News Details
News Details

09.12.2010

Press release: The Commission's proposals cannot prevent another milk crisis

The European Commission’s milk package does not open the way for milk production everywhere in Europe. Powerful producer pooling and a European Monitoring Agency are needed to free producers from their weak position in the market

Hamm/Brussels (9.12.2010): The European Commission bases its proposals on the pertinent analysis that the milk producers are in an extremely weak bargaining position in the market. “The upshot is they cannot achieve cost-covering prices for their product and many producers are having to close down their farms. Yet the proposals for action contained in the Commission’s communication offer no effective solution to this problem”, says Romuald Schaber.

Level of pooling for producer co-operatives at 3.5 per cent of the EU milk volume

In principle the European Milk Board (EMB) welcomes the European Commission’s proposal to strengthen the milk producers’ market position through greater scope for pooling. But this must amount to an effective increase in the scope for pooling. The level proposed by the European Commission of 3.5 per cent of the EU milk volume fails to recognise the state of affairs in the market and would result in little improvement in real terms. The pooling of producer co-operatives would be limited to about 4.7 billion kilos of milk. “That is much too little when you consider that dairies like Arla or Friesland Campina with 8.7 billion kilos and 11.7 billion kilos of milk respectively already have a 6.5 and 8.8 per cent share of the European market and can still carry on growing without hindrance”, says Sieta van Keimpema, Vice-President of the EMB. The proposal to limit pooling per major producer country to 33% also ignores the situation in the dairy sector, where for instance in Denmark or the Netherlands one single dairy in each already has a larger market share.

Intensifying exchange in the added value chain

The European Commission further proposes initiating a more intensive exchange between the players in the milk value chain in the future on the EU level. The milk producers in Europe support this idea. In future the milk policy must consider the interests of society as a whole and also be compatible with the aims of the CAP. That is why the European Milk Board backs the establishment of a Monitoring Agency, which besides constantly and promptly charting price, cost, volume and market developments also pursues the aim of sustainable milk production in every region of Europe. The agency would stipulate a target price bracket based on production cost calculations, and in turn it would have to be taken as the yardstick for volumes to be produced. Demand-based supply is the fundamental prerequisite for cost-covering producer prices and has a more positive impact on agriculture in Europe than expensive measures funded by the taxpayer like intervention, export subsidies or emergency payments. The dairy industry, producer co-operatives, and representatives from politics and civil society could exchange views within this Monitoring Agency, which would have to be very clearly geared to the aim of cost-covering farm-gate prices and fair consumer prices.

Contracts that *can* be introduced as binding by member states

a) Experience shows that contracts between unequal negotiating partners put the weaker contracting party at a continued disadvantage rather than on an equal footing. As concentration is prevalent on the dairy side, the terms and conditions of contracts are also dictated by the dairies as the stronger market partner. That has already been established by the German Federal Cartel Office in a study of the sector. – 950,000 milk producers in the EU are up against some 5,400 dairies, with the ten largest dairies processing about 30 per cent of the milk produced.

b) EU states will hardly decide to make contracts between dairies and milk producers obligatory. The milk market does not end at national borders. If one country introduces obligatory contracts and others do not, the country with the obligatory contracts is at a competitive disadvantage in the EU. This proposal is therefore nothing more than a lame duck.

c) And the statement of exempting co-operatives from the obligation to sign contracts cannot be justified. The German Cartel Office has clearly shown that it is precisely in co-operatives that upside down pricing takes place, i.e. the producer is paid what is left over depending on turnover in the sales markets. As the competition watchdogs see it, this upside down pricing offers “fewer incentives” for the co-operatives to reach “a better deal with their customers (e.g. the retailers) than if they (the co-operatives) were to first negotiate the farm-gate price with their fellow producers”.

Greater transparency

The EMB welcomes the proposals on greater transparency. “But we have to make it crystal clear that this whole transparency is of little use without suitable mechanisms to enable the producers to react actively to the market situation with the information thus received,” says Romuald Schaber.

Contact:

Romuald Schaber (DE): 00 49 160 3524703

Sieta van Keimpema (EN / DE / NL): 0031/612168000

Willem Smeenk (FR): 0033/686436156

Press release EMB

EU Commission's proposal

EU Commission's market analysis

<<< back