

# The Dairy Future in Europe

Bénédicte Masure, Deputy General EDA

14<sup>th</sup> November 2017, Velence, Hungary





## Connect to the World of Dairy

- Association of national dairy industry associations of 23 EU Member States
- Cooperative and private milk processors represented



## **President: Michel Nalet, Lactalis (FR)**

**Vice Presidents: Ingo Müller, DMK (DE)**

**Jan Teplý, Madeta (CZ)**

**Attilio Zanetti, Zanetti (IT)**

**Claude Steinmetz, Luxlait (L)**

**Kasper Thormod Nielsen, Arla (DK)**

More than **12,000**  
production sites  
across Europe



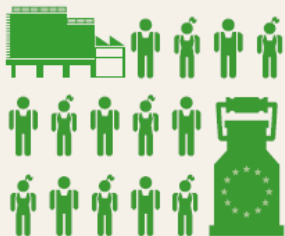
More than  
**300,000**  
direct jobs  
on milk  
processing sites



World dairy leaders  
5 of the top 10 global dairy  
companies are European



More than **45,000** jobs  
in dairies are directly linked to export



The economic  
power of  
European  
dairy  
at a glance

Positive EU trade balance

The European milk processing industry brings more than  
**10 billion €** to the overall EU trade balance



Balanced & Successful

coexistence of cooperative model  
and private ownership

Around **50%** of milk collected  
in Europe by coops



Partnering

around **700,000**  
dairy farms across Europe



A rich and tasty  
cultural heritage

of more than **300** registered  
cheeses and dairy products



## Power of EU Dairy

- ➔ **300,000 people** in high-value industrial jobs on milk processing sites especially in **rural areas** across the European Union.
- ➔ **160 million tonnes of milk** produced by
- ➔ **700,000 dairy farmers**
- ➔ **12,000 milk processing and production sites** across Europe
- ➔ **45,000 jobs linked to exports**

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## Our success is based on

- ➔ the European Single Market and the CAP
- ➔ the EU trade policies

Our success is based on **Europe**



# The European Single Market

Yes but ...

## ➔ National schemes for mandatory origin labelling

- In 9 Member states

## ➔ Traffic light style nutrition labelling

- *“There is something wrong with a system, that rates a diet version of a soft drink ranks healthier than a semi-skimmed drinking milk.”*



**Alexander Anton** @dairyanton · Oct 30

nutrition labelling : There is something seriously wrong with a system where a diet coke ranks healthier than semi-skimmed milk !



3

43



57



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# The European Common Agriculture Policy - Omnibus

- ➔ Omnibus= “lisbonisation” of the 4 CAP regulations into delegated and implementing acts.
- ➔ Trialogues between the 3 institutions have started beginning of July and are ongoing.
- ➔ New directions for the CAP:
  - Allowing POs to negotiate contracts on behalf of their members without quantitative limitations,
  - Allowing– along the sugar model – agreements on value allocation
  - Accepting the idea of the establishment of standard value sharing clauses and of concerted price formula (via competition law exemption)
  - Written contracts with volumes and prices
  - No ending date for the dairy package
- ➔ EDA concerned by this change of position - new mechanisms deserve an in-depth discussion + too early for a complete reform of the CAP.

## The future of the CAP

- ➔ The Commission launched a public Consultation with aim to Modernising and Simplifying the CAP. The questionnaire was focusing on 3 areas:
  - Agriculture, Rural Areas and the CAP today
  - Objectives and Governance
  - Agriculture, Rural Areas and the CAP tomorrow
- ➔ In total, there were 322,912 online contributions, including 1,417 position papers. The Commission presented the outcome of the consultation during a Conference on 7th July 2017.
- ➔ The outcome of the consultation will feed into the Impact Assessment and the forthcoming Communication (end November 2017)
- ➔ Ideas already submitted by EP COMAGRI:
  - Discussion on bargaining organisations
  - Production reduction scheme to become a permanent measure of CAP (not only during crisis situations)

