

## Dear dairy farmers, dear fellow campaigners,

together with my fellow Executive Committee members from Belgium, France and the Netherlands, I recently participated in an interesting meeting with EU Agriculture Commissioner Wojciechowski. Our first impression is promising. The Commissioner for Agriculture was receptive and specifically interested in our perspective on improving the situation of dairy farmers. He listened to us and indicated that he wishes to keep an open line of communication with the European Milk Board.

So, what message do we want to get across? There is still no instrument to counteract chronic crises in the dairy sector. We think that it is important for the European Commission to continue to explore positive approaches to crisis management. Therefore, we focused on voluntary volume reduction in our meeting. The negotiations on the Common Agricultural Policy reform must ensure a legal basis for this. It's all about volumes! We explained to the Commissioner for Agriculture that harmful surpluses must be stemmed in a timely manner. The future CAP must, therefore, also allow for the capping of milk volumes from other producers during periods of voluntary reductions. In the event of severe crises, it should also be possible to introduce temporary compulsory reductions for all producers. This would ensure that the sector is sufficiently equipped to deal with crises.

At the meeting with the Commissioner for Agriculture, we also discussed the European Milk Market Observatory (MMO). If this body is to go beyond simple monitoring and an exchange of information and is to be empowered to 'take action' at long last, its current remit has to be expanded. We provided specific recommendations in this regard such as including the total production costs in market analyses, and – this is key – the drafting and voting of specific proposals for sectoral measures to be implemented according to the market situation. Dairy farmers feel that it is very important for the Observatory to be proactive!

As shown by current producer prices in Germany, we still have a long way to go to achieve cost-covering milk prices. In this edition of the newsletter, you have an article on the updated production costs. Two articles talk about the gap that our Baltic colleagues have to somehow bridge: on the one hand, they have to live up to higher societal demands, while direct payments are insufficient on the other. And there is an enlightening article on what canaries and calves have in common...

I hope you enjoy reading these interesting contributions from our member countries!

*Kjartan Poulsen, EMB Executive Committee member and President of LDM Denmark*

## EMB Newsletter March 2020

- Farmers from Lithuania, Latvia and Estonia protest in Brussels to demand a fair agricultural policy
- For climate-friendly, socially and economically sustainable milk production
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- German milk production costs amount to 43.71 ct/kg in October 2019 as opposed to a price of only 34.23 ct/kg
- APROLEP celebrates its 10th anniversary and works on shaping the future of the dairy sector
- "Die faire Milch" in Germany

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## Farmers from Lithuania, Latvia and Estonia protest in Brussels to demand a fair agricultural policy

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an effective crisis instrument in the CAP.

*Baltic farmers call on the EU to implement uniform direct payments for all. The European Milk Board also calls on all EU institutions to support the inclusion of*

For the Lithuanian dairy farmers' association (LPGA) as well as numerous other organisations from Lithuania, Latvia and Estonia, it is high time for an equal distribution of direct payments to become a part of the Common Agricultural Policy (CAP). At the protest, which is supported by umbrella organisation European Milk Board (EMB), the Baltic producers are calling on the EU for fair and equal treatment. The European Milk Board also believes that farmers across the EU are being socially and economically left behind, especially due to recurring crises. Their request for the implementation of a functioning crisis management mechanism is directed not only at heads of state and government gathered today in Brussels, but also at all the EU institutions, as they are currently working on the CAP reform.

### Same requirements but different direct payments

A number of different studies have shown that the EU milk price does not cover production costs. As long as this cost shortfall continues to prevail, producers remain dependent on subsidies. However, these subsidies vary from one Member State to the other, such that in 2017, Baltic farmers received only 54 to 60 percent of the EU average in direct payments. Jonas Vilionis, President of the Lithuanian dairy farmers' association LPGA, sees this unequal treatment as a major issue: "Direct payments are lower, but all products have to comply with the same requirements. Our farmers must comply with the same environmental-protection, animal-welfare and food-safety standards as in other EU Member States, but without the equivalent compensation." This creates a divide between EU producers. Vilionis therefore calls for an equal distribution of direct payments. This would, however, only be possible with an appropriate CAP budget. Therefore, the EU agricultural budget should not be reduced in any way.

