

Developments in dairy worldwide, from a dairy farmers perspective.

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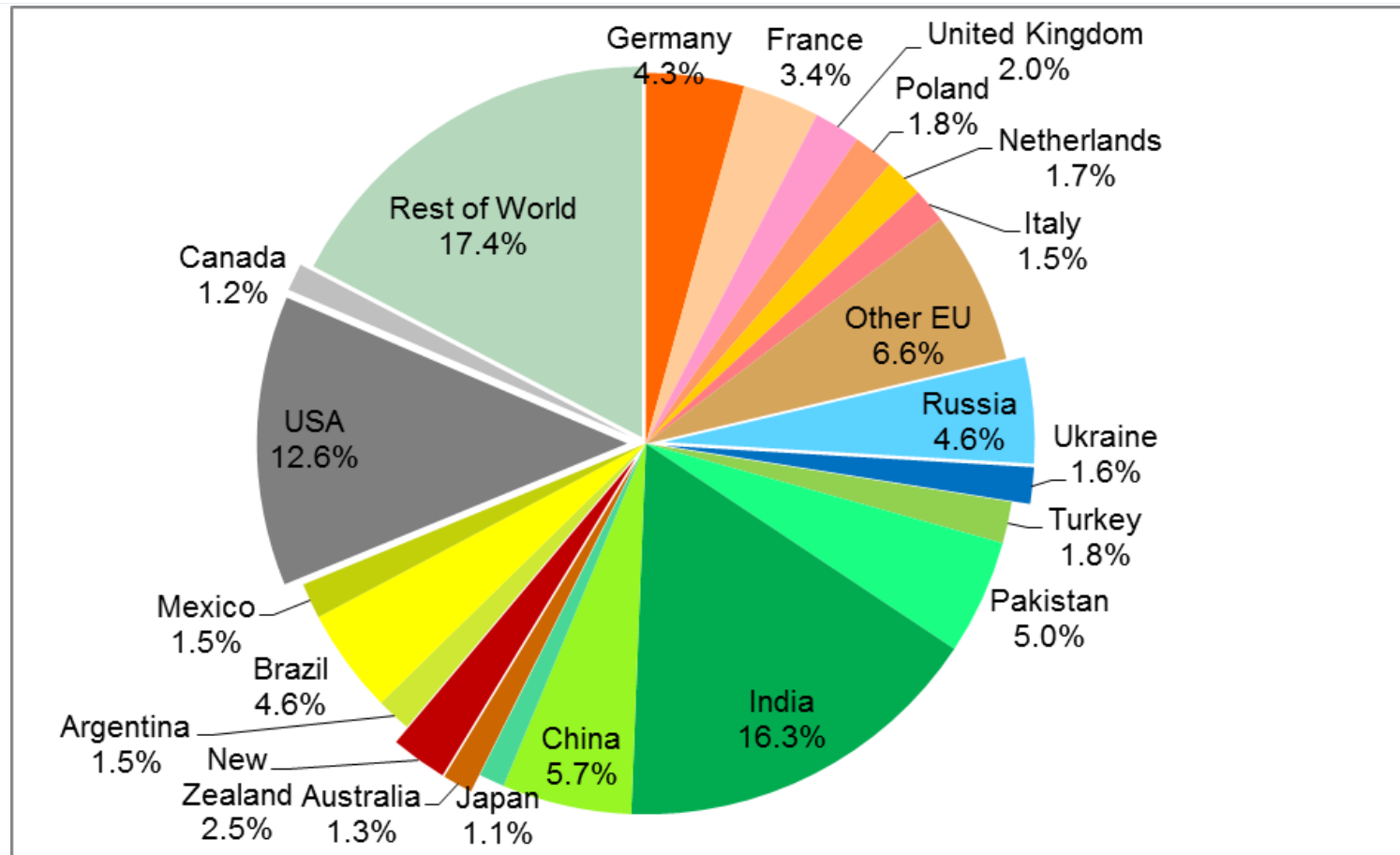
- Global Dairy Farmers (GDF)
- Current world dairy market (production, export)
- Outlook: what's coming
- Some major milk producing regions in the world:
 - Common type dairy farms
 - Major trends
 - How do entrepreneurs manage these developments?

Global Dairy Farmers (GDF)

- Platform/network of dairy farmers and companies (business partners)
- Goal: exchange knowledge and strategies
- Dairy farmers from: Netherlands, Denmark, Germany, United Kingdom, Ireland, Poland, China, Australia, New Zealand, Brazil, United States, Egypt, Finland, Estonia
- Businesspartners from: Netherlands, Canada, United States, Germany.
- Congresses every 18 months: different places
- In the meanwhile meetings with business partners
- Additional research by Global Dairy Research
- More information on www.globaldairyfarmers.com

