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Main drivers of the Outlook for the EU dairy sector

Sophie H elaine, DG AGRI, EC

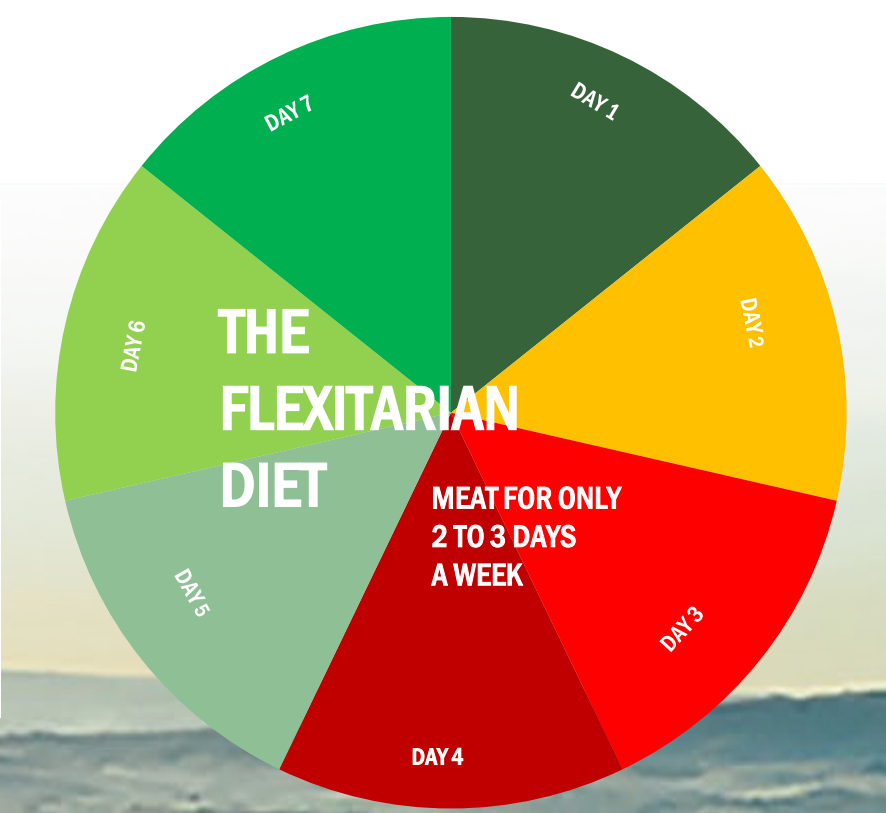
2019 Agricultural
Outlook Forum

Washington, 22 Feb. 2019



Meat and dairy consumption pushed down

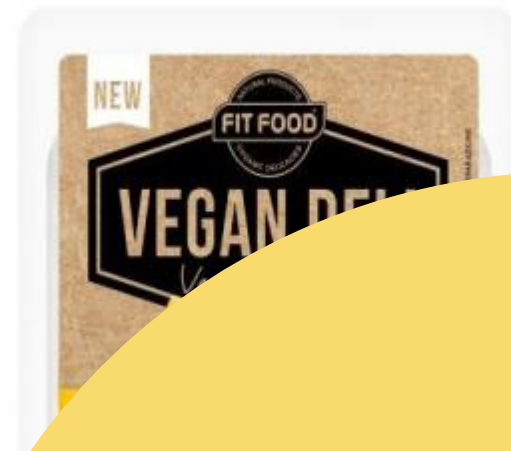
By societal demands



Meat and dairy consumption

pushed down

by the development of alternative products...

