



The Dairy Manifesto

February 2010



Introduction



Dairy is important. At the last full count there were more than 17,000 dairy farmers in the UK and they produce an astonishing 12.8 billion litres of milk over the year. Some 80,000 people are directly employed by the industry.

Milk, cheese, yogurt and other dairy foods sell more than any other category in multiple retailers - well over £8bn in annual sales to the consumer. As a result, dairy products can be found in the fridges of 98% of the population.

Though 2009 was a tough year for dairy farmers and processors alike, with challenging market conditions and high costs, there is a positive outlook. Demand should increase as the world economy picks up again, and with ever more mouths to feed, the dairy market is expected to improve.

Thanks to a rigorous farm assurance system, milk quality is very high and welfare is constantly improving. Farmers are breeding cows to live longer, be stronger and healthier – not just to produce more milk. And the UK dairy industry as a whole is considered to be a blueprint for environmental responsibility, after drawing up a Milk Roadmap with government support.

Dairy farming helps keep the countryside in good condition, providing a vital leisure amenity for people from towns, cities and rural areas. It is important that our industry is successful, so it can carry on providing that public good.

We are also an industry in transition. We are moving from a highly regulated environment within the EU to a more liberal market. This broadens opportunities, but increases risk and market volatility as well. We can continue to innovate and add value, reduce our environmental footprint and address the nutrition agenda – all these things are within our power.

But if we are to continue to make a success of the dairy sector, we will also need a supportive political environment to help sustain the pace of change. We need a government that will champion dairy farmers and manufacturers.

This Manifesto lists the actions required to fulfil that aim in four key areas: whole chain measures, farming measures, nutrition and the environment. Dairy UK's five priorities are:

- **Increase research and development in agriculture to raise productivity and protect UK food security**
- **Stress the importance of dairy in a balanced diet to keep the nation healthy**
- **Ensure that competition policy allows UK dairy companies to compete at a global scale**
- **Keep supporting the Milk Roadmap to give farmers and processors confidence to invest further in green measures**
- **Urgently tackle bovine TB to boost milk output and farmer confidence**

Mark Allen
Chairman, Dairy UK

1 WHOLE INDUSTRY MEASURES

1.1 Provenance

It is important that the industry is given every assistance in responding to growing consumer interest in the provenance of foods. That means providing accurate information on the origin of products such as cheese.

Government should commit to clear country of origin labelling on all dairy products and should procure food for the public sector from the UK

1.2 Relationship with Government

Government policies and attitudes play a vital role in creating an atmosphere that gives the industry the confidence to invest. This would best be achieved by through an effective and supportive partnership between the Government and the industry. In such a partnership, the industry would, within the constraints of international competition, seek to proactively address Government policy objectives in all areas: environmental, nutritional and social.

Government should ensure:

- **messages acknowledge the importance of dairy to diet, economy and environment; and industry efforts to meet the Government's agenda**
- **regulatory intervention is evidence-led and proportionate**
- **consequent increases in industry operating costs, particularly at farm level, are addressed through adequate transition periods, provision of advice and through grant aid when appropriate**

1.3 Research & Development

The existing focus of Defra-backed research is on sustainability issues. Joined up research is needed across a broader spectrum of issues.

Government should:

- **give greater emphasis to R&D expenditure that improves the productivity of agriculture**
- **undertake R&D that helps the industry meet its environmental obligations**
- **take a lead role in ensuring the safety of GM and cloning technologies and explaining any benefits to the public**

1.4 Food Security

Maximising the productive potential of British agriculture has not been a priority over the past decade. Policy has been based on an assumption of surplus production and the reliability of international supply.

Government must recognise that dairying is suited to the UK's climate and its productive capability is important to UK and global food security

1.5 *Grocery Suppliers Code of Practice*

Whilst not fundamentally altering the industry's commercial environment, a revised code of practice should help to regularise some commercial practices and this could benefit the industry.

Government should follow through on the Competition Commission's recommendations on a beefed up Grocery Suppliers Code of Practice

1.6 *CAP reform*

The dairy industry does not wish to rely on public support for its prosperity. As such, Dairy UK supports the abolition of milk quotas. However this is contingent on:

- i. Maintaining a level playing field in Europe. Recent market intervention by some EU member states and the increasing scope within the CAP for national policy initiatives could distort competition.
- ii. The UK being competitive in a liberalised world market. Milk production in low cost regions with lower environmental requirements, such as Latin America, could seriously undermine the competitiveness of Northern Ireland in particular.

Government should:

- **work to maintain a level policy playing field in Europe**
- **fight for the interests of the UK dairy industry**
- **manage the process of market liberalisation to ensure that the industry has time to adapt, particularly in Northern Ireland**

1.7 *Volatility*

Extreme price volatility is a challenging experience for the dairy industry but it is here to stay due to reform of the CAP and greater exposure to world markets. The industry does not yet have the range of private sector market management instruments available to other sectors. Volatility also pushes up shelf prices.