## Short-term agenda of the Commission

- ➔ revision of the Intervention scheme

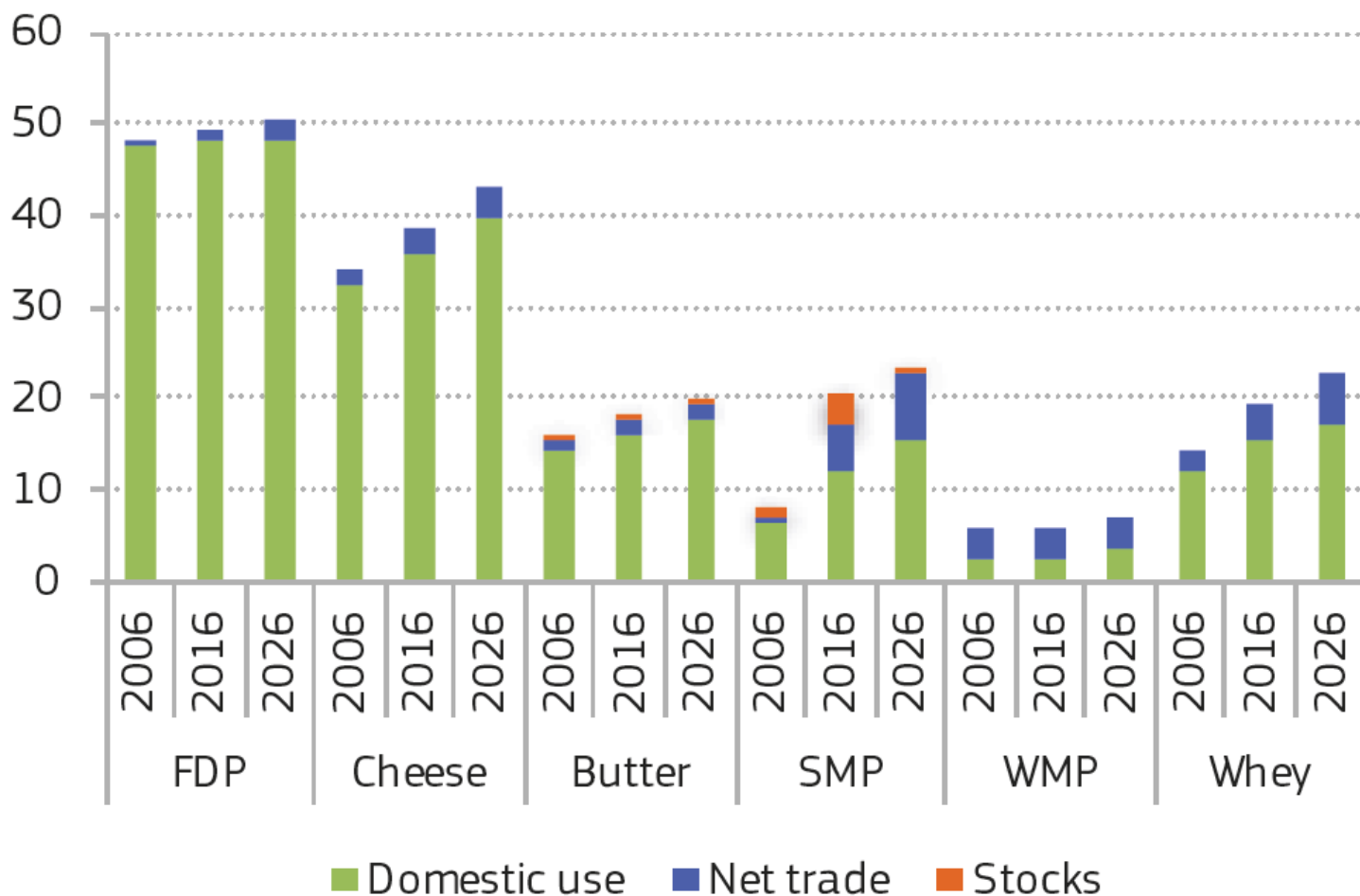


## Trade & EU trade policy

- ➔ Some statistics
- ➔ Trade negotiations
- ➔ Brexit

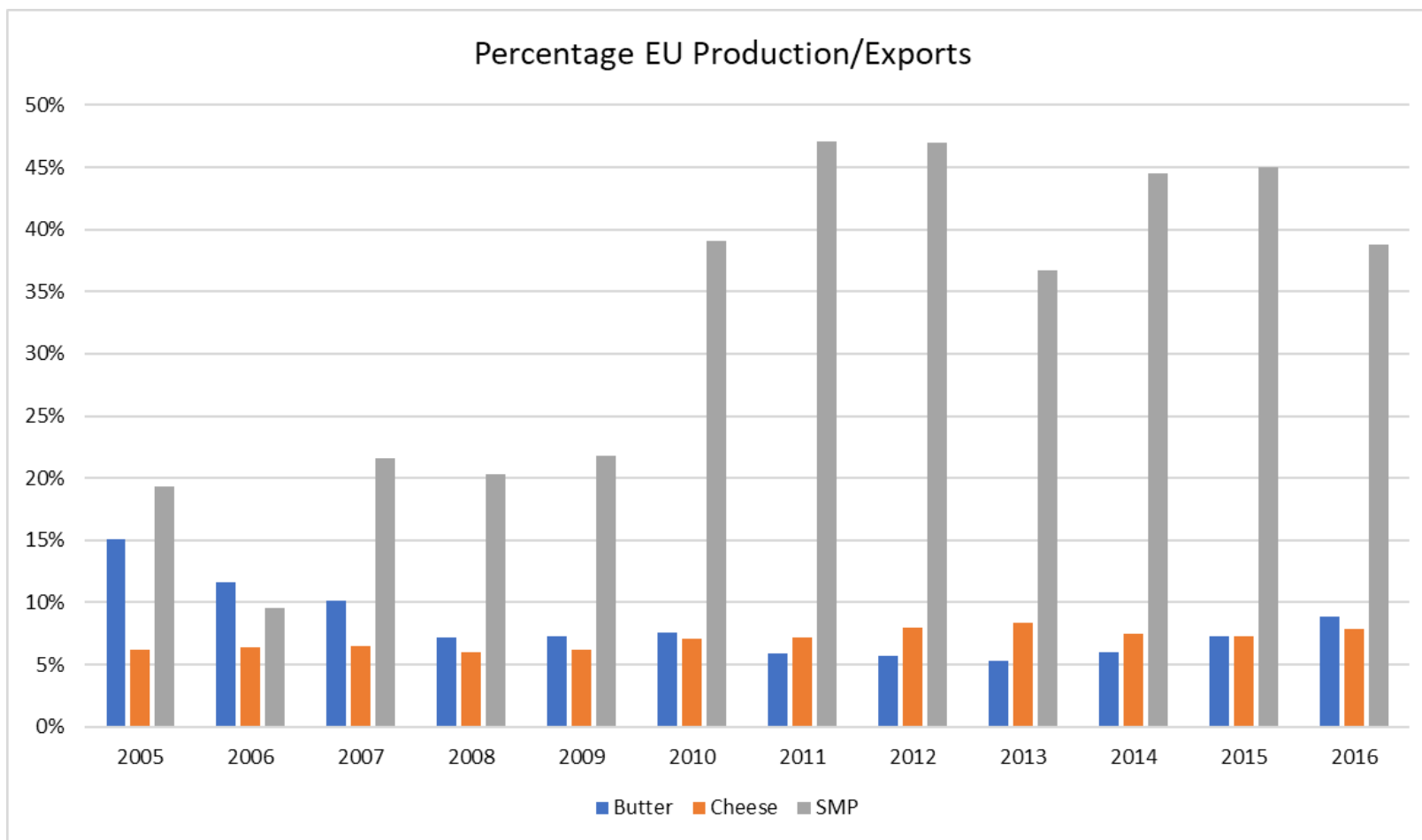


## Use of milk in the EU (million t of milk equivalent)

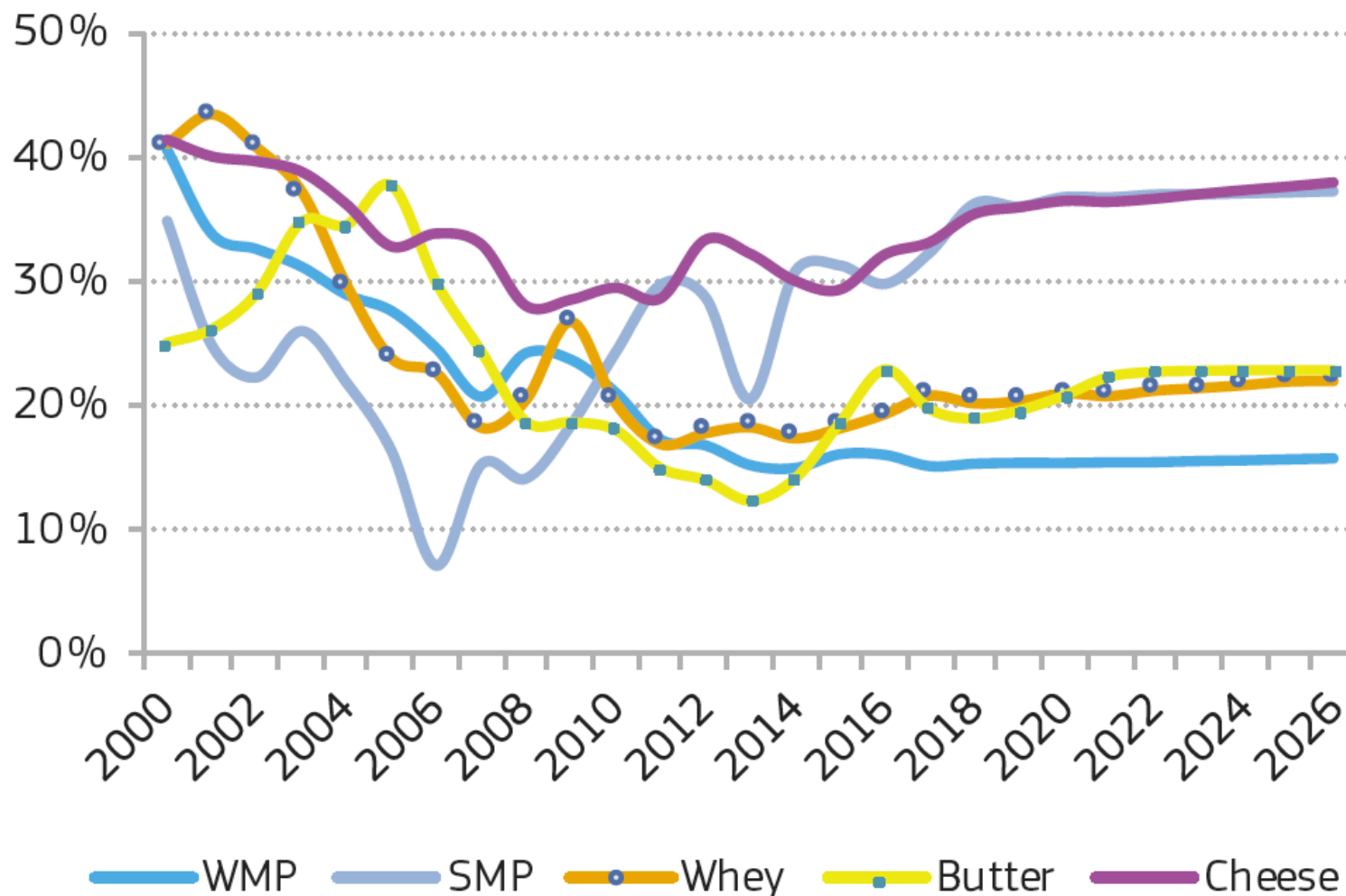


Source: DG Agriculture and Rural Development, based on OECD-FAO  
Agricultural Outlook 2016-2025

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## Share of EU exports in world trade (%)



Source: DG Agriculture and Rural Development, based on OECD-FAO  
Agricultural Outlook 2016-2025

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		BUTTER + BUTTEROIL		CHEESE		S.M.P.		W.M.P.	
MAIN EXPORTING THIRD COUNTRIES									
Jan-Aug 2017 compared to 2016	BUTTER(OIL)		CHEESE		S.M.P.		W.M.P.		
	Qty in ktons	% 2017 /16	Qty in ktons	% 2017 /16	Qty in ktons	% 2017 /16	Qty in ktons	% 2017 /16	
New Zealand	280	↓ - 11%	230	→ - 0%	240	↓ - 13%	826	→ + 1%	
EU-28	130	↓ - 20%	560	↗ + 7%	560	↑ + 43%	281	→ + 2%	
United States	20	↑ + 14%	232	↑ + 23%	401	↑ + 12%	16	↓ - 18%	
Belarus	54	↗ + 4%	123	↓ - 10%	76	↗ + 3%	21	↘ - 5%	
Australia	10	↓ - 51%	109	→ + 1%	105	→ + 1%	36	↓ - 21%	
Uruguay	6	↓ - 17%	21	↓ - 12%	8	↓ - 27%	59	↓ - 37%	

Source: DG Agriculture and Rural Development

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		Qty in ktons    % 2017 /16	Qty in ktons    % 2017 /16	Qty in ktons    % 2017 /16	Qty in ktons    % 2017 /16
China		71 ↑ +19%	79 ↑ +23%	185 ↑ +29%	373 ↑ +11%
Algeria		7 ↓ -25%	15 ↓ -40%	113 ↑ +47%	192 ↑ +29%
Russia	up to Jul	69 ↑ +25%	124 ↘ -5%	75 → +2%	28 ↑ +19%
Mexico	up to Jul	29 ↘ -4%	74 → +1%	192 ↑ +24%	2 ↓ -81%
Japan		5 ↓ -32%	178 ↗ +3%	33 ↑ +53%	0 ↓ -19%
United States		28 ↓ -15%	117 ↓ -10%	0 ↓ -31%	15 ↑ +52%

Source: DG Agriculture and Rural Development

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## EU Exports - Top 3 destinations in 2017

Period : January - August

BUTTER				
<i>in Tonnes</i>	2015	2016	2017	
<b>Extra-EU</b>	<b>88 540</b>	<b>121 448</b>	<b>100 572</b>	↓ - 17%
<b>USA</b>	10 361	12 197	18 848	↑ + 55%
<b>Saudi Arabia</b>	10 369	14 450	6 511	↓ - 55%
<b>Iran</b>	972	4 877	6 333	↑ + 30%

CHEESE				
<i>in Tonnes</i>	2015	2016	2017	
<b>Extra-EU</b>	<b>460 086</b>	<b>523 634</b>	<b>559 527</b>	↑ + 7%
<b>USA</b>	86 996	88 734	89 229	→ + 1%
<b>Japan</b>	43 842	48 716	64 787	↑ + 33%
<b>Switzerland</b>	36 582	38 108	40 722	↑ + 7%

S.M.P.				
<i>in Tonnes</i>	2015	2016	2017	
<b>Extra-EU</b>	<b>477 900</b>	<b>390 915</b>	<b>560 088</b>	↑ + 43%
<b>Algeria</b>	81 519	56 709	87 880	↑ + 55%
<b>China</b>	35 185	31 957	56 294	↑ + 76%
<b>Indonesia</b>	30 122	30 581	47 474	↑ + 55%

W.M.P.				
<i>in Tonnes</i>	2015	2016	2017	
<b>Extra-EU</b>	<b>274 578</b>	<b>275 453</b>	<b>280 653</b>	→ + 2%
<b>Algeria</b>	25 851	23 060	56 892	↑ + 147%
<b>Oman</b>	43 353	40 981	28 602	↓ - 30%
<b>China</b>	10 634	12 678	16 910	↑ + 33%

