

Dear dairy farmers and interested parties,

Almost a year ago, EU policymakers decided to award a financial incentive to dairy farmers who voluntarily reduced their production in the fourth quarter of 2016 up to January 2017. This decision contributed significantly to a change in trends on the flooded dairy market. Quotations for butter and cheese have also recovered significantly since then. Even milk prices paid to farmers rose slowly but surely to the current price between 30 and 35 euro cents. Of course, the current milk price is still not at an adequate level, but it looks like it will continue to evolve upwards.

Let us not forget: Just a short time ago - in the period between March and June 2016, the EU put the staggering volume of 335,000 tons of skimmed milk powder (SMP) into public intervention storage in order to prevent milk prices from collapsing further to well below 20 euro cents. Since then, this stock in storage is hanging like the sword of Damocles over the market and thus over milk producers as well. As opposed to butter and cheese, the price of SMP has remained around 1,800 euros per ton - slightly above the intervention price. Though milk production has remained below that of the previous year, the demand for skimmed milk powder can be fully covered by current production.

Last year itself, the EMB appealed to the European Commission to only bring milk powder from storage onto the market at a price that corresponded to a milk price of at least 40 euro cents per litre. New sales avenues, like pig feed, should otherwise be sought out. On January 23, we underlined this demand with a strong action in front of the Council building in Brussels.

After a string of calls for tender to no avail, the European Commission has now decided to release 100 tons of SMP for sale at a price of 1,850 euros per ton. This junk price constitutes a disastrous signal for market actors. Buyers in the food industry can continue to speculate with cheap milk powder. The urgently-needed, additional market recovery will be delayed or rendered completely impossible. It will have a global impact on the dairy market. It is now becoming clear that the entire exercise of unbridled production and consequent senseless storage is ridiculous. The EMB will do everything it can to prevent the further sale of stocks at dumping prices. This is an important condition if milk prices paid to farmers are to increase to the level of 40 euro cents and beyond.

As a first step, we have sent a very clearly-worded letter to Agriculture Commissioner Hogan. We have reminded the Commissioner of his responsibility toward milk price levels worldwide. These junk prices do not only hurt local milk producers, they also destroy markets in third world countries. If the Commission does not come back to its senses, we dairy farmers have no choice but to reply with strong actions.

Romuald Schaber, EMB president

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Estonian dairy sector at a glance

On July 1, Estonia 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 Baltic EU Member State.

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The traditions of Estonian agriculture go back centuries. The development of the dairy sector has been supported both by natural conditions and by centuries of cattle breeding, resulting in healthy and highly productive herds.

Milk production

Dairy production is concentrated in large farms with more than 100 head of cattle, equipped with modern milking and cooling equipment. Almost 40% of milk is produced on farms with over 600 head of cattle. Farms use automatic milking equipment and nearly 15% of milking is done by robots. The quality control of raw milk is carried out in an independent laboratory not connected to dairy processors. Milk samples are analyzed weekly according to quality standards and as regulated by the Ministry of Rural Affairs. Almost 90% of milk complies with EU raw milk standards.

As in other European member states, the number of Estonian dairy farmers has declined in recent years, from 2,028 producers (2004/2005) to 863 (2014/2015).

Dairy processing industry

The share of milk processing enterprises is less concentrated in Estonia. In 2016, the market share of four processing plants was 63% and the share of the two biggest processing plants 43% of the sector's total turnover. According to the register of the Estonian Food and Veterinary Department, there are 25 dairy processing units in Estonia. Out of that, two are cooperatives and their market share is approximately 20%.

The main products are cheese (approximately 35% of raw milk is processed into cheese), consumer dairy products like drinking milk, yoghurt, cream, desserts, and various milk and whey powders.

Small dairies have found ways to stand out with niche products, dairy products with exclusive additives and traditional national products. In the last ten years, the Estonian dairy industry has seen constant investments in new equipment and packaging technologies. This helps ensure product quality and extend shelf life, and the packages are more convenient for customer use.

Research and development

Estonian dairy producers engage in close cooperation with Estonian universities and research institutions on silage additives and probiotics for dairy products. Functional dairy products such as *Harmony Cheese* fortified with blood pressure decreasing probiotic bacteria are a response to the new Estonian health awareness.

Foreign trade

The Estonian dairy sector is oriented towards export. Of all food industry exports, the dairy sector accounts for approximately one third and in agricultural products approximately 20%. The foreign trade balance of dairy products has still been positive. Our key export partners are mainly EU member states (98%), such as Lithuania (31%), Latvia (26%), Finland (20%) and Italy (8%). The share of non-EU countries is not very big, but growing, e.g. Japan, Malaysia, Vietnam, and South Africa.

