



International workshop

CATTLE SECTOR DEVELOPMENT IN TRANSITION COUNTRIES OF CEE

22 August 2008, Vilnius - Le Meridien Villon Convention Centre

in the context of the 59th EAAP Annual Meeting

**Workshop jointly organized by:
EAAP Cattle Network Working Group
EAAP CEEC Contact Working Group
EAAP Cattle Commission**

CATTLE SECTOR DEVELOPMENT IN TRANSITION COUNTRIES OF CEE

22 August 2008, Vilnius

Analysis of developments in new EU member states based on the dairy quota situation

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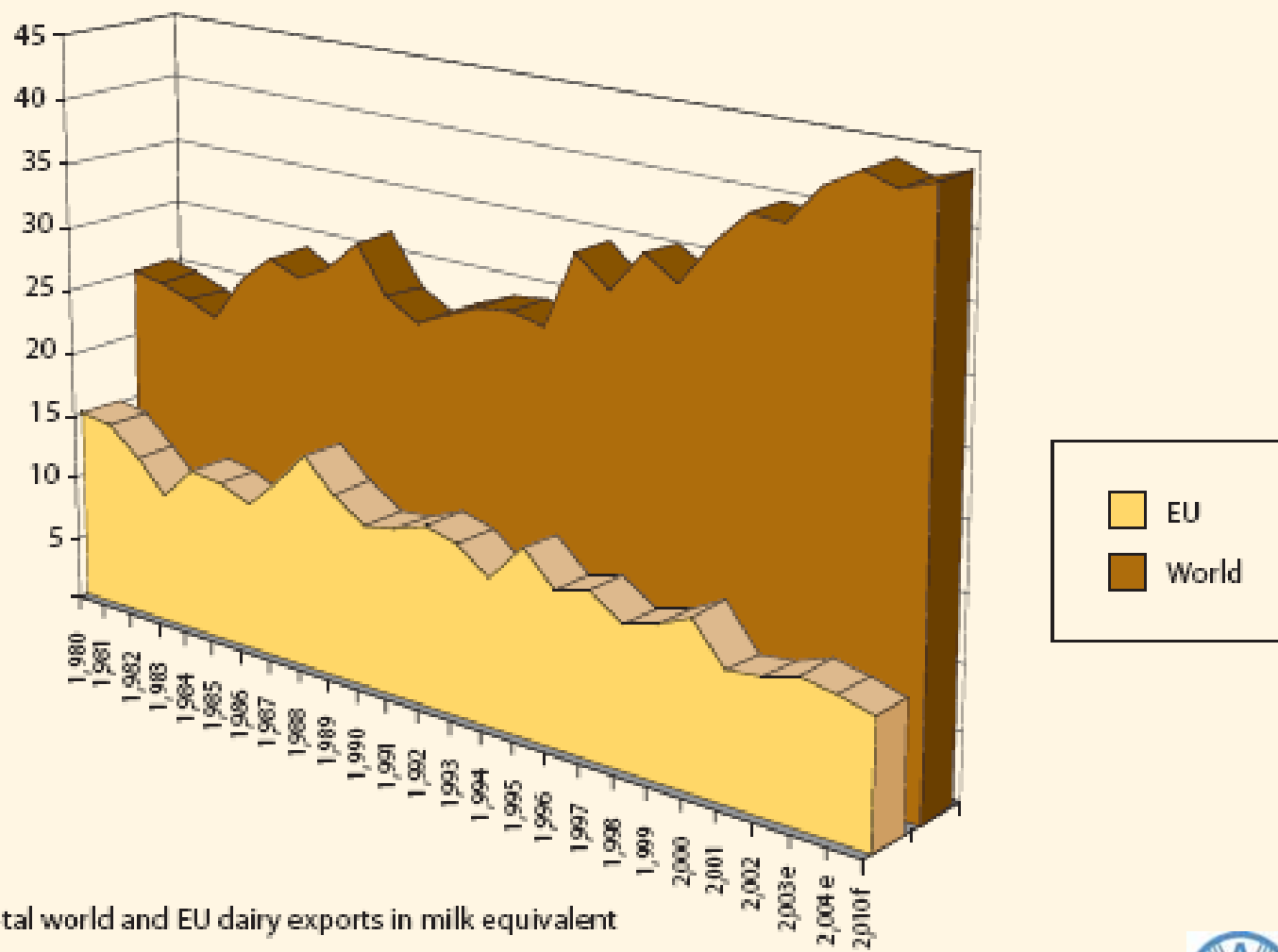
World cow milk production in % and mln. ton

| Country | 2000 | 2005 |
|-----------------------|--------------|--------------|
| | mln. ton | mln. ton |
| EU-25 | 143.0 | 143.9 |
| USA | 75.9 | 79.6 |
| Global Dairy Alliance | 57.3 | 63.2 |
| - Australia | 10.8 | 10.5 |
| - New Zealand | 12.7 | 14.2 |
| - Argentina | 9.8 | 10.0 |
| - Brazil | 20.6 | 24.2 |
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| Other countries | 213.5 | 240.3 |
| Total | 489.8 | 527.0 |

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World trade in milk equivalent



Total world and EU dairy exports in milk equivalent

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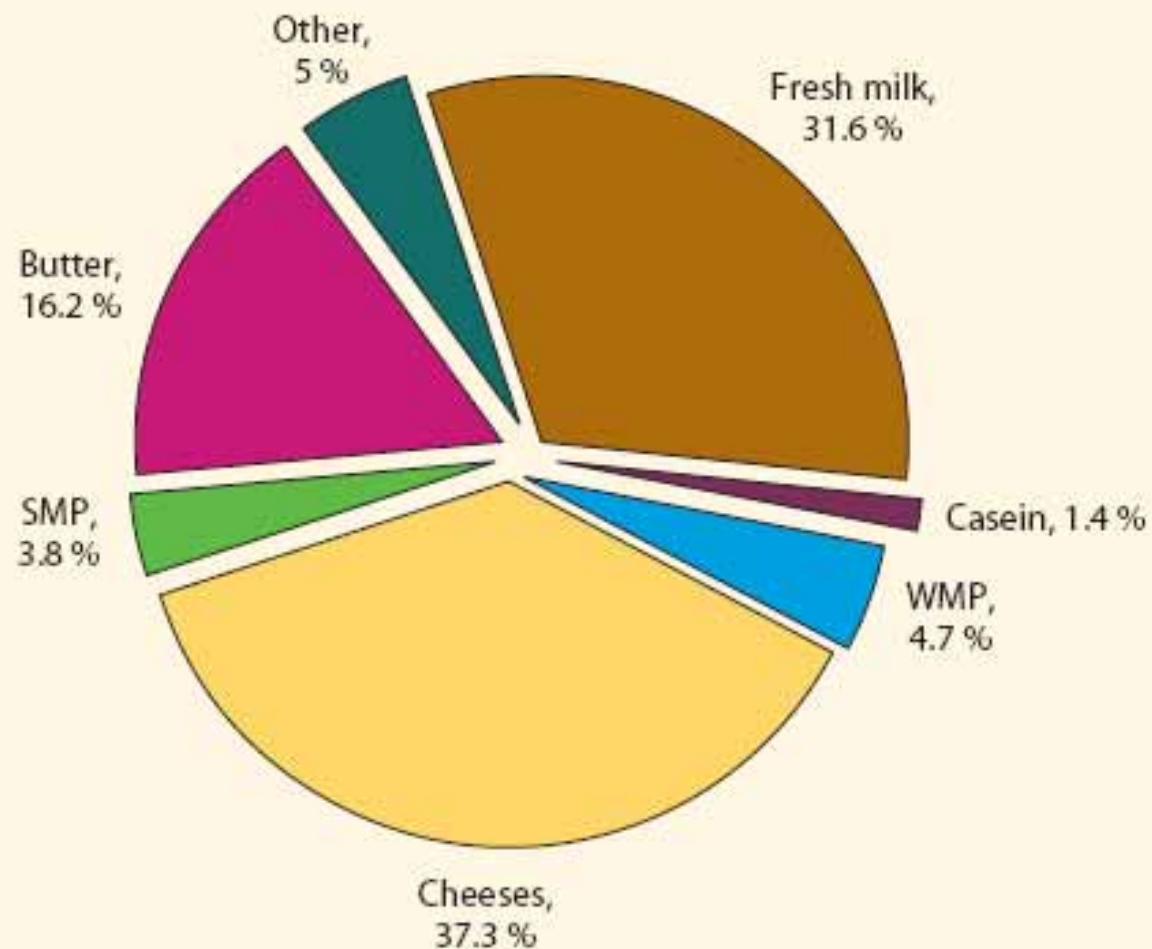
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| - New Zealand | 19.6 | 23.8 |
| - Argentina | 3.5 | 4.6 |
| - Brazil | 0.1 | 1.0 |
| - Chile | 0.2 | 0.7 |
| - Uruguay | 1.0 | 1.8 |
| Other countries | 15.4 | 17.4 |
| Total | 100 | 100 |

