

Dear dairy farmers, dear interested parties,

December 2017 - time to take stock of the milk year 2017. A year that was marked by the EU volume reduction programme, which had an immediate effect on the dairy market.

Voluntary production cuts are something the European Milk Board has been demanding for many years and are also part of our Market Responsibility Programme (MRP). While the buying up of about 400,000 tons of milk powder as part of private and public intervention did not have any positive effect on milk prices, the introduction of voluntary production cuts led to a turnaround in the downward price spiral.

Butter was a curious exception in 2017. A change in food habits and a scientific confirmation of the nutritional value of butter led to record prices. The fact that speculation is still part of the game is leading to butter prices currently sinking again. Traders, nonetheless, assume that the demand for butter will remain high. Have the higher butter prices brought some relief to Europe's dairy farmers? Barely, because dairies have increased their prices for fat content only marginally. As a result, current milk prices continue to be lower than production costs. In the system as it stands, price increases are not passed on to producers.

The foresight shown by decision-makers leaves much to be desired. The current proposals to reform the Common Agricultural Policy are categorically detrimental to us producers: An article on voluntary production cuts has not been included in the Omnibus Regulation. In response to a question by the EMB at the Civil Dialogue Group meeting on Milk in October, we were told that Agriculture Commissioner Hogan did not wish to make volume reduction a permanent instrument and that they want to prevent milk producers from relying too heavily on this measure. We are absolutely stunned: There are no such concerns with regards to milk powder and butter intervention. Processors and traders would undertake no risk whatsoever with this instrument. On the contrary, the high volumes of impossible-to-sell milk powder in storage are currently an issue for the European Commission. Agriculture Commissioner Hogan has recently tabled an amendment regarding the intervention buying of milk powder and wishes to reduce fixed-price public intervention buying in 2018 to zero tons. However, this temporary limitation on intervention volumes is no solution to the problems plaguing milk producers because it means that all risks must now be shouldered fully by dairy farmers.

At the EMB Members' Assembly, all members agreed that the only way to ensure long-term stability on the dairy market is to anchor the Market Responsibility Programme as a crisis instrument in the CAP. Only voluntary production cuts as an instrument can give milk producers a real choice about how to react when faced with a crisis. The EMB and its members will continue with this message and their efforts in 2018 as well. Political decision-makers must accept that we are not going to give up! It is time for the Common Agricultural Policy to once again be fair to whom it was created for: the weakest link in the chain. Active milk producers must be assured that they are safe from the imbalance of agricultural policy. Dairy farmers, who work the land with their effort and commitment, are an integral part of the rural landscape. They create jobs and strengthen the European economy. However, we dairy farmers are rarely recognised for our efforts. The fact that this has consequences is plain to see in the number of our colleagues who are shutting down their farms. Policy-makers must finally understand that they are responsible for deciding what shape Europe's future development will take. Agriculture is the cornerstone of the EU and of Brussels as well.

Dear policy-makers, please do what you have been hired to do: Protect your citizens from the power and dominance of

EMB Newsletter December 2017

- FrieslandCampina gives itself the option of a standstill
 - Demonstration in Bern and launch of milk petition
 - Successful start for Fair Milk in Switzerland
- EMB milk price comparison:
- Nothing to celebrate for dairy farmers
 - Prevent future dairy crises! Ensure long-term milk production!
- You can find us on Facebook
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individuals. Do not let yourselves be influenced by a handful of CEOs who only care about their own interests. Let us all benefit from a common European Union.

I wish you all a Merry Christmas and a happy and healthy New Year! And I wish our policy-makers acumen and foresight as well.

Sieta van Keimpema, Vice-president of the European Milk Board

FrieslandCampina gives itself the option of a standstill

The Dutch dairy co-operative FrieslandCampina (FC) has taken a measure enabling it to announce a standstill from 1 January to 30 June 2018. FC will resort to this measure if its members' milk supply exceeds its processing capacity and/or it is unable to market this milk.

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The letter FC sent its members states that "the condition for guaranteeing the best price for milk is a balance between the volume of milk supplied, FC's processing capacity, and demand in the market". FC declares that it wants to avoid any imbalance in milk supply in 2018, as this could have a negative impact on the price of milk.

FC's decision is remarkable: the co-operative was always one of the main advocates of the abolition of milk quotas. It was forever maintaining that it would use all its members' milk, and to do so had to increase its capacities extensively. Its assumption was that the growing demand in the world market for milk products would avert any distribution problem. In actual fact, FC never stopped encouraging its members to expand.

By taking this step, FC now recognises that it cannot process and/or market all the milk it receives. In this way it vindicates EMB, which has been campaigning for years for supply to be adjusted to demand, in order to achieve a good price.

What makes the measure announced even more remarkable is that Dutch dairy farmers' production was already restrained by the cap put on their herds' production of phosphate, following an agreement struck between the Netherlands and the EU. After a decrease in Dutch livestock in 2017 associated with the phosphate reduction strategy, (negotiable) rights to emit phosphate were introduced for 2018. A number of dairy farmers stated that they wanted to buy phosphate rights in 2018 to enable them to increase their production again. Others decided to raise fewer young cattle in order to use the phosphate right they will be saving to increase the number of their dairy cattle.

