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Report Highlights:

The 2026 European Union (EU) milk production is forecast to decline slightly to 149 million metric tons (MMT), from an estimated 149.7 MMT in 2025, due to declining cow numbers, environmental regulations, and disease outbreaks. As lower milk production will only be partially offset by lower fluid milk consumption, factory use consumption is forecast to slightly decrease in 2026. As a result, dairy processors will need to determine for which products they will use the available milk. Cheese production is forecasted to remain the primary output goal of the EU dairy processing industry, supported by solid domestic consumption and export demand. The 2026 EU27 cheese production is forecast to reach 10.8 MMT, up by 0.2 percent from 2025. However, this increase comes at the expense of the production of butter, non-fat dry milk, and whole milk powder.

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Executive Summary

Note: Effective January 1, 2021, the United Kingdom (UK) completed its exit from the European Union (EU), including trade between both entities. If not indicated otherwise, in this report, the EU refers to the current EU27 and excludes the UK.

In 2026, EU all milk deliveries are forecast to amount to 148.95 million metric tons (MMT), 0.5 percent below the 2025 deliveries, with a decline in both cows' milk production and "other" milk production (primarily from sheep and goats). Despite lower commercial feed costs, smaller farms are being pushed out of production due to fluctuating farm-gate milk prices, continuing disease outbreaks, and restrictive environmental regulations. This is expected to result in declining cow numbers in 2026, down 0.9 percent from 2025, a trend which will not be fully compensated for by increased productivity. Therefore, cows' milk deliveries in 2026 are forecast at 144.8 MMT, down 0.5 percent from 2025. EU average farm gate milk prices showed little volatility in 2025 and stabilized at a level exceeding the 5-year average in the first half of 2025, as declining deliveries kept EU milk prices high. However, this makes European production less competitive than other major world producers, which is expected to negatively influence European farm-gate milk prices in the next months. Fluid milk domestic consumption is expected to decline to 23 MMT in 2026, down 0.9 percent. With lower milk production in 2026, factory use consumption is also forecast to minimally decrease by 0.3 percent in 2026. This will require dairy processors to carefully decide for which products they will use the available milk.

Cheese production continues to be the primary goal of the EU dairy processing industry, supported by strong domestic consumption and solid, although marginally declining, export demand. Despite less available milk, EU27 cheese production in 2026 is still expected to increase by 0.2 percent over 2025 levels, reaching 10.8 MMT. Increasing consumption, boosted by growing incomes, an ongoing economic recovery, and stronger hospitality and tourism sectors, will account for most of the increased production. In 2026, cheese exports from the EU are forecasted to reach 1.37 MMT, a moderate decrease of 0.7 percent, as they are expected to be slightly constrained by higher EU cheese prices, geopolitical uncertainties, and improved domestic demand in the EU.

EU27 butter production in 2026 is forecasted at 2.06 MMT, 1.4 percent lower than 2025, as the smaller milk supply favors cheese production over butter and non-fat dry milk (NFDM). This is combined with the marginally increasing domestic consumption of butter in 2026, up 0.5 percent from 2025. The declines in butter prices that are occurring in late 2025 and which are being passed on to consumers, could positively influence the butter demand growth. 2026 EU27 butter exports are forecast to decline by 15 percent from 2025 with steady domestic consumption absorbing the majority of EU27 production and uncompetitive EU butter prices versus other global exporters.

EU27 NFDM production in 2026 is forecasted at 1.36 MMT, down 4.2 percent from 2025, a result of lower milk availability and declining domestic NFDM prices. In 2026, EU27 exports of NFDM are expected to decrease by 1.4 percent, with domestic consumption absorbing a large part of declining production. Domestic consumption in 2026 is estimated at 0.69 MMT, down 6.8 percent from 2025, based on weakening demand. This is due to an expected reduction in animal numbers and lower chocolate production in the food sector due to high cocoa bean prices.

EU27 whole milk powder (WMP) production in 2026 is forecast to fall to 590,000 MT, a decline of 1.7 percent from 2025, with lower milk supplies favoring cheese production over other products. In 2026, EU27 WMP exports are expected to decrease further from 2025, with most of the production destined for the domestic market, paired with a lack of price-competitiveness on global markets against Oceania. Simultaneously, domestic consumption in 2026 is forecast to increase by 2.3 percent, prompted by increasing availability of domestic supplies.

From a policy perspective, the EU dairy sector continues to have concerns related to the implementation of the Common Agricultural Policy (CAP) and EU Green Deal initiatives, which the industry feels are negatively weighing on farmers' decisions to continue production. However, a new policy document, *Vision for Agriculture and Food*, lays out the need for the EU to ensure "a global level playing field" for its farmers and improve their competitiveness. As a result, the policy document waters down or delays the most controversial environmental provisions. However, the document allows for efforts on animal welfare regulations to continue. In 2026, several trade policy measures are expected to affect the EU dairy sector. Free trade agreements (FTAs) signed (with Mexico and Mercosur) include better access for EU dairy products to those markets, with expectations to compensate for the loss on the U.S. market. Additionally, tariff changes may influence dairy product trade flows.

Notes to the Reader:
The dairy products covered in this report are:

- Fluid Milk, which includes milk produced from cows and other milk production (from sheep, goats, and buffalo), but excluding milk suckled by young animals.
- Cheese covered by HTS Code: 0406 Cheese.
- Butter covered by HTS Codes: 040510 Butter and 040590 Butterfat/Anhydrous Milk Fat (AMF). A conversion factor of 1.25 is used for Butterfat/AMF.
- NFDM covered by HTS Code: 040210.
- WMP covered by HTS Codes: 040221 and 040229.

The official figures on production used in this report are sourced from the EUROSTAT database: Milk collection (all milks) and dairy products obtained, is updated annually on June 30 of the following year. For trends, estimates, and the forecast EUROSTAT database: Cow milk collection and products obtained is used, which is updated monthly, 45 days after the end of the reported month. The EUROSTAT numbers are supplemented by information from FAS colleagues in EU Member States.

The official figures on trade are sourced from Trade Data Monitor, LLC. For EU27 trade numbers the database is updated around 45 days after the end of the reported month.

Euro to U.S. dollar (EUR/USD) exchange rates are sourced from the Federal Reserve. In September 2025, the average rate of exchange was 1.17 (in currency unit per U.S. dollar).

Fluid Milk

Table 1. Fluid Milk Production, Supply, and Distribution

Dairy, Milk, Fluid	2024		2025		2026	
Market Year Begins	Jan 2024		Jan 2025		Jan 2026	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk (1000 HEAD)	19,913	19,912	19,226	19,222	0	19,050
Cows Milk Production (1000 MT)	146,000	146,073	145,300	145,500	0	144,800
Other Milk Production (1000 MT)	4,170	4,266	4,080	4,170	0	4,150
Total Production (1000 MT)	150,170	150,339	149,380	149,670	0	148,950
Other Imports (1000 MT)	781	786	750	750	0	760
Total Imports (1000 MT)	781	786	750	750	0	760
Total Supply (1000 MT)	150,951	151,125	150,130	150,420	0	149,710
Other Exports (1000 MT)	1,424	1,174	1,200	1,110	0	1,030
Total Exports (1000 MT)	1,424	1,174	1,200	1,110	0	1,030
Fluid Use Dom. Consum. (1000 MT)	23,833	23,506	23,730	23,210	0	23,000
Factory Use Consum. (1000 MT)	125,694	126,445	125,200	126,100	0	125,680
Feed Use Dom. Consum. (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	149,527	149,951	148,930	149,310	0	148,680
Total Distribution (1000 MT)	150,951	151,125	150,130	150,420	0	149,710
(1000 HEAD) ,(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Production

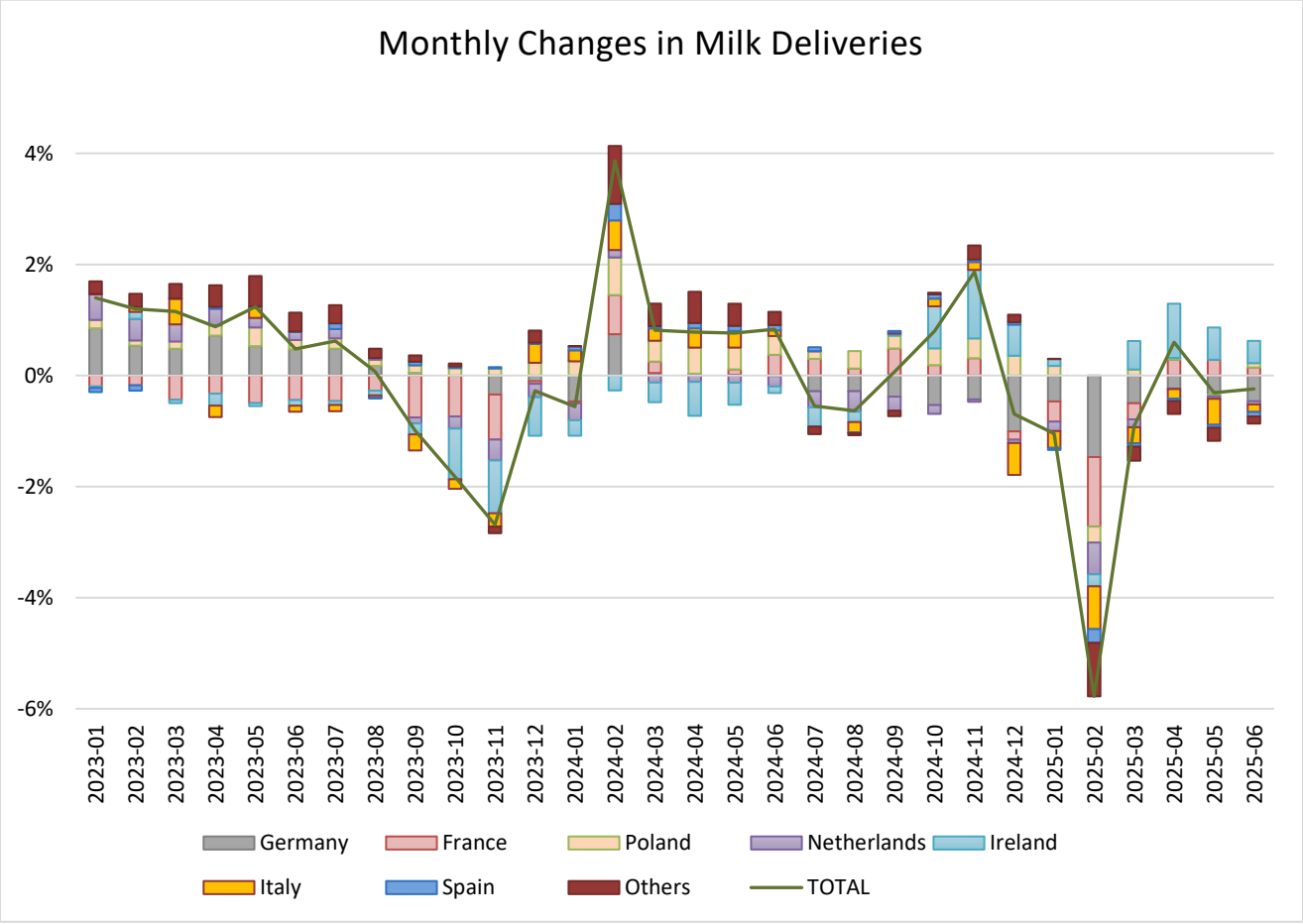
At the beginning of 2026, dairy cow numbers are forecasted at 19 million cows in milk, down 0.9 percent from 2025. This continues a declining trend, although at a slower pace due to improved profitability of dairy and beef production. However, concerns about the development of environmental policies, the possible impact of animal diseases on herd fertility (especially in Western European countries), and the restructuring of cattle farming (especially in Central-Eastern Europe, where investments in improved cow genetics have been increasing) are expected to prompt further EU dairy herd reduction.

Despite lower commercial feed costs, individual farmers are quitting due to fluctuating farm-gate milk prices, continuing disease outbreaks, restrictive environmental regulations, and a lack of successors. At the same time, large professional farms continue to grow, leading to improved average milk yield per cow. However, consistent growth in cow productivity is not expected to compensate for the decline in

cow inventories. Therefore, EU27 cow milk production in 2026 is forecast to shrink slightly by 0.5 percent to 144.8 MMT.

Cow milk delivery is estimated for 2025 at 145.5 MMT, 0.4 percent below 2024. In January-June 2025, milk deliveries to dairies decreased by 1.2 percent as compared to January-June 2024 (no leap year adjustment). Among major producers, there were higher deliveries in Poland, where production benefited from stabilizing milk prices and improving cow productivity, and Ireland, recovering from a 2024 reduction caused by unfavorable weather conditions. However, these increases were insufficient to offset declines in the other major producers. As a result, despite increasing milk production in the Central-Eastern countries and Ireland, overall EU milk delivery is expected to decline throughout the year, as dairy farmers face many difficulties, including national policies responding to EU environmental regulations, disease outbreaks, and generation renewal (i.e., young farmers not continuing milk production due to the heavy workload and uncertain profits). As a result, the number of dairy farmers is expected to continue to decrease in 2025 and 2026 in many EU Member States. However, these losses are expected mainly in smaller and less efficient farms, while larger and more professional farms are expected to largely maintain herd numbers, slowing the future pace of the reduction in cow numbers.

