Last update : 27.05.2016

MMO Economic Board

Meeting of 24 May 2016

- The 15th meeting of the MMO Economic Board took place on 24 May 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 7.2% in the first quarter of 2016 (= + 2.6 million t), part of which can be related to the leap day. Increases were particularly strong in IE, CY, LU, BE, NL in % terms, and in NL, DE, IE, PL in volume terms. These figures relate to milk collection, i.e. milk collected by dairies and reported by the latter to their national authorities, irrespective of whether milk comes from producers located in the same MS or in another one.

- Average farm gate milk prices approximated 28.4 c/kg in March and a further decrease is expected for April (27.7 c/kg). The milk producer margin index showed stabilisation in the last quarter of 2015 and the first quarter of 2016 thanks to the conjunctional movements of milk prices on the one hand and feed and energy costs on the other hand.

- Applications for private storage aid reached 80 000 t butter, 21 000 t SMP so far in 2016 and 43 000 t cheese in the 2nd round. With regard to offers for sale of SMP into public intervention, 209 000 t have been bought-in at fixed price so far this year in addition to 27 000 t bought-in by tender.

- Some stabilisation appears in dairy product prices which are however still at low levels. SMP prices continue to oscillate around intervention level. On the world market, prices expressed in US$ have decreased for all products from Oceania as well as from the USA (except for SMP). EU prices are broadly stable.

- As part of the outlook exercise, some estimates were shared by the Commission on its assessment of latest developments in terms of cow slaughtering and heifer numbers, but also on pasture conditions, in order to anticipate milk production in the coming months. In 2016, a 1.4% increase is expected in EU milk production.

- The assessment of EU stock levels based on a residual approach (production + imports – consumption - exports) confirmed important excessive stocks for SMP, most of which have found their way into public stocks. Butter stocks are healthier thanks to dynamic exports. Cheese stocks continue to be rather reasonable, as companies increase maximise use of their drying capacities, keeping milk volumes out of the cheese market.

- At world level, milk production increased by some 3.9% in the first quarter of 2016, mainly due to the EU. US production growth was lower than expected in April (+ 1.2%). The USDA forecast for 2016 is + 1.8%. NZ is likely to end up at -2% for the season and Australia at -1-2%. World demand remains dynamic, driven by butter and cheese imports. EU exports continue to perform well, except for a slowdown in powder. The strengthening of the euro against the dollar is a concern for export competitiveness. Chinese import demand is seen decreasing for commodities in April but increasing for value added products.

- With regard to EU internal consumption, mixed results were reported at retail level for FR, PT and the UK, while SE shows more positive trends. No data was shared on other consumption channels (out of home and industrial use). Information was shared on an initiative in progress in BE for developing a tool box for structurally helping farmers.

- A dedicated presentation was made on organic farming showing that it has been constantly growing since 2000, although still constituting a niche market, covering 4% of the dairy herd and 3.8 million t milk. In consumption terms, percentages are high in some MS: 33% in DK, 30% in UK and FI, 25% in SE, 20% in NL and CZ, 15% in FR and BE.

- Some improvement in market sentiment was perceptible against the background of slowed down EU milk production in the coming months and global demand remains healthy. However, market fundamentals have not really changed, which implies that an improvement in the supply/demand equation remains necessary.

ANNEX 1

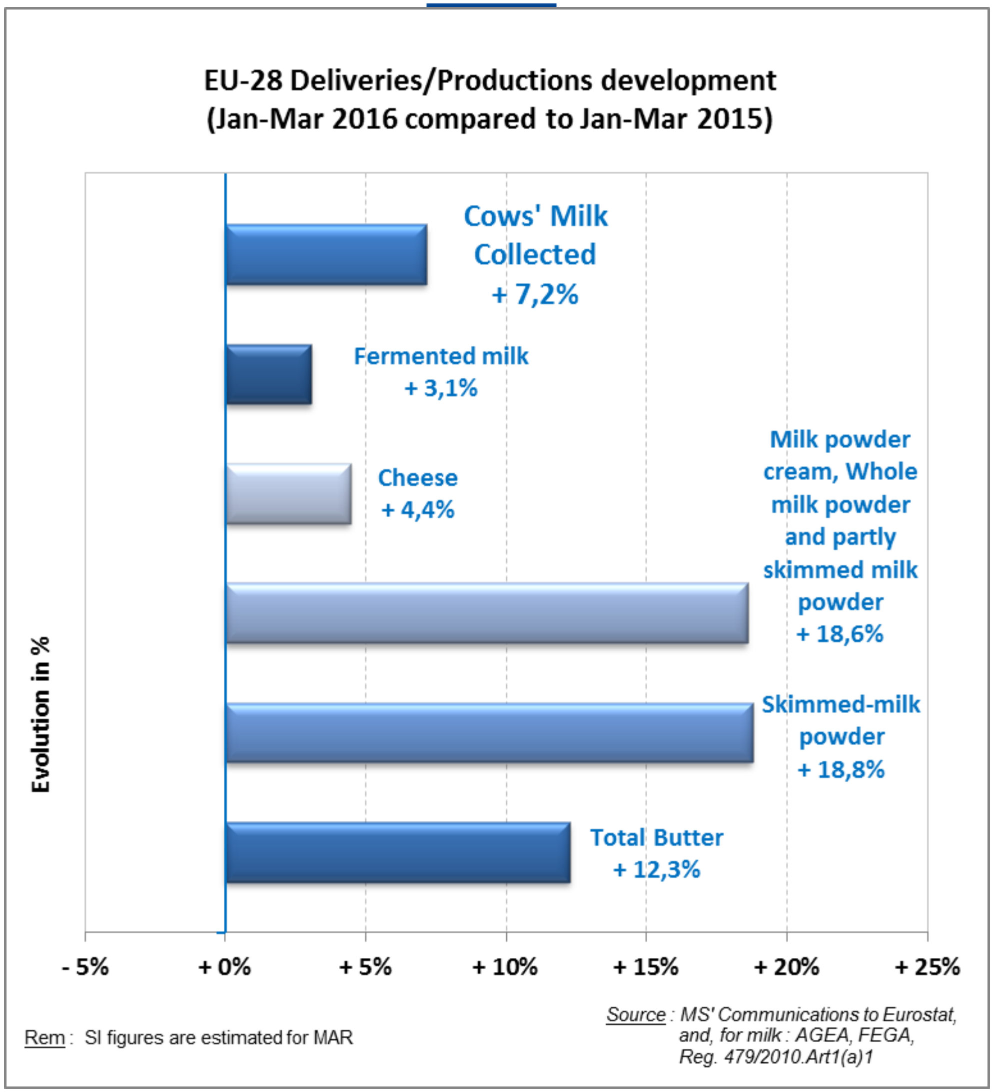
Milk Market Situation

European Commission

Milk Market Situation

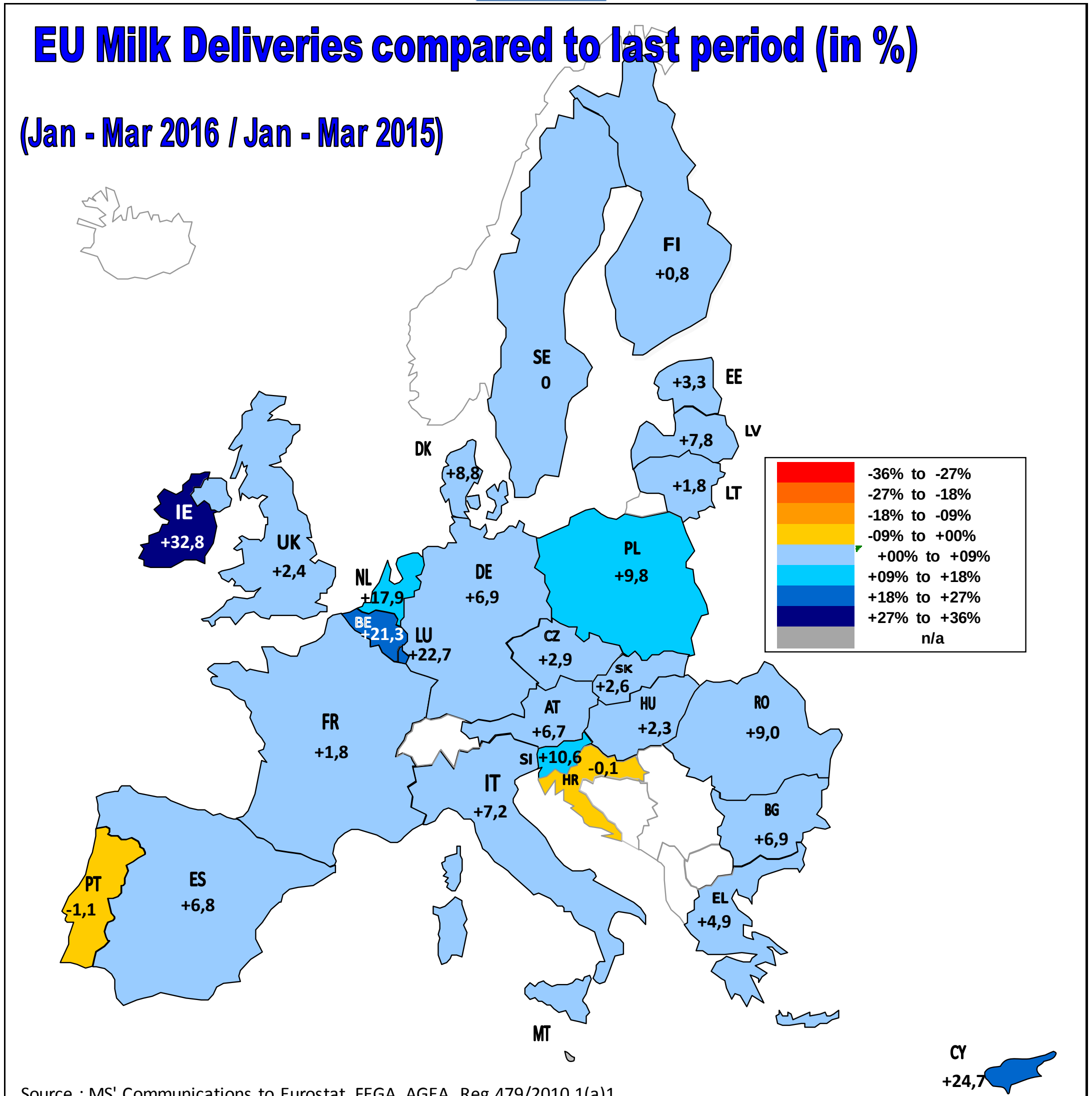
Brussels, 24 May 2016

EU Productions



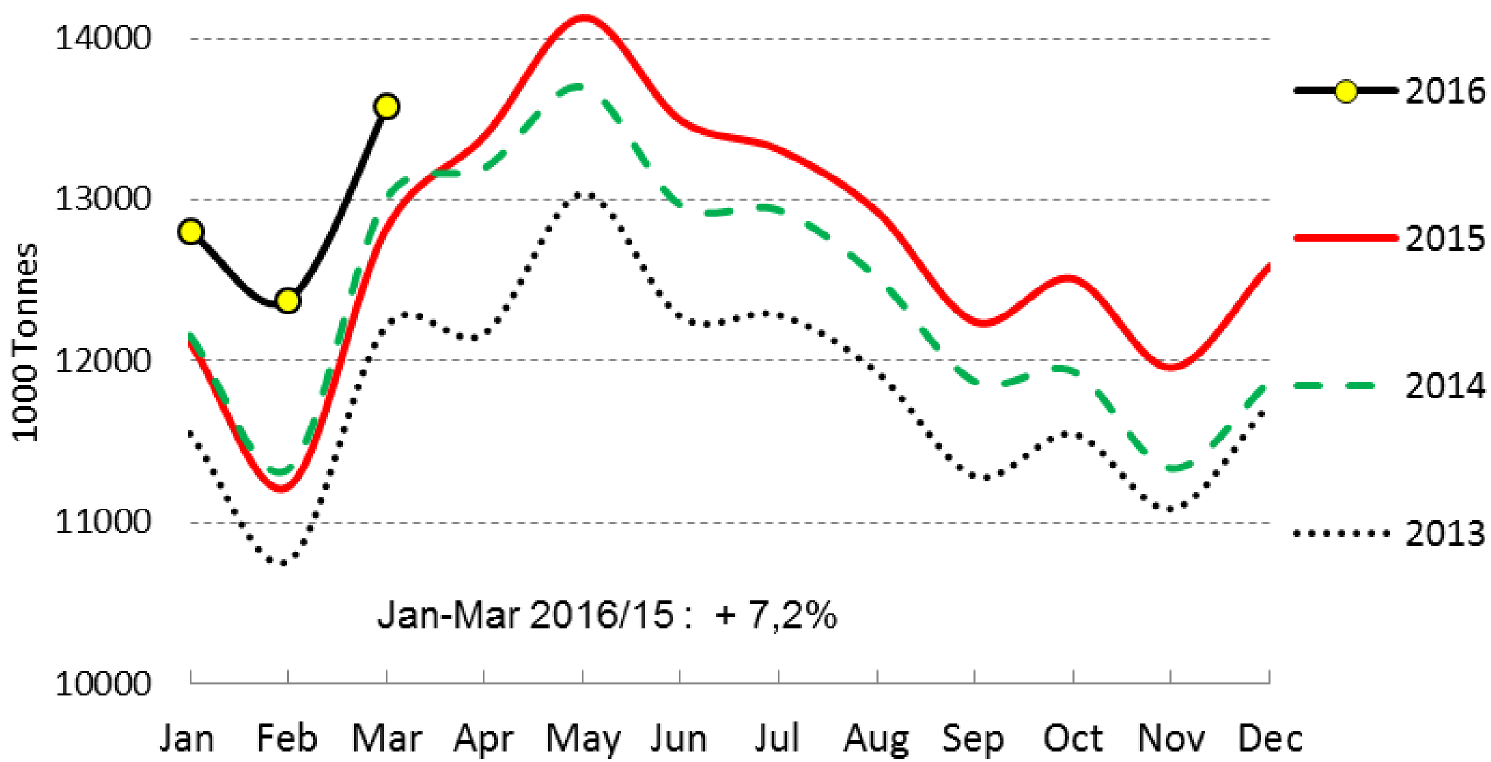
24/05/2016

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



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

EU - Cows' milk collected



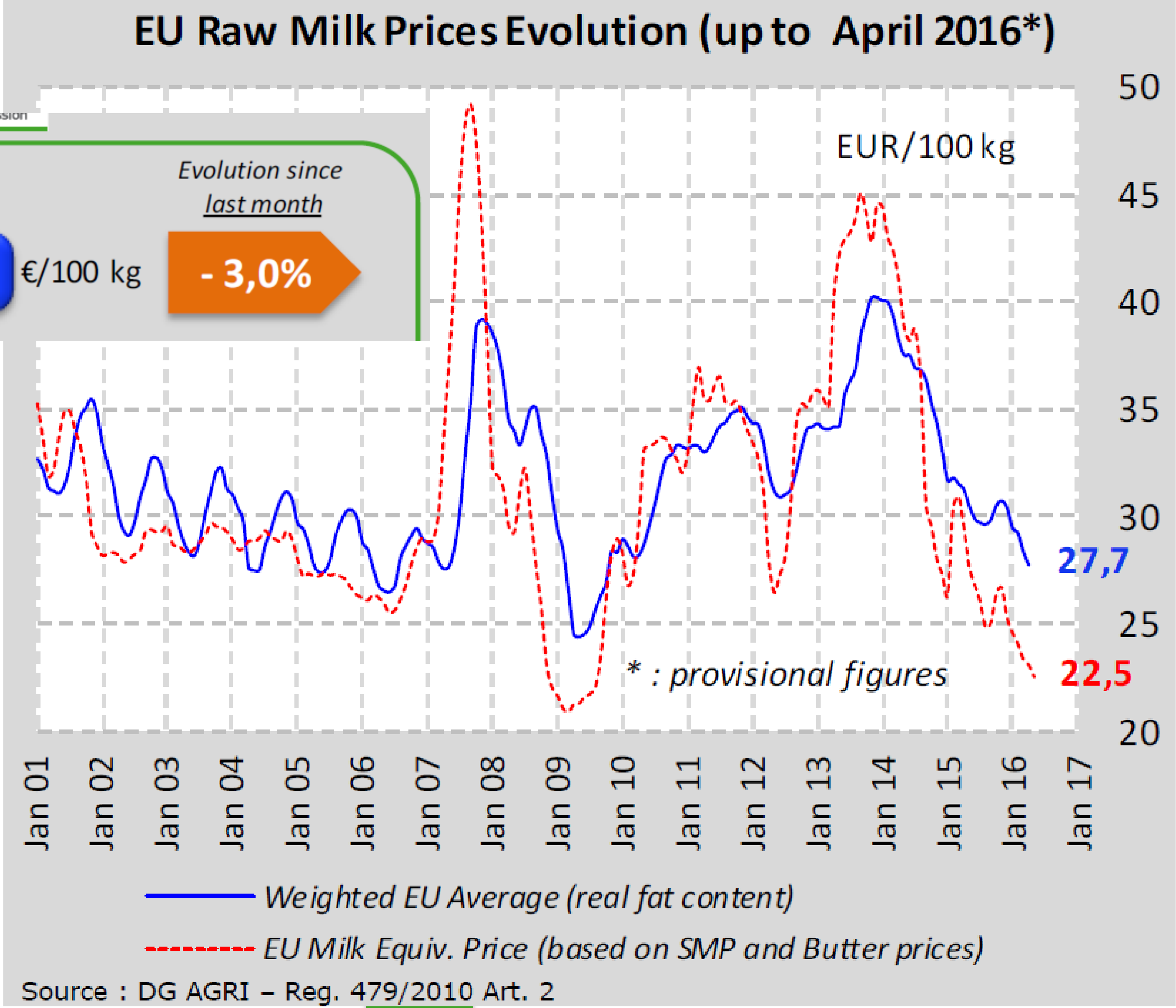
Source : Estat - Newcronos

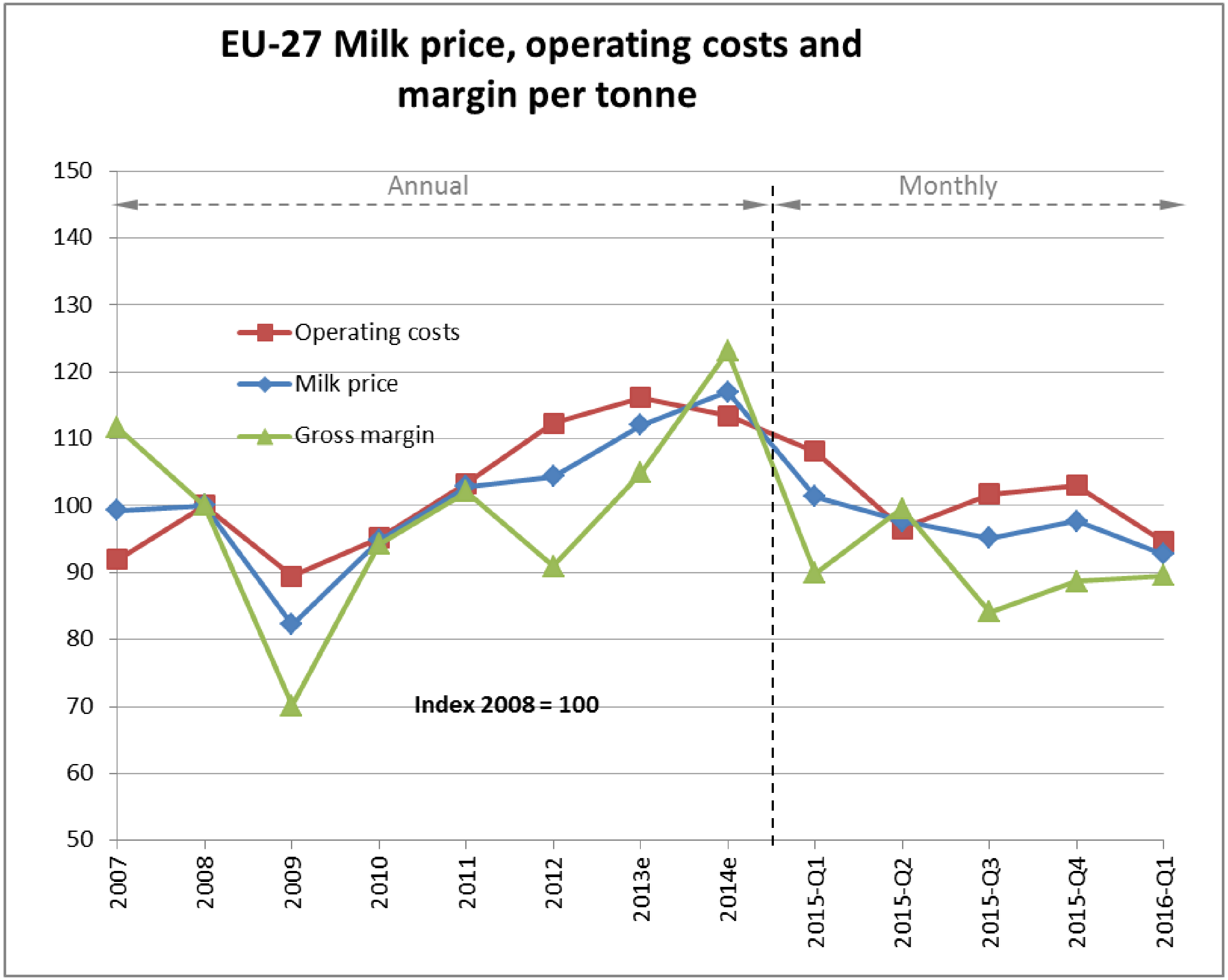
Last update : Jan-Mar

EU Price
Mar-2016

Evolution since
last month

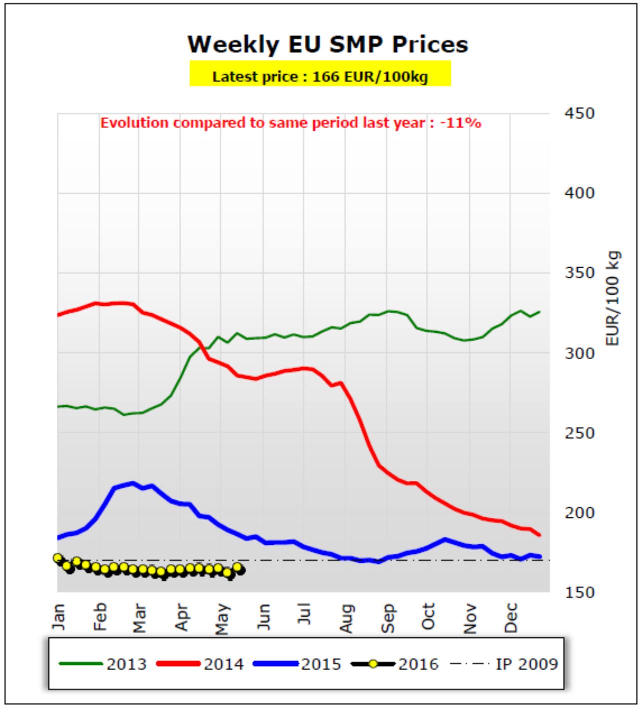
Raw Milk	**28,4**	€/100 kg	**- 3,0%**

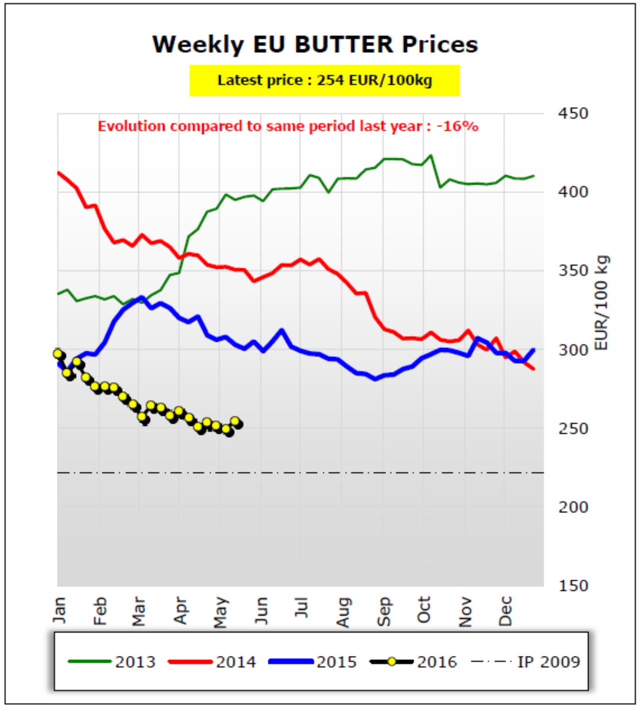


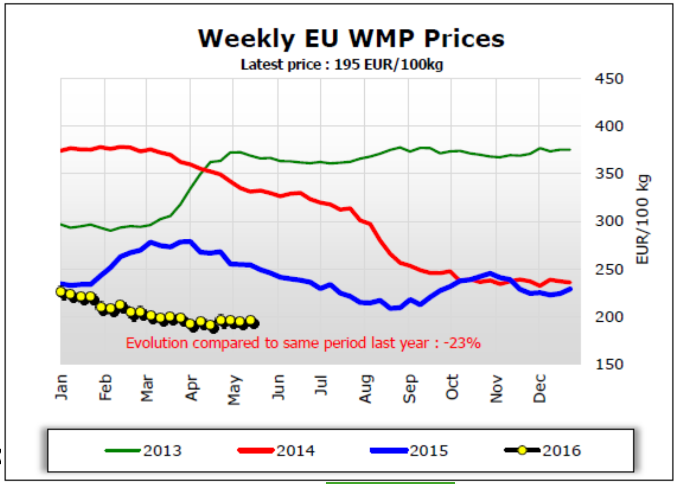


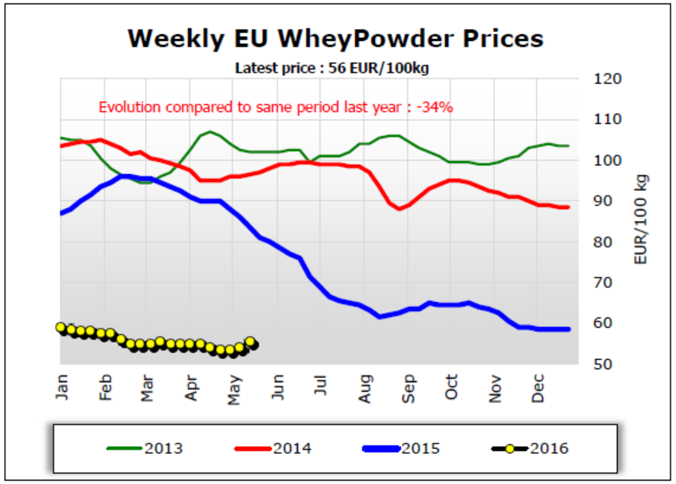
EU-27 Milk price, operating costs and margin per tonne
Annual
Monthly
Operating costs
Milk price
Gross margin
Index 2008 = 100
150
140
130
120
110
100
90
80
70
60
50
2007
2008
2009
2010
2011
2012
2013e
2014e
2015-Q1
2015-Q2
2015-Q3
2015-Q4
2016-Q1

EU Prices *(week 19)*			*Compared to the average of the previous 4 weeks*
BUTTER	254	€/100 kg	+ 1,2%
S.M.P.	166	€/100 kg	+ 1,0%
W.M.P.	195	€/100 kg	+ 0,4%
CHEDDAR	256	€/100 kg	- 0,6%





