



# **Short-term and medium-term dairy outlook**

## **Civil Dialogue Group**

Brussels 20 November 2018

Agriculture  
and Rural  
Development



# Outline

## Short-term outlook

- Dairy herd development
- Fat and protein development
- 2018 and 2019 Milk collection forecast

## Medium-term outlook

- Global dairy demand (incl. products)
- Sustainability and societal concerns driving production



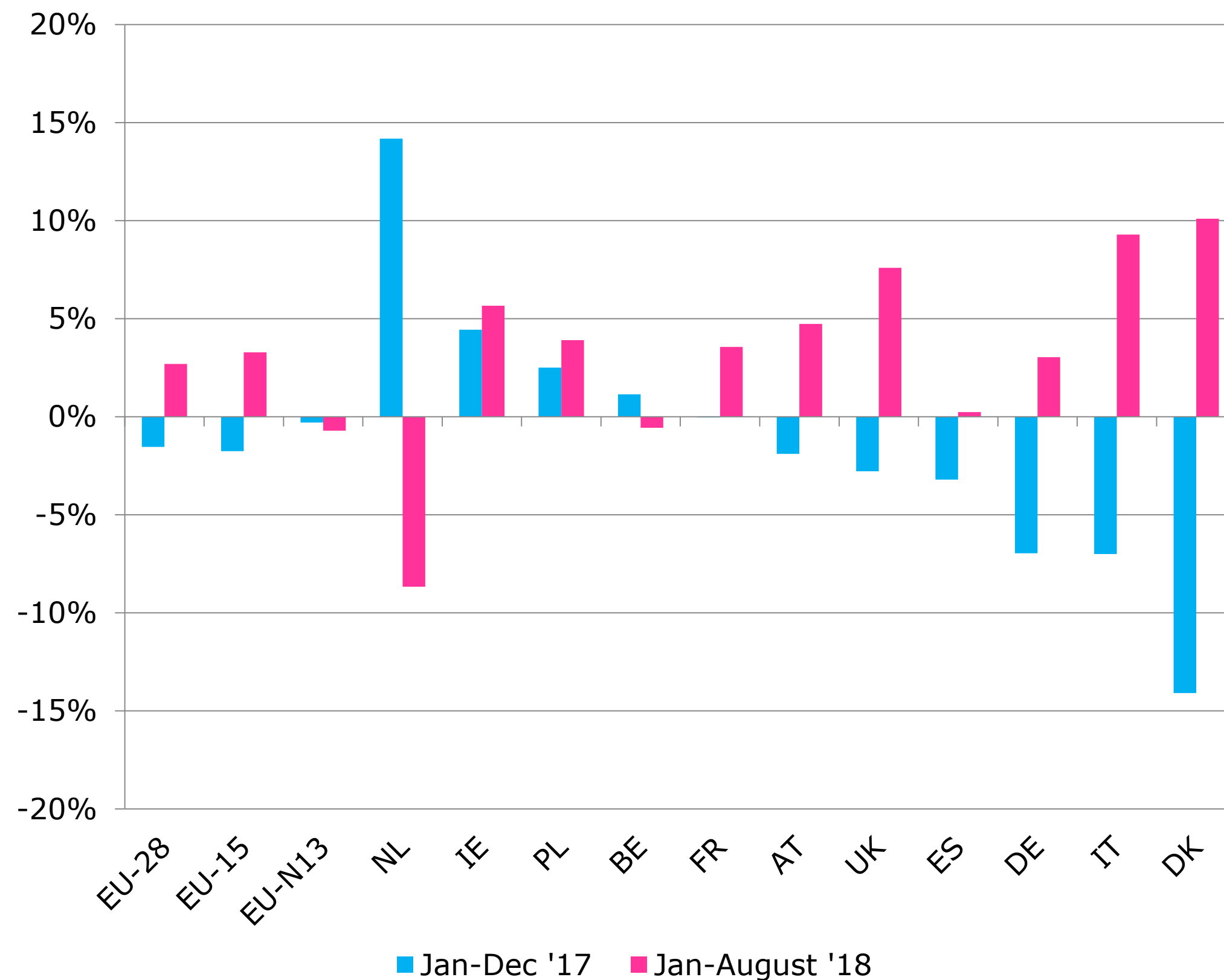
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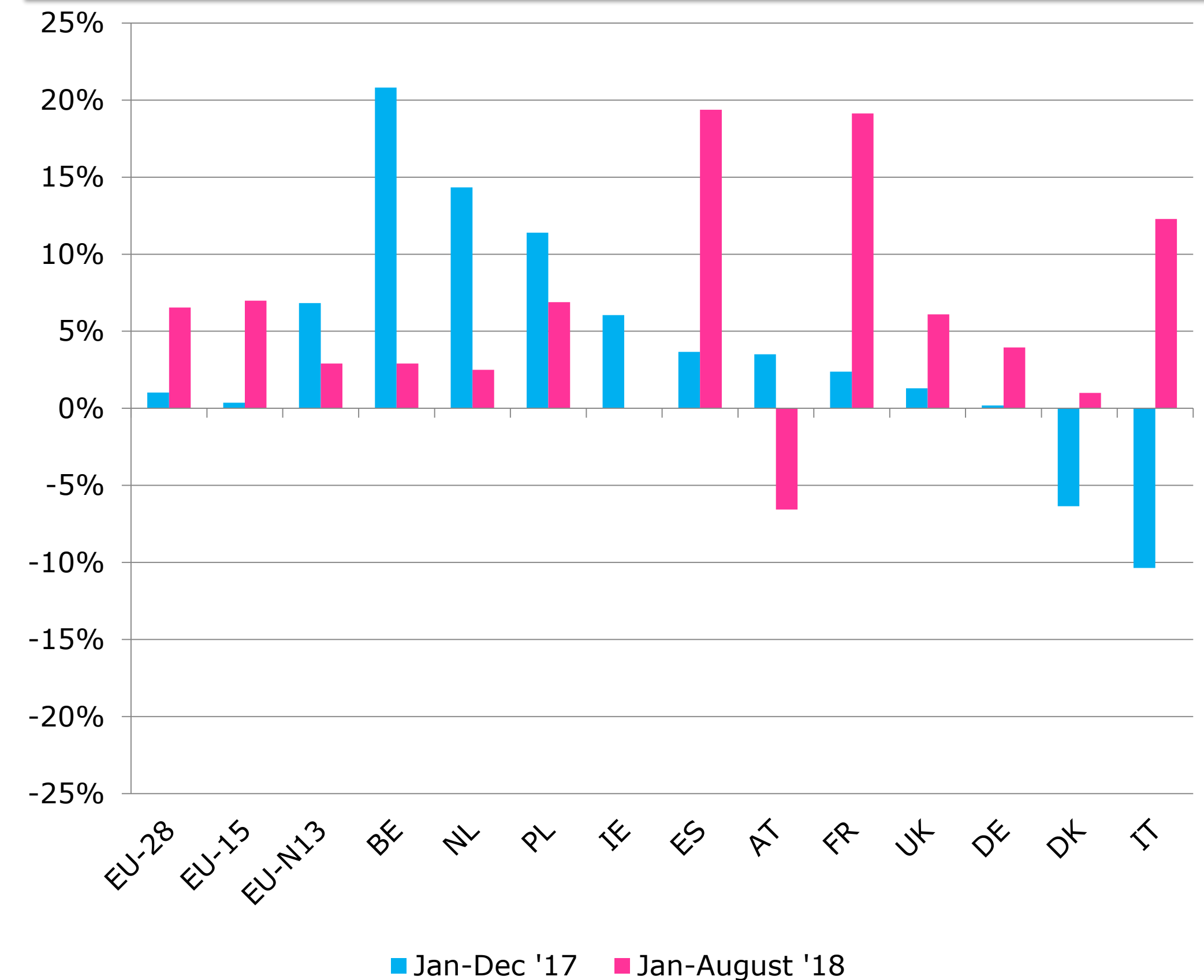


# Dairy herd development

## Change in numbers of slaughtered cows



## Change in numbers of slaughtered heifers



-> lower replacement rate

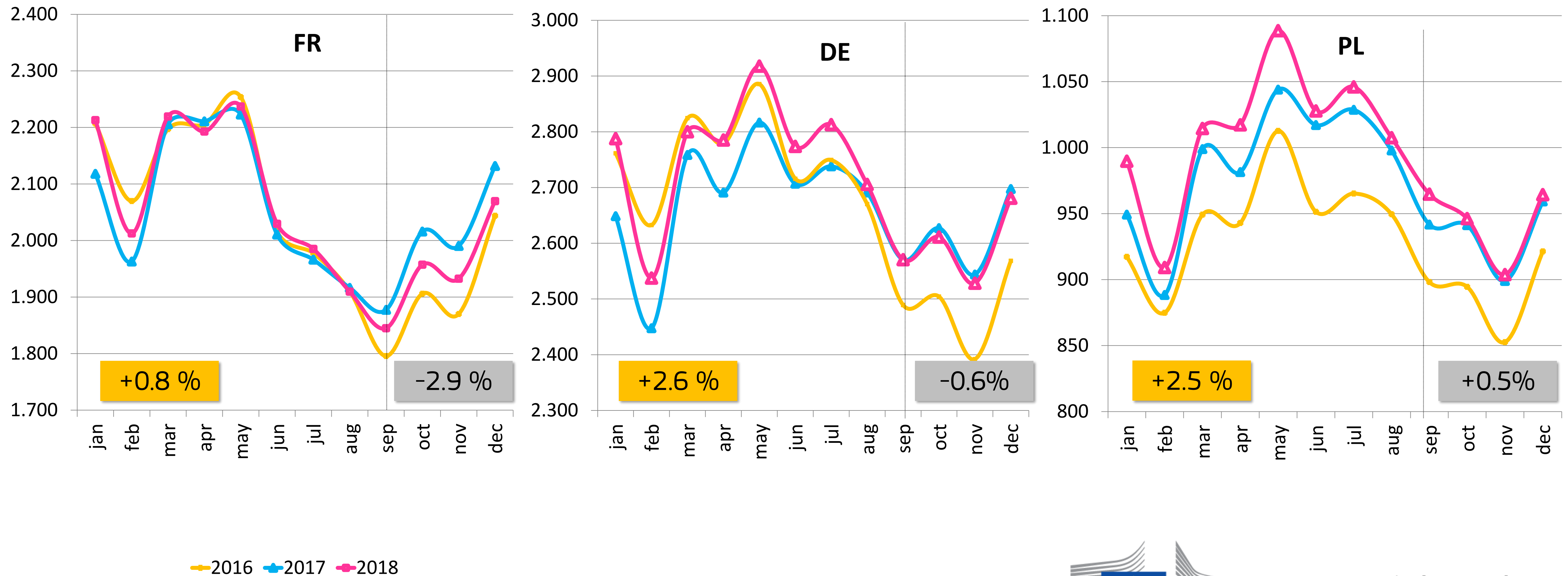
Note: including beef and dairy  
Source: Eurostat



