



European
Commission



Prospects for EU dairy Markets

CDG 03 May 2016

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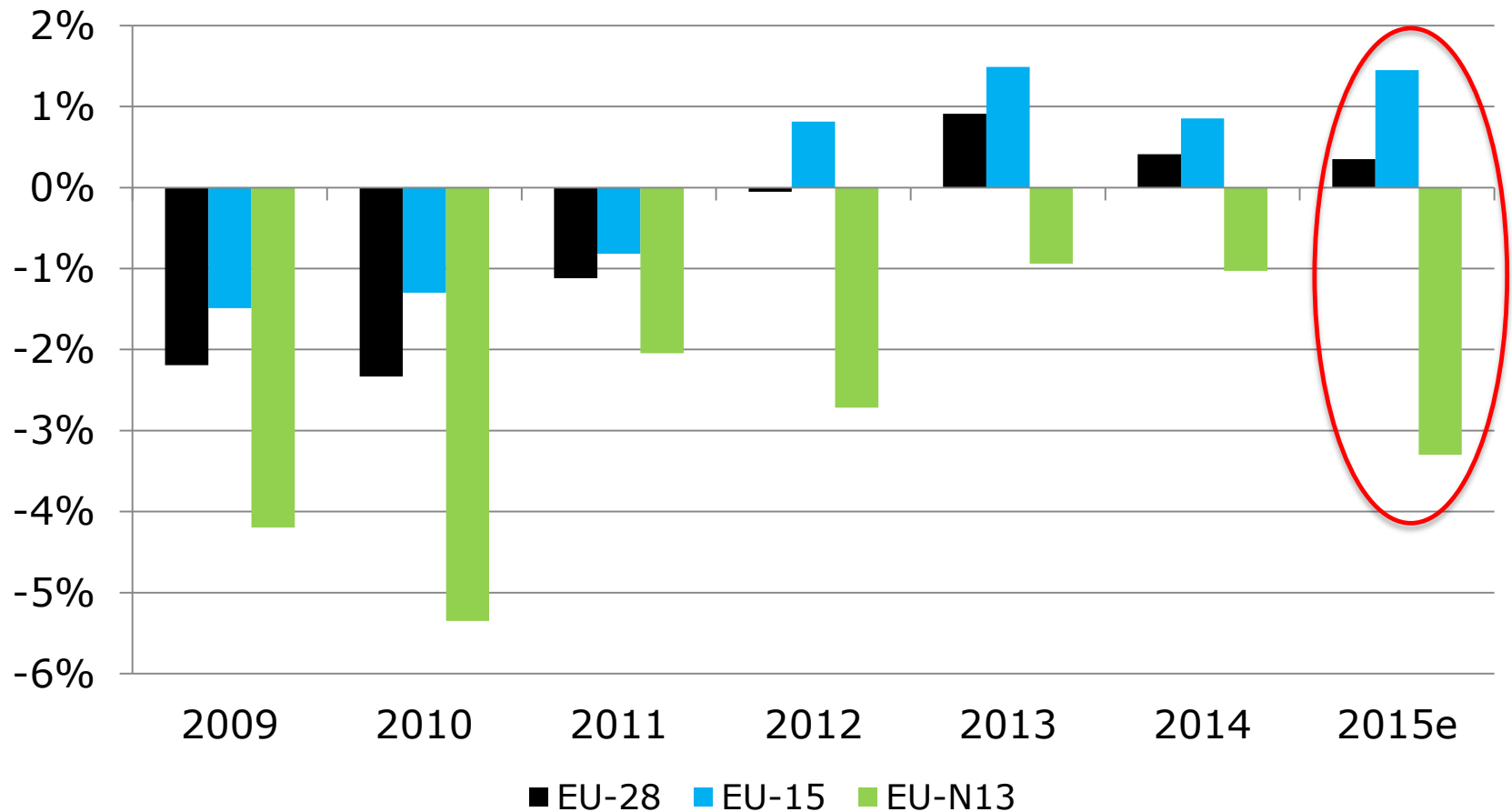
*DG Agriculture and Rural Development
European Commission*

Agriculture
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Outline

- Short-term outlook
- Medium-term outlook
- Focus on consumption trends

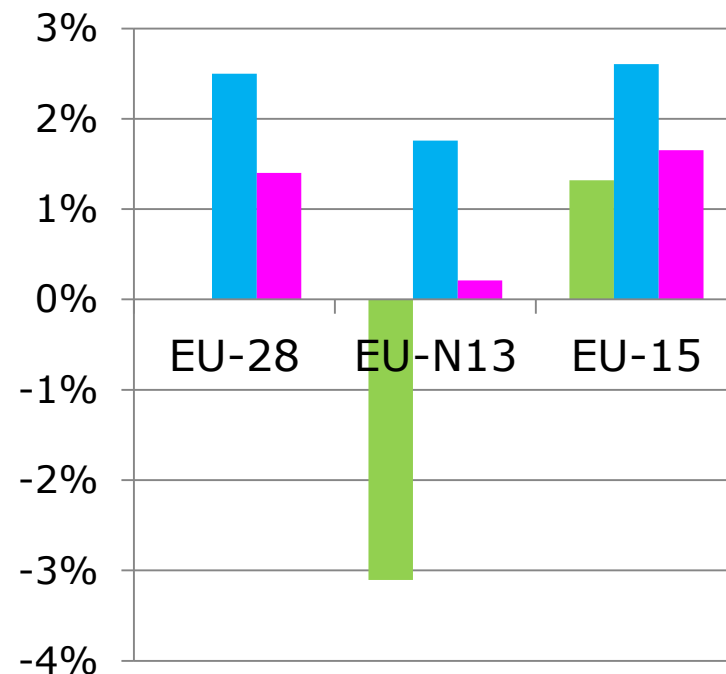
More milk to come, based on the change in dairy cow numbers in the EU



Source: Eurostat December livestock survey

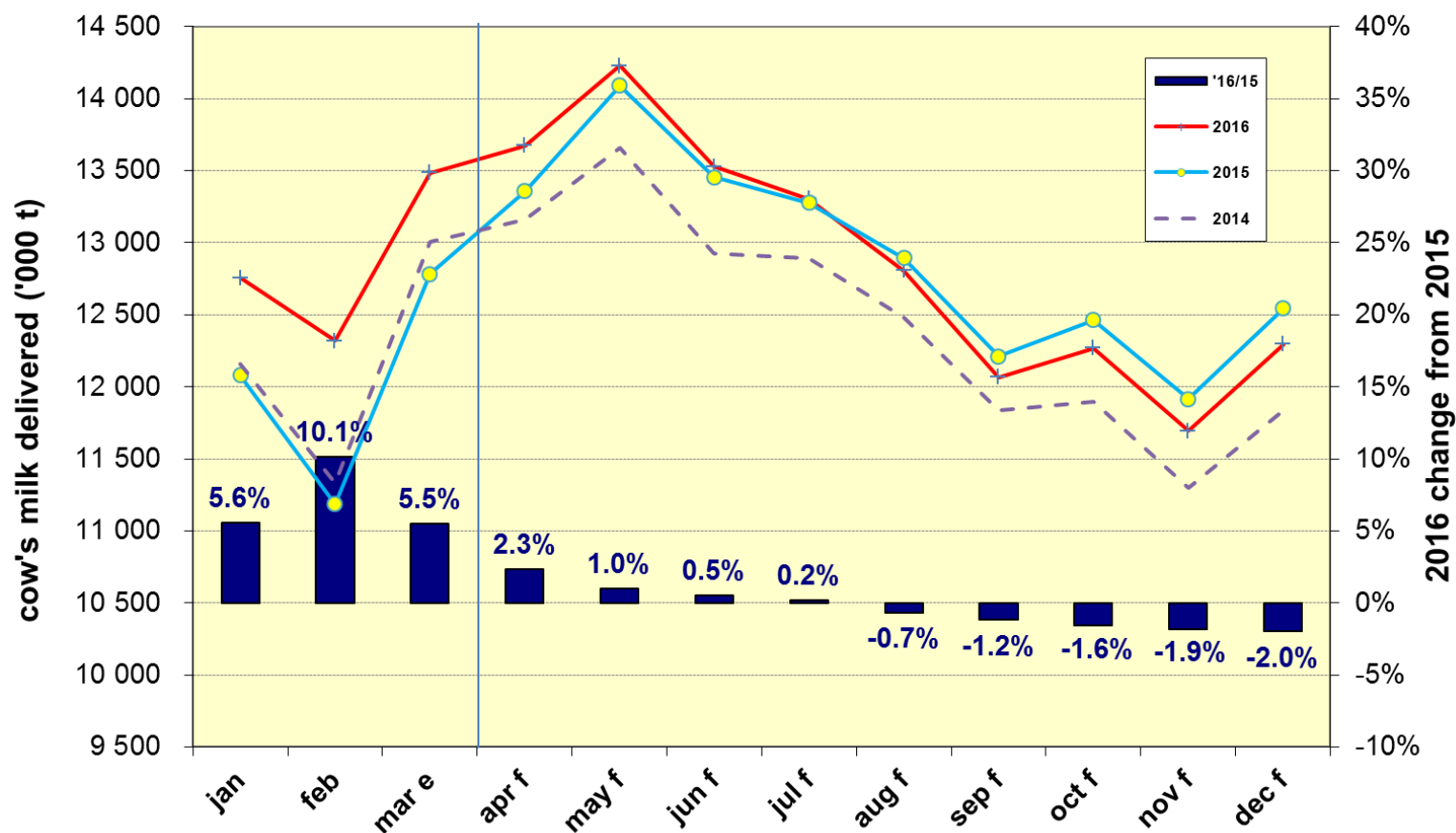
What about deliveries in 2016?

