



# Prognosis for the European Dairy Market

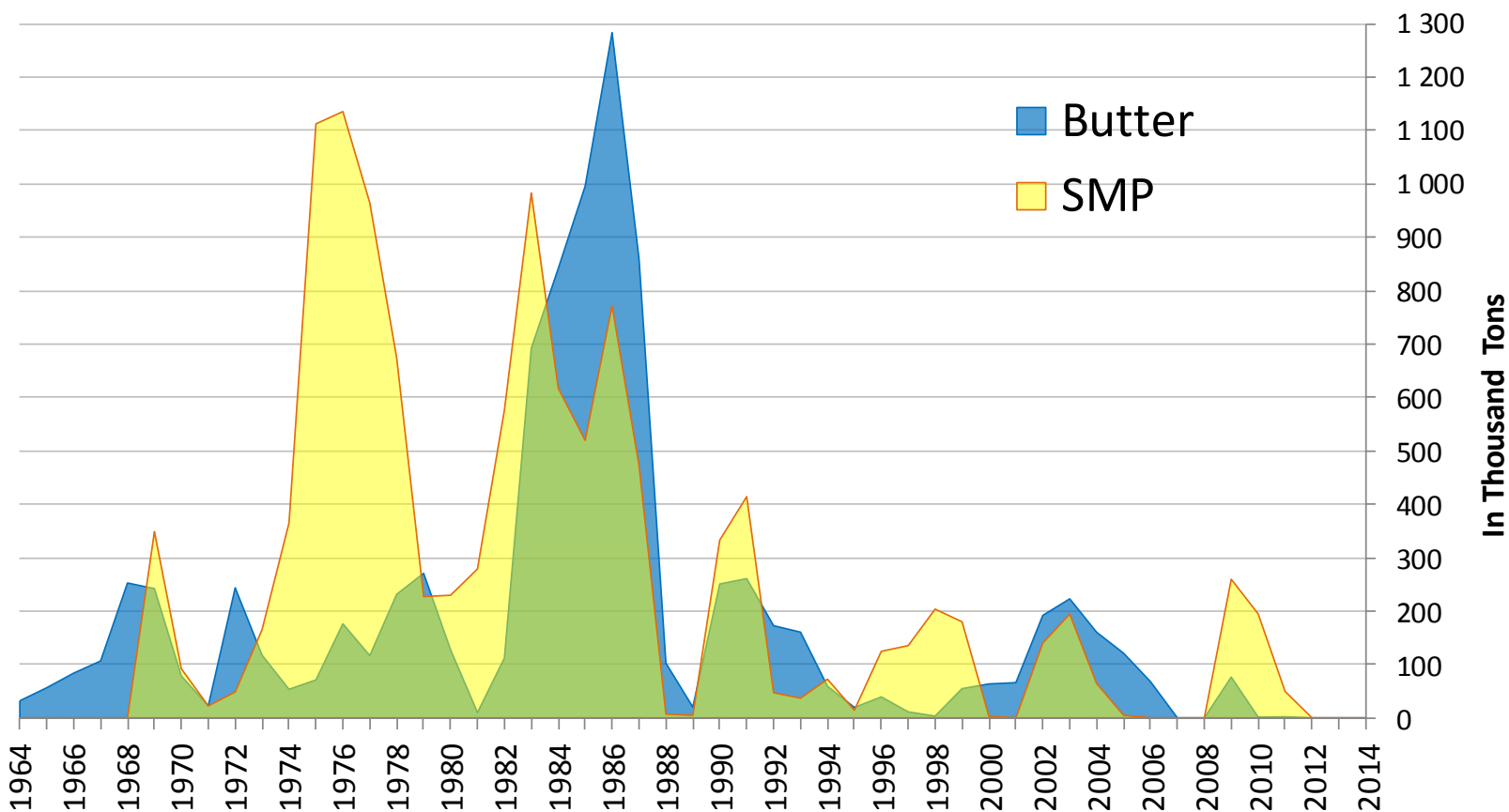
**Carlos Martín-Óvilo**

**DG Agriculture and Rural Development  
European Commission**

