

Dear Dairy Farmers and Interested Parties,

The hearing in the European Parliament on “The Milk Package and the prospects for the dairy sector” on 27 January in Brussels highlighted the completely opposite appreciation of the current situation in the milk market between the new Agricultural Commissioner, Mr Phil Hogan, who perseveres in his opinion that the milk market is not in crisis, and the AGRI Committee Rapporteur for “Development of the dairy market situation and the operation of the Milk Package provisions”, Mr James Nicholson. Without a doubt, the latter said, the milk market is in crisis again, and milk producers are paying the price for it.

You can find a detailed report of the hearing in this newsletter.

At the conference of the European Commission on 5 December 2014 called “2024 prospects for EU Agricultural Markets”, Christophe Lafougère from Gira presented the prospects of the dairy sector. His presentation mentioned the investment of billions of euros in expanding processing capacity in Europe (mainly co-ops), the weakness of co-ops to add value to milk and the expected disappearance of thousands of dairy farms. However, these slides have disappeared from the presentation published on the Commission’s website. They are being kept from MEPs and policymakers.

I received the original presentation from the author, but do not have authorisation to publish these slides. **Dear members of the Committee on Agriculture and Rural Development of the European Parliament: please demand an explanation from the Commission why these very important data are being withheld from you. Data necessary to answer your questions with regard to transparency and the distribution of margins in the dairy chain. Data necessary to form a balanced opinion on the chosen path and the measures that are needed for milk producers in crisis situations.**

The objectives of the Treaty of Lisbon concerning agriculture are clear: *stabilise markets and ensure a fair living standard for the agricultural community.*

That is your responsibility and your task. Please live up to your responsibilities.

Sieta van Keimpema, EMB Vice-President

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Hearing on “The Milk Package and the prospects for the dairy sector”

At the hearing in the European Parliament on 27 January, all experts, including the EMB, were of the opinion that the Milk Package had failed in its attempt to bring real improvements in the market position of milk producers.

Despite contracts and producer organisations, milk producers are unable to negotiate a good milk price with the dairies. The fact that co-operative members were excluded from these possibilities in the Milk Package and the situation of overproduction in the market were identified as some of the causes. The 'soft landing' measures were also seen to have failed. The "wishful thinking" theory of many policymakers and politicians with respect to these measures was based on nothing.

As a possible solution to the current crisis, a number of speakers proposed an increase in intervention prices. A substantial rise, however, could lead to a situation similar to the one before 1984, with milk lakes and butter mountains, which makes this proposition doubtful. Moreover, this would only benefit dairy processors, who would be assured of a sufficient margin, but would not benefit milk producers, who would still receive a very low farm-gate price. Except the EMB's Market Responsibility Programme, no real new solutions were presented.

The Market Responsibility Programme (MRP) was presented as what it is: a crisis instrument to prevent the total collapse of farm-gate prices, limit volatility, shorten crises and make milk producers keep a permanent watch on market developments and react to market signals.

The show must go on?

The Q & A session showed that some MEPs are still more interested in political games and less in solving crises. Some MEPs described the MRP as a "quota through the backdoor", a very false representation of facts, because the MRP is merely a crisis instrument that does **not** impose **any limitations** on production in **periods where the market is balanced**.

In my reaction to the remarks and questions I did not beat around the bush: the European Commission has stated repeatedly that milk producers should respond to market signals after the abolition of quotas. However, firstly we should define the term 'crisis'. If milk producers do not react to market signals and increase production, despite the a crisis situation declared by official sources, and thus worsen the market situation, it is these milk producers who should pay the bill. Not the milk producers who act responsibly and in line with market conditions. It would be advisable for every MEP to not protect the polluter in the market (the ones that cost the European Union money).

If, on the other hand, MEPs think that no instrument to support milk producers needs to be implemented that would disrupt the ever-cheaper flow of milk to the dairy industry (which has invested billions of farmers' money in expanding processing capacity), they should continue as planned! They will be able to congratulate themselves in a few years' time on causing the disappearance of milk production in large parts of Europe, factory farming in other parts with environmental problems on top, and the loss of thousands of family farms.

