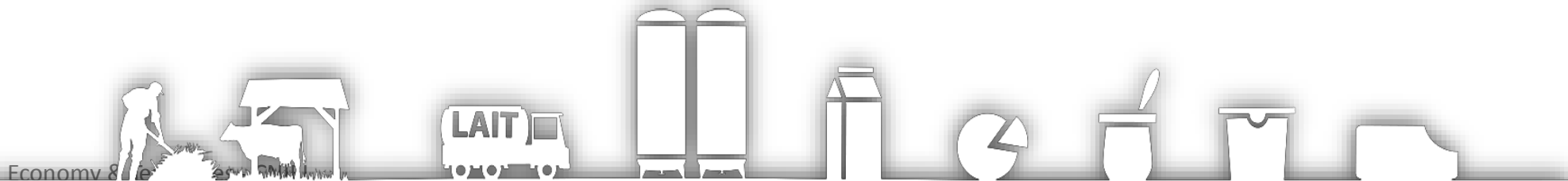
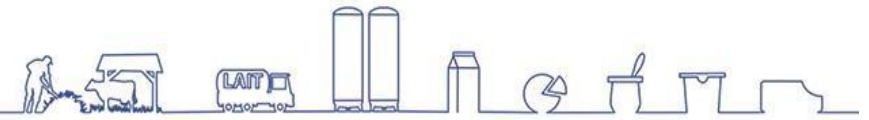