Source: DG Agriculture and Rural Development

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## New era of a demand driven dairy markets

- ➔ **Demographic development**
- ➔ **Middle class increase**
- ➔ **Global average dairy consumption**

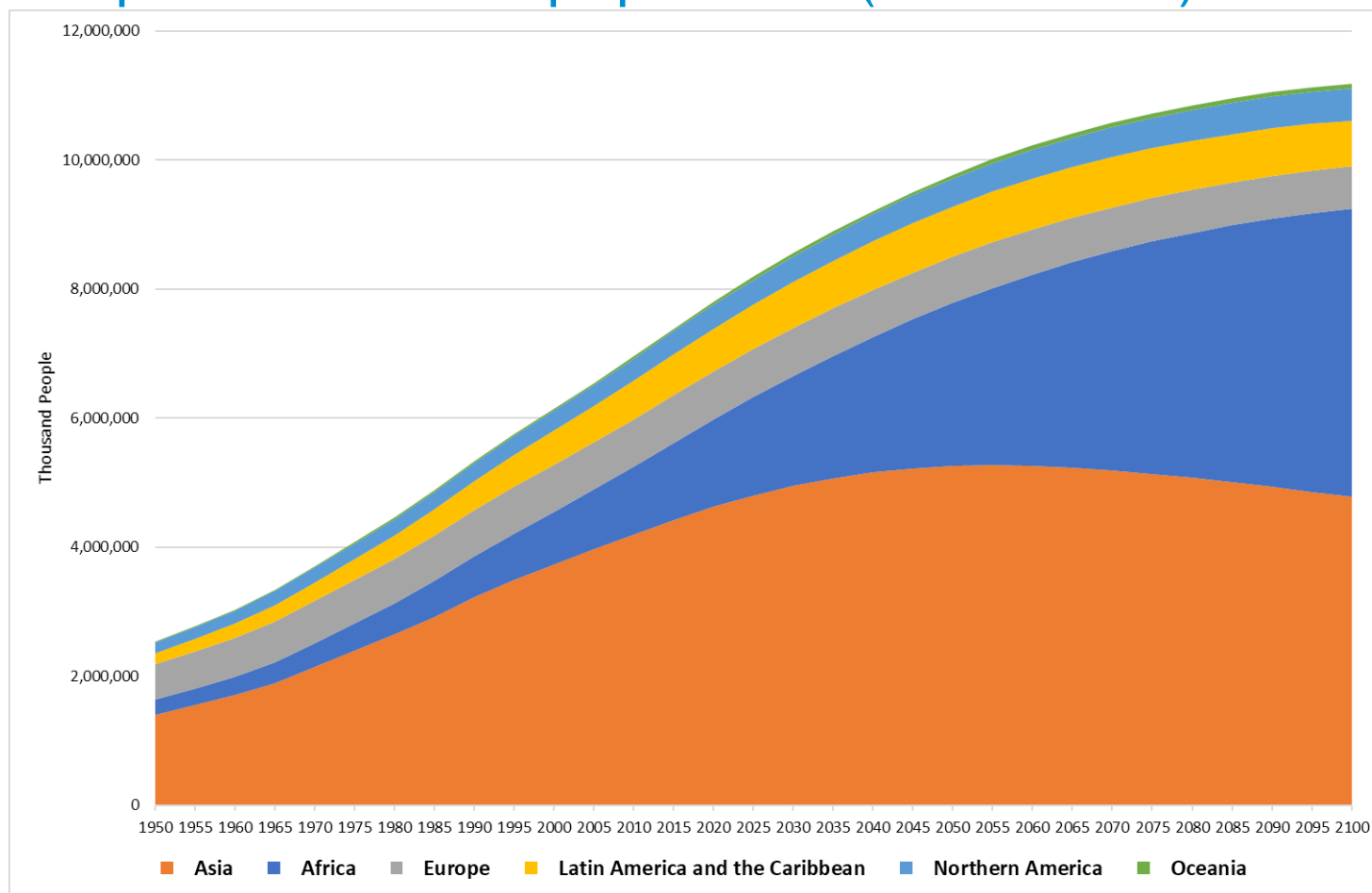


# A SPREADING MIDDLE CLASS



Source: Reuters. Davos 2012. The Swelling Middle.

## Development of world population (1950-2100)

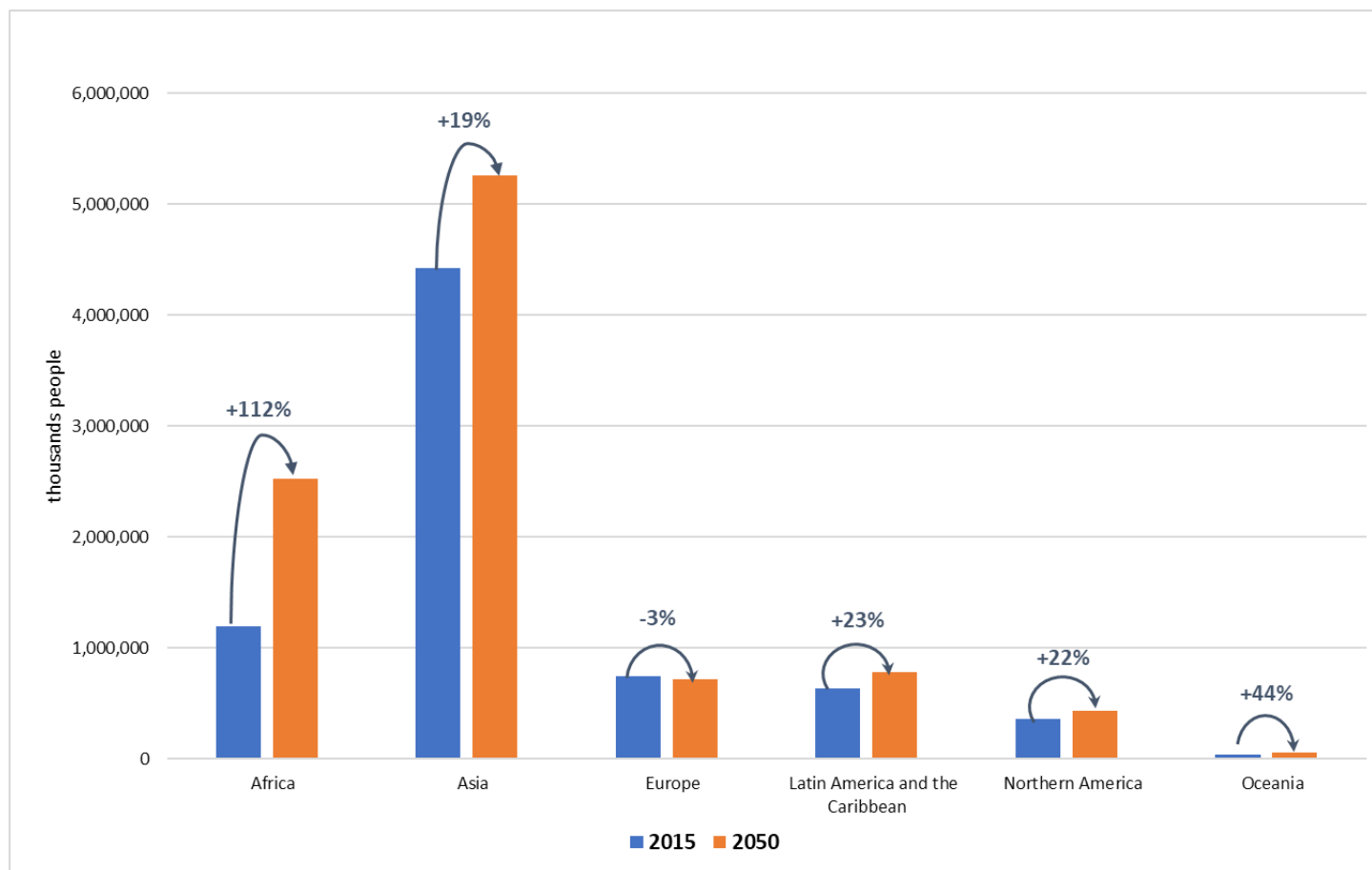


Source: United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision.

