Learning from the Italian: Annual EDF Congress in Saluzzo, Italy

Michael Wolter, Birthe Lassen, Steffi Wille, Alberto Menghi, Friederike Schierholz

From June 22nd to June 26th the annual congress of Europe Dairy Farmers took place in Saluzzo, Italy. About 300 (370 on the opening day) participants from 20 countries joined the congress – mostly dairy farmers, advisers and scientists from Europe, but also delegates from Australia, Argentina and the United States. The congress was organised by the new Italian EDF branch in co-operation with CRPA (Research Centre on Animal Production).

EDF President Jean Francois Verdenal, dairy farmer from France, welcomed delegates at the Castello Villanova Solaro in Saluzzo. He emphasized the pleasure of having the EDF Congress in Italy for the first time - in “the land of one thousand cheeses” - and opened the conference by stating that after a milk price crisis in the last year farmers have to focus on their costs of production. Verdenal underlined the importance of exchanging ideas and new concepts with colleagues from different regions to improve the business. He expects a consolidation of milk prices as world prices are high and stocks of the EU are decreasing. In times of uncertainty about prices and policies European dairy farmers should learn from countries like the USA or Australia, where dairy farmers have been facing these challenges for several years already.

Furthermore he highlighted the importance of biodiversity to the participants. Dairy farmers have a big impact on biodiversity and therefore should enhance it by sustainable farming. He is confident that dairy production is possible under Mediterranean conditions. The Italian dairy production is facing difficulties like high prices for land and only little influence on markets and policies. However local initiatives have been developed, value-added products have been introduced and adapted to the consumer’s needs. Finally, Italian milk prices are among the highest in Europe. Fundamentals for successful dairy farming, not only under Mediterranean conditions, are that farmers listen to their cows, keep an eye on their costs of production, and ensure a good management of their human resources. Yet, successful dairy farming also depends on dairy processors that are willing to collect farmers’ milk, consumers with enough purchasing power and a high population density to consume high quality dairy products.

Current situation in Italy

As a researcher of CRPA and as scientific partner of EDF STAR (Scientific Team of Analysis and Research) Alberto Menghi informed the delegates about dairy production in Italy. The main region for dairy production is Lombardia located in the middle of Northern Italy where more than 40 % of all Italian milk is produced. In Piemonte where the Congress took place about 8% of the milk is produced. In total about 40,000 dairy farms with a total number of 1.8 million cows produce an amount of 10.6 million tons of milk. The milk is sold to 1,650 first buyers, 758 cooperatives and 891 private enterprises. Most of these are local dairies as there is only one national and four international dairies operating in Italy. Most of the milk (70 %) is processed to cheese. More than 400 different “traditional cheeses” have been recorded to the ministry of agriculture. Nearly one third of the milk is processed to cheese is sold as PDO (Protected Designation Origin) cheese, ensuring that only products produced in a certain region under certain conditions are sold with names like Grana Padano, Parmigiano Reggiano, Fontina, Gorgonzola, Asiago – to name only some of the 26 PDO cheeses from cow milk.
Quota is a hot topic of discussion in Italy, because the national quota only meets about 55% of the national consumption. As a result Italy has a rather high level of overproduction. Since 1984 the super levy has accounted for about 4.5 billion €. Farmers are now asked to pay back super levy to the Italian state (within the next 30 years) if they did not pay it so far. As long as they haven’t paid back the full super levy they are not entitled to receive any CAP subsidies.

Because of the additional 5 % quota from Brussels and the fact that dairy production has decreased by 370,000 tons from 2007 to 2009 due to low milk prices, Italy was under the quota for the first time in 09/10. Yet, since Italian dairy production is not meeting demand, Italy is a net importer of dairy products. Italian producers receive a rather high milk price.

**Traditional cheese production: Formaggio gorgonzola**

One of the most known cheeses from Italy is Gorgonzola. The cheese has its name from the village of Gorgonzola in the outskirts of Milan. The cheese is traditionally produced only in few regions of Piemonte and Lombardia. Today the law ensures that only milk from these regions is allowed to be processed to Gorgonzola. 40 dairies officially produce Gorgonzola. The annual amount of Gorgonzola production is approximately 48,000 tons, of which 13,000 tons are exported, explained Luca Arimatea (Consorzio per la tutela del Formaggio Gorgonzola).

**Value-added products**

Francesco Casula, CEO from Cooperative 3A Arborea, introduced his company that is located in Sardinia. The historical Arborea Cooperative has grown by merging with smaller dairies and is collecting milk from almost 300 dairy farmers in Sardinia today. In spite of being a regional dairy company they compete with global players in the sector. Within Italy they rank on the 11th position. To face competition, Arborea specializes on branded and privately labelled dairy products as well as on food ingredients. Products are committed to quality and sustainability. In Sardinia, Arborea has a market share of 90 % in fresh milk and of 70 % in UHT milk. Typically, Italians buy regional dairy products– regional dairies benefit from this consumer preference.