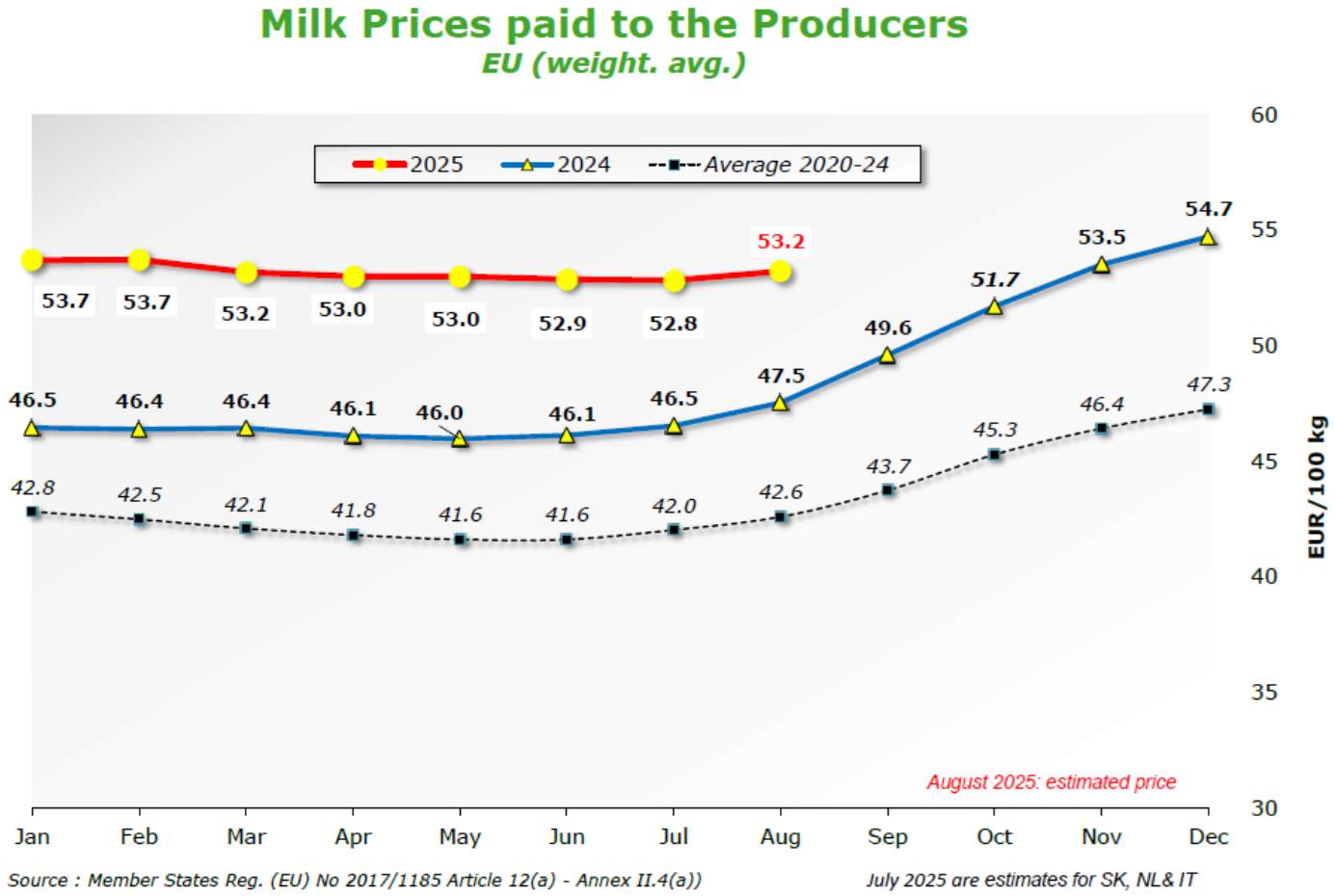
Graph 1. EU Cow's Milk Deliveries by Members States Monthly, as of June 2025 Compared to the Same Period of Previous Years



Source: FAS based on EUROSTAT data (Luxemburg data is not available)

EU average farm gate milk prices showed little volatility in 2025, reaching EUR 53.2 per 100 kilograms (kg) in August 2025, 12 percent higher than August 2024. EU prices offered to milk producers remained above the 5-year average (2020-2024).

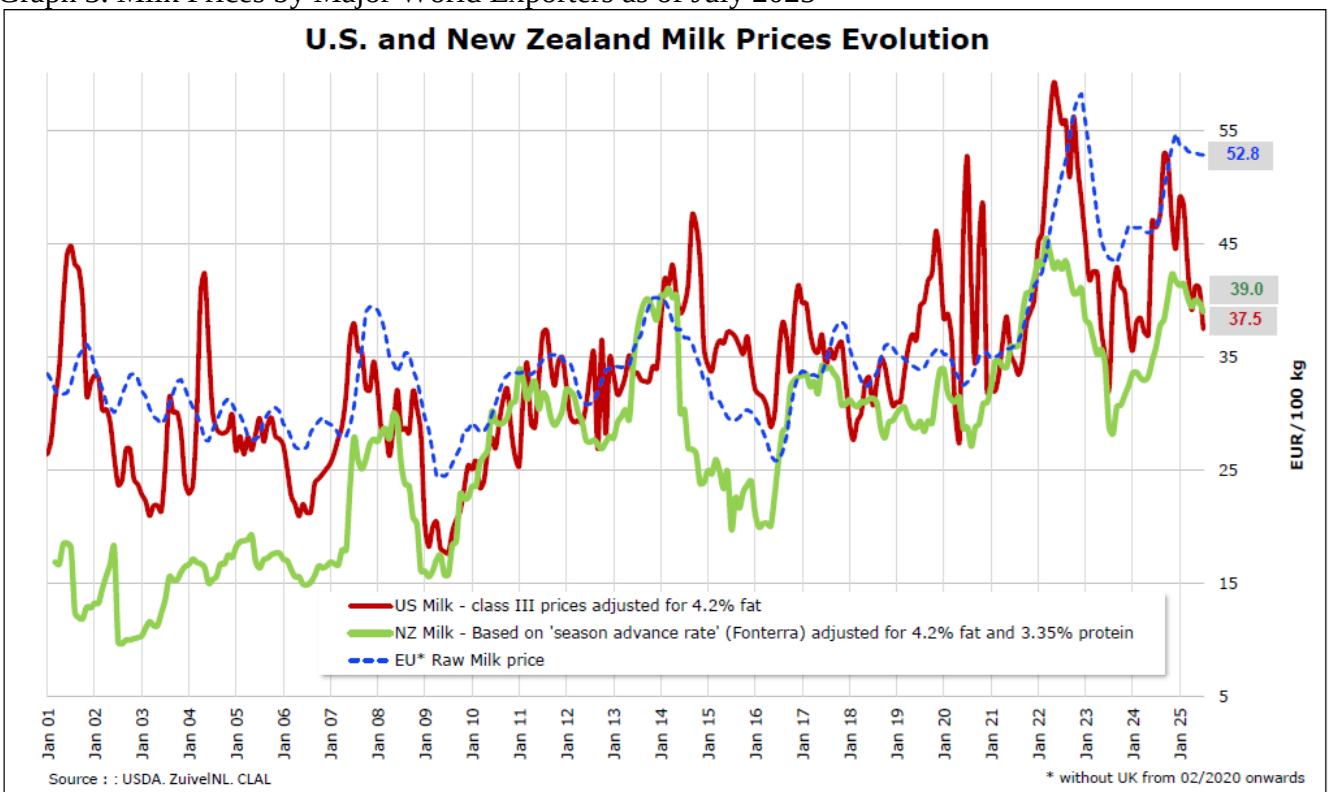
Graph 2. Monthly EU Average Farm Gate Milk Prices, as of August 2025



Source: European Commission

Declining European production kept EU27 milk prices high. In July 2025, EU milk prices were EUR 52.8 per 100 kg (35 percent higher than the New Zealand price and 41 percent higher than the U.S. price), making EU27 production less competitive than other major world producers, which is expected to negatively influence European farm-gate milk prices in the next months.

Graph 3. Milk Prices by Major World Exporters as of July 2025

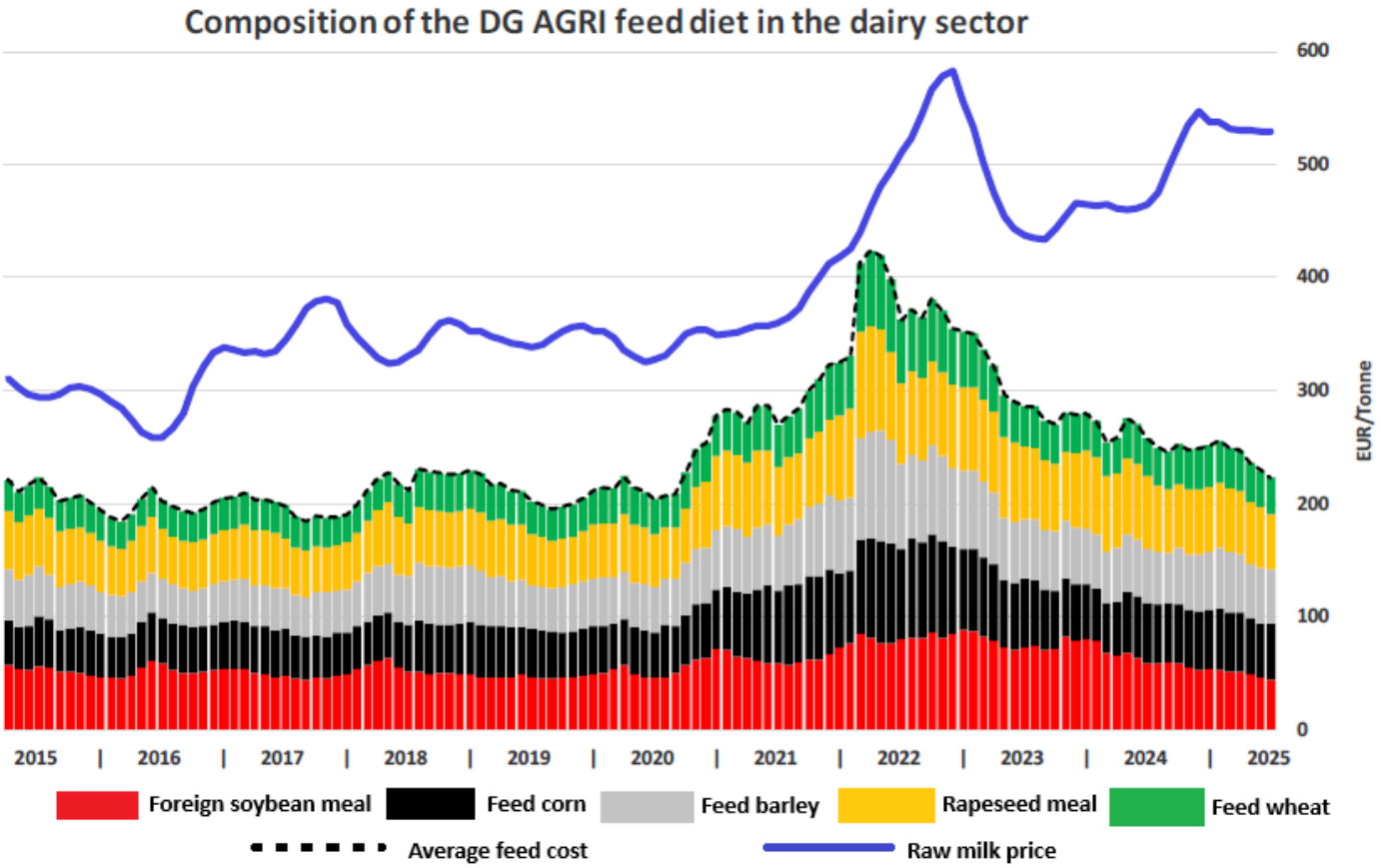


Source: European Commission

Dairy farmer profits are determined by the price received for milk delivered to dairies minus feed and operational costs. Fodder availability improved in many EU Members States in 2025, with strong grassland growth and fodder crops, particularly forage corn, showing good yield potential. This was observed in Central-Eastern Europe and Ireland, with positive effects on milk production visible notably in Ireland, where dairy cow diets are predominantly grass. However, lack of water continues to negatively affect fodder production in southern France, Hungary, southern Romania, and Bulgaria, according to the European Commission (EC)'s crop monitoring.

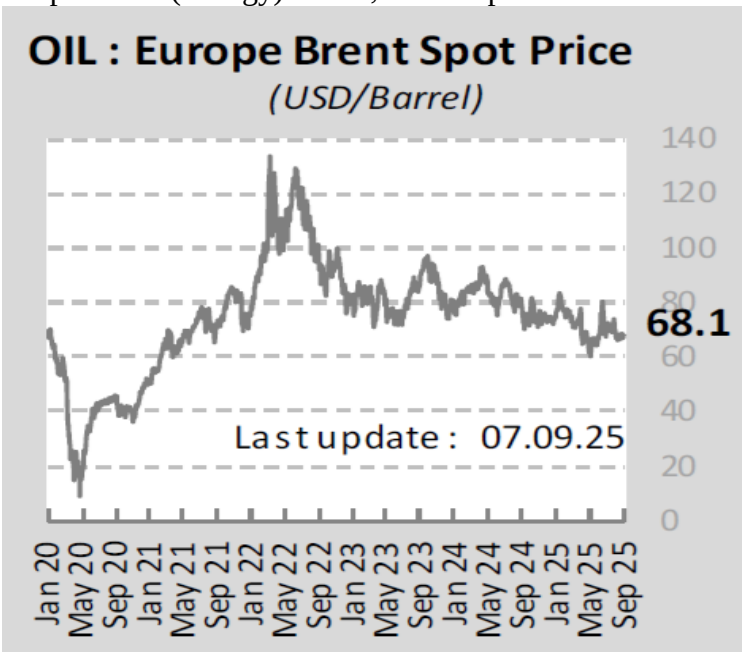
In addition to improved fodder availability, declining energy and fertilizer costs supported farmer margins. The EC assessed industrial feed costs (based on a mix of cereals and oilseeds) as decreasing since February 2025. As a result, July 2025 feed costs were 14 percent lower than the same period in 2024. This was the lowest price since September 2020 (Graph 4). Oil prices also stabilized in 2024/2025, although still higher than 2020 prices (Graph 5).