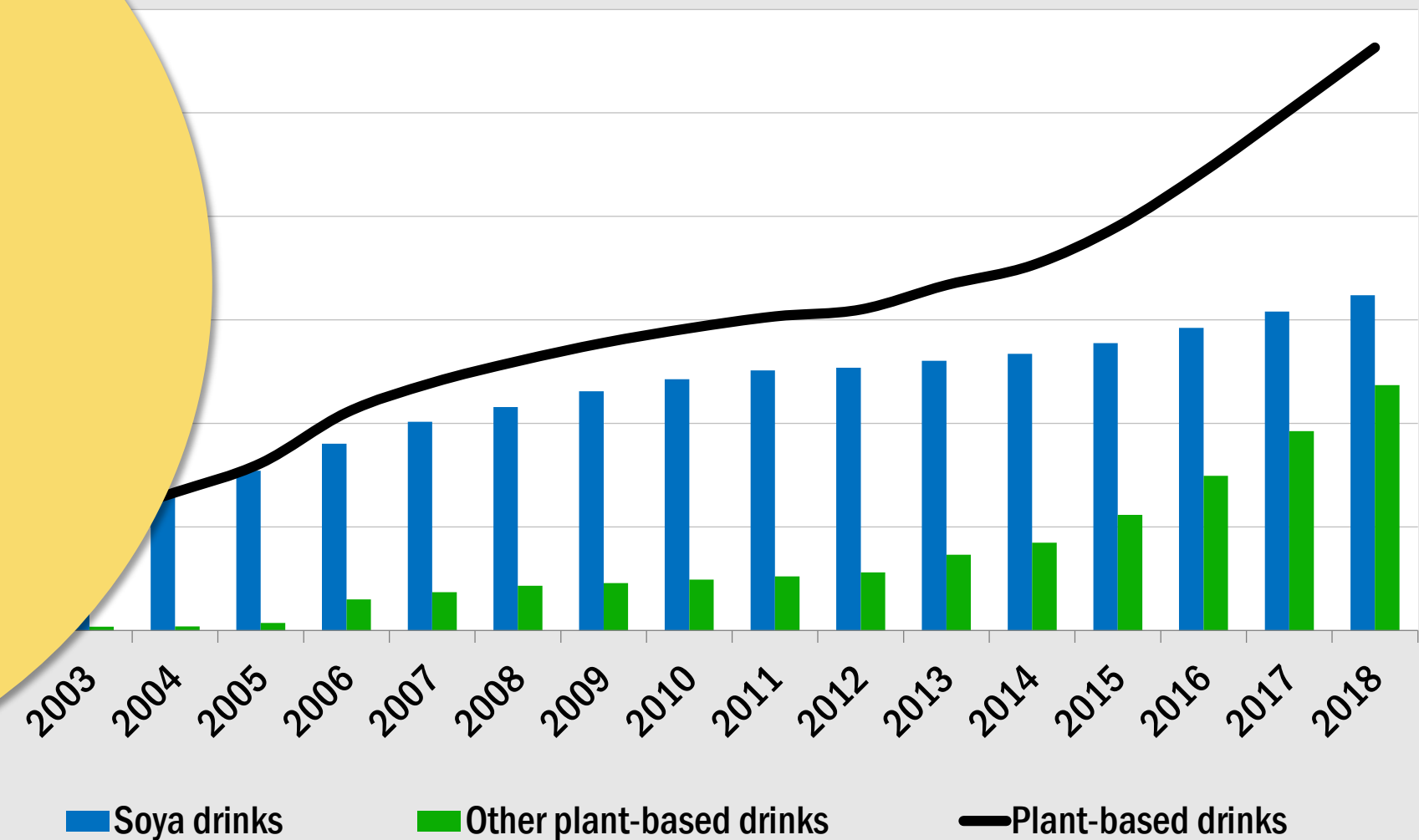


Nevertheless shares of alternative products remain small

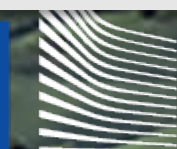
- 4% of cow's milk sales

Source: Euromonitor

Retail and foodservice volume of plant-based drinks (million litres)



