

# MILK-NEWS



## **Dear Dairy Farmers and Interested Parties,**

It's September, and summer is already over. It was a summer with peaks and also many troughs, both in the weather and in the milk market – milk prices kept plummeting until August. And suddenly the same old madness returned: because of the drought in the USA, those who speculate on milk prices are afraid that there will be less milk on the market. So they are stepping up their demand without any checks or controls, resulting in higher prices on the spot market. Other “experts” had predicted the opposite. This uncertainty and lack of transparency are the wonderful added value given to us by the new liberal milk market! What the higher price on the spot market has not given us, though, is a better milk price.

It is stated very clearly in the Treaty of Lisbon, amending the Treaty on European Union, Article 39 c): “The objectives of the common agricultural policy shall be: [...] to stabilise markets”. Yet by deregulating markets the European Commission is trampling this objective underfoot. The Commission has also lost any sense of reality: a few weeks ago the EU Commissioner for Agriculture Dacian Cioloș said that there was no crisis in the milk market because the milk prices had not yet slumped to the 2009 level. Had he considered the huge hike in production costs, however, he would have realised that the crisis was already a lot worse than in 2009.

But it is not only the policy-makers who are to blame. There is also something rotten in the dairy industry and the traditional farmers' unions. In Great Britain, dairy farmers belonging to the “Farmers for Action” organisation are demonstrating against cuts in milk prices that were announced. And they have been successful in dealings with the dairies, the supermarkets and the politicians. There is a report on this in this issue of the EMB Newsletter. But why have the British dairy farmers succeeded? Because apart from the support from the public, they also have the backing of the long established dairy farmers' union, with which they are working together and jointly influencing policy-makers. We have no such luck at the EMB. It is precisely these large, established farmers' unions in Europe that are backing the dairy industry and the dairy trade instead of their own members. It is these large farmers' unions that are lobbying the politicians and the European Commission not to talk of a milk crisis.

Against all opposition the EMB is still committed to a fair dairy market that ensures the livelihood of the dairy farmers. We are joined in this cause by those taking part in the Good Food March 2012, which has been going on throughout Europe since August and climaxes in Brussels on 19 September. The good people of Europe are united in their demand for a fair market, good food and a sustainable policy: so, for real added value, then.

*Sieta van Keimpema (Vice-President of the EMB)*

## **Milk protests in the UK: Interview with Farmers for Action**

Milk producers in the UK are currently taking a stand against cuts in milk prices. In the following interview, David Handley, Chairman of Farmers for Action, explains what is motivating the current milk protests and what are his organisation's key demands.

### **What is the background of the milk producers' demonstrations in the UK, why is it happening right now?**

There was a cut in milk prices in May 2012 threatening the economic survival of milk producers in the UK. We were obviously expecting price cuts due to world market conditions, but we were not expecting the cuts we were given. So then in July processors announced another milk price cut for the 1 August. At that point we found it more than justified to say 'enough is enough'. This is the history of how we started to protest.

### **What are your aims and main demands?**

Farmers for Action's main demand is a sustainable dairy industry in the UK and Europe. But we cannot achieve this by paying dairy farmers below the cost of production. So our long-term aim is to have farmers at least paid their cost of production and we believe that this is achievable with the money that is already in the supply chain.

### **Which actions have you done so far?**

We have demonstrated at dairy processing plants and retail distribution centres all over the UK from Scotland to Cornwall. What we are also doing alongside the protesting is to meet with retailers and processors to make sure they get the message of why we are taking action. We are also speaking to the UK government.

### **How do you evaluate your achievements and how do you intend to proceed in the future?**

This a very simple question to answer. Already with the first protests we did, we got the price cuts rescinded and that was worth a 150 million pounds to the UK dairy industry. We have just had the first price increase announced by Arla. This is worth 2.5 pence to all their dairy farmers giving a standard retail price of 29.5 pence per litre. So our aim now is to get all the other processors to do the same thing.