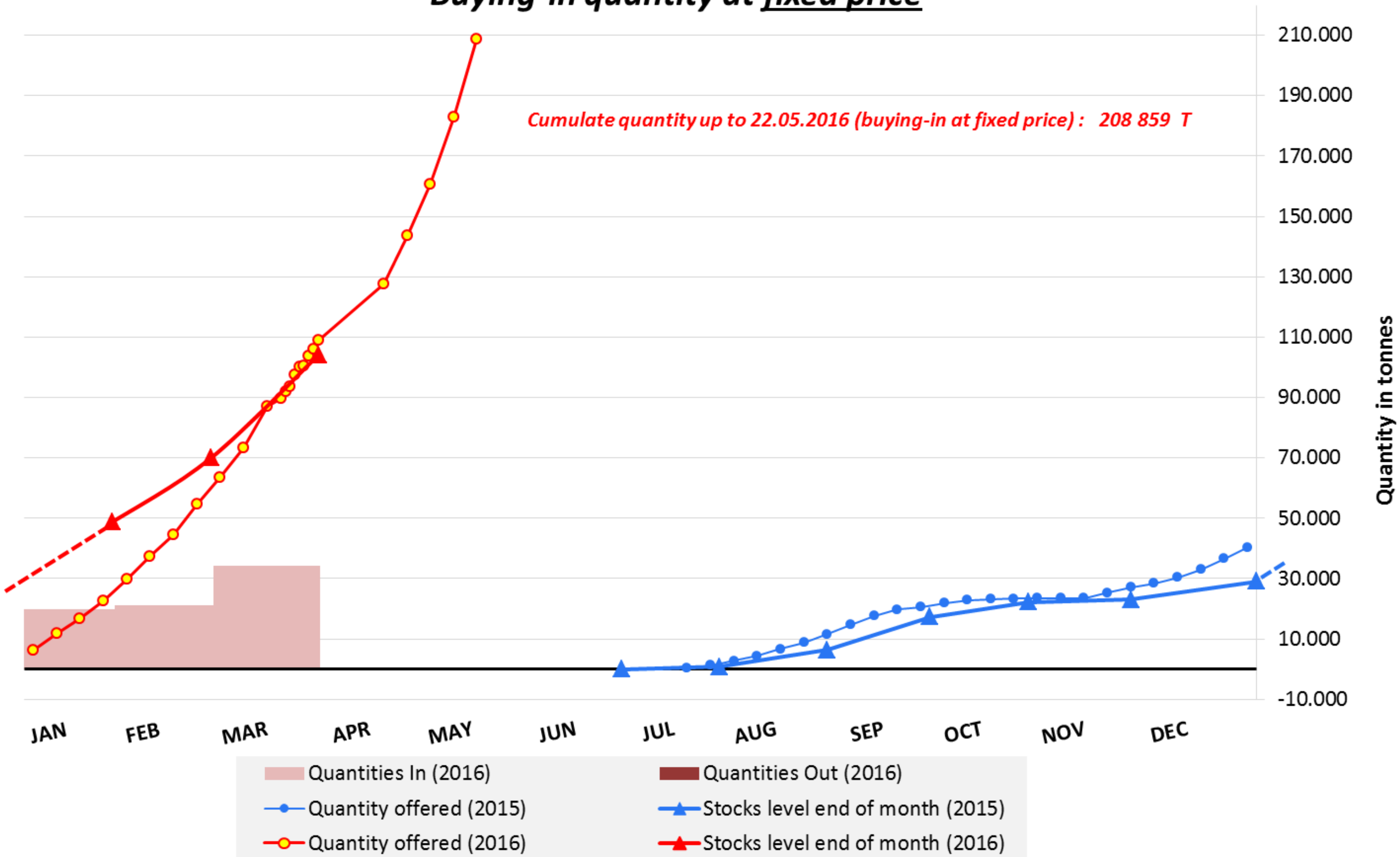




Sourc

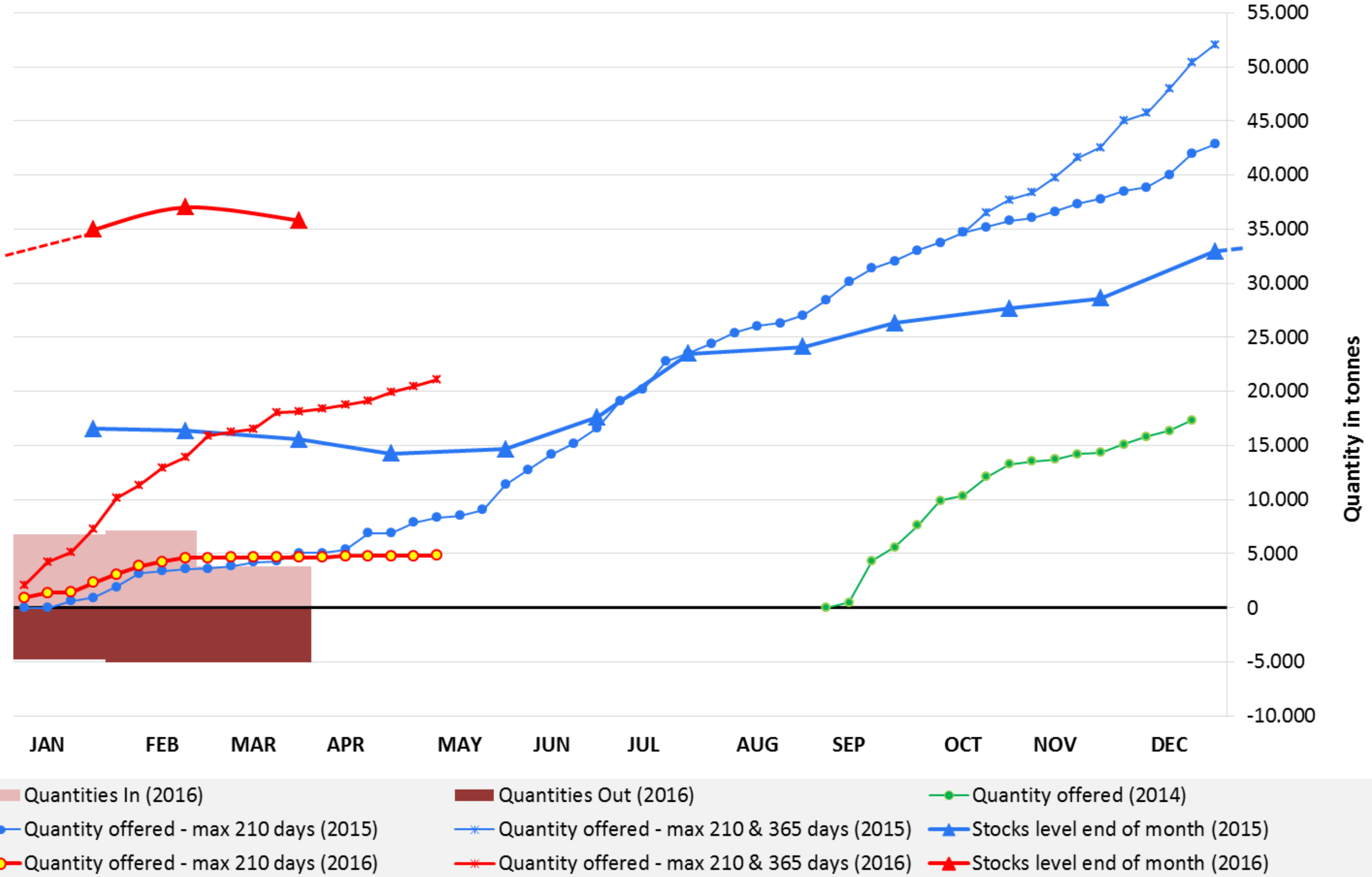
Public SMP Intervention scheme (2015-2016)

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

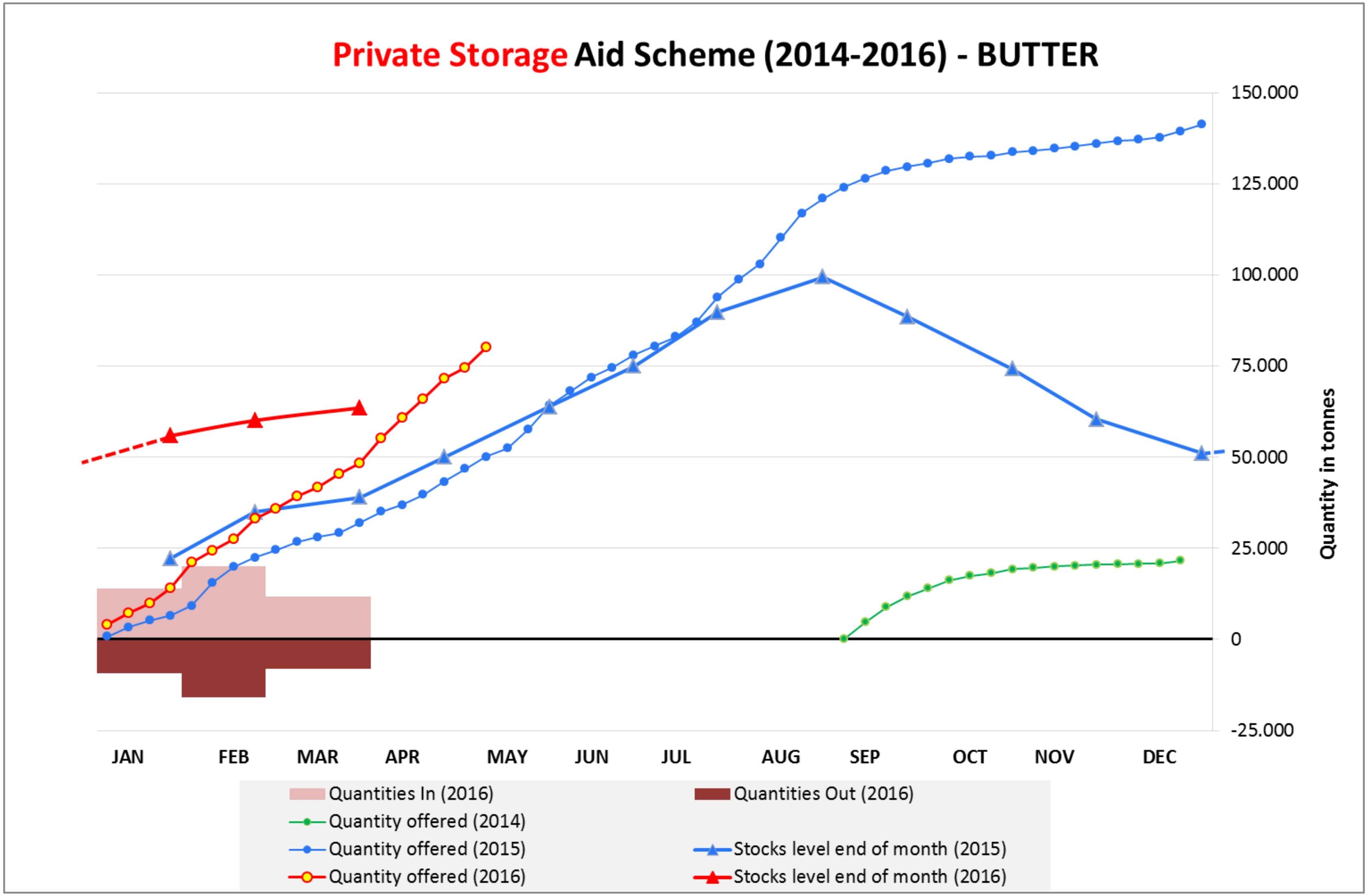


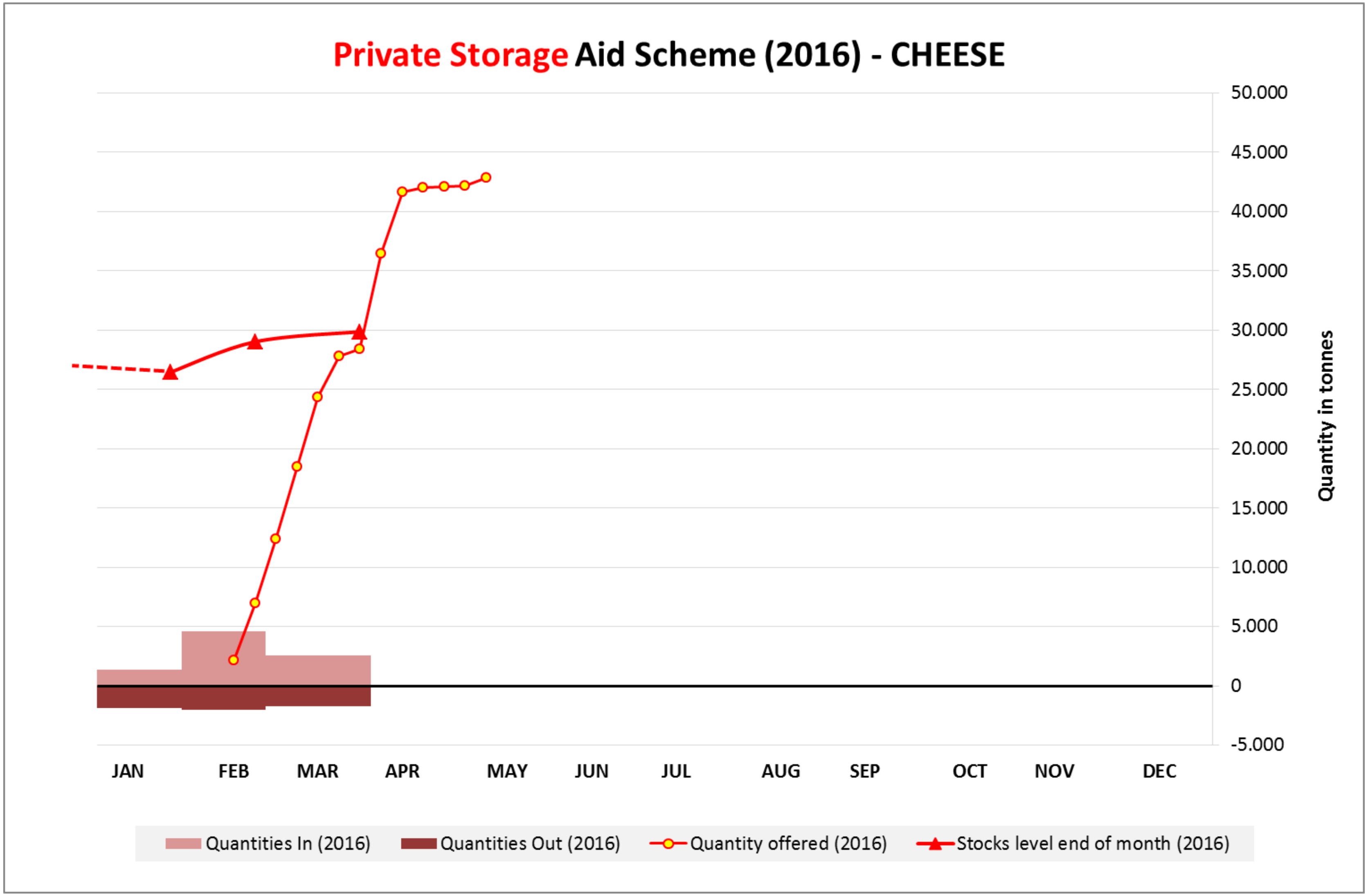
European Commission

Private Storage Aid Scheme (2014-2016) - S.M.P.



European Commission




Private Storage Aid Scheme (2016) - CHEESE
50.000
45.000
40.000
35.000
30.000
25.000
20.000
15.000
10.000
5.000
0
-5.000
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)

LATEST WORLD QUOTATIONS

	Price in USD/Tonne on 15.05.2016			% change (15 days ago)		
	EU	Oceania	USA	EU	Oceania	USA
Butter	2 853	2 575	4 514	nc	- 1,0%	- 0,5%
SMP	1 857	1 713	1 777	+ 0,1%	- 2,1%	+ 4,9%
WMP	2 223	2 025	2 624	+ 0,5%	- 1,2%	- 2,1%
Cheddar	2 879	2 563	2 820	- 1,9%	- 0,5%	- 8,8%

Source : DG AGRI, USDA

ANNEX 2

Draft milk production forecast

European Commission

Draft milk production forecast

MMO 24 May 2016

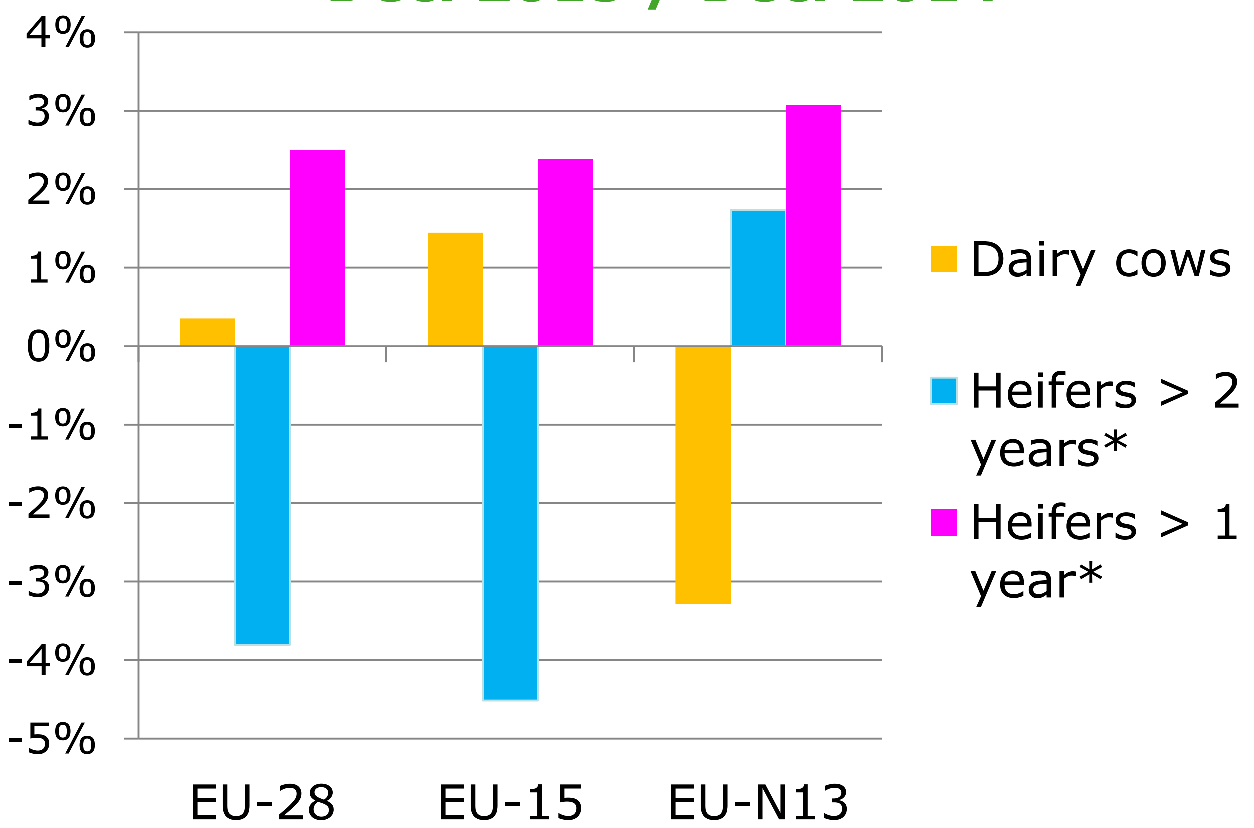
Sophie Hélaine

DG Agriculture and Rural Development
European Commission

Outline

- Livestock and slaughterings
- Pasture conditions
- Draft milk production forecasts

More milk to come, based on the change in dairy herd in the EU
Dec. 2015 / Dec. 2014



Note: * Heifers not for slaughter (including beef heifers)
Source: Eurostat December livestock survey

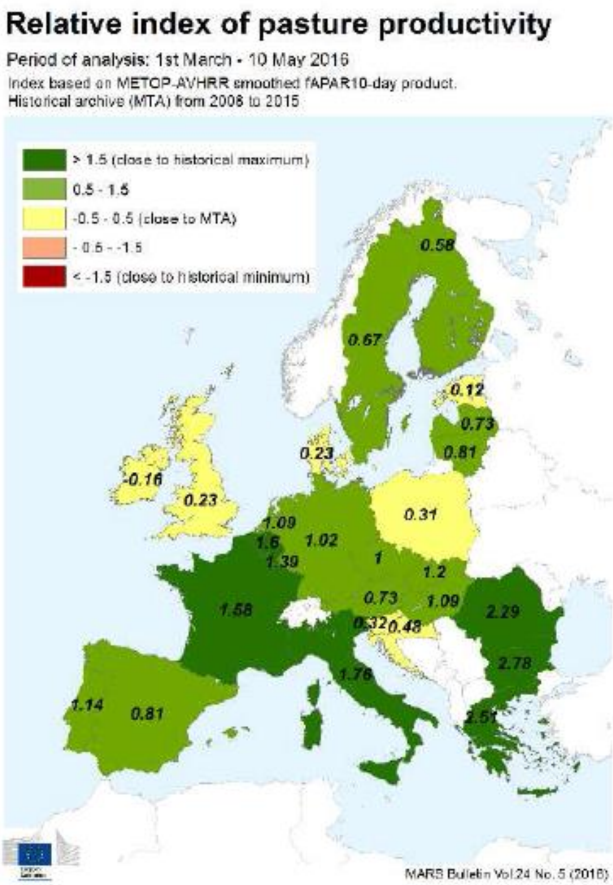
The dairy herd in the largest milk producing countries
Dec. 2015 / Dec. 2014

	IE	NL	UK	DK	BE	IT	AT	ES	CZ	RO	DE	FR	PL
Dairy cows	10%	7%	3%	4%	2%	0%	0%	0%	-1%	-1%	0%	-1%	-5%
Heifers > 2 years*	-19%	7%	-8%	-16%	-2%	-1%	3%	-26%	3%	1%	-2%	-1%	4%
Heifers > 1 year*	3%	1%	2%	-1%	2%	0%	2%	9%	2%	2%	1%	4%	5%

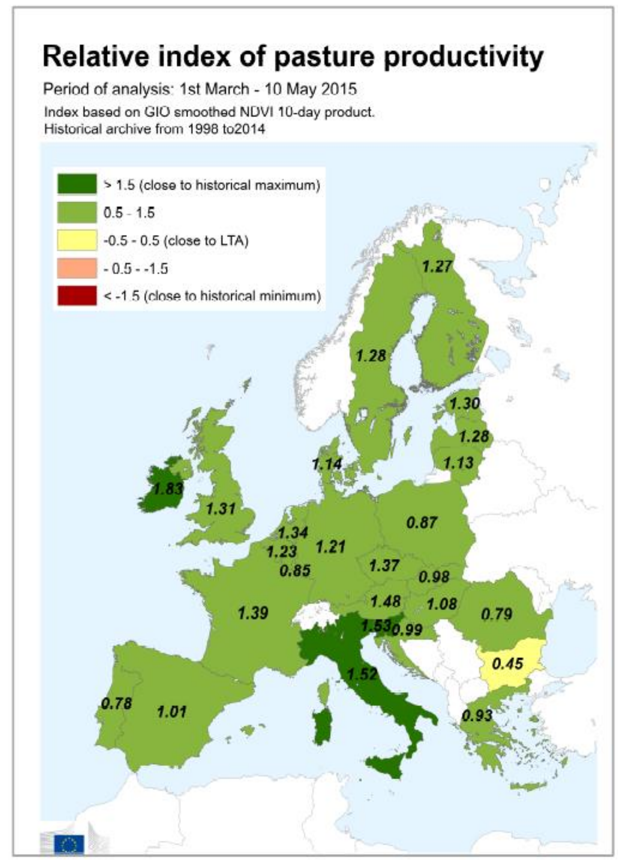
Note: * Heifers not for slaughter (including beef heifers)
Source: Eurostat December livestock survey

Grassland growth rates since early spring are high but delays in pasture development in northern EU

1 March – 10 May 2016



1 March – 10 May 2015

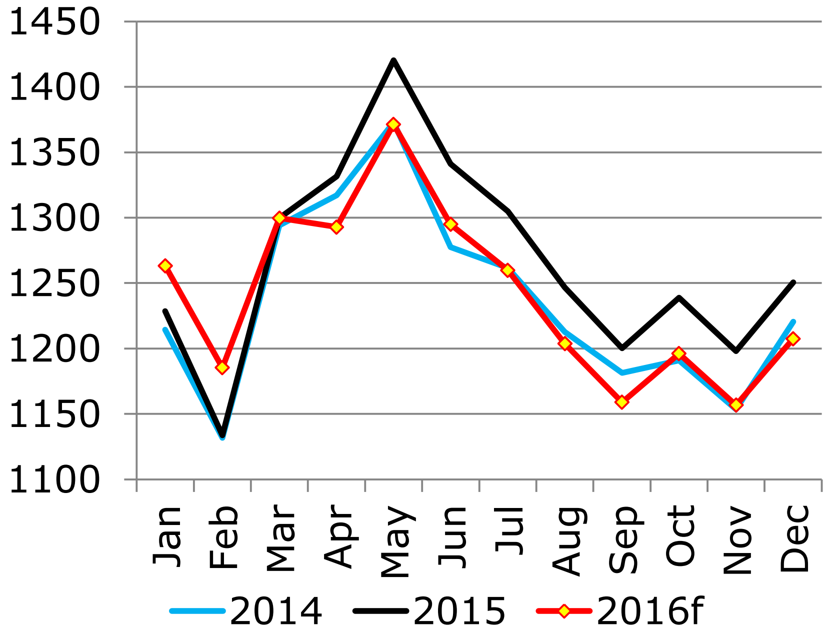


Source: JRC – MARS bulletin

UK: adaptation is taking place

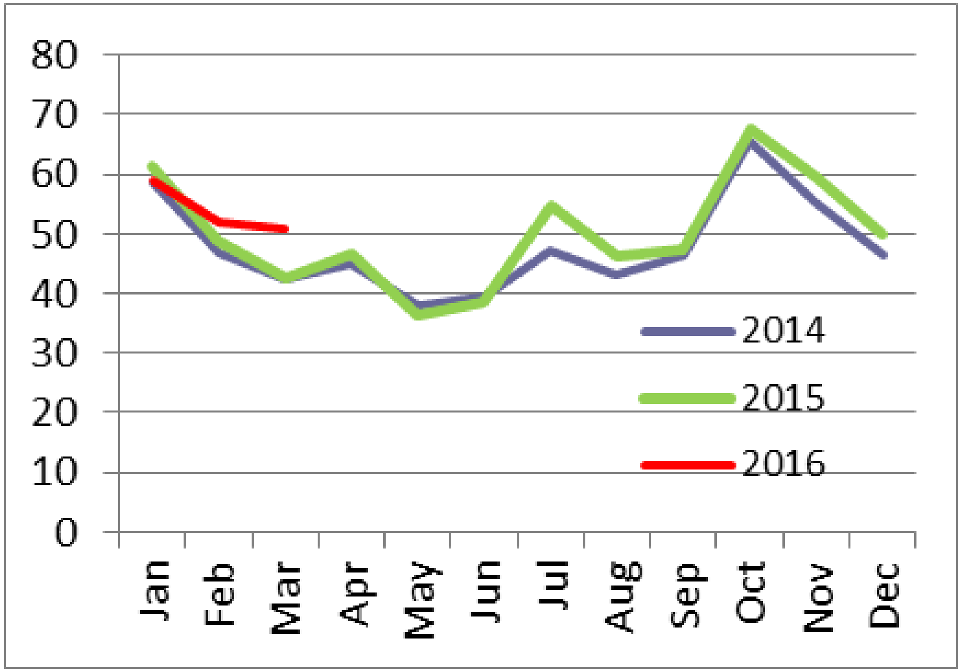
- Poor pasture conditions
- Increase in cow slaughterings
- 2016/2015 *f*: -2%
  (Q1:+2%   Q2-4*f*: -3%)

Milk collection (1000 t)



Source: DG AGRI, draft forecast

Cow (beef and dairy) slaughterings (1000 heads)

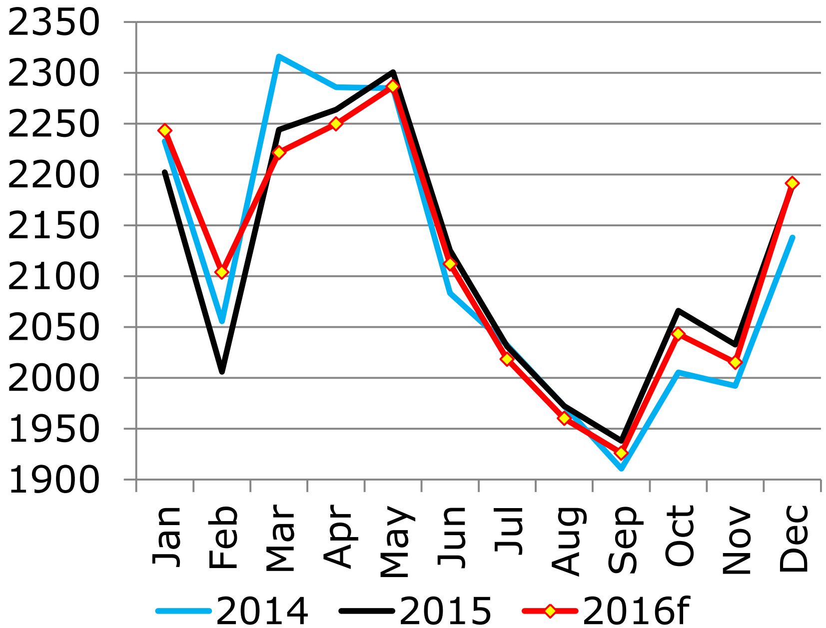


Note: February 2016 corrected for the additional day
Source: Eurostat

FR: supply management

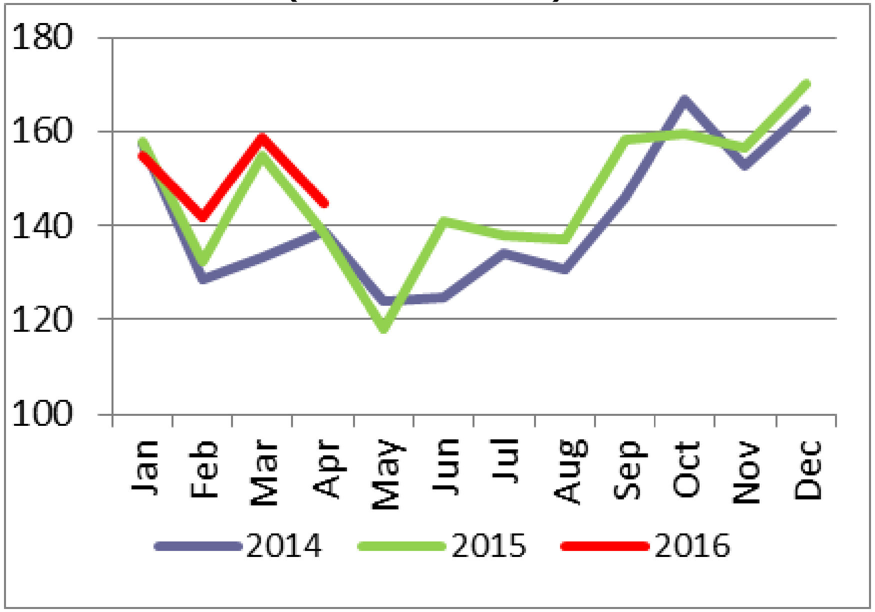
- Supply management by operators
- Increase in cow slaughterings (but heifers)
- 2016/2015 *f*: +0%
  (Q1:+2% Q2-4*f*: -0.6%)

Milk collection (1000 t)



Source: DG AGRI, draft forecast

Cow (beef and dairy) slaughterings (1000 heads)

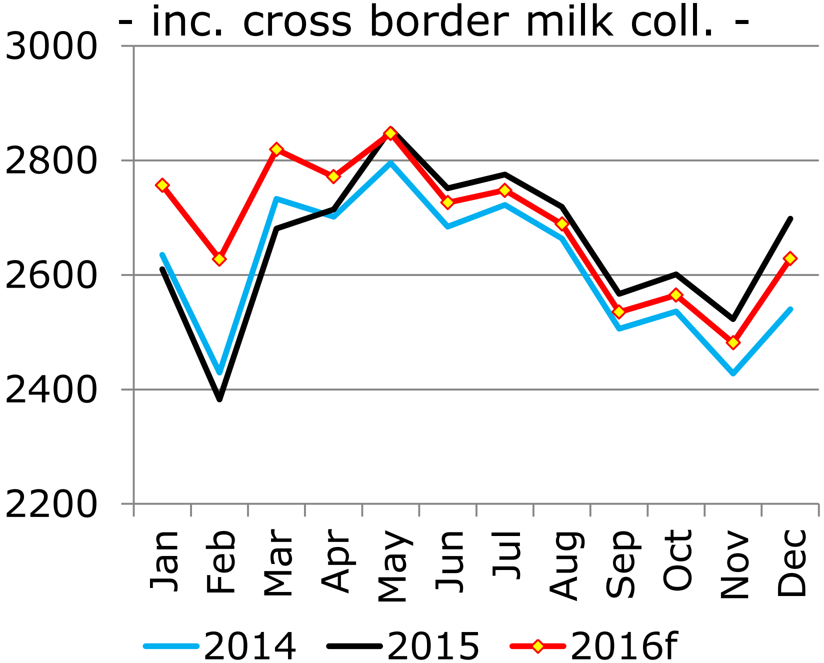


Note: Feb 2016 corrected for the additional day, April estimated based on Tendances May 2016
Source: Eurostat

DE: adaptation started taking place ?

