

OPENING SPEECH

Jean François VERDENAL, President of European Dairy Farmers.

SLIDE 1

Dear EDF members, Dear Guests,

It is always a great pleasure to welcome you to our congress. Last time EDF came to Ireland was in 1993 and today, 260 delegates represent 21 countries! It's nice to see this increasing diversity and participation for our discussions!

Early in 2009, I was happy because I had already a global idea about how to start this opening speech...But I had to change it in March.... Indeed, there is no doubt that we have to learn from the country of 1000 welcomes: low cost grass based milk production, simple systems, very good farm management because we are used to see in EDF the Irish branch with good entrepreneur's profit...But what I had to changed for this speech concerns sport...as I wanted (with members' contribution from Wales, Italy, Scotland, France, England) to explain that Irish can learn from us about how to play...rugby!.... Unfortunately, Wales lost against Ireland during the 6 nations rugby championship finale in Cardiff...So, we must admit Ireland is the land of successful grass management but also land of Rugby...

Now, I would like to welcome today's speakers. We are very pleased that the Irish Minister of Agriculture, Fisheries and Food, Mr....., Mr Brendan Horan and Mrs Laurence Shalloo....., Shane Fitzgerald....., Mr.....Irish Dairy Board Representative...., and Adrian Van Bystervelt from Lincol University in New Zealand will participate to our discussion.

Thanks to John Maher (EDF scientific Partner), Patt Dillon (head of Teagasc Moorepark Dairy Production Research Centre), Ciaran Mac Donald (EDF committee member), the Irish branch, our manager Dieter MIRBACH as well as our scientific team represented by Folkhard ISERMEYER for organising the congress. Special thanks also to the agro-business partners supporting this annual meeting and supporting EDF in general.

I would like you to pay special attention to news participants from Europe and other continents especially to Mr Jamie Snell and his wife (chairman from the Australian Dairy Conference) and the Russian delegation. You are welcome and I hope you will appreciate the "EDF products": 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 delegates.

SLIDE 2:

For this opening speech, I would like to link our congress topic: "Grasping the opportunity" to the international dairy context. For that, I gave few phone calls to some of you and to dairy experts and I had also a look to articles I've been keeping for few months.

First, I've selected 5 topics to sum up the dairy situation and try to understand what's happening.

FIRST ONE: WORLDWIDE OVERPRODUCTION OF DAIRY PRODUCT :

During 5 years, dairy products world consumption has been higher (or equal) to the world production. In 2008, new trend:

- + 2.1 % for milk production (especially due to milk prices boom in 2007 and increasing production from the USA and New Zealand)
- Whereas + 1.5 % only for milk consumption (that is to say a slower increasing, due to the global recession and Melamine scandal in China)

The consequence is a worldwide overproduction which represents only 0.5 % of the milk production. Thus, a very little amount of milk can disturb completely the market!
In 2008, dairy products stocks are built up again (about 8.7 % of worldwide dairy product trade).

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Second topic: GLOBAL ECONOMIC RECESSION INFLUENCE:

Financial crisis did increase the slowing down consumption and did affect the dairy sector. Let me give you few examples:

- Decreasing purchasing power in EU but also in developing countries
- Consumers swapped high quality by low cost dairy products
- With oil price decreasing, oil producers countries such as middle east, Algeria, Russia, Mexico, Venezuela decreased their milk consumption (indeed, those countries were used to buy more dairy products when oil was expensive)

We can also say that some banks are in bad position to help farmers and there is less support for the dairy sector because of the lack of finance from governments

3rd TOPIC: MILK PRICES DECREASING:

According to the experts, we should find the explanation of the low milk price in the market (slowing down consumption, increasing production, global recession) and not in the quota because EU this year again will not fulfil it (-4 %).

We must be accurate in our comparison between countries which must be based on a recalculated standard milk price. For that I had a look to the last results of our EDF/LTO project.

The average milk prices comparison from 18 EU dairy companies show:

- 23 euros cents in April 2009 against 32 euros cents in April 2008 (-27 %)
- April 2009 compare to April 2007: - 10%
- Of course, this is an average, most milk prices are in a range of 20 to 25 euro cents /Litre, some are even much lower (In Slovakia, prices are between 15 to 18 cents/litre), some are higher as in France if we consider the recent agreement within the dairy board.