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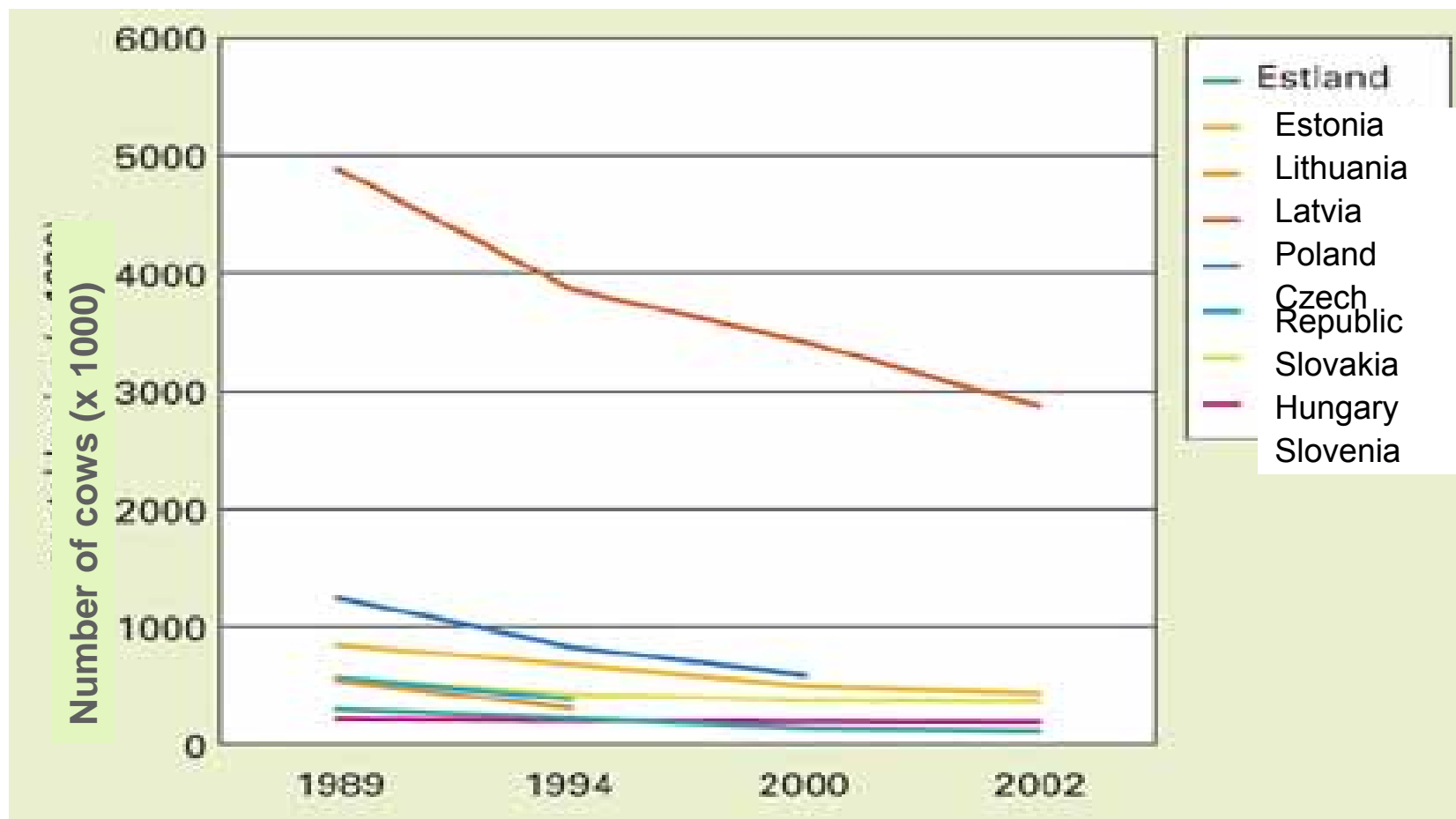
Milk used in dairy products in the EU (2006 forecast) ⁽¹⁾



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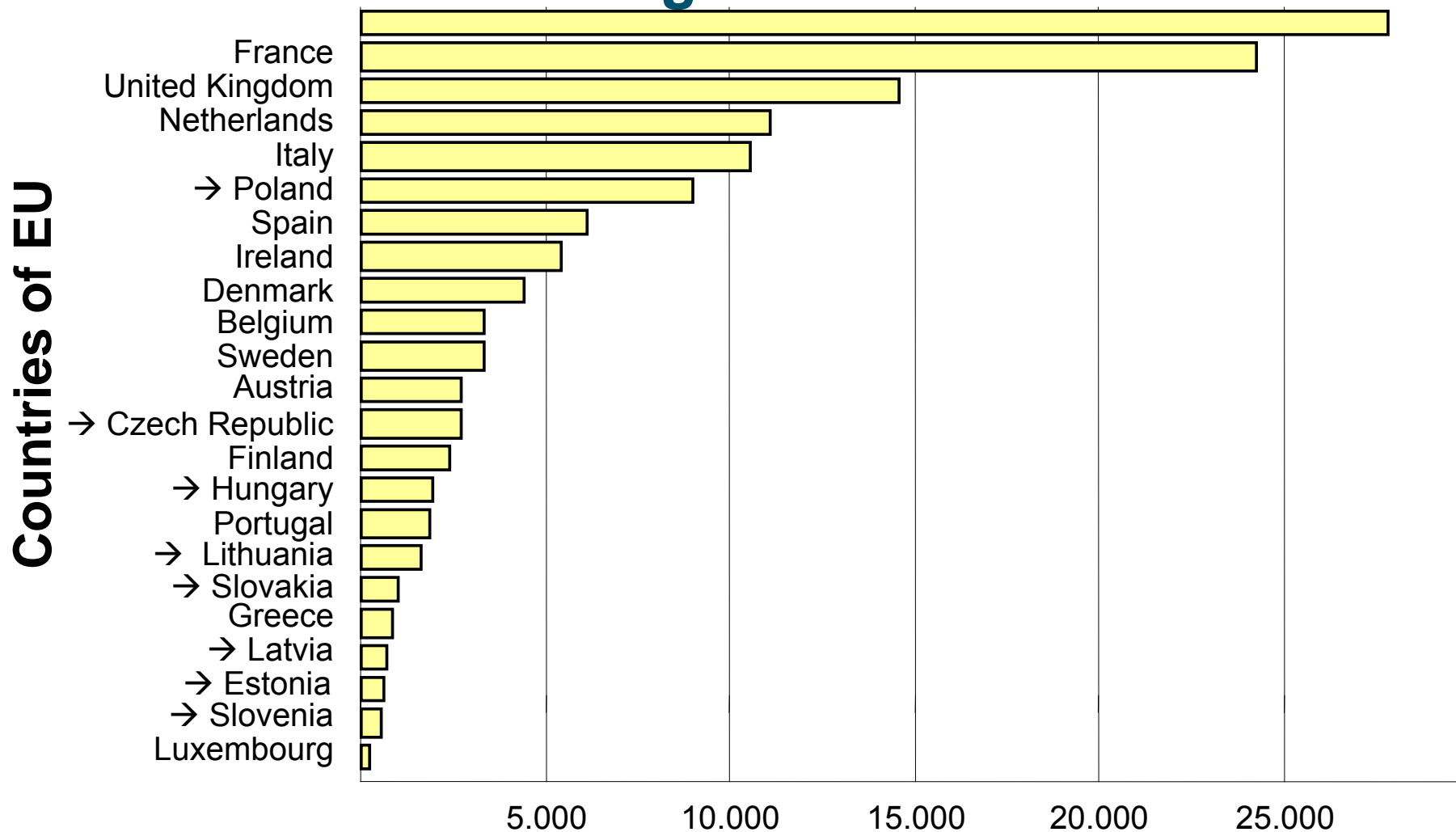
Trends in dairy cows in CEE countries before EU



