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# DAIRY MARKET REVIEW

Overview of market  
and policy developments  
in **2022**





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Required citation:

FAO. 2023. *Dairy Market Review – Overview of global dairy market and policy developments in 2022*. Rome.

Previous reports are available at <http://www.fao.org/economic/est/est-commodities/dairy/milk-and-milk-products/en>

The Dairy Market Review is a product of the FAO Markets and Trade Division of the Economic and Social Development Stream and prepared under the overall guidance of Boubaker Ben-Belhassen, Director. The report was written by Upali W. Galketi Aratchilage and Harout Dekermendjian, and Ettore Vecchione and Jonathan Hallo prepared the publication layout.

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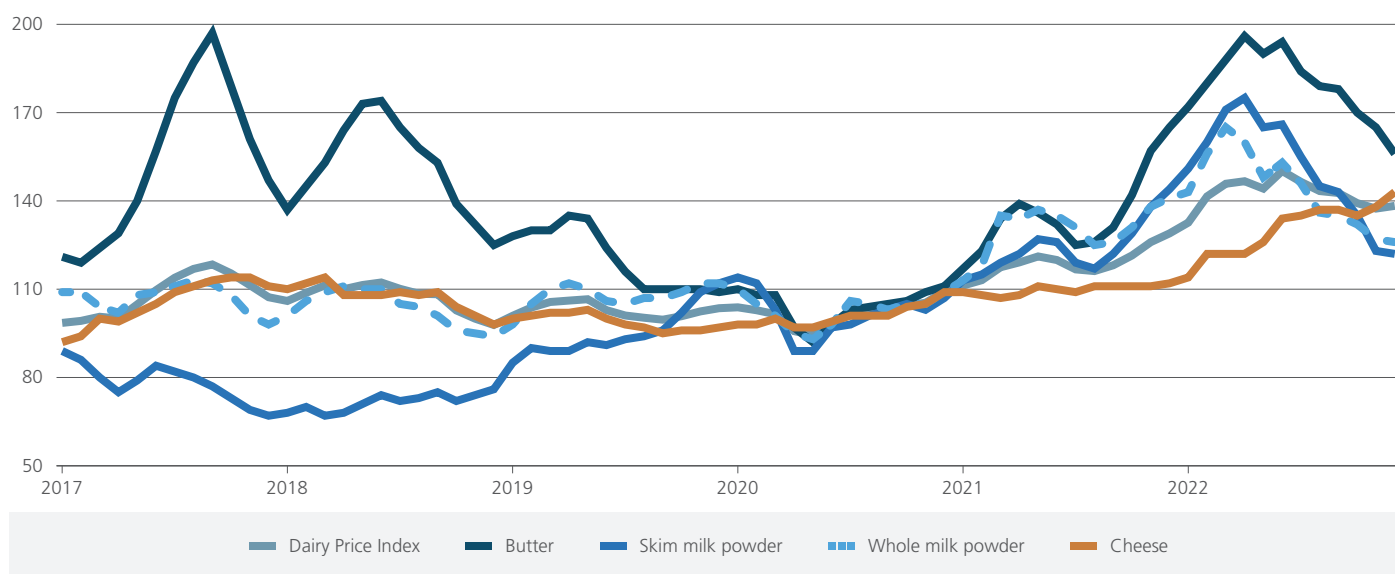
# HIGHLIGHTS

- International prices of most dairy products trended downward after reaching near-all-time highs in mid-2022.
- World milk output expanded in 2022 at the slowest pace during the last two decades.
- International trade in dairy products contracted following nearly two decades of annual growth.



**Figure 1** - FAO Dairy Price Index and sub-indices

2014–2016=100

Source: FAO, [www.fao.org/markets-and-trade/commodities/dairy/faodairy-price-index/](http://www.fao.org/markets-and-trade/commodities/dairy/faodairy-price-index/)

## International dairy prices

As measured by the FAO Dairy Price Index (FDPI), international dairy product prices, averaged 142.4 points in 2022 for the whole year, an increase of 23.3 points (19.5 percent) from 2021, registering the highest annual average on record. In addition, world dairy prices rose steeply until June 2022, but since then trended downward. At its near all-time high, world dairy prices were only 4 percent below the record high value of the index reached in December 2013. The increase in dairy prices in early 2022 was principally underpinned by tight export availabilities from leading exporting countries, especially North America, Western Europe and Oceania, where milk deliveries tracked below their seasonal levels. Internal demand for dairy products, such as butter, was strong in several Western European countries, limiting export supplies, which added further tightness to export availabilities. Meanwhile, import demand for near-term deliveries from North Asia and the Middle East remained robust, supporting price increases. Since July 2020, prices began trending downward due to subdued import purchases by leading importers, including China – the world's largest dairy importer – primarily attributed to inventory buildups. At the same time, economic downturns and soaring inflation weakened consumer purchasing power across many

importing countries, particularly in East Asia and the Middle East, leading to uncertainties over demand prospects, lowering imports and weighing on dairy prices. During this time, the impact of the weaker Euro against the United States dollar also contributed to the weakening of world dairy prices (expressed in USD).

In 2022, most world dairy product prices that constitute the FDPI increased in the first several months of 2022, registering the steepest year-over-year increase in butter prices, followed by skim milk powder and whole milk powder, whereas cheese prices continued to increase throughout the year. Global butter prices trended upward until April 2022, underpinned mainly by limited export availabilities in Western Europe, partly reflecting tight milk supplies but also due to the higher volume of milk that producers channelled to producing more profitable dairy products, especially cheese. Global butter prices also came under pressure due to the shortage of sunflower oil in global markets due to the war in Ukraine, which influenced consumers to purchase more butter and lower-than-anticipated milk output in Oceania's 2021/22 milk production season. Skim Milk Powder (SMP) prices also increased until April 2022, pushing the annual average to the highest value seen since 2014, primarily driven by tight global export availabilities and depleted stock levels in some Western European countries, coinciding

with lower-than-anticipated milk output in Oceania. Further pressure on prices stemmed from persistently strong global import demand amidst buyers' efforts to secure supplies in anticipation of tightening markets, notwithstanding market uncertainty over potentially lower demand in some leading importing countries due to the continued social restrictions related to COVID-19. Likewise, whole milk powder (WMP) prices trended upward in the first four months, mostly on tight export availabilities.

