



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 26 March 2009**

**8038/09**

**AGRIORG 38**

**NOTE**

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from : General Secretariat  
to : delegations

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Subject : Situation on the dairy market  
– Exchange of views

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Further to the exchange of views by the Council (Agriculture and Fisheries) on 23 March 2009 on the situation on the dairy market, delegations will find in the Annex the information note submitted by the Commission.

**INFORMATION DOCUMENT ON THE DAIRY MARKET  
AGRICULTURAL COUNCIL, 23 MARCH 2009**

**1. SUPPLY AND DEMAND**

Despite the increase of the quotas by 2/2,5% in respect of the current quota year, the actual milk production in the 27 Member States has fallen by 0,4-0,5% in response to low milk returns and high operative costs (feed, fuel, fertilizer, interest rate).

At the same time the production in some major third countries who are exporters of dairy products has strongly increased (US, NZ, Aus, Arg, Bra).

Trade in dairy products (like other sectors) has become negatively affected by the recent reduced activity of financial institutions, with credits or credit guarantees either very expensive or simply impossible to obtain.

Furthermore, the aggravating economic situation in the world and in the EU will have caused a decline in consumption further to the already reduced consumption sparked by previous high prices.

The current state of the dairy market in EU with low prices is therefore not created by increased production linked to quotas but rather created by a strongly reduced demand, in particular for high value-added products. The low price situation on the world market is created by a combination of a substantial increase of availabilities from major exporters, except EU, and a strongly reduced demand led by recessionary movements and declining oil revenues.

## 2. PRICES

The development of EU prices for the main dairy commodities is shown in Annex 1 while a comparison of the developments of market prices for butter and SMP from NZ, USA and EU are shown in Annex 2 and Annex 3.

Milk prices in EU followed the same route as commodity prices, although with some months delay due to specific price arrangements. The most recent official prices are shown in Annex 4.

The following table shows the current situation regarding prices in EU and in the world.

€/t	Intervention price/equivalent price (a)	Current market price <sup>1</sup> (b)	World market price <sup>2</sup> (c)	Difference (c)- (b)	Refund
Butter	2218	2169	1423	- 746	600
SMP	1698	1627	1385	- 242	220
WMP	2066	1809	1462	- 347	290
Cheese (cheddar)	2484	2609	1885	- 724	220

## 3. ACTIONS TAKEN

In recognizing the serious situation on the dairy market in view of the expected seasonal increases of milk deliveries in the first half of the year the Commission decided to apply a pro-active support policy in several steps:

- An advanced scheme for **private storage aid** for butter, starting at the beginning of January but with butter produced already in December being eligible. The scheme is open until 15 August but so far 60.000 tonnes have been stored.

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<sup>1</sup> Weighted average price of 7 main exporting MS.

<sup>2</sup> Oceania quotations (Source: USDA Agricultural marketing service).

- Re-activation of **export refunds** for all dairy commodities as of 23 January.

