



IDF Country Reports

IDF Factsheet – November 2012

Members of the IDF Standing Committee on Dairy Policies and Economics (SC DPE) from 19 countries submitted a country report in November 2012.

Retail prices

Except for Israel and Japan that saw small reductions in their retail prices, most reporting countries noted increases in retail prices ranging from +0.6% in Australia to 6.3% in Finland with most other countries in the +1 to 3% range. Regarding the product category, in Germany, household consumption of butter and cheese is increasing, while purchases of milk and yogurt are decreasing with a similar trend for fluid milk in Italy, Japan and Sweden. Australia saw moderate growth in volume sales for liquid milk of +2.0% and +5.3% for modified milk. Finland and Germany are witnessing higher demand for butterfat.

Milk Production

New Zealand recorded the highest production increase with 10.3%, followed by India, Australia, Israel and Norway with increases of 4.6%, 4.3%, 3.8% and 3%, respectively. On the other hand, several countries reported decreasing production. It was the case for Ireland and the UK with respective decreases of 7% and 4.1% observed in the last year as well as Austria, Belgium and Denmark witnessing reductions around 1 to 1.5%.

Most other countries saw their total milk production increasing by up to 2.6% including the US with 0.4%.

In various parts of the globe, milk production growth is being slowed down by higher feed costs, poor silage quality and adverse weather conditions. For example, droughts were reported in parts of the US, Japan, Italy and Germany.

Milk Prices

Farm gate milk prices were mostly on the down side over the last year. The largest decreases were observed in the US, Germany, Belgium, NZ, Netherlands with -17%, -15.5%, -14.4%, -12% and -11.8%, respectively, but also in Austria, Ireland and Sweden with each showing a 10% decline. New Zealand reported that ample global supply and a strong currency had a depressive effect on their farm gate milk prices. In Finland, the milk price is over €40cents/litre while it is running above €30cents/litre in France. In Israel, the milk price is regulated by Government and calculated based on production costs which includes a compensation farmers' labour and capital.

For the coming months, milk prices are expected to remain relatively higher than average in most milk producing regions. However, dairy farmers feel a margin squeeze as feed costs remain significantly higher than



average. Dairy markets are reported to vary from stable to slightly tight in the coming months, which could contribute to maintaining prices at relatively high levels.



Industry developments

Regarding industry restructuring, a new organization was recently created in Australia - Dairy Connect NSW. It is a total supply chain group combining producers and processors. In France, Danone announced a \$700 M investment in Russia and several companies announced or finalized investment in dried dairy products (Lactalis, Isigny-Ste-Mère, Coralis, Ingredia, Sodial and Sill).



In Germany, Arla merged with co-op Milch-Union while in the Netherlands; a Greenfield investment by A-Ware was announced. This new plant is expected to produce 50,000-60,000 MT of cheese annually and handle the associated whey.

Policy developments

Denmark reported that their fat tax 16 DKK per kg has resulted in rising prices for high fat products, declining sales for butter and trade distortion with retail chains establishing shops across the border in Germany. In the UK, the government has proposed a traffic light system for labeling of consumer products.

In India, the first phase of the National Dairy Plan was launched to meet rapidly growing demand for milk. Funded with US\$450 M largely from the World Bank, the

plan will be implemented over six years and is expected to increase cow productivity and give milk producers access to milk processing.

Austria reported that their entire dairy production is 100% GMO-free. However, the concerns about GMO's in certain countries and the disappearance of grass based systems appear to be contradictory.

In the United States, a new Food Safety Modernization Act is being implemented to cover both domestic and imported food. It requires the Food and Drug Administration to focus its efforts using a risk-based model. Also, the trend toward the elimination of chocolate milk in schools results in a reduction in milk consumption. The US report also noted increasing activity by animal rights organizations at the state level to restrict farm practices. Finally, the 2012 Farm Bill should be passed following US elections. The new Farm Bill will eliminate existing programs such as MILC and DIEP and replace them with voluntary participation by farmers in an Insurance Program focused on farmer's margin (feed/price ratio) and a Market Stabilization Program that will provide incentives to dairy farmers to reduce production if national margin levels dip below specified amounts.

In Israel, Norway and Canada, the regulated market isolates these countries from global trends but also provides relatively more stability to their respective industries.



International Dairy Federation
www.fil-idf.org

References

IDF Members' Country Reports - Standing Committee on Dairy Policies & Economics - Cape Town, South Africa, November 2012