

Dear dairy farmers and interested parties,

My dear EMB members, colleagues and fellow protesters: On September 7, you have sent an unequivocal message to EU policymakers - that the situation on our farms is dire!

Thousands of dairy farmers and tractors protested in Brussels for structural changes in dairy policy. It was evident that the journey to Brussels was very important for us farmers. But just for the sake of clarity: No farmer is that bored or motivated to drive a tractor hundreds of kilometres to Brussels or travel several hours by bus, leaving the farm and herd behind. We milk producers are in deep trouble and its high time policymakers finally wrap their heads around this fact.

Solidarity was strong on our podium on September 7; our supporters included a citizens' initiative and a number of developing countries who share our vision 100%. Shocking as it may be, the agriculture ministers are completely oblivious. When you look at the package of measures they approved, it is clear that they have absolutely no idea about our concerns. The 500 million Euros that are to go towards, among other measures, export and sales promotion are either meant to simply placate farmers or policymakers are consciously backing the wrong strategies! Nothing was done to attack the root of the problem - the oversupply of milk. Quite the contrary, overproduction is still being actively promoted!

The 500 million Euros - which Member States have already started scrimmaging over - are merely alms being handed out to farmers. The dairy industry with its strong lobby has already put its hands up! This money could be put to so many better uses, for example, towards a temporary reduction in milk production. The package of measures approved by the agriculture ministers is going to do nothing to resolve the underlying structural issues. Crises will continue to occur and the period of respite between them will keep on shrinking.

So long as EU policymakers refuse to accept that structural changes are necessary, we will not only continue with our actions but we must also exert more pressure through our protests. Till it is clear to all policymakers: The dairy market does not need short-term, misdirected solutions but measures to ensure long-term stability.

Sieta van Keimpema, EMB Vice-President and President of DDB Netherlands

EMB Newsletter September 2015

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Outcome of yesterday's Agriculture Council very disappointing for milk producers, more like provocation

"This outcome is no solution. We did not take to the streets for this."

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(Brussels, 08.09.2015) The measures announced by EU politicians yesterday are a sham. It is clear that policymakers decided to simply side-step the problem. The crisis in the dairy sector is of a structural nature and will not be solved by the financial aid released by Brussels. "Farmers from all over Europe did not take to the streets for subsidies, but for a crisis-management instrument, to solve the root cause of the problem – overproduction in the European market," says the Executive Committee of the European Milk Board.

Convening such a high-level agriculture summit was not necessary, if EU policymakers were looking to produce this sort of an outcome. Dairy farmers feel like they are being confronted by delaying tactics and will continue with protests. It is clear that policymakers have not grasped what this crisis is about.

Here you have the EU proposals in detail followed by the EMB's evaluation of the same:

- Programme for private storage to be continued: **The past months have shown that this measure has practically no effect. In spite of private warehousing, milk prices are still stuck in a downward spiral.**
- Promoting the sale of milk products within the EU and in third countries, inter alia by expanding free trade agreements: **Clearly a shot in the dark by policymakers, not appropriate for European milk producers and which also poses the danger of negatively affecting markets in third countries.**
- Early payment of direct aid: **In the short term, this measure could help farmers and provide immediate relief. However, production volumes should be reduced and adapted to the market situation at the same time, in order to bring some stability to the milk sector.**
- Strengthening the role of the Milk Market Observatory (MMO): **This must lead to the creation of a fully-functioning observatory. In other words, the MMO must observe but should also be equipped to react to market risks. This would include adjusting production volumes in times of crisis.**

The timid announcement by EU policymakers to contemplate further instruments to reduce price fluctuations must be implemented at the earliest. The Market Responsibility Programme developed by the European Milk Board has the potential to stave off major crises in the dairy market. This index-based programme takes into account developments in product quotas, milk prices and production costs, to then be able to introduce temporary measures, like voluntary production cuts, to help stabilise milk prices during crises. This would attack the root of the problem – overproduction of milk.

It is high time that the Commission and the Council analyse the Market Responsibility Programme for the EU dairy sector.

EMB press release

[Sieta van Keimpema about the EU results of 7 September](#)

Thousands of dairy farmers say YES to reducing volumes in times of crisis

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Current press release:

Big demonstration in Brussels calls for crisis instrument to be used including voluntary restraint on delivery

(Brussels, 07.09.2015) They have come to Brussels from all over Europe today with their tractors to unite outside the EU Council building and loudly call on the Ministers of Agriculture to take action in the crisis.

The several thousands of dairy farmers are demanding not subsidies, but instead the application of a crisis instrument that reduces the milk volume in times of crisis. "The EU milk market is flooded, prices are plummeting. In some countries they are approaching 20 cents. Unless production is reduced, the market will carry on deteriorating at a pace", says the President of the European Milk Board (EMB), Romuald Schaber, stressing the necessity for a cut in production throughout the EU. The [Market Responsibility Programme \(MRP\)](#) could be applied: it includes bonus payments for farmers who

voluntarily cut production.

