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Press release: Only a little light at the end of the tunnel

Resolution on the milk package of the Committee on Agriculture of the European parliament has some rays of hope - the future of the milk market remains, however, uncertain

The Committee on Agriculture of the European parliament struggled for a long time to reach a compromise for reform of the milk policy. Yesterday's result has severe shortcomings. It becomes, however, also clear that the work of the EMB bears fruits. Rays of hope are the planned EU-wide introduction of compulsory delivery contracts and of a reporting system for delivery data. The fact the cooperatives are to be exempted from important regulations and that nebulous pricing formulas are to be allowed for contracts between producers and processors is extremely problematic.

Brussels / Hamm, 28.06.2011: The president of the European Milk Board (EMB) sums up the opinion of the European milk producers on the decision of the Committee on Agriculture in a few sentences: "We can see that the political work of milk producers was not completely in vain as a small part of the EMB demands were taken into account. The overall result of the vote of the Committee on Agriculture is, however, not apt to cope with the challenges of the milk market. The latest decisions of the Committee on Agriculture cannot prevent the next crisis."

Small rays of hope

The EMB deems positive the installation of a reporting system where amongst other things data on volumes and prices of milk purchases will be passed on to national institutions "This will allow a monitoring of the market and should be extended to form a European monitoring agency" says Romuald Schaber. "This monitoring agency should also determine the full costs of production in the EU and calculate, based on these costs, a milk price corridor. The supply could thus be adjusted according to the demand."

The EMB thinks that the following point is in principle positive as well: while the European Commission wanted to leave it up to the member states to decide whether they want to introduce compulsory contracts in their country the Committee on Agriculture finally made up its mind to opt for compulsory contracts in the EU. "Even if the terms and conditions of these contracts will still have to be improved tremendously the fact that they will be valid throughout the EU is a positive starting point" says Schaber. A common market would thus be supported by common rules and similar market conditions would apply to all milk producers. "The risk that milk producer are pitted off against each other would be diminished" adds the president of the EMB.

The pooling limit of EU-wide 3,5% does by far not meet the requirements of the market. "While dairies continue to merge, this limit of 3,5% is a severe obstacle for milk producers. Negotiations on an equal footing are thus not impossible" says Schaber explaining this issue.

Problematic decision

The decision to exempt cooperatives from the obligation to conclude contracts with their producers is extremely unsatisfactory. They are thus still in a convenient position and can notify producers of their milk price weeks after they have already delivered their milk. In many member states more than 50% of milk producers are members of cooperatives. "They suffer just as well as their colleagues who supply private dairies from prices that are far too low - but they do not have the opportunity to negotiate with their cooperatives to change things" says Schaber.

But even producers who are able to conclude contracts have not escaped low prices as well. The terms and conditions of these contracts that were defined by the Committee on Agriculture are not yet fully developed. "Processor and producer can fix a price, but they do not have to. The Committee on Agriculture agreed on nebulous pricing formulas or prices that are tied in with the market development - in other words a free ticket to put pressure on prices for the producers that have a weak position on the market", says Anton Sidler, the French board member of the EMB, highlighting another important point of criticism. It is also disappointing for producers that a coupling of the price to the full production costs is unfortunately not mentioned in this resolution.

The interprofessional organisations where, according the resolution of the Committee, several participants of the milk market are supposed to work together are also critical. Anton Sidler says in this context: "A toothless tiger that has no say in these matters is thus put on the milk market. The situation in Switzerland shows very clearly that such a body can hardly act on the milk market and have positive effects."

Despite the unsatisfactory decisions of the Committee on Agriculture resignation is no solution for the EMB. “We, the producers, will remind policy-makers that their decisions need to be improved and that they cannot prevent further crises on the milk market. We will continue to submit constructive proposals to the benefit of consumers and milk producers and to promote the pooling of milk producers on the ground” emphasises Schaber the approach of the EMB. His French colleague Anton Sidler adds: “We must and we will have a lot of political staying power, together with other groups from civil society. We owe this to agriculture, consumers and our families.”

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