



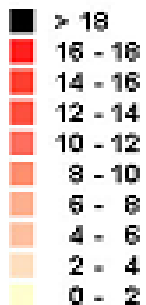
Strengths and weaknesses of the French dairy sector and of its main competitors in Europe.



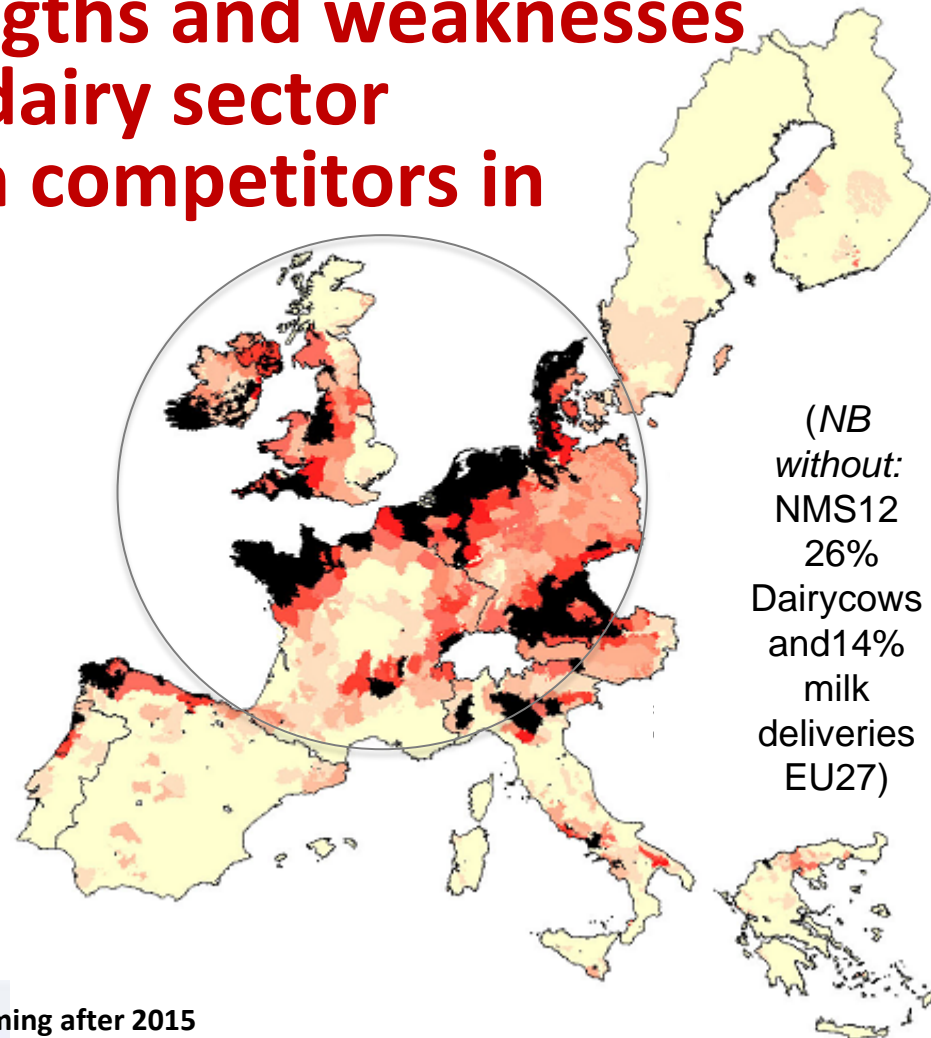
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Density dairy cows/km²

