

## Letter to the European Milk Producers

14<sup>th</sup> April 2009

**Dear Farmers in the EMB member states, dear Sirs,**

Almost exactly 3 years ago in summer 2006 the European Milk Board (EMB) was set up in Montichiari, Italy as the European umbrella organisation. The reasons and the necessities behind creating the EMB have not altered to this day. Then as now the realisation was that with the scenario of a European market the interests of European milk producers can only be effectively and successfully represented by a strong, pan-European organisation.

### ***What does the EMB look like today?***

#### **Presence and progress**

The EMB represents 20 organisations from 14 European countries with a total of some 100,000 members. The member countries produce about 75% of European milk. The EMB is headed up by a 7-member Executive Committee – all dairy farmers themselves.

Our Office in Hamm, Germany has three members of staff, and is managed by Sonja Korpeter.

#### **Objectives**

- Lobbying politicians and the public on a European level in defence of milk producers' interests
- Achieving cost-covering milk prices for milk producers – at least 40 cents/kg milk
- Sustainable improvement of the milk producers' socio-economic situation
- Creating long-term prospects for dairy farmers throughout Europe
- Sustainable milk production across the whole of Europe

#### **The current situation**

Milk prices are at an all-time low, especially compared to production costs. Many farmers are being paid less than 20 cents for a litre of milk. Prices paid to producers are still in free fall across the whole of Europe. Never since the Second World War has the livelihood of so many dairy farmers been threatened to such an extent.

In some cases, milk is being traded at less than 10 cents on the spot market. These prices bear no relation whatsoever to the actual value of the milk; this sale must be regarded as nothing more than dumping.

And prices in the shops have been plummeting ever further. For instance, butter and drinking milk cost less in Germany at present than they did 60 years ago (butter, 250 g: 49 cents, 1 litre: 45 cents). These are devastating signals being sent out to consumers. *Is milk of no worth at all now? Is it normal for milk to be a third of the price of Cola?*

### **Every dairy farmer in Europe is affected**

Every milk producer is affected to almost the same extent by the drastic situation in the milk market and the excessively low milk prices. The price is dropping in some areas earlier than in other regions, but in the end we are all in the same boat.

Just a few examples:

Ireland: 20-22 cents, Belgium: for a few months now 22-25 cents, Germany: 19-27 cents, the Czech Republic: under 20 Cents, Hungary: below 18 Cents, the Netherlands: 22-26 cents, France, Italy, Spain: still 30 cents, the trend ever downwards!

### **What is the background to this? How could things come to such a pass? What is up with the markets?**

In the view of us, the milk producers, the cause is an utterly mistaken EU policy. This inane policy is geared to the total deregulation of the milk market. The particularities of milk production and of the milk market are ignored, the neo-liberal way is supposed to apply equally to every sector of the economy. The export interests of just a few major corporations are given more importance than society's interests and the survival of family-run farms. Conquering markets and increasing sales, that has been the stated supreme objective of the multinationals. Many medium-sized dairies also fancy their chances on the international markets and do not want to miss jumping on the bandwagon. Instead of being representatives of the people and aiming to ensure through their policy that the local population is supplied with high-quality milk, politicians are acting like obsequious running dogs.

Everyone knows that this export-oriented milk policy results *de facto* in low prices paid to producers. World market prices for most products are around the 16 to 22 cents level. The only exception has been 2007. As soon as early 2008, prices had slid back down to the all-time low. The negative consequences that can already be foreseen now for society as a whole due to the ruin of thousands of dairy farms are being suppressed or denied.

While demand is stagnating or even receding worldwide, partly as a result of the global economic crisis, in Europe restrictions on limits are being abolished. Switzerland is being used as a guinea pig; the EU will follow blindly. By 2013, quotas are expected to be raised by about 10%. Solely on the basis of political resolutions, with total disregard for what is happening in the market. We dairy farmers are told that we have to opt for the market that offers us the greatest opportunities for growth. We milk producers are not told, however, that this market is not a level playing field for us. All over Europe there is only a very limited number of buyers on the retail level. On the supply side, though, there are hundreds of dairies and hundreds of thousands of milk producers.

Because of the peculiarities of milk production, the milk producers are in the worst conceivable market position in this scenario.

A large number of individual suppliers

A perishable product

A (to a certain extent) replaceable product  
A location-restricted production site  
Capital-intensive and preparation-intensive production.

Abolishing the limit on volumes would further weaken the dairy farmers' market position. Without the possibility of limiting production effectively by means of quotas for individual farms that are binding for everyone, there is an oversupply, leading to the dairy farmers' utter powerlessness in the market. The milk producers are practically thrown to the dairy and retail groups. It has to be clear to us dairy farmers as those affected and suffering the most from this policy that it is not a matter of an oversight or an accident. This development is politically driven and is being deliberately brought about.

### Ways out of the crisis

Yet there are ways out of the crisis. We dairy farmers must determine our own fate ourselves, and right now. We have to realise and accept that we cannot count on either the farmers' organisations or the co-operatives in our struggle. Both lobby groups are rooting for the policy of deregulated markets.

The key to the milk producers becoming able to act is for them to join forces and unite all across Europe in their own independent milk producer organisations. We call on every milk producer in every European country to join in. Faced with the seriousness of the situation, the individual organisations' or personal agendas should be left behind and common interests pushed to the fore. As the sole pan-European organisation, the EMB represents only active milk producers. The EMB is therefore the right body in the right place to co-ordinate and implement the requisite activities and measures on a European level, with a clear strategy and with strong grass-roots support among milk producers in the individual countries.

### The three main elements of this strategy are:

*Actively communicating the milk producers' interests to politicians and the public*

*Merging the milk producer associations in one European organisation*

*Implementing flexible supply control – across Europe, steered by the milk producers*

To effect a correction in the market as quickly as possible given the current crisis situation and thus achieve cost-covering milk prices of 40 cents plus, at the Annual Members Meeting on 18/19 February 2009 the member organisations voted in favour of these demands:

1. The regulation of volumes must be made flexible immediately; the yardstick for quota adjustments must be a cost-covering milk price.
2. This requires setting aside quota reserves that can be released for production as and when needed. And that is dependent on effectively restricting national netting in *every EU country*.
3. To take quotas out of production the mechanism of temporarily leasing out quotas by the EU has to be introduced immediately.

4. The 5 x 1% quota increases voted in back in November 2008 must likewise be released for production only as and when required.
5. The fat correction factor has to be left at its level hitherto (0.18).
6. A legal basis must be created that enables the EU-wide introduction of producer-financed levies.
7. Surplus products should now be bought up immediately and used in a way that does not damage the market, to ease the pressure on the market and thus to raise the producer price as quickly as possible.

We call on all European dairy farmers *to urge the politicians and dairy representatives in their countries to implement these EMB demands rapidly, especially on 29.4.2009 as part of the pan-European Day of Action*. The surveys carried out by the individual member organisations have made it crystal clear that the majority of milk producers are in favour of flexible supply control. The “soft landing” propagated by the EU Commission has been a failure and has left the whole of Europe in destructive chaos. A clear change of course and total abandonment of the deregulation already embarked on is indispensable. Only then will we succeed in creating reliable basic conditions and thus restore prospects for the future of dairy farmers in Europe.

#### **A flexible volume regulation for fair milk prices**

The EMB Executive Committee  
President Romuald Schaber