



DAIRY 4 FUTURE FINALE CONFERENCE  
« TACKLING THE CHALLENGES OF  
THE ATLANTIC AREA DAIRY SECTOR »



# Outlook and trends of dairy sector in the Atlantic Area

Marion Cassagnou, IDELE

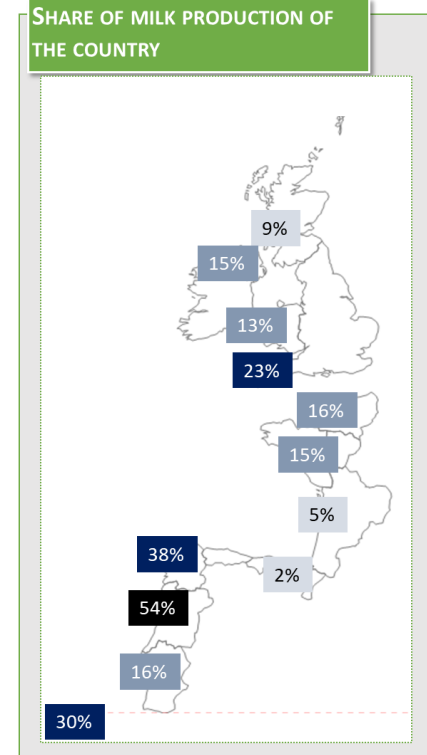
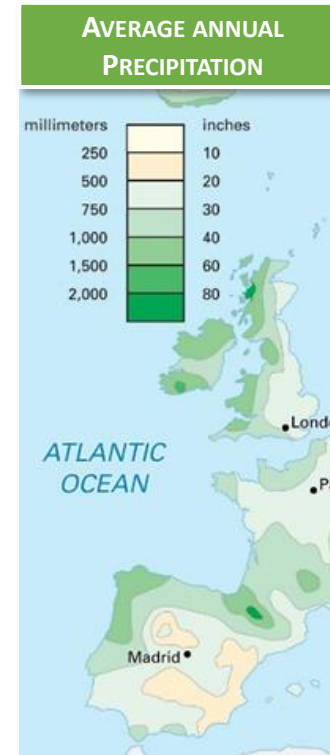


Saint-Malo, France

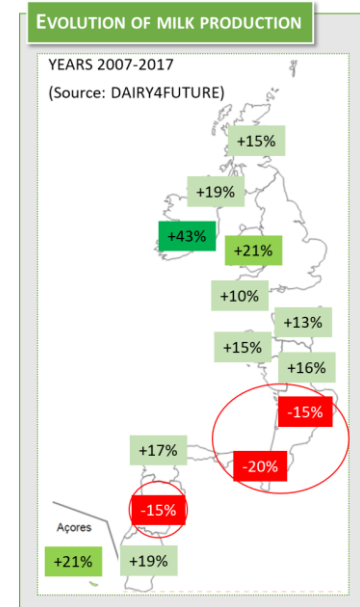
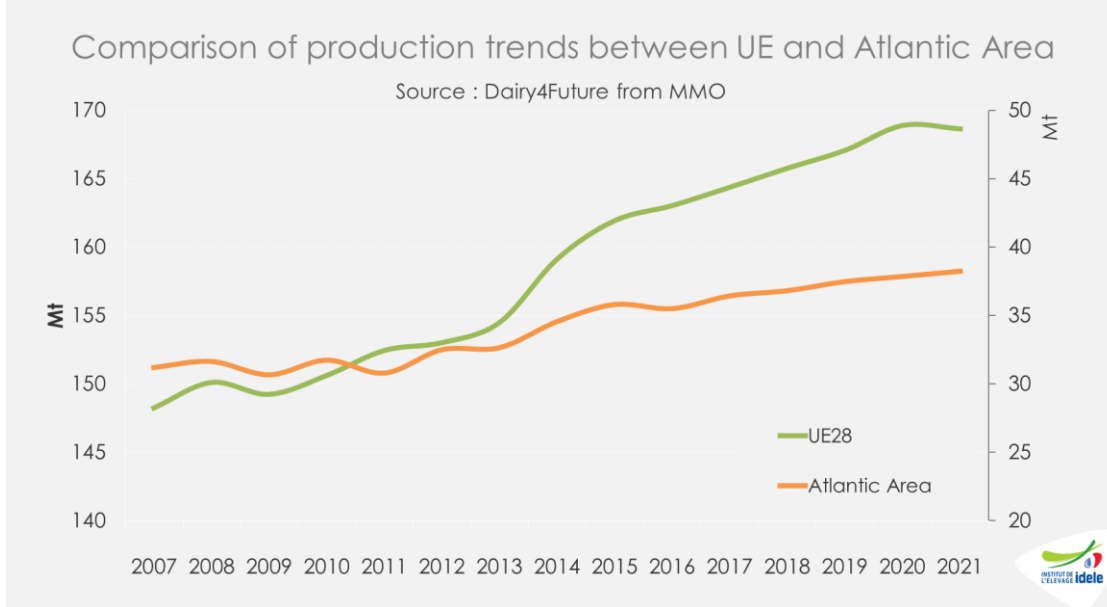
27<sup>th</sup> September 2022

