



EU SHORT-TERM AND MEDIUM-TERM DAIRY OUTLOOK

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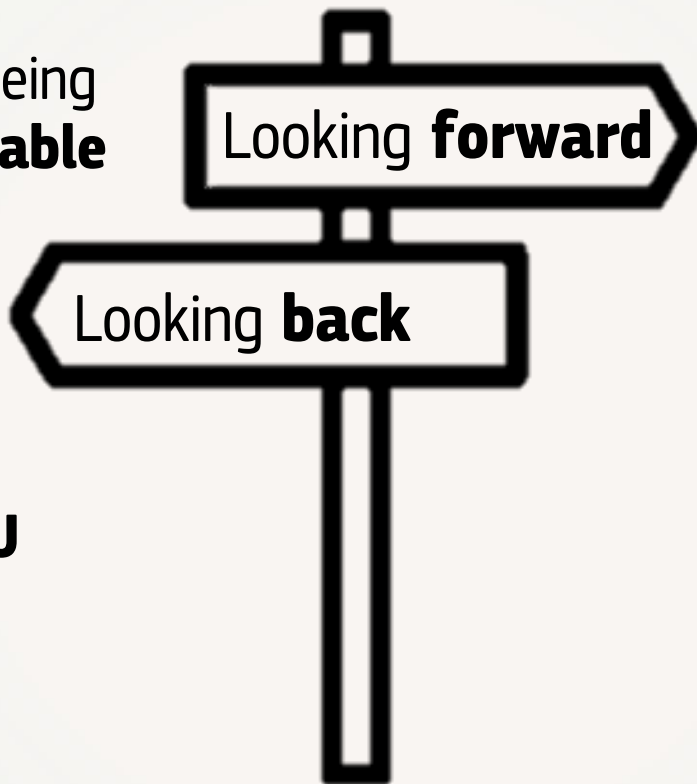
CDG Milk

26 February 2021



Short-term outlook

- Dairy sector proved being **resilient and adaptable**
- EU and global dairy **exports continued growing**
- **Domestic demand** helped to keep the **EU market in balance**



- **Global economy** to start **recovering** in 2021
 - Vaccination
 - Savings to spend
 - Restarted travelling
 - Exchange rate development
- **Oil price** rising
- **Feed cost** rising
- Market balance?



