Dear dairy farmers and interested parties,

Almost a year ago, the EU abolished the milk quota system. All rosy forecasts produced by the dairy industry, the farmers' organisation COPA and policy-makers from the European Commission's Directorate-General for Agriculture turned out to be – as we warned them – based on no more than greed and wishful thinking. April 1st did not bring Liberation Day but April Fools' Day, as usual.

To estimate how far off the mark the forecasts of the European Commission have been, I looked up some 'old' reports and forecasts the European Commission based its policy on, preparing for the abolition of the quota system ('soft landing') and the reform of the CAP. A study carried out by GIRA (a consultancy and research company), commissioned by the European Commissioner of Agriculture and presented on 12 December 2012, envisaged a growth in EU milk production of 6.8 billion kg of milk from 2011 to 2016. On 5 December 2014, GIRA again presented a study for the European Commission, forecasting EU milk production, but this time from 2013 to 2018. The study estimates the growth in milk production in this period at 12.4 billion kg.

Data from Eurostat, however, point out that at the end of 2015 farmers in the EU had already increased milk production by more than 12 billion kg compared to 2011.

Furthermore, the European Commission still focuses on OESO and FAO studies on market developments, although the world has changed enormously because of geopolitical events.

On top of that, the President of the European Commission, Jean Claude Juncker, claims in his written reply to the European Milk Board, which asked Mr. Juncker to implement the Market Responsibility Programme to stabilize the milk market, that this "would go against the decisions taken by the legislator during the reform of the Common Agricultural Policy in 2013". This is not even a 'half-truth'. There are possibilities and conditions that make it possible to intervene: the right of initiative for the European Commissioner of Agriculture (in extreme situations) was implemented in the latest CAP, as the Treaty of Lisbon very clearly states what the objectives of the CAP should be.

I can only conclude that this European Commission lacks flexibility and the will to change course if necessary, but chooses to keep on focusing on outdated and obsolete studies, despite the consequences for milk producers. The motivation is obscure. Because the last argument for export-oriented EU member states in favour of liberalising the milk market - extra income from additional exports of dairy products – also seems to have become invalid: the Dutch Central Bureau of Statistics (CBS) collected data on the change in value from the export of Dutch dairy products in the first nine months of 2015 (compared to the first nine months of 2014). This shows a devastating picture: the Dutch dairy industry gained a total of 175.3 million euros in export value, partially outside the EU. At the same time, however, the Dutch dairy industry lost, for a large part in the EU, 725.3 million euros in export value and market share.

In the first nine months of 2015, one member state lost more than half a billion euros (550 million) in export value from dairy products.

This is the direct result of the Dutch dairy industry, the largest farmers' organisation LTO Nederland, and to a large extent our Dutch policy-makers, pushing for the abolition of the milk production regulation system.

The above cost the milk producers in the EU about 40% of their income in 2015, reduced their cash flow by half in the same period, and pushed margins to a level far below zero.

Some policy-makers now see that we have to change course. Mr Le Foll, the French Minister of Agriculture, is among them and has made some proposals. It is of the utmost importance that the EMB is involved in the process of developing new measures and crisis instruments. To make them work for milk producers, too, instead of only for the dairy industry

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and the retail trade.

Because, as Albert Einstein once said, “We cannot solve a problem with the mindset that caused it”.

Sieta van Keimpema, EMB Vice-President

Measures towards production cuts by FrieslandCampina are only the tip of the iceberg

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The precedent set by Dutch dairy FrieslandCampina has shown that reducing volume through a bonus system is technically possible and can be implemented in the short-term.

These temporary measures by FrieslandCampina - brought on due to the dairy's lack of processing capacity - led to a reduction of about 35 million kilos in the volume of milk. The Dutch company paid its members a bonus of 2 cents/kg to limit their production in the period from January 1 to February 11, 2016.

According to the cooperative, around 60 per cent of members participated in the measures. A total 14.1 million euros was paid to the participating members within the bonus system.

