Dear dairy farmers, dear interested parties,

I would like to start by wishing you all a Healthy and Happy 2022.

For the Danish dairy farmers, this year will be interesting in many respects. First, there are the unpredictable ways of the coronavirus and how it affects our daily lives, and our economy as a whole. Second, our government has proposed six eco-schemes under the new CAP: to support organic farming, for environmentally and climate-friendly grassland, extensification of lowland soils, plant production, biodiversity and sustainability, and for a new regulation model which will come into effect by 2026. Third, the redistribution of funds between Pillar I and Pillar II will have a serious impact on our level of income and farming as a whole, as it means a loss of up to 23,597 euros for the average Danish dairy farm. The government is trying to offset the losses with small slaughter premiums for young stock.

Fourth, a carbon tax is in the making, proposing a levy of 160 to 200 euros per tonne emitted. As the average cow emits 4 tonnes of CO_2 equivalent, this means 6 to 7.3 cents per litre of milk produced. We sincerely hope that politicians will also see it as a part of their responsibility to explain to retailers and consumers why farmers need a higher price for their products.

I hope that reason will prevail in the end, and officials in charge in the Commission or government offices around Europe understand that it is not to be taken for granted that farmers continue producing food at a loss, while at the same time being accused of destroying nature, the air and the planet.

As our colleagues from the French dairy farmers organisation APLI show in this newsletter, the system is more than just in danger: the rural fabric is tearing apart, and even organic farmers cannot cope. There is a lack of young people to take over farms. The prospects are daunting and the financial hurdles are often too big to overcome. In this issue of our newsletter, a concrete example illustrates the costs a young person has to shoulder in order to set up a farm in Denmark, showing how big these hurdles really are.

In Germany, as in many other countries, farmers are actively involved in discussions on how to substantially improve the situation in the agricultural sector. Thanks to association platforms such as Agrardialog and Milchdialog, farmers can work on finding realistic solutions to give their peers new prospects. In this newsletter, our colleagues from AbL and BDM report on the current status of this important work.

In Italy, an emergency aid will be applied as of this month to encourage retailers to promote Italian milk towards their members whereas in neighbouring Switzerland, farmers are requested to step up their production but dairies aren't ready to increase their prices. We also report on interesting developments from Ireland and Portugal.

The EMB and its member organisations will continue to fight for our livelihoods and our farms in 2022 too. We stand for **fair prices.** Prices that fully cover all costs of production, including sustainability costs and a fair income **for all farmers in Europe!**

We hope you enjoy reading our newsletter!

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Kjartan Poulsen, EMB Vice-President and Chairman of Landsforeningen af Danske Mælkeproducenter (LDM)

Market indicators (as on 18/01)

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*Since mid-August of last year, the **Global Dairy Trade Index** has been on a continuing upward trend, with one noteworthy exception for the trading day of 12 December 2021, when the index fell by 1.5%. It then bounced back by 0.3% beginning of January and gained 4.6 additional percentage points by 18 January 2022.*

The average price of **Italian spot milk** was at 47.63 cents per kg in December 2021 and fell by 5% mid-January, down to 45.17 cents. This is a 32% increase in comparison with January 2021. In April of last year, the spot milk price had reached its lowest annual value of 32.13 cents and has since almost continuously increased up to December 2021.

The **EU-27 milk price** went up by 1.7% in December 2021 compared to the previous month and is reported at 40.70 cents per kg, its highest 2021 value. In December 2020, its price stood at 35.39 cents per kg.

The **EU butter price** was reported at 550 euros per 100 kg mid-December and has increased by roughly 4% to reach 573 euros since then, a 0.4% increase compared to the previous week (09/01/2022). One year ago, the EU butter price was at a considerably lower price of 342 euros (17/01/2021).

The **EU skimmed milk powder** prices currently stand at 339 euros per 100 kg, a 0.9% increase on the previous week and a 4.6% increase on a four-week basis. At the same time last year, its price was reported at 226 euros (17/01/2021) and then almost continuously increased to reach 260 euros at the beginning of June. After a slight drop in June/July, it bounced back and passed the 300-euro mark in November 2021, and has increased by an additional 39 euros since then.

Rates for **dairy product futures at the European Energy Exchange (EEX**): The skimmed milk powder contracts for March 2022, reported at 3,367 euros on 14 December 2021, increased by 4.7% to reach 3,525 euros per tonne on 14 January 2022. As for butter, the contracts for March dropped by 0.85% in the same period, from 5,850 euros (14/12/2021) down to 5,800 euros per tonne (14/01/2022).

