

Dear dairy farmers, dear interested parties,

This July, we witnessed an extraordinary, decisive moment in European agricultural policy. The European Parliament, the European Commission and the Council of the European Union reached a compromise on the reform of the Common Agricultural Policy (CAP). This is still to be officially adopted by the Member States who will then be called on to define their national measures.

As you can imagine, this compromise is not going to solve all the issues in the dairy sector. Nonetheless, the Common Market Organisation (CMO) dossier of the CAP does include some good outcomes – the result of the tireless and committed efforts of the EMB and its members.

Among these useful, important instruments, voluntary volume reduction during crises and the strengthening of market observatories provide some hope. The former, stipulated in Article 219 CMO, allows producers to reduce overproduction (which has been explicitly mentioned for the first time in legislation) during crises in order to facilitate price recovery. Participating farmers shall be compensated for the volume not delivered and shall thus be able to collectively take charge of the sector and its development. This is the only instrument that proved to be effective during recent crises. The latter is a key step forward, strengthening the dairy market observatory and creating new observatories for other sectors. The corresponding Article 222 CMO will help prevent crises. Furthermore, it will create the necessary framework for greater stability and more transparency for the agricultural sector as a whole.

Because of climate change and the increasing pressure of societal demands, the CAP reform also tries to place a greater focus on environmental aspects. Sadly, in spite of the advances in the CMO, I cannot draw the same conclusion when it comes to the economic sustainability of our farms. We need a milk price that shows us producers more respect. Today, many of us are already pushed to the limit; the recently published production cost study demonstrates this in unequivocal figures. Economically and socially respecting farmers and respecting nature and the environment are two sides of the same coin. One cannot be achieved without the other.

That being said, the advances within the CMO are important steps that seemed unattainable just a few years ago. We have been able to make headway on these key issues mainly thanks to the tremendous work of our members, thanks to protests and actions, and thanks to advocacy and meetings with ministers and MEPs. I would like to thank each and every one of you for your contribution to this success. Grazie a tutte e tutti!

We are yet to see what actual results emerge from these compromises for our farms. They are still just words on paper. Which means that we have to keep at it! Let's remain optimistic and hopeful, let's continue our fight, let's keep the pressure up to achieve concrete results and decent prices!

Wishing you all a wonderful, stress-free summer and an abundant harvest!

Roberto Cavaliere, EMB Executive Committee member and President of APL Italy

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Market indicators (as on 15/07)

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Observatory

peak at the beginning of March.

*The **Global Dairy Trade Index** fell on 6 July for a sixth consecutive time, exhibiting a rather strong decline of -3.6%. But it is still at its highest level since spring 2014. However, it has seen a downward trend since it reached its*

For a second consecutive month, the average price for **Italian spot milk** increased significantly in June by 9.72% compared to the previous month to reach 37.25 cents per kg (+19.66% compared to July 2020). Current projections for July indicate a marked increase of 7.73% to 40.13 cents per kg (provisional value), continuing its strong upward trend.

The **EU-27 milk price** rose by 0.6% in June and was pegged at 35.95 cents per kg, also continuing its slight upward trend in the decimal point range which started in February. **EU butter prices** were 397 euros per 100 kg, which is a decrease of 0.7% as compared to the previous week and of 3.2% over the last four weeks. At the end of May and the beginning of June, prices reached record levels of 410 euros per 100 kg and more.

EU skimmed milk powder prices are currently 252 euros per 100 kg, which is a decrease of 1.2% as compared to the previous week and 2.7% across a four-week comparison. As a result of the almost constant increase in skimmed milk powder prices, the beginning of June saw prices reach a peak since the start of the COVID-19 pandemic in March 2020, standing at 260 euros. Since June, prices have been slightly declining.

The rates for **milk product futures** on the European Energy Exchange (EEX) showed a downward trend. For example, contracts for skimmed milk powder for September 2021 decreased on 15 July by 3.6% to 2,578 euros per tonne month on month. Contracts for butter for the same timeframe even decreased by 5.4% and are now at 3,850 euros per tonne. Rates for both products reached a clear temporary high at the beginning of March.

