

Dear dairy farmers, dear interested parties,

World Milk Day was on June 1 – a good occasion to celebrate milk. Milk is our life. We, dairy producers in our countries and within the European Milk Board (EMB), do everything in our power to produce a healthy product and also provide numerous services to society.

The last few weeks have been politically exciting: The European elections have produced a politically-diverse parliament. In the coming months, we will get to know the new members of the Committee on Agriculture who will have a major influence on European agricultural policy over the next five years. We need prudent minds who can provide us producers with efficient instruments in the event of market disruptions, and put the dairy market on a stable footing.

The newsletter, once again, includes articles from the individual countries. This time, there are reports from Germany, France and Latvia. I would also like to report from Denmark, my home country, about the current problems with the Arla Foods cooperative.

In a cooperative, all members have the same rights and obligations. All members have the right to equal treatment. All members have the right to receive the same price for milk of the same quality, and all members have the right to supply the desired quality and quantity. Prices must be transparent, without secret or hidden agreements, and all members must be subject to the same conditions.

In a cooperative, additional individual agreements can be introduced, but in Denmark they overrule cooperative rules. The new contract recently sent by Arla Foods to its members is an individual agreement. A contract that provides for a high degree of secrecy and transfers power from the Board of Representatives to the Board of Directors.

Like all other corporate structures, cooperatives have advantages and disadvantages. But as long as Arla Foods is meant to be a cooperative, we will stand up for our cooperative rights. The members have provided the equity over the years and are the true owners of the cooperative. It's about our money and our rights!

Kjartan Poulsen, EMB Executive Committee member and President of LDM Denmark

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1st June: World Milk Day – Milk is our life

Milk has nourished humankind since the dawn of time and has allowed our advanced civilisations to progress. Milk is pure and untouched, and it is now impossible to imagine life without it. Milk is a nutritive mix of proteins, fatty acids and lactose, together with folic acid and a number of vitamins and minerals. In fact, milk is one of life's simple pleasures.

Milk is healthy. Milk is diversity. Milk is also the 'daily bread' of hundreds of thousands of producers – it is the basis of their livelihood; it is their profession and their passion.

Milk is universal. As are the problems plaguing milk production. Dairy farmers worldwide might live in different conditions, but they all have to deal with very similar challenges. All dairy farmers across the world want, is to earn a living from their work.

Milk knows no boundaries. Milk is processed, refined and sometimes, simply 'powdered.' Too much milk leads to milk powder mountains. Milk is now also being adulterated with cheap vegetable fats. The EU is looking for new markets for these products.

But milk is so much more. Milk is, for example, solidarity. The European dairy farmers of the European Milk Board (EMB), together with fellow farmers from West Africa, recently spoke out against the disastrous consequences of the EU's liberalised agricultural and trade policy. African farmers travelled to Brussels with the sole purpose of showing those responsible that their export and dumping policies are very damaging. The message was clear: "Our local dairy sector has potential, but competition from cheap powder imported from Europe is destroying our markets!"

A disgruntled Agriculture Commissioner Phil Hogan reacted to these reports about the local dairy sector in West Africa by calling them "*fake news*", "*misinformation*" and "*advocating for a policy of starvation.*" The West-African representatives, nonetheless, have categorically opposed these statements. In an [open letter](#), they have sent the Agriculture Commissioner a clear message and have struck down his interpretation of the facts point by point:

- *Competition from milk powder and vegetable-fat blends is a reality on our markets and undermines the development of the local dairy sector.*
- *The West-African market is of strategic interest to the EU agricultural policy and to European companies. European dairy companies are investing heavily in the growing West-African market. Local milk, however, is losing out.*
- *We want to make a decent living from our work. The European agricultural policy, focused on producing more and more at the lowest possible price, is destroying the livelihood of milk producers both in Europe as well as in Africa. We are not being instigated by our European colleagues. We speak for ourselves.*

Milk does not like to travel. But perhaps Commissioners do?

In their open letter to Phil Hogan, the West-African representatives extend an invitation to the EU Agriculture Commissioner to come and see things first-hand. Hogan would be introduced to the reality on farms, in micro-dairies and on local markets in West Africa. The dairy sector in West Africa deserves to be given its due!

Even Brussels is doing something to mark World Milk Day. The city's urinating symbol – the *Manneken Pis* – will once again be dressed as an African shepherd and will turn the water in the fountain white as milk. With this action, the Belgian dairy farmers' association MIG and Veterinarians Without Borders want to highlight the need for fair milk prices around the world.