# Introduction

- From 20% in 2007, Atlantic Area represented 24% of the EU28 milk production in 2021
- Favourable area to produce milk : thanks to important rainfalls and adequate conditions for fodder production and grazing
- High density of processing plants near consumption basin and near international harbor for export



# Trends and dynamism during last two decade

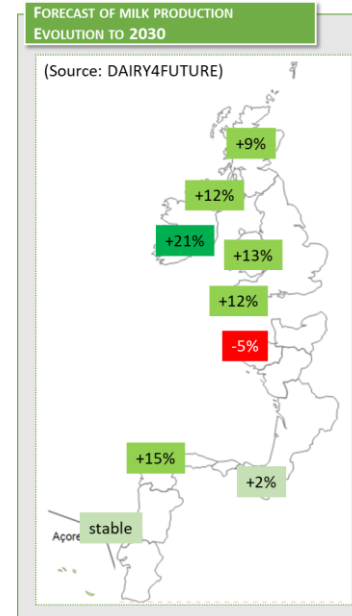
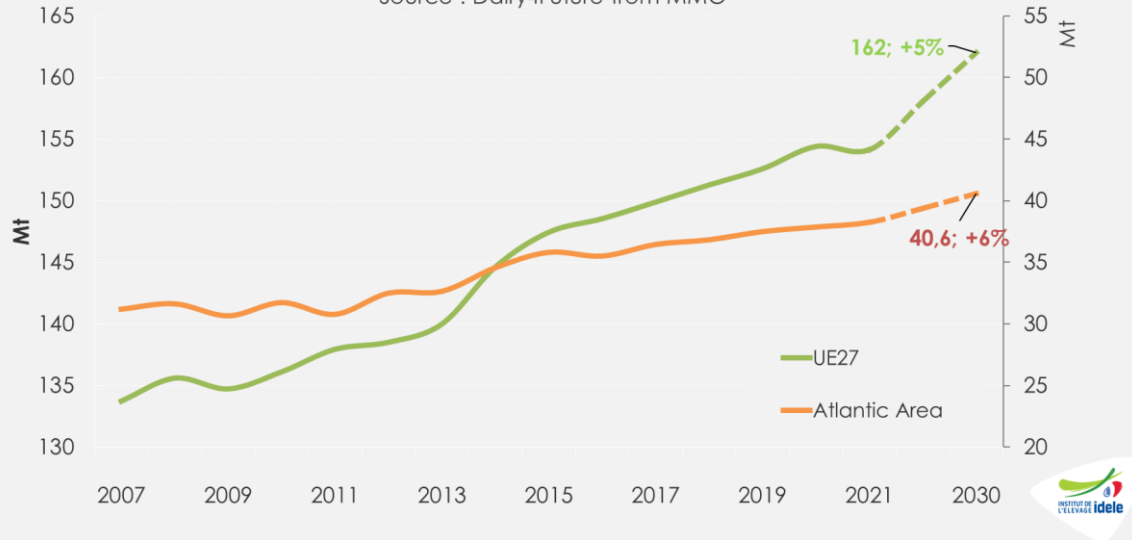


- Between 2007 and 2021, milk production increased +7 Mt (+23%), which is nearly one third of the growth of EU28 during the same period.
- Unless 3 regions, all parts registered rises.

# Trends and dynamism expected for 2030

Comparison of production trends between UE and Atlantic Area

Source : Dairy4Future from MMO



- Milk production in the Arc Atlantic area is expected to keep increasing but mostly in the north of the area, and quicker than in the EU.

