KEY DEVELOPMENTS IN IDF COUNTRIES

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UK-IDF OPEN DAY

REASEHEATH COLLEGE

29TH JUNE 2010

INTERNATIONAL DAIRY FEDERATION

STANDING COMMITTEE ON DAIRY POLICIES AND ECONOMICS

COUNTRY REPORTS

(Please click on highlighted area and add in information for your country)

COUNTRY: Fill in name of country

FOR FURTHER INFORMATION

CONTACT: Name **E-MAIL: Fill in e-mail address**

KEY DEVELOPMENTS

PREVIOUS 6 MONTHS TO: Add date or month Add in information here		
KEY STATISTICS. Year on year % change for latest available month:		
AVERAGE MILK PRICE	MILK PRODUCTION	RETAIL PRICE OF ALL FOOD
Add percentage here	Add percentage here	Add percentage here
INDUSTRY PUBLICATIONS Add recent publications here		
OUTLOOK – 6 MONTHS TO: Add date 6 months from meeting Add information here		

Reports received from:

Austria	Manfred Trimmel
Denmark	Kristian Svendsen
Finland	Riitta Brandt
France	B. Rouyer
Germany	Monika Wohlfarth
Greece	Ioanna Pappa
Italy	ASSOLATTE
Ireland	Trevor Donnellan
Netherlands	Jurgen Jansen
Sweden	Lennart Holmstrom
UK	Peter Dawson
Norway	Lars Sandstad
India	Deepak Tikku
China	Dr Zhiwu Zhang
Japan	Maki Okada
New Zealand	Sarah Paterson
Canada	Gilles Froment
USA	Jaime Castaneda

Current Production Trends %

Austria	+0.1%
Denmark	+3.0%
Finland	+1.7%
France	-1.9%
Germany	+0.7%
Italy	-0.53%
Ireland	-3.0%
Netherlands	+0.1%
Sweden	-3.9%
United Kingdom	-1.6%
Norway	+1.0%
India	+3.4%
China	-1.75%
Japan	-1.4%
New Zealand	0-1%
Canada	-1.8%
United States	+0.6%

Production Factors

- Germany
  - Liquidity still a problem for farmers
- Ireland
  - Decline in milk yield as supplementary feeding felt to be uneconomic
  - Small increase in dairy cow numbers
  - Production costs have not adjusted downwards in 2009 following end of commodity price boom
  - Grass growth below normal due to harsh winter
- Sweden
  - Less animals going to slaughter
  - Some progress in yield
- India
  - Shortage of fodders and major feed inputs due to weather

Production Factors (2)

- China
  - Higher than normal feed prices
  - Shortage of local milk supply due to FMD outbreak in 2009
  - Import of 15,000 dairy cattle from Oceania in January and February
  - China will import more cows from Oceania
    - Opening to North America or Europe not expected before end of 2010
- New Zealand
  - Milk production affected by drought
- Canada
  - Improved feed quality
  - Higher cow numbers
- USA
  - 2009 Milk prices collapse without compensating reduction in feed costs
  - Modest recovery in 2010; modest reduction in feeds and milk prices

Production Trends

- France
  - Production 2.5% lower than on the same period last year
- Germany
  - First quarter of 2010 milk production below last year due to cold winter and economic reasons
- Greece
  - Milk production is falling; low cost milk entering the country
- Italy
  - Deliveries fell 0.5% June – Dec
- The Netherlands
  - Farmers expected to overshoot 2009/10 quota by 0.3%
- Sweden
  - Last six months milk production 5% below the level one year earlier
  - Some sign of recovery
- UK
  - Milk production expected to stabilise

Production Trends (2)

- Japan
  - Milk production decreased by 0.7% six months to February 2010
- New Zealand
  - Milk production forecasts revised to be broadly in line with last season’s levels
- Canada
  - Milk production up 1.8%
- USA
  - Milk output over the 12 months ending March only down 0.25%

