

06.10.2011

Press Release: EU Council Ignores Threat to Milk Producers' Livelihood

In negotiations on the dairy market reform, the EU Council obstinately opposes major progress such as a monitoring agency and binding contracts for dairies throughout the EU

Brussels/Hamm, 06.10.2011: "It is incomprehensible how the Council of the EU is blocking major progress in the dairy market with its obstinate attitude", is how the President of the European Milk Board (EMB), Romuald Schaber, sums it up. At present the European Parliament, the Commission and the Council are holding negotiations on the Milk Package – a first reform of the dairy market. "It is obvious from the Council's first working document that the Council is ignoring the proposals included by the European Parliament, which could at least bring about some minor progress towards overcoming the crisis", says Schaber.

For instance, the Parliament proposes an EU-wide obligation to have contracts between producers and dairies, which the Council rejects. These contracts, which would have to be guided by production costs and negotiated by producer organisations across the board with the dairies, give producers the chance to obtain a fair price for their milk. This will not be achieved if – as the Council evidently intends – each individual member state is to decide whether it introduces compulsory contracts or not.

As the Council's working document goes on to show, what is referred to as the monitoring agency, proposed by the Parliament after talks with the EMB, is not to be included in the final dairy market regulation. According to the Parliament, this agency's initial function should be to collect market data on volume, price and costs. Even if no active supply management is planned yet, the monitoring agency as a market observer would be a beginning at least. Schaber explains the importance of this market instrument: "Once the state quota system comes to an end, it is only through a monitoring agency that we can prevent damaging surplus volumes being produced and the market plunging deeper into crisis."

The problem is also that the Council intends to put very severe limits on the size of producer organisations that negotiate contracts with dairies on behalf of milk producers: 33% of the national milk production and 3.5% of EU production. That is not enough to give producer organisations the requisite bargaining power. Dairies achieve a share of up to 95% of the national market. This enables them to simply dictate contractual terms and conditions – and with it inordinately low prices – to a producer organisation that is never allowed to achieve such numbers.

Whereas before in the EU only the Council and Commission worked everything out amongst themselves, now the Parliament has to be included in decisions on the new dairy market reform. It is questionable, though, whether this will actually result in more democracy. "Unfortunately, as you can see, the old "double act" – Council and Commission – looks as though it still does not want to take the Parliament's opinion on board", is how Schaber criticises the situation in Brussels. Do the policy-makers want to solve the crisis or merely pretend they are doing something? Inactivity will quickly reproduce the Swiss situation in the EU. In 2009 the Swiss legislator abolished the quotas without bringing in a sensible follow-up regulation for the dairy market. Since then, farm-gate prices have been in a downward spiral. For the European milk producers it is incomprehensible how the EU Council in particular is being so irresponsible and ignorant in wasting every opportunity to bring balance into the dairy market and overcome the severe crisis. The problems in milk production are not being taken seriously; the protesting dairy farmers are simply being ignored. Politicians have forgotten that it was their protests that forced them to put the situation in the dairy sector on the political agenda.

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