

EU dairy short-term outlook

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Unit Analysis and Outlook

Civil Dialogue Group – Milk

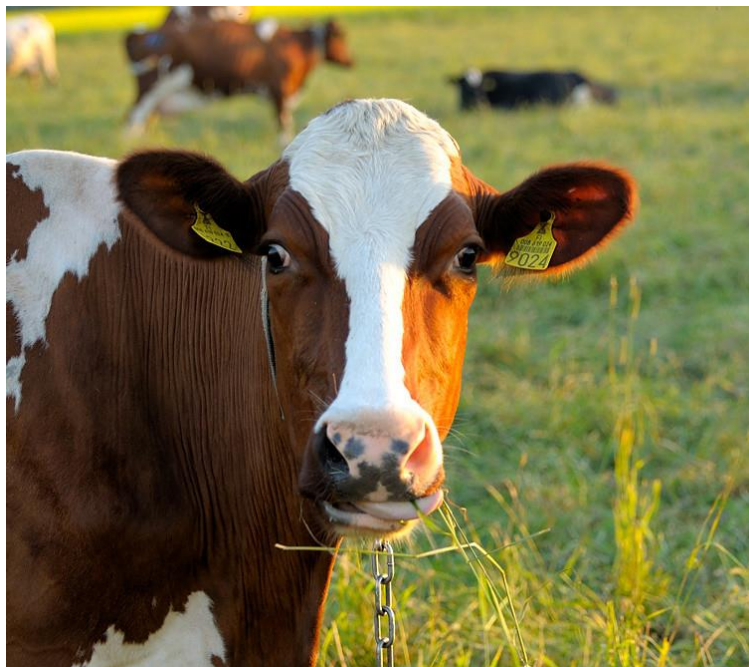
Brussels, 5 March 2020



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Outline

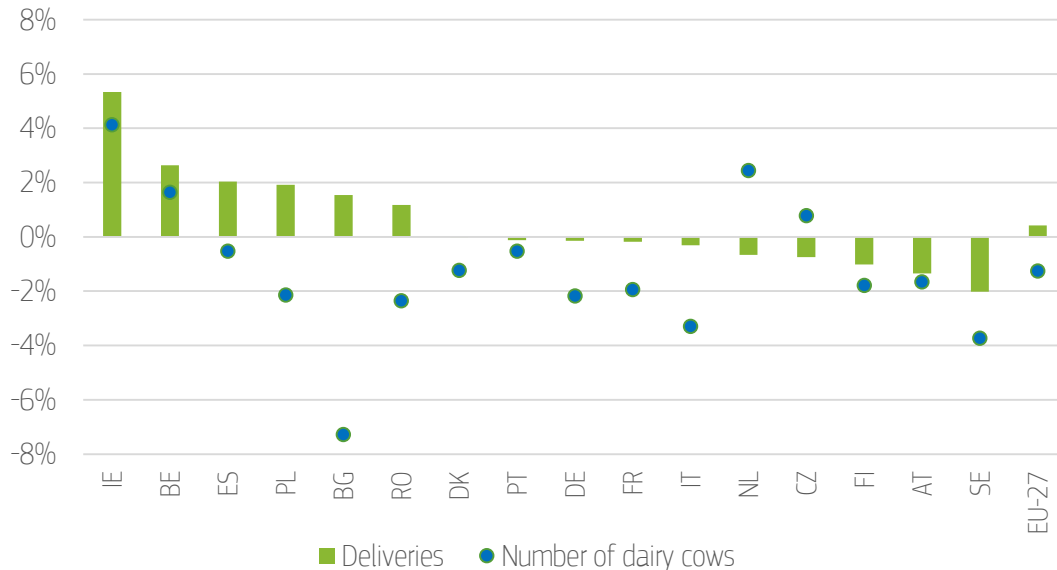


- **Dairy herd** development in 2019
- Milk **fat** and milk **protein**
- **Milk valorisation**
- Forecast of **2020 quarterly milk deliveries**
- Global **dairy market** in a nutshell

