

Dear dairy farmers, dear interested parties,

As the year begins, I would like to wish you the very best, and especially good health in these times. I also hope that our farms will be blessed with lasting continuity and cost-covering prices. Because of the pandemic, this last year also forced us to rethink who we are as humans.

I would like to thank all the members of the EMB who voted for me at the last Members' Assembly and supported me as the representative for Belgium within the Executive Committee. I will spare no effort in defending the values and vision of our organisation to the best of my ability, starting with my first contribution in the form of this editorial.

We all know that 2021 brings a number of challenges. The decade 2021-2030 shall be devoted to implementing the vision of the European Green Deal. In effect, Mr Timmermans aims to achieve a 50% reduction in pesticides, a 50% reduction in antibiotics, and a move toward 25% of agricultural land used for organic production. In the preparatory work for the new strategic plans of the CAP, where the EMB is represented by the Belgian milk producer organisation MIG in Wallonia, we have realised that the eco-schemes meant to guarantee a decent income for farmers will be difficult to put into practice. The last meetings with the European Parliament and the upcoming trilogue discussions essentially show that this is the case. In fact, many MEPs are in favour of maintaining the status quo and do not wish to significantly change a system (another subsidy per hectare) where 20% of farmers receive 80% of subsidies. All too often, it is stated that the foremost priority of the CAP is food production – for farming to ensure security of supply and food sovereignty. In other words, it has to feed an increasing number of people at the lowest possible cost.

However, we farmers have only one demand: to be able to exercise our profession and to earn a living from it; to be able to draw a decent income after deducting the real production costs calculated without speculation.

Even if production has increased yet again by 4% in October and November 2020, we must stay optimistic for 2021. Assuming that this new year will follow the same trend, the EMB must push for the implementation of the Market Responsibility Programme as a way of temporarily reducing supply in times of crises to ensure a viable price for us farmers. We hope that it will be easier again to defend our interests by meeting stakeholders on the ground face-to-face.

Let us all preserve our spirits and health to properly prepare for post-Covid times.

Guy Francq, EMB Executive Committee member and President of MIG Belgium

EMB Newsletter January/February 2021

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Cost coverage is the foundation of sustainable farming

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society?

What should the landscapes we live in, work on and enjoy look like in the future? How do we want to take care of the environment collectively, as a

As EU citizens, we wish for healthy natural spaces rich in diversity, both in terms of flora and fauna.

Hedges, field margins and scattered trees near and in fields and meadows provide shelter and food for livestock and wildlife. They improve the (micro) climate and invite us to relax and unwind. Appropriate fertilizer use and humus formation lead to healthy land that is more productive and, at the same, more robust in the face of extreme weather conditions. It can then be used to grow high-quality food in a respectful way, using locally available resources within the framework of a feasible circular agricultural economy. These products are

then traded regionally and fairly.

As we all know, the current situation in many places does not exactly align with this vision of sustainability. In order to achieve viable sustainability, efforts and investments in all economic sectors are a must. These ambitious goals lead to additional costs in the agricultural sector as well. Costs that must be borne by society if we are to truly move towards greater sustainability. Are we ready to honestly quantify these costs and bear them collectively?

Farmers are already being forced to shoulder food production costs. The situation on farms is tense. "Recent studies show that there is a cost shortfall of more than 25 percent in both conventional and organic milk production", identifies Sieta van Keimpema, President of the dairy farmers' organisation European Milk Board (EMB) from the Netherlands, as the main challenge faced by the sector. Expressed clearly in figures, this meant for conventional milk production in 2018 an average hourly wage of EUR 4.02 for the farm manager and his family members working on the farm. In 2019, prices were so low that farmers could not generate any income at all from milk production. Elmar Hannen, EMB Executive Committee member and dairy farmer in North Rhine-Westphalia, further explains: "Our incomes are not only suppressed by low prices, but quickly rising costs due to stricter requirements, and climate change itself is a factor as well." This situation leads van Keimpema to demand a basic prerequisite: "The first step to more sustainability is that the farmers' cost of production should be entirely covered."

How can we achieve cost coverage in order to strive towards more ambitious goals?