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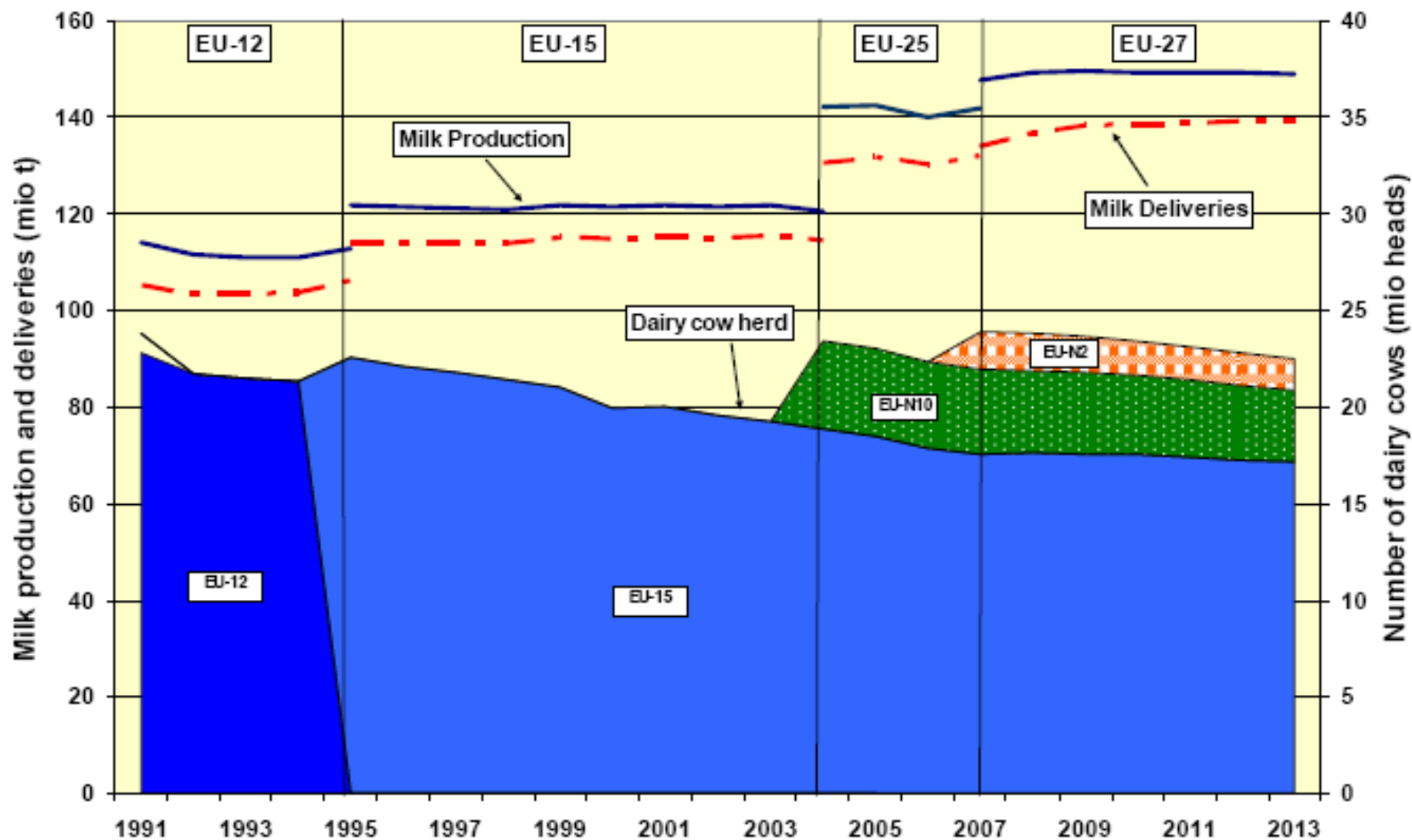
Quota assigned to Countries



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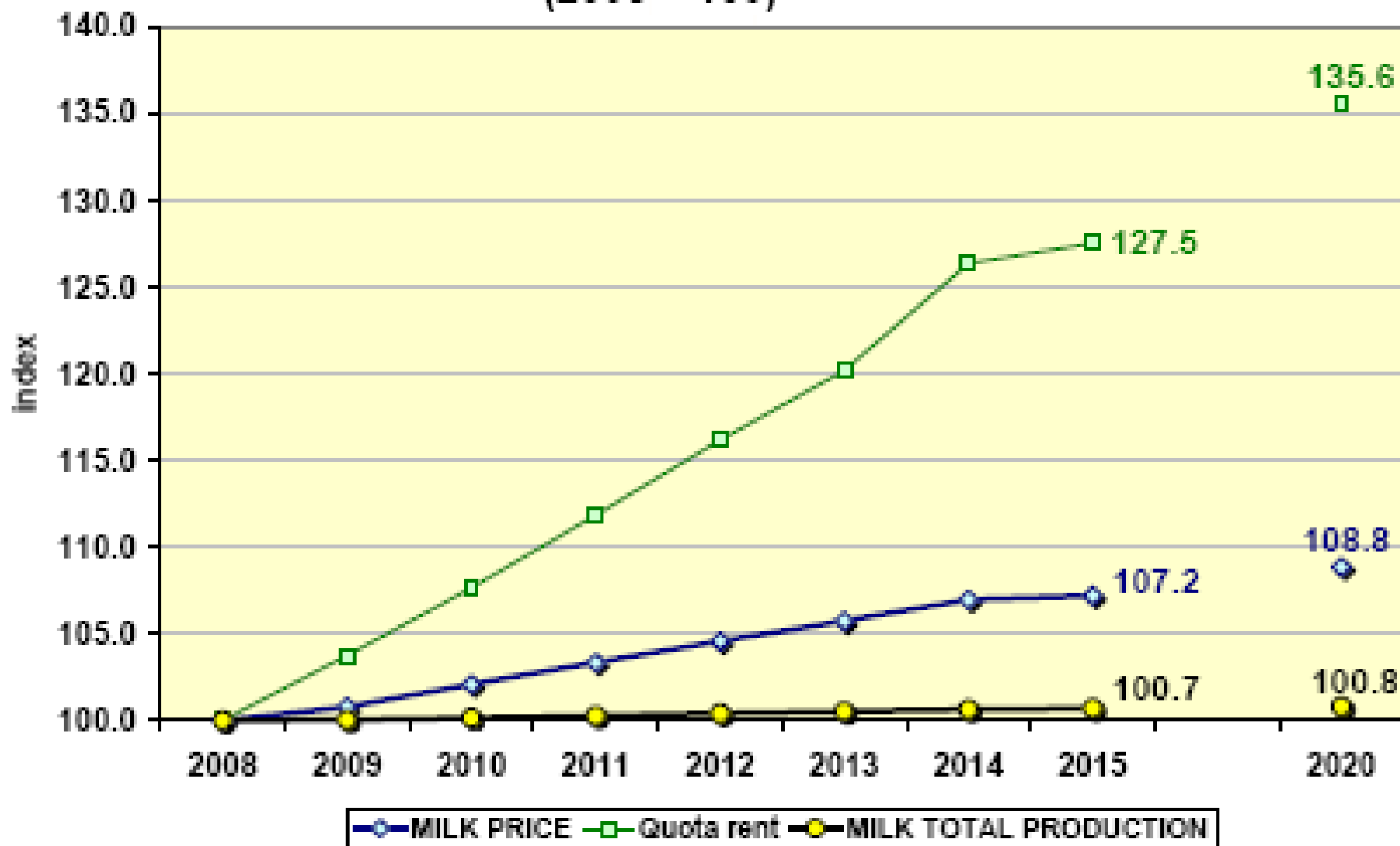
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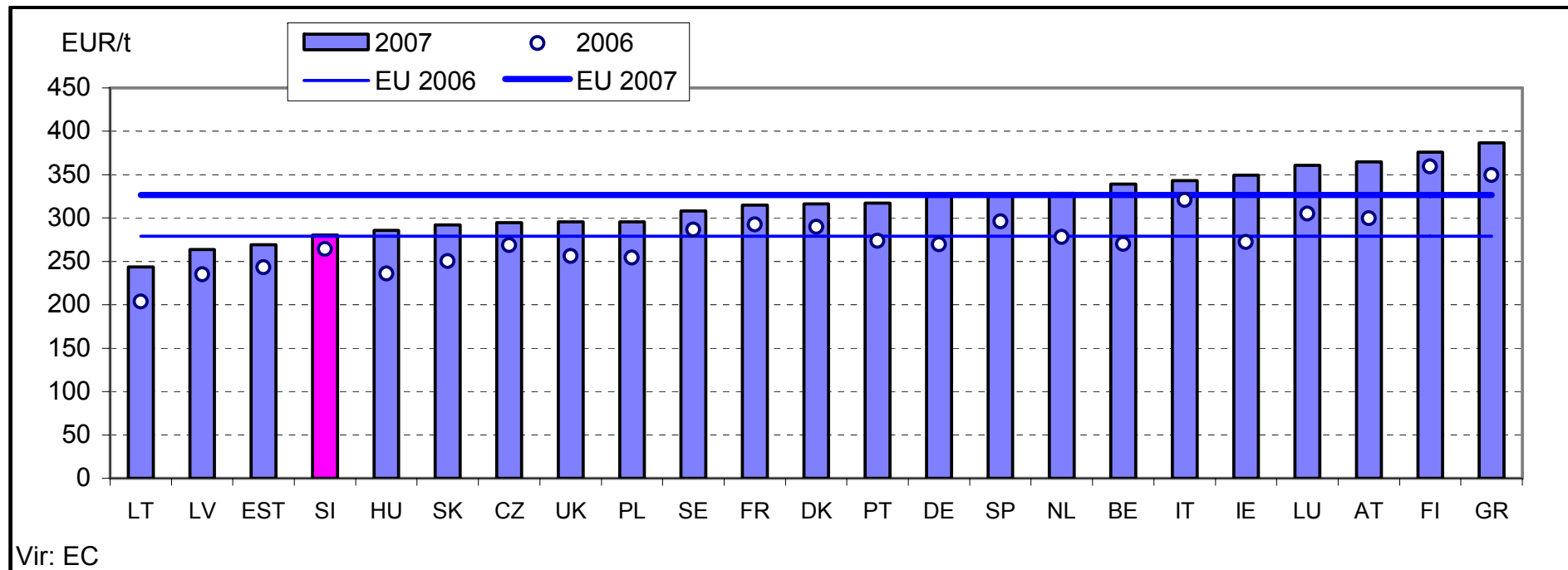
EU milk production, milk price and quota rent (2008 = 100)



