

THE DAIRY PROJECT



**Farmer Insights
2021-2022**

INTRODUCTION

Price pressures on farmers, an escalating inequality crisis plus the climate and nature emergencies have shone a light on the urgency of striving for fairer, more ethical dairy systems. But what would those systems look like?

All sorts of groups have ideas about what 'fairer, more ethical' means and what farming should look like. But this project starts with farmers themselves. In 2021 and 2022 the Food Ethics Council began convening conversations between a diverse group of dairy farmers. We wanted to ask them what, if possible, would they like to do differently? What are the changes they'd like to see in the dairy sector, and what do they think they could do to help make those changes happen?

We have recorded insights from 40 dairy farmers, representing key dairy regions across the UK as well as a variety of dairy systems, sizes and experiences. Although dairy farmers form only one part of a complex dairy (and food) system, it is clear from our conversations with both farmers and others in the sector that there is a real appetite for positive change at farm level. However, many of the dairy farmers we have spoken to are often faced with a tension between running a profitable business and 'doing the right thing' for the environment, animals and their workers.

These conversations with and between farmers have begun to unmask the many barriers that dairy farmers face in transitioning towards fairer and more ethical dairy systems. By highlighting farmers' aspirations, concerns and perceived roadblocks we can work with stakeholders across the dairy sector to find common ground and begin unblocking the often deeply entrenched barriers to change that the sector is facing.

The points made in this report represent a diversity of dairy farm situations and experiences that the Food Ethics Council heard from in 2021 and 2022. It is important to note that not every farm or farmer will align themselves with every aspiration, demand or barrier recorded here. However, farmers of different farming systems can all take steps - supported by others - to transition the UK dairy sector to better, fairer and more ethical dairy.



OVERVIEW OF FINDINGS

In the following pages you will find a brief discussion of the aspirations and barriers to change that were highlighted by dairy farmers during our 2021-2022 workshops. The key areas highlighted in the report are summarised below.



Farmers' aspirations

- Collaboration, communication and building positive relationships
- Fairer and more transparent contracts
- Beyond increasing milk prices, to increasing milk 'value'
- Rewriting the dairy story
- Educating and improving visibility of the sector to the public
- Creating a financially sustainable business
- Improving animal welfare
- Reducing the environmental impact of dairy farming
- Addressing poor mental health and work-life balance

Barriers to change

- Family pressures and succession
- Lack of clarity from UK and devolved Governments over new subsidies and schemes linked to the environment
- Who 'pays' for an ethical dairy system?
- Lack of access for new entrants
- Restrictive geography leads to restrictive buyers
- Pressure for an immediate investment return limits farmers' ability to invest
- Restrictions for tenant farmers around land use change and farm practice change
- High debt levels from historical infrastructure investments
- Risks and inconsistency of supply with more 'natural' dairy systems
- Lack of conventional funding for agroecological dairy systems
- Intensive and unsociable labour schedules preventing knowledge exchange and creative headspace



WHAT IS MORE 'ETHICAL' DAIRY?

Different people have different ideas about what 'fairer, more ethical' dairy means. For some people, moving away from dairy altogether is the ethical choice. For others, ethical dairy may mean lowering the sector's environmental footprint, improving quality of life for dairy cows, and ensuring farmers and farm workers are fairly rewarded for their work.

As individuals our ethics are shaped by our environment, education and lived experiences, therefore we understandably have diverse ethical views. Despite these differences, we generally have a shared understanding of what is unethical, as well as the general direction of travel needed to create a more ethical food system. Therefore, as we discuss ethical dairy throughout this project, it is important to note that we have not defined a specific type of farming system as the most ethical, nor do we believe that this is the right approach.

In general, we believe that dairy should be fair for people, animals and the planet. We also recognise that every dairy farm is different and not every intervention may be suitable for every system. Geography and landscape, cattle breed, farm size, infrastructure and historical investments all impact a farmer's ability to change the way their farm operates. There is no 'one size fits all'.