That is why FC fears a sharp increase in milk production at the beginning of 2018. If it appears in the course of the year that there is a lack of phosphate rights available, or the price of them escalates in such a way that the farmers no longer have the means of buying them, the farmers will have to reduce the size of their herds again in the second half of 2018. The result will be a peak in milk supply in the spring that cannot be processed, followed by a reduction in the autumn.

It is precisely to avoid this that FC wants to reserve the option of intervening. Should it have to implement the standstill, the co-operative will give its members at least a fortnight's notice. The standstill will then last at least four weeks and will continue to apply for as long as milk production exceeds processing capacity.

Of the three potential reference periods for the farmers, the one during which they supplied the largest volume will be used.

A bonus/penalty system will be put into effect as follows:

If the dairy farmer's production (per month) exceeds that of the reference period, he will have to keep 90% of his total quantity of milk, i.e. he will be paid for only 10%.

If, on the other hand, he produces less milk than during the reference period, he will be given a supplement corresponding to the difference, which will comprise two elements:

- An incentive of € 0.10/kg of milk;
- The co-operative share, viz. a share in deductions levied on the excess milk, proportional to the quantity (in kg) of milk produced less.

At most, 10,000 kg of milk/month could be entitled to a supplement, and the total supplement per kg of milk will not be able to exceed the price operating at the time.

For the time being, FC has envisaged this measure only for the first half of 2018, but it could, of course, decide to extend it if need be. The co-operative intends to take 2018 as an opportunity to seek a structural solution in conjunction with its members, with the aim of guaranteeing the balance between supply, demand, and its milk-processing capacity.

What is most striking is that the measure announced by FC reprises numerous elements of the Market Responsibility Programme (MRP) drawn up by EMB. If the MRP was applied to a crisis situation, dairy farmers supplying more milk than in the year preceding the crisis would likewise have to pay a penalty, whereas those who voluntarily decide to cut their supply of milk would be granted a supplement. Of course, the major difference is the fact that the MRP would apply throughout the EU, whereas the FC measure affects only its members. If the MRP were integrated in European legislation and its functioning proven, the dairies would no longer need to consider their own measures.

Until then, the fact that FC, one of the biggest dairy processors in the EU, has taken the initiative to control supply if need be, is a step in the right direction. If the price of milk should plummet in the next six months, other dairies would doubtless follow suit.

Hans Geurts, Nederlandse Melkveehouders (NMV)

Demonstration in Bern and launch of milk petition

© Uniterre
milk purchasing contracts.

Farmers' association Uniterre organised a demonstration in Bern on 23 November to launch a petition for fair milk and to protest against inadequate

Launch of the milk petition

The milk petition demands "1 franc/litre for dairy farmers, so that they can finally live decently!" The petition will be presented in March 2018 to Federal Councillor Johann Schneider-Ammann, Head of the Federal Office for Agriculture, as well as the Federal Chancellery. We call for the Federal Law on Agriculture to be upheld, especially Article 5 that stipulates that the income of farmers should be comparable to that of the rest of the working population.

The petition can be signed online at <https://uniterre.ch/milchpetition> or can also be downloaded using the same link.

Inadequate milk purchasing contracts

The Federal Council finally decided to grant the milk sectoral organisation universal applicability to implement the Regulation on milk purchasing contracts. "All milk buyers are hereby obliged to inform their sellers by the 20th day of the month about the conditions regarding volume and price for the following month." This is a first step, but it is far from enough. The market as well as the implementation of segmenting continue to remain opaque. This is not a real improvement to the condition of producers either because even a month's notice about volume and use does not permit farmers to adjust their milk production.

In addition to the demonstration in Waisenhausplatz in Bern, there was a second symbolic action at a Denner supermarket. Milk is sold there for less than one franc per litre. We took all this discounted milk off the shelves and went with it to the checkout, to ask the supermarket manager how much producers were paid for this milk. The manager was sympathetic to our demands but could only refer us to the person in-charge at the Denner headquarters in Zurich.

Berthe Darras, Uniterre, Switzerland

Successful start for Fair Milk in Switzerland

The sale of Fair Milk was launched on 2 December in the district of Affoltern, also known as "Säuliamt". Säuliamt is home to about 60,000 inhabitants and as well as 110 dairy farms with an annual milk production of 20 million litres.

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This new brand of milk was sold in the district's 11 VOLG outlets (VOLG=Association of Agricultural Cooperatives of Eastern Switzerland). It is 100% natural in terms of content and exclusively from the region. The cows are either held in freestall barns or let out regularly to graze. The milk is grass-fed and will keep for 10 days. This means that production stocks must be calculated very carefully.

