



EDA TRADE FOCUS

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Dairy Trade and New Zealand

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 and drinks industry¹. Together with over **300,000 industry employees**, 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 114%**, milk and dairy consumption in the EU is expected to remain stable while global demand will increase by 2% per annum over the coming decades². 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) comprising **more than 80% of the total number of dairies** in most of the EU Member States. More than €6 billion were invested over the last years into milk processing capacities in the Union to prepare for the end of the milk quota regime and to be best placed to answer the growing global demand. 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 Commissions' 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 must be focussed 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 of the European economy that has undergone the deepest structural and policy reforms over the past months and years. While the EU dairy sector, the milk producers and their milk processors, have achieved huge progress in terms of global competitiveness towards most of our competitors around the globe, the New Zealand dairy export has – also because of its concentration and its favourable trade conditions with China – a competitive advantage and its dairy sector is far from having already exploited its full production potential.

¹ FDE 2012

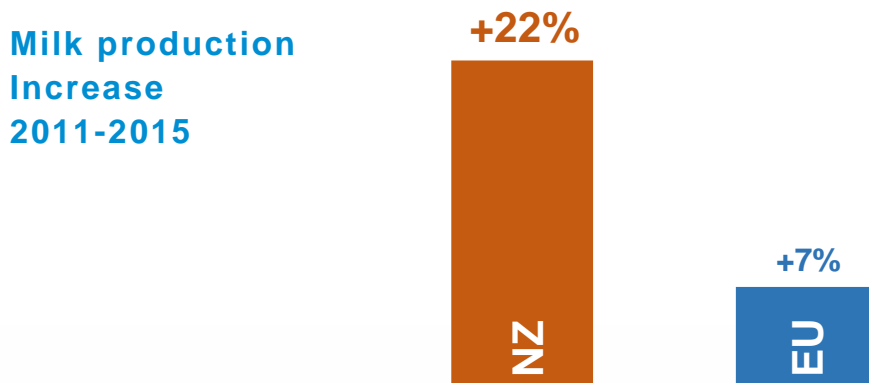
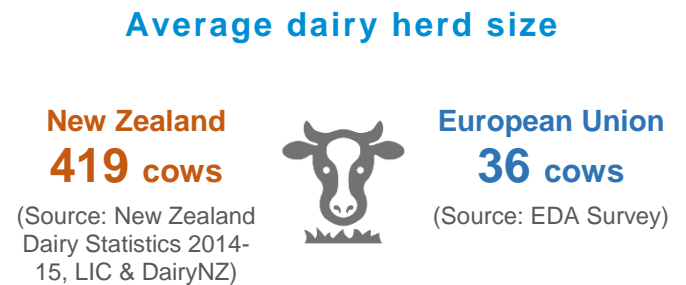
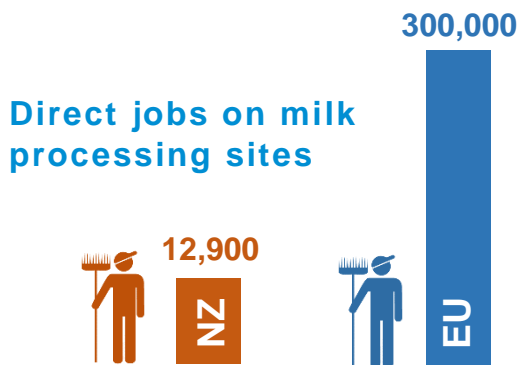
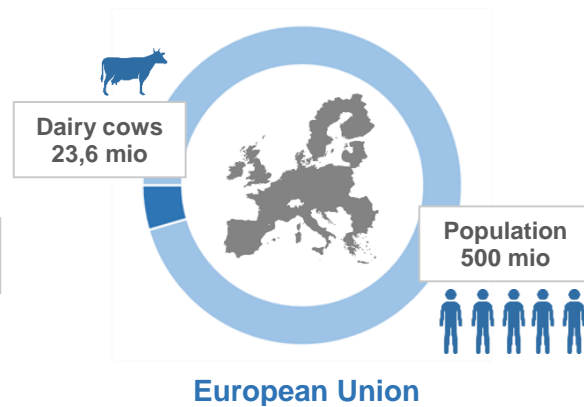
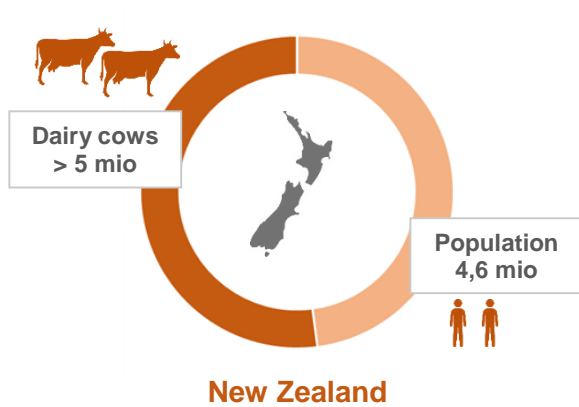
² EU Commission Outlook 2015



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New Zealand & EU dairy in figures





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New Zealand

The NZ dairy exports of 17.7 mio tonnes of milk equivalent (88% of total NZ milk production) accounts for **37%** (in 2013-14) of the total value that NZ earns from its **merchandise exports**.

