

## Dear dairy farmers, dear interested parties,

**I wish you all a Happy New Year 2019!**

2009 – that's ten years ago now – was a significant year for the European Milk Board (EMB) and for every dairy farmer in Europe.

There were huge demonstrations, milk supply strikes and especially major milk-spraying campaigns in many European countries ten years ago. Nobody has forgotten the dumping of millions of litres of milk in Belgium's Ciney and in French Normandy at Mont St.-Michel.

At that time, we showed we could not put up with producing a high-quality foodstuff for milk prices below 25 cents. We warned the political decision-makers that a total deregulation of the milk market would have catastrophic consequences. Unfortunately, we were right. Our studies on the costs of milk production clearly demonstrate that the gap between the farm-gate milk price and production costs is widening drastically. And the countless numbers of farms closing down across Europe are evidence that the unconditional liberalisation was an utterly wrong decision. Let alone all the personal tragedies and family dramas created by the economic situation over all the years.

2019 has already started out as being very unsteady. Our costs are skyrocketing, not least because of the impact of the summer drought. In Belgium, the dairies have already announced a base price below 30 cents for January. We know from experience that the Belgian farm-gate prices are an indicator of price development in the other member states. As there are the European elections in May 2019, not much more can be expected from the European Parliament and the current EU Commission. Many EU member states also have unstable governments that dare not risk new approaches. What seems positive to me is that a pan-European popular movement is arising to revolt against the current system – a system serving only the profit of a few large corporations and becoming rich at the expense of the people.

We, the EMB, will not idly sit by and watch how the industrialisation of milk production is being pursued, how it is being made harder and harder for young people to carry on running family farms built up over generations.

We will continue to jointly promote the unity of European farmers. The political decision-makers should never forget the movement launched by milk producers in 2009 and developed in the subsequent years. We demand milk prices that cover our costs and secure a fair income for producers. The politicians must create the framework to prevent crises from happening. We call for the immediate implementation of our Market Responsibility Programme. Another year of crisis would be catastrophic, let alone another 2009!

We are starting 2019 full of motivation and drive!

Best regards,

*Erwin Schöpges, President of the European Milk Board*

## EMB Newsletter January 2019

- Put an end to crises, crashes and catastrophes
- Gap between milk prices and production costs persists in Germany
- Cow and Climate
- Cows are not killing the climate
- Irish Dairy Farmers looking to 2019 after expensive and challenging 2018
- Swiss chocolate industry feels the heat
- EMB Milk Price Comparison: Milk producers had to accept price cuts
- You can find us on Facebook

## Contact

**EMB - European Milk Board asbl**  
Rue du Commerce 124  
B-1000 Brussels

Phone.: +32 - 2808 - 1935  
Fax: +32 - 2808 - 8265

[office@europeanmilkboard.org](mailto:office@europeanmilkboard.org)  
[www.europeanmilkboard.org](http://www.europeanmilkboard.org)

## Put an end to crises, crashes and catastrophes

### *The EMB's proposals for reforming the EU agricultural policy and for solving the milk market crises*

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Ten years ago – in 2009 – the pictures of French and Belgian dairy farmers dumping several millions of litres of milk onto fields went around the world.

Their anger and great concern about the disastrous milk prices and the lack of action on the part of EU policy-makers brought milk producers onto the barricades. Today – ten years later – the milk market still lacks efficient mechanisms for making the sector crisis-proof. For the European Milk Board (EMB), a functioning crisis instrument is indispensable for putting the milk sector on a healthy foundation. At a press conference at this year's International Green Week in Berlin, the Executive Committee of the European milk producers' umbrella organisation pleaded for the "Market Responsibility Programme" – an instrument that cushions gross slumps in milk prices, thus countering crises preventively.

#### **Are there ways out of the endless loop of crises?**

Since crisis year 2009, Europe's milk producers have moved from one crisis to the next. The years 2012 and 2016 were characterised by low farm-gate milk prices and large losses for milk producers. In recent years, the endless loop of crises has brought an entire profession to its knees.

With the volume reduction programme, the EU Commission implemented in the crisis year 2016 a long-standing demand of the European Milk Board (EMB), which enabled milk prices to rise again and showed what successful crisis management can look like. However, a **regular crisis instrument** that can predict and avoid chronic crises is still lacking.

