

MMO Economic Board

Meeting of 27 June 2023

- The 46th meeting of the MMO Economic Board took place on 27/06/2023 by video-conference, with the participation of experts from the milk supply chain: COPA-COGECA (producers and cooperatives), ECVC (Via Campesina), CEJA (young farmers), EDA (dairy industry), Eucolait (dairy trade) and Eurocommerce (retail). Presentations and information exchanged during the meeting highlighted the following:
 - EU cow's milk collection has been increasing since September 2022. In January-April 2023, production was +0.8% higher than in the same period in 2022. By April, 13 MS reported increased milk deliveries, including DE (+2.8%), BE (+4.3%), NL (+3.8%) and PL (+1.6%). Milk collection is declining in other main producing MS: FR (-1.9%), IT (-2%), ES (-0.6%) and IE (-1.3%). The estimated value of EU milk production in January-April 2023 was 19% higher than in 2022 and 70% higher than in 2021.
 - In January-April 2023, EU fermented milk, WMP and drinking milk production decreased by -0.7%, -0.7% and -0.5% respectively. Production increased for other dairy products: SMP (+2%), butter (+2.6%), cheese (+0.5%), concentrated milk (+3.6%) and cream (+1.6%).
 - After a sharp increase in 2021 and 2022, EU average farm gate milk prices are in a downward trend. They dropped by some 15% since the beginning of 2023. In April 2023, they decreased by 5.4% (compared to March 2023) to 47.5 c/kg, still above recent years' levels (+2.8% compared to April 2022, +30% above the 5-year average). In April, they increased only in two MS (LV, MT). MS' estimates for May 2023 point to a further decrease to 46.6 c/kg (-2%). Raw milk prices in 7 MS (MT, DE, NL, BE, IE, LT, LV) were lower than a year ago.
 - 4.1% raw milk collected in April was organic (based on notifications from 23 MS), 83% of which come from 5 MS (DE, FR, DK, AT, SE). The price premium is increasing (price difference of 6.8c/kg in April). In four MS (LV, EE, SK, RO), raw organic milk prices were lower than for conventional milk.
 - Feed costs (based on a mix of cereals, rapeseed meal and soybean meal) have softened in the last 6 months but remain at high levels (now at the level of December 2021).
 - EU average prices of some dairy commodities have stabilised or even slightly increased in the last weeks. EU SMP prices increased by 2.7% since last month and are now 38% lower than a year ago but still +1.8% higher than 5 years avg. Butter prices increased by 2.1% since last month and are now 35% lower than a year ago and 2.6% below 5 years avg. WMP prices increased by 2.6% since last month and are still 30% lower than in June 2022. EU whey powder prices decreased by 6.2% since last month and are now 47% lower than a year ago. Cheese prices have declined last month with the exception of emmental (+0.8%). The EU is the most price competitive exporter of butter compared to Oceania and the US. Oceania is the most price competitive for WMP and the US for SMP and cheddar.
- The assessment of EU stock levels based on a residual approach (EU production + EU imports - EU internal consumption - EU exports) shows that SMP stocks increased and are higher than a year ago but still considered at a normal level (some 130 000 t due to higher production and lower internal consumption). Butter stocks have been increasing since November 2022, and are higher than in recent years, now at 200 000 t. Since the beginning of 2023, cheese stocks have increased by 50 000 t (to a level of 310 000 t) but the cheese market is in a good shape.
- In the first four months of 2023, milk collection in the main exporting countries/regions (AU, EU, USA, UK, NZ, AR, UY) globally increased by +0.8%. Production has been ramping up since September 2022, especially in NZ, the UK, US and EU, but now slowing down.
- In Q1 2023, global dairy exports (in milk equivalent) slightly increased by 0.1%. Exports shares of major exporters (EU, NZ, US) grew at the expense of smaller exporters. Dairy demand has been stronger than anticipated as MENA, Mexico and Brazil are compensating the decline in China and SEA. China, Mexico, Indonesia, Algeria and the UK were the top-5 import markets last year. EU exports are performing rather well, with butter and SMP driving the export growth. China, the UK, Algeria, the US and Indonesia were the top-5 EU export destinations in Q1 2023 (39% share).
- Food inflation remains high. Retail sales volumes have decreased since 2022 as consumers are changing their shopping habits by looking for ways to save money, actively searching for best promotions and switching to less expensive food. Consumers are buying less organic and high quality/premium products. Less consumers are willing to pay a higher price to get healthier products. Consumers opt for more private label products than branded goods. Retail prices take up to 6-12 months to follow commodity prices evolution. Prices may soften in 2H2023, resulting in higher sales volumes.
- The Commission presented the latest short-term EU dairy market outlook. EU milk collection may decline in 2H2023. Delayed slaughtering of cows may accelerate in the coming months. So far, in general weather conditions are not as harmful as in 2022 but this could add an additional downward pressure on production.
- Input costs declined recently but are still high. Due to unfavourable weather conditions and decreasing milk prices there may be less incentives to increase production. It is unclear what impact national environmental measures will have on milk production. Currently, the main challenge is to rebuild internal demand for dairy products in the current inflationary context.

ANNEX 1

Milk Market Situation

European Commission



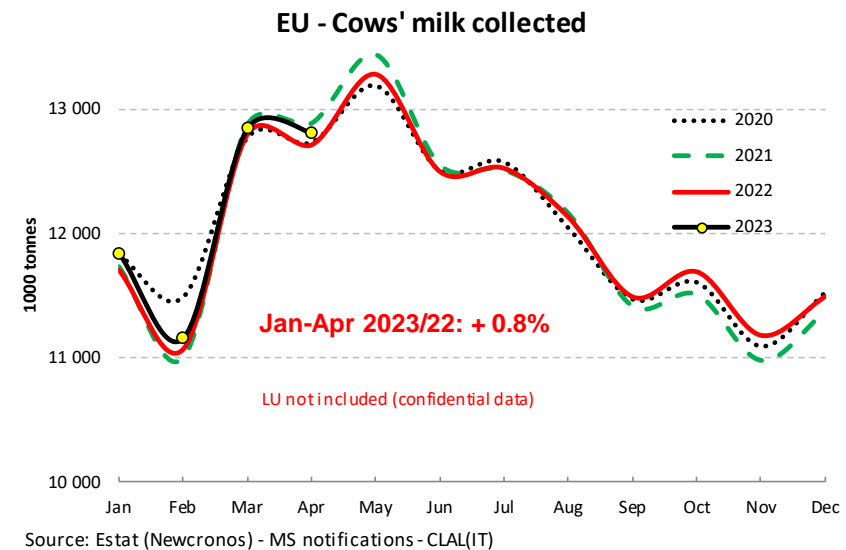
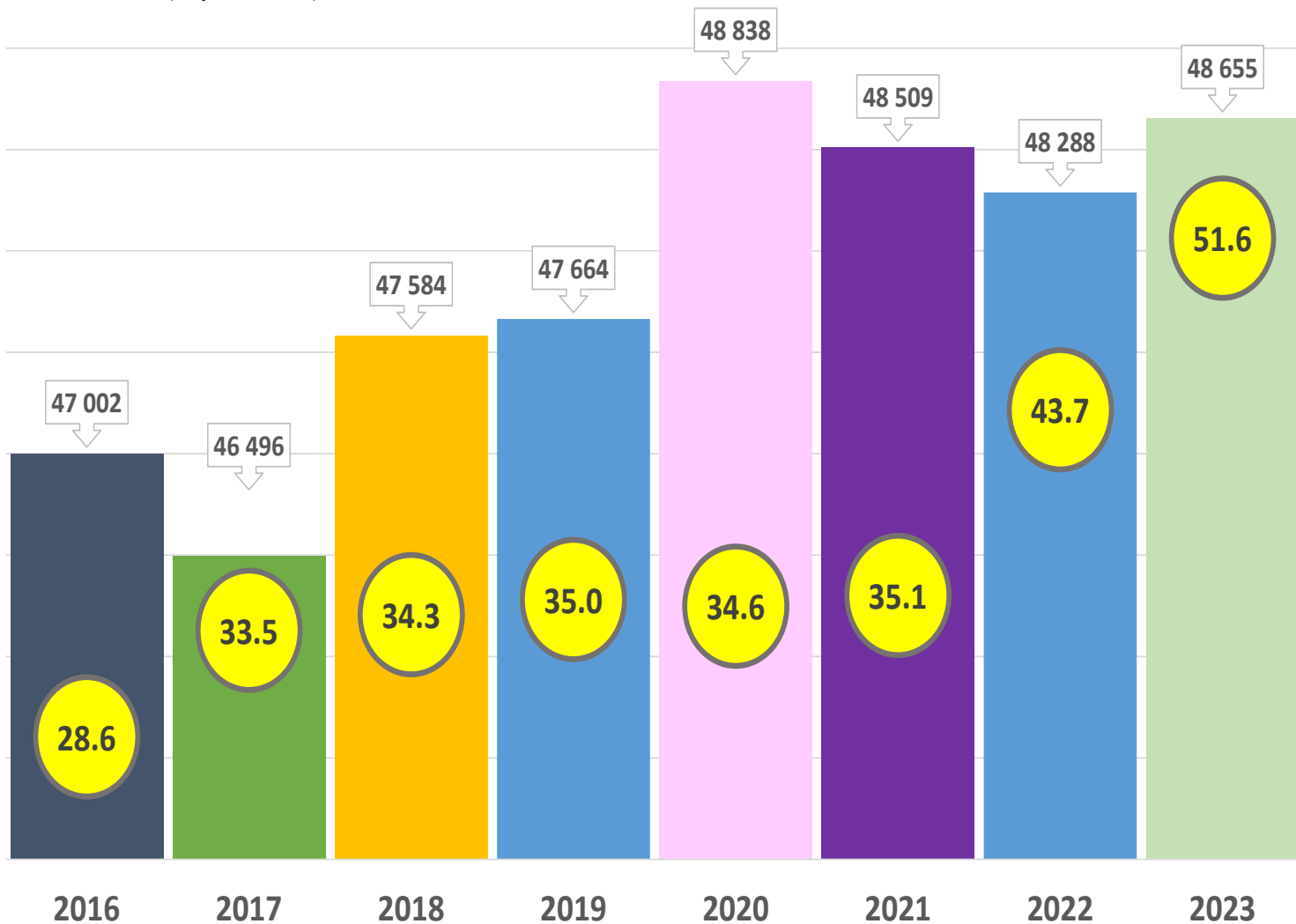
Milk Market Situation

MMO meeting

Brussels, 27 June 2023

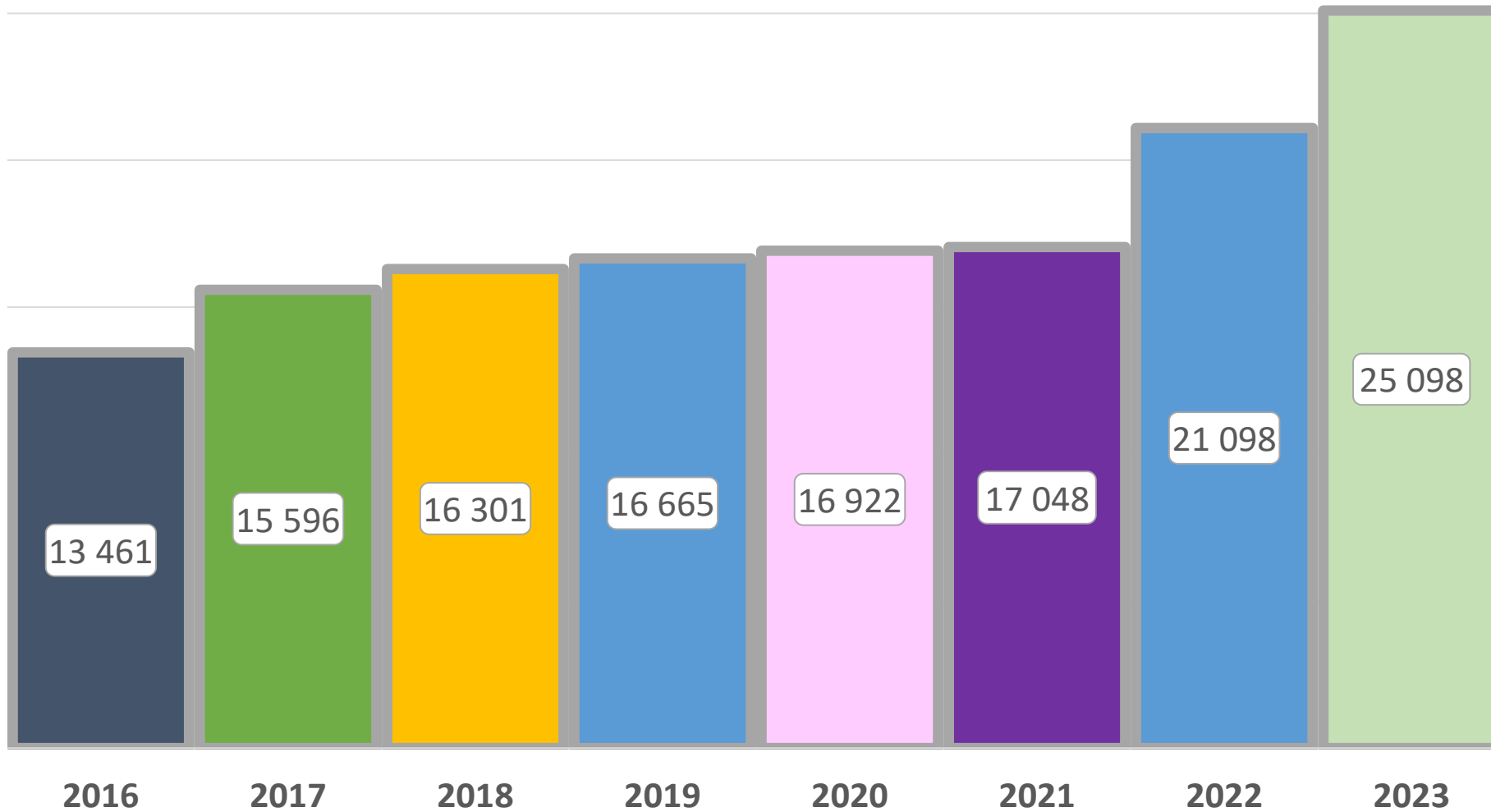
EU-27 milk deliveries and price Jan-Apr 2016-23 (x1000 t, c/kg)

LU not included (confidential data)



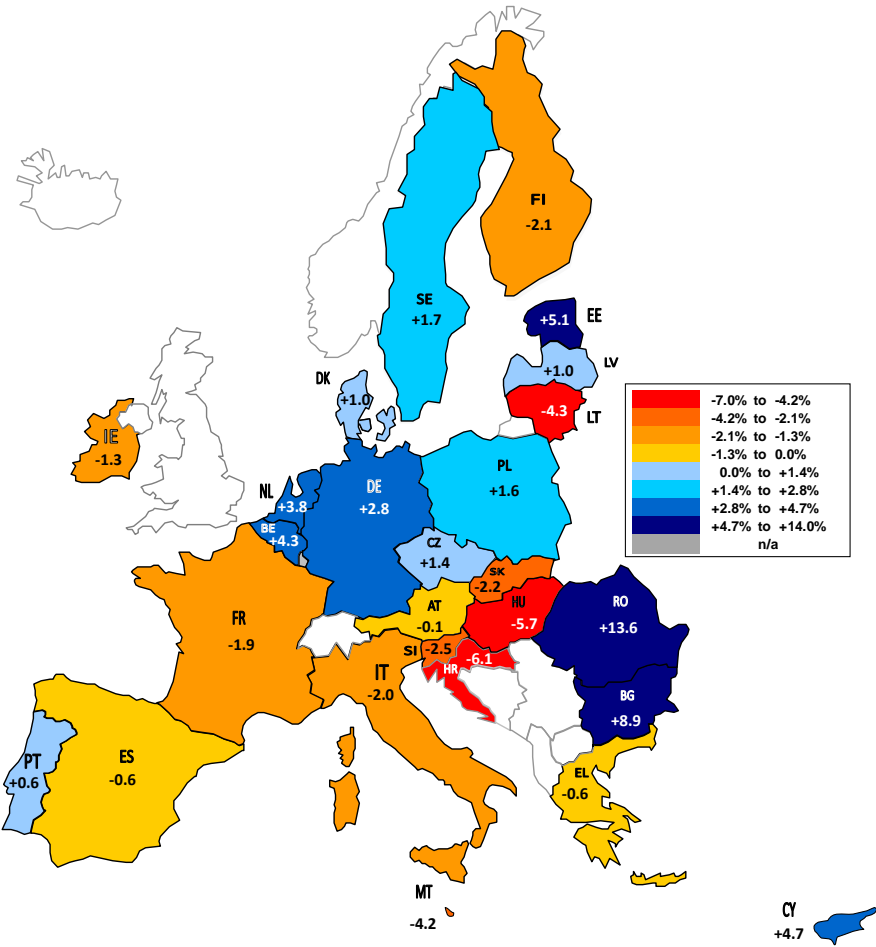
EU-27 value milk production Jan-Apr 2016-23 (x million €)

LU not included (confidential data)



EU Milk Deliveries compared to last period (in %)

(Jan - Apr 2023 / Jan - Apr 2022)



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

The designations employed and the presentation of material on the map do not imply the expression of any opinion whatsoever on the part of the European Union concerning the legal status of any country, territory or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

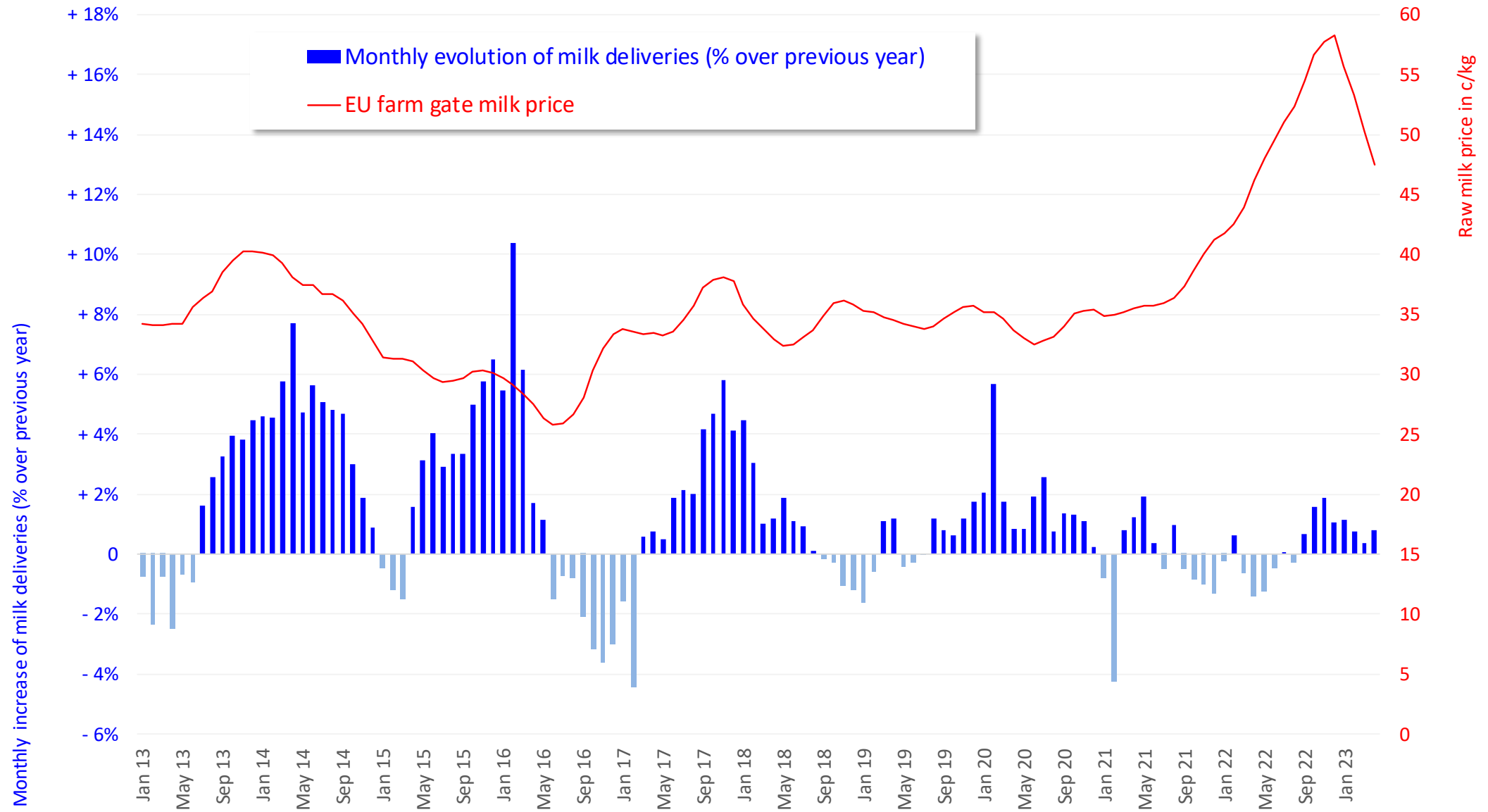
Apr 23 compared to Apr 22

| Rank | evolution in % | | evolution in 1000 Tons | |
|------|----------------|---------|------------------------|-------|
| | MS | % | MS | Tons |
| 1. | RO | + 14.0% | DE | + 89 |
| 2. | CY | + 8.5% | NL | + 38 |
| 3. | EE | + 7.0% | PL | + 24 |
| 4. | BG | + 5.8% | BE | + 15 |
| 5. | BE | + 3.8% | RO | + 13 |
| 6. | DE | + 3.3% | DK | + 8 |
| 7. | NL | + 3.3% | SE | + 6 |
| 8. | LV | + 2.7% | EE | + 5 |
| 9. | SE | + 2.7% | PT | + 4 |
| 10. | PT | + 2.6% | ES | + 4 |
| 11. | PL | + 2.2% | BG | + 3 |
| 12. | DK | + 1.7% | CZ | + 3 |
| 13. | CZ | + 1.3% | CY | + 2 |
| 14. | ES | + 0.7% | LV | + 2 |
| 15. | AT | + 0.2% | AT | + 0 |
| 16. | FI | - 1.2% | MT | - 0 |
| 17. | IT | - 1.5% | EL | - 1 |
| 18. | EL | - 1.6% | SI | - 1 |
| 19. | SK | - 2.1% | SK | - 1 |
| 20. | FR | - 2.1% | HR | - 2 |
| 21. | SI | - 2.5% | FI | - 2 |
| 22. | LT | - 2.7% | LT | - 3 |
| 23. | IE | - 3.3% | HU | - 6 |
| 24. | HU | - 3.8% | IT | - 17 |
| 25. | HR | - 6.0% | IE | - 36 |
| 26. | MT | - 6.4% | FR | - 46 |
| EU | | + 0.8% | EU | + 100 |

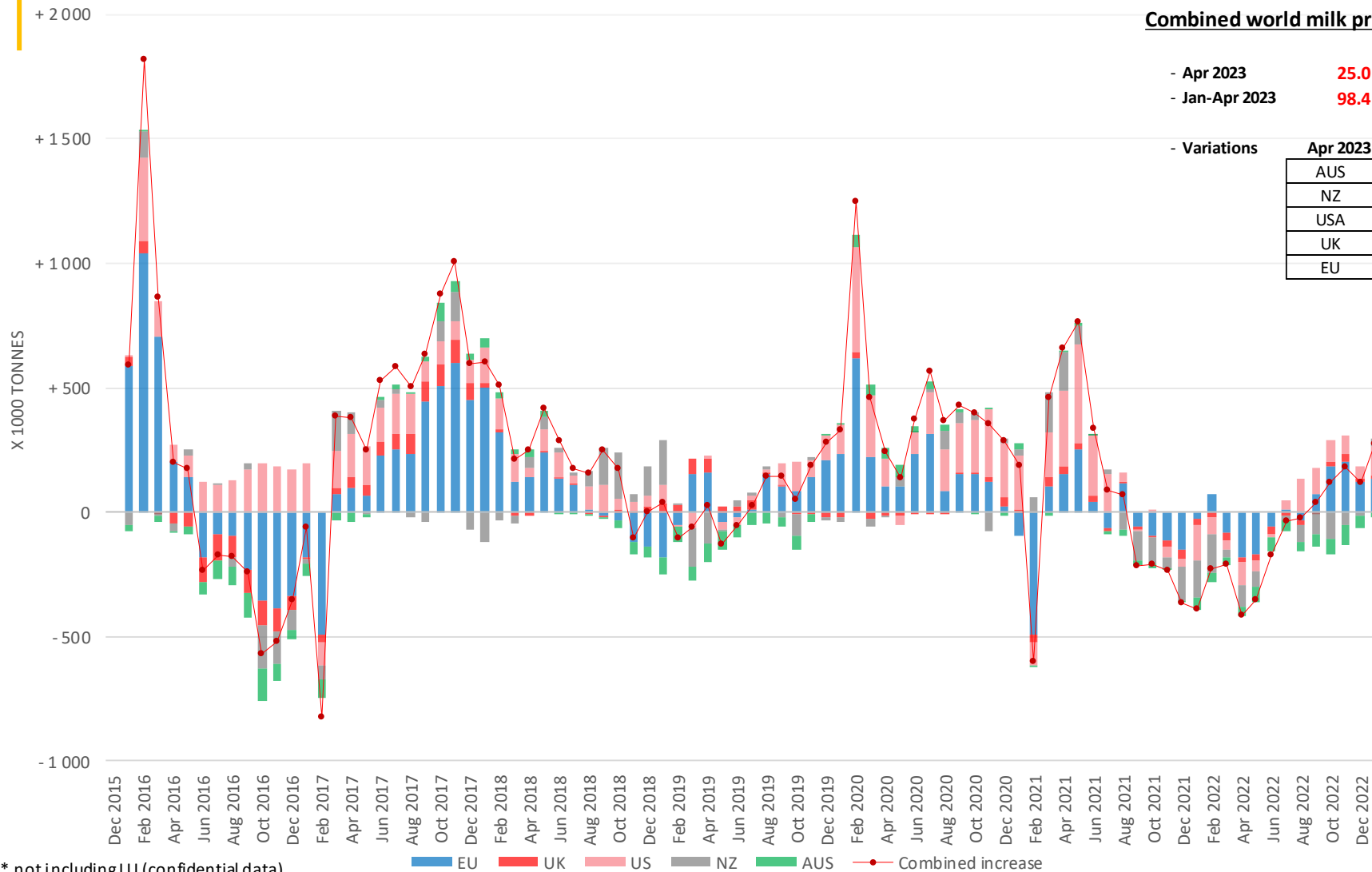
%: estimates

rem: LU not included (confidential data)

Increased production since Sept



EU*+UK+US+NZ+AUS COMBINED MILK PRODUCTION GROWTH



Combined world milk production



- Apr 2023 **25.0** mio t **+0.9%**
 - Jan-Apr 2023 **98.4** mio t **+0.8%**

- Variations

| Apr 2023 | | |
|----------|---|--------|
| AUS | 👇 | - 1.3% |
| NZ | 👆 | + 6.8% |
| USA | 👉 | + 0.3% |
| UK | 👈 | + 0.2% |
| EU | 👉 | + 0.8% |

