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German and French Ministries for Agriculture were presented with a list of 10 minimum criteria

Paris / Berlin, 02.09.2010: The European Milk Board (EMB) has presented the Franco-German working group, initiated by the Ministries for Agriculture in Germany and in France, with a list of ten minimum criteria. This list defines the conditions which contracts between milk producers and the dairy industry, have to meet. EMB president Romuald Schaber emphasises: "Minimum criteria have to apply to all contracts in Europe, so that the market position of milk producers is not weakened further, but actually strengthened."

The criteria

An important condition is that the entire, contractually agreed volume is sold at one single price per buyer. Willem Smeenk, member of the EMB board of directors from France, says: "We want to make sure that the dairies do not pay producers, apart from an A-price, an unacceptable cheap B-price for the same milk quality." He justifies this demand by saying: „A two-price system, that is shaped by the dairy industry in their interest (example: Switzerland) might lead to a situation where the price level of the entire milk volume plummets. Furthermore a two-price system does not prevent that the volume continues to exceed the (cost-covering) demand on the market by far. Milk producers and industry have different interests."

A key issue in all discussions about prices and volumes is that the average full costs of milk producers in the EU are covered. To determine the production costs and to ensure transparency on the market it is vital to set up a monitoring agency at the European level. Moreover the list of criteria stipulates that contracts can be concluded between processors and real and independent producer organisations, but not between individual producers and dairies.

"This list of criteria has to be binding all over Europe, because this is the only way to protect milk producers from being cornered by the dairy industry" says Romuald Schaber.

Background

The European dairy market is shaped by an enormous degree of competition with a high level of transparency and replaceability, little influence of consumers and even less influence of producers. A so-called monitoring agency has to be set up to strengthen the position of milk producers vis-à-vis the other participants on the dairy market. The EMB clearly prefers individual farm-based delivery rights at the producer level, rather than volumes that are defined by the dairy industry to solve the existing imbalance on the market. If, however, the dairy sector will be predominantly regulated by contracts between producers and processors, it is indispensable that appropriate minimum criteria are observed.

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