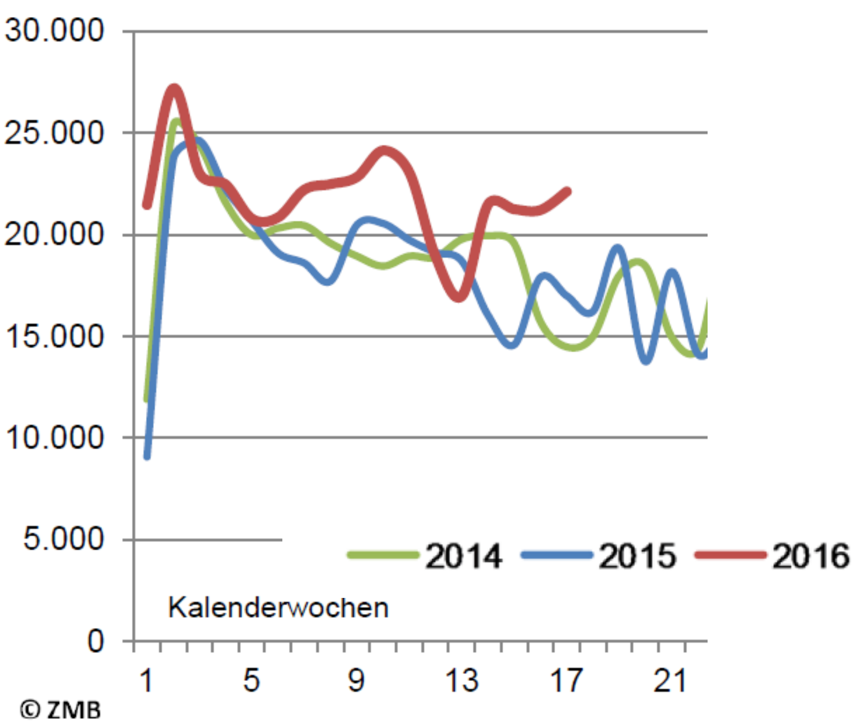
- Increase in cow slaughterings (+16% 2016/15 week1-17)
- 2016/2015 *f*: +1%
  (Q1:+7% Q2-4*f*: -1%)

Total milk collection (1000 t)
- inc. cross border milk coll. -



Source: DG AGRI, draft forecast

Weekly Slaughterings Cows
(beef and dairy, heads)

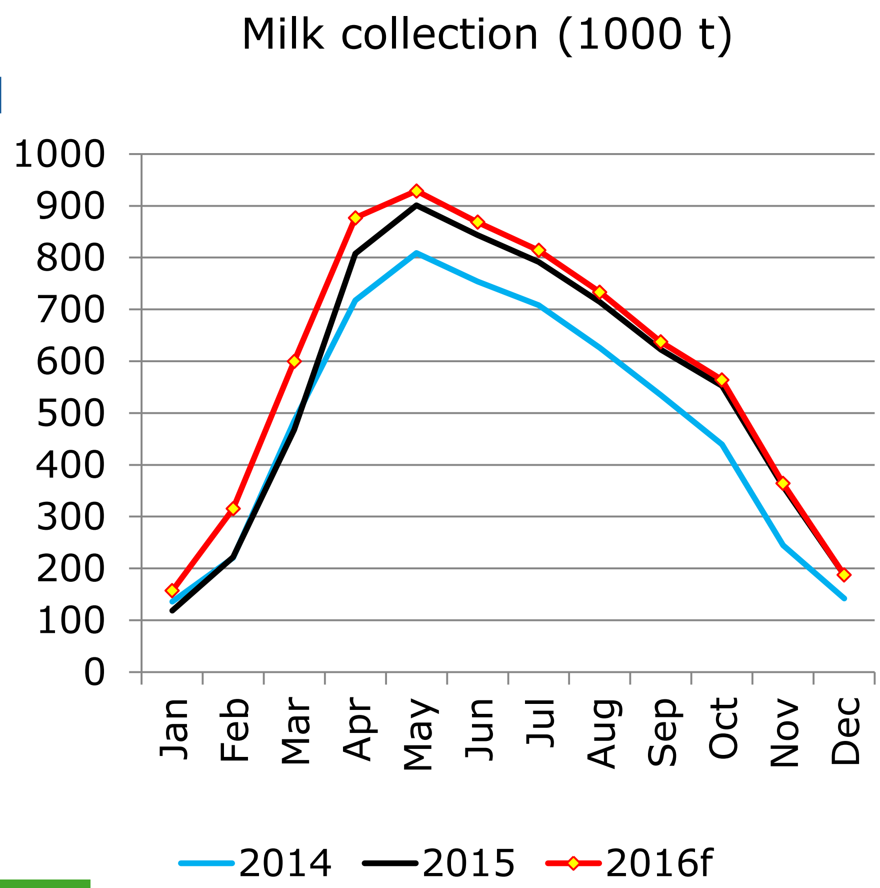


Source: ZMB

IE: Lower supply increase

- Poor pasture conditions
- Strongest decrease of the price paid to farmers in March (-18% / Feb. 2016; -25% / March 2015)

- 2016/2015 *f*: +7%
  (Q1:+33%   Q2-4*f*: +3%)

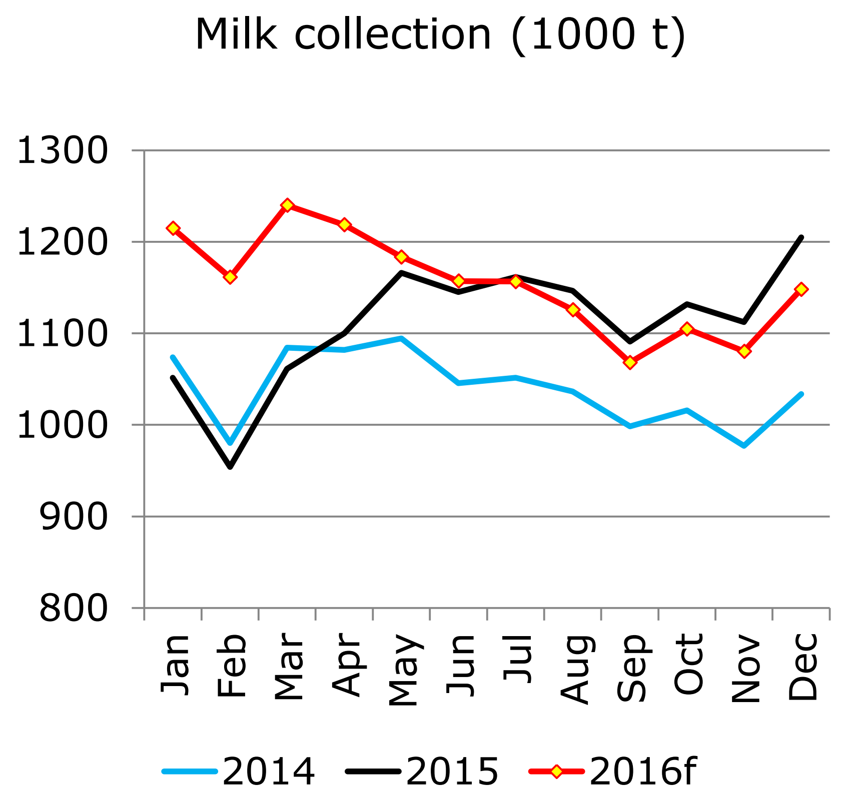


Source: DG AGRI, draft forecast

NL: Strong increase in milk del. in April still

- April 2016: +11%/2015
- Phosphates legislation to take place from 1.01.2017 should lead to a reduction of the cow herd: when?

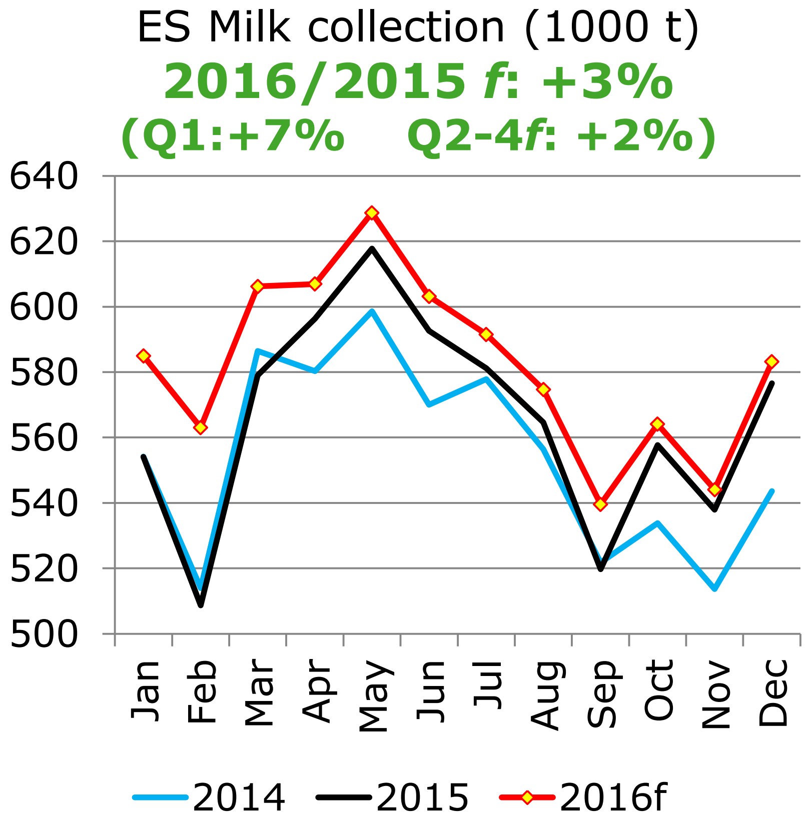
- 2016/2015 *f*: +4%
  (Q1:+18%   Q2-4*f*: 0%)

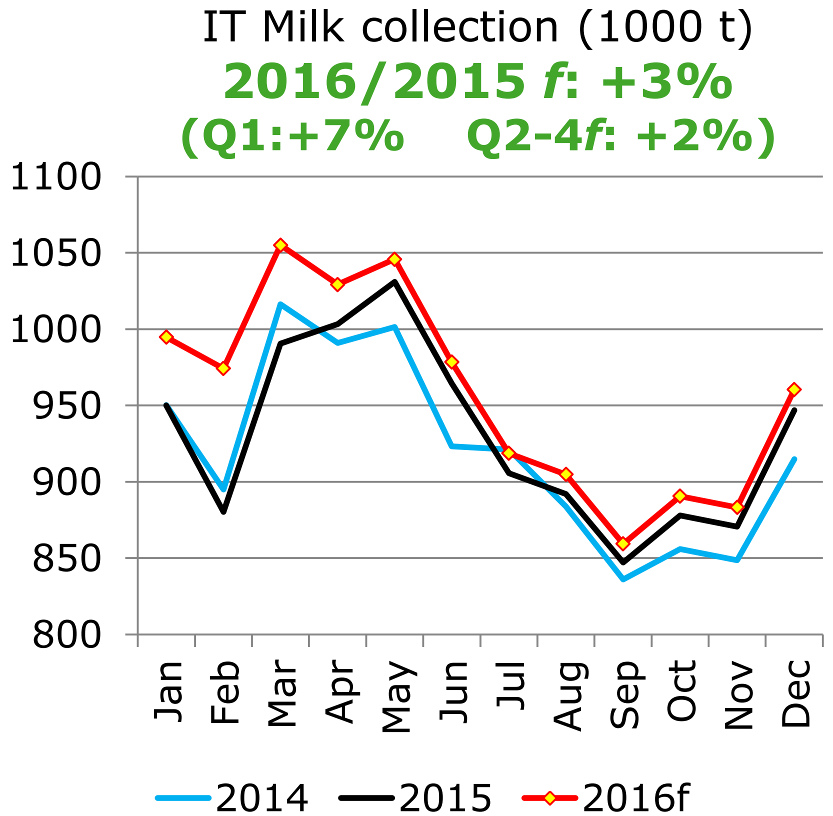


Source: DG AGRI, draft forecast

IT and ES: No sign of supply decrease

- Good pasture conditions
- Cow slaughterings: down in IT, up in ES (but numerous heifers)





Source: DG AGRI, draft forecast

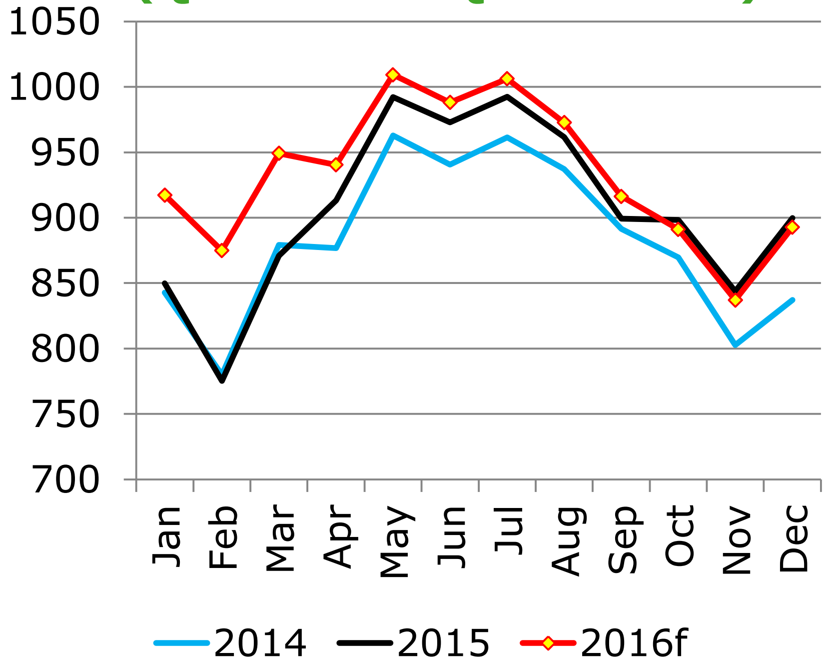
PL: No sign of supply decrease yet

- Cow slaughterings up but numerous heifers
- Pasture productivity to be checked

Milk collection (1000 t)

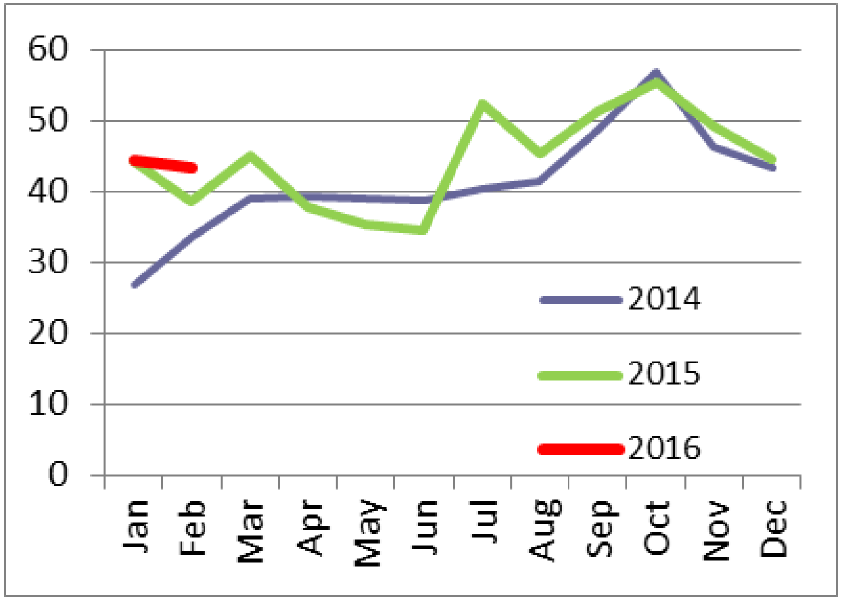
2016/2015 *f*: +3%

(Q1:+10% Q2-4*f*: +1%)



Source: DG AGRI, draft forecast

Cow (beef and dairy) slaughterings (1000 heads)



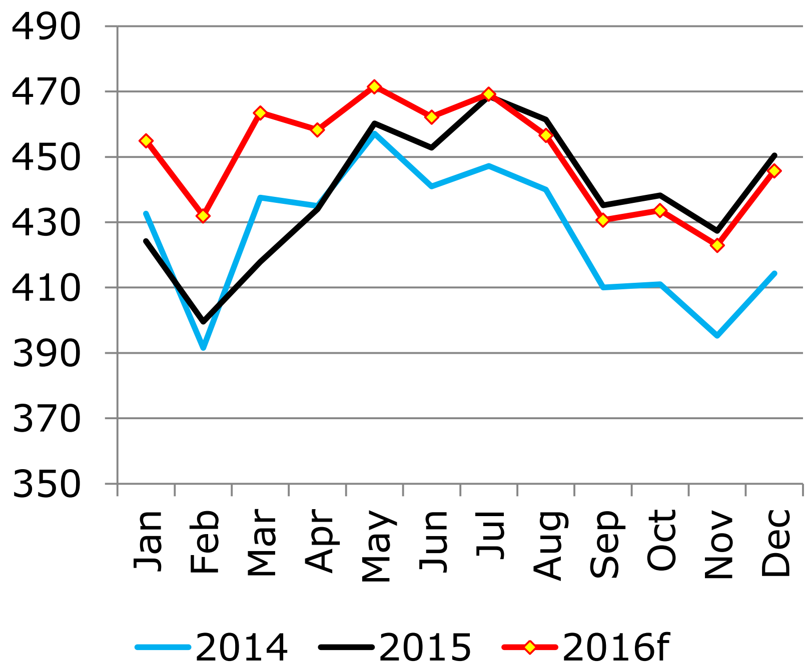
Note: February 2016 corrected for the additional day
Source: Eurostat

DK: No sign of supply decrease yet

- But cow slaughterings up

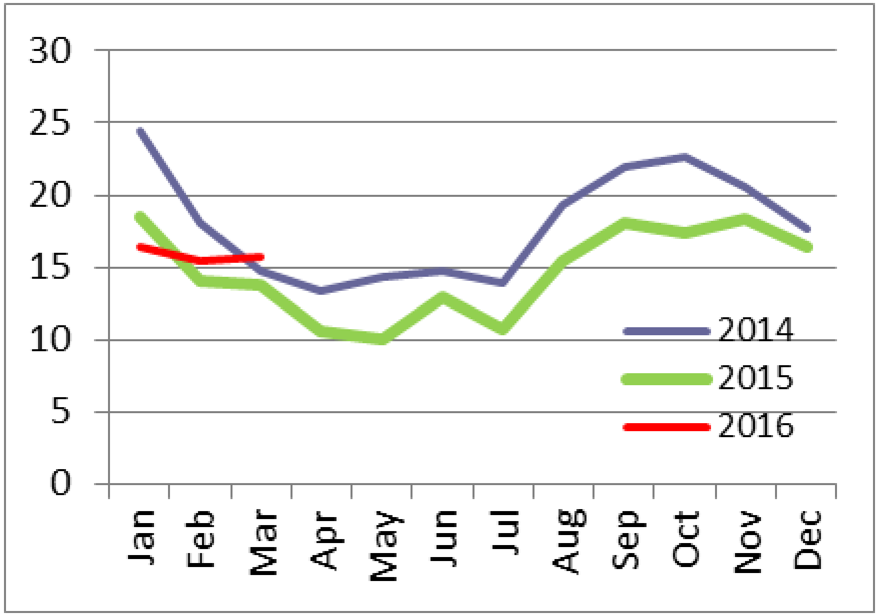
Milk collection (1000 t)

2016/2015 *f*: +2.5%
(Q1:+9% Q2-4*f*: +1%)



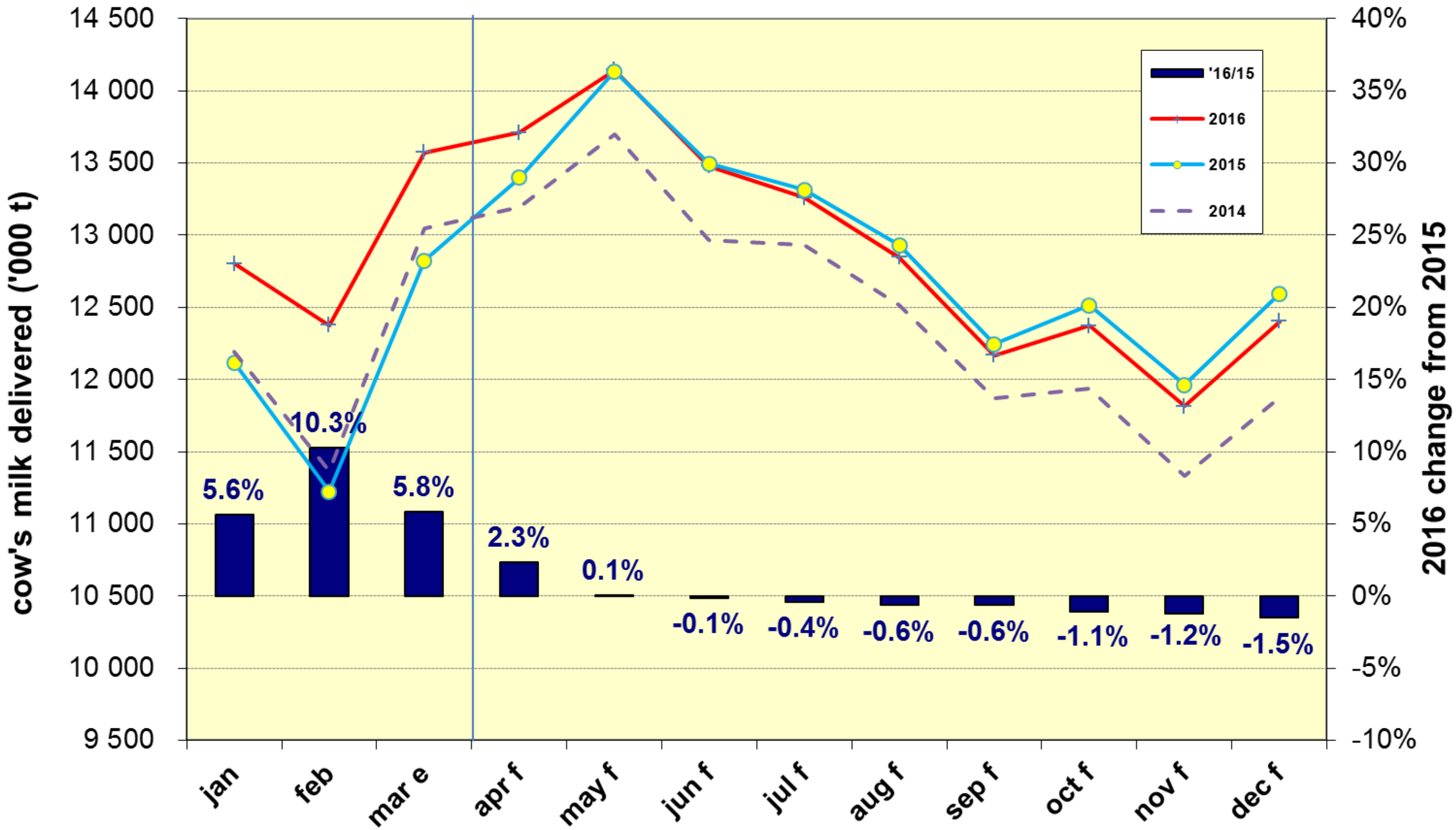
Source: DG AGRI, draft forecast

Cow (beef and dairy) slaughterings (1000 heads)



Note: February 2016 corrected for the additional day
Source: Eurostat

2016 milk deliveries +1.4% in the EU / 2015?



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

<u>ANNEX 3</u>

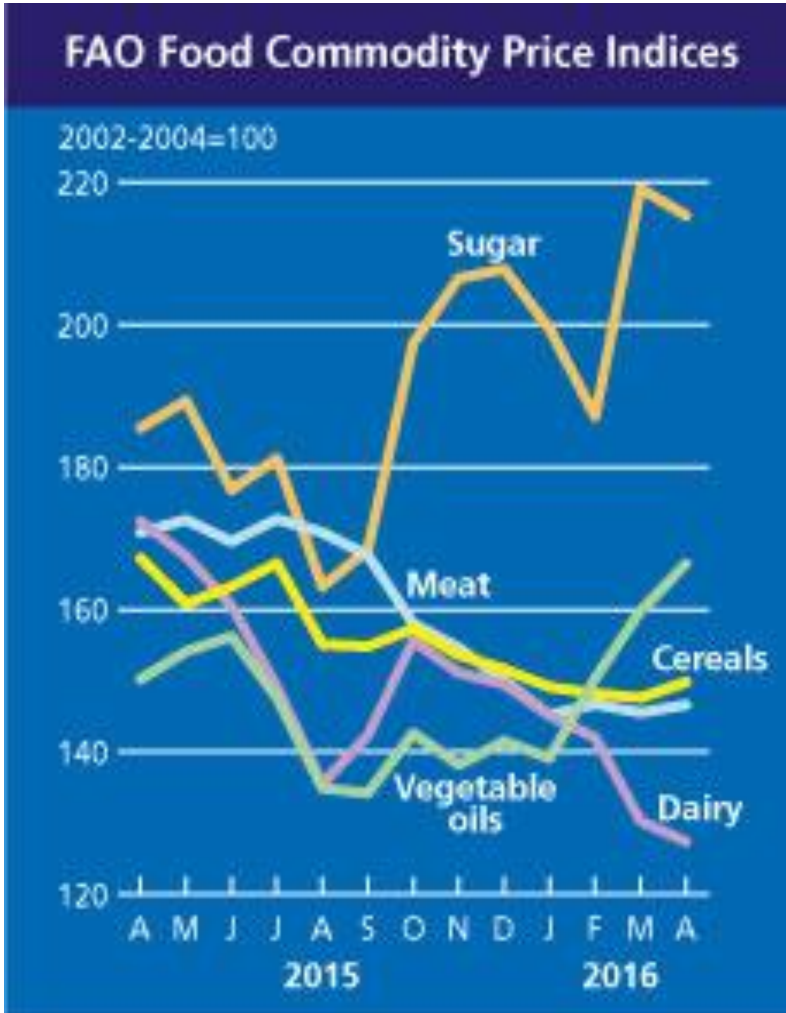
Milk Market Situation

LTO Nederland

Milk market situation

Klaas Johan Osinga
kjosinga@lto.nl, @KJOsinga

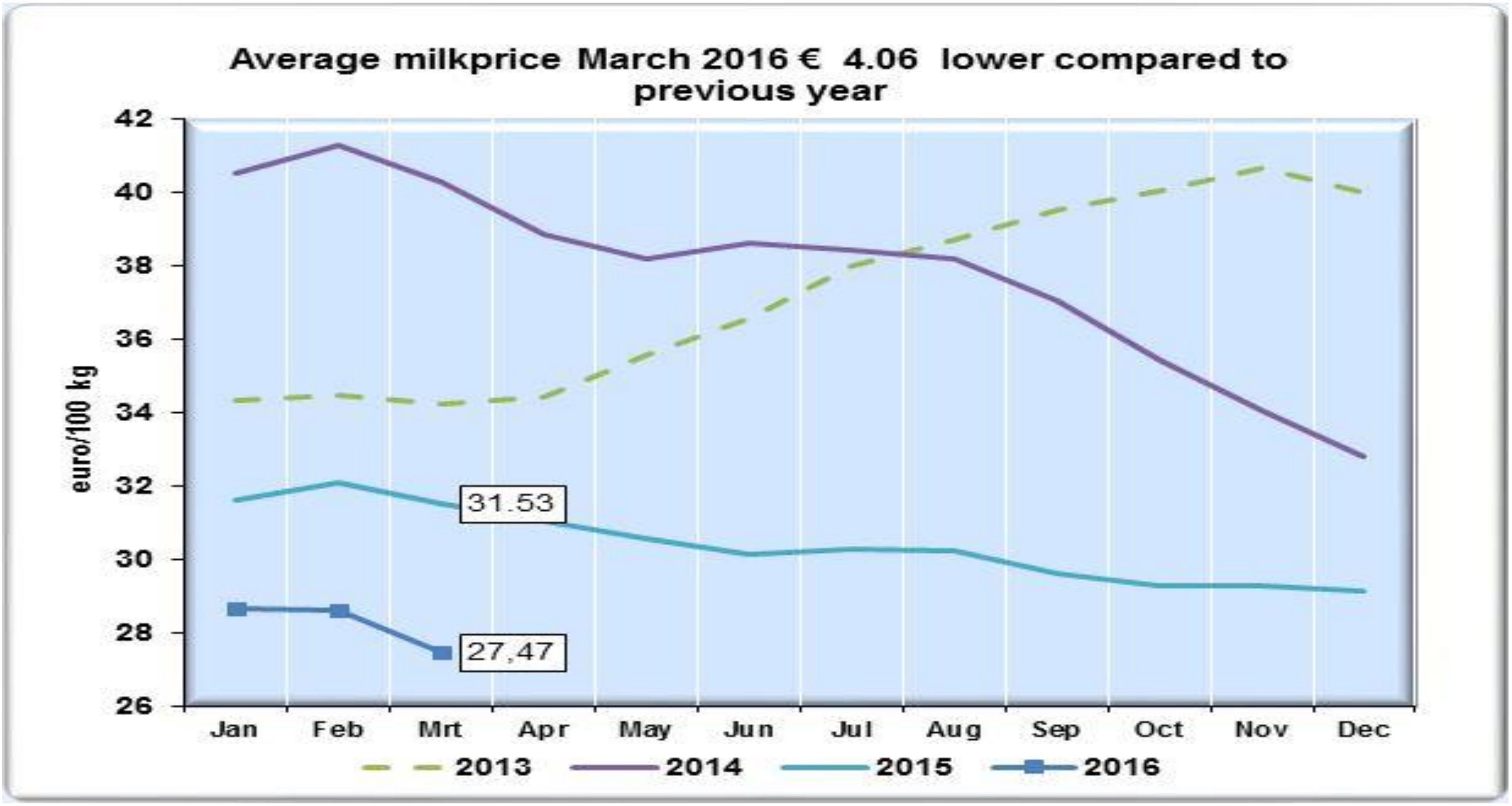
The big picture....



LTO Milk Prices: some developments

- New agreement between LTO and EDF 2016-2020.
- Goal: greater insight into the international market for farm milk
- Budget to follow 19 dairies
- Hameenlinnan Osuusmeijeri (Finland): farmer changed, so we will try to collect milk statements from Valio instead
- First Milk (UK): removed from the list as the dairy farmer did not supply milk statements anymore.
- Dairygold (IE): added to the list at their own request
- We're looking for a dairy in Central Europe, e.g. Mlkovita (Pl).

