



Business Forum Report, October 2021

More ethical dairy?

How should food businesses treat dairy in a sustainable food future?

Introduction – the Dairy Project

Introducing The Dairy Project

Price pressures on farmers and the climate and nature emergency we now face have increased the urgency of striving for fairer, more ethical dairy systems. This project seeks to accelerate change towards those systems.

What is our position on the role of dairy?

We believe there can be a role for dairy in a sustainable future. Eating dairy in moderation can bring health benefits, has cultural significance and support livelihoods in many parts of the world. 'Mixed' farming (combining livestock with arable) may also bring environmental benefits. However, there are serious environmental and animal welfare concerns, particularly about intensive livestock production. The livestock sector is also a significant contributor to global greenhouse gases and, in order to meet the targets agreed at UN climate talks, the dairy sector will have to significantly reduce its emissions.

So what do we mean by fairness and ethics in dairy?

All sorts of groups have ideas about what 'fairer, more ethical' means and what dairy farming should be like. We don't have a specific model or definition for ethical dairy. We are not being prescriptive. This project is about working with dairy farmers and challenging them to identify the barriers and opportunities for enabling fairer and more ethical dairy systems that are better for people, planet and animals. We want to help overcome them and to accelerate positive change.

The workshops

We have run two workshops with around 20 dairy producers from across England, Scotland and Wales, who run a variety of systems and businesses: zero-grazing, organic, aligned milk contract, direct sales, small-scale, tenant, family-owned and large-scale. There were similarities in priorities and outlooks for many of the producers, who spoke about the importance of family, longevity and the wellbeing of staff and people in the business.

What matters to dairy producers in our project?

Participants in our workshops - who were represented in the Business Forum discussion by our two guest speakers - spoke about people, staff and families and the wellbeing of all three. They wanted to offer a better working life to their staff and also better lives for themselves. They wanted to communicate directly with the public and have a closer relationship and

understanding with not just their customers, but also their local community. They spoke of a desire to be valued by their local communities. They wanted to not just care for their environment, but to be able to improve it. They wanted a relationship with their milk buyer that was not just dictated by geography, but something more meaningful. And, finally, they wanted a more transparent sector where contracts and opportunities were more equally available and open to competitive bidding.

The biggest influences on dairy today

Retailers and processors set the standards by which many dairy farmers must abide. Likewise, price markers, such as protein and butterfat levels dictate how and what farmers focus on producing. Milk delivered below buyer specifications for butterfat and protein could be costing dairy farmers as much as £55 million a year in lost revenues, [according to AHDB](#).

For retailers, it is their competitors and the buying public that are the yardstick by which they are constantly measuring themselves, be it through price matching or standard-setting. For processors and the food and ingredients industry, price is a major driver to meet customer demands and maintain profitable contracts. For many dairy farmers this means accepting that the milk price is ultimately governed by the lowest price willing to sell.

Some participants talked of the opportunities of new global markets to drive demand and value, but producers in the group said they didn't all aspire to global markets or see it as a solution to driving positive change.

What drives change?

Retail and processor standards are a significant driver, with many setting standards far ahead of current national legal requirements. Farmers could and are reclaiming ownership of change themselves through direct sales. Nationally, Red Tractor has been seen by some as setting the bar too low and by others as not providing enough to be of benefit to producers.

Participants in the discussion said that change in farming is happening too slowly, however, it was acknowledged that while the public and markets are full of short-termism, change takes longer in farming. For example, if a milk buyer wants producers to breed for higher fat and protein it takes three years before a newly bred cow is producing milk. Producers also sometimes buy raw materials such as soy, which has

been linked to deforestation in Brazil and Argentina, two years in advance to help fix costs.

Could the UK set higher minimum standards on all milk produced in the UK?

Some argued the need for higher minimum standards for all milk produced in the UK. As a rule of thumb, standards on ingredients and processed foods tend to be lower than less processed versions. There is a growing disparity between some retailers' liquid milk contracts and the milk they use as an ingredient in products. Some asked if we could set aside competitive advantages and set new minimum standards that everyone had to sign up to. This could also have the benefit of helping to avoid future legislation.

Participants pointed to the precedent of industry-led initiatives that had helped avoid legislation so far on antibiotic use and the new Red Tractor rules banning the killing of male calves soon after birth. Consistent standards could ensure that all UK-produced dairy – no matter the end product – would be produced to high standards. Higher UK standards could, however, result in manufacturers and retailers sourcing dairy from markets with lower costs and standards, which would not help the drive towards fairer, more ethical dairy in the UK.

What about the climate crisis?

The Climate Change Committee, the UK government's advisors on climate change, has recommended a 20% reduction in meat and dairy consumption by 2030 in the UK to enable it to meet its net zero 2050 targets, but how this ambition could be met is still unclear. It could ultimately mean incentivising the public through food prices more accurately reflecting a food's health and environmental impact i.e. carbon taxes. Some argued that climate change arguably opened up an opportunity for the UK to increase exports or help other countries to reduce their dairy footprints through technologies and knowledge - because of the UK's comparatively lower emissions per kg of milk.