Sieta van Keimpema, EMB Vize-Präsidentin

[Video of the Public hearing](#): Speech of Sieta van Keimpema 1:53:00, Sieta's answers 3:11:38.

Expensive Swiss franc causing dairy farmers huge problems

The Swiss dairy industry faces a Herculean task. The Swiss National Bank abolished the minimum exchange rate for the euro. The franc exchange rate rocketed 20% in one day. This increased the difference in price with abroad at a stroke.

For six months now Swiss milk producers have been confronted with continually falling milk prices. The argument substantiating this was that prices abroad were also falling. Then the franc exchange rate went up 20% in one day. So the Swiss milk price rose from about 50 to about 60 cents compared to the price in the EU. At the same time, costs increased (in purely mathematical terms) from 75 to 90 cents, purely because of the franc exchange rate.

The milk sector fears "devastating consequences". The dairies are now expected to compensate for the loss in value of the euro by slashing farm-gate prices. In a letter the EMB member organisation BIG-M made it clear that there was still border protection for "the white line" in Switzerland. That is why the A milk price for this segment should not be put under pressure. And yet it is under pressure because the segmentation into A, B and C milk is not transparently practised by the dairy traders, forcing the low-price milk into the upper segment. This is eroding the entire price system.

That is why to put a stop to this unnecessary erosion BIG-M called on the milk inter-branch organisation to finally practise the segmentation systematically and transparently. It is almost five years since the milk inter-branch organisation adopted segmentation, communicating it to the media as a brilliant solution for the milk market: "The segmentation applies to the purchase of first and second milk. It is aimed at producing more binding contracts and also ensuring that non-contract (roving) milk is incorporated and does not further jeopardise the raw material price." To this day that decision has not been implemented, because it is undermined by *inter alia* the dairy trade organisations (by the farmers' organisations, too). The segmentation can only be rigorously put into practice if – on the level of the first milk purchase – the farmers have in their hands a milk purchase contract signed by both parties clearly regulating the volumes.

After five unsuccessful years the milk inter-branch organisation must now prove that it will finally take its mission seriously, i.e. "to promote added value at every stage of the milk chain". We don't need this organisation as pure tokenism.

Werner Locher, BIG-M

Situation in Ireland in January

Irish dairy farmers' concern in the early part of 2015 is milk price and quota availability. The milk price paid to dairy farmers for December 2014 was 30-32 cents per litre, down from 39 cents per litre in the middle of 2014. There is a huge concern amongst farmers regarding the likely milk price for 2015 and its

impact on farm profitability.

The volatility of the milk price – and thus of Irish dairy farmers' incomes – is extremely high. Milk prices could fall potentially over 50% in a year, resulting in some existing viable suppliers to exit the sector and not return. This constant volatility cycle could see the death of the traditional Irish family farm if

it continues into the future.

Based on estimated milk deliveries, as submitted by milk purchasers for the period up to 31 December 2014, Ireland is 5.93% over quota when account is taken of the butterfat content of milk deliveries during that period – meaning at

present we are facing a super-levy fine of € 90m.

The exceptional growth of grass last summer and autumn, coupled with a high average price per litre, has seen milk supply surge 7.15% over our national quota levels. But this has fallen slightly in November and December to see

over one percentage point decrease in the over-quota figure.

Paul Smyth, ICMSA

Green Week Berlin - Symposium BDM Germany

(Berlin, 17.01.15) 1,000 dairy farmers from all over Germany took up the invitation of the *Bundesverband Deutscher Milchviehhalter BDM e.V.* (German Dairy Farmers Association) to attend its symposium during Green Week in Berlin.

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Besides analysing the market players in the world market, the speakers' presentations focused in particular on how to approach the opportunities and risks of the world market.

Stephan Börnecke, author and journalist (editor of the *Frankfurter Rundschau* for 30 years), analysed what the TTIP free trade agreement between the USA and Europe had in store for farmers. He saw two unequal contenders opposing each other, both expecting export profits. He questioned how realistic this could be for EU dairy farmers if the starting situation was so different. According to an EU Parliament study, the suckler-cow producers have the most to lose. Between the diametric opposites of growth forecasts and climate protection, what Börnecke felt was important was "not to turn the cow into a sow", i.e. to stabilise extensive grazing and the production of animal feed on grassland "instead of feeding more from the field".

