

Dear dairy farmers, dear interested parties,

Brexit: Moment of Truth Approaches

There is a period during any negotiating process when pretence falls away and the bluffing stops. As far as Irish farmers and the wider Irish agri-food sector is concerned, the Brexit process has entered that period now. We are seven weeks away from the date on which the UK exits – unless they ask for an extension to Article 50, something that seems increasingly desirable without necessarily being possible as their domestic political chaos continues. That is where the Mother of Parliaments is at now: they can't agree, and they can't even agree to stop the clock while they see if there's any possibility that they can work out something on which they agree.

In the meantime, the red lights are flashing in every farm, co-op and processing plant in Ireland. We export approximately €5 billion worth of food to the UK. They, in turn, export about €3 billion worth of food back to us. Cheddar is an interesting example, we'll process the milk and produce cheddar somewhere in Munster or Leinster, it'll be transported to the UK where it'll be sprinkled on a dough base which is then stuck into some superfluous packaging with 'pizza' printed on it, that in turn will be transported back across the Irish sea to be sold, often in one of the UK owned supermarket chains. Our farming, processing, distribution and retail networks are so intertwined as to be almost indivisible.

From the day after the UK Referendum, the Irish Government made it clear that they were going to prioritise the North-South 'Political' dimension - that is the need to preserve the absence of any border installations between the two jurisdictions - over the West-East 'Economic' dimension which recognised the fact that the economic ties and trade between Ireland and Great Britain are multiple times greater than the economic ties and trade between Ireland and Northern Ireland or, indeed, between Northern Ireland and Great Britain. We know why they felt they had to choose this priority, those readers old enough to remember the events of 1968 to 1994 in Northern Ireland will understand too why the Irish Government was steadfast that anything that might induce elements to reignite conflict had to be avoided.

But right now, at the time of writing, a Commission spokesman has just confirmed that in the event of a 'crash out' No Deal Brexit that a hard border will, in the Commission's view, be inevitable. Moreover, the UK is stumbling along with no majority for any coherent exit arrangements and all against a background that has that 'crash out' as the default setting with all the attendant tariffs etc. that WTO Rules entail.

The two targets Ireland set itself were: No return of a hard border between North and South and (particularly) the continuation of our tariff-free multi-billion Euro, centuries-old food trade with Britain. Right now, neither target is looking particularly achievable and the moment of truth is fast approaching.

Pat McCormack, president of the Irish Creamery Milk Supplier Association ICMSA

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Farmers' border demonstration to demand a stop to CETA & Co.

(Lichtenbusch, 25.01.2019) With their tractors, farmers from 17 European organisations and two umbrella organisations are demonstrating together with civil society actors for an EU trade policy that is fair and climate-friendly around the globe. For a Europe with solidarity. No relaunch of TTIP.

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Today's demonstration at the German-Belgian border saw 20 tractors roll up from different EU countries. The tractor drivers were backed by some 100 farmers from France, the Netherlands, Luxembourg, Belgium and Germany alongside members of civil society groups. Farmers' organisations from Lithuania and Switzerland support this demonstration.

With the demonstration, the participating organisations want to voice their disagreement with the EU's current trade policy: the EU, they say, has entered into various free trade agreements, such as with Canada (CETA) and with Japan (JEFTA), and is negotiating others, e.g. with the Mercosur countries – Brazil, Argentina, Paraguay, Uruguay –, with New Zealand and Australia, and with many others. At present, the EU is pushing ahead with a relaunch of the negotiations between the EU and the USA (TTIP). The EU is also negotiating trade agreements with some of the poorest countries of the world, mainly in Africa, i.e. the so-called "Economic Partnership Agreements" (EPAs).

"These trade agreements lead to agricultural products being dumped even more on other markets as well as to important environmental and labour standards being weakened and multinationals becoming even more powerful" warns Erwin Schöpfiges, President of the European Milk Board (EMB). That is why during the border demonstration the European alliance symbolically buried the treaties of these new and harmful trade agreements.

