**IFCN**

Dairy Data · Knowledge · Inspiration

# What makes a dairy region successful?

## Outcome from the IFCN Supporter Conference 2017

- Key take away messages
- Key learnings
- Results on past and future drivers
- Annex (results, slides and pictures)

Event hosting partners

Emmi +

Nestlé

HOCHDORF

BEST PARTNER

15th IFCN Supporter Conference
Lucerne, Switzerland; 19 - 21 Sept 2017
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## The IFCN Supporter Conference

The IFCN Supporter Conference is an annual platform for IFCN Company Partners from the entire dairy chain. It has a 15 year tradition, and provides room and time for knowledge sharing and exchange.

From Sept 19-21 the conference themed "What makes a dairy region successful?"" brought together 111 participants representing 77 agribusiness companies.

**Coverage of IFCN Network 2017**



For more information about the conference please see **www.ifcndairy.org/press/**.
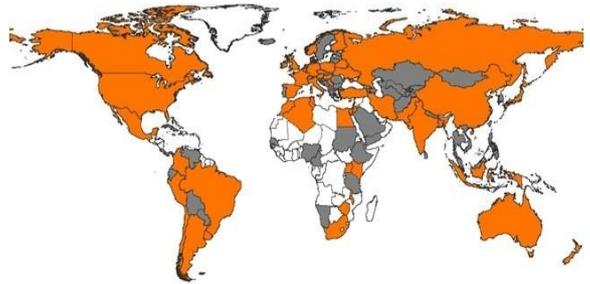
## KEY TAKE AWAY MESSAGES

1. **The future of the dairy sector is uncertain,** more than in the past; the factors of influencing the dairy market are unpredictable.
2. **Swiss dairy** has an interesting structure and environment of operation. However, it is not possible to copy it, but worth to learn from it.
3. **Big farms will be the EU leader in the dairy**: Farm structure changes in Europe (here e.g. Germany) will decrease by 4.6 % the farms in the coming 10 years, in the same time, farm size will increase by 4.8% animals/farm. Numbers of cows will remain stable.
4. **Leadership for dairy development in developed regions** is probably best taken by milk processors. This is in accordance what was also concluded from the IFCN Researchers in the IFCN Dairy Conference.
5. **Continuous and comparable dairy data are key information** when looking on the current status of the country or region. Data, metrics and impact analysis are crucial to define the right strategy. Investing resources for project design and monitoring are essential for a successful programme.
6. **Lift the image of dairy** is one of the common areas where the members of the entire dairy chain can work together and ensure a constant dairy development, ensuring income and

## Key learnings

The organizers, **IFCN Dairy Research Centre,** paved the way for dairy development discussions by informing of the status of the world dairy sector and farms. Torsten Hemme underlines that the milk price cycle will end in 2017 and starts over in 2018. Reason for the volatility in prices is still that milk supply acts with a delay on world price changes. This delay it a key driver for the continuous price volatility. It just takes time from a change of world prices to national prices, to farm economics and then for the dairy farmer to adjust. This delay is 6 – 12 month.

The success in dairy regions requires leadership and processors are seen that they can take a stronger role in the future. Beside the drivers for milk production, it is a common approach to strengthen the image of dairy and training of dairy farmers.

## Results

The **workshop: 'What makes a dairy region successful?'** inspired the participants to go back in history, thinking about drove regions development in the past and identify new drivers that will influence the future development. The challenge is to learn from the history and be prepared for the future.



