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Dear milk producers, dear readers,

It is important that we create alliances with other groups from civil society so that we can promote our interests in Brussels and at the national level better. The EMB is well aware of this fact and has been committed for several months to ARC2010, the "Agricultural and Rural Convention". ARC's goal is a profound change of the agricultural policy. ARC focuses on a sustainable food production as an alternative for the system of aimless intensification that has dominated politics for years. ARC calls on policy-makers in Brussels and in other parts of Europe to pursue the original goals of the agricultural policy and to fulfil the goals of a social, economically reasonable, EU agricultural policy that is oriented towards rural areas. According to ARC the rapid loss of biodiversity, huge income disparities and resulting differences in quality of life of the rural population and other parts of society in Europe as well as the effects of climate change require another agricultural policy (see ARC's website: www.arc2020.eu). ARC focuses on food security, food quality, added value creation of agricultural products, agriculture and the changes that are required to achieve a better, more economic agricultural policy. On November 4th and 5th, 2010, ARC organised a conference in Brussels. European Commissioner for Agriculture Dacian Ciolos delivered the opening statement. Dacian Ciolos was presented with the result of this conference the "**Communication from Civil Society to the European Union institutions on the future Agricultural and Rural policy**" on November 18th. Apart from the EMB more than 70 organisations of civil society in the EU have already signed the report. Within the ARC process the EMB focused particularly on the EU milk policy and presented conditions that have to be implemented as to guarantee milk production throughout Europe. These are key elements of the communication and all organisations of civil society that are involved in ARC agree that they are indispensable! The EMB position that aims at creating a balanced dairy market with cost-covering prices and at preventing the exportation of excess production into the third world for dumping prices was widely supported by ARC members. EMB was able to show other ARC organisations that dairy farmers strive for a sustainable milk production, but they have to have the opportunity to obtain a milk price on the market that covers their production costs for their milk. Special social services that increase the production costs cannot and may not be passed on to farmers, but should be remunerated with premium payments. Of course the EMB does not agree with all details stipulated in the ARC communication, but we have to focus on the wider vision: a better, fair, sustainable agricultural policy. So that milk production throughout Europe is possible. Creating the necessary conditions to ensure the future of milk producers is valuable and important. You will find more information on the first proposals of the EU Commission on the CAP reform in this newsletter. Furthermore you will get to know that the transition from a Dane to a Romanian as European Commissioner for Agriculture has positive effects on the entire Directorate General Agriculture in Brussels. The article on Switzerland shows all too clearly that without effective measures for a volume control by producers the latter have to hope for better days to come. The report from Scotland shows this as well. Contracts are no alternative as they do not take into account the lack of bargaining power of producers. Moreover this newsletter contains articles about the planned merger of several milk producer associations in Spain and the trip of an EMB-delegation to Finland.

I hope that you enjoy this month's newsletter!

Kind regards,

Sieta van Keimpema, EMB vice-president.

Communication of the EU Commission on the CAP reform was published – the innovative proposals of ARC as well

On November 18th, 2010 European Commissioner for Agriculture Dacian Ciolos has presented his proposals for the reform of the Common Agricultural Policy (CAP) during a press conference in the morning. Right after his press conference he was presented with the ARC position paper that outlines the proposals for a future of the agricultural policy that were developed by civil society. Romuald Schaber as well as other representatives of ARC (Agricultural and Rural Convention) submitted this document. In the afternoon of the same day Dacian Ciolos and his proposals had to face up to the committee on agriculture of the European parliament. The EMB welcomes the communication of the Commission on the reform of the CAP as the first step into the right direction.

Its proposals for more justice when it comes to the distribution of direct payments and a focus on environmental and social benefits are positive. Major aspects of the agricultural policy, however, are not mentioned or remain vague. In particular the issue of agricultural and food markets is virtually not dealt with. Romuald Schaber, president of the EMB, says: "The EMB calls for a reasonable approach to food supply management, transparency, strengthening of the bargaining power of farmers, fairness of trade both within the EU and worldwide. Prices that cover the production costs are a prerequisite for a sustainable agriculture in all regions of Europe and a safe supply of the entire population with fresh, high-quality food". This insight should also be reflected by concrete control mechanisms for food and agricultural market in the reform of the CAP and the announced reform of the dairy policy.

The EMB does not only call on the European Commission to be courageous, but also the European parliament and member states to assume their responsibility for a future of agriculture, food and rural areas in Europe and to provide a clear framework for the dairy sector in particular. This includes providing mechanisms for a functioning market with equal partners in the food chain. The documents of ARC and the EU Commission can be found on the EMB website.

