

OPENING SPEECH - congress 2010

Dear EDF members, Dear Guests,

It is always a great pleasure to welcome you to our congress. We are happy to be here for the first time, in Italy, Saluzzo – Province of Cuneo.

Saluzzo is a good place for our annual meeting: it is near the Alps, not far from the sea, has nice climatic conditions, is located in the Pô Valley which is well known for its beautiful landscape, has high potential in terms of land productivity, farm management and diversity of production despite dry conditions.

I was lucky enough to already taste some very good cheeses from the Veneto region a few weeks ago (as Piave, Montasio, Grana Padano) but I don't want to upset other regions and will therefore remain diplomatic: there are many other delicious cheeses like Parmigiano Reggiano or Gorgonzola. I think we could sum up Italy as "the country of 1000 cheeses".

Today, about 270 participants represent 20 countries! I'd like to point out some new delegations from Europe but also from other continents: Denmark, Argentina, Australia, Ukraine, United States....It's really great to see this increasing diversity which consolidates our strategy to be more international.

Thanks to ***the Italian EDF branch*** (under the lead of Antonino Bedino with Claudia Morisiasco) but also Alberto Menghi (EDF scientific Partner from ***CRPA***) as well as our manager Dieter MIRBACH from DLG for organising this congress since more than 1 year.

Congratulations to our 20 EDF scientific partner (STAR) under the presidency of Folkhard ISERMEYER from Vti Institute. Results from 282 Cost of production questionnaire (real farms) and more than 2000 snapshot relating our attitudes for the future will be presented with the great coordination of Mrs Birthe LASSEN and Steffi WILLE.

Thanks also to our agri-business partners supporting this annual meeting and supporting EDF in general.

I don't want to forget the dairy farmers, here, in this room. Indeed, you are the heart of EDF, giving your figures and explaining your strategy. I know it is not always easy to leave your farms for 4 or 5 days because of different duties but it is a key factor to stay in the business tomorrow.

Now I would like to welcome today's speakers:

It is an honour to have the presence of the Italian Minister of Agriculture.

We are pleased that Mr Secondino Brunetti (Mayor of Villanova Solaro) and Mrs Gianna Gancia (President of Province of Cuneo) will introduce their region.

From the farmers side, Claudia and Giorgio will present their view on practical dairy farming.

From the researcher side,

Alberto from CRPA will give an overview of the Italian dairy sector.

From the processor side and the dairy chain,

Luca Arimatea from Gorgonzola consortium will explain us DOP cheeses strategy and Francesco Casula from cooperative 3A Arborea will tell us about dairy production in Mediterranean conditions. We are delighted to have IDF president Richard Doyle; he will talk about the future challenges for dairy industries.

From the EU commission side,

Mrs. Brigitte Misonne, market analyst of the European Commission in Brussels, will give us an outlook on the European Dairy sector.

Well, this afternoon sounds very interesting as we have experts from the whole dairy chains.

In which dairy context do we start this congress?

1) From a milk price crisis.... to a cost of production crisis....

For sure, dairy context did create some damages: 10 % of dairy farmers quit their business production in Slovakia, milk yield per cow decreased in many UE countries, 250 000 cows less in the USA in 2009 (-2,5 %), slump in milk collection in Eastern European countries are only a few examples. Milk prices are slowly recovering, the mood is getting slowly better. Liquidity problems seem to affect much more herds buying a high proportion of foodstuff outside (indoors system, large herd) compared to smaller farms with self-consumption forage, grazing system or organic ones. This is interesting to me as well, in terms of cost of production, is the quota price: decreasing in Germany whereas it is still high in some other countries (from 70 to 90 cent/litres in The Netherlands or Belgium). Indeed, despite end of quota system in 2015, some farmers think there will be some "delivery right contracts" with their dairy processor based on a historic reference.

Looking to the EU or national emergency measures, they are welcome and seem to be important at first level (more than 1 billion in France, 750 millions in Germany, 450 million in Spain...). They are very diverse according to the country (specific loan, interest rate taken in charge, direct payment of 1 or 2 cents/litre...). But, the reality shows they represent a little amount per farm:

- For example, EU measure for France will represent 650 euro/farm (So far I have received 1700 Euros on my farm with national measure)
- An Irish farmer told us about 590 Euros whereas he has 280 cows.

Moreover, a maximum has been fixed by example in Germany (7500 € per farm during this period).

