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Production and commercialization of organic milk in Europe

Results of a survey held in August 2011 by the Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management, Department III/6

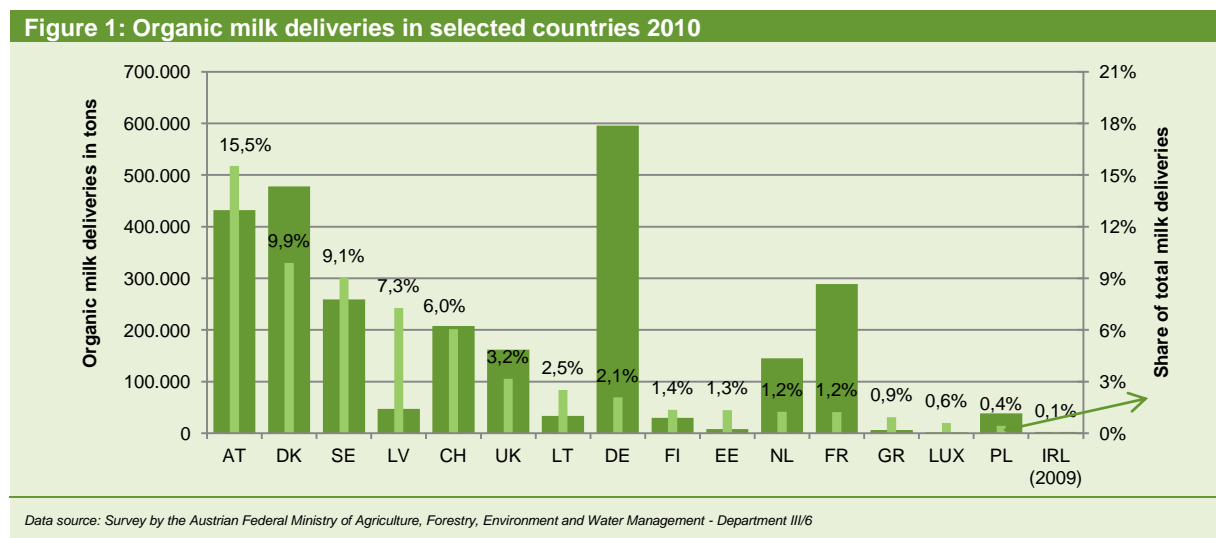


Production and commercialization of organic milk in Europe

The importance attached to the marketing of organic milk on the markets of the European countries differs from country to country. In the course of the preparation of this brochure a survey on organic milk production and on the marketing of organic milk products was carried out in June 2011. The questionnaire was sent to the EU (27) Member States and to Switzerland. The figures mentioned in this chapter are based on the feedback of the individual states. In the evaluation the data of the following countries are taken into consideration: Austria (AT), Luxemburg (LUX), France (FR), Cyprus (CY), Denmark (DK), Finland, Poland (PL), Germany (DE), Sweden (SE), Latvia (LV), Netherlands (NL), Lithuania (LT), Estonia (EE) Switzerland (CH), Ireland (IRL) and Great Britain (GB). In Hungary, Belgium, the Slovak Republic, Romania, Spain, and Slovenia no records on organic milk were available.