- +1.4% compared to 2015 (+2.8 Mt)
- Strong increase in deliveries in Q1
 - +7%
 - One more day in Feb.
 - Last year, break / surplus levies
- Affordable feed and low energy costs (to continue)
- Incentives for farmers to produce:
 - Need of liquidity
 - Despite price level
- Uncertainties
 - Weather => lower deliveries in the 2nd half?
 - Phosphates rules in NL
 - Adjustment to price level (cow slaughterings e.g.)



■ Dairy cows 2015/14
■ Deliveries 2015/14 e
■ Deliveries 2016/15 f

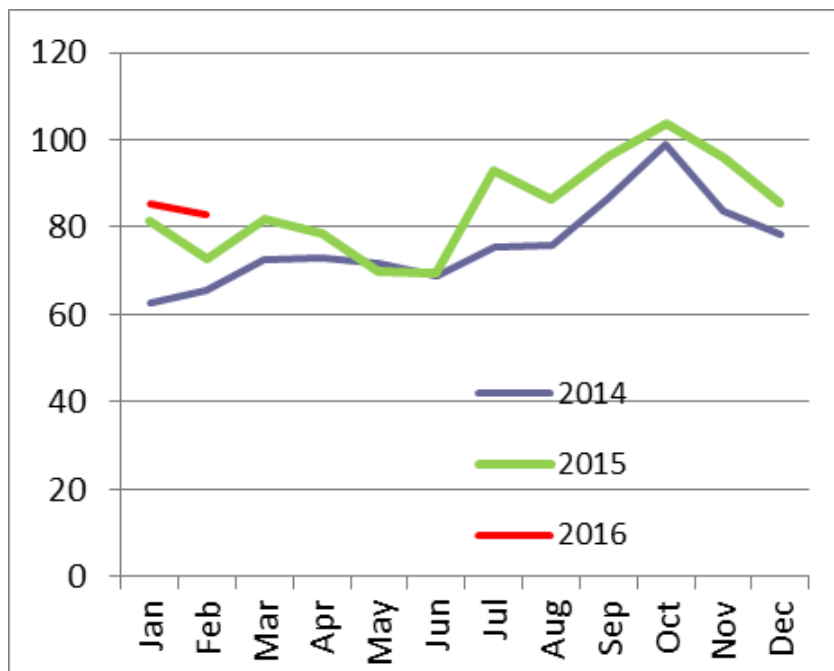
Lower milk deliveries by the end of the year?



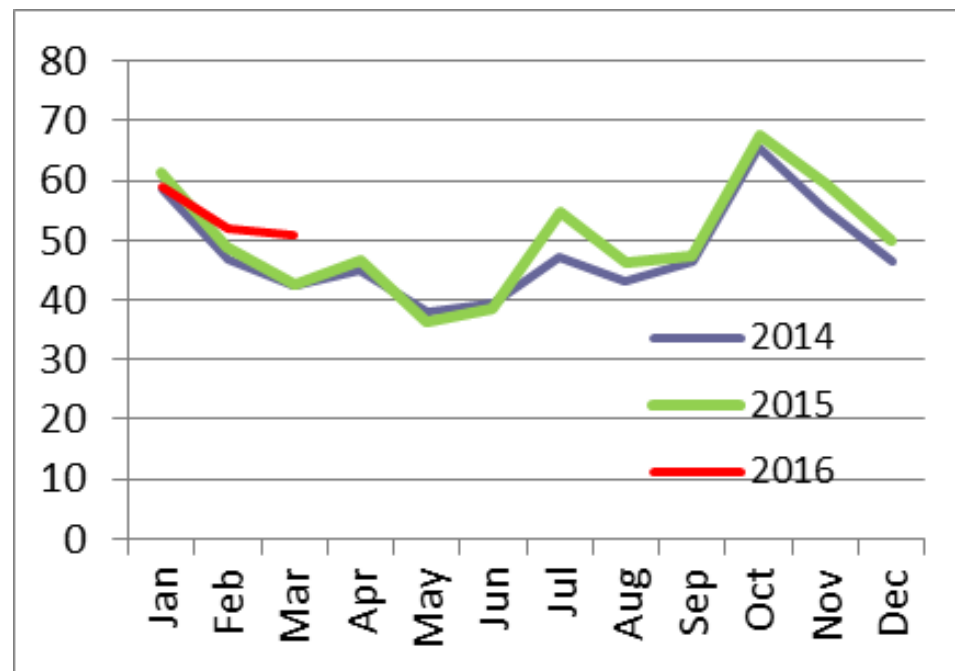
Slaughterings to be checked closely

Cow (beef and dairy) slaughterings (1000 heads)

EU-N13



UK



Note: February 2016 corrected

What the others say about 2016 production:

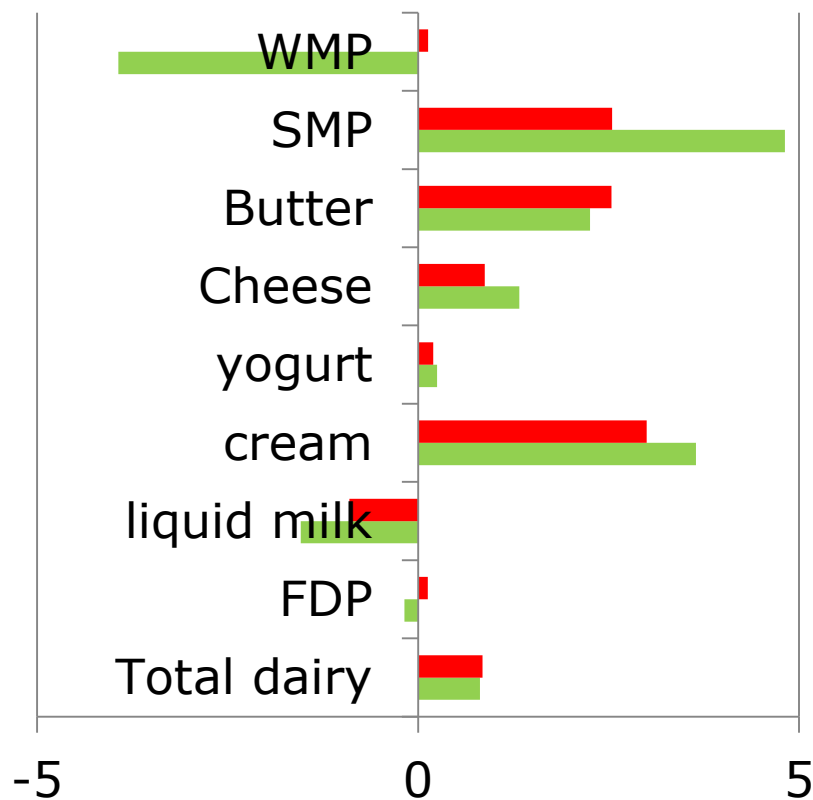
Source: Informa (US)