Dairy herd decline

Yield gains supporting growth of EU milk deliveries in 2019

Change in number of dairy cows and deliveries in 2019/2018



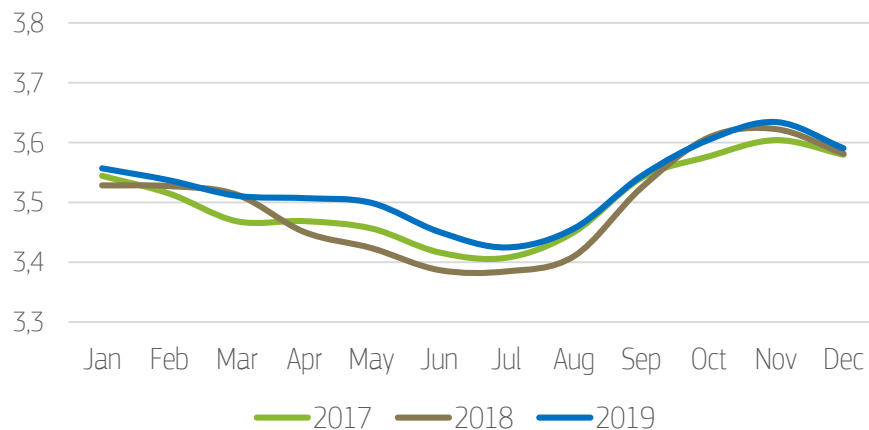
- EU-27 **dairy cows' herd** declined by **1.2%**
- **Heifers** older than 2 years declined by **3%**
- **Yield** increased by **1.8%** (+2.7% in 2018/17)

Source: DG Agriculture and Rural Development, based on Eurostat.

Milk fat and milk protein content increasing

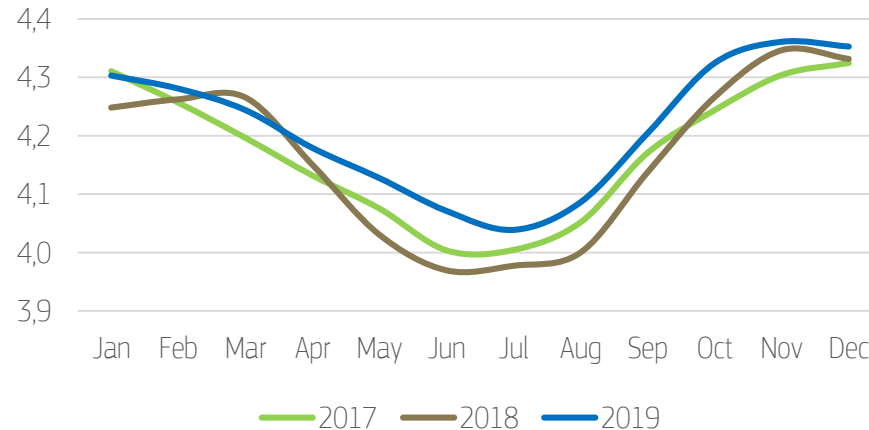
Leading to a sustained production of dairy products

