



European
Commission



Prospects for EU dairy Markets 2015-2025

**Feedback from the Outlook WS
22-23 October 2015
on the
PRELIMINARY BASELINE**

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Agriculture
and Rural
Development

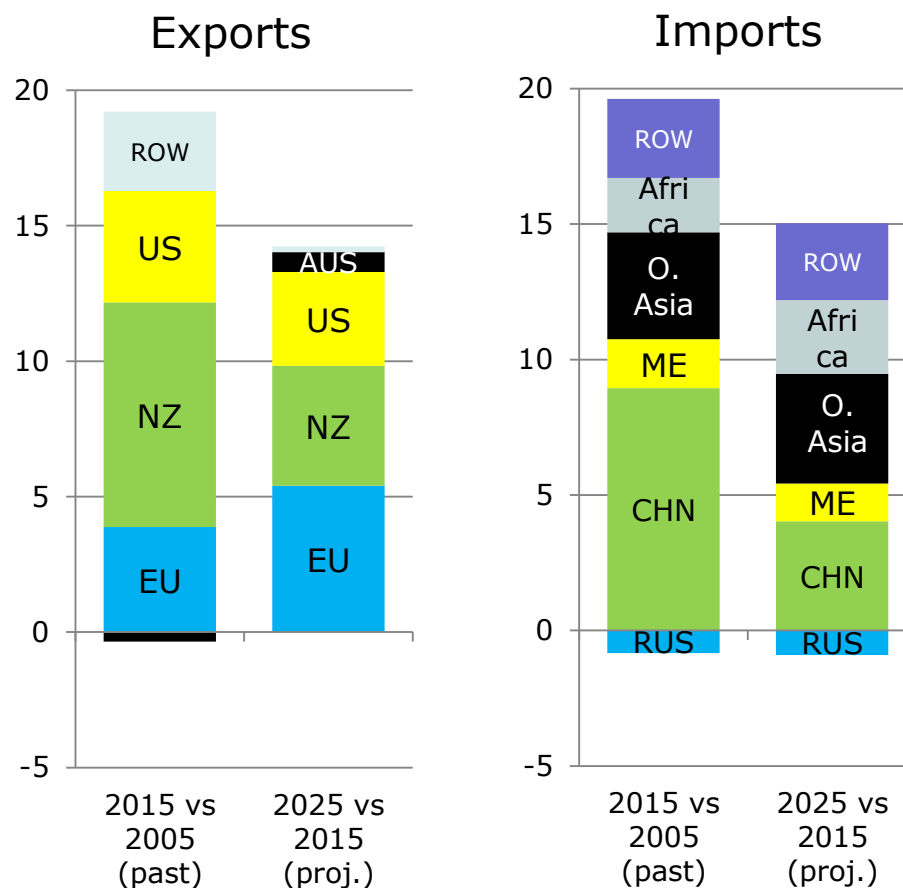
Outline

- The EC draft baseline was presented for validation by experts to the Outlook WS on 22-23 October 2015
- Around 100 participants
- Speakers in the dairy session to focus on domestic use:
 - Chair: Kevin Bellamy, Rabobank
 - Benjamí Güixéns, Danone,
 - Leonardo Mirone, purchasing director, Barilla
- Parallel session with around 15 participants more on the supply
- Next step: finalisation of the baseline by Dec 1st...

Steady growth in world consumption

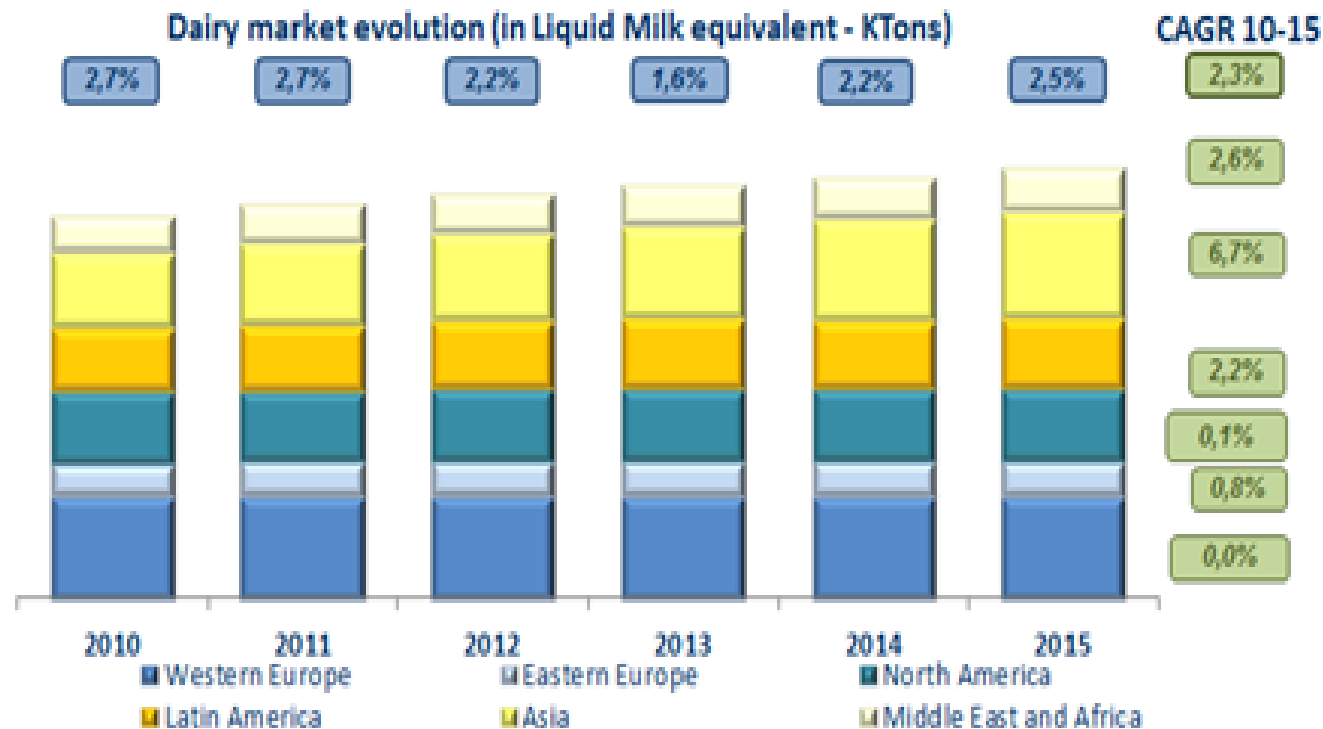
- +1.8% per year in world consumption and production
- +2.3% per year in world imports
- A lower increase in traded volumes compared to the last decade
- Extra demand to be supplied more by the EU than by NZ
- China to contribute less to the extra demand

Cumulative change in world trade of dairy products
million tonnes of milk equivalent



Source: DG Agriculture and Rural Development (draft baseline)

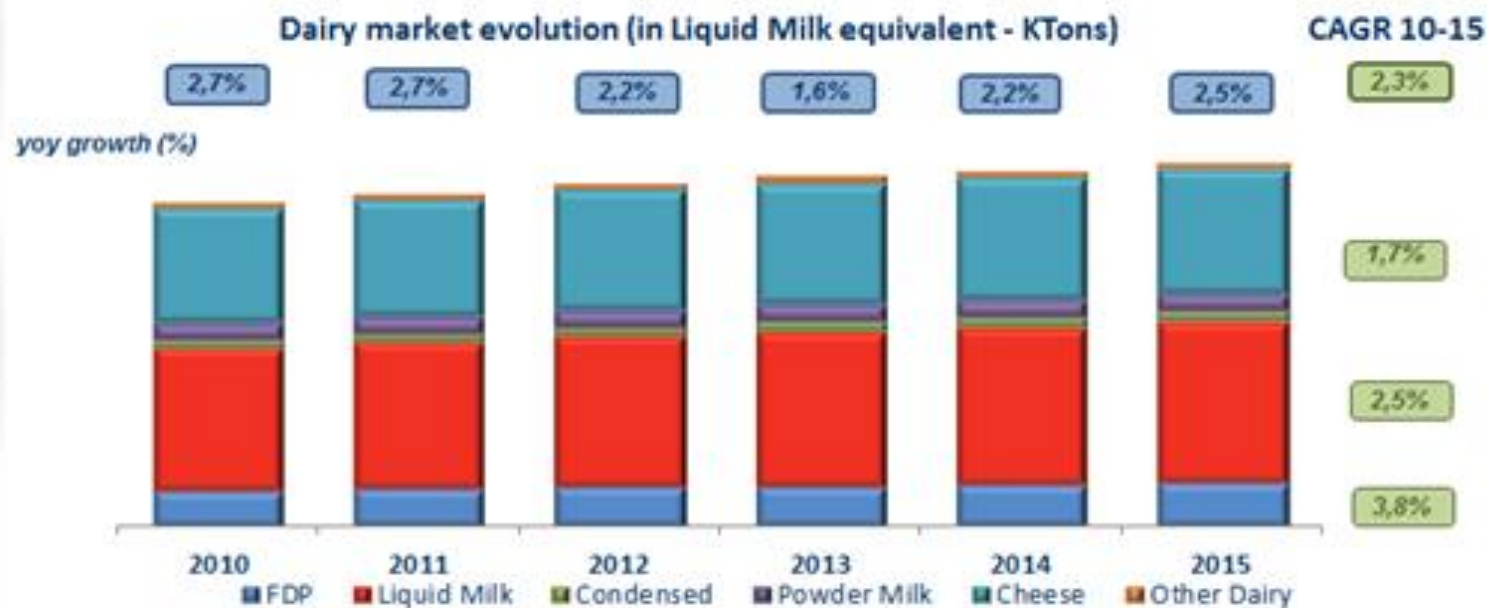
Milk demand - steadily growing at 2,2% yoy WW,



Source: Euromonitor (Aug'15) - packaged food

1. Volume consumption steadily growing around +2,3% in CAGR over the past 6 years
2. China currently representing 1/3 of the global consumption growth
3. Other Asia represents an additional 1/3 of the global consumption growth
4. Europe and US showing flat to slight YOY growth trend

