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Denmark

Dairy Report 1998

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Report Highlights: Danish total milk production, which is approximately 4.5 million metric tons, is expected to remain fairly stable through 1999. Production of organic milk, however, is increasing rapidly. Organic milk production is expected to reach 185 million liters in 1998 and 300 million liters in 1999.

Includes PSD changes: Yes
Includes Trade Matrix: Yes

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Executive Summary

Danish total milk production, which is approximately 4.5 million metric tons, is expected to remain fairly stable through 1999. Production of organic milk, however, is increasing rapidly. Producer contracts indicate that organic milk production will reach 185 million liters in 1998 and 300 million liters in 1999. In 1999, organic production is expected to account for 6.5% of total milk production, or 50% percent of fresh milk sales. (Currently, organic milk accounts for approximately 20% of fresh milk sales.) One supermarket chain, Irma, which has a 5% market share, plans to only sell organic dairy products within a year or two.

Campaigns by Danish dairies to increase domestic milk consumption are meeting with some success. Consumption is expected to increase in both 1998 and 1999, due primarily to the introduction of new products, increased demand for organic milk and special programs geared toward school children. Domestic cheese consumption has also been increasing slightly, especially consumption of grated cheese and cheese for cooking.

The EU market is becoming a more important destination for Danish cheese exports accounting for 70% of total cheese exports during the first seven months of 1998, up from roughly 65% last year. EU markets also account for approximately two thirds of Danish butter exports. To date, the financial crises in East Asia and Russia has not had a severe impact on Danish dairy exports. However, the decline in New Zealand and Australian exports to South East Asia and the lack of New Zealand and German butter exports to Russia may depress European markets putting downward pressure on prices.

Within the EU, Denmark is a strong advocate for above-quota production to be exported at world market prices. Denmark, together with Sweden, the United Kingdom and Italy have offered an alternative to the European Commission Agenda 2000 proposal which calls for a 30% decline in the minimum price level over six years (year 2000 to 2006), a 4% quota increase during the same period, the abolishment of quotas by 2006, and, as compensation to dairy producers, an annual per cow premium of ECU 290.

Average Exchange rates: 1997: U.S.\$1 = DKK 6.60

October 1998: U.S.\$1 = DKK 6.25

Milk, Fluid

PSD Table						
Country:	Denmark					
Commodity:	Dairy, Milk, Fluid					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Cows In Milk	705	697	690	695	0	690
Cows Milk Production	4675	4633	4675	4660	0	4650
Other Milk Production	0	0	0	0	0	0
TOTAL Production	4675	4633	4675	4660	0	4650
Intra E.C. 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	4680	4638	4680	4665	0	4655
Intra E.C. Exports	16	17	15	15	0	15
Other Exports	10	5	10	8	0	10
TOTAL Exports	26	22	25	23	0	25
Fluid Use Dom. Consum.	568	571	570	580	0	590
Factory Use Consum.	3961	3920	3960	3937	0	3915
Feed Use Dom. Consum.	125	125	125	125	0	125
TOTAL Dom. Consumption	4654	4616	4655	4642	0	4630
TOTAL DISTRIBUTION	4680	4638	4680	4665	0	4655
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

Danish producers exceeded the Danish milk quota, set at 4,454,450 MT for the 1997/98 (April to March) marketing year, by 12,100 tons, or 0.3%. (Note: Production figures in the table include 125,000 tons of milk used directly by farmers for feed (calves and pigs) and 75,000 tons for farmers' own consumption.)

Milk production for CY 1998 and 1999 is forecast to remain at the current level.

Consumption

Campaigns by Danish dairies to increase domestic milk consumption are meeting with some success. New

products, increased demand for organic milk and special programs geared toward school children are expected to increase consumption in both 1998 and 1999.

Of the three different fat content milk categories (3.5%, 1.5% and 0.5%), consumption of the low-fat variety is increasing at the expense of the others. In 1998, the increase is forecast at 15% which leaves more fat for cheese and butter production.

Production of organic milk is rapidly increasing and is forecast to increase to 185 million liters in 1998 and 300 million liters in 1999, according to producer contracts with dairies. The production level forecasted for 1999 is equivalent to 6.5% of total milk production, or 50% percent of fresh milk sales. One supermarket chain, Irma, which has a 5% market share, plans to only sell organic dairy products within a year or two.

