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Dear dairy farmers, dear readers,

from February 22nd – 24th, 2011 the members' assembly of the European Milk Board took place in Dublin. Given the emerging France Milk Board in France, the negative development of the milk market in Switzerland, demonstrations in the UK and the expected milk report from the European parliament a myriad of issues needed to be discussed. This newsletter contains a brief report on the assembly. The possible introduction of a volume control in the US was discussed as well. The corresponding bill shows once more that a so-called free market does not work for the milk sector.

In Switzerland dairy farmers want to have the possibility to regulate, as producers, the entire milk volume in accordance with the demand on the market. The Motion Aebi was supposed to create the necessary conditions to do so. Now the motion has been altered so that the political framework for a volume regulations has moved, for the time being, further away. In the Netherlands consumers and some policy-makers demand that cows that are principally kept on pastures. Are they aware that this form of animal husbandry can only continue to exist if producers get a cost-covering price for their milk? This is just another example that highlights the importance of information-providing activities for policy-makers and of cooperation with other groups from civil society.

Today the European Milk Board presented the European parliament with its response to the milk report of James Nicholson, member of the European parliament. You will soon find this text on our webpage in three languages as well as information on the development of the France Milk Board and the Fair Milk that was recently launched in Luxemburg.

I hope that you enjoy this month's newsletter!

Kind regards

Sonja Korspeter

Report from the members' assembly of the EMB in Dublin:

The members' assembly of the European Milk Board that took place from February 22nd to 24th, 2011 in Ireland was very informative.

At the beginning Romuald Schaber, the president of the EMB, gave the annual report for 2010. Apart from the intensive and indispensable lobbying in Europe numerous other activities in civil society and the conceptual work of the EMB are worth mentioning.

Afterwards the vice-president, Sieta van Keimpema, explained the proposals of the European Commission concerning the so-called milk package. According to her explanations there are, apart from welcome developments also serious shortcomings in the EU proposal. The latter were addressed in detail during a presentation of the EMB concepts. Romuald Schaber presented the central demands of the EMB by highlighting in particular the monitoring agency and the pooling of milk producers in producer organisations that are independent from dairies.

In the course of the meeting representatives of the member organisations presented the situation in their respective

home countries. The presentations of our French and Swiss colleagues were very impressive. The speech by the Irish member of the European parliament, Ms. McGuinness, was also very interesting. During her valuable speech on the debate in the European parliament on the issue of milk we got the impression that there is a need for more information with regard to the position of the EMB.

The kindness of our Irish host was remarkable. Apart from the excellent organisation the generosity towards participants and guest is particularly worth mentioning.

From the point of view of the MEG Milch Board the members' assembly was an important European meeting. Thank you very much!

Rainer von Hoesslin, MEG Milch Board w.V.

Report from Switzerland:

First of all a few words on the situation on the dairy market:

The milk supply is still too high. Compared to February 2010 the amount of stocked butter has increased by 50% in February 2011. The milk price is under pressure. The A milk price remains stable, but the B price decreases significantly. Apparently dairies try to get rid of the cheap B milk by exporting it.

Politics:

The advisory committee of the Council of States has virtually obliterated the Motion Aebi. The committee rejected the motion with 3:9 votes, even though it was already discussing a watered-down version of the motion. This version stipulated that a levy of only 14 Rappen will be imposed for surpluses (formerly 30 Rappen) and that all producers have to pay 1 Rappen per litre as well.

The committee accepted only the proposal of Eugen David. His proposal stipulates that all producers as well as processors should pay 0,5 Rappen/litre to finance the disposal of butter stocks. A levy of 2 Rappen/litre should be imposed on additional volumes. We know from our experience that the Council of States agrees in 99% of all cases with the proposal of the advisory committee.

BIG-M's position

The new proposal is completely unacceptable! To charge merely 2 Rappen is not sufficient to render the production of surpluses unattractive. There is no incentive to reduce production by just one kilo. The income from proposed levies are also far too low to decrease the "butter mountain". Half of the stocks remain and thus the pressure on prices.

That the dairies should also pay 0,5 Rappen is merely eyewash. They will get it back from producers right away!

It is also unacceptable that according to this new proposal the interbranch Milk (BO Milch), which is dominated by the dairies, will receive these levies. The aim of the Motion Aebi was to provide the producer organisation SMP with these financial means. With this proposal that is supported by the advisory committee it is the producers who will lose out in every respect.

