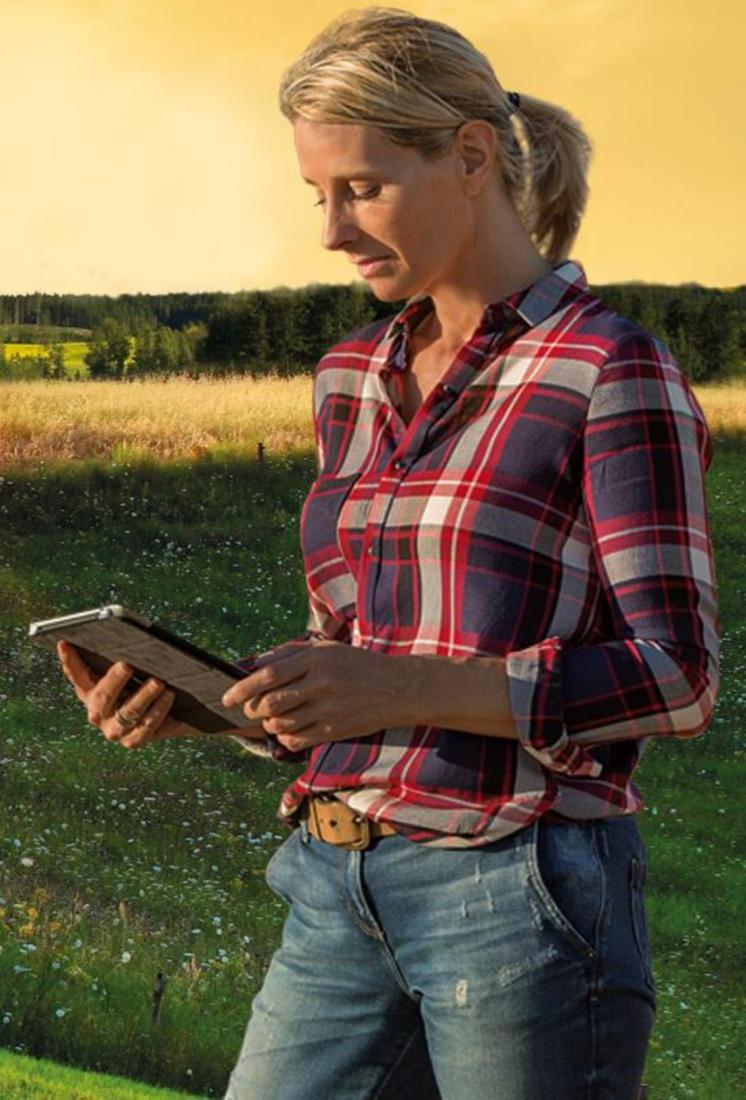




Short-term and medium-term dairy outlook

Civil Dialogue Group

Brussels 20 November 2018



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

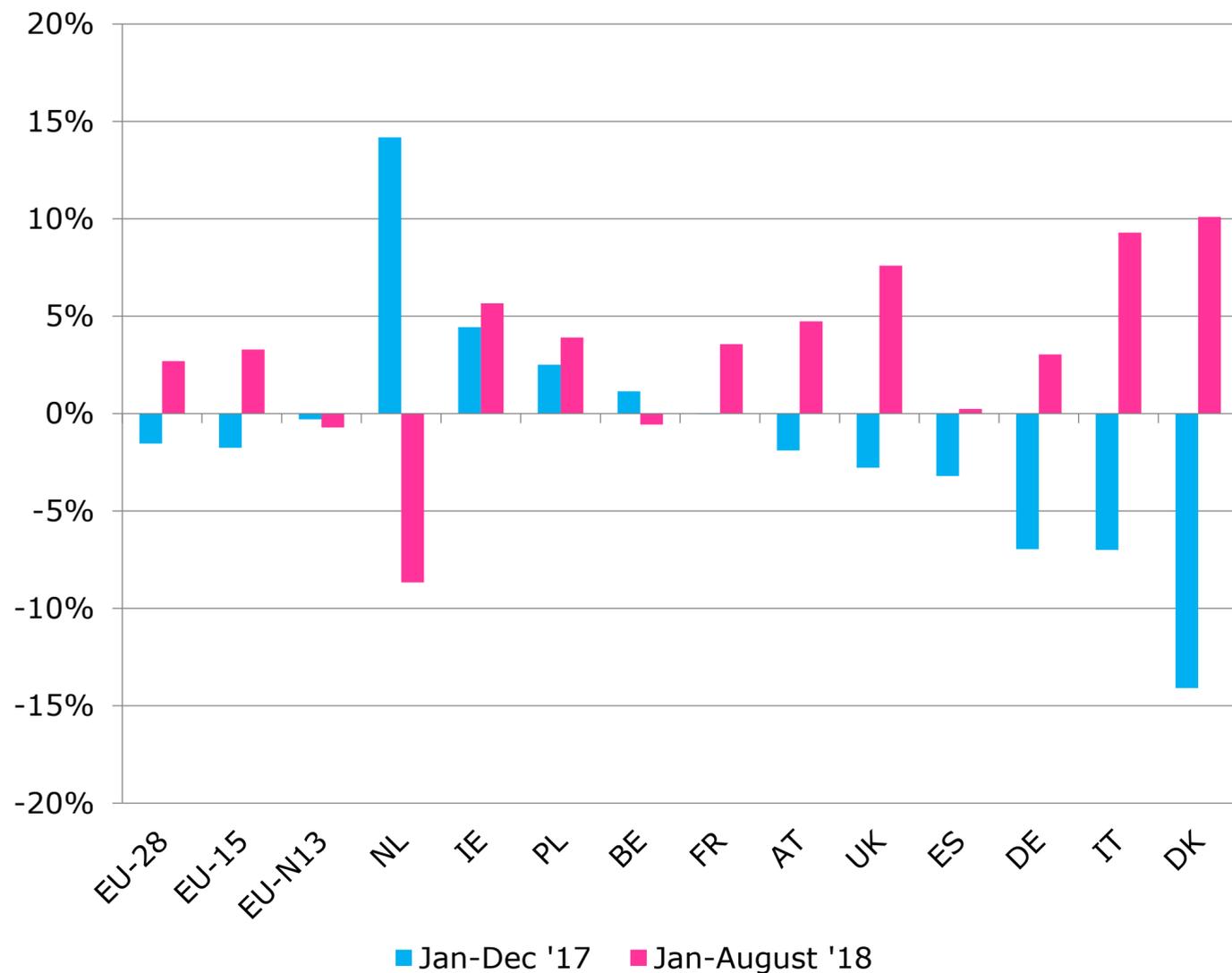


European
Commission

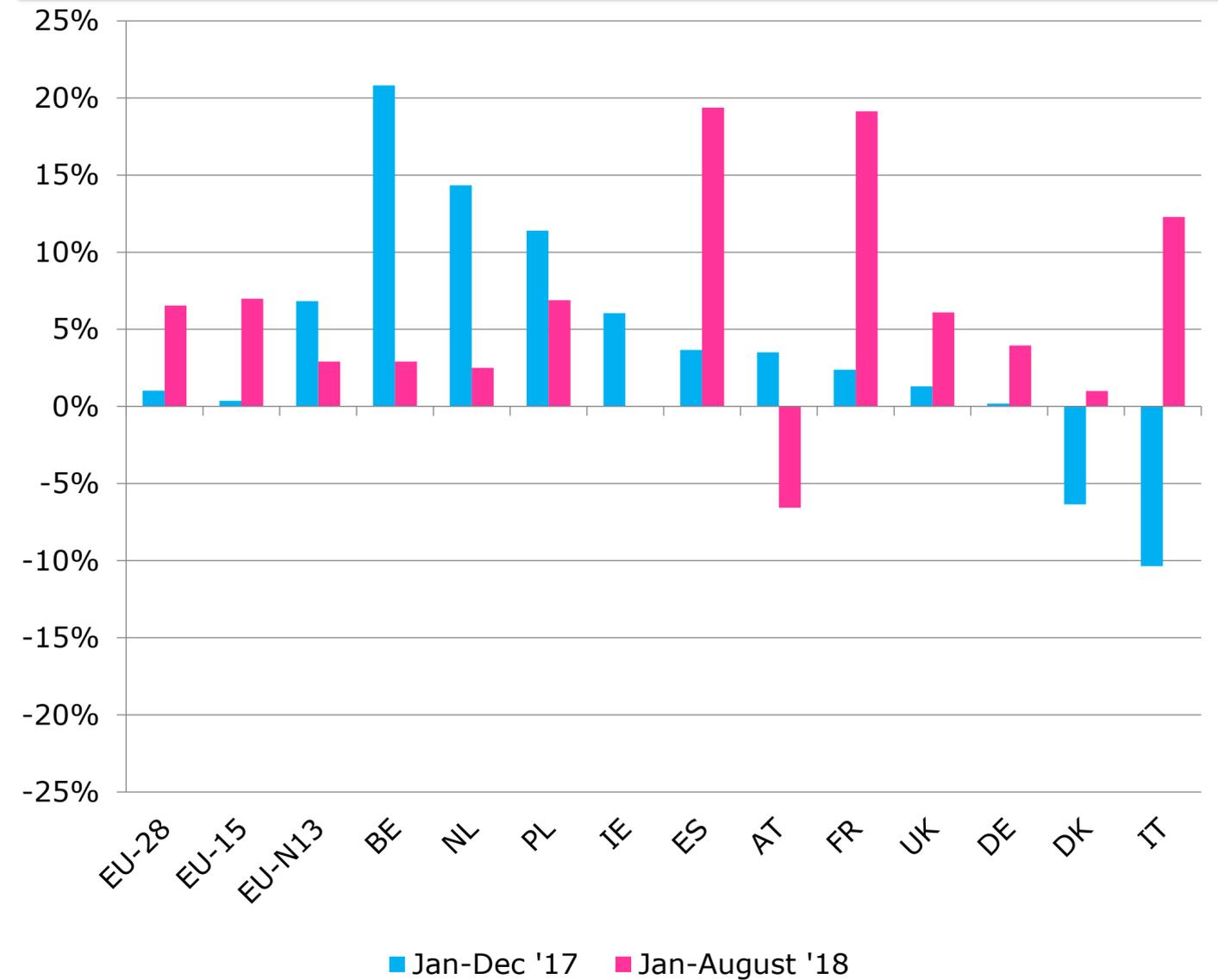