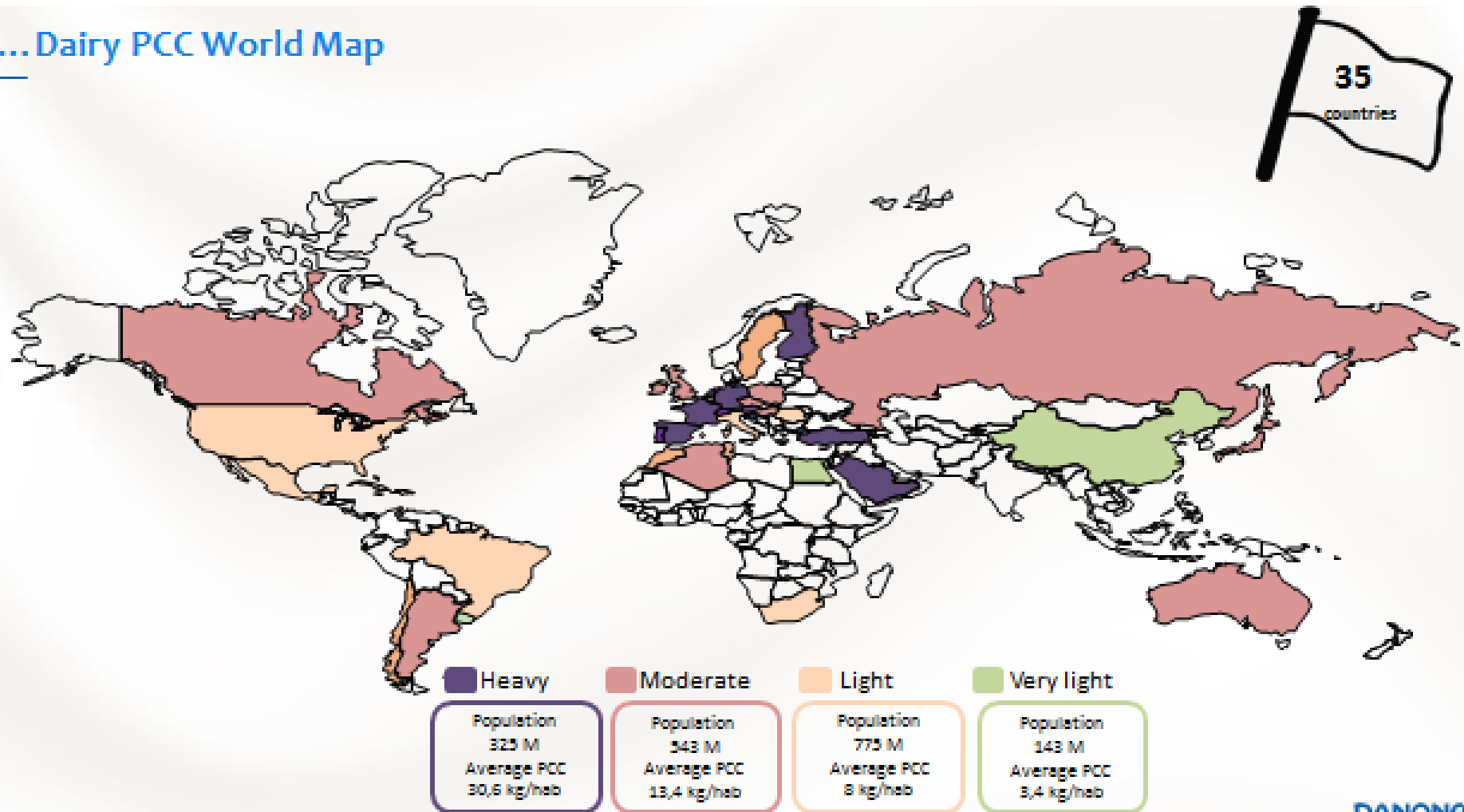
Milk demand - Different growth rates per Dairy Products Category



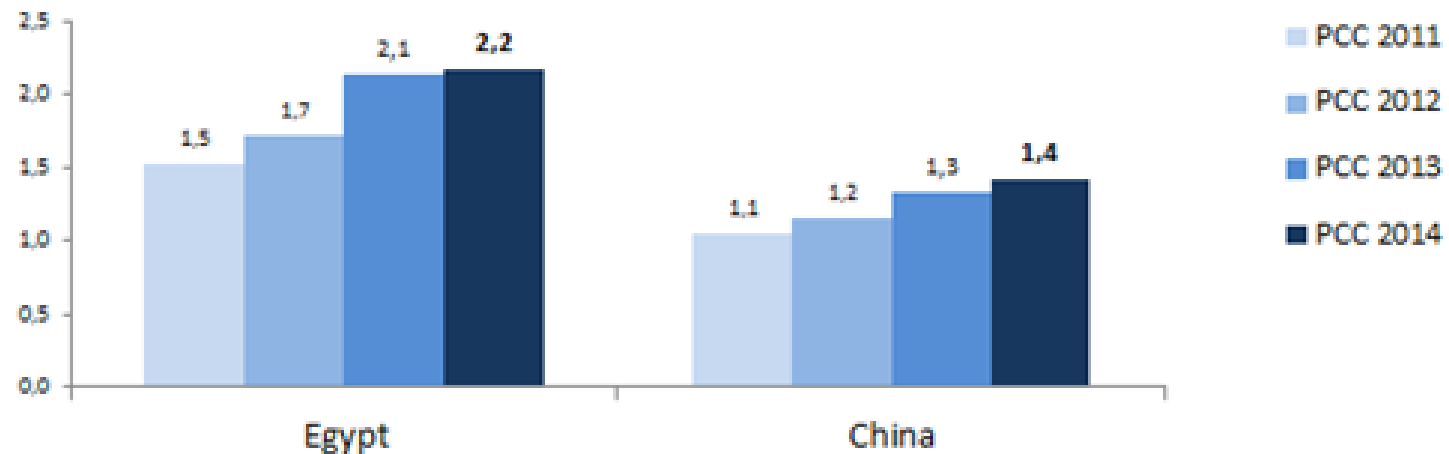
Source: Euromonitor (Aug'15) - packaged food

1. Dairy Consumption growing steadily at 2,3% CAGR over the last 6 years
2. FDP segment over-performing vs. other categories

... Dairy PCC World Map

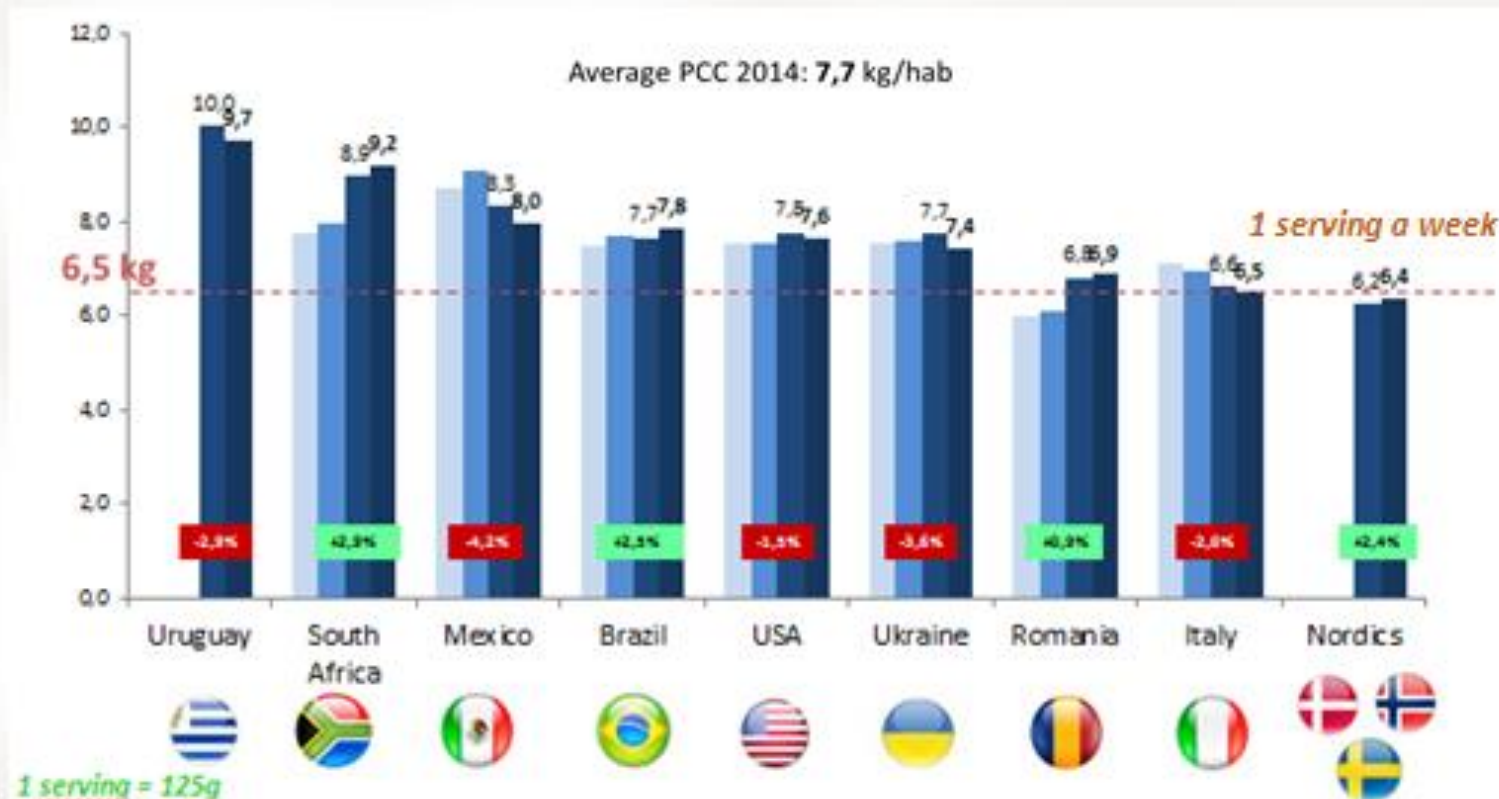


PCC - Very light 0-5 kg/pers./yr.

