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Agricultural reform NOW!

Political response to farmer protests must be MARKET reforms to improve income

France, Germany, Belgium, Poland, Lithuania, Italy, etc. – a massive wave of farmer protests is washing over Europe. Even though policy-makers have already reacted and made concessions in some countries, farmers remain at the ready with their tractors to block streets and cities. In the end, it is not about approving smaller or larger subsidies or tax rebates; it is about the entire agricultural sector that has turned into a financial trap for farmers in recent years and decades due to neoliberal policies. Is it no longer possible to earn money from agricultural products? Of course it is, but distribution across the value chain is so dysfunctional that nothing really makes its way to producers and their families.

President of the European Milk Board asbl Kjartan Poulsen describes the situation as chronically gridlocked, unless some fundamental changes are introduced in the agricultural sector. "It's not exceptional situations at national level but a massive imbalance across Europe. That is why we are appealing to EU policy-makers and calling on them to finally implement long overdue reforms in order to give producers the possibility to get out of this financial trap. The issue of income is absolutely central for producers. If this is not solved, the widespread protests will continue."

Véronique Le Floc'h, President of the French Coordination Rurale (CR) describes the financial situation of French farmers as follows: "Between 2020 and 2022, the gross margin for French dairy farmers fell by 4%. Shouldn't it be possible to ensure a better distribution of margins? I am not asking anyone to go out of business but I am definitely asking that we producers are not made to go bankrupt!"

Adrien Lefèvre, the president of APLI, the French association of independent dairy farmers, is also deeply concerned about the future of producers: "We are confronted with more compliance but, at the same time, with a price decline in all production sectors across Europe. We urgently need to send a sincere, strong, positive message to the next generation of farmers if we want to continue playing a central role in food provision in the future as well!"

Jean-Luc Pruvot, President of the producer-led brand Fair Milk from FaireFrance, knows from personal experience that a fair distribution of margins is definitely possible: "Fair Milk is a real solution that ensures the future of producers, both in France and at European level. It is high time that our policy-makers acknowledge and support Fair Milk!"

In the face of dwindling subsidies and a diminishing willingness to shore up agriculture with taxpayer money, it must be in the interest of policy-makers as well to introduce reforms and to structure the market in such a way that cost-covering producer prices are possible. This means that the price paid by processors to producers must consider production costs as well and that the money along the value chain must be distributed fairly at long last.

The following reform measures must be implemented immediately:

1. An EU-wide regulation that prohibits prices that do not cover production costs

Why?

Something that is a given in other sectors – that costs are passed on and are reflected in prices – is not the case in many parts of the agricultural sector. The *invisible hand of the market* is very clearly and obviously pushing prices below cost levels. An EU Regulation prohibiting this shortfall would lead to stabilisation of the income situation and thus of production structures across the EU.

2. Suitable crisis instruments must be integrated into the EU agricultural system. This includes a functioning early-warning mechanism, built around the correct indicators that reflect real production costs, including appropriate producer income, where measures like voluntary production reduction/the Market Responsibility Programme are automatically activated.

Why?

On the dairy market, for example, each crisis has followed hot on the heels of the previous one in recent years. Overproduction led to a price collapse and forced many producers out of business each time. These crises can be avoided or mitigated if the right mechanism is activated in a timely manner and something like a volume reduction programme counteracts overproduction. This works, and has been proven by its implementation in 2016/2017 in the EU.

3. Specific EU contract clauses on, inter alia, volumes and cost-covering prices prior to milk deliveries. This

must apply for all market actors, including cooperatives.

Why?

The market position of producers can only improve when contracts include the correct clauses. The unequal distribution across the value chain is a product of imbalances in market strength among different stakeholders. While processors and traders can ensure that their production costs are covered and, furthermore, that they earn significant profits through food products, production cost shortfalls are the norm at producer level.

4. Strong horizontal producer organisations that allow producers - including those in cooperatives - to pool together for a better negotiating position

Why?

Strong producer organisations are also strong negotiating partners when it comes to determining producer prices with dairies. However, an organisation can only be strong when it brings together a large number of farmers and negotiates with multiple dairies, i.e. it is horizontal. It is impossible for so-called vertical producer associations that are dependent on a single dairy to develop this strength.

5. Real involvement of producers in the design and implementation of the Green Deal, including creation of the right tools

Why?

Producers are currently not involved in drafting the Green Deal. The goals are simply announced to them and they are expected to bear the financial burden of these strategies with their already insufficient agricultural income. This has to change. Producers must be placed at the heart of agricultural strategies and must be appropriately involved in shaping them. Farmers are fundamental to climate change mitigation. The Green Deal must be used to reform the current system towards a socially-sustainable model.

6. Mirror clauses that ensure that imported food and feed stuffs comply with EU requirements. Furthermore, this compliance must be enforced through sufficient checks and sanctions.

Why?

The import of goods that are, for example, produced under less strict environmental conditions than EU products is harmful in a number of ways. On one hand, these goods can undercut EU producers due to lower production costs stemming from lower environmental compliance and can end up pushing EU products out of the market. These lower costs also promote offshoring of production outside the EU, which would lead to a greater environmental impact in these locations. These goods are consumed in the EU.

7. Promote and expand the Fair Milk project in the EU

Why?

Fair Milk shows the way forward. In this project, participating producers are paid cost-covering prices, which include a fair remuneration for them. Even though Fair Milk projects already exist in countries like France, Germany, Belgium, Luxembourg and Switzerland, they still do not reach enough consumers and producers. More producers should be able to benefit from the positive influence that Fair Milk has on their lives and income. The EU and each of its Member States can contribute to this by providing public recognition of Fair Milk.

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[<<< back](#)