

Dear dairy farmers, dear interested parties,

Farm work is not “just” farm work. It is called the primary sector for a reason because without it, other economic activities would not be possible. Without farmers, there are no farms, and without farms, there is no food. Politicians seem to have forgotten where their meals come from. They have come to take for granted stocked supermarket shelves and grocery carts filled with affordable, quality food. When farmers give up because they are unable to make a decent living, knowhow is lost. Once set in motion, this process is difficult, if not impossible to turn around.

Let's have a look at what we in the European Union can do about this.

Farmers must remain involved in politics

A gloomy autumn season is forecast for all members of society, but for dairy farmers in particular, which is exacerbated by the fact that we have already used up a considerable amount of our energy and financial reserves in recent years due to severe, consecutive crises. In addition to working on our farms, we have also positioned ourselves politically and rolled up our sleeves to seek to establish a stable market. It goes without saying that this political work still is and will remain essential. **It is therefore vital that we as farmers maintain our strong involvement in the political arena.**

Demonstrations and campaigns are part and parcel of this work. An effective way for farmers to fight for their survival is to organise, organise, organise. This is easier said than done given that dairy farming is very demanding and does not afford us much spare time for other activities. Our voices can only ring out loud if we stand together to fight for an agricultural sector that is socially, economically, and environmentally sustainable, including for producers.

A core political task of the EMB is to ensure that production costs are passed on to those purchasing the milk. The EMB is equally active in trying to anchor social sustainability in the European Common Agricultural Policy and the Green Deal, while advocating for our **Market Responsibility Programme** to be included in the EU crisis toolbox. Last July, farmers from the two important transnational producer organisations EMB and ECVC sent a **joint open letter** to the EU institutions and national ministries to call for stable farmer incomes as they are the sine qua non for food security in the EU.

More farmers should make use of producer organisations' support for negotiations

Producer organisations have continued to develop but producers are still not negotiating on an equal footing with dairy processors and supermarket chains. This begs the question: what can we – what can each and every one of us - do to increase our market power? For producers to get the upper hand, **more of us need to join organisations that actively negotiate the conditions of milk deliveries for many farmers.** These organisations must have a horizontal structure, i.e. they need to negotiate with several processors instead of putting all their eggs in one basket.

When it comes to policy makers, they can help improve the legislative framework for producer organisations, such as allowing them to draw up and negotiate contracts for milk delivered to cooperatives.

EMB Newsletter September/October 2022

- Market indicators (on 13/09)
- France: Yes to milk prices, but which ones?
ICMSA say 'near total' suspicion that Irish government policy is 'managed decline' of commercial farming
- Switzerland: Never-ending import requests for butter!
- Drought 2022 - livestock farming in danger
- The interplay between climate change and pasture grazing
National meeting of Portuguese milk producers

Contact

EMB - European Milk Board asbl

Rue du Commerce 124
B-1000 Brussels

Phone.: +32 - 2808 - 1935

Fax: +32 - 2808 - 8265

office@europeanmilkboard.org

www.europeanmilkboard.org

Support the Fair Milk project

Meanwhile, the **Fair Milk initiative** pays fair prices to participating producers, serving as a model for the wider dairy market. This is a very positive project sending out strong signals already in France, Belgium, Germany, Luxemburg, Switzerland and also on the African continent. Consumers and farmers massively support this project which bears realistic optimism. Farmers can further enhance this impact by building up support for this key project.

Politicians should ensure agricultural products are not sold below production costs

For milk markets to be stable, they need to be fair. In other words, farmers should be paid a price for their production that not only covers their running costs, but that also provides sufficient income. More specifically, if we want to have and maintain a healthy relationship between dairy farmers and processors, the **law should prohibit the sale of milk at a price below its production cost**. It goes without saying that this should apply to milk delivered to cooperatives and to private enterprises alike.

By reading the contributions of our members to our newsletters, you will see that current prices are still lagging behind production costs, with the gap increasing day by day. For instance, the APROLEP article shows that costs for our Portuguese colleagues have increased by 51% since the start of 2022, yet the industry has only raised the milk price by a mere 35%. Instead of getting smaller, the gap between costs and prices is widening. As our French colleagues point out in their article, the situation is similar in France, with prices at an estimated 445.50 euros per ton, which is far below the cost of production.

Policy makers should exclude agriculture from free-trade agreements and include mirror clauses

The EU is still eager to conclude free-trade agreements, such as the most recent one with New Zealand. As a result, New Zealand will export, among other things, more butter, milk powder, cheese and beef to the EU. However, it is the position of the EMB that agriculture be taken out of such free-trade agreements. The sector is simply too important from a strategic point of view.

