



Dairy Trade and New Zealand

Last update: January 2020

The EU Dairy Sector and EDA

The European Dairy Association (EDA) is the voice of the milk processing companies, cooperatives and privately-owned dairies, at EU level.

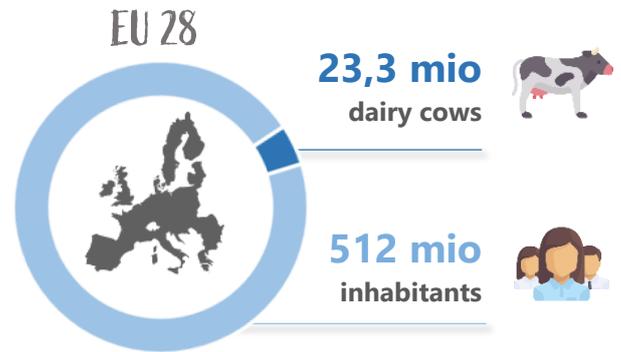
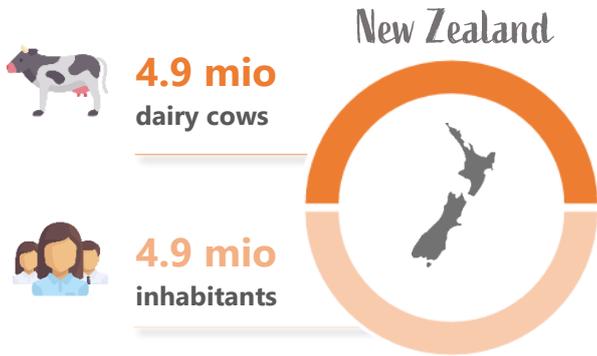
With 12,000 milk and dairy processing sites across Europe, our sector represents the economic backbone of rural Europe and the industrial basis in many so-called less favoured areas. We partner on a daily basis with more than 700,000 dairy farms, accounting for 14% of the whole EU food industry. Together with over 300,000 industry employees out of which 45,000 are directly linked to EU dairy exports, we all guarantee the high quality of our raw material and our dairy products, which are an essential part of our culinary heritage and of our European cultural treasure. Self-sufficient at 112%, milk and dairy consumption in the EU is expected to remain stable while global demand will increase by 2% per annum over the coming decades. While 5 out of the global TOP 10 dairies are headquartered in Europe, the European 'lactosphere' is characterised by a tissue of SMEs (small and medium sized enterprises) We do support the EU Commission's efforts to enhance global trade and – as a dairy sector – we are proud to add nearly €10 billion to the EU positive trade balance.

In our dynamic, trade-oriented spirit, we contributed to the EU Commission's work to revise the European trade strategy and we map and monitor the progress of trade negotiations of the EU with the main dairy importing countries as well as the negotiation process with these countries made by our main competitors on the global world markets.

We really acknowledge both the efforts of the EU Commission to support our dynamic sector and the limited resources of the EU Commission to implement a broader trade strategy and to engage in trade negotiations with more countries. In this context, the market access efforts should focus on trade negotiations with countries that have a real market (access) potential, like China and other markets in South-East Asia.

The dairy sector is one of the sectors in the European economy that has undergone the deepest structural and policy reforms over the past months and years. We have achieved huge progress in terms of global competitiveness towards most of our competitors around the globe, the New Zealand dairy export has a certain competitive advantage.

The Dairy sector in New Zealand and the EU



Average milk yield (per cow, year)



Milk processing profile



The top 3 dairy products in the **European Union** are fresh products, cheese and fermented products.

Direct jobs on milk processing sites

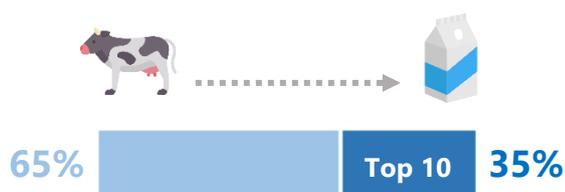


New Zealand top 3 dairy products are dry products, butter and fresh products.

Milk collection by top dairy processors



About **80%** of **New Zealand** milk production was collected by **one company** in the 2017/18 season.



The top 10 dairy processors in the **European Union** collect about **35%** of the total EU milk volume.

Source: IFCN Dairy report, EDA Survey





New Zealand and Free Trade Agreements

In Free Trade Agreements, agriculture and dairy are the key priorities for the New Zealand government which **completed Free Trade Agreements with most major dairy importing countries:**



- **Bilaterally:** Australia (1983), China (2008), Hong Kong (2011), Malaysia (2009), Singapore (2001), South Korea (2015), Thailand (2005)
- **Multilaterally:** Trans-Pacific Strategic Economic Partnership (2005), ASEAN-Australia-New Zealand (2009), Comprehensive and Progressive Agreement for Trans-Pacific Partnership (2018)

It does not come as a surprise that New Zealand has negotiated favourable market access conditions in its Free Trade Agreements, especially for dairy with its main trading partners. On the global dairy markets, the EU dairy sector does therefore not compete on a level playing field in terms of Free Trade Agreements. As stated in the negotiation mandate of the EU Commission and aligned with the **'Trade for All' strategy**, the agricultural sensitivities must be taken into account.

In its **Resolution on a EU-NZ Free Trade Agreement**, the European Parliament has already underlined that *"agriculture is a very sensitive sector and that a final, balanced outcome in the agriculture and fisheries chapters must give due consideration to the interests of all European producers, e.g. meat, dairy, sugar, cereal and textile producers, and those in the outermost regions, for instance by introducing transitional periods or appropriate quotas or not making any commitments in the most sensitive sectors"*.

In today's challenging environment, a reaction on price signals by the milk producers is a logical step to manage the supply – demand balance. With any further market access granted to New Zealand dairy products, this internal reaction on price signals would have less effect.

Common goals and challenges...

New Zealand has been very active in the development of our Dairy Product Environmental Footprint (PEF), alongside European Dairy companies.



The Dairy PEF, conducted by the European Dairy Association and adopted by the European Commission and Member States, represents a valuable tool to monitor the sustainability progress of the sector. The cooperation between the EU and NZ dairy sectors on this vital topic is an excellent example of our shared interests. Europe and New Zealand fully support the COP21 Paris agreement and make it a priority to share the same level of ambition when it comes to environmental protection.