

MMO Economic Board

Meeting of 23 February 2016

- o The 13th meeting of the MMO Economic Board took place on 23 February 2016, with the participation of experts from the various steps in the milk supply chain: CEJA (young farmers), COPA-COGECA (producers and cooperatives), ECVV (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.
 - o EU milk collection was up by 2.5% in 2015. Increases were particularly strong in IE, LU, BE, NL, SI in % terms, and in NL, IE, DE and the UK in volume terms. These figures relate to milk collection, i.e. milk collected by dairies and reported by those dairies to their national authorities, irrespective of whether the milk comes from producers located in the same MS or in another one.
 - o Average farm gate milk prices approximated 30.5 c/kg in December and a further decrease is expected for January (29.8 c/kg). Despite some favourable cost trends (energy, feed), the situation is not tenable for all in the long run.
 - o Applications for private storage aid reached 11 307 t butter and 24 281 t SMP so far in 2016. With regard to offers for sale of SMP into public intervention, uptake has significantly increased since the start of 2016 (44 642 t), i.e. exceeding the total uptake of the year 2015 (40 280 t). Industry experts do not exclude that the 109 000 t ceiling for buying-in SMP at fixed price be reached in the second half of April.
 - o Dairy product prices continue to suffer from downward pressure given increased supply. SMP prices oscillate around intervention level. On the world market, prices expressed in US\$ generally decreased. The butter market is no longer the exception in the overall bearish picture. Downward pressure has started for butter also. Butter prices are still far from intervention levels but offer for sale into intervention might also not be excluded.
 - o The assessment of EU stock levels based on a residual approach (production + imports - consumption - exports) confirmed important stocks for SMP, above normal needs and increasingly weighing on the market. The picture was clearly better for butter until November (latest data available) but does not look as rosy now. With regard to cheese, stocks increased. The increase of milk production until seasonal peak is likely to increase pressure on cheese production, as drying towers have reached full capacity.
- o At world level, milk production of major producers increased by some 1.4% in 2015, mainly due to the EU (+ 3.5 million t) and the US (+ more than 1 million t). US production growth was lower than expected (+ 1.2%). The USDA forecast for 2016 is + 1.6%. The production decrease announced for NZ for the new season (- 6%) might prove lower (- 2%). Although import demand has basically not been growing on the world market in 2015, EU exports performed particularly well in volume terms, but at lower price levels. China's imports have stabilised over recent months. The US have been driving import demand in 2015 for butter, Japan, the US and South Korea for cheese.
- o With regard to EU internal consumption, mixed results were reported at retail level for BE, FR, IT, PT, ES and the UK, although there are also some positive trends, such as cheese, butter and cream consumption notably in FR and DE. Other aspects of consumption (out of home and industrial use) also record some increases.
- o For the short-term outlook, to be published in March, cumulative EU milk deliveries in 2016 were estimated to increase by a bit more than 1%. Milk production increases are mainly expected in IE, NL, DK, BE, UK & PT, while more stable production is expected in FR and DE. If this materialises, intervention stocks would grow significantly but ceilings would not be reached during 2016.
- o A dedicated presentation was made on the breakdown of targeted aid granted to Member States under the Solidarity Package for Farmers to help their livestock sectors.
- o Overall, bearish market sentiment persists. While developments on the cost side and in world demand provide some relief, farm gate milk prices and dairy commodity continue to be under pressure, due to deteriorating EU market balance. Improvement in the supply/demand equation remains necessary.

ANNEX 1

Milk Market Situation

European Commission



European
Commission



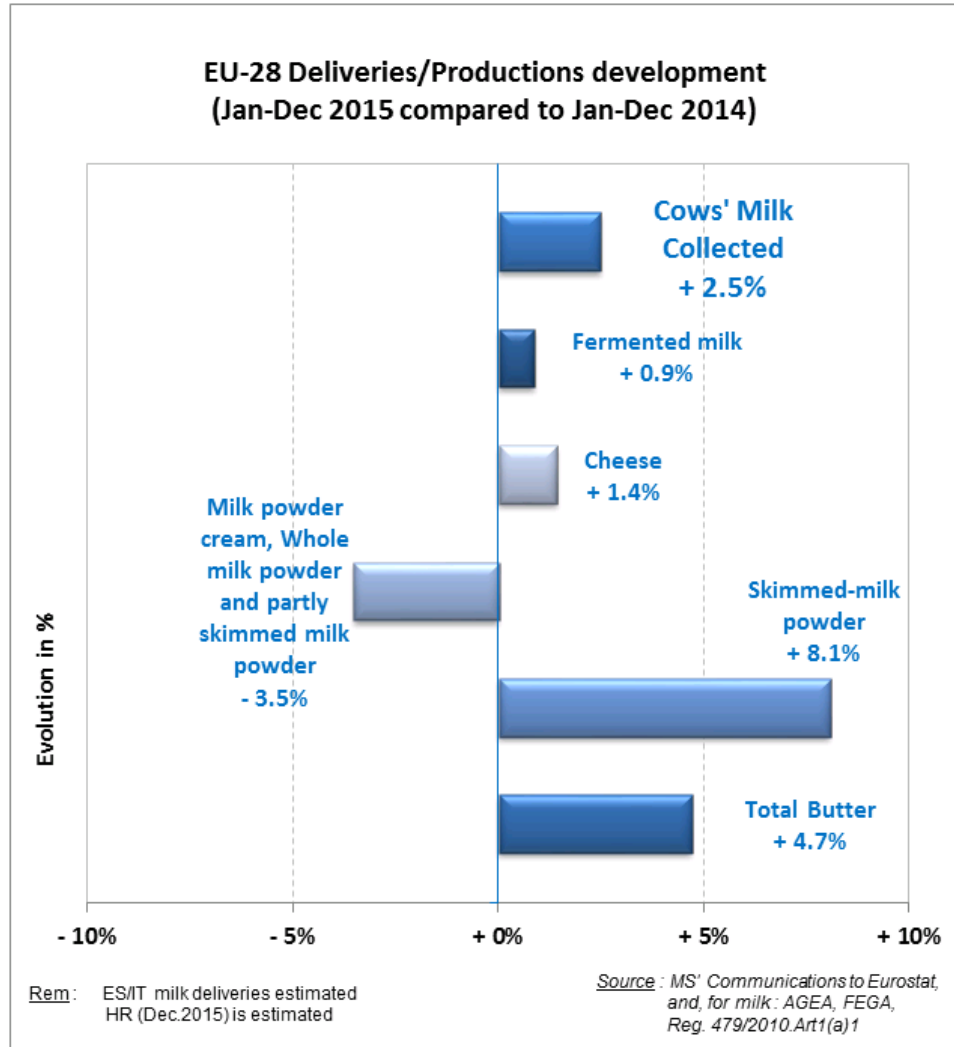
Milk Market Situation

Brussels, 23 February 2016

EU Productions



EU-28 Deliveries/Productions development
(Jan-Dec 2015 compared to Jan-Dec 2014)



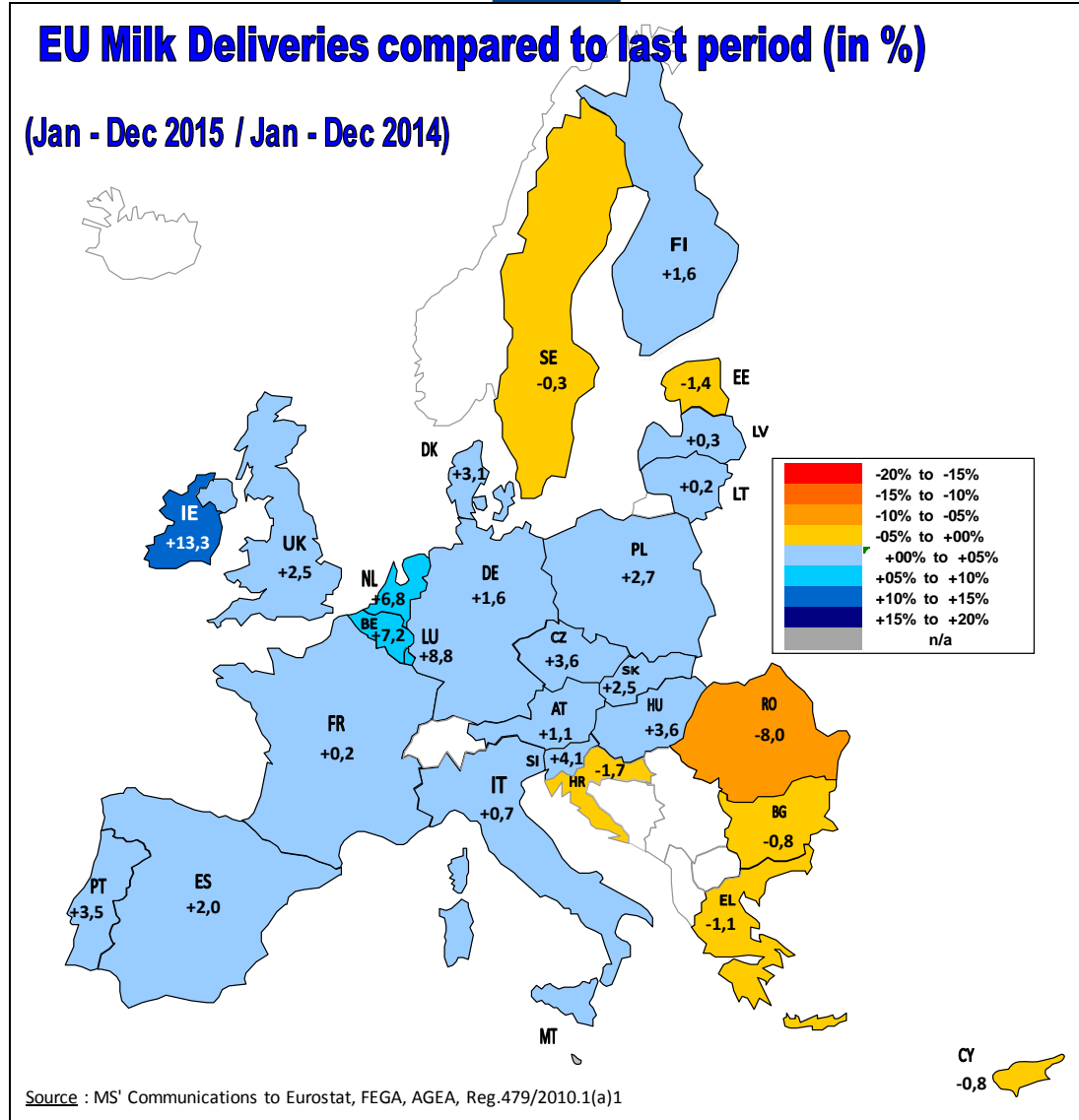
!!! Data from some Member States are confidential and are NOT included in this table !!!



European
Commission

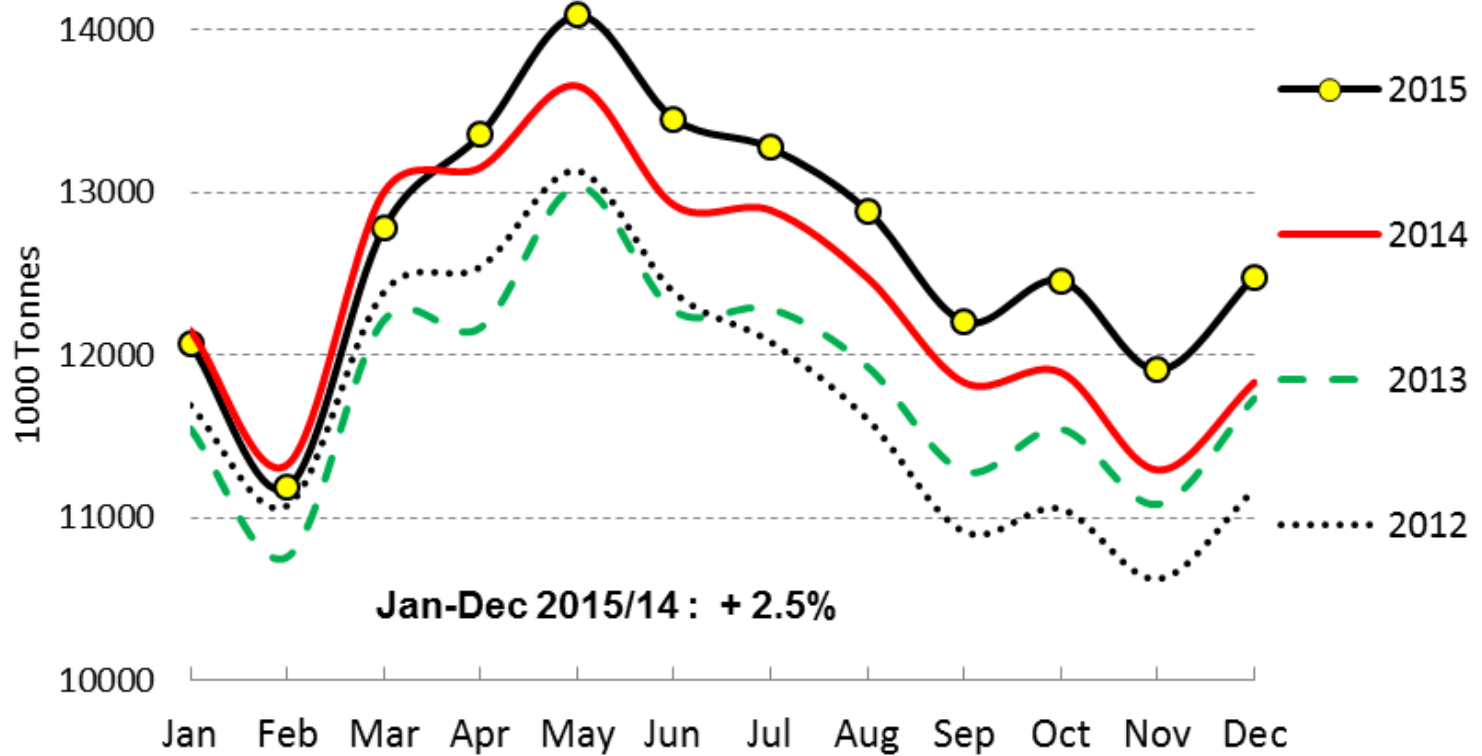
EU Milk Deliveries compared to last period (in %)

(Jan - Dec 2015 / Jan - Dec 2014)



