

ASPECTS CONCERNING THE MILK AND DAIRY PRODUCTS MARKET IN EU

Tabita Corelia ADAMOV¹, Andrea FEHER¹,
Mihaela Iosefina IANCU¹

¹Banat's University of Agricultural Sciences and
Veterinary Medicine, Timișoara
e-mail: tabitaadamov2003@yahoo.com

Agricultural market of the European Union has long been regulated and now it is at an advanced stage of simplification and reduction of the intervention measures to increase competitiveness of Community agriculture, which competes with agriculture worldwide in the process of liberalization of international trade. The milk and dairy products are the first European production sector. In the period 2000-2003 in EU-15 there was a significant decrease, but constant of the milk production, this decrease happened consciously because of the large stocks of products in the EU. For each country the production has fluctuated differently from one country to another.

Key words: community market milk, milk production, european milk price

Common market organization of milk and dairy products was based on several rules of the European Union, during its evolution. Thus, the sector was organized in 1968 under Council Regulation 804/1968. It has undergone some changes in 1995 and 1999, according to EC Regulation no. 2931/1995 and Council Regulation no. 1225/1999 on direct payments for milk. Since 2003, the CMO for milk and dairy products have set new rules.

From several respects, the milk and dairy products have a particular importance for the European Union. It is characterized in that, without any exception, all EU Member States are producing milk. Raising dairy cows therefore plays an important role in the European rural landscape. This activity gives the countryside a particular feature and the dynamism of milk and dairy products has a particular importance in the economy by providing jobs.

MATERIAL AND METHOD

In the EU, the milk industry is recognized for the quality, not just for cheese but also for the wide variety of yoghurts, sour cream and ice cream. The European Union is a main actor on the international market of dairy products, being the first exporter of many dairy products, particularly for cheese. Europe is the biggest producer of milk. In 2006, production of milk and dairy products was about 43 billion euros. The turnover of the milk processing sector was about 117 billion euros. The share of milk production in the total agricultural production varies very much from one member state to another and from one region to another.

RESULTS AND DISCUSSIONS

The structure of dairy cows farms in the European Union. In recent years, animal production has played and continues to play a predominant role in agriculture, but the conditions under which farmers organize their holdings, have been transformed radically. This is a specific aspect for central and north European Union areas, where extensive small farms were replaced by modern farms, more intensive and specialized. This development coupled with the improvement of animal feeding and use of specialized animal species led to an important progress of the production and productivity in this sector.

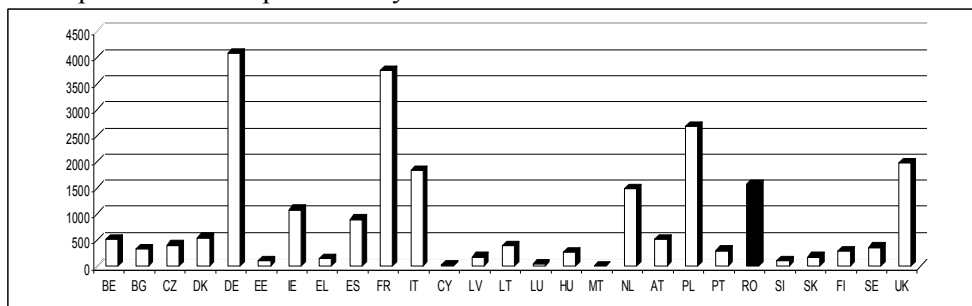


Figure 1 The situation of dairy herds, thousands head, 2007

In the year 2007 in EU-27 there were a total of 24,176 thousand head of dairy cows. Romania has a total of 1573 thousand heads representing 6.5% of the total number of European Union. As dairy herd Romania ranks six in the EU-27. The first place is Germany with thousands of heads followed by France 4087 - 3759 thousand, Poland - 2677 thousand head, United Kingdom and Italy with 1978 thousand 1839 thousand head ends. The opposite is found Malta, Cyprus and Luxembourg.

In all EU-27 state that in 2004-2007 there was a decrease in the number of dairy cows by 4.2%. In Romania, however, a slight increase in these herds by about 0.45%. Countries which have decreased by over 10% of dairy herds during 2004-2007 was Spain, Slovenia, Hungary, Estonia and Slovakia.

The production and consumption of milk and dairy products. In the EU, the obtained milk production during lactation varies from country to country but generally is located at a fairly high rate, making the average yield obtained in the community to be among the highest yields obtained worldwide.

In the EU most of the milk production is intended for processing units. Deliveries of cow's milk made in the European Union in the year 2006/2007 registered a relative stability, compared with the previous year. With a total quantity of 132.8 million tons, the deliveries to the processing units recorded a slight increase compared to 2005/2006, 0.2%. The contribution of the ten Member States which joined the EU in May 2004 to the total European milk production is approximately 13%, they have produced 17.3 million tons of milk.

