

Dear Dairy Farmers and Interested Parties,

So now the Commission's Milk Report for 2014 is out. The Commission's work is based on the Milk Package, drawn up with regard to the future of the milk sector after the end of the quotas. In 2014 and 2018, the Commission has to draw up a report on the market situation and the implementation the Milk Package.

What sounds such a routine thing is not to be taken for granted, though. It was only permanent pressure from the EMB and its dairy farmers that induced policy-makers to consider the development in the milk market from all angles.

What are the report's key messages?

1. The market is currently developing in a positive way and the medium-term forecast is also optimistic. However, severe market fluctuations are possible.
2. Because of the favourable market development there has evidently been no incentive for farmers to join producer organisations.
3. The results of the Milk Conference of September 2013 are still being deliberated.
4. It is still too early to assess the effect of the Milk Package, particularly on disadvantaged regions.
5. The Commission harbours strong doubts whether the existing safety net (storage, export subsidies) is sufficient for the period after March 2015.
6. The Commission intends to carry on stimulating the discussion and accompanying the decision-making process right through to additional crisis instruments.

The basic political aim being emphasised is of maintaining stable milk production throughout the EU. The Commission will not stand idly by and watch too intense a process of concentration in what are called the "favoured areas". Moreover, the Commission has "reserve powers" for extreme crises, although there are no details of them.

How are we dairy farmers to assess the report?

The positive assessment of the market development comes as no surprise. It reflects the present situation and so was to be expected.

What is surprising, though, are the extremely clear pointers to the market risks. From this realisation the Commission derives the necessity for further crisis instruments, and this is likewise congruent with the EMB's view.

Once again the decision by the EMB General Meeting in April this year to adopt a crisis concept after the quota system is abolished points the way. Now is the time to ride on the back of the Milk Report and make the crisis concept command majority backing in the political debate.

Romuald Schaber (EMB Präsident)

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EU Milk Report

source: wikicommons

On 13 June the EU Commission published the long awaited report on the milk market. The current situation in the EU milk market is described as positive, and medium-term prospects are good, although severe price fluctuations are

most likely to re-occur.

Call for crisis instruments

Despite a substantially positive outlook with possibilities for growth in the coming years, doubts are expressed in the report as to “whether the EU regulatory framework is sufficient to overcome extreme market volatility or a crisis after the quota system ends. This must be seen in the context of guaranteeing EU-wide milk production and preventing extreme concentration

in the most productive areas.”

The plan is for the new Milk Market Observatory “to assist the Commission in keeping an eye on market developments, applying provisions for the ‘safety net’ proactively, and reacting to unusual circumstances.”

Proposals were put forward to extend the instruments available within the Observatory in order to keep milk production going in a crisis situation, to assist disadvantaged regions, and to counter a strong increase in production.

The report confirms that the Commission will continue to discuss the solution to these problems and scrutinise additional instruments. The Commission recognises the need for further analysis to support the EU milk sector efficiently.

Mandatory contracts

The report confirms that there are mandatory contracts between farmers and processors in twelve member states (Bulgaria, Croatia, Cyprus, France, Hungary, Italy, Latvia, Lithuania, Portugal, Romania, Slovakia and Spain). In two other member states (Belgium, the United Kingdom) farmers and processors have agreed codes of conduct.

Regina Reiterer (EMB)

EU Council of Ministers of Agriculture

On 16 and 17 June, the Council of Ministers of Agriculture addressed the future of the milk market and assessed the EU Commission’s Milk Report. They discussed the call for additional “soft landing” measures in the last year of the quotas.

source: wikicommons

Ministers of Agriculture postpone decision on fat correction and crisis instruments

The Ministers of Agriculture’s bone of contention was the issue of fat correction. Some member states (including Austria, Germany, Denmark, Belgium, Ireland and the Netherlands) are calling for an amendment to the fat correction. This would equate to a rise in the milk quota and reduce punitive levies. The Czech Republic, France, Hungary, Italy, Portugal, Slovakia, Sweden and the United Kingdom are against a change in the fat content coefficient, because it would punish farmers who kept to the quota.

EU Commissioner for Agriculture Ciolos would be prepared to correct the fat factor, but only if there was substantial unity among the EU member states. After a fruitless discussion the decision was deferred to the next Council meeting of Ministers of Agriculture under the Italian presidency.

Lack of agreement on crisis management

In the Special Committee on Agriculture (SAC), which preceded the Council of Ministers, France advocated additional crisis instruments within the Milk Market Observatory. This required defining different levels of crisis and establishing commensurate crisis instruments (incl. storage, incorporating producer organisations, advertising, anticyclical payments). Spain and Italy back the French proposal. On the other hand, liberal-minded EU member states like Germany, Ireland, Denmark and the Netherlands reject the proposal.

Regina Reiterer (EMB)

Dutch study: milk price nowhere near covers the costs

source: DDB

On June 24, the Dutch Dairymen Board (DDB) presented the results of the study into the production costs for a litre of milk in the Netherlands. With a cost price of almost 45 euro cents for 2013, the production costs for a litre of milk are considerably higher than the average milk price paid in 2013, which was just over 37 euro cents. This means there is a coverage deficit of 16 percent,

and this is just for 2013.

