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DG Competition, Food Task Force 06/69  
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### **Skewed competition for Swedish dairy farmers**

Very kind of You to answer our letter to Mr Johannes Laitenberger from 6<sup>th</sup> September. And yes, we would like to pursue our matter further. We hope for another opportunity to a meeting and for better understanding of our intent in the letter to Mr Laitenberger, we write this completion and include documents verifying what we say and our point of view.

We are dairy farmers from Sweden, we farm 250 hectares of land and have 200 dairy cows and 200 young stock. Most of our land is rented. Our farm is situated 100 kilometers west from Stockholm in a less favorable area. Our milk herd is conventional and we have high yielding cows delivering 2,4 million liters yearly to dairy Arla Foods. Web site [www.aspetorp.se](http://www.aspetorp.se).

### **Why bad situation for Swedish dairy farmers?**

Swedish farmers are doing very poorly in the FADN reports. This has not been noticed by Swedish Farmers federation (LRF = Lantbrukarnas Riksförbund). Statistics from Finnish web site. *Appendix 1: FADN advanced results. "Economydoctor"*

In our opinion the situation in Sweden for Swedish farmers is difficult because of these three main reasons;

1. High taxes on income and production means
2. Local demands but no added value to our milk
3. Swedish animal welfare legislation

#### **1.a Swedish taxes on income**

We understand that EU can't change our local tax levels but for better understanding our competitiveness we want to inform you about tax levels we have in Sweden. For income we have a general base deduction of 18900 SEK (~2010 Euro sep 2015) before paying any income taxes. That is a very low level so we start paying tax for very low incomes. That makes us less competitive and we would like a higher level, up to over 10 000 Euro such as many other EU member countries have. *Appendix 2a-c: Personal income tax system in Sweden, United Kingdom and Austria.*

### 3.b Swedish taxation on production means

The tax levels on production means are difficult to compare between countries but generally the tax on diesel has a high impact on competitiveness. In Sweden the tax level for diesel is high compared to other EU countries. This fact as well as plenty of other facts are presented in the Competition Investigation missioned by Swedish Government and presented in March 2015. *Appendix 3: Taxes on production means, SOU 2015:15, p 72-73.*

#### 2.a Swedish Federation of Farmers (LRF)

Our cooperatives are organized through Swedish Federation of Farmers (LRF) and they have for decades told the farmers that our local demands will give the farmers benefits in their prices. So called added value due to “Swedish Model of Farming”.

This means we have a lot of local legislations and claims which go way over the level of what EU demands. The farmers have been told from LRF that the consumers are willing to pay for the extra costs we have due to hard legislations. Yet has nothing has happened of that kind, we still get same prices for milk as other farmers in Europe or world wide.

We are personally no longer members to LRF because we believe they do not push our situation enough within Sweden politics as well as in European politic lobbying. They are simply not strong enough and fight for us as being normal production farmers. Their members are today mostly non-farming people. *Appendix 4: Article from Farmer’s weekly, interview with chairman of LRF Helena Jonsson.*

#### 2.b Arla Foods dairy company

The major dairy company in Sweden, Arla Foods, is a cooperative and a big global actor and they compete worldwide. Arla Foods has a dominant position in Sweden as they collect 75 % of all milk. Their business plan is to grow and take over dairy by merging or buying. This business plan has put pressure on milk prices, though promises that this would not happen. The members have been told for years that we have to wait a few years then this investment or merge will pay off. *Appendix 5: Arla Foods Owner update from april 2014. English and Swedish version.*

Today we have same milk price as European farmers or even lower than some of them today. There are few possibilities for us to change dairy company. The smaller dairies in Sweden pay better milk price, but are more closed. Of course they also follow the price ups and downs of Arla Foods, but they stay on a higher level. Our current milk price is 26 eurocent, one year ago it was 35 eurocent. *Appendix 6: Our milk cheque August 2014 and August 2015. Arla Foods pay-off cheques.*

We know that Swedish Competition Authority have investigated Arla Foods dominancy. Arla Foods in Sweden has to let the members split their milk delivery so 50 % can be delivered to other dairies, or products can be made on the farm and sold.

