



## Milk and Milk Products Price and Trade Update



### Milk and Milk Products

#### Price and Trade Update: April 2014<sup>1</sup>

##### Export prices fall sharply in April

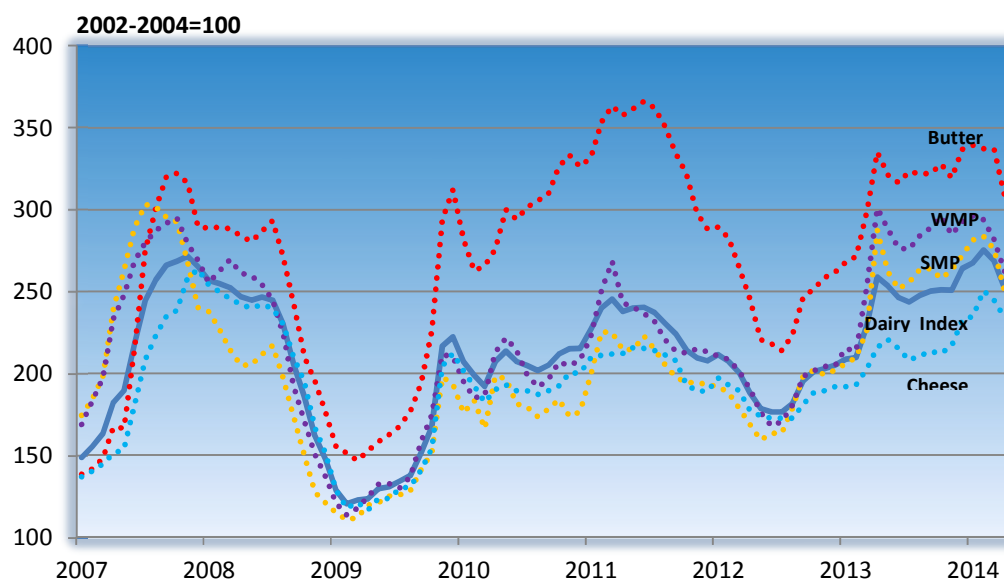
Internationally, dairy product prices fell sharply in April, following indications of market weakness in March. Consequently, they have returned to a level similar to early 2013. Demand for all dairy products has been affected by reduced purchases by China (the main importer of whole milk powder and second largest importer of skimmed milk powder) and a fall in demand from the Russian Federation (the main importer of butter). Additionally, a strong opening to the milk production season in the Northern Hemisphere and an unusually extended season in New Zealand have contributed to the situation, as availability of products for export has risen.

The **FAO Dairy Price Index** stood at 251 points in April, 2.8 percent below the same month in 2013. In considering the movement of the index, it should be remembered that dairy prices rose substantially, by 22 percent, in March/April 2013 and remained elevated until the recent fall. Compared to a year earlier, April 2014 prices of the main dairy commodities were: whole milk powder (WMP), down USD 679 per tonne, or 13 percent; SMP, down USD 647 per tonne, or 13 percent; butter, down USD 391 per tonne, or 8 percent; and cheddar cheese, up USD 375 per tonne, or 8 percent.

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<sup>1</sup> The *Milk and Milk Products: Price and Trade Update* is prepared by the meat and dairy section of the Trade and Markets Division, FAO. The present issue covers developments up to the end of **April 2014**.

