

Dear dairy farmers, dear interested parties,

What does the future hold for European dairy farmers in the aftermath of COVID-19? We certainly knew that we would be dealing with a European dairy market that is completely different from that of reference year 2019. This crisis has shown yet again that implementing the EMB's [Market Responsibility Programme](#) is the only way to ensure cost-covering milk prices for producers.

In Italy, for instance, the figures show that the [producer price](#) mainly collapsed for hard cheeses compared to the previous year (-22.1%), while prices for fresh products have returned to 2019 levels (+1.8%) after an initial drop in consumption (for market situation, click [here](#)).

The evolution of the producer milk price is of course of great concern. The farm-gate milk price has significantly decreased almost everywhere in Europe. Once again, it is Europe's dairy farmers who feel the brunt of the crisis more severely.

The notable increase in stocks in storage clearly illustrates the severity of the situation. In June 2020, butter stocks increased at European level by 80% and milk powder stocks by 240% as compared to May. However, the outdated instrument of private storage is a weak, inadequate reaction to a global crisis because it does not allow Europe to manage supply, nor does it help producers in any way. In the near future, things are going to get even worse as these stocks are put back on the market.

In the absence of an EU-wide coordinated supply reduction, numerous dairies and companies have enforced quasi-obligatory production reductions, not to mention the often one-sided disregard for delivery contracts. Initiatives meant to allow producer organisations to reduce production have also proven to be ineffective and insufficient. The milk price has collapsed almost everywhere.

The only survival strategy consists in looking at total production costs while, at the same time, directly linking them to the market for processed products, to thus create a direct relation between consumers and producers. In this context, it is important to remember that retail or at least consumer prices have hardly fallen anywhere in Europe – in fact, they have risen in many cases – while producer prices have decreased. It is unacceptable that whenever any kind of difficulty emerges, European dairy farmers are the only market stakeholders who end up footing the bill.

The future for us dairy farmers lies in highlighting the connections between production, our operating costs, processing and the market. We were able to present convincing arguments and proposals even at the height of the crisis, but they have not been given their due consideration. We have to continue to impress upon European policy-makers self-confidently that we are contributing effective and viable solutions and ideas, like the Market Responsibility Programme.

Another proposal that the European Milk Board could support would be a coupling of producer prices, and thus the prices of processed products, to production costs. This would lead to greater transparency along the supply chain from producers all the way to consumers, strengthen the position of producers and also have a positive effect on the environment and on rural areas.

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Koblenz: EU dairy farmers transform the German Corner into the European Corner with powerful actions

sustainability!

agreements!"

Here you can find [videos](#) and [pictures](#) of the actions.

Their appeal to EU Agriculture Ministers: "Don't forget the social aspects of

"We farmers are ready to do more in terms of sustainability if we are guaranteed full production cost coverage henceforth – including a fair income for producers – and that EU standards are not undermined by trade

Under this banner, a boat carrying dairy farmers from the European Milk Board (EMB) and the German dairy farmers' association (*Bundesverband Deutscher Milchviehhalter*, BDM) set forth on Monday from the *Deutsches Eck* (German Corner) towards the EU Agriculture Ministers meeting in Koblenz. On this day, these farmers from across Europe, together with the **Fair Milk** cows in the colours of different European countries onboard the vessel, transformed the German Corner into the European Corner. This location serves as the starting point for **numerous powerful actions by dairy farmers**. In addition to the highly symbolic voyage, the BDM and EMB also organised a demonstration and protest action at the meeting venue of the EU Agriculture

Ministers to demand a holistic approach when looking at sustainability.

For Erwin Schöpoges, **Belgian** dairy farmer and EMB President, the actions in Koblenz send an important message to the Ministers: "We European dairy farmers are ready to do our part for greater environmental and climate protection as well as better animal welfare. However, we can only afford greater environmental sustainability when the social and economic aspects are also given the same degree of consideration. It is the only way to ensure that farms stay in business and that young farmers have future prospects." During the demonstration at the Rhein-Mosel Hall, the meeting venue for the Agriculture Ministers, Sieta van Keimpema, the EMB Vice-President from the **Netherlands**, adds: "It is also essential that European standards are not undermined by imports from third countries. A comprehensive sustainability strategy must prevent product dumping. This is only possible if agricultural products are excluded from free trade agreements."