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Milk prices 2006 - 2007



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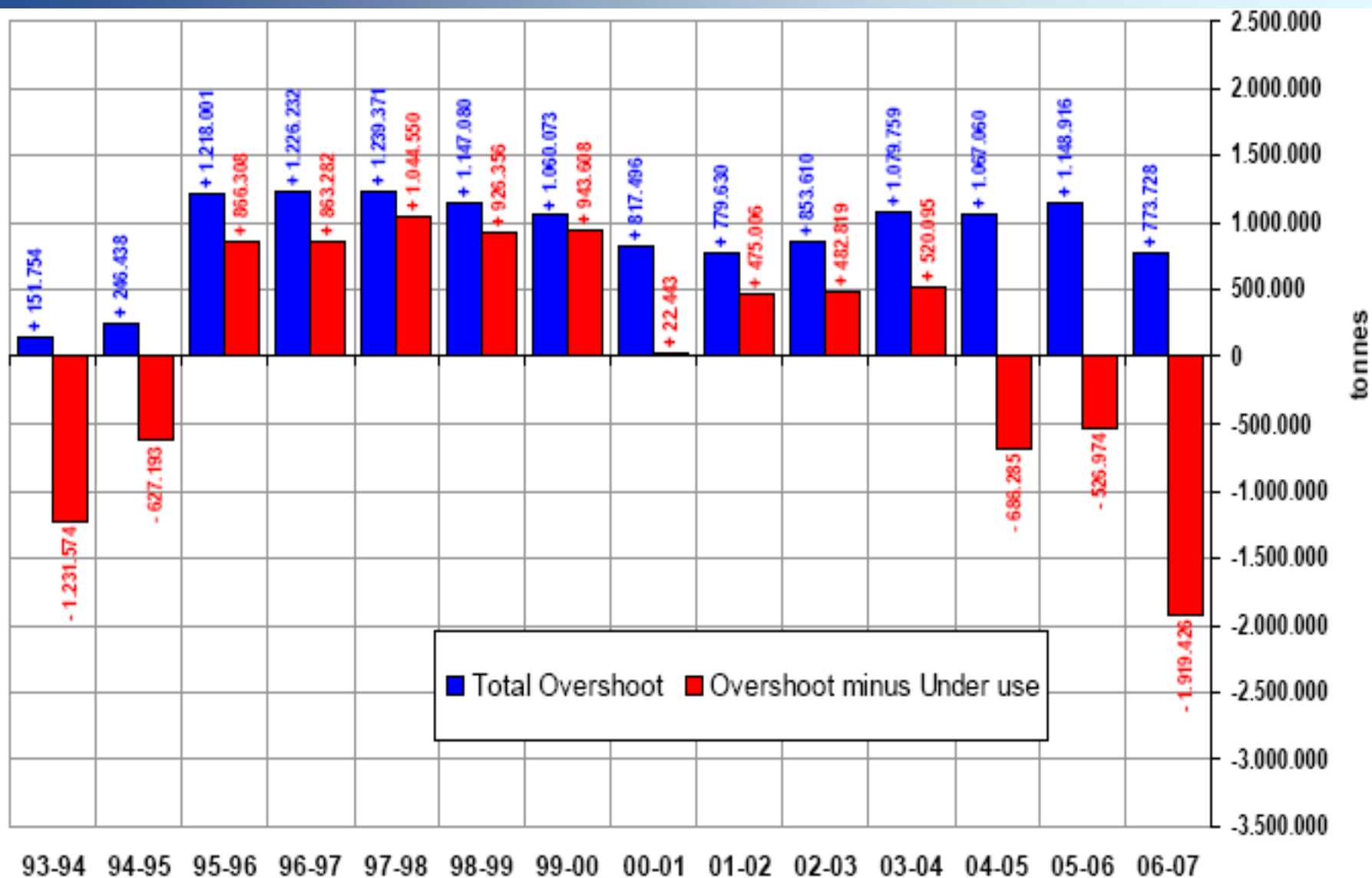
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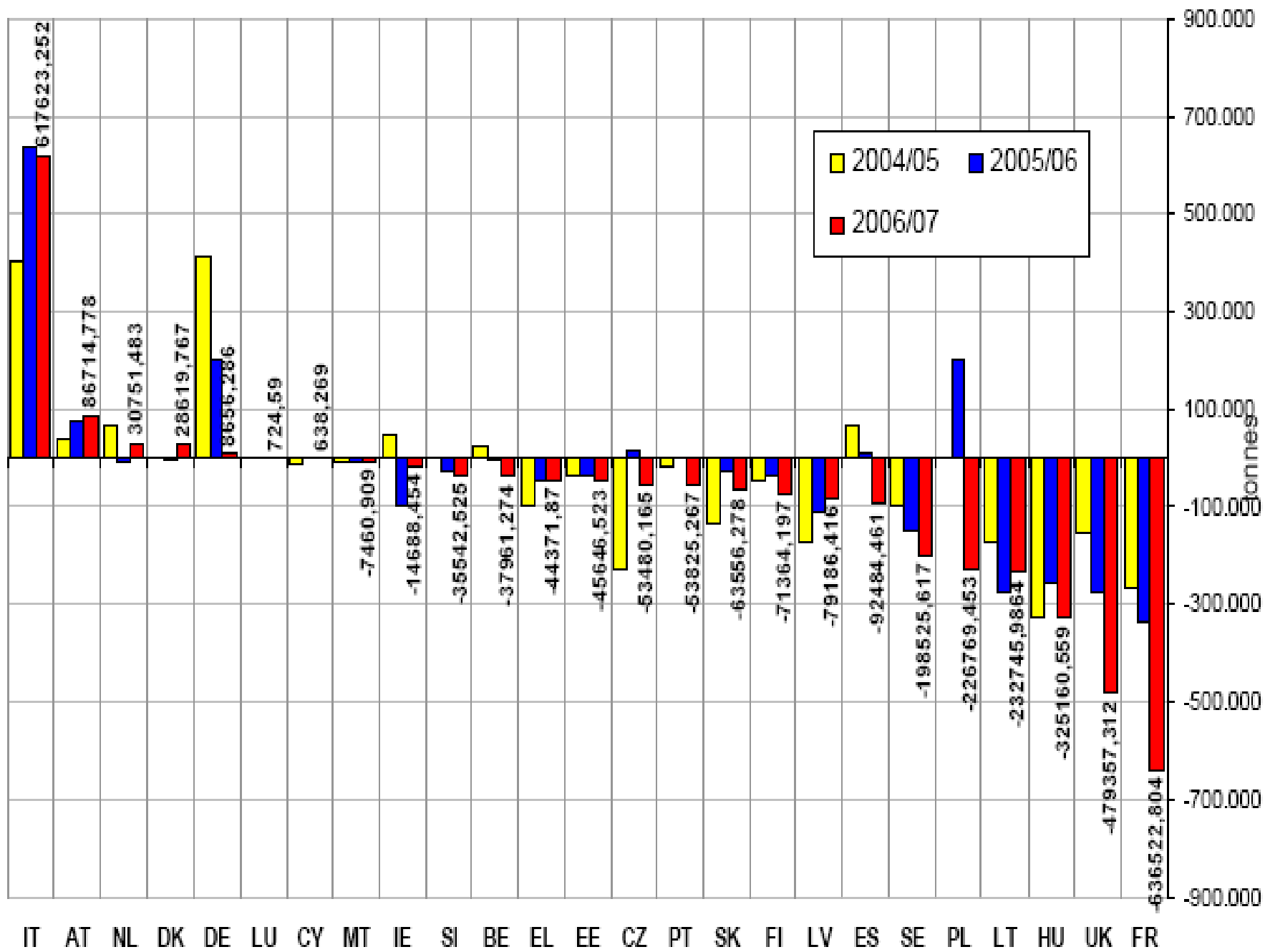