### Theory: Factors for milk production

**Natural factors**
e.g. temperature, land, water, etc.

**Technology factors**
e.g. IT, robots, barns, manure
e.g. genetics plant/animals

**Market factors**
e.g. prices for output and inputs
e.g. market access to inputs/outputs

**Skills & Attitude factors**
e.g. skills in farming, access to knowledge
e.g. attitude on risk, adaptability

**Structural factors**
e.g. dairy industry structure; trust
e.g. infrastructure, transaction costs

**Political factors**
e.g. supporting/hindering policies
e.g. environment, etc.

**Social factors**
e.g. acceptance by society as consumer
e.g. acceptance by people next to farms

**Other factors**
e.g. tbd

Source: Henrichsmeyer, "Agrarwirtschaft: räumliche Verteilung", in HdWW, p. 169-185; own development

**Results on past drivers:** milk production was – according to the voting of the participants – mostly driven by natural (33%), market (24%) and political (19%) factors. The natural factors such as water and climate put a lot of pressure on the regions and will have also in the future major impact, as weather conditions getting more extreme. Population growth in the world and income growth in emerging countries led by itself to a higher demand in the world and this trend will continue.

**Results on future drivers:** the new drivers that might arise in the future to influence the milk production were clearly seen in the progress of technology (28%) and social factors (27%). The participants were commenting that especially technology is improving the economy on the farm, but also the technology in new products made contributed to dairy development. Improvement of the dairy image in the developed world – having a growing vegan movement and increasing concerns on animal welfare – is a working box that commonly should be taken by the dairy chain members. The training of the farmers also can contribute to strengthen the basis of the entire dairy development.

However, even with the new drivers of technology and social factors, the limitation of natural resources is and will be the most restrictive factor, even in the future. And also policies and other governmental impact will carry high weight, when it comes to where the milk will be produced in the future.

**Lessons learnt by the companies** from their dairy development programmes:
- ✓ Need to find the best policies
- ✓ Promote technology
- ✓ Improve standards and image of dairy. Communicate with the customer
- ✓ Have access to high quality statistical data
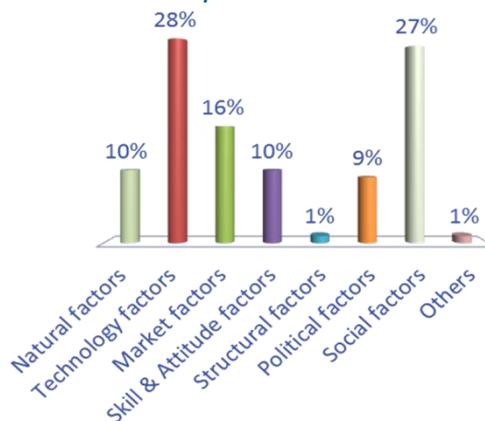- ✓ Bring dairy talents into the decision making bodies
- ✓ Cooperation in R&D

## ANNEX I.  VOTING RESULTS after the workshop

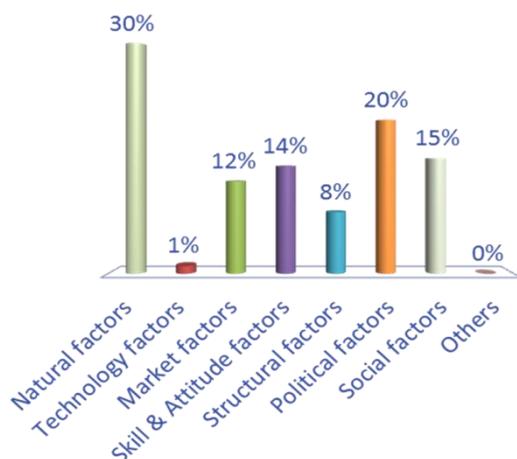E -voting on dairy development questions generated the following results:

**Q:** *What have been the most important drivers for milk production in the past?*
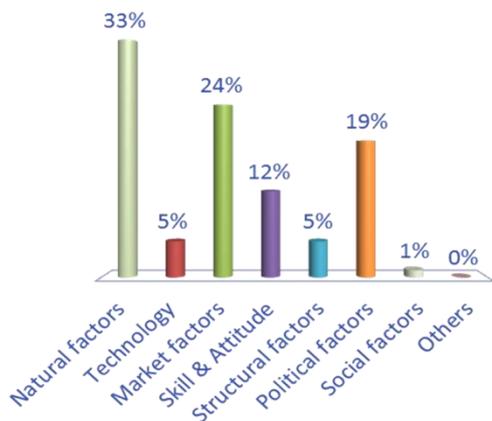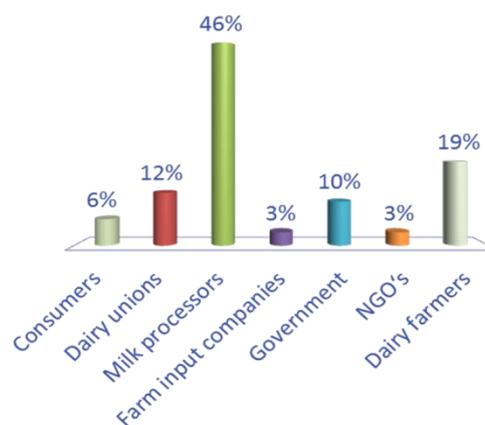


**Q:** *In which area will new drivers arise to influence milk production in the future?*
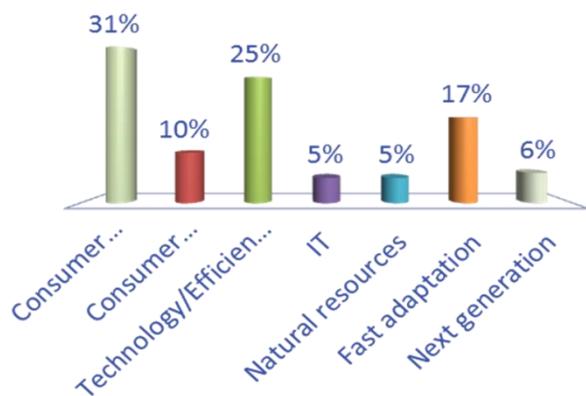


**Q:** *What is the most limiting factor to have a successful dairy region in the future?*
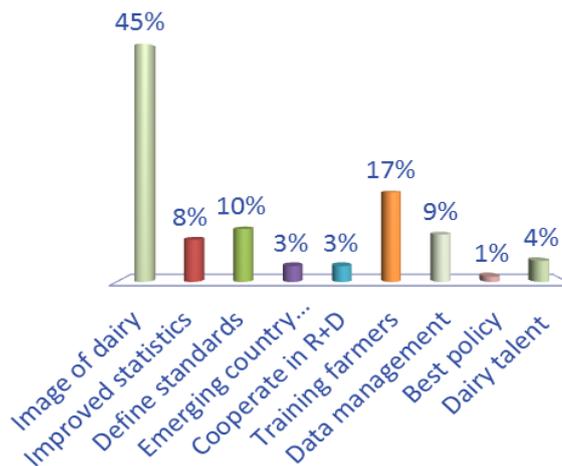


**Q:** *Dairy development in a any region requires leadership. What stakeholder can do this best?*



**Q:** *From the new drivers for successful dairy regions presented, which is the most important for your region/business?*



**Q:** *From the new ideas for cooperation among agribusiness companies presented, which is the most important?*

## Definitions: Dairy region & successful

1. **Dairy region:** Specific area of milk production. Specifics is defined by your role and what you work on. Examples: Milk collection region, part of a country, a country or a world region.

2. **Successful:** This differs between main players in the dairy chain farm input providers, farmer, processor, policy, etc.
Common definition: A growing and resilient business

3. **Indicator:** Simply start with milk production/its relative size and recent growth rate