Price

With reduced feed cost, rationalization and structural developments towards more rational dairy farms, dairy producers are satisfied with existing milk prices. A special board has been established for the trade with milk quotas, and non-rational producers are currently paid \$0.43 per liter quota, an increase of 5% over the January 1998 price.

Prices Table					
Country:					
Commodity:					
Year:	1998				
Prices in (currency)	DKK	per (uom)	Metric Tons		
Year	1997	1998	% Change		
Jan	2433	2443	0.4%		
Feb	2433	2443	0.4%		
Mar	2433	2443	0.4%		
Apr	2433	2443	0.4%		
May	2433	2443	0.4%		
Jun	2464	2443	-0.9%		
Jul	2450	2443	-0.3%		
Aug	2449	2443	-0.2%		
Sep	2463		-100.0%		
Oct	2465		-100.0%		
Nov	2478		-100.0%		
Dec	2443		-100.0%		

Trade

Fluid milk imports are primarily a reflection of border trade and some imports by German owned supermarket chains. Imports are mainly from Germany. Exports are mainly for the U.S. troops in the former West Germany.

1997 trade statistics are included in the semi-annual dairy report (DA8006).

Policy

The Danish Government and the Danish agricultural organizations, especially the Danish Dairy Board, are not satisfied with the dairy component of the EU Agenda 2000. Denmark, together with Sweden, the United Kingdom and Italy have proposed an alternative to Agenda 2000 in an attempt to make the system more flexible, increase market-oriented activities, and establish a framework for producer planning. The four countries, which constitute a blocking majority to the Agenda 2000 proposal, propose the following:

- a gradual 30% price decrease during the period year 2000 to 2006;
- a 4% quota increase during the same period;
- liquidation of the quota system by year 2006, or at the latest, at the same time that the Eu expands to include countries from Eastern European;
- compensation premiums paid to producers of ECU 290 per cow; and,
- elimination of the intervention system (but with a safeguard measure in the form of private storage aid).

EU (FEOGA) Export Restitutions

(Million DKK)

	1993	1994	1995	1996	1997	January to July	
						1997	1998
Cheese	1,253	1,098	920	577	297	190	174
Butter	220	218	301	218	352	274	151
Other 1)	974	1,057	924	702	633	354	519
Total	2,447	2,373	2,145	1,497	1,402	818	844

1) Mainly dry milk and non fat dry milk

Cheese

PSD Table						
Country:	Denmark					
Commodity:	Dairy, Cheese					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	40	40	40	32	40	25
Production	287	290	285	286	0	290
Intra E.C. Imports	20	31	20	32	0	30
Other Imports	1	4	1	2	0	2
TOTAL Imports	21	35	21	34	0	32
TOTAL SUPPLY	348	365	346	352	40	347
Intra E.C. Exports	145	164	155	172	0	170
Other Exports	63	84	50	70	0	70
TOTAL Exports	208	248	205	242	0	240
Human Dom. Consumption	85	85	86	85	0	85
Other Use, Losses	15	0	15	0	0	0
Total Dom. Consumption	100	85	101	85	0	85
TOTAL Use	308	333	306	327	0	325
Ending Stocks	40	32	40	25	0	25
TOTAL DISTRIBUTION	348	365	346	352	0	350
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	11130	0	10500	0	0

Production

Cheese production varies with export opportunities. This is especially the case with Feta cheese, where exports can fluctuate widely. After the termination of Feta cheese exports to Iran in 1996, exports stabilized in 1997 but fell during the first half of 1998 by 27% (as compared to the same period in 1997) to 13,888 metric tons.

The European Commission has declared that Feta cheese can be produced only by Greek goat and sheep milk, and has given other European countries five years to phase out their production and exports of Feta cheese. In the case brought against the Commission by the Danish, Dutch and German Governments, the EU Judge Advocate General in his report could offer no arguments for specific geographic restrictions or production methods. A final decision is expected during the first half of 1999.

(Please note that the production figures reflect production in tons irrespective of butter fat content and may be

misleading.)

Organic Production

The recent increase in organic milk production has enabled commercial production of organic cheese which began in June of 1996. Organic cheese production is still limited and commands a 30% premium over the conventional alternative. In Denmark, it is generally believed that prices for organic products should not exceed the price of the conventional product by more than 15% if the products is to gain a market share of 10% or more.

Consumption

Domestic consumption has been increasing slightly, especially consumption of grated cheese and cheese for cooking.