Viewing the deregulation of the agricultural markets, the President of the Thünen Institute, Prof. Dr. Folkhard Isermeyer, conceded that there were segments for which control must be advocated. The difficulty of implementing this varied, however – depending on the segment. In the area of environmental protection in particular and with rules for dealing with livestock farming, the fundamental question of objectives had not been answered clearly enough. Isermeyer called for a "more astute policy" in this regard rather than simply increasing constraints.

Next, dairy farmer Conny Derboven from Lower Saxony analysed his current situation from the practical angle and

explained his very personal prediction of how the market would develop under the prevailing circumstances. Johannes Pfaller, likewise a dairy farmer and spokesman for the BDM's Advisory Committee, then presented the concept of market crisis management again, clearly and passionately rebuffing anyone who judged the concept by referring to a "quota through the back door". It was conceived in a manner totally in line with the market, to react accordingly to changes in the market.

The symposium reached a fitting finale with the awarding of the "Fair Milk" prize for journalism. BDM Board President Romuald Schaber and member of the Federal Advisory Committee Michael Braun honoured the prize-winners for their pieces of journalism that had been particularly successful in tackling the overall topic of fair milk. The prize in the Print Media category went to "Der Mensch macht's" by Jonathan Stock and Takis Würger (in: "Der Spiegel", issue 8/2014) and in the Electronic Media category to "Die Milchrebelln – Mut gegen Macht" by Karin de Miguel Wessendorf and Valentin Thurn (WDR television, broadcast on 03.11.2014).

Markus Schulz, BDM

Study gathering organised by the MIG Belgium

In early January the Belgian Milk Producer Lobby MIG invited two farmers from Germany and Denmark, whose presentations made people sit up.

Denmark's farmers in debt

Kjartan Poulsen, an organic farmer from Denmark and member of the EMB Board, gave an overview of the situation in the Danish dairy sector. Together with two partners and 15 employees, Poulsen manages a large organic farm with about 850 cows. There are roughly 3,300 dairy farmers in Denmark (2014). 95% of the milk produced is processed by the Arla Foods co-operative. The remaining 5% is supplied to eleven small dairies.

The much-vaunted model of "Grow or get out" is causing dairy farmers in Denmark increasing concern. Many farms are disappearing, primarily because of heavy debts. "Last week alone, 20 farms had to close because the banks are no longer playing ball", said Poulsen. Numerous dairy farmers will step up production despite the low milk prices from 1 April. "Many farms want to improve their cash flow in spite of low farm-gate prices to pay off their accumulated debts" Poulsen added.

The second presentation by an organic farmer from Germany showed that "less" is sometimes "more".

The once-a-day milking method

Organic farmer Karl Meyer (51) from Bavaria reported on his once-a-day milking method. Meyer changed his working method back in 2009 – in response to the second milk strike together with the French farmers. What was originally conceived as a trial run has since become common practice on the farm. Meyer adopted the principle from dairy farmers in New Zealand, who milk only once a day when feed is in short supply. The farmer originally assumed a 30% reduction in milk yield, but the actual figure from once-a-day milking is 50%. "In economic terms it suits me, though, because I save on feed", said Meyer. Initial problems such as udder diseases were no longer an issue. His cows have fared better since the switch-over. "Fertility has gone up and my vet costs have gone down markedly", he added.

Nowadays Meyer milks his 73 cows just once a day in the morning, and regards the switch-over as nothing but positive. His wife and son also work on the farm, which has since been certified as an organic farm. The new method of working gives the family better quality of life more than anything.

The presentation aroused considerable interest among the Belgian dairy farmers, and there will also be imitators over here. Erich Pohen, President of MIG East Belgium, says that the method was primarily suitable for organic farming. "By their very nature organic farmers do not use concentrated feed, produce less milk and are also paid a higher price for

their milk.” The ensuing discussion showed that the high pressure of work on the farm is very stressful and that Belgian dairy farmers practise alternative milking methods, e.g. milking only every 16 hours.

