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# 4th Dairy Conference

**The importance of the vertical  
integration in Germany and market  
trends**

30th October 2014, Herceghalom

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Head of Unit Milk

**Deutscher Bauernverband e.V.**

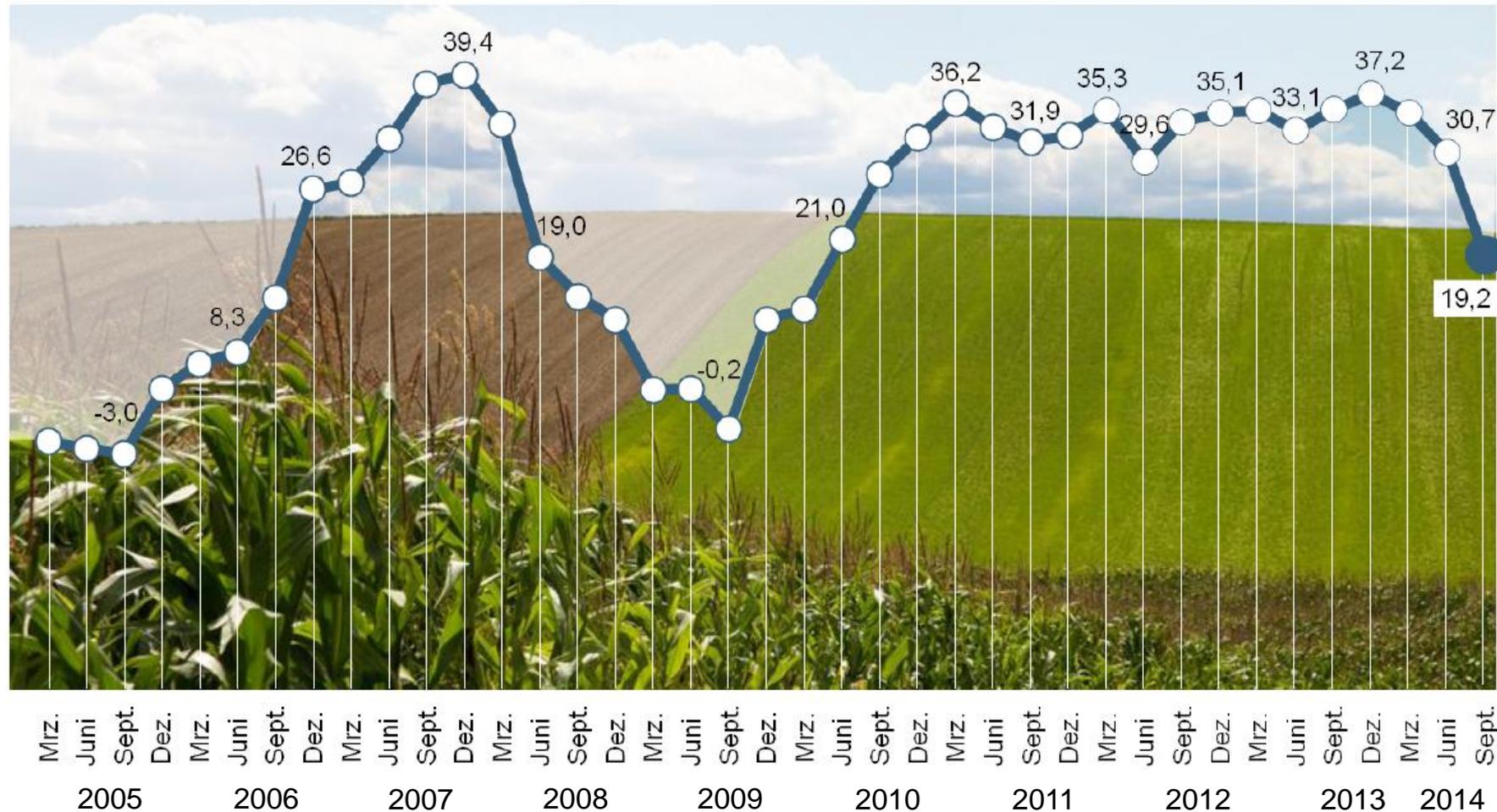
- **Current market situation and expectations**
- **Importance of export markets**
- **German dairy market organization**
- **Challenges for dairy farmers**

