

## Contact

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*Dear dairy farmers, dear readers,*

over the last few weeks the agricultural policy has been discussed in many places. The reform of the CAP, the milk package – these issues were not only discussed by policy-makers and members of the parliament in Brussels, but also on farms and on the streets of Berlin, of Brescia in Italy and Grangemouth in Scotland where people talked about agriculture, its importance for society, and a reformed policy. The situation in Switzerland shows that strengthening the position of producers on the market is a vital element of a new policy. We can already see what will be happening if dairies take over the control of the dairy market.

On January 22nd, 2011 more than 22.000 people took to the streets of Berlin and demonstrated for a better agricultural policy. Demonstrations like that show us that groups from civil society are willing to support milk producers and their cause. The movement for a social and ecologically sustainable agriculture with fair consumer and producer prices is getting bigger. On January 26th, 2011 a hearing on the CAP-reform took place in the European parliament in Brussels. A representative of ARC (Agricultural and Rural Convention) presented elements of a reformed agricultural policy and underlined that it is important to strengthen the position of producers by implementing a legal framework and the pooling of producers in independent producer organisations.

The parliament will soon comment on the milk package that was presented by the European Commission. That is why the EMB has met several representatives of the European parliament and the European commission over the past few weeks. At the national level the EMB member organisations have raised awareness and lobbied and have organised activities to highlight the need for functioning dairy market. During the EMB members' assembly in Ireland we will certainly have the opportunity to exchange our experiences and to talk about success and challenges of our activities.

In addition to the Office de lait that is supposed to serve as a new kind of interprofessional organisation in the future, a new producer organisation was founded in France: the „France Milkboard“. The first political goal of this new organisation is to postpone the introduction of the so-called contractualisation till the end of the year, so that producers do not have to sign contracts directly and that the France Milkboard could act an intermediary.

The EMB member organisations APLI and OPL have organised numerous assemblies all over France from the end of January onwards. Milk producers are extremely interested in their work. French milk producers have realised that a pooling of milk producers is the only possibility to gain more influence on the dairy market. Otherwise they run the risk of being vertically integrated into dairies and of jeopardising the chance to implement cost-covering milk prices.

In February the Luxemburg Dairy Board will launch its Fair Milk. Please visit our website ([www.europeanmilkboard.org](http://www.europeanmilkboard.org)) where information on this project as well as on concepts to introduce a volume control at the national level in the USA will be available soon.

I hope that you enjoy this month's newsletter.

Yours sincerely

*Sonja Korspeter, EMB.*

## Scotland: Protests - Prices - Politics

### Protests

Milk producers in Scotland and in the entire UK have been suffering from the low milk prices for a long time. The anger and frustration finally boiled over and for the first time in many years protests were staged. Originally Tesco, one of the biggest supermarket chains in the UK, were the targets but, after continuing to discount milk and widely advertising it was doing so, the focus shifted to Asda (Walmart). Having realised that they were likely to be targeted in the main December 15th protest, Asda emailed David Handley, chairman of FFA, on the morning of the protest demanding that he and 6 other area representatives agree to a list of conditions before a 12 noon deadline. Asda went to court and obtained a Court Injunction a few hours before the protest was due to begin. However the protests went ahead as planned and in Scotland around 180 dairy farmers, including supporters of FFA, DFOS and NFUS, were joined by farming trade suppliers and a Scottish MSP outside the Grangemouth distribution depot. David Handley represented FFA himself against the legal team from Asda at the Court hearing on the 7th January. A further Court hearing to be held on 21st January was cancelled after a last minute out of court agreement.

### Milk Price

Heavy discounting of milk ultimately makes little difference to retailers' profits but causes immense harm to dairy farming, devalues milk as a product and is in nobody's long term interests. Processors have sold to retailers at suicidal prices to gain market share. As in the financial industry crisis, it's easy to be reckless when you're gambling with someone else's money! It is estimated that over 80% of UK milk producers receive milk prices below the cost of production. The average UK farm gate price in October stood at €28.42/100g (25.65ppl) and was €4.67/100kg (14.1%) less than the average for the EU-25, equivalent to 4.21ppl. Because of our lack of unity and strength, UK is now 22nd of 25 in the European Milk Price table averages. With input costs rising on a weekly basis, all UK dairy farmers, regardless of their farm size and scale of operation, desperately need a substantial rise in milk price soon.

