

Dear Dairy Farmers and Interested Parties,

The scale and nature of the challenges facing the EU's farming sector are such that certain characteristics must be a prerequisite for anyone seeking the office of EU Agriculture and Rural Development Commissioner. They should be determined and dogged and have an in-depth understanding of all aspects of their briefs – most specifically, they must be absolutely determined to defend EU farmers and primary food producers from the multiple threats posed by, in the first instance, Mercosur and TTIP talks. Very few could argue that Phil Hogan does not possess precisely those dogged and combative qualities and that is why ICMSA welcomed his appointment. EU farmers need someone who's going to fight on their behalf and it's our belief that in Phil Hogan they've got someone who will do exactly that.

In recognising this appointment, I'd like to stress that ICMSA has, in common with many others in Ireland, reservations about the policy of water charges introduced by (then) Minister Hogan and we were particularly concerned by how they would affect farmers. We were - and remain – very critical of the grossly unfair multi-metering aspect which will heavily penalise fragmented farm holdings. Mr Hogan knows what we think - we have told him often enough.

But if, on occasion, we have been frustrated by his ability to 'dig in' and adopt an unyielding stance, we are now encouraged by the knowledge that that this same drive and refusal to budge on what he believes to be key principles will now be employed for the welfare and betterment of the EU's farmers and their families.

It seems the very first item on the agenda will be the ongoing crisis management arising from the Russian ban and the possibility of that being relaxed as the peace deal brokered with Ukraine (hopefully) holds. Without denigrating the threat posed by the ban, the damage that would be inflicted by flawed Mercosur agreement would be multiple times worse and would almost certainly provide a fatal blow to EU beef production. Similar levels of damage would be inflicted on the EU's dairy producers and it would be a mistake to assume that such a disaster could never happen. There are a number of Member States, the UK prominent amongst them, who would have little or no compunction sacrificing EU farmers on the altar of a free trade agreement that would allow them unhindered access to Brazilian or Argentinean markets for their financial services or tech exports.

The paramount question, of course, will be the degree of market-monitoring and supply-controls necessary in the post-quota scenario fast approaching. That will have to be fully explored and serious consideration in this direction increasingly looks more like a probability than a possibility – particularly if the downward price pressures in the markets continue.

John Comer, Member of the EMB Board and ICMSA President

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The new Agriculture Commissioner: Phil Hogan

Phil Hogan – Ireland’s former Minister of the Environment – will succeed Dacian Ciolos as Commissioner for Agriculture and Rural Development. Ciolos was originally nominated by Romania as Commissioner, but had to give way for his fellow countrywoman Corina Cretu at the last minute.

New structures in the European Commission

Commission President Jean-Claude Juncker has restructured the Commission and taken on board seven Vice-Presidents who will direct and co-ordinate the work of the individual Commissioners. In future the individual Commissioners will have less power and have to work together on an inter-service basis. After the hearings in the European Parliament it will vote on the nomination of the entire team end of October. After that the new European Commission can begin its work for the next five years in November. New Agriculture Commissioner Hogan will report to the Vice-President for Jobs, Growth,

Investment and Competitiveness.

The new Agriculture Commissioner’s portfolio

In his 'mission letter' Juncker calls on Hogan to implement the CAP reform already adopted and to simplify and design the CAP instruments in a flexible way. The new Agriculture Commissioner’s brief includes a further simplification in the areas of direct payments and in particular as regards greening and rural development. The agriculture sector also has to contribute to energy efficiency and help reduce emissions. In addition, when reviewing the Multiannual Financial Framework Hogan has to make sure the agricultural policy contributes to jobs, growth, investment and competitiveness.

What can milk producers expect?