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## Top countries in milk production growth
Sorted by volume growth 2006 - 2016, in mill t ECM
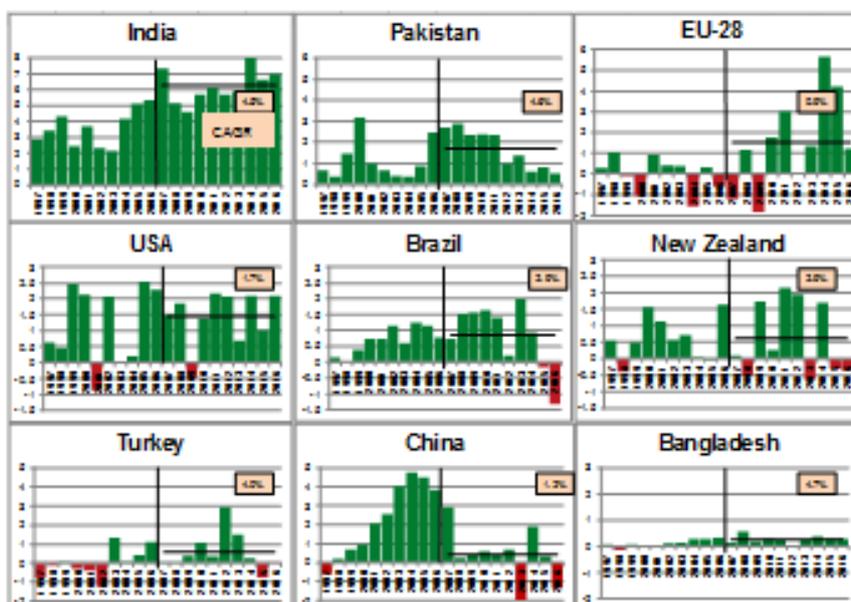


**India:** +4.5% / year or 5 – 8 mill t

**Pakistan:** +4.5% but decline growth rates

**EU-28:** +0.9% – key years 2014 - 2015

**USA:** +1.7% – steady growth pattern

**Brazil:** +2.9% – but weak in 2015 + 2016

**NZ:** +2.9% – but weak in 2013, 2015, 2016
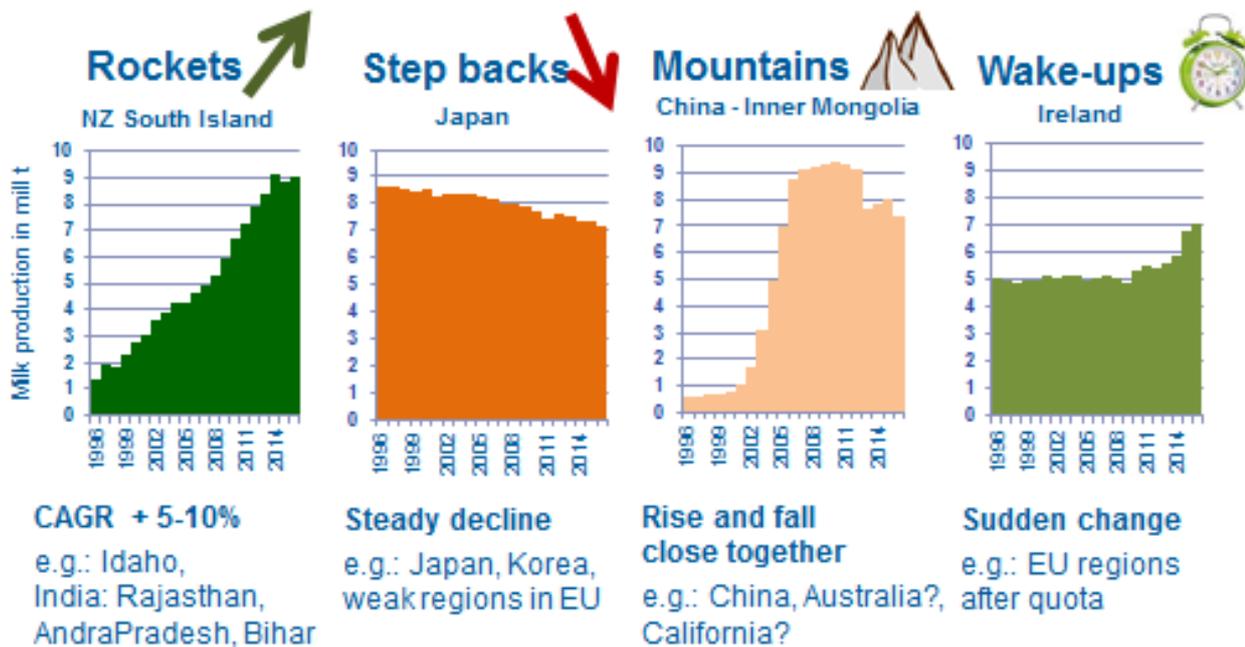
**China:** +1.2%/year only; boom 1998 - 2007