vaches laitières / km²

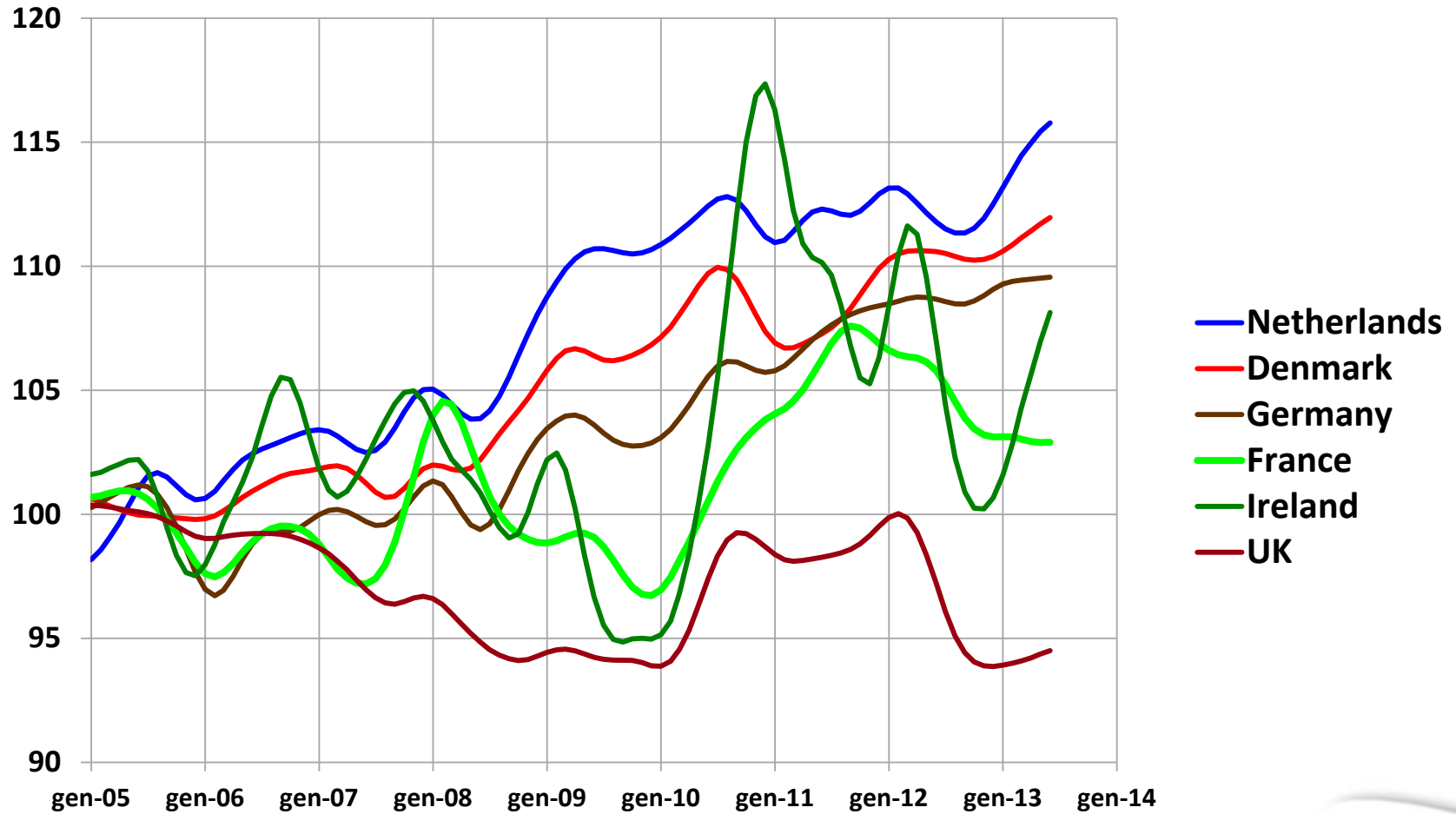


source: Eurostat FSS 2000 -
 cartographie Institut de l'Élevage



(NB
 without:
 NMS12
 26%
 Dairycows
 and 14%
 milk
 deliveries
 EU27)

Phasing out quota system: Milk production in France is not a long quiet river (milk deliveries, trend of the time series, indice 100=2005)

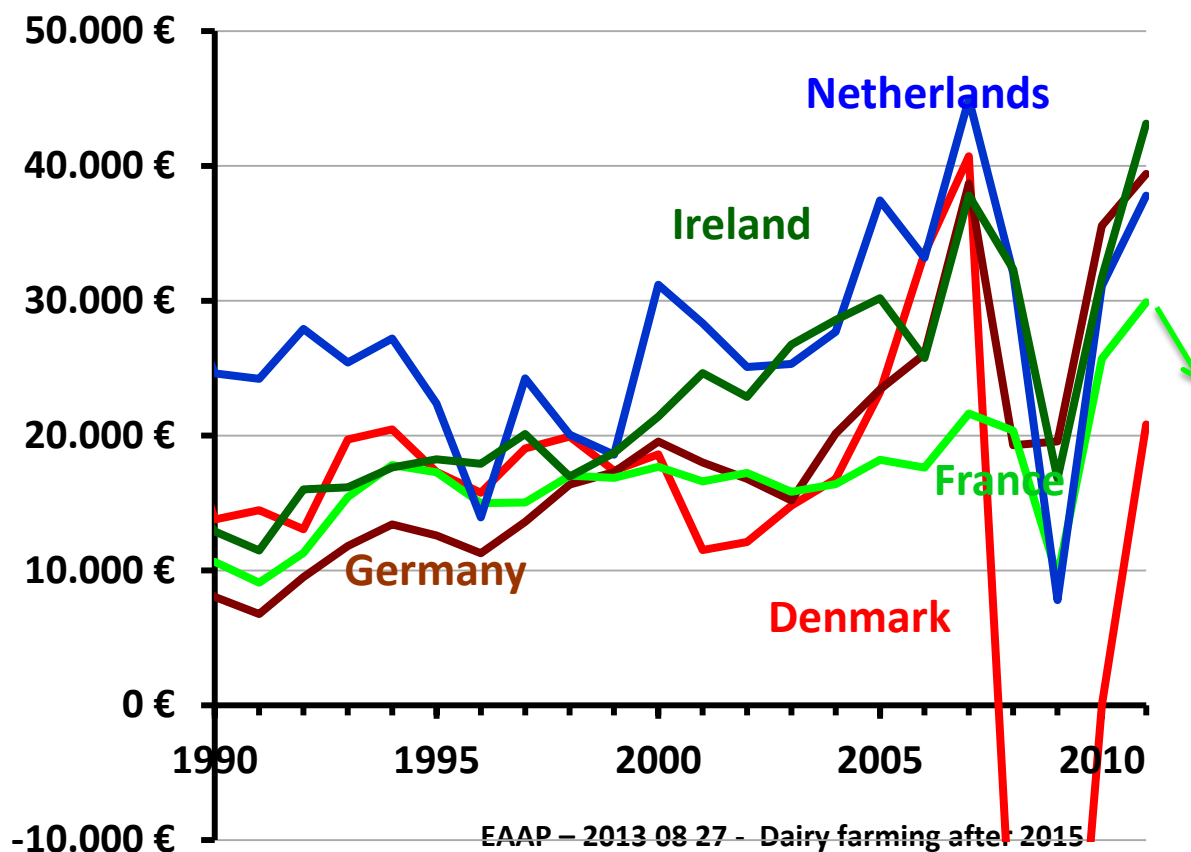


Source: EUROSTAT- traitement Institut de l'Elevage



Volatility of prices (output, input) and farm incomes

Family Farm Income in specialized dairy farms (FFI/AWU family)



Dairy crisis in 2009
Hit economic results
everywhere

But evolutions 2005-2011
very different

Strong recovery 2010-11
in France after
2009 (loss of competitiveness
of the French dairy sector)
Or 2007 (milk price came too
late)
But -17% (2012/2011).

Source: DG AGRI RICA UE jusqu'en 2009 puis sources nationales – traitement Institut de l'Élevage





Where are these gaps from ?