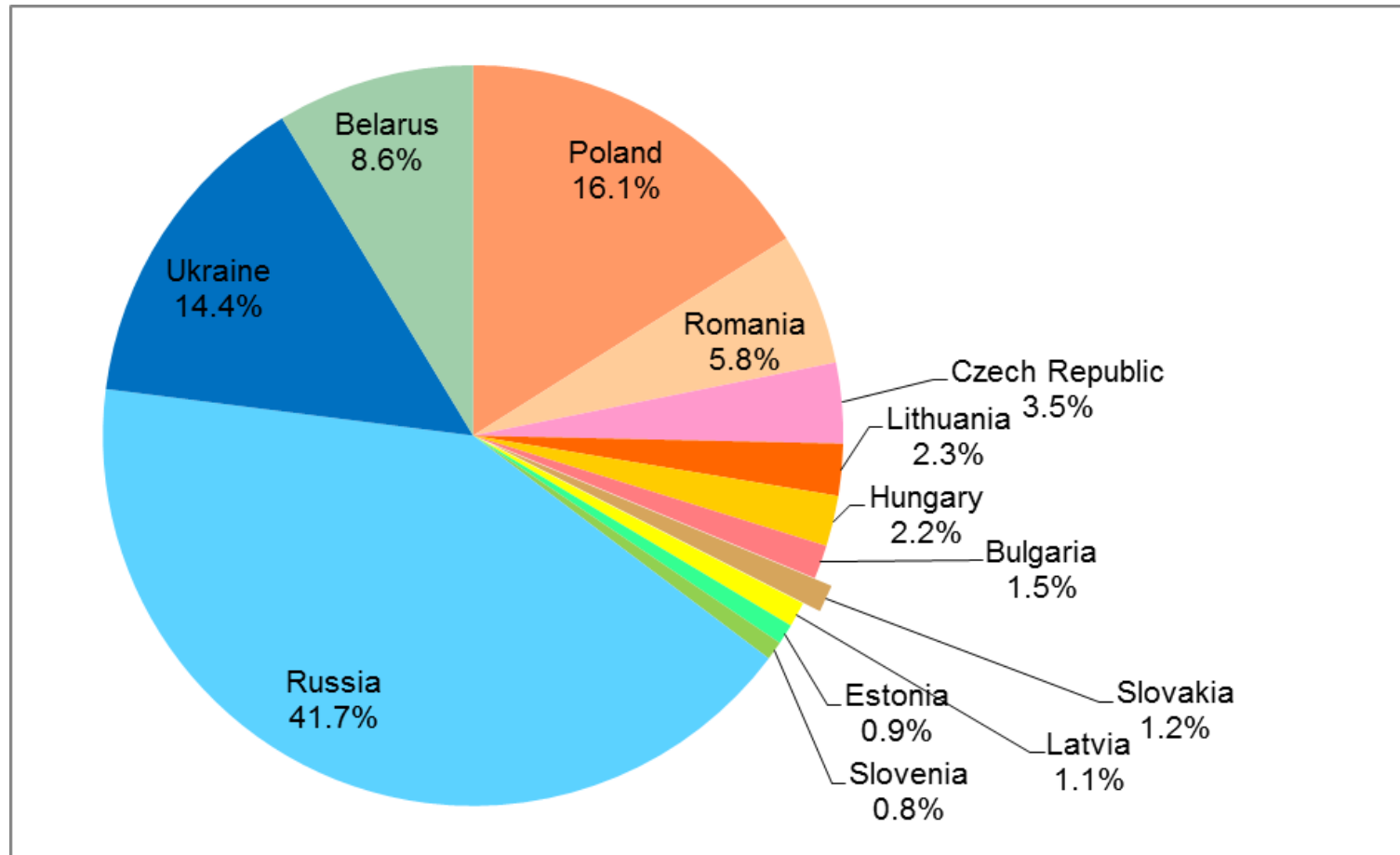
World milk production in 2010

Total = 692 mln ton, source: www.faostat.fao.org

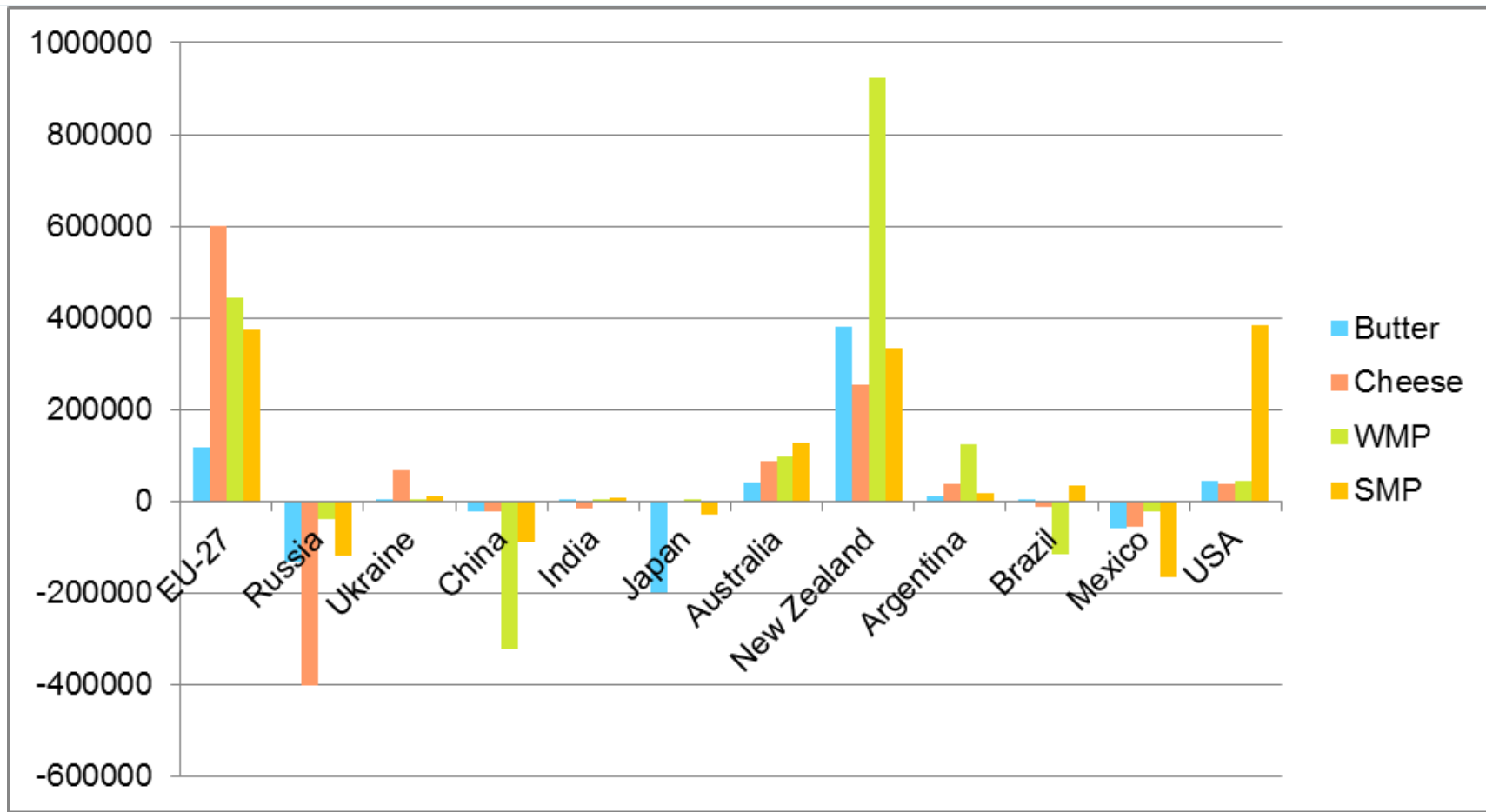


Milk production in Eastern Europe 2010

Total = 76 mln ton, source: www.faostat.fao.org



Net export in ton over 2010 for some major milk producing countries/regions



Production and export/import of milk in 2010

■ Production:

- EU-27, USA and India biggest producers
 - Milk India for more than 50% from buffalos

■ Export and import:

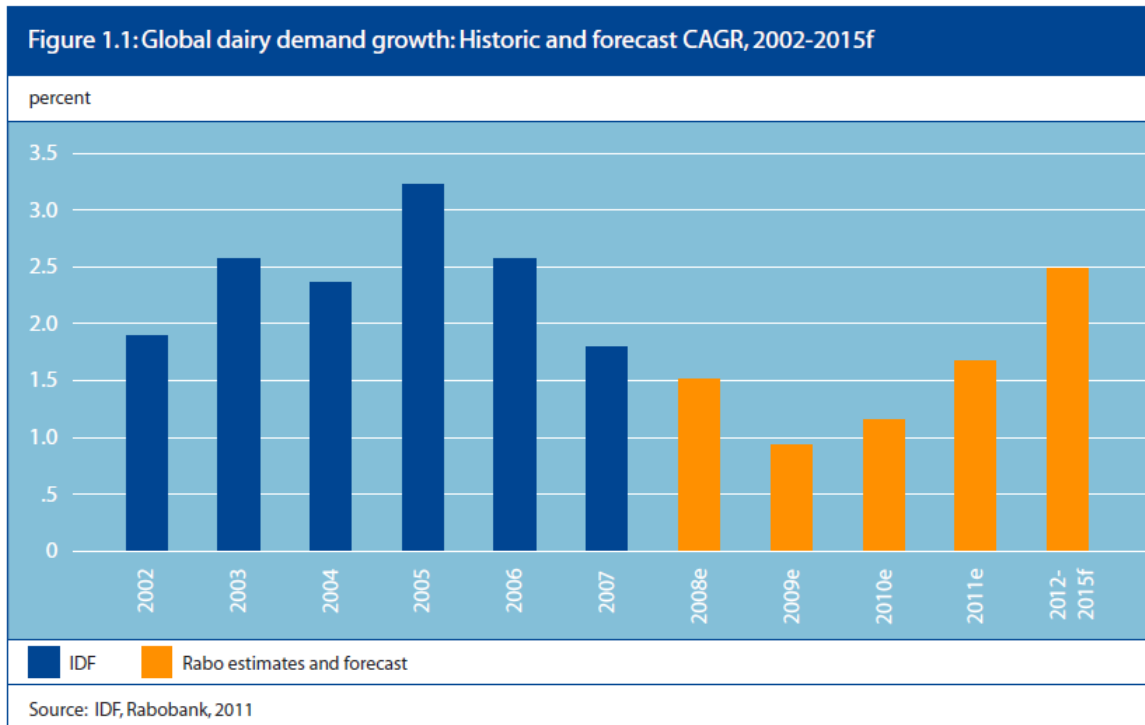
- New Zealand and EU-27 biggest net exporters
- Russia and China big net importers with high own production (also for Japan and Mexico)
- Also Algeria, United Arab Emirates, Philippines, Indonesia and Venezuela are big net importers but with low own production