Government should examine the role that a self-financing intervention safety net system at EU level could play in minimising price volatility

1.8 *Rural Development Regulation*

The dairy sector has had difficulty in accessing funds to boost agricultural competitiveness, administered through the Regional Development Agencies.

Government should deliver on its commitment to re-examine this area and improve funding availability

2 FARMING SECTOR MEASURES

2.1 *Bovine TB*

Bovine TB is out of control and destroying industry morale and capacity. As many as 40,000 animals were culled in 2009 because of the disease.

Government must urgently develop measures to reduce Bovine TB

2.2 *Nitrate Vulnerable Zones*

The NVZ Directive and the England Action Programme will impose major costs on the dairy sector, estimated at 1.34p per litre over 10 years. This will force some farms out of business, yet the environmental benefit is negligible in many areas.

Government must seek a review of the regulation at EU level in order to better target the directive to areas where it can make an environmental difference

2.3 *Cost and Responsibility Sharing*

Defra's proposals would shift the burden of the costs of animal disease onto the livestock industry. This could undermine the industry's international competitiveness if the model is not replicated elsewhere in Europe.

If an independent body is to be set up:

- **the dairy industry must have meaningful input into the decision taking of the new body**
- **it must be subject to oversight by ministers and Parliament**
- **it must deliver on Bovine TB**

2.4 *Consolidation*

Significant opportunities for further efficiency gains are available to the industry through further consolidation, and this is vital to compete globally. At present, there is no UK dairy company or co-op in the world's top 10.

Government should rebalance competition policy to take account of the interests of the producing and processing sectors, to allow them to become truly global scale.

3 NUTRITION MEASURES

3.1 *Government and dietary advice*

The FSA and other government bodies tend to focus on negative food constituents, and this is reflected in many of their public health campaigns. This ignores the positive constituents of foods like dairy products, which are often rich in nutrients, and need to be recognised as such.

Dietary advice from government and the FSA should stress the importance of dairy in a balanced diet

3.2 *FSA and Government*

As a non-departmental ministerial body, the FSA is not subject to effective ministerial or Parliamentary oversight. At the same time, the FSA is providing detailed nutritional advice to consumers in relation to diseases that are not caused simply by diet, but by a whole range of factors.

The FSA should:

- **be placed under the responsibility of a government minister, to ensure the agency is fully accountable**
- **outsource the commissioning of scientific research to a truly independent panel**

3.3 *Nutrition and Health Claims*

European regulation 1924/2006 harmonises voluntary nutrition and health claims to the end consumer in all commercial communications. The regulation restricts the work of qualified health professionals but gives the media free rein on nutrition and health advice.

The regulation requires the scientific validity of claims to be judged by the European Food Safety Authority. The evaluation criteria used by EFSA may result in claims for dairy being rejected even though they are fully justified by widely accepted science.

Only foods that are deemed to have an adequate nutritional profile will be allowed to carry a claim. The EU is still developing these profiles but it appears they have chosen to give excessive focus to 'negatively perceived' nutrients without balancing these against the positives and this could disadvantage dairy.

Government should seek a review of the regulation to ensure it takes a more balanced view of foods such as dairy

4 ENVIRONMENTAL MEASURES

4.1 *Milk Roadmap*

The dairy supply chain has worked with Government to develop an environmental action plan set out in the Milk Roadmap. The Roadmap sets short, medium and long term targets for reducing milk's environmental footprint throughout the supply chain. It is the central tool for determining the direction of environmental improvements in the UK dairy sector, and is being emulated overseas.

Government should continue to support the Milk Roadmap and facilitate its aims wherever possible

4.2 *Cutting carbon emissions*

The dairy industry is committed to reducing greenhouse gas emissions in the UK. We believe this is best achieved by taking a sectoral approach to burden sharing within the economy rather than adopting one-size-fits-all measures.

The Government should continue to develop a sector by sector approach to carbon reduction and retain Climate Change Agreements

4.3 *Renewable energy*

The industry can make a significant contribution to renewable energy sources through anaerobic digestion.

Government should support the introduction of this technology, and remove barriers to its development.

4.4 *Carbon footprinting*

Carbon labels on food packaging are being considered as a way to inform consumers on the environmental sustainability of their dietary choices. However, there is confusion among shoppers over the significance of CO₂ figures, which also fail to communicate positive changes in the supply chain behind the product

Government should ensure that any carbon labels are relative, not absolute, allowing manufacturers to show continuing emissions savings

4.5 *Water*

Water footprinting – calculating the water used to make something - is moving up the agenda. But the environmental impact of water use depends on where and how it is collected and returned - unlike carbon dioxide which has the same impact wherever it is emitted.

Water footprinting for food must recognise the detailed circumstances of each individual site.



Dairy UK represents the interests of the United Kingdom's dairy farmers, milk producer co-operatives, manufacturers of dairy products and processors and distributors of liquid milk. Between them, Dairy UK's members handle 85% of UK milk production.

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