EU cow's milk collection increased in March 2019 (+1.2%) compared to the same month of 2018. This is the first year-on-year monthly increase after 6 months of contraction. Cumulated deliveries in Q1 are still 0.1% below last year's levels. IE, PL and UK are the MS increasing the most in Q1, while NL, IT and FR have reported the most significant production drops. Milk powders production in the EU has noticeably decreased in Q1 2019 (-10.8% for WMP and -2.8% for SMP). Also drinking milk, cream and cheese production have declined in the period. On the contrary, 8.9% more concentrated milk and 0.4% more butter have been produced.

The weighted EU average farm gate milk price decreased by 0.4% in March 2019 down to 34.4 c/kg. This price level is +2.4% higher than in March 2018 and +3.7% higher than the average of the last five years. Member States' estimates for April point to a slight price improvement.

In Italy, the spot milk price hit a bottom in week 17 (38 c/kg) and improved in the subsequent 4 weeks up to 39.25 c/kg (+3.3%). Current price (week 21) is 12% above last year's level.

EU average prices of dairy products increased last month (by 26th May) for SMP (+4.4%) and WMP (+3.1%), decreased for whey powder (-2.4%), butter (-1.2%), emmental (-1.8%), cheddar (-1.5%) and gouda (-0.3%), and remained stable for edam.

On the world market, the appreciation of the US$ compared to the € and the recent price increase in New Zealand in the light of production decrease have favoured the price competitiveness of EU dairy products. EU SMP is now 15% cheaper than the NZ and 7% cheaper than the US. With regards to butter, EU prices are 19% and 8% below those in NZ and US respectively.

EU exports in the first three months of 2019 have strongly increased in volume for SMP (+35%) and condensed milk (+22%). Cheese exports have also increased, by 2%. Exports have declining so far this year for WMP (-26%), butter/butteroil (-22%), and whey powder (-6%). Total EU exports in this period, expressed in milk equivalent, were +2% above last year, while the value of these exports has increased by +7% compared to the same period of 2018.

Up to March 2019 the US remained the main outlet for EU cheese exports with 6% increase compared to last year (31% of the shipments originating in IT and 16% in FR), closely followed by Japan (+27%; 29% from NL, 20% both from DK and DE). Switzerland was the third in the ranking (+1%), followed by Saudi Arabia (-2%) and South Korea (-8%). With smaller volumes, exports to China and Algeria have increased significantly (+22% and 11% respectively).

The EU has decreased its butter/butteroil exports in volume in the first three months of 2019 (-22%). The US has been the main destination for EU butter, showing a 21% increase compared to last year (mainly from IE), followed by China (+14%, half of the volumes from FR). Exports to Saudi Arabia have dropped by 48% (DK remains the main origin with 73% of the volume). In the Asian market, the increase of exports to South Korea and Taiwan could not compensate the drop in Singapore and Taiwan.

Up to March 2019 the EU increased significantly its SMP exports to the 10 top destinations but Algeria. Indonesia leads now the ranking of main destinations with 170% increase compared to last year (BE is the main origin with 42% of the shares). China follows as second destination (+140%, mainly from DE and DK). Algeria falls to the third position, with similar volumes as China, but with 36% less product than in Q1 2018. The biggest growth is observed in Philippines (+200%, mainly from BE and NL) and stands as fourth main outlet.

Regarding WMP, EU exports continue in a declining trend, with a 26% decrease in the first three months of 2019. Oman leads the EU exports in this period but with 31% decrease compared to last year (mainly from SE and DK). Kuwait is one of the only three growing destinations in the top-10, with +21% increase and climbing to the second position of the ranking (almost all the product originating in NL).

In the first three months of 2019 NZ dairy trade has expanded noticeably. Butter exports increased by 29% (mainly to China, Philippines, Iran and Australia), WMP exports by 23% (mainly to China and Algeria), Cheese by 12% (mainly to Japan, Australia and China), and SMP my 8% (mainly to China and South East Asia). US exports, on the contrary, are rather sluggish this year: only cheese exports are improving (+11%) while volumes are dropping for the other main categories (SMP, butter, whey powder or lactose). Dairy exports from Belarus increased in Q1 2019 for SMP (+30%) and cheese (+25%) but decreased by 4% for butter.

On the demand side, China is showing this year impressive growth figures for milk powders: +28% for SMP and +29% for SMP. Due to African Swine Fever outbreaks, demand for whey powders is declining in China (16%), but EU share has increased to 44%. By February 2019, demand for SMP in South East Asia was expanding (+58% in Philippines, +26% in Malaysia and +18% in Singapore), and the EU has improved its market share in all of these countries. Russia and the US have increased their butter imports so far this year and are approaching Chinese volumes. Russia is likely to stand as first world cheese importer (data is only available for February) with Belarus, their main provider, doubling their exports. Japan, the US and South Korea complete the top-4 of cheese importers, with modest increases in Q1 2019.

Milk production dropped significantly in March in New Zealand (-8.2%) due to severe drought, resulting in a +3.2% cumulated increase since the beginning of the season in June 2018. Milk prices expressed in c/kg increased in March 2019 by +0.4% to 30.6 c/kg; which is -0.2% lower than one year before.

Australia milk production in March 2019 (9th month of the 2018/19 season) was -10.6% lower than in March 2018 (-6.9% for Jul-Mar period).

US milk production in March 2019 decreased by -0.3% compared to March 2018 (+0.2% for the Jan-Mar period). This is the first year-on-year monthly decrease since December 2013. The March farm gate milk price increased by +8.4% compared to February, up to 33.7 c/kg, which is +3% higher than in March 2018 (part of this increase can be explained by the strengthening of US dollar versus euro).