## FAO Price Indices: Milk Products

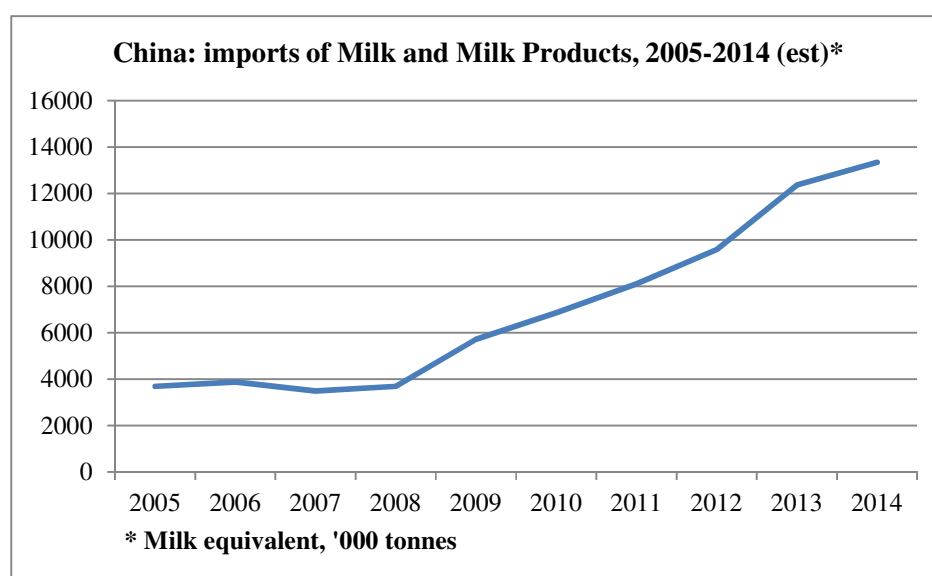


## Trade Outlook: Overview

Trade in dairy products is projected to rise by 1.8 percent in 2014, a slower rate than in recent years, reaching 69 million tonnes of milk equivalent. The two principal exporters, **New Zealand** and the **EU**, which together account for 50 percent of world trade, are both anticipated to record an increase in sales, while little change is forecast for third-placed **United States**, with 15 percent of exports, following an exceptional hike in sales the previous year. Exports from **Australia** are anticipated to fall, stemming from reduced milk production.

The main centre for rising international demand in 2014 is still expected to be *Asia*, where increased purchases are forecast for **China, Islamic Republic of Iran, Indonesia and the Philippines**. Elsewhere in the region, **Saudi Arabia, the United Arab Emirates, Japan, Singapore, Malaysia and Thailand** remain important markets, but the level of their imports may not change markedly and in some cases could decrease. Reduced international prices may stimulate import demand in *Africa* as a whole. The principal importers that could see growth are **Algeria, South Africa and Ghana**. Finally, imports by the **Russian Federation** are anticipated to increase, stimulated by strong demand for butter and SMP.

MILK EXPORTS					MILK IMPORTS				
'000 tonnes (Milk Equivalent)					'000 tonnes (Milk Equivalent)				
	2012	2013	2014	Change 2014 over 2013 (%)		2012	2013	2014	Change 2014 over 2013 (%)
		<i>prelim.</i>	<i>f'cast</i>				<i>prelim.</i>	<i>f'cast</i>	
New Zealand	17684	17734	18375	3.6	China	9592	12363	13345	7.9
EU	16414	15822	16235	2.6	Russian Fed.	4457	5005	5158	3.1
United States Of America	8670	10412	10727	3.0	Mexico	3062	2910	2962	1.8
Australia	3906	3282	3277	-0.2	Indonesia	2480	2581	2630	1.9
<b>World</b>	65402	67862	69058	1.8	Algeria	2517	2231	2480	11.2
					<b>World</b>	62911	64322	65513	1.9

