Annual National Workshop for Dairy Economists and Policy Analysts

Session II: International Markets and Policy

Developments and Status of European Dairy Markets

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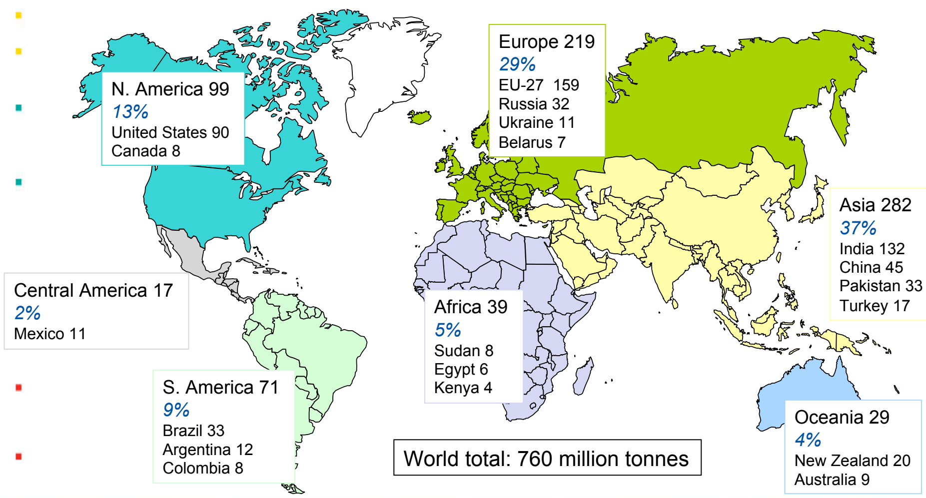
Boston, May 13 & 14 2013

Recent developments in the world

World dairy production

(all categories included)

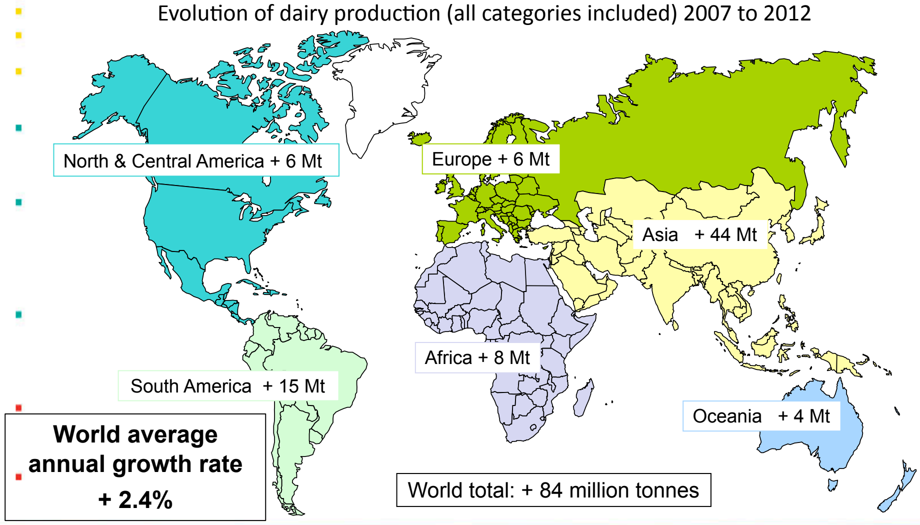
Geographic breakdown of world milk production in 2012 (million tonnes)



FAO Food Outlook November 2012, IDF-DCANZ for NZ

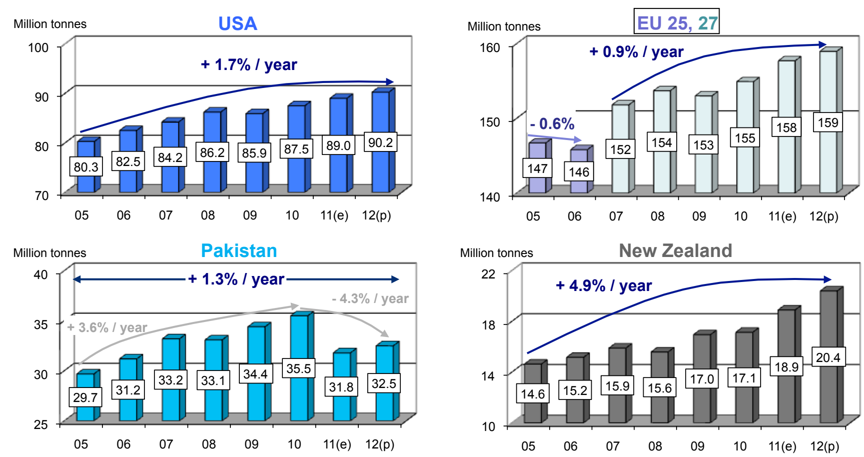
Asia still biggest contributor to milk output increase

