

## Dear dairy farmers and interested parties,

### It's a choice

*"For the first time in my career as a milk producer, I can choose how I want to cope with a low milk price: I can choose to milk more and obtain a cash flow or I can choose to participate in the European Commission's programme, reduce my milk production and still get a little bit of money for my effort."*

These wise words were spoken by the president of one of the EMB member organisations and illustrate the significance of the new crisis instrument introduced by the European Commission to boost the still sinking milk price for milk producers. He is right - for the first time, milk producers have a choice about how to react to a very low milk price.

Many European milk producers have made a conscious choice. Even before it has entered into force, this instrument has had a psychological effect on the market: Immediately after the European Commission published the intention to introduce this bonus for milk production reduction, market prices reacted in a positive way. Exactly as EMB predicted they would. The market is ruled by economics, but also by emotion, and the knowledge that less milk will be available on the market in the coming months is enough to change market sentiments and boost quotations.

Spectacular milk price increases for producers have already been announced for October (more than 4 cents). These price increases are, of course, more than welcome, but the speed of the price rise does raise questions. For instance: Ongoing contracts has always been the argument and the excuse for it to be impossible for milk producers to immediately benefit from higher milk quotations. Why does that no longer apply?

Only a few weeks ago, some dairy processors announced even lower producer milk prices for the coming months due to a market situation that was described as 'stable but not better'. What has changed?

Do the dairy processors have so little insight into the market? Or do milk producers have to face the fact that in this obscure system, a fair share of the margins have been withheld from them by processors for a very long time?

The European Commission is also breathing down the neck of dairy processors by investigating the distribution of margins along the dairy chain and this could also exert its influence.

The EMB lobby has played a significant role in these developments and we have achieved results: After the milk strike in 2008, a High Level Group on Milk was introduced, where the EMB demanded an investigation into the distribution of margins along the dairy chain - an investigation that is currently ongoing.

The lobbying over the last two years has been even more effective: The bonus for milk production reduction is an important element of EMB's Market Responsibility Programme. The effectiveness of this feature was questioned and counter lobbied by the dairy industry and the traditional farmer organisations who are members of Copa Cogeca. They claimed that milk producers would never participate in a voluntary production reduction scheme. But they have been wrong: Milk producers have proven to be very willing to correct the imbalance in the dairy market if given the chance.

Milk producers not participating in the voluntary reduction scheme can also make the right choice and put their best foot forward by choosing not to increase production volumes while the reduction scheme is in operation. It is their opportunity to show that they are not egocentric free riders, interested in nothing but personal gain, and that they understand the responsibility that comes with the advantages of a Common Agricultural Policy. It is a choice that would indeed highlight the positive function of the European Union.

## EMB Newsletter October 2016

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## Contact

### EMB - European Milk Board asbl

Rue du Commerce 124  
B-1000 Brussels

Phone.: +32 - 2808 - 1935

Fax: +32 - 2808 - 8265

[office@europeanmilkboard.org](mailto:office@europeanmilkboard.org)

[www.europeanmilkboard.org](http://www.europeanmilkboard.org)

As the EMB has proven its well-informed vision and ability to best reflect the mind-set of milk producers, it would make sense for the European Commissioner for Agriculture to consult the EMB on the path to follow in terms of market management. We need an instrument that makes it possible to control the degree of milk price volatility for producers.

A fair price for producers is the only way to guarantee food security and to end exploitation and abandonment of the sector. It is a choice worth making.

*Sieta van Keimpema, vice president EMB and president of DDB Netherlands*

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## 98.9% of EU milk volume reduction already claimed

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The figures published by the European Commission on aid applications for volume reduction clearly represent the large-scale interest in the compensation for production cuts offered by the EU. In the first application period, over 52,000 farmers have participated and almost 99% of the available EU allocation of 150 million euros has already been claimed.

European milk producers have thus clearly spoken in favour of volume reduction. The excessive milk volume supplied in recent months has suppressed milk prices across Europe and has put numerous milk producers out of business. "The high participation in the EU volume reduction programme shows that Europe's milk producers want to address the production-related issues," says Romuald Schaber, President of the European Milk Board. This is in clear contradiction to statements from agricultural experts, sections of the European Commission, farmer's associations and the processing industry, who claim that milk producers *want* to keep on increasing production and that a targeted reduction in supply is not possible.

