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Dear dairy farmers, dear readers,

“One Europe” and the European Parliament

For weeks the EMB has been conducting talks with members of the European parliament. We explained our proposals for a new EU dairy policy. In most cases we organised several talks per day with MEPs from different political groups. These talks are always different and sometimes they even take a rather surprising turn.

The members of parliament are very interested in the proposals of the EMB and most of them have looked into the EMB positions prior to our meeting. Many MEPs integrated the demands of the EMB into their proposed amendments of the Nicholson-report that analyses the milk package of the European Commission. By the end of June the European Parliament will have voted on this report.

It is quite striking that Greens and Socialdemocrats are more open to reforms that would make sure that milk producers can negotiate as equal partners with their buyers while Conservatives and Liberals firmly believe in the effects of the market and that milk producers are well positioned in their cooperatives. A survey by the European Court of Auditors, the European Economic and Social Council, the German antitrust authority and even by the “High Level Group on Milk” that was set up by the European Commission, shows that the milk producers (also members of cooperatives) are in a very weak position compared to their buyers. In the current debate on the Nicholson-report this fact is often ignored by the aforementioned groups. That is why I have suggested to different MEPs whom I have met to commission a study that analyses the position of milk producers in cooperatives and private dairies. The weak points of the system could thus be detected and intelligent and effective changes of the milk package could be made. Several MEPs took a very positive view of this proposal.

As they advocate a liberal entrepreneurship, I actually expected liberal policy-makers to take a positive view on the positions of the EMB. They know very well that only entrepreneurs who have an equal position on the market are capable of negotiating decently. That is why we will continue to organise talks with liberal and conservative MEPs and to explain to them our proposals for the dairy market.

Traditional farmers’ association like to pigeonhole our positions as “green” or “socialdemocratic” because they know that many milk producers cannot identify with these political groups and thus would also not support the positions of the EMB. The proposals of the EMB are, however, oriented towards the market and would provide milk producers with more room to manoeuvre than the milk package of the European Commission that is supported by the traditional farmers’ associations.

If everything stays the same, milk producers will simply be integrated, “contractualisation” is the term that is being used, with contracts that they cannot reject due to their lack of bargaining power. However, if they refuse to sign these contracts, this would mean for most of them that they would their buyer and thus their access to the market and would have to abandon their milk production. This is no freedom. Also not from a liberal point of view. That is why we have to have better pooling possibilities than proposed by the European Commission or the Nicholson report.

Not only the political groups, but also the countries play an important role in these meetings and statements of the MEPs. “One Europe” might be fervently supported in Brussels, but in the buildings of the EU one does not notice this. Every member of parliament tries to do the best for his or her people. We have noticed that members of parliament who

supported a liberalised milk market for a long time and whose countries were then severely affected by the milk crisis, have taken a different stand than MEPs from countries where milk production is still increasing. They all want market stability, transparency, a fair distribution of margins and a stable income for milk producers. It is, however, clear that the current proposals of the milk package cannot fulfil these goals. The EMB representatives explain again and again during their meetings how we can meet the common goals of all countries, because the EMB knows from its daily and extensive cooperation what “One Europe” means.

Sieta van Keimpema, EMB vice-president

France: abusive and unacceptable contracts

By now dairies have send contract proposal to farmers in France. The French Organisation de Producteurs de Lait (OPL) finds that once more these contracts illustrate the imbalance between dairies on one side and individual milk producers on the other side.

As far the the milk volume that has to be delivered is concerned these contracts fix a volume for the period of time from March 31st, 2015 onwards and the reference volume: it's the quotas! Certain contracts do not even envision a margin of tolerance, even though it is mandatory ... as if cows were robots that you can adjust easily. With regard to prices, it was unfortunately confirmed that there will be a dual-price/dual volumes system. All in all the contracts are based on “indicators”, on indices of the French interbranch CNIEL (Centre national interprofessionnel de l'économie laitière) or the regional indices without heeding the warning of the competition authority against “agreements”.