- EU: +1.2%
- US: +1.1%
- NZ: +0.5%
- AUS: -0.1%

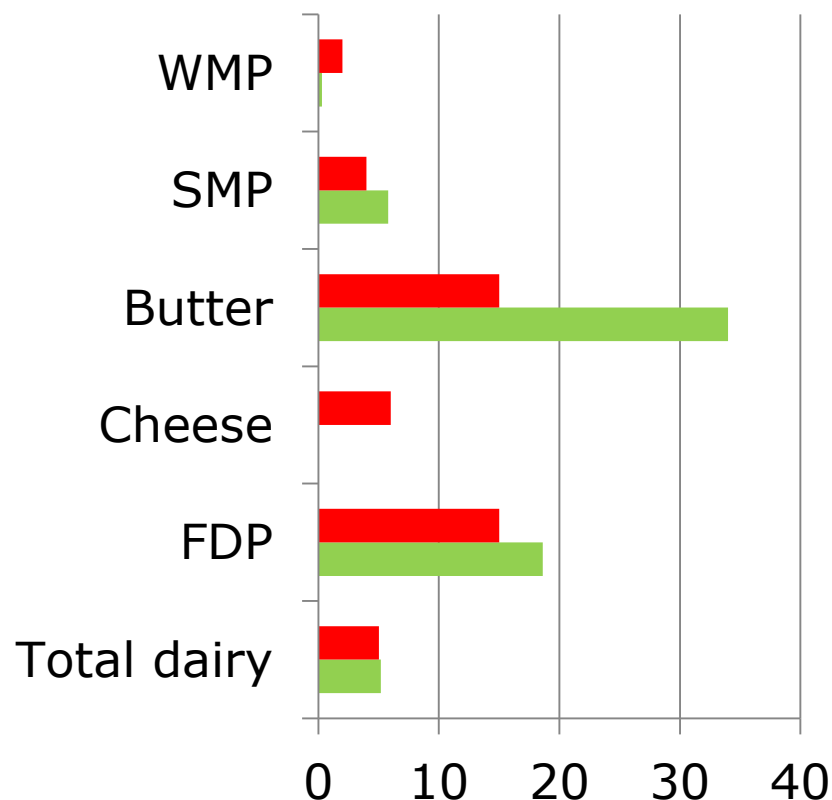
Total: +1%

Increase in EU trade and consumption in 2016 (%)

Domestic use



Trade



■ 2016/2015 ■ 2015/2014

Total dairy in milk equivalent (total solids)

■ 2016/2015 ■ 2015/2014



Prospects for EU dairy Markets

2015-2025

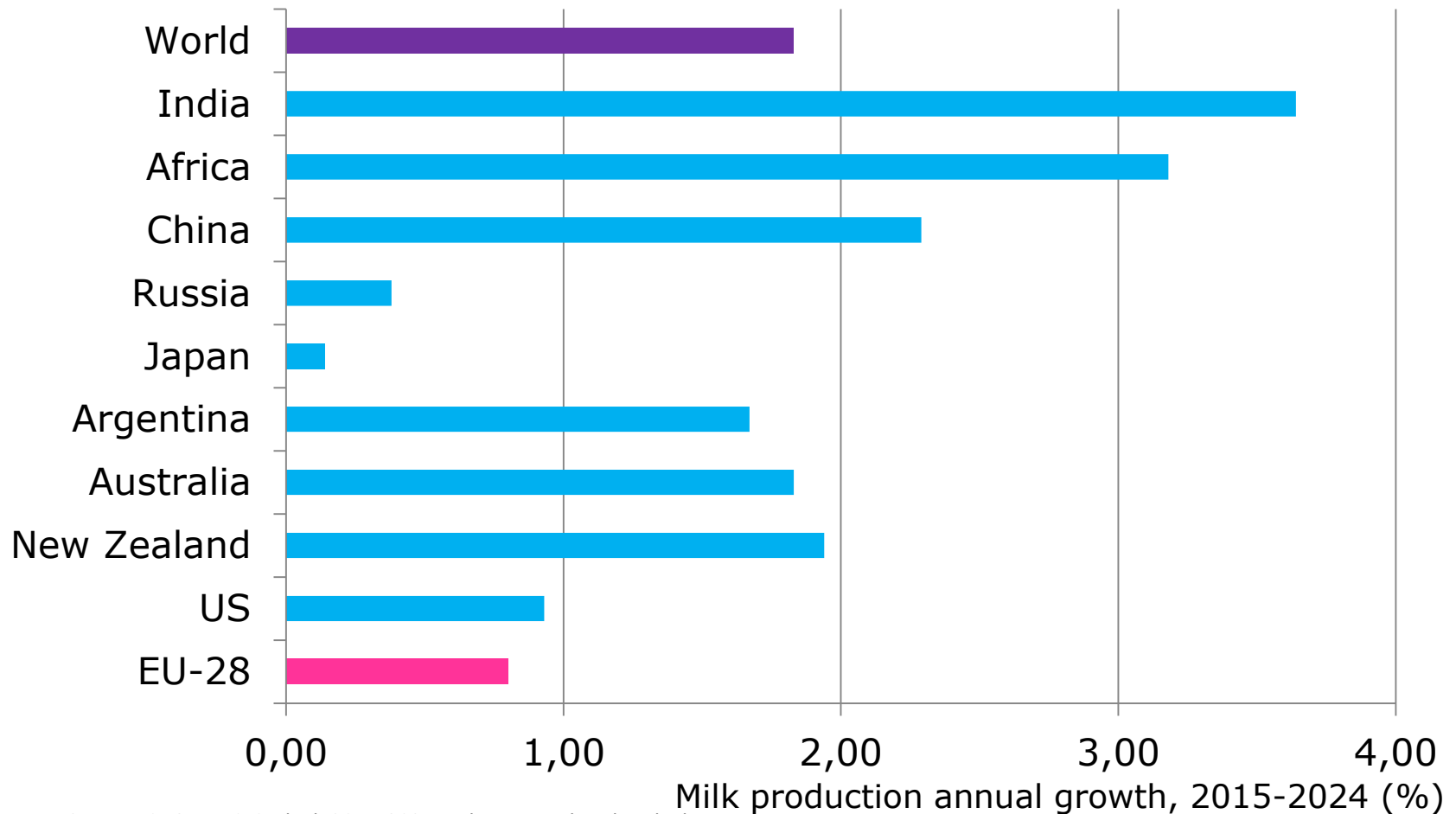
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World milk production

Most of the increase in developing countries

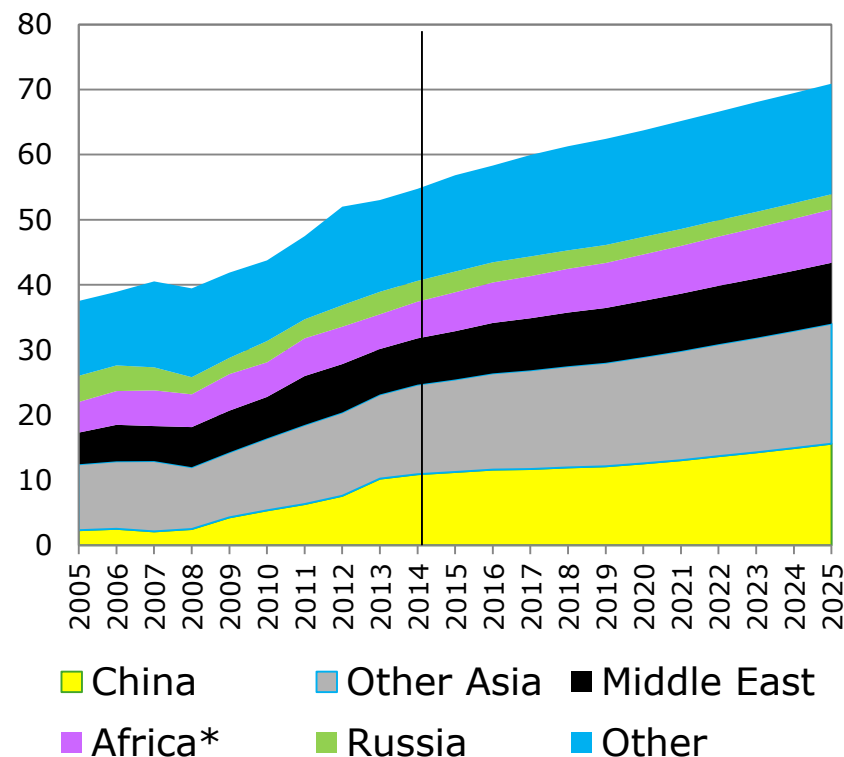


Source: OECD-FAO Outlook 2015-2024 and EU agricultural outlook

A steady growth in world imports

- Close to +2% a year in world consumption and production, mostly in developing world
- +2.3% a year in world imports
 - ❖ +1.5 Mt of milk eq. per year
 - ❖ = 30% of supply increase in major exporting countries in 2014 and 2015
- A lower increase in traded volumes compared to the last decade
- China to contribute (but less) to import increase