### Cost-covering milk prices instead of subsidies

The European Milk Board, the umbrella organisation of European dairy farmers, as well voices its opposition against this two-tier system. It also highlights the need to reduce the dependence of farmers on subsidies to make a living. For Erwin Schöpges, President of the EMB, it is therefore important for agricultural income to be earned from the market in the medium term. "We need milk prices that cover production costs – including fair remuneration for farmers," says Schöpges.

### More stable revenues with a crisis instrument in the Common Agricultural Policy

The constantly recurring crises, which lead to major losses for farmers, are a real burden in the dairy sector. The EMB, therefore, believes that a functioning crisis instrument like the **Market Responsibility Programme (MRP)**, which would keep the dairy market in equilibrium and prevent drastic price reductions, is an absolute must within future agricultural legislation.

Sieta van Keimpema, Vice-President of the EMB, calls on the EU Institutions like the Commission, the Council and the Parliament to support the inclusion of an effective crisis instrument in the future Common Agricultural Policy. "Many EU policy-makers have seen the devastating consequences of recent crises with their own eyes. That is why truly important proposals are now on the table and there is a strong motivation among policy-makers for such an instrument. It is essential for the proposals like **voluntary volume reduction with capping**<sup>1</sup> during crises as well as – during severe crises – **temporary compulsory reduction**<sup>2</sup> to actually find their way into the CAP. This would provide the legal basis for quick reactions to market disturbances."

Treating EU farmers unfairly should no longer be business as usual: Baltic farmers should not be left behind as compared to their colleagues in the rest of the EU, just like farmers across the EU should not be left behind as compared to the rest of society. Today's protest is therefore an urgent call for fairness and equal treatment in the EU. The constructive proposals from dairy farmers show, furthermore, that such an approach is absolutely realistic.

## **Background: Important crisis instruments for the CAP**

### ***Addressing the root cause of crises: Addressing overproduction***

1 ***Voluntary volume reduction with capping:*** If the market is in crisis due to surplus production, the European Commission can call for a voluntary production reduction. Producers who reduce their production as compared to the same period of the previous year, and thus provide market relief, are paid a compensatory bonus. To ensure that these production cuts are sufficiently effective, all other producers should be subject to capping, i.e. for a certain period of time, no one should increase their production as compared to the same period of the previous year.

2 ***Temporary compulsory volume reduction:*** In the case of severe market disturbances where voluntary volume reduction is not enough to reinstate market balance, it should be possible to activate a compulsory volume reduction scheme for all producers. This would mean that all producers would have to reduce their production by 1 to 2 per cent for a certain period of time. This reduction would be lifted after this period and producers would be free to revert back to their usual production volumes.

**Please find here photos of the rally**

*EMB press release of 20 February 2020*

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## **For climate-friendly, socially and economically sustainable milk production**

*According to the "European Green Deal" and reliable figures, CO<sub>2</sub> emissions from each farm will be known within a few years. The environmental impact of farming must be reduced over the next five years but in order to achieve climate neutrality by 2050, farms will have to continue investing in new technologies which, in turn, will have a major impact on the cost of production.*

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It is absurd to impose the same requirements and the same benchmarks on all EU Member States while direct payments to individual Member States remain drastically different. For example, Latvia still has the lowest direct payments – Latvian farmers receive on average 149 EUR/ha, while the EU average is 267 EUR/ha.

Generally speaking, we support ideas and regulations on environmental and green requirements and sustainability, but we do not have the equivalent funding to implement them. These new rules could put livestock farms in an even more difficult financial situation, because farms will simply not be able to comply with the new requirements. They do not have the funds to implement them and the current situation in the banking sector does not provide much hope either. It is no secret that the number of livestock units in Latvia is decreasing every year, and farms are already being forced to liquidate, faced with the threat of bankruptcy. We must not allow EU funding to vary between Member States, especially for small countries like Latvia, Lithuania and Estonia, in light of the steady increase in the requirements imposed on them. We must ensure a level playing field for their farms and those in the rest of the EU.

