8. Weltkonferenz der Braunviehzüchter

The European Dairymarket is Facing a Promising Future?

F. Fischler

Mayrhofen, 18. April 2008

Outline

The Milk and Beef Production Sector in the EU 27

The Perspectives

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Prospects for Agricultural Markets 2006-2013

Dairy sector

The Milk and Beef Production Sector in the EU 27

Milk	2007	2010	2013
Total production (Mio to)	147,7	149,3	149,0
Milk yield per cow (to)			
(+1,3% p.a.)	6,2	6,4	6,6
Dairy cows (Mio)	23,9	23,4	22,5
(Reduction in the last 20 years: -40%)			
Beef (in 1000 tons)			
Total production	8200	7840	7760
Import	580	700	750
Export	110	30	20
Consumption (per cap. kg)	17,5	17,2	17,1

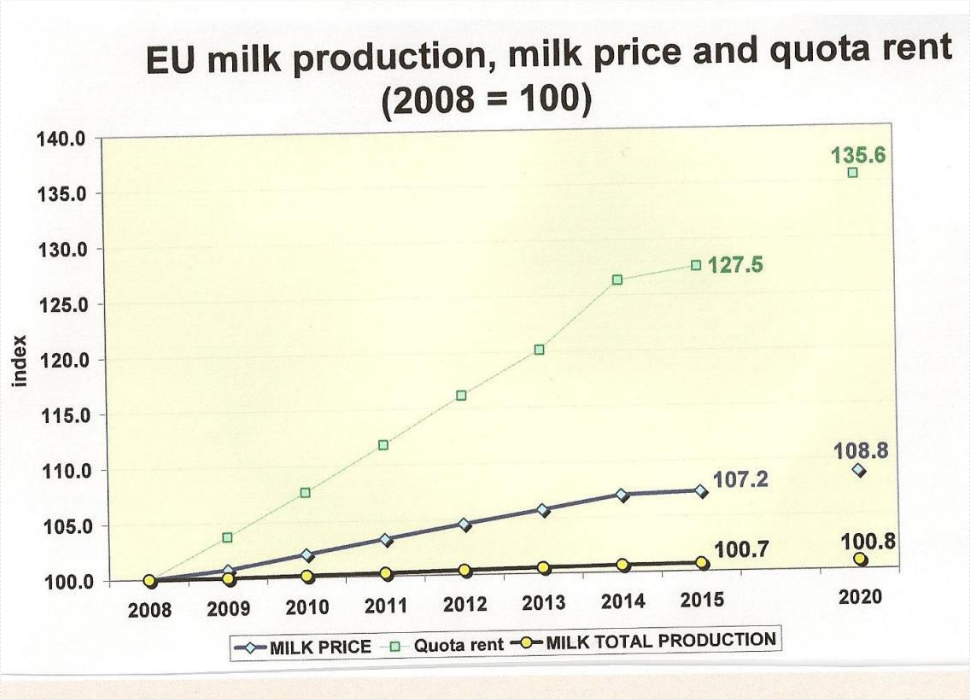
The Perspectives

Reference scenario 1 / 4

- Determinant factors:
  - Growing EU demand for fat and protein (+0.1% and +0.5% p.a.)
  - Slightly declining EU demand for butter
  - Growing world demand for dairy commodities (+2-3% world imports)
  - Binding quotas limit production growth