Graph 4. Feed Prices, as of July 2025



Source: European Commission

Graph 5. Oil (Energy) Prices, as of September 2025



Source: European Commission

Despite better margins for farmers in the first half of 2025, tighter environmental restrictions and increased animal welfare requirements may reduce dairy cow herd numbers in the long term. In the Netherlands, the loss of an EU derogation allowing the spread of surplus manure on pastures (called a "nitrates derogation"), related to water quality regulations, prompted farmers to slaughter some of their dairy cow herds. This resulted in less animals per farm to comply with environmental regulations (for more information, see the GAIN report - Dutch Loss of Manure Derogation, published on June 6, 2024). In Ireland, producer concerns that they could lose their remaining nitrates derogation continues to loom large over the livestock sector. While a 2 percent contraction of the dairy herd is expected in 2025, a larger reduction is forecasted for the beef herd as producers look to maintain their dairy stocking density. In Denmark, the government reached a climate agreement on November 18, 2024, introducing pivotal changes with an agricultural carbon tax and changing 15 percent of agricultural land (back) into forest. The new regulations will likely affect dairy and beef farmers, with producers being required to pay about EUR 130 per cow per year, according to some calculations. These regulations will likely lead to more intensive and larger-scale farming when implemented in 2025 and beyond. In Germany, strict environmental protection regulations and increased participation in retailers' animal welfare labeling programs that require more space per animal, are also contributing to declining cattle inventories.

Animal disease outbreaks are another challenge to milk deliveries in 2025. The Bluetongue virus (BTV) continued to spread in the south of the EU since late 1990s, with new serotypes affecting also northern Europe in 2006. In 2023, a new serotype (BTV-3) was detected in northern and western Europe, spreading further to the neighboring countries. Currently, only the eastern EU is recognized as BTV free (for more information see the EC website), however many affected Member States apply vaccination. In the Netherlands BTV has not been reported so far in 2025, reportedly due to the immunity built up by undergoing the disease and vaccinations. Epizootic hemorrhagic disease (EHD) was confirmed in western France in 2025, but in decreasing numbers. In 2025, new lumpy skin disease (LSD) outbreaks were detected in the EU, initially in Italy, followed by outbreaks reported in France. While the symptoms of BTV and LSD are commonly mild in dairy cows, all three diseases often cause a temporary drop in milk yield, fertility problems, and elevated mortality rates, which negatively weigh on cattle inventories and milk production. An additional concern is foot-and-mouth disease (FMD). In January 2025, a singular case was detected in Germany on a water buffalo farm. FMD was further confirmed in commercial dairy farms in Hungary and Slovakia in March 2025, posing a threat to livestock farms in the region and leading to international trade restrictions affecting Hungary, Slovakia, and Austria. On April 14, 2025, the World Organization for Animal Health (WOAH) fully reinstated Germany's status as an "FMD-free country where vaccination is not practiced", effective immediately. Although the EU lifted all FMD-related restrictions and protection and surveillance zones for Hungary and Slovakia (as of June 6, 2025), the WOAH has yet to reinstate FMD-free recognition for those two countries. Lack of WOAH's recognition negatively affects dairy trade in Hungary and Slovakia.

These factors – combined with the aforementioned problems of generation renewal of young farmers – will likely lead to further market consolidation and farm closures throughout 2025 and into 2026. This year, the Danish Arla Food and the German dairy processor DMK announced a planned merger, with DMK being the junior partner. The merger was approved by farmer members of both cooperatives in June 2025 and now awaits review by the European Competition Authorities. In addition, the Dutch FrieslandCampina and Belgian Milcobel announced their intention to merge.

To prevent the contraction of the dairy sector and loss of self-sufficiency, certain national governments are implementing domestic support measures. In 2024, the Croatian Government started the implementation of a major financial support program, with a €592.5 million budget for 2024–2030, to renew the production potential of cow milk by 20 percent and sheep/goat milk by 30 percent by 2030. Croatian farmers received €505 million in subsidies in 2024, with a significant portion directed to dairy producers. Additionally, a specific subsidy program for cow, sheep, and goat milk production has been adopted for 2025–2027 to further support primary milk producers (with a budget of €24 million). The French government started implementing new measures to support its cattle industry within the framework of the 2025 Finance Bill, which will allow farmers to save money for tax purposes when the value of their dairy cow stocks increases.

Non-cow milk production is forecast to decline marginally by 0.5 percent in 2026. Non-cow milk, mainly from sheep and goats, is generally used for high-value cheeses prized for their health qualities. Despite rebounding consumer demand for premium products, animal diseases and structural changes are forcing a contraction in production. Non-cow milk deliveries are estimated at 4.2 MMT for 2025, a decrease of 2.3 percent from 2024. Among major producers, in Spain, non-cattle farmers are dealing with the additional difficulty of generation renewal, restricting further development. In Greece, the ongoing outbreak of the contagious ovine rinderpest disease (Peste des Petits Ruminants [PPR]) among sheep and goats is expected to reduce animal numbers and, as a result, lower sheep and goat milk deliveries. BTV outbreaks are also negatively affecting French sheep and goat herds and milk deliveries.

Trade

Imports of fluid milk from outside the EU are minimal, with over 98 percent from the UK (specifically from Northern Ireland) for processing in Ireland. These imports are forecast at 760,000 MT in 2026, a 1.3-percent increase from 2025, in line with expectations for marginally declining Irish milk production due to the reduction in the dairy herd. The 2025 imports are estimated down from 2024, as Irish milk deliveries are expected to recover from their 2024 weather-related decline.

The 2026 EU27 fluid milk exports are forecast to decline further by 7.2 percent from 2025 levels, due to expected lower demand from the People's Republic of China (PRC), combined with smaller EU27 milk production. The PRC and the UK are anticipated to remain the main recipients; however other Asian countries are increasing their share of EU27 exports. In 2025, EU27 fluid milk exports are estimated at 1.1 MMT, down by 5.5 percent from 2024. Between January-July 2025, EU27 fluid milk exports were down by 8.4 percent as compared to January-July 2024, driven by declining exports to the PRC (down 22 percent) which were not fully compensated by increased exports to the UK (up 14 percent) and the Dominican Republic (up 7 percent). Weaker PRC demand was paired with smaller exports to South Korea (down 5 percent), Philippines (down 3 percent), and Switzerland (down 18 percent), among the major destinations, but also paired with smaller exports to the Middle East. The EU is the least price-competitive among major milk producers and declining deliveries are utilized by their domestic milk processing industry.

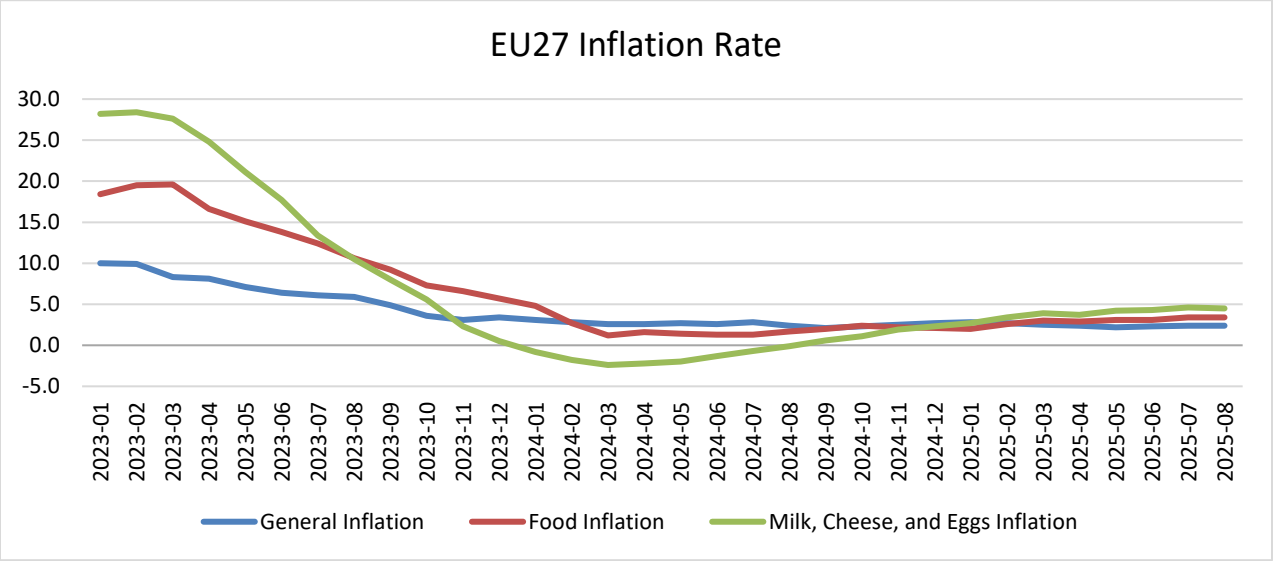
Domestic Consumption

The 2026 fluid milk domestic consumption is forecast at 23 MMT, down 0.9 percent from 2025, continuing the downward trend of recent years, as diet preferences shift and milk alternatives gain

popularity. The 2025 EU fluid milk consumption is estimated at 23.2 MMT, down 1.3 percent from 2024, driven by ongoing smaller household consumption.

In August 2025, the average EU27 inflation rate was 2.4 percent, down from its peak of 11.5 percent in October 2022.

Graph 6. EU Average Inflation Evolution, Annual Rate of Change



Source: Eurostat

Starting in September 2024, the EU27 average inflation rate for milk and dairy products began to increase from previously negative levels, reaching 2.3 percent in December 2024 – slightly above the food inflation rate. This increasing trend continued in 2025, amounting to 4.5 percent in August 2025, higher than both the food inflation (3.4 percent) and general inflation rates. As a result, consumers continue to see higher prices, even when compared to pre-inflation peak times. Additionally, certain measures introduced in 2023 by some European governments to alleviate food inflation pressure on consumers have ended. For example, a VAT reduction for basic food products was withdrawn in Poland in April 2024 and in Spain in January 2025.

Factory Use Consumption

With lower milk production, factory use consumption is also forecast to slightly contract by 0.3 percent in 2026, after a decline of 0.3 percent in 2025. As a result, dairy processors will need to carefully assess for which products they will use available milk. Cheese continues to be the growth area of factory use, at the expense of other products.

Cheese

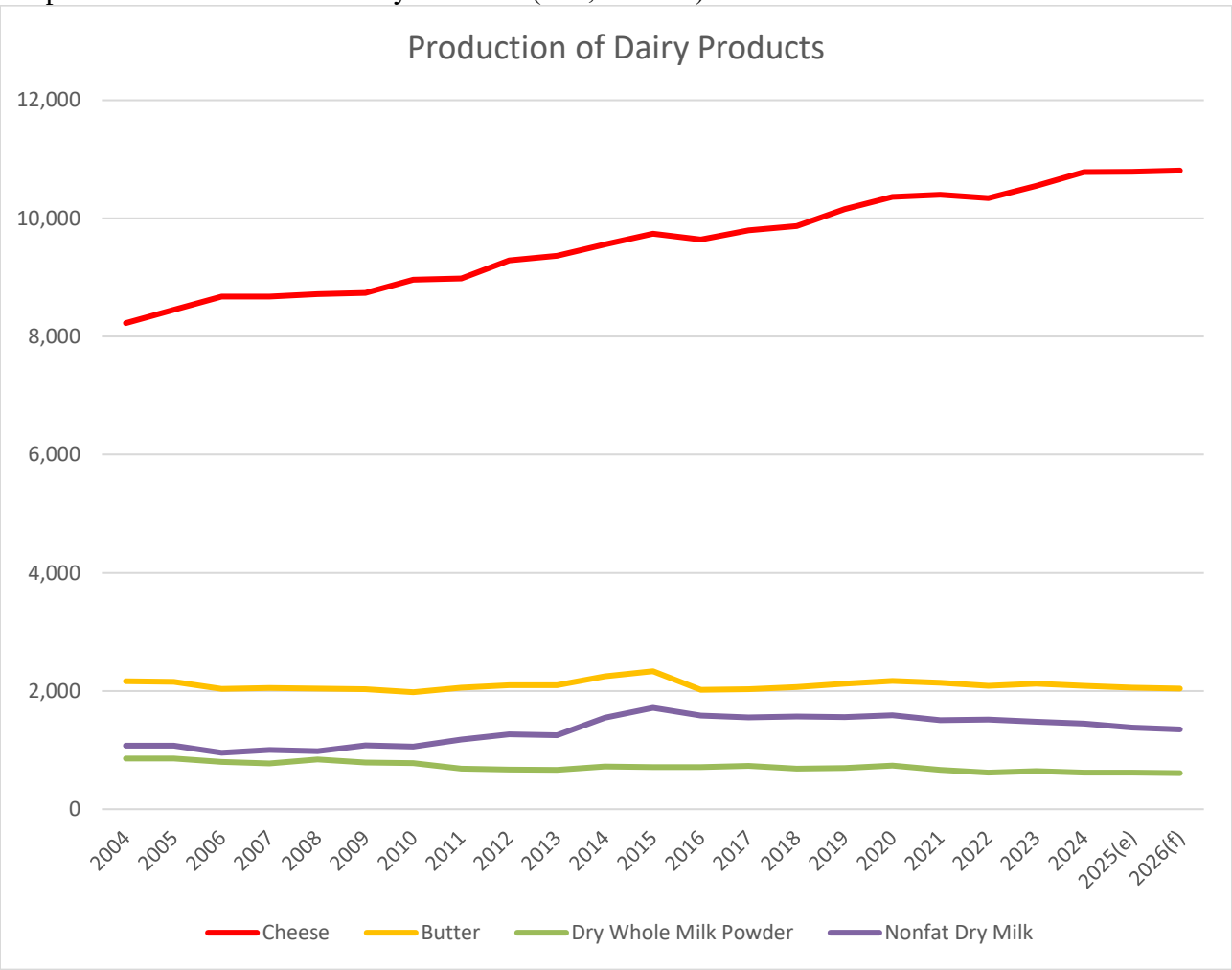
Table 2. Cheese Production, Supply, and Distribution:

Dairy, Cheese	2024		2025		2026	
Market Year Begins	Jan 2024		Jan 2025		Jan 2026	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	10,700	10,783	10,720	10,790	0	10,810
Other Imports (1000 MT)	187	187	190	200	0	190
Total Imports (1000 MT)	187	187	190	200	0	190
Total Supply (1000 MT)	10,887	10,970	10,910	10,990	0	11,000
Other Exports (1000 MT)	1,387	1,387	1,395	1,380	0	1,370
Total Exports (1000 MT)	1,387	1,387	1,395	1,380	0	1,370
Human Dom. Consumption (1000 MT)	9,500	9,583	9,515	9,610	0	9,630
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	9,500	9,583	9,515	9,610	0	9,630
Total Use (1000 MT)	10,887	10,970	10,910	10,990	0	11,000
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	10,887	10,970	10,910	10,990	0	11,000
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Production

In 2026, EU27 cheese production is forecast to increase, amounting to 10.81 MMT, up by 0.2 percent from 2025. Cheese production continues to be the primary output goal of the European dairy processing industry, supported by strong domestic consumption and solid, although marginally declining, export demand. This trend is expected to continue in 2026.

Graph 7. EU Production of Dairy Products (in 1,000 MT)

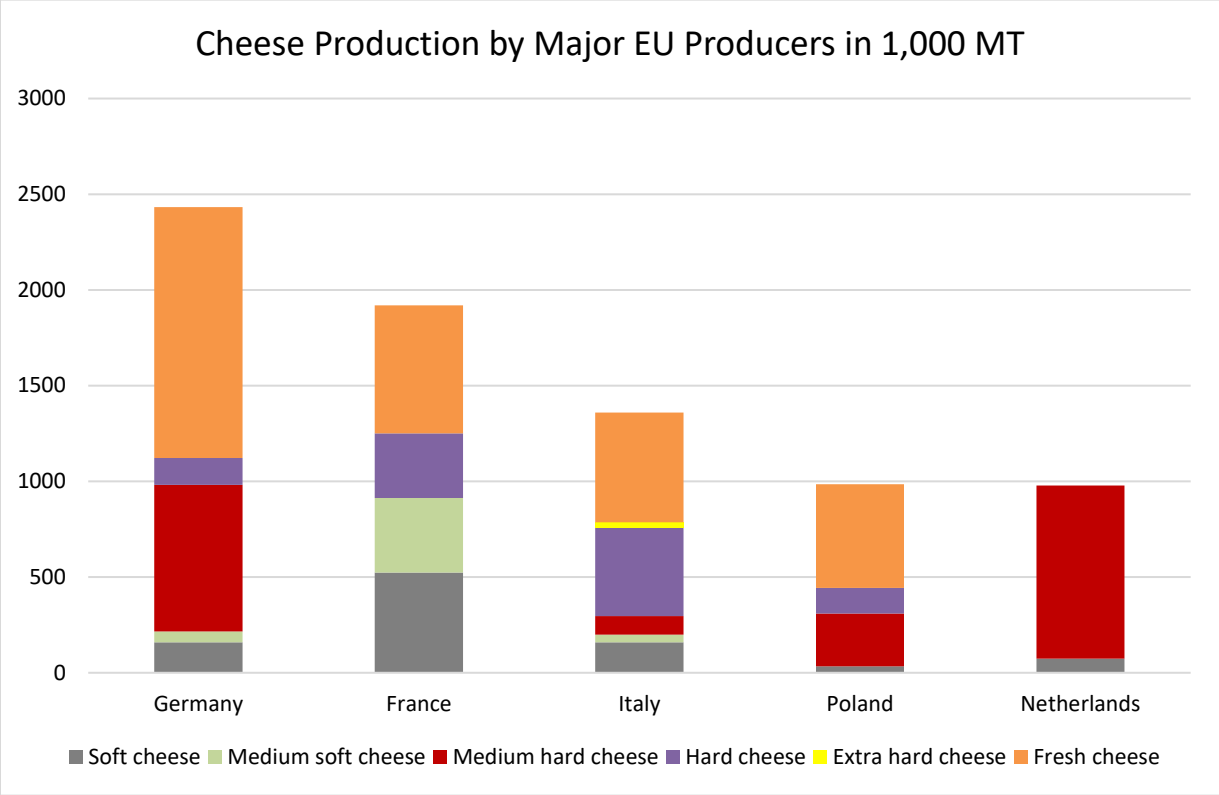


Source: USDA and FAS EU Offices

In 2025, cheese production is estimated to amount to 10.79 MMT, up 0.06 percent from 2024. During January-June 2025, EU27 cheese production increased by 0.7 percent compared to January-June 2024 (no leap year adjustment). However, production is estimated to slow down later in the year with tight milk availability. Despite lower milk deliveries, cheese continues to be preferred product by the European dairies, at the expense of other dairy commodities.

Germany, France, Italy, the Netherlands, and Poland remain the major producers, accounting for approximately 75 percent of total EU27 cheese production.

Graph 8. Cheese Production by Major EU Producers in 2024, by Cheese Type (in 1,000 MT)

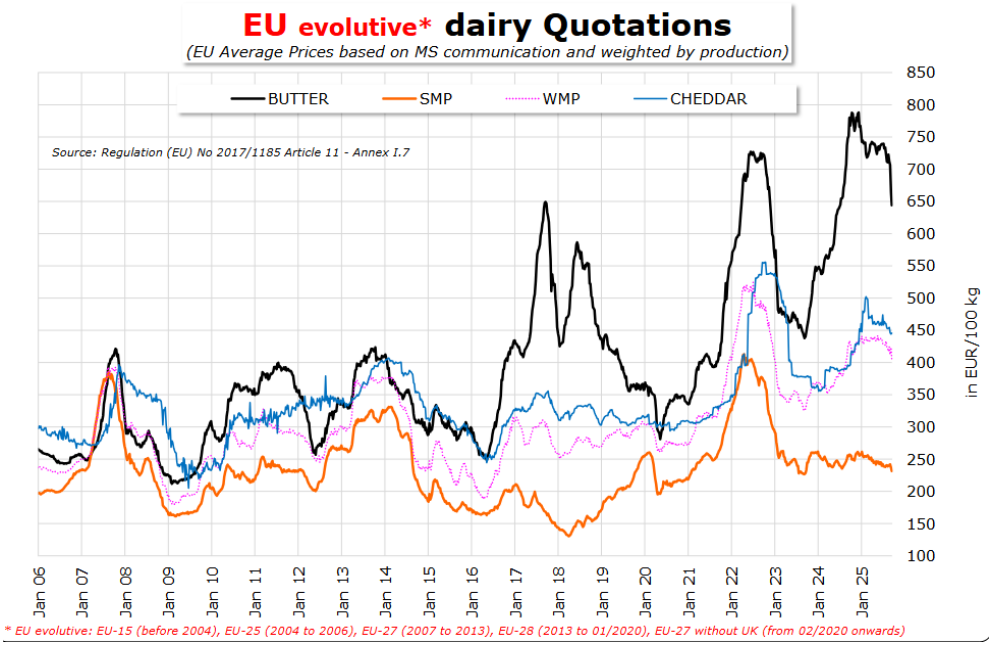


Source: EUROSTAT data (for the Netherlands, fresh cheese and hard cheese production data is confidential; for Poland, medium soft cheese and extra hard cheese production data is confidential).

About 40 percent of EU27 production is fresh cheese, defined as the product obtained from sour milk from which most of the serum (whey) has been removed, as well as curds. The remaining 60 percent of the EU27 production is distributed mainly to medium-hard, hard, and soft cheeses.

Butter was the highest priced of all reported dairy products in September 2025. However, more stable cheese prices and increasing domestic consumption, combined with solid, although marginally declining, export demand is expected to result in increasing share of milk used for cheese production. Additionally, many specialty cheeses produced in the EU allow for higher pricing, improving producers' margins.

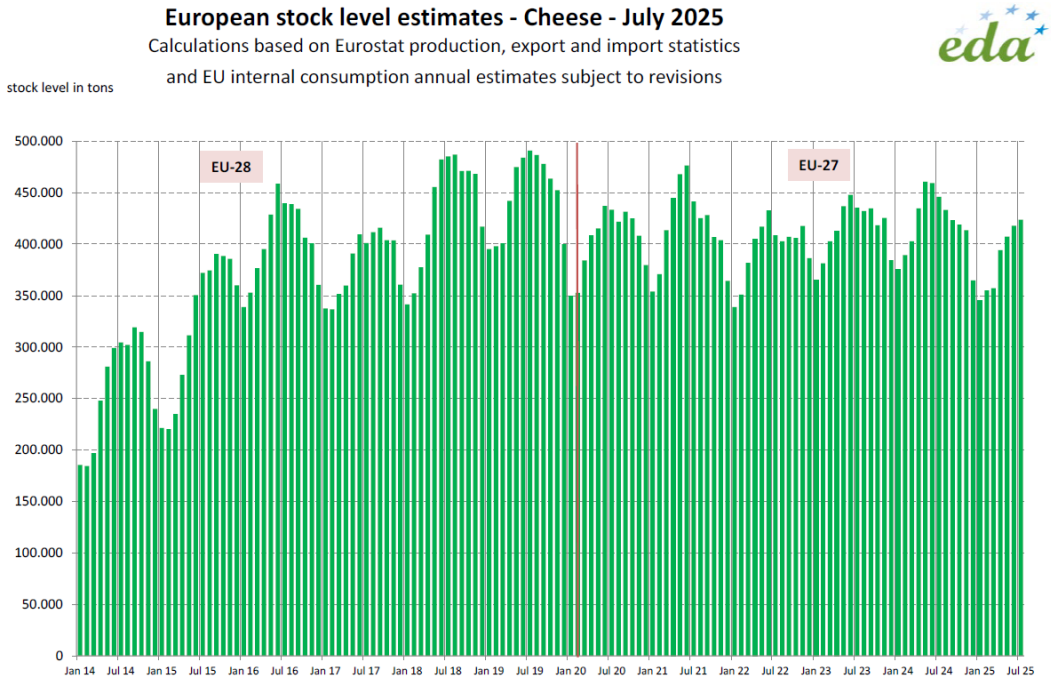
Graph 9. EU Dairy Product Quotations



SMP – Skimmed Milk Powder or Non-Fat Dry Milk
WMP – Whole Milk Powder
Source: European Commission

The European Dairy Association (EDA) notes industry cheese stockpiles returned to normal levels in July 2025. This can be attributed to growing production combined with strong domestic demand.