Limited effect on milk production in January 2016

Dutch milk producers have significantly increased their production this January. Milk volumes increased by 15.5% to 1.21 million tonnes as compared to the same month of the previous year. According to RVO.nl (the Netherlands Enterprise Agency), the production cuts by FrieslandCampina had but a limited effect on milk production in January 2016. Without these measures, milk production would have increased by 17.5%.

The figures from the Netherlands speak loud and clear. With the abolishment of quotas, milk is produced come hell or high water. The mild winter has led to even better milk yields in January. A short and intense winter led to milk collection difficulties only in the north of the country. Dutch milk producers produced considerably less in January 2015, in order to avoid levies in the last quota year.

The programme incentivising production cuts has shown results. However, it must be clearly stated that the interests of individual dairies stand at the forefront and the effect is limited to the region. In order to ensure a sustainable recovery of the European dairy market, a legal framework has to be implemented at EU-level.

Sieta van Keimpema, EMB

Supply reduction and production cuts on the table

The FrieslandCampina model has set a precedent. The bonus payment system implemented by the Dutch dairy company to promote voluntary production cuts has been replicated in other countries.

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Switzerland: Emmi compensates production cuts

Emmi, Switzerland's largest dairy, informed its suppliers mid-February that it will provide financial support for production cuts. It will pay 10 centimes (9 cents) for every kilo of milk by which production is reduced as compared to the same month of the previous year. This is a temporary measure limited to the months of March and April and is voluntary for producers.

Austria: Bonus-malus model by Gmunder Milch

Austria's third-largest dairy Gmunder Milch initiated a bonus-malus model as of March 1 to reduce production volumes (currently without an end date). The 2015 monthly average milk volume or the earlier reference volume shall be used as the baseline.

The base price stands at 27 cents/kg net; a bonus will be paid as of a 5% reduction in production. If a farm reduces its volume by at least 5% as of March, it will receive a bonus 1 cent/kg net for the supplied volume. A reduction of 10% and above will lead to a bonus of 2 cents/kg net. On the other hand, if a farm produces more the 5% over the base volume, a deduction of 2 cents/kg net will be applied to the total milk volume. Exceeding the base volume by 10% or more will lead to a deduction of 4 cents/kg net.

Bonuses for volume reduction figure in political discussions

Incentives for limiting volumes are now finally being discussed on a political level, too. In late February, French Minister of Agriculture Le Foll submitted a detailed model for reducing volumes through a voluntary restraint on supply, and elaborated three different options (including a binding reduction in volumes in the member states).

French proposal for crisis management measures

German Minister of Agriculture Schmidt is also getting into gear: this week Germany and France drew up a joint raft of demands for the milk market and pig market, to be presented to the European Ministers of Agriculture on 14 March. This includes the introduction of measures for a voluntary volume restriction for milk producers and dairies, to enable an effective rise in prices by controlling the supply of milk, supplemented by financial aid from the EU.

EU Commissioner for Agriculture Hogan is also now prepared to address voluntary supply management in the milk market in times of falling prices (under Article 222 of the CMO). He appears receptive to the approach that incorporates producer organisations and co-operatives in this supply management system.

The EMB believes that discussing volume reduction at European level and creating a legal framework at EU level are of utmost importance. Measures by individual market stakeholders are welcome, but have no effect on the market as a whole! The individual interests of dairies cannot stand in the way of a comprehensive solution. Production cuts will also have the desired effect only if milk deliveries at European level are also capped in parallel (bonus-malus model proposed in our Market Responsibility Programme).

Regina Reiterer, EMB

EU agricultural policy cannot be used as a tool to pit European producers against each other any longer

Current EMB press release: For solidarity, for social harmony in the EU!

For a while now, the European Union has ceased to be the institution of solidarity and peace it was for so many of us for such a long time. Be it the Brexit or the Grexit, the refugee or the financial crisis - there are currently many forces pulling the countries of the EU away from each other, rather than bringing them closer together. Today, the agricultural sector as well is contributing to divisions within the Union. This is an appeal for a real COMMON AGRICULTURAL POLICY!

