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Report Highlights:

EU milk production in 2024 is forecast to fall slightly to 148.9 million metric tons (MMT), from an estimated 149.3 MMT in 2023 as a result of declining cow numbers and lower milk production profitability. With lower milk production, which will only be partially offset by lower expected fluid milk consumption, factory use consumption is also forecast to minimally decrease in 2024. This is requiring dairy processors to carefully decide for which products they will use the available milk. Cheese production is forecast to remain the primary output goal of the EU dairy processing industry, supported by solid domestic consumption and continued strong export demand. EU27 cheese production in 2024 is forecast to reach 10.62 MMT, up by 0.6 percent from 2023. This comes at the expense of the production of butter, non-fat dry milk (NFDM), and whole milk powder (WMP).

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Executive Summary

Note: Effective January 1, 2021, the United Kingdom (UK) completed its exit from the European Union (EU), including trade between both entities. If not indicated otherwise, in this report, the EU refers to the current EU27 and excludes the UK.

EU milk production in 2024 is forecast to fall slightly as a result of declining cow numbers and lower milk production profitability. In 2024, EU all milk deliveries are forecast to amount to 148.9 million metric tons (MMT), 0.3 percent below 2023, with minimal declines in both cows' milk production and other milk production. Since the beginning of 2023, farmers in the EU have had to cope with consistently declining farm-gate prices of milk combined with still elevated production costs. This trend is weighing on their margins in 2024, resulting in the elimination of smaller and less efficient farms, and negatively affecting EU27 cow herd numbers. Declining cow inventories are expected to be only partially offset by increasing cow productivity, leading to marginally lower cows' milk deliveries in 2024. Fluid milk domestic consumption is expected to continue the declining trend and amount to 22.8 MMT in 2024, down by 0.1 percent. With lower milk production in 2024, factory use consumption is also forecast to minimally decrease by 0.3 percent in 2024. This will require dairy processors to carefully decide for which products they will use the available milk.

Cheese production continues to be the primary output goal of the EU dairy processing industry, supported by solid domestic cheese consumption and continued strong export demand. EU27 cheese production in 2024 is forecast to increase by 0.6 percent over 2023 levels, reaching 10.6 MMT, despite less available milk. Both cheese exports and domestic consumption are forecast to rise in 2024. Increasing consumption could be boosted by development of the hospitality and tourism sectors and recovery of the EU economy, while exports are benefitting from increasing demand from key importers. After three years of declining cheese exports, EU exports rose in 2023 by 3.6 percent and are forecast to expand by 2.1 percent, reaching 1.4 MMT, in 2024. In addition to a continued recovery in EU cheese exports to the UK, growing popularity of specialty cheeses should also benefit EU exporters.

EU27 butter production in 2024 is forecast to amount to 2.07 MMT, 2.1 percent below the estimated 2023 level, as a smaller milk supply will favor cheese production over butter and non-fat dry milk (NFDM). Domestic consumption is forecast to continue its declining trend, with consumer health concerns negatively weighing on their demand for butter. EU27 exports in 2024 are expected to decline from elevated 2023 levels. This could be driven by shrinking EU butter production (lower milk supplies) and the EU losing its price competitiveness on the global markets (tightened stocks and higher farm-gate milk prices as compared to other competitors).

EU27 NFDM production in 2024 is forecast at 1.4 MMT, down by 5.8 percent from 2023, as a result of lower milk availability, as well as reduced export demand caused by weaker Chinese demand weighing on global markets. With overall weak import demand from China expected in 2024, EU27 exports of NFDM are anticipated to be negatively influenced by New Zealand's search for markets outside of China. As a result, EU exports are forecast down by 7.6 percent from 2023 levels. Domestic consumption in 2024 is forecast to amount to 710,000 MT, a decline of three percent from 2023, prompted by lower demand from the food processing industry, as higher prices for cocoa beans reduces the demand for NFDM for chocolate production.

EU27 whole milk powder (WMP) production in 2024 is forecast to decline by 3.9 percent from 2023 levels to 610,000 MT, as a result of lower milk availability and cheese production favored over other dairy products. In 2024, EU27 WMP exports are expected to decrease further from 2023 levels, with less demand from China and strong competition from New Zealand in other markets. Simultaneously, the domestic market in 2024 is forecast to be stable, continuing the trend of lower prices benefiting the use of WMP in food processing.

From a policy perspective, the EU dairy sector continues to have concerns connected to the implementation of the new Common Agricultural Policy (CAP) and the EU Green Deal initiatives, negatively weighing on farmers' decisions to continue production. Strengthening EU environmental and climate mitigation policies would require additional, non-productive investments and further erode dairy farming profitability. However, due in part to farmers' concerns, new provisions are being watered down or their implementation delayed. In 2024, the impact of the war in Ukraine on production costs is forecast to weaken. However, the EU continues to support Ukraine, with tariff and quota-free access for Ukrainian agricultural products to the EU market extended until June 5, 2025, but this is having no significant impact on the EU dairy sector.

Notes to the Reader:

The dairy products covered in this report are:

- Fluid Milk, which includes milk produced from cows and other milk production (from sheep, goats, and buffalo), but excluding milk suckled by young animals.
- Cheese covered by HTS Code: 0406 Cheese.
- Butter covered by HTS Codes: 040510 Butter and 040590 Butterfat/Anhydrous Milk Fat (AMF). A conversion factor of 1.25 is used for Butterfat/AMF.
- Non-Fat Dry Milk (NFDM) covered by HTS Code: 040210.
- Whole Milk Powder (WMP) covered by HTS Codes: 040221 and 040229.

Fluid Milk

Table 1. Fluid Milk Production, Supply, and Distribution:

Dairy, Milk, Fluid Market Year Begins	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Cows In Milk (1000 HEAD)	20,213	20,213	20,088	20,074	20,000	19,730
Cows Milk Production (1000 MT)	144,378	145,285	144,800	145,240	144,600	144,800
Other Milk Production (1000 MT)	4,150	4,267	4,200	4,090	4,195	4,080
Total Production (1000 MT)	148,528	149,552	149,000	149,330	148,795	148,880
Other Imports (1000 MT)	674	673	735	739	725	730
Total Imports (1000 MT)	674	673	735	739	725	730
Total Supply (1000 MT)	149,202	150,225	149,735	150,069	149,520	149,610
Other Exports (1000 MT)	1,339	1,318	1,250	1,226	1,235	1,200
Total Exports (1000 MT)	1,339	1,318	1,250	1,226	1,235	1,200
Fluid Use Dom. Consum. (1000 MT)	23,800	22,791	23,700	22,780	23,650	22,750
Factory Use Consum. (1000 MT)	124,063	126,116	124,785	126,063	124,635	125,660
Feed Use Dom. Consum. (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	147,863	148,907	148,485	148,843	148,285	148,410
Total Distribution (1000 MT)	149,202	150,225	149,735	150,069	149,520	149,610

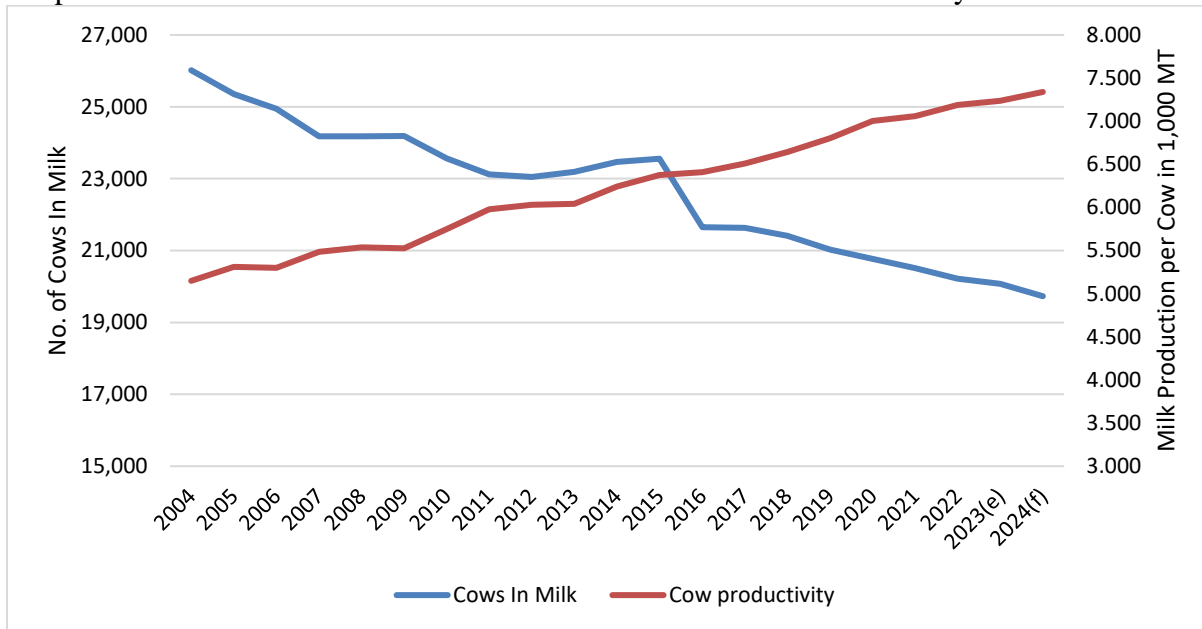
Official data can be accessed at: [PSD Online Advanced Query](#)

For import and export, only data on trade outside the European Union are provided

Production

At the beginning of 2024, dairy cow numbers amounted to 19.7 million cows in milk, continuing a declining trend and dropping below 20 million for the first time. Consistent growth in cow productivity is not expected to fully compensate for declining cow inventories in 2024, and as a result, EU27 cow milk production is forecast to shrink by 0.3 percent. In January-February 2024, cows' milk deliveries to dairies increased by 1.7 percent, as compared to January-February 2023 (without leap year adjustment). However, those increases are expected to fall throughout the year, as a number of farmers that have kept their cows longer or postponed exiting milk production are expected to do so later in 2024.

