

Dear Dairy Farmers, dear Interested Parties,

On 2/3 November 2011, the EMB Executive Committee travelled to Croatia to attend a conference on milk production in Europe co-organised by the EMB and HSUPM. Besides the conference, in-depth talks were held with representatives of the Croatian EMB member HSUPM and there was a tour of a farm. In this newsletter we also have an interview with the dairy farming family who were our hosts at the farm.

During the conference, attended by many milk producers and representatives of institutions and the dairy industry, it became clear that the institutional policy in Croatia is heavily geared to the EU subsidies expected in the future and is less concerned about basic structural conditions for milk production. The following questions remain unanswered:

How can the producers be enabled to sell their milk to the dairies at cost-covering prices? How can their position in the market be strengthened? How can they survive in the face of cheaper imports from the EU once they have joined the EU? How can they bring about the necessary adaptations to EU standards? What operational measures should be promoted by subsidies to create long-term sustainable structures in milk production and thus throughout rural areas?

EMB member HSUPM comprises regional milk producer organisations all over Croatia and represents some 5,000 milk producers. One of the issues the association is currently addressing is that of land reform, as the very small plots of land in many different places make farming very difficult. After this successful get-together the aim is for co-operation between HSUPM and the EMB to be intensified in the next few months.

I hope you all enjoy reading the newsletter,

Kind regards,

Romuald Schaber, President of the European Milk Board

Interview with Vlado Ljubic, Croatian milk producer

Together with his wife Ljubica, 37-year-old Vlado Ljubic runs a dairy farm in the north-west of Croatia, about 40 km from Zagreb. They have 23 dairy cows and about 10 young stock. Vlado's parents still help out a great deal on the farm, his father also works as an ambulance driver. Ljubica works on an hourly basis looking after elderly people outside the farm. Within the next few years they want to increase the herd to 30 dairy cows and also fatten up a maximum of 50 bulls.

The dairy cows are kept in free-stall barns and the young stock are put out to pasture in summer and tethered in winter. The family farms 39 hectares, 10 of which are their own and the other 29 are leased, on about 100 plots within a radius of 20 km. They cultivate grassland, clover and corn.

S.Korspeter: How long have you been running your parents' farm?

Vlado: I started running the farm in 2001. Before that I did an apprenticeship in mechanical engineering and started studying mechanical engineering in Zagreb, although I didn't complete the course. Prospects in the industry were not good at the time and I fancied working with animals on the farm. What I like about being a farmer more than anything is that I am my own boss and I can work when I want.

Has your family always been here?

My grandfather arrived here in 1950. His brother took over their parent's farm and to start off with he built himself only a little wooden shack alongside the new land. It was 1.5 hectares with forest, meadow, vineyard and half a hectare of arable land. Times were hard then, some days there wasn't enough to eat. Before anything else they got a little calf, because they couldn't afford a cow. They pampered the little calf like a baby to make it strong and healthy.

Where would you like to see the farm in ten years' time?

We have very concrete plans for enlarging the farm. When I took it over 10 years ago we lived quite well with the 10 cows. Today things are tight with 23 dairy cows. Farm-gate prices are low, living standards are higher and people are more demanding. I want to create places for 30 dairy cows and fatten up about 50 bulls. The price of bull calves is low, a 10-day-old animal fetches only about € 150. That is nowhere near enough. And I like the idea of closing the circle – breeding the young stock on the farm.

Doesn't that mean a lot more work, then?

Yes, true. But my parents will help and I can do a bit more myself as well. For instance, today I started just before six and was finished by 5 in the afternoon. We'll build the cowshed with overhangs and curtains ourselves. Then we'll only have to pay about € 50,000 for the material. That means a clearly defined investment that we can manage.

What is the current farm-gate price?