Agriculture and
Rural Development

Dairy herd development

Change in numbers of slaughtered cows



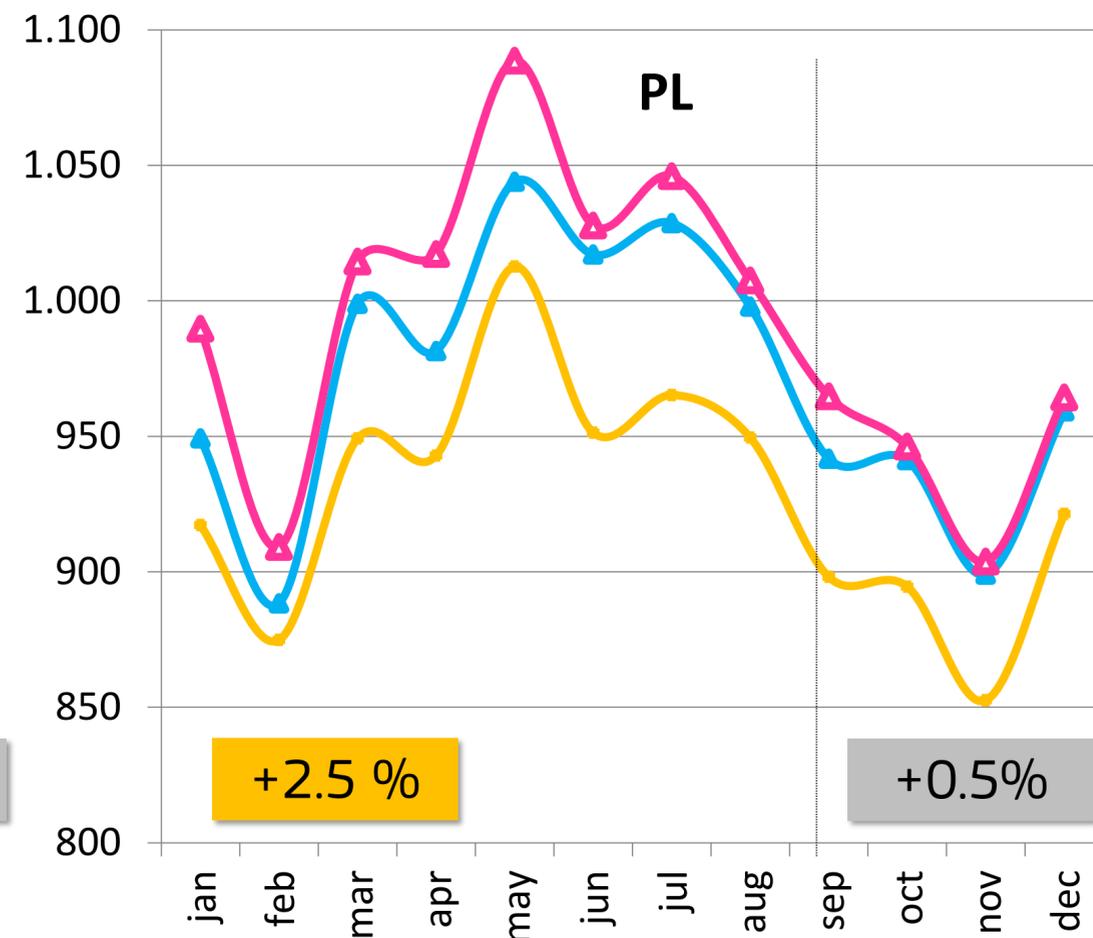
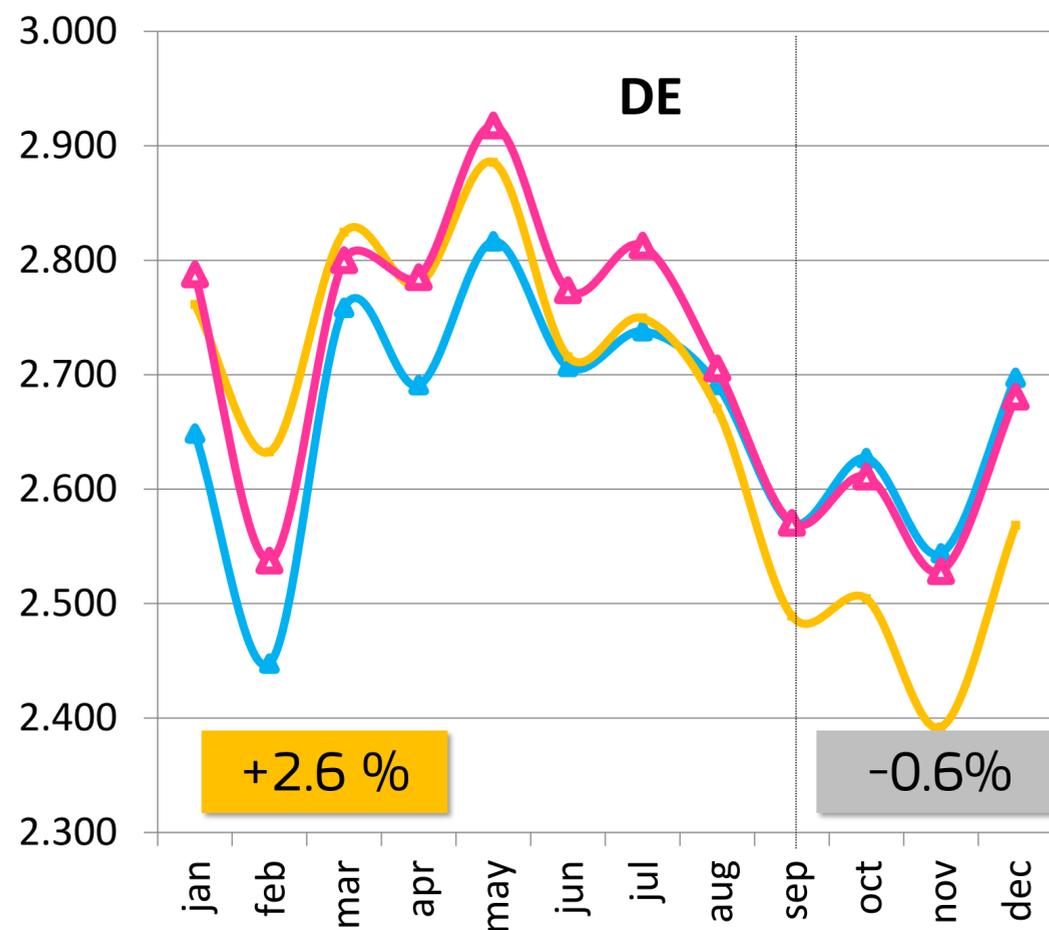
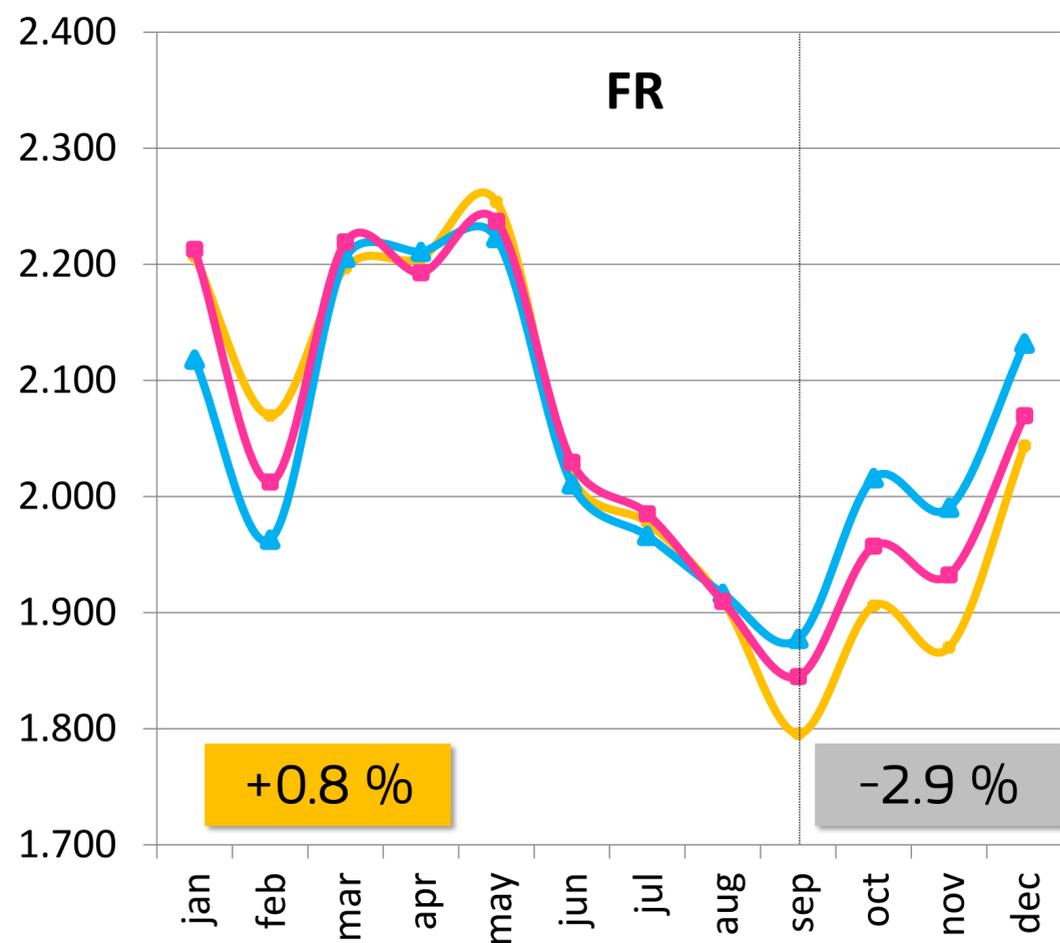
Change in numbers of slaughtered heifers