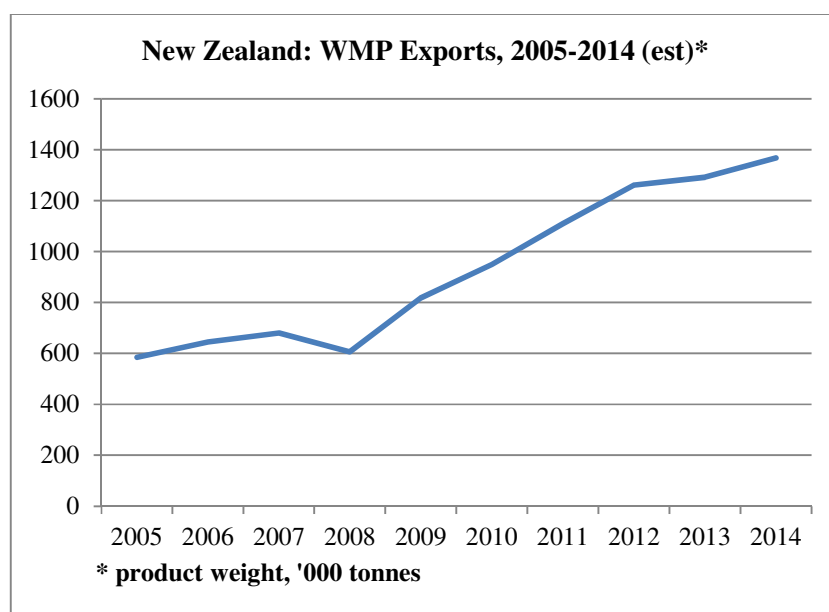


## Whole milk powder

World exports of WMP are projected to rise by 2.5 percent in 2014 to 2.5 million tonnes. This compares with limited growth of 1.1 percent in 2013, when a milk production shortfall constrained trade. **China** is expected to retain its position as the principal importer of WMP and witness a further expansion in purchases, with its imports of WMP for 2014 provisionally estimated up by 7.8 percent, to 796 000 tonnes – or one-third of total trade. Elsewhere in Asia, lower prices may stimulate demand in several major markets, including the **United Arab Emirates, Singapore, Oman, Sri Lanka, Indonesia** and the **Philippines**. Importers in *North Africa* and *Latin America and the Caribbean*, including **Algeria** and **Nigeria**, may return more fully to the market. In **Brazil**, rising domestic production is expected to displace imports.

IMPORTS: WMP					EXPORTS: WMP				
'000 tonnes (product weight)					'000 tonnes (product weight)				
	2012	2013	2014	Change 2014 over 2013 (%)		2012	2013	2014	Change 2014 over 2013 (%)
		<i>prelim.</i>	<i>f'cast</i>				<i>prelim.</i>	<i>f'cast</i>	
China	500	725	796	9.8	New Zealand	1261	1291	1368	5.9
Algeria	188	142	169	19.1	EU	386	374	367	-2.0
United Arab Emirates	114	100	105	4.8	Argentina	201	182	180	-1.4
Singapore	74	90	90	0.4	Australia	109	96	96	-0.1
<b>World</b>	2255	2252	2353	4.5	<b>World</b>	2435	2462	2523	2.5

Only **New Zealand**, among the principal exporters with 45 percent of trade, is expected to increase the level of its sales – by 6 percent to 1.4 million tonnes. Other members of this group, which comprises the **EU, Argentina** and **Australia**, are expected to reduce sales either because manufacturers find it more profitable to concentrate on other products, as in the case of the EU, or due to reduced milk production, for Argentina and Australia. Some of the smaller-scale exporting countries, such as **Uruguay, Belarus** and **Costa Rica**, may increase sales.



### **Skimmed milk powder**

Trade in SMP is predicted to grow by 5.0 percent to 2 million tonnes, a rate of increase similar to the previous two years. The principal markets for SMP are (in order of volume) **China, Mexico, Indonesia, the Russian Federation, Algeria, the Philippines and Malaysia**, followed by **Vietnam, Saudi Arabia, Egypt, Thailand and Singapore**. While **China** is anticipated to remain the main market, a rise in purchases is also anticipated for some other major importers, including (in order of volume) **Mexico, Indonesia, the Russian Federation and Algeria**.

Over 70 percent of world SMP exports are supplied by the **United States, EU and New Zealand**. In 2014, each is predicted to increase sales, with the EU recording the strongest growth, as high butter prices in domestic markets make it more profitable to produce SMP/butter than WMP. This tendency is reflected in the EU export data, which up to February showed a 50 percent increase over the same period last year. In 2013, **India** entered the world market for SMP in a significant way, and its sales leapt 250 percent, to 130 000 tonnes, placing it fifth by volume among exporters. Trade data for the first two months show that strong growth has continued into 2014. India's SMP exports for 2014 are projected to expand by 6 percent to 137 000 tonnes. Last year, India's principal markets were **Bangladesh, Egypt, Algeria and Saudi Arabia**, with many other countries making purchases, indicating that India's exporters are exploring wide-ranging markets throughout North Africa, the Middle East and Southeast Asia. Elsewhere, exports by fourth-place **Australia** are forecast to be unchanged in the face of limited milk supplies.

