Milk quota expiry & market prospects for the dairy sector

DG Agriculture and rural development

European Commission

Brussels – 26.03.2015
Milk quotas were introduced in 1984 to address problems of over-production & surpluses.
Successive reforms of the CAP saw a reduction in the EU support price, and EU prices picked up, moving more in line with world market prices.
Milk quotas have constrained production until soft landing was introduced.
EU export volumes have been growing
EU export values have been growing even faster, except in crisis year 2009.

**EU Exports of Dairy Products** *(in value - 1000 EUR)*

*Source: COMEXT (Eurostat)*

Values in 1000 EUR

- **2007**: BUTTER 6,266,000
- **2008**: BUTTEROIL 6,674,000
- **2009**: BUTTEROIL & FRESH 5,419,000
- **2010**: CHEESES 7,318,000
- **2011**: SMP 8,480,000
- **2012**: SMP & CHEESES 9,188,000
- **2013**: SMP, CHEESES, & WHEYPOWDER 9,582,000
- **2014**: SMP, CHEESES, & WHEYPOWDER 10,554,000

- **WHEYPOWDER**: 2,000,000
- **LACTOSE**: 1,000,000
- **CASEINES**: 5,000,000
- **CONDENSED**: 1,000,000
- **FRESH**: 2,000,000
- **WMP**: 1,000,000
- **BUTTEROIL**: 3,000,000
- **BUTTER**: 1,000,000
Steady growth in world consumption

- +2.1% per year in world imports
- A slightly lower increase in traded volumes compared to the last decade
- But most of the extra demand to be supplied by the EU
  - NZ production and exports limited by natural constraints
  - US dom. consumption to grow faster
- China to contribute less to the extra demand
  - Africa and other Asian countries to absorb more dairy products
• Long term prospects are positive

• In the short run, the challenge is volatility

• Continued EU public support by means of:
  • Safety net and exceptional measures in case of crisis
  • Direct payments and rural development programmes
  • Promotion (and increased market access), research and innovation, quality policy

• The sector needs to organise itself:
  • Milk Package
  • Milk Market Observatory