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# Baltic dairy sector:

## prospectives and challenges from the economist viewpoint

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Andris Miglavs, Dr.oec. [andris@lvaei.lv](mailto:andris@lvaei.lv)

Agnese Krieviņa, Dr.oec. [agnese@lvaei.lv](mailto:agnese@lvaei.lv)

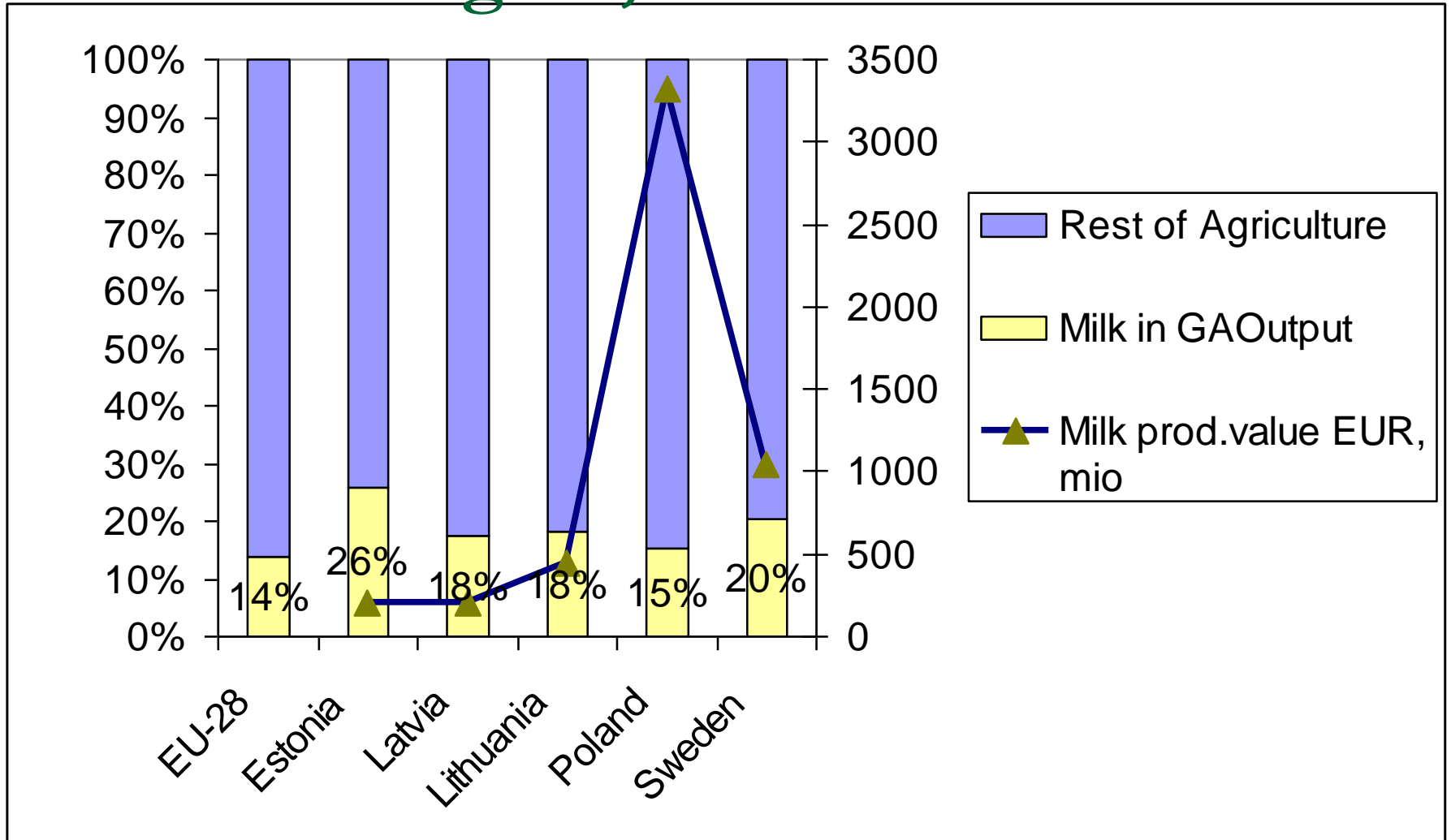
Latvian State Institute of Agrarian Economics

2013/09/11,



XVI Baltic Animal Breeders and Genetics Conference, Albert Hotel, Riga

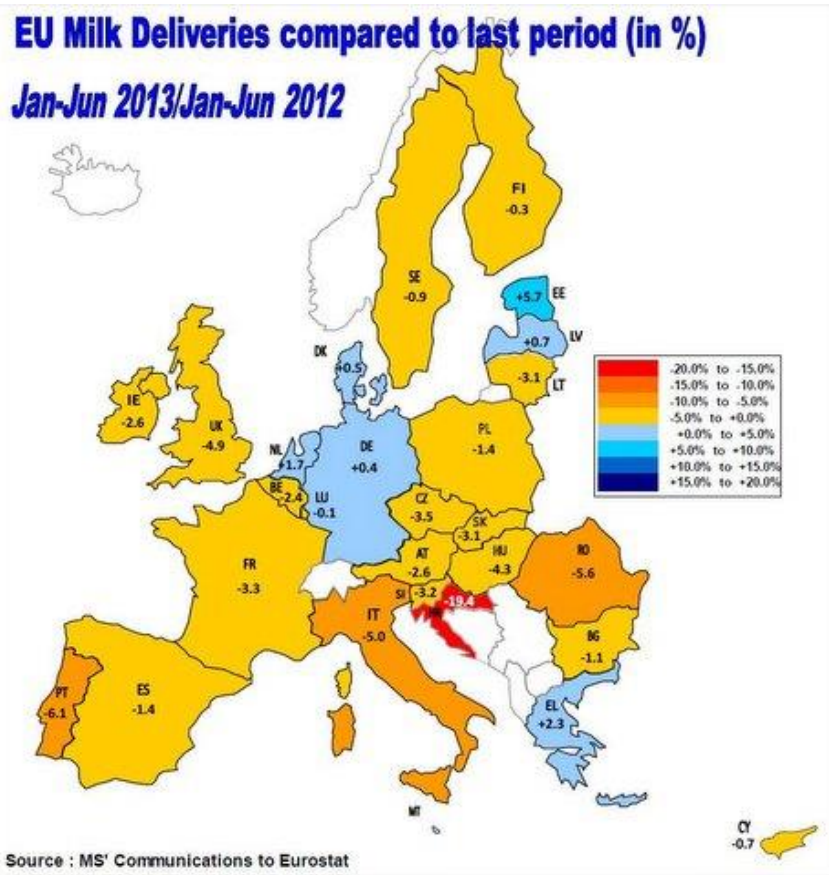
# The role of milk production in GAO, the Baltic region, 2012