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

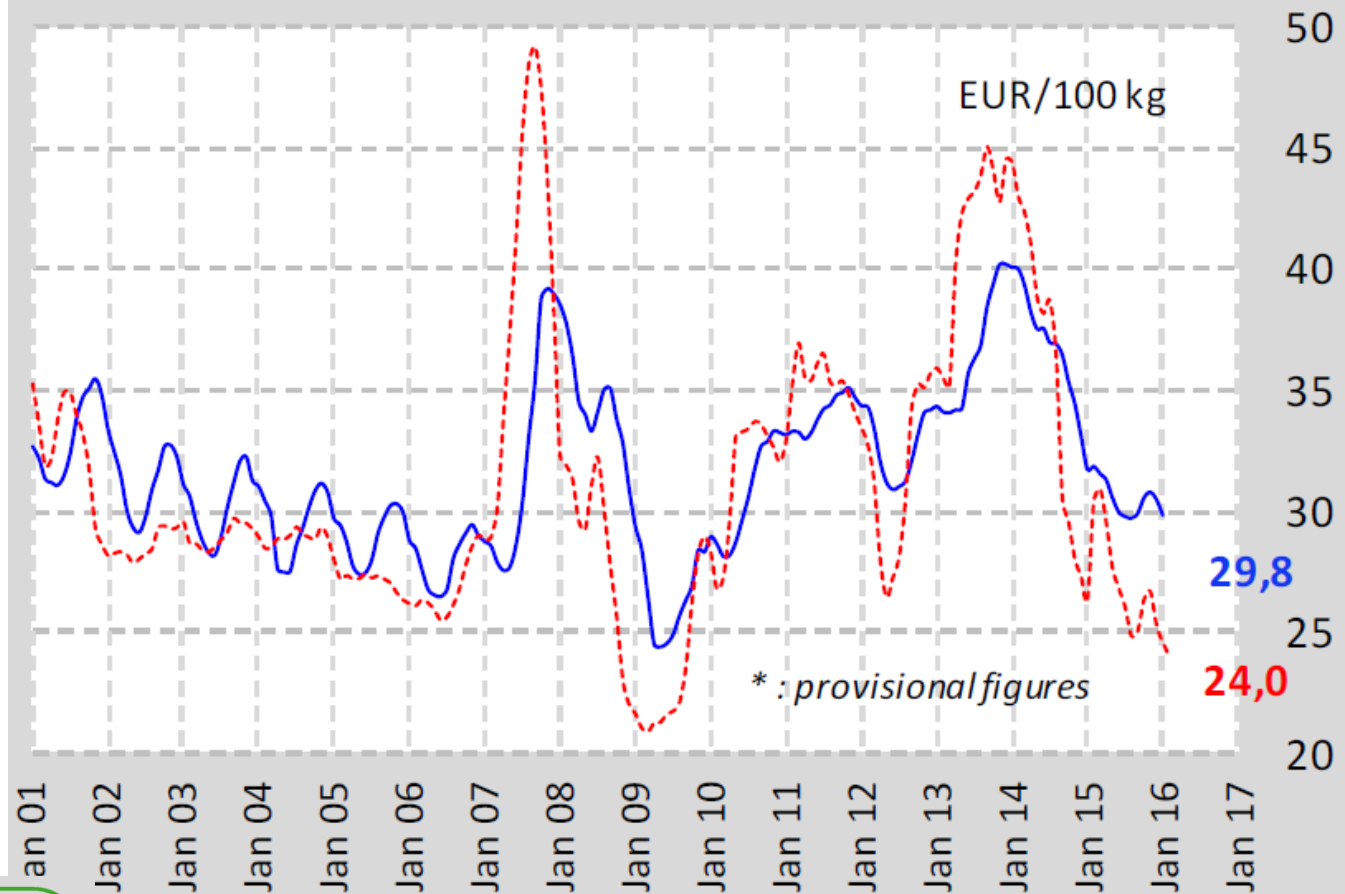
EU - Cows' milk collected



Source : Estat - Newcronos

Last update : Jan-Dec

EU Raw Milk Prices Evolution (up to January 2016*)



EU Price
Dec 2015

Evolution since
last month

Raw Milk **30,5** €/100 kg

- 1,0%

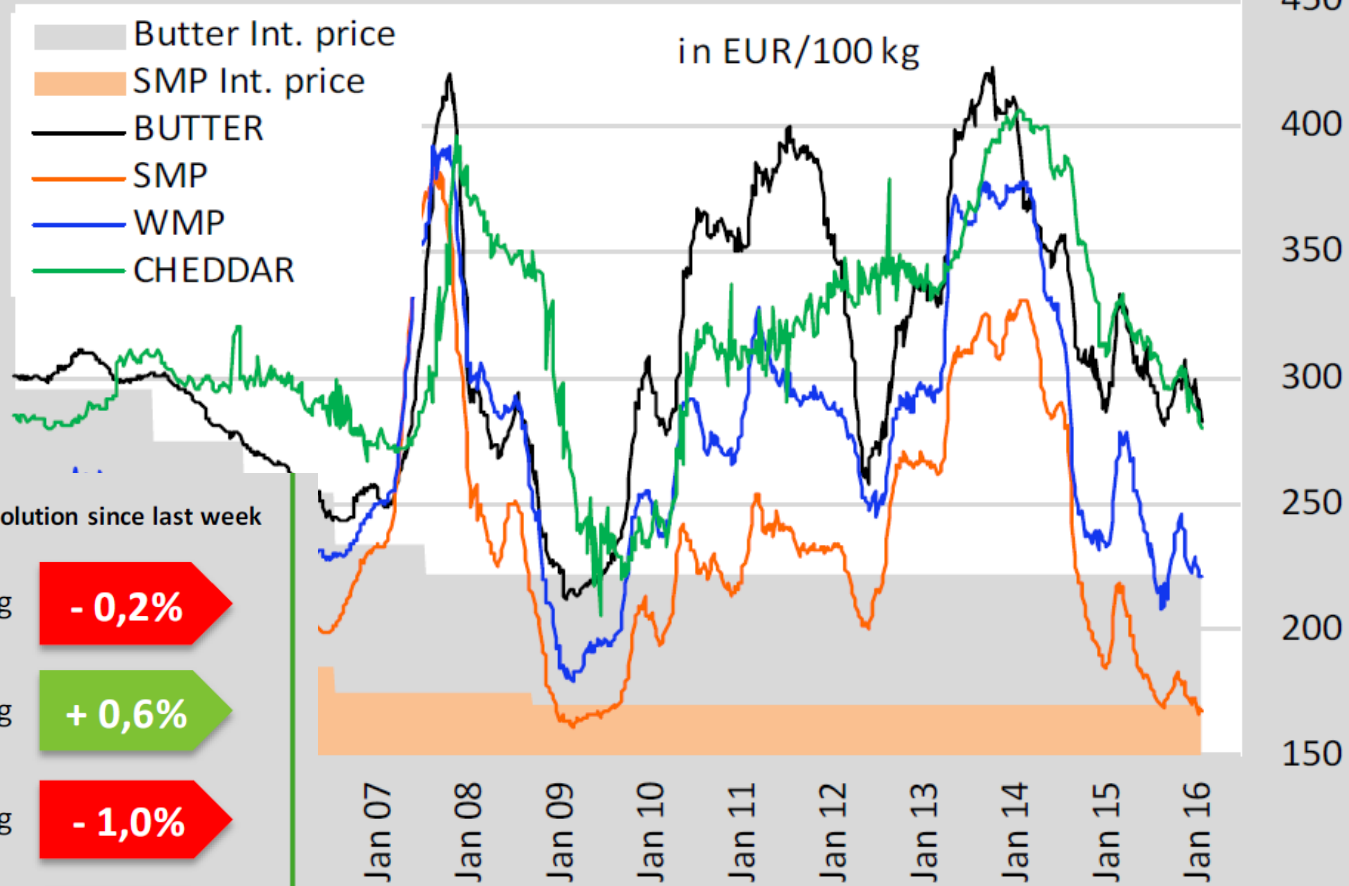
— Weighted EU Average (real fat content)

- - - EU Milk Equiv. Price (based on SMP and Butter prices)



European Commission

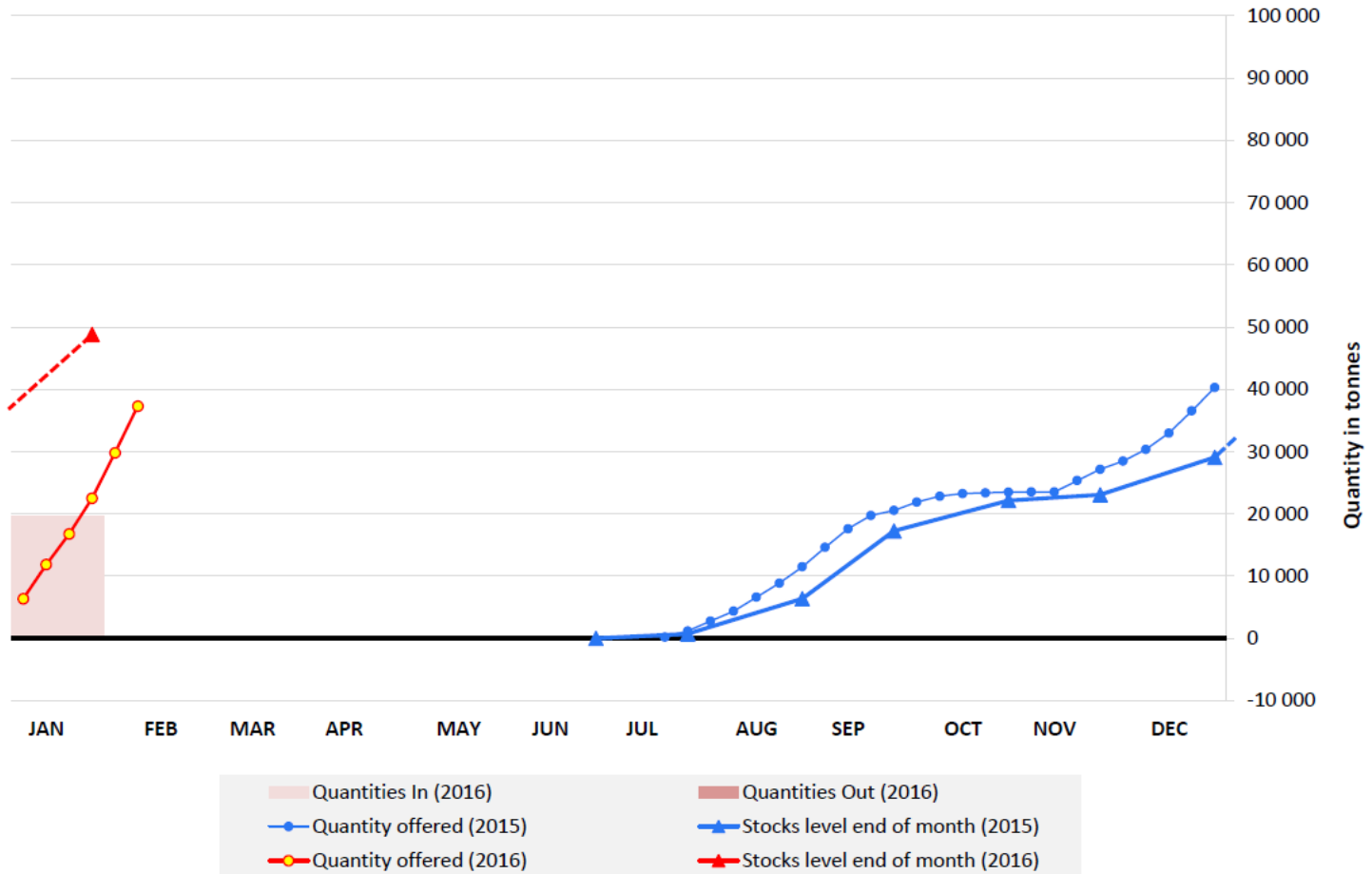
EU average quotations of main commodities



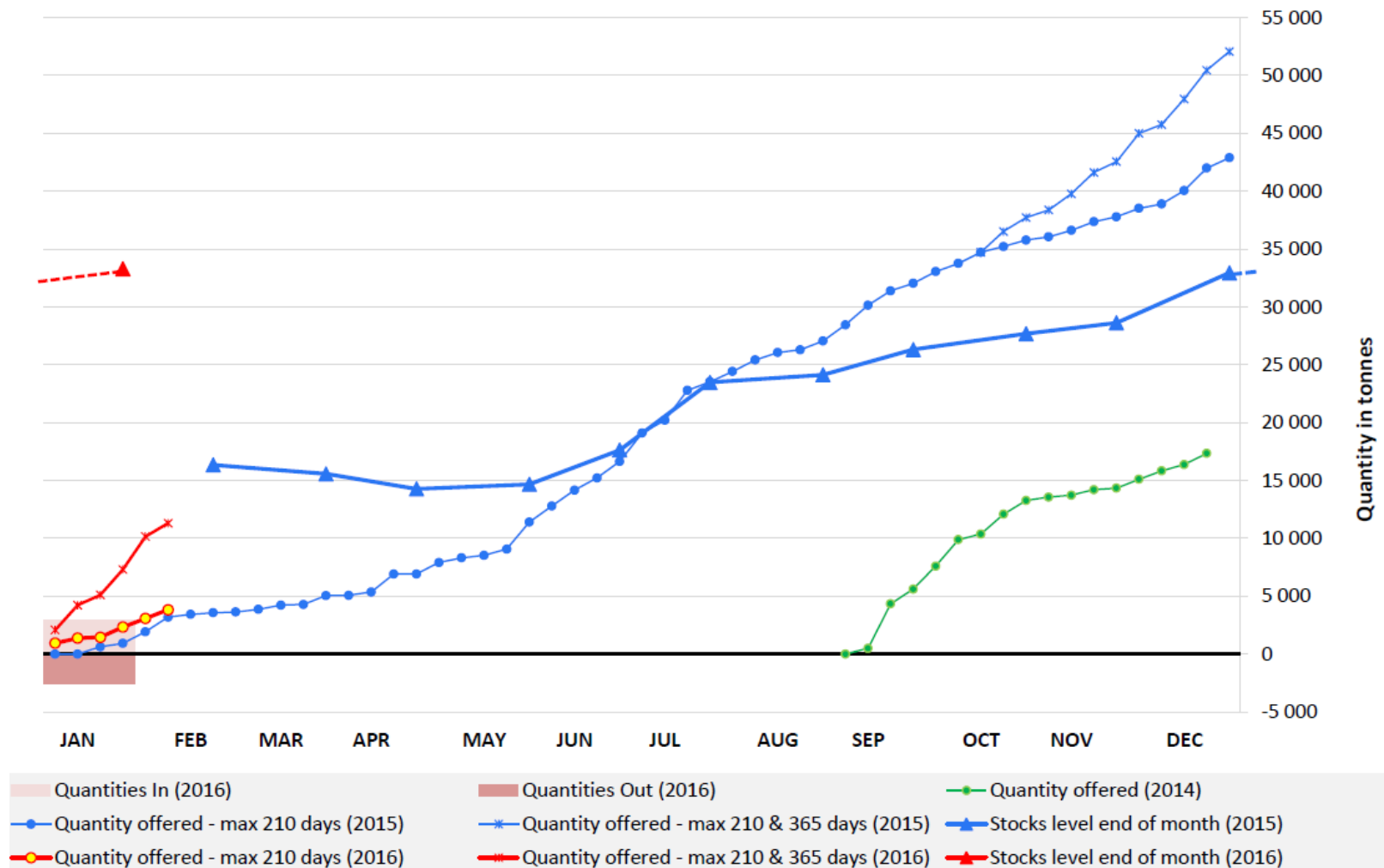
EU Prices (week 6)		Evolution since last week	
BUTTER	276 €/100 kg	- 0,2%	↓
S.M.P.	165 €/100 kg	+ 0,6%	↑
W.M.P.	206 €/100 kg	- 1,0%	↓
CHEDDAR	275 €/100 kg	- 1,4%	↓

