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Newsletter August

Dear milk producers, dear readers,

The members' assembly of the European Milk Board took place from July 15th to 17th near Brussels. Apart from presentations on issues such as competition law, milk bundling and fair milk, planning of future demonstrations and the election of the board of directors were on the agenda. During the members assembly it already became quite clear that the reform of the Common Agricultural Policy is now in full swing. The publication of the report of the High Level Expert Group on Milk (HLGM) as well as the conference "CAP post 2013", that was initiated by European Commissioner for Agriculture, Dacian Ciolos, marked only the beginning. The EMB and its member organisations have, in different forms, submitted their proposals for a future-oriented reform of the EU agricultural policy. The EMB published, for instance, press releases, attended hearings of the European Parliament, met with members of the European Parliament and representatives of the European Commission. The commentary on the HLG report states in detail, which measures are certainly not suitable to achieve and preserve a sustainable milk production in all regions in Europe.

On July 8th representatives of the EMB board of directors presented the cabinet chief of European Commissioner Dacian Ciolos with a draft for a block exemption. Only four days later more than 1000 milk producers from EMB and ECVC demonstrated in Brussels during the session of the European Council of Ministers of Agriculture. By throwing their rubber boots they made it clear that they do not back the recommendations of the HLG, but call for measures to obtain stable, milk prices that cover production costs. These measures include: conditions that enable producers to organise themselves, instruments to regulate volumes and setting up a market configuration agency that ensures transparency and fairness on the market.

Right after the summer break the EMB will continue to meet with policy-makers in Brussels. In September the EMB will organise, together with other organisations from civil society, a conference that will focus on the reform of the EU agricultural policy. This conference is part of the ARC process. If you want to find out more about ARC, visit its webpage: www.arc2020.eu

I hope you enjoy our August newsletter and I'd like to wish you a pleasant summer!

Yours sincerely,

Sonja Korspeter, EMB

Recommendations of the HLG do not solve the problems of the milk producers

The recommendations proposed by the EU High Level Expert Group on Milk (HLGM) in its final report published on June 15th, are not suitable to solve the crisis on the dairy market. Neither a futures market nor a European agency that monitors the distribution of margins amongst the members of the food chain can bring about a stable market and stable and decent prices. European directives for contracts on a voluntary basis between producers and dairies as proposed by

the HLG are also pointless. Contracts can already be concluded today. They are, however, due to the weak market power of producers, not fair. It is thus indispensable to provide milk producers with a suitable system that enables them to adjust their milk production to the actual demand. One of the longstanding demands of the EMB is therefore the creation of a monitoring and market configuration agency at the European level. The recommendations of the HLG that aims at strengthening the legal framework for producer organisations and improving the labelling of dairy products are, however, positive. Milk producers suffer the most from the current crisis. Unfortunately the HLG fails to take their issues into account appropriately. It is very disappointing to see that the HLG did not consider any proposals that were made by stakeholders such as the EMB. Recommendations of the European Court of Auditors, the German Kartellamt (cartel authority) or the European Economic and Social Committee (EESC) were completely neglected. The final report shows that the HLG has not dealt with the problems on the dairy market thoroughly.

EMB submits draft for block exemption

Georg Häusler looked very surprised when he was presented on July 8th 2010 with a draft for a complete regulation supplementing the EU competition law. A delegation of the EMB board of directors met with the cabinet chief of European Commissioner for Agriculture, Dacian Ciolos in Brussels to talk to him and to hand in a so-called block exemption regulation.

The birth of an idea

A block exemption is a sort of special arrangement with regard to the European competition law that was granted small and medium sized enterprises in recent years, for instance the automotive industry. The exemption enables all participants to define common sales conditions that apply to all enterprises involved. The idea of developing such an exemption for milk producer organisations emerged, with the help of a lawyer, during a meeting of the EMB working group "milk bundling" in Paris. The implementation of such a block exemption does not correspond to a cost-covering milk price, but it would provide the legal framework for milk bundling in the EU member states. The German Milk Board was willing to promote this idea and so, having discussed the matter during the EMB members' assembly as well, a complete block exemption was developed.

Cutting edge

The EMB has submitted this proposal exactly in the right moment. Recommendation 2 of the report of the High Level Group published on June 15th states that: "the HLG, whilst noting the divergent views of a minority of 5 delegations, invites the Commission to consider a legislative proposal for a provision under agricultural law to allow producer organisations constituted by dairy farmers to negotiate contract terms, including price, jointly for some or all of its members' production with a dairy, subject and to consider whether such a provision should be permanent or of a sufficiently long but temporary duration". A block exemption regulation as proposed by the EMB would precisely hit the mark. It would enable milk producers to organise themselves in milk producer organisations that would cover up to 30% of the market all over Europe. This means that cross-border cooperation would not be a problem and that in fact up to 90% of producer in a country could form an organisation. These producer organisations could thus regulate the volume that is produced by their members with a minimum price. If the price falls below this level, the organisation could decide that every member has to lower its volume a little. This block exemption could provide a framework for milk producer organisations to develop common marketing rules and to define their own volume control without coming into conflict with the European competition law.

