MMO Economic Board

Meeting of 25 January 2016

- The 19th meeting of the MMO Economic Board took place on 25 January 2016, with the participation of experts from the various steps in the milk supply chain: CEJA (young farmers), COPA-COGECA (producers and cooperatives), ECVC (Via Campesina), EMB (European Milk Board), EDA (dairy industry), Eucolait (dairy trade) and Eurocommerce (retail). DG AGRI presentations and information exchanged during the meeting showed the following.
- EU milk collection was up by 0.7% in the first 11 months of 2016. Milk deliveries were 3.7% lower in November 2016 (-440 000 t) – the 6th consecutive month with a reduction. Significant decreases have been reported in major producing MS such as the UK, FR or DE although in some others (PL, IE or NL) the decline is not that pronounced.
- Average farm gate milk prices increased by 6.2% in November to 31.8 c/kg. Based on estimates, a further increase would have taken place in December, for an overall +25% since July.
- Dairy product prices keep the upward trend initiated in May, with butter having reached a record level of 430 €/100 kg and SMP stabilised around 210 €/100 kg (124% of the intervention price). Cheese prices (notably gouda and edam) have also improved significantly since May. The strengthening of the € in early 2017 has hampered EU price competitiveness in the world markets, making the EU SMP slightly more expensive then the US one.
- Only a modest volume (40 t) of the SMP made available for sale from public intervention has been sold since the tendering procedure was open in December. Bids were rejected in the 2nd and 3rd tenders as offered prices were considered too low. Interest for the standard PSA scheme for SMP (210 days) has picked up in the first weeks of January, with some 5 000 t having been offered. The uptake of the enhanced scheme (365 days) is marginal. PSA schemes for butter and cheese expired in September, destocking continues to take place.
- The assessment of EU stock levels based on a residual approach (production + imports – consumption - exports) reveals normal private stocks for SMP (but public stocks weighing on the market). On the contrary, for butter, stocks fell drastically, leading to severe shortage. Butter prices might ease in H1 due to the spring flush, but are expected to increase again in the 2nd half of the year. Cheese stock levels show a similar – though less acute – evolution as for butter.
- At world level, milk production growth slowed down in July-November, led by the EU and to a lesser extent by Oceania and South America. US production keeps on expanding steadily. Combined growth rate in 2016 (by November) reached +0.14%. Wet weather and weak prices have conditioned milk production in Oceania. Full season output is expected to be well below previous year. US milk production was up by 2.6% in November, the USDA forecast for 2016 is + 1.9%.
- Global exports have increased throughout 2016, although a small slowdown has been observed in October. SMP demand has suffered from a lower purchasing power in oil producing countries. Markets for butter, cheese, whey powder, infant formula and liquid milk/cream show remarkable dynamism. EU cheese exports in 2016 reached pre-Russian embargo levels China keeps on standing as the main world importer of dairy products and main destination of EU exports (notably for value added and consumer products). A declining milk production in 2016 and 2017 and public stimulus to increase domestic consumption might sustain Chinese imports. Brazil imports surged in 2016, mainly originating from other MERCOSUR partners.
- With regard to EU retail sales, the consumer perception of milk as a healthy product is still jeopardized. However consumers tend to privilege premium niche products (organic, pasture milk, lactose-free) leading in some cases to a shortage in the markets.
- M. Koert Verkerk (LTO Nederland) gave an overview of the expected impact in the NL of phosphate limits. In order to bring dairy herd numbers to July 2015 levels, some 190.000 dairy cows might have to be disposed of in 2017, leading to a 5% decrease in milk production.
- The Commission presented first estimates for 2017 dairy balances. Increased slaughtering may translate into a reduced dairy herd in 2016 and 2017. EU milk deliveries are expected to remain below 2016 in the first half of 2017 but could rebound in the second half leading to a small annual increase of 0.5%. Uncertainties remain high at this stage of the year (price development, weather conditions…).
- The Commission gave an overview of the measures designed by MS for using the exceptional adjustment aid. The total budget mobilised, including national top ups might reach 561 million €. The dairy sector would be the 1st beneficiary with some 76% of the total amount. Reduction or freeze of production reduction is the most frequent choice made by MS.
- Global supply reduction coupled with a resilient demand is driving the world market towards a new equilibrium. EU price levels are above long term averages (except for SMP) but are still competitive on the world market. Political developments create increased uncertainty for the dairy sector in 2017.

ANNEX 1

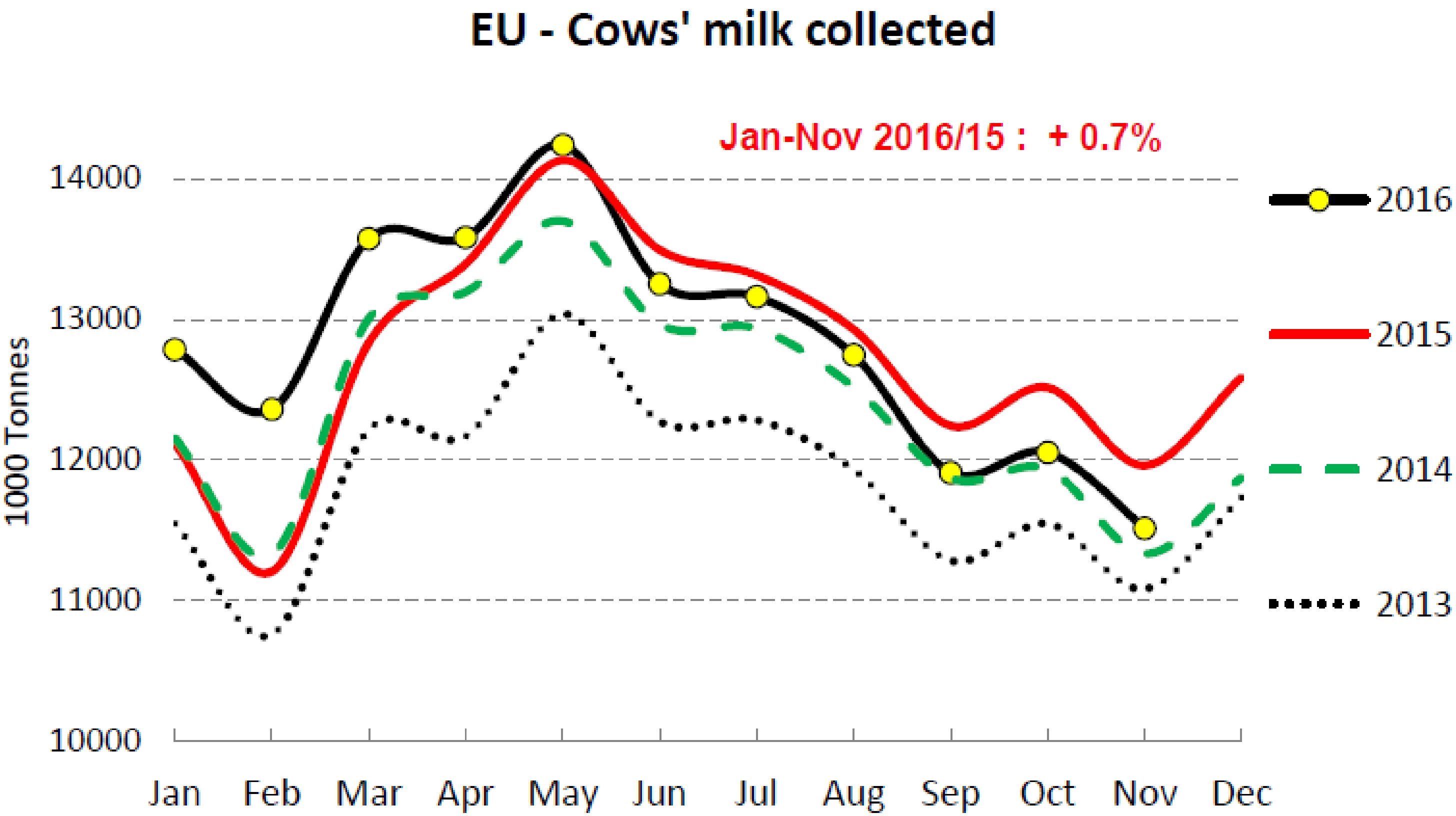
Milk Market Situation

European Commission

Milk Market Situation

Brussels, 25 January 2017

EU Milk deliveries



Jan	5,5%
Feb	10,3%
Mar	5,7%
Apr	1,4%
May	0,8%
Jun	-1,8%
Jul	-1,2%
Aug	-1,4%
Sep	-2,7%
Oct	-3,7%
Nov	-3,7%

Source : Estat - Newcronos

Last update : Jan-Nov

!!! Data from some Member States are confidential and are NOT included in this table !!!

25/01/2017

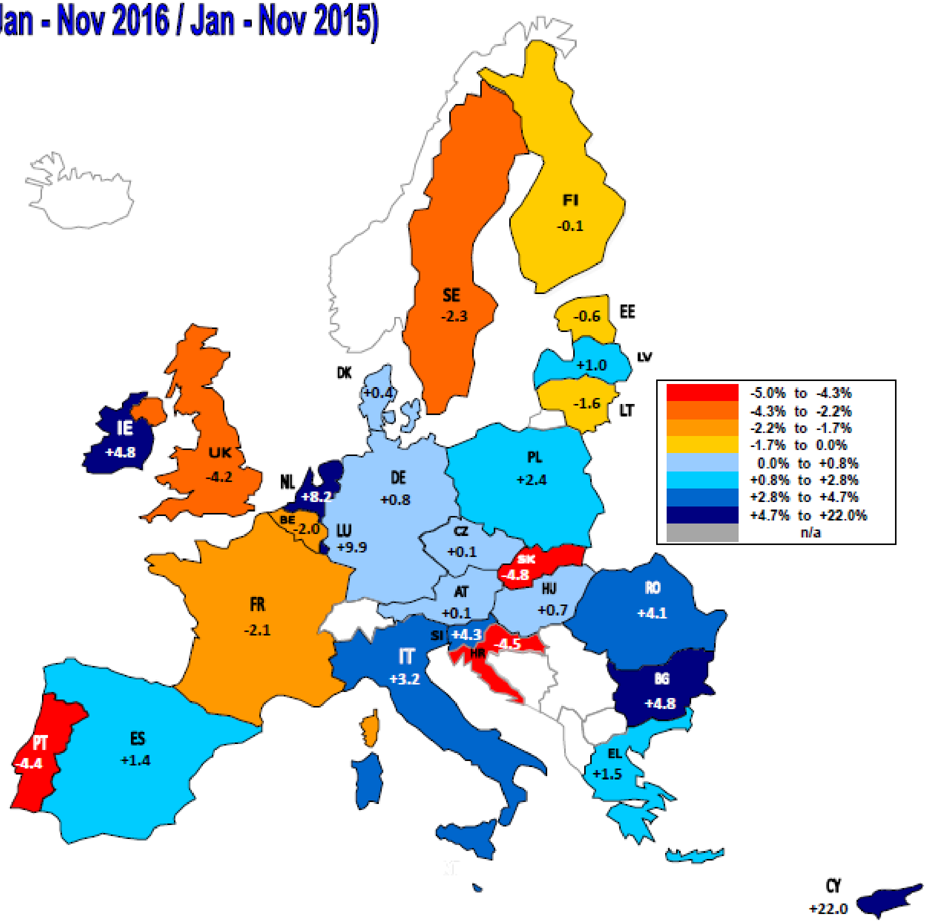
EU Milk deliveries

European Commission

Evolution of Raw milk deliveries

EU Milk Deliveries compared to last period (in %)

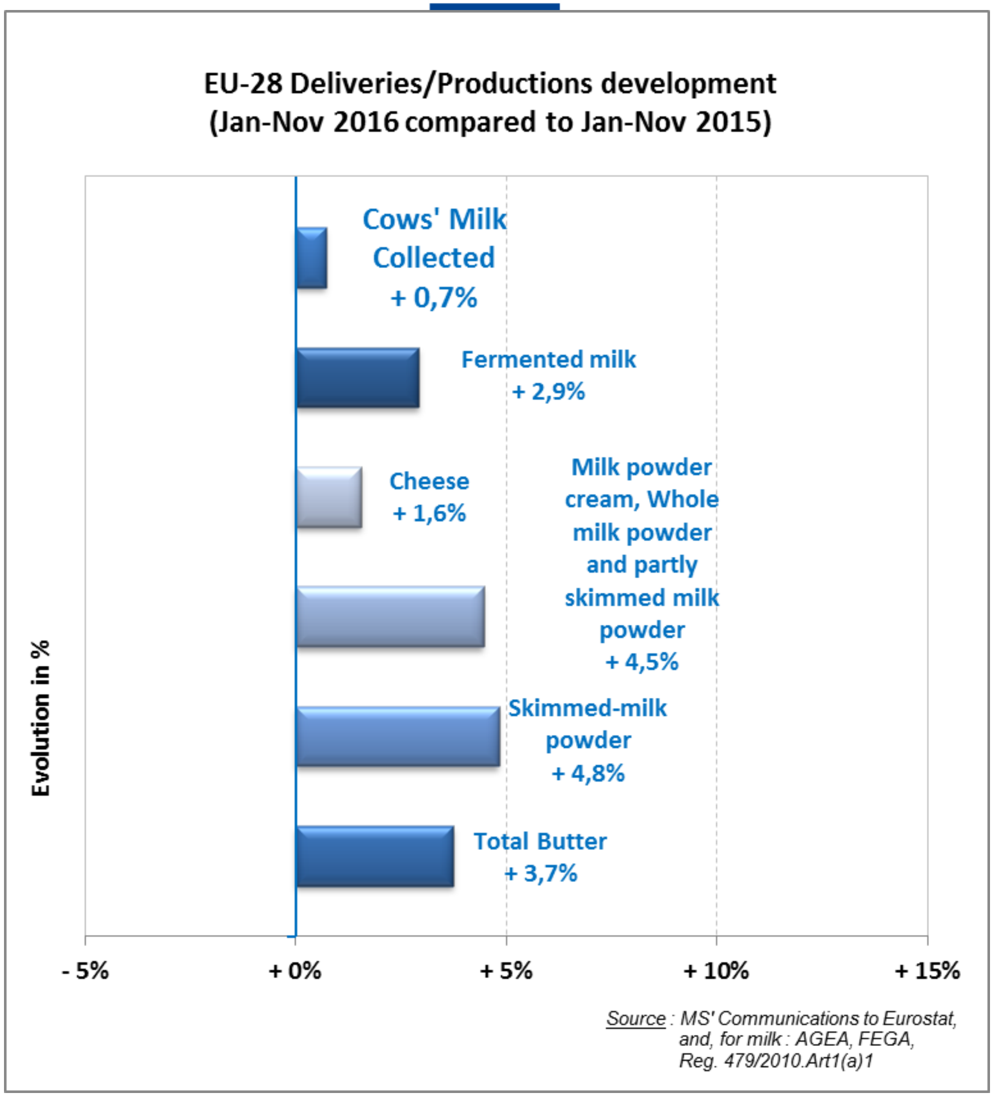
(Jan - Nov 2016 / Jan - Nov 2015)



Source : MS' Communications to Eurostat, FEGA, AGEA, Reg.479/2010.1(a)1

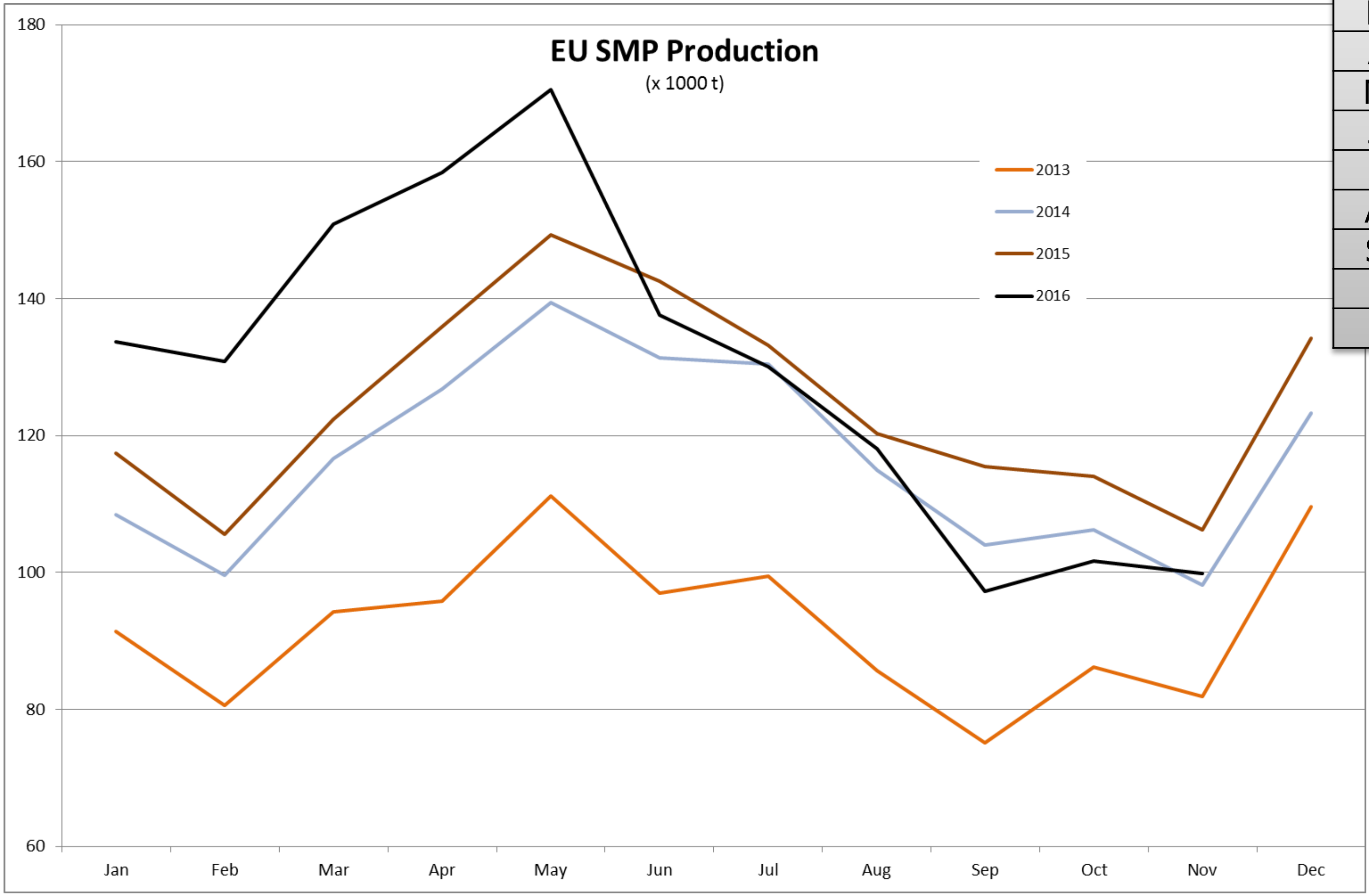
Nov 16 compared to Nov 15				
	evolution in %		evolution in 1000 Tons	
Rank	MS	%	MS	Tons
1.	CY	+ 24,1%	IT	+ 33
2.	BG	+ 7,7%	PL	+ 9
3.	IT	+ 3,8%	CY	+ 3
4.	MT	+ 3,7%	BG	+ 3
5.	PL	+ 1,1%	IE	+ 2
6.	IE	+ 0,5%	MT	+ 0
7.	HU	+ 0,1%	NL	+ 0
8.	NL	+ 0,0%	HU	+ 0
9.	RO	- 0,1%	RO	- 0
10.	SI	- 0,3%	SI	- 0
11.	ES	- 1,1%	LU	- 1
12.	EL	- 1,9%	EL	- 1
13.	LU	- 2,0%	LV	- 2
14.	FI	- 2,4%	EE	- 3
15.	CZ	- 2,4%	HR	- 3
16.	LV	- 3,2%	SK	- 4
17.	DK	- 3,9%	FI	- 4
18.	SE	- 4,3%	LT	- 5
19.	LT	- 4,7%	CZ	- 6
20.	EE	- 5,0%	ES	- 6
21.	DE	- 5,2%	PT	- 8
22.	SK	- 5,4%	SE	- 10
23.	AT	- 5,5%	AT	- 13
24.	PT	- 5,8%	DK	- 17
25.	UK	- 7,3%	BE	- 38
26.	HR	- 7,4%	UK	- 87
27.	FR	- 7,6%	DE	- 131
28.	BE	- 11,7%	FR	- 154
	EU28	- 3,7%	EU28	- 442

EU Productions



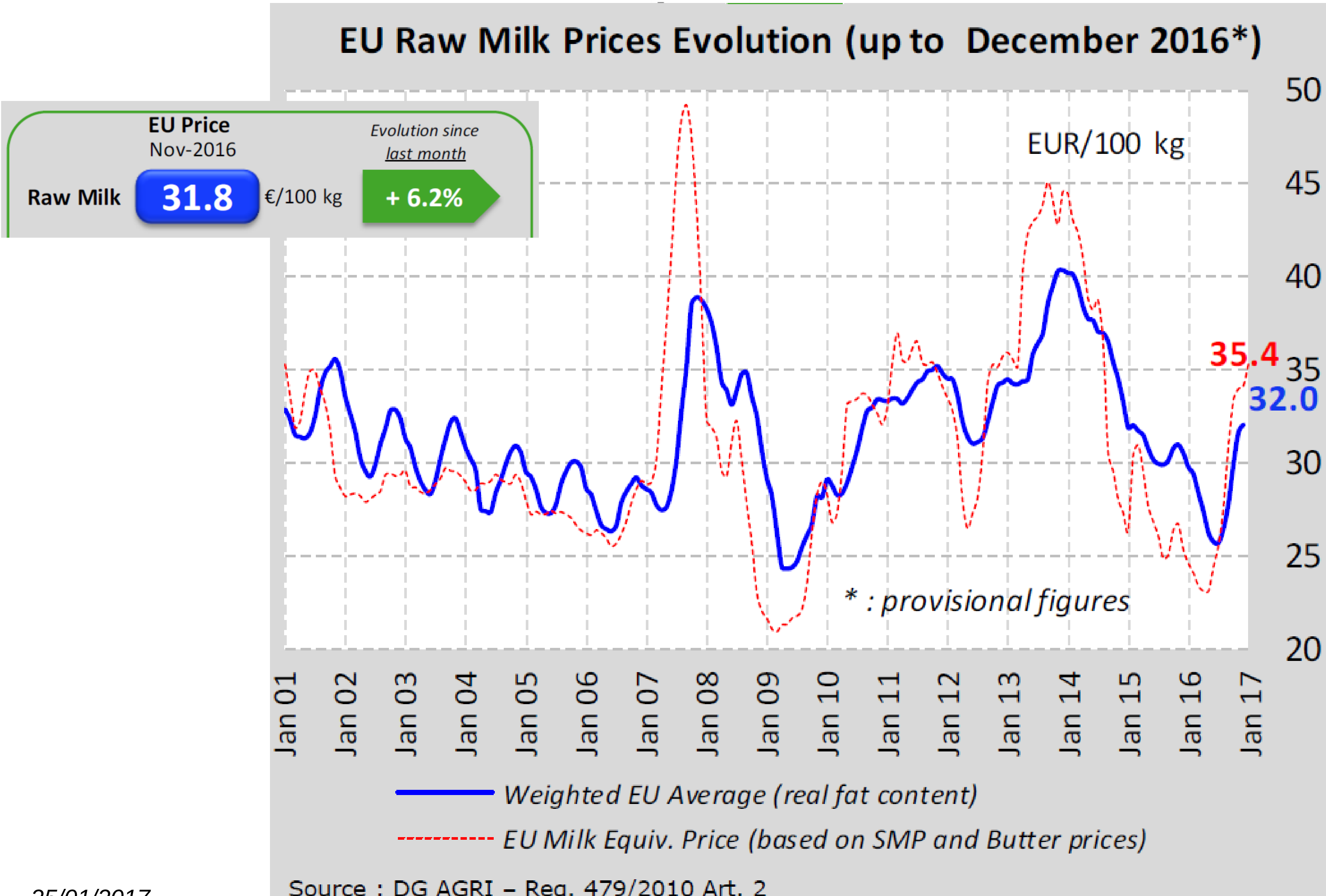
!!! Data from some Member States are confidential and are NOT included in this table !!!

SMP Production

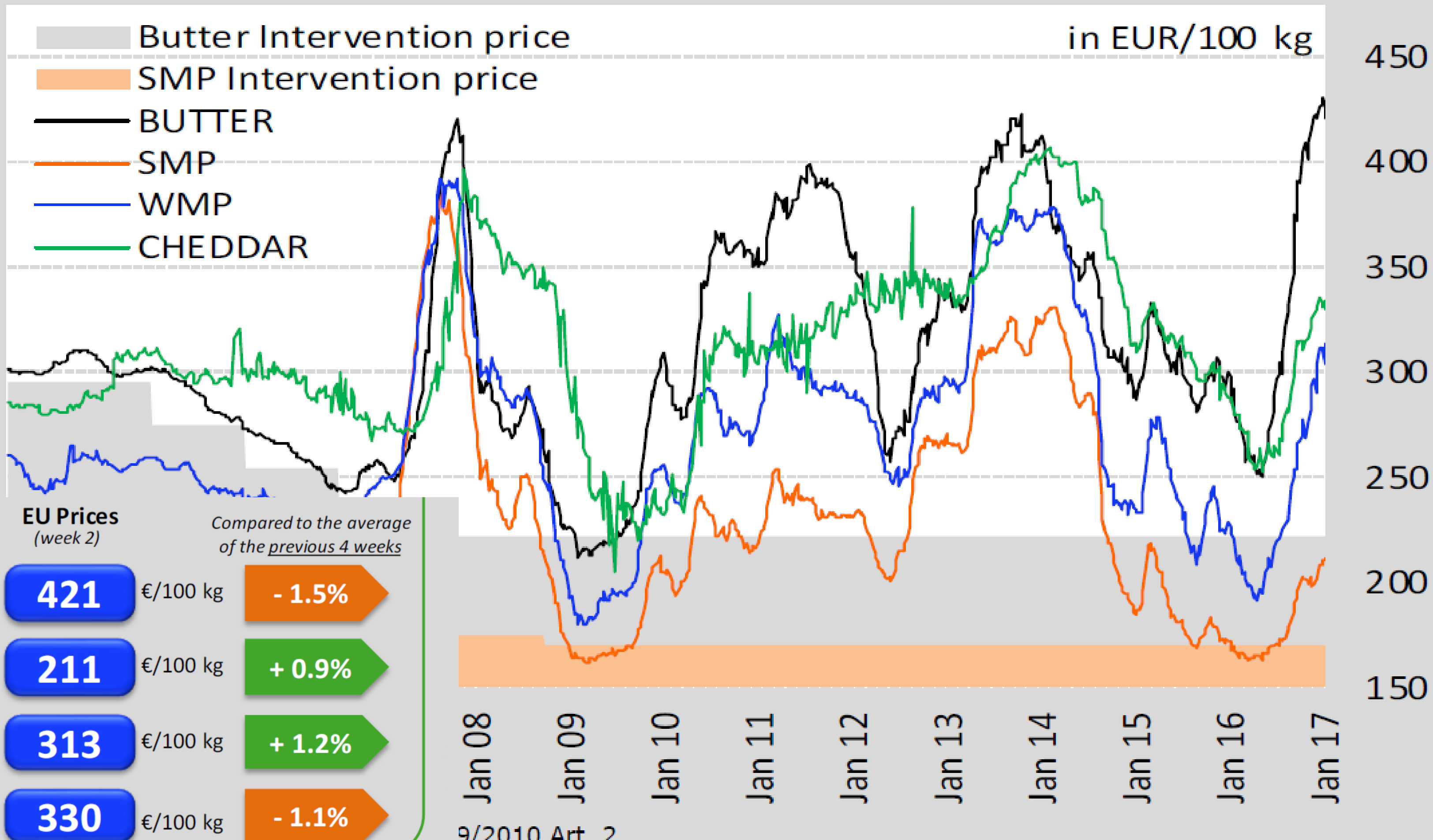


Jan	14%
Feb	24%
Mar	23%
Apr	16%
May	14%
Jun	-3%
Jul	-2%
Aug	-2%
Sep	-16%
Oct	-11%
Nov	-6%

25/01/2017


EU Raw Milk Prices Evolution (up to December 2016*)
EU Price
Nov-2016
Evolution since
last month
Raw Milk
31.8
€/100 kg
+ 6.2%
EUR/100 kg
50
45
40
35
30
25
20
35.4
32.0
* : provisional figures
Jan 01
Jan 02
Jan 03
Jan 04
Jan 05
Jan 06
Jan 07
Jan 08
Jan 09
Jan 10
Jan 11
Jan 12
Jan 13
Jan 14
Jan 15
Jan 16
Jan 17
Weighted EU Average (real fat content)
EU Milk Equiv. Price (based on SMP and Butter prices)
Source : DG AGRI – Reg. 479/2010 Art. 2

EU average quotations of main commodities

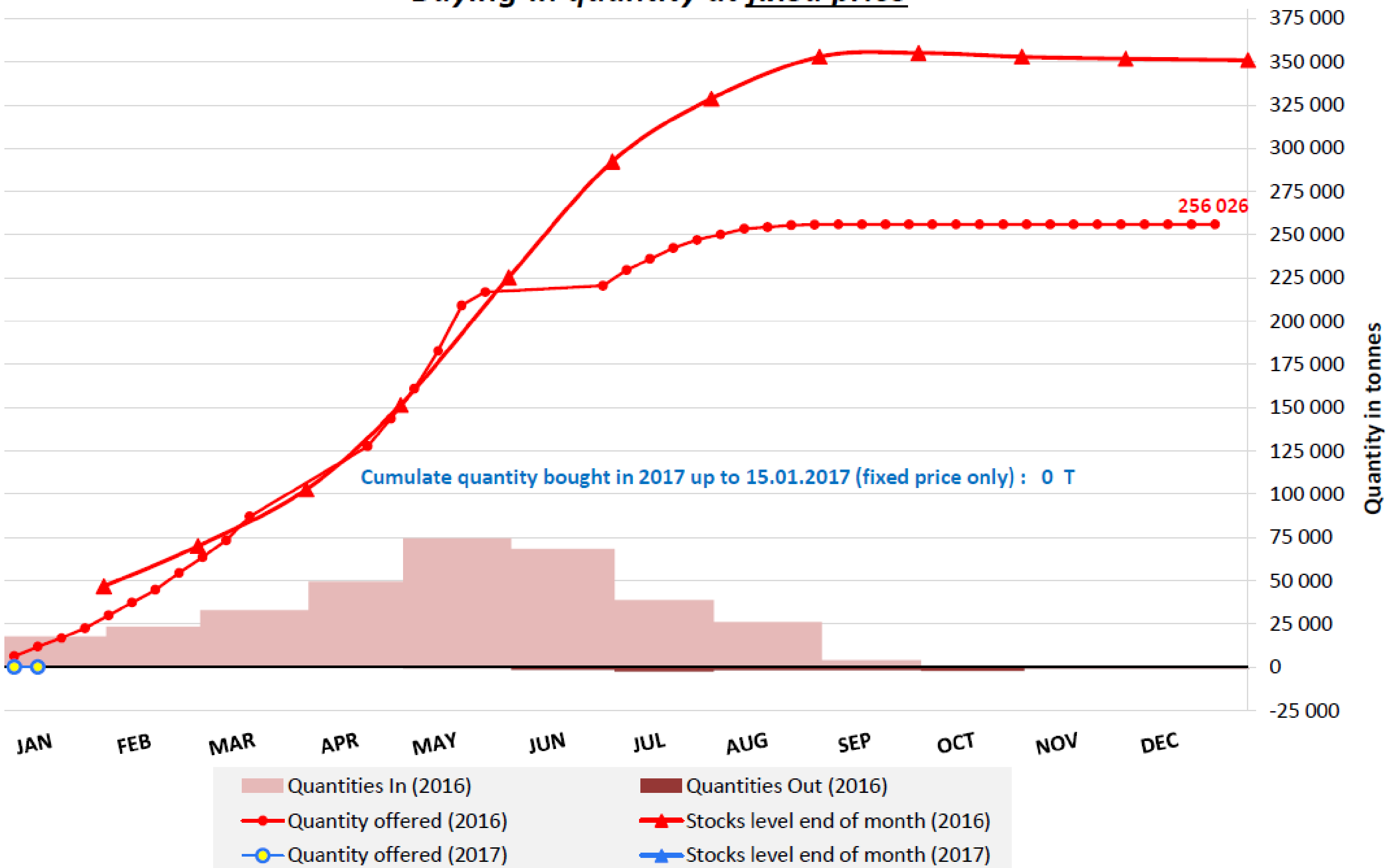


	EU Prices (week 2)		Compared to the average of the previous 4 weeks
BUTTER	421	€/100 kg	- 1.5%
S.M.P.	211	€/100 kg	+ 0.9%
W.M.P.	313	€/100 kg	+ 1.2%
CHEDDAR	330	€/100 kg	- 1.1%