[Figures on the Estonian dairy sector](#)

Great uproar among Swiss dairy farmers

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Following the decision of the Swiss interbranch organisation for the dairy sector (IP Lait) to maintain prices at the current 65 centimes per kilo (59,7 EUR ct/kg) in the third quarter of 2017, milk producers in Switzerland have shown that they are anything but pleased.

The massacre continues! Months and years have gone by, and nothing seems to want to change. But what change can we expect when the system refuses to evolve, and is happy to see our country's dairy farmers collapse one after the other in a relentless game of dominoes? Insidiously, the announcement of an indicative price per kilo of milk in segment A (drinking milk), made mid-way through a long weekend, leaves me with a bitter taste. Many indicators are in the green: International markets are on the rise, Swiss milk production has dropped by about 5.1% compared to the same period in 2016, and butter stocks have reduced significantly. However, IP Lait continues to openly make a fool of producers. The price of CHF 65 ct/kg is insulting on three levels: It does not reflect market developments, it is significantly below production costs and it is anyway rarely paid in full, thus giving buyers room for manoeuvre to

pay whatever they fancy.

It is important to remember that while all actors in the sector fix their selling price so that they can cover production costs, this is not always the case for farmers!

However, the time for this never-ending talk about a few more miserable cents has come and gone. IP Lait is not doing its job: Completely subjugated to buyers and processors, it is clearly failing its determined objectives, i.e. fair distribution of added value in the dairy sector among all market stakeholders. It is time to reform a system that has been unable to prove itself, and to pay farmers a price that is worthy of their daily efforts.

Claude Demierre, President of the Uniterre Milk Committee

Better into butter?

The dairy market is currently seeing a surprising development: Since the beginning of the year, farm-gate prices paid to dairy farmers have stagnated or are showing only very modest increases, and milk protein is difficult to sell, among other reasons because of the 350,000 tons of milk powder the EU put into storage during the dairy crisis that are now practically impossible to sell. On the contrary, milk fat components, used to make cream and mainly butter, have never been this expensive!

The price for bulk butter has just hit the 6-euro mark. The retail price for a pack of butter has almost doubled since last summer and processors and the press are already talking about a "butter bottleneck". One of the reasons is definitely the drop in milk supply resulting from farm closures and reduction programmes, together with lower milk fat content since the previous year itself. On the other hand, the demand for milk fat from consumers and the food industry is increasing as well. The negative image of fat as something that "piles on the pounds" and causes cardiovascular diseases - key word cholesterol - has now changed. It is now vegetable fats like palm oil that are under attack, both for health and environmental reasons.

This rehabilitation of the image of fat is very good news for dairy farmers. After all, dairies proclaimed for decades that "unhealthy" milk fats were difficult to sell and thus the price for milk fat content was continuously lowered - from 10 pfennigs per percent to just 2.2 cents today. Things were especially bad during the era of milk quotas because if fat content exceeded the individual farm quota, it would be deducted from the same but would not be paid its appropriate price. As a result, milk producers obviously tried to reduce the fat content in milk, through feed but also by breeding aimed at lower fat content. This contributed to the "triumph" of breeds and breeding lines with a strong focus of milk output, favouring breeds that produced more milk and a lower percentage of components, especially the black-and-white and red-and-white Holstein Friesian. Other breeds like German Red and Jersey, which had been bred for centuries because of the superior composition of their milk, suffered greatly as a result. Today, however, we are once again highlighting their advantages. In fact, the Dutch company "Holland Jersey" sells milk products made exclusively from Jersey cow milk and markets them for their good taste. An increasing number of direct clients are also learning to appreciate untreated milk with a natural, often higher fat content that they can buy at milk vending machines, for example. Consumers are looking for specific quality and taste characteristics and are willing to pay more for them.

Now dairies must quickly pass on this customer willingness to pay higher prices to dairy farmers. On one hand, farm gate prices could definitely rise quicker against this backdrop of record butter prices. On the other, dairies could also increase fat prices once again, just like how they decreased them when fat was deemed bad. This would specifically promote the supply of milk with higher fat content. It would also be an incentive to increase fat content once again - through feed in the short-term and through other breeding practices and even other breeds in the long term. So dear dairy bosses: Feel free to pass positive price effects on to producers as well!

Ottmar Ilchmann, AbL Germany

Evaluation of European Commission's report on the "Milk Package" provisions

It is currently not possible for producer organisations to contribute sufficiently to stabilising the position of milk producers as market actors. The Commission report consequently highlights related deficits. However, the IPCMP believes that the report does not provide a full picture of the current situation. Considering an improved market position of milk producers is desired, a comprehensive and realistic evaluation of the situation is a must. Only then would it be possible to come up with lasting solutions for existing shortfalls.

