

4th Dairy Conference

The importance of the vertical integration in Germany and market trends

30th October 2014, Herceghalom

Dr. Simon W. Schlüter
Head of Unit Milk

Deutscher Bauernverband e.V.

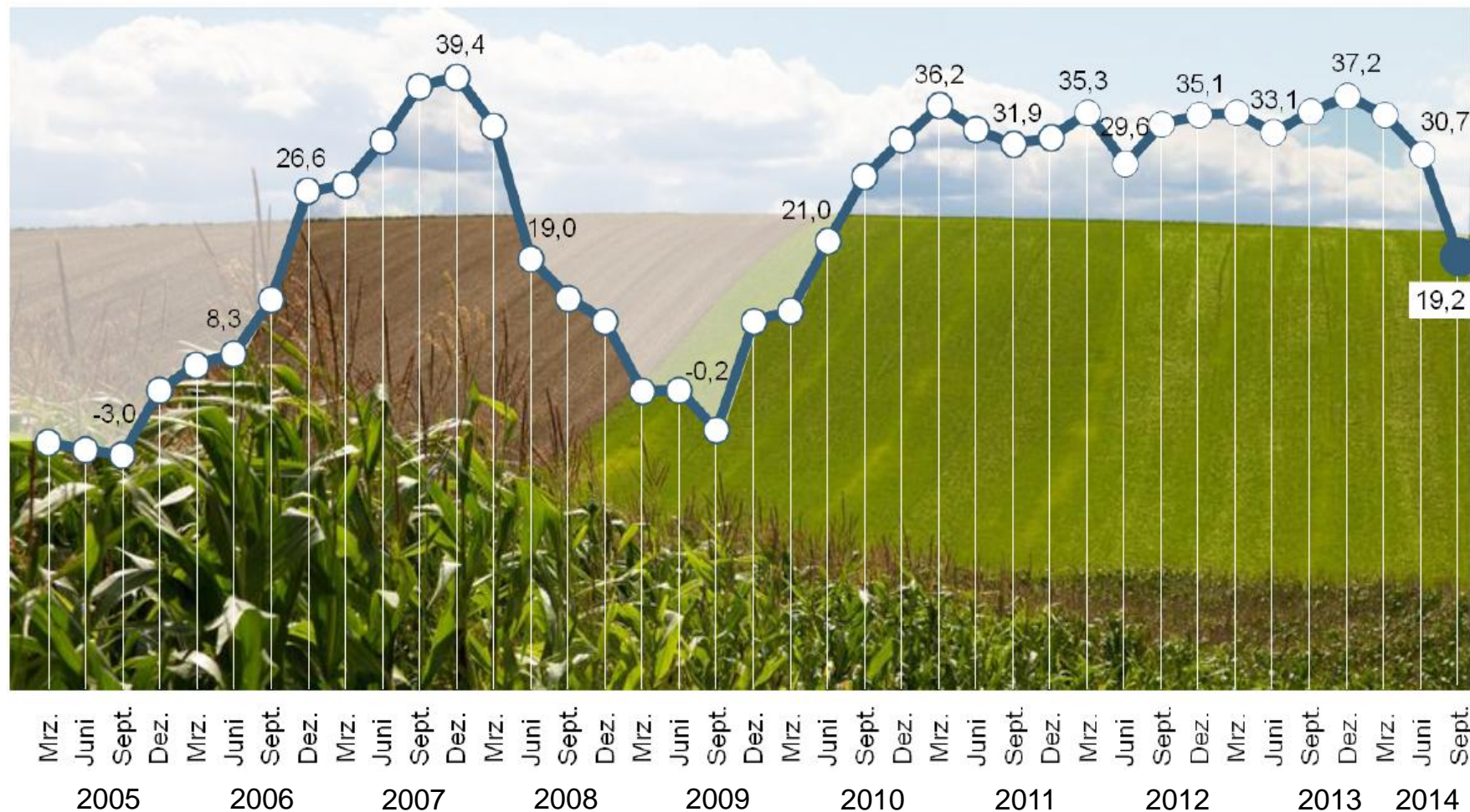
- **Current market situation and expectations**
- **Importance of export markets**
- **German dairy market organization**
- **Challenges for dairy farmers**