In 2023

| | | | | |
|----------|-----|---|--------|----------------|
| Apr 2023 | AUS | 👇 | - 3.0% | (Jan-Apr 2023) |
| Apr 2023 | NZ | 👆 | + 2.3% | (Jan-Apr 2023) |
| Apr 2023 | USA | 👉 | + 0.8% | (Jan-Apr 2023) |
| Apr 2023 | UK | 👈 | + 1.0% | (Jan-Apr 2023) |
| Apr 2023 | EU | 👉 | + 0.8% | (Jan-Apr 2023) |

* not including LU (confidential data)

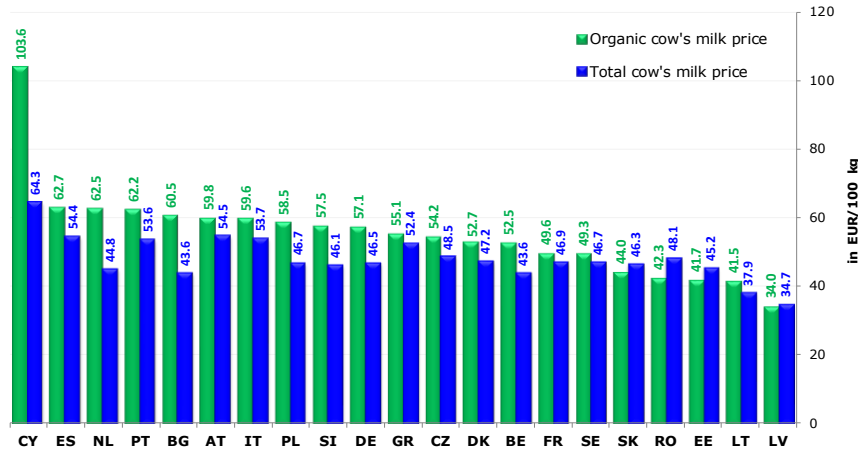
EU UK US NZ AUS Combined increase

EU organic raw milk production & prices

EU Organic cow's milk prices

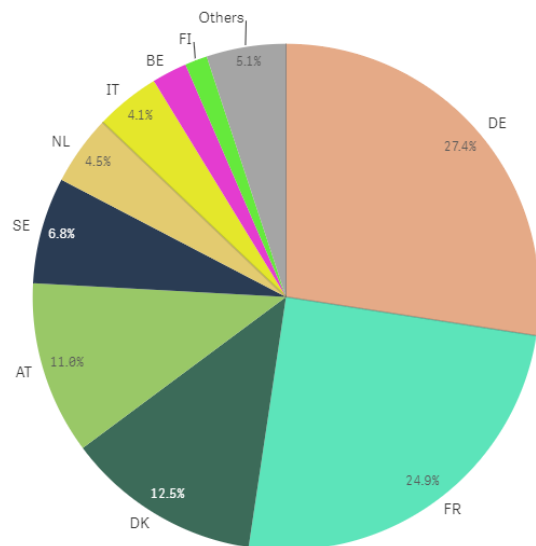
April 2023

Source : Member States (Regulation (EU) No 2017/1185 Article 12(a) - Annex II.4(a))



Organic cow's milk deliveries

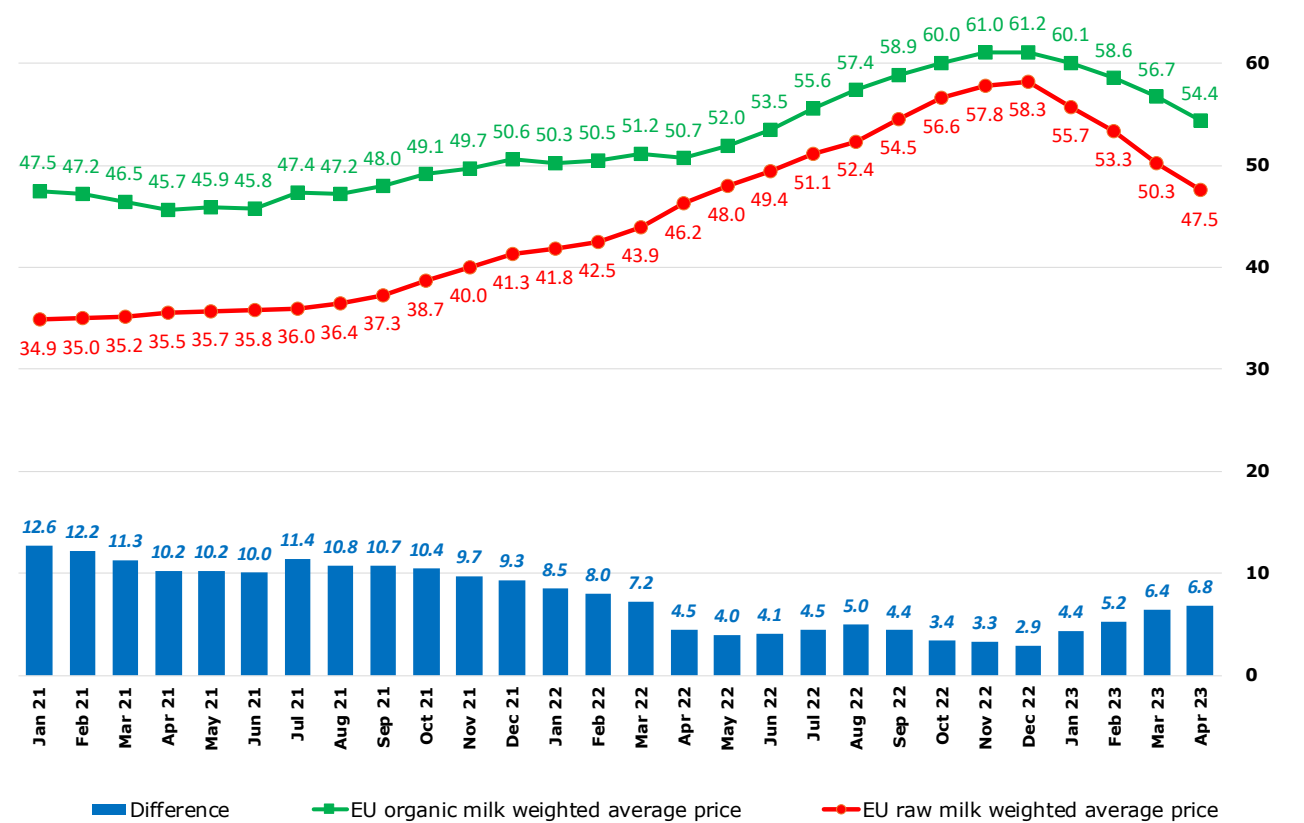
For years: 2023 > Months: 04 > All Member States > Organic raw cow's milk delivered to dairies > Thousand tonnes



EU raw milk and organic milk prices

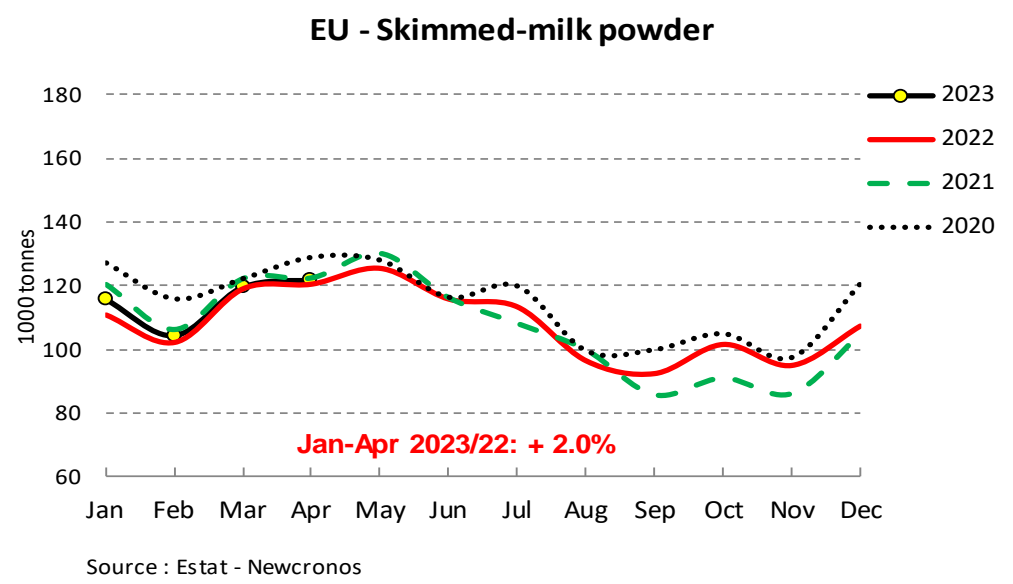
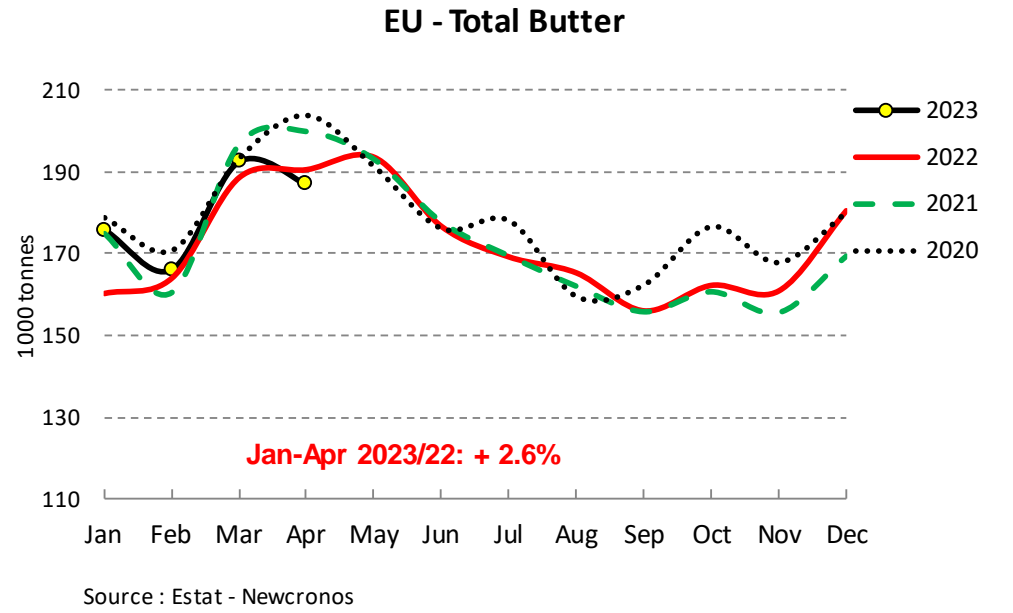
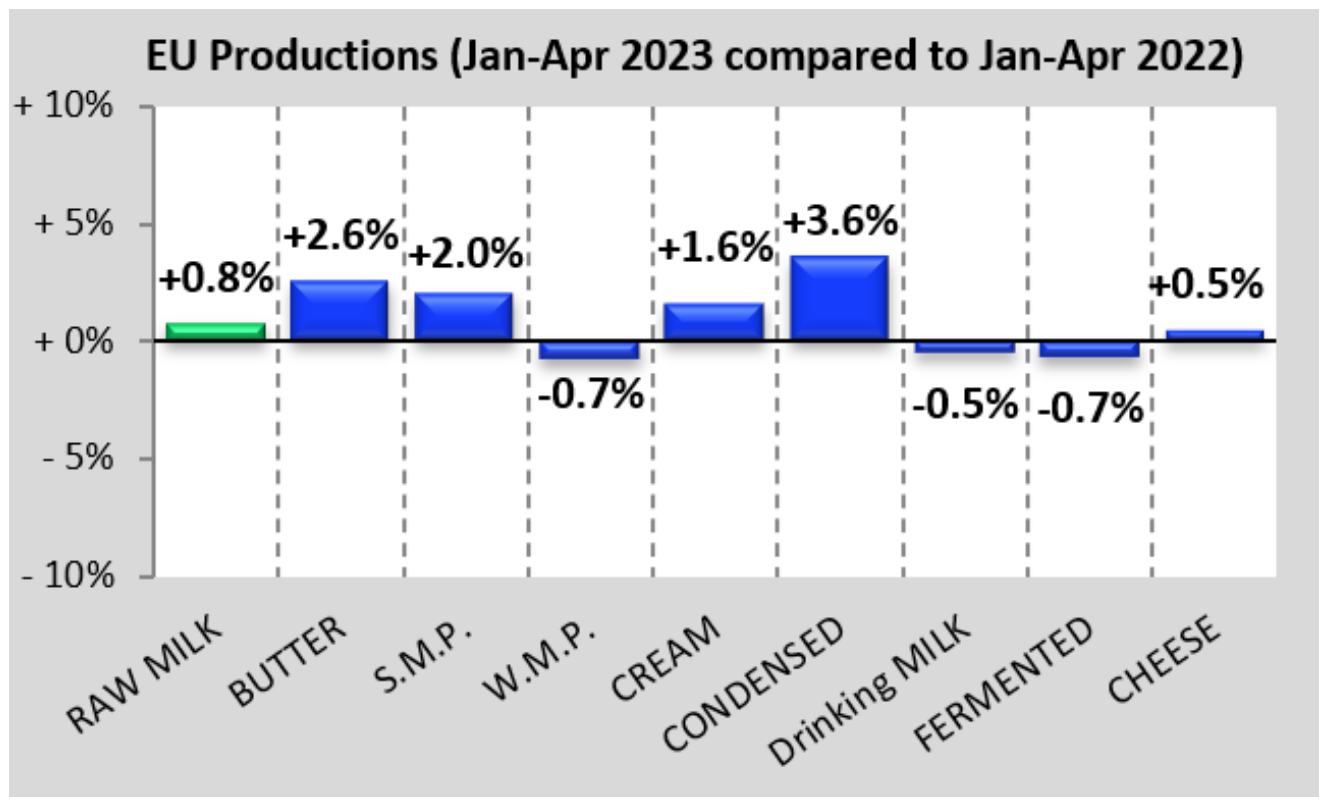
EUR/100 kg

Source : MS' communications under Reg. (EU) No 2017/1185 Article 12(a) - Annex II.4(a)



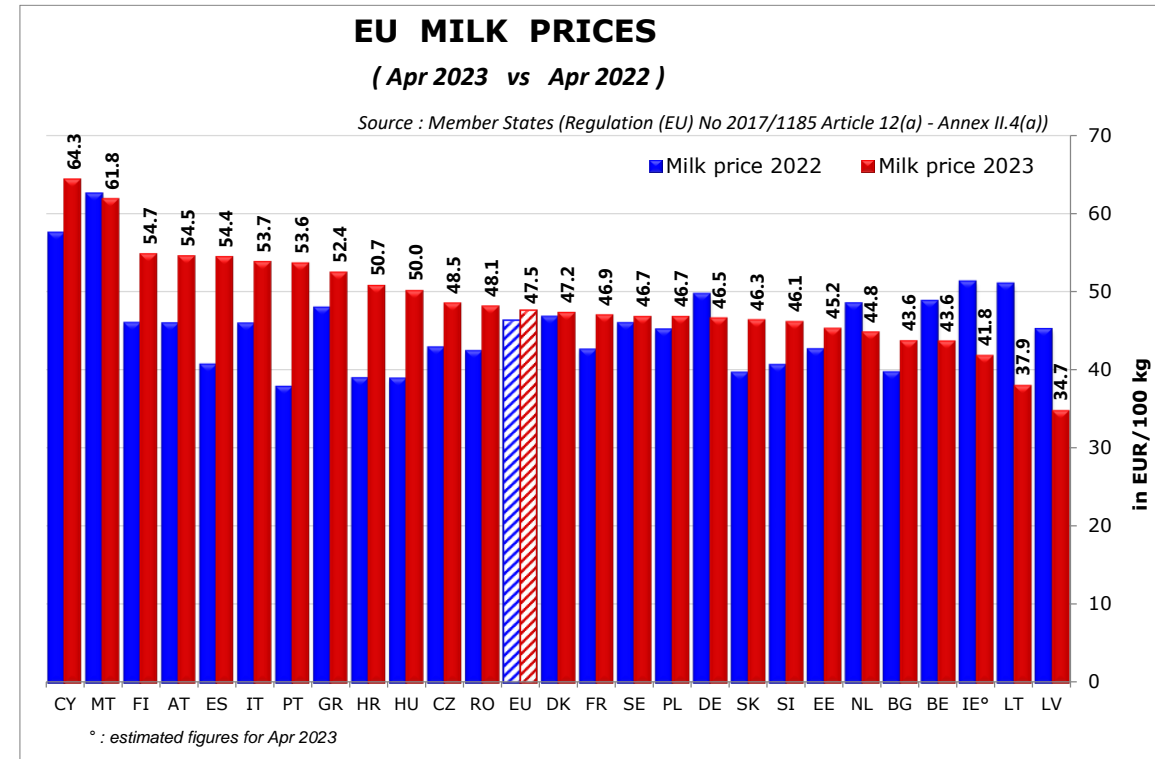
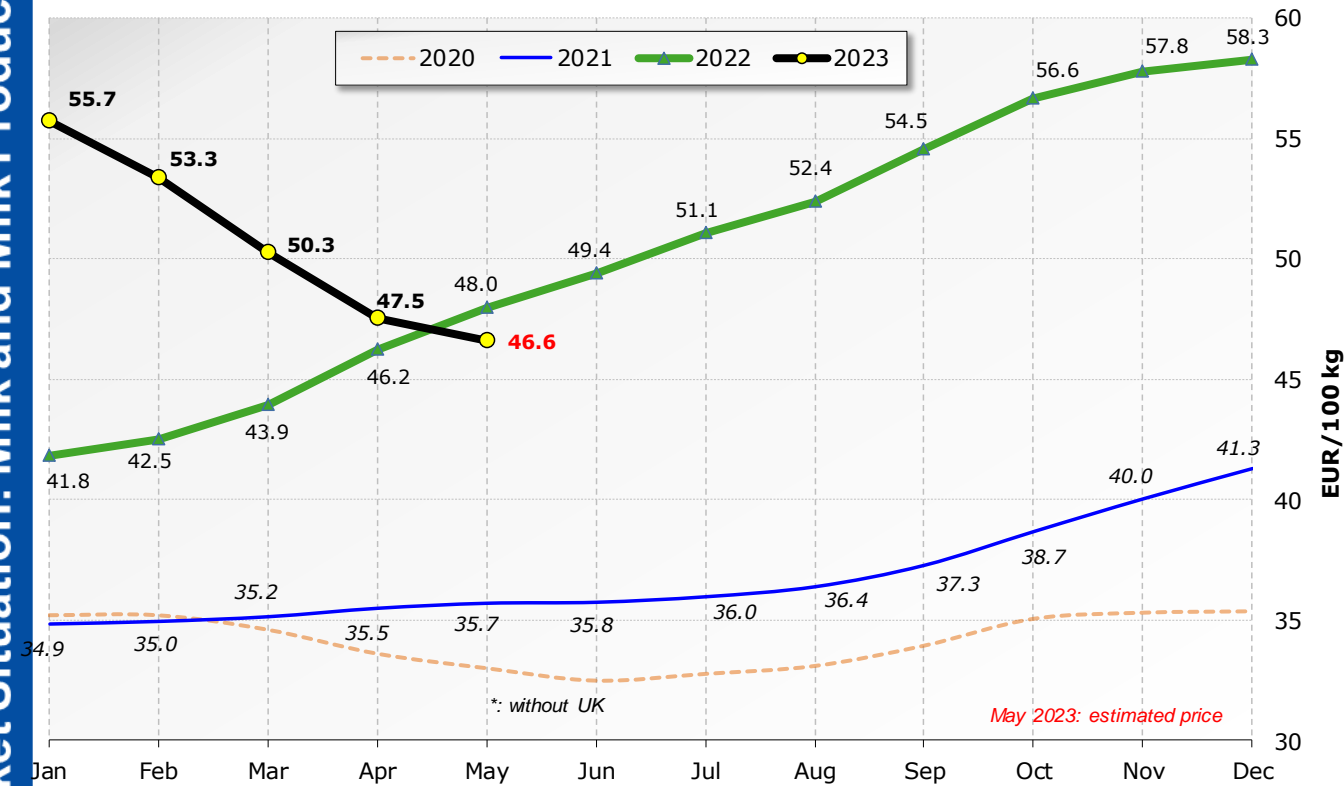
April 2023:

4.1% of total raw milk collected was organic (based on notifications from 23 MS)



EU milk prices paid to the producers

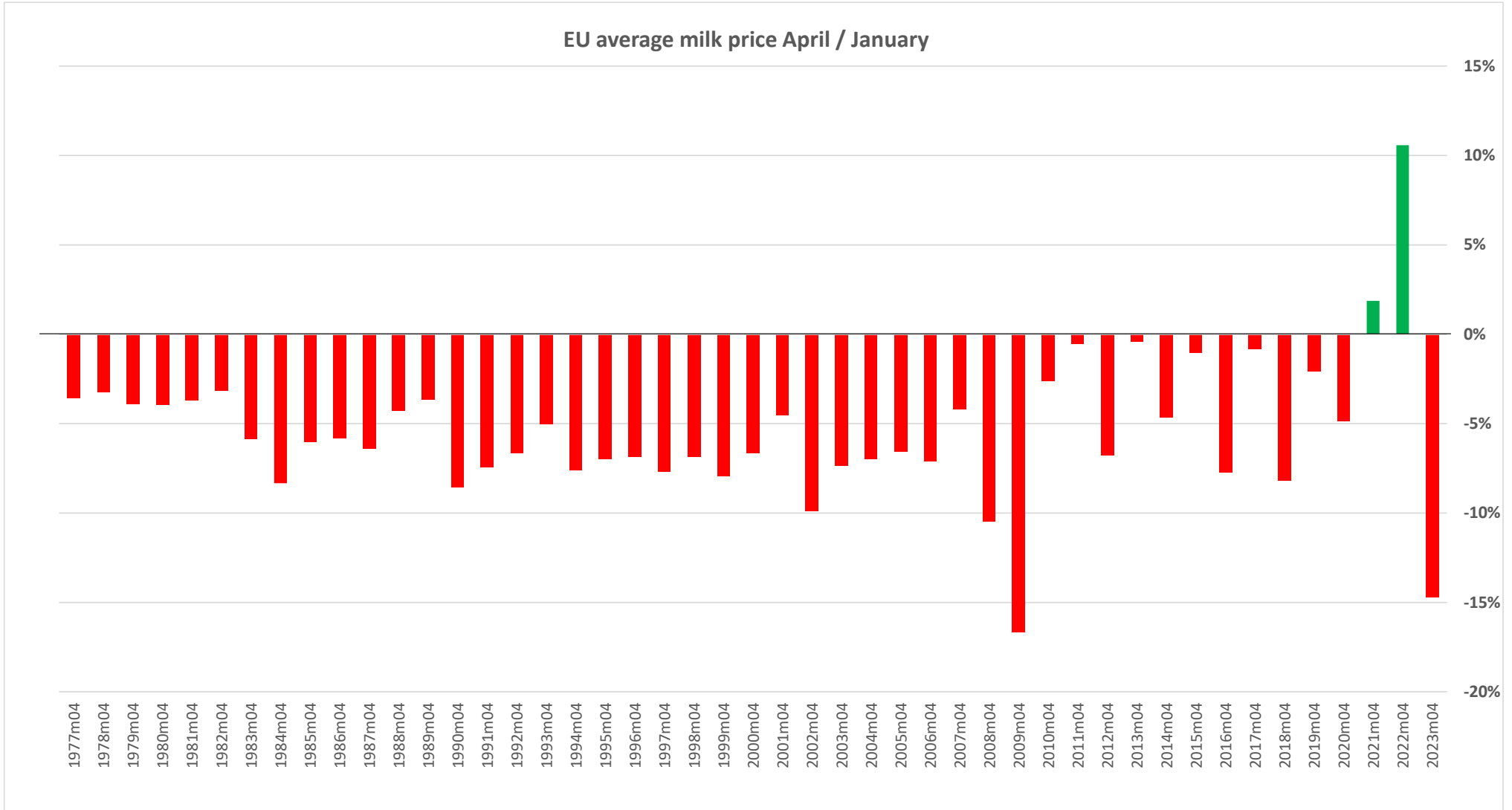
MARKET ORIENTATION: MILK AND MILK PRODUCTS



Price of Apr 23 compared to:

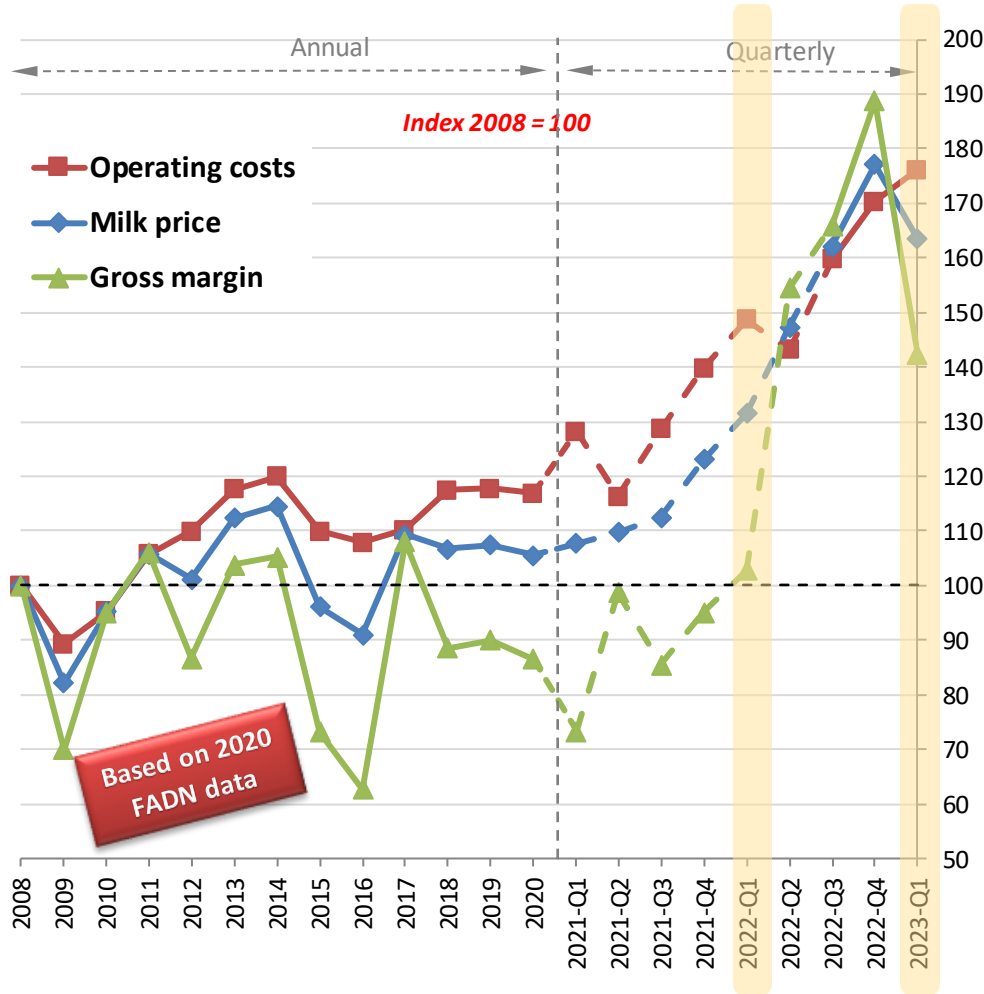
| | BE | BG | CZ | DK | DE | EE | IE | GR | ES | FR | HR | IT | CY | LV | LT | LU | HU | MT | NL | AT | PL | PT | RO | SI | SK | FI | SE | EU (without UK) |
|--------|--------|-------|--------|--------|-------|-------|--------|-------|--------|--------|--------|--------|--------|--------|--------|----|--------|-------|--------|--------|-------|--------|--------|--------|--------|--------|-------|-----------------|
| Mar 23 | -4.5% | -8.3% | -2.9% | -11.4% | -6.4% | -5.3% | -8.9% | -3.4% | -5.9% | -3.3% | -0.8% | -2.1% | -0.7% | +1.0% | -0.7% | - | -5.7% | +0.8% | -11.4% | -2.0% | -2.0% | -0.7% | -10.3% | -5.5% | -4.5% | -0.9% | -8.5% | -5.4% |
| Apr 22 | -10.7% | +9.9% | +13.0% | +1.0% | -6.3% | +6.0% | -18.6% | +9.2% | +33.7% | +10.2% | +30.2% | +17.0% | +11.7% | -23.2% | -25.7% | - | +28.7% | -1.2% | -7.7% | +18.5% | +3.4% | +41.5% | +13.3% | +13.4% | +16.8% | +19.0% | +1.7% | +2.8% |

