



Commission européenne
Agriculture et développement rural



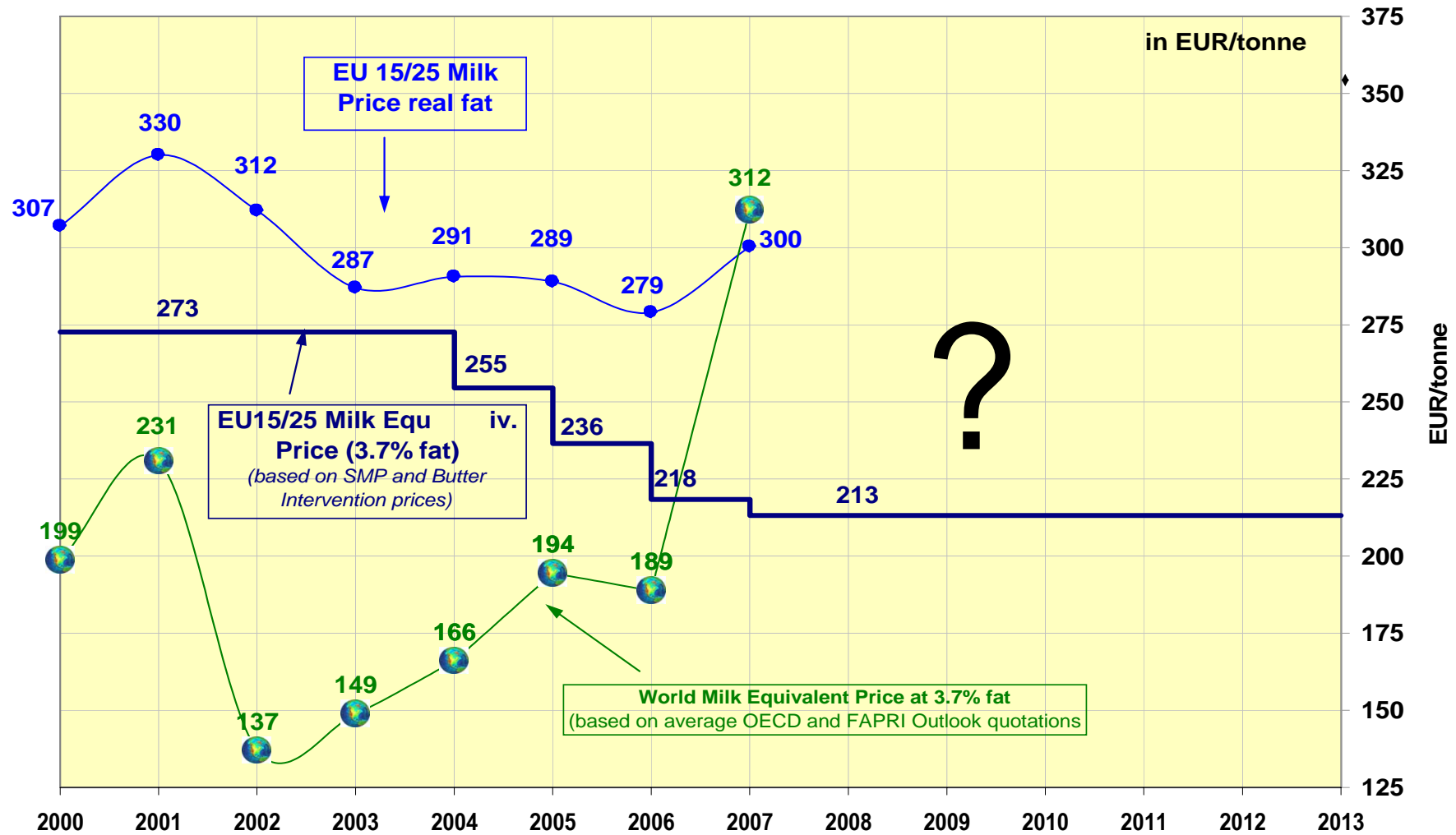
Milk Market outlook

Brussels, 11 January 2008

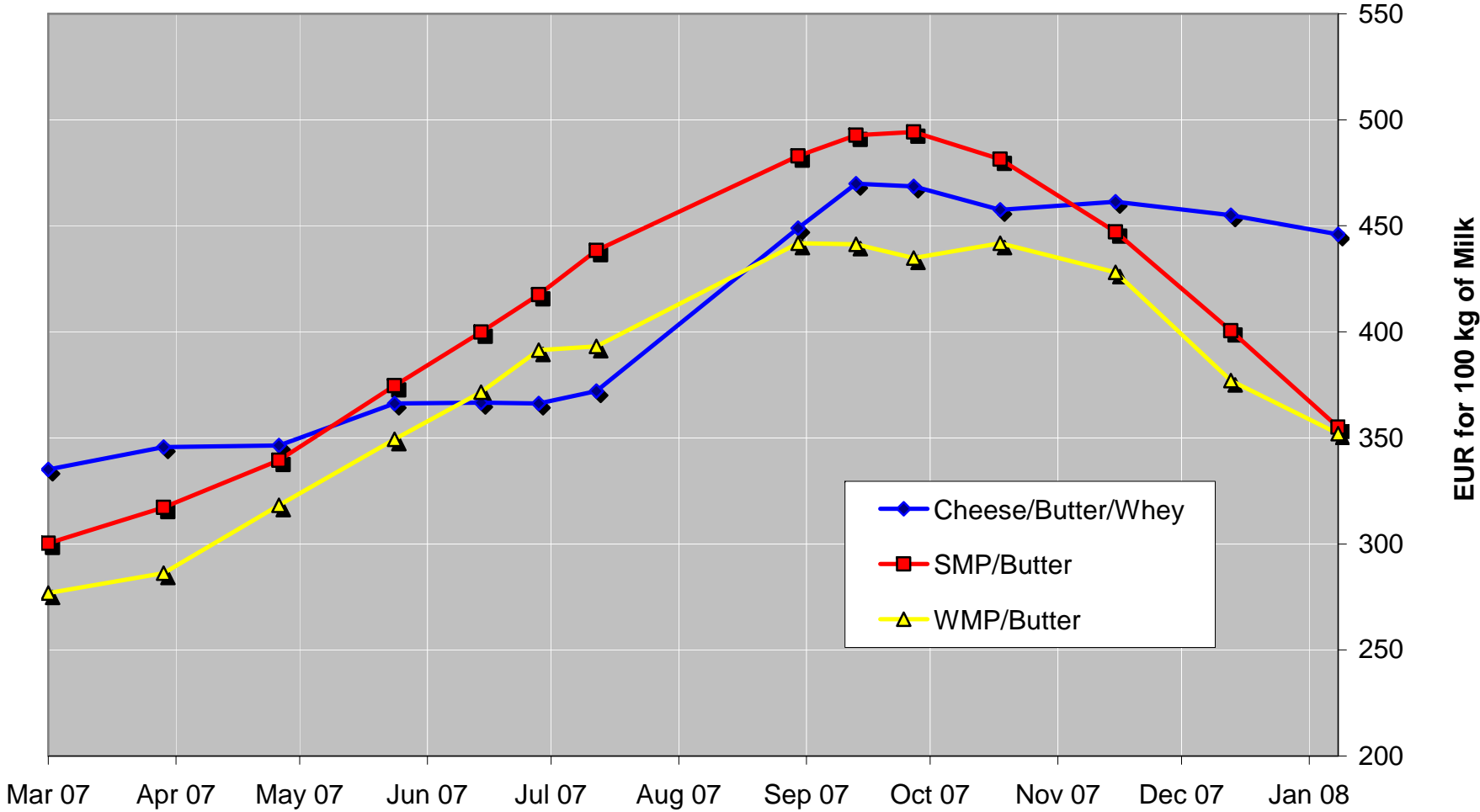
Structure of the presentation

- Milk prices development: past and future
- Production development: past and future
- World market developments: past and future

Price developments world and EU



EU Income of manufacturing of Cheese/Wheypowder, SMP/Butter and WMP/Butter (in EUR)



Summary

- Pre reform milk prices were always close to the supported levels;
- After the 2003 reform the prices moved away from supported levels, showing the strength of the dairy chain to add value;
- In the second half of 2007 milk prices were extraordinary high
- For the future a strong sector will define its sustainable price level, while the supported levels will become less relevant.

