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## Netherlands

**Post:** The Hague

### New Phosphate Reduction Plan Sets Limits to Dutch Dairy Production

**Report Categories:**

Dairy and Products

Livestock and Products

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**Report Highlights:**

The European Commission approved a plan to reduce phosphate emissions from the Dutch livestock sector. The plan will encourage farmers to reduce their herd size or stop farming, and require feed compounders to lower the phosphorous content in the feed. As a result of the plan, the dairy herd is anticipated to be reduced by about 160,000 animals.

## ***Background Information***

The Netherlands, with more than 2.4 million dairy cattle, is one of the most intensively farmed countries on the planet. Since 2006, a derogation (a special exemption) granted by the European Commission (EC) has allowed Dutch farmers to use more manure on their pastureland than elsewhere in the European Union (EU). One condition of the measure was that the Dutch livestock sector should not exceed the phosphate production levels reached in 2002, namely 172.9 million kg.

After the EU abolished milk quotas in April 2015, Dutch dairy herds and the accompanying production of phosphates increased to 176.3 million kg for the year. In September 2016, the Dutch Government reacted with legislation to grant phosphate rights to farmers based on the number of dairy cattle owned on July 2, 2015. On October 13, 2016 the EC determined that this legislation for governing phosphate rights does not comply with EU state aid rules. The Ministry of Economic Affairs (MEA) informed the Dutch Parliament that the EC judged the policy incompatible with the Guidelines on State Aid for Environmental Protection and Energy 2014-2020 because in this instance state aid was being provided to prevent a violation of an EU standard. According to the EC Guidelines, state aid is only permitted if the objective is to go beyond an EU standard. The Central Bureau of Statistics (CBS) has calculated that revocation of the derogation would require a reduction of 480,000 animals or approximately 20 percent of the total Dutch dairy herd (includes both dairy cows and heifers).

## ***Recent Developments***

The MEA and representatives of the dairy sector have been working on an interim plan to reduce phosphate emissions in 2017 to below the maximum level, after which the legislation to grant phosphate rights could be legally installed.

On February 3, 2017, the Netherlands received approval from the EC for their proposed interim phosphate reduction plan. As a result, the Netherlands will retain its nitrate exemption for 2017. The phosphate reduction plan consists of five separate plans: the Dairy Sector Plan, the Farmers' Stoppers Plan, the Feed Plan, the Intensive Livestock Plan, and termination of the Regulation Exemption Production Rights (POR Regulation). It is anticipated that these five plans will result in reducing phosphate emissions by 10.8 million kg. This is more than the required reduction of 6.6 million kg; however, MEA and the livestock sector have agreed to this higher goal.

## ***The 2017 Phosphate Reduction Plans***

### ***The Dairy Sector Plan - reduction of 4 million kg***

This plan will be enforced by MEA with a Ministerial Regulation that will require dairy farmers to cut their dairy herd back to the size it was on July 2, 2015. Dairy farms without land will have to cut their herd by an additional four percent. All farms must pay a levy, but a higher levy will be placed on farms that do not comply with the regulation. Farms which cut their herd below the maximum level can receive a bonus, paid by the funds generated from the farmers' levies.

The actual amounts of the levy and bonus payments have not yet been determined. Farmers will also be prevented from transferring their cattle from a dairy farm to another type of farm. Sector sources anticipate that as a result of this plan about an additional 60,000 cattle will be slaughtered than are normally slaughtered each year. This amount exceeds the Dutch capacity and some animals may be exported for slaughter elsewhere.

*The Farmers' Stoppers Plan - reduction of 2.5 million kg*

This plan will be enforced from February 20, 2017, and will offer a premium to farmers who decide to sell their cows. There will probably be three tender rounds; the premium being reduced for each successive round, which it is hoped will stimulate farmers to register for the first round. The first will end on March 3. The premium is euro 1,200 per cow, plus an advance payment for a phosphate right, which has not been determined yet.

This plan will cost euro 50 million of which half will be paid by the livestock sector. Sector sources anticipate that as a result of this plan, an additional 100,000 cattle will likely be slaughtered.