Current market situation and expectations

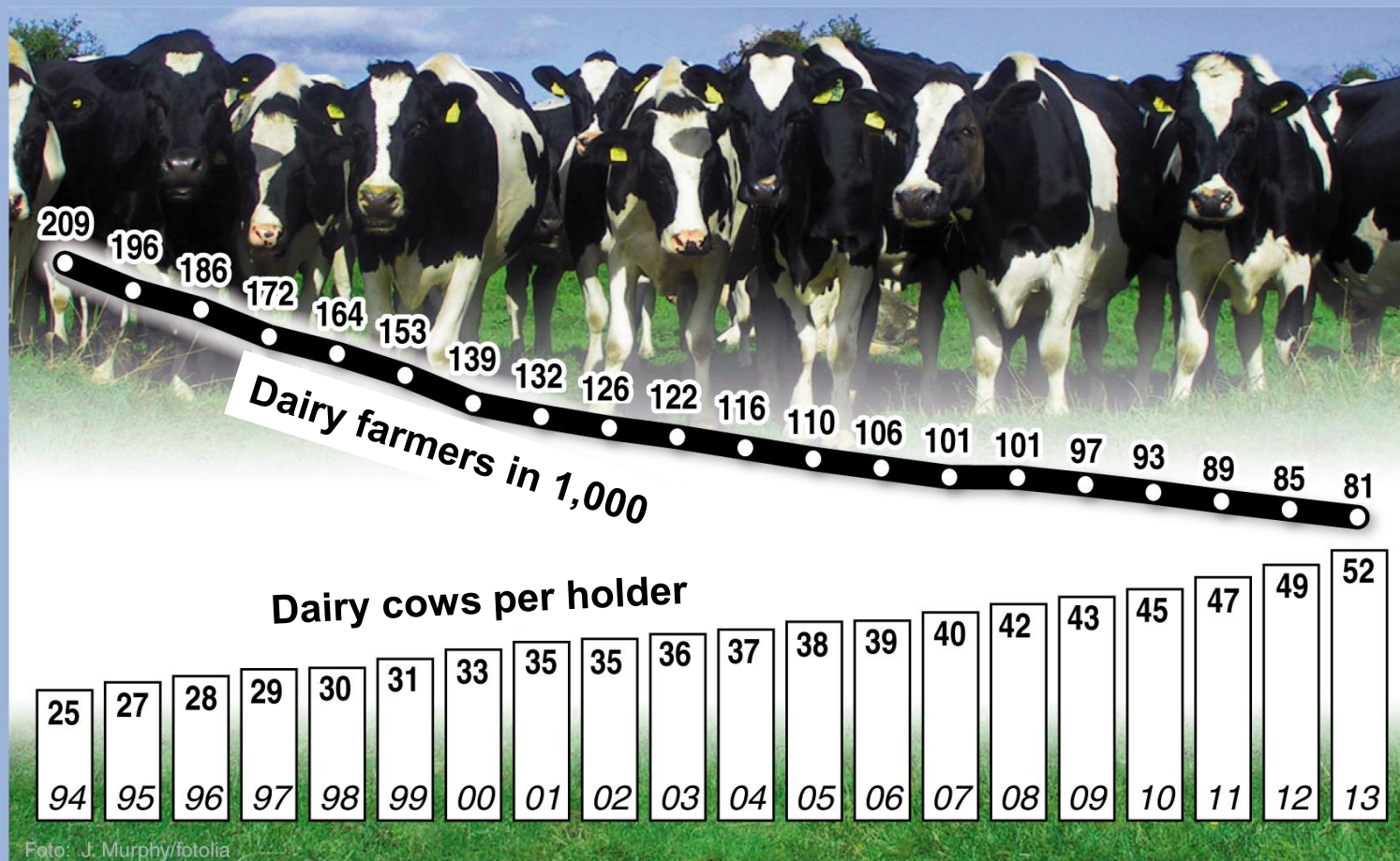
Good mood of German farmers has deteriorated

September 2014

Konjunkturbarometer
Agrar



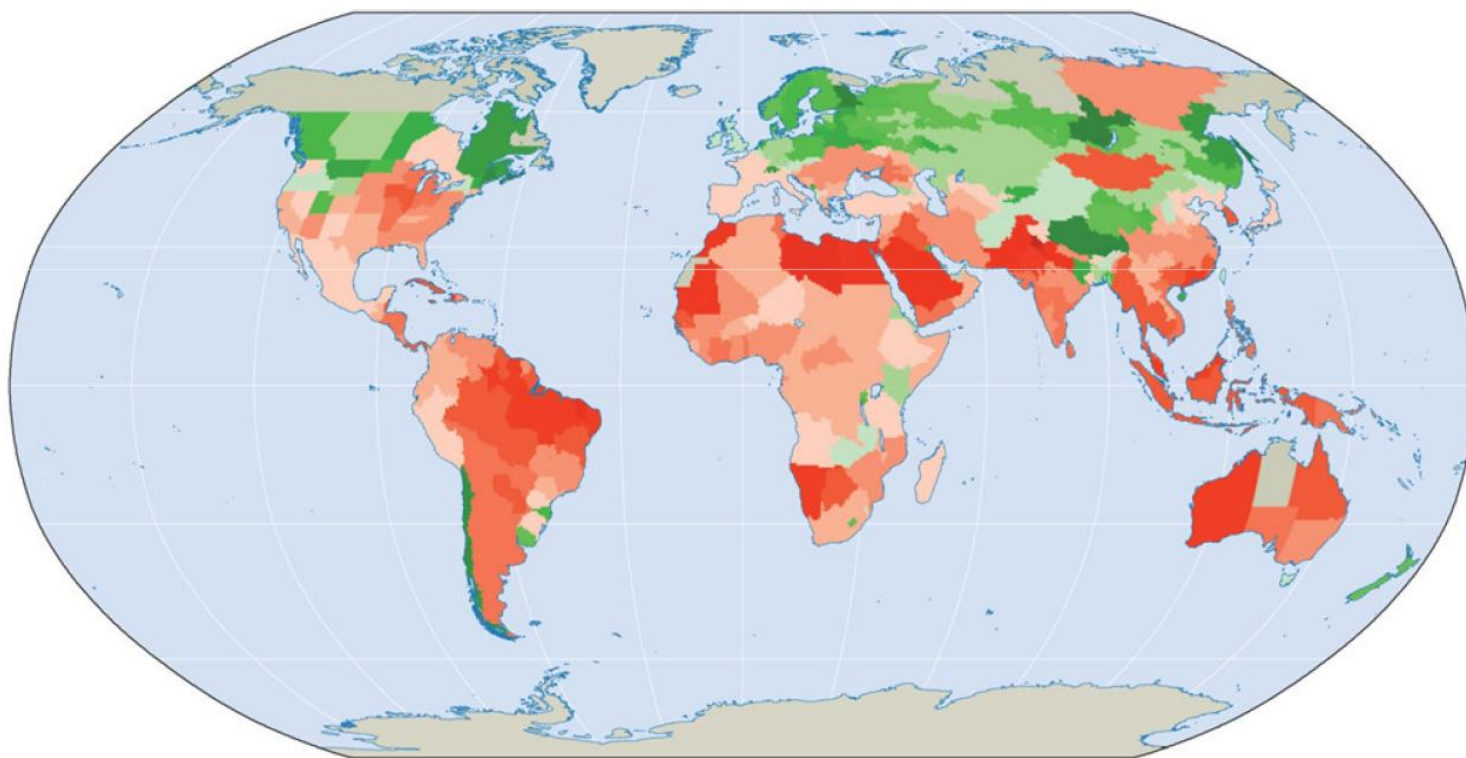
Structure of dairy farmers in Germany **AMI**