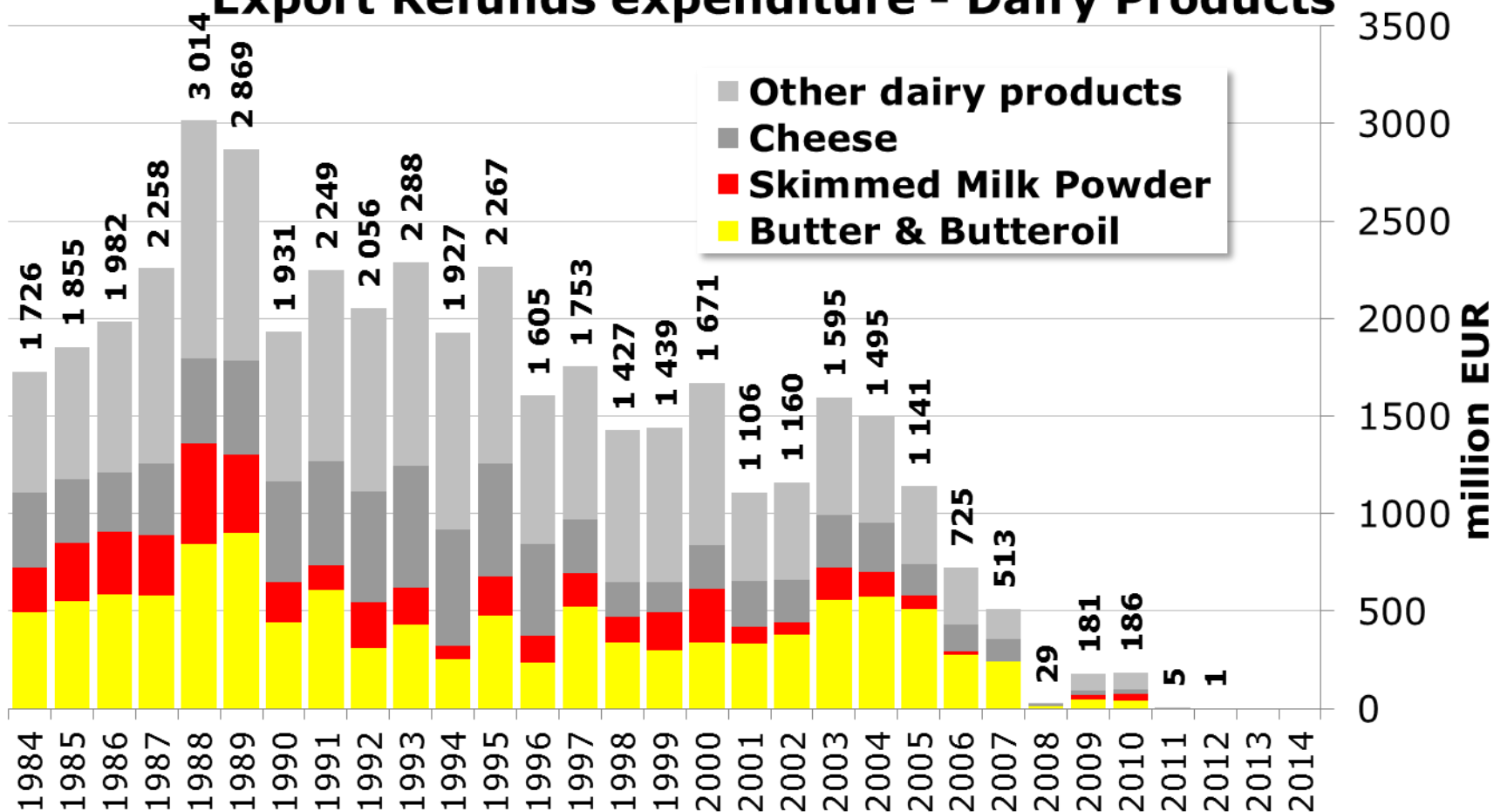
**26.11.2015 - Velence**



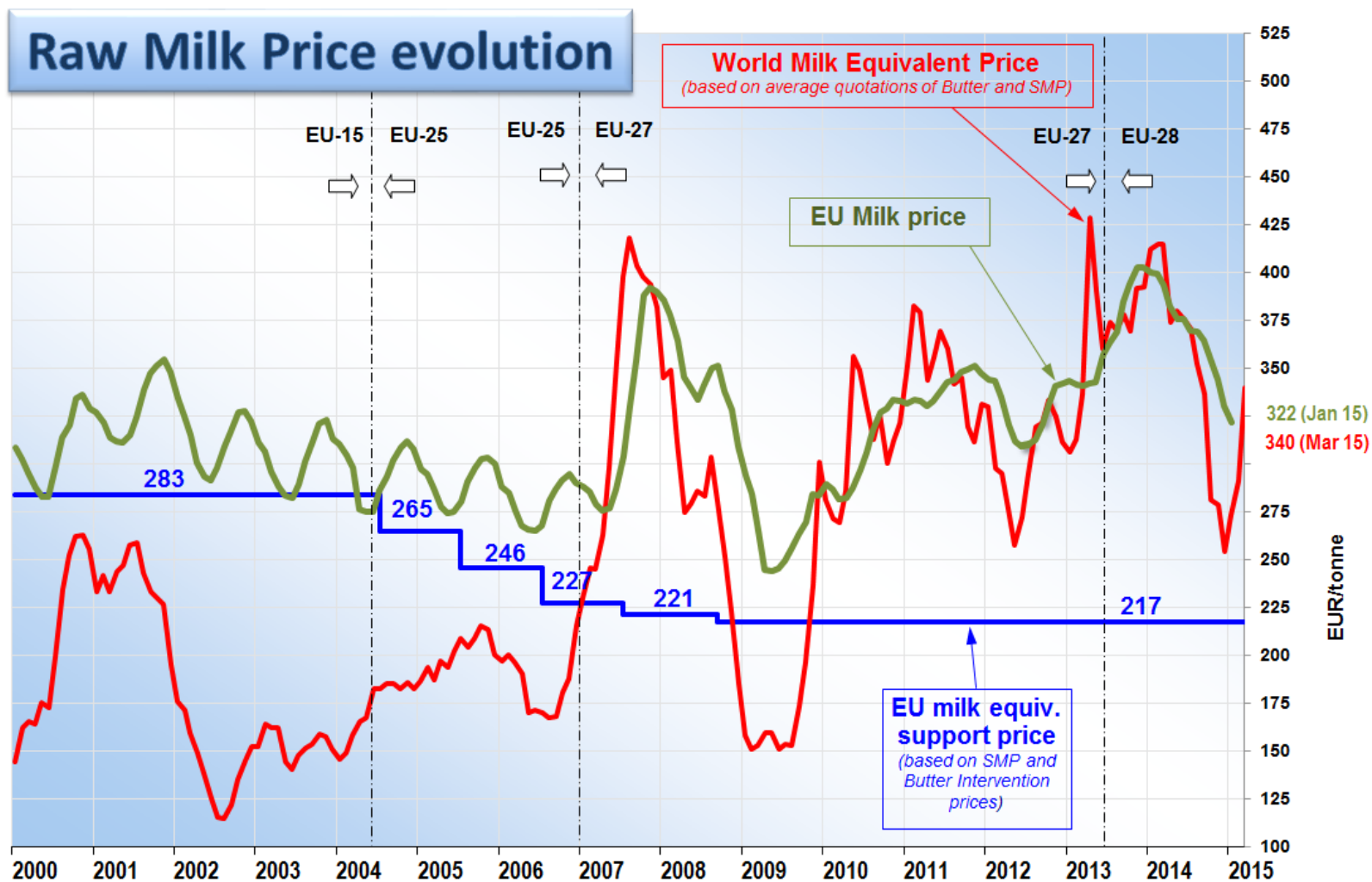
## Intervention Stocks of Butter and SMP



