

MILK-NEWS



Dear Dairy Farmers and Interested Parties,

Following the reform of the EU dairy sector it is now time to re-evaluate the situation. What consequences does the Milk Package have for producers in the EU? What conditions have changed? What problems still exist?

For dairy farmers in Croatia, the EU accession has meant a few changes. Yet the strong cost pressure exerted on the producers there with their small farms is unrelenting. Since the beginning of the financial crisis the profits of the entire dairy sector in Spain have dwindled. But it has hit producers much harder than it has the retailers and the dairies. In May possible solutions were discussed with the Ministry of Agriculture at a large conference attended by representatives of the whole sector. However, without effective pooling of the producers there dairy farms cannot expect any noticeable rise in prices.

The situation in Switzerland is mixed. With the disastrous consequences of the abolition of quotas, which are still felt to this day, milk prices are on the rise at the moment. At the same time, they are now discussing the total opening of the dairy sector to the EU market, which will once again severely heighten the competitive pressure on Swiss producers.

And discussions are still ongoing on the EU level, too. For instance, the Commission has published a Green Paper on unfair trading practices, to which the EMB contributed.

The Milk Package stipulated that data on the situation in the sector must be collected in 2014 and 2018 to enable appropriate responses to the unwanted impact of the package. As part of this process Commissioner for Agriculture Ciolos has now issued an invitation to a conference on 24 September on the future of the EU Milk Package after 2015. The European Milk Board will be represented at this conference with participants from almost every EMB member country and will present an academic study, showing the impact of the abolition of quotas in the EU and pointing up proposals for effective solutions.

Even though we are aware that the farmers' fighting spirit is weakening because of the slight rise in prices, many EMB organisations have already said they are prepared to start new campaigns. If there are no new proposals from the Commission after the September conference, we will take to the streets again. The EMB is committed to cost-covering prices and a fair day's pay for a fair day's work on the farms.

We are not a traditional farmers' union, we demand new rules: *the time for discussions is slowly coming to an end!*

Erwin Schöpges (Member of the EMB Board)

The Dairy Sector in Croatia

Croatia has been a member of the European Union since 1 July 2013, making it the 28th EU member state. Its agriculture is rather small in scale, with an average dairy herd size of just six cows per farm. The Croatian milk producer organisation HSUPM is a member of the European Milk Board (EMB).

According to the Internet platform Agrarmarkt Austria, there are at present some 4,500 milk producers in Croatia. The number of dairy farms has actually fallen markedly owing to farms being seriously in debt. That is why in 2012 there was a delivery boycott and protests lasting several days against the low milk prices paid by the dairies. The farmers called for a farm-gate price of about 45 cents a litre, whereas the dairies were offering only 32 cents.

Roughly 78% of milk produced in Croatia is for the domestic market and is processed by about 40 dairies. The biggest dairy, Dukat, belongs to the French group Lactalis. As the milk has to be collected from many small farms, in some cases the dairies have to contend with considerable logistical problems.

Roughly 132,000 tons of milk were supplied in the first quarter of 2013. That represents a substantial decrease of 17% on the same quarter the previous year. A great deal of milk is processed for the white dairy product range (drinking milk, fresh goods and cream). The Croatian dairies also produce cheese and some butter, whereas milk powder production is of no major significance. Croatia also imports some dairy products from the EU, primarily cheese, drinking milk and fresh goods.

Regina Reiterer (EMB)

Important declaration of EU Member States on the review of reference prices in the agricultural sector

The following joint declaration was given by 11 EU Member States in the framework of the CAP negotiations.

Reduction of extreme agricultural price volatility is a major challenge for the future CAP. This volatility is increasing and therefore the safety net becomes more and more important as a mitigation tool of this extreme volatility.

However, we acknowledge that the safety net must not weaken the market orientation of the CAP.

The following Member States – Belgium, Spain, Poland, Hungary, Romania, Slovakia, Croatia, Austria, Bulgaria, France and Luxembourg – are in favour of an appropriate adjustment mechanism to review the reference price in order to maintain an efficient safety net and to take into account specificity of various products and production costs.

Without such a mechanism the safety net would progressively become looser and looser and, in the end, would no longer be able to fulfil its objectives.

Erwin Schöpges (MIG)

Milk in Demand in Switzerland

The decrease in milk production in Switzerland continues month after month. The farm-gate price for industrial milk rose slightly in June for the first time in ages. But no farmer is being paid the reference price of 57.5 cents decided on by the sector and communicated in the media. What is more, many farmers are still being paid less than 48.3 cents for B milk. When cheese dairies stop making cheese in the summer months when milk is in short supply and sell their milk to the largest Swiss milk processor EMMI, they receive 60 cents a litre.