Graph 1. Historical EU27 Numbers of Cows in Milk and Cow Productivity

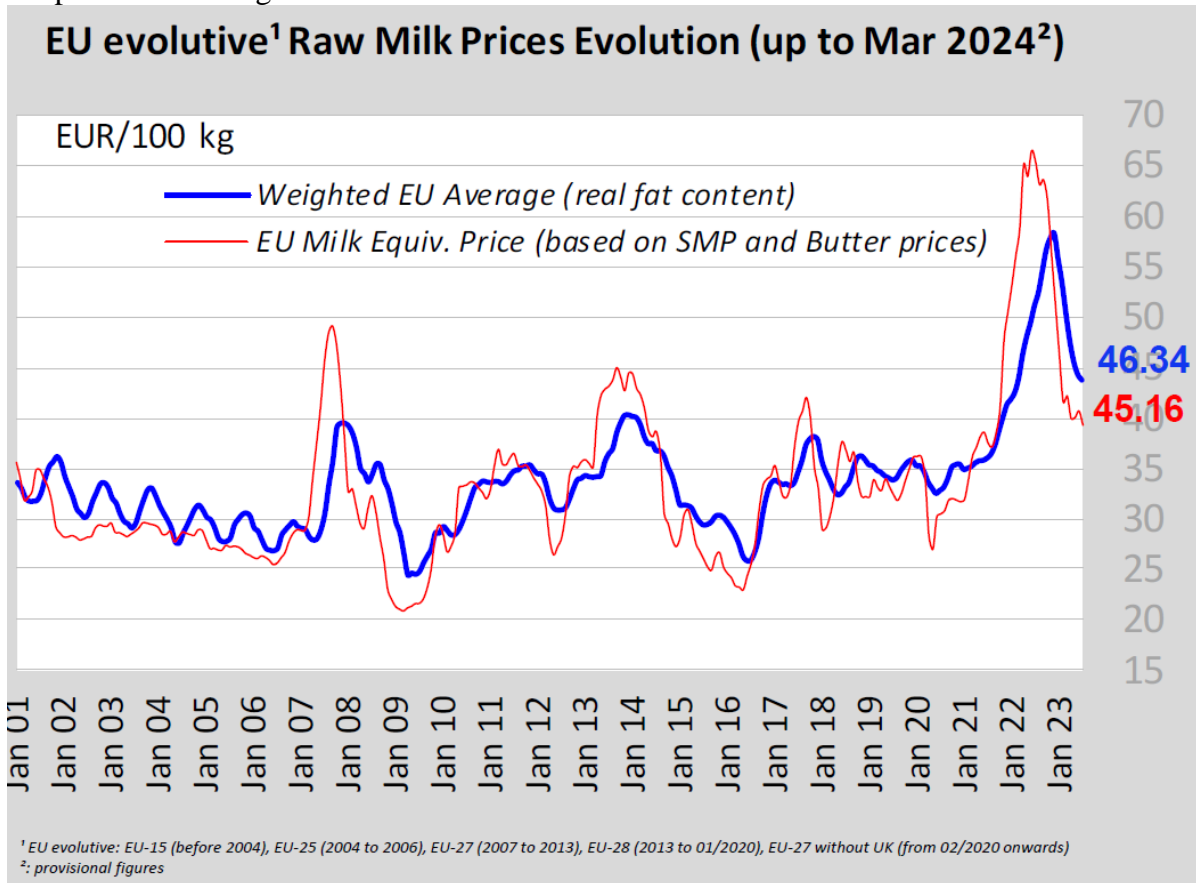


Source: USDA and FAS EU Offices

Milk production profitability has been sliding since the beginning of 2023, with dropping farm-gate milk prices and decreasing, but still elevated, production costs (energy, fertilizers, and labor). As a result, in Germany, France, Poland, and Belgium, expectations are that the number of dairy farmers will continue to decrease in 2024. However, the losses are expected mainly in smaller and less efficient farms. Additionally, environmental restrictions, such as the Dutch and Irish government plans to cut nitrogen emissions, are forecast to negatively influence dairy cow herd numbers in the longer term. These factors – combined with problems of generation renewal (young farmers not willing to continue milk production due to the heavy workload and tight profits) – will likely lead to further market consolidation and farm closures throughout 2024. However, bigger and more professional farms are expected to largely maintain their herd numbers, slowing the pace of the reduction in cow numbers in future years.

The increase in cows’ milk deliveries to dairies in 2022 and 2023 was stimulated by record-high EU average farm gate milk prices throughout 2022, peaking in December 2022. From May 2023 through March 2024, the average EU prices offered to milk producers were below the levels of the same period a year ago, although prices remained above the 5-year average.

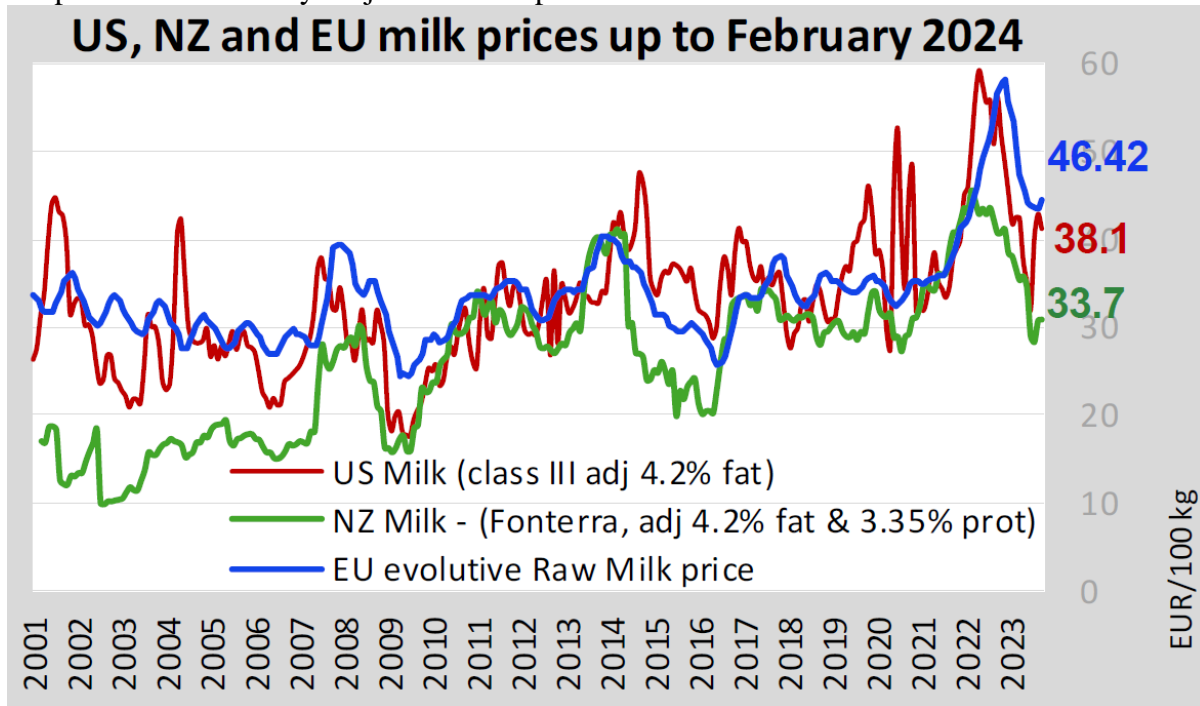
Graph 2. EU Average Farm Gate Milk Prices



Source: European Commission

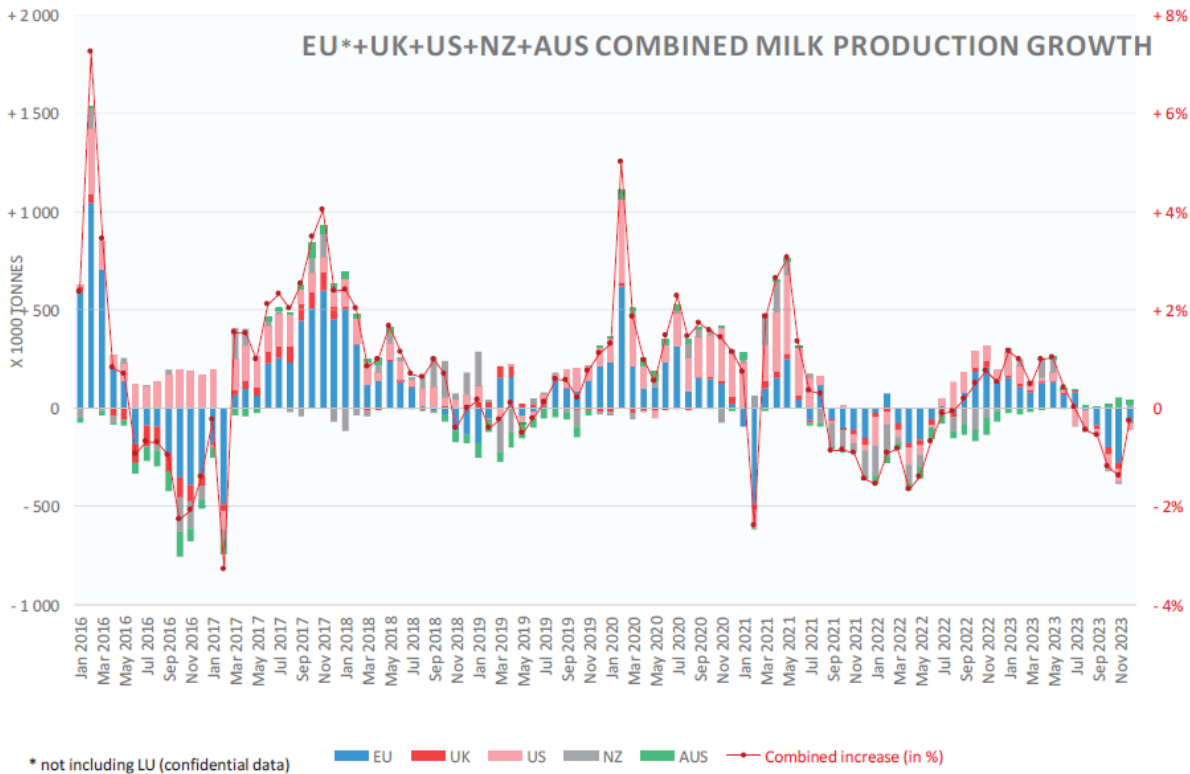
One of the main reasons for the decline in farm gate milk prices was the increase in milk production among the world's largest exporters of dairy products and weaker demand for dairy commodities among the world's largest importers. However, as reported by the European Commission (EC), milk production growth in the main exporting countries/regions (Australia, the EU, the United States, the UK, and New Zealand) observed at the beginning of 2023 has been slowing since July 2023, especially in New Zealand and the United States, resulting in a global 2023 milk collection increase of only 0.1 percent. Further contractions are expected by the EU dairy industry in 2024 as producers are facing reduced milk prices and still elevated input costs. Despite the milk price reduction in the EU27, in February 2024 it remained at the highest among the major competitors, amounting to EUR 46.42 per 100 kilograms, 27 percent higher than New Zealand's price and 18 percent higher than the U.S. price. This higher relative milk price is expected to make the European production of dairy products more expensive than the other world exporters.