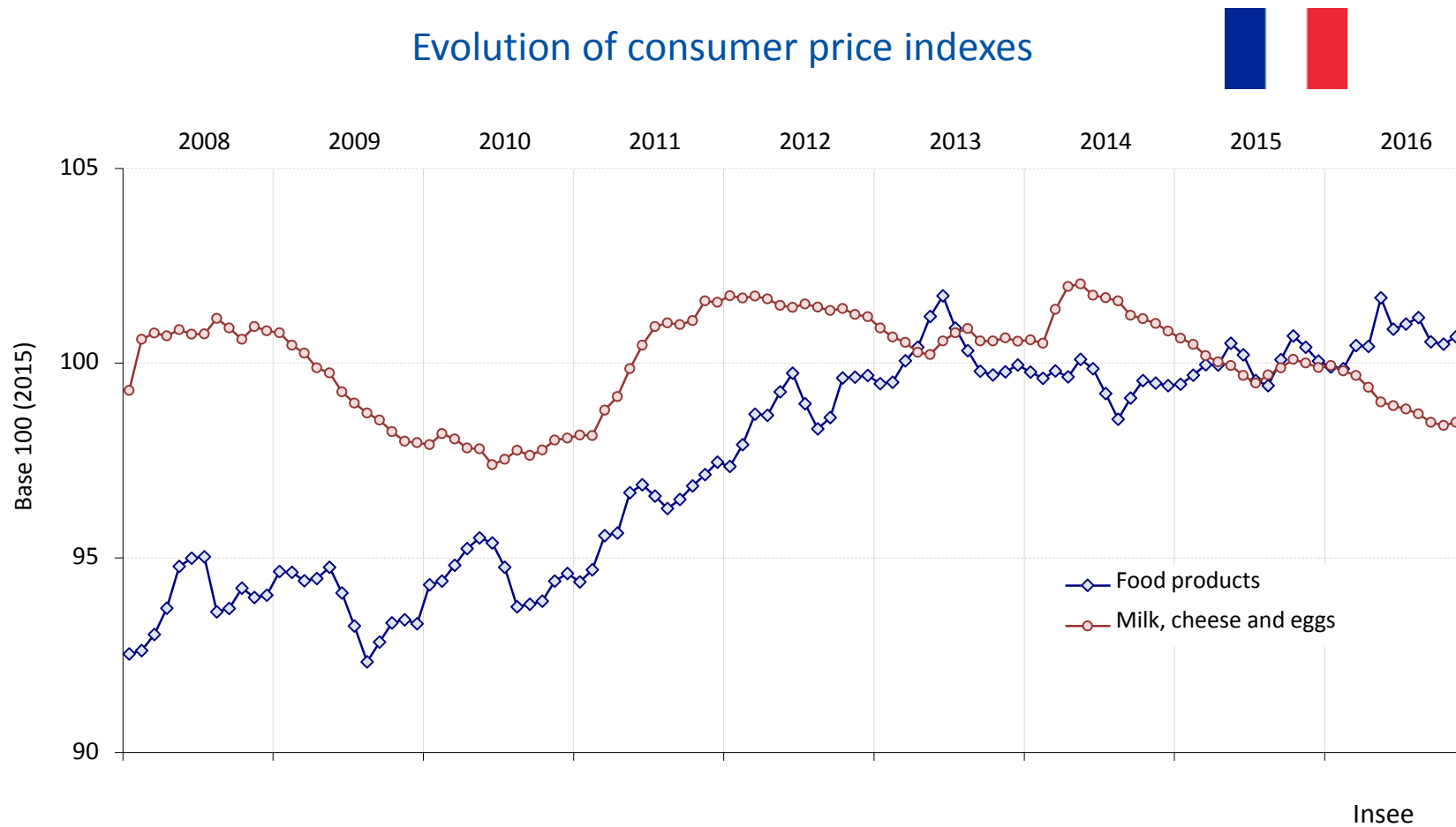
DIFFERENTIATION STRATEGIES IN THE DAIRY INDUSTRY: FOCUS ON RETAIL

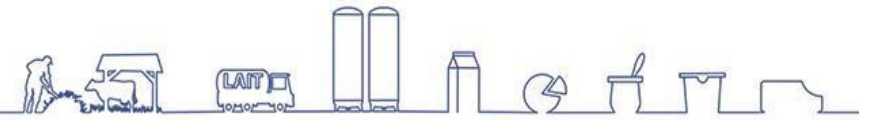
EAAP 2017, Tallinn, Estonia
ATF-EAAP Special Session, 28 August 2017





With a constant reference, the price of dairy products does not change in France. Value creation via supply differentiation, is a major objective for the sector.











Two main types of differentiations

Public initiatives
(≈15% national milk)

SIQO
(quality and origin certification)

Mentions with greater value

- PDO 
- PGI 
- TSG 
- Label rouge 
- Organic 
- 'Montagne' (Mountain)
- 'Fermier' (farmer)
- 'HEV' 
(High environmental value)