[www.euromilk.org/eda](http://www.euromilk.org/eda)

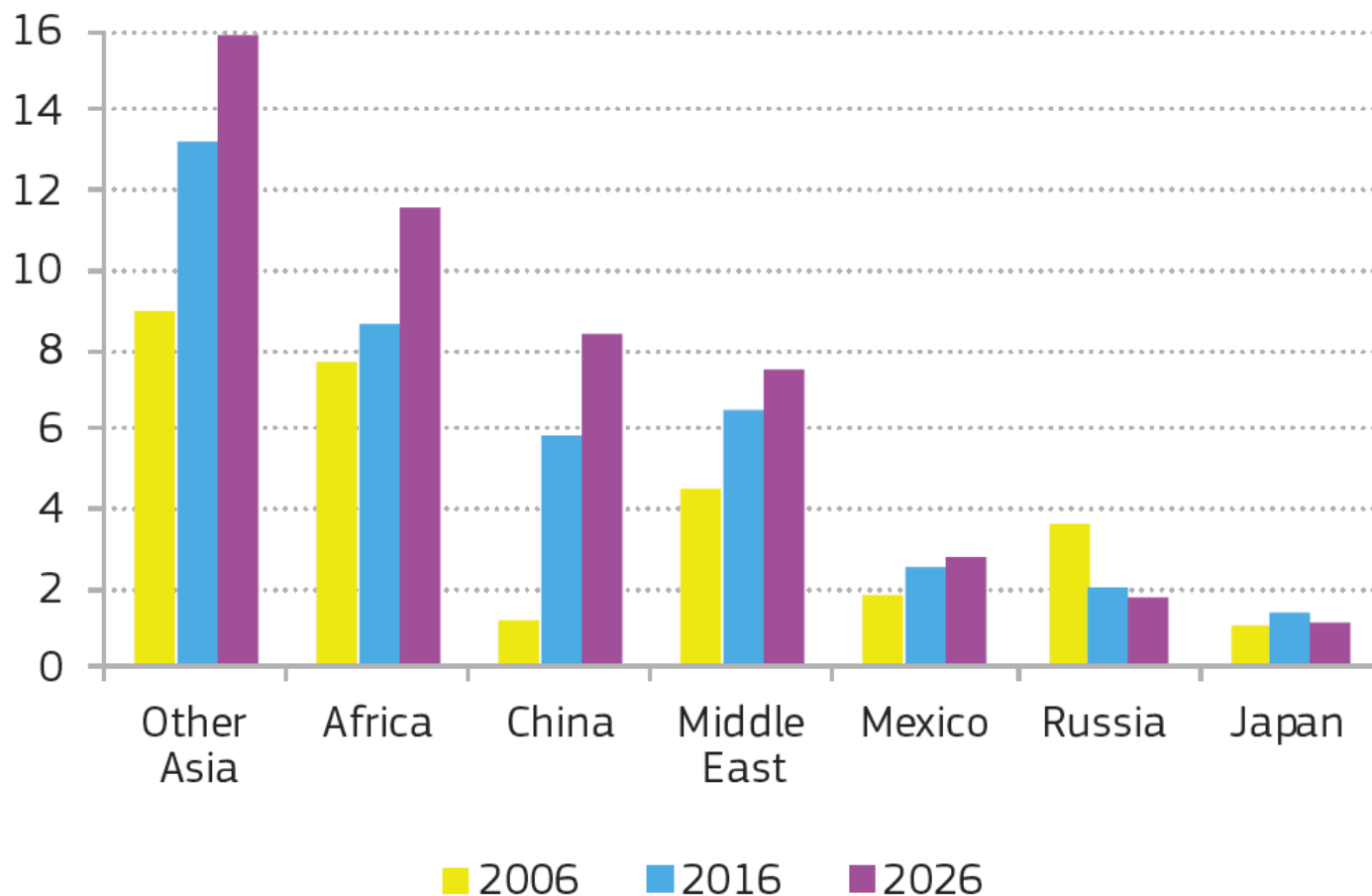
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## Development of world population (2015-2050)



Source: United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision.

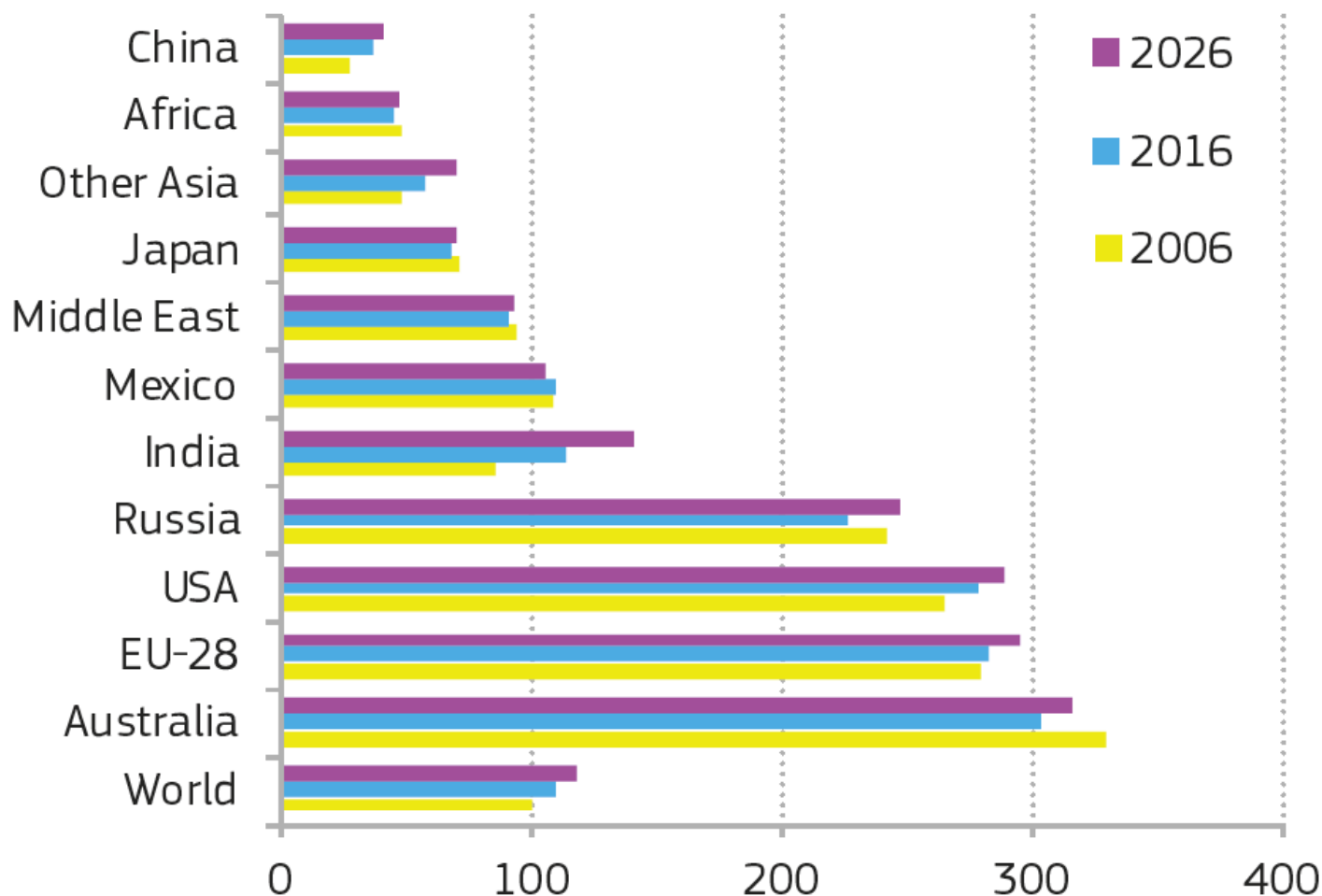
## Development of world imports of WMP, SMP, cheese and butter (million t of milk equivalent)



Source: DG Agriculture and Rural Development, based on OECD-FAO  
Agricultural Outlook 2016-2025

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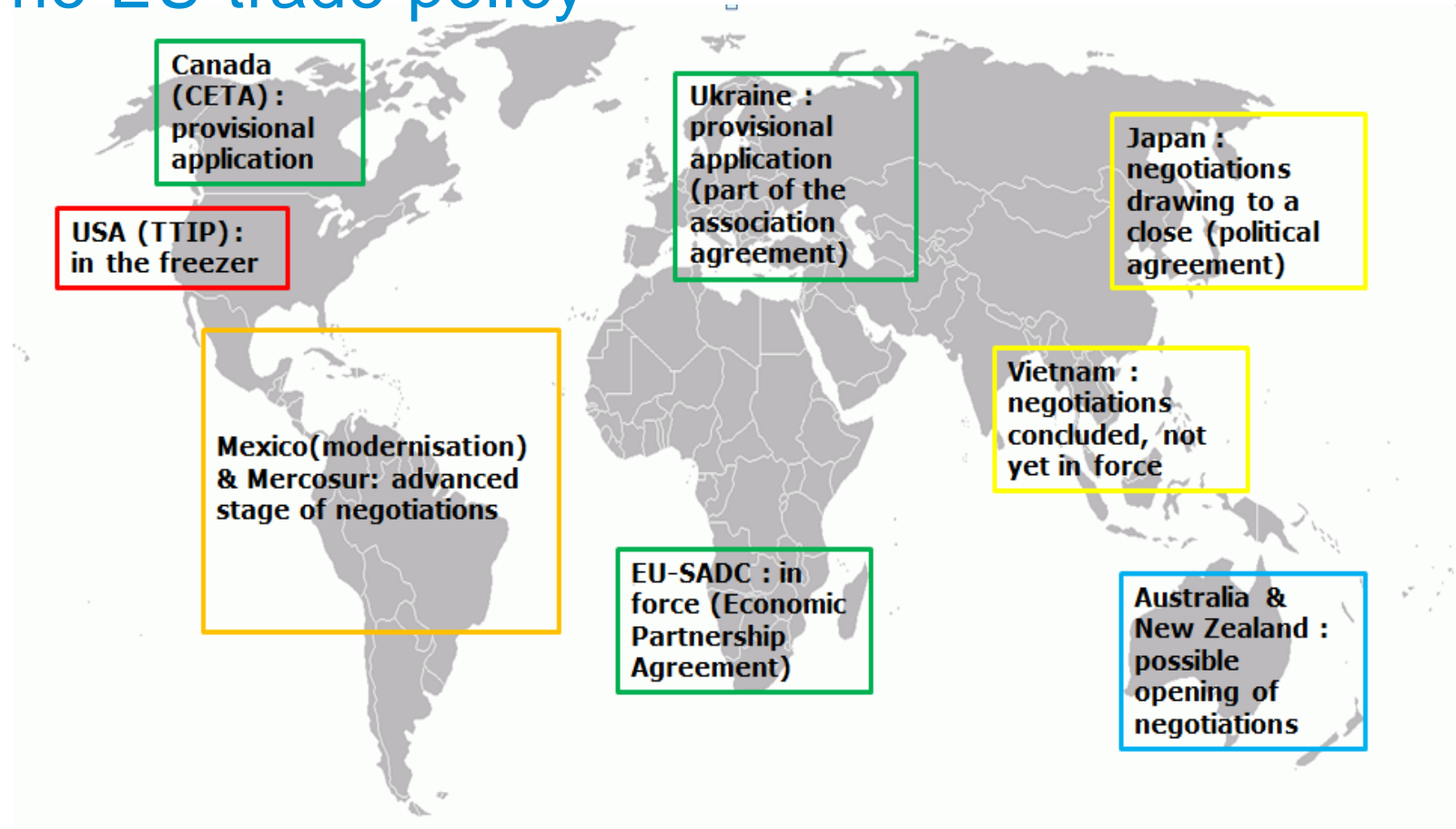
## Per capita consumption of dairy products in the world (kg of milk equivalent)