His fellow farmers from countries like France, the Netherlands, Belgium, Denmark, Italy and Spain are demanding today in Brussels that the EU Ministers of Agriculture take joint appropriate action quickly. National approaches cannot stabilise the situation. This is also evident from the protests that have been going on for many months in the individual European states. For instance, neither the assurance of an unrealistic guaranteed minimum price in France nor the promise of 300 euros a cow in Spain can ease the situation in those countries. "The politicians have been hell-bent on a massive export drive with an increase in volumes throughout the EU. That has failed miserably, and now has to be rectified on the EU level as well. Individual nations cannot hope to come up with any lasting solutions on their own", Schaber says. According to Schaber, EU Commissioner for Agriculture Phil Hogan and the German Minister of Agriculture Christian Schmidt in particular have to abandon their awkward attitude. Because the measures that have been used since last year, such as private storage, have not achieved any stabilising effect in the face of a globally flooded milk market.

Other groups of society are becoming increasingly verbal in their criticism of the current liberal market export policy. For example, many consumers and veterinarian organisations are calling for caps on production to ensure animal welfare and ecological sustainability.

If the Council of the Ministers for Agriculture fails to take any effective measures today, and instead comes up with just makeshift solutions, the protests will be stepped up in every country and across the EU. Schaber: "For the dairy farmers it is all about the survival of their farms; for consumers it is all about regional, healthy food production throughout the EU; and for the EU it is all about a stable, competitive dairy sector. If the politicians refuse to reduce the EU volume, it is the duty of us all to take to the streets and force political changes. There is simply too much at stake."

The European dairy farmers' demands:

- *Cost-covering milk prices and a crisis instrument, the Market Responsibility Programme (MRP), NOW!*
- *The money from the super-levy must be used immediately to finance a voluntary restraint on milk supply in order to reduce the volume!*

[Video EMB action 7 september](#)

[Image gallery 7 september](#)

Evaluation of milk sector measures

Many measures for the milk sector are currently being discussed. Here you find our evaluation, which measures can protect the milk sector in an effective and sustainable manner and which measures do not provide any solution.

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Effective measures in the dairy sector

The excessive volume of milk must be reduced in times of crisis using the **Market Responsibility Programme (MRP)**. It can stabilise prices gently, for instance with a voluntary restraint on supply (cutting production in return for a bonus payment).

Raising the intervention price only whilst simultaneously reducing the volume. This results in only a brief intervention period, as a stabilised market price kicks in soon.

A proper analysis of the situation is required. The Russian embargo and the decrease in exports to China have to be put in the right context: they are reasons why demand cannot keep up with the growth in production. That is why the growth in production has to be curbed.

The same applies to other geopolitical or geo-economic developments brought on by crises. For instance, if the trend in oil prices, financial market crises or terrorism cause demand to fall, there has to be a reaction on the supply side as well.

Silvia Däberitz, EMB

The wrong measures for the sector

What is wrong is a purblind export strategy and flooding of markets with EU surpluses. Those markets are just as saturated (Russian ban on imports, China's decrease in imports). This only put further downward pressure on the price for everyone.

Raising the intervention price without simultaneously reducing the volume is problematic. It only further boosts production.

Futures markets are not suitable for preventing crisis prices. Even if low prices are also to be expected in the months to come because of a chronic oversupply, futures will not be concluded with reasonably high prices. Because prices are also determined by the milk market/its expected development.

Subsidies are not a solution. Direct payments to the producer cannot either make up for the loss or eliminate the cause of the problem. That is because the EU market is facing chronic surpluses which cannot be eliminated by simple subsidy payments.

Do we need a new Commission to end milk crises?

“Since the long term market perspectives are good for animal products and since Europe has significant potential for growing milk production, we should produce more and export more”, said European Agriculture Commissioner Phil Hogan. “one shouldn’t talk of a crisis, nor question the market-driven milk policy, all the more so, since EUR 300/tonne is a very reasonable price for milk”.

This statement points to a faulty diagnosis on three major points.

1. The Commission gambled on a very profitable world milk market

Three exporters - New Zealand, the United States and the European Union produced in 2014 a milk surplus of 11 million tonnes of which more than 6 million tonnes came from the EU, against the backdrop of a market that is growing at a rate of less than 2 million tonnes a year.

2. The Commission had not anticipated this new situation with overstocks and depressed prices

The 2015 milk crisis is primarily the logical outcome of the Commission’s deregulation programme, which the EU agreed, even if external events have heightened its impact. Despite these difficult market conditions, the Commission rushes forward towards a utopian world market and signs free trade agreements with Canada, the United States, South America, West African countries and Vietnam.

3. The Commission has not proposed anything to correct this extreme volatility in the price of milk

At the end of 2014, contracts between producers and processors only covered 20% of European production. As for the intervention price, it has been dropped to EUR 215/tonne milk equivalent since 2007. This is well below production cost and has not been brought up to date, either. So the milk price is in free fall and there is no longer any safety net. With today’s average milk price around EUR 300/tonne, more than one European milk producer out of two is working at a loss. That is to say that producer no longer earns any money to feed his family, but, worse, he is spending more money than he is making. The more he produces milk, the more he loses money.