" I guess with trying to define ethical farming, the challenge is to find a definition that can encompass all kinds of different farming and different systems and acknowledge that there can be good welfare in different systems. We're all different, basically, aren't we? And that's a great thing about the industry."

- Dairy Farmer

We believe that all dairy farmers, whether they are indoor, or outdoor, grazing or non-grazing, can make positive changes for a fairer, more ethical dairy system. The transition to more ethical dairy is a journey we can all join – but it is not a defined destination.

PEOPLE AT THE HEART OF DAIRY



At the heart of our conversations with farmers was the importance of people. The desire to feel connected with the public, the importance of positive relationships with milk buyers, and the complexity that comes from working so closely with family members. Family farms are unique businesses, often multigenerational with historical ties. With this often comes a sense of duty, stress and obligation.



A COMPLEX SYSTEM WITH MULTIPLE LOCK-INS

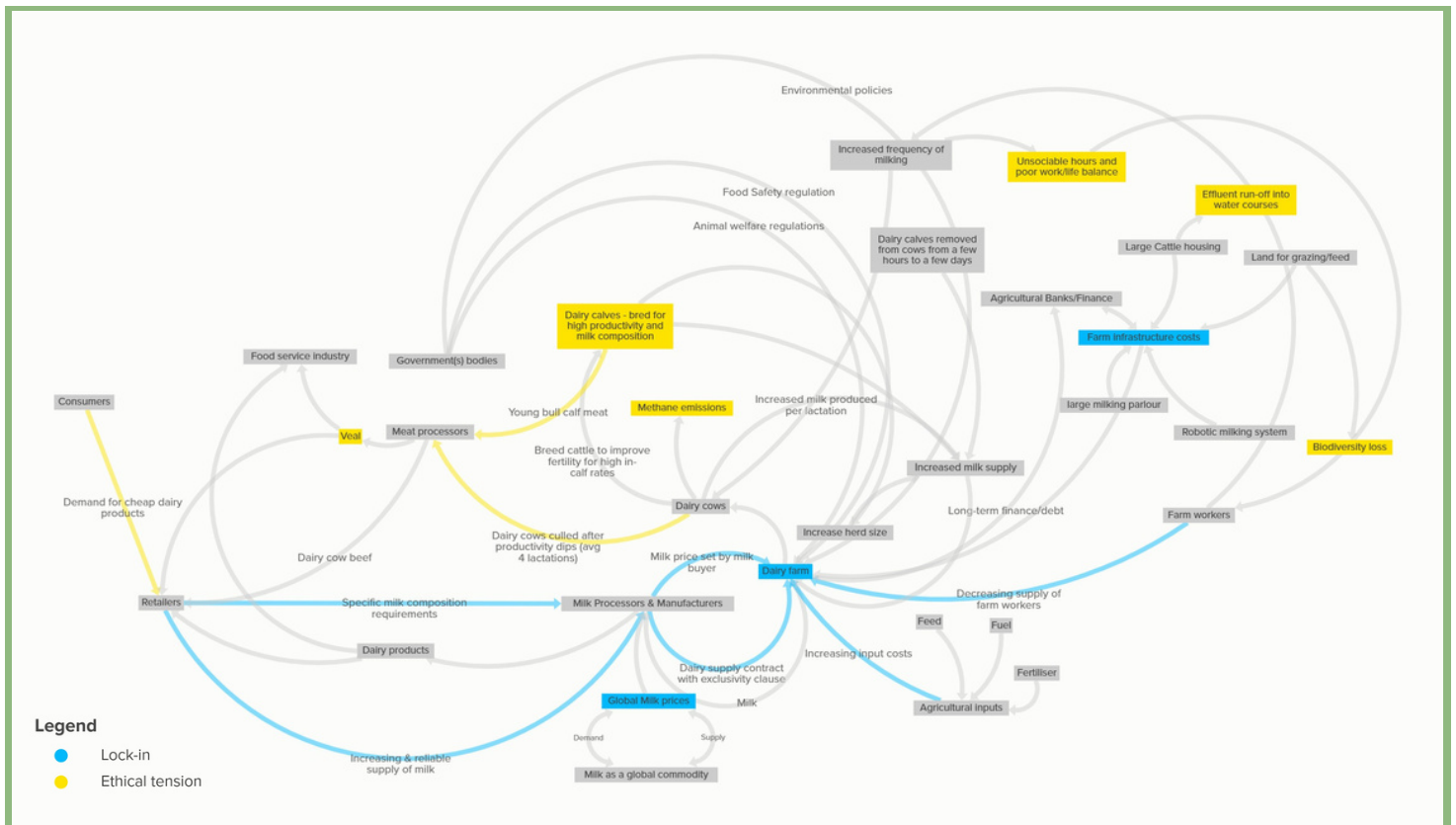


FIGURE 2: The diagram above demonstrates some of the ethical tensions and lock-ins that a conventional dairy system in the UK may face today. The content of the diagram was based on conversations with dairy farmers during workshops. Farmers were asked to identify barriers to change in their own dairy systems. The diagram highlights some of the most commonly cited barriers to change from these workshop discussions.



Case study: dairy lock-ins

To illustrate the diagram on the previous page, the following example is just one way in which a dairy farmer may find themselves 'stuck on a treadmill' of production, with few obvious options to change business direction

A dairy farmer's milk price is determined by the dairy contract they have signed with their milk buyer. That price can change over time and is impacted by a number of different things such as availability, global milk prices, competitive pressure among retailers, and the demands of the public. Over time, an oversupply of milk has depressed milk prices and this has been passed on to the farmer in the form of lower profits. Meanwhile, inputs such as feed and fuel have increased in price.

With this fall in the price of milk, the farmer is no longer breaking even – a change is needed. The farmer begins breeding specifically for higher butterfat contents and higher yields of milk. Milking increases from twice to three times a day. The farmer also decides to increase their herd size to further increase production.

The farmer cannot afford the amount of land required to create a grazing system, so relies on external feed and houses the