As a general principle, agricultural products imported into the EU should be subject to the same conditions and regulations as EU products (mirror clauses). In other words, imported agricultural goods should be of the same quality and produced under the same social and ecological standards European producers have to adhere to.

Let us together send policy-makers a strong reminder about **where their meals come from**, and that **assuming farmers will keep on feeding them in such circumstances is not a given**. Let's continue to jog their memory that the problematic course the EU finds itself on must be altered. It is all the more essential that we farmers continue to actively participate at all levels. **It is not just the livelihoods of individual farmers and milk producers that are at stake, but food production and food security itself.**

Roberto Cavaliere, member of the EMB Executive Committee and President of the Associazione Produttori di Latte Pianura Padana (APL)

Market indicators (on 13/09)

*In early September, the **Global Dairy Trade Index (GDT)** rose again (4.9%), after staying in the negative in July and August (5 July: -4.1%, 19 July and 2 August: -5% each, 16 August: -2.9%). The Index had continuously shown a negative trend since March 2022, while it had constantly reported positive figures since the beginning of the year until March. It remains to be seen if the rise in early September is the beginning of a new positive trend.*

At 66.88 cents per kg of milk, the average price for **Italian spot milk** in mid-September was above the July price of 65.13 cents, after a slight dip in August. The increase in September amounts to almost 50% compared to the January price of 44.75 cents. Compared to the price of 40.38 cents in September last year, this represents an increase of about 65%. Compared to April 2021 (32.31 cents), the current spot milk price is an increase of almost 108%.

The last time the **EU-27 milk price** was under the 50-cent mark was in June at 49.40 cents per kg of milk. It has since increased by 5% in August to 51.89 cents. Compared to August 2021 (36.41 cents), this is an increase of about 43%.

In early 2022, the **EU butter price** was 559 euros per 100 kg and it has increased significantly since then. It has gone up by about 30% compared to January to 725 euros in early September. Compared to the previous week (28 August 2022: 716 euros), the price climbed a further 1.3%. A year ago (5 September 2021), the EU butter price was at a significantly lower level – somewhere around 401 euros.

The price for **EU skimmed milk powder** is currently (4 September 2022) 376 euros per 100 kg, which is an increase of 1.6% compared to the previous week and a decrease of about 6% across a two-month period. A year ago (5 September 2021), it was still at 257 euros. The price broke through the 400-euro threshold in late March 2022 and remained above this mark practically up to late June. Prices slid back below 400 euros thereafter.

The rates for **dairy product futures on the European Energy Exchange (EEX)** are as follows: skimmed milk powder contracts for January 2023 increased from 3,371 euros on 12 August 2022 by about 11% to 3,740 euros per tonne on 12 September 2022. There were no changes with respect to January contracts for butter within the same period. These prices remained at 6,850 euros per tonne in both August and September.

European Milk Board, September 2022

France: Yes to milk prices, but which ones?

For some time now, the French federation of milk producers (Fédération Nationale des Producteurs de Lait, FNPL) has been threatening to launch a large-scale protest to demand a revaluation of the milk price. Coordination Rurale (CR) is surprised about the sudden awakening at the largest French “farmers” union, with its President Thierry Roquefeuil declaring: “We want to be within the European average when it comes to milk producer and consumer prices.”

In this case, it would be worth taking another look at the indicators! Mr Roquefeuil estimates that “milk producers should have been paid 445.50 euros per tonne in June but the average in France was closer to 425 euros”. This fact really does make you wonder. Clearly the indicators underpinning his estimate do not envisage proper remuneration of dairy farmers!

As early as February, at the Salon de l’Agriculture trade fair, Coordination Rurale called for a milk price of 500 euros per tonne so that farmers could make a decent living from their work. Given the consequences of the war in Ukraine, the IPAMPA (purchase price index for agricultural means of production) indicated this spring that prices have increased by 108.3% for fertilisers, 47.2% for energy and lubricants, and 27% for bought-in feed between May 2021 and 2022. How is it possible to estimate that 445.50 euros per tonne is a fair price faced with these conditions?

According to Sophie Lenaerts, dairy farmer and head of the dairy section of CR, “you need to open your eyes, stop treating farmers as an adjustment variable, and demand prices that are really cost-covering.”

Enough opacity when it comes to milk prices

In light of recent communication campaigns seen in French supermarkets, Coordination Rurale would like to reiterate that it is important to not lose sight of the target. Drinking milk represents 10% of the dairy sector. What are we doing about the remaining 90%? Furthermore, while we deplore the fact that farmers are always the last in the line, we refuse an approach where consumers are left bearing the entire burden of rising production costs.