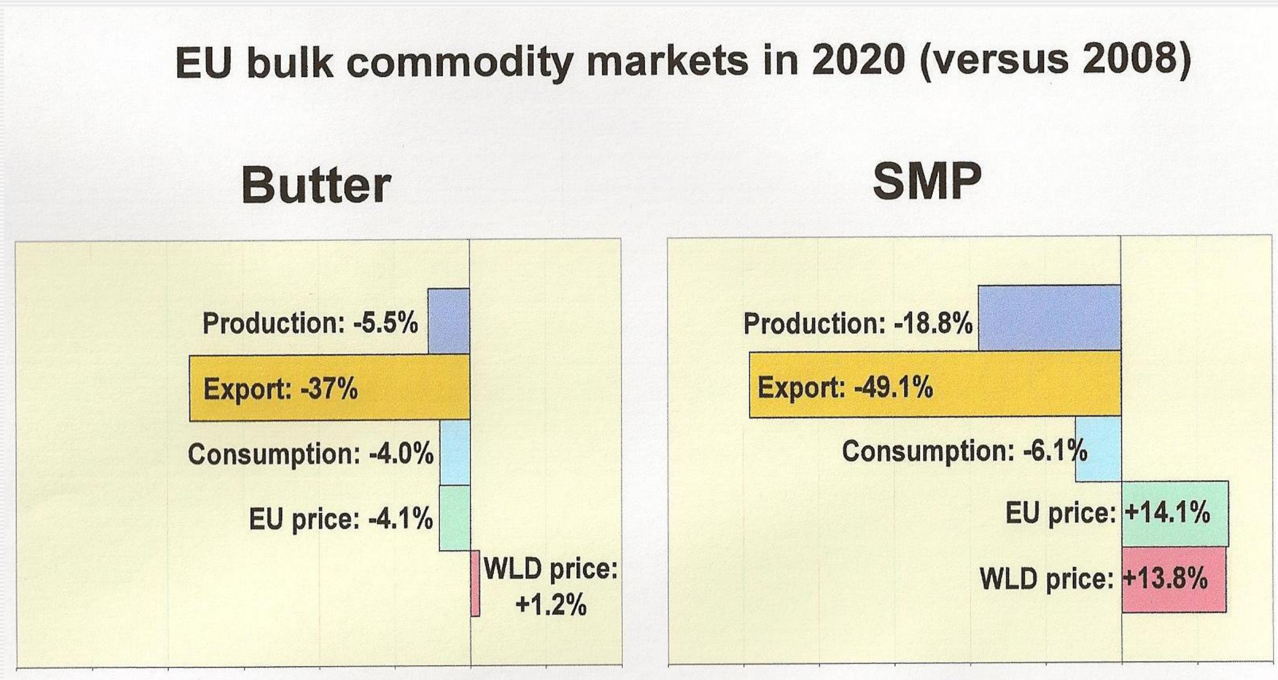
The Perspectives

Reference scenario 2 / 4



The Perspectives

Reference scenario 3 / 4



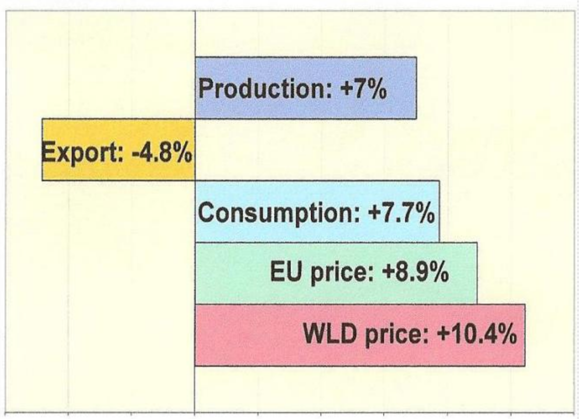
The Perspectives

Reference scenario 4 / 4

