Dairy 4 future

WORK PACKAGE 4
DAIRY SECTOR ANALYSIS

Analysis of the Pays de la Loire dairy sector: skills and dynamism

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Interreg Atlantic Area
European Regional Development Fund

EUROPEAN UNION

AGRICULTURES & TERRITOIRES
CHAMBRE D'AGRICULTURE PAYS DE LA LOIRE

PART 1

A HIGH MILK DENSITY

The Pays de la Loire are France's second region for milk production, with more than 16% of the national deliveries. Around 7 900 dairy farms produced 3.9 million tons of milk in 2017.

After a strong development from 2007 to 2015, production has been stagnating for 2 years

Stabilized around 3.4 million tons until 2007, regional milk deliveries then increased by 16% between 2007 and 2017, due to the re-allocation of additional references by the European Union (see Fig.1). The region has indeed invested heavily in farms and processing companies.

The progress of the regional collection was more marked than at the national level (+ 7% over the same period).

Over the two years 2016-2017, deliveries then stagnated as a result of the deterioration of the dairy situation.

Over the last 10 years, the farms have undergone a major restructuring: number of collection points down by 33%, and average delivery growth of 70%. The increasing share of corporate forms, which today account for 70% of dairy farms, also explains the rapid increase in herd sizes (from 45 to 67 cows / farm on average in 10 years).

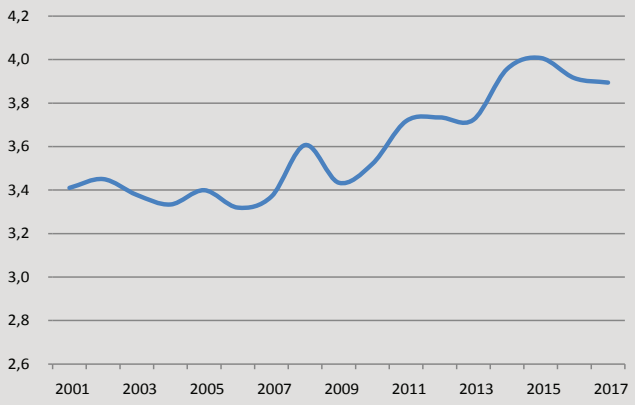
One-third of regional farms produce milk, with a wide variety of production systems

The Pays de la Loire region has 24 000 farms, almost a third of which produce milk. Milk is the dominant shop in 70% of dairy farms, but only a third of them are specialized.

Current production systems are very diverse, ranging from the all-grass system to the pasture-free system for cows (with over 60% corn in the fodder area) (see Fig. 2). Animal loads range from just 1 LU/ ha of fodder area in organic production, in low potential areas, to more than 2 LU/ha of fodder area in maize-yielding areas (source: Livestock networks).

FIG.1: EVOLUTION OF MILK DELIVERIES IN PAYS DE LA LOIRE FROM 2001 TO 2017 (MILLIONS TONS)

(Source: Agreste)



KEY FIGURES – YEAR 2017 – PAYS DE LA LOIRE

DAIRY PRODUCTION

(Source: CRA Pays de la Loire accounts)

3.89 million tons of milk delivered corresponding to :

- **16%** **of national deliveries,** at the 2nd place behind Brittany (22%)
- **1.3% billion €**

23% of the turnover of regional agriculture (excluding grants)

525 000 dairy cows including :

- **30%** in farms holding **more than 100 cows**
- **1%** in farms holding **less than 20 cows**

Organic milk represents **3.6%** of regional deliveries

LIVESTOCK AND ASSETS

(Source: CRA Pays de la Loire accounts)

7 874 dairy farms

including : **479 organic milk deliverers**

16 500 on-farm assets (in full-time equivalents)

494 tons of milk per collection point

Average calculated milk yield : **7 420 kg/cow/year** (+ 16% in 10 years)

Alongside the milk workshop, other workshops are frequently encountered: the most frequent are beef (suckling and/or fattening young cattle), pork, poultry and/or field crops.

