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Milk sector with no quotas and no effective crisis instruments – Can the EU afford the collapse of the milk market?

European dairy farmers call for cut in milk production throughout EU

(Berlin, 15.1.2015) The notorious milk lakes are back: supply far outstrips demand in the European milk market. In 2014 alone, the EU produced about 7.5 million tons more milk than in the previous year. The consequences for producers are drastic. The milk price is in free fall throughout Europe. For instance in Belgium, the Netherlands, Ireland and France the prices dropped markedly below the 30-cent mark in the New Year. This makes it impossible to cover the costs of production.

“The situation is increasingly threatening the livelihood of many dairy farmers”, warns the President of the European Milk Board (EMB), Romuald Schaber. Many producers were finding it harder and harder to pay their bills. “We are already in the middle of a new milk market crisis”, adds Sieta van Keimpema, EMB Vice-President from the Netherlands. “And there is no prospect of the situation improving yet.” On the contrary: when the last system limiting volumes – the milk quota – is abolished on 1 April, the situation in the markets will be even further exacerbated.

Additional crisis instrument: the Market Responsibility Programme

That is why the EMB is calling on policy-makers to act. “We demand an immediate cut in milk production across the EU by two to three per cent, to enable supply to adjust to demand again”, says Romuald Schaber. Moreover, the current situation showed that the available crisis instruments like intervention and private storage were totally unsuitable for countering crises like the present one. In addition, it was precisely in times of crisis that EU border protection should be applied systematically, to prevent the efforts of dairy farmers in the EU to adjust to the market being thwarted by cheap imports.

“It is high time the Market Responsibility Programme (MRP) developed by the EMB were implemented”, says Schaber. This creates effective incentives for farmers to enable them to adapt their production to the market. It also helps stop crises occurring in the first place. “If we already had an additional instrument like the MRP in place, we wouldn’t have this dramatic price collapse now”, he points out.

“In 2015 the EMB will continue to fight for a fair milk price. Only when the farmers’ costs are covered in the long run can Europe’s milk production be sustained”, concluded Paul de Montvalon, EMB Board member from France.

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