



Global dairy markets panel - Some views from Germany

Workshop for dairy economists and policy analysts
Grand Rapids, 1st May 2019

www.bauernverband.de



Content

1. Milk in Germany

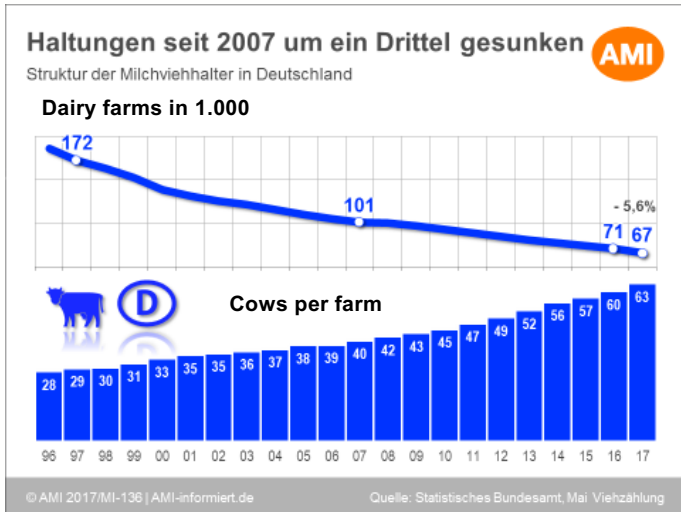
... some facts

2. Main challenges for the German dairy sector

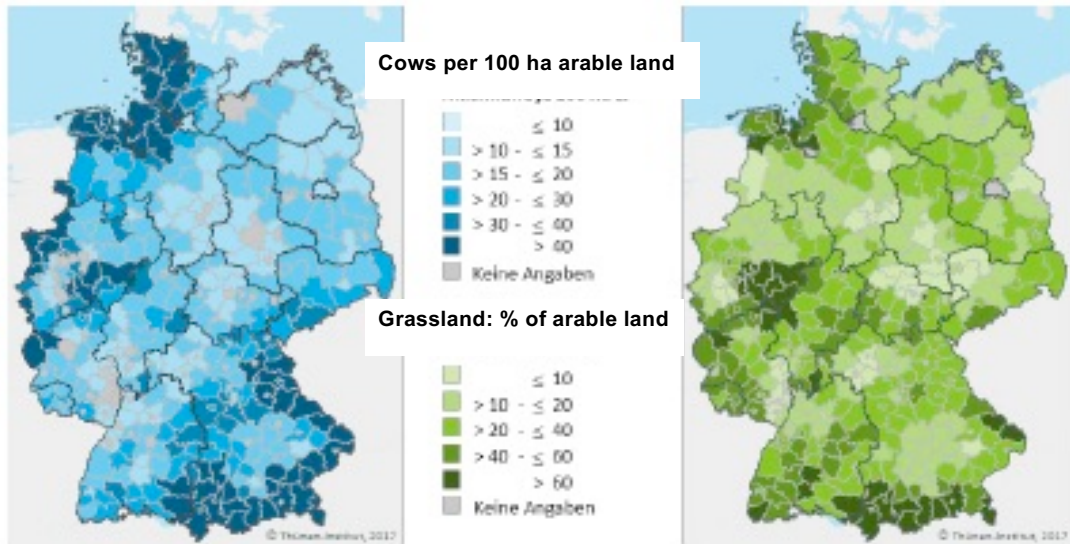
Competitiveness – Price risks – Communication and development of modern dairy farming

Dairy farms in Germany: Current structures

- November 2018: 64.000 dairy farmers
- medium herd size: 65 cows
- structural change at a level of - 4,5 % year to year

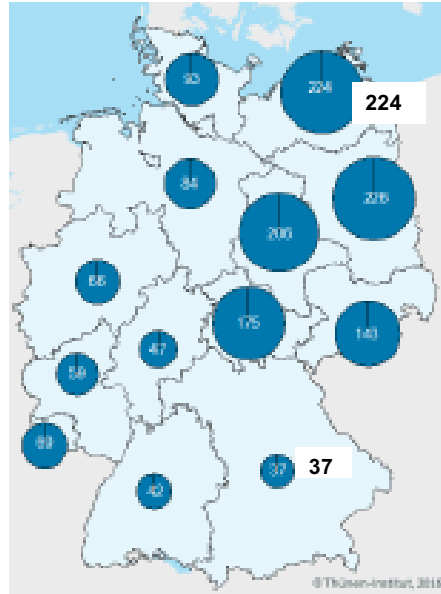


Dairy farms in Germany: Current structures



Quelle: Statistisches Bundesamt, Fachserie 3, Reihe 4, Viehbestand und tierische Erzeugung (2016)

Dairy farms in Germany: Current structures



What happens with milk in Germany?

