is simple: Europe’s dairy farmers have to unite, just as the Canadians do. The EU should not face demands from 27 different countries. One sole, clear position has to be presented to the industry and the politicians. One demand shared by every nation!

Johanna Besier (EMB), Alice Endres (BDM)

Germany:

Official kick-off for “Die faire Milch” (Fair Milk) with a huge party – demand among consumers huge

It was with suspense that consumers, farmers, politicians and the media awaited the start of “Die faire Milch” in Freising. Hundreds of visitors, including many BDM milk producers of course, thronged into the large marquee outside the Rewe store in the historic Schlüter-Hallen on the outskirts of Freising. BDM Chairman Romuald Schaber and Jakob Niedermaier, President of MVS GmbH, which markets the milk, were delighted at the huge interest in the new brand, “Die faire Milch”. Representatives of the environmental protection organisation Bund Naturschutz and Slow Food, along with representatives of the retail partners congratulated the dairy farmers on the market launch and assured them of their solidarity with the aims of “Die faire Milch”.

“Die faire Milch” is a product from open-minded farmers receptive to new ideas, said Niedermaier in his words of welcome. It is fair to the farmer, who is paid 40 cents a litre, and fair to the consumer, who buys a high-quality, regional product. At present it is on sale in 1,200 Rewe outlets and 300 Tegut branches in Bavaria, Baden-Württemberg and Hesse.

So far about 120 farmers have signed up to the project, demand is considerable, and many had to be turned away initially. It is very difficult to find dairies and retailers, said Niedermaier. But he hoped that soon “Die faire Milch” would also be available in other federal states. Niedermaier stated in his detailed presentation of the concept of “Die faire Milch” that this product would turn the previous procedure between producers and the dairy on its head: now for the first time the costing and pricing starts at the bottom with the producer, because the farmers pay the dairy to process their milk. In this way they make all the decisions on the product range, sales price and farm-gate price themselves. Niedermaier also pointed out that “Die faire Milch” had advantages not only for the milk producers but for consumers and nature as well:

For instance, the milk is guaranteed GM-free, regional and produced with local feed.

The omega-3 fatty acid content is manifestly higher than in traditional milk.

Every supplier is obliged to start up an environmental or animal protection project.

The farmers involved have to observe conditions and are monitored by the independent Gesunde Nahrung (Healthy Food) foundation. The lifetime output and life-span of the dairy cows serves as a benchmark for environmentally-friendly and above all humane animal husbandry.

These are incontestable criteria for animal health and welfare. They value maximum transparency. Anyone wanting to find out about the origin of the milk on the spot is welcome to arrange a visit, says Niedermaier.

“Die faire Milch”, which is currently on sale as UHT milk containing 1.8 and 3.8 per cent fat for 89 and 99 cents respectively, has already been on the shelves of the tegut stores in Hesse for several weeks. Georg Sedlmaier, Managing Director of tegut, reported a blistering start. On the first day they ran out of the milk, on the second day the same, gradually though they got a grip on volumes. The huge demand pleased Sedlmaier, who runs his company under the motto “Growth in quality, not in quantity”. And Marion Ruppenner from the Bund Naturschutz praised “Die faire Milch”. 40 cents go to the farmer instead of the retailers, “Die faire Milch” is produced without GM feed and the farmers undertake to start up an environmental project, such as conserving orchards. In their “Milk fairy tales” presentation, schoolchildren from the ninth grade of the Wasserburg secondary school gave a very vivid insight into the milk’s constituents and their positive impact on the human body.

Besides the delight about the successful start of “Die faire Milch”, music, snacks and milk drinks also played a part in creating a wonderful mood among the partygoers.

News from Sweden

The Swedish government has decided how the EU-money to support dairy farmers will be distributed to the Swedish dairy farms. They will get 2.2 öre (= approx. 0.0022 euros) per kg milk delivered in the year 2008/2009.

