

## Dear dairy farmers, dear fellow campaigners,

On 20 May, the European Commission published its 'Farm to Fork' strategy. For us farmers, this strategy represents a 'last chance' to rebalance the food supply chain – to preserve what's left of the EU's family farm system and wrest back control and direction of the EU's food supply chain from the retail corporations who have the greatest interest in maintaining the present 'broken' system.

The challenges facing farming and food production are almost beyond comprehension. More food has to be produced for a growing population but on an increasingly sustainable basis, which means that traditional ways of increasing supply have to be curtailed or discarded. Farmers accept both the scientific reality and the scale of the challenge that has to be met. I am adamant that it is the starting point that is chosen by the EU that will ultimately determine whether or not their 'Farm to Fork' strategy is successful. This must mean a reversal of the traditional EU approach whereby the delivery of cheap food at retail level is deemed the most important element with everything else positioned to serve that.

It is precisely that aim that contributed most to, for instance, the stunning levels of food wasted at present – 20% according to the 'Farm to Fork' briefing documents.

ICMSA and other farm organisations have long argued that instead of constructing the system backwards from a position that prioritised retail of high standard food at cheap prices, the system should start with the sustainability of both the food and the farming communities who produce it.

Reforming our present broken food supply system is like reforming any other seemingly intractable problem: the first step is the vital one. If that first step is wrong, then every step after it brings you further away from the solution. The absolutely fundamental question here, and we'll know the answer tomorrow, is whether the EU's first step is going to be towards a solution or continuing on the present path that brought us to this cliff edge. The solution has to start with societies and corporations paying the real price of the food they consume: the 'cheap food' policy advocated and implemented by the retail corporations and endorsed by politicians has undermined environmental sustainability and utterly destroyed the economic viability of the farming communities that produce our food. That is the place to start and we should move from that position forward.

But if tomorrow we are told that the strategy is going to start from a position that doesn't see, or want, changes at consumer or retail level, then we'll know that everyone has wasted their time. Farmers will not accept a strategy that simply imposes further restrictions on them alone, the strategy must ensure a proper price for sustainable food and the use of third-country imports to undermine sustainable food production must be stopped as part of that strategy.

*Pat McCormack, member of the EMB Executive Committee and president of the Irish Creamery Milk Supplier Association (ICMSA)*

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## How do you get farmers to effectively engage with the Green Deal and 'Farm to Fork' strategy?

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*On 20 May, the EU Commission presented the long awaited strategy paper 'Farm to Fork'. The **strategy** formulates a series of goals for more sustainable agriculture by 2030. Beforehand, the European Milk Board had submitted concrete proposals regarding the key points of the Green Deal and the 'Farm*

*to Fork' strategy.*

In terms of acceptance and successful implementation of the reform, the following **points** are crucial: farmers' hard work in agricultural production must generate enough revenue to keep their farms in business and to adequately provide for their families. It takes cost-covering prices and an effective crisis instrument within the CAP to make the dairy sector crisis-proof. The costs associated with additional environmental standards must not be passed on to producers. Farmers are ready to play their part in climate change mitigation and environmental protection – but only if they are in a financial position to do

so.

Therefore, the framework conditions must be designed in a way that farmers in the EU are paid prices that allow them to cover the cost of all factors involved in milk production, including their own labour. If this basic condition is fulfilled, it will become possible for producers, who have systematically been the weakest link in the food production chain and have borne the brunt of costs and losses to date, to support and implement reforms as well. They could thus become active participants in the creation of a sustainable EU agricultural sector. From the perspective of agricultural policy, cost-covering prices are essential to create a viable economic foundation for farms and for them to deal with future requirements and reforms.

*Excerpt from the EMB proposals on the Farm to Fork Strategy: "How do you get farmers to effectively engage with the Green Deal and 'Farm to Fork' strategy?"*

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**1 June 2020: World Milk Day – Our vision for a socially and environmentally sustainable dairy sector**

*Even though for us dairy farmers and our cows all 365 days of the year are about milk, 1 June – World Milk Day – is a special day for us. It is a day when we look ahead, with our vision for the future. We want to use this day to illustrate what makes a dairy sector good, fair, and both socially and environmentally sustainable. And to make it clear once again that the necessary framework conditions must be created by policy-makers: the 'Farm to Fork' strategy must be further improved.*

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**The sector is:**

- **fair** when milk is a product that is sold at a cost-covering price; **fair** for those who work in the agricultural sector, when they are decently remunerated for their work;
- **socially and environmentally sustainable** when farmers employ environmentally sound production methods, and the costs of the same are covered by the price – these costs are thus not simply passed on to producers.

