

# MILK AND MILK PRODUCTS

In spite of COVID-19-related market disruptions and contrary to earlier expectations, global milk production in 2020 is forecast to expand by 1.4 percent, year-on-year, and reach 860 million tonnes. The positive outlook reflects likely production increases in key milk producing countries, principally in India, sustained by favourable monsoons and the resilience of village cooperatives' network in collecting milk amidst logistical hurdles, and in the European Union and the United States of America, bolstered by yield improvements and government assistance, which kept producer margins stable. In addition, output is forecast to rise in China and the Russian Federation, driven by herd expansions in large-scale dairy farms, as well as in Oceania, as a result of favourable weather. By contrast, despite good weather, Brazil's output may decline owing to likely reduction of internal demand due to economic contractions.

World dairy trade in 2020 is forecast to grow to 78 million tonnes (milk equivalent), up 1.5 percent year-on-year, nearly equal the average growth rate for the preceding five years. The increase is largely attributable to persistently high import demand, sustained by China with the resurgence of economic activities, coupled with recent increases in import orders by Algeria, Saudi Arabia and Nigeria, reflecting a gradual recovery in petroleum prices. Australia, Colombia and the Russian Federation may also step-up imports in line with rising internal demand. By contrast, sharp declines in imports are anticipated in the Philippines, Mexico and Japan among others, consistent with market disruptions and economic downturns. High exportable surpluses have been the key price driver that fostered more shipments from the United States of America, Argentina, Belarus and the European Union, while accumulating stocks and economic downturns in importing countries may curb exports from New Zealand, India and Turkey.

International dairy prices, measured by the FAO Dairy Price Index, fell between February and May 2020, largely due to a slump in global import demand, caused by logistical bottlenecks, reduced food services sales and market uncertainty. However, prices began to increase since then, pushing the index for the first time in October slightly above the pre-pandemic level mostly underpinned by persistent import demand from China, the revival of imports in some oil-dependent countries and an increase in internal demand in Europe. In line with global demand and supply balances, SMP prices rose the most, followed by butter, whole milk powder and cheese.

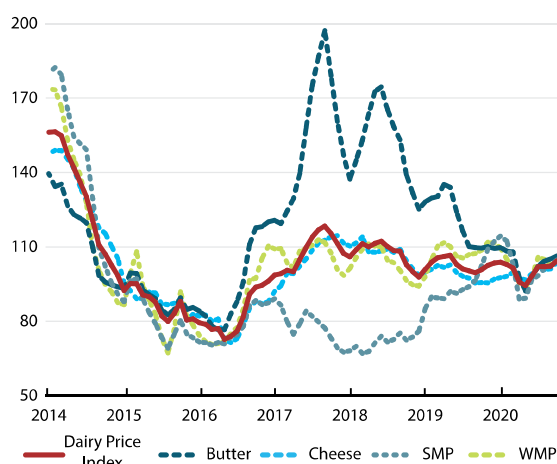
For additional analyses and updates, see:

Dairy Market Review  
<http://www.fao.org/economic/est/est-commodities/dairy/milk-and-milk-products/en/>

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## Monthly international price indices (2014–2016 = 100)



## World dairy market at a glance

	2018	2019 <i>estim.</i>	2020 <i>f'cast</i>		Change: 2020 over 2019
			June	Nov.	
	<i>million tonnes milk equivalent</i>				<i>%</i>
<b>WORLD BALANCE</b>					
Total milk production	840.3	848.0	858.9	860.1	1.4
Total trade	76.0	76.8	73.6	77.9	1.5
<b>SUPPLY AND DEMAND INDICATORS</b>					
<b>Per caput food consumption:</b>					
World (kg/year)	111.3	111.2	111.4	111.5	0.3
Trade - share of prod. (%)	9.0	9.1	8.6	9.1	0.0
<b>FAO DAIRY PRICE INDEX (2014–2016=100)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>		<b>%Change</b>
			<i>Jan–Oct</i>		<b>Jan/Oct 2020 over Jan/Oct 2019</b>
	107	103	101		-2.0