European Milk Board, January 2022

Solutions, not playing for time

Something is (grossly) rotten in the food production "value" chain in Germany. Whereas in the pandemic, of all times, the food retail sector is showing a big increase in sales and making billions in profit, and whereas milk and pork processors are doing good business, the actual producers of the food, the farmers, have had their backs to the wall for years.

Although milk prices have just edged up a little, there is currently still a shortfall of about 25% in terms of cost coverage. Pig farmers are in stark distress, and many sow breeders are now on their way out for good. The power gap between producers, processors and retailers is too big, while structures on the purchasers' end are too monopolistic, meaning farmers simply cannot extract themselves from the role of short-change receivers.

It was only through the huge pressure of the streets, protests and farmers blockading processors and food retailers' warehouses that the Agriculture Dialogue started in early 2021 as a discussion platform between farmers' associations, processors and food retailers. Our demand, never countered by the negotiating partners, was crystal clear: the farmers' production costs must be reflected in retailers' purchasing prices; farmers must be able to pass on their constantly rising costs (especially in recent months) to their business partners. The working groups in the Agriculture Dialogue have drawn up feasible concepts for this. Clever colleagues have invested a lot of time, energy and creativity. It is abject for the food retailers to declare the Agriculture Dialogue over, just as it was about to produce tangible and practical results, and call on us to carry on working in their new structure, ZKHL (central coordination body between retailers and farmers), set up recently by the German cooperative and Raiffeisen association and the food retail sector.

We continue to call on the retail sector to return to the negotiating table and to now conclude and implement our concepts swiftly, if it is serious about its commitments to agriculture. The German farmers' union could also prove itself as a real representation of farmers' interests and come up with joint solutions in the existing Agriculture Dialogue format, instead of insisting on formalities. The associations involved in the Agriculture Dialogue are ready for constructive solutions and, above and beyond the talks with the food retailers, have developed as a new interest group vis-à-vis society and politicians. We would gladly achieve concrete results together with the sector, retailers and processors, but what is stated in the joint list of demands to the negotiators of the new coalition government is still relevant: "Structures in the processing and retail sectors that stand in the way of fair competition should be broken up."

From „Unabhängige Bauernstimme" by Ottmar Illchmann, Arbeitsgemeinschaft bäuerliche Landwirtschaft (AbL)

What are the start-up costs for young farmers in Denmark?

© LDM

The job of a dairy farmer is multifaceted and demanding, and – as old hands in the business never tire of saying – can be very fulfilling. Yet anyone wanting to start producing milk faces huge challenges in every EU member state. Besides the intense price pressure and the low or sometimes inexistent income for farmers and family members helping on the farm – a challenge every milk producer has to face – young farmers in particular also have to deal with the investment capital required.

How much capital do young farmers have to raise to start up in milk production? Fellow farmers from LDM in Denmark answered the question for their country and as an example of a farm with 210 cows and 150 hectares of land.

The start-up capital required for this farm size in Denmark is roughly 3.87 million euros, broken down into:

- 2.3 million euros for immovable property and fixed assets
- 1.2 million euros for funding herds, equipment and movable property
- Selling, general and administrative costs amounting to 70,000 euros, and
- Initial costs for feed, operating costs etc. of 300,000 euros.

This amount of 3.87 million euros can be financed via:

- Equity amounting to 200,000 euros
- An equity loan of 500,000 euros (with 9% interest)
- A mortgage loan over 30 years of 1.9 million euros
- A 15-year bank loan of 1 million euros, and
- A working capital loan of 300,000 euros.

For the farm, this financing incurs annual interest and principal payments of 270,000 euros.

A breakdown of these and further costs for the farm shows that the revenue per cow has to be 1,560 euros for all expenditure on interest, instalments and wages to be covered. If the farm manager's remuneration is factored in, this amounts to requisite revenue of **1,882 euros per cow**.

According to LDM Denmark, for a young man or woman it is virtually impossible at the moment to afford financing a dairy farm in Denmark from his/her own funds. The Danish organisation says: "You have to have parents lending their child some of the money, or acquiring capital from people with money, or in some way sharing a farm for some time with the previous owner".

"That's why farmers in Denmark are getting older and older, because they can't sell their farm at a price that covers their loans for it. In the last twelve months, 5% of dairy farms have closed down. Farmland is easy to sell to financial funds, but not the livestock." That, says LDM, puts milk production in Denmark in a tricky situation.

