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Press release: Agriculture Council backs voluntary production cuts

- but only an insufficient version of it -

It should be coordinated on a central level. Voluntary production cuts only at producer organisation and cooperative level CANNOT stabilise the milk market.

(Brussels, 15th March 2016) Yesterday in Brussels EU Ministers of Agriculture agreed on measures for the dairy market. On a positive note, decisions-makers finally understood that it is the European-wide overproduction that needs to be addressed. In order to do so, they want to use voluntary production cuts. For a long time already, the European Milk Board has advocated such a solution. European farmers have long been fighting for a reduction in volumes. However, unfortunately the measures that were decided are only half-baked and have not been thought through.

It is clear that measures aiming at increasing intervention volumes and selectively implemented production cuts will not relieve the dramatic situation and thus not put a halt to price slumps. The increase of production volumes in the coming months will quickly neutralise the potential effect that these measures could have. "These measures cannot put an end to the crisis on the dairy market", says EMB-President Romuald Schaber. "For instance, we just received the information that in Germany some farmers will only receive 21 cents/kg for the milk they sold in February. Such a downward trend cannot be stopped by such soft measures."

In particular the measure of voluntary production cuts – which according to article 222 of the CMO 1308/2013 should be implemented on the level of producer and inter-branch organisations and is now to be extended to cooperatives – might be well-intentioned but reveals significant shortcomings. The problem in this case is that the regulation of volumes is not coordinated on a central EU level, so that it cannot relieve the market as a whole. Furthermore, it does not foresee a cap of production volumes for all producers during the period of voluntary production cuts. As a result, the positive effect reached through the reduction of volumes will immediately be counteracted by the increase in production of other producers.

If producer organisations and cooperatives have the choice whether or not to implement production cuts, their willingness to participate will vary significantly. There are concrete examples for this from Switzerland, where producer organisations who implemented production cuts lost members, as in other producer organisations no restrictions in production were to be expected.

It is no longer acceptable that the Commission and the Council put forward only half-baked solutions. The problem concerns the European market as a whole. Measures thus also need to be adapted to the market as a whole.

The responsibility towards the market needs to be in the hand of each producer. In other words, when a call for tenders for an EU-wide voluntary restraint of production is published, each producer can decide individually whether or not he wants to reduce his production in exchange for a bonus payment. If after three months at the latest no clear effect of volume reductions is to be observed, a mandatory EU-wide reduction of production has to apply.

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