

Dear Dairy Farmers and Interested Parties,

Italy has a lot on its plate this year and next year: on 1 July it took over the presidency of the European Union for six months, and it will be hosting the Universal Exposition (EXPO) in Milan from 1 May to 31 October 2015. APL Italy will take this opportunity and be present at EXPO throughout. In addition the EMB will be holding its annual General Meeting during the world exposition and organising a "Fair Milk Conference" and a "World Milk Summit".

The European dairy farmers were severely put to the test by the Russian ban on food imports in early August. To calm the situation, last week the European Commission announced supporting measures for the milk sector. For instance, the subsidies for private storage are to be made available for butter, skimmed milk powder and specific types of cheese, and the intervention period for butter and skimmed milk powder is to be extended until the end of the year. The aid planned by the European Commission is an important reaction for the milk sector, although these measures offer no satisfactory solution for stabilising the milk price in the long term.

The important thing now would be to apply the crisis funds properly, i.e. with voluntary production cuts and the milk quota, which is still operating until the end of March 2015. It is vital to stop milk being produced that cannot be absorbed by the market.

This issue of the Newsletter focuses on the consequences of the Russian ban on imports for the European milk producers and the EMB's recent press release on the planned supporting measures for the milk sector.

The Russian embargo shows that the European milk market needs instruments to be able to defuse crises like this. The European Milk Board has drawn up a crisis concept that can prevent such situations. We have already contacted the European Commission, the Members of the European Parliament and the national Ministers of Agriculture with a view to presenting our concept to them.

Roberto Cavaliere, Member of the EMB Board

EMB Newsletter September 2014

- Russian import ban: EMB calls for voluntary production cuts to ease situation on dairy market
- Russian import ban has far-reaching effects for milk producers
Latest figures on milk production:
- Gap between costs and prices is growing
President of the Swiss Farmers' Union: "It is primarily the big producers that are giving up now."
- Key points about the milk production situation in France
- Dairy farmers from Burkina Faso on a visit to southern Germany
- Brief news from Brussels
- EMB Agenda

Contact

EMB - European Milk Board asbl

Rue du Commerce 124
B-1000 Brussels

Phone.: +32 - 2808 - 1935

Fax: +32 - 2808 - 8265

office@europeanmilkboard.org

www.europeanmilkboard.org

Russian import ban: EMB calls for voluntary production cuts to ease situation on dairy market

Current EMB press release on the Russian import ban.

(Brussels, 29th August 2014) "The fact that the European Commission reacted to the import ban was important. However, the planned private storage aid for butter, skimmed milk powder and certain cheeses and the extension of the period for public intervention do not provide a sufficient solution", commented Romuald Schaber, President of the European Milk Board (EMB), on the measures for the milk market recently announced by the European

Commission.

Use crisis aid efficiently: use of voluntary production cuts and milk quotas

According to Romuald Schaber, not only is it important to grant financial aid for the dairy sector. The way in which this money is used is also of great significance. In this sense, the EMB suggests to stabilise the market by means of **EU-wide voluntary production cuts**, in order to prevent a major crisis. "The crisis aid should be used in a way to serve as an incentive for farmers to produce less milk. Otherwise these excess quantities will prevent a recovery of the milk market on the long term and cause serious harm to agriculture",

says Romuald Schaber.

The instrument of voluntary cuts in production should aim at reducing produced volumes by two per cent. If after three months this appears to be insufficient, other measures would need to follow. The EMB President explains that in that case, the quotas now still in force should be reduced for all producers. "The quota system is indeed still in force until the beginning of 2015. Consequently, it can – and has to – be used as an instrument", says Romuald Schaber. He further explains that it is necessary to prevent milk which cannot be absorbed by the market to be produced in the first place. Even if in that event dairy farmers produce and thus deliver less milk, they can sell it for a relatively stable price. In the end, this will guarantee the necessary stability for the whole milk production sector.

The implementation of such a crisis instrument is even more important given that no functioning follow-up measures for the milk market have been decided yet for the period after the abolition of quotas, i.e. as from April 2015. "Otherwise the market will be exempt of any rules and it will be difficult to deal even with small crises – not to mention a Russian import ban", explains Romuald Schaber to stress the necessity of this crisis instrument. The instrument of voluntary production cuts, associated to the existing quota system, brings the advantage that crisis aid can be used really efficiently. If the money were to be used only for private storage aid, it would be far from being enough. Other aids – not only those of the agricultural sector – would then have to be used in order to at least partially make up for impending losses for farmers. With voluntary cuts in production this would be different: this instrument would allow to achieve *more* stability with *less* money.

Silvia Däberitz, EMB

Russian import ban has far-reaching effects for milk producers

The ban on imports imposed by Russia in early August affects not only fruit, vegetables and meat but also milk and dairy products. The European Commission has already committed € 125 million to emergency measures for perishable species of fruit and vegetables.