Source: Miglavs (A.M) & Krieviņa (A.K.) from Eurostat data

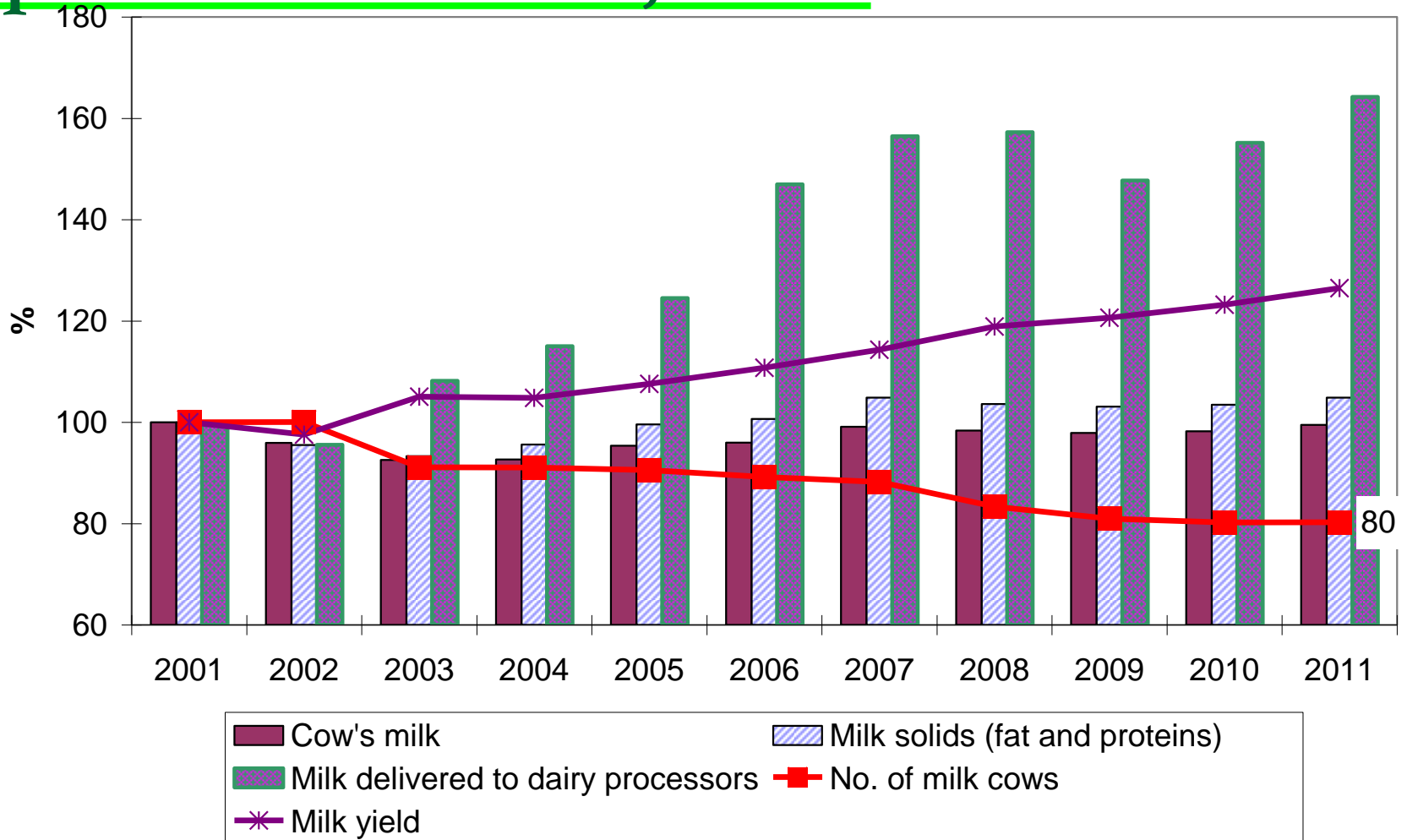


# Recent growth trends of milk production in EU



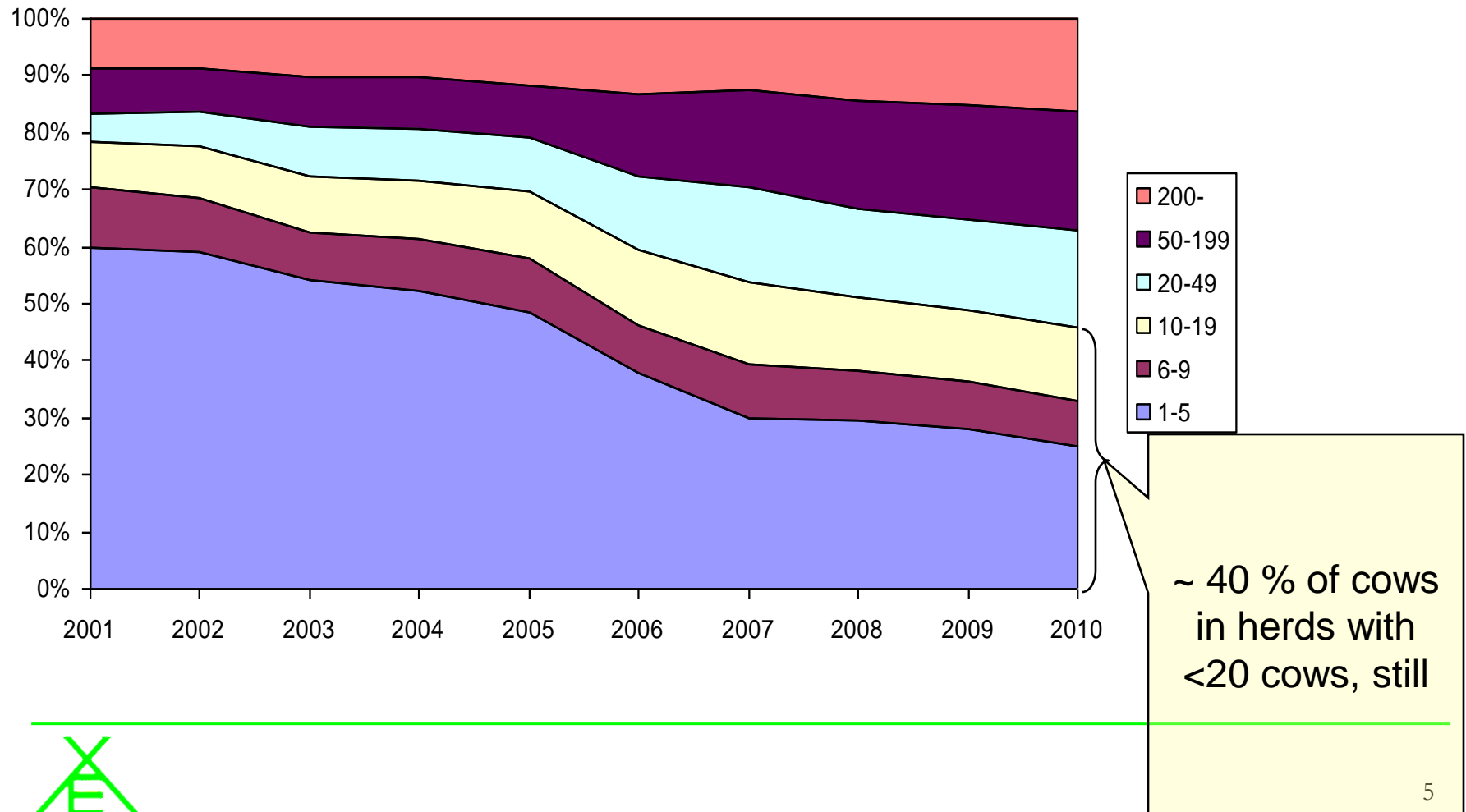
- The growth in 6 EU countries
- The fastest – in EE, like in 2012

