


European Commission

Dairy Outlook 2017-2030

Preliminary results

Dairy forum Estonia

Rakvere, 07.11.2017

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European Commission

Agriculture and Rural Development

Outline

- Foreword
- Summary of 2017 forecasts
- 2030 Outlook
  - Demand
  - Supply

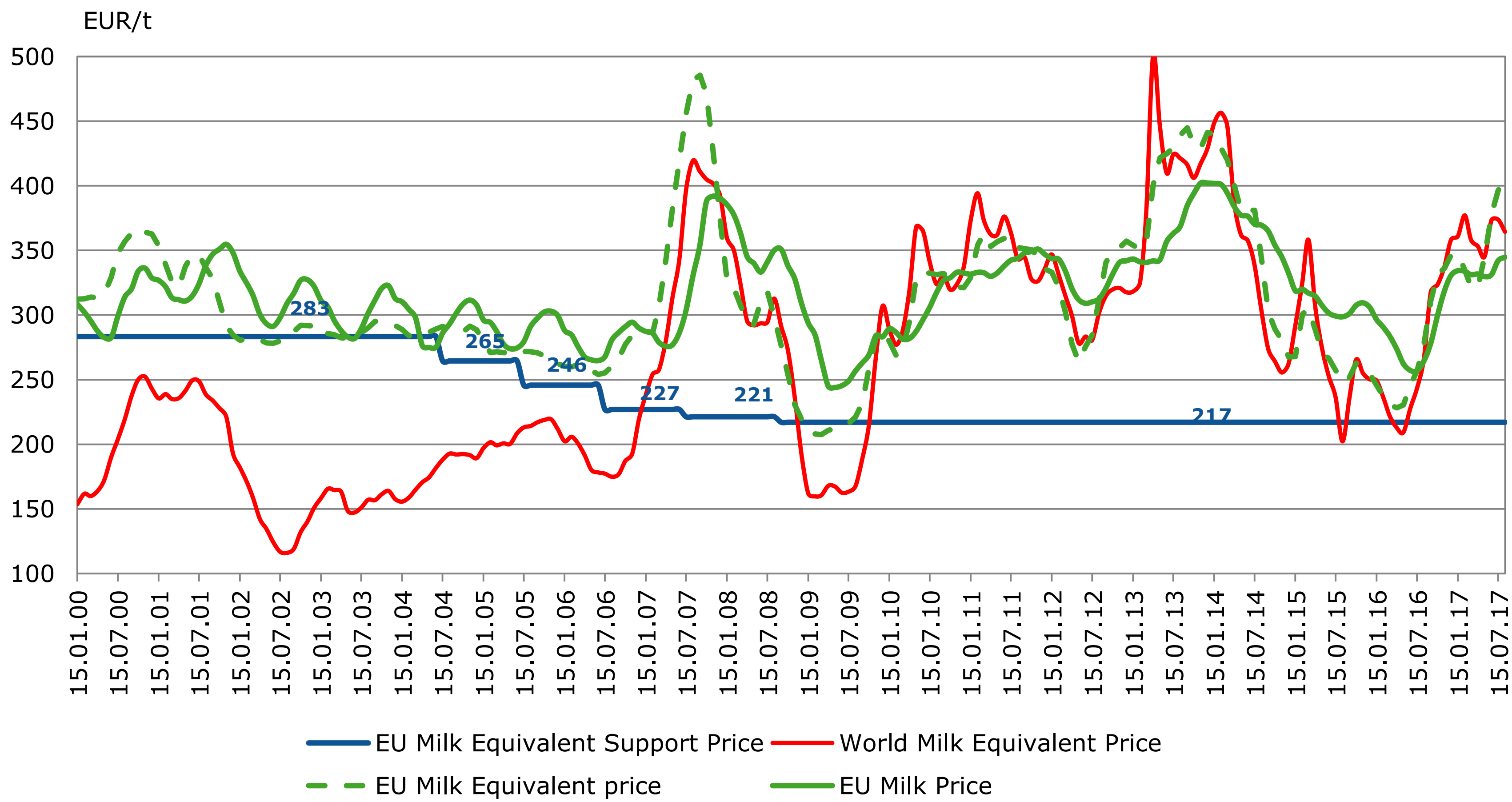
Foreword
2017-2030 Outlook for the EU

- Preliminary results – Final Outlook and report will be published the 18 December 2017
- Based on World Outlook of the OECD-FAO, published in July 2017
- Based on OECD-FAO model, where Supply = Demand and this equilibrium determines the price level.
- Updated with
  - new Macroeconomic assumptions
  - Short-term Outlook for the EU published in September
- Validated
  - Inside DG AGRI
  - With market experts in a Workshop held in October (feedback not integrated yet)