Source: DG Agriculture and Rural Development, based on Euromonitor



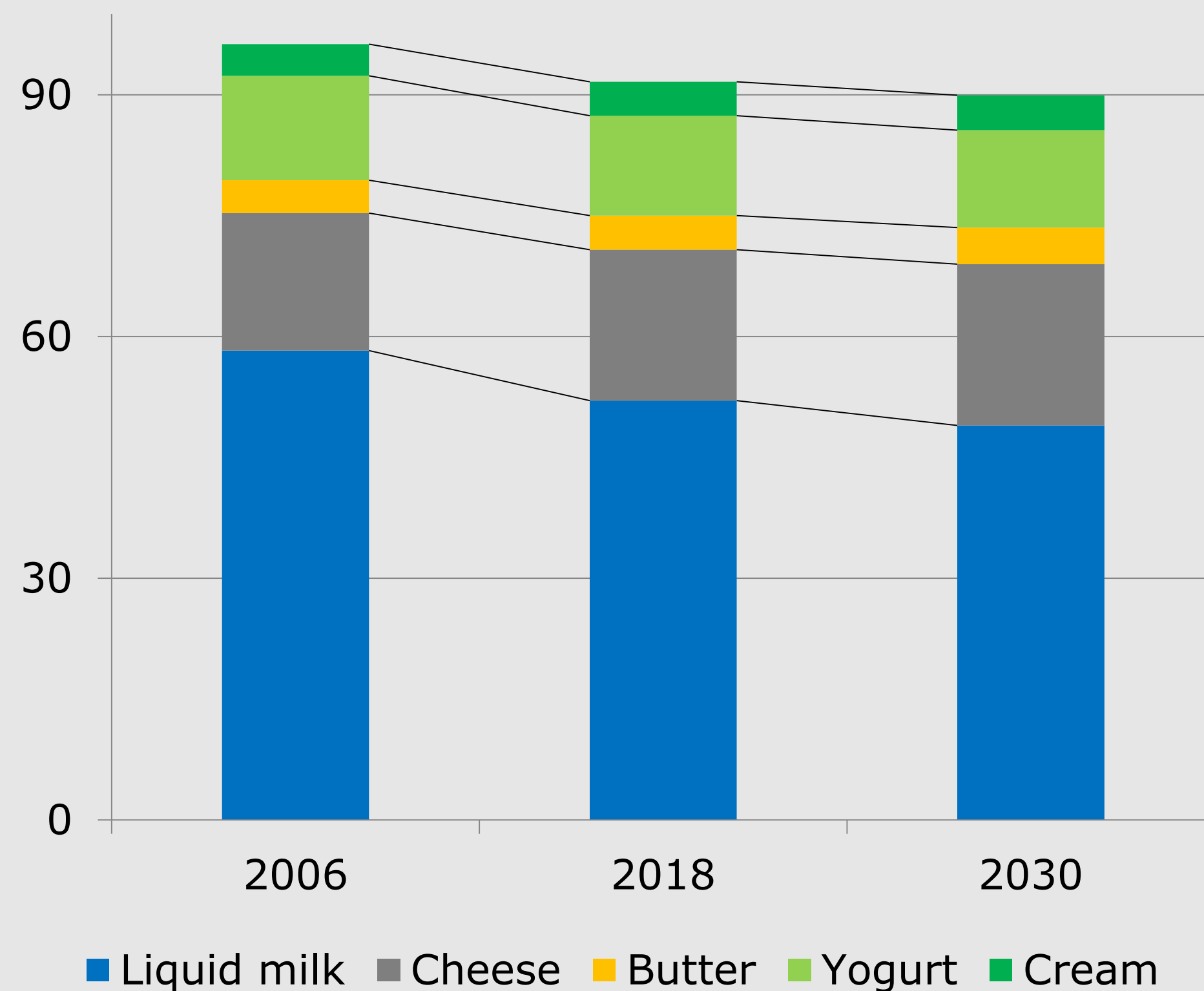
European Commission

Agriculture and Rural Development

But actual impact on total consumption still

Higher EU domestic use of dairy products, except for drinking milk

Consumption of selected dairy products (kg/capita)

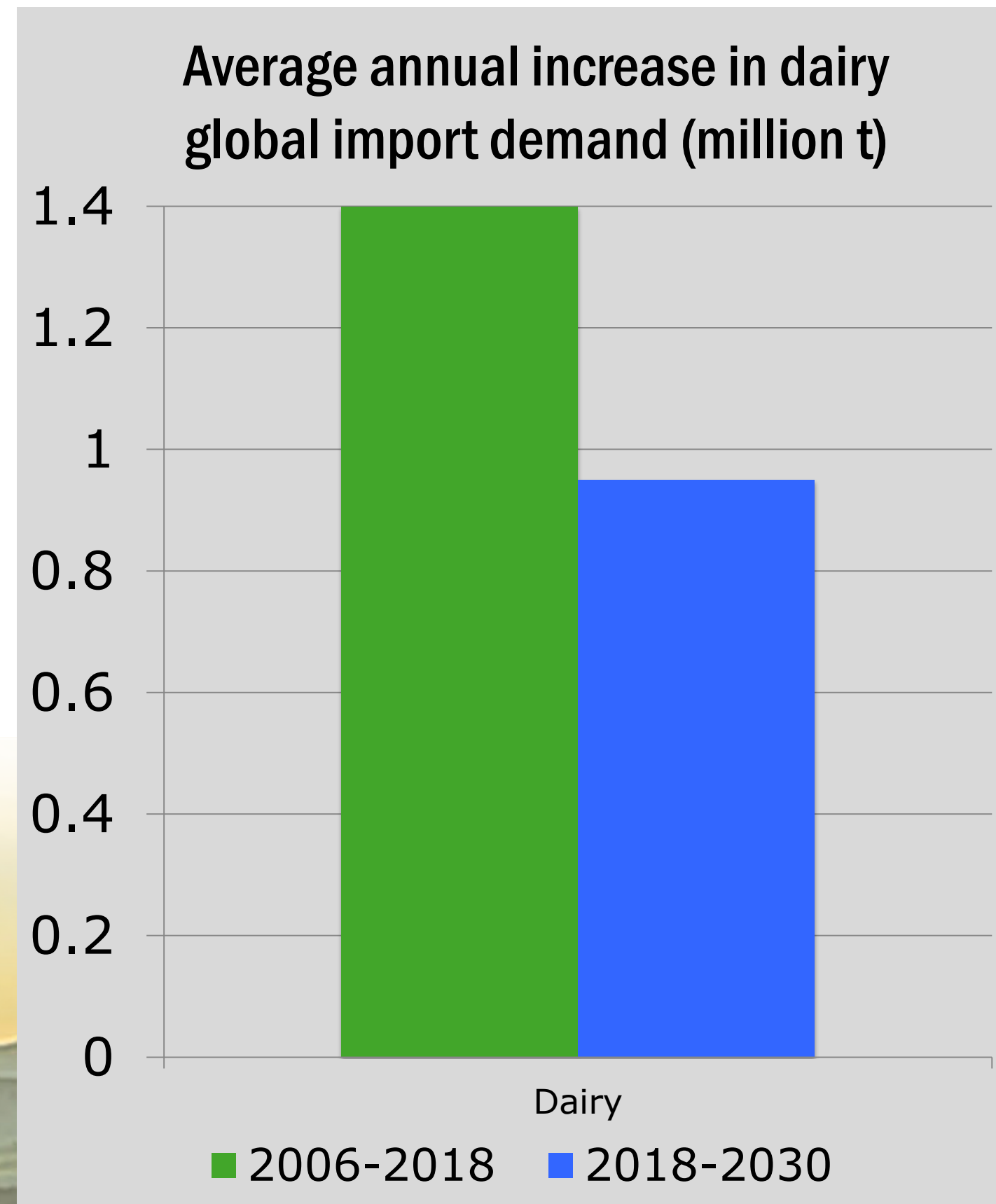


- Smoothened decline in liquid milk consumption
- Use of cheese keeps growing
- Fat filled powders on the rise
- Increasing cracking of milk into technical ingredients
- + 0.9 million t of milk domestically used yearly