Milk price

- Cost of production

Break even price = Milk price -> FamilyFarmIncome=0

Milk price from which family labour can be paid

= Result by ton of milk

x Milk production (in volume)/AWU family

link to the labour productivity and % of paid labour

= *Family Farm Income by AWU family*

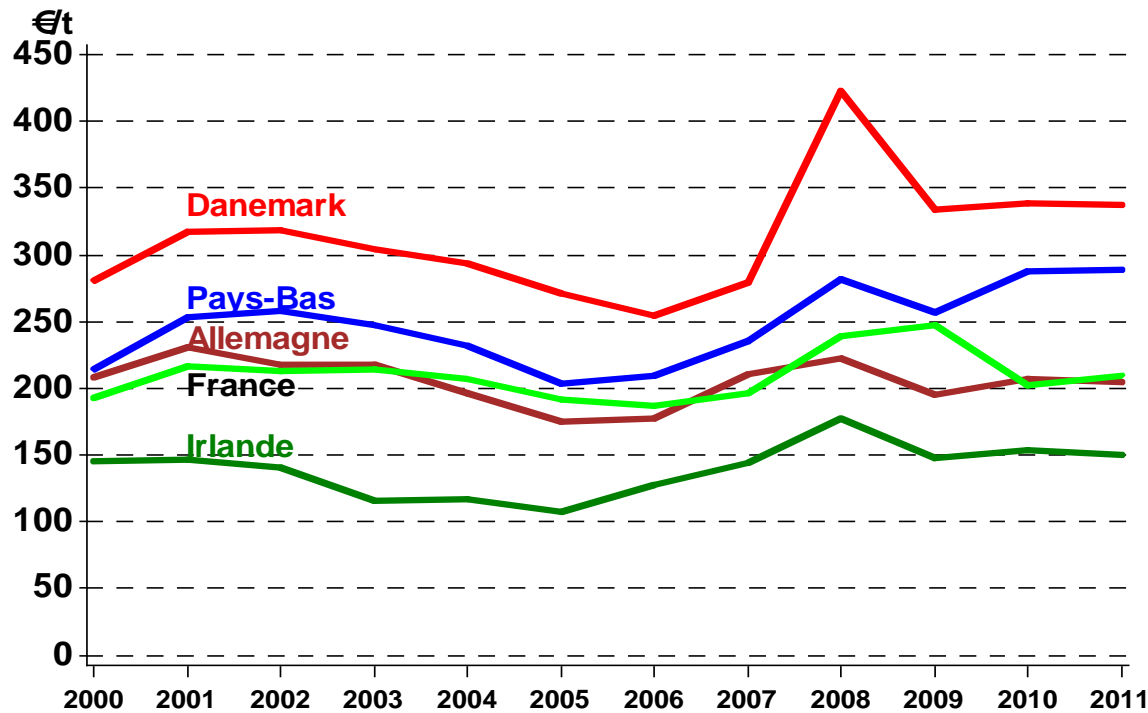
Specialised dairy farms (OTEX41)

source: DG AGRI FADN UE until 2009 then national sources – traitement Institut de l'Elevage



Break even prices reveal several models/patterns for milk production France is at the center of Europe

Break even milk price (€/t)



Specialised dairy farms (OTEX41)

source: DG AGRI FADN UE until 2009 then national sources - traitement Institut de l'Elevage

Denmark

Structurally higher (expensive capital labour substitution, wages, TMR, 0 grazing).

Input prices since 2008
+ specific financial crisis

Netherlands

Very efficient but very specialised

France/Allemagne

Close in average

Strong heterogeneity underlying in both cases.

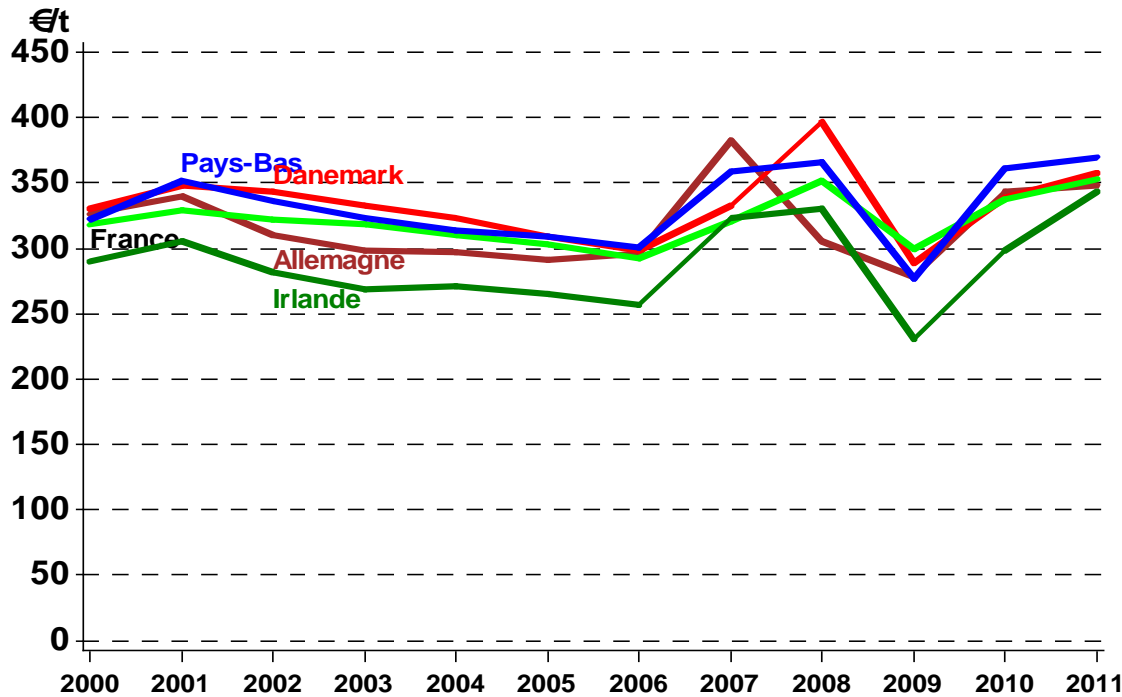
Opposite choices in 2009.