Since mid-2022, world prices of butter, SMP and WMP trended downward due to weaker demand for spot supplies from leading importers, including China, as inventories remained adequate to cover their immediate needs. Higher supplies from Oceania in the 2022/23 production season also weighed on prices of these dairy products in the second half of the year, despite milk production tracking lower in Western Europe and the United States of America.

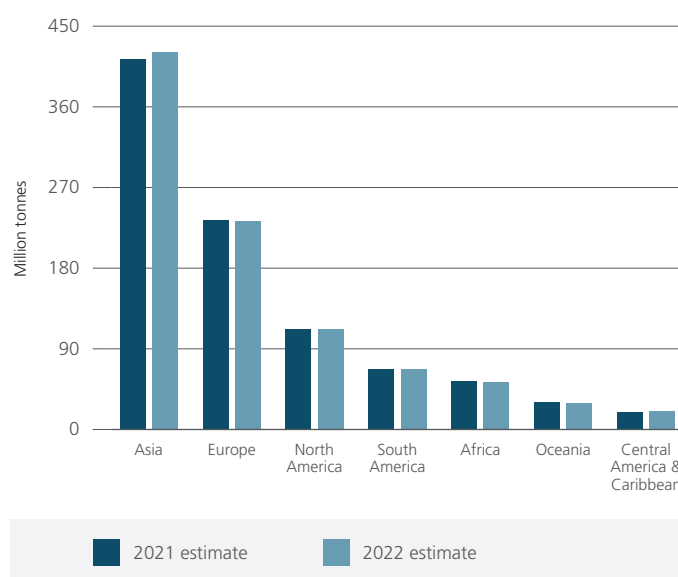
Global cheese prices, however, continued to increase steadily throughout the year, reflecting persistent global import demand led by countries in Northeast Asia and the Middle East. Robust retail sales and high demand from the restaurant sector in Western Europe and limited milk production made export availabilities in Europe less than desirable, leading to price pressure buildup throughout the year.

## Global milk production

### World milk output expanded in 2022 at the slowest pace on record

World milk production reached around 937.3 million tonnes in 2022, increased by 0.6 percent – the slowest growth rate registered during the last two decades – principally due to milk production drops in Europe, Oceania, and Africa, with slowdowns in milk production growth rate in Asia while outputs remained stagnant in North America and South America. Milk output in Central America and the Caribbean was the only exception, registering a significant annual growth rate compared to the region's historical average.

**Figure 2.** World milk production by region



Source: FAO.

In **Asia**, milk production increased by around 8 million tonnes in 2022, reaching 421 million tonnes (up by 1.9 percent), principally driven by expansions in **India, China, Pakistan, Uzbekistan, Kazakhstan** and **Bangladesh**. In **India**, milk production reached 226 million tonnes in 2022, expanding by 2.3 percent, compared to a nearly 6 percent growth rate from 2017–2021. The growth slowdown in 2022 principally reflected the decline in milk output due to the Lumpy Skin Disease (LSD) outbreak, together with poor fodder availability that stemmed from droughts in parts of the country, heavy rains that disrupted milk production activities in other regions and increased input costs. In **China**, milk output expanded by 6.7 percent, with much of the increased production originating in modernized large-scale farms receiving government support. Increased production mostly catered to rising internal demand for dairy products, despite the 'zero-COVID' policy that disrupted food service sales. In **Pakistan**, milk production increased, albeit slower than the historical average, reflecting livestock losses and infrastructure damages due to the severe floods in key milk-producing provinces. Milk production growth continued in **Uzbekistan** and **Kazakhstan**, helped by adequate fodder availability and government support. By contrast, rising input costs and weather-related disruptions to production activities resulted in lower farm profit margins, inducing increased sales of dairy



cows for slaughter and lowering milk output in several countries, most notably **Türkiye** and the **Republic of Korea**.

In *Central America and the Caribbean*, milk output reached 20.1 million tonnes in 2022, a 2.1 percent increase from the previous year. **Mexico** was behind much of this increase, where milk output increased by 2.0 percent year-on-year on increased dairy herd numbers and improvements to manufacturing technologies, notwithstanding the growth-limiting impact of high input costs and inflationary pressures.

In *North America*, milk production was stagnant in 2022, with output hovering at about 112.5 million tonnes, as a marginal increase in milk produced in the **United States** was almost entirely offset by a decline in **Canada**. In the **United States**, while milk yield continued to increase, drought conditions, high feed costs and lower dairy herd numbers posed considerable constraints to sustaining output. In **Canada**, milk output fell from 2021, mostly impacted by droughts, despite incentives offered through higher farm-gate prices under the supply-managed production system.

In **South America**, milk output was stagnant in 2022 with a modest decline, mainly due to lower production in **Brazil** – the highest milk producer in the region – along with **Chile** and **Uruguay**, partially counterbalanced by increased production in **Colombia** and **Paraguay**. In **Brazil**, dry weather conditions led to a drop in fodder availability, increasing the use of animal feed in some instances, pressurizing farmer profit margins and lowering milk production by 1.7 percent year-on-year to just under 36 million tonnes. Droughts and increased input costs also lowered milk output in **Chile** by 2.2 percent in 2022 year-on-year. By contrast, good overall weather conditions prevailed in some other countries in South America, leading to better pasture conditions and supporting milk production growth, including **Colombia**. However, in **Argentina**, drought conditions that prevailed across the country, increased input costs and limited fodder availability led milk production to stagnate notwithstanding increased milk production in modern farms that adopted new technology and high-yielding dairy cows.