Milk needs bright ideas. An appropriate agricultural policy will help farmers in Europe and in Africa. But this urgently requires a legal framework at EU level, to avoid surpluses and align milk production with market needs. For years now, the European Milk Board has been calling for an efficient crisis instrument that could deal with potential market disturbances. The [Market Responsibility Programme](#), an instrument we have designed, would be able to flexibly adapt production faced with the threat of crises and would thus be able to ensure milk price stability. Our dairy farmers have

not passed up on any opportunity to express their support for our crisis instrument before policy-makers both nationally and in Brussels. And they have succeeded! In the context of the agricultural policy reform, the Members of the European Parliament have recently expressed clear support for measures to deal with market disturbances, including voluntary production cuts in volatile market conditions. Therefore, it is now more important than ever before for the new European Parliament to build on this positive demand and make it a permanent fixture in the Common Market Organisation.

In the name of milk producers everywhere, we celebrate milk as an important food and on the occasion of World Milk Day, we call for a fair and responsible dairy policy!

EMB press release, 1 June 2019

Arla is hi-jacking the Danish coop tradition

Arla Foods (AF) has distributed an agreement, which they originally wanted everyone to sign by 1 May. However, the deadline has been postponed to 1 June as a response to opposition raised by Danish milk producer organisation LDM.

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Moreover, it seems that Danish and Swedish owner-members do not have to sign (anymore) as they are – that is what AF claims – already covered as part of their original membership agreement. This case includes both official and unofficial aspects. Officially, AF wants to have a signed agreement as is customary in the UK. Apparently, British members asked for it. In addition, AF claims that German farmers need an agreement to submit to the authorities and banks in order to obtain loans. What's more, AF wants digital registration of all coop members instead of paper records.

So far so good. The first problem is that the agreement introduces a lot of new rules. Initially, AF was threatening to exclude anyone who would not sign. They have now withdrawn this threat as it was illegal. The agreement also contains new strict rules about confidentiality, and it shifts power from the Board of Representatives to the Board of Directors. LDM rejects both rules and several other new, but less controversial ones in the agreement. The worst part is that the agreement is individual, which undermines normal coop-rules.

Most countries have written laws governing coop companies, but Denmark only has unwritten coop rules. The unwritten rules are still legally binding and used in Danish courts, and Denmark promised to the EU that these unwritten rules were applicable. But it seems difficult to explain and understand in the UK and Germany. Nonetheless, individual agreements overrule the coop rules, written or not. As a result, the agreement will eliminate transparency in Arla Foods coop. It will potentially allow AF to pay different prices for different qualities, and AF no longer has to offer equal possibilities to all members, as normal coop rules dictate.

Arla Foods does not accept the concerns raised by LDM's lawyers. AF says the agreement is "more or less the same as before", despite a few changes. This issue has already been going on for a year, when AF changed the Articles of Association to prepare the introduction of the agreement. At that time, however, nobody was made aware of the purpose of the changes. The agreement was drafted in the AF Area Council and shown to the Board of Representatives as AF says that the Articles of Association from March 2018 leave room for the agreement, hence there was no need for the Board of Representatives to vote on the agreement.

Another problem in Denmark is that Danish milk farmers have no alternative dairy to Arla. Even if you disagree, you must stay or give up dairy farming. Farmers in the UK and Germany and to a certain extent also Sweden have other dairies to go to. In Denmark Arla covers 90 to 95 percent of the Danish suppliers.

Our lawyers tell us that an agreement like the one AF has presented always is the beginning of something bigger. But in the case of Arla Food, the real purpose is not revealed. It might be a future merger or the creation of a foundation-like

structure to transfer (or hide) equity. Another possibility is that AF wants to point out producers of special qualities. We simply don't know - nobody does. In the UK and Germany, almost 100 percent of the farmers have signed. Sweden is at about 90 percent and the rate is about 75 percent in Denmark.

LDM contacted a professor in mid-May who is writing an independent legal expertise in order to provide more legal information on the agreement. If the input from our lawyers is correct, this paper could put more pressure on Arla Foods to return to normal coop rules.

Among others, coops are defined to be transparent vis-à-vis their members. All members shall have equal possibilities to produce the desired qualities and a right to equal and identical prices. It is not illegal for a coop to sign individual agreements. But then the company might no longer be a coop, which will affect the advantages coops have in EU and national legislation.

Kjartan Poulsen, Landsforeningen af Danske Mælkeproducenter (LDM), Denmark

A new power balance in the European Parliament

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gains.

Will agricultural policy in the European Parliament take a new direction? It is clear that the existing power balance has shifted post the elections held at the end of May. The large groups – the European People's Party (EPP) and the Social Democrats (S&D) – have lost seats and currently do not have a majority. The Liberals (ALDE) and the Greens are celebrating significant

Brexit.