Evolution of dairy production (all categories included) 2007 to 2012



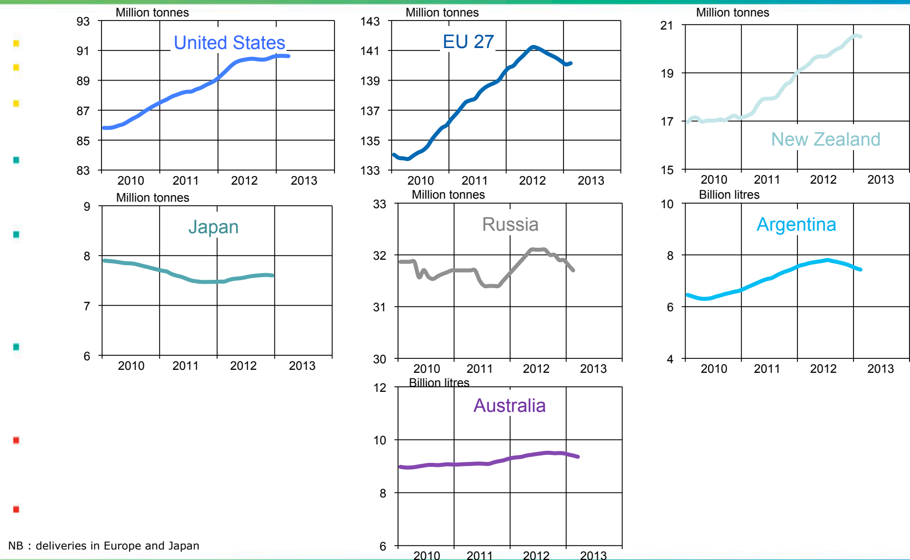
CNIEL / IDF, FAO Food Outlook Mt: million tonnes

Growth dynamics in main dairy producing countries (1/2)



CNIEL / FAO Food Outlook

Growth dynamics in main dairy producing countries – rolling 12 month basis

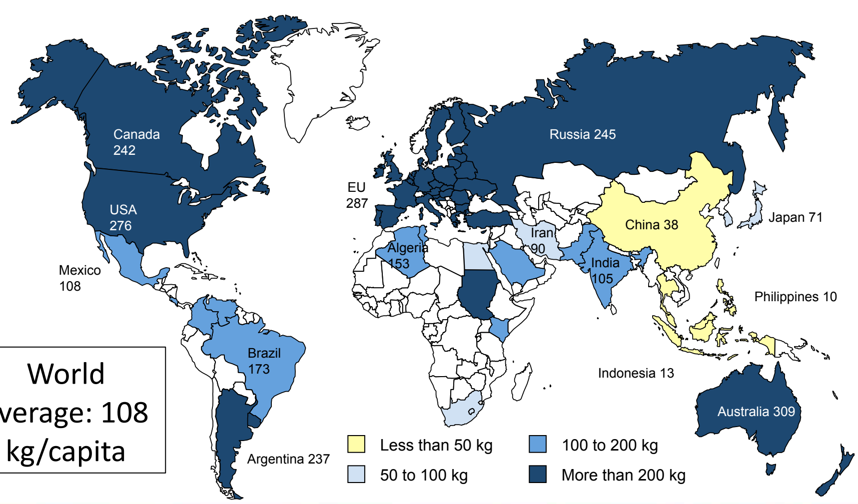


NB : deliveries in Europe and Japan

CNIEL / USDA, ZMB, PZ, Alimentos argentinos, DCANZ, Dairy Australia

Geographical variations of dairy product consumption

Apparent dairy product consumption levels in 2012 (kg per capita)