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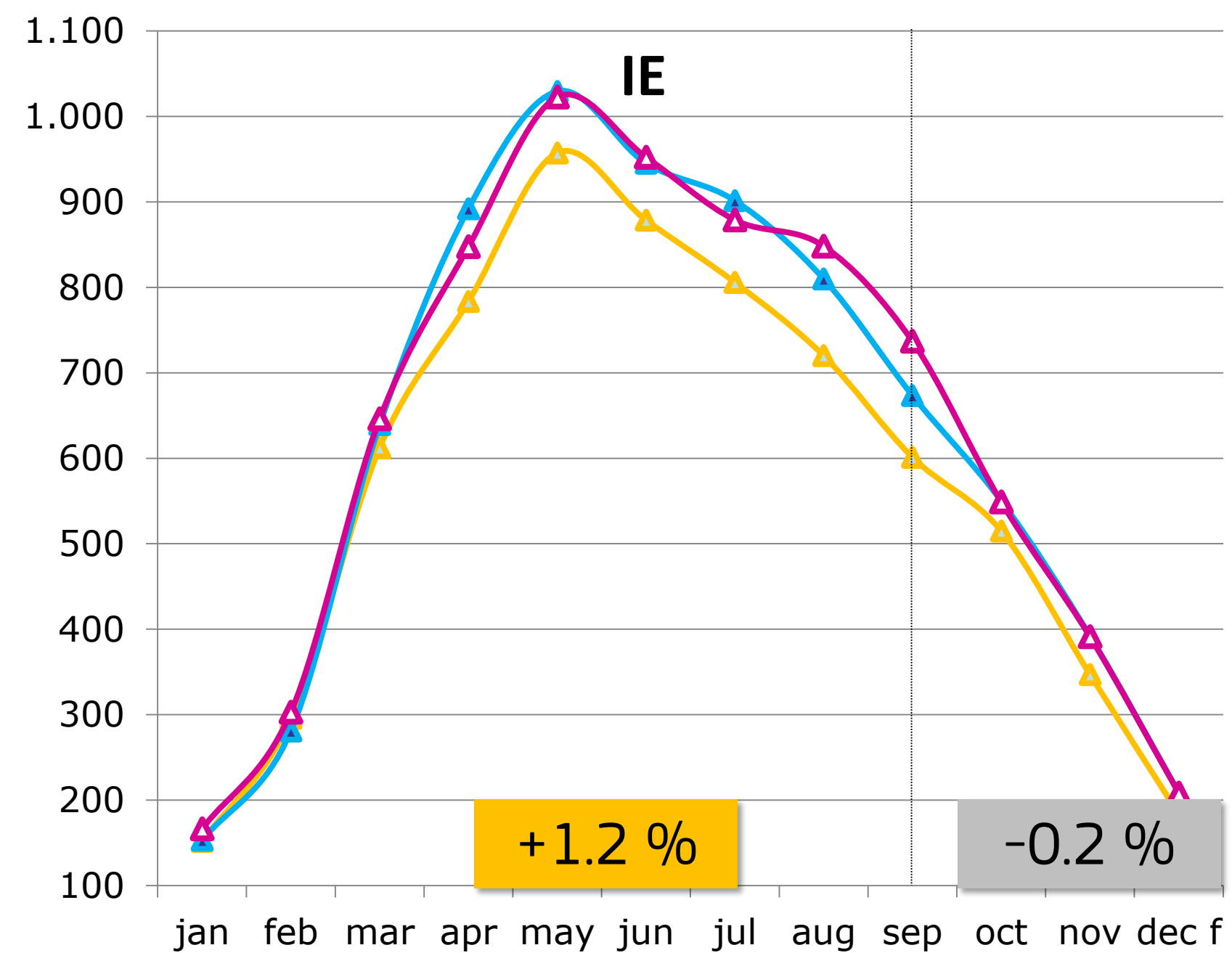
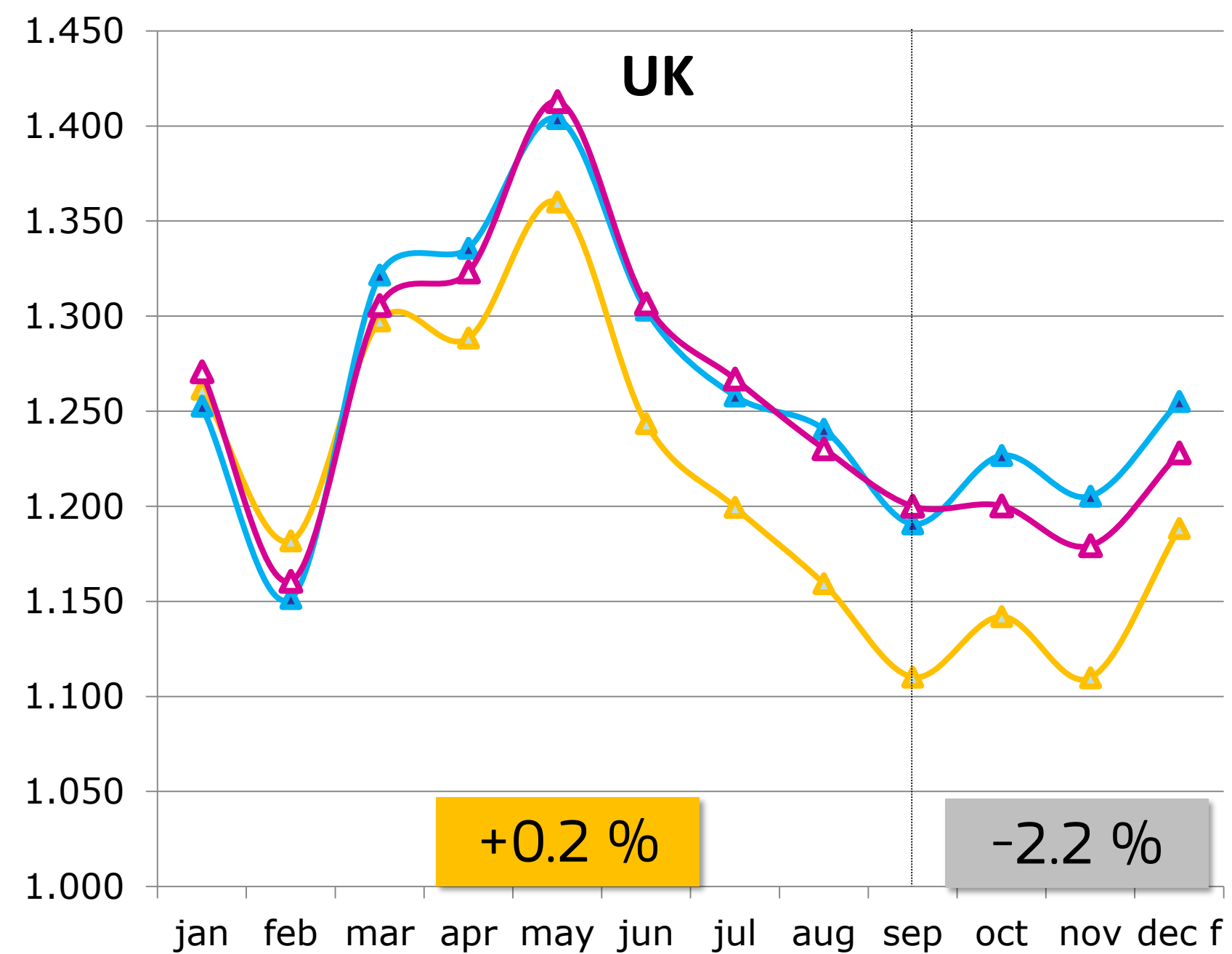
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# 2018 Milk collection forecast by selected MS