World imports of dairy products
million tonnes of milk equivalent



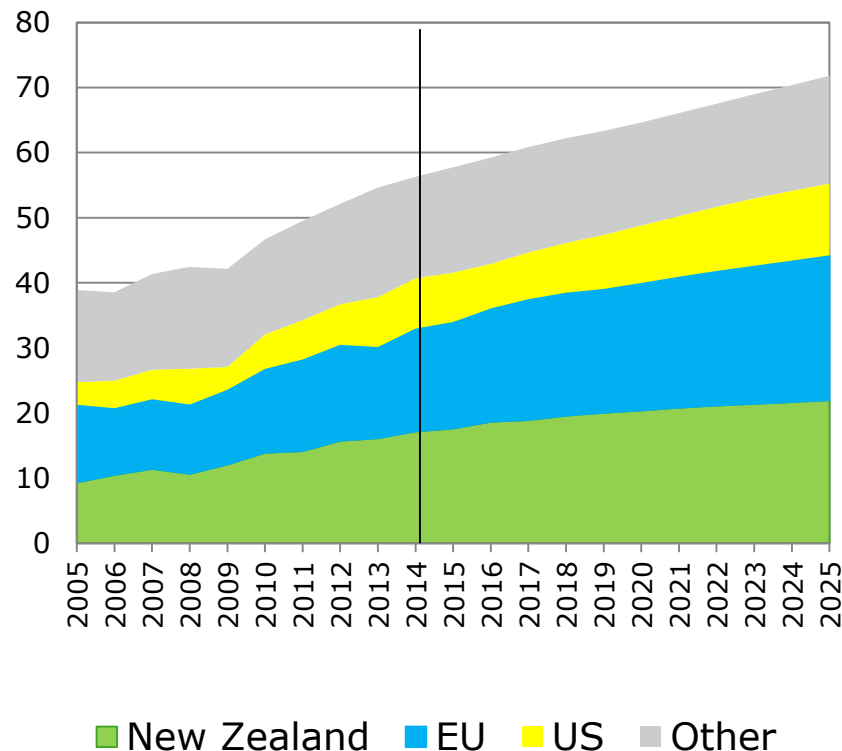
*Africa ex. South Africa

Note: Milk equivalent based of total solids, coefficients used: 6.57 for butter, 3.6 for cheese, 7.6 for SMP, 7.56 for WMP, 7.48 for whey powder

A steady growth in world trade

- Close to +2% a year in world consumption and production, mostly in developing world
- +2.3% a year in world imports
- A lower increase in traded volumes compared to the last decade
- China to contribute (but less) to import increase
- The EU to contribute most to trade expansion

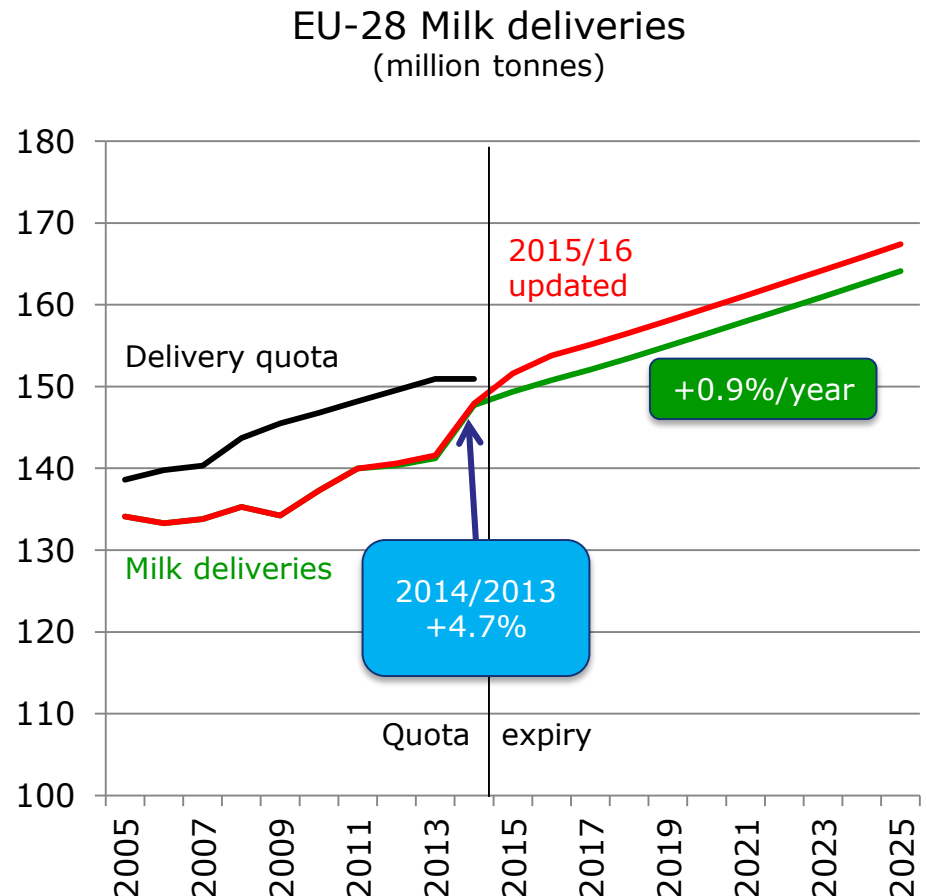
World exports of dairy products
million tonnes of milk equivalent



Note: Milk equivalent based of total solids, coefficients used: 6.57 for butter, 3.6 for cheese, 7.6 for SMP, 7.56 for WMP, 7.48 for whey powder

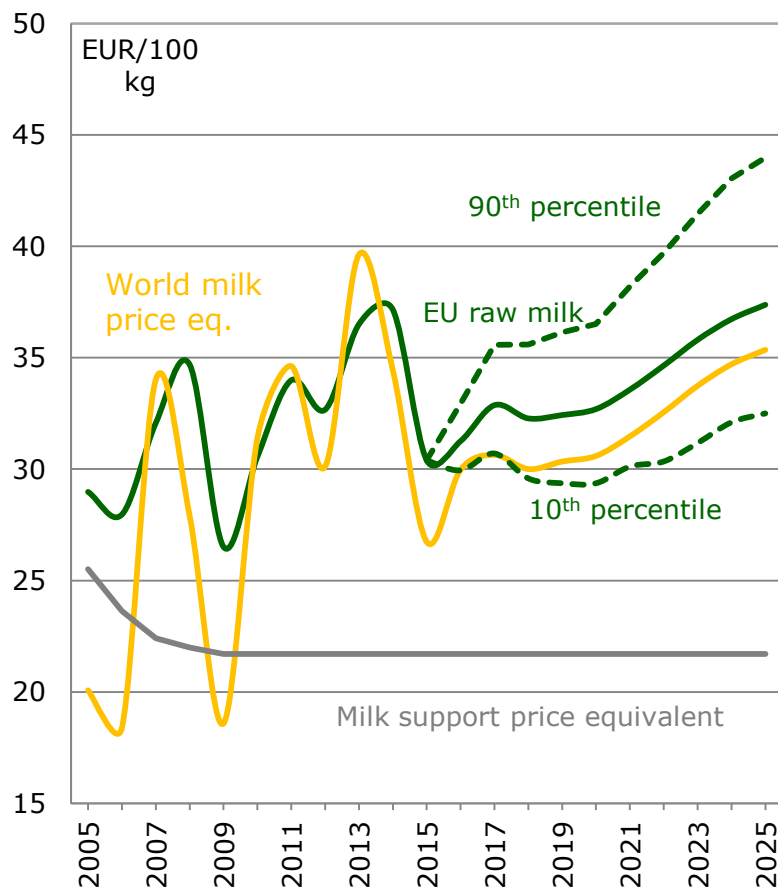
Driving a moderate increase in EU supply

- +15 Mt deliveries in 2025/2015
 - Faster growth in the EU-N13
- Moderate increase
 - Compared to exceptional 2014 (+6.5 Mt)
- Why?
 - Moderate milk prices (though affordable feed)
 - Other players on the world market
 - Environmental constraints

