

Dear Dairy Farmers and Interested Parties,

In just a few weeks the time will finally have come. The limit on milk volumes that started back in 1984 is being abolished. When the quota system was introduced over 30 years ago it had two aims:

Firstly the market organisation was to be affordable again. For that it was essential to get rid of the EU milk lakes and butter mountains. This aim was achieved in a short time. Within a few years the market organisation costs for the dairy sector were cut from 7.5 billion euros to under 2 billion euros.

Secondly producer prices were to be stabilised, thus avoiding structural breaks. This aim was likewise achieved, even if milk prices could have been better arranged for the farmers by being more consistently applied. It is just that this was not what the politicians wanted, after all it was deemed important to exploit "export opportunities" in the past, too. All in all the milk quota system was a cost-effective and efficient instrument for the state to stabilise the market. For dairy farmers the quota meant more or less dependable general conditions. To those organisations that moaned the quota system didn't work, one thing has to be said: it worked exactly as those applying it had intended.

However, the quota system cannot be blamed for the severe market crises of 2009 and 2012, they were due solely to the deregulation of the milk market with the dire soft landing. A flexible supply management system could have easily stabilised the market and thus prevented those crises with the losses of billions for the dairy farmers.

And now? Since November 2014 the impending, record-high super levy of about 20 cents a kilo of oversupply has resulted in a clear reduction in the supply of milk. As painful as the super levy may be for those farms that milked in the first half of the dairy year as if milk was going out of fashion, it has been effective in halting the slump in prices. The prices quoted for the primary products butter and SMP are rising, and the market has temporarily stabilised.

But what is to come after 1 April? The most likely scenario is that dairy farmers will boost their production in many EU countries, regardless of the situation in the milk market. Another drastic price collapse seems inevitable, along with the next market crisis.

To counter this ever-recurring market failure, the EMB is calling on European policy-makers to implement a Market Responsibility Programme. The current situation/developments in the last three to four months make it patently obvious that with clear guidelines and political will it is perfectly possible to systematically counter market distortions. Even in a period without quotas, such a programme can also create an incentive for dairy farmers to act in line with the market. Anyone producing more despite market saturation should also assume responsibility for this and pay a market responsibility levy. On the other hand, anyone producing less in such a situation should be paid a bonus. This can create a stable environment and ensure milk production throughout the EU.

Romuald Schaber, EMB Präsident

EMB Newsletter March 2015

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Call for participation: Vigil, press conference & symbolic action on 31 March in Brussels

The 31 March 2015 will see the end of 31 years of quotas. But what is to come after 1st April? The most likely scenario is that dairy farmers will boost their production in many EU countries, regardless of the situation of the milk market. Another drastic price collapse seems inevitable, along with the next market crisis.

The quota system has stabilised the market and provided more or less dependable general conditions for dairy farmers. At the beginning of April the dairy industry is going to take the lead! We want to point out this paradigm change in a vigil and symbolic action on 31 March in front of the European Parliament in Brussels.

The vigil starts at 7 a.m.

We are looking forward to seeing you there!

Presentation of the results of the study on milk production costs in Belgium

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Please find here the current press release of MIG and EMB (04.03.2015)

Today in Brussels, the MIG and the EMB presented to the cabinet of the Federal Minister responsible for agriculture the dairy farmers' situation and the results of the independent study on the costs of milk production in Belgium.

The study follows similar ones recognised by European bodies carried out in Germany, France and the Netherlands. These studies use the same sources (FADN and institutes of national statistics) and the same calculation methods.

The results of the studies carried out in Germany, France and the Netherlands already caused quite a stir when they were published. Their figures clearly show the gap between the costs of production and the prices paid to farmers for their product.

Here, too, in Belgium there is a big difference between the farm-gate prices and the real cost of production. This makes it very difficult to guarantee dairy farmers a fair standard of living – which is a manifest aim of the Common Agricultural Policy¹.

The study clearly shows that: To cover the costs of milk production with a fair revenue², **the farm-gate price must be 46 cents per kilo of milk**. In December 2014, Belgian dairy farmers received an average of 31.15 cents per kilo of milk³; hence the gap to be made up is 14.85 cents a kilo.

Milk production does not guarantee Belgian dairy farmers a fair income.

