



INTERNATIONAL DAIRY FEDERATION - GERMAN NATIONAL COMMITTEE



NEWSLETTER

2

TUESDAY 22 SEPTEMBER 2009



# IDF World Dairy Summit United Dairy World 2009

BERLIN 20-24 SEPTEMBER



VERBAND DER DEUTSCHEN MILCHWIRTSCHAFT E.V. | MARITIM HOTEL BERLIN | [WWW.WDS2009.COM](http://WWW.WDS2009.COM)

## THE GLOBAL DAIRY MARKET - AN AUSTRALIAN VIEW



**Barry Irvin**  
CEO of Bega Cheese

### “Let the markets act”

Barry Irvin, Chairman of Australian dairy company Bega Cheese, brought a particularly refreshing perspective to the World Dairy Leaders , Forum on 21 September. IDF asked Barry Irvin to share his views.

**IDF:** Australian dairy companies tend to be naturally in favour of a liberalized dairy market but do your farmers share this view?

**Irvin:** The health of an industry is defined by the ambition of the next generation. If I was such a next generation farmer I'd have to ask myself one basic question: do I really want my business to stay dependent on others? Walking around both within and outside Australia, I hear most of the next generation dairy farmers saying that they no longer want a regulated market.

**IDF:** This view might not be shared by colleagues in other parts of the world, particularly in Europe. What is your personal opinion?

**Irvin:** The danger of containing subsidies is that they prolong the pain, possibly even into the next generation. Change will occur anyway and in a market it is quite natural that there are winners and losers, therefore it is best to let the markets act.

**IDF:** Are there many complaints about the current situation which shows the full brutality of markets?

**Irvin:** Growing and dynamic industries hardly ever complain. The only time they complain is when they are facing restrictions.

### Bega Cheese

Bega Cheese, located in Bega, N.S.W. is an Australian dairy company whose shareholders are mainly farmers. The annual milk intake is 700m litres and the sales figure ranges at AUS\$800m with an export share of 50%. The portfolio of Bega Cheese is made up from: 140,000 tonnes of cheese (Cheddar, processed), 30,000 tonnes of infant formula, 15,000 tonnes of Cream Cheese and 10,000 tonnes of SMP as well as liquid milk for the domestic market.

Besides own production, Bega Cheese sources cheese from other processors and is a major supplier to Fonterra and Kraft Foods.

## NORDMILCH CONFIDENT FOR THE FUTURE OF THE GERMAN DAIRY INDUSTRY



IDF World Dairy Summit  
United Dairy World 2009

### “Our company is ready to compete at international level”

During the World Dairy Leaders Forum on 21 September, Dr. Josef Schwaiger, CEO of Germany's largest dairy company NORDMILCH, will explain the strategy that the co-op has adopted for its international business. IDF asked Dr. Schwaiger how the company competes in international markets.

**IDF:** One of the targets of NORDMILCH is to increase the export business. Does this include markets outside the EU and if so, which are the most important market areas you have identified for your business?

**Dr. Schwaiger:** NORDMILCH has increased the export business to 30% of sales over the past years. This includes both exports of consumer products and, according to our strategy, also the international ingredients business. Outside the EU, important markets for us are East and South Europe. Outside Europe we see growth markets in Russia and Asia.

**IDF:** Other companies such as FrieslandCampina have been active in these markets long since. What plans does NORDMILCH have to get a business running there? What would be the product categories that are in the focus?

**Dr. Schwaiger:** German dairy companies will have to join forces to open new markets for export. Our first step was taken through the Joint venture Nord-Contor. In our export activities, we focus on cheese and industrial products.

**IDF:** The EU will phase out export subsidies by 2013. Do you think that NORDMILCH will be still able, then, to ship products outside the EU without such financial boost?

**Dr. Schwaiger:** The phasing out of export subsidies requires a complete rethinking across the whole dairy industry. I am convinced that a liberalized market will offer opportunities to the German dairy industry provided it will significantly strengthen its innovation power.

**IDF:** Would you prefer to run your business in a liberalized market environment similar to what your colleagues in Australia enjoy? Or does the EU milk market order still offer some benefits for a dairy business?

**Dr. Schwaiger:** This is a hypothetical question as the EU has decided on market liberalization. NORDMILCH with its radical restructuring since 2006 has prepared for the upcoming challenges. We are ready.



