

Policy Brief

Key Messages

- Due to an annual turnover of over 26 billion euros, the German dairy sector plays an important role in the agri-food sector.
- Price pressures led to a constantly low milk price in Germany and hence, milk producers now face severe financial difficulties.
- The *Strategy 2030 of the German Dairy Sector* addresses milk producers, the dairy industry and the entire milk value chain. Setting 'sustainability' as its guiding theme, it sets a focus on ecology, economy, social issues and animal welfare.
- However, the proposed catalogue of measures lacks concrete and binding measures as well as a real call for action.
- As milk producers and consumers clearly demand a higher valuation of milk products as well as sustainability and animal welfare standards, further adjustments and monitoring of defined target indicators are required.

The Strategy 2030 of the German Dairy Sector

The Objectives of Animal Welfare, Sustainability and Environmental Concerns

By *Lea Siebert and Dieter Künstling*

Introduction

In response to future challenges for the dairy sector, several representative associations from the German agricultural industry developed the *Strategy 2030 of the German Dairy Sector*, which was released in January 2020, during the International Green Week. The most obvious challenge is the interdependence of various stakeholders along the value chain from the dairy farmer via processing industries to consumers, while dealing with a highly perishable product from an only partially predictable source: a cow. Diverging market interests often compete with the objectives of animal welfare and (environmental) sustainability, which is obvious by the strategy's broad range of goals towards the development of a modern, economically successful and environmentally friendly production and processing of milk, while achieving both animal welfare and public acceptance.

This policy brief provides a short analysis of the *Strategy 2030 of the German Dairy Sector* with regard to the aspects 'sustainability', 'animal welfare' and 'environmental concerns'. Furthermore, an assessment of the proposed measures evaluates the achievement of the aspired sustainability goals and outlook section defines key areas of further action. The appendix provides an overview of the association structures in the German milk sector.

The Current Economic Situation in the Milk Value Chain

Due to a gradual but continuous reduction of milk prices since the late 1990s, many German dairy farms have now reached their economic limit and fear for their existence. According to Prof. Dr. Sebastian Hess from the University of Hohenheim, the comprehensive strategies, which had been developed in Germany in the past, have failed, unlike those of other large European milk producers, such as the Netherlands, France, Ireland and Denmark. As a result, Germany always had the lowest milk prices (1). At international level German dairies face strong competition. As in Germany production clearly exceeds demand, in 2019 16.1 million tons out of 33.1 million tons of domestically produced milk had to be exported. On the other hand, annually 2.9 million tons of milk products are imported to Germany, mostly in a product range that ensures high added value. With an annual turnover of approx. 26 billion euros, the German dairy industry is the most important sector in the food industry (2). A special feature of the German food industry is that 70% of the produced milk is processed in cooperative enterprises, i.e. producers have a lot of potential for participative contribution to improve the value chain (3).

A Strategy for the Dairy Sector

Under the leadership of the German Dairy Association (VDM), the *Strategy 2030 of the German Dairy Sector* (2) of 36 pages length was jointly elaborated and signed by important stakeholders of the German dairy industry, namely the German Farmers' Association (DBV), the German Raiffeisen Association (DRV), Cooperative Dairy Interest Group (IGM), Milk Industry Association (MIV), the Federal Association of the Private Dairy Industry (BPM) and the International Dairy Federation (IDF). Due to major disagreements regarding the topic of interventions in the dairy market in times of crises, the Federal Dairy Farmers Association (BDM) refused to sign the strategy and published its own strategy, *Sector Strategy 2030 for a sustainable dairy market* (4) instead. However, due to the economic focus of the BDM strategy and its limited relevance to environmental impacts of the dairy sector, this policy brief only analyses the *Strategy 2030 of the German Dairy Sector*.

The existence of two, parallel strategies for the German dairy sector until 2030 already suggests that innovation in the sector is complicated by conflicting interests and approaches. However, it must also be pointed out that differences in agricultural structures in Eastern and Northern Germany as well as Southwestern areas and furthermore, differences in the importance of milk production as a main occupation or as a secondary activity, can lead to very differentiated interests.