RI - Reg. 479/2010 Art. 2

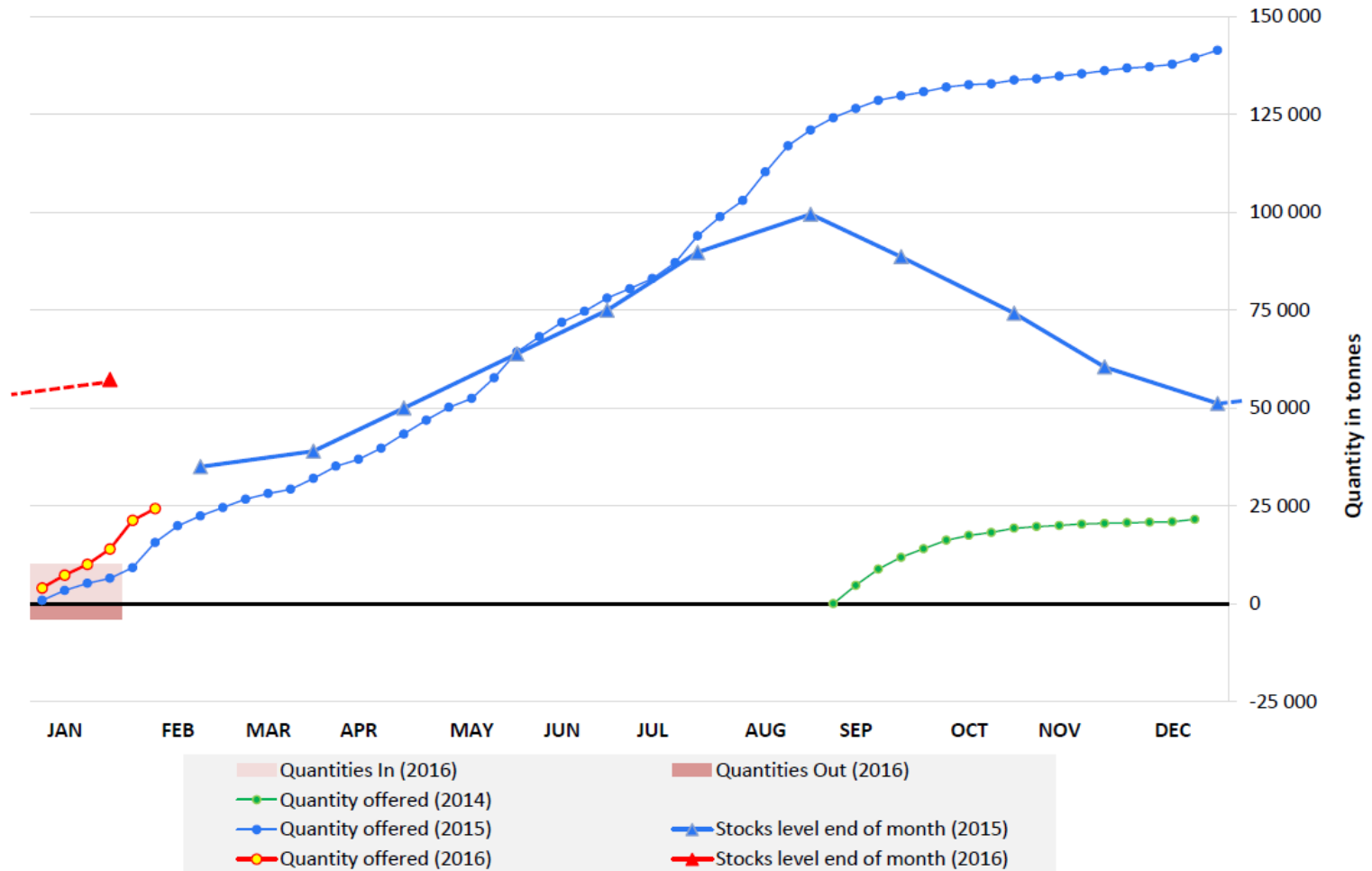
Public Intervention scheme (2015-2016) - SMP



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



Private Storage Aid Scheme (2014-2016) - BUTTER



Latest World Quotations of Dairy Products

In US\$/t	Latest Quotations			Week - 2						Year - 1					
	21/02/2016			07/02/2016			% change (previous quotation)			February 2015			% change (1 year)		
	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA
Butter	3 112	3 000	4 521	3 023	3 050	4 730	↗ +2.9%	↘ -1.6%	↘ -4.4%	3 616	3 850	3 795	↘ -14%	↘ -22%	↗ +19%
SMP	1 864	1 813	1 641	1 808	1 813	1 587	↗ +3.1%	→ -	↗ +3.4%	2 448	2 700	2 552	↘ -24%	↘ -33%	↘ -36%
WMP	2 324	1 968	2 778	2 296	2 100	2 965	↗ +1.2%	↘ -6.3%	↘ -6.3%	2 990	3 200	3 164	↘ -22%	↘ -39%	↘ -12%
Cheddar	3 105	2 850	3 284	3 059	3 125	3 232	↗ +1.5%	↘ -8.8%	↗ +1.6%	3 733	3 700	3 398	↘ -17%	↘ -23%	↗ -3%

Source : Member States Notifications, USDA

ANNEX 2

EU dairy products monthly stock situation at the end of November 2015

EDA



**EU dairy products
monthly stock situation
at the end of November 2015**

Milk Market Observatory

Economic Board

February 23rd , 2016

Methodology

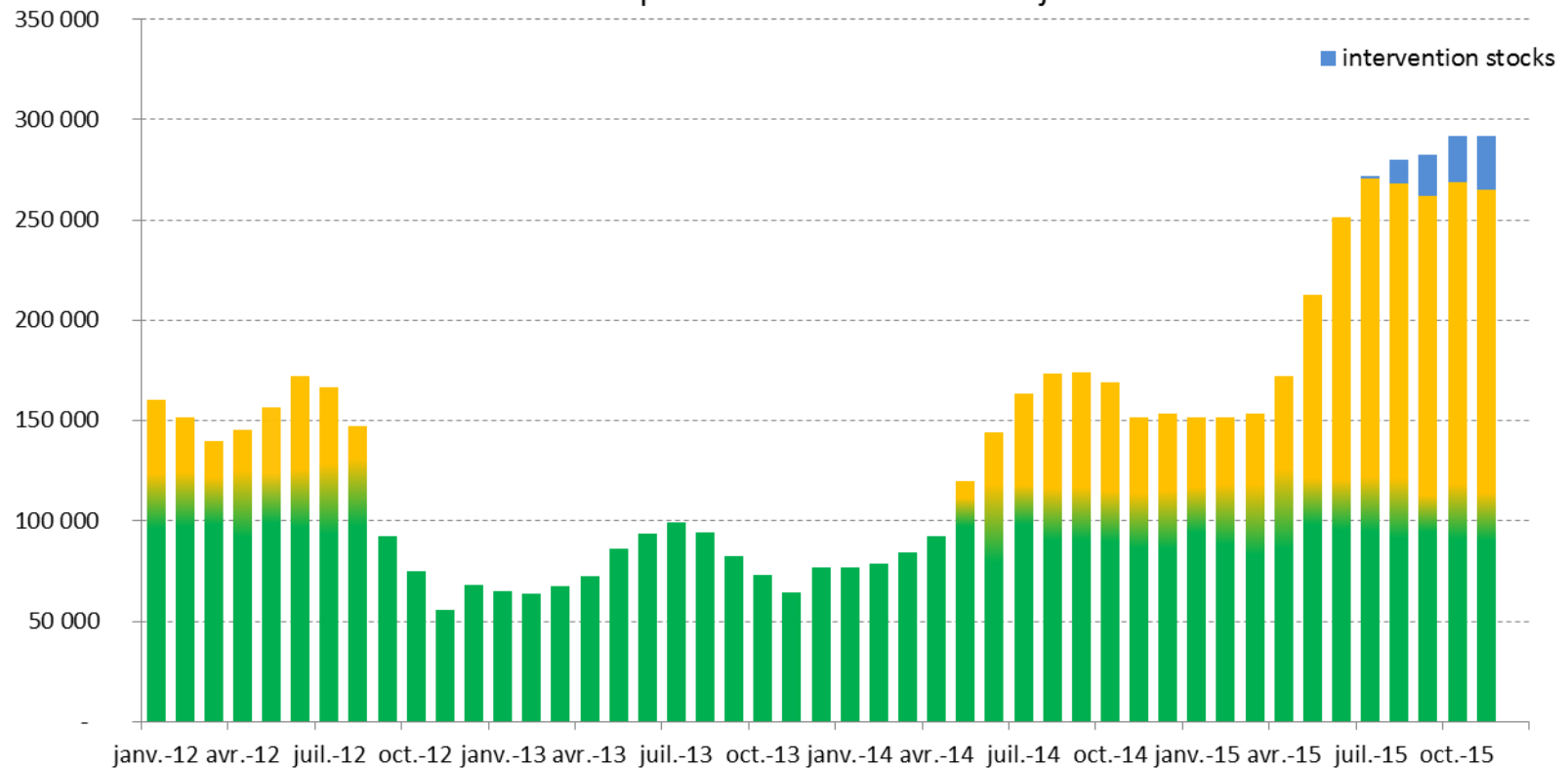
- For each dairy product and each month, the stock estimates are based on the equation:
 - **Stock variation** = EU production + EU import – EU internal consumption – EU exports
- ZMB balance sheets and forecasts have been used as references for :
 - End of year stocks levels in 2012 and 2013
 - Yearly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