Just the same as the German, French, Dutch and Belgian farmers, milk producers in other European countries are not paid a price that covers their production costs, resulting in a growing number of dairy farms giving up production and significant job losses in the agricultural sector. Farmers must be able to receive a decent price in the market.

Subsidies are unable to rectify the existing market distortions. It is up to the producers, politicians and consumers to assume joint responsibility for demanding and drawing up a suitable framework enabling the market to operate properly and guaranteeing milk producers a fair income.

Study on production costs in Belgium

Video of the press conference (German) or French

1 See Article 39 of the “Treaty on the Functioning of the European Union”, revised in 2009

2 Agricultural workers’ pay agreed by collective bargaining (CP144.00 - Agriculture)

3 EC Milk Market Observatory (EU Regulation no. 479/2010 Article 2)

French dairies: compulsory contracts – situations and risks

The 31 March 2015 will see the end of 30 years of the quotas. Thereafter production will be determined by the contract system established by the state and under the European Milk Package. The co-operatives are not concerned because their members are bound by their constitutions to supply all the milk they produce.

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Contractualisation could be accepted if the contracts were balanced. Yet with the obligations and constraints, and with no guaranteed minimum price, it is unacceptable!

How the law stands:

The dairies are obliged to offer their producers a contract. However, the producer is not obliged to accept and sign it, because the commercial history equates to a (verbal) contract. Entering into a new contract automatically cancels the preceding one. “We are pressured into signing unfair contracts in which the producer has no rights! Those who resist are threatened with an end to the collection of their milk at more or less short notice. Relations with the dairies are definitely not getting better... These pressures were denounced to the Minister and the contract mediator but this produced almost no reaction!”, says Olivier Chemin, a dairy farmer from Mayenne.

What will happen to dairy farmers who don’t sign contracts?

In the event of tacit termination of contracts that tie them to their dairy, a period of notice has to be observed. It is a right, and even if case law remains rather vague, it is reasonable to expect the notice to be at least equal to one month for each year of supply. For example: 15 months notice for 15 years of supply from receipt of a registered letter. This allows time for reflection and discussion. Fear leads to slavery, do not accept just anything.

Can I leave a co-operative?

During the period of commitment, no. Except in the case of *force majeure*. However, it is necessary to read the co-operative’s constitutions and/or its internal regulations, which must stipulate the procedures and penalties applicable in the event of an early withdrawal. A member can, however, be suspended from his co-op if he fails to fulfil his obligations. At the end of the period of commitment, yes – provided you have notified the co-op of your decision to withdraw. However, it may take up to five years for you to have your shares reimbursed. If a co-op is affiliated to a commercial producer organisation, a member of a co-operative cannot belong to another producer organisation, e.g. an inter-branch organisation. He can do so only after he has been released from his obligations to the co-op: provided, however, that he has found himself a buyer for his milk.

Beware integration!

Farms are getting bigger and now demand major investments. In view of the economic climate, banks are becoming

over-cautious, demanding more guarantees before lending money. We are seeing that private investors are interested in farms and are offering finance in conjunction with the cooperatives. It is the beginning of integration in the sector just as it is for the pork and poultry sectors, where the producer no longer has control – to the benefit of the industrial combines. Ownership and access to the land are the assets we must preserve to continue our livelihood as head of the holding and not as a paid employee of a dairy.

Véronique Le Floc'h, OPL France

Italy: Round Table on Milk

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On 11 February, the Italian Minister of Agriculture, Food and Forestry, Maurizio Martina, convened a "Milk" round table in Rome with regional Ministers of Agriculture, delegations of the main producer organizations and the industry in order to develop solutions to support the milk sector and

improve the situation.

Mipaaf (Italian Ministry for Agriculture, Food and Forestry) in collaboration with the scientific institute Ismea periodically monitors the main classes of agricultural products for the trend in average production costs, prices paid to farmers and prices paid by the consumers. Wherever any unfair practices are found, it will make the necessary reports to the market and competition

authorities.

There are two main innovations concerning the reform of the milk package:

- Higher contractual guarantees for producers
 - The establishment of an inter-branch milk commission made up of experts from the dairy chain, which will be entrusted with the task of identifying good practices, trends in prices and production costs. As regards labelling, clear information will be given to consumers about the place of milking.

Copagri, an umbrella organization of the producers, which attended the meeting, submitted proposals regarding the necessary reorganization of the dairy sector and its development as a whole.