Concerning the obtaining of milk production in specialized farms specialized for milk production, it can be noticed that in EU countries such as: Slovenia, Denmark, England and the Netherlands the production is achieved especially in farms with over 500 head. On the opposite side are countries like Lithuania, Latvia, Poland and Hungary, countries where milk production is produced on farms with up to 50 head.

It is estimated that during 2007-2014, the milk production in EU will remain stable. A slight increase on short-term may be registered, as a reaction to higher prices of milk. However, it is expected that after 2009, total production of milk will decrease gradually because of the continuous decline of subsistence production, especially in the new Member States. On the other hand, the quantities of milk delivered to processing units will increase the effect of the shift from direct sales to deliveries in the new Member States.

The milk for processing is used up to 40% for the cheese production, 30% for the butter production and 30% for milk consumption and fresh dairy products.

After joining EU, Poland became, from that moment, a main producer of milk for the European Union, with 6% of total EU milk intended for deliveries. This follows Germany (21%), France (18%) and England (11%), but close to other European countries such as Holland and Italy, each representing 8%. Spain has 4.5%, Ireland 0% and Denmark 3.3%, the rest of the European countries each have a share of less than 2.5% of total milk production for delivery to processing units.

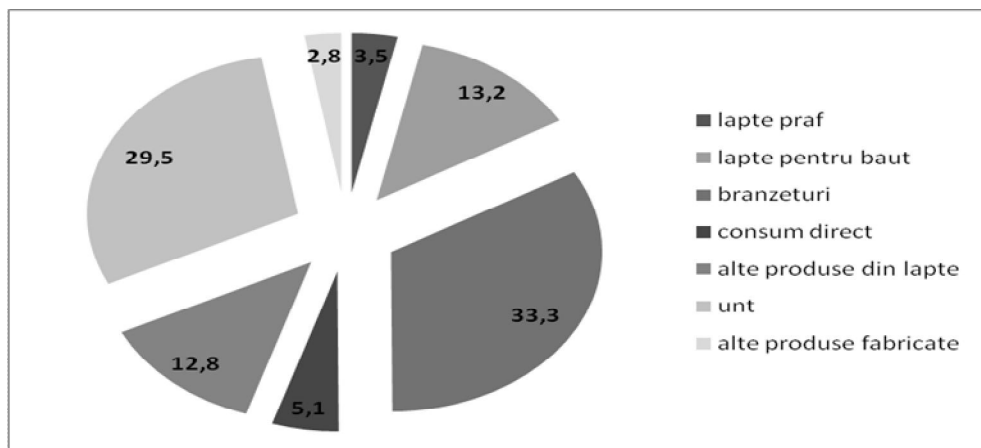


Figure 2 Structure of milk production in the EU in 2007

In the EU most of the production of milk for processing units. Deliveries of cow's milk made in the EU in quota year, 2006/2007 have been relative stability in the previous year. With a total of 132.8 million tonnes, supplies the processor units show a slight increase compared to 2005/2006, of 0.2%. The contribution of the ten Member States which joined the EU in May 2004, the total EU milk production is about 13%, each holding a production of 17.3 million tonnes of milk.

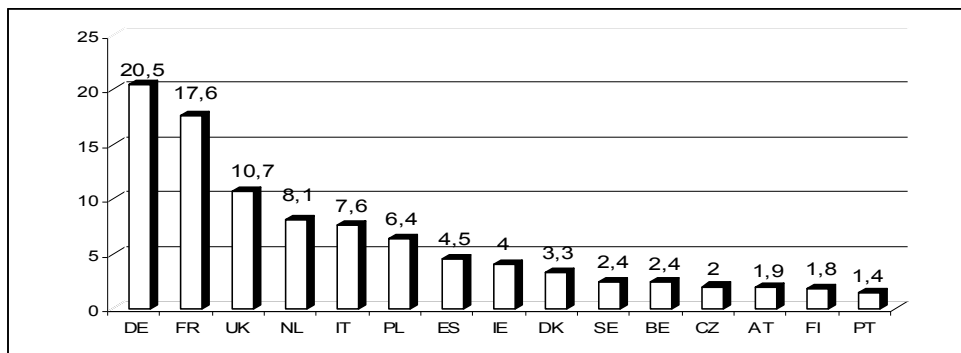


Figure 3 Distribution of quantity of milk supply for the EU-15

Consumption per capita shows different trends by type of product. For the future it is characterized by an increased consumption of cheese and cream, certain stagnation in consumption of milk and concentrated milk, and a kick for butter and skimmed milk powder.

It is estimated that in the period 2007-2014, it will be needed an additional 1.75 million tons of milk in order to meet the increasing consumption of fresh milk products and 6.2 million tons will be needed to cover the increasing consumption of cheese.