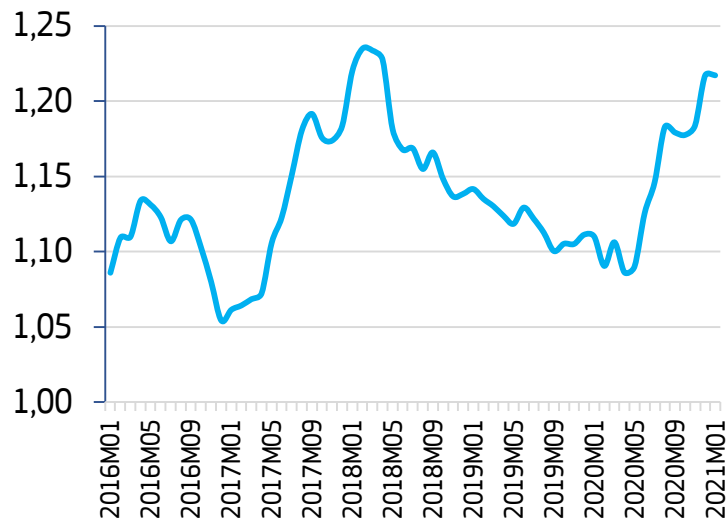
GDP growth and exchange rate

- **Real GDP growth:**

- EU -6.3% in 2020 -> +3.7% in 2021
- World -3.4% in 2020 -> +5.2% in 2021

- **Weak US dollar** could put pressure on competitiveness of EU exports

USD/EUR monthly exchange rate



Oil price and feed cost

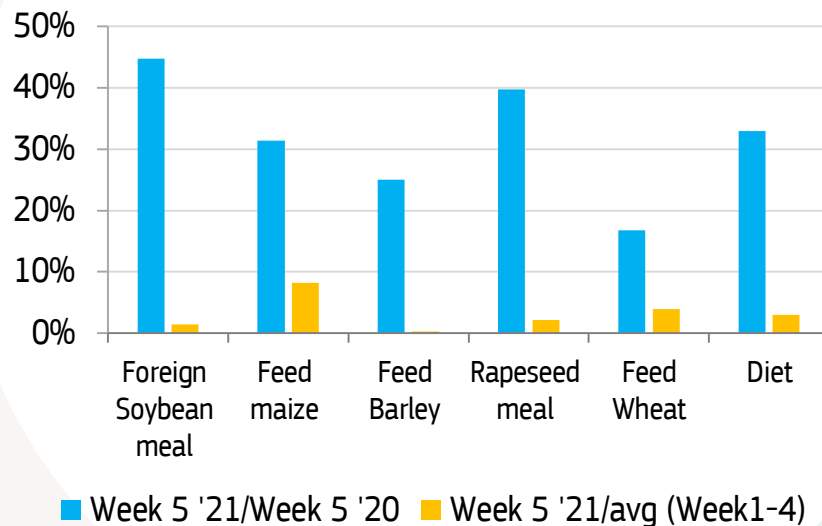
- **Oil price:**

- **Rising** since November 2020 (output cuts by OPEC+ and others, weakened US dollar, recovered demand at the end of 2020)

- **Feed cost:**

- **Rising** due to output reduction in some producing regions and strong Chinese demand
- **Farm margins** under pressure
- **Weather** to play a role as well

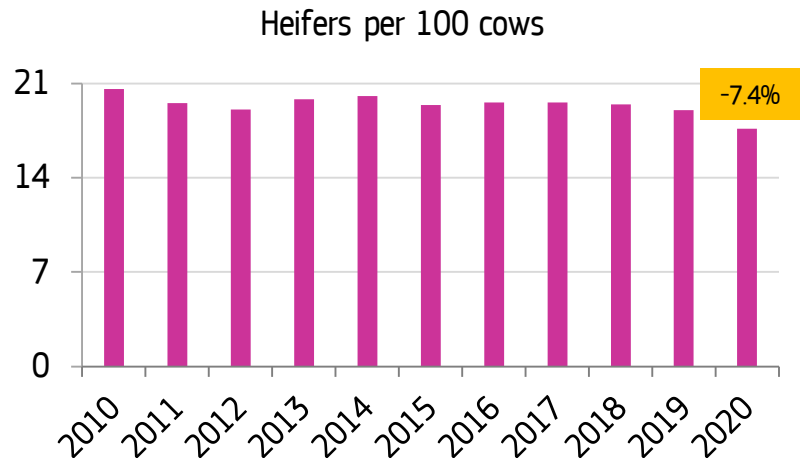
Price developments per selected dairy feed components



Note: diet composed of 25% maize, 25% barley, 18% wheat, 14% soybean, 18% rapeseed
Source: DG Agriculture and Rural Development, based on MS notifications and CLAL.it (rapeseed and soybean meals)

EU dairy herd

- **Stronger dairy herd decline in 2020** than expected* (-1.1%; implying a strong yield growth)
- **Smaller heifers' herd** (-5.3%)
 - > lower replacement rate in 2021
- **Yield** to drive the production growth
 - > subject to feed cost and weather
 - > to impact milk solids as well



*missing data for MT, SK, PT

Source: DG Agriculture and Rural Development, based on Eurostat

Global market balance

Supply

- **EU** milk production growth to slow down in 2021
 - +0.8% forecast in Autumn 2020)
- **US** dairy herd at 25-year high, high stocks of butter and cheese
 - +1.9% estimated milk production growth in 2021
- **New Zealand** with mixed weather hampering milk production



Demand

- **EU** retail sales supported by foodservice recovery after Q2 (subject to vaccination)
- **US** food box programme and relaxed Covid-19 measures
- **Chinese** demand to remain strong (also processing needs and restocking if prices are favourable)
- **elsewhere** – vaccination rollout and economic conditions to play a role



EU dairy towards 2030

Key drivers, challenges and opportunities:

