News Details
News Details

28.05.2010

Press release

On World Milk Day milk producers view announcement of HLG-M results at the end of June with extreme scepticism

High-level group of experts on milk so far no effective replies to the concerns of the European milk producers

Brussels/Hamm, 31.5.2010:

For tomorrow's World Milk Day the prospects of overcoming the milk market crisis still look pretty gloomy. It is to be assumed that the proposals the EU High Level Group on Milk (HLGM) will be presenting at the end of June will not be likely to secure the milk producers' income or high-quality milk production in Europe. That is what the European Milk Board (EMB) is saying at a press conference in Brussels today. "It's all been uninspiring so far", says Romuald Schaber, President of the EMB: "Three hearings, one milk conference – each with limited agendas allowing no open debate about alternative instruments – that's what the EU Commission's "constructive collaboration" with the milk market players looks like in reality." Time and again the EMB had also offered constructive co-operation from the organisation in elaborating solutions for the dairy sector.

HLGM with no overall concept

The discussion points listed by the HLGM at that milk conference in late March were old measures like intervention and the payment of farm bonuses. As well as greater transparency, futures markets as a funfair for speculators, direct contracts between milk producers and the dairy industry, and creating exception clauses for milk producers in cartel legislation. The individual measures do not seem like components of an overall concept, instead they come across as disparate elements that could be used. Romuald Schaber: "It is not clear to European milk producers how these instruments are to actually help strengthen the milk producers' position in the milk market and thus ensure milk production that has a future in every region of Europe." For the EMB's comments on individual instruments, see below.

That effective mechanisms be applied to the milk market is not only important for European milk producers: it is also important for consumers, our environment, the protection of animals, and farmers from developing nations. Kerstin Lanje, a representative of the development organisation Misereor, is pleading at today's press conference in Brussels for fair incomes for producers to enable fair world trade.

This is what Vice-President of the EMB Sieta van Keimpema says about the future configuration of the EU milk market: "As our member organisations in 14 European countries see it, the focus of a milk policy must be on this objective: strengthening the producers by increasing the possibilities for them to unite and control milk volumes at the production stage." What this in fact requires is an amendment to cartel legislation and a stipulation that the decisions of the European producer association have a generally binding effect. The aim must be the production of high-quality milk at cost-covering prices that can be sold substantially within Europe. That is in the interest of producers, the majority of the dairy industry and consumers. June, 1 in many European countries dairy producers are making actions concerning this issue.

Contact:

EMB Press Office: Silvia Däberitz, 0049/2381/4361200

The EMB's Comments on the Discussion Points raised by the

EU High Level Group on Milk

1) Direct contracts between milk producers and dairies/contractualisation

This term means contracts between producers and dairies, as already exist in most EU countries.

As the EMB sees it, contracts do not offer the milk producers any prospects of an equal say in the milk market or of a certain security of income for the following reasons:

1. Contracts on the dairy level do not regulate the overall volume, as they are concluded only on the basis of the “dairies’ individual” interests in involvement in the market. This means that in a surplus situation in the market producers are in a very poor bargaining position vis-à-vis the dairy industry. Moreover, the dairies’ bargaining position vis-à-vis the food retail trade is likewise worsened in a surplus situation, meaning they are no longer able to pay out cost-covering farm-gate prices.

2. Therefore dairies most certainly do not enter into contracts in which a volume and a cost-covering price are determined beforehand. That would not only contradict the “market action” required, but in the worst case would threaten the existence of the dairies, too. The most that would be then stipulated in the contracts would be minimum prices, resulting in milk prices staying at rock-bottom level.

2) Adjustments to competition law, to create a framework for agreements on volumes and prices by the milk producers

The EMB clearly backs this approach. That there are practicable ways under cartel legislation for clearly strengthening the milk producers’ position is shown by the configuration of German cartel law, which enables the development and work of the Milchboard without any problems, and utterances from the Directorate-General for Competition in Brussels and from specialists in the field of European cartel legislation. Agriculture must be treated as a special economic sector and a group exemption created. This must enable the milk producers to unite in a European producer association, national and regional producer organisations, in which the requisite production volume can be stipulated and any increase or decrease in the total volume of milk implemented on the basis of clear guidelines (production costs, social interests). It must likewise be possible for the European producer association to hold a small amount of stocks in order to respond to short-term production peaks. To actually strengthen the producers by uniting them in these organisations requires the European government to declare this organisation’s decisions as having a generally binding effect.

3) Transparency through restructuring/Compiling existing data collection surveys within a price monitoring agency

The EMB is likewise of the opinion that already existing data collection processes can be used to a large extent. However, a European agency ought to ensure that particularly with the surveys of milk prices, production costs and market developments the figures have to be collected more frequently and made available more promptly. Production costs should also be collated in the form of full costs, i.e. including labour and capital costs. The most effective form of survey would be a representative random sample of dairy farms throughout Europe (about 1,000 farms) continually furnishing this European agency with their farm figures over several years.

4) Futures markets

Futures markets are no substitute for the requisite market order, and so are not likely to secure cost-covering farm-gate prices. They are equally unlikely to guarantee consumers supply at a reasonable price. As the example of the energy market shows, a commodity futures exchange makes the products unnecessarily more expensive on the way to the consumer through multiple transactions of the volumes. It is not capable of influencing the farm-gate price level altogether; of stabilising it. Quite the opposite: it thrives on dramatically fluctuating prices.

The only thing it can provide is a certain hedging of the players’ risks. Another thing is this instrument does not enhance market transparency, as often no large volumes are traded. Finally the risk of speculation cannot be ruled out.

5) Keeping old mechanisms like intervention and export subsidies

Intervention is not a solution. It is an expensive waste of European taxpayers’ money. Instead there should be a management of volumes on the production level organised and funded by producers.

Export subsidies shift the European market’s surplus problem onto the world market, damaging producers in developing nations in particular by exerting strong downward pressure on prices.

<<< back