Regina Reiterer, EMB

Interview with Dace Pastare

Mrs Dace Pastare is President of the Marsava Co-operative and member of the Latvian Milk Producers' Association. Together with her husband she runs a dairy farm with 120 cows, which is a medium-sized farm in Latvian terms. The Marsava Co-operative has 85 members and produces 80 tons of milk a day.

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Ms Pastare, you yourself have a dairy farm. How do you view the current situation of Latvian dairy farmers?

The situation varies a great deal at the moment – farm size in Latvia also varies considerably from several thousand cows to just a few animals. Some dairy farms are stagnating, not developing at all. The reasons for this include the age of the farmers and the price of land. Another group of farmers have plans for growth but are still waiting for the right moment. A third group of milk producers are expanding regardless, resolutely pursuing their own plan.

What are prices like in Latvia?

The milk prices have plummeted in recent months. In April 2014 they were paying 38.5 cents, in June it was still 31.5 cents. In October 2014 the price had fallen to just 24 cents. Prices vary considerably within the country. In September 2014 the biggest co-operative was paying 19.5 cents. The farm-gate price paid by our co-operative, Marsava, was 22 cents (09/2014). I also know of a very small farm with 20 cows that receives only 12 cents for a litre of milk. In December we got 24 cents, but since January - only 22 cents. The milk prices are very poor. We are worried about the super levy and penalty payments. In the 2014/2015 milk year we expect 7% over the quota. The penalty payments are more than the milk price! Latvian dairy farmers are currently surviving thanks to subsidies and direct payments. If and when these go, we farmers will have serious problems. I wonder how we are supposed to pay for feed then.

How do you view the future of Latvian farms?

The processors depend on our milk, and I reckon they will be paying higher prices again in future. In my estimation we will have to put up with this crisis for the next two to three years. The crisis in 2009 showed that prices went up again after a few months. I take a very pragmatic view – some dairy farms will survive and then the balance between supply and demand will be restored. Of course, that depends on how cost-efficient we can be, how feed costs develop, etc.

Your Marsava Co-operative recently launched new products on the market. What are they?

We came up with the idea for our co-operative's own product, and in October 2014 launched a calcinated curd on the market. Curd has a long tradition in Latvia as a healthy food for children, but has not always been necessarily tasty. Our aim was to create a healthy and tasty food for the whole family from a traditional product. A “by-product” was cream, which we are also marketing.

How hard was it to launch a new “old” product on the market?

It was tough at the beginning, our main problem being to finance our own processing plant. No bank was prepared to give us money, as a co-operative. So we were forced to outsource production. The project is now up and running, and several national supermarket chains and smaller private shops carry our two products. One ton of milk is processed into curd and cream a week. Sales are slowly rising, but we aren't making a profit yet.

What are your aims and projects for the future?

Our aim is to make curd and cream well established in the market. We would like to have our own processing plant in a few years' time. Our next project is vanilla custard – we are developing the technology for this. Marsava – the eponym for our co-operative – is the Latvian goddess who protects and watches over cattle and farmers. So the omens are good!

Thank you very much for the interview, Mrs Pastare.

Regina Reiterer, EMB

News from Brussels

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Round Table: Prospects for dairy farmers after the end of the quota

On 21 January, Members of the European Parliament Paolo de Castro (S&D) and Michel Dantin (EPP) held a Round Table. The topic was the end of the milk quota and the question of additional crisis instruments. Representatives of producer and inter-branch organisations presented their specific situation and discussed the prospects for dairy farmers in France, Italy, Spain and Portugal. It was interesting to hear that milk producers in France are not able to negotiate contracts with dairies for decent terms and conditions. The EU Commission refused to discuss raising the intervention price. The authors of the Milk Report also spoke. The MEPs intend to come up with proposals for

additional crisis instruments in the next few months.