Organic milk deliveries in selected countries of Europe

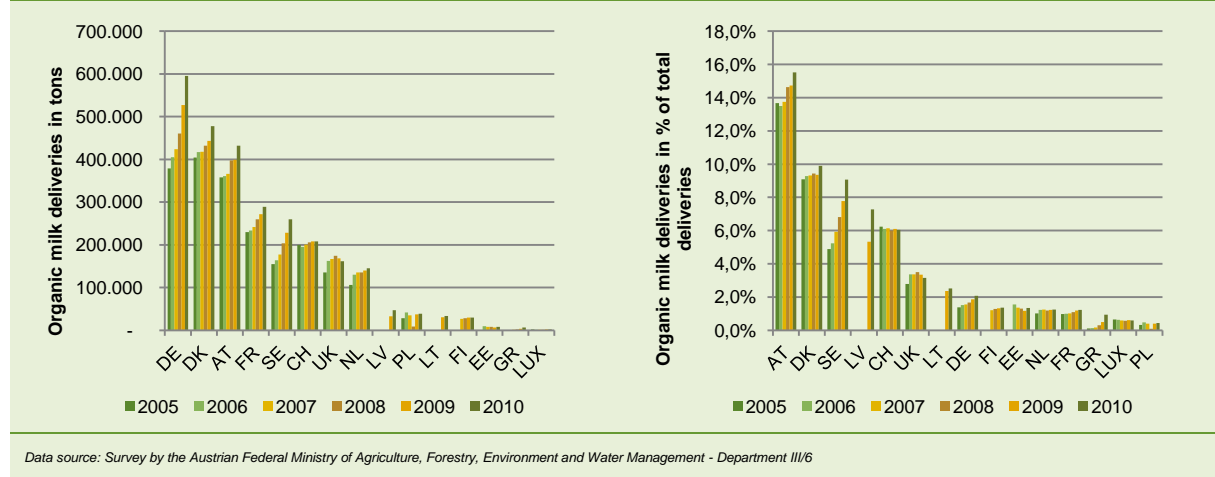
Figure 1 shows the most important producers of organic milk in Europe in 2010 and the shares of organic milk deliveries in the total quantity of organic milk delivered. With a quantity of almost 600,000 t delivered Germany was the largest producer of organic milk followed by Denmark (478,000t) and Austria (431,000t). The share of organic milk deliveries (total quantity of milk with and without price markup for organic products) was the highest in Austria amounting to 15.5 % of the milk deliveries. In Denmark and Sweden a share of about 10 % of the delivered milk was processed according to organic standards. Latvia had also a relative high percentage of organic milk in the total quantity of milk delivered, however, only a small share of it was also marketed as organic milk. Even though high quantities of organic milk were delivered in Germany and in France, the quantity of organic milk delivered made up only a small share of the total quantity of milk delivered.



In the period between the years 2005 and 2010 the quantities of organic milk delivered as well as the shares of the quantities of organic milk delivered in the total milk deliveries have risen in almost all countries interviewed. Sweden could increase the total quantity of organic milk delivered by more than half (increase by 68 % from 5 to 9 % of the total quantities of milk delivered), Germany increased the total quantity of organic milk delivered by about 60 %, Poland and the Netherlands by 37 % percent respectively. In Great Britain the quantity of organic milk delivered decreased from 2008 to 2010. In

Switzerland, in Poland and in Finland the quantities of organic milk delivered remained unchanged. Especially Austria, Denmark, Sweden and Latvia could raise their shares of quantities of organic milk delivered. In Switzerland, Great Britain and Estonia the shares of organic milk delivered decreased.

Figure 2: Development of organic milk deliveries and the share of organic milk deliveries on the total milk deliveries in selected countries 2005-2010