Trade

In 1996, Feta cheese exports to the two major markets, Iran and Egypt, fell dramatically from 32,000 MT in 1995 to 8,000 MT in 1996. In 1997, no Feta cheese was exported to Iran, and minimum amounts were exported to Egypt. Although exports are increasing to other markets in the Middle East and within the European Union, especially Germany, Feta cheese exports will be considerably lower than in 1997.

In early October 1997, the European Commission introduced a regionalized licensing system within three regions (Eastern Europe and Russia, the United States and Others). This new system gave the Commission a more market-oriented tool. Denmark, in particular, has opposed the transfer of licenses from other markets to support exports of cheese to Russia, mainly from Germany. Danish cheese exports to Russia have been minimal, but large quantities of German exports to Russia have given rise to opportunities for increased Danish exports to Germany. In the event that the export stop to Russia continues, larger quantities of German cheese may decrease Danish market share and Danish cheese will have to find other markets.

Danish exports to the United States fell to 11,130 metric tons in 1997 as compared to 13,913 metric tons in 1996. Exports during the first seven months of 1998 are comparable to 1997 levels. U.S. exports to Denmark are almost non existent.

While cheese exports to non-EU countries during the January to July period in 1998 have fallen by 24% compared to 1997, EU restitutions have remained almost unchanged at DKK 174 million. This loss in export earnings has been partly compensated for by higher prices. (See EU export restitutions for Denmark in the Summary section.)

According to the dairy industry, there is a deliberate move toward exports of higher fat content cheeses to counter EU export subsidy restrictions, reducing the quantities to be exported with restitutions.

Danish January to July 1997 exports

Destination	Metric Tons		Million DKK	
	1998	1997	1998	1997
EU Countries	97,652	90,928	2,700	2,558
Third countries	39,410	49,112	951	1,000
Total	137,062	140,040	3,651	3,558

Note: 1997 trade statistics are included in the semi-annual dairy report (DA8006).

Import Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Jan-Jul		
Imports for	1997		1998
U.S.	1	U.S.	1
Others		Others	
Germany	8131	Germany	5828
UK	3464	UK	3305
Netherlands	994	Netherlands	2561
France	3203	France	3080
Italy	1497	Italy	1407
Belgium	648	Belgium	1119
Sweden	280	Sweden	411
New Zealand	413	New Zealand	510
Uruguay	61	Uruguay	150
Norway	80	Norway	164
Total for Others	18771		18535
Others not listed	783		552
Grand Total	19555		19088

Export Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Jan-Jul		
Exports for	1997		1998
U.S.	5917	U.S.	5697
Others		Others	

Germany	45750	Germany	50259
Saudi Arabia	12352	Saudi Arabia	8513
UK	9431	UK	8590
Sweden	6778	Sweden	7629
Japan	6948	Japan	7726
Spain	4855	Spain	5957
Greece	6651	Greece	6443
Netherlands	5917	Netherlands	4399
France	3466	France	4200
Italy	3936	Italy	3844
Total for Others	106084		107560
Others not listed	28039		23805
Grand Total	140040		137062

Market Development Opportunities

In South East Asia and especially in Japan, Denmark's market share has been maintained and the crisis has apparently not impacted Danish exports. For the first seven months of 1998, exports to Japan increased by 10% in volume and 20% in value as compared to 1997.

Policy

Denmark is trying to shift its cheese production away from bulk type cheeses such as Feta toward more value-added cheeses less affected by CAP reform measures and other policy influences.

A significant amount of Danish cheese production is exported. Denmark does not export with export support under the inward processing scheme. Instead, Denmark exports under export licences for processed cheese, not grated or powdered, for which restitutions are paid.

Butter

PSD Table						
Country:	Denmark					
Commodity:	Dairy, Butter					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	0	0	0	0	0	0
Production	53	50	53	48	0	48
Intra E.C. Imports	23	20	25	18	0	18
Other Imports	2	4	2	4	0	4
TOTAL Imports	25	24	27	22	0	22
TOTAL SUPPLY	78	74	80	70	0	70
Intra E.C. Exports	30	23	30	23	0	23
Other Exports	28	21	30	17	0	17
TOTAL Exports	58	44	60	40	0	40
Domestic Consumption	20	30	20	30	0	30
TOTAL Use	78	74	80	70	0	70
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	78	74	80	70	0	70
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

Danish table butter statistics include only butter with a butterfat percentage of 82%. (The popular blended butter and vegetable oil product is not included in the statistical production figures.)