The only positive aspect is that the new proposal envisions the creation of an independent supervisory authority that has to present a report regularly. Unfortunately the Federal Office for Agriculture is supposed to set up this authority. We have seen enough of the Federal Office for Agriculture to know that a regulation of the dairy market is only carried out "pro forma". The Federal Office for Agriculture defends the instruments and institutions that bring the price down.

On March 17th, 2011 BIG-M will be present on the public galleries of the Council of States when the issue of the milk market will be discussed. We will observe the vote closely and publish later on a list of members of parliament who still support this useless overproduction. In autumn the parliamentary elections are held in Switzerland and people will certainly be interested to know who promised what and how they voted in the end ...

Werner Locher, BIG-M

Netherlands: Family farms and cows in the fields

In February the DDB (Dutch Dairymen Board) held open assemblies for milk producers in several regions in the Netherlands. The majority of participants were members of DDB. They were mainly interested in the work that DDB and

EMB do for them in The Hague and in Brussels.

The reform of the EU dairy policy is cause for concern for many of them. This was also highlighted by numerous questions and intensive discussions during these assemblies. Apart from the activities of both organisations DDB also explained the monitoring agency and the block exemption regulation. These measures provide, within the framework of the overall EMB concept, a good response to the most pressing problems of the milk sector (price volatilities and unfair distribution of power at the expense of producers). Others issues that were discussed were the planned contractualisation in France as well as the current situation in Switzerland.

The debate in the Netherlands is currently getting more and more emotional. Many people are concerned given the mega farms where several hundred cows are kept that never get to see a pasture. They attach great importance to the sustainability of milk production. There are, however, no scientific data that prove that pasture keeping is best for cows. In other countries this issue is rarely discussed. Pastures are, however, very important for Dutch people. They are part of the landscape and the image of our country. But are consumers also willing to pay more for one litre pasture milk? Are they willing to assume responsibility for the way animals are kept in the EU?

As the milk price is too low for families to make a living on their farm, farms are increasing in size. In most cases large farms do not keep their cows outside.

Policy-makers now deal with the question of keeping cows on pastures to win votes for the elections that will be held on March 2nd, 2011 (provinces and Senate). The mega farms will remain on the political agenda in the Netherlands for the foreseeable future.

Only a cost-covering milk price and a sustainable milk policy can guarantee the survival of family farms. DDB is committed to this issue at the political and social level in the Netherlands.

Sieta van Keimpema, DDB

Volume control in the US?

For many years now the US dairy market saw tremendous price volatilities. On June 24th, 2010 Senator Bernhard Sanders from Vermont introduced a bill to the Senate to counter this problem with a long-term solution. This bill envisions a volume control for the US-American dairy market. This system aims at reducing over-production (with regard to the demand) by means of positive and negative financial incentives for producers.

This **US Department of Agriculture** is supposed to manage this volume system in cooperation with a **board of milk producers** from all regions in the US. Every three months the board and the department shall determine whether producers are allowed to increase their volume compared to the previous year. These provisions shall be based on an index taking into account feed costs and average paid out milk prices. Furthermore, this committee is supposed to fix the amount of money that producers have to pay if they exceed their allotted volumes. This „surplus-money“ will in turn be distributed amongst producers that adapted their production according to the provisions and did not exceed the limits. This bill states that the system should be tested for year threes before it will be subject to another vote that decides its continuity.

In contrast to many other proposals this bill is not only supported by producers, but also by cooperatives. This increases the odds that this is not only a draft that peters out during the legislative process but a volume management system that could be eventually enshrined in a law. For this to happen, however, the Senate as well as the lower chamber of Congress – the House of Representatives – and in the end the US-President will have to vote in favour of this bill. The EMB will follow the developments and the next newsletter will contain an update on the situation.

Background of this bill

Over the last twenty years producers had to cope with tremendous price volatilities on the dairy market. In 2004 the price for 100 lb milk was \$ 19.30 before it fell to \$ 11.90 in 2006. The situation improved in 2007 (price: \$21.80). Afterwards, however, prices plummeted again and were at \$ 11.30 in 2009. Many dairy farmers already went out of production due to these price volatilities and the fact that it is impossible to cover their production costs. In the State of Vermont, for instance, the number of milk producers was halved since 1995. Many people fear that the number of active milk producers will soon fall below 1000 if the volume management system is not implemented.

Silvia Däberitz, EMB

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Document-URL: <http://www.europeanmilkboard.org>/<https://www.europeanmilkboard.org/english/newsletter-march-2011.html>