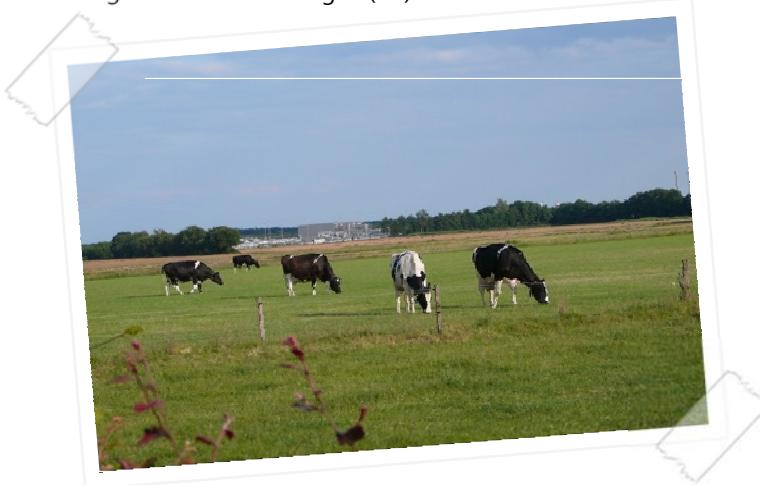


DAIRY FARMING IN THE NETHERLANDS: LOST COMPETITIVENESS. HOW TO GO ON?



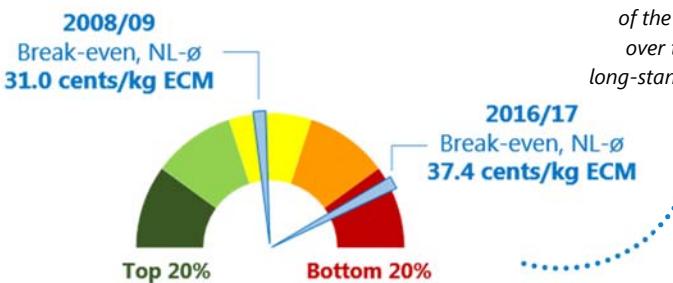
Dutch dairy farmers have a great passion for milk production and a lot of cow sense. A lot of high-quality grassland around the farm is a great natural advantage¹: a good prerequisite for cost-effective feeding of cows (grazing) in a grass-based system with medium output.

This was more or less what Dutch dairy farming looked like 10 years ago in the EDF figures: a fairly competitive system compared to neighbouring countries. A simple and safe system, as the Dutch EDF farmers explained to us at the EDF Congress 2008 in Groningen (NL).



However, more recent figures from the *EDF Cost of Production Comparison* indicate that the Dutch EDF farms have lost competitiveness to their EDF colleagues (Chart 1). The full economic costs of production, and thus also the *break-even point*, are quite high today. Expenditure by Dutch EDF farms has increased significantly in the last 10 years (Chart 2). Initially, fixed cost have risen: The high 24/7 labour requirements of

NINE YEARS AGO, DUTCH EDF FARMS HAVE BEEN GOOD AVERAGE. TODAY THEY ARE AMONG THE 20% WITH THE HIGHEST PRODUCTION COSTS:



Break-even = Milk price at which full economic cost of production can be covered (excl. milk quota costs, decoupled payments considered as non-milk returns)

dairy farming in connection with the high price for labour in the Netherlands led Dutch farmers invest in farm facilities and technology. And they also invested in herd expansion.

EXPENDITURE ROSE SHARPLY, BUT PRODUCTION WAS NOT EXPANDED/INTENSIFIED ACCORDINGLY:



CHART 2: Development of milk production per cow and full economic costs per cow (excl. milk quota costs) in the last 9 years: **20 long-standing Dutch EDF farms** vs. **31 long-standing EDF farms from neighbouring countries** (BE, FR, DK and DE)

With the foreseeable end of the milk quota, Dutch farmers have started to prepare to keep more cows in a modern husbandry system. Get ready for the end of the quota! In anticipation of full freedom of production, enthusiastic and apparently more willing to take risks, they seem to have developed more progressively than others. The particularities of Dutch tax legislation,

¹Also the "social advantages" of grassland should not go unmentioned: Pasture farming for animal well-being. Permanent grassland as a CO₂ sink and a source of biodiversity. This can be particularly important in the context of current societal discussions on climate change, biodiversity and animal welfare.



phosphate limits come into play. Moreover, an increase in the intensity level has various effects on the production system: the additional need for concentrated feed to increase yields has already led to an increase in direct costs for the Dutch EDF farms in recent years. Feed efficiency – one of their former strengths – has deteriorated. And probably more maize silage will also have to be used to achieve a significantly higher milk production per cow, won't it? At least in the 20 long-standing Dutch EDF farms, the proportion of permanent grassland has already fallen by 10% in the last 10 years... Will grassland become a disadvantage now?

How do Dutch farmers get out of the (self-inflicted) trap? **How can they make the most of their incredible passion for dairy, their cow sense, their courage and their grassland?** □

Country	Debt level, in Euros/cow, EDF mean, CoP 2018	ha of forage area per dairy livestock unit, EDF mean, CoP 2018	National milk density, litres of milk per ha of usable agricultural area, 2016, Eurostat
Netherlands (NL)	12,270	0.39	7,744
Belgium (BE)	4,852	0.37	2,786
France (FR)	3,080	0.60	816
Germany (DE)	3,422	0.53	1,864
Denmark (DK)	16,125	0.51	1,989

SO, HOW WILL DUTCH DAIRY FARMING LOOK LIKE IN 10 YEARS?

TABLE 1: Additional key figures from the EDF Cost of Production Comparison and national statistics

² Land prices and the share of land in ownership is much higher in the Dutch EDF farms than in EDF farms in neighbouring countries.

QUESTIONS?

In this article we have briefly described the situation in the Netherlands, based on the key figures of Dutch EDF farms. If you want to know more, send an email to Steffi Wille-Sonk or contact directly our Dutch representative in EDF STAR: *Rick Hoksbergen, Alfa Accountants en Adviseurs, Email: rhoksbergen@alfa.nl*

the high value of land², and the low interest rates of recent years have boosted investment. And the indebtedness of farms has been driven to incredible heights (Table 1). Unfortunately, the general conditions for dairy farming have developed differently than expected...

The current high cost level is forcing Dutch EDF farmers to produce more milk in the current farm structure in order to bring production costs back to a competitive level. But that will be difficult:

The milk density per ha usable agricultural area (UUA) in the Netherlands is extremely high, and not just since today (Table 1). Land is scarce. Dutch farmers are already using it very intensively. A further increase in stocking rates (= more cows) to utilise unused barn capacity is hardly possible (or would entail even higher costs for the purchase of additional production rights), as national phosphate limits now force farmers to respect environmental constraints.

The intensification of production (= more milk per cow) is also associated with challenges. Here, too, the national

phosphate limits come into play. Moreover, an increase in the intensity level has various effects on the production system: the additional need for concentrated feed to increase yields has already led to an increase in direct costs for the Dutch EDF farms in recent years. Feed efficiency – one of their former strengths – has deteriorated. And probably more maize silage will also have to be used to achieve a significantly higher milk production per cow, won't it? At least in the 20 long-standing Dutch EDF farms, the proportion of permanent grassland has already fallen by 10% in the last 10 years... Will grassland become a disadvantage now?

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