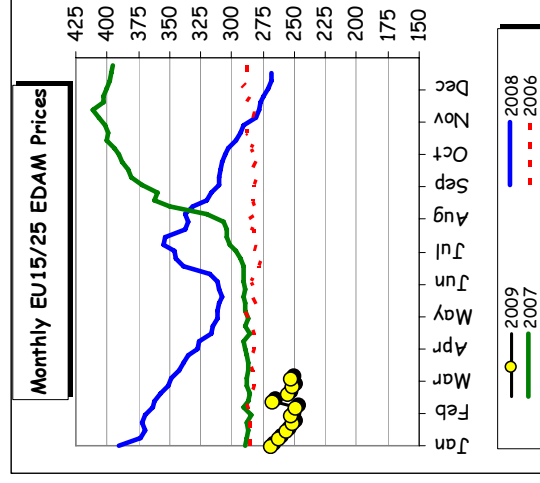
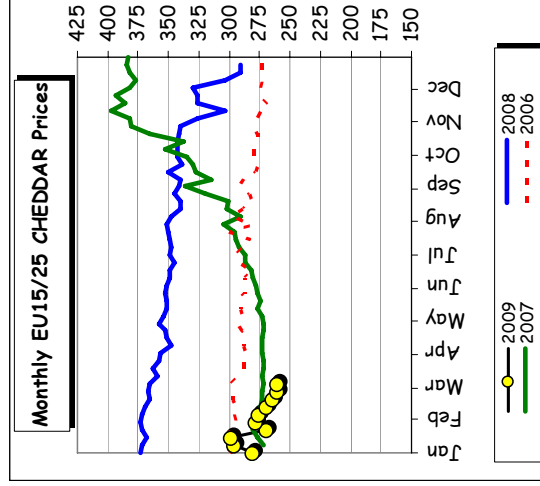
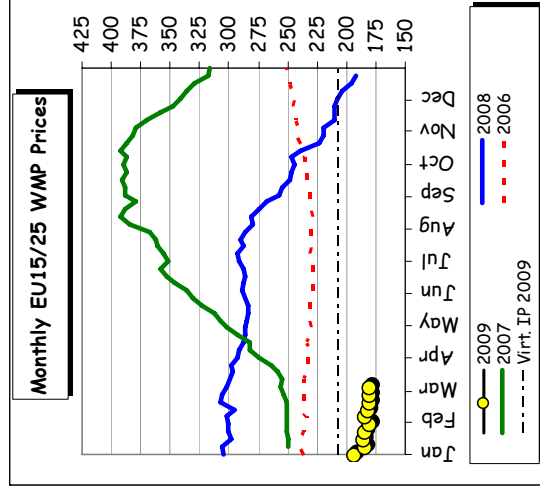
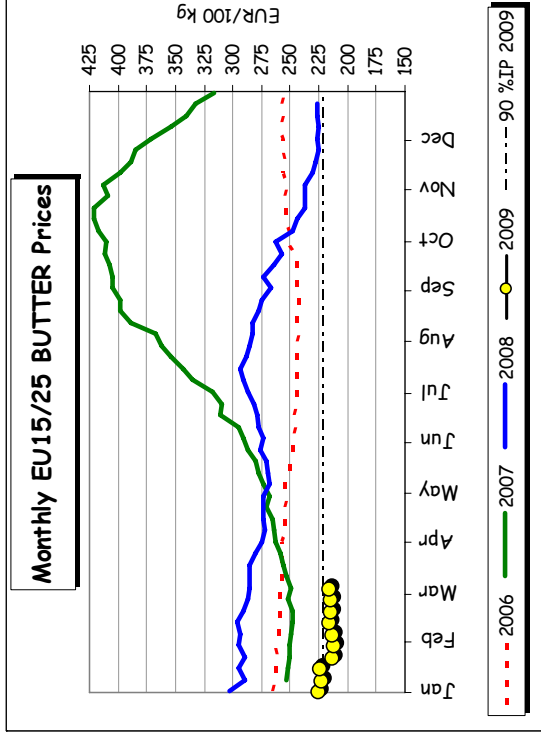
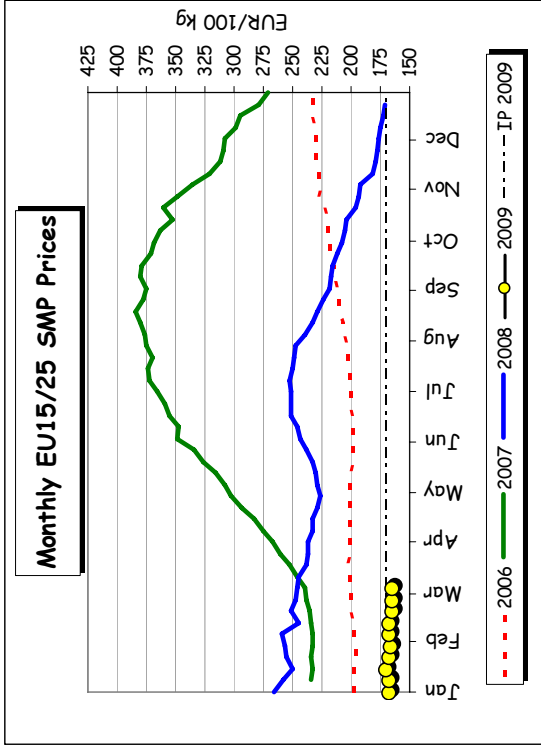
Issued licenses (tonnes)	
23.1.09-19.3.09	
Butter/oil	50.000
SMP	61.000
Cheese	60.000
Others (incl. WMP)	273.000

- **Intervention buying-in** as from 1 March for butter and SMP with quantities produced in February being eligible.

