



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 10/18/2001

GAIN Report #DA1022

Denmark

Dairy and Products

Annual

2001

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Report Highlights:

The Danish dairy industry remains at previous year's level of production and trade. Denmark exports more than 80 percent of its dairy production, mainly butter and cheese to the UK, German and Saudi Arabian markets.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
The Hague [NL1], DA

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Executive Summary

Denmark's total milk production is 4.5 million metric tons, of which 12 percent, or 519,000 MT, is used as fresh milk for consumption. The rest is processed into cheese, butter and dry milk.

With Denmark exporting more than 80 percent of its dairy production, the specific production of different dairy commodities is determined by demand. Increasing cheese exports to EU countries exceed 70 percent of total exports and decreasing butter exports are forecast to continue.

The EU is increasingly the primary outlet for Denmark's dairy exports and now accounts for more than 70 percent of the total. Major markets are the UK, Saudi Arabia and Germany. Denmark is successfully exporting all dairy production not used for domestic consumption, but at low prices.

Danish spreadable butter marketed under the brand name "Lurpak Spreadable" is increasing in popularity in Denmark and the UK and is now on the German market. Since the cooperative MD Foods is the only producer, no specific data on this product is available.

Danish dairy exports in 2000 totaled \$1.4 billion, corresponding to 20 percent of Denmark's total agricultural exports.

Organic milk consumption constitutes about 21 percent of all fresh milk sales, but growth has slowed down considerably and only 35 percent of organic milk is sold as such. The balance is sold as ordinary milk. Consequently, organic dairy products in Germany and UK are being promoted more aggressively.

Average Exchange rates: 2000: U.S.\$1 = DKK 8.08
 October 2000: U.S.\$1 = DKK 8.17

SECTION I. SITUATION AND OUTLOOK

Production

The Danish milk quota of 4,454,640 MT for the 1900/01 (April to March) year was exceeded by 17,00 tons corresponding to 0.4 percent of total production. Milk production for CY 2001 and 2002 is forecast to remain just above the quota level. Large investments in dairy cow stables are increasing productivity while production is limited by the quota. Apart from domestic consumption of fluid milk, the milk and milk fat is used for dairy products based on market demand. No Danish dairy products are sold to EU intervention stocks.

Production figures are in metric tons, regardless of butter fat content, which may be misleading. According to the dairy industry, there is a deliberate move towards exports of higher fat content cheeses to counter EU export subsidy restrictions. This has reduced the quantities exported with restitutions. Also, lower EU export restitutions for cheese exports have directed more milk into production of nonfat dry milk. The final amount is dependent on cheese export opportunities.

Danish table butter statistics include only butter with a butterfat percentage of 82 percent, while the popular blended butter and vegetable oil product is not included in the statistical production figures. Production and consumption of "normal" table butter is decreasing. Production and consumption are increasing of the blended, spreadable, 80 percent fat, with 25 percent vegetable oil and 75 percent butter fat. Total consumption of butterfat is consequently only slightly increasing. PS&D table figures include industrial use. Production and trade figures of the Lurpak spreadable product are not published. Out of the domestic consumption of table butter, spreadable products are estimated to account for about two thirds of the total. This amount is not accounted for anywhere.

Although organic milk consumption accounts for 25 percent of total fluid milk sales, organic milk production only accounts for about 9.2 percent of total milk production. Organic milk production is now growing at about 10 percent per year, far above consumption which is increasing by 3 percent per year. Organic milk producers are paid an additional 20 percent for their milk. This is based on a fixed government subsidy of DKK 0.40 1½ years after an organic production agreement is signed with the government. A variable surplus or lower price is paid by the dairies based on the amount of milk sold as organic compared to organic milk sold as ordinary milk. Since 1990, organic milk producers have been able to earn double that of regular producers. Organic producers are generally larger than average ordinary milk producers.

Consumption

After a two percent increase in 1999, consumption remained unchanged for 2000. Introduction of new organic low fat milk products (0.5 percent fat) in early 2001 increased sales of organic milk by 20 percent. Its success was followed up in September 2001 with a similar 0.5 percent fat conventional milk taking market share from other milk types, including organic low fat milk. The most obvious result of these introductions will be more milk fat available for cheese production.

