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EUROPEAN MILK BOARD

VISION

The European Milk Board's (EMB) vision is for a responsible trade policy that creates a fair dairy market. This must guarantee price stability and a fair income for all people working in agriculture. This would ensure dairy production throughout all regions of the European Union, rather than the current trend towards concentrated production in just a few countries.

Producers must have the opportunity to take responsibility for the dairy market. Dairy prices need to cover the costs of production, and the costs of meeting environmental and animal welfare standards must be covered as part of this. Farmers overseas need to be protected from dumping that destroys their markets.

The EU market must also be protected against imports at below cost price. With its large share in global milk production, the EU is an important and economically influential actor. Responsible and, as far as possible, crisis-free production, would not only be good for EU producer prices, it would be good for world market prices as well. Responsible EU production and a responsible trade policy would in this way contribute to greater stability in the world market.

Export prices must ensure that EU farmers are paid enough to cover their production costs.

EU exports must not destroy markets in developing countries. The aggressive export policy that has been introduced alongside deregulation has endangered markets in developing countries. EU skimmed milk powder exports to West Africa almost doubled between 2005 and 2015, encouraging dumping prices. Responsible production in the EU would not only benefit EU farmers but also producers from developing countries.

Low-cost production at the expense of the environment, and of the health and well-being of current and future generations must not be the model for EU dairy production. The experience of New Zealand, one of the leading global dairy exporter nations, shows how unsustainable dairy production leads to growing environmental problems.

Imported goods should not be sold at prices that are below EU cost-levels. The dairy sector must be protected if necessary.

The European Milk Board has developed a crisis instrument for the dairy sector, known as the *Market Responsibility Programme (MRP)*¹, which observes and reacts to market signals. This programme could be used to stabilise the market and incentivise changes in production levels as needed.

External tariffs might be needed to avoid that increased imports undermine the effect of volume reduction in the EU.



PROBLEMS

Price volatility within the EU has increased tensions between producers in different Member States. At times of crisis, national interests come to the fore, sometimes resulting in the unfair treatment of fellow producers in neighbouring countries. Sometimes they are held responsible for falling prices at home and as a result imports of foreign milk are stopped or milk tanks are emptied in transit.

The lack of an appropriate framework makes the EU market sluggish, and it tends to respond inappropriately to changes in market conditions. For example, when a 2 million tons a year market disappeared in August 2015 due to a Russian embargo, and when Chinese imports did not match projections, there should have been an appropriate response to encourage a change in production.

But the EU market did not respond appropriately. Although prices had clearly fallen, production did not. In fact, it increased significantly, leading to milk surpluses.

Export prices do not allow producers to cover their production costs (eg. weighted average prices of 4,248 €/t for butter and 1,550 €/t for skimmed milk powder²). Given production costs of over 40 cents per litre of raw milk, as found in countries with high intervention levels such as France, Germany and Belgium, and adding on transport, processing and marketing costs, the result is a price of at least 3,350 euros/t of milk powder³. This fosters cost-cutting and low-cost production within the EU.

Export of EU milk powder creates problems in developing countries. For example, in Burkina Faso, milk from imported milk powder costs from a third to half as much as local milk (milk from imported milk powder and vegetable fat from Europe costs about 34 cents per litre, whereas local milk costs between 76 cents and 1.10 euro per litre). This hits people in Burkina Faso's significant dairy sector, undermining livelihoods, with women paying a particularly high price as main actors in dairy production.



DEMANDS

A balanced market cannot be achieved through a liberal market strategy, or through the blind promotion of production growth. A new CAP 2020 must link producers, and their ability to respond to market signals, with efficient measures that react to crises. Therefore, the EMB's Market Responsibility Programme, a crisis instrument for the dairy sector, should be anchored in the new CAP.

Trade policy should focus on exports with a higher added value to make sure that farmers who provide the raw materials get fair prices that cover their cost of production, rather than focusing on low price exports. This would also allow greater investment in the EU sector, and would prevent farmers in developing countries from being deprived of their basic source of income.

Imports should not be sold at prices that are below cost-levels in the importing country – and prices should be protected if necessary.

Low-priced imports must not be allowed to undermine the impacts of measures that in times of crises are intended to encourage reduced production within the EU, as proposed in the MRP.

EMB Fair Milk brand Founded by dairy farmers in Austria in 2006, the Fair Milk project now covers seven countries with a range of products under the Fair Milk brand. All Fair Milk initiatives have one thing in common: a fair farm-gate price. This is a price that fully covers production costs, enabling farmers to run their farms sustainably. For only with a fair price policy can farms stay Europe-wide on the market, produce high-quality milk and help conserve cultural landscapes.

<http://www.europeanmilkboard.org/en/special-content/fair-milk.html>

1. The Market Responsibility Programme (MRP) would see a system whereby a market index would monitor prices, trends and production costs simultaneously. It reacts to minor market inconsistencies with lighter measures like opening private storage or even through incentive schemes. If the index slides even further, then voluntary production cuts are launched as the second level of the MRP. In case of very strong market disturbances, however, every producer EU-wide is obliged to reduce their production within a specific time period by 2-3 percent. **2.** Results of the GDT event 205 of 06.02.2018 for international traded commodities (source: https://ec.europa.eu/agriculture/sites/agriculture/files/market-observatory/milk/pdf/world-gdt-auction-results_en.pdf). **3.** Calculation of the target minimum price for intervention skimmed milk powder: <http://www.europeanmilkboard.org/en/special-content/news/news-details/article/-69890b6f2a.html?cHash=e2a35f9311cf6391f50262d629d6f287>