4. Proposals to secure the European dairy sector

- a) Raise the intervention price by 20-30% but link the increase to a reduction in delivered milk volumes for the periods of surplus.
- b) Define a crisis indicator that will trigger action by the European milk market observatory. This will allow politicians and the Commission to intervene earlier and deal with crises.
- c) Guarantee European milk producers a margin, following the example of the Farm Bill in the US.
- d) Define a framework that would enable volumes to be reduced in case of a surplus and falling prices; two proposals should be put again on the table, one from MEP Michel Dantin, the other from the European Milk Board. They need to be brought back into the debate.

In theory, a combination of the last three proposals (b,c,d) is worth studying and testing, since this combination involves the use of existing tools; it would be a more flexible, and without a doubt, less costly set of options than raising the intervention price.

Summary of the document of André Pflimlin – [full English version here](#)

A glimpse of the world: abolition of supply management in Australia

In Australia, too, they have had experience of a system shift. In 2000, they ended supply management the milk market. Professor Bruce Muirhead from the University of Waterloo in Ontario, Canada, studied the subject in detail and answered two questions about it.

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EMB: In Australia the regulation of supply and pricing was abandoned in the year 2000: What were the consequences for the farmers? What influence did it have on the national milk volume?

The consequences of this policy shift were memorable for Australian dairy farmers. When the process began, Australia was producing about 11 million tonnes of dairy; by 2015, that had dropped to approximately 9.5 million tonnes. The collapse in global dairy prices in 2014 has made that situation worse. Australia cannot now count on export markets to help make ends meet.

With deregulation in Australia, farms also got much larger, with so-called feedlot farming becoming more normal. That means, of course, that the number of farmers shrank. While this is happening in all industrialized countries, in Australia, its effect has been more concentrated. For example, in the state of New South Wales, as the number of farmers plunged from 1,725 to 731, the average number of cows per farm increased from 155 to 268. As well, as a NSW government report, *Overview of the New South Wales Dairy Industry*, has pointed out, “deregulation brought lower and more volatile milk prices to NSW dairy farmers; coupled with a prolonged drought, this forced farmers to develop adaptable and resilient farming systems.” Clearly, making a living from dairy farming in Australia in 2015 is extremely difficult, made worse by those factors over which they have no control – supply and demand, world prices and exchange rates.

It is now almost impossible to sell dairy farms for that purpose. As one Australian realtor has noted, there is no market for dairy farms in the southeast of the country, one of the natural dairy hubs. Bruce Auld, a rural sales specialist, said in April 2013 that “The last dairy I sold was in Tantanoola and took 12 months - it was broken up into five or six smaller parcels and is no longer being used as a dairy.” That speaks volumes as to the health, and the future, of the industry.

Finally, with deregulation, the two major supermarket chains in Australia have been able to take advantage of producers. Coles and Woolworths have rewritten dairy farmer contracts in order to provide consumers with A\$1 per litre milk, which has driven more out of the business. One report has suggested that by 2017, the average net dairy farm income in Australia will be zero. It is not a happy picture. The genius of regulation is that it does not allow supermarkets, processors or agri-business to unilaterally set the terms of sale with farmers, making these power asymmetries less compelling and destructive.

Bruce Muirhead, Professor of History at the University of Waterloo in Ontario, Canada

Call for solidarity with milk producers

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to support European milk producers.

Solidarity is shown to European dairy farmers. Belgian development organisations have launched a call for solidarity in Europe and Africa in order

Many agricultural organisations and milk producers' unions from Africa, together with European development organisations are supporting the proposal for regulatory measures for the EU milk market. The aim is to protect family farming and to guarantee a decent income for producers in Europe and

Africa.

Call for solidarity in [English](#), [Dutch](#) or [French](#).

More information see [Oxfam homepage](#) (in French)

Regina Reiterer, EMB

News from Brussels

Results of the Ministers' meetings

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the supply chain.

The EU Commission has announced a €500 million support package to support European farmers. The measures should address the cash-flow difficulties farmers are facing, stabilise markets and address the functioning of

The [distribution key for the national envelopes](#) has been decided on the informal Agriculture Council of 15 September in Luxembourg.

The comprehensive package of measures is available in the [Commission's Fact Sheet](#) in different languages: [FR](#) [DA](#) [ES](#) [NL](#) [IT](#) [SV](#) [PT](#) [FI](#) [EL](#) [CS](#) [ET](#) [HU](#) [LT](#)

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The measures are oriented towards export and promotion measures and do not provide a sustainable solution for the milk sector. No decision has been made on the temporary rise of intervention prices for skimmed milk powder, as stipulated by some Member states and as well for required instruments in

order to react to price volatility.

Committee of the Regions: EC emergency package not to resolve dairy

crisis

In its press release of 10 September the Committee of the Regions (CoR) shows dissatisfaction with the results of the Agriculture Council meeting. The emergency package will not resolve the milk crisis and will not tackle structural problems in the EU's deregulated dairy sector. The CoR supports proposals of the European Milk Board to regulate production in case of a crisis. The CoR is asking the EU's agriculture ministers to place pressure on the Commission to complement the emergency measures with a series of measures of a more structural nature.

[Press release CoR](#)

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