

## **A Way Forward for the Crisis-Hit EU Dairy and Pig Sectors**

The EU pig and dairy sectors are again in crisis hit by falling prices and declining farmer incomes due to overproduction in relation to demand. To ease the pressure EU Agriculture Ministers look to help farmers with intervention and storage measures to take excess milk and pork off the market, schemes to pay farmers for reducing production and a drive to find new export markets.

In the medium and long term, however, there have to be better solutions that address the systemic problems of overproduction and low prices in the dairy and pork sectors. Faced with falling prices farmers have come to believe that they must raise production to stay afloat. However, increased production puts further downward pressure on prices. Yet at the very time when overproduction is undermining key livestock sectors, reports before the European Parliament – by MEPs Huitema and McIntyre – are pressing for major increases in production. There is no need for increased production as the EU is around 111% self-sufficient in pigmeat and 113% self-sufficient in milk.

This obsession – by farmers and politicians - with increasing production is crowding out alternative understandings of a healthy future for pig and dairy farmers.

These sectors must transform themselves from being providers of cheap bulk commodities into producers of quality products with high nutritional, environmental and animal welfare standards.

### **The dairy sector**

Milk has come to be seen as a cheap white liquid with little attempt being made to differentiate between high quality pasture-based milk and industrially produced milk. . Indeed, industry and retailer promotional materials tend to present a misleading picture of all milk as coming from cows grazing contently in lush meadows. The harsh industrial reality of much of EU dairy farming is carefully hidden from view. As a result consumers, believing that all milk is of similar quality, go for the cheapest milk.

The industry's tendency to present all milk as being of similar quality disadvantages those farmers who are producing to genuine high quality; it results in them finding it difficult to recoup their higher costs from the market.

If we are to move away from regular crises to a situation where farmers are properly rewarded for their work and skills, a key first step is enhanced transparency. Consumers must be informed of the different ways in which cows are kept and the effect these have on the environment and animal welfare. Consumers need to understand that by buying pasture-based milk they are supporting good animal welfare and the environmental benefits of well-managed pasture including carbon storage, biodiversity gains and reduced use of nitrogen fertilisers.

At present it is generally impossible for consumers to know how milk has been produced. Milk and dairy products are not labelled as to farming method. As a result consumers are kept in the dark, not knowing whether the milk they are buying is high quality or industrially produced. Accordingly, it is essential for milk and dairy products to be labelled as to farming method so that consumers can make informed choices and help drive pasture-based dairying.

It is clear from the egg market that when consumers are informed about the impact of different production methods and products are labelled, many are willing to pay extra for high quality food.

CAP subsidies are currently paid to dairy farmers irrespective of the farming method used. This should be changed. No CAP subsidies should be available for industrial dairying. The CAP funds that have until now been paid to industrial dairy farmers should be used to boost the subsidies for pasture-based farming.

The economics of dairy farming are often misunderstood. Farmers assume that they need high yields to make a living. However, studies show that milk yield and milk price are not the main determinants of profitability.<sup>1 2</sup> Instead it is production costs that are the key determinant of profit and feed costs (the main component of overall costs) are lower in grass-based systems. These studies show that pasture-based systems can be as, or more profitable, than intensive indoor systems.

In short, the dairy sector should transform itself from being an industry that overproduces low price, often low quality milk to one that produces less but higher quality milk and that is supported by consumers and the CAP for doing so.

### **The pig sector**

The EU pig sector too is suffering from excess production and low prices. As with dairy, the pig sector needs to move away from mass production of commodity pigmeat to producing high quality meat but in lower quantities than at present. A switch to quality production would benefit farmers provided that consumers were willing to pay fair prices for high quality pigmeat. Many consumers may well be willing to pay more if they are informed about the different modes of production and their implications for natural resources and pig welfare. In addition, pigmeat must be labelled as to farming method so that consumers can play a part in supporting a high quality pig sector

Moving to less but better meat in EU diets would benefit consumer health and the environment. Studies show that the current high levels of consumption of red and processed meat in the EU can lead to obesity, diabetes, heart diseases and certain cancers.<sup>3 4</sup> The World Health Organisation has classified red meat as probably carcinogenic and processed meat as carcinogenic; a substantial proportion of EU pigmeat is processed.<sup>5</sup> Intensive pig farming and the intensive production of the grain used as animal feed have led to water pollution<sup>6</sup>, soil degradation<sup>7</sup> and biodiversity loss.<sup>8</sup>

At present CAP Pillar 2 funds are being used to subsidise industrial pig production for example by giving financial support for the building of industrial pig operations.<sup>9</sup> Such funding should be stopped with the money that is saved being used to increase support for high quality pig producers. For example, the German state of Lower Saxony pays a premium of €16.50 per pig tail that is not docked or bitten when the pigs arrive at the slaughterhouse.<sup>10</sup> Farmers who get their pigs to slaughter without tail biting or docking will be running a very good system from the animal welfare viewpoint.

## **Need to restructure pig and dairy sectors**

As with dairy, the EU pig sector is not working for the animals or for farmers who are often receiving prices that are below their production costs. Both sectors need to be fundamentally restructured. Transforming these sectors into the producers of high quality meat and milk would produce better income for farmers while freeing them from the treadmill of having to produce ever more at ever lower prices.

Farmers should be helped with the costs of changing systems or, if they wish and if climate and soils are suitable, of switching to other forms of farming. Those who wish to leave farming altogether should be helped to do so as reduced production would benefit these sectors by allowing prices to rise and remain buoyant.