The study is based on the data gathered by the EU and calculated in the Farm Accountancy Data Network, which is recognised by all EU member states. Since the European Commission is presenting the results with a delay of no less than three years, this makes it tricky to have a substantive discussion about the situation in dairy farming. This is based solely on assumptions and 'gut feelings', with the level of the milk price paid being taken as the starting-point. These are incomplete and - as can be seen from the cost price

calculated - incorrect assumptions.

What also makes this study unique is that for the first time a remuneration has been calculated for self-employed dairy farmers – and family members who help with the work – that is not based on flat-rate assumptions. The remuneration calculated at the request of the DDB may refer to rates based on 'BV Nederland'. The functions and responsibilities of a dairy farmer have been weighed in the market on the basis of a database consisting of two million

employment contracts.

Since the year 2000 the fact that Dutch dairy farms have been undermined by means of a milk price that is structurally too low has already resulted in the closure of 37% of Dutch dairy farms. Because the selling prices for producers in agriculture are too low, the Netherlands is now characterised by a high degree of aging. Family businesses, which are a characteristic feature of the sector, are disappearing.

Background information:

The method used to calculate the production costs for a litre of milk in the Netherlands was developed in 2012 by the Büro für Agrarsoziologie und Landwirtschaft (BAL - Office for Agrosociology and Agriculture) in Germany at the request of the European Milk Board (EMB) and the MEG Milch Board. First the cost price for a litre of milk in Germany was calculated and this was published in January 2013. In January 2014, the results for France followed.

The entire study can be downloaded from www.ddb.nu

Sieta van Keimpema (EMB Vice-President)

Interview with Maria Heubuch: From farmer to MEP

Maria Heubuch (55) is a full-time farmer in Leutkirch, south Germany. For 16 years she was National President of the German family farmers' association (Arbeitsgemeinschaft bäuerliche Landwirtschaft - AbL), a member organisation of the EMB. In the European elections on 25 May, she was elected to the European Parliament eleventh on the Greens' slate and will possibly sit on the Committee on Agriculture soon.

source: Florian Jaenicke

Ms Heubuch, on 25 May you made it into the European Parliament with the Greens. What motivated you to stand for the European Parliament?

I've been active in agricultural politics for more than 30 years – from the regional group to the grouping on the national level in the German family farmers' association AbL, which is also very well connected on the European level with the EMB. I have the backing of farmers, and that has grown over the years. When the opportunity arose to go from the association level to a higher decision-making level I wanted to grasp it.

What issues are important to you as an agricultural politician?

Keeping small farms going is important to me – I do everything I can to stop farms dying. Farms are our workplaces, our livelihood. We farmers need our autonomy and independence. We must retain our freedom to conduct a business. I do not wish to envisage dependence on buyers and suppliers in the milk sector, which I am currently experiencing in the fattening sector. Preserving soils, environmental sustainability and versatile structures is an important concern of mine.

You have 40 dairy cows. What would you as an MEP like to achieve for milk producers?

We farmers must be able to act on an equal footing with our negotiating partners. Equality in the market is important to me. There are prevailing circumstances that can make life difficult or easier for us farmers. I can bring the practical side to bear in the European Parliament. What do EU regulations mean in practice? What do they mean for my farm in concrete terms? Are they helping farms or hindering them?

What do your fellow farmers expect of you?

I have a lot of backing in the region. I was actively supported in the election campaign both in terms of ideas and on the farm itself. My friends and colleagues, the farmers, are realistic. They know that I can't change the world. But they know that I am honest, that I am serious about it and I have a lot of energy. And they want to ensure I keep my feet firmly on the ground.

Regina Reiterer (EMB)

Current Situation in Dairy Farming In Ireland

source: wikicommons

The Majority of milk processors in Ireland are paying 37 cents per litre inclusive of VAT for May milk. Two processors remained paying 39 cents per litre inclusive of VAT for May milk despite others dropping price by 1 or 2

cents.

Silage season is well under way with the majority of first crops harvested at this stage. Yields have been good, with conditions excellent due to the recent fine weather. This good weather has seen milk supplies to processors increase year on year with most running far ahead of quota levels. The expectation is that there will be a superlevy next March due to this increased supply and the increased number of heifers that will calve next spring in

anticipation of the removal of quotas.

The secondary business enterprise on Irish dairy farms is mainly a beef enterprise. Beef prices have reduced 10-20% depending on the animal in the last year and this is leaving many farmers suffering a loss from that enterprise.

Paul Smyth (ICMSA)

EMB Calendar

The EMB Board's most important dates in July 2014:

- 1.07.: Board Meeting in Brussels
- 14.-15.07.: European Strategy Meeting on TTIP (and CETA)
- 16.07.: Stakeholder groups' TTIP presentations (DG Trade)
- 24.07.: High-Level Group on the Milk Market Observatory

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