Ireland

Low cost (cc feed, investments),
grass grazing, seasonal production

Milk prices: less gaps than for costs

Milk price paid to producer



Specialised dairy farms (OTEX41)

source: DG AGRI FADN UE until 2009 then national sources - traitement Institut de l'Elevage

Denmark and Netherlands

Higher prices: Fat & Protein, regular production, organic (DK).

ARLA position (+28€/t in 2009)

Irlande

Structurally lower in the period (seasonal production, mix products and markets)

France

More stable and less volatility by « construction »

Lower than expected / mix products (collecting & processing costs, complexity & diversity of players in the supply chain)

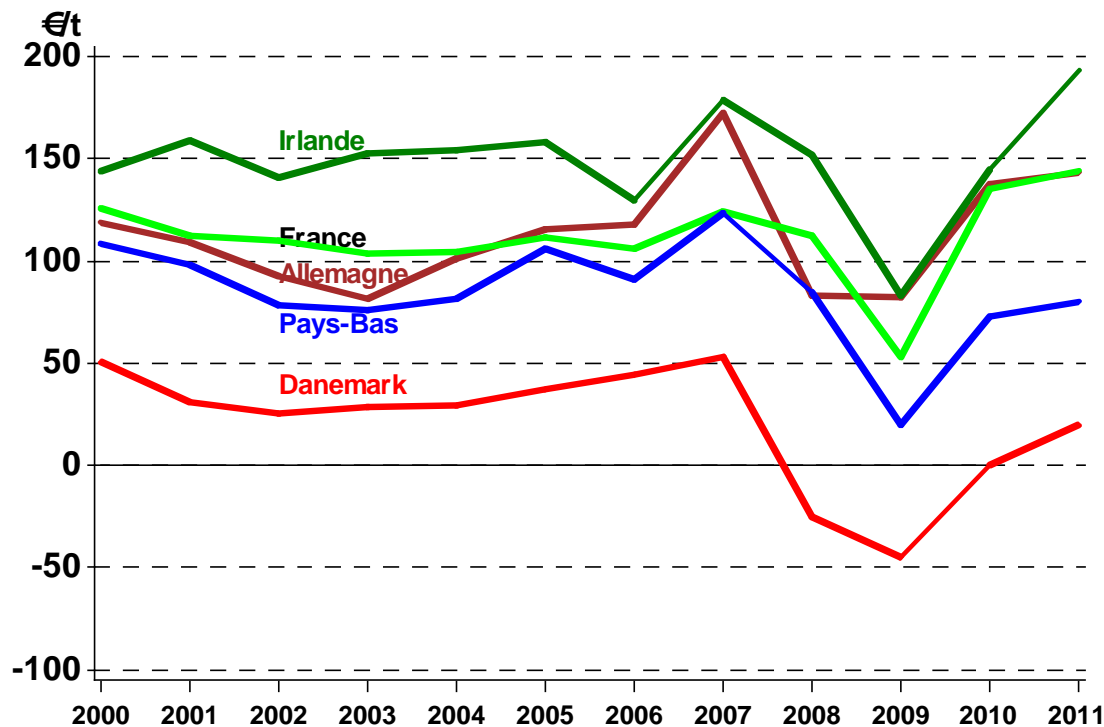
Allemagne

agricultural year [july-june]

year 2009=250€ (235 € North Germany)

Result by ton of milk (price-cost)

FFI/ t milk



Ireland
High result despite lower price

Denmark
Lower result – Higher risk

Disappointing level (price x cost)
for France in 2009

Sharp decrease (/2 or /3) in the
Netherlands (2009)

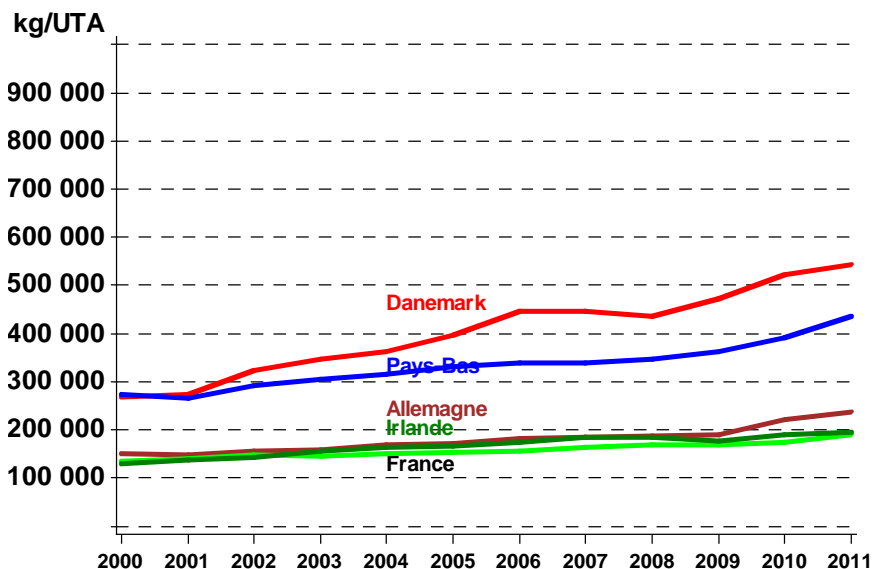
Recovery in 2010,
except in Denmark

Specialised dairy farms (OTEX41)
source: DG AGRI FADN UE until 2009 then national sources – traitement Institut de l'Élevage



Labour Productivity and multiplier effect

Milk production/AWU total (t of milk)