- Re-inforcement of **local and regional supply chains**
- **Non-conventional milk** production streams to gain
- EU animal production to become **more sustainable**
- **Segmented consumers' demand**



EU AGRICULTURAL OUTLOOK

FOR MARKETS, INCOME AND ENVIRONMENT
2020 - 2030

Agriculture
and Rural
Development

Accessible here:

https://ec.europa.eu/info/food-farming-fisheries/farming/facts-and-figures/markets/outlook/medium-term_en

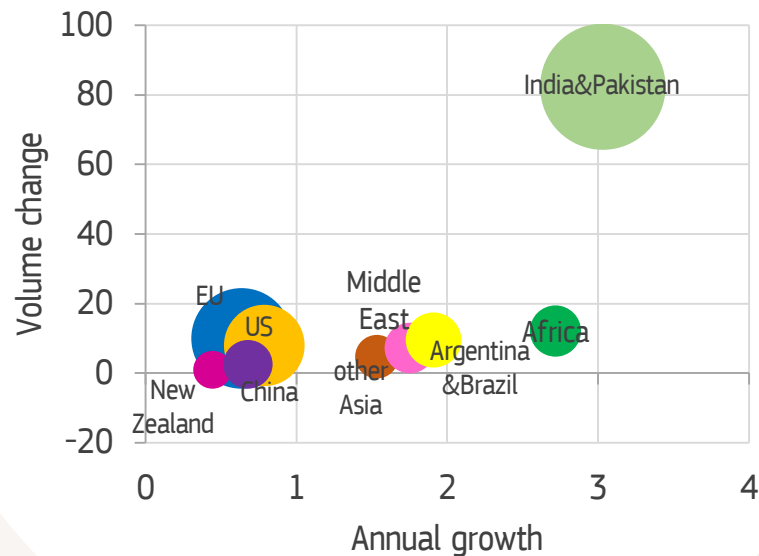


European
Commission

EU milk production

- **EU milk production** to **grow by 0.6%** p.a.
- **Segmentation** to slow down yield growth and prevent a stronger reduction of dairy herd (-1.36 million cows)
- **Milk solids' content increasing** as well

World dairy production change in 2020-2030
(million t and %)



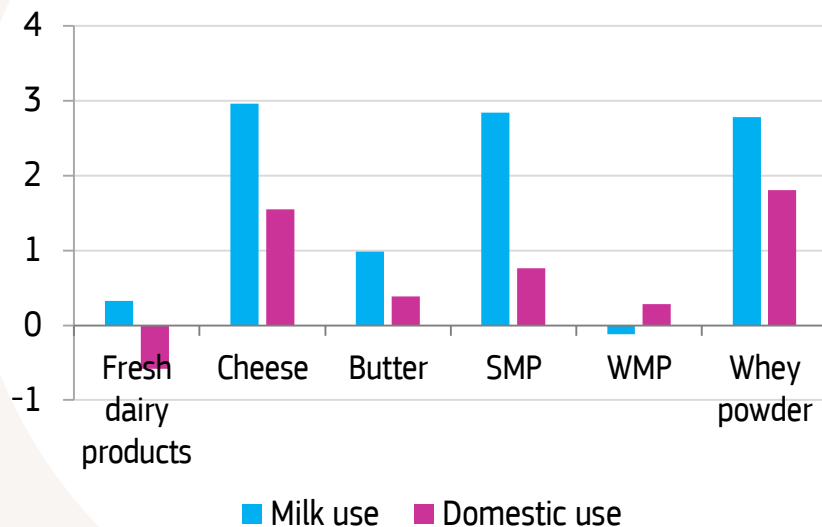
Note: 2020 represents average 2018-2020 (also in following slides)