We believe that regional production and consumption within the EU should be strengthened and that the terms of international trade agreements, which lead to greater emissions due to transport and environmentally worse production

methods, need to be reassessed. The situation must be critically evaluated so that the EU does not harm itself by imposing global agreements that place its producers at a disadvantage by obliging them to achieve impossible climate goals. After all, a single farmer can only do that much. In the case of imports, it is important to finally look at the bigger picture beyond one's own emissions. So far, nobody has calculated emissions from goods produced in the EU for the EU market versus those imported from outside the EU. The full cycle of imported products – from farm to shelf – must be taken into account, just as the full production cycle is considered for EU products. Broadly speaking, the EU accounted for 17% of global emissions in 2018. However, there are no figures indicating the level of emissions generated by Europe due to its consumption of goods produced in Asia, which was responsible for 53% of global emissions. If the EU really wants to reduce its CO<sub>2</sub> emissions, one of its goals must be to reduce imports. It is absurd to think that in order to reduce emissions, we need to reduce our own production and import more, which will, in general, generate even greater CO<sub>2</sub> pollution in the world.

*Kaspars Melnis, Latvian Agricultural Organization Cooperation Council (LOSP)*

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## Of calves and canaries

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*"Calves are cheaper than canaries" – German news magazine "Der Spiegel" came up with this pithy yet effective headline to encapsulate a problem that has been apparent to dairy farmers for months now: the price of bull calves for fattening has plummeted, and female calves that are not suitable for breeding, like small heifer calves or freemartins from cattle twins, are now practically*

*worthless.*

Livestock traders in Northern Germany do not even take small, light calves anymore; it is up to farmers to figure out what to do with them. This headline clearly struck a nerve with the media as many newspapers then took up this topic and reported about rock-bottom calf prices.

There are many reasons for this. The German Farmers' Association refers to trade and export restrictions in many regions in Southern Germany following an outbreak of blue tongue disease. The feed shortages in many areas in this second year of drought are definitely an important factor as well.

MP Friedrich Ostendorff from the Greens, who is specialised in agricultural policy, sees the dismal prices in the *Der Spiegel* report as an "unfortunate knock-on effect of industrial farming" and says that excessive "calf production" is the result of intensive dairy farming. However, dairy farming and bull fattening in Germany is still mostly carried out on small-scale farms and these are, in fact, the sectors where industrial farming is the least developed. Furthermore, the current undeniable move toward intensive dairy farming means that while milk volumes have been steadily increasing for many years now, the number of dairy cows (which are more productive) is on the decline, thus also leading to the birth of fewer calves.

So, the problem is not overproduction but, at best, the fact that calves from cows bred for high milk yields are less suitable for fattening. Nonetheless, industrialised farming is something that has affected one important area – specialised calf fattening. This practice, which aims at producing very light-coloured veal by unnaturally extending the suckling period without providing the required roughage feed, is highly questionable in terms of animal welfare. However, and most importantly, there is very high concentration with a few farms, often based in other countries like the Netherlands, for whom many initially independent farms now undertake fattening on a contract basis. Thanks to their market position, this handful of buyers essentially determines the price for small calves because both livestock traders and dairy farmers have a very weak bargaining position in relation to the buyers.

Basically, we are dealing with a dysfunctional market – as is the case in many other areas of the agricultural sector as

well. This is also confirmed by the fact that there is hardly any seasonal variation in calf prices, in contrast to previous years, and the number of calves born is hardly reflected in the price. It would definitely make sense for politicians and leading media to investigate evidence of these economic correlations, instead of quickly citing "industrial farming" and overbreeding. It would be even more important to start a discussion on what it says about society when a living being becomes practically worthless, and about how long society wants to produce cheap food stuffs to the detriment of environmental, social and animal welfare standards.

Ottmar Ilchmann, AbL

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## German milk production costs amount to 43.71 ct/kg in October 2019 as opposed to a price of only 34.23 ct/kg

*The most recent calculation of German milk production costs shows that in October 2019 only 78% of these costs were covered. According to the quarterly figures published by BAL (Büro für Agrarsoziologie und Landwirtschaft), production costs amounted to 43.71 ct/kg in October 2019, whereas the farm-gate milk price was only 34.23 ct/kg. Producers thus lack 9.48 ct/kg to cover their costs.*

© BAL

### Evolution of milk production costs in Germany

**Here** you have the evolution of milk production costs in Germany from 2009 to October 2019.

### Price/cost ratio (shortfall)

The price/cost ratio illustrates to which extent milk prices cover the cost of production. In October 2019, producers only recovered 78% of their production costs from the milk price; the shortfall was thus 22%.

Here you see the cost shortfall since 2009.