## DAIRY: MAJOR POLICY DEVELOPMENTS MID-MAY 2020 TO MID-OCTOBER 2020\*

COUNTRY	DATE	PRODUCT	POLICY INSTRUMENT	DESCRIPTION
Argentina	Oct-20	Dairy products	State market intervention	Allowed the prices of most dairy products to rise by 2 percent under the new provisions gazetted under Disposition 14/2020. This aims to sustain farm profitability margins in view of faster increases in costs of labour and other inputs compared with slowly rising farmgate milk prices. Some major dairy processors are seeking to maintain profitability by introducing new product lines unaffected by the price freezes and limited at-home delivery of milk.
	Oct-20	Dairy products	Market access	Regained market access to the Republic of Korea with the acceptance of a new health certificate. With implementation of the Special Law for the Control of the safety of Imported Food in 2016, the Republic of Korea had ceased importing dairy products from Argentina. Based on the new agreement, Argentina will be able to restart exporting dairy products for human consumption, including butter, fluid milk (cow's milk), whey, cheese and cream.
Australia	Jun-20	Dairy products	Government support	Extended the Drought Community Support Initiative programme until the end of 2020 (Round 2 of AUD 148.5 million, around USD 102.5 million) to support drought-affected farming households.
	Jul-20	Dairy products	Government support	Extended the Farm Household Allowance Relief Payment for 3 months. The extension would provide up to AUD 2.1 million (around USD 1.5 million) to eligible farmers and their families experiencing financial hardship, regardless of the cause and without limiting payment to those impacted by COVID-19.
	Jul-20	Dairy products	Trade agreement	Started benefiting from a zero percent import tariff for its dairy products in Indonesia, with exceptions for certain dairy products, whose tariffs will also be eliminated completely by 2033, as agreed under the Indonesia-Australia Comprehensive Economic Partnership Agreement, which entered into force on 5 July 2020. The agreement eliminates tariffs on dairy products, building on the ASEAN-Australia-New Zealand Free Trade Agreement.
Belarus	Aug-20	Dairy products	Trade agreement	Signed an agricultural cooperation agreement with China within the Belt & Road Initiative, which foresees the development of mutually beneficial cooperation, consisting of market access to China for dairy products.
Canada	Jul-20	Dairy products	Trade agreement	Provided new tariff rate quotas exclusively for the United States under the United States-Mexico-Canada trade agreement (USMCA), which entered into force on 1 July 2020. The USMCA will create new market access opportunities for US exports to Canada for dairy, poultry and eggs, and in exchange, market access for Canadian exports of dairy and other products to the United States. In addition, Canada will eliminate milk price classes 6 and 7, and ensure that the price for skim milk solids used to produce non-fat dry milk, milk protein concentrates and infant formula is set no lower than a level based on the US price for non-fat dry milk. Canada has also committed to adopting measures designed to limit the impact of any surplus skim milk production on external markets.
	Oct-20	Dairy products	Government support	Announced the Emergency On-Farm Support Fund, which provides a CAD 35 million investment (USD 26.5 million) to improve health and safety on farms and in employee living quarters, so as to prevent and respond to the spread of COVID-19. The fund will provide support to farmers for direct infrastructure improvements to living quarters and work stations, temporary or emergency housing (on- or off-farm), as well as personal protective equipment, sanitary stations, and other measures to safeguard the health and safety of Canadian and temporary foreign workers against COVID-19. Eligible activities can be retroactive to 15 March 2020 and must be completed by 26 February 2021.