LTO milk prices average



Farm gate milk prices € per 100 kg standardised milk

		2014		Sept 15	Mar16	Change in: Apr2016	May2016
Granarolo (North)	IT	44.67	2	38.29	38.29	-2.00	
FrieslandCampina	NL	41.17	3	27.71	27.69	-1.00	-2.50
Dairy Crest (Davidstow)	UK	39.45	4	36.41	27.65	+0.80	
Arla Foods DK	DK	39.44	5	27.92	27.70	-0.90	-1.00
Savencia (Basse Normandie)	FR	38.31	6	33.30	29.92		
Sodiaal A-price (Pas de Calais)	FR	38.21	7	35.91	30.71		
Danone A-price (Pas de Calais)	FR	37.94	8	35.72	31.55		
Lactalis (Pays de la Loire)	FR	37.88	9	32.16	29.28		
DMK	DE	36.73	10	25.19	24.69	-1.50	+1.00
DOC Cheese	NL	36.56	11	24.19	24.19	-0.90	-2.00
Dairygold	IE				23.55	-1.00	
Müller(Leppersdorf)	DE	36.46	13	26.38	25.14	No change	
Glanbia	IE	36.24	14	23.99	22.01	No change	
Milcobel	BE	36.23	15	26.39	24.26	-1.00	
Kerry Agribusiness	IE	36.15	16	26.52	25.34	-1.50	
Average milk price		**38.62**		**30.32**	**27.47**		
Emmi	CH	51.07		54.03	45.78	-	
Fonterra	NZ	28.76		21.67	20.29	-	
United States class III	US	41.46		35.97	31.41	-	

Source: milkprices.nl

Milk production (1)

New Zealand:

April 2016:	- 2.5% year-on-year
June 2015 – April 2016	- 1.8% (400 m kg)
Fonterra 2015/16 estimate	- 3% (600 m kg)

Milk production (2)

Australia:

March: -1.1% y-o-y

July 2015 - Mar 2016: -1.1% (-81 m litres)

Milk production (3)

USA

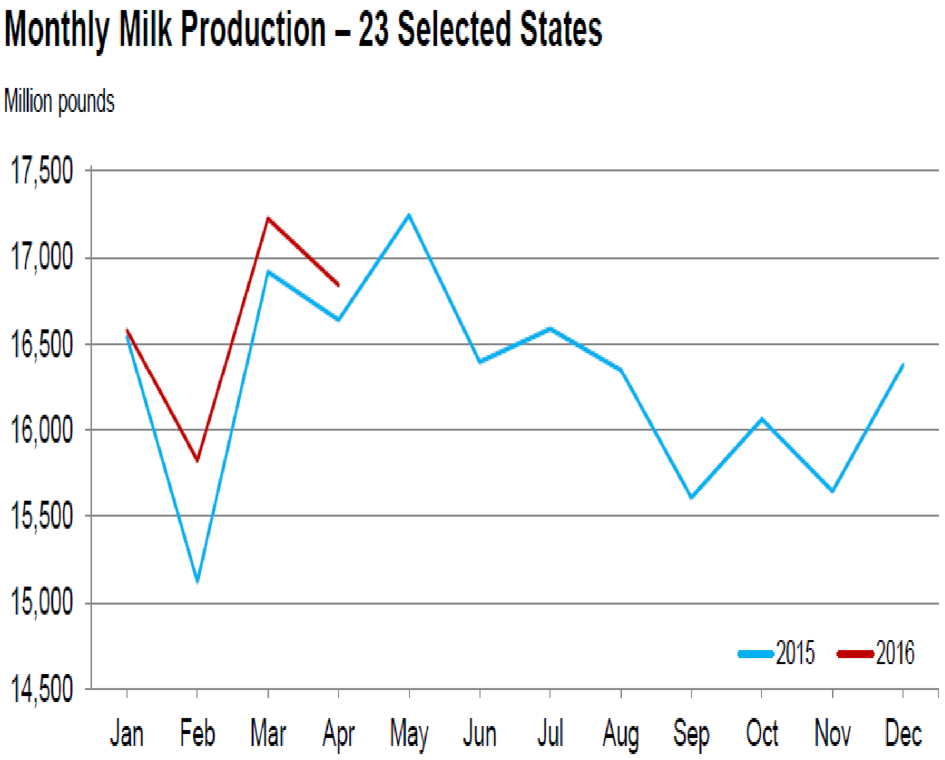
USDA:

April 2016: +1,2% y-o-y

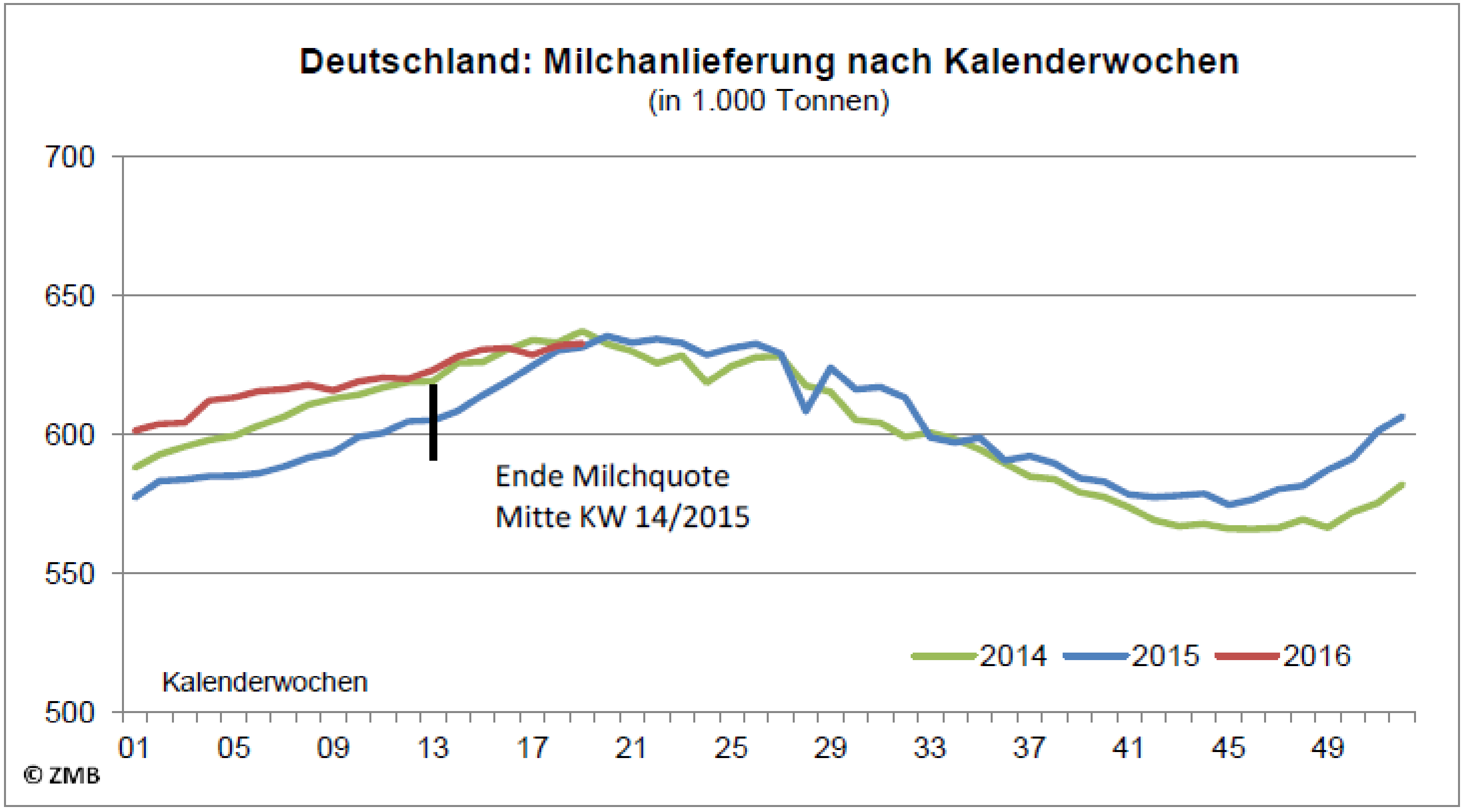
Mar 2016: +1.8%

Jan-Apr 16: +1.9%

2016: +1.5% (1.4bn kg)?

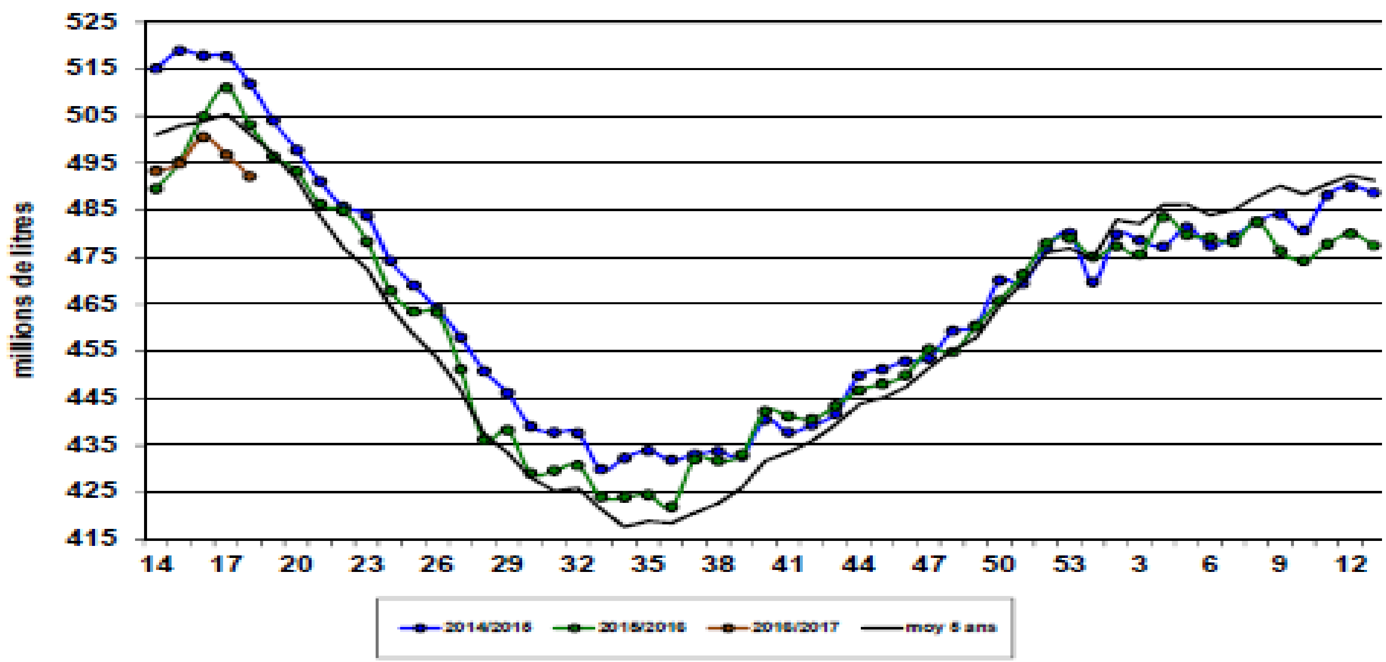


Germany: +0.2% y-o-y in week 19



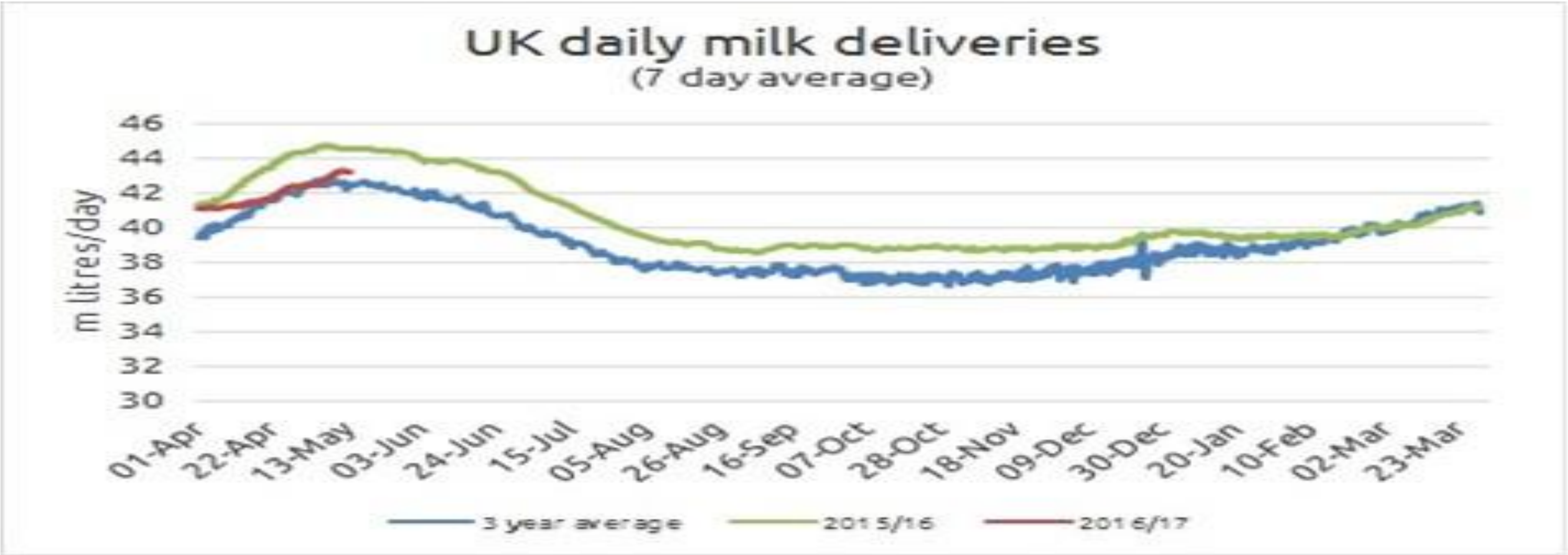
France (2-8 May): -0.9%

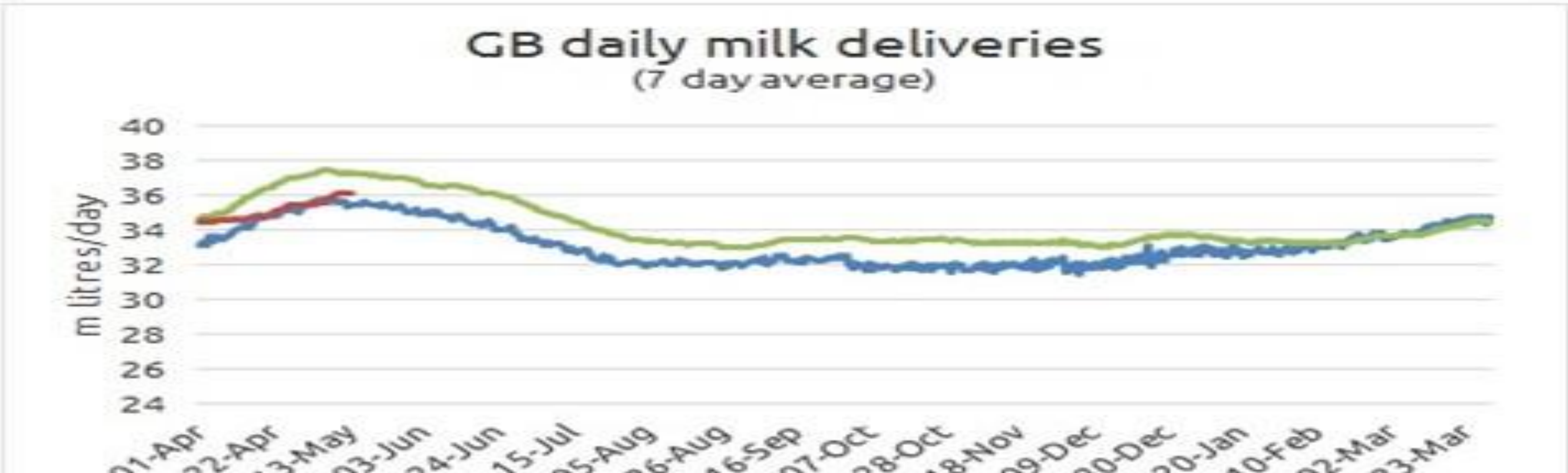
Collecte hebdomadaire des dernières campagnes



Source : FranceAgriMer / sondage hebdomadaire

UK: -3.7% y-o-y (1-14 May)





Milk production y-o-y (4)

EU:

-	Germany:	+0.2% (9-15 May)
-	France:	- 0.9% (2-8 May)
-	UK:	- 3.7% (1-15 May)
-	Netherlands:	+ 11.9% (April), +17.5% (Feb)

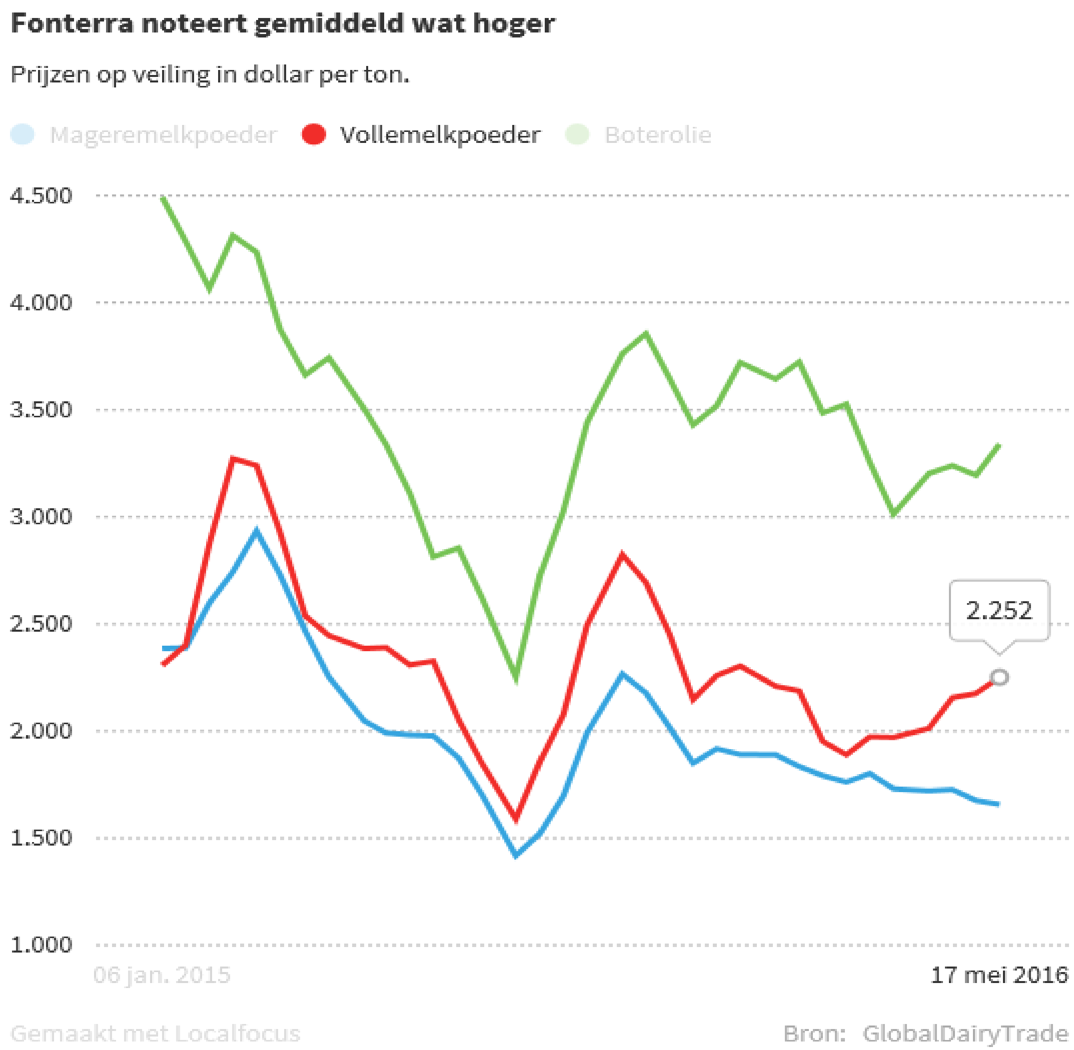
Global milk prod growth is limited

		2016 (billion kg milk)
EU	+	0.8
USA	+	1.5
New Zealand	-	0,4
Australia	+/-	0,0
Total	+	1.9 billion kg

World market is about 60 bn kg

Latest GlobalDairyTrade

17 May 2016



WMP...

Chicago: (contract Apr 17): +/- 30 eurocents (3.5% fat)

15,80 US$ per 100 cwt is € 32.80 per 100 kg (3,5% fat)

Dutch dairy quotations

18 May 2016

Butter, 25 kg cartons: plus € 6,00 - € 249,00
WMP, 26% fat plus € 3,00 - € 184,00
SMP extra quality plus € 1,00 - € 163,00
SMP feed quality plus € 3,00 - € 147,00
Whey powder plus € 2,00 - € 53,00

Cheeses Edam/Gouda € 2.10
Cream € 3.10

Summary

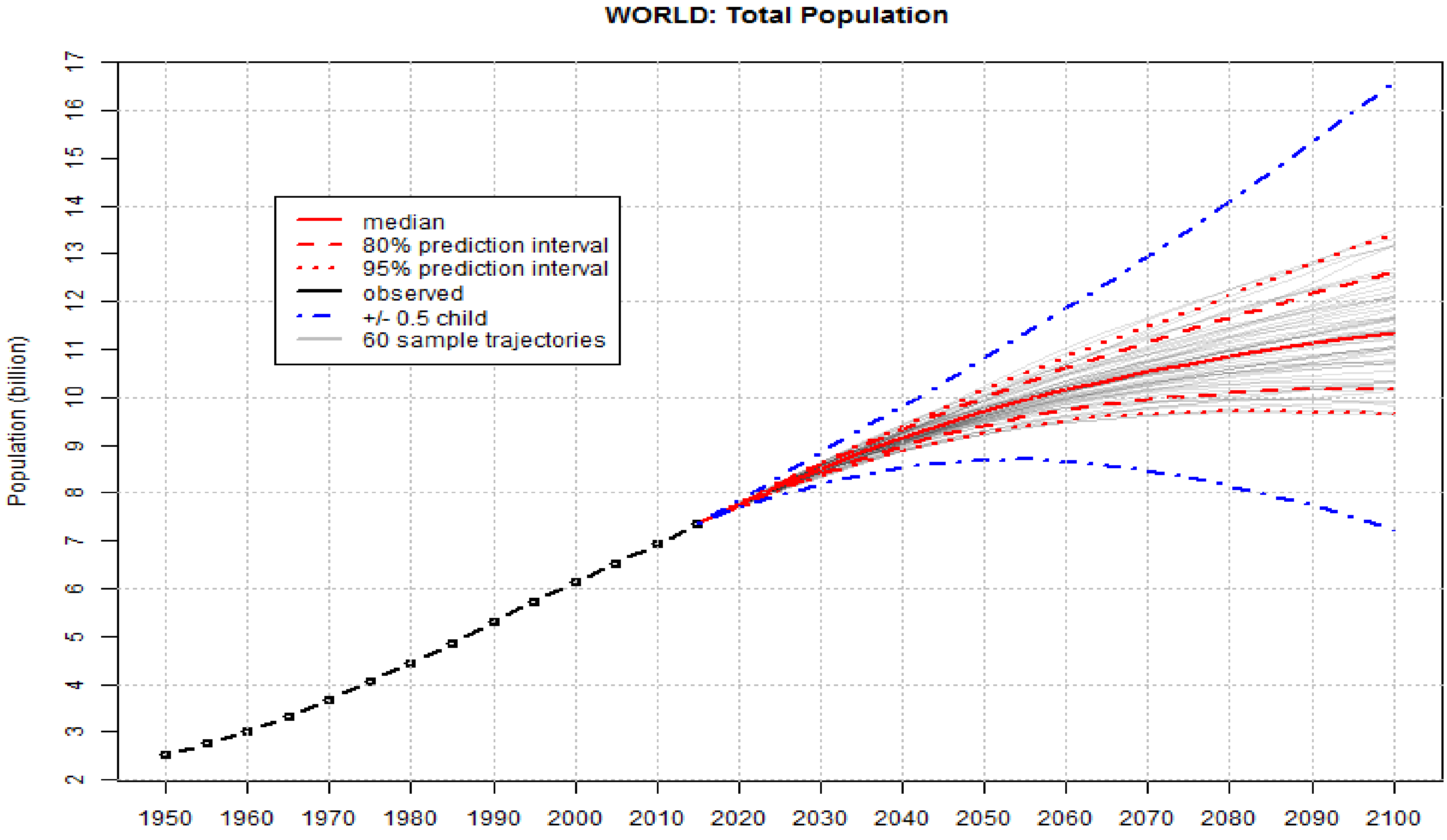
Production growth limited, even negative in NZ & Australia.

Signs of life in China.

Early signs of market recovery, be it from a very low base.

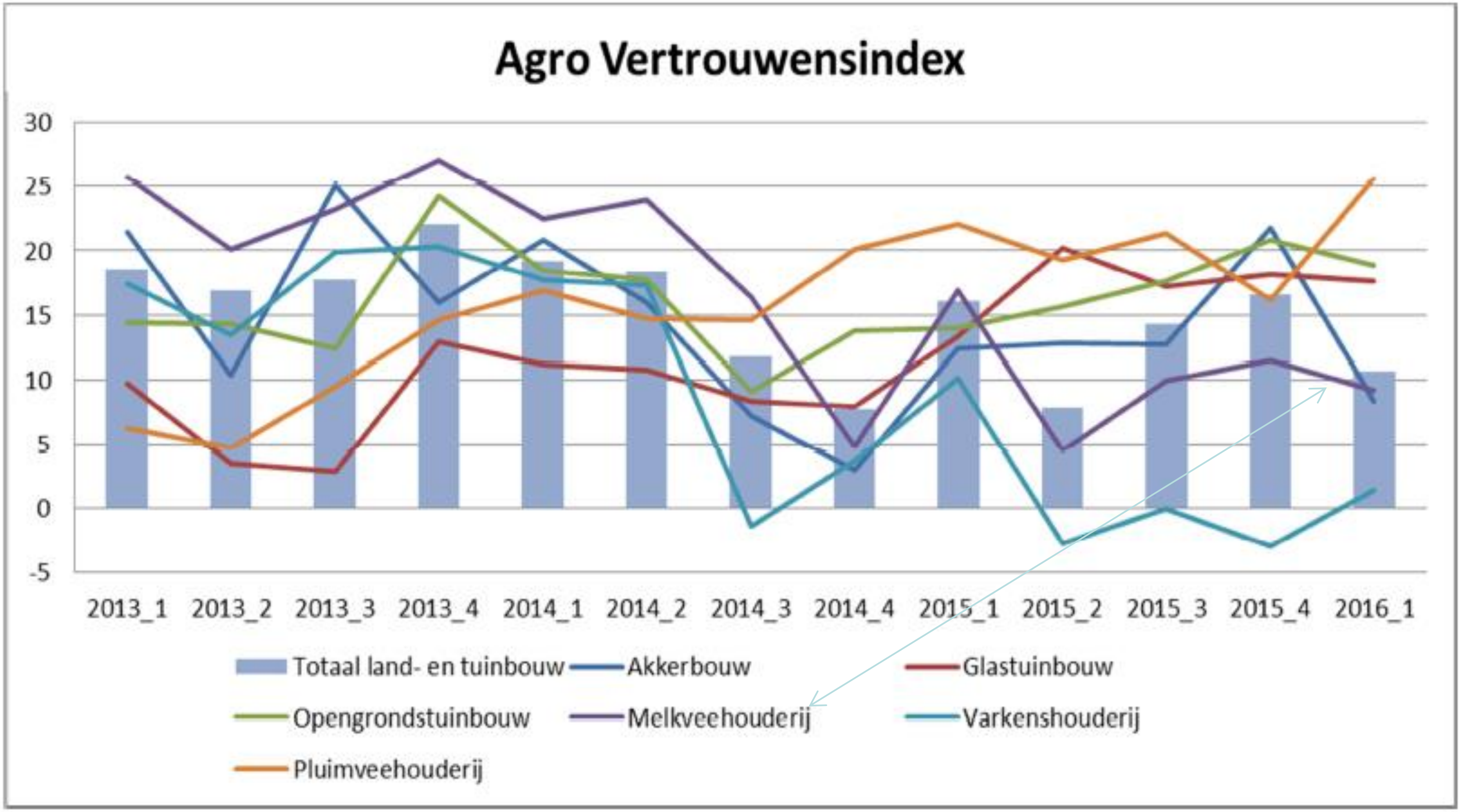
Have we left the "super down cycle"?

Population growth continues



Source: United Nations, Department of Economic and Social Affairs, Population Division (2015).
World Population Prospects: The 2015 Revision. http://esa.un.org/unpd/wpp/

How is confidence?