In view of difficulties at national and European level created by the 30% milk price decrease, from 45 cents to 35/36 cents, four farms are closing per day in our country, and more than 40% of producers have closed down in 10 years
APL Italy submits the following proposals to all stakeholders:

1. Certification of protected origin of the milk and not of the processed product by establishing the "Consortium of Italian Milk".
2. Coefficient of processed product of "protected origin" attached to producers and not to processing industry (cheese shares held by producers), applying the same system as for DOC wine.
3. Block financial speculation on food, the sector needs stability and not speculation.
4. Fight against "plastic cheese" products made with plant protein, no milk, but sold as cheese, a phenomenon on the rise in Europe with an estimated turnover of thousands of tons a year.
5. Establish a milk office composed of: representatives from regions, Mipaaf, organizations, processors and retailers, whose task for the various transformation sectors is to identify and certify the cost of a litre of milk, the production trend and simultaneously assess the market trend, and then plan appropriate measures. A national office of the sector that defines the relationships in the supply chain.
6. Use the PSR (regional development plan) in supporting research projects (promoted by university research centres) with the aim of having a scientific patent certifying the origin of raw milk.

7. Oblige each PDO cheese processor not to use the same location, even if adjacent, for producing and maturing PDO cheeses and for processing milk or dairy products from foreign sources.
8. Create the "Milk Bank", a milk multi-purpose plant which can produce milk powder, too.
9. Establish Albo as a tool for registration and certification of the use of milk to have a "100% Italian" label similar to "Albo – Made in Italy".
10. Institutionalize certification bodies to ensure the impartiality of controls.
11. National campaign of nutrition education in schools and in the public sector to promote Italian milk.
12. No insurance instruments hedging against the risk of falling milk prices because without appropriate further tools it would be a cost totally attributed to the producers.

Roberto Cavaliere, APL Italy

“We are fed up!” platform demands radical change in Austrian agricultural policy

Every year in late January, advocates of an industrialised and chemical-intensive agriculture use the Ecosocial Forum’s Winter Conference “Agricultural Policy Day” to talk up Austria’s agricultural policy. The topics this year were “The organic economy” and “Markets undergoing change”.

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The “We are fed up!” (*Wir haben es satt!*) platform opposes an agricultural policy geared to boosting exports, producing surpluses, importing genetically modified animal feed and “Grow or get out” and therefore accepts the loss of biodiversity, agriculture’s dependence on pesticides, land grabbing in the Global South, the decimation of farms etc. The platform “We are fed up!” is an initiative of environmental, development aid, human rights and family farming organisations as well as social movements. The Austrian IG-Milch is one of the organisers.

Stefan Scheipl, IG-Milch Austria

[Video of the aktion "We are fed up!"](#)

UK Election Time: An Opportunity Not To Be Missed!

After reading last week's Farmers Weekly (the UK's largest farming magazine), alarm bells were going off right, left and centre. Current farm gate prices are plummeting, making UK farmers lose vast sums of money across virtually all the staples and we know the blame lies firmly with government, large corporate food retailers and wholesalers, corporate food processors and

large co-operative processors in many cases behaving like corporate groups.

In 2010 the EU declared in preparation for the new post-2015 CAP:

1. Food security is now top of the agenda
2. This is about agriculture, not just any old industry
3. Farmers need a safety net

But did they act on it when given the opportunity by Fairness for Farmers in Europe's (FFE) proposal to save the EU over €100 billion and create 5.5 million jobs over night followed by a multiple of this in a short space of time?

No! Why not? Corporate influence yet again!

However, we can do this in the UK and create 220,000 jobs overnight from John O'Groats to Landsend, followed by a multiple of this soon after and breathe financial life back into rural UK and the wider economy, just as Roosevelt did to pull the US out of the 1930s depression. The UK government must immediately put in place legislation on farm gate prices returning a minimum of the cost of production plus a margin and compensation for inflation across the staples and linked to farming families, thus providing that EU safety net which to date has not been delivered, though it is now virtually an EU requirement defined in Article 39b of the Lisbon Treaty. Furthermore, do not let anyone tell you this legislation wouldn't pass EU law. This is wrong – it will pass as a welfare issue which it now is, with over 25% of UK farming families living below the poverty line and similar stories throughout the EU.

