

News Details

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EMB press info - New EU Commissioner for Agriculture should take into account:

Recommendations in the Strategic Dialogue still lacking important aspects

The president of the European Commission, Ursula von der Leyen, has announced her list of candidates for the new EU Commission. She would like to see Christophe Hansen as the new Commissioner for Agriculture, who would be substantially responsible for implementing the recommendations of the *Strategic Dialogue on the Future of EU Agriculture*.

If there is one thing the agricultural sector urgently needs, it is change and reform. The EMB, therefore, welcomes the initiatives that, in principle, aim to constructively reshape the agricultural sector. When it comes to the recent document entitled *Strategic Dialogue on the Future of EU Agriculture* [1], which issues recommendations for the sector, the EMB believes that while significant points are addressed, important aspects for a successful sectoral transformation are still missing, particularly in the social area. The new EU Commissioner for Agriculture should absolutely take this into account when implementing the recommendations of the dialogue. These aspects are explained in conjunction with *Part C: Recommendations* of the document in the further detail below:

On Point 1.1) A fair and competitive food value chain

Strengthening farmers' position in the food value chain

One of the very first recommendations in the document talks about the need to strengthen the position of producers in the value chain, thus touching on a key issue. The EMB would like to especially highlight the following sub-points from the *Executive Summary* and specify what must be done to ensure their implementation:

o Increase transparency in the food chain

It is important to work on creating transparency along the entire food chain. The producer level has put this into practice very effectively as production cost calculations are already quite mature. Other links in the chain must urgently catch up and should be supported or even obligated to do so by policy-makers.

As representative of dairy farmers, the EMB has been working with reliable methodologies to calculate costs at producer level for many years now and is convinced that up-to-date calculations are a very important aspect. Highly reliable cost calculation methodologies, which are representative and internationally comparable, and provide close-to-reality cost representations as well as the possibility to draw timely conclusions, already exist. However, the calculations carried out by the EU are too far apart in time and should be urgently improved in terms of timeliness and thus relevance. In addition to this factor, there is another important point that is essential for reliable, useful cost calculations: Real production costs including appropriate, fair remuneration for producers as well as costs incurred for additional services must be included. For the dairy sector, for example, the Bureau for Rural Sociology and Agriculture (BAL) has developed a proven, established **cost calculation methodology** over many years, which complies with the above-mentioned requirements.

o Support cooperation

The *Strategic Dialogue* document also talks about the need to improve cooperation among producers. In this context, the EMB recommends revisiting the conditions for producer pooling, i.e. producer organisations negotiating with processors on behalf of a group of producers. These conditions should be improved at EU level because pooling is not making sufficient progress in the Union. A stronger, more effective promotion of pooling by raising the pooling limits is needed. For example, milk producers must be allowed to come together in numbers that put them on an equal footing with processors in terms of market strength. A potential pooling level of 30 per cent of EU milk volume would be necessary across the Union, and there should be no limits on pooling nationally.

When it comes to cooperatives, it is important to point to this key aspect: Because of the growing distance between cooperatives and their producers – a trend that has affected many cooperatives and which means that producers do not get better conditions through these structures, the EMB must clearly warn against the risk of drawing false correlations. It is a mistake to promote the cooperative system as a solution in and of itself. While it is definitely in the cooperative's own interest to present itself as a structure that brings added value in order to justify its existence, farmers' experience over many years has shown that membership of a cooperative does not mean a general improvement in producer standing in the value chain because of the increasing discrepancy between the interests of producers and those of the processing cooperatives. The comfortable position of being able to pass on losses from cooperative management to the members also prevents cooperatives from adopting more efficient business practices per se.

o Better address unfair trading practices

There is already a Directive at EU level that takes up this issue. It is, however, not enough. An important measure to improve things would be to include the issue of unfair prices in the Directive or to adopt **legislation to address this specific issue** elsewhere. It should ensure that the destruction of value at producer level due to prices that do not cover production costs is stopped. This legislation must include the following key points:

- When it comes to the relationship between producers and processors: Prices must compulsorily be higher than production costs.
- When it comes to the relationship between processors and retailers: Prices cannot be lower than costs.
- At the retail level: Consumer prices cannot be lower than real product purchase prices.

