

Dear dairy farmers, dear interested parties,

The whole of Europe suffered consequences of this summer's drought. The dry weather affected pastures, hay and silage as well as cereal and straw production. As a result of the drought, milk producers are missing key, self-produced feed. In this issue you will find reports of some of our member associations on the situation in their countries.

Danish agriculture has also been hit very hard as the entire country experienced hot "Mallorca" climate throughout the summer. According to official calculations, Danish agriculture loses a total of 800 million to 1 billion euros. Calculations of the Danish dairy farmers' organisation LDM show that the dairy farmers hardest hit will have a deficit of 550 to 650 euros or even up to 700 euros per cow in this current feeding season.

Many dairy farmers have lost two cuts of grass. The grain yield was 60-80 per cent less than normal. Corn looks poorly and the yield is expected to be massively reduced, as it is for grain. The situation is particularly critical for organic dairy farmers, who cannot buy organic feed, and it is only possible to buy organic supplementary feed to a limited extent.

The Danish government is open to providing some sort of drought aid, but internal disagreements or indecision have meant that no scheme was adopted by the end of August. It is estimated that in the worst-case scenario, the drought can increase the number of bankruptcies by up to 400 or 500 out of a total number of some 10,000 commercial farmers. Dairy and pig producers are particularly vulnerable, as they have both grown too little feed, and have to buy replacement feed. Crop farmers are experiencing lower yields as well, while also seeing rising settlement prices.

The EU Commission has provided a number of options for European farmers and even allocated funding via the second pillar, but the Danish government is reluctant. They are not even supporting the idea of speeding up the payment of part of the agricultural aid. The Danish environmental and animal welfare organizations are very active and supported by a significant part of the population. The current (center-right) government is afraid of introducing any type of "farmer-friendly" regulations, fearing that this might have a negative impact on the next elections, which will take place before summer 2019.

All facts considered, this is a rather difficult situation for Danish dairy production. The farmers will need additional liquidity in order to be able to feed their cows until the first cut of grass next year. Organic producers in particular have begun reducing the herd by slaughtering animals, and we will doubtlessly see more of this throughout the autumn.

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

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EU milk production: Effects of drought spell trouble for a sector in crisis

EMB demands permanent crisis management instrument

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Due to the consequences of the ongoing drought, farmers all across Europe are facing major difficulties. In the dairy sector, developments in recent years have only led to the situation becoming even more acute.

In the throes of the dairy crisis, reserves were completely decimated and, in many places, debts piled up. These underlying factors make it even more difficult to deal with the current situation. Drastic decreases in yield and failed harvests are hitting producers hard. Rising feed costs imply increased pressure and are leading to growing financial deficits.

In this extreme situation, financial aid is useful in addressing the direct effects of the drought. In addition, milk powder from EU intervention stocks should definitely be kept off the market at the moment because this would only put further pressure on the anyway low milk prices, which are currently averaging at just about 33 cents/litre in the EU.

As President of the European Milk Board (EMB) Erwin Schöpges emphasises, besides working on short-term measures, it is also very important to come up with long-term solutions that would improve the sector's general framework conditions. "A mechanism that would bring the long series of crises in the sector to an end is an indispensable element in this regard. It should contribute to producers being paid prices that actually cover production costs – including a decent income – and thus allow farms to operate sustainably and to survive," says Schöpges.

Boris Gondouin, EMB Executive Committee member and French dairy farmer, also echoes this sentiment. He believes that progressive crisis management is the only way to ensure that farms stay alive and such extreme situations like the current drought can be dealt with better. "Since the 2000s, droughts have become more severe and much more frequent both in France and beyond. It shows that it is important for us to earn enough in the so-called normal years without digging into our savings, so that we can fall back on them during such more difficult years," says Gondouin. "But this would only be possible if instruments such as the Market Responsibility Programme (MRP) were integrated into the EU Common Agricultural Policy (CAP)."

The MRP could make the sector more resistant to crises. This instrument envisages temporary adjustment of production volumes so that the collapsing milk prices can recover. Flexibly adapted to the market situation, different phases of the MRP can be activated – voluntary production cuts is one such example. The MRP prevents value creation losses that massively weaken producers. To meet the many challenges of sustainable, environment-, animal- and climate-friendly dairy farming, crisis-proof markets and cost-covering prices for producers are needed. In this context, Erwin Schöpges clarifies: "Prices can only be considered cost-covering when they cover all the costs of milk production – including fair remuneration for the labour put in by producers."

EMB Vice-President Sieta van Keimpema sees the MRP as an important step toward a truly common agricultural policy, reducing the unequal treatment currently meted out to EU producers. "Some countries are currently supporting their producers during the drought, while others are very reluctant to do so. The MRP adopts a different approach. As it would apply in the same way to all countries in the European Union and would also predict and avoid crises at EU level, it would help stabilise the dairy market as a whole, which, in the end, would benefit all EU producers."

