



European
Commission



Prospects for EU dairy Markets 2015-2025

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

Sophie H elaine

*DG Agriculture and Rural Development
European Commission*

Agriculture
and Rural
Development

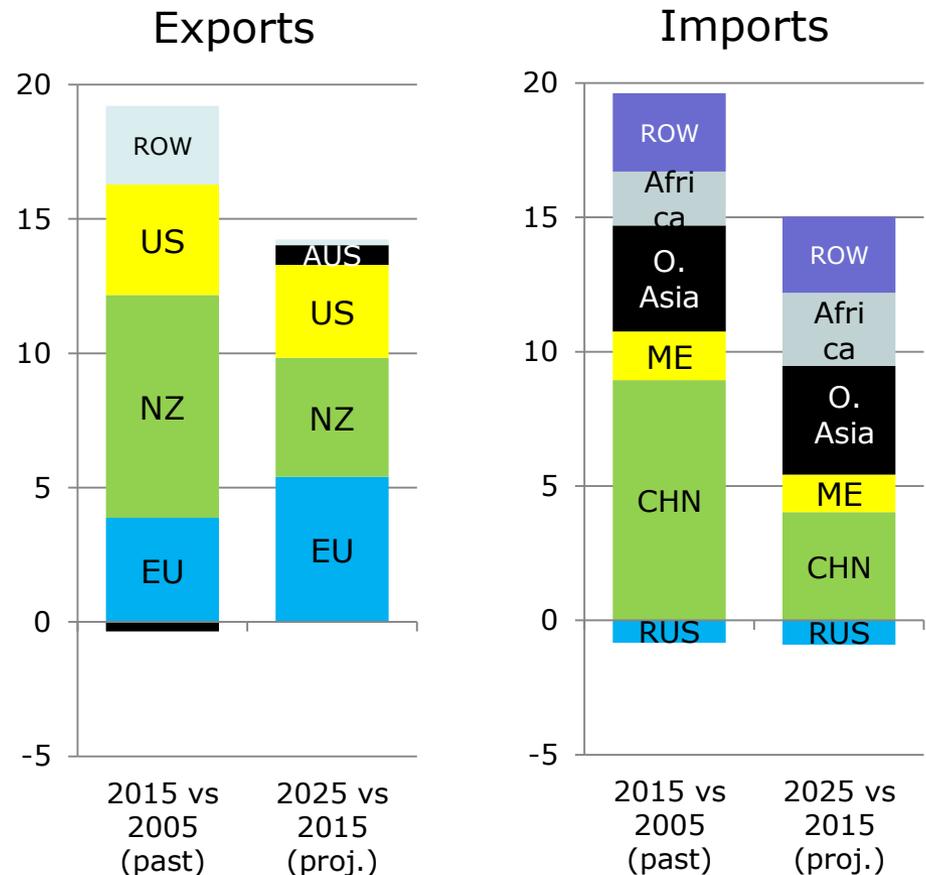
Outline

- 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

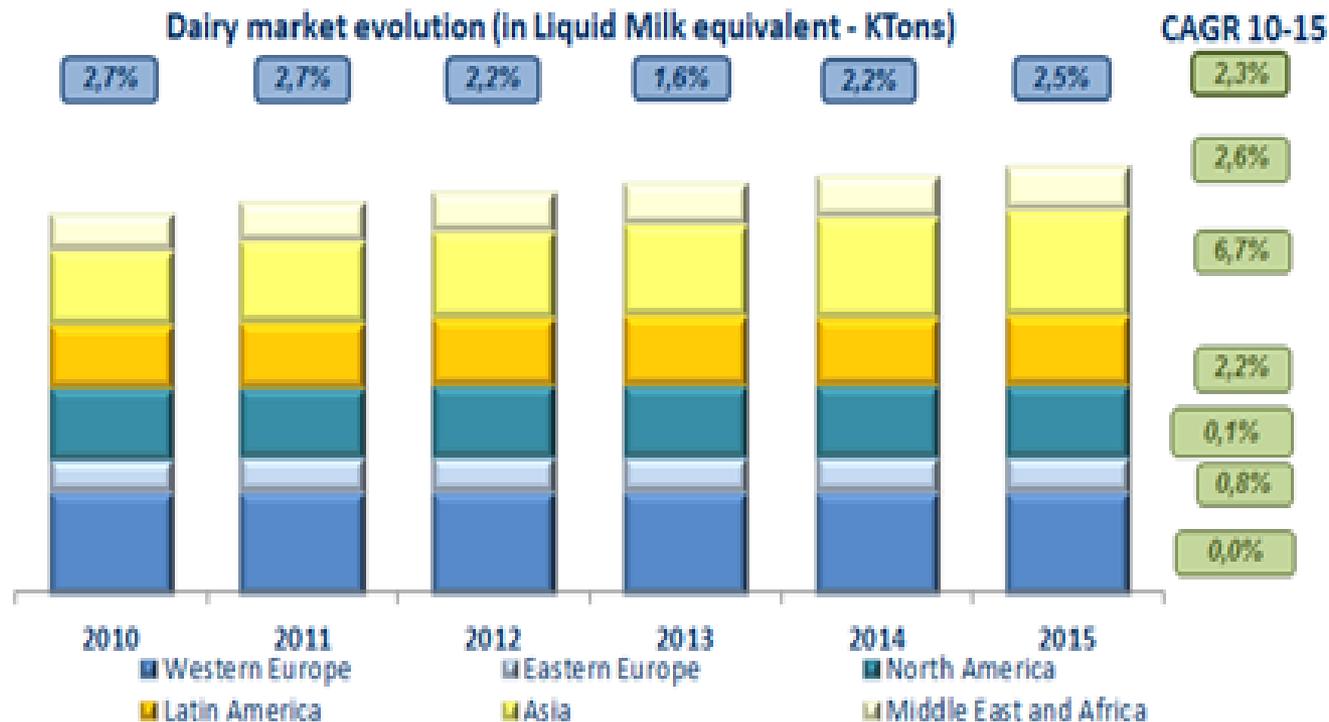
- +1.8% per year in world consumption and production
- +2.3% per year in world imports
- A lower increase in traded volumes compared to the last decade
- Extra demand to be supplied more by the EU than by NZ
- China to contribute less to the extra demand