The 54-year-old politician from Kilkenny – a large milk and cereal producing area in the south of Ireland – is a member of the conservative Fine Gael party, which is affiliated on a European level to the People’s Party (EPP). The big challenge facing Hogan is the crisis caused by the Russian ban on imports. We will have to wait and see how Hogan presses ahead with the measures for the producers hardest hit by the crisis. The milk producers will be wondering whether or what measures are planned for the period after the end of the quota system in spring 2015. The topic of trade will also be a focus: European farmers want to see their interests represented during the TTIP negotiations with the USA.

The European Milk Board has appealed to Phil Hogan to maintain the course initiated by Ciolos and not to leave the milk market to its own devices.

Regina Reiterer, EMB

New Commissioner must put responsible milk policy into practice

Joint press release of EMB, AbL, BDM, Germanwatch and MISEREOR:

(Berlin, 01.10.2014) Tomorrow Phil Hogan, the designated European Commissioner for Agriculture and Rural Development, will face questions from Members of the European Parliament in an official first consultation. This is why a coalition of non-governmental organisations calls on him to advocate sustainable family farming.

The Commission must stop supporting predominantly the agricultural industry, as has been its practice, say the Arbeitsgemeinschaft bäuerliche Landwirtschaft (AbL, German small farmers' association), the Bundesverband deutscher Milchviehhalter (BDM, German dairy farmers' association), the European Milk Board (EMB), the environment and development organisation Germanwatch, and the development aid organisation MISEREOR.

"The 'growth at all costs strategy' is leading to a dead end. People in the EU want farms suited to their environment and not milk factories", says Bernd Voß, Federal President of the AbL. "The milk quota system is to end next year without being replaced. But all the signs are already of even larger milk surpluses. The exceeding of the milk quota in Germany has recently reached record levels that are not in line with market demand."

A responsible milk policy

Tobias Reichert from Germanwatch stresses: "There are hardly any political instruments left to react to imbalances in the milk market. The European Commission already has to subsidise milk storage as a reaction to weak demand in China and the Russian import embargo. By the time the milk quotas end at the latest, we might see subsidised exports as the next step."

"Regardless of subsidies, though, the strong export drive and the inordinate increase in volumes is putting the pressure on the farm-gate price within the EU and weakening the dairy sector in developing countries", says the President of the EMB and BDM, Romuald Schaber. He sees no security for EU agriculture in the orientation towards the world market, instead it makes the milk sector very vulnerable, as is more than evident from the current Russian policy.

Kerstin Lanje, a MISEREOR expert on agriculture, sums it up: "One of Hogan's biggest challenges will be to come up with a milk policy that shows responsibility to society, to producers in the EU, and to the developing nations".

So the AbL, BDM, EMB, Germanwatch and MISEREOR expect from Hogan concepts for how production and prices in the EU can be put on the right level: a level that secures milk production, gives farmers a fair living, and is acceptable in terms of ecology and development aid policy.

Silvia Däberitz, EMB

The Russian import embargo – measures for the milk market

The measures planned by the European Commission for the milk market are an important sign – although they will not be able to give the milk market sufficient stability. The withdrawal of the measures (both the private storage of cheese and the fruit measures) shows clearly that the aid programmes were not properly thought through and are ultimately of no benefit to those countries

hardest hit by the ban on imports.

100,000 tons of cheese were privately stored in next to no time. An additional problem with the storage is that cheese has to be matured. But with most types of cheese – primarily Edam and Gouda – that is not possible. These types of cheese will most likely not be allowed to be sold after the intervention

period because they will no longer be fit for consumption.

concerned

The European Commission is playing down the situation – the trade is

The European Commission is playing down the present situation in the market and is merely saying the market is “under a little pressure”. Farm-gate prices, it says, are still very good and expected to remain stable until October/November. The Commission hopes that tumbling prices will make the farmers produce less and that the market situation will settle down again in

early 2015.

The trade, on the other hand, is concerned and does not believe production will be cut back. The milk producers will try to maintain their revenue by producing more. The European market is being flooded with dairy products that were intended for the Russian market, putting increasing pressure on prices here. Some of the milk intended for cheese production is being diverted into butter and milk powder production, which in turn is unsettling the markets in these segments. Altogether the situation is worrying and it is possible milk prices will drop to the intervention level of 21.7 cents!