No seasonal downturn (Jan-Apr) in 2021 & 2022



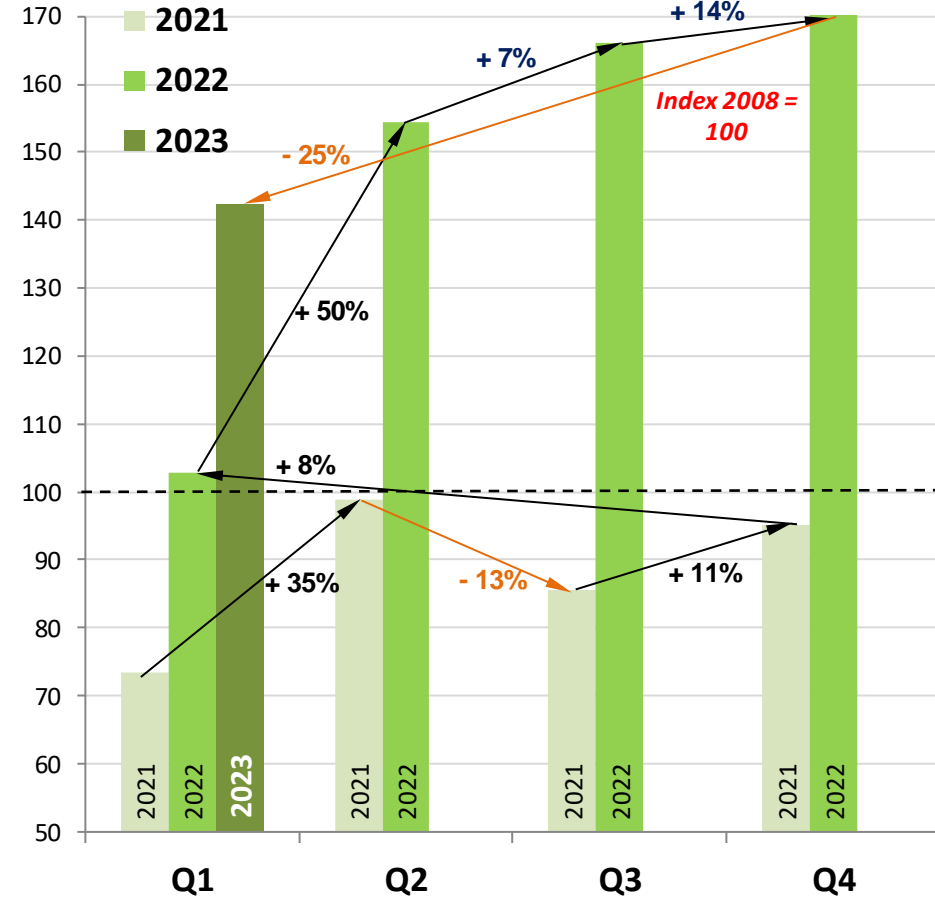
Margins

EU Milk price, operating costs and margin per tonne



Source : FADN (base year 2020) + indexes (Eurostat, DG AGRI)

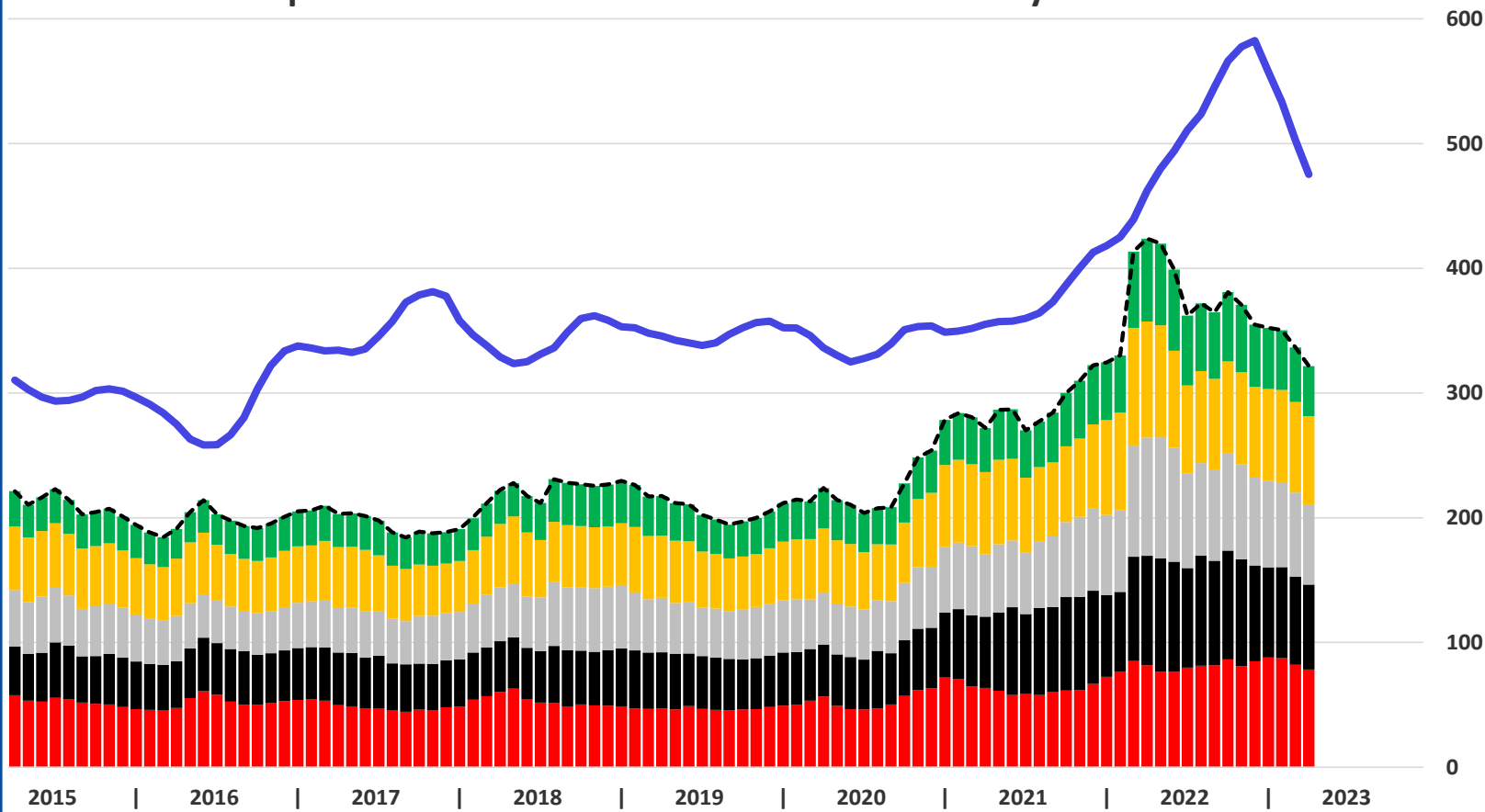
Estimation of EU Gross margin



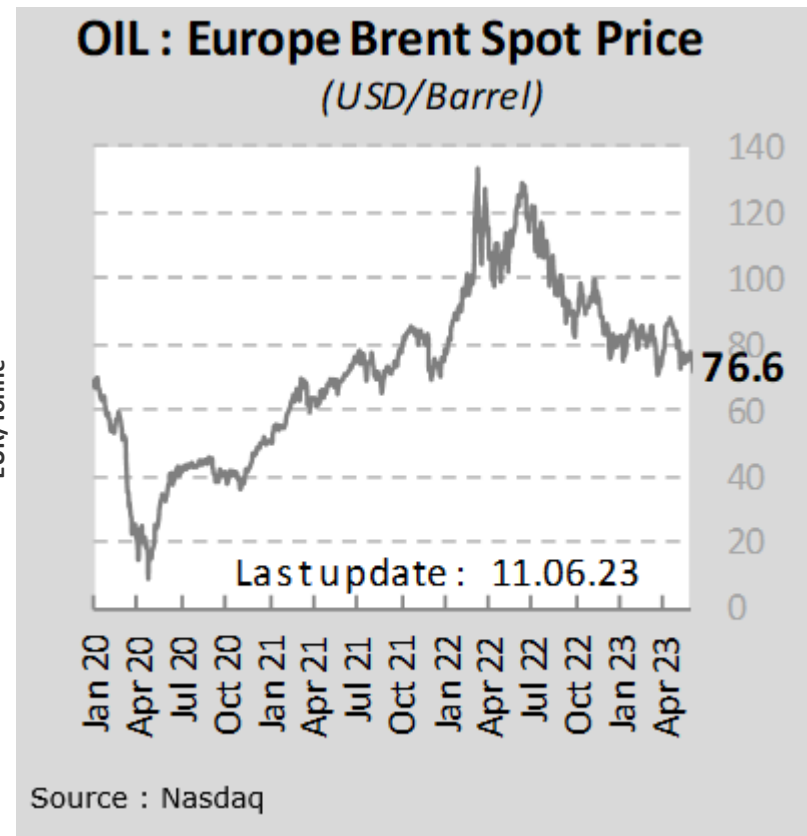
Source : FADN (base year 2020) + indexes (Eurostat, DG AGRI)

The main cost factor (feed) is no longer increasing

Composition of the DG AGRI feed diet in the dairy sector



- Foreign Soybean meal
- Rapeseed meal
- Raw milk price
- Feed maize
- Feed Wheat
- Feed Barley
- Average feed cost



EU dairy quotations

EU evolutive* dairy Quotations (EU Average Prices based on MS communication and weighted by production)

| | | | | | | | | |
|---------------------------|-----|-----|-----|-----|-----|-----|-----|----|
| Latest prices (EUR/100kg) | 474 | 252 | 357 | 358 | 401 | 424 | 652 | 70 |
|---------------------------|-----|-----|-----|-----|-----|-----|-----|----|

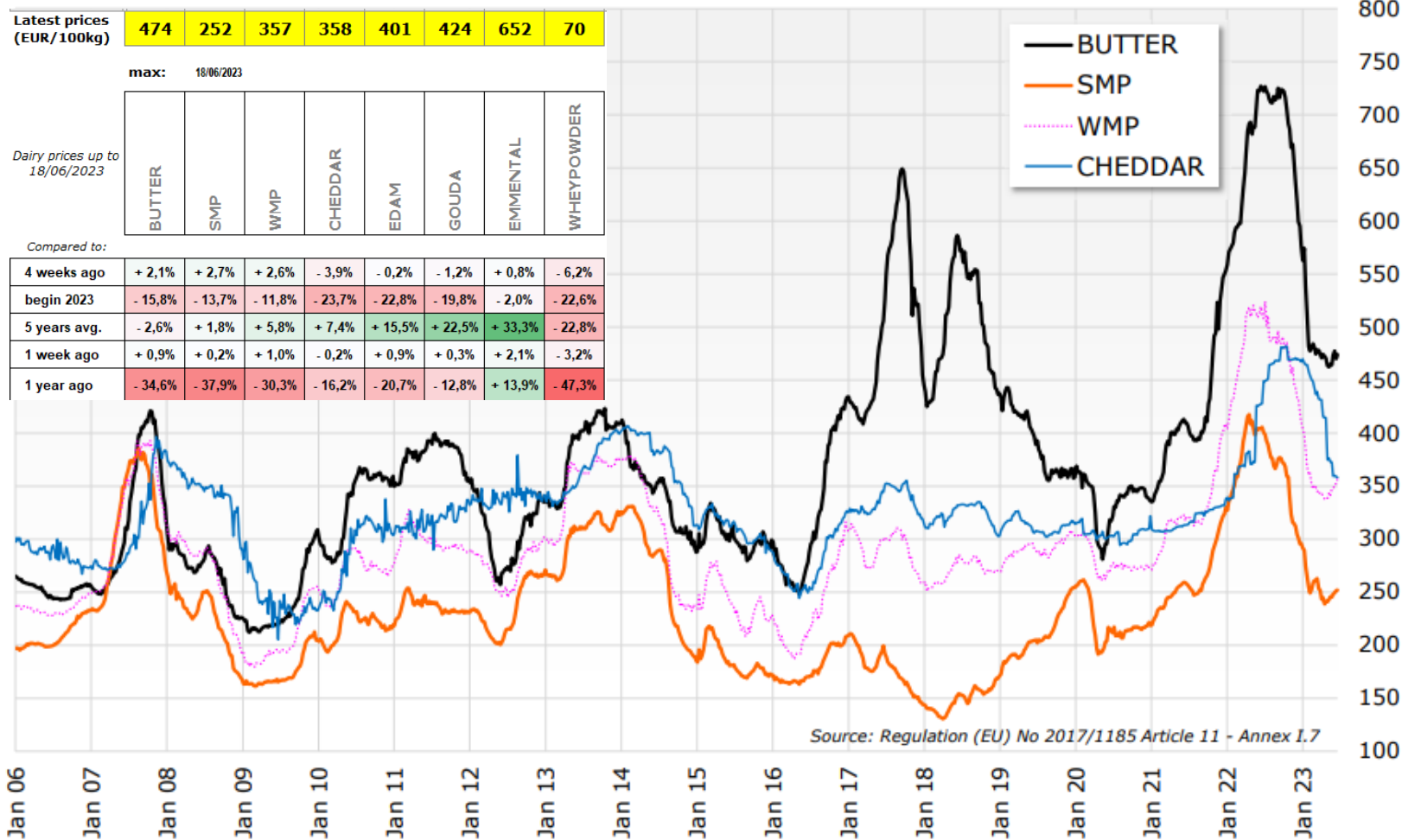
max: 18/06/2023

Dairy prices up to 18/06/2023

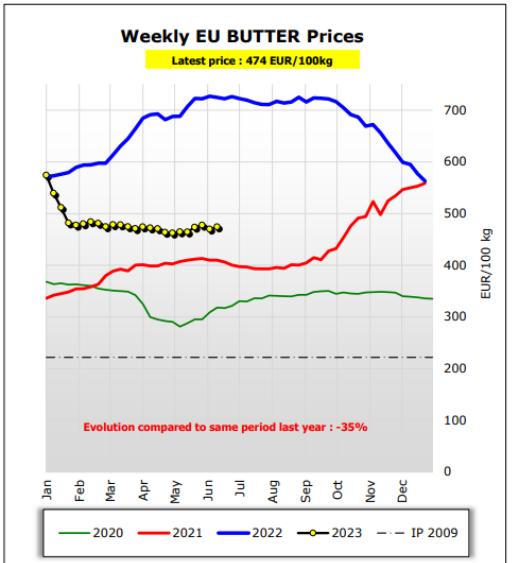
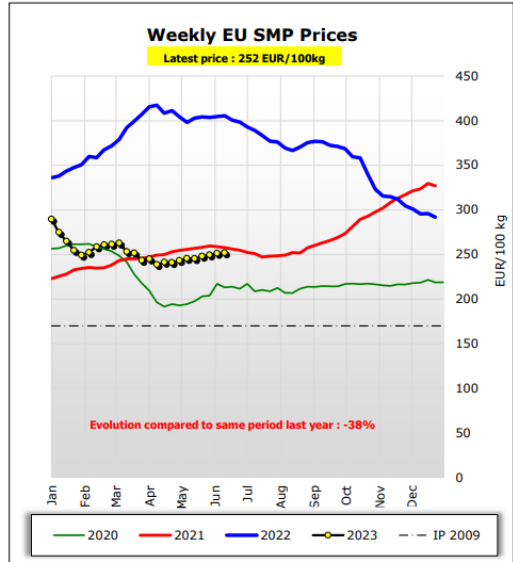
| | BUTTER | SMP | WMP | CHEDDAR | EDAM | GOUDA | EMMENTAL | WHEYPOWDER |
|--------------|---------|---------|---------|---------|---------|---------|----------|------------|
| 4 weeks ago | + 2,1% | + 2,7% | + 2,6% | - 3,9% | - 0,2% | - 1,2% | + 0,8% | - 6,2% |
| begin 2023 | - 15,8% | - 13,7% | - 11,8% | - 23,7% | - 22,8% | - 19,8% | - 2,0% | - 22,6% |
| 5 years avg. | - 2,6% | + 1,8% | + 5,8% | + 7,4% | + 15,5% | + 22,5% | + 33,3% | - 22,8% |
| 1 week ago | + 0,9% | + 0,2% | + 1,0% | - 0,2% | + 0,9% | + 0,3% | + 2,1% | - 3,2% |
| 1 year ago | - 34,6% | - 37,9% | - 30,3% | - 16,2% | - 20,7% | - 12,8% | + 13,9% | - 47,3% |

Compared to:

| | BUTTER | SMP | WMP | CHEDDAR | EDAM | GOUDA | EMMENTAL | WHEYPOWDER |
|--------------|---------|---------|---------|---------|---------|---------|----------|------------|
| 4 weeks ago | + 2,1% | + 2,7% | + 2,6% | - 3,9% | - 0,2% | - 1,2% | + 0,8% | - 6,2% |
| begin 2023 | - 15,8% | - 13,7% | - 11,8% | - 23,7% | - 22,8% | - 19,8% | - 2,0% | - 22,6% |
| 5 years avg. | - 2,6% | + 1,8% | + 5,8% | + 7,4% | + 15,5% | + 22,5% | + 33,3% | - 22,8% |
| 1 week ago | + 0,9% | + 0,2% | + 1,0% | - 0,2% | + 0,9% | + 0,3% | + 2,1% | - 3,2% |
| 1 year ago | - 34,6% | - 37,9% | - 30,3% | - 16,2% | - 20,7% | - 12,8% | + 13,9% | - 47,3% |



Source: Regulation (EU) No 2017/1185 Article 11 - Annex I.7

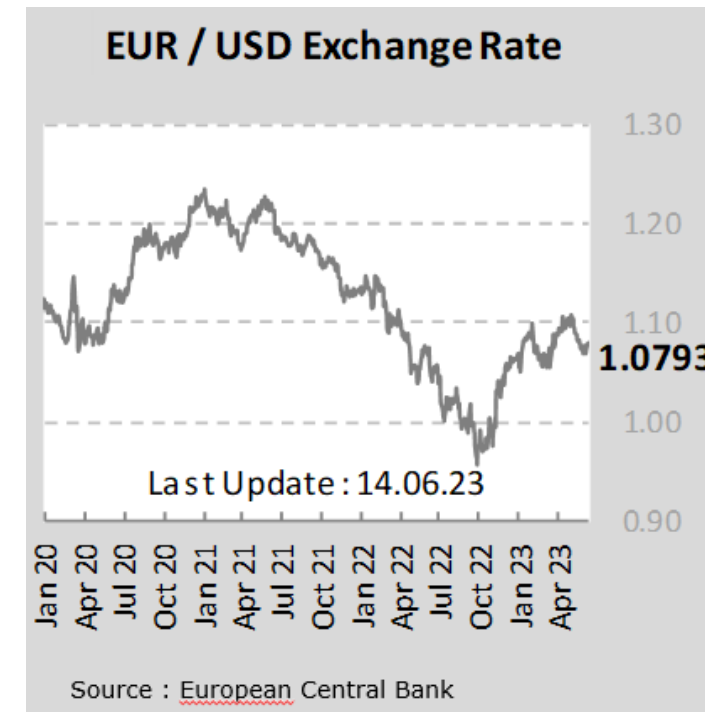
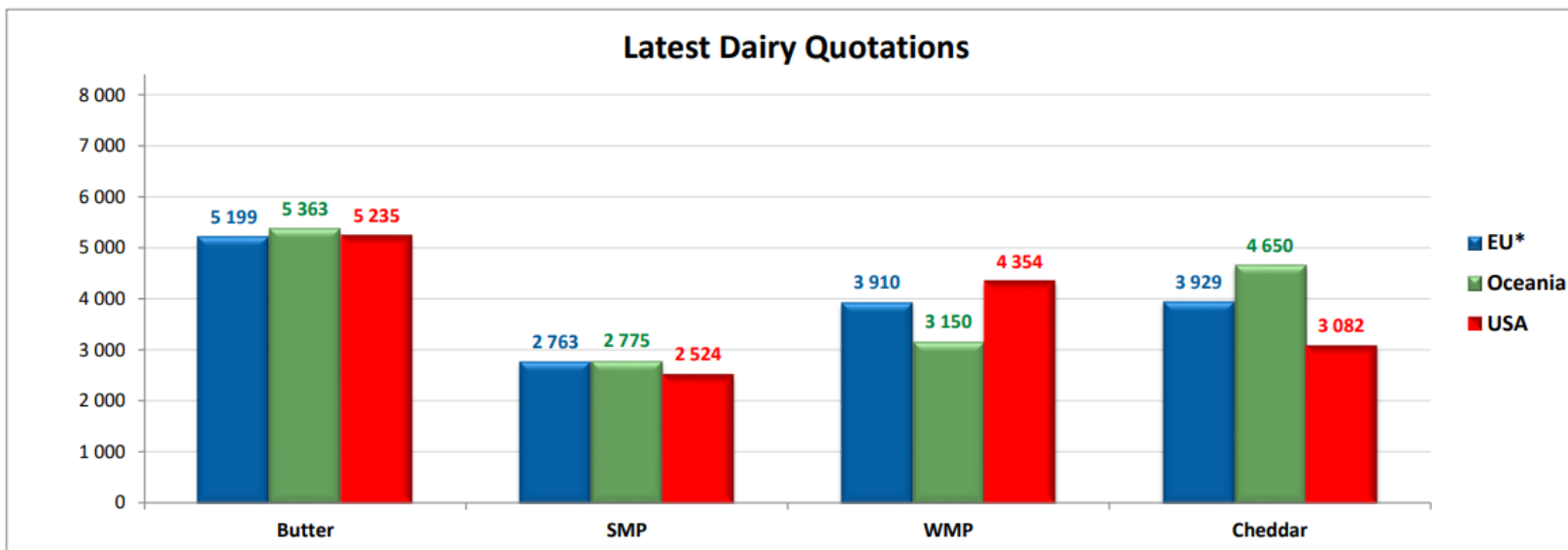


* EU evolutive: EU-15 (before 2004), EU-25 (2004 to 2006), EU-27 (2007 to 2013), EU-28 (2013 to 01/2020), EU-27 without UK (from 02/2020 onwards)

Latest world dairy quotations

| In US\$/t | Latest Quotations | | | Week - 2 | | | | | | Year - 1 | | | | | |
|-----------|-------------------|---------|-------|------------|---------|-------|-------------------------------|---------|--------|--------------|---------|-------|-------------------|---------|-------|
| | 25/06/2023 | | | 11/06/2023 | | | % change (previous quotation) | | | 26 June 2022 | | | % change (1 year) | | |
| | EU* | Oceania | USA | EU* | Oceania | USA | EU* | Oceania | USA | EU* | Oceania | USA | EU* | Oceania | USA |
| Butter | 5 199 | 5 363 | 5 235 | 5 139 | 5 200 | 5 235 | + 1.2% | + 3.1% | - 0.0% | 7 601 | 6 188 | 6 560 | - 32% | - 13% | - 20% |
| SMP | 2 763 | 2 775 | 2 524 | 2 685 | 2 838 | 2 563 | + 2.9% | - 2.2% | - 1.5% | 4 253 | 4 313 | 3 948 | - 35% | - 36% | - 36% |
| WMP | 3 910 | 3 150 | 4 354 | 3 755 | 3 200 | 4 354 | + 4.1% | - 1.6% | nc | 5 365 | 4 113 | 5 016 | - 27% | - 23% | - 13% |
| Cheddar | 3 929 | 4 650 | 3 082 | 3 874 | 5 063 | 3 222 | + 1.4% | - 8.1% | - 4.3% | 4 484 | 5 225 | 4 760 | - 12% | - 11% | - 35% |

Source : Member States Notifications under Reg. 2017/1185, USDA



Keep in touch and thank you!



ec.europa.eu/agriculture



[EUagri](https://www.youtube.com/EUagri)



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[EU agri-food Data portal](#)

ANNEX 2

EU dairy products monthly stock estimates up to end of April 2023

EDA



**EU dairy products
monthly stock estimates
up to end of April 2023**

**Milk Market Observatory
Economic Board**

June 27th, 2023

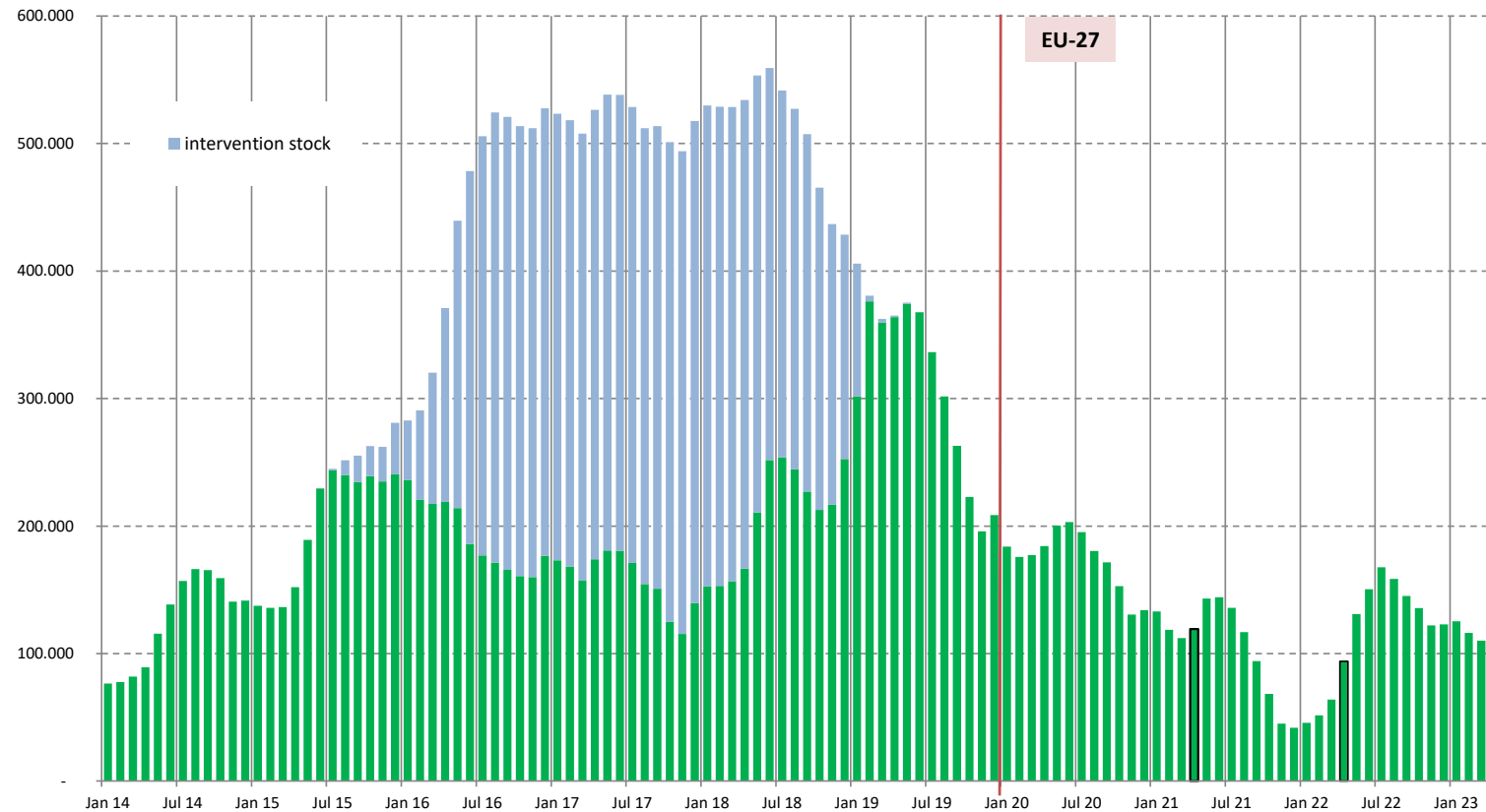
Methodology

- For each dairy product and each month, the stock estimates are based on the equation:
 - $\text{Stock variation} = \text{EU production} + \text{EU import} - \text{EU internal consumption} - \text{EU exports}$
- ZMB balance sheets and forecasts have been used as references for :
 - End of year stock levels
 - Yearly consumption levels
- Monthly production statistics are based on ZMB Dairy World publications.
- Exports and imports figures are based on MMO website figures and Eurostat. From 2020 onwards, data refer to the EU-27 (coloured in red).
- 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/red parts in each graph mean that this stock level can be considered as normal for the month.
- Orange parts mean that this stock level can be considered as too high for the month; intervention stocks are coloured blue.
- These qualifications are based on the EDA analysts' personal views and past market observations.

