EMB Newsletter September

Dear Dairy Farmers, dear Interested Parties,

On 13 September 2011, the France Milk Board (FMB) handed over a model contract to Farm Minister Bruno Le Maire that is the potential basis for regulating relations between milk producers and dairies. It was high time the dairy farmers came up with their own draft contract, because the contracts the dairies drew up under the new French Modernising Agriculture Act are so unacceptable that even the Farmers' Union has rejected them, and so far only 5% of French farmers have signed up to them.

Unlike the dairy contracts, the France Milk Board's model contract actually strengthens the milk producers' rights. The producers who sign the contract assign their right to negotiate with the dairy to the FMB. This enables the producers to have their say. The contract would be signed for a period of five years. It specifies the supply volume and stipulates a milk price based on real production costs, verified annually by an independent commission. The current cost price is 41.2 euro cents per litre of raw milk.

Moreover, what is required is a European independent market monitoring agency to control the dairy market in a sensible way and prevent future crises. We, the EMB Executive Committee, will continue to fight for this in talks and activities in Brussels as well as on the spot in EMB member countries in the next few months.

Best regards,

Anton Sidler, EMB board member from France

Switzerland: General applicability for parts of the BOM resolutions enshrined in law

On 31 August 2011, the Swiss Federal Council (government) granted general applicability to the flat-rate levy of one centime a kilo of milk to ease the pressure on the market. In this way a part of the resolutions passed by the inter-branch organisation (BOM) to reduce the butter mountain in Switzerland can be implemented. Every milk producer is now obliged to pay one centime/litre into a fund through his/her supply organisation to make the export of surpluses cheaper.

But in March the BOM Delegates Meeting had decided that besides the one centime/litre an additional levy of four centimes a kilo of milk had to be imposed on excess quantities. In recent months that was opposed by a number of producers. So the Federal Council deferred a decision on general applicability for the four centimes, as it is not on a sound legal basis at present.

EMB members BIG-M and Uniterre had called on the Federal Council to implement the BOM's entire package of measures. If it were unpicked, they said, this would jeopardise the market stabilisation methods. As it is, the current package contains no approach for the effective, long-term control of volumes. The Council of States' Economic Committee has already announced that it will table a committee motion if the Federal Council grants general applicability only to a part of the measures for easing the market.

Werner Locher, Big-M: "The Federal Council's decision is also going down badly among individual milk marketing organisations. We will see in the near future whether the producer organisations are willing to play along. The one centime has already been retained from the price paid to producers for three months now. But as the 4-centime levy on the excess quantities is being boycotted, at least two large organisations (Nordostmilch and PO ZMP, together pooling 25% of all producers) have decided not to transfer the money to the BOM but to pay it into a blocked account instead until the four centimes are also levied."

Sonja Korspeter, EMB

New Belgian member of the EMB

The Flemish Dairy Board (FMB) has been an official member of the European Milk Board (EMB) since July 2011. Most of the organisation's members are in Flanders, the northern part of Belgium, where Flemish is spoken, but some Walloons from the French-speaking south of the country are also members. The FMB started when a group of milk producers got together after the big EMB demonstration in Brussels on 5 October 2009 and then joined up with the farmers' union ABS in spring 2010 to set up the Flemish Dairy Board. Since then the number of members has grown constantly.

Working closely together with EMB member MIG (Milk Producers' Lobby), FMB set up Faircoop, the organisation that markets Fair Milk in Belgium. The traditional Farmers' Union in Flanders, the Boerenbond, is forever harping on in public about world demand for milk rising and it making sense for the farmers in Flanders to increase the size of their farm in good time. This means firstly that the FMB has to lobby the parliamentarians intensively to impress on them the necessity of managing supply and really strengthening the milk producers' position in the market. But it also means continually keeping the milk producers themselves informed. This is why the FMB is planning a one-day event in November on the EU dairy policy, the situation of producers in Europe, and the EMB's strategies for the near future. The FMB's next concrete step is to develop its contacts with the head of the government of Flanders, who also happens to be the region's Minister of Agriculture. The FMB's work is also to focus more on the media in the next few weeks. The new organisation hopes to obtain some assistance from the EMB in developing its structure and would like to benefit from the experience of other members.

