

What Future for Milk ?

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What perspectives for dairy products?

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Medium-term perspectives: what does it mean?

- not a forecast of what the future will be, but a *description of what may happen under a specific set of assumptions*, which at the time of projections were judged plausible.
- they should be seen as a benchmark for assessing the medium-term impact of future market and policy issues



Perspectives for EU dairy markets 2009-2016

- Preliminary baseline results depict a gradual recovery in EU dairy markets
- Demand for value-added commodities increases in line with economic growth
- Butter market foreseen to remain balanced
- Low EU demand and weak export prospects for SMP lead to a slow destocking of intervention stocks

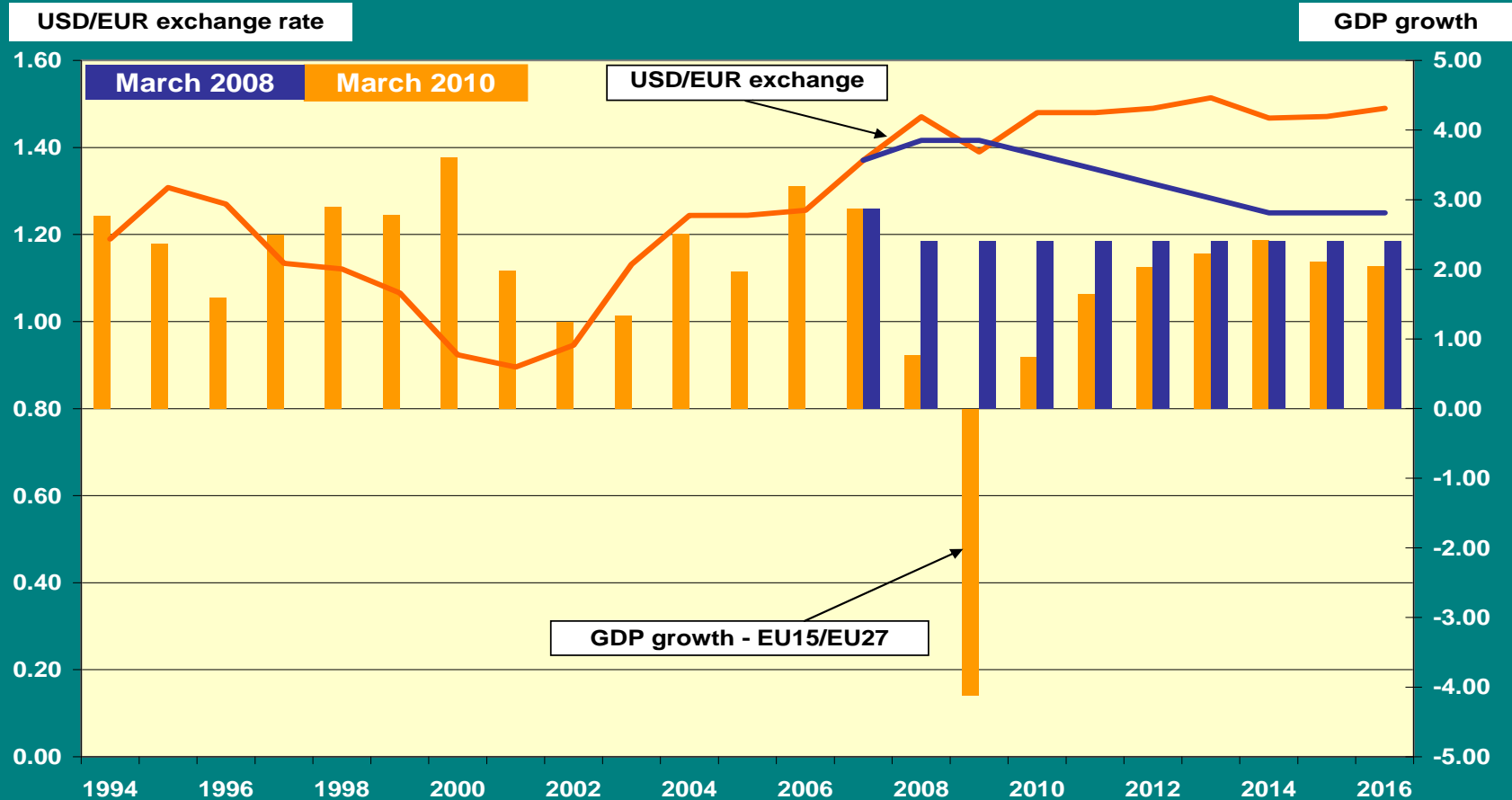


Main assumptions

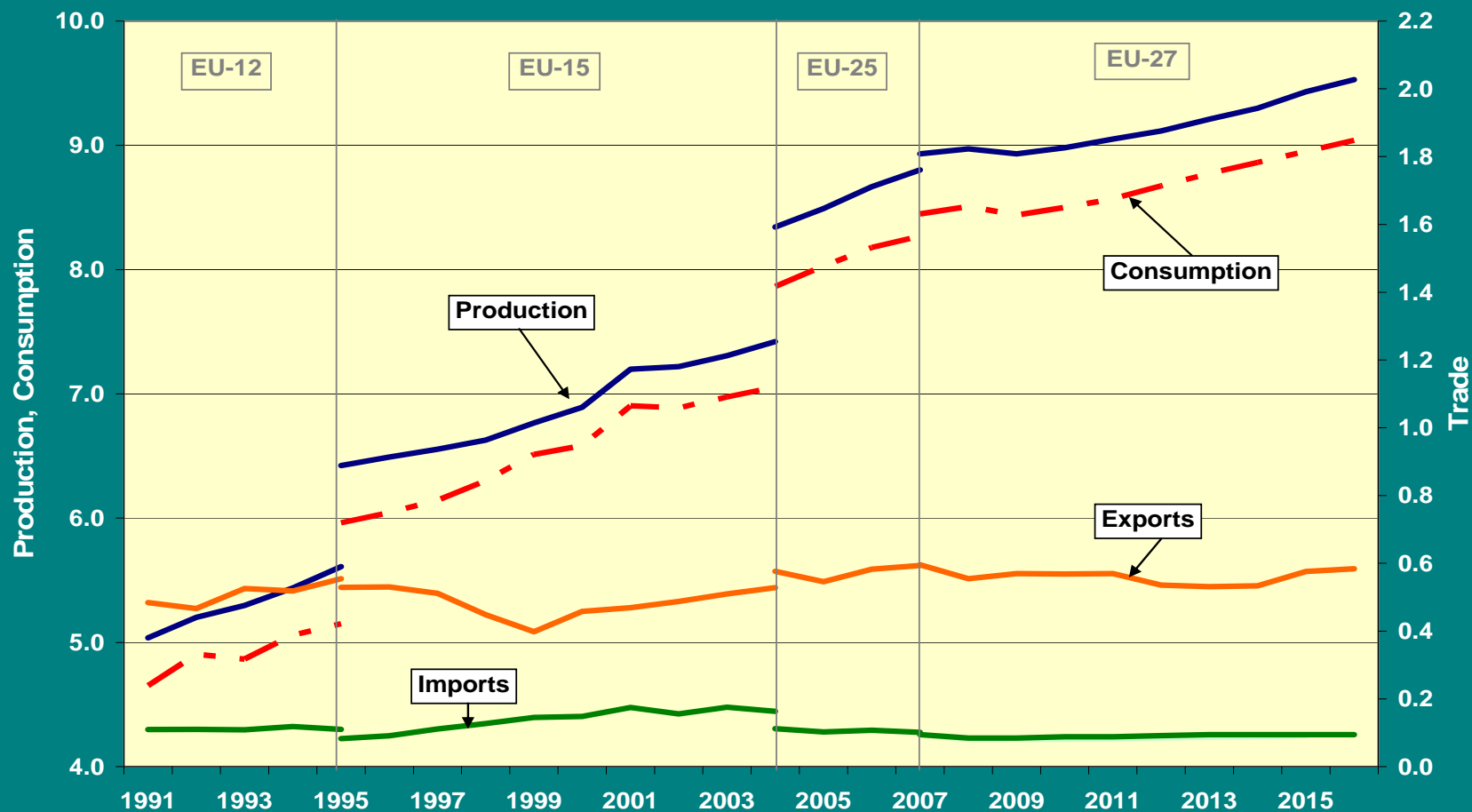
- CAP in its current form
- World trade remains in conformity with the Uruguay Round Agreement on Agriculture
- Gradual economic recovery over the short-term and favourable prospects for the medium-term



