Press release

Milk market needs crisis instrument for when quota system ends

European dairy farmers warn of a severe loss in market power and chronic price slumps

(Brussels, 31.03.2015) The flags of the 28 EU Member States are flying at half-mast, whilst those of the big food conglomerates are flying high. It is a clear picture for people in Brussels outside the European Parliament today. Whereas producers in the individual countries will have to cope without any regulatory framework in the future, Nestlé, Danone and Co. will be able to fill their boots. “Thanks to the expected milk surplus, as of now conglomerates will dictate terms and conditions to the farmers even more than before. Prices will be rock-bottom, as Europe’s farmers will have even less market power to achieve a cost-covering milk price in the future”, warned Romuald Schaber, President of the European Milk Board (EMB), pondering the future of the milk sector. Without an effective crisis instrument, dairy farmers will be facing rock-bottom prices time and again; many of them will be catapulted out of milk production very soon.

That is why dairy farmers from all over the EU gathered to protest in a solemn symbolic vigil outside the European Parliament in Brussels with a warning fire and funeral march, to point out to the politicians their derelictions of duty. “The system for the period after the milk quotas is severely deficient. Unfortunately politicians have failed to put suitable market instruments in place to prevent a crisis”, said Sieta van Keimpema, EMB Vice-President. The problem is: it is most likely that dairy farmers in many EU countries will step up production considerably when the quota system ends – without the market being able to offload the whole volume in any reasonable way. “Chronic price collapses are inevitable, the next crisis is on its way”, added Schaber.

Additional crisis instrument required: Market Responsibility Programme

That is why the EMB is all the more insistent in its demand for the implementation of a Market Responsibility Programme (MRP) to be used in the event of a crisis. When the quotas end, the programme can be used to oblige dairy farmers to act responsibly in line with the market in times of crisis. In concrete terms: dairy farmers who in times of surplus voluntarily produce less should be given a bonus. On the other hand, those who produce more despite heavily oversaturated markets should take responsibility for this and pay a Market Responsibility levy. “This will enable us to create a predictable environment and also secure milk production throughout the EU for consumers”, said Schaber.

The current situation shows how urgent the introduction of a good crisis programme is. For months now farm-gate milk prices have been rock-bottom in many European countries. The downward spiral has only recently been halted by the impending historically high super levy this year of up to 25 cents per excess kilo of milk supplied. This enabled the overproduction and with it the price decrease to be curbed. “We are now calling for the super levy from the last milk marketing year, amounting to some 409 million euros, and the penalty payments prescribed in the regulation for 2015 to be used for the dairy sector. This money ought to be used to implement the Market Responsibility Programme”, said Schaber.

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