

Dear dairy farmers, dear interested parties,

I am greatly concerned to see how Europe is currently facing significant pressure – nationalistic forces internally and divisive motivations externally. I am convinced that there will only be losers if this very dangerous situation were to become even worse.

This makes me take even greater pride in the European alliance of dairy farmers that is the EMB. We dairy farmers are fully convinced that we must take care of our market together, that we will not allow ourselves to be pitted against each other as was often the case in the past and occurs to an extent even today, and that we can survive on the world market only if we adopt common strategies. The dairy farmers in the EMB have come together without any kind of financial or institutional support – on their own strength alone. It is a personification of the European spirit and cannot be lauded enough. No one is committed to the work because it implies a well-paid job. Our motivation has always and will always be the concerns of dairy farmers in Europe. In my opinion, this gives our alliance the legitimacy and weight to have our demands given real consideration at political level.

"We cannot change anything here, it has come from Brussels!" is something we have heard often enough in Germany. Considering our advocacy work is done at both national and European level, this argument no longer holds true. We oblige policy-makers at Federal level as well as at the individual *Länder* level to defend dairy farmers' interests at European level. This combination of national and European efforts has already achieved results. In this regard, it is important for us to be able to count on the support of as many of our European neighbours as possible. For example, if then French Agriculture Minister Stéphane Le Foll had not taken the initiative during the milk crisis after talking to dairy farmers from the EMB and others, and had not exerted a degree of pressure on then German Agriculture Minister Christian Schmidt to follow suit, the volume discipline measures of the 2nd EU Aid Package would probably not have been implemented as they were.

Therefore, I appeal to you: European elections will be held once again in the spring of 2019. Please do not forget that we must also advocate for our European ideas at national level to truly get them off the ground!

Best wishes,

Johannes Pfaller, EMB Executive Committee members and Chairman of the Advisory Board of the German dairy farmers' association BDM

EMB Newsletter August 2018

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Study shows success of the EU volume reduction scheme announced 2 years ago

Two years ago – on 18 July 2016 – European Commissioner for Agriculture Phil Hogan announced the EU volume reduction scheme for the dairy market. The measure was a great success and showed that even small reductions have a major effect on producer prices.

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A study by A. Fink-Keßler and A. Trouvé examined the EU volume reduction scheme. Here are the main findings of the study:

- The voluntary volume reduction scheme was a **great success: with a small reduction in production, a great price effect was achieved**;
- **Direct effect on milk prices:** prices increased from 25.68 cents/kg (07/2016) to 34.16 cents/kg (07/2017);
- **48,200 milk producers from 27 EU Member States** took part (approx. 3% of all European dairy farms);
- Reduced volume: **833,551 t (approx. 2% of the milk volume of the same period in the previous year)**;
- The 4 largest milk-producing countries showed the highest participation in the programme: **Germany** (232,300 tonnes), **France** (152,732 tonnes) and the **United Kingdom** (90,814 tonnes). Together, these three countries account for 57% of the total reduction volume. The **Netherlands** reduced by 56,117 tonnes;
- **Ireland** had the highest percentage of participating farms (21%) and reduction volume (4%).

Background: *The EU milk volume reduction scheme ran from October 2016 to January 2017. Farmers were given the opportunity to voluntarily reduce their production volume in exchange of a compensation (14 cents per kilogram of reduced milk compared to the same 3-months period of the previous year).*

The programme has marked a turning point in Europe's milk policy. With the volume reduction programme, the European Commission has finally provided dairy farmers with an efficient instrument. It is now important that a crisis instrument is firmly anchored in the new CAP so that production volumes can be adjusted in times of crisis, as provided for in the EMB Market Responsibility Programme.

[Analysis of the EU volume reduction programme 2016/17](#)

[Here you can watch a short video on the study](#)

Press release of the European Commission "[Final figures reflect success of EU milk production reduction scheme](#)" (5 July 2017)

Silvia Däberitz, EMB

Germany: Small-scale farms threatened by extreme drought: AbL calls for Agriculture Summit

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to processors and even traders.

The Federal Board of the German small farmers' association AbL has called on Agriculture Minister Julia Klöckner to quickly convene an Agriculture Summit that would include the entire agriculture and food sector, from farmers

All stakeholders should discuss and adopt quick, non-bureaucratic joint aid measures that go beyond financial support. "In this precarious situation of numerous farms affected by drought, our market partners like dairies, abattoirs and food-grain traders, as well as us farmers must assume responsibility. An existential crisis can only be alleviated by a quick and fair increase in producer prices," say Martin Schulz, farmer from Wendland, and Ottmar Ilchmann, farmer from East Frisia, in a position paper.

