

## Dear dairy farmers, dear interested parties,

Autumn has arrived and I hope you were all able to finish (most of) your harvest. I also hope your yields have met your expectations in spite of the many weather events that have marked this year: late frost, a cold-humid summer with extreme floods on one side of Europe, and prolonged heatwaves, droughts and wild fires on the other.

On the political level, our farmers can feel the new CAP wind picking up as its national strategic plans are being finalised and the Green Deal is on its way. Mr. Timmermans had made a commitment to conduct a thorough assessment of the European strategy, but never followed through with it, giving rise to a host of questions being raised within the farming and agri-food community. More than ever, if we are being called upon to comply with this “Farm to Fork” rationale and the Green Deal approach, we can only do so on one condition: we must be able to bear the additional costs this strategy will generate. Our reasoning remains the same: we want to be able to cover our milk production costs and to earn a decent living to support our families. That is all we ask for.

I would also like to touch upon some of the latest developments on the milk market. Milk supplies have slightly decreased in some major producer countries (-1 to -2%), a trend we haven't witnessed in a long time. As a direct consequence, the spot market price is close to € 0.50 per litre and yet no financial compensation is being paid to producers. In Belgium, butter currently costs 4,320 euros per tonne and milk powder 3,370 euros per tonne. In the future, it would be interesting to have a continual comparison between the prices paid to producers and butter and powder price quotations. Such a comparison could raise eyebrows because in the long term the result won't always be logical.

As a matter of decency, we should be receiving a fairer price that reflects producers' work, especially when our production costs go through the roof (+20%). In Belgium, we are currently receiving €0.35 per litre of milk supplied at 4.2% fat and 3.4% protein. However, our cost study for 2019 already indicated that production costs had reached € 0.47, and this figure is likely to have increased since then. As it is with the Green Deal and despite slim progress made in the Common Market Organisation (CMO) in the CAP, we need political solutions and guarantees. Obtaining them will require us to stay strong, united and determined. Is it not high time we increased our visibility, turned up pressure and remembered that nothing beats getting in the tractor and heading to the place where these decisions are made – Brussels?

Lastly, I'd like to say that mistakes made in the past cannot be repeated, for example the liberalisation of milk production which has thrown many farmers into bankruptcy or into the embrace of the banks. To be truly “sustainable”, the milk sector first of all needs continuity. This means that farms must be passed on from generation to generation, to young farmers who can decently live off their passion on a family farm and in a healthier environment as wished for by our consumers.

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

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## Market indicators (as on 25/10)

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On 19 October, the **Global Dairy Trade Index** rose again by 2.2%, showing a trend similar to the spring and early summer of 2021. It continues to be at its highest since spring 2014, although it hasn't reached the peak values of early March, but nonetheless went up (in some cases considerably) the last five trading days after a drop over the summer.

Compared to the previous month, the average price of **Italian spot milk** bounced back in September by 3.04% to 40.38 cents per kg (+14.13% compared to October 2020). October saw a continuing increase by 4.21% to 42.08 cents per kg (provisional value), meaning the upward trend seems to be back after a short decline.

The **EU-27 milk price** went up by 1% in September and is reported at 36.76 cents per kg, continuing its slight upward trend which started in February. The **EU butter prices** stand at 452 euros per 100 kg, up 4.6% compared to the previous week, which is a whopping 8.9% gain over the past four weeks, reaching their highest level since November 2018 and significantly outstripping this year's provisional peak in the spring.

The **EU skimmed milk powder** prices currently stand at 281 euros per 100 kg, a 2.6% increase on the previous week and a 6.8% increase on a four-week basis. After the temporary dip over the summer, not only has the highest value since the COVID-19 outbreak been reached again, but even the highest level since August 2014 (back then the President of the European Commission was still Barroso and his Agriculture Commissioner Ciolo?).

The rates for **milk product futures** at the European Energy Exchange (EEX) are also on the rise. For instance, skimmed milk powder contracts for December 2021 increased by 11.1% on 25 October, reaching 2,980 euros per tonne compared to the previous month. For butter, they also increased by 22.3% during the same period and now stand at 5,200 euros per tonne.

*European Milk Board, November 2021*

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**Germany: 21% of production costs not covered by milk price**

*According to the quarterly data published by the BAL (Rural Sociology and Agriculture Office) – current figures of July 2021 –, production costs amount to 45.30 cents per kg, whereas the farm-gate milk price was only 35.79 cents per kg in the same period. That means that producers in Germany lack 9.51 cents per kg to cover their costs.*

*Results for 2019 for Belgium, Denmark, France, Germany, Ireland, Lithuania, Luxembourg and the Netherlands have been published this year. You can find the complete study [here](#) and a video presenting the costs [here](#).*

## **Development of milk production costs in Germany**

**Here** you have the evolution of German milk production costs from 2014 to July 2021.

### **Price/cost ratio (shortfall)**

The price/cost ratio illustrates to which extent milk prices cover the cost of production. In July 2021, producers only recovered 79% of their production costs from the milk price; the shortfall was thus 21%.

