

## Dear dairy farmers and interested parties,

The third European Fair Milk Conference was held at the end of June. This year's host was Fairkoperativ Lëtzebuerg, who was celebrating its 5th anniversary and organised the conference together with the EMB.

I was pleased to see that the issue of "fair milk" keeps gaining in political support. Besides numerous ministers and local politicians from Luxembourg, the Grand Duke and Duchess were also in the audience. The growing turnover in Fair Milk countries shows that more and more consumers are lending their support to our project and are actively promoting fair compensation for dairy farmers.

For many years now, the European Milk Board has been talking about the need for milk prices that actually cover costs. I am happy that we have been able to get a positive project like "Fair Milk" on its feet. In this issue of the newsletter, you have some articles about the conference in Luxembourg.

Fair Milk also received international recognition quite recently. At the end of June, Fairebel - the brand created by Belgian Fair Milk producers - received the *World Dairy Innovation Award 2016* for corporate social responsibility. We are very proud to have received this accolade.

There is also some movement on the political side of things. We expect measures for voluntary production cuts to be adopted by Agriculture Ministers in the next Agriculture Council (July 18). It is absolutely essential for the EU to act as a whole and for temporary voluntary productions cuts to be implemented in all countries. An attractive financial incentive is a must to encourage enough producers and thus have a quick effect on the market. At the same time, the milk supplies of those who do not participate in the production cuts must be capped for the duration of the defined crisis period.

We are going to keep a close eye on the conclusions of the Agriculture Ministers. One thing is clear: If they present half-hearted measures that have no effect on milk prices, we will call for a large-scale European demonstration in autumn. Every farmer must decide for himself, how he is going to ensure the existence of his farm. Those who fight, can lose. Those who do not fight, have already lost! It is never too late!

*Erwin Schöpges, Member of the EMB Executive Committee and MIG  
Belgium*

## EMB Newsletter July 2016

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## The European dairy farmers' demands to the EU Council of Ministers for Agriculture on 18 July 2016

The milk market crisis continues to cause dairy farms huge cash flow problems. Another aid package must therefore be adopted and implemented immediately on an EU level. Many farms are no longer able to meet their financial obligations.

In this situation, procuring extra liquidity is not the only priority. To improve the situation in the milk market quickly, the continuing supply pressure must be urgently reduced on the EU level – regardless of the current stagnation in the volume of milk supplied in the EU. This would enable the quantities of skimmed milk powder fed into intervention to be reduced markedly or possibly even to zero.

The EU must also act jointly in the agricultural sector again. Crises in the dairy sector can only be overcome by joint action. That is why the dairy farmers of Europe demand that the EU Council of Ministers for Agriculture adopt the following measures on 18 July:

### **1. EU acts in unison – voluntary restraint on supply in every country**

The milk producers must be offered a time-limited voluntary restraint on supply with the same terms and conditions on a binding basis throughout the EU. It is to be co-ordinated by the EU Commission and financed by funds provided by the EU and each member state. Only in this way can a reduction in volumes have enough impact on prices. The reduction should be between 5 and 25 percent of the participating farmers' individual farm volume. The subsidies should be paid solely to farmers who want or have to carry on running their farms.

If some countries can evade this obligation to offer the voluntary restraint on supply and maintain or even increase their production level in the defined crisis period, it no longer makes any sense for the other countries to cut their volume. Although they would be showing responsibility for stabilising prices, the effect of their measures would be both exploited and diminished by the non-participating countries. That is why the voluntary restraint on supply must be offered to the dairy farmers in every country.

### **2. Offer a clear incentive, to appeal to enough milk producers and prevent their being disadvantaged vis-à-vis non-reducing producers**

To achieve a rapid effect in the market, a clear incentive has to be given for farmers to cut milk supply for a limited period. What is crucial is the level of the compensation payment, which has to be the basis for calculating the subsidy. From the milk producers' viewpoint it should be above the current milk price level. This would not only accelerate the producers' decision in favour of it – besides the appropriate effect on the market, the farms would gain extra liquidity. What also has to be considered is that the market will recover during the period in which the dairy farmers reduce their volumes. The participating farms could not benefit from this to the same extent as farms carrying on regardless. Any disadvantage for farms cutting supply must be prevented by the corresponding level of the compensation payment.