Up until 31.12.2011 I'll have been paid 3.60 kuna, which is 48 cents, a litre every month. Of that 2.60 kuna comes from the dairy, if the fat content is at least 4.3% and the protein content 3.7%. Then every other year I get a state subsidy of 50 lipa per litre of milk produced, and up until last week there was an extra 42 lipa per litre recession aid. They've now stopped the recession aid, and we won't be getting the state subsidy again until 2013. How we are supposed to carry on with just 2.60 kuna in 2012, nobody really knows.

What are your production costs for one litre of milk?

My costs are 3.80 kuna (50 cents) and my production costs are relatively low, as I am very careful with diesel and have only taken out small loans. I have factored in wages of 5,000 kuna a month (€ 667) for myself as farm manager, i.e. the wage for a full-time job. My parents' and my wife's work does not appear in the calculation.

What will change for you when Croatia joins the EU?

A lot, we will be facing a totally new competition situation with imported dairy products. But there will also be more subsidies and these will be paid more regularly. Yet to receive these subsidies there will have to be a lot of legalisation procedures and adaptations to standards. Like most cowsheds in Croatia mine has no planning permission. To get it now I'll have to pay 50-60,000 kuna, i.e. € 6,500-8,000. This Croatian law applies, by the way, to cowsheds as well as to holiday homes that were built without planning permission, and the unit of measure is a cubic metre of converted space. That is truly absurd, divorced from any reality, but that's often the way things are in Croatia.

There is an incredible amount of fallow land around. Why is it that these pieces of land aren't cultivated?

A lot of young people are moving away, Zagreb and other towns and cities are much more attractive places to live. They don't see any prospects for them working the land. But there is also a problem of mind-set. We have young families with small children here that have land but no work, and yet they don't use their land and don't even keep a cow for the milk, meat and some manure for the garden. And that's so easy to do and is really worth doing.

Have you leased land?

Some of the land we cultivate belongs to other people. But there are a few problems with that. Firstly, the plots are often not registered in the Land Register and so can't be officially sold or leased. Secondly, even if their land lies fallow people don't want to let others work it. And thirdly, you can sometimes use the land without paying a lease, but the owner pockets the subsidies for the piece of land without doing anything with it.

Yesterday milk producers from seven EU countries visited your farm. What will you remember most about the visit?

The thing I'll recall more than anything is that although the EU milk producers farm 1,000 km and more away from me, they have the same or very similar problems that we have here. I very much enjoyed taking with them, my fellow farmers from the EU are very honest and nice people. The whole family was very pleased with the visit.

Thank you very much for talking to us.

German Farm Ministers Conference to strengthen the milk producers' position

A socially fairer reconfiguration of the Agricultural Policy (CAP 2013) was called for by the milk producers of the BDM e.V. [German Dairy Farmers' Association] during the Farm Ministers Conference in Suhl on 28.10.2011. The BDM's "Suhl Dairy Farmers' Manifesto" also called on the ministers to overhaul the "EU Milk Package".

The BDM regards it as a positive endorsement of its work that many of the BDM's demands were included in the Ministerial Decision on Milk, and the ministers have evidently realised that the planned upper limit for the size of a producer organisation (3.5% of EU production and 33% of national production) was too severe a restriction on the milk producers compared to the market clout of the dairies and retailers. In their decision the ministers agreed that it made more sense to decide on the possible degree of pooling milk on a case-by-case basis, taking the respective market structures into account, than to set rigid top limits. The government is also called on to strengthen the milk producers' bargaining power, so that the farms can react flexibly to market occurrences and thus spread the risk.

The ministers also stressed the importance of tried and tested mechanisms such as intervention and private storage as temporary measures to stabilise the dairy market in times of crisis. What is positive is the statement that these instruments must be used at an early stage, specifically and flexibly. That, too, accommodates the milk producers' demand for greater flexibility and a faster reaction to the particular market situation.

