

Dear Dairy Farmers and Interested Parties,

The European milk market has had no working safety net since 1 April. That is why in our EMB campaign of action on 31 March – the last day of the quota system – we flew the flags of the 28 EU member states at half mast. Just to make one thing clear: in no way do we mourn the passing of the quotas; instead we regret the lack of a functioning system for the time afterwards! This is because so far the politicians have failed to put in place suitable market instruments for preventing crises. We assume that dairy farmers in many EU countries will boost their production when the quotas end. Too much milk in the market always means a price collapse – the next market crisis is inevitable!

According to forecasts, demand for milk in Europe will decrease in the next few years. The “export opportunities” and the “new markets in Asia and Africa” preached by all and sundry are not a sustainable solution for the European milk market. Unilateral export orientation is short-term and uncertain, not to mention the fact that it also destroys local milk production in those countries.

The European Milk Board member organisations’ aim with their vigil outside the European Parliament was to send out a clear signal to counter the songs of praise and victory slogans of the farmers’ unions and the dairy industry. Our fear is that as from April the multinationals and banks will take control. The European dairy farmers are already unable to cover their costs. In Belgium we are currently paid between 25 and 27 cents per litre of milk – our recent cost study showed production costs to be 46 cents! In future, more and more dairy farms will vanish into thin air.

The milk market requires crisis instruments for the time after the quotas. Our Market Responsibility Programme is a solid, well thought-out mechanism for adequately countering market crises. The coming months will show how the milk market will develop. We in the EMB will keep a very close eye on the situation, and are ready and waiting to send out a strong signal from the dairy farmers when required.

Erwin Schöpges, Member of the EMB Board

EMB Newsletter April 2015

- Vigil 31 March: European dairy farmers warn of a severe loss in market power and chronic price slumps
- Austria: Day of action on 31st March
- Information on the milk market situation in the countries
 - The situation in Germany
 - Milk & Market Roadmap – a roadmap for the time after the quotas
- EMB Calendar

Contact

EMB - European Milk Board asbl

Rue du Commerce 124
B-1000 Brussels

Phone.: +32 - 2808 - 1935

Fax: +32 - 2808 - 8265

office@europeanmilkboard.org

www.europeanmilkboard.org

Vigil 31 March: European dairy farmers warn of a severe loss in market power and chronic price slumps

(Brussels, 31.03.2015) The flags of the 28 EU Member States are flying at half-mast, whilst those of the big food conglomerates are flying high. It is a clear picture for people in Brussels outside the European Parliament today.

Whereas producers in the individual countries will have to cope without any regulatory framework in the future, Nestlé, Danone and Co. will be able to fill their boots. "Thanks to the expected milk surplus, as of now conglomerates will dictate terms and conditions to the farmers even more than before. Prices will be rock-bottom, as Europe's farmers will have even less market power to achieve a cost-covering milk price in the future", warned Romuald Schaber, President of the European Milk Board (EMB), pondering the future of the milk sector. Without an effective crisis instrument, dairy farmers will be facing rock-bottom prices time and again; many of them will be catapulted out of milk production very soon.

That is why dairy farmers from all over the EU gathered to protest in a solemn symbolic vigil outside the European Parliament in Brussels with a warning fire and funeral march, to point out to the politicians their derelictions of duty. "The system for the period after the milk quotas is severely deficient. Unfortunately politicians have failed to put suitable market instruments in place to prevent a crisis", said Sieta van Keimpema, EMB Vice-President. The problem is: it is most likely that dairy farmers in many EU countries will step up production considerably when the quota system ends – without the market being able to offload the whole volume in any reasonable way. "Chronic price collapses are inevitable, the next crisis is on its way", added Schaber.

Additional crisis instrument required: Market Responsibility Programme

That is why the EMB is all the more insistent in its demand for the implementation of a Market Responsibility Programme (MRP) to be used in the event of a crisis. When the quotas end, the programme can be used to oblige dairy farmers to act responsibly in line with the market in times of crisis. In concrete terms: dairy farmers who in times of surplus voluntarily produce less should be given a bonus. On the other hand, those who produce more despite heavily oversaturated markets should take responsibility for this and pay a Market Responsibility levy. "This will enable us to create a predictable environment and also secure milk production throughout the EU for consumers", said Schaber.