# Some trends in Latvian milk production sector, 2001=100%

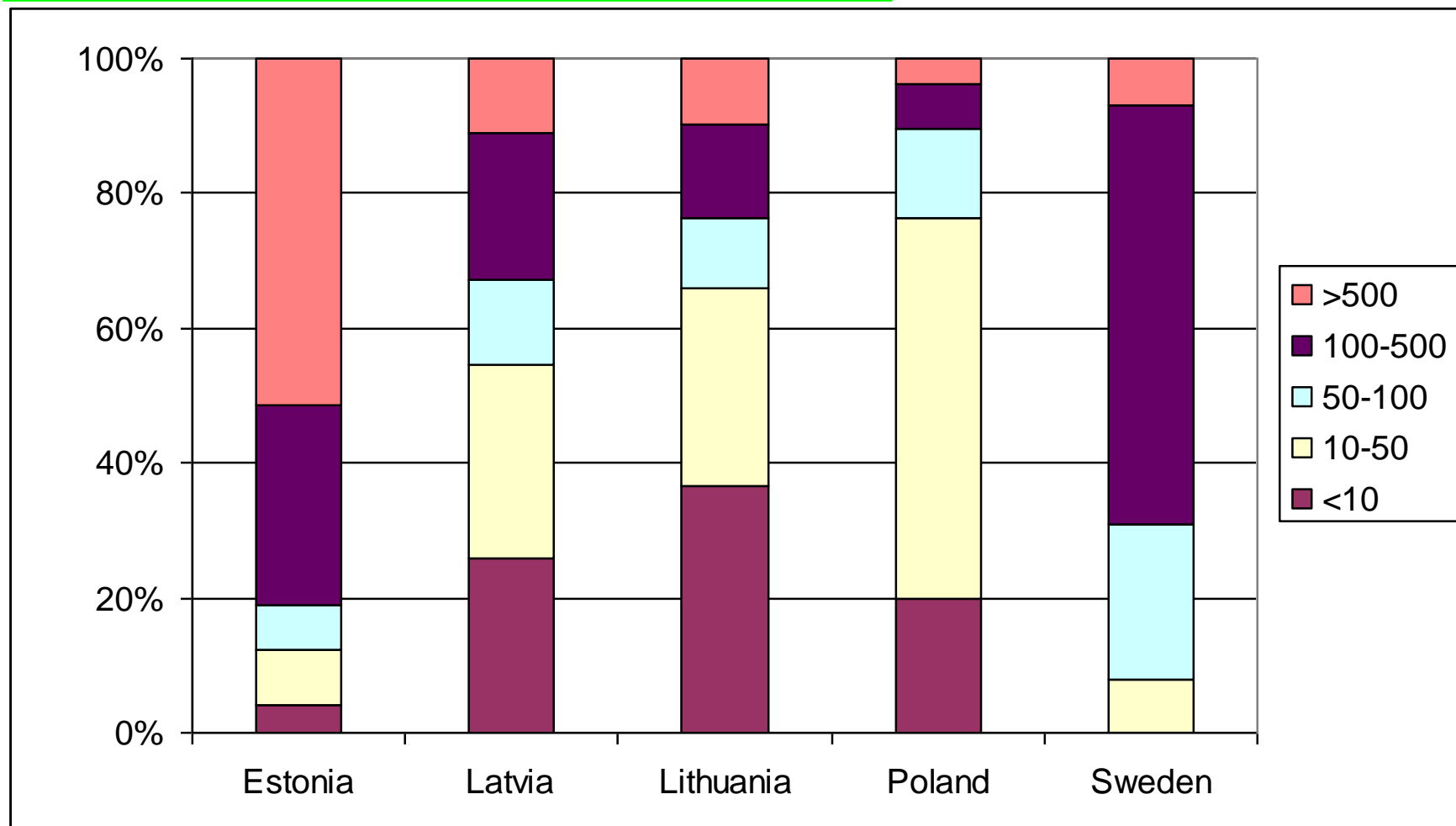


Source: A.K. for IFCN Dairy Report 2012

# Changing structure of dairy herd in Latvia, 2001-2010



# Structure of dairy cows by size of herd



Source: A.M.&A.K. calculations and representation, based on EUROSTAT data



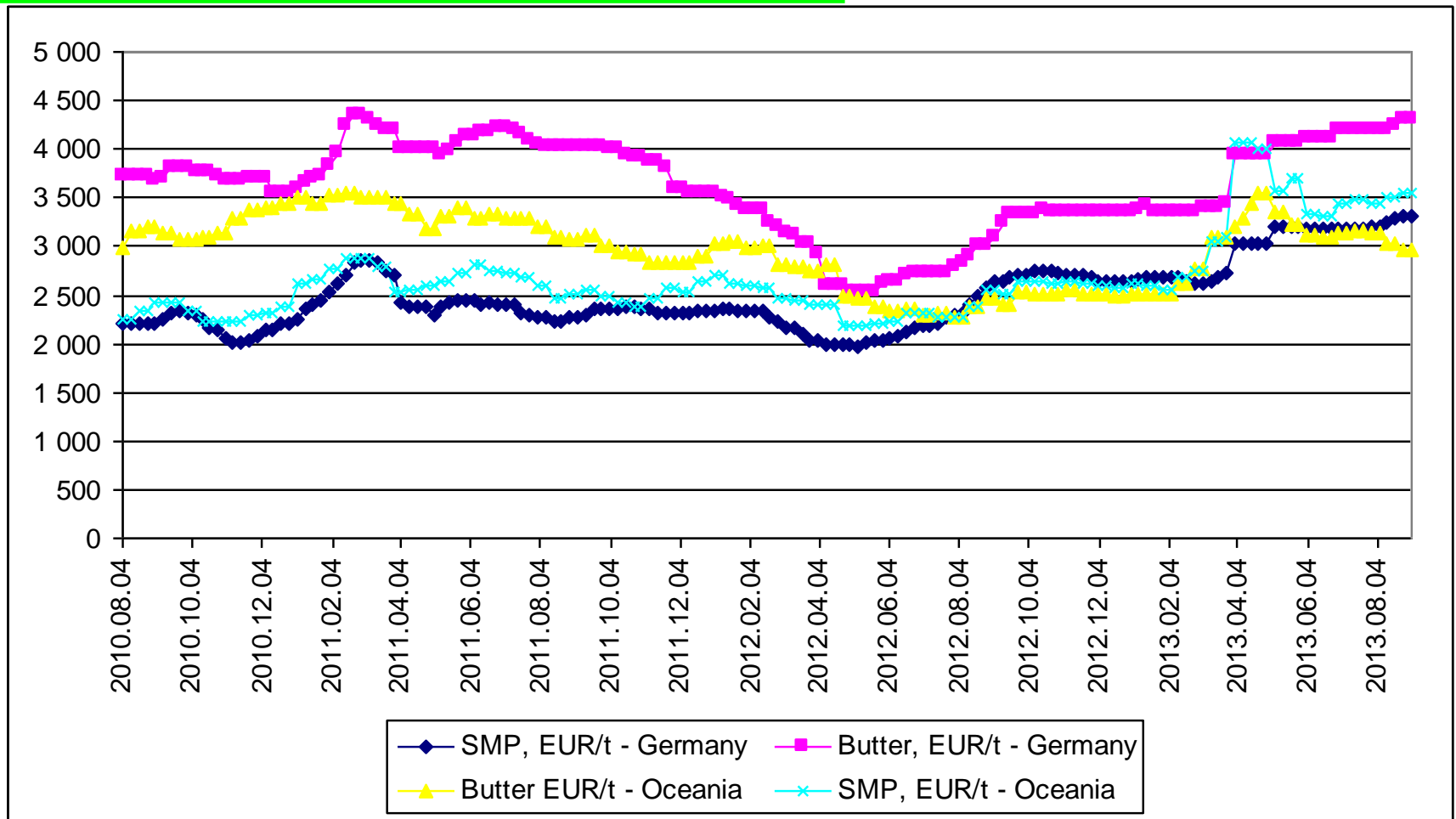
# Milk farming structures in the Baltic region, 2010

