

Dear dairy farmers and interested parties,

The Common Agriculture Policy (CAP) is to be reformed by 2020 to be better adjusted to society's wishes. Since the topic is very important for farmers, I attend the meetings of the Civil Dialogue Group on the Common Agriculture Policy on behalf of EMB.

To examine the effectiveness of the measures applied as part of the current CAP, the European Commission requested a mapping and evaluation study to be carried out by three institutes: Ecorys, the Institute for European Environmental Policy, and Wageningen University. The results of this study were presented on 3 May 2017. At the same time, the European Commission is developing a vision of what the new CAP 2020 should look like. This time, ambitious 'magic formulas' are 'simplifying' and 'making more with less'.

The analyses carried out by the three above-mentioned institutes provide important insights: *'historical factors are more important to member states than the three CAP objectives'* or *'little evidence was found to support that for Pillar 1, member states carefully designed strategies incorporating long-term objectives (...).'*

Another study in a German federal state – mentioned at the meeting – proved that the bulk of the CAP budget is still spent on implementation and control: well over half of the CAP budget does not reach the farmers.

To me, both the outcomes of the study requested by the European Commission and one of the German federal states were shocking. Must I conclude that each EU member state does whatever it deems best with the CAP money from 'Brussels'? That governments go back on their commitments made in the Founding Treaties and the current Lisbon Treaty – without thinking twice?

If that is the case, simplifying the Common Agriculture Policy shouldn't be the main goal in the near future but answering the question how to guarantee that the CAP money is spent in line with the CAP goals, reaching the farmers. If these conditions are not met, any other reform will be doomed to fail from the outset.

'Tunnel vision' seems to be a general problem amongst European policymakers, as is apparent from the motto chosen for the new CAP: making more with less, but what is ...less? Fewer farmers, less soil, fewer resources? The CAP still tries to increase food production, although it has been proven for a long time that not 'more' but 'better' is appropriate today.

Demand-based food supply prevents overproduction, which only entails negative side effects: for the farmers' income, the environment and the export value. This is reason enough to change the course, think outside the box, before a new CAP will be cast in stone. This is to ensure that the new Common Agriculture Policy will serve society as a whole and not just conserve the status quo.

The EMB is working on a position paper on the CAP reform, going back to the basic goals that support farmers. The CAP increases production standards and hence costs of production. This burden shouldn't be borne unilaterally by the farmers while officials and inspection bodies drain the funds. The EMB will work on this in the interest of its members/milk producers, and the CAP should too!

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Action in Switzerland: "No more cronyism!"

At the end of April (27/04), farmers' organisation Uniterre organised a symbolic action in front of the headquarters of the Swiss milk producers' organisation (SMP) with "ghost busters".

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The situation on the dairy market is unacceptable! The umbrella organisation for Swiss milk producers (SMP) has turned into a harbinger of death. The sustained low milk prices are driving milk production into the ground. Dairy farmers urgently need a legitimate, democratic representation of their interests. The Swiss milk producers' organisation must remain in the hands of farmers! We are proud and confident because we produce valuable, quality food on our farms! We must not fall to our knees before buyers who need our milk!

In its current configuration, the SMP is unable to assume its role on the dairy market as a representative of milk producers. Its work considers the demands of milk traders and processors as well. That does not work. **We therefore demand that the SMP board members, who are also board members of milk traders' organisations or dairies, step down immediately.** It is impossible to defend the interests of both producers and the dairy industry at the same time. That is why both functions must be strictly separated. Two thirds of the SMP board is or was a part of administrative bodies in milk trading or even milk processing.

A producer organisation must advocate for milk contracts that at least fix volume, quality and price, as stipulated by the law.

Milk prices must cover costs (basic input costs of 0.67 francs or 0.62 euros/kg milk) and provide fair remuneration for the work done by farmers. We do not want any politically-driven dumping base price for milk! Who would start with the European minimum wage, add 10% Swissness (Swiss seal of origin) and thus come up with the Swiss base wage?

It is high time for us to have a farmers' organisation that upholds farmer solidarity, that truly represents our interests, and that demands and implements volume management and fair prices (1 franc or 0.92 euros/kg) for dairy farmers!