Thank you for your attention

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ANNEX 4

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

EDA

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

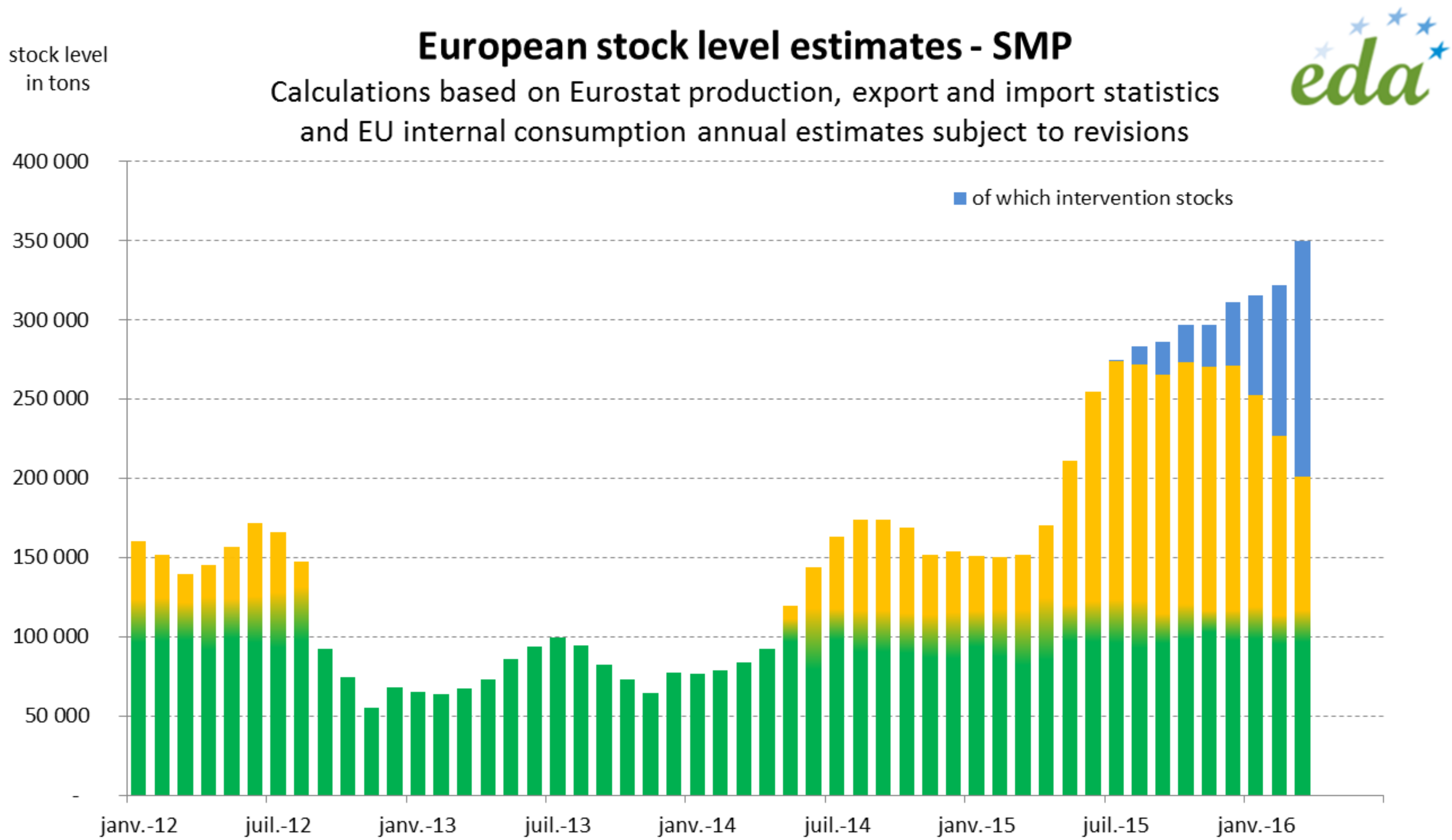
Milk Market Observatory

Economic Board

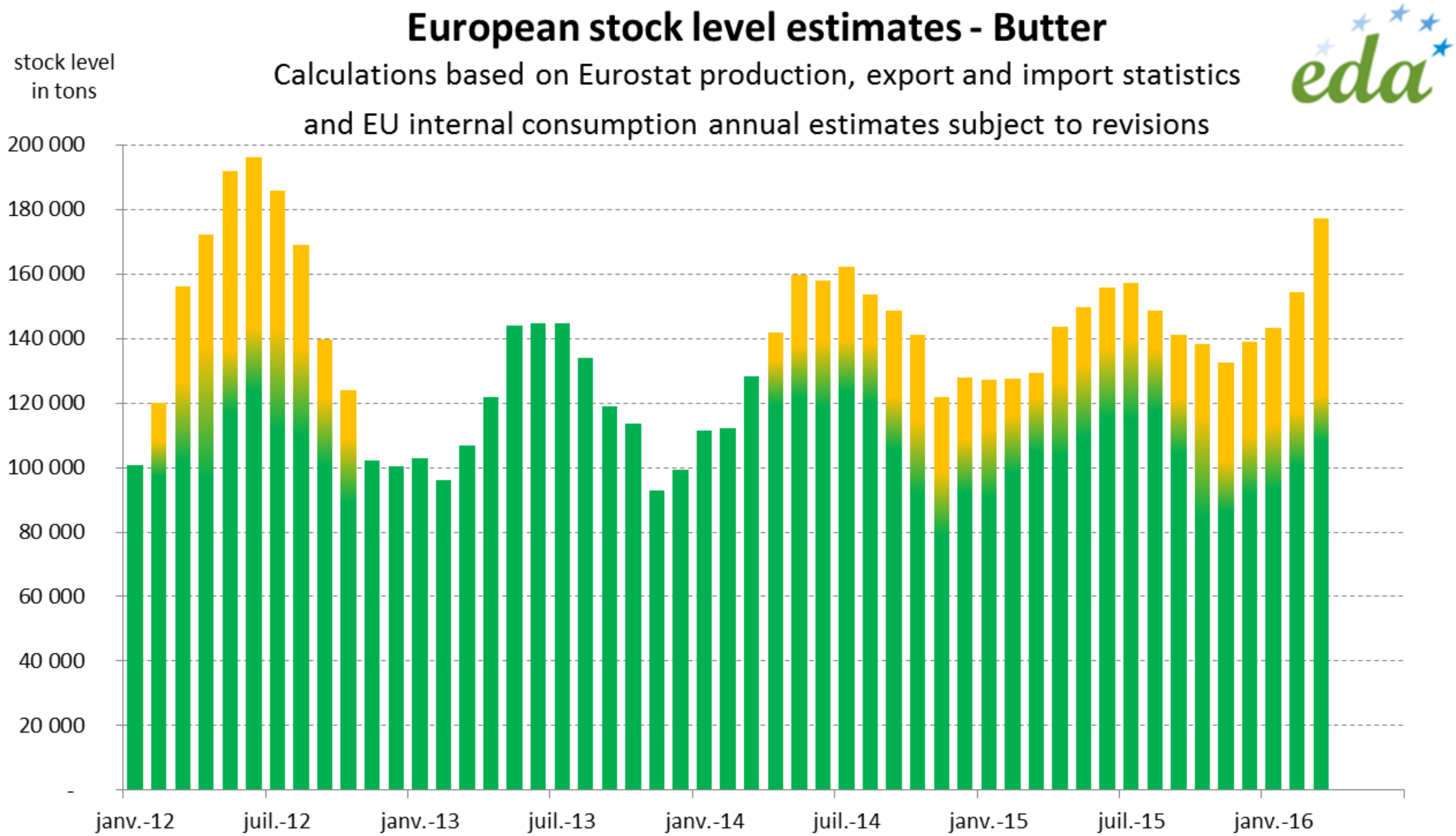
May 24th , 2016

Methodology

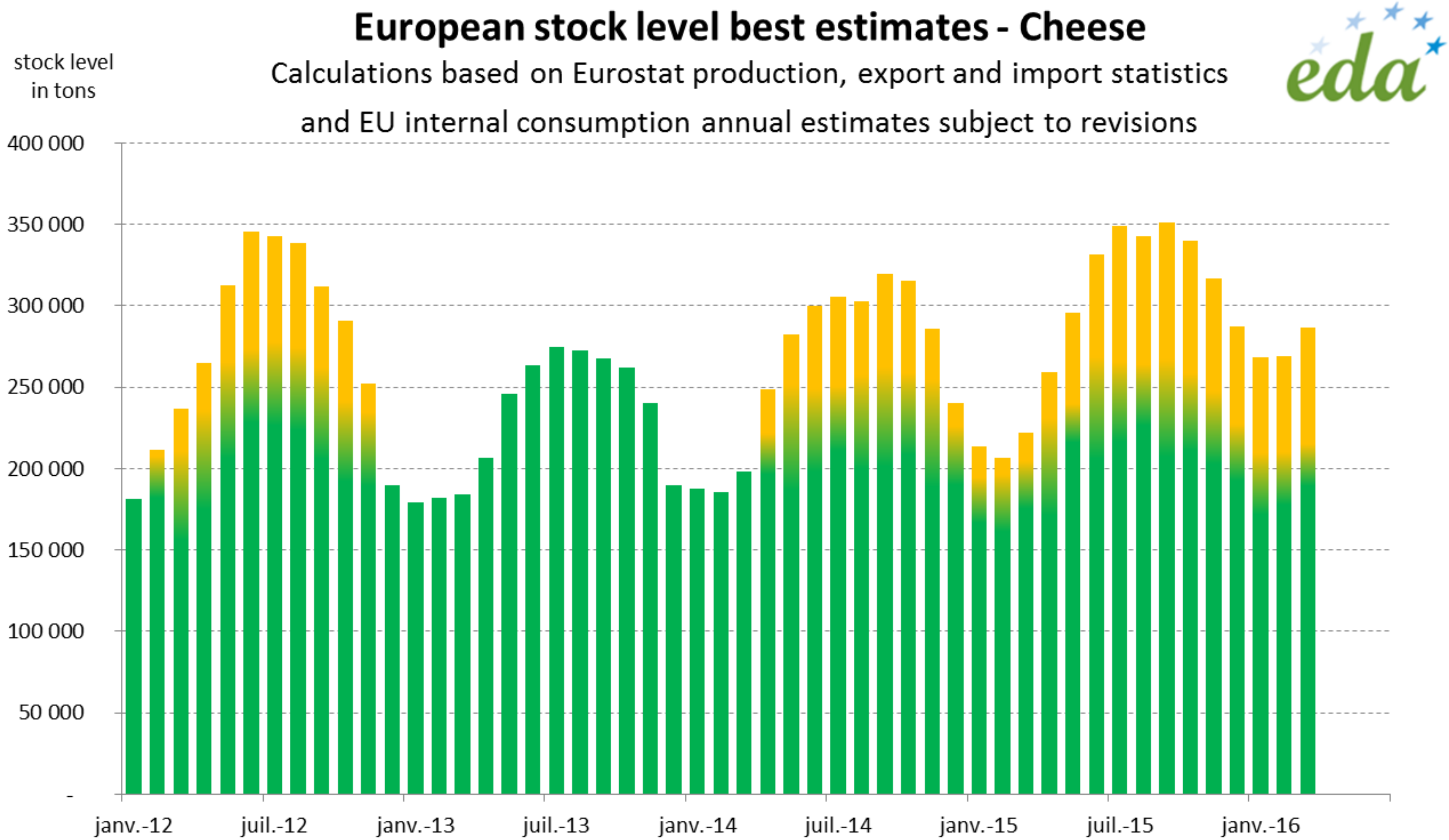
- For each dairy product and each month, the stock estimates are based on the equation:
  - **Stock variation** = EU production + EU import – EU internal consumption – EU exports
- ZMB balance sheets and forecasts have been used as references for :
  - End of year stocks levels in 2012 and 2013
  - Yearly 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.



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



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
200 000
180 000
160 000
140 000
120 000
100 000
80 000
60 000
40 000
20 000
-
janv.-12
juil.-12
janv.-13
juil.-13
janv.-14
juil.-14
janv.-15
juil.-15
janv.-16


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
eda
400 000
350 000
300 000
250 000
200 000
150 000
100 000
50 000
-
janv.-12
juil.-12
janv.-13
juil.-13
janv.-14
juil.-14
janv.-15
juil.-15
janv.-16

ANNEX 5

Perspectives from the Dairy Trade

Eucolait

Perspectives from the Dairy Trade

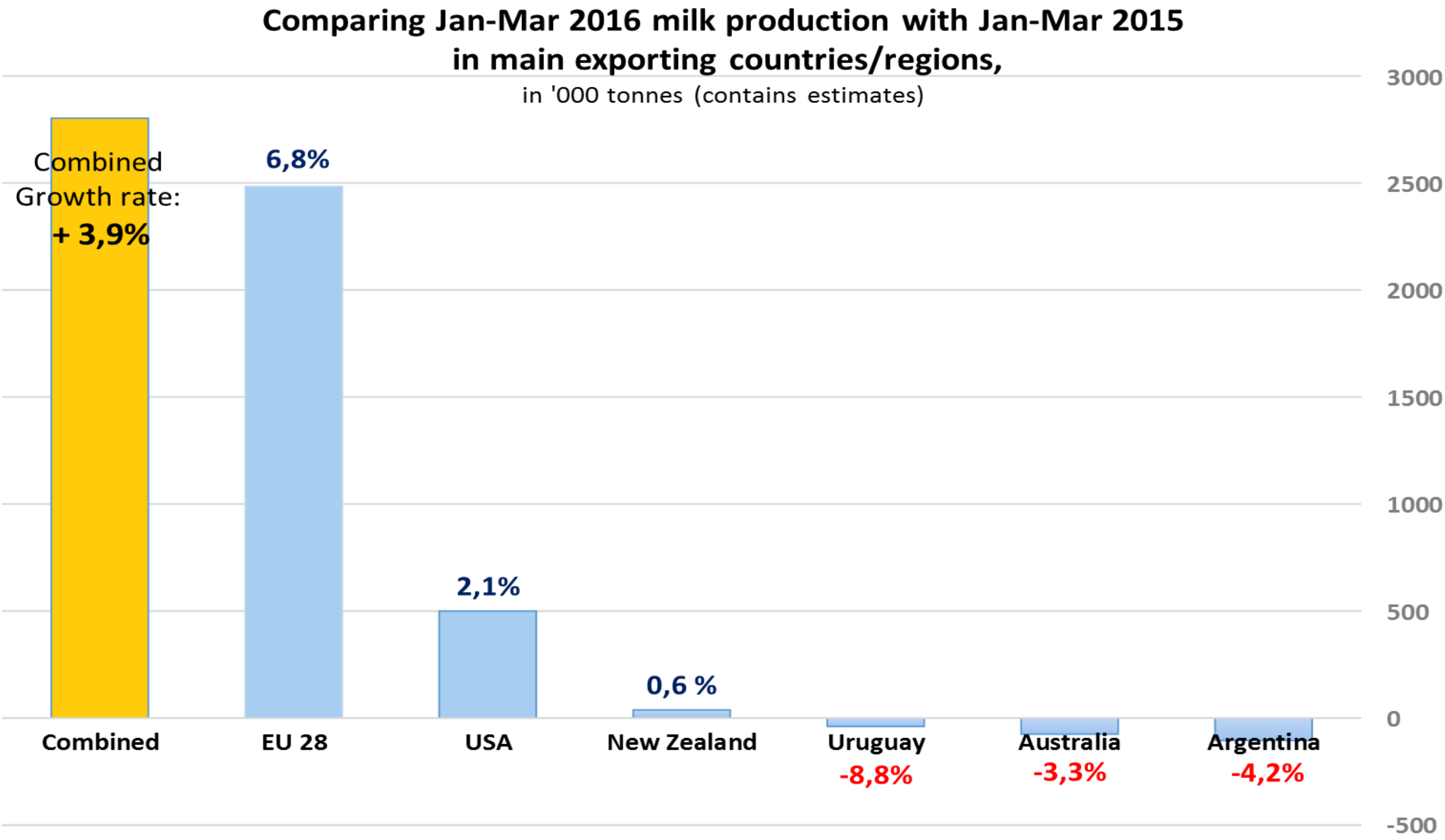
MMO Economic Board

24 May 2016

Outline

- Global Supply
- Global Exports
- Global Demand
- Conclusions

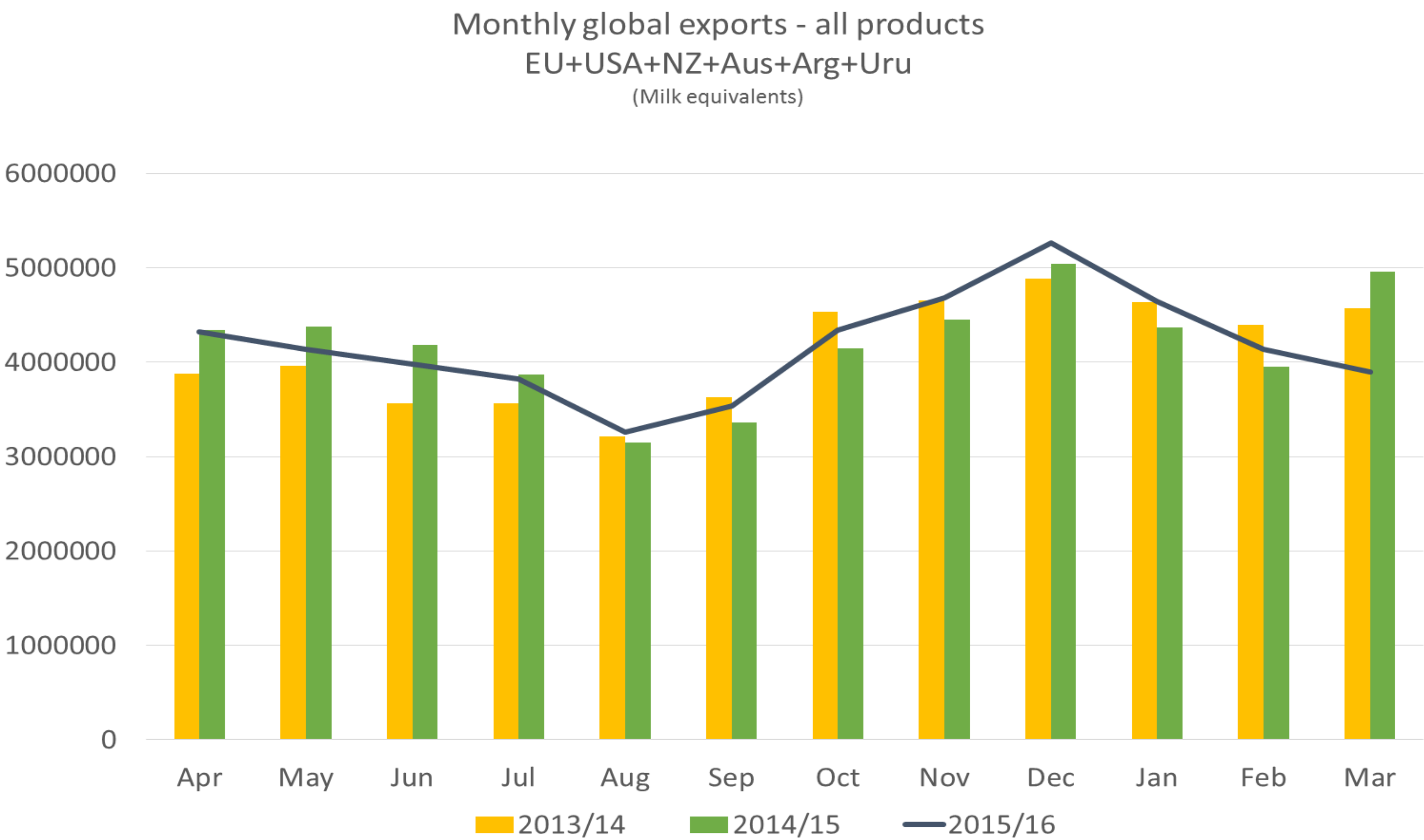
Milk production in key export regions



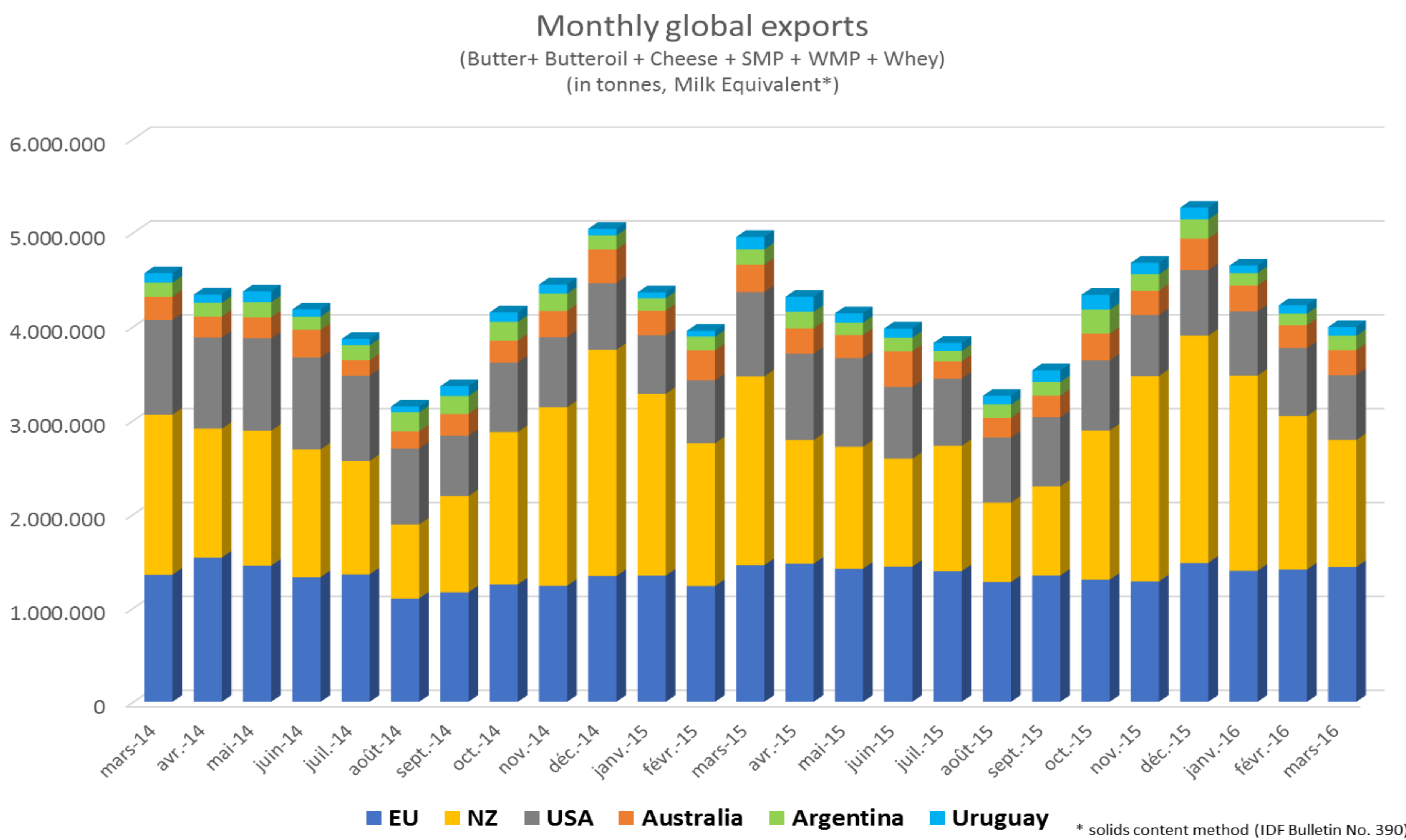
Production outlook

- **EU** milk production still strong but decrease in April due to unusually cold weather, collections to March were +6,6% ytd (est), (signs of slowing down in FR, DE, UK), Output growth forecast to slow in Q2 and more so in H2 2016
- **NZ** collections in March were -1,7% yoy, but just -1,6% for the season-to-date (Jun-Mar) with favourable end season weather
- **Australia** production is down 1,5% ytd in March with dry weather affecting flows, estimate for the 2015/16 season is between -1% and -2% (between 9,55 and 9,65 M liters)
- **US** production growth higher than expected, with output for March up by nearly 2% (big differences between regions), slightly lower growth in April at +1,2%, USDA production forecast for 2016 raised to +1,8%

Dairy exports of main market players in ME

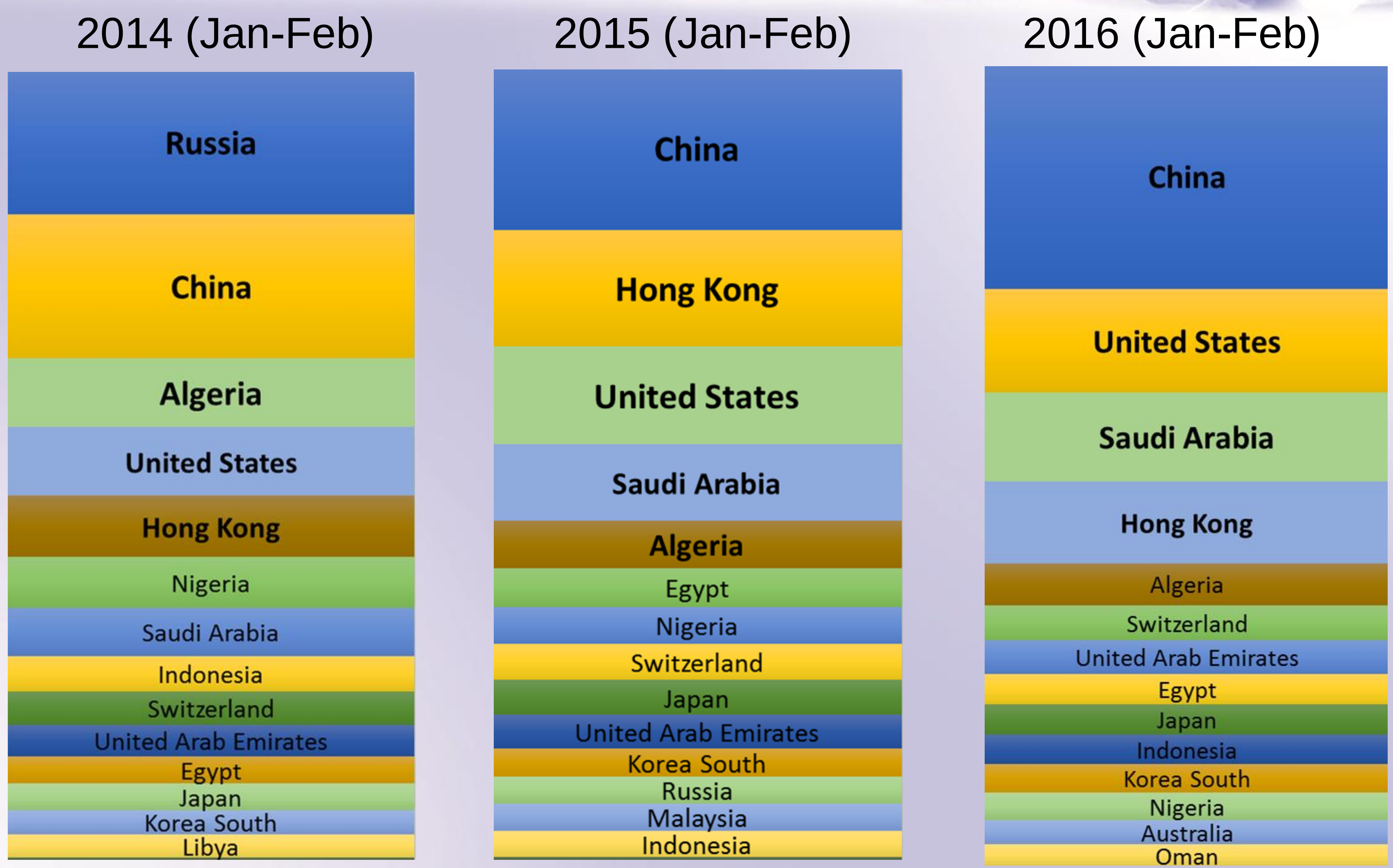


Dairy exports of main market players in ME



* solids content method (IDF Bulletin No. 390)

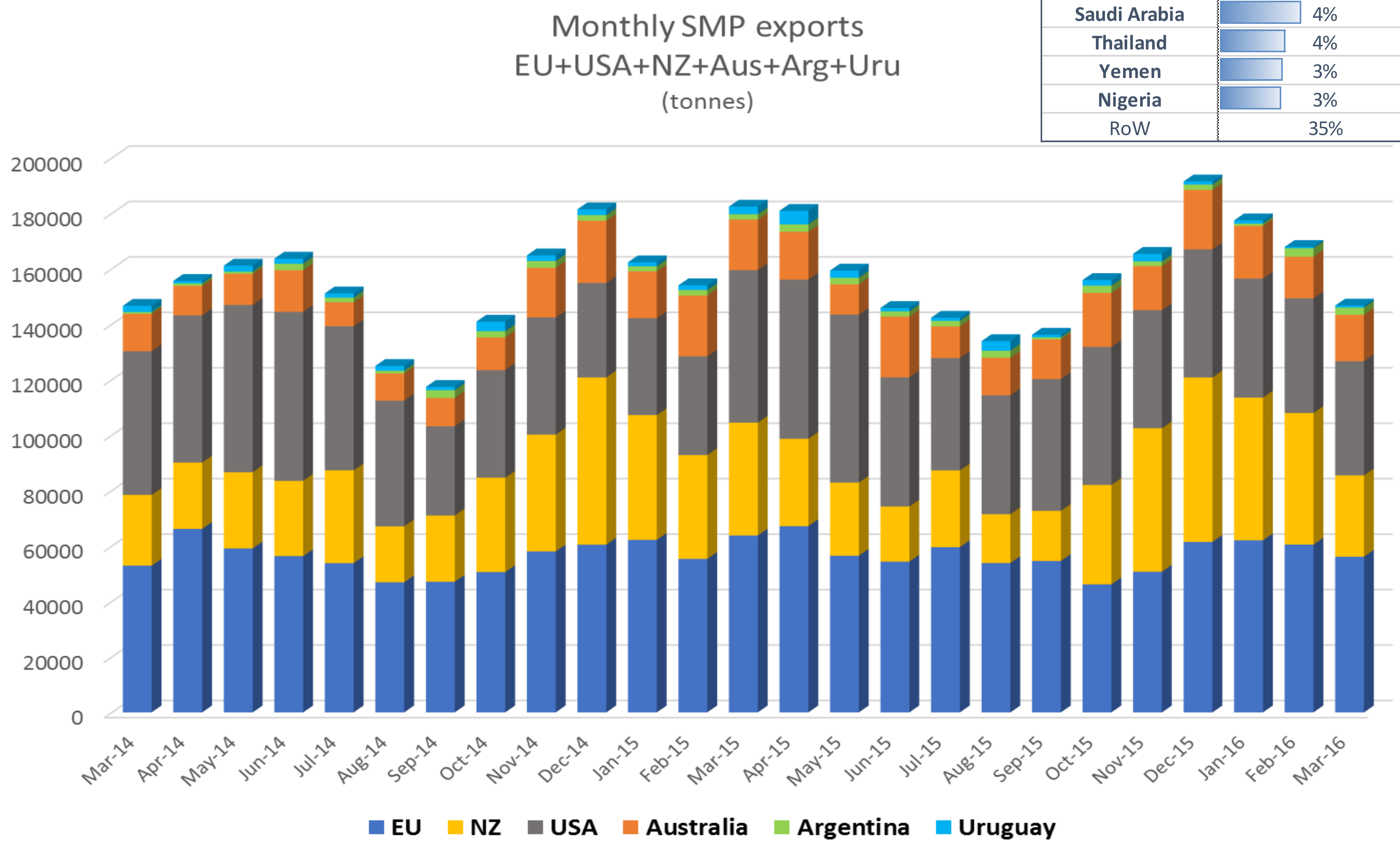
Main EU export markets for all dairy products (in value - €)