Milk production, and deliveries in the EU-27, 1991–2014

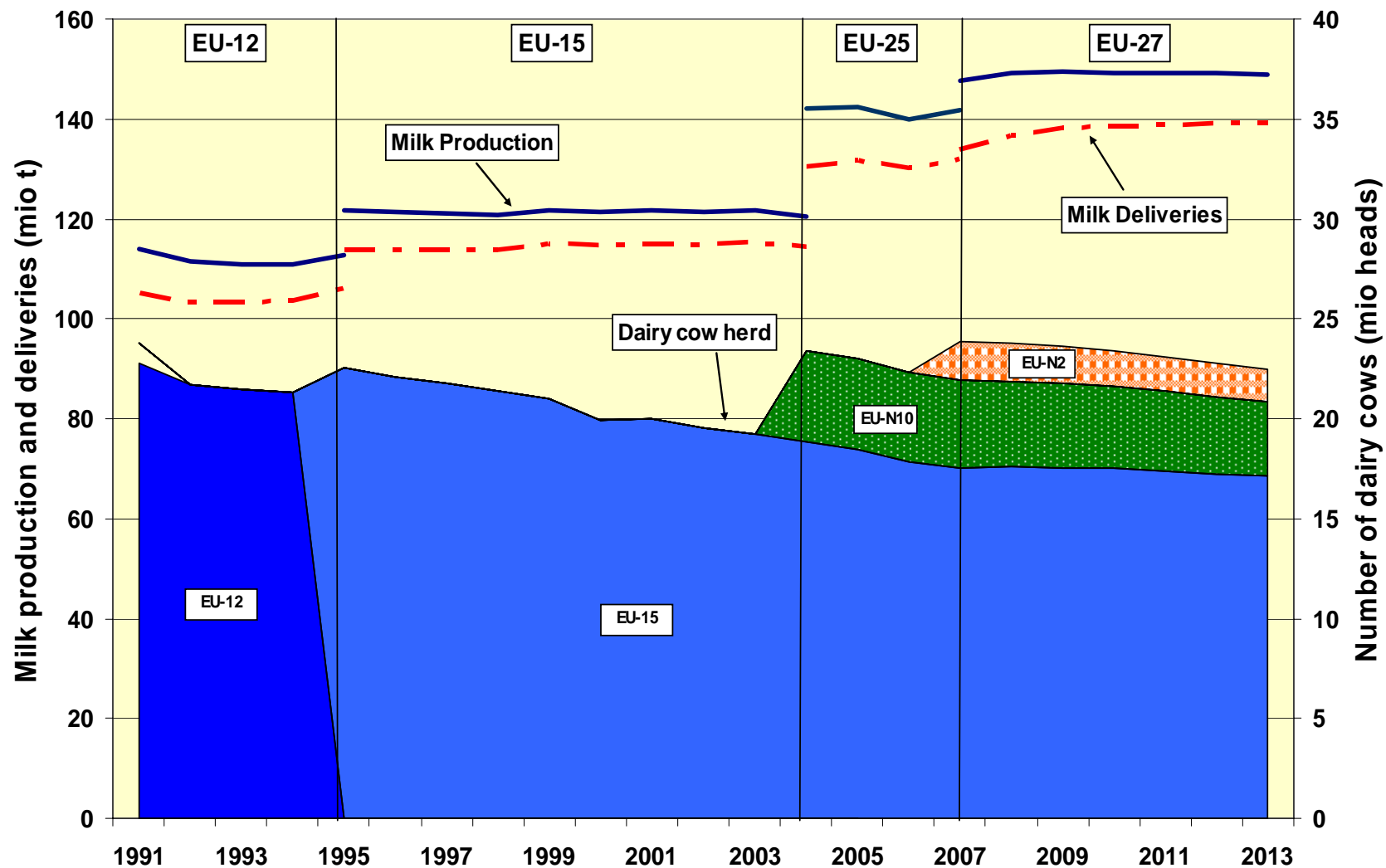