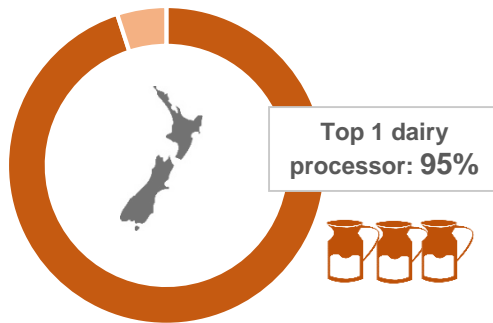
(Source: DairyNZ Economics Group July 2014)



European Union

The EU dairy exports of 16 mio tonnes of milk equivalent accounts for **12%** of the overall EU milk production.

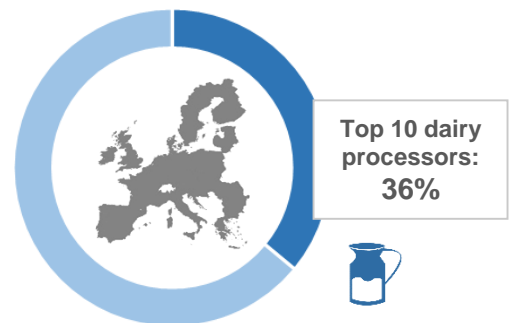
NZ Milk deliveries



More than 95% of the NZ milk production is collected by one company ('near-monopoly dairy processor').

(Source: The New Zealand Herald, 28 August 2015)

EU Milk deliveries



The TOP 10 dairy processors in the European Union collect about 36% of the total EU milk volume.

(Source: EDA Survey)

New Zealand & FTAs: In Free Trade Agreements (FTAs), agriculture and dairy is the key priority for the NZ government which has concluded FTAs with most major dairy importing countries:

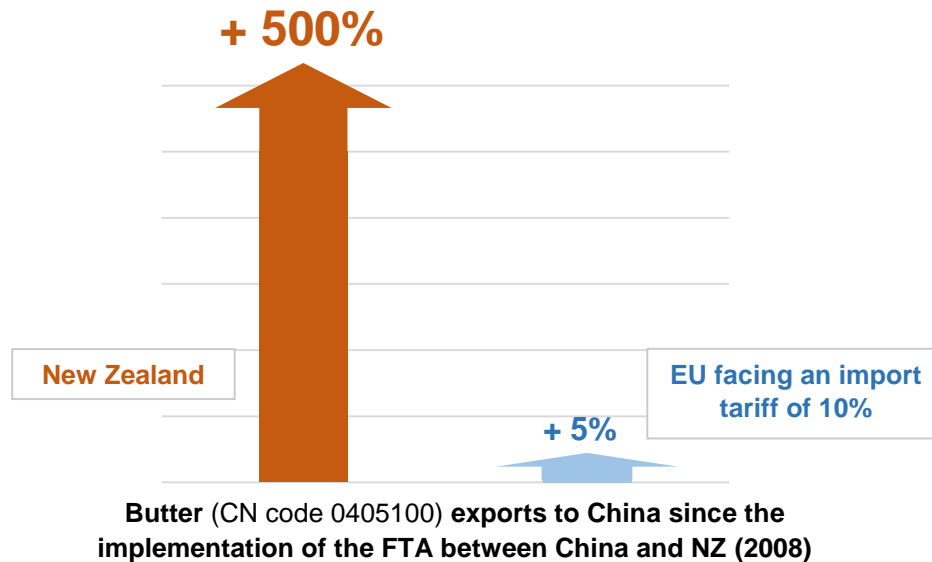




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Therefore, it does not come as a surprise that NZ has negotiated in its FTAs favourable market access conditions especially for dairy with its main trading partners (*cf. Annex: Main exporters to China*).



On the global dairy markets, the EU dairy sector does therefore not compete on a level playing field. In its 'Trade for All' strategy, the EU Commission has stated its intention to request an authorisation to negotiate a FTA with New Zealand, 'taking into account EU agricultural sensitivities'³.

The European Parliament has underlined in its 2016 Resolution on a EU-NZ FTA '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'⁴.

While the global trade landscape for dairy has been perfectly shaped by the NZ government for the NZ dairy exports, the EU is lacking behind negotiating comparable market access conditions for EU dairy in most major dairy importing countries. As long as we cannot compete with NZ dairy products at a level playing field on international markets, a strengthening of the NZ dairy sector by granting any further access to the EU markets with its 500 mio citizens would bring 'fatale consequences'⁵ for the European dairy sector.

In harsh market conditions like today, 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 NZ dairy products, this internal reaction on price signals would have no more effect.