Competitiveness and sustainability of the food value chain

The EMB welcomes the fact that the Strategic Dialogue clearly recommends that data on product costs and prices be taken into consideration while negotiating contracts, and that the additional costs stemming from higher environmental, labour or animal welfare standards should be reflected. Another important point is the mention of three-party contracts and the fact that farmers should be rewarded for additional efforts and investments undertaken in the context of sustainability. In this context, the EMB underscores that if the sector is to be brought back on its feet, all costs incurred by producers must be covered and they must also make a profit. Furthermore, sustainability requirements cannot supersede everyday concerns, but must be practicable, realistic and determined in collaboration with producers.

On Point 1.3) Preparing a Common Agricultural Policy (CAP) fit for purpose

Point 1.3 talks about CAP reform. The EMB believes that the following points and proposals in relation to promoting positive environmental, social, and animal welfare outcomes would be especially important when it comes to bringing about a reform:

Environmental and climate measures can only be successful if we create positive incentives, if producers are assured cost coverage as a minimum, and if the measures are realistic. Therefore, as already mentioned above, it is important to ensure that the costs for the measures implemented by producers are, at least, covered by the price and, at best, that the price will also include a profit margin for them. This was not properly managed in the past and as a result, sustainability requirements only increased the financial pressure and deficits among producers who were already in a very tight spot. This is no way to successfully implement a strategy. Furthermore, it is not possible to fund these additional, significant requirements from the current CAP budget. It is important to ensure that these funds are made available from the market as well as through additional public funds, if necessary, to ensure cost coverage and the necessary profit margins.

On Point 1.5) Promoting the global transition

Coherence between trade policy and sustainability requirements

When it comes to the relationship between trade and sustainability policy, the document calls for greater coherence. The EMB supports this demand and highlights the need for mirror clauses, so that imported products comply with EU standards, and the need to completely exclude agricultural products from the scope of free trade agreements.

On point 2.1) Making the healthy and sustainable choice the easy one

As a representative of milk producers, the EMB takes a very critical view of the demands in the report that postulate the promotion of plant-based production at the expense of declining animal products. Dairy products, for example, have played a very important role in the diet of our population for thousands of years and the dairy sector also makes an important positive contribution to the environment and climate. A reduction in this production would therefore be problematic on several levels and undesirable for the EU.

On Point 2.2) Enhancing sustainable farming practices

As already mentioned above, measures and strategies cannot continue to ignore real life, the market and general developments, and must take the situation of producers into account as well. They must operate in consideration of the real conditions in the agricultural sector and with farmers, not against them. This also applies, for example, when it comes to the support for organic production mentioned in this article. It is important to remember and to support an appropriate approach that ensures that the supply of organic products is aligned with demand for the same. In the past, we observed an increase in organic production without a corresponding increase in demand. This led to a devaluation of organic products and to many organic farmers leaving the sector due to falling prices. Therefore, an approach that simply aims at increasing organic production is not enough. In fact, it could have the opposite effect with established producers leaving the organic sector and going back to conventional production due to an increasing imbalance between supply and demand.

On Point 3.3) Robust risk and crisis management

In this area, the document's authors say that the agricultural sector needs robust instruments for crisis management because the current management is ineffective and insufficient. Specifically for the dairy sector, the EMB points to the **Market Responsibility Programme** as an effective instrument to deal with commonly-occurring overproduction and price collapse crises.

On Point 4.1) Supporting future generations of farmers

On this point, the document makes the correct key references: It is especially important to make the sector attractive for young people. In this context, the EMB underlines THE essential pre-condition for profitable production: The major financial deficit that is unfortunately a common reality for producers today scares the next generation off. The EMB therefore points to the need to ensure sufficient margins for producers, which can only be achieved through prices that are higher than production costs. It is, therefore, essential to equip the agricultural policy framework with the instruments like legislation mentioned in relation to Point 1.1 that makes prices above cost obligatory, the mirror clauses mentioned in relation to Point 1.5, as well as the above-mentioned Market Responsibility Programme.

On Point 5.5) Social Innovation as an enabler of sustainable farming

The Strategic Dialogue document mentions social innovation that stems from base initiatives to solve problems in the sector and for which obstacles should be investigated. In this context, the EMB would like to mention the **Fair Milk Project** as an important social innovation in the agricultural sector. It has been introduced in numerous countries as a response to the income issues faced by producers. This project also has to deal with some obstacles – e.g. excessive regulation, which must be removed by policy-makers. Furthermore, this important social innovation should be publicly recognised and promoted by the EU and the Member States to further amplify its positive effect on the sector.

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