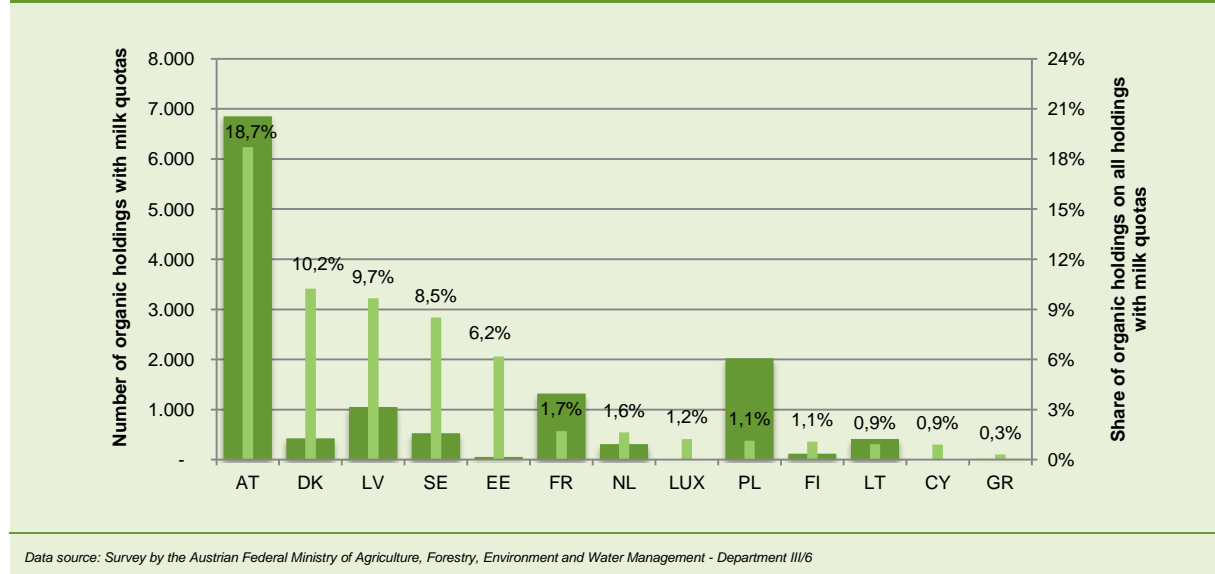


Data source: Survey by the Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management - Department III/6

Numbers and shares of holdings with milk delivery quotas

In 2010 Austria recorded the highest share of organic dairy cow farms with delivery milk quotas of all countries evaluated. In Austria almost every fifth farm with delivery milk quotas is under organic farming. Denmark and Latvia had a share of organic dairy farms of about 10 %. With 6,846 dairy farms with a delivery milk quota Austria had also in absolute figures the highest number of organic dairy farms. In Poland about 2,000 dairy farms with delivery milk quotas were under organic farming, in France there were about 1,200 organic dairy farms.

Figure 3: Number of organic holdings with quotas for deliveries and share on all holdings with quotas for deliveries in selected countries 2010

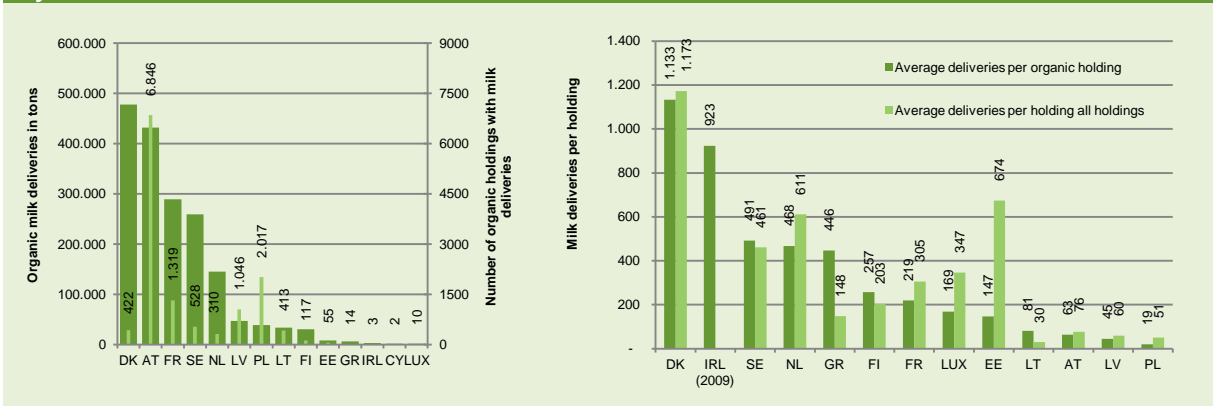


Data source: Survey by the Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management - Department III/6

Figure 4 (left) shows a comparison between organic milk supply and the number of holdings of the respective country. From the figure one can see that the Danish organic dairy cow farms showed very large structures. The 422 Danish dairy farms delivered in 2010 more organic milk than the 6,846 Austrian organic dairy farms. The average organic milk deliveries per farm (figure to the right) were ac-

cordingly high in Denmark amounting to 1,132 t per holding. In Ireland there were large-scale holdings as well, however, there were only a few organic farms in Ireland.

