Dear dairy farmers and interested parties,

In Spring 2016, there were many challenges facing the Irish agri-food sector - particularly the dairy sector - but a threat to our single largest export market wasn't one of them. One year later, that threat is a reality and much of our government's planning and policymaking takes place in the shadow cast by 'Brexit'.

British Prime Minister Theresa May triggered Article 50 on March 29, starting official Brexit negotiations between the United Kingdom and the European Union. Ireland is the Member State most exposed to the UK decision to leave and within that alarming context, Irish farming and agri-food are the sectors most exposed. The United Kingdom is Ireland's largest trading partner for food with 30% of dairy exports and 60% of cheese exports.

It is important to note that Ireland is not alone within the EU in terms of exports. Some of the key EU Member States export very significant amounts of food products to the UK. The 64 million inhabitants of the United Kingdom rely on food imports and our governments must ensure that we can continue to supply this market.

An article on Brexit and the Irish point of view with key issues for the agri-food sector as well as a number of demands to protect the Irish agriculture can be found in this newsletter. We have to build alliances at EU level as other Member States have similar interests and a combined approach for the future market with the UK should be taken. Brexit is a major challenge and it is hugely important that realism enters the negotiations at the earliest stage possible and very long-standing trading relationships are protected in the interests of both parties.

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Finally, some good news concerning the EU support scheme to reduce milk production: nearly 44,000 farmers from across the EU have applied for support for agreeing to voluntarily reduce their production of milk by nearly 852 000t in the last quarter of 2016. The high participation of producers, especially from strong production countries shows that farmers are willing to reduce their deliveries.

The voluntary reduction scheme has had a direct impact on the milk market with current EU average prices of more than 33 cent. The EU programme has clearly worked out! Milk producers from all over Europe consider voluntary reduction as an important instrument for the future and call for its integration into a regular crisis mechanism.

John Comer, EMB Board member and President of Irish Creamery Milk Suppliers Association (ICMSA)

EU volume reduction: high participation in EU programme

The results of the EU volume reduction programme are out: Close to 44,000 farmers have participated in the EU reduction programme and have dropped their milk production between October and December 2016 by **851,700 tons**.

The recovering dairy market is a clear indicator that with this measure, the European Commission is finally addressing the correct factor - production. As compared to last summer, the average milk price has increased by 31% to 33.7 cents/kg in February.

High participation in EU programme

European milk producers have spoken clearly in favour of volume reduction. The available EU funds to the tune of 150 million euros were taken up almost 99% in the first application period itself. As an EU average, 80% of the volume applied for was actually reduced as well. EU aid of 14 cents/kg milk was only paid for the volume that was actually reduced and documented. Every applicant reduced production by an average 19 tons.

It is quite noteworthy that milk producers from the largest producer countries reduced their volumes as well. German dairy farmers reduced their production volume by a total 233,511 tons, followed by France (150,388), United Kingdom (89,957), Ireland (60,114), the Netherlands (53,171) and Poland (47,300).

In terms of eligible applicants, France tops the list with 11,299 farmers, followed by Germany (8,749), Ireland (3,514), Austria (3,214), the Netherlands (3,125) and Poland (3,055).

The final figures from the second reduction period (November 2016 - January 2017) are expected in early April.

EMB evaluation: The high participation in the programme and its effectiveness on prices show that voluntary production cuts can be relatively easy to implement across the EU, with minimal red tape. A major shortcoming, in our opinion, is the fact that volumes were not capped EU-wide, i.e. reductions could be nullified by increased production in other countries. We are also critical about the late implementation of the programme, the short timeframe (3 months) as well as the low volume proposed for reduction (1.07 million tons). The European Commission has proudly stated that the reduction programme has worked. As a logical next step, a legislative framework allowing for a crisis instrument, based on the EMB's Market Responsibility Programme, should be put in place in the new CAP.

Overview of volume reduction in EU Member States from October to December 2016 (Quantity of delivery reduction and number of participants)

EMB press release: "EU volume reduction programme has proven itself"

Regina Reiterer, EMB

BREXIT and Irish farming

Ireland is the most exposed Member State for the UK's decision to leave the European Union and within that alarming context, Irish farming and agri-food are the sectors most exposed.

Key issues for the agri-food sector

Access to the UK market post Brexit could be severely disadvantaged by tariffs, border checks and different standards. Transit of produce across the UK to continental Europe is hugely important and requires future arrangements post Brexit. Furthermore, existing trade deals will have to be revised with reduced tariff-free access quotas to take account of the UK exit. The EU-27 will also have 64m less consumers post Brexit and trade deals will have to recognise that reduction. ICMSA is clearly stating that any future trade deals must include provisions that take account of Brexit and must be restructured to reflect the interests of the EU-27.