Brussels, 24.02.2016: We need policies that bring people back together. This is required in all sectors, but especially in the agricultural sector. Current agricultural policies have triggered a crisis that has destroyed prices of agricultural products and thus robbed farmers of their income and livelihood. Producers have reacted in a very typical way to such social injustice: In addition to hefty protests against policy-makers, there are also many cases where producers have taken action against their fellow colleagues from other countries. For example, milk tankers from neighbouring countries are stopped and emptied in the middle of the road, so as to prevent foreign milk from exerting even more pressure on the already saturated national market. In a state of panic, local dairies and consumers are being asked to process or buy only national products. Because of this dire situation, farmers are forced to compete for resources with their neighbours, who are also struggling to survive in their own highly saturated national markets.

The Common Agricultural Policy is not being used

All this is even more painful when you consider that the European Union has a Common Agricultural Policy that could resolve this crisis for all countries at EU level. The dairy sector, for example, would require centralised volume reduction during times of crisis, which can be implemented in the form of voluntary production cuts and further measures described in the Market Responsibility Programme. This would provide a solution to market saturation that would be fair for all countries. But these advantages presented by the Common Agricultural Policy are not being used – quite the contrary. National egoism, stemming from uncertainty, is gaining ground.

The European Commission, together with countries like Germany, the Netherlands and Ireland refuse to budge from policies that lead to increased production and are thus shirking their responsibility to uphold social harmony in the EU.

Recommendations from Member States must lead to volume reduction measures

Tomorrow, 25.02.2016 is the last day for Member States to submit their crisis resolution recommendations to the European Commission. It is important for these to, at last, lead to the implementation of volume reduction measures. However, this depends not only on how the recommendations themselves are formulated, but also on the European Commission's evaluation of the same. If they were to, once again, simply cherry-pick and promote the concepts that are in line with their own strategies – providing loans for increased production, export promotion etc. – it will be another clear example of how the Commission exploits its position. This will also unequivocally demonstrate how blind they are to their responsibility towards social harmony in the EU and how poorly this value is upheld.

Let us not forget: it is possible to address the problem of overproduction in the dairy sector at EU level and thus ensure that farmers and consumers in individual countries are not left hanging. If the European Commission and the Member States – most notably Germany – do not capitalise on this opportunity, the voices against open borders with neighbouring EU Member States will only get louder. This poses a grave danger, as it would not only lead to divisions within the EU, but it could eventually lead to a complete collapse.

The European Milk Board calls for a European Union that acts in favour of the common good and well-being of its citizens and shows solidarity while upholding peace and harmony. EU agricultural policy cannot be used as a tool to pit European producers against each other!

The dairy sector crisis: The global impact of exports and local solutions

On 14 January 2016, a public debate on the global impact of exports took place in Brussels. This report summarises the presentations and discussions, which were held at the initiative of the European Coordination Via Campesina (ECVC), FIAN Belgium, the Mouvement d'Action Paysan (MAP) and FUGEA.

At the event, Kannayian Subramanian, Henri Lecloux and Yvon Deknudt – dairy farmers from India and Belgium – took on the free-market policies of the European Union and offered concrete sustainable alternatives beneficial to society, the environment and local communities.

Largely based on their own long experience, inspiring examples such as the impressive milk cooperatives in India and the short food supply chains initiatives in Belgium were mentioned. The speakers, as well as several participants, also highlighted the disastrous situation of most milk producers in Europe and the threat that the EU-India free trade agreement represents for 90 million Indian dairy farmers. Touching on the EU's affinities with the corporate world, the conversations exchanged laid emphasis on the need for public regulation of milk production in the EU as well as on the need to go back to human-scale farms.

Find the complete report here

Geneviève Savigny and Jose-Miguel Pacheco, ECVC

Report on Northern Ireland Farm-Gate Price Legislation

Farmers For Action (FFA) UK NI and Northern Ireland Agricultural Producers' Association (NIAPA), coming together as Northern Ireland Farm Groups on the big issues for Northern Ireland, have been pursuing legislation on farm-gate prices, which we have previously reported to EMB.

The aim is to return Northern Irish farming families a minimum of the cost of production plus an inflation-linked margin across all staples including milk. The work on the legislation proposal with Stormont politicians and the Agriculture Committee has been ongoing for some two years since the idea was first conceived and it has been a learning process along the way.