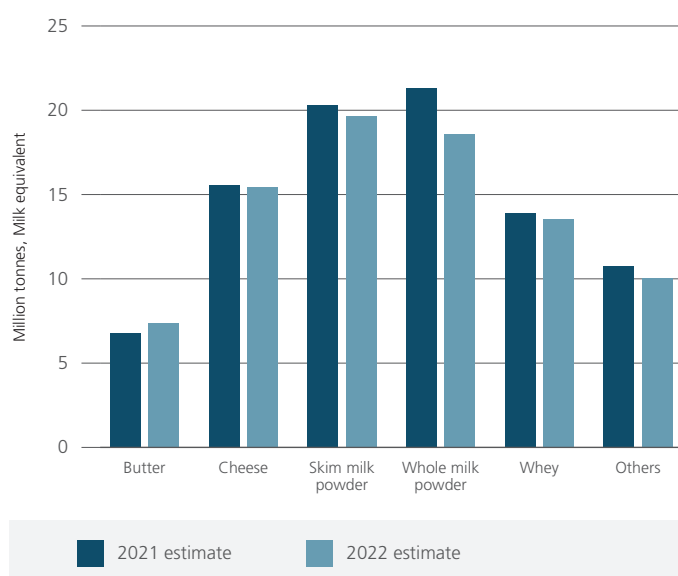
In *Oceania*, milk production fell by 4.6 percent in 2022, to 29.5 million tonnes, marking the second consecutive year of output drop. In **New Zealand**, milk output declined, largely due to drier weather conditions associated with the La Niña weather phenomenon, labour shortages, and the continued decline in dairy herd numbers amid farmers' efforts to optimize farm sizes in the face of national environmental standards and freshwater regulations. **Australian** milk output also dropped on lower dairy cattle herds as farmers continued to exit from the sector amid increased input costs and labour shortages despite higher farm-gate prices offered by milk processors.

In *Europe*, milk output was estimated at 232.6 million tonnes in 2022, marginally (0.6 percent) lower than the previous year, principally due to output drops in **Ukraine**, the **European Union**, the **United Kingdom** and **Norway**, partially counterbalanced by output increases in the **Russian Federation** and **Belarus**. Milk output in **Ukraine** dropped by as much as 16 percent from 2021, reflecting the damages to the country's farming infrastructure due to the war, limited logistical support such as transportation and cooling facilities, high input costs and labour shortages. In the **European Union**, milk production decreased fractionally (0.3 percent) caused by high temperatures, rain deficits, inflationary pressures, and the continued decline in milk cow numbers, counterbalanced by yield improvement and higher farm-gate prices. In the **United Kingdom**, milk production decreased by 0.8 percent, mostly reflecting increased input costs, squeezed farmers' profit margins and unfavourable weather conditions. By contrast, milk production increased by 2 percent in the **Russian Federation**, mostly in large-scale dairy farms, although the sector encountered significant challenges, especially the low consumer demand.

In *Africa*, milk output was pegged at 53.4 million, marginally lower (0.4 percent) from 2021, with noticeable drops in **Egypt** and **Kenya**. Deteriorated pasture conditions due to rain deficits, high input costs and impacts of conflicts across many countries discouraged or disrupted milk production and marketing activities.

## International dairy trade

**Figure 3.** Composition of global dairy exports



Source: FAO.

### Global trade in dairy products dropped amid depressed Asian purchases

Following nearly two decades of expansion, world trade in dairy products contracted by 4.4 percent in 2022, principally due to a 4.7 percent drop in imports by Asia, equivalent to 2.4 million tonnes drop, and a 6.5 percent (680 000 tonnes) decline in imports by Africa. Asia's drop in dairy imports was led by **China's** 15.7 percent imports contraction, mostly concentrated in milk powders and whey, principally driven by increased national production and high inventories. In Africa, while dairy imports expanded in some countries such as **Algeria, Morocco** and **Kenya**, widespread import declines were registered, with significant drops in **Nigeria, Egypt** and **Libya**, largely due to the strong United States dollar and lower purchasing power. Besides these regional downturns, several large dairy-importing countries, including the **Russian Federation** and **Mexico**, also saw import contractions in 2022, mostly due to less lively market activities amid lower purchasing power.

However, dairy imports increased in several others, including **Indonesia**, the **European Union**, the **United States**, and the **Philippines**, partially compensating for lower imports elsewhere. With the decline in the overall global dairy trade, shipments fell from several leading exporters, including the **European Union, New Zealand, Türkiye** and **Australia**. Nonetheless, higher exports were registered by some leading exporters, namely the **United States**, the **Islamic Republic of Iran, Canada** and **Argentina**, principally driven by more lively import purchases by neighbouring countries.

## International trade in selected milk products

Regarding global trade in key dairy products, exports of WMP registered the steepest decline (-12.6 percent), followed by SMP (-3.1 percent), whey powder (-2.6 percent) and cheese (-0.8 percent), whereas global butter trade increased by nearly 9 percent.

### Butter

#### Butter exports increased to a record high in 2022

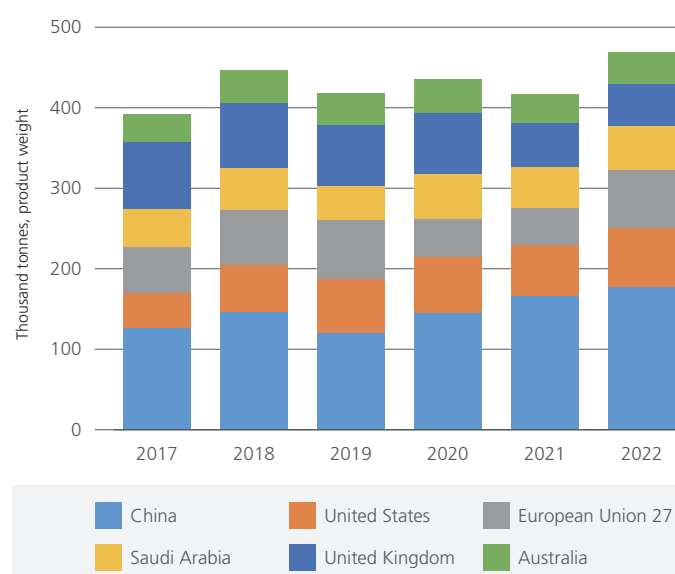
Global butter exports reached an all-time high in 2022 at 1.1 million tonnes, an increase by 9 percent from 2021, chiefly driven by import demand growth in the **European Union**, the **United Arab Emirates, China**, the **United States** and **Indonesia**, among others, which overshadowed import contractions elsewhere, including in the **Russian Federation**, the **Philippines**, the **United Kingdom** and **Egypt**.