Assumptions for USD/EUR exchange rate and GDP growth (current and March 2008)



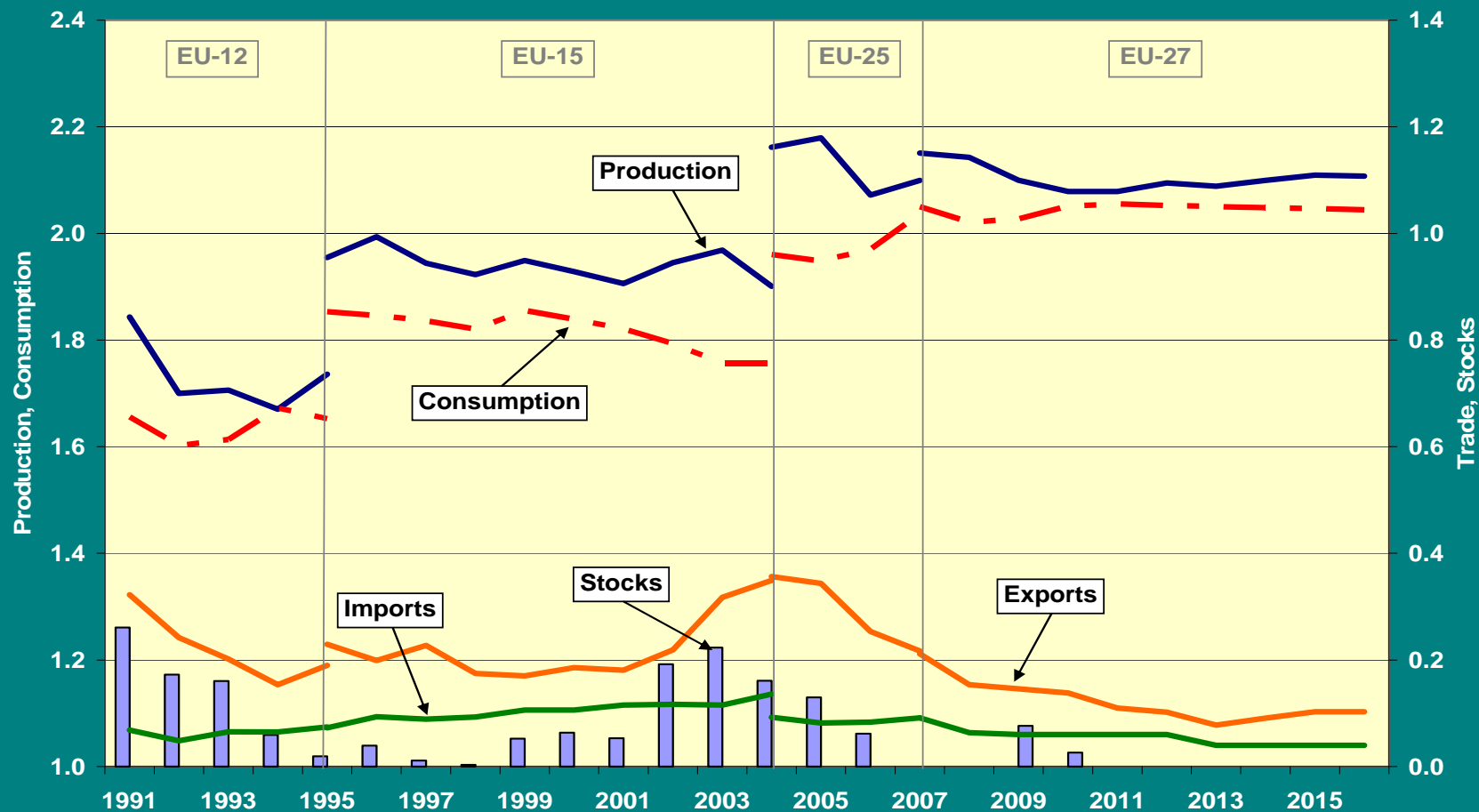
Market perspectives for cheese