The current situation shows how urgent the introduction of a good crisis programme is. For months now farm-gate milk prices have been rock-bottom in many European countries. The downward spiral has only recently been halted by the impending historically high super levy this year of up to 25 cents per excess kilo of milk supplied. This enabled the overproduction and with it the price decrease to be curbed. "We are now calling for the super levy from the last milk marketing year, amounting to some 409 million euros, and the penalty payments prescribed in the regulation for 2015 to be used for the dairy sector. This money ought to be used to implement the Market Responsibility Programme", said Schaber.

Hanna Vauchelle, EMB

[Fotos of the vigil & media campaign](#)

[Video: EMB campaign on 31. March 2015 \(in German, © EMB\)](#)

[Video EU milk quota end. Crisis management remains necessary \(© Greens/EFA\)](#)

[EMB Market Responsibility Programme](#)

Austria: Day of action on 31st March

Our day of action in Vienna was closely followed by the media. In front of the House of the European Union a "milk lake" was set up, as a symbol of the expected overproduction of milk. Afterwards we went to the Ministry of Agriculture to hand over a present, i.e. a plastic cow with enough hay to survive for a while. Our message: in the free market, the Ministry can milk their cows themselves!

To close the day of action, a symbolic funeral of milk quotas was held in the Column Hall of the Austrian Parliament.

The dream of farmers willing to expand their farms, according to which with the end of milk quotas this growth would become affordable, will prove to be a boomerang. Not the best and soundly managed, fairest and most sustainable farms will survive in the agricultural sector – the contrary will be the case.

The IG-Milch has developed a [milk price model for the period after the abolition of milk quotas](#) (in German). The opposition parties in the Austrian Parliament have submitted an according proposal.

IG-Milch

[Photos from the action](#)

Information on the milk market situation in the countries

© EMB

At the last Members Assembly (1/2 April), the European dairy farmers presented the current situation in their countries. Here is a brief summary of the milk market situation at the time the quotas ended.

Belgium (MIG)

The milk price has been between 25 and 27 eurocents for six months now. According to our recent cost study, production costs are 46 cents. In Belgium overproduction is 8-9%.

Germany (BDM)

The average milk price nationwide is 29.5 cents (the range is 25 – 37 cents). The mood varies considerably. Many farms – including sizeable ones – are thinking of giving up. The Ministers of Agriculture Conference: federal state ministers are calling for a crisis detection system and a safety net.

Finland (MTK)

The fear is that production in Europe will increase. The Russian ban on imports has hit Finland hard. It is difficult to find new markets. The milk price has fallen by 20%. The EU aid of € 10.7 million is too little to compensate for losses.

France (APLI & OPL)

Last year France produced 5% more than in the previous year. Many co-operatives have built up stocks. The average milk price is 31 cents (the range is 26 – 34 cents); there is a two-price system (A and B price) in France. An additional C price (price of milk supplied in excess of the contractual quantity) in France is 6.6 cents/litre.

Italy (APL)

Milk production has risen by 3% in Italy. Before September 2014, the milk price was stable at 40-45 cents. After that, prices collapsed; 35 cents is being paid at present. The new contractual negotiations for April to June came up with 36 cents. Production costs have gone up, more and more farms are giving up. The super levy is a big problem.

Ireland (ICSMA)

A year ago the milk price was 39 cents/litre and it is now 30-31 cents/litre (3.6% fat, 3.3% protein). According to reports, Ireland is 5.07% over its quota, which means a potential super levy of € 80-100 million. The Irish farmers' attitude to the end of the quotas is mostly positive. Milk production will increase by 10-20%.

Croatia (HSUPM)

There are about 9,200 dairy farmers, the conditions of milk production are very tough in Croatia. The number of dairy farms is declining sharply. Currently there are only 900 farms with more than 20 cows left. The milk price is about 34 cents/kg. Farmers are confused about the subsidies to which they are entitled; the reason is there have been three different subsidy systems in the last four years.

Lithuania (LPGA)

Small farmers are being paid just 11-12 cents. The problem is that a lot of milk is imported from Latvia and Estonia (1,500 tons a day). About 50% of Lithuanian dairy products are exported. Although Lithuanian farmers are receiving aid because of the Russian ban on imports, the dairies cut prices paid to dairy farmers straight away. This EU money is going to the dairies.

