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Dairy and Products

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Report Highlights:

Irish milk price has strengthened as a result of strong export markets for butter and non fat dried milk. The market demand is expected to continue through Spring 2001. The dairy sector continues to be the most profitable agricultural sector in Ireland.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Section I. Situation and Outlook

Dairying in Ireland remains the most profitable of all agricultural sectors. Milk production, governed by the EU milk quota system, remains reasonably stable from year to year. With additional milk quota granted under the most recent (Berlin) CAP reform package, production looks set to increase by over 1.5 percent in 2000 and by an additional one percent in 2001. Prices paid to producers were relatively stable during the early months of 2000 but have in the past few months strengthened as a result of stronger market demand for butter and non fat dried milk (NFDM). Prices should remain strong through spring 2001 mainly due to the combination of stronger export markets and Ireland's low milk production in winter months.

Consolidation at milk processing level continues to be discussed as the future direction for the Irish dairy industry. Irish milk production is highly seasonal with a weekly peak to trough ratio of about 14 to 1. Currently 44 individual operators collect milk from farmer suppliers. This milk is then directed to 17 butter plants, 11 cheese plants and 14 powder plants as well as to fluid and other product manufacturing plants. While the larger dairy firms are located in the south of the country, there are a number of smaller cooperatives scattered throughout the rest of the country which could benefit from consolidation and amalgamation. In fall 2000, two such entities in the north-west merged. Many believe that this could signal further strategic alliances to reduce processing costs and maintain higher milk prices for producers.

Ireland accounts for about five percent of EU milk supply but a small domestic market for dairy products results in the availability of about 80 percent of milk production for export in product form. There are now four active exporters of commodity butter, NFDM and casein to international markets while up to six individual firms export cheddar to the U.K. Being an island and having such a reliance on exports leaves the industry vulnerable to any market imbalance with the resultant price swings.

Since August 2000, exporters have indicated an increase in both demand and prices for butter and NFDM. There are a number of factors which have contributed to the demand but the main factor continues to be the weakness of the euro exchange rate against the U.S. dollar and other major currencies. As a result, Irish and EU dairy products are less expensive on international markets.

While Ireland is not a major exporter of butter outside of the EU, exporters have indicated that exports to non-EU markets look set to increase in 2000. In particular there has been some smaller shipments to non-traditional markets for Irish butter. Exporters have also noted that Irish suppliers have shipped about 1,000 metric tons to Russia in recent months. It is also believed that Russia also recently purchased similar amounts from other EU exporters. Exports to traditional markets for Irish butter such as North African and Middle East destinations are also said to be very buoyant in 2000. Meanwhile exports to other EU countries continue to grow in 2000 as there is reportedly good demand especially from users of EU subsidized butter schemes. Exporters note that the strong market demand within the EU may be more as a result of overuse of the intervention stock system in spring 2000. They suggest that EU butter production in 2000 was sufficient to cater for demand and that excessive product was sold in early 2000 to intervention.

The NFDM market is reportedly in short supply at present. Exporters have noted that third country demand is very strong aided by the weak exchange rate. According to trade sources, China, Mexico, Malaysia, Indonesia and the Philippines have purchased greater quantities of Irish NFDM in 2000. The EU Commission has made dramatic cuts to subsidies for schemes using both skimmed milk (for example, the casein production aid) and NFDM (for incorporation into animal feed) in an effort to calm the supply situation. These traditionally have

been outlets for Irish skimmed milk and NFDM. Meanwhile the Commission has also reduced export refunds for NFDM exports to non EU destinations to counterbalance the weak euro exchange rate. Exporters are somewhat anxious that the lack of refunds could overhang any WTO discussions which could weaken the EU's negotiating stance.

The market for dry whole milk powder has also strengthened according to exporters. With better economic conditions in importing markets brought on by higher oil prices, exporters are expecting a continuation of these strong market conditions into the short to medium term.

The UK market for cheddar is reportedly quite stable at the moment. Irish cheddar exporters to the UK have had the benefit of a relatively attractive exchange rate for the past year. However, exporters also note that EU markets other than the UK are also in deficit for cheese and that there is a greater demand especially for cheddar. Exporters also note that the U.S. market for branded or retail cheese is relatively stable and profitable for Irish exporters at the moment but that the U.S. market for bulk cheese is very weak.

The upswing in market conditions which has increased the milk price paid to the farmer, coincides with the low production period in Ireland and so will have little effect on overall annual milk price. Exporters are however anxious about the start of the New Zealand and Australian milk production season and how output there could affect markets and therefore prices into 2001.

