News Details
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Corona crisis: current developments and situation for milk producers

The Corona crisis has led to many new developments in the past week. Please read on for the latest information on the situation in the dairy sector:

Video conference of EU Agriculture Ministers (25/03/2020)

On 25/03/2020, the EU Agriculture Ministers met via video conference. A range of proposals were discussed, including the implementation of safety-net measures for the dairy sector. Voluntary production cuts were also suggested, and supported by some countries. According to the EU Agriculture Commissioner, it is still too early to activate this measure. The situation shall be re-evaluated in April and specific measures might be implemented thereafter.

Market indicators

As compared to last week, there were developments in the following key indicators:

Futures on dairy products on the European Energy Exchange (EEX) (26/03/2020)
Prices for dairy futures have fallen significantly on the European Energy Exchange (EEX). For example, butter contracts for May on 25 March fell to 3,194 EUR/t. On the reference day of 13 March, contracts had already fallen to 3,300 EUR/t – down by 5.7% as compared to the previous week.

EU skimmed milk powder price: 228 EUR/100 kg (25/03/2020)
Over the last week, the price for skimmed milk powder dropped a further 5.7% to 228 EUR/100kg. This is in addition to the price decrease of 2.8% in the preceding week.

EU butter price: 349 EUR/100kg (25/03/2020)
Butter quotations are currently at 349 EUR/100kg. This means a decrease of 0.3% since the previous week and -16% compared to the previous year. Prices already fell by 0.2% in the preceding week.

Situation in the different countries

Italy:

In light of the current situation, many countries are blocking imports from Italy. This blockade is further compounded by orders from the Italian government to close all restaurants, bars and canteens. This has led to a sharp drop in revenue for small and medium-sized dairies, which are not in a position to process all their milk deliveries. Therefore, some dairies have called on Italian producers to undertake voluntary production cuts.

The price for raw milk has dropped significantly and is currently less than 30 cents per litre.

France:

Small dairies making fresh milk products with a short shelf-life (yoghurt, cheese, etc.) are especially at risk of having to stop production in the course of this week. Many fresh products with a short or expired use-by date that could not be delivered to schools or catering facilities were progressively thrown away. While some dairies informed their producers that they would not be able to collect their milk this week, solutions were found to ensure that this milk was, in fact, collected by other processors.

Damien Lacombe, President of the French cooperative Sodiaal, sent a letter to his affiliates, informing them that Sodiaal "supports the activation of voluntary production reduction and measures for private storage at European level." (Letter on 20 March 2020)

Belgium:

On 23 March, the Belgian dairy industry association BCZ-CBL informed Belgian milk producers that no additional milk will be required. They called on each member to fulfil their social responsibility by not increasing production.

Germany:

The Federal Government has approved a large financial aid package with subsidies and loans that will not have be paid back. Farmers do however not directly participate in these programmes. The entry of seasonal workers was completely halted on 25 March. As a response, online platforms were set up to send students and other workers, who are in part-time work or unemployed, to replace seasonal workers in the agricultural sector.

Furthermore, agriculture was also deemed system-relevant infrastructure, which gives it a special role within the quarantine measures and government-mandated business closures. This will allow production to continue. Social insurance agencies for the agricultural sector and the Rentenbank are offering deferred payments and interest rebates on loans respectively.

The BDM has sent a letter to the Agriculture Ministers at federal and state level, Federal Chancellor Merkel, the members of the German Bundestag and EU Agriculture Commissioner Wojciechowski. In this letter, the BDM calls for the implementation of a temporary reduction in milk deliveries. They have also written to dairies, highlighting the need for them to take action as well.

In their statement on the Corona crisis, the AbL also calls on the Federal Government and the Federal Ministry for Agriculture to immediately and expressly work toward the activation of crisis instruments at EU level.

Luxembourg:

Milk collection is continuing as usual. Animals for slaughter and calves are still being exported, albeit at a lower meat price.

The demand for Luxembourg's Fair Milk *D'fair Mëllech* continues to remain high. Unfortunately, the dairy cannot fill and package quickly enough to meet demand.

Switzerland:

No special measures have been implemented for the dairy sector yet. Furthermore, the parliamentary decision to make the delivery of cheaper B-milk voluntary is still to be implemented. A contact point has been set up to help vegetable growers find harvest workers.

Some milk producers, who usually sell their products in markets, have opened small shops on their farms. These direct sales are working well.

Portugal:

Milk collection is proceeding as usual. In the cow milk sector, some cheese dairies faced occasional issues as they could find no takers for their products, having worked closely with the restaurant sector in the past. They have proposed a drastic price reduction of 30%! Goat and sheep milk producers have said that in some occasions, they were forced to throw their milk away.

Ireland:

Farmers infected by Covid-19 can apply for an illness benefit.

ICMSA has called for special measures to counteract market distortions in the EU food sector, for example, private storage, low-interest loans and seamless transport of foodstuffs.

United Kingdom:

For now, milk collection is continuing as usual. As the self-sufficiency rate in the United Kingdom is only 57%, it is quite likely that large amounts of milk and milk products will be consumed locally. There is, however, still talk about reducing the farm-gate milk price. All cattle markets in Northern Ireland and many in Great Britain are closed. Transport issues and company closures could lead to problems in sourcing spare parts for milking equipment and machines.

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