## Dear dairy farmers and interested parties,

**A more balanced market, thanks to the EMB's proposals**

EMB's proposals have proven to be effective. We had called for an obligatory volume reduction programme to enable the market to emerge from the great milk price crisis of 2016; we had demanded that the European Union use the revenue generated by the super levy imposed in 2014-2015, totalling more than 1.2 billion euros, for this extraordinary intervention plan.

Even if the Commission did not implement our proposals in full, we can now say that more than 58,000 farms in Europe have backed them, although the resources used were far fewer than demanded. So we can rightly claim that the voluntary production reduction helped restore balance to the market, because milk prices are now much better than in spring 2016. In fact the price for a litre of milk, which in the far north of Europe was below the 20-cent mark, is now well over 30 cents a litre, and in some regions is even almost 35 cents.

What we have to do in the next few months is fight against the release of butter and milk powder stocks. Although milk farmers all over Europe are far from getting cost-covering prices, milk powder from market intervention is being released on the market.

Therefore the European Milk Board is organising a symbolic milk powder action on 23 January on the occasion of the meeting of EU Ministers of Agriculture in Brussels: "**Milk powder from market intervention threatens milk price - Permanent crisis instrument NOW!!**

Dairy farmers from all over Europe will show to the Ministers what are the consequences of their short-sighted policy!

We will continue to fight to make sure that the European Commission implements a legal framework for the Market Responsibility Programme. The positive experience of the last years shows that it is the only solution capable of stabilising the market in the long term.

*Roberto Cavaliere, EMB Board member and president of APL Italy*

### EMB Newsletter January 2017



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## EMB "milk powder action" on 23 January 2017 in Brussels

**The milk crisis is far from being over!**

Although milk farmers all over Europe are far from getting cost-covering prices, milk powder mountains from market intervention are being released on the market: **400.000 tons of skimmed milk powder are put on the market, thus strongly increasing the pressure on prices.**

This shows again: market intervention does not solve any problem on the market, but rather serves as an instrument to prolong this lasting crisis.
We need a permanent crisis instrument NOW, which addresses production volumes. The programme of voluntary production cuts showed that this can work. The Commission and the Ministers of Agriculture now have to set a legal basis for the Market Responsibility Programme (MRP)! For this reason, we will be present in Brussels on the day of next Council meeting. With strong symbolic images we will make clear that:

**Milk powder from market intervention threatens milk price**

**Permanent crisis instrument NOW!!**

### EMB action on 23 January on the occassion of the meeting of EU Ministers of Agriculture in Brussels

**In order for this message to be understood, milk powder will be "snowing" in front of the Council building. We will clearly show that we call for:**

- **Cost-covering milk prices and the implementation of our crisis instrument, the Market Responsibility Programme (MRP), now!**
- **The milk powder in storage not to be thrown on the market or be exported to developing or emerging countries. This is extremely harmful both in Europe and elsewhere!**

The rally will take place in front of the building where the Ministers of Agriculture will hold their meeting. Dairy farmers from all over Europe will show to the Ministers what are the consequences of their short-sighted policy!

**Come to Brussels and take part in the rally! - Meeting at 10 am in front of the EU Council building.**

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## National contribution to EU aid package - path for implementation of volume discipline programme is finally clear

After a stalemate of several weeks, the law to decree and amend the rules for market regulation as well as to amend income tax law in Germany has come into force in December 2016.



This clears the path as from January 2017 for applications for national aid from the 2nd EU aid package to the tune of a total 116 million euros linked to temporary volume discipline. Applicants shall not increase their milk supply between 1 February and 30 April 2017 with reference to the same period in the previous year (1/2 - 30/4/2016). The aid amount shall be at least 0.36 cents per kilogramme for milk supplied in the period 1 December 2015 to 30 November 2016. The aid rate of 0.36 cents/kg has been derived by correlating the German milk supply volume with the amount of available aid. The 58 million euros provided by Brussels for national aid measures were doubled by the Federal Government.