The latest news from Arla Foods chairman, Mr Åke Hantoft, is that Arla wants to end the possibility to split milk delivery. We have written a letter to the Swedish Competition Authority 16 September about this. Their verbal answer from Competition Authority to us 18<sup>th</sup> September is that as far as they can see today they will not change the split rules for Arla

Foods. *Appendix 7: Article from Farmers magazine "ATL" 11 th September, about Arla foods and split deliveries. Appendix 8: Letter to Swedish Competition Authority.*

### 2.c The "Milk crown"

Just recently there has been an initiative through LRF and our biggest retail company ICA, which means extra money will be sent directly to farmers on all sold liquid milk during a period of 6 months. The initiative is called "Milk crown". The extra money of 1 SEK per liter milk sold may sound a lot but in reality this will be for us ~0,06 SEK / liter produced milk on 6 months period. This is way too little to compensate our "added values". We don't like the name "crown" because it gets associations that we are getting the whole crown to the farmers. Arla Foods has reacted negatively on this initiative and think that LRF should not interfere on the milk market. *Appendix 9: Document about Milk crown from LRF. Appendix 10: Editorial from biggest magazine "Land Lantbruk", owned and controlled by LRF.*

### 3. a Swedish animal welfare legislation – Mrs Astrid Lindgren story

To understand our animal welfare legislation we must tell You historically what happened in the 1980's, when there was a big debate about animal welfare and how the farm animals were kept. The debate started and was driven by veterinarians and animal welfare organizations. They also took help from a very special person named Astrid Lindgren.

Mrs Astrid Lindgren was a very famous fairy tale writer who passed away some years ago. She is still a legend for the Swedish people and her stories are very much alive through books and movies and amusement parks. Mrs Astrid Lindgren and a veterinarian Mrs Kristina Forslund also wrote a book called "My cow wants to have fun".

<http://www.forslund.info/Astridlindgren/english/english.htm> The book was the start to our government to make our present welfare legislation which was actually handed over to Mrs Lindgren as a birthday present on her 80<sup>th</sup> day by Ingvar Carlsson, our prime minister at that time. *Appendix 11: Article from New York Times Oct 25 1988.*

This sound like a nice story and of course some of the new paragraphs that were included in the new legislation did make a difference for the farm animals. But in our opinion many rules in the new act were also made up to satisfy Mrs Lindgren, and the consumers, without taking economic aspects or having scientific proofs for improving animal welfare.

### 3.b Technical parts

What also influenced farmers very much was the fact that there were included numerous specific and technical parts for every detail for animal keeping. One example; a stall for cows must be minimum 1,20 cm wide for a certain body weight. *Appendix 12: Measurements in barns and building for cattle, Farm Officials from [www.jordbruksverket.se](http://www.jordbruksverket.se)*

Also included in the new legislation was that all cattle (cows, heifers and calves over 6 months) must be put on pasture for 2, 3 or 4 months depending on which part of Sweden. There was no scientific evidence that cows in the north only need 2 months pasture and cows in the south need 4 months pasture, the rule was made up only because of weather and season conditions. The regulation included all cattle production, not only the organic cattle. *Appendix 13: How animals for milk productions should be kept on pasture. Farm Officials from [www.jordbruksverket.se](http://www.jordbruksverket.se) .*

### 3.c Control functions

The government control of animal welfare legislation has today become very troublesome and difficult for Swedish animal farmers. The reason is the way the system is built up. Control people from the County Boards (Länsstyrelsen) can act both as judge and executors. If the control people from the Board come to your farm and find problem with anything on your farm, and you can't or won't fix it, you get an injunction, which can be attached with a fine. After three injunctions from the County Board they can immediately response by giving you a ban to have animals. *Appendix 14: Article from magazine Jordbruksaktuellt 16 July 2013 "Three injunctions is enough"*.

### 3.d Our case – the pasture plan

In our case we have not yet been forced out of dairy farming but we are getting injunctions from the government control people due to the legislation of pasture. The reason for our injunctions is that we are not doing what is called "pasture plan" in the legislation. This would be a plan for how and when and which animals we will have on pasture.

This part of pasture legislation was included in the law year 2012 and as far as we understand it was not correctly notified to the European Commission as a new technical rule and therefore we do not want to follow the rule. Also we think that the rule doesn't have anything do with the welfare of our animals.

We think that pasture legislation makes our animal welfare worse since we have high yielding dairy cows which are not doing very well if we bring them on pasture exactly according to law. We have to mix groups and the feeding will be changed and we loose a lot of milk production. Also the young heifers are not doing well or grow as they should do when we put them on pasture.

Our fight with government authorities has gone on for quite many years. We have no other remarks or trouble with the legislation, only the pasture plan.