While doling out the soup they have got landed in by the Agriculture Ministers – a symbolic action representing the misguided agricultural policy – dairy farmer and EMB Executive Committee member Boris Gondouin from **France** comments: "A comprehensive sustainability strategy also includes a milk price where you can earn a living. However, we see a chronic shortfall in cost coverage across Europe due to excessively low prices. The coronavirus pandemic was just one more in an entire string of crises that has pushed producer prices to rock-bottom." His colleague Erwin Schöpoges specifies: „We represent a sector, where crises are nothing new, and the latest crisis has proven that instruments like intervention storage offer no real solutions. What we need are effective crisis instruments that would allow for flexible temporary supply adjustments. The **Market Responsibility Programme** is the EMB's constructive contribution towards finding such a solution."

"Effective crisis instruments and a reorientation of EU agricultural policy are the only way to ensure the continued production of high-quality milk products. We must move away from the current *cheap and more* model, where producers are forced to cheaply produce agricultural raw materials at their own cost, and move toward *real socially, economically and environmentally sustainable production*," reiterates Johannes Pfaller, EMB Executive Committee member and dairy farmer from **Germany**, as they sail toward the Agriculture Ministers on the Mosel in the afternoon. His clear appeal to the EU Agriculture Ministers: "If you truly want to strive for sustainability in Europe and want to successfully implement the proposed strategies like the Green Deal and the Farm-to-Fork Strategy, then you have to work with farmers and not against them. Meet with us and let's work together to ensure the sector's future."

In addition to political advocacy, the EMB dairy farmers also rely on their own strength and direct contact with consumers. For example, the **Fair Milk** brand, which has been launched on the market by dairy farmers themselves in a

number of European countries, has clearly shown that cost-covering prices are not a pipe dream. But if this brand is to go beyond a market niche and become a player on the general dairy market, the appropriate political framework – as described above – is a must. This framework should be determined through in-depth discussions with farmers in the EU.

You can read about proposals to effectively engage dairy farmers to achieve the EU sustainability strategies [here](#).

[Pictures of the campaign](#)

[Signs used during the campaign](#)

EMB press release of 31 August 2020

Dairy market, scam or mafia?

The dairy market interbranch organisation (IP Lait) is in charge of the dairy market. But it has not even managed to uphold its own Rules of Procedure. Despite its sizeable membership fee (average of 2,290 francs per year and dairy farm or a total of 23.15 million per year), the organisation meant to uphold the interests of Swiss dairy farmers (Swiss Milk Producers' (SMP) or Swissmilk) is unable to get milk prices to rise although the current butter shortage should, as such, lead to an increase.

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The average price currently paid to milk producers covers less than half their production costs. According to Agridea, the production costs in valley areas were 1.09 francs in 2019. Furthermore, the SMP is a member of the interbranch organisation for butter (with a 34% stake) and has, in this capacity, purchased the import rights for the first 1000 tonnes of butter. How can they possibly defend milk producer interests under these conditions? This is a major conflict of interest that calls into question any real protection of milk producers! Are the heads of our regional organisations like Prolait and the Central Switzerland Milk Producers (ZMP) actually upholding the interests of their members? Are they impartial?

This difficult situation has lasted too long and has destroyed the Swiss dairy sector. Disgusted and exhausted, producers in this sector are renouncing milk production, one after the other (1995: 44,360 milk producers in Switzerland; 2019: 19,048 = -57% in 25 years). The opening of the "white line" (= waiving customs duties) is very close to becoming a reality. The butter import requests in quick succession are clear proof – a new import request for 1800 tonnes of butter was submitted by IP Lait and was accepted by the Federal Office for Agriculture (FOAG) on 11 August. Enough is enough!

We demand:

- A complete overhaul of the interbranch organisation and its functioning, using well-functioning interbranch organisations as the example to follow (e.g. the Gruyère interbranch organisation).
- Membership fees defined by SMP and indexed as per the farm-gate price and delegates that truly represent their base, WITHOUT DUAL ROLES, and with a limit on term of office.
- The abolishment of regional organisations, as they have no reason to exist without national milk pooling and real independence.
- An immediate increase in the milk price: we demand a milk price that covers production costs and not a pathetic, ridiculous price increase like the one announced by certain processors at the beginning of July (an additional 0.6

to 1 centime per litre of milk). What an insult!