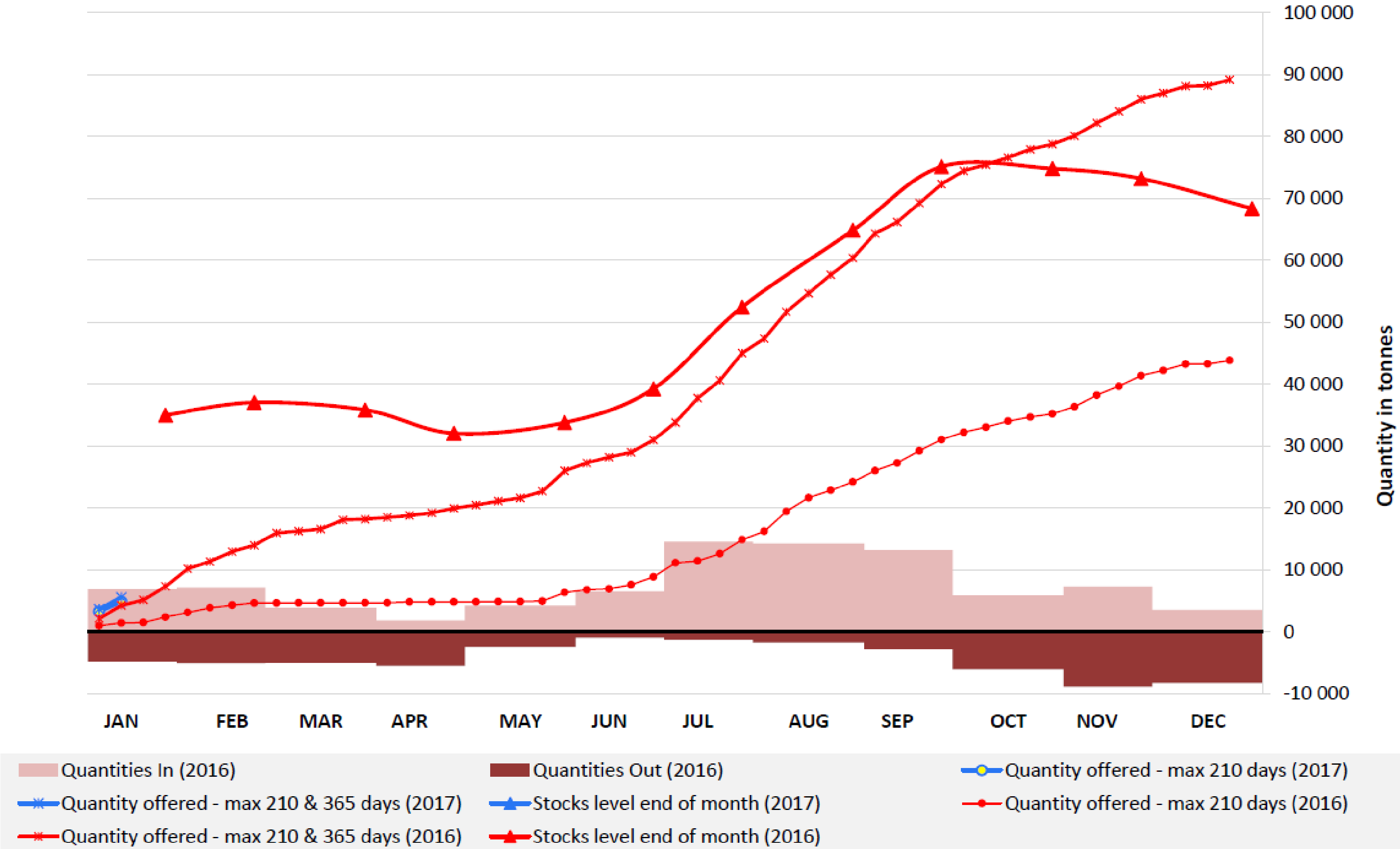
European Commission

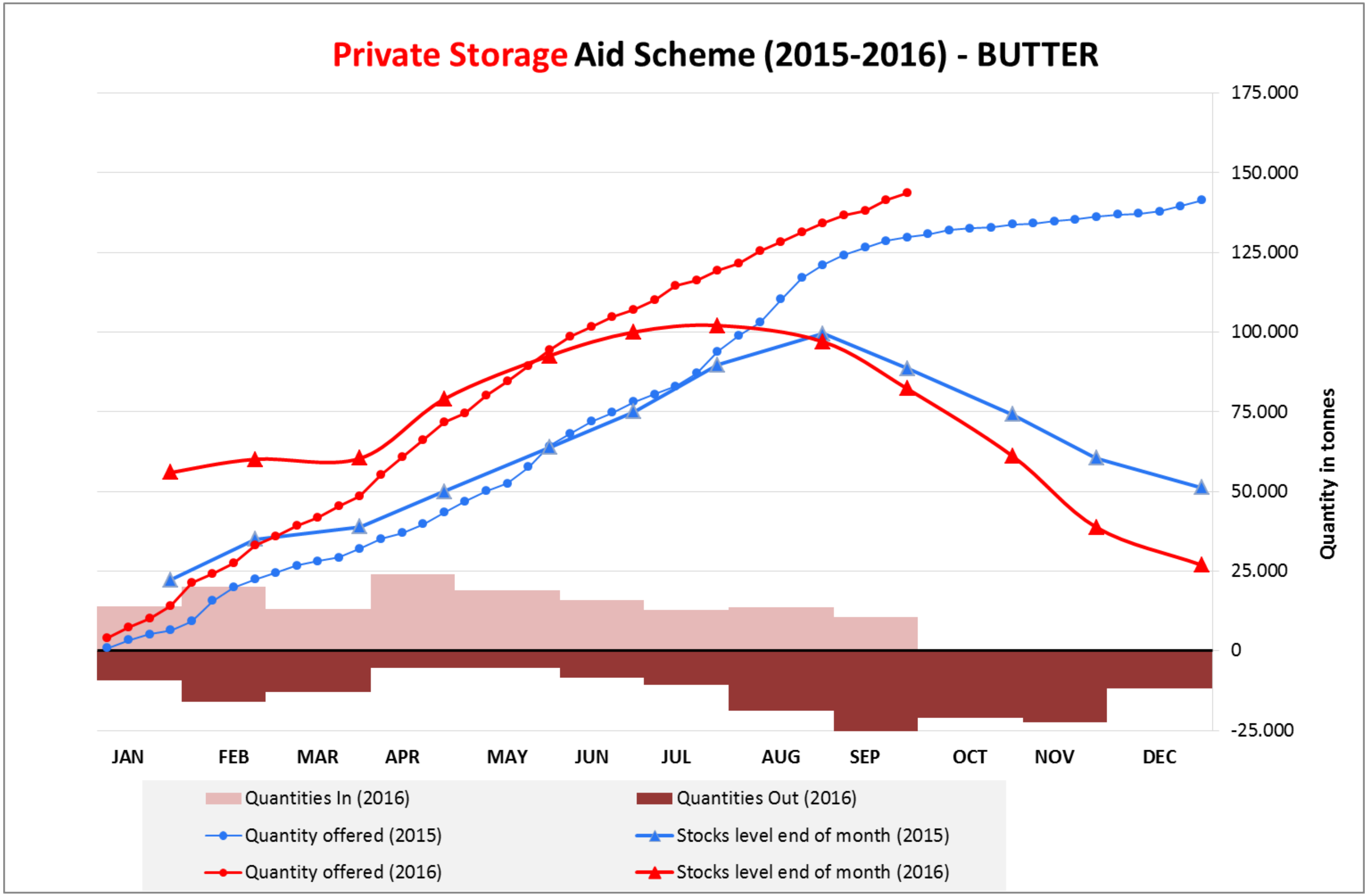
Public SMP Intervention scheme (2016-2017)

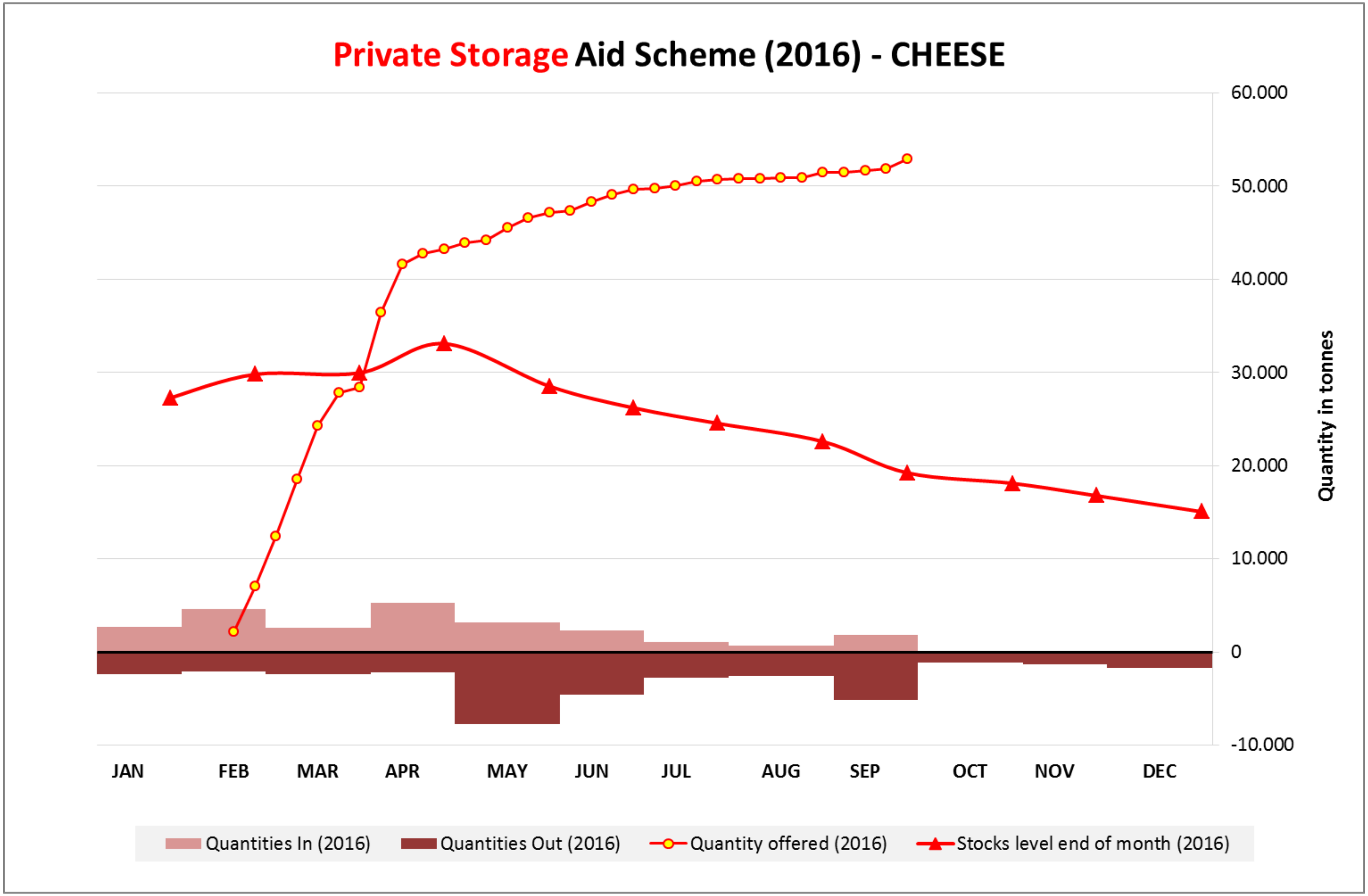
Buying-in quantity at <u>fixed price</u>



Private Storage Aid Scheme (2016-2017) - S.M.P.




Private Storage Aid Scheme (2015-2016) - BUTTER
175.000
150.000
125.000
100.000
75.000
50.000
25.000
0
-25.000
Quantity in tonnes
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
Quantities In (2016)
Quantities Out (2016)
Quantity offered (2015)
Stocks level end of month (2015)
Quantity offered (2016)
Stocks level end of month (2016)


Private Storage Aid Scheme (2016) - CHEESE
60.000
50.000
40.000
30.000
20.000
10.000
0
-10.000
Quantity in tonnes
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
Quantities In (2016)
Quantities Out (2016)
Quantity offered (2016)
Stocks level end of month (2016)

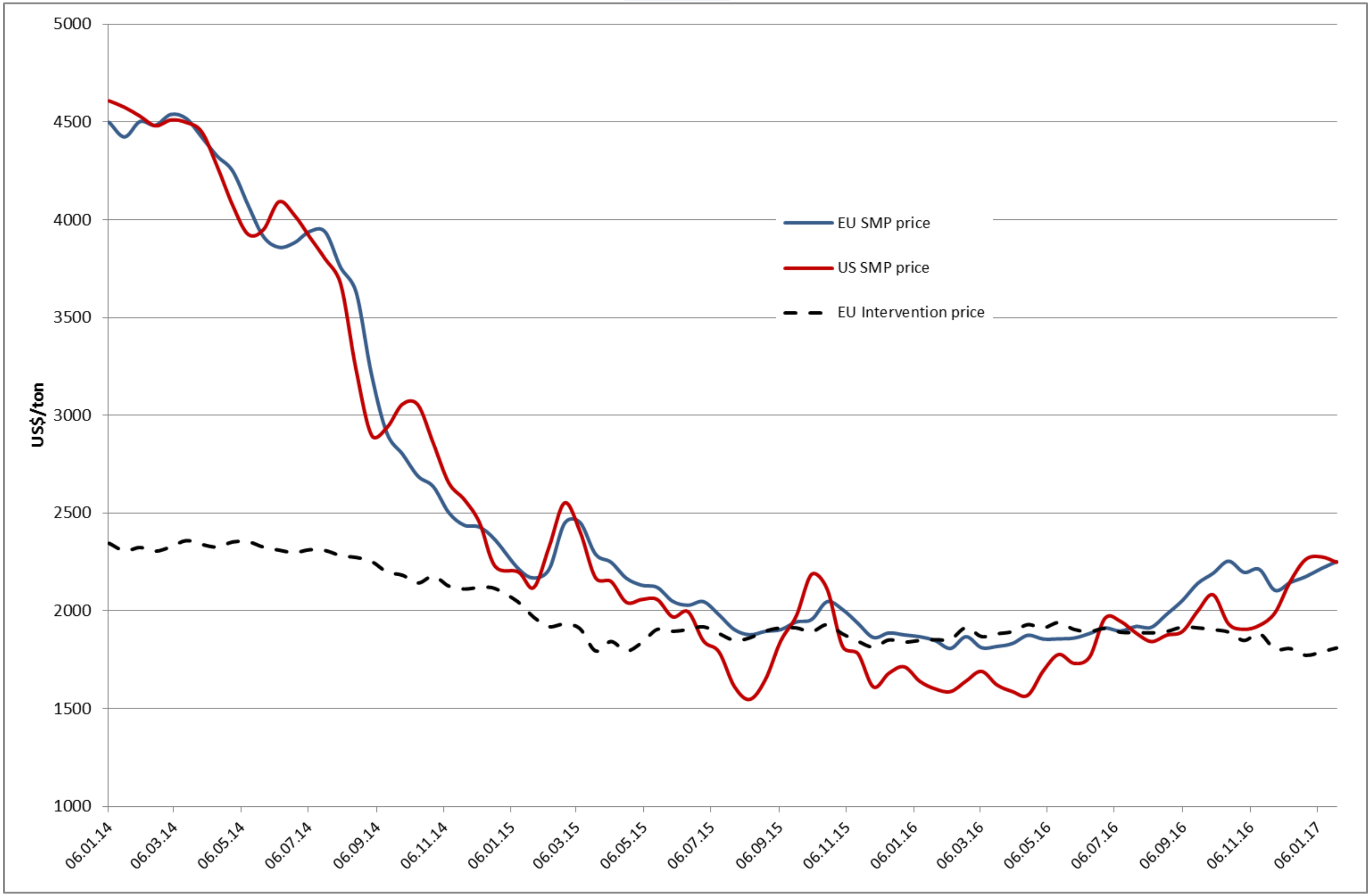
25/01/2017

European Commission

Latest World Quotations of Dairy Products

In US$/t	Latest Quotations			Week - 2						Year - 1					
	22/01/2017			08/01/2017			% change (previous quotation)			January 2016			% change (1 year)		
	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA
Butter	4 490	4 425	4 949	4 537	4 388	4 938	- 1.0%	+ 0.9%	+ 0.2%	3 187	3 025	4 726	+ 41%	+ 46%	+ 5%
SMP	2 252	2 400	2 249	2 216	2 400	2 276	+ 1.6%	nc	- 1.2%	1 848	1 813	1 601	+ 22%	+ 32%	+ 40%
WMP	3 341	3 188	3 439	3 245	3 213	3 351	+ 3.0%	- 0.8%	+ 2.6%	2 409	2 100	2 800	+ 39%	+ 52%	+ 23%
Cheddar	3 520	3 775	3 756	3 491	3 738	3 669	+ 0.8%	+ 1.0%	+ 2.4%	3 080	2 963	3 257	+ 14%	+ 27%	+ 15%

Source : Member States Notifications, USDA


5000
4500
4000
3500
3000
2500
2000
1500
1000
US$/ton
EU SMP price
US SMP price
EU Intervention price
06.01.14
06.03.14
06.05.14
06.07.14
06.09.14
06.11.14
06.01.15
06.03.15
06.05.15
06.07.15
06.09.15
06.11.15
06.01.16
06.03.16
06.05.16
06.07.16
06.09.16
06.11.16
06.01.17

ANNEX 2

EU dairy products monthly stock estimates at the end of October 2016

EDA

EU dairy products monthly stock estimations at the end of October 2016

Milk Market Observatory

Economic Board

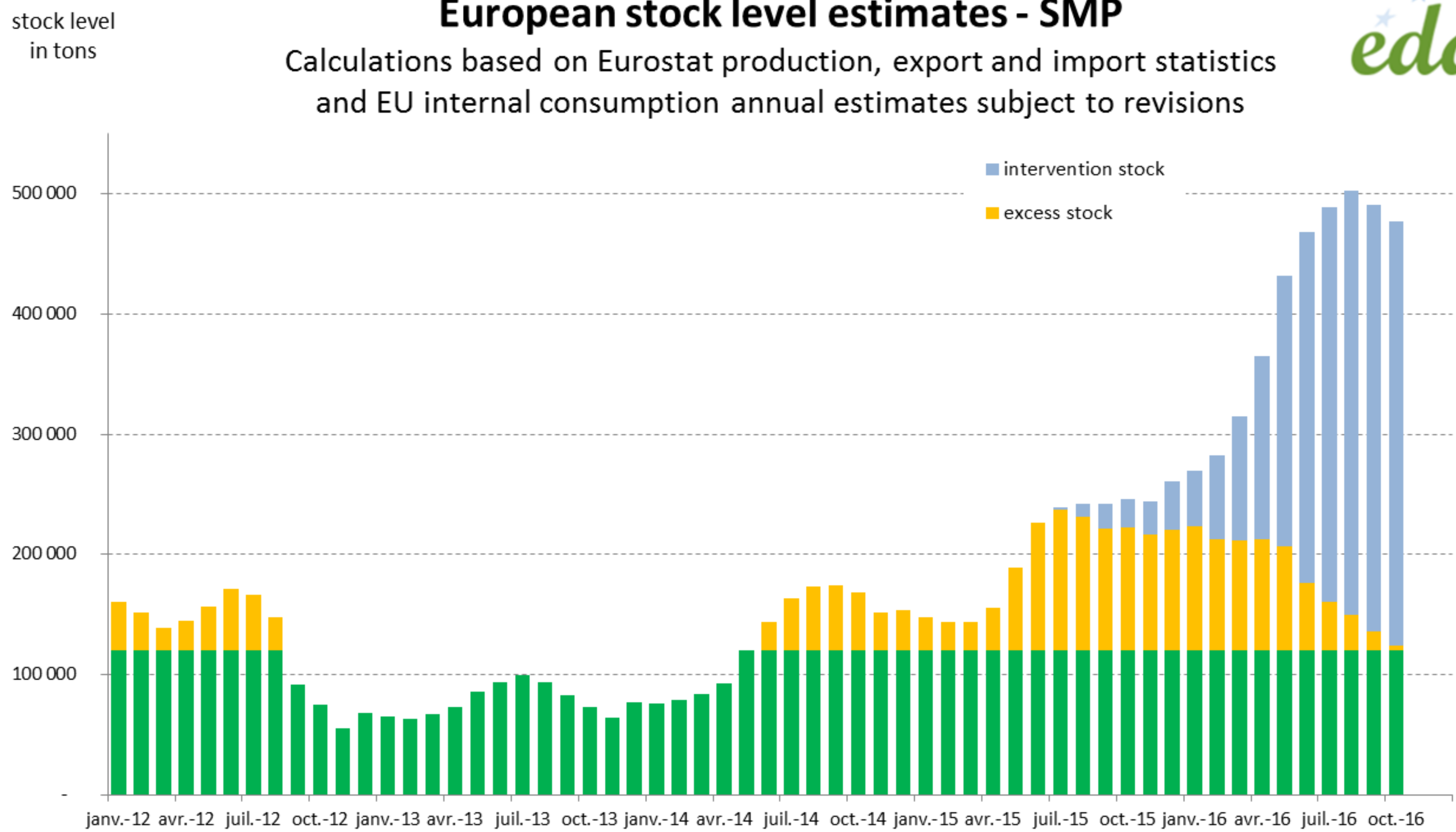
January 25th, 2017

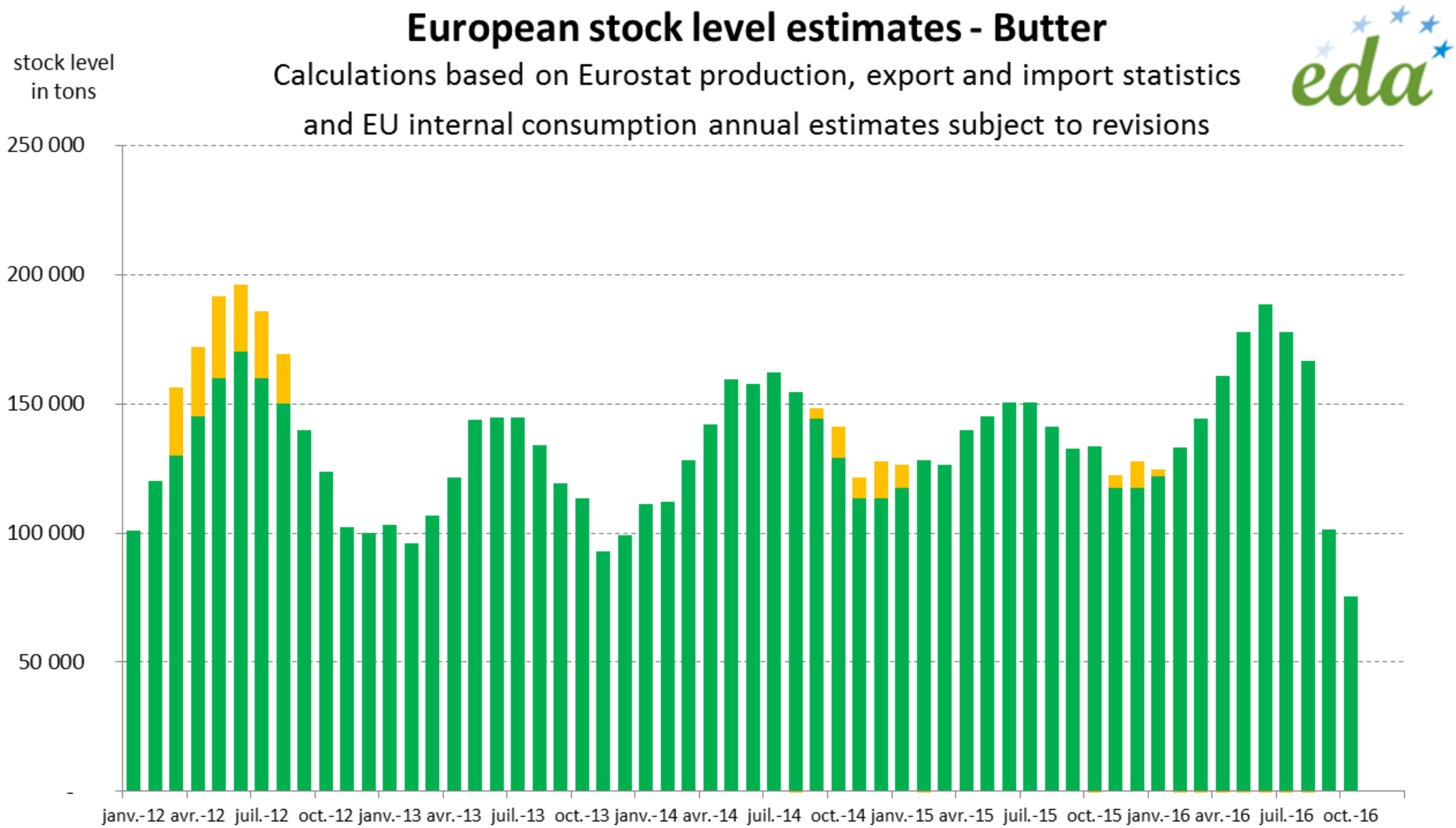
Methodology

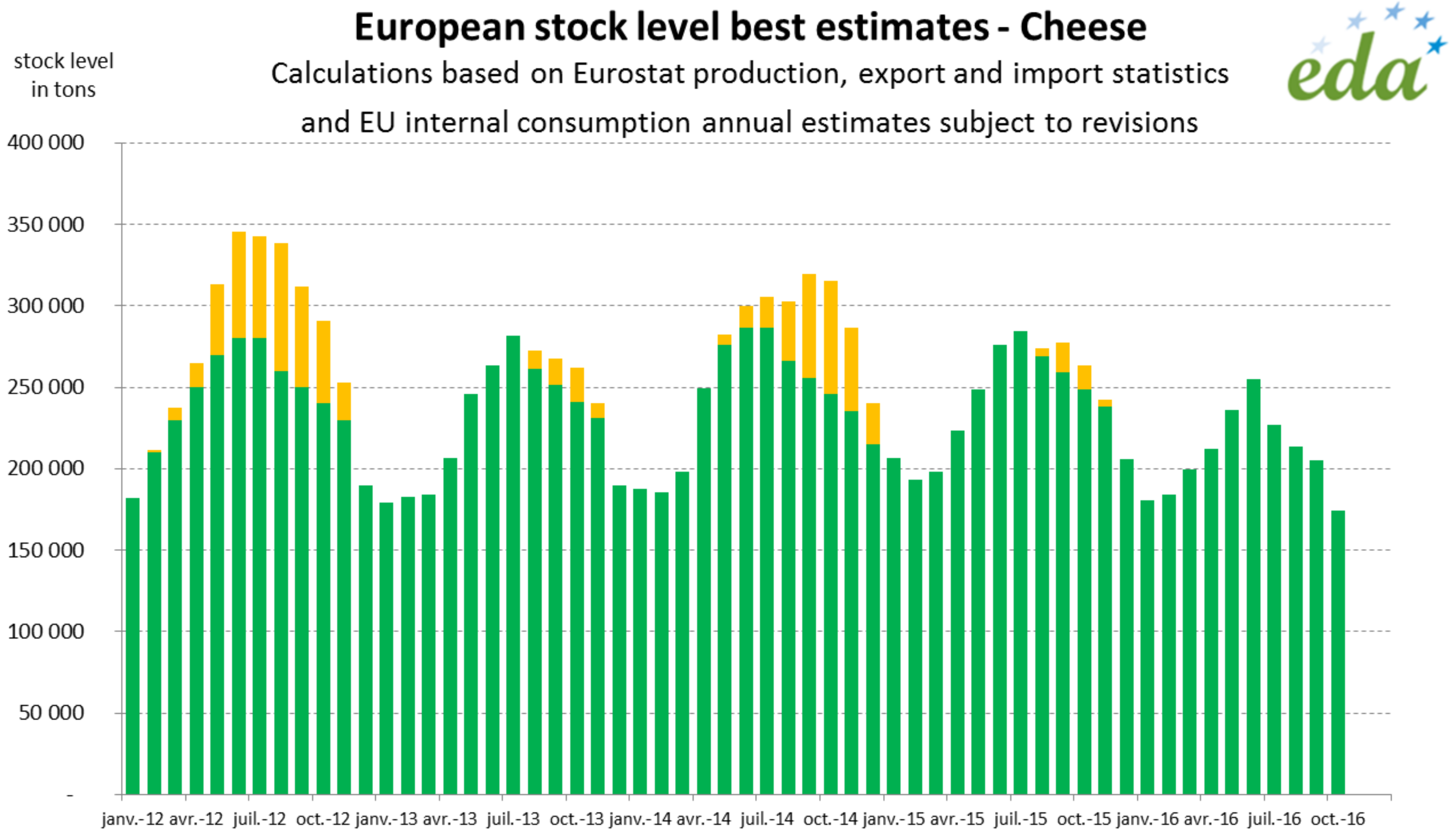
- For each dairy product and each month, the stock estimates are based on the equation:
  - **Stock variation** = EU production + EU import – EU internal consumption – EU exports
- ZMB balance sheets and forecasts have been used as references for :
  - End of year stocks levels in 2012 and 2013
  - Yearly consumption levels in 2012, 2013, 2014 and forecast for 2015
- Monthly production statistics are based on ZMB Dairy World publications.
- Exports and imports figures are based on MMO website figures.
- The initial stocks entered in the model at the beginning of 2012 are :
  - SMP: 152 000 t
  - Butter: 80 000 t
  - Cheese: 200 000 t (arbitrary basis)
- The green parts in each graph mean that this stock level can be considered as normal for the month.
- The orange part means that this stock level can be considered as too high for the month
- These qualifications are based on the EDA analysts' personal views and past market observation.

