

Dear dairy farmers, dear interested parties,

First of all, I would like us to take a moment to think about the losses of lives and serious damages caused by severe weather in Central Europe in July. Belgium and Germany were hardest hit, but France, the Netherlands, Luxembourg and regions in other countries were also affected. I would like to present my sincere condolences to the people and farmers in these areas. In August, we witnessed the very opposite: fires in the south of Europe. Looking at the weather and climate, the situation seems to be serious.

Here in Denmark, summer is back at long last and we are starting the fourth cut of grass. At European level, the EMB is currently sending out its new calculations on the costs of producing milk. We calculated the costs for eight countries and included an EU average for the first time. The revealing numbers show yet again that the prices paid to farmers are far too low and that we are losing money by producing milk. Prices are currently at an average level, but do not cover all costs, mainly due to increasing costs. Some of which, feed for example, are set to rise even further – partially caused by climate change and extreme weather. Furthermore, the next contracts that producers are about to conclude will most likely make the situation worse. The price has to go up between 3 and 5 cents just to cover these extra costs.

As far as the EU institutions are concerned, the European Commission (EC) has recently presented a series of legislative proposals to achieve its climate targets (-55% greenhouse gas emissions by 2030 and carbon neutrality by 2050). Together with the recently adopted CAP reform and the 'Farm to Fork' strategy, this will have a huge impact on farming and milk production. We, as EMB, will be following these processes very closely. After all, it is important to know how the EC intends to decrease and control emissions, from the single cow to entire stables. Will the normal way cows live still comply? Or do we have to reduce their emissions with supplements or even chemically? These two opposite approaches will have to be looked at in detail.

With the CAP reform, the devil is in the detail: it is crucial how each country will implement it on a national or regional scale. Member States have the possibility to adapt the reform, which means that each country could get a different one, potentially increasing differences between milk producers. It will certainly make it even more difficult to calculate production costs for each country. We will have to stay vigilant to make sure that farmers in different countries will not be played off against each other.

Let's stay united, attentive and work together! The recent cost study is a solid basis to take an important step towards fair and cost-covering prices this autumn.

Kjartan Poulsen, EMB Vice-President and President of Landsforeningen af Danske Mælkeproducenter

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Floods and extreme weather in Central Europe in July

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In mid-July, Central Europe experienced long-lasting, intensive rainfall resulting in entire towns, villages and valleys being flooded. This caused numerous fatalities, massive material damage and emotional scarring. We have compiled a few impressions and descriptions of how milk producers were themselves affected in many ways, but also provided crucial emergency aid. They are clearing up and are involved in the immediate reconstruction, as well

as asking questions about the extreme weather and climate impact.

In **Germany**, it was North Rhine-Westphalia, Rhineland-Palatinate and Bavaria as well as other regions that were hardest hit by the extreme weather and flooding. In these areas, there were also BDM farmers who suffered severe damage on their farms and in their fields.

In the first few days after the disastrous flooding, contacts on the spot were sought to co-ordinate the aid and donations. Right from the start, there was a great deal of solidarity among farmers throughout Germany. On 17 July 2021, BDM published a special newsletter for its members with more concrete news on the possibility of aid and also presenting other offers of help. In addition, many BDM members initiated smaller fundraising campaigns to collect money for the flood victims. These raised several thousand euros. On top of that,

contacts on the spot were brought a large number of animal feed donations. This enabled members who had lost large parts of their harvest to still carry on running their farm.

It was also perfectly natural for Fair Milk Germany and its farmers to support the emergency services and local population. The first delivery of milk and cocoa arrived in the areas most affected as early as 16 July. Further pallets were distributed in the following few days.

In **Belgium**, it was the east of the country that was hardest hit, with some places even being flooded twice in one week. Dairy farmers sustained severe damage, especially those whose farms and land were in the region's deep and narrow valleys.

Pastures and meadows have been destroyed, polluted with leaked fuel oil and other contaminants. Expensive analyses will have to determine whether it is still possible to graze cattle there or if it is necessary for expensive decontamination to be carried out (if at all feasible) or to write the land off. There were requests for hay and feed, as well as donations.