Producer Restructuring

- UK
  - Investment rate exceeding retirement rate resulting in expectation of increased production
- Norway
  - Producer number at 15,000, down by 5%
- China
  - Twenty projects identified that will see the development of large scale farming of 1,000 to 3,000 cows
  - Encouraged and supported by local and municipal government agencies
  - Annual growth rate in herds over 100 estimated at 7%

Current Price Trends %

	Milk	All Retail
Austria	-8.0	-2.3
Denmark	+10.0	+2.0
Finland	-11.0	-5.6
France	-9.4	+0.4
Germany	+11.6	+0.1
Greece	-.-	Lower
Italy	-16.7	-3.0
Ireland	-30.0	-8.0
Netherlands	+11.6	-1.2
Sweden	+2.4	+1.1
United Kingdom	-2.1	+4.4
Norway	+5.0	0.0
India	+17.6	+16.7
China	+0.7	+4.0
Japan	+7.5	-1.4
New Zealand	29.0	2.0
Canada	+1.4	+1.2
United States	+28	0.2

Milk Prices

- France
  - Farmgate prices set at 270-275€/1000l from March to May
- Ireland
  - Prices recovered to more normal level of €26
- UK
  - Recent price increases of 0.5ppl - 1ppl announced by major buyers
- Norway
  - Milk price negotiations with the government started in March
- China
  - Prices expected to remain relatively high
- New Zealand
  - Forecast for 09/10 season is NZD 6.10kg milk solids compared to NZD 4.72/kg

Producer Sentiment

- Ireland
  - Considerable discontent that fall in commodity prices not reflect in retail prices

Recession

- The Netherlands
  - End of recession announced
  - Contraction totalled 4%
  - Prognosis remains cautious:
    - Consumer spending down
    - Government expenditure cuts
    - But export growth
- UK
  - GDP grew by 0.2% in last quarter
- Norway
  - ‘The general economic situation is still excellent!’

Consumption Trends

- Austria
  - Cheaper prices not inducing higher demand
- France
  - Retail sales for cream and cheese are growing but retail prices still relatively low
- Greece
  - Consumer demand has not decreased but consumer prices are still high
- Italy
  - Flat level consumption and shift to low-cost products and private label
- Norway
  - Increases in consumption of yogurt, cream, sour cream and cheese

Consumption Trends (2)

- China
  - Generally recovered since Melamine scandal
  - Dairy consumption will keep going up at an annual rate of around 7 - 10%
- Japan
  - Milk for liquid milk down 5% due to decline in drinking milk consumption resulting in an increase in butter and SMP production
- Canada
  - Demand trend switching to positive
    - Continued strength in retail market
    - Increase in promotion activity

Market Situation

- Austria
  - Market signal: recovery in prices
- France
  - Slightly more optimistic world market
  - WMP, liquid milk and cheese production up but yogurt production down by 4.3%
- Germany
  - Exports increased and stocks decreased
  - Recovery in prices accelerated in April due to a shortage of products
- UK
  - Commodity markets positive on reduced supplies of product
- Norway
  - Cheese exports to USA increased

Market Management

- France
  - National quota increased by 2%
- USA
  - Work is taking place to develop new safety net programmes in order to avoid recurrence of the dire situation in 2009
  - Implementation will be probably be through 2012 Farm Bill process
- New Zealand
  - Government confirmed changes to Dairy Industry Restructuring Act
  - Sets basis for the price of milk other processors can access from Fonterra

Market Prospects

- Austria
  - Slower milk production, weaker euro helping exports, growing demand, stocks under the level of the year before
- France
  - Low production and high auction prices means that opportunities for European dairy products should appear on the world market
- Germany
  - Stable market conditions and a recovery of milk producer prices
  - Protein prices could be affected by EC stock release
- Greece
  - Difficult period due to the overall financial crisis
- Italy
  - Positive evolution of exports linked to the recovery of the US market
- Ireland
  - Producers and processors remain cautiously optimistic for 2010