On a technical level, the regional averages hide a very wide dispersion of results with, in a conventional system (source: Breeding networks Inosys and Dairy Control organizations):

• an average of 33% maize in the fodder area with a range of 20% to 60% (Fig. 2);

• an average production of 8 tons of milk per hectare of fodder area (range of 6.2 to 13 tons);

• 1,5 tons of concentrate per cow per year (range 1,1 to 1,9 tons).

In organic systems, the milk produced per hectare varies from 3.7 to 5.7 tons. Consumption of concentrated food averages 0.870 ton/cow/year. The proportion of corn in the fodder area is around 10% (source: Inosys).

FIG. 2 : SURFACES IN ANNUAL FORAGES BY CANTON IN PAYS DE LA LOIRE REGION (IN 2017) (Source : PEP CRA Pays de la Loire according to SRISE-DRAAF PdL)

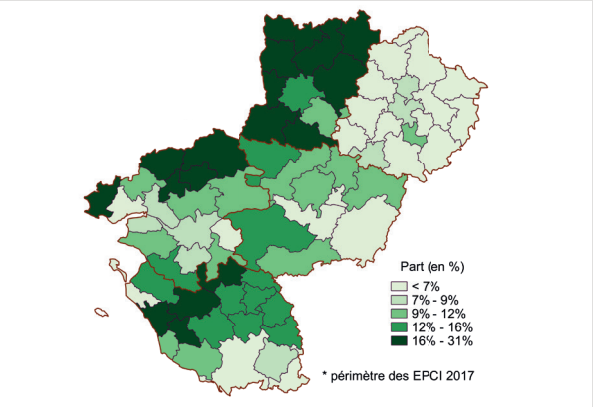
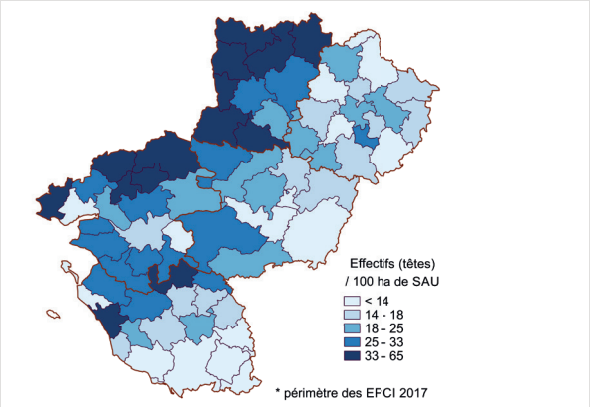


FIG. 3: NUMBER OF COWS BY CANTON IN PAYS DE LA LOIRE RÉGION (IN 2017) (IN HEADS/100 HA OF AA) (Source : PEP CRA Pays de la Loire according to IPG data)



Production is growing in the northwest of the region, where it is already the densest

Regional milk production is the highest in Mayenne and Loire-Atlantique, two departments that saw their shipments progress most strongly in the last 10 years (see Tab.1).

TAB.1: EVOLUTION OF DELIVERIES BY DEPARTMENT IN PAYS DE LA LOIRE REGION, FROM 2007 TO 2017 (X 1 000 TONS) (Source : SRISE)

	2007	2017	Evolution
Pays de la Loire	3,370	3,894	+16%
Loire-Atlantique	786	922	+17%
Maine-et-Loire	607	703	+16%
Mayenne	1,037	1,237	+19%
Sarthe	401	435	+8%
Vendée	539	597	+11%

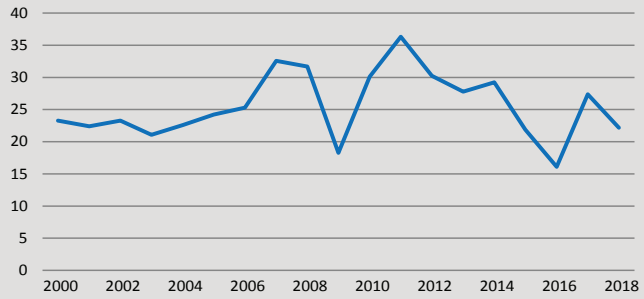
More and more fluctuating economic results with increasing dimensions

Highly volatile since 2007, the economic results of dairy farms plunged in 2015 and 2016 in Pays de la Loire, as in the entire EU-28 (see Fig.4).