Graph 3. Milk Prices by Major World Exporters



Source: European Commission

Graph 4. World Milk Deliveries Growth by Major Exporters

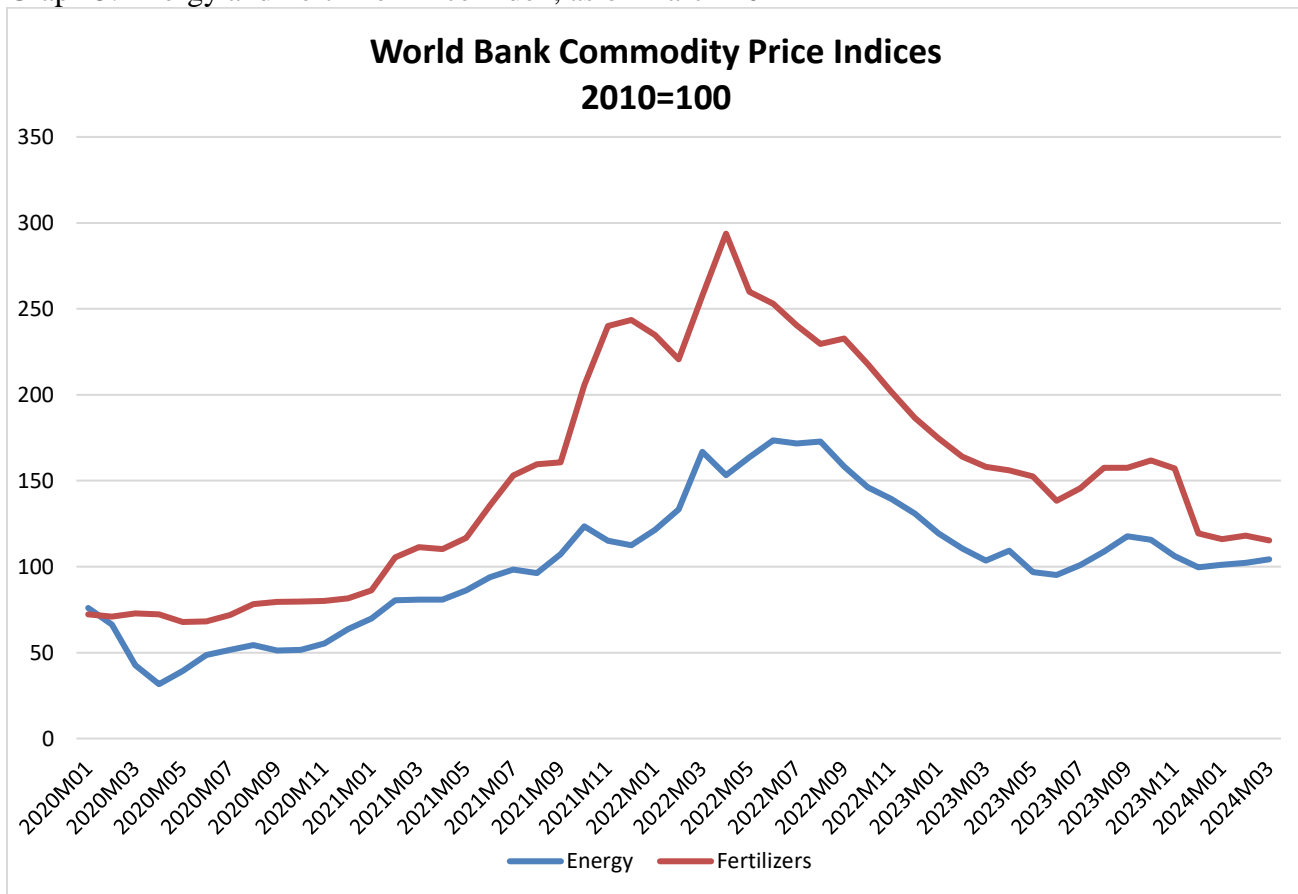


Source: European Commission

Green feed availability and pasture conditions in the spring of 2024 were generally good throughout Europe. As assessed by the European Commission's Joint Research Centre, the spring had exceptionally warm temperatures with frequent but not excessive rainfall, particularly in central Europe, which were beneficial for biomass accumulation. The situation was different in the northwest, where wet soils combined with recent rainfall events continued to hamper access to fields and the regrowth of grassland, which negatively influenced milk production, particularly in Ireland. The Irish dairy industry is based on cattle being out in pasture for up to nine months of the year, with 95 percent of their diet being grass. Extremely challenging weather in the early summer curtailed grass growth in 2023, and heavy rains in the fall meant grazing conditions were also difficult.

Although feed availability is expected to improve in many EU Members States in 2024, still high costs of energy and fertilizers negatively weigh on farmers' margins, especially when combined with declining farm-gate milk prices.

Graph 5. Energy and Fertilizer Price Index, as of March 2024



Source: World Bank

In 2023, EU27 cow's milk deliveries marginally declined by 0.03 percent to 145.24 million metric tons (MMT), despite a 1.4-percent increase noted by the largest producer, Germany, higher production noted by the Netherlands and Poland, and stable production in Spain. These increases did not fully compensate for a fall in production in the remaining top-seven producers of France, Italy, and notably Ireland,

negatively influenced by green feed availability. With unfavorable weather conditions, Irish milk deliveries to dairies in 2023 were four percent down year-on-year.

2024 cow's milk deliveries are forecast at 144.8 MMT, with a small decrease of 0.3 percent.

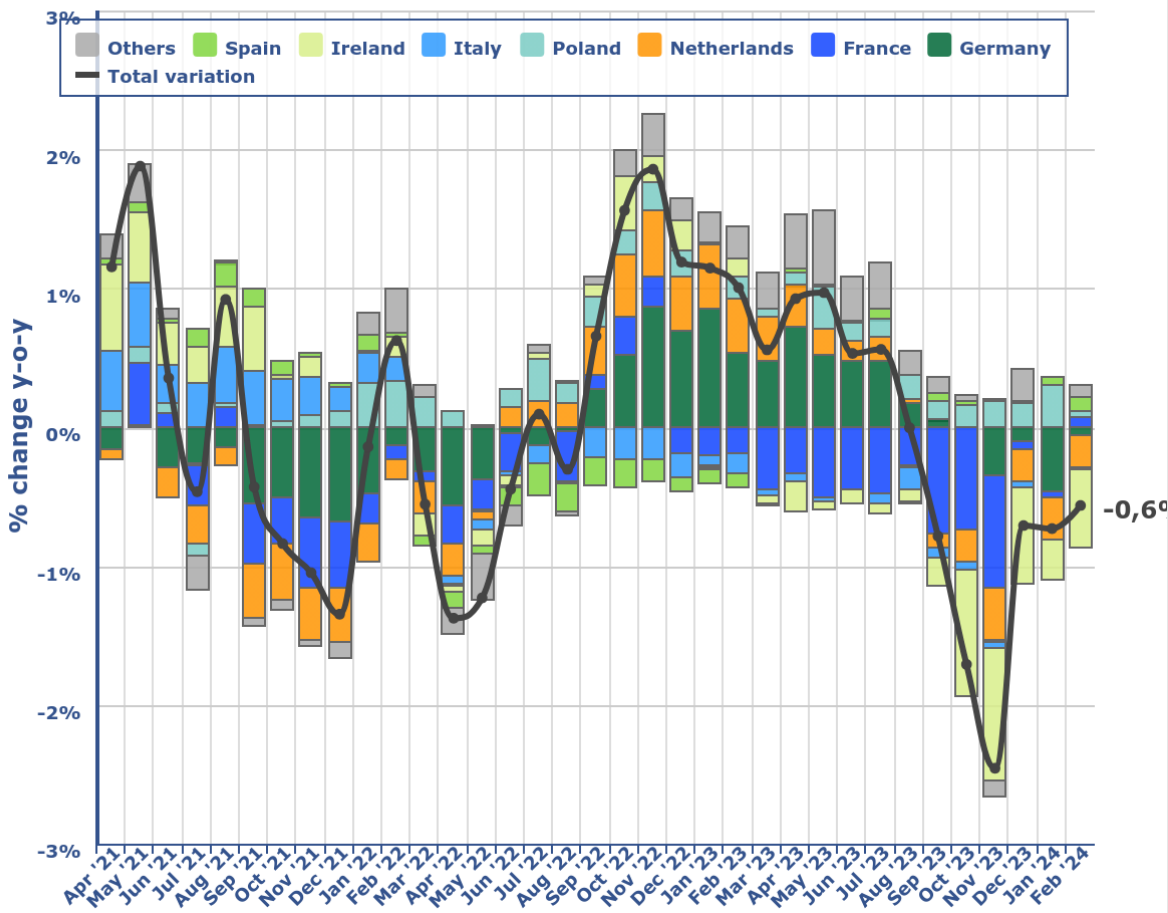
Graph 6. EU Cow's Milk Deliveries by Members States Monthly, as of February 2024 Compared to the Same Period of Previous Years

EU-27 - Raw cows' milk delivered to dairies in key producer countries

% change y-o-y subdivided by the contribution of each player

The month of February for the leap year is calculated on 28 days

Processed by CLAL



Source: clal.it

Non-cow milk production is forecast to remain relatively stable in 2024, after a decrease by 4.2 percent in 2023. Lower levels of sheep and goat milk production in 2023 resulted from lower consumer demand as inflation caused consumers to reduce their purchases of premium products. However, as reported by Eurocommerce, in 2024 there are signs of hope: inflation has stabilized, real wages are recovering, and fewer consumers indicate an intent to limit shopping – with some groups, like high-income households, even inclined to increase their spending. These changes could curb further decline in demand for high-value cheeses, which is the main use of sheep and goat milk. Among major producers, in Spain the sector is also dealing with the additional difficulty of generation renewal, negatively affecting further development.

Trade

Imports of fluid milk from outside of the EU are minimal and over 98 percent is imported from the UK (Northern Ireland) for processing in Ireland. These imports are forecast to slightly decrease in 2024, down by 0.5 percent from the 2023 level, in line with analysts' expectations for lower UK production and recovering Irish deliveries. Previously, after a record-low 2021, import volumes were recovering in 2022 and 2023, resulting from lower milk production in Ireland and more milk directed from the UK. The increased imports continued in January and February 2024, up by 11.1 percent as compared to the same period of 2023. However, this was a result of the lower base at the beginning of 2023 and expected stockpiling by the British industry in preparation for implementation of the UK border controls in May 2024.

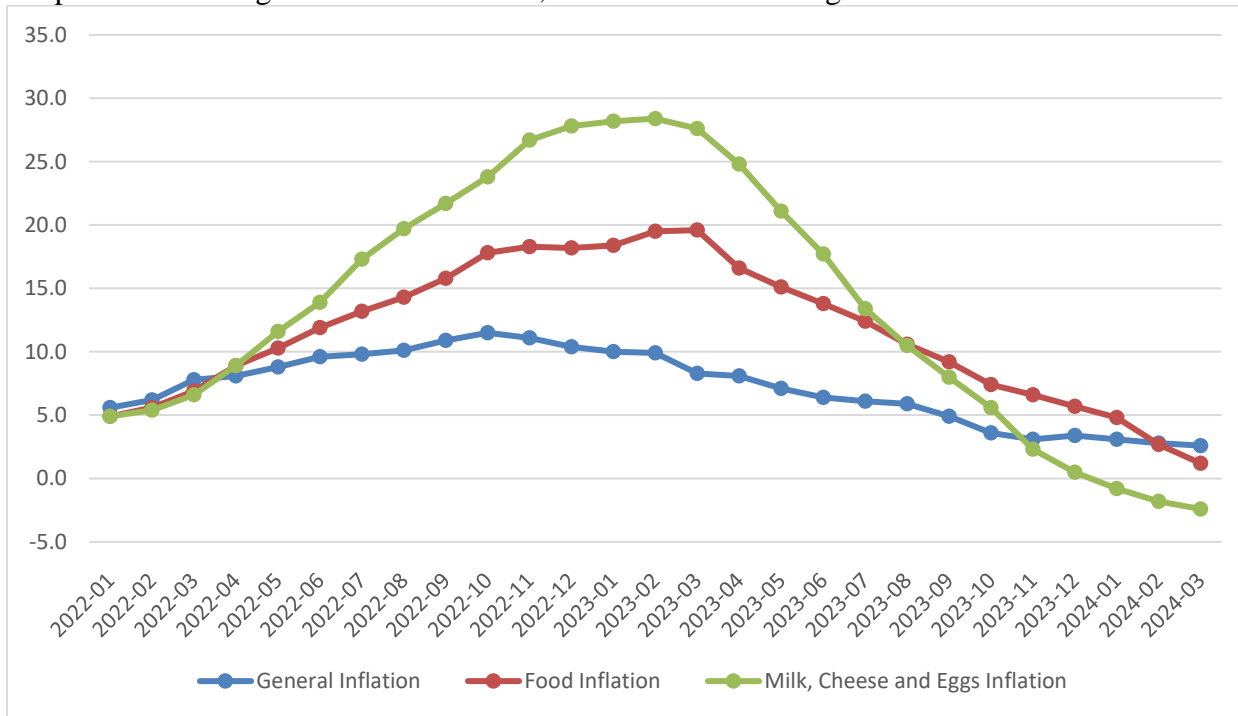
Declining EU27 fluid milk exports are forecast in 2024, driven by reduced demand from China and lower milk production. In January and February 2024, EU exports fell by almost five percent, as compared to the same period of 2023, but declines in exports to China and the UK going forward are anticipated to be slightly offset by increased demand from other markets. In 2023, extra-EU exports of fluid milk declined by seven percent, mostly to the main recipients in China (-13 percent) and the UK (-20 percent), which were only partially offset by higher demand from other Asian countries, like South Korea, Philippines, Vietnam, and Hong Kong. The EU27 supplied almost half of Chinese imports of fluid milk, led by ultra-high temperature (UHT) milk, mostly from Germany, Poland, and France. However, China increased its domestic milk production and decreased fluid milk imports in 2023, negatively affecting EU27 exports. These factors are expected to negatively weigh on 2024 fluid milk exports, driving them down by 2.1 percent.

Domestic Consumption

Fluid milk domestic consumption in 2024 is forecast to continue the downward trend experienced in 2023, as inflationary pressure on consumers continues and milk alternatives gain popularity. Although fewer consumers indicate an intent to shop less in 2024, the increased demand from higher-income buyers is expected to be directed to premium products and plant-based milk alternatives. Domestic consumption of fluid milk is forecast at 22.75 MMT in 2024, down by 0.1 percent from 2023 levels.

