

## Dear dairy farmers, dear interested parties,

The issue of milk powder is making waves: On 24 January, we visited the Belgian milk powder storage facility in Herstal. The European Milk Board invited MEPs, dairy farmers and journalists to come and see for themselves, what public intervention looks like. In Wallonia's largest storage facility, sacks of milk powder are piled ceiling high. A total 12,600 tonnes of skimmed milk powder is stored here.

The innumerable pallets of milk powder were a striking image not for the EU policy-makers and journalists alone. Even those milk producers present were taken aback by this packed warehouse. Our production is not aligned with the market – There could be no better way to demonstrate the effects of overproduction and misguided EU policy.

Around 380,000 tonnes of skimmed milk powder are sitting in Europe's storage facilities and are losing value day by day. The warehouse in Herstal is just 3 per cent of the total volume – milk powder that is nearing its expiry date and that no one wants.

All of 2,000 tonnes have been sold since December 2016, that too at the rock-bottom price of €1,190/tonne. It is clear that this milk powder is a burden on the market and will eventually come back to haunt milk producers.

Agriculture Commissioner Hogan wants to pull in the reins and halt the purchase of more milk powder for public intervention storage. On 29 January, the Agriculture Ministers decided to offer no intervention at a fixed price in 2018. The EU will accept skimmed milk powder between March and September solely through the tendering process. This means that powder will no longer be automatically bought up for intervention once a certain threshold is reached, but a decision on whether the powder will be bought and at what price shall be taken on a case by case basis. In the meantime, production continues full speed ahead...

Agriculture Commissioner Hogan is looking to help the dairy market with this decision, but is ignoring the fact that production volume is what needs to be addressed. If intervention is simply stopped without any reduction in volumes, the dairy market will end up flooded.

Hogan would be well-advised to rethink the Common Agricultural Policy and immediately set up a reduction programme that reacts to the current state of production – like the EMB's Market Responsibility Programme!

*Kjartan Poulsen, EMB Executive Committee member and President of LDM Denmark*

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## Visit to EU milk powder storage facility

A very large volume of milk powder to the tune of 380,000 tons is currently in EU intervention. To get an idea of what even a few thousand tons looks like, EU policy-makers and members of the EMB Executive Board visited the Belgian milk powder storage facility Vincent Logistics in Herstal on 24 January. It is currently stacked with milk powder sacks amounting to 12,600 tons, which are awaiting further use.

## What can EU intervention realistically achieve and what can it not?

Romuald Schaber, president of the European Milk Board (EMB) does not wish to demonise the concept of intervention in itself. "Intervention is definitely useful in scooping up seasonal surpluses and redistributing them. There is sense in skimming off milk powder during production peaks and selling it at a later point in time, when market conditions are more favourable and demand rises." However, intervention is not a full-fledged crisis instrument that can keep a chronically unstable market in check, says the President of the European dairy farmers association. The overflowing storage facilities clearly show that intervention is not appropriate as a permanent crisis instrument. This milk powder also stands in the way of long-term market recovery.

The European Milk Board is lobbying for a general reduction in the current intervention volume of 109,000 tons per year as well as a simultaneous increase in intervention price. "Intervention milk powder must be sold at a stable price, i.e. it cannot be sold at dumping prices," underlines Erwin Schöpoges, EMB Executive Committee member from Belgium. It would also be conceivable to remove the current stocks in alternative ways without damaging the market.

The EMB is advocating for a crisis instrument that is part of the CAP and can counteract chronic market instabilities. This instrument should monitor the market and react to crisis risks associated with current production conditions by activating measures like voluntary production cuts.

As EU Agriculture Commissioner Hogan also states in his guidelines for the new CAP "The Future of Food and Farming", we need a robust framework for the farming sector to successfully prevent or deal with risks and crises. To this aim, effective and appropriate instruments are a must. Considering the 12,600 tons of milk powder sitting in this storage facility in Wallonia alone, the shortcomings of the current Common Agricultural Policy framework have become more than clear to the dairy farmers and EU policy-makers present.