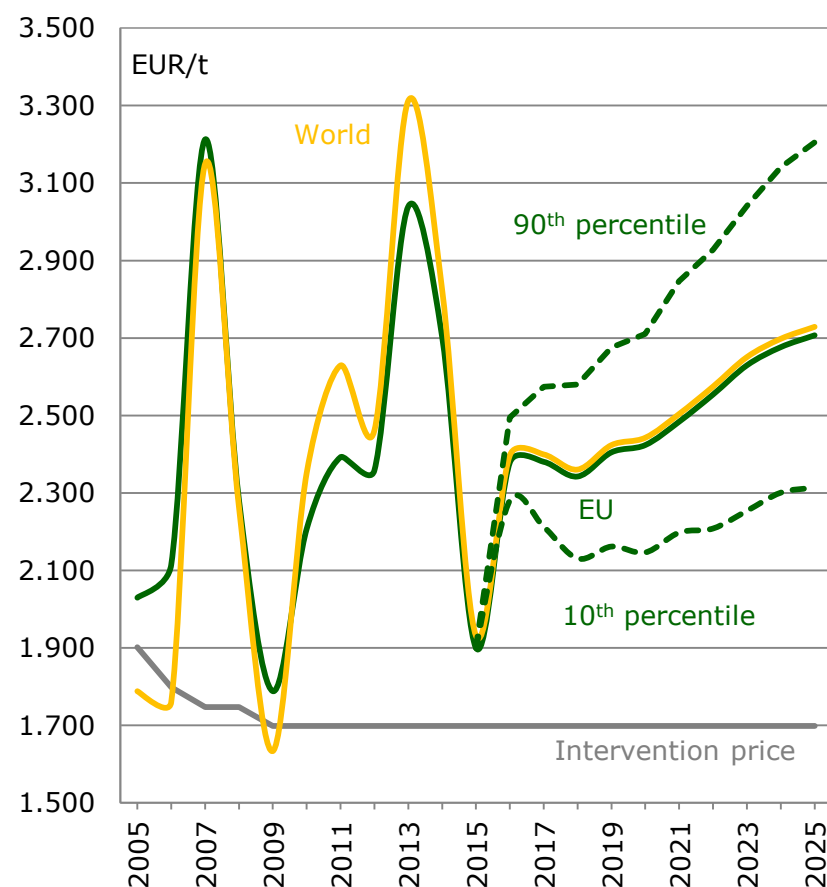


Dairy prices increases expected after 2020

Milk



SMP





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Consumption trends

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Domestic demand trends in the EU

- Retail sales:

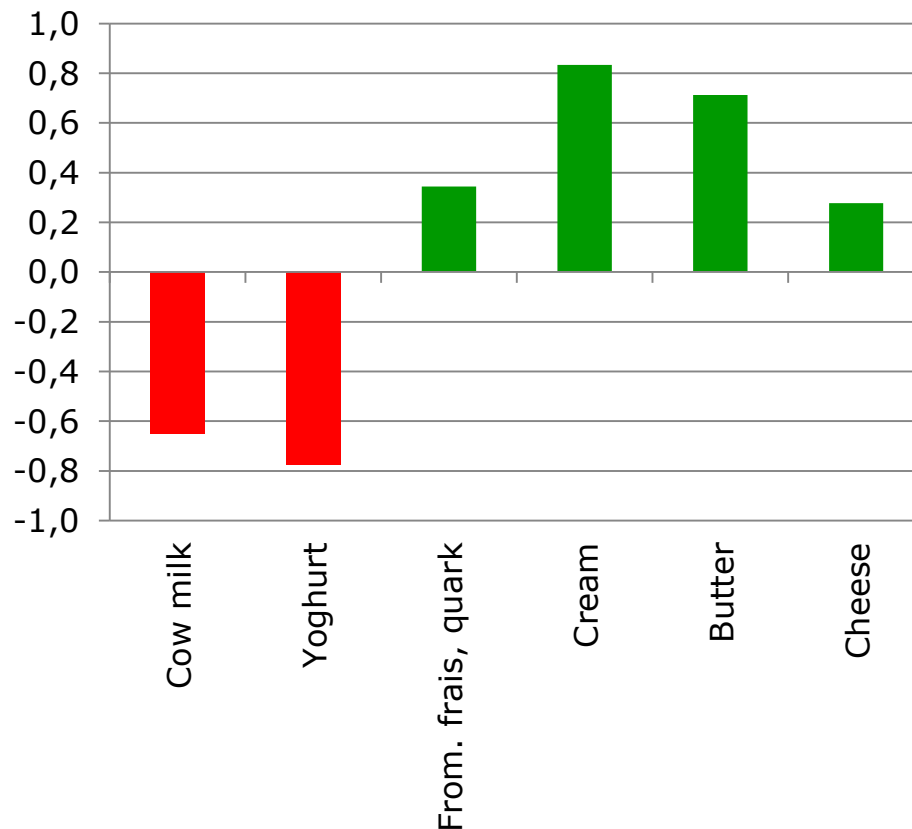
- ↓ Drinking milk and yogurt

- ↑ Cheese, cream, butter

- ↑↑ Industrial use

- Cheese: sandwich, pizzas
 - Butter: Bakery and biscuits
 - SMP, WMP: Bakery & biscuits, chocolate
 - Whey: Infant formula

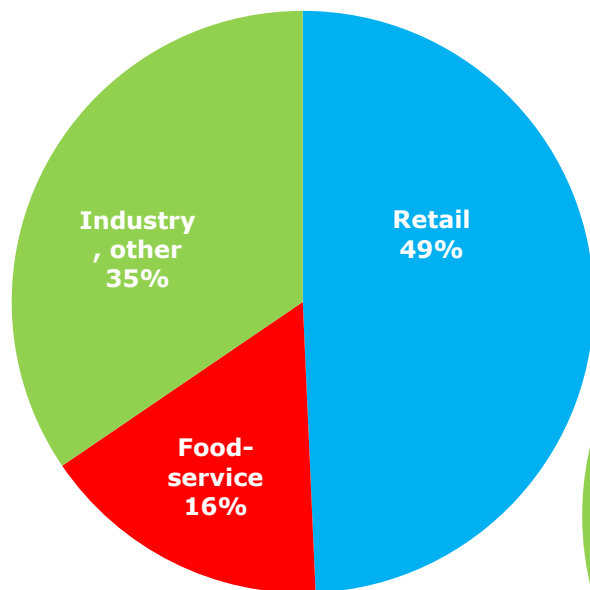
% annual growth in EU-28 retail sales *per capita*
(based on volumes of sales, 2010-2014)



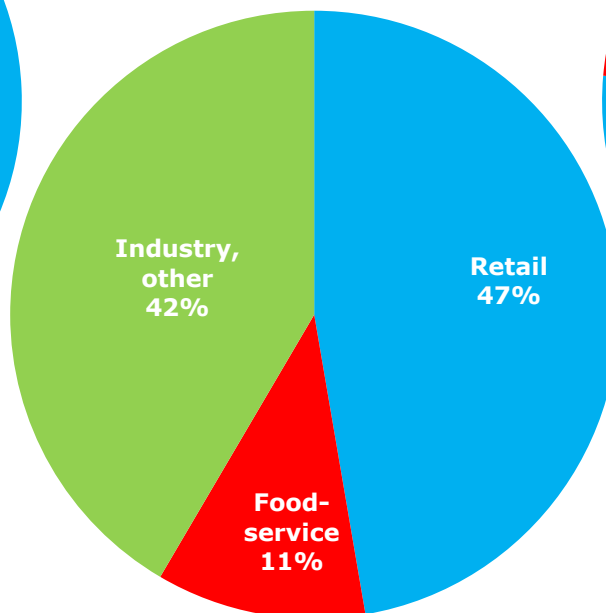
In the EU-28, the industrial use a major outlet for cheese and butter

