Milk Market Situation

June 2019

- EU cow's milk collection increased in April 2019 (+1.3%) compared to the same month of 2018. Cumulated deliveries in Jan-Apr are 0.3% above last year's levels. In April, EU deliveries increased by 1.3% with IE (+15%), +127 000 tonnes) and the UK reporting the highest production growth and FR, NL and DE the main contraction. The moderate increase of milk collection in the last 4 months translates into limited production growth for most dairy products: butter (+2.4%), cheese (+0.5%) or SMP (+0.3%). Yet, production of SMP and butter in April increased noticeably (+10% and +5% respectively). Decreased production in Jan-Apr has been reported for WMP (-12%) and drinking milk (-1.9%).

- The weighted EU average farm gate milk price decreased by 1.5% in April 2019 down to 33.8 c/kg. This price level is +5.4% higher than in April 2018 and +7.8% higher than the average of the last five years. Member States' estimates point to a stable milk price in June.

- In Italy, spot milk prices have increased for 9 consecutive months, reaching 45 c/kg by the end of June (14% improvement in 4 weeks, 16% above last year's levels).

- EU average prices of dairy products generally decreased last month (by 30° June), notably for whey powder (-4.6%), butter (-2.4%), WMP (-2%) and SMP (-1%). Compared to a 5-year average, WMP and cheese (edam, gouda, emmental) are around 8% higher and SMP also above (+3%). Butter and cheddar prices are respectively 4.5% and 5.8% below the 5-year average.

- On the world market, the appreciation of the € compared to the US$ (+1.7% in June) somewhat affected the competitiveness of EU dairy products. Still, EU SMP prices are on par with the US and 3% cheaper than in Oceania, and EU butter prices are 2% lower than in Oceania and 14% lower than in the US.

- EU exports in the first four months of 2019 have strongly increased in volume for SMP (+34%) and condensed milk (+19%). Cheese exports have also increased, by 3%. Exports have declining so far this year for butteroil (-39%), WMP (-25%), whey powder (-6%) and butter (-5%). Total EU exports in this period, expressed in milk equivalent, were +3% above last year, while the value of these exports has increased by +9% compared to the same period of 2018.

- Up to April 2019 the US remained the main outlet for EU cheese exports with 7% increase compared to last year (+10% in April), closely followed by Japan (+18% in Jan-Apr, -3% in Apr). With smaller volumes, the biggest increase in cheese exports has taken place in Libya (+59%), Algeria (+36%) and China (+20%).

- EU butter exports declined in the first four months of 2019 (-5%) but have surged significantly in April (+27%) thanks to voluminous shipments to the US (+74%), Japan (+103%) and Turkey (from 80 to 1200 tonnes). The EU has notably decreased its butteroil exports in volume in Jan-Apr 2019 (-39%) notably due to lower shipments to the main two destinations: Saudi Arabia (-20%) and Indonesia (-32%). At the same time, EU imports of butteroil, mostly originating from New Zealand, have multiplied by 7.

- Up to April 2019 the EU increased noticeably its SMP exports to the 10 top destinations but Algeria, China leads again the ranking of main destinations with 105% increase compared to last year (+49% in April). Indonesia follows as second destination (+151% in Jan-Apr, +84% in Apr). Algeria stands in the third position, with 39% less product than in Jan-Apr 2018 (and -47% in April). The biggest growth is still observed in Philippines (+183% in Jan-Apr, +152% in Apr). Mexico appears again in the rankings of SMP destinations, with 4 000 tonnes exported in April.

- WMP is with difference the less buoyant export market for the EU. Exports in volume have dropped by 25% in Jan-Apr and by 23% only in April. This drop is mostly driven by the decrease of exports to Oman, the main destination for WMP (-32% in Jan-Apr, -34% in April). Positive developments have been observed in April in Kuwait (+47%), Nigeria (+46%) and Ivory Coast (+92%), but with relatively small volumes.

- In the first four months of 2019 NZ dairy trade has expanded noticeably. Butter exports increased by 17% (big growth in Philippines, the US, Mexico, Russia and Canada, yet 28% decrease in China), WMP exports by 22% (with a 60% increase in China), Cheese by 7% and SMP by 6%. US exports, on the contrary, remain rather low this year especially for SMP (-15% in total, -82% in China) and whey powder (-31% in total, -60% in China). Dairy exports from Belarus increased significantly for SMP (+36%, mainly addressed to Kyrgyzstan) and cheese (+26%, mainly to Russia). India has shown a remarkable growth in butter exports this year (from 5000 to 22 000 tonnes, mainly shipped to Turkey).

- On the demand side, China keeps on increasing its growth figures for milk powders: +31% for SMP (with important exports from DE, DK, FR, SE, Australia and Belarus) and +33% for WMP (with 90 000 more tonnes this year from NZ). Chinese butter imports are however down by 23% (with 10 000 tonnes less from NZ). African Swine Fever is reducing Chinese demand for whey powder, and imports have dropped by 18% (imports from the US have been cut to half). Russia is substantially increasing its dairy imports, mainly for butter (+78%, mainly from Belarus, NZ and Uruguay) and cheese (+52%, mainly from Belarus). Butter imports in the US have increased by 48% (with lower market share for the EU, to the benefit of NZ). Demand for butter is rising in Iran, with 88% increase (with big increase from Turkey). Philippines stands as the main world importer of condensed milk, ahead of Hong Kong. NZ has increased its lactose imports by 61%, overtaking China as the lead world importer.

- Milk production dropped again significantly in April in New Zealand (-8.4%) due to severe drought, resulting in a +2.3% cumulated increase since the beginning of the season in June 2018. Milk prices expressed in c/kg decreased in May 2019 by 2% to 28.9 c/kg; which is 7% lower than one year before.

- Australia milk production in April 2019 (10th month of the 2018/19 season) was -13.7% lower than in April 2018 (-7.3% for Jul-Apr period).

- US milk production in April 2019 slightly increased by 0.1% compared to April 2018 (+0.1% for the Jan-Apr period). The farm gate milk price increased again in May up to 37 c/kg, which is 13% higher than in May 2018.