European Milk Board, July 2021

Latest milk production cost study shows hefty expenses, but only low or no income for farmers across the EU

A succinct and highly informative document has been made available to European milk producers today. The latest study entitled "What is the cost of producing milk?" presents the situation on EU dairy farms in the form of clear and reliable figures. In addition to the milk production costs in eight key milk-producing countries, this latest version of the cost study also includes an EU average for the very first time.

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In 2019, the average cost was 45.35 cents/kg. With EU prices averaging 34.52 cents/kg, there was a significant cost shortfall. "This clearly shows a problematic imbalance throughout the EU", explains Sieta van Keimpema, President of the European Milk Board (EMB) from the Netherlands.

Another novel feature: with Ireland and Lithuania, the study by the Bureau for Rural Sociology and Agriculture (BAL) includes two new countries that are at opposite ends of the cost spectrum. With its unique production system, Ireland with 34.21 cents/kg had the lowest production costs in 2019 by a long shot. However, the tendency of cost shortfalls is seen here as well, as costs have increased significantly in the period included in the study, but prices have not evolved accordingly. As a result, costs were not covered in three of the five years included in the study, even in this country with extremely favourable conditions for milk production. Lithuania, with its differentiated farm structure and many small farms, easily tops the list with the highest production costs (58.63 cents/kg). Together with an extremely low milk price of 28.79 cents/kg, the producers in this Baltic country are struggling with an enormous cost shortfall of 51 percent.

When looking at all the countries together, it is interesting to see that production costs span a broad range between about 34 cents/kg and 59 cents/kg. But when it comes to prices, the disparity shrinks significantly from just under 29 cents/kg to just above 34 cents/kg.

Critical income situation

A look at two large milk-producing countries – Netherlands and Denmark – shows that once costs have been deducted, farm managers and family labour are left with absolutely nothing and thus no income. "We have to bear in mind that we are talking about the Netherlands and Denmark – countries with very modern farms that continue to take on new technical developments. But in spite of this, those running dairy farms are left without a single penny", says Sieta van Keimpema, pointing to this very difficult situation. Income is at a very critical level in other countries as well. Only Ireland manages to get somewhere close to what has been calculated as appropriate income. Dr Karin Jürgens, the author of the study, summarises as follows: "Dairy farms are not just missing the earnings needed for stable and future-proof operations. They are not even making enough for an appropriate income or even an adequate living." To the potential criticism that income values are set too high, she responds: "The income variable in the study considers the level of training and qualifications and is objectively based on applicable agricultural collective agreements or twice the national minimum wage in the respective country." Kjartan Poulsen, EMB Vice-President and organic dairy farmer in Denmark, goes on to add: "How can it be acceptable for someone to earn nothing or close to nothing? We are a well-trained workforce with long-standing experience, and we work hard every day. That includes weekends and holidays. Especially during the pandemic, farmers left no stone unturned to ensure that there was never an issue with food supplies. Furthermore, we also undertake major risks and shoulder significant responsibility for our animals, for food security and for the environment."

As French dairy farmer and EMB Executive Committee member Boris Gondouin explains, the brochure offers a good basis for confident campaigning and progress toward appropriate prices: "I am very happy to have this new brochure with a very clear structure, especially because it is a tool that is based on reliable, sound data. It allows me as a dairy farmer to comprehensively understand cost developments. And not just in my country." He has a recommendation for all dairy farmers: "Take this proof of production costs with you to every meeting with dairies, retailers and policy-makers and use it to demand fair prices!" EMB President van Keimpema also adds: "The next generation, the future of food production, would also like to produce milk. Let's use this study and, once again, make this viable for them!"

For the author Dr Jürgens, these figures also provide important insights for successful implementation of current environmental policies like the Green Deal: "Farms will only be in a position to contribute to the implementation of environmental, climate and animal welfare goals that imply higher costs if there are lasting improvements to their economic situation."

Summary of key figures

In 2019, milk production costs including appropriate remuneration were lower than producer prices paid in all eight countries and in the EU on average – and this is without any consideration of average net investments. Costs were between 34.21 cents/kg in Ireland and 58.63 cents/kg in Lithuania, with 45.35 cents/kg as the EU average. This implies a cost shortfall of 9% (Ireland) all the way up to 51% (Lithuania), and 24% across the EU.

Milk production costs, farm-gate milk price and cost shortfall in 2019 (in ct/kg)

Comparison of actual income with necessary adequate income 2015-2019

You can find our cost study [here](#).