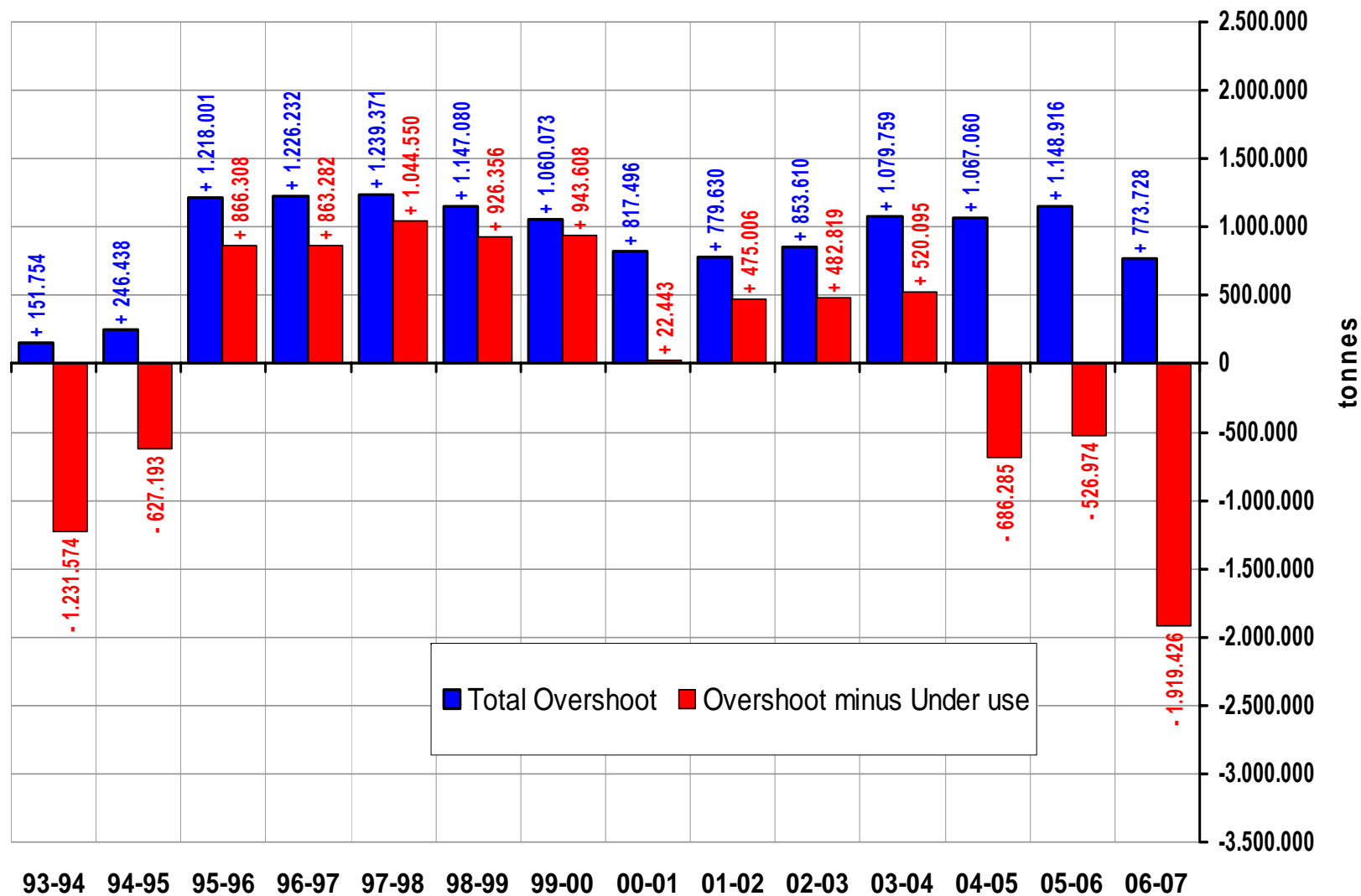
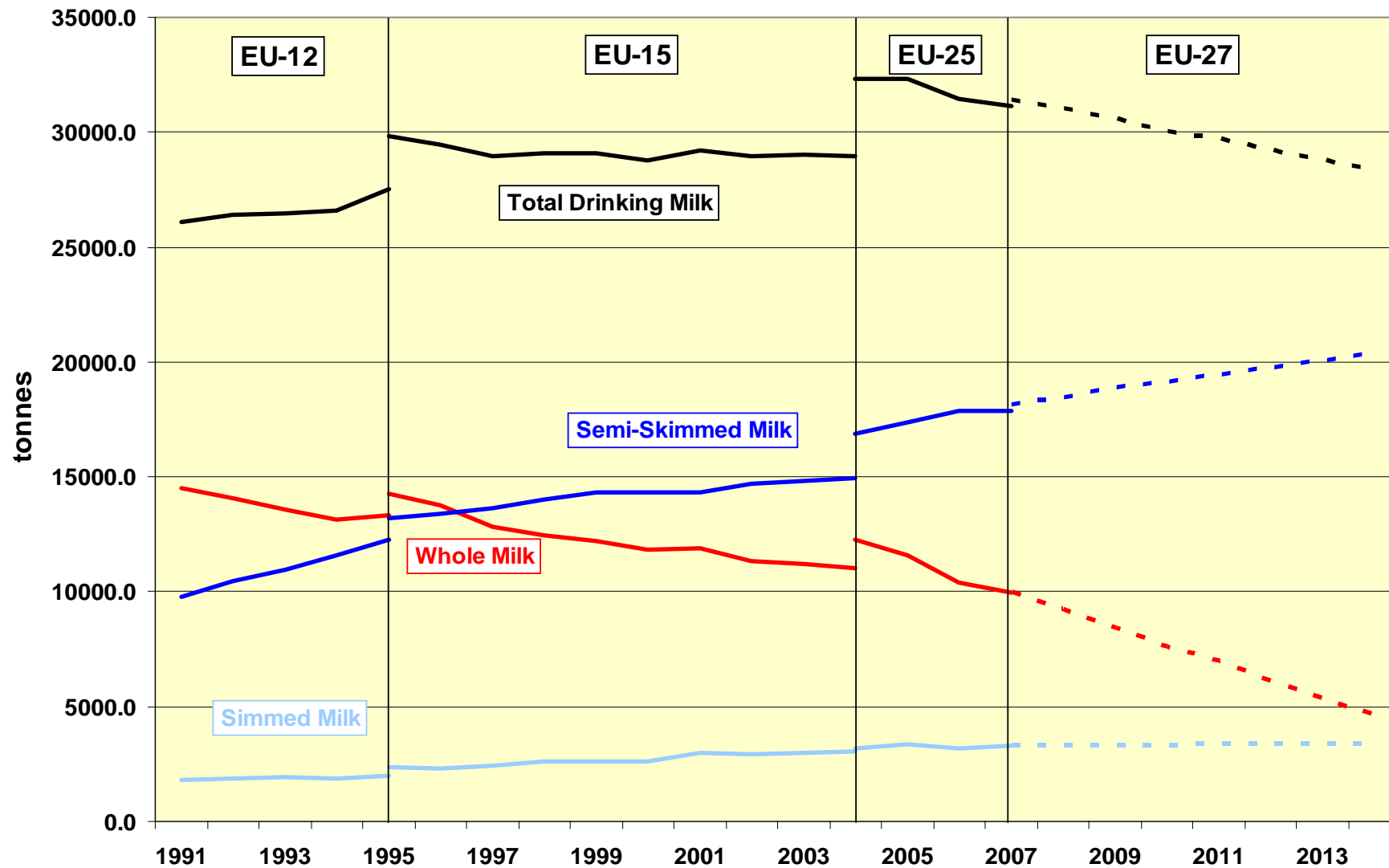