On 28 August, the European Commission announced supporting measures to alleviate the situation on the milk market. The Commission will open Private Storage Aid for butter, Skimmed Milk Powder (SMP) and certain cheeses and will extend the period for public intervention of butter & SMP until the end of the year. The Commission is ready to take further measures, if needed.

The consequences of the import ban are already being felt throughout Europe, and calls for support measures for milk producers are becoming ever louder. The European Union exports 1/3 of its cheese production and 1/4 of its milk production to Russia. The logical consequences of the embargo are falling demand from the processors and plummeting milk prices.

The countries hardest hit by the food embargo are Latvia, Lithuania, Finland and Poland, which export up to 45% of their food production to Russia. In Finland several milk processing plants have closed and workers have been laid off. The Lithuanian government has already announced measures to compensate milk producers for price drops.

EMB crisis concept

The Russian import ban shows how vulnerable the European milk market is. For a long time now the European Milk Board has been calling for supply management and effective crisis instruments for cutting production in times of crisis and preventing a price collapse. At present the EMB is actively engaged in trying to convince the European Commission, the Ministers of Agriculture and Members of the European Parliament of the necessity for the EMB crisis concept.

Regina Reiterer, EMB

Latest figures on milk production: Gap between costs and prices is growing

Current EMB press release on milk production figures.
© BAL

(Brussels, 1st September 2014) As shown by the latest results of the study on milk production costs carried out by the Büro für Agrarsoziologie & Landwirtschaft (BAL), the cost of milk production in Germany in April 2014 reached 45,95 ct/kg, while the farm gate milk price dropped to 40,60 ct/kg. This leaves producers with a shortfall in their production costs of more than 5 cents per kilogramme. In January 2014, production costs were 45,16 cents and the farm gate price amounted to 41,46 ct/kg.

The above-mentioned study, commissioned by the European Milk Board (EMB) and the MEG Milch Board as a joint project, also shows the cost of milk production according to different regions. With 51,06 ct/kg, costs were particularly high in the South region (Saarland, Bavaria, Baden-Württemberg, Rhineland-Palatinate, Hesse). In the East Region (Thuringia, Saxony, Saxony-Anhalt, Brandenburg, Mecklenburg-Vorpommern) costs in April 2014 amounted to 43,52 ct/kg and in the North (North Rhine-Westphalia, Lower Saxony, Schleswig-Holstein) to 40,95 cents per kilogramme of milk.

For April 2014 the price-cost ratio calculated by the MEG Milch Board reveals an average cost coverage of only 88 per cent, i.e. a deficit of 12 per cent.

According to EMB President Romuald Schaber the fact that the gap between costs of production and milk price is

growing is not a short-term phenomenon: "Producers have been facing this difficult situation already for a long time. And unfortunately we expect it to exacerbate even further."

The EU needs efficient crisis measures in order to maintain its milk production on a sufficient level. "The situation in the EU is already critical in general, but due to the Russian import restrictions the pressure is even higher", explains Romuald Schaber, referring to the problems in the dairy sector. It would therefore be necessary to set up a Monitoring Agency, which would regulate supply in order to allow milk producers to reach a cost-covering price for their produce. "Without the intervention of such a Monitoring Agency it will not be possible for the dairy sector to react adequately in every situation", says Schaber.

Background:

The joint study on production costs of the European Milk Board (EMB) and the MEG Milch Board, carried out by the German Office for Agriculture and Agricultural Sociology (Büro für Agrarsoziologie & Landwirtschaft, BAL), calculates milk production costs across Germany. It is based on data of the European Commissions' Farm Accountancy Data Network (FADN). To update the data it uses price indices for agricultural means of production such as feed, fertiliser, seeds and energy from the German Federal Statistical Office. Additionally, an income rate is used, which calculates the workload of farm managers and their family members.

On the basis of this study, the MEG Milch Board has developed the Milk Marker Index (MMI), which records current developments in production costs (using as base year 2010 = 100). The MMI for April 2014 is 111 points. The results of the index are published on a quarterly basis along with a price/cost ratio, which shows the relation between officially recorded farm gate prices for raw milk and milk production costs.

Silvia Däberitz, EMB

President of the Swiss Farmers' Union: "It is primarily the big producers that are giving up now."

*When the quota system operating in the Swiss milk market was abolished five years ago, the consequences affected the entire milk market. **Markus Ritter, the President of the Swiss Farmers' Union**, explains in an interview what has changed for producers and processors since then.*

© Markus Ritter

Mr Ritter, what impact has the abolition of the quotas had on the producers' situation?