Half of our milk products are exported

Level of self-sufficiency over all milk products: around 108 %



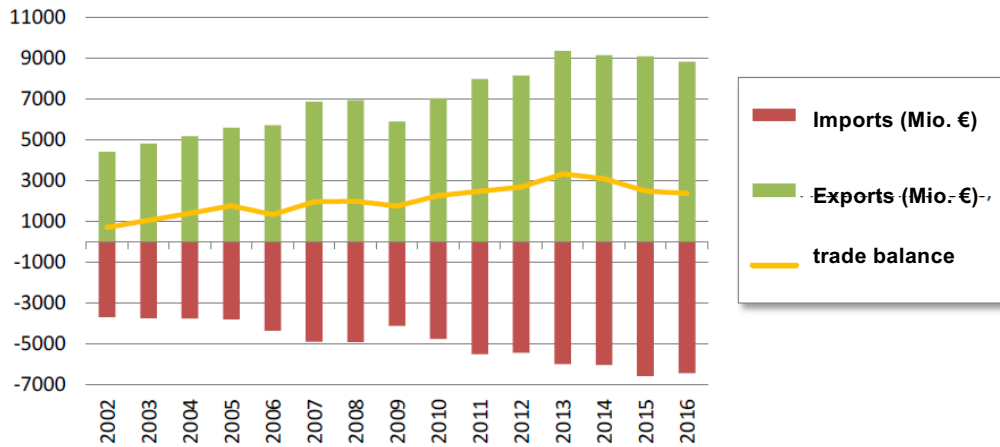
Quelle: Milchindustrie-Verband für 2017

Exports: Third countries with growing importance



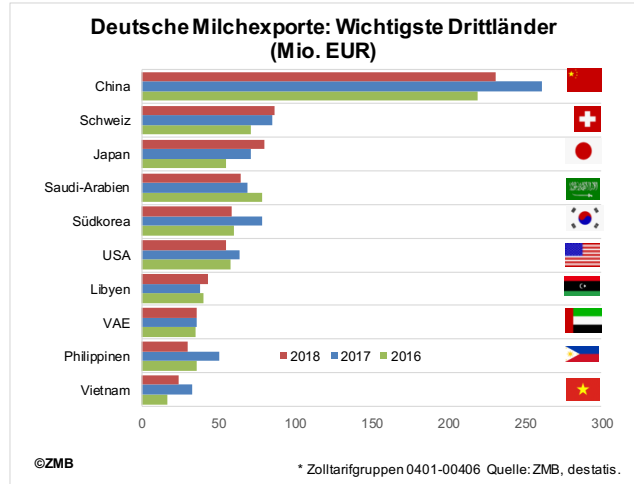
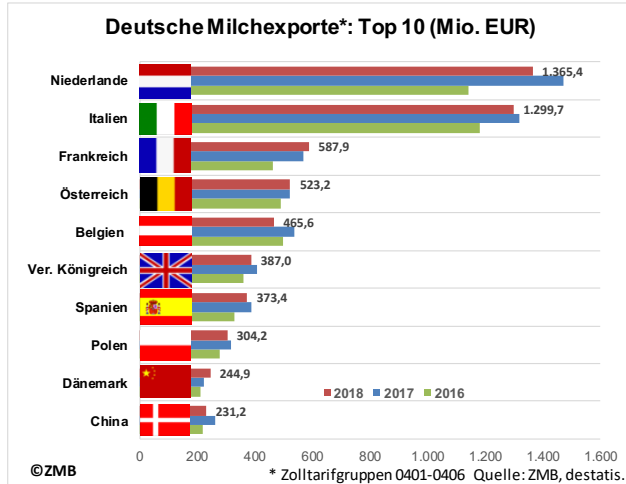
Quelle: Milchindustrie-Verband für 2017

