

## Dear Dairy Farmers and Interested Parties,

A recent study from Switzerland on the abolition of their milk quota system indicates what awaits European dairy farmers in 2015.

The conclusion of the study in a nutshell is: five years after the quota system was abolished, Swiss producers still have no stable market conditions in the long run. The consequences are plummeting farm-gate prices, a worsening of the milk producers' market position vis-à-vis the processors, and an adverse distribution of the growth in volumes to cheap segments.

What can we learn from the Swiss state of affairs? Without additional crisis instruments, when the quotas come to an end in 2015 we dairy farmers will be facing a similar scenario to that of Switzerland. Milk production will vanish from entire regions; more and more farms will close down.

The Swiss study and a press conference organised by the EMB on the abolition of the Swiss quota system feature in this Newsletter.

Another topic in this issue is that of milk producer organisations. Since they were set up, numerous producers in Europe have already found a way of improving their position in the market. In addition to the France Milk Board and the MEG Milch Board (Germany), in late July the Belgians united in the organisation WAFAB. The aim is to give producers more clout and to secure milk production in the long term.

It is hoped that as many farmers as possible will join these unions to become "stronger together", as the WAFAB motto goes.

*Paul de Montvalon, Member of the EMB Board*

### EMB Newsletter August 2014

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**Swiss milk market study shows: the abolition of the milk quota system has resulted in major developments**

Source: EMB

On 23 July, the EMB, in conjunction with the Swiss member organisation BIG-M, held a press conference outside the European Parliament in Brussels on the abolition of the milk quota system. They presented a recent Swiss study of developments in the Swiss milk market.

The core statement of the study is: five years after the quota system was abolished, producers still have no stable market conditions in the long run.

A further consequence of the abolition of the Swiss quota system in 2009 has been the increasing **pressure on farm-gate prices**. By 2010/12, Swiss milk intended for the dairy industry had lost about 24% of its value compared to the average farm-gate price in 2000/02 because of increases in volumes resulting from the abolition of quotas. Cheese dairy milk lost 15% of its value, and organic milk 19%.

Another consequence, according to the Swiss study, is a greater **market concentration of processors** as opposed to producers, further exacerbating the farmers' position in the market. Between 2003 and 2012, the four largest milk processors increased their processing volume by 38% and their share in the Swiss milk market from 44% to 56%.

And the **distribution of the growth in volumes** has worked out badly for the entire Swiss milk market since the abolition of quotas. There has been a concentration primarily in the cheap segments butter and milk powder, which can often only be exported at a loss.

What this development has meant in practice for Switzerland is that the continuing poor prices have forced many farmers out of milk production – including those who actually had good farm structures. Farms continue to close, with a direct impact on the regions and the cultural landscape.

### **Conclusions about developments in the EU after the abolition of quotas in 2015**

The study's findings indicate potential developments in the EU milk market when quotas end in 2015.

There are clear parallels with the Swiss situation, and the fear is that European producers will be left to their own devices. Cost-covering prices and stabilising crisis instruments are therefore crucial to securing milk production in the long run.

Policy-makers are called on to learn from the Swiss developments. In the next few weeks the EMB will be discussing the results of the Swiss study with the decision-making institutions in Brussels (the European Commission, the European Parliament Committee on Agriculture) and on a national level.

For the complete study and a summary follow this link: <http://www.europeanmilkboard.org/en/emb/studien.html>

The study was drawn up by Dr. Therese Haller from the Bern University of Applied Sciences' School of Agricultural, Forest and Food Sciences.

*Regina Reiterer, EMB*

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## **“The euphoria died down very quickly” – interview with Anton Bucher**

*The Swiss abandoned their milk quota system for good in 2009. Anton Bucher, a dairy farmer from Stüsslingen in Switzerland with 40 cows, gives an overview of how the milk producers' situation has developed since then.*

Source: BIG-M

***Mr Bucher, what was the situation like for you before the abolition of quotas?***

Before its abolition the quota represented a rigid situation for us. Possibilities were also restricted, of course. So in the run-up to the abolition we were quite euphoric, because afterwards we would have the opportunity to increase volumes.