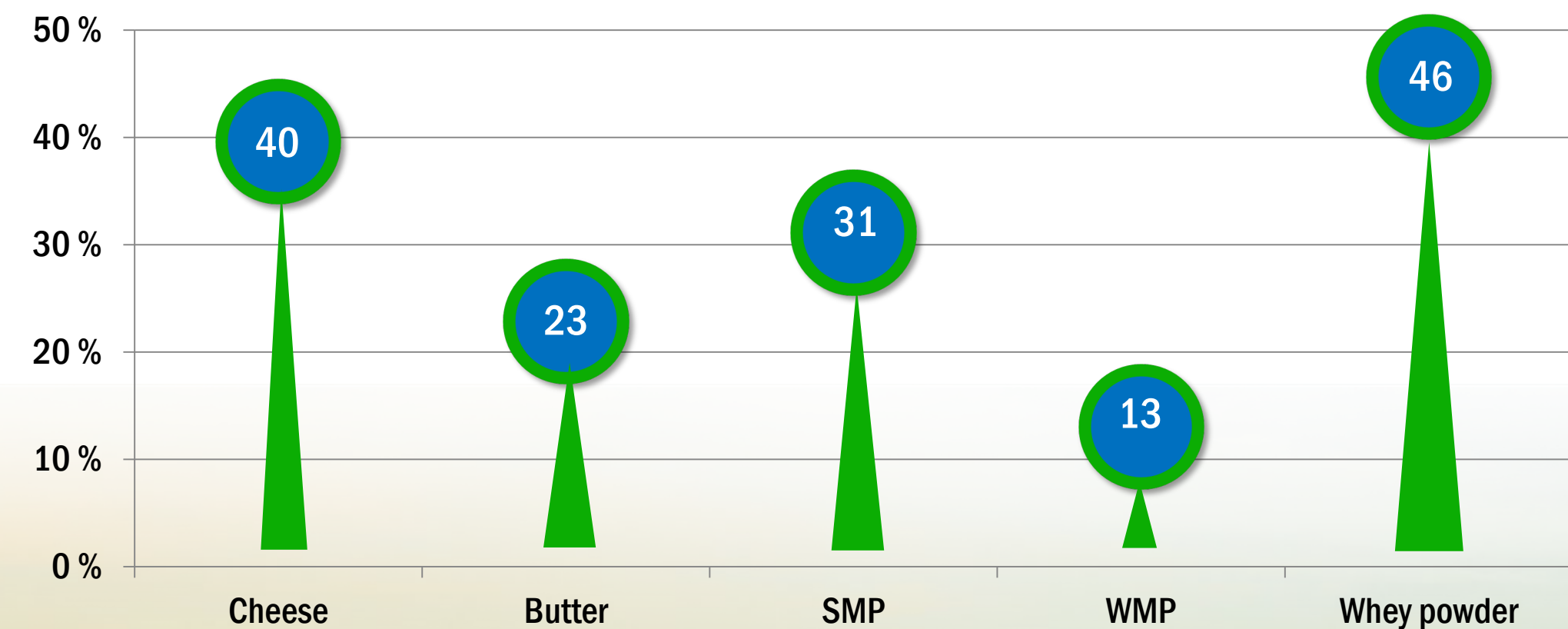
Global trade expansion but lower

EU leading position on world dairy products market



milk powders and cheese

Share of EU on world exports in 2030 (%)



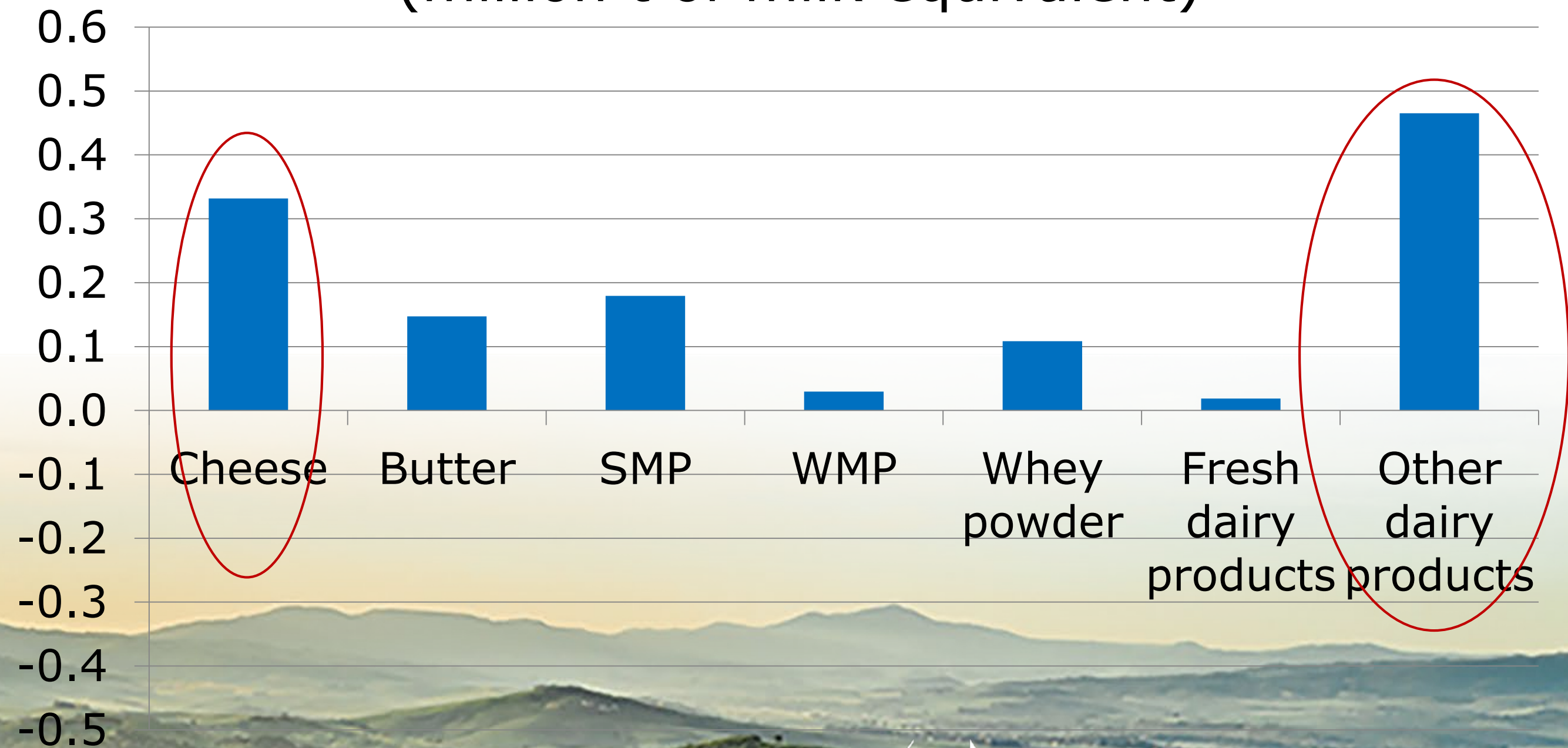
Value added products
Technical ingredients
Adoption of Western cuisine
Development