Trade

In 2000, Danish exports of dairy products exceeded DKK 11 billion (U.S.\$ 1.4 billion). Exports to EU countries continue to increase. Major markets are Germany, the United Kingdom and Saudi Arabia.

The almost complete discontinuation of butter exports to Russia during 1999 hurt EU dairy producers and lowered prices. After only one year of stabilization, butter exports increased slightly from 39,652 MT in 1999 to 40,391 MT in 2000. The U.K. continues to be by far the largest market for Danish butter, followed by Saudi Arabia and Germany. Fluid milk imports are primarily from Germany and reflect border trade. There are some imports by German owned supermarket chains. Exports are mainly for U.S. troops.

In 2000, cheese exports remained unchanged compared to the previous year. Exports to EU countries made up 72 percent of total cheese exports, the same as in 1999. Feta cheese exports decreased from 29,500 MT in 1998 to 24,500 MT in 1999, down from 37,000 MT in 1997. Major Feta cheese destinations were Germany, Saudi Arabia, and Yemen. Denmark increased cheese exports to Japan to about 13,165 MT in 2000, up by 9 percent from previous year. This was despite competition from Australia and New Zealand. Exports to the U.S. decreased by 600 MT to 13,700 MT.

In general, butter and nonfat dry milk exports are considered residual after the markets for cheese and dry milk have been saturated. Butter exports continue to decrease, especially to the U.K. However, traditional butter exports are being replaced by the blended butter marketed under the name "Lurpak Spreadable". The exports are reported by the large co-op producer, MD Foods, to be an enormous success. Export figures for this product are confidential and not published in Danish trade statistics. According to press releases, Lurpak now has a market share of 30 percent of the total UK butter market. The "Lurpak Spreadable" reportedly has a greater than 50 percent share, or about 10,000 MT. The export value of this product is estimated at DKK 300 million (\$45 million). Before the introduction of "Lurpak Spreadable" in 1997, the Danish market share was 17 percent. In the Middle East, the Danish market share is about 50 percent. Arla Foods, the major Danish dairy exporter is consolidating its strong position in the United Arab Emirates in a joint venture with a local dairy in Dubai. The Danish butter market share is 60 percent and the Emirates are major markets for Danish feta cheese and cheese in jars, produced in Denmark or by the Danish owned dairy in Saudi Arabia.

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

With the increasing production of organic milk and as the Danish market is saturated, Arla Foods is looking for export markets for organic dairy products. Marketing studies reveal that organic demand is fast increasing in Germany and the U.K. and Danish dairies have decided to exploit these marketing opportunities.

Lurpak marketing campaigns in the UK, the Middle East and Germany and Italy were budgeted at DKK 29 million (US\$ 3.6 million). The campaign in the UK has concentrated on TV spots, in Saudi Arabia both TV advertising and retail campaign and in Germany and Italy on retail campaigns.

While EU export restitutions are still utilized, the Danes claim that only about 2/3 of the allowable WTO totals are currently used. Denmark's share of these is shown in the table below:

EU (FEOGA) export restitutions. (Million DKK)

	1994	1995	1996	1997	1998	1999	2000
Cheese	1,098	920	577	297	270	284	293
Butter	218	301	218	652	226	246	231
Other 1)	1,057	924	702	633	799	761	610
Total	2,373	2,145	1,497	1,402	1,298	1,291	1,134

1) Mainly dry milk and non fat dry milk

Increasing international prices for dry milk and especially nonfat dry milk in combination with increasing dollar exchange rates have continuously decreased EU export restitutions the last year.

Stocks

Danish butter and cheese stocks are not publicized and PS&D figures are OAA estimates.

EU intervention purchases are based on market prices falling below certain levels. The intervention price is still somewhat below Danish milk prices, so Denmark is not expected to be included in the “intervention club”.

This will take considerable amounts of butter out of the market for both private and public stocks. No Danish dairy products have been purchased since 1986 for EU intervention stocks. However, some nonfat dry milk exports include exports to German intervention stocks, where prices are higher than in Denmark.