European stock level estimates - SMP

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



stock level
in tons

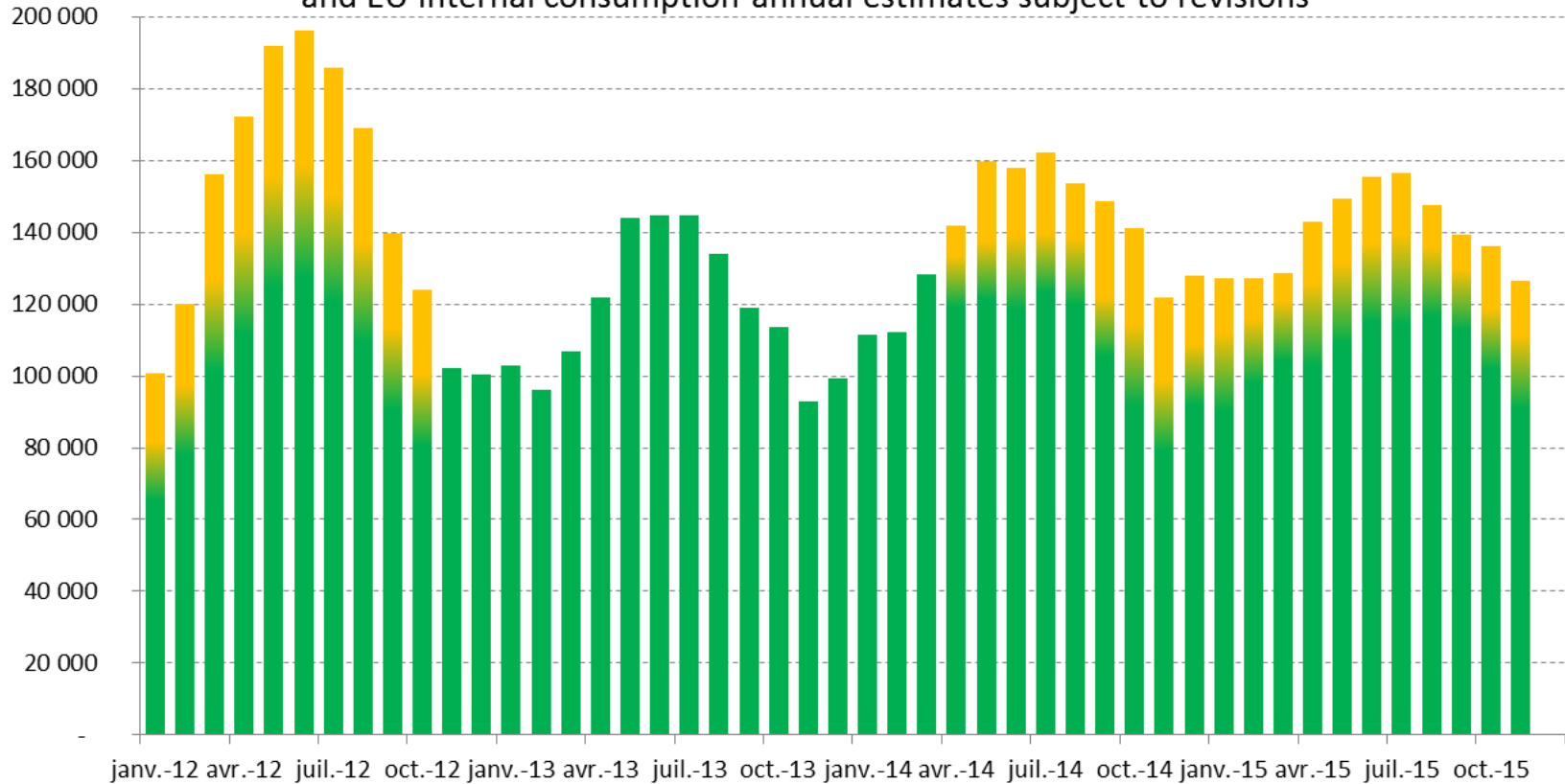


European stock level estimates - Butter



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

stock level
in tons

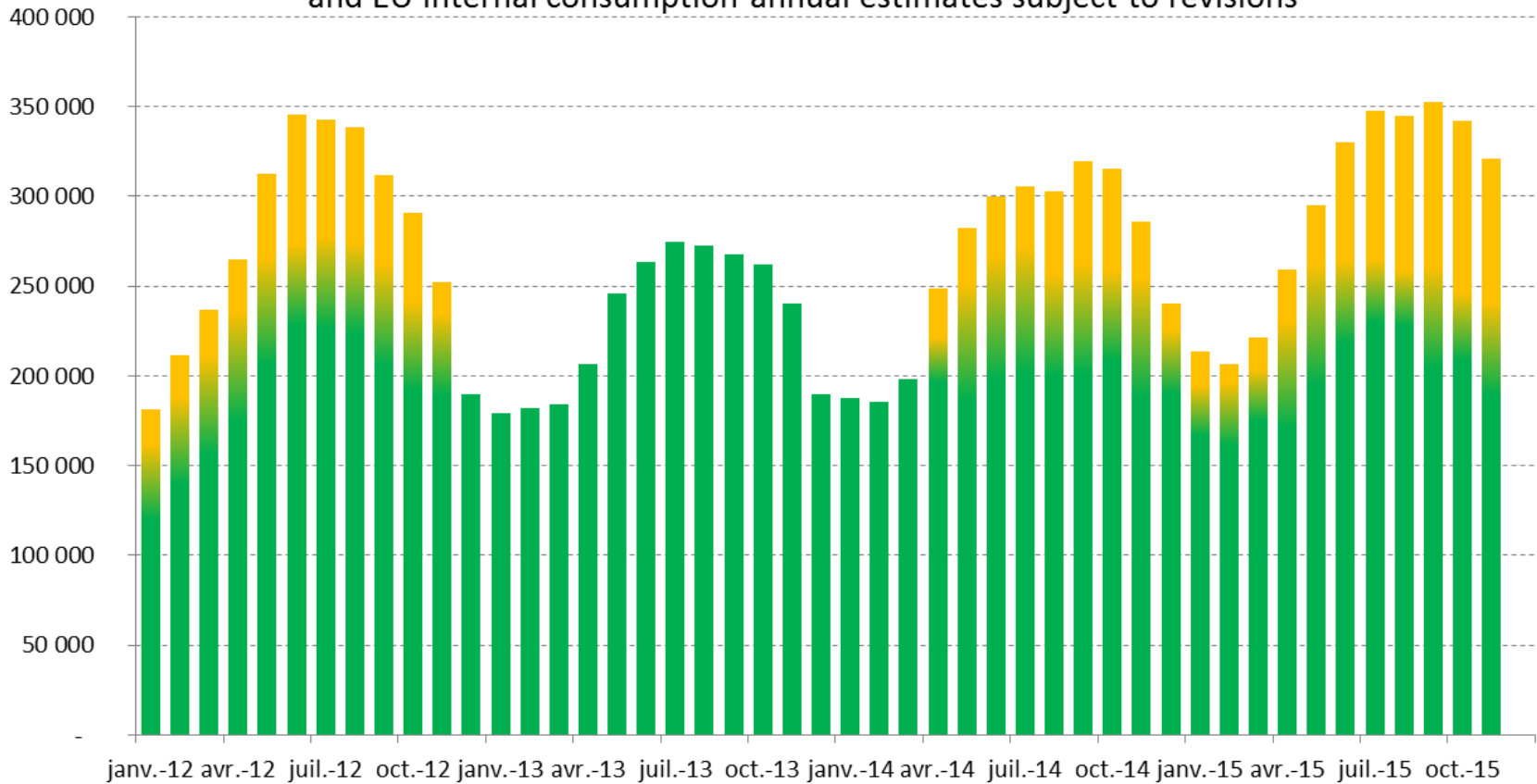


European stock level best estimates - Cheese

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



stock level
in tons



ANNEX 3

Perspectives from the Dairy Trade

Eucolait



Perspectives from the Dairy Trade

MMO Economic Board
23 February 2016



Outline



- Global Supply
- Global Exports
- Global Demand
- Conclusions

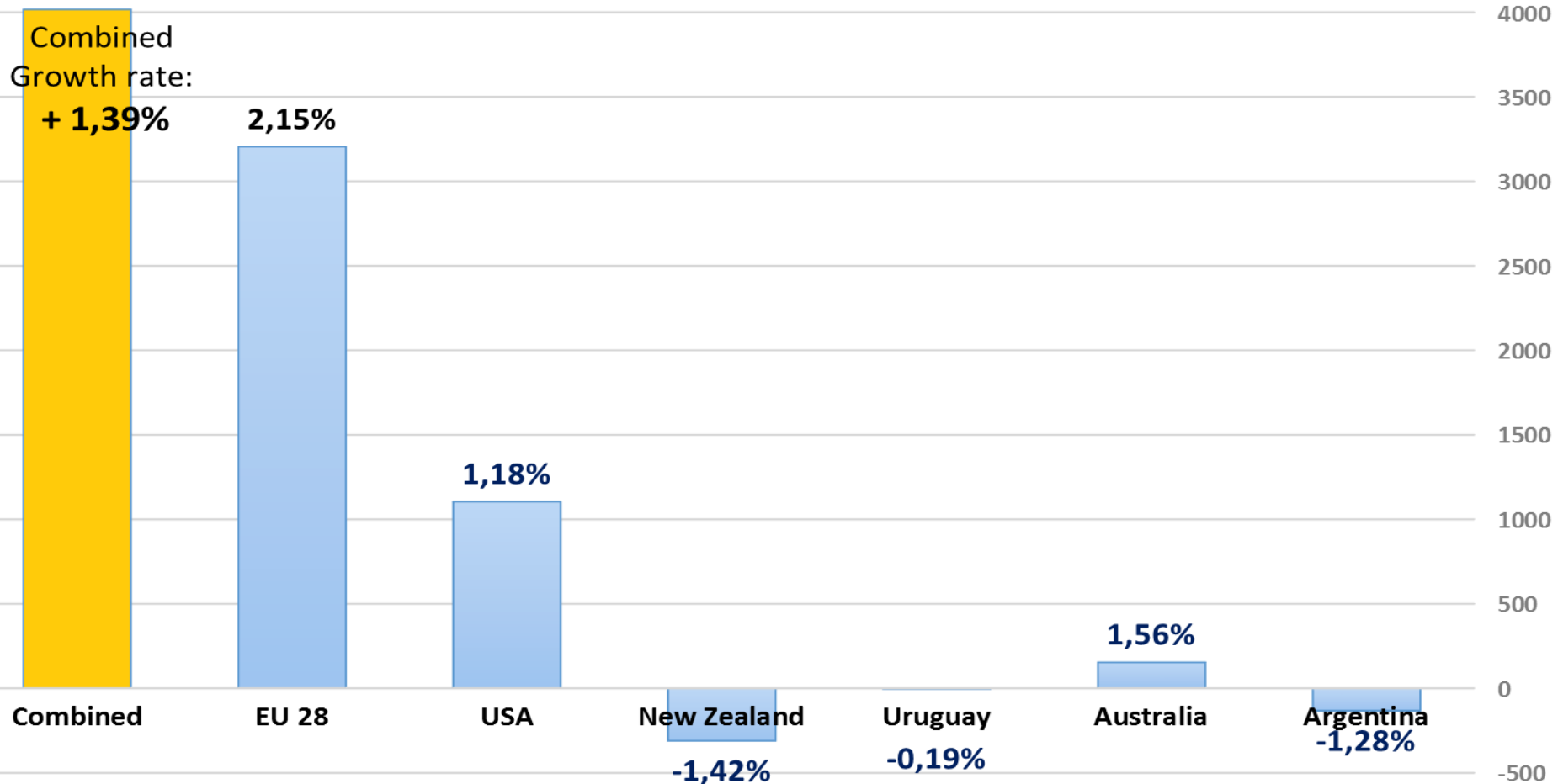


Milk production in key export regions



Comparing Jan-Dec 2015 milk production with Jan-Dec 2014 in main exporting countries/regions,

in '000 tonnes (contains estimates)





Production outlook



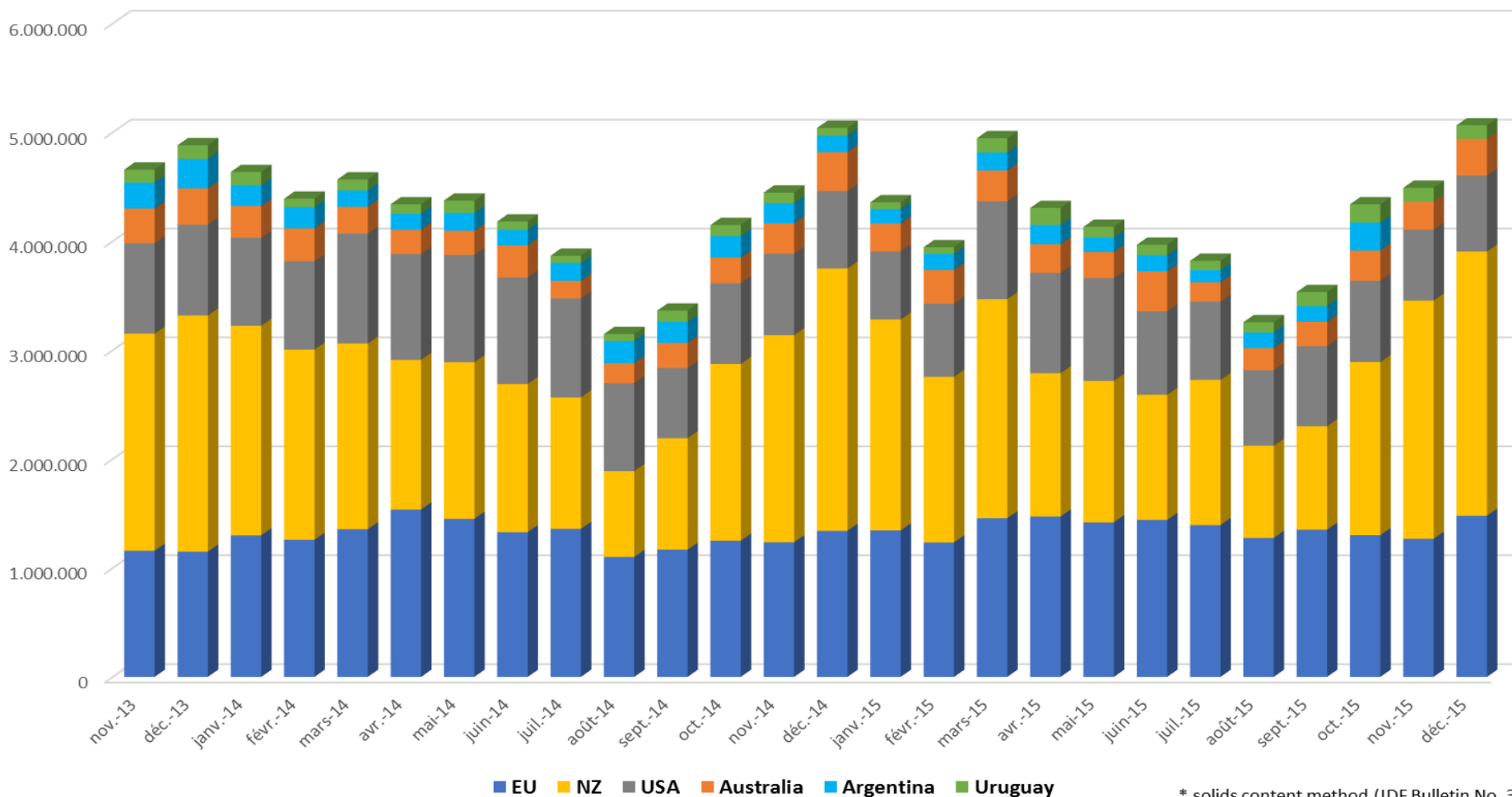
- Continued growth expected in the EU in Q1 and beyond
- US production growth in December 2015 +0,7% in comparison to 2014. Expected growth of +1,9% in Q1 2016 due to slightly increased herd numbers and yields. Estimate for the whole year 2016 is +1,6%
- New Zealand: despite lower herd size, El Nino and price cuts, output is higher than expected. The announced decline of 6% for 2015/16 season unlikely to materialise
- Australia: after weak Q4 2015 production is down 0,2% season to date; decrease of between 1% and 2% expected for the whole 2015/16 season
- Argentina: impact of government change?



Dairy exports of main market players in ME



Monthly global exports
(Butter+ Butteroil + Cheese + SMP + WMP + Whey)
(in tonnes, Milk Equivalent*)



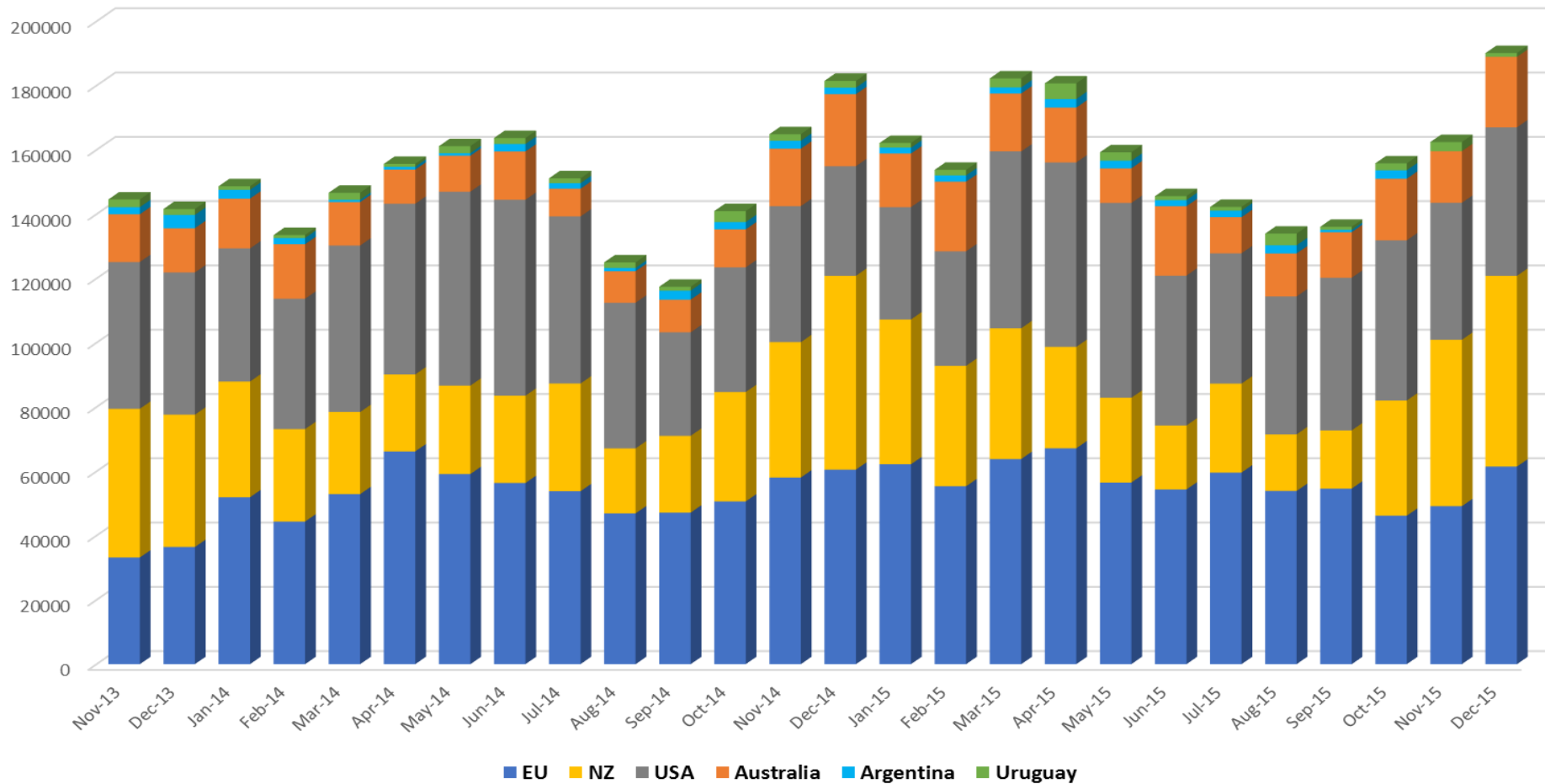
* solids content method (IDF Bulletin No. 390)



SMP exports of main market players



Monthly SMP exports
EU+USA+NZ+Aus+Arg+Uru
(tonnes)