Meeting with Commissioner Hogan

On January 22, an EMB delegation had a meeting with the new EU Commissioner for Agriculture Phil Hogan. The current situation on the milk market, production costs and the high level of debt of Danish dairy farmers have been discussed. The Commissioner does not want to talk of a crisis. Hogan is clearly against supply regulation. He aims to open new markets and

improve the margin within the supply chain. Commissioner Hogan showed interest in our studies on production costs. We are trying to get a new appointment in order to present our studies and give a realistic picture of the cost situation.

Farm Minister Council in Brussels

On January 26, farm ministers discussed market impact of the Russian embargo. Farm Commissioner Hogan reiterates that the EU's dairy sector "is not in the state of a crisis". Hogan expressed his openness to examine how the Milk Market Observatory could be strengthened further. For the German delegation, the measures taken by the Commission hitherto "were not very efficient". The struggle of dairy farmers in Great Britain was discussed as well. Following weeks of falling prices in the UK, Secretary of State George Eustice suggested the introduction of country of origin labelling for dairy products. There are news that Moscow might be prepared to re-open its market to a number of products including high-

end products such as PDOs (Protected Designation of Origin) and PGIs (Protected Geographical Indication). Farm Commissioner and the European Commission insisted Member States should stay united in their response to Russia's food import ban at today's Farm Council, sticking to a common EU solution rather than bilateral deals.

Steady take-up of PSA among Member States

EU Farm Commissioner Hogan announced the extension of Private Storage Aid (PSA) for butter and Skimmed Milk Powder (SMP) until the end of September 2015 to provide further safety net support for dairy farmers. Just over 26 700 tonnes of butter and 17 900t of Skimmed Milk Powder (SMP) have been taken off the market and put into private storage since the measures' entry into force at the beginning of September 2014. These figures correspond to around 5% of butter production and 4% of SMP production. Some 5 190t of butter were put into storage since the start of the New Year. The vast proportion of the overall 26 749t stocks are stored in the Netherlands (9 645t), Ireland (8 014t), Belgium (2 976t) and France (2 944t). Since January 1, just 628t of SMP were put into cold storage, while the bulk of the total 17 970t is stored in Germany (9 420t), Spain (3 359t) and Lithuania (2 841t). There were no butter or SMP stocks offered into intervention since the scheme was launched on Sept 1, 2014.

The European Commission's transparency "offensive" on the TTIP

The EU Commission has reacted to strong criticism and now published numerous documents on the TTIP, including texts of the negotiations. Yet there is still no access to the consolidated text.

In mid-January the Commission also presented the results of the online consultation on investor state dispute settlement clauses in the trade agreement with the USA. The consultation take-up was very good, with nearly 150,000 responses. The overwhelming majority demand that the ISDS (investor-state dispute settlement) be excluded from the TTIP. The Council must decide whether the ISDS ultimately remains part of the free trade agreement with the USA, said Commissioner Malmström.

Milk price crisis in China: oversupply of milk meets milk imports

The current situation in China shows that milk producers the world over have the same problems to contend with. In China, farm-gate prices for milk have plummeted in recent months. The blame was put on an oversupply of milk and cheap products from the world market, to which processors increasingly resort. In recent weeks Chinese dairy farmers have been throwing away their milk and reducing stocks of cows. According to media reports the Ministry of Agriculture together with the regional authorities now intends to support the dairy sector with suitable political market measures. Dairies have been called on to buy up more raw material to stabilise the farm-gate price. The Chinese dairy sector was still booming until the end of 2013 and has since been presented to European milk producers as a growth market.

Regina Reiterer, EMB

EMB Agenda

The EMB Board's key dates in February 2015:

- 03.02.: Public Hearing on "Investment Protection and ISDS in EU Trade and Investment Agreements"
- 04.02.: Stakeholders event of the 8th Round TTIP Negotiations (Presentation EMB)
- 10.02.: Event "Good Food Good Farming" (Presentation EMB)
- 13.02.: Meeting Civil Dialogue Group "Quality & Promotion"
- 24.02.: Talks with MEPs (Brussels)
- 24.02.: Meeting of the Milk Market Observatory (Brussels)

- 24.02.: EMB Board meeting (Brussels)

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