Figure 4: Comparison between organic milk supply and the number of holdings of the respective country 2010



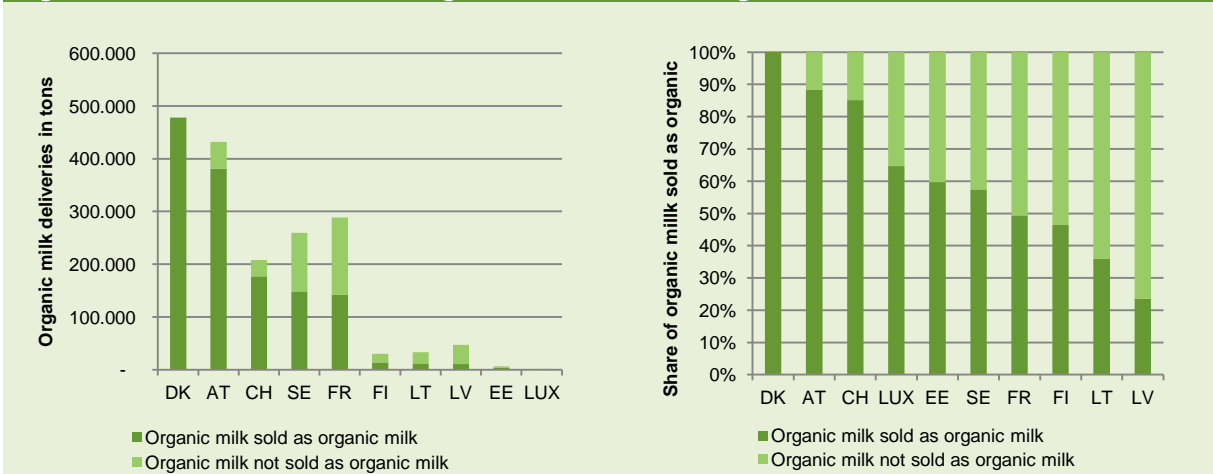
Data source: Survey by the Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management - Department III/6, Datas from IRL: Year 2009

In comparison to the average milk deliveries per farm it has turned out that organic dairy farms were in most countries smaller than the average of all holdings. In Sweden, Greece, Finland and Latvia, however, organic farms were larger than the average of holdings with delivery milk quotas.

Degree of marketing of the delivered organic milk in Europe

The figure below (to the left) has shown that in 2010 the largest marketed quantity of organic milk was delivered in Denmark, followed by Austria and Switzerland (no data for Germany available). On a pro-rata basis the total quantity of organic milk produced in Denmark was also marketed as such. In Austria the degree of marketing made up 88.2%, in Switzerland as well as high share of organic milk could also be marketed as such. There were potentials for an increase in the degree of collection and marketing in many European countries. In quantitative terms these countries were first and foremost France, Sweden and Latvia. The share of marketed milk could be raised in all countries compared to the year 2005; particularly high increases were recorded in Denmark and Austria.

Figure 5: Overview on the share of organic milk marketed as organic milk in selected countries 2010



Data source: Survey by the Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management - Department III/6, Datas from EE: Year 2009

Organic milk prices in Europe

The price of organic milk plays an important role for the decision of farmers on whether to convert to organic farming or not. In this respect it is decisive if the milk produced is collected as organic milk at all and can thus be marketed as such and/or whether there is the possibility of granting an organic milk price mark-up.

The milk price (organic as well as conventional) was the highest in Greece and in Sweden. The lowest milk prices were paid in the Baltic States Lithuania and Latvia. In 2010 dairy farms in Greece, Sweden, Latvia and France received the highest price mark-ups for organic products in relation to the conventional milk price. Table 1 shows a survey of the price situation for conventional and organic milk in Europe in 2010 and represents the price mark-up for organic milk in absolute figures and in relative figures compared to the conventional milk price.

