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## **A comparison of the Economic framework conditions among the Danish and Dutch milk producers**

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In recent years the economic conditions for the Danish dairy farmers have become more challenging due to lower prices of milk products and lower profitability from feeding up calves. At the same time, milk producers have to comply with a comprehensive set of environmental standards and regulation on animal welfare. To better understand the underlying conditions, the Ministry of Food Agriculture and Fisheries initiated a broad study on the economic framework conditions for the Danish agricultural sector compared with other EU member states. In 2011 IFRO, University of Copenhagen finalized a report on the findings from this study.

This paper highlights the findings from a comparative study between the Economic framework conditions among the Danish and Dutch Dairy sector. In principle, the study compares an ongoing modern dairy farm in Denmark with a similar Dutch case farm.

It is based on a partial budgeting approach in the sense that the economic impact of applying the Dutch rules and regulation are imposed to the Danish Dairy farm to see the economic impact of this change. By doing so we compared the potential marginal profit (either positive or negative) from the new rules.

In this study we have specifically compared three framework conditions:

- N application rules
- Fuel and electricity prices/levies and
- Veterinary practice

Findings from this study indicate, that the milk producers to a large extent face the same regulations on fuel and electricity prices in Denmark and Holland although the impact of the regulation may depends on the size of the farm and on farm consumption of fuel and electricity - with large scale farmers being in favor of the Dutch systems and vice versa. The regulation of nitrogen and N-norms are based on the fact that both countries are classified as nitrate vulnerable areas and the rules appear to have the same economic impact on both the Danish and Dutch farms. However, the Dutch rules may be in favor to the farmer on clay soils compared to sandy soils. Finally, the regulation on the use of veterinary medicine and routines with veterinary inspection seems to be more costly among Danish farmers compared to Dutch farmers, which is partly because of a more liberate market of veterinary medicine in The Netherlands.

The adopted method has an advantage in the sense that a direct comparison of the framework conditions are made at a very detailed level on a real farm. However, the results from adapted method will be difficult to generalize to other milk producers in Denmark.