With regard to producer organisation the situation is as follows: some contracts envisions them, others neglect them completely even though the EU and Bruno LeMaire said in the context of this regulation that it was necessary to strengthen the bargaining power of producers and to provide them with the possibility to pool themselves in organisations. One should not forget the role of cooperatives. Should they play a double role as producer organisation and company, even though they are only in charge of collecting the milk and outsourced the value creation to limited companies that keep the added value from producers. Due to the lack of policy to regulate production at the European level the contractualisation could quickly turn out to be a trap for the defenceless producers.

(Extract from an OPL press release)

Smoke billows in front of the European Parliament in Brussels

300 dairy farmers from Belgium, the Netherlands, France, Denmark, Luxemburg, Austria, Ireland and Italy came to Brussels on May 4th, 2011. In front of the European parliament they declared that the Nicholson report and its comments on the milk package of the European Commission is in its current form not suitable to strengthen the position of milk producers on the market. For several minutes the smog of Bengal fires obscured the Place du Luxembourg – a sight to behold and a challenge for the lungs of all participants.

Sieta van Keimpema, vice-president of the EMB said: *“We are here today outside the European Parliament in Brussels to once again hand our demands over to interested MEPs with greater urgency. There is fire in the air – that is the symbol of the crises that are to be expected again in the milk market if the milk producers are not given the opportunity within a basic legal framework to unite in order to have an influence on the milk market and thus achieve fair prices.”*

By presenting members of the European parliament with concrete proposals the EMB delegations showed that there are ways and means to ensure a sustainable EU dairy policy. Adequate pooling of producers in independent producer organisations, no special arrangements for cooperatives and the creation of a monitoring agency to supervise the milk market actively are given priority. The reform of the dairy market must also integrate consumers so that their interest in fresh, high-quality dairy products that are produced sustainably all over Europe is taken into account. Speeches by several members of the European parliament showed that the demands of the EMB are received favourably by the Agricultural Committee.

After the protest in front of the European parliament dairy farmers marched to the European Commission to demonstrate against the very liberal policy of Karl de Gucht, European Commissioner for Trade. Two representatives of the Directorate General Trade met with members of an EMB delegation, but when the issue of dairy contracts and the lack of room for manoeuvre of milk producers were addressed, they took to their heels and left immediately. Global free trade at any price or small-scale farm structures in Europe – the approaches differ tremendously. This should not, however, be about ideologies or policies for individual companies that are interested in exports. We need a food policy for the

European population that is not at the same time harmful to people in other parts of the world. You can find the press release on our successful protest in Brussels as well as the demands that the EMB handed over to the members of the European parliament on our website www.europeanmilkboard.org in the section "Press".

Sonja Korspeter, EMB

Spain: Mandatory milk contracts and milk pooling

Spain wants to introduce mandatory written contracts between farmers and their buyers modelled on the French approach. A legislative proposal of the Ministry of Environment, Rural Areas and Fishery was approved by the government in Madrid. According to this proposal one-year contracts shall not only strengthen the contractual relations and the recognition of producer organisations and the interbranch organisation (INLAC), but also regulate the milk volume that is to be delivered, the exact timeframe for the delivery and the agreed price for the duration of the contract. It will also be possible to conclude fixed or flexible prices with the buyer. In contrast to France (where the regulation entered into force on April 1st) these contracts will be introduced in Spain probably only in six months time. The government wants in any case to wait until the vote by the European parliament on the milk package in June. By the way, the Spanish competition authority that examined the draft several weeks ago has approved mandatory contracts but criticised that producer organisations should negotiate these contracts. The authority suggested to erase this paragraph from the legislative proposal or to postpone its entering into force until the EU milk package has finally been approved. The Organización de Productores de Leche (OPL) was created after a merger of the producer organisations FEPLAC, PROLEC and Ganaderos Unidos and will cover approximately 75% of the entire Spanish milk volume. Fernando Sainz de la Maza, chief executive officer of OPL, says: „Many producers no longer want to accept that they have to deliver their milk without knowing what price they get. Mandatory contracts could theoretically strengthen the position of producer organisations. It remains to be seen how the legislative proposal will be implemented.“ De la Maza remains sceptically. In the coming months OPL will submit an application so that OPL will be recognized as producer organisation and can become a member of INLAC.