Source: Eurostat, MS notifications

# 2018 Milk collection forecast by selected MS



2016 2017 2018 f

Source: Eurostat, MS notifications

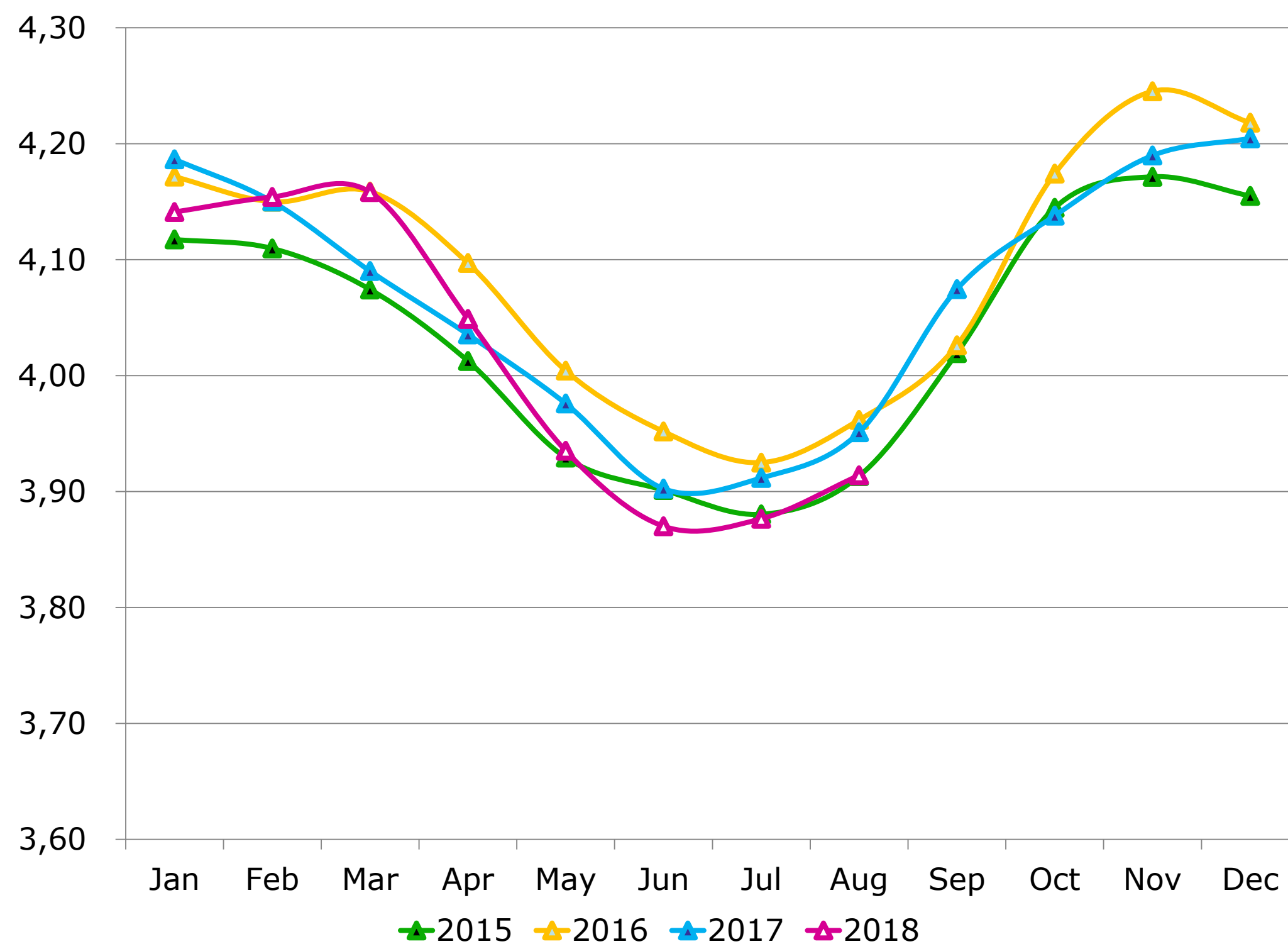


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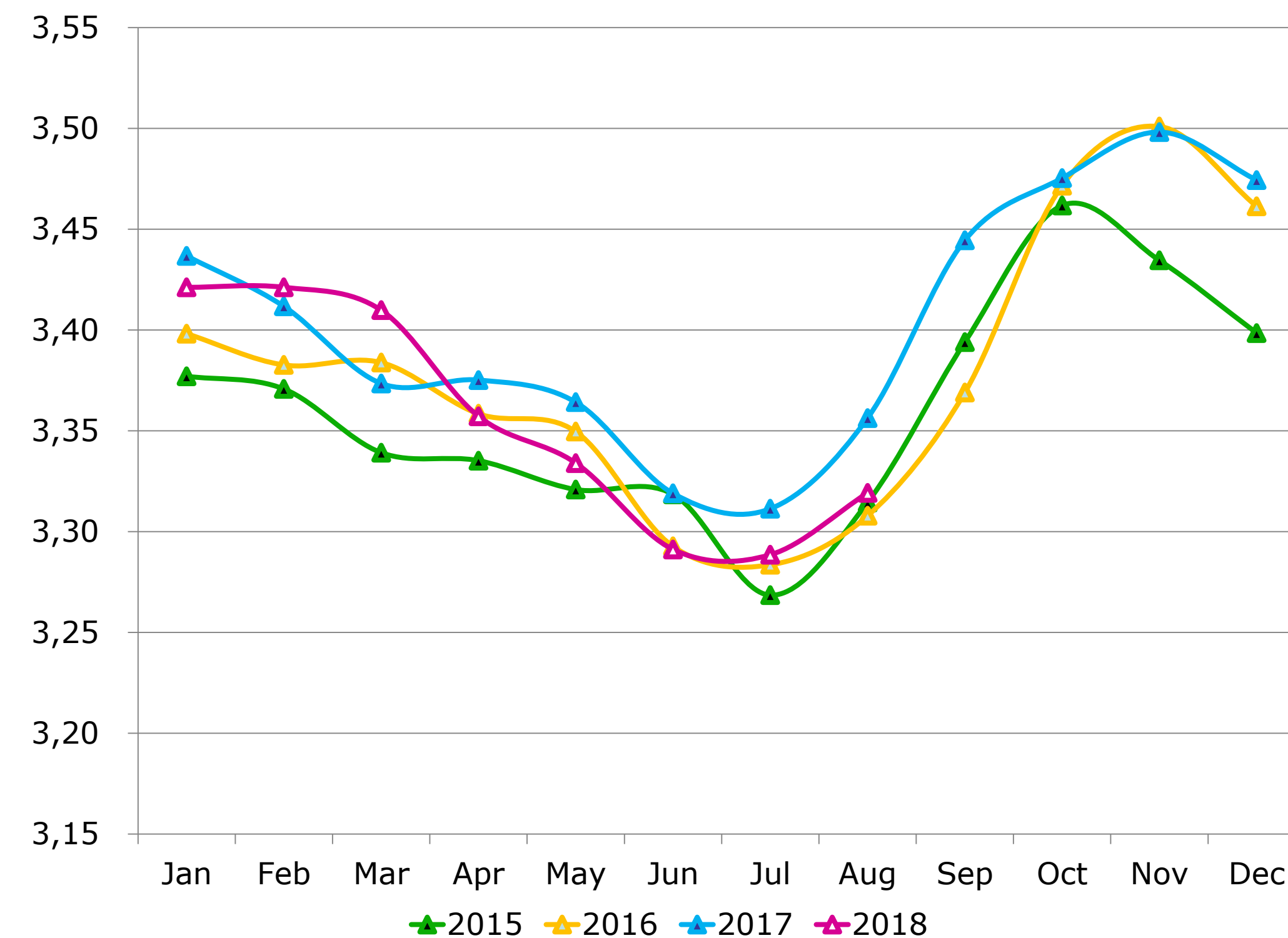
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# Fat and protein milk content

## Fat



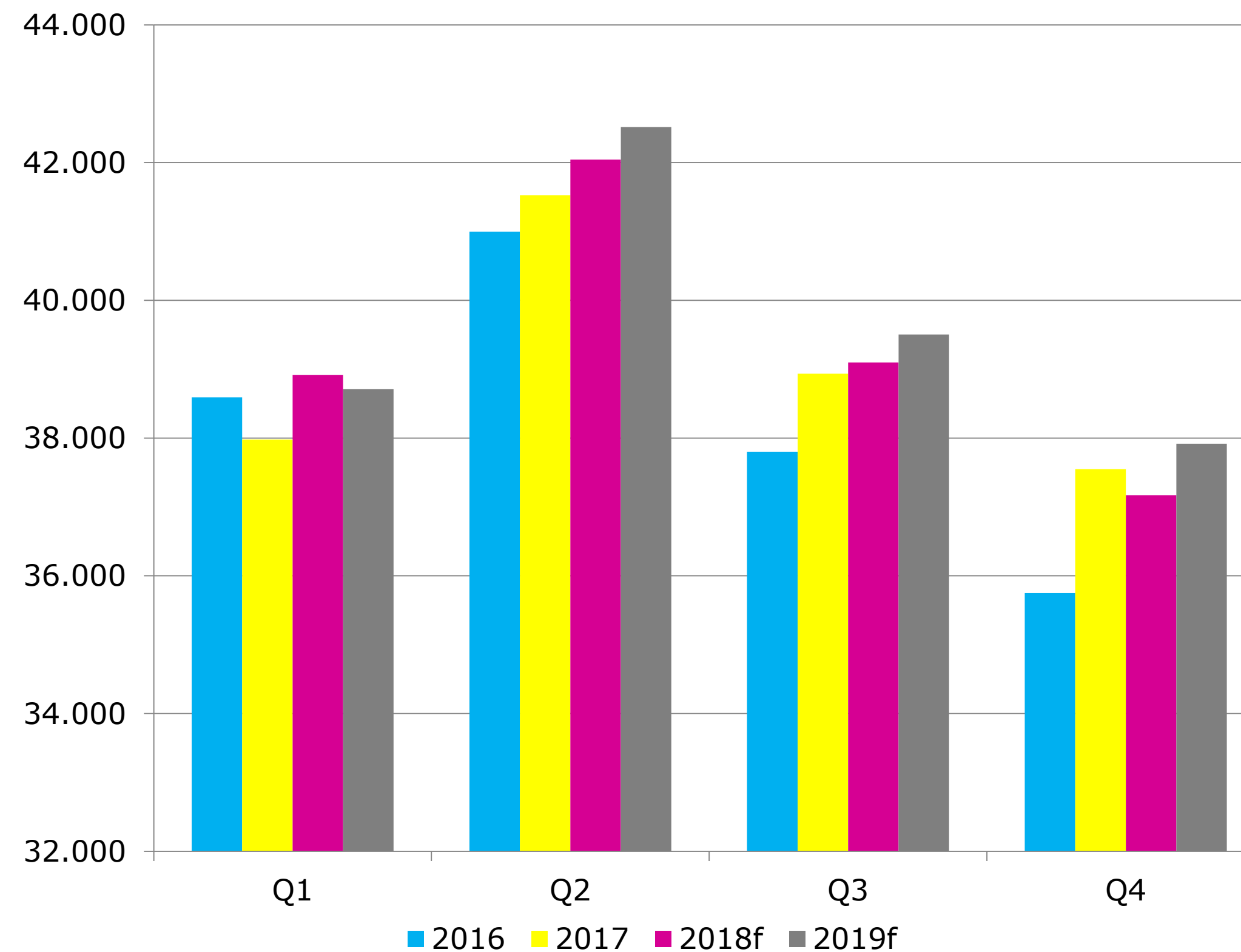
## Protein



# 2018 Milk collection forecast

**+0.8% / 2017**

EU milk collection by quarters (1 000 t)