[Click here](#) for a video of the press launch of the latest figures along with comments from the countries included in the study.

EMB press release of 5 July 2021

“It is impossible to overstate the significance of farmers for society!”

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(EMB) and the Fair Milk countries.

“And the winner is...” Once again, the audience was eagerly awaiting the announcement of the winners of this year’s Golden Faironika at the International Fair Milk Conference, organised by the European Milk Board

But long before the winners were announced at this year’s event in Ettelbruck, Luxembourg, the dairy sector and its farmers had already proven themselves worthy of this honour. The efforts of the people honoured with the Golden Faironika have helped dairy farmers make notable progress in the fight for fair conditions in the dairy sector in recent years:

- The tireless commitment of **Guy Francq**, co-founder of the Belgian Fair Milk project, contributed significantly to the successful growth of *Fairebel*.
- With milk production cost calculations for Denmark, France, Lithuania, Germany, Ireland and other countries, **Dr Karin Jürgens** has put a precise number on what actually constitutes **fair prices**. These clear figures have permitted farmers to present well-formulated demands for many years now. Thanks to the studies by Dr Jürgens, it is now evident to both policy-makers and consumers what milk needs to cost in order to compensate the effort that goes into producing it.
- The organisers of this year’s Fair Milk Conference, the Luxembourg Fairkoperativ celebrated the ten-year anniversary of its brand D’fair Mëllech, exemplary successes in fairness as well as key supporters: In this spirit, the Golden Faironika was awarded to **André Laugs**. During the coronavirus crisis, this dairy farmer campaigned for those who were struggling with even worse income situations than farmers. Danielle Warmerdam-Frantz, President of Fairkoperativ, congratulated him for being an exceptional campaigner as “his energy and commitment know no bounds and he continues to tirelessly fight to expand the idea of Fair Milk.”
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The **Luxlait dairy** was also one of the winners as it showed breadth of vision ten years ago when it decided to work together with farmers on a unique initiative, and was not risk-averse when it came to being a strong partner that sides with farmers. **Convis**, a breeding and consulting organisation in Luxembourg, was also awarded a Golden Faironika from dairy farmers. This organisation advocates for farmers and advises them on issues like feed rationing, digital registration, carbon footprint as well as innovative, environmentally friendly production methods.

- The **Maison Relais de la Commune de Sanem** is another important partner that was honoured with a Golden Faironika. Sanem in Luxembourg was one of the first municipalities to recognise the importance of fair prices for producers and provided its schools with the necessary resources to permit the administration of the Maison Relais, together with its chef, to buy fair and local milk products.
- The hard work that all farmers put in, day in and day out, to ensure food security for everyone was and continues to be a massive advantage for Europe as a whole. Without this strong commitment, it would have been impossible for our societies, especially during the last year and through the months of the pandemic, to count on such reliable and safe food supplies. **For this reason, the EMB would like to award the Golden Faironika to all European farmers. It is impossible to overstate their significance for society.**

During the conference, the European Fair Milk farmers also conveyed their warmest regards to their colleagues in Africa. With projects like Fairefaso in Burkina Faso and Fairemali in Mali, they have taken an important step in laying the foundation for Fair Milk on this neighbouring continent for African producers.

For EMB President Sieta van Keimpema, the International Fair Milk Conference is a very special event: “The Fair Milk projects in Africa and Europe are made possible thanks to the unbelievable commitment of some very important people. They prove on a daily basis that fair prices for producers are absolutely possible. The Fair Milk Conference celebrates this commitment and these success stories. And it reminds the policy-makers and dairy -industry stakeholders who continue to support scandalous milk prices through their political and business strategies that ending the exploitation of farmers worldwide is their responsibility.

[Photos of Fair Milk Conference](#)

EMB press release of 2 July 2021

EMB on the CAP deal: crisis instruments are almost a hit, lack of price fairness is a flop!

The deal on the CAP reform, which was officially adopted by the Council of Agriculture Ministers on 28 June, is an important step in the right direction, allowing for greater stability in different areas of the agricultural sector with its tool box of crisis instruments. However, it does not set forth any measures to ensure that costs for more sustainable production and producer prices actually go hand in hand.