***How did things progress afterwards?***

The euphoria died down very quickly because the price collapsed with the large additional volumes. In the best times of the quota system the milk price was one franc for a litre of milk. Just before the definitive abolition we were paid about 70 centimes, and then, after the abolition, in summer 2012 for instance, I couldn't even get 50 centimes. We haven't been able to cover our costs for ages.

***Before the abolition of quotas the plan in Switzerland was to manage supply under private law after 2009. What became of that?***

In fact everyone had expected a follow-up regulation after the end of the quotas, but it didn't work out. The plan was never implemented. No doubt partly because there was no real solidarity among the farmers. Some wanted to produce more milk, regardless of the impact on the market. Each farmer cared only about his own farm.

***How do you see your own future in milk production?***

I have four children, and none of them is prepared to carry on with milk production. And even if I were back at the beginning I don't know if I would return to milk production. You need a lot of courage as a young farmer these days.

***What about your fellow farmers?***

The end of the quotas rapidly accelerated the transformation here in the community. When the quotas ended there were still 9 or 10 of us dairy farmers; now there are three of us, and next year there will be just one. Of the two who are giving up, one is going because his farm no longer meets animal welfare requirements, and I'm getting out because, as I said, my children don't want to carry on with milk production.

***How do you see Swiss milk production developing in general in the next few years?***

Only if they manage to sell high-quality products, i.e. become established in the quality segment, will they have a chance. Commodity production is replaceable, that can be produced anywhere. There's no future for Switzerland in that.

***What would stabilise the market?***

I am increasingly of the opinion that the volume has to be adjusted to demand. That would be the best thing for all the stakeholders.

***Thank you for the interview, Mr Bucher!***

*Silvia Däberitz, EMB*

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## In Belgium producers unite in the WALLonia FArmers Board (WAFAB)

Source: WAFAB

throughout Europe, is chronically weak.

interests.

At a press conference on 25 July in Libramont, Belgium, Belgian farmers announced the formation of the WALLonia FArmers Board (WAFAB). The aim of this move is to improve the Wallonian producers' market position which, as

The milk producers are unable to defend their interests properly and do not have a counter-power worthy of that name. For the Wallonian producers it is of primary importance to unite in a single structure set up to defend their

### The tasks of the WAFAB

The non-profit-making association's stated role is to ensure sustainable agricultural production in Wallonia, operate as a monitoring board of the agricultural market, keeping an eye on the development of supply and on farm-gate prices, and represent the producers' interests in dealings with the buyers of their products. The organisation also aims to optimise production costs by operating as a purchasing association for the means of agricultural production. It is further to commission studies on, for instance, innovative production methods and on the market development.

In the formation of the WAFAB the European Milk Board (EMB) sees an important means of strengthening the farmers. In other countries, too, like France and Germany with the France Milk Board and the MEG Milch Board, there are already producer organisations helping to strengthen the producers' position in the market.

It is now up to the producers to take this opportunity and join the WAFAB. The bigger the number of farmers joining in, the stronger the WAFAB can be in representing them.

*Regina Reiterer, EMB*

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## New European Parliament Committee on Agriculture

In early July the European Parliament elected the new Committee on Agriculture for the next legislative period. The major political parties managed to see off the Eurosceptic parties and bag leading roles.

Source: European Parliament

The new Chairman is the Polish Christian Democrat Czeslaw Adam Siekierski. He will run the committee office together with 4 Vice-Chairmen for the next 2½ years.

A large number of familiar faces remain on the committee; some active members are out (incl. Elisabeth Jeggle, Britta Reimers, Alfred Rubiks, and Sergio Silvestris).