## Export Refunds expenditure - Dairy Products



Source : EAGF Reports



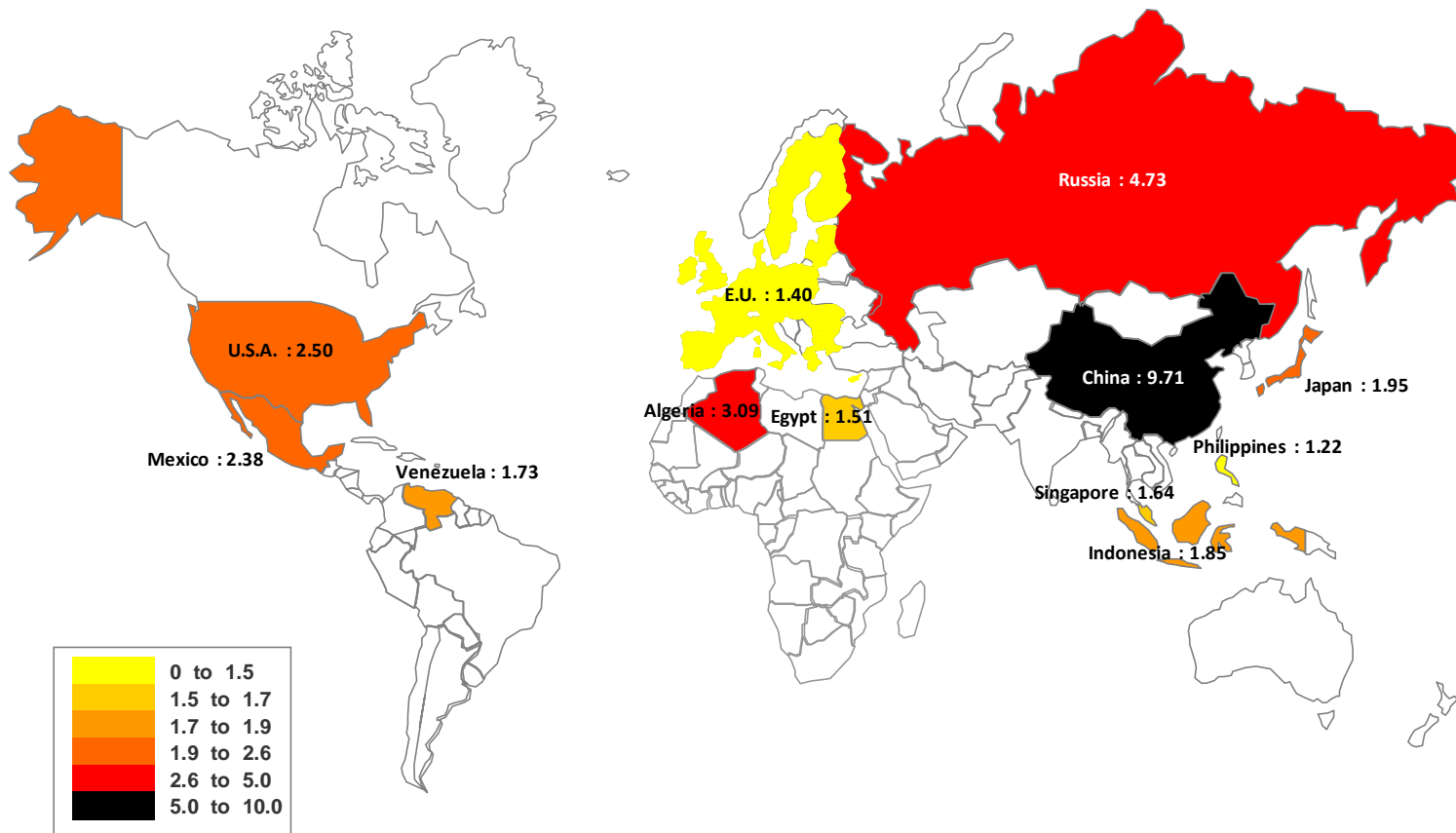
Source : MS notifications - USDA

Last updated on 12.03.2015

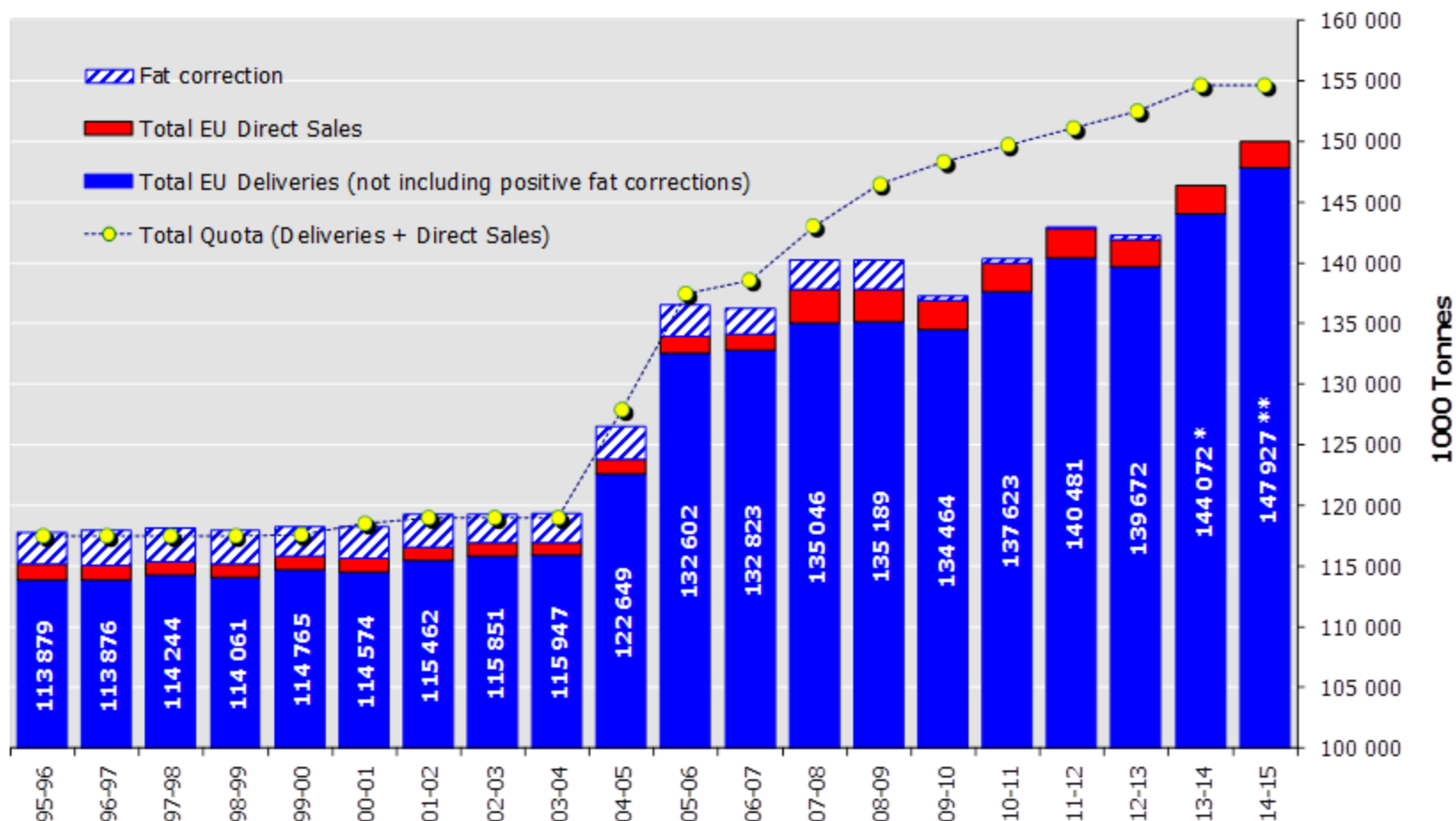
## Top 12 World Countries IMPORTING dairy products (2014)