-> lower replacement rate

Note: including beef and dairy
Source: Eurostat

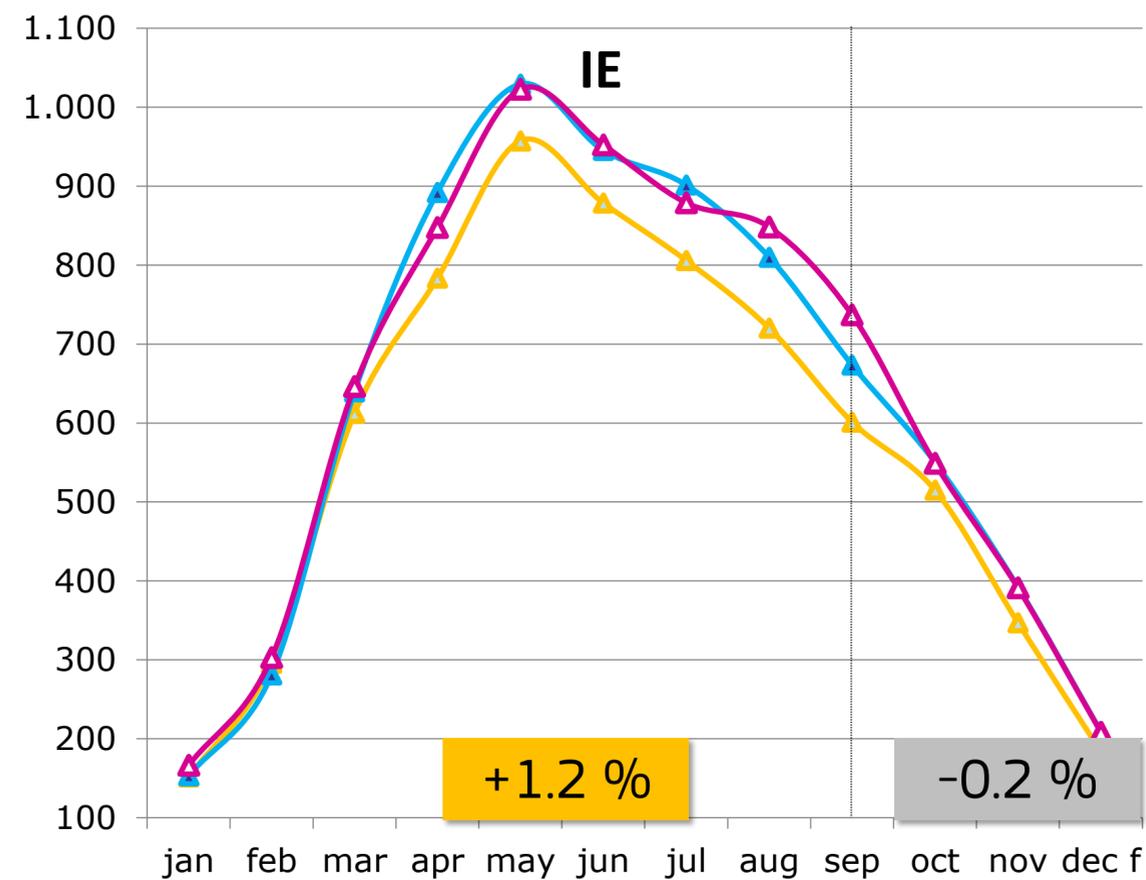
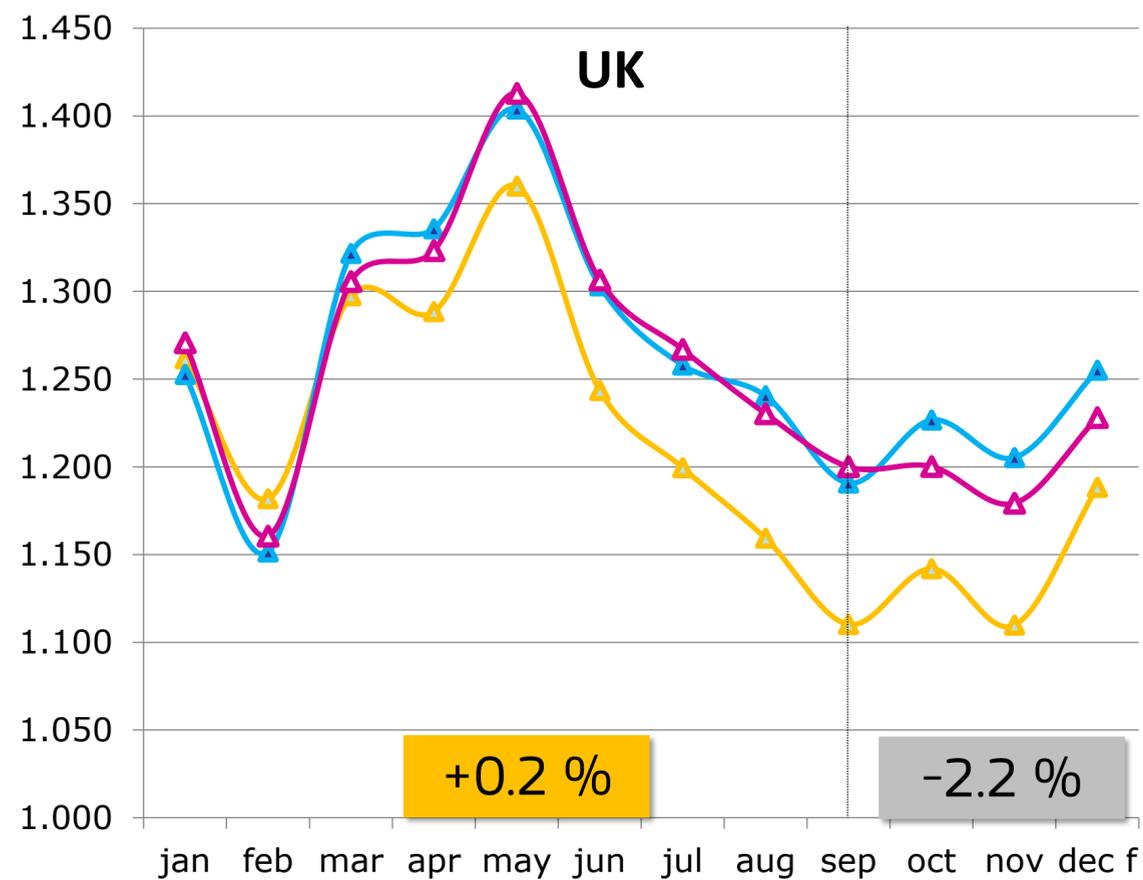
2018 Milk collection forecast by selected MS