Global Dairy Outlook

- Goal: impression how milk will be produced in which quantities in which regions
- Sources
 - Survey among GDF-members on developments own farm and neighbourhood
 - Other information and judgements GDF-members
 - Rabobank report: 'Global Dairy Outlook: Show Me The Money!'
 - Some information from FAO/OECD-outlook
 - Other information
- Result: overview for some countries/regions

Development in milk demand

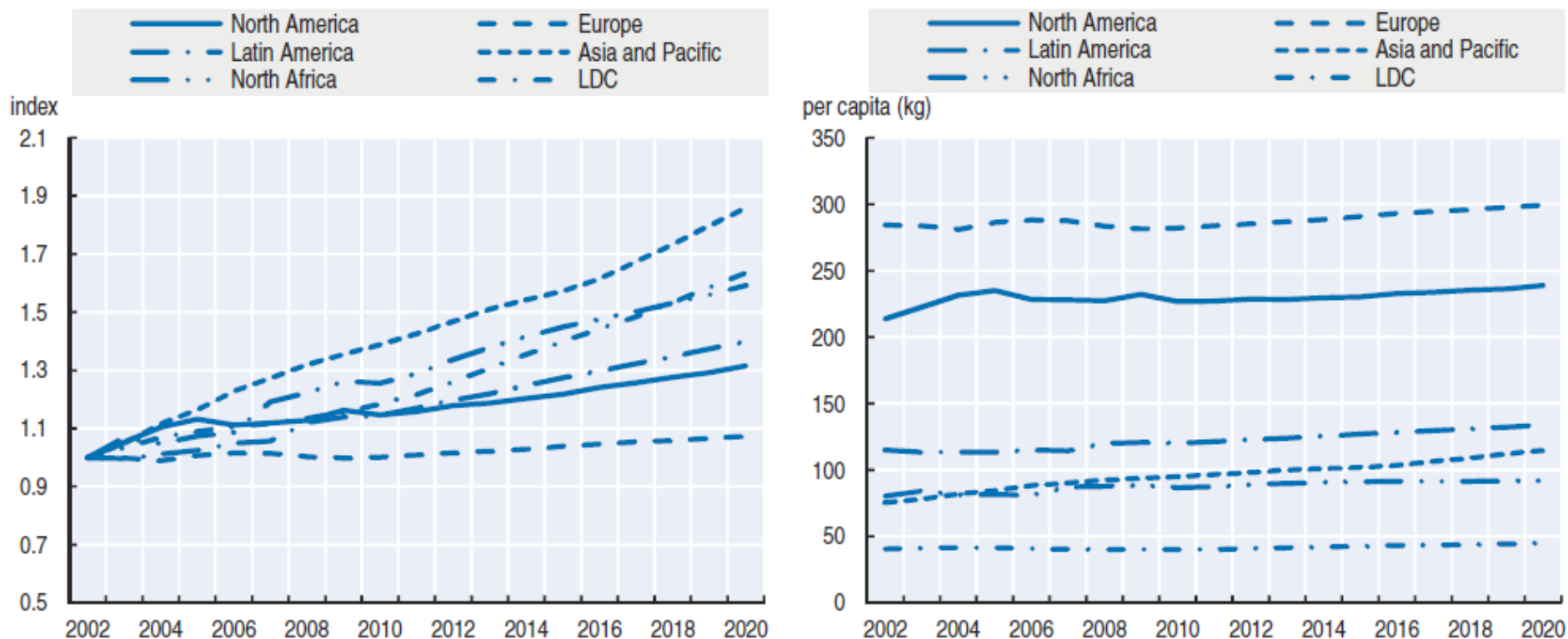
- Growth in demand above 2% per year
 - India main reason: 3-4% on 15-20% of demand



Consumption levels and growth

Figure 9.4. **Large disparity in consumption levels and growth**

Left panel: Index of milk and dairy products consumption growth (in milk equivalent, 2002=1)
Right panel: Levels of milk and dairy products per capita consumption growth (in milk equivalent)