2) Worldwide production/consumption:..... better adjustment

Looking to dairy experts reports, such a trend is important for me because we know that a very little of milk can disturb completely the market. We can see that:

- the world milk production stagnated (or slightly increased) at the end of 2009 / in early 2010 with large variation between main countries producers (more production in China, less or stability in EU, USA, Australia, NZ, south America)
- The dairy product world demand is recovering but in different ways according to the continents (end of melamine crisis in Asia, growth demand is coming back in china and to the emerging countries which go out from the economic crisis, oil prices are increasing again). But the situation is more difficult in the EU and the USA.

In 2009 the world market faced a slight deficit (0,4 %) which did allow to reduce world stocks (mainly profitable for New Zealand).

If we associate these conclusions with higher world prices, decreasing EU stock, increasing EU export thanks partly to a better exchange rate euro/dollar, this should consolidate our farm gate milk prices in the coming months.

3) Uncertainty and volatility... we have to deal with it... and learn from other continents.

* Uncertainty with prices:

What prices can we expect for fuel next October? For fertilizer? Or concentrate? If you ask me about a financial forecast for my farm for the coming months, I could only give you some global trends, not really precise figures. We can see that volatility is much more important in some other countries (as New Zealand and the USA) and this, for many years. We probably have to learn from other continents.

* Uncertainty with policies and EU budget:

According to Mr Le Foll, EU parliament deputy (vice-president of Agriculture Commission), more countries tend to support more their own national interests instead of European visions because of national budget deficits. Thus, there will be some consequences on EU agriculture budget vote.

4) **Economic recession and finance world.... Crazy figures!**

When I came back to my farm, after negotiating about a few hundred Euros with my suppliers or looking for 2 or 3 cents more for my milk price, I became crazy listening to the billions used to support economic recession or the finance world. After a certain limit, figures don't mean anything because we can not make any comparison. But let's try:

At the end of 2009, 140 billions of dollars have been allocated to Wall Street world just for salary, profit and bonus. At the same time, we learnt, via their report, the FAO budget: about 900 millions of dollars. (That means 155 times less!...).

We could do the same comparison with the budget of Burkina Fasso (7 billions of Dollars, that means 20 times less!...). And there are still 1 Billion of people suffering from hunger.

We could have the same discussion with the 750 billions of euros used to support Greece...
Do we live on the same planet?

5) **"2010: worldwide year for biodiversity"**

"2010: international year for biodiversity" has been claimed by the United Nations in order to take the declining biodiversity in the world into consideration (how to find new solutions to preserve it, inform the people, create some discussions...). By biodiversity, we mean not only fauna and flora but also people, land, cattle ...all our environment.

Some reports conclude that the economic impact of the declining biodiversity could cost 7% of worldwide Growth Domestic Product by 2050.

As leading dairy entrepreneurs, we can not ignore this dimension because we have an impact on it. Behind this, there is sustainability and value-added products.

Let me take the example of different local cheeses specific to small regions, long crop rotation used by organic but also conventional farms for a better weed management, cross-breeding we used to limit fertility problem, different way of farming within EDF...

We should not underestimate this dimension as it is a way to decrease our cost of production. Biodiversity is essential even if we don't pronounce this concept as such.

To finish, this opening speech, I'd like to come back to our congress topic: **"dairy Farming under Mediterranean conditions"**

As you can see, there is no question mark. Some people think that dairy production is only possible in regions where grazing is possible or with low cost of production. I'm not so sure about that.

After some discussions with Italian farmers, of course they did focus on their difficulties:

- Land price, still high, due to high stocking rate, environmental rules or population density
- High cost of production
- Difficulties for farmers to have common positions on national level to reinforce their power on the market,

But on the other side:

- They developed local initiatives
- They developed value added products
- They adapted their products to the consumer

And finally, you have one of the best prices in Europe at the moment!

Every region has some advantages and disadvantages. Dairy production is also linked to the management and the people.

As conclusion, my message would be this one:

I want you to be convinced that dairy farming is possible under Mediterranean conditions, and also in many other regions, because we have the 4 following key factors:

1) A dairy farmer listening to his cows

2) An entrepreneur focusing on cost of production, innovation and human resources management

3) A dairy processor, with a market share, and willing to collect your milk

The competition is harder between countries. In 2009, because of milk prices differences within EU, some dairy processors clearly lost some market shares because of more competitive fresh milk or cheese coming from the neighbouring countries.

Moreover, some others wonder if they will collect the milk in all regions where the production is less concentrated. I can give you the example in the south west of France where 250 producers look for a new processor willing to collect their milk after cancellation of their milk contract by a Spanish industry (at the moment, they are paid at the spot market).

4) A (local) consumer, in terms of purchasing power, but also in terms of population density.

Enjoy this congress, have fun and build your own strategy!

After this point of view, I declare this 2010 EDF conference open. Thank you for your attention.

Jean François VERDENAL
President of European Dairy Farmer