**Dr. Josef Schwaiger**

CEO of Nordmilch: “A radical restructuring since 2006 has prepared us for upcoming challenges”

## OPENING CEREMONY AND PRESS CONFERENCE HIGHLIGHTS



### The IDF World Dairy Summit is officially open!

The Berlin Comedian Harmonists kicked off this international four-day Summit on Monday 21 September.



Udo Folgart, President of the German Dairy Association (VDM), Richard Doyle, IDF President and the State Secretary of the Federal Ministry of Food, Agriculture and Consumer Protection and Gert Lindemann addressed about 1500 attendees from 52 countries worldwide.

On this occasion, the State Secretary stressed the importance of the work of the International Dairy Federation. "In these difficult times, communication at all levels is crucial. Participants will meet leading experts in a wide range of areas. Exchanging knowledge and best practice is essential to face upcoming challenges."

He also added that "Long-term perspectives are promising for the dairy sector and indicators predict an increase in the population, changing consumption practice and generating higher incomes. This is a positive outlook for milk production."

Udo Folgart and Richard Doyle also reiterated the importance of uniting efforts to meet today's challenges.

#### Some figures...

1500 attendees - 52 countries - 140 speakers  
10 conferences - 40 sponsors - 45 exhibitors

### Securing a more profitable and sustainable future for the dairy sector debated at the IDF press conference

With the summit theme as 'United Dairy World', key players focused on the current crisis and how the dairy industry could unite in contributing to a more successful and profitable industry for the future.

State Secretary of the Federal Ministry of Food, Agriculture and Consumer Protection, Gert Lindemann sat amongst IDF President, Richard Doyle, Udo Folgart, President of the German Dairy Federation and Karl-Heinz Engel, President of the German Dairy Industry Association.

'Overcoming the current economic situation requires active exploration of partnership opportunities, pooling available resources and mobilizing efforts' declared Richard Doyle. He proceeded to outline the various important initiatives that lie at the top of the dairy sector agenda.

Ugo Folgart reiterated the IDF President's sentiment by appealing to dairy producers and announcing for cooperation as it exists today to be expanded and developed further. 'The entire dairy industry is facing enormous challenges in 2009 and together with our dairies, we must position ourselves on the market and take advantage of

the opportunities that a growing market for milk offers,' he stated.

Though the tough economic situation appeared to be the theme, focus was firmly on the positive aspects and all speakers remained optimistic that the dairy industry would recover.

Gert Lindemann commented on the huge number of participants and how it demonstrated the relevance of the congress during such difficult times.

Recent improvements in the global economic situation have occurred with some countries already reporting an increase in demand.

'The situation on the global milk market has improved slightly and the milk industry is expecting further steps towards recovery' explained Dr. Karl-Heinz Engel.

'We are assuming that the increase in demand on the global market will soon be larger than the increase in global production' Engel continued optimistically, 'volatility and liberalized markets carry risks but also offer opportunities'.

## WORLD DAIRY LEADER'S FORUM HIGHLIGHTS



### World Dairy Leaders' Forum 2009

Despite all crises, be it financial or the milk markets, all speakers at the World Dairy Leaders' Forum on 21 September agreed that longer-term perspectives both for the dairy industry and dairy farmers are favourable.



Speakers pointed out to growing world population that requires food production to be increased by 100% over the next 40 years.

There are, however, a number of challenges such as environmental matters, consumer acceptance and animal welfare that the dairy industry will have to take seriously if it wants to continue to fill a significant part of consumers' baskets with its products.

#### EU at the center

At the center of the Forum was the question of how the EU will continue with market regulation. Thorkild Rasmussen, who represented the EU Commission at the Forum, confirmed that the EU will not inject more subsidies than necessary into the market. The EU will also honour its commitment to phase out export subsidies, provided that international trade partners take similar steps. Although, admitted Rasmussen, the end of export aids will pose significant challenges to the EU dairy industry who will have to invest more

in R&D, innovation and marketing. The future production of the EU will have to focus on 500 million European consumers, plus export of added-value products, said Rasmussen who promised that the EU would be careful in bringing accumulated stocks back into markets.

Rasmussen's view was shared by Dr. Josef Schwaiger, CEO of Germany's largest dairy company Nordmilch. The company has completely turned around after the 2003 reform of the EU milk market and focuses now on adding value. In alliance with other companies, Nordmilch now aims at opening up new market opportunities outside Europe.