After that, farmers from different EU countries solemnly signed the European farmers' declaration, which was hanging up on a giant banner. Their aim is to put pressure on Europe to promote a new trade policy that favours fair farm-gate prices and fair working conditions, climate and environmental protection, animal welfare, high-quality food and food sovereignty.

A new EU Parliament will be elected in May this year. The European alliance demands to bury the unfair and corporate-friendly trade policy and to stand up for the demands of the alliance. These are important common signals for a Europe of solidarity and sustainability and against populism and nationalism.

[Please find here the joint farmers' declaration](#)

[Please find here photos of the border demonstration](#)

EMB press release of 25 January 2019

Lessons learnt from American dairy policy on the sharing of added value

Improving the mechanisms to share added value within sectors and strengthening producer organisation are two subjects at the centre of discussions on agricultural policy, both at the French and the European level. In France, the dairy sector has been particularly affected by these issues since the abolishment of dairy quotas and the 'contractualisation' implemented as of 2010 does not seem to have been the adequate response.

While also very dependent on international trade, the American dairy sector was less affected by the world overproduction crisis that hit in 2014. Since the 1930's, milk trading in the United States has been carried out by federal bodies (Federal Milk Marketing Orders), which are created when two-thirds of producers in a region decide to create such an instance. In this way, 80% of American milk production is covered by this regulatory measure.

The main function of these Offices is to ensure a fair sharing of value between producers and processors based on price formulae. The same minimum price is defined every month for all producers. It is established on the basis of developments on the market for processed dairy products. The price formulae can be modified but they are now identical for all 10 Offices and have been the same for at least 10 years. The functioning of this instrument depends on a high degree of transparency by those involved in processing who have to notify the sales volumes and prices of their end products. If the monthly minimum price is the same for all producers covered by an Office, the price at which they supply to processors differs based on the type of value added. Thus, an equalisation is directly applied to companies in segments of high added value, which pass on part of this created value to companies making lesser value 'mixed products'. This is equal to 10 to 15% of the turnover of milk producers that operate via their Offices to ensure the application of this equalisation.

If we were to apply these American price formulae, the milk price in France would have been 13% higher over the last 10 years. The huge cooperatives in the Netherlands, Denmark and even New Zealand operate in a situation of quasi-monopoly at national level, which allows them to carry out internal equalisation. As compared to these competitors, French producers suffer a competitive disadvantage at an organisational level: cooperatives collect 55% and process 45% of French milk production.

Keeping in mind the tensions regularly seen within the sector and the sometimes-dated trade practices applied – unilateral termination of contracts, price fixing post delivery, etc., it seems necessary to reorganise producers to free them of this excessive economic dependence. The 'contractualisation' applied in France in preparation of the abolishment of dairy quotas has not provided the expected results. A contract cannot rebalance commercial relations in and of itself. And dairy cooperatives have clearly wished to remain on the side-lines of 'contractualisation'.

The extension of the logic of 'sectoral intervention' announced for the CAP post 2020 could help speed up the reorganisation of the dairy sector in France. French dairy cooperatives will thus be faced with an important decision. Either they decide to take the bull by the horns and get organised in a unified territorial body, aligning themselves with existing POs as a way to progressively integrate producers of the latter as cooperative members. Or, POs are created within cooperatives and these POs come together in an Association of Producer Organisations (APO) as a kind of pooling and cooperatives then specialise in specific processing activities like in the United States.

This would bring us out of the paradoxical situation on French dairy farms where, on one hand, one half of producers is well-organised in cooperatives where milk receives an average value and, on the other, one half of producers are barely organised in a PO and do not have any real negotiating power in the face of processors who are very well-placed in their higher value-added segments.

It is therefore crucial for milk producers to organise right away in order to anticipate the upcoming CAP reform and to work on production reorganisation to be able to steer volume management and the sharing of added value within the sector.

Summary of the study "Les enseignements de la politique laitière américaine en matière de partage de la valeur ajoutée" by Courleux F., Gaudoin C., 2018 (Agriculture Stratégies). You can download the [full study](#) here (in French).