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



Source: DG Agriculture and Rural Development (draft baseline)

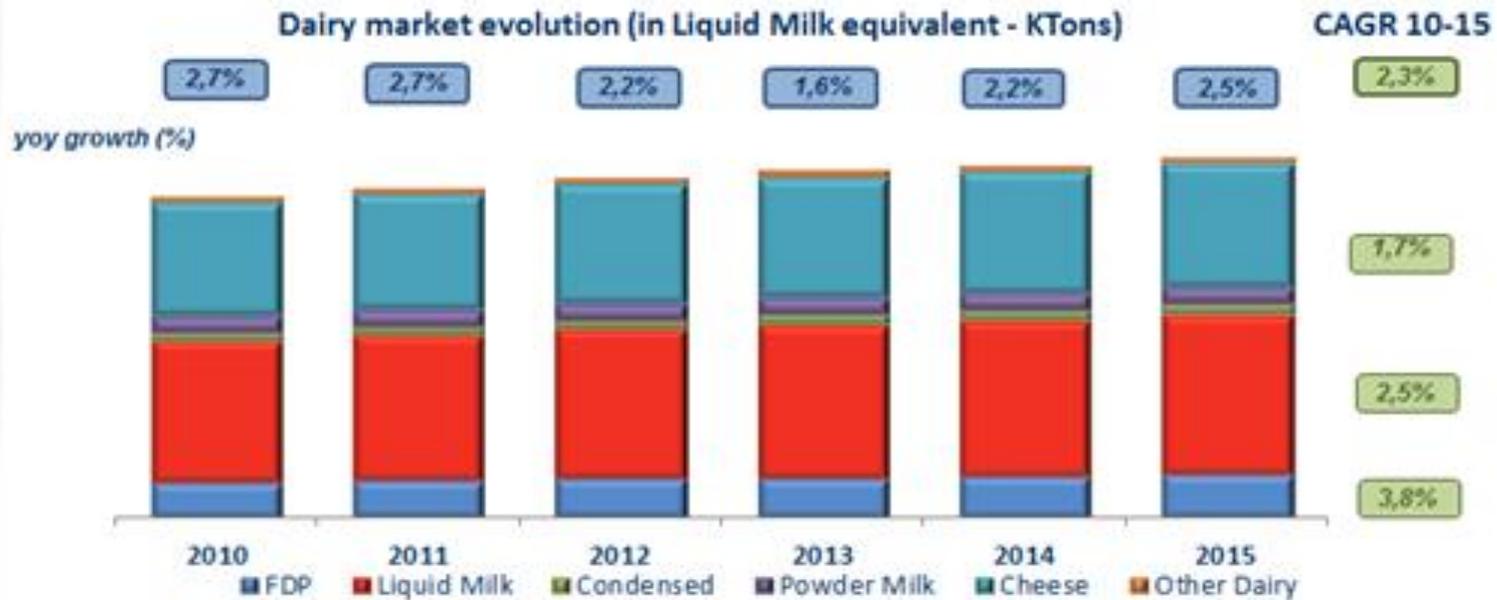
Milk demand - steadily growing at 2,2% yoy WW,



Source: Euromonitor (Aug'15) - packaged food

1. Volume consumption steadily growing around +2,3% in CAGR over the past 5 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

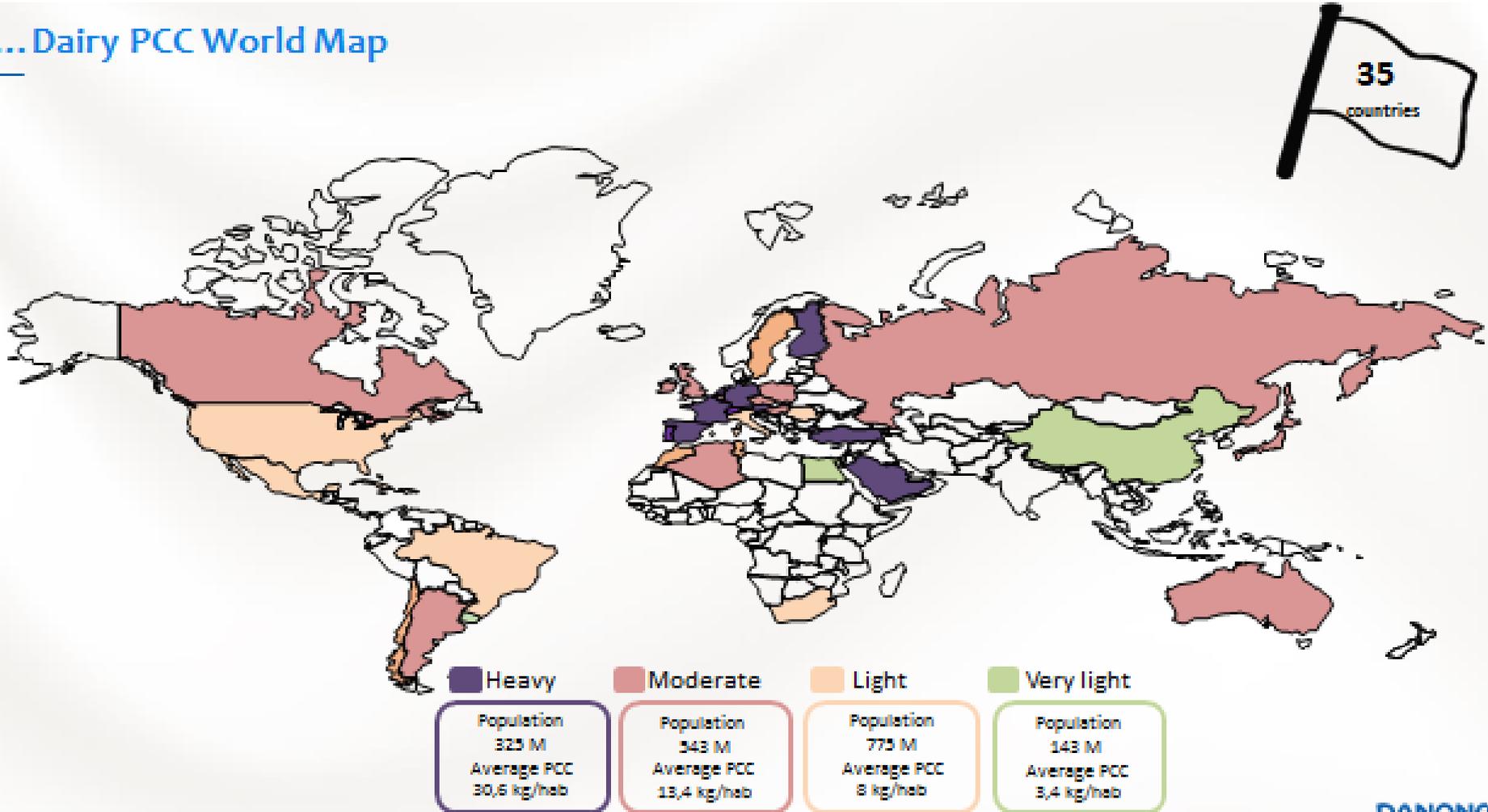
Milk demand - Different growth rates per Dairy Products Category