SMP: Production was higher in the first months of 2023 than last year due to higher milk deliveries. Export was healthy on a similar level than in 2021, but there are signs of lower internal consumption. Stocks increased. However, they are in a still normal range in average. Prices decreased, but are still above the long-term average.

stock level
in tons

European stock level estimates - SMP - April 2023
Calculations based on Eurostat production, export and import statistics
and EU internal consumption annual estimates subject to revisions



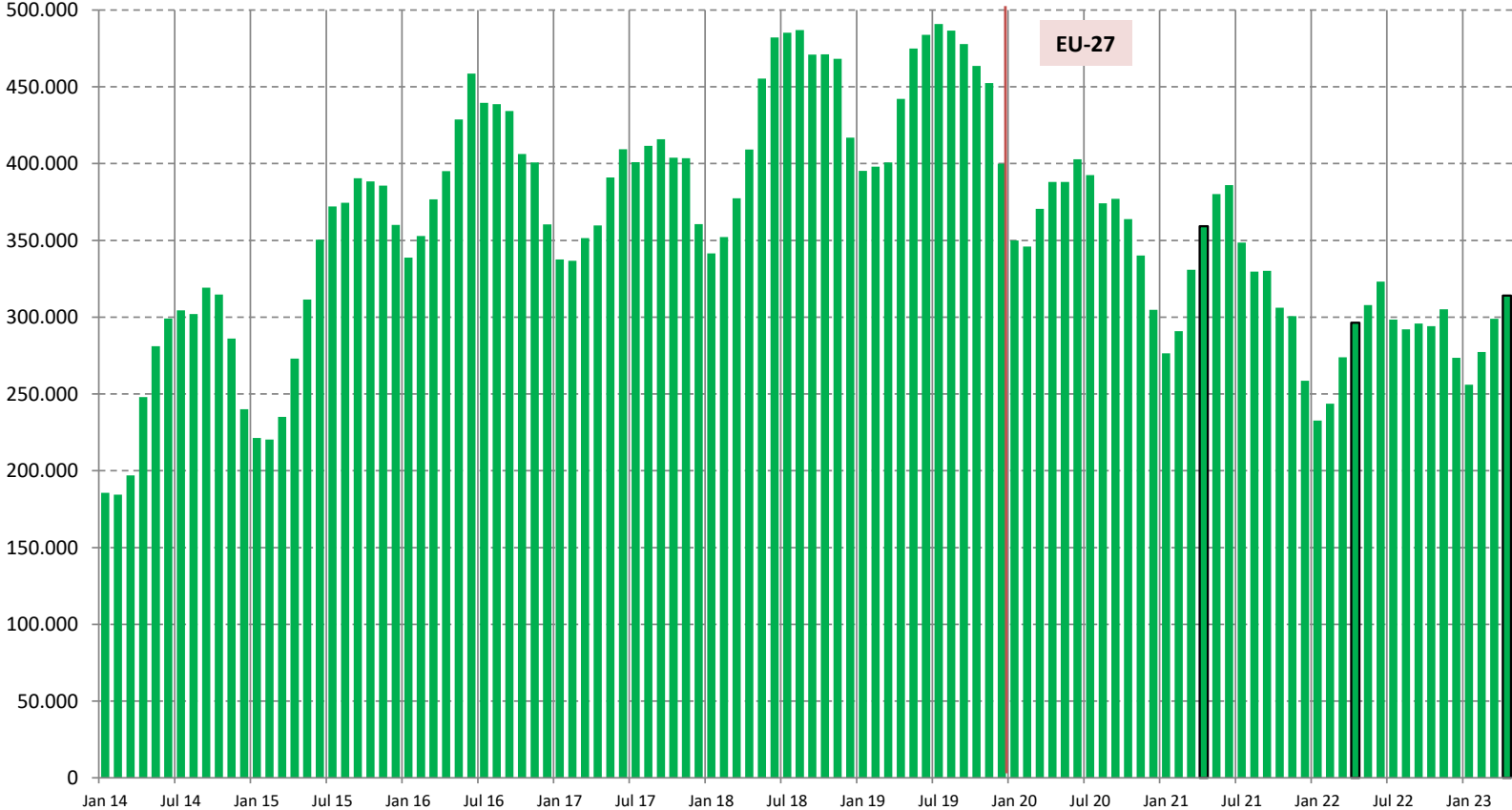
The cheese-market is in a good balance. Production was extended in a modest way and demand picked in recent weeks supported by high prices of meat products. Cheese prices declined in the first months of the year and started to pick up again. The cheese valorization is negatively affected by weak whey-prices.

European stock level estimates - Cheese - April 2023

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



stock level in tons



Situation

Milk deliveries in Europe and the main exporters in total moved above previous years level, but are still lower than in same period of 2021.

EU-export of dairy products was mixed in the first months of 2023, while internal demand was partly dampened by inflation and reduced purchasing power.

Enough dairy products are available. Stocks of all products are higher than at same time last year and have actually a seasonal high level.

ANNEX 3

Global dairy trade flows

Eucolait



eucolait

*European Dairy Trade
Association*

Global dairy trade flows

MMO EXPERT GROUP

27/06/2023

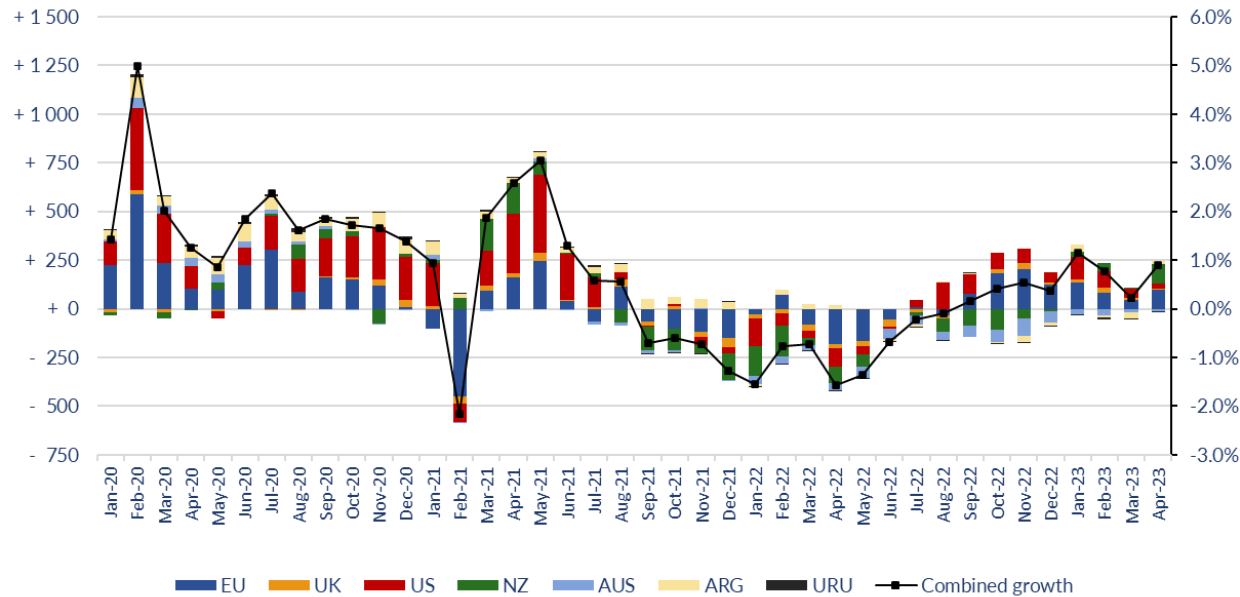
www.eucolait.eu

Outline

- Global supply
- Global exports & imports
- Demand in East Asia & MENA
- Conclusions

Global supply

World milk supply growth in 2020-2023
(EU27, UK, US, NZ, Australia, Argentina, Uruguay)



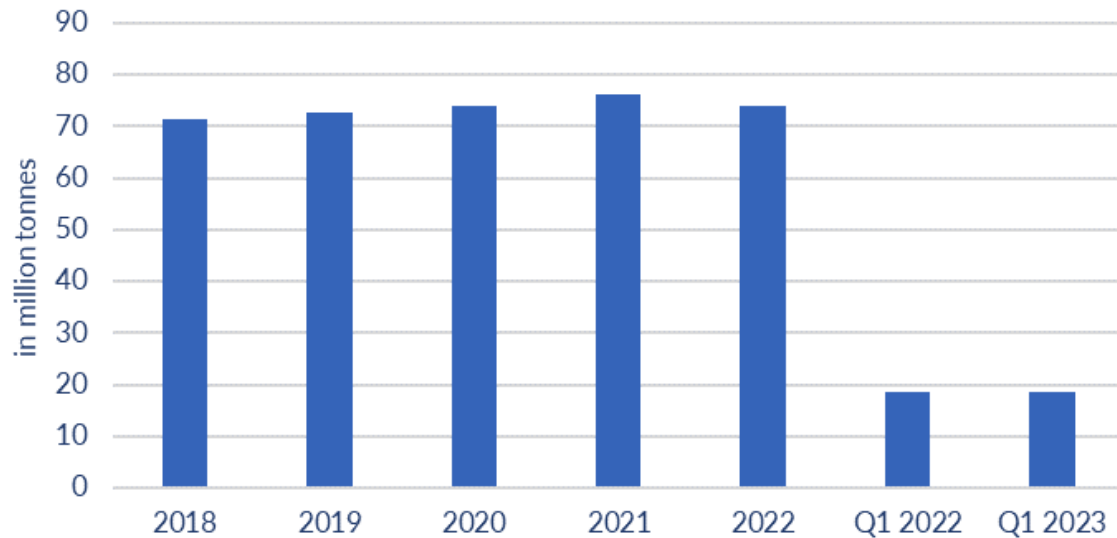
| MILK COLLECTION OF MAIN EXPORTERS - APRIL 2023 | | | | | |
|--|-----------------------|----------------|---------------------------|----------------|-------------------------|
| Country | Volume in '000 tonnes | Δ% YOY 23/22 | Volume YTD in '000 tonnes | Δ% YTD 23/22 | Δ% Season to date 23/22 |
| EU27 | 12 810 | ↑ +0.8% | 48 648 | ↑ +0.7% | |
| United States | 8 720 | ↑ +0.3% | 34 529 | ↑ +0.8% | |
| New Zealand | 1 526 | ↑ +6.8% | 7 507 | ↑ +2.3% | → -0.8% |
| Australia | 595 | ↓ -1.7% | 2 481 | ↓ -3.5% | ↓ -5.9% |
| Argentina | 878 | ↑ +1.8% | 3 538 | ↑ +0.3% | |
| Uruguay | 150 | ↓ -0.6% | 575 | ↓ -3.7% | |
| United Kingdom | 1 276 | ↑ +0.9% | 4 917 | ↑ +1.5% | |
| TOTAL | 25 955 | ↑ +0.9% | 102 195 | ↑ +0.8% | |

Global dairy exports in ME

Global dairy exports:
Q1 2023/2022: +0,1%

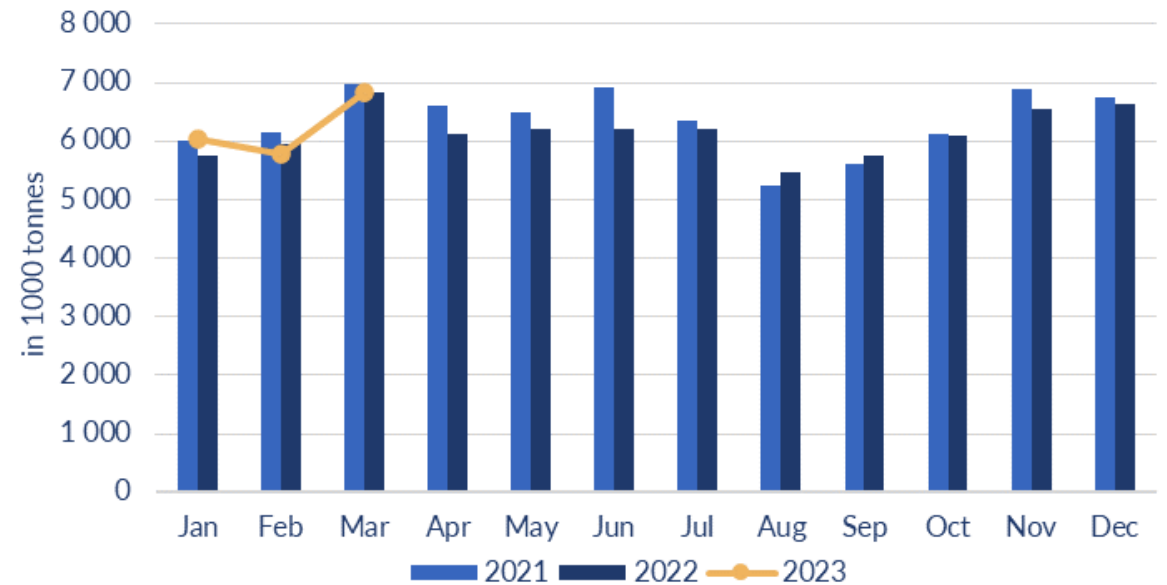
Global dairy exports in milk equivalent

WMP, SMP, butter(oil), cheese, casein(ate)s, whey, lactose



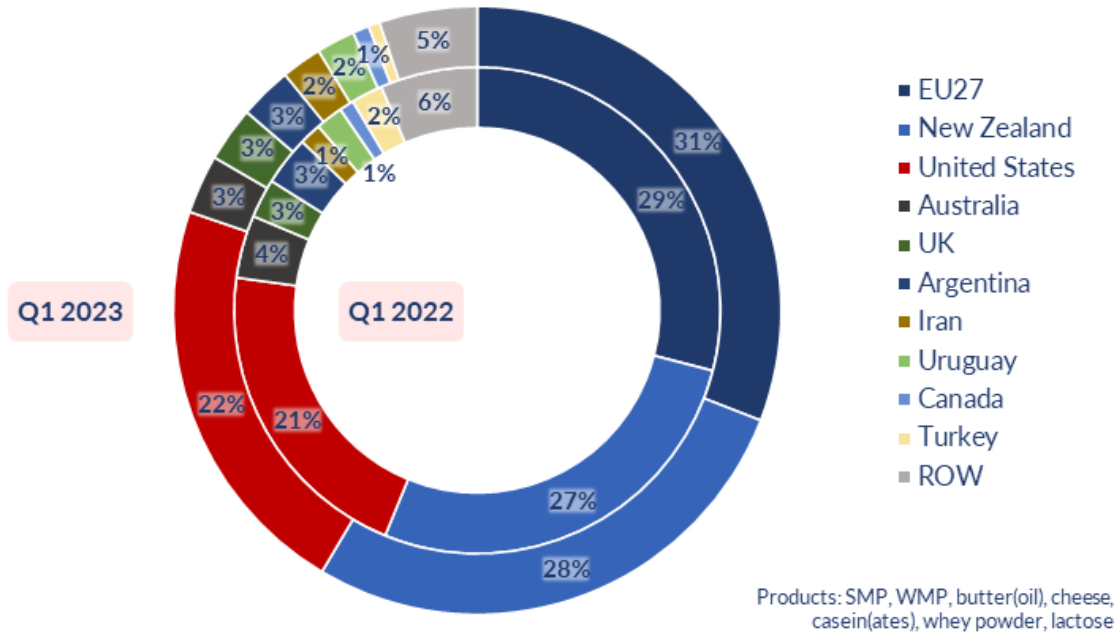
Monthly global dairy exports in milk equivalent

Cheese, butter(oil), SMP, WMP, whey, lactose, casein(ates)

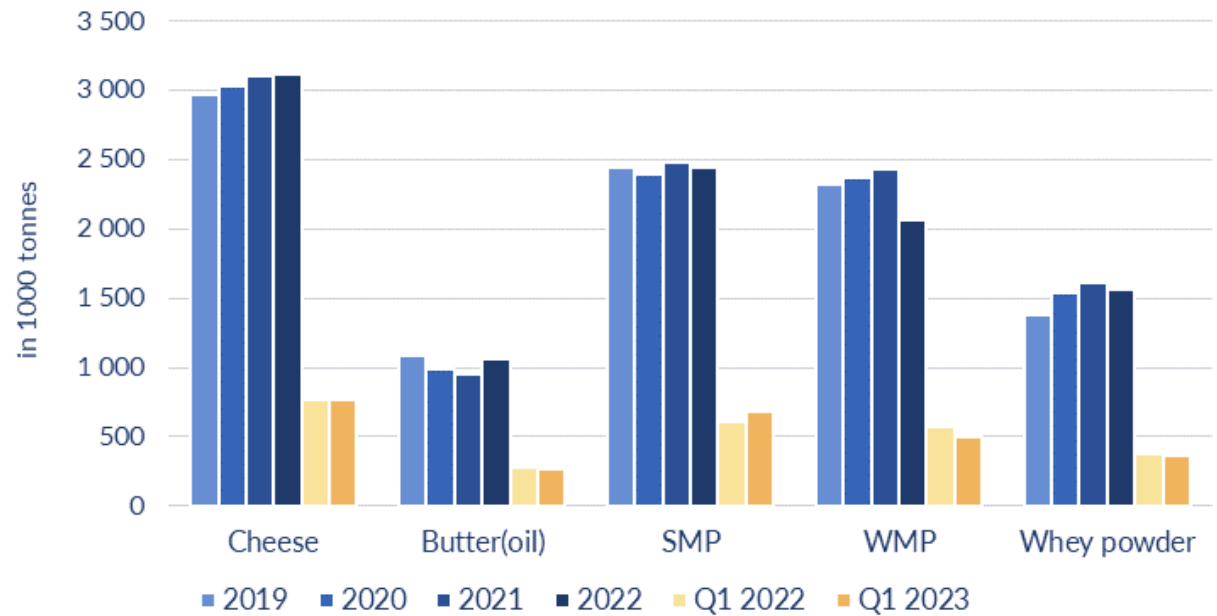


Global dairy exports

Export shares in % of total export volumes
(in milk equivalent)

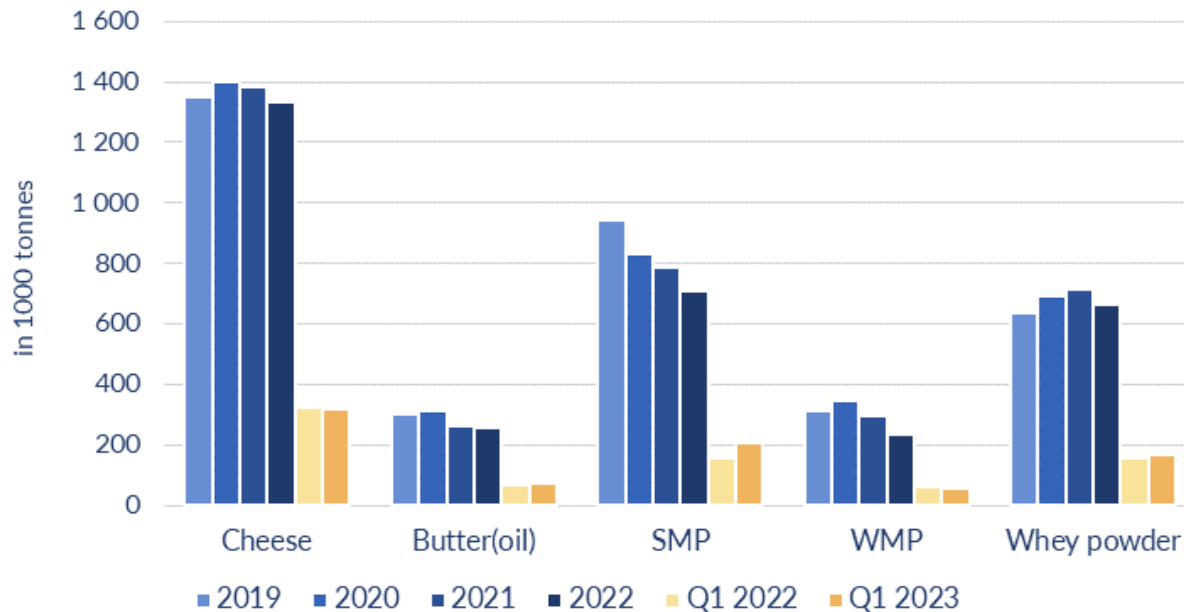


Global exports of main dairy commodities



EU exports by product and destination

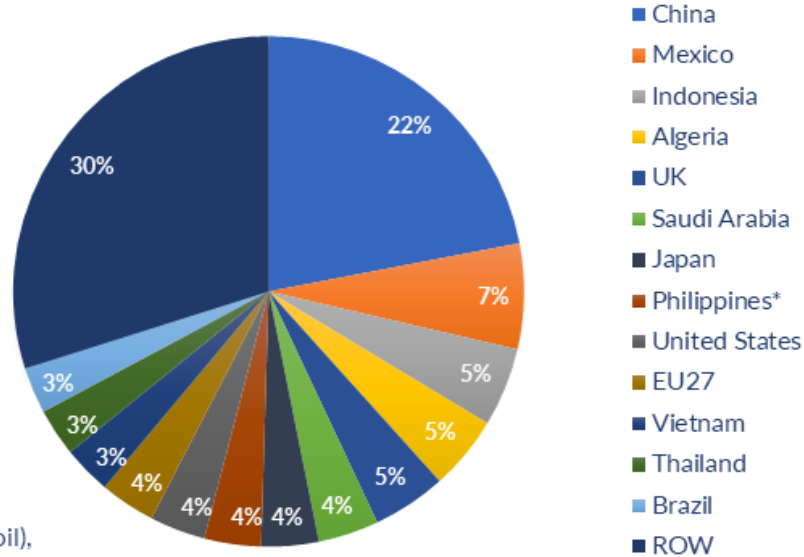
EU exports of main dairy commodities



| EU export destinations in Q1 2023 | | |
|-----------------------------------|---------------------|--------------|
| Country | Share of EU exports | Δ% 23/22 |
| Total | 100% | ↑ +7% |
| China | 13% | ↑ +29% |
| UK | 12% | ↑ +5% |
| Algeria | 6% | ↑ +154% |
| United States | 4% | ↑ +8% |
| Indonesia | 4% | ↓ -34% |
| Japan | 4% | ↓ -4% |
| Egypt | 3% | ↑ +32% |
| Thailand | 3% | ↑ +35% |
| Saudi Arabia | 3% | ↑ +22% |
| Malaysia | 3% | ↓ -22% |
| Morocco | 2% | ↑ +29% |
| Vietnam | 2% | ↑ +79% |
| Switzerland | 2% | ↑ +7% |
| ROW | 37% | ↓ -5% |

Main import markets

Main import markets in Q1 2023
(in milk equivalent)



Products: cheese, butter(oil), SMP, WMP, whey, lactose, casein(ates)

* Estimate for Mar

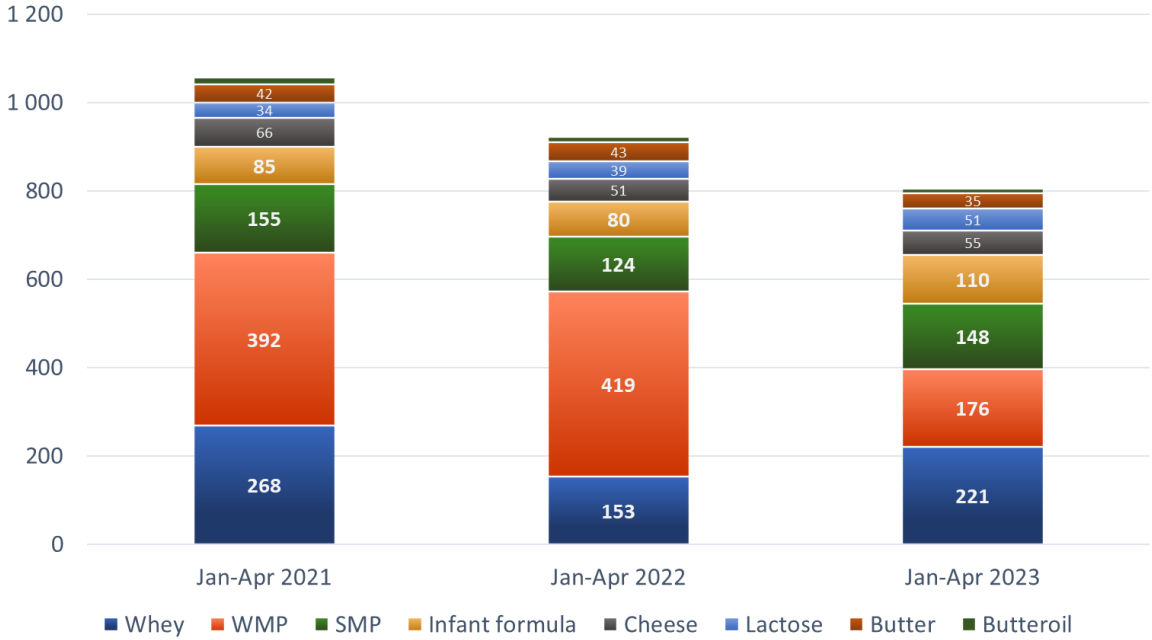
| Main import markets in Q1 2023 | |
|--------------------------------|----------|
| Importers | Δ% 23/22 |
| Total* | ↓ -4% |
| China | ↓ -23% |
| Mexico | ↑ +57% |
| Indonesia | ↓ -13% |
| Algeria | ↑ +17% |
| UK | ↑ +28% |
| Saudi Arabia | ↑ +5% |
| Japan | ↓ -7% |
| Philippines** | ↓ -15% |
| United States | ↑ +22% |
| EU27 | ↑ +16% |
| Vietnam | ↑ +8% |
| Thailand | ↓ -9% |
| Brazil | ↑ +169% |
| Other | ↓ -9% |