Even in major milk-producing countries like Ireland, the Netherlands, Germany, France and Belgium, participation in the volume reduction programme has been substantial. "There can be no clearer sign that we need to step on the brakes", continues Schaber. "Volume reduction is a first step in the right direction. It is unfortunate that this measure was introduced so late and that production volumes across Europe will not be capped in parallel. Funding must also be made available for the second reduction period, in order to ensure further volume reduction."

To avoid such hard-hitting dairy crises in the future, a [Market Responsibility Programme](#), like the one proposed by the EMB, must be put in place. This would allow milk producers to take early preventive action against market fluctuations in the future.

*EMB press release (28 September 2016)*

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## West African producers in dialogue with EU policymakers

Burkinabe milk producers came to Brussels for two days to discuss a responsible dairy policy in the EU with the European Commission and with MEPs from different political groups. Through this visit, René Millogo and Mariam Diallo from the organisations PASMEP (platform to support dairy cattle herders in Burkina Faso) and UMPL/B (National Micro-dairies and Local Milk Producers Union of Burkina) were looking to gain further insight into the objectives of EU policy.

Furthermore, they also wanted to share with EU policymakers their experiences of the disastrous consequences of the current EU strategy on West African markets.

### ***EU overproduction leads to dumping in African markets***

If the EU is unable to lower production to an appropriate volume within its own borders, European producers will not be the only ones affected by the resulting rock-bottom prices. When the EU produces too much, the surplus often ends up in markets in developing countries at dumping prices. René Millogo explains the problem by referring to the current milk prices in Burkina Faso: "The average shop price for a litre of locally-produced milk is 600 CFA (about 91 eurocents). In comparison, milk produced from imported milk powder costs only 225 CFA (34 cents). This puts the local production at risk and destroys opportunities for local pastoral communities to earn a living."

The dialogue with Europe is therefore very important for the Burkinabe representatives. It was encouraging to see that both MEPs and Commission representatives were interested in discussing this issue. "We hope that our European counterparts will consider the information derived from our talks in future decisions about dairy policy. It is important for them to strongly advocate a sustained reduction in overproduction in the EU. African countries that can fulfil their own needs are better for Europe as well. If the local socio-economic situation is not favourable, immigrating to Europe or other continents will be the only option, especially for young people," says Mariam Diallo, explaining their point of view.

### ***EU policy cannot lose sight of people***

Romuald Schaber from producer association European Milk Board (EMB) and Kerstin Lanje from the German development aid organisation Misereor welcomed the African-European exchange. "It is important for policymakers to speak with the people affected by their decisions, outside the EU as well," says Schaber. "In this way, the human fate behind sterile figures becomes clear." People should be the main focus of policies. "Our actions and decisions in the EU should be as positive as possible, or neutral at the very least, for developing countries – in no way should they have negative effects," says Kerstin Lanje, emphasising the importance of responsible policy-making in the EU. Production in West Africa has potential, but it can only be fully exploited if external distortions are kept to a minimum and the market is not flooded with cheap EU products.

### ***Appeal to EU policymakers: Create crisis instruments to stop overproduction***

Thanks to the regular contact between producers from Burkina Faso and the EU over the last few years, West African producers have also gained useful insight into the situation of their European colleagues. "We can see that overproduction is destroying prices within the EU as well," says Millogo. "Therefore, we are not only here to explain the effects of the EU overproduction policy in our countries. We also want to support our European colleagues by appealing to EU policymakers to set up crisis instruments that will bring the chronic overproduction in the EU under control. Without a doubt, European and African producers are bound by solidarity to the extent that their concerns are the same."

*EMB press release (29 September 2016)*

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## Crisis? What crisis?

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the scenes on retail markets.

When you read and listen to some of the statements released in the last few days, you get the impression that the dairy crisis is over. Markets are more stable, demand for butter is rising and it is becoming more expensive behind

Milk has high value on spot markets at 42 cents in the Netherlands, the Kieler Milk Index is back to 30.7 cents, and yes - even some dairies have moderately increased their farm-gate prices. Thus the slight upward trend has also reached dairy farmers - the weakest members of the value chain, unless they are unlucky enough to be supplying to leading dairy DMK. In this case, they will have to wait a bit longer. Representatives from farmer's associations are rejoicing and believe it or not, already have a price of 30 cents in sight for the end of the year. Their declaration: Many farmers will survive the crisis. How

great!