Given the necessity of implementing the restraint on delivery rapidly and as simply as possible, EMB recommends fixing the bonus across the board at 30 cents per kilo of milk not supplied. A 3% cut in milk supply for 12 months would therefore require funding on an EU level of € 1.35 billion. Moreover, this sum was paid by the producers in the form of a super-levy in the last two years of the quota system. So this money would be re-injected in the sector, there would be no additional financial burden for EU citizens. If the measure were limited to a period of six months, it is calculated that 6% of the milk volume could be reduced for that period. In view of the current EU market prices, a compensation payment of 30 cents is not only an attractive incentive in most member states, it also provides the requisite scope for a positive market development.

The funds are to be disbursed monthly to the milk producers in relation to the volume reduction. The final settlement can be made in the last month of the measure.

The concrete amount of the compensation payment must be stipulated clearly and unambiguously before applications are made. Any subsequent stipulation, derived for instance from the total volume of applications or the market development of the following weeks and months, results in uncertainty and longer decision-making processes on the farms.

The requisite funding volume could initially be allocated according to the milk production in the respective member states. If a member state is unable to use its funding volume within a time limit to be specified, the unused volume will be made available to the other member states.

The individual producers' willingness to reduce should be ascertained by a tendering procedure. In this process, producers willing to reduce will undertake to cut their production in the defined period by the quantity bid by them. In this way there will be clarity in next to no time about the extent of the reduction in volume in the EU.

A key aspect in the implementation of the measure is that solely the dairy farmers must make the decision whether the milk supply can and should be reduced for a limited period to enable further subsidies to be claimed. Under no circumstance should the dairies be able to influence this decision.

*Substantiation:* The liquidity problems on dairy farms are totally unconnected with the differing interests of the dairies. On the contrary, they are the expression of unilateral risk distribution at the expense of the milk producers. Making access for dairy farmers to subsidies dependent on the benevolence/interests of the dairies would not only run counter to the principle of equality, it would further thwart the swift procurement of extra liquidity.

Moreover, it is not expedient to link the granting of subsidies with the involvement of the dairies or their increasing the funds. This would produce a redistribution effect within the dairies. The farm-gate milk price, which is already far too low anyway, would plummet further to finance the bonus. This would result in tangible tension and massive resistance on the committees of the dairies, which is rightly to be feared.

### **3. Parallel to the voluntary reduction in volumes, apply a temporary cap for other producers**

At the same time, in the defined crisis period the milk supplied by producers not participating in the reduction of volumes must be capped for a limited period. This means that they are not permitted to increase their production in this period. Compliance with this restriction would be ensured by an overproduction levy that farmers increasing their volume would have to pay. This would be effective in preventing voluntary cuts in volumes being offset by the increased volumes of others.

#### **To sum up:**

- Extra liquidity is to be created immediately by a further EU aid package.
- The entitlement to subsidies is to be linked to a time-limited cut in volumes.
- EU acts in unison – voluntary restraint on supply must be offered to milk producers in every EU country.
- The amount of the compensation payment is crucial for the intended market impact.
- The amount of the compensation payment must also consider the intended recovery in farm-gate milk prices in the commitment period.
- The milk supply must be reduced accordingly from the very first month of the commitment period.
- The compensation payment/liquidity aid is paid directly to the applicants.
- There should be no obligation for the dairies to be involved.
- In the defined crisis period the milk supplied by producers not participating in the reduction of volumes must be capped for a limited period.

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**Third Fair Milk Conference in Luxembourg honours achievements in sustainable**

## farming

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EMB press release of 30 June 2016

*Together with the European Milk Board, Fairkoperativ Lëtzebuerg - which celebrates its 5-year anniversary this year - hosted this year's Fair Milk*

*Conference in Luxembourg.*

*Through this event, President of Fairkoperativ Lëtzebuerg Fredy de Martines aimed to bring dairy farmers and consumers, retail traders and politicians together. "The Fair Milk Project is a unique opportunity to support our family farms and to guarantee citizens high-quality food at affordable prices," he said.*

For yet another year, the "Golden Faironika" was awarded for outstanding commitment in the dairy sector. At European level, Bavarian Minister for Agriculture Helmut Brunner received this accolade for this political engagement in favour of dairy farmers. Awards were also given to Belgian development organisation SOS Faim and Lithuanian milk producer Jonas

Vilionis.

Host country Luxembourg honoured former Minister for Agriculture Romain Schneider with a Golden Faironika for his support and encouragement for Fair Milk in Luxembourg from the very beginning. Farmer and dairy manager

Claude Thiry was also awarded for this efforts. In recognition of their many years of loyalty, one of these golden cows was also awarded to the consumers of Luxembourg, who support farmers by purchasing local products. Further awardees are the BGL bank and the CLC Luxembourg Confederation of Commerce.