# Current market situation and expectations

## Good mood of German farmers has deteriorated

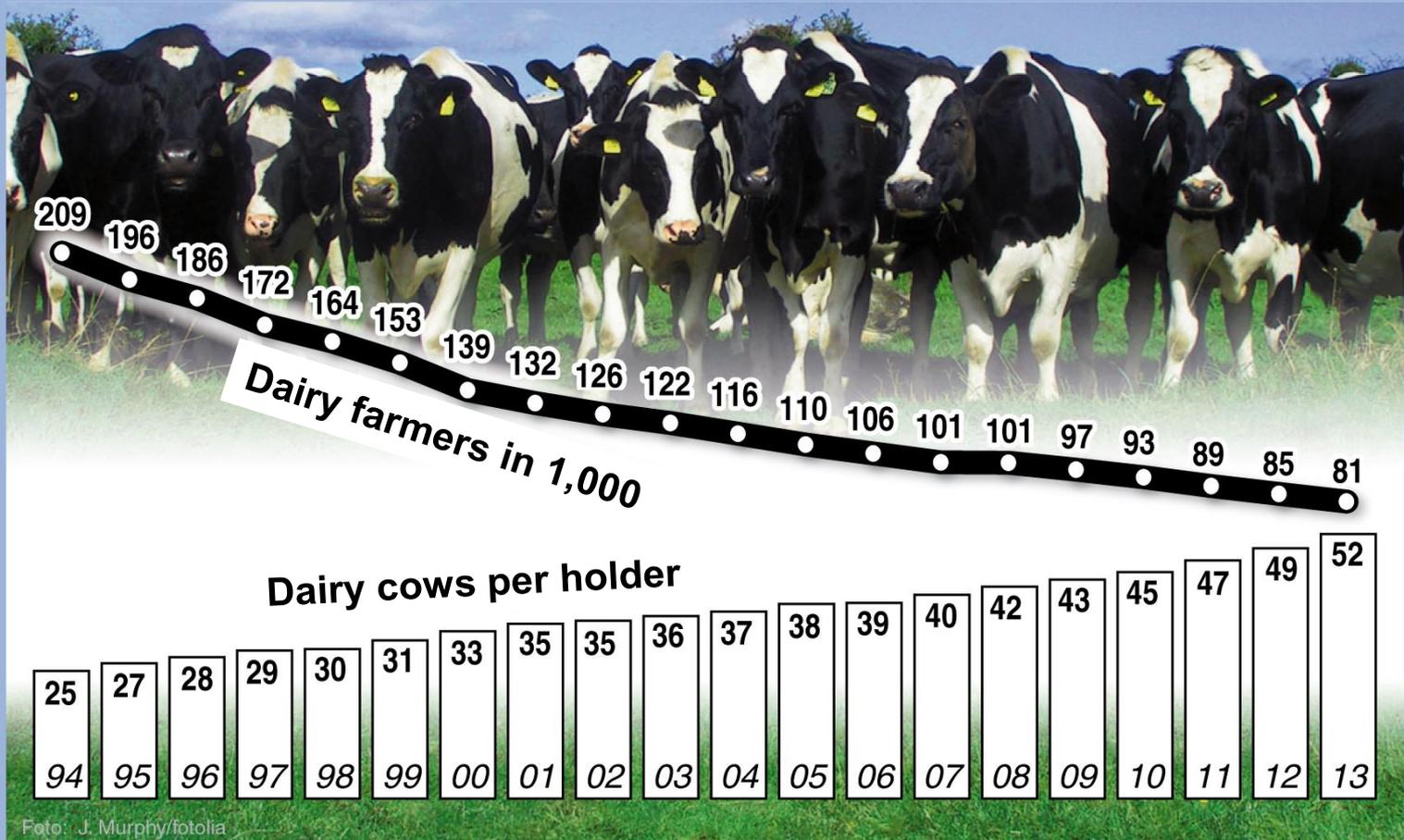
September 2014

Konjunkturbarometer  
Agrar



Index: Nullwert = Mittel 2000 - 2006

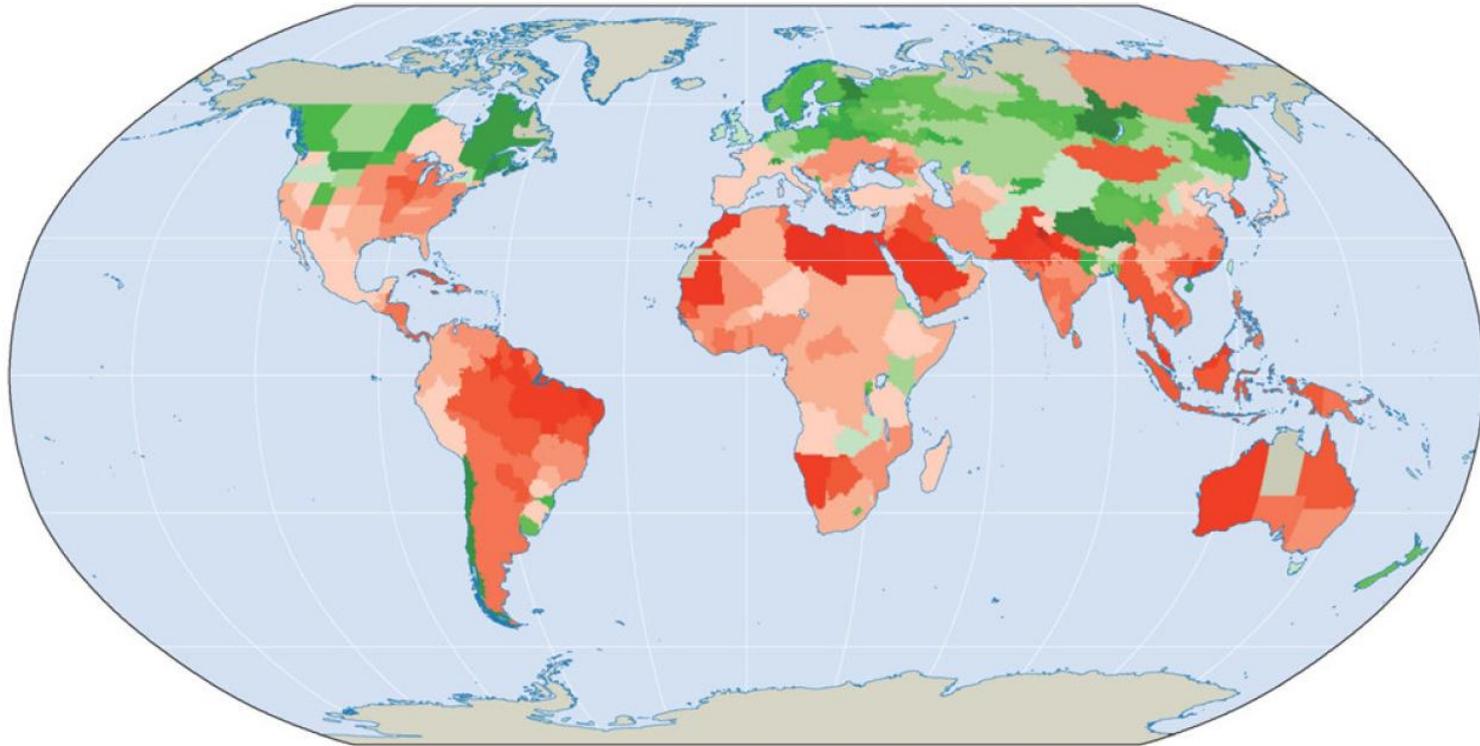
## Structure of dairy farmers in Germany



