

Position paper on eliminating unfair competition in the dairy sector

*International Pooling Commission of Milk Producers/
European Milk Board:*



France MilkBoard
France



MEG Milch Board w. V.
Germany



Wallonia Farmers Board
Belgium



European Milk Board

As an international association of producer organisations within the European Milk Board (EMB), the International Pooling Commission of Milk Producers (IPCMP) is committed to creating better market conditions for milk producers in the EU. The participating organisations – MEG Milch Board from Germany, France MilkBoard that unites three French producer organisations, and MIG/WAFAB from Belgium – have signed a cooperation agreement, committing to regularly exchange information and to assist each other in issues related to milk pooling, as well as to organise joint actions and draft position papers.

*This **position paper on eliminating unfair competition in the dairy sector** is addressed to policy-makers and the dairy processing industry.*

The International Pooling Commission of Milk Producers calls on policy-makers and dairies to take the necessary steps to create fair conditions in the dairy sector. Distortion of competition and unfair practices currently characterise the sector and are detrimental, above all else, to those responsible for the first stage of production – milk producers. To address these issues, the following measures must be implemented:

- 1. Production costs must become the basis for the prices fixed in contracts between dairies and producers.** In the current political-economic situation, the prices paid to consumers are not aligned with production costs (labour costs included). Even though they are the suppliers, producers have no way of determining the sales price. Against this background, contracts must at least guarantee cost-covering prices that consider real production costs.
- 2. There must be a law preventing unfair competition at producer level.** As is the case in trade, where products cannot be sold below cost price, selling raw milk or raw materials from the agricultural sector at a price that does not cover production costs should be prohibited. To a certain extent, milk production is forced to resort to unfair means to keep things going. This is especially the case with family farms, who can decide to allocate no remuneration for the work they put in. On the other hand, labour is one of the financial costs on a farm with employees and is therefore accounted for and paid. In fact, numerous farms use income from other activities like biogas production to prop up their milk production. This ends up being another factor distorting competition, because farms that only produce milk or have no way to (possibly) cross-subsidise their milk production are undercut. If selling at a price below real production costs were prohibited, this factor leading to market inequality would disappear.
- 3. Political measures to promote the pooling of milk producers must be implemented.** While the EU Milk Package has created the possibility of pooling (i.e. negotiating milk supply contracts for a large number of producers through producer organisations in order to strengthen the market position of producers), it has not really been possible to effectively use this provision to date. Its contribution to strengthening the market position of producers has been minimal. Therefore, political incentives and possibilities to promote effective pooling are a must.

All economic and legal instruments must be mobilised to maintain a dynamic dairy sector in Europe. This is especially important in terms of employment, preservation of agriculture in all regions, and a fairer distribution of gains.



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