Graph 10. EDA Estimates of Monthly EU Cheese Stockpiles



Source: European Dairy Association

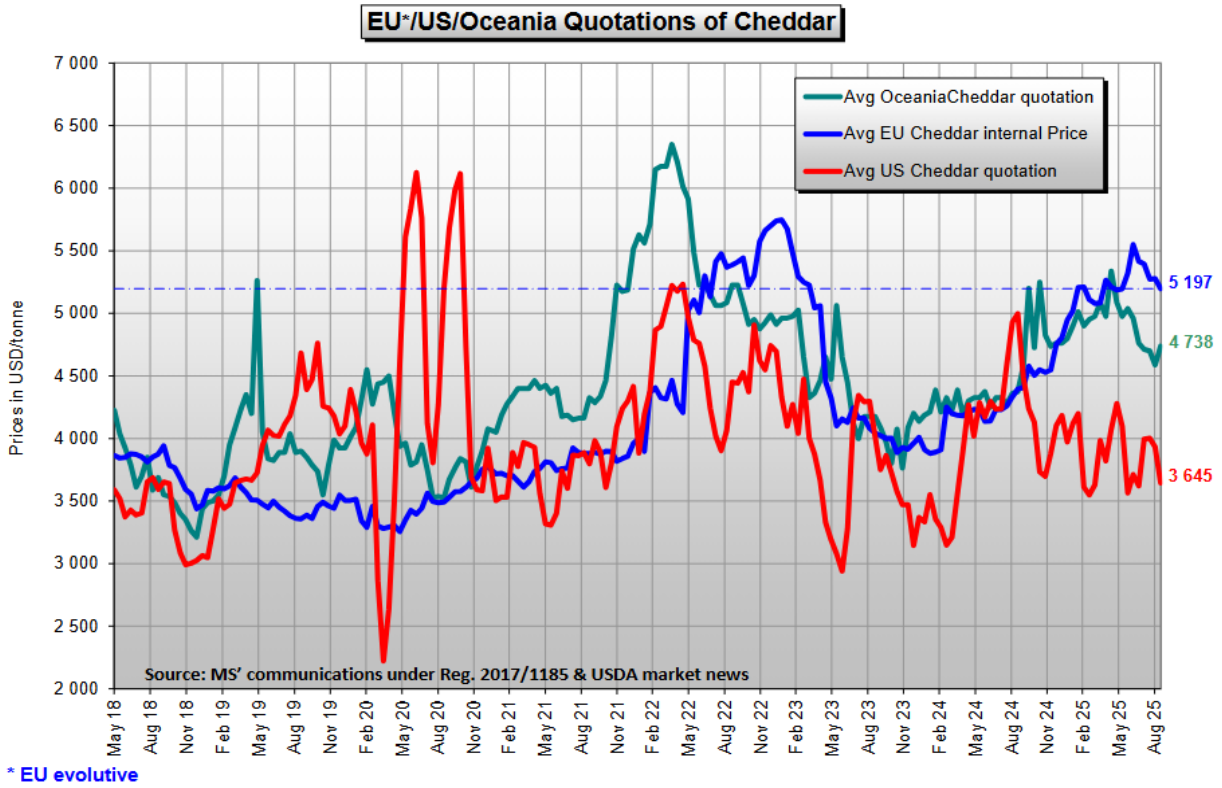
Trade

Cheese imports into the EU are relatively small (less than 2 percent of domestic production) and mainly originate from the UK and Switzerland. In 2026, EU27 cheese imports are forecast to decrease by 5 percent as higher EU27 cheese production, paired with weakening export demand, could lead to lower demand for different varieties of imported cheese, like cheddar and gruyere. In 2025, imports are estimated to be 7 percent higher than in 2024. Imports for 2025 have been strong so far, with an increase of 4.7 percent in January-June 2025, with growing Swiss deliveries (up 6 percent) offsetting declining imports from the UK (down 8 percent). This increase is a result of EU27 economic growth supporting recovery of the hospitality sector and consumption of high-value cheeses. Import growth is estimated to continue at the current pace in coming months.

The United States is not a major exporter of cheese to the EU. In 2024, U.S. cheese and curd exports to the EU amounted to 534 MT. However, in January-July 2025 imports of cheese from the United States reached 661 MT, up 244 percent from the same period of 2024, due to the price difference favoring U.S. products. There is a further import growth potential, as on July 27, 2025, U.S. President Trump and EC President von der Leyen announced an agreement on tariffs and trade to rebalance the economic relationship between the United States and the EU. For more details see the EU Policy section.

About 13 percent of EU27 cheese production is exported, with the UK, the United States, and Japan being the top three destinations. The EU remains the world's largest cheese exporter, followed by the United States and New Zealand. In 2026, EU exports are forecast to slightly contract by 0.7 percent, reaching 1.37 MMT. This decline in EU exports, a continuation from 2025, is the result of higher EU cheese prices, as compared to other competitors, as well as international trade tensions. In 2025, EU exports are estimated to decrease slightly by 0.7 percent, reaching 1.38 MMT. Between January-July 2025, EU cheese exports increased by 1.5 percent compared to January-July 2024, prompted by higher UK demand (such as cheese for processing) and U.S. stockpiling of European cheese before anticipated tariffs. These increases compensated for declining exports to Japan. Improved domestic demand and geopolitical uncertainties are likely to slightly constrain exports through the latter part of the year.

Graph 11. Comparison of Cheddar Quotations of the EU, the United States, and Oceania

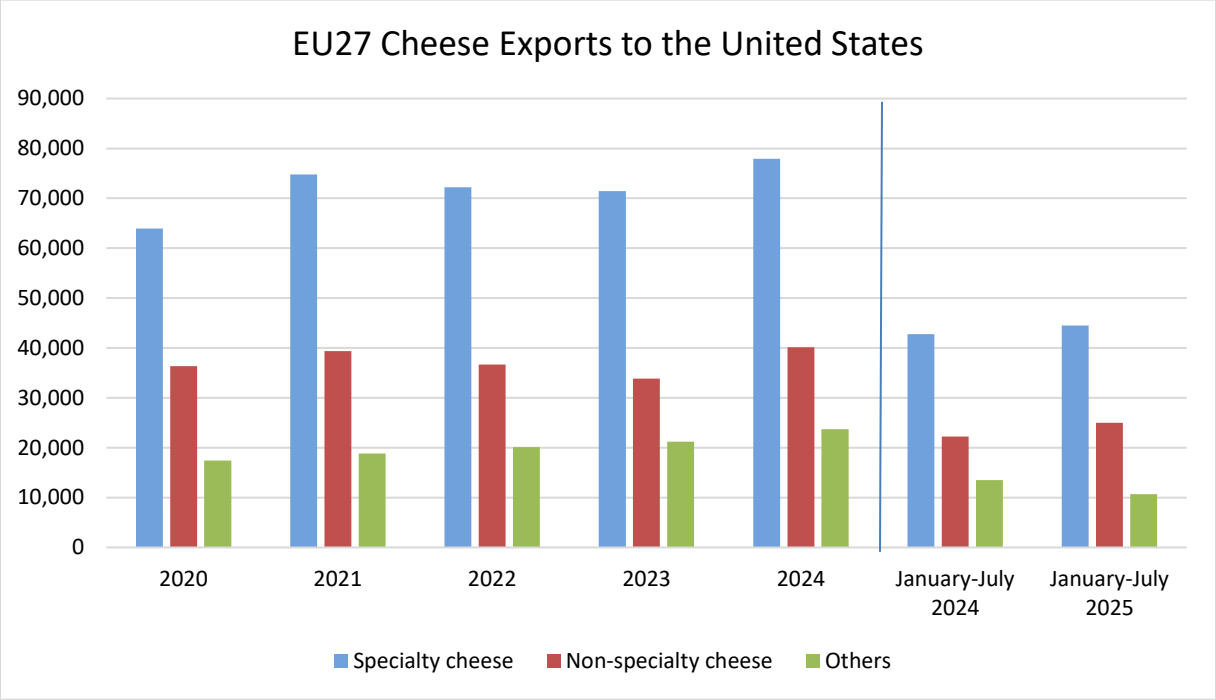


Source: European Commission

In August 2025, EU cheese prices were the least competitive in the global market, elevated due to unfavorable EUR/USD exchange rate, while U.S. prices were significantly lower. With over 50 percent of EU exports directed to four countries (the UK, the United States, Japan, and Switzerland), EU exporters continue to focus on developments in these markets. However, with growing geopolitical tensions, EU exporters are examining other export markets, including those offered by newly concluded trade agreements. For more details see the EU Policy section.

EU27 cheese exports to the United States are expected be negatively affected in 2025. In 2024, the EU Member States exported almost 141,900 MT of cheese, valued at $1.4 billion to the United States, with Italy, France, the Netherlands, and Spain being the largest exporters. Specialty cheeses accounted for 45 percent of exported production. Between January-July 2025, EU27 cheese exports to the United States increased by 2 percent, driven mostly by the increase in specialty cheese exports, compensating for declines in mozzarella and fresh cheese exports. The U.S. 15-percent tariffs imposed on all EU imports will potentially limit the export volume of specialty cheeses which are priced higher than other types of cheese. For more details on the U.S. tariffs, see the EU Policy section.

Graph 12. EU27 Cheese Exports to the United States by Different Types of Cheese (in Metric Tons)



Specialty cheeses: HS codes 04069013, 04069015, 04069017, 04069018, 04069021, 04069023, 04069025, 04069029, 04069032, 04069035, 04069037, 04069039, 04069061, 04069063, 04069073, 04069074, 04069075, 04069076, 04069078, 04069079, 04069081, 04069082, 04069084, 04069085
Non-specialty cheeses: HS codes 04069089, 04069092, 04069099, 04069086, 04069069, 04069093
Source: TDM Ltd.

Future EU27 cheese exports may also be potentially affected by a trade dispute between the PRC and the EU. On August 21, 2024, the PRC launched an investigation on imported EU dairy products, examining EU agricultural subsidies and the subsequent industrial damage to Chinese producers. Dairy products subject to the investigation include, among others, fresh cheese and curd, processed cheese, blue cheese, and other cheese not otherwise named. On August 18, 2025, the PRC extended its investigation by 6 months. For more details see the EU Policy section.

Domestic Consumption

After a moderate fall in 2022, caused by lower consumer purchasing power, EU27 domestic cheese consumption returned to its long-term increasing trend and is expected to grow further in 2026, up 0.2 percent from 2025 levels.

In 2025, domestic consumption is expected to slightly increase by 0.3 percent, stimulated by higher incomes and economic growth, as well as the booming hospitality sector and tourism.

The top cheese-consuming Member States are Germany, France, Italy, Poland, and Spain.

Butter

Table 3. Butter Production, Supply, and Distribution

Dairy, Butter	2024		2025		2026	
Market Year Begins	Jan 2024		Jan 2025		Jan 2026	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	2,080	2,087	2,060	2,090	0	2,060
Other Imports (1000 MT)	41	36	60	70	0	70
Total Imports (1000 MT)	41	36	60	70	0	70
Total Supply (1000 MT)	2,121	2,123	2,120	2,160	0	2,130
Other Exports (1000 MT)	273	267	260	260	0	220
Total Exports (1000 MT)	273	267	260	260	0	220
Domestic Consumption (1000 MT)	1,848	1,856	1,860	1,900	0	1,910
Total Use (1000 MT)	2,121	2,123	2,120	2,160	0	2,130
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	2,121	2,123	2,120	2,160	0	2,130
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

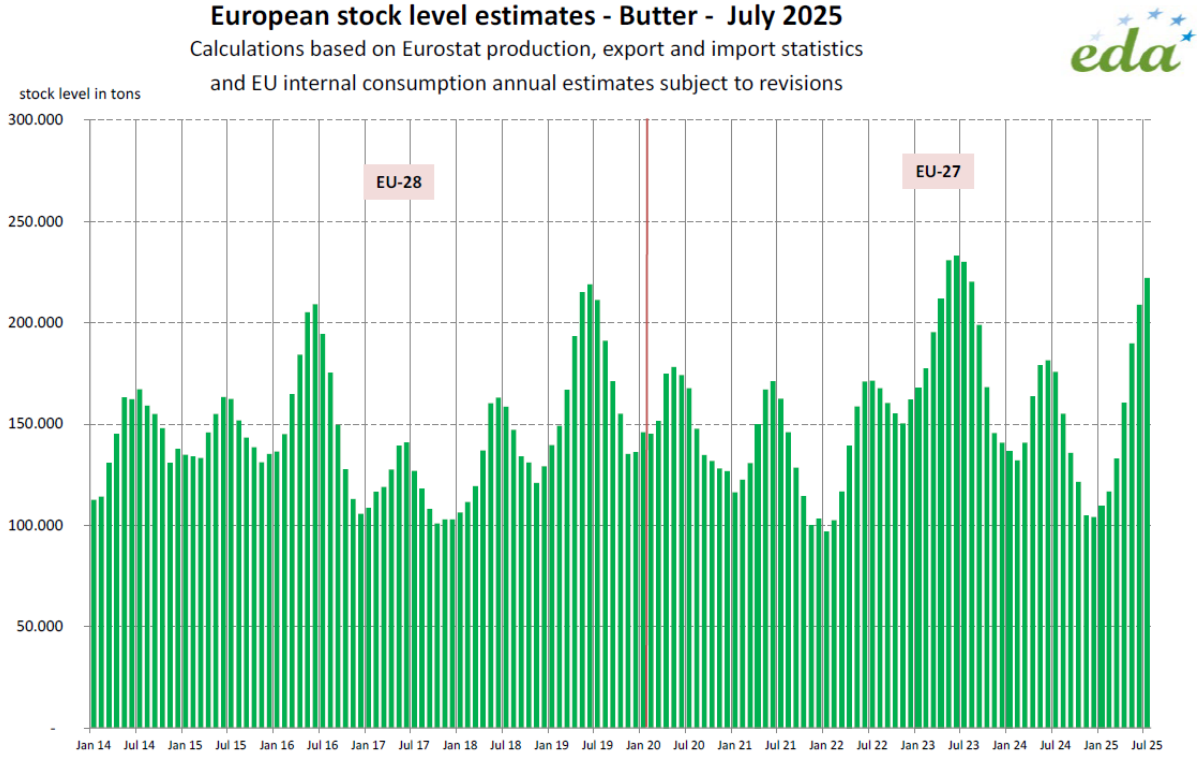
Production

EU27 butter production in 2026 is forecast at 2.06 MMT, a decline of 1.4 percent from 2025, as a smaller milk supply will favor cheese production over butter and NFDM.

In 2025, EU27 butter production is estimated to increase by 0.1 percent supported by strong domestic demand and despite lower competitiveness for EU butter on global markets, negatively affecting exports. In January-June 2025, EU27 butter production increased by 2 percent, but a reduction is expected in the following months due to lower milk availability.