2014, based on volumes

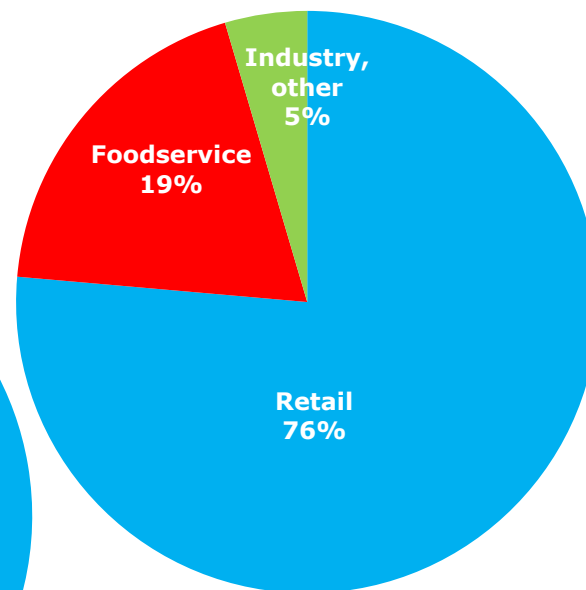
Cheese



Butter



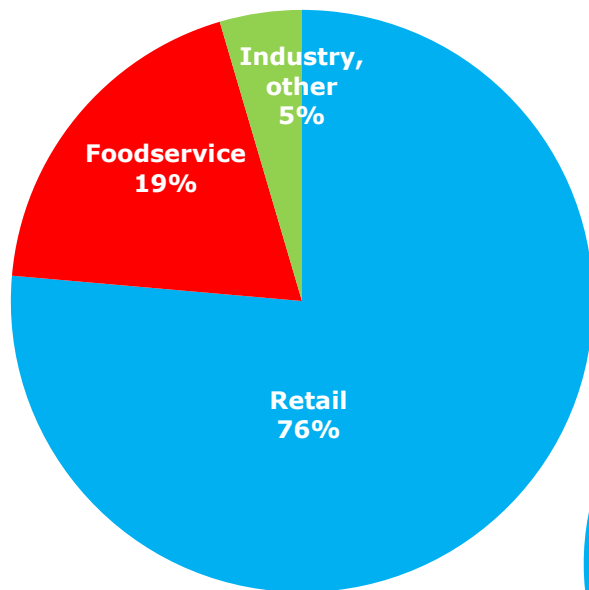
Liquid milk



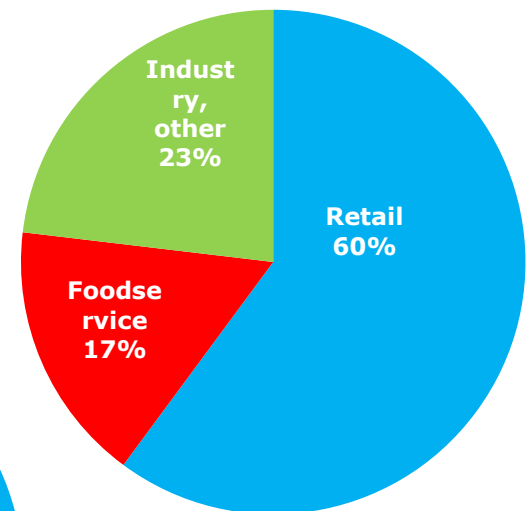
Source: DG Agriculture and Rural Development, based on the Short-term outlook, Summer 2015 and Euromonitor

Dairy prod. channels in the EU-28 2014, based on volumes

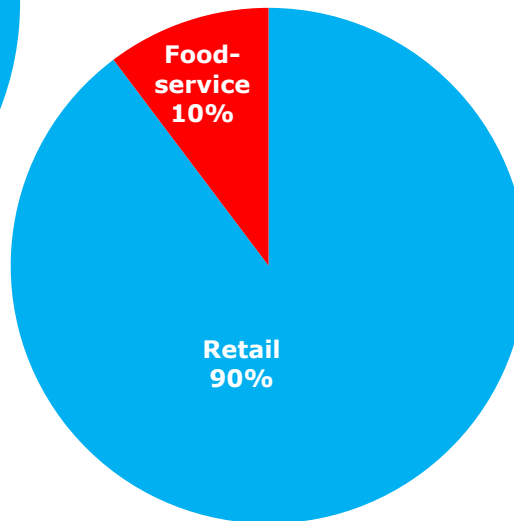
Liquid Milk



Cream

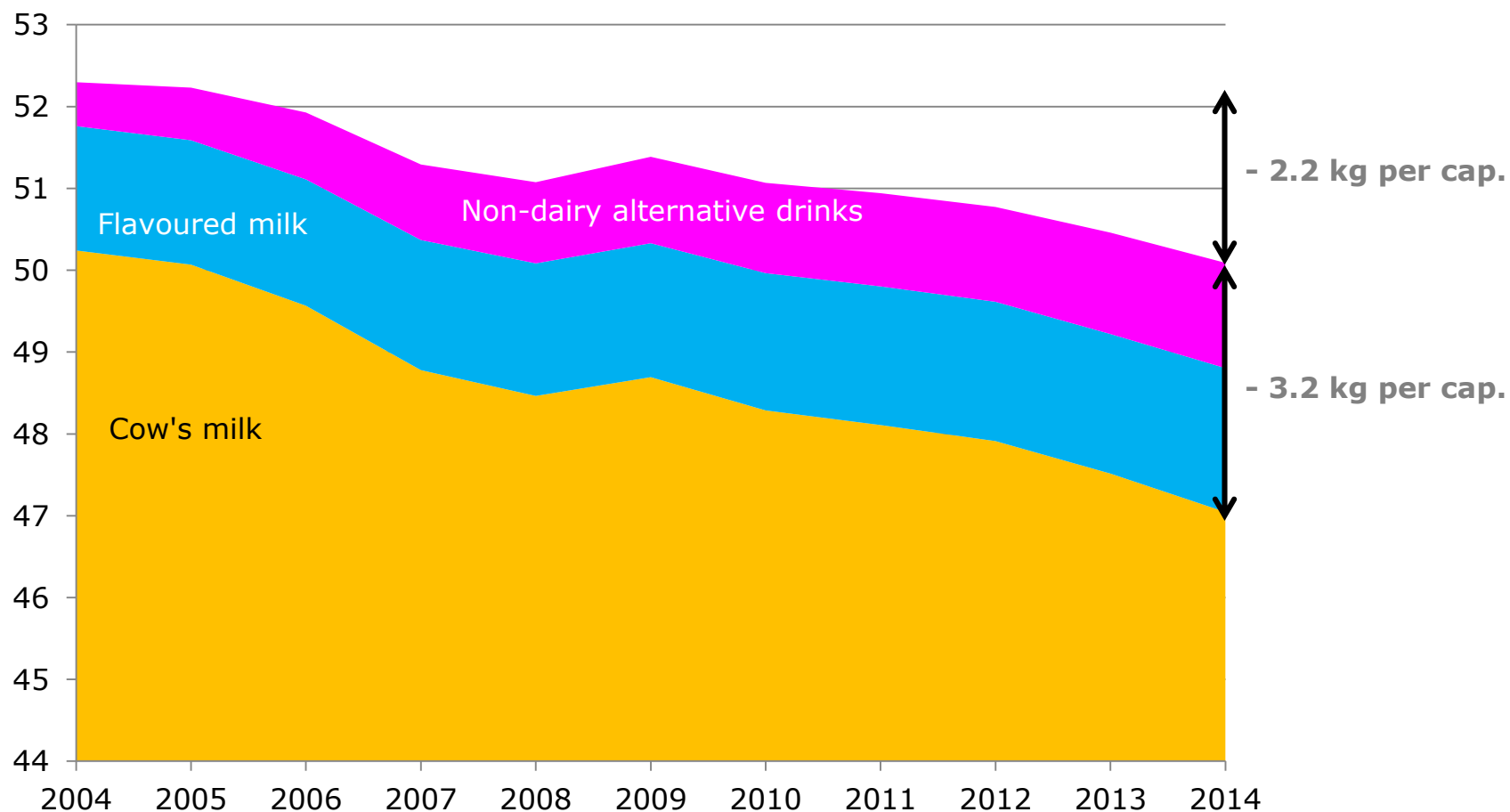


Yogurt



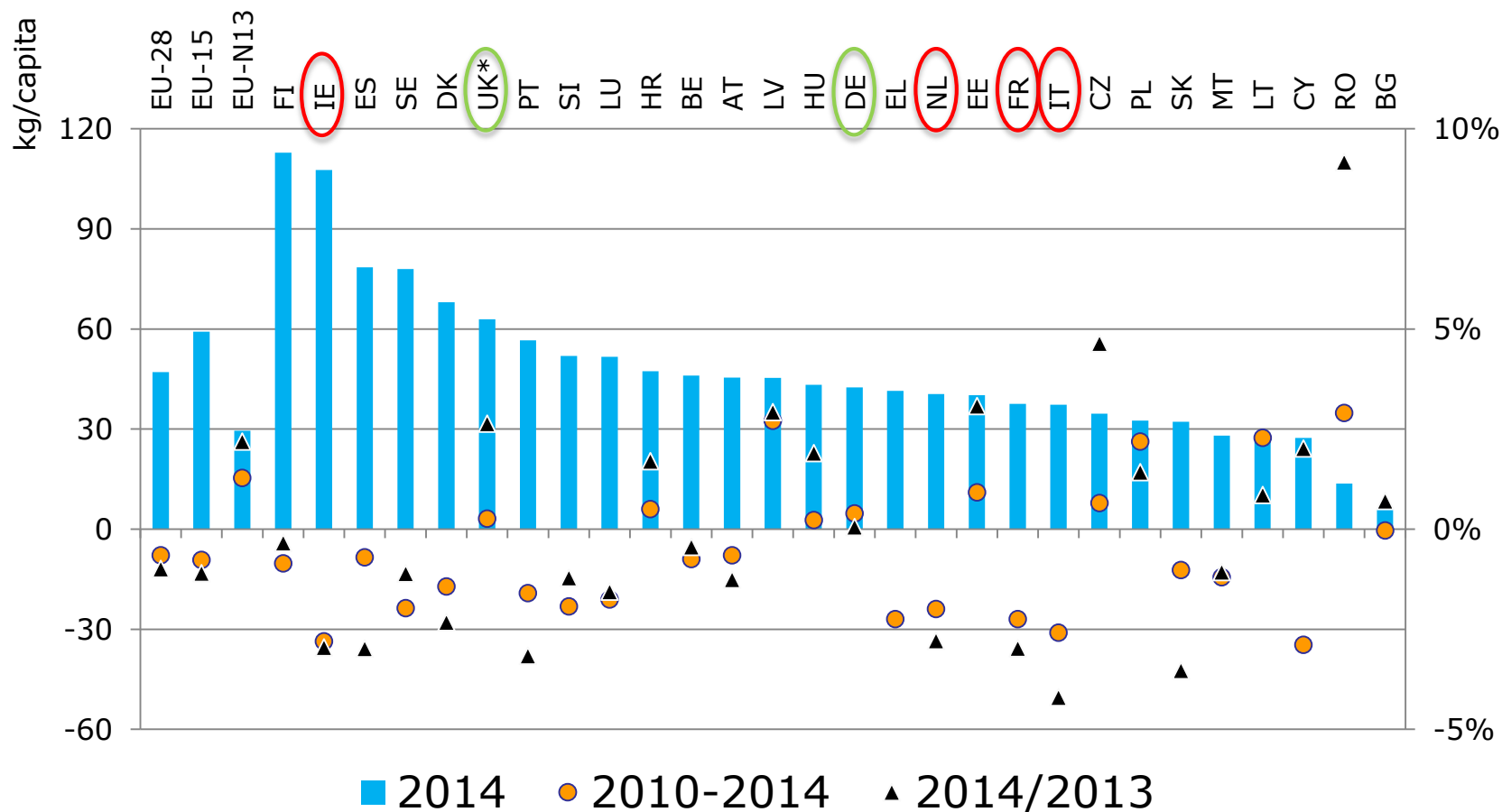
Source: DG Agriculture and Rural Development, based on Short-term outlook, Summer 2015 and Euromonitor