Imports, exports, external trade balance

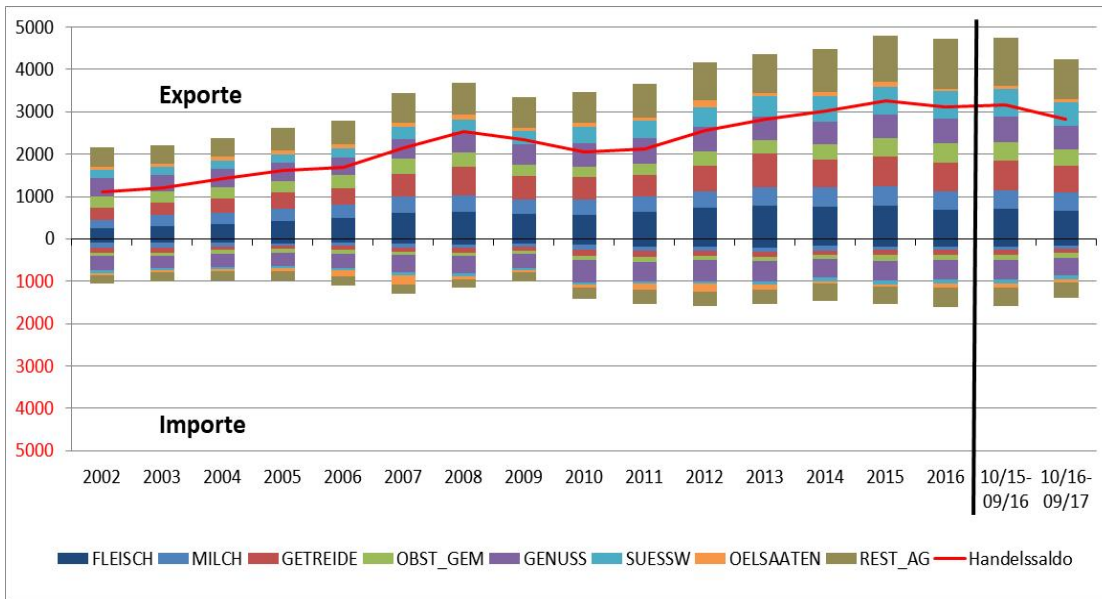


Quelle: UNComtrade Handelsdatenbank, Eigene Berechnungen

German dairy exports: 8,2 billion EUR in 2018



Brexit: German agricultural trade with UK





Main challenges for the German dairy sector

„Gesellschaftliche“ Ansprüche als neue Herausforderung

Liberalisation as a given fact

Status Quo in dairy market policy

- Intervention price: lower
- Cut of support for alternative uses - export subsidies set at 0
- Abolition of milk quota
- bilateral trade agreements: South Korea, Canada, Japan, New Zealand, ...

➔ market is increasingly liberalised

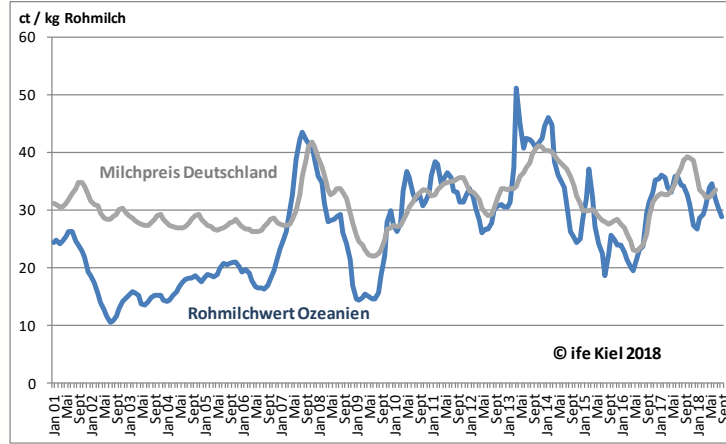
Liberalisation creates new challenges, but also chances

... demand in EU is widely saturated

... European dairy products are desired worldwide



German market is integrated in global dairy market

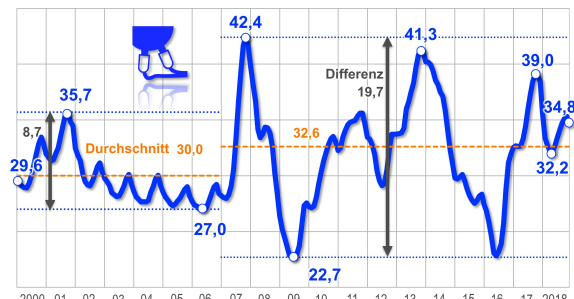


- International developments with high importance for producer prices in Germany
- Decoupling of national market nearly impossible

Volatility is here to stay!

Volatilität am Milchmarkt deutlich verstärkt

Monatliche Erzeugerpreise* für Milch bei 4,0 % Fett und 3,4 % Eiweiß, ab Hof, in Deutschland, in Ct/kg



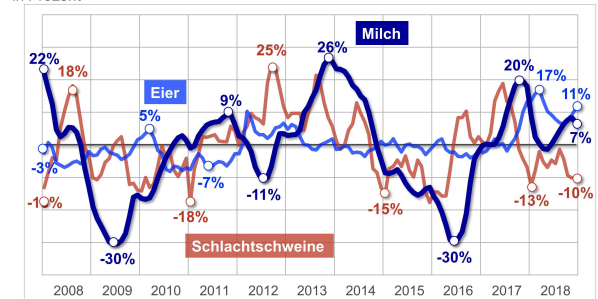
*Ab 2014 konventionelle Kuhmilch.

