

News Details

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Reality check a major blow to political objectives



The objective of having a regional, independent, and sustainable agriculture cannot be reached with the current EU policy. Reforms are urgently needed!

(Berlin, 19 January 2023)

More independence and better food security

More regional production

Small and medium-sized farms, along with greener farms, should be the backbone of European agriculture

Consistently sustainable farming

Numerous are those – farmers, consumers, and political representatives – who fully support such an image of agriculture. It depicts an optimistic future that will equally benefit consumers, producers, and the EU as a whole. As the European Milk Board's (EMB) Executive Committee representatives highlighted during their press conference at this year's International Green Week, in Berlin, this idea of our future agriculture is, in fact, far from being realistic. Quite the contrary. A large part of the political aspirations and strategies that help shape the agricultural economy go against these objectives. Portraying these very objectives as wishful thinking is probably the most apt description they can be given.

This farming sector lacks a solid bedrock

Instead of having a healthy production structure, the EU farming system is eroding and had led to a drastic reduction in the number of farms in Europe, falling from 15 million to 10 million between 2003 and 2016. And this trend is set to continue in the coming years, those most affected by these developments being small and medium-sized farms. In spite of the difficult work farmers carry out, considerably lower profit margins and a meagre income are taking their toll on the sector, pushing farms to close down and depriving younger generations of any prospects of starting their own business.

The EMB's Chair, Kjartan Poulsen, also fails to see any potential for a sustainable change given the current developments: "Although the milk price is currently higher than usual and costs are covered for the first time in some regions, this does not make up for the major losses farmers have incurred over the past decades." On top of that, costs are increasing exponentially, and the prospect of prices soon being lowered means that their income will, once again, be put under enormous pressure. As he pointed out, the major political objectives cannot be reached if the sector does not undergo any reforms or isn't stabilised in a consistent manner.

These regulations, measures and reforms play an essential role to reform the EU's farming sector:

- An EU-wide regulation banning the selling of products below their cost of production
- An actual involvement of farmers in the development of concepts and in the implementation of the Green Deal, and providing them with the adequate tools
- Adequate crisis instruments in the EU agricultural system
- Different objectives and a different structure for the CDG Milk and the MMO (Milk Market Observatory)
- Strong horizontal producer organisations that, without the exception of cooperatives, pool producers for a better

negotiating position

- Mirror clauses in the EU's trade regulations
- Removing agriculture from the WTO and free-trade agreements
- Openly strengthen and expand the Fair Milk projects in the EU

“The EU is able to come up with goals that are good for the current agricultural policy”, says EMB Vice-chair Elmar Hannen regarding current political practices. “But when these objectives are being given a reality check because the wrong course has been set, or because the right course has not been set, then neither we farmers nor the consumers will benefit from the catchy slogans that these goals actually are.”

Details of the proposed reforms:

- **An EU-wide regulation banning the selling of products below their cost of production**

Why?

What is obvious in other sectors – that costs are passed on and reflected in the price – is not a given in, for example, the dairy sector. It is clear that the *invisible hand* is pushing prices below the cost line. An EU regulation banning this cost shortfall would stabilise farmers' income and the production structure in the entire EU.

- **An actual involvement of farmers in the development of concepts and in the implementation of the Green Deal, and providing them with the adequate tools**

Why?

As it stands, farmers do not take part in developing the Green Deal. The objectives are dictated to them, and they are expected to bear the additional financial burden generated by these strategies with their already extremely low income. This needs to change. Producers must be placed at the heart of agricultural strategies and must take part in their development. Climate change cannot be fought without the help of farmers. The Green Deal must be used as a tool to reform the current system and turn it into a socially sustainable model.

- **Adequate crisis instruments must be integrated into the EU agricultural system. These includes a functioning early warning mechanism that works with the right indicators which reflect the true production costs and provide for an adequate producer income.**

Why?

Over the past years, the milk market has had to address a number of successive crises. A surplus in production led to prices plummeting and forced many producers out of business. These crises can be avoided, or even mitigated, if they are addressed early enough with the right mechanisms such as, for example, a volume reduction scheme that counters overproduction. This is an effective solution which bore fruit when it was deployed in the EU in 2016-2017.

- **Different objectives and a different structure for the COG Milk and the MMO (Milk Market Observatory) which should both actively focus on a balanced and fair distribution of added value.**

Why?

The establishment of the MMO was a major milestone in the dairy sector. However, the MMO's mandate and tasks unfortunately do not go far enough. The MMO must be turned into an institution aimed at preventing and mitigating crises. The same goes for the EU's Civil Dialogue Groups during which stakeholders from the EU Commission and from the dairy sector exchange insights. Exchanging data and experiences is essential, but if no action is taken based on the expertise drawn from these meetings, no improvements can be made in the sector.

- **Strong horizontal producer organisations that, without the exception of cooperatives, pool producers for a better negotiating position**

Why?

Strong producer organisations are strong negotiation partners when it comes to negotiating producer prices with dairies. Such an organisation can only have such power if it brings together producers and negotiates with several dairies, i.e., if it is horizontally structured. So-called “vertical” producer associations dependent on one dairy will never have the ability to develop such clout.

- **Mirror clauses that guarantee that imported food and feed comply with EU requirements. Their compliance must also be ensured through sufficient controls and sanctions.**

Why?

When imported goods have not been produced according to the same environmental regulations as those produced in the EU, they cause damage at several levels. They can undercut the EU-made products because of their lower production costs, which are due to their lower environmental standards and, as such, drive them out of the market. The low level of costs also leads to an outsourcing of the production to third countries, which generates greater environmental damage there, and this for goods that are consumed within the EU.

- **Reduce the dependency on imports and cheap, harmful exports by removing agriculture from the WTO and free-trade agreements**

Why?

A responsible EU trade policy should no longer allow cheap products to be dumped onto sensitive markets as this practice destroys farmers' livelihoods and sources of income in other States. By becoming increasingly dependent on imports, we will be hampering efforts aimed at having EU food sovereignty and food security, will have a debilitating impact on our own production structures and will be promoting shipping practices that pollute the environment.

- **Openly strengthen and expand the Fair Milk project in the EU**

Why?

Fair Milk is a leading example. This project enables its participants to receive cost-covering prices, which also provides them with a fair income. Although this project is already in full swing in countries such as France, Germany, Belgium, Luxembourg, and Switzerland, they do not yet reach enough consumers and producers. Fair Milk has a positive impact on the life and livelihood of farmers, and it should therefore be extended so that more producers can benefit from it. Here, the EU can contribute to this project by publicly recognising its benefits.

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[<<< back](#)