in million Tonnes of Milk Equivalent

Source : GTA



## Evolution of EU Milk deliveries and Direct sales versus quota



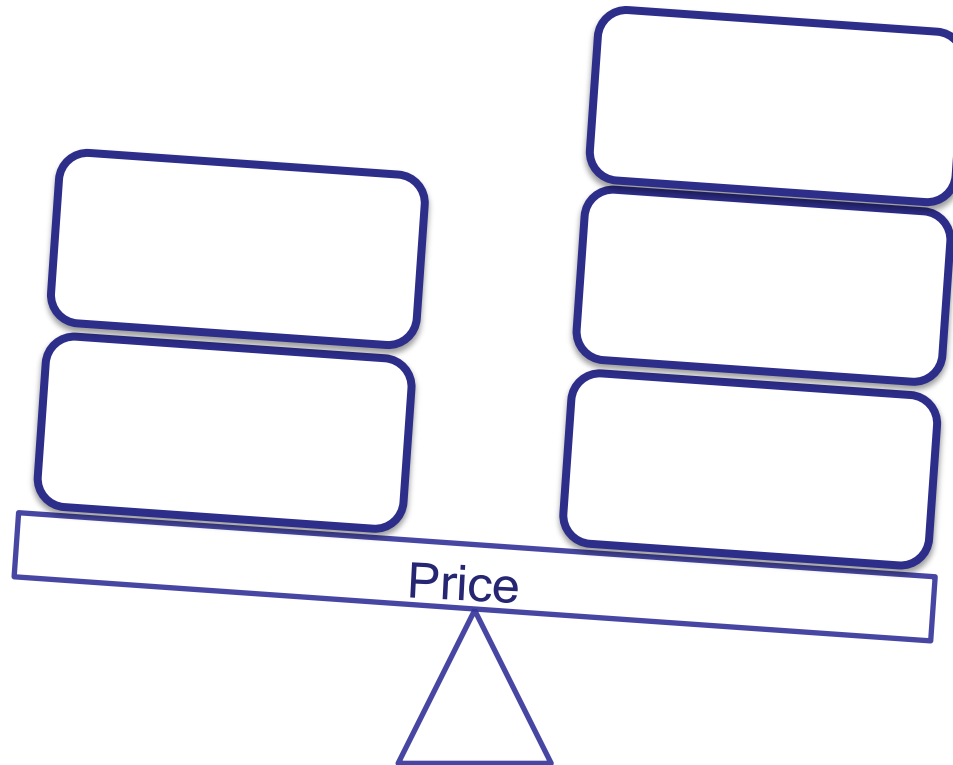
\* : includes a negative fat correction of - 45 000 T  
 \*\* : includes a negative fat correction of - 403 000 T

# Where are we?



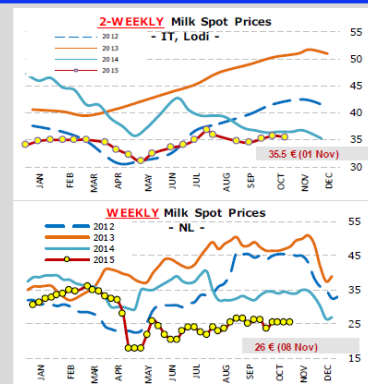
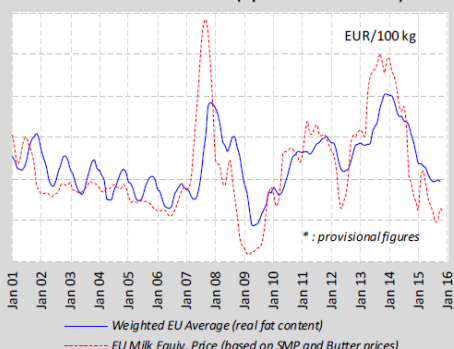
Demand

Supply

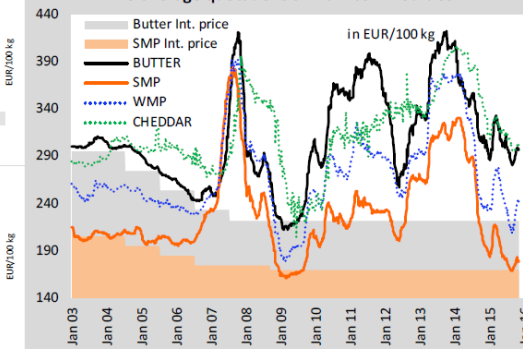


Raw Milk	EU Price Sep 2015	29,9	€/100 kg	Evolution since last month	+ 0,6%
BUTTER	EU Prices (week 45)	296	€/100 kg	Evolution since last week	- 0.5%
S.M.P.		178	€/100 kg		- 0.7%
W.M.P.		241	€/100 kg		- 1.9%
CHEDDAR		300	€/100 kg		- 1.7%

EU Raw Milk Prices Evolution (up to October 2015\*)



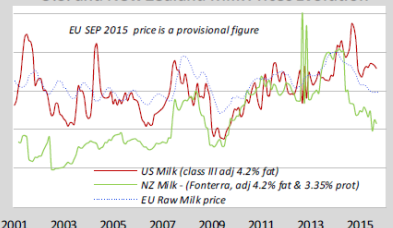
EU average quotations of main commodities



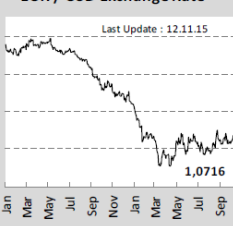
LATEST WORLD QUOTATIONS

	Price in USD/Tonne on 15.11.2015			% change (15 days ago)		
	EU	Oceania	USA	EU	Oceania	USA
Butter	3 219	2 850	6 360	-1.9%	-10.2%	+1.4%
SMP	1 933	2 050	1 786	-2.1%	-5.2%	+0.2%
WMP	2 615	2 500	2 866	-3.2%	-10.7%	-
Cheddar	3 260	3 150	3 571	-3.0%	-1.6%	+1.0%

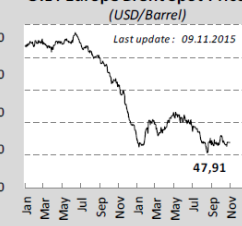
U.S. and New Zealand Milk Prices Evolution



EUR / USD Exchange Rate



OIL : Europe Brent Spot Price (USD/Barrel)



Feed / Energy quotations  
Evolution ( 4 last weeks )

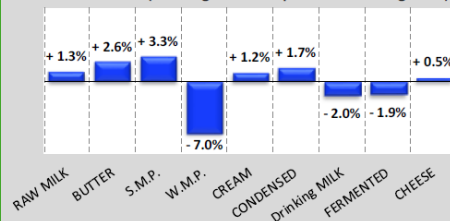
Feed costs  
(Wk 45)

+ 2,2 %

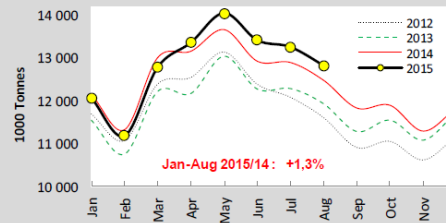
Energy costs  
(Wk 45)

- 1,3 %

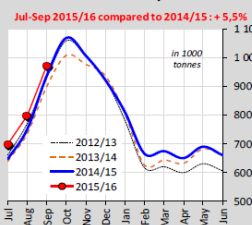
EU Productions (Jan-Aug 2015 compared to Jan-Aug 2014)