We currently have the opportunity to work towards making cost-covering producer prices a reality by using the reform of the Common Agricultural Policy (CAP) to create a fairer framework. The **European Parliament** has already provided a commendable push in this direction. Therefore, Hannen calls for the following first step in the ongoing trilogues between the Council of the European Union, the European Commission and the European Parliament, especially from the Member States: "Get behind the future-oriented position of the European Parliament with regards to the Common Market Organisation. Support the inclusion of effective crisis instruments like voluntary volume reduction." The temporary reduction of milk production volumes during crises envisaged therein would help avoid very severe crises and harmful overproduction. Recently, groups like animal welfare activists as well pointed out that existing fundamental shortcomings such as poor prices must be dealt with before farmers are asked to take further steps to enhance sustainability. Unfortunately, producers currently do not receive sufficient financial compensation, neither for their work nor for the efforts they are already undertaking in terms of environmental protection, animal welfare and climate change mitigation.

How can the Green Deal succeed in achieving sustainability?

In order to move closer to the desired vision of sustainability, all sectors need to take significantly more ambitious steps than they have to date. The guiding principles are already outlined in policy documents like the European Green Deal and its 'Farm to Fork' strategy, which set out higher ambitions. However, these policies must demonstrate how the necessary investments can be funded and must undertake a prior, careful analysis of the real effects at EU level as well as globally. Furthermore, sustainability strategies should be drawn up with the involvement of those who will, at the end of the day, do the work to implement them. "If costs for additional requirements are covered, we are, of course, willing to do more in terms of sustainability, which is already a concern for us by nature, due to our profession", says EMB Vice-

President Kjartan Poulsen from Denmark. He recommends financial incentives as a way to successfully make progress on sustainability. He goes on to say: "We farmers, who are in the thick of it day in and day out on our farms see that in order to achieve fair prices, the market position of farmers must be effectively strengthened." He also calls for strong commitment at a geostrategic level to regional and high-quality production without loopholes in free trade agreements. This also involves instruments like the [Market Responsibility Programme](#) that can react effectively to unexpected geostrategic developments and thus avoid sustainability losses.

These preconditions would make it possible for farmers to play their part in achieving this vision of viable sustainability that is worth striving for. It would also provide certainty for future generations wishing to take over farms – something that is absolutely essential if environmental sustainability is to become a long-term reality.

Committed farmers and consumers are already pooling their energy to work toward sustainability in milk production, as demonstrated by the [Fair Milk](#) project. This milk is marketed by dairy farmers themselves in a number of European countries and proves that cost-covering prices are possible even with higher standards. But if this is to move beyond a niche development and is to become well established on the dairy market, the correct collective social and political framework – as described above – is a must.

[Download our press kit here](#)

EMB press release of 20 January 2021

Market indicators (as on 25/01/2021)

*After a short dip of 2.0% at the beginning of November, the **Global Dairy Trade Index** has been on the rise since 17 November, and was up 4.8% on 19 January (previously +3.9%). The average price for **Italian spot milk** provisionally falls again in January by 2.33% as compared to the previous month to reach 34.31 cents per kg (-13.69% compared to January 2020).*

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The **EU-27 milk price** fell in December by around 0.17% to be pegged at 35.34 cents per kg, after it fell in November by 1.03%. **EU butter prices** were 342 EUR per 100 kg, which is an increase of 1.8% as compared to the previous week and a rise of 1.2% over the last four weeks. Looking at the last three months, the price stability in autumn of around 350 EUR per 100 kg was followed by a decline of 3.5% from the beginning of December to the beginning of January. **EU skimmed milk powder prices** are currently 226 EUR per 100 kg, which implies an increase of 1.3% as compared to the previous week and of 1.8% across a four-week comparison. The last quarter was marked by relatively stable autumn prices around 214-217 EUR per 100 kg. Since the beginning of December, prices have been trending upwards.

The rates for **dairy product futures** on the European Energy Exchange (EEX) showed an upward trend. For example, contracts for skimmed milk powder for April 2021 increased by 6.0% on 22 January to 2,380 EUR per tonne month on month. Contracts for butter for the same time frame increased by 1.8% and are now at 3,500 EUR per tonne.

European Milk Board, January 2021

Current milk production costs in Germany: 46.69 ct/kg for October 2020

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According to the quarterly figures published by the Bureau for Rural Sociology and Agriculture (BAL) – the current figures date back to October 2020 –, production costs amount to 46.69 ct per kg, whereas the farm-gate milk price was only 32.64 ct per kg in the same period. Producers in Germany thus lack

14.05 ct per kg to cover their costs.

Development of milk production costs in Germany

[Here](#) you have the evolution of milk production costs in Germany from 2014 to October 2020.

Price/cost ratio (shortfall)

The price/cost ratio illustrates to which extent milk prices cover the cost of production. In October 2020, producers only recovered 70% of their production costs from the milk price; the shortfall was thus 30%. [Here](#) you see the cost shortfall since 2014.