Lower production growth expected

Mainly cheese and other dairy products

Dairy annual production growth
2018-2030
(million t of milk equivalent)

→ modest increase in milk production
+ 16 Mt to 182 million t
in 12 years

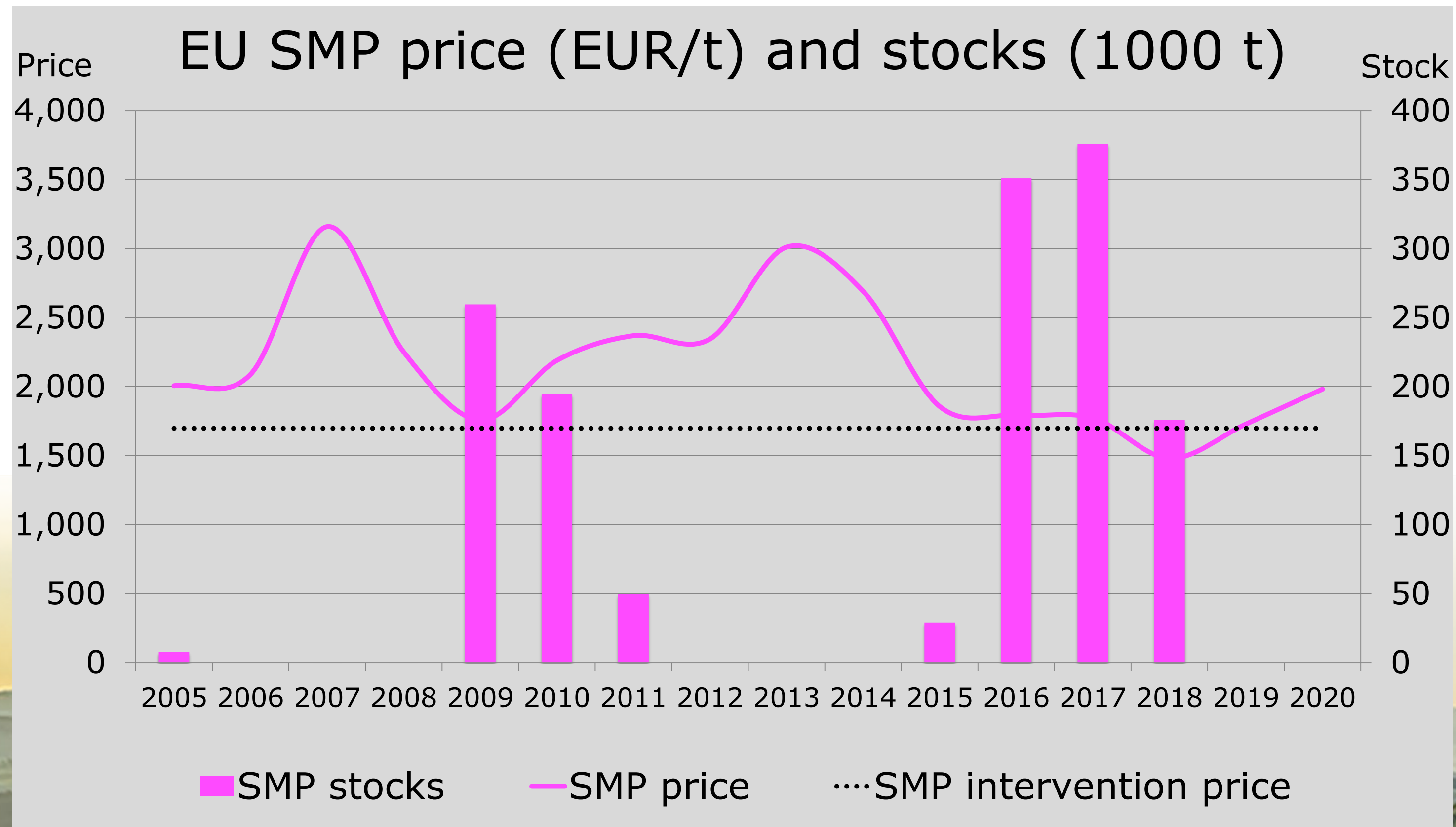


European Commission

Agriculture and Rural Development

Big unknown: dairy fat and protein price

relationship
EU SMP stocks empty in 2019



- Building SMP stocks in 2016
- Sales in 2018 and January 2019
- No buying-in in 2018 although SMP prices < Intervention price