# Projected growth thanks to a higher productivity



Dairy cow numbers projected to increase



Average milk yield per cow and milk solids are projected to increase



Dairy farm numbers projected to decrease: less but bigger

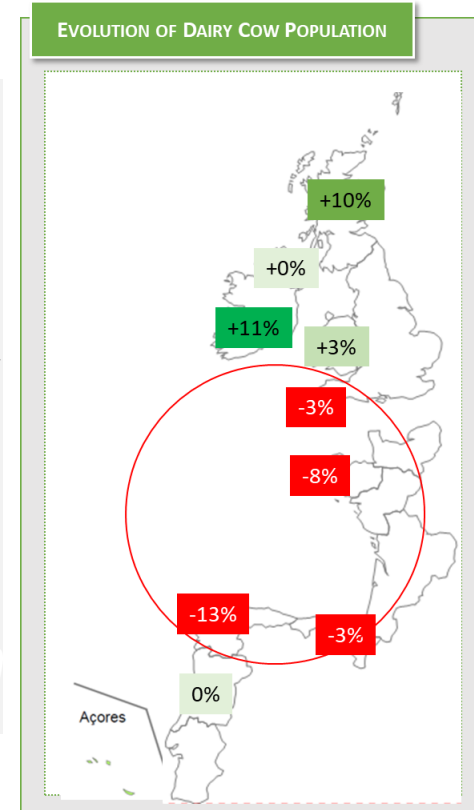
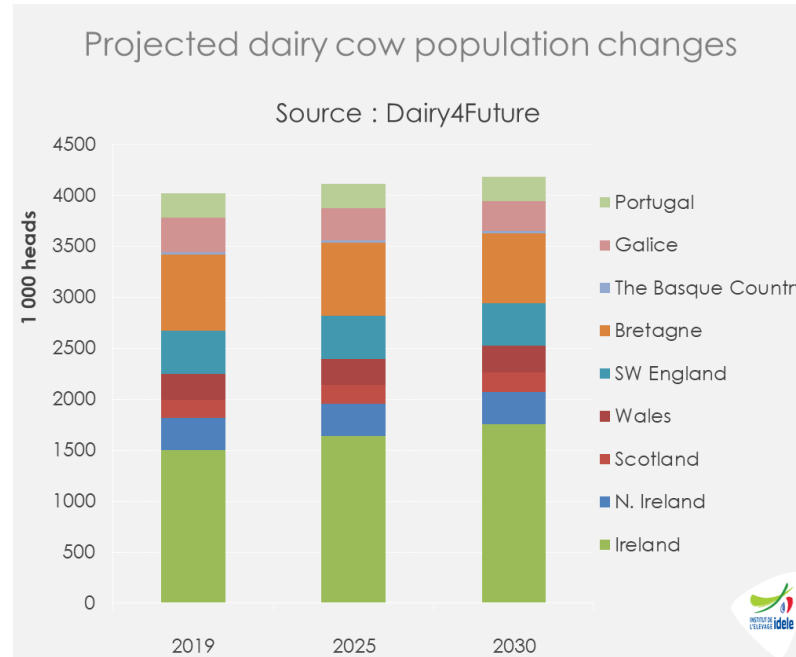


Milk deliveries are expected to increase



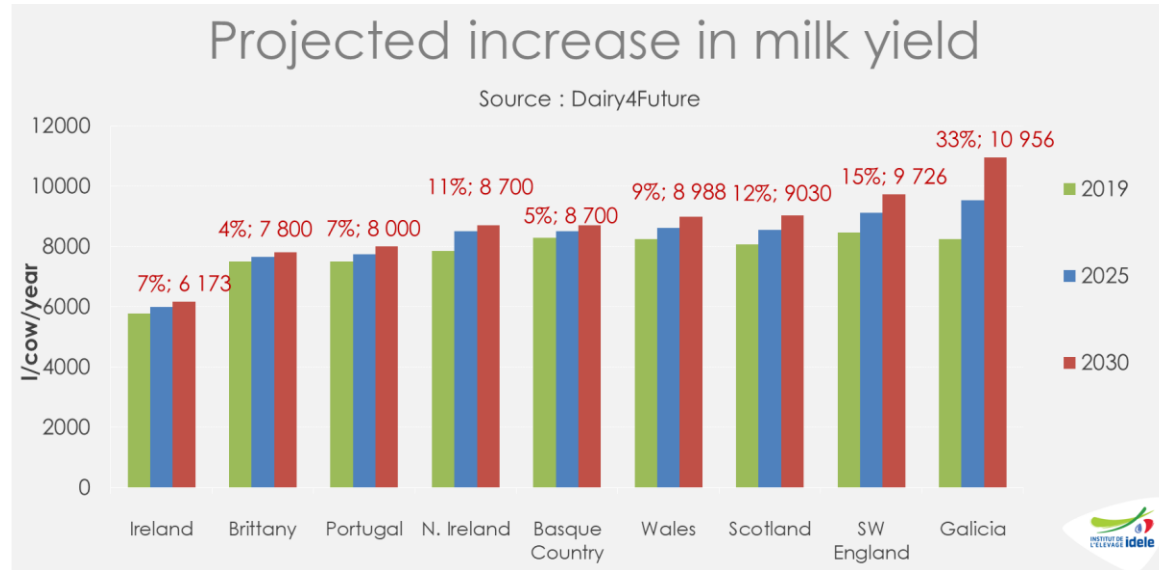
# Dairy cow numbers projected to increase