While there has been a steady increase in the imports of dairy products into Ireland in the past few years, the majority of which are from other EU countries, there has been a noticeable increase in the imports of milk into Ireland from both Northern Ireland and the UK for processing into dairy products. Irish processors competed for, and won contracts in during 1999/2000 to process British milk. However, they were not successful in securing the contracts in 2000/2001.

The seasonality of Irish milk production dictates that a high proportion of milk must be converted into the main commodity products - butter and NFDM. The Irish dairy industry has tried to address this issue since the mid 1980's with failed plans to diversify into increased cheese production. Now the focus has switched to providing specialist products produced specifically to users' requirements. In addition, the main exporter of Irish dairy products - the Irish Dairy Board (IDB) has increased its sales of consumer/branded products under the Kerrygold label in a number of markets. The IDB hopes to continue this trend.

Currency exchange will again determine market prices for Irish dairy products in 2001. Butter prices, which are relatively strong at present, are not expected to decrease significantly to trigger intervention buying in the short to medium term. The market for NFDM is expected to remain strong for the first half of 2001. However, from mid year EU production may increase as a result of the reduction in aid to the various EU schemes as noted previously.

Section II. Statistical Tables

PSD Table: Fluid Milk

PSD Table						
Country	Ireland					
Commodity	Dairy, Milk, Fluid				(1000 HEAD)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Cows In Milk	1277	1277	1260	1260	0	1255
Cows Milk Production	5370	5370	5448	5491	0	5509
Other Milk Production	0	0	0	0	0	0
TOTAL Production	5370	5370	5448	5491	0	5509
Intra EC Imports	326	360	325	350	0	300
Other Imports	0	0	0	0	0	0
TOTAL Imports	326	360	325	350	0	300
TOTAL SUPPLY	5696	5730	5773	5841	0	5809
Intra EC Exports	93	93	100	100	0	100
Other Exports	0	0	0	0	0	0
TOTAL Exports	93	93	100	100	0	100
Fluid Use Dom. Consum.	608	608	608	608	0	608
Factory Use Consum.	4795	4829	4865	4933	0	4901
Feed Use Dom. Consum.	200	200	200	200	0	200
TOTAL Dom. Consumption	5603	5637	5673	5741	0	5709
TOTAL DISTRIBUTION	5696	5730	5773	5841	0	5809
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD Table: Cheese

PSD Table						
Country	Ireland					
Commodity	Dairy, Cheese				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Beginning Stocks	23	23	27	27	16	16
Production	95	95	89	91	0	93
Intra EC Imports	15	15	14	14	0	14
Other Imports	1	1	1	1	0	1
TOTAL Imports	16	16	15	15	0	15
TOTAL SUPPLY	134	134	131	133	16	124
Intra EC Exports	76	76	84	86	0	77
Other Exports	5	5	5	5	0	5
TOTAL Exports	81	81	89	91	0	82
Human Dom. Consumption	26	26	26	26	0	28
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	26	26	26	26	0	28
TOTAL Use	107	107	115	117	0	110
Ending Stocks	27	27	16	16	0	14
TOTAL DISTRIBUTION	134	134	131	133	0	124
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	3	3	3	3	0	3

PSD Table: Butter

PSD Table						
Country	Ireland					
Commodity	Dairy, Butter				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Beginning Stocks	56	56	64	64	70	70
Production	143	143	146	146	0	147
Intra EC Imports	5	5	5	5	0	5
Other Imports	0	0	0	0	0	0
TOTAL Imports	5	5	5	5	0	5
TOTAL SUPPLY	204	204	215	215	70	222
Intra EC Exports	114	114	119	115	0	132
Other Exports	11	11	11	15	0	15
TOTAL Exports	125	125	130	130	0	147
Domestic Consumption	15	15	15	15	0	15
TOTAL Use	140	140	145	145	0	162
Ending Stocks	64	64	70	70	0	60
TOTAL DISTRIBUTION	204	204	215	215	0	222
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD Table: Nonfat Dry Milk

PSD Table						
Country	Ireland					
Commodity	Dairy, Milk, Nonfat Dry			(1000 MT)		
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Beginning Stocks	100	100	105	105	86	76
Production	94	94	96	96	0	98
Intra EC Imports	6	6	6	6	0	6
Other Imports	0	0	0	0	0	0
TOTAL Imports	6	6	6	6	0	6
TOTAL SUPPLY	200	200	207	207	86	180
Intra EC Exports	40	40	46	56	0	50
Other Exports	41	41	60	60	0	60
TOTAL Exports	81	81	106	116	0	110
Human Dom. Consumption	1	1	1	1	0	0
Other Use, Losses	13	13	14	14	0	0
Total Dom. Consumption	14	14	15	15	0	0
TOTAL Use	95	95	121	131	0	110
Ending Stocks	105	105	86	76	0	70
TOTAL DISTRIBUTION	200	200	207	207	0	180
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD Table: Dry Whole Milk Powder