**Estimate for Mar

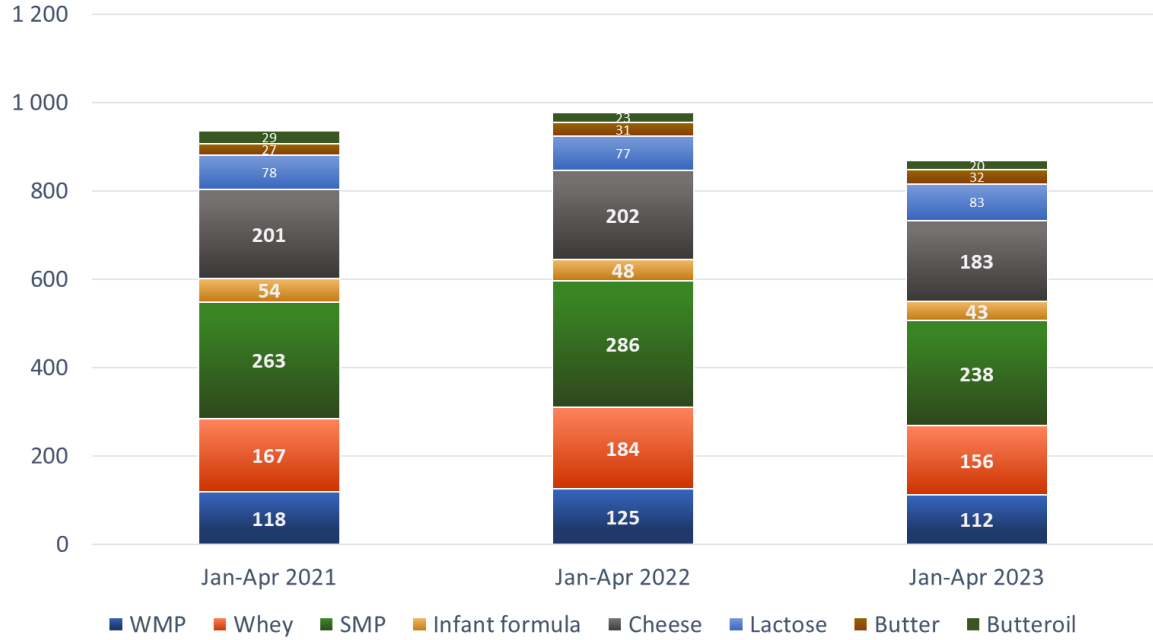
East Asia imports

China imports Jan-Apr 23/22 (in ME): **-17%**
 SE Asia imports Jan-Apr 23/22 (in ME): **-11%**

Cumulated China imports
 (in 1000 tonnes)



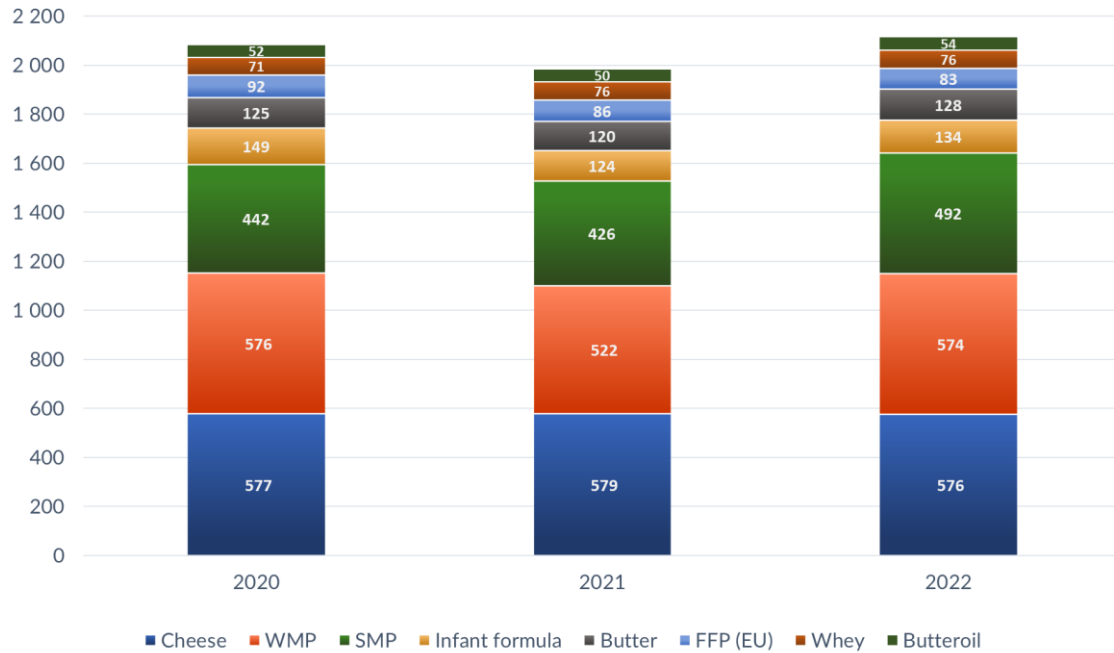
Cumulated other East Asia imports
 (in 1000 tonnes)



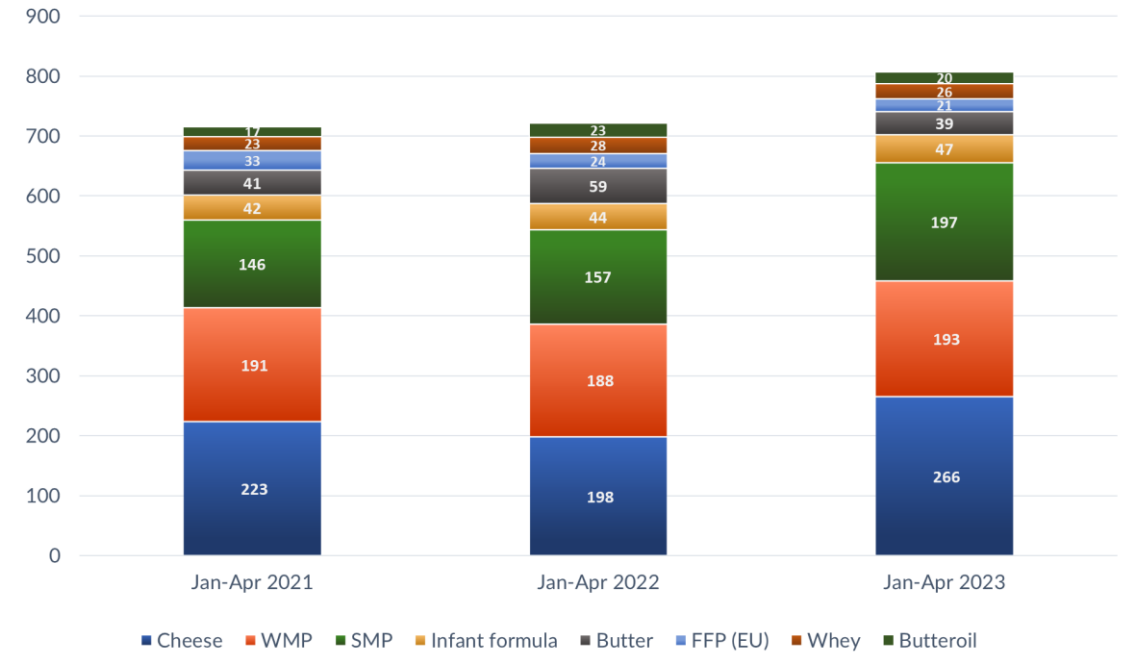
Exports to MENA

2022/21 (in ME): +8%
Jan-Apr 23/22 (in ME): +11%

Cumulated global exports to MENA
(in 1000 tonnes)



Cumulated global exports to MENA
(in 1000 tonnes)

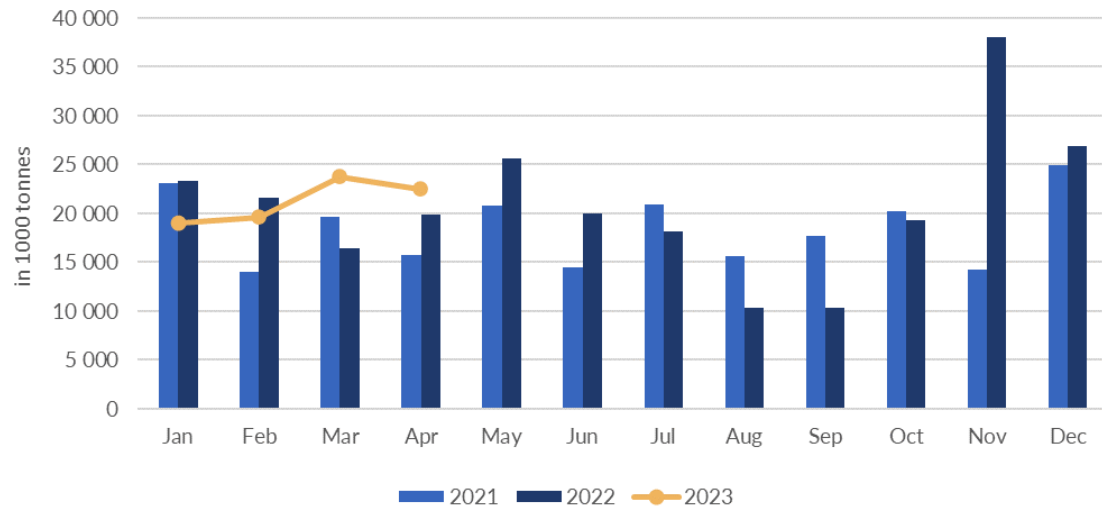


Exports to Algeria

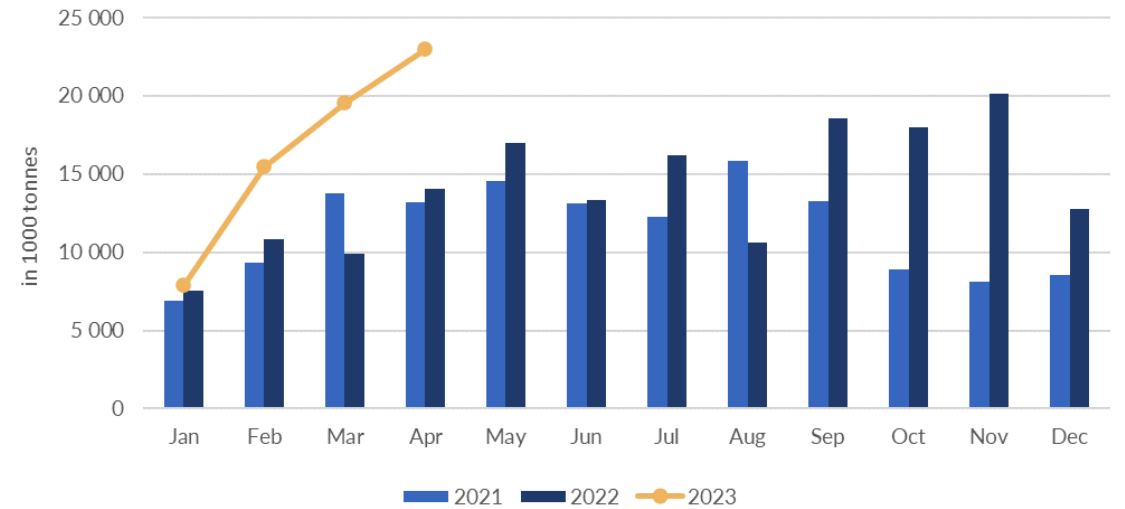
WMP YTD 23/22 : +5%

SMP YTD 23/22 : +55%

Global exports of WMP to Algeria



Global exports of SMP to Algeria



Conclusions

- **Global milk output** has increased during H1 (vs a weak period in 2022) but the growth is slowing down. Still elevated input costs and stabilising milk prices mean there is less incentive to produce.
- **Dairy demand in some key markets has been challenging**, the main cause being **high food inflation**. Import demand has nevertheless been stronger than anticipated, with global trade flows flat in Q1 as MENA, Mexico and Brazil are compensating the decline in China and South-East Asia. Chinese imports have improved recently but the market is reportedly still oversupplied and the speed of demand recovery uncertain.
- **EU exports** are performing rather well overall, at least in comparison to last year. SMP and butter have been driving export growth, while cheese and whey are roughly on par with 2022. WMP, often considered a lost cause for the EU, experienced a big jump in April.
- Looking forward, muted milk production growth could support markets during the second half of the year, however the big question is the **strength of demand in the current economic environment**.

Thank You

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ANNEX 4

DG AGRI Milk Market Observatory – a retail perspective

EuroCommerce

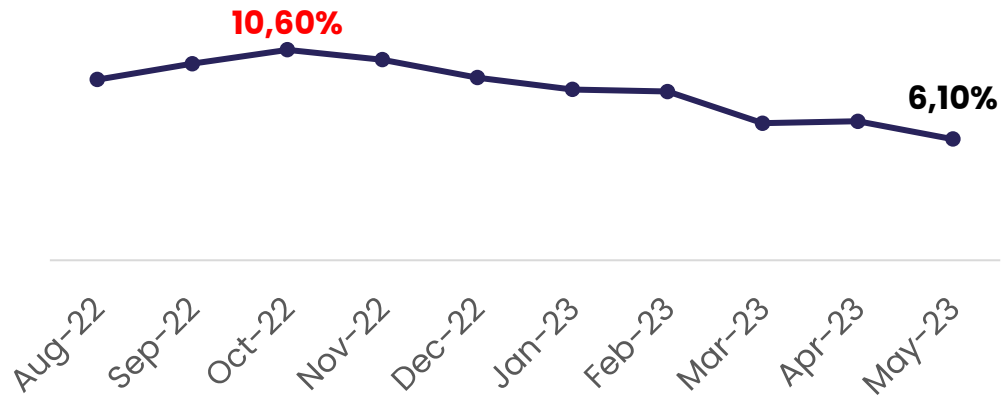


DG AGRI Milk Market Observatory

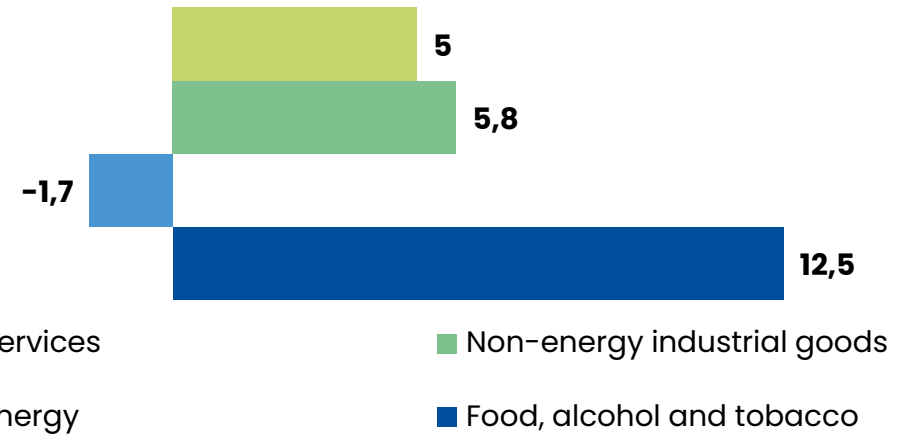
A retail perspective

27 June 2023

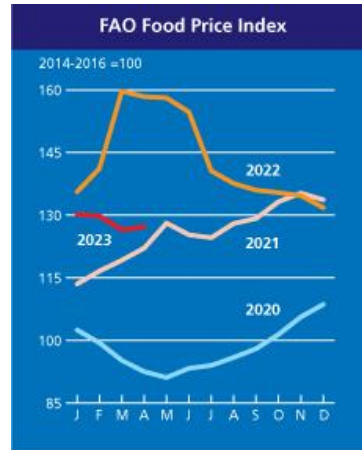
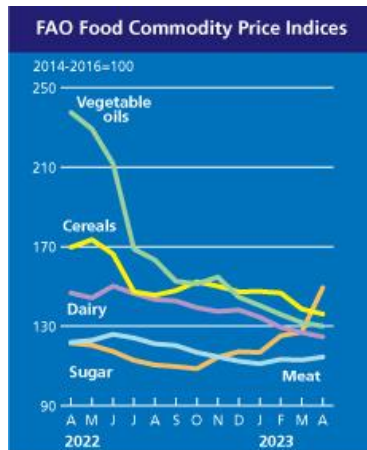
The macroeconomic situation



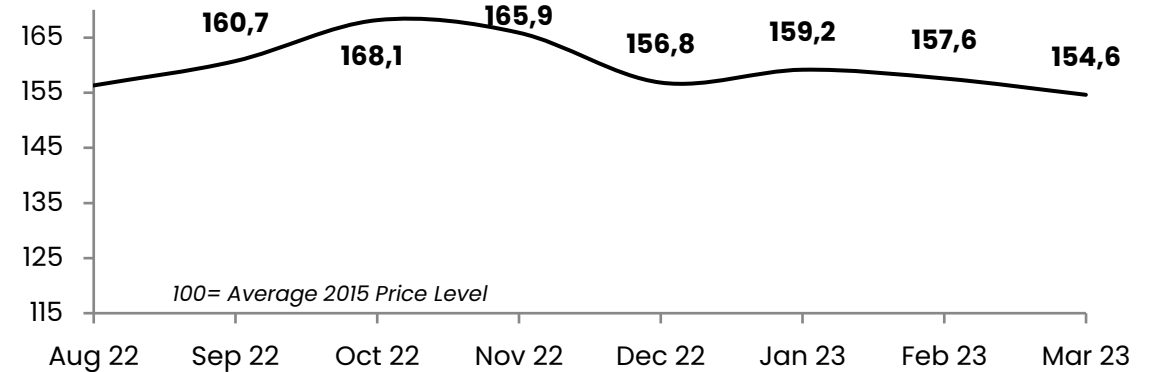
After peaking last October, inflation is slowly decreasing



Food inflation remains high at 12,5%



Food prices have been decreasing for a few months

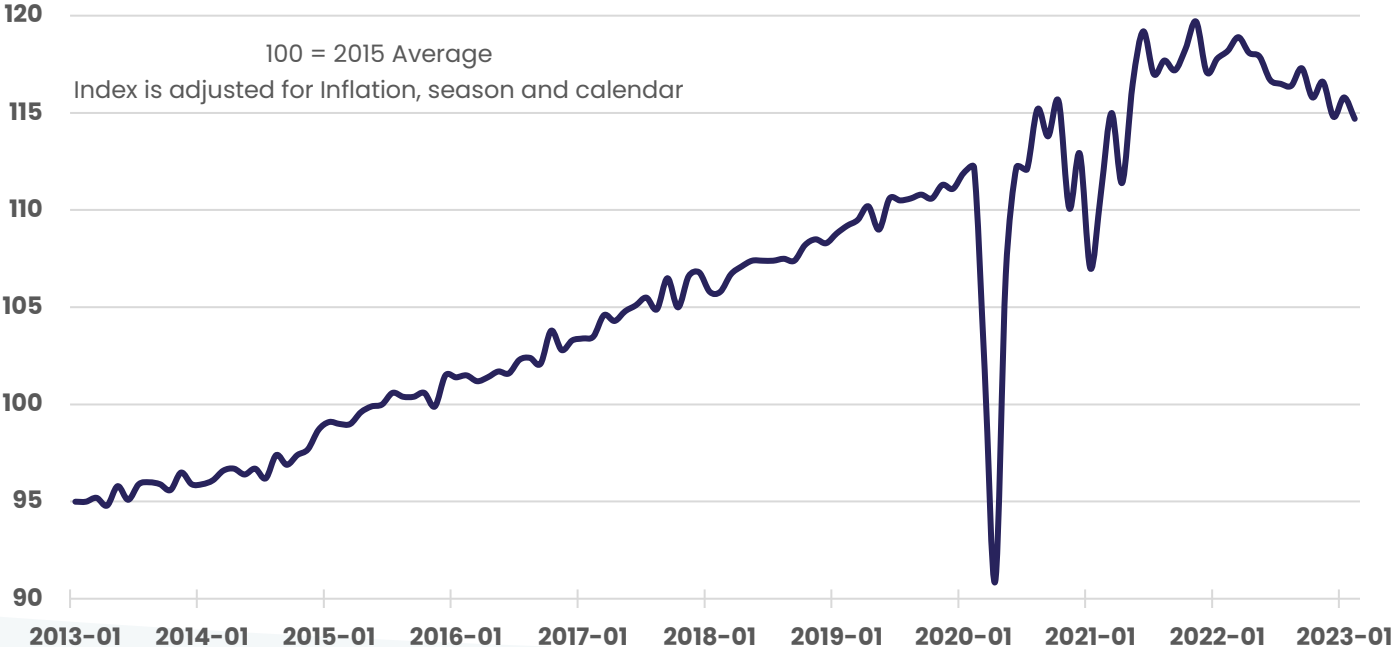


Energy prices have fallen since late 2022

Retail amidst high inflation

Retail sales in 2022 grew by 2.9% only because of inflation

Retail sales volumes have decreased since 2022 as consumers change their shopping habits to make ends meet.



-4.9%
Volume of **food retail trade** in
February 2023 vs February 2022

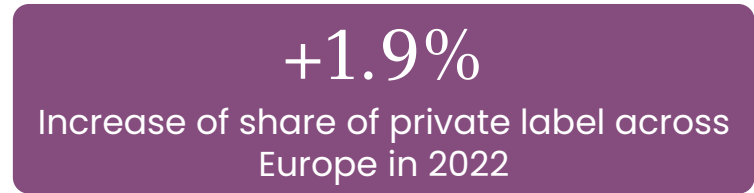
Source: Europanel, EuroCommerce & McKinsey, Eurostat

Consumers in a cost-of-living crisis

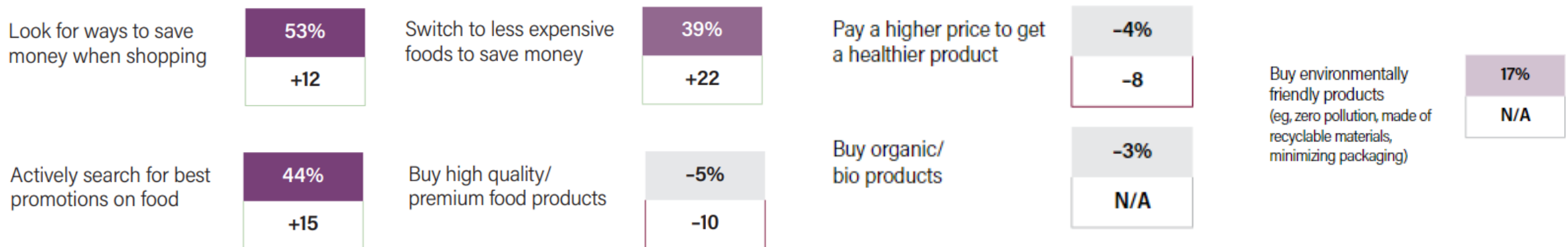
Consumers have downtraded when shopping

Consumers are reducing purchases of fresh products (meat, fish, fruit and vegetables) and organic food to buy more pasta, rice and canned products.

Consumers prefer shopping at supermarkets and discounters to find better deals and purchase more private label products than branded goods.



Amidst a cost-of-living crisis, consumers:



Source: EuroCommerce & McKinsey, Eurostat

Key trends for the future

01

Normalization of prices/volumes

Retail prices take up to 12 months to follow commodity price evolution. The latter peaked in Q3 2022 so volume decline should halt as prices normalize in H2 2023.

02

Value of private label

84% of consumer respondents rate private labels similar or higher in quality compared to branded products.



04

Sustainability cooperation

The importance of sustainability continues to increase, despite the current dip in consumer demand.

03

Online growth

After a period of post-pandemic stagnation, e-grocery is expected to return to moderate growth.