*The Feed Plan - reduction of 1.7 million kg*

The compound feed sector has already started reducing the amount of phosphorous in dairy feeds since the beginning of the year. The average phosphorous content must be reduced to 4.3 gram per kg, and the phosphorous / protein ratio must be reduced to 2.2 percent. If the sector does not comply, MEA will introduce legislation that will require mandatory enforcement from May 15, 2017. (According to livestock sector sources, a lower phosphorous content in compound feed can reportedly be achieved by increasing the share of soybean meal in the protein fraction of the feed.)

*The Intensive Livestock Plan - reduction of 1 million kg*

Before April 1, 2017, the swine sector and the Dutch Compound Feed Association (NEVEDI) will present a voluntary regulation to reduce phosphate emissions probably by decreasing the phosphorous content in swine feed.

*Termination of the Regulation Exemption Production Rights (POR) - reduction of 1.6 million kg*

The MEA also intends to terminate the POR regulation by the end of this year. This regulation gave swine and poultry farms which had expanded in recent years an exemption for half the required Animal Rights, with the precondition that excess manure from the farm is processed. Dutch farms need to obtain the right to keep an animal, called an Animal Right. These 'rights' are transferable between farms within certain regions, and used as a tool by MEA to control livestock production in the Netherlands. The POR regulation had made available an additional 121,622 Animal Rights for swine and 1.2 million Animal Rights for poultry. With the termination of this regulation, these farms will now have to buy Animal Rights starting in 2018. Sector sources anticipate that the termination of the POR regulation will have a minimal effect on the Dutch pork and poultry production levels. The Dutch swine herd was estimated at about 12.4 million animals in December 2016.

### *Implications for the Dutch Dairy and Meat Sector*

Every three months, MEA must provide the current level of phosphate emission to the EC otherwise; the EC can retract the nitrate derogation, impose a fine or require further contraction of the herd. If the Netherlands does comply and phosphate production returns to the 2002 level or below, the EC is willing to negotiate a derogation for the next four years period of 2018-2021.

The livestock sector is positive about these developments because finally there is clarity about the regulations to reduce phosphate emissions. Most of the proposals have been accepted and the industry is confident farmers will cut emissions sufficiently, and the nitrate exemption will not be lifted. The Dutch agricultural press, however, claims that the inventiveness of the individual farmer to go around the rules must not be underestimated.

The five plans combined are anticipated to reduce phosphate emissions by 10.8 million kg, and cut the dairy herd by about 160,000 animals. Based on Eurostat statistics and FAS estimates, this represents only about 6.6 percent of the Dutch dairy herd and 0.38 percent of the total EU dairy herd (see tables below). The average slaughter weight (of cows and heifers) was 299 kg in 2015, which will indicate that additional beef production of about 47,840 MT can be expected. This is equal to 11.6 percent of Dutch beef production and 0.61 percent of EU beef production.

For the longer term, the livestock sector expects that approved efficiency within the sector will still make further expansion of dairy herds and milk production possible. This efficiency consists of more effective feeding and fertilization of pastures, and further processing and exporting of the manure. Sector sources expect only a temporary dip in dairy production in 2017, and depending on market factors, a gradual further increase in production starting from 2018. The effect on pork and poultry production is expected to be minimal.

#### Number of dairy cows and heifers in the Netherlands

2010	2011	2012	2013	2014	2015	2016
2,230,000	2,142,000	2,144,000	2,230,000	2,271,000	<b>2,361,000</b>	2,427,000

Source: Eurostat *Census May/June*

#### Number of dairy cows and heifers in the European Union

2010	2011	2012	2013	2014	2015	2016
41,488,000	40,842,000	41,033,000	41,633,000	41,781,000	41,889,000	NA

Source: Eurostat *Census December*

#### Slaughter of dairy cows and heifers in the Netherlands and the EU

2010	2011	2012	2013	2014	2015	2016*
478,000	481,000	458,000	447,000	477,000	441,000	500,000
11,807,000	11,683,000	11,541,000	10,810,000	10,989,000	11,361,000	11,680,000

Source: Eurostat \*Estimate FAS.

Beef production in the Netherlands and the EU (metric tons)

<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016*</b>
389,000	382,000	373,000	379,000	376,000	383,000	412,000
8,101,000	8,114,000	7,708,000	7,388,000	7,443,000	7,691,000	7,850,000

Source: Eurostat \*Estimate FAS.