President of the European Milk Board Romuald Schaber welcomed Minister Brunner to the awards ceremony: "Helmut Brunner has worked across party lines for milk prices for dairy farmers that actually cover costs. In this regard, he has not shied away from demanding market intervention and thus calling the free market dogma into question." In his role as President of milk producers association LPGA, Jonas Vilionis has tirelessly fought for many years for fair conditions and appropriate compensation for Lithuanian dairy farmers.

Founded by dairy farmers in Austria in 2006, the Fair Milk Project now covers six EU countries. Fair Milk products are sold in Belgium, Germany, France, Luxembourg, Italy and Austria. The product line will be presented at the Agriculture Fair in Ettelbrück from July 1-3.

[Photos of the Third Fair Milk Conference](#)

*Communiqué de l'EMB du 30 juin 2016*

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## Golden Faironika awards 2016

National Politician: **Romain Schneider**, former Luxembourg Minister for Agriculture

International Politician: **Helmut Brunner**, Bavarian Minister for Agriculture

National Organisation: **BGL BNP Paribas**

International Organisation: **SOS Faim**

National Farmer: **Claude Thiry**, Farmer and dairy manager from Luxembourg

International Farmer: **Jonas Vilionis**, Dairy farmer from Lithuania

Further awardees are Berthe Melkert, Fredy de Martines, the BGL bank, the CLC Luxembourg Confederation of Commerce and all Luxembourg consumers.

**Laudation for Jonas Vilionis (award winner - category "Farmer international")**

Here's to the crazy ones.

The misfits.

The rebels.

The troublemakers.

The round pegs in the square holes.

The ones who see things differently.

They're not fond of rules.

And they have no respect for the status quo.

You can quote them, disagree with them, glorify or vilify them.

But the only thing you can't do is ignore them.

Because they change things.

They push the human race forward.

And while some may see them as the crazy ones,

We see genius.

Because the people who are crazy enough to think

they can change the world,

Are the ones who do.

Source: "Think different", Apple

Milk producers like Jonas, who have taken destiny into their own hands, pave the way for our sector. Jonas's energy and initiative has been astonishing and we are truly proud to have his organisation as an EMB member!

*Sieta van Keimpema, EMB Vice-President*

**Committed from the very beginning** - Laudation for Claude Thiry, recipient in the "National Farmer" category

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## "A fair division of revenues must be ensured"

© LPGA

*Bauernstimme magazine*

*Interview with Jonas Vilionis, President of Lithuanian milk producers association LPGA, published in the June issue of Unabhängigen*

**Unabhängige Bauernstimme: Mr Vilionis, what is the state of the dairy market in Lithuania?** Jonas Vilionis: We are facing very unfavourable conditions as milk producers. We currently receive 8 cents, for larger volumes graduated up to 15 cents per litre. Before milk quotas were abolished, farm-gate prices ranged between 27 and 30 cents, up to 35 cents. The calculated production costs are 34 and 32 cents for medium-sized and large farms respectively. In the last year, Lithuanian dairy farmers suffered collective losses of 75 million euros; in 2016, they have already lost 40 million euros.

**What constitutes a small, medium-sized and large dairy farm in Lithuania?** Small farms have one or two cows, medium-sized up to 20 cows and large would be all farms with more than 20 cows. There are about 53,000 dairy farms in total of which 1,500 are small, 49,000 are medium-sized and 2,500 are large.

**And how is the supply chain organised?** Our system is an oligopoly. Lithuania has five private milk processors. They have won in the tough competition against Latvian and Estonian companies. Milk is now transported from these countries to us. 60 percent of our production is exported. There is similar cutthroat competition among five trading companies that run the supermarkets in all three countries as well. Lidl is interested in our market at the moment. When it enters the market, the price war will be fuelled further.

**What have dairy farmers done as a reaction to this drop in milk price?** For a year now, we have been a member of the European Milk Board (EMB) as the LPGA in order to connect across Europe. Here in Lithuania, demonstrations were held in the capital Vilnius where tractors blocked some streets. All through April, we had a protest tent in front of the Ministry of Agriculture, which was manned by representatives from the region every day, round the clock. We do a lot of publicity work, interviews and TV spots. Most recently, a number of dairy cooperatives participated in a three-day boycott of the supply chain at the beginning of May, which had been organised by consumers to protest food prices that have risen significantly. One of the actions in this event was giving away free milk in front of the Ministry of Agriculture to show that milk producers only receive 21 percent of the retail price of milk.