# Current market situation and expectations

## Projected percentage in agricultural yields by 2050

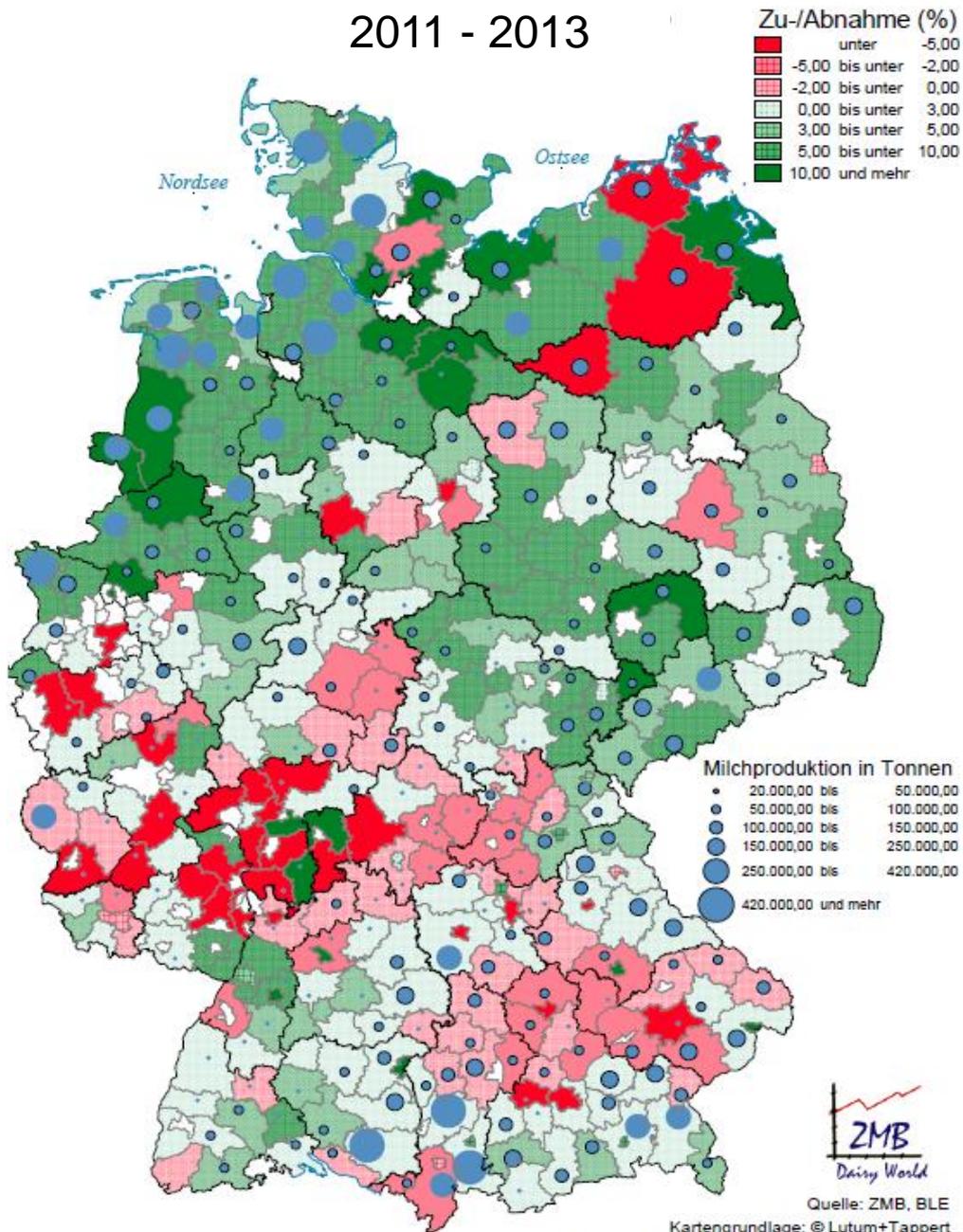
given current agricultural practices and crop varieties