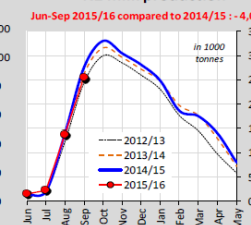
EU - Cows' milk collected



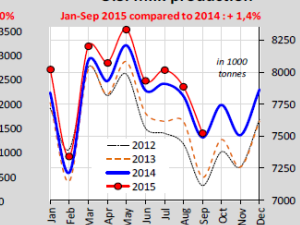
Australian milk production



NZ milk production



U.S. milk production



EU Exports - Top 3 destinations in 2015

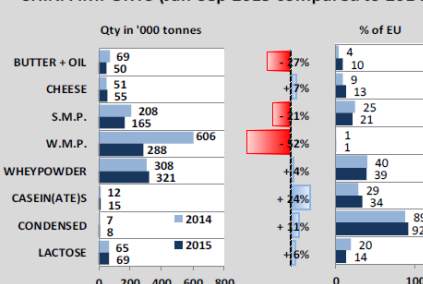
Period : January to September

BUTTER					CHEESE				
In Tonnes	2013	2014	2015	%	In Tonnes	2013	2014	2015	%
Extra-EU	73 115	90 322	98 348	+9%	Extra-EU	586 041	550 725	524 387	-5%
USA	2 619	5 896	12 378	+110%	USA	81 512	83 764	101 406	+21%
Saudi Arabi	2 329	5 586	10 886	+95%	Japan	32 433	35 002	50 475	+44%
Egypt	604	1 695	9 255	+++	Switzerland	39 134	40 358	41 176	+2%

S.M.P.					W.M.P.				
In Tonnes	2013	2014	2015	%	In Tonnes	2013	2014	2015	%
Extra-EU	301 540	478 739	527 516	+10%	Extra-EU	284 696	300 500	302 852	+1%
Algeria	45 900	109 522	89 897	-18%	Oman	40 725	37 247	46 980	+26%
Egypt	16 722	33 808	45 584	+35%	Algeria	21 069	58 102	27 628	-52%
China	31 130	51 503	38 216	-26%	Nigeria	28 457	26 348	22 326	-15%

CHINA IMPORTS (Jan-Sep 2015 compared to 2014)



MAIN EXPORTING THIRD COUNTRIES

Jan-Sep 2015 compared to 2014				
	BUTTER(OIL)	CHEESE	S.M.P.	W.M.P.
New Zealand	336 -7%	230 +18%	264 +7%	922 -4%
EU-28	150 +10%	324 -5%	528 +10%	303 +11%
United States	20 -6%	246 -18%	921 -4%	30 -30%
Australia	25 -14%	124 +12%	145 +13%	48 -20%
Belarus	47 +38%	114 +12%	74 +12%	23 +5%
Argentina	7 -16%	32 -18%	28 +12%	89 -20%

MAIN IMPORTING THIRD COUNTRIES

Jan-Sep 2015 compared to 2014				
	BUTTER(OIL)	CHEESE	S.M.P.	W.M.P.
China	50 -27%	55 +7%	165 -21%	288 -12%
Russia	60 -18%	125 -48%	68 +23%	18 -29%
Japan	11 +101%	184 -8%	42 +34%	0 +53%
United States	28 +142%	137 +28%	2 +2%	8 +48%
Mexico	23 +12%	80 +20%	148 +12%	5 +48%
Egypt	37 +18%	16 -48%	44 +42%	28 +14%

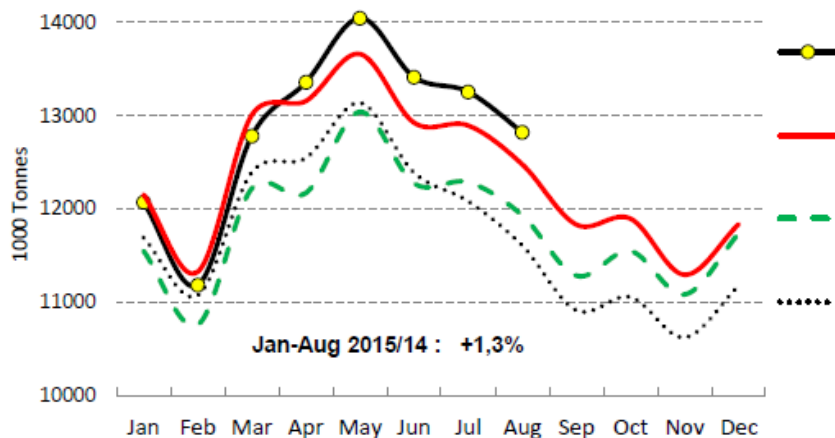
GDT Auction  
Event 151  
3 Nov 2015  
-7.4%  
\$2,569



## EU Milk Deliveries compared to last period (in %)

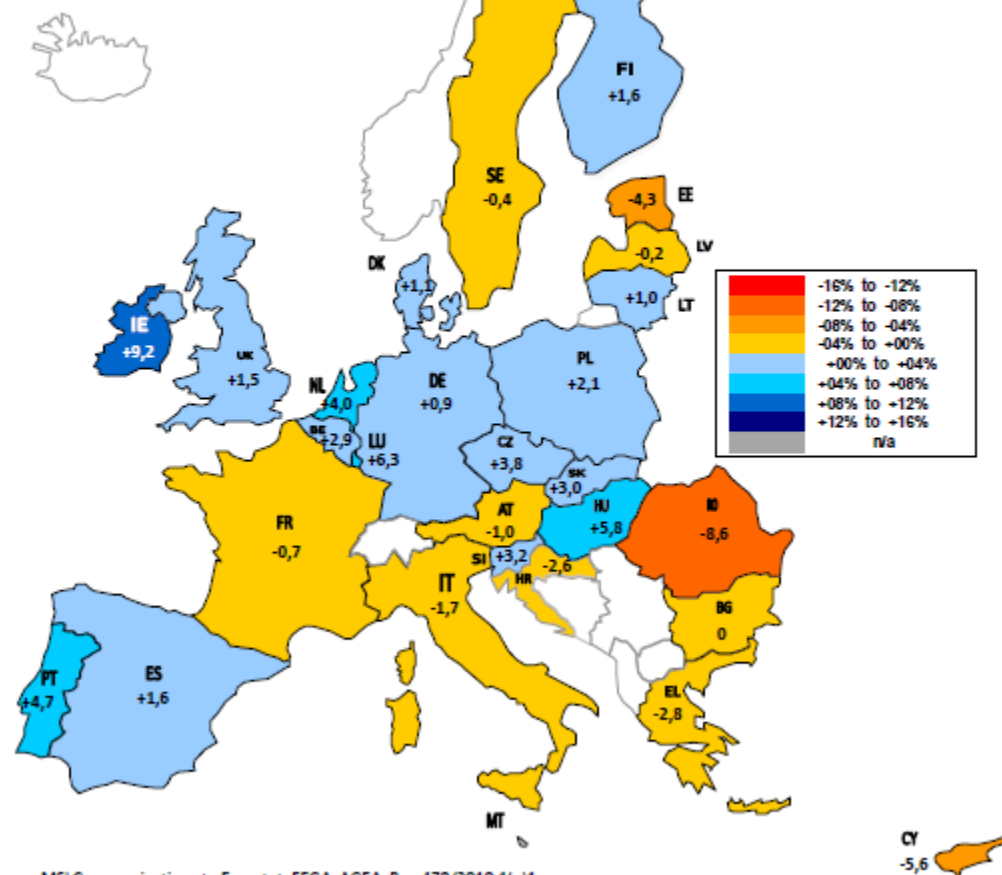
(Jan - Aug 2015 / Jan - Aug 2014)