Policy

The Danish Government and the Danish agricultural organizations, particularly the Dairy Board are not satisfied with the dairy component of the Agenda 2000 March 1999 agreement. Denmark wanted a more rapid transition to free trade, including a 30 percent price decrease during the period 2000 to 2006, and a 4 percent quota increase during the same period. Denmark also supported the elimination of the quota system by 2006 and the elimination of the intervention system. The Danes are still optimistic that the 2002 mid-term review will lead to a more liberal production regime.

The Danish Dairy Federation believes that reform of the EU dairy policy might still be necessary due to EU enlargement and WTO negotiations both of which they feel will put pressure on market expansion. The federation is also of the opinion that Germany will now support the elimination of the milk quota system, a longstanding Danish desire.

Marketing

Effective April 17, 2000 MD Foods merged with the Swedish dairy company Arla assuming the name Arla Foods. This company is now Europe's largest dairy processor with 19,000 employees and sales of DKK 36.5 billion (\$4.5 billion). How the company will use its market power in export markets is still uncertain. Current plans seem to concentrate on improving production efficiencies. A new cheese production facility is under construction in Denmark with a planned capacity of 50,000 MT per year.

The Danish Dairy Board finances Lurpak promotions in export markets and certain promotional activities on the domestic market. The latter are mainly directed at maintaining the existing consumption levels including school

milk consumption. The 2000 budget for Lurpak promotions was DK 29 million (\$3.6 million).

Marketing activities have increased due to the introduction of "Lurpak Spreadable". TV advertising for this product is being concentrated in the southern UK and in Germany around Berlin and northern Germany. Promotions in the Middle East are concentrated on store promotions and TV advertising.

SECTION II. STATISTICAL TABLES

Trade data in this report include January to June 2000 and 2001. For full year trade data for 1999 and 2000: See DA1007

Fluid Milk

PSD Table						
Country	Denmark					
Commodity	Dairy, Milk, Fluid				(1000 HEAD)	(1000 MT)
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Cows In Milk	681	681	644	644	0	635
Cows Milk Production	4724	4719	4669	4660	0	4600
Other Milk Production	0	0	0	0	0	0
TOTAL Production	4724	4719	4669	4660	0	4600
Intra EC Imports	20	20	25	20	0	40
Other Imports	0	0	0	0	0	0
TOTAL Imports	20	20	25	20	0	40
TOTAL SUPPLY	4744	4739	4694	4680	0	4640
Intra EC Exports	36	36	36	25	0	20
Other Exports	10	10	6	3	0	3
TOTAL Exports	46	46	42	28	0	23
Fluid Use Dom. Consum.	590	590	590	590	0	565
Factory Use Consum.	3983	3978	3937	3937	0	3927
Feed Use Dom. Consum.	125	125	125	125	0	125
TOTAL Dom. Consumption	4698	4693	4652	4652	0	4617
TOTAL DISTRIBUTION	4744	4739	4694	4680	0	4640
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Export Trade Matrix			
Country	Denmark		
Commodity	Dairy, Milk, Fluid		
Time period	Jan-June	Units:	Metric Tons
Exports for:	2000		2001
U.S.		U.S.	14
Others		Others	
UK	9442	UK	10276
Saudi Arabia	3051	Saudi Arabia	2712
Germany	1627	Germany	2633
Greenland	707	Greenland	704
Greece	615	Greece	716
Spain	310	Spain	227
Kuwait	178	Kuwait	121
United Arab Emir	138	United Arab Emir	154
Faeroe Islands	133	Faeroe Islands	96
Jordan	145	Jordan	90
Total for Others	16346		17729
Others not Listed	1117		2101
Grand Total	17463		19844

Import Trade Matrix			
Country	Denmark		
Commodity	Dairy, Milk, Fluid		
Time period	Jan-June	Units:	Metric Tons
Imports for:	2000		2001
U.S.		U.S.	0
Others		Others	
Sweden	5002	Sweden	15305
Germany	2906	Germany	4867
Netherlands	31	Netherlands	1270
Total for Others	7939		21442
Others not Listed	105		0
Grand Total	8044		21442