Rudi Berli, Uniterre Switzerland

New Canadian pricing strategy for dairy ingredients

Canada has production controls on its own dairy producers to ensure it has enough, but not too much, milk for domestic consumption. In compliance with WTO rules, it has a high tariff wall on most dairy products, with duties on milk up to 270 per cent, in order to prevent over-supply within its domestic market.

One exception is ultrafiltered milk and other protein-rich dairy ingredients for the production of dairy products such as cheese. Diafiltered milk was invented by American dairy processors looking for a way to circumvent Canada's tariff barrier and make it possible to export surplus milk into Canada. Diafiltered milk imports increased dramatically, causing Canadian dairy farmers to lose about \$231 million in revenues per year.

Dairy farmers urged the government to resolve the ingredient versus milk contradiction by enforcing compositional standards for cheese that should have prohibited the use of diafiltered milk. This has not happened, so the alternative response has been to provide for the sale of skim milk solids at world prices within Canada. On April 1, 2017 Canada implemented a new milk class and world-price-based pricing regime for all skim milk solids that the dairy industry believes meets Canada's World Trade Organization obligations. The new milk class allows Canadian milk protein ingredients to compete with American diafiltered milk imports.

What is diafiltered milk all about?

Diafiltered milk is produced by passing skim milk through a membrane to separate out the milk proteins. This produces a very thick, high-protein liquid. To further concentrate the protein, it is diluted so it can be filtered again, removing more of the nonprotein components. With the resulting very high protein concentration, the liquid is no longer classified as a dairy product under international trade definitions. Instead, it can cross the US-Canada border as a "protein ingredient" tariff-free. Once inside Canada, dairy processors were purchasing the low-priced product then using it as "milk" when making cheese, displacing milk produced on Canadian dairy farms.

The US-Canada dairy dispute

Canadian dairy processors are starting to shift to domestic sources of low-cost milk protein ingredients, which has angered the American processors selling diafiltered milk into Canada. In spite of having a year's notice of the impending change, a large US processor and diafiltered milk exporter from Wisconsin gave its farmers just 30 days notice that it would no longer be buying their milk, throwing 75 farm families into crisis.

US President Donald Trump made a speech to Wisconsin farmers on April 18, blaming Canada's supply management and/or NAFTA with a "typical one-sided deal against the United States".

In response to Donald Trump's speech, Jan Slomp - President of National Farmers Union (NFU) - sent a [letter via Twitter to the US President](#), encouraging him to adopt a solution that would make America's dairy farmers great again. "This solution, which we call Supply Management, was created by Canadian farmers and governments in the late 1960s. Instead of exporting milk, we would be pleased to export this unique and successful dairy policy innovation".

Cathy Holtlander, NFU Canada

www.nfu.ca

Trade mission to Canada - Insights from a farmer's perspective

From 30 April to 3 May, I had the chance to accompany EU Agriculture Commissioner Hogan on his trade mission to Canada as representative of Faircoop Belgium. The delegation consisted of sixty representatives from European companies and producer organisations covering different sectors (dairy, meat, wine and spirits, cereals, fruits and vegetables).

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With the adoption of the free trade agreement with Canada (CETA), participants hoped that this would be an especially good opportunity to sell their products on the Canadian market. The programme included numerous meetings with Canadian ministers as well as representatives from the trade and agricultural sectors. But it was a huge disappointment when no Canadian buyers attended the scheduled business meetings. The 60 representatives, who each had a table for product presentations, were therefore understandably disillusioned. A second business meeting planned for the following day was cancelled.

For me, information regarding the Canada-EU free trade agreement was of utmost interest. Within the framework of CETA, Canada will now import 18,500t of cheese duty-free. Above the tariff rate quota, Canada will continue to maintain prohibitive duties on most cheese imports at a rate of more than 245%. The Canadians, on the other hand, have unrestricted access to the EU internal market for all milk products. Considering the milk price in Canada is very high at 50 to 60 cents, the EU, however, does not expect milk to be exported from Canada to Europe.

On each day of the trip, I was able to meet Mr. Hogan and was also given the opportunity to explain the EMB position to him in an extensive one-on-one meeting. Commissioner Hogan was highly interested and attentive during our discussion.