#### Advocating the free market

Barry Irvin from Australian dairy company Bega Cheese advocated free trade and pointed out that continuation of subsidies would only prolong the pain. Protectionism would lead business energy into wrong strategies, either avoiding disadvantage or trying to secure advantages from the subsidy payments. Currently there is a danger that too much short-term action would hinder long-term policy, Irvin added.



#### The environment

One of the most important problems for today's dairy industry is tackling the environmental aspects. Tim Nicolai, VP at De Laval, said that environmental concerns are now at the center of consumers' perception. De Laval has developed a dedicated program to help the dairy industry reduce its environmental footprint.

# ECONOMIC OUTLOOK FOR THE DAIRY SECTOR



## The Current Dairy Market Situation

By **Monika Wohlfarth**, CEO of ZMB (Central Dairy Market Monitoring), Germany



### Can you summarize the current state of the dairy market?

The dairy market is not balanced. Supplies are currently higher than demand and as a consequence, stocks of butter and heavy stocks of milk powder are building up. The prices of dairy products are mainly influenced by the support level in major production regions. Milk prices in major regions reached their lowest level since the mid 1970s.

### Our dairy sector is in an unprecedentedly difficult situation with extremely low prices. How do you see this evolving?

Normally low prices stimulate demand and curb production. In the current economic environment demand is depressed by the worldwide recession as international trade has been severely affected by the credit crunch. The milk production in major regions is still growing, though with reduced speed.

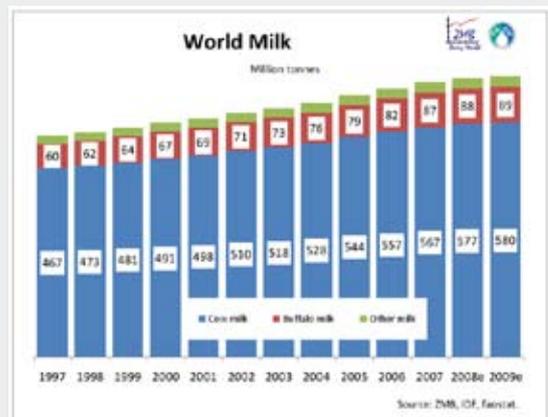
This extreme weakness in prices is a big challenge for producers, processors and politicians. Only the most efficient milk producers can operate with these low milk prices for a longer time than others. Beginning of September there are first signs of recovery. It remains to be seen if there is a real turnaround or only a "flash in the pan".

### How can the dairy sector adapt itself to a quota free and changing environment?

The dairy sector was one of the most regulated out of agriculture in many countries for a long time. The market participants have to learn to operate with more fluctuations, more responsibility and more risk. It will not be easy, but not impossible.

### What is the market outlook for the dairy sector for the next 10 years?

The actual milk-crisis will pass in the next two years at the latest. The consumption of dairy products will begin to increase again with the recovery of the economic environment and there will be a period in the next decade when consumption will grow faster than production, consequently seeing a strong increase in milk prices.



## Current hard times unable to dislodge positive, underlying future trend

By **Tage Affertsholt**, 3A Business Consulting



The dairy industry is still hard hit given the current market situation in September 2009 however the future prospects for the industry remain positive.

The last few years have certainly demonstrated how vulnerable the dairy industry is to very small imbalances in supply and demand.

Likewise, this development has demonstrated the global nature of the industry, even though only a minor share (approximately 7%) of global output is traded on the world market. When the downturn in the dairy industry started as a reaction to the high prices, the industry was hit by the global economic crisis in 2008, thus aggravating the existing negative trend and so market forces are working on the demand side.

## CELEBRATING EXCELLENCE IN DAIRY PROMOTION



### Global trade

World trade in dairy products and ingredients has seen a continuous, positive trend for many years. Up until 2006, it increased in line with global consumption, with a CAGR of approx. 2-3%. In 2008, world trade more or less recovered in terms of volume and increased approx. 2% compared to 2007, whereas the value figure was, unsurprisingly, clearly down.

### Market outlook

Historically the production of milk is slow to adapt to changes in demand and price. The current low prices therefore have not signifi-

cantly reduced the milk supply in 2009. Market forces on the supply side are not working properly due to political initiatives. Milk powder and butter stocks including intervention in the EU and CCC stocks in the US continue to accumulate in mid-2009. The clearance of these stocks is a prerequisite to any real price recovery in the market.

