Introduction
The removal of milk production quotas for European dairy production in 2015 will be the largest change to the industry since quotas were introduced in 1984.

Forewarned is forearmed. Companies and organisations that have a clear and up to date understanding of what changes will occur moving towards 2020 will be in the best position to build strategies to maximise the opportunities and minimises the threats resulting from this change.

The document outlines a research study designed to assist companies and organisations understand the type, scale and timing of changes that are likely to occur as a result of quota removal.

Outputs
The study will be based around two detailed reports covering both the production and processing sectors. The outputs for both reports include:

Formal Report
A clear and concise summary of findings, supported by charts and diagrams highlighting key issues. Strategic analysis and insights on major trends and issues.

Results Presentation
An interactive presentation session. The presentation would be tailored to highlight key findings from the research and to evaluate their impact on your business.

Features / Benefits
The reports will include:

- Synthesis and analysis of the latest reports and data sets on trends and issues towards 2020
- Insights and views from over 50 senior executives from leading dairy processors and producer organisations
- A scenario based research approach to gain deeper understanding of how companies and producers may react under various market conditions

Costs
The costs for both the Production and Processing elements of this study are £9,500 each (excluding 10% discount for initial subscribers).
The removal of milk production quotas for European dairy production on the 1st January 2015 will be the largest single change to the European dairy industry since the introduction of quotas in 1984.

Despite the long lead time for removal of quotas and the large number of academic reports on the topic, there is still a high degree of uncertainty regarding just how farmers, processors and Governments will react to these changes.

Some dairy industries, such as Ireland and the Netherlands have been preparing for quota removal for a number of years, while others are only just starting to prepare for the new environment.

Certain impacts of quota removal will be felt very quickly after 2015, while others will take five or more years to occur and to be felt across the industry.

Most companies and organisations working with the European dairy industry will find some of these changes impacting their budgets from the next financial year.

Companies that have a clear and current view of how the market will develop over the next 5/6 years, will be in the best position to maximise opportunities and minimises the threats from the changes.
Objectives & Structure

Objectives
This study aims to provide an up to date, insightful, and commercial view of European dairy businesses’ perspectives and plans for the period 2015 – 2020.

The results will assist companies understand the type scale and timing of changes that are likely to occur across the European dairy industry as a result of quota removal.

A key feature of the report will be its focus on scenario or “what if” based discussions and analysis.

The aim will be to identify producer and processors’ views of the future – and how their strategies would change under varying external market conditions.

The report will analyse and identify trends on a country by country basis to build up an overall European perspective.

Structure
The study will be based on two separate, detailed reports covering:

• The processing sub-sector
• The production (farming) sub-sector

The two reports will be designed to be stand alone documents, but also to be complementary with references to each other.

The combined reports will provide a clear view of the interactions between processing and production sectors and highlight potential strengths / weaknesses between processor and producer strategies.
The two reports will provide answers to a range of commercial questions such as:

**Production**

- Which types of farms will grow, where will they be located?
- How will farms grow… automation, increased labour, share farming, increased yields / cows?
- What impact will new processing investment (eg Biostime & Isigny St Mere JV) have on production patterns?
- What types of farming systems will grow – mixed / specialist, intensive vs extensive?
- What are the factors limiting future farm growth… capital. Land, labour, water…?
- What are the impacts of farm growth how will production volumes vary – across regions and countries?

**Processing**

- What types of processing investment are European dairy companies making? How will this change over the next 5 years?
- Which companies / countries are best prepared for the post 2015 market?
- Which export markets do European processors see as having the greatest potential? Where do they have the strongest customer base?
- How do European dairy processors view global markets in the short and medium term? What are their scenarios for the future?
- How well prepared are European companies to compete in these markets?
- What do processors want / expect from their suppliers? How will this change over the next 5 years?
- What strategies do European dairy institutions have in place for the post 2015 market?

Further information on report content is contained on pages 9 and 10.
Report Coverage

Each report will provide an overall European view, but focus on the key producing regions and players:

**Producers**
The producer report will cover the 14 countries that account for almost 95% of European wholesale milk deliveries.

The most focus will be allocated to the six primary countries that account for over 70% of European milk production.

The same analysis areas will be covered for the next eight largest milk producing countries (secondary countries), but in less detail.

**Processors**
The processor study will focus on the Top 20 companies that process over 70% of European milk.

In priority countries, we will also target important local players such as First Milk in the UK or Isigny St Mere in France to make sure we have a comprehensive view of developments in each market.