COUNTRY	DATE	PRODUCT	POLICY INSTRUMENT	DESCRIPTION
China (Mainland)	May-20	Dairy products	Market access	Opened access to 54 Turkish dairy companies to supply dairy products, under a mutually agreed veterinary certificate that was published by the General Customs Administration of China.
	May-20	Dairy products	Import policy	Published a temporary standard for natural lactose, vitamins and mineral in milk that results from ultrafiltration, called permeate powder for human consumption, creating guidelines to import the commodity for the first time.
	Sep-20	Dairy products	Import tariff	Announced the extension of Section 301 tariff exclusions for US products on the First Exclusion List for another year. The products subject to this tariff exclusion include whey for feed use and alfalfa. The extension is valid until 17 September 2021.
Colombia	Jun-20	Dairy products	Government support	Promoted a programme 'Support for the transportation of perishable agricultural and livestock products for marketing in zones different from the production municipality' to support the livestock sector.
European Union **	May-20	Dairy products	Government support	Announced the Farm to Fork Strategy and the Biodiversity Strategy for 2030 as roadmaps for enhancing food and agricultural sustainability by 2030 under the Green Deal. The strategies aim to allow Member States to tailor their new Common Agricultural Policy (CAP) programmes through a system of conditions to be met by farmers receiving area- and animal-based CAP payments. They target a 50 percent reduction in pesticide use, a 20 percent reduction in fertilizer use, a 50 percent reduction in nutrient leakage to groundwater, 25 percent of agricultural land being used for organic farming, 10 percent of land being set aside for environmental areas, and an increase in nature conservation areas by 30 percent.
	Jun-20	Dairy products	Government support	Adopted a regulation, as an exceptional measure, which allows Member States to pay up to EUR 7 000 (USD 7 881) to farmers and up to EUR 50 000 (USD 56 295) to small and medium enterprises active in processing, marketing or development of agricultural products or cotton, except fishery products.
	Jul-20	Dairy products	Government support	Approved a EUR 1.8 billion (USD 2.1 billion) support package, combining a new multiannual financial framework 2021–2027 proposal valued at EUR 1.07 trillion (USD 1.23 trillion) with a specific recovery effort titled the Next Generation EU proposal valued at EUR 750 billion (USD 861 billion). The package aims to rebuild the EU after the COVID-19 pandemic and support investment in green and digital transitions. The proposal includes allocations for the new CAP and Fisheries policy (Pillar I) and for rural development (Pillar II), covering the period from 2021–2027.
India	Sep-20	Cheese	Trade agreement	Signed an agreement with China to protect 100 European Geographical Indications (GIs) in China, along with the same number of Chinese GIs on the EU's single market. European GIs to be recognized in China include cheeses such as Feta, Danish Blue and Italian Taleggio.
	May-20	Dairy products	Government support	Set up an INR 1 trillion (USD 13.3 billion) fund for agricultural infrastructure, which will focus on agriculture, dairy, animal husbandry and other related activities, including projects to improve the efficiency of aggregation points for farm products such as agricultural cooperatives, farmer producer organizations and agricultural entrepreneurs and start-ups. Projects to improve cold-chain and post-harvest management are likely to benefit the dairy sector.

# Major policy developments

COUNTRY	DATE	PRODUCT	POLICY INSTRUMENT	DESCRIPTION
Japan	May-20	Milk powder	Import quota	Revised down its allocated yearly skim milk powder (SMP) import quota from 4 000 tonnes to 750 tonnes as a result of increasing domestic production of SMP in view of low demand for fresh milk during the COVID-19 pandemic.
	Sep-20	Butter	Import policy	Announced reductions in planned imports of butter to 14 000 metric tonnes for Japanese fiscal year 2020, reflecting a 30 percent decrease from the previously announced volume of 20 000 metric tonnes, over concerns on growing butter stocks.
	Oct-20	Cheese	Trade agreement	Signed a trade deal with the United Kingdom of Great Britain and Northern Ireland (UK), preserving most of the benefits of the existing EU-Japan free trade agreement. Among selected features of the agreement that have been announced so far, UK exporters have given access to any of the EU-Japan tariff rate quotas which EU exporters do not use in any given year. In addition, the trade agreement recognized over 70 UK food and drink products as Geographical Indications in Japan, including Yorkshire Wensleydale cheese.
Malaysia	Jun-20	Dairy products	Government support	Launched the National Dairy Industry Development Programme with the aim of increasing the country's milk self-sufficiency level to 100 percent in five years.
Ukraine	Oct-20	Dairy products	Trade agreement	Signed an agreement with the UK, which will allow businesses to continue trading as they do now after the end of the Transition Period and deliver the same level of liberalization in trade that businesses currently enjoy under the existing EU-Ukraine Association Agreement. In principle, the agreement will be applicable to trade in dairy products.
Viet Nam	Jul-20	Dairy products	Import tariff	Announced a decree revising Most Favoured Nation tariffs on imports of a number of agricultural products, including dairy products and ingredients such as skim milk powder, whole milk powder, cheese, milk albumin and protein isolate.