The EMB is calling for the crisis funds to be used properly to give producers an incentive to produce less. The crisis aid can be used really effectively through a voluntary restraint on supply and the existing quota system.

The background – What has happened so far.....

On 7 August, Russia announced a one-year ban on imports of certain agricultural products from the EU. Besides fruit, vegetables and meat, blacklisted products also include milk and dairy products. What measures has the Commission taken since then?

To calm the milk market situation down, on 28 August the European Commission announced supporting measures for the milk sector. Aid was granted for the private storage of butter, skimmed milk powder and specific types of cheese. The intervention period for butter and skimmed milk powder was extended until the end of the year.

After barely four weeks the Commission put an early stop to aid for the private storage of cheese on 23 September. Butter and milk powder are not affected by this. The reason for this measure being retracted was the disproportionately high number of applications from countries that do not normally export significant quantities of cheese to Russia. The countries most affected by the cheese embargo are Finland and the Baltic states, the Netherlands, Germany and Poland. It is not clear whether the Commission will launch a revised programme. The Russian import embargo was on the agenda for the informal meeting of the Ministers of Agriculture at the end of September.

Promotion programmes

On 3 September the Commission announced that in addition to the annual assistance of about € 60 million it was making € 30 million available for promotion programmes in 2015. The aim of these additional measures is to cushion the impact of the Russian ban on imports. According to Ciolos, the plan is for these promotion programmes to help producers find new sales outlets inside and outside the EU. Applications for funding had to be submitted in the respective member state by the end of September.

Regina Reiterer, EMB

Spain: OPL Meeting with supermarket chain Mercadona

Spanish milk producers' organization OPL (Organización de Productores de Leche) has presented its demands to the Spanish supermarket chain Mercadona in a first of a round of meetings. The demands include: increasing farm-gate milk prices and informing the consumers about the origin of the milk cartons to guarantee the sale of Spanish milk.

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OPL representatives met Carmen Fernández, Manager for External Relations of the Mercadona retail chain in Galicia, Asturias and Cantabria in order to discuss the dairy sector and to improve the relationship between milk producers and the retail trade (especially with big supermarkets like Mercadona, who have lot of power in the food chain). Manuel Iglesias, the OPL Chairman, and some Board members - Eladio Lavandeira, Manuel Antela and José Agra - presented the milk producers' demands and tried to bridge both positions. "It is important to have a good relationship with all agricultural and food value chain members in order to strengthen our position and to improve the current situation".

At the meeting, Carmen Fernández showed her "concern" about the delicate situation that milk producers are in today, especially in the north where farm-gate prices have fallen in recent months. For instance, milk producers from Galicia are being paid 35.3 cents for a litre of milk, according to figures of the Spanish Agricultural Guarantee Fund (FEGA). The average in this region has fallen compared to the last quarter. With regard to prices, OPL Chairman Iglesias says: "This situation forces the milk producers to close their farms because they can't continue with their activity with the high production costs they have." In this respect, the Spanish Ministry of Agriculture, Food and Environment (Magrama) confirmed that in the last ten years 4,261 farms in Galicia have disappeared, which means 25% of all Galician farms.

Another discussion point was Sustainable Dairy Products (Productos Lácteos Sostenibles - PLS), a campaign that guarantees the origin of milk. Iglesias spoke exhaustively on this subject, saying "The real problem is that milk from France and other countries comes into the Spanish dairy market, with prices under our costs, exerting downward pressure on our milk prices." Likewise, for the OPL Chairman, "It is not a guarantee for the consumers, who still do not know the origin of the dairy products they buy and are oblivious to the real situation". However, to OPL - which represents nearly 8% of the total Spanish milk quota - "meetings like this are the key to the future of Spanish farms". That is why Iglesias has just announced OPL will start a round of meetings with all the agricultural ministries in each autonomous Spanish region in order to highlight the milk producers' demands and with the aim of increasing the strength of the milk producers in the entire agricultural and food value chain.