Comments on behalf of APLI France: *We find the results of the study very interesting. However, we do have some reservations, especially with reference to production costs (see also EMB studies on milk production costs in Europe). Furthermore, one cannot stick to an approach limited only to France in the context of production regulation. In fact,*

We have had enough of these low milk prices!

Based on initial publications and advertising campaigns related to milk, milk price levels in 2019 are set to be alarmingly low for dairy farmers. Due to the disastrous feed harvest and the consequent drastic increase in costs, there was an appeal for higher milk prices as far back as last autumn.

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There needs to finally be a clear signal regarding the milk price, as calculated in the form of the Milk Marker Index by the MEG Milk Board dairy farmers' association at over 40 cents per litre." After two years of dairy crises and the drought of 2018, we milk producers urgently need to make some profits," explains Lucia Heigl, Federal Vice-president of the German small farmers' association (AbL) and dairy farmer in the Upper Palatinate region.

However, the German Farmers' Association (DBV) has now issued a price expectation of 33 cents per litre for dairies, which would imply that many more dairy farms would be run out of business. "Whoever is giving a free pass, especially to cooperative dairies, for these rock-bottom prices has already taken the additional dairy farmers that will close their doors into account," says dairy farmer Otmar Ilchmann, AbL Regional President for Lower Saxony. "This statement by the DBV has also undermined the possible prices for the new year," adds Ilchmann.

Furthermore, the Institute for the Food Industry (ife) has predicted a 1% drop in milk volume in early 2019 itself, followed by further knock-on effects due to last year's drought. "Together with high feed costs caused by the drought, this must also be reflected in milk prices," urges Lucia Heigl.

"Even the retail industry seems to be least bothered about a sufficiently-high price level," explains Bernd Schmitz, organic milk producer and AbL Regional President for North Rhine-Westphalia. He deems the huge advertising posters by discount supermarket Lidl selling high-quality organic milk for less than €1/litre as simply outrageous. "Animal welfare, best-quality feed and environmental protection in organic milk production are disregarded in such situations," says an indignant Schmitz. "I have really had it with cows out to pasture being used for advertising, but then the consequences post drought-stricken pastures and the necessary buy-in of feed being completely ignored by some market partners. Advertising with higher prices, to ensure that organic milk producers are rewarded for their quality product and animal welfare conditions, would be the right way to give high-quality food products their due."

Press release by German small farmers' association AbL

Dairy together – a global network for a future-proof dairy market

About 600 dairy farmers and guests from all over Germany met once again at the traditional symposium of the German dairy farmers' association BDM e.V. at the International Green Week in Berlin. This year, it was held on the first Saturday and was entitled "**Dairy together – a global network for a future-**

proof dairy market."

In her opening speech, **Dr. Beate Jessel**, President of the Federal Office for Nature Conservation, appealed to the dairy farmers present to show an open and collaborative spirit regarding the necessary structural and substantial changes within the CAP reform that are urgently required to reach environmental and climate goals, while at the same time agreeing that these changes must be affordable for farmers.

Darin von Ruden, President of the Wisconsin Farmers Union, introduced the "Dairy together" movement, where dairy farmers in the US have been raising awareness among policy-makers and the media about the necessary changes that are urgently needed, considering American dairy farmers have been incurring losses on every litre of milk for a while now, in spite of all the political measures.

Murray Sherk, the new Chair of Dairy Farmers of Ontario in Canada and himself a dairy farmer, provided an overview of the functioning of the Canadian dairy market model and also outlined its advantages for dairy farmers and rural areas. He said that the market opening as a consequence of different free trade agreements comes with pressure on the dairy market, and there are attempts to provide some relief through policy measures. Nonetheless, he said that in general, it is possible to earn a comfortable income in Canada solely through the sale of milk.