World average: 108 kg/capita

CNIEL / IDF, FAO Food Outlook, PRB

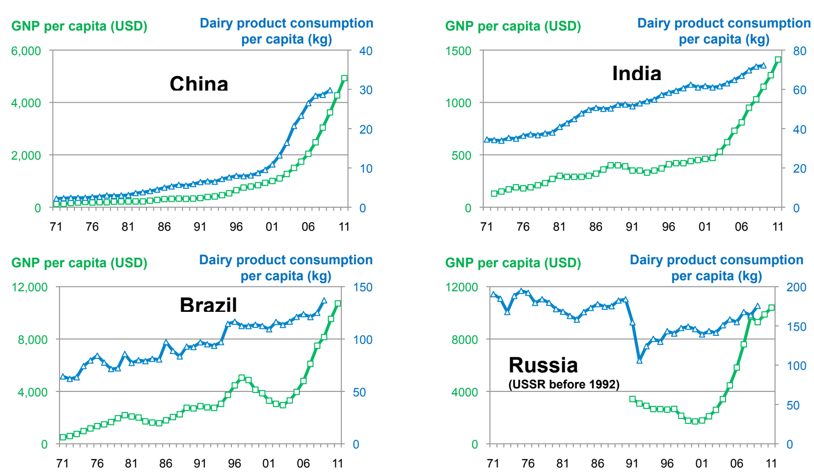
Geographical variations of dairy product consumption

Apparent per capita consumption (kg – in milk equivalent)

	2006	2012	%
World	101	108	+7
Asia	61	71	+16
Africa	42	48	+14
Latin America	129	151	+17
Russia + Ukraine + Belarus	253	255	+1
EU + North America + Australia + New Zealand	290	284	-2

CNIEL / IDF, FAO Food Outlook, PRB

Income and dairy consumption in the BRIC countries

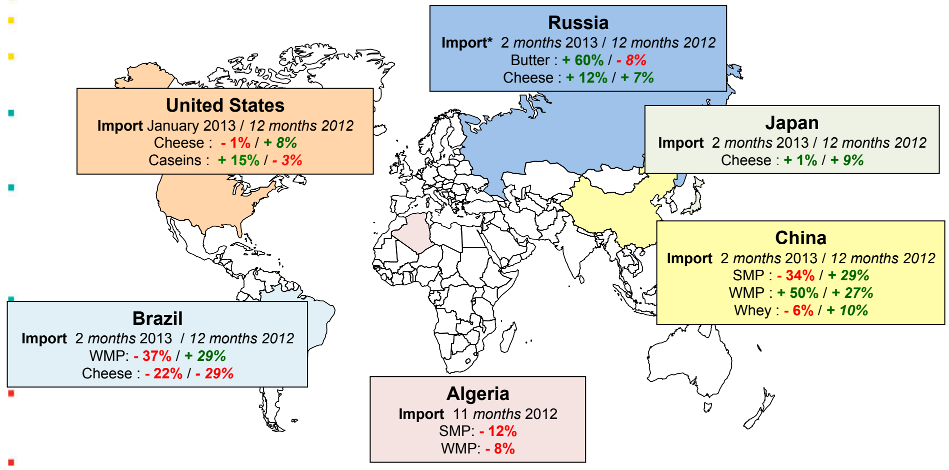


NB : Human consumption of dairy products, butter excluded, in milk equivalent ; losses and dairy used as animal feed excluded.

CNIEL / FAOSTAT, FMI

Demand is sustained on main markets

Recent import tendencies on substantial markets

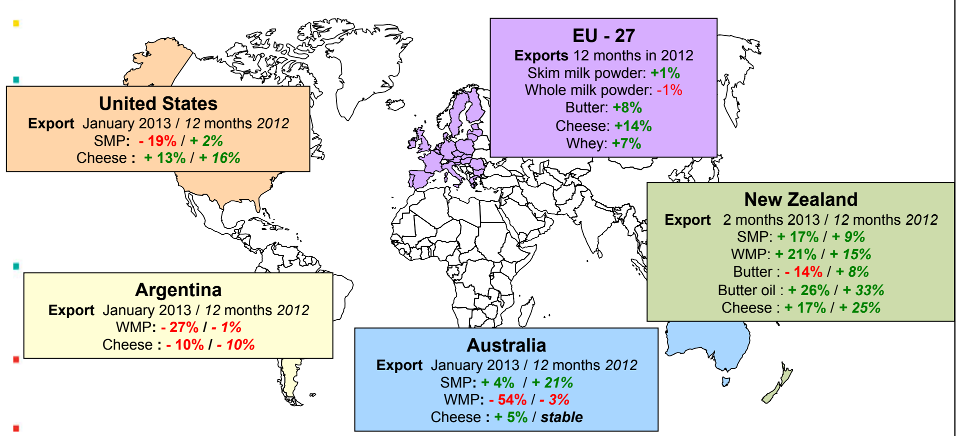


*Russian imports do not account for volumes originating from Belarus
NB: Evolution of imports based on volume