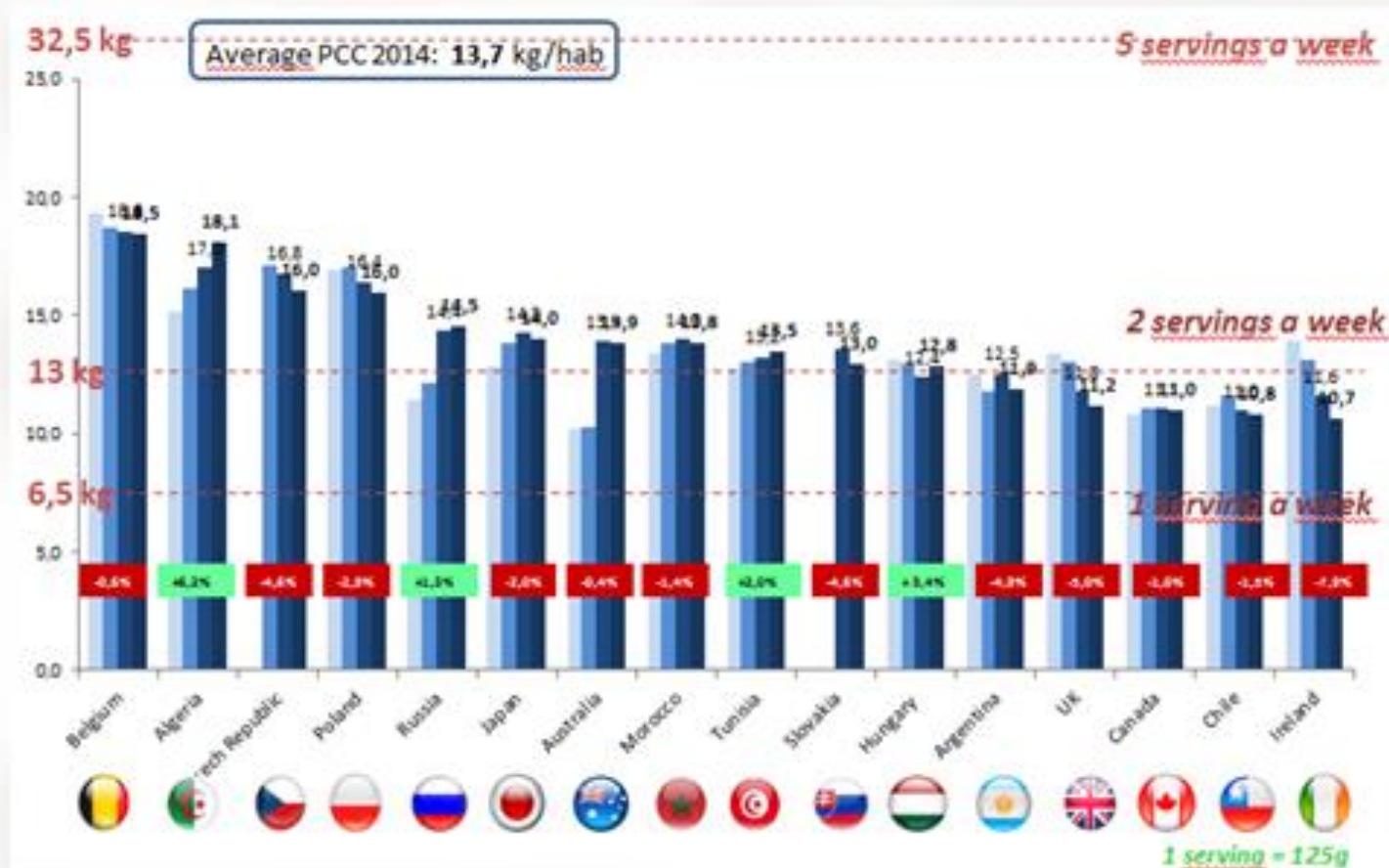


1 serving = 125g

PCC - light 5-10 kg/pers./yr

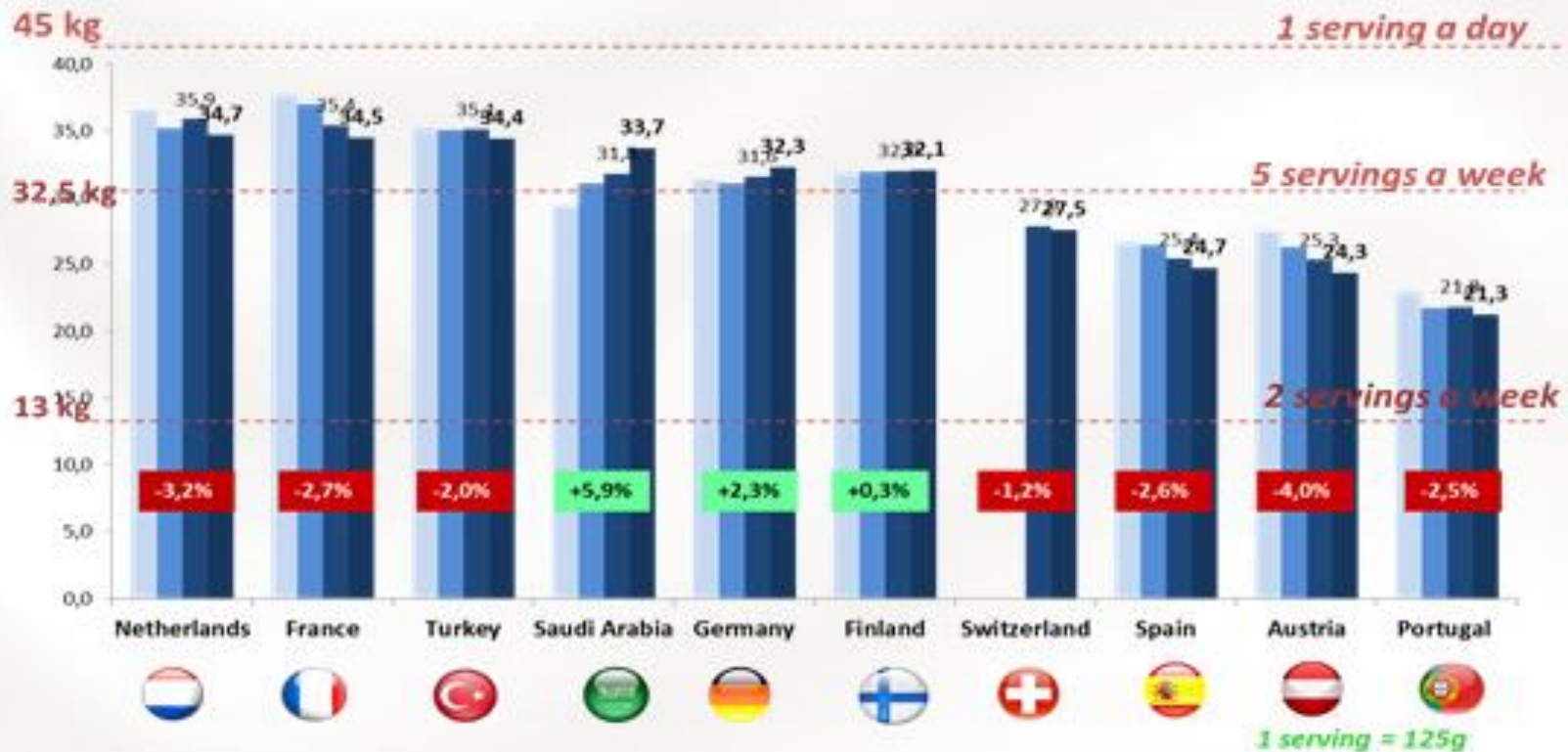


PCC – moderate 10-20 kg/pers./yr.

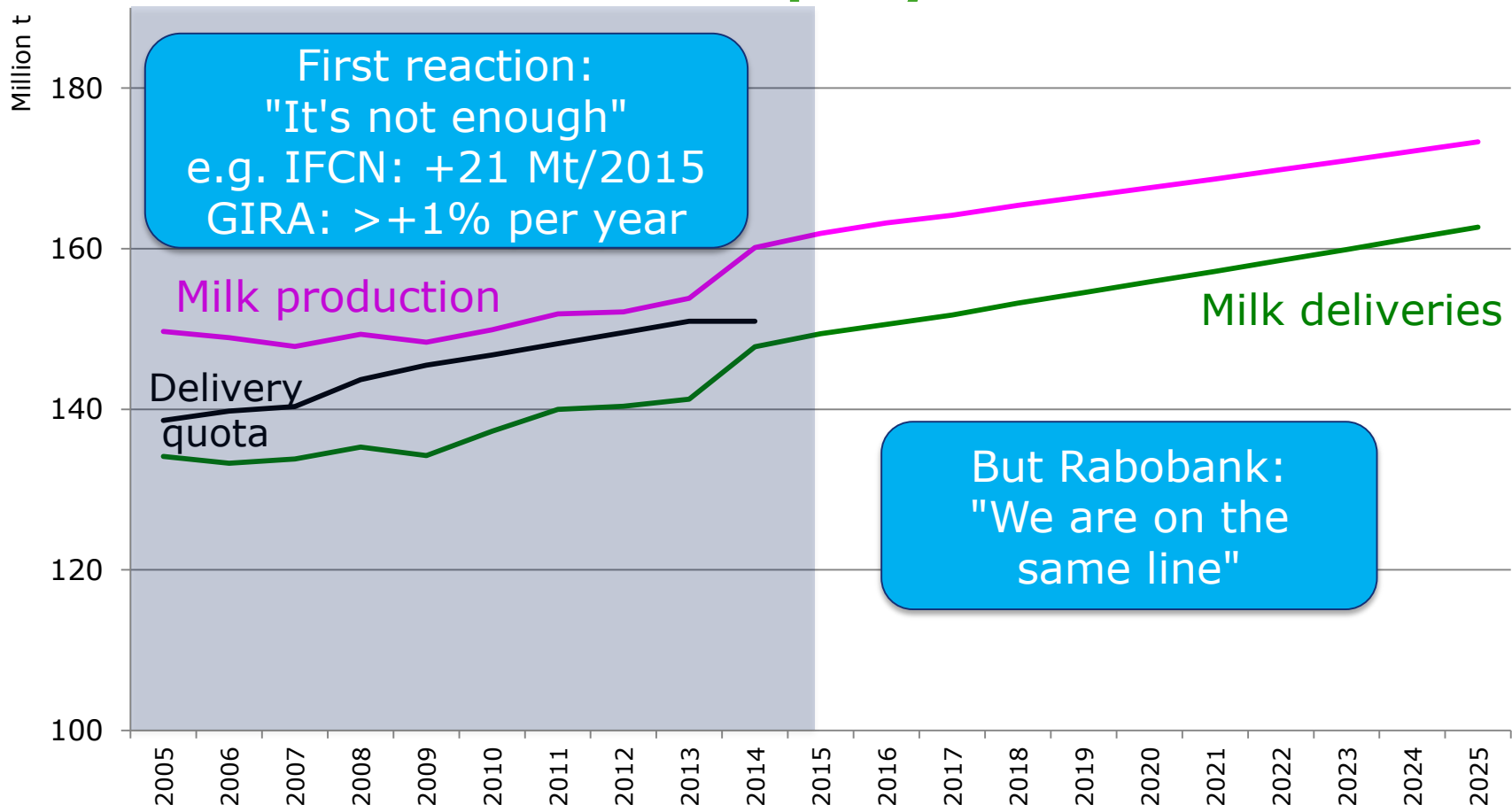


PCC - heavy > 20 kg/pers./yr. Still growth potential to reach 1 Serving / day

Average PCC 2014 : 29,9 kg/hab



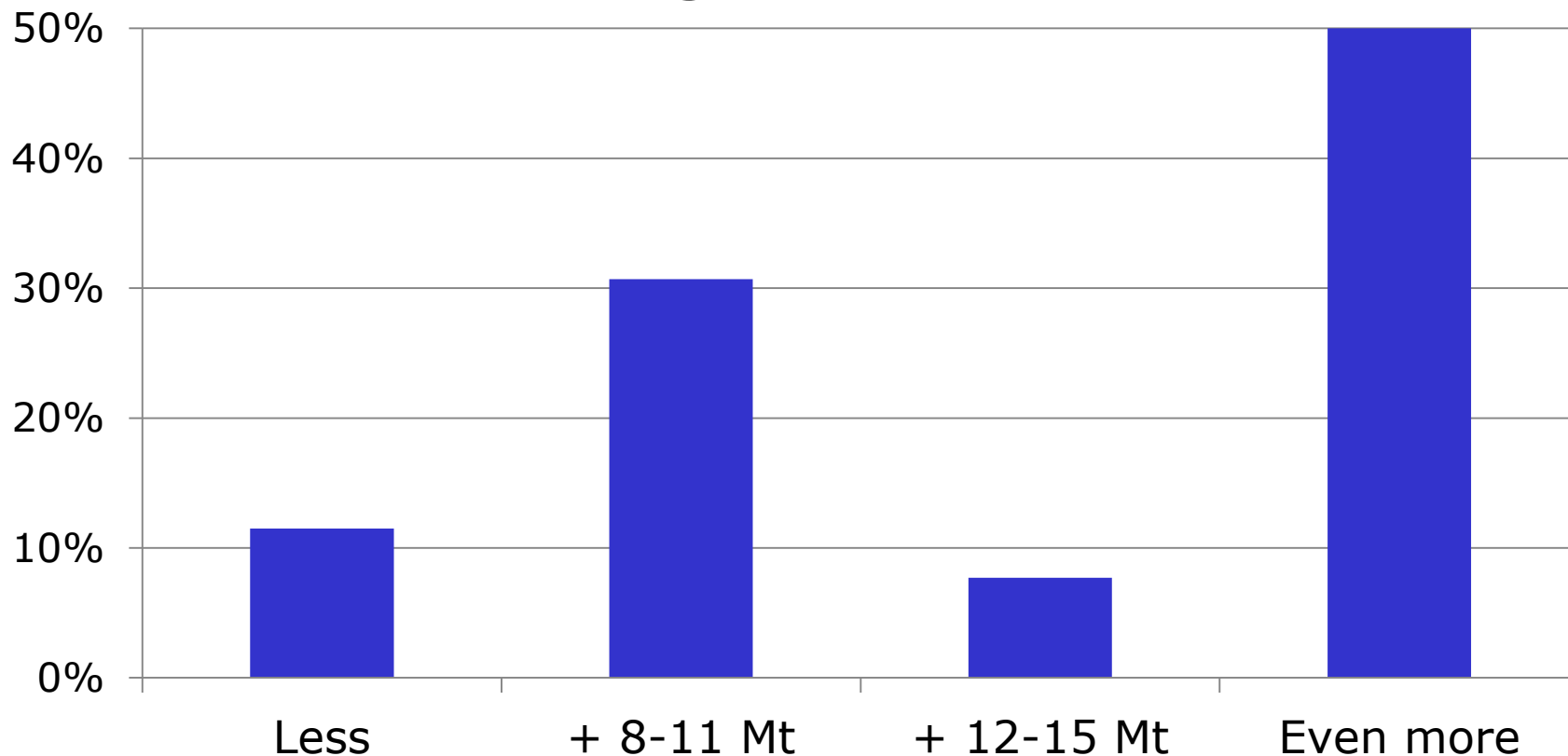
+13.5 Mt of milk collected in the EU in 10 years +0.9% per year