The federal states of Baden-Württemberg, Berlin, Brandenburg, Hanseatic City Bremen, Hanseatic City Hamburg, Rhineland Palatinate, Mecklenburg Western Pomerania and North Rhine Westphalia intend to take a clearer step towards improving the milk producers' market position. In their joint protocol declaration they ask the Federal Government for a commitment to the following changes:

- The possibility of a milk producer having dual membership in more than one producer organisation or in a producer organisation and a co-operative ought to be studied.
- The minimum requirements stated in the EU package for drafting contracts between producers and the dairy industry should not be optional but obligatory for every member state.
- The specific aims of the sector organisations should make it clear that the dairy market must be kept in balance by gearing milk production to the demand for milk and dairy products. The Federal German Government is further called upon, once the requirements have been enshrined in EU legislation, to create on a national level the legal requirements for recognising the inter-branch organisations.

The BDM welcomes this protocol declaration not only expressly because it considers key demands from the “Suhl Dairy Farmers’ Manifesto”. The BDM is particularly encouraged that eight federal states have evidently created an increasingly broad alliance for the milk producers’ interests.

From a BDM press release of 28.10.2011

Fair cocoa milk in the Netherlands!

Monday, 7 November, saw the official launch of *De faire melk*’s Fairtrade Cocoa Milk by Ben Krol at C1000 in Arnhem. It is now available on this supermarket chain’s refrigerated shelves.

Hans Geurts, President of the *Nederlandse Melkveehouders Vakbond* (NMV, the Dutch Dairy Farmers’ Association), spoke a few introductory words after which Vice-President Dirk-Jan Schoonman, responsible in the organisation for *De faire melk*, explained the background, history and philosophy of the product. The Managing Director of C1000, Jasper Pitlo, was impressed by this new product, which he feels fits in very nicely with the C1000 policy of creating more space in its product range for Fairtrade products in the next few years.

Finally Erwin Schöpges, President of the Belgian Fairebel and Member of the Executive Committee of the *European Milk Board* (EMB), gave a brief survey of the developments of fair trade milk in the rest of Europe. Fair trade milk is already available on supermarket shelves in Germany, Austria, Luxembourg and Belgium, and it is expected that France and Italy will soon join those countries.

De faire melk’s fresh cocoa milk was presented to the public in front of the work of art entitled “De olifanten van Almere” (The Elephants of Almere). Just like *De faire melk*’s cows, these elephants stand for freedom in nature.

De faire melk’s fresh cocoa milk is produced from fair trade cocoa and cane sugar and stands for:

- cattle grazing
- a fair farm-gate price for the Dutch farmers
- the best quality of fresh Dutch milk
- fair trade with the farmers in developing countries.

For further information go to www.defairemelk.nl

From the NMV press release of 8.11.2011

Report from Sweden: ARLA – dairy market - politics

The Swedish competition authority has now approved the merger of Arla with Milko, a Swedish dairy. This is good news for the Milko farmers for now as it means that bankruptcy has been prevented. But we must remember that the economic situation on the farms is still very serious. The Milko farmers have suffered great economic damage and it will take a long time for the situation to stabilize. This is why Sveriges Mjölkbönder is working on different solutions to help these farmers in economic terms. We are cooperating with the Swedish Dairy Association and the Swedish Ministry of Agriculture in this matter. It remains to be seen what effects on the Swedish dairy market such a huge dairy as Arla will have. Other dairies in Sweden are worried about the future. It is difficult for dairies such as Skånemejerier to cope; the question is what will happen if they won’t be able to cope?

Regarding the work in Sveriges Mjölkbönder, we can see that politicians and other organisations need our opinion on different matters. We represent an important voice from reality. Right now we are involved in a youth project which is supposed to support young dairy farmers and hence ensure the next generation of dairy farmers. The situation in Sweden is quite alarming. The average age of dairy farmers is very high and milk production as well as the number of dairy farms are decreasing rapidly. Another big issue in Sweden is of course the future CAP. We can only hope for fair conditions in all European countries. One problem in Sweden is that politicians are not interested in

agricultural policy and are far too passive in the debates in Brussels. It seems they haven't realised yet that soon there won't be any farmers and food production left in this country. An important task for us is therefore to discuss these matters with the politicians. We have had several meetings in the Swedish parliament and another one with a Swedish Member of the European Parliament. Our plan is also to arrange a large meeting in Stockholm in summer 2012.

