Dear dairy farmers, dear interested parties,

For quite a long time, Irish and European farmers in various member states have become aware of the fickle affection with which we are regarded by our governments. When it suits them – as in the immediate aftermath of the financial crash of a decade ago or the beginning of the Covid-19 pandemic – we are encouraged to "farm for Ireland" or to "keep feeding Europe". New ambitious targets are set and worked towards, semi-states and agencies are told to get behind these national strategies. And we farmers are led to believe that as soon as the emergency is over and officialdom has the time and breathing space, then long-overdue attention will be given to our issues and complaints about disappearing margins, shortfall of costs, over-regulation, rural crime etc.

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More power to young farmers – especially in the CAP!

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Of course, that never happens. As soon as the emergency is over, the normal indifferent attitude to farming and food production smoothly resumes. By far the greatest attention farming gets from the Irish Government now is what seems like a daily ratcheting of the regulatory apparatus around sustainability. There are influential elements in Irish policymaking that see Irish commercial farming as something that must be broken down and remade in a new and very different way. They would describe that new way as "environmentally sustainable"; we would describe that new way as "economically, socially and culturally unsustainable". The model we seem to be moving towards has commercial farming as a necessary evil. We reject that, and will not permit farming to be caricatured as, in any way, the culprit to be held responsible for general environmental degradation. Everyone and every part of society, in Ireland as well as in the EU, has contributed to the problem and everyone – and very specifically the consumer – is going to have to contribute to the solution.

The European Commission's proposals for the CAP post-2020 show a substantial increase in the CAP's environmental ambition. In 2020, the Commission published its 'Farm to Fork' and Biodiversity Strategies. These reflect a further increased level of environmental ambition, as does the current Irish Programme for Government, Ag Climatise, the ambitious Climate Action Plan and the new Food 2030 Plan published mid-April. Together, they will create severe and unprecedented cost and production pressure. In late 2020, the Commission issued recommendations to member states regarding the implementation of 'Farm to Fork' in the CAP Strategic Plans. In simple terms, it will be the most environmentally ambitious CAP. It will put further focus on our farm inputs and outputs and most likely reduce our income from the CAP. As ever, ICMSA and EMB are fighting for commercial farmers and the coverage of their costs and will try and ensure the deals produced are as sustainable economically as they are environmentally.

Brexit issues may have received less attention across the continent since the signing of the Trade and Cooperation Agreement (TCA) in late December, but it remains front and centre in the mind of Irish farm and Agri-food businesses. It was no secret that Ireland had a long history of exporting agricultural goods into Great Britain and the introduction of non-tariff barriers is having an enormous effect on some Irish products. Export declarations are now common on all Agri-goods heading to Great Britain and it has now effectively meant that any agricultural product that was taking the trans-Britain "land bridge" to the EU is now sailing direct to the continent. This is already causing cost and logistical friction but much more is expected next September when the UK ends their "light touch" and enforces all the nuances of the new CTA. Irish and European farmers will continue to adapt to this new reality, but the fact is that change is happening now in every aspect of farming at a pace that is difficult to keep up with.

Pat McCormack, EMB Executive Committee member and ICMSA President

Market indicators (as on 04/05/2021)

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The Global Dairy Trade Index fell sligthly on 4 May by 0.7%, but it is still at its highest level since spring 2014. Looking back at the last six months, it has risen by almost a third.

For a second consecutive month, the average price for Italian spot milk decreased significantly in April by 5.78% (provisional value) compared to the previous month to reach 32.13 cents per kg (however, +5.76% compared to April 2020). Current projections for May indicate an increase of 0.37% to 32.25 cents per kg and thus a slight recovery.

The EU-27 milk price fell in March by 0.6% and was pegged at 34.76 cents per kg, after it fell in January by 1.02% and rose by a mere 0.1% in February. **EU butter prices** were 399 euros per 100 kg, which is a decrease of 0.2% as compared to the previous week and an increase of 2.6% over the last four weeks. After a steady increase in the new year, the price has been oscillating around 400 euros per 100 kg since Easter. This is the highest butter price since mid-2019.

