



European Milk Board

Fair milk prices for a sustainable
dairy production in Europe



Retrospective – Dairy farmers’ congress 13 February 2008 in Brussels

« Active market regulation: balanced markets – fair prices »

Some 4,500 dairy farmers from fifteen European countries were greeted in the Tour & Taxis hall in Brussels on Wednesday by the President of the European Milk Board **Romuald Schaber**. They had travelled from the Scandinavian countries of Sweden and Denmark, from Wales, Scotland and Ireland, and from the Netherlands, France, Germany, Luxembourg, Switzerland, Austria, Hungary, Italy, Spain and Croatia.

Many more dairy farmers had come than expected to demonstrate their unity and solidarity with the EMB’s objectives and to present their arguments against the EU Commission’s plans.

Context

For years, *European milk producers had to put up with milk prices* that nowhere near covered production costs. It is only through unpaid work by, say, family members and the dairy farmers themselves working extra hours that many of them managed to maintain production at all. Extremely low farm-gate milk prices and the closures they caused have meant that in some regions milk production has been cut so severely that the often quoted “milk lakes” and “butter mountains” in the European Union have been depleted and the price has risen. Exports of milk and dairy produce from the EU have also decreased, with the result that the world market price has gone up appreciably. Europe’s dairy farmers can now sigh with relief and for the first time plan again for a future that will enable them to reflect on the continuation of their farmstead and prospects for their children.

This development is obviously a thorn in the side of the *European dairy industry* and the *EU Commission*. Contrary to the original plans, milk quotas are now to be bumped up across the EU by 2% from 01/04/2008, i.e. the start of the next marketing year. It is the Commission’s stated aim to achieve higher production of milk. The consequence would be renewed price pressure entailing a huge financial blow to milk producers in Europe. This approach by the EU Commission is tantamount to a call to dairy farmers to close down their farms.

The EU Commission says that the increase of the milk quota by 2 per cent would yet not be a preparing measure in relation to the abolition of the quota, but a reaction to the increased demand. The quota may not limit the export chances of the milk producers. The EU Commissioner of Agriculture, Mariann Fischer Boel, pointed out at different occasions, that there will not be any questions to abolish the quota in 2015. Now it would be important to use the time until that date. Currently one has to decide for a hard or a soft landing. Hard landing

does not sound good. But in fact this term means that the actual quota system stays for another eight years without changes. For this case a study being commissioned by the EU authority shows a price increase of 7 per cent. In the year 2015, after the quota finished, there would be a rapid price decrease. The Commission prefers a soft landing, an extension of the quota step by step. This would have the result of decreasing prices – to the level of the beginning of 2007 or at least a decrease by 4 to 5 per cent in the coming months. The direction of the EU is being made very clear in these declarations. The goal is a milk production, which allows the export of European milk on the world market because of low cost structures.

The decision to increase the milk quota will be made in the upcoming weeks. In relation to the medium term use of the quota until 2015 as much as to its continuation or abolition, the debates are now starting concerning the Health Check of the reform of the EU Agricultural policy. In this important moment, the milk producers have therefore manifested their agreement to an effective market regulation in Europe as being the basic condition for fair and cost covering farm gate milk prices.

4500 Milk Farmers know more!

Preface of Ernst Halbmayr, EMB board member of Austria

It was worth it to organize a replacement person on the farm and to burden family members with more work to go together as dairy farmers to the first European milk producer congress in Brussels. Here 4500 representatives have experienced the European Milk Board (EMB) as being grown to be a strong organisation on the European level.

It was impressive to see how the leading two were accepted, respected and admired by the participants of the congress. Romuald Schaber as the president of the EMB and the BDM as much as Sieta van Keimpena (vice president of the EMB) aptly summed it up: Only with solidarity, strategic thinking and acting as well as with decisiveness we can achieve our common goals. There had been a great variety and sustainability of impressions and an interesting and multifarious program. We have been confirmed by the experts what we experience every day on our farms: This milk price and these dairy politics will not enable us to develop our farms in a reasonable way.

Additionally the European dairy industry had its say assuming that the demand of milk products will increase continuously and that it will not be possible to let the production follow simultaneously. As for the prices - the representative of the milk industry predicted a decrease in Europe towards the level of the world market.

At the meeting with the EMB directories board the evening before the president of the Committee Agriculture of the European Parliament, Neil Parish, formulated the following: „The EU Commission wants to put it to the test, how much milk the market is able to absorb. Therefore on the first of April the quota will be increased by 2 per cent.“ This attitude of the EU Commission, that the report showed, was even exceeded by the one of its representative, Lars Hoelgaard. He denied the justification of the existence to all, who demand better prices or who declare that they wont be able to produce at world market prices. It is painful to see and experience so clearly how far the EU bureaucracy has disconnected itself from the citizens. One thing to hope is that the loud whistles, reacting to its attitude, have reached the EU commission.

But the work of the recent years has shown, that no one but us has an interest on reasonable milk prices. The experiences of the last years taught us that in the established interest

associations there are no representatives of active milk producers participating and therefore a reasonable milk policy can not be organized in these organisations.