| Company | | Quality adjustment | Quantity adjustment | Seasonal adjustment | Most recent supplementary payment | Rolling av last 12 months (4) |
|--|----|--------------------|---------------------|---------------------|-----------------------------------|-------------------------------|
| Milcobel | BE | 0.73 | 1.38 | | 0.37 | 38.76 |
| Humana Milch Union eG | DE | | | | -0.22 | 36.82 |
| Nordmilch | DE | | 0.15 | | -0.17 | 34.97 |
| Arla Foods Denmark | DK | 0.75 | | -3.75 | 1.41 | 35.44 |
| Hämeenlinnan O. | FI | 2.14 | | 5.95 | 3.88 | 40.19 |
| Bongrain CLE (Basse Normandie) | FR | 0.74 | | | none | 34.51 |
| Danone (Pas de Calais) | FR | 0.58 | | | none | 35.72 |
| Lactalis (Pays de la Loire) | FR | | | | none | 34.30 |
| Sodiaal | FR | | | | none | 33.81 |
| Dairy Crest (Davidstow) | GB | -0.25 | 0.37 | -3.07 | 0.00 | 32.07 |
| First Milk | GB | 0.61 | 2.30 | | 0.00 | 30.22 |
| Glanbia | IE | | | | 0.00 | 37.31 |
| Kerry | IE | | | | none | 35.78 |
| Campina | NL | 0.05 | 0.75 | -0.90 | 1.20 | 37.27 |
| Friesland Foods | NL | 0.04 | | -2.30 | 1.86 | 37.63 |
| AVERAGE MILK PRICE THIS MONTH (2) | | | | | | 35.65 |
| New Zealand (5) | NZ | | | | none | 31.24 |
| USA (3) | US | 0.14 | | | none | 32.27 |

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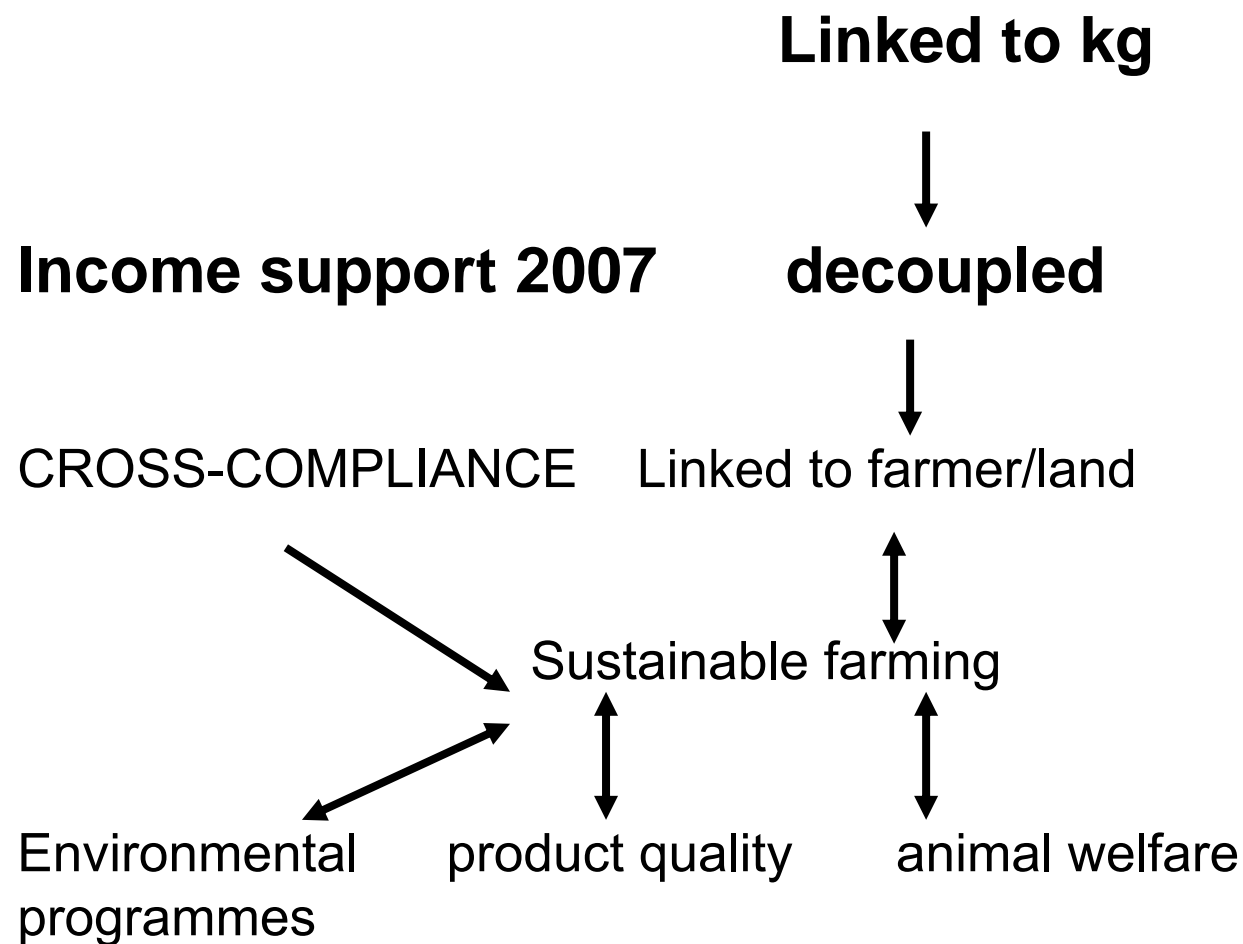
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| Member State | Quota 2007 market price | Administrative price | Development since last year |
|----------------|----------------------------|-------------------------|-----------------------------|
| Netherlands | 70-80 cents | | Decreasing |
| Belgium (W/FL) | | 25-37 cents | Decreasing |
| Finland | 6-36 cents | 4 cents | Decreasing |
| Poland | 0,20-0,8 PLN | | Decreasing |
| France | | 0-15 cents | Stable |
| Sweden | 9 cents | | Stable |
| Austria | 50-70 cents | | Stable |
| Germany | 23-42 cents | | Stable |
| Italy | 30 cents | | Stable |
| United Kingdom | 6 cents | | Increasing |
| Denmark | 62 cents | | Increasing |
| Ireland | 10-28 cents | 12 cents | Increasing |
| Latvia | 43-72 cents | | Increasing |
| Hungary | 6 cents | | Increasing |
| Slovakia | | | No price |

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More attention for Entrepreneurship