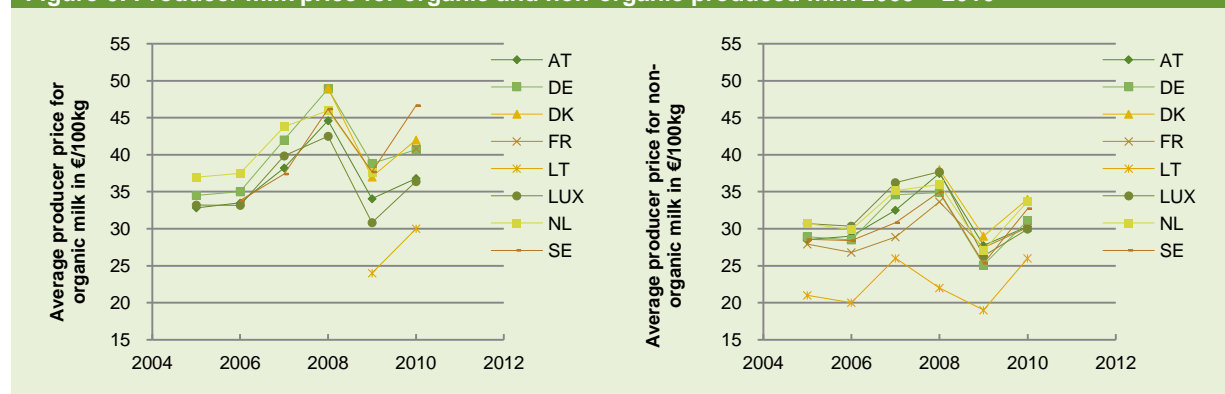
Table 1: Producer milk price and milk price mark-up for organic milk in selected countries 2010 (Prices in €/100kg milk at 4,0% fat and 3,4% protein)

Country	Price non-organic milk	Organic milk price mark-up 2010	Price organic milk	Organic milk price mark-up in % of non-organic milk price
GR	35,40	29,70	65,10	83,9%
SE	32,73	13,93	46,66	42,6%
DK (4,2%/3,4%)*	34,00	8,00	42,00	23,5%
FR (3,8%/3,2%)*	30,15	10,70	40,85	35,5%
DE (4,2%/3,4%)*	31,10	9,60	40,70	30,9%
AT	30,32	6,48	36,80	21,4%
LUX	29,96	6,42	36,38	21,4%
LV	25,38	9,87	35,25	38,9%
LT	26,00	4,00	30,00	15,4%

Data source: Survey by the Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management - Department III/6
* prices from DK, FR and DE are not comparable, because of a different fat and protein base

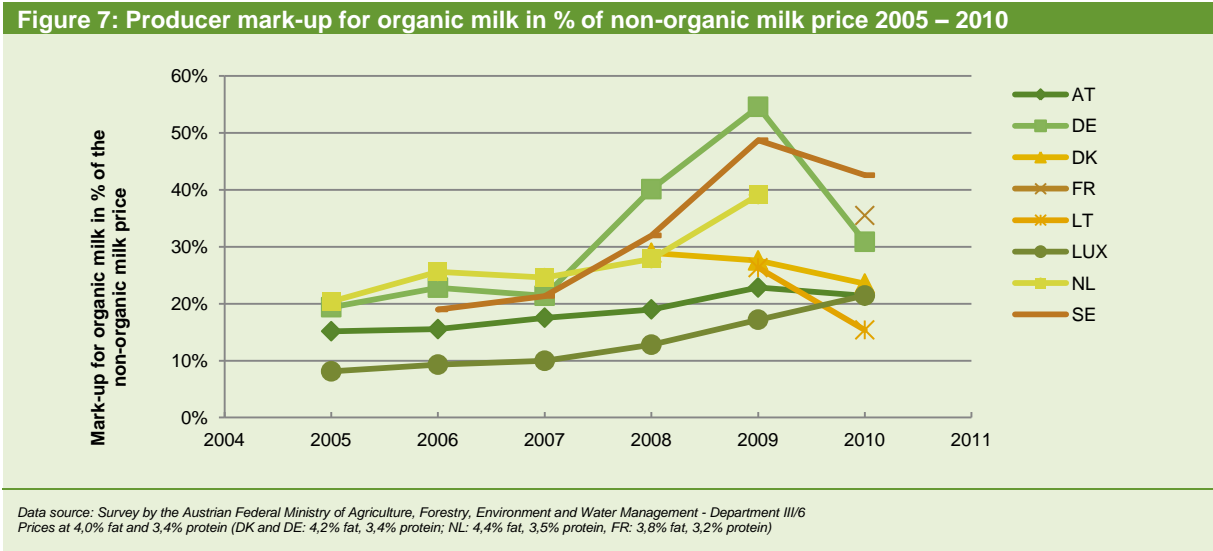
The prices of organic milk as well as the prices for conventional milk showed in Europe a wide range of dispersion. However, the price dispersion was higher with organic milk than with conventional milk. You can see from the graphs of milk prices that the year 2009 has brought about a slump in the prices for conventional as well as for organic milk. The price for organic milk was in all countries above the milk price for conventional milk. The prices in figure 6 are partly not directly comparable, as the prices for DK, NL and FR have a different fat and protein basis.