cows indoors for optimum efficiency. This means building a new, larger barn, which requires a long-term loan from the bank. More staff are needed for milking. However, they cannot seem to fill the positions. One option is to invest in a robotic milking parlour. They take out another long-term loan from the bank.

The system is now set up as a high input, high output system.

At some point the farmer begins to consider whether they can downsize their farm and produce less milk, with higher animal welfare and less environmental impact. Perhaps they could try out some native dual-purpose breeds and sell meat and dairy directly to businesses in their local community?

However, the loan on the robotic milking parlour and large cow shed still have several years before they are paid off. It appears that the only way to pay off the loan is to continue operating a high input and high output production system, as well as finding more ways to increase milk yields and fertility.



AN ETHICAL FUTURE FOR DAIRY?

FARMERS' ASPIRATIONS

In this report we use the term 'farmers' to refer to the 40 farmers and farm workers who took part in workshops in 2021 and 2022. Whilst we can never generalise the experiences and opinions of all farmers in the UK, the diversity of voices captured in these workshops does represent a large portion of UK dairy farmers.

Demands placed upon farmers were perceived to come from elsewhere in the dairy supply chain with little collaboration or conversation about feasibility at the farm level. However, farmers emphasised their desire to work collaboratively across the entire dairy sector to solve key environmental and animal welfare issues.

1. Collaboration, communication and building positive relationships

The importance of positive relationships and feeling valued by society, family, local community and others in the dairy sector was a consistent theme across all of our workshops. There was a particular focus around the need to build better relationships and more effective forms of communication between dairy farmers, milk buyers, processors and retailers.

Although experiences with specific milk buyers and retailers varied across the cohort (particularly for those who were part of cooperatives), there was a general recognition that communication across the sector has historically felt linear. For example, milk buyers will regularly communicate their needs to farmers, but farmers needs will often go unheard.

Power is perceived to be balanced toward processors and retailers. Some farmers expressed that they were often left feeling powerless and unable to influence positive change.