Evaluating between € 20000 and € 25000 / non-salaried employee until 2005 (in constant value of 2016), the Current Income Before Tax now varies between € 15 000 and € 35 000.

Over the past 10 years, the farm size of the Network Farm Accountancy Information sample has increased from 85 to 101 ha of AAU and from 51 to 63 dairy cows, for a total overall stable labor force (2.1 annual work unit in 2016 against 2 in 2006) but with a growing recourse to wage earners: from 0.05 AWU in 2006 to 0.25 in 2016.

FIG.4: CURRENT INCOME BEFORE TAX PER NON-SALARIED EMPLOYEE FROM DAIRY FARMS IN PAYS DE LA LOIRE (IN K€) (Source : PEP CRA Pays de la Loire according to NFAI data Pays de la Loire)



PART 2

MANY PROCESSING COMPANIES WHICH HAVE HEAVELY INVESTED OVER THE LAST 10 YEARS

The number of jobs in dairy processing in Pays de la Loire region has remained stable over the last 10 years, as companies have invested and innovated to develop new products, especially cheese and baby milk. They have also increased their exports, particularly to third countries (infant formula milk, mozzarella, etc.).

Regional dairy processing employes about 6 700 people

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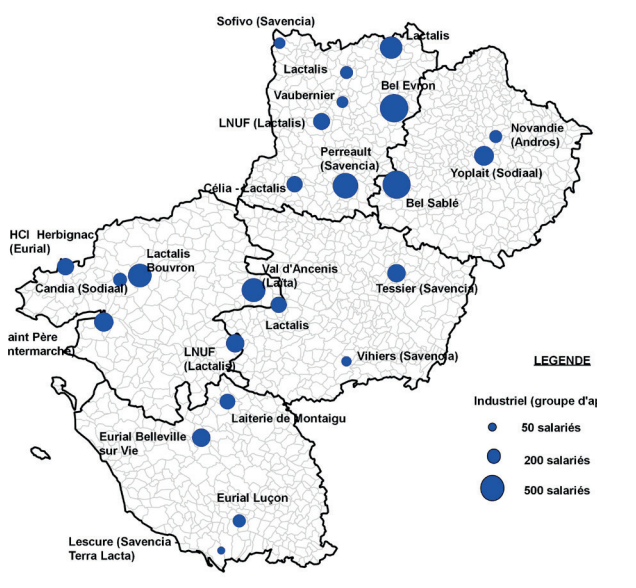
The region has ten dairy manufacturing companies with more than 50 employees, plus six artisanal tools (from 10 to 50 employees) and a dozen farmer processors (Fig. 5).

• **Of the ten companies with more than 50 employees**, European and international groups (Lactalis, Bel, Savencia, Sodiaal, Eurial) work side by side with SMEs.

FIG. 5: MILK PROCESSING PLANTS WITH MORE THAN 50 EMPLOYEES IN PAYS DE LA LOIRE REGION
(Source: PEP CA Pays de la Loire according to CCI data)



• Private groups are more present than in France: they provide about 60% of the milk collection (45% nationally).

• The Lactalis group is the largest employer in the region (32%) followed by Bel (20%) and Savencia (14%). Next come the Eurial, Sodiaal and Laïta cooperatives (7 to 9% of jobs each).

• Finally, SMEs employ 11% of the region's salaried workforce. This is the Vaubernier cheese dairy (family business), the St Père dairy (Intermarché subsidiary), the Montaigu dairy, supplied by the Terra Lacta cooperative (headquartered in Poitou-Charente region), and very small businesses of 10 to 50 employees (three organic cheese factories, two goat cheese makers and a conventional cow milk processor).

The region also has a Novandie production site in Sarthe (Andros group). Lescure cheese factory, based in Vendée, is a subsidiary of Savencia and Terra Lacta.