Proposals for a crisis-proof milk market are also coming from the European Parliament, where numerous Members are calling for regulation instruments or even a compulsory reduction in the event of surplus volumes. The Committee of the Regions (CoR) – an advisory body of the EU – is postulating demands for a balanced milk market (incl. articles of law on reducing volumes in the case of market imbalance, improving the Milk Market Observatory MMO). **These measures must finally be implemented in the reform of the Common Agricultural Policy.**

#### **Without an efficient crisis instrument, crises and crashes are still on the agenda**

For Erwin Schöpges, President of the EMB and active dairy farmer in Eastern Belgium, the year has already started more than unsteadily with milk prices below 30 cents per kilogramme of milk. "What we wish for the new year are cost-covering prices and a fair income – no more and no less", is how Schöpges sums up his concerns about the EU policy.

The constant crises are frightening mainly young farmers from taking over dairy farms. Schöpges continues: "When you hear that only 5% of producers in the EU are younger than 35, that paints a bleak picture for the rural regions and for society". In the Netherlands, which are always presented as "cost-efficient and competitive", the share is even as low as 1.5 percent.

The fact that dairy farmers are severely underpaid is evidenced by the study "What is the cost of producing milk?" by the German *Büro für Agrarsoziologie und Landwirtschaft* (BAL, Bureau for Rural Sociology and Agriculture). According to Boris Gondouin, French member of the EMB Executive Committee, European dairy farmers are still in a crisis mode, which is slowly wearing their farms down. "In normal times we need adequate prices to enable us to cope better with extreme situations, either in terms of exceptional climate or in geopolitical circumstances", Gondouin emphasises.

The European Milk Board wants to have the **Market Responsibility Programme** (MRP) enshrined in law to counter the chronic shortfall of costs. This programme observes the market and reacts to looming crises by temporarily adjusting production. "We milk producers are in a position to take responsibility for the market, and can react promptly to market

signals", explains Stefan Mann, dairy farmer from Germany and Chairman of the German dairy farmers' association BDM (*Bundesverband Deutscher Milchviehhalter*). The Market Responsibility Programme, he says, must now be installed as a permanent instrument and the reform of the Common Agricultural Policy offers an opportunity for this. Potential market disruptions caused by Brexit or the Mercosur agreement are already beginning to emerge.

EMB press release of 17.01.2019

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## Gap between milk prices and production costs persists in Germany

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coverage was still 88%.

The current calculation of production costs in Germany shows that only 85% of production costs were covered in October 2018. This is a slight improvement of 5% compared to the July figures; in January 2018, cost

The quarterly figures for Germany published by the Farm Economics and Rural Studies Office (BAL) confirm that the gap between milk prices and production costs continues to widen. Production costs amounted to 42.92 ct/kg in October 2018 and were slightly lower than in July. However, farm-gate milk prices were not sufficient to cover production costs. In October 2018, milk producers received 36.37 ct/kg.

Erwin Schöpges, dairy farmer from eastern Belgium and President of the European Milk Board (EMB), does not see any convergence of milk prices and production costs in the coming months. "We expect higher feed costs this winter, as milk producers in Germany and other countries will have lower feed stocks available due to the summer drought." In view of these figures for German milk producers, the EMB calls on the German government to assume its responsibility in agriculture. It should support a responsible EU milk policy that enables farmers to earn a sufficient income from their production. Above all, it is important to offer young farmers perspectives and enable them to take over family farms.

### Evolution of milk production costs in Germany

[Here](#) you have the evolution of milk production costs in Germany from 2009 to October 2018.

### Price-cost ratio (shortfall)

The price-cost ratio illustrates to which degree milk prices cover production costs. In October 2018, producers only recovered 85% of their production costs from the milk price; the shortfall was thus 15%.

Here you have the cost shortfall since 2009.

### Milk Marker Index (MMI)

The Milk Marker Index represents the evolution of milk production costs. In October 2018, the MMI was at 104, i.e. production costs for German dairy farmers had risen by 4% as compared to the base year 2010=100.

Here you have further information about the Milk Marker Index over time.

## Study on milk production costs in six key milk producing countries

Cost calculations are regularly carried out in Germany but also in five other countries. They as well clearly show that milk producers are not paid cost-covering prices.