The AbL spokespersons continue: "We farmers have been left alone to deal with this difficult situation. It is common in all other sectors for the cost of low output and increased inputs to be passed on to buyers as part of the selling price. Therefore, the AbL is specifically calling on cooperative sellers to clearly communicate the situation faced by farmers to their purchasers in processing and trade, and to demand higher prices. The current milk price of about 32 cents per kilogram is financially no longer sustainable. State aid such as tax breaks and early subsidy payments are but a flash in the pan. Fair producer prices that remunerate the true effort of producing milk and compensate for lower output are the only way to bring real stability to farms."

"Furthermore, it is ethically unacceptable that beef cattle must go hungry or even be slaughtered early while potential feed like maize and grass silage is diverted and wherever possible, also bought in in direct competition with cattle breeders," comment the AbL spokespersons. "We must also show solidarity with colleagues. Farms with surplus feed should divert it to farms facing shortages. It is also possible that organic farms might be forced to slaughter more animals due to caps on bought-in feed. We need temporary, non-bureaucratic derogations that would not burden farms with additional application fees."

The AbL spokespersons also add: "While effective fertilizer legislation is a must, there must be at least some attempt at derogations due to the extreme weather conditions. The meagre harvest and the difficulty in growing catch crops would thus mean that the use of fertilizers would be unauthorised and slurry storage facilities overflowing next winter as well would become probable. This and other problems, together with possible solutions for the same cannot be addressed after the harvest work has been done and the results have been evaluated – by then many small-scale farmers will have been driven out of existence. The situation is becoming more and more acute every day. We need action now!"

Excerpt from the press release of the German small farmers' association AbL on 24 July 2018

Brussels: BDM follows informal conference of German agriculture ministers

The ministers of agriculture of the 16 German Länder and Federal Minister of Agriculture Julia Klöckner met with EU Commissioner for Agriculture Phil Hogan and Budget Commissioner Günther Oettinger in Brussels on 10 July. The topics discussed were the reform of the Common Agricultural Policy and the EU budget for 2021-2027.

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A delegation of milk producers from the German dairy farmers' association BDM followed the informal conference of agriculture ministers closely. In an interview with Budget Commissioner Oettinger, BDM dairy farmers made it clear that discussions should focus on a reorganisation and extension of the Common Market Organisation rather than on the call for new financial resources. Commissioner Oettinger, who strongly agreed with the dairy farmers' position, is said to have found very clear words during the German ministers' meeting. According to the EU Budget Commissioner, there is no room for manoeuvre in financial planning and the budget will be cut.

Bavaria's Minister of Agriculture Michaela Kaniber, who was also interested in a dialogue with the dairy farmers, called on the BDM to continue their commitment and "not to let up". The general outcome of the meeting was that Germany will seek to reach a common position on the CAP after 2020 by the next conference of German agriculture ministers in autumn.

Johannes Fritz, BDM (German dairy farmers' association)

Legislative proposal for more fairness in the food chain

The European Commission aims at strengthening the position of farmers and has therefore presented a draft directive in mid-April to ban unfair trading practices in the food supply chain. These practices include, for example, short-term cancellations, unilateral or retroactive contract changes and payments for unsold goods.

The aim of the legislative proposal is to establish minimum standards to tackle unfair trading practices among micro, small and medium-sized enterprises (SMEs). In future, EU member states should be able to clarify violations of good trading practices and impose penalties on the food trade.

So far, there are no EU-wide rules on how to deal with unfair trading practices and the existing voluntary approaches have proved ineffective.

How far is the dossier?

The legislative proposal is currently under discussion at the European Parliament and the Council of Ministers. Socialist MEP Paolo De Castro (Italy) is rapporteur within the European Parliament's Committee on Agriculture. In his report, De Castro proposed, among others, an extension of the scope of the directive to cover all companies in the food chain. The report, for which many amendments were tabled by MEPs, will be voted first by the Parliament's Committee on Agriculture in October and then by the plenary as a whole. The Austrian EU Presidency has made unfair trading practices a priority.

Position of the EMB

For the EMB, the European Commission's legislative proposal is a first step towards greater fairness in the food chain. Unfair trading practices weaken the position of milk producers and destabilise the European dairy sector. In our position

paper, we have highlighted important aspects which milk producers believe must be incorporated into EU legislation:

- Legislation must also pertain to the relations **between producers (sellers) and dairy co-operatives (buyers)**;
- **Production costs must become the basis for pricing** in contracts and/or business relations between buyers and sellers;
- In addition to fines, further constructive **punitive or compensation measures** should be made possible;

Here you can find our [position on unfair trading practices](#) in detail

Regina Reiterer, EMB

Commission Proposal for a Directive on unfair trading practices in business-to-business relationships in the food supply chain: COM (2018) 173

European Parliament draft report, rapporteur Paolo De Castro, 2018/0082(COD)

Current figures from Germany show: gap between production costs and milk price is further increasing

The quarterly cost figures for Germany are now available and show that cost coverage in April 2018 was only 78%, while it was 88% in January. Production costs in April amounted to 42.70 cents; however, producers only received 33.42 cents per kilogram of milk.