Maria Mehlqvist, Sveriges Mjölkbönder

EMB: Does the dairy market have to follow the financial markets?

End the ignorance – we need to be on top of things and must be able to react accordingly

Whether it is the global bank and EU debt crisis or the dairy crisis with their international consequences – one does not gain the impression that the politicians could get the situation under control. They come across as out of their depth, in some cases ignorant. They lack knowledge and the courage to make decisions. Moreover, they are too strongly influenced by the interests of the banks or the dairy industry respectively. But the public demands the right to an effective reaction at last.

In the financial sector this means demands for stricter and effective financial supervision, transparency in the markets, and that new financial products are secured effectively.

In the dairy sector it means calling for a monitoring agency to enable us to have an overview of the dairy market and to render all the market processes transparent. For this it will need to collect key data such as production costs, prices and the volume of supply and demand. With this knowledge it can then calculate adjustments to volumes, i.e. work out how much has to be produced in order to a) gear supply to demand and b) achieve a cost-covering price for the milk producers and c) achieve a fair milk price for consumers. That is the way the crisis in the dairy market can be overcome.

On the other hand, what is bad for agriculture is speculation on food, for instance the planned introduction of futures markets in the dairy sector. Here, few profit at the expense of the many who have to suffer from speculation. We have seen it clearly in the financial market and the same applies to the dairy market: we need intelligent rules for the sector, not speculators! Now, quite rightly, there is talk in the financial market of reintroducing abolished rules because now people realise that a lack of rules is extremely problematical. The milk market, too, will suffer severely from the planned abolition of important rules like the quota system and needs the monitoring agency.

An ailing financial sector produces an ailing economic system, resulting in huge social conflicts. An ailing dairy market leads to a sharp decline in the agricultural sector with severe negative consequences for gross national product.

Here, too, the result is social conflict; due in part to the demographic haemorrhaging of rural areas, the destruction of jobs and the loss of cultural landscapes. The social problems are also exacerbated by the decrease in tax revenues that can no longer be fed into the welfare sector. What an ailing dairy sector means for our consumers is that they no longer have access to national or local produce. The reason for this is that milk production is being concentrated in a handful of areas, while it is dying out in many others. As in the financial market, here too the taxpayer is footing the bill.

Do the same mistakes have to be repeated over and over again? With the economic crisis of the 1930s in mind, after World War II following an initiative from the farmers the LEI (Agricultural Economics Institute of the University of Wageningen) was founded, an institution that was aimed at preventing negative economic developments. Similar to the monitoring agency referred to above, it ascertained production costs from which it worked out a reference price. This was taken as a solid basis in the milk producers' negotiations with the dairies. However, in 2003 the milk price in the EU was disconnected from this reference price, resulting in problematical developments in the milk price and the current crisis in the market.

It is wrong that in the financial sector banks and managers, in the dairy sector the dairy industry and the retailers, exert such a strong influence on political decisions from which society, indeed the whole system suffers. We have reached the crossroads. Political decisions in the next few months will determine whether and how our system can survive and if it will be shaped in the people's interest. Trust has been shattered. We need good, effective decisions.

From: EMB press release of 8/11/2011

BIG-M: The Reorganisation of BOM is a farce!

Following the withdrawal of the Swiss Milk Producers (SMP) organisation, the President of BOM [the Swiss Inter-Branch Organisation], Markus Zemp, announced that this was also an opportunity for a reorganisation that would enable an efficient solution to the problems in the dairy market in the future. This reorganisation is now to be decided on at the BOM Delegates' Meeting on 28 November 2011. What is being touted on the agenda as "Reorganisation" beggars belief: so far it has been possible to exclude members from the BOM for good cause, e.g. if they violated the BOM Constitution or contravened BOM resolutions. Although there are members who do precisely that, this article has never been applied. Now the plan is to be able to "exclude a member without stating reasons". That is the entire "reorganisation"!