- The abolishment of Segment B milk and the (illegal!) cheese bonus paid for this segment.
- The implementation of a law that makes it compulsory for certain products to be bought only at cost-covering prices, so that wholesalers stop price dumping, where producers bear the brunt and processors remain constantly under pressure. It is inadmissible for milk to be cheaper than water!

The current butter shortage illustrates the dysfunction of the dairy sector! Inadequate milk prices mean fewer producers, i.e. less milk production and, on top of that, less value creation for the milk producers. To our fellow milk producers who have seen their income dwindle over the last 30 years (from a guaranteed price of 1.07 francs to an average price of 55 centimes today): isn't it high time to demand a true defence of our interests in exchange for our membership fees?

Extract from a press release by Uniterre on 13 August 2020

BDM considers planned animal welfare levy short-sighted

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The animal welfare levy proposed by the Livestock Farming Expertise Network (Kompetenznetzwerk Nutztierhaltung) has received only lukewarm support within the BDM. The proposal to introduce this levy to restructure livestock farming and ensure greater animal welfare was drafted under the leadership of former Federal Farm Minister Jochen Borchert, and has been welcomed by many associations and policymakers across the spectrum. In order to fund greater animal welfare, the Borchert Commission has proposed a levy of 40 cents per kilogram of meat, 2 cents per kilogram of milk, 2 cents per egg and

15 cents per kilogram of butter and cheese.

The BDM believes that the proposal to raise funds through levies is too short-sighted and can, at best, only serve to initiate a quicker launch of restructuring plans. If the aim is to return to economically attractive livestock farming that presents future prospects for young farmers, the market framework conditions need to be politically amended and we need to be able to make a profit through the sales of our agricultural products to the processing industry. What is currently on the table is nothing more than an attempt to charge consumers more, while the food and dairy industries can continue to procure their raw

materials at the cheapest possible price.

BDM invited to participate in Committee on the Future of Agriculture (ZK)

The aim of the ZK committee, created by Federal Chancellor Angela Merkel, is to find solutions for the farming of the future, which is both economically and environmentally viable, and also accepted by society. The first proposals are to be presented as early as autumn 2020. The BDM has drafted a position paper that summarises its vision of a future-proof agricultural policy, which allows for the economically sustainable development of our farms while taking account of social and environmental concerns as well as ever-increasing animal welfare standards. The BDM will be represented in the ZK committee by its President Stefan Mann.

BDM organises milk dialogue with agricultural associations

The BDM invited representatives from the EMB, LsV, MEG Milch Board, AbL and Bauern & Land Stiftung to an in-depth discussion on agricultural policy that is both viable and oriented toward value creation. The strategies presented by the associations and organisations were discussed and it was decided to formulate a position paper that calls for a

reorientation of agricultural market policy, away from the current premise of supplying the food industry with cheap raw materials. In the future, our main source of income should, once again, come from the sale of our farm products.

BDM calls for extension of the EU UTP Directive to primary producers

In the BDM's view, the ongoing national implementation of the Unfair Trade Practices (UTP) Directive, which ostensibly governs the future contractual relations between the retailers and the processors, will not be able to improve the agricultural sector's market position. That would above all require a review of the commercial relations between the farming sector and the processing level/dairies as well. The BDM points this out to politicians time and again.

More and more German federal states banning long-distance animal transport

Now that various German federal states have already banned long-distance transportation of cattle and calves into other EU member states, Thuringia's Minister President Bodo Ramelow is considering stopping long-distance animal transport routes even within Germany.

Farm-gate prices show a slight upward trend

Some dairies have announced an increase in their farm-gate prices. However, this is not likely to have any noticeable effect on the federal average farm-gate price of around 30 cent per kg (4.0% fat, 3.4% protein). The price ranges from 27 to 36 cents per kg, with mainly large dairies toward the bottom of the spectrum.

Hans Foldenauer, Bundesverband Deutscher Milchviehhalter e.V. (BDM)

Organic milk cost study in Germany: every milk statement in the red – that has to get you thinking!