Herbert Dorfmann, Member of the European Parliament and rapporteur on "The Future of Food and Farming" expanded the discussion to EU agricultural policy and the possible changes that the CAP reform could spell for farmers. Within the context of vibrant rural areas, he supported a capping of agricultural funding.

Sieta van Keimpema, Vice-president of the European Milk Board EMB, used her presentation to explain the imbalanced situation faced by European dairy farmers, by simply taking a close look at their farm data. If production costs and milk prices are compared, it becomes clear why many farmers are unable to find anyone willing to take over their farms. She also showed how the dairy industry managed to increase their profits even through repeated milk crises.

BDM spokesperson **Hans Foldenauer** concluded with an outline of the BDM Sector Strategy 2030 and highlighted that in this context, discussions cannot be limited simply to the distribution of funds – real changes are the need of the hour. He referred to the BDM Strategy Paper with its ambitious targets that are albeit necessary in order to bring some real movement toward improvement.

This year also included what has now become a permanent fixture on the agenda – the "Fair Milk" Journalism Prize. It was awarded to six articles by Michael Braun, Head of Marketing for Fair Milk, as part of the BDM symposium.

Siek Postma and **Romuald Schaber**, former Presidents who stepped down in the course of the previous year, were also honoured for their contributions over many years to the EMB. Flag-waving dairy farmers from different Federal States together with Erwin Schöpges, President of the European Milk Board EMB, jointly celebrated the nomination of Romuald Schaber as Honorary Chairman as thanks for his extraordinary and tireless commitment to the cause of dairy farmers. As said by Stefan Mann in his congratulatory words acknowledging Mr Schaber's achievements, he has influenced the Association like other.

German dairy farmers' association BDM e.V.

Milk producer in Beaumont-Hamel just wants fair remuneration for his work

Receiving fair remuneration for his work. That is all Ludovic Magniez, milk producer in Beaumont-Hamel in Northern France, aspires to. However, it's easier said than done: *"Our parents would sell milk at two francs per litre in the 1980's. Today, the average price is 33 euro cents – the same price, except that production costs are much higher."*

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He has recently joined the **FaireFrance** network, a brand that belongs to over 500 farmers distributed all over France. Its aim? To sell milk at a price that allows producers to draw a fair pay, without fleecing consumers. This membership, nonetheless, will not imply a major change in the producer's daily life as all his milk will not end up in cartons bearing the FaireFrance colours. He will continue to sell to a dairy close to his farm. But he will benefit from the dividends shared out between all brand partners.

25 million: That is how many litres of milk the FaireFrance brand sold between 2012 and 2017

By joining the network, Ludovic Magniez has committed to organising events to raise awareness among consumers. His first event is on Saturday, 2 February, in the aisles of the Intermarché supermarket in Albert. It is a chance to discuss the reality of his profession with customers: *"When the milk leaves for the dairy, I don't even know what price I will be paid,"* he admits. *"I only know how much I will be paid a month later, and I have no power to negotiate."*

More and more farmers are giving up

The forty-year old took over the family farm founded by his grandparents and then managed by his parents. His brother is his partner and he affirms that he does not count the number of hours he spends at work: *"Over 70 hours per week to take care of 100 cows. We manage to have a day off every fortnight, thanks to our parents' help."*

But he does not regret his decision and is proud to be able to build on his family's expertise. Ludovic Magniez says that more and more of his colleagues are giving up and abandoning dairy farming. They prefer to cultivate cereal crops – a more lucrative and less restrictive activity. He has also noticed a kind of denigration of the profession: *"People keep talking about animal welfare but that's a given for us. Look at how well the cows are kept here. If a problem arises, controls are in place. However, no one talks about the welfare of the farmer."*

"Consumers are ready"

He refuses to adopt a 'woe-is-me' attitude and remains hopeful about the situation improving. The fair remuneration promised by FaireFrance could allow him to employ someone on the farm to help him out. This producer is definitely convinced that *"consumers are ready"* to pay a fair price for milk.

*Article by Vincent Hery, published in **Courrier Picardi** on 1 February 2019*

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