Sonja Korspeter, EMB

Switzerland: Hope of milk producers persists

At the beginning of the week representatives of the interprofessional organisation "Milk" (BOM – Branchenorganisation Milch) announced at the fair "Alimenta" that they are close to a groundbreaking breakthrough. This meeting took place on Thursday, October 21st, 2010. Till October 25th, 2010 no press release was issued. BIG-M, however, already knows about the results of this consultation: a segmentation of the milk price will be presented as control instrument for the desolate milk market. The BOM did not, however, address issues such as the creation of a national compensation fund and a volume control. The BOM agreed, based on 3.5 million tons of milk, on the following segmentation: A segment: 3 million tons (85.7%), B-segment: 0.3 million tons (8.5 %), C-segment: 0.2 million tons (5.8%). That means that the BOM wants to do without a fine on milk volumes that exceed the volumes stipulated in the delivery contracts of organisations. That means as well that the BOM no longer cares for a volume control, one of the tasks it is supposed to take care of. The individual farmer cannot decide whether he or she would like to produce B and C milk or not. Such a segmentation would only affect the accounting process and it would not slow down the overproduction in the dairy sector and this means that it is actually nothing other than a hidden milk price decrease! BIG-M cannot accept a solution that would force every supplier to produce cheap milk for the world market. This is a modern form of exploitation as this milk destroys the livelihoods of producers in the 1st, 2nd, and 3rd world. We have to assume that the two representatives of Migros and Coop agreed with this nonsense as well. This is a slap in the face of their consumers who were told that they want to support poorer producers in other countries. Now these high earners are in favour of export dumping. We have already shown them the red card for this foul! Already forgotten? Migros! The public and most media have realised that only a practical volume control can restore the equilibrium on the dairy market. Let us hope that the Council of States comes to this conclusion, too and that a majority votes in favour of the motion Aebi (see EMB newsletter October). Unfortunately the debate has been postponed till spring 2011. The Committee for Economic Affairs and Taxes of the Council of States (WAK – Kommission für Wirtschaft und Abgaben) wants to discuss this issue in January. There is, however, a small ray of light: The WAK has already realised that there are too many cows in Switzerland and wants therefore to reintroduce export supports for cattle exports.

(Extract from the BIG-M newsletter)

Lars Hoelgaard – new tone gives rise to hope

Lars Hoelgaard, deputy director of the Directorate General for Agriculture of the European Commission, is still well-known to the participants of the EMB Congress that took place in Brussels in February 2008. Back then he found strong

words while addressing the milk producers: “You have produced for 23 cents and you will produce for 23 cents, whether you like it or not.” On October 22nd, 2010 Hoelgaard attended the general assembly for the German milk industry association. On this occasion he changed, at least to a certain extent, gear. He said that he had been shocked by the milk crisis and that he came to realise that the market cannot sort out everything. He stated that a minimum of regulation could prevent excesses, and that dairies and producers could benefit if they would agree on volumes. Hoelgaard criticized that the decline of producer prices had not been passed on to consumers. He said that the dairies had obtained the money and not, as many would assume the retail sector. The dairies should give a clear signal to dairy producers for the time the quotas have expired, for instance in form of a dairy quota or a two-price system. The dairies should commit themselves to a volume control managed by the companies. He said that it was impossible that every farmer produces as much as he or she likes. He called an increased production in times of falling prices a “perverse reaction”. According to Hoelgaard the milk market will have to be “regulated to a certain extent” in the future and Brussels would not fund the overproduction any longer. He said that the EU safety net was deliberately placed as low as 18-19 cents. He thinks that the dairy industry, retail sector, consumer and producer organisations are able to regulate the volumes amongst themselves.

Even though Hoelgaard's statements have certainly to be viewed critically, they could hint at a paradigm shift in the approaches of the European Commission. You can hardly believe what you are reading. The actions of the new Commissioner for Agriculture are certainly one reason. But this change of direction can also be put down to the continuous efforts of milk producers, all kinds of activities and meetings where the necessary framework conditions of the market were highlighted again and again. The joint efforts of the EMB bear fruits. Now it is crucial to show clearly how a market regulation in the interest of milk producers for the time after 2015 could be like.

(Summary of an article published in the BDM News)

Sonja Korspeter, EMB

Scotland: market situation, price wars and talks with politicians

Market indicators suggest that farmers should be receiving at least 29 – 30 pence per litre (34-35 cents) for milk whereas the average farmgate price is around 25 pence per litre (29 cents) with many producers receiving less. Worse still, instead of receiving an increase in milk price, farmers are even being ‘conditioned’ into expecting pay cuts over the next few months!

The current marketplace is not working for UK dairy farmers and once again we find ourselves at the bottom of the EU milk price league table. The Farming Unions are still concentrating on fairer contracts but without a strong producer structure, milk buyers know that there's little chance of producers having enough power to negotiate them.

Price wars and protests

The milk price wars in the supermarkets and middle ground markets continue. In two separate protests, David Handley and around a 100 farmers from Farmers for Action (FFA) have brought the main Tesco supermarket distribution depots in the Midlands and the South of England to a standstill. Further protests are planned across the UK over the next few weeks with a mass UK-wide demonstration planned to take place on the 15th December.