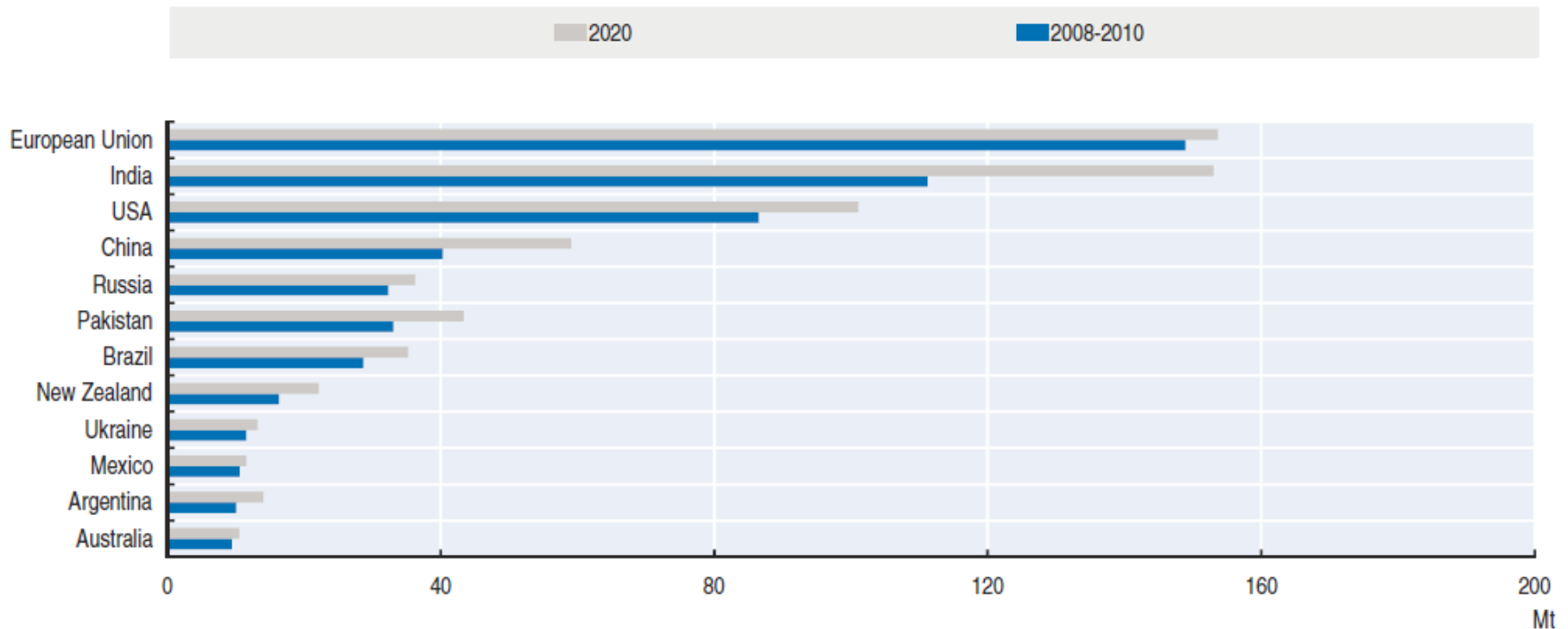


Source: OECD and FAO Secretariats.

Milk production 2008/2010 and 2020 in Mt

Figure 9.3. **Substantial regional differences in production growth remain**

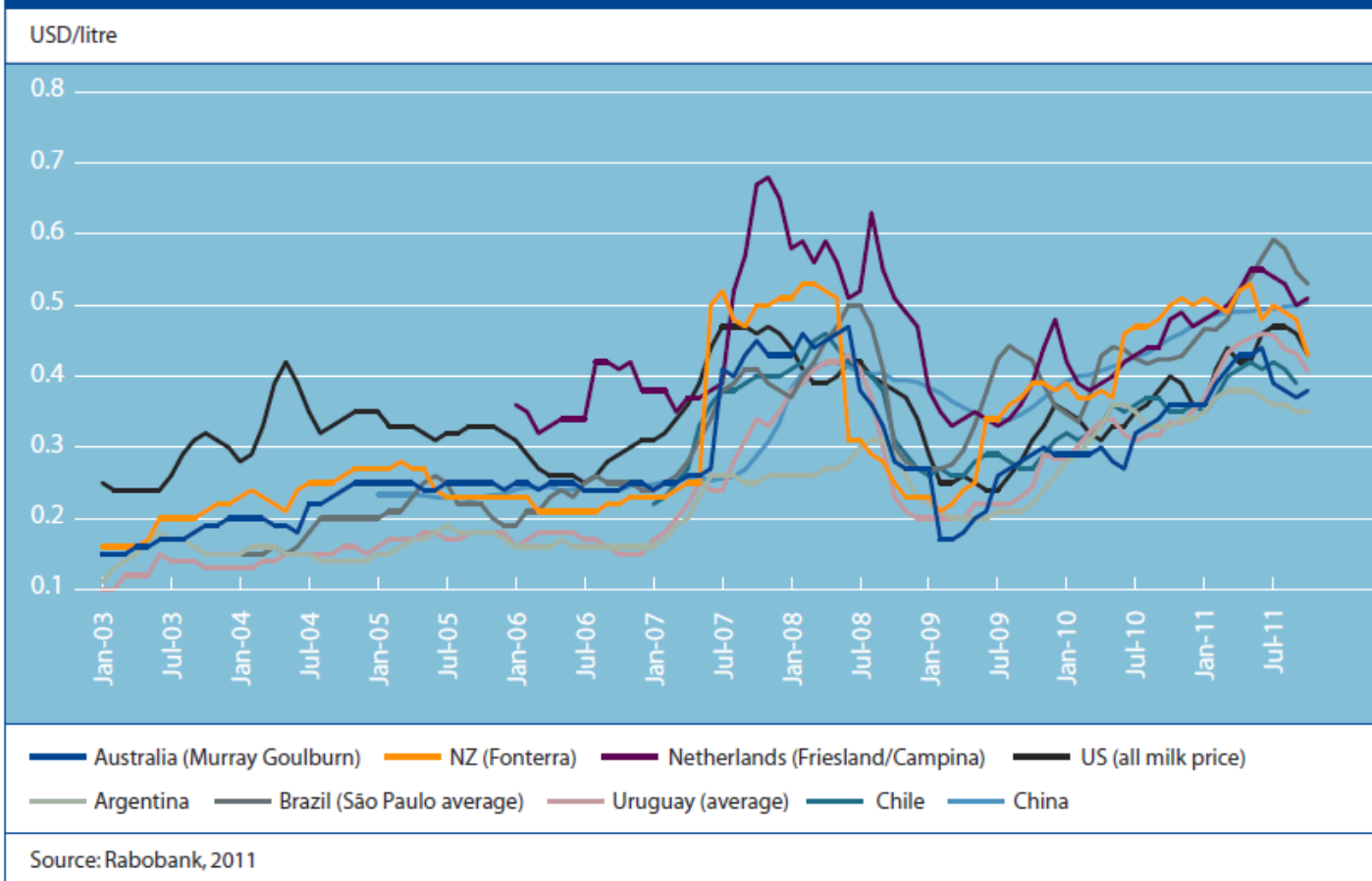
Milk production growth (2008/10 – 2020)



Source: OECD and FAO Secretariats.