What are barriers to change and to more ethical, fairer dairy systems?

The relationships between buyers and producers are currently not always fair, with an imbalance of power. Everything is top down. There is a lack of trust between producer and market. Some producers talked about wanting to do things differently (i.e. grazing animals or planting trees and encouraging more wildlife), but being unable to fairly compete for contracts to enable

them to deliver those changes with the support of higher prices and security from their buyer. As one participant remarked, farmers are not currently paid for woodpeckers. However, it was also acknowledged that it was unfair to expect retailers to take the burden for paying for environmental or other improvements if other buyers were just paying on price.

Businesses can't act in isolation, said some participants who pointed to the lack of attention given to dairy in the new agri-environmental policies announced by the government. Participants also spoke of a lack of clarity about the future direction of food policy in the UK and a feeling of uncertainty around imports and standards to be applied to them, if at all. If higher standards were enforced domestically, then to avoid UK producers being undercut would require stricter controls on foods in free-trade agreements. For dairy, competition could be further extended by the recent free-trade deal signed between the UK and New Zealand.

Could farmers change the marketplace?

Farmers spoke of wanting to sell direct to market and seeing the benefit of starting those relationships. However, they could not currently see the potential for a mass switch to that model. They also expressed doubts about how they themselves could do it, especially if they were locked into a short-term tenancy agreement or higher output model through capital investment and debt in infrastructure, staff and animals. It was said that because of the barriers to entry through high capital costs, it was very difficult for anyone to get into dairy and instead the industry was having to retrofit itself.

Producer participants wanted more open and competitive bidding processes for milk contracts and felt they could be used to enable better farmers that want to thrive to go further and drive positive change. However, retailers in the discussion spoke of not being in a position to expand their supplier base and feeling happy with the existing relationships they had with their current suppliers.

Is the cost of milk/ food too low?

Many pointed out that the true costs of producing milk are not being passed onto the public at present and thus preventing dairy producers and the wider industry from being able to change for the better. How do we get the public to pay for what we are doing, said one participant, and who has the power to set the right and fair price? Some participants also felt that public acceptance of higher prices and standards was being

held back by communication around dairy and the power of critical voices like some campaigning groups.

Other participants pointed out the value of free speech and transparency. There was a discussion about whether the 'true cost' of food was more likely to become a reality for people with recent food price inflation warnings. It was noted that the public spend more on technology than food and that the so-called 'cheap food paradigm' still prevailed. Participants said dairy, like other commodities, faced the challenge of trying to increase the cost of food to deliver positive change. For some dairy producers, change was not always possible, as they were effectively locked into a system of producing dairy through the infrastructure and investments they had made.

Concluding comments

The Dairy Project has shown the value of listening to farmers and allowing them a platform to articulate what they want and need to drive positive change. This discussion was an opportunity to bring together different parts of the dairy sector and start to look for how some of the opportunities for change identified by producers can be accelerated.

What next?

The next step in the project will be to return these thoughts back to the next producer-led workshops, which will take place in January and February 2022. We also plan to look into opportunities to commission research on the feasibility of ideas discussed in the project so far, including more competitive milk tendering, producer-buyer relationships and selling direct. A second Business Forum on the topic will take place in early Spring 2022.

What next?

Selected key questions:

- How can agri-environment policies better support dairy farmers wanting to transition to more ethical dairy?
- How can we get universal (high) standards across all milk and dairy products in the UK, rather than different standards for liquid milk from e.g. cheese?
- Would competitive contracts incentivise farmers who want to transition and/ or would they threaten longer-term relationships that so many crave for?
- What more can be done to support direct selling to the public, including revisiting contracts that prohibit such direct selling?

Do you want to join in and be part of this dialogue on the future of dairy? If you would like to learn more about the Food Ethics Council's Dairy Project or contribute yourself, please contact Dan Crossley dan@foodethicscouncil.org or Tom Levitt tomlevitt@foodethicscouncil.org.

Further resources

Further resources relating to the Dairy Project:

- [The Food Ethics Council's Dairy Project](#)
- [Wellbeing of staff and people critical to achieving animal welfare and climate reduction goals, say UK dairy farmers](#)
- [Milk contracts should be open to competitive bidding to enable dairy farmers to fairly compete and drive positive change in the industry, say farmers](#)

Other relevant Business Forum reports:

- Doing net zero well – link [here](#)
- Veganism – for the few or the many? – link [here](#)
- Regenerative agriculture – link [here](#)

This is a report of the Business Forum meeting on 13th October 2021. We are grateful to our speakers **Keith Gue** (Sussex dairy farmer and Nuffield scholar) and **Paul Tompkins** (Yorkshire dairy farmer and NFU dairy NE chairman), who both took part in initial workshops in the [Dairy Project](#). **Dan Crossley**, Executive Director of the Food Ethics Council chaired the meeting. The views expressed in this report do not necessarily represent those of the Food Ethics Council, nor its members. For more information on the Business Forum, contact Dan Crossley dan@foodethicscouncil.org +44 (0) 333 012 4147.