The living conditions of milk cows are defined by regulations for animal welfare, whereas the implementation of guidelines for sustainability aim for better conditions all along the value chain. The strategy provides a catalogue of measures for sustainable management with separate sections for milk producers, for the dairy industry and for the entire chain of the dairy industry. In the following, the proposed measures are analysed with regard to the topics of 'sustainability', 'animal welfare' and 'environmental concerns'.

Sustainability

The *Strategy 2030 of the German Dairy Sector* sets sustainability as its guiding theme, referring equally to the aspects ecology, economy, social issues and animal welfare. It is pointed out that sustainability is a decisive factor to remain competitive – addressing not only the dairy processing industry, but all stakeholders in the value chain. Most proposed measures related to sustainability refer to the *Dairy Sustainability Tool* (i.e. "Nachhaltigkeitsmodul"). Furthermore, in connection with the sustainability tool, often the Quality Management Milk (QM milk) standard is mentioned. This standard is issued by the Association of Quality Management Milk e.V. which was founded in 2011 by the DBV, DRV and MIV to establish a uniform German quality management system for milk and to assure the milk quality at farm level (5). Currently, more than 90 % of German milk producers work

according to the QM standard which includes an inspection on animal welfare, milk hygiene and farm environment every three years (2). The QM Milk e.V. also initiated the development of the aforementioned sustainability tool by the Thünen-Institute of Farm Economics and Land und Markt. In the corresponding working paper on 72 sustainability-related criteria in dairy farming, the Thünen-Institute sets a clear focus on animal welfare (26 criteria) and ecology (24 criteria) (6).

The following table provides a summarised list of the *Strategy 2030* relevant measures on sustainability:

Target group: milk producers		
Topic	Measures/recommendations	Responsible entities
sustainability tool	<ul style="list-style-type: none"> extension of the sustainability tool project with a focus on the improvement process due to regional or farm-specific differences actively campaign for the use of the sustainability tool in dairies assessment whether participation in sustainability tool can be set as mandatory in the milk supply regulation or in supply agreements 	QM Milk e.V., DBV, DRV, MIV, regional farmer associations, Thünen-Institute
Target group: entire chain of the dairy sector		
sustainability	<ul style="list-style-type: none"> extension of the sustainability tool by QM Milk using the sustainability tool to communicate with consumers aiming for a higher appreciation of dairy products appropriate remuneration for necessary additional expenses due to sustainability criteria evaluation of status quo in animal welfare, ecology, economy and social aspects in 2025 	QM Milk e.V.

The continuation of the sustainability tool project is the core of all sustainability-related measures. As a result, the entities involved are mainly QM Milk e.V., the Thünen-Institute and farmer associations for further implementation. Even though campaigning for a broader use of the sustainability tool or making it mandatory suggest direct action, the beneficial impact still depends on the proportion of higher and mandatory standards set by the sustainability tool.

Animal Welfare

Besides several measures regarding the improvement of financial security for dairy cattle farmers and the call for adjustments of regulations for cattle farmers, only one measure directly refers to the improvement of animal welfare:

Target group: entire chain of the dairy sector		
Topic	Measures/recommendations	Responsible entities
sustainability	<ul style="list-style-type: none"> efficient use of data from the sustainability tool to monitor animal welfare and animal health, aiming for improvements in water availability, freedom of movement, lameness management 	milk producers, dairies, QM Milk e.V., federal government and federal states

Even though the catalogue of measures acknowledges that there is a need for improvement of dairy cattle welfare, the only suggestion refers to an efficient use of the data provided by the sustainability tool.

Environmental Concerns

The distinction between ‘sustainability’ and ‘environmental concerns’ is not always obvious and hence, only measures with a direct reference to environmental impacts of the dairy industry are listed in the table below:

Target group: entire chain of the dairy sector		
Topic	Measures/recommendations	Responsible entities
sustainable feedstuff production	<ul style="list-style-type: none"> Summary of research results to analyse feedstuff imports and consider potential impacts (e.g. deforestation) for relevant countries and identify solutions 	Associations of the dairy industry, starting from 2020
sustainability	<ul style="list-style-type: none"> conservation of diverse cultural landscapes and promotion of biodiversity by means of optimised fertiliser management, establishment of grass strips, reduction of plastic packaging, information and training of teachers on sustainability topics this should be achieved by an efficient use of data from the sustainability tool to monitor ecological improvements 	milk producers, dairies, QM Milk e.V., state

In response to current trends in society the strategy addresses the difficulties of guaranteeing a sustainable feedstuff production. However, no regulation or definition of standards is planned. In the strategy 2030 it is critically mentioned that the current situation requires an improvement towards a circular economy to reduce greenhouse gas emissions as well as amounts of used energy and plastic packaging in the dairy sector. A number of measures to enhance biodiversity are suggested without any targets or maximum amounts being set.