\* A collection of major dairy policy developments, starting in January 2012, is available at:

<http://www.fao.org/economic/est-commodities/commodity-policy-archive/en/?groupANDcommodity=Milk%20and%20dairy%20products>

\*\*From 31 January 2020: EU-27

## APPENDIX TABLE 19: MILK AND MILK PRODUCTS STATISTICS (thousand tonnes - milk equivalent)

	Production			Imports			Exports		
	2016-2018 average	2019 <i>estim.</i>	2020 <i>f'cast</i>	2016-2018 average	2019 <i>estim.</i>	2020 <i>f'cast</i>	2016-2018 average	2019 <i>estim.</i>	2020 <i>f'cast</i>
<b>ASIA</b>	<b>334 869</b>	<b>355 002</b>	<b>361 986</b>	<b>43 699</b>	<b>46 964</b>	<b>46 710</b>	<b>7 467</b>	<b>8 157</b>	<b>7 426</b>
China	32 663	33 048	34 124	12 078	15 724	16 675	42	49	44
India <sup>1</sup>	176 445	191 000	195 000	115	88	132	381	437	204
Indonesia	1 523	1 514	1 516	2 849	3 212	3 099	48	51	53
Iran (Islamic Republic of)	7 373	7 610	7 597	341	264	115	785	713	637
Japan	7 320	7 314	7 390	2 098	2 291	2 185	10	10	10
Malaysia	52	52	52	2 268	2 432	2 347	656	666	576
Pakistan	44 358	47 297	48 558	579	543	418	33	34	31
Philippines	18	15	16	2 451	2 827	2 259	115	100	88
Republic of Korea	2 058	2 036	2 055	1 178	1 328	1 333	29	34	37
Saudi Arabia	2 447	2 491	2 502	2 784	2 524	2 682	1 510	1 542	1 590
Singapore	-	-	-	1 545	1 531	1 497	484	455	427
Thailand	802	655	656	1 536	1 673	1 658	270	293	290
Turkey	20 437	21 530	21 933	180	297	190	887	1 060	853
<b>AFRICA</b>	<b>48 024</b>	<b>46 820</b>	<b>46 954</b>	<b>9 770</b>	<b>9 597</b>	<b>10 265</b>	<b>1 157</b>	<b>1 181</b>	<b>1 128</b>
Algeria	3 439	3 145	3 164	3 401	3 116	3 602	1	1	1
Egypt	4 990	4 492	4 533	1 304	1 283	1 216	398	508	480
Kenya	4 990	5 016	5 108	145	247	188	3	1	1
South Africa	3 648	3 779	3 759	303	395	428	373	367	364
Tunisia	1 403	1 410	1 429	88	137	127	65	34	30
<b>CENTRAL AMERICA &amp; THE CARIBBEAN</b>	<b>17 714</b>	<b>18 961</b>	<b>19 291</b>	<b>6 144</b>	<b>6 724</b>	<b>6 611</b>	<b>1 308</b>	<b>834</b>	<b>824</b>
Costa Rica	1 148	1 168	1 181	59	59	62	139	151	157
Mexico	12 014	13 266	13 571	3 947	4 356	4 223	809	326	318
<b>SOUTH AMERICA</b>	<b>61 615</b>	<b>61 626</b>	<b>61 524</b>	<b>3 505</b>	<b>2 633</b>	<b>2 758</b>	<b>3 830</b>	<b>3 788</b>	<b>4 452</b>
Argentina	10 305	10 343	11 061	31	37	19	1 711	1 708	2 365
Brazil	33 875	34 897	33 954	1 273	941	912	131	73	81
Colombia	6 568	5 646	5 580	359	453	580	23	9	8
Uruguay	2 083	2 168	2 266	30	34	29	1 427	1 484	1 467
<b>NORTHERN AMERICA</b>	<b>106 771</b>	<b>108 561</b>	<b>110 305</b>	<b>2 674</b>	<b>2 911</b>	<b>2 969</b>	<b>11 786</b>	<b>11 733</b>	<b>12 949</b>
Canada	9 165	9 503	9 511	623	803	862	945	950	1 102
United States of America	97 605	99 057	100 793	2 034	2 092	2 091	10 840	10 781	11 846
<b>EUROPE</b>	<b>223 175</b>	<b>226 332</b>	<b>228 693</b>	<b>6 397</b>	<b>6 337</b>	<b>6 556</b>	<b>26 149</b>	<b>28 000</b>	<b>28 531</b>
Belarus	7 269	7 394	7 749	90	51	55	3 895	3 911	4 275
European Union <sup>2</sup>	165 234	167 811	169 824	1 200	1 041	931	19 918	22 080	22 371
Russian Federation	30 195	31 351	31 964	4 092	3 985	4 068	280	249	312
Ukraine	10 244	9 676	9 026	72	166	391	750	633	492
<b>OCEANIA</b>	<b>31 067</b>	<b>30 689</b>	<b>31 372</b>	<b>1 578</b>	<b>1 722</b>	<b>1 826</b>	<b>22 129</b>	<b>23 068</b>	<b>22 584</b>
Australia	9 472	8 833	9 239	1 074	1 206	1 335	3 154	2 732	2 612
New Zealand	21 527	21 787	22 064	287	292	265	18 970	20 332	19 967
<b>WORLD</b>	<b>823 234</b>	<b>847 992</b>	<b>860 125</b>	<b>75 879</b>	<b>76 888</b>	<b>77 694</b>	<b>76 008</b>	<b>76 761</b>	<b>77 895</b>
LIFDC	229 852	245 367	249 548	6 067	6 384	6 380	1 095	1 140	863
LDC	34 252	33 643	33 613	3 978	4 079	3 965	221	195	188