% unpaid
AWU

55%

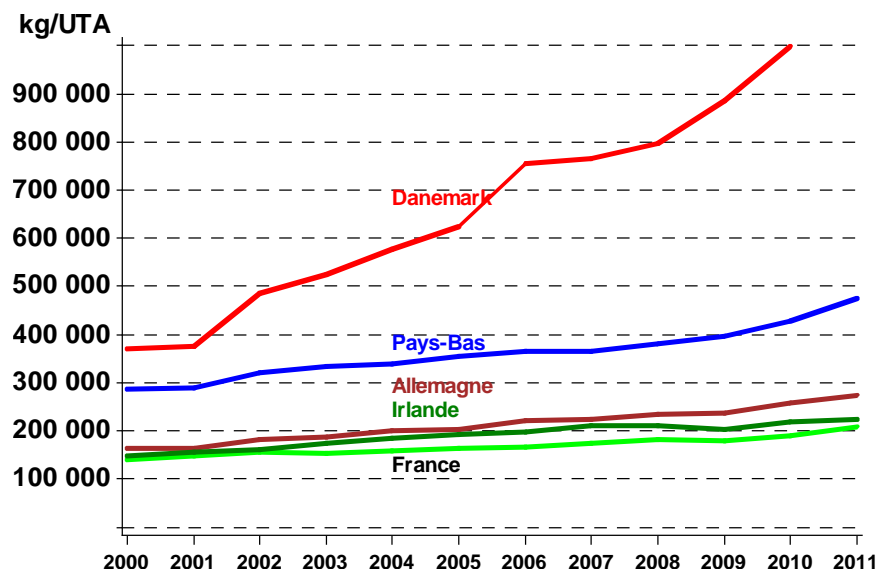
92%

80%

87%

94%

Milk production/AWU family (t of milk)



Specialised dairy farms (OTEX41)

source: DG AGRI FADN UE until 2009 then national sources - traitement Institut de l'Elevage



In average on 2005-2011

	IRELAND	FRANCE	GERMANY	NETHERLANDS	DENMARK
Milk price (€/t)	292	323	321	335	332
Break even milk price(€/t)	144	210	199	252	320
Result by unit (€/t)	149	112	122	82	12
Milk production by farm (kg)	289 000	295 000	354 000	602 000	1 057 000
Milk production by AWU totale (kg)	182 000	168 000	196 000	364 000	466 000
Milk production by AWU family (kg)	208 000	180 000	236 000	395 000	838 000
Evolution 2011/2005	17%	27%	36%	34%	66%
Family Farm Income/AWU family (€/AWU)	31 100	20 400	28 900	32 000	8 300

Specialised dairy farms (OTEX41)

source: DG AGRI FADN UE until 2009 then national sources – traitement Institut de l'Élevage



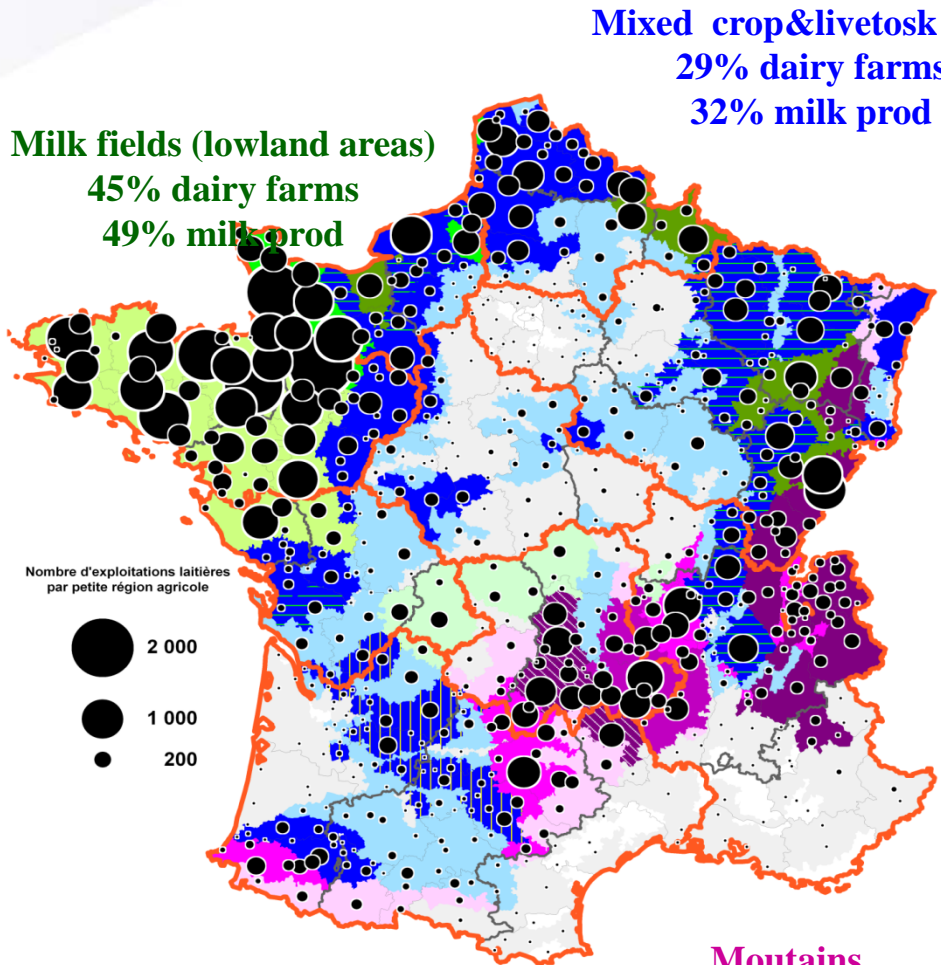


Impacts and out of the crisis: different configurations

- Denmark: radical choices (financing, technical management), a gamble for some producers
 - The limits of the capital-labor substitution
- Netherlands: a single misstep in a march of unrivaled profitability? When will the farms reach the environmental limit ?
- Ireland: the general economic crisis boosts the interest for a low-cost model despite its climate sensitivity and lack of equipment
- Germany: a faster than expected recovery which strengthens (again) the ambitions of the dairy sector.
 - 3 Dairy Germanys. Despite the biogas, an impressive dairy growing in the North.
- France: after delayed transmissions market signals, exceptional responsiveness revealing a great potential for development of milk production?