EU - Cows' milk collected



Source : Estat - Newcronos

Last update : Jan



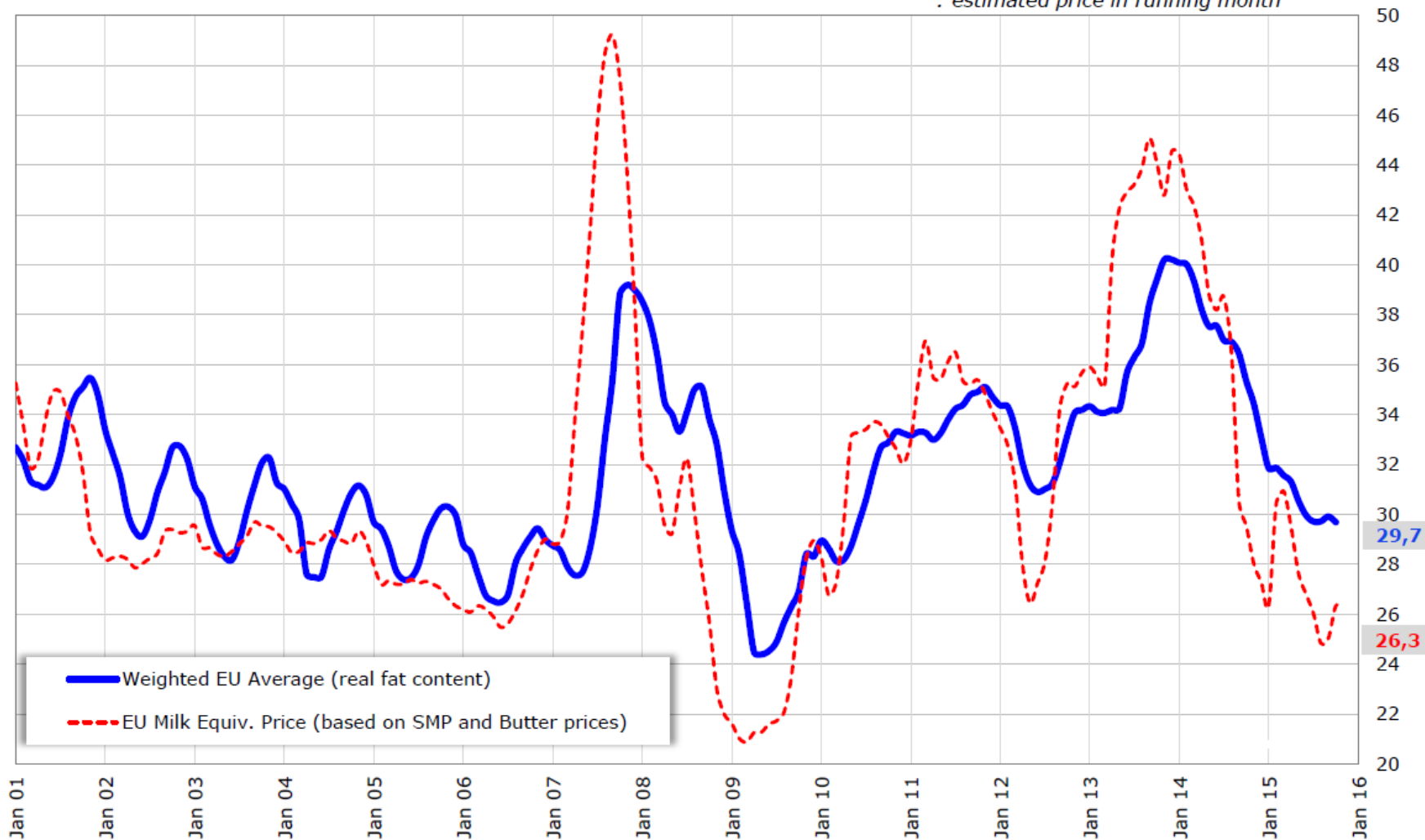
Source : MS' Communications to Eurostat, FEQA, AGEA, Reg.479/2010.1(a)1



## EU Raw Milk Prices Evolution (up to October 2015\*)

EUR/100 kg

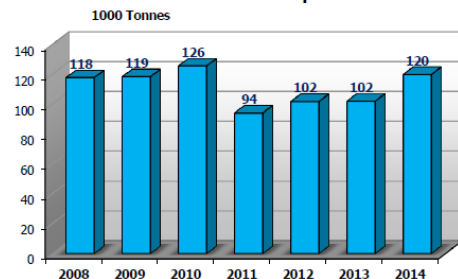
\* : estimated price in running month



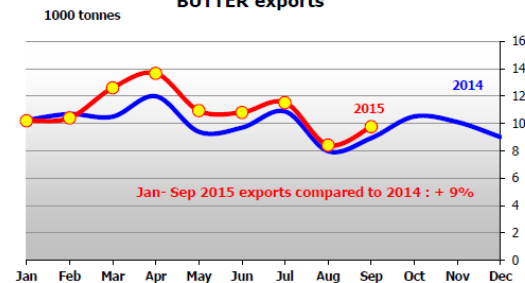
## EU Dairy Exports to Third countries *(January-September)*

Source : Eurostat (COMEXT)