The EDA reports that in July 2025 butter stockpiles kept by the industry were higher than in previous years, a result of slightly higher butter production in the first half of 2025 and smaller exports to international markets combined with higher imports.

Graph 13. European Butter Stockpiles Estimates in July 2025



Source: European Dairy Association

Germany, France, Ireland, Poland, Belgium, and the Netherlands are the EU's largest butter producers, providing around 75 percent of the EU27 butter supply.

Trade

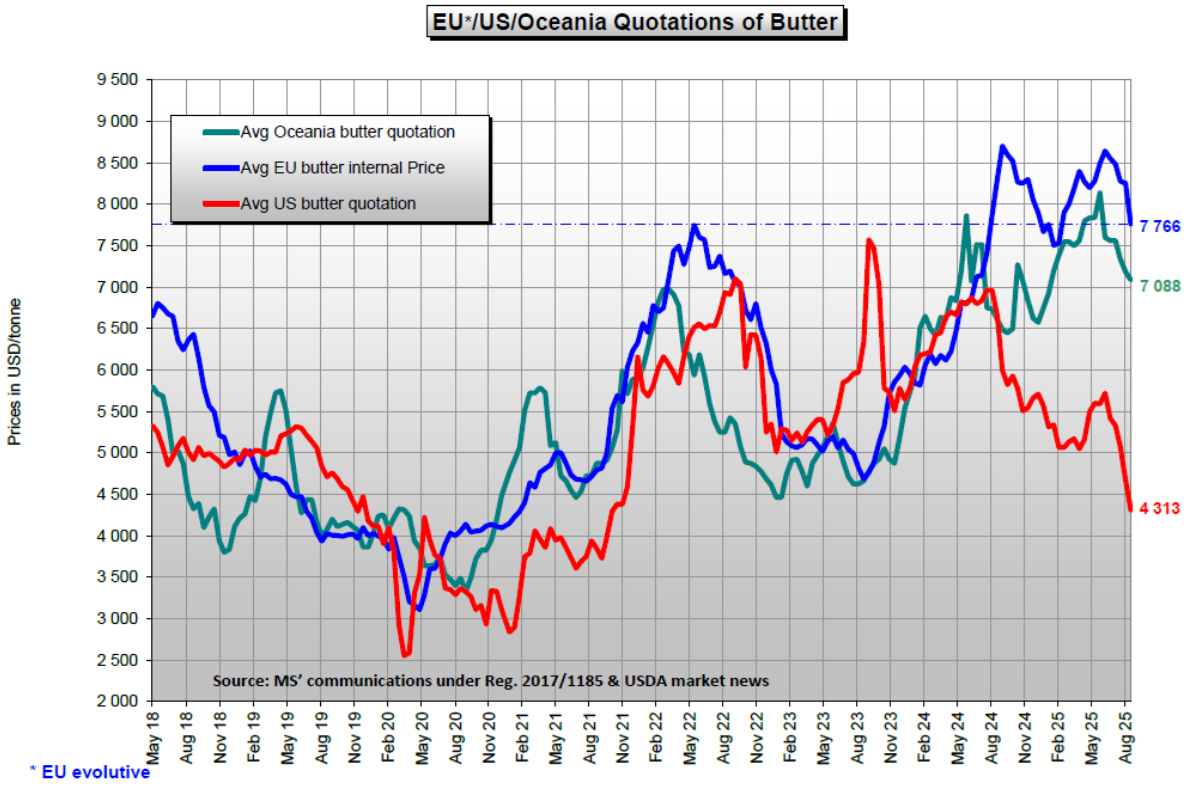
EU27 butter imports are very small compared to overall production and are dominated by the UK. 2026 butter imports are forecast at the same level as 2025, to offset lower EU production amid growing domestic consumption. In 2025, imports are estimated to increase by 94 percent, due to competitive import prices on the EU market. Although EU27 butter imports were up by 108 percent in January-July 2025 compared to the same period of last year, they may slightly weaken in the second half of the year, supported by high butter stockpiles kept by the industry during the first half of 2025.

Between January-July 2025, butter imports from the United States reached record levels, amounting to 2,278 MT compared with no imports during the same period last year and just 244 MT for all of 2024. The surge is driven by a price gap between the United States and the EU of nearly 45 percent, fueled by rising EU butter consumption and strong EU farm-gate milk prices increasing costs for the European producers.

The 2026 EU27 butter exports are forecast to decline by 15 percent from 2025 with steady domestic consumption absorbing most of the EU27 production and not competitive EU butter prices against other global exporters. In 2025, butter exports are estimated down by 2.6 percent. In January-July 2025, EU27 butter exports were down by 1.9 percent compared to January-July 2024, but this may further weaken in the second half of the year given the EU's lack of competitiveness on the global market.

In January-July 2025, the main destinations for EU butter exports were the United States, the UK, the PRC, South Korea, and Saudi Arabia. Increased supplies to the United States (up 29 percent), the UK (up 3 percent), and South Korea (up 7 percent) failed to offset declines in exports to the PRC (down 11 percent), and Saudi Arabia (down 27 percent). Ireland and France are the main EU exporters of butter to the United States, both reporting increases in the first half of 2025, of 32 and 37 percent respectively. These sales may be the result of U.S. importers stockpiling European butter before the anticipated introduction of tariffs. However, strong growth of EU exports to the United States is not expected throughout the year, as the U.S. 15-percent tariffs imposed on all EU imports might potentially erode further EU's competitiveness.

Graph. 14. Comparison of Butter Quotations of the EU, the United States, and Oceania



Source: European Commission

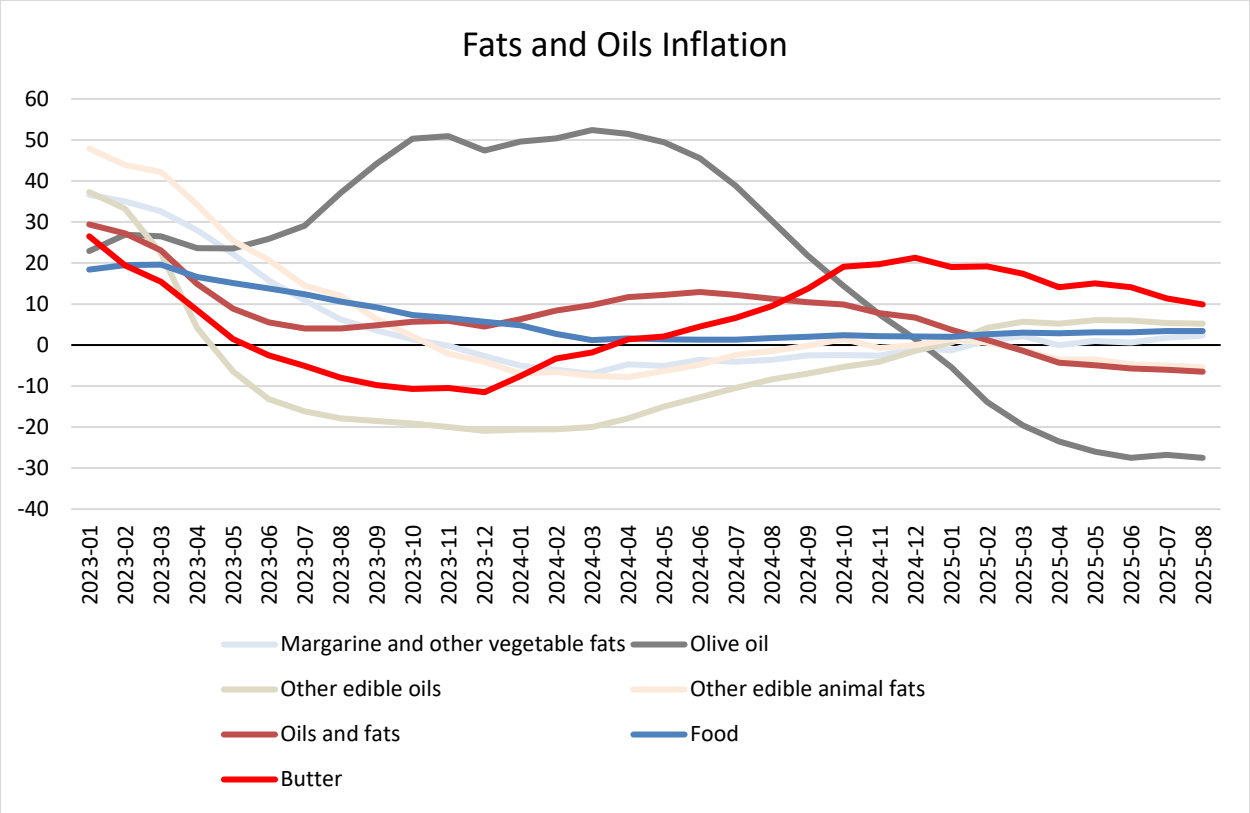
Domestic Consumption

EU27 butter consumption in 2026 is forecast to increase slightly by 0.5 percent over 2025, amounting to 1.91 MMT. Despite some health concerns, butter continues to meet consumer needs for natural, whole foods and is used for specific occasions such as baking. Additionally, butter price declines, observed in late 2025, when passed on to consumers could positively influence the butter demand growth.

In 2025, butter consumption is estimated at 1.9 MMT, up 2.4 percent from 2024. Despite high prices, domestic demand for butter is expected to remain strong, particularly in households, supported by declining butter prices. In August 2025, butter price inflation was 9.9 percent year-on-year, continuing a

declining trend from peak prices noted in December 2024 (inflation at 21.3 percent). Additionally, in September 2025, there was a significant correction in butter wholesale prices within the previous 4 weeks (10.8 percent), which might translate into further price reductions for final consumers in the next months. However, butter faces price competition from other fats and oils. In August 2025, a negative inflation rate of -6.5 percent on prices of all fats and oils was recorded, margarine price inflation was at 2.3 percent, and olive oil price inflation was at -27.5 percent, making butter less competitive compared to vegetable fats.

Graph 15. Comparison of Fats and Oils Inflation Rate



Source: Eurostat

It is important to note that butter consumption patterns vary across the EU, driven by local cooking and eating habits. Member States around the Mediterranean Sea typically consume less butter, as cooking there mostly involves olive oil, while those in the central and eastern parts of the EU consume more plant-based spreads because of lower prices.

Non-Fat Dry Milk

Table 4. NFDM Powder Production, Supply, and Distribution

Dairy, Milk, Nonfat Dry	2024		2025		2026	
Market Year Begins	Jan 2024		Jan 2025		Jan 2026	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	1400	1448	1360	1420	0	1360
Other Imports (1000 MT)	41	41	40	40	0	40
Total Imports (1000 MT)	41	41	40	40	0	40
Total Supply (1000 MT)	1441	1489	1400	1460	0	1400
Other Exports (1000 MT)	718	717	720	720	0	710
Total Exports (1000 MT)	718	717	720	720	0	710
Human Dom. Consumption (1000 MT)	723	772	680	740	0	690
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	723	772	680	740	0	690
Total Use (1000 MT)	1441	1489	1400	1460	0	1400
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	1441	1489	1400	1460	0	1400
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

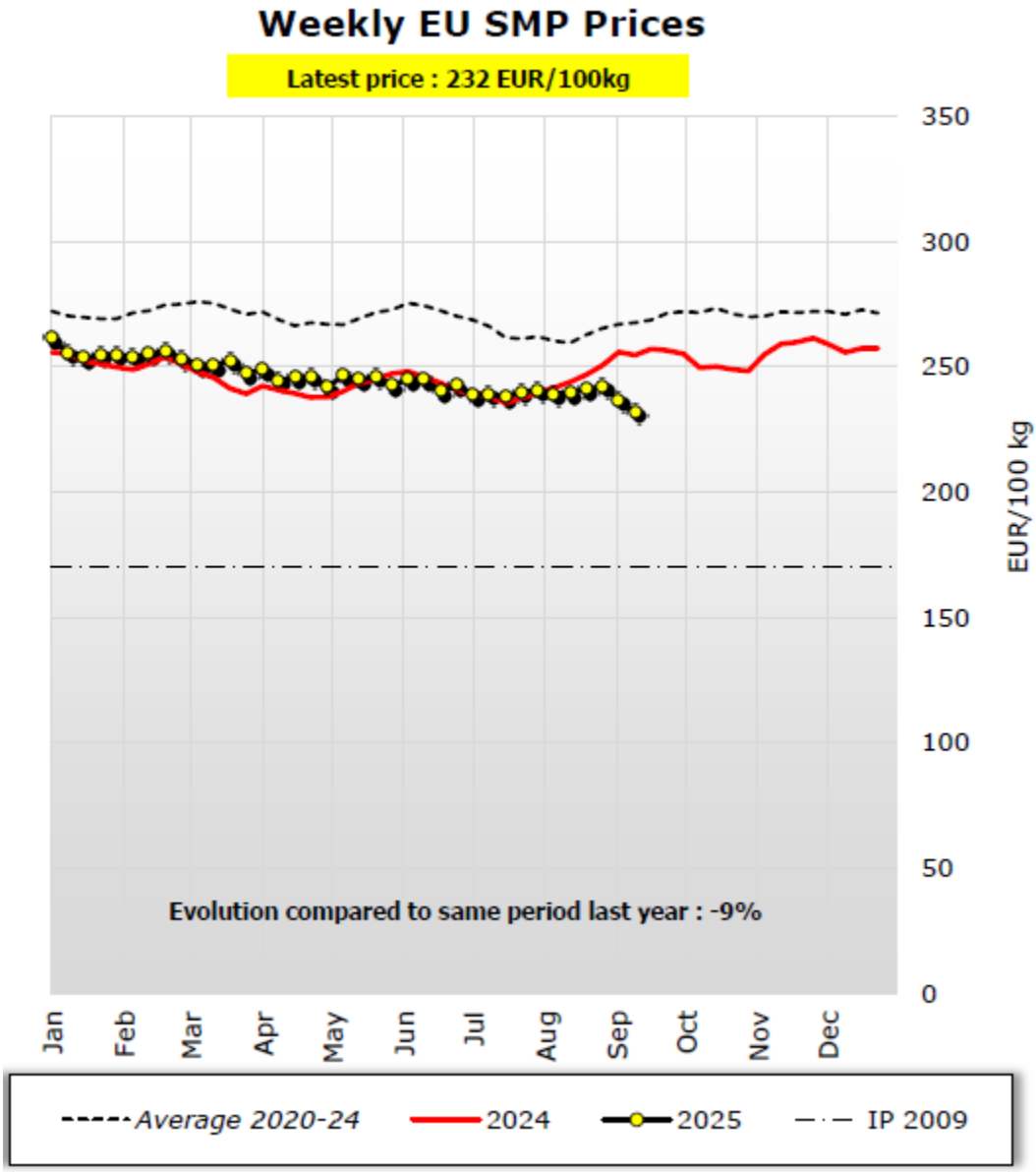
Production

The 2026 NFDM production is forecast to shrink to 1.36 MMT, down 4.2 percent from 2025 production levels, resulting from increased cheese production leaving less milk available for other dairy products, as well as expected weaker domestic consumption and export demand for NFDM. In 2025, NFDM production is estimated to amount to 1.42 MMT, down 1.9 percent from 2024.

