

Too much milk sours French farmers

PARIS, FRANCE: Got milk? Too much, say French dairy farmers caught in a pricing squabble with supermarkets while missing out on the Chinese thirst for imported powdered milk.

France, while famous worldwide for its cheeses, says many local dairy farmers are getting squeezed out of the milk market and as a result, more than 1,000 agricultural jobs are likely to be lost in the coming months.

For weeks French dairy farmers have been locked in negotiations with the country's supermarkets demanding a hike of up to three cents per litre for their milk.

Meanwhile, a lack of facilities has left French dairy farmers on the sidelines of a boom in the price of powdered milk, which is climbing by nearly 25% month-on-month, according to Renaud de Kerpoisson of the agro-industry consultancy ODA. He expects the 2007 record price of US\$5,000 a ton for milk powder to be broken this year.

That demand is being driven in particular by China, where scandals involving poisoned baby milk have created demand for foreign baby formula and powdered milk.

Meanwhile, a severe drought in New Zealand has hurt milk powder production. Last year New Zealand produced 40% of the 1.9m tons of powdered milk sold worldwide, according to the Gerard Calbrix, an economist at ATLA, a French dairy industry association.

France is active in the sector. It produced 430,000 tons of powdered milk last year, according to industry sources, or 23% of the global total.

Shortage of drying facilities

However the country lacks enough drying facilities for French farmers to cash in on rising prices.

"In particular in springtime when there is more milk, we lack the capacity to transform the milk to powder," said Gerard Picot, head of the industry association FNIL.

"Farmers find it extremely difficult to add value to their production," he noted.

While 40% of the milk products are exported, French farmers have largely missed out on the growing appetite for dairy products of the expanding middle classes in emerging countries as only half of that production goes outside the EU.

But within a few years French dairy farmers should have more options as plans are underway to build eight milk-drying towers.

Chinese infant formula producer Synutra, is building two milk-drying units in France's western Brittany region and funding 90% of the €100m tie-up with Sodiaal, France's top dairy co-operative. The milk-drying units will be capable of processing 280m litres of milk from 2015.

"You don't build a drying tower by snapping your fingers," said Christele Josse, head of the FNCL federation of dairy co-operatives.

"In order to succeed in emerging markets French dairy companies need to ensure top quality and safety standards and learn how to manage the volatility of the price of milk," she added.

France's record in value-added exports over the past decade hasn't been encouraging with exports of butter and powdered milk largely losing money.

"Proper financial tools must be put into place to protect margins for producers," said Josse.

In 2010 the Euronext exchange started powdered milk futures to help dairy farmers reduce their risks by locking into prices and in 2015 the milk producing industry in France will undergo a major transformation when milk quotas in the EU are lifted.

Josse said European dairy farmers are watching closely as the US market prepares to liberalise its milk prices, which have been regulated by the federal government since the 1929 Great Depression.

Source: AFP via I-Net Bridge

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