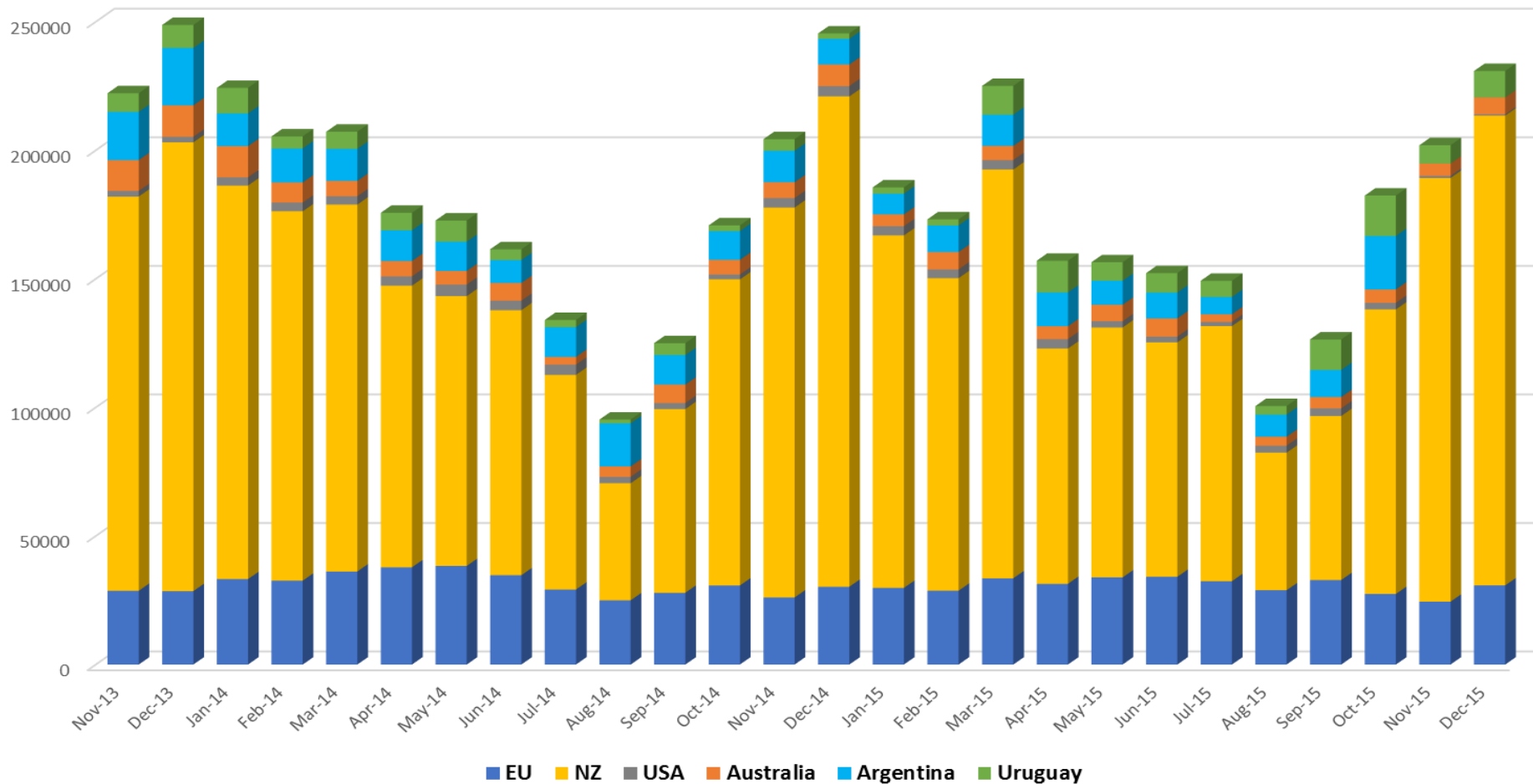




WMP exports of main market players



Monthly WMP exports
EU+USA+NZ+Aus+Arg+Uru
(tonnes)

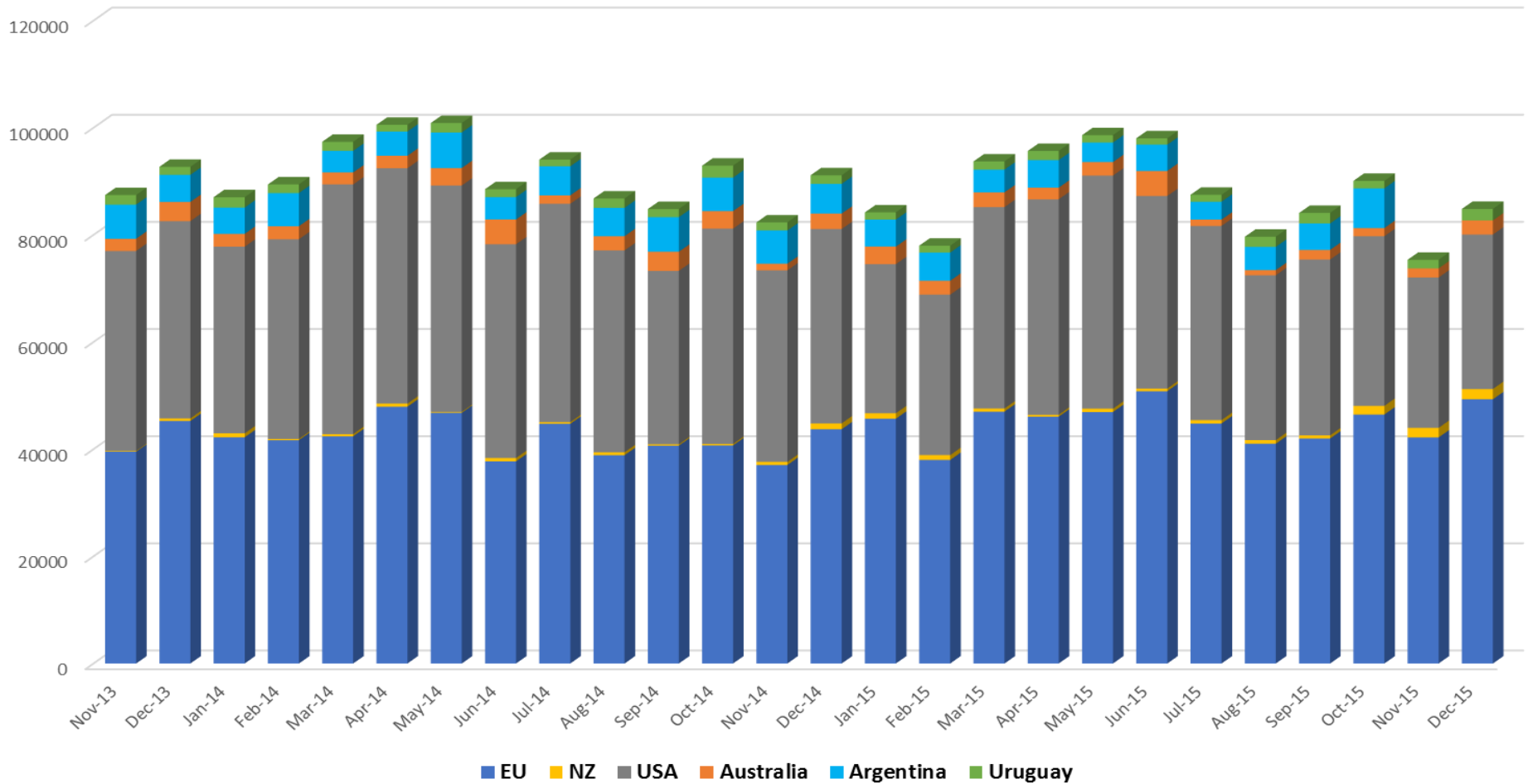




Whey exports of main market players



Monthly Whey exports
EU+USA+NZ+Aus+Arg+Uru
(tonnes)

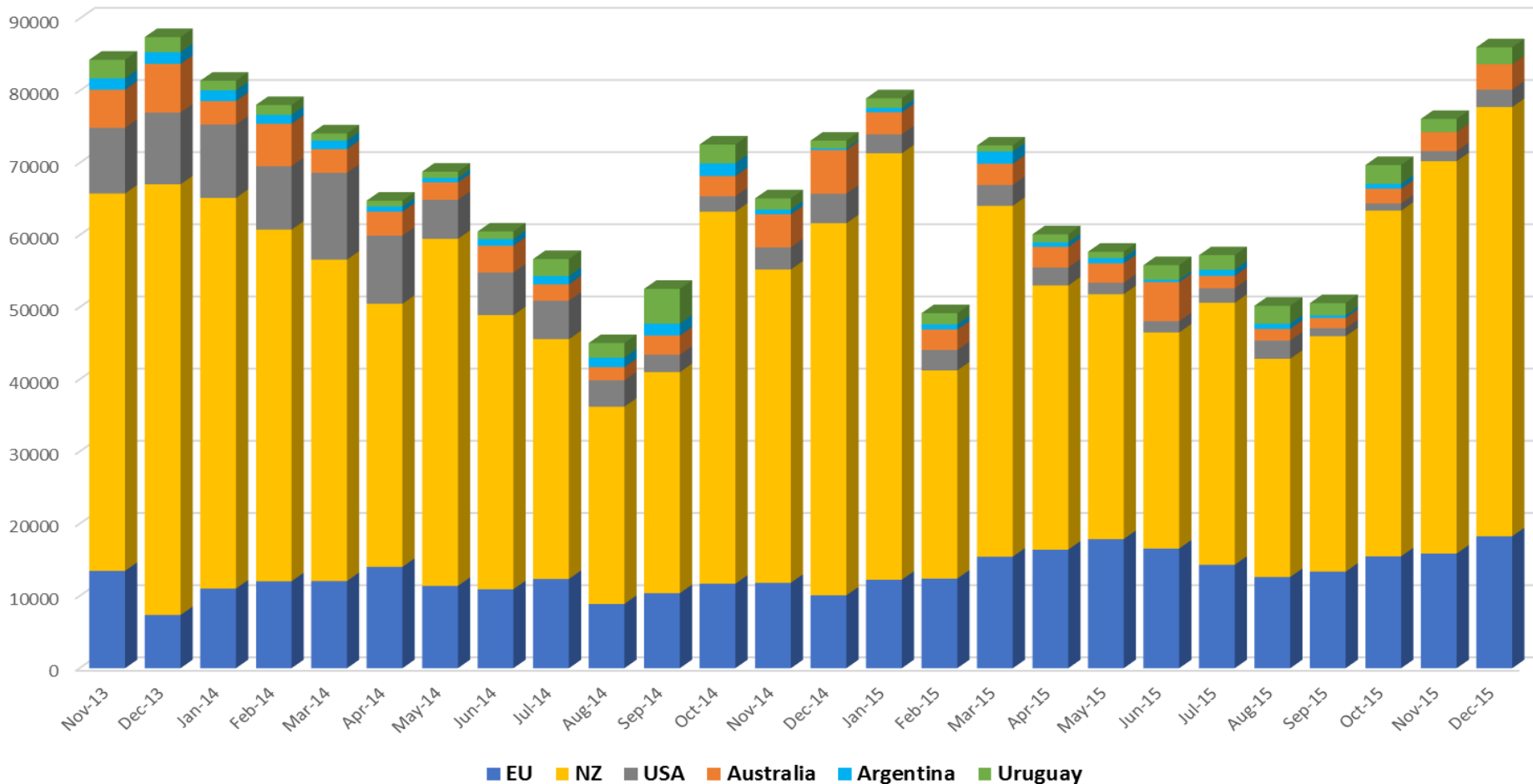




Butterfat exports of main market players



Monthly Butter and Butteroil exports
EU+USA+NZ+Aus+Arg+Uru
(tonnes)

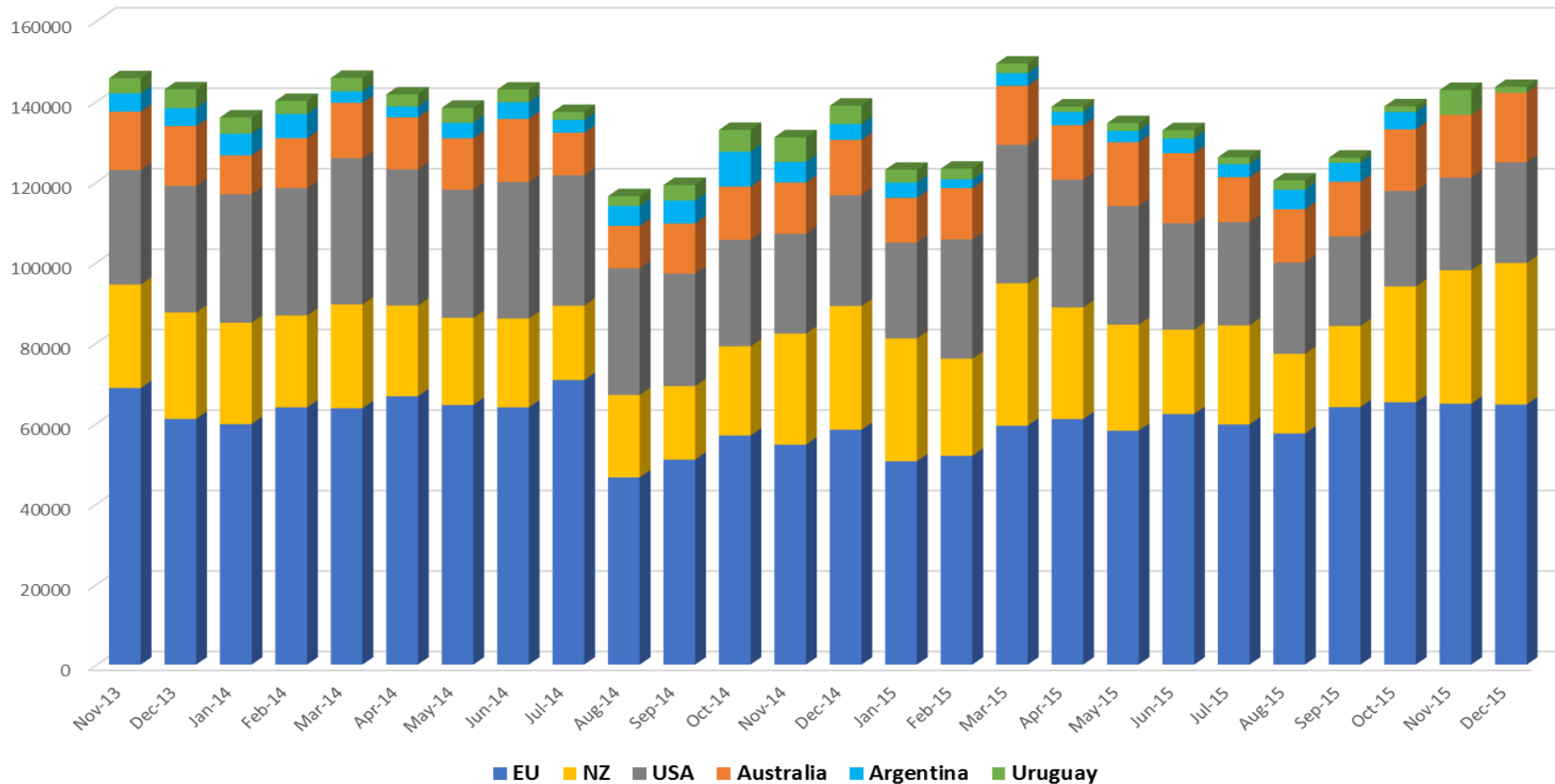




Cheese exports of main market players



Monthly cheese exports
EU+USA+NZ+Aus+Arg+Uru
(tonnes)





EU export destinations in 2015 (whole year)



EU WMP EXPORTS	
Main destinations	% of total
Oman	15%
Algeria	9%
Nigeria	8%
United Arab Emirates	5%
Cuba	5%
Lebanon	4%
Saudi Arabia	4%
Kuwait	4%
Angola	4%
Dominican Republic	3%
RoW	39%

EU SMP EXPORTS	
Main destinations	% of total
Algeria	16%
Egypt	8%
China	8%
Indonesia	7%
Philippines	4%
Thailand	4%
Saudi Arabia	4%
Vietnam	4%
Malaysia	3%
Nigeria	3%
RoW	38%

EU BUTTER EXPORTS	
Main destinations	% of total
United States	13%
Saudi Arabia	10%
Egypt	8%
Turkey	6%
Singapore	6%
China	4%
Morocco	4%
United Arab Emirates	3%
Taiwan	3%
Japan	3%
RoW	39%