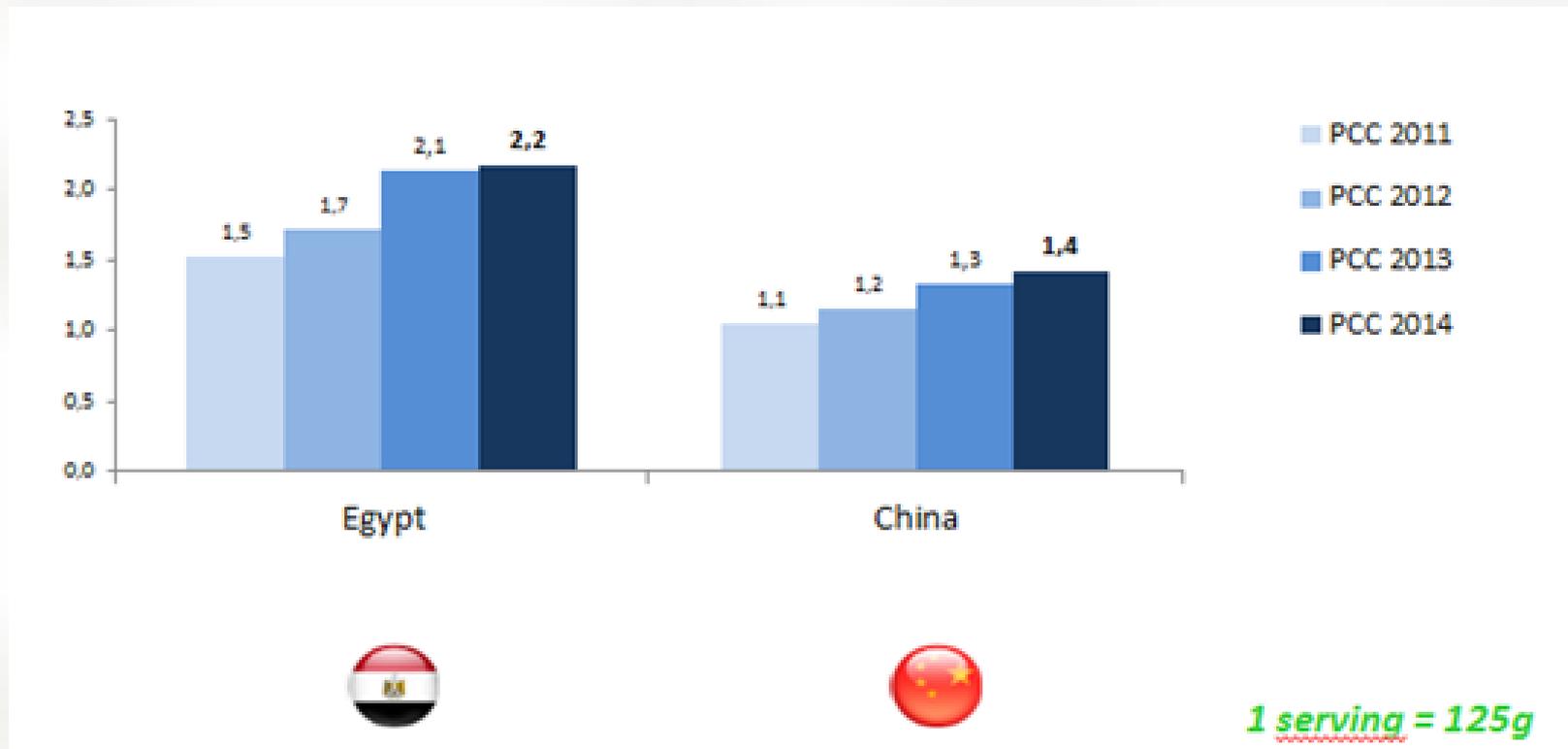
Source: Euromonitor (Aug'15) - packaged food