Rik de Coninck, FMB

USA thinking in more and more concrete terms about supply management

Despite a dairy policy that already has a large number of instruments American dairy farmers are not spared the impact of strong fluctuations in milk prices. Some farmers have been proposing since 2007 that a public supply management system be implemented with a view to stabilising prices. These proposals, which are gaining increasing support, were already debated in the House of Representatives and the Senate last year. Since then the most diverse milk producer organisations have united in a Coalition to Support the Dairy Price Stabilization Programme. This programme, the DPSA for short, was conceived as a national programme of general applicability providing financial incentives for dairy farms to encourage them to control their milk production. In this way, the thinking goes, the dairy sector could adapt the national supply to demand, and extreme milk price fluctuations could be avoided.

This is how the programme would work: a Milk Producer Board is to be set up to advise the US Secretary for Agriculture on implementing the DPSA. This Board is to comprise twelve producer representatives (two per region), one consumer representative, one representative of the milk-packaging dairies and one representative of the remaining milk processors. In addition the Board is to be advised by an economist, who does not have a voting right. Every three months the Board will stipulate two key parameters from the development of the dairy markets: firstly, the increase in volume of milk allowed per farm (normally between 1.5% and 3%). Secondly, the amount of the charge the farms that exceed the set limit have to pay (usually between $ 0.50 and $ 1.50 per American hundredweight: 45.3 kg). All the charges the "oversuppliers" have to pay will be passed on to the other dairy farms. In this way responsible milk production pays – literally. The website www.stabledairies.com goes on to explain that further growth is possible with the scheme; but it is necessary for those that are hungry for growth to pay something to their fellow farmers who adhere to their own production volume. Because only if they hold back the market can absorb extra volumes.

Other proposals for dealing with price fluctuations, such as the Dairy Producer Margin Protection Program (DPMPP) have more the nature of a safety net, whereby in the event of too large a difference between feed costs and the farm-gate price the state pays the producers a certain amount from the National Disaster Fund. In addition to the DPMPP a Dairy Market Stabilization Program (DMSP) is being discussed. If the difference referred to falls beneath a certain level in two consecutive months, the US Department of Agriculture (USDA) will inform the producers that for the following two months they will be paid only for 98% of their quarterly average production. The Democrats, along with "Future for Dairy", a foundation set up by milk producers and dairy employees, are convinced that in this case most producers will curb milk production so as not to produce milk "for nothing" (http://democrats.agriculture.house.gov and http://www.futurefordairy.com). A "Producer Board" is to open up additional sales markets. These three elements integrated into a draft law have been published the 13th of July 2011 by the democrat Collin C. Peterson.

It is still not clear in which direction the US government's new dairy policy will go. A decision will be made on the new Farm Bill in 2012. But it is becoming increasingly evident that discussions about the American dairy market cannot be imagined without effective control of volumes. Randy Mooney, a milk producer from Missouri and President of Dairy Farmers of America: "We're going to be able to grow and supply the world with dairy products as long as the U.S. dairy industry wants to, but we need a system in place that aligns supply and demand to help producers stay where it's profitable."

Sonja Korspeter, EMB

France: standard price 35.66 cents

The standard price of milk in Brittany and the Pays de la Loire for September is 356.2 euros/1,000 litres according to Cilouest (the inter-branch organisation of western France). This is the figure that emerges from the indices published by Cniel (the national inter-branch organisation). The economic indicators, which reflect the European and world economic situation, show an increase of 26.1 euros/1,000 litres in September as opposed to 22.7 euros/1,000 litres in August. The seasonality index is 30 euros/1,000 litres up in September, as in August and July.