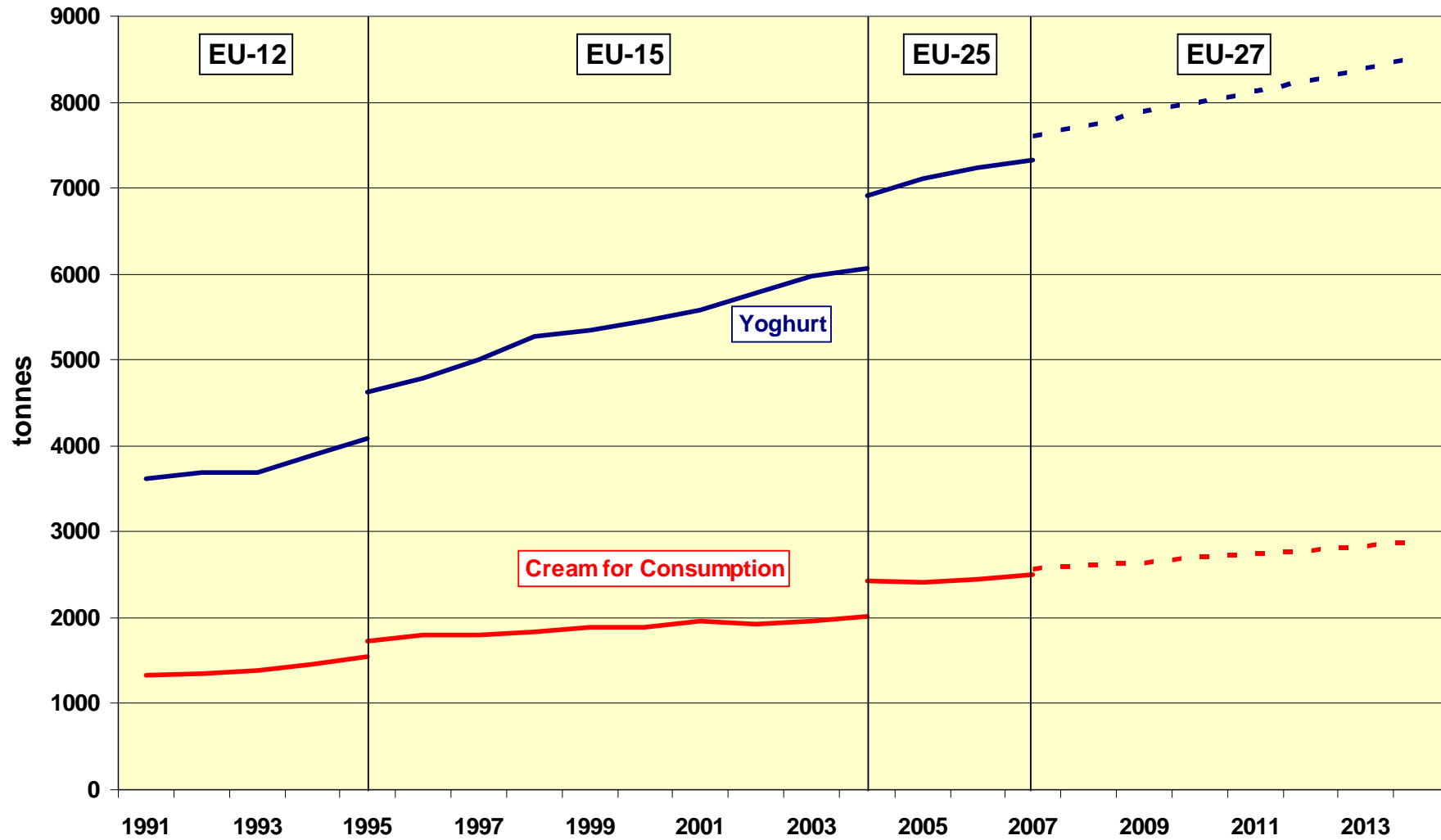
Figure A.3.2 : EU overshoot / under-use



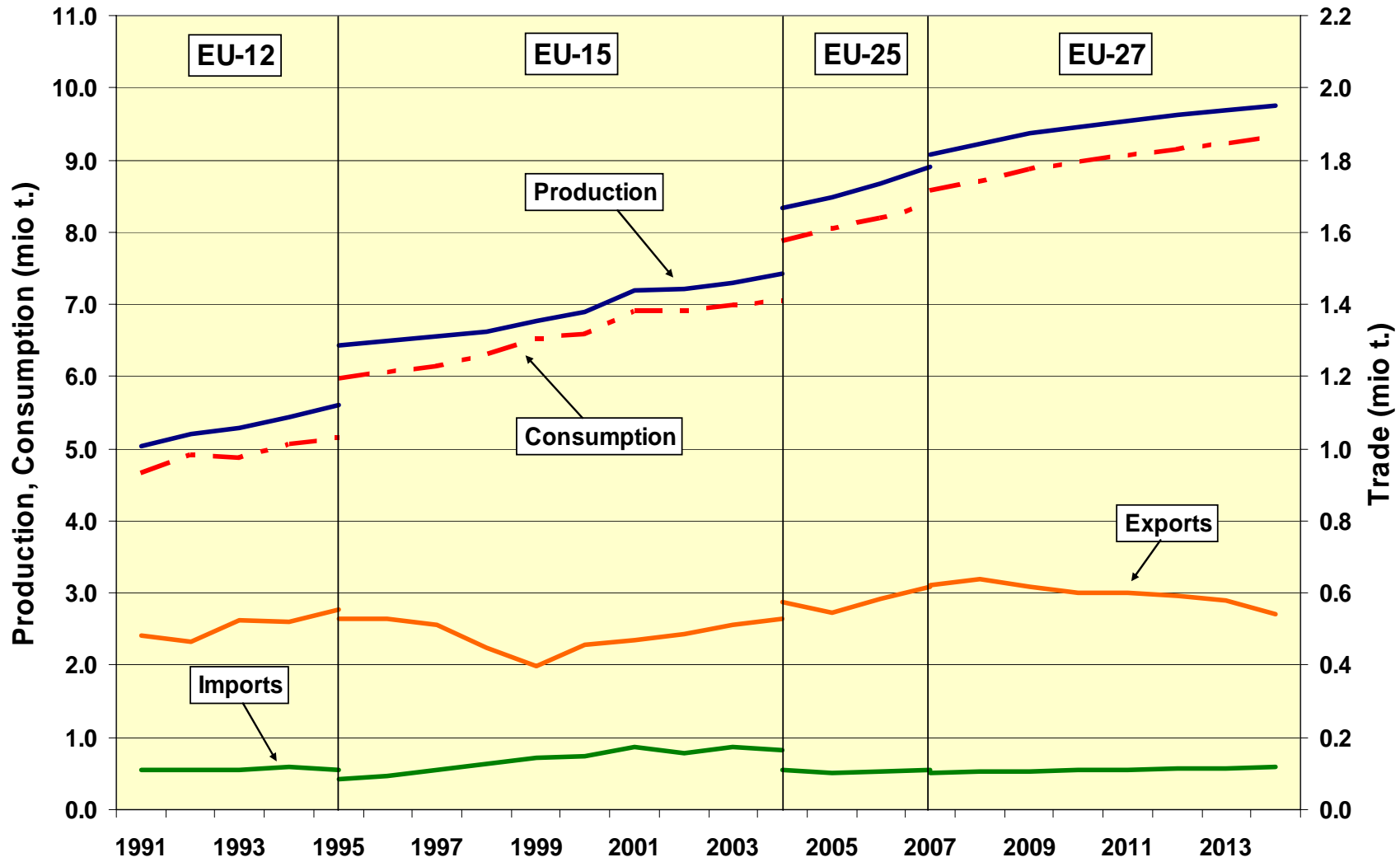