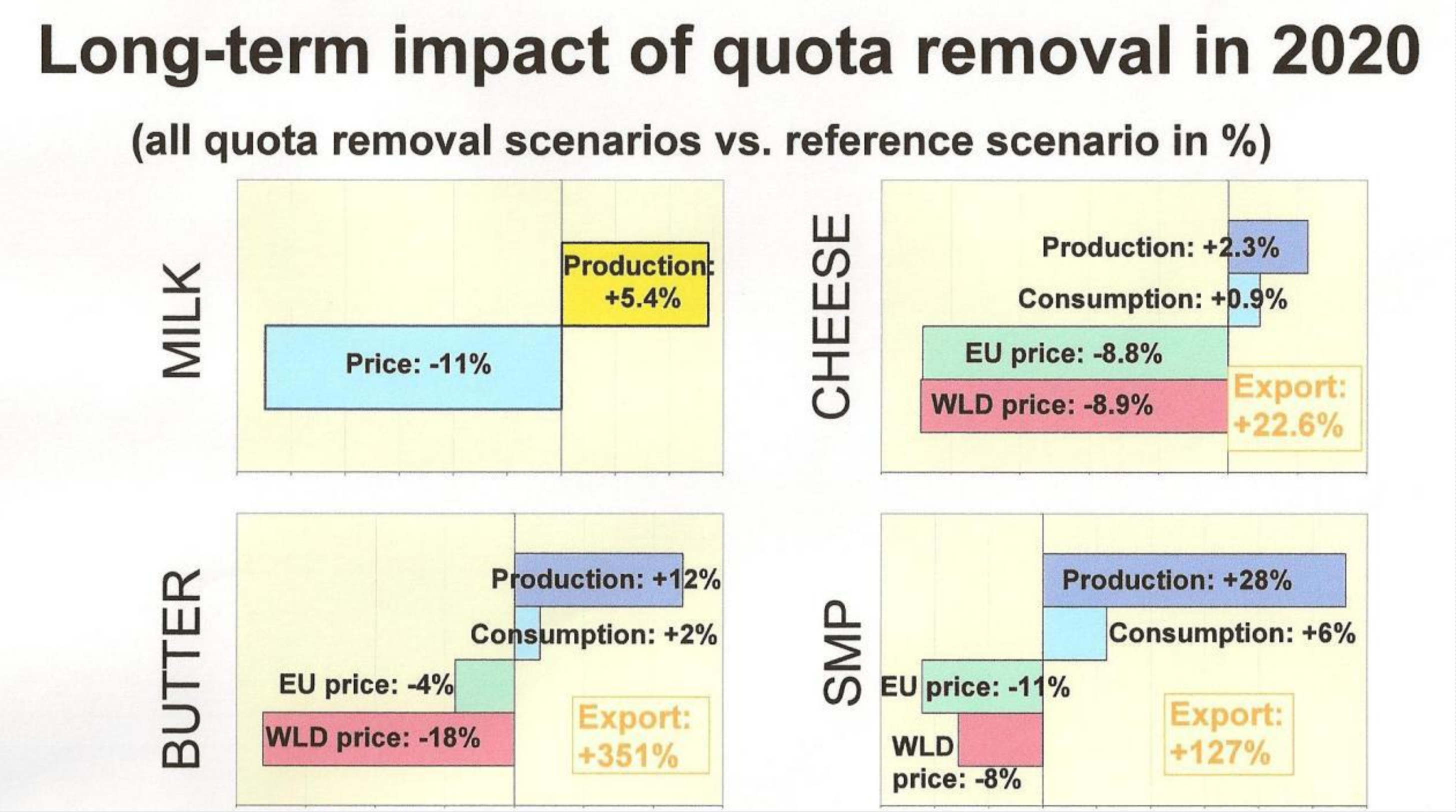
EU value added markets in 2020 (versus 2008)

- EU demand growth exceeds production growth
  - Increasing EU price
  - Lower EU exports
- World demand growth leads to increasing world prices

