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Act now: voluntary volume reduction must be activated immediately

Dairy farmers call for the immediate EU-wide implementation of this important crisis instrument

Brussels, 15 April 2020: The dairy sector is slipping into a deepening crisis. As the demand of milk and milk products has significantly dropped because of the Coronavirus crisis, produced milk volumes can no longer be absorbed.

"The reduced demand must be met with a temporary reduction in supply as well, to get the market out of its very dangerous state of imbalance," underlines Erwin Schöpges, President of the European Milk Board. "Dairy farmers are therefore calling on European Commissioner for Agriculture Janusz Wojciechowski to activate voluntary production cuts immediately." As Schöpges goes on to add, milk-product prices as well as other important market indicators have been in a dangerous downward spiral for some weeks now, and the end is not yet in sight. The consequences for dairy farmers, however, are already severe. "Steep drops in prices, pouring away milk – if these developments are not addressed at EU level with coordinated voluntary production cuts, and that too at once, the collapse across Europe will be brutal," says Sieta van Keimpema, Vice-President of the EMB, stressing the need for an immediate reaction to this crisis. "In the EU, we have the good fortune of a crisis instrument that has already proven to be very effective. Now is the time to activate it," continues van Keimpema.

How will the crisis instrument be implemented?

Dairy farmers want to take responsibility for the dairy sector and coordinate the reduction of milk production through the EU. To make this possible, the European Commission must launch a call for a volume reduction programme spanning a few months. Within this programme, producers who reduce their milk deliveries as compared to the same period of the previous year would receive a bonus for every kilogram not produced. This would ensure that the reduction remains economically viable for producers. During the temporary reduction phase, other farmers should not increase their production, which could be achieved through capping. After all, such increases would counteract the reductions undertaken by other fellow farmers. This measure would significantly reduce the current pressure on both dairy farmers and the processing industry.

What is ineffective in mitigating crises?

It would be a mistake in the current situation to bank on private storage or intervention i.e. storing or public buying of butter and milk powder. After all, these stored products, for which there is no demand, do not relieve market pressure but, in fact, generate harmful pressure of their own. It is integral to prevent surplus milk production in the first place, and voluntary production cuts achieve just that.

However, if it is not activated immediately, obligatory production cuts will very soon become necessary throughout the EU. All milk producers would then have to reduce their production by a few per cent.

"It is clear that unexpected events can occur time and again," says Erwin Schöpges. "Nonetheless, we can take joint, coordinated and constructive action against at least some of these developments as the EU. The imminent milk crisis is one such development that we can get under control with EU-wide action. We producers are fully ready for this and we call on the European Commission to take on this responsibility together with us. Let's use the instrument of voluntary production reduction for joint action and prevent this crisis from getting any worse!"

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