

MILK-NEWS



Dear Dairy Farmers and Interested Parties,

After the reform is before the reform! On 26 June, the representatives of the Parliament, Commission and Council of Ministers agreed in their “trilogue” on the future CAP. A key component of these negotiations for us dairy farmers was what makes up the Common Agricultural Market Organisation. Above all, the crisis instrument of voluntary production cuts called for by the European Parliament was a hot topic of debate right up to the last minute. In the end, the decision on this instrument was deferred to the conference in September announced by Commissioner Ciolos. The same goes for the Parliament’s proposal to set up a market monitoring agency. So, yet another foul compromise. Deferring instead of deciding!

But hang on! For in spite of or precisely because of the heated discussion in the trilogue there is no cause for a doomsday mood. So we dairy farmers can regard the reference to the conference scheduled by Ciolos with mixed feelings.

On the one hand, an opportunity has undoubtedly been missed: that of making the dairy markets in Europe resistant to crisis as quickly as possible with effective and cost-efficient instruments. The potentially positive approaches in the political agreement of granting producer organisations a bigger role on a national level in the event of a crisis are certainly inadequate for this.

On the other hand, the Parliament is by no means alone in its initiative. Recently there have been more and more voices warning against a total deregulation of the milk market. For instance, a short time ago the Committee of the Regions raised important issues in a position paper regarding the development after 2015. And during the negotiations the Commissioner himself said that he felt the issue of functioning milk markets was too important to jeopardise with hasty decisions. The European Economic and Social Committee and the European Court of Auditors have already stated in the past their concerns about abolishing the quota regulation without there being a replacement.

The conclusion the EMB draws is: keep at it. The plan must be to carry on convincing society and the political decision-makers, with proficient concepts and good arguments, of the necessity of universally applicable conditions for the milk market. In this context the discussion on the voluntary production cuts as an instrument of crisis was extremely helpful.

Romuald Schaber (President of the EMB)

Bad weather causes crop failures and feed bottlenecks in Europe

The bad weather until almost the middle of this year damaged agriculture throughout Europe, in some cases resulting in drastic consequences for milk producers. Dairy farmers from Ireland to Italy have been affected.

For the first time in its history, Ireland had to import animal feed. Large quantities of feed in the form of hay and silage were imported from Great Britain and mainland Europe. Silage was already of inferior quality in 2012 owing to the poor weather conditions, necessitating the use of additional concentrated feed. This bad situation continued until May 2013 because of the inclement weather.

In Germany, rainfall in recent weeks has produced an extreme flood, primarily in the country's eastern and southern federal states. Numerous cereal fields and forage areas have been submerged, resulting in considerable crop failures and feed bottlenecks.

Farmers in Austria have also felt the rough weather. The flood has hampered milk collection and delivery in different regions. In some cases Austria's dairy farmers have already used up stocks of hay and are now dependent on fresh grassland fodder. As no feed can be harvested they now have to reckon with extra costs for buying feed.

In Italy the strong rainfall between January and May 2013 severely damaged agricultural cultures, especially in Lombardy. The losses and failures of corn, the most important culture in the region, are estimated at 30 to 50%. With hay, grain, grapes and vegetables, too, losses are estimated at over 40%. The upshot was that corn had to be reseeded in June. Haymaking had to be delayed until early June this year, when normally they are harvesting for the second time. That is why APL Italy called on the regional government to declare a state of emergency for farmers to be given financial compensation for their losses. This brought about a positive reaction from the Milanese regional government.

Regina Reiterer (EMB)

Launch of Fair Milk in France

On 19 June 2013, the dairy farmers of APLI, one of the two French EMB member organisations, symbolically started the Fair Milk project in France at the famous Mont-Saint-Michel in Normandy. The timing was deliberate, as almost exactly four years ago at precisely the same place there was a large demonstration of French and European milk producers during which thousands of litres of milk were sprayed in protest against the drastic economic situation in the milk market.

For the start of Fair Milk in France, the French milk producers came up with something new – displaying an impressive herd of 24 plastic cows in the French national colours of red, white and blue, the “Faironikas” (or Justine in French), against the backdrop of Mont-Saint-Michel. Afterwards these will symbolically tour the individual French regions, advertising Fair Milk.

Based on experience with similar projects in Germany, Austria and Belgium, in September 2012 the initiators of Fair Milk in France first founded the Faircoop co-operative, which owns the rights to the FaireFrance brand and is open to every French milk producer. According to the President, Richard Blanc, Faircoop has roughly 800 members and will procure milk from dairies to sell it on under the FaireFrance label. Faircoop's aim is to pay its members 10 cents of every litre of milk sold.

At the beginning, the FaireFrance brand milk will be distributed to specific supermarkets of the Leclerc and Intermarché chains in northern France. This distribution network is to be gradually extended throughout France.

Christian Schnier (EMB)

Committee of the Regions shares European dairy farmers' major concerns about liberalisation of milk market

In its opinion of 30 May 2013, the Committee of the Regions (CoR) expressed its views on the suppression of the quota system in Europe in 2015. In fundamental issues, the CoR coincides with the positions of the European Milk Board (EMB) and calls for regulation instruments for the milk market to be put in place.