### Politics

In Scotland, FFA, NFUS, DFOS and our politicians are working together in an attempt to resolve the issues facing the dairy farming sector but there is a need for organisations UK wide to work together too. Although the Competition Commission has already recommended an ombudsman to police the supply chain, the UK Government is in no hurry to put one in place even though the lack of regulation and abuse of power within the supply chain is on a level similar to that in the financial sector which resulted in the current financial crisis. Farmers and their organisations need to exert pressure like never before – there are now even rumours that the UK Government will bow to pressure from corporate lobbying and will canvas for a reduction to the limit recommended by the European Commission in its “milk package” that producer organisations can negotiate on from the current 33% to a maximum of 25% national production!

Further proof, if any were needed, that a strong, dedicated, national dairy farmers' organisation is urgently needed that has dairy farmers' interests as its only priority. What we do have is an organisation called DairyUK that claims to represent the UK's dairy industry, including the interests of farmers! A recent press release by their Director General demonstrates how misrepresentative of milk producers' interests it is. Commenting on the European Commission's milk package he said that it is interesting and much improved package compared with earlier proposals and that in the UK, we are already where I suspect the Commission wants the rest of Europe to be, with solid engagement between farmers and processors allowing the transfer of market signals, backed up by established contractual relation. we need a fundamental change to the structure of our dairy farming industry at producer level – a change that will give our farmers enough strength to go to the negotiating table with to ensure a fair price, a change that will give them confidence to invest in the future!

*Doris Robertson, Dairy Farmers of Scotland*

## Switzerland: effective volume control vs. price segmentation

The situation in Switzerland is still very tense. The Committee for Economic Affairs and Taxation of the Swiss government has consulted several experts before presenting the Council of States with its recommendation concerning the Motion Aebi. This motion would make it possible to tax additional volumes and to take generally binding decisions when it comes to volume control. This motion was already approved by the National Council (i.e. the members of parliament) and now the Council of States has to pass this motion as well so that it is completely approved. Both chambers have to pass the motion. The members of Council of States are under an enormous pressure of the industry that demands more cheap milk. The industry would prefer not to talk about this motion at all. The Committee for Economic Affairs and Taxation is currently controlled by the president of EMMI, one of the biggest companies in Switzerland.

Producers who are also divided when it comes to this motion are represented by their organisation, the organisation of Swiss milk producers (SMP). Due to these internal tensions (some producers are in favour of the industry, others are not) and the fear of being challenged, the SMP is willing to make a compromise, that is, however, considered too weak by the majority of milk producers.

The pressure on prices is omnipresent in rural areas. As the different producer organisations have different prices and collection conditions, many people are uncertain. Since the introduction of a three tiered segmentation (ABC) discussions are rife amongst producers. One price for each category will be fixed (A: national price, B: price without support-EU price, C: world market price, volume is sold on the world market). The volume of each producer, even of those who did not contribute to the current overproduction, will be segmented and it will be impossible not to produce B or C volumes. Producers are thus forced to make losses. The reactions to this system are fierce.

Uniterre has presented concrete proposals for a volume control system that would be managed directly by producers. Given the disastrous situation and the lack of new ideas, the project is now increasingly backed by many producers.

*Nicolas Bezencon, Uniterre*

### **Italy: production and political pressure**

The produced milk volume in Italy remains stable compared to previous year. From January till March 2011 the prices will remain stable as well. During the second half of 2010 Italian producers obtained 37-38 cents for milk that was used for fresh products. The prices for milk used for mature products have increased a little and farmers obtained an average of 40 cents. However, production costs increased by 6-7 cents per litre due to an increase of corn and soya prices. That means that the price does not cover the production costs.