Drinking Milk production in the EU, 1991–2014



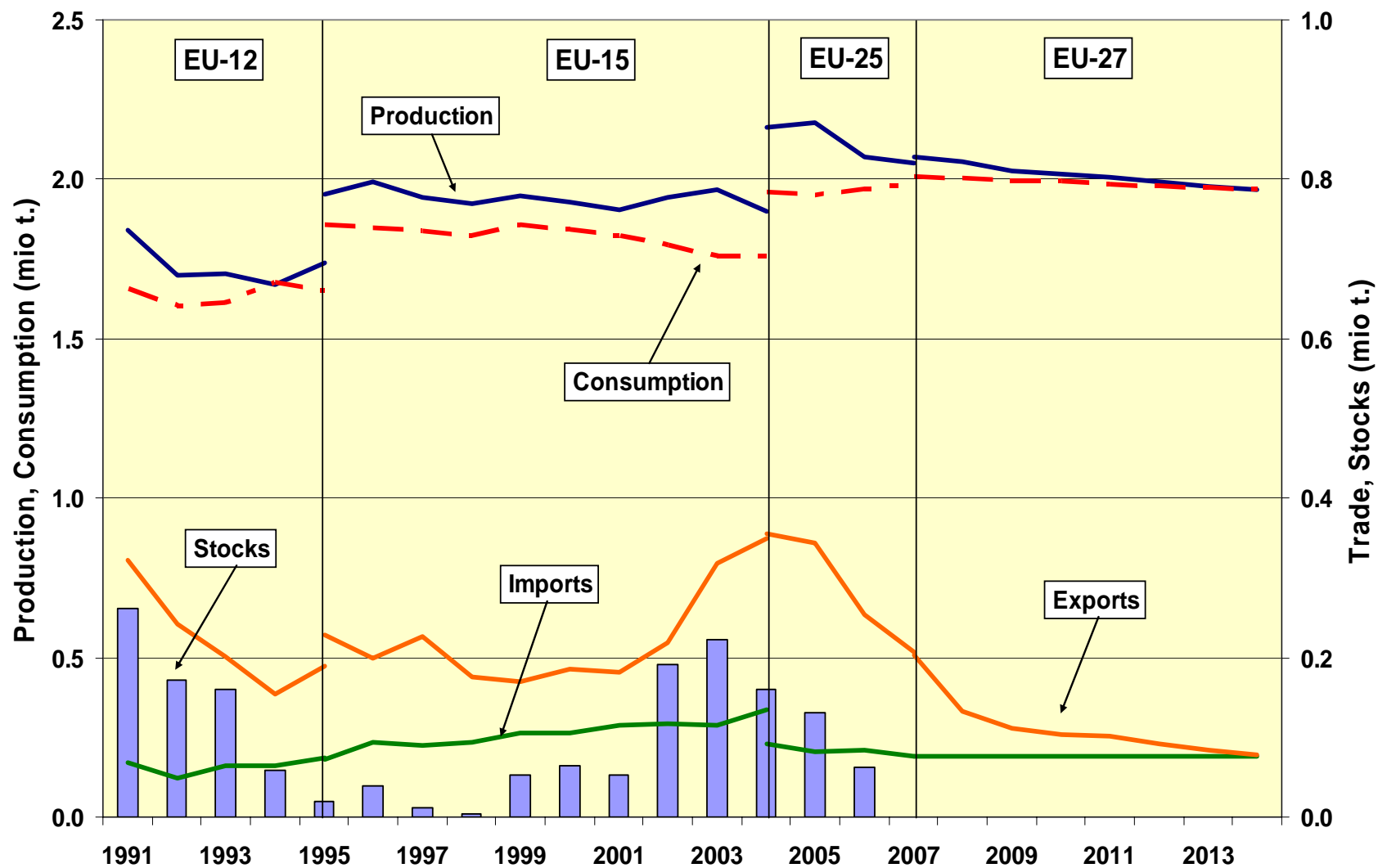
Cream and Yoghurt production in the EU, 1991–2014