### Milk Marker Index – MMI

The Milk Marker Index (MMI) represents the evolution of milk production costs. In October 2019, the MMI was at 106, i.e. production costs for German dairy farmers had risen by 6% as compared to the base year 2015=100.

Here you see the evolution of the Milk Marker Index over time.

### New: study on production costs of organic milk

In November 2019, information on milk production costs in the organic sector in Germany was published (period: 2011 to the most recent closed marketing year). You can find the study **here** (only available in German).

### Study on milk production cost in six key milk production countries

Cost calculations are regularly carried out for Germany but also in five other countries. They as well clearly show that

milk producers are not paid cost-covering prices.

The study on milk production costs in Belgium, Denmark, France, Germany, Luxembourg and the Netherlands in 2017 is available [here](#).

### **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 can find a short description of the EMB's Market Responsibility Programme.

### **Download data sheet**

*EMB press release of 15 January 2020*

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## **APROLEP celebrates its 10th anniversary and works on shaping the future of the dairy sector**

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*On 7 January, APROLEP – the Portuguese dairy farmers' association – organised a lunchtime debate in Benavente, bringing together about 70 milk producers from across the country. The speakers included Pedro Pimentel, Managing Director of Centromarca (Portuguese association of branded products' manufacturers), and David Gouveia, Director of Competition Services at the Planning and Policy Bureau of the Ministry of Agriculture*

*(GPP).*

Pedro Pimentel's presentation was entitled "The future of the dairy market". In spite of economic fluctuations, the future of the dairy sector is quite promising on international context. In Portugal, the consumption of UHT milk has seen a decrease while that of cheese has increased, even though it still remains below the EU average. "The nutritional benefits of milk and dairy products cannot be refuted, but we need to emphasize origin and raise awareness

through scientific data and targeted communication."

David Gouveia talked about "Milk production in the CAP post 2020", where he presented the strategic plan for the next Common Agricultural Policy. The main objectives therein are "promoting a smart, resilient and diversified agricultural sector to ensure food security" and "supporting environmental protection and climate-change mitigation, and contributing to the EU's environmental and climate targets."

Even though the new CAP is still taking shape and shall only enter into force in 2022, APROLEP believes that it is important to be prepared for a possible reduction in annual income support for dairy farmers. The association reaffirmed the position it has always defended: producers do not want to depend on compensatory subsidies for constant crises. They want to earn a living from their work by being paid a fair milk price. APROLEP is of the opinion that investment aid should go toward production that is more efficient, more sustainable and better adapted to market needs but, at the same time, the CAP should also compensate farmers for the environmental services they provide, notably for carbon sequestration and other efforts that help mitigate climate change.

This lunchtime debate was the first of its kind and scope organised by APROLEP in the south of the country, and was

the first event to celebrate the ten-year anniversary of APROLEP, which was founded with a mission to "defend dairy farmers by joining forces, pooling knowledge, sharing experience, and creating solidarity among producers."

*Carlos Neves, APROLEP*

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## “Die faire Milch” in Germany

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insight into their Fair Milk project.

*In our previous newsletters, Fair Milk projects in Switzerland, France and Luxembourg were presented. In this edition, German dairy farmers give an*

For many years now, *Die faire Milch* has been well-known among consumers in Germany for its sustainable production standards. The brand's stakeholders – all of them German family farms – pledge, for example, to not use feed from overseas and to avoid all GMOs.

*Die faire Milch* is also the first food brand in Germany to commit to area-based dairy farming. This is equally beneficial for both our livestock as well as our pastures. *Die faire Milch* has thus added yet another criterion of sustainable production to its already high quality standards.

“With our rule on livestock density, we can effectively prevent nutrient surpluses and over-fertilisation of agricultural land,” explains Ralf Ehret, consumer and cooperative member. The aim is to strengthen regional circuits. “Furthermore, this decision ensures that the cows remain healthy in the long term,” continues Ehret.

Three different types of milk with different fat content, as well as lactose-free milk are currently available in food retail stores. Our cheeses (a semi-soft cheese with a buttery flavour, Alpine cheese and Emmental) are the latest addition to our range of products. In addition, our brand also sells chocolate milk in small, single-serve packs.

The profits from this fair project go to the farmers participating in it. The entire participant list is also published on our website, thus allowing us to offer the greatest degree of transparency to consumers.

Further information at [www.diefairemilch.de](http://www.diefairemilch.de)

*Michael Braun and the EMB office*