That is precisely what BIG-M has always said: the BOM in its current composition is incapable of solving the severe problems in the Swiss market. It just looks on as the players in the dairy market mock every stipulation: the milk buyers pay no attention to the BOM resolutions whereby the marketing as A, B and C milk must be correctly and transparently accounted for. The majority of producers are paid mixed prices based on arbitrary segmentation. The milk processors merely state what proportions are paid for. Last week Emmi suppliers received bad news: from next year only 65% of the delivery quota will be paid for at the A price. 25% will now be B milk and 10% C milk! Here's to the next record profit for Emmi!

The situation is intolerable for the dairy farmers: the processors pass every problem onto the suppliers. The milk buyers, producer organisations and producer/milk processor organisations factor in all their overheads, and all the farming families get is what is left over. They then have to see how they can cover their costs. This has nothing at all to do with "boosting profitability for every stage" as provided for in the BOM article on its purpose. Surpluses are disposed of abroad with farmers' and taxpayers' money, instead of adjusting the volume to sales with effective solutions. No farmer and no consumer benefits from all this nonsense.

The reorganisation of the BOM on 28 November is a farce, proposed by a Board which has so far proven incapable of enforcing its own resolutions and which in this form and composition will still not be able to balance the forces in the dairy market.

Keeping up the struggle, regards

Werner Locher, BIG-M

The Danish dairy company Arla just carries on growing

The European Commission has no objections under competition law to the merger of the German dairy group Allgäuland with Arla. In its estimation the resultant company is still exposed to the pressure of competition through a number of competitors. The examiners specifically looked into the expected impact on various markets for dairy products, including cream, packed butter, *fromage frais* and cheese. The Commission further scrutinised the impact of the merger on the market for whey protein concentrate, lactose and milk permeate.

These are the by-products of processing whey. Here the activities of Arla and the German dairy Milei, in which Allgäuland holds a 30% share, overlap. Here too, though, the Commission came to

the conclusion that there were no serious objections on the grounds of competition because there were other suppliers. The six Allgäuland supply co-operatives have now approved the sale of their shares in Allgäuland Käsereien GmbH and AL Dienstleistungs-GmbH, finally after long consideration the co-operative members of Bergbauern-Milch Sonthofen Schöna. Similar to the case in Sweden, this decision was taken in view of the impending bankruptcy of the existing Allgäuland dairy group.

Arla Foods is now one more step nearer its stated aim of being one of the three leading milk processors in the German market. And in northern Europe, too, the company has become bigger by taking over the Swedish dairy Milko. The concentration in the dairy sector is increasing and in Brussels the politicians are expressing concerns that with too much scope with regard to mergers the dairy farmers could perhaps become too powerful in the market! Some EU politicians have got it all wrong. Or simply have selective perception guided by interests.

Time and again our descriptions of the situation directly from the dairy farms must create a new sense of reality and sustainable visions of the future.

Sonja Korspeter, EMB

Some of the meetings of EMB board members in November

- 25.11.2011** *Workshop on research project “Support of Farmers’ Cooperatives” of the EU commission*
- 24.11.2011** *Meeting with Polish minister of agriculture Marek Sawicki in Warsaw*
- 23.11.2011** *Meeting with the German minister of agriculture Ilse Aigner in Berlin*
- 17.11.2011** *Meeting with the Luxembourg minister Romain Schneider in Luxembourg*
- 10.11.2011** *Meeting with representatives of the Flemish ministry of agriculture in Brussels*
- 07.11.2011** *Meeting with the Czech minister of agriculture Petr Bendl in Brussels*

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