Luxembourg (LDB)

For some time now the basic price has been about 28-30 cents a litre. Farmers are producing 4-5% above the quota.

Netherlands (DDB & NMV)

Prices have fallen; less milk was supplied between January and March because the quota had been exceeded by at least 5% before then. More is expected to be produced after 1 April. The milk price is about 33 cents (4.41% fat, 3.47% protein). There is a new law in the Netherlands: the number of animals per farm is now linked to the acreage of the farm. That means farms can only grow if they acquire or lease more land (four livestock units/hectare).

Poland (PFHBiPM)

The milk price has fallen by 8 cents and is now 29 cents. Smaller dairies are paying no more than 22 cents. Some dairies are still paying good prices; very few are paying 36 cents. Some dairies are exploiting the Russian embargo to put pressure on prices.

Switzerland (BIG-M)

Although Switzerland already has a free trade agreement with China, the price has fallen by 25% in the last eight months. The dairy industry has taken the Russia crisis as a pretext to lower milk prices.

Regina Reiterer, EMB

The situation in Germany

The average price paid by the dairies in Germany for milk in February was 29 cents/kg (4.2% fat and 3.4% protein). Although the first positive trends in the milk market have caused the key indices to rise, Hochwald Milch eG lowered the milk price for March 2015 by 1.5 cents/kg.

© [wikimedia commons](#)

The reasons for this are the fact that the positive trends have not been included in contracts yet and the uncertain forecasts for the period after the quota. Many dairy farmers have cut supply severely because of the threat of a large super levy for oversupply. At present supply is 3.1% down on last year's level. Yet the indications point to changes. From 1 April 2015 every expectation is of more milk on the market. Numerous new cowsheds are still empty and are currently being filled. That is why the prices of heavily pregnant or recently calved heifers at auctions last week rose by up to € 400 per head and are now about € 1,950 a head.

In numerous talks with political representatives the BDM has pointed up time and again the necessity of framework conditions for the market. The particular focus is on the Market Responsibility Programme, which is constantly being explained. From 18 to 20 March, BDM also monitored the German Ministers of Agriculture's Conference in Bad Homburg. Once again the dairy farmers were there for three days, making the political representatives aware of the impact of the abolition of the quotas with campaigns and a demonstration.

Thorsten Sehm, BDM

Milk & Market Roadmap – a roadmap for the time after the quotas

© MEG Milchboard

It was against the background of the end of the milk quotas after 31 years and the poor market position of the dairy farmers that the MEG Milch Board drew up the Milk & Market Roadmap. Not a crisis instrument, it deals solely with business relations between the dairy farmers and their milk buyers. The aim is to improve the market position of the dairy farmers in Europe based on the

existing legal framework.

This framework is the EU Commission's Milk Package and the German Agricultural Market Structure Act (AgrarMSG), as well as the German Federal

Cartel Office's Milk Sector Report.

Following a thorough analysis of the current situation, the MEG Milch Board feels there are still major deficiencies from the producers' viewpoint in the marketing of milk as a precious foodstuff. This is hindering a sustainable and environmentally friendly development of milk production in Germany. The Milk & Market Roadmap is therefore aimed not only at market players but also at

the responsibility of politicians and society as a whole.

The Milk & Market Roadmap essentially covers four points:

- A model milk production contract
- Helping farmers help themselves
- Reforming the farmers' obligation to supply
- Promoting dialogue.

Implementing these points in a mandatory way makes future state market intervention indispensable. However, to cope with considerable market disruption not caused by the market players, additional effective instruments must be created and applied at short notice for a limited period. Unless the substance of the Milk & Market Roadmap is put into effect quickly, the market imbalance will shift further to the disadvantage of the producers.

MEG Milch Board

[Roadmap Milch & Markt](#) (in German)

EMB Calendar

The EMB Executive Committee's key dates in April 2015:

- 01.-02.04.: EMB Members' Assembly in Brussels
- 23.04.: Visit from the Norwegian organisation „Bondesolidaritet“
- 29.04.: Meeting Milk Market Observatory (Brussels)

Rue de la Loi 155

B-1040 Bruxelles

Tel: +32 (0)2808 1935

Fax: +32 (0)2808 8265

Mail: office@europeanmilkboard.org

Document-URL: <http://www.europeanmilkboard.org/https://www.europeanmilkboard.org/english/newsletter-april-2015.html>