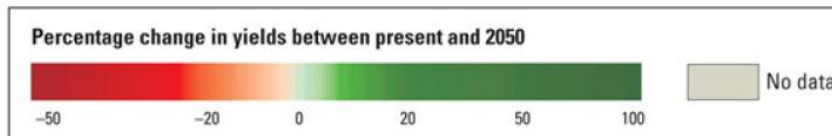
Current market situation and expectations

Projected percentage in agricultural yields by 2050

given current agricultural practices and crop varieties

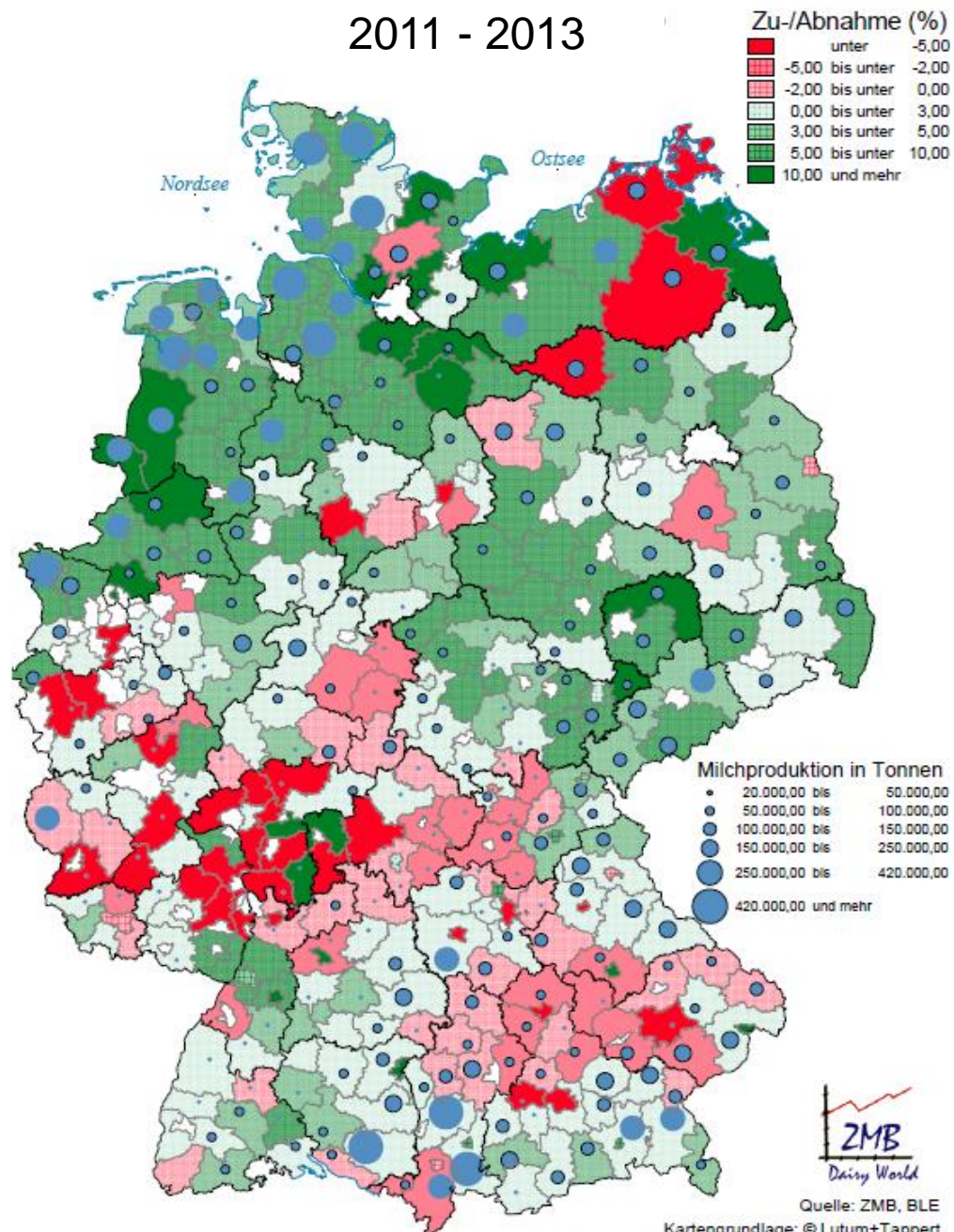


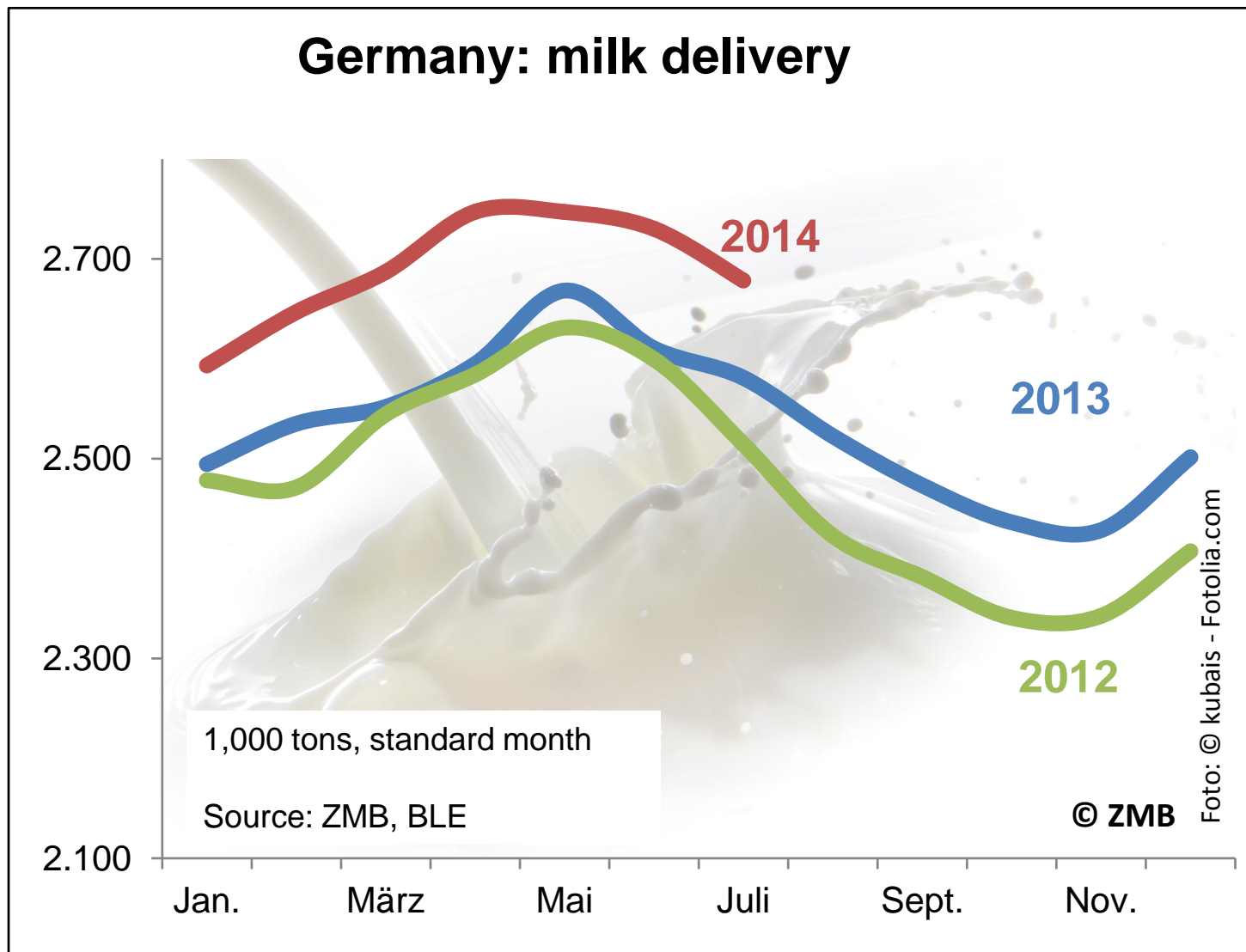
World Bank
(World Development report 2010)