Farmers would like:

- To have closer and more positive relationships with their milk buyers and others in the dairy supply chain.
- To collaborate with others in the sector to come up with environmental solutions that work for everyone.

2. Fairer and more transparent contracts

There is a desire among some farmers to move away from exclusivity in contracts. Exclusivity can often 'lock in' farmers and mean they are unable to sell milk to their local community or to local processing businesses, such as cheese producers.

In 2020 during the COVID-19 outbreak, many supermarkets and other food outlets struggled with milk availability due to a number of supply chain issues. For example, a lack of delivery drivers due to illness meant milk could not always be picked up from farms by the required date.



During this time there was an increased interest from the public in buying locally and directly from farmers. However, several dairy farmers expressed frustration that, despite local demand, their dairy contract exclusivity clause prevented them from supplying and connecting with their local communities. In some cases, milk was not able to be collected by processors and – because of the exclusivity clause - had to be thrown away.

There was also frustration from farmers around the lack of transparency in awarding new contracts, as well as the lack of opportunity for farms to bid for new contracts. There was a general feeling that opening up contracts to bidders based on environmental, animal welfare and worker welfare criteria would help shift the sector more quickly towards its environmental targets, as well as improve animal welfare by ‘pushing up or pushing out’ dairy farmers with the poorest welfare standards.



There were also some concerning accounts given by farmers of their experiences when considering and signing new contracts. One farmer said that their milk buyer ‘bullied’ them into signing a contract, and did not provide them with time to consult legal advice or consider whether they had other contract options.

Farmers would like:

- Milk contracts to be more competitive by creating opportunities for farms to ‘bid’ for contracts and ensuring transparency and clarity over contract awards.
- Farms with high animal welfare and people welfare to be given more opportunities to bid for contracts, particularly the higher priced contracts.
- Contracts that allow the sale of milk to multiple buyers, particularly local businesses.

3. Beyond increasing milk prices, to increasing milk ‘value’

There was a general consensus that ‘better’ farmers are not getting a better price. When farmers discussed ‘better’ farming, they generally did so in regard to higher welfare and lower environmental impact farming.

Historically, organic dairy has received a good premium compared to conventional milk. However, there was a sense amongst farmers that this gap is beginning to close. Questions were raised about whether dairy systems that use regenerative practices should or could be paid more. Opportunities to pay more for higher welfare milk (similar to eggs) was also mentioned. However, farmers recognised a tension between wanting to increase the value of milk to reflect the ‘true cost’ of production, but also recognising that there are families struggling to feed their children.



Should it be more about fairer distribution of profits and shorter supply chains than increasing the product price? At the heart of low milk prices is milk's role and perception as a global commodity.

Even within the dairy sector, some poorer quality milk is referred to as 'white water' due to its low nutritional density and low value. Producing milk for quantity over quality linked directly to global milk markets means there are very thin margins for many producers. Farmers expressed a desire to produce milk in a way that allows them to promote it as a nutritionally dense and valuable food product in itself, beyond the global milk market.

Farmers would like:

- To be paid fairly for the milk they produce.
- To be paid the 'true value' of their milk, considering animal welfare, environment and also people welfare.

4. Rewriting and retelling the dairy story

Some farmers expressed concerns with the public image of the dairy industry, noting that there are unfortunately a minority of farms with poor animal welfare and high environmental impact that give the industry a poor name. This is coupled with the sense that, overall, there has been a lack of effective marketing and storytelling from the sector in recent years, with often only 'bad' stories making the press.

It was suggested that increasing numbers of people are turning to plant-based products due to these ethical concerns, and that it is therefore increasingly important to tell what is - in some farmers' view - the 'real story' of milk, that being the farms that are working hard to produce dairy products sustainably and ethically.

An increasing disconnect between the public and food production has led to the value of milk being reduced, which is not helped by the cheap prices that often accompany it on supermarket shelves and in other food outlets. The public's perception of milk's value would be improved if welfare and environmental standards were bolstered across the whole sector, and if people were able to reconnect with a story of ethical farming.

