



# IDF Country Reports

IDF Factsheet – October 2015

*Members of the IDF Standing Committee on Dairy Policies and Economics (SC DPE) from 14 countries<sup>1</sup> submitted country reports covering the six months leading up to September 2015. This fact sheet highlights the main findings from the review of the country reports as presented at the SC DPE meeting held in Vilnius, Lithuania on 18th September, 2015.*

## Milk Production

There are mixed trends in the EU with some countries resuming strong production growth in Q2 of 2015 (the Netherlands at +8.9% and Ireland at +12.0%) after curtailing output in order to minimize superlevy earlier in the year, whilst in other countries production growth has been curtailed (France +0.5% and Germany -0.2%). Overall however European output still remains above last year.

New Zealand had recorded a strong start to the production season at +12% but forecasts for the remainder of the year are negative reflecting reduced income expectations, less spending on supplementary feed and herd size reductions. American output is growing at +1.2%.

Overall an alignment between supply and demand growth remains to be achieved but an El Nino event has established itself and is forecast by the UK Meteorological Office to be severe.

## Farm Gate Prices

Farm gate price trends in all major exporting countries are still strongly negative with price falls in Europe ranging from -18.0% for Finland to -26.6% for the Netherlands with the possibility of further falls as farm gate prices catch up with the fall in commodity markets. In response to the pressure on farm gate prices the Commission has found €420m for distribution to dairy farmers as a one-off direct aid payment.

In the USA the fall in farm gate prices is -29.0% and payments have been triggered under the Margin Protection Programme. In New Zealand the farm gate price has fallen by -44.0%.

The effect of price reductions on producers has been partially offset by lower feed costs which has meant that in America the income over feed costs remains at or above the five-year average of \$8 per hundredweight.

## Wholesale and Retail Milk Prices

Globally wholesale prices remain weak, particularly for protein. In the EU the market situation remains exacerbated by the Russian ban and SMP is being offered to intervention. Butter intervention



is not expected. In response to the market pressure the European Commission has introduced a revised Private Storage Aid scheme for SMP and for cheese to try and stabilize the market.

In the USA the butter price is at a significant differential to the world market due to stronger domestic demand.

There has recently been a rebound in prices on the GDT auction. Whilst this may indicate that markets

<sup>1</sup> Australia, Canada, Denmark, France, Finland, Germany, Ireland, Israel, Japan, Netherlands, New Zealand, South Africa, United Kingdom and United States.

may have bottomed it is not clear when a recovery can be expected.

Retail price inflation for all food remains weak in the European Union for most countries, ranging from only -2.7% for Finland to +1.3% for Denmark and Germany, with only Ireland at +2.5%. Lower retail prices for dairy products in Europe has helped to boost demand for liquid milk in Germany and the UK.

### *Industry Restructuring*

The restructuring of the dairy industry continues, with considerable mergers and acquisitions across the EU and Oceania.

### *Environment*

Environmental production constraints are becoming a reality in some countries. In the Netherlands phosphate quota at the individual farm level has been introduced based on a 2014 reference

year. Farmers will be accountable for phosphate production which should match their phosphate production rights.

### *Summary*

The world market is currently in a situation of oversupply with producers yet to curtail production in response to price signals due to reduced feed costs, benign weather and increasing production to maintain cash flow, but recent world market price trends indicate that the market may have passed its low point. A severe El Nino event may accelerate the process of rebalancing.