If the applications indicate that the total aid amount is not going to be fully exhausted, the aid rate will be increased accordingly. The application period is expected to be between 1/2 January to 16 January 2017. Only milk producers who will continue to supply milk up to the end of the volume discipline period (30/4/2017) can apply. Furthermore, if the volume that qualifies for aid exceeds 30,000kg, direct sellers and sheep and goat milk producers will be excluded. Handing over a part of or the entire cow herd to another farm during the volume discipline period is not allowed.

Tax breaks and a guarantee programme are linked to the aid programme. Fiscal profit easing and the necessary legislative procedure to amend the income tax law has led to this immense delay. To start off, limited liability companies (GmbHs) and agricultural cooperatives should also be excluded from the scope of tax breaks.

A proposal from Lower Saxony called for the planned liquidity aid to be linked to a temporary reduction in milk supply. The now adopted law, however, "only" stipulates that the supply volume cannot be increased as compared to the same period in the previous year.

It is usually said that "slow and steady wins the race" but that an aid package adopted in Brussels in the middle of the year has still not been implemented in Germany till shortly before Christmas - that still not a single cent from the national contribution has reached our financially exhausted farms - is simply shameful.

*Hans Foldenauer, BDM Germany*

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## What can European farmers learn from the oil producers (OPEC)?

© EMB

Oil is a valuable commodity and is not sold cheaply, this being ensured by OPEC. Food, though, is essential to sustain human life, and is sold in many countries at prices that do not even cover production costs. How is this possible?

The answer is simple: the world's oil-producing countries know what assets they sit on, and have always been aware that individual countries could not control prices on their own, and thus the global Organization of Petroleum Exporting Countries (OPEC) was established.

In the last couple of years, some oil-producing countries believed they could change the face of the market and increase their own production to compete away from the main oil market. This resulted in the most pronounced decline in oil prices that we have experienced in a long time. The consequences for many oil producers were so dramatic that they met again and agreed on joint production limitation. As illustrated in the graph below, prices rose by almost 10% in two weeks. This shows that solidarity can make a big difference; commodity producers are very dependent on joining forces to achieve long-term profitability.

**Price trends for crude oil after last meeting OPEC**

**The farmers' situation in the EU (Productio prices)**

**European farmers can do the same as OPEC**

The farmers are sitting on even greater assets than the oil-producing countries, but have so far not used their power in the same manner as OPEC.

Solidarity amongst producers can have a major impact on prices: we observe, for example, a certain trend in oil prices after the last OPEC meeting. If European farmers want a fair price for their products, it is only possible through solidarity in a global market, because individual farmers do not have enough power to make such a claim; not even a single country has such power. The solution therefore is to do what OPEC has done: forming a strong, solidarity-based organization, which can agree on production limitations of as much as 10% and, if necessary, block deliveries from those who do not respect this solidarity.

Here you can read the entire article on how European Farmer Solidarity can recreate profitability in European milk production.

*Even Erlien, President of Bondesolidaritet Norway*

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## Evaluation of the "Improving Market Outcomes" report of the Agricultural Markets Task Force

## Can the recommended measures stabilise the dairy sector?



The „Improving Market Outcomes“ report published by the Agricultural Markets Task Force in November 2016 puts forth recommendations to improve the position of farmers in the supply chain.

Against the background of severe crises in the dairy sector and as an organisation representing European milk producers, the European Milk Board (EMB) essentially welcomes the recommendations to improve the situation. This document evaluates how much the recommended measures can actually contribute to positive developments in the sector, while focusing on the most important aspects. **The evaluation has shown that the recommendations by the Task Force are not enough to achieve the required degree of stability in the EU dairy sector.**

### Market transparency

It is positive that the report talks about increasing market transparency. However, it does not address a key element - when production costs are considered, they must include a fair income for producers. It erroneously assumes that transparency alone will motivate producers to undertake actions that are in tune with market needs. However, this requires additional measures, like voluntary production cuts, in order to elicit appropriate market reactions.