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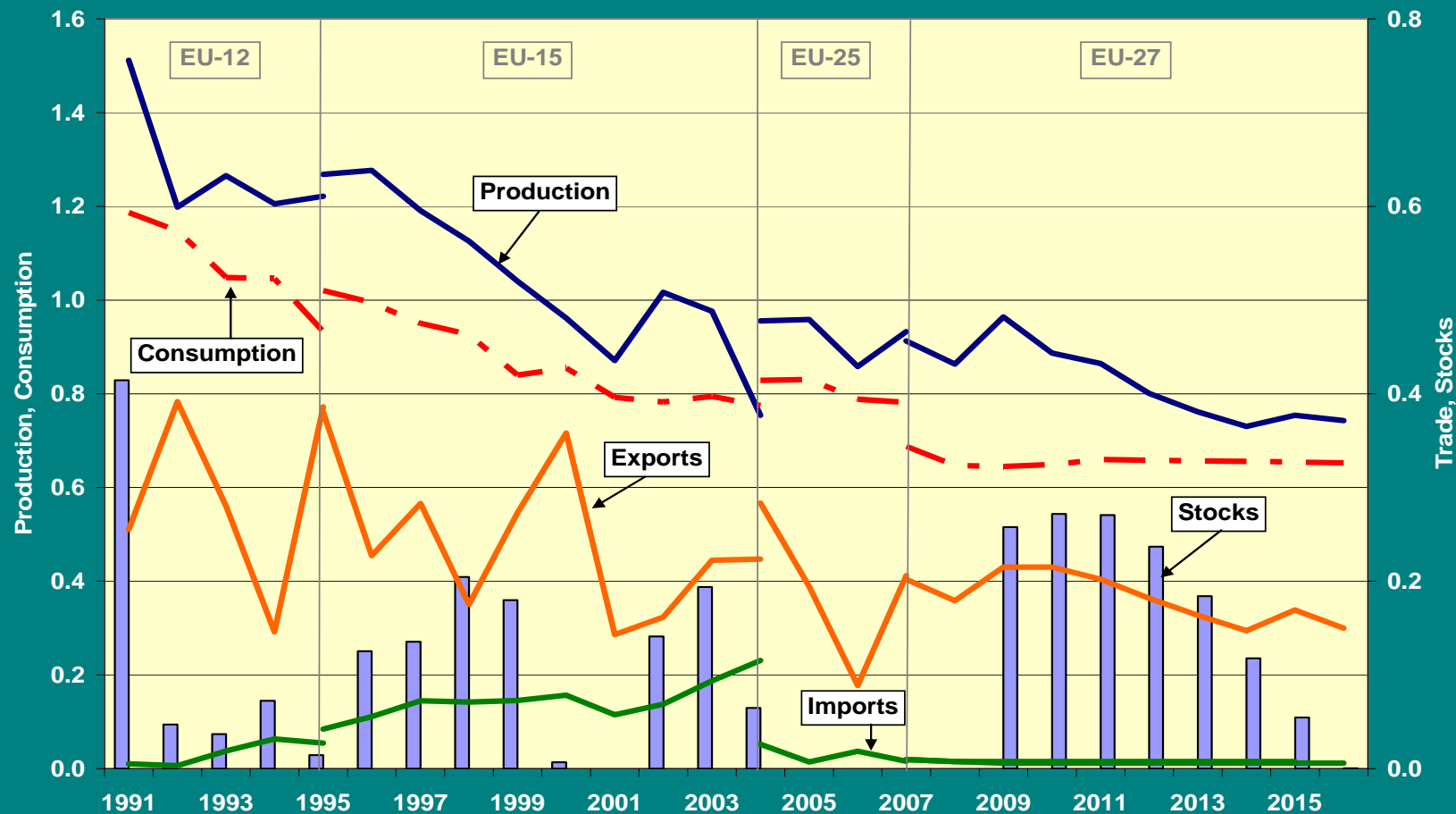
Market perspectives for butter