Esther Lopera, OPL

France: The current situation in Brittany

There is no mention of it yet in the agricultural journals. The dairies' strategic plan is already into 2015 or 2020 and is constantly in search of extra volumes of milk to secure future consumption from all over the world. The great thinkers of the agriculture sector are mentally still in the spring season.

And yet the situation has changed. Prices have been falling since spring 2014, i.e. long before the Russian ban on imports. Global milk production is on the rise owing to a lack of regulation and forward planning: there is 4 - 6% more milk on the market. Those are excess quantities for which there are no buyers. The trend is worrying: prices are hitting rock-bottom – our "preachers" had not foreseen that.

In 2013 the farm-gate price remained below the level the stock prices would have allowed. So the milk producers, who at the same time had to struggle with an increase in raw material prices, were unable to make up their shortfalls. At the same time, the dairies made huge profits, thanks to high stock prices and a farm-gate price our representatives were unable to negotiate in the producer organisations.

The dairies are still calling for an increase in production. But the euphoria will not last long. Reality will very quickly disprove the theories of the economists who promised a boom for the milk market. With regard to current stock prices the milk price will be disappointing again in the fourth quarter of 2014. The first calls for assistance from the public sector have already started, in order to regulate the production of butter and milk powder (even though everyone knows the state has no more money). The present development fits in with the eternal ups and downs, which once again will inflict great damage on the farms – especially the farms that have just been invested in. The milk price rarely reflects a good market situation quickly enough – but it never takes long to adjust to falling world market prices. So history repeats itself time and again, as effective regulatory measures cannot be implemented collectively.

What possible solutions are there for breaking out of this downward spiral? Should we rely on the wisdom of the dairies announcing a massive, rapid reduction in the milk collected? Will the producer organisations have a say and be able to represent the producers' interests effectively? What do the officials of the FNLP (the French Dairy Farmers' Association) – our representatives – say about this? Unfortunately the most likely scenario is that each will defend his own interest, acting with little foresight, and duck his responsibility.

APLI Brittany has been pursuing its conviction and championing the same goal since 2009: the creation of producer organisations by milk region and united on a European level. In this way supply could be managed in line with the market situation, and production costs taken into account in the pricing. This is the only possibility for stabilising the milk price and giving young farmers prospects for the future. The milk sector in Brittany has great potential for the future – provided there is collective supply management.

APLI Brittany

The Swiss milk market: here to stay - Lactofama

Since the beginning of 2011, the Swiss milk market has been segmented into A, B and C milk to support the price of milk sold in Switzerland and minimize surpluses as far as possible. Although this concept looks good on paper, it has very little to do with the wild reality of the milk market. There are target prices for all three segments: at 71 centimes (about 59 cents) a kilo, the current target price for A is far too high for any dairy to pay it; and the current price for C milk is far too low at 35 centimes (29 cents) for any dairy to pay it.

The idea behind segmentation is to manage supply by the price. One of the problems is that when the dairy farmers supply their milk they have absolutely no idea what quantity will end up being paid for as C milk. Another problem is that no-one likes buying C milk; the C price also puts pressure on the price of the A and B volumes.

So the milk producers took action and through their trading companies, the ten largest producer organisations, set up the Lactofama firm in the spring. "To supplement the segmentation", Lactofama bought up 42.4 million kg of C milk between April and June this year. For this they paid the milk producers an extra 8.2 million Swiss francs (some € 6.79 million), funded with the money the umbrella organisation Schweizer Milchproduzenten SMP still had left over. Lactofama can intervene in the market seasonally and for a limited period of time.