It is because of that reason that we will not lean back resuming: „ It has been an interesting day“ and believe we can save ourselves with a higher productivity and rationalization. No, we have come home with a task: In the future we will use part of our thinking, our work and as well money to get involved into that often cited „market“.

In every village, region, every state and in whole Europe we will continue with the started work of self-organization of milk producers in strong interest associations and producer groups. We will point out the meaning of our work to society with the help of creative marketing, while positioning the Faironikas and banners everywhere. If the Swedish travel to Italy for vacation, they will know by the national colour of the Faironika, they see there, in which country they are right now.

We will not settle for what others want to do with us or what they concede to us. With the competence of being concerned we will take the future by the horns in an offensive, creative, solidary and sustainable way!

Short summary of the different presentations

“As we dairy farmers are affected by the EU agricultural policy we have come to the centre of power today to say our piece”, was how **EMB President Romuald Schaber** started his opening speech. “We are the ones that hold the milk everyone wants and needs day in, day out”, the EMB President pointed out to show that the dairy farmers had to play a role in the way the market operated. “We are here today to have our say and be part of the decision-making, because we can no longer put up with having decisions foisted upon us.” The dairy farmers, he said, were prepared to take over responsibility for the milk market. Here Schaber also referred to the importance of the dairies: “We are all in the same boat and must steer in the same direction. But in the future it won’t be a case of the farmers doing the rowing down below and others up top dictating the course and stepping up the rate all the time. Milk is too sensitive for that.” Milk production was something that concerned society as a whole. Schaber rejected the EU Commission’s plan to raise milk quotas and abolish them by 2014/15, because it was directed against a cost-covering milk price. EMB President Schaber opened the first European Congress of Dairy Farmers with the words: “We farmers are determined to take matters into our own hands.”

Besides the representatives of the national member associations of the European Milk Board and the 4,500 milk producers from all over Europe the congress was also attended by scientists, a representative of the dairy industry and specialists in the field. The reason for this mixture of representatives of **various perspectives and diverse backgrounds** is the plan of the EMB to discuss the future of the milk market with the involved actors and to find solutions to protect the European milk production, processing and supply in an sustainable way. The dairy producers have been ignored at the decision process so far, even though they are the basis of the whole system. Without them there would not be any milk, one can process, sell or consume. And this system should work very well in the future - for consumers as much as for producers. Therefore Prof. Daniel-M. Gouin of the university Laval in Quebec explained the structures of other states and examined the actions in the milk sector to find positive and negative results for the market actors. Also an interesting task was to find suggestions for the European region.

Hannes Lorenzen explained that the export drive with dairy produce so beloved by the European dairy industry would also have a considerable impact on dairy farmers in other parts of the world. He presented the results of an international dialogue study initiated by

MISEREOR and the Heinrich Böll Foundation. “We are not against fair international trade, but social and ecological dumping has to be stopped”, was the central demand. The individual states had to be given the right to introduce social and ecological standards and to protect themselves against imports falling below these standards. Secondly, the states had to be granted the right to control the quantity of their production, too. “Prices must be allowed to be protected against large fluctuations as well, through quotas and rules on market access for instance”, is a further demand of the study in which players from north and south were actively involved. Last but not least, the product chains would have to be “democratised” by giving the general public access to information on flows of trade, standards and market positions. “We need a kind of international anti-trust body to limit the power of individual multinationals”, said Lorenzen. “Trade barriers are not swearwords, even if they are often used as such, trade barriers are measures to protect food safety.” He urged the dairy farmers to win back their markets on the spot and in the regions, instead of joining in the global competition for the cheapest products.

On the subject of “the milk market, costs and prices”, in his worldwide comparison of the various milk market regimes, **Dr Daniel-M. Gouin** from the Chair of Agricultural Policy Analysis at Laval University in Québec showed that regulating volumes and the market can have a positive impact for consumers and producers. Consumers in Canada, for instance, paid similarly little for a shopping basket of dairy produce as in New Zealand, whereas Canada operated the most systematic market control in the world, resulting in cost-covering milk producer prices, and New Zealand was the country with the most deregulated milk market and the lowest average producer prices.

Dr. Niek Koning, a lecturer in Agricultural Economics at the Dutch University of Wageningen, warned that abolishing control of milk volumes could hit the European taxpayer in the pocket. The EU as well as the US had recently had to undergo similar experiences in the cereals sector. The EU Commission’s hope for increasingly stronger world demand was based on the assumption that economic growth would continue, particularly in Asia and Latin America. But nobody knew if this assumption was correct.

Joop Kleibeuker, General Secretary of the European Dairy Association, presented the development of the global milk markets from the perspective of the dairy industry and by comparison was expecting worldwide demand to be maintained in the next few years. Kleibeuker stressed that Europe had lost its traditionally strong position in the world market. As he saw it, more profitable growth was possible without a quota.

Dieter Hanselmann, an agricultural consultant to top dairy farms with twenty years of experience in Germany, compared production costs and workloads in German dairy farms to study to what extent this growth makes sense for the producers. The conclusion he came to was: “Growth makes sense for the producers only if the milk prices are good, enabling them to buy in labour and build up the equity capital required.”