In the **European Union**, lower production and higher demand underpinned the 55 percent increase in butter imports in 2022, mainly sourced from the United Kingdom and New Zealand, setting butter imports to their highest level during the past three years. Imports by the **United Arab Emirates** increased, mainly driven by increased demand, especially from the tourism sector, which catered to a steep increase in

foreign visitors. Meanwhile, in **China**, butter imports increased by 7 percent, mainly induced by high demand from the bakery products sector, despite market activities remaining constrained due to the COVID-19 containment measures. In the **United States**, higher domestic prices and further competitiveness from Oceania led to a 15.8 percent increase in butter imports. By contrast, butter purchases dropped in the **Russian Federation** as inflationary pressure lowered consumer purchasing power. Meanwhile, in the **Philippines**, currency depreciation and higher international prices discouraged purchases of foreign butter by as much as 14 percent. Similarly, elevated butter prices and lower domestic disposable income in **Mexico** decreased butter imports by 60 percent, leading consumers to switch to alternative products such as margarine.

Regarding global butter exports in 2022, much of the increased butter demand was supplied by the world's top butter exporter, **New Zealand**, together with **India**, the **United States**, the **Islamic Republic of Iran** and **Türkiye**, while exports from the **European Union**, **Australia**, the **United Kingdom** and **Argentina** declined. In **New Zealand**, butter exports surged by 12.4 percent, with a high percentage directed at two export destinations, China, due to increased demand mostly from the bakery and confectionary sector and Australia, where butter production fell. With an increased allocation of milk for processing butter and SMP, New Zealand's export prices also became more competitive, enabling the country to export butter to a wide range of markets, including some destinations such as Mexico, despite a decline in overall butter imports. In the **United States**, butter exports surged by 20.1 percent, reaching a record high, principally due to import demand from Canada, Mexico, the Middle East and some Southeast Asian countries. Similarly, higher production induced more shipments from **India** and the **Islamic Republic of Iran**, mostly to their neighbouring countries. While in **Türkiye**, despite the butter export ban introduced in April 2022, overall annual shipment volume increased, as much of these increased shipments had occurred prior to the ban. By contrast, tight supplies and high export prices led to lower butter shipments from the **European Union**. Similarly, lower availability in **Australia** cut butter exports by 28.5 percent in 2022.

Figure 4. Major butter importers



Source: FAO, based on Trade Data Monitor (TDM).

## Cheese

### Global cheese trade contracted moderately

World cheese trade decreased by 0.8 percent in 2022, down to about 3.5 million tonnes, the first slump after six years of expansion. This reflected lower imports by several leading cheese importers, especially **China**, **Chile**, **Japan** and the **Russian Federation**. However, these drops in imports were countered by higher cheese purchases by **Mexico**, **Saudi Arabia**, the **United Kingdom** and the **United Arab Emirates**, among others.

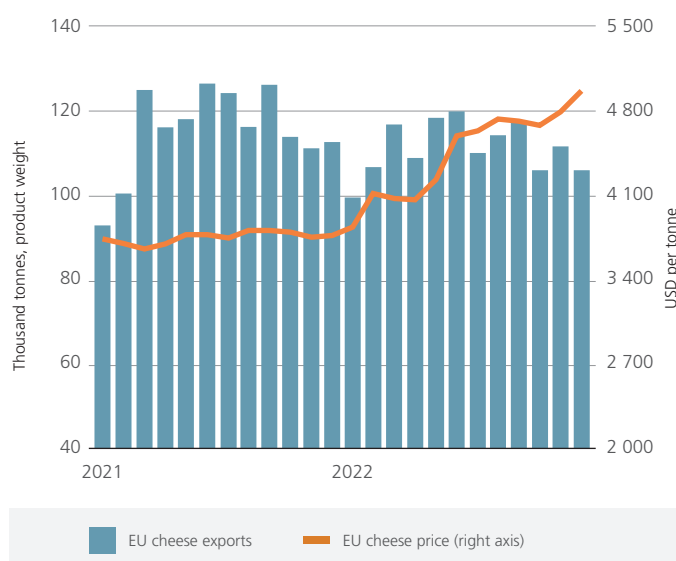
In **China**, the lower demand from the hospitality sector due to the 'COVID-19' containment measures largely underpinned the nearly 15 percent decline in cheese imports, markedly deviating from the upward trend of cheese imports the country has seen in recent years. As for **Chile**, higher international prices and the depreciation of the Chilean peso in 2022 were behind the drop in cheese purchases by 24 percent to 56 000 tonnes. In **Japan**, the reduction in the tariff rate quota for natural cheese by 1 800 metric tonnes to a total of 55 000 metric tonnes for the Japanese fiscal year 2022 was the main reason for the drop in cheese imports. Meanwhile, the war-related financial restrictions and weakened consumer purchasing power caused the

drop in cheese imports by the **Russian Federation**. By contrast, in **Mexico**, the economic rebound continued, inducing more demand from the food-processing sector, causing cheese imports to rise for the second consecutive year, sourced mostly from the country's leading supplier, the United States. Similarly, the easing pandemic restrictions and economic expansion in **Saudi Arabia** drove cheese imports to an all-time high of 212 000 tonnes.

The decline in global cheese import demand was reflected in export contractions in several leading exporters, including the **European Union, New Zealand, Australia** and the **Islamic Republic of Iran**. In the **European Union**, cheese exports decreased for the second successive year, mainly due to sharp drops in shipments to Ukraine and China, impacted respectively by the ongoing war and lower demand from the hospitality sector. **New Zealand's** exports decreased by 6 percent due to the lower demand from China, Australia and the Republic of Korea. Cheese exports from **Australia** dropped mostly on tight supplies, with lower shipments to South Asia. Furthermore, the **Islamic Republic of Iran** reduced cheese shipments to neighbouring countries with a parallel increase in shipments of milk powders.

Despite the overall decline in global cheese trade, exports from some countries expanded, notably the **United States of America**, the **United Kingdom**, **Türkiye**, **Argentina** and **Belarus**.

**Figure 5.** EU cheese exports and prices



Source: FAO, based on Trade Data Monitor (TDM).

