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Do not sweep the dairies' responsibility for the milk price crisis under the carpet

Press release concerning EU High Level Group on milk

Today the European Commission's High-Level Group is conducting hearings with trade and consumer representatives. The EMB is warning it not to sweep the dairy industry's responsibility under the carpet by regarding the retailers as the sole causer of the milk price crisis.

Hamm/ Brussels, 08/12/09: In today's hearing of the European Commission's High-Level Group with consumer and trade representatives, the issue under discussion will be that of a fair balance in the milk market and reasonable milk prices. There is no doubt that the retail trade is no angel when it comes to paying fair milk prices. But it is wrong to name it as the sole causer of the milk market crisis from which the European milk producers are suffering. "The dairy industry, the dairies, are equally responsible for the fact that no fair prices are paid to producers", says Romuald Schaber, President of the European Milk Board (EMB). "Anyone who assumes that the dumping prices can be averted by strengthening the market position of the dairies is wrong. All experience to date contradicts this view."

Keen competition between retail chains does not in itself preclude a fair producer price if the producer price level is higher. Sieta van Keimpema, Vice-President of the EMB, explains the correlation: "Because of the milk producers' weak position in the market, when the dairies undercut one another vis-à-vis the trade they do so at the dairy farmers' expense. However, if producer prices are generally higher, the competition with regard both to the dairies and to the trade is only on a higher price level. But it will continue definitively", says the Dutchwoman.

In view of the disparity in bargaining power between the dairies and the milk producers, recommendations from the politicians to further develop and reinforce the contractual relations between producers and dairies seems cynical to the milk producers. It does not solve the problem, but shifts the problems and tasks of state regulation of quotas totally into the dairy industry's sphere of responsibility and decision-making. There would then be dairy quotas instead of state quotas, and that only strengthens the dairies' position in relation to the retail trade. That may be in the interest of the dairy industry, but in no way does it help break down the asymmetry in the bargaining positions between producers and dairies, as intended. Fredy de Martines from the Luxemburg EMB organisation LDB remarks on this: "The EMB strongly warns against it. The European milk producers won't accept that, because it does not help overcome the milk price crisis." Roberto Cavaliere from the Italian EMB organisation APL adds: "Only if we milk producers have an influence on the volume of production through a flexible supply control on the producer level, can our position be strengthened."

The victims of the milk market crisis are not just the European milk producers. Consumers, developing nations, the environment and animal welfare are also affected by dumping prices and plummeting quality. And the situation is expected to become even more acute.

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