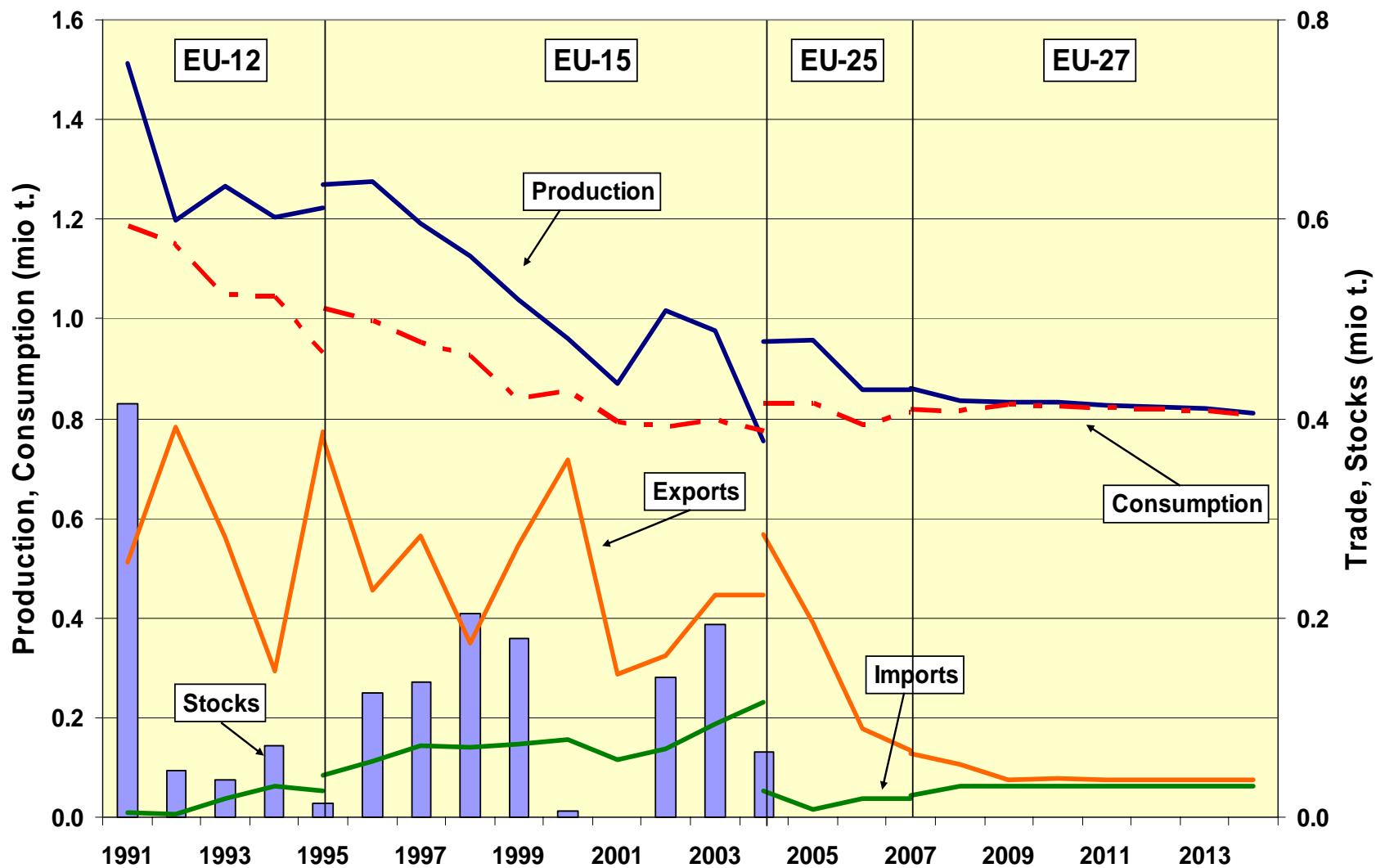
Cheese balance sheet in the EU-27, 1991–2014



