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Milk price agreement in France

French milk producers obtained, compared to 2009, a milk price increase of 10% for 2010. This increase of the milk price that producers will obtain in the third quarter of 2010 amount to 3,1 cent/litre compared to previous year. This agreement was reached after the major unions in France put pressure on the industry so that the formula for price calculations, which was approved by the interbranch of the dairy sector on June 3rd 2009, would eventually be applied. Certain dairy products in French supermarket were tagged with stickers. The FNSEA gave the industry time till July 12th 2010 to agree to the demand for a milk price increase. Nicolas Sarkozy, the French president, was delighted that all parties involved reached an agreement. He declared that the government would “support the efforts of the dairy sector to develop a strategy to strengthen its competitiveness in Europe”.

Notwithstanding this agreement, the representatives of the industry succeed, as the French milk producers accepted a milk prices for the year 2011 that is coupled to the German milk price. The French milk price may at most deviate from the German price by 0,8 cents per litre.

Willem Smeenk, Secretary General of OPL and member of the EMB board of director, is of the opinion that this agreement is rather bad, as the milk producers conceded to align from 2011 onwards the French milk prices with the German prices: “Germany is an exporting country that exports a lot of milk. That is why the German prices are lower than the French prices. There will be a downward spiral of prices: French prices will be adjusted downwards and German prices will subsequently plummet even more so that German milk can still be sold on the French market and so on and so forth.” This will lead to vicious circle. The milk price will continue to decline. This is yields no advantage, neither for the French, nor for the German producers.

Pascal, president of APLI says: “It is incredible; we sell milk for price that does not cover production costs. That is why the “Association des Producteurs de Lait Indépendants” (Association of Independent Milk Producers) did not take part in the activities of the unions”. 31 cents do not cover the production costs of 1 litre milk. OPL and APLI share the same political view: “this agreement yields no progress. The contrary is the case. Now the industry has the possibility to adjust the French price to the German price that is comparatively low.”

Once again it seems that the union has taken a short-term approach, as this agreement might result in a significant decline of the price from 2011 onwards in two major milk-producing countries.

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