

Dear dairy farmers, dear interested parties,

For us French producers, the year started with a bang, with our dear President Macron's conclusions regarding the meetings on the "general state of agriculture and food".

The prices of agricultural products should henceforth be fixed on the basis of production costs. We fully agree with this common-sense approach; however, one essential aspect still remains: We need to agree on the figures! Because on this front, unfortunately, saying that there is a lack of unanimity is putting it lightly. You have one figure from the industry – but that's quite logical, another from our cooperatives – which is significantly less logical, and what is even worse, a different one from us farmers because conditions are dire!

Together with our colleagues at the EMB, we French milk producers have recently updated the calculations for the production cost of one litre of milk in France. It comes as no surprise that we are still at 45 cents, remuneration included. Dear producers, this is the only figure that needs to be considered! Our new production cost study was presented at the Paris International Agricultural Show in early March.

A programme broadcast on France 2 a few weeks ago showed some farmers uncovering the truth about the dairy industry and our cooperatives on screen. I beg your pardon – perhaps your average consumer has only just seen the light, but the majority of producers are definitely not surprised by these Mafia-life practices. Some just have a very short memory. Let's not forget about the many policy-makers we met with in order to give them a "whiff" of all these scams. They should have sounded the alarm and policed the sector or, quite bluntly, drained the swamp.

To say the least, we are also quite irritated because at no point did this broadcast talk about any real solutions! For example, we need a crisis management tool like our Market Responsibility Programme (MRP) as quickly as possible, and we also need to create a horizontal producers' organisation – all at European level!

In terms of our fair milk brand FaireFrance: Even though we have enjoyed phenomenal success with consumers in recent years, we are sad to see the large volume of milk produced at both regional and national level that does not respect fair conditions between producers, processors and distributors. Some farmers are satisfied with a price that is slightly above the norm within certain value chains. But this definitely does not imply fairness, quite the contrary.

Boris Gondouin, EMB Executive Committee member and spokesperson of the French association of independent milk producers APLI

EMB Newsletter March 2018

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Contact

EMB - European Milk Board asbl

Rue du Commerce 124
B-1000 Brussels

Phone.: +32 - 2808 - 1935

Fax: +32 - 2808 - 8265

office@europeanmilkboard.org

www.europeanmilkboard.org

Study by German entity BAL reveals real milk production costs in France

In light of the critical situation in the dairy sector, French President Emmanuel Macron announced that henceforth, the milk price will be determined on the basis of production costs. In fact, for years now, milk producers have been operating in a market that does not allow them to cover costs, with prices that are often below even paid production costs, without even considering remuneration for producers – something that is, nonetheless, primordial to ensuring the survival of the sector.

In order to implement President Macron's proposals, it is essential to have up-to-date figures that represent real milk production costs in France. That is why the French dairy producer organisations APLI, OPL, and France Milk Board (FMB) Grand Ouest and Bassin Normand, in collaboration with the European Milk Board (EMB), have commissioned a study on milk production costs with the German Farm Economics and Rural Studies Office (BAL). *"The results of the study published today are unequivocal,"* says Boris Gondouin of APLI. *"We need at least 45.14 cents to cover milk production costs, remuneration included."*

EMB President Romuald Schaber explains the importance of this study: *"Up-to-date, representative figures on production costs are key. They should serve as the basis for political discussions and to calculate the milk price."* In fact, with an average milk price of 33.91 cents per kilogram milk over the last five years implies that the shortfall in terms of production cost coverage has been 27 per cent. Even in 2017, where there was some recovery of milk prices, producers were still short by 10.72 cents per kilogram to cover their production costs and to receive fair remuneration for their work. In 2016, this shortfall rose to 14.31 cents per kilogram of milk produced.

"Now that we have these figures, work can continue," says Denis Jehannin, vice-president of the transversal producers' organisation FMB Grand Ouest. *"We can refer to these figures during price negotiations with the industry."* For Joseph Martin, representative of OPL, it is now necessary to find concrete solutions. *"We call on political representatives to implement an adequate framework that would finally make viable producer prices a reality. Together with policy-makers and other sectoral representatives, we should find the appropriate solutions to ensure the future of the sector,"* he continues.

