

Milk Market Situation

November 2014

- **EU cow's milk collection** increased by 4.9% in September 2014 compared to the same month last year. The cumulated deliveries in the first nine months of 2014 were 5.5% higher than in year 2013. The milk is processed into 26.0% more SMP, 11.2% more WMP, 4.8% more cream, 4.1% more butter, 2.6% more cheese, 2.4% more concentrated milk and 0.1% more drinking milk. Negative figures were only reported for fermented milk (-2.9%).
- The weighted EU **average farm gate milk price** decreased in September 2014 by 1.1% to 36.5 c/kg, which is 5.0% lower than in September 2013 and 168% of the virtual intervention price.
- **Prices on spot milk markets** have slightly trended downwards in the last weeks. In Italy, the spot milk price decreased by 0.7% between weeks 39 and 45 (from 36.8 to 36.5 c/kg), meaning a 28% decrease compared to last year. In the Netherlands the spot milk price decreased by 1.4% between weeks 41 and 45 (from 34.5 to 34.0 c/kg), and is 29% below last year levels.
- **EU average dairy product prices** mostly decreased last month, except for butter, which remained stable. Bigger falls were observed in SMP (-4.7%), cheddar cheese (-3.7%) and whey powder (-3.2%). WMP showed a more modest fall by 1.2%.
- Since the announcement of the **Russian import ban** on 6 August, average prices of dairy products have decreased by: - 28% for SMP, -22% for WMP, - 12% for cheddar cheese, - 11% for butter, -11% for gouda cheese and - 6% for whey powder.
- On the **world market**, prices expressed in US\$ have generally trended downwards in the EU and Oceania in the last two weeks. Butter prices in the EU have remained rather stable and the rest of the products have decreased ranging from -2.6% to -3.5%. In Oceania, price drops have shown similar magnitudes, ranging from -2.5% for cheddar to -3.4% for butter. Butter and cheddar prices have trended upwards again in the US (+ 9.2% for butter), while WMP prices have remained stable and SMP prices dropped by 3.2%. Oceania is still the most competitive region for butter, WMP and cheddar, while the EU SMP is again the cheapest. The US is the most expensive exporting region for all products.
- **EU exports** in the first nine months of 2014 outpaced last year's level for most dairy products, with the only exception of cheese and whey powder, which decreased by 5.9% and 1.5% respectively. SMP and butter/butteroil have been the most dynamic products so far in 2014.
- Before the import ban, Russia was the main outlet for **EU** butter and cheese exports. Butter exports to Russia are now (September update) on par with last year and cheese exports decreased by 30%. Algeria is by far the main outlet for EU exports of milk powders, and has increased EU-origin SMP imports by 137% and WMP imports by 176%. China, Indonesia and Egypt are also very dynamic importers of European SMP.
- In the first nine months of 2014, **NZ** increased its exports of butter (+18%) and WMP (+17%), while it decreased its exports of SMP (-7%) and cheese (-4%). In the same period, the **US** increased noticeably their exports of cheese (+26%) and, at a more moderate scale, SMP and butter.
- On the **demand** side, China keeps on being the main driver of global trade, boosting imports for all the main dairy products, although clear signals of deceleration have been observed particularly as regards milk powders and butter. Up to September Japan reduced their total imports of cheese by 3%, although EU-origin cheese imports increased by 8%.
- **NZ** milk production increased by 14.2% in the first eight months of 2014 compared to 2013. In the first three months of the new 2014-15 season (June 2014 to May 2015), milk production has been 5.1% over 2012-13 levels. In September 2014, the milk price recorded for NZ slightly decreased by 0.4% to 26.86 c/kg, cumulating a 34% decrease in four months.
- **Australian** milk production up to September 2014 has increased by 4.2% compared to the same period in 2013. In the first three months of the new 2014-15 season (July 2014 to May 2015) milk production has increased by 2.8%.
- Milk production in the **US** increased by 4.0% in September 2014 compared to the same month last year, being the biggest surge this year. In the first nine months of 2014, US cumulated milk production increased by 2.0%. The USDA estimates milk production in 2014 to be 2.5% higher than in 2013. The all milk price is raised to \$24.15 to \$24.25 per cwt for 2014 (42.6 to 42.8 c/kg, ECB exchange rate of 10/11/2014). For September 2014, the US milk price is reported at 47.53 c/kg (+22% in three months).