

MILK-NEWS



Dear Dairy Farmers and Interested Parties,

A new year has begun. A year of key decisions. Our overriding demand for flexible supply management adjusted to the European milk markets by an EU monitoring agency is still at the top of the agenda. Unfortunately the majority of politicians on the European Parliament's Agricultural Committee still oppose sustainable regulation of milk production after 2015, although some of its members are now reconsidering their position.

Against this background, the positive outcome of the Agriculture Committee's vote in late January on a voluntary reduction in production with financial compensation can be regarded as a partial success. However, the stipulations on the actual implementation are far from satisfactory and still have to be substantially improved.

Another positive sign is that altogether the group of policy-makers outside the Agriculture Committee who recognise the importance of our concerns and support us in our efforts is becoming larger and larger. So intensive lobbying of precisely these decision-makers in Brussels and in their countries of origin is all the more crucial.

How important people in general now consider our concerns could be seen at the major demonstration on 19 January 2013 during International Green Week in Berlin. Some 25,000 people took to the streets in the bitter cold to call for an immediate change to the agricultural policy. We milk producers wish to say a huge "Thanks" for that support!

How drastic the situation has become for milk producers is shown by the latest figures from the full-cost study of milk production in Germany presented during Green Week by EMB and the German Milch Board. In October 2012, the costs of producing milk were 50 eurocents per litre of milk in most parts of Germany. The complete study can be downloaded from the EMB homepage.

Whatever happens, 2013 will be a very important year for us milk producers. So I wish us all a great deal of strength and determination to drive home our demands and thus set the right course for the period after 2015.

Erna Feldhofer (Member of the Board of the EMB and spokesperson of IG Milch)

Vote on EU Common organisation of agricultural markets disappoints European milk producers

The EMB has published the following press release on the occasion of the voting in the European Parliament's Agricultural Committee on the report regarding the Single CMO regulation:

(Brussels, 24 January 2013) Yesterday the members of the European Parliament's Agricultural Committee voted on the report on the reform of the Common organisation of agricultural markets in the EU. The Committee voted in favour of proposals such as the introduction of a voluntary supply constraint mechanism or the setting up of a European Food Price Monitoring Tool. But unfortunately members of cooperatives will still not be able to claim information on the milk price before delivery. Moreover, the insufficient pooling limits for producer organisations (3,5 % on European and 33 % on national level) were confirmed.

After the vote, Romuald Schaber, President of the European Milk Board (EMB), the European umbrella organisation of milk producers' associations, stated: "Although a few promising thoughts like a voluntary supply constraint were adopted, the Committee did not grasp the opportunity to take decisive steps towards limiting the overproduction on European milk markets. In order to do this, it would have been necessary to put in place permanent and flexible mechanisms to regulate the market, like for example a European Monitoring Agency. This is the only way to guarantee milk producers a decent income in the future, thanks to cost-covering milk prices. A mere monitoring of the market without an active regulation of produced volumes by the European Food Price Monitoring Tool is not enough."

Milk producers in Europe now hope that the vote in the European Parliament's plenary session scheduled for March 2013 will bring a turn in the right direction.

EMB press release

German milk production costs well over 40 cents a kilo

A scientific study jointly presented by the MEG Milch Board and the EMB shows production costs in the dairy sector, to be updated quarterly.

(Berlin, 17.1.2013) It had been long overdue: a reliable, ongoing calculation of production costs in the dairy sector. One that takes into account the working hours of the farm managers and their family members, differentiated by region, but at the same time produces figures that are comparable across the EU. The study, commissioned in late 2011 by the European Milk Board (EMB) and the MEG Milch Board from the Farm Economics and Rural Studies Office (BAL), calculated the production costs nationwide to satisfy these terms of reference. It is based firstly on data provided by the European Commission's Farm Accountancy Data Network (FADN). This is a reliable, representative and comprehensive basis for the study. Secondly, it also draws on price indices for agricultural means of production like feed, fertilisers, seed and energy, from the German Federal Statistical Office to update the EU data available.