The BAL studies, which include production cost studies for other key milk-producing countries in Europe, are available here: <http://www.europeanmilkboard.org/en/milk-production-costs.html>

In terms of a crisis management instrument, the EMB and its member organisations propose the implementation of the [Market Responsibility Programme \(MRP\)](#), which would help counteract crises. You can find more detailed information on this Programme here:

EMB press release of 2 March 2018

EMB Pressemitteilung vom 2. März 2018

Coalition agreement confirms the importance of dairy farmers and recognises the urgency of action

According to the German dairy farmers' association BDM, special attention is paid to dairy farmers in the suggested coalition agreement – especially in terms of comprehensive grassland management.

Another important message is recognition of the fact that the current safety net for the dairy market is not capable of effectively combating crises. "This can be derived from the statement that measures and instruments need to be developed, in order to ensure better preparedness for future major crises," explains EMB President Romuald Schaber. In comparison to the previous coalition agreement, this is significant progress. Back then, it was still said that one could bank on the effective and reliable safety net of the EU.

"The fact that the need for urgent action is part of the agreement creates a basis on which measures can be created to favour dairy farmers and thus 'breathe new life' into the sector," says Schaber.

The BDM believes that the so-called modernisation of supply relationships is also progress. It is an important step toward an improved market situation for dairy farmers. "Whether this can prove to be a key instrument in dealing with crises is, however, very doubtful," says Schaber, qualifying his opinion. "We are also sceptical about the fact that the coalition agreement does not mention any specific measures to prevent dairy market crises, even though necessary instruments like an early warning system, the possibility of temporary volume reduction, and in extreme cases, temporary obligatory volume intervention in the EU dairy market have been on the table for a while now. Nonetheless, we see the relatively open wording of the coalition agreement as a sign that we can openly and constructively discuss all strategies to avoid milk crises in the future," explains Schaber. Considering current market developments, this is needed urgently. It is key for the new Federal Government – in whichever constellation that might be – to find common ground as quickly as possible.

In addition to many other aspects, this is especially important for the further development of the Common Agricultural Policy as well. "We have to definitely commend the fact that the agreement mentions maintaining EU budget allocations at their current volume, even though the EU has already announced budgetary cuts on many fronts. However, all would be lost if effort is only invested in maintaining budget lines without even sparing a thought for the future role of the Common Market Organisation. Reorienting the Common Market Organisation is the only way for farmers to go back to generating most of their income from the sale of their products. Simply working to maintain aid payments would also imply the total failure of essentially small-scale animal rearing in terms of the necessary investments for animal welfare," warns Romuald Schaber.

Press release by the German dairy farmers' association BDM on 8 February 2018

Lower Saxony: Grazing premium 2018 squandered

It was a tough start for incoming Agriculture Minister of Lower Saxony, Barbara Otte-Kinast. Contrary to the announcement by her predecessor Christian Meyer from the Greens, there will be no redesigned grazing premium this year.

Meyer promoted pasture-based farming last year by creating a compensation subsidy. The idea was to reinstate this aid this year as a more formal grazing premium. According to statements by the ex-Minister, which were confirmed by SPD members, aid to the tune of 30 million euros had already been decided on with the concerned departments. However, we then had early elections. The Ministry for Agriculture went from the Greens to the CDU. The grazing premium was 'lost' along the way. The aid amount was eventually not allocated in the supplementary budget. An oversight?

Livestock farmers were meant to receive 60 euros per cow and 20 euros per sheep or goat in 2018. At this point when there is greater social awareness about animal welfare, which includes cows at pasture, and dairies like Ammerland are trying to introduce their own brand of grass-fed milk on the market, many farmers fail to understand this policy coming to a complete standstill.

