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Newsletter April

Dear Dairy Farmers and Interested Parties,

If the milk market were a person, people would be most concerned about his permanent nasty cough and high temperature. People would try to find ways to get him going again. That is exactly what the milk producers are doing, and they are expecting the politicians to co-operate with them. The politicians must give them the chance to ensure the recovery of the market through flexible control of production.

But what can we really expect of a new EU policy in the dairy sector?

Although no exhaustive answer can be given to this question at present, one trend becomes clear if we look at the work of the EU institutions over the last few months. Under pressure from protesting farmers, the European Commission had set up a high-ranking working group (the High Level Expert Group on Milk - HLGEM) comprising representatives from the EU member states. Its aim is to scrutinise possible mechanisms and measures of a new milk policy and come up with recommendations. The final results will be published at the end of June. As you will read in today's Newsletter, main features were already in evidence at the "What future for milk" conference held in March, at which the HLGEM's work hitherto was presented: it can be assumed that this group's proposals are not likely to adequately secure the milk producers' income or high-quality milk production in Europe. The problem resides in the approach prescribed for the HLGEM by the Commission as a working philosophy. Anything not fitting in with this mishmash of liberalism and crisis interventionism was not seriously included in the group's analytical work from the word go. From the outset, then, flexible control of production was never on the agenda. Countries like Canada, where such a system operates successfully, do not come into it as subjects for analysis. *What does that mean, though, for a policy derived from the HLGEM's proposals?* This policy makes no provision for an ongoing system for the milk market per se that ensures a fair income and prevents overproduction. The market routine is to be regulated solely by **contracts between producers and the industry** as well as by a **strengthening of the producers' position** as yet not defined in detail. Only in the *event of a crisis* is a so-called **safety net** to cushion extremes. However, the milk market is not a healthy person as such who only has a cold now and then for which he has to take a few tablets. The market is in a chronic crisis that cannot be overcome until a sustainable system of flexible management of volumes has been introduced. Scientific opinions, reports from the European Court of Auditors and the European Economic and Social Committee also make it clear how important regulations are.

The European Milk Board milk producers will not accept any pseudo-solutions from the EU. That has been made clear to the political representatives time and again in recent months, and the clear message will be repeated in the future. In talks with the European Commissioner for Agriculture, Dacian Cioloş, with representatives of the HLGEM, with MEPs and national politicians, the EMB has made it clear that if supply is not adjusted to demand, overproduction and high subsidy costs will continue to cause considerable problems for the EU and beyond. To show the real prospects for the milk market, the EMB's Group of Experts is working in parallel on the concept of flexible control of production. The group consists of representatives from science and social groups from the sectors of the environment, consumer protection and development aid cooperation.

It is not only on a European level but in the EU countries and Switzerland as well that the EMB organisations are working hard in talks with politicians and scientists. For instance, to assist the EMB Group of Experts, the Spanish association PROLEC has set up an additional group in which Spanish experts are working on the concept. As one of the many

examples of the intensive discussions the EMB organisations are having with politicians and scientists, the DDB from the Netherlands reports on its work in this month's Newsletter.

The pressure exerted by the milk producers and organisations from civil society will be stepped up if, as expected, the results to be published by the EU High-Level Group in June fail to point in the right direction or to pave the way for fair milk production. As the example of France shows below, this pressure of action is already very high in the countries of Europe.

A sick EU milk market with poor income for producers has extremely negative consequences for many spheres. It is important that the market becomes and remains healthy, not just for the European milk producers but also for consumers, our environment, the protection of animals, and for farmers from the developing nations. That is why in our current Newsletter Vijay Jawandhiya, spokesman for a coalition of Indian farmer organisations, advocates fair trade and derides overproduction.

I wish you an interesting read, and trust that you will find the information on the ambitions of the Spanish organisation PROLEC, on imitation cheese, and on netting in Great Britain stimulating. An article on the situation in Switzerland makes it clear how irresponsible it is for politicians to withdraw from regulating production without enabling the producers to play an active part in shaping the market.

Best regards,

Silvia Däberitz

EMB

“What future for milk?”

The EU Commission's Milk Conference

On 26.3.2010 the Milk Conference was held in Brussels; it had been announced when the High Level Expert Group on Milk was set up last autumn. The conference was opened by Dacian Ciolos, the European Commissioner for Agriculture, who was followed by a representative of the European Parliament, and then the rest of the morning was taken up by three speeches on the development of the milk market worldwide. In the afternoon there was a stimulating panel discussion involving Romuald Schaber for the EMB on a future configuration of the milk market. With ten speakers and only 90 minutes for discussion, there was far too little scope for this issue at the Milk Conference. Afterwards scientists debated at length the question of whether futures markets could help in any way to stabilise the milk market. Many a question remained unanswered on this and other issues.

