

FrieslandCampina on the situation in the international dairy market

As a result of the global economic crisis, the FrieslandCampina member dairy farmers are struggling to climb their way out of a deep trough.

FrieslandCampina is very concerned about the impact of low prices on the members.

Vision and position on market development

- FrieslandCampina is very concerned about the low level and trend of dairy selling prices, This may affect the guaranteed milk price for its members.
- The current problem of weak demand for dairy products is attributable to the general economic situation. In this sense dairy is no different from any other economic sector. An economic recovery will ultimately also boost demand for dairy.
- FrieslandCampina continues to support the abolition of the EU milk quota system in 2015 in the interests of its members and supports the proposed measures for a soft landing (see explanation later).
- FrieslandCampina is calling on the European Commission to utilise all opportunities to support and stabilise the dairy market as part of market management.
- National measures could in the short term lead to some support for the milk price. However, in the medium and long term, it is not a sustainable solution. An equal EU market is vital. This is certainly true for FrieslandCampina, with approximately 75% of its milk being sold in the EU (and approximately 25% outside the EU). This is why FrieslandCampina continues to advocate an equal playing field in all Member States.
- A voluntary or imposed restriction on the supply (whether or not with financial compensation) of milk by members (or of all Dutch dairy farmers) will not lead to a higher guaranteed price for dairy farmers at an EU and global level. Nor is it consistent with the approach agreed with the members towards the termination of the quota system in 2015. In addition, Articles of Association and practical implementing regulations make it impossible in the short term. Nor can the quota scheme be changed during a current quota year in an EU context.
- FrieslandCampina supports the call from LTO, among other organisations, to bring forward the settlement of 2009 payment rights to August to improve the liquidity position of dairy farming businesses.
- FrieslandCampina has established that the arguments and solutions put forward by organisations, public authorities and politicians are not always realistic and can even harm the sales opportunities of dairy products in the medium and long term.
- FrieslandCampina is approaching the problem realistically, based on a long-term perspective.

Long-term vision

- The long-term outlook for the dairy market remains good. The demand for dairy will rise faster than projected production as a result of the growth in the world's population and the increase in per capita income, particularly in developing countries. However, a favourable long-term outlook does not necessarily mean that milk prices could keep pace.
- Access to the global dairy market is and remains vitally important for FrieslandCampina because more than 25% of its member milk is exported directly to the global market (cheese, butter, powder, but also condensed milk and other consumer products, infant nutrition, etc.).

How does FrieslandCampina respond to these market trends?

- FrieslandCampina cannot change the dairy market (demand – supply – global prices).
- FrieslandCampina must respond to changing market circumstances and get the best value for the milk supplied by the members of the cooperative.
- In its product range, where possible, FrieslandCampina gives preference to products with the highest possible margins. However, volumes of milk are also processed into products that generate a lower return (milk powder, butter, foil cheese).
- FrieslandCampina pursues a prudent capital expenditure policy. Cost control and production efficiency are high on its agenda. The merger has created further opportunities in this area.
- FrieslandCampina works hard every day to conclude the most favourable contracts, but it faces competition from other suppliers. Sometimes, the company has to decline orders because of low prices. On the other hand, orders are accepted at lower prices than it would like, but FrieslandCampina continues to focus on competitive pricing.

Role of the FrieslandCampina cooperative

As a cooperative, FrieslandCampina's role is to process and sell the milk supplied by its members. All the milk produced by the members is bought by FrieslandCampina and the members supply all the milk they produce to FrieslandCampina. A member decides how much milk to supply. FrieslandCampina does not direct the supply of milk by its members and in this way facilitates the business development chosen by individual members.

The dairy farmer is an entrepreneur. It is not for the FrieslandCampina cooperative to interfere in the individual business decisions of its members. Nor can FrieslandCampina take responsibility for the dairy business or the income of members, even though it shares their concerns.

It is up to the member, as an independent entrepreneur, to decide how best to respond to the circumstances.