	Estonia		Latvia		Lithuania		Poland		Sweden	
	heads	holdings	heads	holdings	heads	holdings	heads	holdings	heads	holdings
<10	3800	2280	42960	24670	129200	74290	500800	273950	190	40
10-50	8180	760	47990	4450	103370	9270	1412620	137860	27570	1410
50-100	6100	180	20970	560	36340	920	333330	11220	79950	1960
100-500	28710	220	35900	340	49060	470	161120	2530	216080	2150
>500	49480	90	18570	40	34660	60	97740	240	24310	60
<b>Total</b>	<b>96 260</b>	<b>166 410</b>	<b>352 630</b>	<b>2 505 600</b>	<b>348 100</b>	<b>3 520</b>	<b>30 050</b>	<b>85 020</b>	<b>425 780</b>	<b>5 620</b>



Source: A.M.&A.K. calculations and representation, based on EUROSTAT data

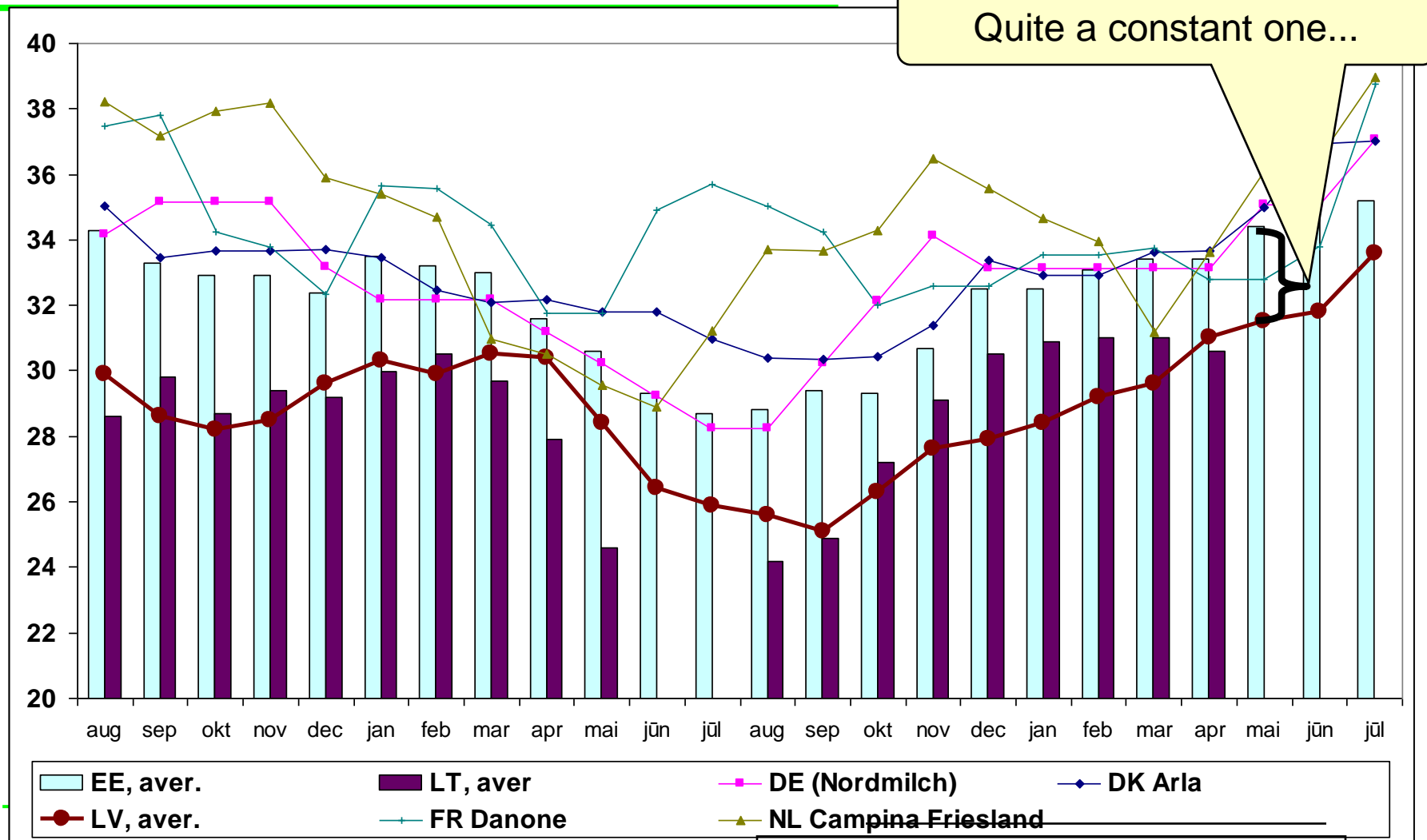
# Development of industrial dairy product prices on some world markets, 2010-2013