In March 2024 the average EU27 inflation rate was 2.6 percent, down from a peak level of 11.5 percent in October 2022.

Graph 7. EU Average Inflation Evolution, Annual Rate of Change



Green line – EU27 general inflation

Purple line – EU27 food inflation

Red line – EU27 Milk, cheese, and eggs inflation

Source: Eurostat

In 2023, a significant decline in the average inflation rate for milk and dairy products was noted in the EU27, reaching -2.4 percent in March 2024 – even below the food inflation rate. Milk and dairy consumer prices differ across the EU, with the highest increases noted in March 2024 in Malta (10.2 percent), France, Luxemburg, and Spain, and deflation recorded by Czechia (-13.5 percent), Hungary, and Denmark. Although consumer prices for milk and dairy products have been declining, consumers still see elevated levels as compared to pre-inflation peak times. Additionally, certain measures introduced in 2023 by some European governments to alleviate food inflation pressure on consumers were lifted in early 2024. For example, a VAT reduction for basic food products introduced in Poland was withdrawn in April 2024.

Factory Use Consumption

With lower milk production, factory use consumption is also forecast to decrease by 0.3 percent in 2024, after a slight decline of 0.04 percent in 2023. As a result, the dairy processors will still have to carefully assess for which products they will use the available milk.

Cheese

Table 2. Cheese Production, Supply, and Distribution:

Dairy, Cheese Market Year Begins	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	10,340	10,415	10,390	10,560	10,420	10,620
Other Imports (1000 MT)	187	187	165	174	190	180
Total Imports (1000 MT)	187	187	165	174	190	180
Total Supply (1000 MT)	10,527	10,602	10,555	10,734	10,610	10,800
Other Exports (1000 MT)	1,336	1,333	1,355	1,381	1,380	1,410
Total Exports (1000 MT)	1,336	1,333	1,355	1,381	1,380	1,410
Human Dom. Consumption (1000 MT)	9,191	9,269	9,200	9,353	9,230	9,390
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	9,191	9,269	9,200	9,353	9,230	9,390
Total Use (1000 MT)	10,527	10,602	10,555	10,734	10,610	10,800
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	10,527	10,602	10,555	10,734	10,610	10,800
Official data can be accessed at: PSD Online Advanced Query						
For import and export, only data on trade outside the European Union are provided						

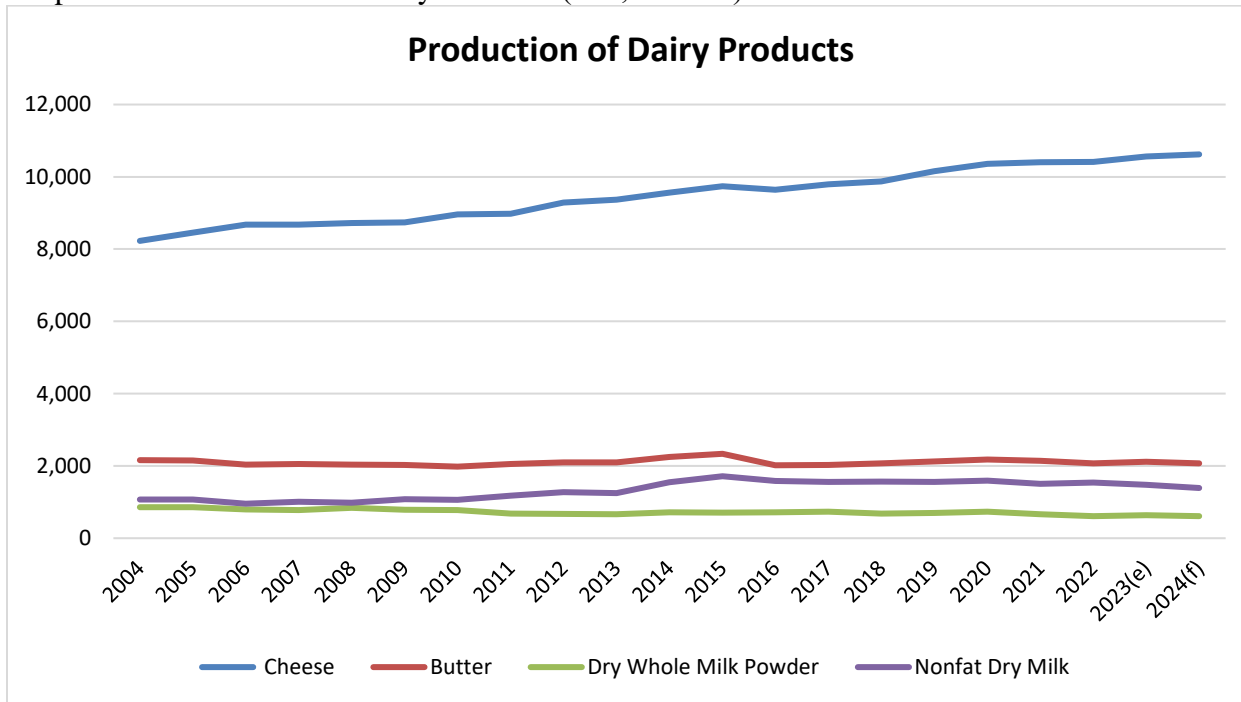
Production

In 2024, EU27 cheese production is forecast to increase, amounting to 10.6 MMT, up by 0.6 percent from 2023 levels. The increasing trend is observed in January-February 2024, with production reported up by 4.7 percent from January-February 2023, although the rate of increase compared to 2023 is expected to slow in future months due to the lower milk availability this year.

Cheese production continues to be the primary output goal of the European dairy processing industry, supported by the solid domestic consumption of this product, and continued strong export demand.

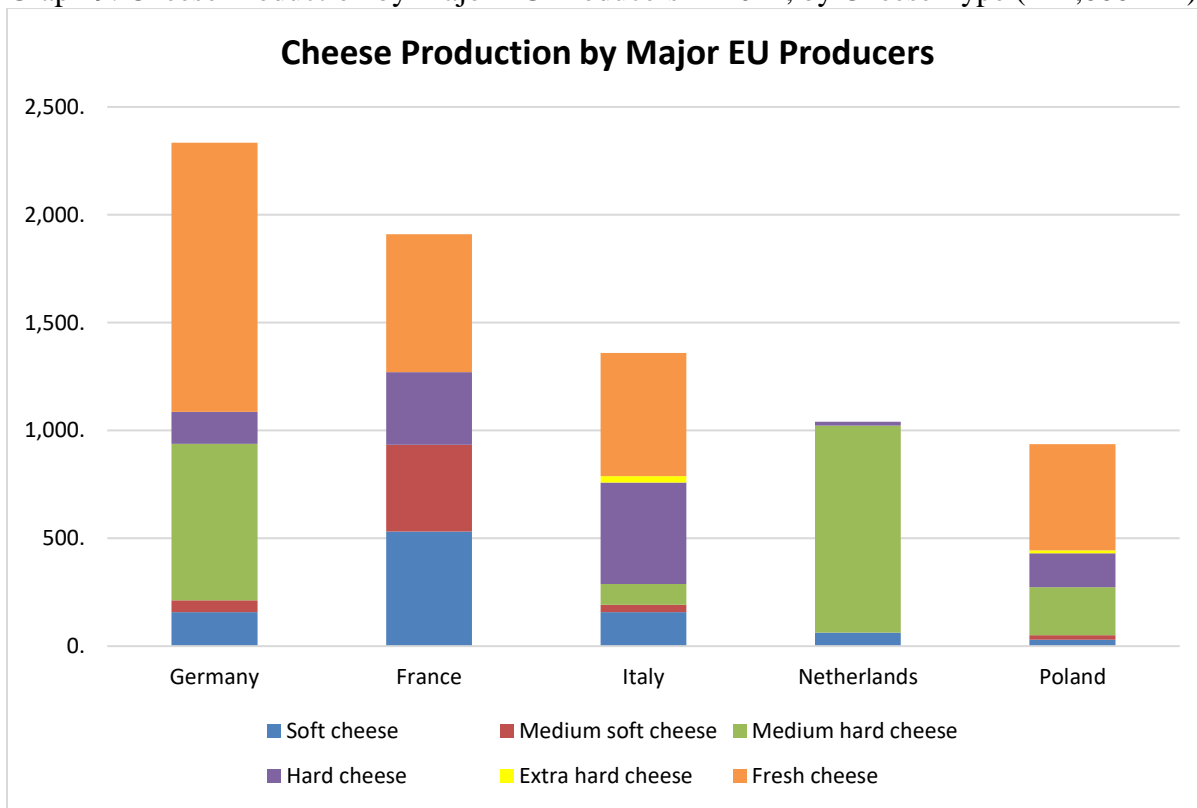
Germany, France, Italy, the Netherlands, and Poland remain the major producers, accounting for approximately 73 percent of total EU27 cheese production.

Graph 8. EU Production of Dairy Products (in 1,000 MT)



Source: USDA and FAS EU Offices

Graph 9. Cheese Production by Major EU Producers in 2022, by Cheese Type (in 1,000 MT)

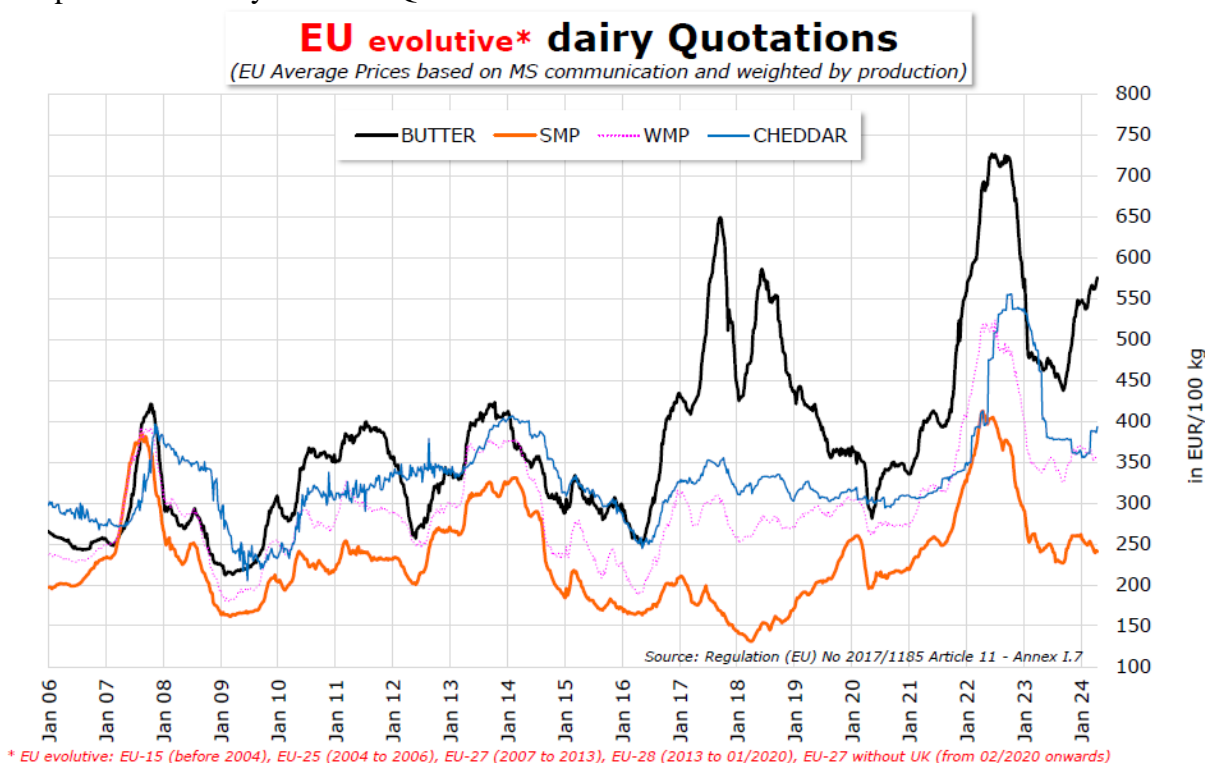


Source: Eurostat, for the Netherlands fresh cheese production data is confidential.