Farmers gave immediate help to their fellow citizens affected. Many emptied countless cellars with their equipment, pumps and barrels. And other clearing out would have been a lot harder and slower without their help, machinery and tools. This commitment comes naturally to them, yet in some places farmers complained of a lack of recognition from the public sector. Their voluntary support is taken for granted whilst specialised companies are paid. Overall, the complaints are of a lack of organisational and co-ordination capacity, as well as overburdening and absence on the part of the state, even weeks after the rainfall. The population and farmers organise themselves, often via social networks.

Fairebel, Belgium's Fair Milk, also donated food to those affected and helpers. For instance, in the particularly devastated town of Pepinster, Fairebel farmers handed out Fair Chocolate Milk.

In **France**, where the east was most affected, the impact was less serious in comparison. Cows were saved from flooded pastures and lacking feed is being organised by farmers and neighbours acting in solidarity. Thoughts are already being given to the causes, consequences and prevention of such extreme weather conditions, as well as to coping with the impact of the climate crisis in general.

Producers are experiencing themselves that they sustain damage and incur additional unforeseeable costs. As these costs will presumably accumulate and intensify, it is imperative they are covered by the CAP and/or the consumer price, as well as being considered in production cost calculations.

The (contributing) causes are firstly seen in increasing urbanisation and sealing off land, which takes water's natural place. But self-critical thought is also given, for instance, to watercourses levelled or concreted for or through agriculture that make it difficult for rainwater to seep away. However, farmers should also refer self-assertively to positive or at least alleviating contributions of livestock farming in extreme weather conditions and climate consequences. For instance, the

positive effect of pasture land in retaining water, and especially mud, is mentioned. One approach here would be more animal owners who have the same number of cows on more (pasture) land. Meadows and pastures act as sponge, whereas intensively used arable land tends to be washed away and thus into houses and other buildings. We have seen something similar with fires in the south of France: where animal husbandry is disappearing or being concentrated, it is an easy job for flames on pastures turned into bush.

From south Tyrol in **Italy**, the south of the **Netherlands** and **Luxembourg** we received news and pictures of heavy rainfall and flooding, as well as subsequent solidarity and the indefatigable commitment of farmers.

We wish everyone affected time for grief, a lot of strength in coping with the material damage and emotional scarring, and for reconstruction. Special thanks go to every helper and donor!

Simon Bauer, EMB, based on information from its member organisations, especially Producteurs de Lait Indépendants (APLI), Bund Deutscher Milchviehhalter (BDM), Milcherzeuger-Interessengemeinschaft (MIG)

Market indicators (as on 19/08)

*For the first time since April 2021, the **Global Dairy Trade Index** rose again on 17 August, but only by a scant 0.3%. Although it still remains at its highest level since spring 2014, it fell (in some cases substantially) on nine out of eleven trading days since its peak in early March.*

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Dashboard

The average price for **Italian spot milk** increased significantly in June for a third consecutive month, by 6.87% compared to the previous month, to reach 39.81 cents per kg (+13.13% compared to July 2020). In August, however, it dropped by 2.96% to 38.63 cents per kg (provisional value), which seems to indicate the end of the strong upward trend.

The **EU-27 milk price** rose by 0.5% in July and was pegged at 35.92 cents per kg, continuing a weak decimal-point increase since February. **EU butter prices** were 396 euros per 100 kg, which is an increase of 0.7% as compared to the previous week and a decrease of 0.3% over the past four weeks. Peak prices at 410 euros per 100 kg and above were recorded in late May and in June.

EU skimmed milk powder prices are currently 249 euros per 100 kg, staying on the same level as in the previous week and decreasing by 0.8% over a four-week comparison. Thanks to an almost constant price increase since the new year, a peak price of 260 euros was recorded in early June, which was the highest since the outbreak of the Covid-19 pandemic. Prices saw a decline until the end of July and have stood at just under 250 euros per kg since then.