EMB presse release of 22.08.2018

Irish dairy farmers feel financial squeeze from drought

September on Irish dairy farms would normally be a time when we would be enjoying the fruits of our Summer and preparing for the Autumn and Winter ahead. Bills incurred during the Spring would be paid and farmers would look with pride and reassurance on high rows of bales and full silage pits.

The long winter of 2017/18 meant that cows were in sheds longer than expected with some inside three months longer than usual. This meant that extra silage was used with all surpluses consumed. We had practically no spring and then went straight into the hottest summer that Ireland has known since the record-breaking 1976. The accompanying drought meant grass growth stopped in most parts of the country (but most especially in the high dairy production areas of South, East and Midlands). Even after the (by Irish standards) intense heat ceased, grass growth and suitable rain has been patchy and intermittent. Many Irish dairy farmers are looking at fodder deficits of up to 50% for the upcoming winter as well as having run up significant bills after paying for the extra fodder that the long winter necessitated.

Cashflow is extremely tight at present and though the grass-growing conditions are recovering slowly, Irish dairy farmers will require optimum weather this Autumn so that more fodder can be harvested, and cows left out for as long as possible. Milk price is currently around 32 cents per litre, unfortunately costs have risen substantially due to the drought meaning that many farmers are under pressure and will continue to be in an unprecedented financial squeeze well into spring 2019.

Paul Smyth, Irish Creamery Milk Suppliers Association (ICMSA)

Farmers need protection against climate change and fair prices

After this summer's prolonged drought, the German small farmers' association AbL calls on the Federal Government of Germany to significantly step up efforts to protect against climate change. "Farmers are the first to directly feel the effects of climate change all over the world and that is evidently also the case here.

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We call on the Federal Government to introduce much more rigorous and effective climate change mitigation measures. All must contribute, from the phasing out of coal-fired power plants to greener transport solutions, to an environmentally friendly agriculture and food industry," argued AbL's Federal Chairman Martin Schulz. The low crop yields and parched fields should be a wake-up call for everyone. We have to speed up current efforts to reduce greenhouse gas emissions," said Schulz.

In light of the debate over federal and state emergency aid, AbL also seeks to highlight the responsibility of market partners: "While the declining grain harvest has triggered a rise in producer prices for farmers, dairies continue to keep farm-gate prices too low, even though the amount of milk produced has been low for weeks due to heat and drought," complained AbL milk spokesperson Ottmar Ilchmann. "We are convinced that the retail chains will act when the dairies start to make a serious effort, because there is huge solidarity with the affected farmers amongst the wider public. An increase in prices fully in line with the needs of farms will be widely accepted," argued Ilchmann.

In the medium term, AbL is also pressing for changes in the EU common agricultural policy. The ongoing reform must be used to reward specific steps taken by farms, which could both contribute to climate change mitigation and improve the adaptability of farms to extreme weather conditions. "Today direct flat-rate sums are paid per hectare. In the future, we suggest that the amount of the payments depend on what individual farms are doing specifically for climate, environmental or animal protection," explained AbL chairman Schulz. "For example, diverse crop rotation has positive effects on climate, soil, water and biodiversity. It may also spread certain weather risks. So it makes sense to take into account the variety of crop rotation when providing aid," Schulz stated, explaining the AbL proposal. Moreover, hedgerows, ditches and other landscape elements help preserve biodiversity and could locally reduce the impact of extreme weather conditions, such as wind and water erosion. Similarly, smaller field sizes also have an impact. This can all now be easily gathered from the farm's application data. We want to use these data to reward specific services provided by farms. That is why we must prepare for the forthcoming reform of the EU common agricultural policy," said Schulz, in reference to a concrete [proposal by AbL for a fair EU common agricultural policy after 2020](#).

Press release of the Arbeitsgemeinschaft bäuerliche Landwirtschaft (AbL), 21.08.2018

Hotly contested food initiatives in Switzerland

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On 23 September, the people of Switzerland will vote on two popular initiatives. First, the Green Party's "Fair Food" initiative, which aims to promote food from resource-efficient, environment-friendly and animal-friendly agriculture with fair working conditions. The initiative asks that Swiss standards be also applied to imported products.

Second, the "[Food Sovereignty Initiative](#)", launched by Uniterre. According to the opinion polls, a majority of the population would vote in favour. That would be a sensation! But opponents are now rolling out the big guns. They threaten voters by claiming that the consequences of a Yes vote would be soviet-style agriculture with an ineffective centrally planned economy and empty shelves in the supermarkets. It is undisputed that if the Yes vote wins, food companies will have to re-evaluate their bottom line, because the position of farmers in the market will be improved by both initiatives. Nestle warns of the "very drastic consequences" of implementing the Fair Food Initiative. A Yes vote would put the food industry in Switzerland at risk. "Sourcing and production in Switzerland would be much more difficult, even impossible." Retailers are also concerned about the possible adoption of the initiative. Coop and Migros, which between them represent three quarters of the food retail business, are already threatening higher prices and a reduction in the range of products on offer.

Opponents have a lot to lose. With no plausible arguments to offer the public against the initiatives, they limit themselves to threats and scaremongering. Whether this wins over the people or not, we will find out on 23 September. Until then, there is still a lot of work to be done to clean up all the muck that has been raked up.