**Dealing with future challenges**

Richard Doyle, President of International Dairy Federation (IDF), focused on the future challenges of the dairy industry. The biggest issues will be dealing with price volatilities, promoting milk as a good food, as well as coping with environmental challenges. Dairy farmers and dairy processors have to adjust to the recent developments and implement so far unused tools like options or futures. Also fixed contracts with suppliers and collective marketing approaches might help producers to deal with volatility. Doyle is of the opinion that it is very important to give the consumer an idea of the advantages of milk in order to avoid a bad influence of nutritional information like the fat content often does. Another important issue is the position of livestock breeding in the discussion about the greenhouse effect. In this discussion it is important to adopt standards that guarantee a reduction of emissions on the farms.

**The perspectives of the dairy sector**

Brigitte Misonne, Policy Officer of the European Commission and Market Analyst for Milk and Milk Products pointed out that the situation of the market is less tense at the moment. The provisional estimate for the quota shows that there will be an underdelivery of quota in the range of 7 % for the whole EU. Only for the Netherlands a slight surplus (+ 0.8 %) is expected.

Until 2014 EU quota will account for 108.3 % of the quota in 2006 while Misonne expects dairy production only to be at 103.5 %. She concludes that EU-wide dairy production will remain below its potential.

The ideas of the “High Level Expert Group on Milk” are to establish a formalized contractual relation between farmer and dairies, to rebalance bargaining power between farmers and dairies, as well as to develop an European Food Price Monitoring Tool to enhance transparency.
In order to face price volatilities in agriculture the intervention system should remain. Furthermore, future markets as a risk minimizing tool should be promoted. Misonne pointed out that the results will now be evaluated by the Commission since even though the High Level Group was lead by the Commission it was not installed on behalf of the Commission. The CAP after 2013 will be dominated by changing financial perspectives in accordance with the “Europe 2020” strategy.

**EDF Cost of Production Comparison**

EDF is not only driven by active communication between EDF members but also by up-to-date analysis on current economical figures of EDF members. The annual EDF Cost of Production Comparison this year compiled economic data from 280 farms across Europe. Data is not representative for the different countries, but allows estimations on international competitiveness of the EDF farms. Steffi Wille, EDF scientist, calculated that the average total costs of participating dairy farms were at 41.8 EUR cents/kg ECM while the total returns were at 33.9 EUR cents/kg ECM on average. Therefore participating EDF farms on average faced an entrepreneurial loss. As a result, return to labour was only at 0.20 EUR per labour hour on EDF average. The depth analysis on inputs and outputs showed that better EDF farms not only farmed with lower input per cow, they also managed to reach a higher milk yield from the same level of input compared to the less successful EDF farms.

Results of the CoP showed the importance of heifer rearing for the management of costs. In the Netherlands costs of heifer rearing amount to 4.5 EUR cents/kg. These costs were calculated by Jappie Rijpma from Alfa Accountants en Adviseurs in the Netherlands and member of EDF STAR. Outsourcing heifers often is not much cheaper. Thus, overall it might be better so sell all heifers and to buy in the necessary ones – keeping an eye on the remuneration rate. If heifers are reared on the farm a possibility to reduce the costs of heifer rearing are automatic feeding systems for calves in order to save labour costs, Gaid Peton from BTPL in France and member of EDF STAR explained. Another possibility to reduce costs, of course, is to feed mainly cheap raw materials like hay and straw.

**Looking forward to 2015**

EDF together with the international dairy network *agri benchmark* annually distributes a survey among dairy farmers. In the current analysis “Dairy cows on the move – where to?” more than 2,000 dairy farmers throughout Europe participated in a time period between December 2009 and March 2010. Two thirds of the participants came from Sweden, Spain and Germany. Figures show that even though market developments currently rendered farms at a difficult economic situation, dairy farmers are optimistic for the future: specialization seems to be an answer to more farmers rather than diversification and even though some investments were postponed, still three out of four farmers intend to invest into the farm within the next twelve months – the majority into dairy production. Birthe Lassen, coordinator of EDF STAR at the vTI in Germany, showed that almost all dairy farmers expect an increase of renewable energies in their regions.

With regard to dairy production only farmers participating from Ireland, Belgium, Netherlands and Ukraine expect an increase in dairy production rather than a decrease. While the majority of farmers from “central” Europe rather expect stabilization or a slight decrease, farmers in Northern and Southern Europe expect a decrease in dairy production. Markus Oskarsson (Svensk Mjölk, Sweden) and Claudio Lopez Garrido (Centro de Investigaciones Agrarias de Mabegondo, Spain), both member of EDF STAR, explained the figures from the participating dairy farmers in their country. The conditions in Sweden make other enterprises like renewable energies (e.g. wind or solar) but also cash crop farming interesting for the farmers so that there is a growing competition to dairy production. In Spain farmers are not used to low milk prices. Running one of the most intensive systems of dairy production, Spanish farmers have relied on high milk prices in the past. They now have to learn to adapt.