The rates for milk product futures on the European Energy Exchange (EEX) showed an upward trend. For example, contracts for skimmed milk powder for October 2021 increased on 18 August by 0.7% to 2,505 euros per tonne month on month. Contracts for butter for the same timeframe increased even more by 7.6% and are now at 4,118 euros per tonne.

European Milk Board, August 2021

BDM Federal Delegates' Meeting and campaigns of action

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On 31 July, a Federal Delegates' Meeting could finally be held after more than two years. The election of the Executive Committee and Advisory Board, amendments to the bylaws and discussions on the Milk Dialogue and the Agriculture Dialogue** were the important points on the agenda for this*

attendance meeting.

Conclusion of contracts

Until early this year, half-yearly contracts from May to October as well as from November to April were the norm. Decreasing milk deliveries, increasing rates on futures markets, an ife (German Institute for Food Economics) commodity rate for milk that was about a third higher than the previous year, and stable demand on export markets were all early indicators for higher prices in the first part of the year. However, food retailers decided to change the contract period – new contracts would only begin as of 1 July, such that the old contracts with lower prices would be extended for two months, and there would be no further negotiations this year. This decision and the profit retention by the processing and food industry were the motivation for our dairy actions under the banner

“Enough is enough – stop stonewalling!”

Through our actions in June and July, we appealed to dairies in Germany to bring an end to the blockade by the entire processing industry against every proposal that could fundamentally improve the situation of dairy farmers and make it possible for them to enjoy a better market position and thus better prices. For policy-makers who wish to keep believing that the problems plaguing dairy farmers can be solved within the sector, these actions are a finger pointing at the part of the sector that is actually standing in the way of any real improvement to the situation of dairy farmers: enough with these blockades that put the future of farming at risk!

Committee on the Future of Farming (ZKL)

After nine months and many meetings and discussions, the representatives from farming, agro-industry and NGOs included in the "Committee on the Future of Farming" (ZKL) – which includes our President Stefan Mann – have unanimously agreed on a final report, which was submitted to Federal Chancellor Angela Merkel on 6 July 2021. It is good to note that thanks to our commitment, the need to further develop market framework conditions is stated in the final report. This demand was especially supported by the NGOs. However, the conclusions in the final report are 'only' recommendations, and it is up to policy-makers to decide how and to what extent they will act on them. We believe that this report is a call to action for the next government.

Federal elections in Germany

We will use the campaigning activities for the federal elections on 26 September to advocate for our positions. To this aim, the BDM teams are organising farm visits or panel discussions across the country with candidates, and will be present at the main campaigning events by the lead candidates.

** The producer associations and organisations involved in the Milk Dialogue are: BDM e.V., the milk groups from LsV Land schafft Verbindung, AbL e.V., Freie Bauern, EMB and MEG Milch Board w.V.; they have agreed on a common set of demands.*

*** The Agriculture Dialogue consists of a steering committee and three working groups – Milk, Origin and Pork. The Milk Working Group includes representatives from six farming associations, seven dairies and six food retailers with the aim of improving the income situation in the agricultural sector through a framework contract.*

Bundesverband Deutscher Milchviehhalter (BDM)

Portugal: Dairy Farmers with the lowest milk price in Europe ask the President to intervene

For months, Portuguese dairy farmers have been facing huge increases in production costs. APROLEP has published several press releases. And in February, it organized a demonstration in the city of Porto featuring 200 pairs of boots, symbolizing the 200 producers who abandoned dairy farming last year.

© APROLEP

One of the activities with the greatest impact was a visit from the Portuguese President, Marcelo Rebelo de Sousa: on 10 May, he visited a family farm that has been producing milk and meat for generations. He saw for himself the animal welfare of the 180 dairy cows and visited the modern milking parlour and milk storage facilities complying with all the food safety rules. He praised the quality of the milk and the excellent national cheeses produced in several family dairies and cooperatives. During the visit, APROLEP drew the President's attention to some of the issues that concern farmers and especially milk producers and asked him to intervene, particularly with regard to the milk price and production costs, together with the negative image of agriculture and livestock in schools and in society as a whole.