Although NFDM production in the EU27 is often tied to butter production and is usually not a production goal on its own, it does respond to export market demands. In January-June 2025, NFDM production among major EU producers dropped by 2.7 percent as compared to January-June 2024 due to the unfavorable domestic market situation.

European NFDM prices in 2025 have been declining since the beginning of the year, reaching EUR 232 per 100 kg on September 17, 2025, and remaining lower than the EU average for 2020-2024. As a result, weak prices are expected to prompt EU dairies to further limit NFDM production in the next months.

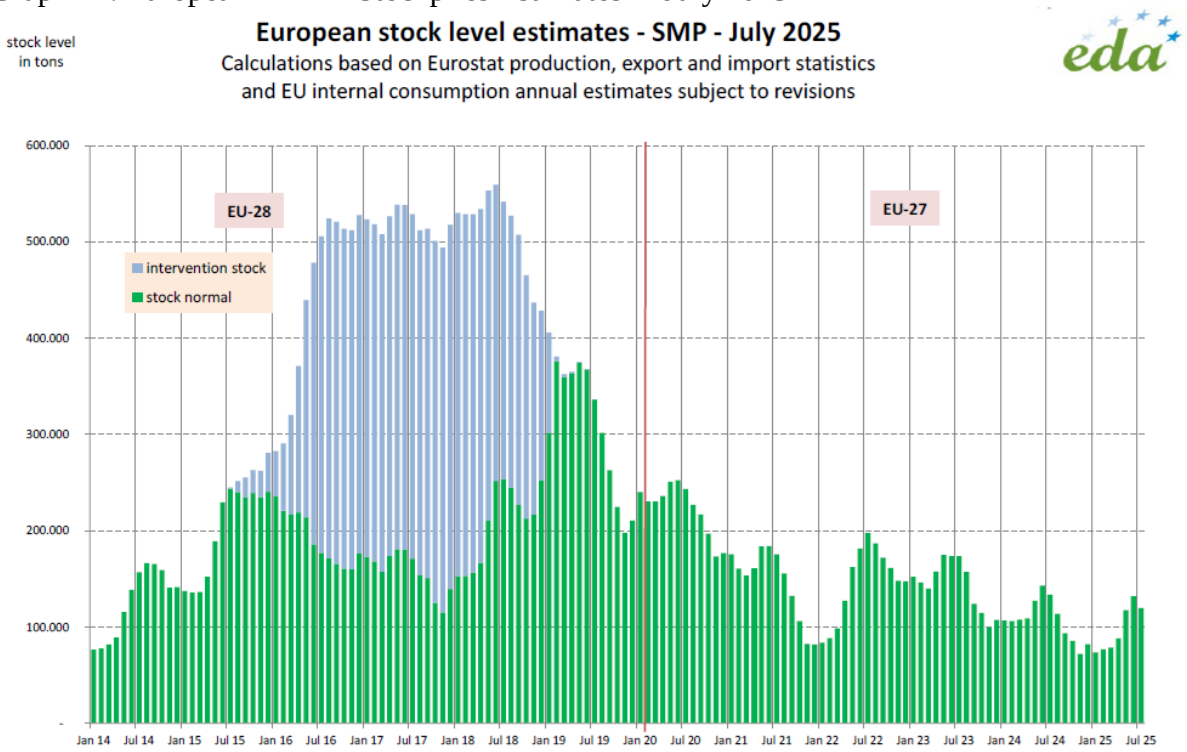
Graph 16. Average NFDM Prices in the EU Market



SMP stands for skimmed milk powder, which is equivalent to NFDM
Source: European Commission

The EDA reports EU industry NFDM stockpiles recovering from their low levels observed at the beginning of the year. This results from stable exports and reduced consumption in the chocolate industry.

Graph 17. European NFDM Stockpiles Estimates in July 2025



Source: European Dairy Association

Trade

The EU imports little NFDM, and 2026 imports are forecast to stagnate at 2025 levels, as lower production will be sufficient to satisfy lower consumption demand and weaker exports. Until 2021, almost all imported NFDM was sourced from the UK. However, UK imports declined after Brexit. Imports from Ukraine increased starting in 2022, the result of quota and tariff-free access to the EU market granted to Ukraine and extended until June 5, 2025. As of June 6, 2025, the EU-Ukraine trade relationship reverted to the 2014 Deep and Comprehensive Free Trade Agreement, however it prorated the quotas for the last 7 months of 2025. Once thresholds are met, standard tariffs apply. For more details, see the EU Policy section. The United States is the third largest supplier of NFDM to the EU, although only accounting for 3 percent of all EU imports.

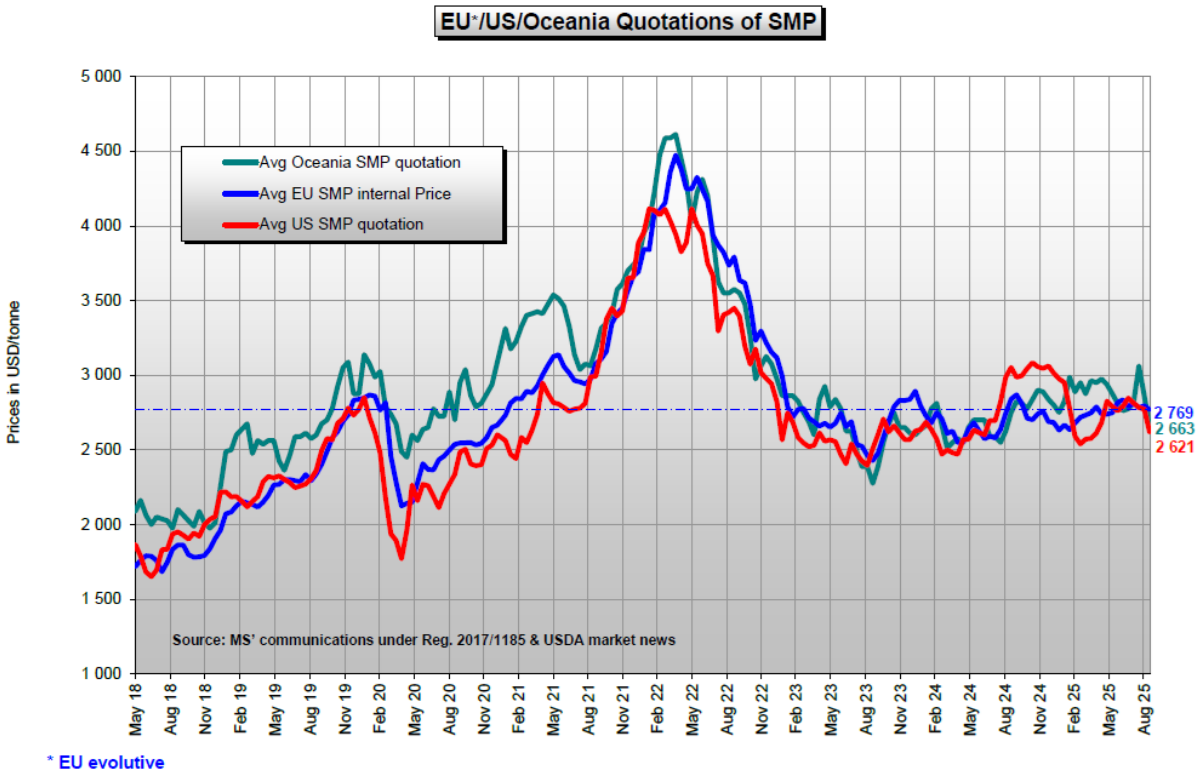
In 2025, EU27 NFDM imports are estimated at 40,000 MT, down 2.4 percent from 2024. Between January to July 2025, EU27 imports of NFDM declined by 1.6 percent compared to the same period in 2024, driven by lower supplies from the UK (down 9 percent). Increased imports from Ukraine are not expected to compensate for the UK decrease in later months, considering the thresholds for tariff-free quotas established for the rest of 2025.

In 2026, EU27 exports are expected to decline by 1.4 percent from 2025, with domestic consumption absorbing a large part of declining production. In 2025, EU27 exports are expected to increase moderately by 0.4 percent from the previous year, with lower EU production weighing on export volumes. For the EU, the traditional buyers are North Africa (Algeria topping the list), the PRC, the Middle East, and South-East Asia. However, EU NFDM exports compete heavily with exports from the

United States and New Zealand, with the EUR/USD exchange rate and the market proximity being important factors.

Between January-July 2025, EU NFDM exports rose 4 percent compared to the same period of 2024, prompted by larger-than-usual orders from Saudi Arabia, Indonesia, Vietnam, Malaysia, and Nigeria which benefited from lower EU prices in the first half of 2025, competitive to Oceania's prices. These increased exports more than offset lower deliveries to traditional buyers in North Africa and the PRC. However, this trend will be tempered in the later months with declining EU27 production and a smaller amount of NFDM available for export. Additionally, the weaker U.S. dollar seen so far in 2025 has negatively weighed on EU competitiveness on the global markets.

Graph 18. Comparison of Skimmed Milk Powder (SMP) Quotations of EU, the United States, and Oceania



Source: European Commission

Around half of EU NFDM production is exported, but this amount fluctuates depending on the EU competitiveness on global markets. The main NFDM exporting EU Member States are Germany, France, Belgium, the Netherlands, Ireland, and Poland.

Domestic Consumption

Domestic consumption of NFDM in the EU is mainly in the food industry, where it is added to dairy products such as UHT milk, yogurts, or cheeses, and also as non-fat milk solids in chocolate and bakery goods. Calf feed for veal production is another outlet on the domestic market. The 2026 forecast for NFDM domestic consumption is estimated at 0.69 MMT, down by 6.8 percent from 2025 level, due to

lower demand in the feed sector, caused by the expected reduction in animal numbers. Additionally, high cocoa bean prices reduced chocolate production, dampening NFDM demand in the food sector.

Domestic consumption in 2025 is estimated to be 4.1 percent down from 2024 levels.

Whole Milk Powder

Table 5. Whole Milk Powder (WMP) Production, Supply, and Distribution:

Dairy, Dry Whole Milk Powder	2024		2025		2026	
Market Year Begins	Jan 2024		Jan 2025		Jan 2026	
European Union	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	630	619	590	600	0	590
Other Imports (1000 MT)	16	16	20	20	0	20
Total Imports (1000 MT)	16	16	20	20	0	20
Total Supply (1000 MT)	646	635	610	620	0	610
Other Exports (1000 MT)	209	208	190	180	0	160
Total Exports (1000 MT)	209	208	190	180	0	160
Human Dom. Consumption (1000 MT)	437	427	420	440	0	450
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	437	427	420	440	0	450
Total Use (1000 MT)	646	635	610	620	0	610
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	646	635	610	620	0	610
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Production

The 2026 EU27 WMP production is forecast to decline by 1.7 percent from 2025, with lower milk supplies favoring cheese production over other products. This follows an estimated 3.1 percent decrease in 2025 caused by weaker exports. In January-June 2025, estimated WMP production increased by 1.4 percent as compared to January-June 2024, but is expected to weaken in future months in response to declining export demand.

WMP production usually generates the lowest processing margins, and EU processors generally prioritize cheese production, which offers the most stable long-term returns. Additionally, for the food industry, WMP faces competition from fat-filled milk powders (FFMPs), which are produced by

blending vegetable fats with high quality NFDM. FFMP is used to replace full cream milk powder while being more economical than WMP.