Source: A.M.from CLAL data

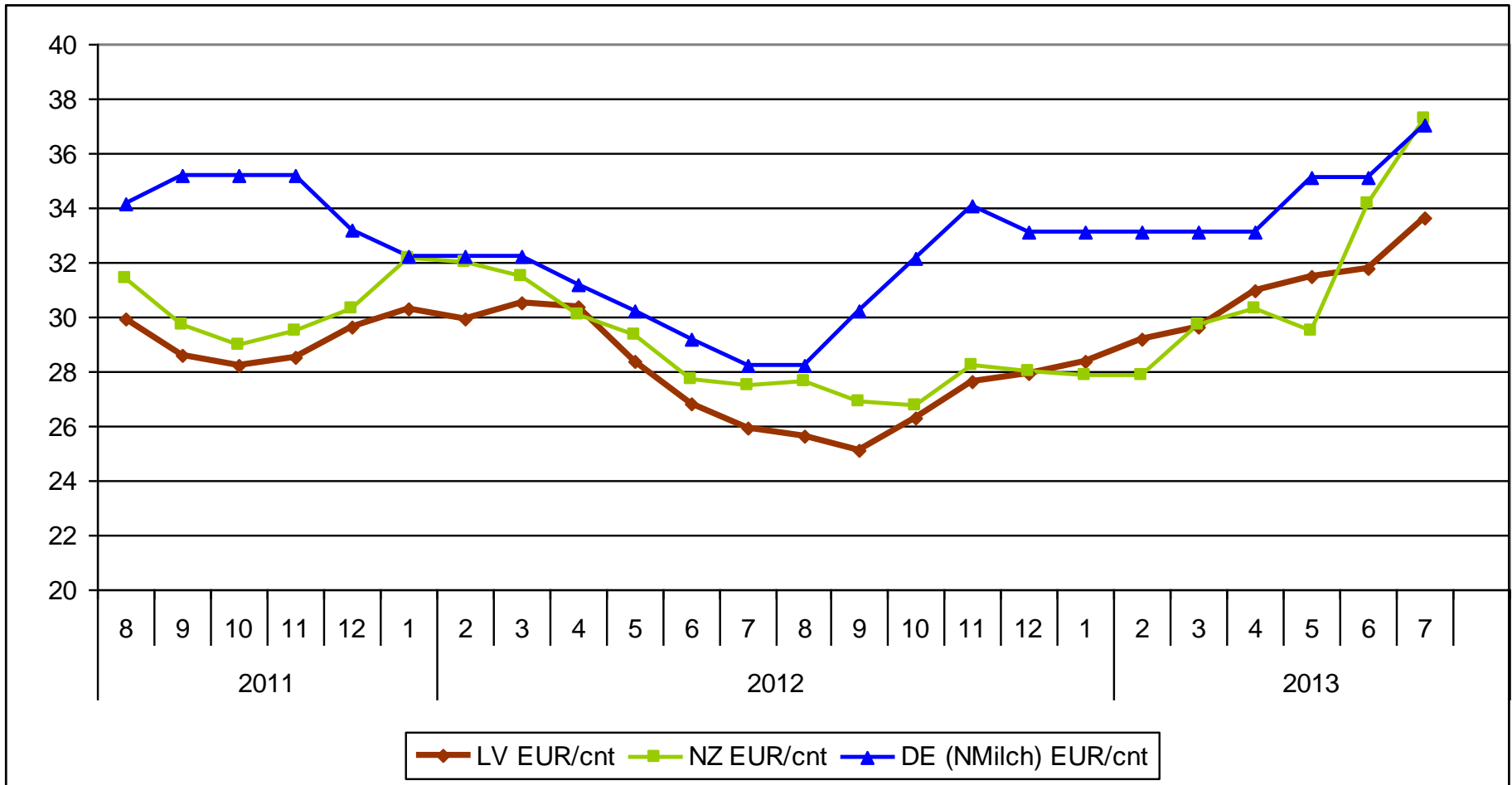


# Raw milk prices- Baltics + Europe, 24 months, standartized milk (p3,4; f4,2)



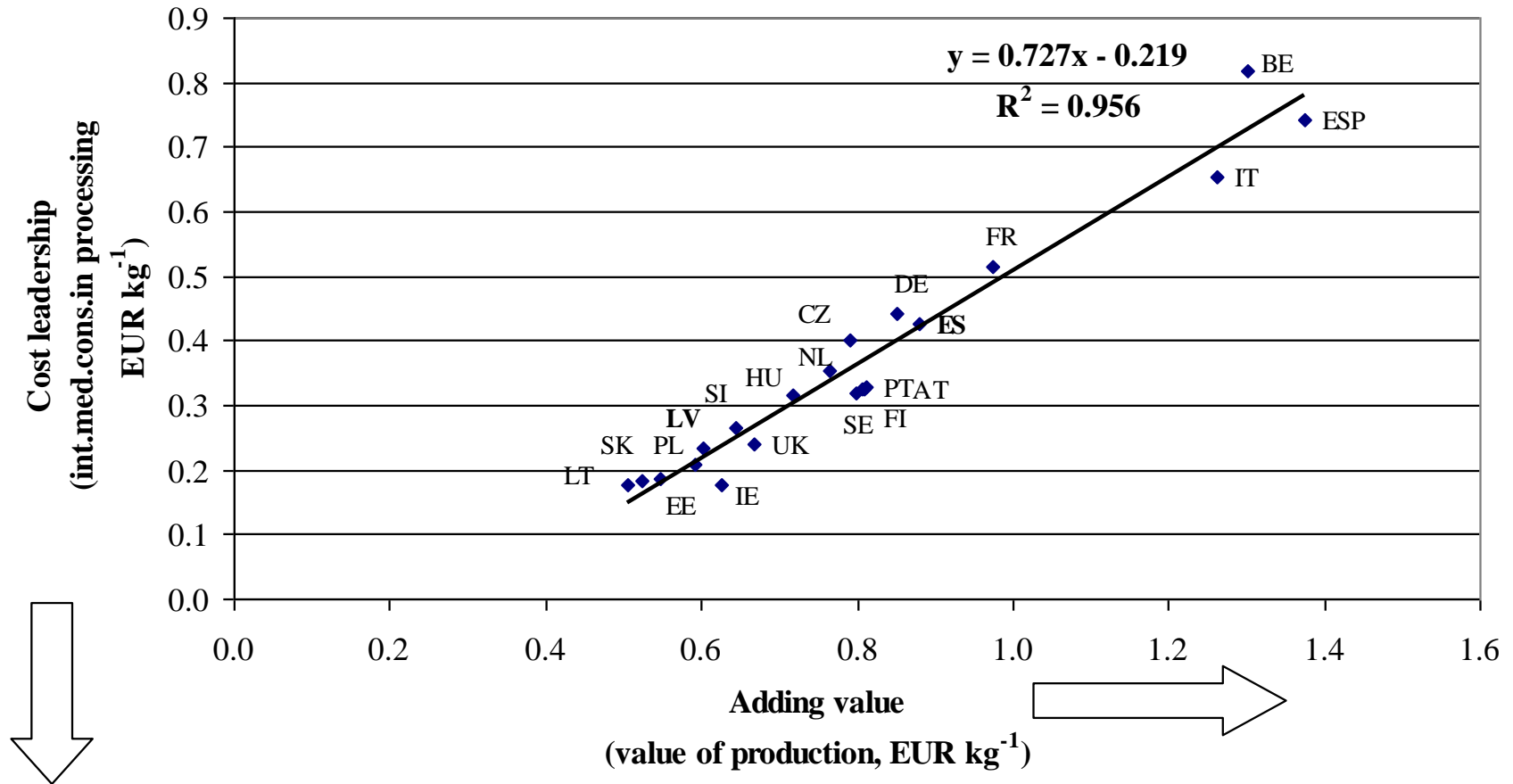
Source: A.M.&A.K. calculations, based on LTO and CLAL data and national statistics