Christen Sievertsen, LDM Denmark, and Silvia Däberitz, EMB

BDM live: “Market, politics and BDM on the move”

© Henrik Kramer

On 22 December, BDM’s last event of 2021 was held with the video conference “Market, politics and BDM on the move”. It was attended by almost 200 dairy farmers from all over Germany. In the studio, moderated by Bavarian BDM State Chairman Manfred Gilch, Federal Chairman Stefan Mann and Board Spokesman Hans Foldenauer discussed the milk market and political developments after the change of government in Germany.

The event was introduced by an annual retrospect, which is on BDM’s YouTube channel. Then the participants reported both on the Agriculture Dialogue and on the Milk Dialogue, and looked at the opportunities and possibilities of these association platforms.

BDM in virtual discourse with the new German Minister of Agriculture, Cem Özdemir

The new Minister of Agriculture, Cem Özdemir, invited the BDM Board to an initial dialogue in January. This enabled the BDM representatives to present BDM’s position on the topics of exports and the milk market. Further talks in the near future were also agreed to take the exchange forward.

Tightening the Ordinance on the Protection of Animals during Transport

The new tightened Ordinance on the Protection of Animals during Transport came into force on 1 January 2022. Its most important point is that there is a revision relating to the outdoor temperature: when it is over 30°C, domestic transportation of animals to an abattoir must not take more than four and a half hours. This is a marked tightening of the law, as EU standards applied before in Germany. In future, temperature violations will also be viewed as an offence against EU law, making much higher fines possible.

From next year, it will only be permitted to transport calves from the age of 28 days; until then the 14-day rule applies.

Milk market in Germany

Compared to previous years, the current milk price in Germany is at a constant high. For instance, in January the Friesland Campina dairy is paying a guaranteed price of 45 cents a kilo of milk. The spot milk price in Germany has been over 50 cents since October.

The milk volume in Germany has been below the previous year’s figure since August. The increased farm-gate milk prices show yet again that just a few percentage points in the milk volume have a big influence.

Henrik Kramer, Bundesverband Deutscher Milchviehhalter (BDM)

Proper green milk? All right, but…

© Vanessa Langer

For those who would like to have an idea of the current imbalances in the dairy sector, simply take a look at the substantial gap between production costs and the farm-gate milk price. In France, producing a kilo of milk costs 52.54 cents, whereas the producer is only paid 33.33 cents (2019 figures drawn from the study "What is the cost of producing milk?".

Meanwhile, as part of its programme, the EU speaks of a "Farm to Fork" strategy and of a "Green Deal". APLI members support the Green Deal and acknowledge its importance because the climate is the main element we work with and, needless to say, it directly affects all levels of our work: our soils, our animals and their feed. All of us are affected.

As such, the Green Deal is a laudable programme, but its implementation will be tricky without farmers! And at this rate, there won't be many left, organic farmers included… Current organic milk production costs are considerably higher than those of conventional milk and there is a surplus of organic dairy products on the market while consumption is declining, which certainly isn't making things any easier. This situation has obviously had an impact on the price paid to organic dairy farmers and has led Biolait to issue a communiqué calling on French households to purchase a carton of organic milk in order to rebalance a dangerously unbalanced market.

So: YES to going green, but the question is how, given all the red flags? Here again, the production costs induced by these changes need to be covered!

Spot some red flags? Stop now!

The system isn't working: the rural fabric is tearing apart and contrary to public opinion, even organic farmers are struggling to keep their heads above the water, and we are all in the same boat: we are having a hard time finding young people to take over our farms while others are declaring bankruptcy. The diagnosis is there. It has been made by both farmers and economists, and by a few politicians who made the effort to take a serious look at these issues. Solutions? There are solutions! And we've been hammering away for twelve years if only to present and test them!

Regulating production and stopping exports when there is no added value, implementing cross-sectoral and cross-country producer organisations in Europe to give farmers a stronger voice in negotiations with dairies and retailers, supporting states in the creation of a real fair milk across Europe: this is what we have been pushing for.

The failure-diagnosis-solution combo has clearly been laid out and even a cost estimate has been put on the table. And yet, nothing has changed! At the other end, in the high spheres where those who "understand" and "manage" operate, it seems word about the system's failure has not yet gone round as they continue to think and act based on age-old foundations that are collapsing under the current system, with discussion partners whose interests are light years away from those of farmers who, month after month, come to realise that they've been paid for their milk only after they've been milked for all their worth! When it comes to our solutions, our Minister of Agriculture refuses to hear us out even though these very solutions were worked out on his own turf. Whether we like it or not, we are the ones who know what it's like on the field, and we must keep our spirits up and dig our heels in when faced with the keepers of this obsolete system. They all claim to defend a better future but neither of them is able to break the 10-cent seal keeping us from even having a future.

