

# Milk Market Situation

## October 2018

- **EU cow's milk collection** decreased slightly (-0.1%) in August 2018 compared to the same month of 2017, which resulted in 19 000 t less milk. This was the first month with decrease in EU milk production since February 2017. Cumulated January-August deliveries have been 1.5% above the same period in 2017 (+1.54 million tonnes). An increase in EU production was reported in this period for butter (+1.8%), cheese (+1.8%) and fermented milk (+1.1%), while there were 12.1% less concentrated milk, -2.7% WMP, -1.3% drinking milk, -1.2% cream and -0.4% SMP.
- The weighted **EU average farm gate milk price** increased in August 2018 by 2.2% to 33.63 c/kg (prices increased in most Member States compared to July 2018). This was the third month with an upward move (largest monthly increase) after consecutive decreases since December 2017. This price is 4.6% lower than in August 2017 and 1.7% higher than the average of the last 5 years. Estimates notified by Member States point to a further increase (+1.9%) in milk prices for September 2018 (34.3 c/kg).
- **Prices on spot milk markets:** in Italy, the spot milk price increased between weeks 39 and 43 of 2018 by 6.3% (from 41.2 to 43.8 c/kg), meaning a 1.9% increase compared to last year's level. In the Netherlands, the spot milk price decreased between weeks 39 and 43 by 1.4% (from 36.0 to 35.5 c/kg), this price is 2% higher than in the same week of 2017.
- **EU average prices of dairy products** decreased last month for butter (-5.7%), SMP (-2.6%), WMP (-4.7%), cheddar (-1.2%) and whey powder (-1.2%), while edam (+1.4%), gouda (+1.2%) and emmental (+2.7%) prices increased.
- On the **world market** different trends have been observed in **dairy quotations** expressed in US\$ last fortnight. Prices generally decreased in the EU and in Oceania, while US prices have increased for butter (+1.4%), WMP (+1.7%) and cheddar (+4.5%). Butter prices have decreased notably in the EU (-5.5%) and Oceania (-6.6%), while milk powder prices were also lower in the EU (SMP -4.0%; WMP -4.9%) and in Oceania (SMP -1.8%; WMP -2.7%). EU cheddar also decreased by 3.1%. The EU is still the most expensive origin for butter and cheddar. Oceania is the most expensive origin for SMP and the US for WMP. Oceania is the most competitive for butter, WMP and cheddar and the EU for SMP.
- **EU exports** in the first eight months of 2018 have decreased in volume for condensed milk (-21%), WMP (-15%), butter (-13%), butteroil (-9%), SMP (-1%) and cheeses (-1%), while increased for whey powder (+3%). Total EU exports in this period, expressed in milk equivalent, would have been 6% below last year, while the value of these exports decreased by 9%.
- Up to August 2018, the US remained the main outlet for **EU cheese exports**, however with 7% decrease compared to last year. Japan was the second in the ranking (+13%), followed by Switzerland (+4%), South Korea (-26%) and Saudi Arabia (-19%).
- The US have been the main destination for **EU butter** in the period of January-August 2018 (83% from IE). Saudi Arabia, China, Singapore and Japan were the other main destinations for EU butter, with a 12% decrease for Saudi Arabia (62% form DK). China, the third destination for EU butter, decreased its volumes in January-August by 10%, was closely followed by Singapore (+18%) and Japan (+30%). EU butter exports also increased in Morocco (+28%)
- Algeria led the ranking for **EU exports of SMP** in the first eight months of 2018 (mainly from PL, FR and BE) and volumes have increased by 16% compared to last year. The second destination for EU SMP is China (+3%), followed by Egypt with a 62% increase and Indonesia (46% from BE) with 26% decrease. Bangladesh and Singapore are showing a double-digit percentage increase.
- **EU WMP exports** to Oman, first destination, increased by 33% (46% from SE). Algeria, China and Nigeria were the other main markets in this period, however Algeria with 65%, China with 3% and Nigeria with 27% decreases.
- **NZ exports** increased in the first eight months of 2018 for butter/butteroil (+12%), but decreased for SMP (-10%) and cheese (-5%). The **US** improved the exports of their two main traded commodities: SMP increased by 26% and cheese by 5%. US butter (+64%) and WMP (+91%) exports also increased, but volumes are lower.
- On the **demand** side, China is still the main world dairy importer of butter, WMP and whey powder. In the absence of official statistics on Chinese imports<sup>1</sup>, quantities shipped to China from main world exporters point to a rather weakening of import demand in China, especially for milk powders. By June 2018, Russia would be the second<sup>2</sup> main butter importer, followed by the US and Australia. Egypt and Singapore have shown significant increases in butter imports (+72% and +19% respectively). Japan, Russia, US and South Korea (US with 75% EU origin) led the ranking of cheese importers by July 2018, but US with decreased volumes (-7%) compared to last year. Mexico was the main SMP importer by June 2018 (+9%), Algeria and Egypt have experienced remarkable increases in their SMP imports (+30% and +60% respectively). Hong-Kong's WMP imports increased by 40% (58% of EU origin) in January-July 2018.
- **NZ** milk production increased by 4.7% in August 2018, third month of their season, compared to August 2017 (+5.5% for Jun-Aug period). Milk prices expressed in c/kg have been relatively stable in the last 9 months. In August, prices dropped by 1.3% (30.9 c/kg) and are 9.4% lower than in August 2017.
- **Australia** milk production in August 2018 (second month of the 2018/19 season) is 3.6% lower than in August 2017 (-3.9% decrease for Jul-Aug period).
- Milk production in the **US** increased in August 2018 by 1.4% (+1.1% increase for Jan-Aug period). August farm gate milk price increased by 7.2% (32.9 c/kg) compared to July 2018, but still 7.8% lower than in August 2017.

<sup>1,2</sup> statistics on imports of China are only available until April