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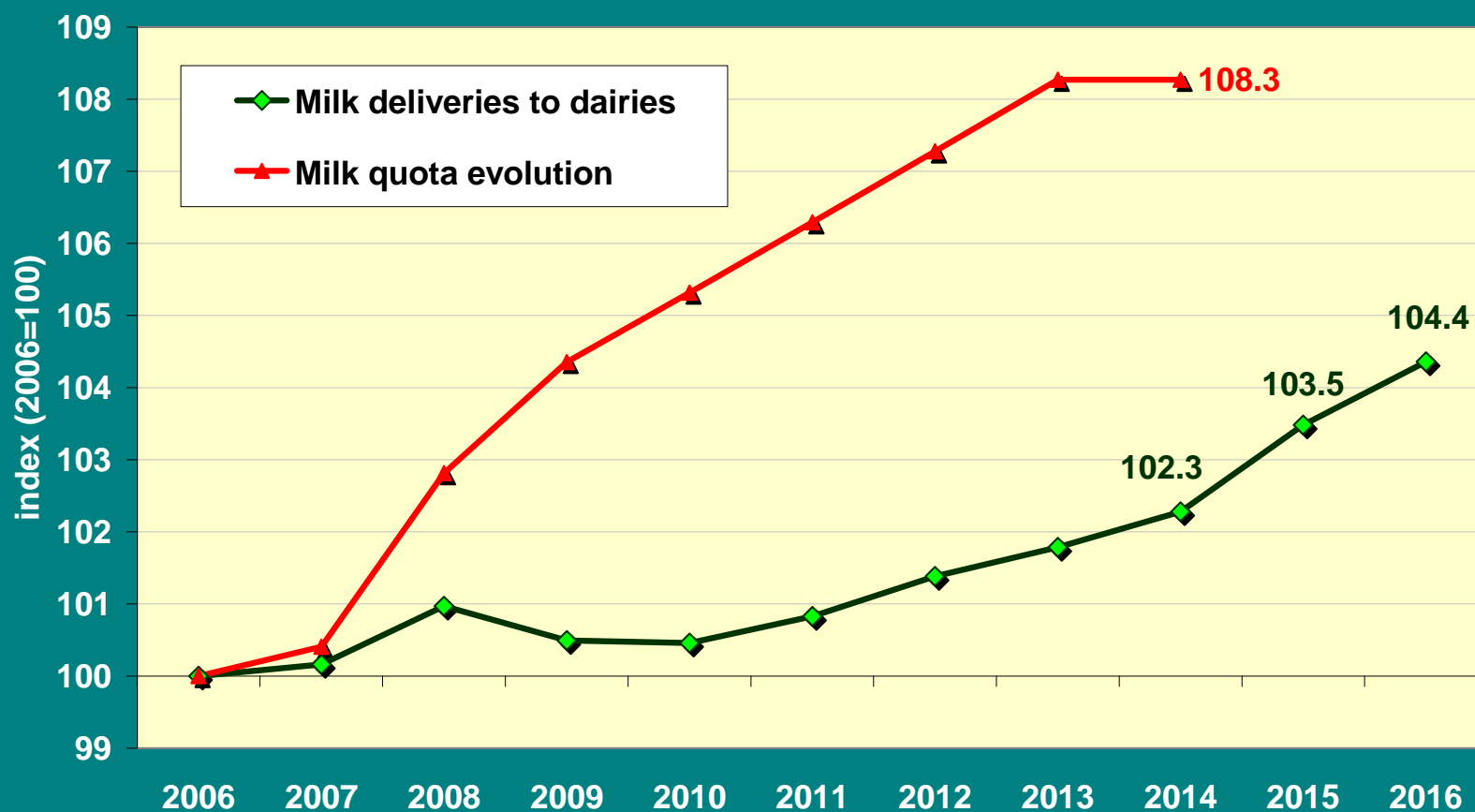
Market perspectives for SMP