The presentation by the Chairman of the EU High Level Expert Group on Milk, Jean-Luc Demarty, made it clear that the Expert Group had not yet come up with any concrete proposals. What was particularly important, he said, was:

- 1) To regulate contractual relations between milk producers and dairies; to what extent this was to occur through guidelines or a regulation was not yet clear
- 2) The possibilities of agreeing volumes and prices for the milk producers under existing competition law and to what extent exceptions could be introduced
- 3) Greater transparency without extra funding, better collation of data, a “Price Monitoring Agency”
- 4) Futures markets as a stabilising option, even if this might entail price risks
- 5) Intervention mechanisms should be kept as a safety net, farm bonuses likewise.

At the end of June the EU HLG will present a report to be discussed by the European Ministers of Agriculture and the European Parliament in mid-July.

In the discussion, a representative of the EU Commission made it clear that contracts did not contribute to a rise in farm-gate prices. The comment made by the representative of the Directorate General for Competition was also interesting: competition legislation was not set in stone; it was passed for the economy to function properly and could be adapted at any time. In a nutshell, the dairy industry and the retail trade in particular felt that it would be better for most things to be left as they were.

To summarise, the aims of milk production and its social significance did not even get a look-in at this conference. There

was accordingly no overall view of the future configuration of the milk market. The EMB reacted with a letter to the Chairman and the members of the EU High Level Group requesting that the individual measures and their impact on the milk producers be explained (see text below). We shall publish the reply and make constructive comments in turn. Because what is the point of receiving the High Level Group's concept at the end of June for the configuration of the milk market couched in fine terms, perhaps our own, if it contains no measures under an overall concept to actually strengthen the milk producers' position and enable sustainable milk production throughout Europe? The point is cost-covering production of milk to meet the actual demand. And that requires an effective and flexible form of controlling volumes. For producers and consumers, for the countryside, the environment as well as people in other parts of the world.

The economy at the service of mankind, and not the other way round.

Sonja Korspeter, EMB

Dear Mr Demarty,

Dear Members of the EU High Level Expert Group on Milk,

The "What future for milk?" conference held two weeks ago was an important event in the whole process of finding solutions for the milk crisis and developing a consistent future concept for the European milk market. This means talking about a secure supply of milk products of high quality every day and everywhere in Europe.

EMB representatives attending the conference were surprised that the proposals made were still very general and they would have liked to have seen a concept that unified different measures in one common logic.

We are really interested in having a constructive exchange of ideas and concepts with the EU High Level Expert Group. At this moment it is difficult for us to accomplish our task of contributing to the process because we do not understand your position in detail. As this is the condition for making our input into the solution-finding process more concrete, we would like to ask the EU High Level Expert Group to answer the following questions:

- 1) What do the framework conditions need to be to make sure that contracts benefit farmers, increase and stabilize their income?
- 2) What instruments do you see to strengthen the dairy farmers' position in the food chain, the farmers' position in negotiations with the industry? What has this to do with transparency?
- 3) How do you want to make sure that the milk volume produced corresponds to demand?
- 4) How would transparency help farmers to get a better price for their product?
- 5) How exactly would you like to adapt EU competition law, what kind of exception do you have in mind? What legal instruments do you want to use to give producer organisations more bargaining power in the dairy market?
- 6) Who benefits most from intervention? What are the risks for farmers when large volumes of butter and milk powder are put on the market again? And are the taxpayers still willing to pay for it?
- 7) What should the future role of the EU Commission be in dairy politics?

We would greatly appreciate receiving your answers by the 1 May 2010 to enable us to react and contribute with concrete proposals to the report on the dairy sector.

Please find attached our Position Paper describing how the position of the dairy farmers in the food chain can be subsequently strengthened to maintain sustainable dairy production in the whole of Europe. This for the best of consumers and a healthy dairy sector, respecting the significance of rural areas.

Yours faithfully,

Romuald Schaber, President of the EMB

The Netherlands

European dairy policy after 2015 - EU dairy policy: how to continue?"

The DDB in discussion with scientists and politicians

In the last few months the DDB has organized a number of information meetings entitled "European dairy policy after 2015 – EU dairy policy: how to continue?"