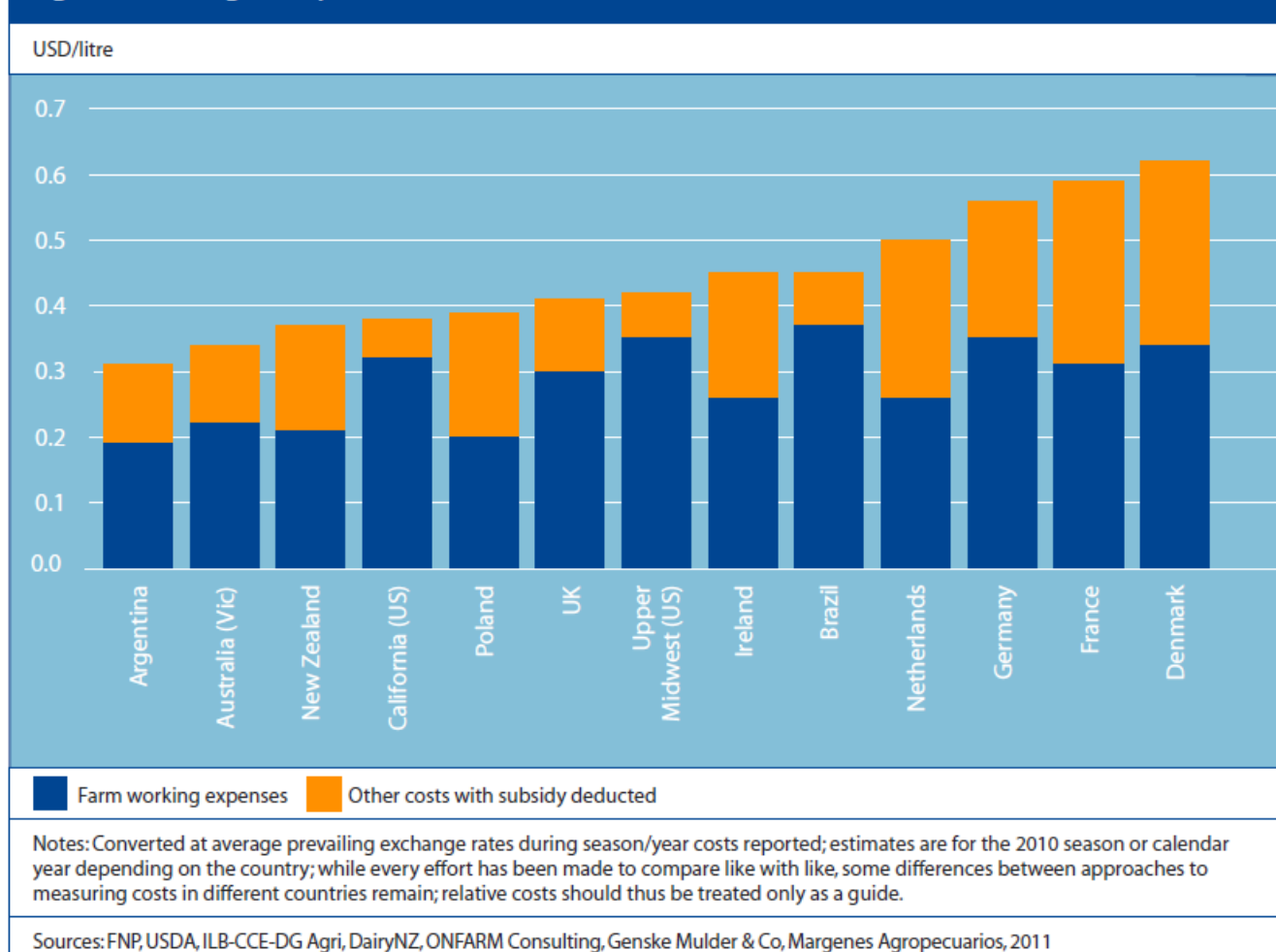
Farm gate milk prices 2003-2011

Figure 3.1: Farmgate milk prices (USD equivalent), select regions, Jan 2003-Oct 2011



Milk production costs in 2010

Figure 2.2: Average milk production costs (on farm), 2010



Survey results: prices and milk production

- View of GDF-entrepreneurs at the beginning of 2012
- Milk prices: in coming years till 10% lower
- Feed prices: the same or somewhat higher
- Same holds for energy: electricity, gas, fuel
- Interest rates: tend to become higher
- Labour: enough available (not AU) at moderate wages but skilled managers more difficult to find
- Growth in production after quota abolition: depends on which EU-country is considered