Source: DG Agriculture and Rural Development, based on OECD-FAO  
Agricultural Outlook 2016-2025

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## The EU trade policy



Source: DG Agriculture and Rural Development

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© Dairy reporter



Butter, incl. butteroil (CN 0405)



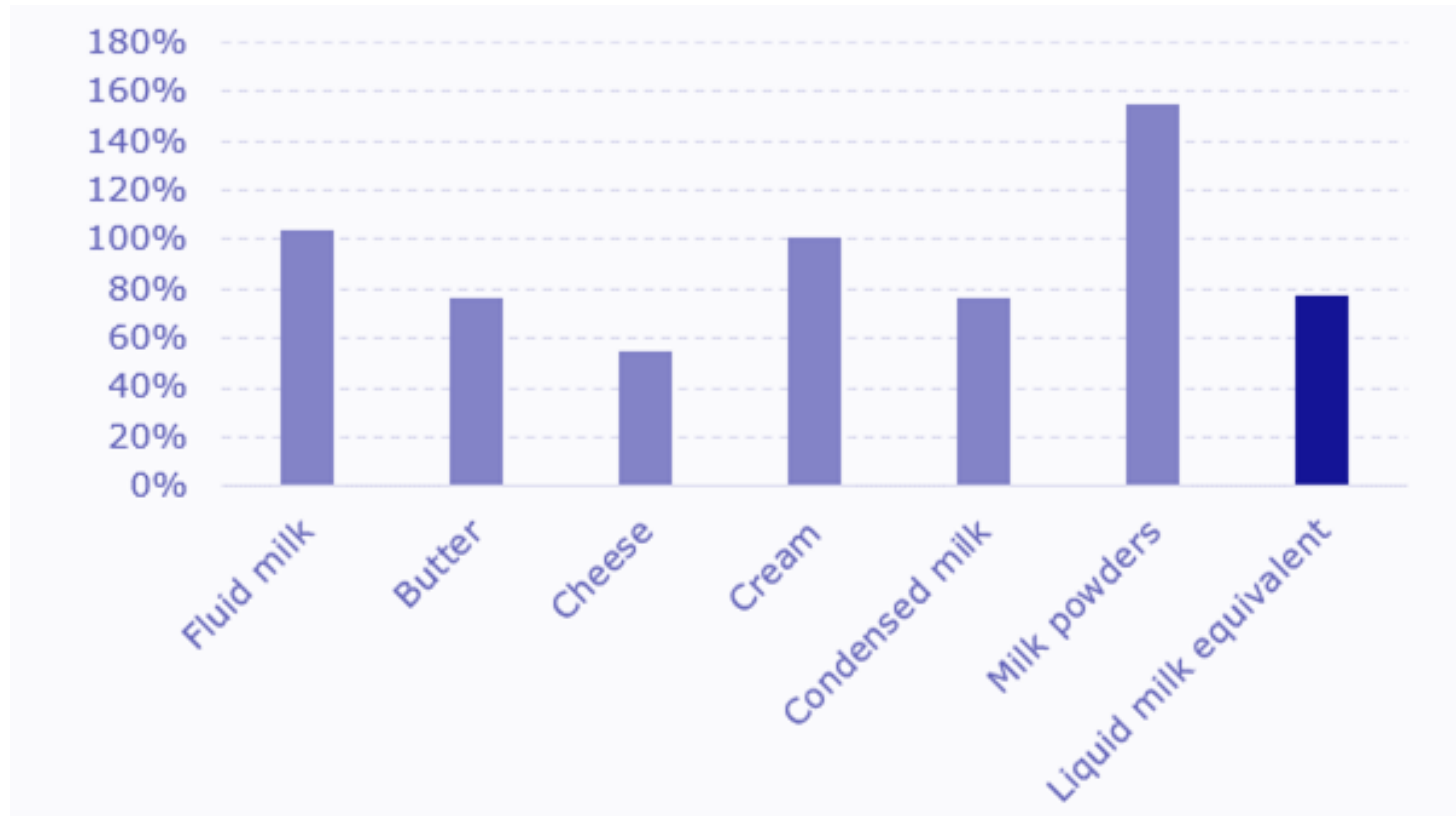
Cheese (CN 0406)



EU Dairy Exports to UK (2016)	EU Dairy Exports to Russia (2013)
151,645 tonnes	37,000 tonnes
466,091 tonnes	257,000 tonnes

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## UK self-sufficiency in dairy products



*Source: Rabobank 2016*

# Hungarian Dairy and the Single Market



Hungarian Production	Export to EU
8,200 tonnes	530 tonnes 6,5%
80,000 tonnes	14,500 tonnes 14,5%

# Hungarian Dairy and the Single Market



Hungarian Production	Export to EU	Of which export to UK
8,200 tonnes	530 tonnes 6,5%	70 tonnes 13%
80,000 tonnes	14,500 tonnes 14,5%	330 tonnes 2,3%

# UK dairy imports from other EU MS compared to UK dairy imports from third countries (in volume & value)



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## U.K. Imports of dairy products in 2016

	Quantity in tonnes of product		Quantity in tonnes of milk equivalent (*)		Value in 1000 EUR		% from EU countries (in value)
	From EU countries	From Non- EU countries	From EU countries	From Non- EU countries	From EU countries	From Non- EU countries	
CHEESES	466 246	4 575	2 784 527	27 320	1 566 998	20 245	99%
BUTTER	58 329	203	668 351	2 320	205 167	587	100%
FRESH	231 502	373	231 502	373	242 575	2 361	99%
BUTTEROIL	13 215	1 492	182 623	20 617	43 188	4 275	91%
SMP	38 940	0	195 780	2	63 695	13	100%
WMP	23 437	0	169 267	1	51 738	1	100%
WHEYPOWDER	52 817	29	99 031	55	74 445	73	100%
CONDENSED	44 889	0	96 635	1	65 777	10	100%
CASEINES	4 912	11	62 081	139	29 353	181	99%
<b>TOTAL</b>			<b>4 489 796</b>	<b>50 827</b>	<b>2 342 935</b>	<b>27 747</b>	<b>99%</b>
(*) : based on fat and protein content			<b>4 540 623</b>		<b>2 370 682</b>		



Internal document

## Future EU – UK Dairy Framework

- ➔ island of Ireland
- ➔ zero tariffs
- ➔ TRQ split
- ➔ rules of origin
- ➔ Geographical Indications
- ➔ intervention stocks on 29 March 2019
- ➔ mutual (recognition of) food standards
- ➔ ...



**DRAFT**

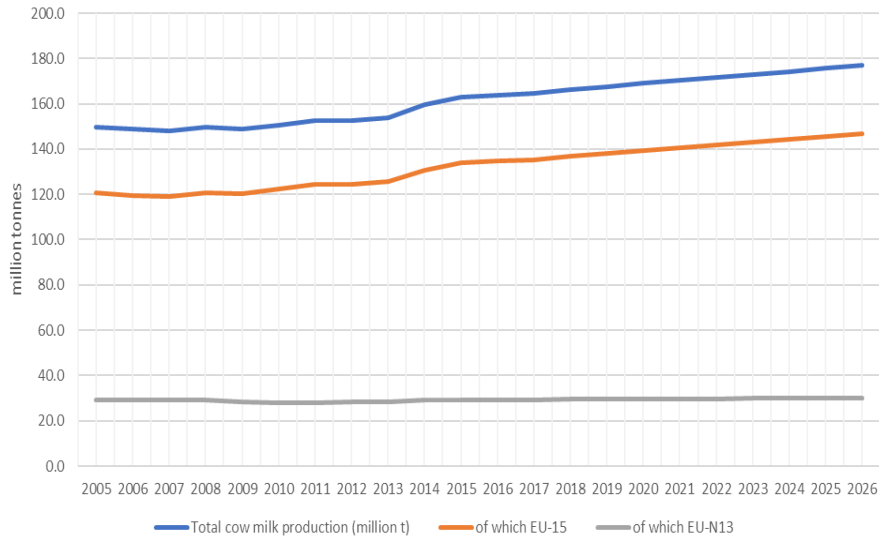
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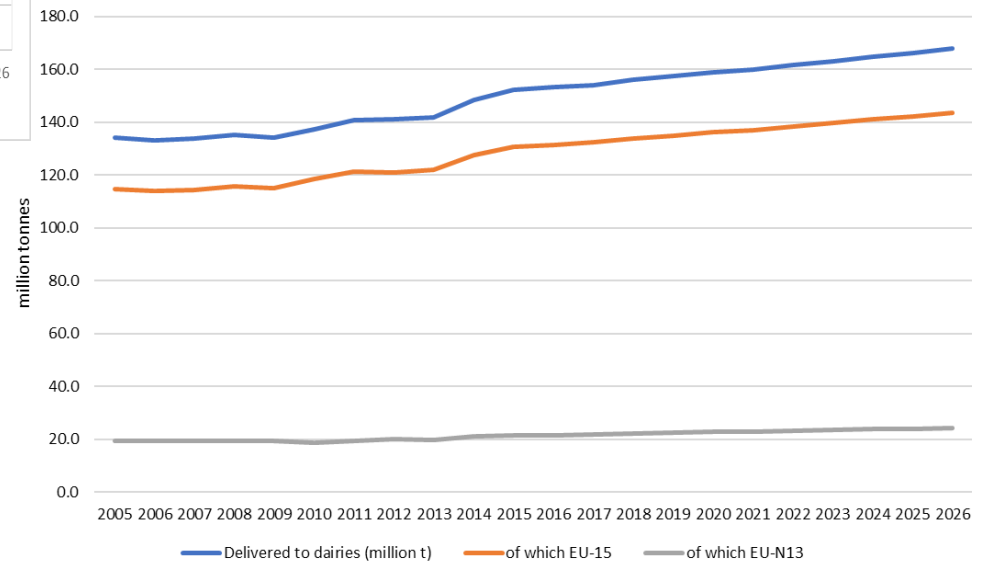