Consequences of the Irish north-south border for both processors and producers

Concerning raw material purchase, there are 32,000 milk lorry trips across the Irish border each year. Brexit may lead to border checks between the North and South of Ireland which will add additional costs and layers of bureaucracy to the system. For farmers with land on both sides of the border, Brexit presents serious challenges in terms of CAP issues, nitrate regulations and cattle movements. Farmers in the South will be unable to purchase cheap farm inputs from the North or farm inputs carrying EU registrations which will no longer apply in the North.

At this stage, ICMSA believes that the Irish government needs to take a number of key actions to protect the Irish agri-food sector:

· **Build alliances at EU level to support Irish position.** It is quite clear that other Member States have similar interests to Ireland and a combined approach should be taken.

· **Maintenance of the Single Market or a free trade agreement.** While the maintenance of the Single Market would be the ideal outcome, if this is not possible, a free trade agreement should be concluded simultaneously with Brexit or a transition arrangement put in place until the free trade agreement is concluded.

· **Measures to address currency volatility:** The big threat in the short term is currency volatility and its impact on prices and thus investment. ICMSA firmly believes that the Irish government needs to put in place measures to allow exposed sectors like the agri-food sector to financially prepare for a Brexit shock which adds another factor to an already long list of volatility pressures. The following measures in particular should be implemented:

- Enterprise Stability Fund for the processing sector.

- Farm Management Deposit Scheme to allow farmers to establish a fund in good years to allow them to manage and survive poor income years.

Brexit is a major unexpected challenge and it is hugely important that realism enters the negotiations at the earliest stage possible and very long-standing trading relationships are protected in the interests of both parties.

John Comer, President of Irish Creamery Milk Suppliers Association (ICMSA)

Extract of "*BREXIT and Irish Farming – The most exposed sector in the most exposed Member State*"

The German Federal Cartel Office expresses its opinion on supply conditions of raw milk

The German Federal Cartel Office has published an interim report that is significant for the dairy cooperatives system. It has caused quite a stir and confirms the MEG Milch Board's position almost entirely. In 2014, the MEG Milch Board appealed to the Cartel Office to launch an investigation against the DMK (Deutsches Milchkontor) and specifically criticised the exclusive supply obligation and long periods of notice in cooperative dairies in this context. The preliminary results concerning the key questions are now available.

The Cartel Office focused on the issues of exclusivity and restrictive supply conditions in German cooperatives. The former refers to exclusive supply obligations, while the latter includes notice periods and the issue of ex-post pricing. In the opinion of the Cartel Office, both aspects lead to low levels of competition.

It is important to note that there is a specific reference to the switching rate of dairy farms, which was only 2% between 2013 and 2015. The rate, which is insufficient from the point of view of competition, is significant because no new dairies of a significant size were founded in the mentioned time period. The large dairies, nonetheless, expanded, while the development of on-farm dairies was insignificant.

The restrictive supply conditions were intensively investigated. With regards to the practical observation concerning periods of notice (24 months in most cases), it is stated that the planning horizon for producers is subjected to the widest possible restrictions, leading to insufficient scope for competition conditions to be fulfilled.

With respect to raw milk supply, the usual combination of notice periods and exclusivity violate competition law in the opinion of the Cartel Office. This was especially highlighted in the report.

The Cartel Office addresses an important issue by stating that ex-post pricing (94% of dairies) is noticeably accompanied by a harmonisation of prices. This does not necessarily confirm the widespread suspicion of price fixing, but it does not fully exclude this possibility either.

The progress report by the Cartel Office is extremely specific and criticises the rules set by cooperatives. The conclusions directly refer to violations of competition law. One can safely assume that the basic concerns and convictions of the MEG Milch Board have been almost entirely taken up and addressed by the Cartel Office.

The final decision will be provided after a hearing of the parties on the progress report.

Rainer von Hößlin, Director of MEG Milch Board w. V.

Link to interim report: "State of play in investigation regarding conditions of supply of raw milk" (in German)

Demonstration in Bern - Federal Council member Schneider-Ammann steamrollers a law through!

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Uniterre and BIG-M have organised a demonstration to protest the violation of the Federal Act on Agriculture, which states that all producers should have a standard contract for the sale of milk that includes "*at least terms concerning quantities, prices and methods of payment."* In reality, however, this stipulation has amounted to nothing.