Assessment of the Proposed Measures

The *Strategy 2030* proposes several measures to address the three topics of ‘sustainability’, ‘animal welfare’ and ‘environmental concerns’. However, if sustainability is the strategy’s guiding theme, their small share of the 20 pages’ catalogue suggest that the authors attach less significance to the sustainability aspects of ecology and animal welfare than to economy or social issues. Most of the relevant measures recommend a continuation of the sustainability tool research project as well as a broader implementation of the sustainability tool and an efficient use of the data provided by the tool. Consequently, the beneficial impact of the strategy depends on the standards set by the sustainability tool. However, if stricter regulations are implemented in the QM standard, they are almost automatically applicable for a large number of milk producers. However, in order to achieve an improvement with regard to sustainability, animal welfare and environmental concerns, the new QM standard has to provide binding targets which clearly go beyond compliance with Codes of Good Practice.

Not even in those areas where the strategy identifies need for improvement, it sets binding targets and also mentions no disadvantages for those who do not comply with the basic standards. It is questionable, which stakeholders will voluntarily make additional efforts and expenses to improve nonbinding sustainability criteria. Furthermore, the examined measures mainly address “the entire chain of the dairy sector”, instead of assigning coordinated development tasks specifically to the milk producers or the dairies. Keeping not only the measures vague, but also the relevant stakeholders weakens the strategy’s potential impact even more.

In conclusion, the *Strategy 2030* addresses sustainability, but with regard to proposed measures a clear prioritisation of the alleged guiding theme is missing as the strategy lacks concrete measures as well as a real call for action to effectively promote sustainability in milk production or in the dairy industry.

Outlook and Key Action Areas

The German *Milk Strategy 2030* is not a static instrument. The mutual aim of a large number of members of the value chain to find solutions for improved added value certainly requires constant, structured activity, monitoring with defined target indicators and continuous adaptation of the goals. The complex structure of associations and interest groups of the German milk sector complicates the implementation of extensive, voluntary measures. (See the appendix for an overview of the general association structures in the German milk industry.) However, the fact that for the first time so many different interest groups worked on a joint concept – even though a few did not sign the final version – symbolises both the importance and need for action to optimise the milk value chain in the interest of all stakeholders involved.

So far, the market power of the German retail sector constituted a major obstacle to improvements along the value chain, especially for milk producers. Meanwhile, new priority themes such as animal welfare and sustainability seem to be finally underway and only a few days ago, the Federal Association of the German Retail Grocery Trade (BVLH) announced to join QM milk board in July 2020 (7). Fortunately, the BVLH seems to react very dynamically to consumer demands for milk products from enterprises with sustainability and animal welfare standards. This new turn can be seen as a great and early success of the *Strategy 2030* which was just adopted in January 2020.

However, the assessment of the *Strategy 2030* revealed a number of shortcomings which should be addressed in the forthcoming adjustment and implementation process of the aspired goals. Therefore, we recommend setting a focus on the following action areas:

- Improvement of the efficiency of milk production at farm level while adjusting production towards sustainability and animal welfare requirements. This step requires the setting of binding targets that go beyond compliance with the existing Code of Good Practice.
- Improvement of the income situation of milk producers in farms. Additional costs for milk producers for compliance with new and stricter sustainability criteria has to be financially compensated by the milk processing industries and the retail sector.
- Strengthening of regional value chains in particular
- Inclusion of the food retail sector in joint activities of quality management, product development and marketing
- Achieving higher added value per product unit of milk
- Securing and expanding international market positions not only through exports, but also through investments in processing chain and brand presence in the target export countries.

Finally, the effects of the corona pandemic, which currently cannot be estimated at all with regard to its scope and development, will require partners in the German milk value chain to make adjustments to achieve the set targets.