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

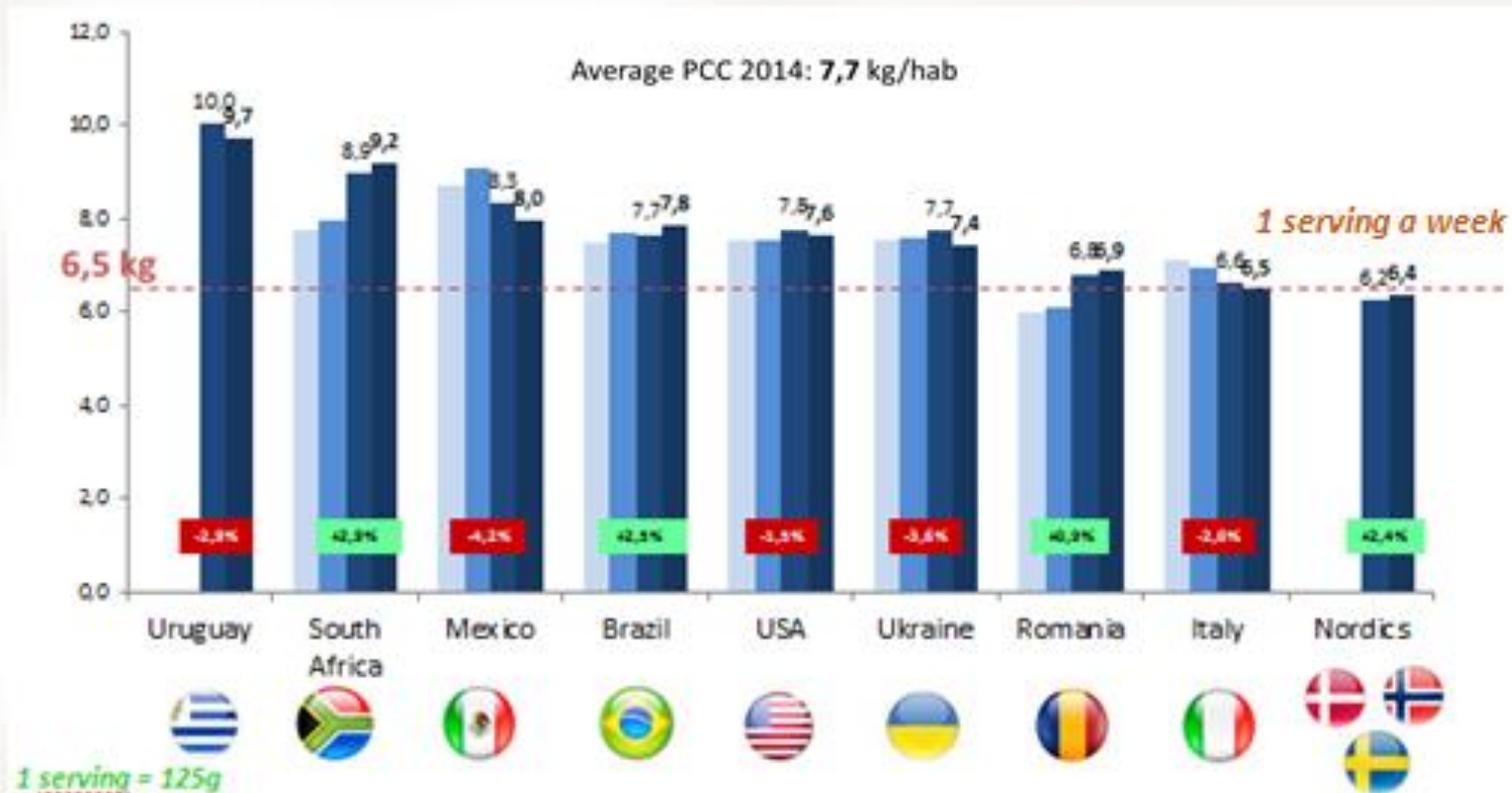
... Dairy PCC World Map



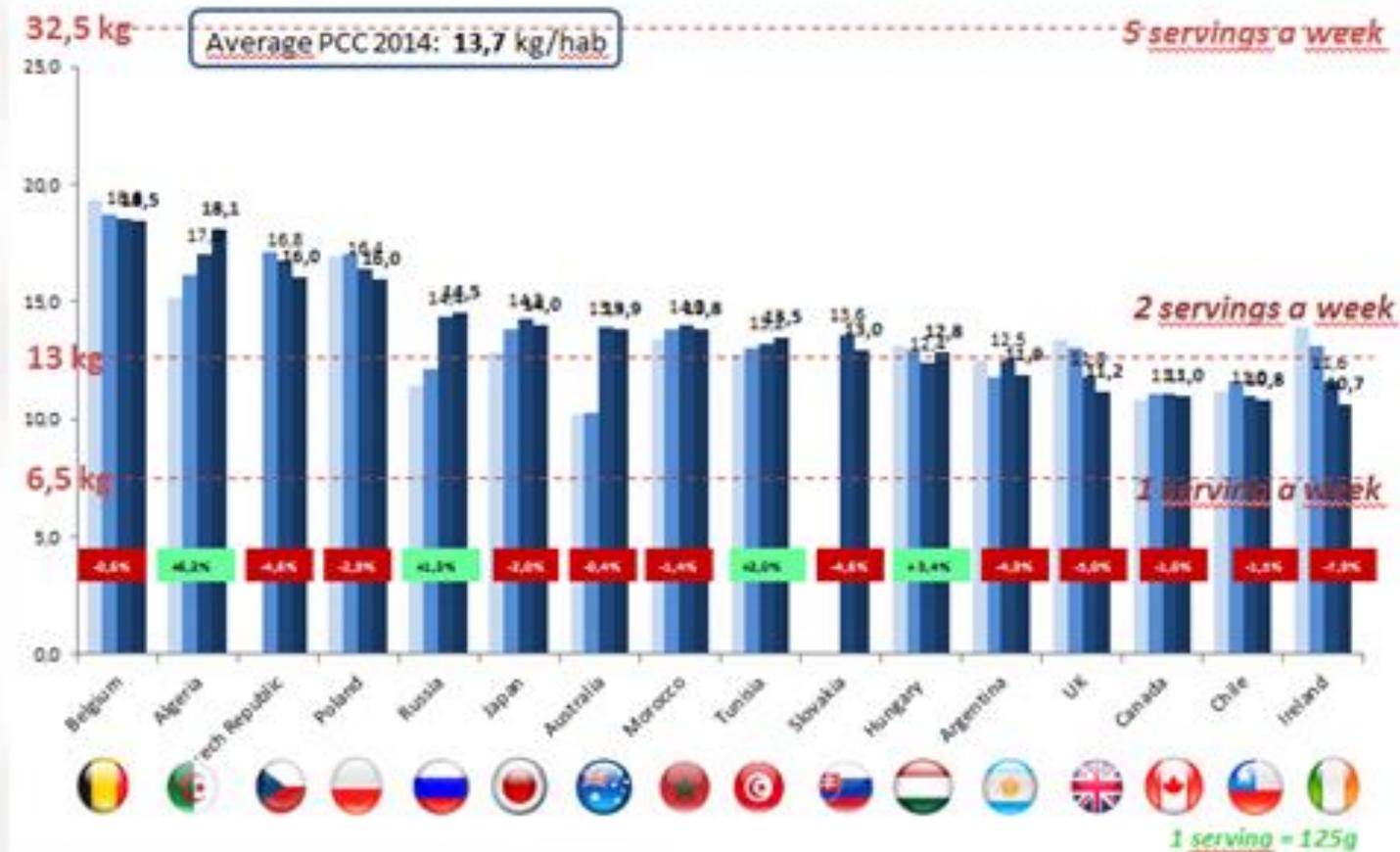
PCC - Very light 0-5 kg/pers./yr.