Market Prospects (2)

- The Netherlands
  - Farm gate price expected to reflect recovery in markets
  - FreislandCampina guarantee price increased
- Sweden
  - Expect production level to stabilise during the year
- China
  - Dairy prices expected to remain stable as milk supplies remain short and input prices for animal feed are relatively high
- Japan
  - Raw milk production down slightly over the previous year
  - Persistent weak demand for drinking milk
- Canada
  - Solids non-fat surplus is expected to grow as milk production strengthens
  - Modest increase in demand is expected to continue
  - Improved supply will help continue discounting at retail level
  - As economy emerges from recession restaurant activity will increase
  - Fluid milk expected to contract slightly whilst industrial will increase

Restructuring

- Denmark
  - Danish Dairy Board integrated into Danish Agriculture and Food Council
- Ireland
  - Cheese production now 30% of output compared to 20% five years ago
- The Netherlands
  - FreislandCampina
    - announced closure of six plants with loss of 624 jobs
    - Opened new office in Amersfoort
    - First annual results; profits up, sales down
  - Delta Milk takes over FreislandCampina Bleskensgraaf plant
    - Part of merger conditions
    - FC to guarantee raw milk supply to 2017
- New Zealand
  - Now six dairy exporting companies and proposals for five more
  - Fonterra share of milk collection dropped by 96% in 01 to 90% in 09/10

Trade

- Norway
  - Consensus on new EU/Norway trade agreement
- New Zealand
  - Doha negotiations stalled and ‘it now appears highly unlikely that an agreement will be concluded in 2010
  - Continued negotiation of bilateral deals

Issues

- Finland
  - Discussion about fat tax, animal welfare, climate change and eating habits
- Greece
  - Functioning of dairy supply chain to be scrutinised to identify how the value added can be distributed equitably
- UK
  - Planning application for 8,000 cow unit withdrawn due to environmental reasons

Issues (2)

- Norway
  - Proposal for a new agricultural policy in early 2011
    - Based on production all over the country
    - But compatible with the last WTO text
  - Another Government Group will look at the power of participants in the food chain

Animal Welfare

- The Netherlands
  - DDB renews agreement with Ministry on Animal Healthcare Fund
  - Includes distribution of costs between government and livestock sector for animal disease monitoring and disease management

Ethical Marketing

- Austria
  - From beginning of 2010 Austrian milk production is completely GMO free
  - Organic milk 13.2% of total milk production; ‘top in the EU’

Weather

- Germany
  - Unusual cold winter
- Ireland
  - Harsh and extended winter, the coldest since the early 1960s
- India
  - Normal monsoon forecast

Environment

- Canada
  - March 2010 Canadian Dairy Industry Sustainability Conference
  - Object included defining industry's approach towards sustainable development

Publications

- Netherlands
  - Trends and Challenges in World Dairy Farming
  - Creating green consumer loyalty; how to strategically market CSR and obtain consumer preference
  - Volatility in farm incomes and yields in the European Union

High Level Experts Group on Milk Remit

'...to discuss mid and long term arrangements for the dairy sector which can contribute to stabilizing the market and producers' income and enhance transparency in the market' including:

- contractual relations between milk producers and dairies to better balance supply and demand
- what can be done to strengthen the bargaining power of milk producers
- whether the existing market instruments are appropriate

Contracts

- Commission seeking to empower co-ops to manage the volume of milk supplied to them
- HLEG may recommend legislation or guidelines on acceptable practice
- Debate will raise issue of resignation on price variation

Producer Organisations

- POs act as selling agents
  - They do not buy their members milk
- HLEG proposing to:
  - permit POs in the dairy sector
  - exempt them from competition law rules on market share

Supply Chain Transparency

- Greater transparency to
  - Improve market efficiency
  - Address producer concerns over margin share
- Transparency will create more competitive pressure

CONCLUSION

Thank You

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