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Certain farmers’ representatives must not negotiate away farmers’ rights again

EMB warns against watering down the new EU rules on contracts – production cost orientation and revision clauses must be maintained

After years of political work to strengthen agricultural producers, important decisions are now pending in Germany regarding the implementation of the new EU rules on contractual relations. The European Milk Board (EMB) strongly warns against now undermining the improvements achieved at European level through exemptions and national opt-outs.

The new EU Regulation provides in Article 148 CMO for written contracts in the dairy sector as a general rule. Where prices are determined using a formula, objective indicators are to be used that reflect, among other things, changes in relevant production costs. Contracts with a minimum duration of more than six months must also include a revision clause that can be triggered by the producer.

At the same time, the regulation gives Member States the possibility, after consulting relevant representatives, to decide on exemptions from precisely these provisions under certain conditions. This is exactly why the utmost vigilance is now required. “We at the European Milk Board have not worked for months and years to finally improve the bargaining position of producers in Europe only to see these achievements taken away again through the back door,” says EMB President Kjartan Poulsen. “Anyone who now tries to keep production costs out of price-setting or to weaken revision possibilities must explain to producers whose interests they are actually representing.”

Production costs are not bureaucracy

The EMB particularly strongly rejects the argument that stronger contractual rules primarily mean additional bureaucracy or would impair competitiveness. Anyone who can only ensure competitiveness by keeping prices for agricultural raw materials as low as possible and continuing to pay producers chronically below production costs is not defending a viable agricultural model for the future. They are defending a system based on excessively cheap raw materials and a weak bargaining position for farmers.

It is precisely this system that must be overcome. Farmers must be able to respond to rising costs and changing market conditions. Important reasons for a revision clause and for taking costs into account in price-setting are to ensure that, in longer-term contracts, changes in production costs or market conditions do not remain unaccounted for too long to the detriment of the weaker contracting party. Watering down these elements again now would be a step backwards.

Certain farmers’ representatives must decide which side they are on

Farmers’ representatives in particular now bear responsibility during the current consultations. For the EMB, one thing is clear: anyone who claims to speak on behalf of farmers cannot at the same time oppose instruments designed to improve their bargaining position vis-à-vis dairies, processors and other significantly stronger market players. “A farmers’ representative cannot, on the one hand, complain about farms disappearing, a lack of prospects and excessively low incomes and, on the other hand, fight precisely the instruments that give producers greater influence over their contractual terms and price conditions,” says Poulsen. “The two simply do not go together.”

As the European umbrella organisation for dairy producers, the EMB therefore calls on German farmers’ representatives to genuinely stand up for farmers and under no circumstances support exemptions from rules that were created to strengthen the position of producers.

The position of the dairy industry is hardly surprising: for buyers, a system in which they have a significantly stronger market position than individual producers is convenient. However, a farmers’ representative must not make these interests their own.

Article 168: Other producers also need binding contracts

The same applies to Article 168 and thus to other agricultural sectors. The EMB therefore strongly warns against undermining the requirement for written contracts there as well through far-reaching exemptions. Agricultural producers need binding contracts – and they need contracts with fair conditions.

Contracts are an important first step towards strengthening the position of producers in the food supply chain. However, contracts alone are not enough: further effective measures are needed to ensure fair market conditions and enable producers to receive prices that cover their production costs.

Now we will see who really wants to strengthen farmers

In recent years, it has repeatedly been stated at EU level that the position of farmers in the food supply chain must be strengthened. Now that concrete instruments are available to achieve this, it will become clear who actually supports this objective and who merely talks about it.

“There must be no turning back now,” stresses Poulsen. “Anyone who wants strong agriculture must also want strong producers. And strong producers need fair contracts, price-setting in which their production costs play a role, and the possibility to renegotiate contractual conditions that have become untenable. Anyone who now wants to abolish or weaken precisely these instruments is not strengthening farmers – but rather those who already have the stronger market position vis-à-vis them.”

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