



**European Milk Board**



## **The European Milk Board's position on the Health Check of the CAP 2008**

### **Preamble**

Milk production is the most important sector in agriculture. This is true both of the value created by the producers themselves and of the number of jobs upstream and downstream. In most European countries, milk is traditionally produced in grasslands or disadvantaged regions. So in addition to the actual milk production, the dairy farmers play an indispensable role in terms of conserving the landscape and preserving culture in the countryside. There is often no economic alternative to milk production for enabling these socially important synergy effects to be achieved.

### **The situation of the milk producers is unsatisfactory**

The milk regulations have been amended several times in the course of the various reforms of the CAP. This was not done with the aim of achieving cost-covering producer prices, but in an endeavour to secure the EU milk industry large shares of the world market. The tools of the milk regulations were configured to meet this objective. In this way, the intervention price has been reduced to a level which no longer has any relevance whatsoever as a safety net. With an intervention price of about 22 cents, dairy farms throughout Europe have long been living under the shadow of bankruptcy. But instead of abolishing the intervention price altogether it was continued as a catastrophic benchmark – it was to drag the price manifestly downwards.

With the quota system, which is still the most important instrument of the milk regulations, regular increases in the quota were voted through by the politicians based on theoretical considerations with talk of allegedly growing markets. But actual market demand did not follow these forecasts. As a result, there was too much milk on the market and the price paid to the producers fell below a level that covered the actual costs of milk production. The income situation of the existing producer structures was therefore totally ignored in these decisions. The bright promises of growing markets and with that higher income proved to be speculative bubbles. The incomes of European milk producers have been stagnating for years or have even decreased in real terms.

Over 90% of the milk produced in the regions is still being consumed locally or within the EU. Some 7% has been exported to non-EU countries in recent years, with the trend in 2008 being clearly downwards.

The fact that the state is retreating more and more from the responsibility for a balanced milk market and fair producer prices makes it essential for dairy farmers in the EU to be handed instruments enabling them to put effective control of supply in place. What is termed a “free market” is demonstrably unworkable. It is evident from the example of the financial markets that in next to no time the outcome can be chaos and drastic distortions. It is precisely for the milk sector that the EMB regards a liberal approach as totally unsuitable. Deregulation would mean that every social requirement of European milk production (quality, freshness, traceability,

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sustainable production, animal welfare and environmental aspects, preservation of culture and the conservation of the landscape) were at risk or went out of the window.

That is why the European Milk Board (EMB) demands agricultural policy decisions guided by the reality of the market and the needs of the milk producers and consumers, and not one-sidedly by the wishes of the milk industry lobby.

Our position on the measures proposed by the EU Commission in the course of the Health Check is as follows:

**1. Raising the EU milk quotas by one per cent a year**

The EMB rejects the Commission's proposal for automatically increasing the quota by one per cent a year until 2013 (five per cent in total). This planned-economy approach is not likely to give the milk sector any prospects for the future.

Instead, the EMB calls for the quota system to be made flexible as early as in the course of the Health Check. This means adjusting the production volume as of now to the real market needs. The yardstick for increasing or decreasing milk production must be a base producer milk price that covers the actual costs of production.

**2. Effective European control of volumes on an individual farm level**

The EMB calls on the EU Commission and the Ministers of Agriculture to advocate flexible control of volumes for the milk market now and after 2015.

**3. Milk producers to become active players in the market**

The milk producers in the EMB are prepared to assume responsibility and control the volume of supply under their own steam. We call upon the politicians to create the legal framework required to empower the milk producers.

**4. Protection from outside indispensable**

Regulations on fair market access are needed that protect the European market from imports whose prices and standards are below the level of the internal market.

**5. Milk fund no substitute**

The milk fund proposed by some member states is nowhere near likely to make up for the losses in income sustained because of the intended abolition of the quota system. What does make sense, though, is a finance pool in favour of the milk producers as an additional measure of support for disadvantaged areas.

Moreover, it must be a clear objective of the European Agricultural Policy that in future the overwhelming majority of farms are able to produce milk for a profit without direct payments to the extent to date.

## **Summary**

The measures proposed by the European Milk Board give milk producers prospects for the future. Its market economy approach is best suited to making milk production attractive again and to motivating young people to go into milk production and to develop the farms.

Cost-covering prices and less red tape are the key to the future survival of the European milk sector.