

Dear dairy farmers, dear interested parties,

October was an eventful month for the European dairy sector, but also for Europe as a whole. Brussels saw very intense debates on the new European Commission and Brexit.

A no-deal Brexit by the end of October was averted for the time being, with the prospect of an extension and a potential new deal between the British government and the EU. Nonetheless, uncertainty for farmers remains as heads of state and government are sitting out the Brexit problem and have only postponed it until the beginning of 2020. In the meantime, the new European Commission is taking shape with most of its Commissioners being confirmed. However, three Commissioner positions still need to be filled, which will delay the handover between the outgoing and incoming Commission by at least a month until December.

The 6th International Fair Milk Conference brought together the dairy farming community on October 12 in Libramont, Belgium. The Belgian Fair Milk *Fairebel* celebrated its tenth anniversary on this occasion. During the conference, European and African Fair Milk countries presented their achievements and plans for the future. In addition to Burkina Faso as Fair Milk country, representatives from four other African States also took part in the event. To mark its work to promote cooperation between the EU and Africa, the EMB interviewed Member of European Parliament Maria Arena who is part of the delegations with Africa and the ACP countries. It is the first in a series of interviews that the EMB will conduct with Members of the European Parliament.

Our newsletter also provides information on national dairy markets and political developments in several European countries. In Ireland, farmers rejected the new 2020 Government Budget that ignores the imminent effects of a hard or no-deal Brexit on the sector. Latvia presents its latest dairy sector figures, where production volumes are stable, but the number of cows and herds is declining, and milk prices continue to be low. The EMB also reports on the latest figures for the German dairy sector, where prices only cover 77% of production costs.

I wish you a pleasant reading of the November issue of the EMB newsletter.

Pat McCormack, President of the Irish Creamery Milk Supplier Association (ICMSA) and EMB Board Member

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International Fair Milk Conference: From Europe to Africa

The 6th International Fair Milk Conference taking place today is a truly special event: for the first time, dairy farmers from Africa and Europe have come together to celebrate successful projects promoting milk production. By awarding the Golden Faironika, they also expressed special thanks to policy-makers, journalists and colleagues for their exceptional commitment to

fairness.

Here you have the Fair Milk *Fairebel* in Belgium, making history for 10 years now with fair milk prices for local dairy farmers. There you have *Fairefaso*, a farmers' milk brand that has been successfully brought on the market by producers in Burkina Faso, in West Africa. Add to that fellow dairy farmers from *Austria, France, Germany, Italy, Luxembourg* and *Switzerland*, as well as *Mali, Niger, Senegal* and *Chad* who have successfully fostered a strong spirit of solidarity not only with consumers, but with each other as well. All of this is part of the Fair Milk story, which began in Austria in 2006 and is being

collectively continued today in Libramont.

Erwin Schöpoges, EMB President and person in charge of the Belgian Fair Milk project – the hosts of this year's international conference, is a convinced supporter of the idea as well as its practical implementation. "If as a dairy farmer you see that your own sector and colleagues are constantly under pressure, that economic survival is practically impossible, then you will want to and must take action together. Ten years ago, we decided to join the EMB's Fair Milk project in Belgium. It was a good decision." This decision is bearing fruit and developing further. "We want to act fairly within Europe and beyond as well, which is why we have now started cooperating with *Fairtrade Belgium*. This means that in the future, our chocolate milk drinks will be made from Fair Milk as well as fairly-traded cocoa."

Golden ally

At today's awards ceremony within the context of the Fair Milk Conference, the Golden Faironika – the dairy farmers' award – was presented to citizens and institutions that have made special contributions to fairness and sustainability. The newspaper **Politico** was one of the recipients of this honour for its diligent research and reporting. **Member of European Parliament Maria Noichl** was awarded this amiable golden cow for her commitment to creating a crisis-proof dairy market. The trophy was presented to **Swiss dairy farmer Werner Locher** by his colleagues for his tireless political engagement and his strong support for fair, cost-covering milk prices. **Former Federal Minister for Agriculture Willy Borsus**, who has worked hard to ensure that Belgian dairy producers receive a cost-covering price including a fair income through their membership of Faircoop, was also honoured. The Golden Faironika was also awarded to dairy farmers **Herman Vissers from Belgium** and **Adama Ibrahim Diallo from Burkina Faso** for their outstanding commitment. The **Luxlait dairy** received the award for being a reliable partner to Faircoop, the Belgian Fair Milk cooperative. Lastly, the Golden Faironika was also presented to **Agricall**, an organisation that has supported farmers and their families for years.

