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Prospects for the EU dairy sector

Greens call for stronger proposals to reform milk production in the EU

The EU's [milk quota regime](#) ended on 31 March 2015 after 30 years of production limits for milk farmers and dairy processing industries.

Milk quotas were introduced at the beginning of the 1980's, at a time of oversupply in the European market which led to high intervention costs for the EU and new instruments like milk export subsidies with negative effects on developing countries. The EU has since continued to struggle with structural overproduction, as the size of dairy farms has grown, with livestock mainly fed on imported feed like soy beans.

While quotas have gone some way towards placing a ceiling on unlimited overproduction over time, they have not really solved the underlying overproduction problem nor have they saved smaller-scale dairy farmers from being driven out of business. From the beginning of the regime it was possible to sell and buy quotas which allowed larger dairy farms and industries to grow further. This market concentration process was mainly based on imported feed, subsidies for larger production units and a selection of highly productive cow breeds. Smaller farms with grass-based milk production found themselves at a competitive disadvantage with labour intensive production due to climate and landscape, longer distances to dairy processing plants and often higher input costs.

Over the past decade, arguments have been put forward in favour of scrapping the quota system in order to further concentrate and rationalize milk production and make the EU milk industry more competitive on the global market. However, the foreseen export opportunities to Asia and Russia have not proved to be realistic as China has increased its own milk production to an industrial level and Russia has currently banned the import of agricultural products from the EU. Furthermore, the costs of intensified production are highly dependent on inputs like imported feed and oil based fertilizers and fuels.

The so-called "milk package" was adopted along with the CAP reform in 2012 and includes measures which were supposed to lead farmers into the new era of quota-free production. Among other measures, the milk package provides for a better monitoring of the milk market through the establishment of a [milk market observatory](#) (MMO); crisis management by the European Commission in case prices fall below a certain level; support for producer organisations so that dairy farmers can get a better bargaining position with the processing industry and on the voluntary establishment of contracts; and finally research and development measures to improve productivity and competitiveness of the milk sector.

The [report](#) voted on Tuesday 7 July is mainly needed to review the current situation on the milk package's implementation.

While the majority of European Parliament's members voted in favour, Greens/EFA MEPs voted against the report, due to the weakness of the message as it currently stands. We do not believe that its message reflects the **following key problems of the milk sector**:

- Concentration of milk production based on imported GMO soy and on cows with short lifetime due to high output per year;
- Concentration of market power of the processing industry and retailers which leads to unfair trading practices;
- Poor monitoring of the milk market which does not compensate farmers who voluntarily reduce production when market overproduction can be expected;
- Support for producer organisations which are just concentrating their offer as a counter weight to the concentration of the supply chain downstream of farmers but does not provide decentralised infrastructures and support for disadvantaged regions and farmers to keep milk production where it belongs: grassland areas.
- Export at any price rather than preference for local food chains and products;
- Lack of information on the real costs of milk production, especially in disadvantaged areas.

Greens believe milk production in the EU should be reformed to benefit a more sustainable balance between plant and animal production.

Milk production should also preserve the diversity of landscapes and farms. So, instead of importing GMO soybeans and supporting monocultures of maize for silage, milk production should be based mainly on permanent grassland, which also reduces greenhouse gases by fixing them in the soil and thus contributes to climate change mitigation.

A focus on measures which would stabilize supply and demand for milk products within the internal market would provide fair prices for milk farmers, while allowing third countries to do the same as part of sustainable rural development policies.

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