(Brussels, 18th June 2013) The CoR, in its opinion, states that in general the instruments of the so-called EU Milk Package will not be sufficient to alleviate the negative consequences for European regions and family farms of the suppression of milk quotas in 2015. The CoR clearly condemns the fact that dairy cooperatives in the main milk-producing countries of the EU hold most of the market shares - if not a monopoly. For this reason, it supports the setting up of producer organisations, but at the same time highlights their missing negotiating power in comparison with dairies.

The CoR also criticises the increased margins in the agro-food and retail sectors, which are not passed on to producers, as well as the financial unpredictability for dairy farmers due to milk price volatility. In order to ensure milk producers a revenue, the CoR proposes to include production costs in negotiations on farm-gate prices. It also suggests the possibility of an extension of the quota system until 2019/2020 to be studied, taking into account the experiences of the liberalisation of the market in Switzerland and the US. In case of an abolition of quotas, the introduction of accompanying regulation instruments is absolutely necessary.

In the CoR's opinion, an efficient crisis management system must be able to respond promptly. It is thus necessary to centralise information on milk output on a national and European level, which presupposes direct management by the European Commission or by a European regulatory body. A crisis management system on the level of the processing industry - as occasionally called for by the dairy industry - is, however, not compatible with this general approach.

The EMB is encouraged by the CoR's opinion in its claim for binding rules for the market and calls political decision-makers to strongly endorse the implementation of effective market instruments. This is the only way to ensure sustainable milk production in all EU regions.

The European Milk Board (EMB) is a European umbrella organisation representing 19 milk producers' associations from 14 European countries and a total of approximately 100.000 dairy farmers. Around 75% of the milk volume in Europe is produced in its member states.

EMB press release

Pensioners feeding the population of the EU

European agricultural policy to date has failed and offers no prospects for young farmers in the EU. That is borne out by hard facts: more than three million farms have given up in the last ten years because no successor could be found to run them. And this development will continue, for one third of farmers in the EU are over the age of 65.

The example of the Netherlands makes this clear. Data from the Dutch Central Bureau of Statistics (CBS) produce the following alarming picture: whereas in 1987 only 13 per cent of farmers were over 65, the figure rose in 2012 to 21 per cent, with the group of active over-80 farmers having grown the most.

Of the roughly 64,500 Dutch farms in 2012, exactly 13,841 were run by farmers over the age of 65.

On 1 April 2012, the Netherlands had 1,087 farmers aged between 80 and 85, and 493 farmers older than 85.

The main reason cited for the ever rising average age of farmers is the high costs of financing for young farmers, as many banks are currently unwilling or unable to lend young farmers a hand with loans on reasonable terms. Another reason given is that the unattractive working conditions and poor pay make it impossible to find a successor to run the farm, and the farmer is forced to carry on into old age. So a further increase in the number of “silent bankruptcies” is expected.

The “hard facts” referred to above underscore the need for a better Common Agricultural Policy (CAP) in Europe that focuses more on the farmers’ interests. If this does not happen, within no more than ten to fifteen years we will be confronted with a totally new reality in the EU: the loss of food security and food independence in Europe. Then it will only be possible to guarantee the population of Europe’s food with imports into the EU.

Sieta van Keimpema (Vice-President of the EMB and President of the DDB)

MEG Milch Board publishes updated Milk Marker Index

MEG Milch Board w.V. has been publishing the Milk Marker Index (MMI) in Germany since the beginning of 2013. The index shows the imbalance between production costs and milk prices. So for the first time German dairy farmers now have a mechanism for producing reasoned arguments in price negotiations.

The current MMI was published in early June and indicates a slight relaxation of milk production costs. It stands at 113 (January 2013), slightly lower than the average of 117 for 2012. And at 0.84 the price/cost ratio shows a somewhat reduced shortfall than the average of 0.75 for 2012. This can be explained by a slight decrease in cash costs by an average of 1.57 cents/kg milk from 36.94 to 35.37 cents/kg.

According to these trend calculations only feed costs eased slightly, but all other means of production are showing a constantly high level compared to the base year 2009. This makes one thing clear: despite the easing, there is still a striking gap between production costs and the farm gate price.

The current good market situation and the positive development in milk prices on the world market must now be reflected as quickly as possible in the milk prices paid to the farmers. The price quotations for milk powder, butter and cheese are rising sharply, the German retailers recently put up fresh milk prices. The cause is a reduced supply of raw material worldwide with demand for dairy products remaining stable.

Dr. Ute Zöllner (MEG Milch Board Press Officer)

EMB Diary

Here are some of the EMB Board's key dates in July 2013:

- 2.07.: Meeting of the Advisory Group Milk in Brussels
- 17.07.: Meeting with a representative of the EU Committee of the Regions in Brussels
- 24.07.: Meeting of the EMB Board in Brussels

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