Overall, the demand drivers for dairy products consumption remain intact i.e. population growth, economic development, recognition of the health benefits in dairy etc. What the world experienced in 2008/2009 was a once-in-a-lifetime condition. Normalisation will occur, and when it does dairy consumption will pick up and world trade in dairy commodities will be on the forefront of this development.

### Canada Scoops Yves Boutonnat IMP Trophy 2009

It was celebration time for The Dairy Farmers of Canada yesterday as they were pronounced the winner of the prestigious Yves Boutonnat IMP Trophy 2009. The winning campaign, 'Building Milk Volume Five Seconds at a time' was announced during the World Dairy Leaders Forum on the first day of the World Dairy Summit 2009.

Five entries from three different countries competed this year and the standards were high. The finalists for the 2009 IMP Trophy competition were:

- **Dairy Australia:** "Picasso - Cows"
- **Dairy Farmers of Canada:** "Building Milk Volume Five Seconds at a Time"
- **Dairy Farmers of Canada:** "Taking Science to Market - Recharge with Milk"

The winning campaign was developed by Ian McDonald from Dairy Farmers of Canada and features relevant, innovative ways to communicate healthy and natural dairy foods to teens in five seconds or less via television commercials.

It was an extremely innovative calibre of entries this year with all the campaigns using new and creative ways to communicate with the consumer about dairy products. This made it very difficult for judges to select a winner however the Canadian campaign had that edge. The idea of the winning campaign was to focus on using five-second television commercials to effectively reach the teenage consumer in a manner relevant to their lifestyles.



*Craig Plymesser, Chairman of the IMP, presenting the 2009 Yves Boutonnat IMP Trophy to Ian McDonald, Dairy Farmers of Canada.*

"As always, all entries demonstrated the good work going on around the world to promote the interests of dairy. The campaigns covered a diverse range of topics from promoting dairy health messages directly to general practitioners via representatives from the pharmaceutical industry to efforts to revitalize the importance of the entire dairy industry in providing healthy nutritious foods to consumers. All the campaigns showed a positive effect on the attitudes and behaviour of consumers to favour and stimulate consumption of dairy products", stated Craig Plymesser, Chairman of the IMP.

## ALSO IN THE NEWS



### **IDF World Dairy Summit 2010, Auckland, New Zealand**

*By Andy Williams, New Zealand Organizing Committee*

Preparations for the WDS 2010 are in an advanced state. A detailed conference programme outline has now been completed and a variety of Technical Tours have been compiled in addition to a range of exciting social events. Uptake of sponsorship has been promising and the New Zealand Organizing Committee is confident that more sponsors will come on board, recognising the importance of this event.

#### **A varied and high-level Summit programme**

The programme currently features nine conferences, including the World Dairy Leaders Forum, and two workshops. Several executives from across the dairy industry supply chain have already confirmed their participation in the panel of the World Dairy Leaders Forum. Prof. Rod Oram, a well-known NZ corporate, economic and political issues journalist, has been confirmed as the moderator.

For all other conferences and workshops, themes and session titles have been chosen and several key note speakers identified. All of these sessions will be loaded onto the website at the launch of the third announcement coinciding with the World Dairy Summit 2009 in Berlin. For more information, please visit [www.wds2010.com](http://www.wds2010.com).

Two satellite events, namely the Dairy Industry Association of Australia (DIAA) Cheese Science conference and the LactoPharma bioactives discovery conference will also be hosted.

At this stage nine Technical Tours options have been identified. Depending on delegate feedback, it is expected that these tours will vary from visiting boutique cheese dairy plants to factory sites

featuring the largest milk powder driers in the world. Further Technical Tour options will showcase farms, research facilities and packaging operations.

The social agenda of the 2010 Summit is equally being planned carefully and enthusiastically. Furthermore, tour options to some of the more known spots in New Zealand such as Queenstown and the Bay of Islands will be available to those who wish to relax afterwards.

Several sponsorship opportunities are still available and interested parties should contact [wds2010@tcc.co.nz](mailto:wds2010@tcc.co.nz).



*Andy Williams and Sharon Mitchell at the 2010 World Dairy Summit booth.*

Updated information  
[www.wds2009.com](http://www.wds2009.com)



**Responsible Editor:** Marylène Tucci, *IDF Communication Officer*  
**Layout:** Oscar Chavez, *IDF Office Manager*