Production costs of 60.29 cents per kilogram of organic milk and an average organic milk price of 47.40 cents: in other words, cost coverage of only 79 percent. These are the findings of the latest [study on the cost of producing organic milk in Germany](#) conducted by the Office for Rural Sociology and Agriculture (BAL, Büro für Agrarsoziologie und Landwirtschaft) and commissioned by the European Milk Board (EMB), the German dairy farmers' association (BDM) and the MEG Milk Board. This study also takes into account a fair income for producers. The figures revealed by this study clearly show that organic milk producers too are selling their products at a loss.

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Here are some impressions from Klaus Vetter, an organic farmer from Hesse, who was part of the working group set up as part of the study.

Mr Vetter, what are your takeaways from participating in the working group?

Participating in the study was a very enriching experience. The most exciting aspect was to see how it has a direct link to the reality of running a farm. As a farmer, this is especially important for me. Every organic farmer can use the results as a kind of yardstick for his farm.

Did the result get you thinking?

Most definitely! Even though the results did not really surprise me. These figures should motivate us organic farmers to take action because we are going head-first into the same situation that we wanted to get out of. For the organic sector to be sustainable, our farms must remain economically viable over time. We should not lose sight of the losses recorded on each and every milk statement. These losses were, to a large extent, covered by our families in the form of unpaid

work. This has to get you thinking!

As an organic farmer, how will you be able to use this study?

One thing we did not have was concrete figures. Once it came to light in January 2009 that Lidl and Bioland had reached a marketing agreement, it was already clear to me that we organic farmers had to create a counterweight. For this, we need to present a united approach. The basis of such an approach is uniform price demands. Thanks to this study, we now have a solid reference to do just that.

So, what's the next step?

As I see it, we have one more task as organic farmers: pooling organic milk in an organic milk producers' organisation. This producer organisation should operate across Germany – or better yet, across Europe – and should be the interlocutor upstream of the dairies. It should set prices and, if necessary, regulate volumes in order to avoid overproduction. Thanks to this study, we can now state what a fair price would be – our production costs. Now all that's left to do is to convince our colleagues that we need a strong producer organisation – as I see it, there is no way around it. Let's make it happen!

Mr Vetter, thank you for speaking with us.

You can find further information about the cost of organic milk production in Germany in this brochure in German (English version available soon):

<http://www.europeanmilkboard.org/en/milk-production-costs.html>

Astrid Sauvage, European Milk Board

Market indicators (status: 2/09)

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EU Commission

*After an interim recovery in the early summer, the **Global Dairy Trade Index** dipped again this week by 1% (previously by -1.7% and -5.1%). The average price for **Italian spot milk** fell in August by 2.1% to 34.4 cents per kg as compared to the previous month (-23.2% as compared to August 2019).*

The **EU-27 milk price** also fell in July. It shrank a further 0.2% and was estimated at 32.5 cents per kg. The **EU butter prices** were around 340 EUR per 100 kg, which is a stagnation (+/- 0%) as compared to the previous week, but an increase of 1.2% over the last four weeks. The **EU skimmed milk powder prices** are currently 212 EUR per 100 kg, which is an increase of 1.4% as compared to prices four weeks ago.

The rates for **dairy product futures** on the European Energy Exchange (EEX) showed a slight upward trend. For example, skimmed milk powder contracts for November had increased as of 1 September by 2.2% to 2,200 EUR per tonne according to a weekly comparison, while those for butter had increased in the same period by 2.3% to reach 3,395 EUR per tonne.

European Milk Board

Update from the UK

The UK government imposed a lockdown, including the closure of all hospitality outlets on 23 March 2020, after the rise of the COVID-19 pandemic. While, at the time, milk production was rising by around 1% per week, there was a loss in demand, estimated at 2 million litres per day. Retail demand rose but did not fully compensate for the closure of food service outlets.

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Spot milk prices fell to a low of 8 pence per litre in the week beginning 6 April. 5,200 out of 9,200 estimated farmers in Great Britain have suffered a milk price reduction, ranging from 0.5 to 4 pence per litre and higher. In addition, nearly 500 farms had milk collections cancelled, 500 had payments deferred, 2,200 have been asked to reduce milk output and 700 have had the volume they get paid a full price on reduced.