Grassroots movement

The practical implementation by the grass roots is vital when it comes to using such a legal framework. The more milk producers organise themselves, the bigger the influence they have on the market and their commitment to obtain a cost-covering milk price. The associations for milk bundling in the EMB member states will have to grow even further or still have to be set up and furthermore they will have to be organised in one or several European producer organisations. Lawyers of the EU Commission and policy-makers in charge will now assess the block exemption. The next step will be a meeting of representatives of the EMB and the EU Commission.

One thing is clear, this regulation needs a lobby. We advocate an exemption for milk producers from the European competition law. The milk producers, however, have to face a relatively concentrated dairy industry and very concentrated retail sector. A block exemption would be an adequate instrument to cope with these economic conditions. The members of the European parliament from the different countries need to know about this. Romuald Schaber, the president of the EMB, has already presented this block exemption along side other EMB demands during a hearing of the agricultural committee of the European parliament on July 13th in Brussels.

You can find a summary of the block exemption as well as the actual text on the EMB website www.europeanmilkboard.org.

Sonja Korspeter, EMB.

CAP 2013 – Instruments for the milk production adapted to the society's need

On July 20th/21st the conference “CAP post 2013”, initiated by Dacian Ciolos, took place in Brussels. This aim of this conference was to involve the civil society in the decision-making process. Most people agreed that a far-reaching reform of the EU agricultural policy is necessary. The EMB stressed that a future policy should be oriented towards the interests of producers and consumers. Many people mentioned during the conference that it is of great importance that milk producers obtain prices on the market that cover their production costs. Romuald Schaber stated furthermore that the agricultural policy had to provide the rules and instruments to enable producers to organise themselves so that they can negotiate prices and volumes on an equal footing with the industry and that this was a vital prerequisite for the younger generation of producers to venture into agriculture. Today only 7% of farmers in Europe were under 35 years of age. So young people can see a future in agriculture, favourable conditions and confidence of a guaranteed income are essential. For this purpose rules for regulating the market are needed. Sonja Korspeter, Secretary General of the EMB, stressed that: „We need competition for quality and not just competition at any price. It is absolutely clear that we cannot sustain high quality production in the long-term, if the price in terms of products remains at such a low level. This means that we have to strengthen the producers in the food chain, independent from cooperatives, so that they can obtain prices that cover their production costs. Other services provided for the society can be remunerated by compensation payments.” European Commissioner for Agriculture Dacian Ciolos underlined in his closing statement that the diversity of farms is a European trademark: „This is all about compensatory justice, not about uniformity”. The Commissioner said: „Food security should be a vital aspect of a future agricultural policy” and he added: “Employment in rural areas is a crucial issue.” He said that economic and ecological aspects have to be taken into account in equal measure. Furthermore Dacian Ciolos stressed: “The Common Agricultural Policy concerns all of us!” The European Milk Board shares this opinion and that is why the EMB supports ARC, the Agricultural and Rural Convention (www.arc2020.eu) and is committed to developing proposals together with civil society to include them actively in the reform process of the EU agricultural policy.

France: French Parliament discusses Law on Modernisation of Agriculture

At the end of June the French parliament discussed the so-called LMA (Loi de la Modernisation de l'Agriculture; Law on Modernisation of Agriculture). The goal of this law is to promote the modernisation of the agricultural sector and to stabilise the situation of farmers. Stability and transparency are two important issues. Representatives of OPL and APLI as well as Confédération Paysanne followed the debates in Parliament closely.

The French members of parliament are of the opinion that contractualisation is a good approach to achieve this goal. Contracts containing volumes and prices shall improve the results in the future and insurances shall bring about more security. This does not mean that “situation of farmers will be improved”, but only that we have clear and stable rules. It is no use if we know beforehand that we'll be making losses (contracts). And it's also no use if we know beforehand how we will be making losses (transparency). Many of the proposals of the HLG were included into the new French laws. Members of parliament explained to us that contracts worked very well, for instance, for the French region Jura where the cheese speciality “Comté” is produced. Why do these contracts deliver in this region where Comté is being produced and why will they fail in other regions? This very region, the Jura that produces Comté has a strict volume control. Only if there is a new buyer for Comté, new producers are admitted as suppliers. This system is controlled by the milk producers as well as by the industry. The milk is used exclusively for cheese and not for replaceable products such as milk powder or butter. This cheese is a high quality product for the French market and the prices for that cheese correspond to the actual production costs, which is not the case in other parts of France. Our negotiations should aim at achieving prices that cover our production costs. The question is: How could we improve the proposals of the HLG and the French LMA? What is still lacking is a volume control in cooperation with the farmers and the industry as well as a

general binding validity. The aim should be to obtain prices that cover production costs. All in all the new laws give little reason for hope. It was, however, also mentioned several times, that it is possible to submit additional proposals at the European as well as the national (i.e. French) level. We have to raise awareness for our proposals in all countries, so that policy-makers in Brussels will eventually accept them. The ministers of agriculture as well as the members of the European parliament play an important role in this context.