Private initiatives

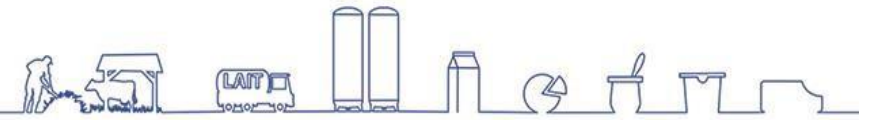
Standards and procedures*

Single brand

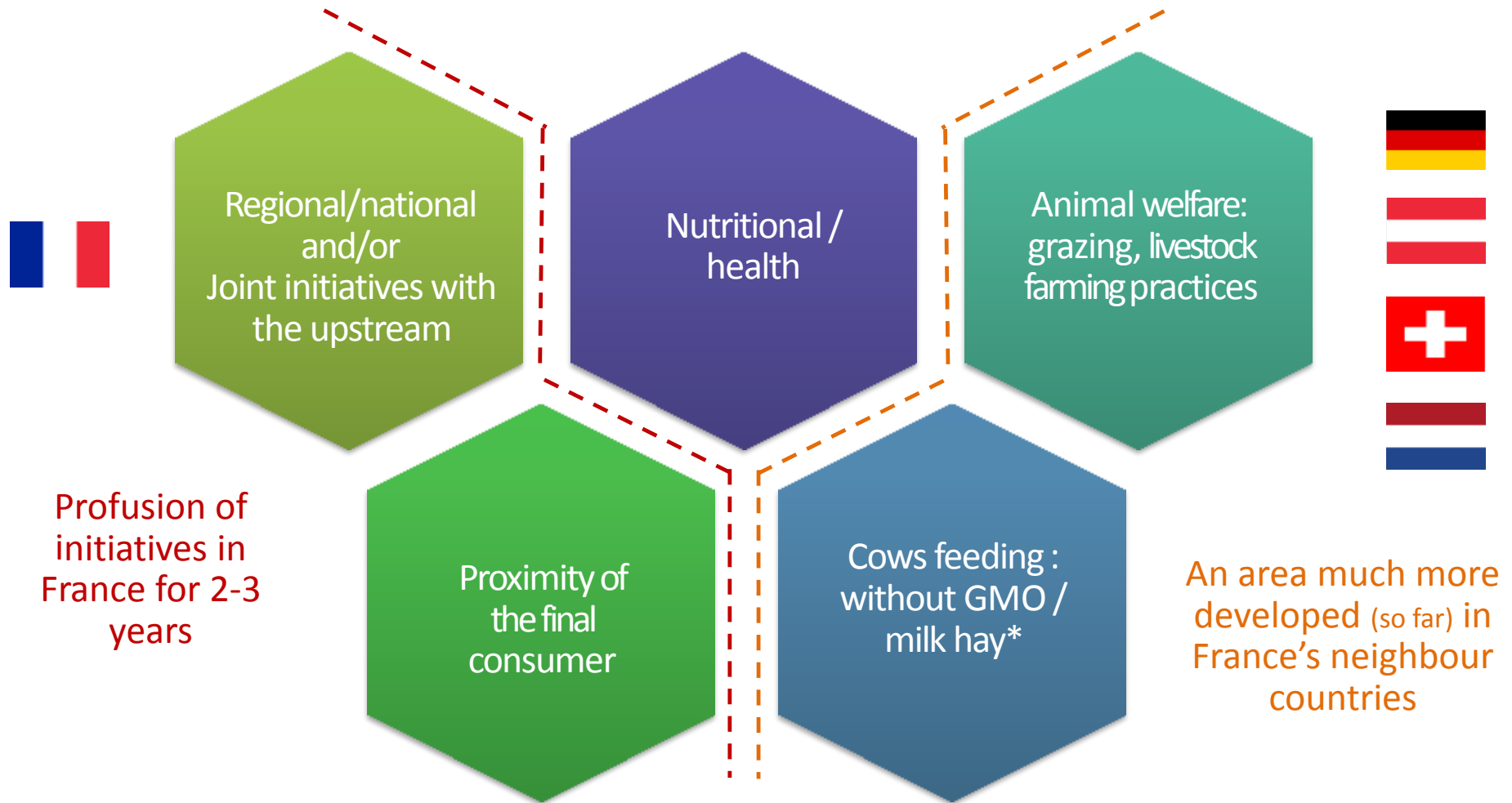
Collective brand

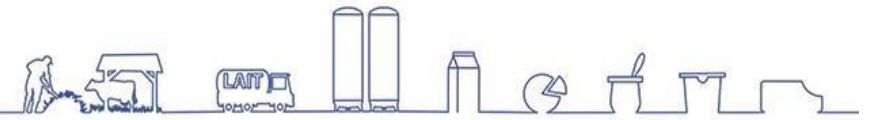
Certification brand

* : ISO, IFS, BRC, etc. ; initiatives with great value for the referencing in supermarkets, B to B agreements, but not used in communication with the public

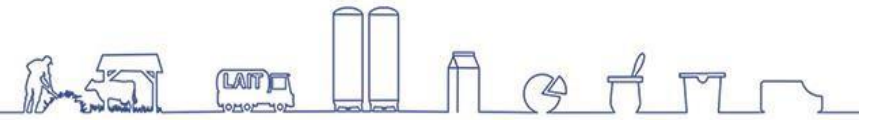


Development of new differentiation initiatives (private*)





Regional/national
and/or joint
initiatives with
the upstream



Regional/national and/or joint initiatives with the upstream

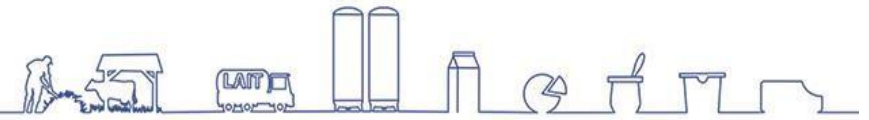


Many initiatives under retailer own brand

- Since 2013, **Casino** provides milk to the brand 'Lait des Monts du Forez'.
Current sold volume : 1.5 Ml / year.
- From March to September 2016, **Lidl** collected € 0.03 / litre of sold milk to its brand Envia in order to support livestock farmers.
Total of 4 M€ donated in December 2016 to the MSA (*French agricultural social security*) ; this money was then redistributed to 1,995 farmers who experience difficulties.



- In July 2016, Lidl signed a tripartite contact with **LSDH** and **APLBC** for 22 Ml over 3 years ; purchase price will be renegotiated every 6 months, and will take into account production costs (initially € 330 / 1 000 litres).



Regional/national and/or joint initiatives with the upstream



Many initiatives under retailer own brand



- **Milk Auchan Centre Val de Loire** : tripartite contract with LSDH and APLBC signed in January 2016 for 10 MI of UHT milk/year, over 3 years ; taking into account the Ipampa index in the pricing formula.

- **Milk Leclerc from Hauts de France** : partnership in May 2016 with the Prospérité Fermière and Lact-Union for 12 MI of UHT milk/year ; payment = € 340 / 1 000 l.

