



IDF Executive Summary of IDF Country Reports – April 2016

IDF Factsheet – April 2016



Members of the IDF Standing Committee on Dairy Policies and Economics (SC DPE) from 13 countries¹ submitted country reports covering the six months leading up to April 2016.

This fact sheet highlights the main findings from the review of the country reports as prepared by Peter Dawson (UK) and presented to the Committee at the SC DPE meeting held in Montreal on April 28, 2016.

Milk Production

Production trends for the latest quarter in all reporting EU countries were positive with the Netherlands at +18.4% and Ireland at +36.0% recording the strongest increases. For the largest EU nations growth was more modest with +3.2% for Germany, +3.0% for the UK and +2.5% for France. A&B pricing was cited as having some effect in limiting supply in France. The latest available daily production data for the UK showed a declining trend.

In Oceania production trends were negative with New Zealand at -1.8% and Australia -3.3%, in the latter case dry conditions were given as one reason for the slow down. On the other hand, in North America, US and Canada showed positive production trends by 2.1% and 3.9%, respectively.

Farm Gate Prices

Farm gate price trends in all reporting countries were strongly negative with the exception of Japan, Norway and Canada. In the EU price falls ranged from -10.0% in Germany to -17.9% in the Netherlands. Further downward price pressure was indicated with Germany reporting that further cuts were unavoidable and Ireland stating that a number of companies were subsidizing the existing milk price.

Price trends in Oceania were also negative with declines of -10.3% for Australia and -17.0% for New Zealand.

1 Australia, Canada, France, Germany, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, United Kingdom and United States

The expectation was that prices would be adjusted lower in Australia to reflect severe weak global market conditions. The forecast milk price in New Zealand was -17.0% for the next season. US farm gate prices were also down by close to 11% over the previous period. On a calendar year basis, the US 2015 farm milk price were 29% lower than in 2014,

There were no reports of any significant improvement in farm input costs to offset the decline in prices.

Wholesale and Retail Milk Prices

As with the previous country report summary in October 2015, globally wholesale prices remain weak, particularly for protein. In the EU the market situation remains exacerbated by the Russian ban with significant volumes of SMP being offered to intervention. However no butter has been offered. There was no expectation of an early market recovery, especially with the volume of intervention stocks overhanging the market.

Dairy commodity prices continued to fall in New Zealand with a decline of -12.5% being reported for the preceding three months.

In Canada demand for butterfat was continuing to grow at +2.0% to +2.5%, driven by strong demand for butter, cream and cheese, causing record removal of surplus milk protein.

Retail price inflation for all food remains weak in the EU, ranging from -2.3% for the UK to +0.9% for France, Germany and the Netherlands. The highest rate of inflation was reported by Canada at +3.7%.

Industry Restructuring

The restructuring of the dairy industry continues, with considerable mergers and acquisitions across the EU and Oceania.

Dairy Policy

In response to the market situation the European Commission has granted Producer Organizations and co-ops a derogation from competition law to allow them to undertake supply management if they wished to do so. However it was unlikely that the dairy industry would take up this option. Volume limitations on buying in of product into intervention at a fixed price had been raised by the Commission in response to a continuing high rate of offers.

In Norway structural changes in the pooling system might be decided in 2016. In Israel the Government was examining the possibility of replacing the quota and tariff regime with direct payments.

The US entered the second full year of operation of the dairy programs enacted in the 2014 Farm Bill. The

Margin Protection Program (MPP) for dairy in 2015 resulted in indemnity payments in four of the six defined two-month periods, with payouts as high as US\$0.496 per hundred pounds of farm milk for those few dairy producers who chose to purchase the highest level of coverage.

Environment

In the Netherlands phosphate output rights will be based on the number of cows on a farm from 2nd July 2016. Rights may be traded but will be reduced by 10% at each transaction.

Summary

There was no sign of an immediate improvement in the market. Whilst production trends in Oceania were negative output growth in the EU was still strong. El Nino has had only a modest impact on the global dairy industry.