A third important basis for the calculation is the wage variable, which incorporates the working hours of the farm managers and their family members. The results for Germany are currently available and are to be updated on a quarterly basis. For other EU countries, the costs will be calculated along the same lines in the next few months and years. This means that figures throughout the EU can be compared with each other – an important point in a market with an international dimension.

Results of the study

The German cost situation worked out for October 2012 is as follows (for 3.3 per cent protein and 4.0 per cent fat, without VAT):

in the North (North Rhine-Westphalia, Lower Saxony, Schleswig-Holstein) milk production costs average 43.06 cents a kilo of milk. That is allowing for the subsidies, i.e. they have already been deducted from the total costs.

In the South (the Saar, Bavaria, Baden-Württemberg, Rhineland-Palatinate, Hesse) they average 51.03 cents a kilo of milk after subsidies are deducted. In the East (Thuringia, Saxony, Saxony-Anhalt, Brandenburg, Mecklenburg-Western Pomerania), the figure is 45.07 cents a kilo of milk.

European Milk Board: “Policy-makers must use these figures!”

These figures are key findings on the way to achieving cost-covering milk prices. For the EMB it is essential that policy-makers use these figures and set up an EU-wide monitoring agency. The agency would take the calculated costs as the basis for working out a fair milk price. And this can actually be achieved through flexible adjustments of volumes to the market. It is only with these basic conditions that the situation of producers in the value chain can really be improved.

The study shows clearly the huge gap between production costs incurred and the prices producers are paid. That is why in view of the costs calculated the EMB regards a farm-gate price of 50 cents a kilo of milk essential. Last year, however, the average price in Germany was 31.50 cents/kilo milk.

MEG Milch Board: “Study enables negotiations on an equal footing”

Now, finally: the MEG Milch Board has achieved the core aim of its constitution and along with the European Milk Board (EMB) has come up with an expert opinion on current costs of milk production. It is a unique study that shows dairy farmers with clarity for the first time where they now stand and in what direction the market has to go

in the future. The expert opinion supports the change in direction initiated by policy-makers aimed at giving the dairy farmers a strong competitive position in the food chain.

The expert opinion now on the table will enable every producer and producer co-operative to negotiate on an equal footing. Whereas before they could only come up with vague arguments, now as is customary in the free economy, they can produce hard figures on costs. Initially it will be irrelevant whether the production costs ascertained that can stand scrutiny can be implemented in full. What is important is that the service offered by the MEG Milch Board with the expert opinion is accepted by more and more producers. The pooling of dairy farmers universally backed, even by policy-makers, is therefore the order of the day, especially now. The greater the degree of pooling, the greater the clout the expert opinion on milk production costs will have.

The figures available will be incorporated in an index in the first quarter of 2013. This MILK MARKER INDEX will quickly identify and update the ongoing development of costs. Details of this will be presented shortly by the MEG Milch Board.

Joint press release of EMB and MEG Milch Board

Overview of economic situation in the Polish milk sector

Poland has a great potential for milk production and strives to make good use of it. The share of the dairy sector in the total output of the agricultural sector constitutes 15.6%. Since Poland's accession to the European Union, both individual farms as well as the whole dairy sector have been in a

process of restructuring, consolidation and modernisation.

In 2012 the number of dairy cows amounted to 2.4 million head (a decrease of 11% since 2004). Despite the decline in cow population, there is a tendency for milk production to increase – to about 12.4 million tons in 2012. The decrease in the number of milk cows is compensated by an increase in productivity, which has risen by 22% in the last 8 years.

In terms of global production Poland is ranked 4th in the EU (8.2% of total EU production) and 12th in the world (2.1% of total world production). In terms of milk quota volume Poland is placed 6th in the EU, higher quotas have been allocated only to Germany, France, Great Britain, the Netherlands and Italy. Since Poland's accession to the EU on-farm milk consumption has decreased by 21%. In the quota year 2012/13 the limit for Poland is 9.96 million tons, including quota for domestic supply – 9.8 million tons and quota for direct sales – 0.16 million tons. Restructuring of the dairy sector resulted in a decrease of 13% in the number of purchasers and milk processors, compared to 2004. 70% of milk is processed by dairy cooperatives.