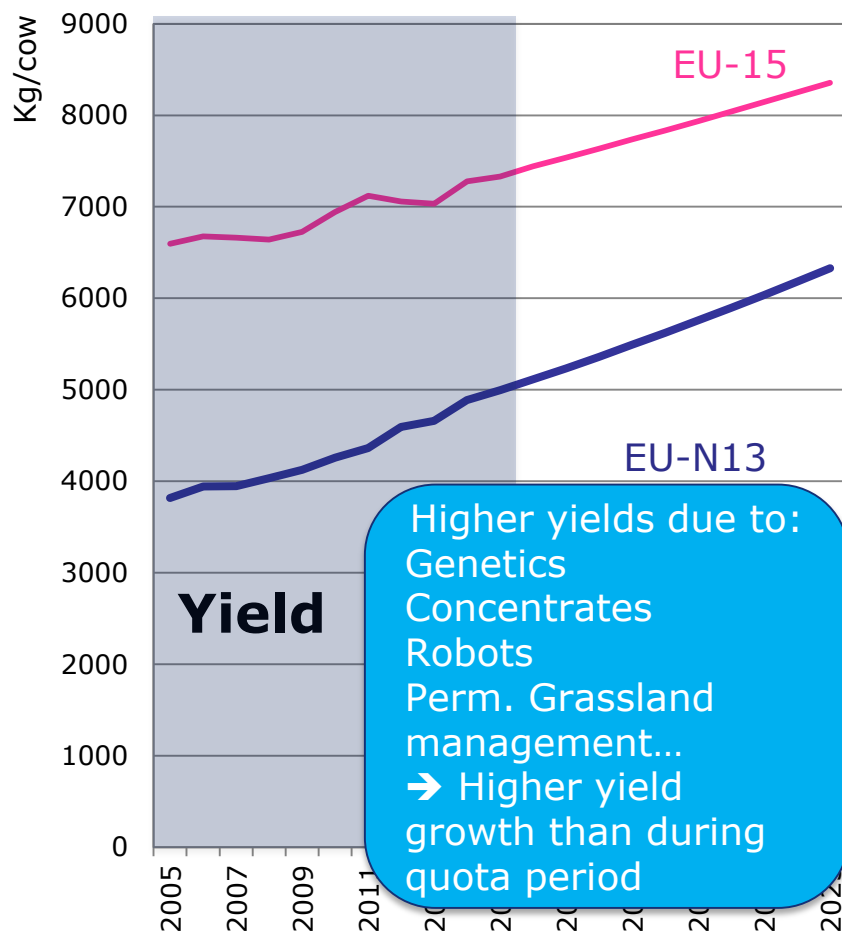
Source: DG Agriculture and Rural Development (draft baseline)

Which increase in deliveries in the EU in 2025 compared to 2015?

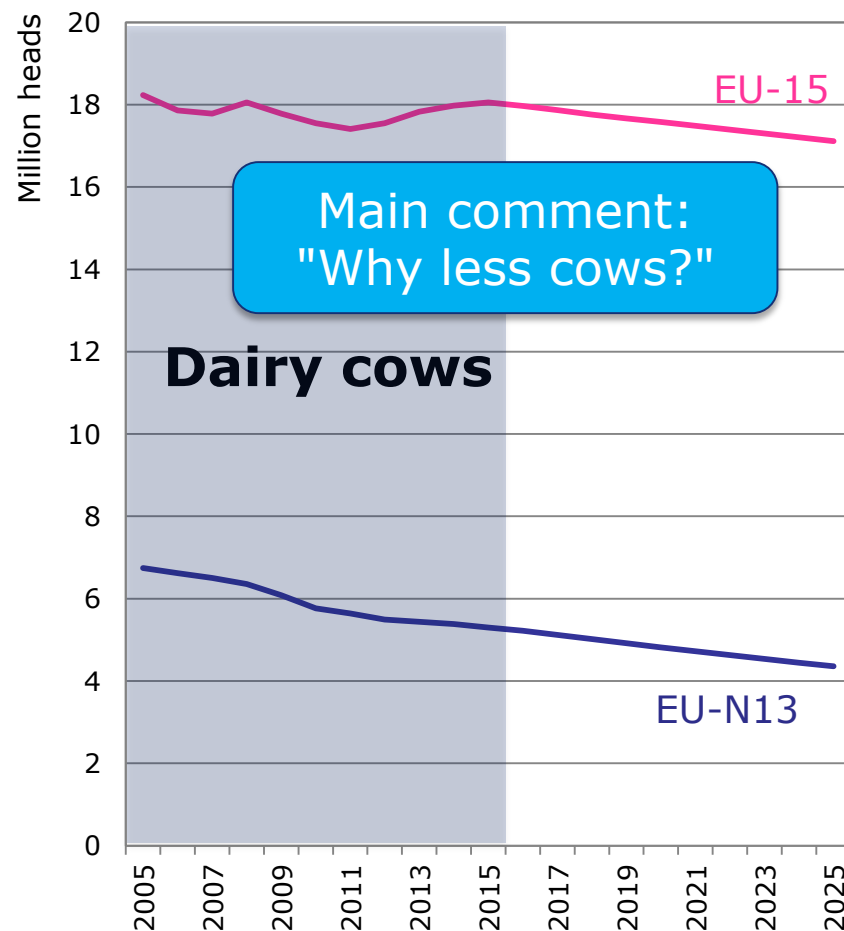
Pol during the October WS



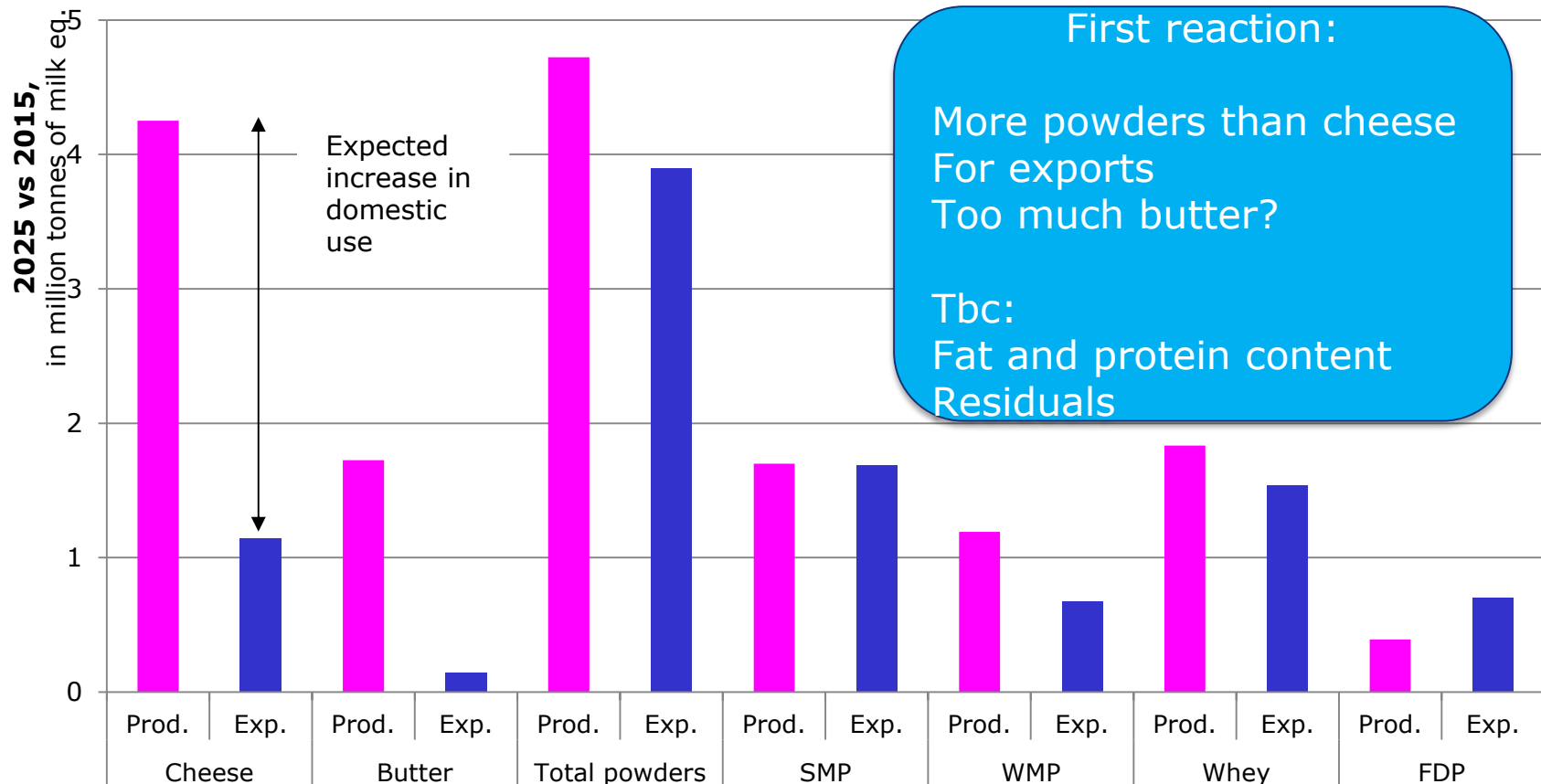
Yield and cow inventory



Source: DG Agriculture and Rural Development (draft baseline)