Consumption

Consumption of “normal” table butter is decreasing, while consumption of mixed products (spreadable with 25% vegetable and 75% butter fat) is increasing, thus leaving the total consumption of butterfat unchanged.

Butter imports are usual for industrial use only, mainly ice cream production, although some cheap imported butter is transferred to oil and re-exported.

(Please note that the domestic consumption figures in the PS&D table include industrial use. Also, the Danish

table butter consumption figure includes only butter with a butterfat percentage of 82%. The more popular mixed butter and vegetable oil product is not included in the statistical production figures.)

Trade

After several years of decline, butter exports appear to have reversed the trend. While butter exports to other EU countries continue to fall slightly, exports to third countries decreases by 41 percent in 1998 compared to 1997. The United Kingdom continues to be by far the largest market for Danish butter followed by Germany and Saudi Arabia.

Export to the United Kingdom of the blended butter and vegetable oil product began early in 1997 marketed under the name Lurpak Spreadable. The exports are, according to the exporter Dairy Company Denmark, an enormous success. Unfortunately, export figures are kept secretly and not published in Danish trade statistics. According to press releases, Lurpak now possess a market share of 30% of the total UK butter market, of which the Lurpak Spreadable has a share above 50%.

In September 1998, the Danish dairy exporter, MD foods, launched an advertising campaign in the United States inspired by the increase of the U.S. import quota from 2,000 MT to 5,000 MT by the year 2001.

Danish January to July 1997 exports

Destination	Metric Tons		Million DKK	
	1998	1997	1998	1997
EU Countries	14,790	16,557	384	432
Third countries	8,958	15,064	160	210
Total	23,748	31,621	544	643

1997 trade statistics are included in the semi-annual dairy report (DA8006).

Import Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Jan-Jul		
Imports for	1997		1998
U.S.		U.S.	
Others		Others	
Sweden	1633	Sweden	2560
Belgium	2088	Belgium	1615
Netherlands	1690	Netherlands	1648
UK	1432	UK	1076

New Zealand	1103	New Zealand	1541
Finland	340	Finland	1180
Germany	3047	Germany	453
France	772	France	183
Ireland	1247	Ireland	210
Total for Others	13352		10466
Others not listed	1328		8
Grand Total	14680		10474

Export Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Jan-Jul		
Exports for	1997		1998
U.S.	3	U.S.	22
Others		Others	
UK	10596	UK	10784
Saudi Arabia	4085	Saudi Arabia	3968
Germany	2785	Germany	2214
United Arab. Em.	869	Unit. Arab. Emir.	960
Lebanon	924	Lebanon	889
Italy	560	Italy	593
Belgium	1038	Belgium	528
Kuwait	569	Kuwait	634
France	832	France	212
Lithuania	639	Lithuania	100
Total for Others	22897		20882
Others not listed	8721		2844
Grand Total	31621		23748

Exports, and re-exports, are forecast to at least remain at the present level. If Russian and Asian market do not recover, at depressed prices.

EU export restitutions

For the first seven months of 1998, EU export restitutions increased by 82% while exports to third countries decreased by 41%.

Stocks

For the last four years, Denmark has had no EU intervention stocks of butter. No change in this situation is foreseen for 1998 and 1999.

Marketing

Denmark continues to market butter where possible. The U.K., however, will continue to be the main target for Danish marketing efforts. The new butter/margarine product, Lurpak Spreadable, has been marketed in the U.K. and has so far achieved the same success as in Denmark.

Since 1995, promotion of butter (Lurpak brand) is the only export promotion activity of the Danish Dairy Board. The United Kingdom, Germany and the Middle East account for 85% of total butter exports. Promotion activities are consequently directed towards these markets.

Milk, Nonfat Dry

PSD Table						
Country:	Denmark					
Commodity:	Dairy, Milk, Nonfat Dry					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	0	0	0	0	0	0
Production	24	23	25	21	0	20
Intra E.C. Imports	9	7	12	7	0	7
Other Imports	1	1	1	1	0	1
TOTAL Imports	10	8	13	8	0	8
TOTAL SUPPLY	34	31	38	29	0	28
Intra E.C. Exports	12	10	12	10	0	10
Other Exports	7	6	9	6	0	5
TOTAL Exports	19	16	21	16	0	15
Human Dom. Consumption	0	0	0	0	0	0
Other Use, Losses	15	15	17	13	0	13
Total Dom. Consumption	15	15	17	13	0	13
TOTAL Use	34	31	38	29	0	28
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	34	31	38	29	0	28
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

With lower EU export restitutions on cheese exports, more milk is directed into production of nonfat dry milk. The final amount is dependent on cheese export opportunities, especially opportunities for Feta cheese exports.