The report provides information about the development of producer organisations in the EU, thus facilitating a better overview of the topic. However, this information is not enough. The real issue of contractual obligations applicable to entire milk production is not addressed, possibly because the survey on which this report is based did not take up this issue (especially Article 148 of Regulation EU 1308/2013). Furthermore, the report does not go into enough detail so as to provide reliable conclusions about the current situation. While it does provide an initial, important overview, it must be expanded and must look at country-specific price and cost data analyses as well.

The fact that the report disregards the integrity and connected nature of the dairy sector is especially glaring and problematic. In addition, the report ignores that the basic principles that would allow for functioning competition in the EU dairy sector are being flouted. It merely adopts an impractical patchwork approach and provides inefficient solutions. We would recommend that those drafting the report look at sectoral studies in this context - as has been done by the Bundeskartellamt in Germany. As a [current study](#) shows, comprehensive delivery conditions with exclusive supply obligations and long periods of notice as well as post-delivery price setting lead to distortions in competition. Producer organisations are also forced to operate within this reality. It is therefore an important aspect that should be included in analyses. It would otherwise be impossible to provide a reliable evaluation of the dairy market situation and the operation of the "Milk Package" provisions.

Silvia Däberitz, EMB

EMB press release (30 June): [The International Pooling Commission of Milk Producers calls on EU policymakers to stop ignoring important aspects of the dairy sector](#)

Detailed evaluation in [German](#) and [French](#)

European Fair Milk Conference puts innovative projects by milk producers in the spotlight

EMB press release of 14.06.2017:

“Let us have justice, and then we shall have enough liberty!” This quote by Joseph Joubert seems to have been tailor-made for the five farmers who presented their milk projects at the Fair Milk Conference.

“In the beginning, the idea was just to find a way to ensure a fair income for us dairy farmers,” said Michael Braun of Fair Milk Germany, describing the early steps taken by his German colleagues. “Today, the Fair Milk brand is available in six countries and each carton sold represents a step toward self-determination for us dairy farmers.”

This fourth European Fair Milk Conference was held under the auspices of Bavaria’s Minister President Horst Seehofer and was organised in Würzburg by Fair Milk Germany and the European Milk Board.

Fair Milk Conference honours contributions to sustainable agriculture

This year, the “Golden Faironika”, which is awarded for outstanding efforts in the dairy sector, was given in the “Policymaker” category to former French Agriculture Minister Stéphane Le Foll. In his introduction, President of the European Milk Board Romuald Schaber praised the former minister for his commitment: “Minister Le Foll understood that to reach acceptable milk prices, we have to address milk volumes! Regardless of any resistance, he vehemently pushed for his proposal for volume reduction at European level.”

A platform of Spanish organisations – which includes milk producer association OPL (Organización de Productores de Leche) – was honoured for their impressive “white march” protest, where hundreds of people took to the streets in the summer of 2015 to demand fair milk prices. The Golden Faironika in the “Farmer” category was awarded to French dairy farmer Boris Gondouin, who “is committed and invests fervent energy in fighting for fair conditions for dairy farmers.”

Host country Germany felicitated Lower Saxony’s Agriculture Minister Christian Meyer, the organisation Misereor and German farmer Kirsten Wosnitza with the 2017 Golden Faironika.

Fair Milk in six European countries

Founded by dairy farmers in Austria in 2006, the Fair Milk Project now covers six EU countries. A range of Fair Milk products are now available in stores in Belgium, Germany, France, Luxembourg, Italy and Austria.

Die Faire Milch in Germany:

“Fair milk with its strict quality criteria simply tastes good. The fair milk price contributes to creating a fairer dairy sector and allows us dairy farmers to continue to live off our work.”

Fairebel in Belgium:

“The cow goes ‘moo’ to say thank-you” – for the 8 million litres of fair milk that were sold in 2016. Our goal is for every resident of Belgium to drink our fair milk in the future.”

A faire Milch in Austria:

“Only if it says 'Guat.Fair' is it filled with an assured future for our local farmers. Because our farmers receive an additional 10 cents for every litre of fair milk.”

Fairefrance in France:

“Our milk producers have implemented their idea – The Fair Milk brand gives our farmers a permanent place in the food production chain as well as appropriate remuneration for their work.”

Il latte onesto in Italy:

“100% honest, good and fair. Our fair milk favours agriculture, the environment and rural development.”

D'Fair Mëllech in Luxembourg:

“Above all else, consumers want to trust the products they buy. Luxembourgers – from children to the Grand Duke – are fans of our fair milk products.”

You can find us on Facebook

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