Foreword
It's an Outlook not a forecast

- Policy and trade agreements status quo
  - CAP reform of 2013 IN
  - FTA with Canada IN, FTA with Japan NOT IN
- NO BREXIT
- Russian import ban until end 2018
  - After trade resumes with Russia but at much lower levels than previously
- To do what?
  - To give broad indications of where we go
  - To do impact assessments

EU price developments - Milk



Note: World references based on butter and SMP prices in Oceania
Source: DG Agriculture and Rural Development based on European Commission and AHDB

Summary of 2017 forecasts

- Milk collection: close to + 1 million t (+0.7%)
- Mainly processed into cheese, where best returns
- Strong exports: close to + 2 million t of milk equivalent
- Continuous higher consumption of dairy products: +0.6 million t of milk equivalent
- Very low EU private stocks

2018 +1.4% milk / 2017

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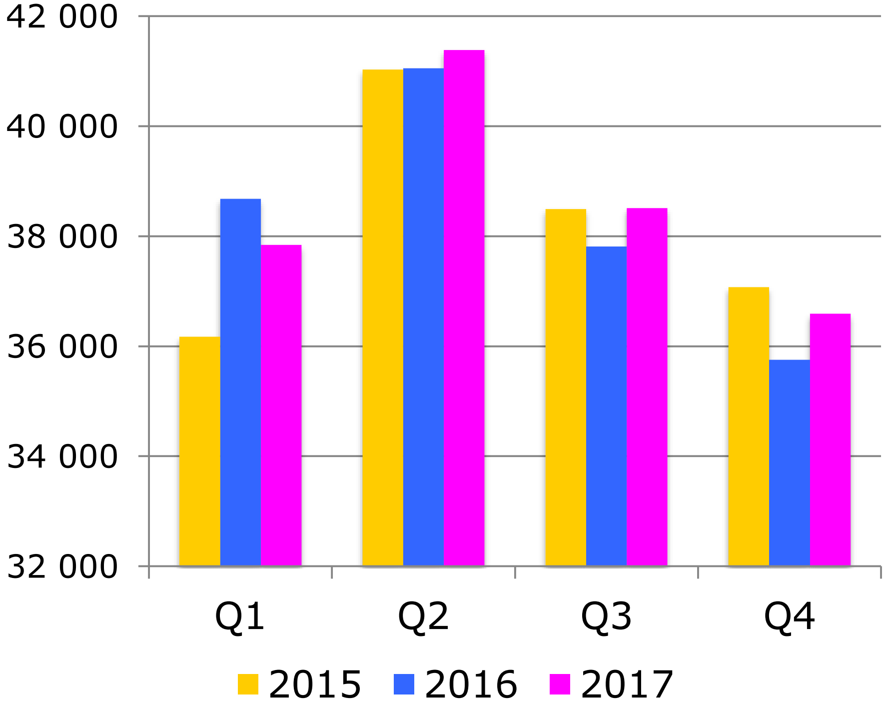
2017 EU milk collection +0.7%
(2018 + 1.4%)

EU milk collection forecast by quarter (1000 t)



- Milk collection Jan-August 2017 = 2016
- Increase in the 2nd half driven by higher milk prices but expected to remain below 2015
- A contrasted situation in the EU:
  - Strong increase to be expected in IE, PL, IT, LU, SI, CY, BG, RO
  - Increase in ES, AT
  - Recovery in the UK, BE
  - Stable (-0.5% // +0.5%) in: DK, EE, LV, CZ, FI, HU, LT, SK
  - Decrease in: DE, FR, SE, NL, PT

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Draft Outlook 2030

Milk and dairy products

Publication in December 2017

Not to be circulated

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Main drivers of dairy market development