Even during Meyer's term, there was opposition in the Ministry to the grazing premium. It was said to be too complicated and too difficult to monitor. There were also clear concerns about cross-compliance violations. The temporary power vacuum post elections and the new incoming Minister created room for manoeuvre that the official machinery was able to expertly manipulate. Now the Ministry is placing itself very clearly against the grazing premium. "When it comes to dairy farming, there are stall-rearing methods that qualify high on animal welfare, even though there is no pasture grazing involved. Simply making a certain amount of pasture time compulsory is not going to effectively improve animal-rearing conditions in dairy farming."

While the Minister explained in her first statement that no funds were available and that the grazing premium could only be financed by drawing funds away from other agricultural and environmental measures, it has now become clear that it is a clear case of diverging priorities. After the Minister mentioned aid payments for the construction of slurry tanks, a spokesperson from the Ministry specifically stated that there were plans for a three-year aid programme with funding to the tune of about 10 million euros per year. Instead of addressing the mid-term goal of land-based animal rearing, this shows that things are going to be business as usual.

Even if the grazing premium is not paid this year, there are, nonetheless, some signs from the SPD and CDU that such a budgetary allocation could be envisaged for 2019. A spokesperson from the Ministry recently confirmed this: An aid programme shall be planned "within the budgetary exercise for 2019 as well as the mid-term financial planning for the following year."

Furthermore, the new Minister of Lower Saxony underlined her support for the grass-fed milk programme: "With the continuation of the grass-fed milk programme, which was initiated by the previous government, dairy farmers, who carry out pasture-based farming and contribute to the maintenance of pastures, shall receive support."

Marcus Nürnberger, German small farmers' association AbL

Milking the farmer – in Ireland and Romania

In 2014, the year before quotas ended, Ireland had 1.13 million dairy cow and Romania 1.18 million. Ireland produced 5.8 billion tonnes of milk and Romania 4.1 billion. By 2017 the Irish herd had grown to 1.43 million and production was an estimated 7.3 billion tonnes while Romania has remained, at least for the first two years after quota, fairly static.

A major difference between the two countries is that virtually all Irish milk is processed by the creameries whereas only 20% of milk in Romania is processed in commercial facilities. The main similarity between the two dairy sectors is in the seasonality of production, in Ireland's case via an extended grazing season, in Romania's as a villager activity.

In the immediate post-communist years there was a surge in small-scale local food processor numbers, mostly dedicated to the production of traditional products. EU funding prioritised larger scale producers, while EU companies moved into the territory. Local producers were not adequately supported, while the situation compounded by the European milk crisis after quota's end.

It is fair to say that the Romanian dairy sector did not make a successful transition from communism or into the EU. The massive fragmentation of land and dairy herds that happened post-communism may have been politically expedient at the time, but it created a woefully uncompetitive industry.

It is interesting to compare the fate of Romania's seasonal milk producers with those in Ireland. Irish dairy farmers have the good fortune to have cooperative-owned primary processors who are obliged to take the milk that their members produce. It has allowed the milk production sector to invest to expand knowing that their milk sales are guaranteed. Whether the buyer is going to be able to pay a price that gives a sustainable, long-term return on investment is, nevertheless, a different matter.

Powdered milk, intervention and butter are the strongest markets for Irish dairy, and it's hard for dairy farmers to make a living in this supply chain. If you do not fit with the processors needs to fulfil consumer-product demand, you lose your sales outlet.

Market and other impacts suggest that both Irish and Romanian dairy farmers are under pressure – in Ireland it is the Irish 'family-sized' dairy farm under threat - it lacks the scale to compete as the primary milk producer of dairy-commodity supply-chains. Worse, they are now inexorably linked to major, once-in-a-lifetime, supply-driven processing investments producing for commodity markets that may never return the farm-gate price that Irish dairy farmers need.

In Romania a commercial milk production sector will develop. However this will most likely be 'European' and non-seasonal. It will produce the milk that processors, be they small or large, want to supply consumer-product markets. The Romanian dairy farmer will evolve – with declining numbers of actual producers - but they will only evolve as the primary raw material supplier of efficient, market-orientated supply-chains.

Summary article of "[Milking the Farmer – from Ireland to Romania](#)" by Stuart Meikle

Oliver Moore, ARC 2020

Intervention milk powder sold at lowest price yet – EMB criticises dumping tactics

At the end of February, the European Commission sold over 4,300 tonnes of skimmed milk powder at a set minimum price of € 110/100 kg. This has been the lowest selling price since the beginning of the tendering process and has been met with severe criticism from European milk producers.