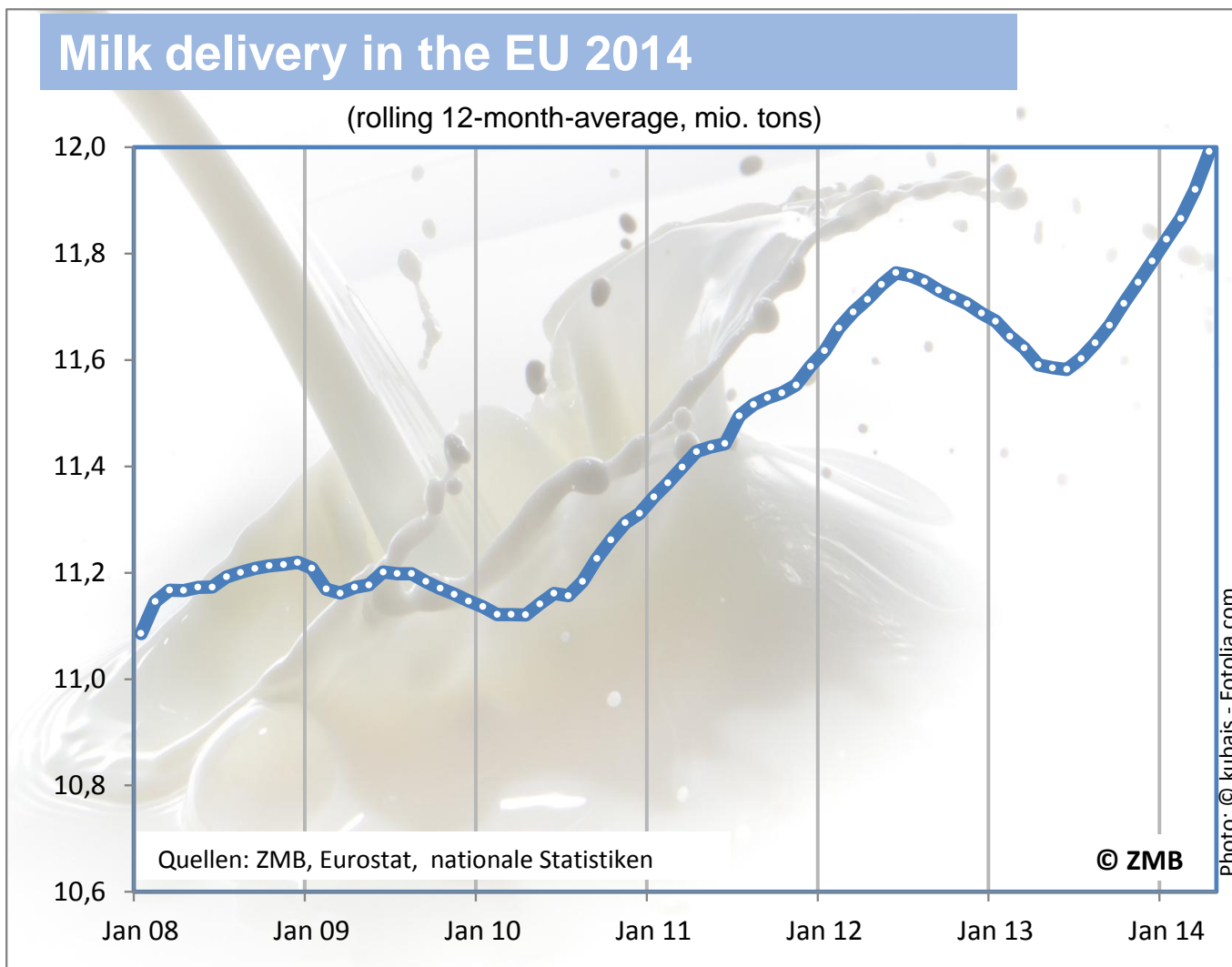


Development of milk production

2011 - 2013



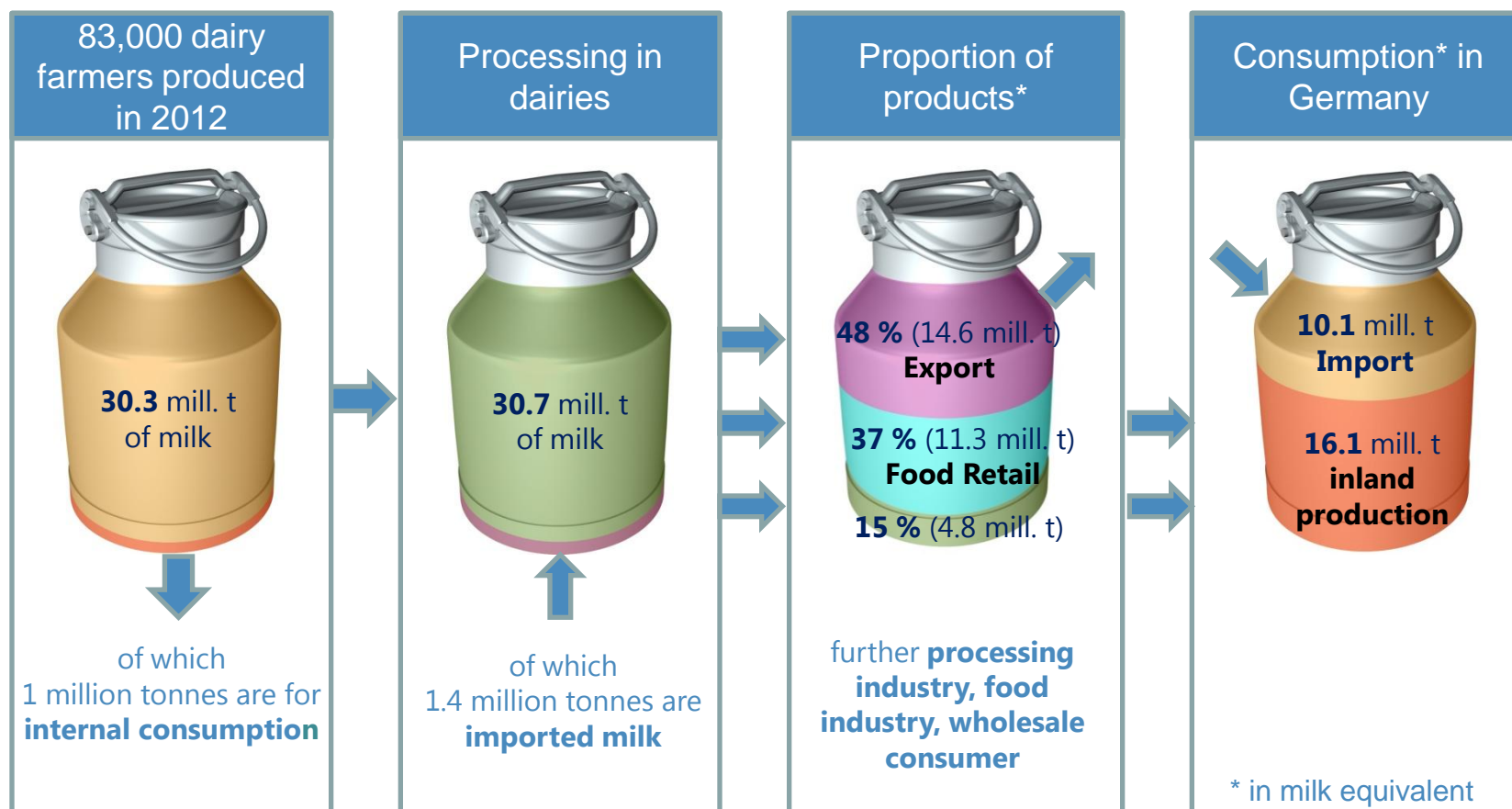




Expectations

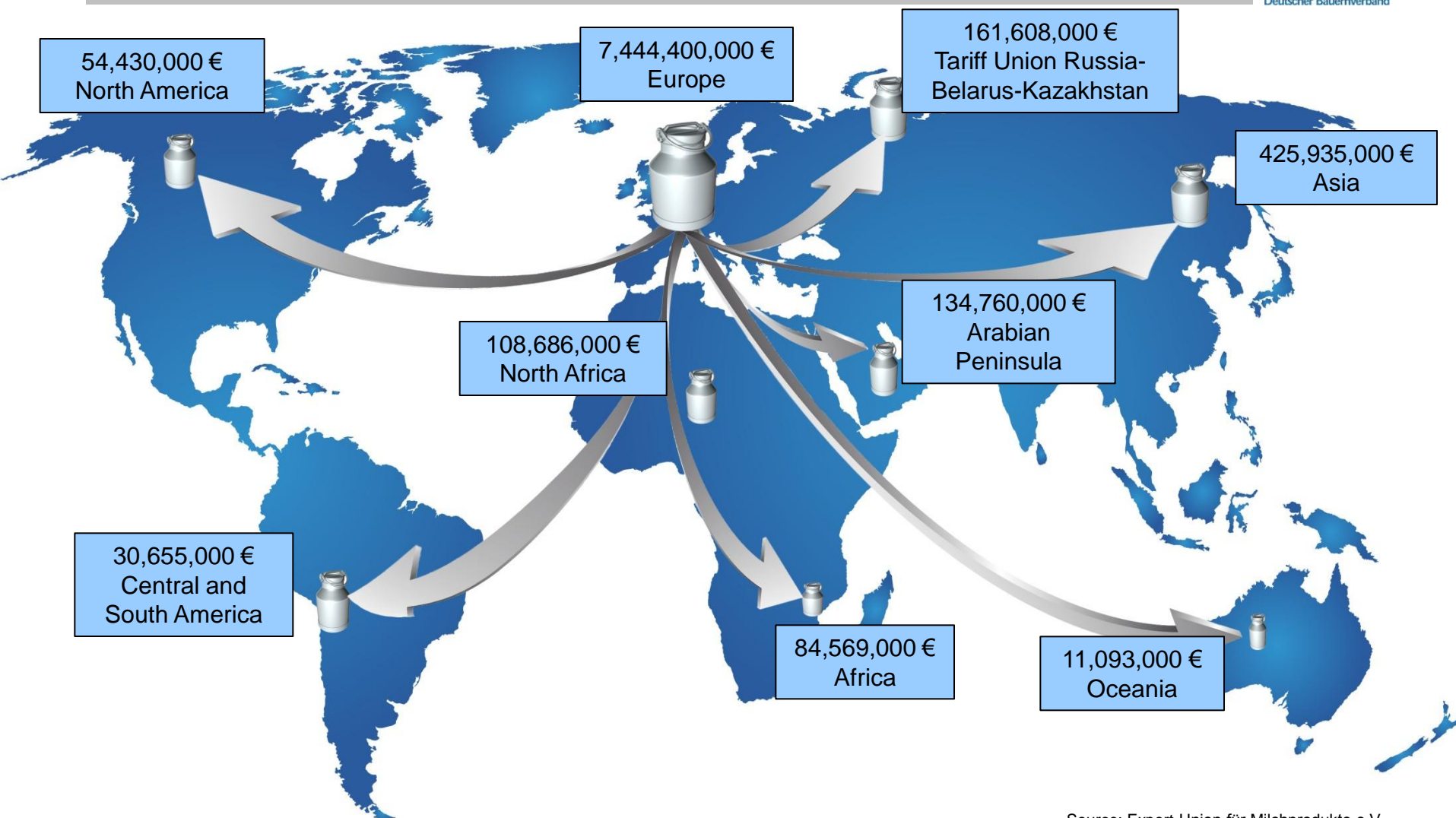
- Further increasing global demand
 - German milk price will go down within the next couple of weeks and will then stabilize
 - Allover, 2014 will be a successful year for German dairy farmers
 - International demand is increasing substantially, especially in third markets
 - Global trade (e.g. TTIP)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