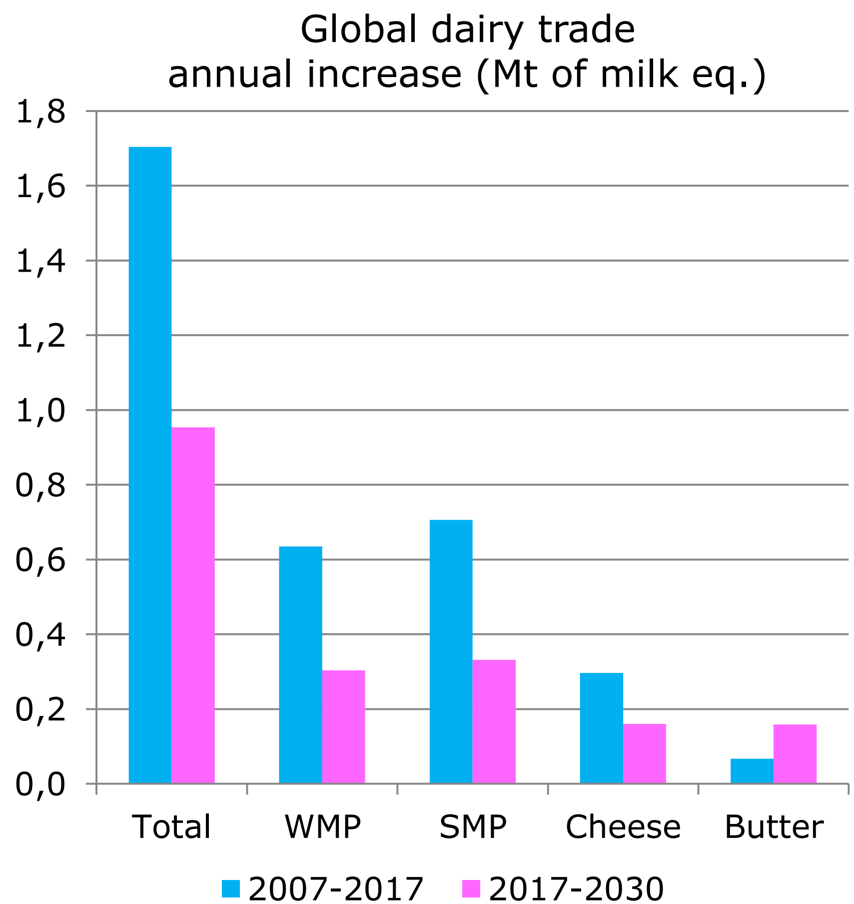
Growing global and EU demand

- Strong local and global demand for cheese, butter, cream
- Switch towards higher value added products
- Demand for powders remains high
- Big challenge: decrease in liquid milk consumption in the EU

- Demand is supporting milk price increase

Continuous growth in world import demand though lower than in the past decade

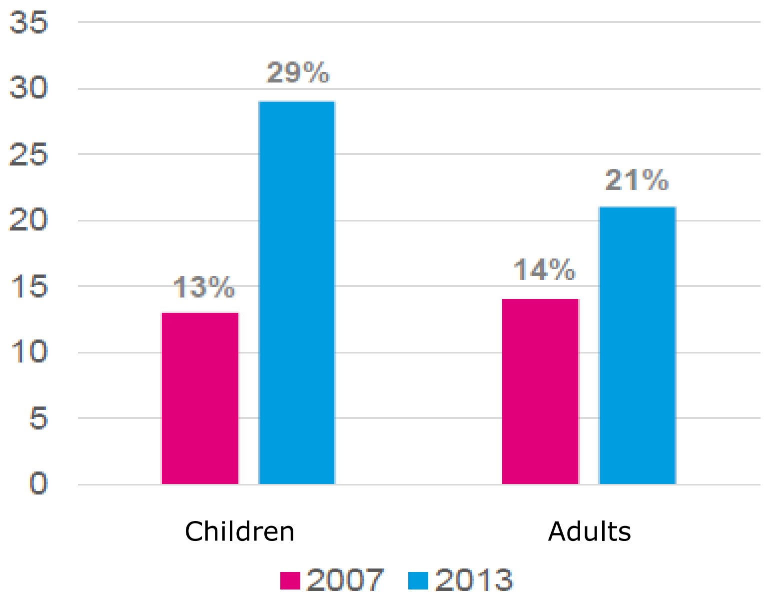
- +1.7% per year in world consumption and production, i.e. +16 Mt/year
- +1.7% per year in world imports of SMP, WMP, Cheese and Butter, i.e. less than 1 Mt/year
- India to increase most production (+6 Mt / year)
- China remains the first world importer, with imports up by close to 4%/year
- EU market share to expand



Note: Based on trade of SMP, WMP, cheese and butter in milk equivalent (total solids).
Source: DG Agriculture and Rural Development (draft baseline)