A further point to be noted: Canadian milk supply management effectively adjusts the production volume to demand on the Canadian market. In addition to milk and milk products, they have quotas for eggs and poultry as well. Every farmer producing more than 100 eggs per day must be covered by a quota. I have never heard the words *quota* or *regulation* so often in just four days!

It was important for me to be there and to gain insight into the Agriculture Commissioner's trade missions. I am convinced that it has brought us a small step closer to our goal of cost-covering prices and fair remuneration.

Erwin Schöpges, president Faircoop Belgium and EMB Executive Committee member

Current developments in Germany

Berlin: Farmers' Union demands volume management within dairy supply contracts

In a statement, the regional Farmers' Union for Brandenburg (LBV) and Farmers' Union milk president Karsten Schmal spoke in favour of market-oriented decision-making about supply volumes becoming a permanent fixture in future supply relations between dairies and milk producers. According to the LBV, a change in supply relations is urgently needed, because there are currently no appropriate instruments to effectively counteract milk price crises. The farmers' organisation is thus deviating from its line of argumentation to date, where it claimed that limiting milk supply in open markets would be

unable to reduce market pressure.

Berlin: Will the new contracts for the White Line lead to a slight increase in prices?

According to unconfirmed reports, contracts for the White Line (milk, quark, etc.), which expire at the end of April 2017, could be finalised with a slight price increase for the next contract period. There is talk of 2.5 cents per litre milk. This is coupled with the fact that the DMK (Deutsches Milchkontor) was able to achieve price increases in the recently-concluded negotiations with German retailers in the sector for White Line products. Thus, even the largest German dairy cooperative is counting on a positive effect on milk price.

Volume reduction measures lead to rising milk prices

According to the German dairy Farmers' Association BDM, the current slight increases in milk price up to 3 cents are the result of the ongoing controls on milk supply. The temporary volume discipline enforced as part of the 2nd EU aid package - at European as well as national level - has contributed significantly to the consolidation of the market recovery that began as of the second semester.

Berlin: Forsa survey looks at the dairy sector

The regional farmers' organisations of Lower Saxony and North Rhine-Westphalia commissioned a consumer survey to gauge perceptions about the dairy sector. Consumers were asked to assess who best represented the interests of farmers. At 19%, policymakers ranked last, while at 66%, dairy farmers themselves were attributed the best qualities in this regard.

Berlin: BDM at technical discussion at the Federal Ministry of Food, Agriculture and Consumer Protection

Federal Minister Christian Schmidt (CSU) is looking to illustrate the situation on the dairy market and thus that of dairy farmers through a dairy sector report. Dairy sector organisations were invited to contribute directly to the report by presenting their points of view. The BDM participated intensively; the report is due to be published on 1 June within the framework of the upcoming discussion on dairy sector structures.

Aldi plans the phase out of tethering

Aldi Süd is currently talking to its suppliers about a possible end date for year-round and seasonal tethering. The company is looking to define a realistic transitional period to phase out tethering together with all involved stakeholders. The goal is to meet consumer expectations and avoid structural collapses.

Florian Wagle, German Dairy Farmers' Association BDM

"Good milk prices and uncontrolled production do not go hand in hand"

Interview with Hans Geurts, milk producer in the Netherlands and former president of the Dutch dairy farmer's association NMV.

© Hans Geurts

What is the current situation like for dairy farmers in the Netherlands?

The discussions about phosphate surpluses from agriculture are currently overshadowing all other topics. The thresholds that we guaranteed at EU-level have been surpassed. So, we now have to reduce inputs; otherwise the derogations will be removed, i.e. the EU approved possibility to have an annual output of 250kg of nitrogen from farm manure on intensive grassland instead of only 170kg. The number of cows has to now be reduced to limit the amount of phosphate, which has led to major disagreements between dairy farmers. Some say: "We have not increased output at all, why should we then reduce it?", while others have extensive lands and argue that they could easily use the manure on their land and that there is no need to trim the herd. Furthermore, those who expanded their farms, because the signs at the time pointed to growth, must now cut back due to a lack of funds.