In general, 35 percent of EU27 production is accounted for in fresh cheese, defined as the product obtained from sour milk from which most of the serum has been removed, as well as curds. The remaining 65 percent of the EU27 production is distributed mainly to medium- hard and hard cheeses.

In 2023 cheese production increased by 1.4 percent, supported by recovering demand both from domestic and export markets. This trend is expected to continue in 2024, with production increasing by 0.6 percent, amounting to 10.6 MMT. With less milk available, European producers are favoring cheese production over other dairy products, driven by increases in exports and domestic consumption. Increasing consumption is being boosted by the development of the hospitality and tourism sectors and the recovery of the EU economy, while exports are benefiting from increasing demand from the main importers. As indicated by the European Dairy Association, cheese stockpiles kept by the industry declined in 2023 and were lower in December 2023 than in previous years.

Graph 10. EU Dairy Products Quotations



* EU evolutive: EU-15 (before 2004), EU-25 (2004 to 2006), EU-27 (2007 to 2013), EU-28 (2013 to 01/2020), EU-27 without UK (from 02/2020 onwards)

SMP – Skimmed Milk Powder or Non-Fat Dry Milk

WMP – Whole Milk Powder

Source: European Commission

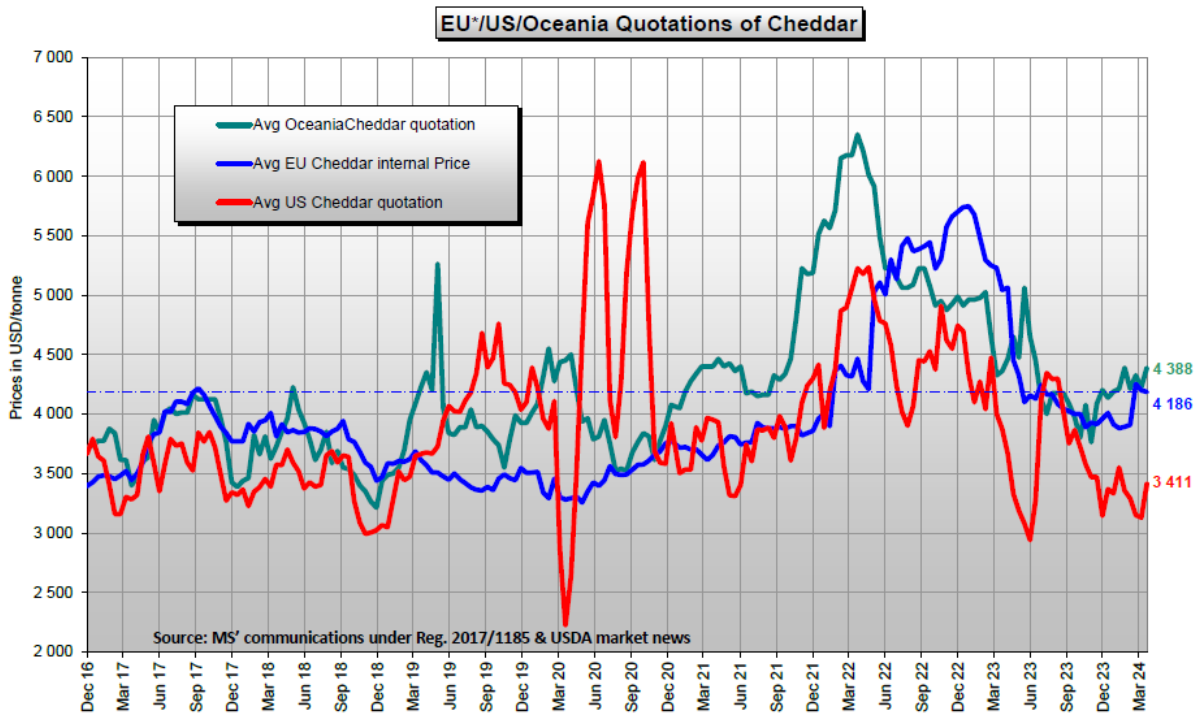
Trade

Cheese imports into the EU are negligible and mainly originate from the UK and Switzerland. In 2024, EU27 cheese imports are forecast to increase marginally by 3.5 percent. With increasing EU production, imports weakened in 2023, down by 6.9 percent, both from the UK (-5.3 percent) and from Switzerland (-4.3 percent).

About 13 percent of EU27 cheese production is exported, with the UK, the United States, and Japan being the top three destinations. The EU remains the largest world cheese exporter, followed by the

United States and New Zealand. EU exports are forecast to expand by 2.1 percent, reaching 1.4 MMT in 2024, continuing a rise in 2023 of 3.6 percent. This was after three previous years of declining EU cheese exports. In 2023, lower demand from the United States and Japan was offset by increased exports to the UK, where approximately one-third of export volume is traditionally directed. In January and February 2024, EU cheese exports increased by 6.6 percent, with the UK demand for EU cheese (such as cheese for processing) still on the rise, and the United States increasing orders mostly for hard cheeses like Grana Padano and Parmigiano Reggiano. Reduced milk supplies, higher product prices, and improved domestic demand are likely to constrain exports through the latter part of the year, resulting in more moderate end-of-year increases than observed at the beginning of 2024.

Graph 11. Comparison of Cheddar Quotations of the EU, the United States, and Oceania



* EU evolutive

Source: European Commission

In April 2024, the United States was the most price-competitive for cheese on the global market. With over 50 percent of the EU exports directed to four countries (the UK, the United States, Japan, and Switzerland), EU exporters are focused on developments in these markets.

Graph 12. 2023 EU Cheese Export Destinations by Share of Export Volume

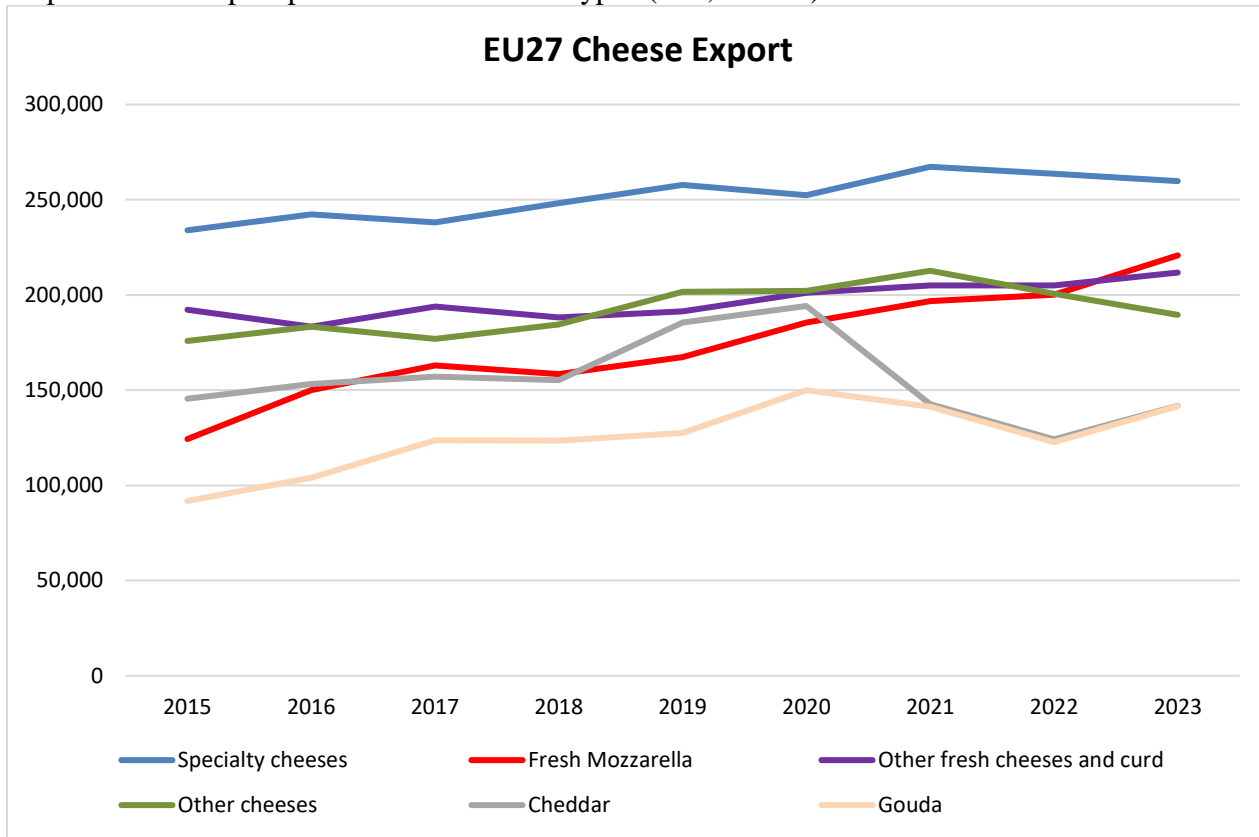


Source: TDM Ltd.

As reported by analysts from the Agriculture and Horticulture Development Board (AHDB), UK cheese production declined by 2.9 percent in 2023, but exports had a significant increase of 9.6 percent. This resulted in available supplies for domestic consumption tightening by 4.9 percent. As a result, UK importers are currently seeking cheaper EU products to help compensate for their domestic cheese production exported abroad. This trend is continuing in 2024, as the UK cheesemakers turn to the export markets to receive better margins for their products.

Specialty cheeses remain popular on global markets and are expected to support growing exports in 2024. In general, those premium cheeses are primarily exported to mature and affluent markets such as the United States, Japan, Australia, or Canada, but also to Middle East/North Africa.

Graph 13. The Top Exported EU27 Cheese Types (in 1,000MT)



Source: TDM Ltd.

Domestic Consumption

After a moderate fall in 2022, caused by lower consumer purchasing power, EU27 domestic cheese consumption returned to its long-term increasing trend in 2023, and is expected to grow further in 2024. In 2024, consumer demand is expected to be stimulated by growing incomes and economic recovery, as well as the hospitality sector and tourism returning to pre-COVID levels.

The top cheese-consuming Member States are Germany, France, Italy, Poland, and Spain.