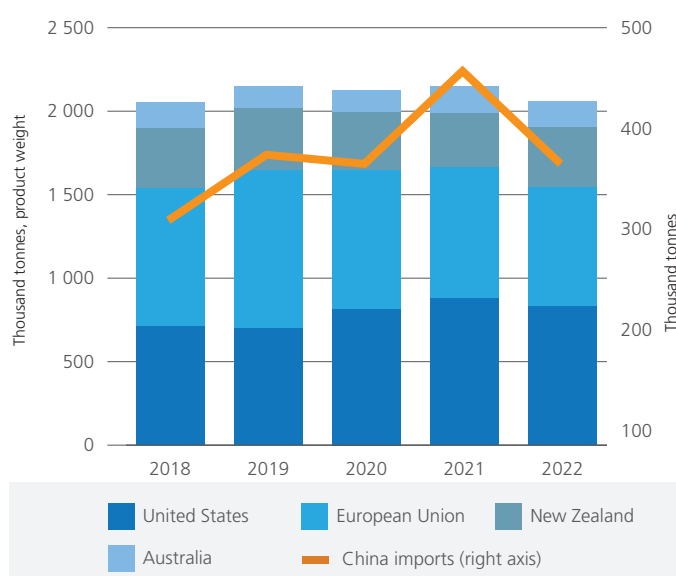
## Skim milk powder

### Ample inventories and high import prices led global SMP trade to drop in 2022

Global SMP trade contracted by 3.1 percent to 2.6 million tonnes in 2022. Much of this decline was on account of a 20 percent drop in imports by **China**, equivalent to nearly 92 000 tonnes, to a total of 365 000 tonnes, mostly on increased availabilities from national sources and ample inventories left from the higher imports in the previous year. Besides China, imports declined in **Viet Nam, Nigeria** and **Bangladesh**, among others, caused by higher international prices, further exacerbated by national currency depreciations. Nonetheless, SMP imports increased in some countries, especially **Algeria**, the **Philippines, Indonesia** and the **European Union**. In **Algeria**, improved economic conditions and easing import procedures for milk powder resulted in an upsurge in imports, whereas in the **Philippines** and **Indonesia**, the growth in the food processing industry and the reopening of food services facilities resulted in increased purchases.

Regarding SMP exports, shipments from the **European Union**, the **United States, India, Türkiye**, the **United Kingdom** and **Australia** decreased, with much of the decline attributed to lower demand from China and challenging economic conditions in most importing countries, especially high SMP prices and national currency depreciations. Despite these economic challenges, competitive prices and trade arrangements enabled some countries to expand SMP exports, including the **Islamic Republic of Iran, New Zealand** and **Canada**.



**Figure 6.** Major SMP exporters and China imports

Source: FAO, based on Trade Data Monitor (TDM).

## Whole milk powder

### Global WMP trade registered the largest fall among dairy products

WMP was among the dairy products that registered the steepest drop in trade, with a 12.6 percent annual decline, equivalent to 352 000 tonnes, to a total volume of 2.4 million tonnes. Much of the global trade contractions stemmed from the steep drop (-17.2 percent) in WMP imports by **China** due to higher stocks as sales did not materialise as expected because of the continuation of the COVID-19-related market restrictions, following a 26.5 percent increase in imports in 2021. Imports also contracted in several other countries, including **Sri Lanka**, **Viet Nam** and **Nigeria**, mostly due to economic hardships, high WMP prices and national currency depreciations. However, several countries registered higher WMP imports, including **Indonesia**, **Brazil**, **Thailand** and **Algeria**. In **Indonesia**, WMP imports increased for the second consecutive year due to the growing national demand for dairy products exceeding national milk production growth. Following a downturn in imports in 2021, **Brazil's** WMP purchases rebounded as the

government lowered import tariffs to ensure adequate local supplies and contain price increases. Inadequate supplies from local sources amid rising consumer demand also fuelled higher imports by **Thailand** and **Algeria**.

Much of the drop in WMP world trade was reflected in lower shipments from the world's leading suppliers, especially **New Zealand**, the **European Union** and **Uruguay**. WMP exports from **New Zealand** decreased by 18 percent on weaker demand from China, which decreased by around 50 percent from 2021, only partially compensated by increased shipments to Algeria and Indonesia. Likewise, the **European Union** registered a 21 percent drop in WMP exports in 2022, mostly on subdued African demand amid economic hardships and high dairy product prices, although part of the WMP imports was substituted with lower-priced fat-filled milk powders. Besides lower demand, the European Union also lost its export competitiveness due to sharply increased processing costs and reduced processing of WMP. Notwithstanding the challenging global conditions, **Argentina** and **Australia** saw their WMP exports rebound, destined for some key trading partners.

**Figure 7.** China WMP imports

Source: FAO, based on Trade Data Monitor (TDM).

## Policy developments affecting the dairy sector

### Policy developments affecting production, domestic marketing and consumption

#### Production and income support policies

- **Algeria**, in March 2022, allocated DZD 18 billion (USD 125.8 million) for providing subsidies for the dairy sector, including breeders, dairy farms and milk collectors. Subsidy payments covered dairy farmers at DZD 12 (USD 0.084 ) per litre, milk collectors at DZD 5 (USD 0.035 ) per litre and dairy processors at DZD 4 (USD 0.028 ) per litre, while breeders were granted DZD 60 000 (USD 419.4 ) per each dairy cow birth. This aims to build national dairy production, enabling the country to reduce dependence on imported milk and milk products.
- **Bangladesh**, in June 2022, approved extending the loan repayment period for another year until December 2024, under the BDT 200 crore (approximately 22.9 USD million) refinancing scheme for the dairy and artificial insemination sectors. Established in 2015, the five-year scheme offered loans at 5 percent interest to end borrowers until a 2020 deadline, while the Bangladesh Bank subsidised the lenders up to 5 percent interest payments for those who signed the participation agreement with the central bank.
- **Brazil**, in March 2022, launched BRL 1.2 billion (around USD 241 million) provisional measure establishing an interest payment subsidy scheme to support livestock farmers in the southern regions affected by drought. This was introduced within the National Program for Strengthening Family Agriculture (PRONAF – Law No. 8 427 of 1992).
- **Canada**, in November 2022, agreed to provide CAD 1.7 billion (USD 1.3 billion) for dairy farmers, egg farmers and processors to compensate for the impacts of the market access commitments under the United States of America–Canada–Mexico Agreement (USMCA) covering the supply-
- managed sectors. The dairy sector was allocated the highest compensation of CAD 1.2 billion (USD 903 million), spread over six years under the Dairy Direct Payment Program.
- **Dominican Republic**, in May 2022, allocated a budget of DOP 700 million (USD 12.6 million) to increase livestock productivity over three years by planting grass to increase the extent and improve pasture quality and insemination to advance livestock genetics.
- **European Union**, in March 2022, announced a package of measures against the impact of the war in Ukraine to enhance food security and support European Union farmers suffering from high costs of inputs such as energy and fertilizers. The plan provided EUR 500 million (around USD 551 million) to assist farmers affected by market disruptions, input costs and trade restrictions. Other measures in the plan include storage assistance, flexibility on animal feed imports, and an advance on CAP payments.
- **European Union**, in April 2022, approved a budget of EUR 169 million (USD 179 million) for a Spanish scheme to support milk producers, under the State Aid Temporary Crisis Framework, adopted by the Commission on 23 March 2022. Under the scheme, the government will provide direct grants to compensate for the increased costs of electricity, animal feed and fuel. The amount per beneficiary was capped at EUR 35 000 (USD 37 067 ) for 2022.
- **Japan**, in September 2022, announced a plan to tap JPY 3.5 billion (USD 24.4 million) in emergency reserves to fund measures to cushion the economic blow from increased food and energy prices. The relief package included payments to livestock farmers to compensate for the rising price of compound feed, among others.
- **Peru**, in April 2022, modified the Regulation of Milk and Dairy Products, which will allow only the use of fresh milk to produce evaporated milk and not powdered milk, aiming to promote greater demand for raw milk, favouring milk from domestic origins.