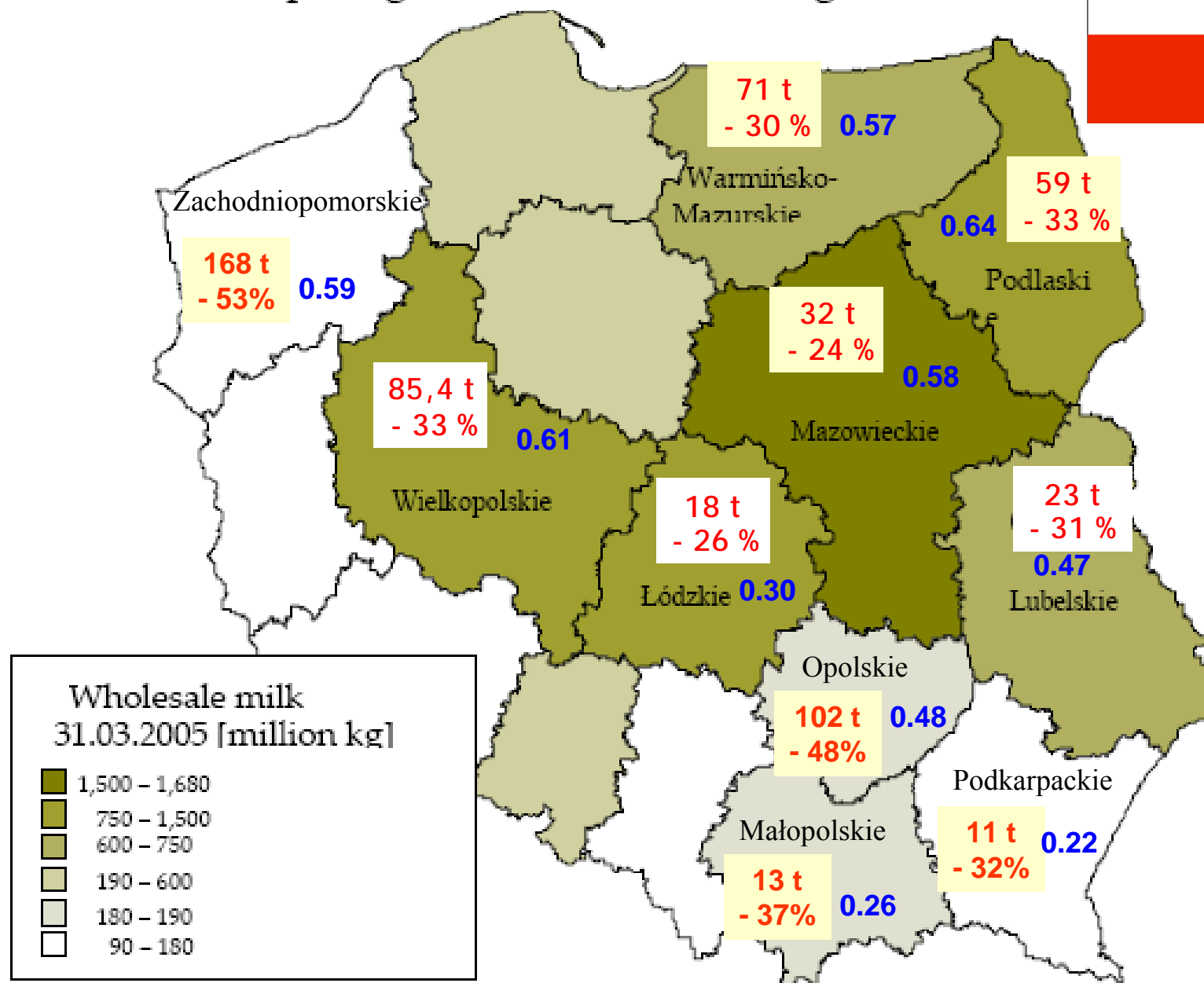
- Craftsmanship “green” knowledge
- Management of farm/ organisation
firm communication
internally
- Entrepreneurship communication
strategy planning
utilizing network
external view



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Milk deliveries to dairies per region 2004/2005 (million kg)



Source: Parzonko, 2006

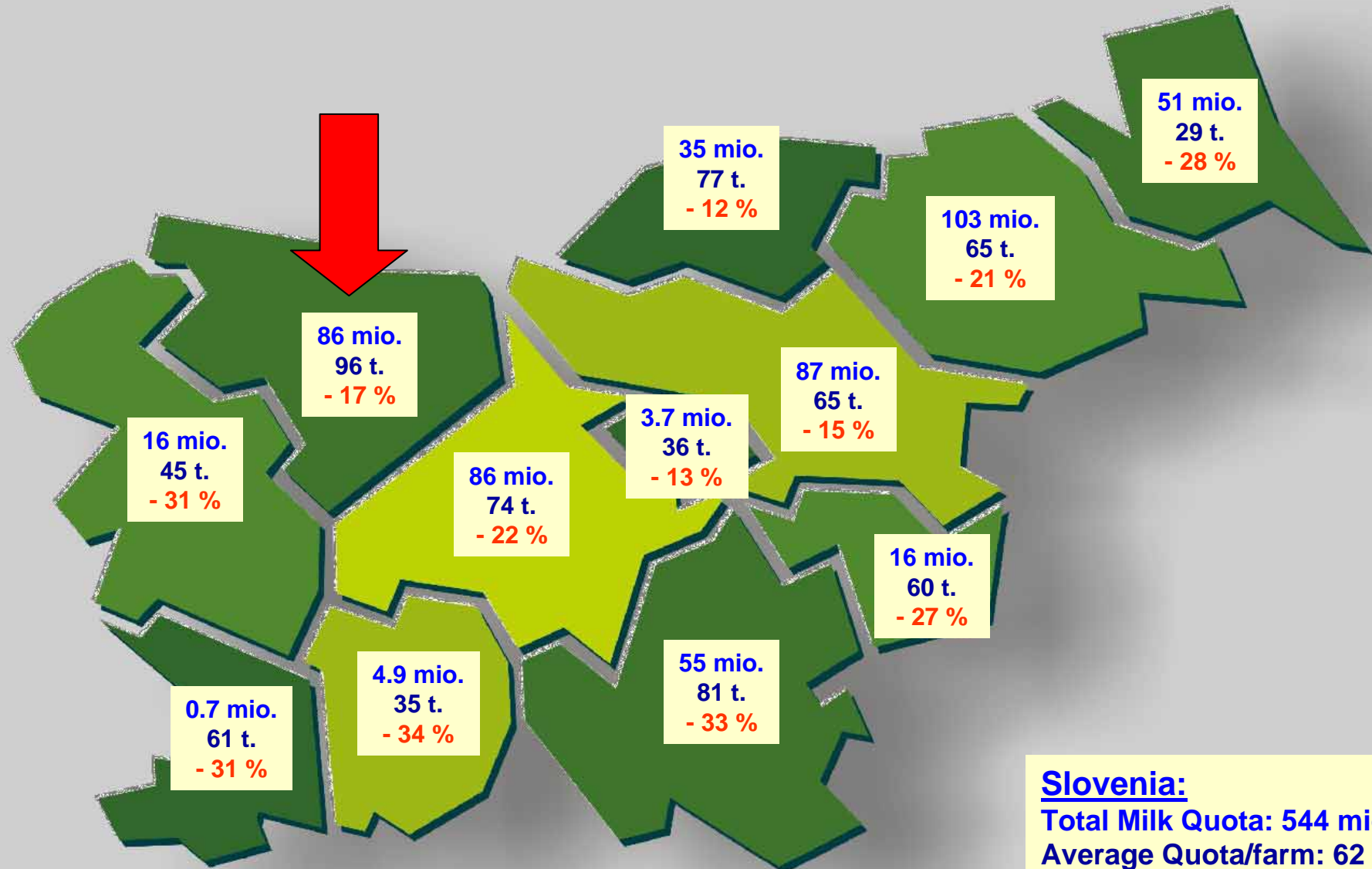
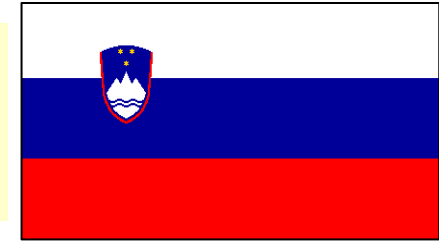
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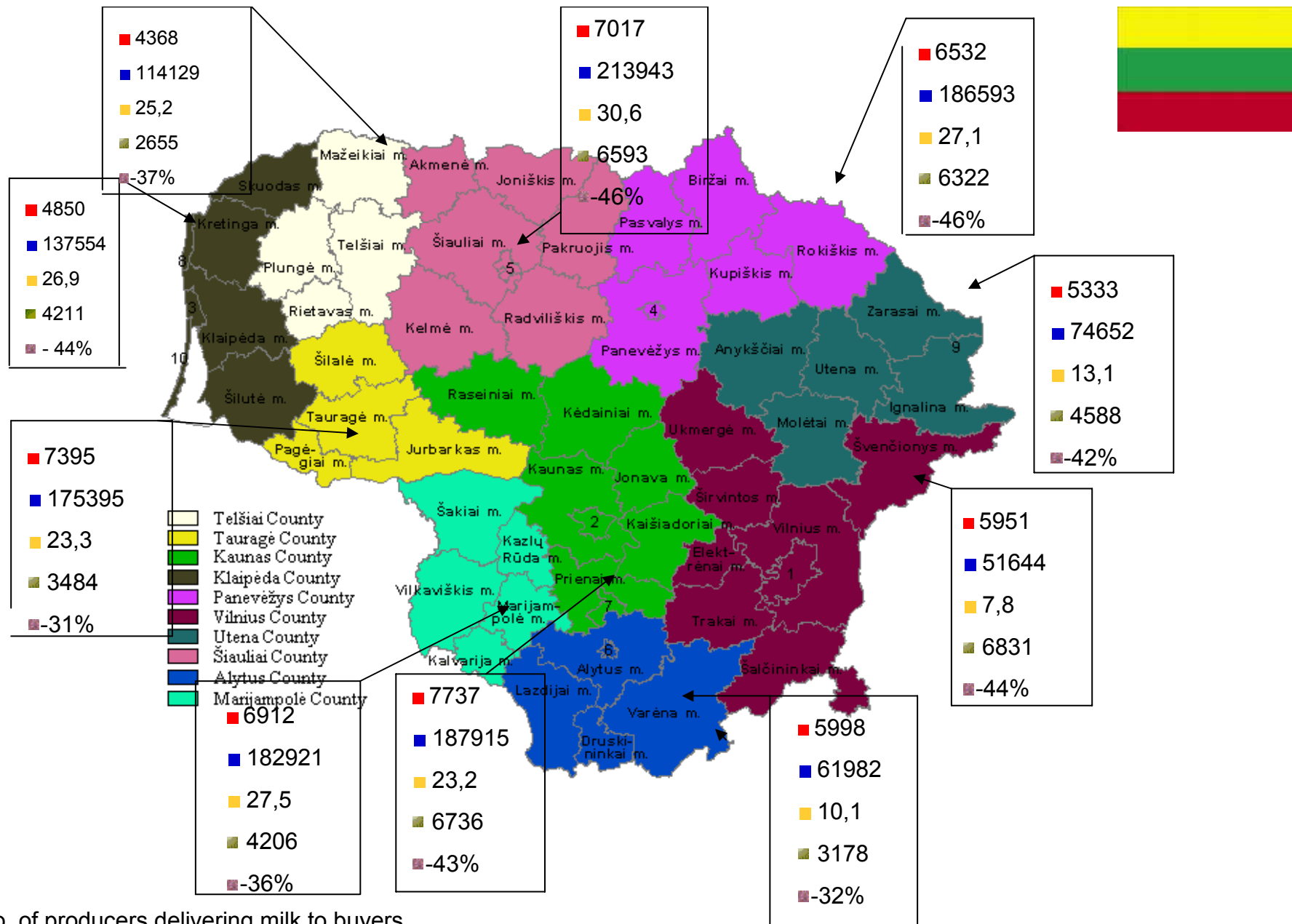
Correlations