The Swedish LDM is working hard to influence the politicians. We have a meeting in February with politicians in the Swedish parliament to discuss the future for milk production and dairy farmers in Sweden. Hopefully this will generate good relations with the politicians and an understanding for the situation of dairy farmers and their wishes and needs for their future.

Maria Mehlqvist, LDM Sweden

News from Ireland

ICMSA has been busy in the first month of 2010 with concern growing amongst dairy farmers regarding their future in the business. With the improvement in dairy product prices in late 2009, there has been some improvement in milk price but from a very low base. The reality today is that Irish dairy farmers are still producing milk below the cost of production. ICMSA is meeting and lobbying dairy processors on an ongoing basis to seek a further improvement in the milk price.

However, farmers realise that a long term solution is required and that an EU wide solution is required. There is serious concern amongst dairy farmers regarding the future of the sector and the issue of supply contracts has now come to the fore as a possible solution as well as containing a number of threats for dairy farmers. ICMSA is participating in the Minister for Agriculture, Fisheries and Food Consultative Group on the EU High Level Group on Dairy, which had its last meeting on Friday, 5 February 2010, where the issues of price transparency and futures markets was debated. ICMSA continues to lobby for the need for appropriate supply management and price supports at EU level as being the only means to provide a long-term viable milk price to farmers. ICMSA is currently finalising a new policy document on this matter

In the short term, returning a viable milk price in 2010 is the priority for ICMSA and we continue to lobby the dairy processors and the Minister for Agriculture, Fisheries and Food on the need for a return to profitability in 2010.

John Enright, ICMSA

Butter mountains and low milk prices -

The "real" deregulation of the milk market in Switzerland

Interview with Werner Locher, BIG-M

The dairy sector organisation Branchenorganisation Milch (BOM) has been active in Switzerland for seven months now – will it succeed in configuring the milk market effectively without quotas?

W. Locher: In its external communication, BOM is giving the impression that it has decided on the measures required. But in fact nothing is happening. Not one litre less is being milked. The butter mountain is growing from week to week, and is at record levels.

Another problem is the make-up of the 20-man board: 10 representatives of trade and industry and 10 representatives of the producers. A resolution requires a ¾ majority on both sides. So, three votes in one camp are enough to prevent a resolution being passed. That's what happened in the last meeting, when three "representatives of the producers" (a milk dealer, a company director and a president of a milk marketing organisation) opposed a price increase in line with the Federal Agency for Agriculture Index.

Is there currently anything like an A, B and C quota?

Officially there is now the approved model of contract milk, spot-market milk (which also finds its way into the trade) and what is termed 'dumping milk'. This dumping milk is determined when the spot-market price falls below a specific minimum. The dumping milk price is the world market price.

How are the producers organised? What is the current relationship between producers and processors?

The 38 milk-selling organisations still exist. There have been no mergers, although many milk producer meetings have decided that their boards should aim for mergers.

The relationship with the processing industry is obviously tense. In recent years, they have made huge investments in extra processing capacities. They now want (have) to use them to the full. That's why they are torpedoing any attempt to reduce the volume of milk.

On 17 February, the Swiss Upper House of Parliament passed a generally binding act raising a levy (1 centime a litre) for the disposal of the butter mountain. How can it do that, since the politicians wanted to totally abandon control of the milk market?

The Upper House of Parliament has always said that it would pass generally binding Acts on BOM resolutions if they helped solve the market problems. (Under the Act it is empowered to do so in this situation). 8% of the milk in the market is produced by producers who are not affiliated to the BOM. That is why the generally binding nature of the Act is a good thing in itself. Yet the resolutions passed so far by the BOM have been of woefully little help to the producers.

What will become of the surplus stocks of butter?

Officially, they will be sold on the world market.

What is the mood among the producers?