- +2% expected mainly thanks to the north area



# Average milk yield per cow and milk solids are projected to increase

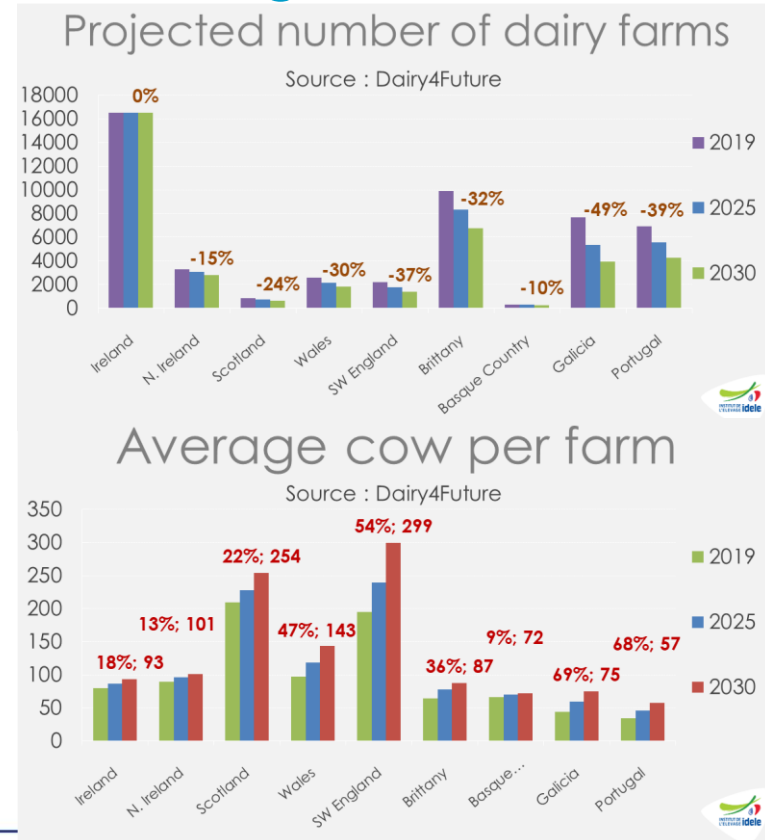
- Increase in volume expected for all areas
- Yields mainly depend on the feed requirement (grazing and quantity of concentrate).
- The main dynamic keeps to be in the north except for Galicia



# Dairy farm numbers projected to decrease: less but bigger meaning more restructuring

## Different strategies emerge

- Ireland : increase in herds and yields
- UK : large farms and yields exceeding 9 000 l/cow
- France : decline in number of farm and cows even in the West
- Spain : increase production with more productivity per cow
- Portugal : different systems and strategies



# Factors that could constrain the milk production

**TABLE 2: RISK FACTORS THAT COULD POTENTIALLY CONSTRAIN FUTURE MILK PRODUCTION DAIRY AND OUTPUT SELF-SUFFICIENCY BY NORTH ATLANTIC REGION FROM 2019 TO 2030**

Risk factors	REP. OF IRELAND	NORTHERN IRELAND	WALES	SCOTLAND	SOUTH WEST ENGLAND	BASQUE COUNTRY	BRITTANY
Environment: greenhouse gas emission	Red	Red	Yellow	Red	Yellow	Yellow	Red
Processing capacity	Red	Red	Red		Yellow		
Access to land	Red	Red	Yellow	Yellow	Red		Red
Environment: water quality	Red	Red	Yellow	Yellow	Yellow	Yellow	Red
Environment: biodiversity	Red	Red		Yellow	Yellow	Yellow	
Access to labour	Yellow	Yellow	Yellow	Red	Red		Red
International trade agreements	Yellow	Yellow	Yellow	Red	Yellow		Yellow
Changing Ag policy (replacing CAP)			Yellow		Red		
Brexit	Yellow	Yellow					
Lack of succession plan				Yellow			Yellow
Tenancy				Yellow			
Gross margin (contracts)				Yellow			

