Recent developments in the world
World dairy production
(all categories included)

Geographic breakdown of world milk production in 2012 (million tonnes)

World total: 760 million tonnes

Europe 219
29%
EU-27 159
Russia 32
Ukraine 11
Belarus 7

Asia 282
37%
India 132
China 45
Pakistan 33
Turkey 17

Africa 39
5%
Sudan 8
Egypt 6
Kenya 4

North & Central America 99
13%
United States 90
Canada 8

Central America 17
2%
Mexico 11

South America 71
9%
Brazil 33
Argentina 12
Colombia 8

World average annual growth rate
+ 2.4%

World total: + 84 million tonnes

FAO Food Outlook November 2012, IDF-OCANZ for NZ
Growth dynamics in main dairy producing countries (1/2)

USA
- + 1.7% / year
- Million tonnes
- 70 80 90 100
- 05 06 07 08 09 10 11(e) 12(p)
- USA
- Million tonnes
- 140 150 160
- 05 06 07 08 09 10 11(e) 12(p)
- EU 25, 27
- Million tonnes
- 147 146 152 154 153 155 158 159
- 05 06 07 08 09 10 11(e) 12(p)
- USA
- Million tonnes
- 10 14 18 22
- 05 06 07 08 09 10 11(e) 12(p)
- New Zealand
- Million tonnes
- 25 30 35 40
- 05 06 07 08 09 10 11(e) 12(p)
- New Zealand
- Million tonnes
- 15.6 17.0 17.1 18.9 20.4
- 05 06 07 08 09 10 11(e) 12(p)
- New Zealand

CNIEL / FAO Food Outlook
Growth dynamics in main dairy producing countries – rolling 12 month basis

Geographical variations of dairy product consumption

Apparent dairy product consumption levels in 2012 (kg per capita)
**Geographical variations of dairy product consumption**

Apparent per capita consumption (kg – in milk equivalent)

<table>
<thead>
<tr>
<th>Region</th>
<th>2006</th>
<th>2012</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>101</td>
<td>108</td>
<td>+7</td>
</tr>
<tr>
<td>Asia</td>
<td>61</td>
<td>71</td>
<td>+16</td>
</tr>
<tr>
<td>Africa</td>
<td>42</td>
<td>48</td>
<td>+14</td>
</tr>
<tr>
<td>Latin America</td>
<td>129</td>
<td>151</td>
<td>+17</td>
</tr>
<tr>
<td>Russia + Ukraine + Belarus</td>
<td>253</td>
<td>255</td>
<td>+1</td>
</tr>
<tr>
<td>EU + North America + Australia + New Zealand</td>
<td>290</td>
<td>284</td>
<td>-2</td>
</tr>
</tbody>
</table>

**Income and dairy consumption in the BRIC countries**

**China**

![China GNP and Dairy Product Consumption](image)

**India**

![India GNP and Dairy Product Consumption](image)

**Brazil**

![Brazil GNP and Dairy Product Consumption](image)

**Russia**

![Russia GNP and Dairy Product Consumption](image)

NB: Human consumption of dairy products, butter excluded, in milk equivalent; losses and dairy used as animal feed excluded.

CNIEL / IDF, FAO Food Outlook, PRB
Demand is sustained on main markets

Recent import tendencies on substantial markets

*Russian imports do not account for volumes originating from Belarus
NB: Evolution of imports based on volume

CNIEL / Ubifrance, national customs

Presence on the world market

Recent export tendencies among major suppliers of the world market

NB: Evolution of exports on a volume basis

CNIEL / USDA, Dairy Australia, Commission, ZMB, Ubifrance, national customs
Global dairy product trade

Global trade structuration of Dairy Products in 2012*
(in milk equivalent – FAO methodology)

53 million tonnes
7% of global production

Main supplying countries (%)
- New Zealand: 32
- European Union: 24
- United States: 10
- Australia: 6
- Argentina: 4
- Belarus: 4

Top 2: 56 %
Top 5: 76 %

Main markets (%)
- China: 12
- Russia: 6
- Saudi Arabia: 6
- Mexico: 5
- Algeria: 5
- Indonesia: 3

Top 2: 18 %
Top 5: 34 %

World market prices booming

FOB price in Oceania US$ 1,000 / tonne up until April 2013

CNIEL / USDA
Farmgate milk prices throughout the world…

Farmgate milk prices throughout the world…

Absorbed by high input prices

NB: fat and protein content references differ from one country to another.

CNIEL, Alimentos argentinos, ZMB, USDA, China Dairy

...Absorbed by high input prices

CNIEL, Alimentos argentinos, ZMB, USDA, China Dairy
European Markets
Cow’s milk deliveries

- More than 15 million tonnes
- 5 to 15
- 1 to 5
- Less than 1

Year 2012: Total EU 27: 140.7 million tonnes

Cniel / Eurostat, ZMB

Ireland, Germany, Netherlands & France most dynamic countries

- Evolution of milk deliveries between 2007 and 2012

Strong ambition to grow:

**Ireland** (+ 50% between 2010 and 2020)
**Germany** (+ 10 Mt within 10-15 years)
**The Netherlands** (+ 1 Mt after the end of quotas for FrieslandCampina)
**Austria** (+ 25% after the end of quotas)

Cniel / Eurostat, ZMB
Quota utilisation

Ireland, the Netherlands and Germany are for now limited by quotas. France is reacting (or used to react) differently.

Under-use and excess of milk quotas in Europe

Situation by member state in 2011/12

- Excess
- Significant under-use (<3%)
- Limited under-use (<3%)
- Considerable under-use (>6%)

Overall under-use 4.7%
Amplified volatility on global markets finds its way to European internal markets

![Graphs showing butter and SMP prices](image)

Note: European quotations measured in France

CNIEL / FranceAgriMer, ZMB

Implementation of the Milk Package


- **Main aspects:**
  - **Contractual relations** between a milk producer and his client can be specified in writing
  - Negotiating power: possibility to create **Producers Organisations** (or PO Associations) with or without transfer of ownership – no change for existing cooperatives which keep their status
    - Max. size: 3.5% of EU milk i.e. 5 billion litres
    - POs must be declared to the Member State
  - **Transparency**: processors must declare to the Member State the collected volumes each month
  - **Inter-branch organisations** (IBO) can be recognised by Member States
  - **PDO/PGI cheese supply** regulation allowed
A greener CAP
- 30% of subsidies linked with environmental measures

A fairer subsidy distribution
- Single payment per hectare per member state
- Capping of payments per farm
- Targeting of support to active farmers only
- More funds for young farmers and small producers

More competitiveness to guarantee food security
- Emergency measures in case of a crisis: intervention, mutual funds

Rural development support jointly funded by the Community and Member States

Simpler procedures

Evolution of CAP expenditure (1980 – 2020)

Notes:
- 2011 = Budget; 2012 = Budget prévisionnel;
- 2013 = Sous plafonds FEAGA pour paiements direct et dépenses de soutien des marchés + engagements pilier 2.
- Les montants de développement clips 2013 inclus la modulation volontaire UK et Article 136 “montants non dépensés”.
- Comme ceux-ci s’arrêtent fin 2013, les montants correspondants sont intégrés dans les aides directes à partir de 2014.

DG AGRI
CONCLUSION

- Dairy Europe and its multiple faces
- A region present on the global market showing a potential for growth...
- ...but facing a number of uncertainties:
  - A new volatility,
  - The end of the quotas,
  - Reform of dairy policies with different impacts according to the zones