Cheese

PSD Table						
Country	Denmark					
Commodity	Dairy, Cheese				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Beginning Stocks	34	34	34	34	34	34
Production	305	305	305	312	0	317
Intra EC Imports	43	43	40	45	0	45
Other Imports	2	2	2	2	0	2
TOTAL Imports	45	45	42	47	0	47
TOTAL SUPPLY	384	384	381	393	34	398
Intra EC Exports	179	179	180	190	0	197
Other Exports	72	72	73	70	0	68
TOTAL Exports	251	251	253	260	0	265
Human Dom. Consumption	89	89	89	87	0	87
Other Use, Losses	10	10	5	12	0	12
Total Dom. Consumption	99	99	94	99	0	99
TOTAL Use	350	350	347	359	0	364
Ending Stocks	34	34	34	34	0	34
TOTAL DISTRIBUTION	384	384	381	393	0	398
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	14	14	0	0	0	0

Export Trade Matrix			
Country	Denmark		
Commodity	Dairy, Cheese		
Time period	Jan-June	Units:	Metric Tons
Exports for:	1999		2000
U.S.	6605	U.S.	6178
Others		Others	
Germany	42703	Germany	43408
Sweden	7452	UK	11659
UK	9304	Sweden	9109
Saudi Arabia	6910	Japan	7326
Spain	7582	Saudi Arabia	7233
Japan	6255	Spain	7159
Greece	4666	Greece	5016
France	4867	Netherlands	4217
Netherlands	4111	France	4152
Total for Others	93850		99279
Others not Listed	23716		23550
Grand Total	124171		129007

Import Trade Matrix			
Country	Denmark		
Commodity	Dairy, Cheese		
Time period	Jan-June	Units:	Metric Tons
Imports for:	1999		2000
U.S.		U.S.	
Others		Others	
Germany	4715	Germany	7293
France	4074	France	3062
Netherlands	3189	Sweden	2529
Italy	2888	UK	2380
UK	1610	Belgium	2216
Sweden	2182	Italy	1804
Belgium	1070	Netherlands	1375
Austria	260	Austria	504
Norway	121	Ireland	377
New Zealand	138	Portugal	109
Total for Others	20247		21649
Others not Listed			466
Grand Total	20247		22115

Butter

PSD Table						
Country	Denmark					
Commodity	Dairy, Butter				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Beginning Stocks	0	0	0	0	0	0
Production	46	46	44	48	0	42
Intra EC Imports	15	15	15	14	0	15
Other Imports	4	4	5	3	0	5
TOTAL Imports	19	19	20	17	0	20
TOTAL SUPPLY	65	65	64	65	0	62
Intra EC Exports	22	22	25	27	0	25
Other Exports	18	18	15	15	0	15
TOTAL Exports	40	40	40	42	0	40
Domestic Consumption	25	25	24	23	0	22
TOTAL Use	65	65	64	65	0	62
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	65	65	64	65	0	62
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Export Trade Matrix			
Country	Denmark		
Commodity	Dairy, Butter		
Time period	Jan-June	Units:	Metric Tons
Exports for:	2000		2001
U.S.		U.S.	
Others		Others	
UK	8164	UK	8124
Saudi Arabia	3021	Saudi Arabia	1941
Germany	2188	Germany	3000
Egypt	224	Egypt	2609
Unit.Arab.Emir.	874	Unit.Arab.Emir.	729
Italy	889	Italy	905
Lebanon	625	Lebanon	905
Kuwait	427	Kuwait	581
Greece	369	Greece	490
Turkey	181	France	718
Total for Others	16962		20002
Others not Listed	4932		2540
Grand Total	21894		22542

Import Trade Matrix			
Country	Denmark		
Commodity	Dairy, Butter		
Time period	Jan-June	Units:	Metric Tons
Imports for:	2000		2001
U.S.		U.S.	
Others		Others	
Sweden	2965	Sweden	1918
Belgium	2053	Belgium	20
Netherlands	1275	Netherlands	264
New Zealand	1104	New Zealand	84
France	485	France	379
Germany	342	Germany	817
Finland	22	Ireland	490
Norway	56	Czech Rep.	45
UK	23		
Ireland			
Total for Others	8325		4017
Others not Listed	4		149
Grand Total	8329		4166