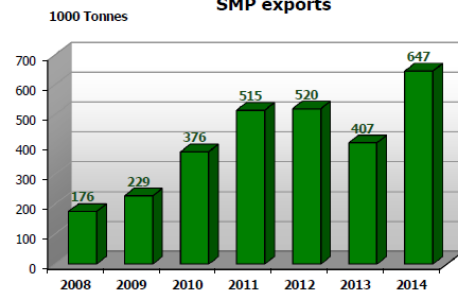
### BUTTER exports



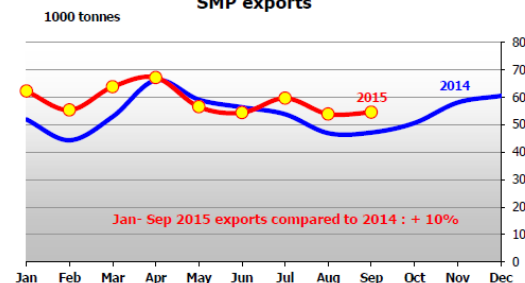
### BUTTER exports



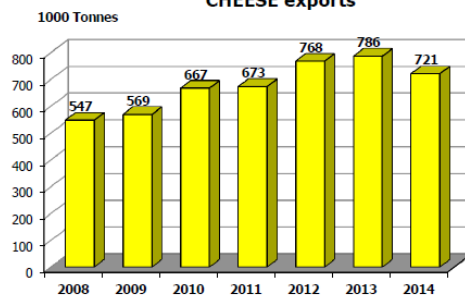
### SMP exports



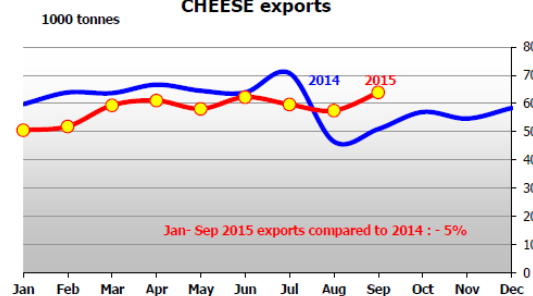
### SMP exports



### CHEESE exports



### CHEESE exports





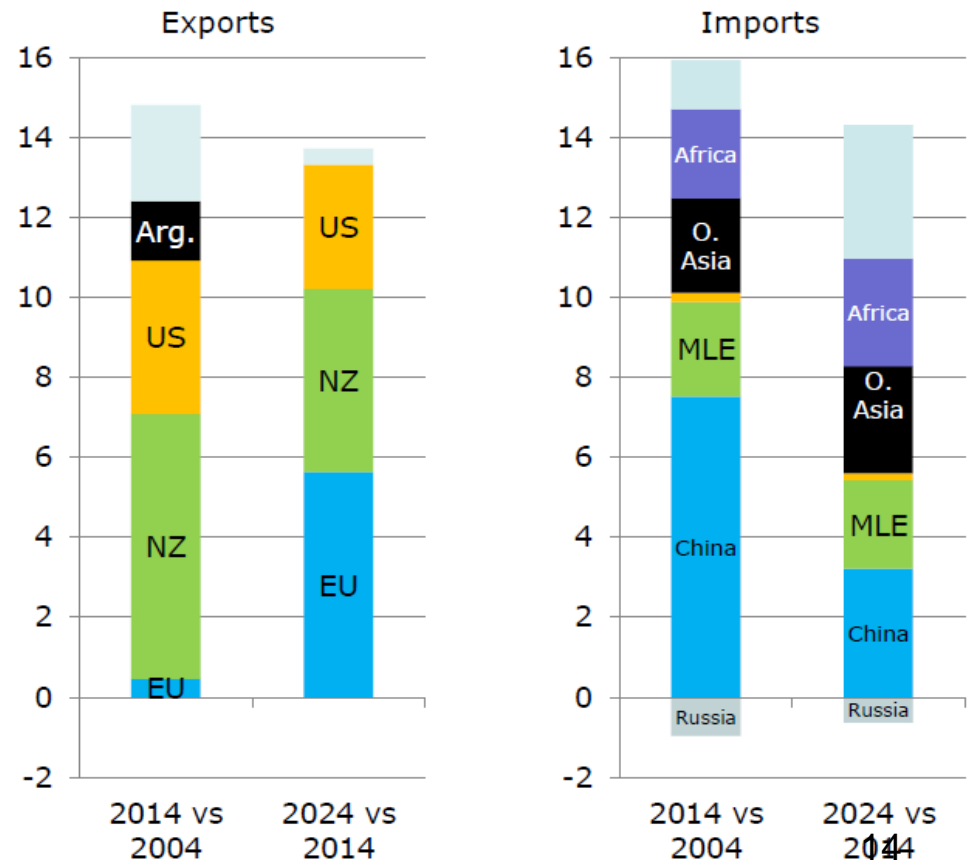
European  
Commission

**SO, WHAT  
HAPPENS NOW?**

## Steady growth in world consumption

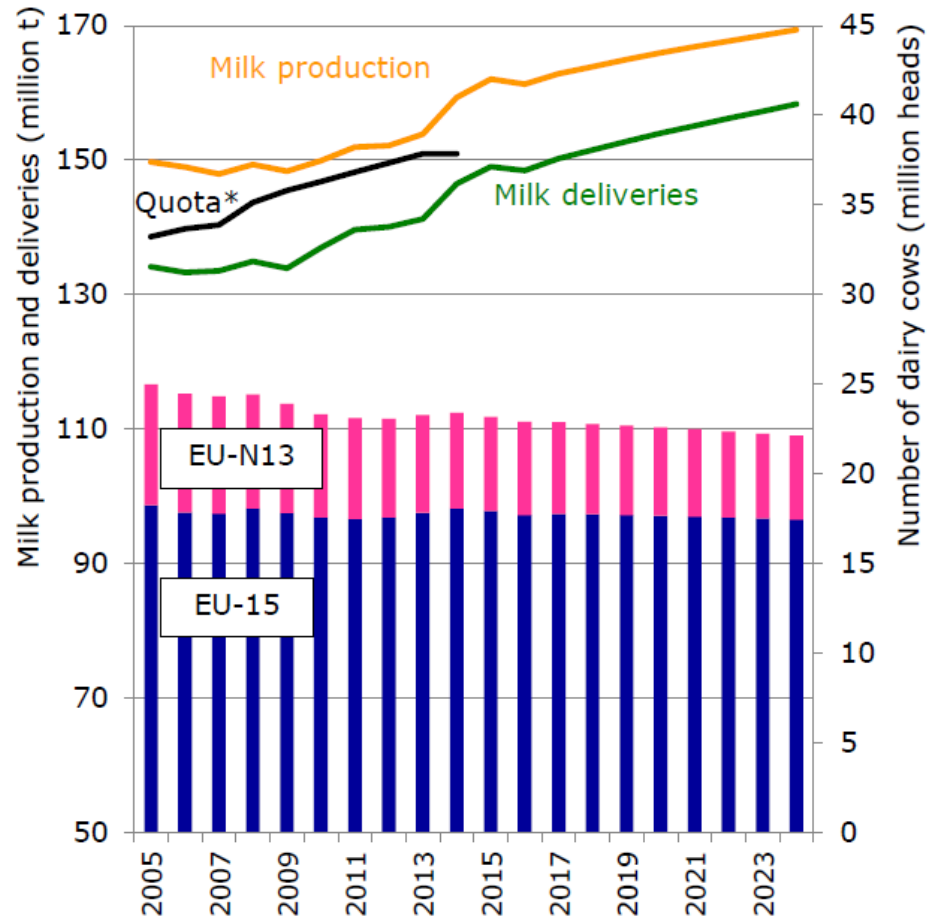
- +2.1% per year in world imports
- A slightly lower increase in traded volumes compared to the last decade
- But most of the extra demand to be supplied by the EU
  - NZ production and exports limited by natural constraints
  - US dom. consumption to grow faster
- China to contribute less to the extra demand
  - Africa and other Asian countries to absorb more dairy products

Cumulative change in world trade of dairy products  
million tonnes of milk equivalent