Liquid milk retail sales per capita



Source: DG Agriculture and Rural Development, based on Euromonitor and AMECO

Cow's milk: retail sales per capita by MS in 2014



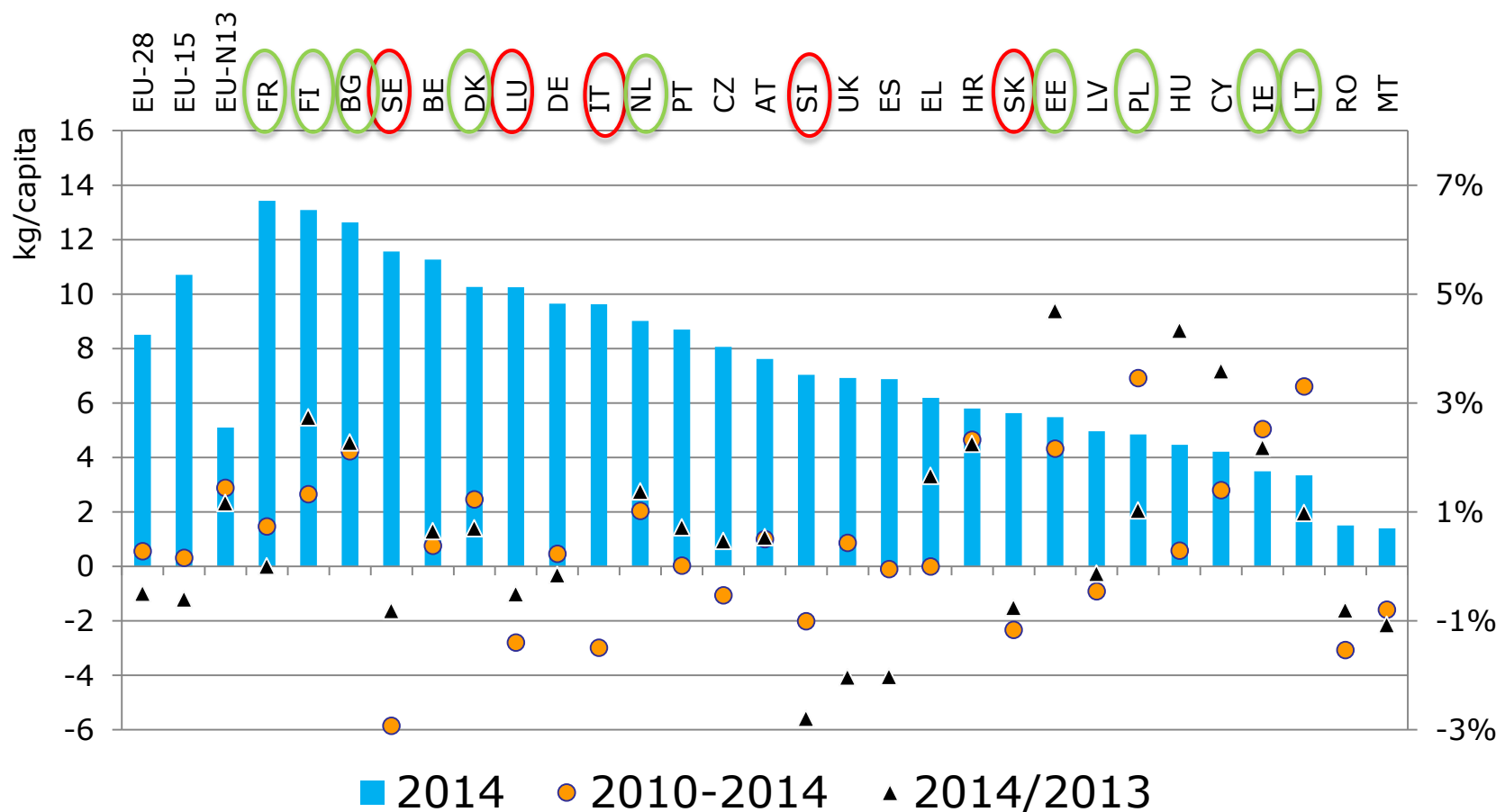
* Door delivered milk not included

Source: DG Agriculture and Rural Development,
based on Euromonitor and AMECO

FR+DE+IT+UK+ES =
70% of retail sales
63% of prod.

NL+PL+DK=
9% of retail sales
20% of prod.

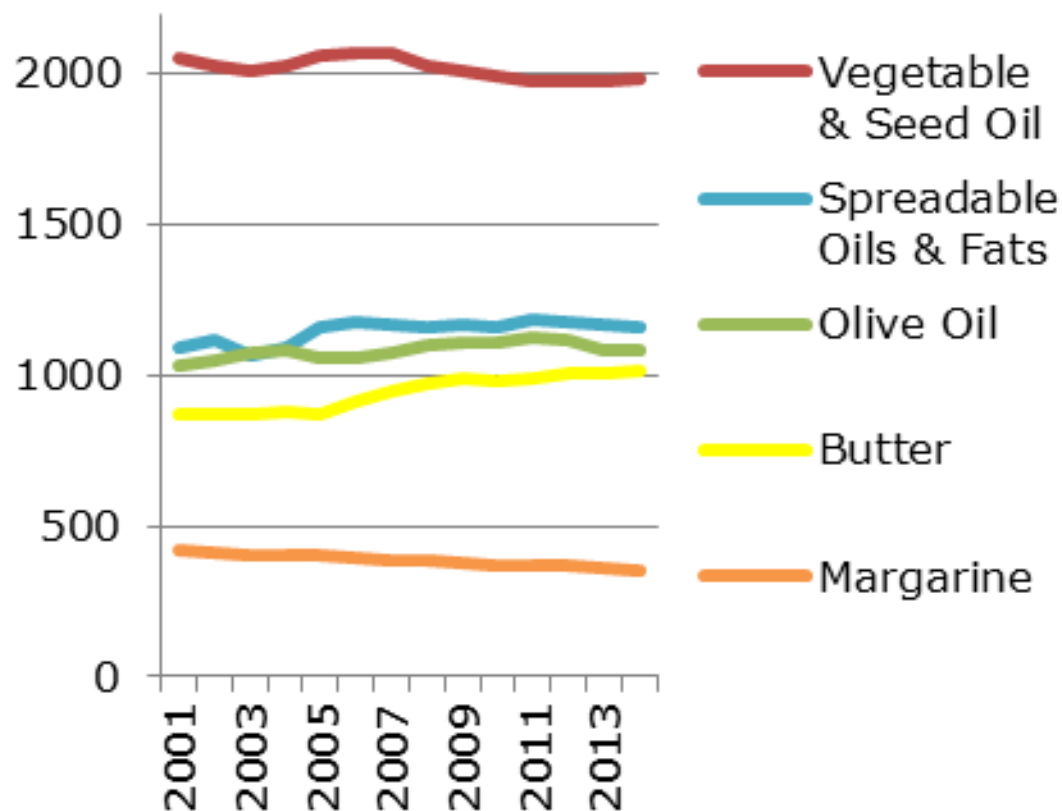
Cheese: retail sales per capita by MS in 2014



* Door delivered milk not included
Source: DG Agriculture and Rural Development,
based on Euromonitor and AMECO