Butter balance sheet in the EU-27, 1991–2014



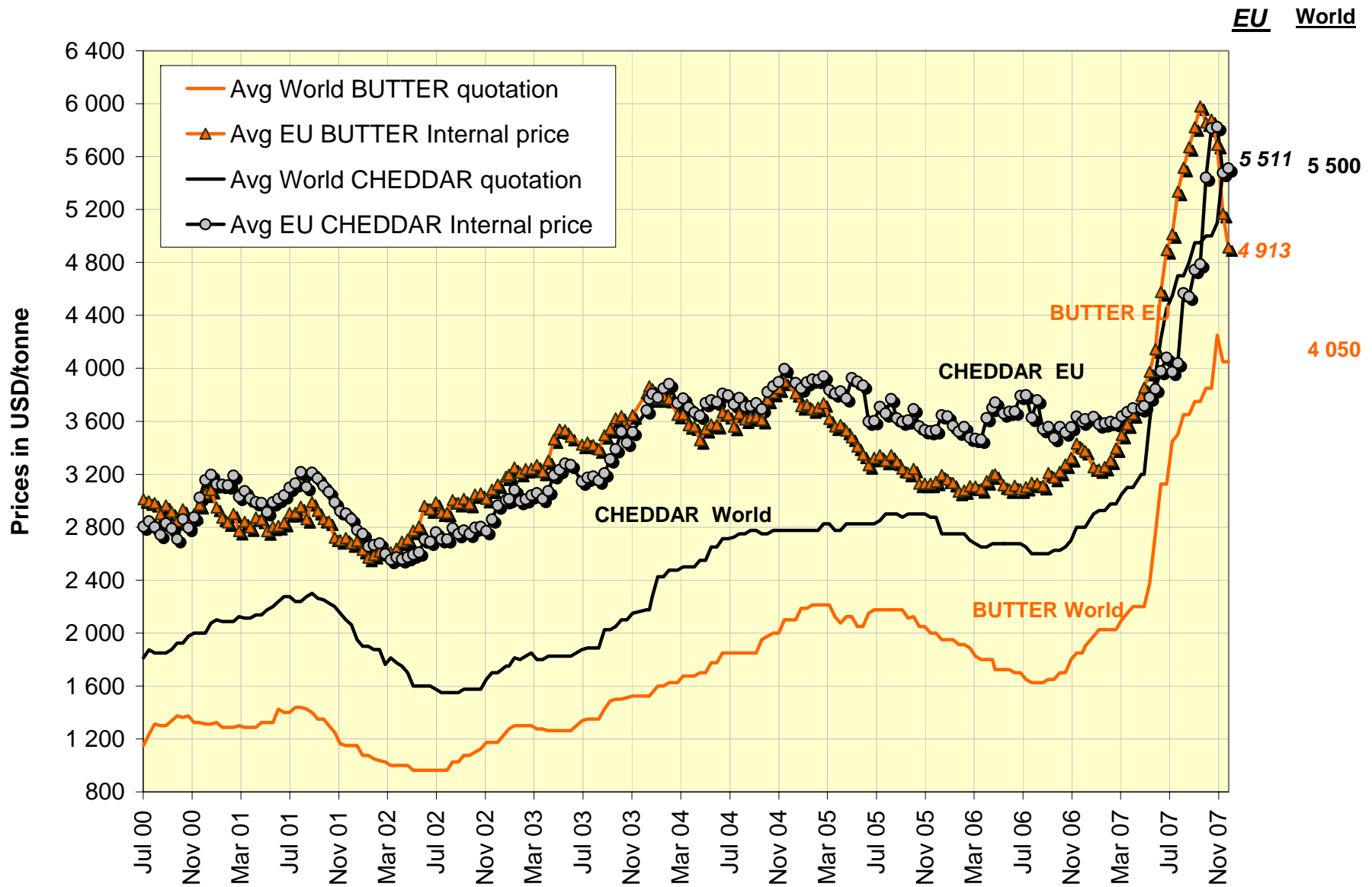
SMP balance sheet in the EU-27, 1991–2014



Summary

- Milk production was stable and will remain stable
- A continuous shift away from butter/SMP to cheese and fresh dairy products.
- Leaving less butter and SMP product to export and reducing cheese exports.
- This development of exports is caused by quota restrictions rather than lack of market opportunities.
- What is the growth potential of dairy ingredients?

Average EU/World prices of BUTTER and CHEDDAR



World market outlook

	Projected price for 2016 (\$/tonne)	Price difference 1996–2006 2006–2016	Production and consumption (annual increase)	Trade (annual increase)
Butter	2 200	+24%	+2–2.3%	+2%
Cheddar	3 000	+38%	+1.3–1.8%	+2.5%
SMP	2 600	+40%	+0.7–1.8%	+0.5–3%
WMP	2 500	+35%	+2%	+1.7%

Source: Agricultural commodity markets – Outlook 2007–2016.

Summary

- In the past prices on world markets were lower than EU prices.
- EU prices have come closer to world market prices after the 2003 reform
- 2007 was extraordinary
- World milk consumption of 650 million tonnes is growing by roughly 2% per year (13 million tonnes)
- For the future prices will converge further and the market will decide for which products the EU will be competitive.

Conclusions

- The demand for dairy products continued its favourable development after the 2003 reform
- EU Supply did not increase, despite quota increases, due to reduced supply in a couple of Member States.
- Reductions of support as foreseen in the 2003 reform were implemented without damaging revenues for farmers and processors.
- 2007 was extraordinary
- The future looks good for dairy products with increasing demand in the EU and outside the EU. The market will determine your future

- What are your views on the future developments?
- Where do you see your opportunities for the future?