European stock level estimates - SMP

Calculations based on Eurostat production, export and import statistics and EU internal consumption annual estimates subject to revisions




European stock level estimates - Butter
Calculations based on Eurostat production, export and import statistics
and EU internal consumption annual estimates subject to revisions
stock level
in tons
250 000
200 000
150 000
100 000
50 000
-
janv.-12
avr.-12
juil.-12
oct.-12
janv.-13
avr.-13
juil.-13
oct.-13
janv.-14
avr.-14
juil.-14
oct.-14
janv.-15
avr.-15
juil.-15
oct.-15
janv.-16
avr.-16
juil.-16
oct.-16
eda


European stock level best estimates - Cheese
Calculations based on Eurostat production, export and import statistics
and EU internal consumption annual estimates subject to revisions
stock level
in tons
400 000
350 000
300 000
250 000
200 000
150 000
100 000
50 000
-
janv.-12
avr.-12
juil.-12
oct.-12
janv.-13
avr.-13
juil.-13
oct.-13
janv.-14
avr.-14
juil.-14
oct.-14
janv.-15
avr.-15
juil.-15
oct.-15
janv.-16
avr.-16
juil.-16
oct.-16
eda

ANNEX 3

Perspectives from the Dairy Trade

Eucolait

Perspectives from the Dairy Trade

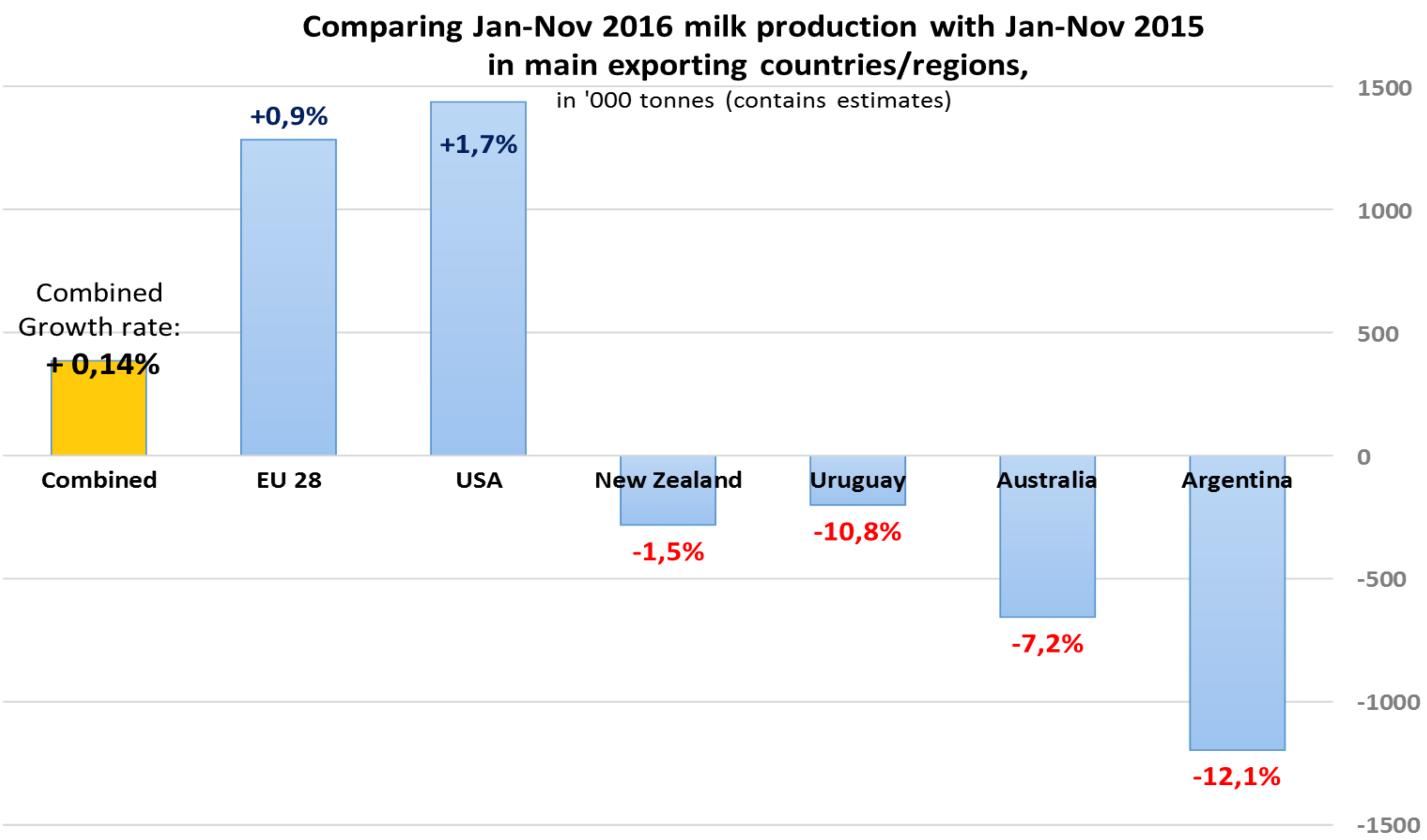
MMO Economic Board

25 January 2016

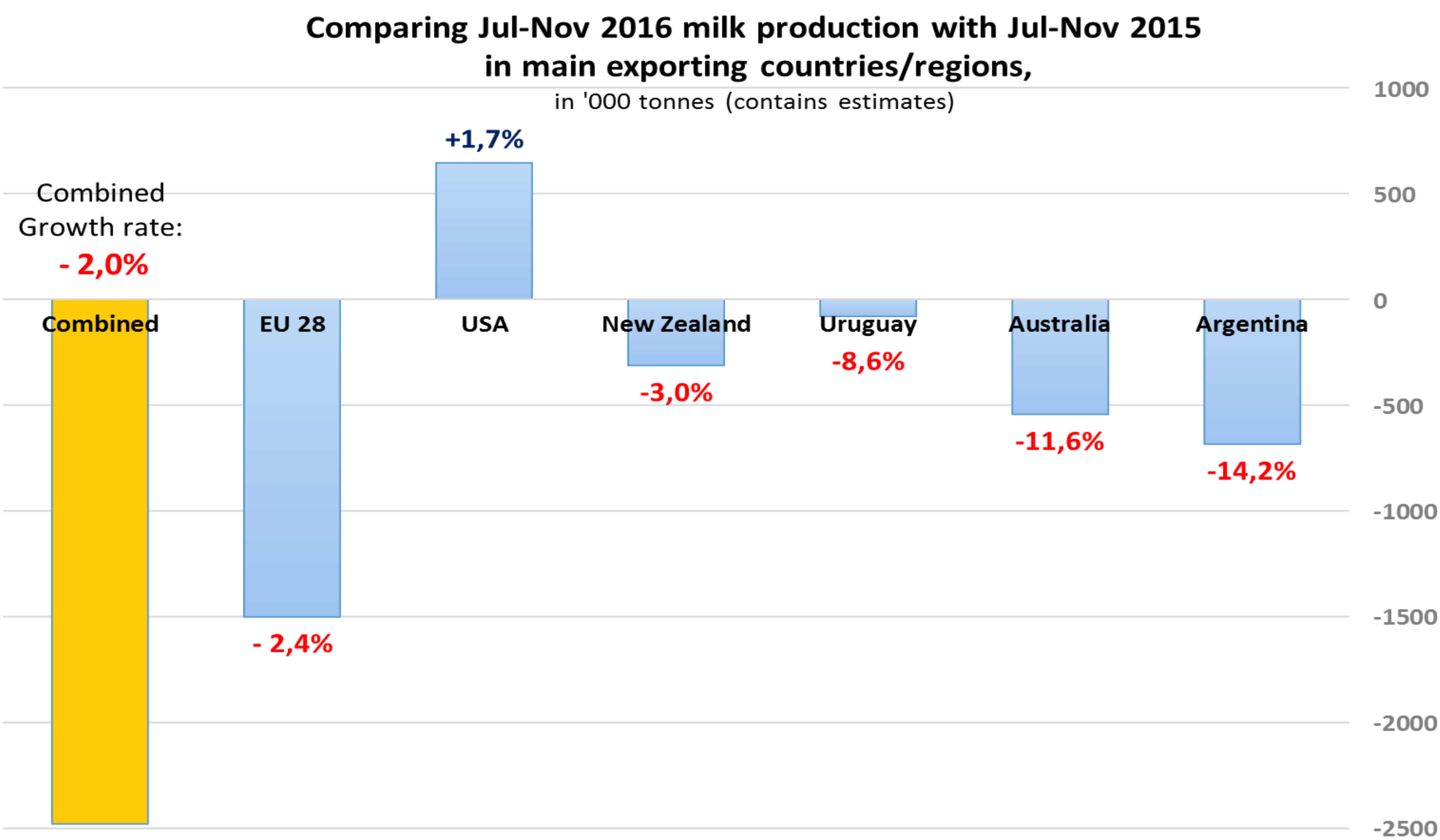
Outline

- Global Supply
- Global exports & demand
- Development in key import markets
- Conclusions

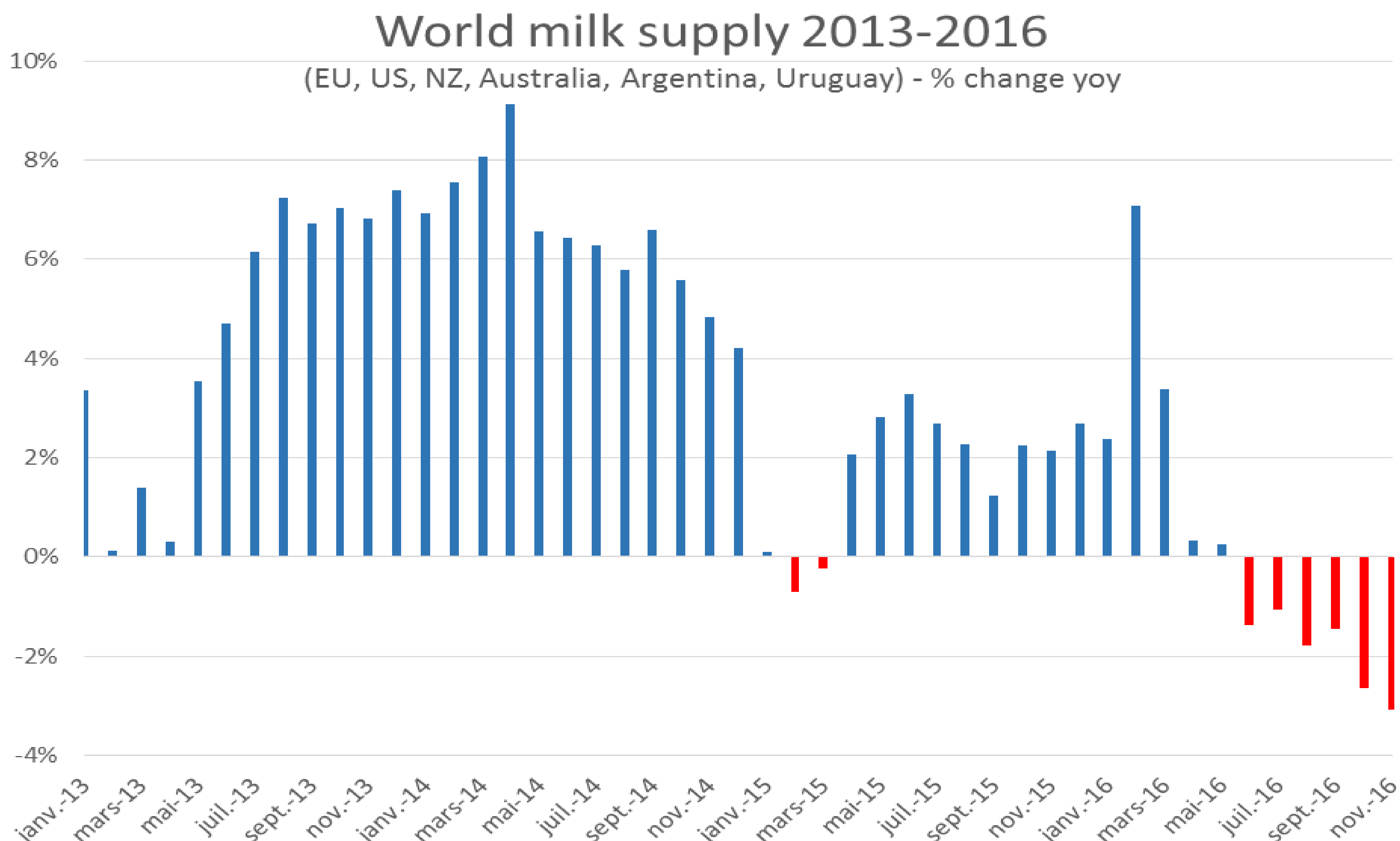
Milk production in key export regions Jan-Nov



Milk production in key export regions Jul - Nov



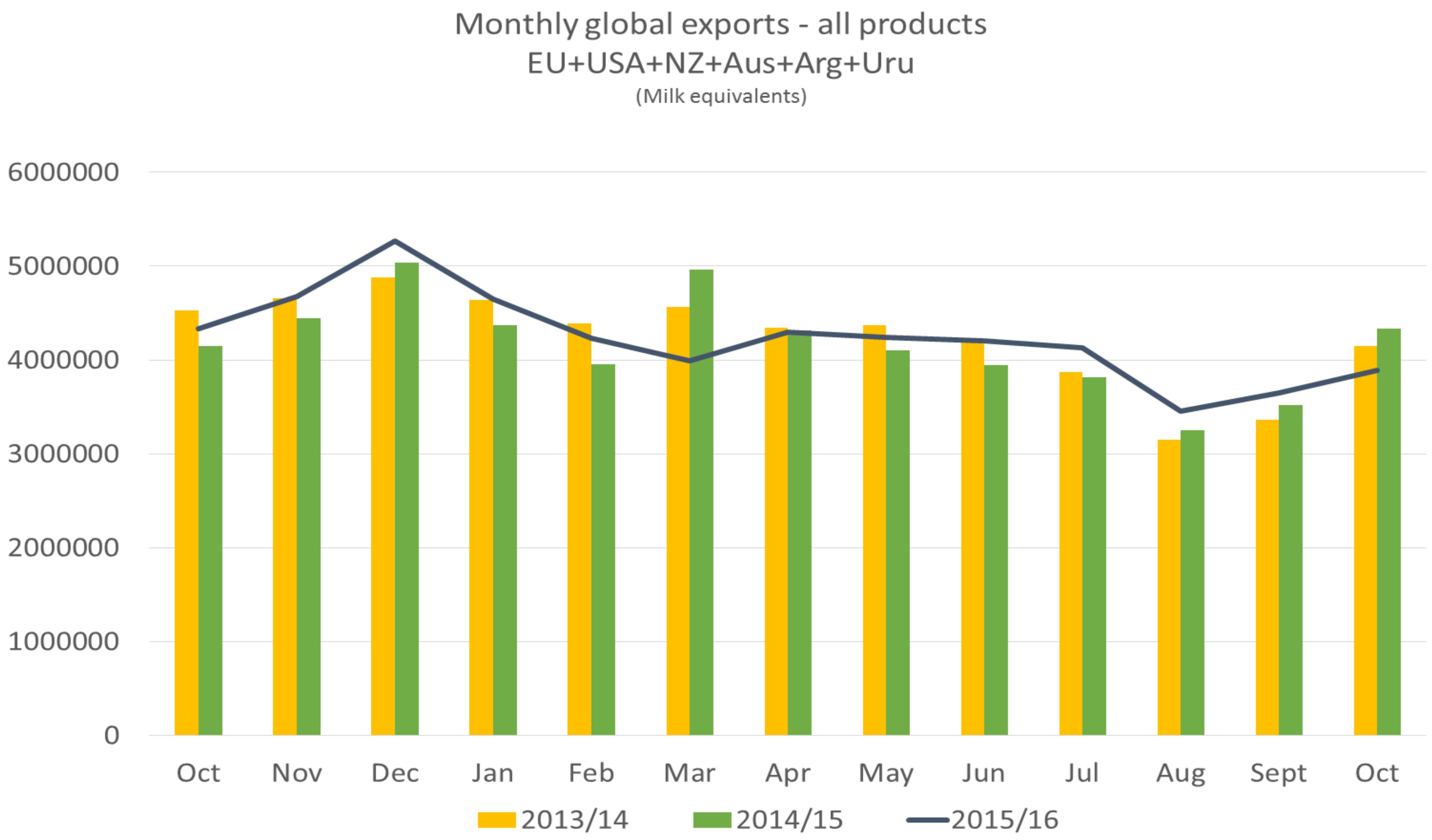
Milk production in key export regions 2013-2016 (% change yoy)



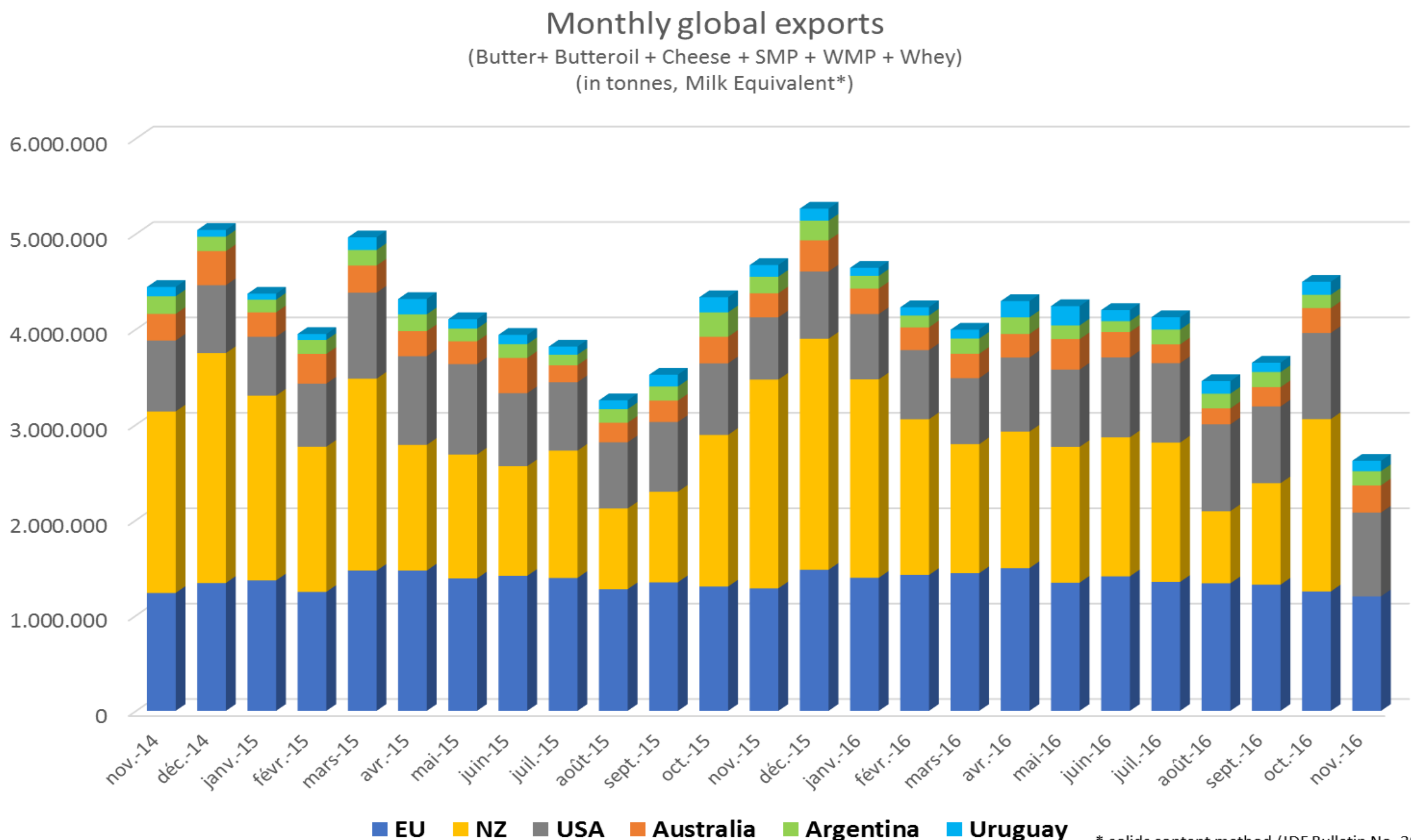
Production outlook

- **EU volumes** have fallen increasingly since June 2016 (but up for IE, IT, NL & PL for Nov yoy). In 2017 output could progressively reach and exceed 2016 levels as a reaction to higher milk prices. Environmental measures taken in NL will have an effect. Estimate for 2017 +0,5%
- **NZ milk production down again by 4,5% yoy for November** but less so than in October. **Season to date -3% (June-Nov)** due to wet weather during production peak (Oct, Nov). Total season output could be seriously limited, depending on summer weather and milk prices
- **Australia milk production down as well by 6,3% yoy for November**. **Season to date -9,4%** (Jul-Nov) due to weak milk prices, excessively wet weather and heavy early-season culling. **Full season milk supply to June 2017 is likely to be down more than 5%** over previous season and will further limit export capacity
- **US production for November stayed ahead of last year with +2,4%**, expansion in all regions, incl. California +0,2%. **USDA expects total output for 2017 to climb 2% (217 billion pounds)**
- **Latin America:** slow recovery in Brazil, further production declines likely in Argentina

Dairy exports of main market players in ME



Dairy exports of main market players in ME



* solids content method (IDF Bulletin No. 390)

Main EU export markets for all dairy products **(in value - €)**

2014 (Jan-Nov)

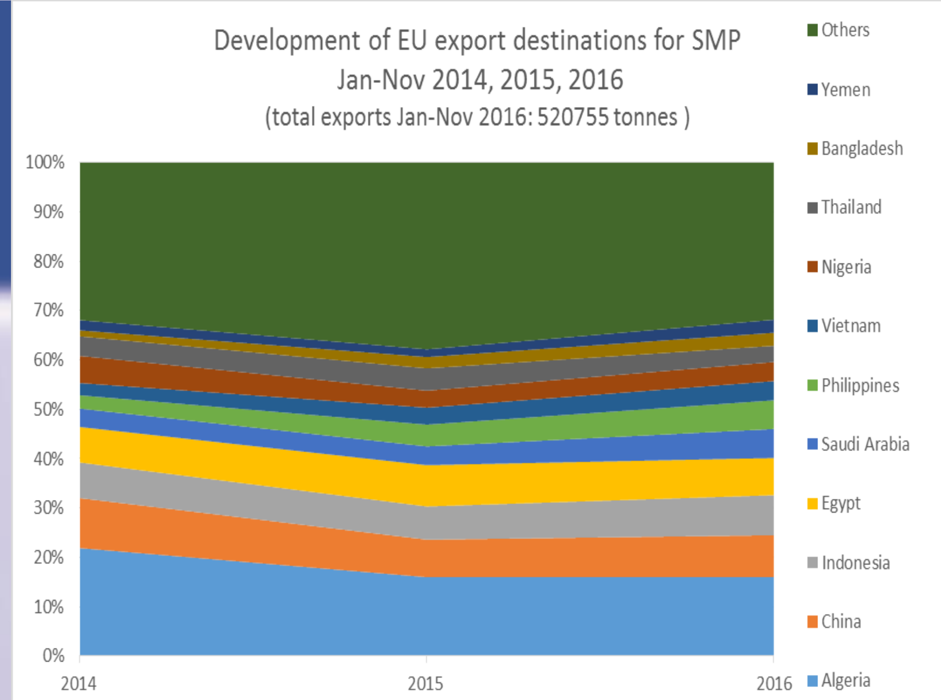
2015 (Jan-Nov)

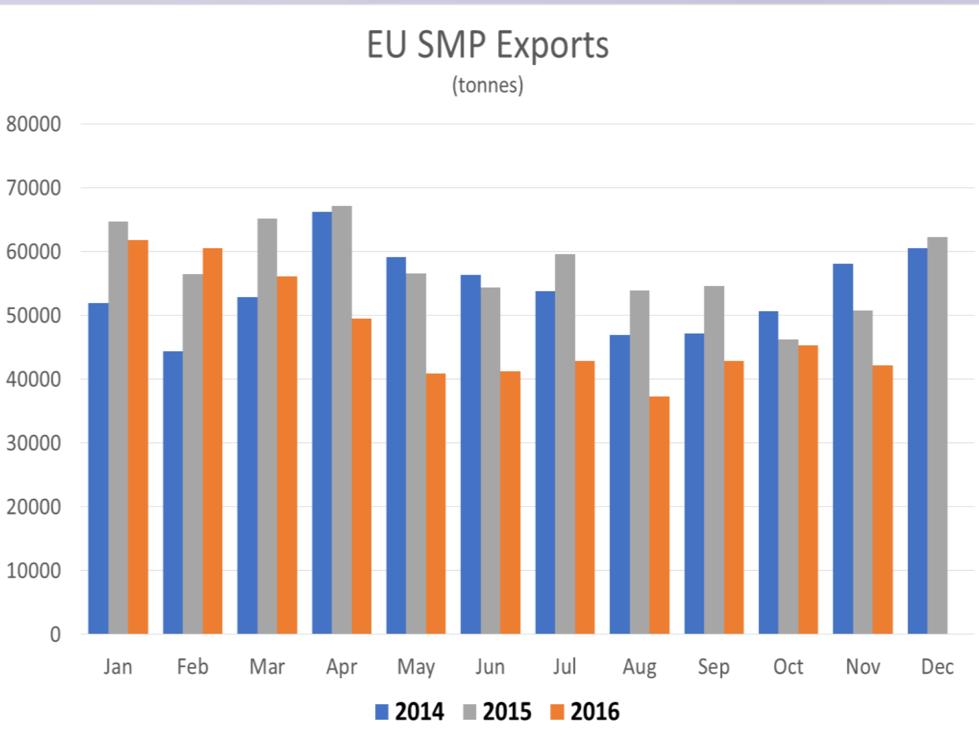
2016 (Jan-Nov)

