

Dear dairy farmers and interested parties,

The question of what path we should be taking has been taxing dairy farmers for a long time.

Butter prices are higher than ever and butter is in short supply; and then, on the other hand, there are vast quantities of milk powder in the public intervention stocks that nobody wants. Despite high butter prices, income from milk sales in 2017 is still not meeting production costs.

Milk production is increasing rapidly, and has risen by 16% over the past two months in the Flemish Region alone. The fat content of milk from the farms is also rising. How will this pan out? Dairies are already announcing falling milk prices for the end of the year.

What is the European Commission doing? What proposals are coming from the European Parliament and the Council of Ministers? Agriculture Commissioner Phil Hogan plans to avoid buying intervention powder "without good reason" and intends to cut intervention in 2018. There are no new crisis instruments. Hogan also does not want the voluntary production cuts, which have proven to be an effective measure in the EU reduction programme, to become a permanent instrument. However, the European Commission has not ruled out reintroducing production cuts in the event of unforeseen circumstances. In our opinion, a cap on production is necessary, but that is out of the question for the agricultural commissioner. Hogan will probably go down in history as the first EU Commissioner to make warehousing losses.

The members of the EMB Executive Committee have put the last few months to good use; we have organised actions to demonstrate the problem with skimmed milk powder stocks and have sought constructive discussion. Where will the path take us? The European dairy industry seems to be in a good position and the farmers' associations continue to focus on increasing production. However, we milk producers are going through difficult times; our farms, the farmers and their families are facing an uncertain future.

There is only one way out for us: the EMB's Market Responsibility Programme, which provides for cutbacks in milk production in times of crisis. We will continue to stand up for prices that cover costs, fair remuneration and the survival of our family businesses. If the situation requires, we are also ready to drive our tractors back into the capital of the EU. We made this clear to the President of the European Commission Jean-Claude Juncker and Agriculture Commissioner Phil Hogan at our last action on 26 October in Brussels.

Erwin Schöpges, EMB Executive Committee member and member of the Milk Producer Interest Group (MIG), Belgium

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Stripped to the bone - higher butter prices do not end misery in the dairy sector!

Stripped to the bone, standing in front of the European Commission in the middle of mountains of milk powder – the dairy cow that provides milk to Europe's citizens. Around her fly the flags of many European countries, held by farmers who collect this milk on a daily basis. They as well have been shaken by the constantly recurring dairy crises. In spite of the current high butter prices, the dairy sector remains in its chronic poor state **because the Common Agricultural Policy (CAP) lacks a mechanism to prevent crises.**

The frequency of crises in the sector is alarming and has not only driven many farms out of business in recent years, but has also severely destabilised the farms that continue their activity. As Sieta van Keimpema, vice president of the European Milk Board (EMB), reports, forced cuts are usually made at the cost of animal welfare – read: lifespan – as well as the farmer and his family's living and working conditions. "It is an impossible situation for the last link in the milk production chain, which has received no consideration in policy to date. Major distortions in competition on the dairy market have, for many years, led to prices that are significantly lower than inherent production costs," says van Keimpema.

A recently published study, which calculates milk production costs in five key milk-producing countries, documents this deficit. Even so-called "better years" were unable to compensate for these losses: since 2012, the annual average deficit in France has been 21 percent, in the Netherlands 23 percent, in Germany 22 percent, in Belgium 24 percent, and in Denmark 17 percent.

Please find here more information on this international study carried out by BAL (Office for Agriculture and Agricultural Sociology)

To be very clear: farmers are not asking for subsidies to produce milk. What they need is a mechanism that would finally safeguard the sector from further hard-hitting crises. A mechanism that is flexible enough to allow growth in the sector and could also cater to increasing demand. **This mechanism must be legally anchored in the CAP.** As the past has clearly shown, the absence of such provisions means that reactions come too late and even then, often lead to nowhere.

The specific proposal is to complement the Milk Market Observatory with a permanent mechanism that could temporarily limit or reduce production in the event of crises.

Please find here more information about the crisis mechanism – the Market Responsibility Programme

Exploitation in the dairy sector can be stopped and the chronic difficult, painful times can be curtailed if a legal provision in the CAP were to sustainably regulate voluntary production cuts in the future.

EMB press release of 26 October 2017

Butter shortage: fact or fiction?

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milk powder. Where did all that cream go?