EU-27 monthly milk protein content



- 3.5% of milk (+0.9%/2019)
- +1.2% milk protein available in 2019/2018

EU-27 monthly milk fat content

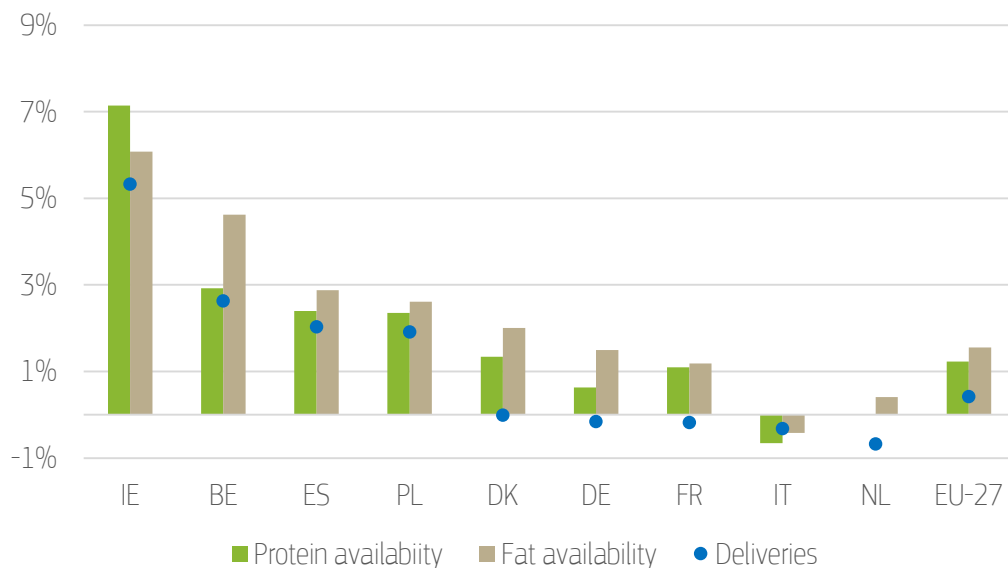


- 4.2% of milk (+1.2%/2019)
- +1.6% milk fat available in 2019/2018

Milk fat and milk protein content

Growth differentiated on MS level

Change in milk protein and fat availability relative to change in deliveries 2019/2018



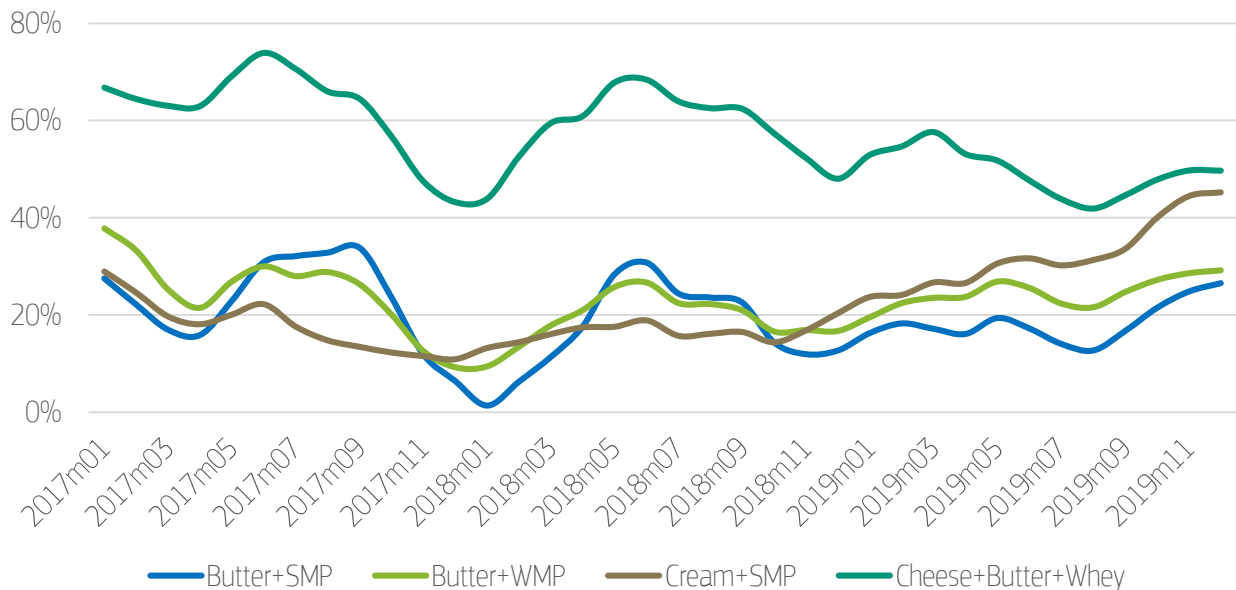
Source: DG Agriculture and Rural Development, based on Eurostat.



Milk valorisation

Cheese continues offering the best returns

Gross margins of combination of dairy products on milk price



Note: No processing and production costs are taken into account

Cream price is an average price of cream >29% milkfat in Poland (https://www.clal.it/en/index.php?section=panna_pol#grafico)

Source: DG Agriculture and Rural Development, based on MS notifications.