# Raw milk prices- LV, DE un NZ, last 24 months, standartized milk (p3,4; f4,2)



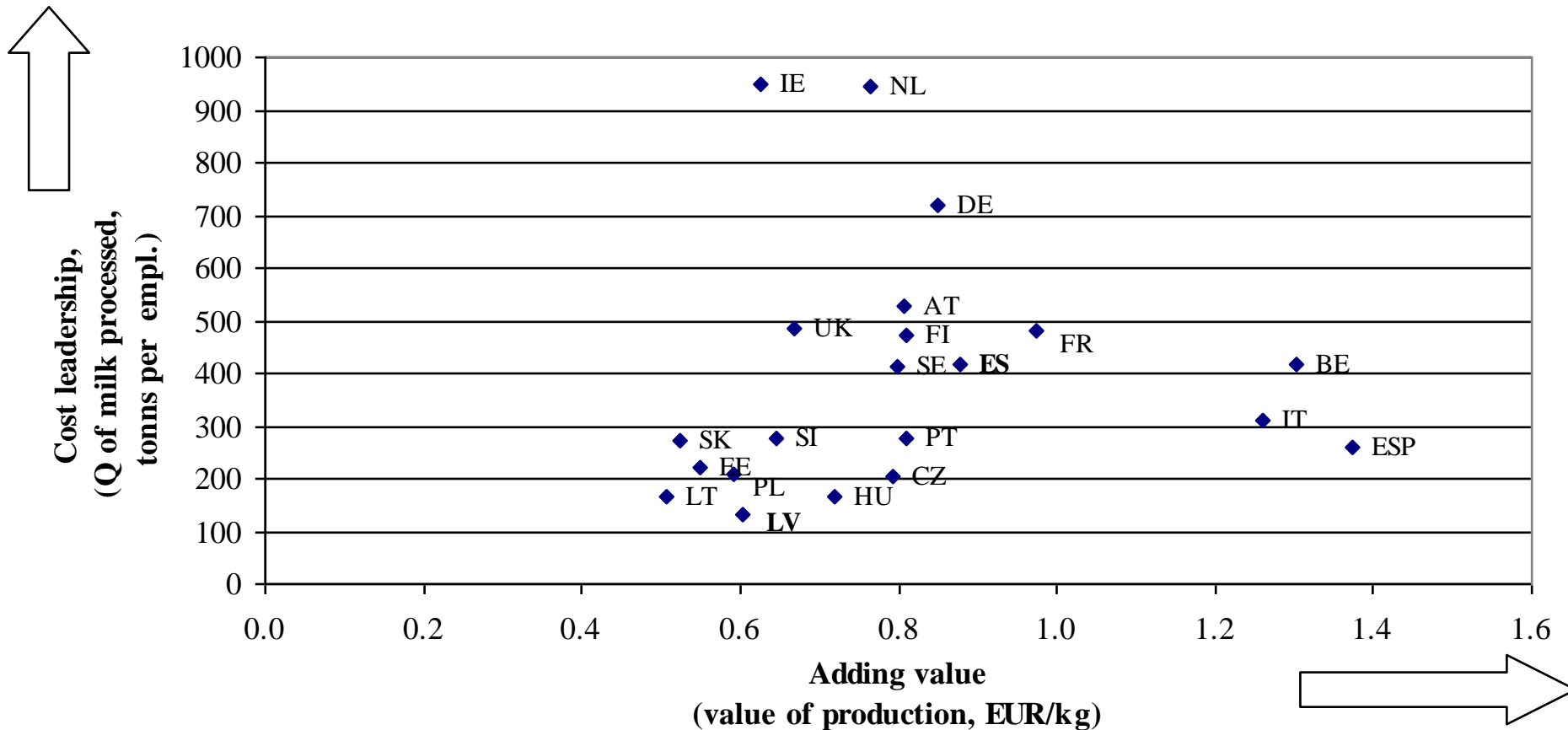
Source: A.M.&A.K. calculations, based on LTO and CLAL data and national statistics

# Different strategies to compete on the market- intermediate consumption in the processing industry



Source: A.M.&A.K. calculations and  
representation, based on EUROSTAT data

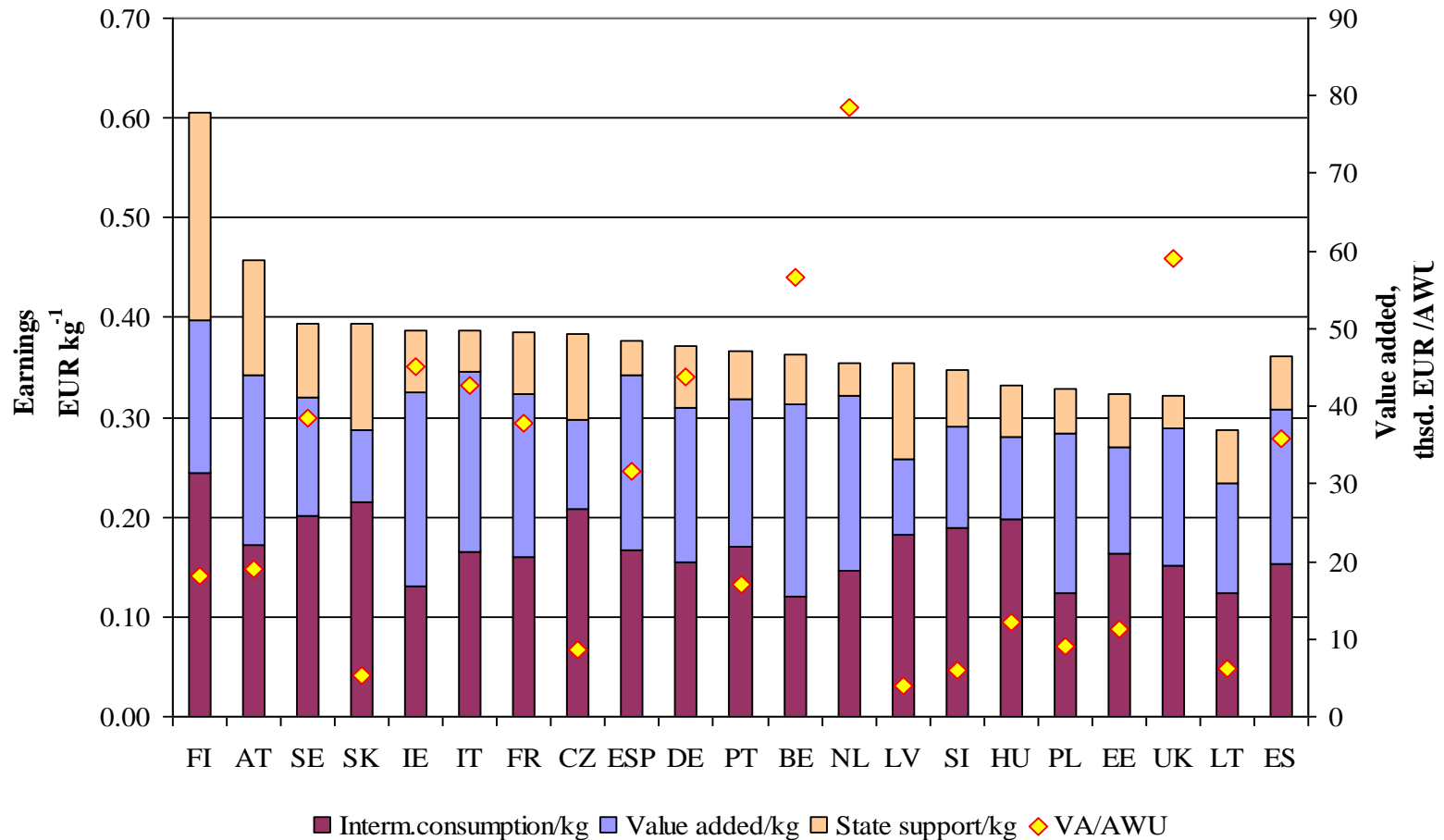
# Different strategies to compete on the market- quantity of milk processed per employee in the processing industry