(excl. Uzbekistan due to data uncertainties)

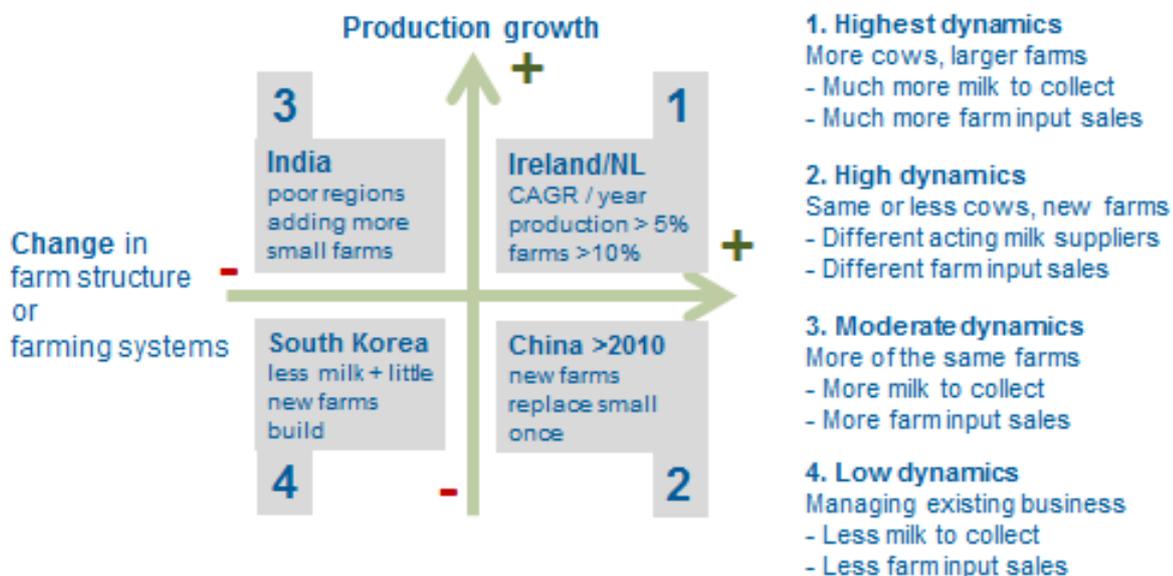20/09/2017                                                                    For internal use only   © IFCN 2017 | 6

5

# Patterns in dairy region development



**Rockets** ↗
NZ South Island

**Step backs** ↘
Japan

**Mountains** 🏔
China - Inner Mongolia

**Wake-ups** ⏰
Ireland

Milk production in mill t

**CAGR  + 5-10%**
e.g.: Idaho,
India: Rajasthan,
AndraPradesh, Bihar

**Steady decline**
e.g.: Japan, Korea,
weak regions in EU

**Rise and fall
close together**
e.g.: China, Australia?,
California?

**Sudden change**
e.g.: EU regions
after quota

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# Concept on dynamics in a dairy region



Production growth +

**3**

**India**
poor regions
adding more
small farms

**1**

**Ireland/NL**
CAGR / year
production > 5%
farms >10%

**Change** in
farm structure
or
farming systems

**South Korea**
less milk + little
new farms
build

**China >2010**
new farms
replace small
once

**4**

**2**

**1. Highest dynamics**
More cows, larger farms
- Much more milk to collect
- Much more farm input sales

**2. High dynamics**
Same or less cows, new farms
- Different acting milk suppliers
- Different farm input sales

**3. Moderate dynamics**
More of the same farms
- More milk to collect
- More farm input sales

**4. Low dynamics**
Managing existing business
- Less milk to collect
- Less farm input sales

# ANNEX IV. Pictures