In terms of manufacturing, several companies are specialized in cheese production: the Bel and Savencia groups, the family dairy Vaubernier, and the dairy Novandie, turned to ultra fresh (in Sarthe). The dairy of Montaigu (Vendée) is specialized in infant milk and the dairy St Père (Loire Atlantique) manufactures fluid milk, fresh products, butter and cream. The Sodiaal, Eurial, and Laïta cooperatives as well as the Lactalis group, have a diversified production: cheeses, fresh products, liquid milk, powder, ingredients ...

The turnover of the dairy industries with more than 80% of their employees in the region (4 200 employees out of the 6 700 present in the region) reached € 3.12 billion in 2015 (source: INSEE - Esane).

PART 3

A STRONG CHEESE ORIENTATION WHICH STRENGTHENED AFTER 2017

The Pays de la Loire region is well positioned (in % of national products) in the cheese, whey powder and milk powder sectors, followed by fresh products. Emmental is a flagship product of the region with 1/3 of the national production. On the other hand, there is less of a regional contribution to national production of liquid milk, cream and butter.

The place of cheeses has increased over the last 10 years, as well as that of powders and fresh products

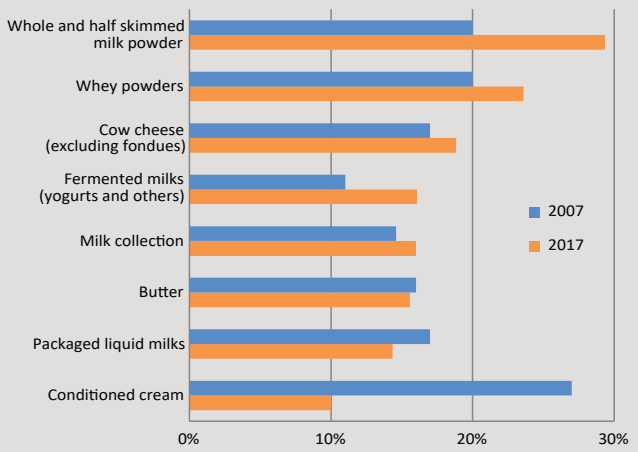
According to INSEE data, more than two-thirds of the employees and the turnover of the dairy industry come from cheese production in the Pays de la Loire, a sharp increase over the last years (50% in 2007) (see Fig.6) .

Savencia, Terrena (Laïta), Bel and Eurial have invested heavily in cheese making. The Pays de la Loire has thus confirmed their place as the leading region of French cheese. Whey powder has developed jointly, with increasing value in the manufacture of infant milk powder.

Markets that were initially very European (Germany, United Kingdom, etc.) then expanded to third countries with mozarella (investment Eurial in Herbignac and then in Luçon) and infant formula milk.

Infant milk has been the subject of numerous investments in the region: Lactalis group in Mayenne, Montaigu dairy in Vendée, Savencia in Mayenne on its Sofivo site (in total, a capacity increase of more than 50 000 tons in the region).

FIG. 6: SHARE OF DAIRY PRODUCTS IN PAYS DE LA LOIRE IN 2007 AND 2017 (Source: PEP CA Pays de la Loire according to data SRISE)



Less dynamic sectors in the region: fluid milk and cream

The highly competitive fluid milk industry has lost weight over the last 10 years. 2014 saw the closure of two sites (Candia in Sarthe to massify the offer on the site of Campbon in Loire Atlantique, and Terra Lacta in Vendée). At the same time, St Père dairy, thanks to Intermarché (its client and shareholder), has increased its UHT milk packaging capacity in Loire Atlantique.

Also down, the manufacturing of packaged cream (in favor of Normandy), while those of butter have stabilized and are likely to start up again with the growth in international demand (Laïta project in Ancenis).

After a strong development following the Lactalis-Nestlé partnership in 2006, the ultra-fresh sector is experiencing turbulence over the recent period, with Novandie announcing the dismissal of 60 out of 120 employees in its Sarthe plant (after previous restructuring in Brittany).

A discreet presence of the official signs of quality but a good positioning in organic milk

Companies in the region are differentiated in the market by strong brand policies and product innovations. Differentiation by signs of quality (other than organic farming) is however very rare: there are some products processed under Red Label (Mimolette produced by Lactalis Bouvron: 3 000 tons per year, butter AOP Charentes-Poitou, manufactured partly in Vendée).