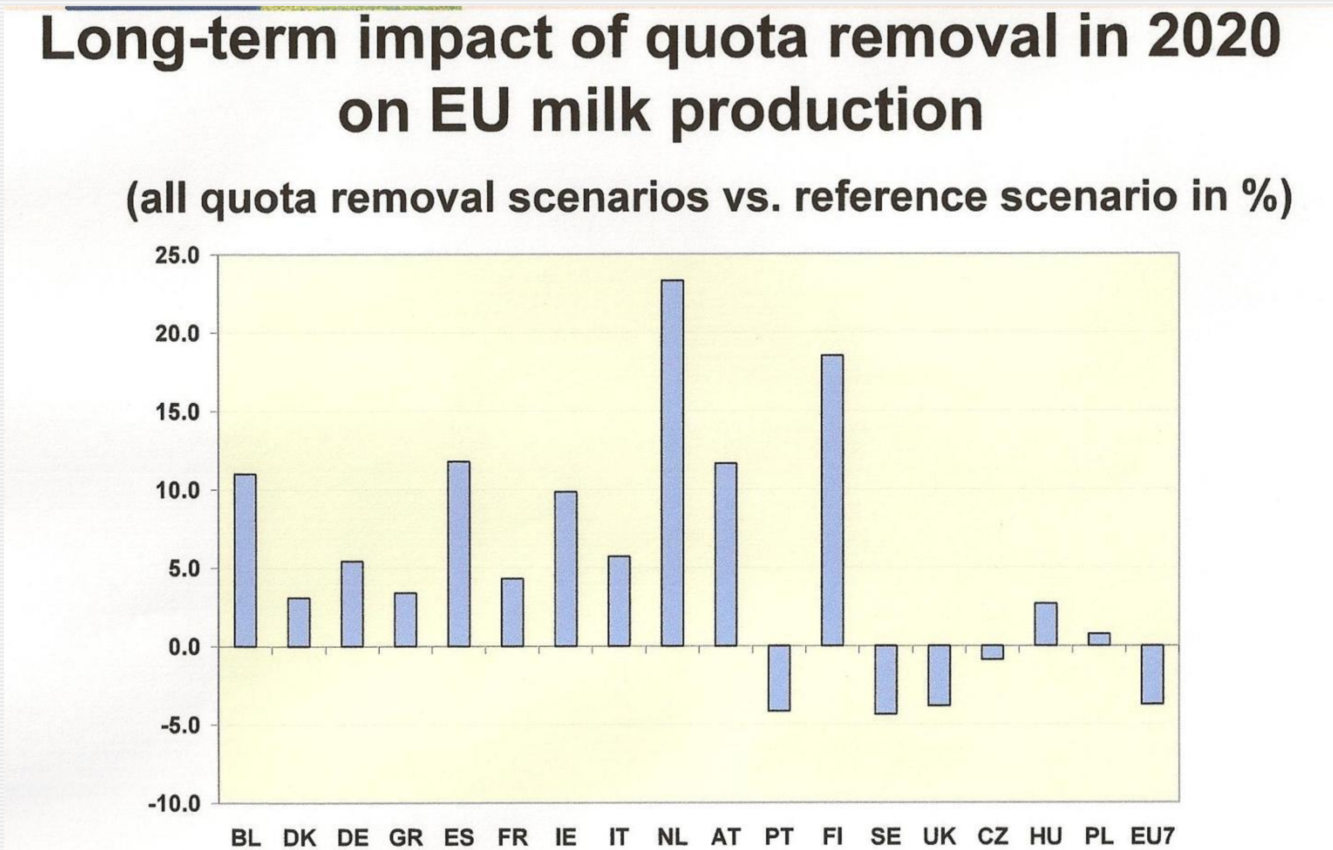
Cheese



The Perspectives



The Perspectives



The Perspectives

‘Soft landing’ – main results for +1% and +2%

		‘+1%’	‘+2%’
Milk production	Annual increase *prior to quota removal (ie. 2009-2014)*	+0.7%	+0.8%
	Total increase *following quota removal (ie. 2015/2014)*	+1.4%	+0.6%
Milk price	Trend *prior to quota removal*	stable	
	Impact of *quota removal*	-2.9%	-0.9%
SMP	**SMP price prior to quota removal:** demand growth for protein > production growth	**Increase** (at lower rates than status quo), **remains above intervention price**	
Butter	**Butter price:** production growth of fat > demand for fat	**Decrease, reaching the intervention price in:**	
		3rd year	2nd year

The Perspectives

Conclusion

Though caution is necessary (preliminary results, normalized conditions, rapid adjustment, stylized producer behaviour/expectations) ... some key findings can be highlighted

- ‘+2%’ scenario =>smoothest adjustment / ‘soft landing’
- Support mechanism for butter still plays a role in stabilising markets and milk price
- Inelastic EU demand =>higher EU exports and lower world prices
- ‘Hard landing’ approach => big shock & uneven development over member states (benefiting low cost producers)
- Bulk dairy products more affected than higher value products
- Assumptions on quota rents => key for assessing market impact

The Sensitivities

Sensitivities within the EU

- Risk of milk abandonment in less favoured areas
- Gains in milk „importing“ regions
- Positioning in the new export markets

Prospects for Agricultural Markets 2006-2013

Meat sector

The Perspectives

Meat

- **Beef production to continue falling (-6%) below consumption throughout the projection period due to:**
  - Declining cattle herd from dairy sector
  - Impact of decoupling of direct payments
  - Impact of market disruptions of sanitary crises
- **EU sheep/goat meat production to continue its declining trend, albeit at a moderate pace**

Conclusion for the Brown Swiss Breeding Sector

- With the continuation of the quota system the shrinking of the dairyherd continues
- The abolition of the quota creates new market opportunities for breeding cattle
- Focus on the advantages of a dual purpose breed
- Concentrate on small structured regions and disadvantaged areas
- Stimulate the use of beef bulls for non breeding progeny

Thank you for your attention!