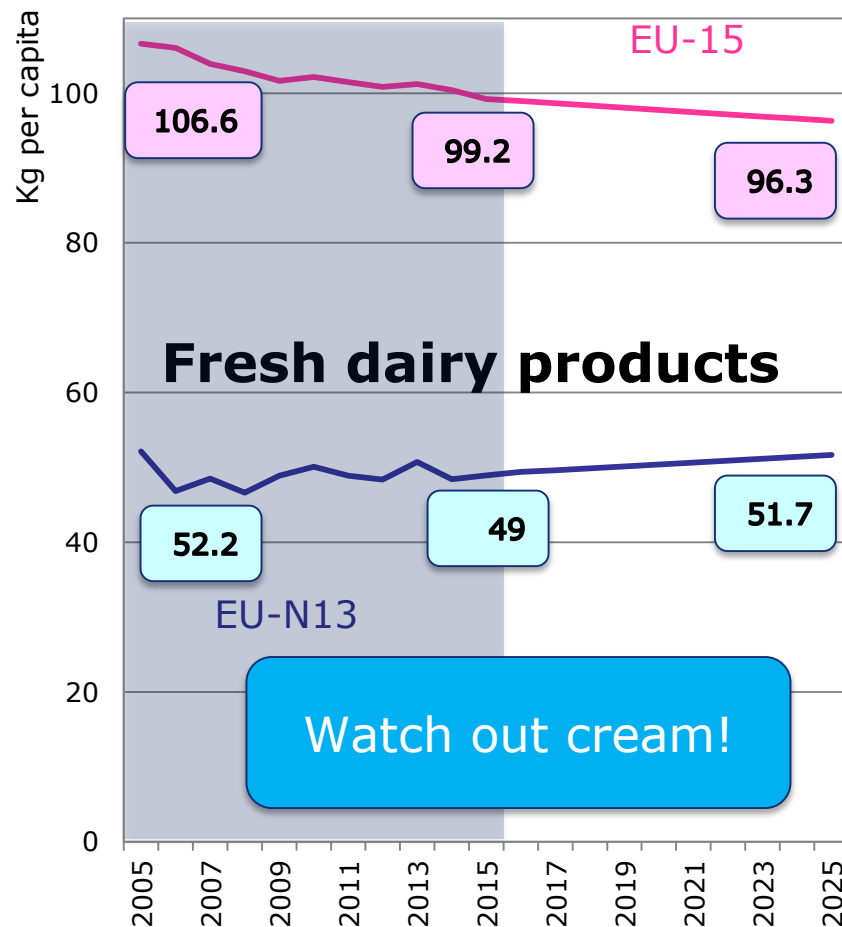
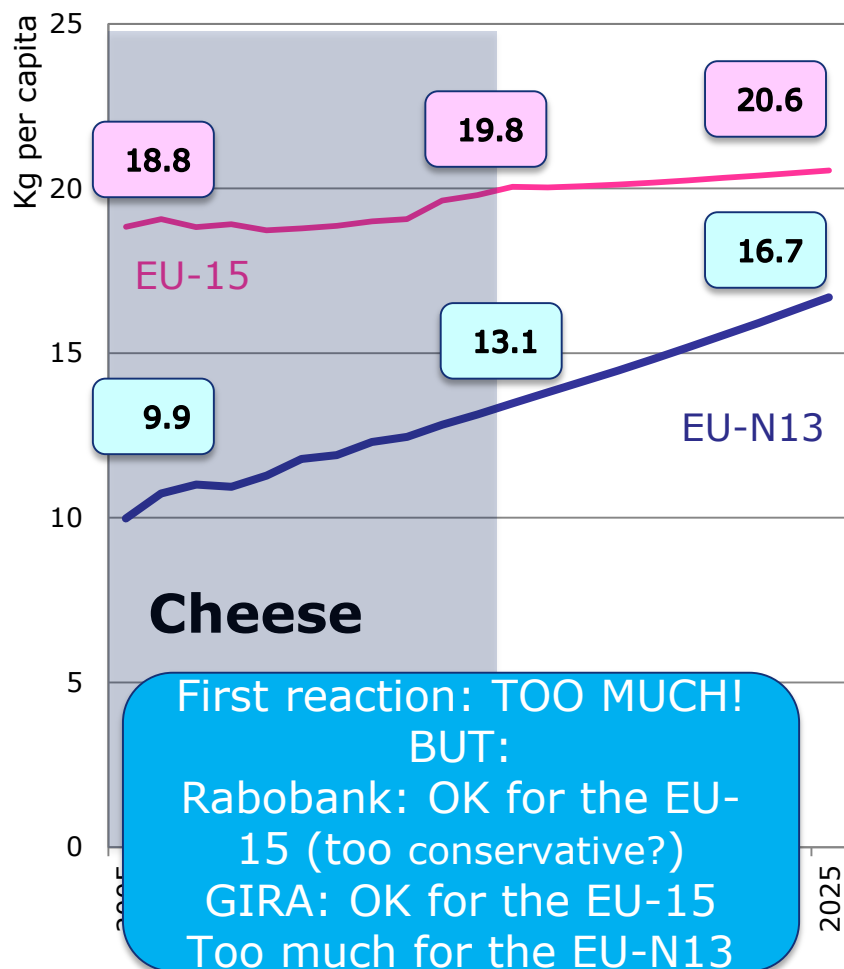
EU: Most of the extra milk channelled into cheese and exported powders



Source: DG Agriculture and Rural Development (draft baseline)

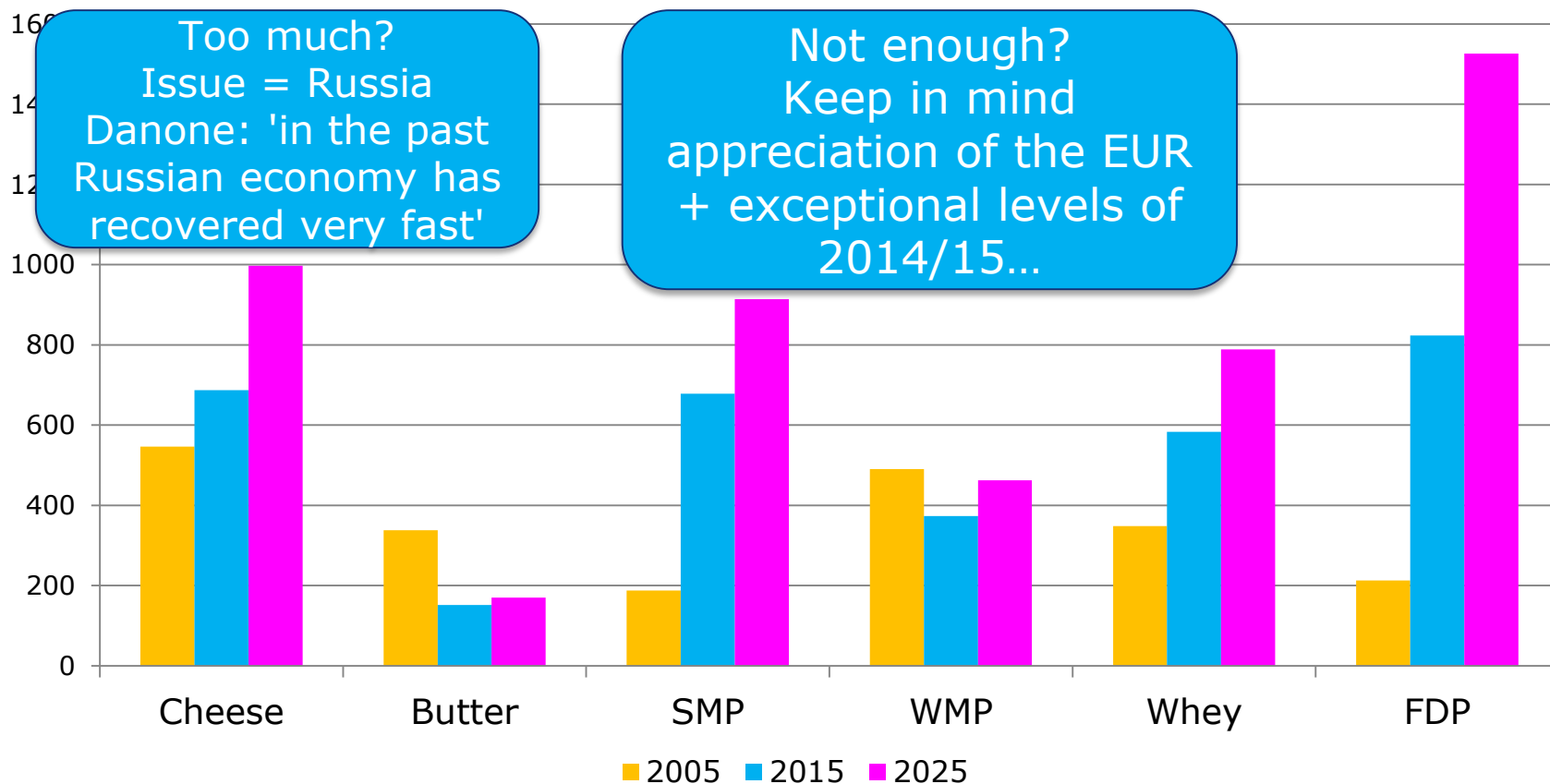
Milk equivalent total solids coefficients used: 1 for FDP, 3.6 for cheese, 6.57 for butter, 7.6 for SMP, 7.56 for WMP and 7.48 for whey

Domestic consumption in the EU, ups and downs



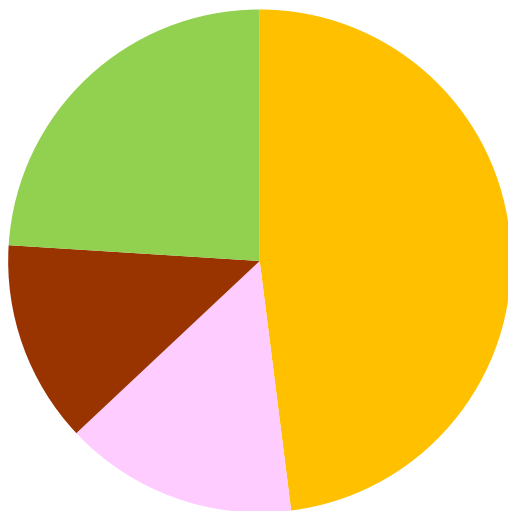
IRAN?
FTAs?

EU exports (1000 t)

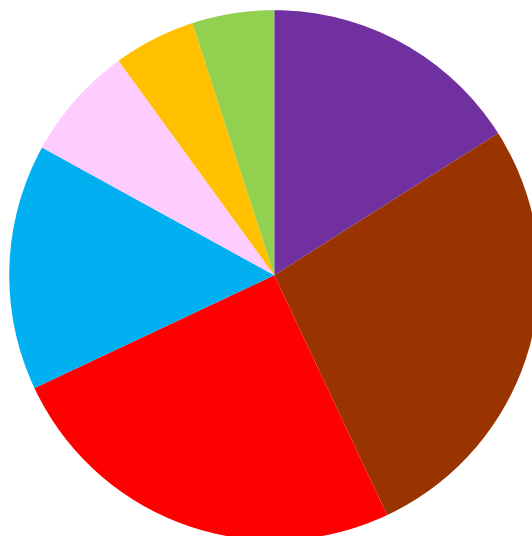


Industrial use of dairy products in the EU

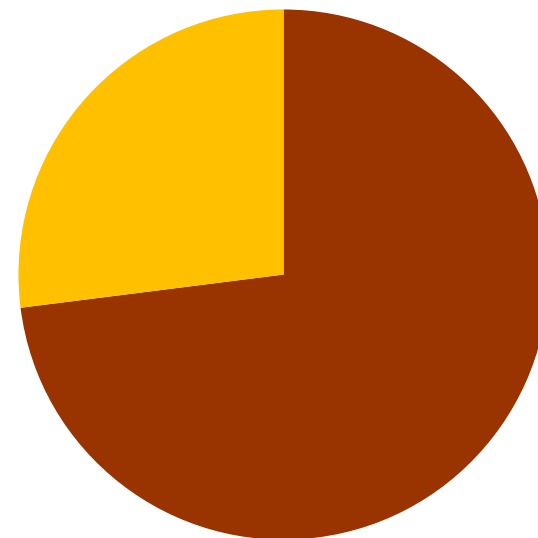
Butter



SMP



WMP



Feed

Chocolate

Baby food

Fresh Dairy P.