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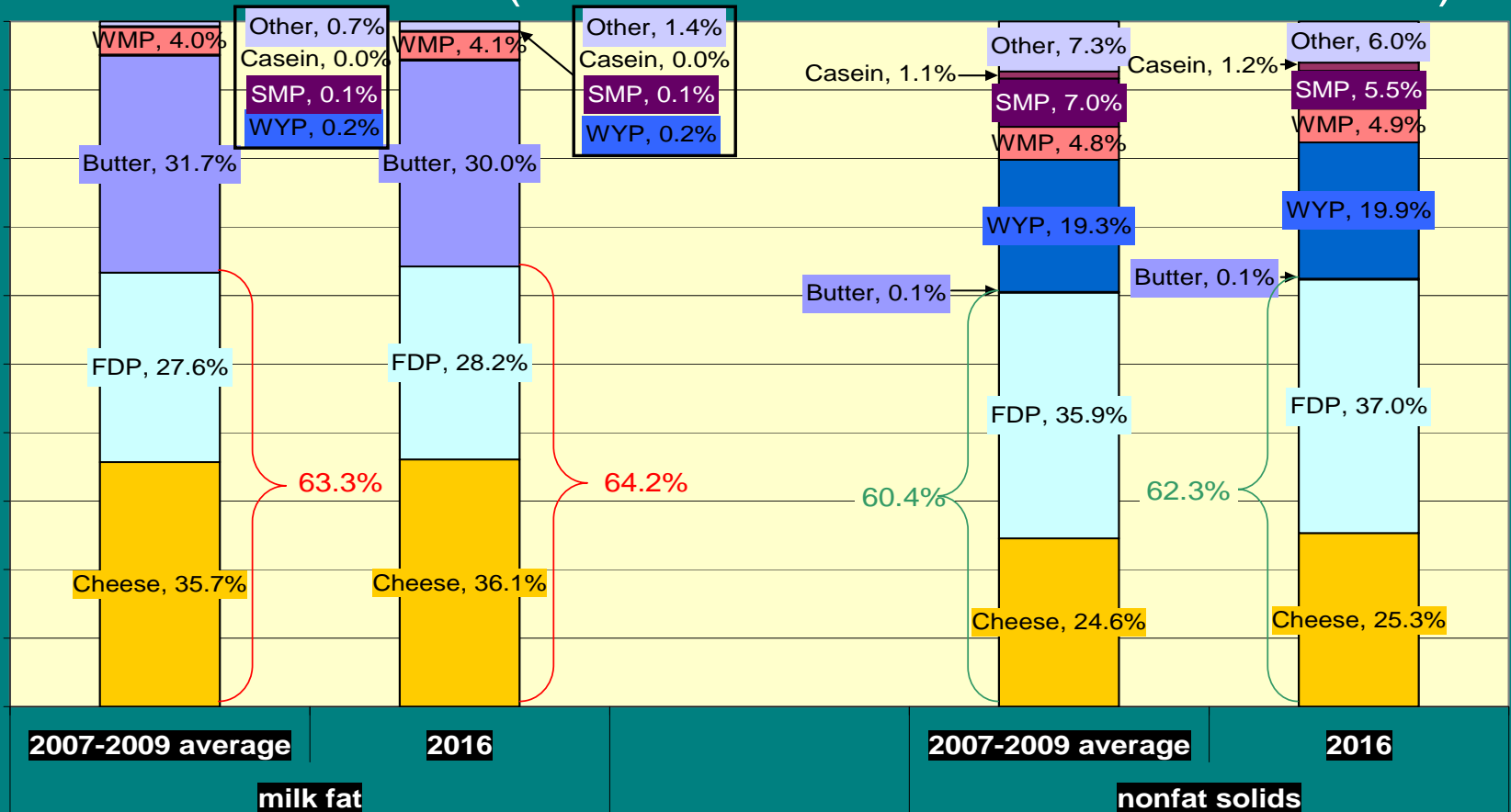
Milk supply remains below potential



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Utilisation of milk fat and nonfat milk solids (% of fat and nonfat solids delivered)



Conclusions

- **Large carry-over stocks from 2009 loom over the markets**
 - Lengthening the recovery in (protein) commodity prices
 - Limiting any considerable increase in the farm gate milk price
 - Leading to a growing underutilisation of available milk quotas
- **Favourable prospects for high value-added commodities, as economic recovery drives domestic demand growth**
- **The outlook for milk fat is balanced**
- **Demand for milk protein will remain limited**

