



Executive Summary of IDF Country Reports – April 2018

Members of the IDF Standing Committee on Dairy Policies and Economics (SC DPE) from 13 countries¹ submitted country reports covering the past year leading up to April 2018. This fact sheet highlights the main findings from the review of the country reports as prepared by Peter Dawson (UK) and presented by the Chair of the Committee, Gilles Froment (CA) to the Committee held in Santiago, Chile on April 4, 2018.

Milk Production

Production in the European Union (EU) states was relatively strong in the second half of 2017 due to high prices and 2018 generally opened with a positive trend but this weakened due to falling milk prices. Production in the Netherlands was only -0.2% below 2016 despite the constraints imposed by a phosphate reduction scheme.

Milk production in Canada continued to grow rapidly following increases to meet demand for all markets. Output in the United States was up +1.8% for the first two months of 2018.

Farm Gate Prices

Latest farm gate price trends in all reporting EU states were considerably up compared to the same period 12 months ago. The rise in farm gate prices was largely due to strong returns from butterfat. The adjustment in farm gate prices towards the end of 2017 due to rising milk production saw farm gate prices weaken at the end of 2017 and the early months of 2018.

The New Zealand forecast for the 2017/18 season was up 5% higher than the previous season. By March, the US futures market was forecasting prices to be -0.8% lower in 2018.

Wholesale and Retail Milk Prices

This historic divergence between butterfat and protein valuations continued in 2017 despite a readjustment in the butter market. Protein prices

remain subdued because of the accumulation of public stocks in the EU.

Export trends generally reflected milk production growth trends in reporting countries.

The strength of butterfat valuations fed into increases in all dairy retail prices for reporting EU countries which were generally ahead of retail price inflation for all food.

The consumption data provided by reporting countries showed a diversity of trends around the world for the main retail dairy product categories.

Dairy Policy

Concern was expressed by EU exporting countries about the proliferation of mandatory country of origin legislation in the EU. Both the EU and UK were discussing the future of agricultural policy. The US Farm Bill is also up for review in 2018.

Japan is liberalizing domestic marketing arrangements for raw milk. Israel formulated a plan for lowering mandatory prices for raw milk, increasing imports whilst providing grant aid for investment on dairy farms.

The trade policy environment remains uncertain with Brexit and the future of NAFTA. However the number of bilateral agreements under consideration continued to increase. US and NZ expressed concern about the Canadian class 7 system.

¹ Canada, Chile, Finland, France, Germany, Japan, Ireland, Israel, Netherlands, New Zealand, Norway, UK and USA.

Environment

The environmental agenda continued to affect dairy industries around the world. Ireland had launched a 'Dairy Sustainability Initiative' to help farmers meet environmental targets, specifically on water quality and nutrient management. In the Netherlands the government was working on a climate change law which would be a challenge to the dairy sector to make a positive contribution. In New Zealand there would be a government consultation to establish a Climate Change Commission to progress key issues

for climate change policy which would include agriculture.

Summary

Overall market prospects remain uncertain. Globally milk production trends were generally positive but protein prices were unlikely to move until the EU had resolved its stock situation. Nevertheless the overall growth in global demand was still firmly positive.



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