³ 'Trade for All - Towards a more responsible trade and investment policy', European Union - 2015

⁴ Motion for a Resolution pursuant to Rule 128(5) of the Rules of Procedure on the opening of FTA negotiations with Australia and New Zealand (2015/2932(RSP)) (12 February 2016)

⁵ Top Agrar 12/2015



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Annex

Main exporters to China (Source: Global Trade Atlas)

	Commodity: 040510, Butter								
	2007	2008*	2009	2010	2011	2012	2013	2014	2015
Reporting Total	10,253	7,253	17,719	13,666	17,789	26,182	36,538	49,405	60,968
New Zealand	7,133	5,365	14,788	10,862	15,003	21,965	31,917	43,648	51,609
Australia	1,424	763	1,392	745	651	1,791	1,719	1,465	2,325
EU28	1,416	936	1,289	1,324	1,415	1,711	2,453	3,619	5,894
Argentina	125	0	152	573	555	580	280	337	1,131
United States	155	190	98	163	166	134	170	337	9
Ukraine	0	0	0	0	0	0	0	0	0

	Commodity: 0406, Cheese And Curd								
	2007	2008 *	2009	2010	2011	2012	2013	2014	2015
Reporting Total	12,719	12,486	18,096	22,484	29,474	40,105	49,973	64,804	78,117
New Zealand	6,210	6,260	9,222	11,702	13,536	17,852	21,367	28,923	39,550
Australia	3,867	2,725	5,008	4,991	6,378	8,837	11,874	16,566	15,821
United States	1,205	2,029	1,963	2,866	6,679	8,803	11,343	11,914	12,293
EU28	1,412	1,398	1,574	2,323	2,640	3,867	4,940	6,834	9,706
Argentina	0	75	328	602	241	745	450	567	748
Ukraine	0	0	0	0	0	0	0	0	0

	UDG: Lactose & lactose syrup (170211+170219),								
	2007	2008 *	2009	2010	2011	2012	2013	2014	2015
Reporting Total	25247	47908	60520	55360	67514	88767	86453	85360	81774
United States	18777	25905	46321	44719	57204	66699	66615	69748	70904
EU28	5473	13335	8348	4890	6225	14509	13097	9507	6429
Australia	393	7300	1647	5422	3764	6578	5681	4598	2555
New Zealand	264	1316	4103	328	261	920	1060	1482	1885
Brazil	0	1	0	0	0	0	0	0	0
Ukraine	340	0	0	0	60	60	0	0	0
Argentina	0	50	100	0	0	0	0	25	0



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	Commodity: 040210, SMP								
	2007	2008 *	2009	2010	2011	2012	2013	2014	2015
Reporting Total	35,137	46,402	72,594	87,135	131,322	155,232	259,133	242,904	225,367
New Zealand	16,021	19,275	50,199	50,790	77,474	100,851	132,527	114,949	122,926
EU28	3,088	2,611	8,233	10,705	26,099	26,294	47,082	62,578	53,563
United States	5,187	12,303	5,678	14,605	14,843	15,425	60,686	49,038	28,908
Australia	6,644	11,113	8,234	9,623	12,706	12,163	15,391	15,735	19,516
Ukraine	4,197	1,100	250	0	200	500	450	0	0
Argentina	0	0	0	1,411	0	0	2,998	603	454

	UDG: WMP (040221+ 040229)								
	2007	2008 *	2009	2010	2011	2012	2013	2014	2015
Reporting Total	63,742	68,155	191,429	328,982	315,991	439,838	679,726	620,177	376,976
New Zealand	51,237	44,800	171,491	294,408	302,261	423,435	622,133	587,631	354,291
EU28	845	5,424	8,673	15,086	5,918	6,417	16,577	8,318	15,510
Australia	8,356	15,612	10,507	17,095	6,695	7,895	23,784	13,059	5,669
United States	1,533	1,074	308	1,042	63	1,591	6,179	4,870	1,206
Argentina	0	0	300	1,351	1,054	500	11,054	6,300	300

	Commodity: 040410, Whey								
	2007	2008 *	2009	2010	2011	2012	2013	2014	2015
Reporting Total	165,448	166,937	231,016	241,432	330,874	342,305	396,795	360,186	352,987
United States	60,244	72,675	93,573	128,947	151,562	153,783	182,559	179,989	152,553
EU28	89,182	74,409	113,170	93,456	142,164	145,637	168,779	151,020	162,333
Argentina	4,878	2,825	4,941	5,014	19,312	22,431	34,251	24,667	28,632
New Zealand	3,021	7,252	4,017	4,528	6,627	9,559	4,671	730	1,852
Australia	5,048	9,676	12,215	6,612	6,059	7,745	4,760	3,780	5,492
Ukraine	3,075	100	3,100	2,875	5,150	3,150	1,775	0	2,125

	Commodity: 350110, Casein								
	2007	2008 *	2009	2010	2011	2012	2013	2014	2015
Reporting Total	1224	1709	1629	2256	1990	2499	2048	2725	4002
New Zealand	901	581	1191	1836	1728	2197	1738	2414	3545
EU28	108	150	123	225	245	198	282	158	421
United States	216	947	316	181	16	83	28	133	0
Australia	0	32	0	13	0	20	0	21	37