The French dairy farmers' association OPL would like to point out that due to overproduction in recent years, the EU has created a stockpile of skimmed

Could it mean a total lack of foresight on the part of our collectors (private or cooperative)? Or our politicians? Or is it a move to streamline the supply chain by ruining numerous producers, so as to increase margins for processors at the expense of the consumer and the producer?

Thirty years ago, butter was seen as a health risk, so producers were asked to make their milk lower in fat. Today it is being praised for its health benefits, leading to an explosion in global demand, which explains the surge in butter prices (+170% in 20 months). As a result, consumers can no longer find butter on supermarket shelves, yet paradoxically, cream which is needed to make butter, is not lacking.

In parallel, farm-gate prices continue to be low, and do not cover production costs, which amount to EUR 410.2/1000L in France. Large and medium-sized retailers are rejecting price increases on the grounds that the contracts were negotiated in February. Collectors are turning to more profitable markets and are not respecting delivery contracts. To begin producing fat again today would have a cost, but remunerative prices (not premiums) are still required. The butter shortage will not be resolved by mass terminations. It is also important to note, that producers who deliver one litre more than the terms of their contract will pay penalties. The situation is compounded by the impact of the European butter futures market in Leipzig and the low price of skimmed milk powder, which leads to an increase in deliveries on the cheese market. Butter accounts for 20% of milk collection in France, 11% for industry and 9% for mass consumption.

For the OPL, this shortage brings to light the failings of a CAP at the service of ultraliberal ideology, which is no longer able to fulfil its primary objectives: to provide European consumers with quality food, in sufficient quantity, while ensuring that the producer is paid.

Sophie Wieme, Organisation des Producteurs de Lait (OPL), France

Fair milk for West Africa

From 21 to 25 October 2017, we went to Ouagadougou (Burkina Faso), where we participated in the three-day conference "72 Hours of Local Milk". One of the projects that were looked at was the Fairefaso project, which guarantees a fair milk price to Burkinabe milk producers and serves as a quality label.

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This project was set up around a year ago with the support of the Belgian organisations MIG, Faircoop and Oxfam, and has already been successfully rolled out in three micro-dairies.

On day one of our visit we attended the General Assembly of the UMPLB (Burkina Faso Micro-Dairy Association). This association brings together 48 micro-dairies, each of which are supplied by 40 to 50 producers. The processing volume is somewhere between 100 and 300 litres a day per dairy.

On day two, the focus was on exchanges between individual countries. In addition to Burkina Faso, Senegal, Mauritania, Mali, Chad, Nigeria and Belgium were also represented. Political demands were addressed to national governments, ECOWAS (Economic Community of West African States) and the EU. The main topic was the mass exports of skimmed milk powder enriched with vegetable fat (palm oil) being dumped on the region of West Africa.

Another topic was the introduction of Fair Milk in other countries. Senegal ("Fairesen") and Mauritania ("Fairemau") will soon be rolling out their Fair Milk programmes. This was the first time that such an international exchange had taken place amongst dairy farmers.

On day three, the conclusions and demands were set down in a resolution signed by all participating states, which was presented and explained to the public, political representatives and the media.

On day four, the day of our departure, we had the opportunity to visit a dairy farm in Koudougou, 60 km away. It currently processes 120 litres per day of pasteurised yoghurt, milk and butter.

To conclude, I am happy to say that this was a truly fascinating and memorable experience for me. We got to know people from a different culture and a completely different environment. We were motivated even more by the efforts and the commitment shown by local leaders. It will certainly be exciting to see how this movement continues to develop. The future belongs to milk producers, if we only take our destiny into our own hands.

Daniel Hick, Milk Producer Interest Group (MIG), Belgium

Closing declaration of 72h of local milk

On 22, 23 and 24 October 2017, we, the representatives and allies of local milk producers and processors from Burkina Faso, Mali, Mauritania, Niger, Senegal and Chad, met at Ouagadougou with our fellow producers and friends from Belgium and France to share our experiences and analyse the challenges faced by the dairy sector in West Africa.

These exchanges have shown that local milk plays a key role in ensuring food security in homes as well as in social systems in the Sahel and, furthermore, that a dairy sector based on the collection of local milk presents huge economic potential.

The experiences derived from the FaireFaso brand and the cooperation between producers and processing facilities from different countries have demonstrated the potential of existing initiatives to live up to the development challenges in the sector, from production to sales. Local milk can respond to the two-fold challenge of satisfying consumer demand and increasing producer income.

