



Business Forum Report, March 2022

Boosting better dairy

How can we enable dairy farmers and the wider sector to transition to more ethical dairy?

Introduction – 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 supports livelihoods in many parts of the world. ‘Mixed’ farming (combining livestock with arable) can 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 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 – and helping to overcome them and accelerate change.

The workshops

To date, we have run 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 - one of whom kindly joined us at this business forum discussion - 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.

This Business Forum

As the Dairy Project moves into its next phase, we want to take what dairy farmers have told us is important to them and explore with the wider sector how we can drive positive change towards more ethical dairy together. The meeting built on our previous Business Forum, which explored more ethical dairy and provided an opportunity to share research findings and insights to date from the project. In this discussion, we specifically wanted participants to be able to dive deeper into some of the questions that have emerged from discussions so far.

Discussion questions

- How can producers step out of current dairy systems?
- What can/ should universal (high) standards across milk and dairy look like?
- How can subsidies support more agroecological approaches in dairy?

The current situation

Price hikes are at the forefront of people’s minds in food and farming sectors at the moment. Fertiliser costs have almost trebled for dairy producers year-on-year. There have also been significant increases in fuel, electricity and feed costs. Grass-based systems are less reliant on external feed, but fertiliser remains a key input for grass growth. Farmers can apply less fertiliser now, but that will lead to reduced nutrient uptake in the future which will impact milk output.

It is an unsettling period for farmers as well as other food businesses trying to work out costs and make long-term farm decisions around crops and animals in an extremely volatile and uncertain period. There has been an increase in milk prices paid to producers, but with rising input costs the better price does not necessarily come with a reward for farmers.

“I think so many of the issues that we've talked about come down to - and it's the part of sustainability that is often swept under the carpet - there's got to be a profit in it for everybody.”

Because if you want the farmer to invest in the environment, you've got to make it sustainable for them to do that. The milk price is wholly unsustainable. If you start to feed profit back into the supply chain, then some of these things can be invested in. It takes investment.”

How can producers step out of current dairy systems?

Producing your own cheese or selling products at a farmers' market might seem ideal (if permitted under the terms of their contracts), but sometimes it involves a lot of extra workload for producers and, while rewarding in many ways, may not bring in extra money. A milk contract can allow producers to focus on the animals and producing milk and not having to spend any free time trying to diversify their business. However, the devaluation of milk has made producers more susceptible to the pressures of producing a low-cost commodity.

As it stands, it was said, producers are left with a boom to bust cycle: 'How do producers get away from this boom to bust cycle?' They can either rely on their milk buyer through branding, marketing and innovation to add value, or can try themselves. It was also suggested that a B price, which would be higher when supply was tight and lower when there's a surplus, could help address fluctuations and the cycle of boom and bust. Farmers would produce to a forecast, with the B price available outside of that forecast, taking away the contractual necessity of buyers to take all the milk produced.

A farmer survey commissioned by the NGO Sustain suggested more than 90% of farmers would prefer not to sell to major retailers. Retailers have also been to blame for selling milk as a loss-leader for so long, devaluing milk in the eyes of the public and 'creating chaos' in the marketplace. Everything has been pinned on this premise of milk being the thing that's got to be cheap. Partly this is the fault of milk having such high penetration - a strength that is also a weakness for the category. It was suggested that the cheap milk system must have been created by people without common sense, humanity or care for the planet. The solution, for some, lay not just in fairer prices, but having a more balanced relationship between producer and buyer:

‘I don't think it is just about price that is what is wrong in the relationship though between farmers, and contracts, and processors. I think it's more about a feeling of fairness in that relationship, and

having shared values, and a good working relationship, and an ability to plan for the long-term, and those kinds of things, rather than just being about the milk price.’

Lastly, stepping out may also mean leaving the industry. Producers should be supported to exit the industry, if they are struggling to cope and wish to leave, and opportunities created for those wanting to get into it.

What can/should universal (high) standards across milk and dairy look like?

Red Tractor provides a baseline that nearly all dairy producers have signed up to. Some talked of the value in raising those minimum standards. And that dairy should follow the example of eggs, which as an industry is phasing out lower standards of egg production i.e. caged eggs.

“We want to be known as doing the right thing, so how do we use that model within the dairy sector to say the right thing is XYZ or whatever that is.”

Producers may feel hamstrung by being stuck behind a retailer's own brand and unable to set the messaging or direction of travel. Others said that there was no point ramping up standards if shoppers did not want to buy into them. There was a discussion about ensuring existing standards are being upheld and people going further are fairly rewarded for that. Knowing others are getting away with lower standards or the public are being misled is disheartening.

The less talked about issue when it comes to standards is how they apply to milk used as an ingredient. We often talk about milk or commodity dairy on the shelf, but we don't think about that dairy used as an ingredient in other products. That is often where buyers get away with lower standards, it was said. Smaller milk buyers outside of the main processors and retail buyers said they feel powerless to set or influence standards given they are such smaller buyers in the marketplace.

How can subsidies support more agroecological approaches in dairy?

Subsidies are less significant in terms of turnover for larger dairy farms, who are setup to be viable without the support. Producers want to deliver more for society but want to understand the bigger picture and how they can contribute to that. The difficulty of how what is or could be delivered is measured and valued is

also seen as a block. Many producers feel the burden of external costs of food are placed unfairly on their shoulders by the rest of the supply chain: the buying public, retailers, food service and processors. Is it fair that farmers are seen as the purveyors of the goods and ills, whereas further up the food chain it remains invisible and mostly unaccountable?

Improving biodiversity should be a society-wide commitment and not just a farm-level one, with all the associated costs spread fairly. It has to be compulsory and not an opt-in process or one left to ‘consumer choice.’ For processors and retailers and other milk buyers the challenge is that most of the carbon or biodiversity footprint is further down the supply chain at farm-level. They acknowledge that they need to work collectively with producers. But at the same time are managing market pressures and sales targets.

Some smaller buyers may be largely unaware of the reality of dairy farming or how milk is produced and on-farm pressures, be they environmental or economic. There was a discussion about price and whether their sustainability metrics could be better incorporated into the marketplace. If we want to avoid a two-tier food system, it was argued, then we have to make sure people are paid a living wage and that we have a properly functioning social security system.

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. We continue to discuss and test out suggestions made by producers and hope to be able to look for ways to drive forward the solutions they are exploring.

What next?

The next step in the project will be another workshop with dairy producers at the Dairy Tech event on April 7th. This will be an opportunity to feedback comments from this forum and discuss best ways forward. 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.

What next?

Selected key questions:

- How can we build wider support for universal high standards across milk and dairy?
- How can the rest of the sector support dairy farmers to shift away from overdependence on certain agricultural inputs and/ or fossil fuels?
- How can we shift power imbalances and give dairy farmers more power in milk contract negotiations?

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

Further resources

Further resources relating to the Dairy Project:

- [The Food Ethics Council's Dairy Project](#)
- [In the dock: dairy regulations and milk contracts](#)
- [Strong public support for consistent standards across all dairy products](#)
- [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:

- More Ethical Dairy? [see [here](#)]
- Stock-in-trade – what meat and dairy should we import? [see [here](#)]
- Veganism – for the few or the many? [see [here](#)]
- Regenerative agriculture [see [here](#)]

This is a report of the Business Forum meeting on 15th March 2022. **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.