| Variable 1 | Variable 2 | Correlation r |
|-------------------------|------------------------------|------------------|
| Average quota size/farm | Reduction in number of farms | 0.70 |
| Average quota size/farm | Exceeding total deliveries | 0.60 |
| Average quota size/farm | Increase of total deliveries | 0.52 |
| Average quota size/farm | Average quota price | 0.51 |

Milk deliveries to dairies per region 2007/2008 (million kg)



Slovenia:
Total Milk Quota: 544 mio.
Average Quota/farm: 62 t.
Reducing no. farms: - 33 %



- No. of producers delivering milk to buyers
- Total sold milk to buyers, counted by national reference fat content (3,99%) in t
- Average quota amount per farm in tons
- Reduction in no of farms with quota from 2004/2005 to 2007/2008
- Percentage reduction in no. of farms from 2004 to 2008

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European Association for Animal Production (EAAP) - topics

Ireland 2007

- Robustness
 - stronger cows
 - longer productive life
- Crossbreeding in dairy cows
- Dairy calves and crosses for good quality calves

Lithuania 2008

- Mastitis
- Fertility (2x)
- Functional traits



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Production

- Protein
- Fat
- Milk volume

Reproduction

- Calving interval
- Percentage non returns
- Nr. of Inseminations
- Daughter pregnancy rate
- Age at first calving



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Productive life

- Longevity
- Udder
- Somatic cell score
- Feet and legs
- Body size

Other Traits

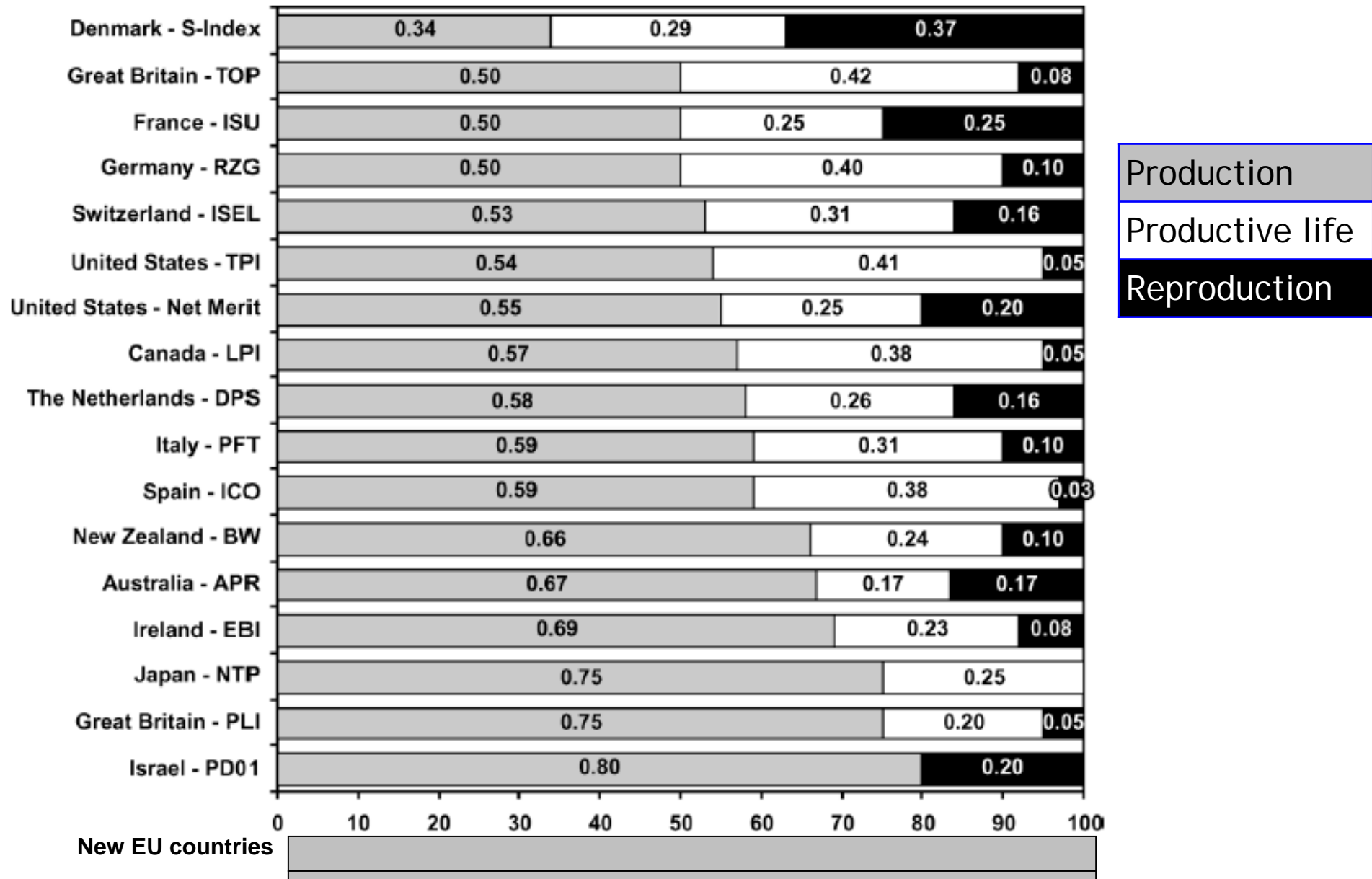
- Ease of Calving
- Milkability
- Conformation traits