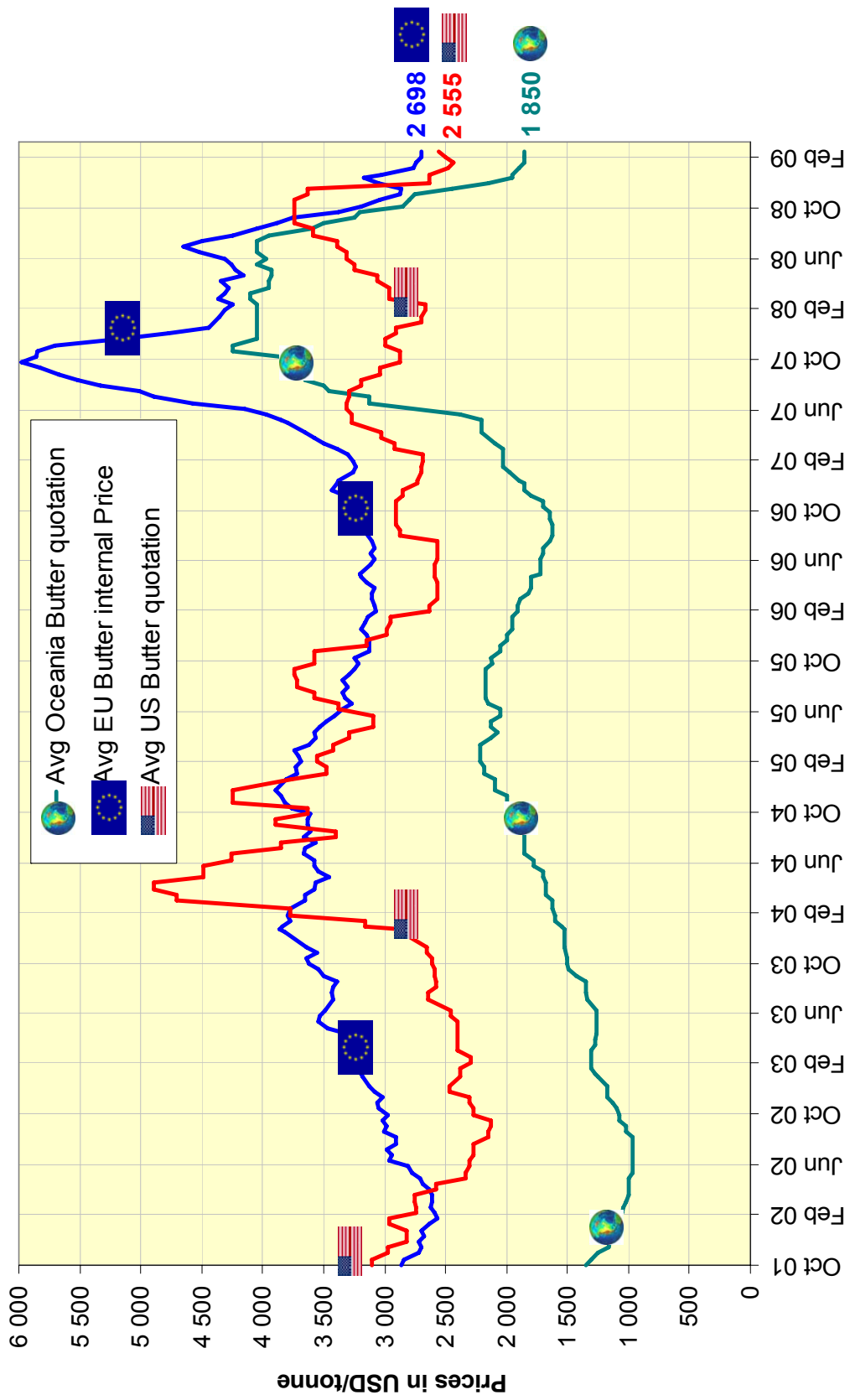
Intervention of the first 30.000 tonnes of butter at the fixed buying-in price was completed after 3 days. As previously announced, the Commission subsequently proceeded to open for further intervention purchases via a tendering system (in accordance with the Council legislation). At the first tender last week the Commission accepted 6.665 tonnes.