Sonja Korspeter, EMB

„The Fair Milk“ is and will be fair

According to the verdict of the district court in Landshut (Landgerichts Landshut) concerning the complaint of the Wettbewerbszentrale in Bad Homburg against the Milchvermarktung Süddeutschland MVS GmbH the product „Die faire Milch“ (The Fair Milk) should no longer be allowed to bear this name, because it would mislead consumers who are under the impression that the „Fair Milk“ is the only milk that is produced fairly. The Bundesverband Deutscher Milchviehhalter BDM e.V. fails to comprehend why such a verdict was reached. The association awaits the court's formal explanation to give its view on the line of argument of the judge. One thing is, however, certain. The BDM will lodge an appeal. If the term „fair“ is under debate, as rumour has it, this will lead to an extensive discussion of the term fairness and many other fair products will automatically come under scrutiny as well.

Different news reports complained that MVS, the company that markets „The Fair Milk“ for BDM, pays its dairy farmers 40 cents only for 25% of the raw milk. Fact is that producers get 40 cents for every litre milk that is sold as „Fair Milk“ – that is written down black on white. That MVS markets other, conventional milk as well, is known and does not whatsoever affect the promise of the Fair Milk.

Fact is that producers have to abide by specific, sustainable standards if they produce the „Fair Milk“ (bee-friendly production, no feedstuff imported from overseas, high percentage of green fodder, no genetic engineering etc.). Another important aspect of fairness is that the price of this product is calculated „bottom up“, that means that the cost-covering milk price for producers is the starting point for the calculation. The „Fair Milk“ differs thus fundamentally from the usual market mechanism of the dairy industry in Germany where prices are calculated „top down“ and milk producers receive only the „remaining money“ (see also intermediary report on the milk sector inquiry of the German antitrust authority).

The BDM is of the opinion that the lawsuit that the Wettbewerbszentrale filed was driven by economic and political interests. BDM also thinks that this lawsuit might trigger a discussion about how to define the term „fairness“.

(Extract from a press release of BDM)

Man MIGHT Milk – Photo exhibition in the European Parliament

From May 23rd – 27th, 2011 the European Milk Board will exhibit in cooperation with Martin Häusling and José Bové, members of the European parliament, the exhibition Man MIGHT Milk. This is the first time that the English and French version of this exhibition will go on display. Georg Häusler, head of cabinet of Dacian Ciolos, European Commissioner for Agriculture, will inaugurate the exhibition officially on May 25th, 2011.

Using the example milk the photo exhibition shows how the EU agricultural policy pursues its strategy of integration on the world market. This “grow or die”-expansion has severe repercussions for dairy farmers in Europe and also in developing countries. Milk is after coffee and tea the most popular beverage worldwide. Cheese, yogurt and curd enjoy increasing popularity as well and are part of a healthy diet.

The photo exhibition shows the daily life and work of dairy farmers in Germany, France, the Netherlands and Burkina Faso. The example of Cameroon also highlights in detail the effects of the EU dairy policy on local dairy farmers and consumers.

Consumers want high-quality food and an environment worth living in. Farmers in Schleswig-Holstein, Normandy and other regions in Europe as well as in developing countries demand fair prices for their products so that they are able to make a living off their work. A small-scale agriculture worldwide needs a socially acceptable agricultural policy and rules for the market!

The debate on the future of agriculture in the context of the reform of the EU agricultural policy post 2013 is conducted by policy-makers, farmers and civil society. It is an opportunity to reorientate this policy!

The European Milk Board, environmental organisations, and development aid organisations in Europe work hand in hand. With the exhibition Man – Might – Milk and other regional events we would like to foster the dialogue between civil society, farmers and politics to discuss the question of how a future-oriented agriculture should be like. Do we want to concentrate on an export-oriented agro-industry in the future or do we want to strengthen small-scale, diverse and regional food production that is adapted to local requirements and supplies us with healthy food?