On the very first day of sales, a range of national and international media featured segments or articles about this project. The newly-founded "Säuliamt Fair Milk Cooperative" is composed of 40 family dairy farms. On the morning of 2 December, these farmers stood in front of the VOLG shops and offered customers cartons of this new brand of milk. The success surprised the most sceptical as well. In just two hours, Fair Milk was sold out at one of the outlets and customers had to be requested to wait till Monday. After four hours, the Fair Milk shelves were empty in 9 of the 11 outlets! "This morning's success is an enormous motivation boost for all participating dairy farmers," said Martin Haab, president of the district's farmer's association, describing the morning's atmosphere. "We will use this push forward to further develop our project."

Martin Haab, President BIG-M

EMB milk price comparison: Nothing to celebrate for dairy farmers

Enough to celebrate on the dairy market? Definitely not for milk producers. Figures from the last three months are, in fact, rather sobering. Two of the four dairies included in the EMB milk price comparison for France already slightly

lowered their prices in October 2017.

For that month, French dairy farmers received a base price between 32.50 and 36.16 cents per kilogram of milk produced, which means that producer prices continued to fail to cover costs. In Germany, base prices on the observed dairies fell to between 34.55 and 39.12 cents per kilogram in October, thus further widening the gap. Prices increased between August and October by 3% and a maximum of 10%. In Luxembourg as well, the base price continued to languish at a level of around 35 cents and thus well below 40 cents. The highest base price of 41.19 cents per kilogram paid in October was only reached by one dairy in the Netherlands. The other three dairies in the country paid a farm-gate price of between 35 and 39 cents. The strong price fluctuations in the Netherlands are due to reductions and bonus

payments based on the new provisions on phosphates.

The milk price in Italy showed a minor decrease in August, but increased again in September. The summer premium was essentially responsible for the high farm-gate prices as well as the bonuses in July and August 2017. These are shown in the comparison as bonuses. Some dairies held back these

bonuses last year and only paid them in specific months.

EMB Milk price comparison (until October 2017)

The EMB milk price comparison is looking to ensure better comparability of farm-gate prices within Europe. The updated calculation model now shows the farm-gate price with and without dairy-specific bonuses and deductions. The standard values have been set at 4.0% fat and 3.4% protein for the same. Monthly calculations are also regularly corrected for subsequent payments.

Karin Jürgens, Farm Economics and Rural Studies Office (BAL)

Prevent future dairy crises! Ensure long-term milk production!

Milk producers from all over Europe reiterate their demand for a legally-anchored, effective volume control mechanism to deal with crises

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Dairy farmers from 14 European associations called for a legal framework that provides for a volume reduction crisis instrument as part of the CAP at the recent Members' Assembly of the European Milk Board (EMB) in Hoznayo, Spain. In order to ensure a balanced dairy market in the long term, such an instrument is a must.

The European umbrella organisation for dairy farmer associations has reiterated its demand for volume control during times of crises. The volume reduction programme launched by the EU last summer had an undeniable positive effect on farm-gate prices. "The [EMB Market Responsibility Programme](#), which envisages voluntary production cuts during times of crisis, must now become a permanent instrument, and coupled with volume caps, must be anchored in the Common Agricultural Policy," says EMB President Romuald Schaber.

Butter versus milk powder

While the image of recovering milk prices is being celebrated in the media, the reality on farms is quite different. Europe's milk producers are still not being paid cost-covering prices. The higher profits made by dairies from milk fat are cancelled out by the extremely low prices for milk protein. Retailers are the ones benefiting the most from the situation of scarcity on the milk-fat market. Consumers are paying inflated prices for butter and – like in France – are confronted with empty shelves; producers, on the other hand, are seeing none of the gains.

For Spanish dairy farmers association OPL, host of this year's EMB Members' Assembly, the situation of local dairy farmers is critical. "Milk prices of 31 cents per litre simply cannot cover our production costs – about two farms must shut down every day," says OPL Vice-president Marta Fernández Nicolás. "Spain is currently one of the five EU Member States with the lowest farm-gate prices – in spite of the fact that we have reduced production by almost 40%." European dairy farmers agree that the recurring crises prevent the long-term positive development of dairy farms.

According to Romuald Schaber, milk powder, which is piling up in public storage, is a problem product on the market. "Our Members' Assembly clearly demands a reduction in intervention volumes of currently 109,000 tons per year and calls for a simultaneous increase of the intervention price to min. 30 c/kg. The European Commission cannot continue to use an instrument that costs money but brings hardly any results and eventually comes back to haunt dairy farmers." Larger quantities should be put in intervention only if the demand for dairy products decreases unexpectedly as it was the case with the Russian embargo. Normally production should be adapted to its sale potential via a volume reduction programme as soon as the fixed quantity has been reached.

The Assembly also spoke out unanimously against the sale of skimmed milk powder at dumping prices and called for possible alternative uses. Against this background, the creation of an effective crisis instrument is the need of the day!

In view of the urgency of the situation, we call on policy makers to implement these measures as soon as possible. Should this not be the case, dairy farmers will already get ready for some impressive demonstrations, in order to stress their demands.

EMB press release of 23.11.2017

You can find us on Facebook

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Document-URL: <http://www.europeanmilkboard.org/https://www.europeanmilkboard.org/english/newsletter-december-2017.html>