Willem Smeenk, OPL and member of the EMB board of directors

Netherlands: DDB informs its consumers and its members

On June 25th and 26th the DDB had a stall at the NRM (National Rundvee Manifestatie; All Holland Dairy Show). The large breeding event, that is held every two years, attracted almost 11,000 visitors this year. The DDB talked with its members as well as with interested parties and persons and offered Beemster cheese to visitors. At a national level the DDB, mostly in cooperation with the NMV, is still engaged in talks with policy-makers and representatives of the Dutch Ministry of Agriculture about the EMB strategy and flexible volume control. The findings of the report of the HLGGM, which are far from adequate to solve the crisis of the dairy farmers, are also discussed. To make it clear that better solutions are required, other than the proposals made so far, members of DDB and NMV went to Brussels on July 12th to protest against current EU proposals.

Hennie de Zwaan, DDB

Austria:

Agrar Media convicted:

The owner of the gazette of the ÖVP Bauernbund was finally convicted of slandering the EMB and IG-Milch.

Here the verdict:

In the name of the Republic!

The defendant, the Agrar Media Verlagsgesellschaft mbH, as proprietor of the Austrian Bauernzeitung was convicted and given a fine. This sentence is based on § 6 paragraph 1 MedienG and the plaintiffs Romuald Schaber, Sieta van Keimpema, Roberto Cavaliere, Ernst Halbmayr, Jean-Louis Naveau, Kjartan Poulsen and Martin Haab, as members of the board of directors of the European Milk Board e.V are granted damages. In its issue Nr. 18 from April 30th, 2009 the Bauernzeitung published allegations stating that the European Milk Board uses brutal methods for its demonstrations and that the EMB officials organise meetings in the Adlon Hotel in Berlin (EUR 490,-€ per night/double room) while the milk producers they represent have to cover the costs for damages that were caused by chaotic conditions at demonstrations themselves. These allegations constitute an act of slandering

Higher Regional Court Vienna

Dept. 17, May 12th 2010

Plastic cow is harmless:

A new expert's report of the district administration Amstetten says that "Faironika" may once again graze next to the motor way. Her story fills numerous files, caused demonstrations and police operations. Even the Austrian parliament and courts dealt with this issue. For two years authorities and members of IG-Milch fought over six plastic cows grazing near motorway A1 in the district of Amstetten. Now a traffic expert granted "Faironika" and her five European sisters the right to exist. In his context it is worth mentioning that the Austrian authorities ordered the removal of the cows. While police forces tried to remove them, Ernst Halbmayr, former member of the board of directors of IG-Milch, allegedly assaulted a police officer. He was subsequently sentenced to six months on probation.

Merger:

In addition to the already finalized take-over of "Käsehof" by the dairy "Alpenmilch Salzburg", "Berglandmilch" (the biggest processor in Austria) and "Tirol-Milch" (the fourth biggest processor) are planning to merge. Rather surprisingly it became known that the biggest dairy in Austria, "Berglandmilch", wants to take-over "Tirol-Milch", the fourth-biggest dairy in Austria. Even though detailed information is not available yet, this is cause for concern. In recent years "Berglandmilch" was not able to accept dozens of producers right at its doorstep whose contracts with the dairy

“Seifried” were cancelled as this step would be harmful for “Berglandmilch” itself as they could not sell their milk on the market. Now they want to take over “Tirol-Milch” that has a huge share of spot milk and especially in the summer months “Berglandmilch” produces huge amounts of spot milk as well (observable in the seasonal price model).

Price increase:

Not only “Berglandmilch”, but also MGN (the second largest dairy in Austria) and Gmundner Molkerei (third biggest dairy) increased their prices.

IG-Milch

Spain: Prolec plans merger with other organisations

Prolec will be adopting a new strategy: be more, pay less. The goal is to reduce the membership fees for Prolec members. The strategy focuses on four issues:

a) Unifying the three independent milk producers’ organisations: Feplac, Ganaderos Unidos and Prolec. The more members we have, the more influence we have in the sector to lobby for our demands when dealing with the administration, industry and retailers. The next meeting of the three organisations will take place on August 5th in Santiago.

b) Working together with José Pascual, the former Danone manager, who is also the new Prolec assessor. José Pascual has been working for Danone for the last 35 years and he can provide farmers with information about the dairy market that they can use to negotiate with the industry on an equal footing. He will organise, in cooperation with Prolec, conferences in some regions of Spain to explain the new Prolec strategy and to provide milk farmers with information (e.g. milk prices, evolution and costs of production). The first conference was held in Segovia (Central Spain) and the next one will take place in Galicia.

c) Organising meetings with milk cooperatives, unions and industry to reunify the milk sector and to talk about new alliances.

d) Joining INLAC, the Spanish dairy interbranch, as it is the members of the interbranch that take the important decisions concerning the dairy market. Prolec has submitted a “milk quota representation” (the number of members and the milk quota that Prolec represents) to demonstrate that the organisation has the right to join INLAC. The other agricultural professional organisations (unions) are now deliberating the admission of Prolec, with the consent of the administration.

Esther Lopera, Prolec

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