



# Executive Summary of IDF Country Reports - October 2018

*Members of the IDF Standing Committee on Dairy Policies and Economics and the IDF Standing Committee on Marketing from 20 countries<sup>1</sup> submitted country reports covering the six months leading up to October 2018.*

*This fact sheet highlights the main findings from the review of the country reports presented to the joint Committee meeting held in Daejeon on October 13, 2018.*

## Milk Production

Production trends across Europe were generally up with the exceptions of the Netherlands and Norway. Reduced production in the Netherlands was attributed to the phosphate reduction program, while in Norway warm and dry weather affected production. Negative effects of hot and dry weather or drought were also noted in the UK, Finland, Ireland, Germany, France and Belgium.

Outside the EU, milk production was generally positive in North America, New Zealand, South Africa, Japan, Australia and Israel. Chile reported reduced production.

## Farm Gate Prices

The latest reported farm gate price trends varied significantly country-to-country. In the EU, only France, Germany, Poland, the UK, Norway and Switzerland reported increases, while Belgium and Denmark reported decreases of 9% and 6%, respectively. Many countries attributed changes to fluctuations in butter and cream prices. The US reported a 9.2% decrease, while Australia reported a 12.5% increase. Japan reported a slight increase in both milk production and farm gate prices.

## Wholesale and Retail Milk Prices

Wholesale prices were lackluster with markets either steady, softening or weak. The disparity between butter and SMP valuations remained. Most countries reported only modest changes in retail prices. However Germany, Denmark and the UK reported significant gains, 12%, 4.1% and 3.8% respectively.

## Retail Market

Butter enjoyed strong sales and/or price increases in several countries (the Netherlands, Canada, Finland and France), while Ireland reported a dip in volumes attributed to higher pricing. Dairy alternatives or veganism were noted in some countries (Belgium, Ireland, Germany, Canada, Norway and the Netherlands). "Free From" was mentioned as being a factor in the Netherlands (sugar), and Poland (genetically modified, preservatives).

## Consumption Trends

Consumption trends for drinking milk and yogurt were largely negative in Europe, with the UK and Poland being the only countries showing growth in both categories. Outside Europe, Canada stood out with strong growth in both categories (4.3% drinking milk, 3.3% yogurt). In the US, milk beverages are declining significantly, although there is some

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

strength in whole milk products. Although the category is down, the new Fairlife product, which is basically ultrafiltered milk, is showing significant growth, albeit from a small base.

## Trade

Free trade agreements remain a topic for both optimism and concern. Brexit and trade wars were mentioned as concerns, but CETA (implemented in 2017), the EU/Japan partnership (implemented 2019), new NAFTA (USMCA), MERCOSUR, ASEAN, TPP, as well as negotiations between the EU and several countries/trading blocks. The impact of the EU/Japan free trade agreement appears to be unclear, with only Belgium mentioning high expectations.

Strong increases in exports were mentioned in several countries. Trade protectionism is a big concern in the U.S., especially as it relates to exports to Mexico and China.

## Prospects

Brexit and trade war concerns were raised by several countries. Positive prospects for butter, butterfat and/or high fat dairy are seen from the Netherlands, Canada and New Zealand. Weather-related fodder shortages were expected to have an effect in Ireland, Australia, Belgium, France and Germany. Milk prices in the US are expected to increase 5-9%, while productivity gains in New Zealand are expected to benefit production.

Dairy policy issues to watch include a new agriculture and food law in France, phosphate rights legislation in the Netherlands, revisions to the law on agriculture in Switzerland, origin labelling and front of pack labelling regulations in Chile, a “Plan for Villages”

program to support farmers in Poland, compositional and food safety regulations in South Africa, and the development of a new Food Policy in Canada.

## Environment

Environmental activities and initiatives were reported by 11 countries indicating the continued importance of the issue to the sector. Reported activities include the Dairy UK Roadmap, the UK Plastics Pact, developments included a new environmental stewardship platform being added to the US assurance scheme FARM and the launch in New Zealand of Dairy Action for Climate Change which will provide a framework for the sector to address emissions. In Chile, the dairy industry is supporting the Chilean Sustainable Development Agenda.

A carbon tax has been introduced in Switzerland and a mandatory carbon price in Canada.

## Nutrition and Health

The dairy industry continues to communicate the health benefits of dairy and follow policy globally to ensure the best available scientific information is available and being used. The Dairy Matrix message is being communicated by health professionals in South Africa. The positive impact of butter on consumer health is a topic in Switzerland. Government initiatives in Israel, South Africa, Australia, and France are targeting salt, sugar and/or saturated fat, which may include labelling changes.

## Animal Welfare

Animal welfare continues to be a priority for the industry worldwide with numerous initiatives underway. Canada began a new auditing animal care auditing system in 2017. Over 98% of US production is enrolled in the National Dairy Farmers Assuring

Responsible Management (FARM) program. In the Netherlands, 80% of dairy farms graze outdoors. In Finland, an enhanced quality program to improve animal health and welfare was implemented. In New Zealand, Animal Welfare (Care and Procedures) Regulations were introduced this year.

## Generic Marketing

Information on generic marketing campaigns was received from 15 countries. Communication messages in order of frequency were the following, nutrition/health, pleasure (taste, celebration), culture (tradition, local, heritage, craft, family farm), sustainability, trust, safety, meal occasions, natural, sports and food security. Notable campaigns included a Bone Health Campaign in Australia, the “Don’t forget your glass of milk campaign” in Canada, the “Irish Dairy, the complete natural” campaign in Ireland, the “Shavuot Holiday” in Israel, the “New Washoku” campaign in Japan, the “Gracias a la leche” campaign in Chile, the “Ordinary Food is Good Enough” campaign in Norway, and the Matrix” campaign by the European Milk Forum.

## Summary

Milk growth in production and sustained growth in exports over the last year. Market prices are weakening in line with predictions. Global demand remains stable with increased demand for butter and cream in some regions. Ongoing review of agricultural policy in UK, EU and USA. Numerous ongoing trade negotiations. Weather events in Europe and Australia are expected to limit production in autumn and winter. A diverse range of pro-active initiatives by industry to address environmental and animal welfare concerns. Marketing continues to be led by health and nutrition, while culture and sustainability are also high priorities.

There was some uncertainty over whether the latest price adjustments were simply seasonal or whether they presaged a cyclical downturn. There was growing consumer demand for butterfat, but consumer concerns increasingly embraced sustainability and animal welfare issues. The challenge from the vegan lobby and dairy substitutes was growing. Sector generic marketing activity still gave prominence to health and nutrition messaging.



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