Johannes Pfaller, a milk producer from Bavaria, likewise shed light in his remarks on the impact of milk prices that fail to cover the milk producers’ costs and labour on everyday life and the dairy farms’ prospects. He graphically described that this caused an enormous strain on farming families and the future of milk production was severely jeopardised by the lack of prospects for the young generation. For him the bottom line was: “The profitability of milk production is more important than growth and that is why we need the quota.”

Lars Hoelgaard, Deputy Director of the EU Commission’s Directorate-General for Agriculture, and a representative of EU Agriculture Commissioner Mariann Fischer-Boel, was not impressed by that. He made it clear in his speech that there would be no support whatsoever from the EU Commission for a continuation of the quota. “The EU Commission

doesn't want it, there is no qualified majority in the Council of Ministers, and there is no majority in the European Parliament”, said Hoelgaard, pre-empting the impending vote in the various decision-making bodies. “The abolition of quotas does not mean the death of dairy production”, he went on. The EU, traditionally a strong exporter, had fallen behind in exports and even been overtaken by such a small nation as New Zealand, and it was time to catch up. The farmers should arrive in reality and accept the plans of the Commission as the reality. All other ideas would be illusions and farmers should install themselves in changed conditions. Hoelgaard looked blank to the demand for reaching cost covering prices. If the dairy farmers were not able to keep production costs low enough to make with the farm gate milk prices, they should leave the milk production, he commented.

The Vice-Chairman of the Agriculture Committee, **Friedrich Wilhelm Graefe zu Baringdorf**, pointed out that in his speech Hoelgaard had only spoken of export opportunities and not a word about prices. He urged the connection between quota and milk price to be considered in the debate on the future of the milk quota: “Anyone today demanding more volume and talking about the abolition of the quota is angling for a price reduction.” To the EU Commission's announcement that it would not be proposing an extension of the quota regulation beyond 2015, the agriculture politician retorted: “It is true that the EU Commission has the right of initiative and retains it even after the ratification of the new EU contract. But if this dairy farmers' movement keeps up the strength that it has proven in the confrontation about the milk price, I would like to see the Commission that dares not to put forward a proposal.” All the same, Graefe zu Baringdorf warned against addressing the demand for a limit on quantity only to politicians. “The farmers must stick to their intention to control volumes. They must not let themselves be divided, even if individual farms are greedy to produce more milk because of higher prices”, the MEP said. The same solidarity the dairy farmers had shown in the confrontation with the dairies about a higher milk price was now needed with regard to volumes. “This is only the beginning of the confrontation”, he said.

After Lars Hoelgaard's speech, the milk producers present were certainly even more aware of this than before. “We have to be players in the game”, **Sieta van Keimpema**, Vice-President of the EMB from the Netherlands, had said in her speech to the EMB in the morning. Van Keimpema blasted the EU Commission's proposals for expanding milk production: “Increasing the quota by 2% will lower the price. When they say the market could absorb more milk, why does the milk price fall again?”, she asked. It was not the volume that was the problem, it was the price: “Of course we can produce more milk. But the price has to cover the costs”, the EMB Vice-President demanded. “To first supply the milk and then see what the price is, that's not a good system for the farmers. Only if we negotiate first and then supply can we play an active role in the market”, she called out to great applause from the dairy farmers.

At the end of the congress the European dairy farmers unanimously passed a *resolution* containing the demands for fair milk prices and the basic conditions this required, as well as the consequences resulting from a policy of low milk prices.

With its 4,500 farmers - most of them had travelled through the night to attend - this congress of dairy producers was most probably the first of its kind. It was a clear sign of the seriousness of the milk producers' situation. A dairy farmer from Austria: “It was a great day, and I draw a lot of motivation from the fact that I saw here today that my European colleagues are all pulling together and are committed to pooling forces in their country and to our active involvement in the market.”

About the EMB

Although set up only two years ago, the European Milk Board already organises some 90,000 dairy farmers with 30 billion kg milk throughout Europe. The EMB fights for sustained milk production that secures the livelihood of the European milk producers. This calls for flexible, demand-driven market control. The congress's aim was to articulate these concerns on the doorstep of political decision-making and to put the requisite weight behind them with the large number of milk producers turning up. In the following months the European milk producers in the EMB will amplify their unit effort to maintain a region wide milk production, the covering of production costs via a flexible supply regulation and the external protection against price dumping. As it is stated in the resolution: „ only with these conditions it is possible to provide high quality milk products constantly and secure to the European citizens and to produce them environmentally friendly and sustainably – to assure the maintenance of an unique European culture landscape.

Contact : Sonja Korspeter 0049/23814360495

EMB – European Milk Board
Office / Bureau central, Bahnhofstraße 31 • D – 59065 Hamm/Westf.
Tel.: 0049 - 2381 – 4360495 • Fax: 0049 - 2381 – 492221 • office@europeanmilkboard.org •
<http://www.europeanmilkboard.org> - <http://www.fairmilk.org>