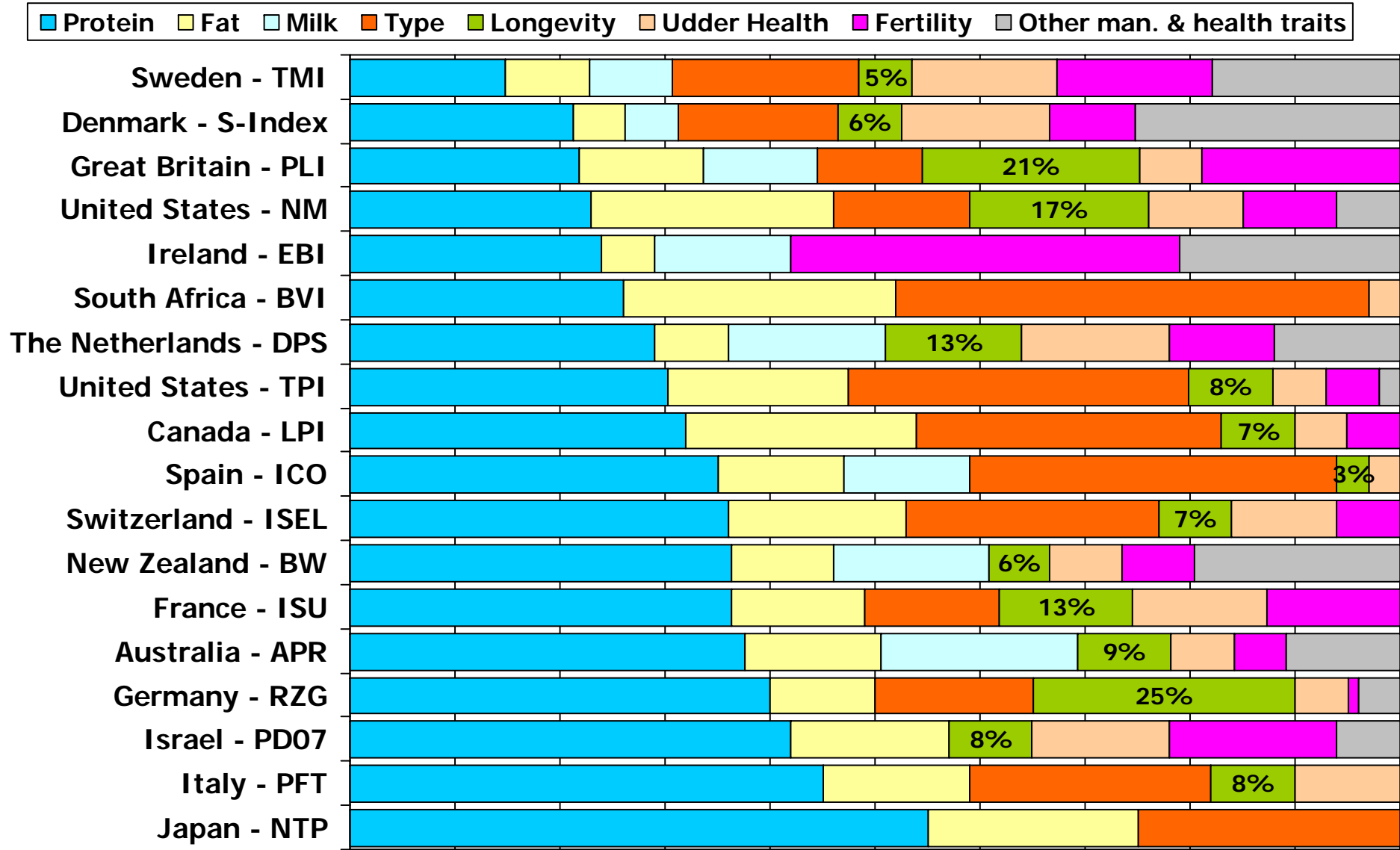
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Relative Emphasis in Selection Indices (2003)



Selection indices overview



Conclusions

- EU-policy asks additional qualities of farmer
- Underproduction in milk in most EU-countries
 - ↳ Increasing production elsewhere
 - ↳ No production limitation/quota after 2015?!
- Large regional reduction in dairy farms in CEEC countries (12-46 %); each region it's own characteristics?
- Infrastructure will be probably leading for future prospects
- Attention for sustainability in breeding program?

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Quota developments in Lithuania per region

| Region | Number of producers) delivering milk to buyers | Sold milk to buyers, counted by fixed national 3,99 fat amount (t) | Average quota amount per farm in tons | Reduction in no of farms with quota from 2004 - 2005 to 2007 -2008 | Percentage reduction in no. of farms 2004-2008 |
|---------------------------|---|--|---------------------------------------|--|--|
| Alytaus region. | 5998 | 61982 | 10.08 | 3178 | -32% |
| Kauno region. | 7737 | 187915 | 23.19 | 6736 | -43% |
| Klaipėdos region. | 4850 | 137554 | 26.92 | 4211 | -44% |
| Marijampolės region. | 6912 | 182921 | 27.46 | 4206 | -36% |
| Panevėžio region. | 6532 | 186593 | 27.10 | 6322 | -46% |
| Šiaulių region. | 7017 | 213943 | 30.55 | 6593 | -46% |
| Tauragės region. | 7395 | 175395 | 23.30 | 3484 | -31% |
| Telšių region. | 4368 | 114129 | 25.15 | 2655 | -37% |
| Utenos region. | 5333 | 74652 | 13.14 | 4588 | -42% |
| Vilniaus region. | 5951 | 51644 | 7.75 | 6831 | -44% |
| Total in Lithuania | 62093 | 1386728 | 21.25 | 48804 | -41% |

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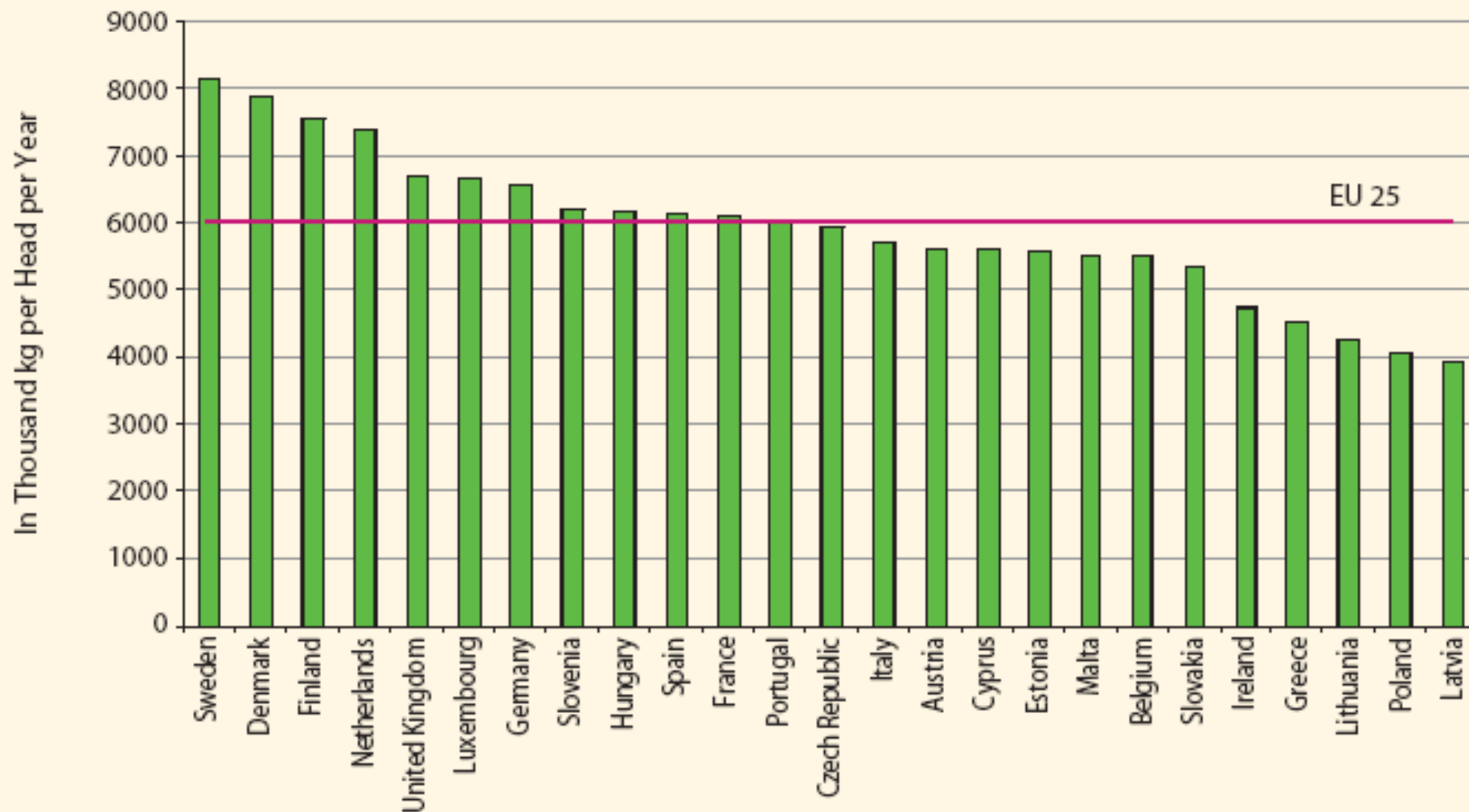
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| Other countries | 15.4 | 5.9 | 17.4 | 7.0 |
| Total | 100 | 38.2 | 100 | 40.0 |

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Dairy Cows 'Yield



Source: European Commission - Directorate-General for Agriculture and Rural Development