The Photo Exhibition was created by the Arbeitsgemeinschaft bäuerliche Landwirtschaft (Association for Family Farming - AbL) and Germanwatch as part of the joint project “Jetzt handeln! Klima- und entwicklungsfreundliche EU-Agrarpolitik” (Act now! Climate-friendly and development-friendly EU Agricultural Policy) and is presented in cooperation with their partners Brot für die Welt (Bread for the World) and Misereor as well as the Bundesverband Deutscher Milchviehhalter (Federal Association of German Dairy Farmers - BDM) and the European Milk Board. This project is sponsored by the Federal Ministry for Economic Cooperation and Development (BMZ).

From the beginning of June onwards you can borrow the exhibition for your events. Please contact the EMB office if you wish to do so.

Switzerland: Struggle for a milk production in line with the market requirements

„The interprofessional organisation Milk will get one last chance” stated the Council of States after postponing its decision on the milk market on March 18th, 2011. The wording “last chance” already indicates that since the end of the milk quota system in May 2009 Switzerland has experimented quite a bit with the so-called liberal market. From the point of view of milk producers neither the creation of the interprofessional organisation milk (BOM) nor several programmes to sell surpluses abroad have been successful. The Swiss milk market is unbalanced, butter stocks are increasing by 300 tons/week and milk prices are with an average of 57 Rappen (45 cents; source: SMP; figures for the month of February; 4% fat, 3,3 proteins) way below production costs. The prices paid by the different producer organisations differ tremendously

Interprofessional organisation is incapable of acting

Retail, processors as well as milk producers and milk producer-processor organisations are represented in the interprofessional organisation Milk that is officially recognized by the Swiss government. At their latest meeting the BOM agreed on a milk price increase by 3 Rappen/kg A-milk on April 1st, 2011. Butter stocks are, however, more than overflowing and cheese sales are declining so that it is once more not sure whether the dairies will abide by this decision that does not even affect B- and C-volumes that were introduced by the BOM. The producer organisation Miba, for instance, pays its members from April 11th, onwards 57,8 Rappen/kg milk. That means that it implements the agreed price increase, but that the price is still 10 Rappen lower than the BOM target price of 68 Rappen (53 cents)/kg A-milk and up to 40 Rappen lower than a cost-covering price level. Another measure that was approved by the BOM is the

reduction of the “butter mountain” of currently 8020 tons of butter by means of a fund, financed by producers, that is referred to as “milk support fund” (about 42 million Swiss Francs).

Reaction of milk producers

BIG-M is of the opinion that selling surpluses for a bargain is no solution. The association demands a reasonable production (“Milchproduktion nach Mass – nicht masslos”). An appropriate production, says Martin Haab, president of BIG-M, should be based on fair prices and high-quality value creation channels. Only a regulation of the volume would be an incentive for processors to strive for growth mainly in the high-quality sector.

EMB member association Uniterre also demands that producers should be given the choice to produce only A-milk and that this milk should fetch a fair price of 1 Swiss Franc/litre. Pierre-André Tombez, the president of Uniterre says: “The introduction of a generally binding regulative system for milk producers is essential to regulate volumes in line with the requirements on the market and to negotiate fair prices. This is also a prerequisite for an agricultural policy that enshrines food sovereignty as a basic principle and prevents export dumping. Therefore the milk producer associations BIG-M, Uniterre and SMP continue to talk to policy-makers to obtain framework conditions for a milk production that is in line with the market requirements. Further high-profile activities will increase pressure on politics, industry and retail. By introducing the Fair Milk on the Swiss market consumers shall be given the possibility to opt for fairness while showing politics and milk industry that fair producer prices are possible. Uniterre has already launched a milk brand where producers obtain 1 Swiss Franc per litre sold. This regional project shows: where there is a will there is a way when producers have the power on the market to act.

Sonja Korspeter, EMB

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