## How does the EU see the future EU dairy sector?

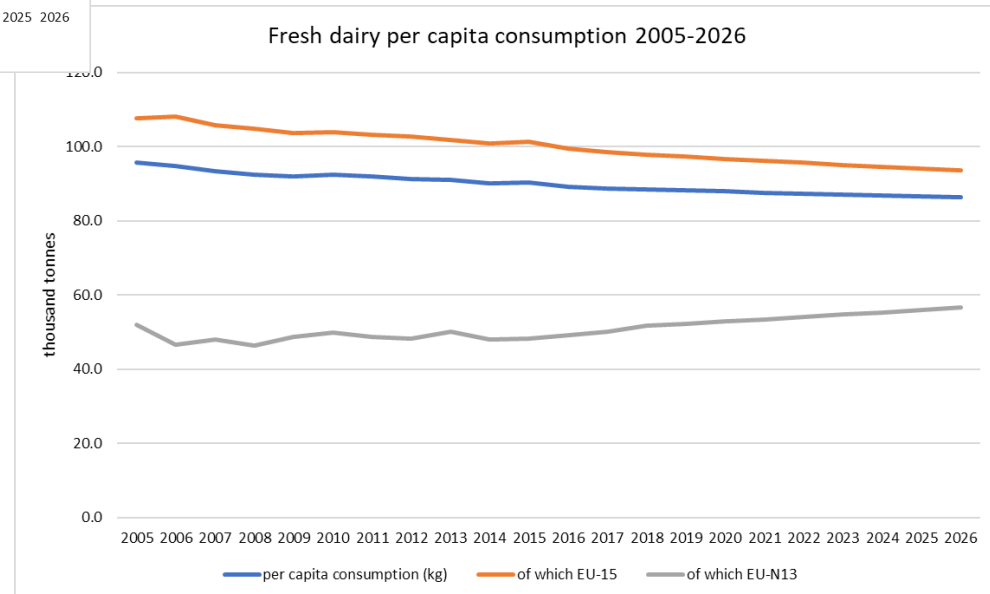
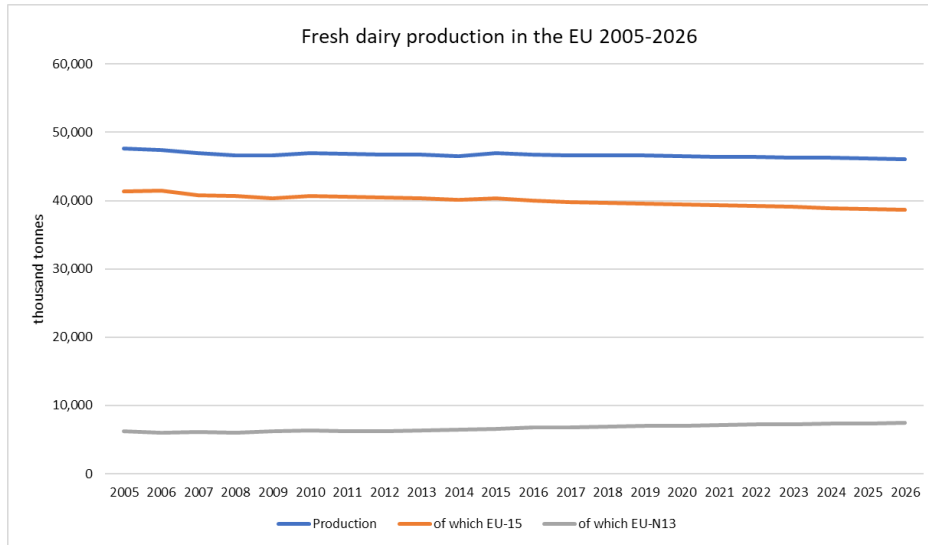
Total cow milk production in the EU 2005-2026

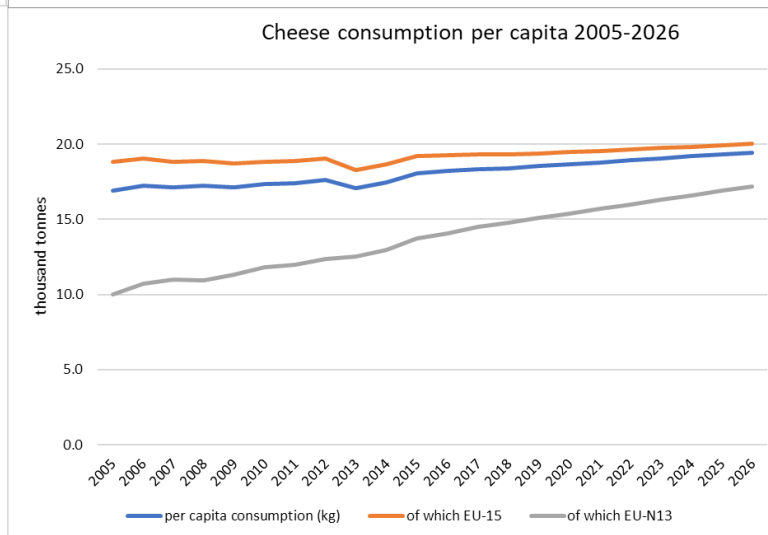
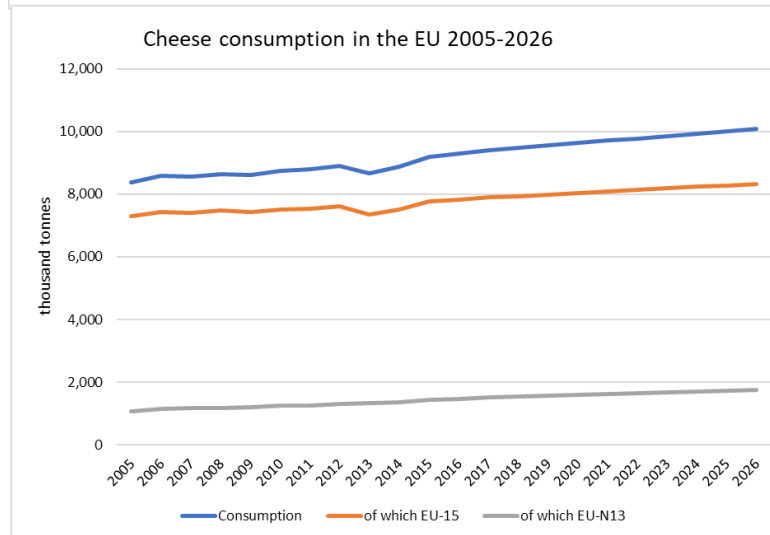
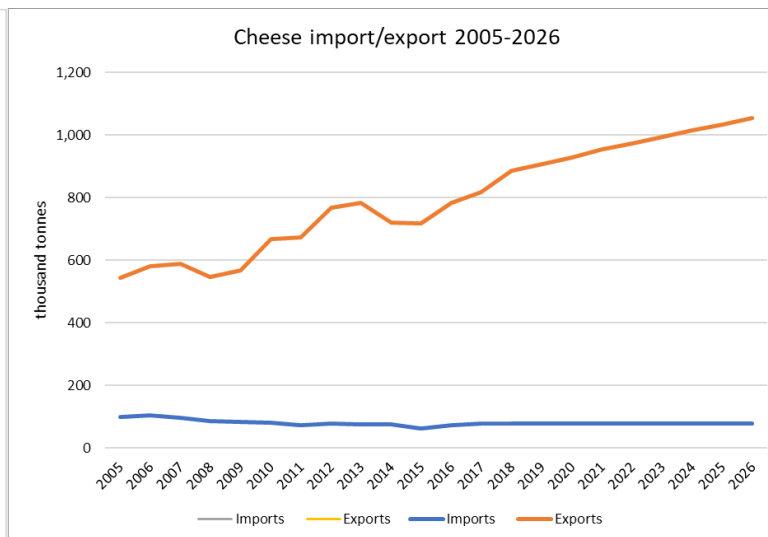
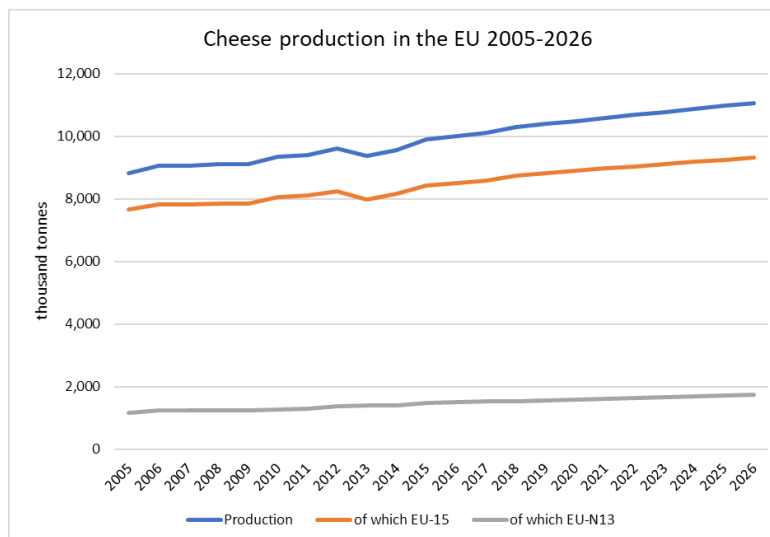