The future Parliament is going to be more polarised and more complex, where at least three groups will be required to form a majority. This gives the smaller parties a bigger say and shifts the political power of the total 751 Members away from the centre. The Parliament will be reduced to 705 Members post

(EFD, Italy), Luke Flanagan and Matt Carthy (both from the Left).

The list of re-elected MEPs includes Paolo De Castro (S&D, Italy), Eric Andrieu (S&D, France), Clara Aguilera García (S&D, Spain), Marc Tarabella (S&D, Belgium), Maria Noichl (S&D, Germany), Peter Jahr (EPP, Germany), Herbert Dorfmann (EPP, Italy), Norbert Lins (EPP, Germany), Martin Häusling (Greens, Germany), the liberals Ulrike Müller (Germany) and Jan Huitema (Netherlands), as well as Irish MEP Mairead McGuinness (EPP), Marco Zullo

Polish Committee Chair Czesław Siekierski (EPP) and Romanian Vice-President Gabriela Zoana (S&D) did not manage to get re-elected. Some MEPs did not stand for re-election – former coordinator of the European People's Party group Albert Deß (EPP, Germany), Michel Dantin (EPP, France), the Northern-Irish Jim Nicholson (ECR, UK), as well as Ricardo Serrão Santos (S&D, Portugal) and José Bové (Greens), among others. Esther Herranz García (EPP, Spain), Marijana Petir (EPP, Croatia), Nicola Caputo (S&D, Italy), Maria Heubuch (Germany) and Thomas Waitz (Austria) from the Greens as well as Jens Rohde (ALDE, Denmark) also bowed out.

New faces in the Agriculture Committee

About two-thirds of Members are going to be serving at the European Parliament for the first time. At the first Plenary Meeting on 2 July, the President and Vice-Presidents shall be elected, after which the Committees shall be constituted and the respective Chairs appointed. The composition of the new Agriculture Committee and which known faces will be back for another term is yet to be seen. Two newly-elected MEPs who could play a role in the new Agriculture Committee are former Commissioner for Agriculture Dacian Cioloș (Romania) and former president of the French Young Farmers' Association Jérémy Decerle.

Future of the CAP reform

The now stronger Liberals and Greens are going to have noticeable influence in determining the direction of agricultural policy. Environmental protection is definitely going to be given more importance in the European Parliament. This is a topic that is closely linked to agriculture and has now been taken up by other parties besides the Greens as well. The future of reports on the Common Agricultural Policy reform that were voted in shortly before the end of the previous Agriculture Committee's mandate is still open. It is very likely that the controversial report on the CAP strategy plan will be re-opened. The time-line for the report on the Common Market Organisation, which was adopted by a large majority in April, is yet to be determined. In this report, MEPs expressed clear support for voluntary production cuts for all sectors in the event of major market imbalances, including the possibility of production caps. We hope that this positive development will make its way into CAP legislation and thus make the dairy market more resistant to crises.

Regina Reiterer, EMB

Latvia: Campaign to promote local milk

Year after year we see a decline in the consumption of locally produced milk in Latvia. This is triggered by both an increase in the volumes of imported products and changes in people's eating habits. Given that the key concern of the Latvian Agricultural Organization Cooperation Council (LAOCC) is boosting the consumption of dairy products produced locally, the council has set to launch the "Honest Milk" campaign.

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During the campaign, we are going to educate consumers about how to recognize local production on the store shelves, as well as encourage people to give preference to local products.

Agriculture forms the basis of our economy. Besides, the largest share of the value of agricultural goods output in Latvia is made up of grain and milk. A less burning issue in the field of milk processing is the export of raw milk and its products, as already now about half of the raw milk products produced in Latvia are being exported to countries like Lithuania, Germany, and Estonia.

What calls for action is the situation in the internal market where we see that the proportion of imported dairy products on the store shelves is constantly growing, including grocery chain private labels whose origins have not been clearly indicated. The problem is that consumers are often lost in the retail clutter of the various dairy products and are unable to distinguish between locally produced cheese or curds and the imported one.

Interestingly, the bulkiest dairy products import comes from Lithuania, followed by Estonia and Poland. Oftentimes, though, raw milk collected in Latvia is transported to Lithuania, where it is processed, and then, in the form of ready-made products, finds its way back to Latvia.

The LAOCC has come up with a couple of practical suggestions on how to protect local dairy products and their producers. As a matter of fact, local protectionism is also strong in other parts of Europe, for example, Italy has expressed its willingness to protect its farmers and turned to Brussels with their suggestions. Italy wishes to introduce

mandatory country-of-origin labelling schemes, thus protecting its 20 billion worth local milk industry and offering a helping hand to about 34 thousand of its farmers.