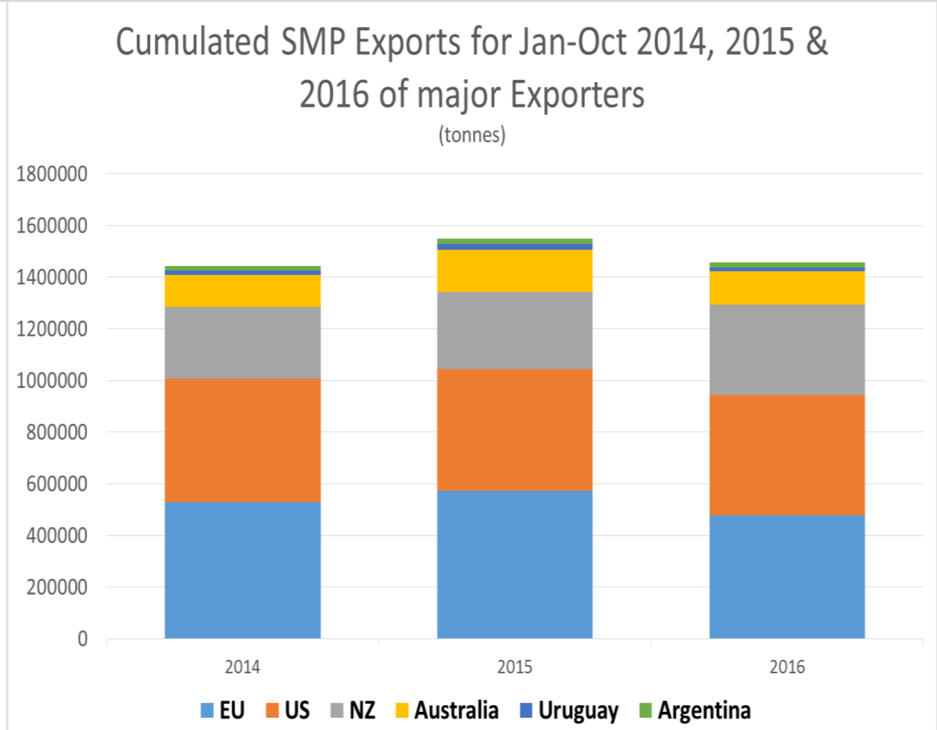
SMP trade

EU SMP exports:
- Growth rate Jan-Nov 15/16: -16,6%

Combined SMP exports:
- Growth rate Jan-Oct 15/16: -6,0%



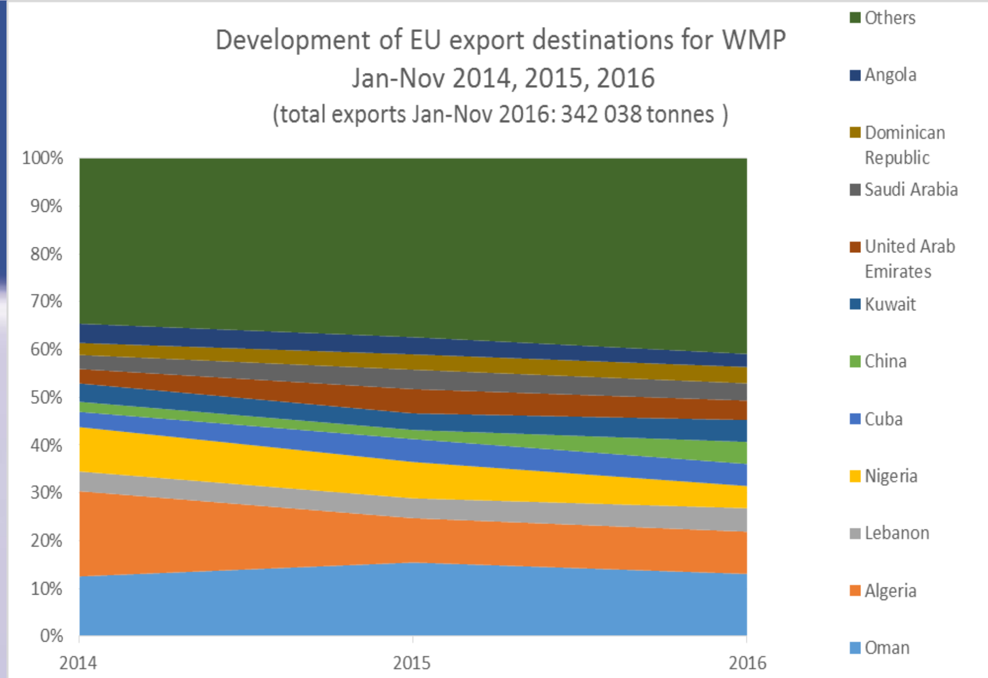


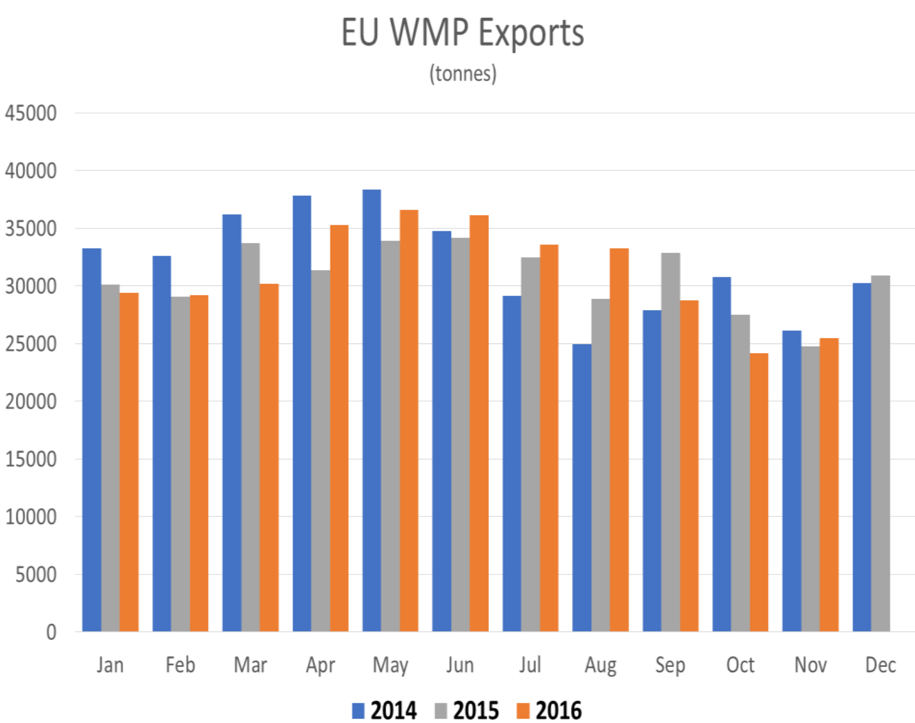


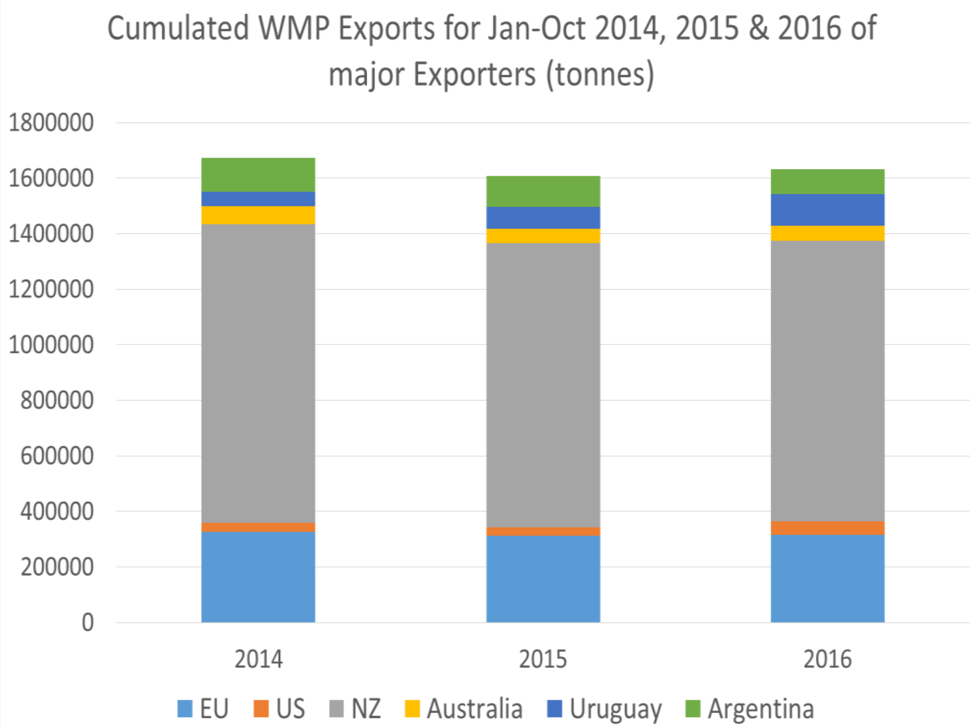
WMP trade

EU WMP exports:
- Growth rate Jan-Nov 15/16: +0,8%

Combined WMP exports:
- Growth rate Jan-Oct 15/16: +1,6%



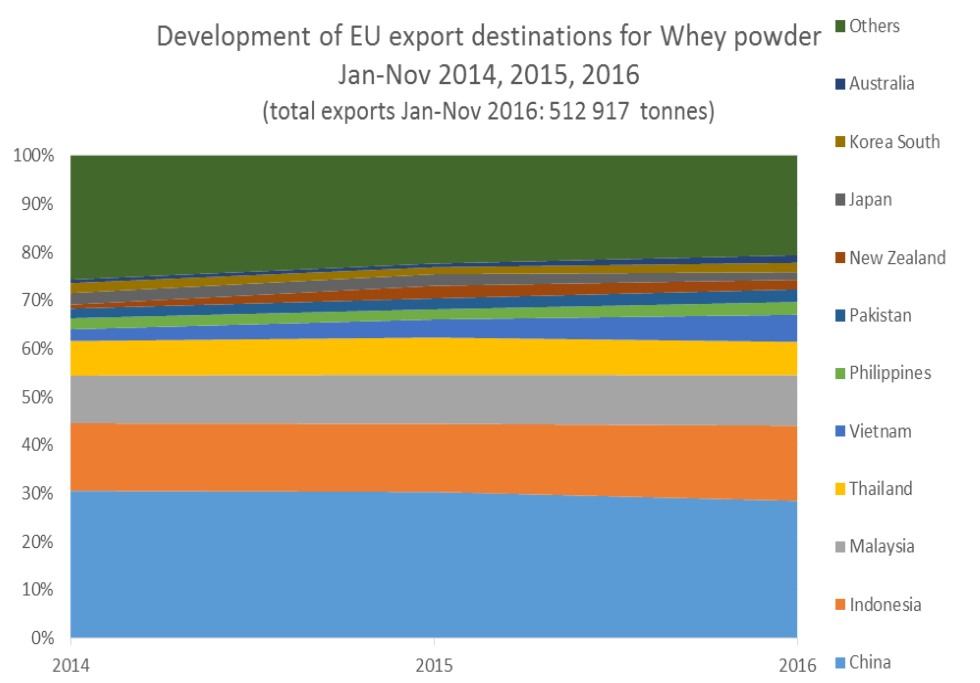


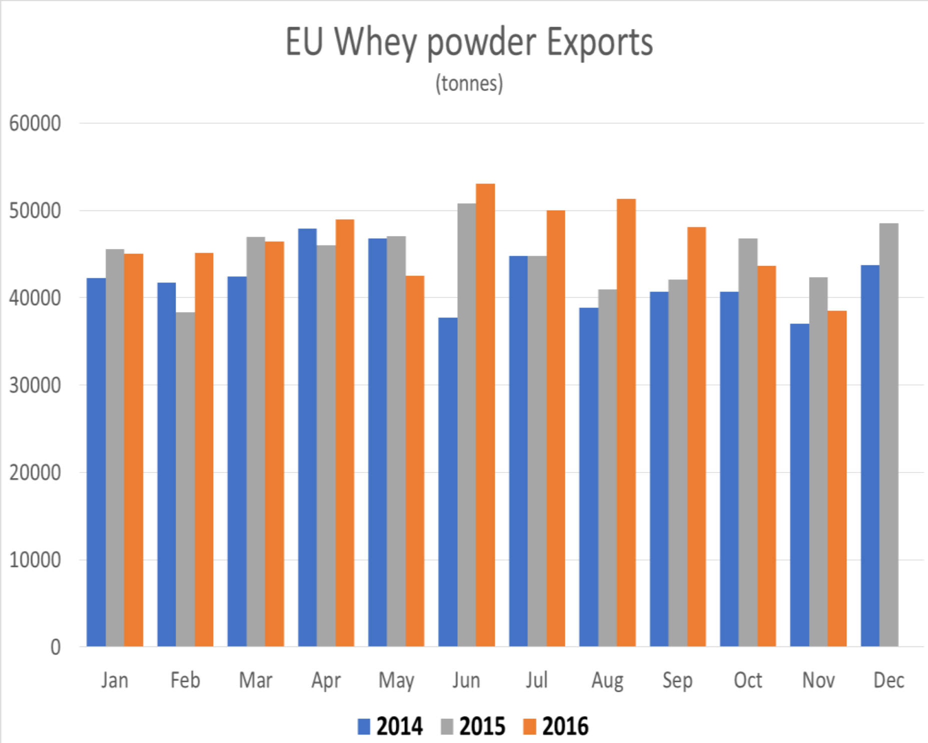


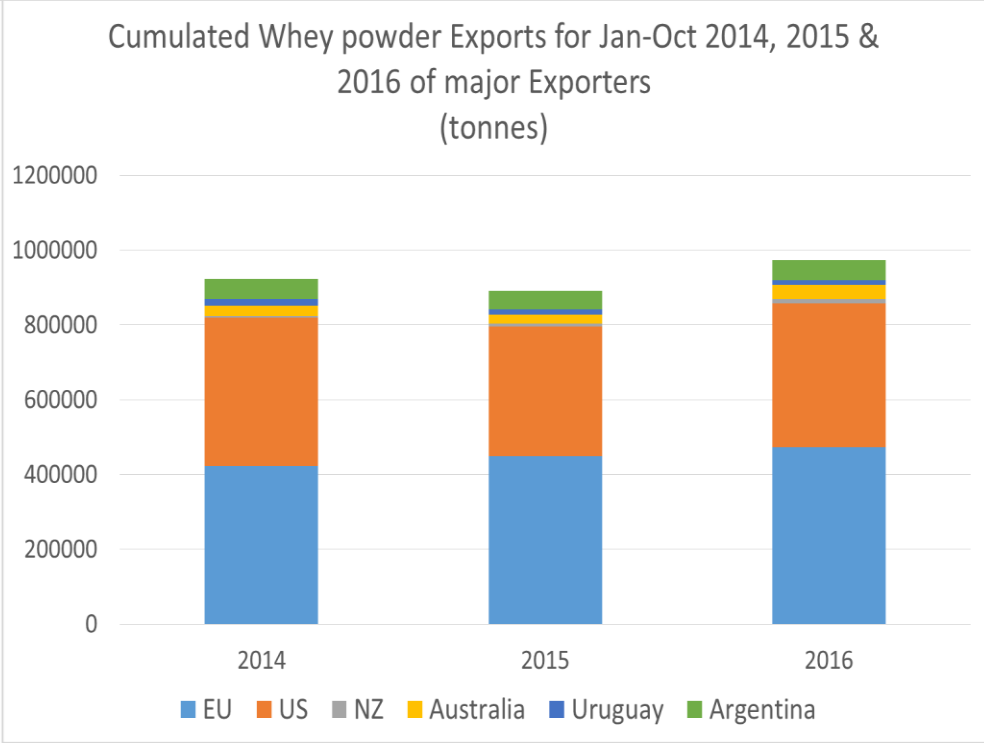
Whey powder trade

EU whey powder exports:
- Growth rate Jan-Nov 15/16: +4,2%

Combined whey powder exports:
- Growth rate Jan-Oct 15/16: +9,3%



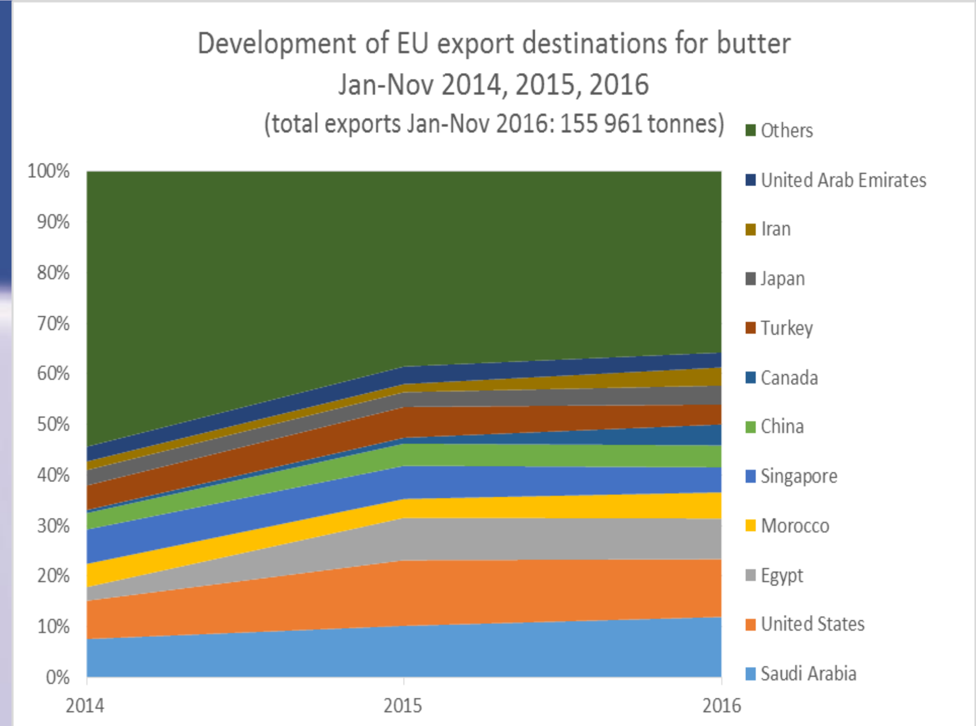


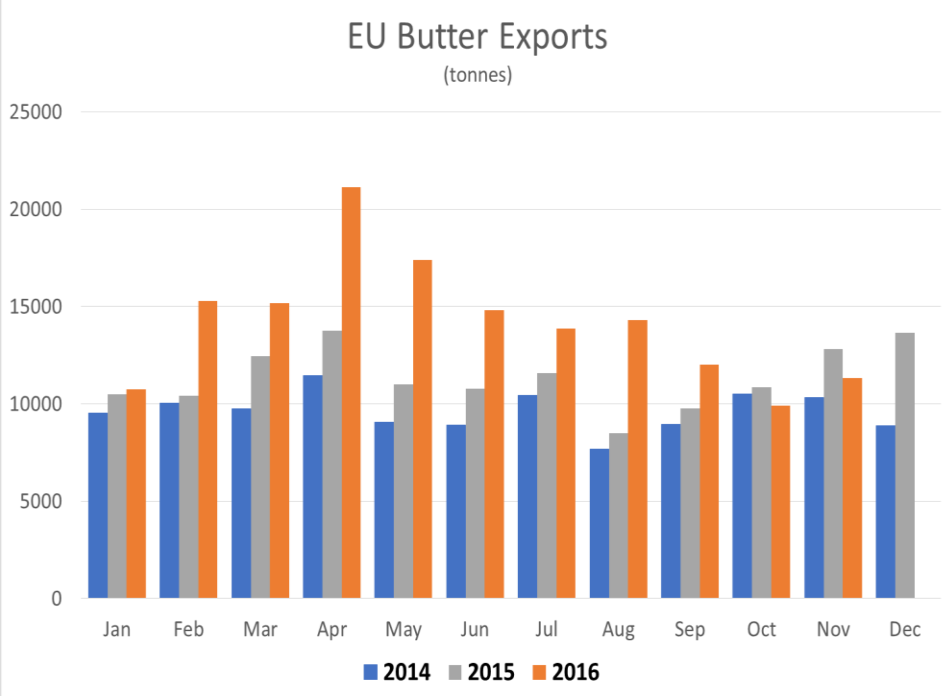


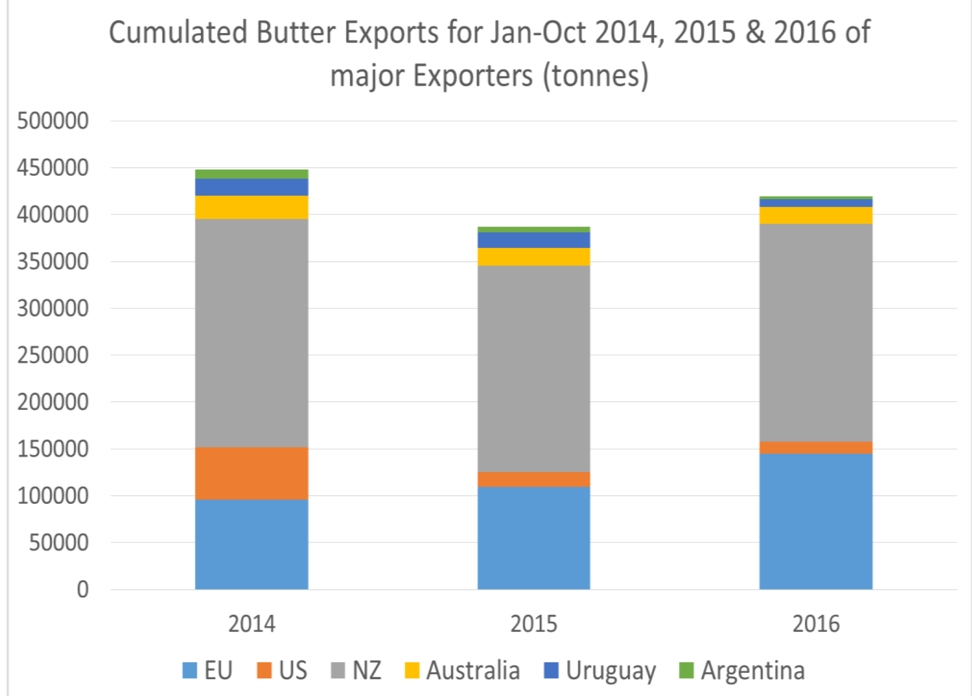
Butter trade

EU butter exports:
- Growth rate Jan-Nov 15/16: +27,4%

Combined butter exports:
- Growth rate Jan-Oct 15/16: +8,4%



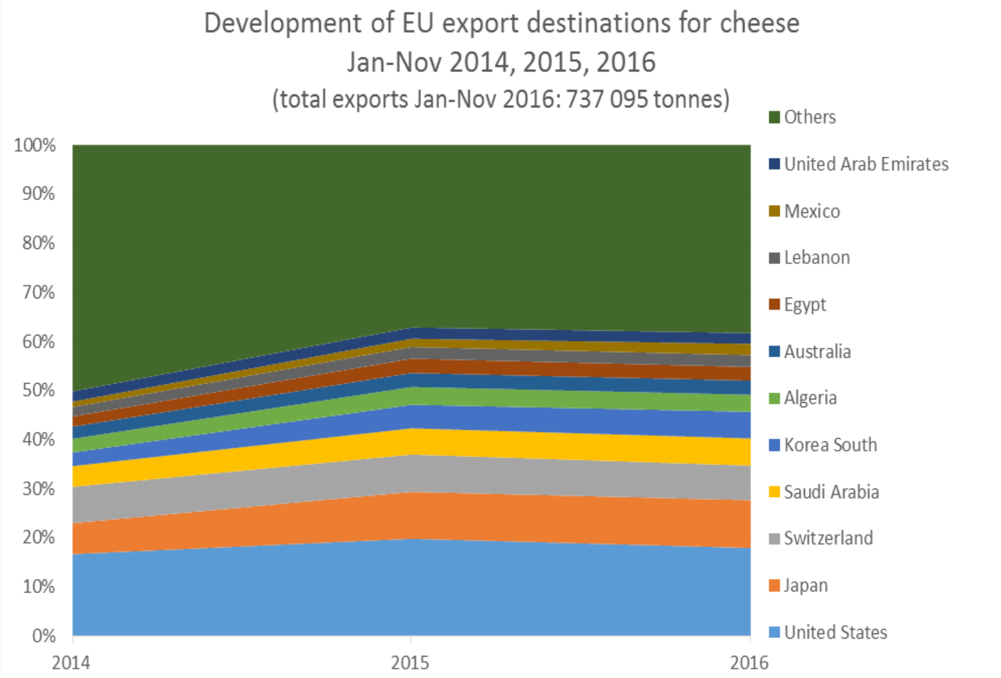


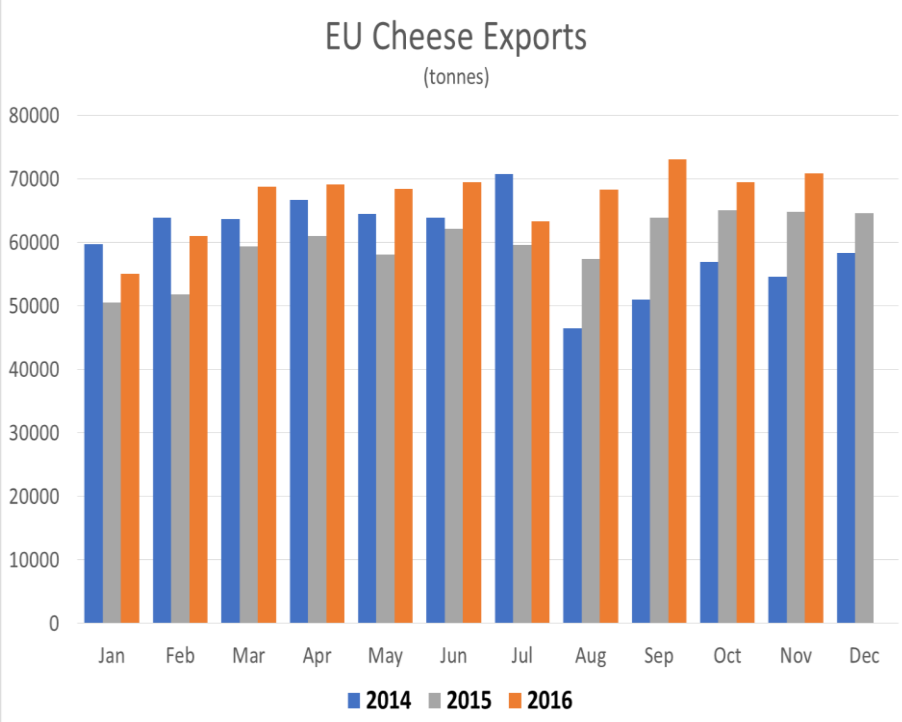


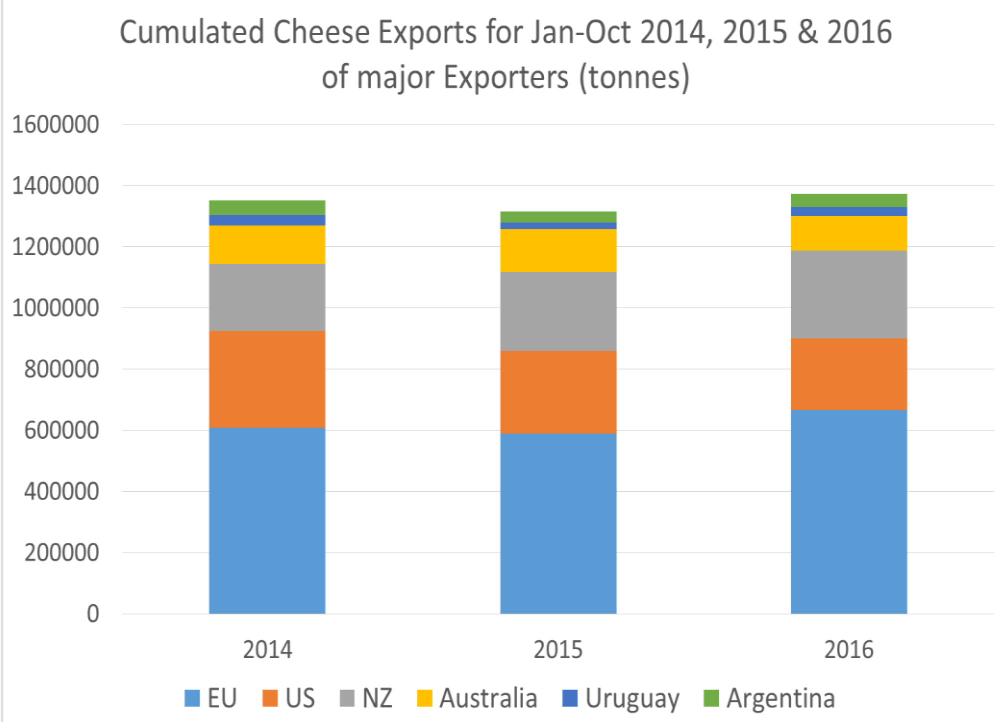
Cheese trade

EU cheese exports:
- Growth rate Jan-Nov 15/16: +12,7%

Combined cheese exports:
- Growth rate Jan-Oct 15/16: +4,4%



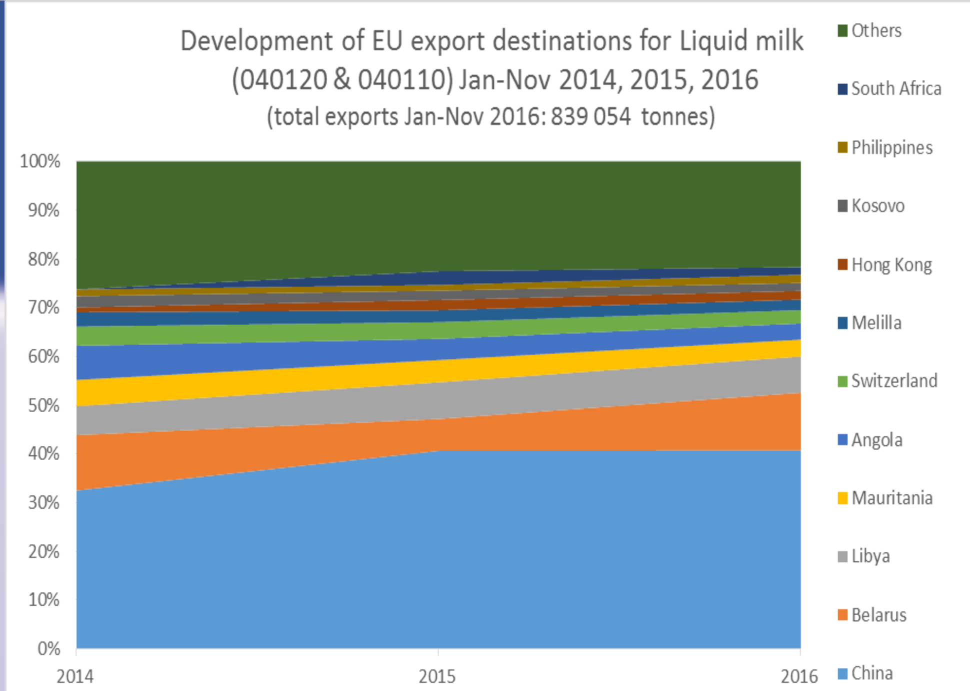


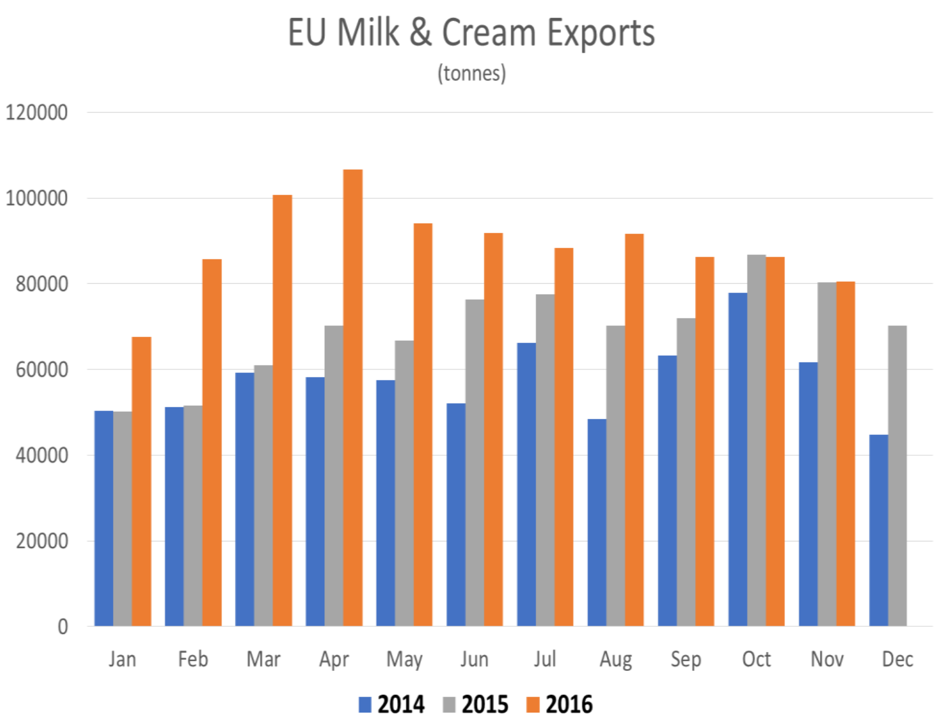


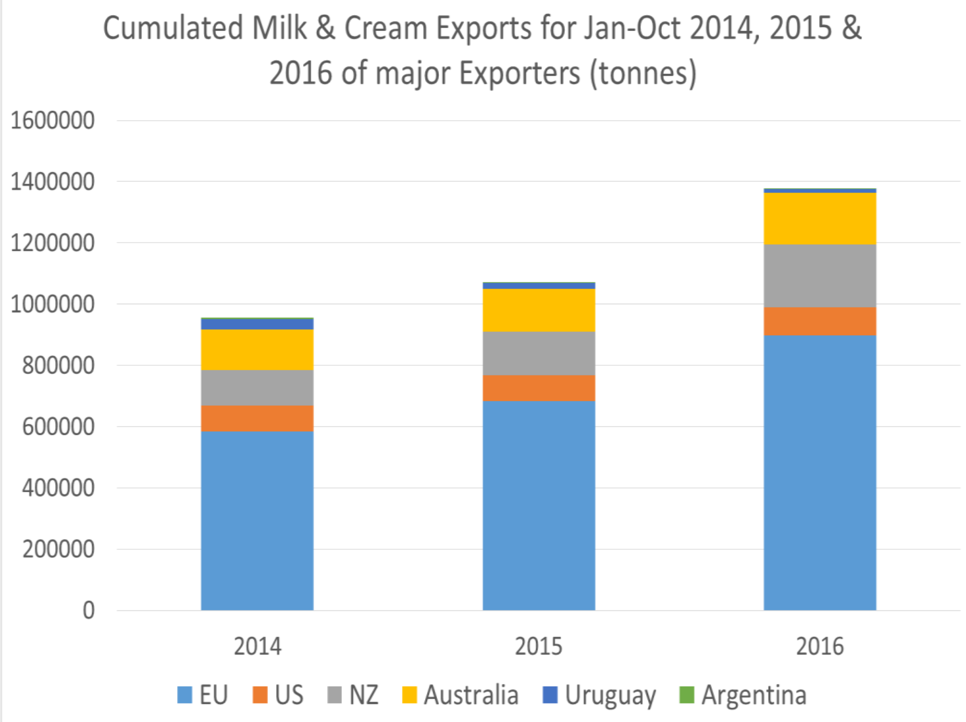
Trade of milk & cream

EU milk & cream exports
- Growth rate Jan-Nov 15/16: +28,4%

Combined milk & cream exports
- Growth rate Jan-Oct 15/16: +28,4%



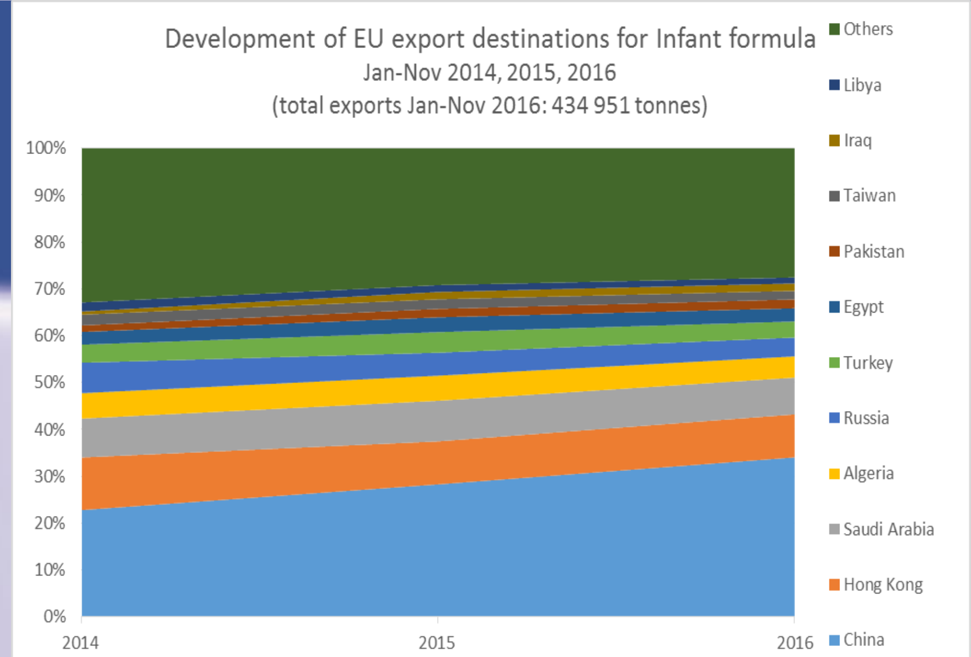


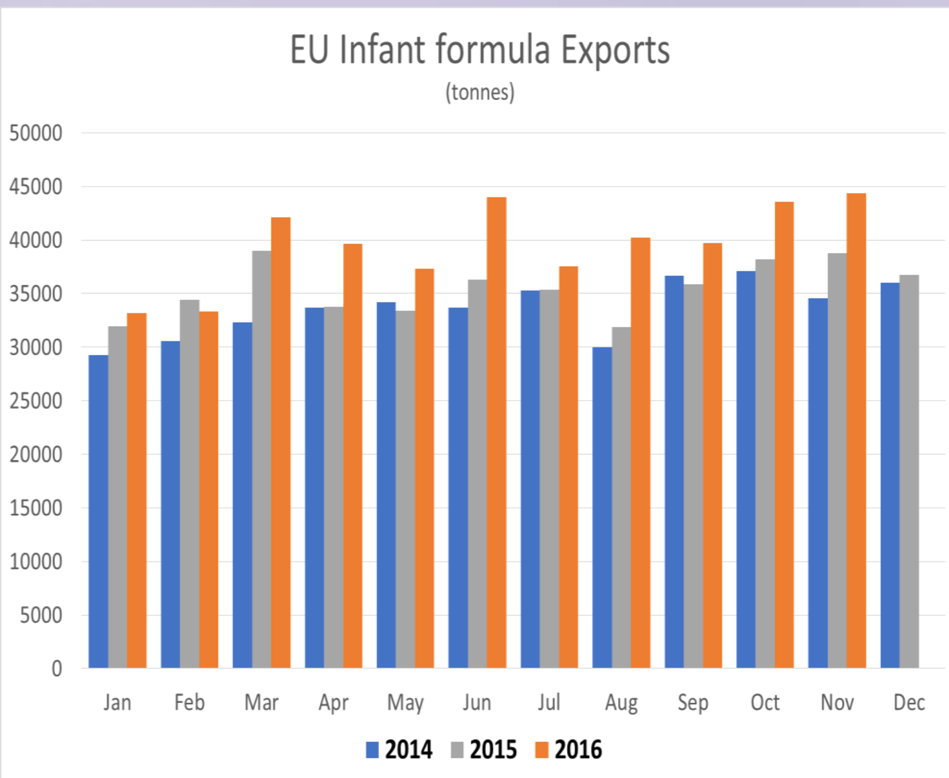


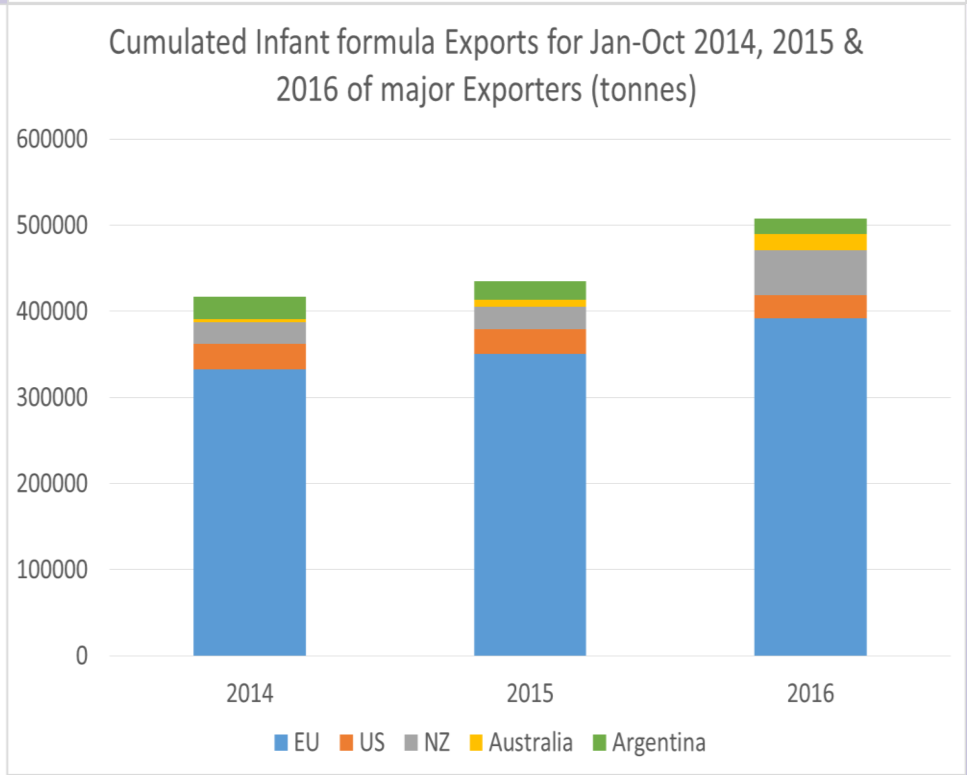
Infant formula trade

EU infant formula exports:
- Growth rate Jan-Nov 15/16: +12,0%

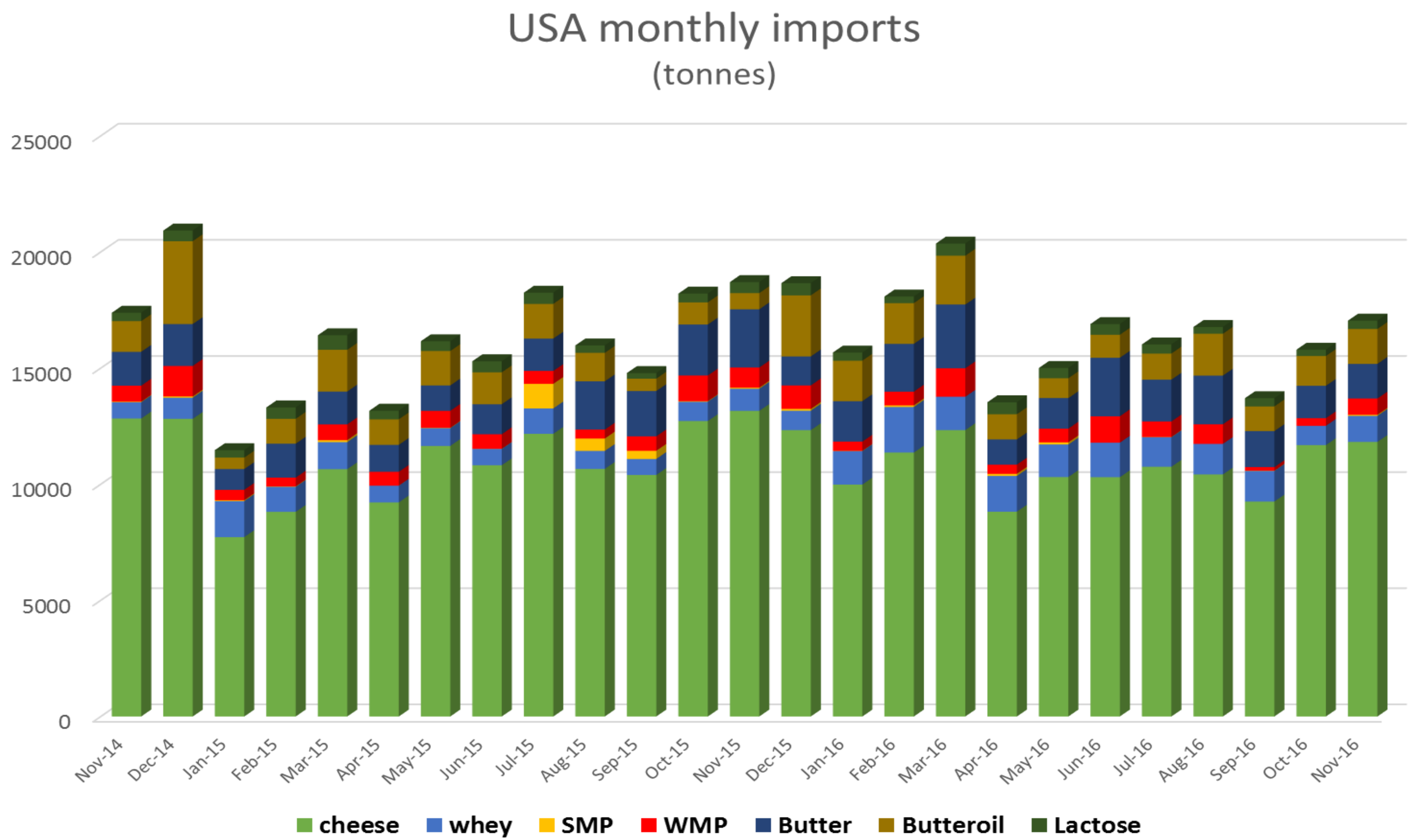
Combined infant formula exports:
- Growth rate Jan-Oct 15/16: +16,6%