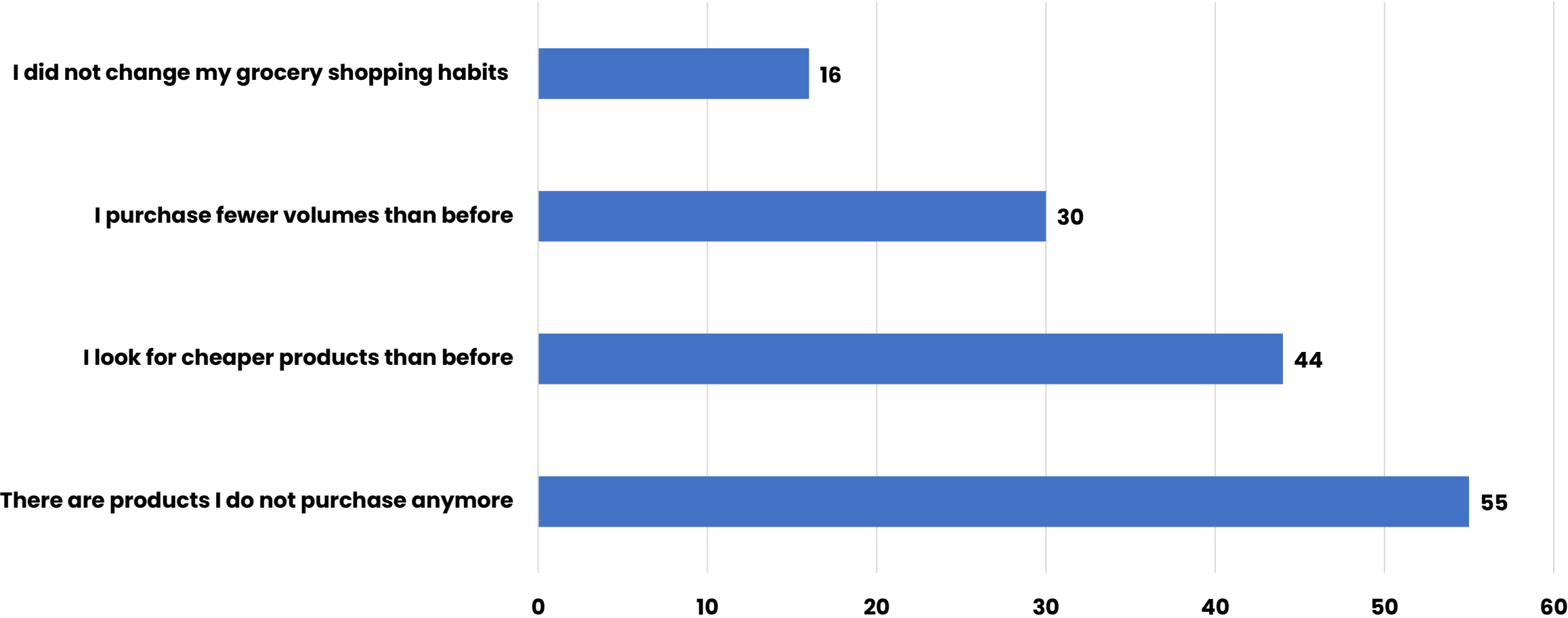
<https://www.eurocommerce.eu/living-with-and-responding-to-uncertainty-the-state-of-grocery-retail-2023/>

Source: EuroCommerce & McKinsey

France

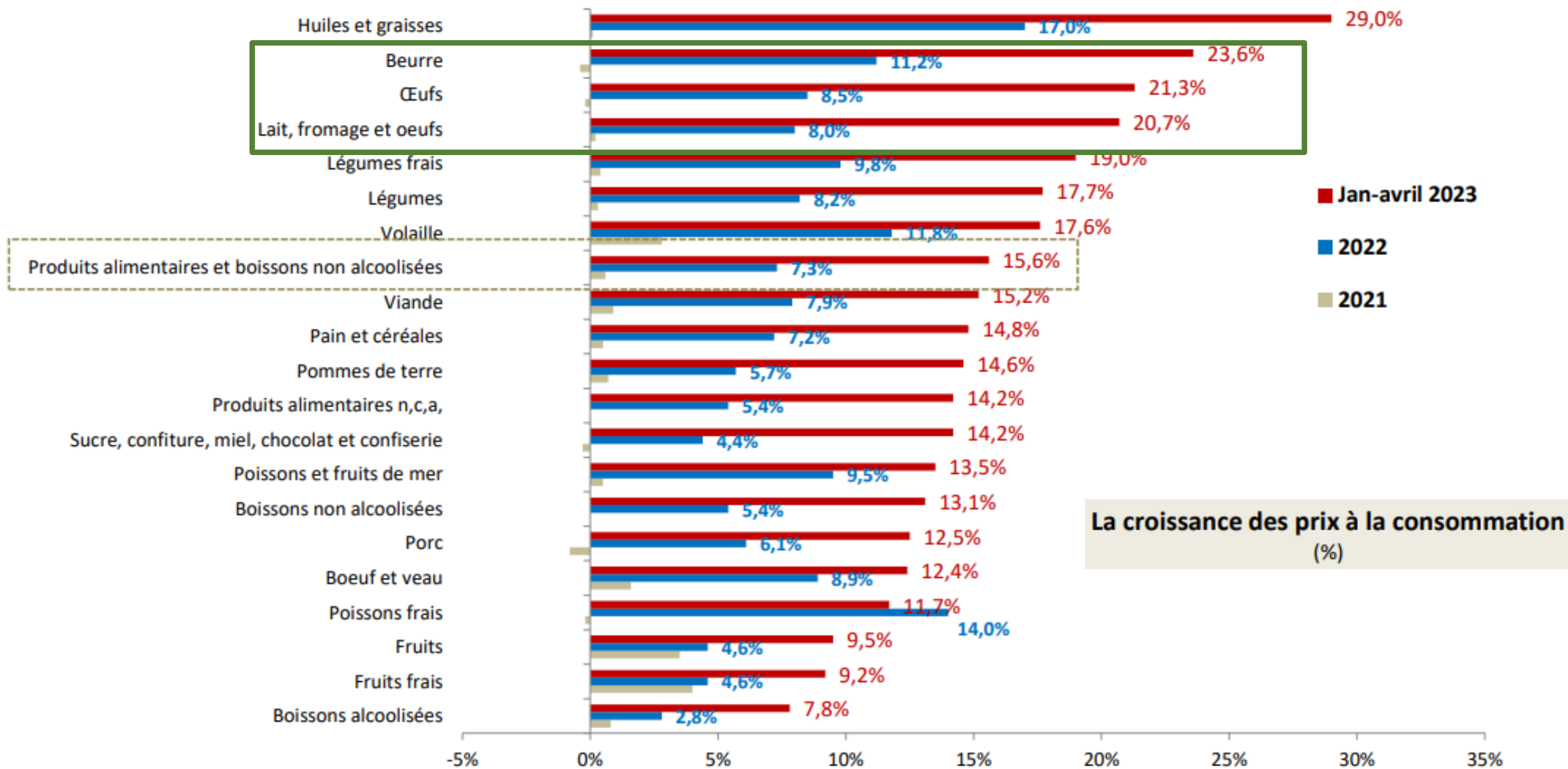
Consumers are changing their habits in times of inflation

% of French households



Source: Elabe May 2023

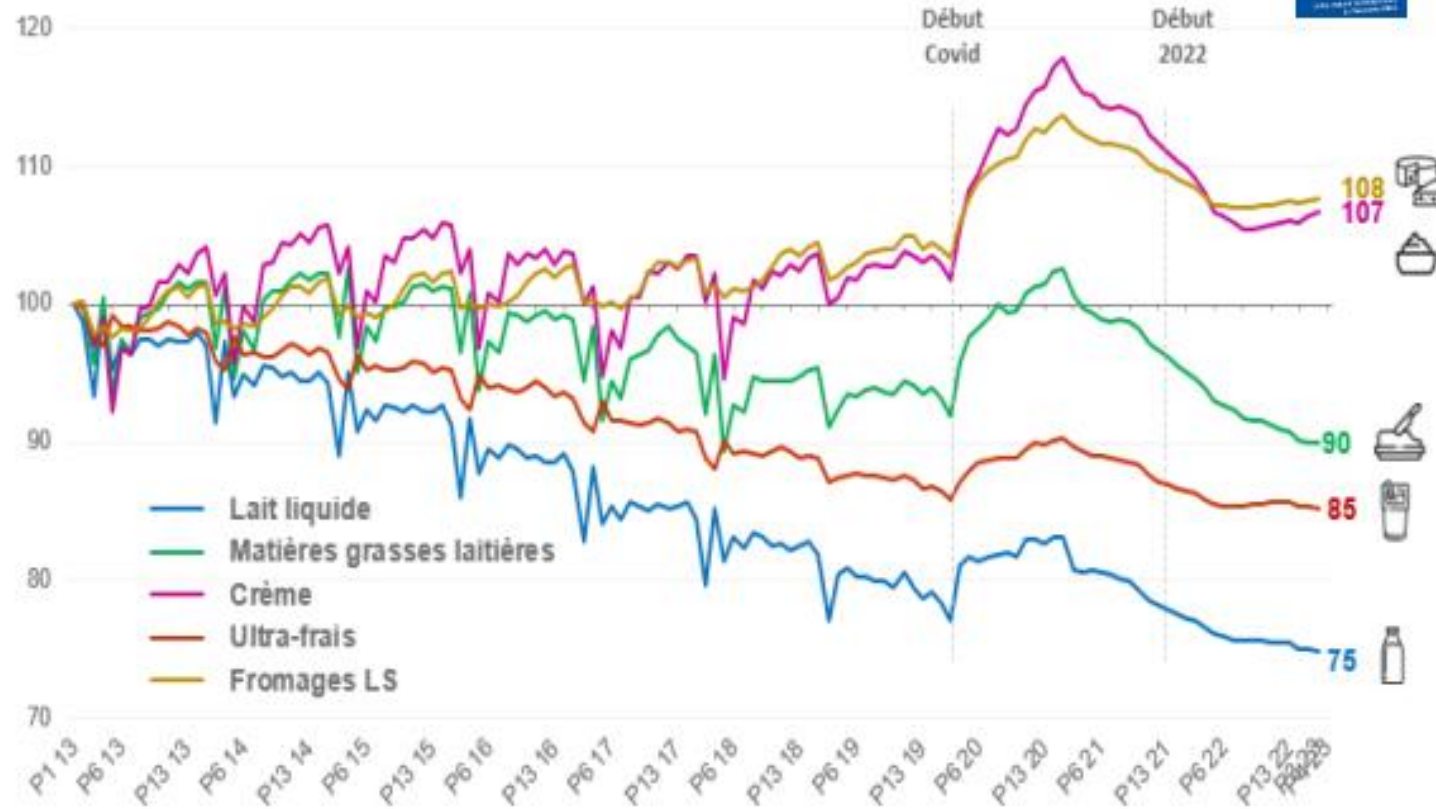
Focus on food inflation



Sales of milk and dairy

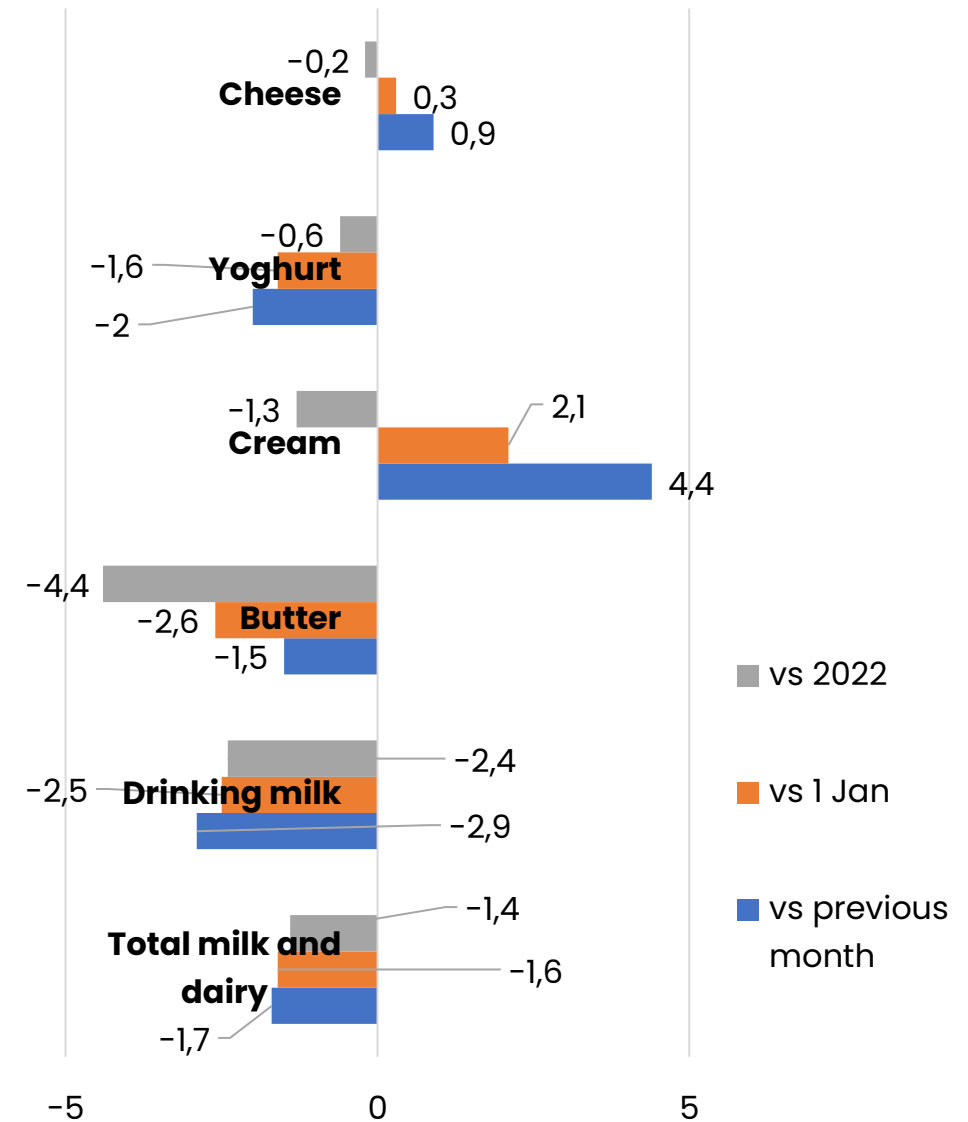
Evolution des ventes volume par catégorie en cumul annuel glissant

Indice 100 en année 2012



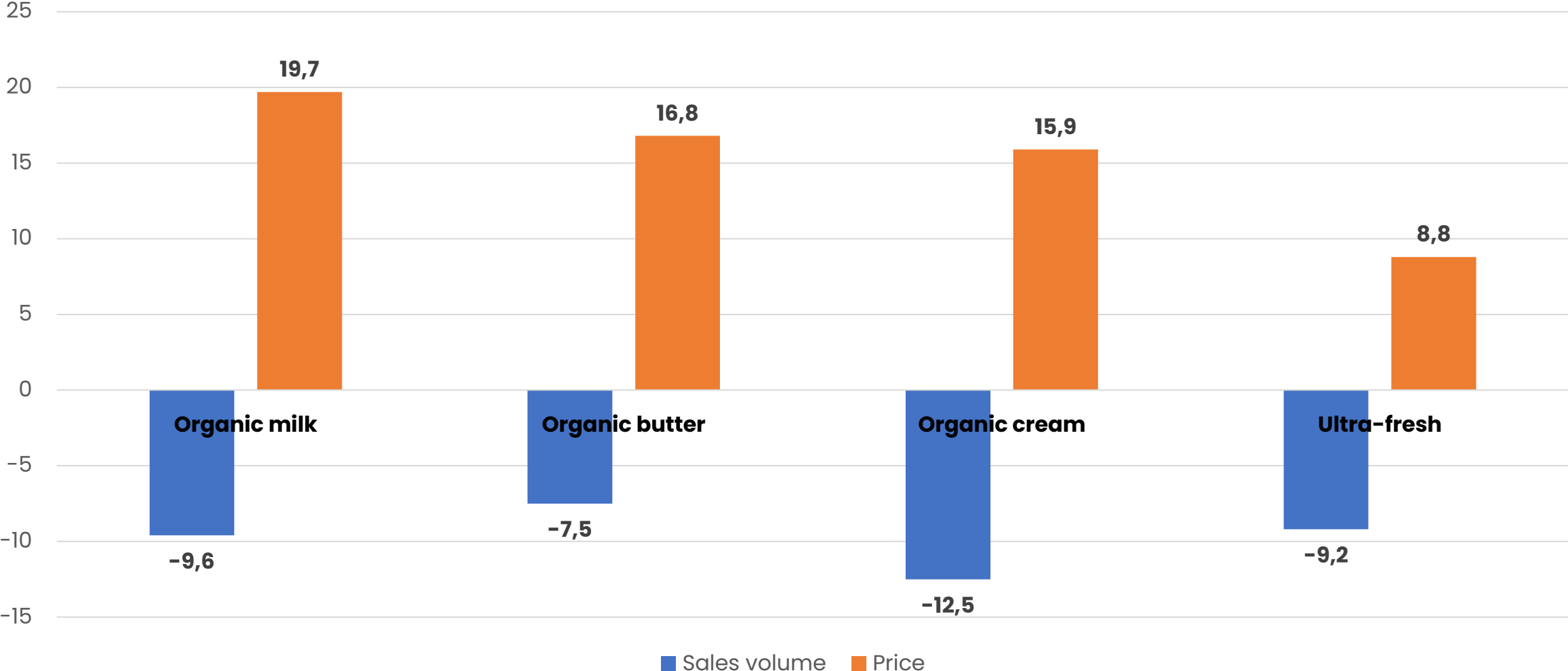
Source: CNIEL IRI

Sales of milk and dairy (volumes)



Organic milk: sales and prices

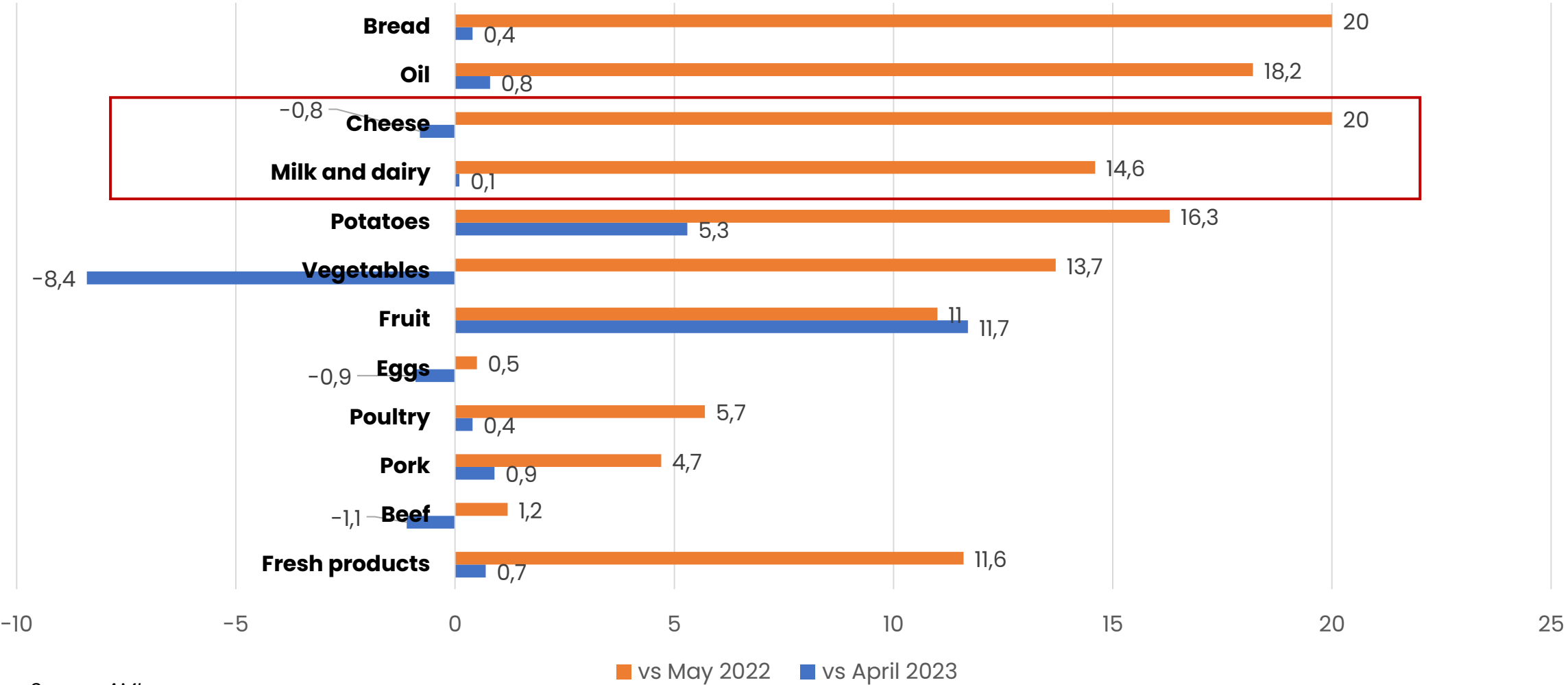
Sales and prices changes for organic milk and dairy, Q1 2023 (vs 2022)



Source: Agrimer

Germany

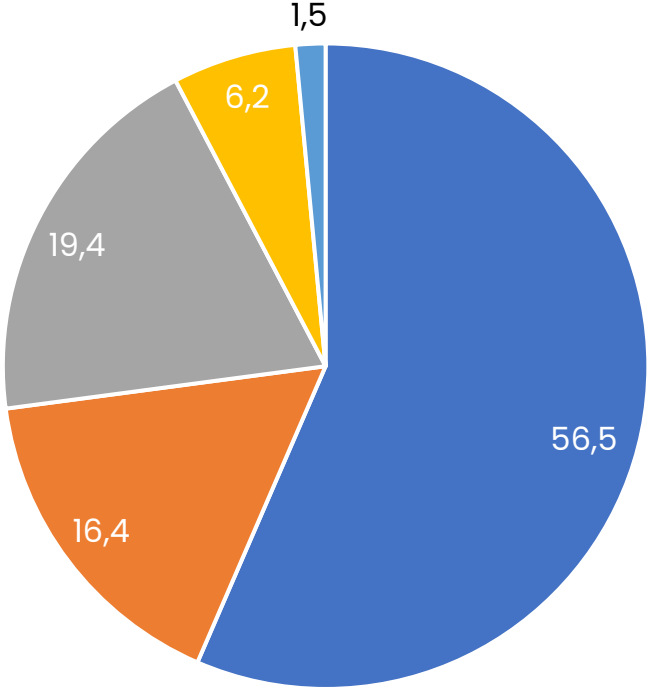
Focus on food inflation



Source: AMI

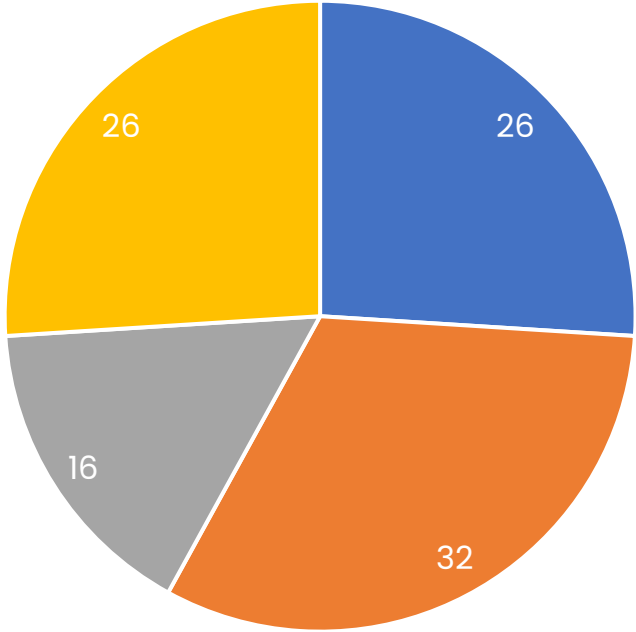
Pro capita consumption of milk and dairy in 2022

The milk shopping basket in 2022 (volumes)



■ Drinking milk ■ Yoghurt ■ Sour milk, kefir ■ Cream ■ Other

The cheese shopping basket in 2022 (volumes)

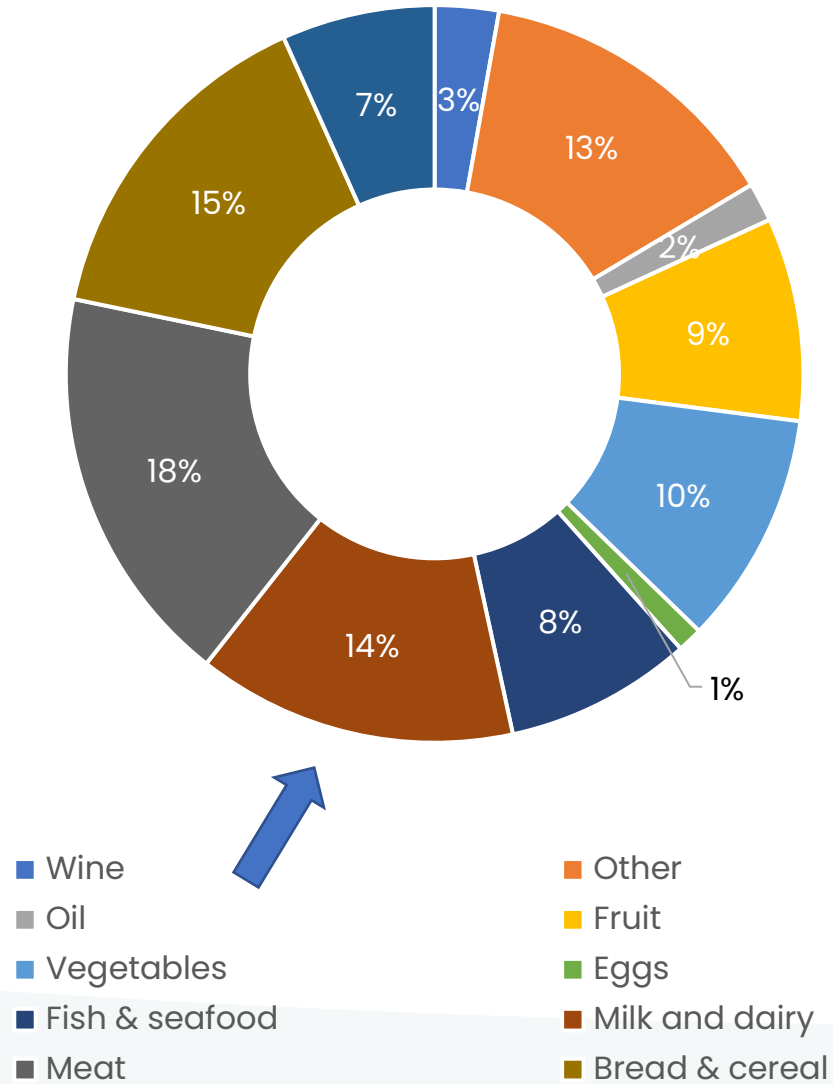


■ Fresh ■ Schnittkase ■ Pasta filata ■ Other

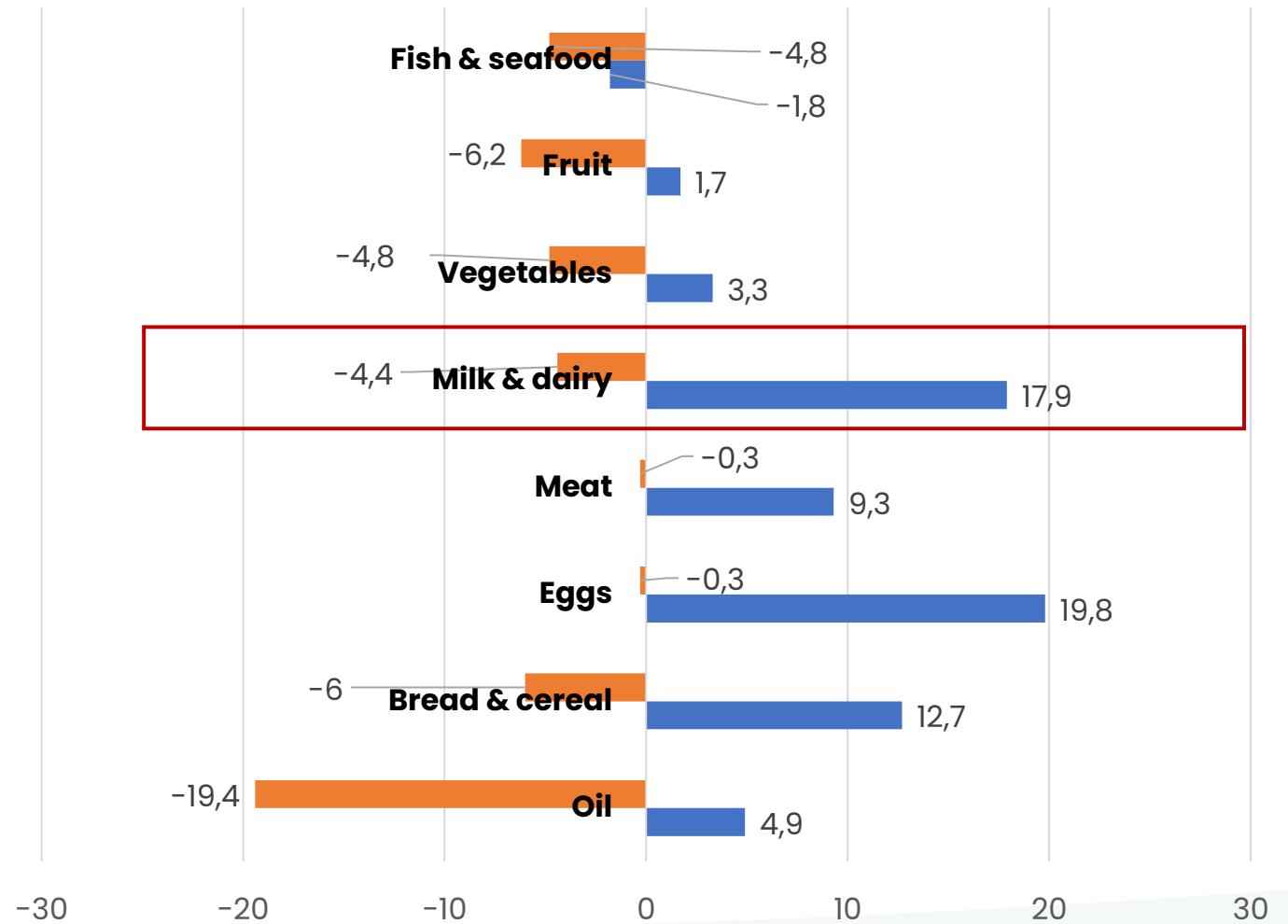
Source: AMI

Italy

The shopping basket in 2022

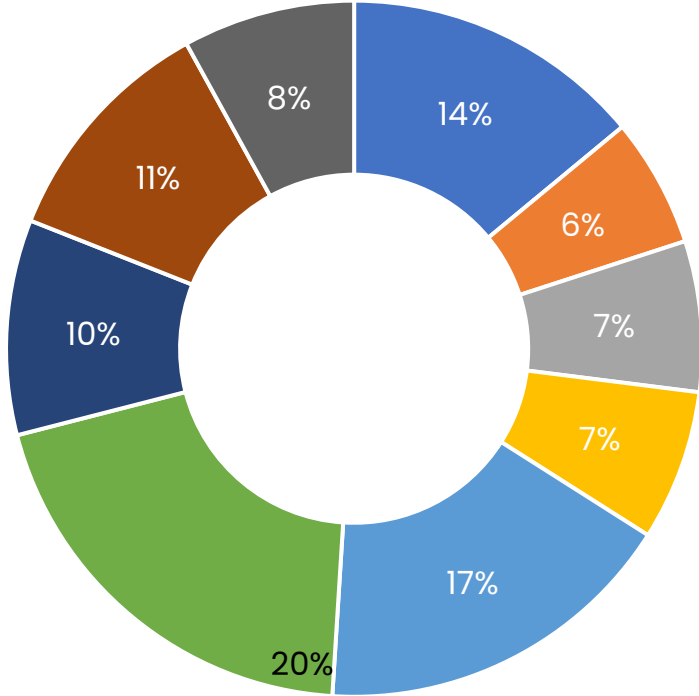


Q1 2023 vs Q1 2022 (sales values and volumes)