EU CHEESE EXPORTS	
Main destinations	% of total
United States	19%
Japan	10%
Switzerland	8%
Saudi Arabia	5%
Korea South	5%
Algeria	4%
Egypt	3%
Australia	3%
Lebanon	2%
United Arab Emirates	2%
RoW	39%

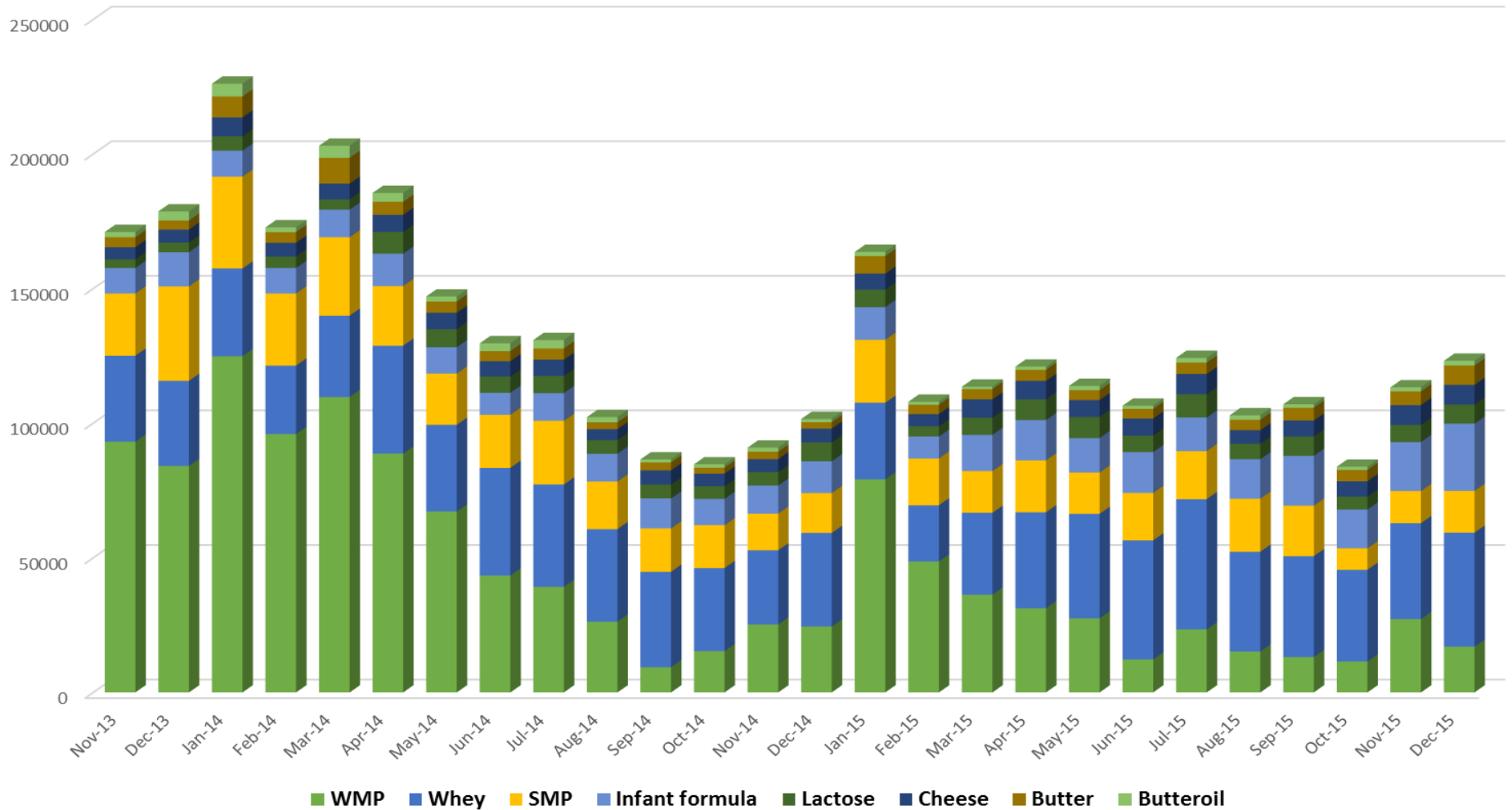
EU WHEY EXPORTS	
Main destinations	% of total
China	30%
Indonesia	14%
Malaysia	11%
Thailand	8%
Vietnam	4%
New Zealand	3%
Singapore	2%
Japan	2%
Pakistan	2%
Philippines	2%
RoW	22%



China Imports



China monthly imports
(tonnes)

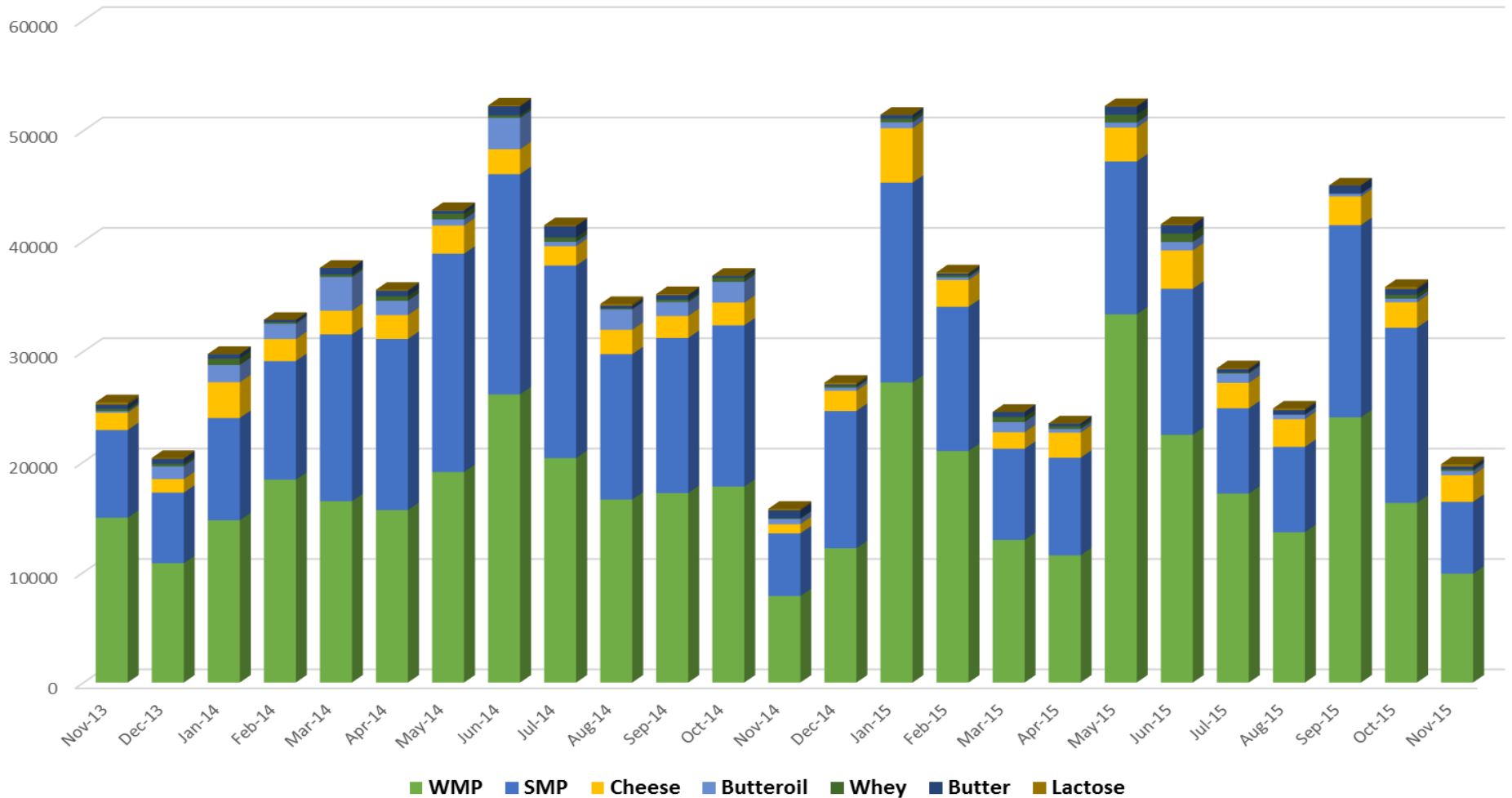




Algeria Imports



Algeria monthly imports
(tonnes)

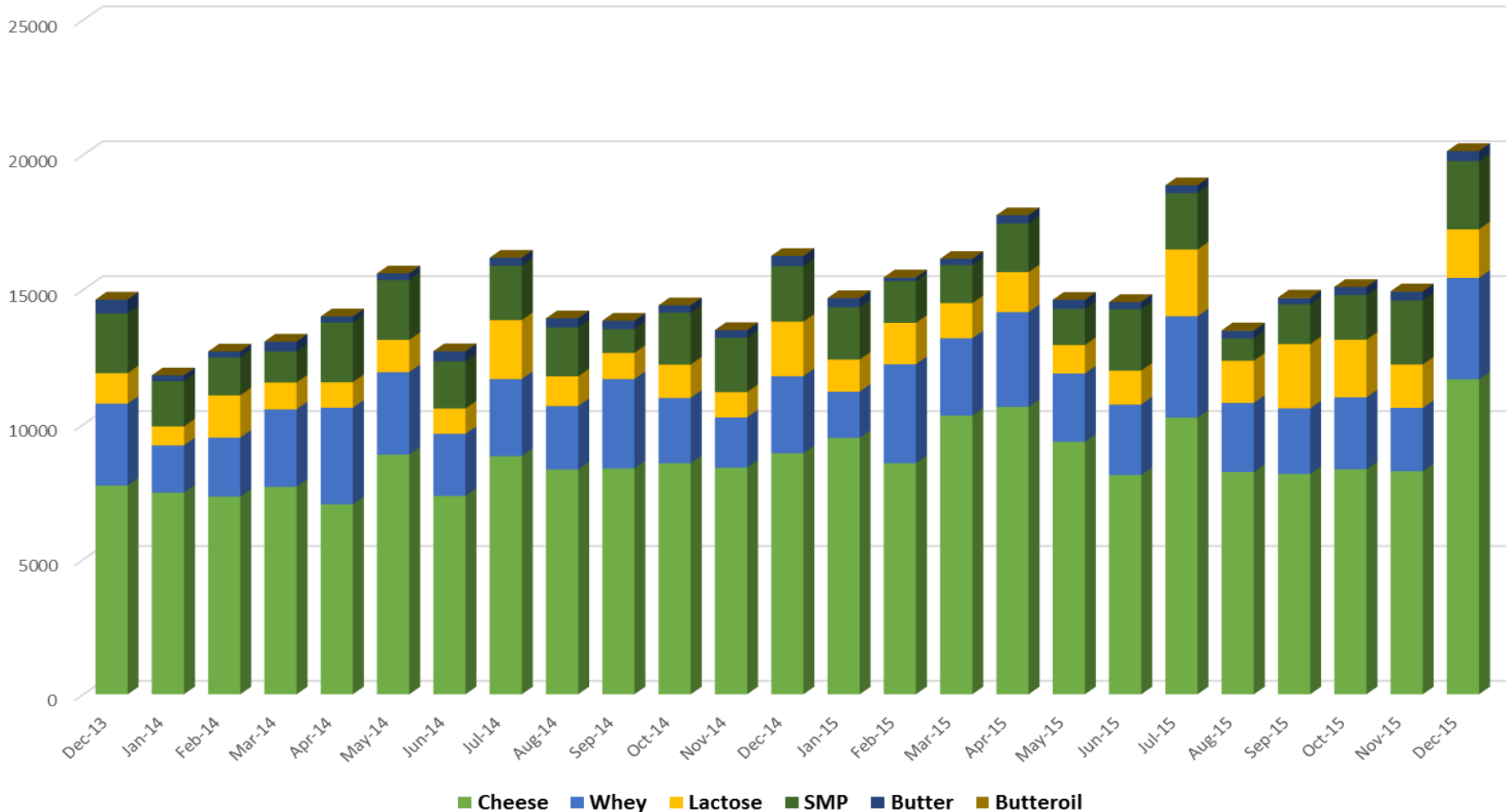




South Korea imports



South Korea monthly imports
(tonnes)

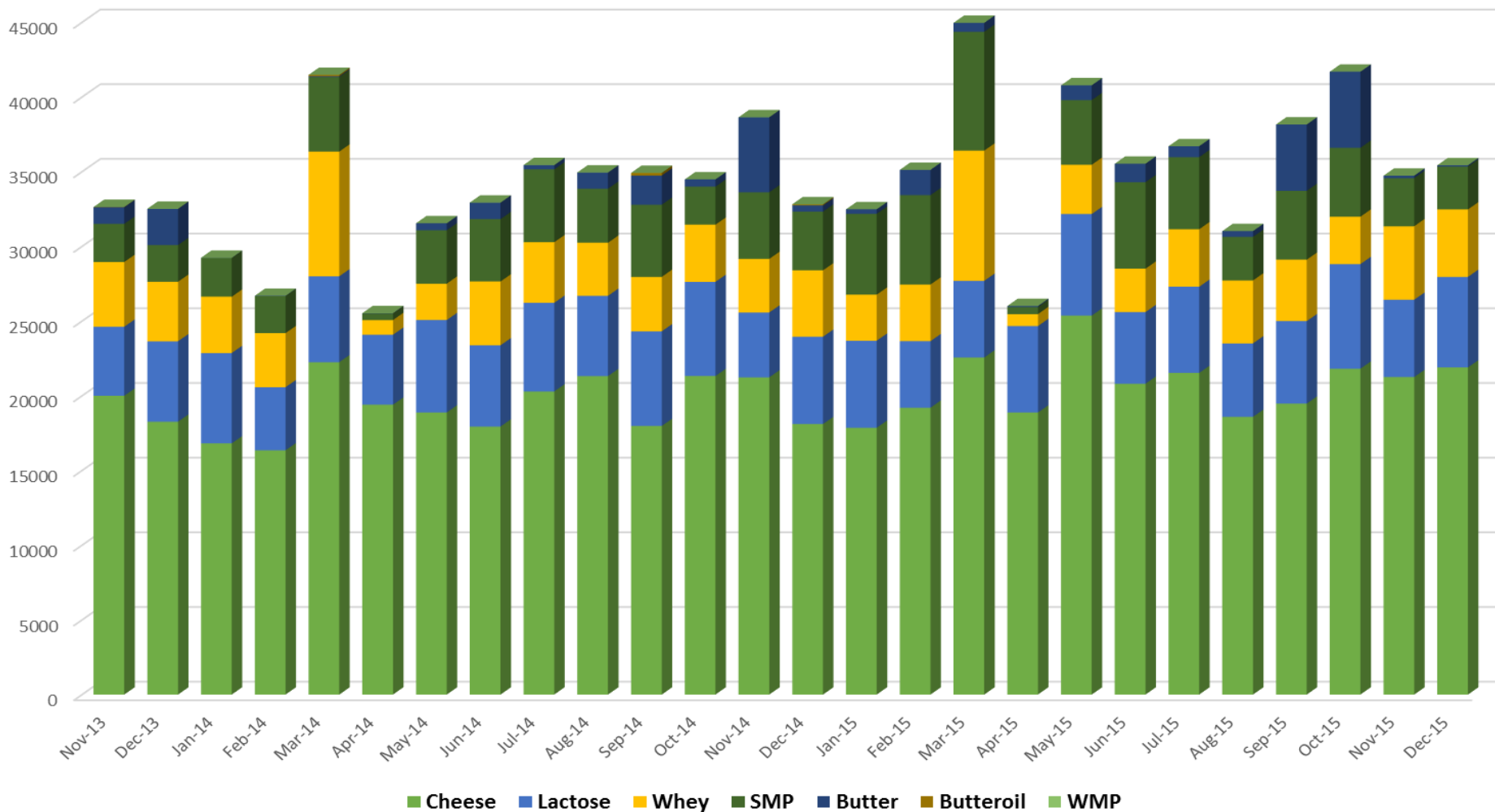




Japan imports



Japan monthly imports
(tonnes)