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

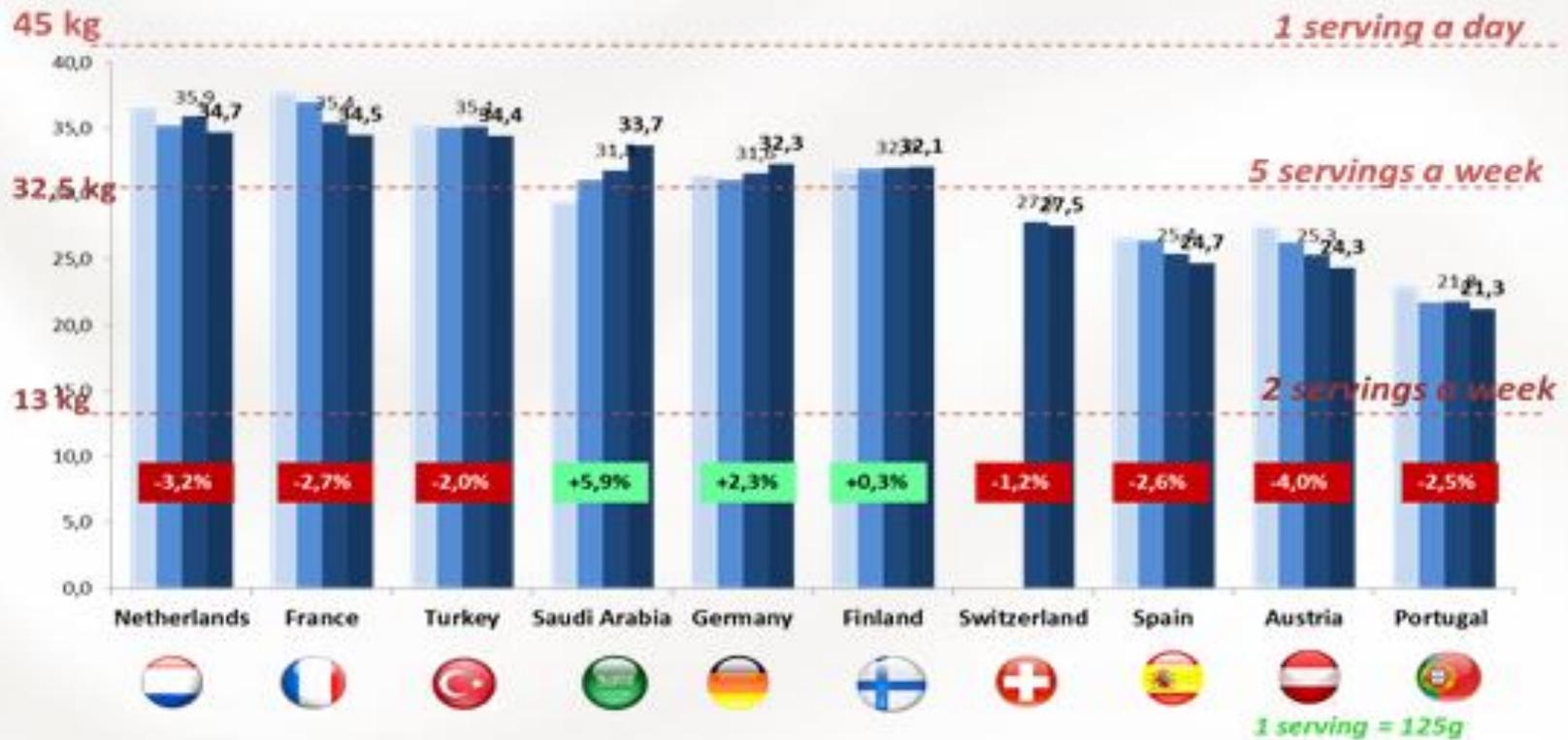


PCC – moderate 10-20 kg/pers./yr.