### Risk management instruments

In the context of risk management instruments with regards to agricultural prices, the EMB recommends that the Task Force pay closer attention to their effect on, firstly, producers and, secondly, the market. Instruments should ensure that producers face less risks and thus suffer lower income losses. However, it is also important that these instruments stabilise the market and do not act as an additional burden on it. The Task Force report does not give these two points sufficient consideration.

### Futures markets

The use of futures markets as a risk management instrument does not include the need to restore a degree of balance in the real market (spot market) to allow for cost-covering producer prices.

The EMB analysis, and to an extent the Task Force report as well, shows that futures markets can, in fact, somewhat flatten out price peaks and troughs under certain conditions, but they cannot change the actual price level. Furthermore, an effective tempering of price fluctuations is only possible when projections on the spot market are positive - something that is very rare in the dairy sector. In addition, *cost-covering* prices can hardly be expected on the spot market and as a result, no such assurances can follow on the futures market either.

Even if you want to exploit the very limited advantages of futures trading: Producers require high liquidity and the trading of futures contracts only makes sense upwards of a production volume of 1 million kg milk. This means that a large number of EU producers are excluded from exploring this possibility. Farmers are also no trading experts and they cannot take the risk of net-loss trading lightly. Therefore, futures contracts cannot be considered a solution for the dairy market crisis.

### EU-level framework against unfair trading practices

An EU-wide legislative framework to avoid unfair trading practices in the supply chain is welcome. However, this must definitely include a law against unfair competition that prohibits the sale of raw materials below cost price.

**Contractualisation**

As France has shown, contracts in themselves are not enough to strengthen the position of producers. The Task Force report does state that contracts can only have a limited effect on the same. However, it fails to mention the following possibility: Contracts could play a key role if EU-wide mandatory contracts included the contractual linking of prices to production costs.

**Producer organisations**

The Task Force has correctly observed that there is insufficient collective action by producers. In addition to resolving regulatory confusion, as mentioned in the report, the following points - not mentioned by the Task Force - must necessarily be considered as well to encourage association: raising grouping thresholds, including milk from cooperatives in collective negotiations as well as creating incentives to join producer organisations.

**Easier access to finance**

Financial bottlenecks are problematic in times of crisis. Nonetheless, the Task Force should clearly state that easier access to finance alone cannot be the solution. Furthermore, it is important to ensure that this money does not end up acting as an additional burden on the market, delaying the adjustment of supply to demand. Bridging loans also only make sense if producers are in a position to pay them back in the foreseeable future.

**Direction of the CAP**

If the CAP were to maintain its correct direction, as recommended by the Task Force, the marginalisation of many stakeholders will only become stronger. Therefore, the CAP should pay greater attention to balanced growth. The EU needs factors that bring people and nations stronger together. Agriculture can help to implement such drivers.

For the dairy sector, for example, this would be instruments that do not act as a burden on the sector but allow producers to actually generate their income from the market. The implementation of voluntary production cuts this year has been a first step in this direction. However, a standard instrument set up in an EU-wide legal framework is still necessary.

This legal framework must:

**1. Include a market index implemented through the MMO;**

*This index would be determined by factors like developments in product quotations, milk prices and producer costs (margins).*

**2. Permit sanctions;**

*During voluntary production cuts in times of crisis, the remaining production must be capped. In this regard, the possibility of sanctions is vital. Without a cap, there is a great risk that the achieved reductions will be neutralised by increased production by other producers.*

**3. Allow for the collection of a levy from producers to finance the crisis instrument.**

*With such a levy, producers also take on a financial responsibility for the programme.*

**Observe the market - predict and prevent crises!**

*Silvia Däberitz, EMB*

Evaluation of the "Improving Market Outcomes" report of the Agricultural Markets Task Force (12/2016)

"Improving Market Outcomes"  Report of the Agricultural Markets Task Force (November 2016)

## Red Line on International Trade Deals

© William Taylor

"Whether we remain in the EU for another two years plus or not, the same problem confronts the EU and No. 10 Downing Street [seat of UK's prime minister]: that of current and future international trade deals facilitating food swaps for profit," states William Taylor, FFA UK NI co-ordinator.