Farmers in England and Wales, who had a drop of at least 25% in the average farmgate milk price between February and April, will have access to a hardship fund. 30 June, when the EU Commission's private storage aid scheme closed, the UK had entered 4,499 tonnes of cheese (100% of its allocation) and 1,695 tonnes of butter. It did not make use of a subsidised storage of skimmed milk powder.

A curb in milk production occurred in Great Britain due to the actions taken by farmers in April and May in response to the requests by processors to reduce production. Milk production had returned to normal levels by the end of July. Wholesale milk prices recovered partially and farm-gate milk prices increased to a level which reversed the price drops in April and May. Nevertheless, market recovery remains quite fragile and the UK dairy industry still faces the challenges of COVID-19, Brexit and relatively poor forage stocks due to the bouts of dry weather.

Patty Clayton, Lead Analyst, Agriculture and Horticulture Development Board (AHDB) and Tim Hartl, EMB

Update from Poland

The outbreak of the coronavirus pandemic in China and the related disruption of the supply chain to the UK market might have had a negative impact on the EU and Polish milk market in the first half of 2020. Dairy products are the most important range of agri-food products exported to China in terms of value.

Taking infant milk into account, the British share in EU dairy exports amounted to almost 23.8% in 2019. Poland's share is lower, at about 4.5% (15% share in exports to EU third countries). However, the probable decrease in EU exports to China could also weaken the demand for Polish products on the EU market.

The situation has worsened with the coronavirus spreading in the EU member states and the introduction of restrictions. From the perspective of domestic producers, the turmoil associated with the coronavirus will have the greatest impact on milk powder. Poland is an important producer of both skimmed milk powder and whey. These products are primarily sold on international markets. Milk production will increase in the next months in Poland and any surpluses usually go to powder plants. Although milk powder has a relatively long shelf life, the increase in stocks, not only in Poland but also in other EU countries, could negatively affect prices. In addition, the expected slowdown in the global economy could reduce demand for dairy powder.

The milk price has been falling since January and amounted to 29 euros per 100 kg in June.

We are also observing changes in consumer behaviour. People are building up food stocks and have started to do more online shopping. But there is no shortage of dairy products. The presidents of the biggest dairies ensure that their plants work continuously.

At the moment it is difficult to say how and to what extent this crisis will affect farms. But some will have problems looking after their livestock as a result of quarantine measures, especially individual farms where the entire family is quarantined. The question is who will take care of the cows? The issue of milk collection from these farms was under discussion until 6 August. But after a consultation with the chief veterinarian of the province, it was explained that despite quarantine milk can be collected under very strict hygiene conditions because: a) the coronavirus is not transmitted to foodstuffs, b) the whole milk is subjected to a heat treatment that protects against viruses.

Dorota ?migielska, dairy market analyst, Polska Federacja Hodowców Byd?a I Producentów Mleka and Tim Hartl, EMB

Update from Ireland

August on Irish dairy farms is a time when farmers are preparing for the autumn and winter ahead. This involves preparing enough grass for paddocks in late autumn, cutting any excess grass for silage and reseeding any old pastures.

© Paul Smyth, ICMSA

The breeding season has finished and has been successful for most around the country. Bills incurred during the spring for fertilizer and concentrates would normally be paid and farmers look at high rows of silage bales and full silage pits to feed cows over the winter. Grass is plentiful at present and despite the drought in the high dairy production areas of South, East and Midlands of Ireland in early summer. This drought is now long forgotten as rain has flowed continually since the start of June. It has been a very good year for grass growth in general which is the most important element of the spring grass-based production model in Ireland.

However, 2020 has been a tough year in terms of Covid-19 with the worry of milk collection, milk price and health at the forefront of everyone's mind. Restrictions have eased around the country but with cases starting to increase there is a fear that those restrictions might be reimposed countrywide. Agricultural shows have also been cancelled around Ireland which were always a reprieve from farm work.

The milk price is currently around 30 to 32 cents per litre. Supply from our system based on grass production has increased in 2020 by 3.5% (year to end of June) above 2019 levels.

Paul Smyth, Irish Creamery Milk Suppliers' Association (ICMSA)

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