

MILK-NEWS



Dear Dairy Farmers and Interested Parties,

Hundreds of members of the EMB protested in Berlin on 3 and 4 June because the German government does not represent farmers' interests in Brussels and even blocks good proposals in the current reform of the CAP.

The main problem with the CAP reform continues to be that the EU wants a new kind of agriculture in which it leaves the sector to the market's devices – "market orientation" they call it. However, in future producers will still be faced with numerous restrictions left over from the old system, such as the competition policy, which forbids producers from uniting to react to developments in the market. For instance, they are not allowed to call on farmers to cut production when surpluses threaten the market.

Yet the dairies have the right to conclude one-sided contracts that make it impossible for individual producers to react to market developments. These contracts oblige producers to supply a certain volume of milk within a specific period or otherwise pay steep penalties. Moreover, they are forced to supply C milk at world market prices, as their reference quantity will be reduced if they don't. The result would be that, like in France and Switzerland, they would be supplying less and less milk each year. There is no mention of a minimum price.

In this scenario it is the primarily the German government that is obstructive when it comes to taking the requisite measures for strengthening the milk producers' position in the food chain. The provision on voluntary production cuts is just one example. But the German government is not the only one being stubborn. Other influential member states also seem to serve trade and industry, whose interests they represent whereas they leave us farmers and consumers – whose interests should be paramount to them – in the lurch. This is how they abandon us to a culture of greed and avarice that has caused one of the worst economic crises in history.

What the EMB demands is for the producers to be given the right and opportunity to keep the milk market in balance in an organised way and prevent crises – crises it takes public money to overcome. Were the EMB's proposal for a voluntary restriction on production to be implemented it would cost the taxpayer next to nothing for the balance in the milk market to be maintained and the milk price stabilised. These advantages should be the crucial factor that makes governments decide to back the proposal.

The politicians' failure has brought the EU to the edge of the abyss, but we seem unable to turn our back on the "old system". Policy-makers would do well to be receptive to the EMB's serious proposals, to listen to them, analyse them and finally introduce them. Or, as Albert Einstein once said: "We can't solve problems by using the same kind of thinking we used when we created them".

Sieta van Keimpema (Vice-President of the EMB)

Major farmers' demonstration in Berlin: European milk producers tear down political walls!

It is above all the German government that always blocks every reasonable proposal for a functioning EU milk market in Brussels. For this reason, on 3rd and 4th June 2013 milk producers from all over Europe came to the German capital Berlin in order to demonstrate and symbolically pull down the obstructing wall put up by the German government. With this action they showed how important new crisis instruments such as voluntary production cuts are for the milk market.

(Berlin, 3rd - 4th June 2013) Hundreds of members of the European Milk Board (EMB), the European federation of milk producers' organisations in Europe, and of supporting organisations demonstrated yesterday and today in Berlin. In the face of the current negotiations on the common organisation of agricultural markets, which currently take place between the European Parliament, the Member States and the Commission, the farmers want to put pressure the German government so that the crisis instrument of voluntary production cuts is not abandoned.

"With the instrument of voluntary production cuts producers are rewarded for their behaviour in line with the market situation, in order to prevent crises and save public money. In the current climate of economic hardship and an extremely tense budgetary situation in most of the Member States, instruments such as voluntary production cuts offer a feasible and financially viable solution. For this reason, European farmers and consumers do not understand why the German government does not seize this opportunity. This is why so many producers came to Berlin yesterday and today in order to demonstrate and express their discontent", said EMB President Romuald Schaber.

In the reform process of the common organisation of EU agricultural markets, it is above all the German federal government that blocks every reasonable solution for the milk market, that way creating an "obstructing wall". To symbolically represent this fact, dairy farmers from the EMB built an about fifty meter long hay wall in front of the German Federal Chancellery in Berlin, which they later, during an eye-catching action, tore down. Together with an equally symbolic action organised by European women farmers the previous day, this clearly showed the German government that in the face of the continuing crisis milk producers have to fight for their very survival. One clear demonstration of this is the fact that since 2009 the costs of milk production in Europe are not being covered anymore. Thousands of farms were therefore already forced to give up and cease production or their existence is at stake.

EMB press release

Crisis and protest in the UK milk sector

The situation in the UK milk sector is getting strained with the lowest retail milk prices for seven years. Processors have forced further price cuts in several dairy products, and farmers have formed a coalition to fight the cuts and to push for a fairer deal in the supply chain.

On Wednesday, April 18th, a demonstration took place in Alfreton Derbyshire, outside a supermarket distribution centre. "The Farmer-owned co-operative First Milk was just one processor that had warned it could be forced to cut the farm gate price for producers on its cheese contract", said the protest spokesman Paul Rowbottom from the British farmers' organisation Farmers for

Action, to the British journal Farmers Weekly. “We are here to try to stop the price cut First Milk has talked about. Many farmers are already making heavy losses on every litre of milk produced”, he added.

During last summer, when milk prices were also quite low, farmers organised a SOS Dairy protest, which forced milk buyers to reverse planned price cuts. But better farm gate prices since then have been more than offset by a bigger increase in farm input costs and a lack of forage after a cold, wet winter.

More than 400 farmers were also present at a meeting at the Memorial Hall in Devon on 24th of April to highlight the problems and grievances, and to hear David Handley, chairman of Farmers for Action, speak. Mr Handley suggested that if the farmers fail to get a better deal with the retailers, they should resort to peaceful protests.