"A current example is lamb, where the UK is self-sufficient. Yet we export 35% to France, North Africa and other countries, while a similar amount is shipped back in from New Zealand, Australia and others by Tesco and other food corporates, solely for profit and to drive down local and foreign farm gate prices. The problem is that the world's 'responsible' countries who turned up at the December 2015 United Nations Paris conference on climate change and again in Morocco recently to agree 'urgent' climate change policy – cannot be genuine.

How can No. 10 with the current UK's climate change policy even consider new world trade deals where farm produce will become the sacrificial lamb only for food ships to pass in the night with the same cargo? Either the UK's climate change policy and agreements with other 'responsible' countries are nonsense (and possibly illegal), or the current and future UK trade deals are nonsense (and possibly illegal). This is now a huge worldwide legal climate change issue!

If Theresa May and her team are genuine about climate change, they cannot mislead us all and become involved in the new trade deals without first applying the Isle of Man origin principal, i.e. all the produce produced in the UK is used first and foremost before importing any shortfalls, which should then come from our nearest neighbours or otherwise the nearest source!

Farmers For Action do not intend to stand by and see the likes of two-faced Tesco claiming to be green to consumers while behind their backs turbo-charging climate change by shipping in food for profit that we already have in abundance the year round!

Now is the time to hold our politicians and food corporates to account on climate change and trade deals destined to wreck the planet and put farmers out of business across the world!

*William Taylor, Farmers For Action*

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## Milk production on Malta

On January 1, Malta took over the presidency of the European Council for the next six months - an occasion to shine a light on the dairy sector of the smallest EU Member State.

**© wikimedia**

The island state of Malta has a stable dairy sector that steadily supplies the country's 423,000 inhabitants. Supply and demand are matched to prevent supply bottlenecks and surpluses.

Trading is dominated by fresh milk products, many of which have a very short shelf-life. Due to economic reasons, the production of products with longer shelf-lives like UHT milk, butter or milk powder is practically zero[1].

With Malta's accession to the European Union in 2004, dairy farms, dairies and infrastructure along the supply chain was restructured and modernised as part of a comprehensive investment programme. A vast majority of milk producers are organised in the Koperattiva Produtturi tal-Halib Ltd (KPH), a cooperative founded in 1958.

Malta currently has 101 dairy farms with almost 6,400 dairy cows, i.e. an average of 63 cows per farm. The annual total production is 41.64 million kg raw milk. On an average, a Maltese dairy farmer produces about 412,000 kg milk per year; the annual average yield per cow is 6,532kg[2]. Holstein is the most common breed as it is well-adapted to the heat.

Milk production is limited by natural and structural restrictions (e.g. limited water, land and pastures, droughts). Maltese milk producers are almost entirely dependent on imported feed due to the lack of local production of food grains and other feedingstuffs.

The raw milk price is based on a quality assurance system and at 50 cent/kg is significantly above the EU average. The relatively high milk price is driven by the naturally-occurring disadvantages and very high production costs. Feed imports account for the lion's share of the latter. In 2012, feed import costs accounted for over 80% of total spending on farms[3].

*Regina Reiterer, EMB*

[1] 2015, Philip von Brockdorff and Gaetano Buttigieg, University of Malta: Sectoral Impact: An Insight into how the Maltese Dairy Sector adapted to EU membership

[2] Eurostat

[3] European Commission Directorate General for Agriculture and Rural Development (2013), EU Dairy Farms Report, 2012, Luxembourg

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## EMB milk price comparison between countries (August to November 2016)

© wikimedia

The milk price in the last quarter of the year increased for almost all the dairies included in the comparison. While numerous farms still remained at about 20 cents per kilogramme at the end of the summer, prices in many countries now increased, in some cases even beyond 30 cents.