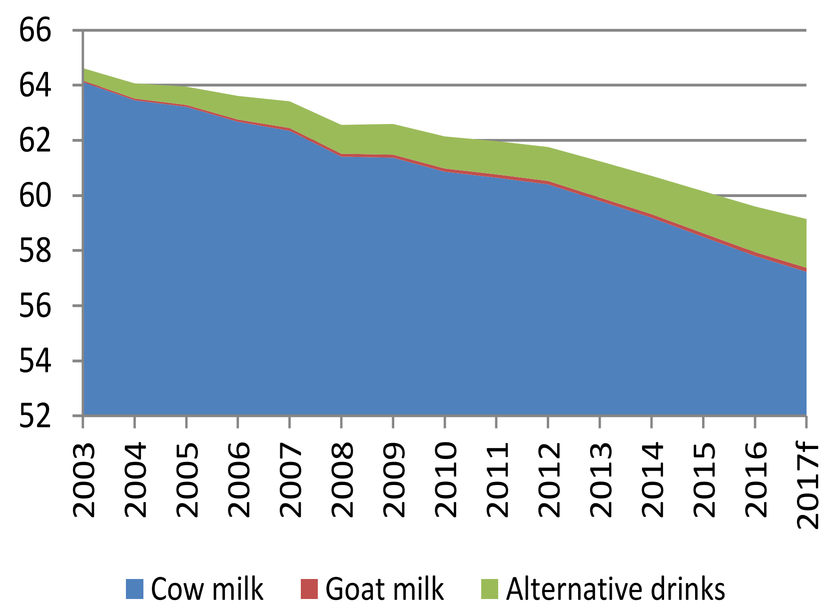
Diverging consumption trends in the EU: down for liquid milk

Share of individuals skipping at least 1 breakfast per week in France



Source: CREDOC, 2013 CCAF surveys

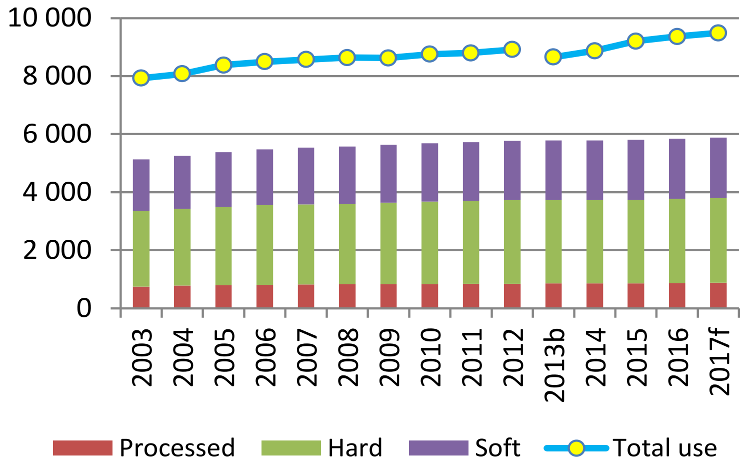
Cows' and goats' milk and alternative drinks: retail sales and catering use (1000 t)



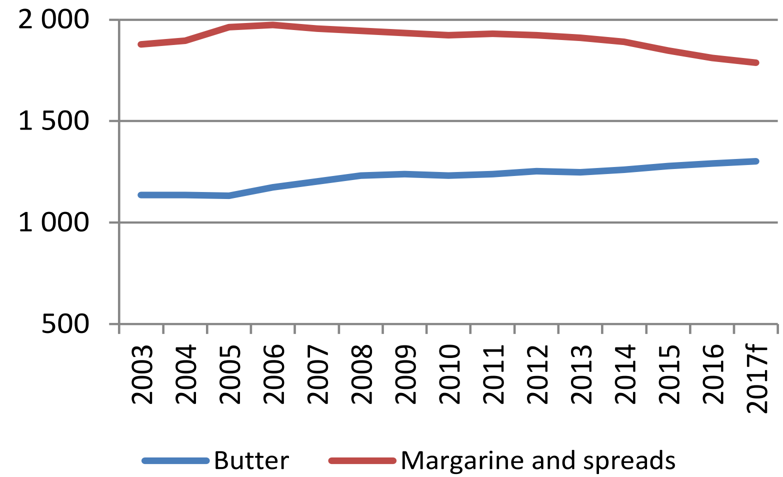
Source: Euromonitor

Increasing use of cheese and butter in the EU

Total cheese use compared to retail sales and catering use by cheese type (1000 t)



Retail sales and catering use (1000 t)
Butter, margarine and spreads



Note: b break in time series due to changes in German data definition
Source: DG Agriculture and Rural Development, based on Euromonitor and own calculations

Source: DG Agriculture and Rural Development, based on Euromonitor

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Main drivers of dairy market development

Growing global and EU demand

Moderate EU supply increase

- Back to dairy herd decline but at a slower pace
- Environmental constraints to play an increasing role?

Thank you

Short-term outlook

http://ec.europa.eu/agriculture/markets-and-prices/short-term-outlook_en

Medium-term outlook

http://ec.europa.eu/agriculture/markets-and-prices/medium-term-outlook_en

EU agricultural outlook conference

http://ec.europa.eu/agriculture/events/2016-outlook-conference_en

EU Milk Market Observatory

https://ec.europa.eu/agriculture/market-observatory/milk_en