**2019 +0.9%**



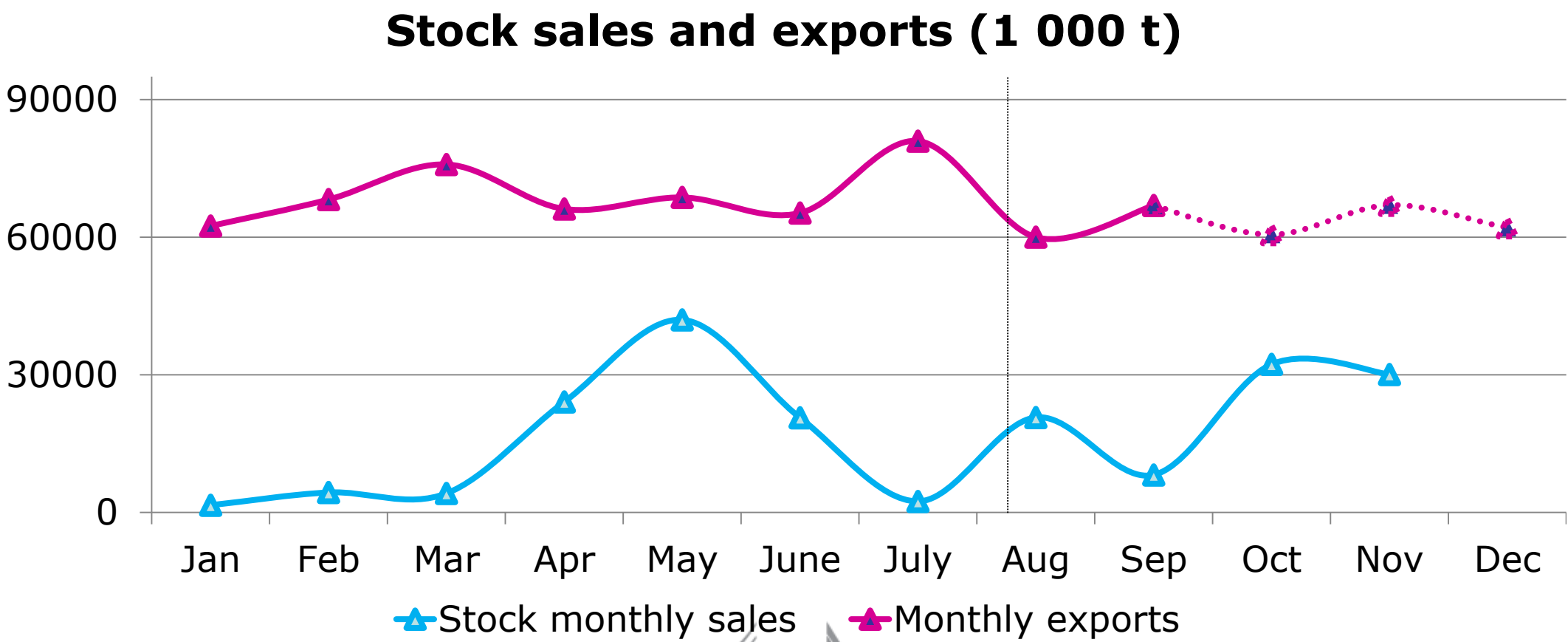
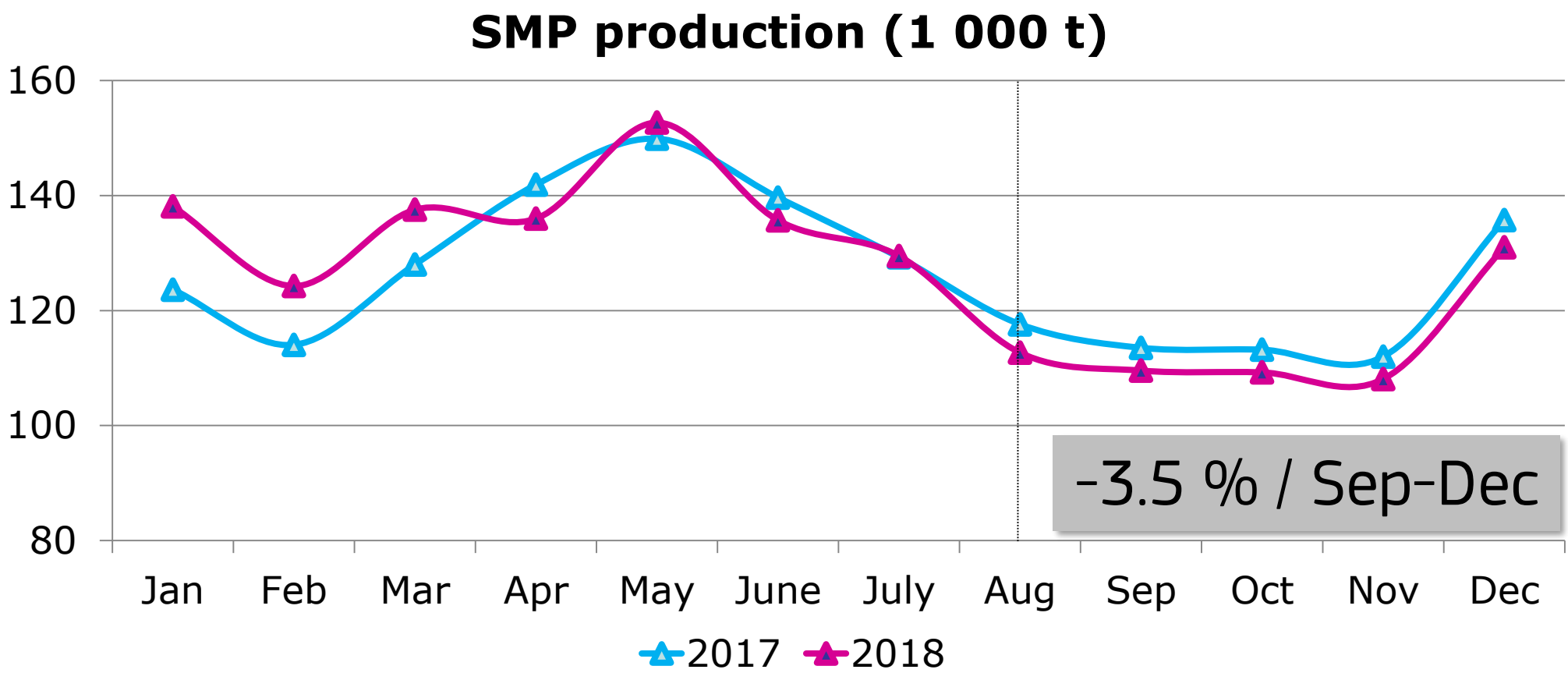
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Source: DG Agriculture and Rural Development, based on Eurostat

# Focus on SMP

	2017	Scenario		Scenario	
		2018	18/17	2019	19/18
Production	1 530	1 536	0.4%	1 540	0.3%
Exports	781	804	3%	884	10%
Use	797	830	4%	864	4.2%
Stocks	456	361	-21%	155	-43%
Intervention	376	166	-56%	0	-100%
Private	80	195	244%	155	-21%
Change in stocks	-45	-95		-206	
out of which Intervention	25	-210		-166	

Source: DG Agriculture and Rural Development



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# Outline

## Short-term outlook

- Pasture prospects and dairy herd development
- Fat and protein development
- 2018 and 2019 Milk collection forecast

## Medium-term outlook

- Global dairy demand (incl. products)
- Sustainability and societal concerns driving production



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# The 2018 Agricultural Outlook conference

Commission and its priorities Policies, information and services

 European Commission

Home > Events > The 2018 EU Agricultural Outlook conference

## The 2018 EU Agricultural Outlook conference

📅 Thursday 6 - Friday 7 December  
📍 Brussels, Belgium



[Registration](#)

Registration is **OPEN**

[https://ec.europa.eu/info/events/2018-eu-agricultural-outlook-conference-2018-dec-06\\_en](https://ec.europa.eu/info/events/2018-eu-agricultural-outlook-conference-2018-dec-06_en)

EU Agricultural Outlook for the  
Agricultural Markets and Income 2018-  
2030

→ **to be published 06/12**



# Main drivers of dairy market development



## 1. Growing global and EU demand

- World **import demand** driven by **population growth** and **income growth**
- But at a **slower pace** with more **focus** on **added-value** and **less** on **quantity**
- **EU** consumption **rising** too, **less** drinking **milk** and **more cheese**



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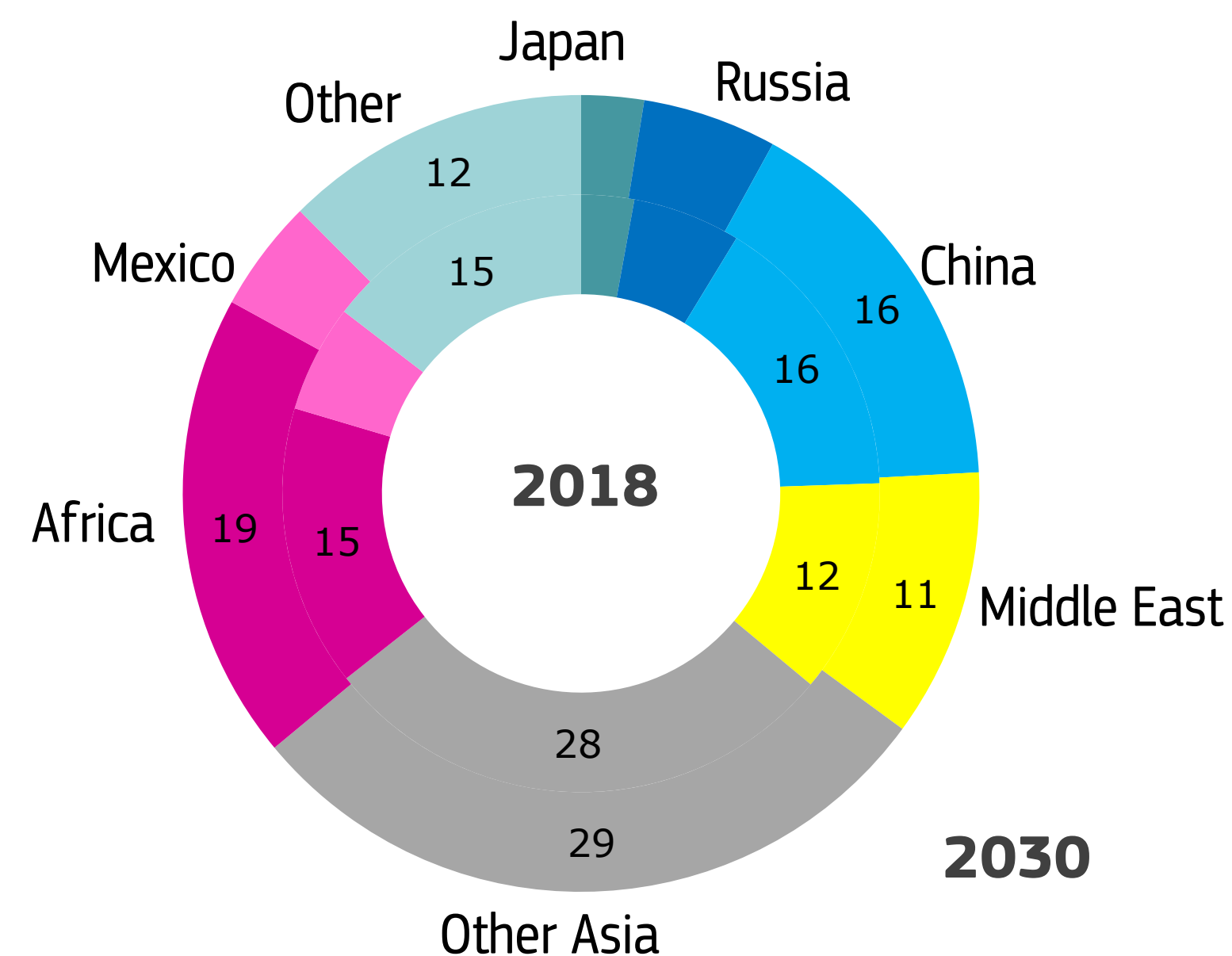
# World import demand

... continuous growth at slower pace

- Milk **world supply** growing by close to **+2%** per year
- **India** 1st producer
- **Africa increasing production** but not enough to meet increasing domestic demand

- World **trade +1.4%** per year
  - **+0.9 million t** of milk eq. per year (last decade twice more)
- **China** remains **1st importer**
  - close to **+2%** per year
- **EU** and **NZ** close to **30%** of global trade each; US up to 15%

Main importers of dairy products  
2018 and 2030 (%)