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

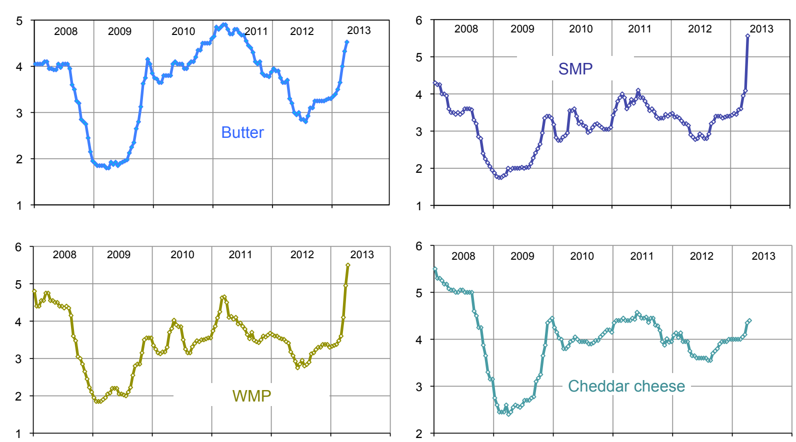
Top 2 : 18 %
Top 5 : 34 %

* Except intra-EU trade

CNIEL / FAO

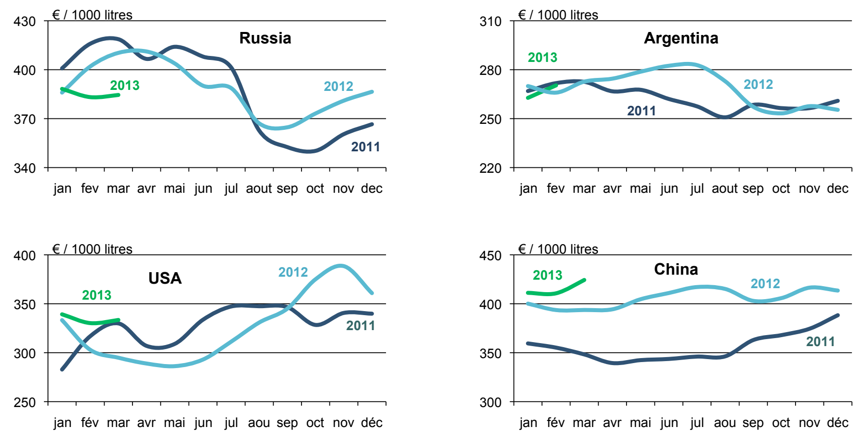
World market prices booming

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



CNIEL / USDA

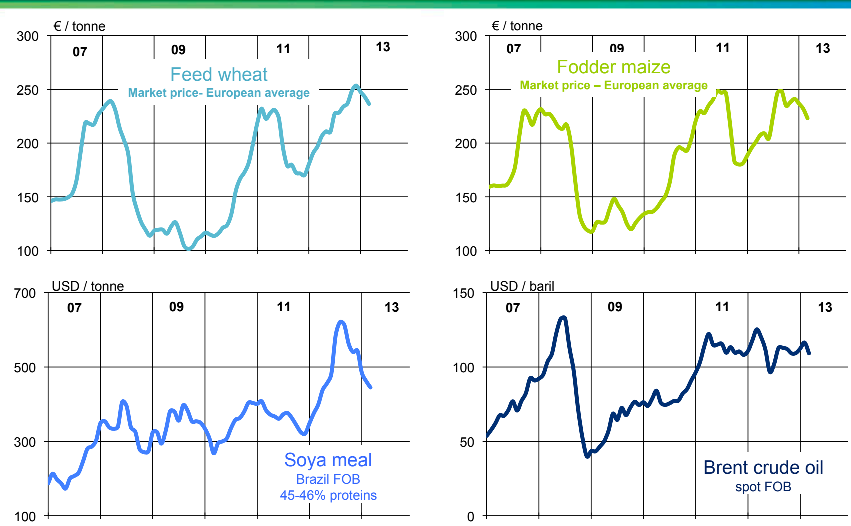
Farmgate milk prices throughout the world…