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Quelle: AMI; BLE; BMEL

Volatilität bei Milch am größten

Abweichung der monatlichen Erzeugerpreise* vom Zehnjahresmittel, in Prozent



* Konventionelle Kuhmilch mit standardisierten Inhaltsstoffen (bis einschließlich 2012 Rohmilch); Schlachtschweine, Handelsklasse E; Eier aus Bodenhaltung, Klasse M.

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Quelle: AMI; BLE; Stat. Landesämter; LK

- > Price volatility higher than in other agricultural sectors
- > Price risks higher than in previous years



Price risks: Future contracts as important instrument

Kieler Börsenmilchwert			Montag, den 29.4.2019					
Kontrakt Monat	Kieler Börsenmilchwert*	Änd.	Butter Future	Änd.	OI	MM-Pulver Future	Änd.	OI
	Ct / kg		€ / t		Anz	€ / t		Anz
Mai 19	33,7	↘	4310	↘	343	2025	↗	435
Jun 19	34,2	↗	4396	↗	456	2030	→	601
Jul 19	34,8	→	4494	→	230	2050	→	472
Aug 19	35,1	↘	4455	↘	186	2095	→	459
Sep 19	36,6	↗	4475	↘	197	2238	↗	326
Okt 19	35,7	↗	4525	→	139	2125	↗	170
Nov 19	35,9	↗	4550	→	135	2125	↗	167
Dez 19	36,1	→	4575	→	95	2140	→	166
Jan 20	35,9	→	4525	→	23	2140	→	2
Feb 20	35,9	→	4500	→	17	2150	→	3
Mrz 20	35,8	→	4475	→	17	2150	→	2
Apr 20	35,6	→	4450	→	0	2150	→	1

Contracts at EEX with higher liquidity than in previous years. EEX with contracts for butter, SMP, whey...
... and raw milk (since 08/2018)

Also processors are required to offer instruments
-> Müller Milch, Glanbia, DFA, Fonterra
... and finally first processors in Germany

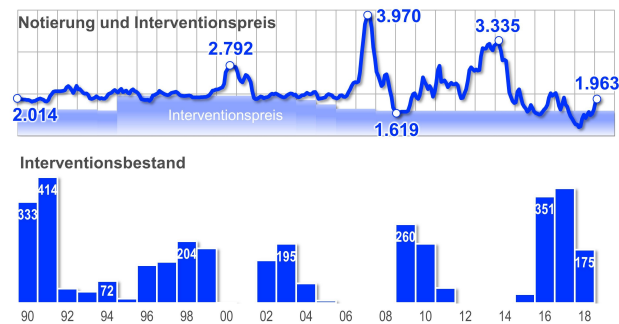
Series of seminars to train dairy sector...
... together with scientist (ife Kiel) cooperative association (DRV), broker (Kiefer GmbH)
... more than 500 participants (farmers, processors, consultants) in 2017 and 2018



Price risk: Intervention as (one of the last) public instrument

Intervention von Magermilchpulver

Notierung und Interventionspreis für Magermilchpulver in EUR/t, Interventionsbestand zum Jahresende in t



© AMI 2019/MI-270 | AMI-informiert.de Quelle: AMI, EU-Kommission; Süddeutsche Butter- und Käse-Börse

- Intervention has stabilised market for SMP in spring/summer 2016
 - EU has been successful in selling more than 380.000 tons of SMP in 2018 and 2019
 - DBV: Intervention should be kept within the next reform of the Common Agricultural Policy
- political discussions about amount, buying and selling procedure (... and linkage with supply management)

Milk in Germany: What does the society want?



Social demands: Some spots

- Fertilizers regulation
- CAP-reform („public money for public goods“)
- Building legislation

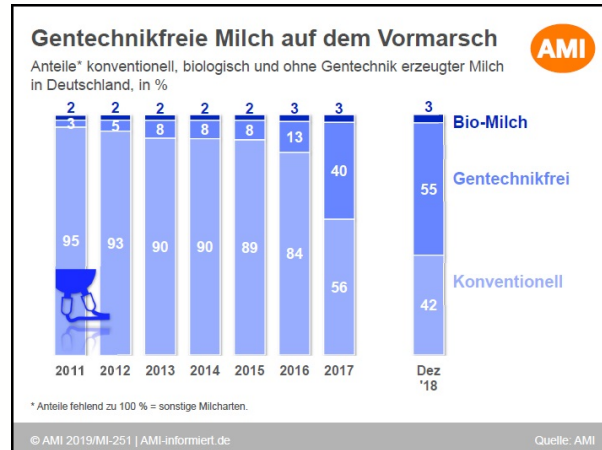


Retailers as a new „legislator“

- Tethering of cows
- GMO-free
- Animal welfare labeling
- „Glyphosate“-free



GMO-free as a new standard



GMO-free established in 2016 drinking milk contracts

- Possible for all German milk products?