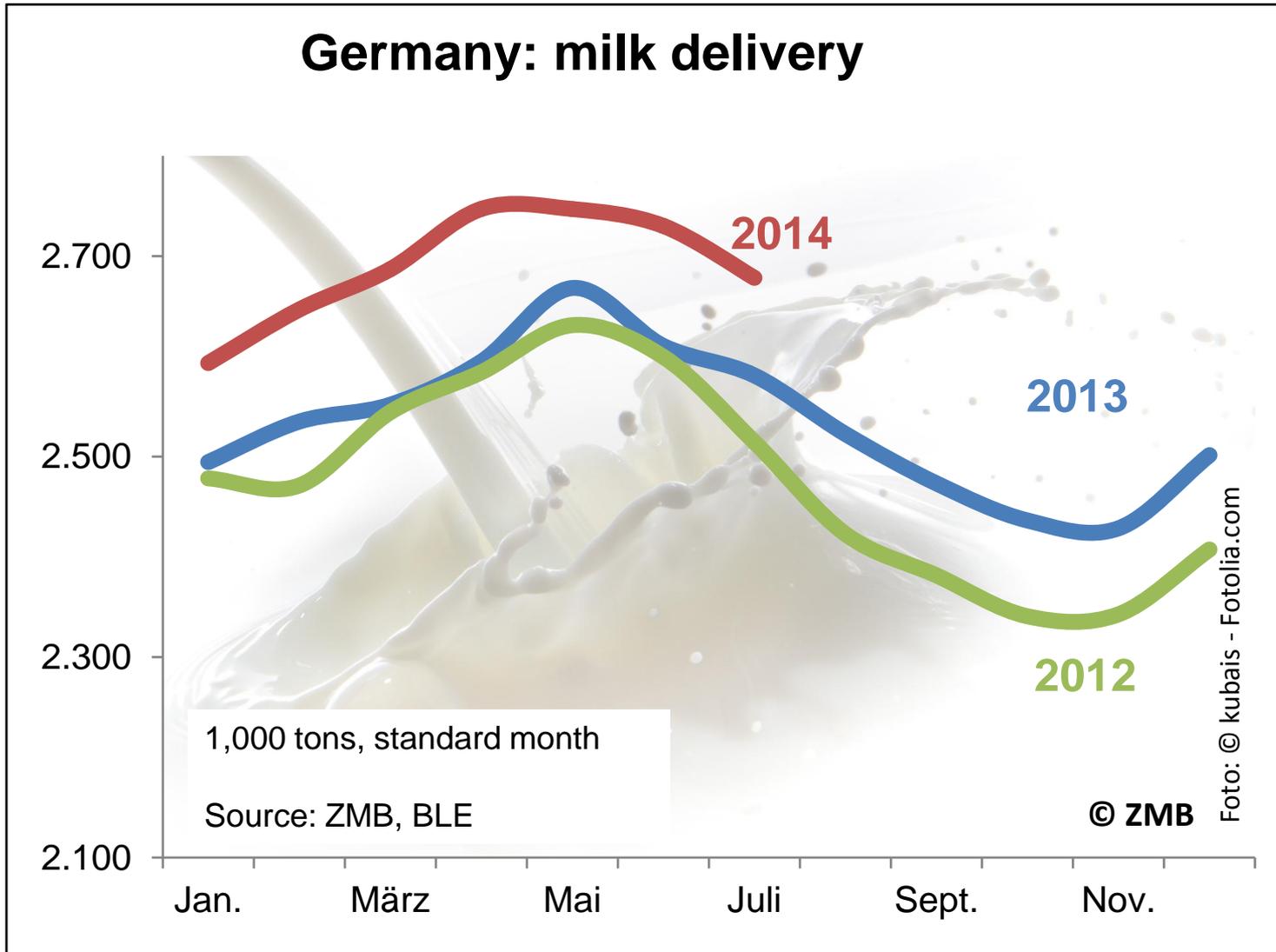


World Bank  
(World Development report 2010)