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

CNIEL, Alimentos argentinos, ZMB, USDA, China Dairy

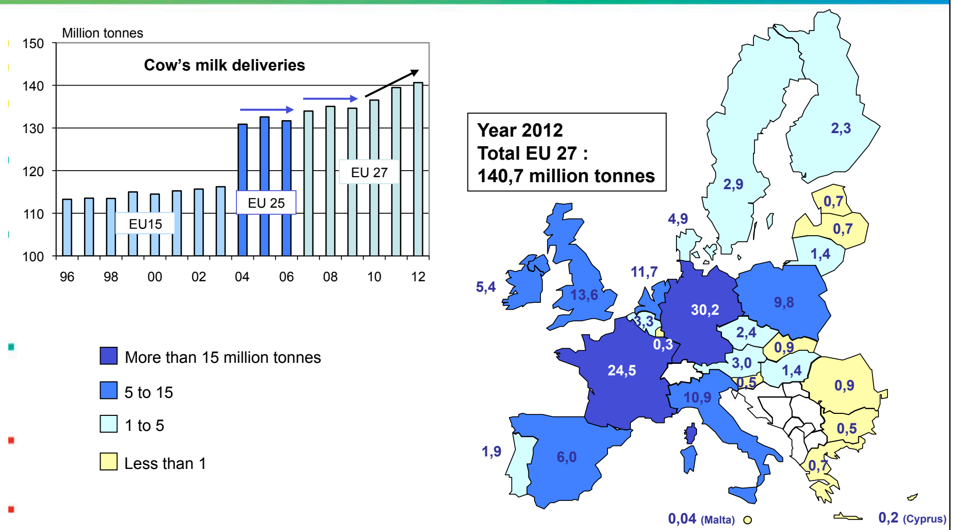
…Absorbed by high input prices



Eurostat, USDA, CLAL

European Markets

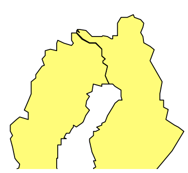
Cow's milk deliveries



Cniel / Eurostat, ZMB

Ireland, Germany, Netherlands & France most dynamic countries

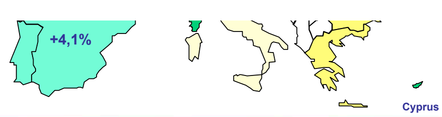
Evolution of milk deliveries between 2007 and 2012



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)
….

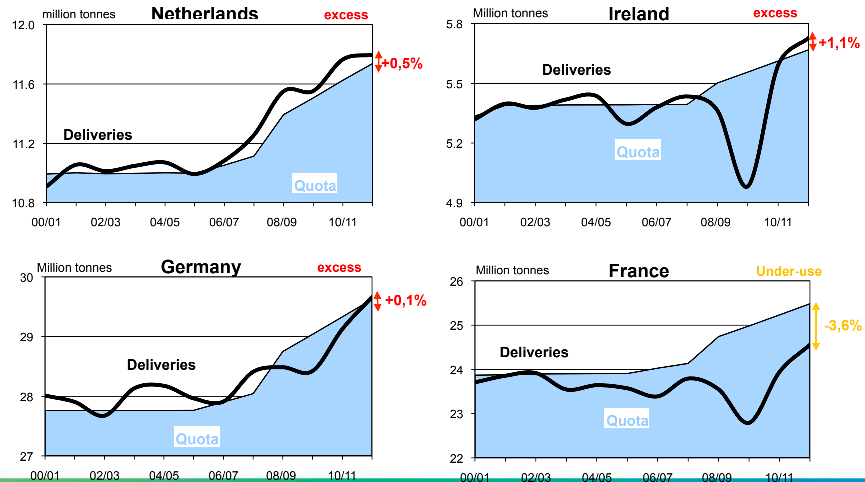
Strong progress (> 5%)
Moderate progress (0 to 5%)
Moderate decline (0 to -5%)
Strong decline (< -5%)