- **The Russian Federation**, in November 2022, allocated around RUB 900 million (USD 14.9 million) to support farmers in 22 regions as partial compensation for production costs, the sale of agricultural products and insurance.
  - **Türkiye**, in March 2022, increased raw milk support payment from TRY 0.80 to TRY 1 per litre (USD 0.057 to USD 0.07 per litre) in a bid to sustain dairy producer margins from falling lower due to the increased production costs due to the COVID-19 pandemic and world market developments.
  - **Türkiye**, in October 2022, set the farm-gate price on raw cow milk with 3.6 percent fat and 3.2 percent protein content in such a way that milk producer receives a net amount of TRY 8.50 per litre (USD 0.46 per litre), effective as of 15 October 2022. In addition, the producer is also paid if the producer incurs additional expenses such as cooling and transportation.
  - **Uzbekistan**, in February 2022, increased subsidy payment from UZS 200 (USD 0.018) per litre to UZS 400 (USD 0.036) per litre for farmers to support domestic milk production. The subsidy scheme was for two years, ending 31 December 2023.
  - **Zimbabwe**, in November 2022, announced the launching of several support programmes to increase milk productivity and milk output by investing in silages, mechanization, irrigation development and modern technologies. The programmes also aim to support small-scale dairy farmers by providing access to credit to invest in the milk production value chain.
- Price policy measures**
- **Canada**, in September 2022, announced an increase of the farm-gate prices for milk by 2.5 percent effective from 1 September 2022 to ease the inflationary pressure farmers faced because of rising costs of agricultural inputs.
  - **Ecuador**, in August 2022, approved legislation to pay milk farmers a price equivalent to 52.4 percent of the retail price of a litre of UHT to compensate for the high input costs and encourage farmers to produce milk. Among others, the legislation included provisions for criminal penalties for non-compliance with the fixed price policy, credit for milk producers, banning of importing milk powder for 10 years, and the establishment of a National Milk Council.
  - **Mexico**, in April 2022, increased farm-gate fresh milk prices from MXN 8.20 (USD 0.41) per litre to MXN 10 (USD 0.5) per litre to improve the profit margins of small and medium producers. This policy aimed at compensating for the increase in input costs that impacted milk producers in 2022 and was implemented by the Ministry of Agriculture and Rural Development in coordination with the Mexican Food Security Agency (Segalmex).
  - **Mexico**, in August 2022, increased the Guaranteed Milk Price that the federal government pays to milk producers from MXN 9.20 per litre to MXN 10.0 per litre (from USD 0.45 to USD 0.49 per litre) in a bid to strengthen local milk production.
  - **Rwanda**, in August 2022, set unprocessed fresh milk at RWF 300 per litre (USD 0.29 per litre) at the farm-gate level and RWF 322 per litre (USD 0.32 per litre) at a milk collection centre. The policy aimed at controlling milk price increases amid milk shortages in the country.
  - **Thailand**, in August 2022, decided to increase the median price for raw milk from THB 19 per kg (USD 0.52 per kg) to THB 20.50 per kg (USD 0.56 per kg) to assist dairy farmers faced with high production costs.
  - **Türkiye**, February 2022, reduced value added tax (VAT) from 8 percent to 1 percent on various food products including milk, yoghurt and cheese, effective 14 February 2022. The policy was introduced within the scope of the simplification of VAT and aimed at reducing the impact of food price inflation on consumers.
  - **Tunisia**, in December 2022, raised farm-gate milk prices from TND 1.14 (USD 0.36) to TND 1.65 (USD 0.52), with a view to cover increased input costs and incentivise retaining dairy cows and continue to produce milk.

## Institutional and organizational measures

- **United States of America**, in November 2022, announced plans to purchase diverse food products, including dairy meat and poultry, to support activities to feed children and families. The funds allocated will support nearly USD 1 billion to purchase food items for emergency food providers such as food banks.