PSD Table						
Country	Ireland					
Commodity	Dairy, Dry Whole Milk Powder				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Beginning Stocks	0	0	0	0	0	0
Production	25	36	30	40	0	40
Intra EC Imports	3	1	3	1	0	1
Other Imports	0	0	0	0	0	0
TOTAL Imports	3	1	3	1	0	1
TOTAL SUPPLY	28	37	33	41	0	41
Intra EC Exports	12	13	12	14	0	14
Other Exports	15	23	20	26	0	27
TOTAL Exports	27	36	32	40	0	41
Human Dom. Consumption	1	1	1	1	0	0
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1	1	1	1	0	0
TOTAL Use	28	37	33	41	0	41
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	28	37	33	41	0	41
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Trade Matrix: Cheese

Export Trade Matrix			
Country	Ireland		
Commodity	Dairy, Cheese		
Time period	CY	Units:	metric tons
Exports for:	1998		1999
U.S.	2402	U.S.	3547
Others		Others	
France	3086		3837
Bel/Lux	1781		1271
Netherlands	746		1257
Germany	2823		3159
Italy	1992		1710
UK	61195		60798
Greece	2774		2604
Spain	614		627
Japan	585		856
Saudi Arabia	157		194
Total for Others	75753		76313
Others not Listed	1178		678
Grand Total	79333		80538

Trade Matrix: Butter

Export Trade Matrix			
Country	Ireland		
Commodity	Dairy, Butter		
Time period	CY	Units:	
Exports for:	1998		1999
U.S.	5	U.S.	14
Others		Others	
France	24822		19681
Germany	39506		40044
UK	32103		29725
Netherlands	12490		12289
Belgium/Lux	12782		9977
Egypt	5371		3470
Nigeria	1370		704
Mexico	1015		1763
Russia	313		0
South Africa	746		510
Total for Others	130518		118163
Others not Listed	4891		7094
Grand Total	135414		125271

Trade Matrix: Nonfat Dry Milk

Export Trade Matrix			
Country	Ireland		
Commodity	Dairy, Milk, Nonfat Dry		
Time period	CY	Units:	metric tons
Exports for:	1998		1999
U.S.	13	U.S.	27
Others		Others	
Netherlands	11682		16250
UK	14212		9722
France	2594		3202
Germany	2136		3098
Italy	990		5920
Greece	763		781
Trinidad/Tobago	534		493
South Africa	186		239
Egypt	1040		658
Mexico	0		1984
Colombia	973		58
Peru	3402		1546
Saudi Arabia	833		846
Thailand	2021		3424
Indonesia	1563		2993
Malaysia	479		768
Singapore	55		467
Phillipines	197		528
Taiwan	429		312
Hong Kong	625		0
Nigeria	3031		1612
Russia	0		17068
India	0		3825
China	0		651
Total for Others	47745		76445
Others not Listed	4852		4747
Grand Total	52610		81219

Trade Matrix: Dry Whole Milk Powder

Export Trade Matrix			
Country	Ireland		
Commodity	Dairy, Dry Whole Milk Powder		
Time period	CY	Units:	metric tons
Exports for:	1998		1999
U.S.	3	U.S.	18
Others		Others	
Bel/Lux	3782		6305
Netherlands	6760		8047
UK	6874		3749
Guatemala	771		0
Dom. Republic	1012		1386
Trinidad/Tobago	3132		6469
Venezuela	4853		1789
Peru	2469		648
Brazil	400		0
Bolivia	345		3
Thailand	308		478
Singapore	0		384
China	0		157
Taiwan	84		1363
Oman	16		1509
Ivory Coast	606		1189
Algeria	0		1000
Italy	775		849
Senegal	1467		1843
France	159		1813
Italy	775		849
Total for Others	34588		39830
Others not Listed	6966		6276
Grand Total	41557		46124

Prices Table: Milk

Prices Table			
Country	Ireland		
Commodity	Dairy, Milk, Fluid		
Prices in	Irish pence	per uom	liter
Year	1999	2000	% Change
Jan	23.0	21.6	-6.09%
Feb	22.5	21.3	-5.33%
Mar	21.7	21.0	-3.23%
Apr	22.0	21.8	-0.91%
May	22.1	22.0	-0.45%
Jun	22.2		
Jul	21.9		
Aug	22.1		
Sep	22.5		
Oct	22.9		
Nov	22.9		
Dec	22.5		
Exchange Rate	0.948047	Local currency/US \$	

Source: Central Statistics Office

Average price paid to the farmer for manufacturing milk, standardized at 3.7 percent butterfat.