

EUROPEAN UNION BEEF AND MILK MARKETS: CHALLENGES FOR UKRAINE

Development of the Ukrainian national food market and ensuring its effective functioning are among main goals of agrarian reform in Ukraine. An important part of the food market is a livestock products market. Without its stability country's food security cannot be ensured, and living standards cannot be improved. However, poor financial and credit policy, disparity in prices for industrial products and agricultural products caused high rates of Ukrainian livestock herd reduction and the reduction in milk and beef production.

As for the EU beef sector, December 2012 survey indicated a halt in the declining trend of cattle herd against the previous year (+0.5%). The livestock numbers marginally decreased in most of the EU producer countries (Germany: -0.2% and France -0.4%) with a more pronounced decline in Spain (-2%) while increases were recorded in Ireland (+5.5%), Italy (3.3%), the UK (0.5%) and Poland (0.4%) [1]. The 2013 EU beef and veal production declined by around 3% against 2012 totalling 7.6 million t in 2013 (table 1).

Table 1.

EU beef/veal market balance ('000 tonnes carcass weight equivalent)

	EU-27				EU-28	
	2010	2011	2012	2013	2013	2014f
Gross Indigenous Production	8 180	8 237	7 926	7 676	7 721	7 769
Live Imports	0	0	0	0	0	0
Live Exports	116	156	161	121	118	112
Net Production	8 065	8 081	7 764	7 555	7 603	7 657
of which EU-15	7 305	7 246	6 953	6 752	6 752	6 785
of which EU-N12 / EU-N13	760	834	811	803	851	871
Meat Imports	320	287	274	303	304	319
Meat Exports	256	332	218	164	146	143
Consumption	8 128	8 036	7 820	7 694	7 761	7 833
Population (million)	502	503	504	506	510	511
Per Capita Consumption (kg)	11.3	11.2	10.9	10.7	10.6	10.7
Share in total meat consumption, %	19.5	19.2	19.0	18.8	18.8	

Source: Eurostat "Economic Accounts for Agriculture" [2]

With less beef on the market, high prices and protectionist measures taken by the main EU beef destination (Russia and Turkey), beef exports contracted by 30% year-on-year while beef imports into the EU in 2013 were 10% higher than 2012 driven by short-supplied market conditions. The overall EU beef and veal consumption in 2013 declined further and per capita consumption situated at 10.7 kg retail weight (coefficient to transform carcass weight into retail weight is 0.7 for beef and veal). Producer prices recorded new highs throughout the first half of 2013 for all categories (young bulls price at 3967 EUR/t in January, steers at 4 474 EUR/t in June, cows 3971 EUR/t in July and heifers at 206 EUR/t in June).

High prices and tight supply characterised as well the milk and dairy products market in 2013. The low milk collection in the EU, on the one hand, and in New Zealand and Australia, on the other hand, fuelled a strong increase in domestic prices pushing them to new highs.

Milk price remained above the level of previous years with its highest level recorded in October 2013 at around 40 EUR/100 kg (+16% compared to October 2012). Prices for butter, Skimmed Milk Powder and Whole Milk Powder followed the same increasing trend and, driven by robust world demand, stayed above 2012 level throughout 2013.

December 2012 survey indicated an increase of 0.7% in the EU-28 dairy herd (totalling around 23 million heads) (table 2).

Table 2.

Milk supply and utilisation in the EU

	EU-27				EU-28	
	2010	2011	2012	2013	2013	2014f
Dairy cows (million heads)	23.1	22.9	23.0	22.9	23.1	23.0
Milk yield (kg/dairy cow)	6 307	6 468	6 449	6 460	6 439	6 535
Milk production (million t)	149.3	151.2	151.9	151.6	152.3	153.9
Feed use (million t)	3.7	3.4	3.7	3.4	3.5	3.4
On farm use and direct sales (million t)	7.1	6.7	6.6	6.5	6.4	6.3
Delivered to dairies (million t)	136.3	139.0	139.6	139.8	140.4	142.3
Delivery ratio (in %)	91.3	91.9	91.9	92.2	92.2	92.4

Source: Eurostat “Economic Accounts for Agriculture” [2]

The increase is particularly strong in Italy and the Netherlands whereas significant decreases are recorded in Poland and Spain. Provided that good market conditions are expected to characterise the second part of 2013, milk production could slow down the strong declining trend set at the beginning of 2013 and reach 152.3 million t overall (-0.2% compared to 2012). The average yield per dairy cow is expected at 6 439 kg (+0.2% against 2012), led by a strong increase in EU-N13.

According to recent estimates, milk deliveries to dairies should reach 140.4 million t in 2013 (+0.2% compared to 2012) with the increase taking place mostly in EU-15 while milk deliveries may decrease by 0.7% in the EU-N13 mainly driven by declines in Czech Republic and Hungary [3].

EU skimmed milk powder production is estimated to decrease by 6.3% in 2013 to reach 1 058 000 t and exports are likely to follow the same trend given the tight supply (-23%). Consumption might decline to 671 000 tonnes.

The European production of fresh dairy products is expected to maintain stable at 46.8 million tonnes in 2013 with increase foreseen only for cream (+0.7%) while drinking and acidified milk production are going down (-0.4% and -0.2%). Per capita consumption of fresh dairy products as a whole is assumed to contract by a slight 0.4% to 90.7 kg.

Upon ratification of the Association Agreement with the EU Ukraine should not expect that it will increase global quotas for duty-free import of agricultural products. Because of sanctions provided by the Russian Federation European farmers suffer losses and the European Commission primarily helps own producers. It is not worth for Ukrainian milk and beef producers to make great illusions about the opening of the European market. Of course, several Ukrainian companies probably will get permissions, but Europe does not need Ukrainian milk and beef. European producers cannot sell their own milk. Now, after the last Russian restrictions they have a very large surplus production. In addition, next year the EU

abolished quotas for milk production. Now, if milk production quotas are exaggerated, the producer is fined.

Ukrainian companies will be quoted for supply of dairy products, but quotas will be very small. For example, this year's quotas were 1.5 thousand tonnes of milk powder and 1.5 thousand tonnes of dairy products. This volume can be produced by just one Ukrainian company with average facilities.

REFERENCES

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