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Society demands: Sector is already active

QM Milch-Standard:

- Standard for milk production: more than 90 % of German farmers
- defined by processors and farmers
- retailers are directly involved since 2018
- certification by neutral auditors



QM Milch Sustainability Programme (Pilot programme 2017 - 2020):

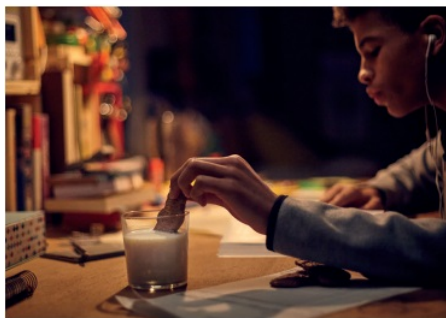
- together with 34 processors
- with scientific support, advice and companionship (Thünen-Institute)

www.qm-milch.de/nachhaltigkeit/englisch

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... sector could do more: Explain production und products



MILK MOMENTS
Joining forces to achieve a sense of collectiveness

2016 - 2018
Belgium, Denmark, France, Ireland and Northern Ireland (UK)
ENJOY THE FRESH EUROPE



A multi-country programme co-financed by the European Commission

WHAT'S YOUR MILK MOMENT?

This is the question being asked by the EMP's Milk Moments programme, co-financed by the European Commission and launched in 2016 as a continuation of the previous project, Milk, a Force of Nature.

Aimed at tackling the decreasing rate of milk consumption and the ever-growing anti-milk rhetoric, the Milk Moments programme shows that milk can be consumed anytime, anywhere.

The 30-second films broadcast on national television channels in each of the participating countries are made up of several sequences of 5 to 6 seconds, some common to all countries and others country-specific. The films depict some unusual milk consumption scenes - in the morning in bed, at the bus stop, at work, coming home after training, as part of a television snack, in the evening before bedtime - all proof that milk is a part of our everyday lives.

With memorable music accompanying feel-good scenes, the Milk Moments campaign is aimed at women with children and young people, giving milk a new image of modernity and pleasure. The montage style of the films allows for interesting changes year on year, adapting to the needs and specificities of each country.

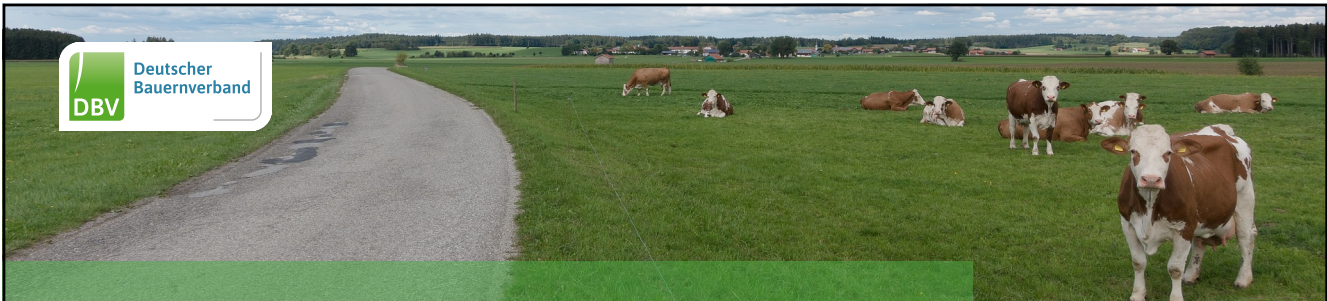
The development and choice of scenes were based on joint thinking, and the countries drew inspiration from one another.

A digital campaign is running alongside the films, creating a community of Milk Lovers, as well as medical journal advertisements and press events. The campaign first aired in 2016 and first results for year 1 are encouraging.

The EMP's Milk Moments programme shows that milk fits a modern lifestyle, can be consumed at different times of the day and is part of our European food model - without forgetting the importance of the nutrients beneficial for health.



• Example of Milk Moments scenes



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