Here you see the cost shortfall since 2014.

### **Milk Marker Index (MMI)**

The Milk Marker Index (MMI) represents the evolution of milk production costs. In July 2021, the MMI was at 110, i.e. production costs for German dairy farmers had risen by 10% as compared to the base year 2015 (2015 = 100).

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

## **Study on organic milk production costs**

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

### **New: study on milk production costs in eight key milk-producing countries**

Cost calculations are regularly carried out in Germany but also in seven other countries. They as well clearly show that the prices paid to milk producers do not cover the cost of production. The study on milk production costs in Belgium, Denmark, France, Germany, Ireland, Lithuania, Luxembourg and the Netherlands in 2019 is available [here](#). In this [video](#), you will find a presentation of the costs as well as individual contributions from all cost countries.

### **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 market signals and reacts to them by aligning demand and production.

**Here** you have a short description of the EMB's Market Responsibility Programme.

## Background:

Commissioned by the European Milk Board and the German producer organisation MEG Milch Board, the BAL (Rural Sociology and Agriculture Office) started compiling comprehensive data on milk production costs in Germany in 2012 for the study entitled "What is the cost of producing milk?". The calculation is based on data from the EU Farm Accountancy Data Network (FADN) as well as the German Federal Statistical Office (Destatis), and has been updated every quarter since 2014.

[Download data sheet here](#)

EMB press release of 15 October 2021

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## Dairy interbranch organisation IP Lait disregards Parliament and yet requests binding force extension

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*The dairy market could have celebrated a major event. With historic unanimity across all political parties, a parliamentary motion was proposed to "improve the terms of the standard contract of dairy interbranch organization IP Lait".*

This motion (for wording in German, French or Italian, click [here](#)) had been approved by the Council of States and the Federal Council. A crucial point was that the supply of B-segment milk was to become voluntary. As a reminder: in Switzerland, B-segment milk is mainly used to produce dairy products destined for export and is paid on average 17 centimes less than A-segment milk (48 centimes vs. 65 centimes – 2020 average). This cheap milk is even used to fund dumping exports and drives prices down so that no sustainable milk can be produced in the long term. As such, the sustainable production of milk by family farms in Switzerland is slowly being destroyed day

by day.

Unfortunately, the milk buyers' and industry's resistance was to be expected. During its Delegates' Assembly in June, the dairy interbranch organisation refused to bow to this parliamentary demand. This is scandalous! In response, we organized a demonstration together with Big-M in Bern on 14 June.

Parallel to this event, IP Lait has recently applied to the Federal Office for Agriculture (FOAG) for an extension of the binding force of its standard contract, which it benefits from, for a period of four years. What is the binding force? This means that the framework conditions are the same for all stakeholders, regardless of whether they sell or purchase raw milk. The binding force also implies that IP Lait's management of the milk market is condoned. In the event of problems with the dairy interbranch organisation, the FOAG systematically refers us back to IP Lait.

Since IP Lait is not willing to implement the parliamentary motion and it is currently unable to make alternative proposals to improve the added value and economic viability of milk production, we ask the Federal Council **not to extend the binding force of IP Lait's standard contract** for as long as IP Lait does not make efforts to improve planning safety and value creation in the spirit of the parliamentary motion. Furthermore, we call for a thorough overhaul of IP Lait's structure, following, among others, IP Gruyère's example, whereby groups of producers, refiners and cheesemakers are represented equally. Within IP Lait, milk producers are poorly represented.

Berthe Darras, Uniterre Dairy Committee

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## BDM tour - lessons learned

*After 13 days and many stops across Germany, the BDM protest procession arrived in Munich. At the closing rally, the almost 3,200 km journey was summed up as follows: without changes to the policy framework that would lead to a significant improvement of our market position, things are simply going to remain the same!*

© BDM

This conclusion is supported by the remarks of the dairy representatives who spoke to us. “There is no solution”, “We are already doing everything imaginable”, “Higher producer prices are impossible in practice” – these were some of the messages from dairy companies. In addition to dairies and abattoirs, we also visited electoral events by the Social-Democratic Party (SPD), the Greens and the CDU (Christian Democratic Union). In this context, it became clear once again that you have no choice but to go on about the issues of the agricultural sector like a broken record. It is only by repeatedly participating in such events that our problems will be addressed. The demonstration in Munich was held alongside the closing event for the electoral campaign of the conservative parties (CDU/CSU) at Nockherberg. We made our discontent heard loud and clear in the presence of Chancellor Merkel, Bavarian Minister-President Söder and Armin Laschet, the CDU candidate for Chancellor.