Farmers would like:

- To ensure that farms with low welfare and environmental standards are 'pushed out' of the sector and that remaining farms are supported to 'pull themselves up', to enable UK dairy to honestly market dairy products as ethical, sustainable and valuable.
- To work closely with others in the industry, not just farmers, to creatively and effectively tell the story of dairy farming and help the public to reconnect with the people and processes behind the products they consume.



5. Educating and improving visibility of the sector to the public

Farmers felt that the general public do not have an understanding of the importance and value of buying local versus buying something shipped from abroad. There was also concern that a lack of understanding from the public on what is bad and what is good animal welfare is damaging the image of the sector.



For example, the public often perceive sheds to be associated with factory farms, but sheds can sometimes be important for welfare reasons, particularly during the winter months. Transparency about different dairy systems, how they work and their impacts need to be better communicated with the public.

However, there was some disagreement amongst farmers on how important cow and calf welfare was to the public when purchasing food. Some suggested that there is a disconnect between what the public often say they want from their food and what they are willing to buy once in a retail store – there is a perception (not always correct) that people will still choose the cheapest option despite ethical concerns.

Farmers would like:

- The opportunity to sell directly to local customers
- To interact with and build relationships with their customers, to help them understand the processes involved in dairy farming
- To be an important part of their local community
- To improve transparency of the dairy sector with the public

6. Creating a financially sustainable business

For most farmers, addressing ethical concerns must go hand in hand with creating a financially sustainable business. Many felt that the sector was generally too reliant on government support, with others stating that a genuinely resilient dairy business should make profit from its milk operations, not rely on government subsidies or diversification projects. Others disagreed and argued that a diverse business with multiple income streams was important for any farming operation.

Farmers noted the need to feel confident in their business's financial resilience before employing, training and keeping on staff. The knock-on effect of a happy and fairly paid work team leads to better care for cows and equipment as well as fewer sick days and a more positive and creative work environment.



Farmers would like:

- A business that can stand on its own two feet regardless of government schemes.
- A business that is profitable and sustainable.
- A business that they are proud to pass on to the next generation of farmers.
- Clearer routes to market and access to processing facilities for smaller scale dairies.

7. Improving animal welfare

A number of farmers expressed general concerns with low welfare standards in parts of the sector. Some farmers noted that Red Tractor Standards (RTS) were not actually driving bad welfare farms out of the industry. Farmers suggested that there is often a lack of respect towards Red Tractor Standards among farmers, and that it is seen as a tick-box exercise for many.

However, it should be noted that UK dairy can fall below Red Tractor Standards and can still legally be sold and bought in the UK, although many processors and retailers will not purchase milk unless it is RTS assured.

There was a wide range of opinions on what should be classed as 'good welfare'. For some this meant allowing cows as much freedom as possible, such as choosing when to be milked. Others suggested a need to increase cow with calf time after birth as well as reducing frequency of milking.

Farmers would like to:

- Have a dairy system that reduces pressure on animals, for example by reducing the frequency of milking per day.
- Provide cows with complete choice in milking and being inside or outside.
- Change farm layout and infrastructure to improve welfare of cows e.g. better tracks and sheds for winter.
- Increase the minimum animal welfare standard expected of dairy farmers, while recognising too much regulation and yearly inspections may not be effective.
- Treat fewer ill cows.
- Eliminate the need to kill male calves at birth.

8. Reducing the environmental impact of farming

Although the Dairy Roadmap produced by the Agriculture and Horticulture Development Board (AHDB) has helped make some significant improvements to UK dairy's environmental impact, farmers still felt that much more needed to be done to tackle methane emissions and improve on-farm biodiversity.



There was a general consensus that replicable and shareable solutions are needed and that larger farms with the ability to invest in new technologies should be doing more to reduce their emissions.

On-farm waste was also mentioned as an environmental issue, including uncollected milk. Dead calves and dead heifers also need to be managed more effectively. Stories of poor effluent management and pollution of waterways were also of concern, albeit it was generally felt that these were more likely to occur on very large and intensive dairy farms.