Leclerc
Lait les Eleveurs
des Hauts-de-France
12 millions de litres
par an



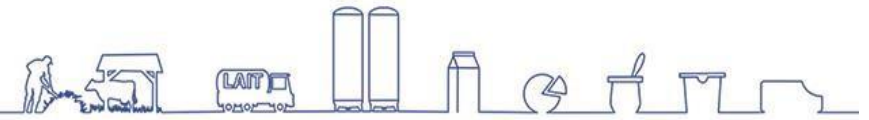
Prix de vente
(selling price)
 Prix payé au producteur
(amount paid to the producer)

Le Parisien 30 January 2017

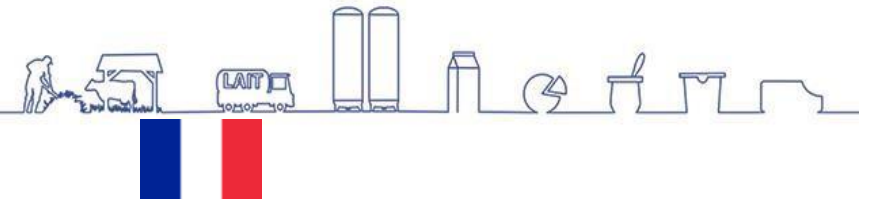
- **Milk Carrefour microfiltered from Normandie**: partnership with Gillot ; milk provided by farms that work on conformity with the PDO specifications (1 MI/year). Starting of commercialization in February 2017.



- **Milk Intermarché from Ile de France** : partnership signed in September 2016 by LSDH, Intermarché and three farms located in the Yvelines (objective : 3MI/year) ; sold in 237 retails.



Consumer's proximity approach



Proximity approach with the consumer

Industrial (or semi-) initiatives from producers organisations



- *SAS (simplified joint-stock company)* **De nous à vous**, founded by 14 dairy farms of the regions Pays de Loire and Nouvelle Aquitaine, opened in Nov. 2016 its UHT milk workshop.
Capacity: 10 MI/year. Investment 8 M€.
Marketing of milk that meets the **Bleu Blanc Cœur** approach to the brand 'En direct des éleveurs'.



- **Lait'Sprit d'Ethique**, founded by 54 dairy farms, packages in Trémourel (22), UHT milk sold under the brand **Laitik L'authentik**.
6 M€ invested in 2016 in a transformation tool.

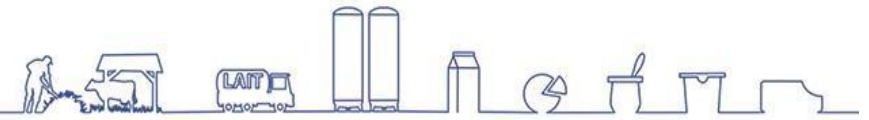


- The **fromagerie des Aldudes**, transformation tool of the Milk Cooperative of the Basque country, was set up in 2016 thanks to a participative funding. Collection of 0.54 M€ thanks to 2 collecting campaigns.



- In February 2017, livestock farmers launched a crowdfunding campaign to boost the **Fromagerie du Mothais**.
Objective : to collect 0.15 M€, that will be added to the 0.2 M€ dedicated to farmers.

Éleveurs, Fromagers et Consommateurs.
TOUS COOPÉRATIFS !



Proximity approach with the consumer



The brand 'C'est qui le Patron ?' (*Who's the boss?*)

- UHT Milk « C'est qui le Patron ? »:

Product launched in Oct. 2016.

Specifications defined by consumers.

Milk, that comes from the **coopérative Bresse Val de Saône**, is packaged by **LSDH**.

First commercialization in 1,000 **Carrefour** markets.

Milk price paid to the farm: € 390/1,000 litres.

- Because of its success (3 Ml sold as far back as Dec. 2016), the initiative has been spread to other retailers at the beginning of 2017 (mainly Colruyth) and to new products (apple juice, pizza, etc.). **Sodiaal** is expected to produce butter under that brand soon. .

CE LAIT A ÉTÉ CRÉÉ PAR NOUS LES CONSOMMATEURS !

DÉMARCHE RESPONSABLE

ALIMENTATION Saine ET DE QUALITÉ

VACHES AU PATURAGE 3 À 6 MOIS

FRANÇAIS

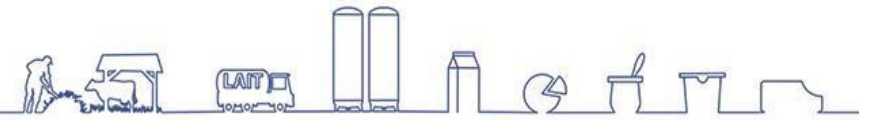
FOURRAGES LOCAUX

CE LAIT
REMUNERE AU JUSTE PRIX SON PRODUCTEUR
Lait demi-écrémé stérilisé U.H.T.
C'est qui le patron?!
LA MARQUE DU CONSOMMATEUR
Bon et responsable
1L