Adrien Lefèvre, President of the Association des Producteurs de Lait Indépendants (APLI)

News from Italy

In the last months of 2021, the farmers' organisations agreed with the retailers' and processors' associations to sign a "Protocol of understanding of the dairy supply chain to protect Italian farms", which was given green light for future implementation by the competition authority in December 2021.

According to this Protocol, the retailers' associations must ensure that their members promote Italian milk by increasing their purchases of UHT milk, yoghurt, fresh and semi-mature cheeses and sweet gorgonzola cheese. These products must be made from Italian milk and processors will pay farmers an emergency premium.

Payment of this emergency premium to farmers is based on the following table and the volume of Italian milk used to make these products.

Producer price (cents/litre)	Retail price (cents/litre)	Dairy price (cents/litre)	Final price (cents/litre)
36	3	1	40
37	3	1	41
38	3	0	41
39	2	0	41
40	1	0	41

And last but not least, agricultural organisations are promoting dairy products made from 100% Italian milk by organising advertising campaigns addressing consumers.

The Protocol was not applied in late 2021 but will take effect as of January 2022.

Roberto Cavaliere, member of the EMB Executive Committee and President of Associazione Produttori di Latte Pianura Padana (APL)

Milk production has lost over a quarter of its farms in a decade

© Coordination rurale

The agricultural census conducted by the French Ministry of Agriculture every ten years gives us an overview of the French farming landscape and the trends inherent to ten-yearly developments across the country. Its latest publication on 10 December 2021 shows a 21% fall in the number of farms across all types of production.

Livestock farming is the sector most affected by this trend with a drastic decline: Between 2010 and 2020, the number of farms has decreased by 31%, which is a loss of 64,000 farms. As regards dairy farming more specifically, the situation is alarming: over a quarter of farms have closed down in France over a ten-year period, a whopping 13,000 farms.

A decrease in the number of livestock farms, along with herd decapitalisation

According to the French livestock-farming institute (IDELE), France was home to roughly 3.6 million dairy cows and 736,000 heifers in 2020, **i.e. 8.2% and 15.1% respectively fewer than in 2015**. According to the IDELE, this soaring herd decapitalisation is far from coming to an end. The institute has forecasted a sharp decline in the number of dairy cows: 441,000 by 2030, albeit with different regional dynamics. Some specific regions are strongly affected by this decrease, such as the Nouvelle-Aquitaine, where the number of cattle has dropped by 45% between 2000 and 2019, compared with 19% at national level. The number of producers in this region has also plummeted, from 8,700 in 2001 to 2,500 in 2019.

At national level, the situation is alarming: milk producers aged over 50 accounted for 32% of dairy farmers in 2010, compared with 48% today, with 28% of them being over 55 years of age. According to the IDELE, the replacement rate for dairy farmers is a mere 45%, far from the 71% average across all farming sectors.

The national accounts confirm this trend

The recently published national accounts confirm that 2020 was marred by difficulties for dairy farmers. With a comprehensive 1.2% increase in expenses in 2019 linked to the increase in labour costs (+12.1%), repair and maintenance expenses (+10.7%) and the farmer's social security contributions (+12%), the economic results of dairy farms once again show a decline (-1.9% for added value and -2.4% for gross operating profit per self-employed farmer). Mountain farms have generally fared better thanks to a better valorisation of their production.

The earnings before tax (EBT) per self-employed farmer fell by a net 6.8% in 2020 to an average of 26,052 euros/FTE. When the overall characteristics of dairy farms were analysed in 2020, it was observed that their self-financing capacity dropped by 3.7%, while their fixed assets increased by 2.6% and were funded by debt, also up by 3.1%.

For the year 2021, the upward trend in raw material prices has jeopardized the margins of dairy farmers because it has not been offset with an increase in farm-gate milk prices. In fact, the agricultural means of production purchasing price index **(Ipampa) for cow's milk shows an 11.9% increase in costs over one year**, with a surge in the purchase price of animal feed and energy prices.