Source: DG Agriculture and Rural Development

EU milk use

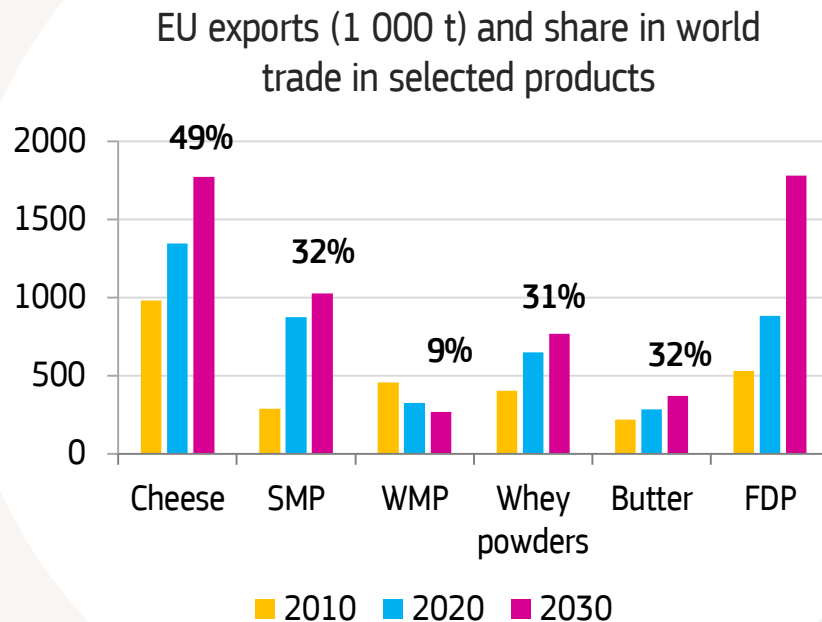
- **Cheese to gain the most** -> thanks to domestic and world demand (30% of extra EU milk produced)
- **FDP to stop declining** (thanks to exports)
- Among milk powders -> **SMP and whey to gain the most**

EU milk use and domestic use change per selected dairy products in 2020-2030
(million t of milk eq.)



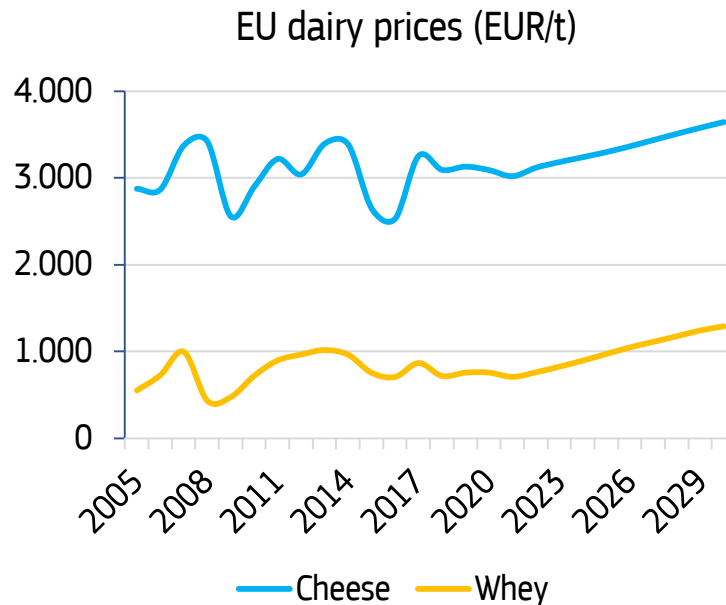
EU exports

- **EU exports:**
 - Cheese+whey+SMP -> **70% of EU exports growth** (in milk eq.)
 - EU to remain the **largest world dairy exporter** (around 1/3)



EU dairy prices

- **Closing gap** between SMP and butter
- **Stronger valorisation** of cheese and whey stream
- **EU raw milk price remains competitive** (around EUR 38/t in 2030)



Keep in touch and thank you!

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- Short-term outlook: https://ec.europa.eu/info/food-farming-fisheries/farming/facts-and-figures/markets/outlook/short-term_en
- Medium-term outlook: <https://ec.europa.eu/info/food-farming-fisheries/farming/facts-and-figures/markets/outlook/medium-term>
- Estimated MS balance sheets:
https://datam.jrc.ec.europa.eu/datam/mashup/PROD_TRADE_USE/index.html
- Market briefs: https://ec.europa.eu/info/food-farming-fisheries/farming/facts-and-figures/performance-agricultural-policy/studies-and-reports/market-analyses-and-briefs_en

