

# Milk Market Situation

## February 2018

- **EU cow's milk collection** increased by 3.9% in December 2017 compared to December 2016 resulting in 474 000 t more milk notably in DE, FR and UK. Total milk deliveries in 2017 have been 1.8% higher than in 2016 (+2.7 million tonnes). In 2017, production increased for WMP (+2.8%), cheese (+2.0%), concentrated milk (+1.4%) and cream (+1.0%) while a decrease in EU production was reported for SMP (-2.6%), drinking milk (-0.7%) and butter (-0.4%).
- The weighted **EU average farm gate milk price** decreased in December 2017 by 0.9% to 37.5 c/kg. This price is 13% higher than in December 2016 and 9% higher than the average of the last 5 years. Estimates notified by Member States point to a 1.5% decrease in milk prices for January 2018 (36.94 c/kg).
- **Prices on spot milk markets** have shown different trends in February. In Italy, the spot milk price was stable in the last 3 weeks (at 28.5 c/kg), meaning a 25% decrease compared to last year's level. In the NL spot milk price increased in the last 4 weeks to 28.5 c/kg, this price however is 14% lower than in the same week of 2017.
- **EU average prices of dairy products** showed different trends in February: they increased for butter (+4.1%), WMP (+1.1%), cheddar (+1.5%), edam (+2.1%) and wheypowder (+1.5%), while price decreases were reported for SMP (-2.1%), gouda (-1.3%) and emmental (-6.9%).
- On the **world market**, butter quotations expressed in US\$ increased last fortnight in the EU (+3.8%), in Oceania (+1.4%) and in the US (+4.7%). Significant falls in SMP prices have been reported in Oceania (-11.8%) and in the US (-7.4%). EU butter and cheddar are the most expensive in world markets, while Oceania milk powders became more expensive than EU and US. The US is the most competitive region for butter, SMP and cheddar, and the EU for WMP.
- **EU exports** in 2017 have strongly increased in volume for SMP (+36%), condensed milk (+13%), cheeses (+4%), WMP (+3%) and wheypowder (+2%), whereas decreases have been observed for butter (-15%) and butteroil (-26%). Total EU exports in 2017, expressed in milk equivalent, have been 7% above last year, while the value of these exports has increased by 18%.
- In 2017 the US was by far the main outlet for **EU cheese exports** (-1%), with 26% of the shipments originating in IT. Japan was the second in the ranking with 20% increase compared to last year, followed by Switzerland (+6%), South Korea (30% from DE) and Saudi Arabia (-10%; mainly from PL, FR and IE). Chile increased its volumes by 121% compared to last year (mainly from DE and NL).
- **EU butter exports** have contracted by 15% in 2017 in volume, though they have increased by 14% in value. The US was in the first place in the ranking, showing a notable increase (+39%) compared to last year (mainly from IE), followed by Saudi Arabia (37% from DK) although compared to 2016 the volumes have decreased by 47%. China is in the third place with a 9% increase (64% from FR). EU butter exports also increased appreciably in Australia (notably from UK), while decreased significantly in Egypt, Singapore, Morocco, Japan and Turkey.
- Algeria led the ranking for **EU exports** of milk powders in 2017: **SMP** (+46%) mainly from FR, PL and BE, and **WMP** with 97% increase (45% from NL). The **EU** has significantly increased **SMP exports** to its top 10 destinations in 2017 other than to Egypt (-5%) and Saudi Arabia (-8%). China was the second destination for EU SMP (31% from DE) with 39% increase over last year, followed by Indonesia with 24% increase (41% from BE). Mexico and Malaysia showed a three-digit percentage increase, but Vietnam (+60%), Philippines (+43%) and Thailand (+41%) increased also significantly their SMP imports from the EU. Regarding **EU WMP**, Oman (mainly from SE and DK), Nigeria with 43% increase (from NL, DK and IE) and China (+7%; mainly from FR and NL) were the other main markets.
- In 2017 **NZ exports** fell by 13% for butter, by 9% for SMP and by 3% for cheese, while remained on the same level for WMP as in 2016. The **US** increased their exports of cheese (+19%), butter (+16%) and SMP (+3%), while on the contrary, US WMP exports decreased by 16%, but volumes were much lower.
- On the **demand** side, China increased its dairy imports in terms of volume in 2017 except for lactose and caseinates: for SMP by 34% (however Mexico is in the first place), for WMP (+12%), for cheese (+11%) and for butter (+12%). Australia and Philippines have shown increases in butter imports (+18% and +8%), while the US decreased their butter imports by 7%. Russia became the first main world butter importer, followed by China. Japan, Russia and the US (US with 75% EU origin) led the ranking of cheese importers in 2017, but US with decreased volumes (-10%) compared to last year, followed by Mexico (-3%) and South-Korea (+14%). Mexico stands as the first world SMP importer, followed by China while Algeria has experienced a remarkable increase (+43% up to October 2017).
- **NZ milk production** decreased by 2.6% in December 2017 compared to the same month in 2016. For the first seven months of the 2017-2018 season (June 2017 to May 2018) milk deliveries have increased by 0.9%. Milk prices expressed in c/kg were rather stable in December 2017 (30.9 c/kg), 6.9% lower than in December 2016.
- **Australian milk production** in December 2017, sixth month of the 2017/18 season, increased by 2.4% compared to December 2016 (+3.0% increase for Jul-Dec period).
- Milk production in the **US** increased by 1.1% in December 2017, and the year closed with a cumulated growth of 1.4%. Sharp decrease in the US milk price (33.1 c/kg) was reported for December (-8.8% compared to November 2017). This price is 19.8% lower than in December 2016.