In a ministerial order of 28 July 2011, the French Minister of Agriculture increased the maximum provisional quota the manufacturers can allocate the farmers supplying them with milk by two points for 2011-2012. The maximum rate is now fixed at 7% instead of the 5% initially specified in the ministerial order of 30 March 2011.

So the volumes of milk produced will probably increase further and the farm-gate price will plummet, in a situation where production costs are rising.

Sonja Korspeter, EMB

Austria: “A faire Milch” from the new former packager

“A faire Milch” has caused quite a stir in Austria in recent months. Now everything is back the way it was, and even better than before. This is what has been happening:

For quite a long time the Mona dairy contracted the Seifried dairy to package “A faire Milch” in the Innviertel region, upper Austria. Two years ago the dairy company NÖM took over Mona – and all its contracts. The contract between Mona and Seifried belonged to NÖM – a subsidiary of the Raiffeisenlandesbank Lower Austria/Vienna – as part of the takeover package.

The best drinking milk not good enough?

A few months ago NÖM cancelled the contract with Seifried. The reason NÖM boss Alfred Berger quoted to the “Blick ins Land” magazine was that the quality of the milk was no longer right. Nobody at the Seifried private dairy could understand that, after all the Seifried milk was deemed the best drinking milk the year before in the test carried out by the VKI (the Consumer Information Association). The loss of the business meant a huge drop in turnover for the small dairy.

Brief collaboration

Thereafter NÖM packaged the “faire Milch” itself. But this direct co-operation did not last long. The contract between IG-Milch and NÖM was rescinded in early July by mutual consent, and that was most certainly not for purely political reasons, as some media would have it. IG-Milch wanted to market “A faire Butter” as well as “A faire Milch”. Just before the market launch NÖM decided not to package the butter. On top of that, the quality of the fair milk was not the same after a change in the packaging as it was when the Seifried dairy packaged it. There were even complaints from customers. “We paid dearly for that and it’s now going to take a lot of work to restore the image of faire Milch as high-quality, delicious milk”, explains Erna Feldhofer, Chairman of IG-Milch. She feels it is almost like a tactical game, as if NÖM with its falling sales figures wanted to scotch the “faire Milch” project.

“Freie Milch” in a “fair pack”

The new contract concluded with the Seifried dairy stipulates that only milk from producers that supply to “Freie Milch Austria” can be packaged. Seifried was the only dairy to accept this condition. So “Freie Milch Austria” and with it a farmer-run milk marketing organisation has its own product in the stores.

Erna Feldhofer, IG-Milch

Germany: the ban on the sale of food below cost price to be abolished?!

The German Federal Minister of the Economy does not intend to extend the ban on the sale of food below cost price that expires in 2012. The ban, he feels, has proven in practice to be a “blunt sword” and failed to come up to the politicians’ high hopes.

It has been the BDM’s (German Dairy Farmers’ Association) criticism since 2007 that this regulation would fall short, because the ban on the sale of food below cost price operates only on the level between processing and retailers. The stage between production and processing, i.e. milk producers and milk processors, is ignored. The dairy industry can carry on recouping any loss in sales revenue from the farmers – as it did before the amendment of the Act against Restraints of

Competition 2007. “This is where dumping takes place”, criticises BDM President Romuald Schaber.

Instead of the ban being abolished, it has to be extended to the stage between producers and processing, he says. “If a knife is blunt you don’t throw it away, you sharpen it”, is how Schaber puts it in a nutshell.

From: BDM press release

Bolivia puts up tax on beer to subsidise the price of milk

On 12 August 2011, the Bolivian government announced that it was putting up taxes on beer and imported alcoholic beverages to subsidise the price of milk with the revenue generated. In future, 1.4 dollar cents on a litre of beer and 5-15 dollar cents on a litre of imported alcohol are to flow into a “pro milk” fund. The aim is to promote the consumption of milk and to develop the dairy industry, which is currently operating at only 60% of capacity. Average beer consumption in Bolivia is 38 litres a year, whereas milk consumption is only 30 litres a year. A bottle of beer costs $ 1.40, and a litre of milk 70 dollar cents, which equates to roughly 49 euro cents.