Dairy France



Source: Agreste agricultural census 2010
– analysis Institut de l'Élevage

- ▶ High diversity. 75 600 French dairy farms (2010)
3 dairy France (mountain, livestock lowlands, mixed crop & livestock regions)
- ▶ Complexity of dairy processing sector and supply chains
- ▶ Economies of scale ?
- ▶ Economies of scope ?
- ▶ Economies of agglomeration ?
- ▶ French dairy policies facing new choices



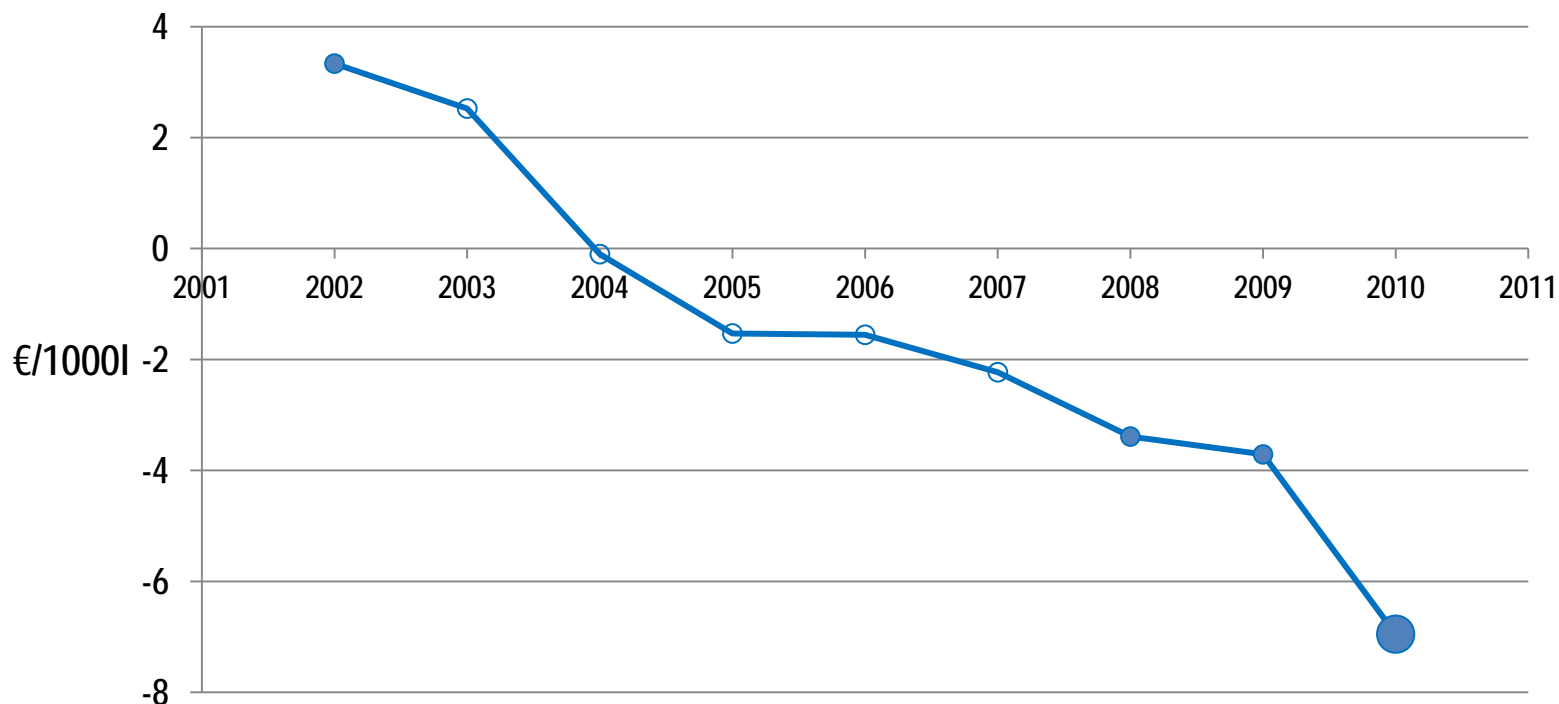
**From diseconomies of scale
(after investment support program)**

to

**economies of scale
(phasing out, quota available)**

Evolution of slope (€/1000l for 100 000 l of milk)

For the cost of production (without opportunity costs) :



**What's
next ?**

Source Agreste RICA – traitement Institut de l'Élevage

(rond vide statistiquement non significatif, rond plein <5%, gros rond plein <1%)