According to EMB Vice-President Sieta van Keimpema, the Fair Milk project, and the resulting cooperation between dairy farmers across countries and continents, sends a very important positive message. "Not everyone against everyone, but together *for* something. This is what dairy farmers have put into practice in recent years through Fair Milk as well as through their joint political efforts, and with consumers as well. Striving together *for* cost-covering prices, *for* a decent living for hard-working dairy farmers, has made all of us rise to the occasion." Now it is just up to a few decision-makers at EU level to do the same, to step up and to finally implement the **Market Responsibility Programme (MRP)** to bring stability to the dairy sector.

What will the future European Commission look like?

The European Parliament has confirmed most future EU Commissioners but rejected three designates. This will delay the inauguration of the new European Commission until at least December.

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European Parliament hearings

During the first week of October, the European Parliament organised hearings with the Commissioners-designate nominated by the EU Member States to join the new European Commission headed by Ms. Ursula von der Leyen. During three-hour hearings, candidates had the opportunity to demonstrate their ability to lead the EU administration.

The candidacy of Agriculture Commissioner-designate Janusz Wojciechowski was first questioned after Members of the European Parliament in the Committee on Agriculture complained that his replies were vague and incomplete. Only after two rounds of written questions and a second and last hearing did the political groups finally confirm that the Polish national will be the next Commissioner for Agriculture. Wojciechowski said that his main priority will be to complete the revision of the Common Agricultural Policy and activate transitional measures to ensure that payments to farmers are not interrupted. He added that he is open to discussions with the European agricultural sector and wants to sustain family farming.

Frans Timmermans was confirmed without much difficulty as First Vice-President of the European Commission. In this role, he will be responsible for the European Green Deal. He will coordinate the work of a group of Commissioners, including the services of the Commissioners for Agriculture and Environment. During his hearing, he committed to going beyond the EU's current greenhouse gas reduction targets. He announced ambitious reduction targets of 50 to 55 percent by 2030, compared to EU emissions levels in 1990. He said that agriculture will also have to make an effort to reduce emissions. He stated that these objectives will be reflected in the Commission's future "Farm to Fork" strategy.

Phil Hogan, the current Commissioner for Agriculture, was confirmed as the next EU Commissioner for Trade. He claimed that he will fully enforce the sustainability aspect in international trade. However, this seems questionable, when one considers that during his current mandate he had set different priorities when concluding the new free trade agreement with Mercosur. Despite a significant increase in deforestation and the use of pesticides in the South American block, Hogan did not follow an ecological approach here. The Irish Commissioner might also encounter some difficulties when the second phase of the Brexit negotiations is due. As Trade Commissioner, it will be up to him to conclude a new trade agreement with the United Kingdom.

The inauguration of the new European Commission is delayed

The European Parliament rejected three Commissioner candidates: Sylvie Goulard from France (Internal Market), Rovana Plumb from Romania (Transport), and László Trócsányi from Hungary (Neighbourhood and Enlargement). Therefore, three new candidates now have to be appointed by Parliament. This means that the new Von der Leyen Commission will not be able to take office on November 1 as planned, but will be delayed by at least a month. In the meantime, the current Juncker Commission will remain in place.

Nicolas de la Vega, EMB

Interview with MEP Maria Arena

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farmers from both continents.

The European Milk Board had the pleasure to ask some questions to MEP Maria Arena on 17 October about EU-Africa relations and their impact on

The Belgian Socialist was re-elected for a second term and shoulders high responsibilities as Chair of the Subcommittee on Human Rights, member of the Committee on Foreign Affairs, and member of the Delegation for relations with the Pan-African Parliament and the Delegation to the ACP-

EU Joint Parliamentary Assembly.

Where do you see cooperation between Africa and the EU in five years' time, especially in the agricultural sector?

Africa is a key partner for Europe for a range of geographical, political and economic reasons. But I believe that we need to fundamentally rethink the EU's relationship with Africa, while maintaining mechanisms to support the continent's social and economic development. We must rethink our agricultural policy and, above all, stop trying to impose our model of industrial agriculture on the rest of the world, especially Africa. Trade relations with Africa must take into account the fact that agriculture is not only a question of exporting goods. It concerns local people, biodiversity and fragile balances within communities (herders/farmers) as well as the use of resources. Agriculture is dominated by a few multinationals, while it is much more than that. I therefore believe that this sector should be excluded from all trade agreements.

Can both continents prevent a race to the bottom in terms of social protection and the environment?