The milk producers had called on the government to increase prices, but this will not happen yet because the tax on alcohol is being put up to subsidise the dairy industry.

From: EFE press agency release of 12.8.2011

Food sovereignty, a European response to the crisis!

From 16 - 21 August 2011 more than 400 delegates from 34 European countries attended Nyeleni Europe 2011, the European forum for food sovereignty. In these times of political instability, social and economic crisis, the delegates demanded that the right of all peoples to define their own food and agricultural systems without restricting other peoples’ rights or damaging precious natural resources. A joint plan of action has been drawn up that is to be published shortly. The concluding declaration states: “We are convinced that food sovereignty is not only a step towards a change in our food and agricultural systems, but it is also a first step towards a broader change in our society.” The five main challenges stated in the declaration are:

- An ecologically sustainable and socially fair model of food production and consumption based on non-industrial, smallholder farming and craftsmanship, as well as alternative distribution
- Decentralising food distribution and shortening the chain between producers and consumers
- Improving work and social conditions, especially food and agriculture systems
- Making the decision-making processes for the use of common properties and cultural heritage (land, water, air, traditional knowledge, seeds and livestock breeds) more democratic
- Ensuring that political decisions on every level guarantee the viability of rural regions, fair prices for food producers, and safe, GM-free food for all.

The declaration and many lively photos are available at: www.nyelenieurope.net

From: Press release of 22.8.2011

France: Jeunes Agriculteurs want a European inter-branch organisation

At a press conference held on 30 August 2011, the young farmers' union in France put forward the idea of uniting the sector on a European level in a large inter-branch organisation in preparation for the end of the quotas planned for 2015. It would bring together the producers and processors from the 27 EU member states and would be linked with the national inter-branch organisations. Setting up a European organisation for the sector would achieve two aims: ensuring supply management in line with world demand and, through setting up a European agency to monitor production and markets, anticipating and managing crises in the sector.

On French level

The Jeunes Agriculteurs (JA) also want to strengthen the groupings of producers on a national level to enable them to have more bargaining power when negotiating contracts with the major retailers and processors. At present these negotiations are often conducted on an individual basis, with the farmer starting off on the back foot. Within a national inter-branch organisation they also envisage setting up an export unit that would identify world outlets for the French milk producers. The JA would like a part of the profits generated by exports to feed into a security fund for the producers, enabling them to counteract the volatility of the world market and finance joint projects.

For Anton Sidler and Willem Smeenk, French representatives on the EMB Executive Committee, the inter-branch organisation proposed by JA is too weak to have any influence, and the gearing to the export market envisaged in the proposed intervention fund is not the solution. The emphasis should be much more on the producers' influence on the milk market. Mechanisms have to be found to strengthen the producers' position vis-à-vis their co-operatives and the private dairies.

Summary of JA press release of 30/8/2011

Higher milk prices in Italy

Most of Italy's milk (over 60%) is produced in the north; the Lombardy region alone accounting for 41.8%. There, farmers are currently being paid a farm-gate price of 40.2 ct/kg (milk containing 3.7% fat, 3.3% protein), without VAT and surcharges, for milk processed into fresh products. For milk used in the production of Grana Padana they are paid at least 42 ct/kg, and for milk processed into Parmesan 65 ct/kg, although that is not paid until two years later. In central and southern Italy the average farm-gate price is currently 45 cents plus VAT and quality surcharge.

Roberto Cavaliere, Member of the EMB Executive Committee and also President of APL Pianadura Padana in northern Italy, says: "Milk production in Italy is stable at present with a slightly upward trend. As the market is flourishing, these extra quantities can easily be absorbed and this situation generates good minimum prices for producers. The AOC cheese varieties Grana Padano and Parmiggiano Reggiono in particular are doing very well and are fetching good minimum prices for producers."