Cniel / Eurostat, ZMB

Quota utilisation

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



Cniel / European Commission

Under-use and excess of milk quotas in Europe

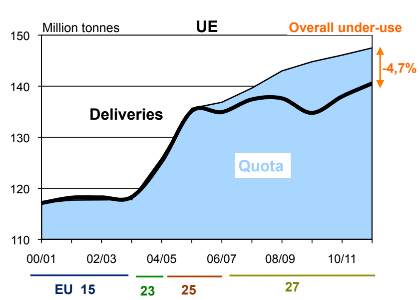
Situation by member state in 2011/12

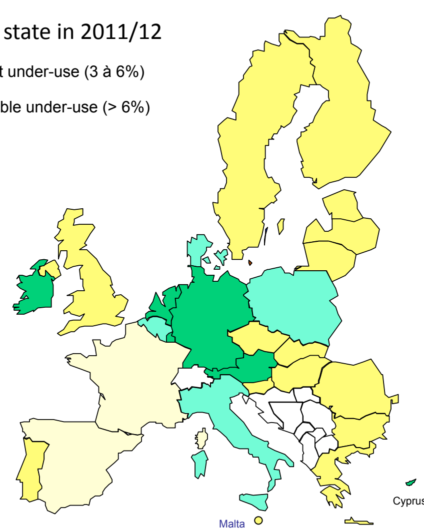
Excess

Limited under-use (< 3%)

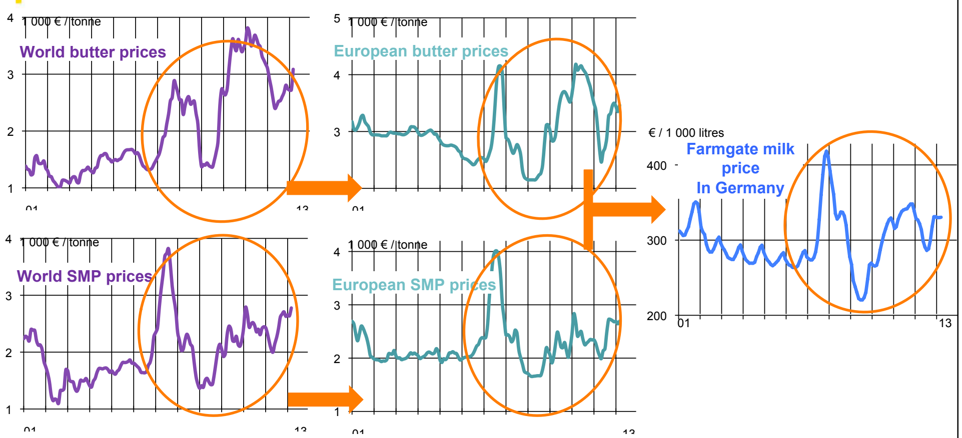
Significant under-use (3 à 6%)

Considerable under-use (> 6%)





Amplified volatility on global markets finds its way to European internal markets



NB : European quotations measured in France

CNIEL / FranceAgriMer, ZMB

Implementation of the Milk Package

⇨ **Milk Package** Reg. 1234/2007 (Single CMO) as amended by European Parliament Reg. 261/2012 with a specific part on « milk and dairy products ». Adopted 14th March 2012 – application 2nd April 2012 until 2020

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

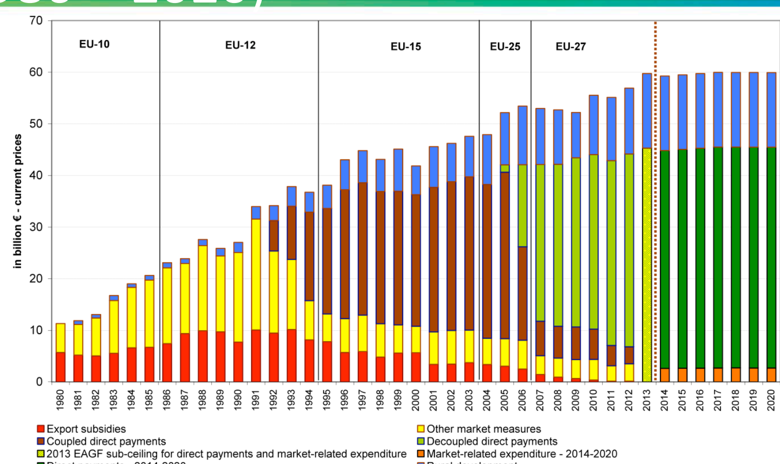
⇨ **Inter-branch organisations** (IBO) can be recognised by Member States

⇨ **PDO/PGI cheese supply** regulation allowed

CAP reshaping process 2013-2020

- ⇨ **A greener CAP**
  - 30% of subsidies linked with environmental measures
- ⇨ **A fairer subsidy distribution**
  - Single payment per hectare per member state
  - Moderate rebalancing of national envelopes
  - 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 développement rural 2013 inclus la modulation volontaire UK et Article 136 “montants non dépensés”.
Comme ceux-ci s’arrêtent fin 2013, les montants correspondant 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