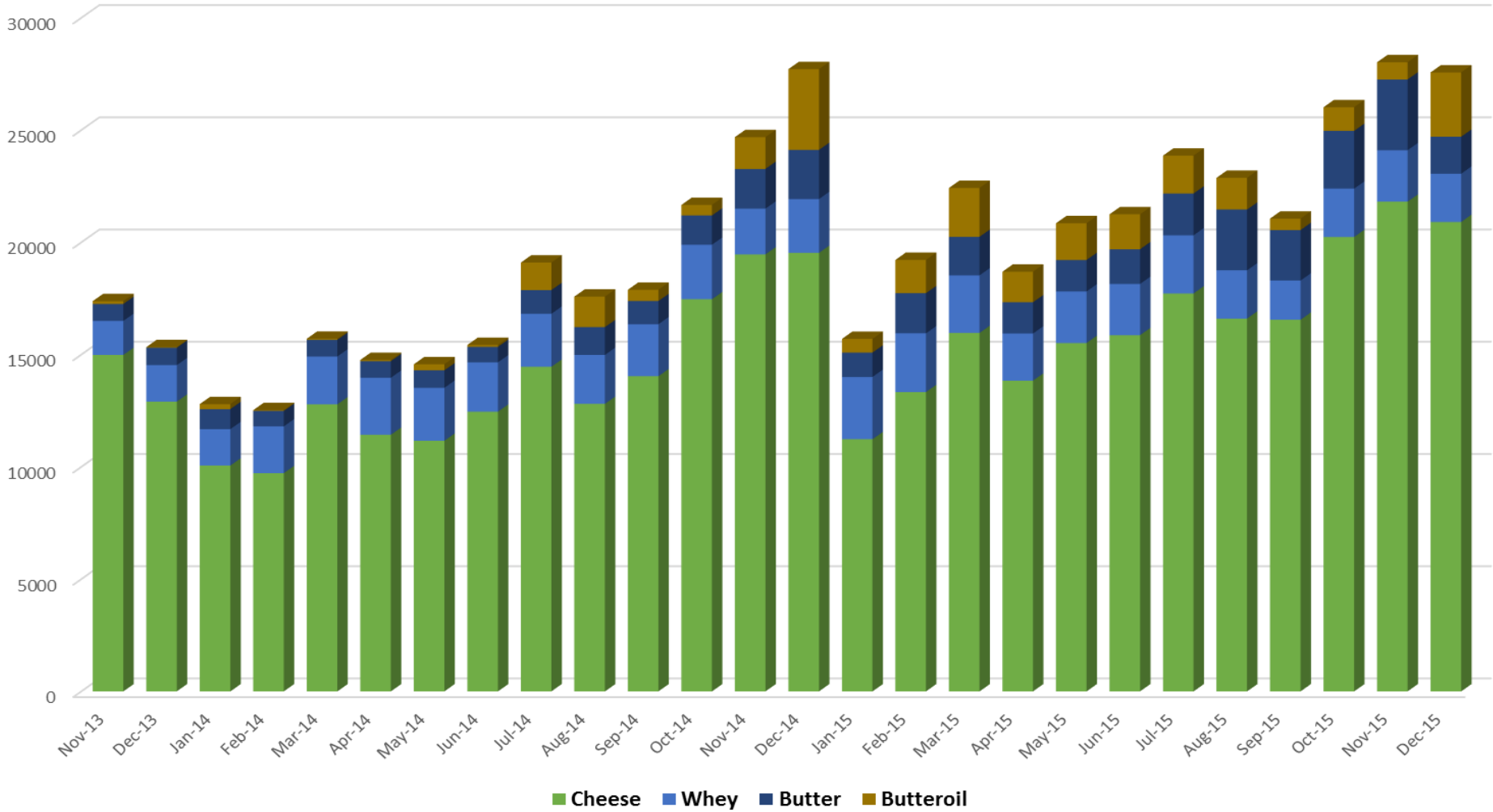




USA Imports



USA monthly imports
(tonnes)

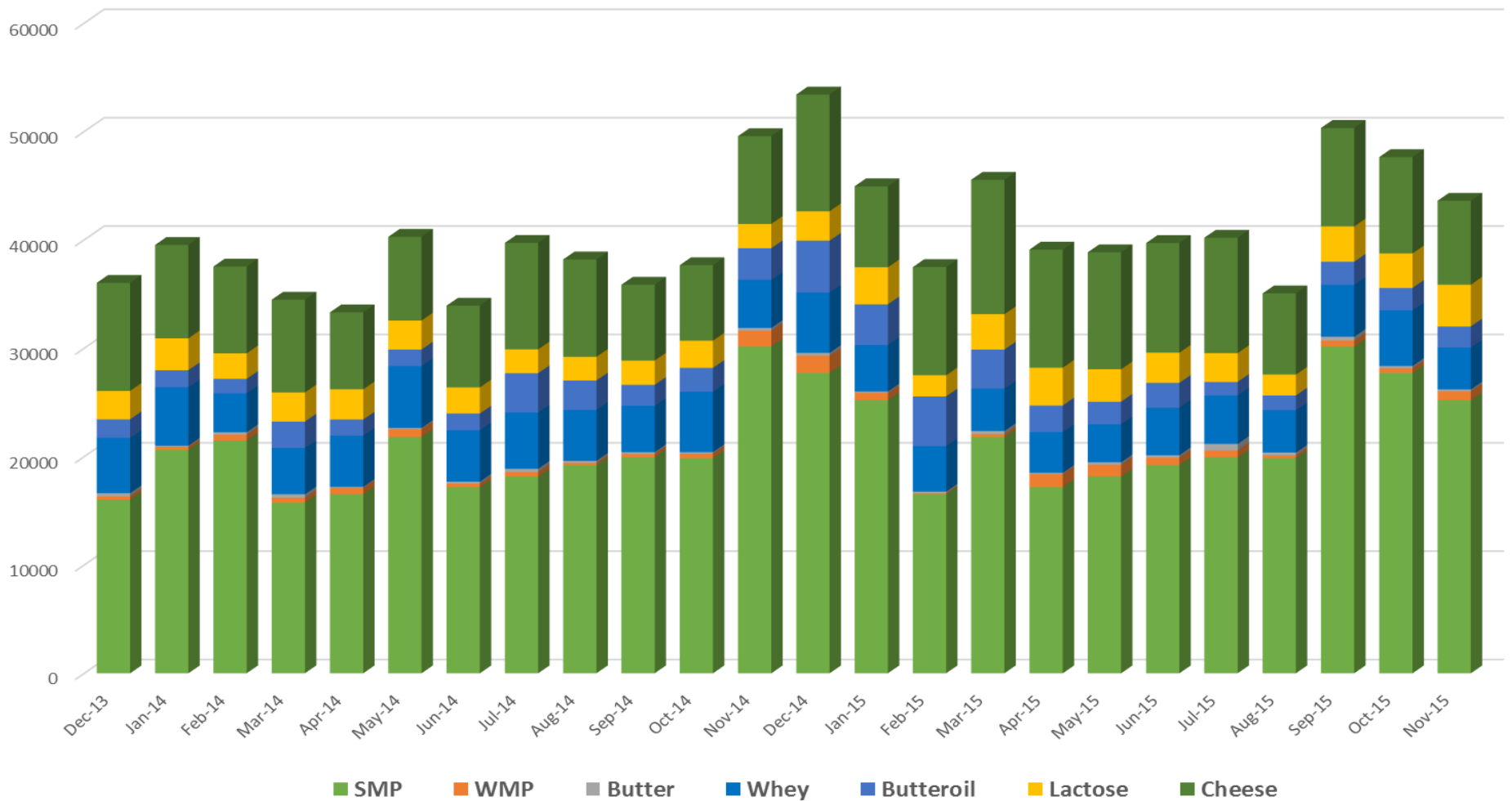




Mexico Imports



Mexico monthly imports
(tonnes)





Conclusions



- Strong EU production continues to overshadow any supply constraints in other regions
- Global demand increasingly affected by higher inventories and lower buying power of oil producing countries.
- Demand in 'developed markets' such as USA and Japan is quite solid but far from enough to absorb the flood of milk
- Very bearish market conditions persist and with the northern spring flush around the corner, the prospect of market recovery is pushed back further
- EU exports will have to perform even better than in 2015 and strong adjustment on the supply side is urgently required!



Thank You

Sources used in presentation: GTIS, EU Commission, USDA, Dairy Australia, DCANZ, Fonterra, Clal, Inale,

Eucolait

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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

23 February 2016

Belgium

Monthly evolution of turnover (value & volume) compared to the previous year

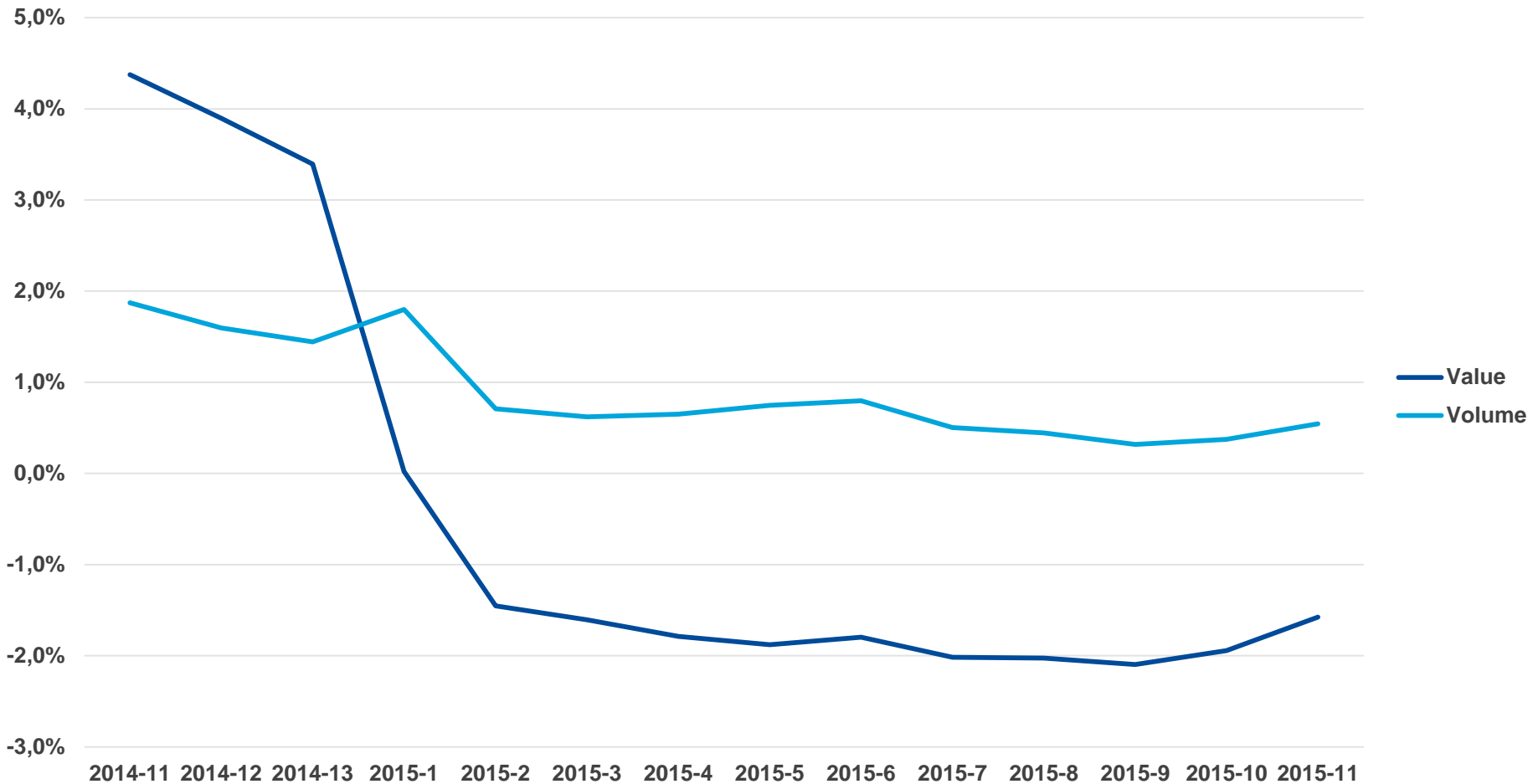
	2014-11	2014-12	2014-13	2015-1	2015-2	2015-3	2015-4
Value	4,4%	3,9%	3,4%	0,0%	-1,5%	-1,6%	-1,8%
Volume	1,9%	1,6%	1,4%	1,8%	0,7%	0,6%	0,7%
	2015-5	2015-6	2015-7	2015-8	2015-9	2015-10	2015-11
	-1,9%	-1,8%	-2,0%	-2,0%	-2,1%	-1,9%	-1,6%
	0,7%	0,8%	0,5%	0,4%	0,3%	0,4%	0,5%

	National Brands		Private Labels		Overall	
	Evolution	Turnover (k€)	Evolution	Turnover(k€)	Evolution	Turnover (k€)
Dairy	-0,76%	1.343.244	1,03%	928.341	-0,04%	2.271.585

Source : Nielsen, MAT ending june 2015

Belgium

Monthly evolution of turnover compared to the previous year



France

Period: P1 2015vs P1 2016 (P1 2016= 4 weeks ending 24 january 2016)

Product category	volumes (% change) 4 weeks period (P1 2015/P1 2016)	volumes (% change) Year on year (P1 2014-P1 2015 / P1 2015 -P1 2016)	Price (% change) 4 week period (P1 2015/P1 2016)	Price (% change) Year on year (P1 2014-P1 2015 / P1 2015 -P1 2016)
Total liquid milk	+0,8%	-2,0%	+3,1%	+1,5%
Of wich UHT skimmed milk	-1,3%	-2,4%	+3,4%	+1,6%
Yoghurt & fresh cheese	0,0%	-1,7%	+0,2%	+0,4%
Butter	-3,9%	-0,6%	+5,5%	+1,7%
Cream	+1,5%	-0,1%	+0,9%	-1,0%
Cheese	+3,1%	+0,4%	+0,3%	-0,4%

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

Italy

Period: Y 2015

Product category	volumes (% change)	value (% change)
Fresh milk	-5,6%	-5,7%
UHT milk	-5,2%	-6,1%
Joghurt	1,4%	0,8%
Fresh cheese	-0,2%	-0,6%
Butter	-2,6%	-8,1%
UHT Cream	-3,2%	-3,1%
Fresh desert	2,7%	2,7%
Cheese ¹	3,2%	1,1%
Cheese ²	-4,8%	-0,7%

Source: Nielsen (Market Track - Totale Italia)

¹ Peso imposto

² Peso variabile (universo iper+super) => source: Nielsen (Totale Negozio Analisi Area Comparto Famiglia)