The region accounts for 24% of the national collection of organic milk, which is growing rapidly (+ 30% in the first half of 2018) to meet the strong national demand. About twenty operators - the main stakeholders in the organic sector - collect in the Loire Valley (Lactalis, Sodiaal, St Père dairy, Eurial, as well as specialized collectors and / or processors such as Biolait, the Fromagerie de Montsûrs, the Ets Gaborit ...). Farm milk processing is marginal: less than 0.2% of regional production (5.6 million liters).

Outlets mainly outside the region and abroad

With only 5.5% of the national population, the region produces and processes nearly 16% of French milk. It covers 3.5 times its needs (France: 1.2 time). In cheese, a large part of the fabrications is destined for export: 50% at Bel, more than 60% at Lactalis - Célia in Craon, or Savencia (very turned towards the German market). Same thing for milk powder, exported for two thirds out of France.

Overall, 17% of the turnover of the regional dairy industry would be exported (monoregional or near monoregional enterprises - source: Esane 2015).

PART 4

RELATIONS IN THE DAIRY SECTOR: PRODUCERS IN THE PROCESS OF ORGANIZATION

Except for the three cooperatives present in the region, whose relationships with members are managed within a statutory framework, producer - processor relations are increasingly organized within Producer Organizations (POs) and via contracting.

In France, 95% of producers who deliver their milk to a private group have signed a marketing contract, but only 40% of the collection is organized by POs. This rate is higher in Pays de la Loire: it varies from 50% to almost 100% depending on the company. It has indeed progressed with the implementation of new specifications bearing capital gains (example: no GMO), conditioned by a membership in the OP.

To date, 12 approved OPs operate in the region. Three are specialized in organic milk: the SAS Biolait with national vocation, the Cooperative Society organic milk of Maine, and the Association of organic milk producers Seine et Loire.

Two POs each bring together almost all the deliverers of the two regional dairies: Association of Saint Père producers (Loire Atlantique), and OP Vaubernier (Mayenne).

Producers delivering to large private groups are organized in OPs by establishment, which are grouped into regional or interregional associations:

- Association of Producers Bel West (APBO);
- Association of milk producers Lactalis Brittany and Pays de la Loire (APLBL), and OP of Western producers (OPLGO) members of the UNELL (National Union of Livestock Producing Lactalis);
- For the Savencia group: 4 OP (1 per establishment) member of the national AOP Sunlait, which is able to negotiate prices and volumes.

France Milk Board, a national OP, also brings together breeders from the region.

PART 5

SWOT ANALYSIS OF THE DAIRY SECTOR IN PAYS DE LA LOIRE REGION

S — STRENGTHS

- High density of production and processing
- Many industrial jobs
- Soil potential - climate
- Complementarity crops - livestock
- Numerous recent investments in farms and processing companies
- Differentiated products with good added value and strong brands
- Dynamism of organic dairy production
- Exported products
- Environmental assets
- Reasonable cost of land compared to Northern Europe
- Quality port and road infrastructures
- Growing collective organization of producers