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This problematic combination of falling milk prices and higher costs is currently a cause of concern for Germany's dairy farmers. These figures come from the German quarterly cost studies published by the Farm Economics and Rural Studies Office (BAL).

According to Johannes Pfaller, dairy farmer from southern Germany and European Milk Board (EMB) Executive Committee member, these figures unequivocally represent the situation on farms. "We are afraid about production costs rising further in coming weeks because it has become necessary to buy in feed in large parts of Europe due to the drought. We milk producers need rising prices and a crisis instrument now to relieve the market."

Evolution of milk production costs in Germany

[Here](#) you have the evolution of milk production costs in Germany from 2009 to April 2018.

Price-cost ratio (shortfall)

The price-cost ratio illustrates to which degree milk prices cover production costs. In April 2018, producers only recovered 78% of their production costs from the milk price; the shortfall was thus 22%.

Here you see the cost shortfall since 2009.

Milk Marker Index (MMI)

The Milk Marker Index represents the evolution of milk production costs. In April 2018, the MMI was at 103, i.e. production costs for German dairy farmers had risen by 3% as compared to the base year 2010 (2010=100).

Here you see the evolution of the Milk Marker Index over time.

Production cost study for five key milk production countries

Cost calculations are regularly carried out in Germany and four other European countries as well. They also clearly show that milk producers are not paid cost-covering prices.

[Here](#) you can find the milk production cost calculations for France, Germany, Denmark, the Netherlands and Belgium for 2016.

There is a chronic shortfall in milk production cost coverage – how can this be solved?

The European Milk Board promotes a legally-anchored crisis instrument to counteract the chronic cost shortfall. The Market Responsibility Programme (MRP) observes and reacts to market signals by aligning production.

[Here](#) you have a short description of the EMB Market Responsibility Programme.

Background:

Commissioned by the European Milk Board and Germany's MEG Milch Board, the Farm Economics and Rural Studies Office (BAL) started compiling comprehensive data on milk production costs in Germany in 2012 for the study entitled "What is the cost of producing milk?". The calculation is based on data from the EU Farm Accountancy Data Network (FADN) as well as the Federal Statistical Office (Destatis), and has been updated every quarter since 2014.

Download the data sheet

EMB press release of 16 July 2018

Alliance calls on French and German agriculture ministers to prevent a race-to-the-bottom in EU agricultural policy

In a joint statement, the French association platform "Pour une autre PAC" (For another EU Common Agricultural Policy) and the German platform of 17 associations for environmental and nature conservation, agriculture, development policy, consumer protection and animal protection, address the German Agriculture Minister Julia Klöckner and French Minister Stéphane

Travert.

The alliance fears that inadequate requirements at EU level will lead to an undercutting and thus race-to-the-bottom by the member states. High EU-wide minimum standards are therefore necessary so that the targets agreed in EU directives and the strategies for environmental, nature, climate and animal protection as well as for fair incomes of farmers, can be achieved. The associations call not only for a ban on deterioration of the status quo, but also

for a commitment to significant improvement in all Member States.

The alliance calls on Minister Klöckner and Minister Travert to support such EU-wide binding and ambitious environmental and social targets for all funding and CAP measures. Farmers should be given funding for specific services related to their production operations, for environmental, nature and climate protection and animal welfare. Therefore, both ministers should strongly support the prevention of the Commission's proposed reduction of EU funds for agri-environmental programmes, organic farming, naturally disadvantaged

areas, nature conservation and rural development (Pillar 2). Secondly, the new instrument of environmental measures financed by direct payments (the eco-scheme) should also be binding and used as remuneration for specific services in all Member States, comprising a substantial proportion of the budget (minimum budgets also in the first pillar).

The EU Commission intends to require all member states to promote risk management. The alliance rejects the idea that insurance premiums from farms are financed with EU agricultural funds. Rather, the primary task of the CAP should be to minimise risks, for example through incentives for diverse value creation (diversification), measures for climate protection, increasing soil fertility and biodiversity.

The alliance calls for more binding targets for the first hectare surcharge in order to really boost small and medium-sized farms in the development of agricultural work. The Commission's proposal on degression and capping, taking labour costs into account, is welcomed in principle by the alliance, but they call for important changes to the concrete design so that the instrument can have the desired effects.

In order to prevent market crises that threaten the existence of the sector, the associations call for direct intervention at EU level, including temporary measures to limit the volume. Last but not least, the associations call for clear regulations in the CAP to prevent negative effects of EU exports and imports on regional and local markets, the environment and income potential in the Global South, among other things. Both in the area of financial assistance and market regulation, an assertive position at EU level is needed to enable farmers and rural communities in Europe to have fair economic prospects in line with environmental, nature and climate protection.