Véronique Le Floc'h, Coordination Rurale, France

Switzerland has seen no increase in milk prices in over a year

The milk supply to dairies in Switzerland is under pressure. Milk buyers are asking farmers to step up their production. In fact, this would be the right time to increase milk prices substantially. Given the rising production costs, this would be urgently necessary anyway. Unfortunately, the branch refuses to send a clear signal for the benefit of milk producers.

© BIG-M

Quite the contrary: to secure market supply, the dairy interbranch organisation (according to the media) unanimously decided to import an additional 1,000 tonnes of butter, meaning that milk producers' representatives also gave their go-ahead! In light of this, BIG-M once again wonders whether producers' interests are represented by the right people. This issue has become as old as the interbranch organisation itself and will have to be addressed sooner or later.

Given the way in which producers are currently represented, farms will continue to close down. There is no need for an interbranch organisation whose main task in this process consists in solely providing end-of-life care.

Werner Locher, BIG-M Secretary

Irish dairy farmers looking to 2022 with an eye on costs of production

© ICMSA

As you probably know dairy farmers in Ireland mostly have spring-calving herds with only approximately 10% calving 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 currently preparing for the new calving season which usually starts in mid-January.

Our spring season usually means lower costs as fresh grass is the cheapest form of feed in Ireland. However, to maximise grass growth chemical and organic fertilizer is an important input in this system. Unfortunately, like all other farmers across Europe, the price of chemical fertilizer has increased dramatically in the second half of 2021, which means that availability is also tight. Dairy farmers are bracing themselves for significant higher costs in 2022 as concentrate prices have also risen. Weather is one factor that cannot be controlled, and the hope is that a mild spring will lead to good growing conditions easing some of the pressure on input costs.

Fortunately, Irish dairy farmers received ideal weather last autumn and early winter and cows remained out on grass for longer, resulting in the 2021 season finishing in favourable conditions before what all expect to be a challenging new year.

The milk price is currently between 41 and 42 cents per litre at 4.2% fat and 3.4% protein with all milk purchasers increasing prices for November. Further increases are expected for December prices that will be announced in mid to late January. Latest milk supply figures show that Ireland increased milk supply by 2.4% in October 2021 and cumulatively year to date is 6% up on 2020 supply.

Paul Smyth, Policy Officer, Irish Creamery Milk Suppliers Association (ICMSA)

“Politicians have abandoned dairy farmers!”

Politicians have abandoned dairy farmers! That's what we feel every day and that's why we symbolically placed a herd of cows on the Marquis of Pombal Square in Lisbon, the Portuguese capital. We feel abandoned by the main political leaders as we suffer the biggest crisis in memory. Agriculture is forgotten because it is far from Lisbon and has few votes, but it is farmers that feed all those who vote and are elected.

We have suffered huge losses over the past year due to the brutal increases in feed costs for the cows, only marginally offset by an increase in the farm-gate milk price insufficient to cover the cost of production. We enter 2022 with new cost increases on feed, energy, fertilizers and other production means. These cost increases reach 30%, with some products doubling their prices, such as fertilizers. We started 2022 with a production cost of more than 40 cents per litre and we do not know how this will evolve.

The Prime Minister, the Minister of Agriculture and most politicians are silent as milk production, agriculture and the rural world disappear. The CAP Strategic Plan presented on 30 December 2021 ignores the difficulties this sector is faced with, opting for public measures that clearly harm milk producers, such as the 100% convergence that reduces income support in this sector by more than 50%, such as a payment linked to silage maize amounting to half of the aid granted for grain maize, and eco-schemes with insufficient budget to enable us to overcome the challenge that is being posed to us by Brussels. Without this support, the price of milk has to increase. Each year, around 200 producers leave the dairy sector. At this rate, milk production in Portugal will disappear in a few years.

Politicians must urgently show solidarity for farmers, study the dossiers and come to the field to visit farms and meet with farmers. It is urgent that they have a strong word with the industry and retailers for an immediate increase in the base price to be paid to producers to reflect production costs and the average EU price which in December exceeded 41 cents per litre of milk, more than 7 cents above the average price in Portugal.

It is essential that the new government quickly creates an observatory for production costs and a mechanism capable of updating contracts and indexing the price of milk to these costs and the average EU price – without the need for farmers to go all the way to Lisbon with their tractors and cows to make their voices heard. If politicians do not shoulder their responsibilities, milk production in Portugal will disappear. Only cardboard cows and milk pre-packed in cardboard coming from abroad will be left for those who can still afford it. A fair milk price is urgently needed!

Press release by Associaç?o dos Produtores de Leite de Portugal (APROLEP)

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