At the end of the day, the problems in the dairy sector are systemic: the entire value chain needs to shoulder its responsibilities and comply with the law. The lack of transparency regarding certain downstream links in the supply chain is obvious to all. In this regard, Philippe Chalmin, director of the French Observatory for Pricing and Margins (OFPM), regrets that it is impossible to break down dairy sector data on the basis of industry metrics (multi-products, mass consumption products, commodities, etc.) because “some companies have a secrecy policy that could be deemed a bit excessive”. For example, the lack of data on the valuation of powder and butter is hardly a secret – who will finally oblige processors to make their margins public?

The dysfunction is, in fact, systemic because certain cooperatives drive down prices with total impunity, despite a sectoral plan and the Egalim Law (for the balance of commercial relations in the agricultural and food sector and healthy, sustainable and accessible food for all). And everyone profits, except for farmers, of course! According to the European Milk Board (EMB), milk was sold at an average 29% below production cost in France in 2021. How can you laud a sector that does not permit fair remuneration of the very first link in its value chain?

If nothing is done about this, the sector is doomed. Farmers are ready to throw in the towel and no one is really willing to take over their farms. For many months now, Coordination Rurale has been calling for a milk price of 50 cents per litre. It is high time for the rest of the sector to bear its share of the responsibility and guarantee farmers a decent income.

Sophie Lenaerts, Head of the Dairy Section at Coordination Rurale

ICMSA say 'near total' suspicion that Irish government policy is 'managed decline' of commercial farming

© ICMSA

The President of ICMSA, Pat McCormack, said that nobody could be unaware of the widespread perception in rural areas that the government has taken a decision to 'wind down' Ireland's commercial farming sector and, within that, specifically target commercial family dairy farms.

Mr McCormack was speaking after attending Virginia Agricultural Show and said that he was struck by the unanimous opinion of all he spoke to there that – regardless of public announcement – a policy of 'managed decline' has been decided upon and that whenever the government is faced with a choice that either supports commercial farming or disadvantages it, then they will unfailingly choose to the latter. Mr McCormack said that while ICMSA did not necessarily subscribe to that belief, it was undeniable that even the most cursory glance at the government's record on every single issue pertaining to farming showed a bias against commercial farming and specifically against

commercial family dairy farms.

“Obviously the government is going to strenuously deny that they are anti-farming. But they would want to start backing that up with action and funding. Because the totally unanimous belief out there amongst our members is that on every single occasion that this government has been faced with an 'either/or' choice between helping farmers or hindering them, then they have hindered them every single time. A really obvious example of this is the difference between the way the government looks at, for instance, data centres on the one hand and our dairy sector on the other. They seem to contort themselves looking for ways to accommodate vast energy-consuming foreign-owned data centres that employ less people than a nearby Co-op store. Meanwhile, there's a steady flow of regulations and restrictions and costs all aimed at farmers and coming from every direction that all combine to make it harder day by day to produce the food that is the real economic and indigenous infrastructure of these local communities”, said Mr McCormack.

The ICMSA President said that he was amazed that more rural members of parliament (TDs) were not aware of the degree to which their rural constituencies had now identified this double standard. “It's not our place to point out the obvious to rural TDs, but nobody can say they weren't told. In fairness to some representatives from all parties, we are aware of individual politicians who admit their confusion over official policy. But that won't be anywhere near enough come a General Election, and we think that there's going to be a degree of shock at the extent to which traditional farmer support will either stay home or switch. There's a Budget in four weeks, and if ever there was a time to signal that the government understands the extent of disappointment and downright anger amongst the farming communities, then this is it”, concluded the ICMSA President.

Pat McCormack, President of the Irish Creamery Milk Suppliers' Association (ICMSA)

Switzerland: Never-ending import requests for butter!

As early as mid-June, Uniterre and BIG-M were outraged at a third import request for an additional 1000 tonnes of butter, which increased the allocated quota to 4100 tonnes. And that is not even the end: in mid-August, it was announced that “the Federal Office for Agriculture has raised the 2022 tariff quota for butter for the fourth time.” They claim that this is because “according to estimations by the sector, the domestic butter supply will be insufficient this year. As a larger amount of Swiss milk will be used to make cheese, there is not enough left to produce butter.” This means that for 2022, we are now looking at an import quota of 5100 tonnes. What a shock!