In the August issue of our magazine, Marisa Costa, Vice-President of APROLEP, stated: "Animal feed costs go up. Costs of production factors go up. The price of fuel goes up. Prices for building materials go up. The demands made by industry increase. But producer prices have remained below the European Union average since 2015, reaching a difference of 6 cents in 2021.

Measures and support announced by the Portuguese government, with all the excellent communication skills at its disposal, give the population the impression that farmers are receiving subsidies and the problem is solved! Retail campaigns and promotions even use milk to lure consumers. Persistent publication of support for national production even hides the miserable prices at which products are demanded or purchased.

Today, the industry is reaping the results of its lack of innovative vision in the past: the failure to launch value-added dairy products means that ground is being lost to white brands.

There are too many links in the milk value chain. There are too many organizations living off milk money. There are too many salaries and perks that do not generate results.

We live in difficult and demanding times. It will take great humility, determination, respect for production, value creation and income sharing to reverse this situation."

Carlos Neves, Associação dos Produtores de Leite de Portugal (APROLEP)

Commission study predicts benefits of EU environmental strategy will be lost as production moves elsewhere in 'carbon leakage'

A new study by the EU Commission's Joint Research Centre (JRC) has shown that the objectives set out in the EU's 'Farm to Fork' (F2F) and Biodiversity strategies will deliver significant reductions in emissions and have measurable environmental benefits. But the study also predicts that these reductions are likely to be themselves drastically reduced as food production moves to countries with lower – or no – comparable standards in what is

known as 'carbon leakage'.

Focusing on the emissions reductions set out in the F2F Strategy, the research concluded that the measures were likely to cut farming emissions by nearly 30%, but noted that almost half that gain would be lost as production moved out of the EU to other less regulated locations. The research also concluded that the F2F measures will inevitably result in EU farmers' incomes being cut as they go through a 'challenging transition' due to the lower production and the lower yields that will result from the reduction in chemical fertiliser. The JRC's findings have already attracted the criticism of ICMSA

President, Pat McCormack.

"Irish farmers are going to struggle to see the point of us curtailing our production of dairy and beef – in which we certainly are amongst the most sustainable in the world – only to see that slack picked up and transferred to other producers that are notably behind us already, before we've even introduced the latest round of environmental improvements and sustainability measures. This is the hole in the heart of the EU's F2F Strategy: it only makes sense if we refuse to import foods from producers with lower environmental standards of production than ourselves. Otherwise, we're just pretending to ourselves that because the emissions didn't happen here, they didn't happen at all, and impoverishing ourselves while we're at it", said the ICMSA President.

"This has to be addressed and it has to be addressed right now and before we go a step further. We already saw individual Member States veto Mercosur on exactly this ground of utter pointlessness, but it was very notable that it wasn't the Commission itself who connected the dots. That has to change; we need to hear and see a firm commitment from the EU that going forward absolutely no foodstuffs will be imported from any producer – processor or State – where lower environmental standards were utilised in the production of the food. Otherwise, we're just pretending to deal with emissions and we're pretending at the expense of the livelihoods of the already dwindling number of EU farmers."

Mr McCormack explained that there were now two clear and identifiable obstacles to the logic of the EU's agri-food and environmental strategy. "The first is the question of margins and the ending of the retailer-led 'cheap food' policy and the second is the question of how the EU is going to seal off its markets to imported food produced to lower environmental and sustainability standards. These are not afterthoughts; if we don't get these first steps right then our fear is that every subsequent step takes us further off the correct path forward".

Mr McCormack said that farm families are the ones directly in the firing line of this demonstrably flawed F2F strategy. He declared that an EU research body has now picked serious holes in a flagship EU strategy and Member States must now insist that the EU Commission carries out a full economic and environmental analysis of the strategy and puts the facts on the table before poor decisions are taken that will have a hard and ultimately pointless negative impact on EU farm families and agriculture sector.

ICMSA press release from 6 August 2021

Mail: office@europeanmilkboard.org

Document-URL: <http://www.europeanmilkboard.org/https://www.europeanmilkboard.org/english/newsletter-september-2021.html>