*Christian Schnier (EMB)*

**Join us for the Good Food Brunch in Brussels on September 19<sup>th</sup>**



THE EU'S COMMON  
AGRICULTURAL POLICY (CAP)  
AFFECTS EVERYBODY

## The Good Food & Good Farming Campaign

requests the pleasure of your company  
at a **Brunch** in celebration of the

### Good Food March

Wednesday 19th September 2012  
from 12.30 lunch time

Esplanade Solidamosc 1980  
close to the Luxemburg Station  
European Parliament  
Brussels

R.S.V.P.  
[info@goodfoodmarch.eu](mailto:info@goodfoodmarch.eu)

*A citizen gathering on the future of food and farming in Europe - in front of the EU Parliament*

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*Une rencontre citoyenne sur le futur de l'alimentation et de l'agriculture en Europe - devant le Parlement Européen*

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*Eine Bürgerbewegung zur Zukunft von Lebensmitteln und Landwirtschaft - direkt vor dem Europäischen Parlament*

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*Burgers komen samen over de toekomst van het voedsel en de landbouw in Europa - Voor het EU parlement*

[www.goodfoodmarch.eu](http://www.goodfoodmarch.eu)

## **New brochure puts a few things straight about co-operatives**

As announced in the last issue of the EMB Newsletter, here follows another extract from the EMB's recently published brochure on co-operatives in the dairy sector. If you are interested you can acquire the full version of the brochure on co-operatives in German, English and French from the EMB.

### **Co-operative dairies, a curse or a blessing? Risks and opportunities of the co-operative system for German milk producers**

HANS FOLDENAUER

Co-operatives are an extremely old tradition in Germany, first mentioned way back in the Middle Ages. There are currently more than 5,400 co-operatives in Germany, roughly half of which operate in the agricultural sector. 70% of the milk produced in Germany is processed and marketed by co-operative dairies.

However, since the second half of the last century there has been an enormous structural change, especially in the dairy sector. Whereas in 1950 there were still 3,400 dairies predominantly organised as co-operatives in Germany, there are now fewer than a hundred. And the concentration process continues apace. Recent years have seen the development of mega co-operatives. At present the largest German dairy company is DMK GmbH, an amalgamation of Nordmilch eG, Humana Milchunion eG and Bad Bibra eG, with 10,500 dairy farmers producing 6.8 billion kilos of milk. The German dairy industry's plan is to be in a better bargaining position with the retailers by creating increasingly large corporate structures.

This growth, however, is at the expense of the milk producers, who have less and less influence on the management of "their" dairy. Given the complexity of correlations, an increasing global expansion of markets, often the shareholders cannot counter the management and Board's line of reasoning. For instance, when the milk producers or their representatives oppose the management's and the Board's proposals, the representatives of these bodies threaten to resign or state that notice to quit is irrevocable and a subsequent return to the dairy is impossible.

A crucial problem of the co-operative form of organisation in the dairy market is the link between capital and milk. This set-up means on the one hand the milk producers furnishing the dairy with equity capital by subscribing shares, and on the other hand the duty to supply under the constitution obliging them to provide it with all their milk for processing. Unfortunately most of the management bodies and committees of the co-operative dairies regard their co-owners first and foremost as milk suppliers, and less as investors and employers. Hence the nature of the pricing in co-operative dairies ("upside down") results in the milk producers just being paid what is left over.

More and more milk producers realise the necessity of reforming the dairy market. The milk producers need a market to sell raw milk upstream of the processing stage, without altering the basic financial resources of the dairies. This realisation calls for a step-by-step approach. The first step is to separate capital from milk. The capital investment must be remunerated with interest paid on the shares, not with the price paid to the producers for delivering their milk. At the same time an independent contract has to be signed to regulate the milk supply. This can be done with part volumes or the entire volume, with the timing not being related to the term of the capital investment.