Several speakers gave their input concerning the issue.

Thus Mr.ir. Maria E. G. Litjens of Wageningen University & Research Centre (WUR) came to explain the possibilities and impossibilities of producers' organizations. She recently informed the Vaste Kamer Commissie voor Landbouw Natuur en Voedselveiligheid (members of the Permanent Committee on Agriculture, Nature and Food Quality in Parliament) on this matter. She said market regulation law did not yet completely cover several issues in which opportunities are to be found to strengthen the farmers' position. In response to the actions of the DDB / EMB, the EU High Level Expert Group on Milk (HLGM) is currently examining how dairy farmers can have more influence on the chain. So far it is not sure that the outcome of the High Level Group on that matter will be satisfying.

Ir. R.P. Lapperre, CAP Program Director (Agriculture) and Member of the Dutch delegation in the EU HLGM, explained the perspectives of the ministry in this matter and the input of the Netherlands in the HLGM. He said that under pressure from the dairy farmers' actions (which could be heard when the EU met), the HLGM was set up and the extra € 280 million EU support for farmers was promised. Although, according to Lapperre, the commission knew full well the producers were no longer asking for funding.

Prof. Jan Douwe van der Ploeg, Professor of Rural Sociology and Rural Development (WUR), has a sharp point of view on liberalization in agriculture. He sketched a picture of what the farmers in recent years have been told how the future would be and how this has worked out in reality for the farmers. He showed figures indicating that the preached scale growth hasn't brought the farmer anything over the past 20 years. In fact, the so-called future-oriented companies (large growth) appear, in the current market, the first to get into trouble. He points out that there must be a change in the current views on markets. According to van der Ploeg, the actions of the DDB / EMB were effective and they should certainly be continued, it is a matter of long breath.

Finally Dr Niek B.J. Koning, Assistant Professor WU Social Sciences, Rural Policy, an expert on the regulation of milk. He has also given the EMB HLG his view on regulation of the dairy market. Koning believes that the EMB actions greatly slowed down the "EU train" and opened doors for the will to look at alternatives. When the EMB pressure decreases, the EU train will again gain full speed and move on their own trail. It is important to keep up the pressure.

All in all, the DDB can look back on a number of successful meetings. Short video reports (Dutch) from all the speakers are available on www.ddb.nu.

Hennie de Zwaan, DDB

"Inspectorate of value" and NMV find solution for imitation cheese.

Last year, the NMV (Dutch Dairymen Syndicate) asked the "Inspectorate of value" (IoV), the Dutch TV programme on food for consumers, to reinvestigate the deceptions concerning imitation cheese.

A year and a half ago the IoV discovered that very often cheese on pizzas, for example, was not made of cow's milk but consisted of vegetable ingredients. The program caused quite a stir, and producers of imitation cheese promised they would improve their products. However, they have not yet done much to stop deceiving consumers.

Misled

Consumers are still being misled when buying ready-made products that are said to contain real cheese. Often the label says the product contains real cheese, a claim which in many cases cannot be justified by the product's ingredients. Imitation cheese is a product based on oil from palm kernels and milk proteins. It is a vegetable product looking similar to cheese, yet it has quite a different taste. The definition of "imitation cheese" is legally forbidden since the law prescribes cheese to be made out of cow's milk. Because the packaging does not say whether and how imitation cheese is used in the product, consumers are not able to make a deliberate choice for real cheese. This deceit causes more and more cheese to be replaced by imitation cheese. This has a negative effect on milk markets of Dutch and European dairy farmers, which in turn has its negative effects on milk prices.

Melta

The IoV discussed with members of the NMV's executive board to find a solution after some serious study. Imitation cheese needs to be labelled separately by giving it a name making it clear to consumers that a product contains imitation cheese. The IoV suggested the name Melta in its TV programme. Apart from a name, the percentage of Melta in real cheese should be mentioned on the product's packaging as well. In order to really do something about the problem called imitation cheese, the IoV has asked MEP Esther de Lange for help. The Dutch representative acknowledges the problem and states that, after receiving remarks from the Netherlands and Germany, the law needs to be changed. NMV chairman Hans Geurts proved to be satisfied with the programme's outcome and will remain in close contact with Esther de Lange concerning changes in European law.

The EMB is also concerned about imitation cheese and addressed the programme's proposal during the hearing of the High Level Group on Milk. You can find the broadcast on sites.rvu.nl/page/8741.