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Appendix

An overview of relevant associations in the German milk value chain (in alphabetical order):

Arbeitsgemeinschaft bäuerliche Landwirtschaft (Working Group for Peasant Agriculture) ABL

The ABL represents the interests of conventional and organic farms. The focus of its work lies on the promotion on family farms.

Bundesverband der Deutschen Lebensmitteleinzelhändler e.V. (Federal Association of the German Retail Grocery Trade) BVLH

This association sees itself as an interface and communication platform between the grocery companies and the public, especially for lobbying towards consumers.

Bundesverband der privaten Milchwirtschaft e.V. (Federal Association of the Private Dairy Industry) BPM *

The federal association only represents private milk processing companies.

Bundesverband des Deutschen Einzelhandels (Federal Association of the German Retail Trade) BDE

The federal association is the lobby organization of food retail trading in Germany and is now involved in the milk value chain, particularly in the field of quality management.

Bund deutscher Milchviehhalter (Federal Dairy Farmers Association) BDM

The BDM sees itself as an independent representative of active, future-oriented milk producing farms. It is organised throughout Germany and has its main focus on family farms. In Eastern Germany the BDM has agricultural holdings of all legal forms as members.

Deutscher Bauernverband e.V. (German Farmers Association) DBV *

The German Farmers Association in German acts as the umbrella organisation of 18 regional farmers associations at federal state level. Therefore, it represents the majority of agricultural businesses as a political lobby organisation and server provider for agricultural businesses in various areas.

Deutscher Raiffeisenverband (German Raiffeisen Association) DRV *

The DRV is the umbrella organisation for cooperative companies in the agricultural trade, in processing and marketing industries for primary agricultural products. It does not represent the interests of agricultural producers who are organised in the legal form of agricultural cooperatives.

FIL – IDF – international dairy federation *

The international dairy federation is a scientific and technical interest group for all those involved in the milk value chain. It primarily serves to share know-how and for scientific exchange.

Interessengemeinschaften Genossenschaftlicher Milchwirtschaft (Cooperative Dairy Interest Group) igm *

The first interest group founded in February 2017 is a lobby association of the voluntary representatives of the large cooperative dairies.

*These associations signed the *Strategy 2030*

Interessenverband der Milcherzeuger e.V. (Interest Association of Dairy Producers) IVM

The IVM is a representative of the interests of large dairy farms located in Eastern Germany with holdings between approx. 500 and over 1,000 dairy cows per farm, the total number of cows kept in IVM associated farms amount to 40,000 - 50,000. In this association, companies are represented with top production results in terms of both production technology and business management in the milk production branch. The association's activities are also aimed at promoting animal welfare, long life performance and sustainable production.

Milchindustrieverband (Milk Industry Association) MIV *

The MIV is the umbrella organization of around 80 privately owned, cooperative but also multi-nationally organised companies in milk processing and trade.

Qualitätsmanagement Milch (QM milk) QM Milch

The organization presents itself as an independent German accreditation body for nationwide standards of milk production and is currently the sponsoring company for quality standard developments in all areas of the milk value chain. This work also includes a control function of the quality standards.

Various agricultural cooperative associations

Agricultural production cooperatives operate almost exclusively in the eastern German federal states as agricultural holdings. They manage approx. 60% of the agricultural areas in the "new federal states" (former GDR) and have their own lobby associations which are mostly regionally structured.

Various associations of cattle breeders

There are various regional cattle breeding associations in Germany. In our opinion, these also play an extremely important role as producers of internationally high-quality genetics for the milk value chain. As breeding is of crucial importance for issues such as sustainability, animal welfare, longevity and animal health breeding associations should be involved in developing new standards in the milk value chain.

Various organic associations

In Germany there are a large number of nationally active organic associations of agricultural businesses (e.g. Naturland, Bioland, Gäa e.V., Demeter, etc.). In addition to political lobbying for organic production, the associations also transfer knowledge and provide advice. However, their individual definition of organic production differ in production practices and application of technology. The associations have in common that they clearly differentiate from other ecological associations under the "general EU eco-label". Some of the holdings are organised in both an organic association and also in the DBV or AbL.

*These associations signed the *Strategy 2030*

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