EU skimmed milk powder prices are currently 249 euros per 100 kg, which is an increase of 0.8% as compared to the previous week and 1.6% across a four-week comparison. The last quarter showed an almost constant increase in skimmed milk powder prices as well since the start of the new year. The price is at its highest since the beginning of the pandemic in March 2020.

As was already the case last month, the rates for **milk product futures** on the European Energy Exchange (EEX) showed different trends. For example, contracts for skimmed milk powder for June 2021 increased on 3 May by 2.5% to 2,578 euros per tonne month on month. Contracts for butter for the same timeframe decreased by 2.2% and are now at 4,000 euros per tonne. Rates for both products reached a clear temporary high at the beginning of March.

European Milk Board, May 2021

No future for European milk production without young farmers!

The General Assembly of the European Milk Board (EMB) with producers from 13 European countries reaffirmed its commitment to fighting for future-proof, cost-covering agriculture. At the biannual assembly, which was an entirely digital event this spring, the long-term survival of European milk production was the main topic for the dairy producers.

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The fact that only 5% of producers in the EU are below the age of 35 and only 14% are between 35 and 44 years old projects a grim future for the European agricultural sector. This trend is further exacerbated by milk producer prices in many countries being well below production costs – in some countries, cost coverage is a mere 50%. The dairy farmers at the assembly were presented with figures from a cost study, which will soon be published and which paints a very accurate picture of the current situation, in addition to providing EU average costs. The study also unequivocally proves that in the eight key milk producing countries it covers, the current income reality does not allow for any future prospects. This tense situation will only get worse: while the milk price has mostly stagnated, costs for feed and climate change mitigation are increasing by leaps and bounds.

In spite of this situation, however, it is still absolutely possible to generate revenue from milk, as a study presented by the MEG Milch Board on value creation in German dairies clearly shows. Sadly, these profits remain at processor level. Producers continue to struggle with cost shortfalls, even when the rest of the production chain is making a sizeable profit. Even though dairies are able to generate considerable added value – with private dairies often achieving much higher levels than cooperative dairies – producers are only paid inadequate milk prices across the board. EMB producers collectively agree that if farms are to survive, a higher percentage of the revenue generated from milk must reach them.

Decent, cost-covering prices are possible! This is demonstrated not only by the figures on value creation by dairies, but also by producer-led projects like Fair Milk. Representatives from this project operating in numerous EMB countries shared their success stories at the General Assembly, which centre around fair prices for farmers as well as the further development of good, direct relations with consumers. On this topic, EMB Vice-President Kjartan Poulsen said, “We are proud of the excellent work done by the Fair Milk representatives in their different countries.”

Another cross-generational challenge already being faced by farmers directly on their farms is the environmental and climate crisis, for instance (green) fodder shortages due to droughts. It is important to ensure that the costs of measures to deal with these crises are not simply passed on to producers. That being said, there is still a lack of balanced, inclusive approaches on the political level to look at how the costs of such measures could be covered. As EMB President Sieta van Keimpema puts it: “The European Green Deal and its 'Farm to Fork' Strategy outline comprehensive measures but they do not talk about how they will be funded. Unfortunately, the situation of farmers is not taken into account in any way.” In fact, especially young farmers feel that producers are, if at all, placed at the margins of this strategy or the many national measures.

Irrespective of age group, it was clear to all EMB members at the General Assembly that they need to and want to advocate even more vociferously for a truly future-proof and intergenerational agricultural sector. They all agreed that young farmers are the future and that the EMB will work more closely with them to ensure cost-covering agricultural prices.

EMB press release of 29 April 2021

MEG Milch Board updates its value creation study

Milk producers do not profit from the value created by dairies. The first study by the MEG Milch Board in 2015 already demonstrated that there is no competition when it comes to milk. This has been confirmed in an update by the Bureau for Rural Sociology and Agriculture (BAL), where they studied value creation in 38 dairies. This represents more than two thirds of the annual milk collection in Germany.

The questions explored in this study include:

- What is the degree of value creation through milk processing?
- Is there a correlation between the farm-gate milk price and value creation?
- What part of value creation by dairies reaches milk producers?