The wall-to-wall shelves of milk powder sacks present a nightmare scenario even for Bocar Diaw, president of the Senegalese interbranch organisation FENAFILS: "When large quantities of milk powder from the EU – from intervention or directly from processors – are sent to West Africa, our local milk producers have to shoulder the burden." Therefore, representatives from a number of West African countries as well as allied European producers signed a declaration in October 2017 denouncing the massive export of European skimmed milk powder to West Africa. The Senegalese dairy farmer does not mince his words with the attending EU policy-makers: "Overproduction must be regulated within the European Union – Stop relocating your problems to West Africa!"

*EMB press release of 24 January 2018*

[Video: visit of the milk powder warehouse](#)

[Photos of the visit of the milk powder storage facility](#)

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**Council Decision on intervention skimmed milk powder - Statement of the European**

## Milk Board

With respect to the Agriculture Council Decision to limit the buying-in of skimmed milk powder at a fixed price to zero tonnes for 2018, the European Milk Board would like to issue the following statement:

- Since intervention storage is currently overflowing and the stored volume is exerting a downward pressure on the milk price, the Council Decision is understandable;
- Intervention can be used to absorb seasonal surpluses but is not a crises instrument in and of itself – this has become sufficiently clear;
- However, if intervention is stopped but production volumes are not reduced, the dairy market will be flooded (instead of milk powder piling up);
- **Therefore, a simultaneous volume reduction programme is a must to counteract surplus production in coming months;**
- **EU policy-makers must immediately create the framework for an effective volume reduction programme. The EMB would like to draw urgent attention to its Market Responsibility Programme. This instrument monitors the market and addresses the current production situation when faced with crisis risks, by activating measures like voluntary production cuts and production caps at the previous year's level (2017) during the reduction period.**
- Furthermore, the EMB calls for a general reduction of future intervention volumes from the usual 109,000 tonnes per year, as well as a simultaneous increase in intervention price;
- The existing stocks in storage must be reduced without negatively affecting the market (animal feed). Skimmed milk powder exports must not endanger local markets in third countries.

*EMB statement of 31 January 2018*

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**With the limitation of intervention, a dairy crisis is imminent**

The limitation of intervention for skimmed milk powder adopted by the Council of Ministers on 29/01/18 is very bad news for dairy farmers and for Europe. It is going to usher in a crisis instead of avoiding one as the Commission\* would like to believe.

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In fact, intervention, which is the final safety net to prop up prices, will prove to be even more essential in light of surplus milk production in the spring of 2018. Announced at the end of January and to be implemented as of 1 March, this limitation of intervention cannot change anything – not in terms of milk production volumes, nor in the production of powder in coming months. On the contrary, the cost of the same will be transferred from the European budget to processors, who guarantee storage at prices determined by them, and producers will end up paying the difference with a drop in milk price. **Let us analyse this proposal point by point.**

### **1. Regulating milk production is indispensable but Hogan wants to have nothing to do with it.**

Production has, once again, started to increase in Europe and the world while demand continues to scale down. In the last quarter of 2017, milk deliveries in the EU 28 overshot all projections by over one million tonnes. According to projections by the Commission, this surplus in the EU in the span of one quarter corresponds to the expected annual growth in the world market for the next decade. Thus, they themselves admit that the world market is no longer the best option for the sector. Within this new context, a temporary voluntary or compulsory reduction in deliveries in the EU – one of the key players in global dairy production – to permit better volume and price control becomes indispensable.

But Commissioner Phil Hogan continues to bet on major exports and refuses to include a measure on temporary volume control in the Omnibus Regulation in spite of calls from the European Parliament and the Committee of the Regions in support of the EMB's MRP. Hogan has not learnt anything from the past crisis: In 2015, he simply denied it; in 2016, he favoured large-scale powder storage rather than a reduction in milk deliveries. It is only in July 2016 that he finally proposed aid for voluntary production cuts – the only measure to effectively address the market situation. This measure also proved to be less expensive (€150 million were proposed of which €110 million were used) than the billion euros dished out by the Commission and the many billions by other countries, which did nothing but prolong the crisis.