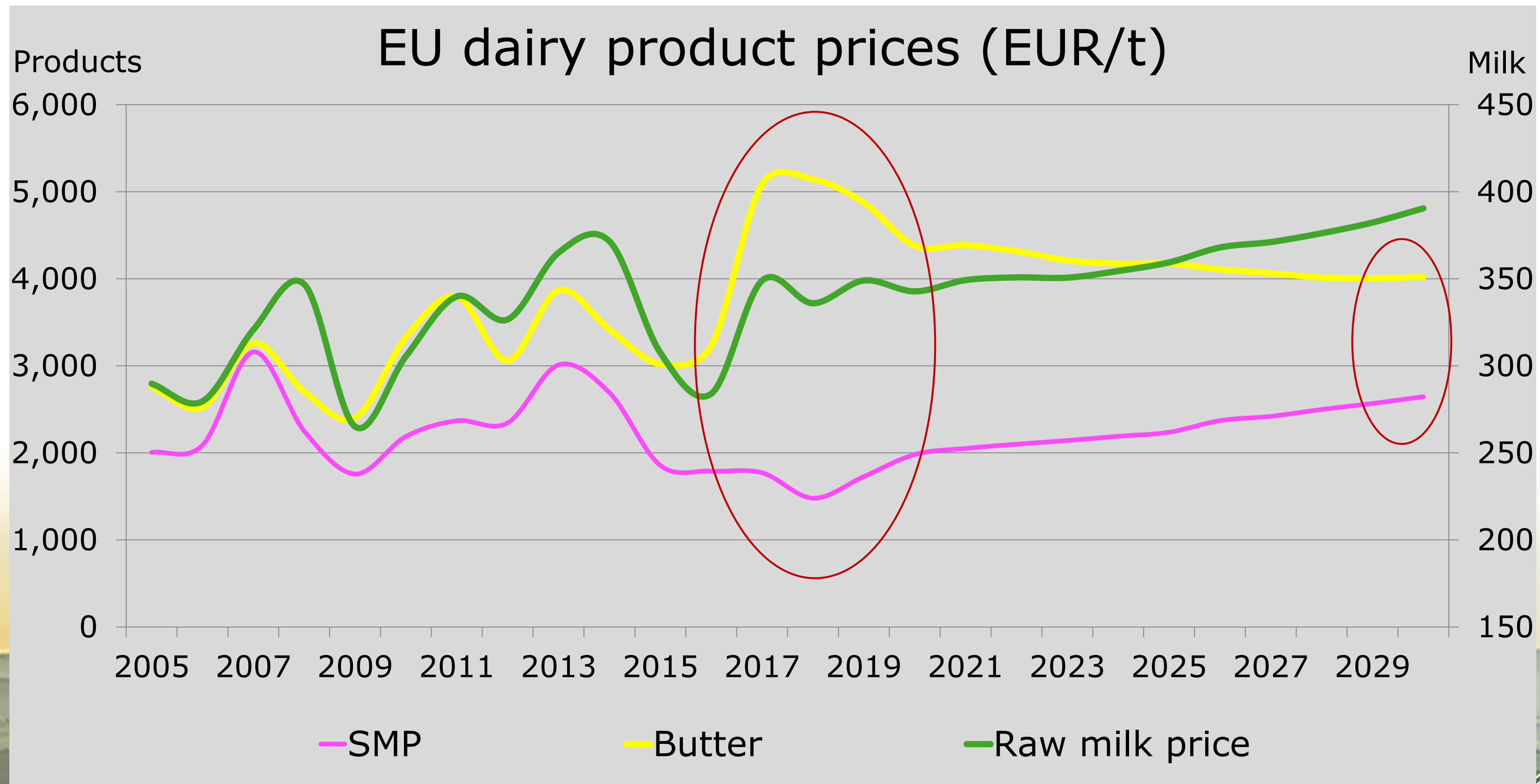


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Big unknown: dairy fat and protein price relationship