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



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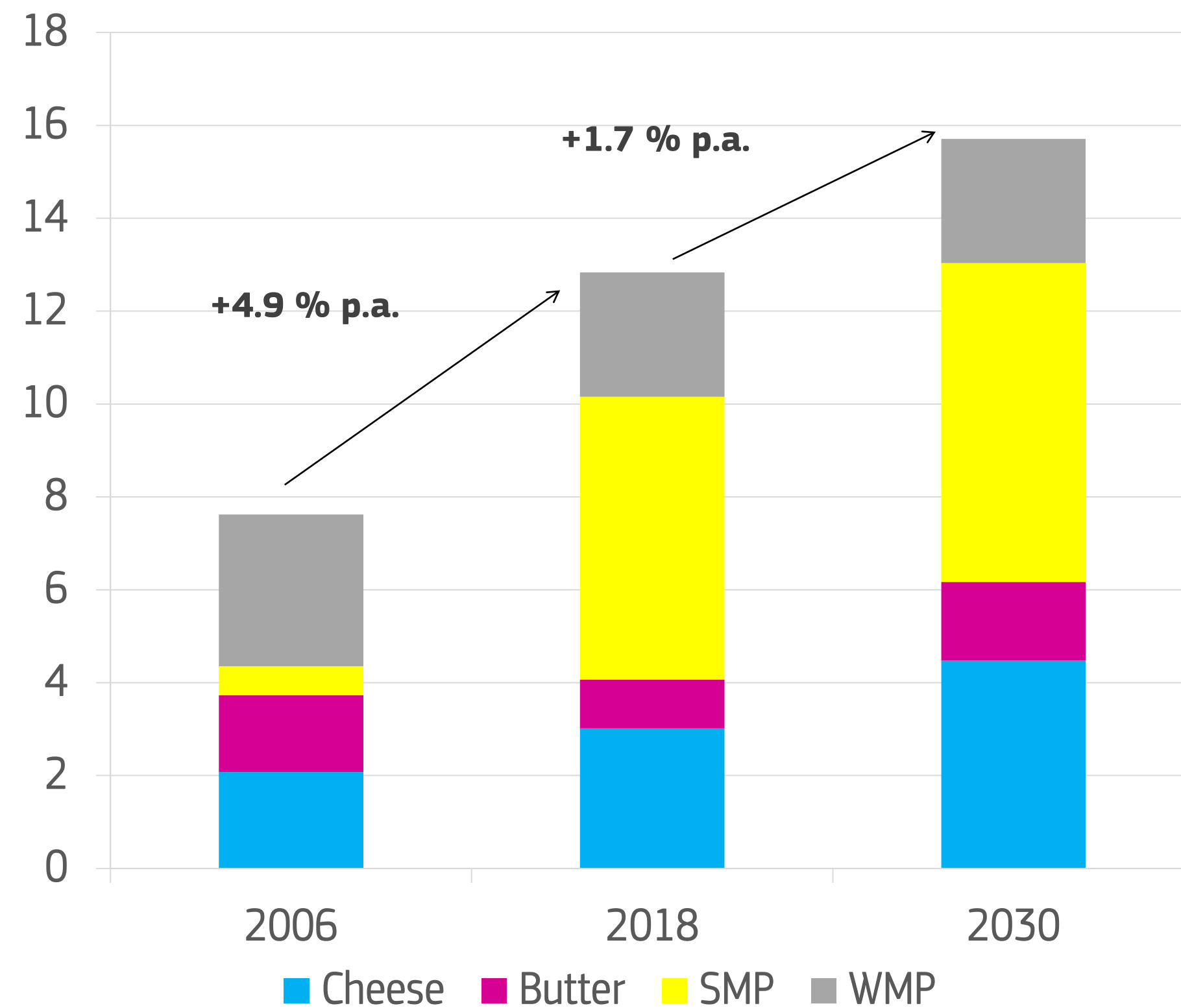
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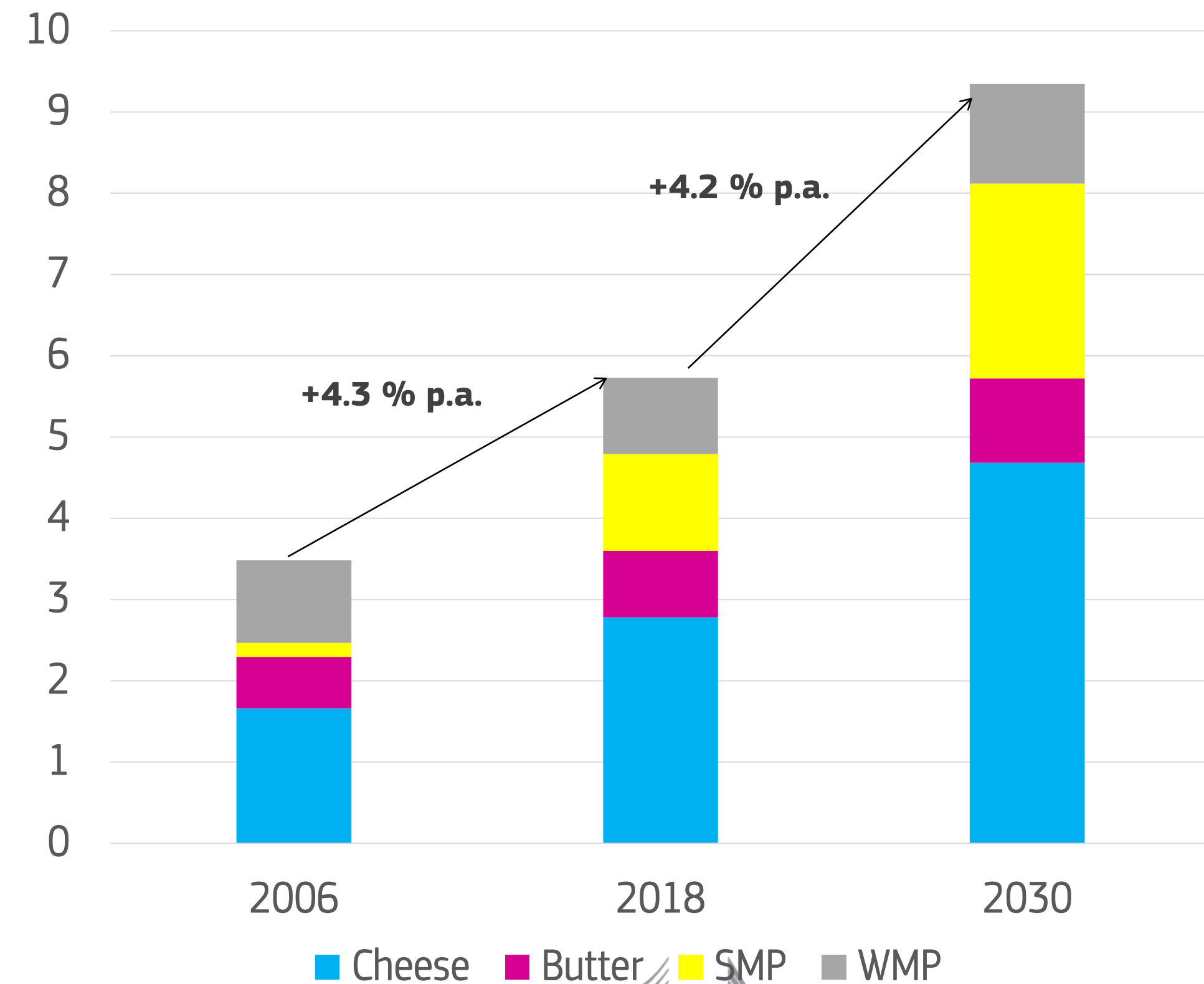
# EU exports

... to further expand

EU export volume (million t milk eq.)



EU export value (billion EUR)



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



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# Cheese

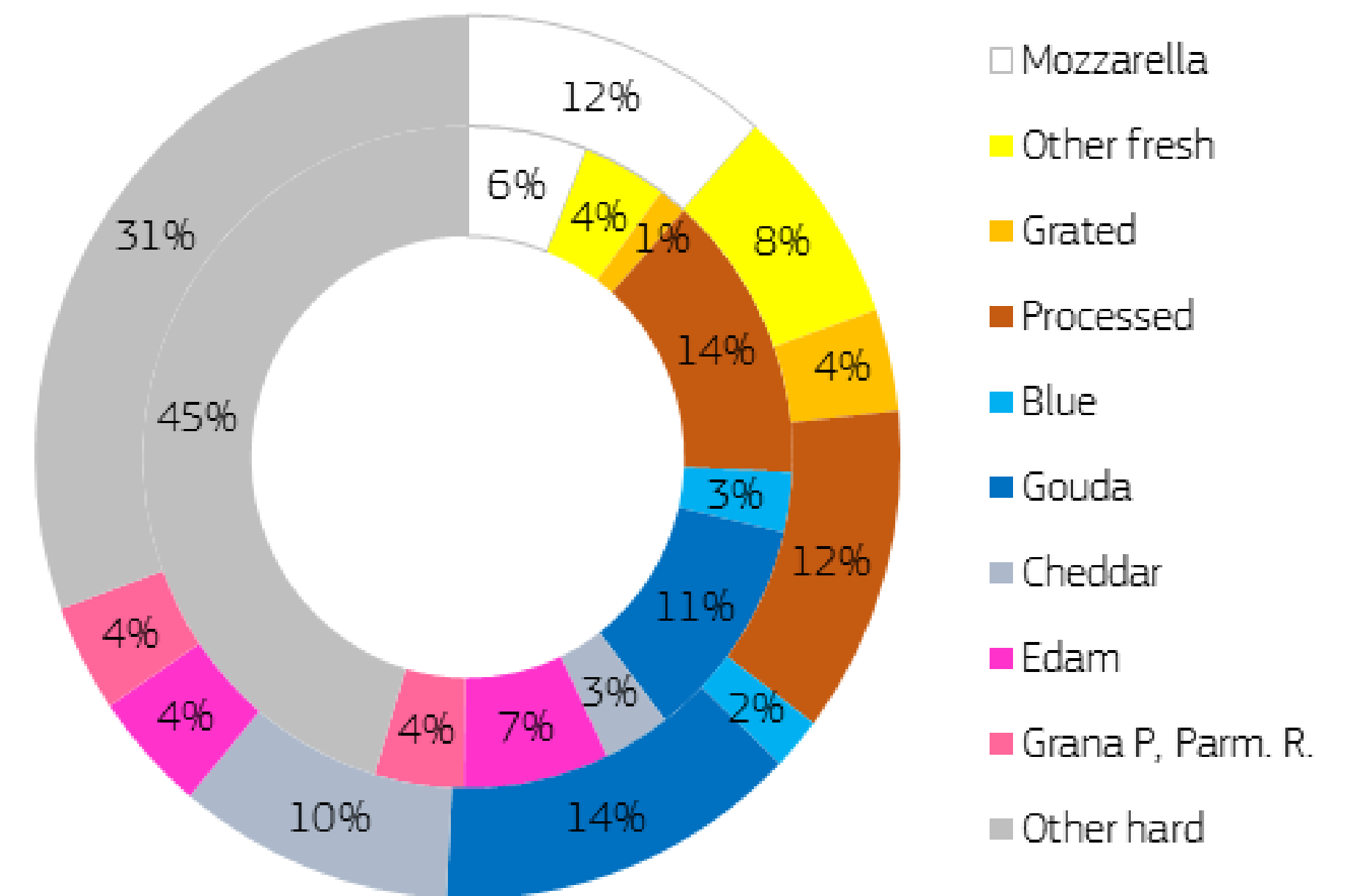
...the European asset, growing demand in all market segments

- EU Cheese consumption in **2030**:
  - **+1.3 kg** per capita
- **Industrial use** stays strong
- More **quality** cheeses and **high value** added
- **EU exports** to reach **1.2 million t**



**+ 4 million t** of milk eq. in 12 years

EU cheese exports in volume by type in 2007 (inner) and 2017 (outer)