**What are your political demands?** We are in constantly in contact with the government and are demanding regulatory instruments for the milk market. And that they push for a stronger position for milk producers in their negotiations with processors and traders regarding the high food prices. In 2015, a law on fair trade practices in the milk supply chain

came into force and makes such agreements possible. The government said in May and June that retail prices will be reduced by 14 percent. But value-added tax is high and processing and trading companies do not want to lose out on their margins. Thus, these reductions are made at the cost of milk producers. In fact, the law envisages a fair division of product revenues. We are waiting for solutions on this front, otherwise we will hold tractor blockades at the county and district level.

**What are the reactions to the demonstrations and the dramatic situation of dairy farmers?** Some believe that farms with one to ten cows should simply disappear. We do not believe this is the right policy, as villages would become empty. We already have 4,000 towns that now exist only in name.

**Are there opportunities for Lithuanian milk producers to influence their individual market position?** There are a few supply cooperatives where dairy farms have come together. They usually bundle about 200 tonnes of milk per day but do not have any processing facilities themselves. Dairies even pay these groups lower prices than individual suppliers. They want to tear farmers apart. At the moment, one of the bigger cooperatives is building a factory, which will become operational this year and will convert 800 tonnes of milk per day into protein concentrate. We are hoping that this will allow us to compete. We have to be aware of volumes as also the rules.

Thank you for speaking to us!

*Christine Weißenberg, AbL Germany*

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## Brittany in search of its strategy

A few months ago, the Breton mainstream boasted of being able to produce +20% of milk by 2020, which means an additional 1 billion litres! A beautiful utopia but a bad analysis!

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At the invitation of the Regional Council of Brittany, representatives from Brittany's agricultural organisations (Confédération paysanne, Coordination rurale, OPL and APLI for the European Milk Board, as well as Fédération des syndicats d'exploitants agricole) met on June 22, 2016 at Rennes.

In light of the severity of the milk crisis, the Regional Council of Brittany asked for a presentation on the Market Responsibility Programme (MRP) for all the organisations present. Though this idea comes from the EMB and not the political mainstream, they nonetheless called for urgent measures to reduce production volumes and to thus raise prices paid to producers. They demanded immediate activation of the existing measures in current legislation: articles 221 and 222 of Regulation 1308/2013 on the CMO were the most discussed.

Everyone appealed to the European Union's Agriculture Ministers to meet once again on July 18 and activate these instruments without delay.

This group of professional organisations, however, does not always agree. The trade union Jeunes Agriculteurs accepted the invitation to the meeting but refused to sign the common press release. As dairy facilities are in a free fall (less than 100 this year as compared to 200 in 2000) and closures (retirements and sudden cessation) are skyrocketing (around 700 per year), as the number of legal proceedings is growing exponentially, it is difficult to believe that we will be

able to facilitate the entry of young farmers to the sector in the face of such unfavourable economic conditions. The youth have understood this; what they have not understood is that the MRP is also for them!

*Véronique Le Floc'h, President of OPL and Boris Gondouin, President of APLI France*

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## The milk market: Even large farms in Denmark and the Netherlands cannot cover costs

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the solution to the milk dilemma

**Recent figures on costs refute the claim that large farm structures are**

*Brussels, 04.07.2016:* Denmark and the Netherlands are often touted as countries with robust production and large farm structures. In this context, it is said that large, so-called effective farms perform very well in free competition. Large production volumes allow them to cover costs and that they can also successfully hold their own in the face of competitors outside of Europe.

However, recent figures on production costs and milk prices in both countries have proved that this line of argumentation is simply absurd. With a shortfall in production cost coverage of 26 and 30 percent respectively, the current European trend of high losses in production is apparent in Denmark and the Netherlands as well.

As shown in recent studies by the Büro für Agrarsoziologie (BAL), the deficit in the Netherlands between the average price of 30.75 cents and costs of 44.50 cents/kilogramme of milk is almost 14 cents for the year 2015. With costs of 41.70 cents and an average price of 31.03 cents/kilogramme of milk, losses in Denmark are more than 10 cents.

Falling prices in 2016 have made the situation even worse and this calls for a solution that would address the rising overproduction in the EU.

