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European Milk Board asbl evaluates the European Commission’s proposals for agricultural sector reforms - “Good approaches are finally in sight, but the reforms are still too superficial”

The European Commission presented its reform proposals for the Common Market Organisation (CMO) as well as to improve cooperation between Member States when it comes to unfair trading practices. The European Milk Board (EMB) welcomes the fact that the Commission is tabling reforms at this juncture, thus recognising that we need a better market framework at EU level - a key demand of producer associations like the EMB for years now. However, we need further-reaching measures to bring fundamental, real improvements to the dairy and agricultural sector.

Article 148 CMO - Compulsory contracts for delivery of milk and milk products
In Article 148, the Commission proposal sets out compulsory contracts across the EU for the delivery of milk and milk products. This would lay the first important foundation as EU-wide obligatory contracts can be very useful for producers. However, this would only materialise if these contracts contained the right conditions. Unfortunately, the Commission proposal does not cover this point in sufficient detail.

Essential contract conditions are:

1. Obligatory cost-covering prices including fair producer remuneration as well as consideration of all costs incurred for additional services. This means that the prices in the contract must be higher than the costs incurred by the producer. While the Commission proposal mentions using production costs as the basis for orientation, this does not mean that prices would then actually reflect real production costs, including fair remuneration for producers. The wording in this regard is too weak.
2. No exemption for cooperatives and their members from compulsory contracts, as unfair prices especially affect cooperative members as well. However, the Commission proposal does not take up this point. Cooperatives are still exempt, which puts farmers at a huge disadvantage.

Revision clause - a good first step
A revision clause is foreseen for contracts that have a minimum duration of more than 6 months, which can be triggered by the farmer, a producer organisation or an association of producer organisations. Such a clause is useful to request a change in or renegotiate contract conditions, especially in case of changing market conditions like rising production costs, or to terminate the contract.
The possibility of using funds from the agricultural reserve to, for example, provide compensation to producer organisations that undertake market withdrawals during crises is a positive development. However, this cannot replace far-reaching EU measures like voluntary production reduction that must be introduced at EU level during crises.

Equating cooperatives and producer organisations
The EMB is critical of the fact that in their proposed amendment of Article 152 CMO, the Commission equates cooperatives and producer organisations by mentioning them in the same breath. As processors, for example, dairy cooperatives are a different level in the value chain as compared to producers and thus have different interests. Developments in the last few decades have shown that cooperatives no longer act as producer representatives per se due to their restructuring and increased size. The role of a producer organisation that represents producers in negotiations with processors is very different and cannot be equated with that of a cooperative. Therefore, they should not be clubbed together in the CMO either.

Improved coordination between authorities on unfair trading practices
In addition to the CMO, the European Commission has also presented proposals that deal with unfair trading practices. However, they do not change the substance of the UTP Directive but refer to cooperation between Member States when it comes to cross-border unfair activities. It is, of course, important for Member State authorities to be well-placed to investigate and issue sanctions in cases of unfair trading practices. Good cooperation between countries is an essential precondition when it comes to cross-border infringements.

However, it is regrettable that this is the only aspect that the European Commission has addressed in its proposals on UTP. What we really need are essential improvements to the UTP Directive itself. An important point would be blacklisting *prices below costs* within the Directive. The EMB has already presented a draft legislative proposal to this aim. In recent months and years, many across the sector have realised that farmers can remain in production only if fair price setting exists, and only then will the next generation be willing to consider this profession in the first place. By failing to address this issue, the EU has squandered an opportunity to finally send the right signal to farmers.

We need real reforms

“The Commission proposals are an important first step, but they are not enough to solve the fundamental issues plaguing the dairy and agricultural sector. We need far-reaching reforms that would offer farmers long-term prospects and substantially strengthen the sector. Without fair price setting and guaranteed fair remuneration, it will be impossible to address sectoral challenges,” says Kjartan Poulsen, President of the European Milk Board.

Calling on the European Parliament and the Agriculture Council

The EMB therefore calls on the Members of the European Parliament and the Agriculture Council to introduce the necessary improvements to the legislative proposals and ensure a sustainable and fair development of the dairy sector. Assuring farmers real prospects is the only way to guarantee long-term security of supply in the EU.

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