



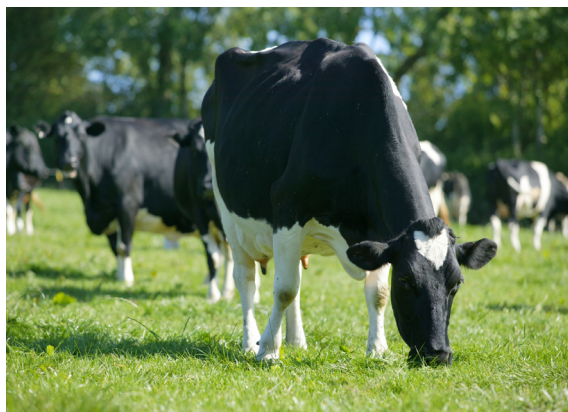
# IDF Country Reports

IDF Factsheet – April 2013

**Members of the IDF Standing Committee on Dairy Policies and Economics (SC DPE) from 17 countries submitted country reports covering the six months leading up to April 2013.**

## Milk Production

Milk production in the last quarter has been mostly subdued except for India and Norway which recorded an increase of 4.6% and 4.0% over the same period a year ago. New Zealand reported an increase of 9.3% in the last year. The most notable decreases in milk production were observed in Ireland, the UK and France, with reductions of 8%, 5% and 3.9% respectively. Most other countries recorded small production shifts ranging from be-



tween -1.5% and +2.4%. EU and US milk production has been mostly affected by adverse weather conditions and high feed prices.

## Farm Gate and Retail Milk Prices

The most recent reports indicate lower farm gate prices in New Zealand (-19%) and in Europe (-9.9% in Austria, -6.8% in the Netherlands and -6.6% in France). Farm gate milk prices were mostly on the up side in Australia (+8-10%), the US (+6.6%), Ireland (+4%) and in the UK (+3.3%). Canada, Germany, India, Italy, Japan and Norway experienced a relatively stable period with farm gates prices in-

creasing by less than 2%. For the coming months, farm gate milk prices are expected to remain relatively higher than average in most milk producing regions, but feed prices will remain high, which contributes to keeping margins fairly low.

Retail prices continued to increase moderately in the 1-3% range in all reporting countries except for New Zealand and Japan which reported retail price contraction of 1% or less.

## Industry developments

Norway and Finland reported strong increases in their respective butterfat consumption (butter, whole milk, cream and sour cream). This is mostly due to an apparent change in consumers' attitudes toward dairy fats.

The prospects show fairly weak domestic markets in the EU with increased exports. The milk supply situation is stable in India and Japan while it is restricted in Oceania and the US.

In the area of industry restructuring, there is a lot of processor consolidation and acquisition activity in Europe. In Denmark, farm restructuring is affected by a financial crisis where lower land prices are forcing banks to keep owners in business instead of realizing financial losses. Denmark also abolished their controversial fat tax on January 1, 2013, while implementing an increased sugar tax.

Due to budget constraints, the Dutch Dairy Board will cease its operations on December 31, 2013.

In India, a National Livestock mission is to be launched in 2013-2014 to encourage investments and enhance livestock productivity. 2012 saw the opening of Fonterra's new Darfield processing plant, which includes the world's largest milk powder dryer and is Fonterra's first new processing plant in 14 years.

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The recent US government data shows a drop in the number of operations of 2000 cows or more for the first time since this statistic is being published.

The UK government is proposing a voluntary traffic light system for the labelling of dairy products which would provide useful information to consumers on fat, saturated fat, salt, sugar and calories.

On the environment front, Australia has implemented a new carbon tax of 10% on electricity. The water regulation in New Zealand is becoming increasingly serious with the 2011 National Policy Statement for Freshwater which requires limits to be implemented by 2014.

## Policy developments

Israel reported that their reform process is underway. A Governmental Committee has been appointed to make recommendations that could lead to some level of deregulation, including pressure to reduce tariffs on dairy imports and reduction of the target milk price. This is expected to lead to increased efficiency at farm level, increased competition and closure of up to 100 dairy farms.

Effective January 1, 2013, Norway changed from fixed import quotas to ad-valorem tariffs for some cheeses in line with their WTO commitments. Farmers are seeking increased government payments waiting for a new Parliament to be elected next September.

With the CAP reform in the EU, quotas are scheduled to be abolished by April 1, 2015. In the mean-

time, the European Parliament is proposing to introduce some supply management measures to be used in time of crisis. In the US, a new Farm Bill is being considered where the different price support programs including the Milk Income Loss Contract and the Dairy Export Incentive program would be disbanded and replaced by comprehensive program targeted at better managing milk supplies.



The proposed programs include an Insurance Program which would cover certain levels of margins of price over feed costs and a Market Stabilization Program for more severe situations when margins fall below \$6 per cwt.

In summary, it appears that the notion of supply management has not gone away, that there is an increasing trend towards formula pricing, that there is recognition of cost of production in milk pricing systems and that contractual agreements are evolving.



**International Dairy Federation**  
[www.fil-idf.org](http://www.fil-idf.org)

### References

IDF Members' Country Reports - IDF Standing Committee on Dairy Policies and Economics - Paris, France, April 2013