New: The calculations of milk production costs in Belgium, Denmark, France, Germany, Luxembourg and the Netherlands for 2017 are now available. You can find the study [here](#) as well as the figures at a glance in a short [video](#).

## A chronic shortfall between production costs and milk prices – What is the solution?

The European Milk Board promotes a legally-anchored crisis instrument to counteract the chronic cost shortfall. The Market Responsibility Programme (MRP) observes and reacts to market signals by aligning production.

**Background:** Commissioned by the European Milk Board and Germany's MEG Milk Board, the Farm Economics and Rural Studies Office (BAL) started compiling comprehensive data on milk production costs in Germany in 2012 for the study entitled "What is the cost of producing milk?". The calculation is based on data from the EU Farm Accountancy Data Network (FADN) as well as the Federal Statistical Office (Destatis), and has been updated every quarter since 2014.

[Download the data sheet here](#)

EMB press release of 16 January 2019

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## Cow and Climate

Did you know that you are emitting greenhouse gases right now? Just like all 7 billion other people on this planet. And just like all the animals, birds, earthworms and other soil organisms. All living things emit greenhouse gases. The carbon (C) in our food is binds with the inhaled oxygen (O<sub>2</sub>) after it is burned in the body. Then we breathe this out again as carbon dioxide (CO<sub>2</sub>).

© Hans Geurts

Is this a bad thing? No, because these emissions are part of the short carbon cycle: Plants absorb CO<sub>2</sub>, bind the C and emit the O<sub>2</sub>. People and animals then eat those plants (or animal products), bind a portion of the C in their bodies and emit the rest in the form of CO<sub>2</sub> or methane (CH<sub>4</sub>). These are all emissions of greenhouse gasses that are part the short carbon cycle and do **not** increase in greenhouse gas concentrations in the atmosphere.

Then what is causing these concentrations to increase? All kinds of human activities cause this. Especially ones that have been developed since the industrial revolution in the 19th century. Carbon that has been stored for hundreds or sometimes millions of years is now released in a relatively short period of time in the form of CO<sub>2</sub> or CH<sub>4</sub> emissions. The main causes are the use of fossil fuels, limestone quarrying and mining. This C was deposited in another era and now these greenhouse gasses add to the concentrations in the atmosphere. Hence these gasses **do** contribute to an increase in the atmospheric concentrations of greenhouse gasses and **do** contribute to climate change.

When it comes to cows and other ruminants, an absurd, unrealistic discussion has arisen in which the cow's methane emissions are considered one of the main causes of climate change. The reduction of these emissions is therefore part of the climate change policy.

These methane emissions, caused by the fermentation of feed in the rumen of the cow is, however, just like the CO<sub>2</sub> emissions by humans, part of the short carbon cycle. The methane is converted to CO<sub>2</sub> within 12 years. It is absorbed by

the grass, which is eaten by the cow, who in turn emits CH<sub>4</sub> and CO<sub>2</sub>, and so on. This cycle means that the methane emissions of cows do **not** increase the methane concentration in the atmosphere. Unless there are significant changes to the number of livestock, this concentration remains the same when viewed over a longer period of time.

It's actually strange: human beings quickly "consume" deposits that accumulated over the course of millions of years, then it becomes clear that this is causing climate change, but rather than attributing this to the consumption of these deposits we blame the cow! Even though the cow has been doing the same thing for thousands of years!

The Dutch Dairy Farmers Association NMV believes that the methane emissions from cattle should be removed from the climate agreement. If that does not happen then the gross greenhouse gas emissions should be corrected to account for the CO<sub>2</sub> fixation of (feed) crops. The emissions and fixations are connected and should both be included in the agreement, or both be excluded.

In addition to being unrealistic the exaggerated attention being paid to methane emissions from ruminants it is also dangerous since it distracts attention from the main cause of climate change: the consumption of fossil fuels.

It is inconceivable that air travel and shipping are excluded from the climate agreement. Without addressing these highly polluting sectors, by for example taxing kerosene and fuel oil worldwide, the goal of climate change policy will never be achieved. A roundtrip flight from Amsterdam to Barcelona for just €50,-, for example, is just provoking the wasting of fossil fuels. The liberalization of trade policy also promotes CO<sub>2</sub> emissions. Goods and products are now (pointlessly) sent all over the globe. Limiting unnecessary transport of goods would greatly reduce emissions.

