

24.02.2011

Press release: Dairy farmer representatives from 14 European countries in agreement in Dublin - Latest EU milk package will need important changes to secure future European dairy production

At the European Milk Board (EMB) conference that took place in Dublin from Feb 22 to Feb 24, a strong consensus was reached on the need for farmer representative groups to push through and reform the manner in which milk price is calculated and paid and on the absolute necessity to supervise and regulate the market on EU level.

24/02/2011 Dublin : The EMB representatives at the Dublin Conference agreed that the milk package presented by the EU Commission did include some progressive proposals but it still completely neglects the obvious need to strengthen the farmer's position in the dairy market.

Romuald Schaber, President of EMB, was especially critical of the proposed limitation of producer bundling at 3.5% at European level and 33% at national level pointing out that such a limitation ignored the real situation of the dairy sector. He noted that several individual dairies have a bigger market share than the proposed 'bundling' limits and cited the example of ARLA Foods, that holds 95% of the Danish market, and Friesland Campina, which holds no less than 8,8% of the total European market.

"We are told, again and again, that cooperatives plan to concentrate and unite more at a European level and that trend is already identifiable. European and national politicians need to have this reality in mind if they want to achieve a similar and proportionate strengthening of the position of farmers in the food chain - as they have expressed on numerous occasions", stated Schaber. Jackie Cahill, President of the Irish Creamery Milk Suppliers Association (ICMSA), the Irish constituent of EMB, supported Mr Schaber's argument.

"We see a relentless consolidation of already huge companies at processor and retail level without any concern being expressed by the Commission, while the food producers and farmers receive no support for their efforts to consolidate or act in unison. The Commission seems happy to watch the power to get decent prices continue to flow away from the people producing the food and towards the massive and dominant intermediaries in the food chain.

The classification of dairy cooperatives was another discussed issue: "At present, many of them operate on international markets and transfer business areas. Often members of dairy cooperatives do not have any longer any influence on the business strategy. This should disqualify cooperatives from being considered as producer groups and being granted the special status designated in the Commission's paper" said Sieta van Keimpema, Vice-president of EMB.

"These dairy cooperatives are not producer groups so much as transforming industries that are really interested in low raw milk prices. Therefore producers - regardless of whether they are members of a cooperative or supplier to a private dairy - need to have the right and the possibility of joining pure and independent producer groups", she continued.

The dairy farmer representatives from 14 different countries agreed that a monitoring agency at European level must be empowered to supervise production costs, prices, as well as supply and demand. This agency would determine whether producer prices are cost-covering and ensure this objective through fixing 'price bands' which will determine the volumes to be produced. Given the completely unequal positions of the dairy market chain (farmers, processors, retail, consumers) and the significance of dairy production for European society, such an agency becomes absolutely vital. If we are to assure the continuing existence of sustainable dairy production in Europe consumer representatives should also be a part of the monitoring agency.

The EMB cited the example of Switzerland, where an unfettered market, that encouraged overproduction, drove down producer prices and led to a situation where, from October 2008 to October 2010, the average Swiss milk price decreased by approximately 25%, and the amount of butter in storage, as at mid-February 2011, was 7311 tons, a figure which is 75.5 % more than the same period in 2008.

Jackie Cahill noted a similar Irish experience regarding the long term decline in farmer share of final retail price. "In 1995 in Ireland, the milk producer's share of the retail milk price was 43%. By 2005 that had fallen to 36% and by 2009 that, in turn, had fallen to 26%. The trend is unmistakable and unless it is addressed in a way that fixes a fair portion of the final retail price for the milk producer then the long term future of Europe's family farm must be considered very doubtful. Consumers want cheap food and under the guise of giving them cheap milk, the giant multiple retailers have simply wiped out the margins of the dairy farmers while keeping their own or using milk as a so-called 'loss leader'. It's a real European problem that will require a real European solution".

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