Reduced livestock production – and consumption – together with a move away from industrial agriculture would be in accord with recent studies and recommendations. Research funded by the FAO argues that the function of livestock should be transformed with their role being “to use resources that cannot be otherwise used for food production”.<sup>11</sup> This would put the emphasis on feeding animals on pasture, by-products and unavoidable food waste - and on integrated crop-livestock systems. These are in line with circular economy principles. The waste products of one component serve as a resource for the other: animals are fed on crop residues and their manure, rather than being a pollutant, fertilises the land.

Studies show that reduced consumption of animal products would have environmental benefits with less use of water and cropland, lower soy imports thereby reducing deforestation in South America and reduced nitrogen emissions.<sup>12 13</sup> Research has established that on a business-as-usual basis our diets alone – and in particular our high levels of meat and dairy consumption - will by 2050 have taken us above the Paris Climate Agreement’s target of limiting global temperature rises to well below 2°C.<sup>14 15</sup>

## **Conclusion**

The EU pig and dairy sectors have become trapped into a cycle of producing huge volumes of low price meat and milk in quantities that often exceed domestic and export demand combined. Farmers’ margins are low, sometimes below the cost of production; as a result they cannot earn a decent living.

The pig and dairy sectors need to convert themselves into suppliers of high quality meat and milk produced to good environmental and animal welfare standards. Production volumes should be reduced to bring supply into balance with demand thereby reducing the downward pressure on prices. Reduced production – and consumption – of livestock products would also be in line with scientific advice on lowering the environmental impact of food production, reducing the amount of meat in diets from a health perspective and meeting the Paris target of limiting the rise in global temperatures to well below 2°C.

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<sup>1</sup> Profiting from efficient milk production, 2012. DairyCo Milkbench+

<sup>2</sup> Managing costs, 2013. DairyCo Milkbench+

<sup>3</sup> European Commission, 2012. Consultation Paper: Options for Resource Efficiency Indicators  
[http://ec.europa.eu/environment/consultations/pdf/consultation\\_resource.pdf](http://ec.europa.eu/environment/consultations/pdf/consultation_resource.pdf)

<sup>4</sup> Anand, S. *et al*, 2015. Food Consumption and its Impact on Cardiovascular Disease: Importance of Solutions Focused on the Globalized Food System. *Journal of the American College of Cardiology*. Vol 66, no 14

<sup>5</sup> International Agency for Research on Cancer, 2015. *Lancet Oncology*, 26 October 2015

<sup>6</sup> Le point sur les proliférations d’algues sur les côtes métropolitaines, No 180. Ministère de l’Ecologie, du Développement Durable et de l’Energie, January 2014, Environment: [http://www.statistiques.developpement-durable.gouv.fr/fileadmin/documents/Produits\\_editoriaux/Publications/Le\\_Point\\_Sur/2014/lps182-proliferation-algues-janvier2014.pdf](http://www.statistiques.developpement-durable.gouv.fr/fileadmin/documents/Produits_editoriaux/Publications/Le_Point_Sur/2014/lps182-proliferation-algues-janvier2014.pdf)

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<sup>7</sup> Tsiafouli, M.A. *et al.*, 2015. Intensive agriculture reduces soil biodiversity across Europe. *Global Change Biology* (2015) 21, 973–985, doi: 10.1111/gcb.12752

<sup>8</sup> European Environment Agency. 10 messages for 2010: Agricultural ecosystems

<sup>9</sup> For example, Phil Hogan, [https://ec.europa.eu/commission/2014-2019/hogan/blog/my-weekly-update-13\\_en](https://ec.europa.eu/commission/2014-2019/hogan/blog/my-weekly-update-13_en)

<sup>10</sup> [http://www.pigprogress.net/Pork-Processing/Slaughtering--Processing/2015/6/German-state-introduces-premium-for-entire-pig-tails-1782989W/?cmpid=NLC|pigprogress|2015-06-26|German\\_state\\_introduces\\_premium\\_for\\_entire\\_pig\\_tails](http://www.pigprogress.net/Pork-Processing/Slaughtering--Processing/2015/6/German-state-introduces-premium-for-entire-pig-tails-1782989W/?cmpid=NLC|pigprogress|2015-06-26|German_state_introduces_premium_for_entire_pig_tails)

<sup>11</sup> Schader, C. *et al.*, 2015. Impacts of feeding less food-competing feedstuffs to livestock on global food system sustainability. *J. R. Soc. Interface* 12: 20150891. <http://dx.doi.org/10.1098/rsif.2015.0891>

<sup>12</sup> Westhoek, H. *et al.*, 2015. Nitrogen on the Table: Special report of European Nitrogen Assessment

<sup>13</sup> Vanham, D., Mekonnen, M. and Hoekstra, A., 2013. The water footprint of the EU for different diets, *Ecological indicators* 32, 1-8

<sup>14</sup> Bailey, R. *et al.*, 2014. *Livestock – Climate Change’s Forgotten Sector*. Chatham House.

<sup>15</sup> Wellesley, L., Happer, C. and Froggatt, A., 2015. *Changing climate, changing diets: pathways to lower meat consumption*. Royal Institute of International Affairs. [www.chathamhouse.org/publication/changing-climate-changing-diets](http://www.chathamhouse.org/publication/changing-climate-changing-diets)