How does this affect farms?

In 2017 as well, farms can continue to have the same number of cows and young cattle as on the reference date 2 July 2015 - if they do not have enough land, it must be four percent less. The fact that some limits have been put on us in the Netherlands is actually good for dairy farmers all over Europe. Since March, the number of cows has been gradually reduced by 160,000. In 2018, we will receive a phosphate quota. As soon as it is assigned, it can be traded. All those who have just invested in larger stalls will, of course, want to use their entire allowance. This puts phosphate rights under pressure and they will become expensive. Other farms will discontinue their activity. Building additional stalls for significant increases in growth will become close to impossible. That is absolutely uneconomical because of the additional costs incurred due to the necessary effluent-disposal certification and the phosphate quota. Dutch farmers, who are growth-oriented, are now facing the same issues as with the milk quota, but in addition, they are all dealing with a low milk price as well - because the phosphate amounts are managed nationally while milk volumes are controlled at EU level. It is a disaster.

So, you think control measures are necessary?

The big problem with milk production is that good milk prices and uncontrolled production do not go hand in hand. If you earn money, you have to pay taxes. That is why farmers would rather invest incoming funds straightaway. This leads to ever-increasing capacity and thus overproduction, which then means that many farms have to give up their activity because of the bad milk prices. It is a highly-warped kind of development.

Why should we be in favour of farms being able to continue their activity?

There are many reasons why it is better to have as many family farms with 60 to 120 cows as possible, rather than a few farms with 1,000 cows: Firstly, for farmers and farms themselves. Aiming for constant growth means that you also become a threat to your colleagues. Farms are also an important element in ensuring the vitality of rural areas. Furthermore, family-run dairy farms have a good reputation among citizens. It is still possible to implement desired conditions like access to pastures in these structures. Farms need to earn an appropriate income - from the sale of milk based on market demand.

What would market-aligned volume management look like?

I think the abolishment of milk quotas was a historic mistake. We should have reworked milk volumes and made them more flexible so that they could have been adapted to the market situation. There are still two options: The first would be a new policy framework. However, any sort of replacement for quotas will always lead to major disagreements about how the new volume limits should be distributed among farms because farms have already developed in different ways since the end of the quota system. The EMB's Market Responsibility Programme, which addresses policies at EU level, is a good crisis plan - but it will be very difficult to achieve structural success with it. After all, whenever the milk price is good, it leads to more milk and we thus find ourselves in a constant crisis. The second option is for dairies to regulate their own volumes, at least temporarily.

What is the role of social debates in the Netherlands?

Pasture grazing is very important for our citizens. In fact, the Parliament is discussing whether it should be made compulsory to put cows out to pasture. Dairies are now paying a premium of one to two cents per kg milk if the cows have had at least 120 days pasture access for at least 6 hours a day according to a negotiated standard. We are advertising pasture-grazed milk intensively because there is high demand. Some farmers are reintroducing this practice and are letting their cows out - even with the end of growth opportunities in sight. But for those with very large stalls and limited land of their own, this approach is impossible. This shows how inflexible they are.

Thank you for speaking to us!

*Christine Weißenberg, extract of the [interview with Hans Geurts](#) published in *Unabhängige Bauernstimme* 05/2017*

European Fair Milk Conference

On 14 June, the 4th European Fair Milk Conference will take place in Würzburg, Germany. Together with its members, the European Milk Board draws attention to the necessity for fair milk prices through campaigns organised under the Fair Milk banner.

This year as well, besides the presentation of the fair milk projects in the different countries, the highlight of the event will be the award ceremony of the “Golden Faironika”. This award recompenses politicians and farmers for their commitment in the field of sustainable and fair food production.

All Fair Milk initiatives have one thing in common: a fair farm-gate price. This is a price that fully covers production costs, enabling farmers to run their farms sustainably. For only with a fair price policy can family farms stay on the market, produce high-quality milk and help conserve cultural landscapes.

We are looking forward to welcoming you at the conference and to present you innovative projects of European dairy farmers!

European Milk Board

[Programme and registration form Fair Milk Conference \(14 June 2017\)](#)

[Fair Milk in 6 European countries](#)

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