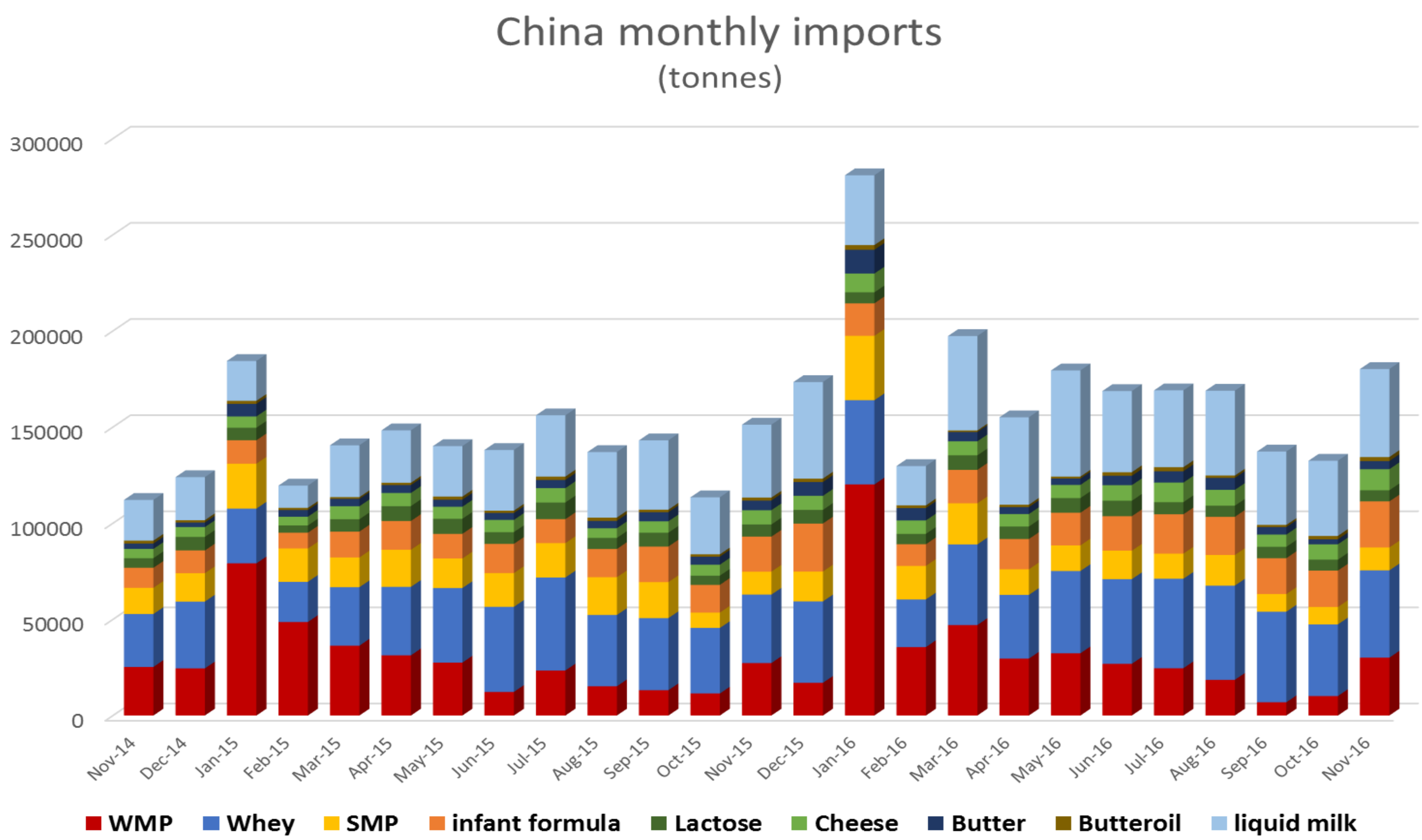




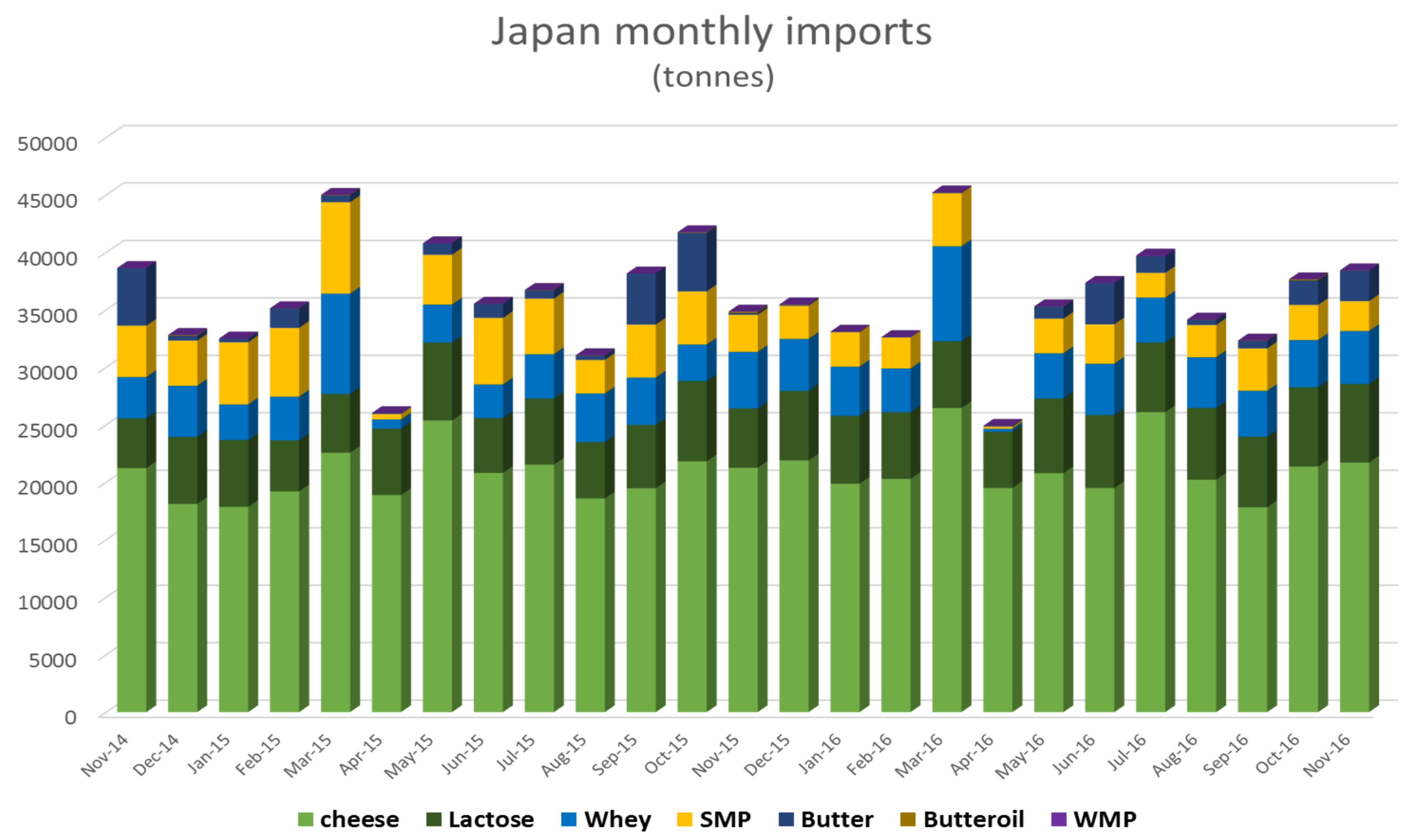
USA Imports


USA monthly imports
(tonnes)
25000
20000
15000
10000
5000
0
Nov-14
Dec-14
Jan-15
Feb-15
Mar-15
Apr-15
May-15
Jun-15
Jul-15
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
Jan-16
Feb-16
Mar-16
Apr-16
May-16
Jun-16
Jul-16
Aug-16
Sep-16
Oct-16
Nov-16
cheese
whey
SMP
WMP
Butter
Butteroil
Lactose

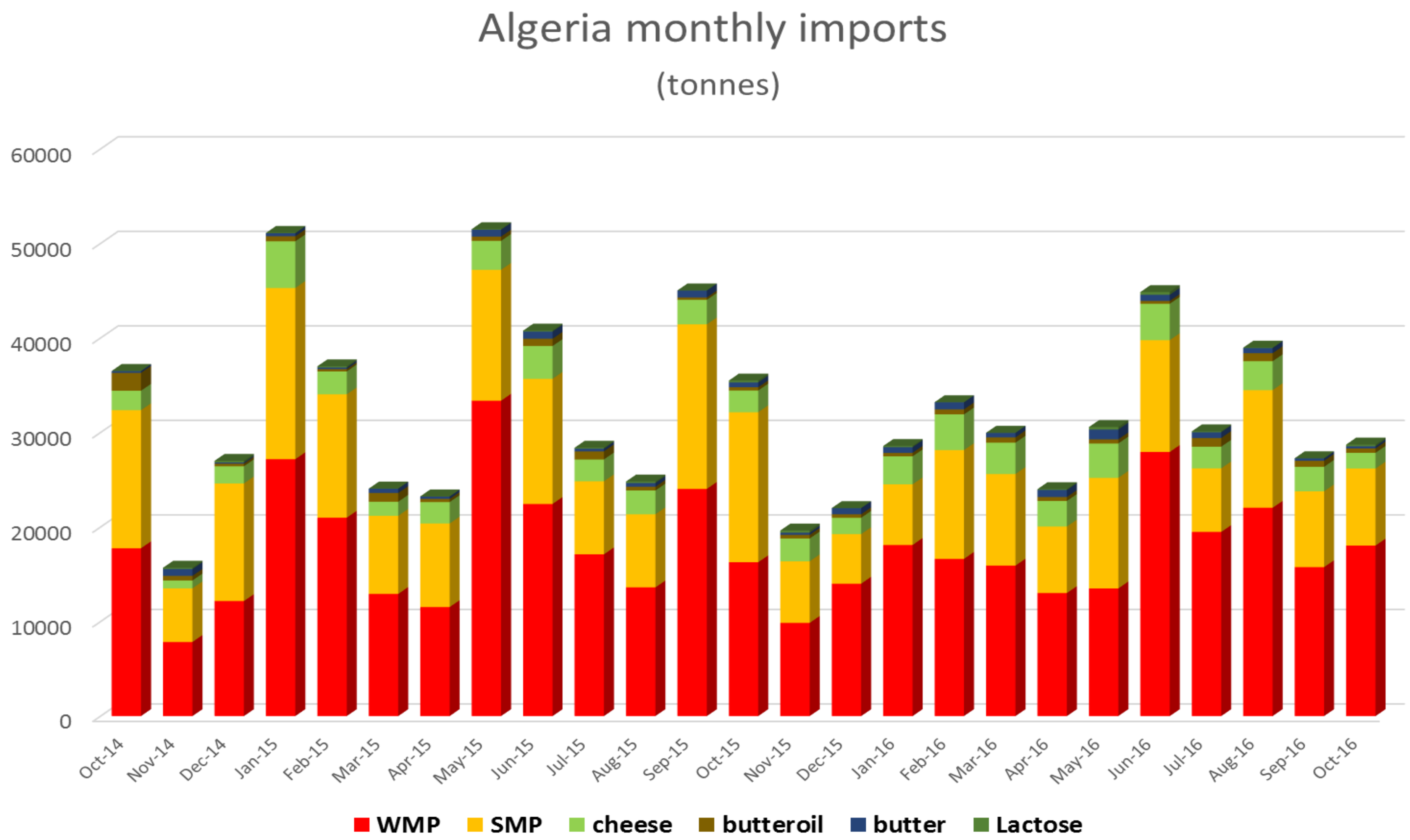
China Imports



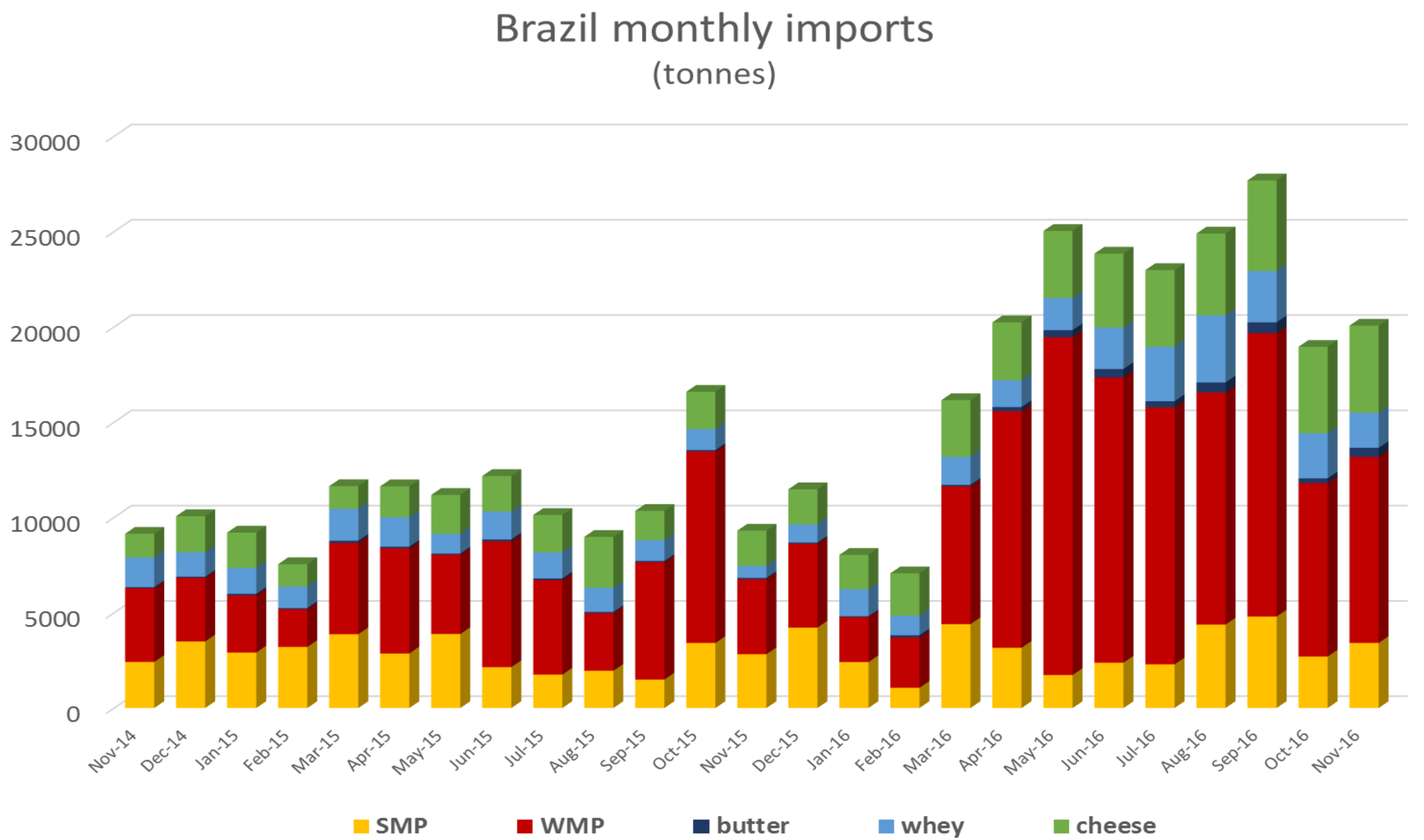
Japan Imports



Algeria imports



Brazil imports



Conclusions

- **Global supply reduction should drive world market towards new equilibrium.** Milk output continues to tighten (driven by the EU but also in Oceania and South America); USA is the only exception. EU price levels at and above LT averages, except for SMP.

- **Resilient global demand on the face of things.** Traded volumes in the world increased in 2016 after 2015 contraction. Demand in Asia (incl. China), USA and Brazil solid. A sustained recovery in crude oil prices could improve trade balance in key importing countries in Middle East & Africa

- **Reduced product availability in South America and Oceania strengthens EU position on world market** although US is increasingly present again

Conclusions

- **Weak Euro and strong Dollar keeps EU products competitive** on the world market. But emerging market currencies under Dollar pressure making imports more expensive. How sustainable is the ‘Trump’ rally on the dollar (1.03 – 1.07)?

- **Management of SMP intervention sales** will influence developments in this market segment

- **Numerous political risks bring increased uncertainty for dairy sector:** US trade policy changes under new administration, Brexit, upcoming elections in key EU MS

Thank You

<u>Sources used in presentation</u>: Global Trade Atlas, Eurostat, USDA, Dairy Australia, DCANZ, CLAL

Eucolait
www.eucolait.eu
Twitter: @Eucolait
info@eucolait.eu

ANNEX 4

Trends in sales of Milk & Dairy products – a retail perspective

EuroCommerce

TRENDS IN SALES OF MILK & DAIRY PRODUCTS – A RETAIL PERSPECTIVE

Milk Market Observatory

25 January 2017

EuroCommerce

THE RETAIL, WHOLESALE AND INTERNATIONAL TRADE REPRESENTATION TO THE EU

France

Period ending 25 December 2016

Product category	Volume (% change) 4 weeks period (P13 ‘15/P13 ‘16)	Volume (% change) Year on year (P13 ‘14-P13 ‘15 / P13 ‘15 –P13 ‘16)	Price (% change) 4 week period (P13 ‘15/P13 ‘16)	Price (% change) Year on year (P13 ‘14-P13 ‘15 / P13 ‘15 –P13 ‘16)
Total liquid milk	-0,5%	-2,8%	+1,2%	+2,6%
Of which UHT semi-skimmed milk	-6,4%	-5,5%	+0,4%	+2,9%
Yoghurt & fresh cheese	+1,7	-0,8%	-0,7%	-0,7%
Butter	+0,9%	+0,1%	+0,3%	+1,9%
Cream	-1,6%	-1,4%	-2,7%	+0,8%
Cheese	+1,7%	+1,7%	-0,7%	-0,5%

Source: Kantar World Panel via FranceAgriMer (Min. de l’Agriculture)

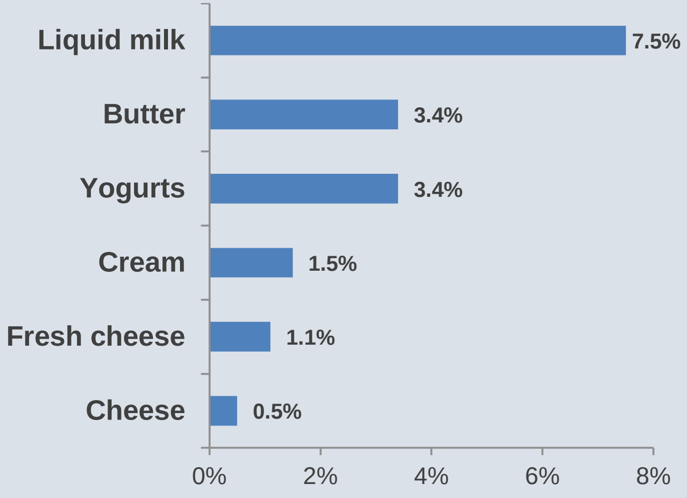
France

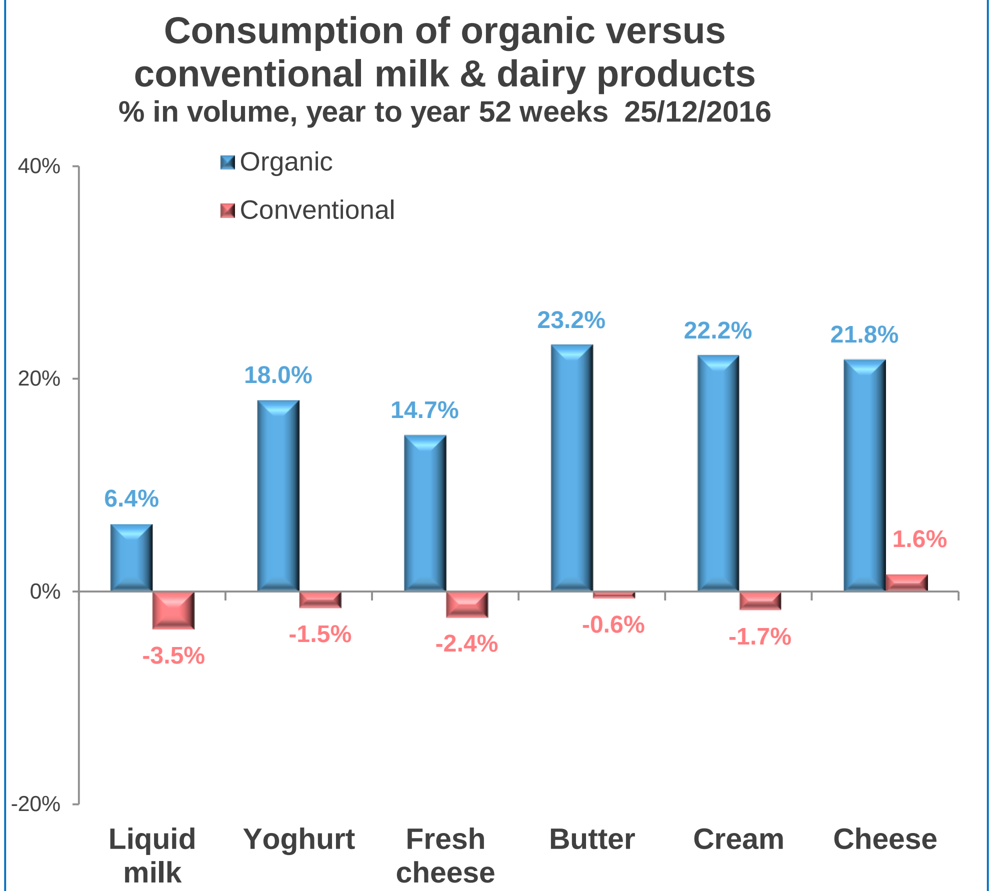
Sales of organic versus conventional milk & dairy products

Organic milk & dairy products

❖ Organic dairy products sales have continued to increase. The increase is registered on every product.

Organic market shares (% vol. 25/12/2016)

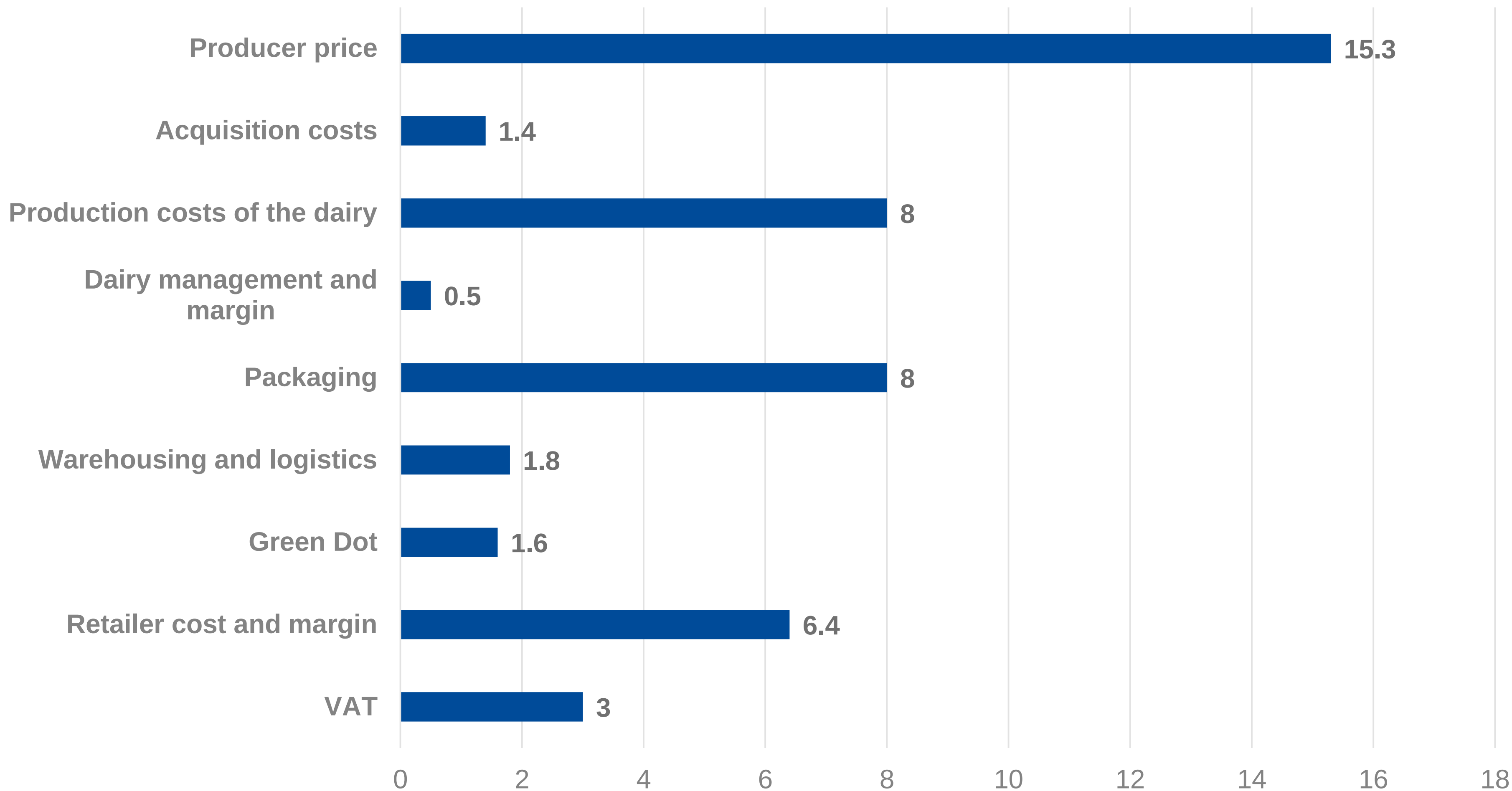




Source: Kantar World Panel via FranceAgriMer (Min. de l'Agriculture)

EuroCommerce

Composition of the milk price in Germany according to value-added steps in 2016 (cents per litre)



Source: Statista

EuroCommerce

Germany – consumer prices

January-October	2015	2016	2016:2015
1 litre fresh milk, 3,5% fat	0,64	0,60	-6,3%
1 litre UHT milk, 3,5% fat	0,62	0,57	-8,1%
1 litre organic fresh milk, 3,8% fat	1,13	1,13	0,0%
1 litre organic UHT milk, 3,5% fat	1,20	1,22	+1,7%
Quark, 500g, 0,1% fat	0,75	0,63	-16%
Own-brand butter, 250g	0,97	0,96	- 1%
Gouda, 1kg	5,58	5,11	-8,4%
Whiped Cream	0,45	0,37	-17,8%

http://www.milch-nrw.de/fileadmin/redaktion/pdf/Pressearchiv/2017/NRW-Milchmarkt_Jan_2016_.pdf

Germany

Period ending October 2016

Product category	Volume % change YTD	Value % change YTD
Butter	+0,1%	-1,0%
UHT milk	-1,7%	-8,4%
Fresh milk	-0,2%	-3,0%
Quark	+0,0 %	-4,6%
Natural yoghurt	+2,3%	+0,7%
Fruit yoghurt	-3,9%	-3,9%
Desserts	-1,5%	-3,4%
Dairy drinks	+8,6%	+8,5%
TOTAL	-0,6%	-3,5%

EuroCommerce

Hungary

Product category	Value December 2016 vs December 2015	Value January – December 2016 vs 2015
Fresh and UHT milk	+13,3%	-2,4%
Milk products and cream	+0,3%	-1,8%
Milk desserts and puddings	+13,2%	+3,2%
Cheese	+14,7%	+3,5%
Butter, margarine	+5,3%	-1,5%

As of 1st of January, the VAT for fresh milk decreased from 18% to 5%;

Source: Nielsen

Italy

Period: 2016 vs. 2015

Product category	Volume 2016 vs. 2015 % change	Volume Q4 2016 vs Q4 2015 % change	VALUE 2016 vs. 2015 % change	VALUE Q4 2016 vs Q4 2015 % change
Fresh milk	-3,5%	-0,4%	-4,4%	-1,7%
UHT milk	-3,1%	-3,2%	-6,8%	-6,1%
Yoghurt	+0,7%	0,0%	-1,0%	-1,8%
Fresh cheese(1)	+1,0%	+0,9%	-1,7%	-1,6%
Fresh dessert	+4,2%	+7,2%	+3,2%	+4,5%
Cheese(1)	+2,2%	+2,7%	+0,03%	+1,1%