The study shows that all dairies included in the study experienced a positive trend. Over a period of ten years, value creation has steadily increased, to differing degrees. Net value creation varied considerably between the dairies. In comparison, farm-gate prices evolved homogeneously, including significant drops across the board in crisis years 2012 and 2015/2016. For the MEG Milch Board, this is clear proof that there is no market when it comes to milk.

The large cooperative dairies with low value creation continue to be the ones determining farm-gate prices. Dairies with higher value creation align themselves accordingly. They pay their suppliers the same milk price as dairies that achieve lower added value. As a result, farm-gate prices remain very low, which spells disastrous consequences for milk producers.

The updated study also includes crisis years 2015/2016. During this period, many dairies were able to increase their net value creation – because they could buy milk at rock-bottom prices. Some – including cooperative – dairies were even able to amass significant reserves and provisions. They did not contribute in any way to alleviating the existential threat faced by dairy farms.

What role do exports play?

The study clearly shows that exports are no guarantee for higher value creation. Offloading milk surpluses on to the world market in the form of commodities can only generate a low level of added value. High-value processed products, on the other hand, present a very different picture. It all depends on what is exported, not on whether goods are exported. However, it is also important to keep in mind that milk producers do not partake in higher value creation. This is because all dairies pay very similar farm-gate prices.

The study can be summarised as follows:

- Milk processing can lead to high value creation.
- However, this net value creation does not influence farm-gate milk prices in any way.
- The effects of a milk crisis are only borne by milk producers, not by dairies.
- Milk producers do not profit from exports.

What must be done to get milk prices to increase?

- Farmers must pool their production in producer organisations upstream of the dairies.
- This would mean that an amendment of Article 148 of the Common Market Organisation is imperative – for all dairies, including cooperative dairies.
- Milk purchase contracts must replace compulsory supply and purchasing guarantees.

We invite you to consult the brochure on the value creation study (in German). Please find here a short version of the study in English.

MEG Milch Board w. V.

More power to young farmers – especially in the CAP!

A group of eight young farmers' associations has published a joint position paper in the run-up to the decision-making process on national plans for the upcoming funding period of the EU's Common Agricultural Policy (CAP).

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In this document, the young farmers' organisations, which include the AbL (German small farmers' association) youth organisation, the federation of German rural youth (BDL), ecclesiastical rural youth associations as well as youth associations for organic farming, call on federal farm minister Julia Klöckner as well as the ministers in the federal states to significantly expand the aid provided to young farmers looking to make a living in agriculture. Instead of the usual 2%, henceforth 4% of the funding envelope for Pillar 1 should be allocated to support measures for young farmers. In addition to this larger allocation, youth representatives also demand more targeted aid on the basis of qualitative criteria, instead of the current system that only considers acreage.

The youth associations specifically propose that at least half of the funding for young farmers be used to introduce start-up aid at federal level, modelled on the approach in Saxony-Anhalt, where such aid is already being offered in the current funding period under Pillar 2. The maximum amount under this programme is € 70,000 per farm. In order to receive this aid, applicants must present a business plan, which according to the youth associations allows for a high degree of differentiation when it comes to the allocation of aid, permitting the consideration of social and environmental criteria as well. They believe that it is very likely that the CAP will allow for the introduction of start-up aid at national level in Germany in the next funding period.

This appeal from the youth associations is motivated by the hefty economic hurdles faced by young people looking to earn a living in agriculture. According to their calculations, the average capital input per worker (capital intensity) is currently around 610,000 euros, which would mean that if applying for traditional financing from a credit institute, where you have to provide 25% as own capital, a young person looking to start a farm would currently have to put up an amount of about 150,000 euros upfront to merely create their own job.

Furthermore, the youth associations also point to the great significance of young people in rural areas, the European Court of Auditors' recommendations and studies on young farmers' aid from 2017, as well as recent studies by the Leibniz Institute on agricultural development in transition economies. Both institutions show that the current CAP aid for young farmers is not effective and call for a greater degree of differentiation when it comes to aid allocation.

Phillip Brändle, Unabhängige Bauernstimme (AbL), April 2021 issue

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