— 2016 — 2017 — 2018

Source: Eurostat, MS notifications

2018 Milk collection forecast by selected MS

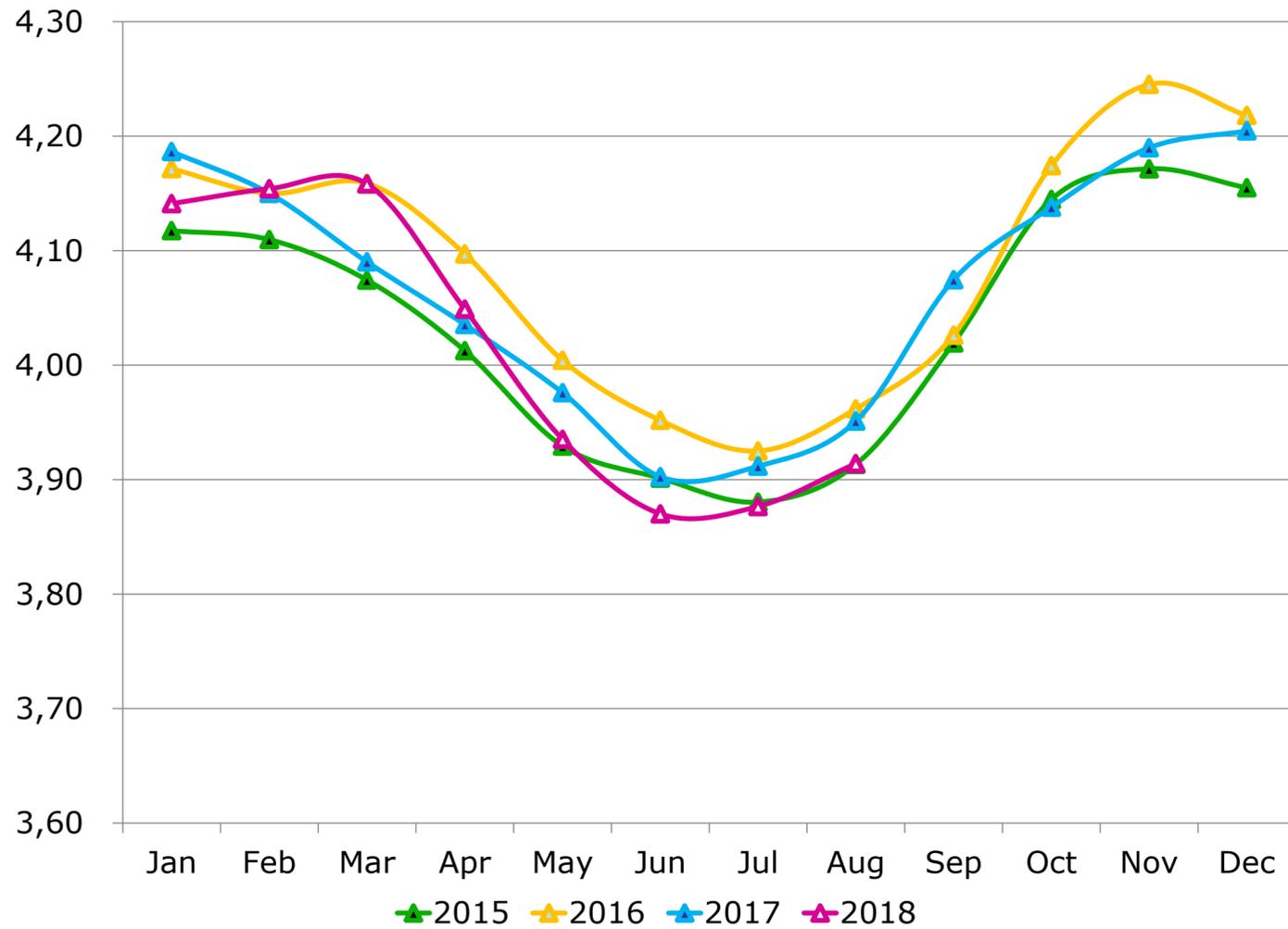


▲ 2016 ▲ 2017 ▲ 2018

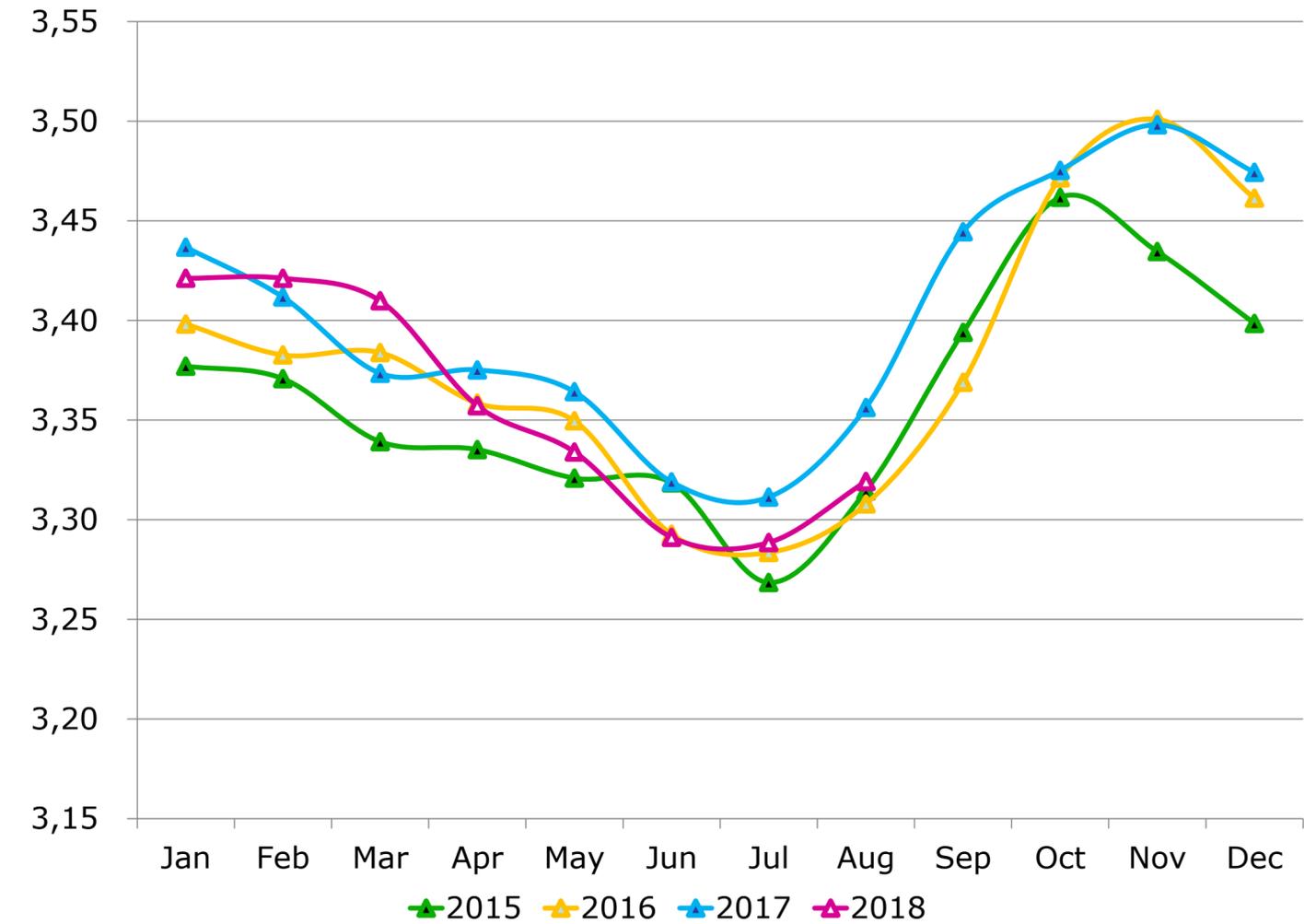
Source: Eurostat, MS notifications

Fat and protein milk content

Fat



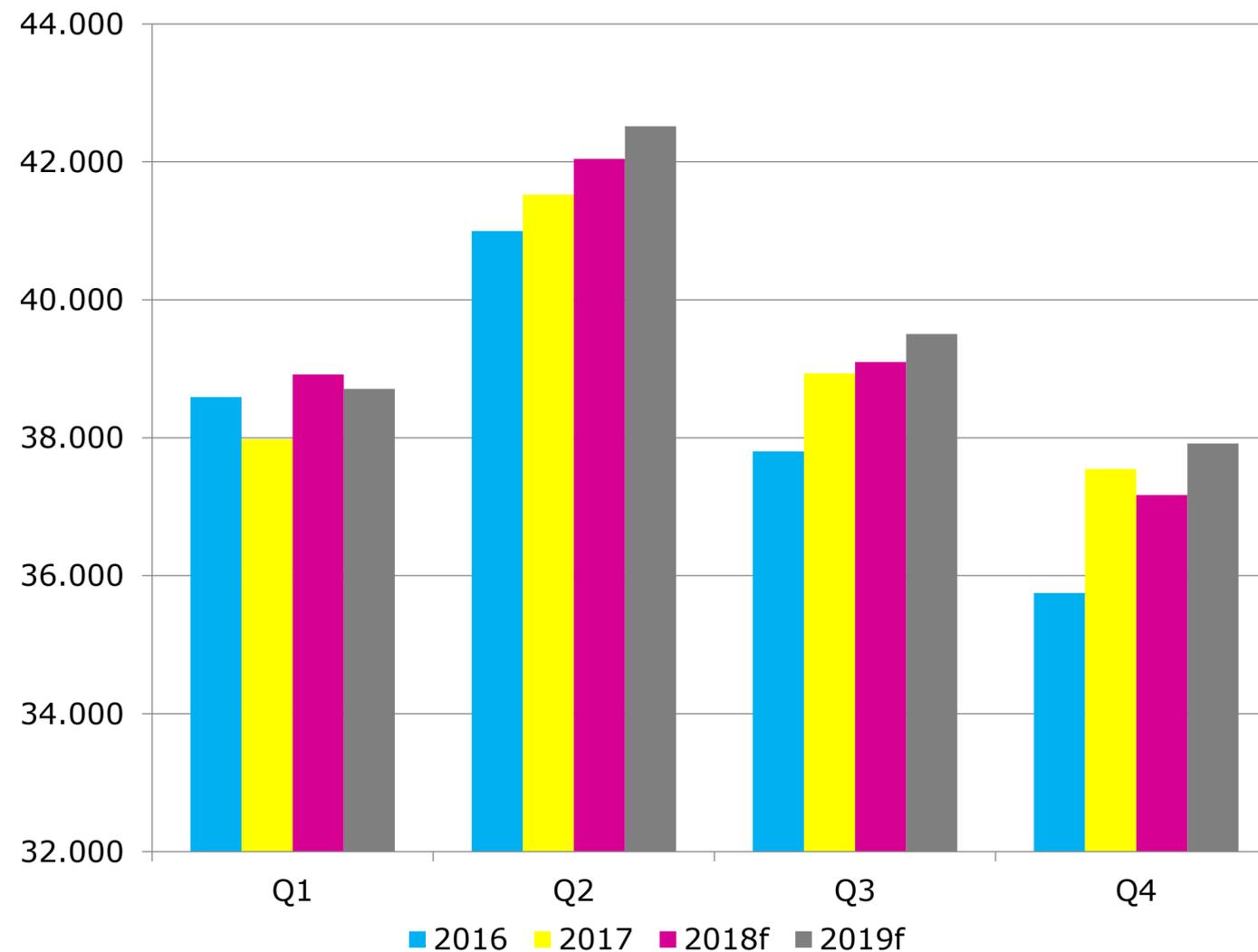
Protein



2018 Milk collection forecast

+0.8% / 2017

EU milk collection by quarters (1 000 t)



2019 +0.9%



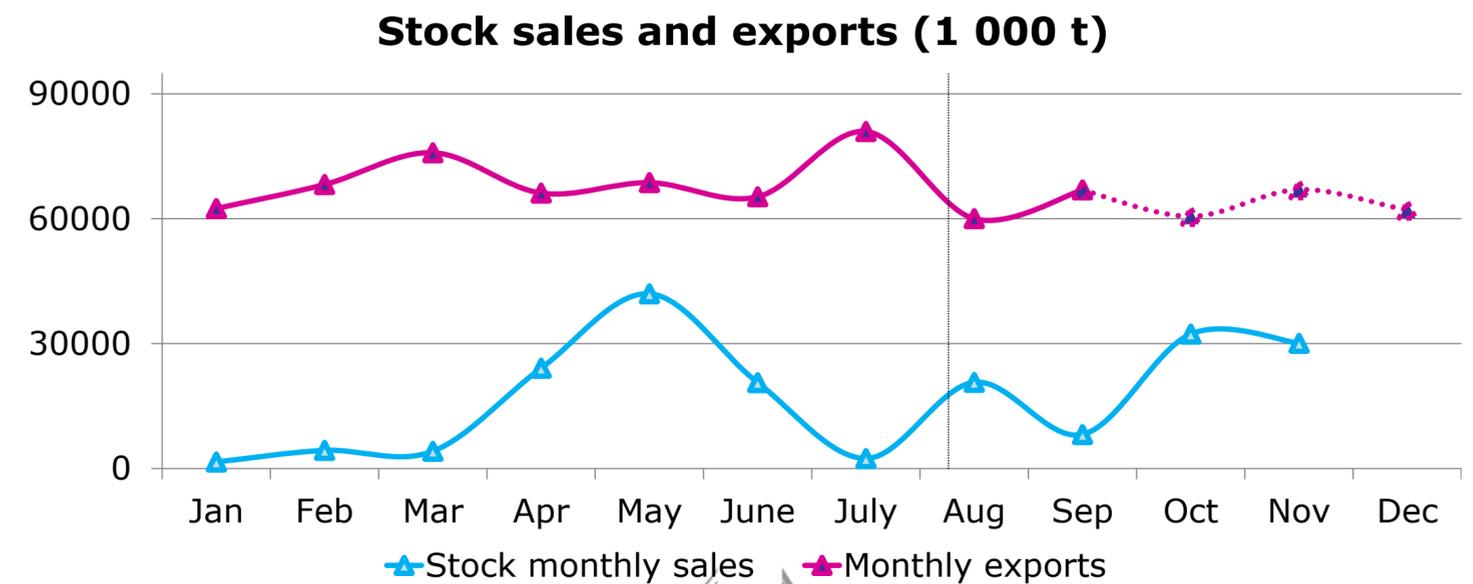
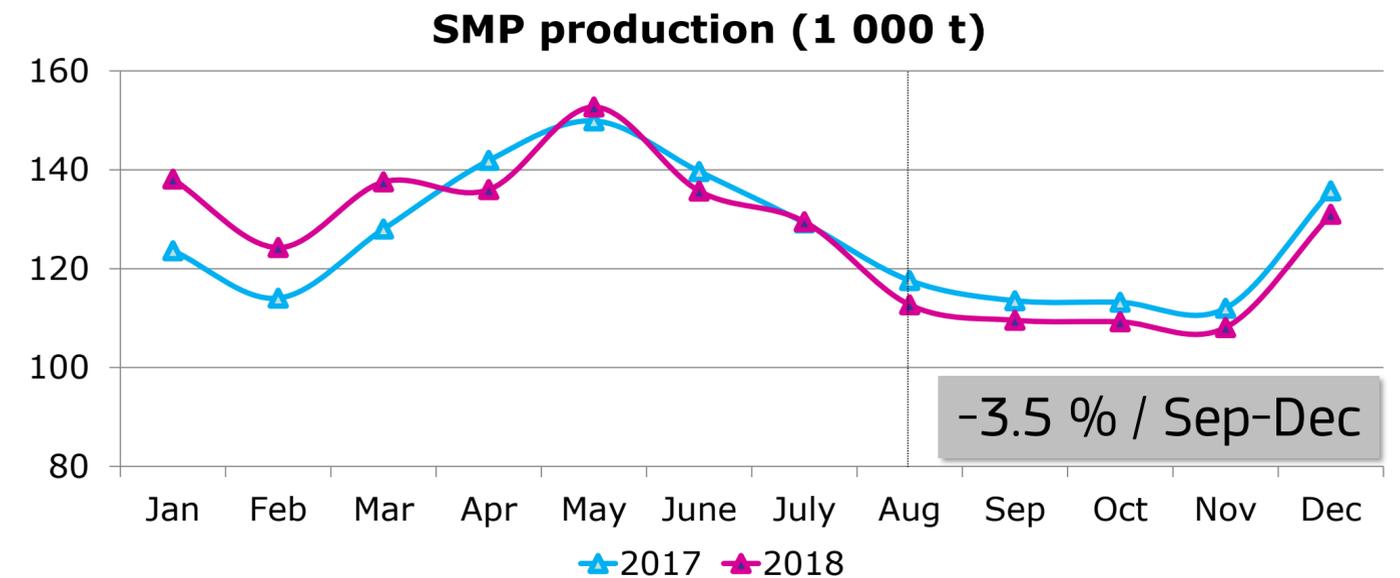
European
Commission