Werner Locher, Bäuerliche Interessen-Gruppe für Marktkampf (BIG-M)

French National Food Consultation: if it all was in vain?

One year after the official launch of the French National Food Consultation (*Etats Généraux de l'Alimentation* - EGA), which represented a promise from Emmanuel Macron before his election, the feedback from the negotiations in support of the farmers is still to be expected.

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Production cost indices a source of debate

As a result of the sectoral plans, the inter-branch organisations are committed to creating negotiating conditions that are more transparent and fairer, and to set up a calculation method starting with the producers and enabling their production costs to be taken into account in order to assure them adequate income. Yet the various bodies of the French national interbranch organisation of the dairy sector (CNIEL) – farmers, co-operatives and private companies – fail to reach an agreement on the indices imposed on them by law to quantify. The law even gives the different stakeholders from the sector an option to use their own indicators...

A meeting between the farmers' unions and Emmanuel Macron

During a meeting on 20 July 2018 with the five French farmers' unions, Emmanuel Macron said he wanted to penalise certain players in the sector that would not play the game, by abolishing for instance the increase in the threshold of resales below cost prices for distributors and, if applicable, by no longer recognising inter-branch organisations that would not reach a consensus among the different players. The French farmers' union Coordination Rurale regrets that the government is not reacting with this sanction, as these intimidations have no impact on the downstream part of the sector, which is only buying time.

French National Food Consultation stalling: time to act on the European level?

The draft of the French EGA act does not provide any certainty in terms of better payment for farmers. That is why Coordination Rurale is calling for action on a European level, and not just in France, to draw up an equivalent European analysis that would enable at least the quasi-general under-coverage of production costs at this level to be revealed, as well as the ageing and the problem of generational transition. Removing agriculture from OMC agreements and setting up exceptions for agriculture would enable agricultural prices to be disconnected from world prices.

Véronique Le Floc'h, French dairy producer organisation (OPL), milk branch of Coordination Rurale

Berlin: Milk Dialogue with Federal Agriculture Minister Julia Klöckner

Federal Minister of Agriculture, Julia Klöckner, was invited to the Milk Dialogue in Berlin on 21 August to discuss the prospects of the dairy sector with industry representatives. The federal government wants to develop measures and instruments to be better prepared in future for major crises in the dairy market, appealing, above all, to the dairy industry.

The Federal Ministry will continue with deregulation; there will be no reintroduction of a milk quota system. A pivotal topic of the dialogue for various associations was a "Milk Sector Strategy". Our Federal Minister was somewhat surprised that the Federal Association of German Dairy Farmers (BDM) has not yet been involved in the deliberations of dairy industry associations and the German Farmers' Association. One explanation for this could be gleaned from the statement of the General Secretary of the German Farmers' Association: the BDM always make very far-reaching demands that others should then implement. Representatives of various dairy companies (DMK, Hochwald, Arla) vigorously warned against the possible legal requirement under Article 148 of the CMO Regulation for binding price and quantity agreements. The main arguments from dairy representatives were: this should be left to the companies; external protection would be required; farmers do not want to commit to quantities; and there would be a worldwide

supply surplus.

The representative of FrieslandCampina presented the FC quantity management concept, which has become necessary due to milk production growing faster than demand. Our Federal Minister gave association representatives some "homework" by asking them to summarise the position of their respective associations in writing for implementation of Article 148 of the CMO Regulation. The ministry is also looking forward to the deliberations of the associations on the milk sector strategy.

Johannes Fritz, Bundesverband Deutscher Milchviehhalter e.V. (BDM, Federal Association of German Dairy Farmers)

EMB milk price comparison: hardly any change on milk statements

The EMB milk price comparison provides information about current developments in producer prices in 22 dairies across Europe, of which two dairies process organic milk. The current edition also includes a dairy farm from Ireland that has now joined the comparison exercise.

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Only 11 of the participating dairies increased their farm-gate prices in July. The lowest and highest farm-gate prices in July were reported in Austria and France respectively. Dairy farmers in France reported the most significant price increases – at the four reporting French dairies, prices increased to reach farm-gate prices between 33.38 and 38.60 cents per kilogram in July. However, many producers from Austria, Belgium, Germany, Luxembourg and the Netherlands continued to report farm-gate prices around 28 cents and perhaps up to 31 cents per kilogram of milk.

Considering the higher production costs, organic milk prices reported by Belgium of an average 38.71 to 39.07 cents remain questionably low in the third quarter as well. During the course of 2018, prices were between 36.26 and a maximum 41.65 cents.

EMB Milk Price Comparison until July 2018

*The **EMB milk price comparison** is looking to ensure better comparability of farm-gate prices within Europe. The updated calculation model now shows the farm-gate price with and without dairy-specific bonuses and deductions. The standard values have been set at 4.0% fat and 3.4% protein for the same. Monthly calculations are also regularly corrected for subsequent payments.*

Karin Jürgens, Farm Economics and Rural Studies Office (BAL)

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