Where the milk flows in Germany

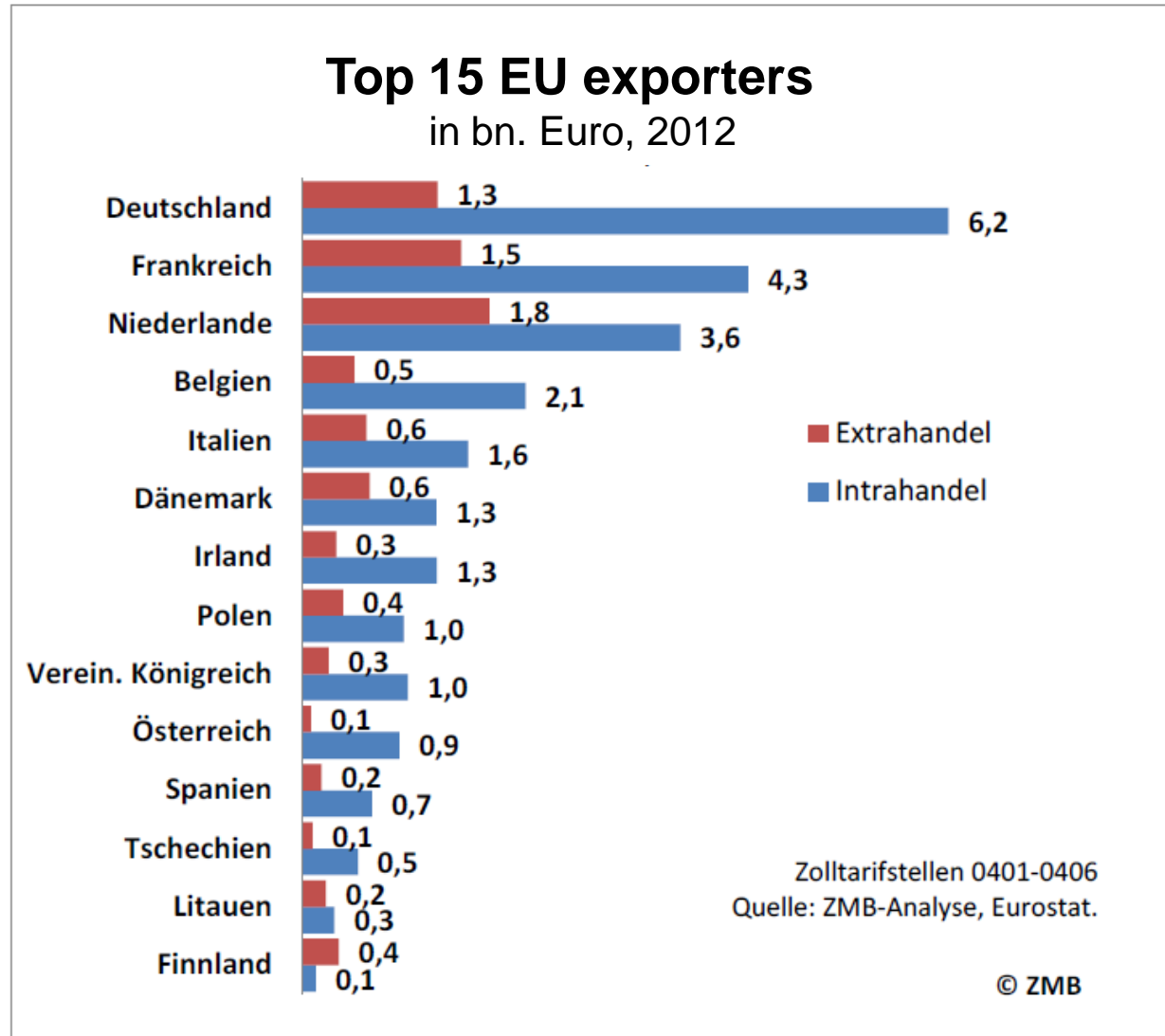


Source: ZMB 2013
www.milk.de

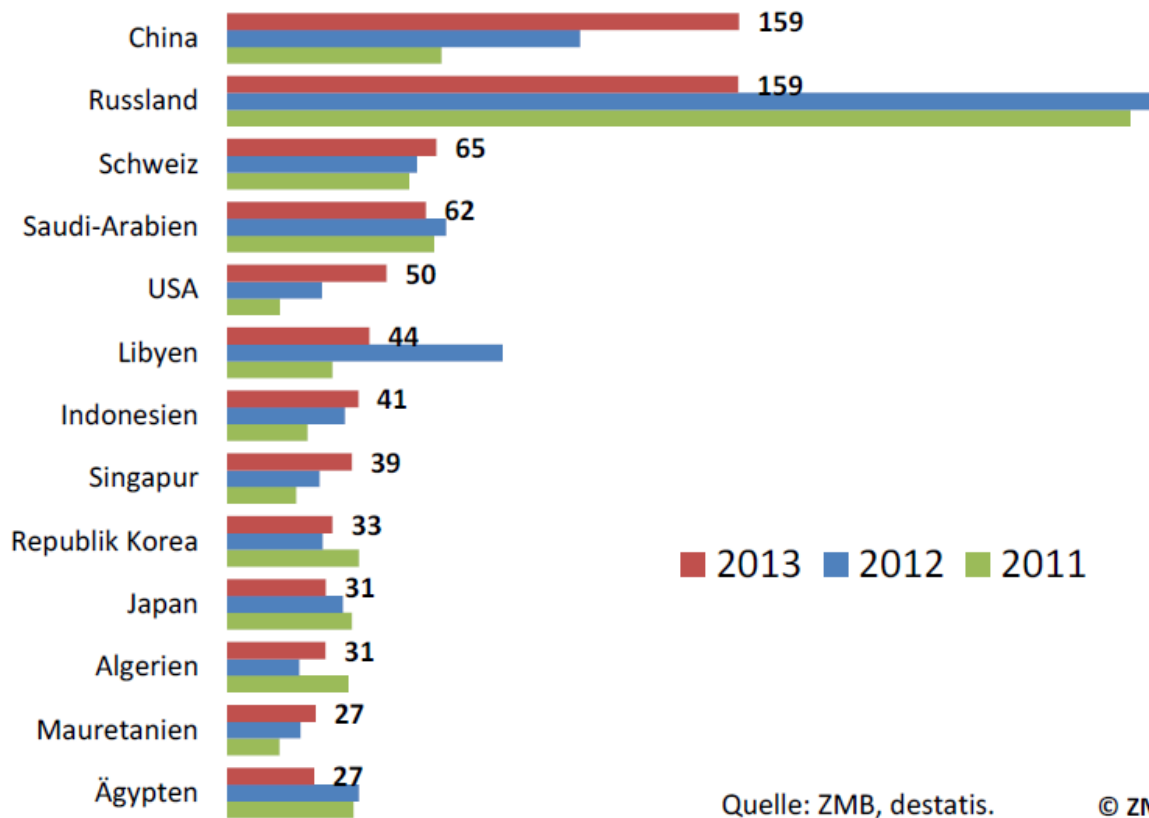
Importance of export markets



- 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



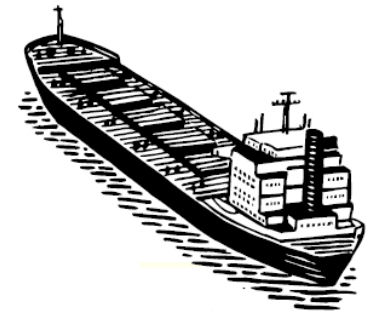
Germany: 13 most important third countries' customers (in million Euro export value)



Biggest importing countries in the world

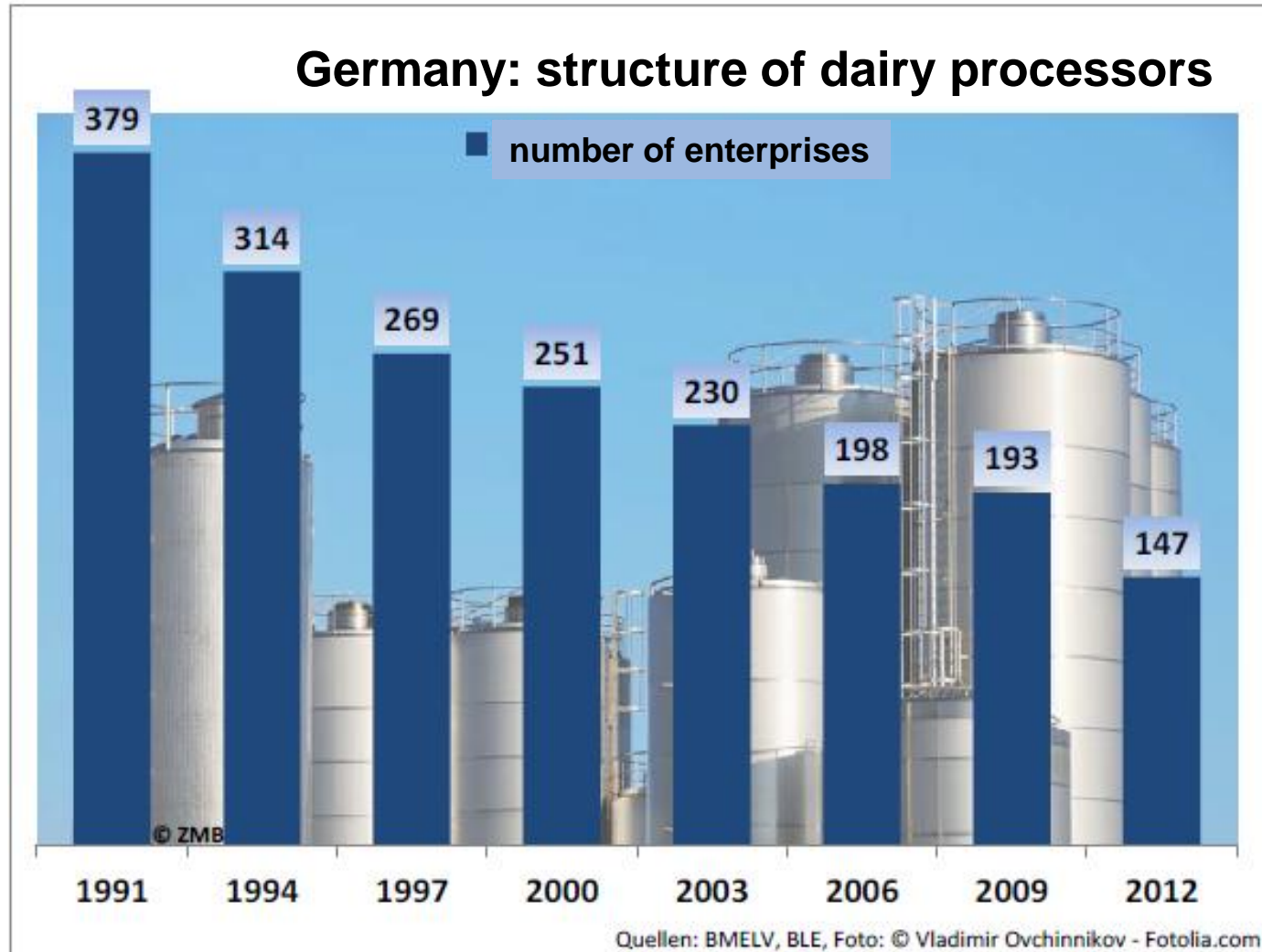
- China
- Russia
- Mexico
- USA
- Japan
- Saudi-Arabia
- Algeria
- Indonesia

- 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)
- 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



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, grass root movement



Thank you for your attention.

„Meinen Kühen geht es gut.“

“My cows are doing well.”

Johannes Leuchtenberg

Milchviehhalter

Arbeit mit
Leidenschaft
Die deutschen Bauern

www.die-deutschen-bauern.de