Delivered milk to dairies in the EU 2005-2026

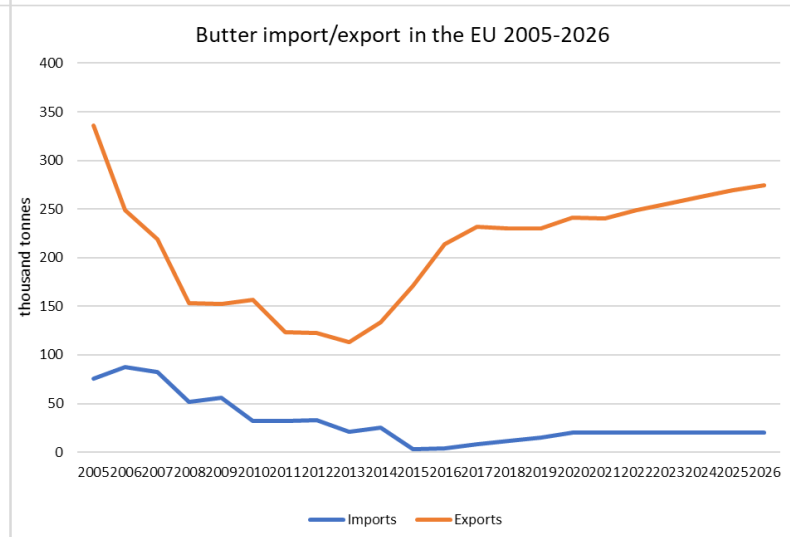
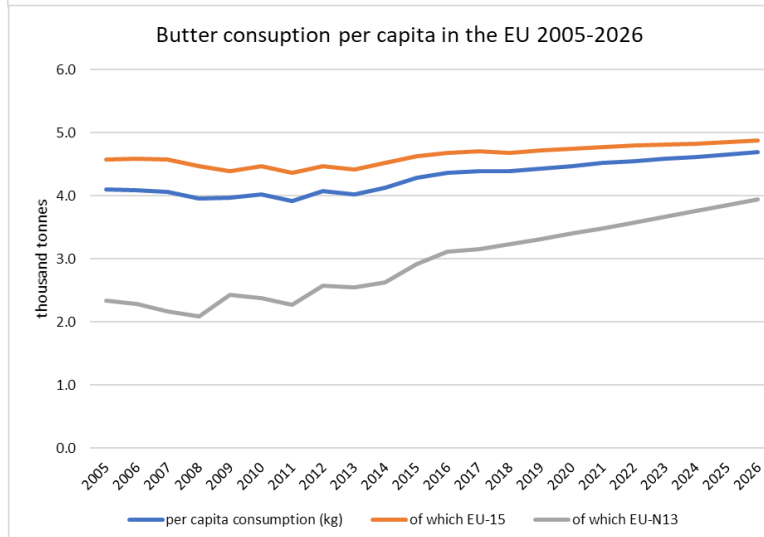
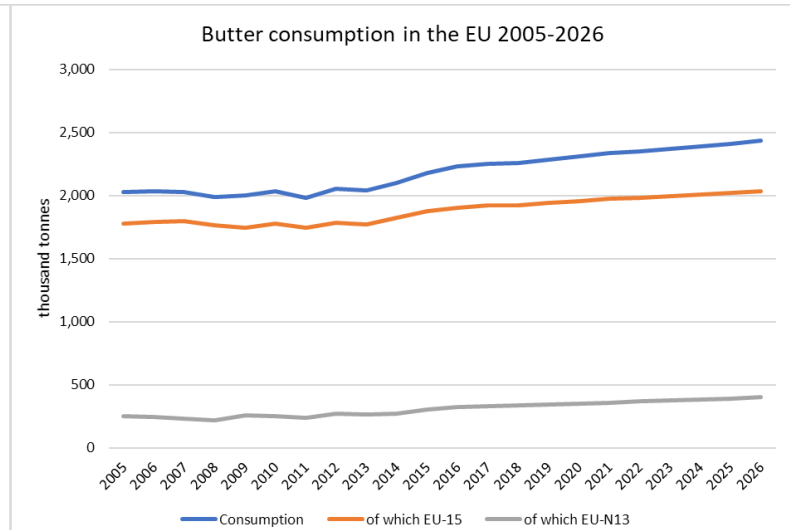
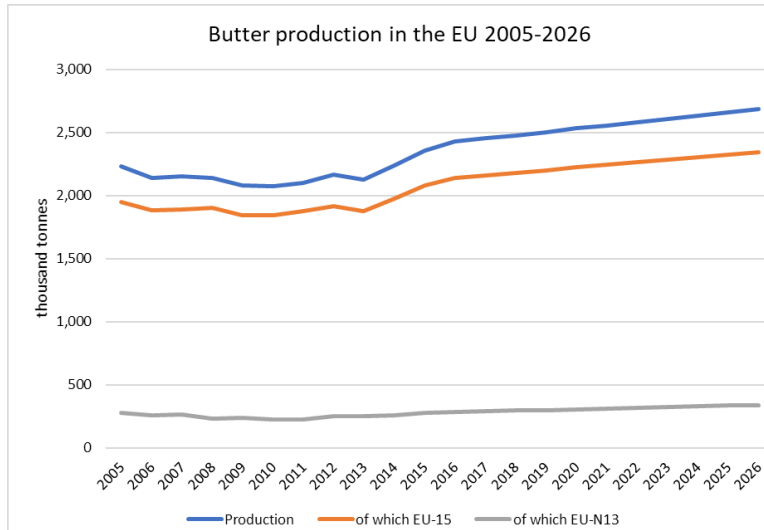


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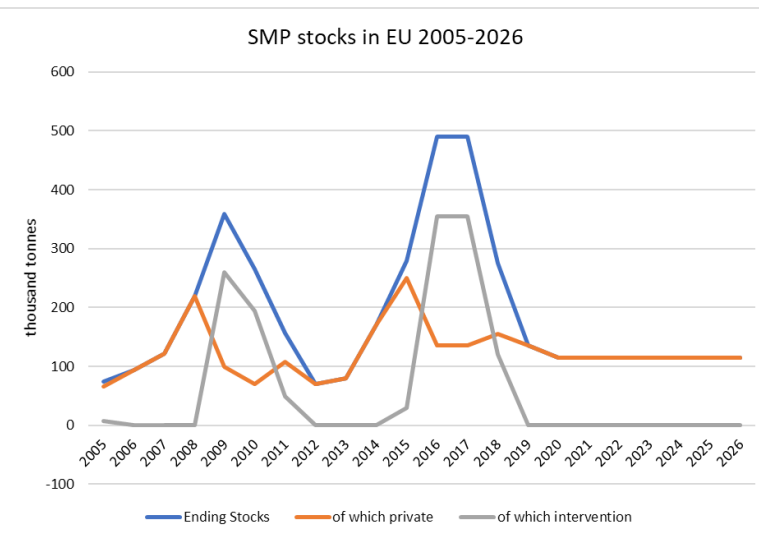
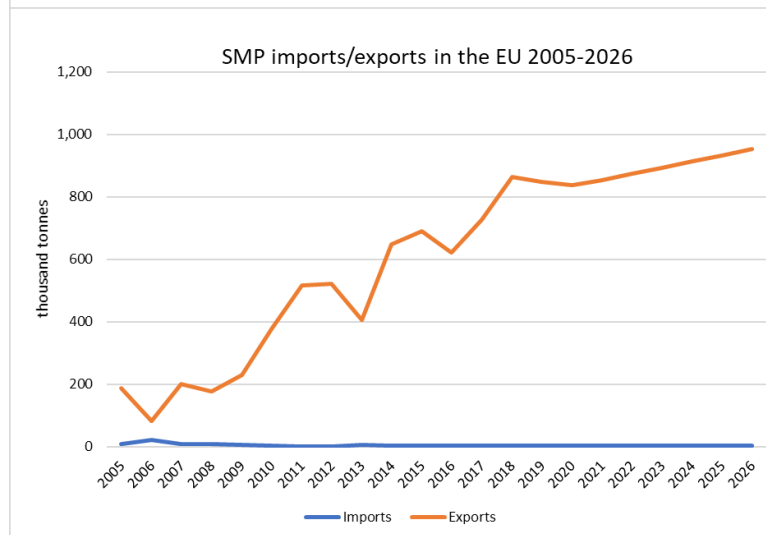
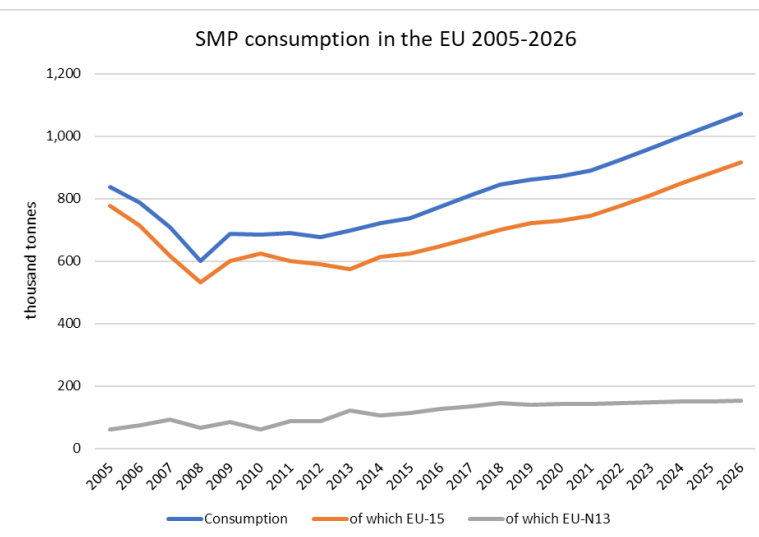
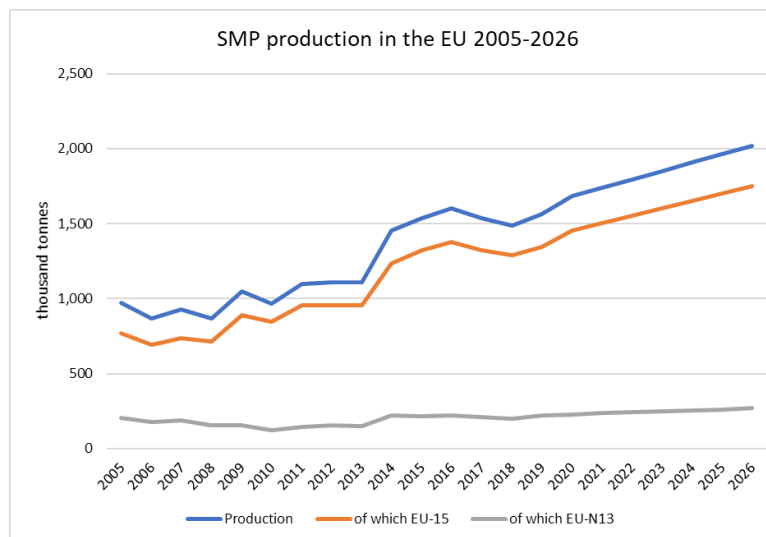