The market reacted very sensitively to the increases in volumes when the quotas ended. The price went the way it always does when supply exceeds demand: it took a dive. Before the quotas were abandoned we had a long period in which the state took responsibility for the market. That is why the re-organisation of the milk market was a harder and also more painful process for the farmers, and many producers left the market. We have been through a great deal here. The economic problems often resulted in social problems, too – precisely on farms that had been unable to cover their costs for some time.

What does that mean for milk production in general in Switzerland?

Now more than anything it is the processors who are worried. In Switzerland it is attractive to give up milk production. We have the lowest hourly wages here. It is primarily the big producers that are giving up now. I'm worried that the volume of milk will decrease even further in the medium term. What I keep telling the processors and the retailers is this: if you still want to have milk in the future, you'll have to pay cost-covering prices. Because the producers have to think in a business-oriented way, and they won't be able to do anything against the market and operating results in the long run.

How have relations between the producers, processors and politicians developed since the abolition of the quotas?

Things have been very difficult. Of course, it has been all about power, value creation and yields, as well as who has been able to come off best. We certainly didn't do our homework as we should have. To some extent because we producers have not been united we've not managed to join forces in good time to have more clout in the market.

How do you see prospects for young farmers in Switzerland?

The young people only have a chance if the market is good. And you only have a good market if you go for added value and not just volumes, so the products fetch a good price and the producers get a good income.

Quotas are to be abolished in the EU in 2015. What will be the consequences in your opinion?

Even if the situation can't be transposed 1:1, I think the EU will see similar developments to those we've had in Switzerland. The question is whether in such a big structure as the EU producers will be able to unite and control the volume in line with the market. They will do well to address this question promptly.

Thank you for the interview, Mr Ritter!

Silvia Däberitz, EMB

Here you can watch a [film](#) with important background information on the situation in Switzerland

Key points about the milk production situation in France

Drop in revenue for milk producers

The CCAN [National Agriculture Audit Committee] has published provisional results for 2013. Against a background of a general decrease in earnings before tax for the self-employed working on medium-sized and large French farms (down 19%) compared to 2010-2012, dairy farms generated earnings before tax of € 23,300, or 11% less than in the period 2010-2012.

Restructuring of farms

Hence the average increase in the farm-gate milk price of 10% on 2012 (€ 344/1,000 litres) has not made up for the increase in already high production costs (IPAMPA index +1.5% on 2012). The total volume collected is equal to 2012 and balances between the number of farms ceasing production and increases in herds, mainly in the west, north and east of the country at the expense of the south and centre.

There has been a restructuring of dairy farms in the countryside: a rapid decrease in the number of farms (-40 % in 13 years) and an increase of acreage per farm (+30%). At the same time the number of employed workers has risen slightly: about a hundred more, year on year, since 2000.

Risky investments

There has likewise been an increase in investments, especially in milking robots. However, economic studies carried out in Brittany reveal a production cost of € 427/1,000 litres for farms with automatic milking. This increase of € 25 over 2011/2012 is due to the rising cost of feed and the under-usage of quotas, which means that structural costs per litre are higher. Farms with robots are paid a lower price (€ 7/1,000 litres less) because of the lower quality of the milk. That is € 64 short of the milk price to cover the production costs of these farms.

Sources: CCAN report July 2014; *Économie de l'élevage*, dossier annuel bovins lait, année 2013 (IDELE); *Production laitière: Ateliers avec un robot de traite, résultats 2012/2013* (CER France 29, Chambre d'agriculture 29)

Véronique Le Floc'h - Organisation des Producteurs de Lait

Dairy farmers from Burkina Faso on a visit to southern Germany

The aid organisation MISEREOR invited two representatives from Burkina Faso to Germany in May. René Millogo and Adam Diallo, who champion livestock herders and micro-dairies in their country, were given the opportunity to visit farms in the Allgäu and in the Eifel regions. The aim of the visit was to enable dialogue and an exchange of ideas between the Burkinabe and German milk producers. MISEREOR has been working together with livestock herders in Burkina Faso for several years, and has already focused on the correlation between the EU milk market and its export orientation and the situation in the Southern hemisphere in studies and exhibitions.

Two worlds, one product....

The farms visited are mostly family-run and very modern – most even have milking robots. Although not all the cows are allowed out to pasture, they are kept in light, friendly sheds. Almost all the farms grow their own grass and cereal. That makes sense, as the cows eat between 50 and 80 kg feed a day. That is quite a lot, but the grass can be cut up to five times a year, depending on the region. In addition the cows are given between two and four kilos of concentrated feed, depending on the farm, and this may contain imported, non-genetically- modified soy meal. Whereas in the Allgäu most of the cows are Braunvieh, although there are also Holstein Friesians and Fleckvieh, the overwhelming number of cows on our visit to the Eifel was black-and-white. Cows that eat a lot can also produce a lot: each cow produces between 28 and 32 litres of milk a day. Now and again there are exceptional cows producing over 50 litres, at least for a short period. Artificial insemination has been customary for many years, and is said to have had a positive effect on animal health. Some farms have several sources of income, such as biogas and photovoltaic, holidays on the farm, or extra work outside the farm.