Sonja Korspeter, EMB

Israel: Government deregulates the dairy market after consumer protests

The protests in Israel originally started a few weeks ago with a call for a boycott on Facebook, after the prices for a 250-gram tub of cottage cheese rose to 8 shekels (approx. € 1.60). In next to no time more and more consumers joined the boycott and, boosted by massive media coverage, sales figures plummeted by up to 50 per cent.

Then in early August 2011 the Israel government implemented the decisions of a committee set up to monitor the dairy products market (Kedmi Committee). The stated aim was to create greater competition and reduce the prices of dairy produce that had rocketed in recent years. Provisions of the scheme, which ends in 2016, include opening the market up to imports from abroad. At present, imported milk comes primarily from the EU and the USA, regulated by a bilateral agreement.

In addition, the capping of production volumes through a monthly quota system, which still operates, is being discontinued to a degree and opened up to free competition. Small milk producers are being given the opportunity to expand. In future the producer price of the most cost-effective producer will be taken as the basis to calculate the minimum milk price per litre. For imports of hard cheese, import duty is being cut from 70% to 20%.

Supermarkets, dairies and dairy farmers have also been instructed to provide regular reports on their financial situation. This is to help the government take decisions on possible price controls for certain products. In future, supermarkets will have to state their price for 100 grams of a dairy product to make it easier for consumers to compare prices.

Other dimensions of milk production

Israeli milk production is already highly efficient and productive, with the highest output per animal in the world. On average each cow produces 12,600 kilos a year. There are two types of dairy farm: the large-scale farms in the kibbutzes with at least 300 cows, producing about 300 million kilos a year; and the small family farms with 45 to 50 cows producing 450,000 kilos. To date there has been a quota system for the milk volume in Israel, amounting to a total of 1,200 million tons of milk. The quota is divided up into months to encourage producers to supply the industry with similar volumes throughout the year. There are roughly 200 dairy kibbutzes and 1,100 small farms in Israel.

A minimum price is regularly stipulated through an agreement between the government, farmers and the dairies. So far this price has reflected production costs plus an agreed amount for labour costs and capital expenditure. Before the changes the milk producers received about 2.15 shekels, i.e. 41 cents/kg. How these figures will now develop remains to be seen.

A heavily concentrated dairy landscape

Dairy products are generally expensive in Israel. According to a recent study carried out by the Organisation for Economic Co-operation and Development (OECD), Israel is third behind Japan and Norway for dairy produce prices. Israel’s dairy produce market is dominated by the Tnuva combine, with a market share of 70 per cent, followed at some remove by Strauss and Tara. The manufacturers refer to higher production costs, such as producer prices, feed costs and energy. The price hike began only last year, though, after the state price control for cottage cheese was abolished.

Milk producers’ reaction to the package of measures

The Israel Dairy Board said that the government's actions are based on fundamentally wrong assumptions. Exposing the Israeli dairy market to imports will not lower prices. Instead, this decision, combined with the reduction in the target price of milk, will force hundreds of dairy farms to close down across the country. Israel Farmers Federation chairman Avshalom Vilan criticized Netanyahu's decision, saying that he was liquidating Israel's dairy industry: “The government is a false hero, attacking the weakest link in the chain,” Vilan said. “Importing yellow cheese will result in the slaughter of 30% of Israel's dairy herds. Small dairymen will pay the full price, and it is doubtful whether consumer prices will fall, because the dairies and especially the big supermarket chains will continue to rake it in at the consumers' expense.”

Sonja Korspeter, EMB

Imprint

European Milk Board
Bahnhofstr. 31
D-59065 Hamm
Tel: 0049/2381/4360495
Fax: 0049/2381/4361153
E-Mail: office@europeanmilkboard.org
Website: http://www.europeanmilkboard.org