Yes, but it requires the political will of both parties and today there is none, either in Europe or in Africa. We must build a new model together for the well-being of all and not continue with the current model, which is exhausting farmers from both north and south; in the south, people are starving and in the north they are becoming poorer, while a handful of multinationals reap the benefits.

Increased exports of skimmed milk powder to West Africa are endangering the livelihoods of African farmers. What can the EU do about this?

First, we need to understand the mechanisms in place. Who does what in what proportion and with what product? Second, it is important for countries that are victims of these practices to protect themselves by prohibiting the entry of this type of product into the country. Because they are of little nutritional value, they harm local producers with knock-down prices and they promote the use of palm oil, the main driver of deforestation. For all these reasons we must condemn these practices. I am also campaigning for an international treaty, which is currently being discussed by the UN. The aim is to prosecute companies that act problematically for their violations of human and environmental rights. Today, impunity prevails. I hope that African governments will support this approach in the interest of their populations.

Do you have any advice or a message for European farmers?

Yes, their struggles are identical to those of farmers in the south, including those in Latin America and Asia. Today, the survival of family farming, of smallholdings, against the agribusiness juggernaut is at stake. More fundamentally, agriculture must be put back at the heart of the social and environmental challenges of the twenty-first century to ensure the sustainability of our production and consumption.

Ms. Arena, we would like to thank you for this interview.

Nicolas de la Vega, EMB

Fair Milk in Switzerland

*The European Milk Board (EMB) and Fair Milk have been inextricably linked since the foundation of our association. On the one hand, there is **Fair Milk** as a political message. At demonstrations or meetings with policy-makers, we repeatedly stress the goal of a cost-covering milk price including a fair income for the producer. And then, of course, there is the farmers' **Fair Milk** available in local stores in seven European countries and one African State.*

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Instead of simply listing the countries in a brief overview, we would like to start with the current newsletter a series of articles on **Fair Milk**. We will start with Switzerland, the youngest member of the Fair Milk family. In the upcoming newsletter editions, one article will be dedicated to each country, providing an overview of their respective **Fair Milk** projects.

Fair Milk in Switzerland

Swiss dairy farmers operate in very difficult market circumstances: milk prices are always under pressure and the repercussions are statistically plain to see. Every day, three farms close their doors forever.

The idea of Fair Milk interested us from the very beginning. In 2017, we were able to launch *Di fair Milch – Säuliamt*, a regional Fair Milk sold in the 12 VOLG shops in Affoltern, a district of Zurich. Together with 43 dairy farmers from the region, we founded the cooperative *Faire Milch Säuliamt*.

Later, in 2019, the cooperative *Lait équitable* launched the brand *Faireswiss*, which also stands for fairness for producers.

For us, "fair" means that farmers receive a milk price that covers their cost of production. This cost includes wages for the dairy farmer that are comparable to incomes generated in other sectors of the economy. "Fair" also means prioritising animal welfare. The cows are either kept in loose-housing barns or have regular access to outdoor pastures.

In December 2017, the cooperative *Faire Milch Säuliamt* launched pasteurised milk, where the natural composition is kept untouched. In response to repeated requests from consumers, the cooperative also started selling semi-skimmed milk (with 2.5% fat) in October 2018.

Under its brand *Faireswiss*, the cooperative *Lait équitable* sells UHT full-cream milk as well as five soft cheeses since September 2019.

These pilot projects have proven that a large section of the population is willing to pay more for milk products when it leads to farmers receiving a fair milk price.

Further information at www.di-fair-milch.ch and www.faireswiss.ch

Werner Locher (BIG-M, Switzerland) and EMB office

France : criticism of "Egalim" law

The law on the balance of trade relations in the agricultural and food sector and healthy, sustainable and accessible food for all (the "Egalim" law) was passed on 2 October 2018. A year later, it has left a bitter taste in the mouths of producers. Problematic practices further down the supply chain, by

supermarkets in particular, have not changed.

As predicted by the Coordination Rurale farmers' union, neither the law nor all the fine promises has delivered an uptick in farmers' incomes. The study by the Commission of Inquiry on the situation and practices of supermarkets chains in their business relations with suppliers has provided us with a clearer picture of the past year. In this report, deputies acknowledge that the law they approved last year is ineffective. However, they fail to understand that as long as we import at low cost (by signing free trade agreements) our prices will remain low, and farmers will always fall under the constraints of the

competition authority.

The context of the dairy sector:

The Egalim law raised many expectations amongst dairy producers, who had seen their farm-gate prices fall while distributors' prices continued to rise. For many years now, manufacturers and distributors have been upping their margins, even when their suppliers are in crisis!