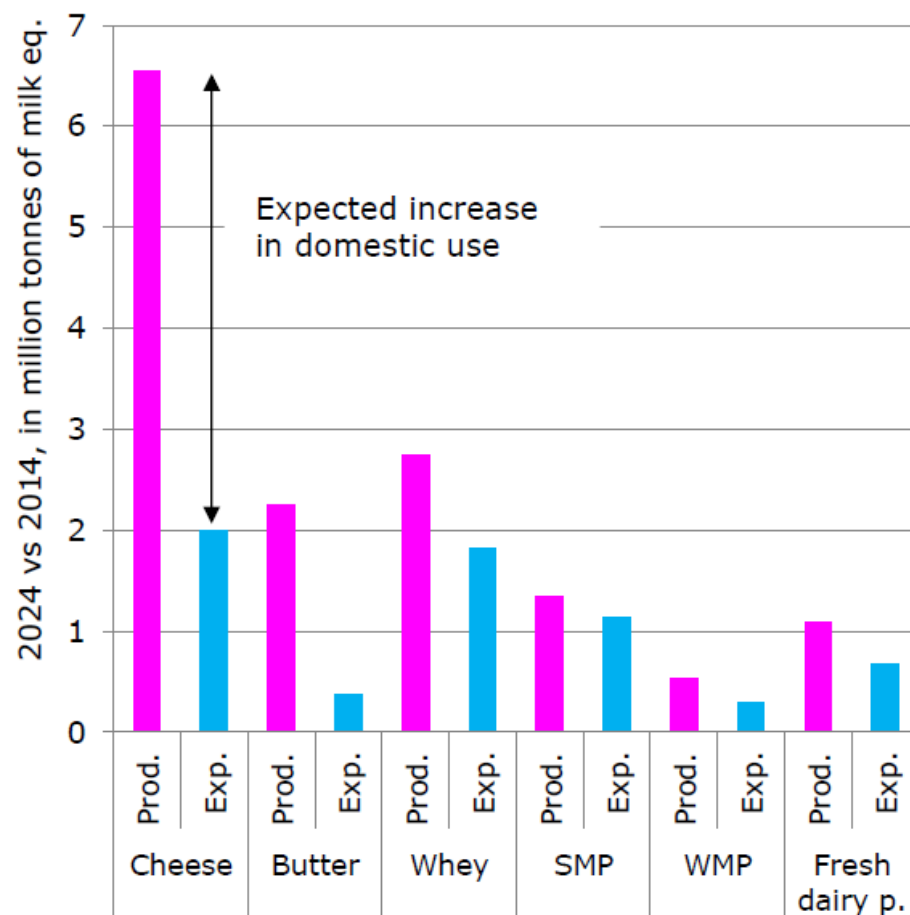
## Higher milk collection in the EU

- Positive development of EU milk deliveries:
  - A huge increase took place already before milk quota abolition
  - A reduction in 2016 further to lower milk prices in 2015
  - Followed by a steady growth
- Based on:
  - A slower decline in dairy herd
  - Further yield improvements
  - A higher share of deliveries in the EU-N13
- Where:
  - Lower production costs
  - More investments in processing capacity



## Most of the extra milk channelled into cheese

- Cheese production up to 11 Mt by 2024:
  - Mainly for EU domestic consumption thanks to population growth and higher per capita intake (especially in the EU-N13)
  - Exports to reach 1 Mt, the EU to gather close to 40% of world trade
- More powders to be exported:
  - Especially whey and SMP,
  - EU share in world trade above 60% for whey powder and 30% for SMP,
  - The EU is less competitive on the WMP market dominated by New Zealand
- Extra butter mainly for the domestic market



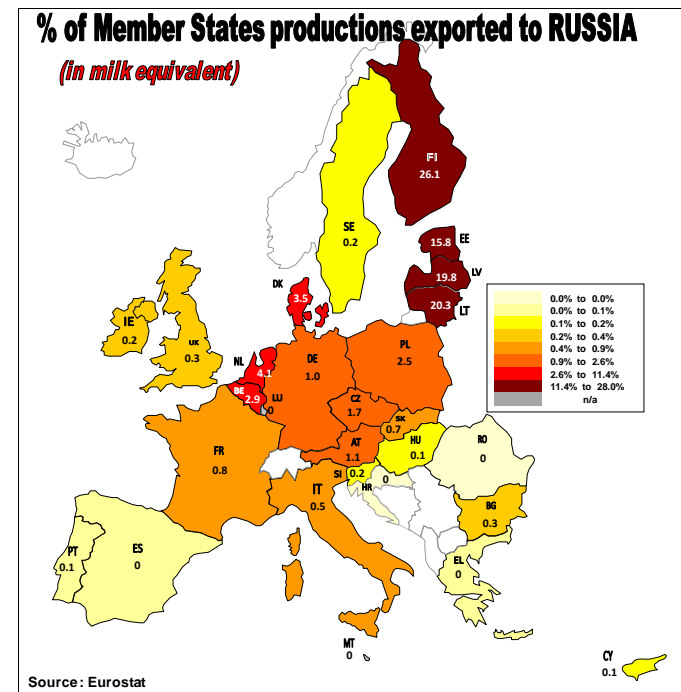


Direct Payments

Market Organisation

Rural Development

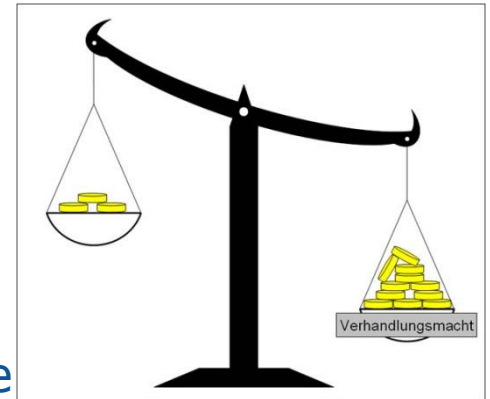
- Safety net: buying-in of butter and powder into intervention and private storage aid (in crisis times)
- Exceptional measures: against market disturbance resulting from significant price fluctuations or other events bearing on the market



# Milk Package



- Negotiation power (up to 33% of Finnish milk production per PO)
- Contracts (between milk producers and processors)
- Interbranch organisations with a series of possible activities, in particular market transparency
- Supply management of PDO/PGI cheeses



# Milk Market Observatory



- Increased transparency on the milk market
- Cooperation between the actors of the supply chain and public authorities, as well as between the various steps in the chain



# Conclusion



- Long term prospects are positive
- In the short run, the challenge is volatility
- Continued EU public support by means of:
  - Safety net and exceptional measures in case of crisis
  - Direct payments and rural development programmes
  - Promotion (and increased market access), research and innovation, quality policy
- The sector needs to organise itself:
  - Milk Package
  - Milk Market Observatory





Milk Market Observatory:  
[http://ec.europa.eu/agriculture/milk-market-observatory/index\\_en.htm](http://ec.europa.eu/agriculture/milk-market-observatory/index_en.htm)

Thank you