Agriculture and
Rural Development

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



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



European
Commission

Agriculture and
Rural Development

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

THE FUTURE OF FOOD AND FARMING
FOOD FOR THOUGHT

Registration

The screenshot shows the official website for the 2018 EU Agricultural Outlook conference. At the top, there are navigation tabs for 'Commission and its priorities' and 'Policies, information and services'. Below this is the European Commission logo. A breadcrumb trail indicates the path: Home > Events > The 2018 EU Agricultural Outlook conference. The main heading is 'The 2018 EU Agricultural Outlook conference', followed by the dates 'Thursday 6 - Friday 7 December' and the location 'Brussels, Belgium'. A large image features a landscape with a drone and a tablet displaying a field, with the text 'THE FUTURE OF FOOD AND FARMING' and 'FOOD FOR THOUGHT'. A 'Registration' button is highlighted with a blue border and an arrow pointing to it.

Registration is **OPEN**

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**

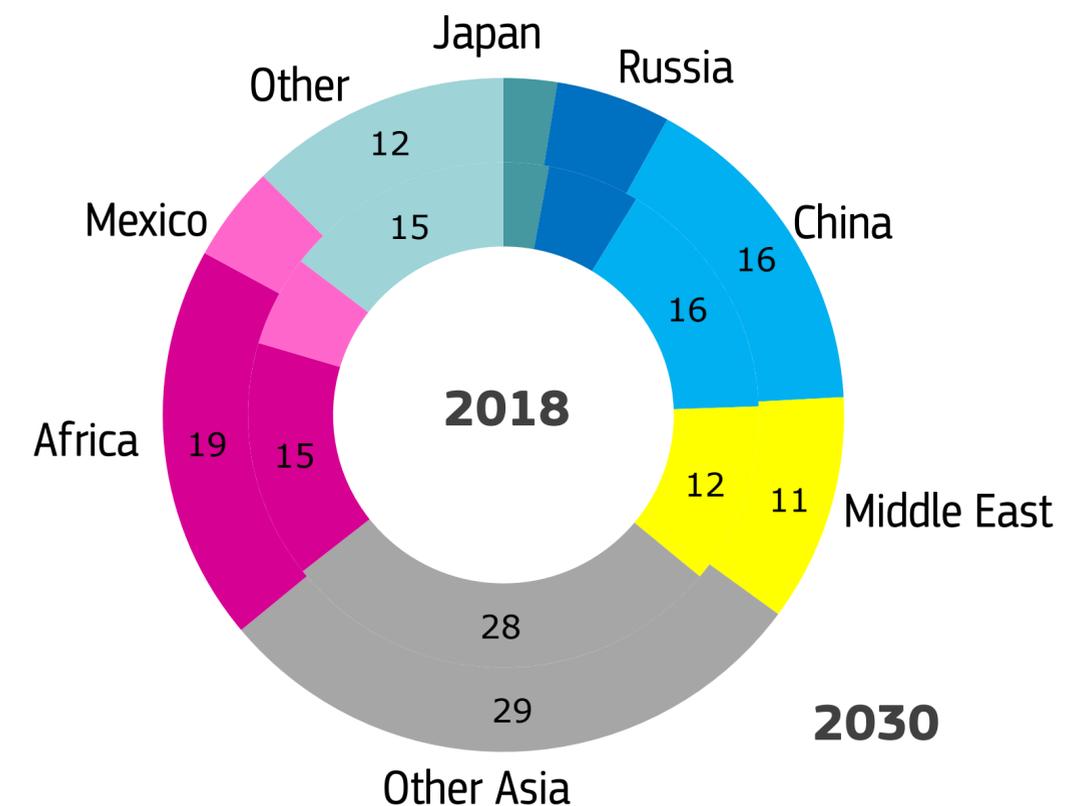
World import demand

... 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



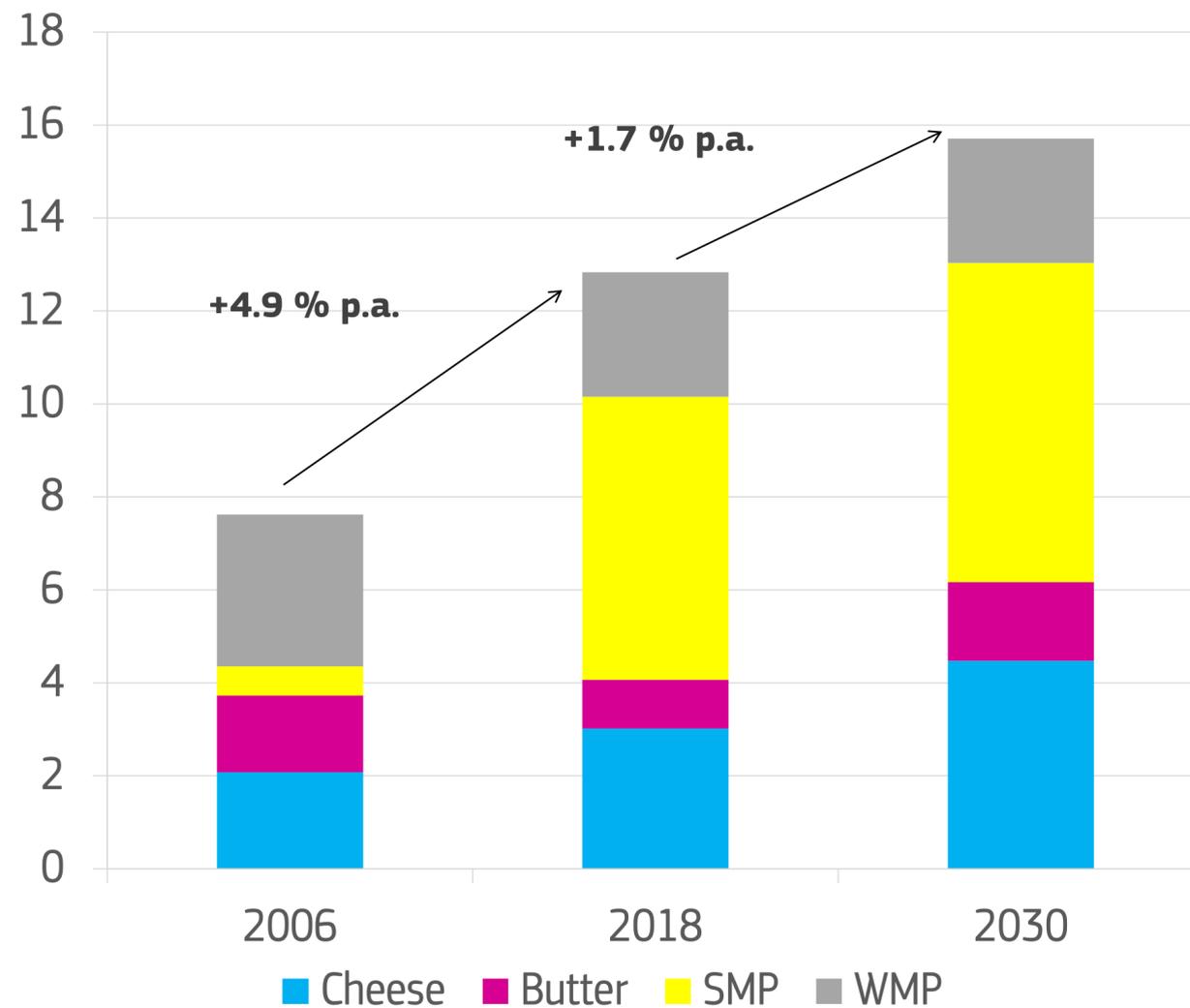
European
Commission

Agriculture and
Rural Development

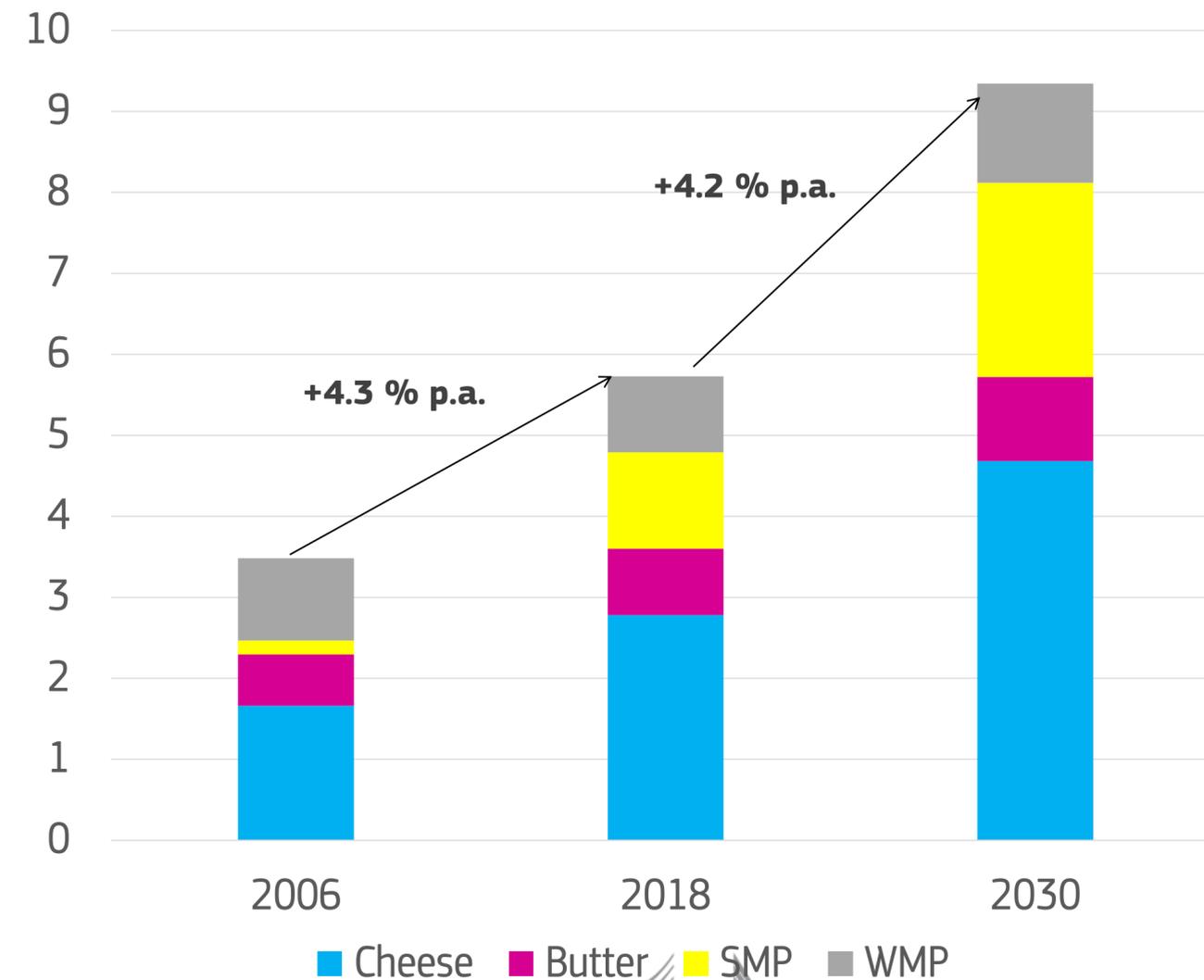
EU exports

... 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

Cheese

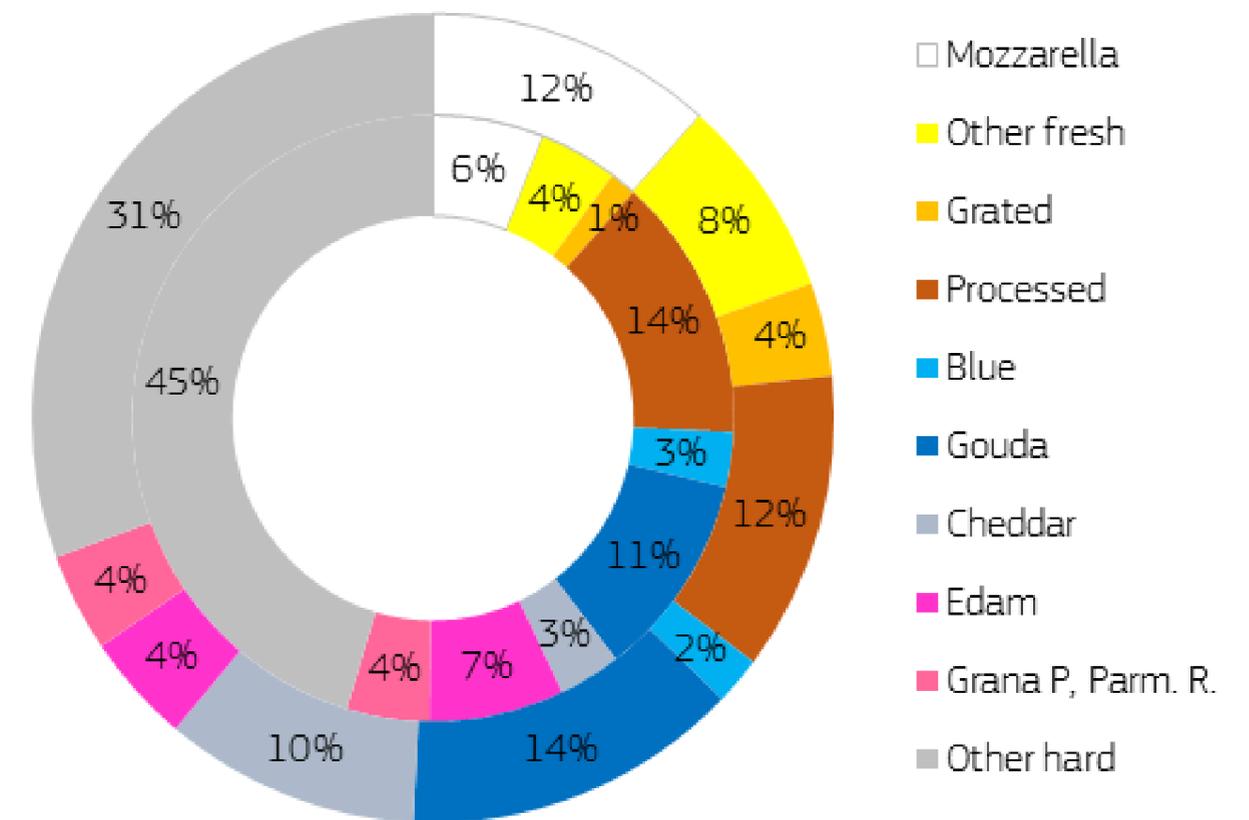
...the European asset, growing demand in all market segments

- 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)

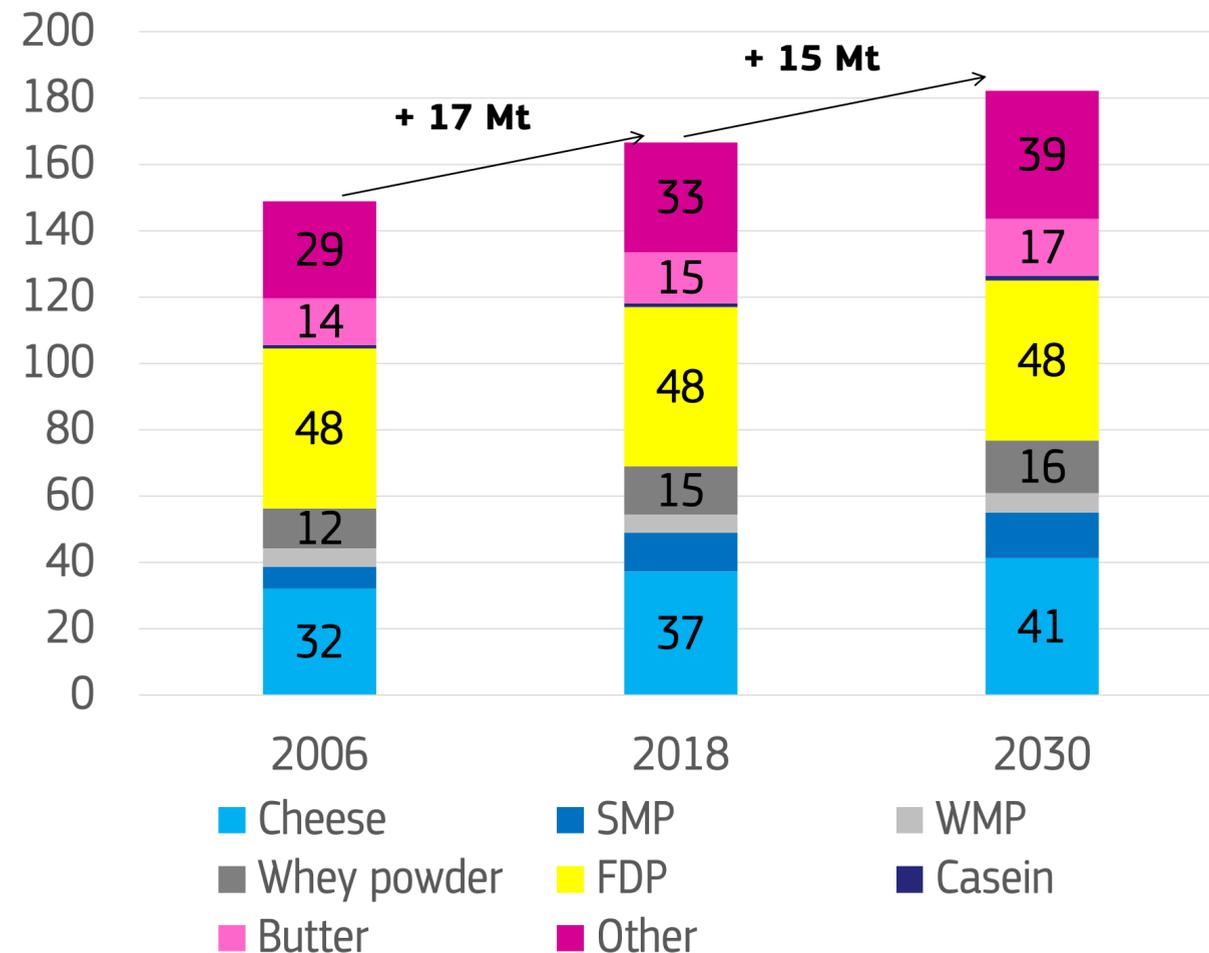


Source: DG Agriculture and Rural Development, based on COMEXT

Milk powders

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

EU production in Mt of milk equivalent



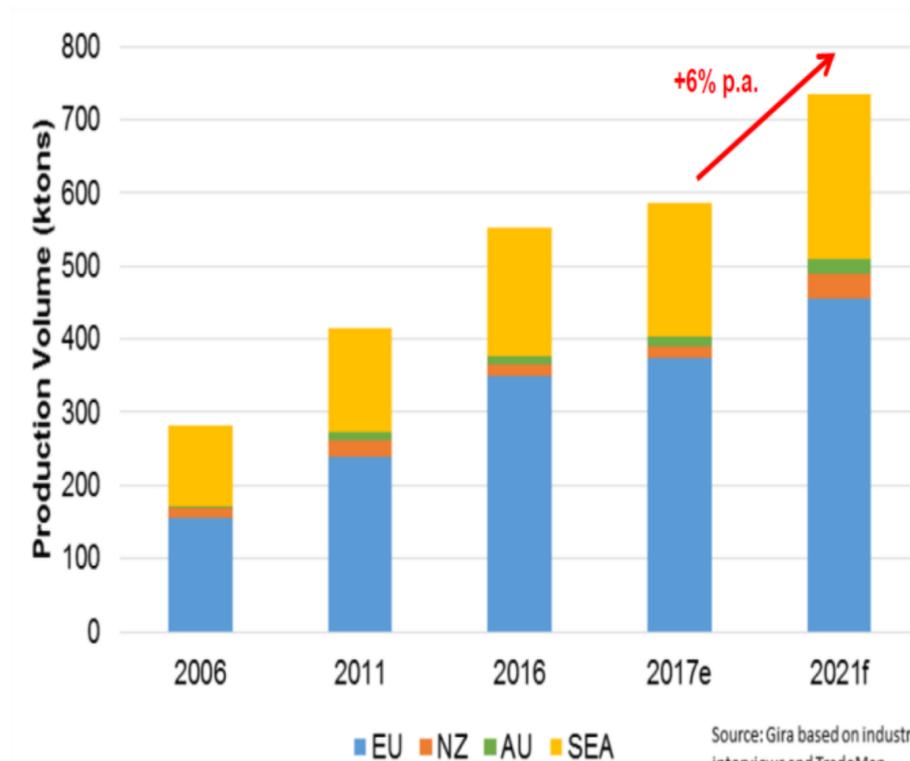
Source: DG Agriculture and Rural Development, based on OECD-FAO Agricultural Outlook