**2. Today, the first step toward a healthier market is clearing the old milk powder stocks** which are weighing heavily on the European and world market. A recall of these powder stocks should remain an urgent, exceptional measure to correct the bad choices made in 2015 and 2016, when intervention storage thresholds were increased instead of production being reduced. Considering these stocks will soon reach their *expiry date* for human consumption, it is necessary to study all options, at least for the oldest 300,000 of the 380,000 tonnes of powder in intervention storage. It is absolutely essential to take these stocks off the traditional market and to support their use as global food aid and as animal feed by making the price more attractive for feed manufacturers.

**3. The limitation of intervention for the 2018 season without these two additional measures is not only counter-productive, it is a political mistake.** Just because stocks must stop increasing, Hogan has decided to close the door, without bothering about the consequences or even worse, by misstating the facts simply to justify the unjustifiable\*. Halting intervention this spring for our "fresh powder" surpluses without addressing the issue of old stocks will lead to a "double" drop in milk prices and Hogan will inflict a "double sentence" on producers, while the responsibility and fault largely lies with him. How and why did our Agriculture Ministers get taken in by this ultra-liberal, deceitful proposal simply by its immediate effects? The Council of Ministers must quickly redeem itself **by calling for the clearance of old stocks and by reinstating intervention, taking back the reins and putting volume control back at the centre of discussions.** If not, demonstrations and abuses will begin again, making dairy-farming regions even more fragile – playing into the hands of Europhobes in this pre-election year.

*André Pflimlin, Dairy expert at the European Committee of the Regions, [pflimlin.andr@orange.fr](mailto:pflimlin.andr@orange.fr) (Author of European dairy production, valuing all regions to build the future (in French); Ed France Agricole 2010)*

\* Council press release: "In order to avoid a drop in prices and a consequent worsening of farmers' standards of living, the Commission proposed and the Council decided to forego the automatic buying-in of SMP"

i.e. intervention! Public storage has always been a way to relieve the market and maintain prices, but with Hogan it will be the opposite!

NB: This text is based on a more detailed analysis published on 22/01/18: [How to avoid a new dairy crisis in 2018?](#) (in French)

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## Danish labour law: trade unions put pressure on farmers

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minimum wage.

Denmark has a specific labour law system. The politicians have left the responsibility to agree on employment and pay rules to the employers' and workers' organisations. As a result, the state does not stipulate any statutory

It is voluntary for workers to join a trade union, while workers' organisations can force employers to sign a wage agreement if they have workers falling under the union's area of interest. This agreement can either be concluded by joining an employer's association or directly with the trade union.

To date, farmers have been able to escape the interest of the trade unions, but their interest in farmers is rapidly increasing. Recently, a lawsuit about this specific Danish labour law ruled that a trade union called 3F organizing workers in horticulture and agriculture is entitled to force farmers employing workers to enter into an agreement.

These agreements offer workers a number of rights and define pay and pension entitlements, as well as working conditions in terms of holidays and leave. It is especially in the area of wages and pensions where such an agreement will change the existing conditions. Today, many farm workers get an hourly wage of 15-17 euros in the first years, while in future the farmer will have to pay a minimum of 22-25 euros for wages and pensions etc.

If a dairy producer refuses to sign an agreement, 3F is entitled to prevent the farmer from delivering milk to a Danish dairy, and they will use that right if necessary. Until now, all farmers contacted by 3F have chosen to join the employer association and comply with the stricter rules.

The National Association of Danish Milk Producers argued that 3F cannot take the farmer's milk delivery hostage in this industrial action, but the court chose to disregard this point of view. There is no more possibility to challenge that decision. If you think that the circumstances described above cannot possibly be true, we just say: "Our sentiments exactly!" But this is how things work in Denmark.