## Policy developments affecting international trade

### Tariff and tariff-rate quotas

- **Bangladesh**, in July 2022, allowed duty-free access to an additional 16 products from Bhutan including milk, based on a preferential trade agreement (PTA) signed by the two countries in December 2020. Bangladesh had granted duty-free access to 34 products under the PTA.
- **Brazil**, in 2022, amended import tariffs on dairy products several times. In March, import tariffs on food items, including cheese were exempted to reduce the impact of food inflation on consumers, but in May, raised the tariff on mozzarella cheese to its original rate of 28 percent.
- **Congo**, in October 2022, announced the temporary exemption of import duties for basic foods, including milk powder for one year to contain food price increases.
- **Colombia**, in April 2022, exempted import tariffs on 39 agricultural inputs, including animal feed, to reduce food production costs for one year.
- **European Union**, in May 2022, agreed on temporary trade liberalisation and other trade concessions about certain Ukrainian products for one year to support Ukraine's economy.
- **Japan**, in April 2022, announced tariff-rate quota (TRQ) volumes for dairy products for the Japanese fiscal year (JFY) 2022 (April to March). The announcement included quotas for natural cheese for processing, skimmed milk powder, evaporated milk, butter and butter oil, and certain whey products. The quota volume for natural cheese decreased by 1 800 metric tonnes from JFY 2021, while TRQs for the other products remained unchanged. In September 2022, Japan increased the tariff-rate quota volumes for butter for JFY 2022 to 9 788 tonnes.
- **Mexico**, in May 2022, suspended customs duties on imported food items, including dairy products, for one year, aiming to contain the inflationary impact of high food prices on essential goods.
- **Morocco**, in November 2022, announced a temporary suspension of import duties on milk powder and butter, effective until 31 October 2023, in a bid to contain price increases.
- **Panama**, in June 2022, exempted the import duty on whole milk powder until 31 December 2022 in a bid to meet local demand.
- **Republic of Korea**, in June 2022, exempted import tariff temporarily for food items, including milk powders, with volume quota of 10 000 tonnes.
- **Sri Lanka**, in May 2022, increased import tariff on cheese to INR 400 (USD 1.1 ) per kg, yoghurt and butter to INR 1 000 (USD 2.8 ) per kg effective from 10 March 2022 for six months. In June 2022, Sri Lanka also imposed a surcharge on import tax on milk and cream, cheese and curd at 75 percent and 100 percent, respectively, effective as of 1 June 2022 for six months to increase governmental revenue.
- **Tunisia**, in December 2022, announced the suspension of import duty on milk powders and butter in 2023 to address an acute shortage of local dairy production and improve the supply of dairy products in the market. Together with import tariff reduction, Tunisia also increased farm-gate milk prices to address a rise in the cost of milk production.

### Market access

- **Belarus**, in January 2022, imposed a ban on importing various food products including dairy products, excluding lactose-free products, from



Western countries for six months. The countries affected are Albania, Canada, the European Union, Iceland, Liechtenstein, Montenegro, North Macedonia, Norway, Serbia, Switzerland, the United Kingdom of Great Britain and Northern Ireland and the United States of America. This was to retaliate against sanctions imposed against the country and the policy affected food products worth over USD 500 million per year.

- **Brazil**, in March 2022, exempted food items, including cheese, from import tariffs to reduce the impacts of inflation. The exemption is effective until 31 December 2022.
- **Colombia**, in January 2022, announced the acceptance of the draft Sanitary Certificate by Israel, opening the country's livestock products in the Israel market for the export of milk and dairy products of Colombian origin.
- **Malaysia**, in May 2022, announced the repeal of the need to have Approved Permit for importing certain agrifood commodities including liquid milk. However, importers still require import permit for biosecurity control purposes when importing agrifood commodities.
- **Russian Federation**, in January 2022, temporarily banned importing milk and dairy products from Kazakhstan that have not undergone heat treatment in a bid to contain the spread of the Foot-and-Mouth-Disease.
- **Türkiye**, in January 2022, approved a plan to regulate exports of some 20 agricultural products, including butter, until 31 December 2022, in a bid to contain food price inflation. The regulation would enable the government to ban or restrict exports of these products when necessary. In line with this regulation, Türkiye suspended butter and cream exports in April 2022 to mitigate food supply shortage and consequently inflation. But in June 2022 eased the export ban and announced the decision to export 7 000 tonnes of butter from 30 June until 30 September 2022. In September 2022, however, Türkiye banned exporting whole milk powder and skim milk powder until 31 December 2022 to ensure local availability and stabilize producer prices.

- **United Kingdom of Great Britain and Northern Ireland**, in April 2022, removed import tariffs and quotas for all goods from Ukraine, including flour, dairy products, tomato paste, honey, corn, wheat, juices, mushrooms and sugar for 12 months, with the objective helping Ukraine to overcome economic challenges amid the ongoing war.
- **United Kingdom of Great Britain and Northern Ireland**, in April 2022, announced the delay of the implementation of further controls on imports from the European Union that were due to be introduced on dairy products on 1 September 2022.

### Trade agreements

- **Chile**, in September 2022, signed a tri-partite memorandum of understanding (MoU), effective until 31 December 2024, among Nacional de Productores de Leche de Chile (FEDELECHE), the National Milk Producers Federation (NMPF) and the United States Dairy Export Council (USDEC). The MOU aimed at enhancing collaboration among the parties by exchanging knowledge focusing on science-based standards and guidelines in agricultural trade policy across the world, promoting dairy trade and sustaining international regulatory food standards.
- **European Union**, in December 2022, concluded negotiations on the EU–Chile Advanced Framework Agreement, which aimed at deepening cooperation and fostering trade and investment opportunities. The agreement included 162 tariff lines, mainly for agricultural products (including cheese and other dairy products), for liberalization after a maximum staging period of seven years.
- **United Kingdom of Great Britain and Northern Ireland** and Australia in July 2022 signed a comprehensive trade agreement, which included dairy and meat products.
- **United Kingdom of Great Britain and Northern Ireland** and New Zealand in March 2022, signed a free trade deal, removing trade barriers on a large range of products and services, including provisions for removing tariffs and quotas for dairy products within seven years.

# Statistical annexes

## FAO Dairy Price Index (a)

	International prices (b) (USD per tonne)				FAO Dairy Price Index
PERIOD	Butter	SMP	WMP	Cheddar cheese	(2014–2016=100)
<b>Annual average (c)</b>					
2012	3 740	3 063	3 336	3 877	112
2013	4 784	4 148	4 730	4 563	141
2014	4 278	3 606	3 854	4 542	130
2015	3 306	2 089	2 537	3 076	87
2016	3 473	1 986	2 481	2 807	83
2017	5 641	2 011	3 163	3 664	108
2018	5 587	1 834	3 060	3 736	107
2019	4 443	2 440	3 186	3 435	103
2020	3 844	2 606	3 041	3 506	102
2021	4 995	3 181	3 855	3 816	119
2022	6 608	3 863	4 253	4 535	142

<b>Monthly</b>						
2022	January	6 326	3 859	4 243	3 976	133
2022	February	6 634	4 097	4 604	4 246	142
2022	March	6 923	4 370	4 869	4 249	146
2022	April	7 223	4 482	4 725	4 251	147
2022	May	7 008	4 228	4 388	4 370	144
2022	June	7 133	4 261	4 532	4 659	150
2022	July	6 793	3 974	4 326	4 687	146
2022	August	6 610	3 702	4 011	4 756	143
2022	September	6 555	3 661	3 982	4 753	143
2022	October	6 268	3 464	3 893	4 706	139
2022	November	6 079	3 151	3 750	4 803	137
2022	December	5 740	3 106	3 714	4 963	138

Notes:

(a) The FAO Dairy Price Index represents a trade-weighted average of international price quotations for butter, cheese, SMP and WMP.

