News Details
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Latest developments in Europe in the context of the coronavirus crisis

The situation in the dairy sector is becoming increasingly difficult. A seasonal increase in production is expected in the coming weeks as cows are moved from stalls to pastures.

Please find below information on the political measures taken by the European Commission as well as about the current situation in Belgium, Denmark, Germany, France, Latvia, Lithuania, Italy, the Netherlands, Sweden and Ireland.

Thereafter, we present the current market situation – illustrated using important market indicators like the price on the spot market, the Global Dairy Trade-Index (GDT) as well as butter and skimmed milk powder prices.

Political measures taken by the European Commission

EU package: 30 million for private storage
On 22 April, the European Commission announced crisis measures for the agricultural sector. A total of 30 million euros will be made available for private storage aid for skimmed milk powder, butter and cheese.

Six million euros will go into aid for the storage of 90,000 tonnes of skimmed milk powder, 14 million euros for the storage of 140,000 tonnes of butter and a further 10 million euros is planned for the storage of 100,000 tonnes of cheese. The storage periods are to be at least two months and maximum seven months.

Producer organisations can plan milk production
The EU Commission's aid package also provides for recognised producer organisations and inter-branch organisations to conclude joint agreements to plan milk production, based on Article 222 of the Common Market Organisation. The derogation would be limited to six months.

EMB comment: The EU Commission has learned nothing from past crises! Experience shows that private storage is unsuitable as a crisis instrument as it has no effect on milk volumes. Equally, the measure of planning of production by producer organisations and inter-branch organisations on a voluntary basis (Article 222) was already implemented without success in 2016. The problem here is that supply management is not coordinated at EU level, so that the entire market cannot be relieved.

Call for EU-wide production cuts
In addition to calls for an EU-wide voluntary volume reduction scheme from several dairies, think tanks and numerous producer organisations, some decision-makers voiced their support for compulsory production cuts. In April, 14 MEPs called on Agriculture Commissioner Wojciechowski to implement a mandatory volume reduction scheme.

Information from our national member associations

Belgium/Wallonia
Individual dairies already reduced milk prices for March: LDA shaved off 2.50ct/l, dropping to 30ct. Arla reduced prices by 1.04ct to 31.58ct. It is expected that other dairies will follow suit. LDA has already announced that the milk price could drop to 22ct if the crisis continues.

The Belgian regional Ministers for Agriculture have called on Agriculture Commissioner Wojciechowski to activate EU-wide market stabilisation measures, including temporary voluntary volume reduction.

Belgium/Flanders
Prices have dropped by 1.5ct to 30ct. Policy-makers are calling for different measures, from volume reduction to storage.

Denmark

The price for the highest-quality conventional Arla milk is 33.4ct (4.2% fat, 3.4% protein). Prices remained stable in April; further projections are not yet available. Arla has said that the situation is “tense”.

The government has not announced any measures for the dairy sector. A small organic dairy, specialised in milk and butter production for the catering sector, has reported decreases in milk prices and wages. Beef prices have dropped and veal farmers are requesting urgent support.

Germany

The federal average milk price for March was about 32ct/kg; some dairies have reported slight increases, others decreases. A significant drop is expected in the coming weeks, though the magnitude will depend on the orientation of individual dairies. To date, only a few dairies have asked their members or milk suppliers to reduce milk deliveries. The Ammerland dairy has proposed the implementation of the 2016 volume reduction programme (without capping).

The Federal Minister for Agriculture has called for the opening of private storage and asked dairies to adjust milk deliveries depending on the situation. Whether this occurs through a dual-price model or a specific volume model is not her main concern.

At a conference of State Ministers for Agriculture, 10 spoke in favour of compulsory volume reduction for all farmers without any compensation during the crisis period. The Federal Ministry stated that there is no available budget for compensatory measures for voluntary production cuts. They claim that the agriculture budget has been fully deployed and the available crisis funds cannot be allocated to the dairy sector alone.

France

In short, the situation in France with respect to future milk prices is very heterogeneous. According to the French institute IDELE (Institute of Animal Husbandry), a price reduction of 2-3ct/l is expected in the second quarter due to the downward spiral of butter and milk-powder prices.

In general, however, it seems that dairies are taking individual action, which means that the situation of dairy farmers will also evolve in different ways.

Latvia

The milk price has currently dropped by 2-5ct/l, i.e. by about 10-15% as compared to the end of March. Further price collapses are feared.

The Minister for Agriculture has announced measures for the dairy sector; however, this financial aid (€86/cow) would depend on losses over the last three months and would, therefore, imply no actual relief.

As compared to the same period in the previous year, the raw milk volume in March decreased by 2.5%. The number of dairy cows is also on the decline. While 143,440 dairy cows were registered in March 2019, there were only 137,695 in March this year, thus a reduction of 4%.

Lithuania

On 1 April, the milk price was reduced by 2-5ct/kg, i.e. by up to 20%, and a further reduction of 1-2ct was announced on 16 April. The Lithuanian dairy farmers association LPGA is in contact with the Minister for Agriculture as well as the Prime Minister.

Dairies are lamenting the fact that food exports have come to a standstill. Nonetheless, it seems that their turnover and the price of milk products have not dropped.

Italy
The milk price in Italy has dropped by 10-15% and is currently at 34-35ct/l. Market projections are not possible as the situation is changing from week to week.

Netherlands
The milk price from FrieslandCampina dropped by 1.25ct in April and is now 35ct (4.42% fat, 3.57% protein). DOC is paying 33.75ct; other dairies are somewhere between these two prices. As per our information, milk collection is still being carried out all over the Netherlands.

Milk quotations for butter, milk powder and cheese dropped significantly, and both NZO (dairy industry) and RABO-Bank are worried that this crisis could go on for a long time. RABO-Bank has predicted that prices will shrink by more than 30%.

The Dutch dairy farmers' association NMV is in favour of the Market Responsibility Programme. Agriculture-related publications are also discussing volume reduction versus intervention. The Minister for Agriculture is yet to implement measures for the dairy sector.

Sweden
The current milk price is about 3.60 krona per kilogram (equivalent to 33ct/kg). According to Arla, it is difficult to make projections for the future.
The government has not planned any measures for the dairy sector at this point in time.

Ireland
Milk prices for March dropped by 2ct/l. They were between 29 and 31ct/l and will probably drop further in April and May. Irish processors are still able to keep up with their task. Yet, it is a very worrisome time for all sectoral stakeholders.

No direct measures have been foreseen for the dairy sector. Nonetheless, the government is providing some social assistance for farmers who have had to discontinue their activity or are significantly affected because of Covid-19. The government is in favour of private storage aid.

Market indicators

The Global Dairy Trade-Index decreased at the last auction by 4.2%. It had dropped significantly for four consecutive weeks since early February.

Prices have collapsed on the Italian spot milk market. The average price for April sank by 9.8% as compared to the previous month and is now at €30.6/100kg. This is a reduction of 21.7% as compared to April 2019.

EU prices for skimmed milk powder and butter also adjusted downwards. Over the last week, the price for skimmed milk powder dropped a further 2.6% to €191/100kg. This is in addition to the price decrease of 3.4% in the preceding week. Butter quotations are currently at €295/100kg. This a further reduction of 1.6% as compared to the previous week.

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