For Erwin Schöpoges, president of the European Milk Board (EMB), these conditions are not utopic or some sort of pipe dream. They can be put in place if there is enough social and political will to do so. “In all parts of society, the desire for change, for a more reasonable and fairer way of living has become very strong. The COVID-19 crisis has clearly demonstrated, yet again, how we are all dependent on each other and how important essential workers are to our daily existence. They are just as important as a more judicious use of our natural resources. It is clear that something needs to change.” This social push for a more sustainable and responsible way of life and production is a driver that can, at the end of the day, lead the charge in ensuring that specific measures are put in place.

***For the dairy sector, such measures should pay special attention to the following points:***

The European Commission is currently trying to respond to the social call for more sustainability through the Green Deal and the Farm to Fork Strategy. “The fact that the Commission has reacted to such a call is definitely a good sign – for sustainable development in the EU and most definitely for their own political legitimacy as well,” says Erwin Schöpoges. “However, in order to ensure greater sustainability, they have to get all those who will eventually be implementing their strategies on board. In the agricultural sector, this would specifically mean farmers.”

But before anything else, farmers first need a framework that would put an end to the exploitation they currently face. This means cost-covering prices, fair remuneration and a truly better position in the value creation chain. It is also extremely important that farmers are not simply left to deal with the higher costs that come with stricter requirements. This would only worsen the current exploitative situation.

In this context, Sieta van Keimpema, vice-president of the EMB, points out an aspect in the current proposals by the EU that begs significant improvement: “These important aspects are not given their due in the 'Farm to Fork' strategy nor the CAP reform. It is not clear how the situation of producers will be stabilised and protected from further deterioration.” Sieta van Keimpema, therefore, calls on the EU institutions to give these points the consideration they deserve in an amended, improved proposal. “Only then can we say that the EU has developed an effective plan for sustainability,” says the EMB vice-president. She goes on to underline that the dairy farmers of the EMB, together with the EU, have an optimistic vision of the future, and are ready to share the responsibility of creating the framework conditions for a truly socially and environmentally sustainable future. The EMB has already sent the European Commission its [proposals](#) a few weeks ago.

*EMB press release of 29 May 2020*

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# Latest developments in the milk sector in the coronavirus crisis

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*For European milk producers, the impact of the coronavirus of the past weeks now coincides with peak milk production in spring.*

Below you will find information on the extent to which the European Commission's **political measures** are being used in the Member States as well as an overview of the **current situation** in Belgium, Denmark, Germany, France, Ireland, Italy, Latvia, Lithuania, Portugal and Switzerland. Thereafter, we illustrate the current market situation, using key **market indicators** such as the price on the spot market, the Global Dairy Trade Index (GDT) as well as the EU prices for butter and skimmed milk powder.

## Political measures taken by the European Commission

### EU Member States use private storage

Private storage of skimmed milk powder, butter and cheese was opened on 5 May 2020. Member States have so far offered volumes of almost 4,800 tons of skimmed milk powder, 31,000 tons of butter and about 38,000 tons of cheese. Five countries have already reached their national cheese quota (Ireland, Spain, Italy, Sweden and the United Kingdom).

[Current volumes of private storage](#) in the EU Member States

## Information from our national member associations

### Belgium

The milk price is between 27 and 28.5 c/l.

### Denmark

Arla Foods pays prices between 32.3 and 33.3 c/l this year.

### Germany

For April, many dairies have reduced farm-gate milk prices by between 1 and 3 cents, with 3 cents being an exception. The national average milk price is estimated to be around 31.5 c/kg. The measures authorising the planning of milk production granted by the European Commission have not yet been implemented by any producer organisation in Germany.

The current position of many German policy-makers is that the sector would now have to adopt the crisis measures of the Sector Strategy 2030 (fixed and multi-price models, use of commodity futures exchanges etc.). Apart from private storage, no further measures have been announced, except of course the possibility of making use of coronavirus aid programmes (grants, loans, short-time work etc.).