Figure 6: Producer milk price for organic and non-organic produced milk 2005 – 2010



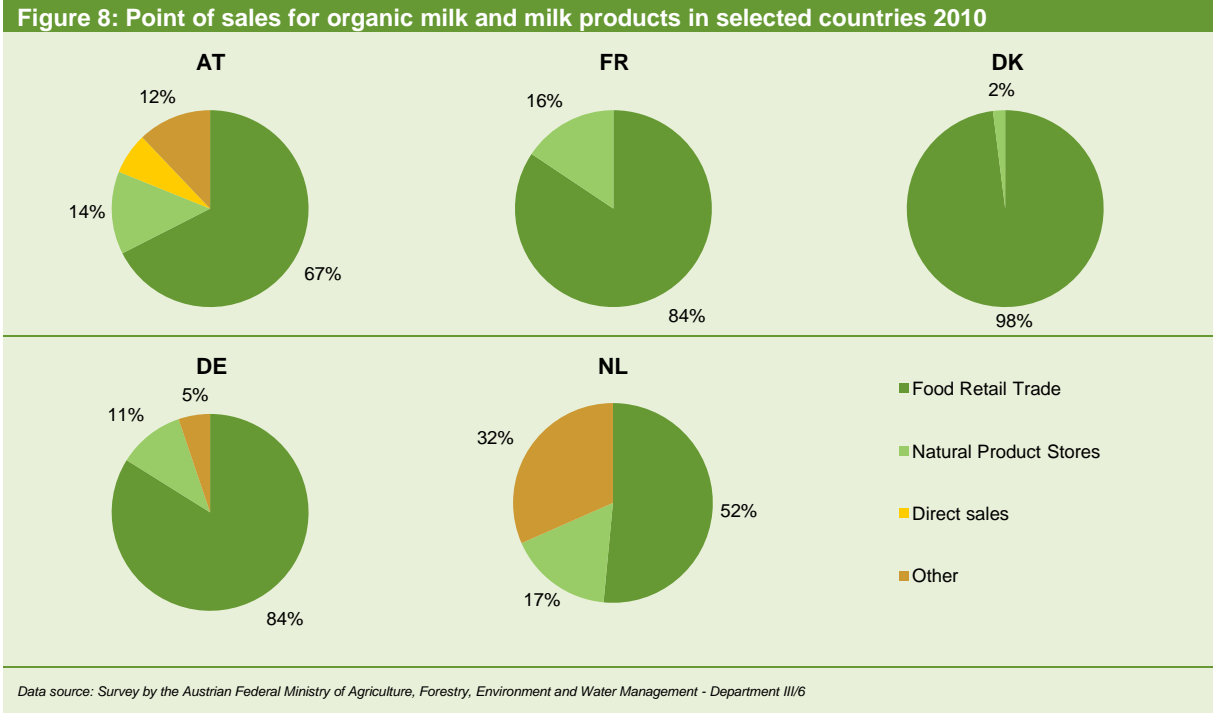
Data source: Survey by the Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management - Department III/6
Prices at 4,0% fat and 3,4% protein (DK and DE: 4,2% fat, 3,4% protein; NL: 4,4% fat, 3,5% protein; FR: 3,8% fat, 3,2% protein)