Butter

Table 3. Butter Production, Supply, and Distribution:

Dairy, Butter Market Year Begins	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	2,090	2,068	2,100	2,114	2,080	2,070
Other Imports (1000 MT)	75	68	55	53	65	55
Total Imports (1000 MT)	75	68	55	53	65	55
Total Supply (1000 MT)	2,165	2,136	2,155	2,167	2,145	2,125
Other Exports (1000 MT)	255	248	285	282	275	275
Total Exports (1000 MT)	255	248	285	282	275	275
Domestic Consumption (1000 MT)	1,910	1,888	1,870	1,885	1,870	1,850
Total Use (1000 MT)	2,165	2,136	2,155	2,167	2,145	2,125
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	2,165	2,136	2,155	2,167	2,145	2,125

Official data can be accessed at: [PSD Online Advanced Query](#)

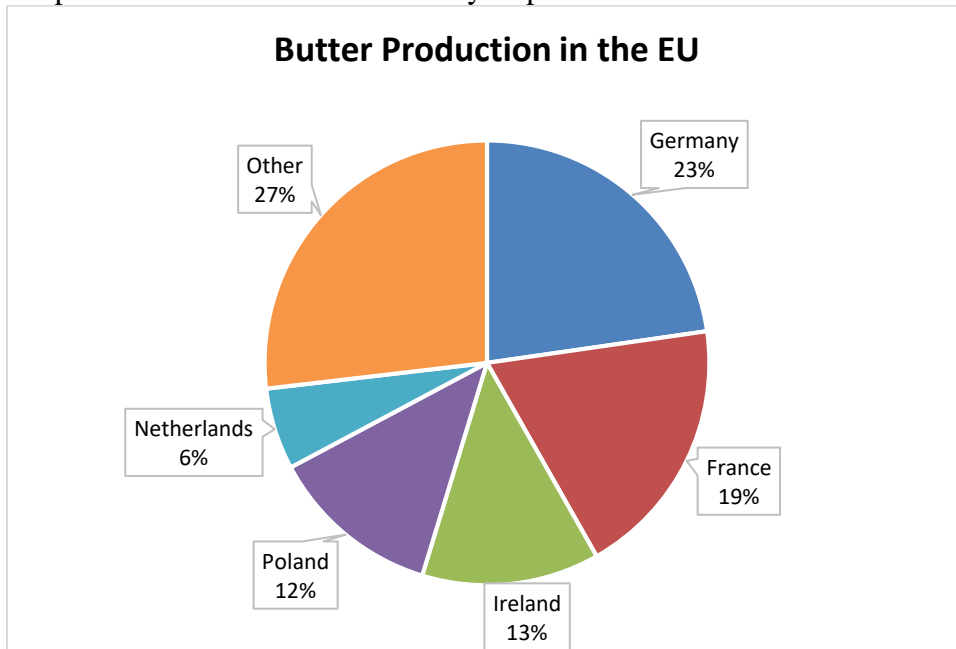
For import and export, only data on trade outside the European Union are provided

Production

EU27 butter production in 2024 is forecast to decrease by 2.1 percent from 2023, as a smaller milk supply will favor cheese production over butter and NFD. The decline in butter and other dairy spread production was observed already in January-February 2024, down by four percent in comparison to the same period of 2023. The production decline is expected to reduce export volumes in 2024. In 2023, EU27 butter production increased by 2.2 percent, stimulated by increased exports with stagnant domestic consumption. As indicated by the European Dairy Association, butter stockpiles kept by the industry decreased substantially in the second half of 2023 and were much lower in December 2023 (-50,000 MT) than in December 2022, due to good domestic and global demand. The build-up of stocks in the first months of 2024 was lower than normal. In 2024, EU consumption is forecast to return to a declining trend, which is also a factor leading to lower EU production.

Germany, France, Ireland, Poland, and the Netherlands are the largest butter producers in the EU. Together they provide around three-quarters of EU27 butter supply.

Graph 14. 2023 Butter Production by Top EU Member States



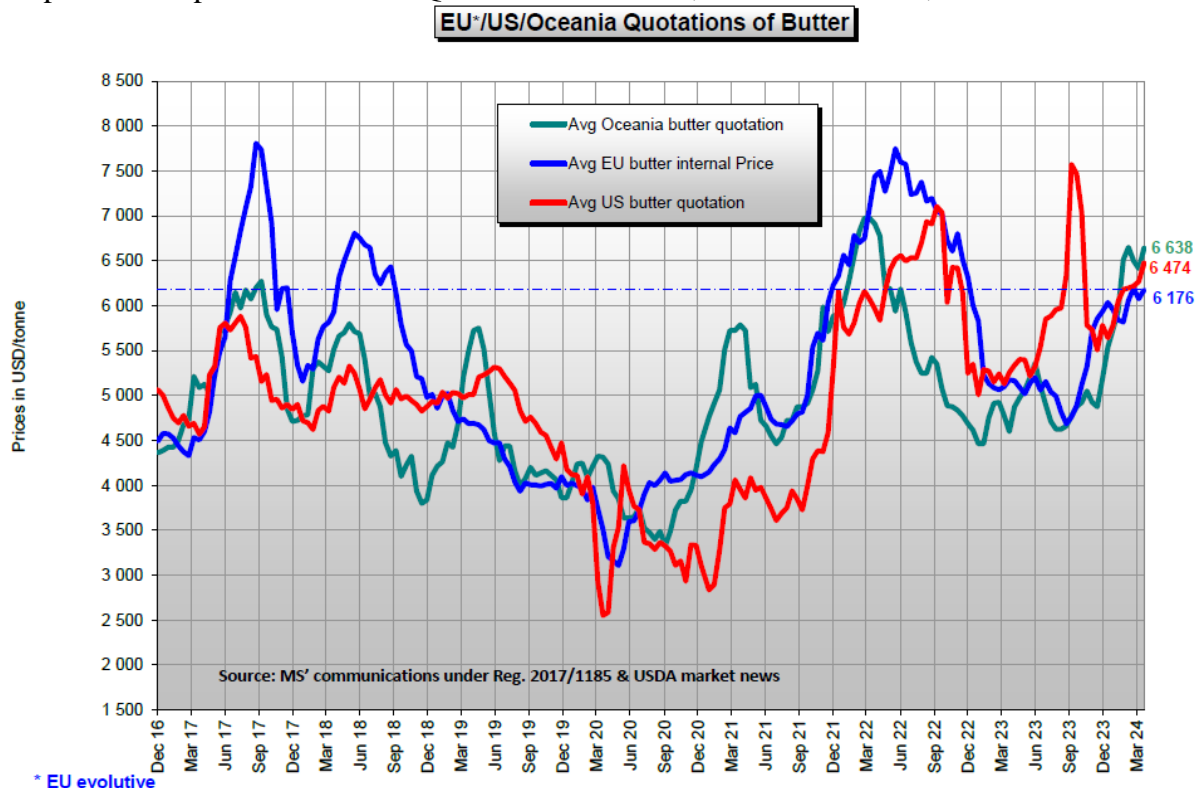
Source: Eurostat, for Luxemburg data are confidential

Trade

EU27 butter imports are very small compared to overall production and are dominated by imports from the UK. The 2024 forecast for butter imports is at a similar level to 2023, as lower EU production is expected to be offset by declining domestic consumption. In 2023, with EU production increases, demand for imported products was down by 22 percent, driven by significantly lower imports from the UK, New Zealand, and Ukraine.

2024 EU27 butter exports are forecast to decline from 2023 because of lower production and competition from other exporters. However, 2023 saw a rise in exports by 13.7 percent, benefitting from good prices and selling off the industry-kept butter stockpiles. The main destinations were the UK, the United States, Saudi Arabia, China, and South Korea. The 20-percent export decrease to the UK was more than offset by increased butter exports to other markets, as a result of a price decline in Europe. Despite the fact that the EU27 was able to offer the most competitive prices for butter in early 2024, butter exports declined in January-February 2024 by 1.6 percent. The declining trend is expected to continue throughout the year with the EU shrinking butter production (lower milk supplies) and losing its price competitiveness on the global markets (with tightened stocks and higher farm-gate milk prices as compared to other competitors).

Graph 15. Comparison of Butter Quotations of the EU, the United States, and Oceania



Source: European Commission

Domestic Consumption

EU27 butter consumption in 2024 is forecast to continue its declining trend, with consumer health concerns negatively weighing on the demand for butter. Also, despite the expected recovery of the economy in 2024 and increasing purchasing power, consumers still perceive the current level of prices as elevated. As a result, butter consumption is forecast at 1.85 MMT, 1.9 percent down below 2023 level.

It must be noted, however, that butter consumption patterns vary across the EU, driven by local cooking and eating habits. Member States around the Mediterranean Sea typically consume less butter, as cooking mostly involves olive oil, while those in the central and eastern parts of the EU consume more plant-based spreads because of the lower price.

Non-Fat Dry Milk

Table 4. Non-Fat Dry Milk (NFDM) Powder Production, Supply, and Distribution:

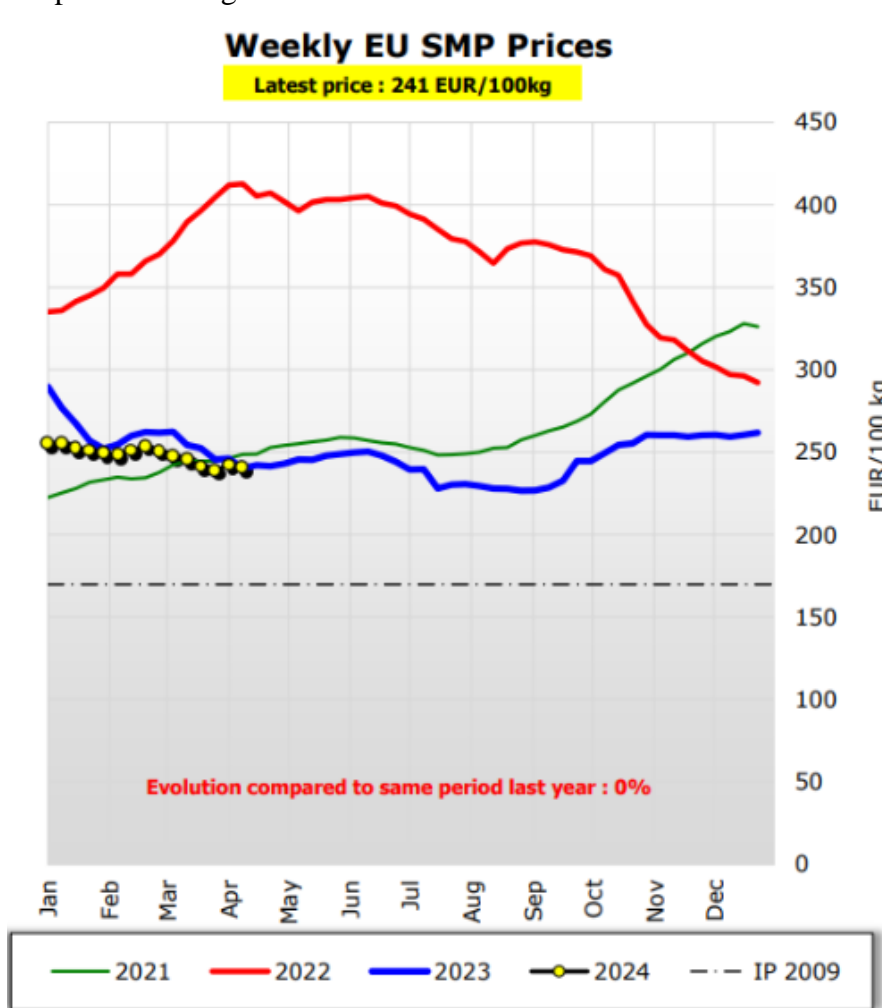
Dairy, Milk, Nonfat Dry Market Year Begins	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	1,517	1,536	1,520	1,475	1,480	1,390
Other Imports (1000 MT)	36	36	35	36	40	40
Total Imports (1000 MT)	36	36	35	36	40	40
Total Supply (1000 MT)	1,553	1,572	1,555	1,511	1,520	1,430
Other Exports (1000 MT)	708	707	815	779	810	720
Total Exports (1000 MT)	708	707	815	779	810	720
Human Dom. Consumption (1000 MT)	845	865	740	732	710	710
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	845	865	740	732	710	710
Total Use (1000 MT)	1,553	1,572	1,555	1,511	1,520	1,430
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	1,553	1,572	1,555	1,511	1,520	1,430
Official data can be accessed at: PSD Online Advanced Query						
For import and export, only data on trade outside the European Union are provided						

Production

2024 NFDM production is forecast down by 5.8 percent from 2023 production levels, resulting from weaker export demand. In January-February 2024, EU Member States data indicated lower NFDM production, down by four percent as compared to January-February 2023. Among the top EU NFDM producers, production declines are expected in 2024 in Germany, the Netherlands, Poland, and France, while in Ireland a slight increase is expected.

NFDM production in the EU27 is often tied to butter production and is usually not a production goal on its own, however it responds to export market demands. EU27 NFDM production for 2023 amounted to 1.48 MMT, down by four percent from 2022 levels. This was a result of slightly weaker domestic consumption, with less NFDM used in processing (e.g. chocolate, fat-filled powders, or confectionary). Additionally, European NFDM prices in 2023 – lower even than 2021 price level – did not favor production increases.