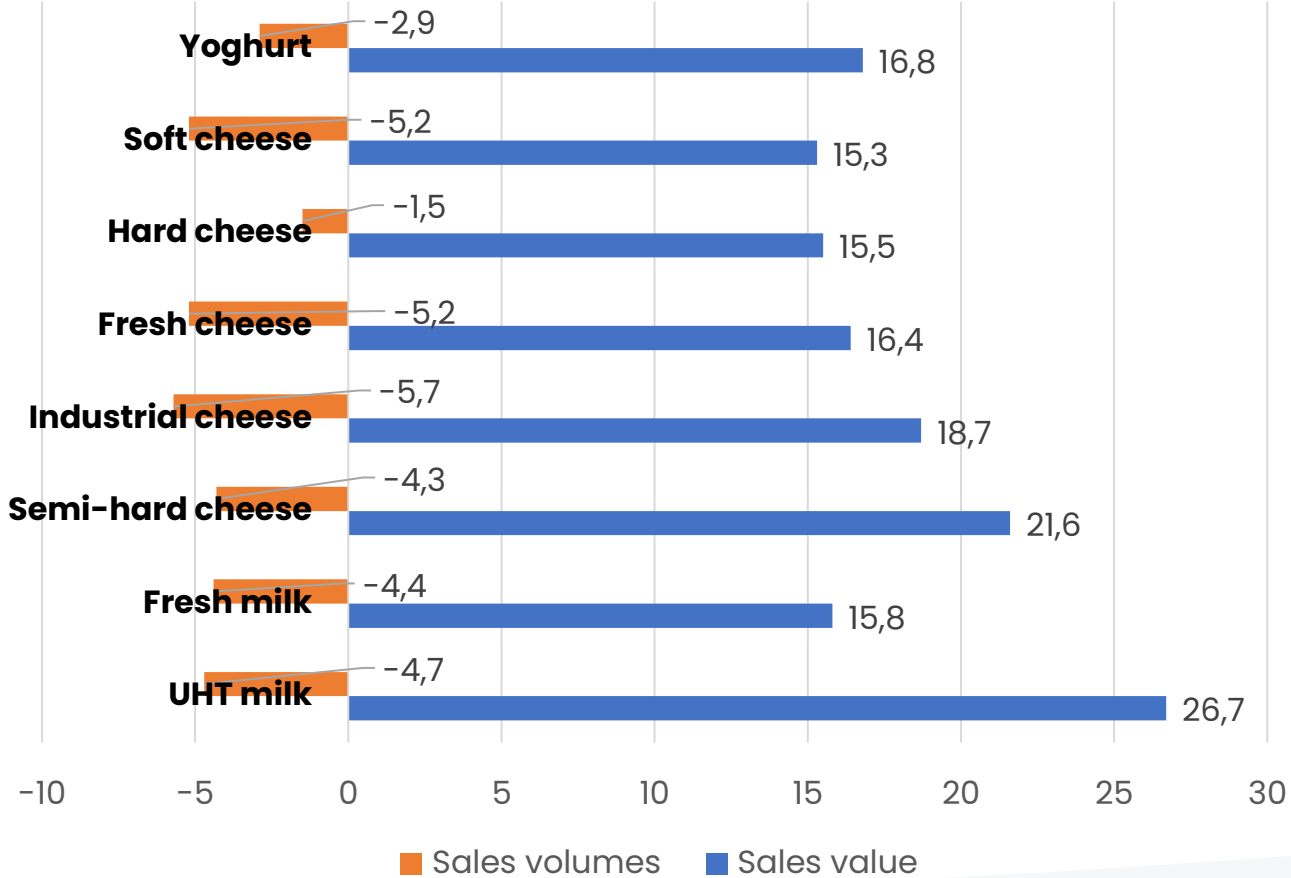
Milk and dairy sales so far in 2023

Milk & dairy shopping basket in Q1 2023

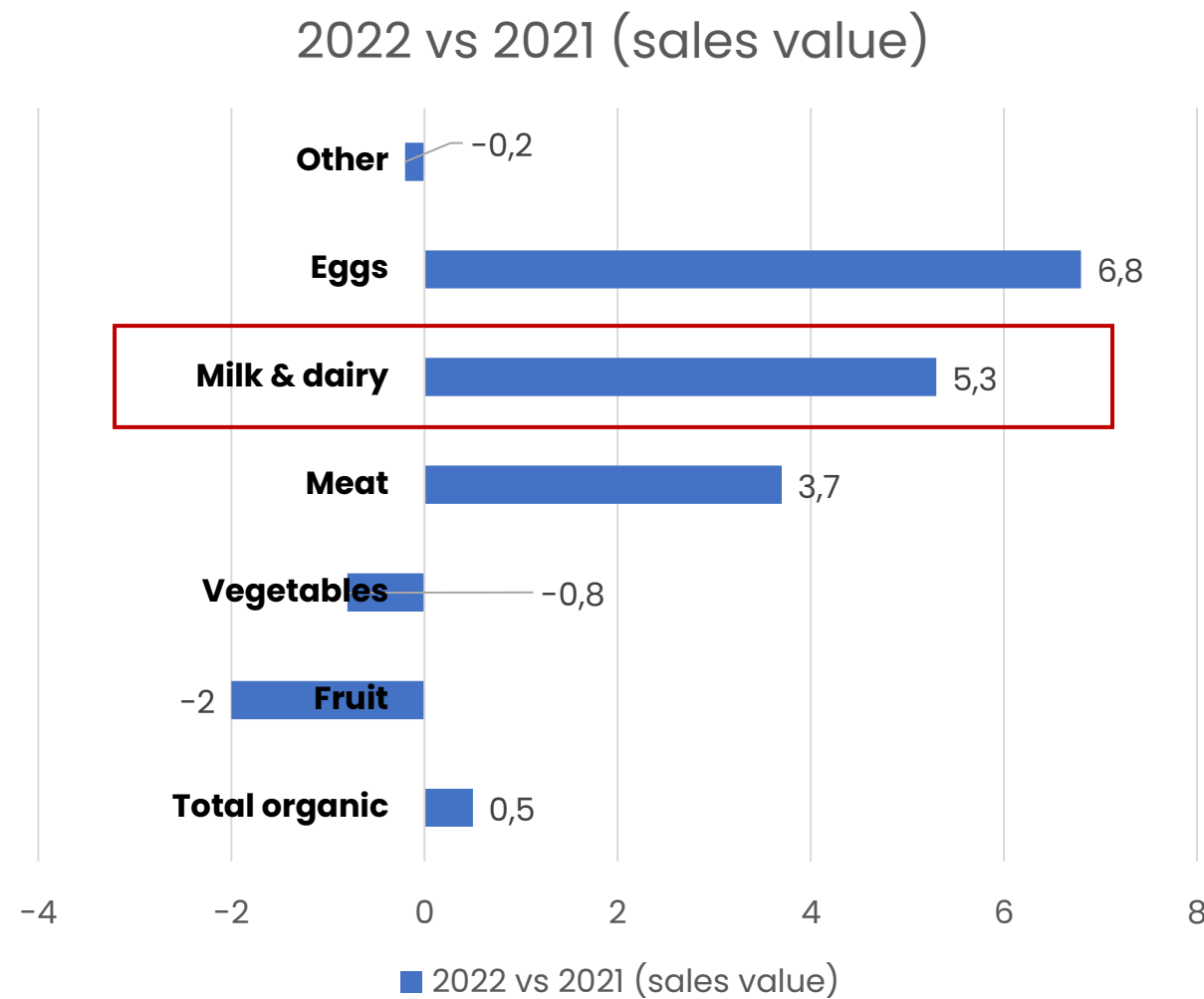
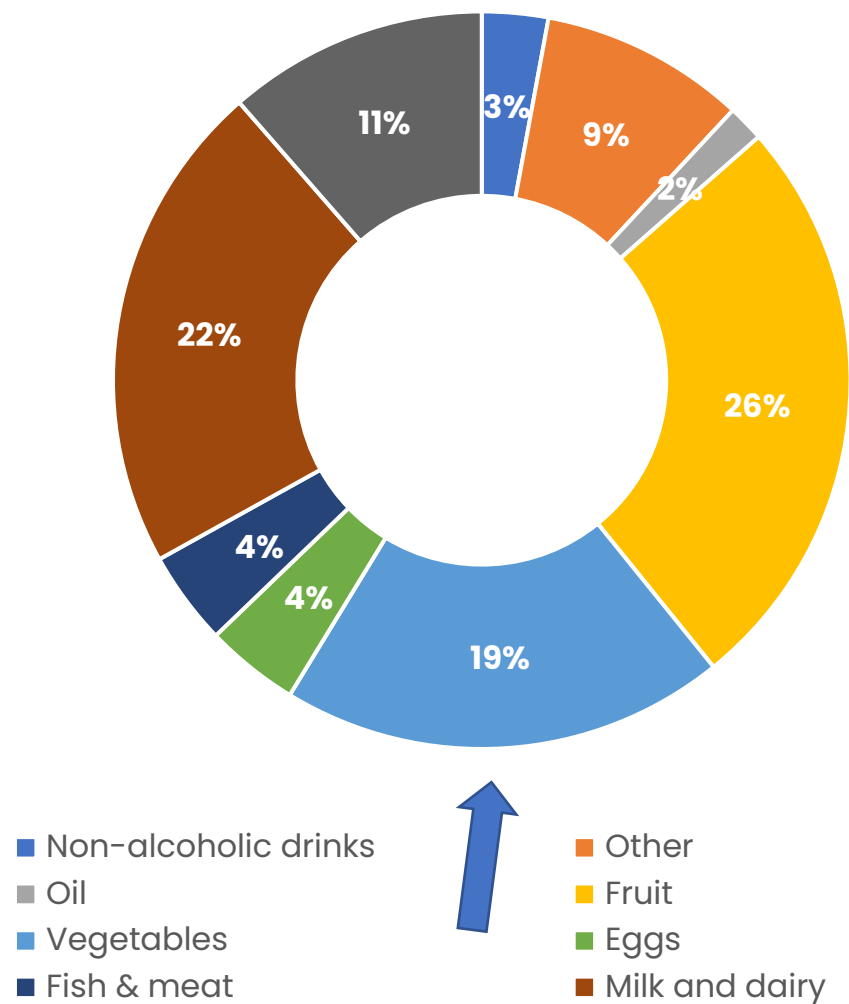


- UHT milk
- Fresh milk
- Semi-hard cheese
- Industrial cheese
- Fresh cheese
- Hard cheese
- Soft cheese
- Yoghurt
- Other

Sales for milk and dairy in Q1 2023



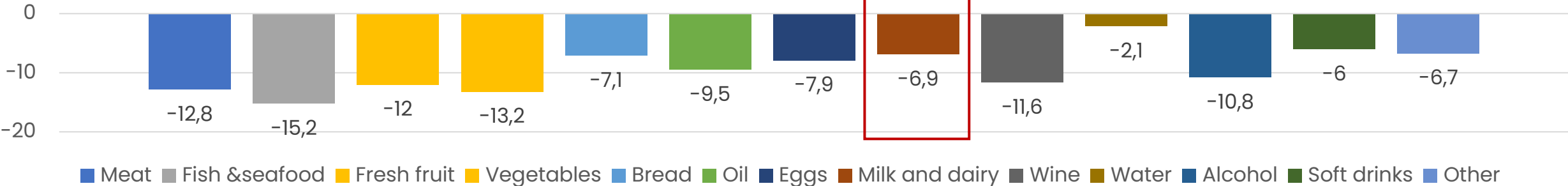
The organic shopping basket in 2022



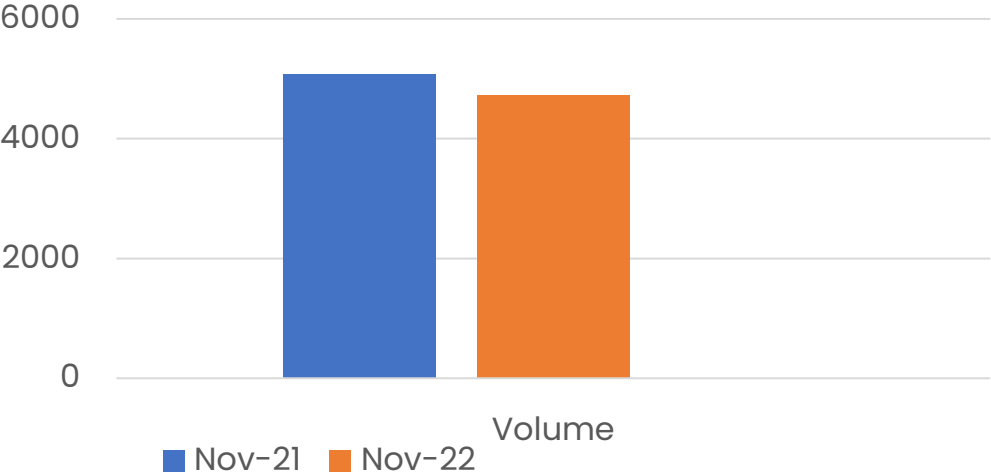
Spain

Milk consumption in 2022 (1)

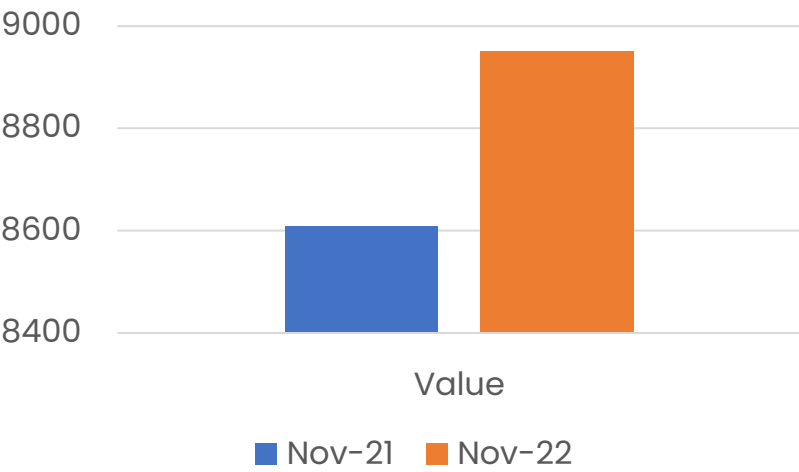
Food home consumption (volume changes vs November 2021)



Volume (million kg)

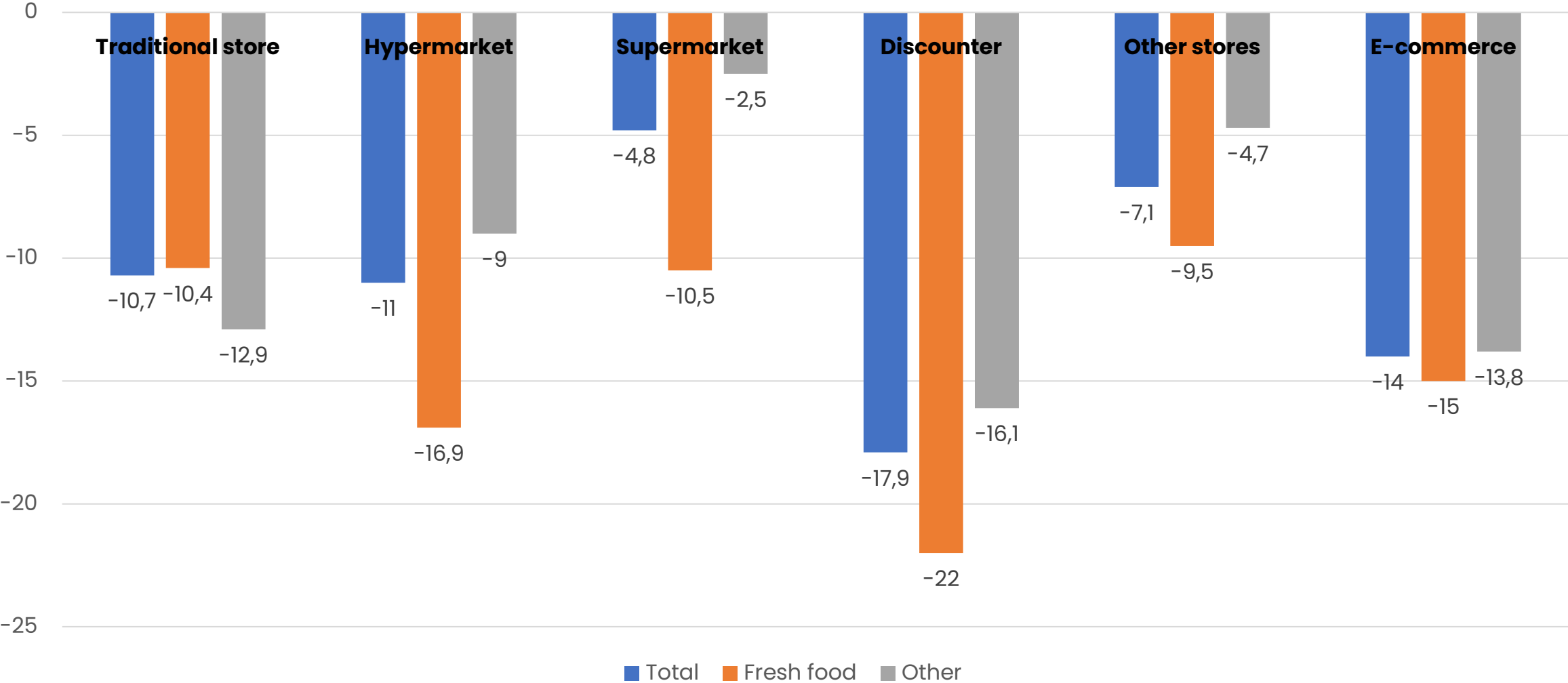


Value (EUR million)



Sales of vegetables decreased by 6,9% in volume in 2022 compared to 2021 and increased by 4% in value.

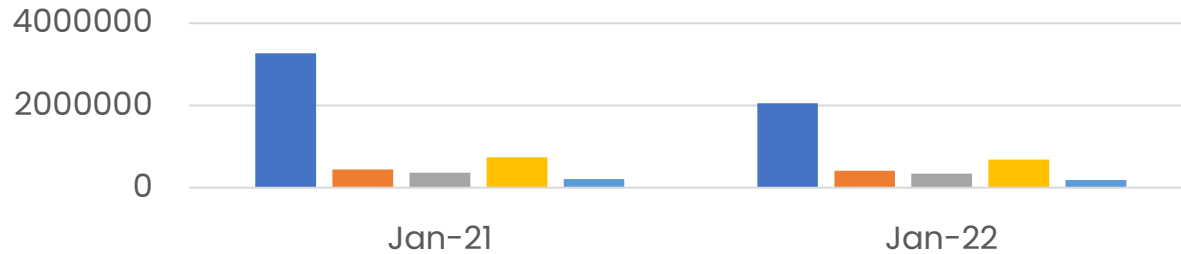
Food consumption per store type



Source: MAPA

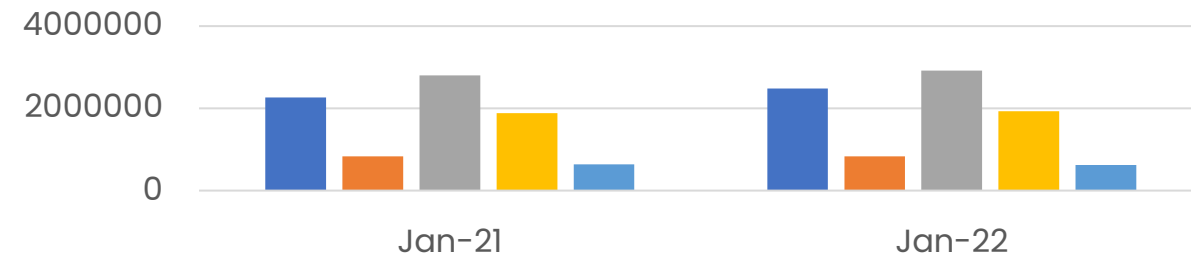
Milk and dairy consumption in 2022 (2)

Volume (million kg)



■ Drinking milk ■ Yoghurt ■ Cheese ■ Other ■ Fermented dairy products

Value (thousands €)



■ Drinking milk ■ Yoghurt ■ Cheese ■ Other ■ Fermented dairy products

Pro-capita home consumption in volume in Spain in 2022:

- -6,4% for drinking milk;
- -8,2% for yoghurt;
- -5,7% for cheese;
- -19,9 for fermented dairy products;
- -7.1% for other dairy products.

Pro-capita home consumption in value in Spain in 2022:

- +9,6% for drinking milk;
- +0,5% for yoghurt;
- +4 for cheese;
- -2,7% for fermented dairy products;
- +2,8% for other dairy products.