Finally, we would also talk with key input suppliers to the processing sector (such as Tetra Pak, SPX and GEA Niro) to gain a rich and insightful view of where and how processing capacity was developing.
Outputs

The outputs from both reports include:

Formal Report
A clear and concise summary of findings supported by charts and diagrams highlighting key issues.

Data tables and references would be provided in Excel format where appropriate.

Along with data and facts the report will provide strategic analysis and Promar’s expert insights on major trends and issues.

Interactive Presentation
Included in the price is an interactive presentation session* for each company.

The presentation would be tailored to each company to prioritise key findings and evaluate strategies to mitigate or enhance the impact they may have on the business.

Presentations would be delivered by webinar or meetings at clients’ premises* by experienced Promar researchers / facilitators.

Customisation
Although this study has been designed as a syndicated study, there are opportunities for subscribers to have inputs into the development of the report.

Organisations that sign up to the project before it is commissioned (Founding Members) will have the ability to include three specific research questions in each report.

We would also hold a launch teleconference with Founding Members to confirm their key priorities / interest areas from the research.

These specific or customised questions would remain confidential between the Founding Member and Promar. The questions or the results would not be disclosed to any other party.

This facility allows Founding Members to drill deeper into the topic and to identify specific information that will assist and guide their own strategy and responses to the changing production.

Further options for greater customisation of this study or subsequent research can always be negotiated with Promar.

*For on-site presentations, travel expenses would be charged at cost.
Method

The report will be based on three core areas of research:

**Data Research**
Analysis of existing reports, data sets and publications, including FADN / RICA farm accounting information, European Milk Board data, Eurostat and various country level farm statistics and surveys.

**Primary Research**
To ensure we capture the latest trends and thinking, we will interview senior managers and directors from leading European dairy companies and dairy industry organisations.

In the producer study, we would expect to interview over 30 senior milk procurement or farm, liaison type directors from processors and farmer representative groups across our 14 priority countries.

Similarly, the processor report would be based on interviews with senior managers / directors from 30 leading dairy processors and processing industry associations.

**Producer Segment Analysis**
To bring farm statistics ‘to life’ and make more sense of national level data, we will work with local market experts in our six priority markets to segment national dairy farms in to major farm ‘types’.

These ‘type’ segments will be based on a combination of farm demographic data, such as size, calving system, feed and location etc.

(Where possible we will combine these demographic segments with existing attitudinal or other ‘soft’ data to create even more meaningful segments).

We will then use these segments to provide a more granular view of how dairy farmers can be expected to perform and react to changes in the future.

Our particular focus will be on the expected impact these segments will have on overall milk production, and demand for various products and services.
Costs & Timing

Report Costs
The costs for both the Production and Processing sectors of this study are £9,500 each*.

To secure a position as a Founding Member (and gain the ability to include questions in the study) investors would need to provide a 20% deposit.
The balance (80%) would be payable on delivery of the report(s).

Timing
The report would take around five months to complete the interviews and analysis.

Assuming we gain sufficient subscribers, we would aim to start the project in September and have delivered the final report by February 2015.

Workshop sessions would be scheduled at subscribers’ convenience after delivery of the written report.

*Promar International reserves the right to cancel this study in the unlikely event that there are insufficient Founding Members. In this case, any existing Founding Members contracts will be cancelled and all monies refunded in full. In practice, Promar would seek to re-negotiate the terms / scope of reference for the study with existing Founding Members prior to cancelling any project.
Table of Contents - Production

**Dairy Production (Report 1)**
- Management Summary
- Scenario assumptions
- Strategies and plans post 2015
- Changes to 2020
  - Milk volumes and production location
  - Farmer demographics
  - Farmaographics
- Producer competitiveness and confidence
- Producer / processor alignment
- Industry leadership
- Critical success factors post 2015
- Country Profiles
  - Major countries
  - Secondary countries

**Major Country Profiles**
- Industry Overview*
  - current farm structure - herd size, breed, system, location
  - producer demographics – age, education, ownership
  - producer attitudes / confidence (where available)
  - farm profitability - by herd size / systems
  - milk buyer analysis – structure, needs
- Industry Strategy
  - industry SWOT
  - goals / strategy post 2015, level of preparation
  - producer & processor alignment
  - leadership roles
- Promar Farm Type Segmentation (up to 6 segments per country)
  - farm structure
  - farmer demographics and attitudes (where available)
  - segment strengths and weaknesses
- Analysis of Promar Farm Segments
  - strategic options post 2015
  - estimated producer responses / actions
- Changes to 2020
  - scenario assumptions
  - production levels / no of farms / cows / regions
  - change drivers