But now there is a new threat. The Swiss Parliament called on the Swiss Federal Council to draw up a report on the consequences of a total opening of the border to the EU in the dairy sector. The Federal Office for Agriculture (BLW) has now sent out a questionnaire to the sector. This questionnaire was also delivered to our organisation BIG-M, one of the two EMB member associations in Switzerland. It is not difficult to gather from the questions that the decision has actually been taken already. It is now just a matter of proposing any accompanying measures.

The paper contains not a single question on the far-reaching effects of tougher competition in milk production, i.e. on the consequences for the farming families, for the animals, for consumers' food security, for ecology and for tourism. The consequences of tougher competition in milk production have long ceased to be restricted to the sector itself. They extend to society as a whole. That is why it is of utmost importance for BIG-M that as many civil society organisations as possible speak out on this issue.

BIG-M has legitimate doubts that the agreements on the free trading of milk with the EU are being approached seriously. It reeks of (expensive) fobbing off. As can be seen already from the questionnaire, in the best-case scenario the result will be a demand for a lot of money for untold accompanying measures. Measures that will bring little but cost a lot.

Werner Locher (BIG-M)

Green Paper on Unfair Trading Practices

The European Commission in Brussels addressed the issue of market power in the food supply chain and at the beginning of the year published a Green Paper on "Unfair trading practices in the business-to-business food and non-food supply chain in Europe". In this area there are currently considerable differences between the member states, and there is no specific EU regulatory framework for combating unfair trading practices in the food supply chain. The aim of the Green Paper is therefore to sound out the opinion of the players involved and to initiate a discussion on how conditions can be possibly created under which the market can function properly.

The Green Paper contains a total of 25 questions on points such as the definition of unfair trading practices, the specific negative impact of unfair trading practices on the food chain, the current legal framework for combating such practices, and concrete suggestions for improvement that could be applied to the different levels and sectors of the food chain.

The European Milk Board stated its position on the questions in detail, underpinning it with examples from practice. As the EMB sees it there must be binding, EU-wide legal instruments to curb unfair trading practices. The Commission's next step is to publish a summary of the results of the consultation.

The European Milk Board's detailed comments on this Green Paper can be accessed in German on the EMB website at: <http://www.europeanmilkboard.org/de/emb/positionen.html>. The EMB's

answers are marked in blue.

Regina Reiterer (EMB)

World Milk Day 2013: Spanish Dairy Sector Conference in Madrid

The entire Spanish milk value chain (producers, dairies, trade and administration) met in Madrid on 31 May 2013 to discuss the situation in the dairy sector, a strategically important sector for Spain. The meeting, hosted by the Spanish EMB member organisation OPL, was held on the occasion of World Milk Day, which began in 2001 and is celebrated every year on 1 June in more than 80 countries the world over.

The representatives of the various links in the value chain took the opportunity to express their opinion on the situation in the sector. At present the dairy sector's situation is altogether negative, and this has an impact primarily on the producers. Since the beginning of the crisis dairy farmers have seen net profit dwindle by about 16%, industry has by 3% and the trade by 4%.

José Miguel Herrero, representative of the Spanish Ministry of Agriculture, presented in his speech the government's measures to restore the balance in the value chain and to increase the added value of milk. To this effect, he said, the Ministry of Agriculture has been trying for more than two years to mediate between the players in the chain to strengthen the producers' position.

The retail trade, the strongest link in the sector's chain, was represented by three organisations: Aces, Anged and Asedas. They expressed concern particularly about the continuing decrease in milk consumption and dairy products since 2008 and about expenditure on food as a whole.

However, Ignacio García Magarzo from the retail association Asedas also affirmed that the dairy sector was now a political priority and that this was thanks to everyone concerned. The best possible information on the dairy sector was available, he said, and it could be better analysed and rendered more transparent.

For his part the representative of the dairy industry association Federación Nacional de Industrias Lácteas, Luis Calabozo, referred to the necessity for Spain to cover at least domestic demand and to improve exports in a deregulated market after the abolition of quotas in 2015.

For the milk producers, though, that is not the solution to the current difficult situation with prices that have not covered the costs of milk production for years. That is why Fernando Sainz de la Maza, Executive Secretary of the Spanish EMB member organisation OPL, and Fernando de Antonio, Director of the Livestock division of the farming co-operatives' umbrella organisation Cooperatives Agrarias, stressed the necessity of pooling milk producers within producer organisations, with the aim of being able to negotiate a fair price for producers with the dairies. At the moment the farm-gate milk price in Spain averages 32 cents a kilo. Although the price is up on the previous year it is still far from ensuring the survival of dairy farms.

Astrid Sauvage (EMB)

EMB Diary

Here are some of the EMB Board's key dates in August/September 2013:

- 4.09.: Hearing in the European Parliament on price volatility in agricultural markets in Brussels
- 5.09.: Board meeting in Brussels
- 10.09.: Presentation of a study on French milk production costs in Rennes
- 24.09.: Milk conference of the European Commission in Brussels

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