Graph 16. Average NFDM Prices at the EU Market



Source: European Commission

The assessment by the European Dairy Association of EU industry stockpile levels based on a residual approach (EU production + EU imports – EU internal consumption – EU exports) shows NFDM stockpiles declining due to lower production in the fourth quarter of 2023. In December 2023, NFDM stocks were lower than in December 2022 (-50,000 MT), and on par with 2021.

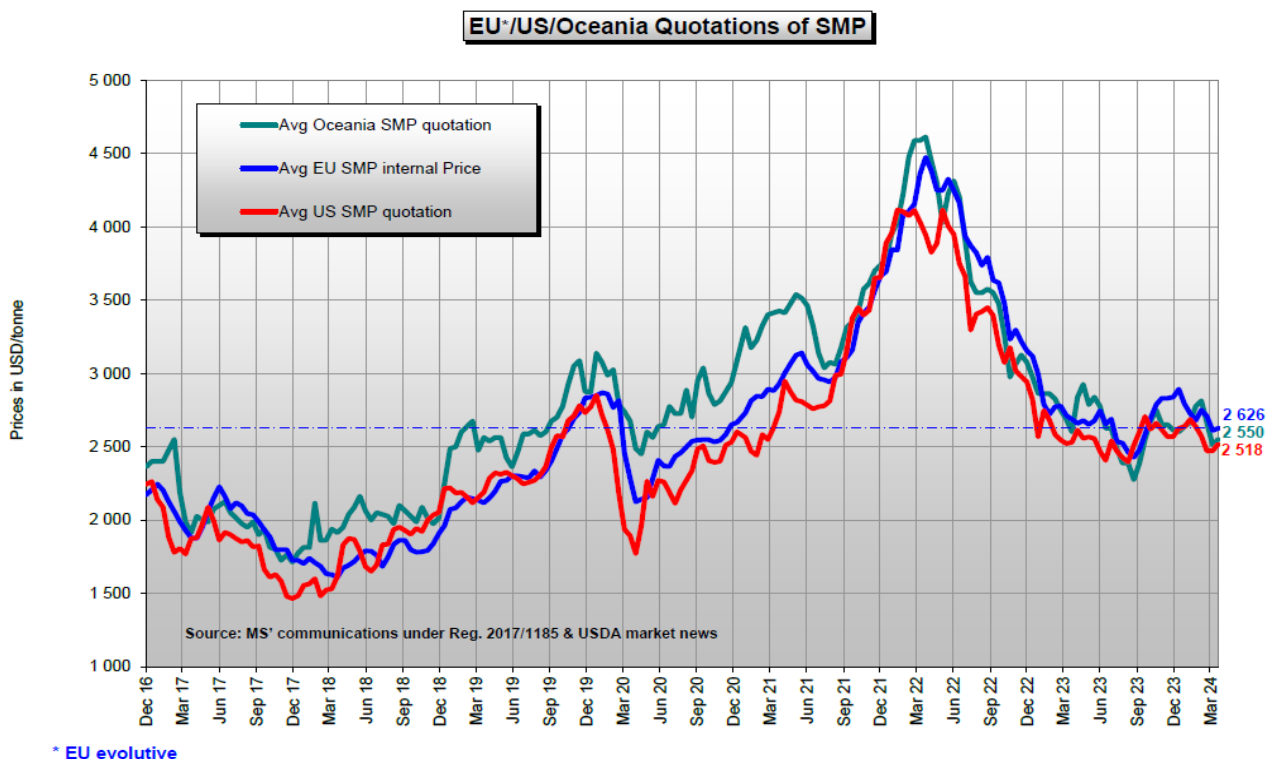
Trade

Although the EU27 imports little NFDM, imports are forecast to marginally increase in 2024, due to shrinking EU production. Until 2021, most of imported NFDM was sourced from the UK. However, after Brexit, UK imports were on decline, but from 2022 were supplemented by increasing imports from Ukraine, as a result of quota and tariff-free access to the EU market granted to Ukraine on June 4, 2022 and extended until June 5, 2025.

In 2024, EU27 exports are forecast to decline by 7.6 percent from 2023 levels, with lower EU production and weaker Chinese demand weighing on global markets. For the EU, the traditional buyers are North Africa (Algeria topping the list), China, the Middle East, and South-East Asia. However, European NFDM exports compete heavily with NFDM exports from the United States and New

Zealand, with the EUR/USD exchange rate and the market proximity being important factors. China shapes the global market for milk powders and is expected to further temper its purchases in 2024. This could prompt Oceania's competition in markets that traditionally lean more towards European suppliers for NFD and fat-filled milk powders (FFMPs). Already in January-February 2024, EU NFD exports recorded declines by nine percent, as compared to the same period of 2023, with Algeria's increasing imports (+21 percent) not offsetting declines in China (-72 percent).

Graph 17. Comparison of Skimmed Milk Powder (SMP) Quotations of EU, the United States, and Oceania



Source: European Commission

In 2023, EU27 NFD exports recovered from 2022 declines. This was due to increased purchases from traditional buyers in North Africa (Algeria +29 percent, Egypt +27 percent, Morocco +23 percent), the Middle East (Saudi Arabia +58 percent, Yemen +12 percent, United Arab Emirates +40 percent), and South-East Asia (Malaysia +27 percent, Vietnam +38 percent, Thailand +29 percent). These purchases compensated for a 16-percent decrease in exports to China, the second-largest recipient of European NFD. With shrinking EU NFD production, higher exports were supported by the release of industry stockpiles. According to the industry estimates, in December 2023, NFD stocks were lower than in December 2022 (-50,000 MT).

Around half of EU NFD production is exported, but it fluctuates depending on the EU competitiveness on global markets. The main NFD exporting EU Member States are France, Belgium, Germany, the Netherlands, Ireland, and Poland.

Domestic Consumption

Domestic consumption of NFDM in the EU is mainly for the food industry, where it is used in recombined dairy products such as UHT milk, yogurts, or cheeses, and also as non-fat milk solids in chocolate or in bakery goods. Calf feed for veal production is another outlet on the domestic market.

The 2024 forecast for NFDM domestic consumption is estimated at 0.7 MMT, down by three percent from 2023 level. This should be prompted by lowering demand from the food processing industry, as higher prices for cocoa beans reduce the demand for NFDM for chocolate production.

Whole Milk Powder

Table 5. Whole Milk Powder (WMP) Production, Supply, and Distribution:

Dairy, Dry Whole Milk Powder Market Year Begins	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
European Union						
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	616	613	620	635	610	610
Other Imports (1000 MT)	20	20	20	18	20	20
Total Imports (1000 MT)	20	20	20	18	20	20
Total Supply (1000 MT)	636	633	640	653	630	630
Other Exports (1000 MT)	236	234	260	262	250	240
Total Exports (1000 MT)	236	234	260	262	250	240
Human Dom. Consumption (1000 MT)	400	399	380	391	380	390
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	400	399	380	391	380	390
Total Use (1000 MT)	636	633	640	653	630	630
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	636	633	640	653	630	630

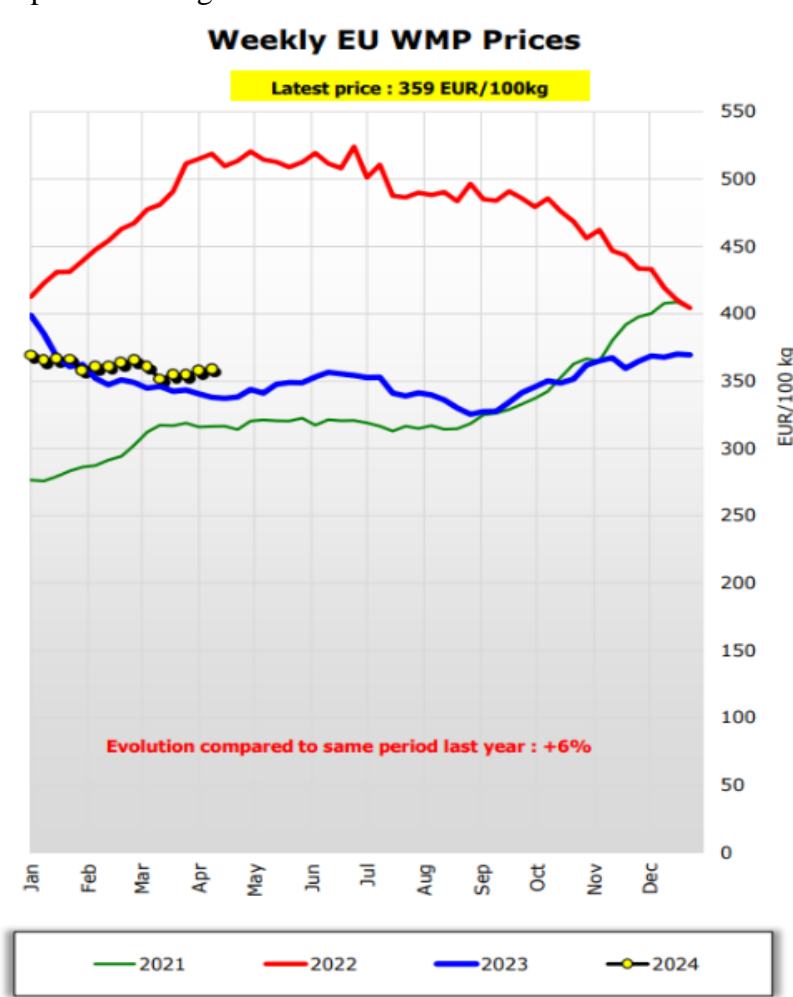
Official data can be accessed at: [PSD Online Advanced Query](#)

For import and export, only data on trade outside the European Union are provided

Production

The 2024 EU27 WMP production forecast is forecast to decline by 3.9 percent from 2023 levels. In 2023, WMP production increased by 3.6 percent, supported by higher domestic demand resulting from lower prices benefiting the use of WMP in food processing. These increases continued at the beginning of 2024. However, with less milk available, cheese production is expected to be prioritized over other dairy products.

Graph 18. Average WMP Prices at the EU Market



Source: European Commission

WMP production usually generates the lowest processing margins, and EU processors generally prioritize cheese production, which offers the most stable long-term returns. Additionally, for the food industry WMP also faces competition from fat-filled milk powders (FFMPs), which are produced by blending palm or coconut vegetable fat with high quality NFD. FFMP is used to replace full cream milk powder while being more economical than WMP.

Trade

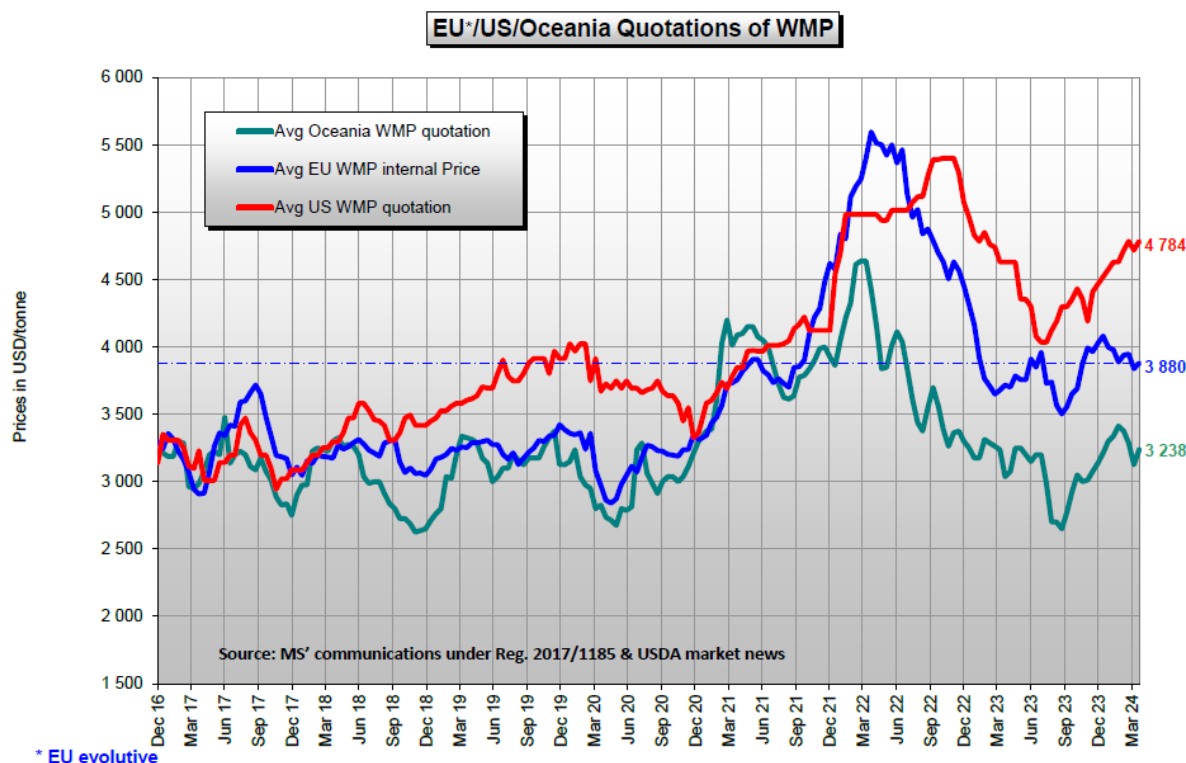
EU27 WMP imports are negligible, sourced mostly from the UK. In 2024, with lower production, EU27 imports of WMP are forecast to increase by 10 percent, returning to 2022 levels, after a decline in 2023. In 2023, lower imports from the UK were not fully substituted by increased supplies from New Zealand. As a result, EU27 WMP imports for 2023 declined by 10 percent (2,000 MT).