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Positive elements in the deal on the CAP reform

With the **voluntary volume reduction** crisis instrument (Article 219) as well as the Market Observatories and their functions (like providing information on market disturbances, production, stocks, prices and, where possible, margins) for different agricultural sectors (Article 222) included in the Common Market Organisation, there is now a legal framework for crises to be identified early on and the above-mentioned reduction programme to be activated in response – provided that the correct decisions are, in fact, taken in a timely fashion. This possibility to avoid surpluses and thus price collapses is a positive development. But these instruments must be used effectively and without delay in the face of crises! This is where the European Commission must play its part! A crisis mechanism that would automatically activate the appropriate crisis instrument is still missing. The capping of producers with surplus output during the period of voluntary volume reduction also did not make its way into the reform. Another positive element is the increase of the pooling threshold for dairy farmers to 4%, who together can thus negotiate or let negotiate for up to 4% of the EU milk volume. However, when looking at processors, this is still not enough. After all, you already have companies with a much higher market concentration, which makes it impossible for producers to negotiate on an equal footing.

Missing elements in the deal on the CAP reform

Costs in the milk production sector are not covered at present.* Prices and subsidies are unable to match costs. More demanding sustainability requirements entail higher costs as well. It will not be possible to cover this additional burden with raw milk prices nor through green subsidies. This is bad news for both experienced producers as well as young farmers. Even though they can be further supported through a mandatory minimum level of 3% direct payments, young farmers will continue to be the losers in the agricultural sector as long as the cost of more sustainable production is not actually covered by market prices.

The European Milk Board would like to thank everyone who has played their part in ensuring that the CAP deal includes important crisis instruments. We would like to expressly acknowledge the work done by the European Parliament as well as the many European dairy farmer organisations in this regard. However, for a truly sustainable policy, stakeholders like the European Commission and certain EU Member States must recognise the need for fairer prices and greater stability in the sector, and make efforts to achieve the same.

* A study with the latest cost data was published on 5 July. Please find the [study here](#).

EMB press release of 30 June 2021

What would milk cost if it experienced the same price inflation as postage?

At the beginning of 2021, the price of postage (priority mail) for private individuals in France increased once again and is now 1.28 euros – this implies inflation of more than 10% as compared to 2020. In 2001, during the transition from the franc to the euro, sending a letter cost 0.46 euros, which means that the price has increased by 204% in the span of 20 years. In comparison, the prices paid for our agricultural products do not even allow us

to fully cover production costs and provide decent remuneration for farmers.

If we were to compare the price evolution of postage to that of different agricultural products since 2001, when the transition to the euro occurred, what would farmers earn today?

Milk would cost 939.40 euros per 1000 liters

In 2001, the base milk price was an average €309 euros per 1000l in metropolitan France (source: INSEE). By applying the inflation rate of 204% experienced by postage, the base price of milk would be €939.40 per 1000l! Of course, producers do not expect such exorbitant prices for their production – but simply a price that allows them to cover their costs and assures them a decent income. According to Coordination Rurale, such a price would be €450

per 1000l (editor's note: This price has since increased to €489.80/1000l). However, according to the latest figures from FranceAgrimer, the average base milk price in 2020 was €347.50 per 1000l, which was insufficient to cover production costs estimated to be an average €422 per 1000l over the last five years, as per an indicator validated by the interbranch organisation during the food sector stakeholder consultation (EGA).

In parallel, consumer prices have increased more significantly than producer prices. According to a report by the French Parliament's OFPM (observatory for price formation and margins), the price of UHT skimmed milk in supermarkets has increased by 35.6% between 2001 and 2018, while producer prices have fallen by 12%!

Beef would cost 9.12 euros per kg

On an average, farmers were paid €3.00 per kg for R3 beef in 2001 (source: Meat Market Observatory). The price was about €3.91 per kg in 2019; however, it should have been €9.12 per kg if the postage inflation rate of 204% had applied.

Not so capricious a comparison

Even if La Poste argues that this increase in postage charges every year is justified because of the drop in postage volumes (effective decrease of 7.3% in 2018), the prices paid to farmers should, at the very least, be subject to the same inflation rate as their costs! The purchasing price index for agricultural inputs (Ipampa, calculated by the Idele) gives us an idea of the variation in costs in different agricultural sectors. According to the Ipampa for cow milk, the index was at 76.8 in January 2005 as compared to 105.6 in November 2020 (base index 100 – in 2015), which implies inflation of 37.5% for production costs. Keeping in mind this inflation rate, the milk price should have been at least €477.81 per 1000l in 2020.