The report of the French farm prices and margins observatory (OFPM) to Parliament, published every year, breaks down the price structure of the main dairy products and provides information on price trends. The example of UHT milk, which is the least processed farm-gate product, and is therefore not strongly affected by cost variations, is telling. The consumer price rose from €0.59 per litre in 2001 to €0.80 per litre in 2018, **an increase of 36%**. This increase in revenue has, logically, been shared across the supply chain, but in such a way that it is heavily skewed towards certain links in the chain! Thus, between 2001 and 2018, **supermarkets increased their gross margin by 100%**, manufacturers by 68%, and **producers saw prices fall by around 12%**! The period from 2014 to 2017 is particularly revealing: the price paid to producers has fallen by 41% while the margin for manufacturers has increased by 32%, and for supermarkets by 45%!

Alexandre Chédeville, OPL – Coordination Rurale

“We expect Federal Agricultural Minister Julia Klöckner to press Berlin and Brussels for urgent changes in the agricultural market policy.”

On 22 October, farmer protests took place in many regions of Germany. In many places, tractors brought traffic to a standstill. The Federal Association of German Dairy Farmers (BDM) issued a press release about the protests, calling for urgent action on the agricultural sector.

"The Federal Association of German Dairy Farmers (BDM) feels that far-reaching changes are needed, but they must be feasible and, above all, financially viable," explained BDM Chairman Stefan Mann. "We are mired in ever more complex regulations and requirements, which leads to considerable expense for us, ramping up cost pressures and, in some cases, creating conflicting objectives. It is time for us to take a more categorical approach to the way we think and act. We can no longer accept a "business as usual" scenario. We must tackle the problem at the root. We must move away from an agricultural market policy designed primarily to make the food industry internationally competitive by supplying it with cheap raw materials," continued Mann.

The resulting cost pressures demand greater efficiency, more intensive farming methods, and an ever-increasing concentration. This has negative consequences, which are now being mitigated through the introduction of regulations.

"This approach is comparable to a doctor who only supplies his patient with painkillers instead of treating the cause of the pain," argued Stefan Mann. "The problems will never be solved with more stringent requirements and higher production standards. They add to cost pressures for farmers, forcing them to be ever more efficient. We must break this vicious cycle, which has already led to the closure of thousands of farms. We need to be able to sell our products at a profit to make our farms financially sustainable and to introduce much-needed changes for the conservation of our environment, climate, and nature, and for animal welfare standards."

We expect Federal Agricultural Minister Julia Klöckner to press Berlin and Brussels for urgent changes in the agricultural market policy. The EU's Common Market Organisation must be developed to strengthen the market position of farmers. This should also include curbing the anti-competitive practices and market dominance of the buyers of our products so that we may receive cost-covering prices that reflect the true value of our products. Free-trade agreements such as the Mercosur Agreement must not be signed as long as they undermine the requirements and standards that apply to European and German farmers.

BDM press release from 22 October 2019

Gap between production costs and milk prices in Germany is widening

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The quarterly cost figures for Germany are available and show that only 77% of production costs were covered in July 2019. Even though production costs fell slightly in July, the farm-gate milk price also fell to below 34 cents.

Production costs amounted to 44.28 ct/kg in July; however, producers only received 33.99 ct/kg for their product. Producers thus lack 10.29 ct/kg to cover their costs. These figures come from the German quarterly cost studies published by the Farm Economics and Rural Studies Office (BAL). The Milk Marker Index is converted to a new base year every five years. The MMI calculations for the 3rd quarter of 2019 published on 15 October 2019 were converted to the base year 2015=100. The calculations were adjusted

accordingly.

Evolution of milk production costs in Germany

[Here](#) you have the evolution of milk production costs in Germany from 2009 to July 2019.

Price-cost ratio (shortfall)

The price-cost ratio illustrates to which degree milk prices cover production costs. In July 2019, producers only recovered 77% of their production costs from the milk price; the shortfall was thus 23%.

Here you see the cost shortfall since 2009.

Milk Marker Index (MMI)

The Milk Marker Index represents the evolution of milk production costs. In July 2019, the MMI was at 107 i.e. production costs for German dairy farmers had risen by 7% as compared to the base year 2015=100.

Here you see the evolution of the Milk Marker Index over time.

Study on milk production cost in six key milk production countries

Cost calculations are regularly carried out in Germany but also in five other countries. They as well clearly show that milk producers are not paid cost-covering prices.

New: The calculations of milk production costs in Belgium, Denmark, France, Germany, Luxembourg and the Netherlands for 2017 are now available. You can find the study [here](#) (in English).