W — WEAKNESSES

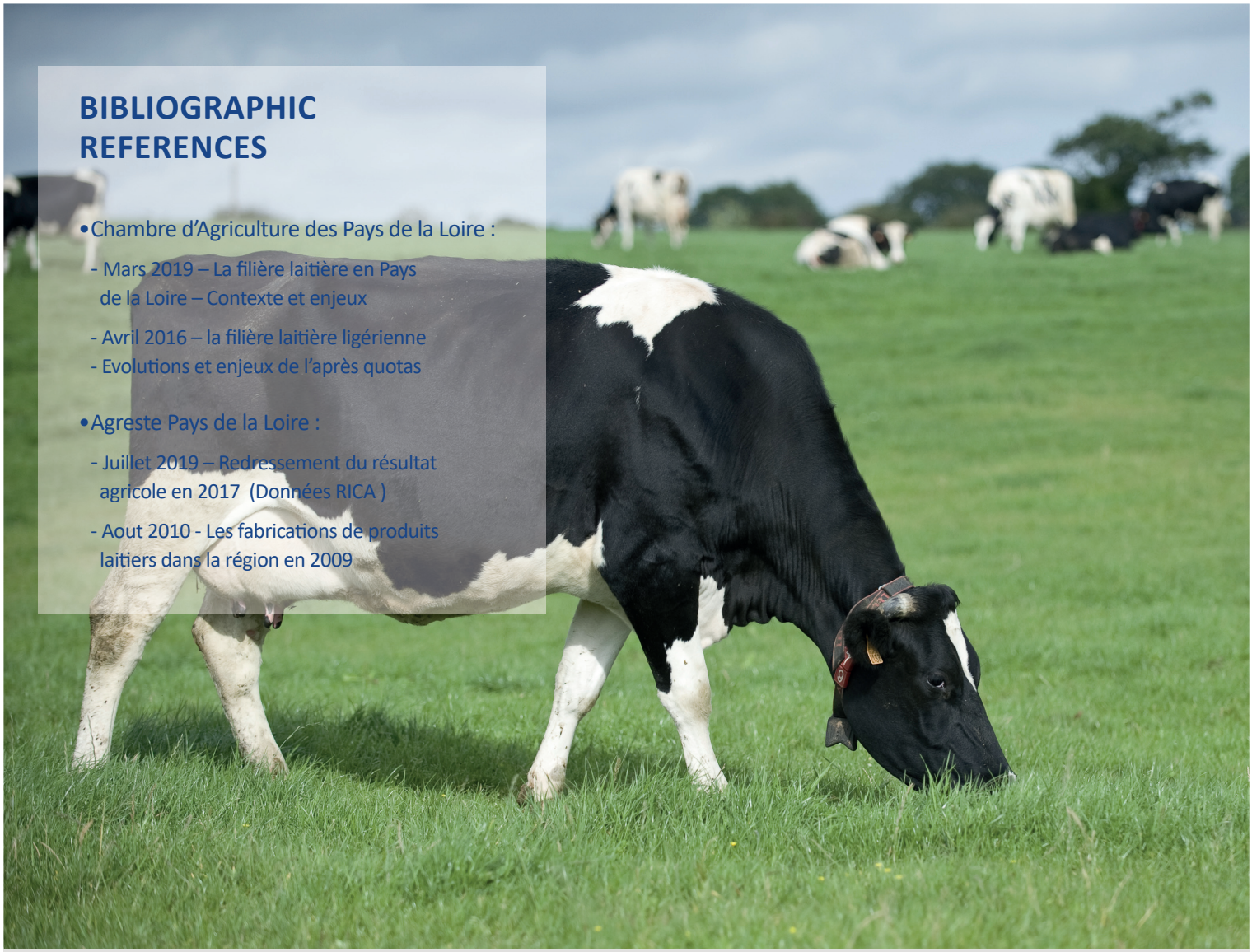
- Unbalanced relations within the sector (low weight of Pos in the face of large groups)
- Dependance on CAP aid, the level of which drops for the most intensive systems
- Few products under official quality signs
- Ageing assets
- Some farms weakened by recent investments
- Less attractive production with lower profitability
- Protein dependance of the farms
- Increasing capital needs

O — OPPORTUNITIES

- Significant and diversified national consumption (segmentation), even though it is now stabilized
- Growing global demand for a heavy trend towards value-added products
- New valuations of dairy products (non-food)
- New potential opportunities with bilateral agreements being negotiated?

T — THREATS

- Slowing economic growth in emerging countries and global demand
- Increasing intra-european competition, with risks of distortion if renationalisation of the CAP
- Risks of increased imports if bilateral agreement with Oceania / USA
- Increasing influence of flexitarian movements and vegans
- Increasing climatic and sanitary hazards
- Commercial and diplomatic tensions at the international level
- Strengthening environmental constraints
- Growth in production costs (energy, inputs, labor)



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REPORT WRITING

CHAMBRE D'AGRICULTURE DES PAYS DE LA LOIRE

https://extranet-loire.chambres-agriculture.fr/

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