Survey results: other issues in short

- GHG's/carbon (tax?) main point within environment
- Other environmental limitations vary heavily between regions: will these differences remain in future?
- Investments mainly in equipment and cattle
- Land is both attractive and difficult: its price

Conclusions GDF-surveys/research

- GDF-members draw the same conclusions as are coming from research: level of both revenues and costs tends to be somewhat lower in the near future
 - Finally quite equal margins
- At least revenues but maybe also costs are more volatile
- In the long run both revenues and costs tend to stay at higher levels than in the past
 - This higher level can increase absolute volatility

Pictures different milk producing regions

- Description of:
 - Important milk producing system
 - Market
 - Economic aspects (of the dairy farming system)
 - Societal preconditions and other aspects
- Threads are given concerning market, economy, societal preconditions and other aspects

Picture 'foot loose' USA



Picture 'foot loose' USA

System	<ul style="list-style-type: none"> ■ Large scale with purchased feed ■ Farmer is manager 	
Market	<ul style="list-style-type: none"> ■ Fragmented buyers ■ Quite much in commodities ■ Around self-sufficiency 	<ul style="list-style-type: none"> - Often low added value - Resilience?
Economy	<ul style="list-style-type: none"> ■ Feed costs >50% costs ■ Other costs low by scale ■ Few stable assets 	<ul style="list-style-type: none"> - Competition biofuels - Availability good people - Low securities
Societal pre-conditions and other aspects	<ul style="list-style-type: none"> ■ More concern from society ■ In some cases water is a problem 	<ul style="list-style-type: none"> - Claims

Picture 'foot loose' USA: individual strategy

- Individual farmer chooses individual strategy based on personal ambitions and competences, farm structure and performance and own vision on developments in market and society.
- US example
 - Large scale dairy farm in Texas (>5000 cows)
 - Focus on:
 - Scale of production and controlling costs
 - Quality of workforce
 - More own feed production
 - Being informed very well

Picture South America



Picture South America

System	<ul style="list-style-type: none"> ■ Larger scale with both home grown and purchased feed <ul style="list-style-type: none"> ■ Climate sometimes hampers pasture based ■ Farmer is both manager and worker 	
Market	<ul style="list-style-type: none"> ■ Fragmented buyers ■ Just around self supporting ■ Government policies??? 	<ul style="list-style-type: none"> - Low milk prices - Low added value - Exchange rates
Economy	<ul style="list-style-type: none"> ■ Cheap labor ■ Feeding costs moderate ■ Other costs low 	<ul style="list-style-type: none"> - Competition other crops: soy sets standard - Opportunity costs
Societal pre-conditions and other aspects	<ul style="list-style-type: none"> ■ Rather low: e.g. GMO and BST not yet really issues ■ Unknown, unloved?? 	

Picture 'pasture based' Oceania



Picture 'pasture based' Oceania

System	<ul style="list-style-type: none"> ■ Pasture based ■ Farmer is both manager and worker 	
Market	<ul style="list-style-type: none"> ■ Few buyers ■ Much in commodities ■ Heavily depending on export 	<ul style="list-style-type: none"> - Low milk prices - Distance to market - Exchange rates
Economy	<ul style="list-style-type: none"> ■ Low feeding costs ■ Other costs low excluding labour 	<ul style="list-style-type: none"> - Competition other cattle - Optimum reached?
Societal pre-conditions and other aspects	<ul style="list-style-type: none"> ■ Coming up concerning environment (GHG) ■ Water (AU, NZ-Canterbury) 	<ul style="list-style-type: none"> - Taxes and/or quota on GHG proposed

Picture 'pasture based' Oceania: individual strategy

■ Oceania example

- Pasture based farm in Victoria, Australia
- Organic farming with around 500 cows and about 300 ha
- Focus on:
 - Own sale of milk: small cooperative of organic farmers with several existing small processors. Own brands in supermarkets
 - Cost controlling
 - Being informed very well: involved in Nuffield

Picture South America



Picture South America

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Picture China



Picture China

System	<ul style="list-style-type: none"> ■ Many small scale farms: in transition to dairy districts ■ Some large scale farms ■ No ownership of land 	
Market	<ul style="list-style-type: none"> ■ Fragmented buyers ■ Much in commodities ■ Many quality issues 	<ul style="list-style-type: none"> - Low milk prices - Distance to market - Consumer confidence
Economy	<ul style="list-style-type: none"> ■ Feeding costs quite high ■ Other costs low ■ Failure costs 	<ul style="list-style-type: none"> - Competition other crops - Poor quality on many aspects
Societal pre-conditions and other aspects	<ul style="list-style-type: none"> ■ Much influence government ■ Attitude farmers different ■ Cultural differences 	<ul style="list-style-type: none"> - Management level - Entrepreneurship - Weakest go to the wall?