A chronic shortfall between production costs and milk prices – What is the solution?

The European Milk Board promotes a legally-anchored crisis instrument to counteract the chronic cost shortfall. The Market Responsibility Programme (MRP) observes and reacts to market signals by aligning production.

[Here](#) you have a short description of the EMB Market Responsibility Programme.

Background: Commissioned by the European Milk Board and Germany's MEG Milch Board, the Farm Economics and Rural Studies Office (BAL) started compiling comprehensive data on milk production costs in Germany in 2012 for the study entitled "What is the cost of producing milk?". The calculation is based on data from the EU Farm Accountancy Data Network (FADN) as well as the Federal Statistical Office (Destatis), and has been updated every quarter since 2014.

[Download data sheet here](#)

EMB press release of 15 October 2019

Situation of the Latvian dairy sector

The Latvian Agricultural Organisation Cooperation Council reported a small increase in milk production and a considerable decrease in the number of cows and herds.

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Milk deliveries

Raw milk deliveries in Latvia in the first nine months of this year were of 600,626 tonnes, which is an increase of 0.4% compared to the same period in the previous year. A similar trend can be observed for the entire European Union (EU), where raw milk purchases by July 2019 increased by 0.2% compared to the previous year. In September 2019, the volume of raw milk delivered in Latvia was 69,756 tonnes, which is an increase of 1.5% compared to September 2018.

Number of dairy cows

Meanwhile, the number of dairy cows continued to steadily decline this year. In September 2019, 142,190 milking cows were registered in the country. This represents a decrease of 4.3% compared to September 2018, when there were 148,641 milking cows. Similarly, milk for processing came from 126,709 dairy cows in September this year. In September 2019, 13,543 herds were registered in Latvia, which is 10.7% less than in September 2018. Milk for processing was delivered from 6,620 herds in September this year. This is a decrease of 5.9% compared to the 7,034 herds for the same month a year ago.

Milk price

The farm-gate price for raw milk in Latvia in August was 283.7 euros per tonne, which is 0.2% less than the previous month, when the price amounted to 284.4 euros per tonne. The price continues to be low, but is 1.4% higher than in August 2018.

Krista Garkalne, Latvian Agricultural Organisation Cooperation Council

Irish farmers criticise the 2020 Government Budget

@ ICMSA

The Budget for 2020 lays out expenditure, revenue, taxation and financial projections for the coming year. It is already apparent that the 2020 Budget is a profound disappointment to the agri-sector in general, and farmers in particular, with no sense of urgency around the multiple threats facing Irish

farming.

In a normal year, Irish farmers could deal with an underwhelming Budget and get past it. But where we stand now – mere days from the Brexit cliff and still without any agreement in sight – the lack of urgency and detail on farming will be profoundly shocking to the Irish Creamery Milk Supplier Association (ICMSA) membership and the wider rural economy. For a start, where is the reference to current Brexit-related losses? It would appear the Irish Government has decided to let family farms take the hit on this, which is completely unacceptable. The announced Brexit Aid Fund would specifically only be available in the event of a "No Deal", but this is not sufficient. ICMSA is very concerned that there is not a single specific reference in the 2020 Budget to our valuable dairy exports and the potential impact in the event of a

No-Deal Brexit.

Our Association has consistently highlighted the challenge of income volatility on family farms and the need to introduce policies that mitigate the destructive capacity of excessive falls or rises in milk prices. But yet again this has been ignored in the Irish Budget, where continuing inaction on the matter is leaving family farms without any capacity to plan ahead and is undermining their very future. This is the perennial problem – our Governments acknowledge that ruinously sharp price and consequent income swings make it impossible to plan on a year-to-year basis, but then fail to introduce the financial tools that are needed to address this. It is a recurring defect in Ireland where everyone acknowledges an obvious problem but no-one – particularly in Government – will take responsibility for dealing with it. We could learn from New Zealand, a country that has been decisive in addressing this problem.

Climate change and the need to lower carbon emissions are becoming key themes in the national budgets of EU countries. The Irish Government wants to go further with its recent announcement that it will be appointing a "Just Transition Commissioner". But "Just" for who? Farmers want to play their part in the reduction of greenhouse gas emissions, but we are very concerned that transparency is lacking and that important decisions will be taken by unelected officials without sufficient consultation. Farmers should not be framed as the main culprits of the climate challenge. We must resist this narrative and insist that farmers are a key part of the solution by sequestering carbon, maintaining soil fertility and producing sustainable high-quality food for our communities.

Pat McCormack, President of the ICMSA and EMB Board Member

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