SMP exports of main market players

EU SMP EXPORTS JAN-FEB

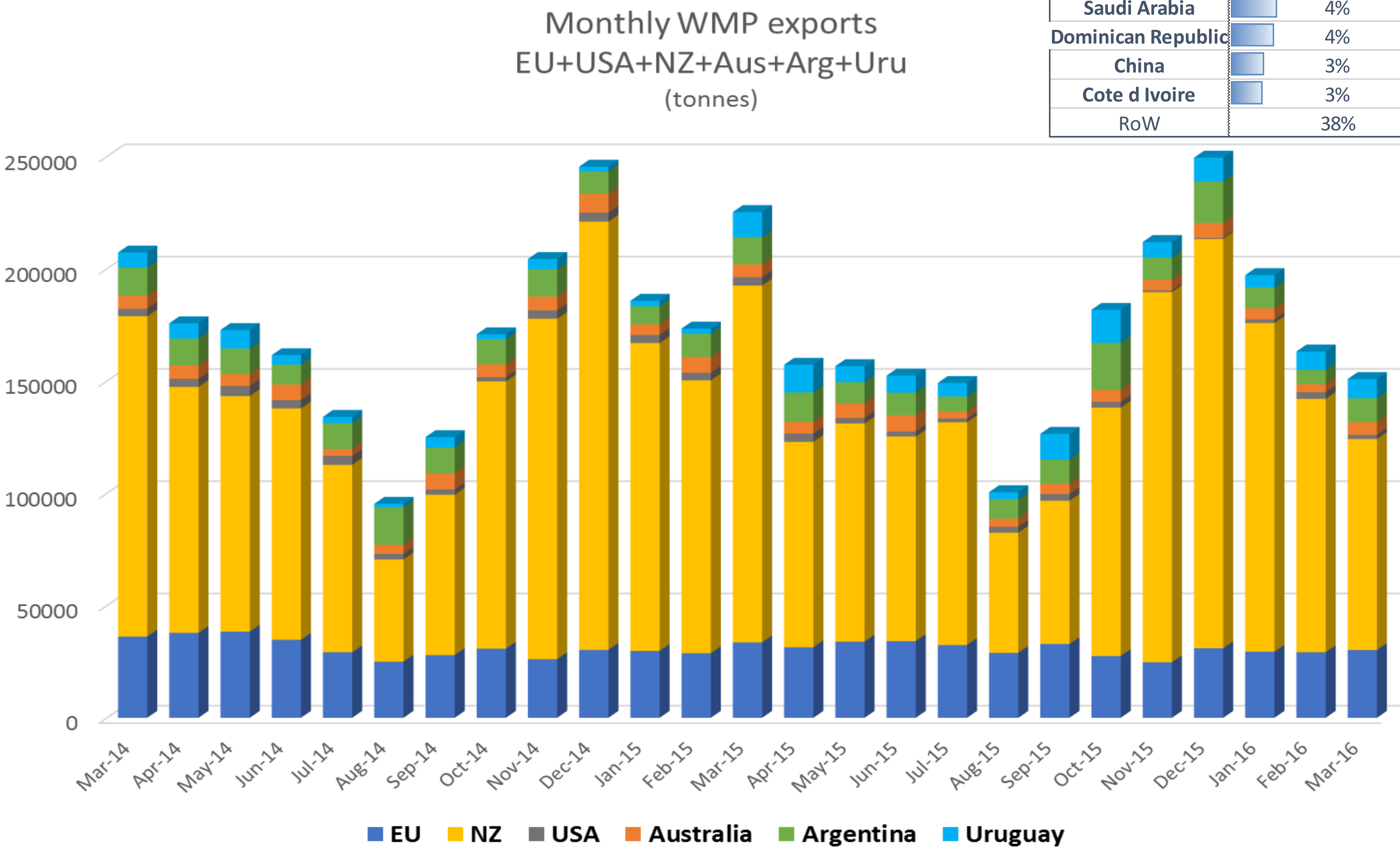
Main destinations	% of total
Algeria	12%
Indonesia	10%
China	8%
Egypt	8%
Philippines	7%
Vietnam	5%
Saudi Arabia	4%
Thailand	4%
Yemen	3%
Nigeria	3%
RoW	35%



WMP exports of main market players

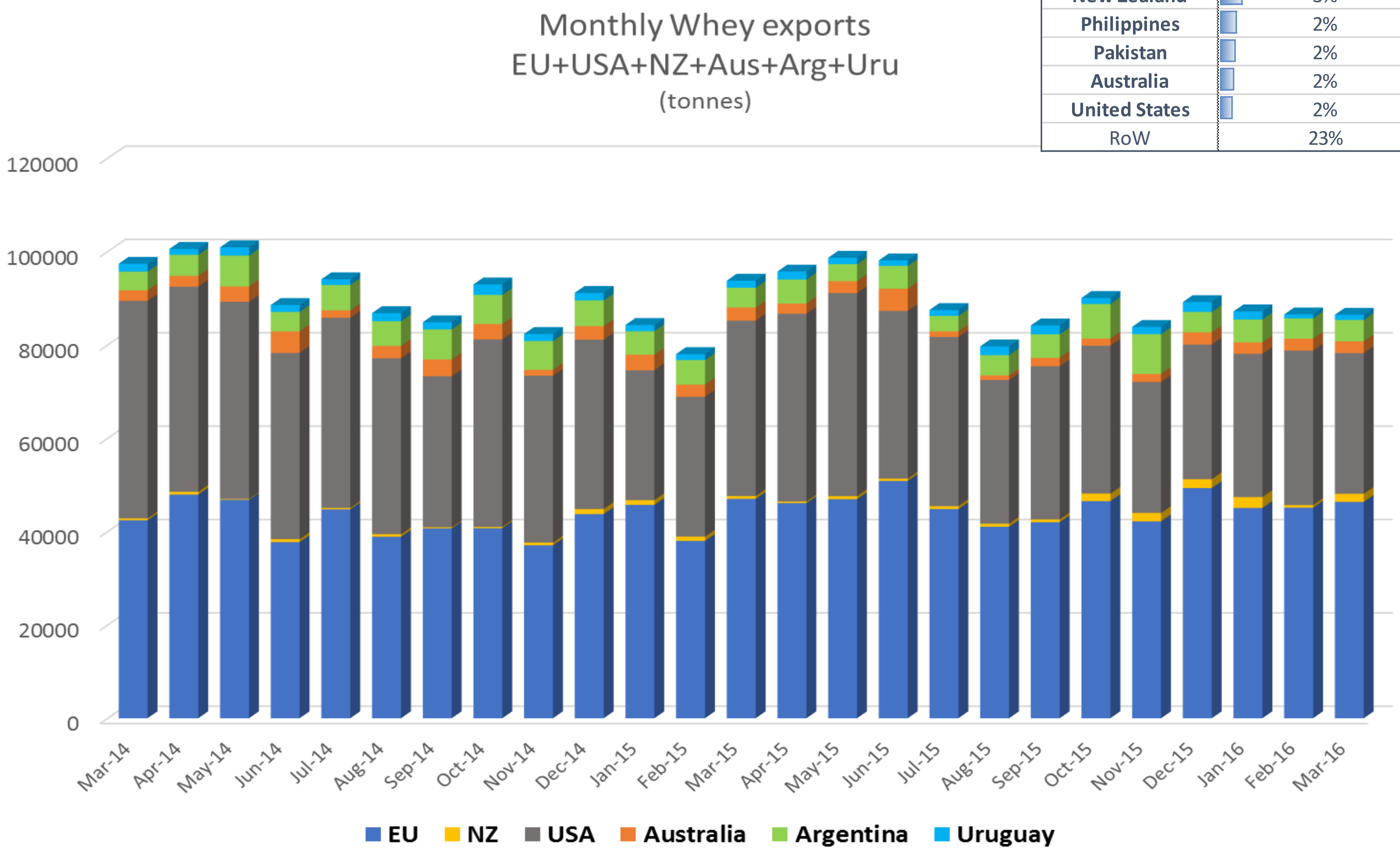
EU WMP EXPORTS JAN-FEB

Main destinations	% of total
Oman	19%
Algeria	7%
Nigeria	7%
Cuba	6%
Kuwait	4%
Lebanon	4%
Saudi Arabia	4%
Dominican Republic	4%
China	3%
Cote d Ivoire	3%
RoW	38%



Whey exports of main market players

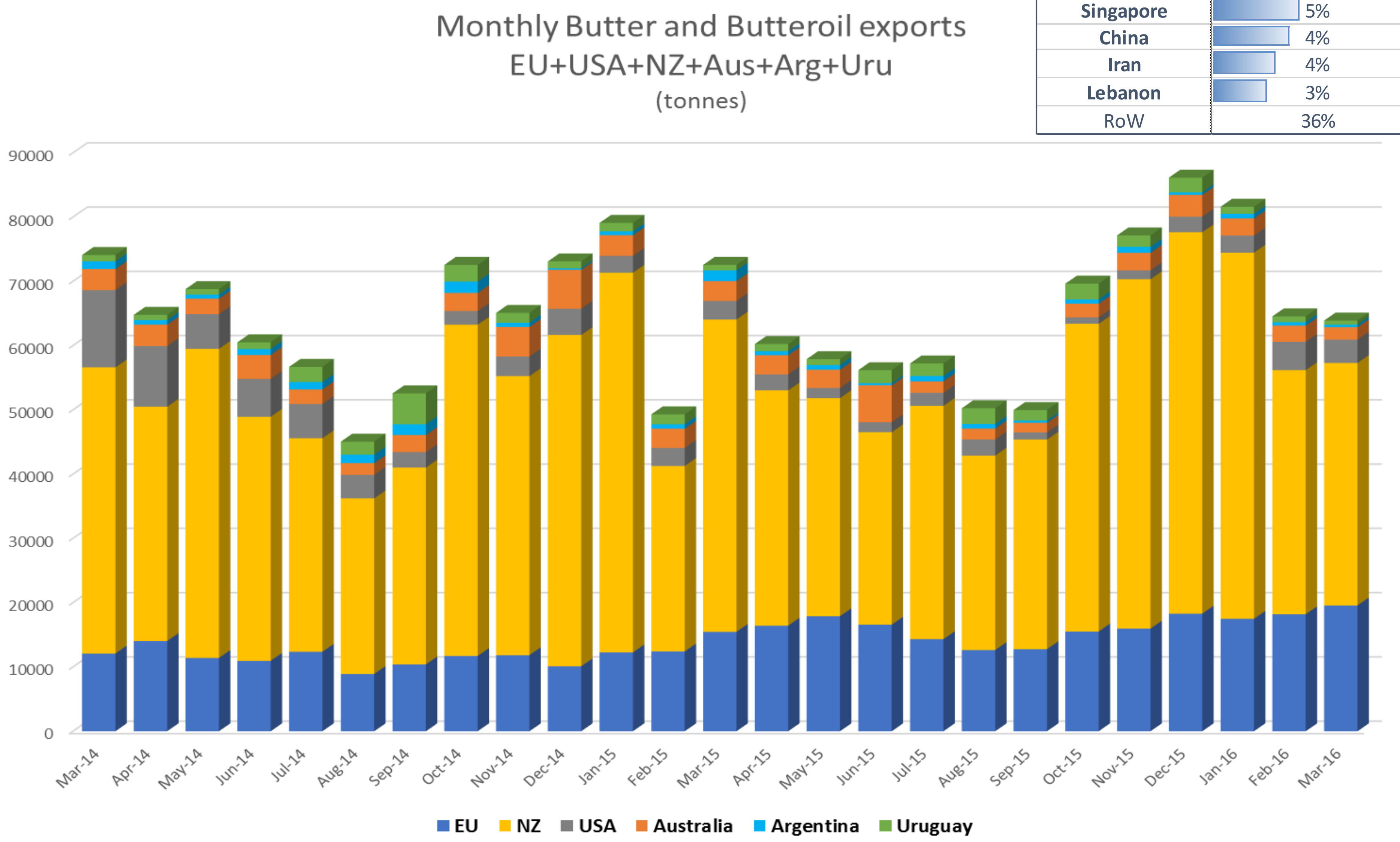
EU WHEY EXPORTS JAN-FEB	
Main destinations	% of total
China	29%
Indonesia	16%
Malaysia	9%
Thailand	7%
Vietnam	5%
New Zealand	3%
Philippines	2%
Pakistan	2%
Australia	2%
United States	2%
RoW	23%



Butterfat exports of main market players

EU BUTTER EXPORTS JAN-FEB

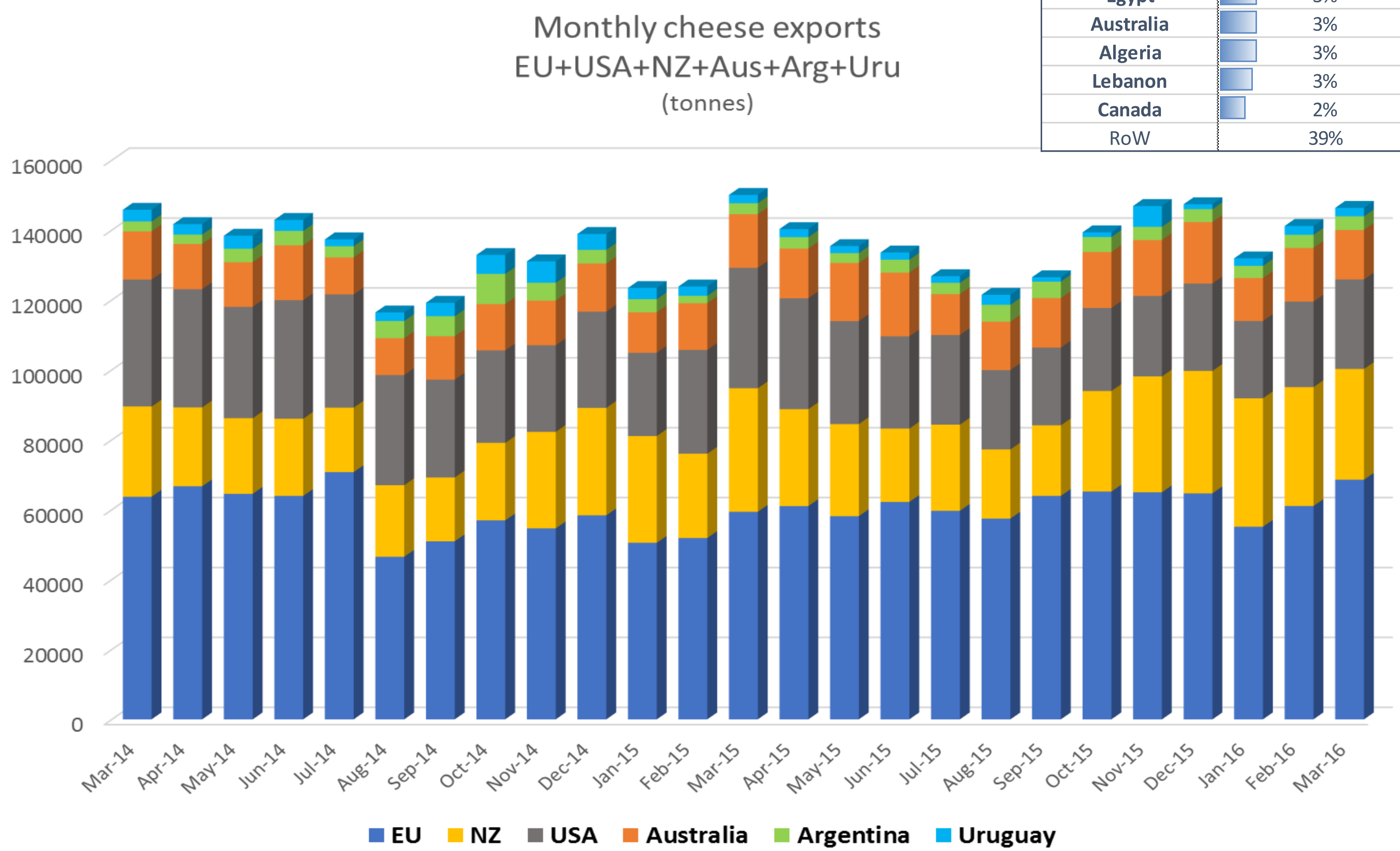
Main destinations	% of total
Saudi Arabia	12%
United States	11%
Egypt	8%
Morocco	6%
Canada	6%
Turkey	6%
Singapore	5%
China	4%
Iran	4%
Lebanon	3%
RoW	36%



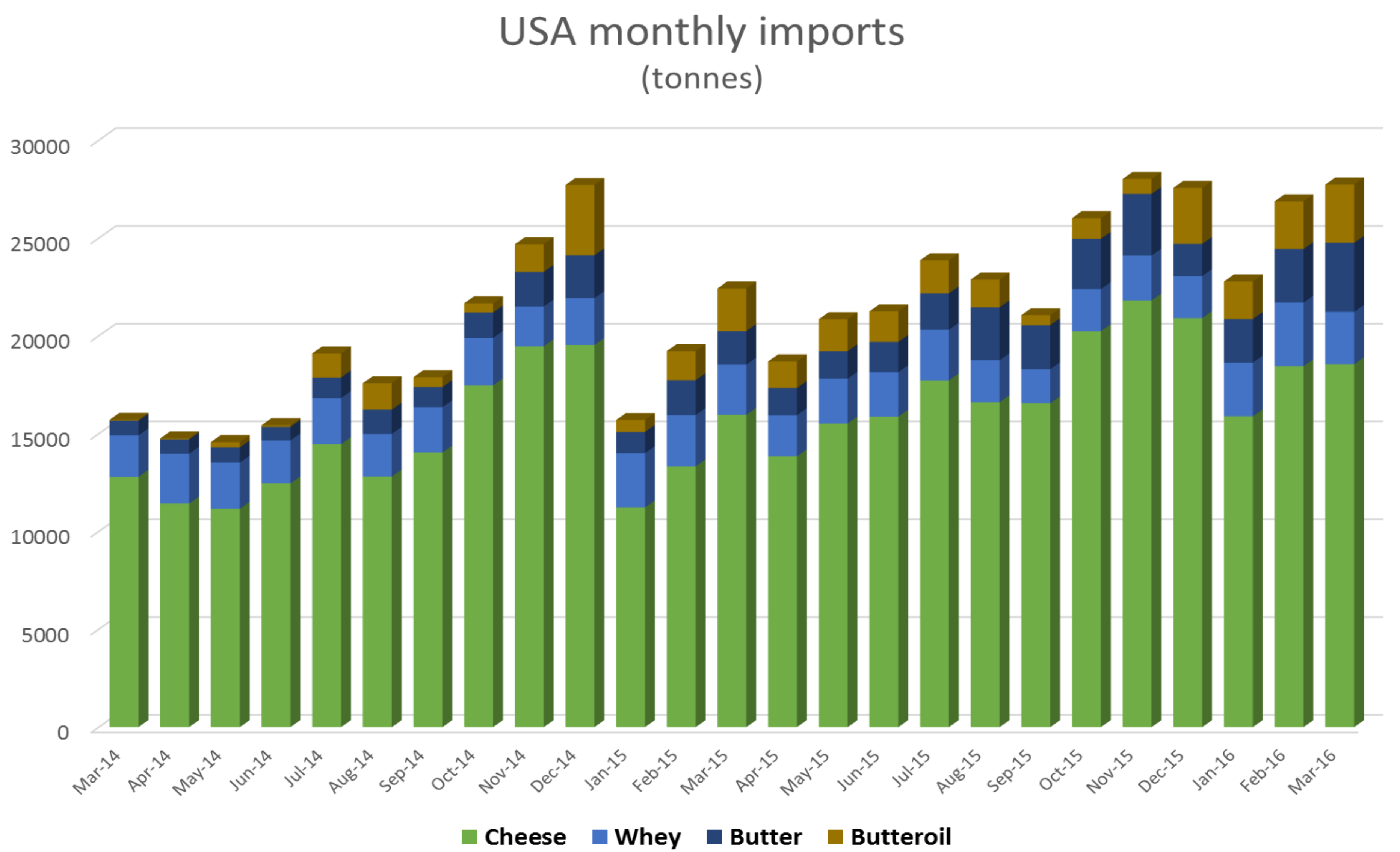
Cheese exports of main market players

EU CHEESE EXPORTS JAN - FEB

Main destinations	% of total
United States	18%
Japan	9%
Switzerland	7%
Saudi Arabia	7%
Korea South	5%
Egypt	3%
Australia	3%
Algeria	3%
Lebanon	3%
Canada	2%
RoW	39%

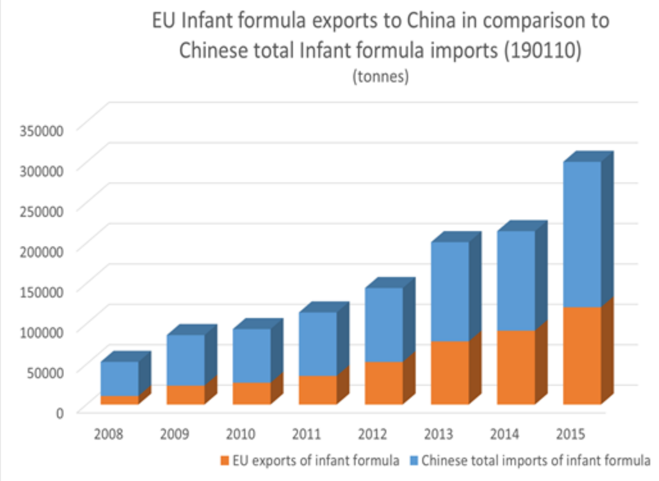


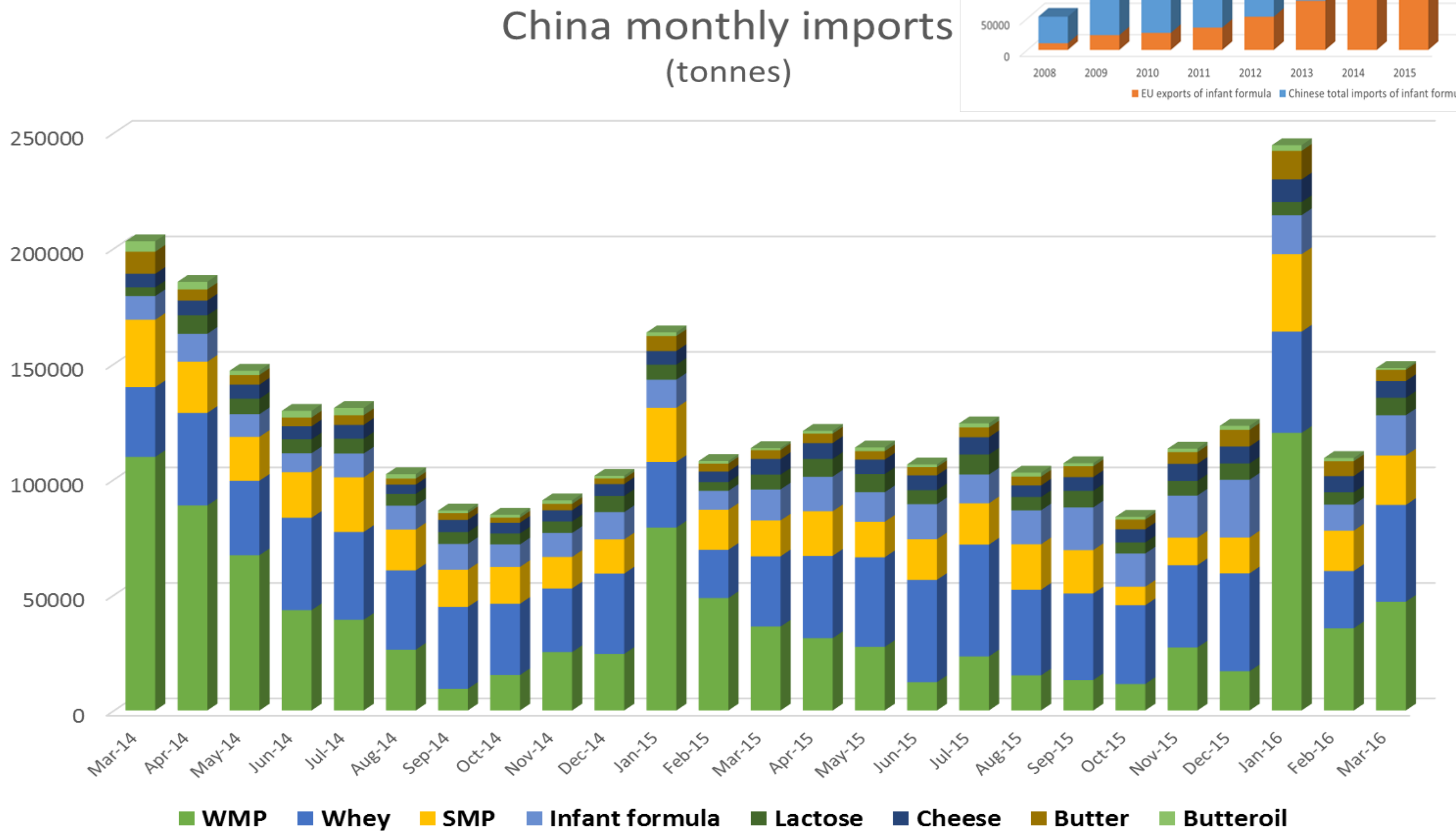
USA Imports



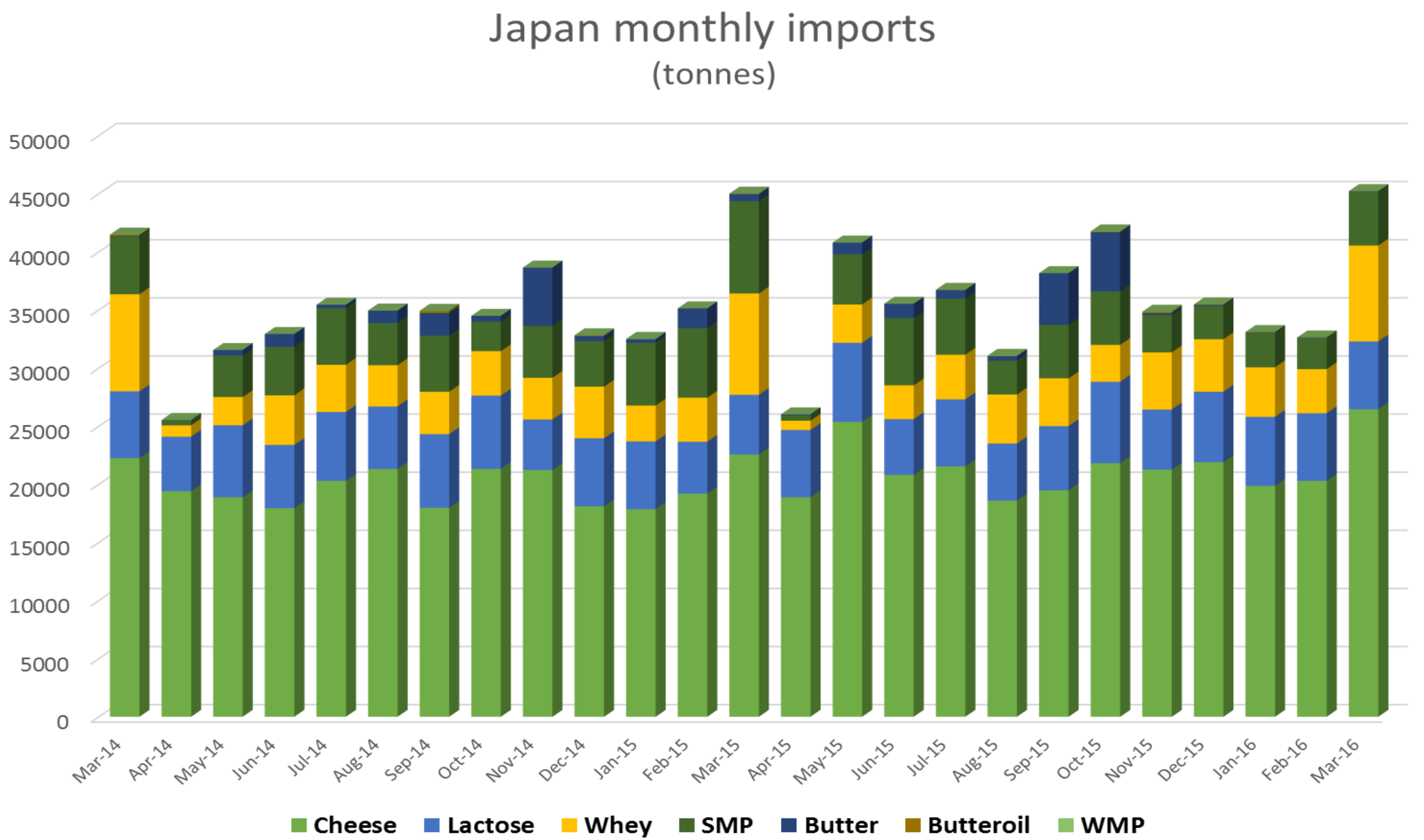
USA monthly imports
(tonnes)
30000
25000
20000
15000
10000
5000
0
Mar-14
Apr-14
May-14
Jun-14
Jul-14
Aug-14
Sep-14
Oct-14
Nov-14
Dec-14
Jan-15
Feb-15
Mar-15
Apr-15
May-15
Jun-15
Jul-15
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
Jan-16
Feb-16
Mar-16
Cheese
Whey
Butter
Butteroil

