

Dear member of the European parliament,

the amendments to the milk market regulation are currently being discussed. Please see below the essential issues and questions that have to be taken into account when discussing the milk sector.

Why is a pooling limit over 3,5% EU-wide and 20% and 33% at the national level required?

We all agree that the position of producers has to be strengthened. This reinforcement has to be really tangible and has to be an adequate improvement. It is hardly useful if the pooling limits are too low. **Only a pooling of up to 30% EU-wide and without national limit can ensure a sufficient degree of pooling of milk producers. These limits would constitute the maximum pooling possibility for producers – processors already have the opportunity to concentrate to a great extent. Producers would thus be given the opportunity to draw level with processors.**

Unfair business practices at the expense of producers are thus prevented and producers no longer have to accept extremely low prices. It is possible to achieve fair prices for both parties.

Why are 3,5% at the European and 33% or 20% at the national level insufficient?

They are insufficient as they cannot counterbalance the concentration of the processing industry. If these low pooling limits are implemented there will be producer organisations along side many producers who are not pooled so that the producer organisations will have too little bargaining power to negotiate a fair price for their members. In some EU member states producer organisations already failed due to this reason. Or there will be many small-scale producer organisations (compared to the number of regional raw milk buyers) that co-exist. The buyers will in their (legitimate) desire to purchase the cheapest resources pit the different organisations off against each other. This development can currently be observed in Switzerland. The merciless competition of many producer organisations on a market with surpluses leads to level of producer prices that is way below the production costs and threatens the livelihoods of many farms.

Why is it important that producers have the possibility to be a member of a cooperative and an independent producer organisation?

This dual membership is important to make sure that producers are members of an organisation that represents their interests directly. Dairy cooperatives are not able to do so. They are processors and have a (legitimate) interest in cheap raw materials. This runs counter to the interests of producers who want fair prices. The real influence of producers within their cooperatives is rather small so that they cannot impose fair prices. If conditions are not favourable, it is not or barely possible for producers to change their dairy. Producers in cooperatives must therefore also have the opportunity to be members of an independent organisation that is committed to their interest in fair prices.

Why do we need a monitoring agency that uses the strengths of the market intelligently while limiting its weaknesses?

Only a functioning market can ensure cost-covering milk prices for producers and can meet the interest of civil society that wants a sustainable supply with high-quality milk. Overproduction destroys this important equilibrium. It is therefore necessary to adapt the produced volume to the demand and to use cost-covering milk prices as a benchmark. To this end, a European monitoring agency should be installed where all the participants of the market adapt the volumes independently. This monitoring agency could provide a platform to reconcile the interests of the dairy industry and milk producers and ensure that interests of civil society are respected. It does not suffice that such an agency only supervises and analyses the market. This agency must be able to react to prevent harmful surpluses or rather to ensure the supply of the people in the EU with dairy products.

Why do we need EU-wide standardised contracts and a pricing system that takes into account the production costs?

Standardised contracts strengthen the common market in the EU and prevent a partial renationalisation. Distortions of competition between producers are avoided. If the member states decide on their own whether to introduce obligatory contracts in their country or not, they are not very likely to opt for these contracts. If a state introduces obligatory contracts that have market-regulating effects but other countries do not follow suit, the country with the obligatory contracts is technically at a competitive disadvantage in the EU. A Common Agricultural Policy cannot be achieved in the EU with such optional measures. On the contrary, this will only further exacerbate detrimental competition situations between the member states.

However, if contracts between dairies and milk producers that take into account the production costs of dairy farmers are mandatory throughout the European Union this could be a real improvement of the position of dairy farmers. Optional contracts, however, would only be a paper tiger as they would hardly have any effect given the reasons mentioned above. There is a simple reason why prices need to be aligned with production costs. Without cost-covering prices milk production will be forced to leave entire regions in the EU and a concentration in so-called low-cost regions would ensue. Milk production throughout Europe is increasingly a thing of the past. Vote in favour of milk production throughout the EU, that means also in your country. Vote in favour of cost-covering prices and thus sustainability.