In order to capitalise on this potential, we, the participants from Burkina Faso, Mali, Mauritania, Niger, Senegal and Chad are focusing on the following demands:

AT NATIONAL LEVEL

We call on our States and their services to concentrate resources on increasing the capacity of existing production and processing facilities based on local milk.

We call on our States to provide VAT exemptions for products made from local milk.

AT REGIONAL LEVEL

We call on ECOWAS and our States to include mini-dairies and existing models of local milk collection and processing in their offensive strategies regarding the dairy sector.

AT EUROPEAN LEVEL

We demand an end to mass exports of skimmed milk powder and milk powder enriched with palm oil, which hamper the development of the local dairy sector and threaten local food systems by flooding our countries with low-cost products of inferior nutritional value. We call on you to control overproduction within the European Union because it destroys our potential for development while at the same time, endangers the farms of many of our fellow producers and friends in Europe.

To conclude, we reiterate our willingness to continue discussions to outline common strategies, shared by the West African countries and our European allies.

Signatories: UMPLB, IPROLAIT, AREN, ROSA, MIG, FENALAIT, FENAFILS, RBM

Ouagadougou, October 2017

Powder-spraying action: closing rally outside the State Chancellery in Munich

On 9 October, the demonstration involving some 500 dairy farmers and 200 tractors was the conclusion to the German Dairy Farmers' Association BDM nationwide "Milk Powder Tour". From late August, German dairy farmers had carried out various campaigns to illustrate the consequences of the inadequate safety net for the EU milk market.

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Besides considerable financial losses for the dairy farmers, huge milk powder mountains have built up, hindering the urgently needed faster and more manifest recovery in farm-gate prices for milk.

The dairy farmers illustrated this insane policy again in Munich with a powder-spraying campaign, in which several sacks of milk powder were blasted by a blower high into the air outside the State Chancellery. The dairy farmers' key demands were: during the crisis curb milk surpluses instead of storing excess volumes, and ensure the milk powder mountain is demolished in a way that does not damage the market!

Other representatives of development aid organisations stressed in their speeches that exporting cheap milk powder to third world nations threatened the livelihood of smallholders there, and was also hugely detrimental to farmers here.

BDM President Romuald Schaber was insistent: "The EU safety net must now be extended whilst the market is still recovering. If the market slides again, there will be new losses, posing a massive threat to the already hard hit dairy farms. Effective crisis instruments that can help the market recover must then be in place, ready to implement."

Key Issues Paper – BDM's Expectations for the New Federal Government

As part of the ongoing exploratory talks on the formation of a new federal government, we have informed the members of the exploratory committee of the commitments that must be met vis-à-vis dairy farmers, and which should be laid down in the new coalition agreement. The focus is on the design of the common market organisation (CMO) and thereby on the extension of the EU dairy market safety net to temporary multidisciplinary measures in the event of market crisis. The need to improve the market position of dairy farmers and further development of the post-2020 Common Agricultural Policy must also be addressed. Special consideration should also be given to the specific contributions of livestock farmers and, in particular, dairy farmers, to maintaining the vitality of rural areas.

Johannes Fritz, BDM

Unfair trading practices: Consultation to improve the food supply chain

In mid-August, the European Commission launched a consultation to improve the food supply chain. It calls on farmers, citizens and other interested parties to provide their opinion in an online questionnaire by 17 November 2017, on how the food supply chain can be made fairer.

EU legal framework to curtail unfair trading practices

Today, over 20 EU Member States have specific national legislation to curtail unfair trading practices, in addition to numerous voluntary rules that have been implemented at both national and European level (e.g. the Supply Chain Initiative). The results are quite sobering: Farmers, who are the weakest link in the food supply chain, continue to face unfair trading practices. As in the past, there is no harmonised regulatory framework with respect to unfair trading practices at EU level. The European Commission is looking to use the results of this consultation to determine whether EU legislation is required to combat

unfair trading practices.

The consultation is based on the work of the Agricultural Markets Task Force, which was set up by Agriculture Commissioner Hogan in January 2016. The Task Force proposed a range of concrete measure to strengthen the position of farmers in the food supply chain. The Commission wishes to build on this work and consult the public on three aspects related to the position of farmers in the food supply chain: unfair trading practices, market transparency and producer cooperation.

The European Milk Board has already participated in the consultation. In our opinion, competition distortion and unfair trading practices currently characterise the sector and are especially detrimental to the actors at very first stage - dairy farmers.

[Online consultation to improve the food supply chain](#)

Regina Reiterer, EMB

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