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12.08.2014

Press release: Russian ban on imports shows how vital supply management instruments are to the milk market

EMB President Romuald Schaber stresses importance of a supply management or crisis instrument in the light of the Russian ban on imports

(*Brussels, 12.08.2014)* The ban on imports declared by Russia last week affects dairy products as well as other agricultural produce. “The milk producers in Europe are very concerned by this ban on imports. As the dairy industry has become increasingly geared to liberalisation and exports in recent years and pushed ahead with increasing volumes, such situations will always pose major problems”, says President of the European Milk Board, Romuald Schaber. “Milk producers lack the mechanisms enabling them to react to the changes in market demand”, Schaber continues. At present many member states of the European Union are still blocking such key instruments.

Collapse in exports versus increased production

The export cuts brought about by Russia mean a significant drop in demand. Were this situation to continue for some time and there were no alternatives, this could have far-reaching consequences for milk production. The EU’s plan for 2015 to abolish the milk quotas, which so far have limited production, will further exacerbate the situation. On the one hand additional volumes are expected; on the other hand demand will shrink. This will exert downward pressure on farm-gate prices. The producers will not be able to withstand such a situation for long. The trend of many producers either quitting milk production or becoming deeper in debt will only be reinforced.

The current situation of the Russian ban on imports makes it crystal clear that the EU needs market instruments to prevent such market blips resulting in disastrous crises. The European Milk Board recommends a supply regulating instrument that can curb production in critical times and stop market prices plummeting. Otherwise the producers, who are essential to the sector, will stop producing. EMB President Romuald Schaber’s demand is this: “The EMB has developed a crisis concept that can defuse such situations. The politicians have to start discussing this instrument now”.

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