

Environment Climate Paper

EU citizens, as well as farmers and other stakeholders in the agricultural sector, need a sound environmental and climate strategy that gives equal attention to and combines the environmental, economic and social spheres. All three aspects are intertwined and interdependent. For example, those who want to make progress when it comes to the environment in our societies can only achieve this if environmental and climate measures are financed in such a way that their implementation is actually made possible. **Covering costs** for and not **passing on costs** to farmers are important keywords here.

The new direction taken in agricultural policy must go deeper than the previous Green Deal and Farm to Fork strategies: The agricultural focus to date on liberalisation and global competitiveness, the associated dumping practices against the EU's own farmers and the producers of other countries, and the dependence on imports undermine and destabilise the EU production system and harm environmental and climate protection efforts. Ultimately, the success or failure of environmental and climate policies depends very much on whether a new direction can be found for both agricultural and trade policies. Green strategies must also pay far greater attention to the complex nature of agriculture. For example, positive impacts on the climate, such as the contributions to the preservation of permanent grasslands through dairy production, have so far not been factored in. But for a balanced environmental and climate policy, paying attention to such aspects matters greatly.

The European Milk Board gathers the inputs of its members who are from many European countries and who actively produce milk, and conveys constructive solutions and concepts to the competent EU institutions. Integrating the experience of active producers into the EU's agricultural policy is not merely a "nice thing to have", but the very cornerstone of a robust, sustainable and balanced EU environmental and climate policy.

The following provides the rationale and details of the EMB's position advocating for an ecologically, socially and economically sustainable EU agricultural policy.

I) What do we essentially need in the EU agricultural sector?

STABLE FARMS are synonymous with stable and sustainable agriculture and robust food sovereignty

BUT EU farms are substantially unstable.

The problematic situation of farmers does not offer prospects for young people. **As things stand, European agriculture is collapsing.** The following are on the decline:

- Investments
- Margins¹
- The number of farms and farmers²
- Their income
- Their means of subsistence
- Farmers' socio-economic position in society

As a result, there is no basis for sustainable agriculture and stable food sovereignty. Radical changes are essential. **We need:**

1. A system under which agricultural production costs are covered

- To stop exploiting farmers and move towards a sector equipped with crisis instruments such as the MRP, a clear definition of what constitutes a crisis, and a reliable and timely activation of crisis measures such as the voluntary volume reduction mechanism.
- A modest first step in this direction was taken with the last CAP reform. Voluntary volume reduction is now referred to in the Common Market Organisation (CMO), but the mechanism for triggering it and ensuring its reliable implementation in the event of a crisis are still missing. This still needs to be put in place!

2. New, green measures that imperatively include COST COVERAGE as a top priority. Passing on costs to producers absolutely must be a no-go!

- In addition, financial compensation that goes beyond merely covering the costs would contribute to an increase in the willingness to accept environmental requirements. This would provide motivation to successfully implement environmental services on a large scale and thus also the Green Deal.
- It is essential to closely involve farmers when developing measures - > practical experience must be weighed against theoretical ideas and these then adapted. **Feasibility is key!**

¹ See margin report: https://www.europeanmilkboard.org/fileadmin/Dokumente/Studien/Margen/Margenbericht_EN.pdf

² The number of farms in the EU-27 fell from around 15 million to 10 million between 2003 and 2016 (-32 %). By 2040, the EU could lose another 6.4 million farms, leaving only about 3.9 million farms across the EU, an impressive 62 % decline compared to 2016 figures (Source: *Schuh, B. et al. 2022, Research for AGRI Committee - The Future of the European Farming Model: Socio-economic and territorial implications of the decline in the number of farms and farmers in the EU, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels*).

II) What should climate-friendly dairy farming look like in the future?

The current climate issues are not primarily the result of agriculture. They are mainly a consequence of industrialisation, population growth, increasing prosperity and the resulting changes in consumer habits, as well as the resulting high consumption of natural resources (fossil fuels). Through its enormous increase in efficiency, agriculture has contributed to people having (more than) enough to eat in recent decades. This led to population growth and prosperity and consequently to a very resource-intensive lifestyle. The rich industrial nations in particular have the worst ecological footprint.

The dairy farmers of the EMB stand for circular farming!

The position of dairy producers

A secure income for farmers is indispensable

The income of farmers plays a key role in reaching the climate targets. As long as farmers' incomes are not guaranteed, potential climate protection measures will, oftentimes, not be implemented if they entail an additional economic burden.

