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First step in the right direction

EMB takes stock of the European Commission's reaction to the farmer protests

After months of massive farmer protests, the EU decided to react. "With their first proposals in March on the position of producers in the food supply chain, the European Commission has at least demonstrated that it recognises that *the market position of farmers is problematic*. Now, the Commission must actually create targeted measures and instruments in order to stop the exodus of farmers from agricultural production and to safeguard food production within the EU in the future," explains Kjartan Poulsen, President of the European Milk Board asbl (EMB).

While the European umbrella organisation of dairy farmers welcomes the European Commission's approach that emphasises the position of producers, there is still a lot more that should be done. Farmers are in a critical situation and real improvements on this front should be Europe's utmost priority. In order to activate the right measures to achieve this, some key aspects must be kept in mind. The EMB will evaluate some of the Commission's proposals below and will complement them with recommendations that will ensure that the measures can realistically achieve the goal of strengthening the position of farmers in the food supply chain:

1. Setting up an observatory to monitor production costs, margins and trade practices in the EU food supply chain, where the Commission, the Member States and interest groups (e.g. farmers, the food industry, retail, consumers) are involved

Such an observatory is necessary to collect essential data. However, it should have an active role, and not simply be limited to being a talk shop for discussions among stakeholders along the chain. "We propose that by taking data on costs, prices, margins, etc. into consideration, a mechanism must be created where, for example, instruments like voluntary production reduction are automatically triggered and are thus activated in a timely fashion," says Poulsen. "We recommend the Market Responsibility Programme (MRP) as a model for such an instrument."

Further details:

https://www.europeanmilkboard.org/fileadmin/Dokumente/Positions_EMB/Market_Responsibility_Programme/MVP_EN.pdf

2. Strengthening provisions on contracts at EU level

Contracts and an appropriate legal framework can lead to improvements. However, these contracts must be fit for purpose and accessible to all farmers. The position of producers and the stability of our production structures in the EU can only become significantly better if cost-covering prices are a binding contractual condition and if contracts cover members of cooperatives as well. Furthermore, we need EU legislation on contracts that stipulates that producer prices must compulsorily be higher than production costs. 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 this market clearly pushes prices below cost-coverage levels. EU legislation prohibiting this shortfall would lead to stabilisation of the income situation and thus production structures across the EU. In this context, market changes and price amendments also have to be considered. "The EMB has drafted a proposal that indicates the line to take," says Elmar Hannen, Vice-President of the EMB. You can find the EMB proposal for EU legislation on this topic here:

https://www.europeanmilkboard.org/fileadmin/Dokumente/Positions_EMB/2024_VPUEK_Preise_ueber_Kosten/Final_Entwurf_V_erordnungsartikel_Gebot_Preis_oberhalb_Produktionskosten_EU-Ermittlung_EN.pdf

3. Strengthening producer organisations and their associations

Producer organisations can make a significant contribution when it comes to supporting farmers and the market. Therefore, we warmly welcome measures in their favour. However, the following basic conditions must be established as well:

1. Higher pooling thresholds: Producer organisations can negotiate for a group of producers for a specific maximum market share, in an attempt to put them on an equal footing with processors that have a stronger market

position. Pooling thresholds are fixed at 4 per cent at EU level and are usually 33 per cent nationally. This is, however, not enough if you consider for example that individual dairies in the milk sector often hold much higher market share. This concentration in the hands of dairies must be compensated by concentration among producers in order to allow them to reach a comparable position on the dairy market. To create a level playing field, producer organisations must be allowed to reach higher pooling levels, for example, much more than 10 per cent across the EU.

2. Negotiating for cooperative members as well: Cooperative members are excluded from representation by producer organisations. However, in many EU countries, a very large majority of milk producers are members of a cooperative. As Hannen explains, they suffer from the same abysmal prices from private dairies, just like their non-member colleagues – they must also have the possibility to be represented by producer organisations in negotiations with their cooperative. “Saying that producers in cooperatives don’t need representation because they enjoy the advantage of being in a collective is simply a fallacy,” explains Hannen.

4. Creating a framework for fairer projects

In their document, the Commission also refers to producer projects like Fairebel in Belgium and FaireFrance in France that guarantee farmers fair prices through Fair Milk initiatives. As EMB Executive Committee member Boris Gondouin explains, the EMB agrees that these projects must be promoted because they provide an exceptional role model for Europe as a whole. “However, it is important for new rules to provide real support and to not create new obstacles for these projects. The underlying conditions necessary for producer projects must be kept in mind because it is anything but easy to set them up on the ground,” says Gondouin. He adds that projects that have developed appropriate structures in light of the existing situation must be afforded the necessary flexibility. The EMB’s Fair Milk project has been around for some years and it has been launched by committed farmers in 5 countries. “It is an incredibly positive and optimistic project that should be protected and supported across Europe,” adds Gondouin.

It is more than obvious that Europe can no longer ignore the issues in the agricultural sector and policy-makers must do something at long last. The chronic imbalance has been accepted for too long and nothing has been done while farmers are subjected to ever-increasing pressure in the food supply chain and are systematically oppressed. However, it is not about any measures being put in place at EU level. The EMB calls on EU policy-makers and all stakeholders to work on the drafting and implementation of the right measures that are urgently needed. They must ensure that producers are finally paid cost-covering prices and that young people can find their way into agricultural production once again. That is the only way to ensure a stable, future-proof agricultural sector and reliable food production in the EU.

Contacts:

Kjartan Poulsen – President of EMB (EN, DK, DE): +45 (0)212 888 99

Boris Gondouin – EMB Executive Committee Member (FR): +33 (0) 6 79 62 02 99

Silvia Däberitz – Director of EMB (FR, DE, EN): +49 (0)176 380 98 500

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