The greatest price increases were recorded on milk producing farms in Germany and the Netherlands. Only dairies in France showed a slight downward trend. However, like Italy (where the farm-gate price remained at 30 cents or more), France did not experience the extreme price troughs seen in other countries during the same period.

The highest farm-gate price was recorded in November 2016 in a Germany dairy at 35.01 cents for a kilogramme of milk with 4.0% fat and 3.4% protein. When calculated as of August 2016, farm-gate prices have comparatively increased in all countries by 6 to 52%.

Twenty farms now participate in the EMB milk price comparison - three more farms as compared to the previous publication (two additional farms from Germany and one more from Italy).

Milk price comparison August to November 2016

*Karin Jürgens, Büro für Agrarsoziologie und Landwirtschaft (BAL)*

***EMB comment:*** This recovery phase should not obscure the fact that dairy farmers continue to receive a price that is far removed from cost coverage.

**Background**: The EMB milk price comparison has been recently reworked to ensure better comparability of farm-gate milk price within Europe. The updated calculation template shows the farm-gate price with and without dairy-specific surcharges and reductions. Standard values have been set at 4.0% fat and 3.4% protein.

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## Agriculture: The purpose of agriculture is to feed our citizens

The European Commission will reform the Common Agricultural Policy (CAP) by the end of 2017. José Bové and Eric Andrieu argue for an agricultural system that puts the environment, human health and small businesses first.

© European Union 2016 - source : EP

*Extract of the EurActiv interview with French MEPs José Bové (Greens) and Eric Andrieu (Socialist Party).*

**What are the issues related to the negotiation of the new CAP?**

**Eric Andrieu:** The CAP is not working; not for farmers and not for citizens. For years it has exclusively promoted a productivist and intensive agricultural system, but alternatives exist. We should focus on the European market before looking outward because this obsession with exports is a driver of price volatility.

And the reintroduction of milk quotas is not the only possible response we have available to us. The model has been called into question. We should make a change. Is the model of the 5,000-cow farm really what we want to move towards?

**What challenges will the future CAP have to face?**

**Eric Andrieu:** We have to find a different starting point other than profitability. What about food quality? What about human health? Nutritional value? Traceability? GMOs? What about jobs, the recovery of soil, air and water quality? Previous public policies have led to the desertification of our land. Do we want to keep the land alive and able to provide jobs or not?

**What difficulties are appearing in the negotiation process?**

**José Bové:** The member states, like the European Commission, are stuck in the mindset of promoting free trade, with no overall vision or analysis of the consequences. But the main purpose of agriculture is to feed our citizens, not to deal in tonnes of raw materials. We have to come to a comprehensive vision that includes feeding our citizens and creating jobs.

**How can we avoid the development of more agricultural crises in the coming months?**

**Eric Andrieu:** More public money has to go to small and medium-sized businesses. To preserve the quality of the soil, create jobs, safeguard our land…

**José Bové:** I would like us to manage supply, using volumes or other tools, and to define minimum prices. We cannot continue paying farmers less than the cost of production. The global milk price is not tied to anything in the real world. It is set by a few big cooperatives.

**The negotiations will only begin in the spring, but you already seem pessimistic…**

**José Bové:** I hope we will really be able to debate the CAP, but I am not sure. The European Commission is using double standards. On the one hand, President Jean-Claude Junker says he agrees, but at the same time the executive is planning a full reform (with the Omnibus report) that would change the rules of the game without any real debate. What is more, it is yet another manifestation of this bureaucratic Europe that citizens find so disgusting.

Full interview

*Virginie Énée, EurActiv (14.12.2016)*

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