Picture China: dairy village

- <http://www.youtube.com/watch?v=cnsVNgpBKhk&feature=relmfu>

Picture 'large scale' Eastern Europe



Picture 'large scale' Eastern Europe

System	<ul style="list-style-type: none"> ■ Still many small scale farms ■ Some large scale farms, possible by investors 	
Market	<ul style="list-style-type: none"> ■ Fragmented buyers ■ Limited added value ■ Quality issues 	<ul style="list-style-type: none"> - Low milk prices - Distance to market
Economy	<ul style="list-style-type: none"> ■ Low productivity ■ Costs low 	<ul style="list-style-type: none"> - Competition other crops - Poor quality on many aspects
Societal pre-conditions and other aspects	<ul style="list-style-type: none"> ■ Investors outside agriculture ■ Something out of a Western? 	<ul style="list-style-type: none"> - Management level - Entrepreneurship

Picture 'large scale' Eastern Europe: individual strategy

■ Eastern Europe example

- Between family farm and large scale in Estonia
- 250 cows and 200 ha
- Second branch
- Focus on:
 - Second branch: saloon, activities for families (children), etc. Many nice ideas
 - Integration of dairy part and second branch

Picture family farm Western Europe



Picture family farm Western Europe

System	<ul style="list-style-type: none"> ■ Pasture based and/or summer feeding ■ Mainly family farms: high costs/lower expenses ■ Milk quota (will be abolished in 2015) 	
Market	<ul style="list-style-type: none"> ■ Difference in buyers ■ Added value/good quality ■ Some countries export 	<ul style="list-style-type: none"> - Milk prices quite high: not very competitive
Economy	<ul style="list-style-type: none"> ■ Labour expensive ■ Feeding costs moderate, other sometimes high (land in some countries) 	<ul style="list-style-type: none"> - Some competition biofuels - Capital intensive: need for loans
Societal pre-conditions and other aspects	<ul style="list-style-type: none"> ■ Much influence society: animal welfare, environment, landscape, GMO ■ Good infrastructure 	<ul style="list-style-type: none"> - Quite severe legislation - Involvement citizens

Picture family farm Western Europe: individual strategy

■ Western Europe example

- Family farm in the Netherlands
- 150 cows and 90 ha
- Focus on:
 - Automation and family labor
 - Good cost control, both paid and unpaid costs: 'maximum profitability achieved?'
 - Own sale of milk: small association of farmers with some existing small processors. Milk quality (e.g. SCC) very important

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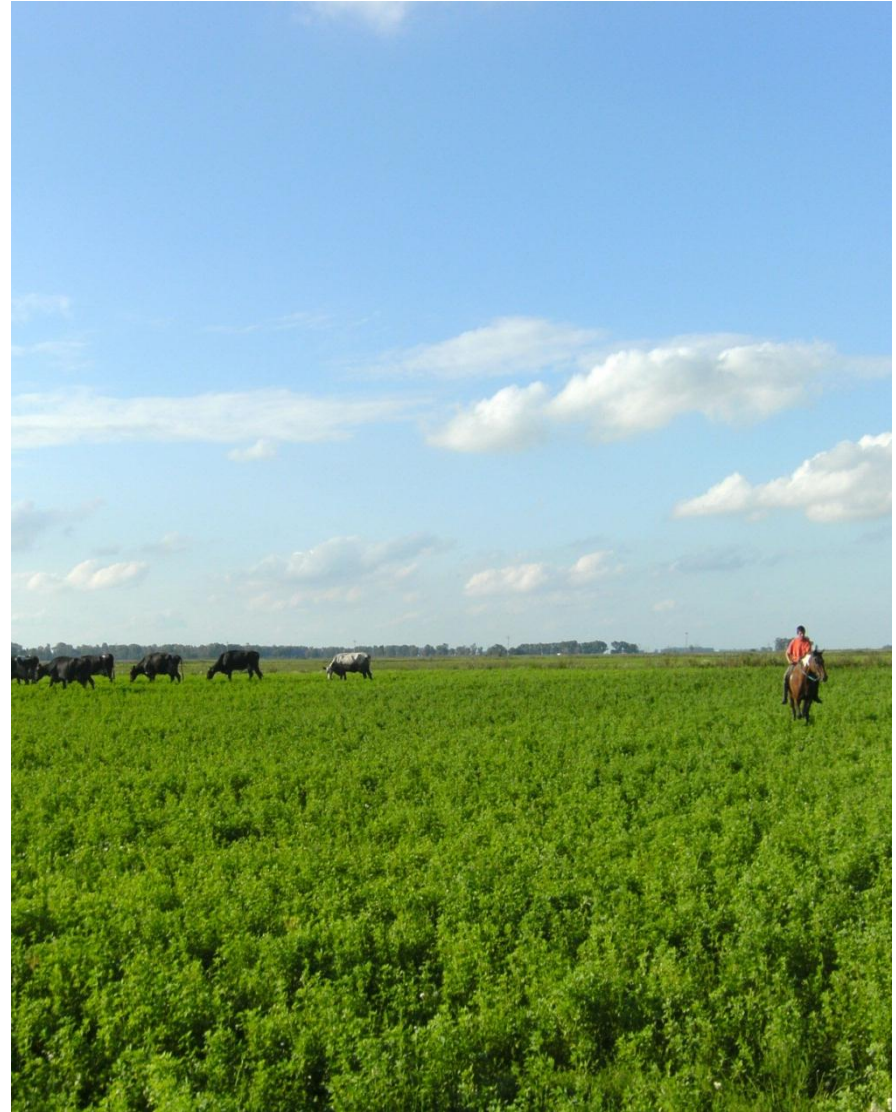
- Each region has its own advantages and disadvantages
- There's no 'dairy-farmers paradise'
- Demand for dairy products will increase, but mainly outside Europe
- Higher volatility
- Important to make well considered strategic choices for the future

Thank you for your attention

More information:

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Acknowledgement: GDF Business Partners