No dependence on taxpayers' money

We want to be able to earn our income through our work and our product without being existentially dependent on tax money from the state. Public funds could then be used in a targeted and effective way to promote ambitious goals in the areas of nature preservation, climate protection, animal welfare and biodiversity. This means:

Sufficient compensation payments

- Compensation systems must cover yield losses as well as higher production costs.
- They would need to be designed as an incentive programme, with sufficient compensation payment (+ small profit).
- They cannot be funded out of the current EU agricultural budget.

Farming in natural cycles

The European agricultural policy is primarily geared towards making the food industry globally competitive and opening up to global markets - in other words, virtually feeding the world from Europe. This leads to animal feed and thus nutrients being imported so as to produce as many products as possible, which can then be exported at a cheap price, making economic activity in natural circuits no longer possible. As long as policies are focused on this aspect, the success of many climate protection measures will be frustrated. Farmers are faced with the almost impossible task of bringing climate-protection measures for individual farms in line with their necessary economic efficiency.

Reduce dependence on imported feed

More focus must be placed on farming in natural, regional cycles. This includes reducing dependence on imported feed and, for example,

making protein from one's own land more commercially advantageous than imported protein.

Ensure EU trade policy is fair for local producers and producers in other countries

A supply of food that is produced in a way which takes into account the circular economy aspect must also be ensured in terms of trade policy. The EU's trade policy must be designed in such a way that all trade agreements do not undermine local standards and cost-covering producer prices in agriculture, and that our exports do not put colleagues in other countries in the world at a disadvantage.

Imports that are harmful to the environment as well as dumping imports (due to lower external standards) must be prevented through mirror clauses! Regarding the carbon border adjustment, imports from third countries must be subject to the same carbon costs as European products. The carbon tax must be sufficiently high for the carbon border adjustment mechanism to be effective.

Agriculture cannot be part of free trade agreements.

Take into account the positive climate effects of milk production

Milk is not a climate killer per se, as is often suggested today. It's worth noting that the discussions on this issue are kept simple and that the complexities of milk production are not sufficiently taken into account, which means that not enough attention is paid to the positive effects of milk production on the climate. Dairy farming, for example, is crucial for the preservation of permanent grasslands. Cows can turn grass that humans are unable to eat into nutrient-rich milk. In addition, grasslands capture carbon, something that should be emphasised as positive. Arable grass, clover grass and lucerne produce humus and, along with other by-products, can actually be usefully processed by cattle only. Therefore, when it comes to effective climate protection, it cannot be done without dairy farming.

A better recognition of the value of grasslands to generate positive effects on the climate

Grass-fed dairy farming is more sustainable than farming based on concentrated feed. In recent years, however, milk production has shifted more to arable and favourable locations.

Grasslands must be made more economically viable due to their excellent performance. This includes stopping the further extensification of permanent grasslands. Profitability must not suffer due to late mowing and lower yields.

The requirement to plough up grasslands for them to obtain the status of arable land should be avoided through more flexible regulations.

Adequately consider and reward the positive contributions that have been made so far.

The positive contributions to the environment and the climate that have been made so far must be factored in. One example would be the carbon that has already been sequestered by hedges and trees in pastures. These existing contributions are not rewarded, although they must be adequately taken into account.

There is no "one-size-fits-all" solution: a specific assessment of climate impacts is necessary

There is no one-size-fits-all solution for all types of farms and natural conditions. The bio-physical interactions of agricultural production are complex. It is therefore not possible to make a general recommendation for measures that can apply to all types of farms and all natural environments. The carbon footprint of dairy farms needs to be assessed in more specific terms, as it is highly dependent on location, structure, cultivation, and use of the farm. The complex interactions of agricultural production are often given too little consideration in many studies due to a (obviously) limited scope of analysis. Yet, this always has to be taken into account when evaluating and classifying study results. All forms of generalisation, as they are often heard in the public debate, are hardly helpful.

Transparent climate and sustainability programmes

It is problematic that the dairies' climate and sustainability programmes are also based on calculations whose methodological foundations are often unclear to the farmer and which are ultimately based on a model farm - i.e. generalised.

Supporting individual enterprise commitments

To protect the climate and to reduce GHG emissions, many adjustments have to be made - both at the individual farm level and at the political level. Every farmer can and must seek to find the most effective ways to improve their climate footprint on an individual farm basis. However, without an agricultural policy that offers sensible framework conditions to support these services provided by farmers, they will not have the required efficiency and effectiveness. The commitment of individual farms must not be undermined by a misguided agricultural policy.