Source: DG Agriculture and Rural Development, based on COMEXT



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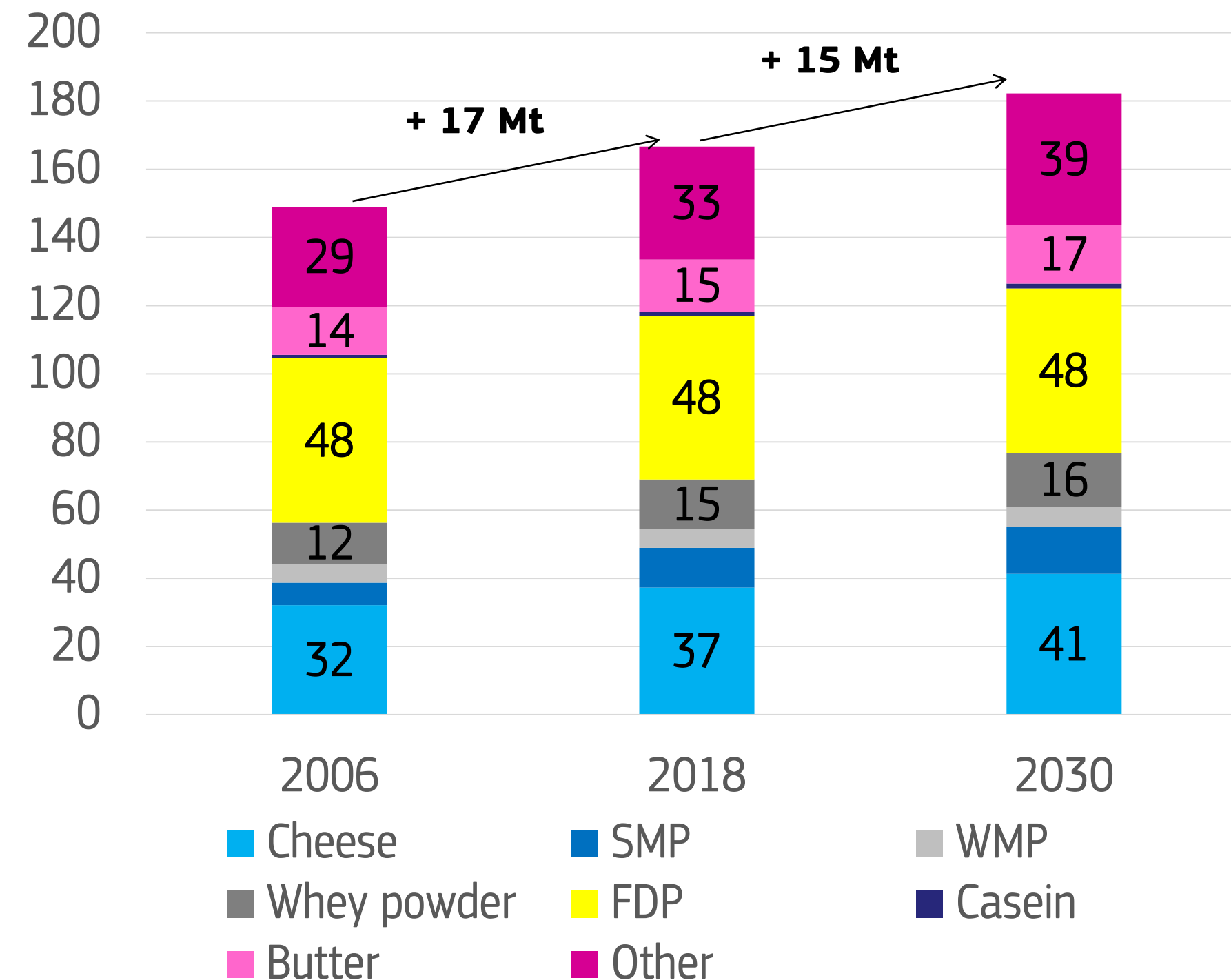
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# Milk powders

... more protein into fat-filled powders, less WMP and SMP

EU production in Mt of milk equivalent



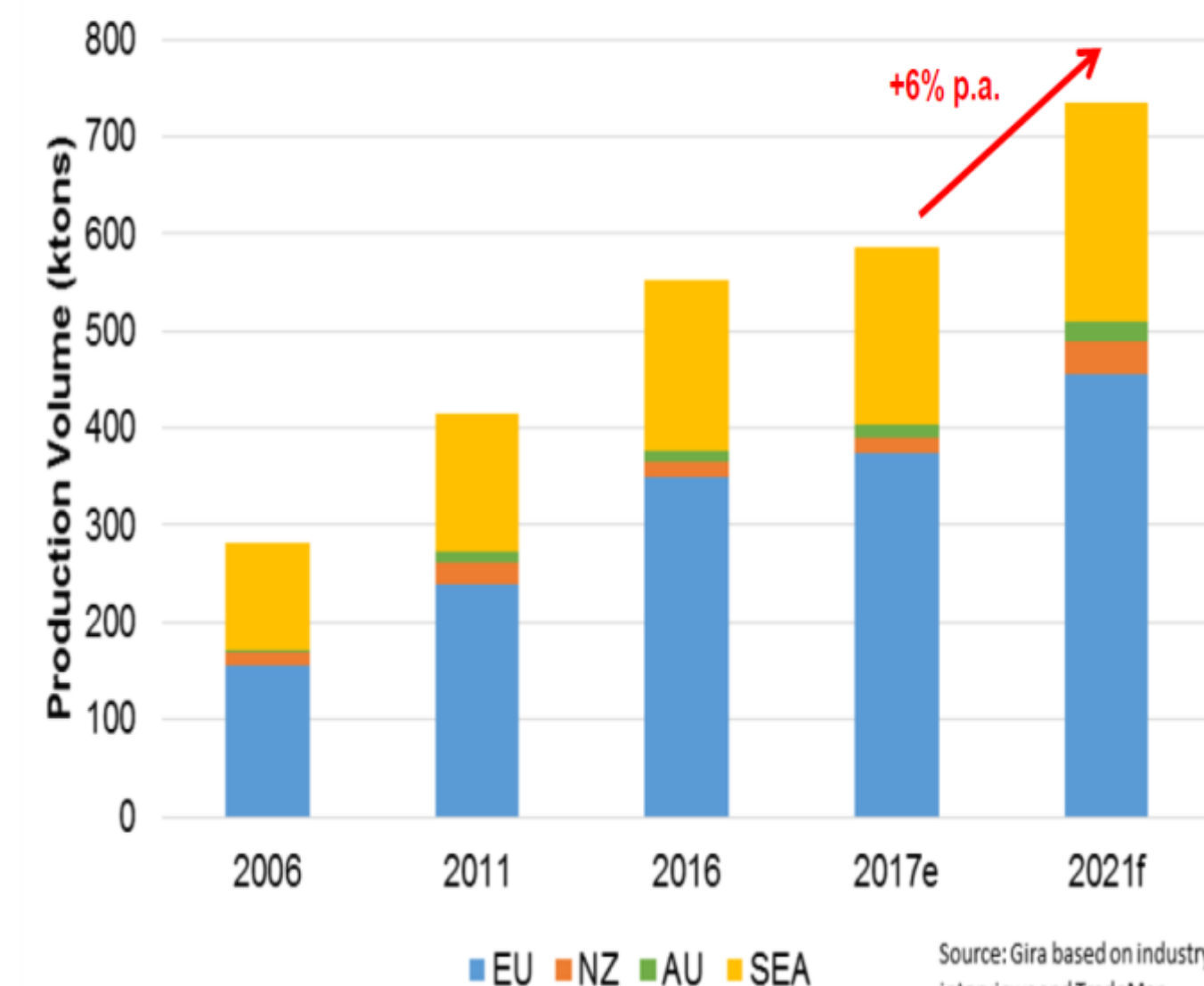
Source: DG Agriculture and Rural Development, based on OECD-FAO Agricultural Outlook

Global FFMP Production

Concentrated in SE Asia and Europe; strong growth possible

Gira

Global FFMP Production by Region, 2006-2021f



Source: Gira based on industry interviews and TradeMap



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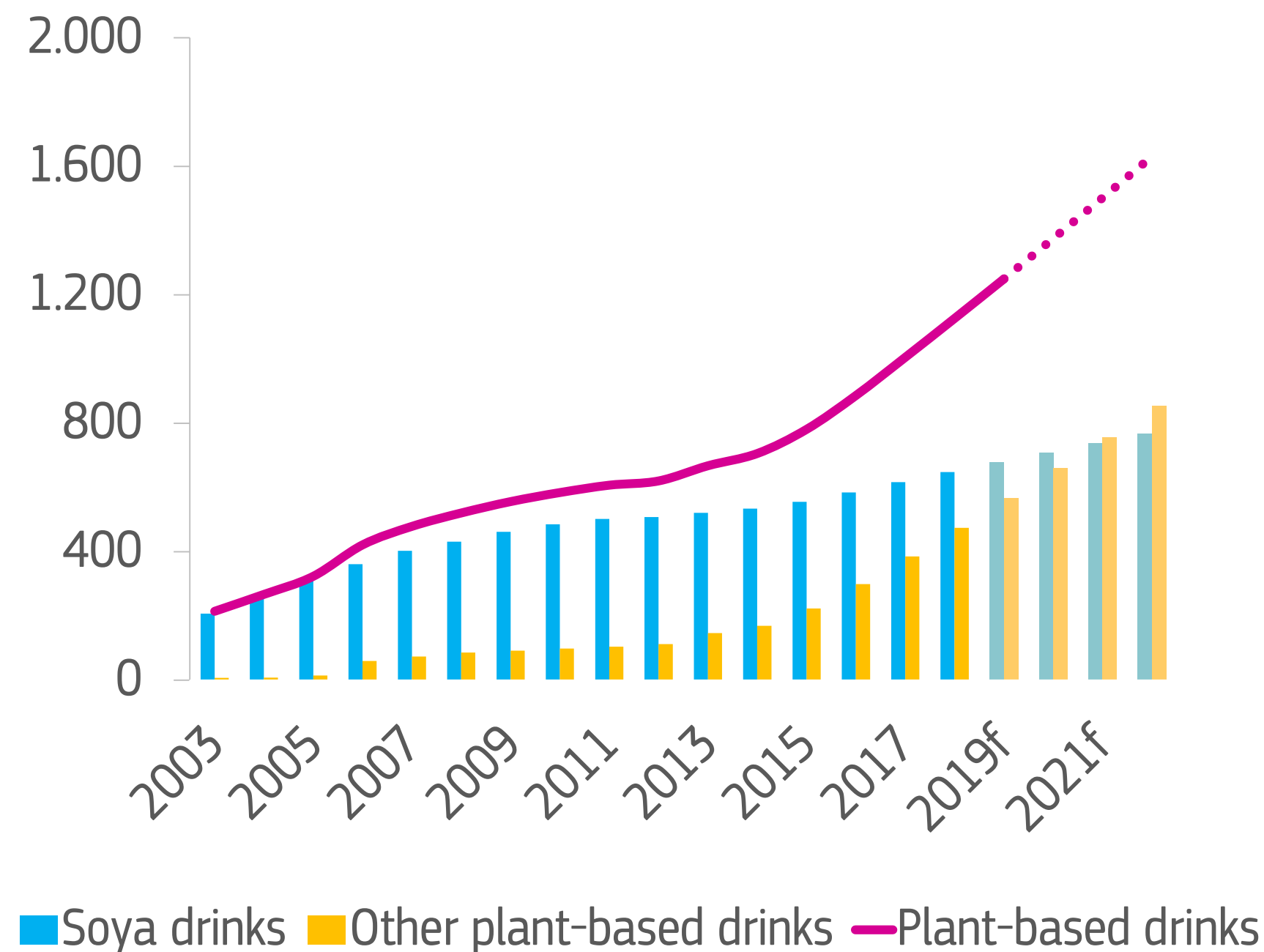
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# Fresh dairy products