The Swiss branch organisation for milk IP Lait only fixes quantities in percentage and the Federal Council is even willing to back up such nonsense with binding force (cf. information below on IP Lait binding force). According to the Act, and as per the Ministry of Agriculture, it is the duty of Federal Council member Schneider-Ammann to take action but he is doing nothing. IP Lait, on their end, refuse to fulfil their primary function which is to work toward creating added value for all its members, including producers. All it does is defend the interests of milk buyers and processors.

Request for binding force by IP Lait

IP Lait, the branch organisation for milk, is asking the Federal Council to make it binding for all milk buyers who are members of IP Lait to, from now on, inform their suppliers (e.g. milk producers), latest by the twentieth of the month, of the quantity and price of their purchase for the following month. Interested parties can send their position in writing by 20 March 2017.

Uniterre is of the opinion that this request is total nonsense. Farmers work with animals and it is not possible to program them to produce a certain quantity this month and a different one the next.

Fribourg initiative on volume and price management in milk production

Following a motion submitted in April 2016 by member Jean Bertschi (UDC), the Fribourg State Council proposed a draft decree to the Grand Council, exercising the right to cantonal initiative. This decree entrusted the Federal Council to "make a standard contract compulsory at all stages of purchase and sale of untreated milk, with an irrevocable commitment of at least **12 months for quantities** and their distribution over different value segments, and fixed prices for **at least 6 months.**" The decree also stated that "the contract shall guarantee the producer the freedom to supply or not supply the allocated quantities in segment C." In a shameful twist, the members finally backpedalled on the time periods and voted for an irrevocable commitment of at least **6 months** for quantities and their distribution over different value segments and fixed prices for at least **3 months**. When we discovered this act of deceit, we at Uniterre were absolutely outraged and incredulous.

Uniterre Milk Commission

Dairy industry outraged by report of the German Cartel Office

The interim report on conditions for the supply of raw milk, published by the German Federal Cartel Office (Bundeskartellamt) in mid-March, was highly anticipated, perhaps fearfully by dairies. This fear was justified: Using Germany's largest cooperative dairy Deutsches Milchkontor (DMK) as an example, the Cartel Office has thoroughly investigated the conditions on the raw milk market and concluded that there is a **strong imbalance to the detriment of milk producers (suppliers).**

It specifically criticises the extremely long periods of notice, the exclusive tender and supply obligations for total milk production, the setting of prices only in the first weeks post-delivery and the system of reference prices. Together with almost monopolistic structures in large parts of northern Germany, all these factors mean that milk producers have very little possibility to switch to another dairy even if they are highly dissatisfied. The Cartel Office found that less than one percent of farms switch per year. The results are nothing new for affected farmers, but they do strengthen their position in the political battle of power relations on the milk market - and it seems like that the Cartel Office also has the law on its side.

Outraged dairy industry

The reaction of the dairy industry is quite telling: In an apparently coordinated wave of outrage, the dairy industry association, the cooperatives association and even the DMK have attacked the interim report itself. They are calling it destabilisation of the dairy sector and bullying, and the DMK has even gone so far as to claim that their supply conditions are "indispensable for the survival of small-scale milk production in Germany and for the provision of a basic food like milk to the population. The Cartel Office is destroying the German dairy market." This coming from a company that drove the destruction of the livelihood of innumerable farmers due to their ruthless prices and volume policies during the milk crisis!

The position adopted by policymakers and farmer representatives in this regard will now be decisive. The largest producer organisations MEG Milk Board and Bayern MeG have already expressly welcomed the report, as have the BDM and the AbL. The German Farmers' Association (DBV) has been more hesitant in its evaluation, although the new dairy sector president Karsten Schmal has recently expressed very clear criticism against the cooperative dairies.

Policymakers on the move

It is interesting to note that as part of a "Discussion on dairy market structures" on 27 March, the Federal Ministry of Agriculture has not only invited representatives from the dairy industry and the farmers' associations, it has also included those from AbL, BDM and BÖLW. The Cartel Office says: *"The possibilities for cooperation, created by agricultural legislation for those buying agricultural products, can not only be used to push for better sales prices, they can just as easily also be used to fix conditions that are especially detrimental to producers. An effective mechanism, which would prevent the exceptions in agricultural legislation from competition law to be used against producers, is lacking."* This is specifically addressed to lawmakers in Berlin.

We are talking about - as the DMK press release so rightfully puts it - the survival of small-scale milk production.

Ottmar Ilchmann, dairy farmer in East Frisia and Board member of AbL Lower Saxony

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Letter campaign by European dairy farmers

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French farmer suicides unleash a wave of solidarity

(Brussels/Paris, 16 March 2017) Nowadays, "onerous letters" are landing on the desks of Europe's Agriculture Ministers and Agriculture Commissioner Hogan. Europe's dairy farmers have shown that they are heavily affected by the high suicide rate among their fellow colleagues and have expressed their solidarity with a French farmer who took his own life last December.