*Kjartan Poulsen, President of Landsforeningen af Danske Mælkeproducenter (LDM)*

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## Switzerland: Migros' sustainable milk project

Within the framework of its sustainable development strategy, ELSA (the dairy industry group at MIGROS) launched a fair milk project in 2017.

From the beginning, Migros's intention was to create a project that addresses the issue of sustainability, but does not, however, lead to too many changes for most producers. Well-aware that our agricultural model uses more calories in the form of inputs and energy than it produces, one could assume that the orange mountain would labour and bring forth a mouse. But no! In terms of sustainability, it is but a tiny fly that has seen the light of day.

It is true that ethological criteria, pasture, the use of basic, especially local forage, the promotion of biodiversity, the reduction of concentrated feed and antibiotics, are all on the right path toward more sustainability.

But neither dairy cows producing 8 to 10kg of milk per day of life, nor some 2 to 3 additional cents per kilogram of milk will guarantee the economic sustainability of milk production. To this aim, it is absolutely essential that the milk price paid to producers covers all production costs which, according to calculations by the FAT, amount to one franc per kilogram.

If we are talking about milk production, it goes without saying that animal welfare must also be considered within the project. But one is forced to conclude that in our mechanised, automated and globalised commercial system, animal welfare has become primordial, alas **to the detriment of the human aspect and human beings!**

Against this backdrop, it is necessary once and for all to remind engineers and other scientists (as well as animal protection fanatics!) of the immense (often underestimated and neglected) importance that producer welfare (this includes) has on animal welfare! Considering this reality on the ground, the requirement for cows to be registered in the database on animal movements with a name leaves us perplexed!

In the Sustainable Milk Directives, there is absolutely no mention of energy-intensive inputs like fuel, fertilizers and pesticides, nor is there a word about the compacting of our agricultural land under the pressure of ever-larger machines. All this coupled with purchasing contracts with 12 monthly instalments of equal volume in order to achieve more sustainable milk production.

In short: The sustainability of the project as a whole does not even scratch the surface on the basic aspects of sustainability and the project as presented should be denounced as total consumer fraud. In fact, it is nothing more than an excellent marketing gimmick that passes on some meagre crumbs to producers.

Do remember: ***Without prices that cover production costs, there can be no sustainability!***

*Milk Committee Uniterre, Switzerland*

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**Successful crisis management in the EU – What are the lessons to be learnt from the last three years?**

(Berlin, 18 January 2018): That a crisis measure is not a crisis measure in and of itself has been clearly demonstrated in the dairy sector in the last three years. As the Executive Committee of the European Milk Board summarised at this year's Green Week press conference, truly effective instruments must

be implemented in the future.

The European Commission has taken action over the last few years to temper the dramatic effects of market liberalisation: Aid packages to the tune of millions were introduced, thresholds for intervention volumes were raised, and producer organisations and dairies were given the possibility of product planning. However, the implemented crisis measures had little effect and producers continued to be forced to produce more milk to prop up their cash flow on the basis of higher production volumes. It was only the implementation of the volume reduction programme, where producers could voluntarily scale

down their production, that finally brought about a turnaround.

### What are the concrete lessons to be learnt?

- According to EMB president Romuald Schaber, Agriculture Commissioner Phil Hogan hit the bullseye after a number of failed attempts with the EU volume reduction programme: "We need the *right* measures. The reduction programme addressed volume and had a substantial effect on prices thanks to a small reduction in delivery volume." He went on to explain that the programme contributed significantly to price recovery from 25.68 cents/litre (July 2016) to 34.16 cents (July 2017) and its implementation was not bureaucratic for milk producers.

In addition, continued Schaber, a scientific analysis of the EU volume reduction programme (Fink-Keßler and Trouvé, 2017) also shows that the measure could be effectively used to keep farms in business using small reductions and could provide direct support to farms during crises.

