

**The European Milk Board's Position Paper on
"What Future for Milk?", Conference in Brussels on 26 March 2010**

**Configuring the European milk market for the present and the future by
integrating the milk producers' and society's interests**

The core of a reformed political framework must be securing the supply of dairy produce for 500 million consumers. This has to be guaranteed by milk production that is economically, ecologically and socially sustainable. The configuration of the milk market should respect the principle of food sovereignty and with it the right of other countries to supply themselves with food. Another aim is to introduce stronger market orientation. This means that the focus of the EU's future milk policy should be on creating basic conditions that enable the market to function in a healthy manner.

1. Balance of forces in the market – strengthening the milk producers

The current asymmetry in bargaining positions to the detriment of the producers is due to their being given no opportunity (i.e. they are even deprived of this possibility by eroding the quota) to adjust their milk supply actively and flexibly to demand. As long as they are not given the chance to react together in a co-ordinated and effective way to plummeting prices by cutting production, they will never be in a position to bargain at all.

=> Directive for the strengthening of the dairy producer associations in the European antitrust law

2. Equilibrium of volumes – Balance of supply and demand

The aim of configuring the European milk market must be to gear **milk production in Europe essentially to the internal market's requirement**. The world market is interesting for Europe only in the high-price segment. Produce should therefore only be exported to where high added value is possible. In this regard the milk producers are also backed by the development aid organisations that oppose the dumping of EU exports in southern hemisphere countries. This self-restriction, which makes economic and ecological sense, would then also

=> secure qualified protection from outside.

3. Adjusting volumes produced by means of producer associations

The most important task of the producer associations will be to implement adjustments to volumes as stipulated by a milk market configuration agency. The European producer association then passes the necessity of **reducing or increasing the milk volume** on to the national producer associations. The European producer association must also be enabled to react to unavoidable slight surpluses in supply by resorting to a strategic stockpile reserve to stabilise the market.

=> Continuing with an individual-farm volume limit and general applicability of the decisions made by the milk market configuration agency and by the European producer organisation

The EU Commission ought to set up a European milk market configuration agency to stipulate a milk volume that corresponds to society's interest in sustainable supply of high-quality milk and guarantees cost-covering farm-gate prices. This can provide the framework for a balance of interests between milk producers and the dairy industry, prevent abuse and ensure that society's interests are respected.

4. European milk market configuration agency

Every player in the milk market should be involved in this European milk market configuration agency. For this agency to function it needs statutes that clearly regulate the stipulation of the target price bracket based on production costs and enshrine the aims of configuring the milk market in society's interest. The EU milk market configuration agency should perform these duties:

1. **MONITORING** market transparency
(prompt monitoring of production costs, milk prices, supply and demand)
2. **MILK PRODUCER–DAIRY INDUSTRY** contractual negotiations between market partners
Specifying a target price bracket based on the monitoring of production costs
Stipulating the milk volumes to be produced, geared to the achieved price level and in line with the dairy industry's requirement
3. **CIVIL SOCIETY** market at the service of society
Assessing the outcome of deliberations between milk producers and the dairy industry

The EU Commission is then given the key role of creating **general applicability**. It will ratify the decisions taken by the milk producers and the dairy industry while considering the statements made by representatives of civil society, and declare those decisions generally binding on every market player.

Exports to non-European markets can still continue, provided producers are paid cost-covering farm-gate prices. The social importance of milk will be taken fully into consideration; individual interests of a few export-oriented companies will not determine the configuration of the entire sector. Presumably it will be necessary to divert to internal European milk markets, or not to produce, certain milk volumes currently being sold cheaply on the world market.

Positive consequences for every player in the milk market

In this scenario the politicians continue to play the **supervisory role** and can ensure that milk of high production and product quality will still be available in every European region. These are other advantages:

- Producers generate their **income from the market**, public funds are only required in disadvantaged regions and for special social achievements
- Market developments can be countered **faster and more flexibly** directly at the production stage, surpluses can be avoided by and large
- A strategic reserve to stabilise the market will be **financed by the producers**, the taxpayer will no longer have to keep footing the bill
- Producers have greater responsibility and can act as **strong partners** in the market
- The dairy industry is ensured the **volume and good quality of milk** that it can sell at a fair price on the market
- The **qualified protection from outside** safeguards the dairy industry here from imports that could cause dispute in the internal markets
- Consumers can carry on buying **fresh milk and dairy produce from the region at stable prices**. Their interest in sustainable milk production throughout Europe under **humane rearing and environmentally favourable conditions of production** is taken directly into consideration by the milk market configuration agency and secured by cost-covering milk prices and quality guidelines.