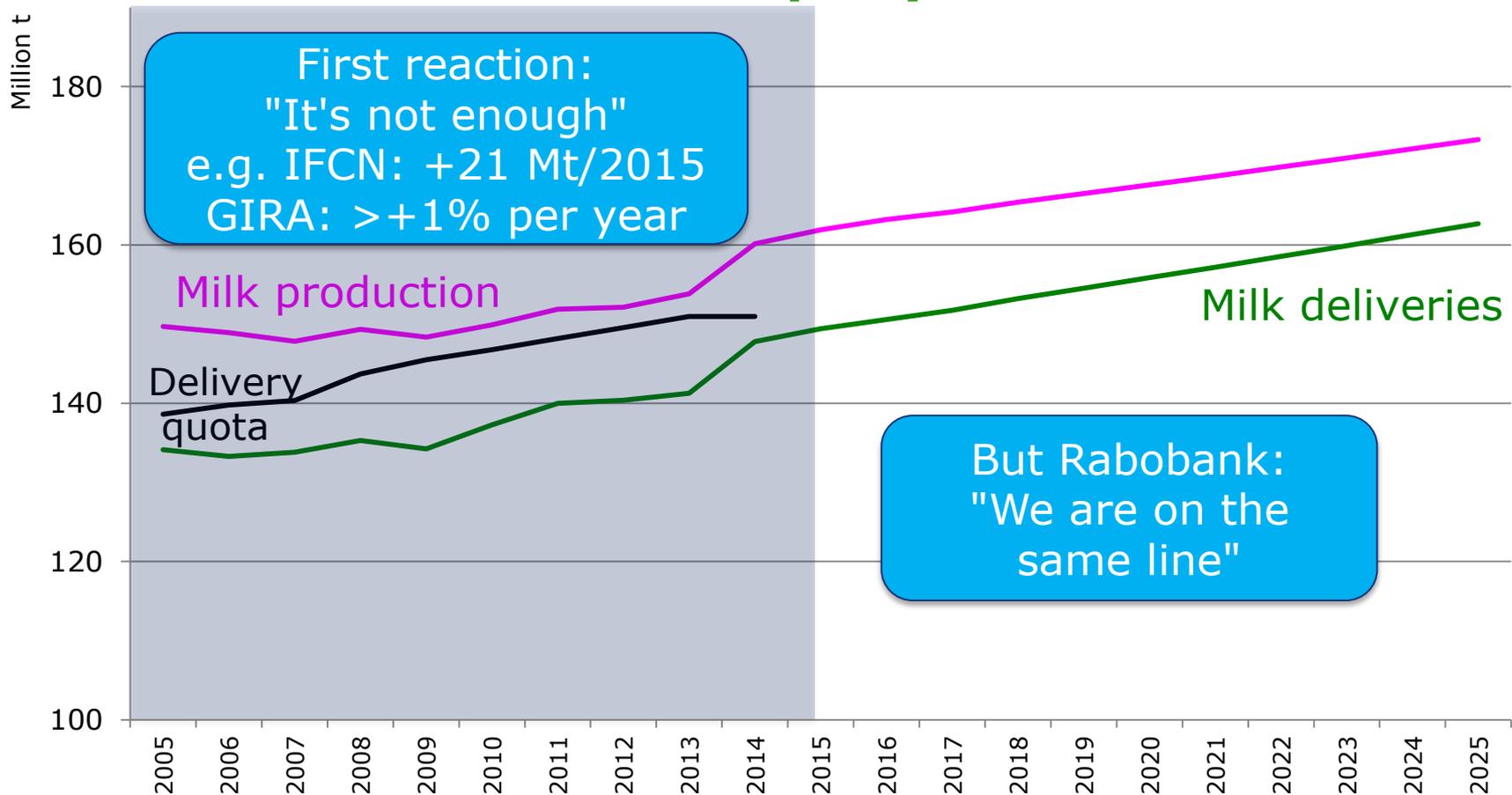


PCC - heavy > 20 kg/pers./yr. Still growth potential to reach 1 Serving / day

Average PCC 2014 : 29,9 kg/hab



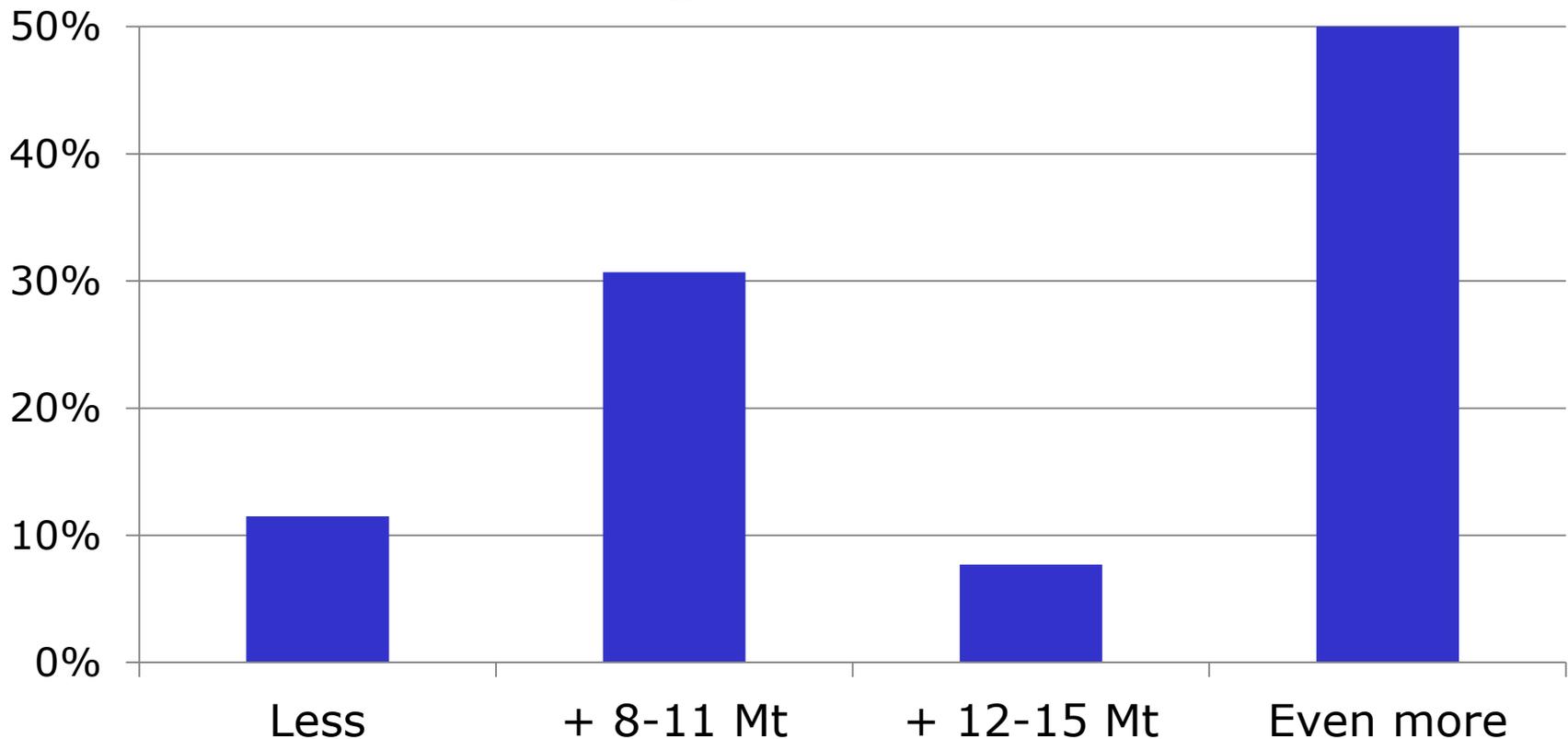
+13.5 Mt of milk collected in the EU in 10 years +0.9% per year