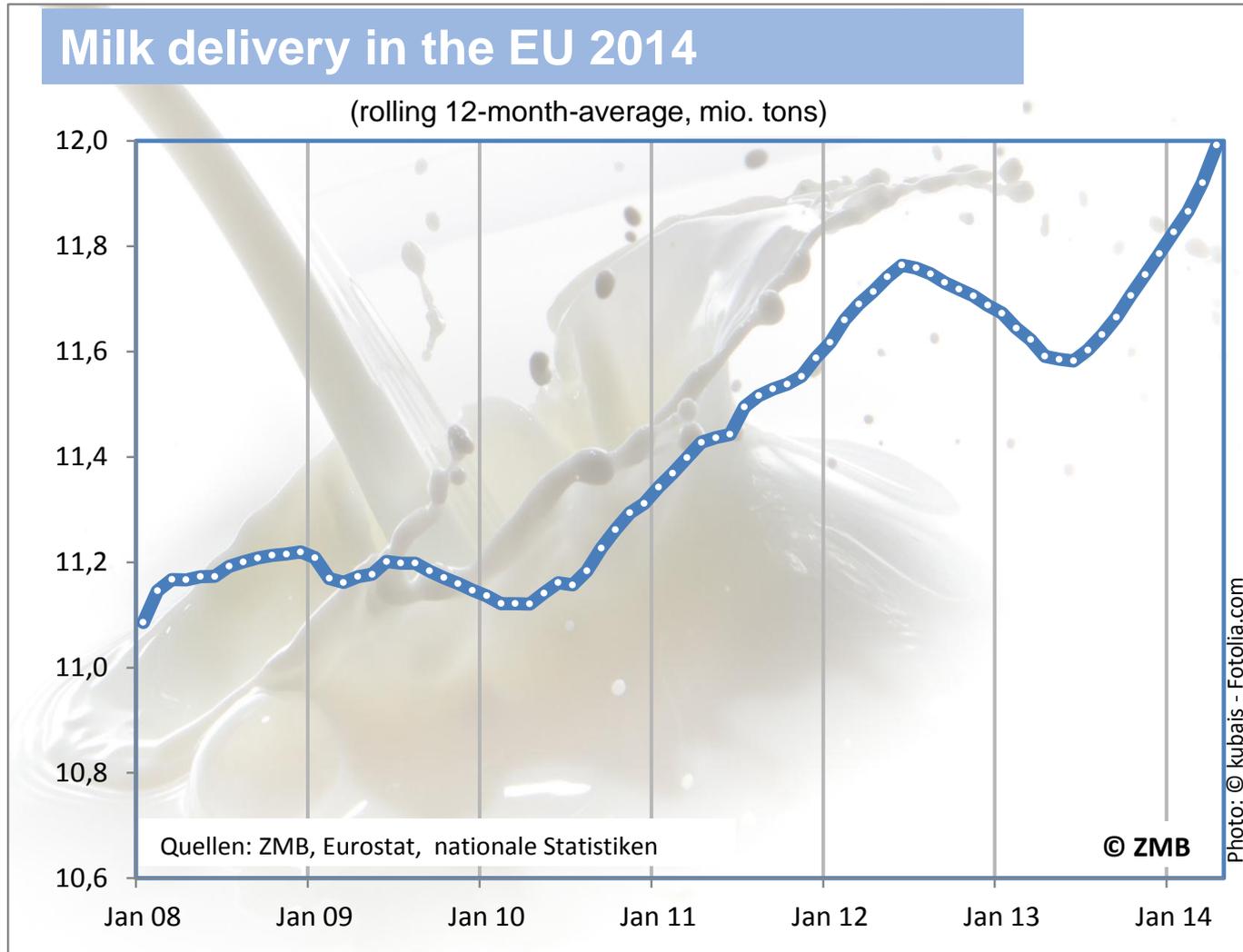
# Development of milk production

## 2011 - 2013





# Current market situation and expectations

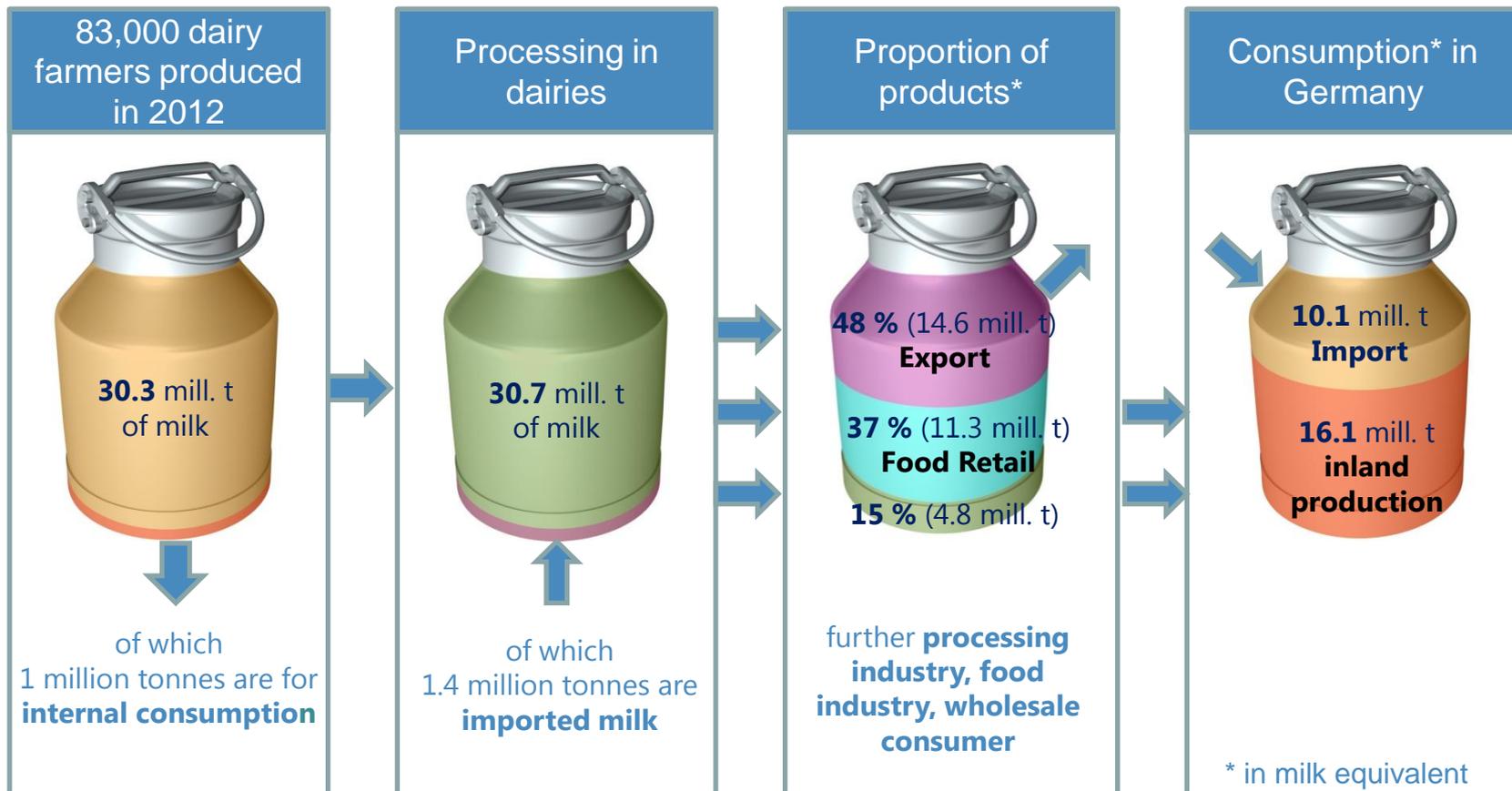


## Expectations

- Further increasing global demand
  - German milk price will go down within the next couple of weeks and will then stabilize
  - Overall, 2014 will be a successful year for German dairy farmers
  - International demand is increasing substantially, especially in third markets
  - Global trade (e.g. TTIP) is more a chance than a threat for the German dairy sector
- German dairy sector is competitive in a global scale