We were advised to package the proposal ahead of the Northern Irish local elections in May 2016. The first part of the package was to commission an economists' report. Economist Paul Gosling delivered his report in January this year, entitled '*On the Eve of Destruction: the Case for Stormont intervention to save Northern Ireland's farming industry'*. This 13-page report first of all states how bad things were for family farmers in Northern Ireland up to the end of 2015 (new figures just announced by the Department of Agriculture for Northern Ireland show a further decline in Northern Irish farm incomes of 41%). The report then explains how good things could be if legislation on farm-gate prices were to be introduced by Northern Ireland's Stormont government. Indeed, the creation of 10,000 – 20,000 new jobs is sighted initially with a saving of £ 280 million stg in welfare payments and future prosperity for Northern Ireland.

These jobs would be created as follows: 60% of Northern Ireland's farms are part-time; on average one person per farm of these 60% would give up their job in the city, in the National Health Service, as a teacher, as an architect etc and return to their farm if it were profitable, thus leaving newly created, quality jobs in towns, cities and countryside. The other 40% full-time farmers are desperate to employ trained professional farm staff alongside general farm workers. Therefore, we are claiming and can verify that this will equate to at least one newly created job per farm on average. According to University College Dublin, one new farm job creates another four jobs further down the line in the agri-food sector, the rural services sector, in manufacturing etc., bearing in mind that farmers purchase from approximately 123 different suppliers, everything from computing systems to tyres, machinery, sheds, concrete, veterinary supplies, services etc.

The second part of the package advice was for Northern Ireland Farm Groups to have the actual legislation written and ready to go after the election. This is currently being carried out by a professional, allowing us to stay in control of what is being written. Meanwhile, our biggest difficulty is trying to get the wider media, the politicians and the general public to make the link and accept the fact that a nation's prosperity begins with the land and innovation and that Northern Ireland's largest industry is currently disintegrating due to lack of income due to the large corporate food retailers, food wholesalers and to a lesser extent food processors and their increasing financially abusive, dominant position when purchasing at the farm gate, as very well explained in the Gosling Report. As a result our public awareness campaign is ramping up to persuade Northern Irish voters only to vote for political parties or independent candidates who pledge to introduce the legislation immediately after the election.

To conclude, what we hope to do in Northern Ireland with our legislation proposal shortly is really what the EU should have done years ago for Europe's family farmers, to allow the EU to be able to claim that they truly carry out their duty to the people of the EU as stated in the Treaties.

William Taylor, FFA UK NI & NI Farm Groups co-ordinator

News from Brussels

Agriculture ministers' proposals to tackle milk crisis

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The European ministers of agriculture have submitted their proposals to tackle the dairy crisis. The proposals will be discussed at the Agriculture Council on March 14th.

The Agriculture ministers agree that something needs to be done. However, there are highly divergent views about what shape these future instruments should take.

French Minister Le Foll submitted a detailed model for reducing volumes through a voluntary restraint on supply, and elaborated three different options (including a binding reduction in volumes in the member states). Measures towards volume regulation are currently supported by many countries. Ireland and the UK speak out clearly against restrictions on milk production.

Some Member states call for market support by financial aid for farmers. Several countries demand measures concerning intervention prices and private storage aid.

The more liberal countries such as Ireland, the UK and Denmark call for a greater market orientation. Many countries seek the elimination of non-tariff and SPS barriers to trade. They request measures from the Commission to lift the Russian embargo and claim export promotion measures, export credits and futures markets.

The ministers' proposals can be found here (document number: 6484/16).

The EU-Canada trade agreement is finalised

EU and Canada agreed on a legal text for the EU-Canada Comprehensive Economic and Trade Agreement (CETA). An agreement of the final text was reached after negotiations had been officially finalised in 2014. Canada accepted the new EU concept on investment protection by means of a permanent bilateral court. EU Trade commissioner Cecilia Malmström is positive that CETA can be signed in 2016 and come into force in 2017.

Critics, however, say that the rectifications do not go far enough. They see a severe risk for consumers and agriculture.

Link to the European Commission's press release

Regina Reiterer, EMB

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