(b) All sub-component prices represent average FOB prices for the European Union and Oceania.

(c) Annual average of monthly index values from January to December.

Sources: Product prices are the mid-point price ranges reported by Dairy Market News (USDA) and European Commission-reported European Union prices (starting from 2008).

# Appendix tables statistics

Milk and milk products statistics*	Production			Imports			Exports		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
	estim.			estim.			estim.		
<b>ASIA</b>	<b>397 688</b>	<b>413 419</b>	<b>421 420</b>	<b>48 972</b>	<b>52 244</b>	<b>49 795</b>	<b>8 267</b>	<b>9 524</b>	<b>9 342</b>
China	35 746	38 243	40 813	16 931	20 696	17 449	88	112	100
India	209 960	221 064	226 090	121	92	74	234	596	597
Indonesia	1 565	1 593	1 600	3 062	3 348	3 775	59	59	65
Iran (Islamic Republic of)	8 364	7 852	7 840	157	103	70	1 020	1 220	1 590
Japan	7 438	7 592	7 617	2 131	1 940	1 905	18	31	107
Malaysia	47	49	47	2 333	2 426	2 423	594	459	365
Pakistan	60 770	62 710	64 280	318	325	292	15	8	9
Philippines	28	27	26	2 589	2 562	2 806	89	89	88
Republic of Korea	2 099	2 045	1 986	1 332	1 460	1 536	39	40	41
Saudi Arabia	2 910	2 916	2 920	2 856	2 454	2 634	1 617	1 356	1 294
Singapore	-	-	-	1 449	1 473	1 464	405	399	424
Thailand	1 317	1 296	1 222	1 622	1 713	1 746	286	305	323
Türkiye	23 504	23 200	21 563	160	81	97	957	1 364	1 001
<b>AFRICA</b>	<b>53 829</b>	<b>53 670</b>	<b>53 434</b>	<b>10 597</b>	<b>10 535</b>	<b>9 853</b>	<b>1 280</b>	<b>1 131</b>	<b>955</b>
Algeria	3 355	3 264	3 370	3 271	3 172	3 404	0	0	1
Egypt	5 643	5 372	5 175	1 119	1 201	1 041	527	256	147
Kenya	5 500	6 029	5 875	164	146	180	1	3	7
South Africa	3 852	3 825	3 771	362	373	326	383	394	377
Tunisia	1 412	1 442	1 426	117	86	96	14	33	33
<b>CENTRAL AMERICA &amp; THE CARIBBEAN</b>	<b>19 582</b>	<b>19 684</b>	<b>20 100</b>	<b>5 991</b>	<b>6 143</b>	<b>6 179</b>	<b>885</b>	<b>803</b>	<b>661</b>
Costa Rica	1 217	1 218	1 220	68	58	68	141	137	107
Mexico	13 155	13 482	13 738	3 589	3 907	3 838	339	271	181
<b>SOUTH AMERICA</b>	<b>68 025</b>	<b>67 816</b>	<b>67 813</b>	<b>3 276</b>	<b>3 177</b>	<b>3 198</b>	<b>4 330</b>	<b>4 414</b>	<b>4 616</b>
Argentina	11 446	11 900	11 904	11	17	31	2 215	2 324	2 429
Brazil	36 674	36 538	35 934	1 180	885	1 151	87	126	124
Colombia	7 416	6 993	7 421	541	442	525	23	42	20
Uruguay	2 272	2 342	2 310	53	51	42	1 516	1 521	1 504
<b>NORTHERN AMERICA</b>	<b>110 923</b>	<b>112 444</b>	<b>112 455</b>	<b>2 808</b>	<b>2 923</b>	<b>3 285</b>	<b>13 319</b>	<b>14 329</b>	<b>14 926</b>
Canada	9 631	9 798	9 733	807	899	910	1 004	733	844
United States of America	101 292	102 646	102 722	1 992	2 015	2 366	12 315	13 596	14 082
<b>EUROPE</b>	<b>235 013</b>	<b>234 036</b>	<b>232 572</b>	<b>13 118</b>	<b>11 962</b>	<b>11 952</b>	<b>35 747</b>	<b>34 687</b>	<b>32 442</b>
Belarus	7 766	7 820	7 869	60	79	77	4 361	4 511	4 407
European Union	160 282	159 772	159 343	3 625	3 024	3 385	25 857	25 303	23 078
Russian Federation	32 226	32 339	32 977	3 915	3 732	3 574	342	426	394
Ukraine	9 264	8 714	7 320	354	421	205	531	466	535
United Kingdom of Great Britain and Northern Ireland	15 686	15 670	15 541	3 977	3 484	3 410	3 589	2 883	2 936
<b>OCEANIA</b>	<b>30 980</b>	<b>30 920</b>	<b>29 508</b>	<b>1 812</b>	<b>1 651</b>	<b>1 656</b>	<b>22 358</b>	<b>23 719</b>	<b>21 760</b>
Australia	9 087	9 015	8 435	1 276	1 166	1 232	2 693	3 108	2 984
New Zealand	21 871	21 884	21 051	302	208	180	19 660	20 606	18 772
<b>WORLD</b>	<b>916 041</b>	<b>931 988</b>	<b>937 302</b>	<b>86 574</b>	<b>88 636</b>	<b>85 917</b>	<b>86 184</b>	<b>88 606</b>	<b>84 702</b>
LIFDC	57 456	58 026	58 367	4 092	3 629	3 292	669	693	647
LDC	40 236	40 227	40 378	5 025	5 030	4 556	292	403	328

\* thousand tonnes, milk equivalent.



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