David Handley, Chairman of Farmers for Action in the UK, and others have certainly done their best to get the media attention of just how serious things are down on the farm. Therefore, to conclude, nothing on earth should currently make farming families and their relatives vote for more rural financial whipping from Conservative, Labour or Lib Dem (the UK's three main political parties) corporate pandering. Let the first party or parties stating and meaning their intention to immediately legislate on farm gate prices if elected in the May Westminster elections be where your vote goes!

To the politicians: while Putin flies past for now and stable governments in the Middle East fall apart, your priorities are as follows: food and national security, health and education, in this order and no other. Only then will prosperity follow!

William Taylor, Farmers For Action, Northern Ireland co-ordinator

Member associations: Change at the top

Our member associations in Germany, France and Spain recently acquired new faces at the top. We asked the new presidents about their background and plans for the future.

Portrait of Gertraud Gafus – AbL Germany

In late November 2014 the AbL [*Arbeitsgemeinschaft bäuerliche Landwirtschaft* - German Farmers' Association] elected Ms Gertraud Gafus and Mr Martin Schulz new national presidents. Together with her family, Ms Gafus (48) runs an organic suckler cow farm in Upper Bavaria.

My farm:

Together with my family I run an organic farm up in the mountains, at 900 metres. Because the farm-gate prices don't make it profitable to take the milk down into the valley, we had to switch over to suckler cow farming. Besides our ten

Pinzgauer cows and their offspring we also keep about 30 or 40 chickens, depending what the hawks leave us. The Pinzgauer are an endangered breed of cattle, which used to be widespread in our region up until the 1950s and is well known for its excellent meat. They look wonderful and are very sturdy and “all-terrain”. About half of the 20 hectares we farm comprises steep slopes. The revenue from the first and second pillar is very important to our business. For a second income we run a small pub, where we sell mainly organic products, fair trade products and our own farm products. I’m happy to be a farmer!

My motivation to be president:

Firstly, conserving farms, the landscape and rural life is very dear to my heart. I am firmly convinced that a rural economy in tune with nature and with as many farms as possible is one of the cornerstones of a democratic society. But my concern is not just our farms, but also justice and dignity for everyone on the planet. Our organization AbL combines these aspects with the struggle against genetic engineering, and champions free seed, a more rational distribution of funds from Brussels, etc. If you look more closely, these things are inseparable. That’s why I feel at home in the AbL and am pleased the General Meeting put their trust in me last autumn.

My aims/plans for the office:

My aim is to counter the rivalry between farmers and to show society that the demand to “grow or get out” results in irretrievable losses. The politicians must finally realise that agricultural policy is social policy. A sustainable agricultural policy would have positive effects in so many areas, such as development policy, environmental policy and social policy. A key instrument in this sustainable agricultural policy is the direct payments from Brussels. They must be distributed by a different formula as a matter of urgency. It is unacceptable that farms with a lot of space and little work carry on being the big winners, because precisely those farms give back the least to society.

Portrait of Boris Gondouin - APLI France

In late November 2014, Boris Gondouin (43) took over from André Lefranc as President of the APLI (Association des producteurs de lait indépendants – Independent dairy farmers association). Together with his business partner he runs a farm in the Maas region – on the border with Belgium and Luxembourg – producing milk, meat and cereals.

My farm:

In 1997 together with a partner of the same age I started a non-family farm organized as a non-trading partnership (GAEC) because neither of us was from farming stock. We farm 200 hectares: 45 hectares of corn silage, 10 hectares of alfafa, 10 hectares of temporary grassland, 10 hectares of mixed grain (peas/triticale), 65 hectares of grassland, 35 hectares of wheat, 15 hectares of rapeseed, and 10 hectares of triticale. We also produce 650,000 litres of milk with 75 Holstein and Montbéliard cows and 180 young mixed-breed or dairy bulls from 8-day old calves.

My motivation to be president:

My primary motivation is to make as many dairy farmers as possible aware that we need a European supply management system, that it is not normal to produce milk below production cost, that we have to factor our manpower into production costs and that we can achieve all this because we are the first links in the food chain and not the adjustment variable as so well put by the body that sets the trend in every European country, the general farmers’ union.

My aims/plans for the office:

My plan is to keep our organisation, the APLI, going by bringing together the maximum numbers of farmers in France at demonstrations or in campaigns of action and to motivate them to enable us to put greater pressure on our French and European leaders. The APLI must be the bridge between the farmers and our politicians to ensure the latter fully understand the issues and problems facing not only us but also the consumers.

