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World Milk Day: Looking ahead

As citizens and producers, what do we want for the EU and how can we make it a reality?

(Brussels, 1 June 2022) The EU is more than an association of 27 countries. It is a union with many strengths, highly-skilled people, vast knowledge, and enormous potential. The EU is an achievement that its citizens and even its policy-makers can be very proud of in many areas.

Today, on World Milk Day, we farmers wish to look ahead, to see how we can capitalise on all these strengths and all this knowledge and potential to successfully overcome the tough challenges that we are facing today. We want to describe what we need to ensure a strong, reliable, fair and sustainable future for agriculture in the EU.

1. Citizens need adequate food production – an EU production that is the least-affected by international crises.

In order to avoid empty shelves and to ensure security of supply, we need a stable structure within the EU that can produce enough food. To produce foodstuffs, we need people producing food. Currently, an increasing number of farmers are leaving the agricultural sector, which destabilises production structures and poses a real threat to EU food security. Therefore, the urgent question is: How can we stop this and what can we do to make agriculture and food production attractive once again, even to young people? In order to achieve this, we need the following:

- The current massive increases in production costs must be covered by processors and retail

Farmers are currently struggling with skyrocketing production costs. The significant increases in energy, feed and fertilizer costs have affected not just milk production, but are a problem for food production in general. Can individual producers bear the brunt of this cost explosion? No, that is simply impossible. The costs must be passed on, such that cost increases are perfectly reflected in prices paid to producers by processors and retail. In this context, the European Commission must produce updated cost data to ensure ample market transparency.

- Chronic cost shortfalls must be transformed into constant cost coverage.

Even without the war in Ukraine or the Coronavirus pandemic, the dairy sector was characterised by chronic cost shortfalls. As a result, producer income has shrunk to such an extent that many are barely remunerated for the effort and time they put in on their farms. As a recently-published cost analysis shows, dairy farmers in Germany were able to draw a hourly wage of just 6.10 euros in 2021. In France, it was even lower at 3.09 euros and in Denmark and the Netherlands, farmers were left with nothing in hand in the form of remuneration. On an average, farmers in the EU earned only 4.19 euros per hour.

A future-proof agricultural sector means future-proof, adequate income for farmers. Through their Fair Milk projects, producers in different countries have clearly shown that fair producer prices are realistic and possible. Thanks to strong commitment and extensive know-how, they present a shining example for the sector as a whole. It is now time for the sector itself to take up this example and make fair income the rule, rather than the exception. This means that producer prices need to increase across the board. This would, once again, make farming a viable option for young entrants and the EU would be equipped to produce enough food in its own countries and regions.

Fair contracts between producers and processors can play a decisive role in ensuring that future producer prices align with production costs. For example, a price adjustment clause can ensure the sustainable coupling of costs and prices. Other clauses that could be part of such contracts and that would guarantee that the interests and demands of producers are truly upheld are explained in the contract guidelines (only available in German) for the German dairy sector, compiled jointly by MEG Milch Board and the EMB.

However, fair contracts do not appear out of nowhere. An essential precondition is that in the future, a majority of producers are represented by producer organisations during negotiations with processors. At the moment, this is not sufficiently the case. There needs to be a strong political message encouraging membership in such organisations. Furthermore, the possibility of true representation by a producer organisation must be decisively expanded. This means that cooperative

members, who currently cannot be represented collectively by producer organisations, must be allowed to become regular members of these organisations.

When truly fair contracts become the norm, future income could rise to an adequate level whereby farmers and their families are able to make a decent living and young producers are able to find their way back to farming.

2. Citizens in the EU need healthy and safe food.

Healthy and safe food for us and for our children must remain a priority for the future as well. This means that imported foodstuffs must also be subject to the same standards that apply within the EU. This can and should happen through mirror clauses, which would ensure that, for instance, imports that are treated with substances that are not authorised for use in the EU cannot be imported. In addition, we need extremely thorough checks and sanctions so that we can be sure that these restrictions are actually enforced. In this way, the EU can ensure that in the future, any food coming from abroad does not pose any health risks.

3. Crises within the EU should be notably reduced.

It is not possible to fully predict and avoid all crises. However, it would be possible to counteract many more crises by activating the correct crisis instruments. The current crisis differs from all past extreme market distortions and is ejecting many producers out of the agricultural sector. That is why producer prices must be aligned with production costs IMMEDIATELY – no more milk sold for less than production costs and the inclusion of price adjustment clauses in contracts to allow for future, additional adjustments as required!

In the past, phases of overproduction were often behind significant price drops. For such situations, crisis instruments like the Market Responsibility Programme, which provides incentives for short-term volume reduction in the face of high overproduction, can prevent massive price collapses.

By mitigating and correctly dealing with crises, it will be possible for producers in general to remain in business, which, in turn, will guarantee that the EU has enough farmers to produce the food that its citizens need in the necessary quantities.

The farmers of the European Milk Board call on EU policy-makers, processors and retail to work together with them to lay the groundwork for the aspects and correlations mentioned above, as we strive toward a socially, economically and environmentally-sustainable future for the agricultural sector.

Contacts:

EMB president Sieta van Keimpema (EN, NL, DE) : +31 (0)612 168 000
EMB vice-president Kjartan Poulsen (EN, DK, DE): +45 (0)212 888 99
EMB director Silvia Däberitz (EN, DE, FR): +32 (0)2 808 1936
EMB press office Vanessa Langer (EN, DE, FR): +32 (0)484 53 35 12

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