Last year we were summoned to police hearing, but that was rejected due to help from our legal expert Mr Berndt Eriksson. The biggest trouble last year was that the County Board reported to Arla Foods member directorate and we got a letter with a threat of dairy not collecting our milk if we not do as they want. *Appendix 15: Copies of police summon, Per and Paula, Appendix 16: Letter from Arla Foods 2014 about warning of sanction.*

This year we got the first letter in June about pasture plan. Second letter came in July. Different control people signed the letters. The latest letter is from August, where they notify that they will make a decision about us maybe getting an injunction and that we may comment this before the decision is made. *Appendix 17: Copies of letters from County Board summer 2015.*

### 3.e Other cases of misused welfare legislation

The control people can and often will use the police force to collect the animals out of the farm, and the farmer are often bankrupted. There are cases in Sweden as proof of this. The pasture requirement has also meant at least one of our colleagues went bankrupt. And this was because their dairy company "Norrmjerier" didn't collect their milk because the County

Board has injunctions about how they kept their cows. In their case they kept the cows out on pasture but the pasture was in too poor condition, according to the control people. *Appendix 18: Article from our national television; "Milk farmer forced to send his animals to slaughter"*.

### 3.f New animal welfare legislation in Sweden?

Just recently our government announced that the animal welfare legislation will be renewed. The legislation was analyzed and investigated between years 2009 – 2011, and the result (SOU 2011:75) will soon be transferred to an updated law. But our present government has declared that there will be no relieves in animal welfare. We don't know for sure what this actually will mean but we are afraid this means no changes in the pasture paragraphs. *Appendix 19: Article from magazine ATL "New animal welfare law - old investigation."*

### **Final words and conclusions**

Swedish farmers can no longer compete and the statistics speak for themselves. Self support of food in Sweden is today way less than 50 % and it is declining every year.

We don't get enough help from LRF, Swedish Farmers Federation. They are too afraid of people opinion, consumers right and animal welfare organizations because of their structure of members.

We can't get help from our politicians. They are too afraid that they might loose votes if anything would change in the "Swedish Model of farming".

We can't get help from Arla Foods since they are also controlled by Danish and English farmers, which together make a majority in the board. Arla Foods is very much a Danish company since the headquarters are situated in Denmark.

So that is why we seek help from European Commission, DG Competition. Mainly concerning the animal welfare legislation and the way it is misused and how the officials make farmers without legal rights. Our issues with Arla Foods and the tax problems we have mainly described to give you the whole picture of our poor competitiveness.

Our question to You and your DG is therefore; Can we get any help from EU to increase our possibilities to compete in the future?

We will be waiting for Your answer. We also would like to invite You and your staff to our farm at any time.

Stjärnhov 2015-09-22

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Appendix 1 – 19 :

1 FADN advanced results, profitability quota, source: Finnish website, 18 September 2015

<https://portal.mtt.fi/portal/page/portal/economydoctor>

2 Personal income tax, main features of the tax system, source

*Taxation trends in the European Union, Eurostat, 2014.*

- a. Sweden
- b. United Kingdom
- c. Austria

3 Taxes on production means, chapter 4.2 Swedish Government report about Swedish farmers competitiveness, SOU 2015:15.

4 Farmers Weekly interview with chairman Helena Jonsson, Swedish Farmers Federation (LRF), 2 October 2012.

5 Arla Foods owner update, April 2014

- a. English version
- b. Swedish version.

6 Arla Foods payoff cheques for Äspetorp dairy farm

- a. 2014
- b. 2015

7 Article about Arla foods wanting the milk for themselves, farm magazine ATL, 11 September 2015.

8 Letter to Swedish Competition Authority, 16 September 2015

9 The “milk crown” a partnership between Federation of Swedish farmers, Ica retail company and consumers, source website from LRF, 18 September 2015.

- 10 Editorial comment in farmers magazine “Land Lantbruk, “Finally a penny for added values”, 18 September 2015.
- 11 Article from The New York Times, about Swedish Farm Animals get a Bill of Rights, 25 October 1988.
- 12 Measurements in barns and buildings for cattle , source website Swedish Board of Agriculture [www.jordbruksverket.se](http://www.jordbruksverket.se) , 15 September 2015.
- 13 How cattle for milk production should be kept on pasture, source website Swedish Board of Agriculture [www.jordbruksverket.se](http://www.jordbruksverket.se) , 15 September 2015..
- 14 Article from farm magazine “Jordbruksaktuellt” , Three injunctions is enough”, 16 July 2013.
- 15 Copy of police summons a. Paula b. Per, Police Department in Södermanland county, 30 June 2014.
- 16 Copy of letter from Arla Foods with warning of sanction and termination of milk collection. 26 June 2014.
- 17 Copy of letter from County Board about pasture plan
- a. 18 June 2015
  - b. 6 July 2015
  - c. 24 August 2015
- 18 Article from website of Swedish national television, SVT, “Milk farmer forced to send his animals to slaughter”, 29 November 2013.
- 19 Article from magazine ATL, about new animal welfare legislation to come “New welfare law – old investigation”, 22 September 2015.