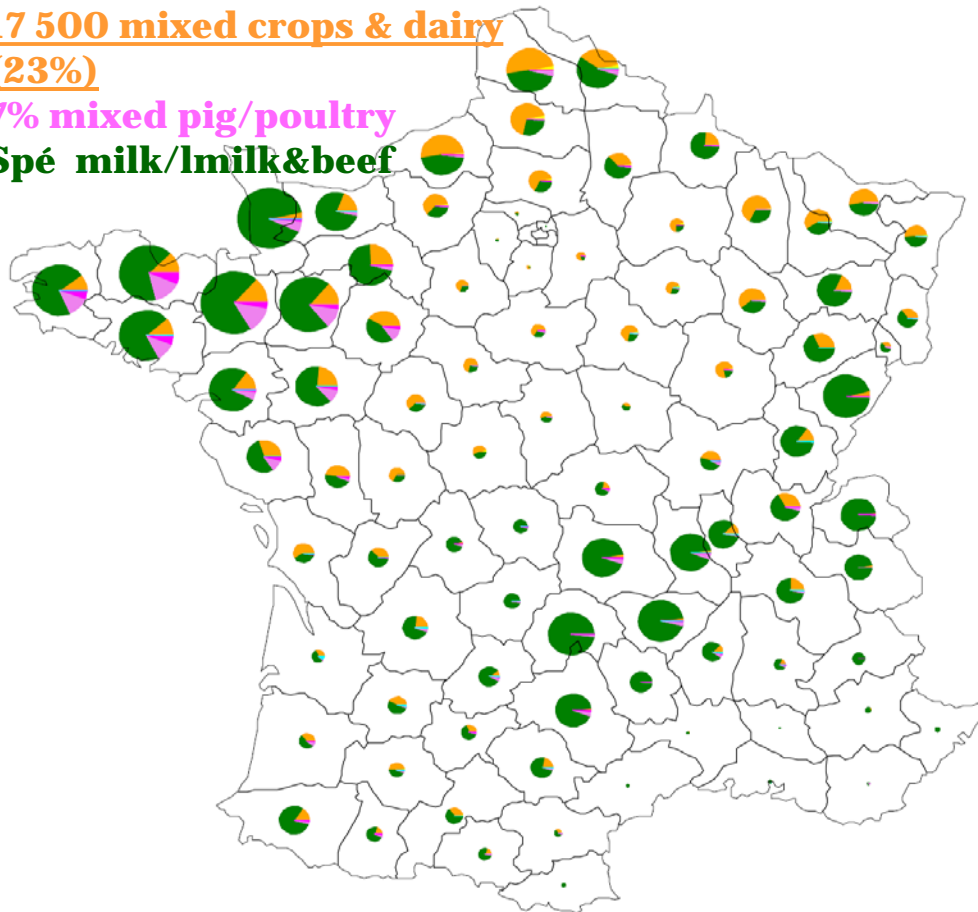


Economies of scope in mixed crop and dairy farming system ?

- 75 600 exploit. laitières françaises (2010)

17 500 mixed crops & dairy
(23%)

7% mixed pig/poultry
Spé milk/lmilk&beef



- Almost 25% of French dairy cows in mixed crop & livestock farms
- Specific and important component of French dairy farming
- Very high productivity (labour, area, animal)
- Better economic results (income) than specialised dairy farms
- Especially with high output prices
- 20% looking for economies of scope, <10% find them

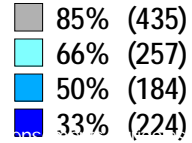
Others find economies of scale, grow more crops, produce more milk with intensive production (12 000 l/ha forage)

Economies of agglomeration ?

In 2010, 224 cantons (-18 / 2000) = 33% dairy cows,
408 cantons (-26 / 2000) = 50% dairy cows

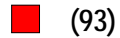
Concentration des VL françaises en 2010

(tri des cantons par densité décroissante)

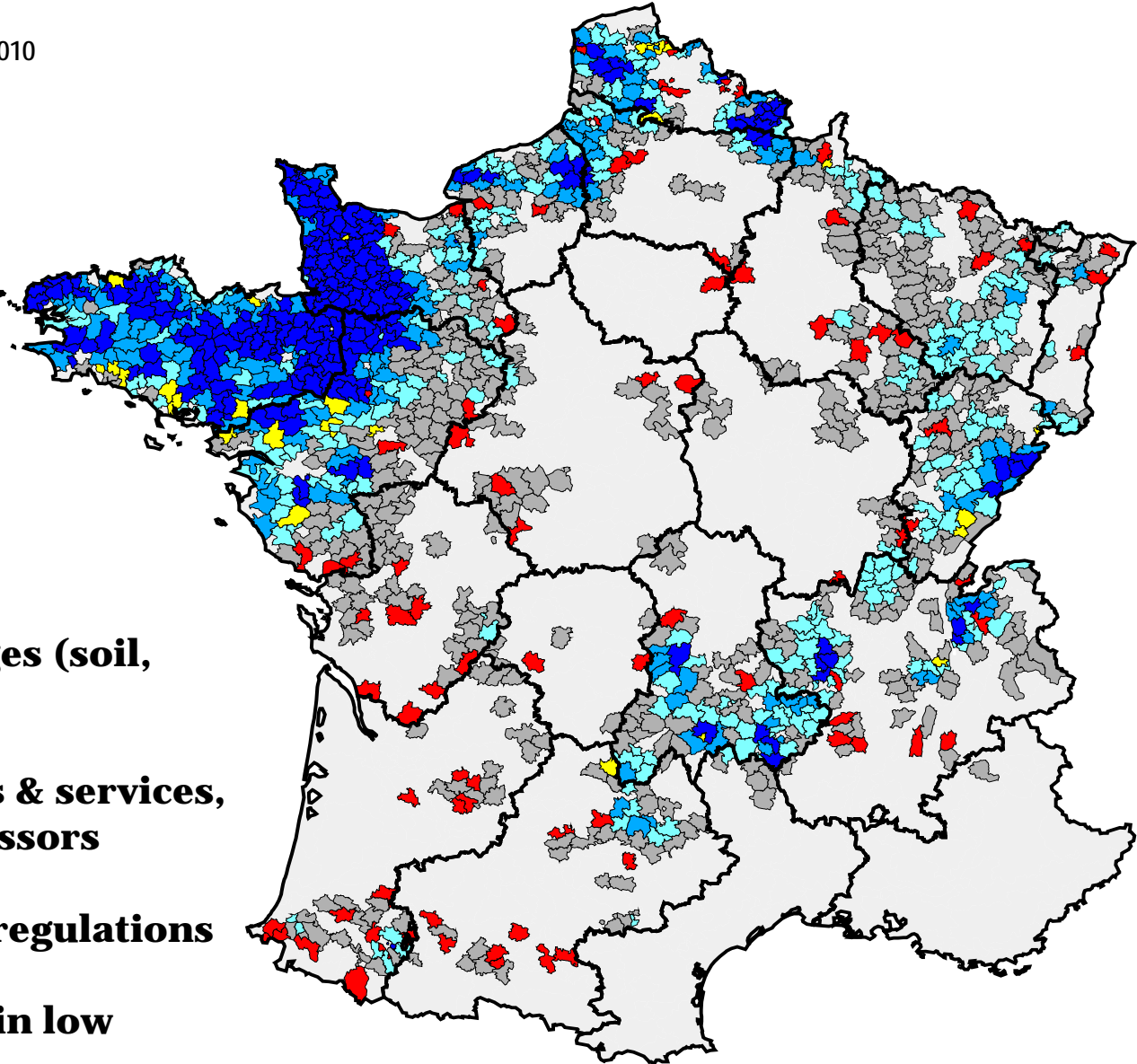
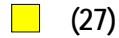