But we should not forget one conclusion of our EDF results: the milk price is only one part of the final result and our entrepreneur's profit is much more connected to our cost of production management.

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4th TOPIC: MORE COMPETITION BETWEEN COUNTRIES

The competition is harder due to:

- Overproduction,
- Currency exchange rate (Low currencies are in better position to export: by example US dollar, pound sterling...)
- but this competition is also due to milk prices differences between countries within Europe

What are the consequences?

- EU milk market share decreased in 2008 (the lowest one since many years), more consumers go shopping abroad, and there's more and more milk crossing the border in Europe between 2 neighbouring countries.

Last point to illustrate the dairy context is: FARMERS' PROTEST

With such milk prices, high proportion of dairy farmers don't cover their production costs (75 % of the 25 000 Spanish dairy farmers according to the last EDNews). We try to react by less investments, debts postponements, or even quitting dairy production...

Tensions are visible all over Europe if we look at farmers' demonstrations in front of dairy processors, supermarkets or Public representation during the past months. By example in France, Galicia, Madrid, Prague, Bratislava.

SLIDE 5:

Well, this description is not very optimistic, so let's be also positive!

Indeed, despite this difficult dairy context, I see some dairy farmers facing and "grasping the opportunity", that is to say taking the chance of their farm location, in their own context, according to their own sensibility, their own competence, and managing their business with success.

2 others examples!

Fist one: GRASS BASED MILK PRODUCTION:

This is of course a good opportunity in Ireland but also in many others areas in Europe (even with those with bad or drier climatic conditions). For instance, in the field of fodder production, farmers underestimate real progress made in genetics for grass production (resistance to drought or disease, appetite for cows, yield...).

Even if it is not easy to manage pasture, we all know some good arguments for grass: 5 times cheaper than concentrate, 2.5 times cheaper than maize silage, grass has the same energy value as concentrate, cows spread their own slurry, so they do the work.

In addition to that, in some countries as in France, we are able to ask for new national support for pasture (coming from the 2nd pillar as well as from readjustment between crops/grass supports).

Another opportunity would be to TAKE ADVANTAGE OF COST OF PRODUCTION VOLATILITY:

Some input have come down and few farmers already bought their fuel for the all coming year (41 eurocent/litre that is to say cost divided by 2 compared to last year). Some others bought already their nitrogen fertilizers for next year (160 euros per ton for liquid form that is to say about -50% compared to last autumn).

Another example could be the decreasing of banks' interest rate due to the economic recession. So crisis is sometimes the best moment for investment. Of course, behind this, that supposes good liquidity and a good finance management during the good time.

But some other farmers see their opportunity in other field of activities:

- Renewable energy (windmills, solar panels, biogas ...) as we notice a change of regulation in many countries (for prices, support from government...)
- Organic milk also: the demand is still increasing, many countries support this sector, our figures show that good profit is possible, it is a sustainable production, farmers are less touched by volatility due to low input...and so on...

When I was finishing writing this speech, I came to the conclusion there is not only 1 opportunity but several ones, and probably as many opportunities as farmers.

Indeed, there's always a key point on our farm we can improve ("I mean doing better before doing more") or there's always a new activity, project or management to consider which would allow us to be more comfortable in front of situation as today until better time.

The difficulty is not the opportunity itself but how to detect it, how to imagine it, or how to adapt on our farm what we have seen outside.

That's why behind this topic, I would add some others words: "innovation", "reactivity", "sustainability", "farmers' management competence".

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To conclude, I want to stay positive for the future for 2 reasons:

- First one: EDF members are leading dairy entrepreneurs and I strongly believe in our capacity to adapt our strategy and find some solutions.
- Second one because of new trends on the world market during the past weeks: better adjustment between consumption/production, slowing down production, slight increasing demand in milk powder.

My message would be this one:

- **ENJOY YOUR STAY IN IRELAND, HAVE FUN, GET SOME CONTACTS AND ENERGY, RECHARGE YOUR BATTERY... the EDF congress is done for that.**
- **I WISH YOU TO IMAGINE AND TO DEVELOPP YOUR OWN OPPORTUNITY...(IN YOUR COUNTRY...IN YOUR DAIRY CONTEXT...) BECAUSE THERE ARE OPPORTUNITIES BEHIND EVERY FARM.**

After this point of view, I declare this 2009 EDF conference open. Thank you for your attention.

Jean François VERDENAL - EDF President