The processors like Lactofama because they can process more milk this way and buy the additional milk at a good price. And most dairy farmers like Lactofama, because it prevents the price collapsing despite high volumes of milk supply. More money is required from the farmers to continue for another year: every milk producer is to pay 0.35 centimes (0.29 cents) a kilo, the Lactofama shareholders will top that up by 0.10 centimes (0.08 cents). The SMP delegates will decide on the 0.35 centimes at an extraordinary meeting in November.

Segmentation and the influence of Lactofama on the market is a controversial point of debate in the sector.

Roland Wyss-Aerni, alimenta

The complete article (in german) "[Here to stay – Lactofama](#)"

Brief news from Brussels

Hearing with the designated EU Commissioners

The hearing of the nominated Commissioners runs from 29 September to 8 October in the European Parliament. Agriculture Commissioner-designate Phil Hogan's hearing took place on 2 October. The Irishman has been approved by the AGRI Committee. What the Members of the European Parliament do is conduct a kind of "Competence Check" with the designated Commissioners. After the hearings the latter are evaluated by the appropriate parliamentary committees. The new Commission is then confirmed at the Plenary Assembly in Strasbourg and should commence its 5-year term of office in November.

European Citizens' Initiative against the TTIP rejected

On 11 September, the European Commission rejected the European Citizens' Initiative against the TTIP (EU-US trade agreement) and CETA (EU-Canada trade agreement). The reason given for rejecting the Citizens' Initiative was that the negotiating mandates for the TTIP and CETA were not pieces of legislation, instead they were internal preparatory acts between the EU bodies and therefore could not be contested by a Citizens' Initiative. The alliance has already lodged an objection to this decision and is now considering legal steps before the European Court of Justice. On 11 October, a citizens' initiative independent of the Commission is to be launched and signatures collected. More than 240 organisations from 21 EU member states are behind the initiative. The European Milk Board has been a partner of the alliance since mid-September.

11 October: European Day of Action against the TTIP, CETA and TiSA

Civil society, trade unions and farmers from all over Europe have called for a Day of Action on 11 October 2014 to stop the ongoing free trade negotiations (TTIP, CETA and TiSA – Trade in Services Agreement). Organisations, alliances and individuals are called on to join in and organise their own decentralised campaigns in their countries. New campaigns can be registered directly on the following homepage where you can also find a list of the events already planned: <http://www.stop-ttip-ceta-tisa.eu/de/>

TTIP – Next TTIP round of negotiations (29.9.-3.10)

The next round of the controversial negotiations on the creation of the world's largest free trade zone between the EU and the USA has already started. At present they are discussing the issues of customs exemptions and facilitating trade.

CETA – trade agreement between the EU and Canada

After five years the end of the free trade negotiations was announced at the EU-Canada Summit in Ottawa on 26 September. Under the agreement 98 per cent of customs duties will be done away with, export quotas for agricultural products will increase, companies will have easier access to public contracts, and the free movement of workers will improve. The main objection to the CETA is the ISDS – the Investor-State Dispute Settlement. This is an instrument enabling foreign investors to take disputes before courts of arbitration. The agreement still has to be ratified by parliament before it becomes law. Who the parties to the agreement on the European side are remains to be seen. If it is what is termed a mixed agreement, the parliaments of all 28 national EU states must ratify the treaty.

Regina Reiterer, EMB

EMB Agenda

The key dates for the EMB Board in October 2014 are:

- 2.10.: Ministry of Agriculture meeting in Spain
- 7.10.: Board meeting in Brussels
- 7.-8.10.: Talks with MEPs
- 9.10.: Civil Dialogue Group meeting (Animal Products)
- 14.10.: Meeting with the Lithuanian Ministry of Agriculture
- 22.10.: Workshop: Assessment of the Consequences of the Abolition of Quotas
- 24.10.: Civil Dialogue Group meeting (Direct Payments & Greening)
- 28.10.: Civil Dialogue Group meeting (Animal Products)

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