### France

The base price is between 29.5 and 34.5 c/l with a slight upward trend. The French interbranch organisation CNIEL has released a total of 10 million euros to encourage dairy farmers to reduce their milk production. Milk producers receive 32 c/l of milk not produced. However, this measure only applies to a reduction of 2 to 5% compared to the previous year.

### Ireland

The milk price has fallen by 3 c/l on average in March and April and is between 28 and 30 c/l. Ireland is currently at peak milk production. The cheese quota for private storage has already been filled. Butter and skimmed milk powder are also being stored.

### Italy

The current average price is 33 to 35 cents per litre. Compared to February, the price has fallen by 20%. The possibility for interbranch and producer organisations to plan production has not been implemented in Italy. COPAGRI and APL are

in contact with the national and local governments and other agricultural organisations to promote EU-wide production cuts.

### **Latvia**

The average milk price in Latvia in April is 28.4 c/kg, a decrease of 7.5% compared to the previous month (30.7 c/kg). The forecast milk price for May is 25.9 c/kg.

### **Lithuania**

The average milk price for April is 28.2 c/kg. Compared to the previous month, this represents a decrease of 9.2%. For the months of April and May, a government support of about 77 euros per dairy cow is planned. However, the measure still needs to be agreed on by the European Commission. National support for dairies is planned from June onwards to compensate for losses related to exports. However, this measure is subject to one condition: dairies have to commit to pay milk producers the average price of the corresponding months of 2017-2018. This measure has not yet been approved either.

### **Portugal**

The milk price for March is 30.4 c/kg. Larger cooperatives and dairies continue to pay the same price, while smaller cooperatives announced a reduction of 1.5 to 2 c/kg for May and June. Portugal uses private storage aid for skimmed milk powder and butter. The possibility for interbranch or producer organisations to plan production has not been taken up.

A report by the Ministry of Agriculture points out that producers of sheep's and goat's cheese cannot find outlets because the catering sector and markets are closed. Moreover, families don't necessarily buy such quality products.

### **Switzerland**

The milk price continues to fall in May. The reason indicated is the low price of skimmed milk powder in the EU. However, milk prices are only slightly below the usual level in spring. The coronavirus has rather little influence here compared to the neighbouring countries. The situation could in part be compensated by the fact that consumers deliberately buy Swiss products, that shopping tourism ceased and the milk price is better in retail than in the catering sector.

In Switzerland, a decline in the milk volume has been observed for some time now, which processors neither saw coming nor want to believe. Accordingly, no calls for volume reduction are being made. Butter imports are partly explained by the decreasing volume.

### **Market indicators**

In the EU, the **produced milk volume** increased by 2.8% from January to March 2020 compared to the same period last year. The EU-27 milk price for April falls by a further 0.5% and is estimated at 34.23 c/kg.

**EU butter prices** are at 295 €/100 kg. This means an increase of 2.6% in the last four weeks. **EU skimmed milk powder prices** are 203 €/100 kg, which represents a rise of 4.1% in the last four weeks.

A slight recovery of 1% can be seen in the **Global Dairy Trade Index** (previously -4.2% and -0.8%, respectively). The average price for **Italian spot milk** rose to 31.13 c/kg in May compared to the previous month (-19.7% compared to May 2019).

The prices for **futures on dairy products** on the European Energy Exchange (EEX) hardly changed. The contracts for skimmed milk powder for August, for example, rose by 0.4% to €2,235 per tonne on 26 May in a weekly comparison.

### **Crisis mitigation measures**

Policy-makers at EU level must implement voluntary production cuts with capping, as laid out in the **Market Responsibility Programme (MRP)**.

*The following aspects must be kept in mind:*

1. **Capping** for milk producers who are not participating in the volume reduction programme is an absolute must. This means that a fine should be levied on all those who increase their production during the reduction period. **Why?** If milk production is not capped, the positive effects of voluntary volume reduction will be hemmed in.

2. To ensure that enough milk producers participate in the programme, the **bonus payment per litre of milk not produced** should be high enough.

- When the volume reduction programme was activated in 2016/17, the EU paid **14 cents** per kilogram of milk not delivered. However, this financial incentive is not strong enough to motivate a large number of producers to participate in the programme. Therefore, in 2016/17, France, for example, decided to increase this bonus payment at national level. The final bonus payment in France was thus **24 cents** for a maximum volume reduction of 5% (as compared to the same period of the previous year).