"We farmers are running out of steam," says Boris Goudouin, getting to the heart of this sad state of affairs. President of French milk producers' association APLI, he believes that it is mainly growing financial pressure coupled with a lack of prospects that pushes farmers to commit suicide. "We work round the clock but are still unable to live off our work! Debt is a system that forces us to keep producing more and more but at the end of the day, we are left with nothing."

According to the agricultural social insurance MSA France, the suicide rate among French farmers is especially high - dairy farming and cattle breeding are the most affected sectors. Milk producers' association APLI refuses to let the disappearance of their colleagues go unnoticed and already started a campaign to send letters to French Minister of Agriculture Stéphane Le Foll in late January. These letters, signed by farmers and citizens, demanded specific measures to help French milk producers.

As a sign of solidarity, milk producers from other European countries are currently sending letters to their national Agriculture Ministers as well. Letters that highlight the fate of French dairy farmers who see ending their lives as the only option. A fate that every farmer today knows only too well first-hand. Those who signed and sent letters this week demand that those responsible in the agricultural sector address the adequately known causes of the milk crisis and bring long-term stability to the dairy market. The system of unbridled liberalisation and overproduction must come to an end, stresses Boris Gondouin. "We need a European regulatory system for the dairy market to pull European dairy production out of the crisis and keep it out." Gondouin goes on to say that the EU programme of voluntary production cuts led to a price recovery. "The EMB's Market Responsibility Programme takes this approach to the logical next step and must finally be legally established!"

EMB press release, 16 March 2017

Hearty congratulations: Award for Corporate Social Responsibility goes to Burkinabe-Belgian Fair Milk project

Belgian milk producers together with Oxfam have supported their colleagues in Burkina Faso to put Fair Milk on the market. This month, they received the award for Corporate Social Responsibility in the Fairtrade category for the development project FaireFaso.

We decided to use this opportunity to talk to Erwin Schöpges from the Belgian milk producers' association Milcherzeuger Interessengemeinschaft (MIG-EMB) - one of the founders of FaireFaso - about the award, Africa and the EU.

How did you come up with the idea for this project? What convinced you to create something like this together with producers in Burkina Faso?

In 2009, we got acquainted with Oxfam-Solidarité when they supported us in a milk strike. We have been in contact since then and have also exchanged information on the situation of dairy farmers in Africa. On a joint trip to Burkina Faso, I was able to observe on the ground that we have a lot in common with our Burkinabe colleagues and that we both struggle with the same difficulties. During the visit, I was especially shocked to learn that large European companies are gaining ground in this West African country. On the outside, it looks like they are in favour of producers' interests, but their activities ultimately destroy small-farmer structures.

Therefore, we wanted to create something together to support local production and also strengthen the market position of producers. It was important to us to go beyond merely paying lip service to better developmental conditions in Burkina Faso. And so we as MIG-EMB, together with the National Association of Mini-dairies and Local Milk Producers in Burkina Faso (UMPLB) and Oxfam Solidarité, were finally able to launch the fair brand *FaireFaso* on the market in early 2016.

You have received the award for Corporate Social Responsibility. What does that mean to you?

We are very happy because it is validation of the work we have done in the last year. Both the Belgian and the Burkinabe colleagues were quite excited at the news. We are proud that such small projects are also considered. Usually it is just large companies and multinationals in the running for such awards and development aid is often just part of their image campaign.

Fair Milk is a brand that was also brought on the market in different European countries by local dairy farmers. It is also significant to us in Europe because the brand highlights the issues and unfair prices in the EU dairy sector. And now as *FaireFaso*, it also helps to shed a light on the North-South issues with trade.

How do you evaluate relations between the EU and African countries?

We are critical. Political statements in recent months have hailed the African continent as a large market for the future. The European Commission is helping European companies to get established there, come hell or high water. The EU might try to project this image of someone that supports developing countries, but you can see that at the same time, their activities on the ground are causing major damage. This will only add to the flow of refugees. When small-farmer structures are destroyed, more and more farmers leave rural areas for the city. It is, however, extremely difficult to find work in the city. People then leave their country and try to come to Europe as refugees.

How can we ensure that social responsibility becomes even more widespread?

It is our duty to make this information part of public debate. We farmers must also think differently because we do not only have a responsibility toward our farms, we are also responsible for the effect our products can have beyond Europe.

Thank you for talking to us, Mr. Schöpges.

Silvia Däberitz, EMB

Click here to view a film describing the FaireFaso project in early 2016: "Must - Can - Should Europe feed Africa?"

You can find us on Facebook

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