source: Agreste Recensements agricoles 2000 et 2010
- cartographie Institut de l'Elevage

Cantons ayant quitté le top 85%
entre 2000 et 2010



Cantons ayant rejoint le top 50%



**Comparative advantages (soil,
climate)**

**Input prices, suppliers & services,
skilled workers, processors**

But environnemental regulations

**Sociological concerns in low
density areas**



Dairy France Positioning

- ▶ More diverse (3 main contexts of production).
- ▶ Restructuration and territorial evolutions

	Pays-Bas	Irlande	Allemagne	France	Danemark
évolution nb dairy farms 2005-2010, % / year	-3.1%	-3.4%	-4.1%	-5.4%	-6.9%

- ▶ Less homogeneous than thought.
 - ▶ 2 000 largest dairy farms = 1 000 000 l in average . Half in mixed crops & livestock areas
 - ▶ 3 300 (4%) dairy farms \geq 100 cows with 11% of cows (1% and 3% in 2000)
- ▶ No lack of competitiveness for dairy production.
Particular evolution fort labour productivity and economies of scale
- ▶ Lower land costs & price.
- ▶ Dairy farms less specialised, more self sufficient /feed, with lower input costs but 70% of fixed costs



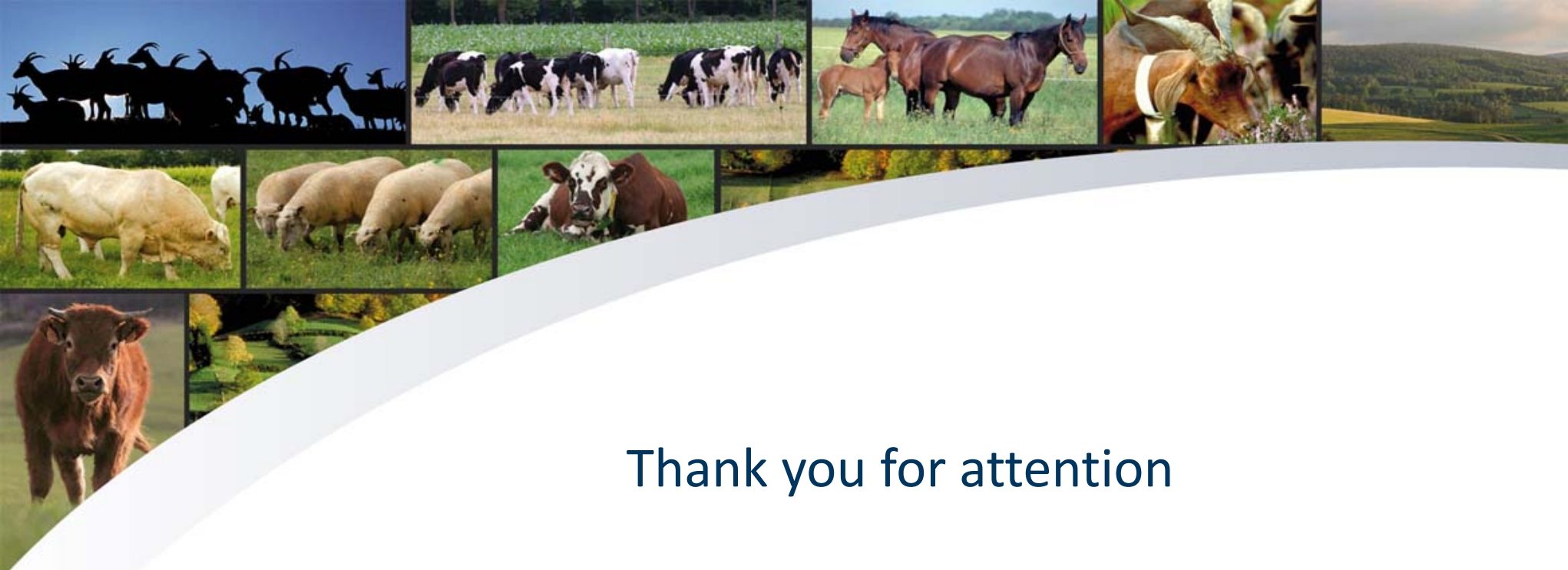
A challenge: the territorial differentiation of dairy policies

- ▶ What recomposition for the destabilized mixed farming areas?
Resistance islands or isolated mega-farms near highways?
- ▶ What specific support for the mountain areas ? What new opportunities to avoid direct competition ? What balance between milk & beef ?
- ▶ What expression of comparative advantages for “naturally “ dairy oriented areas ?
Environment ? Competition with cereals, pigs ? Sociological evolutions ?
Dairy farmers: a rare resource in the future ?

To take into account the diversity of dairy farming systems

- ▶ An asset (typicity of dairy products; resilience of the milk supply)
- ▶ and a constraint (obstacle to the rationalization of supply chains?)

With a new European and national 'toolbox'



Thank you for attention

Pour en savoir plus:

Dossier Economie de l'Elevage N°428 daté Octobre 2012, 70 p.

Les modèles laitiers du nord de l'Union européenne à l'épreuve de la volatilité

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