ANNEX 5

Short-term EU dairy market outlook

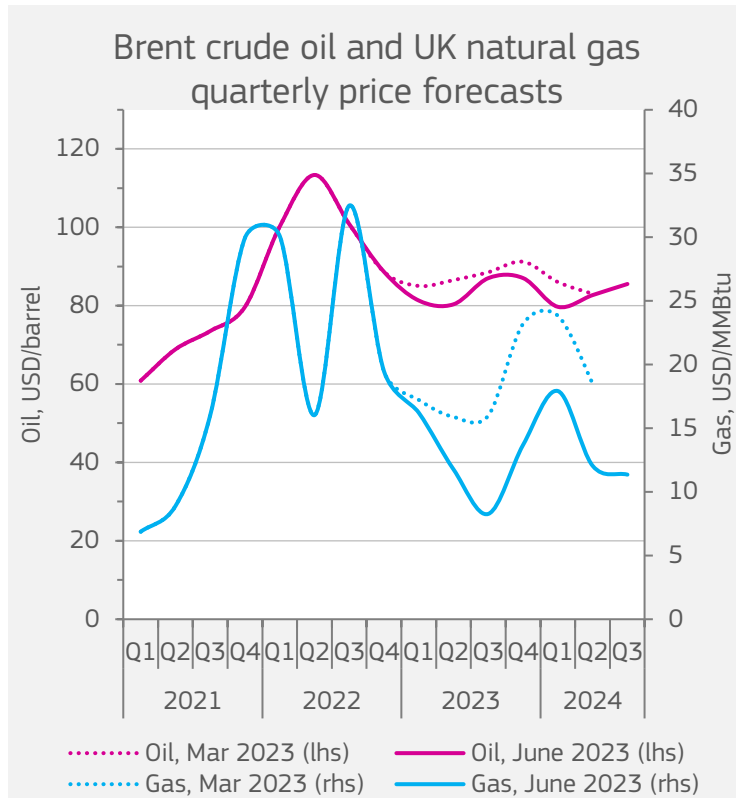
European Commission



SHORT-TERM EU DAIRY MARKET OUTLOOK

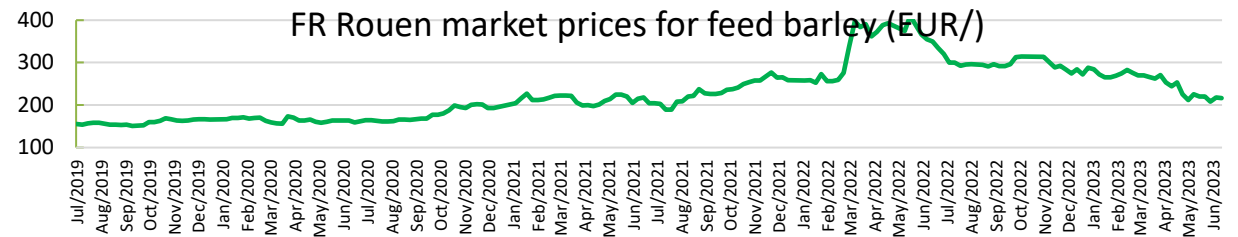
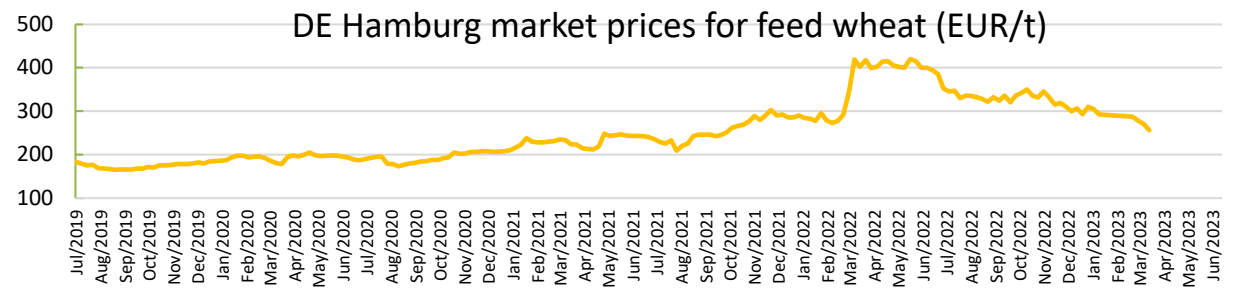
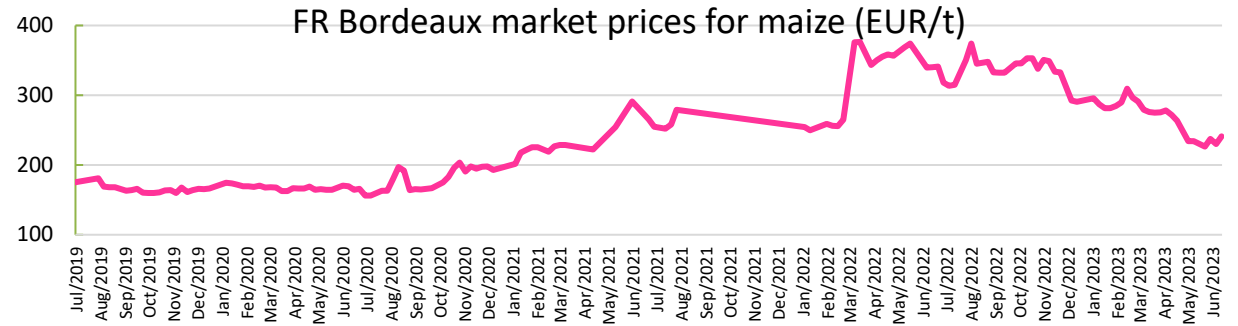
Milk Market Observatory
27 June 2023, unit of Analysis and Outlook

Supply factors – energy and feed costs



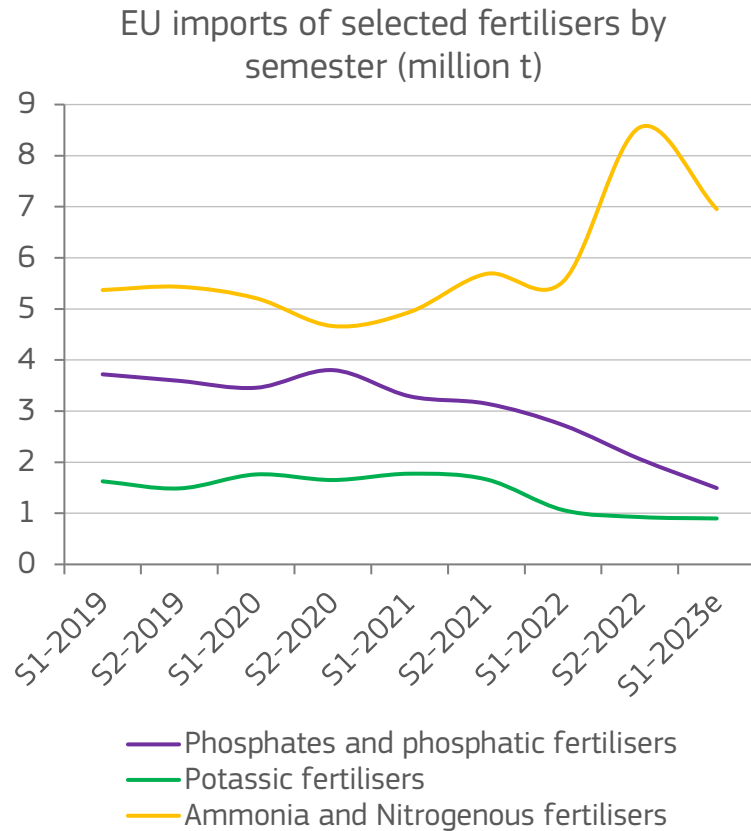
Note: 1 MMBtu is 1 million British thermal units, approximately 293.1 kilowatt hours.

Source: DG Agriculture and Rural Developments, based on S&P Global.



Source: DG Agriculture and Rural Developments, based on MS notifications.

Supply factors –fertilisers



Source: DG Agriculture and Rural Developments, based on Eurostat.

KEY OBSERVATIONS:

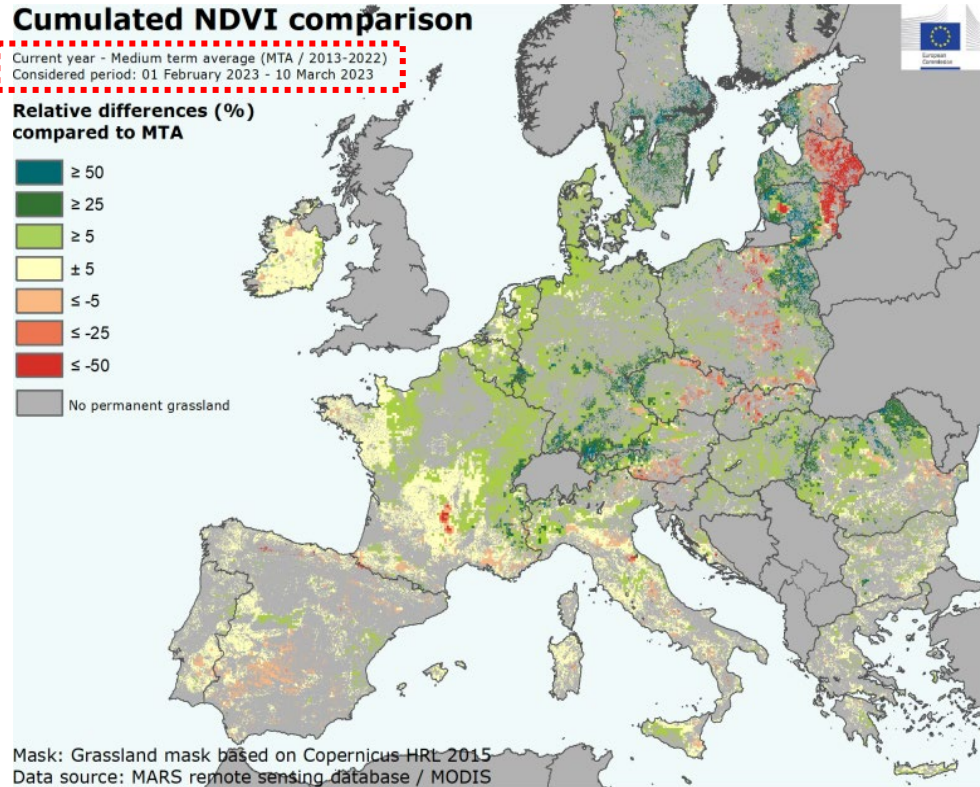
- A very **high level of imports** of nitrogen fertilisers compensated for a **closure** of a significant part of the **EU ammonia production** capacity in 2022
- **Further declining of natural gas prices** allows EU domestic ammonia plants to gradually restart
- While imports are decreasing, this results in **large availability of nitrogen products** on the EU market

Supply factors – grassland conditions

Cumulated NDVI comparison

Current year - Medium term average (MTA / 2013-2022)
Considered period: 01 February 2023 - 10 March 2023

Relative differences (%)
compared to MTA

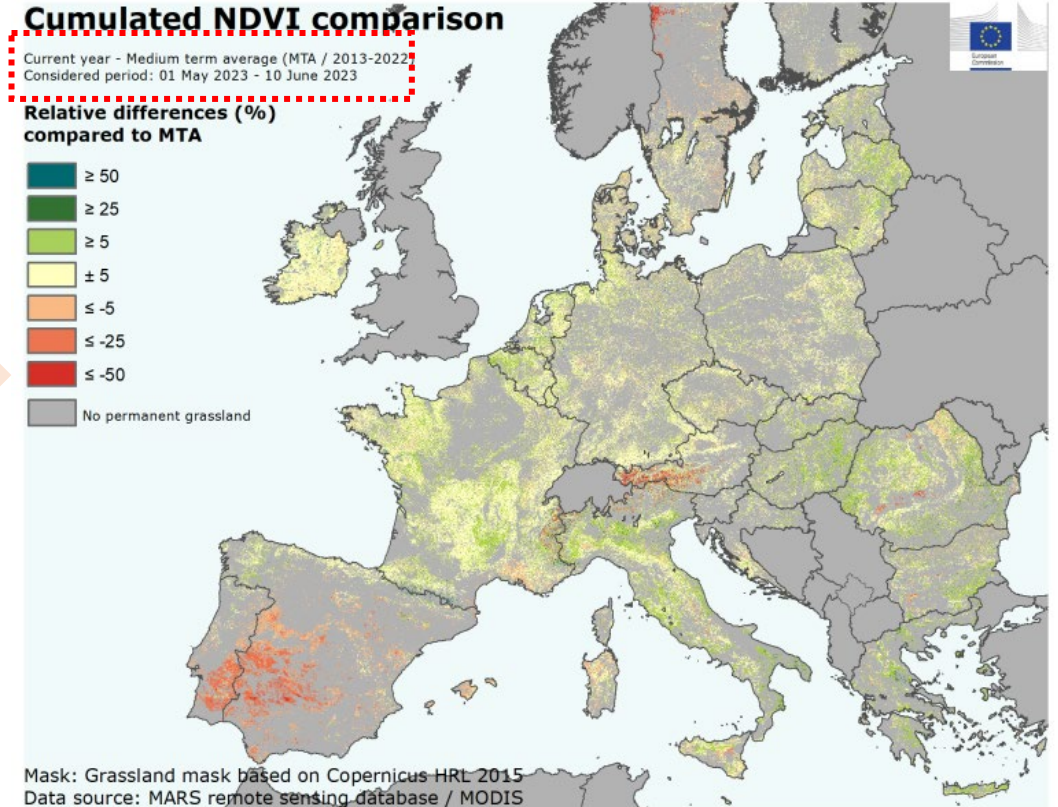
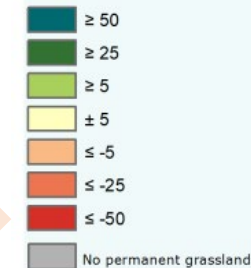


Mask: Grassland mask based on Copernicus HRL 2015
Data source: MARS remote sensing database / MODIS

Cumulated NDVI comparison

Current year - Medium term average (MTA / 2013-2022)
Considered period: 01 May 2023 - 10 June 2023

Relative differences (%)
compared to MTA



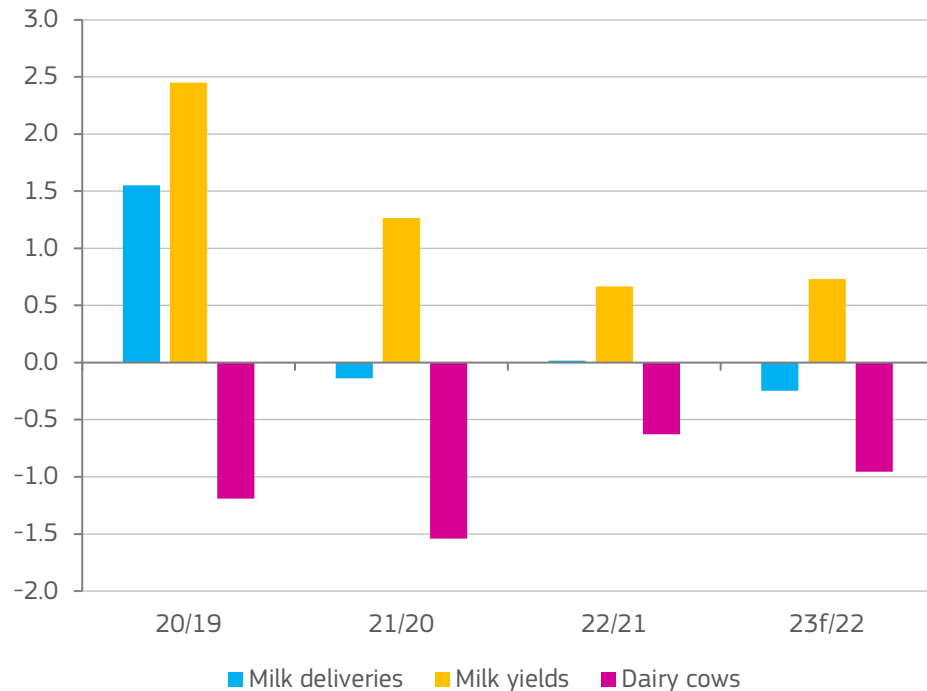
Mask: Grassland mask based on Copernicus HRL 2015
Data source: MARS remote sensing database / MODIS

Note: Normalized Difference Vegetation Index (NDVI).

Source: JRC MARS Bulletins – March and June 2023 (<https://agri4cast.jrc.ec.europa.eu/bulletinsarchive>)

EU milk supply in 2023

Annual change of EU milk deliveries, milk yields and dairy cows' herd (%)



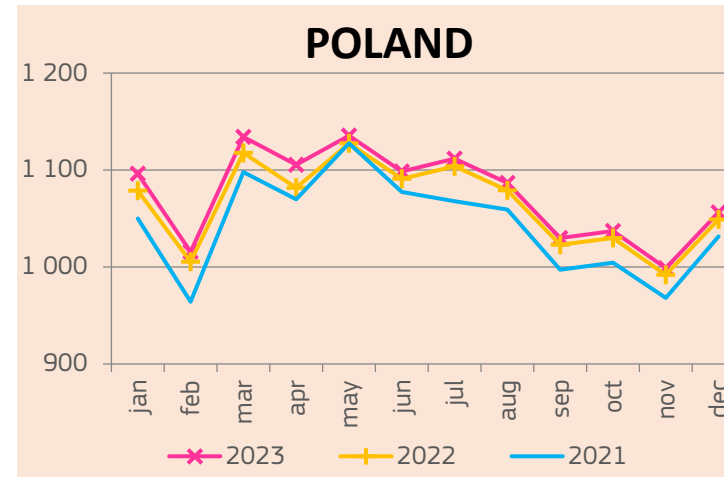
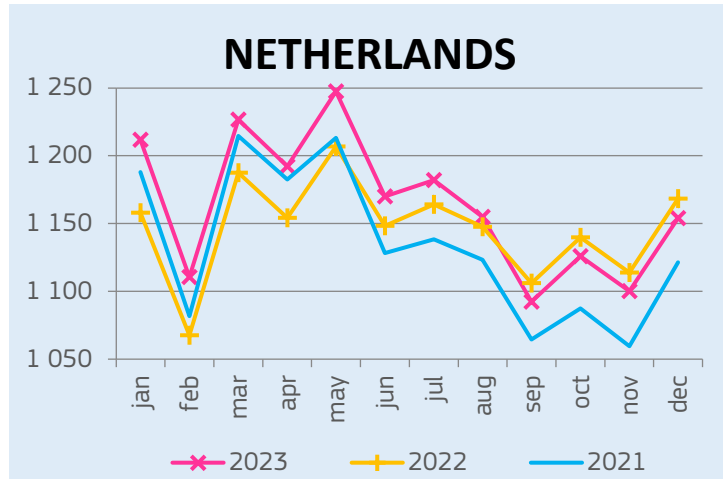
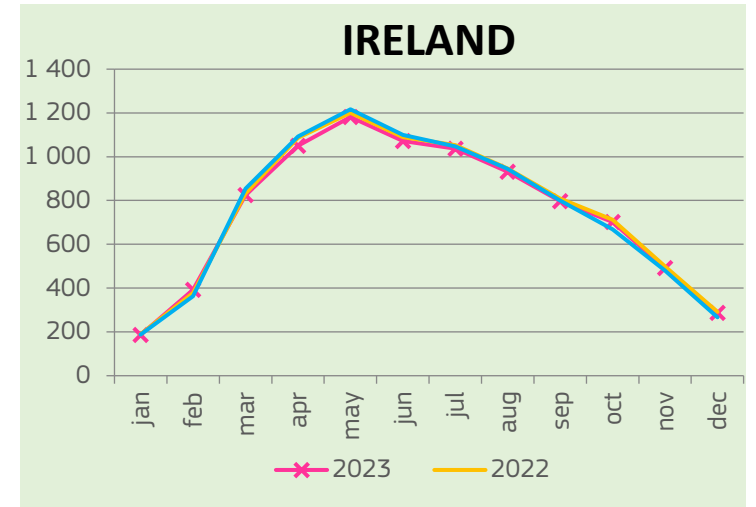
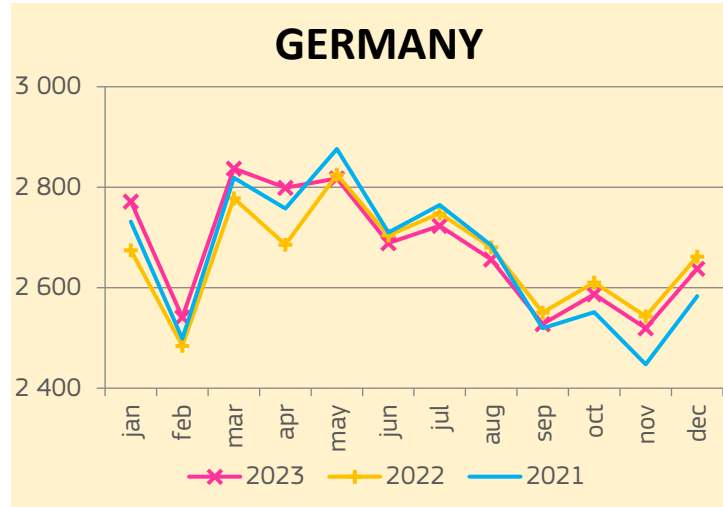
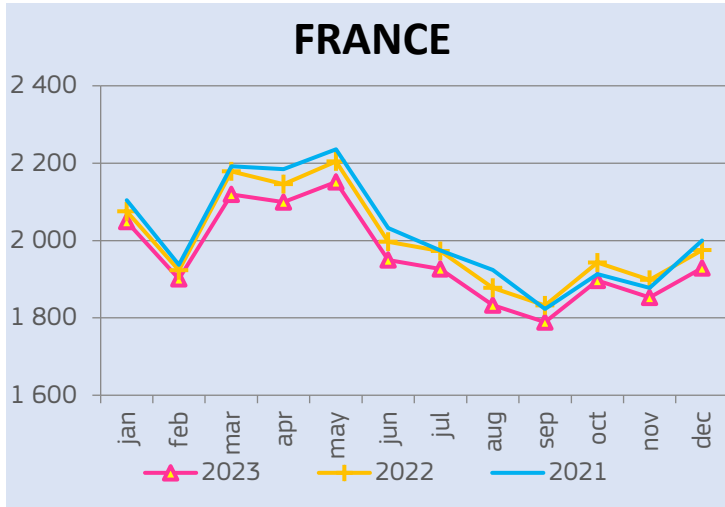
Note: Yields calculation is based on milk deliveries and dairy cows' numbers.

Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications.

KEY CONSIDERATIONS:

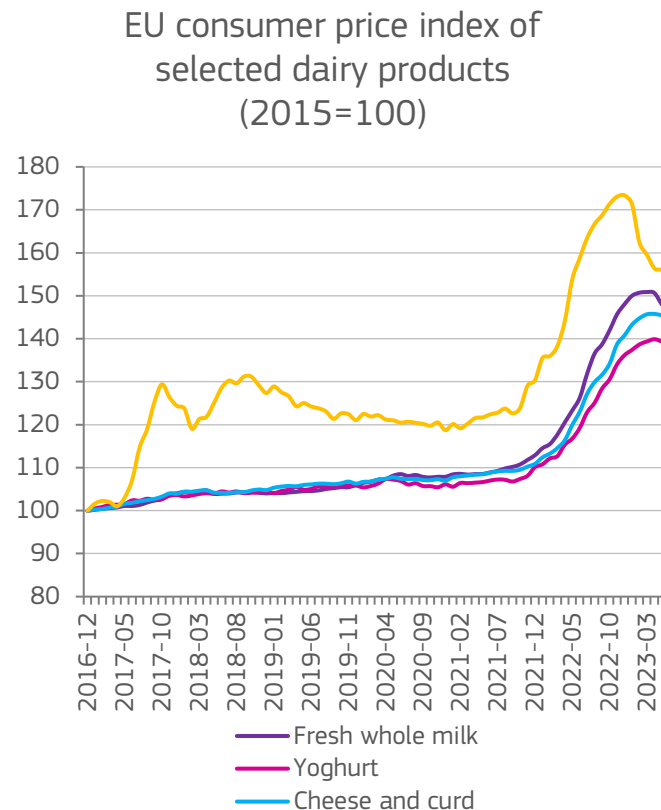
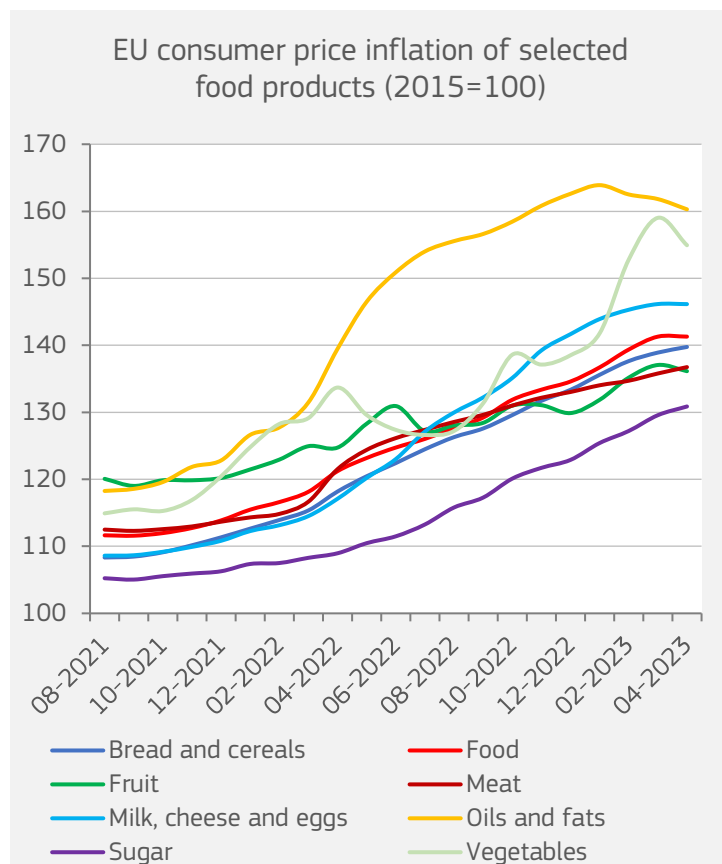
- **Delayed slaughtering to accelerate** in coming months
- Potential impact of **declining raw milk price** (oversupply and demand to be factored in)
- At this stage, **weather conditions are not as harmful** as last year -> this could add an additional downward pressure on production

MS milk deliveries



Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications.

EU food and dairy products inflation

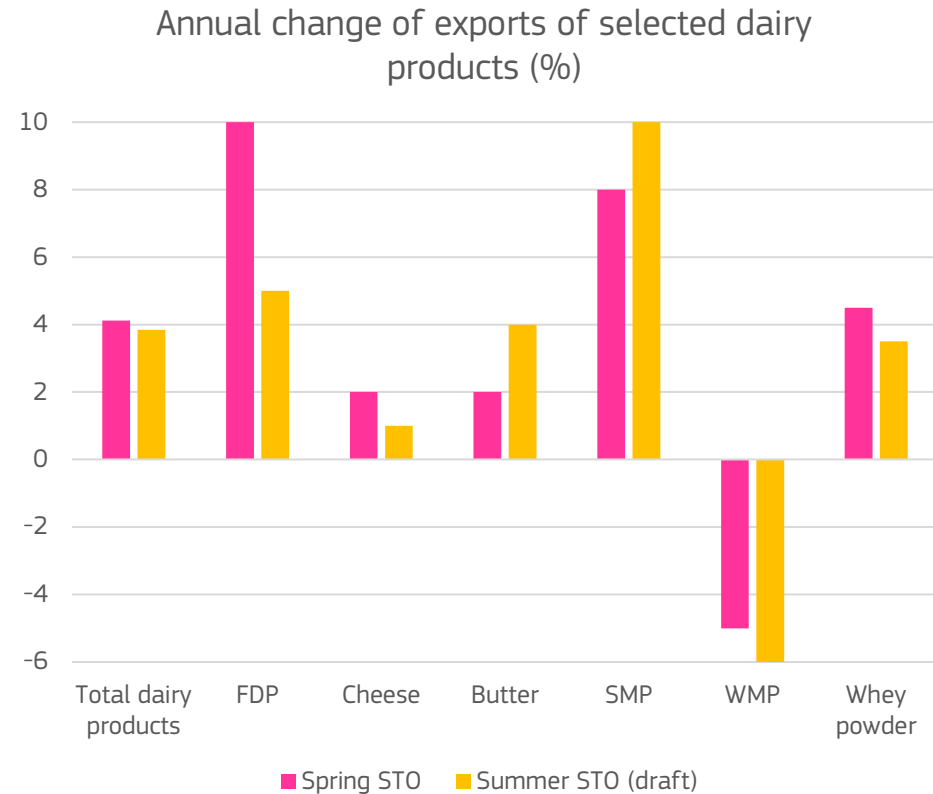


KEY CONSIDERATIONS:

- **Price** remains a strong purchasing decision factor
- **Drops in dairy prices** help some processing streams (e.g. use of butter in bakery sector)
- Despite a slowdown of growth rates of input costs and consumer prices
- -> ... **retail prices** still remain high
- -> ... as well as **processing costs**

Source: DG Agriculture and Rural Developments, based on Eurostat

EU dairy exports



Source: DG Agriculture and Rural Development, based on Eurostat.

KEY CONSIDERATIONS:

- **Lower EU dairy prices** help to recover some market shares
- **High global inflation remains** -> higher price competition for low-value products, low demand for high-value added products
- **Recovery of China is slower** than expected (also more WMP produced domestically, possibly also SMP)

Useful links

- Short-term outlook: https://agriculture.ec.europa.eu/data-and-analysis/markets/outlook/short-term_en
- Short-term outlook interactive balance sheets: <https://agridata.ec.europa.eu/extensions/DataPortal/short-term-outlook.html>
- Estimated MS balance sheets: https://datam.jrc.ec.europa.eu/datam/mashup/PROD_TRADE_USE/
- Food supply and security dashboard: <https://agridata.ec.europa.eu/extensions/DataPortal/food-supply-security.html>

#AgriOutlook

An aerial photograph of a rural landscape. On the left, a lush green field contains a herd of cows of various colors. In the center, a dense, rectangular plantation of young trees is visible, with a small red tractor parked in the middle. On the right, a golden-brown field is bordered by a strip of green vegetation, which in turn borders a dark green body of water.

THANK
YOU

#AgriOutlook