**Secondary Country Profiles**
As above, but with less detail
Table of Contents - Processing

**Dairy Processing (Report 2)**
- Management Summary
- Scenario assumptions
- Industry view of markets in 2020
- Industry in 2020
  - milk intake, utilisation, structure, capacity, self sufficiency
- Major players and key exporters
- Strategies and critique
- Europe’s role in global markets
- Strengths & weaknesses
- Critical success factors post 2015
- Country Profiles
  - Major countries
  - Secondary countries
- Processor profiles
- Summary & conclusions

**Major Country Profiles**
- Industry firma-graphic background
  - milk intake
  - product mix
  - processor segmentation
- Industry environment
  - industry trends
  - SWOT
- Exporters
  - major exporter profiles
  - export focus - major products and markets now / future

**Secondary Country Profiles**
As above, but with less detail

**Strategy**
- industry & company strategy and goals
- view of industry in 2020 – capacity, products, markets
- industry’s view of external market in 2020
- critical success factors post 2015
- role in global market
Promar International (Promar) is a leading agricultural, food and drink consulting company based in Cheshire, Northern England, but operating throughout the UK and internationally.

Last year, we carried out assignments in some 41 markets around the world, including many of the EU markets we will analyse in this study.

We are the consulting subsidiary of Genus plc, a global agribusiness company, with its shares traded on the FTSE.

Promar completes a number of assignments each year, including projects with many of the leading private sector food companies, such as Syngenta, Bayer, Sumitomo, Nestlé and Tetrapak.

As well as large commercial organisations, Promar has also carried out a great deal of work with smaller agri food businesses and the public sector.

We have worked with some of the leading agricultural levy boards and food industry groups, including Silver Fern Farms (NZ), DairyCo, Dairy UK, the International Pink Lady Alliance IPLA (apples), Beef and Lamb New Zealand, as well as the US Dairy Export Council (USDEC).

Promar conducts over 40 bespoke research assignments each year for public and private clients, recent dairy reports include:

- We carried out a dairy farming segmentation study across leading EU countries, including France, Italy, Germany and the UK – as well as India, China, Russia, Mexico and the US - for a leading international agri business company
- Promar was commissioned to review the mid to long term strategy of a major dairy sector company in light of major changes in the EU dairy sector, not least the removal of quotas in 2015
- We carried out a feasibility study for the development of a new, large scale dairy farming and processing operation in SE Asia
- We carry out a systematic analysis of key developments in the EU 28 dairy supply chain for a significant dairy sector player with interests in Italy, the UK, France, Germany, Poland, the Netherlands and Ireland
- A review of global dairy trade and analysis of opportunities and implications for the UK dairy industry. The study was designed to provide a logical, well structured, fact base to support industry debate regarding the UK’s role in the global industry
- A structured analysis & prioritisation of opportunities and threats facing the UK dairy industry post CAP reforms in 2015. The study was completed for the UK industry body, DairyCo
- Twice a year we produce a ‘cost of production tracker’ for dairy farmers in the Tesco Sustainable Dairy Group (TSDG). This is used as an input into the price setting mechanism for Tesco’s UK milk supply
- Development of an industry strategy for the Northern Ireland dairy industry. The study was based around scenario planning techniques.
A summary of some of our previous clients is shown below:

Andrew McLay
Andrew joined Promar International in 2004, having worked the previous 10 years in Australia for a number of industry marketing groups, including Dairy Australia. Andrew has extensive experience across a variety of business and research techniques from scenario planning to customer segmentation. He has worked in most of the EU markets, as well as the likes of Russia, Latin America, New Zealand and Australia. Andrew has completed a number of large international projects and is an experienced project manager and team leader.

Tim Harper
Tim is a specialist dairy consultant working with corporate clients in both the farming and processing sectors across Europe. Tim’s corporate work includes the management of projects for the Tesco Sustainable Dairy Group as well as one-off projects such as a feasibility study for a large scale dairy unit in Russia and an evaluation of the financial benefits of using better cattle genetics.

Other Promar staff with experience across Europe and the dairy supply chain will be selected to contribute to the project.
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