Pay for climate services via the product price

Our climate services have a price, which must be recovered as much as possible (and as is done in other sectors) through the price of our product. We are critical of the idea of having certificates for humus build-up as a business model for agriculture in this context because an increase in humus is difficult to measure and is a long-term process.

Agricultural funds also as an incentive for climate services

Agricultural funds will continue to be needed. However, they must not only be used as compensation, but also as an incentive to provide concrete services for climate, environmental and nature protection.

Preventing the flogging of products through higher prices and good market management

A sustainable milk production is only possible if our products are not flogged off and wasted. It can only be done through a higher price and better market management, and by having a raw milk production that is more geared towards actual demand.

Rewards for climate services by the dairies

We are against dairies taking the credit for farmers' positive climate achievements - without compensating them accordingly.

Clearly communicate the positive contributions made by dairy farmers

To open up markets for milk imitation products with high added value, an image of dairy farming as a climate polluter (to say the least) has been widely accepted, which urgently needs to be corrected. In view of this, dairy farmers' positive achievements on the climate must also be communicated in a transparent and clear manner and must not vanish out of sight in dairies' climate footprint reports.

Proper media reporting of the effects on the climate

We consider it necessary to have a more differentiated portrayal of agriculture's effects, and especially animal husbandry's effects on the climate in media reporting: For example, food is not the biggest driver in the private carbon footprint, as depicted in the press, but rather a reduction in so-called "miscellaneous consumption".

Large diversity of farms as a guarantee for a climate-friendly, crisis-proof and supply-secure agriculture

For a climate-friendly agriculture, we need the greatest possible diversity of farms as this reduces transportation distances, ensures resilience to crises and thus, not least, a secure supply, even in times of crisis. It is important to maintain as many conventional and organic farms as possible throughout the various regions. Proper framework conditions must be laid out and structural problems in the dairy market must be tackled. To this end, policymakers need to take action.

No drastic reduction of cow herds necessary to reduce emissions

There is no need to drastically reduce cow herds to cut methane emissions, as there are alternatives such as feed additives which can reduce emissions. Similarly, biogas digesters, for example, decrease the amount of greenhouse gases such as methane that are released into the atmosphere.

Economic efficiency of biogas plants and promoting measures to reduce emissions are important.

It must be possible to operate biogas plants economically in order to be able to reuse liquid manure, dung and fodder residues at low emission levels. Different techniques and possibilities – adapted to a farm's capacities – to reduce the outgassing of farm manure must be promoted. It is the quantifiable result that counts.

Financial incentives to reduce methane emissions

Promoting emission reductions through financial incentives and making them profitable is a powerful driver for climate action, leading to beneficial outcomes in climate change mitigation.

The general rule is: applicable solutions must be made available to producers (sensible, practical) and the costs and yield losses incurred by producers must be compensated! In this context, including dairy farmers in the Industrial Emissions Directive (IED) has to be seen as problematic.

Prevent green washing in carbon farming

Carbon farming envisaged by the EU, whereby certificates are sold by producers to the industry, for example, via a private market, entails the risk of green washing on the part of the industry. The reason for this is that industry itself does not actively contribute towards reducing the climate impact. The community should therefore finance this process to ensure that it is not done through privately purchased certificates, which are nothing more than "buying one's way out" through others. Because

otherwise, there will only be minimal improvements at global level! The amount of the financial compensation must at least match the costs incurred by the producer.

The system must not only take into account new emission reductions on farms, but also the previous "carbon-smart" farming practices of the producer.

Include all processing stages

With regard to reducing emissions, the downstream players (processors, retailer) must also work on reducing their emissions - this should not only apply to producers!

In the case of increased organic production, ensure demand and sales at a cost-covering price

Cost studies reveal that organic milk is not produced in a more socially sustainable way than conventional milk. This is due to the fact that the cost deficit is again very high for the producers. In many Member States, there is not enough demand, which means that there is a chronic over-supply of organic milk on the market.

To achieve the objective of a higher share of organic production in the EU (25% of the total area by 2030), it is essential to ensure that sufficient demand exists and that the products sold are at a cost-covering price.

Applicable solutions are needed for reduced pesticide and fertiliser use

Practicability and economic efficiency also have a major role to play in the targeted reduction of fertilisers and pesticides. Here, general reductions imposed on the producers are not effective on reaching these goals. The solutions must be applicable, i.e. sensible and practicable, and the costs and yield losses incurred by the procurers must be compensated.

We farmers have a strong interest in protecting the climate because the consequences of climate change affect us directly.

We stand for an economically sustainable and societally and socially acceptable, diverse dairy industry for the benefit of all.