... drinking milk on decline but rising plant-based drinks

Retail and foodservice volume  
of plant-based drinks (million l)



Source: Euromonitor

- **Drinking milk** consumption on decline but **smoothened** in **EU-28**
  - - **1.2** million t
- But **yogurt** consumption **up**
- **Cream** use sustains **growth**
- **Other fresh dairy** products keeps on **increasing**
- Further **exports expansion**
- **Growing** market of **plant-based drinks** (**4%** of drinking milk retail and foodservice volume)



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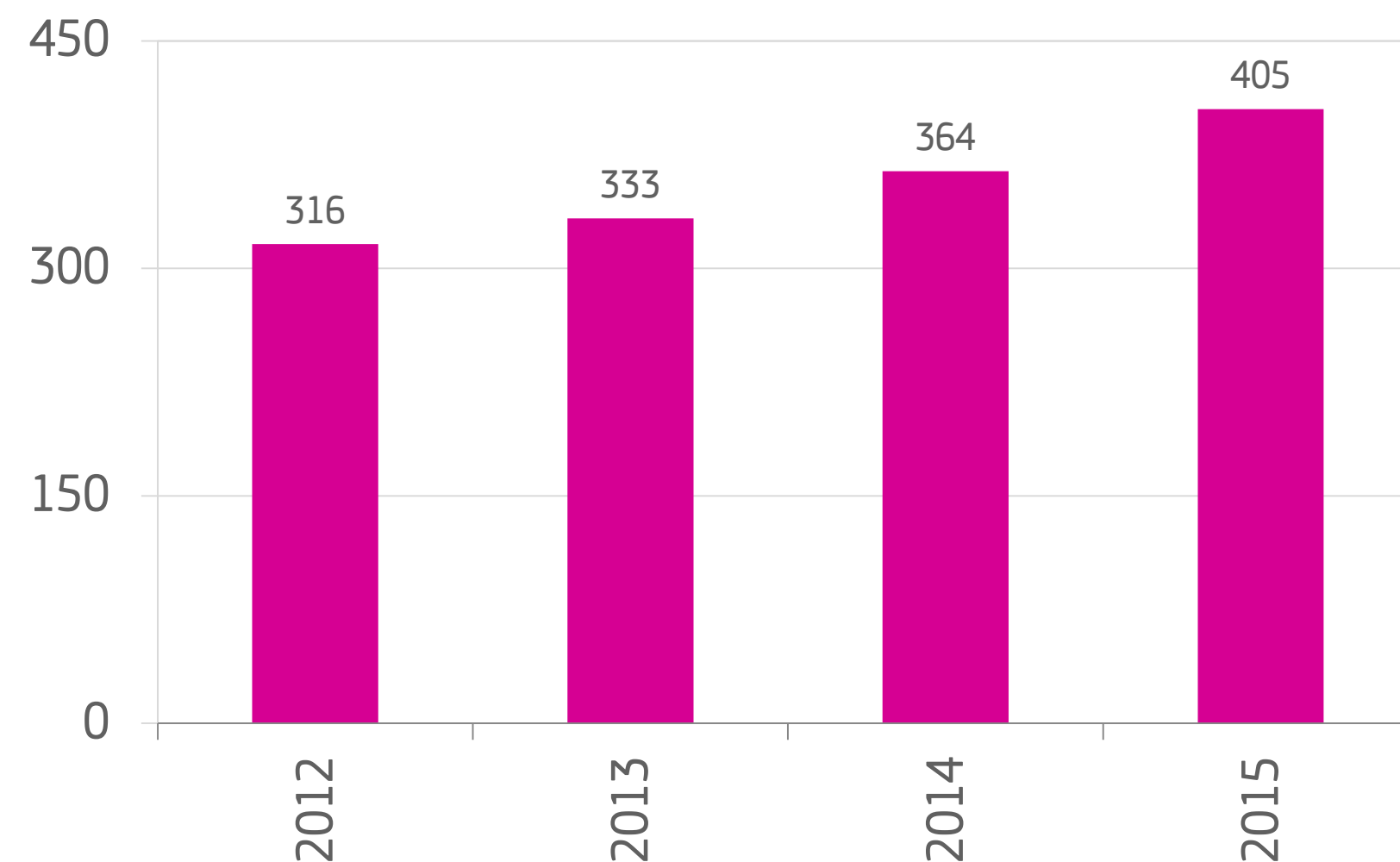
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# Consumption trends

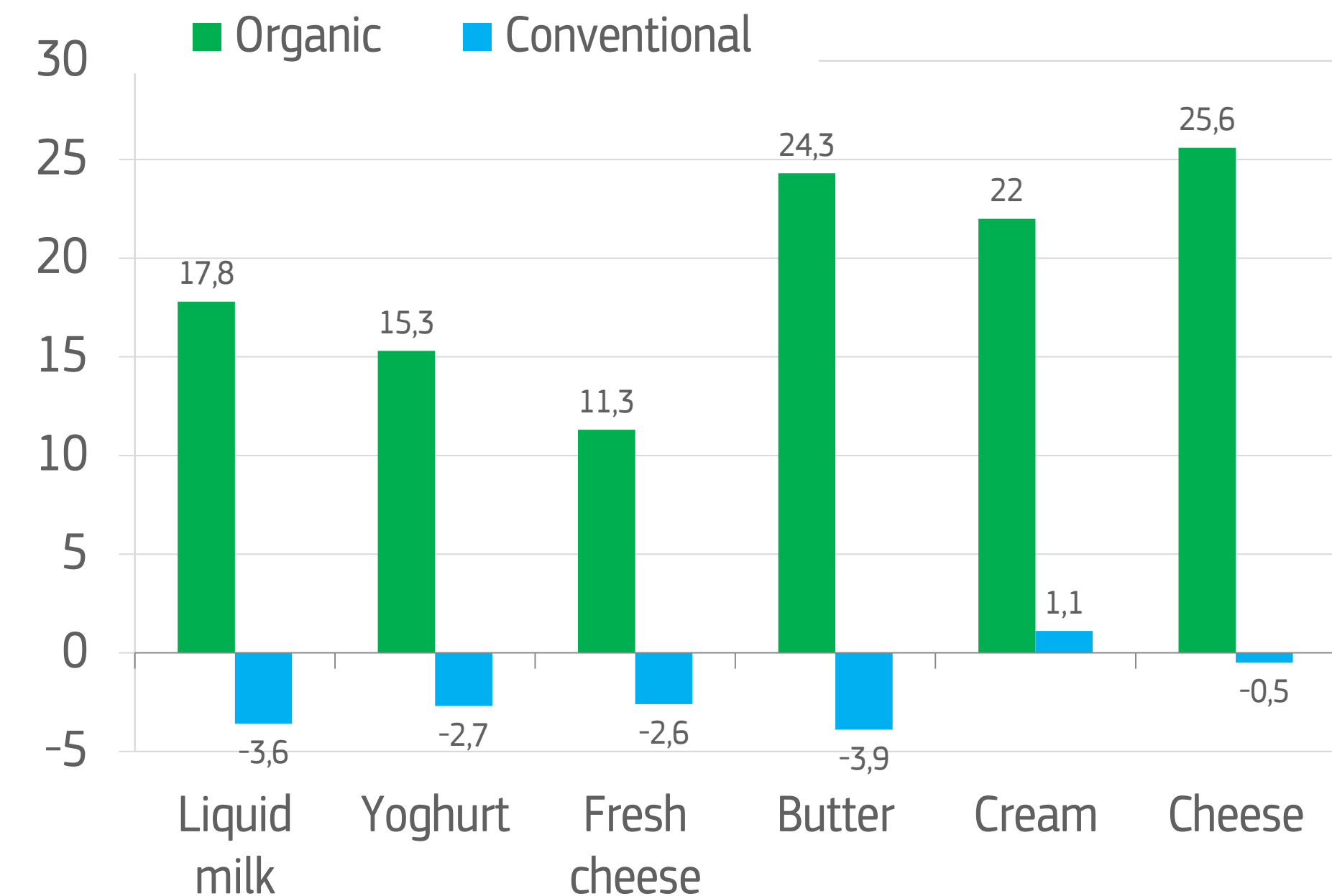
## Increasing demand for organic

Value of household purchases of organic dairy products for home consumption in **France** (in million EUR)



Note: Milk is not included  
Source: Agence Bio; ANDI

Consumption of organic versus conventional milk and dairy products in **France** (%)



Note: % change in volume year-to-year 05/08/2018  
Source: Eurocommerce (presented in MMO 25/09/2018)



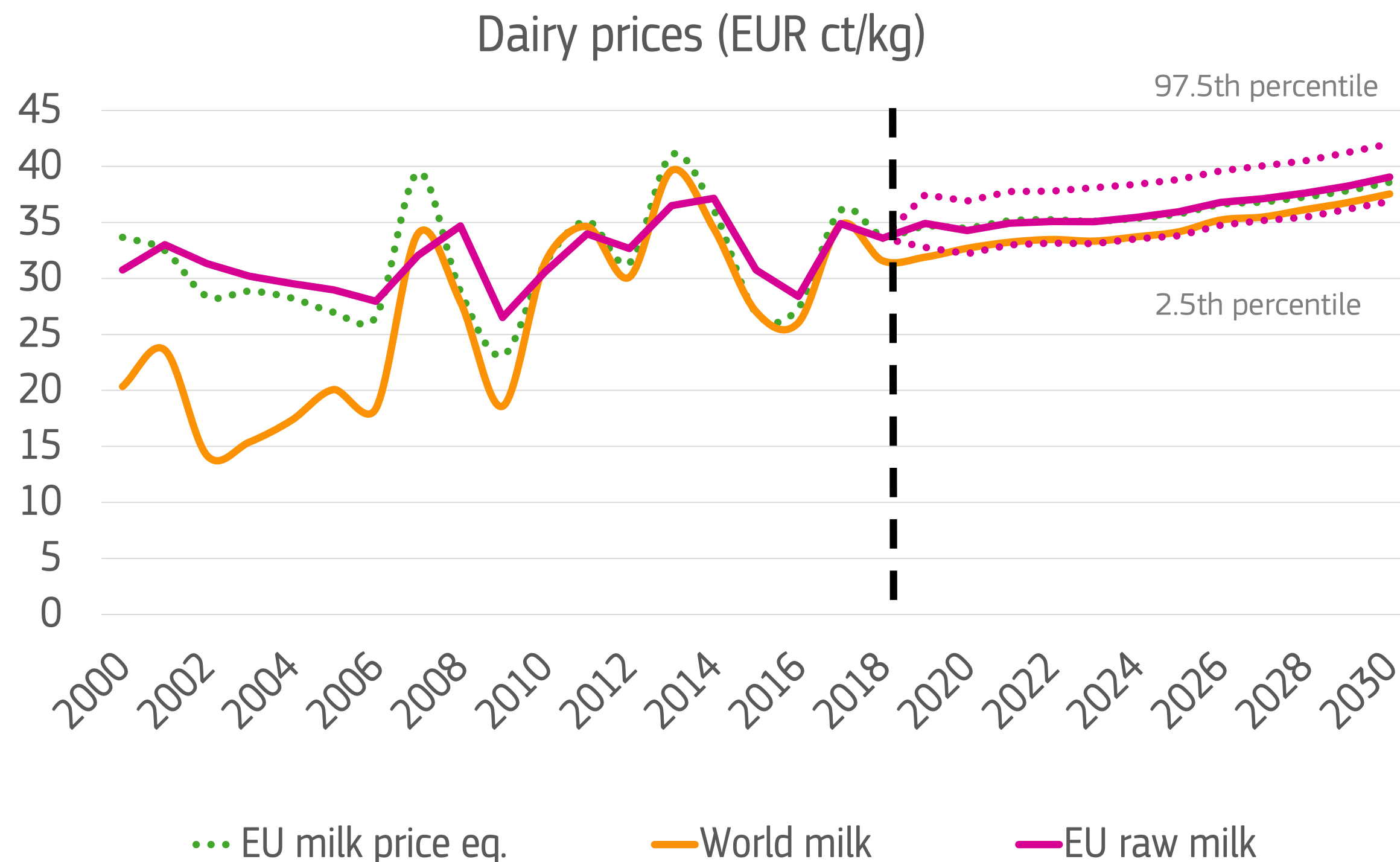
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# Butter