Eric Bals, NMV

APLI demonstrations in France to the beat of the drum

In the course of April, the Association des Producteurs de Lait Indépendants (APLI) organised several demonstrations in the northern half of France, invariably with the intention of making the general public and the politicians aware of the milk producers' situation.

For instance in Poitiers, in the Poitou-Charentes region, milk producers' wives demonstrated in tribute to the 800 producers who committed suicide last year, these suicides being attributed to the poor economic conditions plaguing farmers. The French politicians are starting to support the EMB's action, with Ségolène Royal, President of the Poitou-Charentes region and a former presidential candidate, in favour of a "fair milk" brand being created.

In the same month other campaigns of action took place, with hundreds of litres of milk being distributed in the centre of Nantes, and milk being given away in disadvantaged quarters of Angers and Quimper, where just under 200 producers twice overran the Chamber of Agriculture.

According to Pascal Massol, President of the APLI, joint campaigns will be carried out in the next few weeks with producers from other European countries and "we are waiting for the Europeans to conduct a joint campaign".

Well aware of the importance of pooling milk, what the APLI is advocating is a national Office du Lait to be set up as well as a European Office du Lait to organise the milk market.

Gwen Martin, EMB

Switzerland:

Last chance for the Branchenorganisation Milch (BOM) [Interprofession of milk]

Record butter mountains have been amassed in Switzerland in the last few months, because after the end of the quota the dairies signed contracts with the producers for far too large volumes of milk. The sector organisation BOM was set up in October 2009. Its board comprises ten producer representatives, two representatives of the trade and eight representatives of the dairies. As there is too much milk in the market, this board has three times resolved to sell these surplus volumes outside the EU in a market clearance move. But nobody is sticking to these resolutions. The big dairies have invested a lot of money in additional processing facilities, and now want to work these plants to full capacity. So

they do not want the volume to be reduced.

To ease the market, this week the CREMO told its farmers that every producer would be paid just 20 cents for 17% of the milk he supplies, for this volume to be sold on the world market. So, even the farmer that has voluntarily reduced his production has to pay as well. This is absolutely indefensible. Resentment among dairy farmers is growing.

Wednesday, 21 April sees the Swiss Milk Producers' Delegates Meeting in Bern. This meeting will be voting on a resolution giving the BOM an ultimatum to apply existing mechanisms immediately to stabilise the market. The BOM will hold its meeting the day after.

BIG-M has repeatedly stressed that the BOM cannot solve the problems in the milk market because there is too dominant a representation of the unilateral interests of the milk-buyers in this organisation, thus preventing sustainable solutions. If the BOM now misses this last opportunity once again, sooner or later the Swiss Parliament will once more have to tackle the issue of controlling volumes.

Bäuerliche Interessengemeinschaft für Milchmarktkampf, BIG-M [Dairy Farmers' Lobby Group]

Uniterre: Open letter to the Fédération des Producteurs Suisses de Lait

On 21 April, the Uniterre milk producers' organisation sent an open letter to the Fédération des Producteurs Suisses de Lait to explain the mechanisms required for the future of the milk market in Switzerland. Here are extracts from the letter:

Dear President,

Dear Director,

What prospects for the future can you give the milk producers? What are your short-term aims?

As a professional defence, what do you intend to do to make the milk price rise?

Given the current failure to manage volumes based on segmentation, what else do you propose?

Let us remind you that Uniterre put forward proposals in August 2009 for supply management based on solidarity that would have treated every producer equally, with this system being binding on the producers. We must not give this last demand up under any circumstances. The politicians must, now and even more so in the future, concern themselves with food, the origin of food, the management of natural resources, and food sovereignty. In a word, a number of key factors for ensuring adequate social cohesion in this country. So the politicians cannot abandon this responsibility and must allow the producers to organise themselves!

To decrease Swiss milk production quickly, we propose using a part of the contributions paid by the producers to the PSL to improve the situation. Here is a list of measures we propose for this:

1. Take a serious look at implementing the plan for supply management put forward by the Uniterre producers
2. Promote every measure that enables producers consciously opting for one of the following to make up for their loss of income:
 - a. not to produce a certain volume of milk
 - b. not to market a part of their milk but to put it to other uses
 - c. to decrease the production per cow by different feed
 - d. to take part in any "extenso milk" scheme
3. Promote the slaughter of Swiss dairy cattle whilst taking steps to curb imports of beef in order to prevent a glut in the domestic market (extraordinary times call for extraordinary measures). This step could be co-ordinated with the Chambers of Agriculture and/or the OFAG.