This, of course, does not mean that dairy farmers do not have to contribute to the realization of the goals outlined in the climate treaty. The dairy farming industry also contributes to the increase of greenhouse gas concentrations by use of fossil fuels for tractors, transport, etc. The production of N fertilizer costs large amounts of natural gas and of course the farms also use electricity.

The current manure policy forces dairy farmers to pay to dispose of their animal manure and then purchase fertilizer to fertilize their fields. NMV therefore lobbies for farmers to be able to maximize the use of animal manure and to limitation of the use of fertilizer. The cultivation of grass should also be stimulated, since it allows for more CO<sub>2</sub> deposition, and produces a higher protein supply, which leads to importing less soya. Furthermore NMV believes that sustainable power generation through solar panels and wind power should be encouraged, especially since a farm is often well suited for these projects.

*Hans Geurts, dairy farmer in Veulen, Netherlands and member of the Dutch Dairy Farmers Association (NMV)*

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## Cows are not killing the climate

As the scale and impacts of climate change become increasingly alarming, meat and dairy production is a popular target for action. The public is urged to eat less meat to save the environment. A key claim underlying these arguments holds that globally, meat production generates more greenhouse gases than the entire transportation sector.

Frank M. Mitloehner, Professor of Animal Science and Air Quality Extension Specialist at the University of California, Davis, shows in his article *'Yes, eating meat affects the environment, but cows are not killing the climate'* that this claim is demonstrably wrong. His research focuses on ways in which animal agriculture affects air quality and climate change. In his opinion, foregoing meat and meat products is not the environmental cure-all many would have us believe.

Assertions that livestock were responsible for the lion's share of global greenhouse gas emissions are widespread. The article says that according to the U.S. Environmental Protection Agency, the largest sources of U.S. greenhouse emissions in 2016 were **electricity production** (28 percent of total emissions), **transportation** (28 percent) and **industry** (22 percent). All of agriculture accounted for a total of 9 percent. All of animal agriculture contributes less than half of this amount, representing **3.9 percent** of total U.S. greenhouse gas emissions. That's very different from claiming livestock represents as much or more than transportation.

According to Mitloehner this misconception arose from a FAO study from 2016 stating that livestock produced a staggering 18 percent of the world's greenhouse gas emissions. The agency drew a startling conclusion: Livestock was doing more to harm the climate than all modes of transportation combined. This latter claim was corrected by Henning Steinfeld, the report's senior author. "The problem was that FAO analysts used a comprehensive life-cycle assessment to study the climate impact of livestock, but a different method when they analyzed transportation. As a result, the FAO's comparison of greenhouse gas emissions from livestock to those from transportation was greatly distorted", says Mitloehner.

The author states that in its most recent assessment report, the FAO estimated that livestock produces 14.5 percent of global greenhouse gas emissions from human activities. "There is no comparable full life-cycle assessment for transportation. However, as Steinfeld has pointed out, direct emissions from transportation versus livestock can be compared and amount to 14 versus 5 percent, respectively."

The article says, that removing animals from U.S. agriculture would lower national greenhouse gas emissions to a small degree, but it would also make it harder to meet nutritional requirements. According to the study at the University of California, the practice of Meatless Monday adopted by all Americans, would give a reduction of only 0.5 percent.

*Excerpt from the article: 'Yes, eating meat affects the environment, but cows are not killing the climate' by Frank M. Mitloehner, Professor of Animal Science and Air Quality Extension Specialist, University of California, Davis, October 25, 2018.*

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## Irish Dairy Farmers looking to 2019 after expensive and challenging 2018

Dairy farmers in Ireland have mostly spring calving herds with only approximately 10% milking all year round. This is to maximise the growing season of grass and means that our cows are out at grass over 300 days per year.

Spring herds are mostly finished milking for 2018 with cows and farmers getting a rest period before calving season starts in mid-January. Our spring season usually means lower costs as fresh grass is the cheapest form of feed in Ireland. However, as was noted before, 2018 saw a very late Spring including unseasonal snow in March and a drought in summer. This meant all extra silage was used during the spring and summer with all surpluses consumed. The drought this summer then played havoc with grass growth stopping in most parts of the country (but most especially in the high dairy production areas of South, East and Midlands).