The breakdown by parties of the 45 full members looks like this: Christian Democrats EPP (13), Social Democrats S&D (9), European Conservatives and Reformists ECR (5), the Alliance of Liberals and Democrats ALDE (4), the United European Left GUE/NGL (4), The Greens (4), Europe of Freedom and Direct Democracy EFDD (3), Non-attached Members (3).

Paolo de Castro (IT) will be the new agriculture coordinator for the Social Democrats; the German MEPs Albert Deß and Martin Häusling will assume the same role for the EPP and The Greens respectively. James Nicholson (UK) becomes agriculture coordinator for the ECR, Lidia Senra from Spain for the United European Left (GUE/NGL), and Stuart Agnew (UK) for EFDD. Jens Rohde (DK) was elected the agriculture

coordinator for the Liberals (ALDE).

We will be contacting the old familiar and new members of the Committee on Agriculture in the coming weeks and continue our intensive lobbying.

For the full list of the members of the Committee on Agriculture and their deputies follow this link: <http://www.europarl.europa.eu/committees/en/agri/members.html#menuzone>

*Regina Reiterer, EMB*

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## News headlines from Brussels

Source: [wikimedia commons](#)

Here are the headlines from Brussels:

### **Italy takes over presidency of the EU (1 July - 31 December)**

On 1 July Italy took over the presidency of the EU from Greece, stating that its priorities until the end of the year would be: organic farming reform, implementing provisions for school milk and fruit, wine-growing reform, revising legislation on seeds, crop protection and animal welfare.

### **EU dairy farms report 2013: producer margins extremely volatile**

On 3 July the European Commission published the "EU dairy farms report 2013". According to the report, the last five years have featured huge differences in milk producer margins, both year-on-year and quarterly.

The report rates 2010 and 2011 as having been positive for specialised dairy farms. On average, EU-27 producers achieved higher Net Value Added per Annual Work Unit than in 2007. This was, the report says, due to better gross margins and a significant increase in milk production.

The full report can be viewed at: [http://ec.europa.eu/agriculture/newsroom/167\\_en.htm](http://ec.europa.eu/agriculture/newsroom/167_en.htm)

### **Agriculture Council (14 July, Brussels): fat correction failed**

The members of the Agriculture Council were unable to agree on an adjustment to fat correction and the introduction of additional crisis instruments. The aim of some states, including Austria, Germany and the Netherlands, was to use fat correction to prevent the super-levy being paid in full. They wanted punitive payments arising from oversupply to be reduced in this way.

Eleven countries (France, Great Britain, Portugal, Hungary, Bulgaria, Cyprus, Romania, Croatia, Slovenia, Slovakia and the Czech Republic) prevented a qualified agreement.

### **6<sup>th</sup> round of TTIP negotiations (14 – 18 July)**

The EU and the USA are still negotiating in Brussels the creation of the biggest free trade zone in the world. In the 6<sup>th</sup> round of talks for a comprehensive agreement (TTIP) one of the focuses is on market access.

The major issues of the TTIP are eliminating customs duties and other trade barriers. This week they discussed agriculture.

Consumer and environmental protection groups fear that European standards could be lowered. The European Commission, negotiating on behalf of the member states, has rejected these accusations repeatedly. The next round is scheduled for September.

### **EU Commissioner for Agriculture – Ciolos' term of office**

Three prominent members of the Committee for Agriculture have questioned Dacian Ciolos' suitability as EU Commissioner for Agriculture and an extension of his term of office. Albert Deß (EPP), Paolo de Castro (S&D) and James Nicholson (ECR) criticise the Commissioner's current policy in a letter to the newly elected President of the Commission Jean-Claude Juncker, talking of "a big step backwards in the agricultural policy in the last five years". Inside the Commission, Dacian Ciolos is regarded as the favourite for the post of EU Commissioner for Agriculture, but he could still face competition from Italy (Paolo de Castro) or Ireland (Phil Hogan).

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Document-URL: <http://www.europeanmilkboard.org/https://www.europeanmilkboard.org/english/newsletter-august-2014.html>