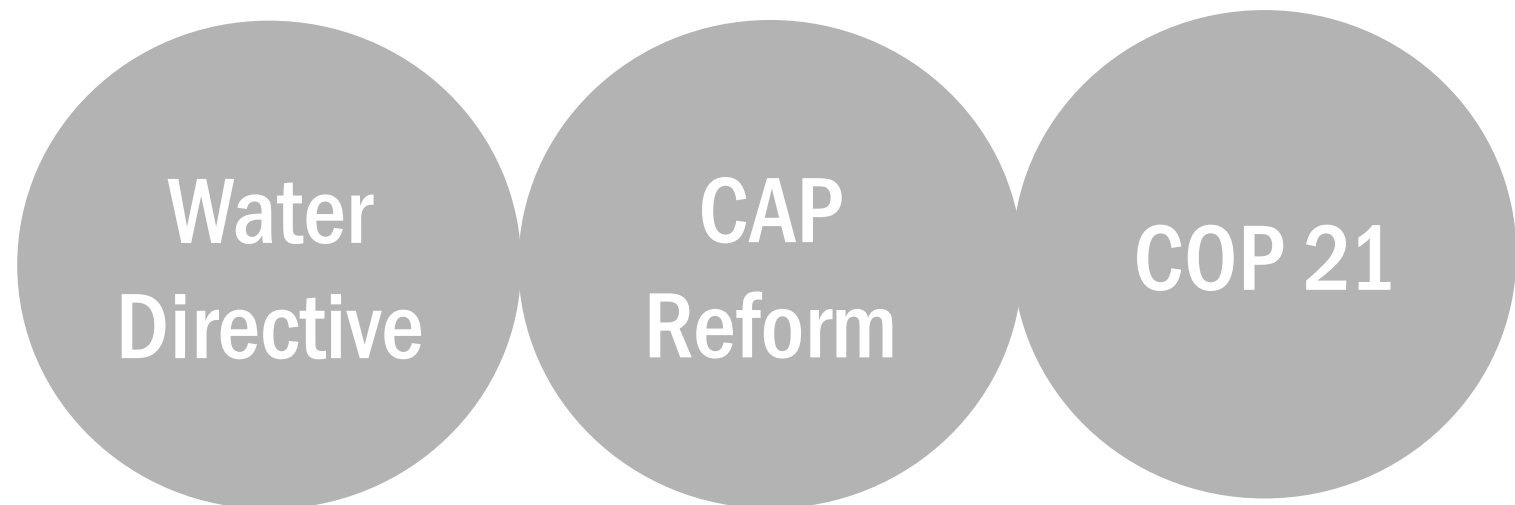
Higher milk price to drive production increase



- Back to closer butter and SMP prices
- Higher milk price to drive production increase
- More value added products => higher milk price

Other challenges for the

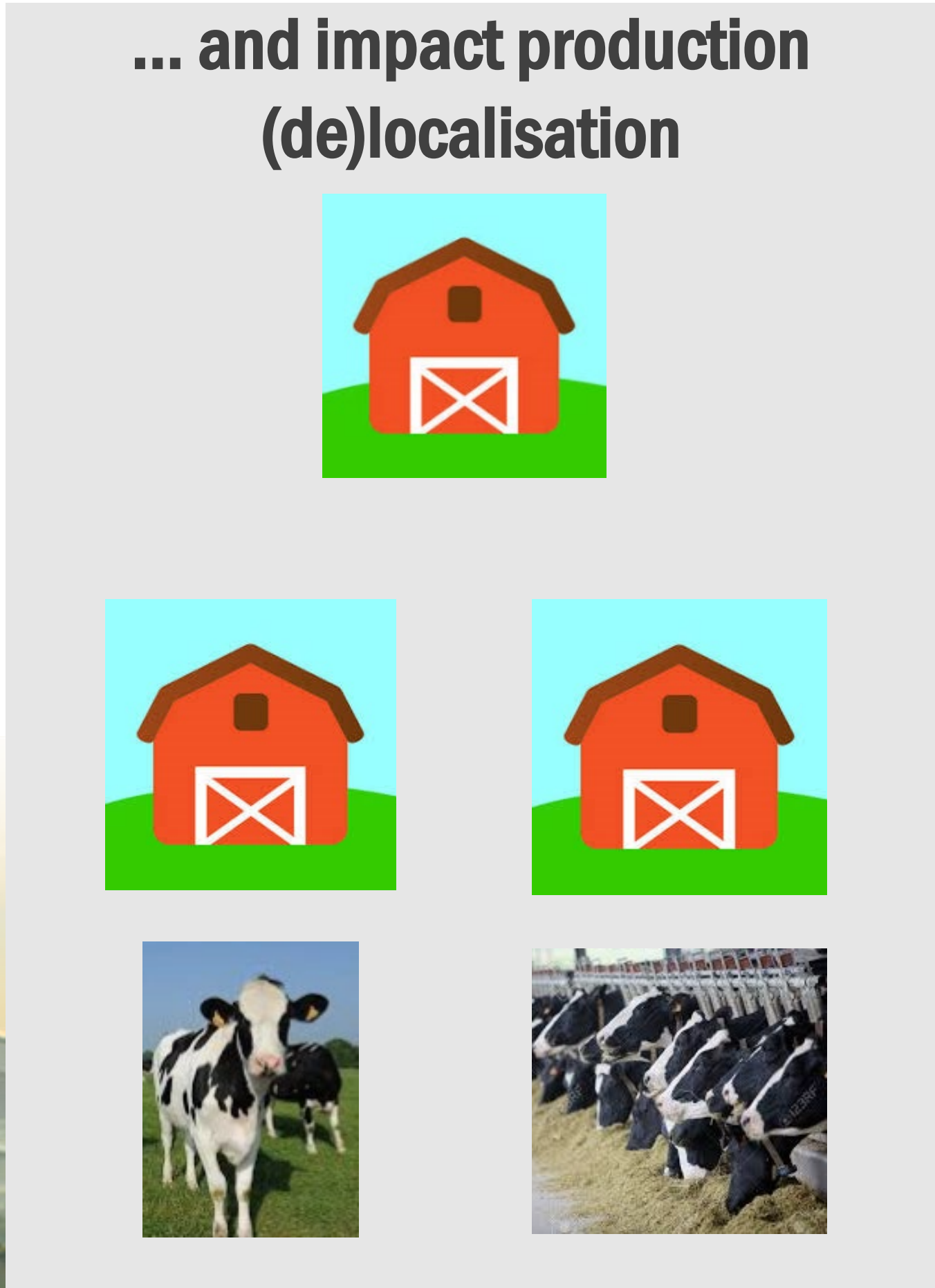
Sustainability requirements stimulate actions