<sup>1</sup> For production, the annual dairy cycle starting in April is applied.

<sup>2</sup> Including data for the United Kingdom of Great Britain and Northern Ireland.

Note: Trade values that refer to milk equivalents were derived by applying the following weights: butter (6.60), cheese (4.40), skim/whole milk powder (7.60), whole condensed/evaporated milk (2.10), yoghurt (1.0), cream (3.60), casein (7.40), skim milk (0.70), liquid milk (1.0), whey dry (7.6). The conversion factors cited refer to the solids content method. Refer to IDF Bulletin No. 390 (March 2004).

## APPENDIX TABLE 26: SELECTED INTERNATIONAL PRICES FOR MILK PRODUCTS AND DAIRY PRICE INDEX

Period	International prices				FAO dairy price index
	Butter <sup>1</sup>	Skim milk powder <sup>2</sup>	Whole milk powder <sup>3</sup>	Cheddar cheese <sup>4</sup>	
<b>Annual (Jan/Dec)</b>	..... (USD per tonne) .....				... (2014-2016=100) ...
2009	3 021	2 391	2 570	3 292	91
2010	4 268	2 971	3 499	3 739	112
2011	5 023	3 408	3 962	4 380	130
2012	3 740	3 063	3 336	3 877	112
2013	4 784	4 148	4 730	4 563	141
2014	4 278	3 606	3 854	4 542	130
2015	3 306	2 089	2 537	3 076	87
2016	3 473	1 986	2 481	2 807	83
2017	5 641	2 011	3 163	3 664	108
2018	5 587	1 834	3 060	3 736	107
2019	4 443	2 440	3 186	3 435	103
<b>Monthly</b>					
2019 – October	4 037	2 621	3 214	3 321	101
2019 – November	4 058	2 793	3 308	3 320	102
2019 – December	4 031	2 873	3 302	3 369	104
2020 – January	4 043	2 927	3 241	3 390	104
2020 – February	3 991	2 877	3 109	3 410	103
2020 – March	3 977	2 637	2 990	3 465	102
2020 – April	3 592	2 279	2 822	3 381	96
2020 – May	3 403	2 285	2 759	3 362	94
2020 – June	3 595	2 473	2 893	3 447	98
2020 – July	3 766	2 520	3 128	3 533	102
2020 – August	3 841	2 592	3 105	3 503	102
2020 – September	3 873	2 622	3 043	3 515	102
2020 – October	3 919	2 682	3 098	3 602	104

<sup>1</sup> Butter - 82% butterfat - f.o.b. Oceania and EU; average indicative traded prices.

<sup>2</sup> Skim Milk Powder - 1.25% butterfat - f.o.b. Oceania and EU - averaged indicative traded prices.

<sup>3</sup> Whole Milk Powder - 26% butterfat - f.o.b. Oceania and EU - average indicative traded prices.

<sup>4</sup> Cheddar Cheese, 39% max. moisture, f.o.b. Oceania and EU, indicative traded prices

Note: The FAO Dairy Price Index is derived from a trade-weighted average of a selection of representative internationally-traded dairy products from the European Union and Oceania.