- The *intervention* measure in particular was definitely overextended in the past and simply ended up as a way to catch the spill over of liberalised production. Public intervention is as such a tried and tested instrument to absorb seasonal surpluses, says Sieta van Keimpema, vice president of the European Milk Board. "But the fact that the European Commission is now sitting on almost 380,000 tons of skimmed milk powder, for which it has no plan, shows that this instrument has been implemented in a completely faulty fashion this time around." In the case of a market imbalance, EU policies should not simply prolong the situation by taking intervention milk off the market in the short-term and leaving it to become a burden further on. "There must be incentives to not produce so much in the first place," says van Keimpema. She believes that this would diffuse looming crises.

The European Milk Board calls for the implementation of effective crisis instruments and the legal anchoring of a milk volume reduction programme during crises. The dairy farmer's association points to its [Market Responsibility Programme](#), which is built on voluntary production cuts and production caps during the reduction period.

Producers can thus react to market signals and adapt their production accordingly as soon as the market balance is disturbed.

*EMB press release of 18 January 2018*

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## 20 years of the BDM = 20 years of extraordinary commitment

On the occasion of the 20-year anniversary of the BDM, the EMB would like to warmly congratulate and thank the association for its exemplary dedication.

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*Extremely constructive, collegial and motivating* are the perfect words to describe our collaboration with the BDM. As an important part of the European Milk Board, the BDM together with its European partner organisations represents a large section of the international farmers' movement. Whether it is with key concepts and stimuli like the MRP or their strong presence at European demonstrations – the farmers as well as the staff of the BDM contribute significantly to the progress of dairy policy at European level.

We thank you for your dedication and wish you: *Congratulations on 20 years of extraordinary commitment!*

*Silvia Däberitz (EMB Management)*

### **Sieta van Keimpema (EMB vice president, Netherlands):**

*I got to know the members of BDM Nord together with their enthusiasm and engagement 13 years ago. A year later, I then met BDM Süd and their able captain Romuald Schaber. Since then, meetings with the BDM have always been highlights. You know that you are among friends. The drive of its members is something I always find energising and encouraging. Together, we are fighting the good fight!*

*Let's keep at it! There is one main difference between a live fish and a dead fish: The live fish swims against the tide to reach its goal; a dead fish lets the current carry it along. Till a fair price for milk producers is not a reality, we cannot swim with the tide.*

*You have been our fellow campaigners for years and so I say: Thank you and all the best for the next 20 years!*

### **Kjartan Poulsen (EMB Executive Committee, Denmark):**

*The BDM actively participates in informing the EU about the situation on the dairy market and in painting a picture from the point of view of producers. Without the BDM, it would be difficult to bring European dairy farmers on board to work toward better conditions for the over 100,000 families involved in milk production.*

*The BDM is an important voice in European milk production and in the EMB's work. With its experience with small as well large producers, it contributes significantly in its collaboration with the EMB.*

### **Erwin Schöpges (EMB Executive Committee, Belgium):**

*Dear colleagues, it has been a pleasure and an honour to fight together with you for all these years toward "cost-covering prices and just remuneration for our work." Together and with all our energy, we will achieve this goal. Our demonstrations in Brussels will not be forgotten, and they will surely go down in history.*

*"He who fights, can lose; he who doesn't fight, has already lost."*

### **Roberto Cavaliere (EMB Executive Committee, Italy):**

*Twenty years ago, independent dairy-farmer movements across Europe began to unite to fight against unjust European policies and to protect themselves from the power of multinational corporations. In Germany it was the BDM, in Italy the APL and many such organisations in other countries that began to represent the true interests of producers.*

*I would like to thank everyone for their effort! I can summarise everything that we are and have created with a famous quote from Mother Teresa of Calcutta: "We ourselves feel that what we are doing is just a drop in the ocean. But the*



*ocean would be less because of that missing drop." Perhaps we can do more or do it better, but one thing is sure – the BDM, together with the other European associations, has been fully committed to dairy farmers!*

*Lastly, a special thanks to Romuald - a great leader and a strong, upstanding man!*

*Congratulations and my best regards and appreciation for everyone from BDM!*

**Boris Gondouin (EMB Executive Committee, France):**

*Without our German colleagues, we would only be half as strong. I wish the BDM many more years of success and look forward to more joint actions!*

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