Milk Marker Index (MMI)

The Milk Marker Index (MMI) represents the evolution of milk production costs. In October 2020, the MMI was at 113, i.e. production costs for German dairy farmers had risen by 13% as compared to the base year 2015 (2015 = 100). [Here](#) you see the evolution of the Milk Marker Index over time.

New: study on organic milk production costs

In November 2019, a study on the cost of production of organic milk in Germany was published (period: 2011/12 to 2018/19). You can find this study [here](#) as well as the update for 2019/20 [here](#).

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 the prices paid to milk producers do not cover the cost of production. The study on milk production costs in Belgium, Denmark, France, Germany, Luxembourg and the Netherlands in 2017 is available [here](#). In a short [video](#) you can see all figures at a glance.

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. [Here](#) you have a short description of the EMB's Market Responsibility Programme.

Background:

Commissioned by the European Milk Board and the German producer organisation MEG Milch Board, the German Bureau for Rural Sociology and Agriculture (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 German Federal Statistical Office (Destatis), and has been updated every quarter since 2014.

[Download data sheet here](#)

EMB press release of 15 January 2021

Producers count on Member States and the European Commission to approve important crisis instruments in trilogues

The EU Parliament, Council and Commission are currently negotiating the future of the EU's Common Agricultural Policy (CAP) in trilogues. On 23 October 2020, the European Parliament adopted its position on the reform of the Common Market Organisation (CMO) within the CAP. It includes a number of good proposals that will help make farming, in general, and the dairy sector, in particular, more crisis-resilient.

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Position of the European Parliament

Voluntary volume reduction (in the form of Article 219a*) during severe crises is part of the Parliament's position. As per this provision, producers are given the opportunity to reduce their production compared to the same period in the previous year by a few percentage points during a specific period, when faced with imminent, significant price reductions at EU level. Those who take up this offer receive compensation for every litre of milk not produced.

The fact that we dairy farmers have been hit by three major crises over the last ten years – in 2009, 2012 and 2015-17 – highlights the need for such an instrument. It was only in the third crisis, in June 2016, when the EU average price was a paltry 25.7 cents per kg, that the EU activated a voluntary volume reduction scheme after much hesitation. As soon as this instrument was operational, prices began to recover very quickly. In just a few months, they climbed from well below 30 to 33.4 cents per kg (January 2017).

For the dairy sector, it is safe to say: **voluntary volume reduction works!** Even relatively small reductions can have a significant positive effect on the price, as also demonstrated in 2016/17. When dealing with a particularly severe crisis where a voluntary volume reduction scheme alone would not be enough, the European Parliament recommends further strengthening the instrument: for a short period, all farmers would be asked to cap their production, so that the reductions undertaken by their counterparts across the EU can have their full effect (Article 219b).*

Council and Commission still to sign off on volume reduction

We are very glad to see that MEPs analysed the previous crises and came to some very important conclusions for our sector. This means that an important player in the ongoing trilogue negotiations is already defending a future-oriented position. However, neither Council nor Commission have foreseen such an instrument in their positions. It is absolutely essential for the reluctant Member States as well as the European Commission to recognise the need for this instrument and the sound reasoning behind it, thus paving the way during the ongoing trilogue negotiations for it to become part of the Common Market Organisation.

It is important for this instrument to be anchored in legislation because past crises have shown that without legal enforceability, there is a great risk that the instrument is not used (as in the first and second crisis) or is activated too late (as in the third crisis).

To ensure that the instrument is deployed in a timely manner, however, it is important to clearly define when it would be triggered. It is great to see that the European Parliament has also included an early warning mechanism in its proposal. However, it must be improved with the addition of an appropriate definition of crises and must be linked with the activation of a voluntary volume reduction scheme in order to make it a warning system with teeth.

The effectiveness of the instrument cannot be questioned. In fact, in 2016/17, when the voluntary volume reduction scheme was launched, interested EU farmers receiving compensation for the milk they did not produce were able to successfully coordinate with their colleagues and thus find a way to quickly come out of the crisis together. Over 48,000 producers – more than expected – took on their collective responsibility for the dairy sector, in order to stabilise the market and make it functional again.

Why does the instrument work for severe crises?

The big advantage of the instrument is that it prevents the production of milk surpluses that are then transformed into products like cheap milk powder.

- Towering stocks of milk powder exert very strong downward pressure on prices. This pressure continues to exist when the powder is taken off the market in the form of intervention. It prevents prices from recovering even as it sits in storage.
- In addition to price pressure, overproduction also wastes **precious resources** and threatens the livelihoods of our fellow farmers in the global south in the form of cheap exports of surplus products.