Processed cheese

BVP & Biscuits

Other

BUTTER*

- ❑ The use of butter is important for certain national markets with cultural habits where its taste is highly appreciated (ex.: Croissants in F, Biscuits in Italy).
- ❑ However, nutritional concerns of consumers drive the use of vegetable fats with no cholesterol, not hydrogenated, with low levels of SAFA (mainly rape, sun oils).

CHEESE*

- ❑ The use of cheese is key for some products for the highly appreciated taste and as a substitute for meat.
- ❑ Some nutritional concerns of consumers limits the use of cheese.

* Cheese and Butter have a relevant env. impact, mainly due to CO2 footprint.

TRENDS

Butter

- ❑ The mandatory labelling of fats (palm oil), can drive the manufacturer to prefer butter in some applications.

Milk (fresh)

- ❑ Healthy ingredients.

But butter is more expensive!

Milk (powders)

- ❑ Key for some technologies (chocolate).

Cheese

- ❑ Key substitute of meat, enjoyed by many consumers.

LIMITS

- ❑ Environmental Impact.
- ❑ New trend on Milk-phobia: “milk is good only for babies”.
- ❑ Increasing demand of lactose free products.

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:

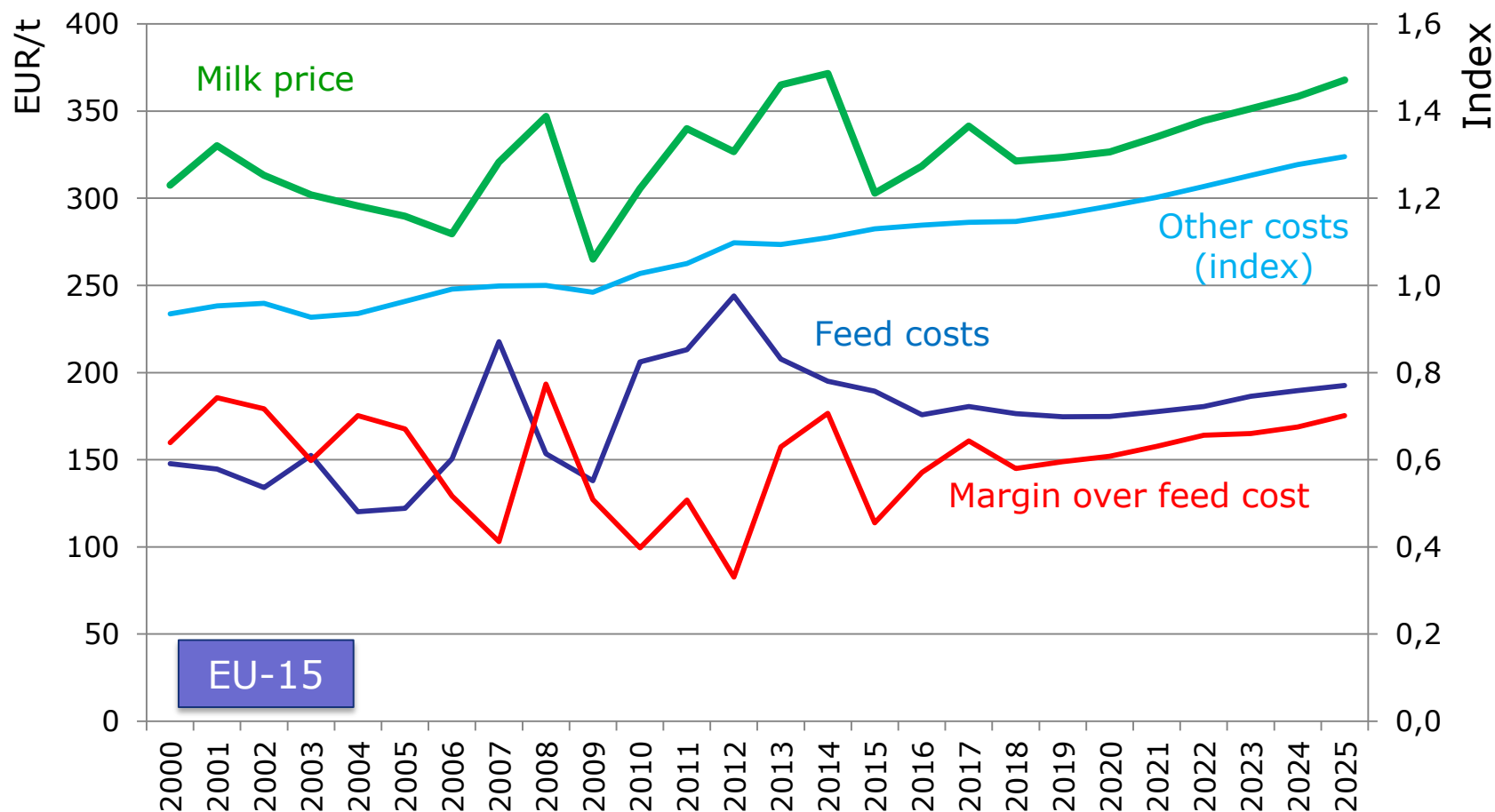
http://ec.europa.eu/agriculture/markets-and-prices/short-term-outlook/index_en.htm

Thanks

Prospects for milk and dairy products in the EU

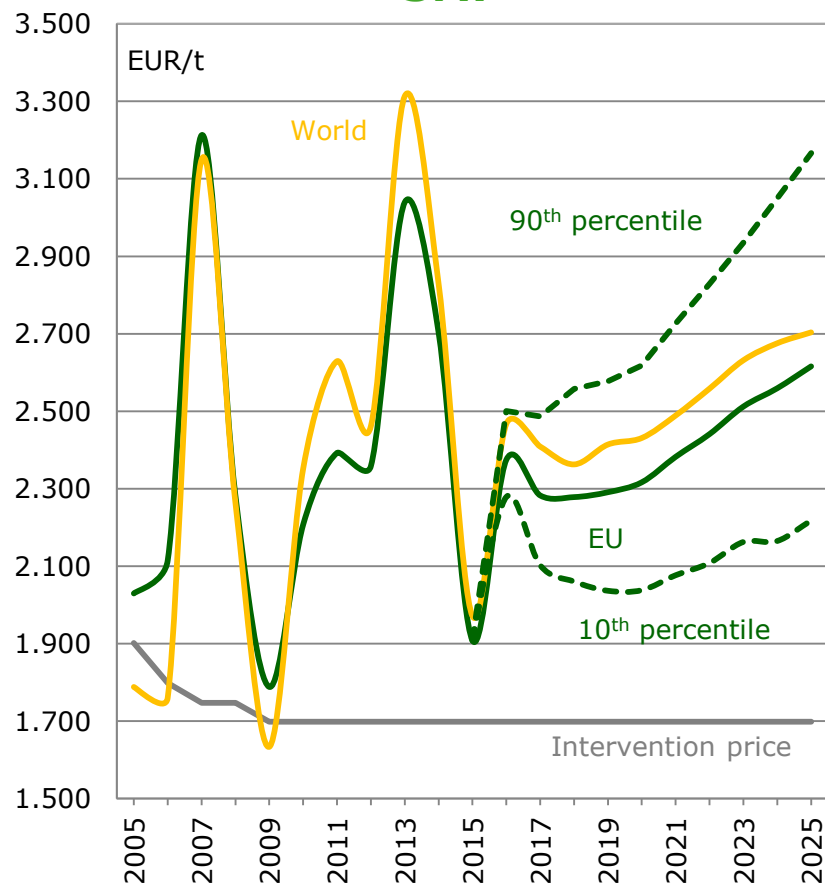
- **The EU to supply growing internal and world demand**
 - *despite current market unbalance,*
 - *because world demand is steadily growing,*
 - *and the EU is well positioned to supply this extra-demand.*
- **EU production to increase by 11 Mt in 10 years**
 - *environmental constraints to play a major role,*
 - *productivity gains to be expected,*
 - *back to a decline of the dairy cow herd inc. in the EU-15.*
- **More milk channelled into cheese and powders**
 - *the industrial use of cheese to gain importance,*
 - *a positive outlook for the dairy fat,*
 - *more powders and cheese on the world market.*