The year 2012 was an unfavourable one for Polish dairy farmers, partly due to the drop in milk prices compared to 2011, ever-increasing costs of production and a reduction in the profitability of milk production. The highest price increase occurs in the feed market, where the price of compound feeding increased by 19%, and the price of rapeseed meal by 50%. Restructuring and modernisation, of both the processing sector and dairy farms, forces the dairy sector to borrow money from the banks, which consequently leads to indebtedness. Taking into consideration all of these factors, there is a real need for fast, efficient and effective market-based instruments to guarantee the necessary stability and profitability of milk production.

Dorota Śmigielska (Polish Federation of Cattle Breeders and Dairy Farmers)

BDM symposium: realistic cost approach required in milk production

On 19 January 2013, some 1,200 milk producers from all over Germany took up the invitation from the German Dairy Farmers' Association (BDM) – one of the two German member organisations of the EMB – to attend a symposium during International Green Week in Berlin. The focus of this year's symposium was on the question "Covering full costs in milk production: fiction or necessity?". Several competent speakers shed light on the issue from different angles.

Dr. Karin Jürgens from the Office of Rural Sociology and Agriculture (BAL) presented the procedure developed on behalf of the European Milk Board (EMB) and the MEG Milch Board for working out the realistic costs of milk production and the results of this study. The calculation showed that after deducting subsidies the costs of production in Germany in October 2012 were 51 cents in the South, 43 cents in the North and 45 cents in the East, Dr. Jürgens explained.

In his speech Dr. Gerhard Dorfner from the Bavarian State Institute of Agriculture's Department of Agricultural Economics emphasised the variability between the different farms and their costs. Discussion of the costs was important, he said, because they ultimately determined the livelihood of the dairy farm.

Agriculture was more than just production, said Dr. Clemens Dirscherl, the EKD (Protestant Church in Germany) Socio-Agricultural Affairs Officer. There had to be an added value in addition to pure production costs. Compensatory payments were a kind of indirect route to fairness, because fairness was hard to achieve when competitiveness in the global market was becoming a "fetish".

In his speech Ekhard Fuhr, culture and society correspondent for the German daily newspaper "Die WELT", addressed the importance of milk in the cultural landscape. Milk had to be disrobed of its anonymity, he stressed. It did not deserve to be shipped around the world as powder.

As Chairman of the Milch Board, Peter Guhl closed by saying it was self-evident that an eye had to be kept on individual farm costs. But for marketing it was necessary to know a region's milk production costs. With the figures obtained by the expert opinion, farmers could now take an active part in negotiations with the processors on prices.

The discussion afterwards with several members of the German Parliament's Agricultural Committee and members of the European Agricultural Committee was controversial. Whilst the governing parties in Germany continued to regard as a success the agricultural policy hitherto with its emphasis on competitiveness in the global market, the members of the opposition were agreed that a fundamental change in direction was needed.

BDM Press release

25,000 people demonstrate in Berlin for a better agricultural policy!

About 25,000 people demonstrated in the German capital of Berlin on 19 January 2013 for an ecological and social reform of the agricultural policy. Some 600 to 800 of them were members of the BDM – one of the two EMB member organisations in Germany. With banners saying “We've had enough! Good food. Good agriculture. Now!” for the third time in succession consumers, farmers, activists, beekeepers and many more marched from Berlin Central Station through the government quarter to the official residence of the German Federal Chancellor Angela Merkel.

Despite freezing temperatures many turned up in imaginative costumes and bearing banners. 70 tractors and beekeepers' vehicles from all over Germany joined in the protest. Together they demonstrated in favour of switching the focus of the policy from the interests of the industry to the interests of consumers and farmers, of the animals and the conservation of nature and the environment.

Christian Schnier (EMB)

EMB Calendar

Please find below some of the most important events in February 2013:

- 15.02.: Lecture at the trade fair BioFach in Nürnberg, Germany
- 19.02.: Meeting with EU Commissioner for Agriculture Dacian Ciolos in Brussels
- 19./20.02.: Meeting of the EMB Executive Committee in Brussels

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