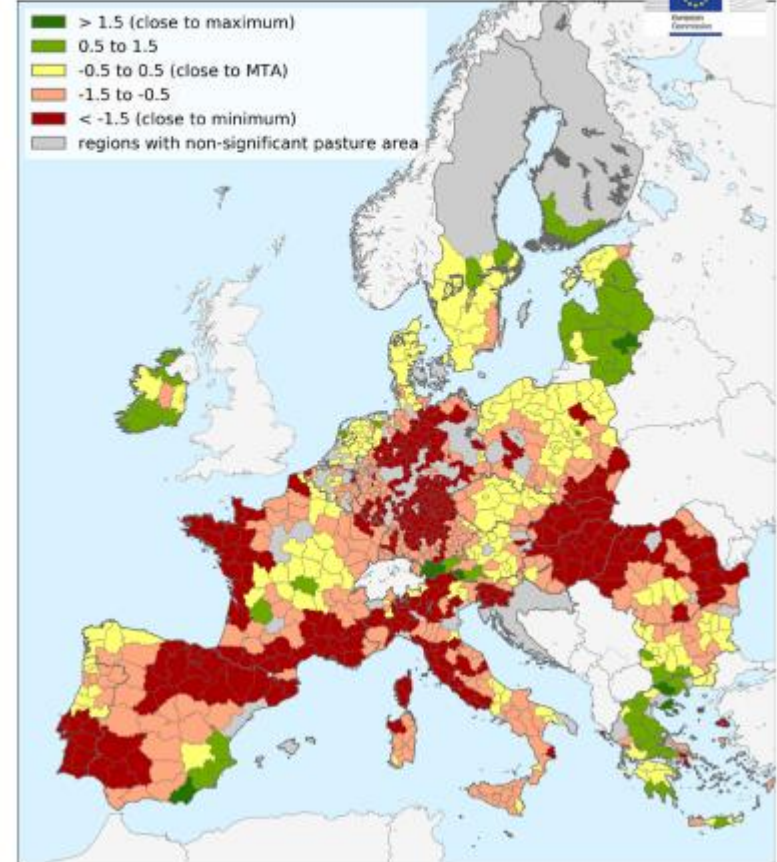
# Actual situation

- Covid pandemic has disrupted the logistics and especially the consumption of dairy products.
- Climate change maybe faster than expected
- Inflation on cost production (energy, fertilizers, feed...)

## Pasture Productivity Index

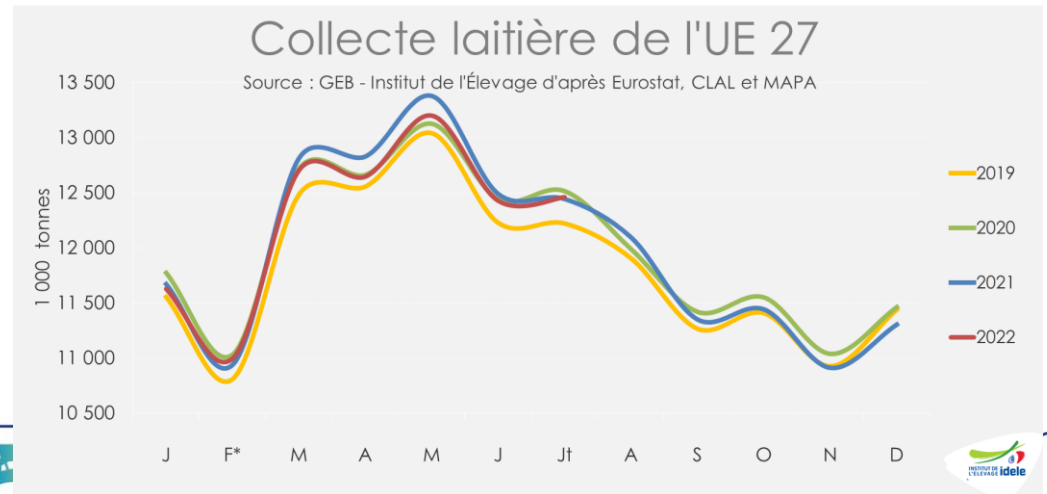
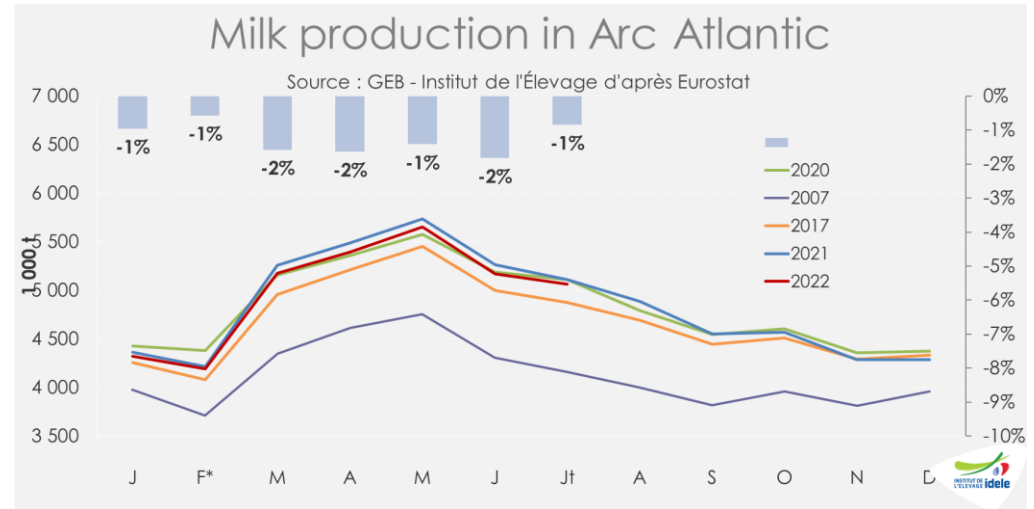
Period of analysis: 1 July - 10 August 2022