Recently we proclaimed a state of emergency for the agricultural sector and the prices in particular. We appealed to all institutions to organise a round table to discuss and solve the problems that pose a threat to the income of farmers. In this context APL also staged a demonstration in Brescia (Northern Italy) on January 28th, 2011 to protest against the inactivity of the agricultural institutions. Thanks to this initiative we were invited to the first meeting involving all these institutions.

On January 21st, 2011 the Region Lombardy organised a convention on the future of the CAP. APL was not amongst the guests. Other organisations were, however, invited. Therefore we organised a demonstration right in front of the office of the region and handed out flyers to farmers attending the conference informing them that Lombardy keeps on dividing the agricultural sector (by not inviting our organisation). Paolo De Castro chaired this conference. He underlined that he was disappointed that APL-COPAGRI were not invited. Furthermore he stressed that APL was the only organisation that, in cooperation with the EMB, was doing a good job in Brussels.

*Sara Abellini, APL*

### **France: foundation of the France Milkboard – pooling first, contractualisation later**

In 2010 Bruno LeMaire, the French minister for agriculture, agreed, in accordance with the activities of the EMB and the French organisations OPL and APLI, to present measures to strengthen the position of producers. On the one hand it was planned to enable producers and buyers (private dairies, cooperatives) to conclude contracts and on the other hand the bargaining of producers' vis-à-vis the industry was supposed to be strengthened by setting up producer organisations. Furthermore the plans of the minister stipulated that a mediator should be named who should mediate between producers and buyers.

On December 31<sup>st</sup>, 2010 the French parliament (only very few members of parliament were present) voted on the so-called contractualisation. From April 1<sup>st</sup>, 2011 onwards buyers have to present producers with such a contract. If they do not provide a contract they risk a fine of 75.000€. Producers have to sign a contract by July 1<sup>st</sup>, 2011. Producer organisations have fallen into oblivion. A mediator has not been named yet. That means that producers are on their own and in a weak position and that they have to sign these contracts individually. Cooperatives and private companies will have a safe supply and can fix terms and conditions and prices alone. These contracts will have a duration of five years. In case of cooperatives a duration of five years is envisioned in addition to the remaining term of existing contracts (1-5 years). These contracts are prolonged automatically. Monthly deliveries for one year are fixed by the contract. For example: 8.3% of the annual volume is delivered each month +/- 10%. In case of under- or overdelivery the producer is fined. In addition exceeding the quotas is not allowed as well until quotas expire completely. Quality standards are also fixed. Delivery conditions as well as access to tanks and delivery frequency have to be improved.

### **Milk price**

The legislative proposal stipulates that criteria and parameters are included in the contracts that will be used to determine the basic milk price. The determination could be based on the provisions outlined in paragraph L 632-14 of the current act. This act stipulates that the CNIEL (the French interprofessional organisation) publishes indices or other indicators or parameters for the dairy market that are used as a benchmark. According to the legislative proposal of the ministry a contract must define the parameters that are used to calculate the price, that takes into account the special characteristics of the milk or the dairy farm, as well as the conditions for informing the producer at the beginning of each month about the basic price he will obtain for his deliveries in this month. Furthermore the contract outlines the accounting standards (confidential information, account, sales, and delayed payments) and information on the termination of the contract. All changes of the terms and conditions of the contract have to be done in written form and have to be signed by both parties taking into account the period of cancellation of the contract. Moreover the contract defines the conditions for the expiration of the contract: termination of the contract by one of the two parties, and in particular, period of cancellation of at least 12 months.

### **France Milkboard**

The French Office du Lait National has founded, in cooperation with APLI and OPL the "France Milkboard" and organises many assemblies in France to unite farmers in one producer organisation (French: Organisation des Producteurs (OP)) that could negotiate terms and conditions, prices and contracts with dairies. This project generates a lot of interest amongst farmers. The France Milkboard will try to obtain a strong position in France to force policy-makers in a first step to introduce the contractualisation and producers organisations at the same time and thus to postpone the introduction of contracts till the end of the year.

*Willem Smeenk, OPL*

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