### **Federal elections – meetings and panel discussions with candidates**

On 26 September 2021, federal elections for the new Bundestag were held in Germany. The SPD emerged as the strongest party and is currently in talks with the Liberals (FDP) and the Greens. In the lead-up to this election, members across Germany invited their direct candidates to meetings and panel discussions on their farms. These events were host to lively debates and some of the new as well as veteran members of the Bundestag were given a greater insight into the BDM’s objectives and proposals. Key issues at these discussions were usually the weak position of farmers within the value chain, structural change in rural areas, and the 2030 sector strategy.

### **Agriculture Minister Conference in Dresden**

The BDM used its protest boat, which had already made an appearance across Germany as part of the protest tour, at the Agriculture Minister Conference to point to and call for a much-needed change in course in agricultural market policy. At talks between different associations and the federal-state ministers, the BDM once again underlined the need to come up with strategies that would allow for significant improvements in producer prices. This is a lone voice in the (political) wilderness, but we are deeply convinced that this is the only way to ensure a viable future for our farms.

If we wish to continue to receive agricultural payments in full, we must implement the applicable environmental services. However, the possibilities being discussed at the moment would lead to significant operational restrictions especially for grassland farms, resulting in major revenue losses. In an attempt to at least limit these losses, the BDM, together with AbL and LsV Schleswig-Holstein, put forth some proposals, which received the support of the ministers of North Rhine-Westphalia, Schleswig-Holstein and Mecklenburg-Vorpommern. It will be interesting to see what the Federal Ministry of Food and Agriculture has to say in this context. In terms of the pending infringement procedure (fertiliser ordinance), Mecklenburg-Vorpommern’s Agriculture Minister Dr Till Backhaus sees dark clouds on the horizon for the federal states that made major concessions regarding the designation of red zones.

*Henrik Kramer, Bundesverband Deutscher Milchviehhalter (BDM)*

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## OPL symposium in Savoie, France: methanation a hot topic

© Coordination Rurale

*The 13<sup>th</sup> symposium of the OPL, Coordination Rurale's dairy section, was held in Haute-Savoie this year in the town of Marigny-Saint-Marcel. Methanation and the dairy sector in Savoie were at the heart of the discussions and drew the attention of the more than 90 participants present. Many young farmers and farmers-to-be showed a strong interest in the issues*

*addressed and actively took part in the debates.*

### **Methanation: between fact and fiction**

Thomas Filiatre from the Institut Solagro, a not-for-profit company involved in the energy sector, gave a presentation on methanation from the aspects of sustainability and agroecological transition (see [presentation](#) in French). The speaker responded to participants' reservations about the number of biogas units which seem to be mushrooming in certain regions, but also about the size of these units. He recalled that biogas production projects should be planned in accordance with the resources available on farms so as not to be oversized, because installing a biogas unit often results in organic matter

having to be purchased externally, which is a drift of the system.

He also mentioned the benefits of intermediate energy crops which can be grown between two main crops and which theoretically do not encroach on food crops. A 2016 decree puts a 15% cap on the purchasing of organic matter from main crops, which spurs some farmers to overuse intermediate energy crops to supply their own biogas units as they are not subject to any checks.

Coordination Rurale is in favour of developing biogas units on farms rather than building large-scale municipal units that use more plant cover and biomass. Coordination Rurale also calls for more checks on the supply of organic matter to biogas units and on their use of intermediate energy crops so that food crops are not replaced by energy crops. During the subsequent panel discussion, these issues were highlighted and participants' concerns and questions were answered.

### **The Savoie dairy sector and its network of cooperatives**

During the afternoon, the FDCL (Federation of Dairy Cooperatives in the Savoie Department) presented the dairy sector in Savoie and the specificities that make it stand out from the rest of the country. Comprised of 1,340 producers, the Savoie dairy sector processes 400 million litres of milk collected every year mainly into cheese (compared to 34% at national level). These cheeses are well known to French consumers and are among the best-sellers in France, where five of the twenty best-selling cheeses are from Savoie.

As such, Reblochon is the most popular Savoie cheese and ranks third behind Roquefort and Comté at national level. Dairy farms in Savoie show very heterogeneous structures. In addition to their typicity and production method that is governed by very strict specifications, the size of the farms varies strongly: from 140,000 litres per farm in the Beaufort area to 345,000 litres per farm on average in the Tomme and Emmental de Savoie areas. As for the farms' operating margins and economic results, the figures are comparable from area to area, but still show significant volatility.

The day ended on the topic of setting up a farm and generational transfer with a speech by Joris Miachon, head of Coordination Rurale's Youth section: "At Coordination Rurale, we want the setting up process to be simplified and incentivised". With him at the podium was Jérémy Béchet, a young farmer who started out without having benefitted from any help scheme. You can find the Youth section's proposals (in French) by clicking [here](#).

[Photos of the day](#)

*Organisation des Producteurs de Lait (OPL)*

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