Global FFMP Production

Concentrated in SE Asia and Europe; strong growth possible



Global FFMP Production by Region, 2006-2021f



Source: Gira based on industry interviews and TradeMap



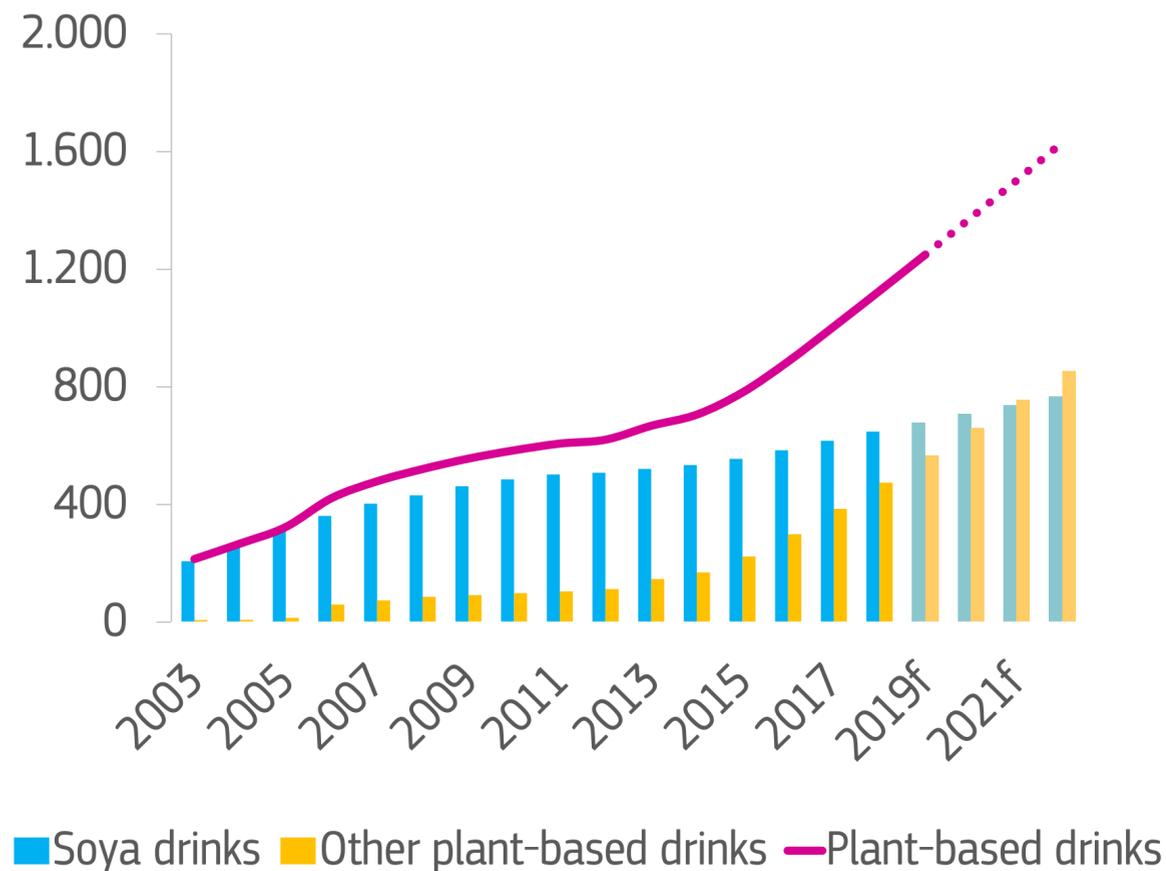
European Commission

Agriculture and Rural Development

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)