Nonfat Dry Milk

PSD Table						
Country	Denmark					
Commodity	Dairy, Milk, Nonfat Dry				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Beginning Stocks	0	0	0	0	0	0
Production	38	38	35	42	0	40
Intra EC Imports	3	3	2	2	0	2
Other Imports	0	0	0	0	0	0
TOTAL Imports	3	3	2	2	0	2
TOTAL SUPPLY	41	41	37	44	0	42
Intra EC Exports	10	10	12	14	0	12
Other Exports	5	5	5	5	0	5
TOTAL Exports	15	15	17	19	0	17
Human Dom. Consumption	0	0	0	0	0	0
Other Use, Losses	26	26	20	25	0	25
Total Dom. Consumption	26	26	20	25	0	25
TOTAL Use	41	41	37	44	0	42
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	41	41	37	44	0	42
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Export Trade Matrix			
Country	Denmark		
Commodity	Dairy, Milk, Nonfat Dry		
Time period	Jan-June	Units:	Metric Tons
Exports for:	2000		2001
U.S.		U.S.	
Others		Others	
Italy	1946	Italy	1722
Netherlands	712	Netherlands	845
UK	710	UK	477
Sweden	244	Sweden	79
Germany	462	Germany	498
France	337	France	162
Spain	263	Spain	645
Indonesia	288	Indonesia	306
Israel	290	Israel	238
Philippines	339	Philippines	120
Total for Others	5591		5092
Others not Listed	1001		375
Grand Total	6592		5467

Import Trade Matrix			
Country	Denmark		
Commodity	Dairy, Milk, Nonfat Dry		
Time period	Jan-June	Units:	Metric Tons
Imports for:	2000		2001
U.S.		U.S.	
Others		Others	
Germany	304	Sweden	2850
Sweden	396	Germany	241
Norway	439	Netherlands	72
Netherlands	234	Ireland	74
UK	95	UK	39
Ireland	58		
Finland	2		
Lithuania	1		
Austria			
Belgium			
Total for Others	1529		3276
Others not Listed			40
Grand Total	1529		3316

Whole Milk Powder

PSD Table						
Country	Denmark					
Commodity	Dairy, Dry Whole Milk Powder				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Beginning Stocks	1	1	2	2	2	2
Production	96	96	100	92	0	100
Intra EC Imports	2	2	1	1	0	1
Other Imports	0	0	0	0	0	0
TOTAL Imports	2	2	1	1	0	1
TOTAL SUPPLY	99	99	103	95	2	103
Intra EC Exports	7	6	9	9	0	9
Other Exports	71	72	77	70	0	78
TOTAL Exports	78	78	86	79	0	87
Human Dom. Consumption	11	11	10	9	0	9
Other Use, Losses	8	8	5	5	0	5
Total Dom. Consumption	19	19	15	14	0	14
TOTAL Use	97	97	101	93	0	101
Ending Stocks	2	2	2	2	0	2
TOTAL DISTRIBUTION	99	99	103	95	0	103
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Export Trade Matrix			
Country	Denmark		
Commodity	Dairy, Dry Whole Milk Powder		
Time period	Jan-June	Units:	Metric Tons
Exports for:	2000		2001
U.S.		U.S.	
Others		Others	
Dominican Rep.	8821	Dominican Rep.	4954
Venezuela	5789	Venezuela	1530
Oman	3428	Oman	2015
Brazil	4098	Brazil	2341
Saudi Arabia	1813	Saudi Arabia	3683
Yemen	1994	Yemen	2138
Bangladesh	2154	Bangladesh	1765
Nigeria	2129	Nigeria	2331
Unit.Arab.Emir.	1500	Unit.Arab.Emir.	1078
Egypt	1040	Egypt	1271
Total for Others	32766		23106
Others not Listed	6938		4058
Grand Total	39704		27164

Import Trade Matrix			
Country	Denmark		
Commodity	Dairy, Dry Whole Milk Powder		
Time period	Jan-June	Units:	Metric Tons
Imports for:	2000		2001
U.S.		U.S.	
Others		Others	
Belgium	402	Germany	235
France	322	Netherlands	93
Netherlands	230	Finland	87
Finland	65		
Germany	40		
Sweden	56		
Ireland	9		
Total for Others	1124		415
Others not Listed			13
Grand Total	1124		428