Farmers also expressed concerns about the inconsistency in standards across different stages across (further) processing of dairy. For example, environmental standards for liquid milk tend to be higher than for milk used as an ingredient in grated cheese on a pizza or sandwich.

There was lots of positivity around the potential for regenerative farming to have positive environmental impacts at farm level as well as empower farmers by reducing reliance on external inputs. However, there was also some scepticism about the regenerative farming movement, and the potential for it to lead to greenwashing. Some suggested that there should be more rigorous requirements or potentially certification to brand dairy products as regenerative.

Concern for the environmental impact of dairy was not confined to dairy farms. A large number of farmers showed concern over the household waste of dairy products, particularly milk. Linking back to the low value of milk, some farmers felt that increasing the value of milk might in turn lead to less milk being wasted in the home.

Farmers would like to:

- Plant more trees and hedgerows on less productive areas of land.
- Increase biodiversity on the farm.
- Improve diversity on the farm through herbal leys and multiple crop species.
- Improve understanding of soil health and carbon sequestration.
- Have confidence that their milk buyers' environmental requirements are moving them in the right direction towards improved biodiversity and emission reductions.



9. Addressing poor mental health and work-life balance

A key concern among farmers was the poor mental and physical health of farmers and farm workers, particularly in the dairy sector. The causes of poor mental health in farmers and farm workers are vast and can often be difficult to identify. However, some of the suggestions from farmers were:

- Financial stress
- Poor animal health and welfare
- Bureaucracy, documentation, and box ticking
- Uncertainty about the future
- Increasing demands – family, societal, milk buyers, policy makers
- Working in the ‘wrong’ industry
- Poor work life balance
- Physical work environment

Financial stress and poor work-life balance were generally the most discussed issues when it came to the poor mental health of dairy farmers. Opportunities to change dairy systems away from labour-intensive operations or towards more outdoor grazing were suggested as positive interventions. However, changing dairy systems can be incredibly difficult for some farmers, with some feeling ‘locked-in’ or ‘on a treadmill’ of production they feel they cannot easily get off. The next phase of the Dairy Project will be exploring how to overcome this.

The poor mental and physical wellbeing of farmers is inextricably linked to the larger supply chain system within which they work and are ‘locked in’ to. The former cannot be tackled without changing the latter.

Farmers would like to have a system that:

- Reduces pressure on those working in dairy, improves work-life balance and increases family time.
- Provides a pleasant physical work environment with lots of opportunity to work outside.
- Gives farm workers training and progression opportunities to develop their careers.
- Encourages more people into the industry.
- Has more opportunities for new entrants to join farmer cooperatives.



AN ETHICAL FUTURE FOR DAIRY?

BARRIERS TO CHANGE

Despite the many aspirations of farmers listed above, taking the steps to make changes on farm or elsewhere in the dairy supply chain are not always easy.

Different farms, farmers and farm workers will face different barriers due to characteristics such as geography, scale and system type. Here we list just some of the barriers that farmers said they currently face in their journey towards more ethical dairy.

1. Family pressures and succession

- Complicated family relationships and succession leading to some people in farming that don't want to be there.
- Societal pressure and expectation from friends and community that you will be a farmer when you grow up or take over the farm.

2. Lack of clarity from Government(s) over new subsidies and schemes

- Farmers felt that the work required for a tiny increase in price is often not worth the time and effort. They felt it was easier to have lower standards that just require you to maintain a steady milk supply (although, for larger businesses the difference between lowest price and highest price is significant).

- Concerns around trees and hedgerow planting taking land out of production. The payment made for this intervention does not pay enough for the labour efforts and lost land.
- The Basic Payment Scheme and tax laws are currently propping up the tail end of the industry - not just the milk price.
- Currently there are a lack of mechanisms in place to help support farmers farm in a more environmentally friendly way.