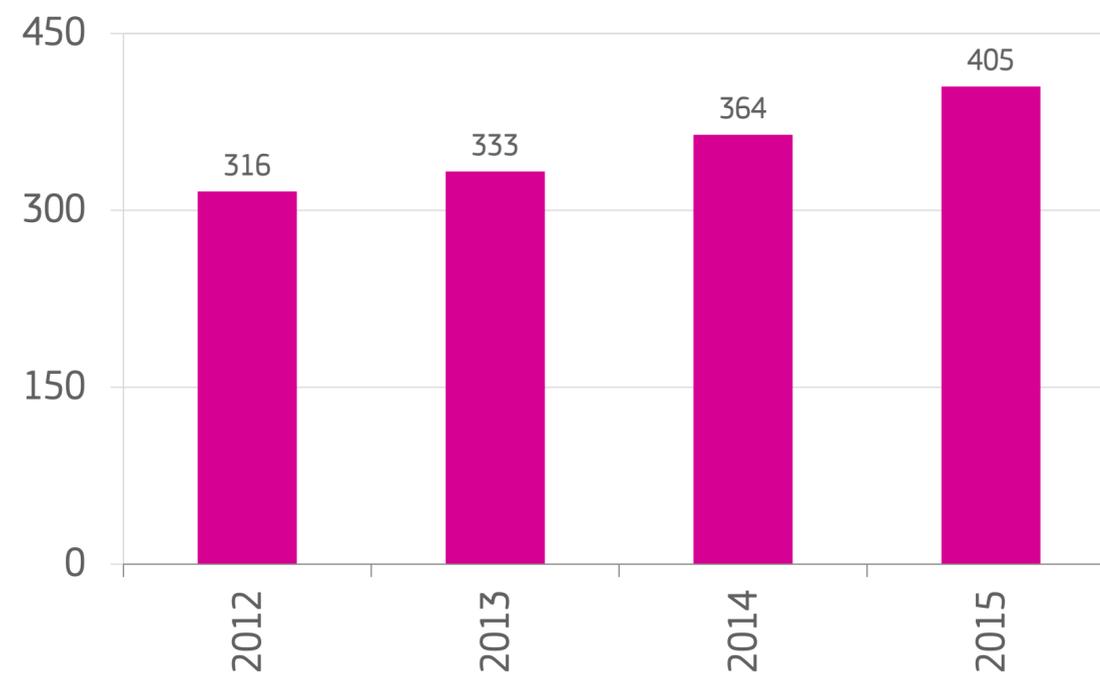
European
Commission

Agriculture and
Rural Development

Consumption trends

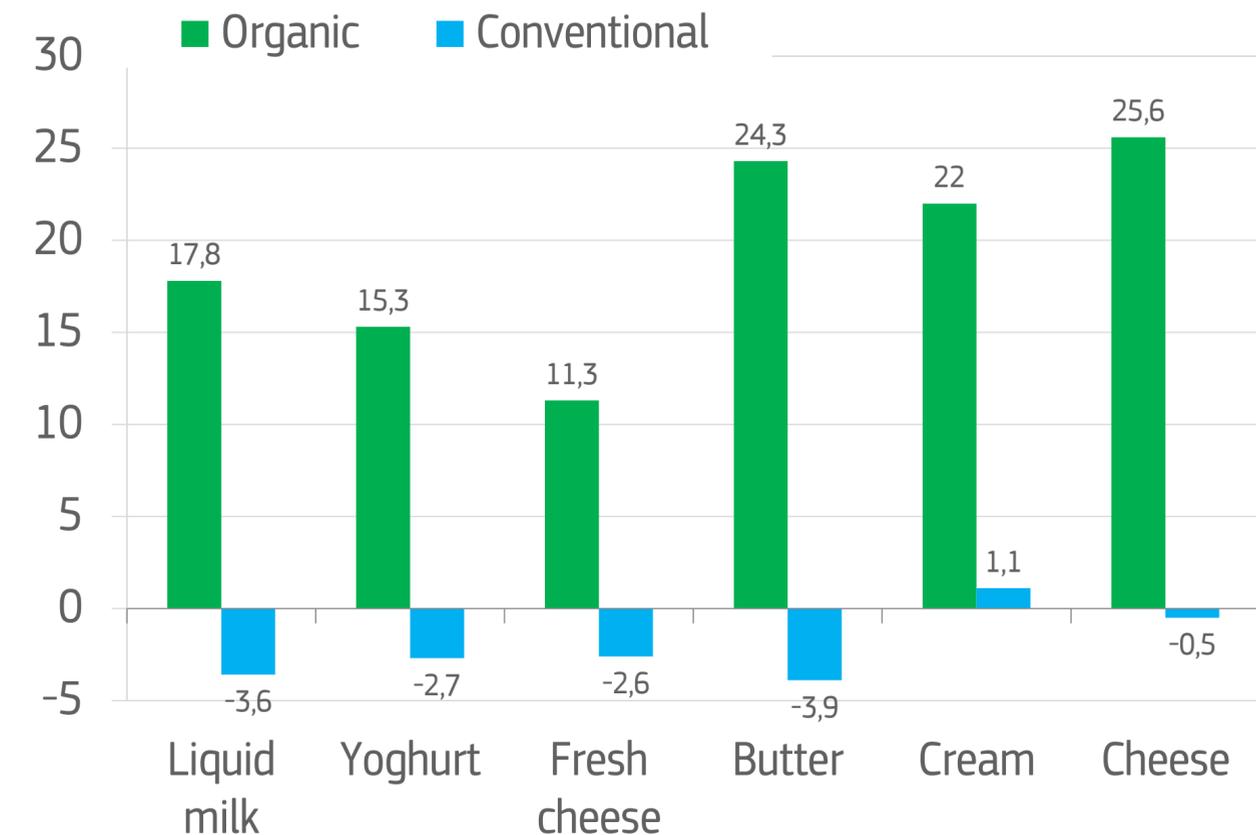
Increasing demand for organic

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

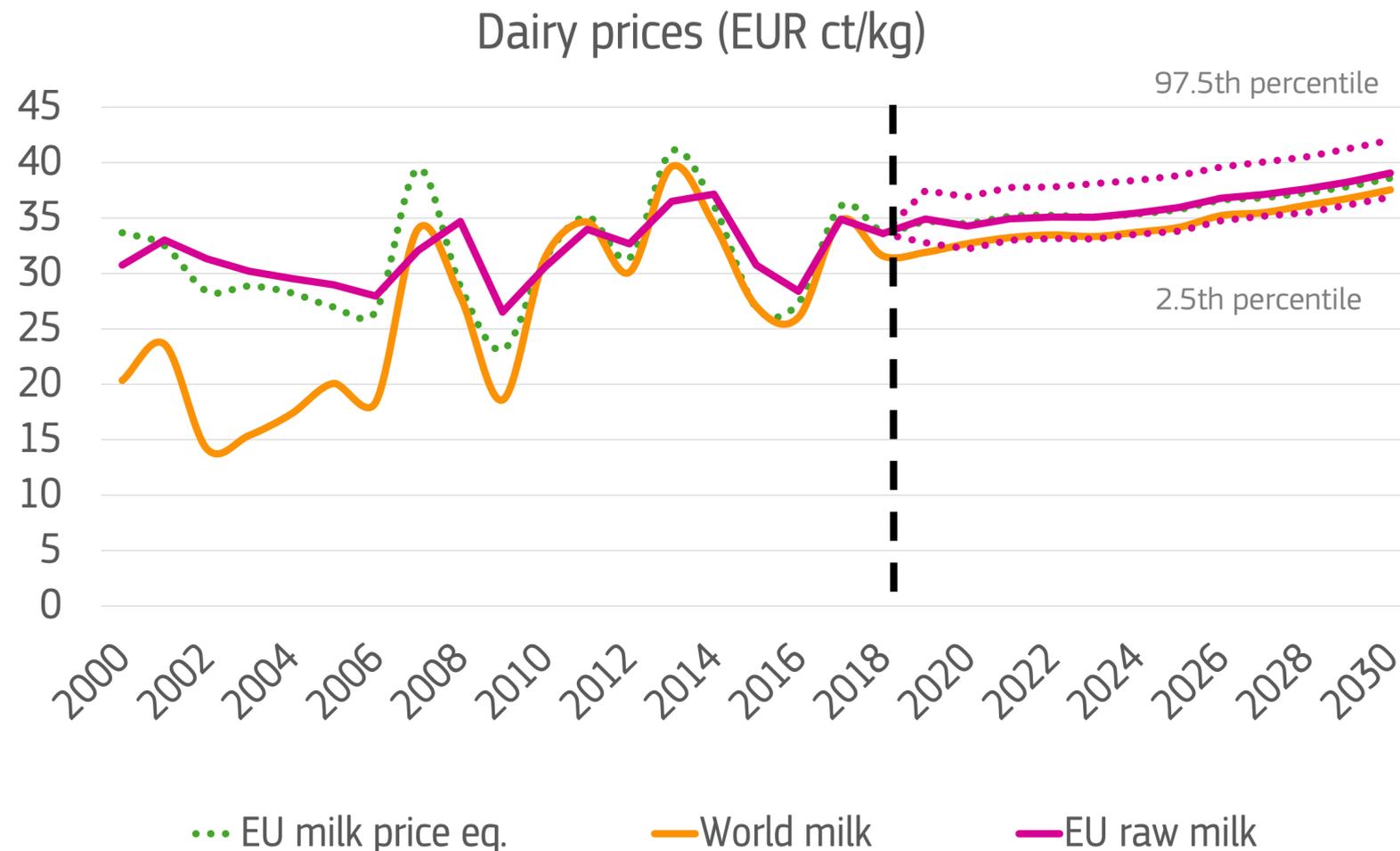
Consumption of organic versus conventional milk and dairy products in **France** (%)



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

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

Main drivers of dairy market development



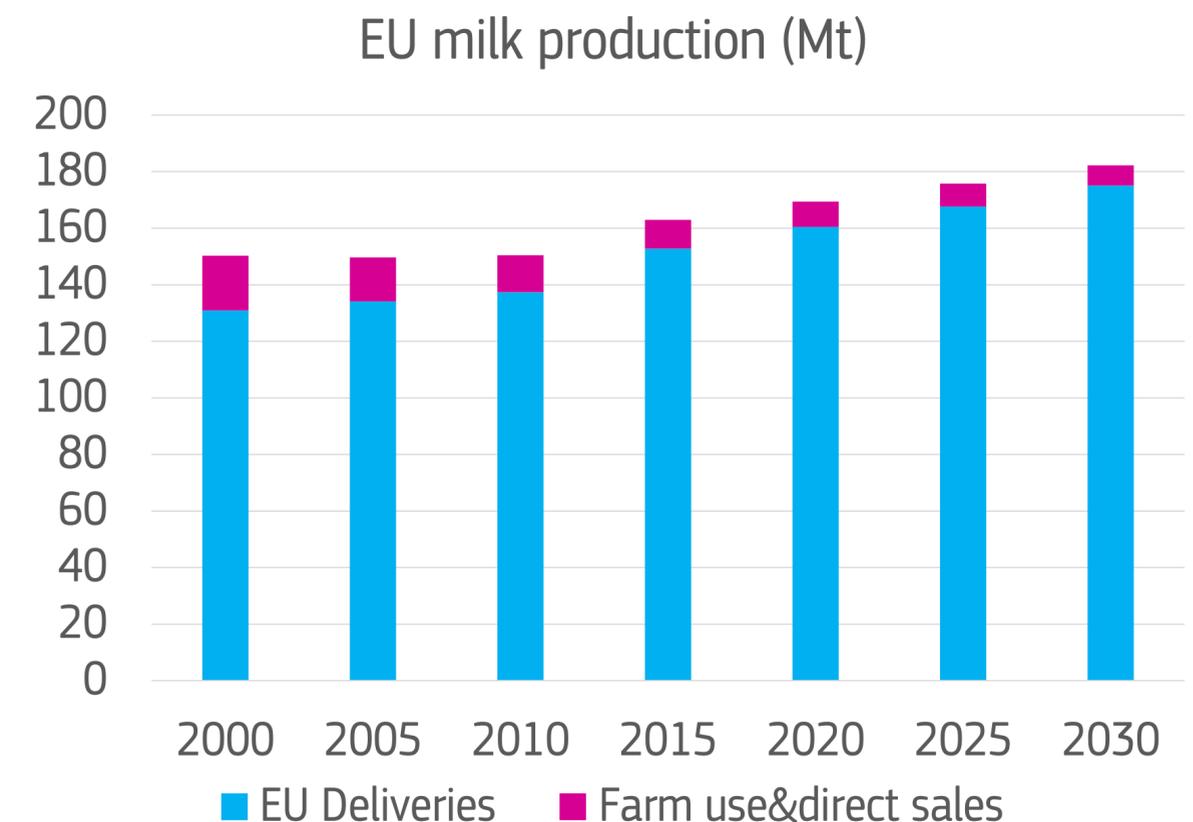
2. Sustainability and societal demands

- 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

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



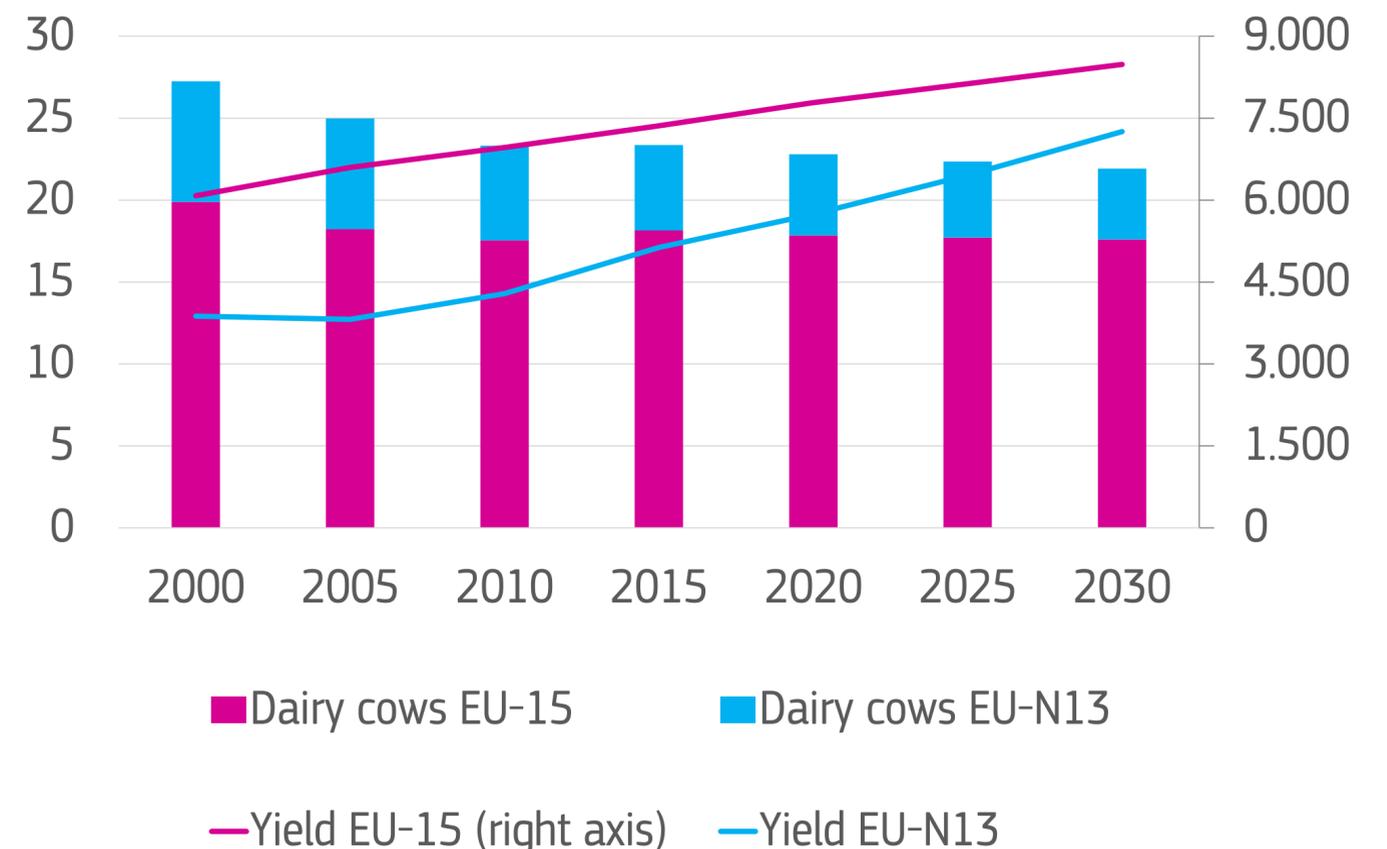
Source: DG Agriculture and Rural Development, based on OECD-FAO Agricultural Outlook

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)

EU cow number (M heads) and yield (kg/cow)



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

Markets briefs

https://ec.europa.eu/agriculture/markets-and-prices/market-briefs_en

Market observatories

https://ec.europa.eu/agriculture/market-observatory_en

CAP reform

https://ec.europa.eu/agriculture/future-cap_en