Uniterre

Spain

PROLEC wants to be part of the sector organisation

The Spanish producer organisation PROLEC is applying for a seat in the sector organisation INLAC, which takes decisions on the milk market. Trade unions, sector organisations and the dairy industry are represented in INLAC. A condition of access for producer organisations is the number of milk producers they represent. PROLEC exceeds the 5 per cent threshold laid down.

Esther Lopera, PROLEC's spokeswoman, describes the advantages of membership of INLAC as follows: "When your organisation is in INLAC, your own proposals reach the politicians and administrators much more quickly and more effectively. "

The application was accompanied by the signatures of all the dairy farmers represented in the producer organisation. The current members of the sector organisation INLAC will now vote on whether to include PROLEC.

Esther Lopera PROLEC

We are not against trade – only unfair trade is unacceptable

Interview with Vijay Jawandhiya, spokesman for the Kisan Co-ordination Committee, a coalition of Indian farmers' organisations

Mr Jawandhiya, what does your committee advocate?

In India, farmers in every sector have been hit very hard economically. They are exploited so that other players can accumulate capital. For instance, cost-covering milk prices are inconceivable here. We are trying to change that to enable the farmers to have a fair position in the economic system.

What do you regard as the primary causes of the problematical situation?

You see, the Indian farmers, India itself, won independence from British colonial rule in 1947. Now we are being re-colonised by the WTO. For instance, with the deregulation of trade the importing of milk powder has put domestic milk production in dire straits. The industry has manufactured many products with the cheaper milk powder, forcing the price of domestic milk down to an unacceptably low level.

How did the state react?

It introduced restrictions on milk powder imports, in theory intended to put a stop to dumping. If they were properly applied. Unfortunately, though, that is not the case. One reason for this is that the government wants cheap food in the country for the poor strata of the population. At first sight one might think that was in fact a sensible reason. Only, what it does is produce a great deal more poverty. We are working against this to enable Indian farmers to live off their labour.

In your view, what can be done to reduce poverty effectively?

Milk powder imports must be limited effectively to stop jobs being further destroyed and to give farmers the opportunity to generate their own income. Every country should be able to produce what is consumed in the country without domestic production being mercilessly squeezed out. Everything in excess of the country's own production capacity can be imported. The market can be shared like this without the others being destroyed. We are not against trade, only unfair trade is unacceptable.

If parts of the population cannot afford food, there should be state food subsidies for them. This is the only way to ensure that one form of poverty is not being alleviated only to produce new poverty elsewhere.

What picture do you have of European milk production?

The dairy farmers in Europe no longer want overproduction. It is good that they themselves want to produce only what is consumed there. The governments should support that with controls, firstly to enable the European farmers to live off

their labour, and secondly to prevent export dumping that threatens the livelihood of producers in other countries.

That is the right path to tread together in order to support the poor social strata in the developing nations. Trade has to be fair.

Mr Jawandhiya, thank you for the interview.

Silvia Däberitz, EMB

Netting in Great Britain

Great Britain is one of the countries in which netting plays a role between overproduction and underproduction in the dairy sector.

National

Netting is carried out here on a national level and not on the level of the dairies. For instance, if an Arla producer is 10,000 litres below his quota, the rest of the quota is not distributed just among overproducing Arla producers. The total volumes falling below the respective farm quotas are totted up over Great Britain as a whole and then distributed among the overproducing producers throughout the island. It is irrelevant to which dairy this is supplied. This reduces somewhat the excess quantity of milk supplied by each dairy farmer and reduces a possible penalty levy.

Overproduction without penalty levies

In addition, more and more limits are being set to overproduction under which no penalty levies apply. The technical name for this is the "threshold". In the past, for example, there was a three-per-cent threshold. That meant no producer had to pay a levy for up to three per cent of their overproduction.

Independent quota systems

In Great Britain there are also quotas for direct marketing. These are totally independent of the "normal" quota, and other rules apply. It may be that a direct marketer has to pay a high penalty levy for overproduction while the other producers do not have to pay any levies at all for surpluses. There is no equalisation between these two types of quota.

Current production level

Provisional volume produced (non butterfat adjusted) was 12,819.4 million litres against a wholesale milk quota of 14,699.4 million litres. That is 1,880 million litres or 12.79% below quota.

Doris Robertson DFOS, Katharina Aurich BDM