Source: A.M.&A.K. calculations and representation, based on EUROSTAT data



# “Efficiency levels and structures” of the milk farming in different EU countries



Source: A.M.&A.K. Calculations and representation, based.on EC DGAgri data

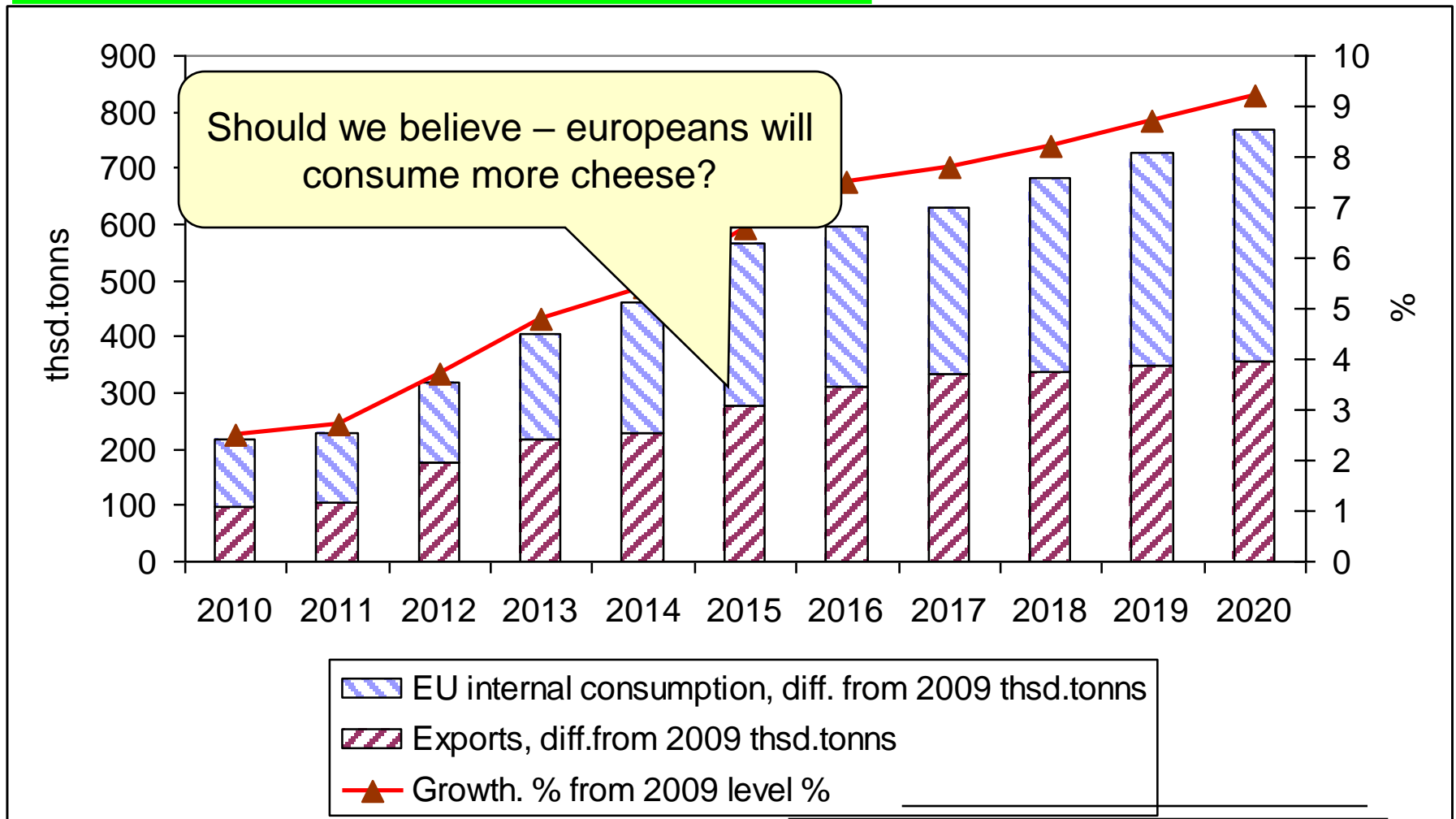
# Some efficiency indicators. Baltic region, FADN- milk specialised farms

	year	PL	EE	LV	LT	SE
Milk per ha fodder area - t/ha	2009	6.2	3.1	2.1	3.1	6.1
Milk yield - kg/cow	2009	5340	7199	5435	5344	8048
Total revenues from milk, EUR/t	2011	276	316	320	302	397
Feed, EUR/t	2011	76	98	88	62	109
Other spec.costs, EUR/t	2011	12	16	16	10	33
Gross margin, EUR/t	2011	138	140	106	173	160