In most countries the mark-up for organic milk amounted in the years 2005 to 2010 between 10 % and 50 % of the conventional milk price, with a rising tendency in the course of the years. The highest price mark-up for organic milk on a percentage basis was paid in 2009 (in particular in DE, SE and NL). The high price mark-ups for organic milk on a percentage basis in 2009 indicate that the price mark-ups for organic milk did not decrease to the same extent as the conventional milk prices.

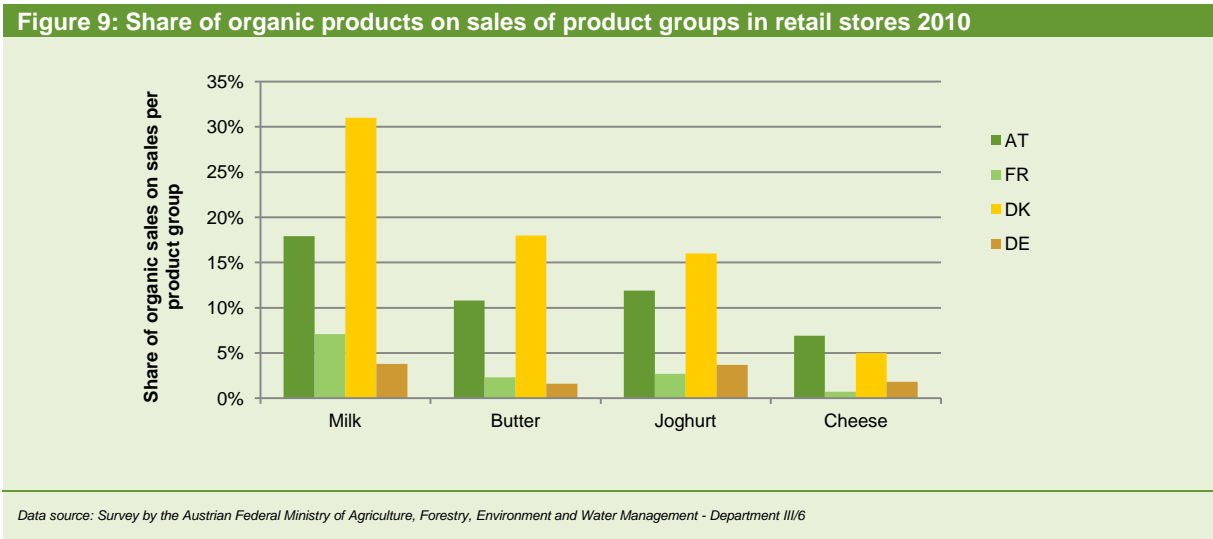


Marketing of organic milk products in the food retail trade in Europe

In most countries the major part of organic milk products was sold via the classical food retail trade. Speciality shops for organic products (organic supermarkets, health food shops) had a market share between 2 % and 17 % in marketing. Out-of-home consumption played an important role in 2010, in particular in the Netherlands, almost 30 % of organic products were sold in restaurants there. In Austria a share of about 5 % of the turnover from organic milk was yielded in the field of out-of-home consumption in 2010.



In 2010 drinking milk was in all countries, from which feedbacks are available, proportionately the most frequently bought organic milk product. Denmark recorded in general a very high share of organic milk products sold. In France and in Germany the shares of organic milk products sold in retail trade was relatively low compared to conventional products.



In 2010 the price premium for organic milk products was the highest in France; there organic milk, organic butter and organic cheese were on average 50 % more expensive than comparable conventional products. In Denmark organic milk cost about 25 % more than conventional milk; yoghurt was about 11 % more expensive. In Austria organic milk products were with a price premium of 9 % for milk and a price premium of 1 % for yoghurt very cheap in comparison to other countries.