### ***Voluntary production cuts - a smart instrument for stabilisation***

Voluntary production cuts would be a good instrument to rein in volume distortions. Farmers would receive financial compensation for such voluntary reductions in production volume - thus no one comes out a loser, and this measure would be readily accepted by European milk producers. This would also be a good alternative for big and smaller producing countries that are concerned about being forced to reduce production. If the financial compensation is high enough, voluntary reductions could scale back volume sufficiently to stabilise both the market and milk prices - something that would come as a great relief for all milk producers in the European Union battling the current circumstances.

The idea is to prevent losses before they occur - to make sure that damaging volumes of milk are not produced in the first place. This would reduce dependence on ineffective instruments like intervention and private storage, which have had very little effect in the current crisis.

Be it in the Netherlands and Denmark with larger farms or in Member States with smaller or mixed structures - milk production is a key economic player all across Europe. This means that the European Commission and the national governments bear a great responsibility in terms of EU agricultural policy: Milk production must be comprehensively maintained, thus securing jobs within and beyond the dairy sector and offering EU citizens a regional and varied diet. When will those responsible finally take their duties seriously?



*Detailed figures from the study can be found in the MILK PRODUCTION COSTS data sheets for [Denmark](#) and the [Netherlands](#) respectively.*

*The cost calculation studies for the Netherlands and Denmark were entrusted by the EMB together with the respective member organisations - the Dutch Dairymen Board and LDM Denmark - to the Büro für Agrarsoziologie.*

*EMB press release*

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## Dairy crisis: temporary cap on production is essential

Press release of the Committee of the Regions (27.06.2016) - [available in all European languages](#)

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**EU agriculture ministers must take temporary measures to cap milk production in order to stabilise the market and ensure the survival of the European milk sector.**

The regulation of milk production volumes would have a rapid and positive impact on the incomes of all producers according to a study presented to local and regional leaders meeting yesterday at the European Committee of the Regions (CoR) in its Commission for Natural Resources (NAT). In the light of this study, which bears out strong warnings issued by the CoR back in April 2015, the Committee is calling on EU agriculture ministers meeting today and tomorrow in Luxembourg to take urgent steps to stabilise the market.

On the sidelines of the meeting of EU agriculture ministers in Luxembourg, the Commission for Natural Resources of the European Committee of the Regions today held a round table on market measures to cap milk production, at which a study was presented on the ["Market Responsibility Programme"](#) (MRP). As the dairy industry is experiencing a serious and persistent crisis, and no response is forthcoming from the European Commission, local and regional leaders, committed to saving jobs and the dairy industry as a whole, wanted to assess the feasibility and potential impact of this programme put forward by the European Milk Board, to be applied when the milk market is threatened by imbalance.

The study shows that:

- European regulation of production volumes would have a rapid and positive impact on farmgate milk prices. This conclusion calls into question the theory that a decrease in production volumes at EU level alone could not have an impact on European prices in the context of a global market.
- Temporarily capping production volumes would have a very positive impact on the incomes of all European producers. The baseline scenario, with a 6% cut in volumes of milk over a year, would see an increase in the gross margin of producers of the order of EUR 6 billion as a result of a 14.6% increase in the milk price and a 38% increase in the gross margin.
- The cost of the voluntary reduction programme would amount more or less to the EU budget made available to finance the emergency measures taken in response to the crisis in the agriculture sector, which had a limited impact on producers' incomes.

According to **Jacques Blanc (France)**, mayor of La Canourgue and CoR rapporteur for the opinion on regulating price

volatility of agricultural products: *“This study bears out the opinion of the Committee, if proof were needed. It seems that the Commission has still not grasped the full extent of the problem and is content to offer de minimis aid to producers and an expansion of public storage, with no effect on overproduction. The EU's agriculture ministers meeting in the Agriculture Council today and tomorrow should urgently supplement the measures to aid cash flow with measures that will stabilise the market, rapidly restore milk to a price that guarantees producers a livelihood and secure the future of the sector and of livestock farming regions. The future of our regions depends on it”.*

Back in April 2015, the Committee of the Regions warned the European authorities in its opinion on the future of the dairy industry that the dairy market was deteriorating. The Commission, however, was continuing to insist the market would remain favourable in the short to medium term. The Committee of the Regions called on the Commission to introduce measures to safeguard the incomes of producers and, in particular, to examine the Market Responsibility Programme of the European Milk Board.

#### **Note for editors**

- The CoR study *Evaluation of the Market Responsibility Programme put forward by the European Milk Board taking 2014 as a test year* can be consulted [here](#)

CoR Press release

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