With this development, the press release published by the Uniterre Dairy Committee on 29 June 2022 has become even more relevant. Read the full text here:

The import quota for butter has been increased by a further 1000 tonnes – misguided priorities

The following was published on the [Federal Office for Agriculture's website](#) on 16 June 2022: “The Federal Office for Agriculture (FOAG) has raised the 2022 tariff quota for butter for the third time.” (This applied to the period from 1 July 2022 to the end of the year.) “This is following a request submitted by the Milk Interbranch Organisation. The additional import volume of 1000 tonnes is necessary to cover internal demand up to the end of the year. (...) As a larger amount of Swiss milk will be used to make cheese, there is not enough left to produce butter.” To date, the FOAG has allocated 4100 tonnes for butter imports in 2022.

Just a bad dream? Sadly not! The import quota was increased even though the Milk Interbranch Organisation (IP Lait) set up a new “fund” in 2021 called MPC Box to promote the export of highly processed milk protein concentrates. A recurring issue with butter production is the lack of ideas for how to use the protein by-products. The MPC Fund was created as a way to deal with this problem. This fund finances “regulation” and is one of the two funds replacing the “chocolate” law since 1 January 2019.

What is the situation like one and a half years later?

In the fund report for 2021, the IP Lait conceded that in spite of the support for MPC by-products, butter production did not increase in 2021. As far as Uniterre is concerned, this situation is unacceptable! Furthermore, the export of cheese without “added value” has increased even further in this period: as compared to 2020, the export of “other semi-hard cheeses” has increased by 13.6% and of “Switzerland Swiss” by 2.2% in 2021. This is nothing new because it is far more interesting for processors to make cheese for export rather than butter for the local market due to the bonus paid for milk used to make cheese. What misplaced priorities!

The logic behind this approach continues to elude us. When will we finally decide to promote local production through appropriate planning instead of driving exports at all costs? Because that would be a way to enhance food sovereignty!

Press release published by the Uniterre Dairy Committee in coordination with BIG-M on 29 June 2022

Drought 2022 - livestock farming in danger

“France is setting a new record for soil dryness on a daily basis”, warned the French meteorological service in late July. With a shortfall of 85% of rain across the country and record temperatures, the soil was even drier than it was on the same date in 1976 and 2003. If this was not enough, things are

likely to get even worse in August.

The consequences are already affecting livestock farmers all over France. In mountainous areas, some of them have been forced to bring their herds back down from alpine pastures. In Pays de la Loire as well as in Brittany and the North of France, livestock farmers have seen their fodder yields cut in half and their maize yields reduced by 50 to 80%. According to Agreste (agricultural statistical office), the deficit in plant growth reached 60% in July in the south of France, and not a single drop of rain has fallen in the Provence, Alpes and Côte d’Azur region since the beginning of summer. In all corners of the country, farmers are bringing their herds back inside due to a lack of pastures

for grazing and are feeding them fodder actually meant for winter.

Some like Tanguy Le Bonniec, organic dairy farmer in a farming grouping (GAEC) in Côtes-d’Armor (550,000 litres/year on 110 hectares), are already anticipating a drop in production: “This year, our stocks have reduced by 50% as we started using them five months earlier than usual. In order to compensate, we have downsized our herd and dried off our first-calf heifers for six months instead of two. Coupled with the reduced milk volume due to low-quality pastures, we are looking at an estimated drop of 150,000 litres in milk sales. With milk sold at 0.5 euro per litre, that represents 75,000 euros, add to that a price drop of 50 euros per 1000 litres, i.e., another 20,000 euros, and an estimated additional 10,000 euros to buy hay, and we are set to experience a loss of revenue of 100,000 euros.” Estimates by Coordination Rurale in Brittany show that the cost of the drop in maize yield is about 100 euros per 1000 litres.

In this situation of drought, some suckler-cow farmers “will have no other choice but to sell their herd as they cannot feed their cows grass nor can they buy in feed due to a lack of funds for feed that is just too expensive,” predicts S. Charbonneau, head of the Meat Section at Coordination Rurale. According to this livestock farmer from Vendée, this context “threatens a very severe reduction of the suckler herd in France.” This situation has already played out in the south of France – in the Aubrac plateau where the authorities were forced to bring in water tankers because of the severity of the drought. Livestock farmer Noël Entraygues states that fellow herders prefer to sell off their dairy cows prematurely because they simply do not have the funds to keep them fed.

Restrictions on irrigation for agriculture have been enforced in all departments of metropolitan France to differing degrees (complete ban or limited amounts or during specific times, [see map of France](#)); however, this is not stopping people from attacking farmers and their herds. Acts of sabotage, like those on two water reservoirs in Vendée, have sadly become a regular occurrence. Drinking troughs are also not spared like in Haute-Marne where dozens of animals died of thirst after their water troughs were emptied.