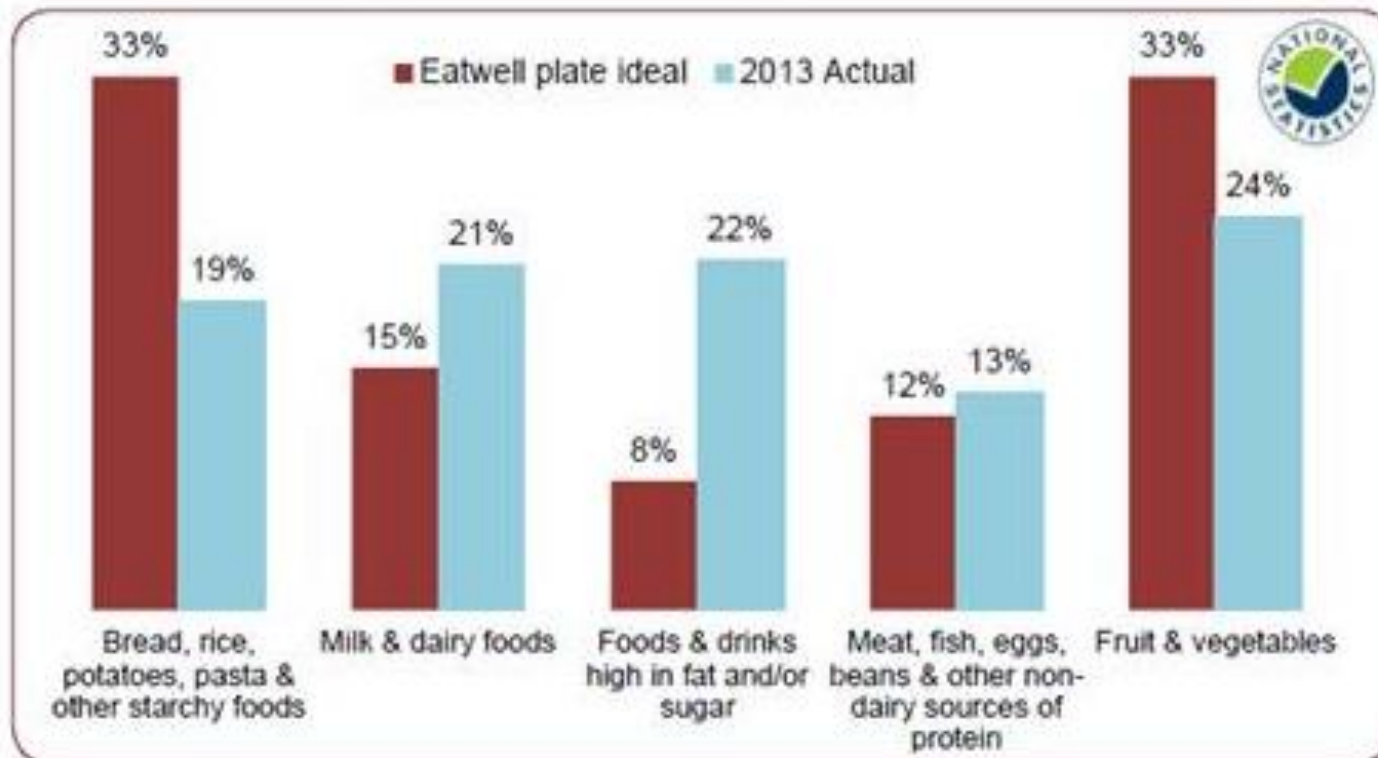
Butter sales increasing, at the expense of margarine

Retail sales of fats and oils (1000 tonnes)

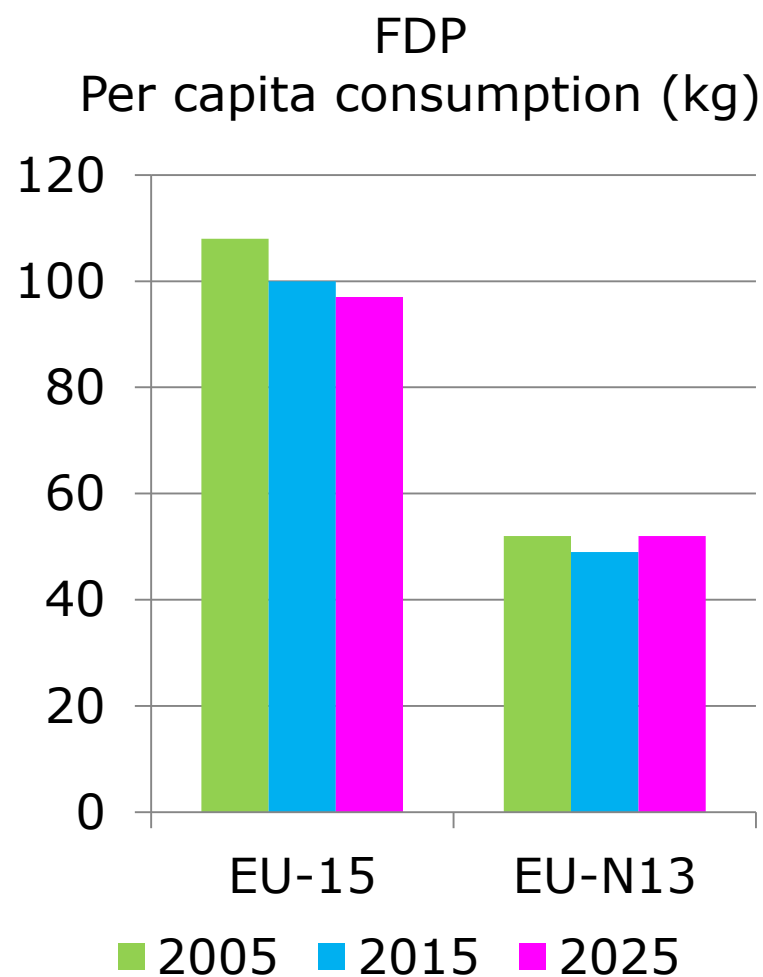
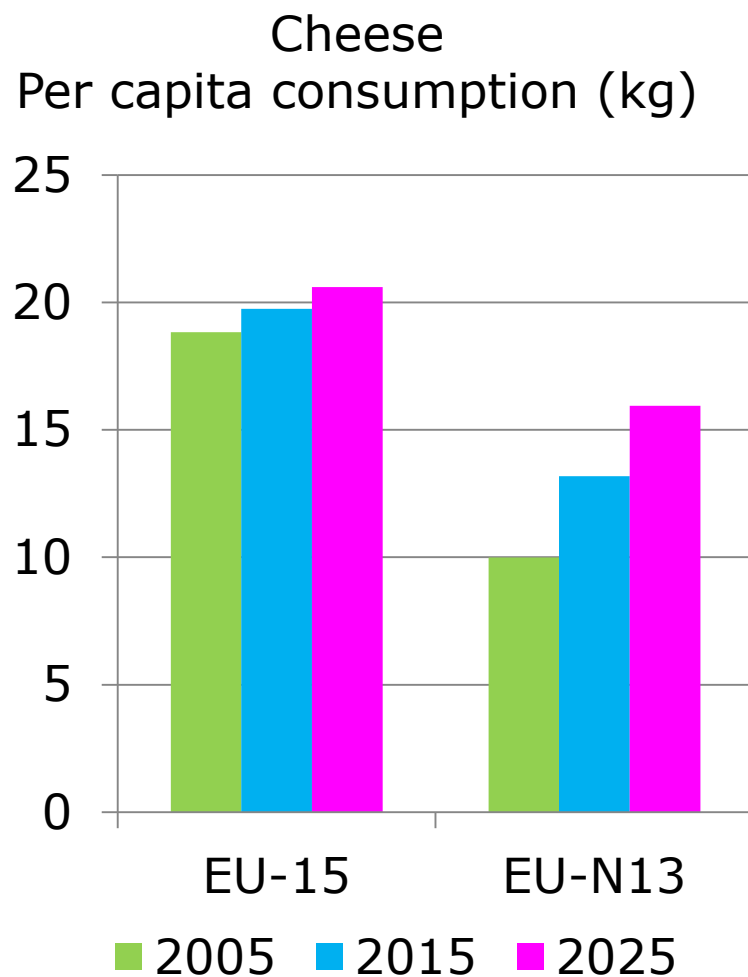


Threats

Household purchases in the UK compared to the eat-well ideal



Domestic use, prospects



EU prospects report and data available in December at:

http://ec.europa.eu/agriculture/markets-and-prices/medium-term-outlook/index_en.htm

OECD-FAO Outlook at:

<http://www.agri-outlook.org/>

Short term outlook at:

http://ec.europa.eu/agriculture/markets-and-prices/short-term-outlook/index_en.htm

Thanks