Source: Market Track Nielsen
(1) Peso imposto

Poland

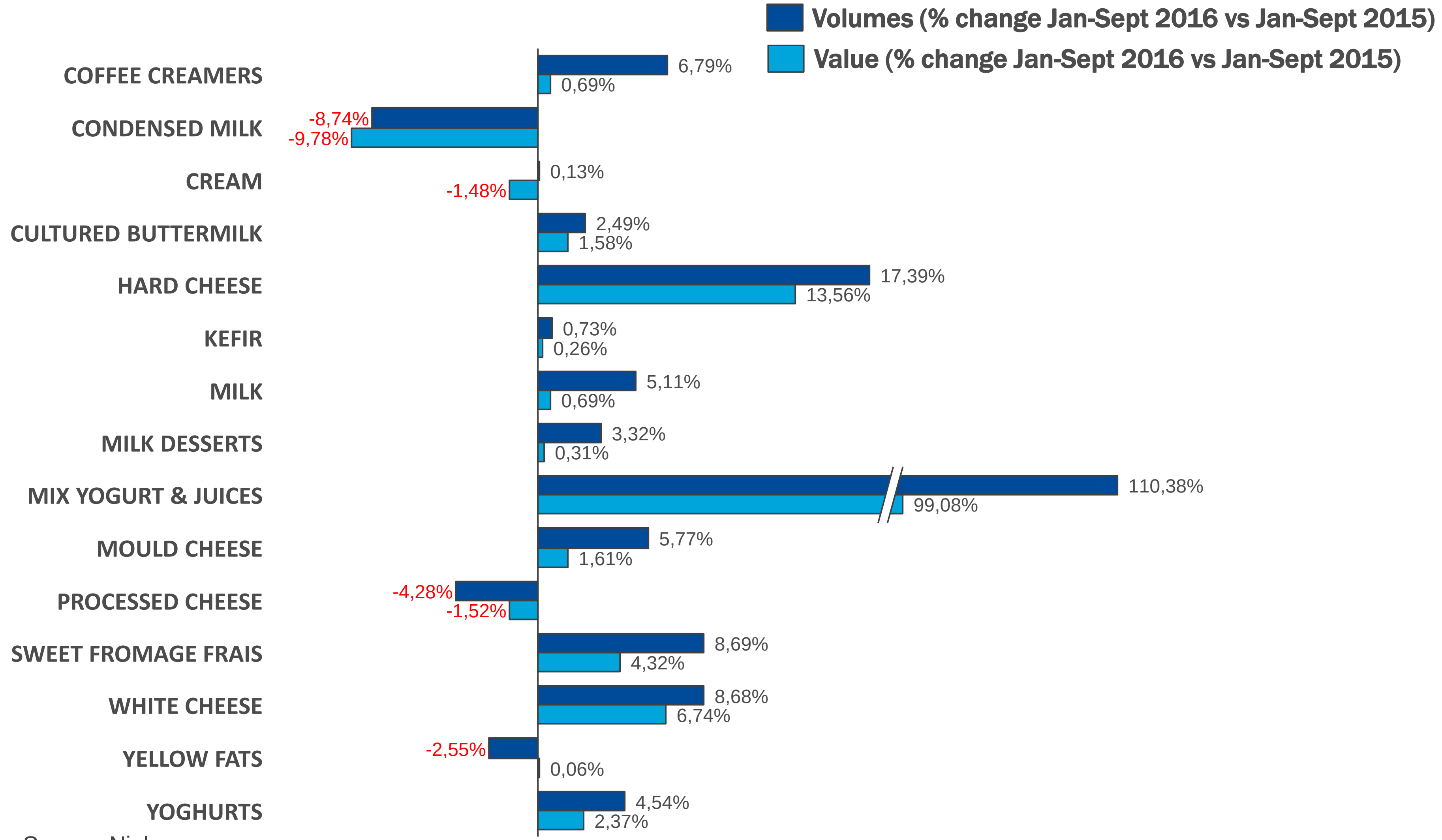
Period ending - September 2016

Product category	Volume (% change Sept 2016 vs Sept 2015)	Volume (% change Jan-Sep 2016 vs Jan-Sep 2015)	Value (% change Sept 2016 vs Sept 2015)	Value (% change Jan-Sept 2016 vs Jan-Sept 2015)
Coffee creamers	+2,6%	+6,8%	+2,7%	+0,7%
Condensed milk	-8,5%	-8,7%	-9,4%	-9,8%
Cream	-2,3%	+0,1%	-1,3%	-1,5%
Cultured buttermilk	+4,9%	+2,5%	+4,4%	+1,6%
Hard cheese	+9,3%	+17,4%	+7,7%	+13,5%
Kefir	-0,4%	+0,7%	+0,7%	+0,2%
Milk	+1,6%	+5,1%	+0,9%	+0,7%
Milk desserts	-3,2%	+3,3%	-3,8%	+0,3%
Mix yoghurt & juices	-32,4%	+110,4%	-38,8%	+99,1%
Mould cheeses	+6,9%	+5,8%	+2,4%	+1,6%
Processed cheese	-6%	-4,9%	-5,5%	-1,5%
Sweet fresh cheese	+1,4%	+8,7%	+1,3%	+4,3%
White Cheese	+3,4%	+8,7%	+3,5%	+6,7%
Yellow fats	-4,3%	-2,5%	+6,8%	+0,0%
Yoghurts	-1,0%	+4,5%	-1,5%	+2,37%
TOTAL	+0,04%	+3,5%	+1,9%	+2,11%

Source: Nielsen

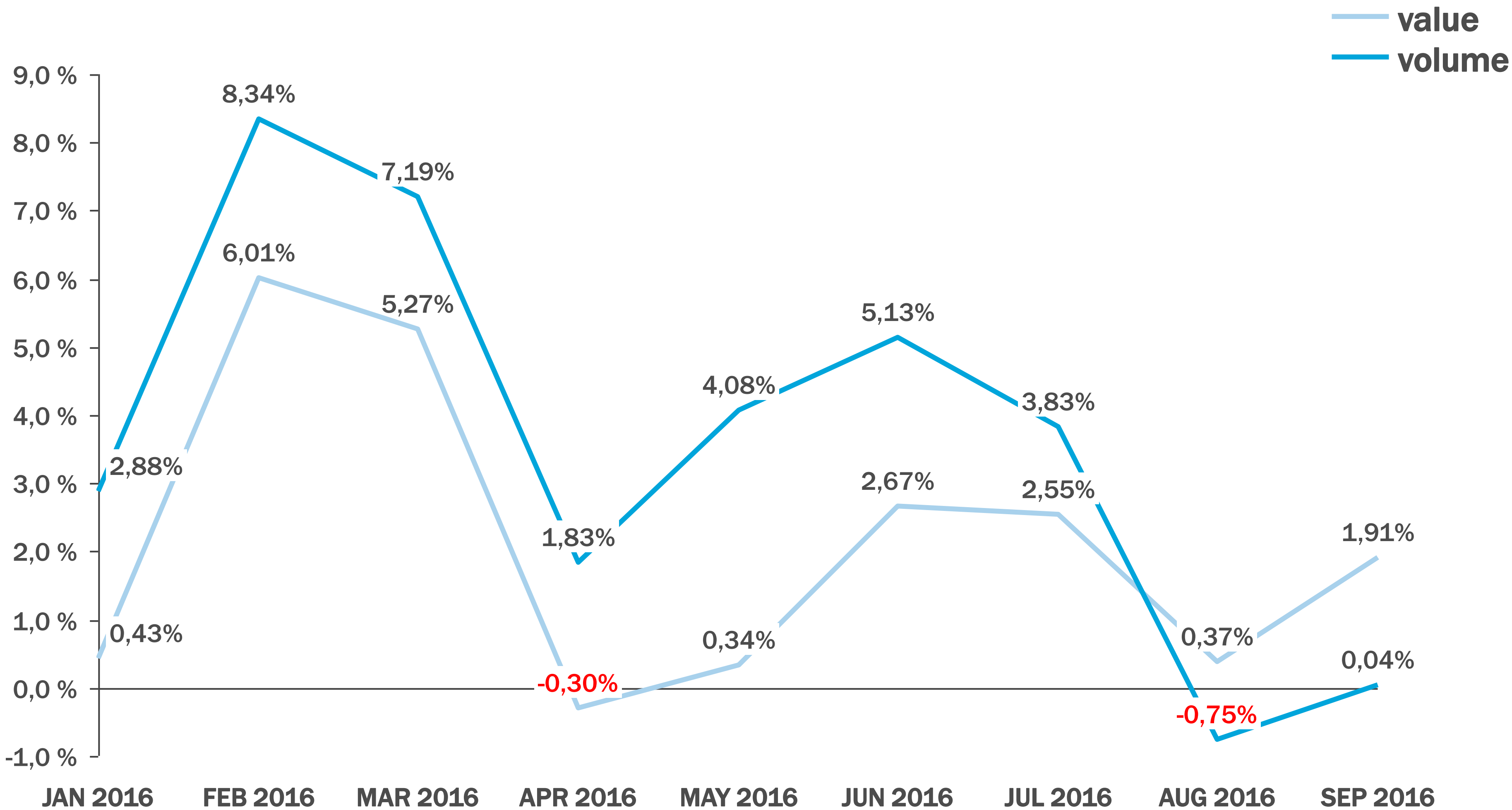
EuroCommerce

Poland



Source: Nielsen

Poland - sales of dairy products in supermarkets



Source: Nielsen

Portugal

Period ending 25 December 2016

Product category	Volumes (% change year-to-date)	Volumes (% change year-on-year)	Value (% change year-to-date)	Value (% change) year-on-year
Fresh milk	-10,7%	-10,7%	-10,2%	-10,2%
UHT milk	-6,6%	-6,6%	-7,6%	-7,6%
Yoghurt	-1,7%	-1,7%	+0,2%	+0,2%
Fresh cheese	+2,0%	+2,0%	+0,9%	+0,9%
Butter	-1,0%	-1,0%	-3,6%	-3,6%
UHT Cream	+1,0%	+1,0%	-0,4%	-0,4%
Fresh desert	+13,5%	+13,5%	+14,8%	+14,8%
Cheese	+4,9%	+4,9%	+1,7%	+1,7%

Source: Nielsen

EuroCommerce

Spain

Period ending November 2016

Product category	Volumes (% change Nov 2016 vs Nov 2015)	Volumes (% change Jan-Nov 2016 vs Jan-Nov 2015)	Value (% change Nov 2016 vs Nov 2015)	Value (% change Jan-Nov 2016 vs Jan-Nov 2015)	Price (% change Nov 2016 vs Nov 2015)	Price (% change Jan-Nov 2016 vs Jan-Nov 2015)
Standard liquid milk	-2,9%	-5,3%	-4,4%	-6,7%	-1,5%	-1,5%
Other types of milk	+5,9%	+3,1%	+0,1%	-0,1%	-5,5%	-3,1%
Milkshakes	+4,2%	+6,3%	+4,8%	+5,1%	+0,6%	-1,0%
Yoghurts and fermented milk	-0,5%	-0,9%	-2,2%	-1,7%	-1,7%	-0,8%
Fresh desserts	-0,6%	-0,4%	-1,1%	-0,7%	-0,5%	-0,3%
Fresh cheese	0,0%	-0,9%	-0,1%	+0,5%	-0,1%	+1,4%
Local, traditional cheese	+8,6%	+6,8%	+2,8%	+2,2%	-5,4%	-4,3%
Processed cheese	-1,4%	-2,4%	-1,2%	-1,9%	+0,2%	+0,5%
Imported cheese	+2,5%	+2,4%	+0,6%	-0,3%	-1,9%	-2,7%

Spain

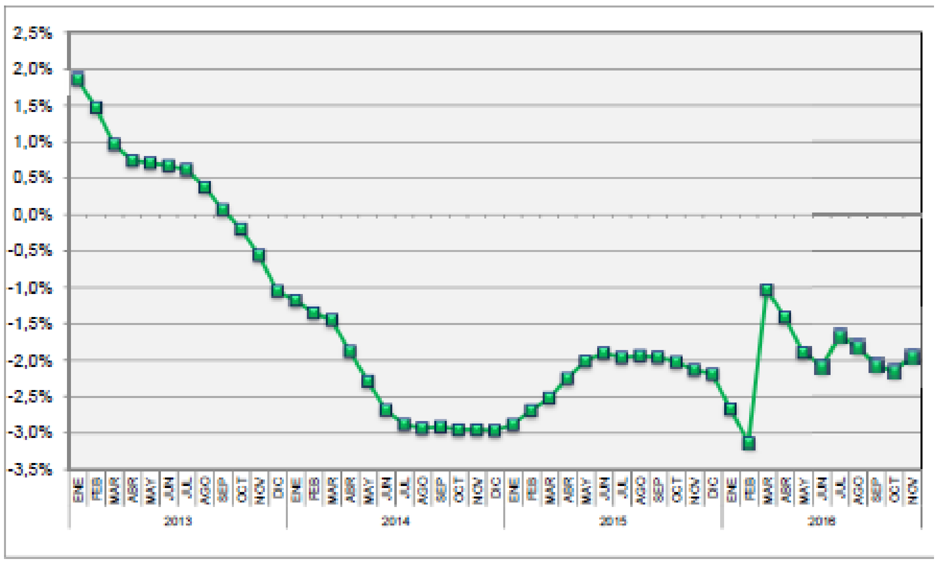
Period ending November 2016

Product category	Volume (% change Nov 2016 vs Nov 2015)	Volume (% change Jan-Nov 2016 vs Jan-Nov 2015)	Value (% change Nov 2016 vs Nov 2015)	Value (% change Jan-Nov 2016 vs Jan-Nov 2015)	Price (% change Nov 2016 vs Nov 2015)	Price (% change Jan-Nov 2016 vs Jan-Nov 2015)
Grated cheese	+3,5%	+3,2%	+3,4%	+3,2%	-0,1%	0,0%
Other types of cheese	-0,6%	-0,4%	-2,4%	-1,4%	-1,8%	-1,0%
Cream	+2,2%	+0,8%	+0,8%	-0,4%	-1,4%	-1,2%
Butter	+13,0%	+3,9%	+11,0%	+2,7%	-1,8%	-1,2%
Desserts and yoghurt with long conservation	-11,6%	-24,7%	-27,9%	-40,3%	-18,5%	-20,6%
Non-liquid milk	+0,2%	+3,0%	-0,9%	+1,5%	-1,1%	-1,5%
Total dairy products	-0,3%	-2,1%	-0,9%	-1,5%	-0,6%	+0,6%

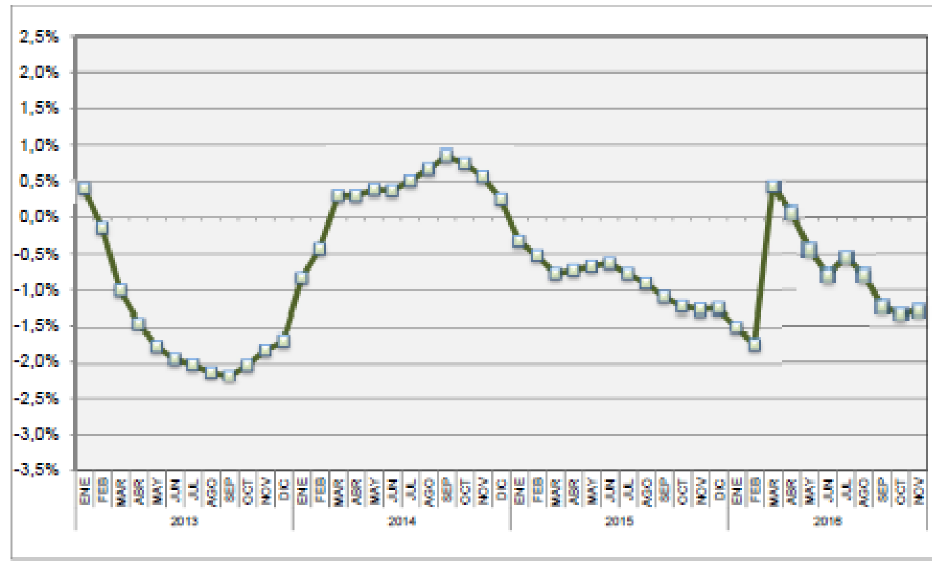
Source: Nielsen and FeNIL

Spain

1. Evolución de la variación del VOLUMEN DE VENTAS TAM. Total productos lácteos.



2. Evolución de la variación del VALOR DE VENTAS TAM. Total productos lácteos.



Source: Nielsen and FeNIL

Sweden

Period ending 25 December 2016

Product category	Volume (% change in the last 4 weeks)	Volume (% change last 52 weeks)	Value (% change in the last 4 weeks)	Value (% change last 52 weeks)
Milk	-1,3%	-0,8%	-0,2%	+1,7%
Hard cheese	+0,5%	+1,7%	+2,8%	-1,7%
Cream	+1,0%	+1,5%	+1,7%	+0,9%
Yoghurt	+0,9%	-0,5%	+0,7%	-0,8%
Cottage cheese/curd	+3,6%	+3,2%	+1,4%	+0,1%
Cold desserts	+8,5%	+ 10%	+13,4%	+17,8%
Butter	-2,7%	+7,8%	-3,2%	+6,0%

Source: Nielsen

EuroCommerce

United Kingdom

UK Dairy Product Retail Price Indices

In November 2016, the RPI increased by 0,26% compared with October and is 2,19% higher than the same month last year. The fresh milk price index increased 0,18% on the month and was also up 1,55% on the year. The butter index increased on the month by 1,85% but decreased on the year by 5,45%. Cheese saw a decrease on the month of 1,65% and a fall of 3,77% on the year.

PRODUCT PRICE INDICES			
		compared with	
	Nov-16	1 month before	12 months before
RPI price index	265.5	0.26%	2.19%
Fresh Milk	222.9	0.18%	1.55%
Butter	308.6	1.85%	-5.45%
Cheese	232.2	-1.65%	-3.77%

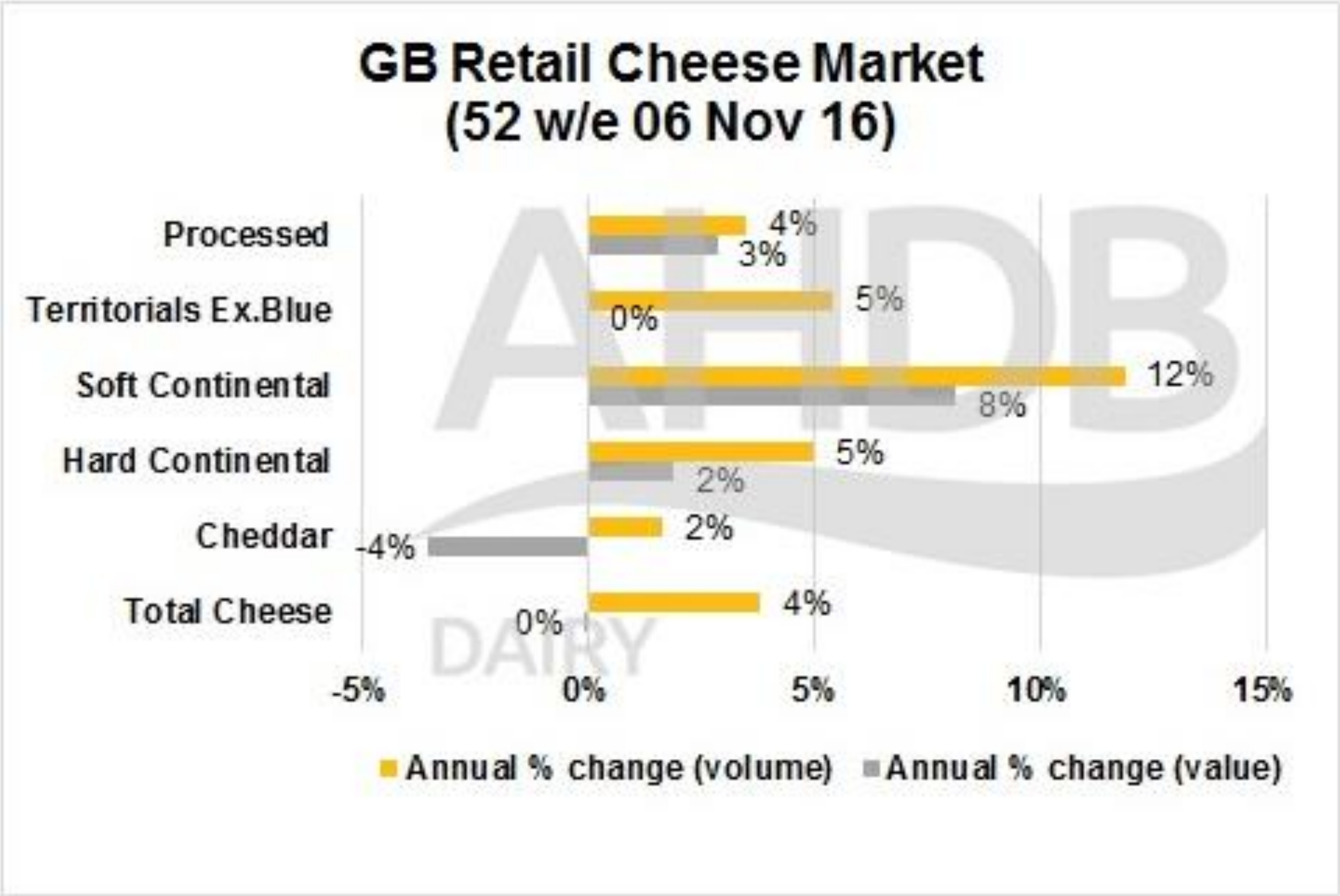
Source: Office for National Statistics (ONS)

Please note: the reference base is January 1987.Source: Office for National Statistics (ONS)

EuroCommerce

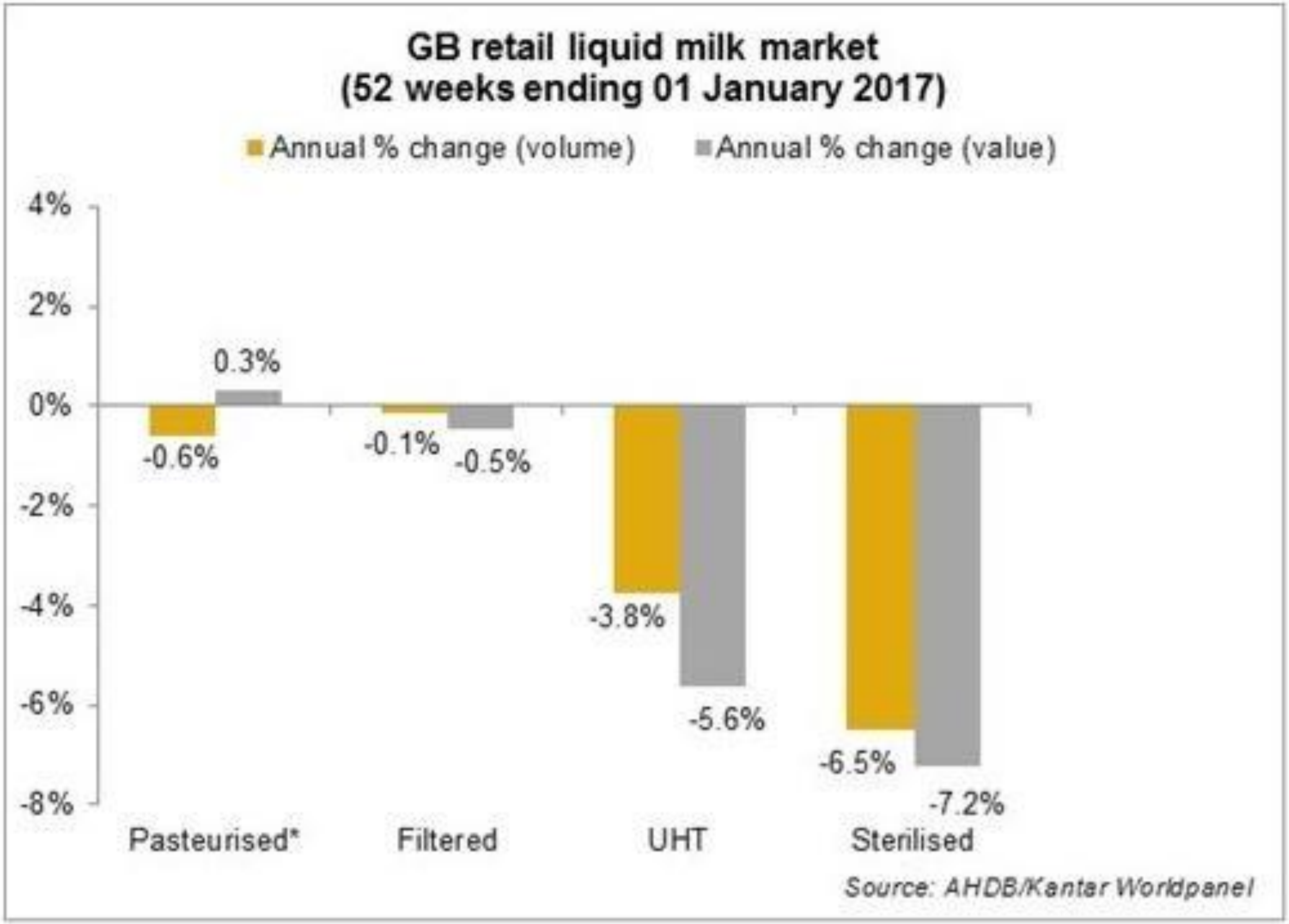
https://dairy.ahdb.org.uk/market-information/dairy-sales-consumption/gb-retail-prices/#.WIDlsVMrIdU

United Kingdom



https://dairy.ahdb.org.uk/market-information/dairy-sales-consumption/cheese-market/#.WH3uLFMrIdU

United Kingdom



United Kingdom: contract league table

MILK PRICES - AHDB Dairy League table for November 2016

League Table	Monthly Price	Annual Price
Aligned Liquid Milk		
Müller Milk Group - Booths	32,18	30,42
Müller Direct Milk - Waitrose (Profile)	30,67	30,31
Müller Direct Milk - Waitrose (Seasonal)	32,67	30,23
Müller Direct Milk - M&S (Profile) 2	29,95	29,59
Müller Direct Milk - M&S (Seasonal) 2	31,95	29,51
Müller Milk Group - M&S	28,87	28,56
Müller Milk Group - Tesco	28,55	28,47
Müller Direct Milk - Sainsbury (Profile) 2	27,37	27,01
Müller Milk Group - Sainsbury	27,21	26,94
Müller Direct Milk - Sainsbury (Seasonal) 2	29,37	26,94
Arla Foods - Sainsburys 4	26,84	26,65
Müller Milk Group - Co-operative	25,71	25,44
Standard Liquid Milk		
Müller Direct Milk - Core Formula (Profile)	28,88	28,52
Müller Direct Milk - Core Formula (Seasonal)	30,88	28,44
Crediton Dairy	25,09	24,49
Müller Direct Milk - Liquid (Profile)	23,94	23,58
Müller Milk Group - Partnership	23,85	23,58
Müller Direct Milk - Liquid (Seasonal)	25,94	23,51
Müller Milk Group - Formula	24,59	22,83
UK Arla Farmers Liquid 3	22,54	21,75
Pensworth	21,76	21,56

https://dairy.ahdb.org.uk/resources-library/market-information/milk-prices-contracts/league-table-new-profile/#.WH3umFMrIdU

United Kingdom

unit price (p)		Jan-17	Dec-16	Month Diff.	Jan-16	Annual Diff.
Liquid milk†	Retail (4 pints)*	103	103	n/c	100	+3
	Doorstep (1 pint)**	81	81	n/c	81	n/c

ppl		Nov-16	Oct-16	Month Diff.	Nov-15	Annual Diff.
Cream††	Total Cream	241	241	n/c	240	+1
	Double Cream	211	209	+2	212	-1
	Single Cream	194	198	-4	191	+3

p/kg		Nov-16	Oct-16	Month Diff	Nov-15	Annual Diff.
Cheddar††	Total market	574	573	+1	596	-22
	Mature	571	570	+1	597	-26
	Mild	517	521	-4	542	-25

*† updated monthly ; †† updated quarterly ; *pasteurised (private label)*
***milkandmore monthly spot price - semi-skimmed glass bottle*
Source: Kantar Worldpanel Online

<u>ANNEX 5</u>

Phosphates legislation in The Netherlands and the impact on the milk market

LTO Nederland

Phosphates legislation in The Netherlands and the impact on the milk market

Koert Verkerk

LTO Nederland

Current market situation

- In 2016 +8,0% milk compared to 2015
- Average milk price 2016 ± €0,29 (exclusive bonuses)
- Current milk price ± €0,34

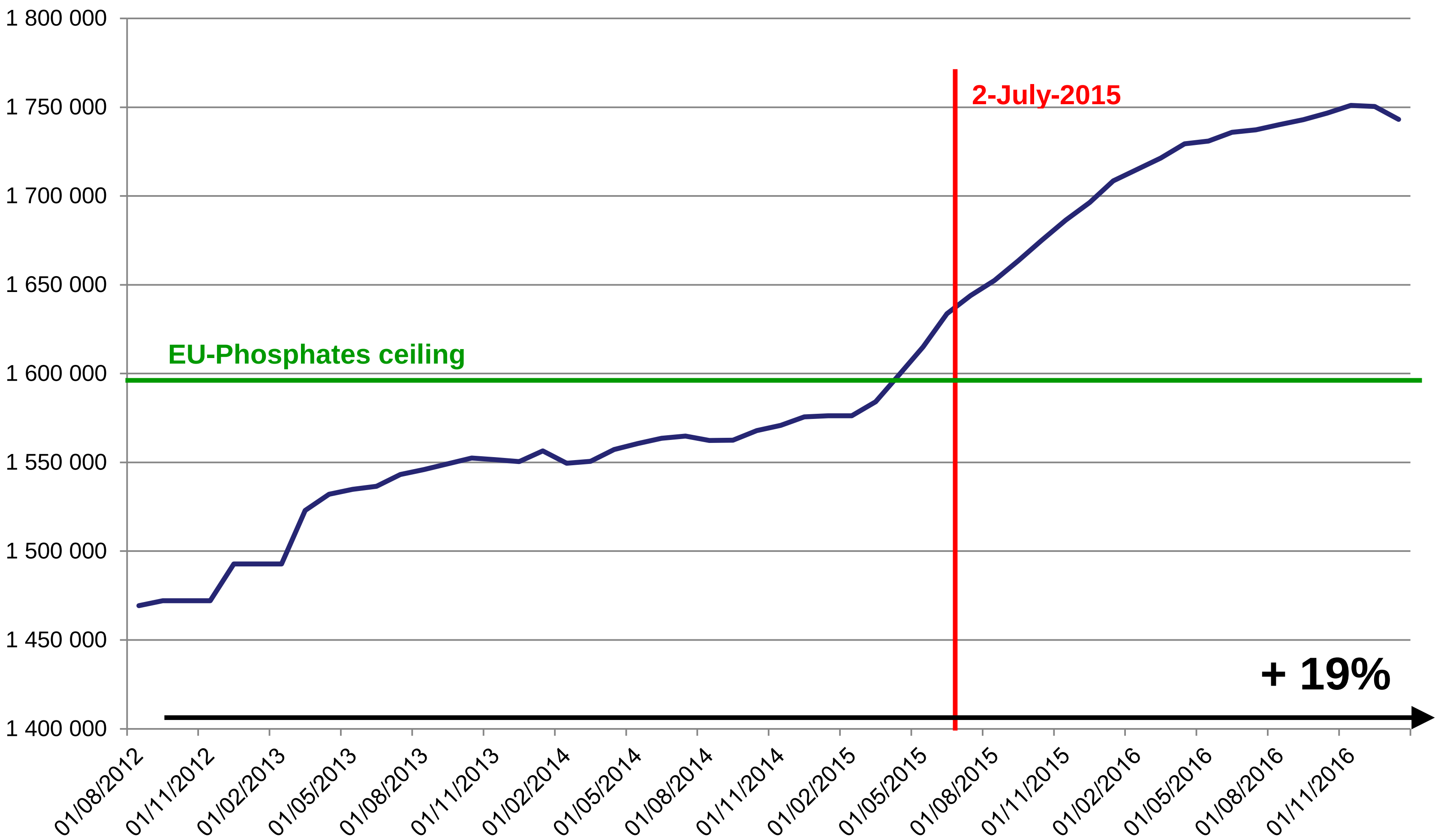
- Average NL dairy farmer: 102 cows of 8500 KG production

- In 2017 no further growth expected

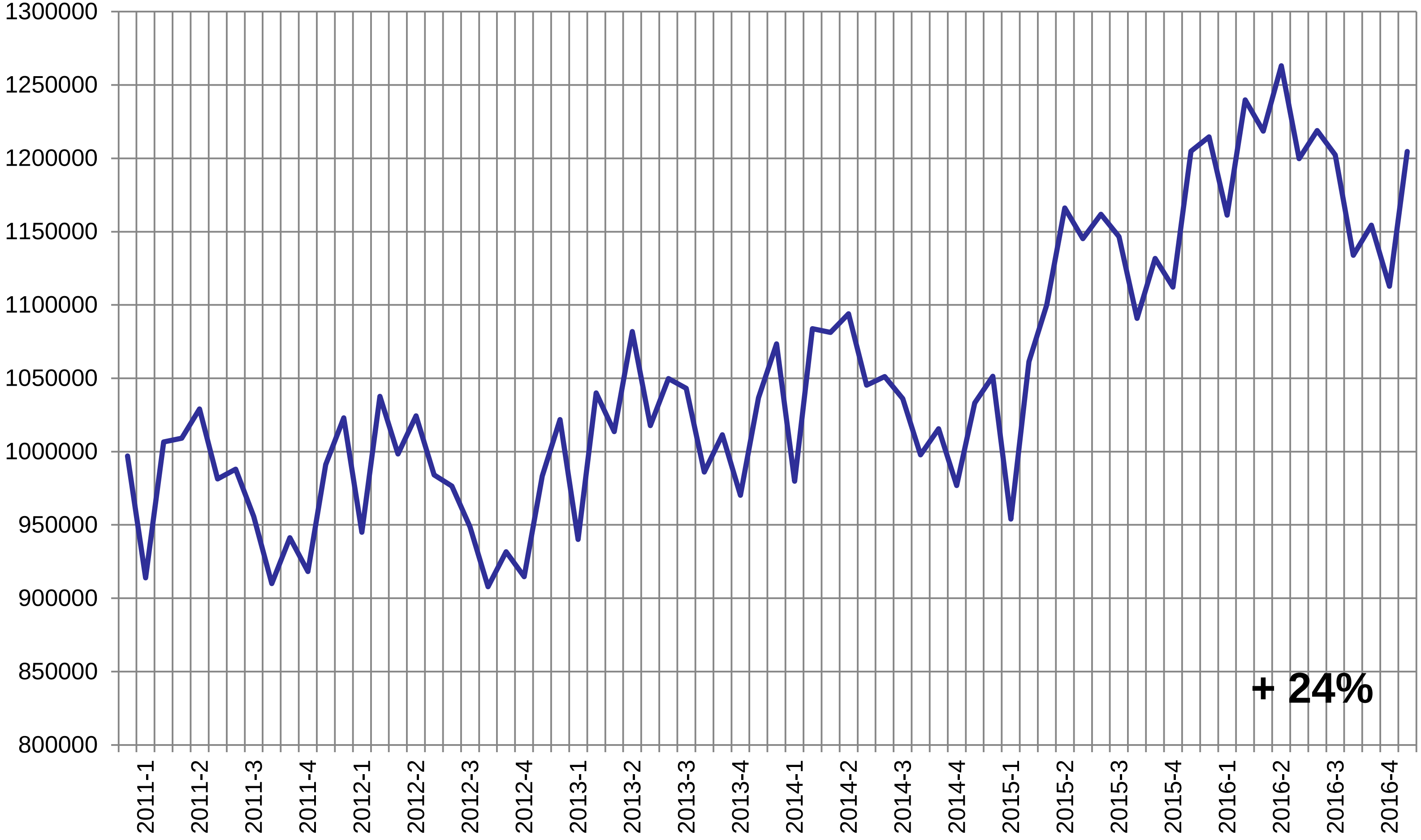
Phosphates legislation

- The Netherlands has a derogation on Nitrates Directive
- Since 2011 +19% cows in NL
- Since 2011 +25% milk in NL
- Derogation only provides room for +10% milk

Number of cows



Milk production



Phosphates legislation

- In 2017 -/- 190.000 cows (10% of dairy stock)
- In 2017 -/- 5% milk

- On average every farmers -/- 4 or 5 cows

Phosphates legislation

- Scheme is still under discussion with EC – so a disclaimer is given here!