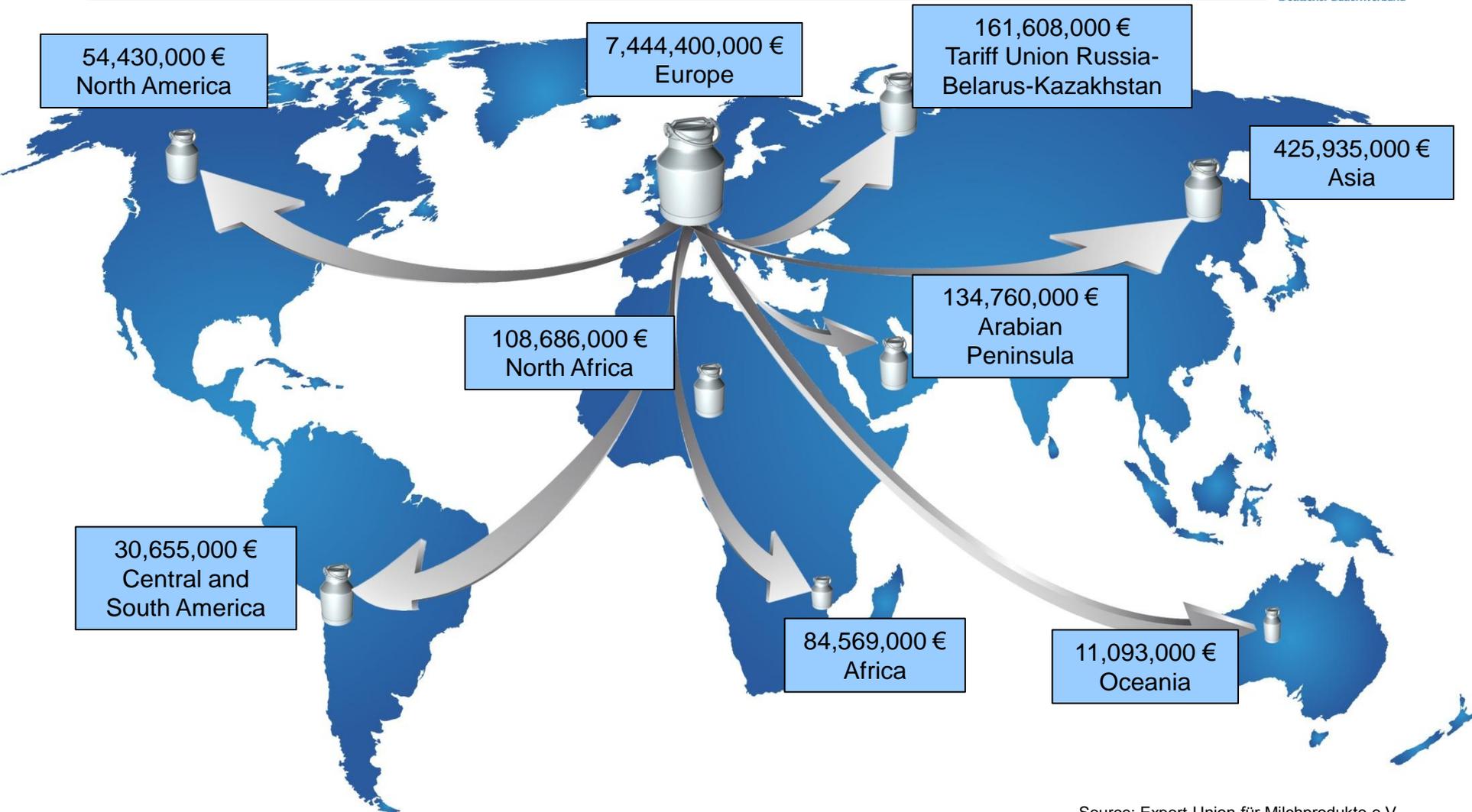
# Importance of export markets

## Where the milk flows in Germany

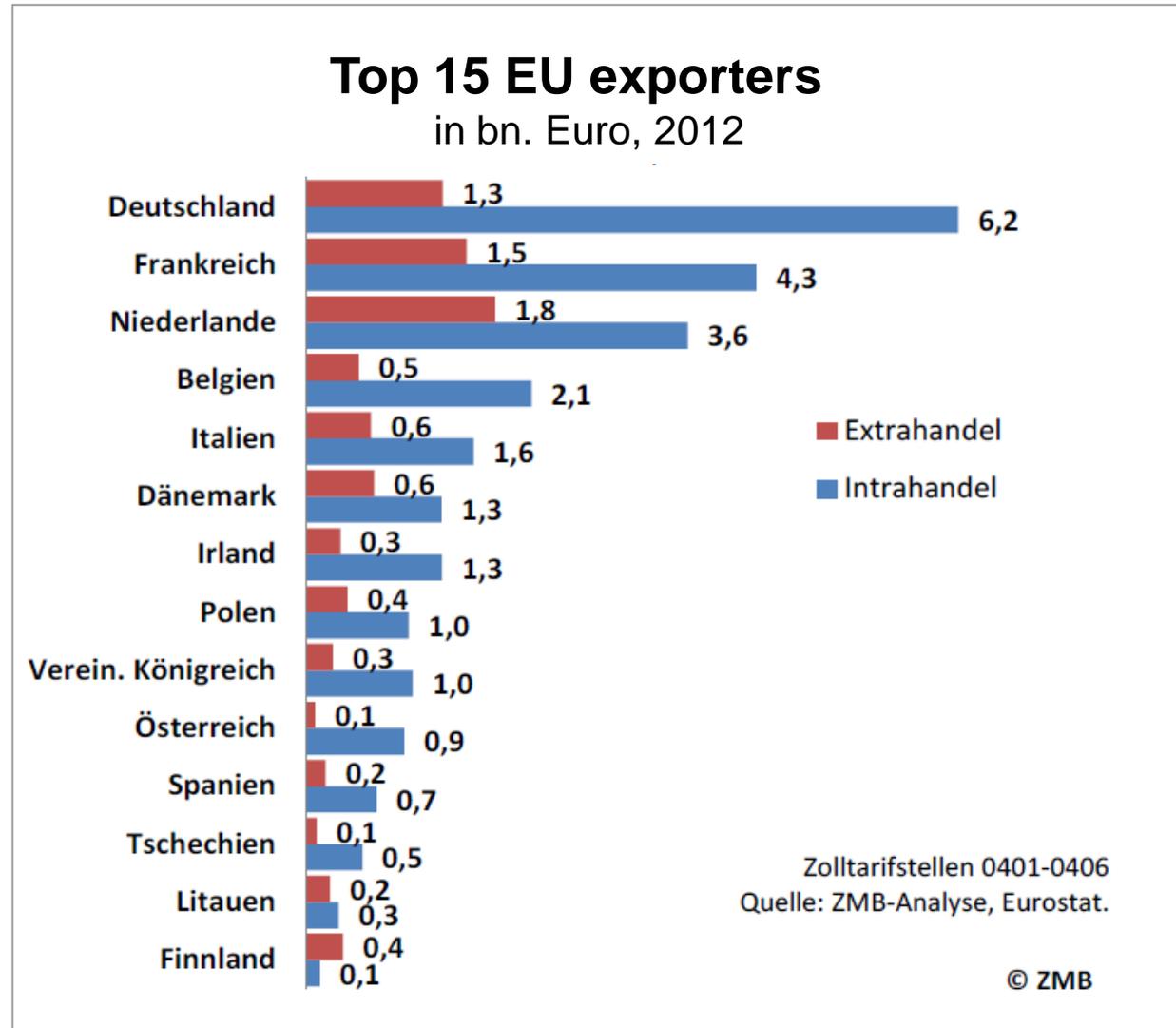


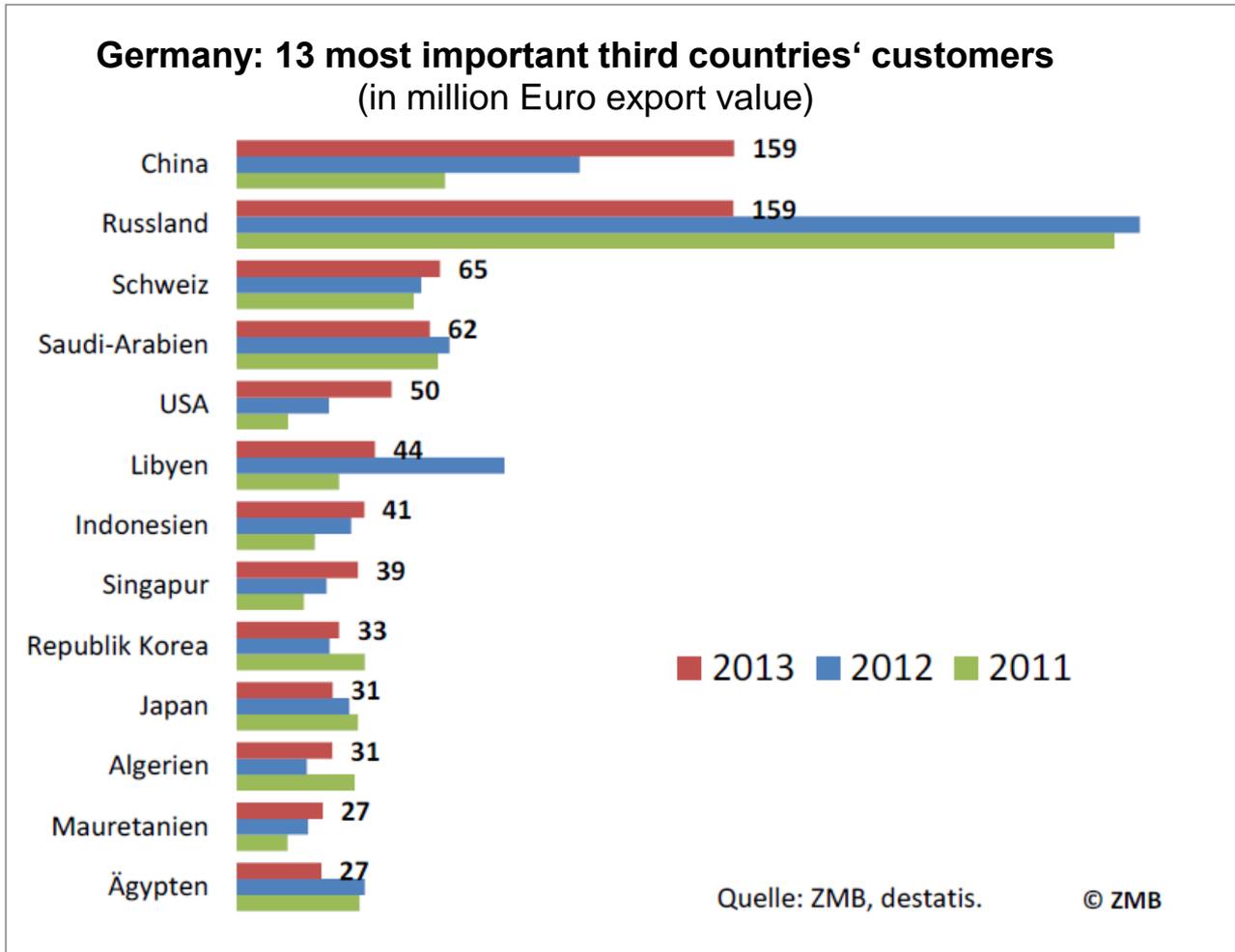
Source: ZMB 2013  
[www.milk.de](http://www.milk.de)

# Importance of export markets



- Germany ist the biggest exporter of the EU
- NL and France are the biggest extra-EU trade exporters
- Finnland has the highest percentage of extra-EU trade

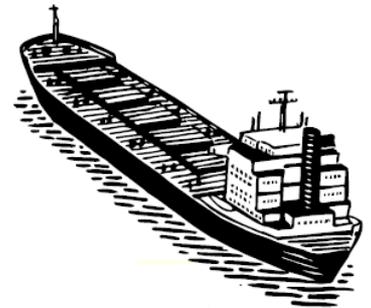




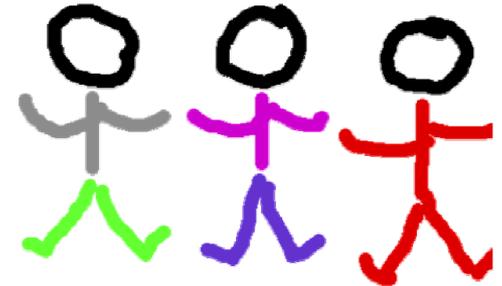
## Biggest importing countries in the world