Intervention of SMP at fixed price is limited to the first 109.000 tonnes. After two weeks, 50% of that quantity has been intervened. Should the ceiling be reached, the Commission has announced its intention to proceed to tender buying à la butter intervention.

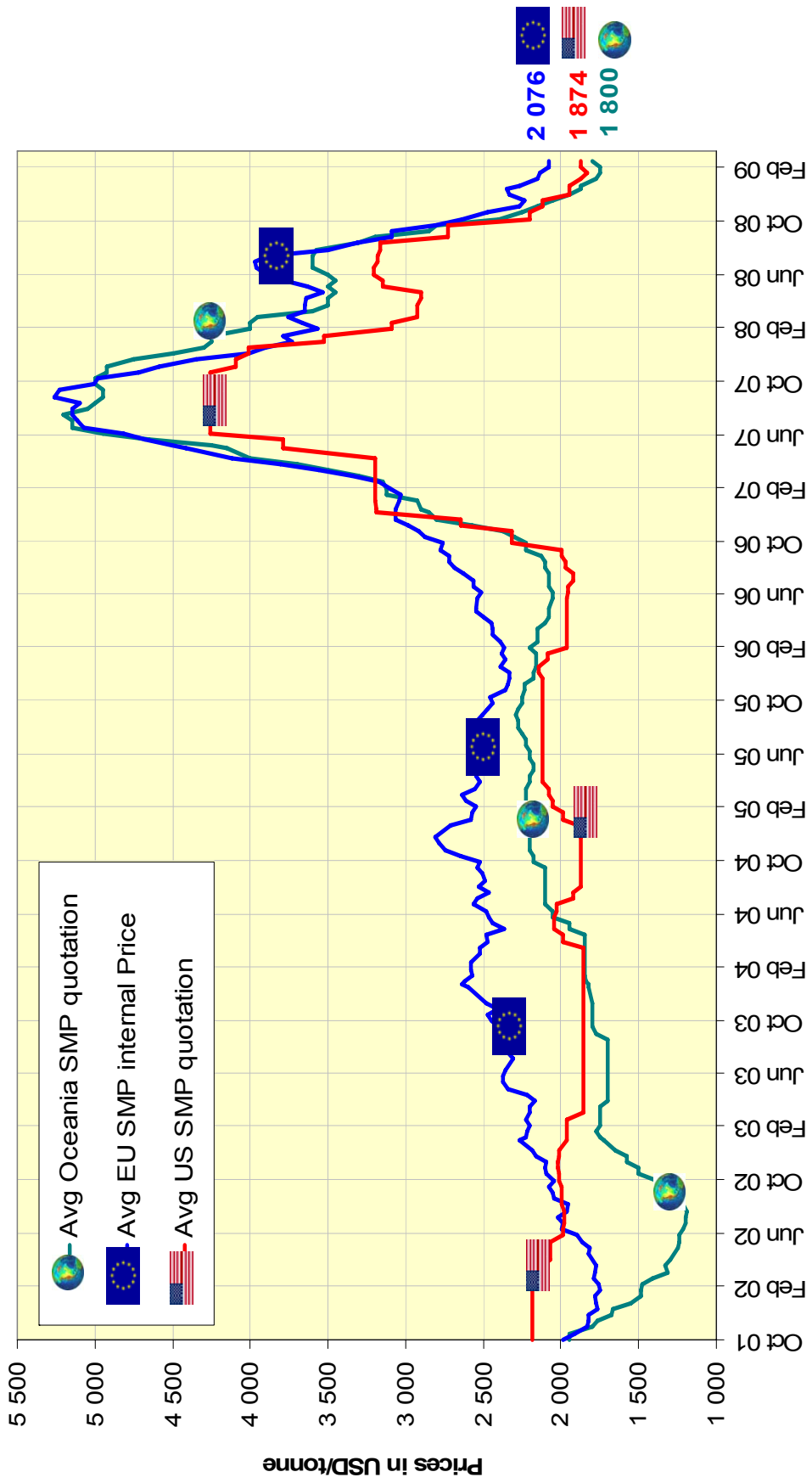
**In summary**, the situation on the dairy market is monitored very closely with market support measures being activated in a targeted and responsible way.



### EU/US/Oceania Quotations of Butter



### EU/US/Oceania Quotations of SMP



## EU Milk Prices

(Dec 08 compared to Dec 07)