A slightly increasing margin over feed costs

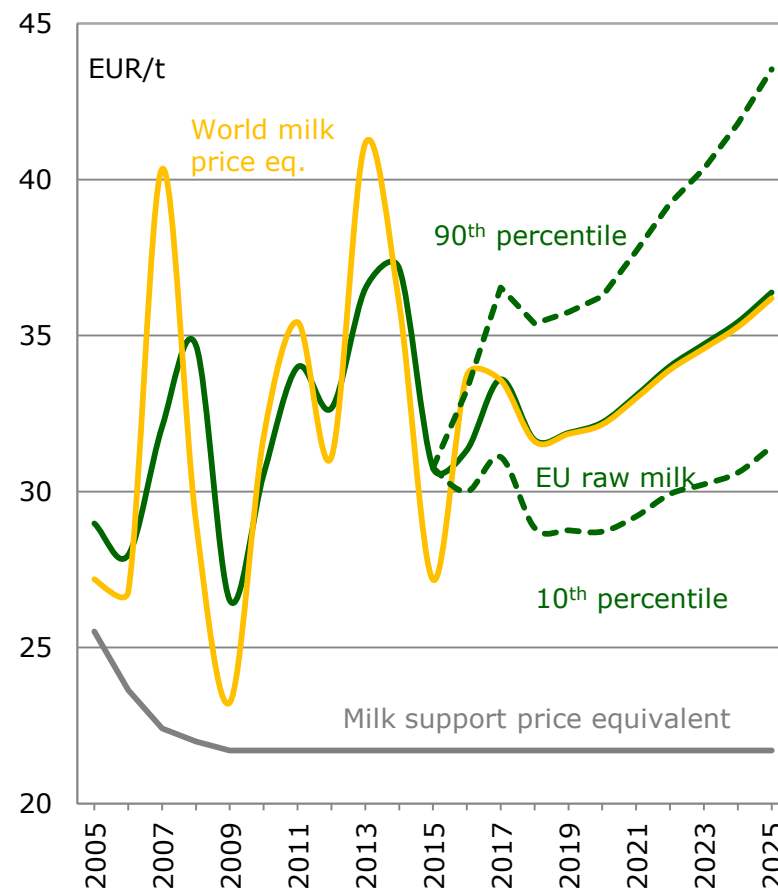


Dairy prices to go up in the long-term

SMP

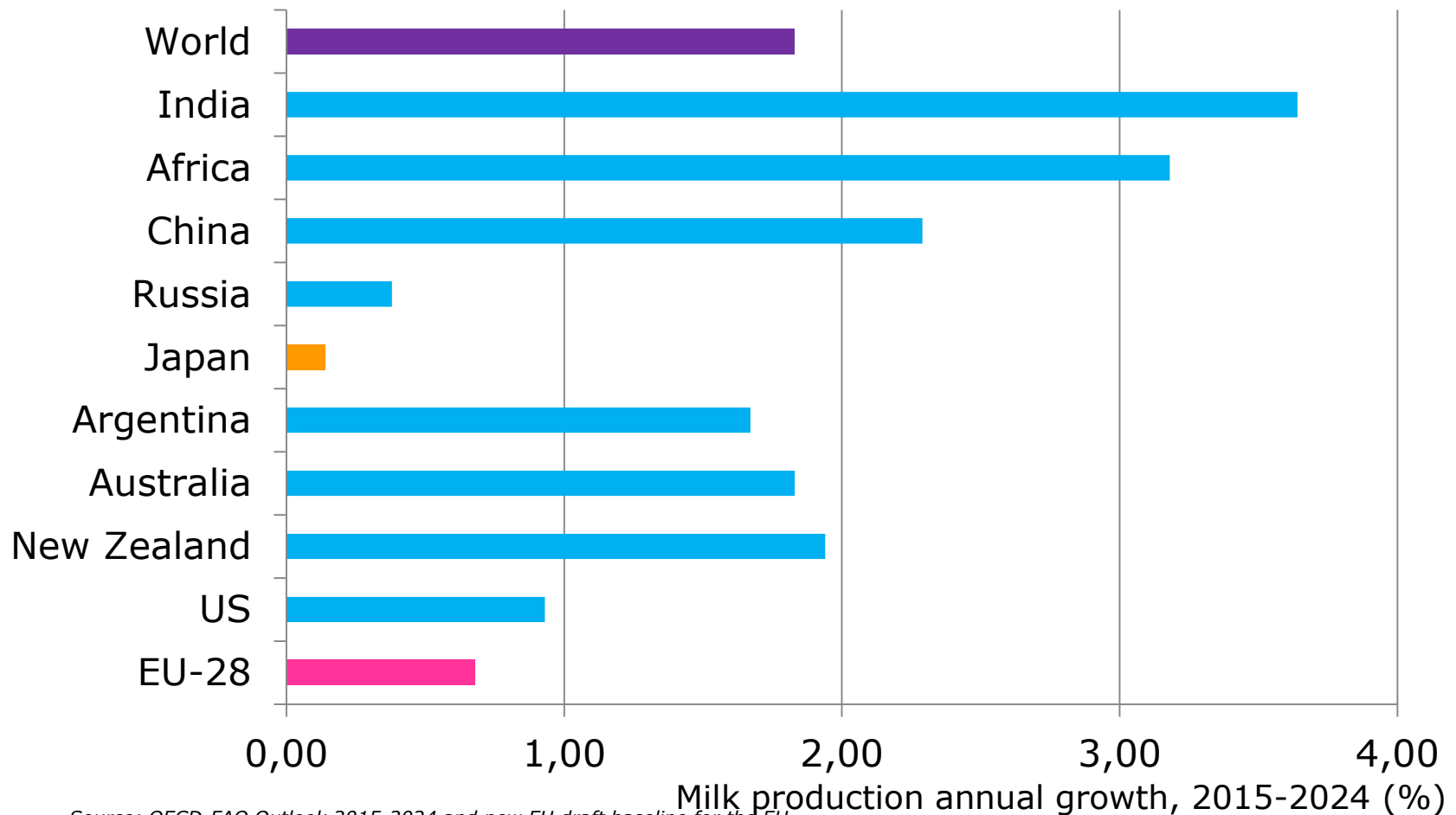


Milk



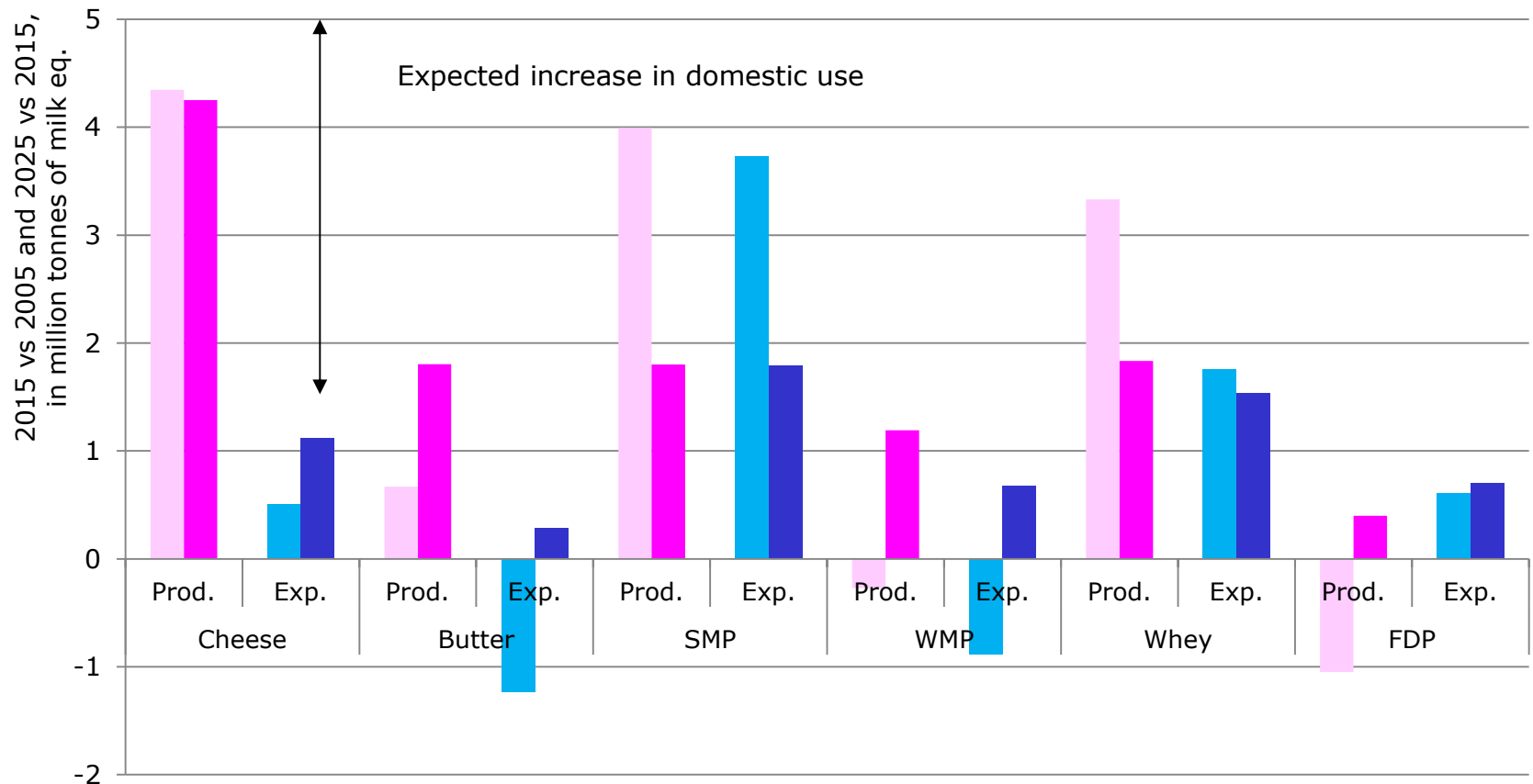
Source: DG Agriculture and Rural Development (draft baseline)

Milk prod.: a lower annual growth in the EU compared to other regions



Source: OECD-FAO Outlook 2015-2024 and new EU draft baseline for the EU

EU: Most of the extra milk channelled into cheese and powders – next vs past decade



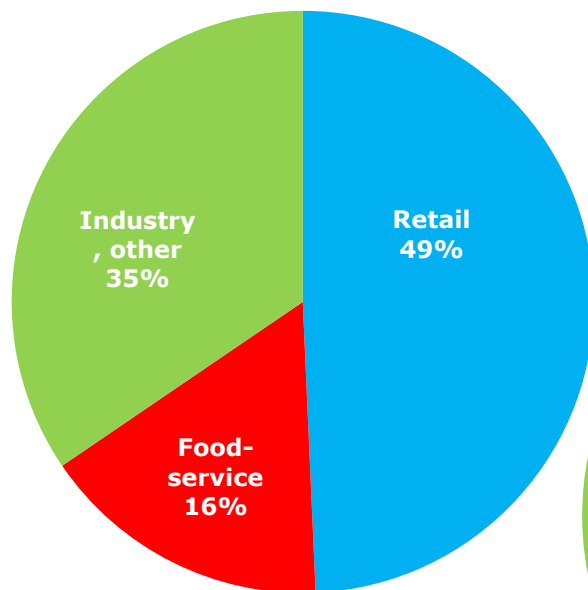
Source: DG Agriculture and Rural Development elaboration based on OECD-FAO Outlook 2015-2024

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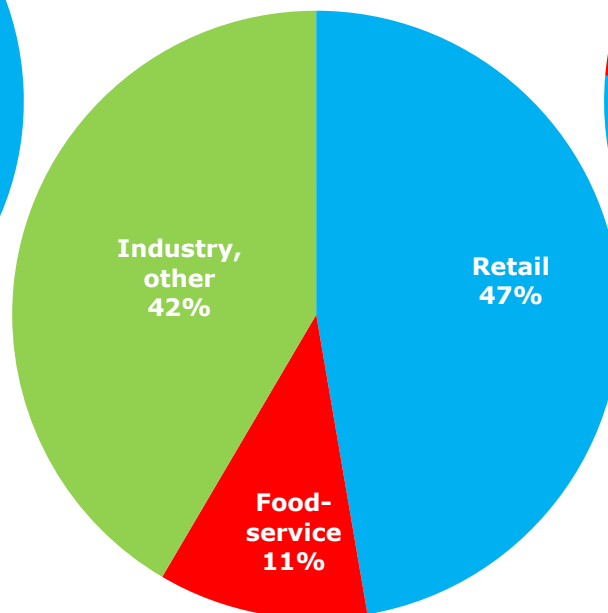
In the EU-28, the industrial use a major outlet for cheese and butter