... towards sustained larger gap to SMP price



- Sustained but **slower growth** in domestic demand
- **Price** relationship **butter/SMP**
  - Back to **normal** with a delay **after stocks** are emptied
  - **Gap** remains **larger** than in the past



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# Main drivers of dairy market development



## 2. Sustainability and societal demands

- Milk **collection** expected to **further increase**
- **Small decline** in EU dairy **herd**
- **Demand** for products with a **lower environmental footprint, organic, non GM, local**
- **Environmental constraints** to play an increasing role



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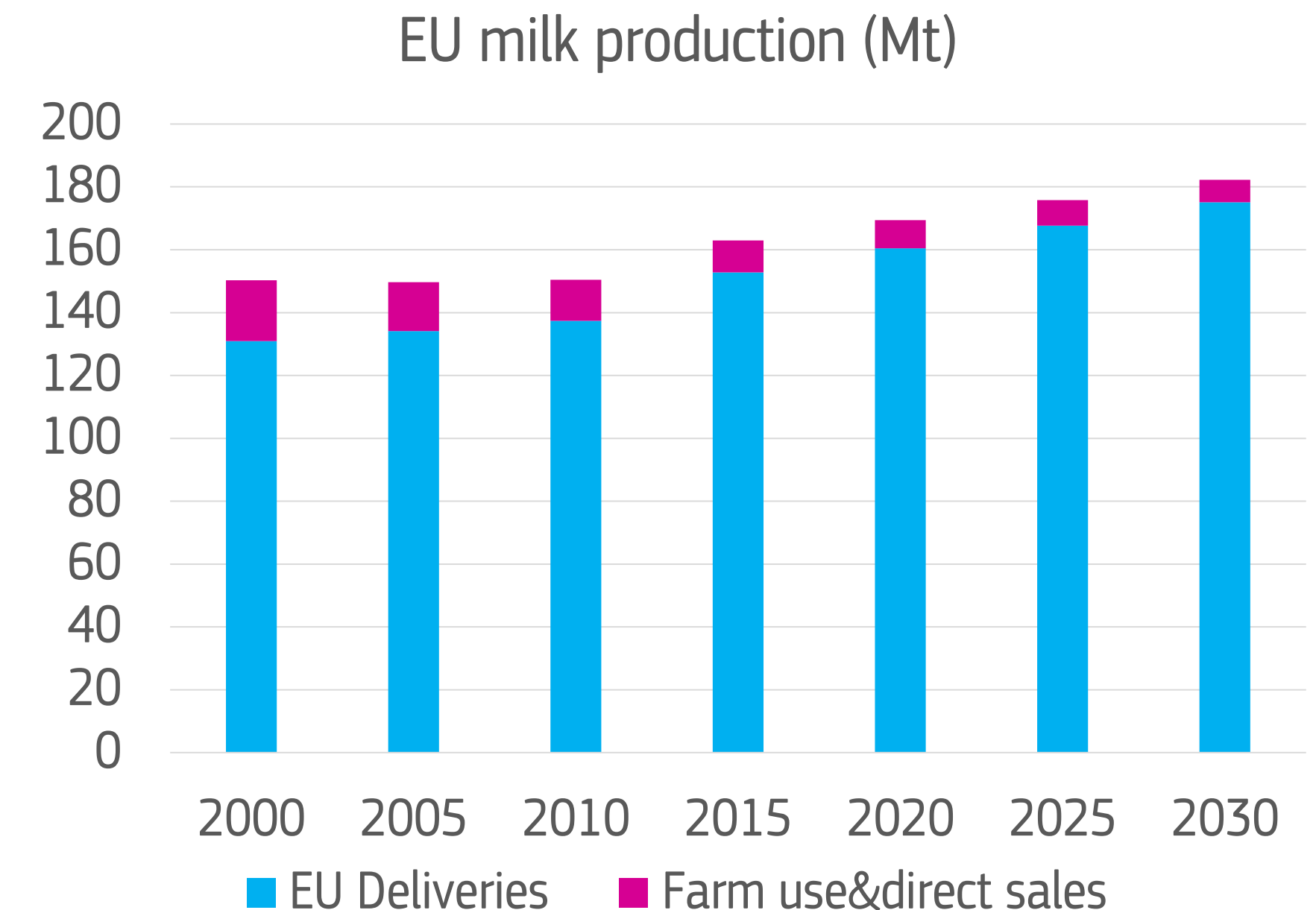
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# Milk collection

... under environmental constraints

- EU **milk production** up to **182 Mt** by 2030
  - +1.3 Mt/year
- EU **milk deliveries** up to **175 Mt** by 2030
  - **Faster** growth rate in **EU-13**
- **New** trends
  - **Slowing down** the decline of **on-farm use** and **direct sales** in line with increase of locally-demanded products
  - **Environmental** constraints might drive changes in production localisation



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



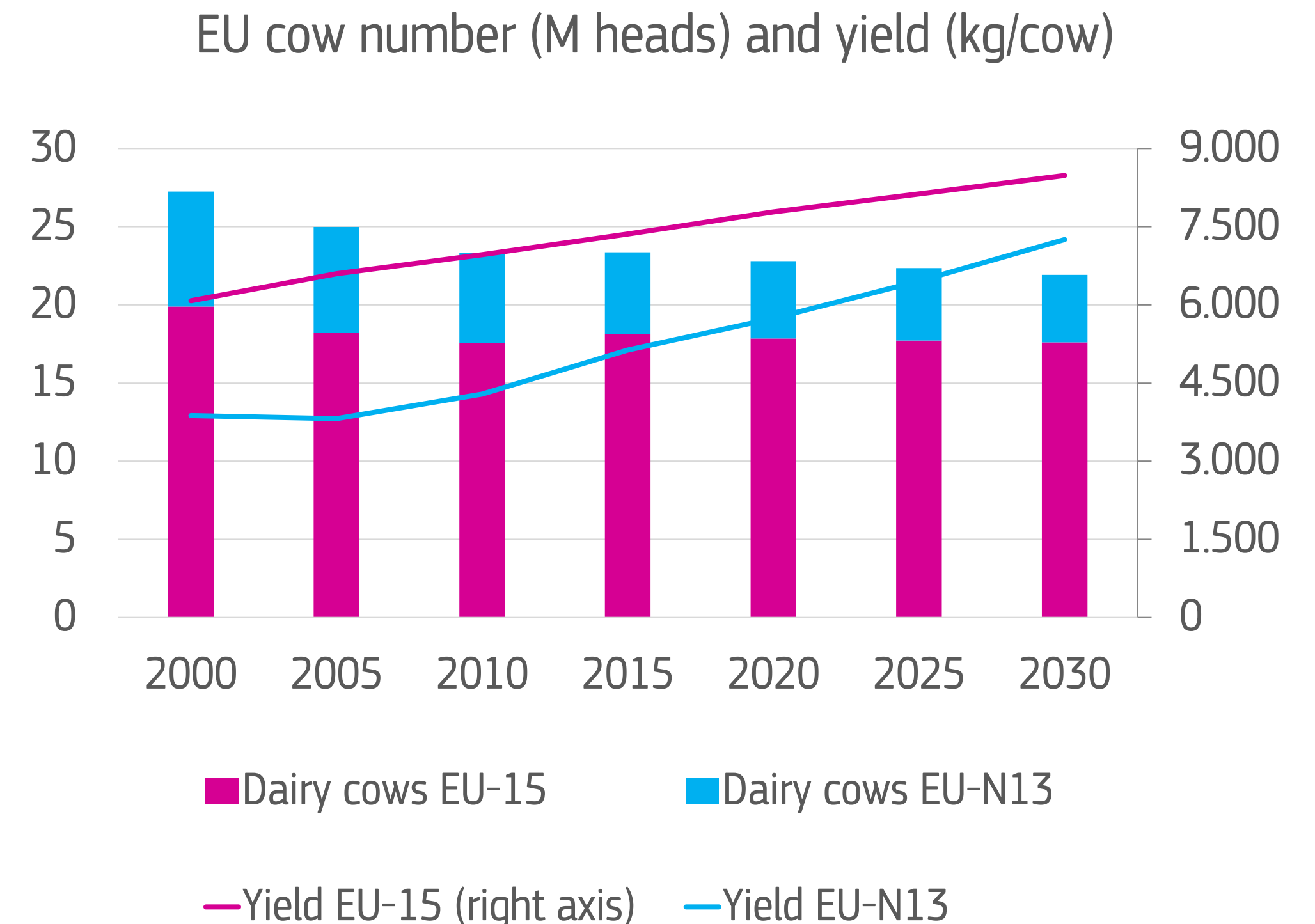
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# Dairy cow herd

... back to the level of 2010, and enhanced productivity

- Slower-pace decline, back to **level of 2010 by 2030** in EU-15
- **Increasing organic** production
  - 10% by 2030
  - **Slowdown** in **yield** growth (+1.2% per year)
- Further **challenges**
  - Mitigation of **GHG** emission (focus on farm practices)
  - **Sexing of semen** (potential impact on the number of dairy cows)



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



# Thank you

## Agricultural Outlook

[https://ec.europa.eu/agriculture/markets-and-prices/medium-term-outlook\\_en](https://ec.europa.eu/agriculture/markets-and-prices/medium-term-outlook_en)

## Markets briefs

[https://ec.europa.eu/agriculture/markets-and-prices/market-briefs\\_en](https://ec.europa.eu/agriculture/markets-and-prices/market-briefs_en)

## Market observatories

[https://ec.europa.eu/agriculture/market-observatory\\_en](https://ec.europa.eu/agriculture/market-observatory_en)

## CAP reform

[https://ec.europa.eu/agriculture/future-cap\\_en](https://ec.europa.eu/agriculture/future-cap_en)



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