Fortunately, Irish dairy farmers received ideal weather this Autumn, so more fodder was harvested, grass growth was up to its potential and extra fodder was harvested for the Winter. From a situation where there was up to a 50% deficit of fodder across the country, there is now close to parity. There are however some areas that must have cows out to grass early as they only have low fodder supplies.

Milk price is currently between 30-32 cents per litre with some milk purchasers cutting price for November, unfortunately costs have risen substantially in 2018 due to the adverse weather meaning that a lot of farmers are under cash flow pressures. Milk supply in Ireland increased 20.2% in October 2018 and cumulatively year to date is 2.8% up on last year.

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

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## Swiss chocolate industry feels the heat

© pixabay

product was destined for export.

The so-called 'Choco Law' in Switzerland came to an end on 31 December 2018. According to this law, Swiss food manufacturers could source local raw materials (sugar, milk powder etc.) at EU level at a subsidised rate, if the end

This amounted to an annual sum of 90 million francs (79 million euros). This is no longer in line with WTO rules. Representatives of the dairy sector got together and found a new arrangement that would be WTO compliant. This new rule came into force on 1 January 2019: As of January, the Federal Government will pay each farmer a milk bonus of 4.5 centimes per litre of milk sold (almost 4 cents). Milk buyers will deduct 4.5 centimes per litre from the farm-gate price and will pay this money into a fund. This fund will then be used to continue to finance subsidised raw materials.

This new rule ensures that the chocolate industry can benefit from a maximum subsidy of 25 centimes per litre milk (about 22 cents). What remains is the cost of milk powder production, which is around three times higher in Switzerland than abroad. The chocolate industry is now asking for this cost component to be subsidised as well. This is something that would amount to millions in itself. In the media, the industry has already threatened to move all chocolate production abroad, if the sector is unwilling to make concessions. This would simply mean that farmers would be paid even less for their milk. Farmers' associations are, of course, against such a step. The winner of this conflict shall



only be revealed in a few weeks, after the new rule has come into force. Something worth noting in this context: At the end of the day, it's a fight about who pays about 3 cents more for every bar of Lindt chocolate...

*Werner Locher, BIG-M Switzerland*

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## EMB Milk Price Comparison: Milk producers had to accept price cuts

From September to November 2018, only a few dairies raised farm-gate prices. On the other hand, most dairies lowered prices. Hence the basic milk prices reported in November 2018 were between 30.68 and 35.55 cents per kilogramme of milk.

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Conventional milk producers from only three countries, reported farm-gate prices rising by more than one cent per kilogramme, namely in Belgium (BE-1), Germany (DE-1) and Luxembourg (LU-1). However, the price level at these dairies was very low down in recent months. In the end, the price recovery produced farm-gate prices of 31.80 and 34.08 cents respectively per kilo of milk.

French farm-gate prices fell most markedly from September by 1.52 up to 4.06 cents, and in November were between 31.49 and 34.53 cents per kilogramme (basic price without increases or reductions). But in the Netherlands, too, at one dairy the price fell by all of 3.57 cents to 30.91 cents in just three months.

Together with increases and reductions, the farm-gate prices reported for November 2018 achieved between 32.22 cents and 37.97 cents per kilogramme. So, for milk producers the level of the farm-gate price depends increasingly on the potential increases for special qualities and conditions for keeping (GMO-free milk, pasture-grazed dairy farming etc.). With the Dutch farms, however, fines for the phosphate quota also resulted in strong price reductions.

### EMB Milk Price Comparison until November 2018

The [EMB milk price comparison](#) is looking to ensure better comparability of farm-gate prices within Europe. The updated calculation model now shows the farm-gate price with and without dairy-specific bonuses and deductions. The standard values have been set at 4.0% fat and 3.4% protein for the same. Monthly calculations are also regularly corrected for subsequent payments.

*Karin Jürgens, Farm Economics and Rural Studies Office (BAL)*

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European Milk Board ASBL

Rue de la Loi 155

B-1040 Bruxelles

Tel: +32 (0)2808 1935

Fax: +32 (0)2808 8265

Mail: [office@europeanmilkboard.org](mailto:office@europeanmilkboard.org)

Document-URL: <http://www.europeanmilkboard.org/https://www.europeanmilkboard.org/english/newsletter-january-2019.html>