In 2024, EU27 WMP exports are expected to decrease further from 2023 levels, with more production directed to domestic market. Traditional export markets are North African countries, China, and the UK. Imports of dairy products by China continued to decline in 2023, driven by increased domestic production and weaker consumer demand. The decline in Chinese imports from all suppliers was

particularly noticeable for WMP (-38.5 percent), affecting all major competitors. For the EU27 WMP exports, declines in China were compensated by recovering demand from Algeria, the UK, Nigeria, and Egypt. In January-February 2024 NFDI exports were up due to increased purchases from Oman, Algeria, and the UK. However, further reduction of Chinese imports from New Zealand could result in more competition from that supplier on the global market in 2024, negatively affecting EU27 exports.

Since 2021, EU WMP prices have not been competitive against Oceania.

Graph 19. Comparison of Whole Milk Powder (WMP) Quotations of EU, the United States, and Oceania



Source: European Commission

Domestic Consumption

EU27 WMP domestic consumption is mainly in the food processing industry, which usually is stable. However, in times of an economy slowdown, cheaper alternatives (like FFMP) are sought.

In 2024, consumption is forecast stable from 2023 levels, continuing the trend of lower prices benefiting the use of WMP in food processing observed in 2023.

EU Policy

Common Agricultural Policy (CAP)

The new CAP for 2023-2027 was [adopted](#) on December 2, 2021, and published in the Official Journal on December 6, 2021. EU Member States were requested to submit [Strategic Plans](#), incorporating Member States' specific goals and initiatives by the end of 2021. By December 2022, all national strategic plans were approved by the EC. The new CAP is being implemented since January 1, 2023.

In March 2024, following weeks of farmer protests across the EU demanding less administrative burdens and better prices, the EC published a legislative proposal to amend certain provisions of the CAP. The EC acknowledged that the current CAP's first year of implementation made clear that adjustments are necessary to ensure effective implementation of the National Strategic Plans and to reduce red tape. For more information, please see GAIN Report: [EU Commission Proposes Common Agricultural Policy Revisions Following Farmer Protests](#).

In July 2023, the EU allocated exceptional support of €330 million from the CAP reserve fund for crises to 22 Member States: Belgium, Czechia, Denmark, Germany, Estonia, Ireland, Greece, Spain, France, Croatia, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Austria, Portugal, Slovenia, Finland, and Sweden. These countries may complement this EU support up to 200 percent with national funds. This support aims to help farmers who have suffered damage and productivity losses caused by climate events, especially in Spain, Portugal, and Italy. Additionally, the EC distributed €100 million support package for farmers producing grains and oilseeds in Bulgaria, Hungary, Poland, Romania, and Slovakia. This package was adopted to mitigate the effects of logistical bottlenecks resulting from the imports of certain agri-food products from Ukraine.

The EU Green Deal

Because the EU livestock sector is specifically identified as critical for the EU to reach its Green House Gas (GHG) emission reduction targets, the EC commissioned an external [Study on the Future of EU Livestock](#) that was published in October 2020.

Revision of the Industrial Emission Directive

On November 29, 2023, the EU institutions reached an agreement on the revision of the 2010 Industrial Emissions Directive (IED). This [proposal](#) amends Directive 2010/75/EU which regulates the environmental impacts of around of Europe's large-scale, high-pollution-risk industrial installations, and extends the scope to include the largest livestock farms in Europe, considered "agro-industrial installations." Farms in the scope need to comply to specific emissions conditions and permitting requirements. The European Parliament adopted the revision IED on March 15, 2024. The Directive will apply to pig farms with more than 350 livestock units (LSU), poultry farms with more than 300 LSU for laying hens, and 280 LSU for broilers. Cattle farming is not included in the IED's scope.

Deforestation-free Supply Chains

As part of the EU Green Deal, the EC adopted [Regulation 2023/1115](#), aimed at preventing products causing deforestation from entering the EU market. The proposal targets products which are identified by the EC as the main drivers of deforestation, including cattle, raw hides, and skins of cattle and leather. To sell any of the covered products in the EU or to export them from the EU, business operators will be required to provide extensive information about the product's origins, including the precise

location(s) and general time of production. The requirements for economic operators will start on December 30, 2024. The regulation establishes a country benchmarking system through which the EC will assess the risk that each country, or parts thereof, produces relevant commodities and products that contribute to deforestation. Products sourced from standard- or high-risk origins must comply with additional risk assessments and mitigation procedures. For more information, please see GAIN Report: [European Institutions Finalize Deforestation-Free Supply Chain Regulation](#).

Trade Policy

EU Free Trade Agreements (FTAs)

The EU is negotiating and has implemented several FTAs with other countries and regions, which include concessions on dairy. Additional information is available on the EC's website: <https://ec.europa.eu/trade/policy/countries-and-regions/negotiations-and-agreements/>. The EU finalized an FTA with New Zealand as well as the update of the FTAs with Mexico, while negotiations on an FTA with Australia and the update of the Chile FTA continue.

On May 1, 2024, the [EU's FTA with New Zealand](#) entered into force. The EU opened a tariff-rate quota (TRQ) of 15,000 MT for NFDM at 20 percent duty; a new butter TRQ for 15,000 MT at 5 percent duty (on top of the existing 47,177 MT WTO butter TRQ, for which 21,000 MT will also see the duty gradually reduced to 5 percent); a 25,000 MT duty-free TRQ for cheese (on top of the existing WTO TRQ for 6,031 MT, for which the duty will gradually also be eliminated); and a 3,500 MT TRQ for high protein whey at zero duty. New Zealand further protects EU geographical indications (GIs).

In April 2018, the EU concluded an [agreement in principle](#) with Mexico. After its ratification, the agreement will offer free access for EU blue cheese, with further TRQs of 5,000 MT for fresh and processed cheese and 20,000 MT for other cheeses. Mexico has also agreed to protect European GIs. The EU-Mexico Agreement is undergoing the necessary internal procedures on both sides to be ratified.

On June 28, 2019, the EU reached a trade [agreement in principle](#) with the four member countries of Mercosur (Argentina, Brazil, Paraguay, and Uruguay). The details of this agreement –in which the EU will receive TRQ's for 38,000 MT of cheese and 10,000 MT of milk powder –still need to be worked out and its implementation, on a provisional basis, is years away. Nevertheless, intensifying discussions on climate change mitigations and environmental restrictions continue as the EU advances its Green Deal and Farm to Fork (F2F) proposals, and criticism from EU farmers, Member States, and the European Parliament have put into question the future of this FTA. Several Member States continue to criticize the EU-Mercosur agreement, as well.

EU Policy Response to the War in Ukraine

On June 3, 2022, in response to Russia's invasion of Ukraine, the EU adopted [the Autonomous Trade Measures Regulation](#) (ATM) (EU Regulation 2022/870) allowing for temporary trade liberalization for certain Ukrainian products for one year. The trade-liberalization measures established by the ATM included: the full removal of import duties (preferential customs duties) on the importation of industrial products from Ukraine; the suspension of the application of the entry price system to fruit and vegetables; the suspension of tariff-rate quotas and the full removal of import duties.

After the expiration of the ATM, quota and tariff-free access to the EU market was twice extended to Ukraine for another year. The most recent extensions, applied until June 5, 2025, was approved by the Council of the European Union on May 13, 2024. Under the new rules, the EC can act and impose any measures it deems necessary if there are significant disruptions to the EU market due to Ukrainian imports. As part of reinforced safeguard measures to protect EU farmers, the EC can also trigger an emergency brake for a list of sensitive agricultural products: poultry, eggs, sugar, oats, groats, corn, and honey. If imports of these products surpass the average of import volumes recorded in the second half of 2021, and all of 2022 and 2023, tariffs will be re-imposed. These measures do not have any direct impact on the EU dairy sector, however, they might influence the feed prices and availability in the EU.

Veterinary Medicine Legislation

On January 28, 2022, the EU implemented the new framework for [veterinary medicine regulation](#). On October 8, 2021, the official controls, [Regulation \(EU\) 2021/1756](#), were published to ensure compliance with the prohibition of certain uses for antimicrobials.

On October 6, 2021, [Commission Delegated Regulation \(EU\) 2021/1760](#) was published, establishing the criteria for antimicrobials to be reserved for use by humans. The European Medicines Agency (EMA) was [mandated](#) to draft a proposal for a list of antibiotics reserved for human medicine based on these criteria.

In February 2023, the EC published [Delegated Act 2023/905](#) implementing Article 118 of the veterinary medicine regulation imposing limitations on the use of antibiotics for animals exported from third countries into the EU. For more information, please see GAIN Report: [Delegated Act Published for Article 118 of the EU Veterinary Medicinal Products Regulation](#).

On February 12, 2024, [Commission Implementing Regulation \(EU\) 2024/399](#) was published in the Official Journal amending model certificates for the entry into the Union of consignments of certain products of animal origin and certain categories of animals. The new models will be implemented by the respective U.S. agencies. FAS cooperates closely with the regulatory agencies to ensure that applicable certificate versions are made available to exporters.

New EU Animal Welfare (AW) Legislative Roadmap

On July 5, 2021, the European Parliament's Committee of Inquiry on the Protection of Animals during Transport (ANIT), published a [report](#) about livestock transport in the EU and to third countries. The report describes patterns in the EU transport of animals and possible avenues for improved animal welfare. On January 21, 2022, the public consultation ended on the EU's [Animal Welfare Inception Impact Assessment](#). This impact assessment marks the beginning of an EU revision of its animal welfare legislation, which was one of the goals of the EU's F2F strategy. The proposal for animal welfare rules was expected to be released in September 2023 and initially consisted of four pillars. On December 7, 2023, the EC put forward the [proposal](#) for revision of the Regulation on the protection of animals during transport since it was the most advanced of all the initiatives regarding animal welfare. The EC also adopted a proposal for a new Regulation on the welfare of dogs and cats and their traceability. For more information on animal welfare in the EU, see: https://food.ec.europa.eu/animals/animal-welfare/evaluations-and-impact-assessment/revision-animal-welfare-legislation_en

Acknowledgements

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Andreja Misir, FAS Zagreb covering Croatia
Xavier Audran, FAS Paris covering France
Tania De Belder, FAS USEU covering Belgium, Luxemburg, and EU policy
Marta Guerrero, FAS Madrid covering Spain and Portugal

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Attachments:

No Attachments