“The situation is worse now than it was last summer when we were protesting”, said James Cann, who milks 170 cows at Stroxworthy Farm, to the North Devon Journal. “Some people are saying they cannot pay their bills, they’ve got pressure on their margins, we’ve got no grass after the cold winter, and now there is talk of price cuts. There is downward pressure on cheese prices when the retailers are taking 80 % of the margin. It’s got to stop.”

The latest news tells that First Milk is calling off the price cut, due to tightening milk supplies.

Elin Bergerud (EMB)

Situation in the Lithuanian dairy sector

According to the Chairman of the Chamber of Agriculture of the Republic of Lithuania Mr. Andriejus Stančikas, who is also a dairy farmer and who used to chair the Lithuanian Milk Producers’ Association, today the situation in the Lithuanian dairy market is very difficult. Statistics tell that the Lithuanian milk production decreases by 4-5 % annually.

The main reasons for this reduction are volatile and very low milk procurement prices, as well as insufficient support to this sector (e.g. production of grain requires considerably less expenditure and ensures a much higher income, in comparison with dairy farming). A large number of Lithuanian dairy farmers are elderly, whereas young people do not enter into this sector, as they do not see potential in dairy farming and do not consider it attractive enough to pursue a career.

Today, Lithuanian farmers are worried to hear about the potential abolishment of milk quotas. Milk processors already emphasize that they are going to import cheap milk from other countries, and if Lithuanian farmers disagree to sell for a low price, they are not going to source Lithuanian milk any more. Such situation would have disastrous consequences for a majority of Lithuanian dairy farmers.

At the moment, the Lithuanian Milk Producers’ Association together with the Chamber of Agriculture and with the help of the Ministry of Agriculture are working on the Animal Husbandry Strategy for 2014-2020, also taking into account the abolishment of quotas. However, it is unlikely that such a tool will be sufficient. Therefore, a reliable market management tool must be created at EU level and applied to all EU countries. Only with the successful implementation of such a tool, ensuring the stability of the dairy sector, milk quotas can be abolished.

Ruta Biciuviene (Chamber of Agriculture of the Republic of Lithuania)

Correction: EU Commissioner Ciolos backs realistic, cost-effective anti- crisis measures in the dairy industry

(Brussels, 6 June 2013): Last week there were reports, primarily in the German-language media, about the EU Commissioner for Agriculture Dacian Ciolos having stated that he was in principle against regulation of the EU milk market and the voluntary production suspension proposed by the European Parliament. However, when questioned about this by the European Milk Board (EMB) he emphatically denied it.

On the fringe of an informal gathering of the European Ministers of Agriculture in Dublin, the EU Commissioner merely pointed out that there were still unanswered questions about the voluntary delivery suspension instrument, especially regarding the efficacy and cost- effectiveness of the 5-percent clause. This, he said, was no blanket rejection of the voluntary delivery suspension as an anti-crisis instrument in the milk market, but a contribution to the indispensable discussion on how such an instrument would take shape in practice. The issue of crisis prevention and crisis management in the dairy sector, said Dacian Ciolos, was too important to run the risk of bringing in an inefficient measure. What was needed was a realistic, effective solution.

It was on this subject that Erwin Schöpges, Member of the EMB Board, declared at the big demonstration of dairy farmers in Berlin at the beginning of the week: “It is incredible to what extent sound remarks made by politicians these days are distorted by the media at the instigation of the agro-industry. We should not tolerate this and must take every opportunity to correct such blatantly falsely reported statements.”

EMB press release

Report from Switzerland

The milk price in Switzerland is rising moderately again for the first time in four years. From June milk buyers have been paying two to four per cent more. Their arrogance is gradually giving way to uncertainty because of the constant decrease in milk volumes. Milk buyers who three months ago were still warning that “rash increases in milk prices are jeopardising market shares” are now talking about “urgently needed price increases” to improve the dairy farmers’ economic situation.

This is due less to a new insight than to sheer fear, as less and less milk is available. Some dairies that invested heavily to increase capacity are on the verge of bankruptcy. Some regions are producing up to 12% less milk than one year ago. Nor can the situation be eased by arguments such as concentrated feed has become more expensive or winter fodder is of a lesser quality.

The branch organisation Milch BOM is still tinkering with the uniform application of segmentation. BIG-M regards this as a venture doomed to failure. How can it be put into practice when the largest milk processor EMMI applies three different segmentation models to its milk suppliers? Who is capable of creating the requisite transparency? At the same time, though, the justification for the existence of BOM stands or falls with the implementation of segmentation. Whilst in future the focus will be less on permanent surpluses, the problems with non-transparent business models will become increasingly important the more they go on. The only question that remains is how long policy-makers can afford to simply stand by and watch this failure.

Werner Locher (BIG-M)

EMB Diary

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

- 3./4.06.: Major milk producer demonstration in Berlin
- 10.06.: Meeting with a representative of the European Economic and Social Committee (EESC) in Brussels
- 13.06.: Meeting with the Lithuanian milk producer association in Kaunas
- 7.06.: Meeting with representatives of the Directorate-General for Agriculture of the European Commission in Brussels
- 17.06.: Meeting of the EMB Board in Brussels
- 25.06.: Meeting with the Coordination Rurale in Paris

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