The price of milk and dairy products in the European Union. In most EU countries, the basic price of milk is negotiated. Payments shall be made taking into account two indicators: nutritional value and hygienic quality.

As regards the market price of milk in all EU countries increased in 2004-2007. The biggest increase was recorded in Latvia (with 85.85%). Romania ranks 3 with an increase of 44.10%. In 2007 in Romania milk prices was the largest in the European Union (48.23 euro/100 kg milk). Lowest market price recorded in Slovakia, respectively (31.94 euro/100 kg milk).

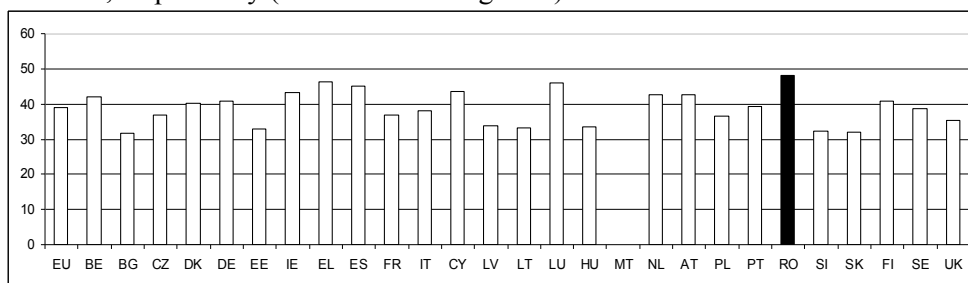


Figure 4 The evolution of the milk price (euro/ton)

Milk producers in the EU-15 have received up to 3.5 euro cents per kg of quota, as a compensatory payment. This payment is completely canceled starting with 2007. In most of the new Member States, the payment was included in the unique payment system for area.

By 2006, market prices for butter and milk powder were reduced in parallel with the decrease of the support price of the EU. On the other hand, prices of skimmed milk powder and cheese remained practically unchanged.

The international export with dairy products in the EU countries. EU share in dairy products world trade is very high and it is forecasted that it will continue to remain so. It is confronted for a long time with large surpluses of milk and export difficulties. The new measures to reduce the export of dairy products taken after 1992 allowed to stabilize the production and to reduce the exports.

According to the data presented in Figure 4, the dairy industry in the EU will have to give up a share of the world market because the increased consumption in the domestic market absorbs a greater proportion of the produced milk.

In the period 2003-2007, the Community exports of dairy products fell, except the cheeses exports. This is the effect of a stable community milk production and of the increased milk quantities intended for the production of cheese and fresh dairy products. So, there was a strong impact on the production levels and export of skimmed milk powder, butter and milk powder, except the skimmed milk powder in 2007, when the high prices on the world market have stimulated the growth of exports.

EU plays a driving role in the dairy products world trade in 2005, when the total value of exports of dairy products was around 5.4 billion euros, for a total exported production of 2.5 million produced tons.

On the world market of dairy products, EU-25 has an important share. For the main exported dairy products, it has very important shares. Thus, in global exports of butter, the EU-25 is on the second place with a share of 39% at a shortly after New Zealand (40%).

Concerning the cheese exports, the EU-25 is on the first place with a share of 40%, followed by New Zealand 20%, Australia 10% and U.S. 4%. The first two major exporting countries hold 60% of the total quantity of cheese sold on the world market.

The world market for milk powder has as main actors countries like: New Zealand 35%, EU-25 29% and Australia 10%. These three major exporters of milk powder amount to 74% of the total quantity of milk powder on the market.

Imports have not fluctuated significantly during 2003-2007, importation fees discouraging imports at a higher level of tariff quotas.

CONCLUSIONS

From the above studies we can detach the following conclusions:

- Milk has a high share in the final agricultural production of EU, about 21%, but differentiated on countries: 38.1% in Finland, Ireland 34.6%, Denmark 24.2%, Austria 22.0%, 26.4% Germany, 16.5% France, 15.3% Belgium in 2000.
- In 2005 among the EU countries, Denmark is the country which has the largest number of dairy cows / farm (85.8 head). Followed by Czech Republic with 63.3 and the Netherlands with 55.9 heads. While in Malta there are a number of 52

head / farm, this is not a relevant figure because Malta has 7700 heads and only 148 farms.

- It is estimated that milk production in the EU will remain stable in 2007-2014. A slight increase on short-term may be registered as a response to higher prices of milk.

- The milk for processing is used up to 40% for the cheese production, 30% for the butter production and 30% for milk consumption and fresh dairy products.

- At European level the milk and dairy products consumption amounts to the value of 600 kg / year / inhabitant. Monthly, an inhabitant of the European Union consumes between 14-15 liters of milk.

- EU plays a driving role in the dairy products world trade in 2005, the total value of exported dairy products is about 5.4 billion euros, for a total exported production of 2.5 million produced tons.

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