To mitigate GHG emissions

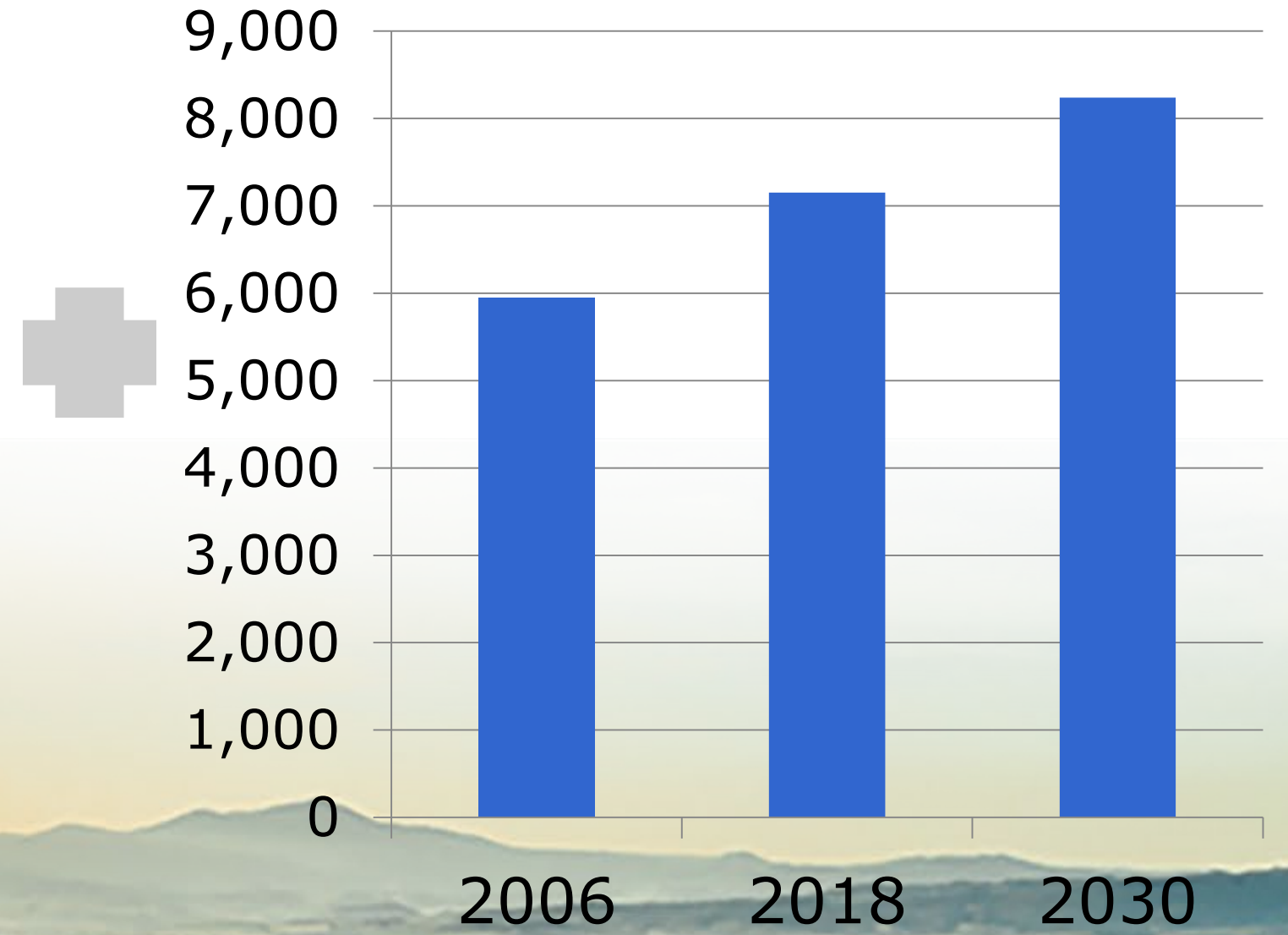
To reduce ammonia emissions

To reduce nitrogen leakage, phosphates



and stimulate efficiency increase

Cow's milk yield (kg/cow)



Challenges can become opportunities

Focusing on differentiated products and value creation

Organic production

- 10% of dairy production in 2030
- more complex in meat sector



GM-free products



Locally-produced



Pasture-based products



Lait de territoires où les vaches pâturent en moyenne 150 jours par an



Thank you

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To know more on OUTLOOK:

Short-term outlook: https://ec.europa.eu/agriculture/markets-and-prices/short-term-outlook_en

Medium-term outlook: https://ec.europa.eu/agriculture/markets-and-prices/medium-term-outlook_en

EU agricultural outlook conference: https://ec.europa.eu/info/events/2018-eu-agricultural-outlook-conference-2018-dec-06_en

On CAP:

CAP reform: https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/future-cap_en

CAP indicators: https://agridata.ec.europa.eu/extensions/DataPortal/cmef_indicators.html

Facts and figures: https://ec.europa.eu/agriculture/statistics/facts-and-figures_en



European Commission
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