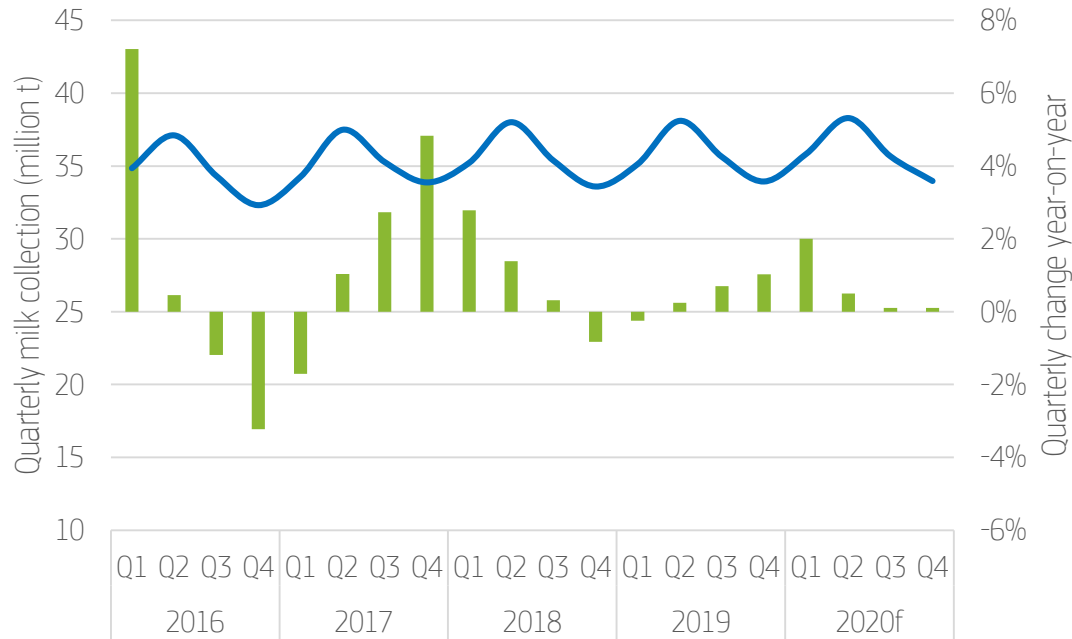
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2020 quarterly forecast of milk deliveries

EU-27 milk collection +0.67% / 2019

EU quarterly milk collection developments



Assuming:

- **Slowdown in herd decline** (-0.5%)
- **Yield** continues to **increase** (+1.1%)
- **Normal weather** conditions
- **Sustained demand** for dairy products

Global dairy market in a nutshell

Challenges and opportunities for the EU

WORLD MILK SUPPLY

- to increase **slightly**
(mainly in the US, less in NZ)

CORONAVIRUS

- transport/tourism/
foodservice/...
restrictions

US tariffs on Airbus

CHINESE DEMAND FOR MILK POWDERS

- High stocks as a result
of +23% SMP imports and
+29% WMP imports in
2019/2018

Possible **slowdown of
economic growth**

Japan market rising

Brexit – transition period
in 2020



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EU market developments in the short-term

Challenges and opportunities for the EU

Cheese:

- New **production capacities**
- **Stable returns**
- Solutions for **new diets**

Butter:

- Good prospects for **exports** (competitive price)
- **Production growth** to be seen through returns for other fat uses
- **Switch in recipes** not granted

Milk powders:

- **Low SMP stocks**
- **Higher SMP price**
- SMP used for FFP production (how much in 2020?)
- **WMP production drop** due to **lower exports**
- WMP production to be seen through returns for other fat uses

Fresh dairy products:

- **Drinking milk** on decline
- **Yogurts** declining as well → many alternatives exist
- But **new fresh dairy products** on rise (functional products)
- **Cream** on rise



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Keep in touch!

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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

An aerial photograph of a rural landscape featuring green fields, a brown plowed field, and a town in the distance. A magnifying glass is positioned in the lower-left corner, focusing on a small green seedling growing out of dark soil. The text "THANK YOU!" is overlaid in large white letters across the center of the image.

THANK YOU!

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