A lot of producers are resigned. They no longer believe that the politicians will come up with a sustainable solution for the producers. At the moment party strategists rule in Switzerland, not experts on the matter. And the situation will not change in the near future.

On top of that, the producers have opted for very different strategies. Some had banked on the previous milk quota being continued as a right to supply following the phase-out. (The canton of Grisons subsidised quota purchases right to the end with taxpayers' money.) Other producers had sold their quota and went over to a processor as a direct supplier. Every producer organisation that wanted to introduce a rigid control of volumes is now under pressure because the producers who were not happy with the strict control have switched to another organisation where they can milk at will. That is why every organisation has gradually adjusted its rules of procedure to the so-called "growth farms".

BIG-M started doing its own milk price comparison recently to gain an overview of the extreme variations in milk prices. What are prices at the moment and what are your predictions for the near future?

In our price comparison we're not interested in base prices or contract prices, only in the farm-gate price. (Each organisation does its own price increases and decreases.) The farm-gate prices from December reported to us vary between 49.5 centimes and 79 centimes (organic). The processing industry has already pointed out that the international prices are falling. From very recent experience we know that the industry will cut prices scrupulously.

What does BIG-M propose for configuring the milk market sensibly and safeguarding the producers' interests?

For us there has only ever been one solution for the future: the milk producers have to be enabled to control the volume of milk produced themselves. We want and have to assume responsibility ourselves for the volume of milk produced, and then it's only fair when we all have to cough up, when surpluses appear on the market. But with our model of supply control we don't want those surpluses to appear in the first place.

What options does the Upper House of Parliament's Self-help Measure open up?

These options are no good to us, because the Upper House provides for them only once the BOM has passed resolutions. It can then declare them generally binding. What would really advance our cause would be a generally binding application of volume control in the producers' hands. With the "urgent federal resolution" mechanism the Upper House would have the possibility of passing such a resolution with a week.

What will BIG-M's work focus on in the next few months?

We are working very hard behind the scenes. We're holding numerous talks with decision-makers from NGOs and political parties. At present we no longer believe that the Swiss dairy farmers can pull together and act in unity. The only organisation that could proceed in this direction would be the umbrella organisation of Swiss Milk Producers, the SMP. But at the moment it lacks the requisite determination to introduce a change of direction in its "work". We are convinced that the grass roots would support such a change, because the financial situation on every dairy farm is alarming.

*Thank you very much for the interview.
Sonja Kerspeter, EMB*

Netting in Austria

Balancing out overproduction and underproduction, offsetting the national reserve

The netting system in the Alpine state permits production in excess of the individual quota without the overproducing farmer automatically incurring super-levies. The two reasons for this are: 1) that overproduction is offset with undersupplied volumes from other milk producers, and 2) the national reserve is deducted from the country's total volume actually produced. Only what according to these calculations is still in excess of the national quota stipulated by Brussels incurs super-levies. Last year on average these levies were 7 cents a litre, in previous years they were often 14 cents.

Proportional netting

Overproducers are not all being treated the same. Under proportional netting in Austria, a farmer who overproduces heavily incurs higher levies per litre than his fellow farmer who overproduced only slightly.*

** The Austrian Market Regulation Act (MOG) 5. §10 section 2 subsection 2 states: a) The allocation percentage whereby all undersupplies have to be allocated is worked out by dividing the undersupplies by the sum of the individual farm quotas for the overproducers' deliveries; b) farms that oversupply their individual quota are required to pay a base levy for the part of the oversupply up to the allocation percentage and for the part of the oversupply exceeding the allocation percentage a levy calculated by deducting the base levy imposed from the levy owed by the individual state and dividing the remainder by the oversupplies exceeding the allocation volumes under letter a); c) the ratio of the base levy to the levy under letter b), taking into account the levy owed by the individual state, is 0.7 to 1, and from the twelve-month period 2009/10 it is 0.4 to 1.*

Katharina Aurich (BDM); Silvia Däberitz (EMB)