

Cows are on the move - where to?

EDF - *agri benchmark* Snapshot Survey 2010

From December 2009 to March 2010 more than 2,000 dairy farmers from 17 European countries participated in the EDF - *agri benchmark* Snapshot Survey. The increasing number of participants shows that dairy farmers are interested in gaining further information on the future of dairy farming. The largest number of interviewed farmers came from Germany, Sweden and Spain but also farmers from France, Belgium, Denmark, the Netherlands, Poland, Slovakia, United Kingdom, Ireland, Italy, Czech Republic, Luxembourg, Ukraine and Switzerland took part. Since the farmers in the sample have larger herd sizes compared to the averages from national statistics, results cannot be used to make inferences about all dairy farmers in a country. The survey rather gives hints about the ideas and intentions of larger, future-oriented farms.

Economic situation not linked to degree of specialisation

Looking at the participants shows the full variety of Europe's dairy farms: the smallest farm in the survey milks two cows, the largest one more than 2,500 cows. Within the sample there is a tendency of diversification with increasing herd sizes. This especially holds in Slovakia, Ukraine and Eastern Germany where participating dairy farmers use less than 50 % of their farm land for dairy production on average.

Under the influence of recent price fluctuations farmers again discussed the potentials of diversification. Snapshot results show that participating farmers from countries with a rather high degree of specialisation value their economic situation not very different from those with more diversified farms. The two groups rate their farm's economic situation similarly. On a scale from 1(=very good) to 5(=very bad), both reach an average of 3.1. The results differ more across countries: in Poland none of the participating dairy farmers rates the economic situation as bad or very bad whereas in Italy and in Spain more than 50% of the farmers do so.

Strategy adoptions to recent market developments provide better economic situation in 2012

For 90 % of the participating dairy farmers from Italy the currently bad economic situation leads to strategy changes. But also in other countries more than half of the farmers change their farm strategies due to the recent market developments. Only participating farmers from Ukraine and the Netherlands seem to be stick more to their initial strategic management.

Strategy changes mostly involve postponing planned investments. But for some farmers also the question of specialisation or diversification raises. Looking into the different countries it shows that more farmers specialise on dairy production than diversify. In Germany slightly more farmers diversify. Only among Slovakian participants there is a clear trend towards diversification.

Farmers are optimistic that their economic situation will have improved until 2012. In most of the countries the share of farmers that rate their economic situation in 2012 to be good or very good is higher than today. Also farmers in Italy expect an improved economic situation, Spanish farmers are still pessimistic.

Despite non-optimal economic situation: still investments into dairy in 2010

Even though many dairy farmers intend to postpone investments, there is still a high share of farmers that plan to invest within the next 12 month. From those who plan investments the majority wants to invest into the dairy enterprise (barns, technologies). The average sums of investments relative to the current herd size of the farmer differ quite a lot throughout Europe. Farmers from UK intend to invest about 500 €/cow whereas interviewed farmers from countries with higher production intensities (Netherlands, Belgium, Luxembourg) plan to invest more than 2,000 €/cow (sum of investments on the farm divided by the current number of cows).

Highest percentage herd size growth until 2015 expected in Poland, Netherlands, Denmark and Ukraine

Considering the planned investments and individual herd size developments as stated by the interviewed farmers shows that average herd sizes in all countries will increase within the next 5 years. Participating dairy farmers in Poland, Netherlands and Denmark and Ukraine plant to increase their herd sizes by more than five percent annually. Considering the different herd sizes today and the planned future developments shows that herd sizes in Europe will diverge even more.

Farmers more optimistic about regional potential of dairy production in Ireland, Belgium (Vlaams), North-Western Netherlands and Ukraine

The survey not only asked for individual strategies, but also how the dairy farmers see the development of dairy production in their region. Due to the small sample size in some countries the results only give a rough idea about the future regional development of dairy production.

Only in Ireland, Northwest of the Netherlands and the Ukraine a high share of the interviewed farmers expect an increase in dairy production. In the very South (Italy and Spain) and the very North (Northern Sweden) of the analysed European countries farmers mostly await a decrease in milk production. Farmers in the centre of Europe (e.g. France, Denmark, Germany, Poland) expect milk production to remain rather stable or to decrease slightly.

Larger survey samples from Spain, Germany and Sweden allow more detailed information on regional developments:

Claudio Lopez Garrido Spain: About 79 % of the Spanish dairy farms (58% of quota) is located in the north, the wet area, and 21% of farms (42% quota) in the rest, the dry area. The small sized Northern dairy farms adopted the intensive production system from the dry area. This option was profitable while the ratio between milk price and concentrate price was favorable but made farms very dependent on bought inputs. When milk prices dropped dairy farmers intensified milk production even more. Many Spanish farmers think there is not solution if the EU does not increase its involvement in the dairy crisis and helps farmers with subsidies.

Birthe Lassen, Germany: In Germany competition between biogas and dairy production is a hot topic of discussion. About 90 % of the participating dairy farmers expect an increase in biogas production in their region. There is a fear of increasing in land rents due to the competition of the biogas plants. But not only at the regional level there is a competition between biogas and dairy production - there is also an intra-farm competition for land and capital. Especially in Northern and Southern Germany biogas is gaining importance as a second enterprise on the dairy farms.

Markus Oskarsson, Sweden: In Sweden about 75 % of the dairy production is located in the south, 10 % in the east and 15 % in the north - even though the north makes up two thirds of the country's area. The Snapshot survey results show that the dairy production will be even more concentrated in the south in the future. This is shown both by the growth rate of farms and farmers opinion about how dairy production will develop in the future. Many farmers also believe organic production will increase, especially close to Stockholm. A trend can be seen in diversification of farms into energy production such as biogas, wind and solar energy which is likely to increase, even if it's from low levels in terms of turnover.

For more detailed information or other written papers on EDF - *agri benchmark* Snapshot results, please contact STAR coordination centre (Birthe Lassen, Steffi Wille) in Germany: + 49 531 596 5170 or edf@vti.bund.de.