Index based on MODIS NDVI 10-day product.  
Medium-term average (MTA) 2012-2021



# Less milk in 2022

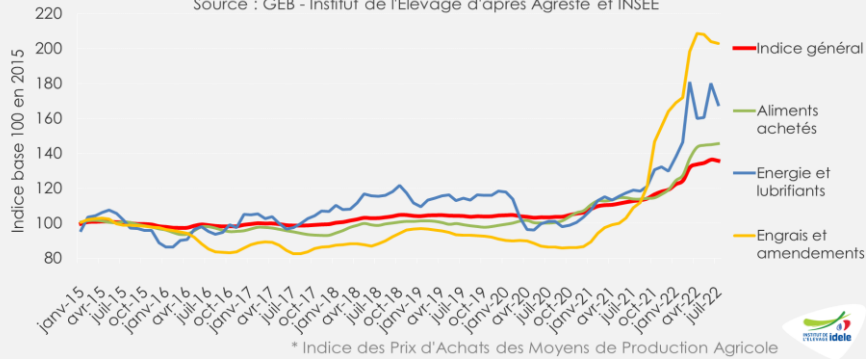
Because of weather and high costs, milk production keeps in a downside trend



# Huge increase in production costs

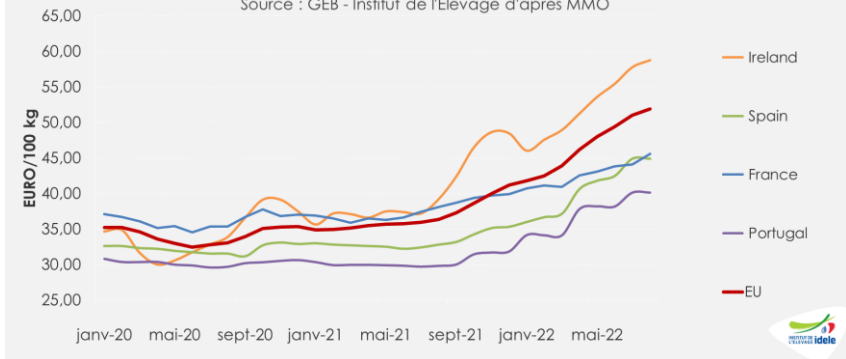
Evolution de l'IPAMPA\* Lait de vache

Source : GEB - Institut de l'Élevage d'après Agreste et INSEE



Milk prices

Source : GEB - Institut de l'Élevage d'après MMO



French indicator, the Index of average Purchase Prices of Agricultural Product (IPAMPA) measures changes in the purchase prices by farmers for their inputs

- Général index ; -- Aliments achetés ; -- Energie et lubrifiants ; -- Engrais et amendements