- Sector took lead in developing a plan (dairy coops & farm organisations) – legislation will enforce all farmers to join

- 1-1-2018 phosphates rights will be introduced for all dairy farmers

Phosphates legislation

- Stoppers scheme: -/- 60.000 cows

50 million euro's (50/50 government and sector)

- Phosphates reduction in feed: -/- 35.000 cows

Already in place, private and government enforcement

- Dairy scheme: 100.000 cows

Dairy coops enforce farmers to deliver less milk otherwise malus is imposed – when farmer complies bonus is given

Effect on the market

- In 2017 no further growth expected
- A decrease in NL milk production of 5%

<u>ANNEX 6</u>

Milk market situation

LTO Nederland

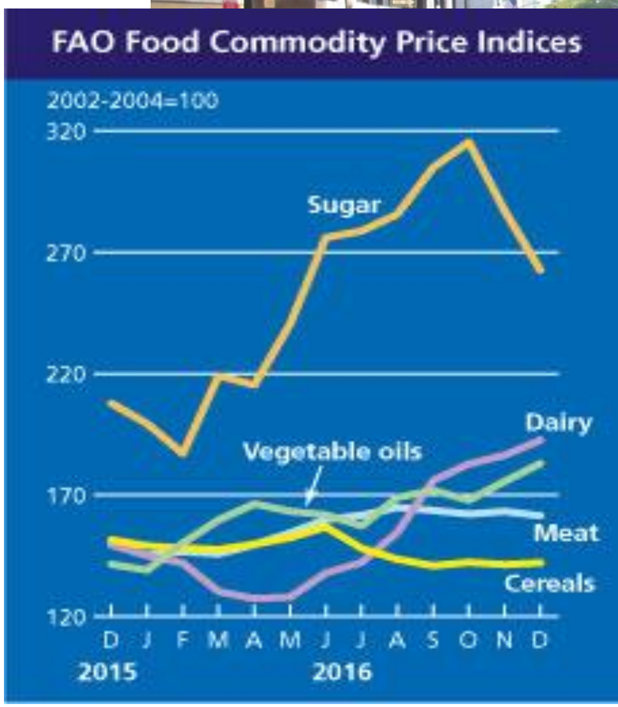
Milk market situation

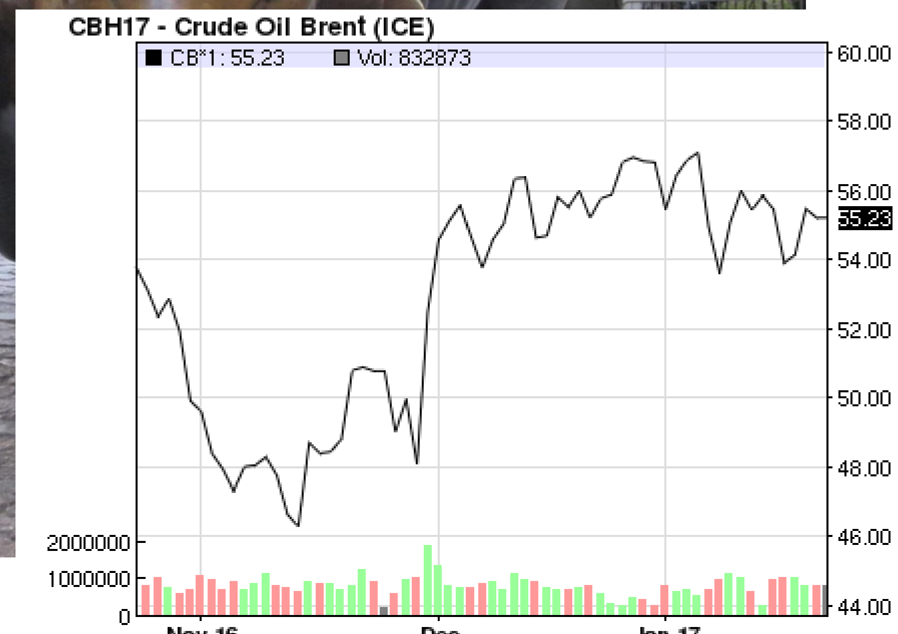
EU Milk Market Observatory, 25 January 2017

Klaas Johan OSINGA

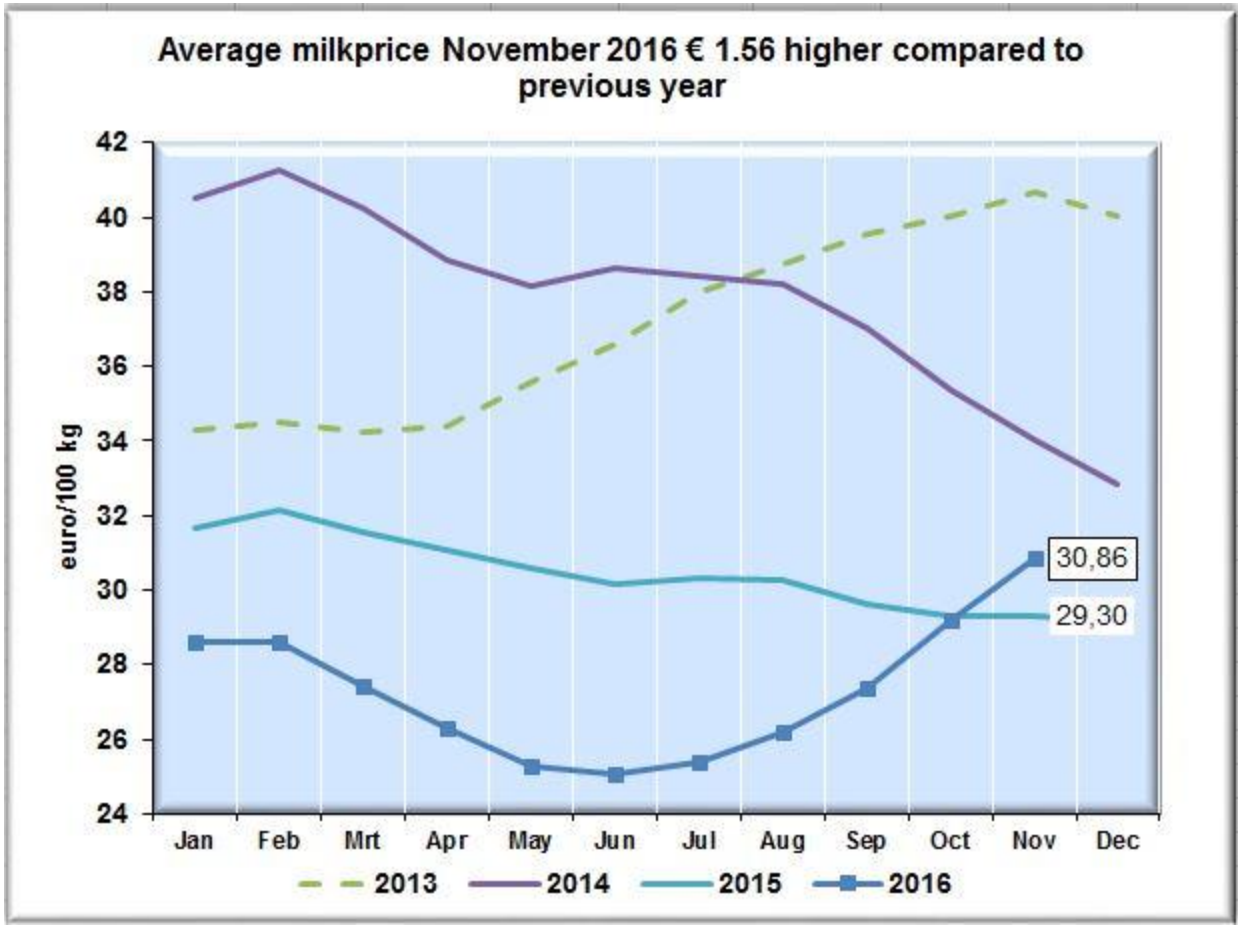
kjosinga@lto.nl, @KJOsinga

The big picture....





LTO milk prices average

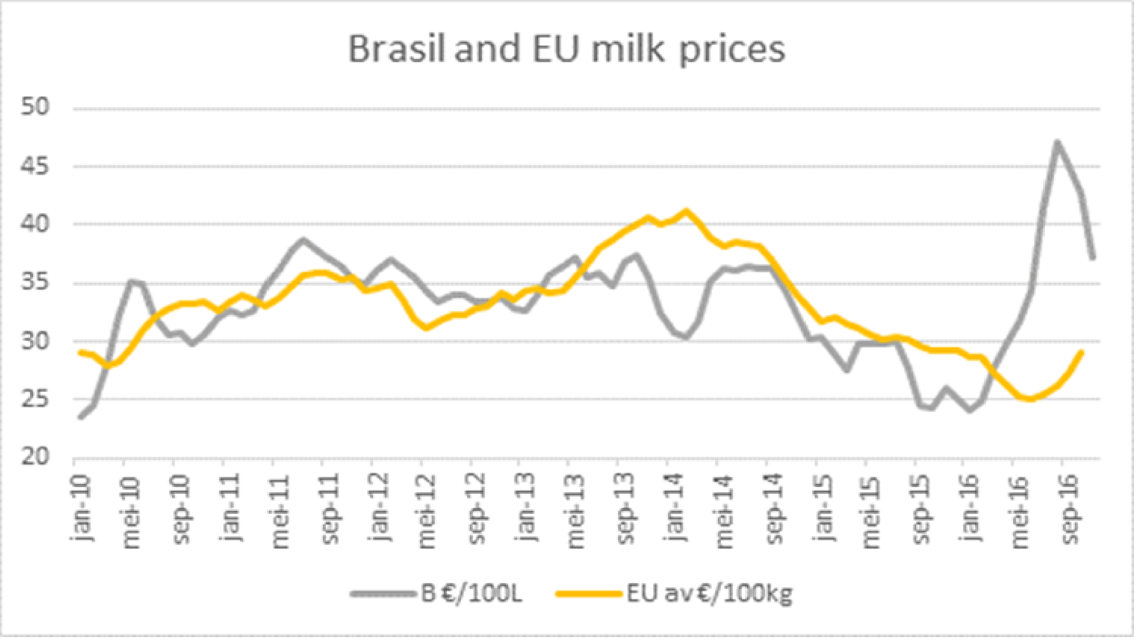


Farm gate milk prices € per 100 kg standardised milk

	MS	no	Nov 16	Dec2016	Jan2017	Feb2017
Granarolo (North)	IT	1	36.35			
FrieslandCampina	NL	5	32.02	+4.40	-3.70	
Dairy Crest (Davidstow,)	UK	16	28,74	+1.78 ppl	+2.00 ppl	+2.00 ppl
Arla Foods DK	DK	10	29.69	+2.00	+1.80	+1.00
Savencia (Basse Normandie)	FR	8	30.66			
Sodiaal A-price (Pas de Calais)	FR	9	30.40			
Danone A-price (Pas de Calais)	FR	4	32.50			
Lactalis (Pays de la Loire)	FR	7	31.33			
DMK (excluding "*Milkmasterbonus*")	DE	12	29.35	+1.00	+1.00	
DOC Cheese	NL	11	29.51	+1.00	+1.00	
Dairygold	IE	14	29.15	+1.50		
Müller(Leppersdorf)	DE	6	31.57	0		
Glanbia Ingredients Ireland	IE	15	28.95	+1.00		
Milcobel	BE	3	33.51	+2.50		
Kerry Agribusiness	IE	13	29.19	+1.00		
Vallio	FI	2	35.10			
Average milk price			**31.13**			
Emmi	CH		47.68			
Fonterra	NZ		32.96			
United States class III	US		38.78	+2.60		

Source: milkprices.nl

Brasil milk price



http://www.cepea.esalq.usp.br/en/indicator/dairy.aspx

Milk production (1)

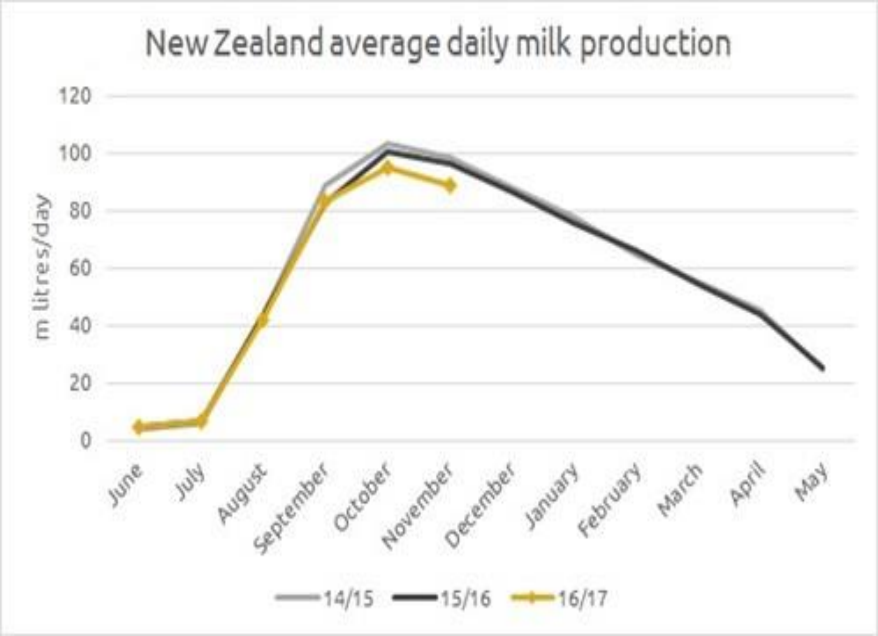
New Zealand:

Fonterra:

1 June – 31 D

December:

DCANZ: 1 Jur



.r

2016/17 estimate - 2% (- 400 m kg) ?

Milk production (2)

Dairy Australia:

July/Nov 2016:
-9.4% y-o-y

Fonterra:

Dec 2016:

-7.6%

Milk production (3)

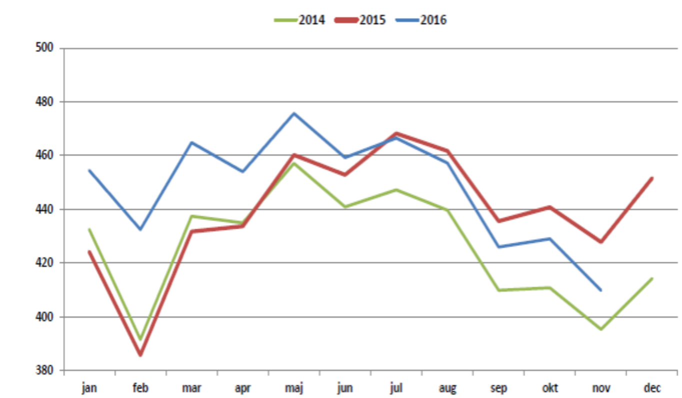
USA / USDA:

Nov 16:	+2.8%
Dec 16:	+2.4%
Jan-Nov 16:	+2.0%
2016:	+2.0%
2017:	+2.2% ?

Milk production y-o-y (4)

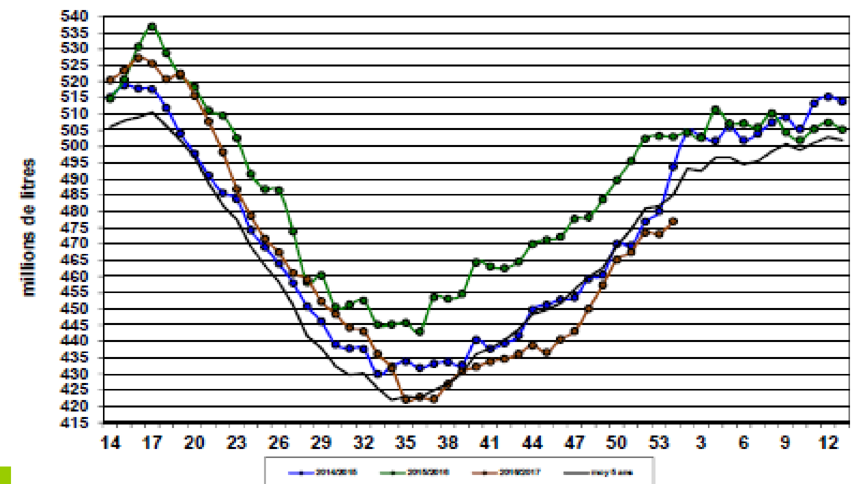
EU:

- Germany: - 4.1% (2-8 January); -5,1% (26-31 Dec)
- France: - 5.2% (2 - 8 January)
- UK: - 4.8% (7 – 14 January)
- Netherl: - 0.0001% (Dec, milk basis); +2.4% (fat basis)



	jan	feb	mar	apr	maj	jun	jul	aug	sep	okt	nov	dec	År-til-dato
2014	433	392	437	435	457	441	447	440	410	411	395	414	4.698
2015	424	386	432	434	460	453	468	462	436	441	428	452	4.823
2016	455	432	465	454	476	459	467	457	426	429	410		4.929
2016/2015	7,1%	12,1%	7,7%	4,7%	3,3%	1,4%	-0,4%	-1,0%	-2,2%	-2,7%	-4,2%		2,2%

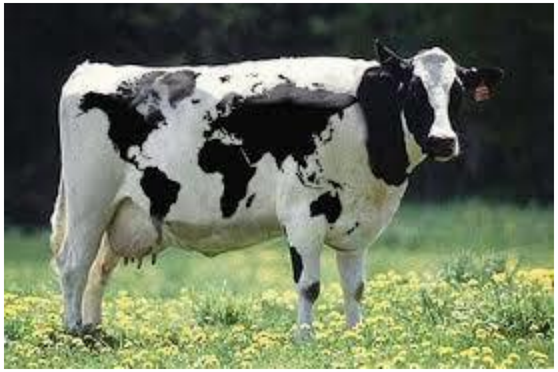
Collecte hebdomadaire des dernières campagnes



Source : FranceAgriMer / sondage hebdomadaire

Global milk prod growth is very limited – except for US

		2016/17 (billion kg milk)
EU	-	0.5
USA	+	2.2
New Zealand	-	0.4
Australia	+	0.2
Total	+	1.3 bn kg



World market volume is about 60 bn kg

Dutch dairy quotations

18 January 2017

Butter, 25 kg cartons:	min € 7,00	- € 422,00
WMP, 26% fat	min € 3,00	- € 314,00
SMP extra quality	no change	- € 217,00
SMP feed quality	no change	- € 193,00
Whey powder	no change	- € 84,00

Cheeses Edam/Gouda € 3.20 per kg

CME Class III Dec 2017

http://www.cmegroup.com/trading/agricultural/dairy/class-iii-milk.html

LTO Nederland

Thank you for your attention

@KJOsinga

kjosinga@lto.nl

ANNEX 7

Dairy production draft short-term forecast

European Commission

Dairy production
draft short-term forecast
Publication: first week of March

MMO 25 January 2017

Sophie Hélaine

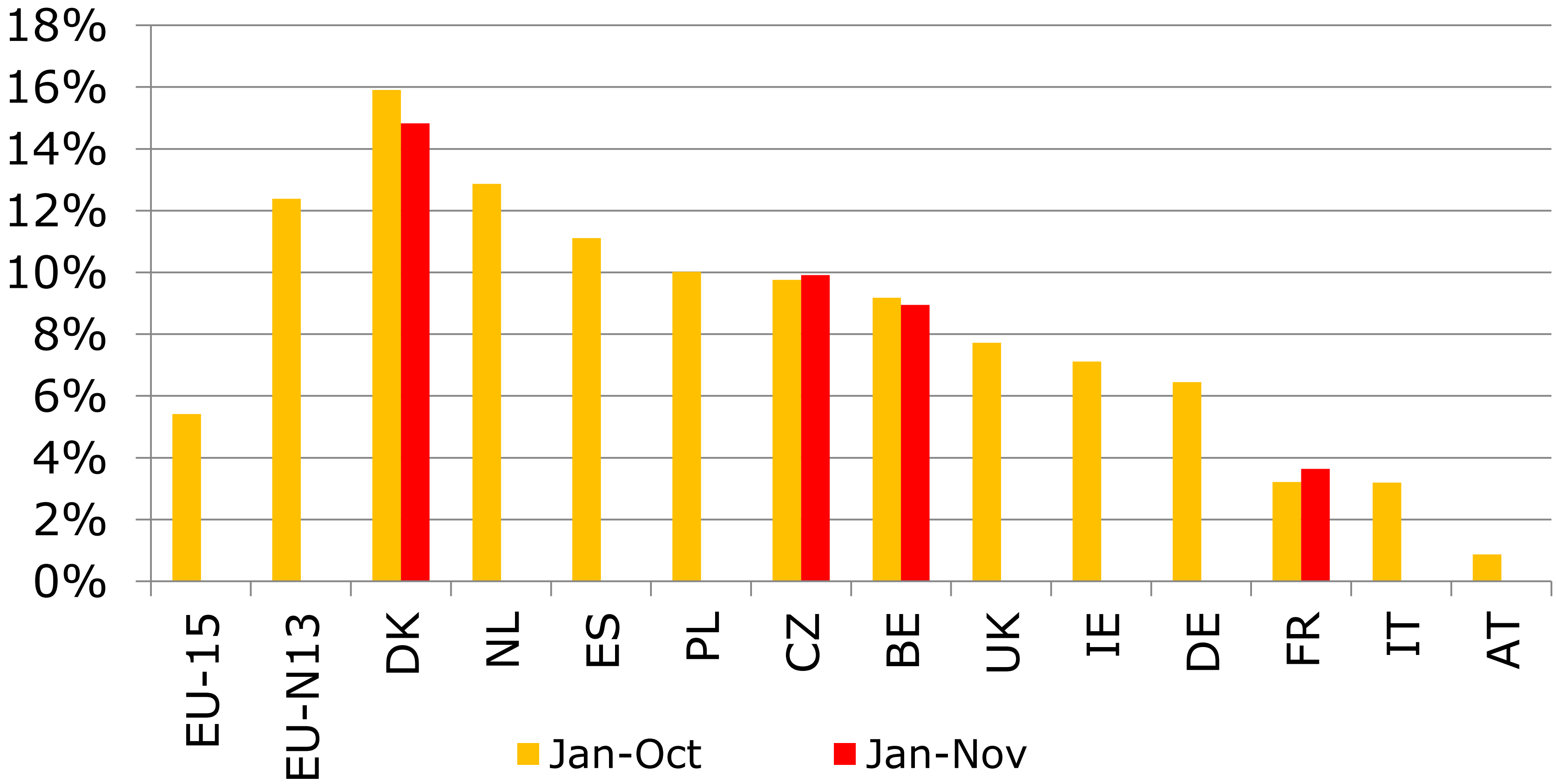
DG Agriculture and Rural Development
European Commission

Agriculture and Rural Development

Outline

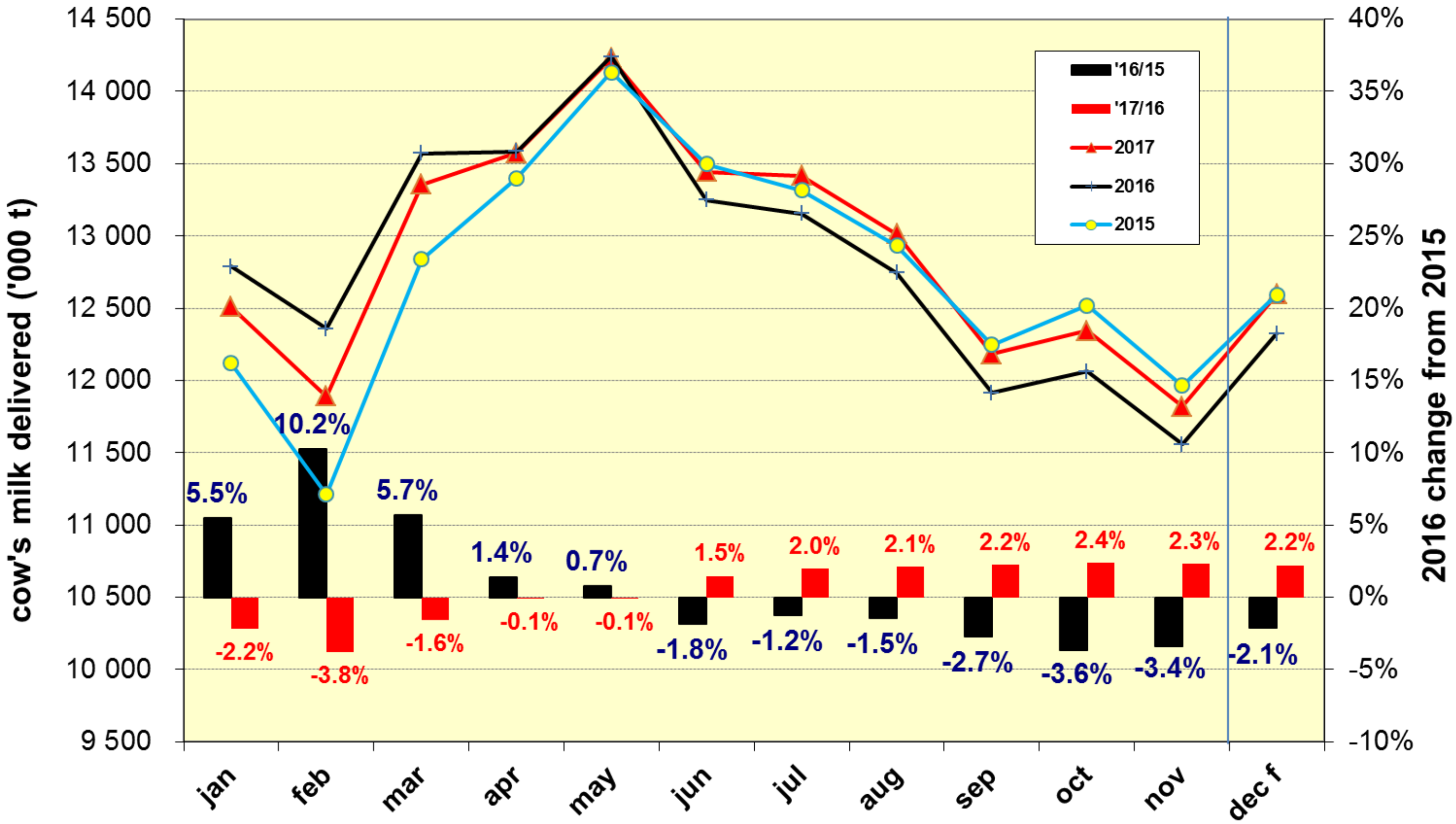
- Slaughterings
- Milk production forecasts 2017
- Use of the milk

