

## **Opening speech**

### **Jean François VERDENAL, President of European Dairy Farmers.**

Dear EDF members,  
Dear Guests,

It is a great pleasure to welcome you to the 19<sup>th</sup> annual EDF congress in Groningen, The Netherlands.

We are very pleased that the Dutch Minister of Agriculture, Nature and Food Quality, Mrs Gerda Verburg as well as Mr Martin van Driel representing the EU Commission, Mr Dirk Duijzer – Rabobank-, Mr Cees't Hart - Royal Friesland Food - , Mr Folkhard Isermeyer – vTI - will participate to our discussion.

Thanks to Harm Holman, Frans Ettema, the project team and the whole Dutch branch, our manager as well as our scientific partners for organising the congress. Special thanks also to the companies supporting this congress and supporting EDF in general.

I would like to address your special attention to Mr Matt Reid, conference chair from the Australian Dairy Conference, as well as to new participants. You are welcome and I hope you will appreciate the “EDF product”: the cost of production comparison using real figures, the snapshot showing our attitudes for the future, workshops to go deeper in the discussion, experts' presentations, farms visits but also exchanges and social contacts between participants.

For this conference, we are pleased to share our point of view about: “NEW REALITY”.

Well, to tell you the truth, I was asking myself during a couple of days on my farm: what could I say for my first opening speech? How could I define “New Reality” with such a diversity of leading dairy entrepreneurs within EDF?

My conclusion was:

- try to give the most global view of New Reality as an EDF farmer
- try to propose some solutions in order to face it, rather than complaining about it.

For that, I read again my compilation of articles I preciously kept since few months.

I prefer giving you my conclusions about “NEW REALITY” with **KEY WORDS**.

#### **MORE DEMAND:**

Remember what US Professor Bob Thompson told us at the 2004 Eurotier conference: development in population growth in the world, consumers' changing behaviour, purchasing power of countries such as India, China, and South East Asia with a growing working population earning more than 8 dollars per day. This concerns hundreds of millions of people.

Yes, according to the experts, milk demand is growing, at an annual rate of 3 to 4 % while supply is growing at an annual rate of 1.3%.

#### **MORE MARKET ORIENTED, LESS INTERVENTION:**

I will sum up Mr JACHNIK, French dairy economist, during one of our national branch meetings. Today, to be a dairy farmer, you need a cow + something to milk it + a piece of paper with a reference fat content (quota). Tomorrow, to be a dairy farmer, you will need a cow + something to milk it + a contract with somebody who has a market share in EU or outside.

Yes, the market decides more and more what the milk price will be. More and more, dairy processors will buy from us the milk they can sell.

Globally, we are heading towards more market and less intervention and protection from EU and our states. We are in view of the abolition of the quota regime. In the meantime, we are dealing with punctual quota increasing, Health Check is coming, WTO is interfering also in the discussion (arrangements between industries, tariff and trade, export subsidies negotiations...).

### **MORE SPECULATION/CONCENTRATION:**

A few years ago, the expression “black gold” was common for petrol. I read now some articles where rice is now compared to “green gold” or milk to “new oil”!

Banks are able to propose about 150 different investments funds just dedicated to food speculation. Our products are less and less considered as basic food products, but as simple raw materials for speculation!

Merging and concentration continue and we speak now about companies of billions of dollars turnover and factories with processing capacity of billions of litres per year on one single site.

### **MORE UNPREDICTABILITY**

In spring 2008, wheat price has increased by 25 % within 1 day. On my farm, within 6 months, the price of minerals has doubled because of lack of phosphorus. The same goes for fuel: within 3 years, price has doubled.

These are just a few examples to show that making previsions is difficult as the context changes faster and faster. Remember one year ago, who could forecast today’s situation? Many factors influence dairy production and we don’t control them.

I would add that those fluctuations are well known, for many years, by pig or vegetable producers; we probably have something to learn from their management.

### **MORE COMPETITION BETWEEN PRODUCTIONS.**

There’s a growing ditch between crops and milk/meat. Because of growing cost of production but also labour time, meat and milk production are less attractive for young farmers compared to crops.

Another example to illustrate this competition between industries: thousands of hectares of Soya are sown every year in Brazil to the detriment of Amazonian forest, and with the consequences that we know (deforestation, water pollution caused by pesticides, less rainfall which obliges to deforest more up to the north, and so on). But this Soya is also sown to the detriment of other important cultures such as maize or rice. Now there’s less maize available and Brazil has to import some , whereas it is basic food for Brazilian people.

There’s also competition with the sector itself because of food and energetic destination: we can not at the same time feed the people, feed the cattle, and feed the cars!

### **NEW REALITY AND PEOPLE.**

We would make a mistake just considering politics, technical or financial points and forgetting human aspects of New Reality.

The best example could be “famine riots” and demonstrations we’ve seen in Mexico, Haiti, Sri Lanka, Ivory Coast, Philippines... where food prices have increased from 30 % (tortilla in Mexico) to 300 % (wheat flour in Somalia in 2008). Mr Jacque DIOUF, FAO manager, said “me must reinvest agriculture” in those countries; indeed, their products could become again competitive (and more economic in CO2 emissions compared to those imported).

We could find some others examples on our farms:

It is difficult for us to find workers in our own countries: it is becoming usual to call for employees from all over Europe and now from some other Continent.

Well, this approach, certainly not perfect, gives me the impression that this “NEW REALITY” has several faces. It is complex, not European but worldwide, faster, unpredictable, competitive.

### **HOW TO FACE IT?**

It is not easy because we have to take in consideration more and more factors at the same time in our management. We don't have necessarily a secretary, a marketing or finance or technical manager.

Whatever our farm size, we should reconsider our human resources management and put the human factor at the first place in our strategy. We should invest in people before investing in techniques or buildings. That supposes training but I'm convinced it is a condition to succeed. If we invest in people, we improve our efficiency and get some time for innovation which is a key factor.

I will quote one conclusion of the DLG “AGRIFUTURE” MAGAZINE: “a good social and human environment is the best guarantee for a high farm management performance”.

A few questions we should try to reply to more: what do we do for a better communication with our partner, family member, advisor, employees? How do we share responsibilities? How do we share the farm result? Who is involved in the decision, in the strategy?

Some experts consider that just improving human resources management allows a significant increase in farm economic results.

Another option would be to spend more time on our cost of production. Yes, milk price is important but it doesn't mean a higher margin if you don't manage your costs. Now we have to dedicate more attention to this because of the incredible increase of prices for raw materials. We can also progress in the field of farm finance: insurance, social tax, banking, book-keeping. That supposes less time in our day work on the farm and more time in our office.

### **MY CONCLUSION AND MESSAGE:**

- INVEST FIRST IN HUMAN RESSOURCES AND PEOPLE BEFORE INVESTING IN BUILDUIGS OR TECHNIQUES.**
- KNOW OUR COST OF PRODUCTION PERFECTLY, TO BE MORE REACTIVE AND ADAPT OUR STRATEGY CONSTANTLY.**

After this point of view, I declare this 2008 EDF conference about “NEW REALITY” open.  
Thank you for your attention.

***Jean François VERDENAL***  
***EDF President***