We can fully circumvent all these issues during crises if a voluntary volume reduction scheme is activated across the EU. After all, it acts at the level of raw milk production, that is, where the overproduction actually takes place. This instrument breaks and ends the problematic chain of overproduction at the first link and brings the real relief needed by those affected by the crisis at hand. It is us producers who incur major loss, not processors!

Therefore, we sincerely hope that this crisis instrument will find its way into the final Common Market Organisation Regulation. In addition to the European Commission and the Council of the European Union, we also call on other farmers' organisations to encourage their members to support this instrument and to refrain from bad-mouthing or campaigning against voluntary volume reduction.

Sieta van Keimpema, EMB President from the Netherlands

Kjartan Poulsen, EMB Vice-President from Denmark

Elmar Hannen, EMB Executive Committee member from Germany

Boris Gondouin, EMB Executive Committee member from France

Roberto Cavaliere, EMB Executive Committee member from Italy

Guy Francq, EMB Executive Committee member from Belgium

* European Parliament's position: [P9_TA\(2020\)0289](#) "Common agricultural policy – amendment of the CMO and other Regulations"

EMB press release of 14 December 2020

"Our understanding, also in the EPP, is that the European agricultural sector needs real crisis instruments."

Álvaro Amaro is a Member of the group of the European People's Party in the European Parliament. The 67-year-old Portuguese has been a member of the Committee on Agriculture and Rural Development since July 2019. We asked the former Secretary of State in the Portuguese Ministry of Agriculture and former member of the national Parliament about his views on the agricultural

sector.

What are your expectations for the Portuguese Council Presidency, especially with regards to the future of European agriculture?

The Portuguese Presidency has high expectations for the conclusion of the CAP reform, but also for the implementation of the Green Deal.

It is precisely one of the Portuguese priorities to reduce the EU's external dependence on critical goods and technologies by investing in innovation, and to increase food security. As things currently stand, I do not believe that this objective is compatible with the ambitions of the 'Farm to Fork' and biodiversity strategies. Minister Maria do Céu Antunes is facing a big challenge here.

I believe that much of the preparation of the future CAP lies with the Portuguese Presidency. In fact, it would be ideal if the process were to be completed by summer. I sincerely hope that the Portuguese government will invest seriously in this goal, not least because of the significance it would have.

How do you see Parliament's position on the Common Market organisation? What do you think about the proposed crisis instruments?

The Parliament's position has been much criticised. However, our understanding, also in the EPP, is that the European agricultural sector needs real crisis instruments. Today's situation serves nobody's interests. The use of this tool, rather than solving the problem, elevates it to a national scale, with an impact that goes from the sectoral to global level. Unfortunately, there have been crises and the tool has not been used yet...

I would say that the problem is not a lack of recognition of its need. It is rather a lack of money. Money that the Member States, unfortunately, are not willing to use for the benefit and the future of European agriculture.

On the one hand, the EU Commission and society have ambitious sustainability goals which are likely to increase farmers' costs. On the other hand, most farmers would like to produce more sustainably, but many are currently receiving a price which is not covering their full production costs. How can the European Green Deal work for agriculture?

That's the one-million-dollar question! The Commission argues that the Green Deal will result in higher added value for agricultural products. I doubt it will – or at least not to the extent expected. When it comes to consumption, people are mainly sensitive to price, although the importance given to this factor has decreased in recent years. Moreover, the fair price payable for many products excludes millions of low-income consumers from the market. We will then be replacing European production with that of third countries. At what social, economic and environmental costs?

Ecology is the way forward, but farmers and foresters have to be better remunerated for their key role.

Mr Amaro, thank you for your time.

Simon Bauer, European Milk Board

Our unity is our strength!

Who would have thought! After a year of major farmer protests about nitrate use, farmer bashing and insect protection, as well as the "agricultural turnaround" and the CAP reform, we are finally talking about the one key issue underpinning the continued existence of family farms and the very livelihood of the vast majority of farms: producer prices for foodstuffs.

Things began in early November with demonstrations in front of the central warehouses of some large food retailers in the north-west by frustrated farmers, furious about yet another discount battle. This was followed by coordinated actions by the associations collaborating within the Milk Dialogue, targeted at processors like dairies and abattoirs. Participation in these actions was already way beyond the usual numbers. And lastly, the protests returned back to the food retailers' warehouses, this time with hundreds of participants, some of them bringing heavy machinery and manning lengthy blockades over days and nights. The largely young protesters braved the cold, bad weather, police pressure and calls for moderation from association leaders. Shelves and freezers in shops in the north-west remained empty and the protests spread to other regions as well.

