

Milk Market Situation

August 2016

- **EU cow's milk collection** decreased by 2% in June 2016 compared to the same month last year. Total milk deliveries in the first 6 months of 2016 were 3.3% higher than in the same period in 2015. There were 13.3% more SMP, +10.4% butter, +7.8% WMP, +2.4% cheese, +1.1% fermented milk and +0.7% cream. On the other hand, production contracted for concentrated milk (-15%).
- The weighted EU **average farm gate milk price** decreased in June 2016 by 1.8% to 25.81 c/kg, which is 14% lower than in June 2015 and 23% lower than the average of the last 5 years. According to Member States' estimates, the average milk price in July 2016 would have decreased to 25.54 c/kg.
- **Prices on spot milk markets** have increased in the last weeks. In Italy, the spot milk price increased between weeks 30 and 34 by 2.9% (from 34 to 35 c/kg) and is now 0.7% above last year's level. In the Netherlands the spot milk price increased between weeks 30 and 34 by 16.4% (from 27.5 to 32 c/kg), meaning a 36% increase compared to last year's level.
- **EU average prices of dairy products** generally improved last month: +16.1% for whey powder, +13.2% for butteroil, +10.6% for butter, +8.8% for WMP, +8.7% for edam, +8.3% for gouda, +8% for emmental, +5.9% for cheddar, and +5.4% for SMP.
- On the **world market**, prices expressed in US\$ have generally trended upwards in the last 2 weeks. WMP and cheddar in Oceania have registered the biggest percentage increases (+19% and +12.3% respectively) followed by butter (+8.6). A slightly stronger € boosts the upward trend observed for EU in last weeks. The EU is currently the most competitive region for WMP and cheddar, while Oceania for butter and the US for SMP (although the three regions are very close to each other for this product). The US is the most expensive exporting region for butter, WMP and cheddar.
- **EU exports** in the first half of 2016 increased for butter (+36%), butteroil (+27%), cheese (+14%), WMP (+3%) and whey powder (+2%). On the contrary, SMP and condensed milk exports have decreased by 14% and 21% respectively. Total exports expressed in milk equivalent would have increased by 5.5%.
- The EU has increased cheese exports to all top 10 destinations other than Libya. Up to June 2016, the US is by far the main outlet for **EU cheese** exports, with a 4% increase compared to last year (24% of the shipments originating in IT), followed by Japan (+11%). Switzerland (+4%), Saudi Arabia (+35%) and South Korea (+29%) accompany these two countries in the ranking of the main destinations for EU cheese exports. Saudi Arabia has been the main destination for **EU butter** (notably from DK and LT) in the period January-June of 2016, followed by Egypt (from IE and FI) and the US (from IE and NL). EU butter exports increased appreciably in Canada, Iran, Japan and Morocco. Algeria is the main outlet for **EU SMP** exports (mainly from FR and PL), although compared to 2015 volumes decreased by 18%. China is the second destination for EU SMP in the first six months of the year (+1%, mainly from DE, NL and FI), followed by Egypt (-26%). Regarding **EU WMP**, Oman has been the main market (SE and DK being the main exporters), followed by Algeria and Cuba.
- **NZ** increased its exports in the first 6 months of 2016 by 9% for cheese, by 8% for SMP and 3% for butter, while WMP volumes fell by 3%. Cheese and SMP - the main exported commodities in the **US** - are decreasing by 20% and 11% respectively in the first 6 months of 2016, while exports improved for WMP (+49%) and butter (+5%) in the US.
- On the **demand** side, China has improved its import figures in the first half of 2016 compared to 2015: butter (+35%), WMP (+25%), cheese (+24%), whey powder (+16%) and SMP (+5%). By June 2016 the US and China have shown a remarkable rise in butter imports (+46% and +35% respectively), while Russia (+7%) remains as the second main world butter importer, with 80% of the shipments originating in Belarus. Japan leads the ranking of cheese imports by June 2016 followed by Russia (87% volume from Belarus) and the US, both having increased their imported volumes by 15% compared to last year.
- **NZ** has started the 2016/17 season (June 2016) with similar milk volumes as last year. NZ milk price expressed in c/kg would have increased in June 2016 by 13.7% (20.1 to 22.9 c/kg), still 8.1% lower than in June 2015.
- **Australian** milk production in July 2016, first month of the 2016/17 season, decreased by 10.3% compared to previous year.
- Milk production in the **US** increased by 1.4% in July 2016, meaning a cumulated growth of 1.6% in the year. For June 2016, the US milk price was reported at 30.1 c/kg (+4.4% compared to May and 19.1% lower than in June 2015).