This is the model to follow to ensure that voluntary production reduction provides the desired results.

***It is important for the EU to act immediately in order to effectively counteract emerging issues. There is a good chance that this would prevent the dairy sector from falling into a very severe crisis. The right measures must be activated at once.***

European Milk Board, 28 May 2020

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## All going swimmingly or drowning in milk?

*Helmut Petschar, president of the Austrian Dairy Association (VÖM) and Managing Director of Kärntnermilch, the eleventh largest dairy in Austria, is advocating for volume reduction at EU level. This measure would help stabilise the milk price and send a signal to traders and retailers to reduce price pressure.*

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### **How has the situation on the Austrian dairy market changed since the onset of the coronavirus crisis?**

The shutdown of the catering and hospitality sector has meant that dairies have no buyers for their bulk packings of cream, milk, yoghurt etc. Some food retailers are buying larger amounts because consumers are eating more meals at home. However, April and May are the strongest milk production months in Austria. As a result, some dairies have too much milk and must take individual measures. At Kärntnermilch, for example, we have asked our farmers to reduce milk deliveries in April and May by 10%. Our goal is very clear – keep the milk price stable as long as possible.

### **What measures would you like at EU level?**

I think volume reduction at EU level is important – to stabilise prices and to send a signal to our trading partners and consumers. As soon as Kärntnermilch decided to implement volume reduction, our retail partners immediately came forward with so-called aid measures in the form of promotional offers. But this doesn't change anything. EU-wide reduction measures with aid coordinated by the European Commission would be much more effective. In such a scheme, farmers would receive compensation for the milk they do not deliver. Private storage is a form of support but at some point or the other, these stocks end up back on the market.

### **What do you think would be the timeframe needed to implement EU-wide volume reduction?**

That is exactly the issue we are currently facing. We cannot wait till autumn to implement such measures, they must be activated as soon as possible for April, May and June, so that we can react accordingly.

### **Aid to the tune of 10 million euros is going to be provided through the interbranch organisation in France. Your thoughts?**

I think the first step needs to be support measures decided at European level, so as to trigger an effect across the board. I think that would make more sense.

### **How would you evaluate the behaviour of food retailers during the coronavirus crisis?**

Very recently, we have seen how retailers have been portrayed in the media as real saviours. However, the reality is that if farmers and dairies do not continue their daily production, there is no way of guaranteeing security of supply. This phase has also made it patently clear that small farms and regional processing facilities are absolutely essential.

### **What expectations have you identified among consumers?**

Consumers do not expect price reductions but are, in fact, happy to be able to buy such high-quality products at an affordable price. More and more of them are reaching for local products. Milk and dairy products are not price drivers in any way. In this context, I have to appeal to the sense of duty and good will of food retailers to reject the temptation to capitalise on this period to lower prices, thus endangering the existence of small farms and destroying traditional farming structures. I currently see this as a real threat.

*Excerpt from the [interview](#) 'Milchbauern: Wir brauchen Handel und Konsumenten' (Dairy farmers: we need retailers and consumers – in German) by Claudia Jung-Leithner, Austrian Chamber of Agriculture, on 12 May 2020*

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## **BDM milk powder demonstrations in eight cities**

© BDM

*Together with other EMB member organisations across Europe, the BDM held demonstrations in early May to oppose the European Commission's decision to open private storage. This measure was supported by dairy industry associations and farmers' unions. The European Commission is aiming to use the earmarked funds of 30m euros to subsidise the storage of 140,000t of butter, 90,000t of skimmed milk powder and 100,000t of cheese.*

In addition to the BDM, other farmer associations also believe that reintroducing private storage opens the door, once again, to large stocks that will be a longer-term burden on the dairy market. In order to raise awareness about these disastrous consequences among citizens and in the media, the BDM protested against these measures by building impressive milk powder pyramids in eight cities in Germany. After the first demonstration in Berlin on 7 May, it was replicated in seven other cities. In addition to the federal-state Agriculture Ministers, members from the respective state parliaments and many representatives from press, radio and television outlets came to witness the milk powder pyramids at all their locations. We stated loud and clear that putting butter, milk powder and cheese into storage cannot be considered a response to what is now a global dairy market crisis. These dairy stocks will end up weighing heavily on us farmers by driving farm-gate prices into the ground when they are released back onto the market at the very latest.