# Prospects for EU cheese markets.

Source: EC, 2012

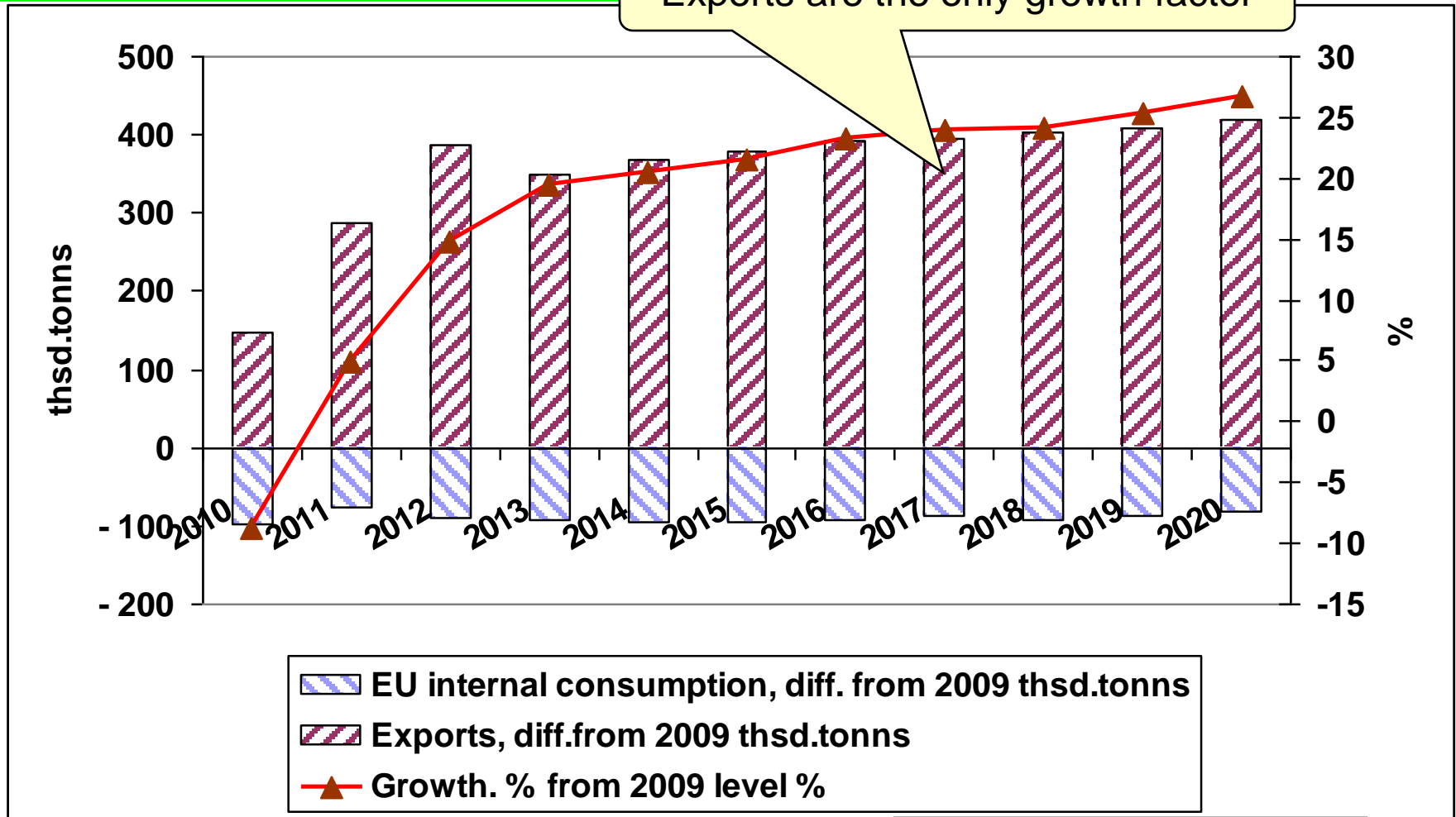


Source: A.M.&A.K. Calculations and representation, based on EC DGAgri data



# Prospects for EU SMP markets. Source: EC, 2012

Exports are the only growth factor



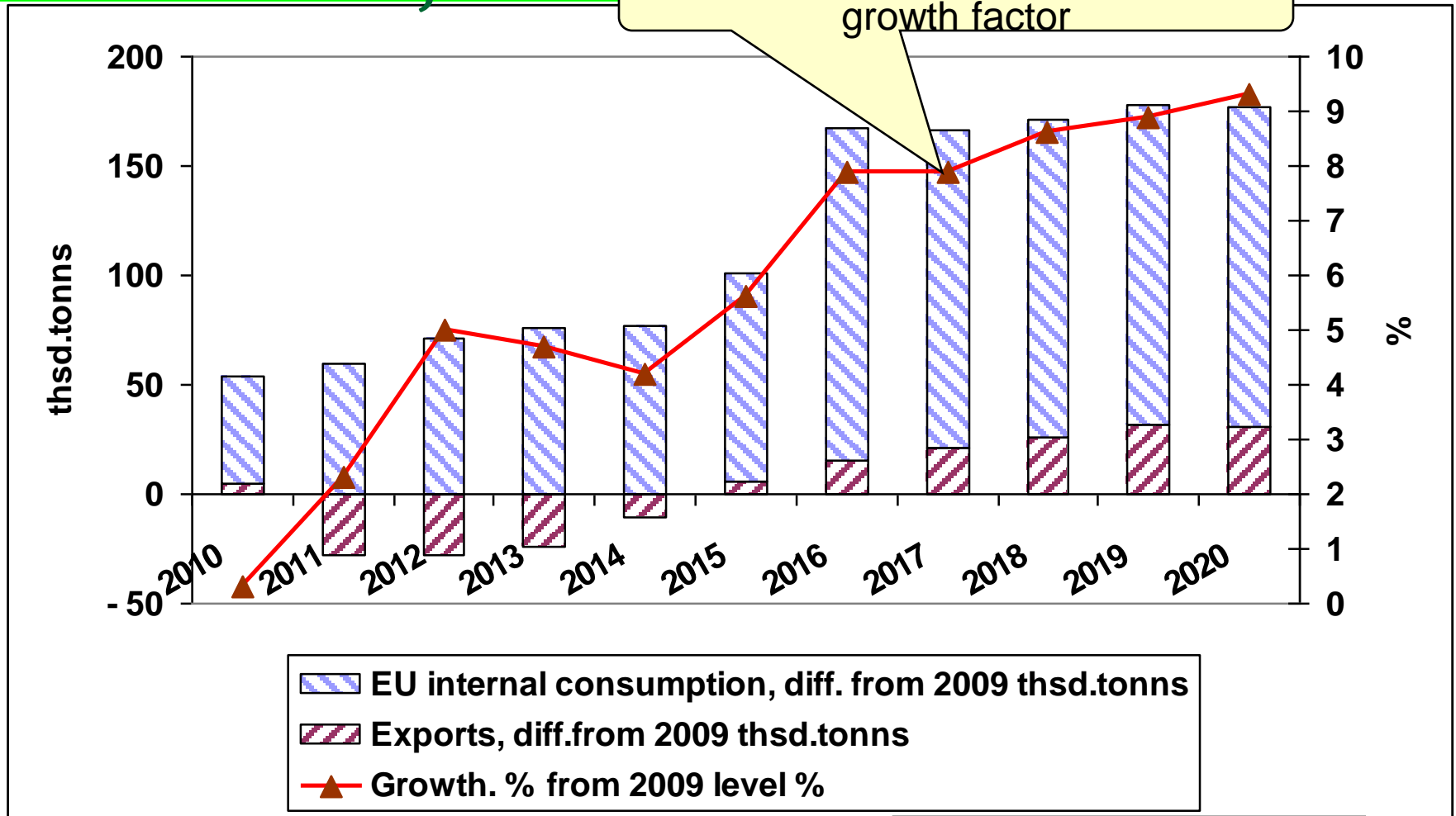
Source: A.M.&A.K. Calculations and representation, based on EC DGAgri data



# Prospects for EU butter markets.

Source: EC, 2012

Domestic consumption is the only growth factor



Source: A.M.&A.K. Calculations and representation, based on EC DGAgri data

# Some challenges for the Baltic dairy sector:

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- Should we believe in the milk market prospective?
  - Few crisis in recent years...
  - Some will do!
- Further structural changes in milk production
  - Need for investment
  - How to deal with the market risks...
- Obtaining a market power
  - Dependency in the free world market and also the retail chains
  - Will the Coops assist to deal with?
- More income from every litre of milk marketed
  - Higher labour productivity
  - More efficient feeding costs – obtaining and use
  - Efficient use of:
    - manure
    - calves



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# That's enough for a while...

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