**Intensive workshops: time for discussions on a European Scale**
In small workshops on different topics like cost of production, animal welfare, change in milk components, land scarcity and nitrogen directives or guided cheese tasting, participants got the possibility to discuss intensively about personal experiences or country specifics. The workshop on animal welfare moderated by Paolo Ferrari from CRPA showed how different the opinions are throughout Europe. Participating farmers discussed why establishing a common label for animal welfare would be very difficult and considered different aspects.

Next to animal welfare regulations also environmental regulations gain importance for European dairy businesses. The workshop on this topic was moderated by Paolo Mantovi (CRPA) and Diane Schoonhoven (Boerebon, Belgium). Many farmers showed their discontentment about different regulations for nitrate directives. Farmers felt that legislation should be unified all over Europe and stimulate the farmers instead of punishing them.

Furthermore, participants discussed how to cope with the low milk prices during the cost of production workshops. Some Dutch farmers used a strategy of consolidation to adapt. To ensure liquidity they sold some of their quota, sent cows to the slaughterhouse and rented out some land to other farmers. Irish and UK farmers stay with their intensive grass and grazing systems which enables them to produce milk at low costs. In addition the farmers also discussed how to develop the dairy enterprise in the future - facing different challenges: shortage in land (Netherlands, Ireland, Italy), high quota prices (Netherlands) or limited milk quota markets (France) and high level of debts (Netherlands, Denmark).

Also by different feeding strategies the farmers see possibilities to influence the components of the milk and therefore also production costs and revenues as was explained by Gustavo Napoli (Purina - Cargill).

**From theory to practice: farm visits gave deeper insight into Italian dairy production**

During the congress farmers did not only learn from lectures but also from farm visits. In total eight farms were visited in the province of Cuneo – among these there was one buffalo farm.

**High milk yields through intensive feeding and good genetics**

Visited farms were different in farm size. Ranging from 77 milking cows to 320 milking cows almost all farms had an average milk yield of more than 10,000 kg/cow/year. Very low average somatic cells and a protein content of about 3.4 % and a fat content of 3.6 to 3.9 % characterized the farmers’ dairy production. Depending on the product the milk is processed to, the cows’ diet was individual. Especially farmers producing milk for PDO cheese are limited to certain feedstuff components. In general the share of grass in the cows’ diet is very low and cows are fed more maize-based: maize silage or CCC. To avoid rumen acid as a result of the high amounts of maize many farms add bicarbonate. To reach a sufficient content of crude fibre, alfalfa hay, hay and straw are fed. The quality of feedstuff is very important. Therefore it is sometimes even imported from Spain.

**Concrete keeps cows cool**

After having visited Ireland last year, participating EDF farmers were impressed by the massive concrete barns they saw in Italy. In order to obtain a good barn climate, walls and roofs are made of concrete. With average costs of 80 - 95 EUR/qm concrete is more expensive than other materials (60 - 75 EUR/qm), the participants were told by Stefania, Claudia and Mario Morisiasco, who milk 245 cows on their farm. But the concrete keeps the cows cool in summertime and can even resist two meters of snow like during this winter. In addition to the concrete roofs also fans were installed in all barns and in addition in some barns sprinklers optimize the barn climate.

**Specialization in the dairy chain and search for niche products – a way to avoid price volatilities and quota purchase**

An increase in production is connected to the costs of buying quota. For Ivan Morisiasco these costs were one reason to change the strategy of his farm. Eight years ago he decided to change from Holstein Friesian cows to buffaloes. The milk of buffaloes is well known for its ingredients of 8.5 % of
fat and 4.5 % of protein. Furthermore it is possible to produce high-valued *Mozzarella di Bufalo* from the milk of buffaloes. For the 2,300 kg of milk that Morisiasco’s average buffalo produces, he receives a price between 1.1 EUR/kg and 1.3 EUR/kg. But in addition to the high milk price there were several other important issues that made him switch to buffaloes: better health conditions, no danger of TBC, better adaptation to the climate, profitable marketing also for the meat and rather low feed costs. Ivan Morisiasco processes 30 % of his milk on his farm dairy and sells the products in his farm shop and therefore is able to obtain a higher added value. But Buffalos are very sensible and therefore not easy to manage. Therefore he so far is the only one milking Buffalos in the region.

**Merlo Day**

On the 26th congress delegates have been invited to visit Merlo Factory in Cuneo, the main Congress sponsor. Delegates from different countries have been able to see different Merlo products and their potentiality and ask information to the Merlo staff company.

Presentations will be available on [www.dairyfarmer.net](http://www.dairyfarmer.net) soon.

Per informazioni: CRPA - Alberto Menghi – Tel. 0522.436999 – [a.menghi@crpa.it](mailto:a.menghi@crpa.it)