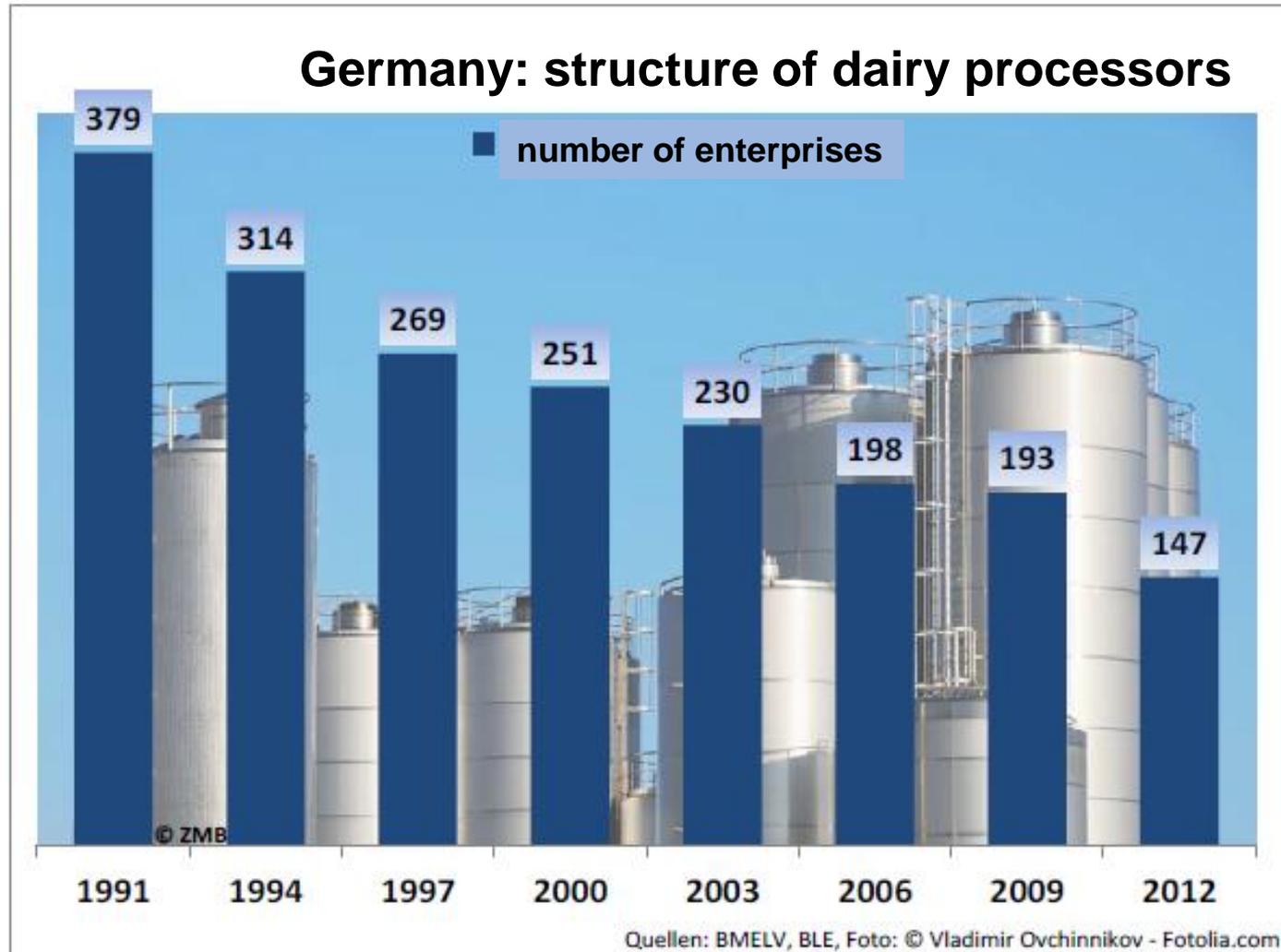
- China
- Russia
- Mexico
- USA
- Japan
- Saudi-Arabia
- Algeria
- Indonesia

- Global trade is of vital importance for the German and European dairy sector
- The EU is negotiating several regional free trade agreements
- Free trade agreement between the EU and Korea entered into force 2011
- Negotiations with Canada are finalized
- Talks with the USA have started last summer
  - Major points of discussion: tariff reductions and the removal on non-tariff trade barriers which may hinder the global flow of agri-food goods
- EU-Russia trade is vital, however fraught with problems



- 70 % corporate milk delivery
  - 30 % private milk delivery
    - No mandatory contracts, however contracts are usual
  - Round about 125 recognized producer organisations
  - 2 associations of producer organizations
    - Biggest association of producer organizations:  
Bayern MeG (6.5 % of German milk production)
  - No interbranch organization
- Steady dialogue between farmers and processors





→ Structural change in the dairy industry

## Quality management

- Quality management systems gain in importance for German dairy farmers
  - Traceability, hygiene management, export certification
- German dairy farmers and processors founded and continuously refine the voluntary standard called “QM-Milch” ([www.qm-milch.de](http://www.qm-milch.de))
- Checklist with 55 criteria
- Over 75 % of German milk is included, number increases
- Future of “QM-Milch”
  - Sustainability criteria, animal welfare, hygiene management, public relations



# Challenges for the dairy farmers

## Dialogue with the society

- Some examples of social debate topics in Germany
  - „Industrial Livestock Farming“ („Massentierhaltung“) and high milk yields
  - Animal welfare
  - Outside grazing
  - Antibiotic resistance
- Acceptance and societal consensus about production practices is necessary for sustainable milk production in the long run
- Dairy farmers and processors should tackle this challenge together
- Public relations
  - „Arbeit mit Leidenschaft“ (work with passion)
  - „Leitbild Nutztierhaltung“ (concept livestockbreeding)
  - [www.meine-bauernfamilie.de](http://www.meine-bauernfamilie.de), grass root movement



Thank you for your attention.

„Meinen Kühen geht es gut.“

“My cows are doing well.”

*Johannes Leuchtenberg*

Milchviehalter

Arbeit mit  
*Leidenschaft*  
Die deutschen Bauern

[www.die-deutschen-bauern.de](http://www.die-deutschen-bauern.de)