Aurélie Catallo, Plateforme Pour une autre PAC and Ulrich Jasper, German Platform on CAP

A first in Belgium: Fair trade on a local level is possible!

We tend to think of fair trade relations solely as a north-south affair, the laudable aim of which is to improve the living and working conditions basically of southern hemisphere producers. This ignores the lot of our Belgian dairy farmers, who also have to survive on a very low income.

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Dairy farmers today are far from covering their production costs including a wage. That is why "Café Liégeois" and "Fairebel, le lait équitable" (Fair Milk) decided to enter, shoulder to shoulder, into a fair partnership on a local level, this time as north-north trade.

In concrete terms, "Café Liégeois" undertakes to offer its customers coffee creamer pots containing Fairebel milk. The fair price of this milk will enable the co-operative farmers to live off their production. The launch of these pots shows the intention of "Café Liégeois" to remunerate producers – both coffee producers on an intercontinental level and milk producers on a local level – as well as possible. At the same time, "Café Liégeois", the coffee roaster from Battice, pledges to market white sugar produced 100% in Belgium!

Nicolas Lambert, Director of Fairtrade Belgium, backs the partnership: *"Fairtrade welcomes this partnership between "Café Liégeois" and "Fairebel, le lait équitable". Café Liégeois had already championed the right of southern hemisphere farmers to a decent income through its Mano-Mano brand; we are pleased that this commitment is now being extended to Belgian farmers."*

Faircoop press release of 27 July 2018

Interview with Johannes Pfaller, new EMB Executive Committee member

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Bavarian dairy farmer tending to holy cows in India

German milk producer Johannes Pfaller joined the EMB Executive Committee in mid-April 2018 and at 37 years, is its youngest member. The dairy farmer from southern Germany is also active within the German dairy farmer's association BDM as Chairman of the Advisory Board.

Johannes Pfaller runs a farm in Bavaria that is home to 130 dairy cows and also raises young cattle. His operation encompasses 40ha of pastures and 80ha of agricultural land. He took over the farm, which is documented to have existed since the beginning of the 18th century, from his father 8 years ago. The farm also has one employee who milks at the farm 6 days a week. The harvesting work is carried out by a subcontractor. Pfaller has a Masters in

agriculture and has also studied agricultural farm management.

"The EMB unites Europe's dairy farmers and is, in this way, unique"

I have been the Chairman of the Advisory Board of the German dairy farmers' association BDM for the last eight years. I decided to become an active part of the EMB Executive Committee because I believe the international aspect is very important. The EMB unites Europe's dairy farmers and is, in this way, unique. It is definitely a point of pride for me to be able to contribute to it in

some way. I am sure that the main difference as compared to being on the Advisory Board back home in Germany is that at European level, you have to try to cover a range of issues and perspectives from different countries. I think that it is a big advantage to have a broad presence here in Brussels. However, I am also aware that in terms of resources, it is anything but easy to work on this entire range of issues.

National associations can do a lot, but EU policy is eventually determined in Brussels. I therefore believe that the EMB is incredibly important and I am convinced that founding this European platform has been us dairy farmers' greatest

achievement. My personal goal as an Executive Committee member is to expand this platform further and to work toward fair milk prices and a healthy milk market. In essence, European dairy farmers from France to Lithuania have the same needs and goals. It is important to work together and move forward at European level.

"By participating in development aid, I am the one who gained the most"

It was always important for me to see a bit of the world. In addition to an internship in the US, which was personally very enriching for me, my stays in other countries have also been a source of amazing experiences, like when I took care of holy cows in an ashram in South India. I have travelled as a farmer and development aid worker to help farmers in Romania, Africa and India. In the end, I am the one who gained the most.

In 2016, I travelled to Burkina Faso with the EMB to understand how EU export policy was affecting West African milk producers. When you see the consequences of milk powder exports from European overproduction in Africa with your own eyes, you start to question the system itself. It is important for me to work together with the EMB to reinstate the balance on the dairy market and to get EU policy-makers to shoulder their responsibility.

"Farming is not a profession, it's a calling"

I am a dairy farmer in heart and soul. I truly value being able to work freely and independently with my animals outdoors. Farming is not a profession, it's a calling. Of course, there are drawbacks to this sector, like the tense economic situation, the current extreme climatic conditions or even the belief that you have to be available on the farm all the time. The possibility of being substituted on the farm is important to me and that means that the necessary economic conditions must be created. That is where EU policy comes into play: The demand for cost-covering prices comes first and foremost in ensuring that our work is appropriately remunerated. If there is security on the economic front, there will be no problem in achieving generational renewal in the sector.

Mr Pfaller, thank you for the interview and wishing you all the best in your work within the EMB Executive Committee!

Regina Reiterer, EMB

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