The significant numbers and determination of the protesters clearly showed how the situation on many farms has reached a tipping point. The Milk Dialogue, with its very clear demands for price increases like 15 cents per litre of milk or 50 cents per kilo of pig meat, has managed to effectively showcase how much producers are missing to cover their costs. And this has struck a chord with farmers!

Food retailers, with their Christmas turnover on the line, gave in and outdid one another with their proposed measures in support of livestock farmers that had great media impact. They also held a number of meetings and negotiating rounds in different constellations. The German farmers' union remained remarkably quiet through all of this and that's how it should stay, considering they gave up any sort of commitment to fair producer prices many years ago. Others are now doing the farmers' union's job as well as what should actually be done by processors. The processors are obliged to ensure that any concessions achieved by the protesting farmers are put into practice and to pass on any extra profits directly to their suppliers. In addition to a quick price recovery, a significant, lasting improvement in the market position of farmers in the long term is an absolute must, so that they can participate in negotiations on an equal footing and ensure that production costs and remuneration for their work are covered by those purchasing their output. In this regard, policy-makers are, once again, called on to not simply limit themselves to moderating discussion rounds, but to also create the necessary framework conditions for agriculture.

Our advantage is the new close alliance between seasoned veterans with their experience and good ideas for solutions and the young rebels with their creativity and fighting spirit. If we manage to keep the farmers and associations that are truly committed to preserving family farms united, then we can send a clear message: we will no longer allow our 'partners' in the production chain, old interest groups and policy-makers to send us down dead-end paths and give us the run around. Whoever dares to refuse playing their part in ensuring a quick and fundamental improvement in the situation on farms, be ready to face the music at the next protest! Our unity is our strength!

Extract from an article by Ottmar Ilchmann, dairy farmer and President of AbL Lower Saxony, published in the January issue of the "Unabhängige Bauernstimme" newsletter

Cell counting in France: a new standard against the backdrop of overestimation

Given that there are 22 different standards for measuring the somatic cell count of raw milk around the world, the International Dairy Federation (IDF) has now come up with a certified reference material (CRM). The objective is to create an international standard in order to adopt the best available technique and thus avoid discrepancies at international level in terms of milk quality

results related to cell count.

Available since 20 February 2020, it shall be used in France for all types of milk (cow, goat, sheep) from 1 April 2021. According to the initial details shared by the French Dairy Interbranch Organisation (CNIEL), these tests will lower cell count results by up to 20%. This significant reduction will spare numerous farmers price reductions linked to the quality of their milk and would thus put them in a position to receive better prices. That being said, this adjustment in regulation of milk quality shows that the French standard has

been too punitive toward French farmers for many years.

Numerous veterinary studies confirm overestimation

As early as 2009, the National Association of Veterinary Technicians (SNGTV) noted differences between the official method used by dairy interbranch laboratories and techniques used by private companies (for example, in certain robotic milking systems).

In order to confirm this claim, standardised milk samples were sent to different European countries (Germany, Belgium, Spain, Italy, United Kingdom) in 2017 in order to compare the methods used by the French interbranch laboratories with those used by their European counterparts. **The results, once again, showed a significant overestimation to the tune of 25%.** The results obtained in the other European countries, on the other hand, demonstrated a degree of coherence among themselves, which shows that they are using very similar if not the same standard reference content.

Important implications for farmers

According to Regulation (EC) 853/2004, the somatic cell count in raw cow milk must be less than or equal to 400,000 cells/ml. Hygiene criteria, as set out in interbranch matrices related to milk payments, are used to determine different thresholds of somatic cell count, which can lead to price reductions or bonuses according to region and dairy.

The results published by the veterinarians' association allow us to conclude that French farmers are penalised to a greater extent than their European counterparts because of the probable overestimation in cell count. Many have suffered financial losses because of a cell count above the permissible limit, which would not have necessarily been the case in a neighbouring country.

According to results from the dairy interbranch organisation of the Western France producing region (CULOUEST), about 10% of raw milk was deemed to be above the permissible somatic cell count threshold of 400,000 cells/ml in 2019. The consequences in terms of financial losses can be significant: price reductions based on quality, suspension of milk collection, early slaughtering of dairy cows etc., even if it remains difficult to precisely estimate these figures.

Sophie Lenaerts, Coordination rurale, head of the milk section