In light of this reality, CR’s key demands only become more relevant: guaranteeing decent producer prices is absolutely urgent; water storage in winter must be increased to facilitate access to irrigation and thus secure yields and income. While the government does not control the rain and the weather, it must measure the impact of this historic drought and release crisis funds immediately to help farmers survive this dire situation and thus preserve the country’s food sovereignty.

Sophie Lenaerts, Head of the Dairy section at Coordination Rurale

The interplay between climate change and pasture grazing

We farmers are committed to climate protection because we are directly affected by the fallout of climate change. There are many different ways to mitigate climate change. When looking at greenhouse gas reduction in dairy farming, case-by-case evaluation is essential as carbon emissions strongly depend on the location, structure and type of farm and use. Dairy farming is not per se a climate killer as is often claimed today.

It is clear to see that the discussion remains superficial and that the complexities of milk production are not analysed in their entirety. This results in the positive climate effects of dairy farming not receiving due consideration. When it comes to maintaining permanent pastures, for example, dairy farming is essential. A cow can convert grass, which is not fit for human consumption, into nutritious milk. Furthermore, grassland sequesters carbon and thus has a positive effect on the climate. Hennig Haschenburger, for instance, has chosen grass-based, ruminant-friendly feed and pasture grazing on his farm at the North Sea coast, with natural, regional circuits also playing an important role. You can learn about how he puts this into practice on his farm in a [video](#) (available in German). We would also like to point you to our [position paper on climate protection](#) (also available in German).

Federal Farm Minister Özdemir defers eco-schemes

The first instance of obligatory set-asides in the coming year is to be deferred. Cultivation will still be permitted, but it shall be limited to cereals (except maize), sunflowers and pulses (except soy). This only applies to areas that were not already classified as fallow arable land in 2021 and 2022. Scientific calculations project about 100,000 to 180,000 hectares of arable land thus continuing to remain available for cereal production. A one-off derogation from the requirement for crop rotation is also foreseen for 2023. This means that farmers in Germany will be able to grow wheat followed by wheat in 2023 as well. In previous years, this was the case on about 380,000 hectares. However, it is worth contemplating whether these decisions will help alleviate global hunger (that has existed for decades) as well as whether the current developments towards increased production will have a positive effect on prices for agricultural raw materials.

BDM confers journalism award

At the farm of our BDM members, the Fockenbrocks family, in Telgte in the Münsterland region, we honoured Kirsten Gierse-Westermeier and Stefanie Dullweber with our journalism award in the “trade press” and “print media” categories. The traditional ceremony as part of the BDM symposium was unfortunately not possible as it had to be cancelled on account of the COVID-19 pandemic. Due to organisational reasons, we already awarded Ulrike Werner in the “radio” category on 1 June as part of our demonstration in Berlin on the occasion of World Milk Day.

Bundesverband Deutscher Milchviehhalter (BDM)

National meeting of Portuguese milk producers

village of Alfeizerão, Alcobaça.

On 1 July, the national meeting of Portuguese milk producers brought together about a hundred APROLEP member farmers and practitioners from the dairy sector at Vacaria and Queijaria (farm and cheese dairy) 'Flor do Vale' in the

The meeting was hosted by APROLEP President Jorge Silva and his family who received the participants with great hospitality and showed them around the dairy and the cheese-making area, followed by lunch. The meeting was also attended by Rui Martinho, Secretary of State for Agriculture. It featured a panel debate on the topic of "The cost of production and the milk price", involving producers and representatives of cooperatives and the dairy industry. The panel discussion was chaired by APROLEP's Secretary

General, Carlos Neves.

The average cost of milk production in Portugal has increased by 51% since the beginning of the year as a result of rising prices for the means of production. However, the farm-gate milk price paid by the industry has increased by a mere 35%, which is obviously insufficient, denounced milk producer André Barão. Cereal prices reached a record high this year, at 410 euros per ton for corn and 585 euros per ton for soybeans, inflating the cost of

feed.

Portugal has the second lowest milk producer price among all EU member states (40 cents on average); according to the industry, this is due to the price pressure exerted by large retailers.

The lack of economic sustainability in dairy farming should be a major concern for the dairy industry because it means that there is a risk of younger generations turning their back on milk production. The threat is real and the statistics confirm it: the period from 1999 to 2019 witnessed a considerable decrease in the number of dairy farms (90.7% in mainland Portugal and 52.5% in the Azores). Currently, there are 3.800 active milk producers in Portugal.

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