My ultimate aim is to bring about a Canadian system in Europe. Through the EMB we have to unite the farmers in Europe so that we have one body negotiating prices and volumes.

Manuel Iglesias, OPL Spain

Manuel Iglesias became president of our Spanish member organisation OPL back in July 2014. He runs a farm in Galicia with 90 cows, producing a million litres of milk a year.

News from Brussels

The EU Commission's plans for the payment of a super levy

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The European Commission is studying a proposal to spread payments of the super levy over three years. This would enable the member states to demand the penalty payments for the last dairy year 2014/2015 in three interest-free instalments. The first payment would be due before October 2015, the second before October 2016 and the third before October 2017. The states must still pay the entire super levy to the EU by 30 November 2015. The aim is to help those dairy farmers struggling with liquidity bottlenecks as a result of supplying in excess of the quota – in addition to the low milk prices. The EU Commission is studying the proposal, and it is expected that the member states will then quickly give it the go-ahead. The deferment of payment will bring relief mainly to the milk producers in Ireland, Germany, Poland, the Netherlands and Denmark who are expecting large penalty payments this year (27 cents/litre over the quota).

The European Parliament's recommendations on the TTIP negotiations

In its interim report the European Parliament's Committee on International Trade (INTA) is giving the Commission recommendations on the TTIP negotiations. The rapporteur is the German MEP Bernd Lange (S&D). Lange views the TTIP as a possible instrument for sustainable growth. For him the biggest economic benefit will be the planned co-operation on regulatory issues and the removal of non-tariff trade barriers (e.g. differing technical rules/standards, double certificates, etc.). The MEP expressed concerns about the contentious Investor State Dispute Settlements (ISDS). Lange pointed out that the European Parliament has the last word on ratifying trade agreements. Given the numerous critical voices and the low level of public acceptance of the agreement currently being negotiated, the parliament would insist on maximum transparency and ensure that European values are safeguarded in the agreement, says the rapporteur.

[On the draft report](#)

TTIP – 8th round of talks

The talks on the planned free trade agreement between the EU and the USA were continued in Brussels from 2 to 6 February 2015. The eighth round of negotiations focused on regulations for energy and raw materials as well as services, investments and public procurement. The chapter on investment protection was not discussed. Other topics included regulations on plant protection, food and geographical indications, rules on sustainability, and the elimination of customs duties. On 4 February lobbyists and non-governmental organisations had their say. Sieta van Keimpema – Vice-President of the EMB – gave a presentation on behalf of the EMB.

“Good Food Good Farming” event (10 and 11 February)

During the ARC 2020 conference in Brussels, citizens, farming and environmental organisations, scientists and politicians discussed the implementation of the CAP reform 2014-2020 and the prospects for sustainable agriculture and agro-ecological approaches. Four workshops discussed proposals for solutions and the key pillars for a switch to sustainable agriculture, healthy food and rural areas. Sieta van Keimpema presented the dairy farmers' position on the market and trade.

EU-Parliament: Nicholson Report on prospects for the EU dairy sector (23.2.)

The 11-page draft own-initiative report, published last week, seeks to assess the support measures of the dairy package and recommends solutions to address market volatility. Rapporteur James Nicholson has called on the Commission to implement more “responsive and realistic” safety net measures and review the rate of intervention to be “more reflective of production costs and adapted as the market changes”. Nicholson would like to see the sector explore “longer-term integrated supply chain contracts”, fixed margin contracts and the “opportunity to ‘lock-in’ a milk price for a set period of time”. He recommends further incentivisation to “create and join POs as a tool to address imbalances in the supply chain”. The Agriculture Committee of the European Parliament will vote on the report in early May, with the plenary expected to adopt its position later in the summer.

[On the draft report](#)

Regina Reiterer, EMB

EMB Agenda

The EMB Board's key dates in March 2015:

- 02.03.: “Milk” civil dialogue group meeting
- 03.03.: Meeting with MEPs
- 04.03.: Presentation of the Belgium cost study
- 04.03.: “CAP” civil dialogue group meeting
- 05.03.: Debate on the future of the dairy sector, Committee of the Regions
- 18.03.: “Milk Policy for the 21st Century” conference, EDA
- 31.03.: EMB vigil and symbolic action

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