Talks with Politicians

Strengthening producer organisations by competition law exemptions would be very important to dairy farmers in the UK and both DFOS and FFA are lobbying politicians to support the EMB draft exemption and relaxation of competition laws. It has never been more obvious that strong producer organisations are needed if dairy farmers are to stand any chance of fair negotiations in the market place.

Doris Robertson, DFoS

France: Voluntary obligatory contributions and mandatory contracts

APLI has been very active over the last months and has organised assemblies throughout France to inform farmers so that they make use of their rights. Farmers in France have to pay taxes for their milk deliveries (1.662€/1000 litres) that is referred to as CVO (cotisation volontaire obligatoire, i.e. voluntary obligatory contribution). The CVO is supposed to be used to fund the interprofessional organisation, but it is actually used to finance advertising efforts for the benefit of the processing industry. The European Commission is of the opinion that this tax is a state subsidy and that it was only in

December 2008 that France started declaring this tax. The CVOs that have been paid before this date are according to the European laws illegal and can be reclaimed. That is why about 1300 farmers have lodged an appeal with the Court in Rennes that will rule in this matter on February 14th, 2011.

The French minister of agriculture Bruno Lemaire would like to introduce gradually obligatory contracts between producers and the processing industry and groups of producers within the framework of so-called producer organisations (French: OP- Organisations de Producteurs). Representatives of APLI and the Office du Lait travelled to Paris to meet with representatives of other farmers' organisations to discuss this issue. There is an urgent need to act since the processing industry tries to impose contracts with two volumes and differentiated prices that are absolutely unacceptable.

Agnès Lemarié, APLI

Trip to Finland – EMB representatives visit Finnish farmers' association

The EMB representatives who travelled to the North of Europe were already looking forward to interesting meetings and talks with their Finnish colleagues before they even embarked on their journey. A delegation of the European Milk Board (EMB) took a flight to Helsinki on November 17th, 2010, to discuss the milk production in Finland and Europe with representatives of the farmers' association MTK (national association of agricultural producers and forest owners). The EMB was not only greeted by the first snowflakes of the year but received a warm welcome from their host, the MTK, as well. This was not the first time that the two organisations meet. Representatives of the MTK already participated as guests in the general assembly of the EMB in June 2010 in Brussels.

Finnish prices are declining

Sami Kilpeläinen, MTK Commissioner for Milk, explained that the situation Finland is shaped by the strong competition between the two processing companies Arla and Valio Ltd. There is a high pressure on consumer prices that influences the producer prices as well. Within one year the latter dropped from 40 to 35 cents. As in the rest of Europe the number of dairy farms in Finland is declining. "Over the last 15 years two thirds of milk producers went out of production. In 1995 there were still 35.000 dairy farms in Finland, nowadays there are only 11.000 of them left; at the same time the average livestock increased to 26 cows" said Kilpeläinen. MTK, that was founded 90 years ago, is politically active and promotes better ways and means for producers to bundle themselves and a volume control. "We have already considered it very important for a long time that the volume does not increase uncontrolled. We need an individual, defined volume that will be delivered and we also need a milk volume control" emphasises Kilpeläinen with regard to the demands of MTK to the European Union. The EMB delegation got to know the conditions of Finnish dairy farmers during their visit and it became again evident that milk producers throughout Europe are in the same position. Moreover the EMB learned that Finland is not only ahead of many of its neighbouring countries in Europe in terms of snowfalls. The social security system in Finland enables milk producers to take 26 days off per year. During this time a state-funded substitute runs the farm.

Silvia Däberitz, EMB

Spain: Merger of associations shall increase the influence of milk producers

Members of PROLEC went to Galicia (North of Spain) for a congress about the situation of agriculture in Spain and the planned reform of the CAP. The main question at this congress was: "How can we achieve a regulate market"? Silvia Rodríguez, manager of PROLEC, explained the next steps of the European Commission with regard to the CAP reform and the latest activities of PROLEC and EMB. Furthermore, Mr. Sergio Calsamiglia spoke about the EMB expert group and the CE High Level Group, in order to explain the National Experts Committee. This committee studies the European dairy market and works on the question of how the proposals of the European Milk Board could be implemented on the Spanish dairy market. With more than 700 producers, veterinarians and representatives of the Spanish administration, the congress was a great success. The dairy farmers were really interested in the concepts of the EMB and PROLEC's activities. PROLEC and EMB are now well known in the North of Spain. At the end of the conference everyone raised their glasses of milk to celebrate that milk is a precious and high-quality product that is needed and has to be revalorized also by fair prices.

Silvia Rodríguez and the several board members will return to Galicia to discuss the merger of PROLEC, FEPLAC and GANADEROS UNIDOS. These three independent dairy farmer organizations want to create a new and stronger milk farmers organisation. Negotiations are still going on.

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