Milk – great potential in Burkina Faso

Almost 10 per cent of the population of Burkina Faso belong to the ethnic group Peul, which traditionally keeps livestock to produce milk and meat in transhumance. These mobile livestock farmers – also known as pastoralists – live with and off the cows.

Burkina Faso has great potential as regards the milk sector. Demand for milk already exceeds supply, despite the large number of cattle. However, as the cows graze all year round with no additional feed they produce very little milk. With the transhumance of the Peul it is barely 1.5 litres a day. With better feed it can reach six to ten litres, though. But for that the feed has to be grown first.

A rapidly growing settled farming population combined with severely fluctuating annual climate events is forcing more and more livestock-keeping families to give up their nomadic existence. However, the state in particular must also create the basic conditions for this: first and foremost access to their own land and water, and access to the local and regional markets.

For more than ten years MISEREOR has been giving the Peul direct assistance with settling. The focuses have been on regionally adapted livestock keeping, genetically improving the local cattle breeds, and help with setting up small dairies.

Kerstin Lanje and Wilhelm Thees, MISEREOR (extract from the field report)

MISEREOR is already working on ideas for future collaboration with the BDM. The European Milk Board, MISEREOR, Oxfam and the MIG are meeting in September to discuss Burkina Faso.

Brief news from Brussels

Russian ban on imports: special measures for perishable species of fruit

The European Commission has committed more than € 125 million in aid to European fruit and vegetable farmers for perishable types of fruit and vegetables. These special measures apply from 18 August to the end of November 2014 and include withdrawals from the market through the free distribution of the products (charity, schools) and compensation for green harvesting and non-harvesting. The financial resources for this come from the crisis management fund available for compensation measures in special

market circumstances.

The market situation in the other sectors (incl. milk) is currently being studied by experts from the Commission and member states. The Special Committee on Agriculture had a meeting on 2 September on this topic. The EU Ministers of Agriculture plan to hold a special meeting on 5 September to deliberate on

how to proceed further.

TTIP – Results of the 6th round of TTIP negotiations (14 – 18 July)

The EU and the USA carried on negotiating in Brussels the creation of the biggest free trade zone in the world. On the topic of agriculture they discussed provisions on agricultural trade and the issue of wine. The EU was seeking better protection of geographical origins (such as feta cheese). According to unofficial sources America is refusing protected geographical origins. In the next round of negotiations (29 September to 3 October) in the USA they are to discuss the issues of duty exemptions, trade facilitation and market access.

CETA – trade agreement between the EU and Canada completed

The EU and Canada concluded a Comprehensive Economic and Trade Agreement (CETA) in early August. The wording is to be checked and ratified in the next few weeks by the EU member states and the Canadian provinces.

The long-term aim of the CETA is to completely abolish customs duties. Under this trade agreement Canada is to import more cheese from the EU and in return is allowed to supply Europe with more beef. Canada is granting European dairies duty-free export facilities for 18,500 tons of cheese, of which 16,800 tons of high quality. The agreement is regarded as a model for the economically far more important TTIP negotiations with the USA.

European Citizens' Initiative against TTIP

On 15 July the European Citizens' Initiative (ECI) against the planned TTIP and CETA free trade agreements was officially submitted for registration to the European Commission. About 200 organisations from 20 EU member states are behind the initiative. 1 million signatures are to be collected from September. The citizens' initiative calls on the European Commission to stop the TTIP negotiations and not to sign the CETA agreement.

The EMB would like to back the citizens' initiative – three of our member organisations are already partners in the alliance (German Family Farmer's Association AbL, BDM and IG-Milch Austria)

Who will be the EU Commissioner for Agriculture?

The fight for the top post in agriculture continues. The Romanian Dacian Cioloș could be given a second term of office as Commissioner for Agriculture, but there is strong competition from Ireland with Phil Hogan. The President of the European Commission Juncker will distribute the portfolios and assemble his team in early September. After that the European Parliament will vote on the new Commission.

Regina Reiterer, EMB

EMB Agenda

The EMB Board's most important dates in September 2014:

- 3.09.: Civil Dialogue Meeting Milk to discuss the Russian import ban
- 9.09.: Meeting on milk pooling in Brussels
- 24.09.: Milk Market Observatory meeting (Russian import ban)
- 24.09.: Talks with MISEREOR, Oxfam and MIG on Burkina Faso

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

Document-URL: <http://www.europeanmilkboard.org/https://www.europeanmilkboard.org/english/newsletter-september-2014.html>