China Imports

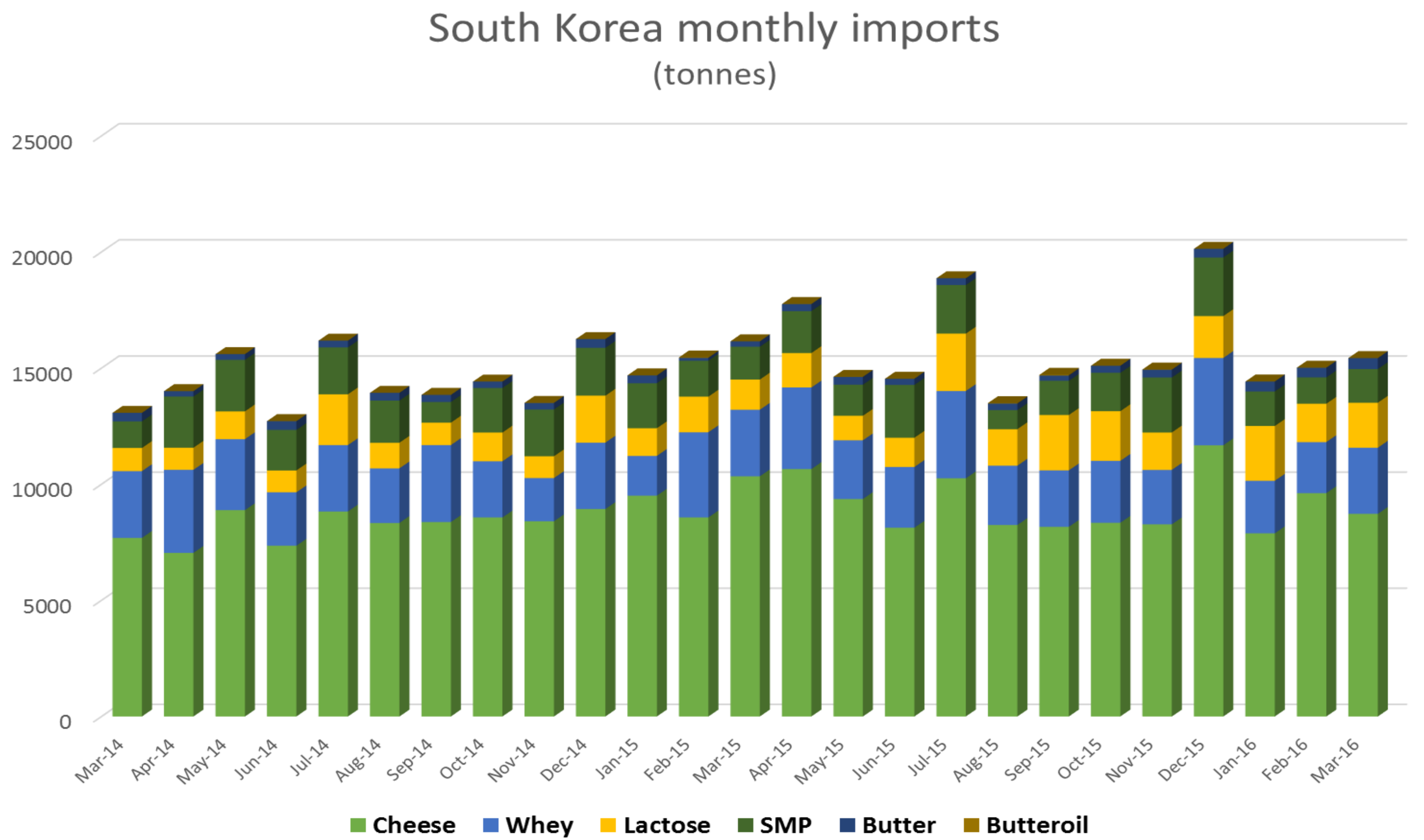




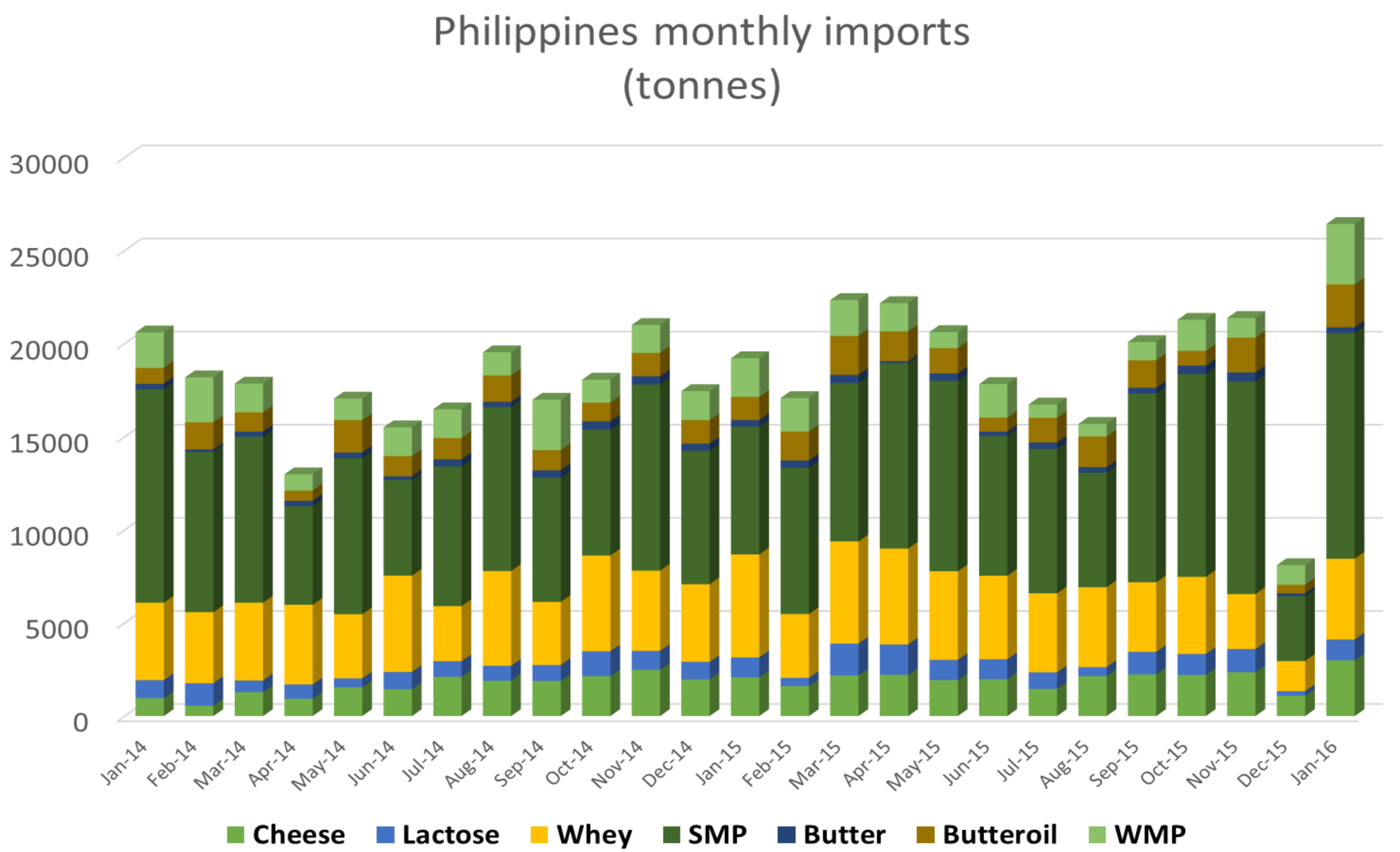
Japan imports



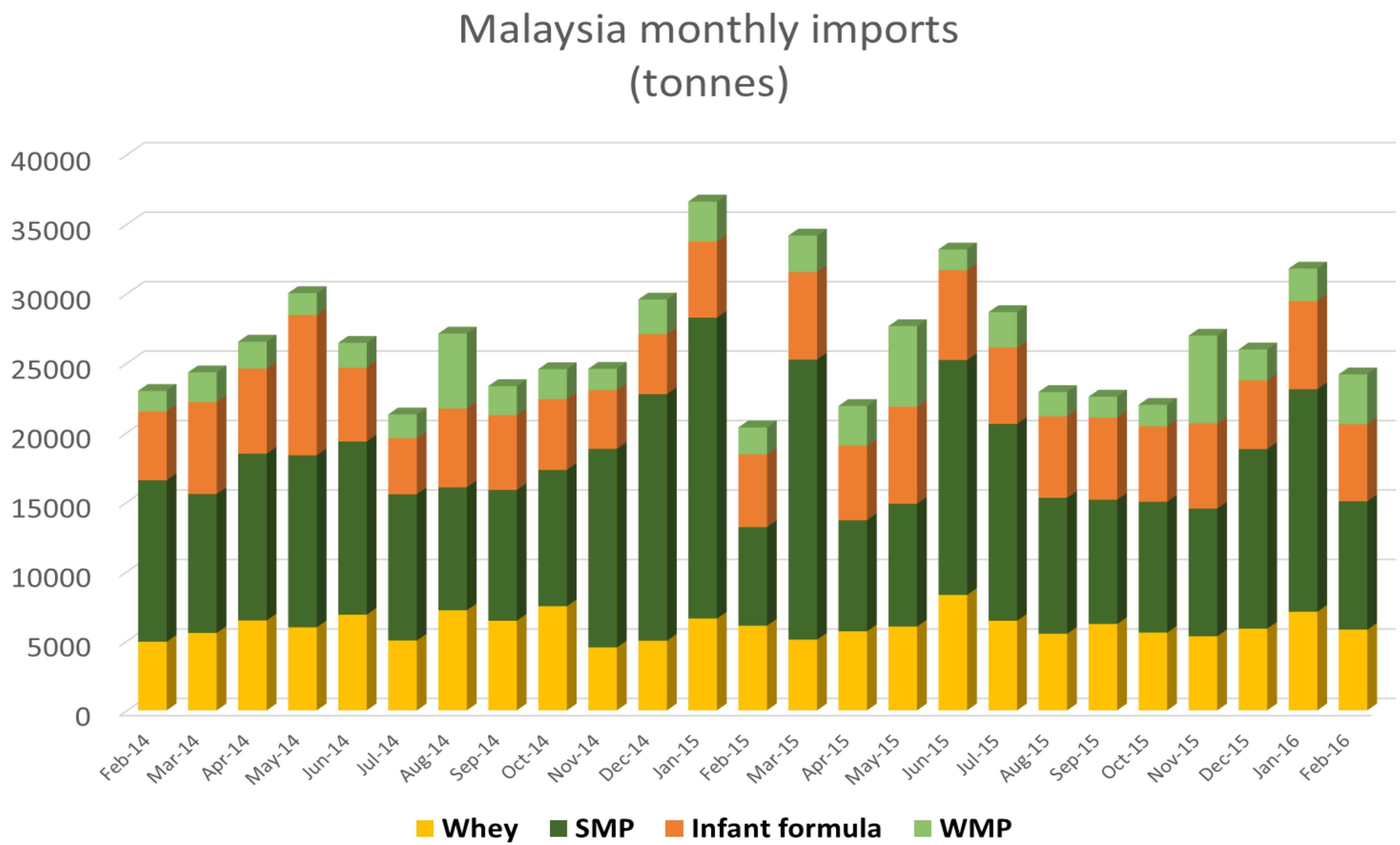
South Korea imports



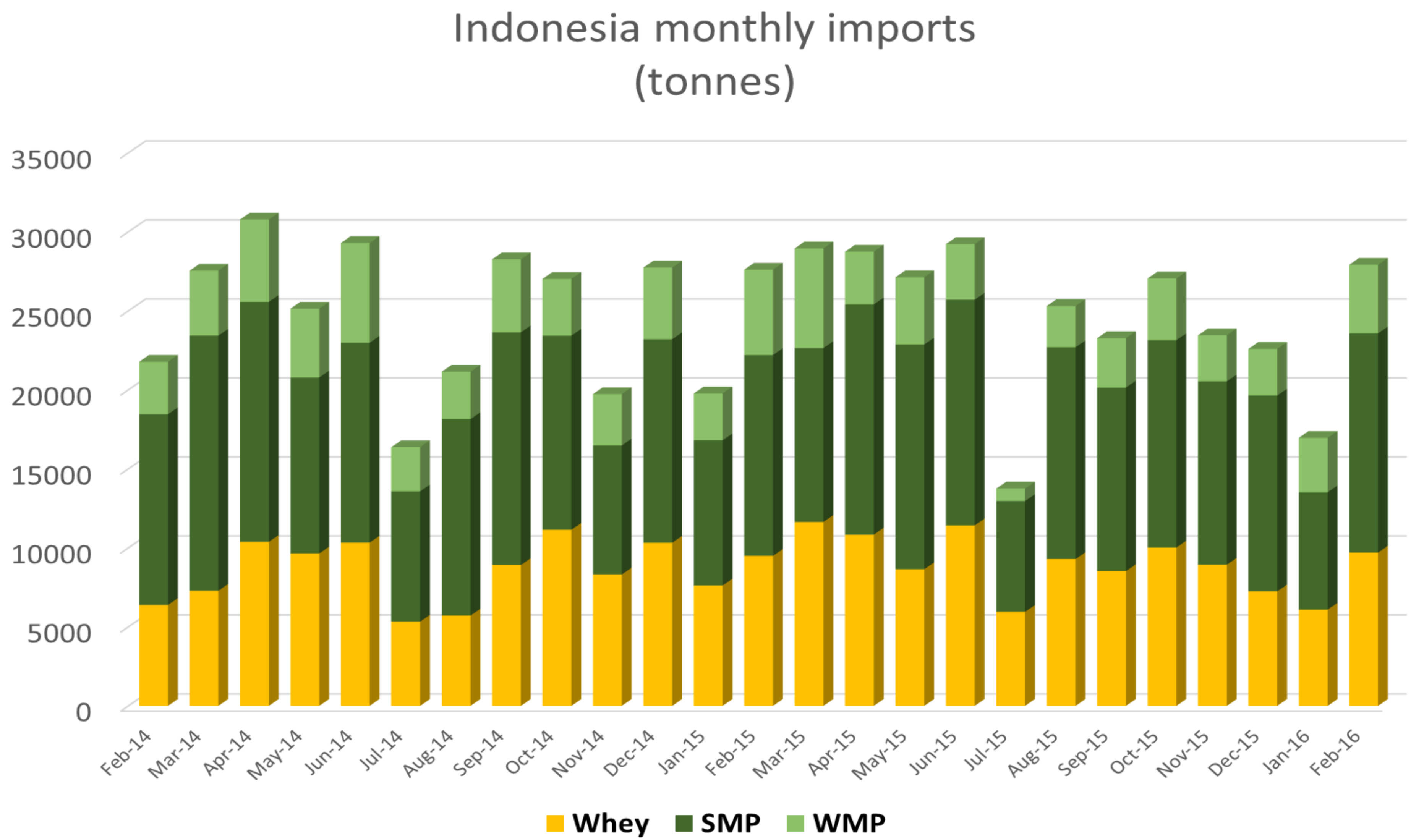
Philippines imports



Malaysia imports



Indonesia imports



Conclusions

- **Some changes to market sentiment perceived** as EU milk production growth slows down slightly (in some Member States) and overall global demand seems to remain relatively healthy despite increasing inventories and lower buying power of oil producing countries
- The still **high milk volumes** in Europe and higher US flows than anticipated continue to outpace Oceania constraints.
- **EU exports have performed well** (less so for milk powders) at **low prices** which stimulate demand and open up new markets, sectors & customers.
- **Strengthening of EUR** in recent months is a concern for export competitiveness to USD denominated markets.
- Double digit growth in China dairy imports in Q1 2016. Demand for high value products has been increasing all along. **Chinese import volumes in Q2 will be key factor**
- **Market situation has not evolved fundamentally. Further supply side correction remains necessary**

Thank You

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

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ANNEX 6

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

EUROCOMMERCE

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

Milk Market Observatory

24 May 2016

EuroCommerce
THE RETAIL, WHOLESALE AND INTERNATIONAL TRADE REPRESENTATION TO THE EU

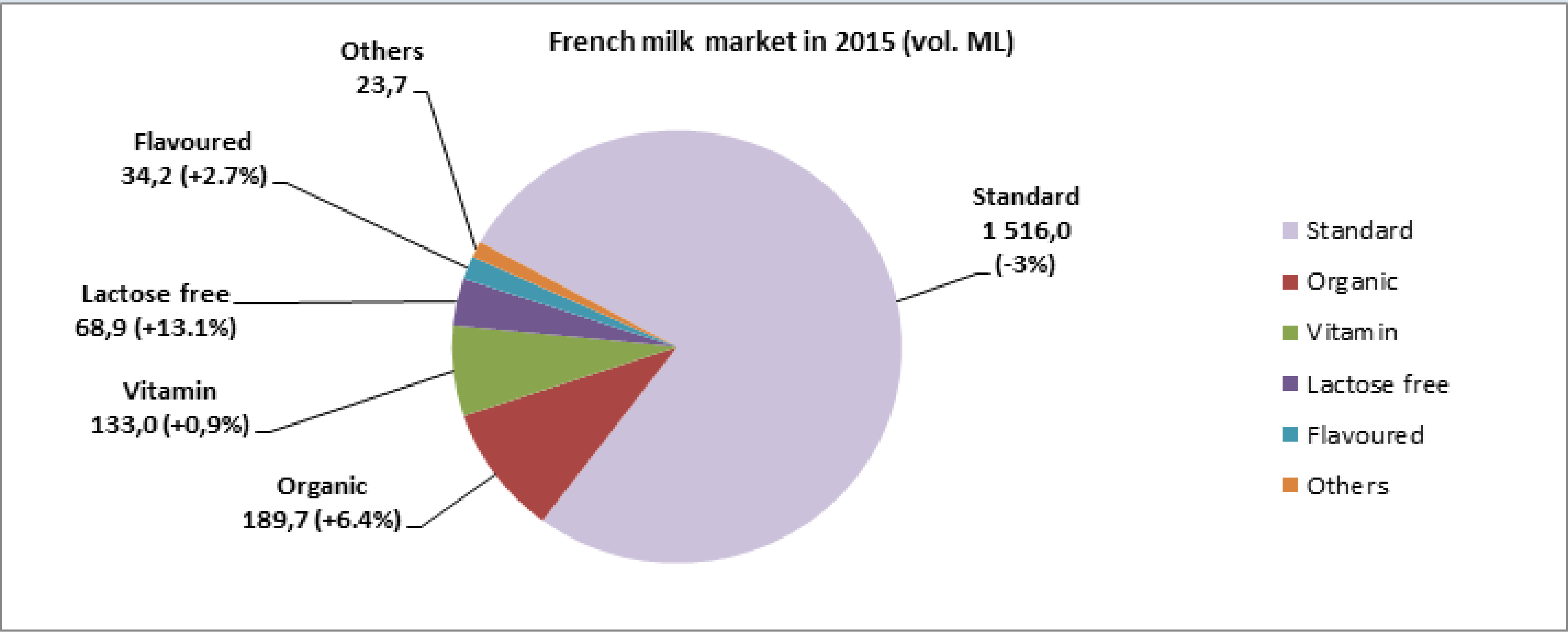
France

Period: P4 2015 vs. P4 2016 (17 April 2016)

Product category	volumes (% change) 4 weeks period (P4 '15/P4 '16)	volumes (% change) Year on year (P4 '14-P4 '15 / P4 '15 –P4 '16)	Price (% change) 4 week period (P4 '15/P4 '16)	Price (% change) Year on year (P4 '14-P4 '15 / P4 '15 –P4 '16)
Total liquid milk	-1,3%	-3,8%	+3,6%	+2,8%
Of wich UHT skimmed milk	-1,8%	-4,7%	+3,4%	+3,0%
Yoghurt & fresh cheese	0,0%	-1,3%	-1,1%	+0,2%
Butter	+2,6%	-0,4%	+3,1%	+2,9%
Cream	+2,0%	-0,4%	+1,2%	+0,2%
Cheese	+3,9%	+1,3%	-1,3%	-0,4%

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

France



Source : Linéaires – n°321

The organic market is still very dynamic :

- organic milk (vol : +9,1% year on year P4 '14-P4 '15 /P4 '15 –P4 '16)
- yogurts +13,8%
- butter +12%
- cream +13,7%

EuroCommerce

Portugal

Period: year-to-date (17 April 2016)

Product category	volumes (% change)	volumes (% change year on year)	value (% change)	Value (% change year on year)
Fresh milk	-9.5 %	-10.8 %	-9.2 %	-8.6 %
UHT milk	-7.2 %	-6.9 %	-20.2 %	-19.8%
Yoghurt	-0.2 %	-3.0 %	-1.1 %	-5.2 %
Fresh cheese	+ 4.0 %	+ 1.2 %	+ 1.0 %	-1.2 %
Butter	-1.0 %	-1.0 %	-7.1 %	-5.9 %
UHT Cream	+ 0.1 %	-2.0 %	-1.9 %	-3.2 %
Fresh desert	+ 11.7 %	+13.3 %	+ 4.5 %	+ 11.4%
Cheese	+ 8.3 %	+5.6 %	+ 1.9 %	+0.1 %

Source: Nielsen, W16 2016

EuroCommerce

Sweden

Period: year-to-date (17 April 2016)

Product category	volumes (% change in the last 4 weeks)	volumes (% change year on year)	value (% change in the last 4 weeks)	Value (% change year on year)
Milk	-0,1%	-0,7%	+2,6%	+1,1%
Hard cheese	+3,1%	+3,4%	-1,2%	-1,7%
Cream	-0,3%	+2,0%	-0,3%	+2,2%
Yoghurt	-2,1%	-1,0%	-1,1%	-1,5%
Cottage cheese/curd	+7,2%	+19,2%	+3,1%	+11,5%
Cold desserts	+13,4%	+3,7%	+18,7%	+9,1%
Butter	+6,05	+6,0%	+7,1%	+7,0%

Source: Nielsen ScanTrack

United Kingdom

UK Dairy Product Retail Price Indices

In March 2016, the RPI increased by 0.42% compared with February and is 1.56% higher than the same month last year. The fresh milk price index decreased 0.45% on the previous month and decreased on the year by 4.88%. The butter index decreased on the month by 3.15% and on the year by 4.76%. Cheese saw an increase on the month of 0.42% and a decrease of 3.35% on the year.

PRODUCT PRICE INDICES			
		compared with	
	Mar-16	1 month before	12 months before
RPI price index	261.1	0.42%	1.56%
Fresh Milk	220.3	-0.45%	-4.88%
Butter	297.8	-3.15%	-4.76%
Cheese	239.7	-0.42%	-3.35%

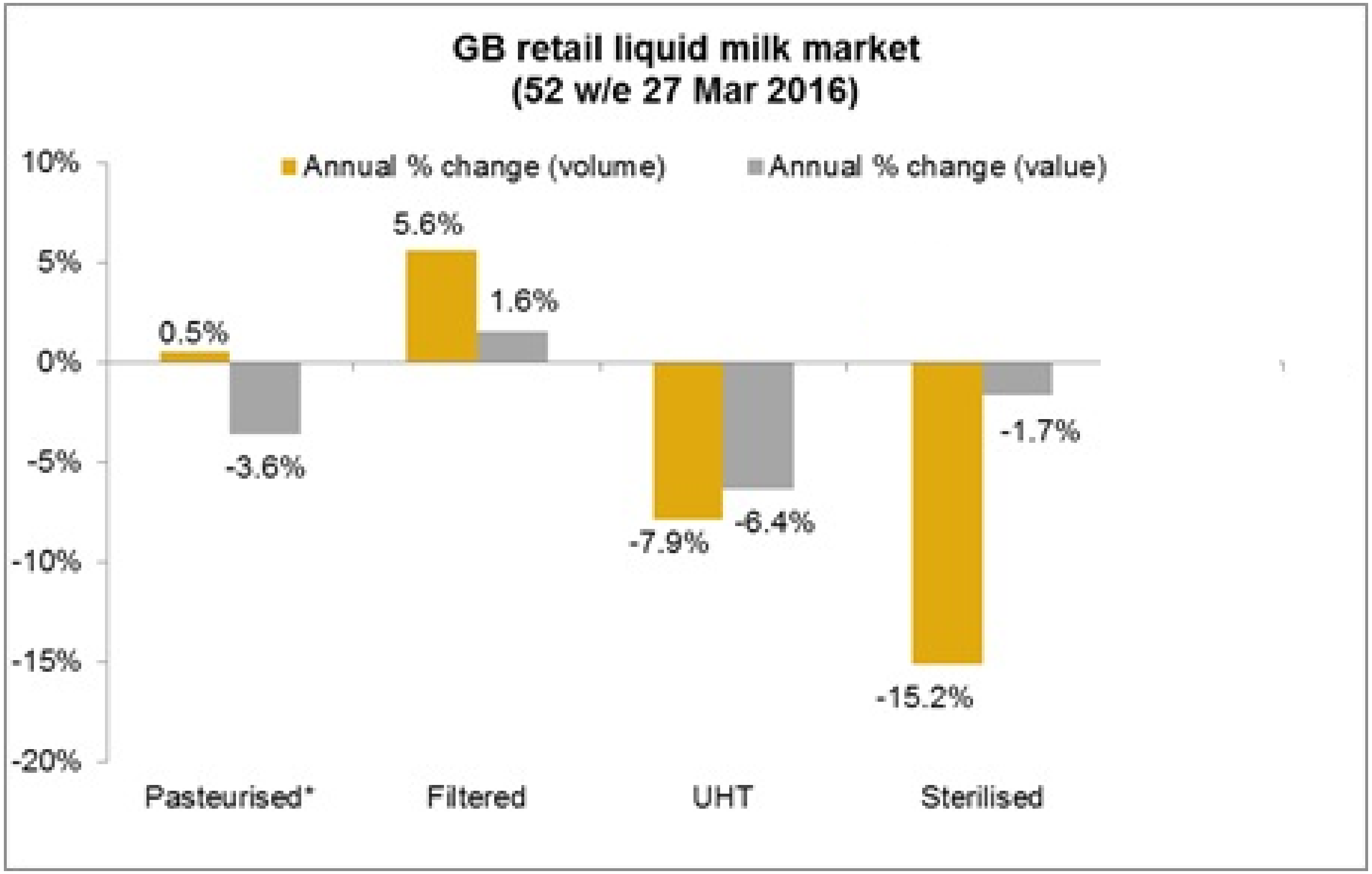
Source: Office for National Statistics (ONS)

Please note: the reference base is January 1987.

Source: http://dairy.ahdb.org.uk/market-information/dairy-sales-consumption/gb-retail-prices /

EuroCommerce

United Kingdom



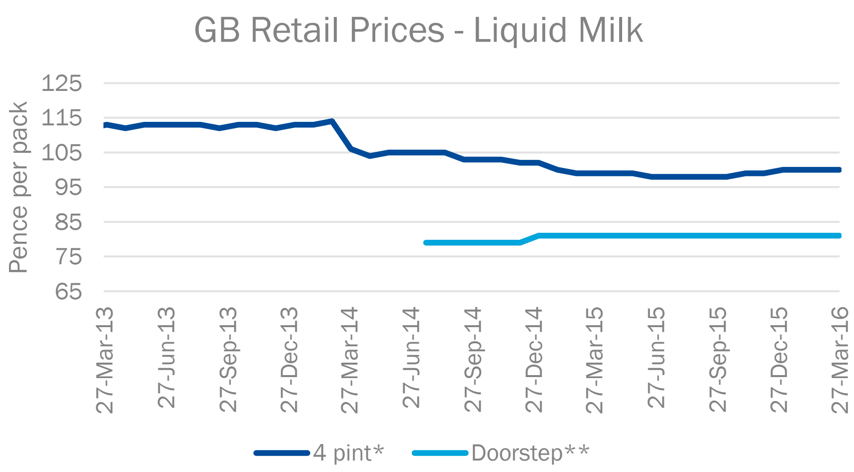
United Kingdom : contract league table

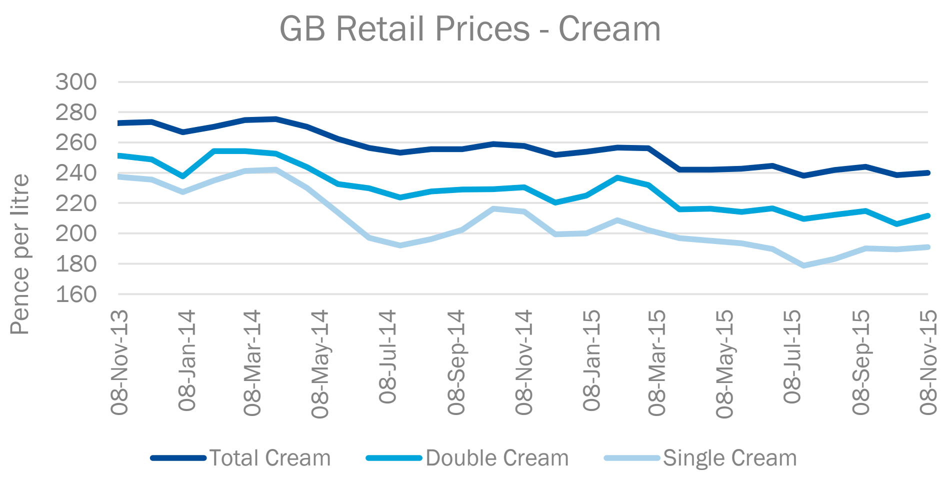
MILK PRICES - AHDB Dairy League table for March 2016

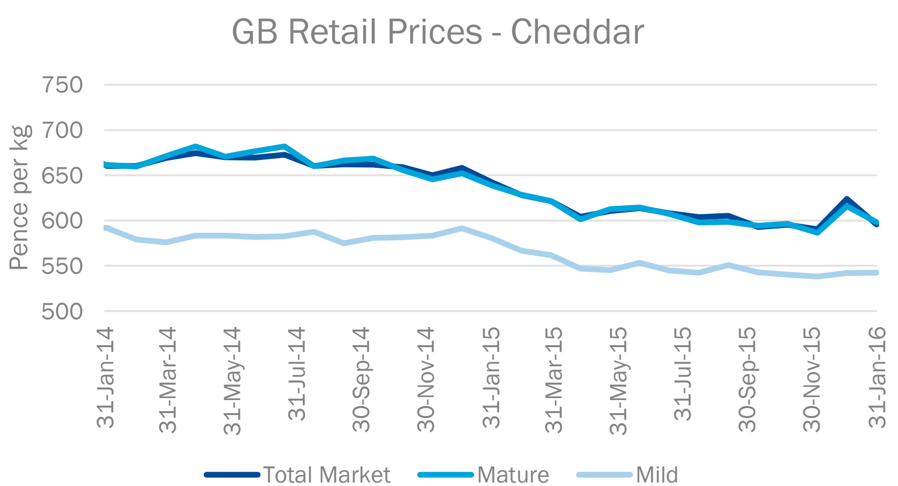
League Table	March	
	Monthly Price	Annual Price
Aligned Liquid Milk		
Müller Direct Milk M&S - Profile 5	31.84	31.93
Müller Milk Group Booths	32.09	31.92
Müller Direct Milk M&S - Seasonal 5	31.84	31.85
Müller Milk Group Tesco 2	31.02	30.95
Müller Milk Group M&S	31.07	30.90
Müller Direct Milk Waitrose - Profile	30.62	30.70
Müller Direct Milk Waitrose - Seasonal	30.62	30.62
Müller Direct Milk Sainsbury - Profile 5	30.27	30.35
Müller Milk Group Sainsbury	30.46	30.29
Müller Direct Milk Sainsbury - Seasonal 5	30.27	30.27
Arla Sainsburys 4	29.89	30.00
Müller Milk Group Co-op	27.52	27.35
Standard Liquid Milk		
Müller Direct Milk Liquid - Core Formula - Profile	24.97	25.05
Müller Direct Milk Liquid - Core Formula - Seasonal	24.97	24.98
Crediton Dairy	24.68	24.14
Müller Milk Group Milk Part.	23.48	23.31
Müller Direct Milk Liquid - Profile	22.69	22.77
Müller Direct Milk Liquid - Seasonal	22.69	22.70
Müller Milk Group Formula	22.42	22.25
UK Arla Farmers Liquid 3	21.21	21.25

http://dairy.ahdb.org.uk/resources-library/market-information/milk-prices-contracts/league-table-new-profile/#.VzReA4R94dU

United Kingdom







http://dairy.ahdb.org.uk/resources-library/market-information/dairy-sales-consumption/gb-retail-prices/#.Vx4OiPl94dU

United Kingdom

unit price (p)		27-Mar-16	28-Feb-16	Month Diff.	29-Mar-15	Annual Diff.
Liquid milk†	Retail (4 pints)*	100	100	n/c	99	+1
	Doorstep (1 pint)**	81	81	n/c	81	n/c

ppl		08-Nov-15	11-Oct-15	Month Diff.	09-Nov-14	Annual Diff.
Cream††	Total Cream	240	239	+1	258	-18
	Double Cream	212	206	+5	231	-19
	Single Cream	191	190	+2	214	-23

p/kg		31-Jan-16	03-Jan-16	Month Diff	01-Feb-15	Annual Diff.
Cheddar††	Total market	596	624	-29	642	-47
	Mature	598	616	-18	639	-41
	Mild	542	542	+0	580	-38