The latest sale at € 110/100 kg clearly contradicts the European Milk Board's call to reduce intervention stocks in a way that will not be detrimental to the market and without selling skimmed milk powder below market value. The largest volume of skimmed milk powder to date – 4,337 tonnes – was rejected in the most recent tendering process. Since December 2016, 6,421 tonnes of SMP have been sold as part of 17 calls for tender. About 380,000 tonnes are still sitting in European intervention storage. The current market price for skimmed milk powder has fallen to €137/100 kg.

"Unfortunately, the powder was not sold but outright dumped – this price is scandalous," says the president of the European Milk Board, Romuald Schaber, outraged by the European Commission's behaviour. "You have the feeling that the Commissioner for Agriculture is trying to get rid of stocks without any concern for the consequences." Dumping milk powder in this fashion is very dangerous considering the current market situation and makes conditions even more difficult for milk producers, adds the president of the EMB. "Even the minimum price of € 215.10/100 kg set in December 2016 does not actually correspond to real production value," continues Schaber. "By steadily reducing the selling price to a mere € 110, policy-makers continue sending the wrong signs."

After a short-lived recovery, milk prices are already showing a downward trend. German and Belgian dairy farmers have reported a price reduction of about 4 - 10 cents in past weeks. With the projected production increases in coming months, Europe's dairy farmers are heading into the next crisis with their eyes wide open.

Sieta van Keimpema, milk producer from the Netherlands and vice-president of the EMB, remains pragmatic. "Agriculture Commissioner Hogan assured us milk producers that the voluntary production cuts instrument continues to be available at EU level. Mr Commissioner, NOW would be the time to follow through on your assurances and to introduce a new volume reduction programme that includes production caps, as proposed in our [Market Responsibility Programme!](#)"

For the EMB it is crystal clear that intervention is ineffective in the face of chronic market instabilities and suppresses future selling prices, thus counteracting market recovery. Instead, production must be aligned with market needs through volume reduction.

EMB press release of 5 March 2018

EMB milk price comparison

Nothing has changed in the extremely difficult economic situation faced by European milk producers – this is shown yet again by the disappointing results from the latest EMB milk price comparison.

In the quarter before the last up to October 2017, producer prices had been lowered by individual dairies only and there were still some who were paying over 40 cents. Since then prices are falling dramatically. In January 2018, almost all farm-gate prices were, once again, significantly below those from three months ago. Many dairy farmers in Germany, France, Netherlands and Italy did not receive the base price of 35 cents/kg milk even once in winter. In Luxembourg, milk prices dropped to an alarmingly low level of 31 cents (for standard values of 4.0% fat and 3.4% protein).

Excluding subsidies and deductions, farm-gate milk prices in January 2018 ranged from 31 cents/kg in Luxembourg to 38.24 cents in Italy (IT-4). However, the removal of the summer subsidy as of November 2017 by the other Italian dairies (IT-2, IT-3) led to a noticeable price decrease to 30 cents or even significantly lower.

The scary developments in the organic milk sector only worsen things: Between November 2017 and January 2018, prices fell by more than 7 cents/kg (-16%).

EMB Milk price comparison (until January 2018)

Karin Jürgens, Farm Economics and Rural Studies Office (BAL)

The EMB milk price comparison is looking to ensure better comparability of farm-gate prices within Europe. The updated calculation model now shows the farm-gate price with and without dairy-specific bonuses and deductions. The standard values have been set at 4.0% fat and 3.4% protein for the same. Monthly calculations are also regularly corrected for subsequent payments.

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European Milk Board ASBL

Rue de la Loi 155

B-1040 Bruxelles

Tel: +32 (0)2808 1935

Fax: +32 (0)2808 8265

Mail: office@europeanmilkboard.org

Document-URL: <http://www.europeanmilkboard.org/https://www.europeanmilkboard.org/english/newsletter-march-2018.html>