So is the market back in shape? Can we go back to our plans, produce more, store, conquer markets - as though nothing happened? No way! Just a reminder: Prices are still 15 cents below production costs across the board, farms are desperately fighting to survive, many farms and families are overtaken by resignation, doubt or even a feeling that the end is nigh. Many

more will shut down their farms, that too when things are getting slightly better because cattle, equipment and even land is easier to sell at that point. Most farmers are this frustrated because they have come to a bitter realisation: This crisis is not an industrial accident within a functioning system; it is the direct effect of this system that only serves the interests of dairies and trade. These parties as well as the farmer's association and Federal policymakers, who followed the former's whispered instructions, are still not willing to admit their culpability and assume their responsibility. Nonetheless, European and Federal policymakers are taking baby-steps in the right direction by offering a volume reduction programme to the tune of 150 million euros, together with possible further funding for volume control - something that was unthinkable just a few months ago!

These small victories are thanks to the persistent offensive put up by numerous farmers, many from the ranks of the AbL. Minister Schmidt and his department had to reluctantly accept our ideas because they were perplexed and helpless themselves. However, implementation is slow, bureaucratic and too limited, all in the hope that the crisis will come to pass before the crisis instruments actually come into force. The French Agriculture Minister has responded differently and is providing an additional 10 cents over and above the 14 cents offered by the EU for every litre of reduced milk, but only for farms continuing milk production, in order to ensure that the initial recovery serves precisely these farms and is quicker. And what about our dairies? For months, they adamantly refused to implement the reduction within the sector stipulated by policymakers and are now advising some of their suppliers to not participate in the programme! This makes it very clear that all they are interested in is very cheap milk.

To the contrary, Dutch dairy Friesland/Campina is expressly supporting the national 10-cent reduction bonus with their own funds, in order to increase the value of milk. Things in Germany are completely different, where the unholy trinity of farmer's association, dairies and policymakers leads to farmers' interests being completely side-lined.

One of the important duties of the AbL is to highlight these connections and to present alternatives. We therefore always stand with farmers, wherever they decide to resist this system and stage public demonstrations to create awareness about their situation. AbL is also at the forefront in highlighting alternatives to the expand or disappear philosophy, constant intensification and an offensive export strategy. A different model of milk production that is sustainable, animal friendly and in harmony with society is possible. Therefore, we are promoting initiatives like suitable feeding of ruminants using less concentrated feed, meadow-grazed milk production, GMO-free milk and organic milk, together with other colleagues from the sector. One is not possible without the other - resistance and self-help are two sides of the same coin!

*Ottmar Ilchmann, vice-president of AbL Germany*

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## Agriculture market crisis hits machinery sales

The machinery sales in almost all markets are down in the first half of 2016. Affected by the ongoing crisis in EU agricultural markets, the European agricultural machinery industry is expected to face further losses this year, after suffering a decline in sales in 2015. According to data published by the European Agricultural Machinery Industry Association (CEMA), the machinery sales in almost all markets of its network (Belgium, France, Germany, Italy, Netherlands, Spain, UK) are down in the first half of 2016.

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“It is expected that markets will decline further in the second half of 2016 with rates of decline up to 9%, as in Germany. Spain is a notable exception with an expected increase of 9.5% in 2016. The French market is also performing well so far (+7%), yet is expected to weaken during the second half of the year to decline by 2%,” CEMA stressed.

### Downward trend for tractors

The data showed that in the first half of 2016, all major machinery types with the exception of sprayers faced decreases compared to the first half of 2015. Tractor sales in all European countries combined were 5.5% lower, a decrease attributed to the drop in demand for tractors between 50 and 250 horsepower.

“This power category is mostly bought by farmers that are currently facing a difficult situation due to low commodity and milk prices. These difficulties could aggravate given mixed wheat harvest results in many European countries and continuously strong global supply,” the machinery association underlined. Similar decreases were marked on the harvester, baler, and mower markets. The only market that is expected to remain stable is the one for sprayers. The Spanish market is the only one experiencing growth in Europe, while other markets are stable.

CEMA's Secretary General, Ulrich Adam, told EurActiv.com that the agricultural machinery business closely follows the business cycles of farming. “When prices for agricultural commodities – such as milk, wheat, corn or sugar – rise, demand for agricultural equipment tends to rise accordingly,” he stressed. He added that although recent surveys showed that European farmers definitely want to invest, particularly in new machinery, a combination of low commodity prices, below-average harvests, and high land prices make it difficult for many of them to make these investments right now.