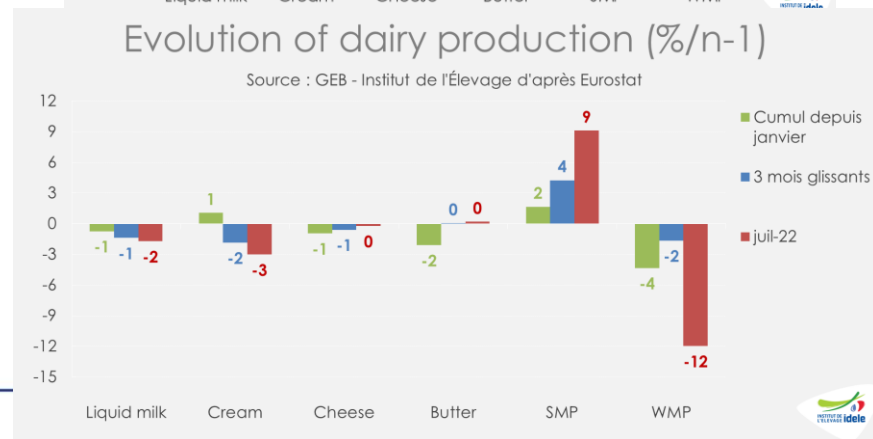
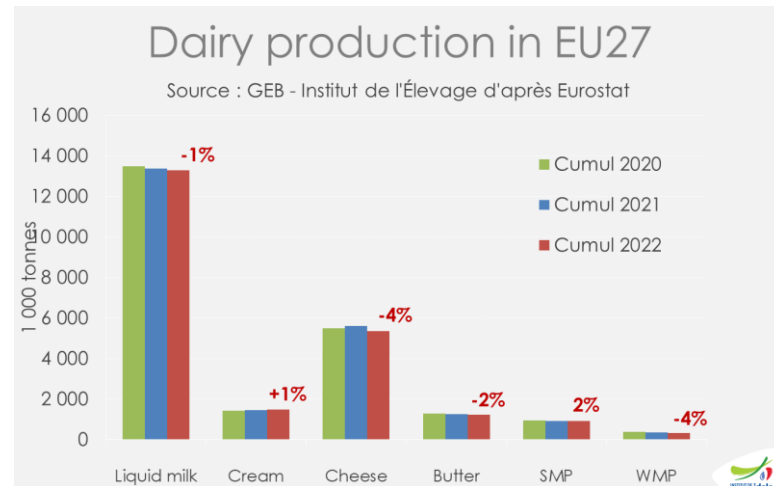
Unless milk prices keeps climbing to records, margins are not necessarily incentive.

Farmers remain cautious in their production choices.

It could change in the next months, depending on grass growth and feed prices.

# Less milk means less dairy products

- Liquid milk consumption in dropping fastly so production is following the same trend
- Last two months, SMP production rebounded (geopolitical context)

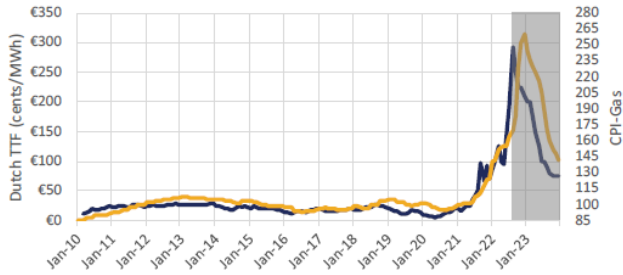


# On the specific point of gas

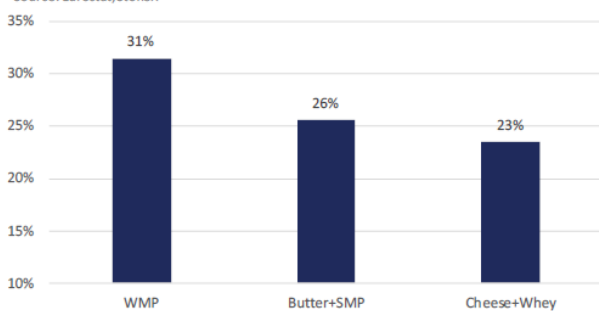


Hausse des coûts de transformation.

EU Natural Gas Commodity Price vs CPI

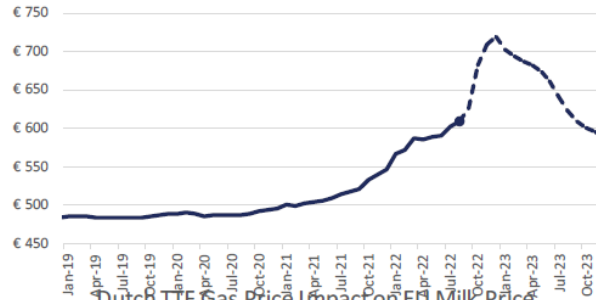


Change in EU Processing Costs (2020 to 2023)