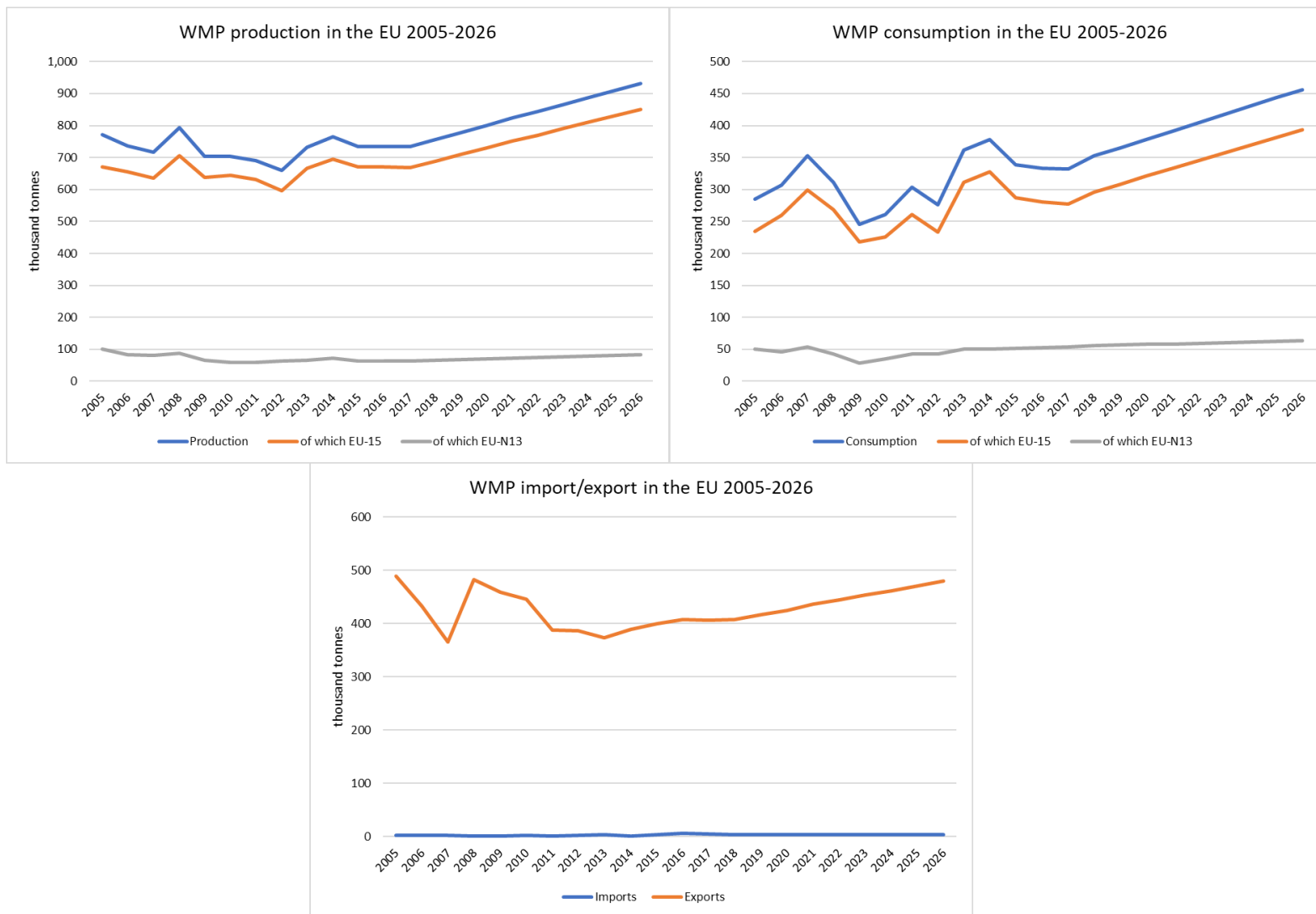


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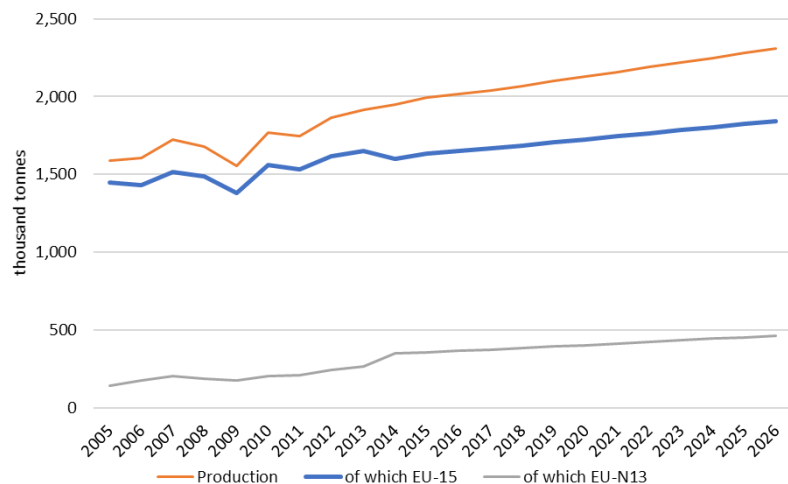




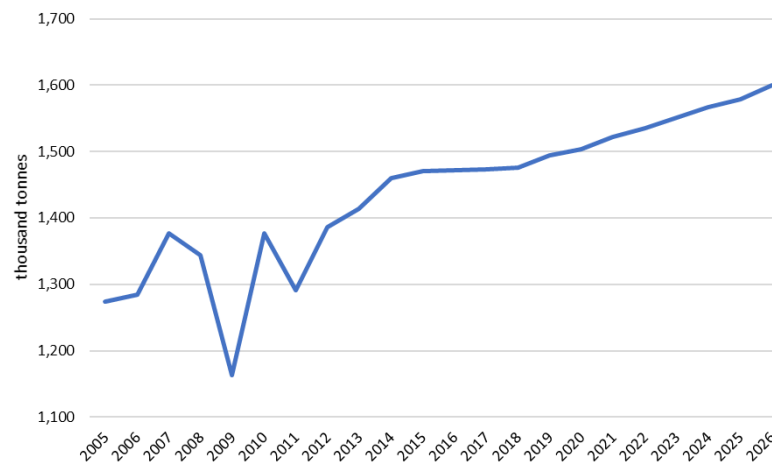
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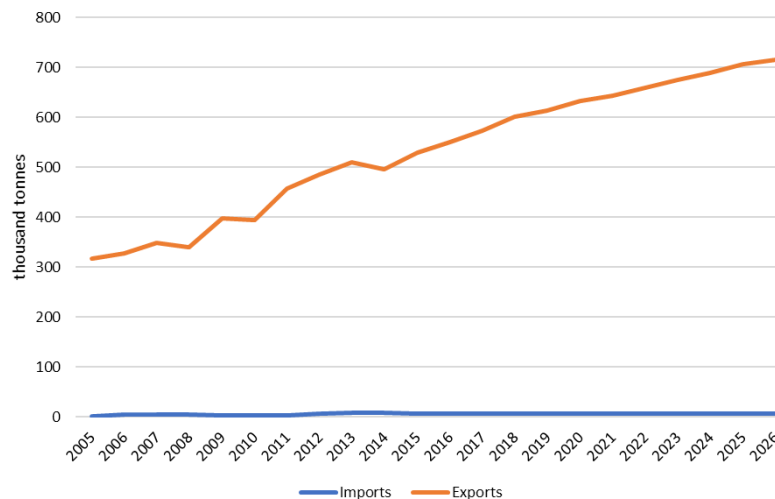
Whey production in the EU 2005-2026



Whey consumption in the EU 2005-2026



Whey import/export in the EU 2005-2026



## Conclusion

➡ ***“We have, all over Europe, the tradition of the past, the skills of today and the passion for the future of milk processing and of milk production”***

➡ (Michel Nalet, EDA President)



**Thank you for your attention.**

Bénédicte Masure  
Deputy Secretary General

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