“For instance, according to a recent customer survey by CEMA's German member association VDMA, only 9% of German farmers said they were planning to invest in new machinery in the second half of 2016. Agricultural machinery sales in Germany – the largest manufacturing country of agricultural machinery in Europe – fell by 14% during the first half of 2016. However, the production of agricultural machinery in Germany was up by 1.5% compared to 2015.

*Article by Sarantis Michalopoulos, EurActiv (5 September 2016)*

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## Competition is tearing Europe apart

On Monday, September 19, President of the European Commission Jean-Claude Juncker is expected to be at Zurich University to celebrate the anniversary of Churchill's 1946 speech. No other person represents the EU

like Juncker.

He is a vehement advocate of free markets, even though the consequence of this liberalisation is that citizens are left at the mercy of ruthless competition. The motto is simply everyone against everyone else. The French against the Germans, the Dutch against the Irish, the Danes against the Poles, and so on. Who will survive - you or me? But the winners in this contest - contrary to the repeated claims of the European Commission - are not the citizens, they are the large multinational corporations and no one else.

Completely in line with this trade philosophy, the EU abolished milk quotas over a year ago and thus kicked off an unbridled increase in milk volumes. This step had already been taken in Switzerland six years ago. The consequences were plain to see: increasing volumes, decreasing prices and major profits for corporations - while farmers were operating at a loss. The volume increases in the EU have had a global effect. All over the world, dairy farmers are now on the brink of financial ruin. Anyone who operates at a loss on a daily basis cannot survive for long. It leads to frustration and even rage, not just among farmers, but increasingly among citizens as well. People fight back against such a destructive system and against those that portray it in a favourable light.

Today, on this historic day, we dairy farmers appeal to Commission President Juncker to stop and think about whether this absolutely cut-throat, "everyone against everyone" kind of competition is really the appropriate basis for a community of states. Our appeal to Mr Juncker: "Mr Juncker, you are the face of the EU. You bear a great responsibility. A change in direction is urgently needed. Events like the current milk crisis affecting dairy farmers could have been avoided if suitable framework conditions had been created for the dairy market. However, the EU and the individual Member States now have to pour in millions in subsidies to prevent the worst from happening. This money could have been saved and used for something more sensible if the correct supporting measures had been put in place. It is never too late for a sensible realisation! Mr Juncker, large corporations are not going to hold the United States of Europe together. The hope of people in a shared future is the only possible foundation for this vision."

*BIG-M, the farmer's interest group for a fair dairy market*

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**Milk prices by country - EMB milk price comparison October 2015 to July 2016**

For all the dairies included in the comparison, the drop in prices has been even more severe in the last nine months. All the milk producers participating in this European comparison exercise had already been facing farm-gate prices below 30 cents per kilogramme and even much lower since December 2015.

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The most significant and longest price drops affected dairy farms in Belgium, Germany, the Netherlands and Austria. In Dutch dairies, farm-gate prices had extensively fallen below 23 cents per kilogramme by August 2015 itself and in July 2016, they were about 2 to 4 cents below the same period in the previous year. The lowest farm-gate price of 19.32 cents for one kilogramme of milk with 4.0% fat and 3.4% protein was recorded in June 2016 in a Dutch dairy. From the beginning of the comparison period in October 2015, farm-gate prices in the same dairy had dropped a total 6.6 cents (23%) per kilogramme of milk to 20.05 cents by July. Second from bottom in July was the farm-gate price recorded in the participating German dairy, where prices had, in fact, fallen by 8.0 cents (28%) to 21.49 cents as compared to October 2015.

The exercise now covers 17 dairy farms; thus 5 more farms as compared to the previous publication of the milk price comparison. Nonetheless, the EMB price comparison still includes figures from dairy farms/dairies from only seven European countries. Additional participants were included for France, Italy and the Netherlands; there is thankfully now a first participant from Germany.

In terms of methodology, the comparison in the second edition includes prices reported by organic milk producers/dairies as well. Back payments are still not taken into consideration as reported prices for a full year are still not available.