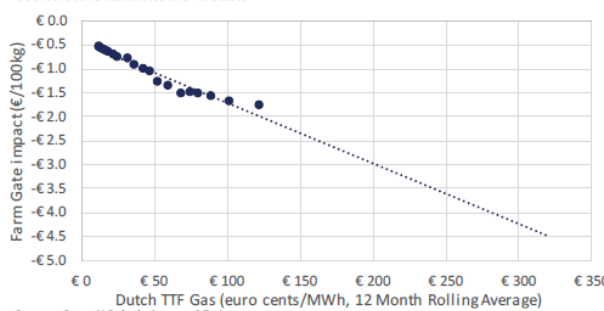


Source: StoneX Calculations, Estimates and Forecasts

Processing Costs (euro/MT of SMP)



Dutch TTF Gas Price Impact on EU Milk Price

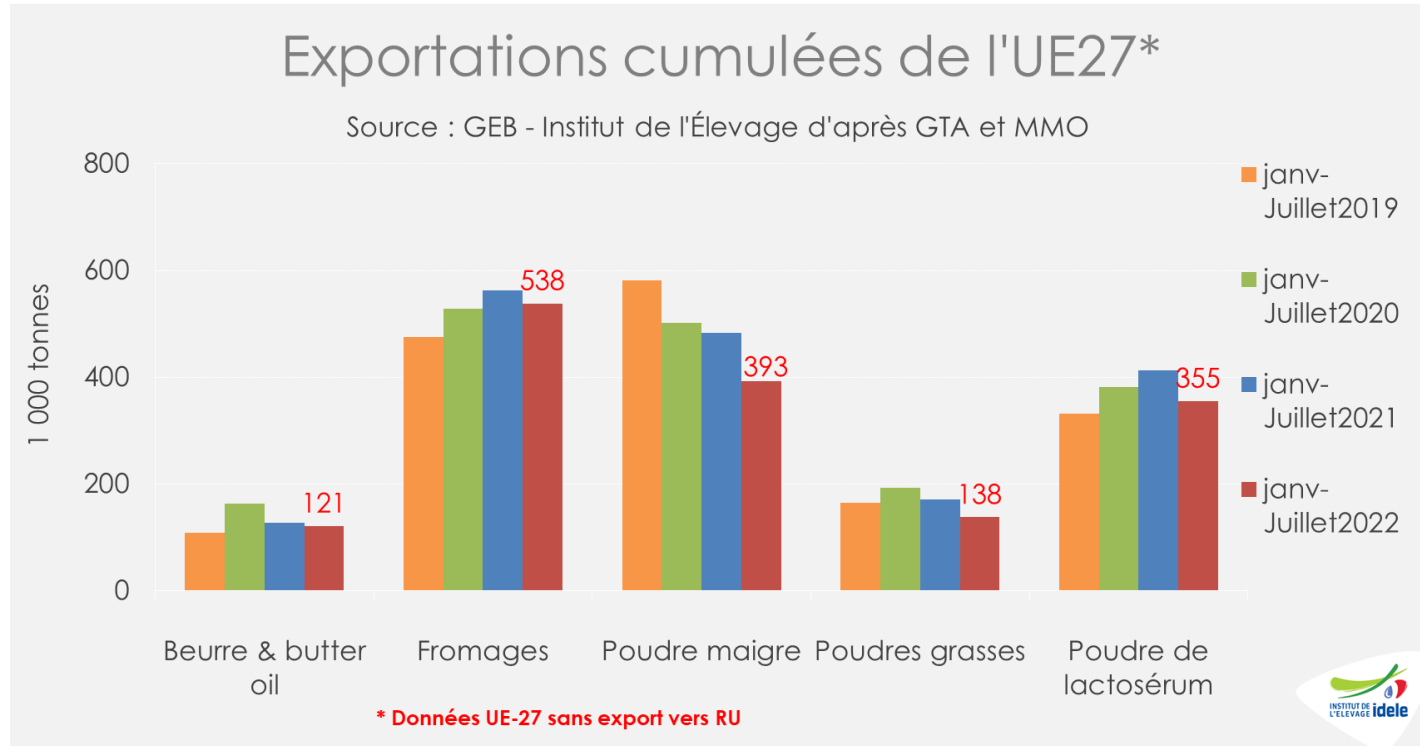


Source: StoneX Calculations and Estimates

Increase in processing cost that could lead :

- to a decrease in milk prices for farmers
- to a change in the processing product

# Exports below last year level





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# Conjoncture et perspectives de la filière laitière dans l'Esace Atlantique

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27<sup>th</sup> September 2022