Sustained increase in cow slaughterings



Note: Dairy and beef cows
Feb. corrected
Source: Eurostat

2016 milk deliveries +0.5% in the EU / 2015
2017: +0.5% / 2016

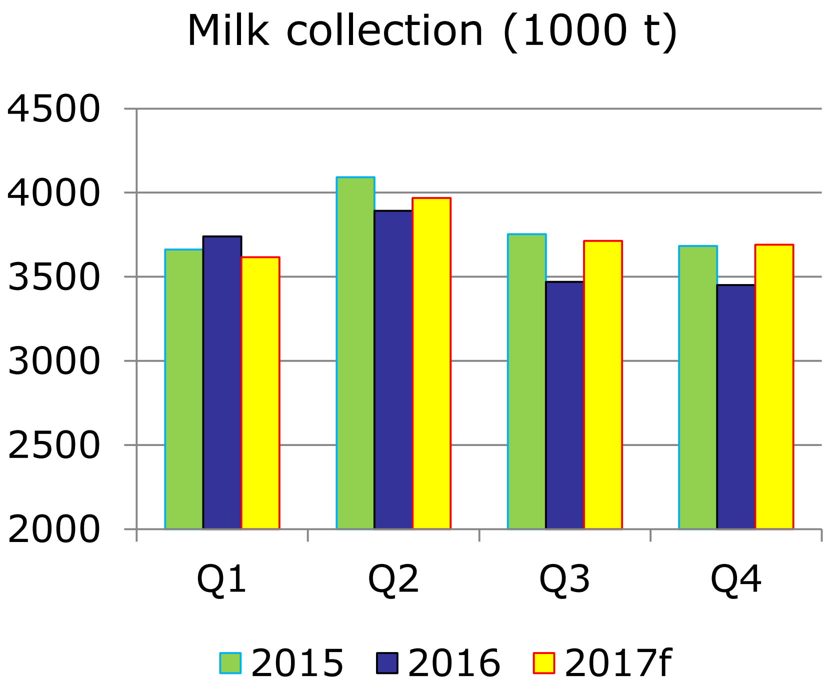


Source: DG AGRI, draft forecast

UK: recovery in 2017, +3%
IE: ongoing increase, +4%

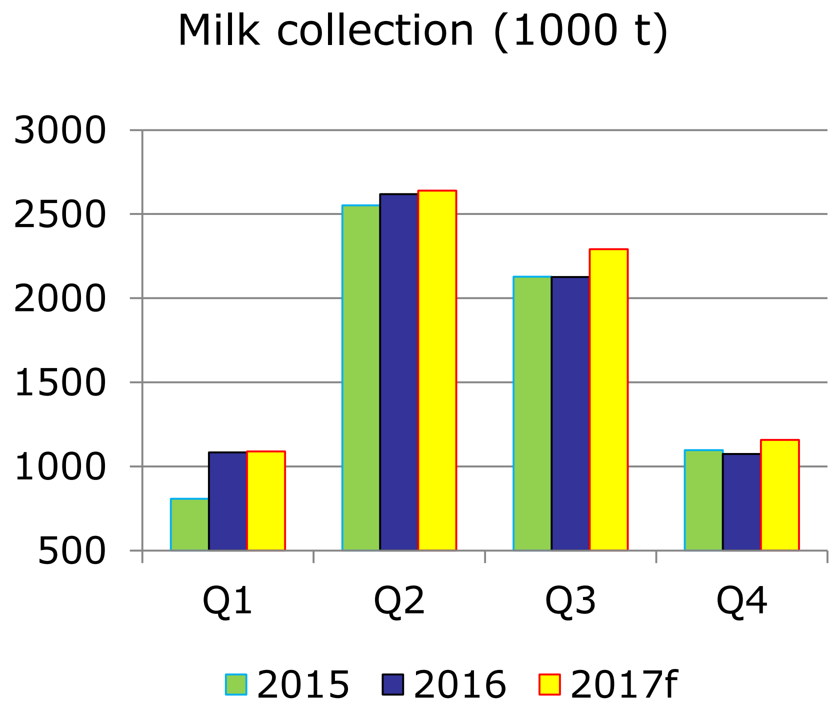
UK

- 2016/2015 *f*: -4%
- **2017/2016 *f*: +3%**



IE

- 2016/2015 *f*: +5%
- **2017/2016 *f*: +4%**

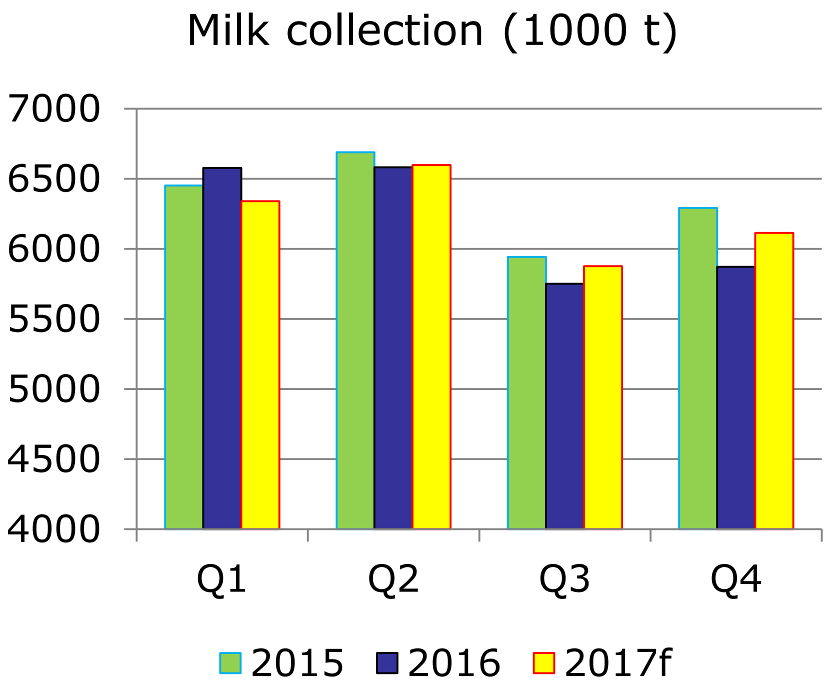


Source: DG AGRI, draft forecast

FR: small recovery in 2017, +0.6%
DE: small increase, +0.4%

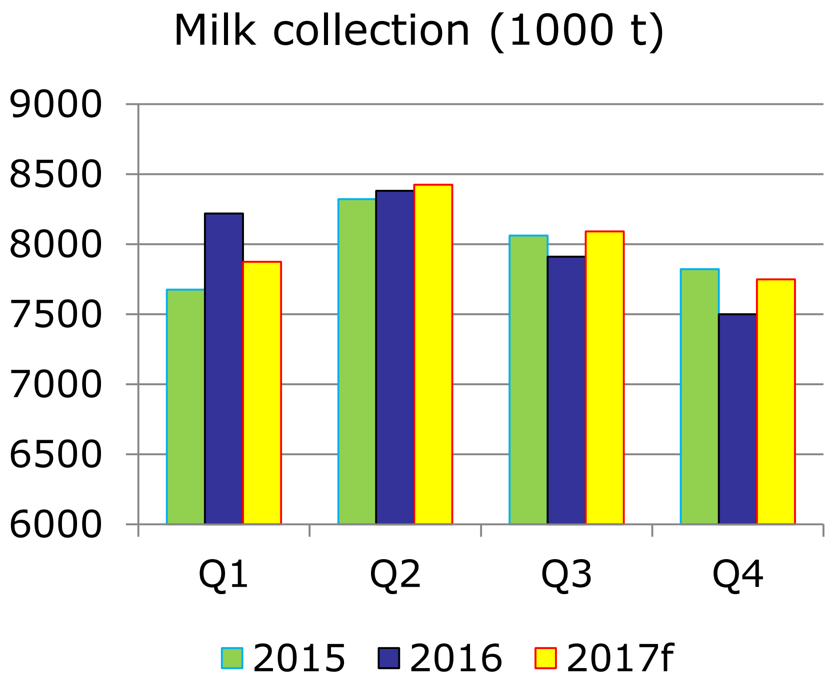
FR

- 2016/2015 *f*: -2.4%
- **2017/2016 *f*: +0.6%**



DE

- 2016/2015 *f*: +0.4%
- **2017/2016 *f*: +0.4%**

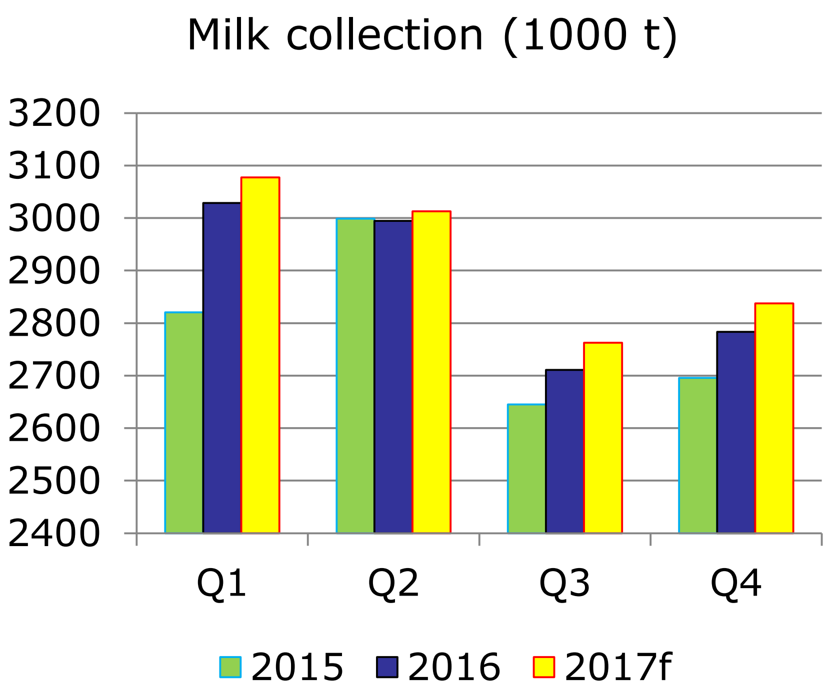


Source: DG AGRI, draft forecast

IT: ongoing increase in 2017, +1.5%
ES: further small increase, +0.5%

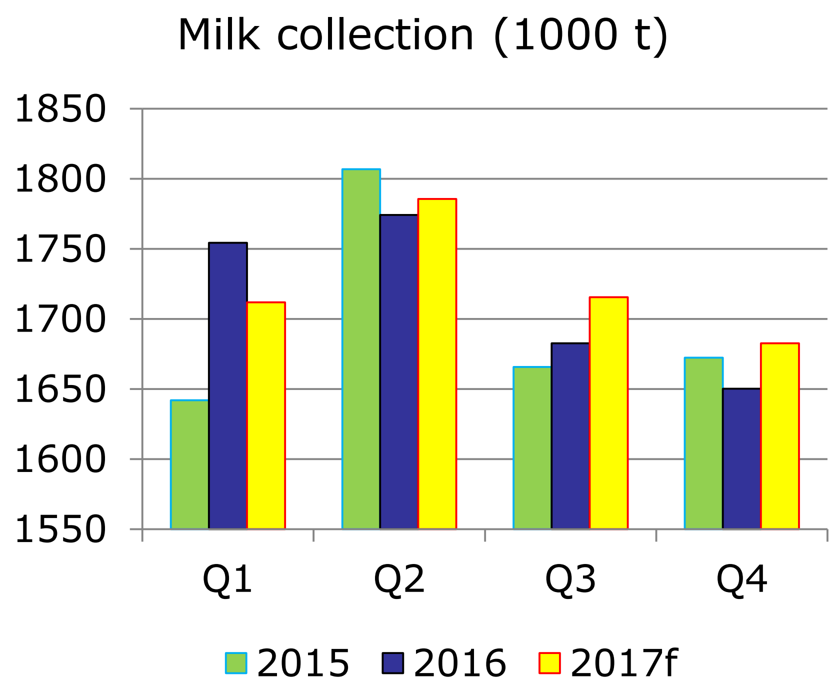
IT

- 2016/2015 *f*: +3.2%
- **2017/2016 *f*: +1.5%**



ES

- 2016/2015 *f*: +1.1%
- **2017/2016 *f*: +0.5%**

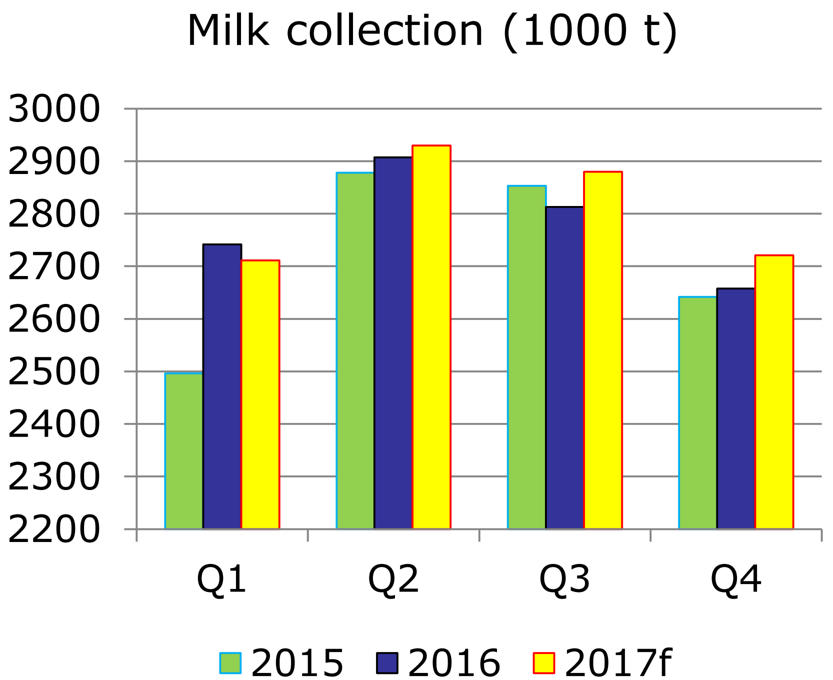


Source: DG AGRI, draft forecast

PL: further increase in 2017, +1%
HU: further increase, +1%

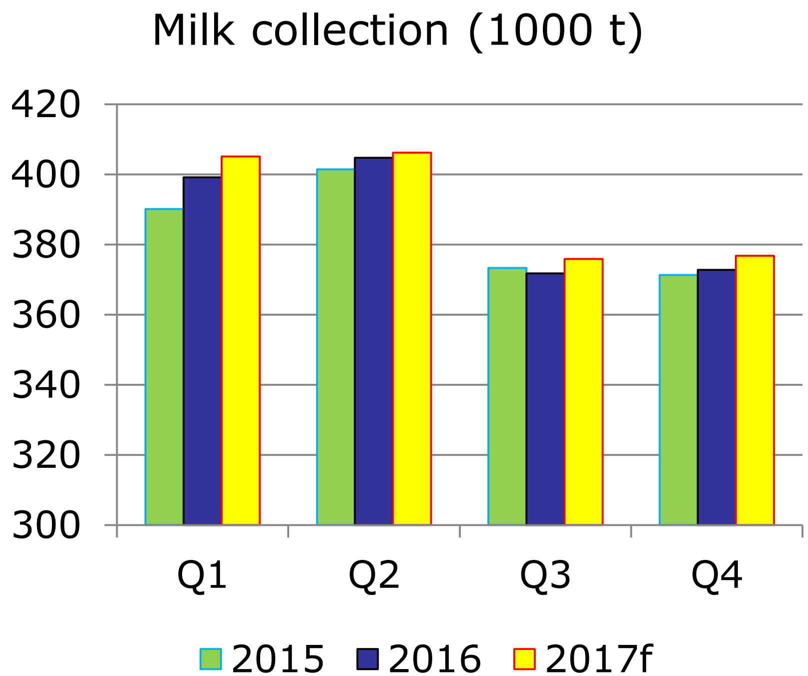
PL

- 2016/2015 *f*: +2.3%
- **2017/2016 *f*: +1.1%**



HU

- 2016/2015 *f*: +0.8%
- **2017/2016 *f*: +1%**

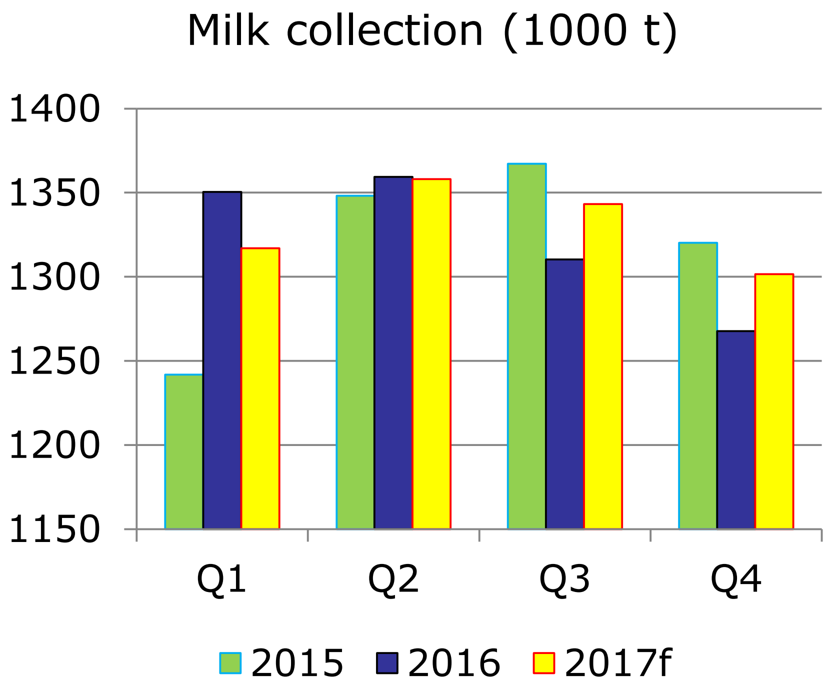


Source: DG AGRI, draft forecast

DK: small increase in 2017, +0.6%
NL: decrease to reduce phosphates, -5%

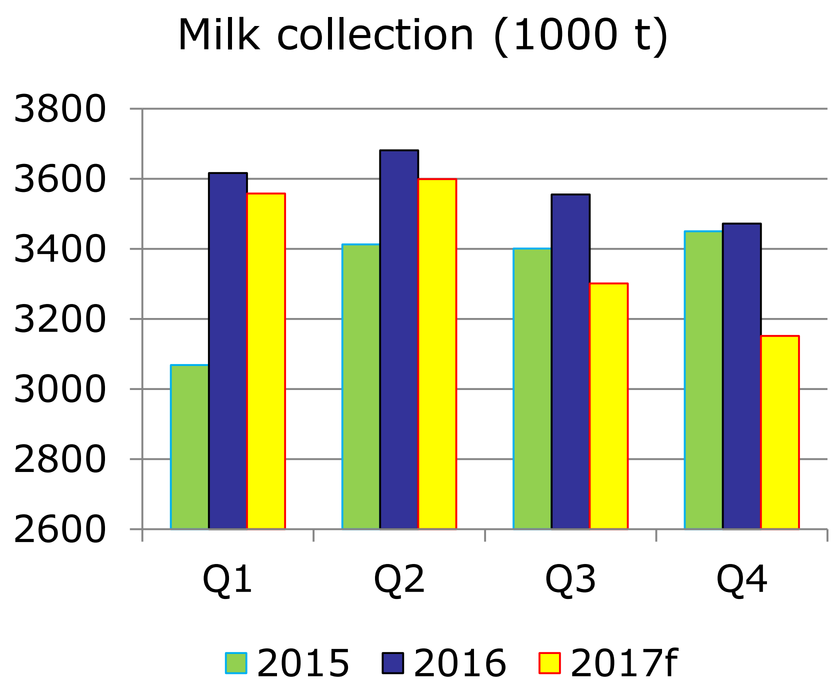
DK

- 2016/2015 *f*: +0.2%
- **2017/2016 *f*: +0.6%**



NL

- 2016/2015 *f*: +7.5%
- **2017/2016 *f*: -5%**



Source: DG AGRI, draft forecast

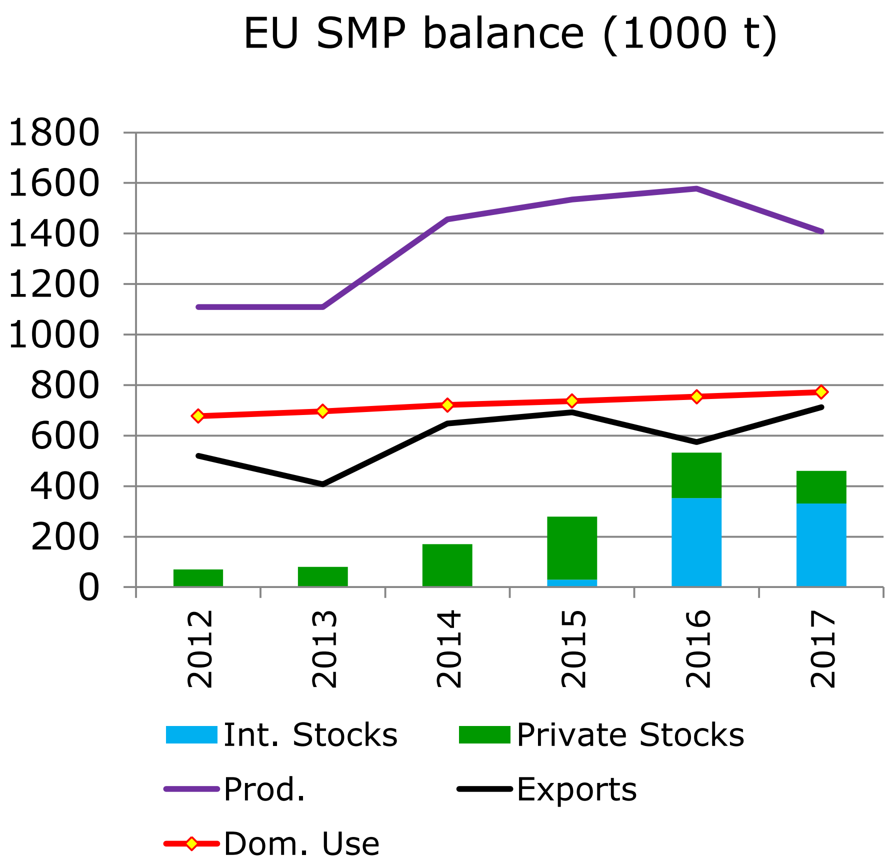
European Commission

Draft forecast use of the EU milk, 2016 and 2017, % change

	Production			Exports		
	2016/15		2017/16	2016/15		2017/16
%	**Jan-Nov**	**Year**	**Year**		**Year**	**Year**
Milk del.	0.7	0.5	0.5		0	9
	Jan-Nov	**Year**	**Year**	**Jan-Nov**	**Year**	**Year**
FDP	0.4	0.3	0.3	26	24	15
Cheese	1.6	1.4	1.0	13	12	3
Butter	3.7	3.1	1.2	27	21	8
SMP	4.9	2.8	**-10.7**	-17	-17	24
WMP	4.4	3.7	0.0	-3	-3	0
Whey p.		1.5	1.2	4	4	4

Source: DG AGRI, draft forecast

SMP



2017 forecasts / 2016

Production

-10.7%

- 170 000 t

Exports

+24%

+140 000 t (back to 2015 level)

Private stocks

-50 000 t to 130 000 t

Intervention stocks

-22 000 t to 330 000 t

Domestic use

+2.5%

And also more direct use of proteins in FFMP

Source: DG AGRI, draft forecast

EU prospects report and data available in December at:

http://ec.europa.eu/agriculture/markets-and-prices/medium-term-outlook/index_en.htm

OECD-FAO Outlook at:

http://www.agri-outlook.org/

Short term outlook at:

http://ec.europa.eu/agriculture/markets-and-prices/short-term-outlook/index_en.htm

Thanks

Sophie.helaine@ec.europa.eu

ANNEX 8

Exceptional adjustment aid to milk producers and farmers in other livestock sectors

(R. 2016/1613)

European Commission

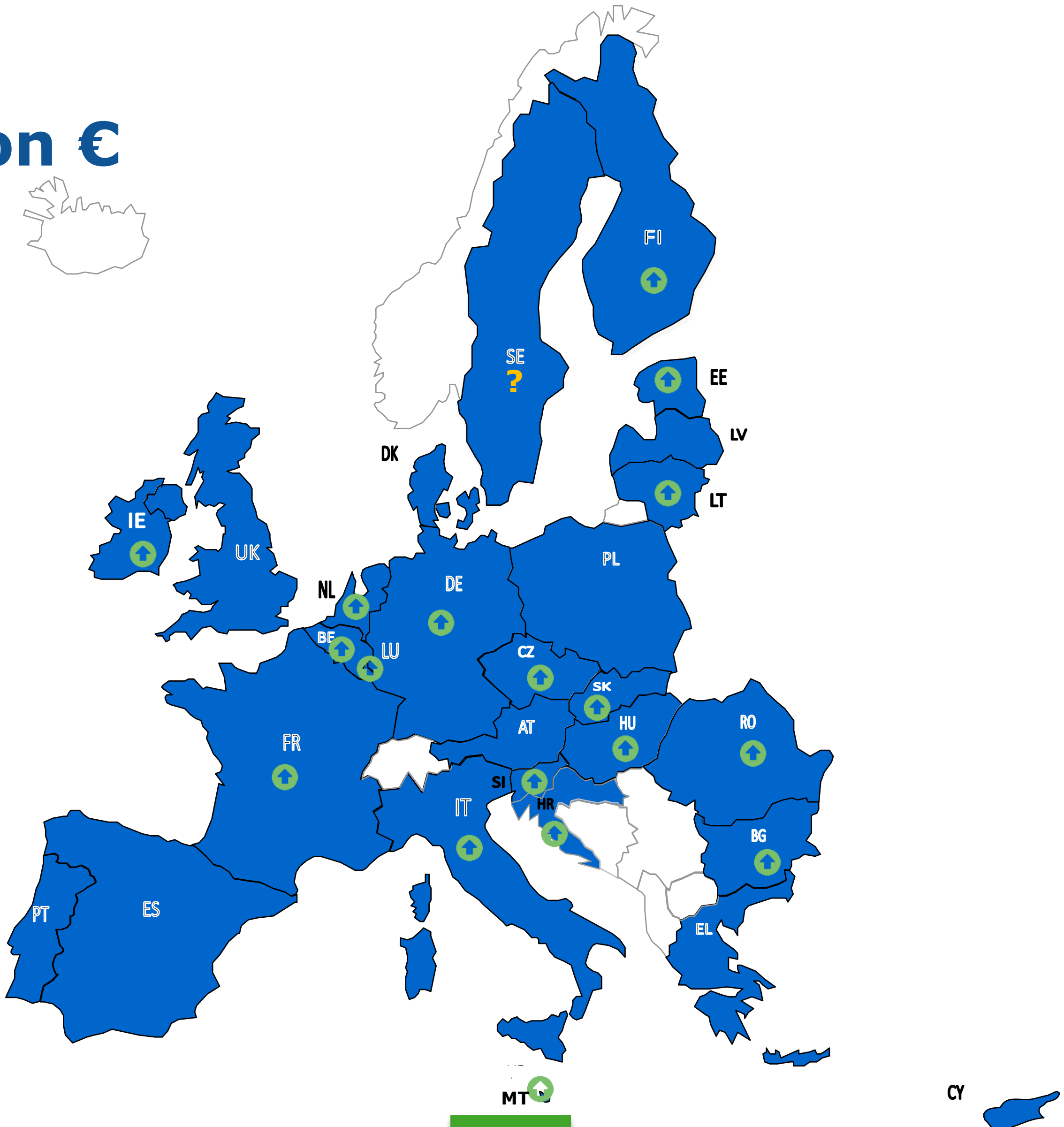
Exceptional adjustment aid to milk producers and farmers in other livestock sectors

(R 2016/1613)

Brussels, 25 January 2016

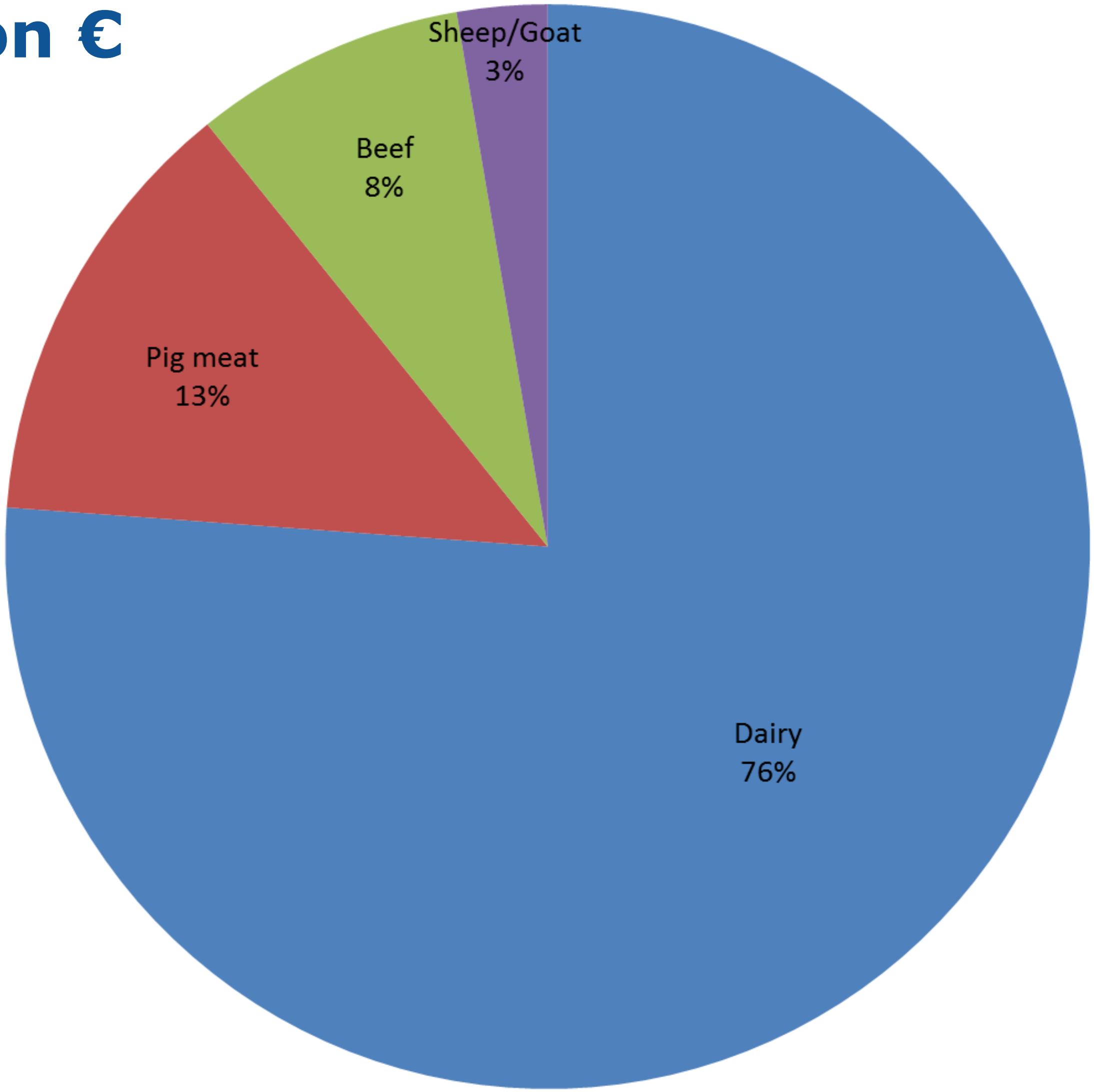
National top up

18 MS
211 million €

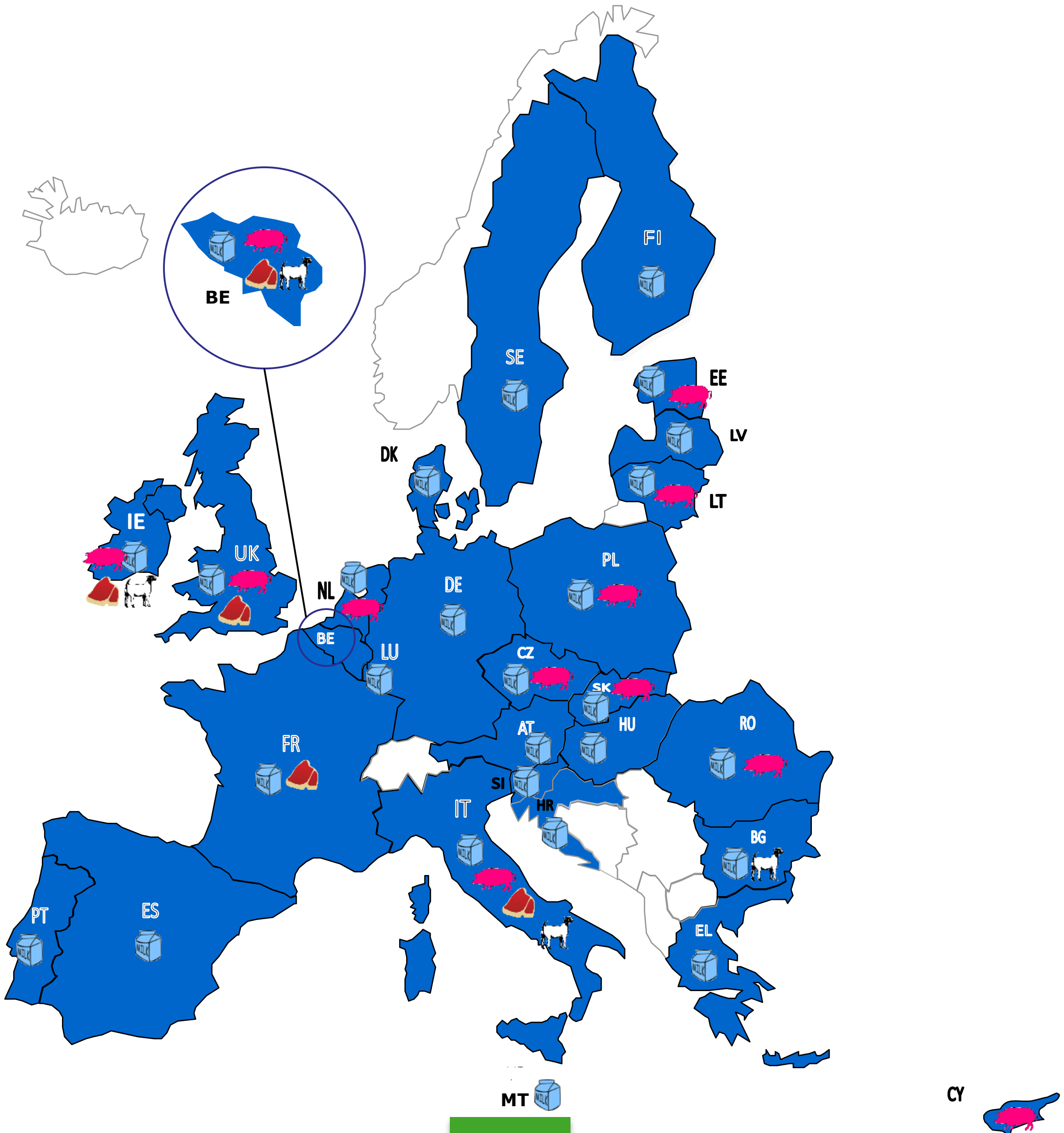


Distribution per sector

561 million €



Sectors concerned



Types of activities