



Paper to politics:

Flexible market oriented supply management - for the lasting stability of sustainable milk production and the dairy industry throughout Europe

Preamble

A surfeit of supply: surpluses are preventing cost-covering prices paid to milk producers and destroying farms and regional structures

Since autumn 2008 the European milk market has been under considerable pressure from volumes, with milk supply manifestly exceeding demand. The flooding of the market with milk has resulted in all-time low milk prices. Milk producers are being paid between 18 and 24 cents a kilo, which approximates to half of production costs and therefore half the price required. This situation is almost wholly responsible for farms abandoning milk production and thus for the loss of regional supply structures to boot.

Promoting sales is not enough; production volume has to be reduced

The EU Commission has been trying to stabilise the market since early 2009 by re-introducing export refunds and storing vast quantities of butter and MMP (incl. private storage this totals some 450,000 tons). Although these measures have already cost hundreds of millions of Euros, they have not prevented the slump in the milk price referred to above. It is not enough to be active on the sales level. The production volume has to be reduced.

Joint responsibility of politicians and milk producers

Politicians and producers have a joint responsibility for a sustainable milk production throughout Europe. This is a social issue, with the values at stake being such as security of supply, food quality, sustainability, food sovereignty, and the vitality of the countryside.

By taking the measures outlined below the politicians can create the requisite basic conditions for cost-covering milk producer prices in a favourable and sustainable way, enabling farms to survive.



I) The following basic conditions are required for producers to have more clout in the market and for cost-covering milk-producer prices to be achieved:

1. Monitoring agency

To analyse and estimate supply and demand a European monitoring agency has to be set up in which all the players in the milk market are represented: milk producers (EMB), the dairy industry, consumer organisations and politicians. This agency will find out the costs of producing milk, on a regular basis. The corresponding cost-covering producer price will be the yardstick for stipulating the volume of milk and the monitoring agency's use of various instruments.

2. Producer-financed levy

A legal basis must be created to allow the introduction of a producer levy to which every milk producer in the EU is subject. This levy is to be used to finance a demand-led control of volumes, i.e. to increase or decrease the volume depending on the development of demand.

3. Universal applicability

To enable market-shaping instruments to have teeth, what is called for is an EU-wide limit on volumes enshrined in law based on reference volumes for individual farms.

4. Unifying milk producers

Finally, a legal basis has to be created that allows milk producers to unite on the member states' level and above and beyond that in producer co-operatives.

II) Measures to be taken in the short term to raise prices paid to milk producers

Given the crisis in the market a step-by-step plan has to ensure that the milk price is raised to a cost-covering level; this requires the politicians reducing the volume of milk to enable the dairies to pay cost-covering milk prices as quickly as possible.

By 1.10.09: 30 cents, by 1.11.09: 33 cents, by 1.12.09: 37 cents, by 1.1.2010: 40 cents

This calls for the following measures:

1. The effective restriction of national netting options
2. Freezing the 1% rise in quotas by 1.4.2009
3. A pan-European invitation to participate in a voluntary, time-limited reduction in volumes.

The monies from the super-levy paid by the producers and the funds from the export subsidy and the intervention can be used for Measure 3. These will thus be used to impact on the market and will be of direct benefit to the dairy farms.

Corresponding laws or regulations have to be passed in such a way that they can come into effect in good time.