Portugal

Period: Year-to-date (27/12/2015)

Product category	volumes (% change) Year on year	Value (% change) Year on year
Fresh milk	--11,0	-8,3
UHT milk	-7,0	-16,6
Joghurt	-4,3	-6,0
Fresh cheese	-1,8	-2,0
Butter	-0,0	-3,8
UHT Cream	-3,4	-2,7
Fresh desert	12,4	13,3
Cheese	3,2	-0,5

Source: Nielsen Market Teack W52 2015

Spain

Product category	Volume (million kg/l)		Evolution	Value (million €)		Evolution
	Nov 2014	Nov 2015		Nov 2014	Nov 2015	
Total liquid milk	3.289,34	3.267,76	-0,7%	2.369,29	2.322,87	0,0%
Sterilised milk	3.177,64	3.162,95	-0,5%	2.276,30	2.238,70	-1,7%
Pasteurised milk	80,63	80,88	0,3%	70,03	68,14	-2,7%
Raw milk	31,06	23,82	-23,3%	22,96	16,00	-30,3%
Other types of milk	29,8	30	0,8%	218,1	217,8	-0,1%
Dairy products	1.727,74	1.748,41	1,2%	5.745,28	5.793,28	0,8%
Yoghurt	442,62	432,86	-2,2%	798,24	777,35	-2,6%
Fermented milk/ Bifidus	244,30	247,04	1,1%	766,80	782,78	2,1%
Cheese	347,71	346,83	-0,3%	2.587,64	2.595,83	0,3%
Other dairy products	693,10	721,66	4,1%	1.592,60	1.637,30	2,8%

Source: Ministerio de Agricultura, Alimentación y Medio Ambiente

Sweden

	Value Trend		Volume Trend	
	Last 4 weeks	Last 52 weeks	Last 4 weeks	Last 52 weeks
MILK	1,9	0,0	1,9	-1,5
HARD CHEESE	-14,2	-2,7	-13,4	2,7
CREAM	-3,2	1,6	-5,8	1,2
YOGHURT	8,6	-1,1	9,0	-0,2
COTTAGE CHEESE, CURD CHEESE	19,8	16,8	23,1	26,3
COLD DESSERTS	-12,4	4,1	-11,5	-0,4
BUTTER	43,3	5,1	42,9	5,1

Source: Nielsen ScanTrack, Period ending January 24, 2016 w0316

United Kingdom

UK Dairy Product Retail Price Indices

In December 2015, the RPI increased by 0,31% compared with November and is 1,20% higher than the same month last year. The fresh milk price index increased by 0,77% on the previous month and decreased on the year by 8,18%. The butter index decreased on the month by 3,43% and on the year by 5,57%. Cheese saw an increase on the month of 0,17% and a decrease of 3,86% on the year.

PRODUCT PRICE INDICES			
		compared with	
	Dec-15	1 month before	12 months before
RPI price index	260.6	0.31%	1.20%
Fresh Milk	221.2	0.77%	-8.18%
Butter	315.2	-3.43%	-5.57%
Cheese	241.7	0.17%	-3.86%

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/>

United Kingdom

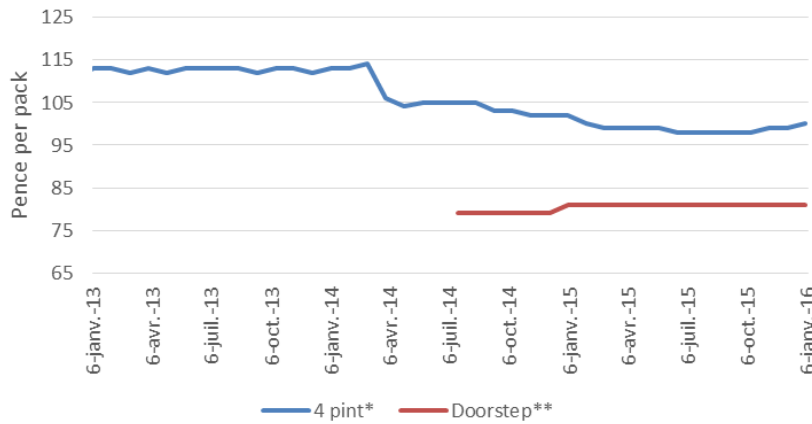
The League table: prices paid to producers on a selection of contracts for milk with a standardised composition (AHDB Dairy Standard Litre) (top 10 for December 2015, published in February)

Companies	Price	Average
	Dec	Annual
Müller Wiseman Dairies Booths	33.14	32.92
Müller Direct Milk M&S - Profile 1	32.34	31.92
Müller Direct Milk M&S - Variable 1	33.84	31.85
Müller Wiseman Dairies Tesco 2	31.02	30.95
Müller Wiseman Dairies M&S	31.13	30.90
Müller Direct Milk Sainsbury- Profile 1	31.22	30.80
Müller Wiseman Dairies Sainsbury	30.96	30.74
Müller Direct Milk Sainsbury -Variable 1	32.72	30.72
Müller Direct Milk Waitrose Profile	31.11	30.69
Müller Direct Milk Waitrose Variable	32.61	30.62

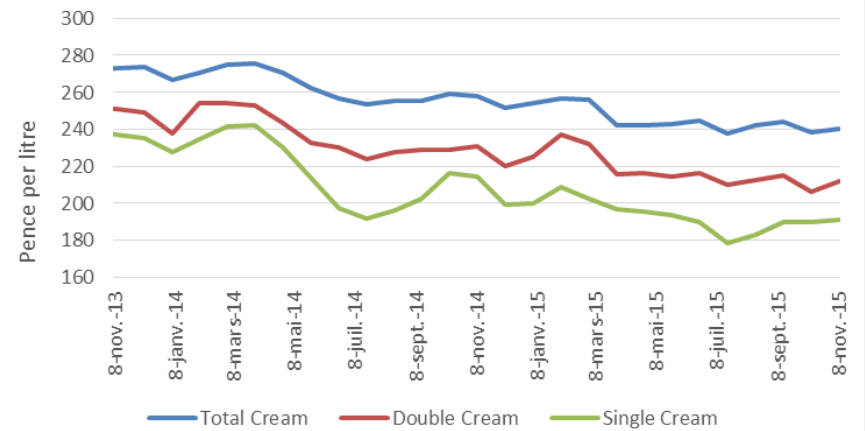
<http://dairy.ahdb.org.uk/market-information/milk-prices-contracts/milk-calculator-and-contracts/league-tables/#.VlBLcnYvcdV>

United Kingdom

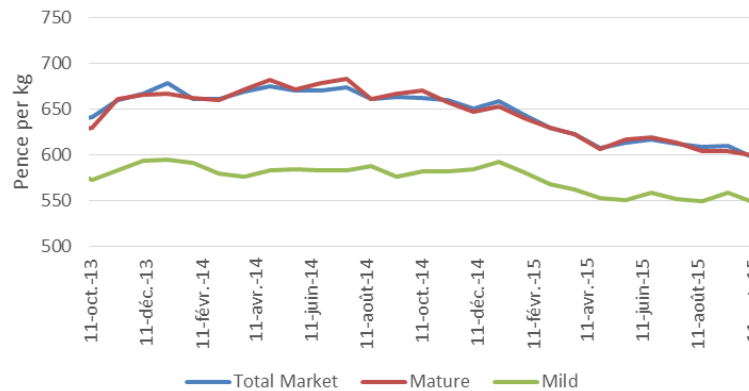
GB Retail Prices - Liquid Milk



GB Retail Prices - Cream



GB Retail Prices - Cheddar



Source: <http://dairy.ahdb.org.uk/resources-library/market-information/dairy-sales-consumption/#.Vi5bDX4vcdV>

United Kingdom

unit price (p)		03-Jan-16	06-Dec-15	Month Diff.	04-Jan-15	Annual Diff.
Liquid milk†	Retail (4 pints)*	100	99	+1	102	-2
	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		11-Oct-15	13-Sept-15	Month Diff	20-Jul-14	Annual Diff.
Cheddar††	Total market	596	609	-13	662	-66
	Mature	600	604	-4	670	-70
	Mild	549	558	-10	582	-33

† updated monthly ; †† updated quarterly ; *pasteurised (private label)

**milkandmore monthly spot price - semi-skimmed glass bottle

Source: Kantar Worldpanel Online

ANNEX 5

Temporary exceptional aid to farmers in the livestock sectors (*Reg. 2015/1853*)

European Commission



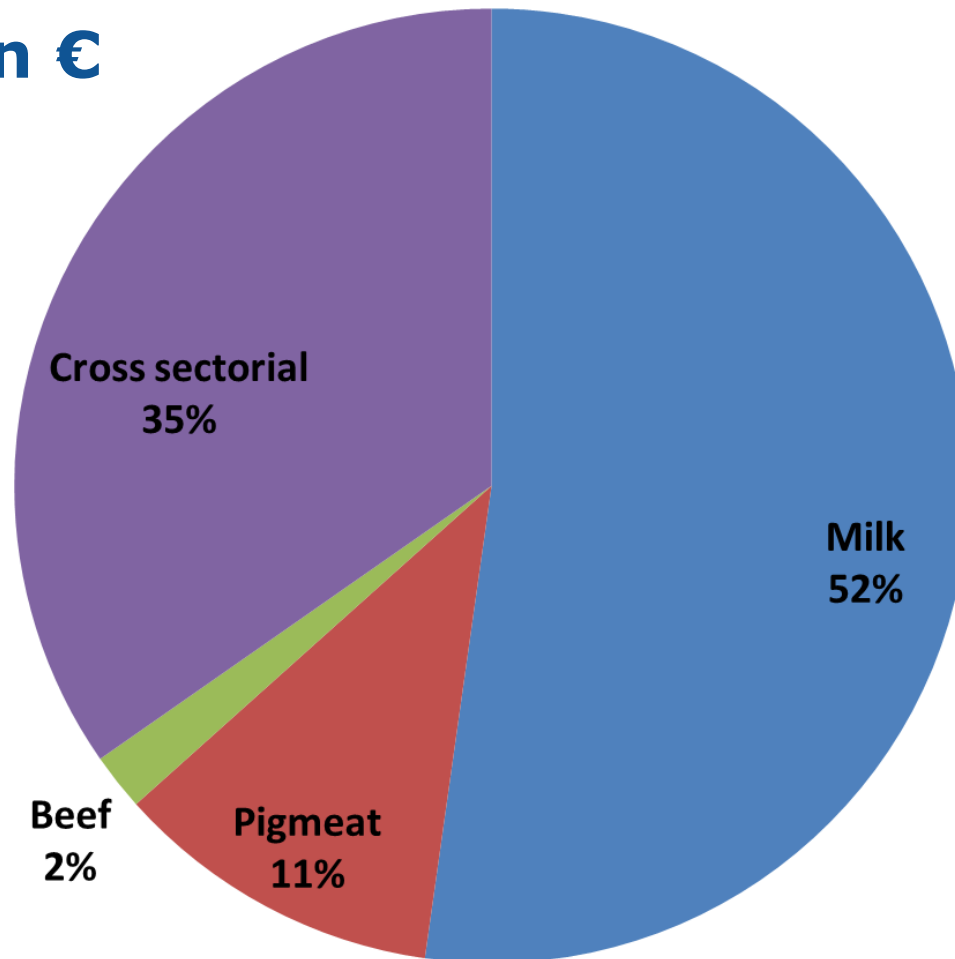
Temporary exceptional aid to farmers in the livestock sectors (R 2015/1853)

Brussels, 23 February 2016

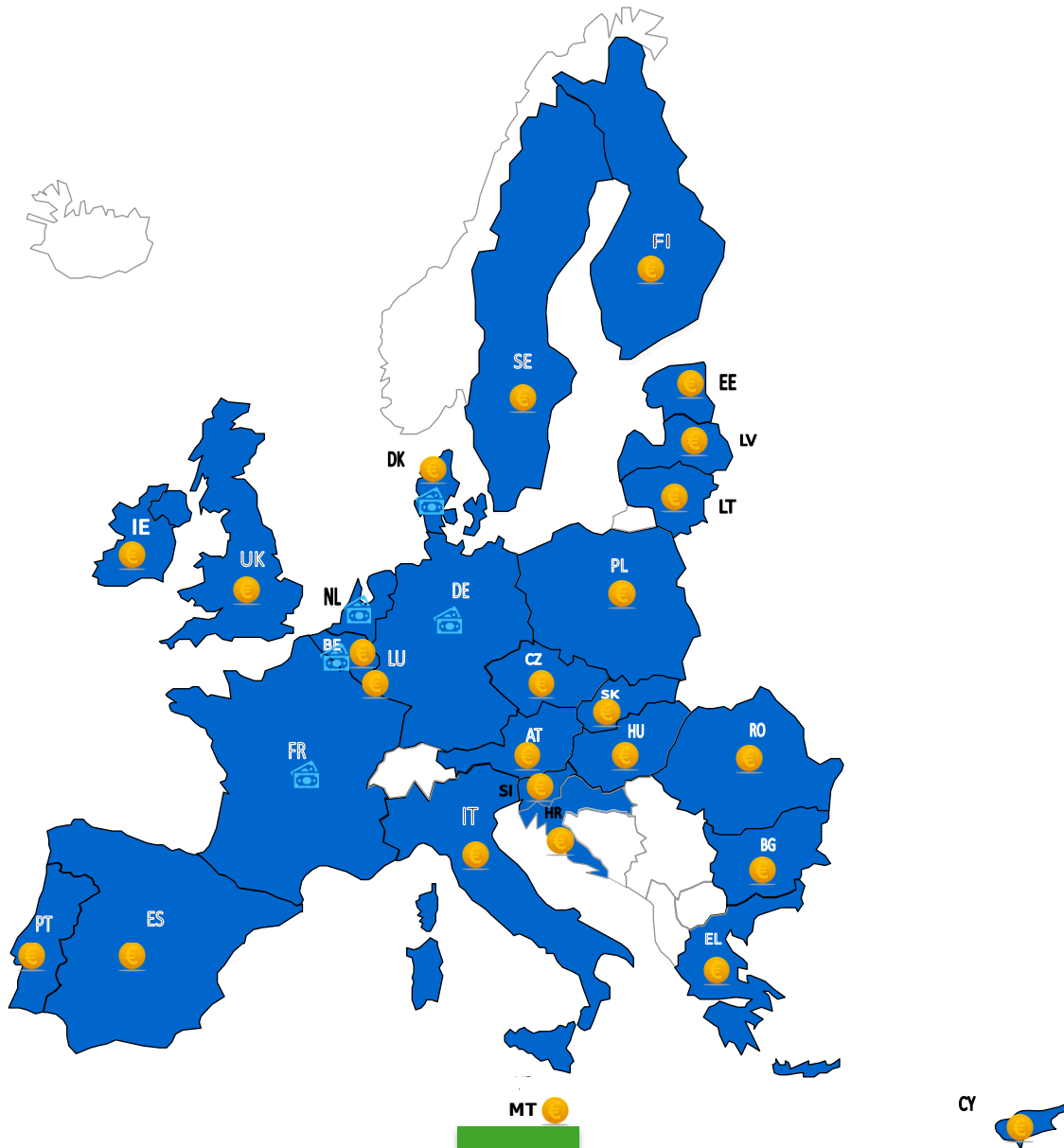
EU Budget



420 million €



Types of measures



23/02/2016

National top up



***109 million €**