#### Milk price review October 2015 to July 2016

*Karin Jürgens, Büro für Agrarsoziologie und Landwirtschaft (BAL)*

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## Don't let neoliberal ideology undermine farmers' existence

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Interview with Jan Slomp, dairy farmer and president of the Canadian National Farmers' Union

**Mr Slomp, you recently wrote a [letter](#) to the EU's agriculture Commissioner Mr Hogan saying you have an idea how the milk crisis could be solved. Europe should take inspiration from the Canadian experience with dairy supply management. How could this work?**

Back in the 1960s, Canada faced a similar situation to what Europe is experiencing now with an over-supply of milk on the market and farmers going bankrupt due to low milk prices. It took a year of discussions between farmers, but in the end everybody agreed that limiting the milk supply was the only way to solve the crisis in the long term. A system of supply management was installed which is based on three pillars and is still active today: Firstly, supplies are matched with demand on the Canadian market. Secondly, farmers receive a fair price for their milk, based on an index which calculates the production costs in each region. Finally, tariffs and import controls allow Canadians to protect their milk farmers from low-cost world market products to

be dumped on their internal market.

The not-so-nice side of supply management is that we hardly export anything - which is unacceptable for free-trade proponents. But this system has allowed farmers to make a good living, it allows citizens to have access to dairy

products at a reasonable price, and it requires no subsidies whatsoever. The whole system is paid for by dairy farmers themselves. We should not forget that the millions of Euros which are poured into the European dairy sector at this very moment as an emergency measure are also tax payers' money. But the problem is that these measures can at best provide short-term relief. If Europe wants to keep its milk farmers and healthy rural areas in the long-term, then supply management is the best option.

**Most Europeans would be happy if farmers received a fair share of the price they pay for milk products. Additionally, citizens are becoming more and more concerned by ethical questions related to food production. They want cows to graze on pastures, not to be fed with GM-soy, and not to be pushed to their physical limits by producing a maximum amount of milk. Is the Canadian system fit to help farmers to produce in a way which is sound for the environment and animal welfare?**

The Canadian system allows farmers to plan a lot better. Therefore any kind of investment into better stables, pasture systems and so on can be met much easier than within a system where farmers constantly have to worry about their existence. The Canadian supply management system gives farmers stable income, and in return environmental and animal welfare conditions can be applied to production.

**It seems that Europe is currently going into the opposite direction, with Commissioner Hogan visiting countries such as Mexico, Colombia, China and Japan in a quest for new markets for European products...**

Supply management doesn't mean you have to stop exports completely, but you cannot pursue an aggressive export strategy and protect your own farms at the same time. Trade should be based on mutual interests, so if after satisfying the European market, there is an interest from other countries to import European products, that's fine. But often what happens is that producing and exporting more is seen as an end in itself. Like in Europe, we have many fierce proponents of trade liberalisation in Canada. Many politicians heralded the strong increase in exports of food products from Canada as a big success. But what they forget to mention is that at the same time, food imports have been increasing just as heavily. So in the end, we surrender sovereignty over our own affairs because we cannot decide how our food should be produced anymore.

With free trade agreements, the problem is that many of them should better be called "forced trade agreements", which aim to dump products on other countries' markets. Take the example of CETA, the Canadian-EU trade deal which is currently the hot potato on everyone's plate. It foresees to raise import quotas for European cheese into Canada by 17.000 tons. That's the equivalent of 400 Canadian dairy farms! It wouldn't be so bad if European farmers would make a living from these exports, but they are not. These 17.000 tons of cheese are a huge strike to the Canadian dairy market regulation. Canada should never have accepted these imports. But dairy farmers did not negotiate strongly enough and settled for compensation. That may help dairy farms now, but it will not help future generations who want to start farming.

**Thank you a lot for this interview, Mr Slomp.**

*Interview by Astrid Österreicher, office of MEP Maria Heubuch*

#### **Further info:**

- [Letter by Jan Slomp to EU-Commissioner Hogan](#)
  - On the Canadian system of supply management: [Strengthening Supply Management - Defending Canadian control of our market space and advancing food sovereignty](#)
  - [Press conference with Jan Slomp](#)
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European Milk Board ASBL

Rue de la Loi 155

B-1040 Bruxelles

Tel: +32 (0)2808 1935

Fax: +32 (0)2808 8265

Mail: [office@europeanmilkboard.org](mailto:office@europeanmilkboard.org)

Document-URL: <http://www.europeanmilkboard.org/https://www.europeanmilkboard.org/english/newsletter-october-2016.html>