

# Milk Market Situation

## May 2015

- o **EU cow's milk collection** decreased by 1.9% in March 2015 compared to the same month last year. Total milk deliveries in the first 3 months of 2015 have been 1.3% lower than in the same period in 2014. In the same period, there were 3.5% more concentrated milk, 3.0% more cream, 0.4% more SMP and 0.2% more butter. On the other hand, production contracted for WMP (-15.3%), cheese (-3.7%), fermented milk (-3.6%), and drinking milk (-2.3%).
- o The weighted EU **average farm gate milk price** slightly in March 2015 by 0.9% to 31.55 c/kg, which is 20% lower than in March 2014, and 6% lower than the five preceding years' average. According to Member States' estimates, milk price in April 2015 would have decreased by an additional 0.9% to around 31.3 c/kg.
- o **Prices on spot milk markets** have observed some recovery in recent weeks. In Italy, the spot milk price decreased between weeks 16 and 20 (from 33.3 to 31.0 c/kg), but improved in week 22 by 5% up to 32.5 c/kg (which is still 13% below last year). In the Netherlands, the spot milk price plummeted in weeks 17 and 18 down to 18.0 c/kg, but has further increased to 26.0 c/kg in week 22 (+18%), meaning a 26% decrease compared to last year's level.
- o **EU average dairy product prices** generally decreased last month, with the only exception of cheddar and emmental cheeses. Powders showed the deepest price fall (-10.0% for whey powder, -6.8% for SMP, -6.6% for WMP) followed by butter (-3.1%).
- o On the **world market**, prices expressed in US\$ generally trended downwards in the last weeks (with the only exception of European and US cheddar). With the exception of US butter price (which still remains high despite having decreased by 5.2%) all the quotations are very close to each other. Oceania is the most competitive region for butter, WMP and cheddar, and the US for SMP.
- o **EU exports** in the first 3 months of 2015 have improved for SMP, butter/butteroil, condensed milk and whey powder. Negative figures are observed for WMP and cheese, which is suffering the absence of the Russian market. In milk equivalent, EU exports in Q1 2015 would have been 1.5% higher than last year.
- o In the first quarter 2015, the US has consolidated its position as main outlet for **EU cheese** exports, with a 23% increase compared to last year, followed by Japan (+64%). Switzerland, South Korea, Saudi Arabia and Egypt accompany these two countries in the ranking of the main destinations for EU cheese exports. Egypt, Saudi Arabia, and the US are still the main destinations for **EU butter** in the period January-March, showing a notable increase in the three cases compared to last year. Algeria is still leading the ranking for **EU SMP** exports although compared to 2014 the volumes have decreased by 23%. Egypt has become the second outlet for EU SMP in the first three months of the year (with a 93% increase over last year). Regarding **EU WMP**, export destinations remain very similar to last year, with Oman in first position (+22% by March) followed by Algeria and Nigeria.
- o **NZ** increased its exports in the first 3 months of 2015 by 36% for SMP and 22% for cheese, while butter and WMP volumes fell by 7% and 5% respectively. High domestic demand and prices are pushing down **US** exports of dairy products in 2015. Cheese and SMP - the main exported commodities in the US - are decreasing by 12% and 6% respectively. Butter and WMP are falling in a higher percentage (-74% and -18%) but the volumes are much lower.
- o On the **demand** side, China is still the main world dairy importer of dairy products (in milk equivalent) despite the decrease observed for most of the products this year, which range from -50% for WMP to -10% for whey. US and Mexico have shown a remarkable increase in butter imports (+240% and +166% respectively) in a year where butter trade is generally declining worldwide. Japan, the US and South Korea lead the ranking of cheese importers in 2015, with increased volumes compared to last year, while Russia has cut its imports by more than 60%.
- o **NZ** milk production decreased by 0.9% in March 2015 compared to the same month in 2014. In the first ten months of the 2014-15 season (June 2014 to May 2015), milk production has been 2.2% over 2013-14 levels. Milk prices decreased in April 2015 by 4.1% (25.9 to 24.9 c/kg) meaning a 38% decrease in one year.
- o **Australian** milk production in April 2015 increased by 2.9% compared to April 2014. In the first ten months of the 2014-15 season (July 2014 to June 2015) milk production has increased by 2.9%.
- o Milk production in the **US** increased by 1.7% in April 2015, meaning a cumulated increase of 1.8% in the year. The USDA has lowered the 2015 milk supply projection from +1.9% to +1.3%. For April 2015, the US milk price is reported at 36.5 c/kg (+8% in two months but 16% lower than last year).