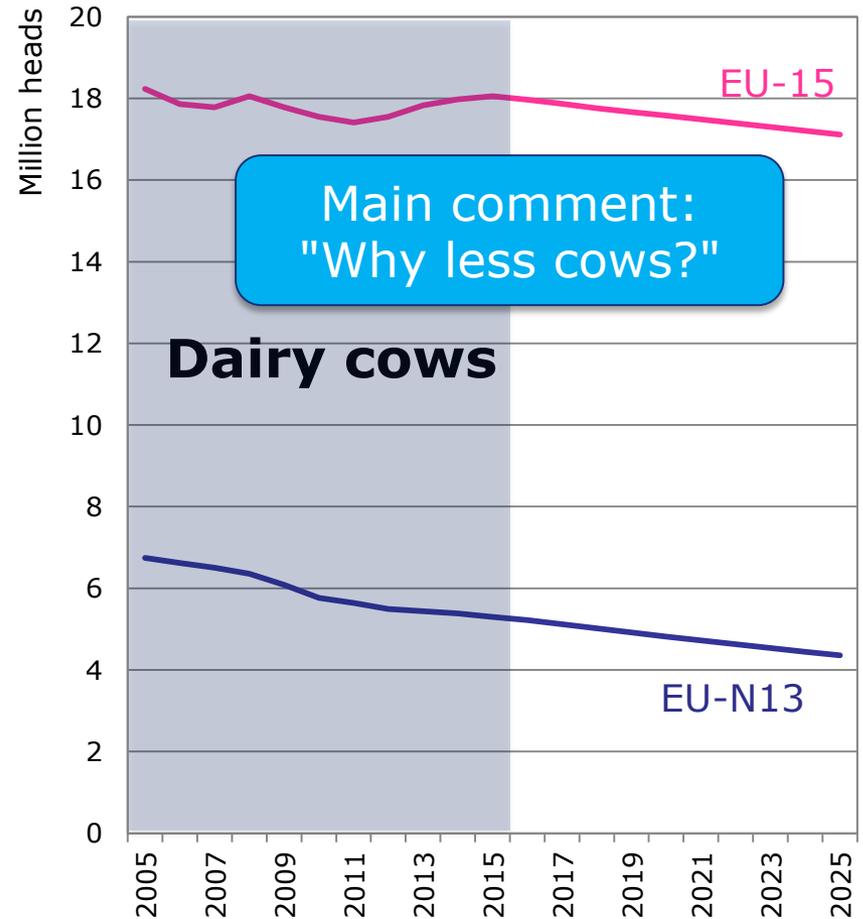
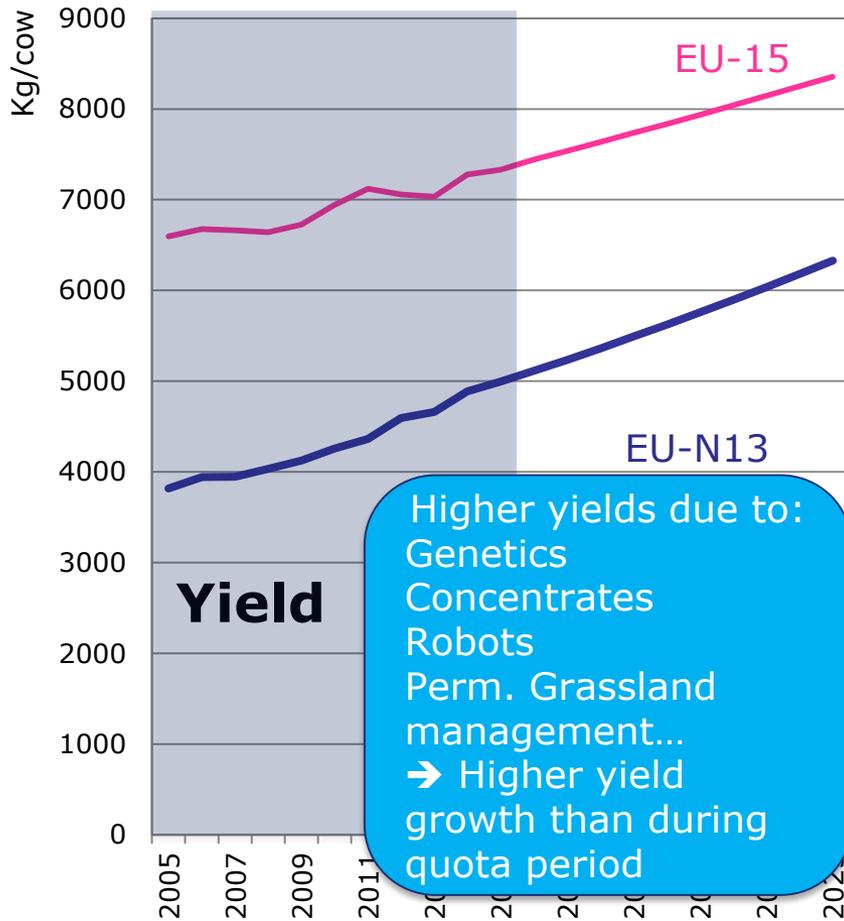
Source: DG Agriculture and Rural Development (draft baseline)