An equally helping hand should be offered to Latvian farmers and dairy producers, for example, by introducing a requirement to separate locally produced dairy products from imported ones on stores shelves across Latvia, as consumers do not always study labels for the origins of the product or raw materials. That is the task that we can accomplish internally.

On a bigger scale, however, we could protect our internal market by imposing an additional tax or an increased VAT rate on imported goods. Currently, Latvian farmers are being discriminated against within the European Union as they receive some of the smallest area payments in the bloc. In my opinion, Latvia could put forth an idea stating that at the time when area payments are the same for all EU countries, the additional tax on imported goods would be revoked.

Guntis Gutmanis, Member of the Board of the Latvian Agricultural Organization Cooperation Council (LAOCC) and Head of the Milk Group

Information from Germany

Working on the sector strategy 2030

Under the leadership of a Steering Committee (German Farmers' Association, Dairy Industry Association, German Raiffeisen Association), a common strategy 2030 is to be drawn up by autumn 2019 and then presented to

Federal Minister Julia Klöckner.

The German dairy farmers' association (BDM) has been requested to nominate members to the working groups – but not to be part of the Steering Committee. This Committee shall determine the main aspects of the sector strategy. Considering the imbalanced composition of the same, we have made our dissatisfaction sufficiently clear. It will be very difficult to achieve results that could bring about real improvements in favour of dairy farmers and their market position. Nonetheless, the BDM shall feed in with its expertise. It is

important that the interests of dairy farmers be expressed and represented.

Price agreements

Stable to slight decreases in butter prices; increase of 1 cent per litre for drinking milk – those are the outcomes of the latest contracts concluded between the dairy industry and food retailers. Many dairy industry representatives and their associations are now saying that due to the evolution of milk volumes, a significantly higher price increase could have been expected. They claim that these agreements prove that milk delivery volumes do not have any effect on milk price. The BDM e.V. categorically refutes this claim because while milk deliveries might be different from region to region, the total at EU level is once again significantly above that of the previous year (+1%). They also fail to mention that market saturation can continue to exist even if milk deliveries were to decrease to an extent. The fact is that significant price increases were and are still possible in a seller's market (limited supply).

German dairy farmers' association (BDM)

Milk producer demonstration in Paris – Interview with Sylvain Louis, APLI chairman

On 14 May 2019, a few dozen French farmers, members of the French association of independent milk producers (APLI National), went to Paris to stage a demonstration near the Ministry of Agriculture. The aim: denounce how the Egalim Law has been implemented to date. Sylvain Louis, president of APLI, tells us about this day of protest.

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Mr Louis, could you tell us a bit more about the Egalim Law?

The French government wanted production costs to be taken into consideration while fixing prices. In October 2018, the Egalim Law or "law on achieving a balance in trade relations in the agricultural and food sector and healthy and sustainable food for all", was adopted. The aim was to ensure more equitable distribution of product value between producers and industry as well as to guarantee a decent income for farmers.

Today, the milk price is €320/1000 litres and keeps dropping. However, producers should receive €450/1000 litres to be able to cover their production costs and make a decent living. That is why we asked to meet with the responsible policy-makers.

Who did you meet? What issues did you discuss?

Boris Gondouin, EMB Executive Committee member, and I were first received by Ms Nathalie Barbe, advisor to Minister of Agriculture Didier Guillaume. As compared to other meetings, we did not go empty-handed and showed her our invoices for March and April. Ms Barbe was very surprised to see the figures on our payment slips. We also denounced the announcement effect of this law. While certain companies have perhaps paid €370/1000 litres for a certain product, this has not been the case for everything!

After the demonstration, we were able to speak with Mr Guillaume Garot, former Deputy Minister of Agriculture, and Socialist MP Mr Dominique Potier, who is a farmer in Meurthe-en-Moselle. They are both in step with APLI and the EMB and follow our activities closely. Unfortunately, they are the minority within the government.

What conclusions have you drawn from this day of meetings and mobilisation?

The demonstration was conducted peacefully, with the support of delegations from Confédération Paysanne and Coordination Rurale. We symbolically poured away a few litres of milk. Furthermore, passers-by could sample FaireFrance's "fair milk". This brand has shown that it is possible to sell milk at 45 cents per litre, i.e. a fair price for producers. We are happy that a number of journalists were there and that the demonstration had a significant media impact. However, we have forewarned the policy-makers concerned that if the situation does not improve, there will be more protests.

Mr Louis, thank you for this interview.

Vanessa Langer, EMB

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Document-URL: <http://www.europeanmilkboard.org/https://www.europeanmilkboard.org/english/newsletter-june-2019.html>