www.lamarqueduconsommateur.com

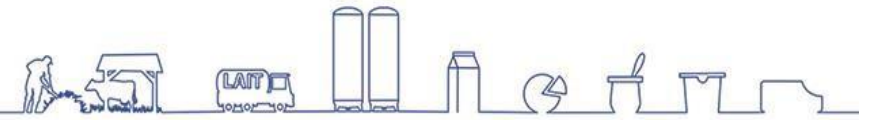
Ce lait est équitable et de qualité. Son cahier des charges a été déterminé à 100% par nous les consommateurs. Nous avons fait des choix durables pour changer positivement les choses. Les producteurs ont des exploitations à taille humaine. Nous connaissons le nom de chacun d'entre eux et comment ils travaillent. L'alimentation des vaches est garantie saine et de qualité, les troupeaux profitent de la nature 3 à 6 mois dans l'année, les fourrages sont locaux et le producteur reçoit une juste rémunération pour son travail.

En déterminant nous-mêmes ces critères nous permettons aux producteurs de vivre dignement de leur métier et nous bénéficions en échange d'une qualité de produits + durables dont nous savons tout ! Rejoignez-nous.

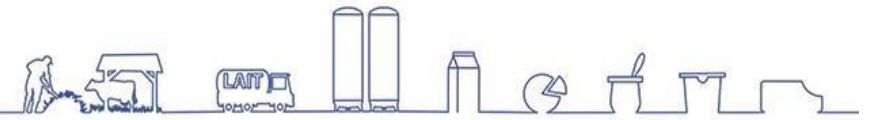


Nutritional / health approaches

Nutritional approach: i.e. Bleu-Blanc-Cœur



Cow feed approach



Milk without GMO (Milch ohne Gentechnik) in Germany



A bigger and wider range of products without GMO proposed by German retailers

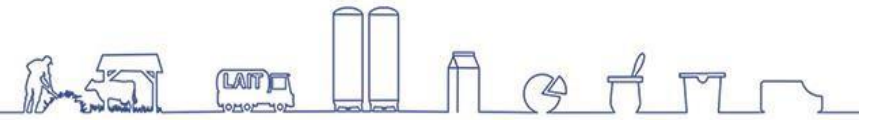


- June 2016: the retailer **Lidl** proposes milk at a national scale without GMO under the brand Milbona, and should propose soon a variety of cremes, UHT milk and cheeses without GMO, including Emmental, Ricotta, Mozzarella.

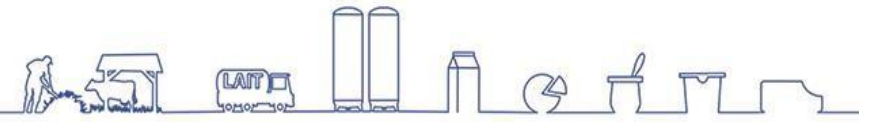


- November 2016: the retailer **Rewe**, which proposed since 2013 fresh milk without GMO but only at a regional scale, will distribute fresh milk without GMO in all the 5,500 markets throughout the country of the brands Rewe and Penny, from January 1st, 2017. The range of products without GMO should be extended to other products in the upcoming months.





Animal welfare
approaches:
grazing, livestock
farming practices



Animal welfare initiatives in Germany

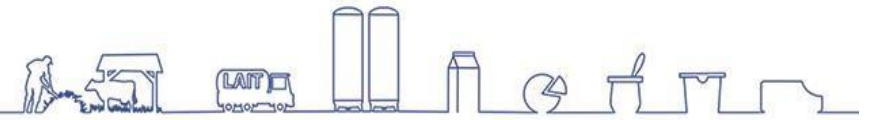
In Germany, the Deutscher Tierschutzbund (an animal welfare organisation) has released in 2016 a 23-pages document with recommendations in terms of dairy livestock farming practices.

Businesses that join this initiative are allowed to add on the packages of their products the logo « *for more animal welfare / certified in accordance with the rules of the German Foundation for animal protection* ».

The retail group **Lidl** proposes since January 2017, in Bavaria, fresh milk under its regional brand that respects the specifications of this initiative and with the logo on its packaging.

Aldi Nord and Aldi Süd have announced that they will launch during the 2nd semester of 2017 drinking milk that meets the specifications of the Deutscher Tierschutzbund.





Conclusion

- Some opportunities to better valorise products for operators that involve in differentiation approaches.
- A collective threat to undergo demarcation processes operated by actors outside the value chain.