2014, based on volumes

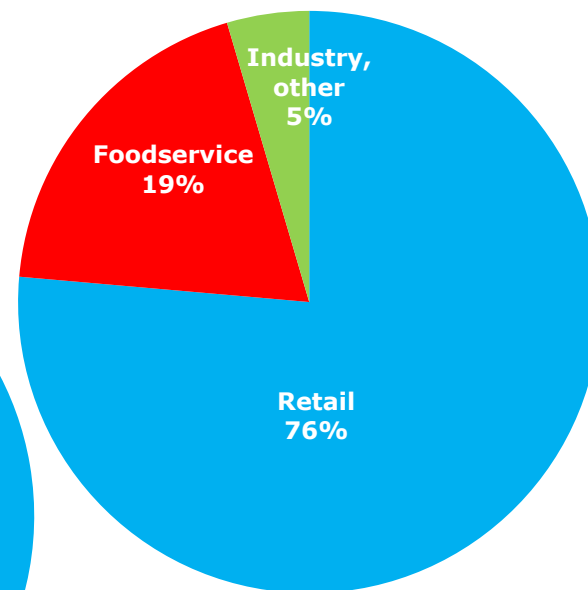
Cheese



Butter



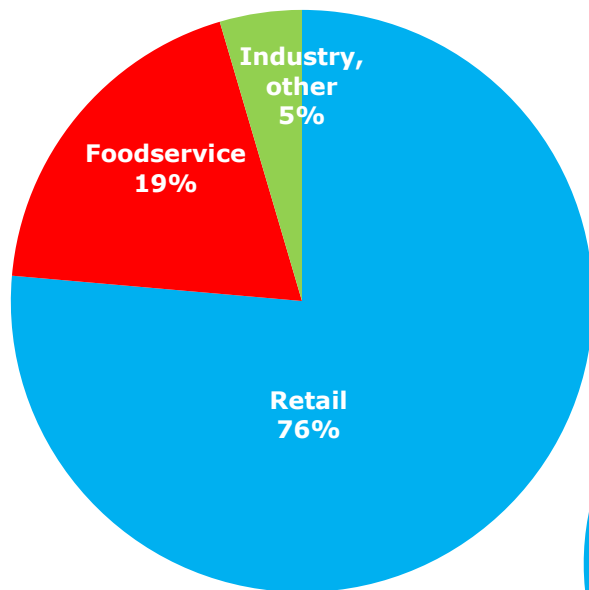
Liquid milk



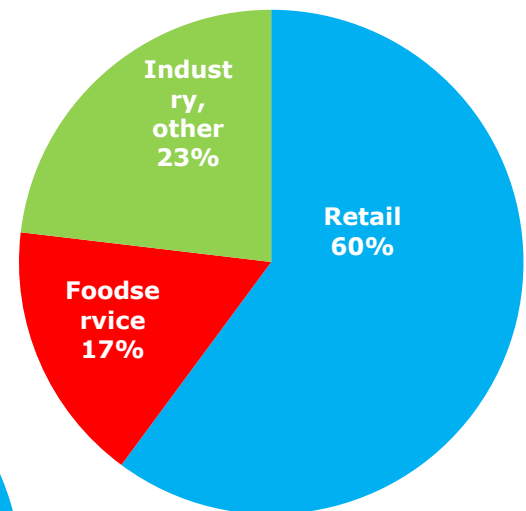
Source: DG Agriculture and Rural Development, based on the Short-term outlook, Summer 2015 and Euromonitor

Dairy prod. channels in the EU-28 2014, based on volumes

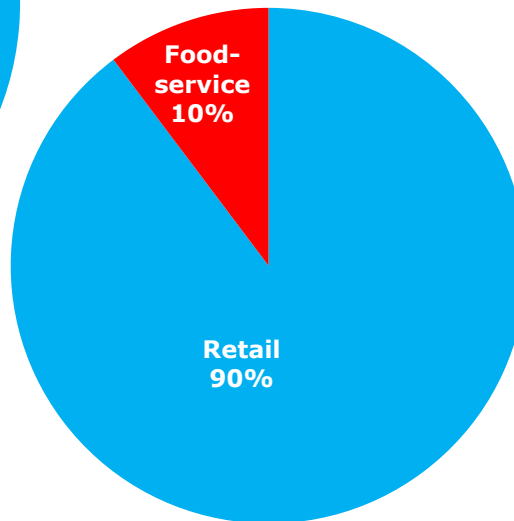
Liquid Milk



Cream

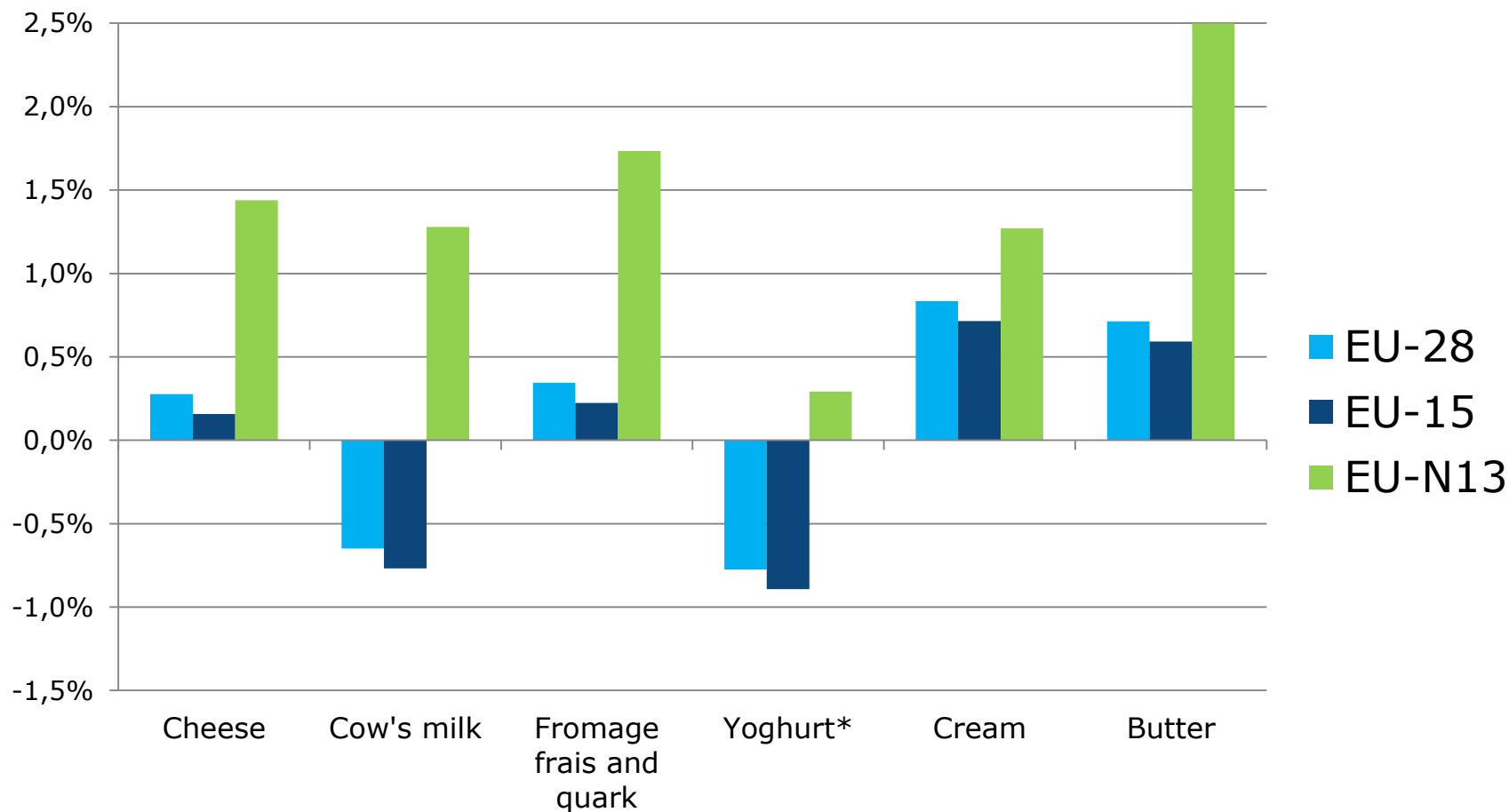


Yogurt



Source: DG Agriculture and Rural Development, based on Short-term outlook, Summer 2015 and Euromonitor

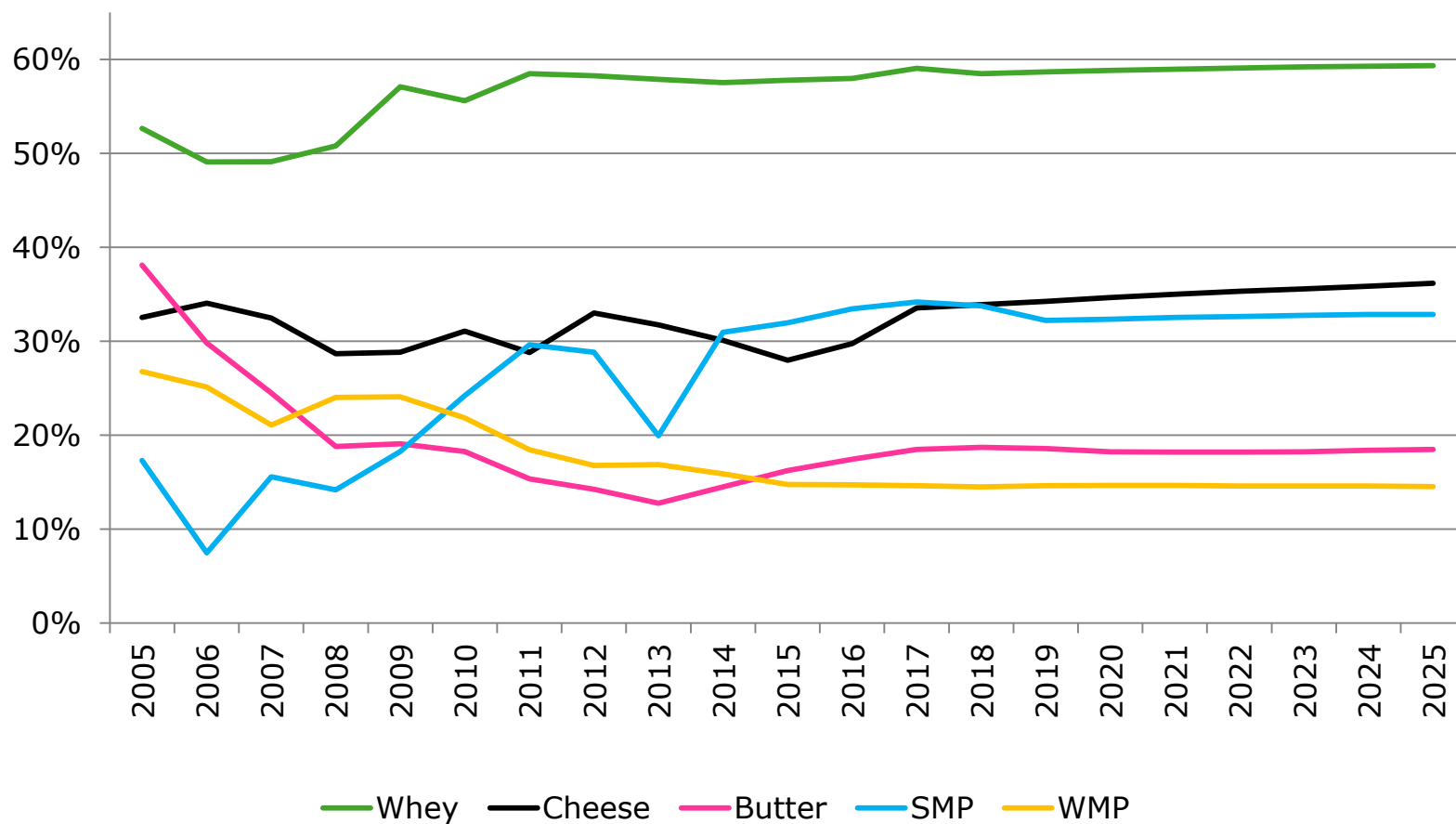
2010-2014 annual growth of EU retail sales per capita



* Sum of drinking yoghurt, flavoured yoghurt, fruited yoghurt and plain yoghurt

Source: DG Agriculture and Rural Development, based on Euromonitor and AMECO

High EU share in world exports



Source: Draft baseline