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

EuroCommerce

ANNEX 7

EU Policy on organic production & labelling of organic products

European Commission

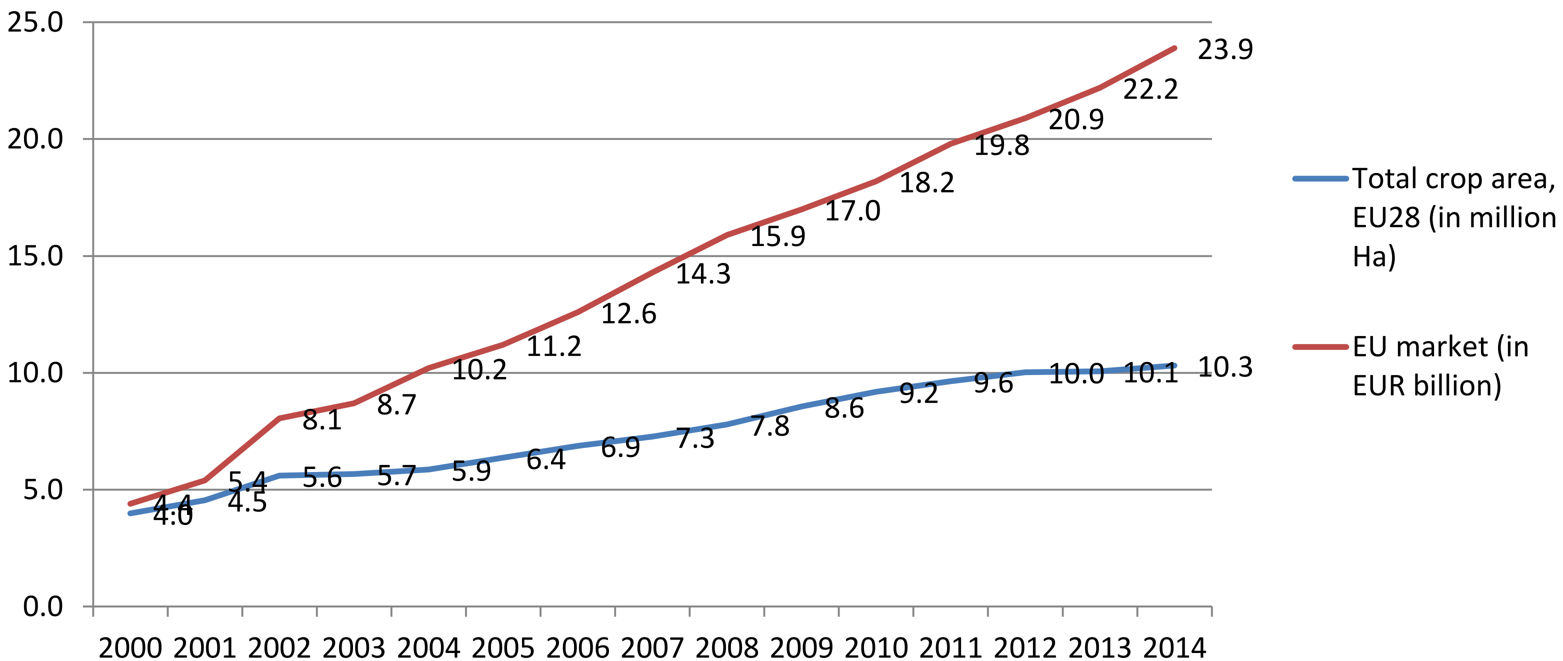
European Commission

EU Policy on organic production & labelling of organic products

Milk market observatory 24 May 2016

Development of organic production in the EU

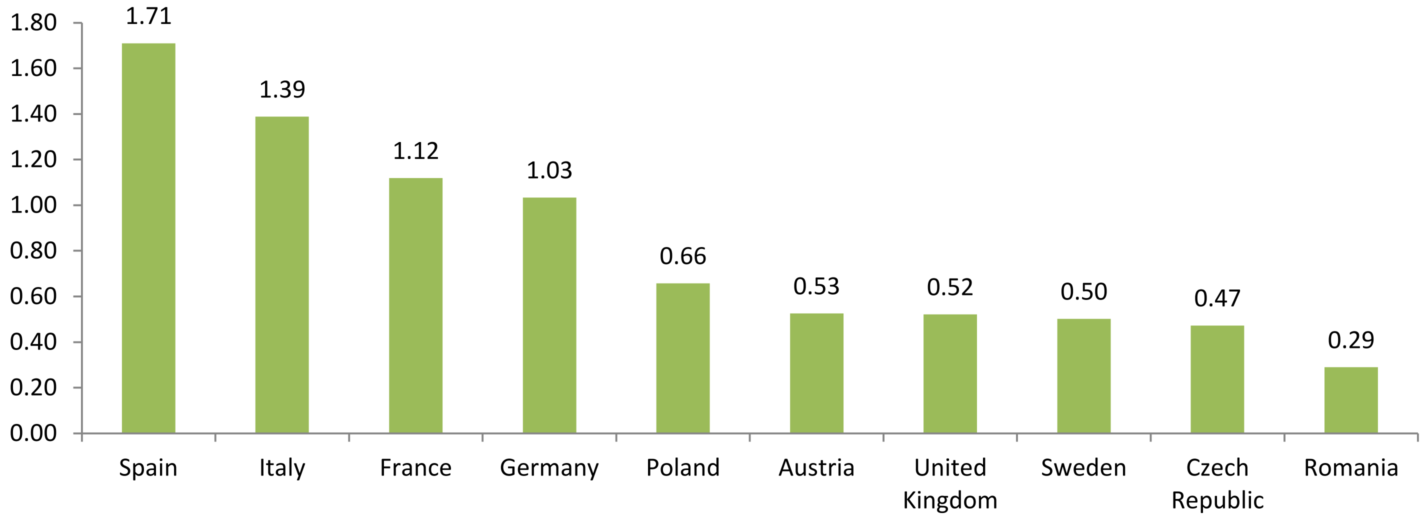
EU organic production and market on the upward trend



Source: EUROSTAT for organic area, Fibl/IFOAM for organic market

Development of organic production in the EU

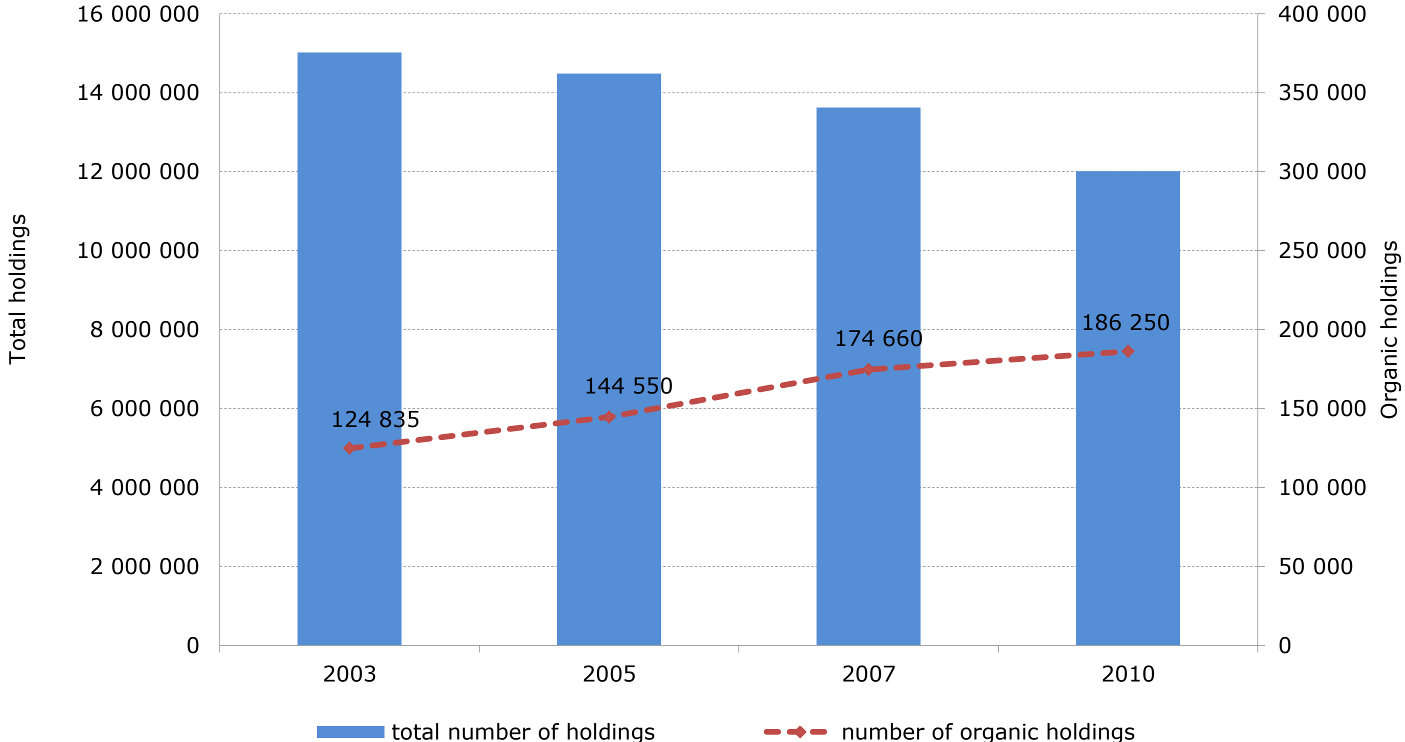
- *EU average yearly growth over last 5 years (2010 – 2014): 3%*
- *Top 10 countries with the largest area (2014, in million Ha):*



Total EU: 10.3 million Ha
Source: Eurostat

Development of organic production in the EU

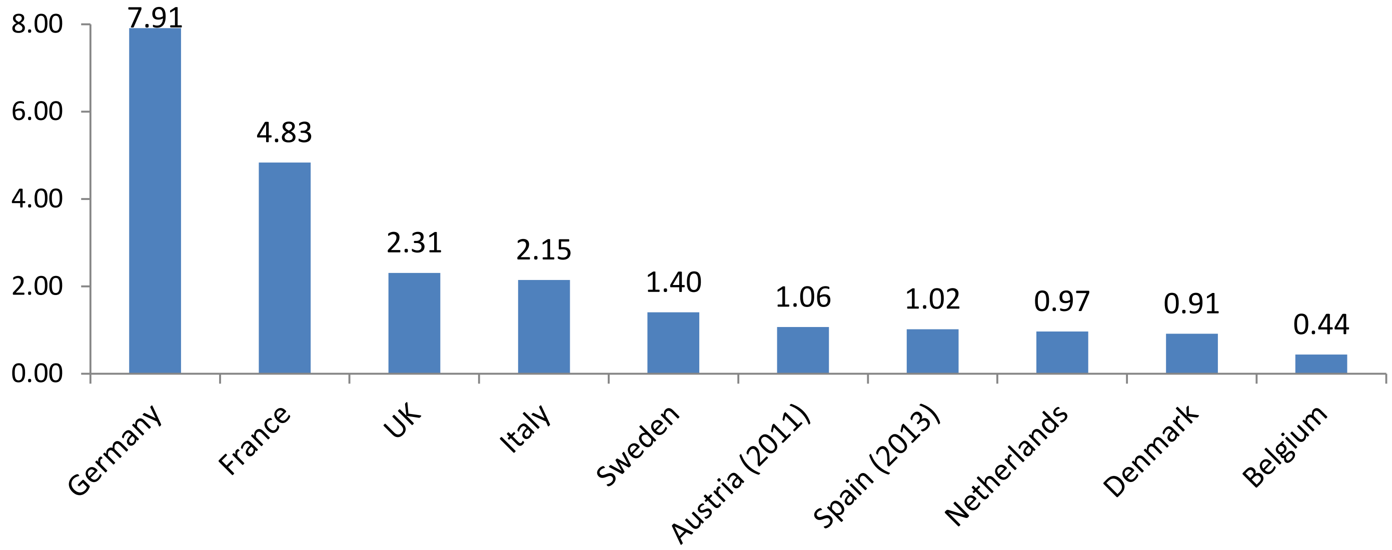
Total number of holdings decreases but… number of organic holdings increases



Source: EUROSTAT, FSS, 2010

Development of organic market in the EU

- *EU= 2nd largest market in the World (≈38%, No1 = USA: ≈43%)*
- *EU average yearly growth over last 5 years (2010 – 2014): 7%*
- *Top 10 EU organic markets (2014, in EUR billion):*



Source: Fibl/IFOAM

European Commission

Development of organic milk production and market in the EU

- *Organic milk production has almost doubled since 2006*
- *Organic dairy cows milk production stands at 3,8 million metric tons and equals 2,6% of EU milk production from diary cows in 2014 (source:Fibl/IFOAM)*
- *Organic milk market: fragmented data available for some countries only (see slide No 9 below)*

Livestock

Table 8: Organic livestock by animal type and total share in EU-28 and Europe, 2014

Animal type	EU-28		Europe	
	Animals (per head)	Total animal share	Animals (per head)	Total animal share
Cattle[1]	3,273,285	4.1%	3,487,237	2.8%
Goats	697,015	5.7%	730,647	
Sheep	4,256,342	4.3%	4,483,164	2.9%
Pigs	845,305	0.5%	877,463	0.4%
Poultry	35,116,136	2.3%	36,941,068	1.4%

[1] Includes beef and dairy cattle, buffalo

Source: FiBL-AMI Survey 2016 based on FAOSTAT, Eurostat and national data sources

Development of organic milk production from dairy cows

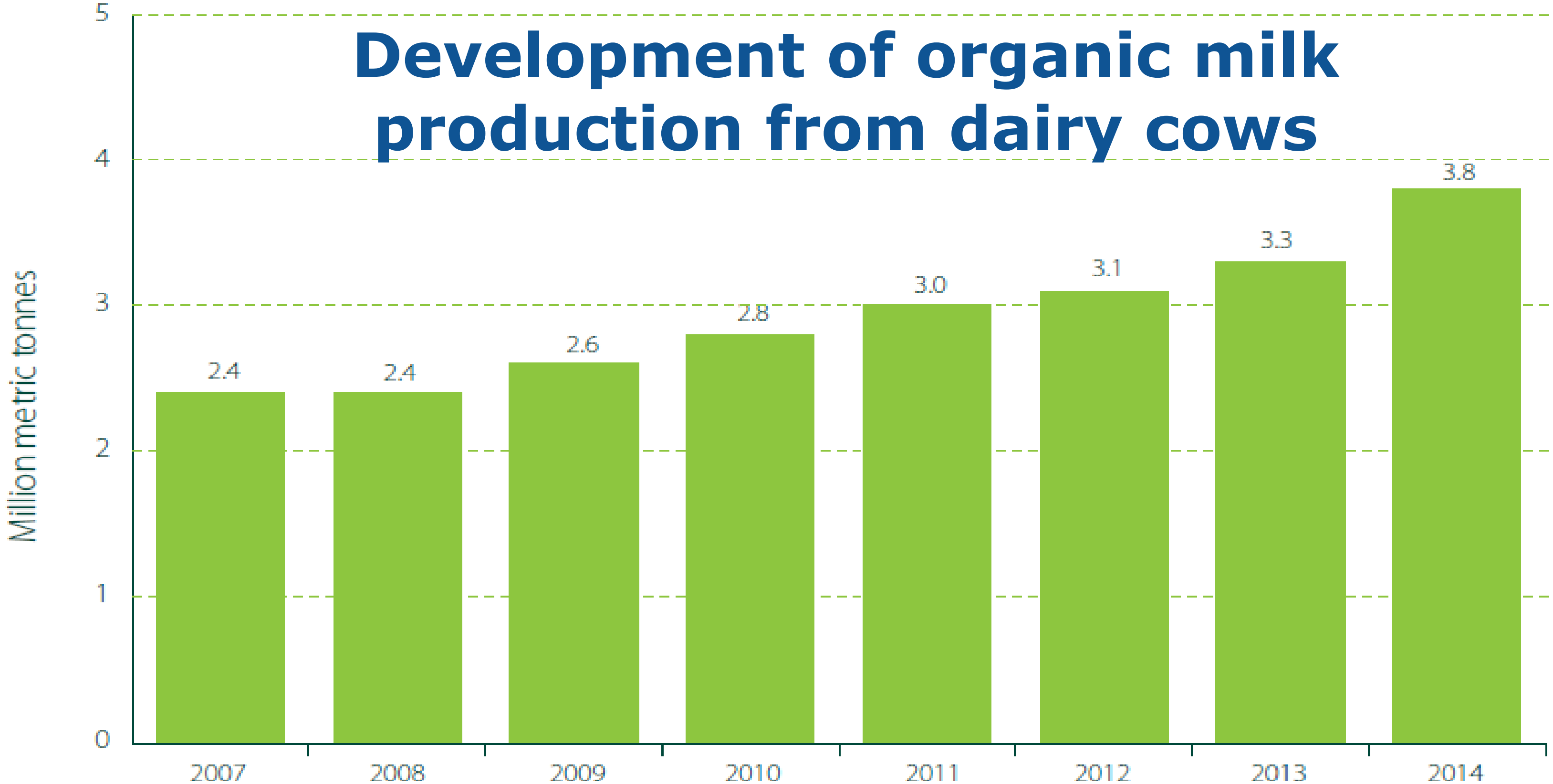


Figure 23: Development of organic milk production from dairy cows in EU-28, 2007-2014

Source: FiBL-AMI surveys 2009-2015

European Commission

Table 3: Shares of organic product groups by total market in selected European countries, 2014

Product group	Austria	Belgium	Finland	France	Germany	Netherlands (2013)	Norway	Switzerland
Beverages		0.9%[1]	0.6%	3.0%[2]	1.7%		0.1%	2.7%
Bread and bakery products		1.7%	1.2%	2.5%[3]	7.1%[4]	3.2%	1.0%	4.6%
Cheese	8.5%	1.7%	0.9%	1.2%	3.6%		0.5%	6.0%
Eggs	17.2%	11.2%	12.0%	22.1%	16.7%	12.7%	7.5%	22.7%
Fruit	10.7%	3.5%		4.3%	6.7%		1.7%[5]	10.1%
Meat and meat products	3.5%[6]	1.3%	0.6%	1.6%	2.1%	2.8%	0.3%	4.8%[7]
Milk	15.7%	3.0%	3.2%	10.8%	8.1%		4.0%	18.9%
Milk and dairy products		2.1%		3.2%	8.6%	4.8%	1.8%	11.0%
Vegetables	12.6%	5.4%	3.2%[8]	4.0%	8.6%	3.9%[8]	3.6%	14.6%

[1] Fruit juices, wine and beer - [2] Vegetable drinks, fruit and vegetable juices, wine and alcohol - [3] Flour was included in previous data; it is excluded in the new calculations, which also include fresh pastries. Hence this data is not directly comparable with those from 2013. - [4] Bread only - [5] Fruit, berries and nuts - [6] Meat only - [7] Includes fish - [8] Fruit and vegetables

Source: FiBL-AMI Survey 2016 based on national data sources

European Commission

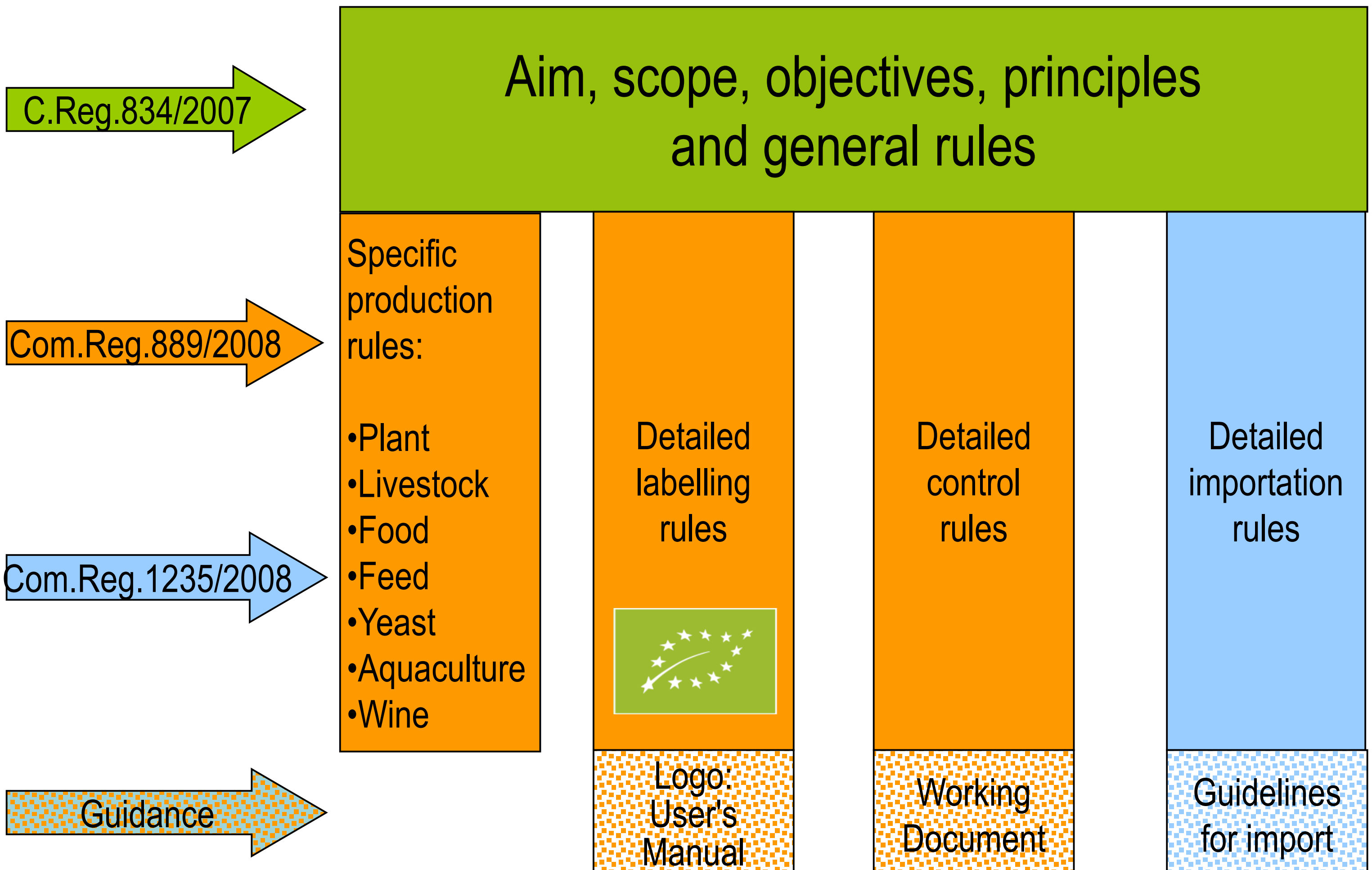
EU Organic policy: Role of DG AGRI's 'Organics' unit

- *EU-wide **harmonised rules***
- *Implementing the Commission policy to facilitate the **growth** of the organic sector*
- *Ensuring **consumer confidence***
- ***Promoting** the EU organic scheme at international level*
- *Ensuring the integrity of the EU organic production > effective **supervision***
- *Consultation and relations with stakeholders*
- *Research aspects*

EU Organic policy: Role of DG AGRI's 'Organics' unit

- *Preparing legislative proposals and Managing Committee on Organic Production (COP), Expert Group for Technical Advice (EGTOP), Civil Dialogue Group (CDG)*
- *Elaboration of rules on new categories of products (aquaculture, wine…)*
- *Authorisation of products and substances that may be used in organic production*
- *Ensuring coherence with Rural Development policy, Research programmes and other EU policies (Environment, Enterprise…)*

Current EU legal framework on organic production and labelling



EU rules on organic livestock production

- *Organic producers need to abide to demanding rules e.g.:*
  - **Use of chemical products not allowed, except in very specific cases (e.g. serious illness)**
  - **Respect of animal welfare rules**
  - **Protection of the environment**
  - **No-GMO feed etc.**
- *Each operator needs to be certified by control body/control authority – minimum one annual inspection per year*

EU rules on organic livestock production

- *Farmers should choose animal breeds resistant to pests, desease and environmental conditions*
- *In some Member States, the quality of conventional milk is very high so that consumers are not ready to pay for price premium of organic milk*
- *In some MS, there is no market for organic milk due to price difference – farmers can choose to prepare cheese, yogurt etc.*

European Commission

Organic farming

A guide on support opportunities for organic producers in Europe

SUPPORT FOR ORGANIC PRODUCERS IN EUROPE

The new Common Agricultural Policy (CAP)

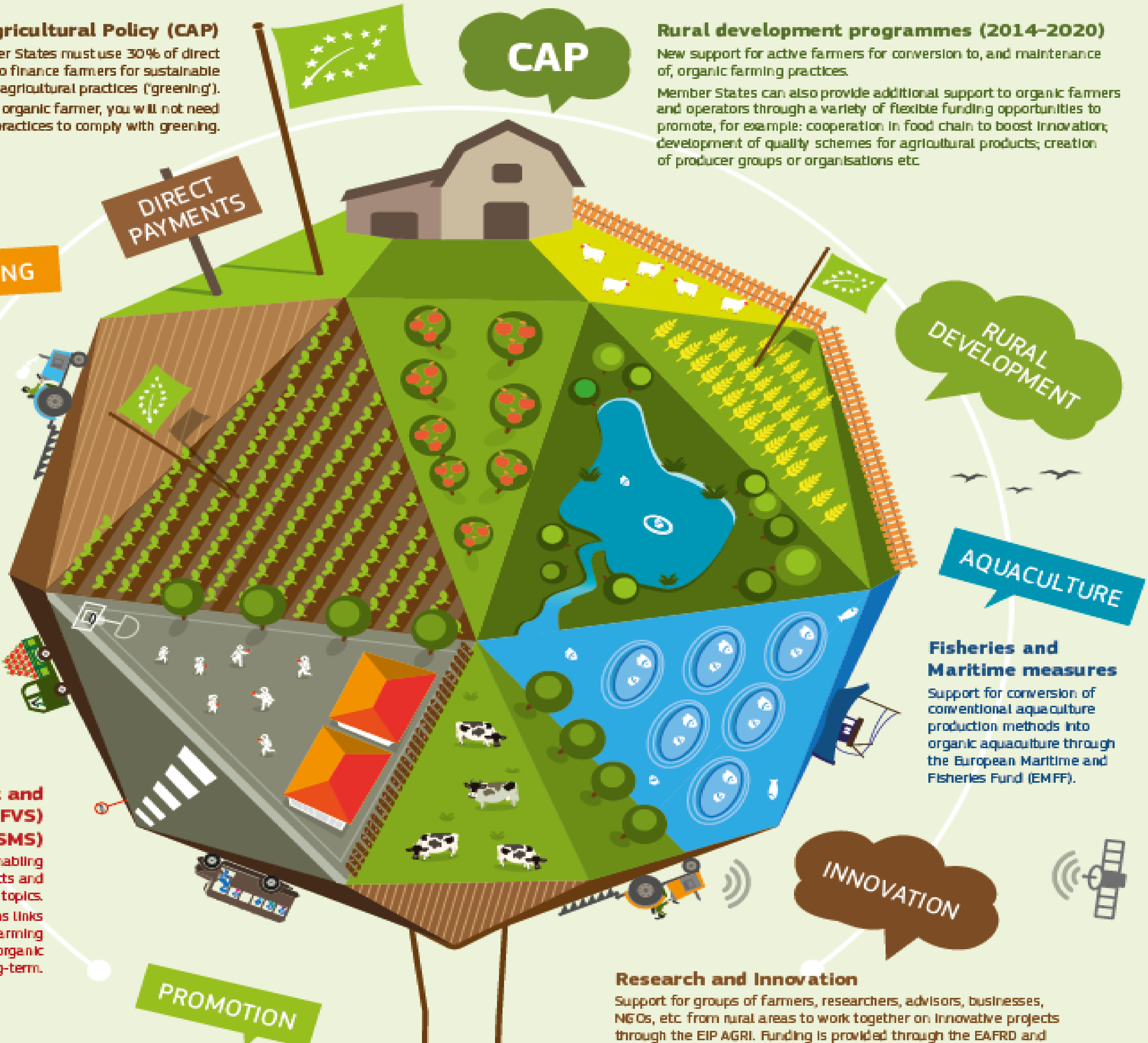
From 2015, all EU Member States must use 30% of direct payments to finance farmers for sustainable agricultural practices ('greening').

If you are an organic farmer, you will not need to change your practices to comply with greening.

Rural development programmes (2014–2020)

New support for active farmers for conversion to, and maintenance of, organic farming practices.

Member States can also provide additional support to organic farmers and operators through a variety of flexible funding opportunities to promote, for example: cooperation in food chain to boost innovation; development of quality schemes for agricultural products; creation of producer groups or organisations etc.



Information on organic farming under the new CAP

EU co-financing is available to organic farming associations, farmers' unions, environmental organisations and other stakeholders to support them in explaining organic farming under the new CAP to the public, farmers, and others active in rural areas.

Fisheries and Maritime measures

Support for conversion of conventional aquaculture production methods into organic aquaculture through the European Maritime and Fisheries Fund (EMFF).

School Fruit and Vegetables Scheme (SFVS) and School Milk Scheme (SMS)

The EU funds voluntary schemes enabling schools to source organic products and integrate organic-related topics.

This funding possibility strengthens links between schoolchildren and organic farming and helps ensure the demand of organic products in the long-term.

Research and Innovation

Support for groups of farmers, researchers, advisors, businesses, NGOs, etc. from rural areas to work together on innovative projects through the EIP AGRI. Funding is provided through the EAFRD and

EU legislation on organic farming is under REVIEW

- ***Public consultation (Jan – April 2013): 45 000 replies***
- ***Impact Assessment***

➔ ***Legislative proposal, Action plan & proposal for negotiating directives on international agreements adopted in March 2014***

➔ ***State of play:***

- ***Discussions between the European Parliament, the Council of Ministers and the Commission (Trialogues):***
  Ordinary legislative procedure, will lead to the adoption of a new Regulation

Objective of the review: improve situation for EU producers

- *Why?*
  - **Market is growing but the EU production is not growing at the same pace**
  - **Complexity of rules: flexible rules were introduced for sector to develop. Result: farmers not treated equally across the EU and in relation to 3rd countries + quality behind the EU logo is not the same**
- *How?*
  - **Harmonised rules through elimination of flexibilities ('à la carte' derogations)**

Reference documents

- **Guide on funding opportunities:**

http://ec.europa.eu/agriculture/organic/documents/eu-policy/european-action-plan/support-opportunities-guide_en.pdf

European action plan

http://ec.europa.eu/agriculture/organic/eu-policy/european-action-plan/index_en.htm

EU organic agriculture in figures:

http://ec.europa.eu/agriculture/organic/images/infographics/organic-farming_en.pdf

Thank you for your attention

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