**IMPORTS: SMP**

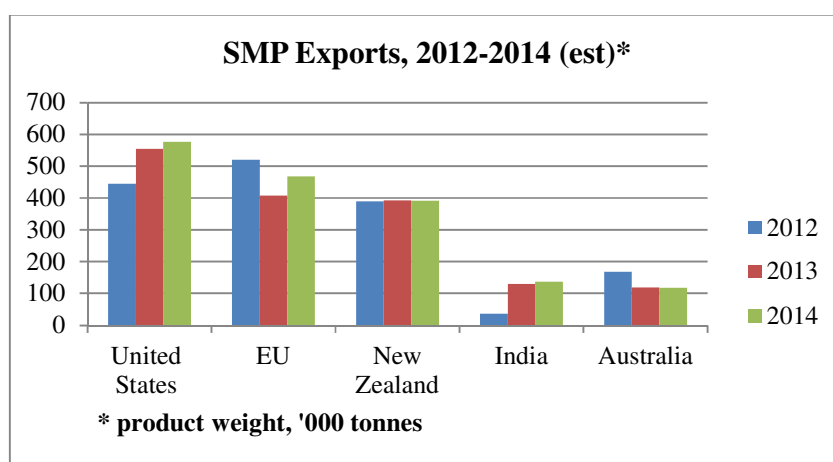
'000 tonnes (product weight)

	2012	2013	2014	Change 2014 over 2013 (%)
		<i>prelim.</i>	<i>f'cast</i>	
China	199	266	283	6.3
Mexico	236	198	202	2.3
Indonesia	136	150	153	2.0
Russian Federation	96	131	135	3.4
Algeria	112	120	126	5.1
<b>World</b>	<b>1882</b>	<b>1895</b>	<b>1940</b>	<b>2.4</b>

**EXPORTS: SMP**

'000 tonnes (product weight)

	2012	2013	2014	Change 2014 over 2013 (%)
		<i>prelim.</i>	<i>f'cast</i>	
United States	445	555	576	3.9
EU	520	408	467	14.5
New Zealand	390	392	391	-0.2
India	37	130	137	5.7
Australia	168	119	118	-1.1
<b>World</b>	<b>1834</b>	<b>1911</b>	<b>2005</b>	<b>4.9</b>

**Butter**

Trade in butter is forecast to increase by 0.9 percent to 919 000 tonnes, a rate similar to last year. Demand for butter comes mainly from **Southeast Asia**, the **Middle East** and the **Russian Federation**, although, as with many other milk products, **China** has substantially increased purchases in recent years. Additionally, as a result of trading agreements and duty-free access for *inward processing* (where products are imported duty free for additional processing and export), the **EU** is both an important butter importer (ranking fourth) and exporter (ranking second). Overall, many of the principal markets, in particular the **Russian Federation**, **China**, **Saudi Arabia**, the **EU** and the **Islamic Republic of Iran**, are expected to increase imports in 2014.

Four of the five principal exporters – **New Zealand**, the **EU**, **Belarus** and **Australia** – are anticipated to see a moderate increase in sales in 2014, while those of the **United States** could decline. In the case of New Zealand, trends in WMP prices will influence availability during the second part of the year, as processors seek to maximise returns from the new season's milk production. Price trends will also determine the extent of United States' participation in the international marketplace, as it has the possibility of either exporting or supplying its domestic market, which absorbs over 90 percent of production. The same factors would also apply in the case of the EU, where internal prices have remained substantially above international ones, limiting trade potential.

**IMPORTS: BUTTER**

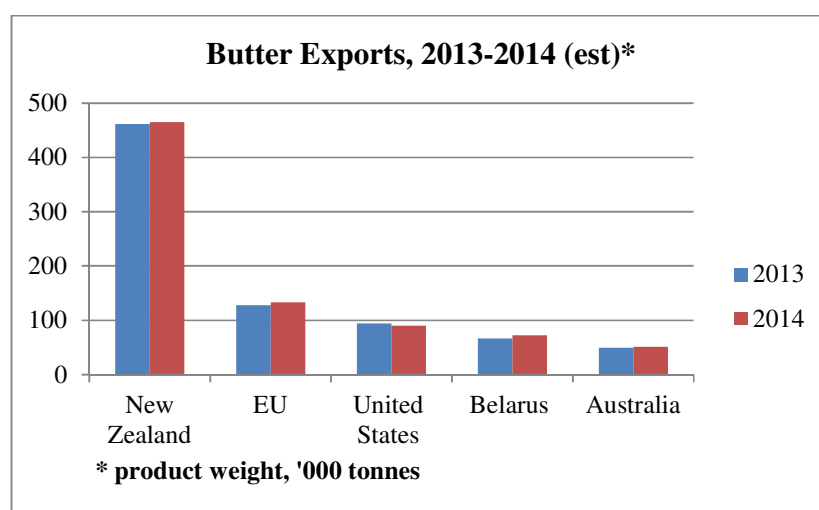
'000 tonnes (product weight)