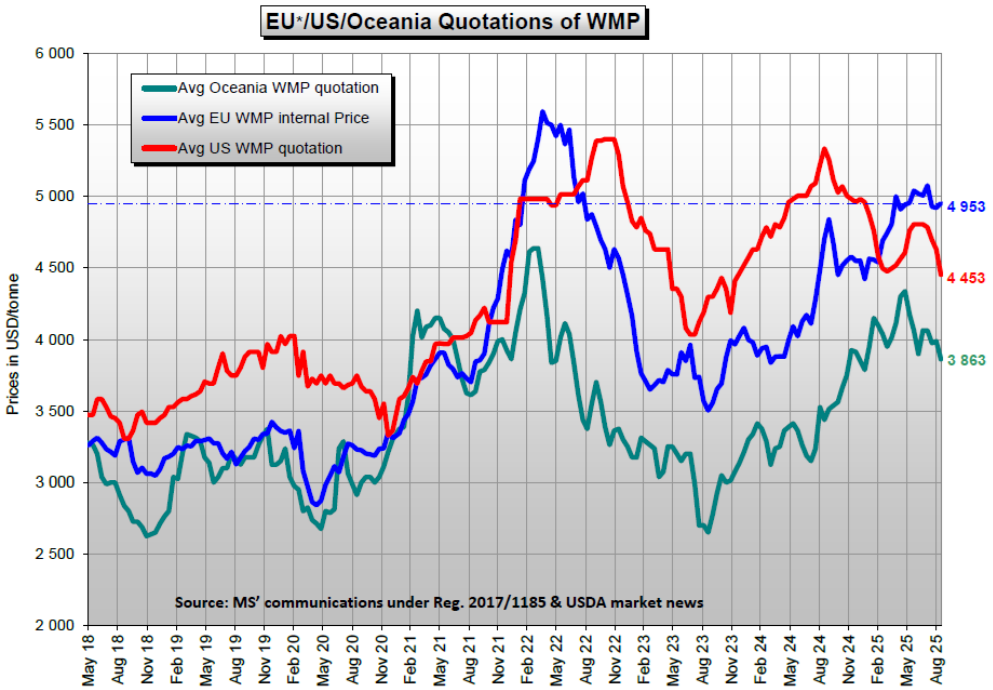
Trade

EU27 imports of WMP are negligible, sourced mostly from the UK. Since 2022, New Zealand and Ukraine have consistently increased WMP deliveries to the EU27, becoming the second and the third largest supplier in 2024. In 2026, with lower production, EU27 imports of WMP are forecast to stabilize at 20,000 MT, the same as 2025. Between January-July 2025, lower imports from the UK were more than offset by imports from New Zealand and Ukraine, driving EU27 imports up by 13 percent. In this period, New Zealand became the largest supplier of NFDM to the EU. This growth is expected to continue throughout 2025.

In 2026, EU27 WMP exports are forecast to decrease by 11 percent from 2025 due to the lack of price-competitiveness on the global markets against Oceania. The domestic market will absorb some production previously destined for export. Traditional export markets are the Middle East and North African countries, the PRC, and the UK. In 2025, EU27 WMP exports are forecast to decrease by 13.5 percent from 2024 levels. In January-July 2025, exports declined by 23 percent, driven mostly by reduced demand from Oman, the UK, the PRC, and North African countries. However, lower demand in these markets should eventually be offset in future months by higher deliveries to the Middle East.

EU WMP prices have not been competitive against Oceania since 2021. In September 2025, NFDM from the EU was the highest priced on the global market compared to other competitors, which is expected to negatively weigh on export volumes in 2025.

Graph 19. Comparison of Whole Milk Powder (WMP) Quotations of EU, the United States, and Oceania



Source: European Commission

Domestic Consumption

EU27 WMP domestic consumption is mainly in the food processing industry, which usually is stable. However, declining exports dampen prices and support stronger domestic consumption.

In 2026, consumption is forecast to be 2.3 percent higher than in 2025. This is a continuation of the 3 percent growth in domestic consumption expected in 2025, prompted by declining prices and stock building by industry. In September 2025, WMP prices continued to decline and were lower than a year ago, although they still exceeded their 5-year average.

EU Policy

EU Vision for Agriculture and Food

On February 19, 2025, the EC published a Communication to the European Parliament and Council laying down its Vision for Agriculture and Food for the 2024-2029 Von der Leyen II mandate. This document will be the basis of upcoming legislative proposals and other actions taken by the EU executive. The Vision lays down the need for the EU to ensure "a global level playing field" for its farmers and improve their competitiveness. To do so, the Commission proposes the adoption of mirror clauses, notably with regards to pesticide residues, increased border controls, and more FTAs with trading partners. The Vision document calls for boosting domestic production and diversifying import suppliers to reduce strategic dependencies for products like protein-rich animal feed.

Common Agricultural Policy (CAP)

On May 14, 2025, the EC published a proposal to simplify the CAP. The proposed measures target the administrative burden, controls, implementation of the CAP as well as its crisis management tools. Notably, the proposal simplifies environmental requirements linked to eco-payments for farmers. The proposal is now going through the EU legislative process and is expected to be adopted before the end of 2025.

On July 16, 2025, the EC unveiled the much-anticipated plan for the next CAP as part of its 2028–2034 EU budget. The proposal marks a major reform, scraping the CAP's two-pillar structure and merging farm funding into broader National and Regional Partnership Plans. The new CAP aims to prioritize performance-based spending, tighter targeting of income support, and greater Member State control. While environmental objectives remain, implementation would shift largely to national discretion. More information on this proposal can be found in the GAIN report: European Commission Unveils CAP Reform with Budget Cut and Structural Change.

EU Deforestation Regulation (EUDR)

In 2023, the EU published the EUDR (Regulation 2023/1115) to prevent products causing deforestation from entering the EU market. The proposal targets products identified by the EC as the main drivers of deforestation, including cattle, raw hides, and skins of cattle and leather. For more information, please see GAIN Report: European Institutions Finalize Deforestation-Free Supply Chain Regulation.

On December 23, 2024, the European Union published Regulation 2024/3234[21] amending the EUDR in the Official Journal. This amendment postpones the date of entry into application of the EUDR by one year to December 30, 2025, for most operators and June 30, 2026, for small and medium sized operators. For more information on the latest updates on EUDR, please see GAIN Report: European Commission Publishes New Guidance Document and Proposes Technical Changes to the EU Deforestation Regulation.

On September 23, 2025, EU Commissioner for the Environment, Jessika Roswall, notified the European Parliament and Council of the European Union of the Commission's intent to further delay the implementation of the EUDR. At the time of this report, no legislative proposal has been published. Any proposal needs to be adopted by the European Parliament and the Council.

Trade Policy

EU FTAs

Mexico: On January 17, 2025, the EU and Mexico announced the conclusion of a new FTA, however, the European Parliament and EU Member States still need to formally approve the agreement's text. The agreement abolishes customs duties for most goods, including agricultural products. After its ratification, the agreement will offer free access for EU blue cheese, with further tariff rate quotas (TRQs) of 5,000 MT for fresh and processed cheese and 20,000 MT for other cheeses. Mexico has also agreed to protect European geographical indicators (GIs).

Mercosur: On December 6, 2024, the EC announced that President von der Leyen and her counterparts from four Mercosur countries (Brazilian President Lula, Argentinian President Milei, Paraguayan President Peña, and Uruguayan President Lacalle Pou) finalized negotiations and reached a political agreement for an EU-Mercosur partnership. The EC had reached a preliminary agreement with Mercosur countries in 2019, but amendments were made to several sectors, including agriculture. The agreement includes a bilateral safeguard clause in case increased imports cause - or even threaten to cause - serious injury to relevant sectors, including agricultural. This safeguard clause also covers imports under TRQs in the agreement. The European Parliament and the EU Member States still need to formally approve the text.

Under the agreement, there will be a gradual phase out of duties on 91 percent of EU exports to Mercosur and 92 percent of Mercosur exports to the EU. For some dairy products, the EU will receive zero duty access within TRQs:

- Cheese: 30,000 metric tons
- Milk powder: 10,000 metric tons
- Infant formula: 5,000 metric tons

EU-Ukraine Trade Relationship

Since 2022, the EU had granted the Ukraine full trade liberalization, suspending import duties, quotas, and trade defense measures for Ukrainian imports on a temporary basis through the Autonomous Trade Measures (ATM) Regulation.

As of June 6, 2025, the EU-Ukraine trade relationship reverted to the 2014 Deep and Comprehensive Free Trade Agreement (DCFTA). The EC published Regulation 1132/2025 which prorates the quotas for the 7 remaining months of 2025. Once the thresholds are met, standard tariffs apply.

On June 30, 2025, the EC announced it has reached an agreement in principle with Ukraine on the review of the DCFTA. As part of the agreement, Ukraine committed to gradually align its agricultural production standards with the EU by 2028. The agreement includes updated TRQs for dairy products. On October 14, 2025, upon a consent from the Council (representation of Member States' governments), the EC and Ukraine formally adopted the decision to review the DCFTA. The upgraded text entered into force on October 29, 2025.

U.S.-EU Trade Relationship

On July 27, 2025, U.S. President Trump and EC President von der Leyen announced a political agreement on tariffs and trade to rebalance the economic relationship between the world's two largest economies. For more information on the agreement, please refer to the White House Fact Sheet and the European Commission's explanatory webpage.

To ensure effective implementation of the political agreement, the EU published Implementing Regulation 2025/1727 suspending its retaliatory tariffs on certain U.S. products imposed by Implementing Regulation 2025/1564.

EU-PRC Trade Dispute on Dairy Products

On August 21, 2024, the PRC launched an investigation on imported EU dairy products, examining the EU agricultural subsidies and the subsequent industrial damage to Chinese producers during the period from January 1, 2020 to March 31, 2024. Dairy products subject to investigation include: fresh cheese (including whey cheese) and curd, processed cheese (whether or not ground or pulverized), blue cheese, and other textured cheese produced by *Penicillium loudi*, other cheese not otherwise named, milk, and cream (with a fat content of more than 10 percent by weight) that is not concentrated and unsweetened or otherwise sweetened (HS codes: 04015000, 04061000, 04062000, 04063000, 04064000, 04069000).

The PRC survey began on August 21, 2024, and was due to be completed by August 21, 2025. As assessed by the EC, exports to the PRC of products subject to the investigation amounted to around EUR 513 million in 2023 and represent around 30 percent of total EU dairy exports to the PRC (EUR 1.7 billion in 2023). The exports under investigation represent around 8 percent of total EU global exports of the products concerned. In response to the PRC measure, on September 25, 2024, the EU requested consultations within the World Trade Organization (WTO) on the initiation of an anti-subsidy investigation against imports of certain dairy products from the EU. This was the first time the EU decided to challenge an investigation at its initiation stage. Proceedings at the WTO start with a mandatory period of 60 days for the parties to consult each other. If no agreement is made, WTO panels can be requested, which usually takes more than a year to reach conclusions.

On August 18, 2025, the PRC extended its investigation by 6 months. After the on-site verification visits of PRC Ministry of Commerce officials in different EU Member States, PRC authorities are now assessing the situation in light of the arguments put forward by the EU and the three sampled dairies.

New EU Animal Welfare Legislation (AW)

In February 2025, as part of its Vision for Agriculture and Food, the Commission announced intention to revise the existing EU animal welfare legislation, including its commitment to phase out cages. This revision covers the following legislation:

- Regulation (EC) No 1/2005 on the protection of animals during transport.
- Regulation (EC) No 1099/2009 on the protection of animals at the time of killing.
- Directives on on-farm welfare, including:
  - Directive 98/58/EC (horizontal)
  - Directive 2008/119/EC on calves

The Commission aims to present a legislative proposal for the first sectors by Q4 2026.

The proposal on the protection of animals during transport is currently progressing through the legislative process and is under review by both the European Parliament and the Council. The proposal introduces new requirements for animals imported from third party countries into the EU, necessitating additional training for inspectors, transporters, veterinarians. As such, it may potentially increase the administrative and financial burden across the entire process. The European Parliament is expected to vote on the file, including amendments (2023/0448(COD), in late 2025, while Council discussions continue in parallel. More information can be found in GAIN Report: European Union: EU Proposes New Regulation on Animal Welfare During Transportation.

Veterinary Medicinal Products Regulation (VMP Regulation)

In January 2022, the EU implemented the new framework for the Regulation (EU) 2019/6 on Veterinary Medicinal Products (VMPs). The main objectives of the legislation are as follows:

- to establish a modern, innovative and fit for purpose legal framework for VMPs,
- to provide incentives to stimulate innovation for VMPs and increase their availability,
- to strengthen the EU´s efforts to fight antimicrobial resistance.

In July 2022, the EC adopted Implementing Regulation (EU) 2022/1255 that provided a list of antimicrobials reserved for human medicine. In February 2023, the EC adopted Delegated Act 2023/905 implementing Article 118 of the Veterinary Medicinal Products Regulation imposing limitations on the use of antimicrobials for animals exported from third countries into the EU.

On February 12, 2024, Commission Implementing Regulation (EU) 2024/399 was published in the Official Journal amending model certificates for the entry into the Union of consignments of certain products of animal origin and certain categories of animals. The new models will be implemented by the respective exporting countries.

On October 7, 2024, the EU published Regulation (EU) 2024/2598 laying down the list of third party countries or regions authorized for the entry of certain animals and products of animal origin intended

for human consumption. This regulation will go into effect on September 3, 2026. It is important to note the EU requires two additional animal health attestations to be included on the health certificates starting September 3, 2024, but not yet requiring new attestations until the actual implementation of the VMP Regulation. Between these two dates, trading partners are permitted to either delete or cross out the new attestations.

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