The milk producer of the future has to decide: am I a producer or a processor? It will not be possible to be both, except in niche markets. When s/he realises this fact, the corporate structure of the dairies will play only a minor role. Milk goes to whoever markets it best, capital to whoever pays the best return. Then there can be a market for milk upstream of the dairy industry. Milk will be negotiated, not delivered. To do so the milk producers must pool their milk. For if they go it alone in dealing with the dairy, no cost-covering price can be achieved.

Hans Foldenauer is the spokesman of the German Dairy Farmers (BDM) Board

*Christian Schnier (EMB)*

## **Competition in the dairy sector: OPL speaks out against the dairy industry in Spain**

The Spanish milk producer association and EMB member OPL decided at a members' meeting held in Leon, Spain, to have its say in an ongoing process of studying the competition situation in the Spanish dairy sector. The aim is to uncover anti-competitive practices on the part of the dairies and to underpin the results in a report that is legally cast-iron. At the end of July 2012, the national Competition Commission decided to institute proceedings against several large dairies in Spain owing to alleged fixing of terms and conditions of business and prices. The dairies accused include Pascual, Puelva, Danone, Nestlé and Lactalis.

In addition, OPL insists that the dairies be obliged by the central government and autonomous communities to employ a vet in every company. Only a vet could, says OPL, guarantee full traceability of the milk. The aim of this measure is to ensure high-quality products for the consumers.

At its members' meeting, OPL stressed the necessity of forbidding retailers from selling any products below production costs. This means that the consumers would not find any milk on shop shelves at a price of less than 0.70 euros a litre. In this context OPL welcomes the decision taken by the Mercadona chain to accept a rise in the producer price of 0.015 euros a litre, although this change could mean a slight rise in the price paid by consumers.

The livestock farmers' position on contracts between the industry and the milk producers, which should enable the farmers to negotiate the price with the dairies, is clear. They demand from the authorities the immediate application of appropriate legal provisions to strengthen the bargaining power of the producers in the value chain.

OPL press release

## **What is the situation of the Swiss milk producers 18 months after the introduction of segmentation?**

What was the line spun to the Swiss milk producers? "The segmentation of the milk market gives us a market-oriented instrument for controlling the volume of milk! The price of milk is now geared to its intended use, thanks to segmentation!" It would help channel milk into segments with high added value!

The segmentation of milk into A, B and C milk was praised to the rooftops. The A segment was supposed to be for the protected domestic market, the B segment only for products without border protection, and the C segment for everything sold on the world market without a subsidy. All

seamlessly controlled and transparent down to the last litre of milk, of course. On 20 December 2010, the milk inter-branch organisation (BOM) boasted: "This system helps prevent milk volumes that exceed market demand and that threaten markets with high added value – and in the final reckoning farm-gate prices." Yet producer prices still plummeted, and every day a lot of added value on our farms has been destroyed ever since. The farmers are milking more than ever before and the price of milk is as low as it was fifty years ago.

The current milk price monitoring conducted by the Central Federation of Swiss Milk Producers (SMP) has shown that the A-B-C segmentation developed by the BOM has not succeeded since its launch 18 months ago. In reality, mixed prices are often paid between the individual price segments, and they tend to operate in the low-price C segment. This, says the SMP, is the reason for the low milk prices. The majority of farmers are still forced to produce excess C milk. So segmentation creates only extra confusion, and the market is becoming even less transparent.

There is a lack of will on the part of those who buy and process milk to put this system into practice. Its systematic implementation would require stringent, comprehensive checks on milk buyers and the dairies as well as seamless reporting on the purchase, sale and processing of milk to the BOM.

*Werner Locher (BIG-M)*

## **EMB Calendar**

**Please find below some of the most important events in September 2012:**

- 19.9.: Final event of the Good Food March in Brussels
- 20.9.: Meeting of the EMB Board in Brussels

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