	2012	2013	2014	Change 2014 over 2013 (%)
		<i>prelim.</i>	<i>f'cast</i>	
Russian Fed.	149	160	165	3.4
China	77	81	83	3.0
Saudi Arabia	57	60	63	5.3
EU	55	43	57	32.7
Iran	45	52	55	7.3
<b>World</b>	<b>873</b>	<b>884</b>	<b>925</b>	<b>4.7</b>

**EXPORTS: BUTTER**

'000 tonnes (product weight)

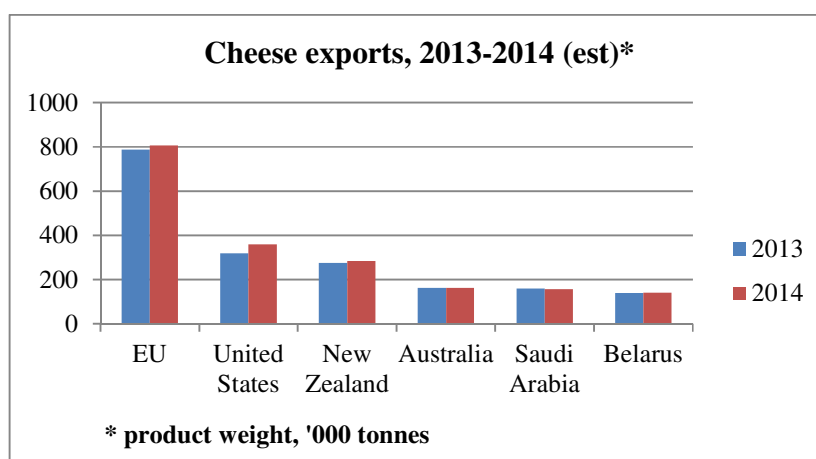
	2012	2013	2014	Change 2014 over 2013 (%)
		<i>prelim.</i>	<i>f'cast</i>	
New Zealand	463	461	465	0.8
EU	127	128	133	4.0
United States	50	94	90	-4.2
Belarus	83	66	72	8.4
Australia	53	49	51	2.8
<b>World</b>	<b>899</b>	<b>911</b>	<b>920</b>	<b>0.9</b>



## Cheese

Trade in cheese is forecast to register limited growth, increasing by 0.6 percent to 2.5 million tonnes. Four countries, the **Russian Federation, Japan, the United States and Saudi Arabia**, account for just over 40 percent of purchases. The **EU** remains the major cheese exporter, supplying 33 percent of world trade, not including the substantial amount of cheese that is traded among the EU countries themselves. Other important exporters are the **United States, New Zealand, Australia, Saudi Arabia, Belarus, Egypt, Switzerland, Argentina, Turkey and Uruguay**. Most of this group of countries are expected to maintain trade levels slightly above those of 2013. One exception could be the **United States**, where limited competition from other countries is expected to stimulate further growth in exports.

IMPORTS: CHEESE					EXPORTS: CHEESE				
'000 tonnes (product weight)					'000 tonnes (product weight)				
	2012	2013	2014	Change 2014 over 2013 (%)		2012	2013	2014	Change 2014 over 2013 (%)
		<i>prelim.</i>	<i>f'cast</i>				<i>prelim.</i>	<i>f'cast</i>	
Russian Fed.	449	462	475	2.7	EU	768	787	807	2.5
Japan	235	236	240	1.6	United States	262	318	360	13.0
United States	154	148	140	-5.2	New Zealand	306	277	285	2.9
Saudi Arabia	138	131	130	-0.6	Australia	163	163	163	-0.2
<b>World</b>	<b>2262</b>	<b>2289</b>	<b>2322</b>	<b>1.4</b>	Saudi Arabia	145	160	157	-1.9
					Belarus	135	140	141	1.0
					<b>World</b>	<b>2379</b>	<b>2452</b>	<b>2468</b>	<b>0.6</b>



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