Article updated by Coordination Rurale, first published on 1 February 2021 on their website

Germany: first meat, now milk – animal welfare labelling now reaches dairy products

Aldi's "animal welfare pledge" has not only stirred things up in the meat market – it is now also being applied to milk products. This approach is being carefully monitored by the dairy industry. As of 2022, milk products will be labelled using a four-tier animal welfare hierarchy, as is already the case for fresh meat. This label aspires to become the standard.

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According to the *Lebensmittelzeitung* (LZ) food magazine, dairies and milk producers expect food retailers to move away from animal welfare (AW) level 1 relatively quickly. Aldi and Rewe have announced that when it comes to fresh meat, they will only stock AW 3 and AW 4 products from 2030 onwards, and this will directly affect the dairy sector. After all, about 40% of beef comes from cows, which means that dairy farmers will have to adapt their animal husbandry methods as well. Corresponding criteria shall also apply for dairy products.

The retailers' animal husbandry system has now become a kind of benchmark for animal welfare. "This has been proclaimed as a goal for the labelling of milk and dairy products as well. The animal husbandry system already includes criteria for the rearing of dairy cattle when the meat from these animals is to be labelled for the end consumer", explains Robert Römer, director of animal welfare initiative ITW.

Animal welfare labelling system

Level 1 corresponds to the statutory minimum standards. This includes all beef cattle covered by QS certificates (editor's note: quality assurance system operated by associations) as well as dairy cows from the QM system (editor's note: industry-driven quality system). Level 2 covers methods that go beyond the legal standards. Things like scratching brushes for dairy cows are compulsory. In Level 3, animals must have access to outdoor areas. Open-front stalls for cattle also qualify. In Level 4, pasture grazing during the growing season is a must. All the organic labels fall within this category. Auditing and monitoring of each animal husbandry method continues to be carried out by existing labelling bodies such as QM-Milch.

However, it is also important to keep in mind that the Borchert Commission is currently working on a much more differentiated catalogue of criteria, which go above and beyond the requirements outlined by retailers. The main differences concern tethering as well as space requirements in stalls, among others.

Dairies at the ready

Farmers are, of course, immediately wondering who will pay for these requirements and how much of those funds will actually reach dairy farmers. The additional one to two cents usually offered to date for outdoor access or grazing will definitely not be enough. Something closer to 6 to 8 cents per kg would be necessary, especially in light of today's (low) milk price.

Matthias Bug, deputy chairman of the Hochwald dairy, believes that a price increment of up to 10 cents per kg for greater animal welfare is realistic. This would allow for cost coverage and would give farmers an incentive to stay in business in the first place. Bug's first preference would be for this money to come from the market: "That is the safest way." There has been no delay in farmers expressing their reservations about this approach. They believe that too much would be lost along the way from retailers through dairies to producers.

The Managing Director of Hochwald, Detlef Latka, also believes that the issue of funding still needs to be sorted out. According to Latka, a closed system from farmer via dairy and up to retailers would, nevertheless, be an opportunity to win back lost consumer confidence.

LZ reports that Schwarzwaldmilch is also preparing for stricter animal welfare requirements. The bonus for milk from pasture-fed cows has already been increased from 1.5 to 2 cents per kg as of July. At the same time, a phase-out of all-year tethering has also been adopted, albeit only by the end of 2029. A little over 100 of the 966 dairy farmers supplying Schwarzwaldmilch are affected by this change. However, they deliver just 5 to 6 percent of the total volume as most of them are older farmers with dairy farming as a sideline activity and a herd of just five to maximum 20 cows, says the dairy's Managing Director Markus Schneider. He goes on to say that changing animal husbandry methods often ends up being economically inviable for them.

The Schwarzwaldmilch dairy will not lower milk payments, as Berchtesgadener Land and Hochland do to cover the costs of separate processing and accounting. Schneider says that there is nothing with which to reproach members who are rearing their cows in this way. In fact, the way they care for their small number of animals is often exemplary. That being said, he doubts that tethering will continue to exist for another nine years. The reservations about this practice within society and among policy-makers, associations and retailers are just too strong.

Hugo Gödde, first published on 12 July in AbL's newsletter "Unabhängige Bauernstimme"

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