

POLICY BRIEF

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The future of dairy farming in Finistère

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Two dairy production systems co-exist in Finistère and, to some extent, compete: one being fairly intensive, representing more than 70 % of farms and in which feed strategies rely mainly on maize and soybean cake; the other one being called “thrifty / autonomous” systems, which represent around 15 to 20 % of all farms, and in which feed strategies rely predominantly on grassland. At the moment, the sustainability of the later (including its economic profitability) exceeds in many cases, and equates in all, that of the former. Discussing about a more sustainable future for dairy production in Finistère hence means to discuss the extent to which the thrifty production system could gain in importance at the district level. What could be the levers (both market / regulatory and financial conditions) for this to happen? Who can take action, with which strategy, for such change(s) to happen?

Dairy production in the Finistère is mostly industrialized with no specific differentiation, and used to produce undifferentiated end products (skimmed milk, butter, raw milk...) which are either sold on the domestic, national or international market. Organic production accounts for less than 2 % of the total production, and there are not any specific labels / standards to valorise the specificity of the production in the area. The Finistère district is marked by the presence of major industrial players, both cooperative (e.g. Sodiaal) and private ones (e.g. Lactalis), which compete on the global market with other international brands / groups (Arla, Frieds Campina and others).

Two key public policies have shaped the sector during the last thirty years: the quota policy, which ended in 2015, that has allowed to keep the milk prices relatively stable and favoured investment at the farm level; environmental policies, and most particularly the nitrogen and the Water framework directives leading to significant investment in effluent management within farms. The end of quota has led to a growing instability on the milk market that the European legislation has tried to counterbalance in the "milk package" by proposing the organization of producer organizations, favouring the collective negotiation of clauses of contracts between producers and collectors. Some producers or producer organisations (POs), however, are not always satisfied with agreements reached between producers and downstream operators, calling for better coordination and regulation.

Key messages

- Different factors led to the domination of intensive systems in the current landscape of dairy production: the past influence of modernization strategies adopted, the former quota system - with prices that were rather protected from volatility through the negotiations led by the interbranch organization, the fact that milk was mostly considered as an undifferentiated commodity and that big dairy processors needed important volumes to be profitable. The current situation led to socio-technical lock-ins which require a multifactorial approach to be overcome and bring about a transition towards more virtuous breeding systems.

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- Intensive systems are less and less sustainable / resilient, for their business environment has been largely transformed over the last couple of years: the capacity for the interbranch agreement in the setting of milk prices is over; the end of the quota; and the progressive restructuring and growing concentration downstream the milk supply chain that has lower bargaining capacities of farmers on milk prices. On the environmental side, their impacts are higher than that of thrifty models regarding nitrogen excretion, dependence on imported proteins and CO2 emission / ha (although CO2 emission / kg of milk is lower).
- Irrespective of their production systems (intensive or thirsty), farmers try to regain bargaining power vis-à-vis downstream players through the development and the reinforcement of producer organisations (for those who sell to private dairies) or the improvement of cooperative governance. However:
 - Most farmers who are members of cooperatives have the feeling that they have a decreasing power in decision making processes and tend to denounce both the lack of competitiveness of some cooperatives comparing to private dairies and the fact that farmers delivering to cooperatives are often paid less than those delivering to private dairies.
 - Most POs are currently unable to weigh on dairies and improve the situations of their farmers-members, because they are all attached to one dairy instead of being able to negotiate with several of them and they are too small and do not represent significant volumes to truly negotiate with dairies. Federating POs in one single regional federation for the whole Western part of France (all facing similar context) with cooperatives joining the federation could be one solution, but should be combined with upstream market segmentation and practices shift at the farm level.
- Farmers relying on thirsty production systems *or* having a large share of grass in their feed strategies are also developing strategies of upstream market segmentation to ensure a better remuneration for farmers and to resist the pressure put by downstream actors (processors and retailers). These strategies rely on promoting some specificities among the different production systems through short circuit marketing, the development of a “medium range” milk chains (around 1000 km maximum from production location to end consumption location) and the emphasize on specificities of Finistère dairy systems in terms of animal welfare and grazing time. This strategy, however, poses difficulties for producers who do not have access to pasture areas at the farm level and for processing operators in terms of management of segmentation within production lines, and is also subject to competition, from northern European countries in particular.
- To adopt thrifty systems, farmers need to have access to grassland. Yet, the quota policy has had important effects on land organisation: as quotas were allocated on the basis of land, farmers who wanted to increase their production capacity had bought land irrespective of the possible impacts on land fragmentation, limiting the physical accessibility of cows to grass / pasturelands in many farms. Countering this trend of pasture fragmentation to favour grassland production would mean having farmers collectively working together with public authorities to facilitate land exchanges and land reallocation towards a more coherent landscape.
- The development of two different production systems has progressively led to the emergence of two quite distinct socio-political networks and community of practices which function in relative isolation to each other. Operating a large scale transition in which semi-extensive and pasture-based systems would gain prominence could only happen if all networks work collectively on territorially-based strategies.



Moving from intensive production systems to thirsty production systems relying on grazing animals for dairy production would imply a territorial approach involving all actors to favour: access to pasture for breeders, investments from processors to cope with segmentation, good valorisation at the territorial level



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