Therefore, the BDM and its dairy farmers are calling for temporary, compulsory milk volume reduction at EU level instead



in order to quickly and effectively prevent massive losses in value creation for dairy farmers.

### **Virtual federal state Agriculture Ministers' Conference on 8 May: casting aside the goal of strengthening the position of dairy farmers**

Ministers were right in deducing that the pandemic would significantly affect agricultural markets as a whole because of the shift in the flow of goods from wholesale consumers to food retailers and because of significant export restrictions. It is, however, also partly true that different market players have been affected to highly varying degrees.

Opening private storage was, once again, chosen as the allegedly appropriate crisis instrument for the dairy market. Furthermore, the Ministers were unanimous – at least there is no record of any votes against in the minutes – in their support for voluntary milk management models being implemented by individual dairies.

With these conclusions for the dairy market, the Agriculture Ministers' Conference has basically bowed down to the dairy industry and has slapped dairy farmers in the face. These conclusions include so many contradictions and false assumptions that it is already clear that they are not going to bring about the effective market adjustment that is urgently needed by dairy farmers.

*Johannes Fritz, German dairy farmers' association (BDM)*

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## **Nitrates Directive: information from different countries**

*We continue our series of country-specific reports with the Netherlands and Italy. The Netherlands is still waiting to see if the rules governing the nitrogen derogation will be extended. An appropriate fertilizer policy is also very important for Lombardy, Italy's largest milk-producing region.*

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### **Fertiliser policy in the Netherlands**

The fertiliser policy is based on the European Nitrates Directive, which has fixed the admissible amount of nitrogen in groundwater reserves and surface freshwater reserves at 50 mg per litre of groundwater. In the Netherlands, the conditions for fertiliser application are outlined in an action programme spanning four years.

The Nitrates Directive has set the application of animal fertilisers at a maximum of 170 kg nitrogen per hectare. A derogation was in place for the Netherlands until 31 December 2019. Negotiations are currently ongoing in Brussels to extend the derogation post 1 January 2020. The results of these negotiations are expected in spring 2020.

Dung, liquid manure, fertiliser application and disposal of surpluses are regulated in the Netherlands through the Fertiliser Law as well as the corresponding implementing provisions and implementing decision. The current 'nitrate crisis' has been addressed by an amendment to the 'nitrogen urgency law' of 30 December 2019, which introduces guidelines for feed rationing (minimum protein content) to protect livestock. Violating this law will be treated as an economic offence and will lead to severe fines or even prison sentences.

In late 2018, the Dutch Ministry of Agriculture held a debate on the reform of fertiliser policy in order to achieve a more effective resource circuit in the agricultural sector.



### **Nitrates Directive: situation in Lombardy**

With more than 500,000 dairy cows of the 1.7 million in the country, Lombardy is Italy's largest milk-producing region. Almost five of the 11 million tonnes of milk produced in Italy every year come from this region in the north of the country. Therefore, an appropriate fertiliser policy is imperative for dairy farmers.

The EU Nitrates Directive was implemented in Lombardy through Law 37/93 and the corresponding four-year regional action plans. Most of the region's flatlands were classified as red zones and must therefore comply with the threshold of 170 kg nitrogen per hectare. The highlands, on the other hand, have been classified almost entirely as low-risk areas for nitrate pollution, and are therefore subject to a threshold of 340 kg nitrogen per hectare. Livestock farms must have minimum storage capacity of 120 days for liquid manure and 90 days for dung, while these limits have been reduced to 90 days for all kinds of manure for the highlands.

Furthermore, all farms must submit a yearly nitrate report to the region, including information like the ratio between nitrogen load and available area (about 15% of farms non-compliant), volumes of solid and liquid stored nitrogen (about 5% of farms non-compliant for liquid storage) and the distribution of application over time. About 14,000 reports are filed every year.

In addition, the Lombardy region also carries out about 400 random sampling checks per year, especially within a representative 'risk group' where about a third of farms are usually non-compliant, leading to sanctions.

On the whole, the situation seems to be under control and improving, in spite of some locally contained critical areas. This has been possible thanks to the joint commitment of the Lombardy region and its farmers.

*Roberto Cavaliere, APL Italy*

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