3. Who 'pays' for an ethical dairy system?

- System and practice changes that are made on the farm need to not compromise the profitability of the business.
- Milk payment structures and certain milk contracts do not allow for once-a-day milking. They pay for quantity over 'quality' (farmers not paid enough for fat and protein).
- There is a perception among some farmers that excellent welfare can only be achieved if farm businesses are making reasonable profits.

"The first fundamental point is you need to be able to make a consistent profit to have a fair and ethical system. That doesn't mean making a fortune, but it does mean enough to pay the [team] enough to look after the cows, so you can start to do all of the things that do make a difference."



4. Lack of access for new entrants

- Barriers for new entrants starting their own dairy farm due to high capital asset costs. These are often higher than other farming sectors.
- Lack of access to investment to buy land or infrastructure for people from no farming background.

5. Restrictive geography

Some regions have a lack of milk buyers and this limits the type of contracts farmers can sign up for.

6. Pressure for immediate investment return limits ability to invest

With tight margins, new investments on farm typically have to deliver a fairly quick return and pay for themselves. Usually it is not easy to quantify the return, therefore many do not go ahead with the investment and therefore can not justify the spend.

"Debt level of a high input high output system means I am unable to shift away from this type of production - I'm on the treadmill."

- Dairy Farmer

7. Restrictions for tenant farmers around land use change and farm practice change

Tenanted farmers have an additional challenge of justifying to landlords why they should have rent reduction for land taken out of production (even if not productive already).

"Being a tenant farmer and having borrowed a lot of money, my immediate focus has to be on making the business profitable and paying back the debt. Long term environmental goals with soil and biodiversity are not things we can achieve in a 15 year time frame."

- Dairy Farmer

8. High debt levels from historical infrastructure investments

Lock-in from big infrastructure investments/ capital expenditure and a need for more flexibility, e.g. a shift towards (expensive) robotic milking due to labour shortages.

9. Risks and inconsistency of supply with more 'natural' systems

Grazing can often lead to inconsistency of milk supply and composition as it is very dependent on the weather.



10. Lack of conventional funding for agroecological dairy systems

A lack of business and finance data to encourage banks to invest in agroecological dairy systems prevents new entrants from creating an agroecological dairy movement, and also prevents current farmers from transitioning towards agroecological farming practices.

11. Intensive and unsociable labour schedules prevent knowledge exchange and creative headspace

Labour-intensive jobs as well as multiple milkings a day can be a barrier to farmers and farm workers joining up to Continuing Professional Development ('CPD') courses and knowledge exchange sessions.

NEXT STEPS

In 2023 the Dairy Project will focus on 'people' issues as the main entry point to make 'in the round' progress for people, animals and planet. We will zoom in on the following key areas that have been identified as important to farmers:

Legacy: Improving and protecting the environment; creating a thriving, attractive and sustainable farming system for future generations; and playing a positive role in the community.

Lifestyle: Having a healthy work-life balance for those working in dairy; improving mental and physical health; increasing space and time for creativity and peer-peer learning; and putting the 'fun' back in farming.

'Fair' pay and profit: Improving competitiveness in milk contracts; adding value to milk; and reducing waste across the value chain.

To achieve these key goals the next phases of the project will be to:

- **Problem solve and identify** transition pathways - with farmers and others in the dairy value chain and policymakers - through innovation workshops, Business Forums and partnership building.
- **Test and promote** 'best practice' including alternative business models, policies and technologies.
- **Empower** people across the dairy value chain to make lasting changes, including bringing a food citizenship lens rather than a narrow consumerist mindset to address ongoing ethical tensions.



If you would like to be involved in the Dairy Project activities in 2023 please contact Abigail Williams at abi@foodethicscouncil.org.

The Food Ethics Council is a think-tank and charity that provides independent advice on the ethics of food and farming. Our mission is to facilitate a shift towards fair food systems that respect people, animals and the planet.

The Dairy Project is run by the Food Ethics Council and is about working with dairy farmers and other stakeholders across the dairy sector, to identify the barriers and opportunities for enabling fairer and more ethical dairy systems – and helping to overcome them.