With lower restitutions, export expansion is expected to other EU countries. Traditionally, low restitutions make nonfat dry milk more profitable than cheese exports.

Consumption

Most of the non-fat dry milk consumed in Denmark is used as feed.

Trade

Some of the non-fat dry milk produced in Denmark is sold into Dutch and German intervention. The main reason for not selling into Danish intervention is the difference in value of the two currencies which makes it profitable to place the products in intervention outside Denmark.

1997 trade statistics are included in the semi-annual dairy report (DA8006).

Import Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Jan-Jul		
Imports for	1997		1998
U.S.		U.S.	1
Others		Others	
Germany	1567	Germany	1517
Sweden	1934	Sweden	792
France	58	France	154
Netherlands	80	Netherlands	116
Ireland	253	Ireland	76
Finland		Finland	131
Austria	800	Austria	7
UK		UK	1
Belgium		Belgium	1
Total for Others	4692		2795
Others not listed	601		
Grand Total	5293		2796

Export Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Jan-Jul		
Exports for	1997		1998
U.S.		U.S.	
Others		Others	
Italy	1519	Italy	1384

Netherlands	1312	Netherlands	1163
UK	964	UK	930
Germany	810	Germany	472
Sweden	691	Sweden	384
Spain	613	Spain	226
Singapore	200	Singapore	225
Philippines	604	Philippines	243
Saudi Arabia	638	Saudi Arabia	240
Indonesia	305	Indonesia	120
Total for Others	7656		5387
Others not listed	2201		938
Grand Total	9857		6325

Stocks

No stocks are anticipated.

Policy

The Danes are taking the same path as they have done for years -- namely to export dairy fat through dry milk powder and use the protein part for cheese production for domestic use or export.

Dairy, Dry Milk

PSD Table						
Country:	Denmark					
Commodity:	Dairy, Dry Whole Milk Powder					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	1	1	2	2	0	2
Production	107	104	105	107	0	105
Intra E.C. Imports	1	1	1	1	0	1
Other Imports	0	0	0	0	0	0
TOTAL Imports	1	1	1	1	0	1
TOTAL SUPPLY	109	106	108	110	0	108
Intra E.C. Exports	5	5	5	4	0	5
Other Exports	82	85	83	87	0	85
TOTAL Exports	87	90	88	91	0	90
Human Dom. Consumption	15	11	15	13	0	13
Other Use, Losses	5	3	5	4	0	4
Total Dom. Consumption	20	14	20	17	0	17
TOTAL Use	107	104	108	108	0	107
Ending Stocks	2	2	0	2	0	1
TOTAL DISTRIBUTION	109	106	108	110	0	108
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

Whole milk powder production is forecast to 107,000 metric tons in 1998. As in the case of non-fat dry milk, reduced cheese exports will channel more milk into dry milk products.

Consumption

There is no Danish tradition for using dry milk powder. Small amounts are used in the food industry, especially as a breast milk substitute. Consumption is expected to remain at the present level.

Trade

The main portion still enters markets outside the EU. Dry milk products are sold throughout the world with a

variation of destinations and tonnage. Imports are almost non existent -- small amounts are shipped from Germany and the Netherlands.

Import Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Jan-Jul		
Imports for	1997		1998
U.S.		U.S.	
Others		Others	
Germany	175	Germany	380
Netherlands	470	Netherlands	159
UK		UK	40
France	2	France	3
Total for Others	647		582
Others not listed	25		
Grand Total	672		582

Export Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Jan-Jul		
Exports for	1997		1998
U.S.		U.S.	
Others		Others	
Dominican Rep	7373	Dominican Rep.	2378
Venezuela	2678	Venezuela	10048
Yemen	2411	Yemen	3121
Saudi Arabia	6956	Saudi Arabia	3302
Taiwan	2122	Taiwan	2735
Brazil	1963	Brazil	3250

Total for Others	23503		24834
Others not listed	28478		29368
Grand Total	51981		54202

1997 trade statistics are included in the semi-annual dairy report (DA8006).