

Approach of differentiation strategies on dairy farms in the Atlantic area

Over the past few decades, European dairy production has known a strong restructuration in most of the countries (and it was even stronger among the new members from Central and Eastern Europe where subsistence-oriented farming remains a reality of rural areas). That restructuration is characterized by an important reduction of the number of dairy farms, and in parallel, an increase of the production on the farms that have maintained the dairy activity. Until April 2015, when the quota regime was still in place, dairy farms used to expand their production by acquiring milk quota volumes released by those ceasing the activity. In the 2nd half of the 2000s, a lifting of the quota regime led to a grow up of European milk production. The 28 countries that used to constitute European Union between 2013 and 2020 have seen their cumulated production growing up from a few 150 million tonnes at the beginning of the 2000s (among which 134 MT were delivered to dairies) to around 170 million tonnes (160 MT delivered to dairies).

Even if the lifting of the quotas aimed at being progressive, the outing of this administered volume control regime saw two major dairy crisis in 2009 and in 2016. Those two crisis speed up the cessation of activity of many dairy farmers because of economic difficulties and bankruptcies. For others, the upholding of dairy activity went through a more or less radical overhaul of the farm management in order to move away from a strategy of cost-competitiveness in which they didn't gain economic success and also philosophical satisfaction anymore.

In parallel of those internal crisis in the dairy sector, societal views toward livestock farming also changed, and new questions have been raised. New societal expectations emerged in terms of management and preservation of resources (water, environment, biodiversity, green house gases...) but also of origin of animal feeding (non-GMO, country of origin in conjunction with deforestation issues...) or animal well-being. In some cases, those issues can be accompanied by a willing to pay higher prices for what is considered as better agricultural practices. For farmers who pay attention to those social changes, those expectations must not be considered only as a no-confidence in livestock practices, but it can be considered as opportunities to create added-value in a new way. Adoption of new practices in order to create added value and answer those question is what we hear by differentiation on dairy farms.

In the action 4.3 of **Dairy for Future Interreg project**, we interested in actions led by different farmers in 10 regions of the Atlantic area region that integrate the idea of differentiation strategy. Being carried out only on one farm, in a small collective of few farms or even in much bigger organizations of hundred or thousands of farms, those actions have in common the implementation of specific practices and the search of added value relying on those practices that go beyond standards and for which consumers can accept to pay more.

As only one action has been studied for each region, we don't aim at being exhaustive about the diversity of actions led on territories. What is clear however is that dairy farmers from different horizons are looking for new strategies of competitiveness, out of the model of cost competitiveness. And it implies more or less radical changes on their farm.

Among the 10 case-studies, several of them are characterized by the re-appropriation of the processing and trading stages of the milk produced on the farm. This is the case of *Ty Tanglwyst*

Dairy in Wales, a project that has allowed the creation of more than 25 employments for a milk production of 1.2 million of litres.

That is also the route followed by three farms in **Spanish Basque Country**. On small structures (around 15 cows per farm) all engaged in organic farming, farmers decided to join forces for the commercial part of their activity. Thus, they created the collective brand *Behieko* and each farm participates in expanding the range of products sold, also creating employments on the territory. In **Scotland**, on *Mossgiel Organic Farm*, a huge transition has been made after the farm went into bankruptcy in 2015 because of the dairy crisis. Bryce Cunningham rethought the business with a reduction of dairy cow number, a change of breed and a “cow with calves” system, and also the switch from 3 times to once daily milking. Processing of the milk and its trading have also been internalised, and plastic use has been forsaken. Even if it sounds very radical, this transition is now accompanied by a development of relationship with other local dairy farms, more classic but also in organic farming, whom the milk is processed and sold locally. However, a segmentation is made for the milk from Mossgiel Farm, considered as premium quality milk because of its particular farming practices.

In a similar approach, the project *Muuhulloo* carried out in **Galicia** by a small collective of women, making cosmetics from local milk and herbs, is also a re-appropriation of the becoming of the milk by the farmers. Even if the volumes processed are still low, rural revitalization is at the heart of a such project and has enabled the creation of employments in the countryside.

Among the other initiatives studied, some of them rely essentially on official quality signs (without re-appropriation of other processing and trading stages), such as organic farming or protected designation of origin (PDO), with a certification of the practices adopted by farmers and other actors of the value chain. Those initiative can sometimes gather a large number of farms. In the **Azores**, few farms are engaged in low input and organic dairy supply chains. The dairy processes that milk in liquid milk which is sold mainly in mainland Portugal. Differentiation is a key point in the archipelago because of the high transport costs to reach the mainland where is concentrated Portuguese population. Milk from the Azores must be able to offer guarantees to consumers in comparison with milk from other countries of the European Union that can be more competitive on price criterion only.

In **Ireland**, another important grassland region of the Atlantic area, organic milk production remains confidential and is mainly driven by small local dairies turned toward domestic market. But the development of organic export-oriented products such as infant formula milk is now an emerging idea.

In **Normandy**, west of France, around 700 dairy farms benefit from bonuses on their milk price thanks to *PDO Isigny Butter and Cream* specific requirements, such as a minimum of 210 days of grazing a year and the use of the local Normand breed. The PDO was obtained in 1986, but it is very recent that producers have bonuses. In the past, they just had to be part of the geographical area, but with no specific remuneration, and the requirements were mainly in the processing way in dairies. Since 2020, the good reputation of the PDO products also rely on new requirements specification and contribute to bring added value on farms.

A third way we could notice in the differentiation strategies adopted is the use of private standards that can be seen as a kind of imitation of official quality signs and aimed at proposing specific guarantees to consumers. In **Brittany** and other regions of France, Sodiaal cooperative launched its “Responsible milkmen” program in 2018. Starting from consumer survey, they drafted specifications

based on the issues raised by consumers afterward. Grazing management, GMO free feed, animal well-being but also minimum price for producers stood out to be key points for whom consumers are willing to pay more. Finally, the products labelled under “Responsible milkmen” brand appear to be at an intermediate price between conventional and premium quality products with official quality signs.

In **Northern Ireland**, Dale Farm Cooperative guarantees to its customers an easy spreadable butter. In comparison with Sodial approach, the guarantees are no longer a matter of ethical expectations of consumers, but more about convenience of the product. A such product characteristic is allowed by a combination of dairy cows’ grazing and a specific feed supplement, resulting in a good fatty acid profile of the milk, and thus of the butter made from it. Producers involved in that initiative benefit from bonuses on their milk price. The bonus can even be higher according to the fatty acid profile measures.

In a different way as it doesn’t focus on selling of a differentiated milk, **Portuguese** project “*Leite é vida!*” (“*Milk is life!*”) can be considered as close to the two last actions described as it aims at meeting consumers expectations and bring them information. The goal of this project is to adopt a positive communication and bring transparency about dairy farming activity toward a wide audience.