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

Pol during the October WS

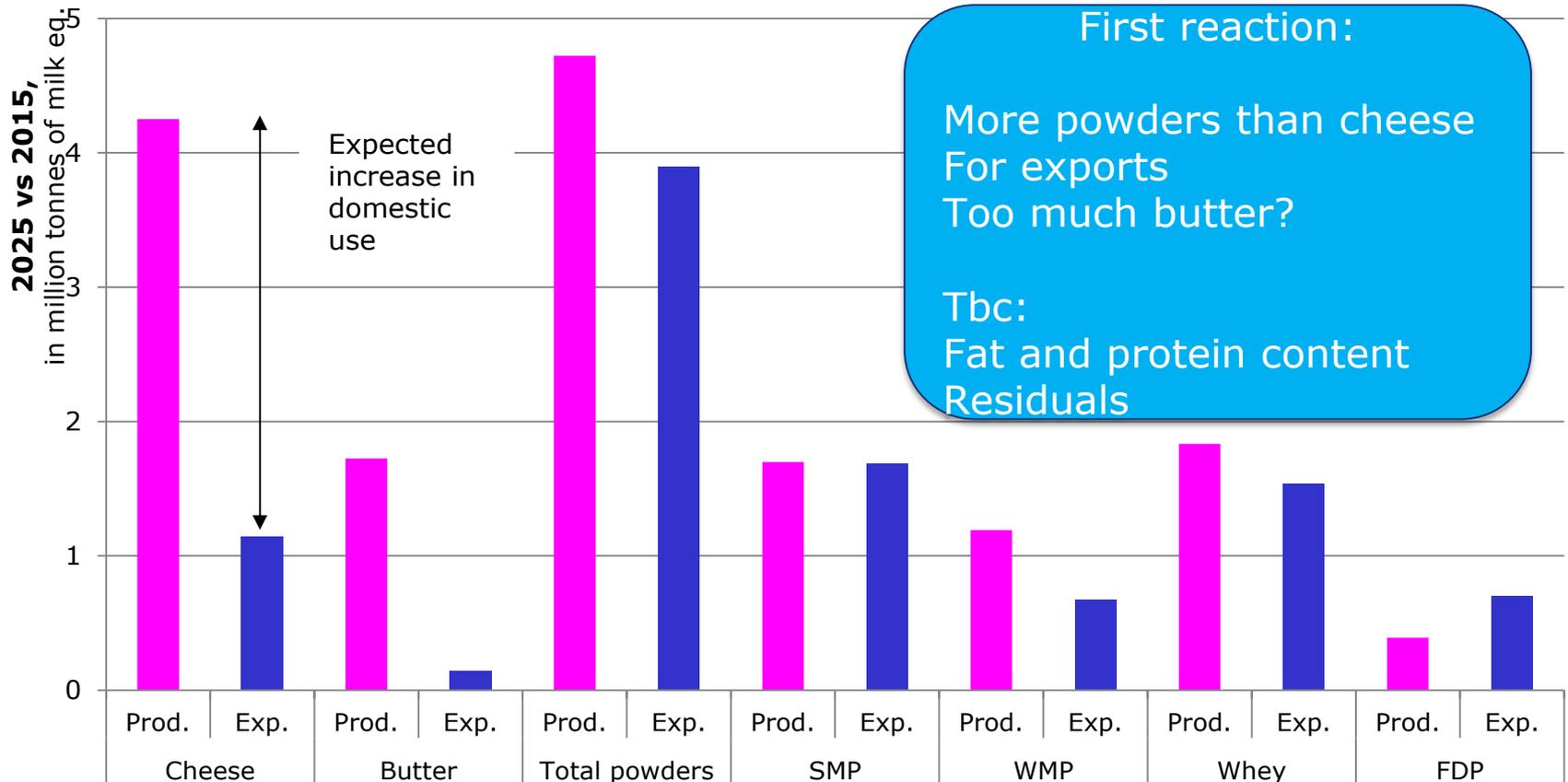


Yield and cow inventory



Source: DG Agriculture and Rural Development (draft baseline)

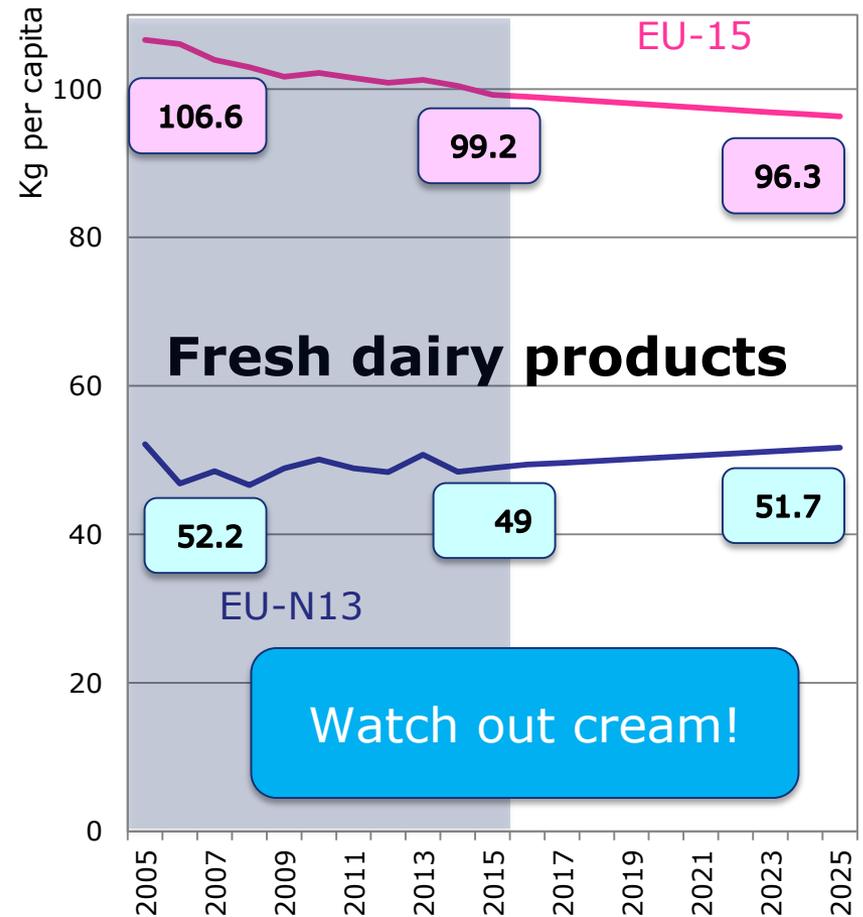
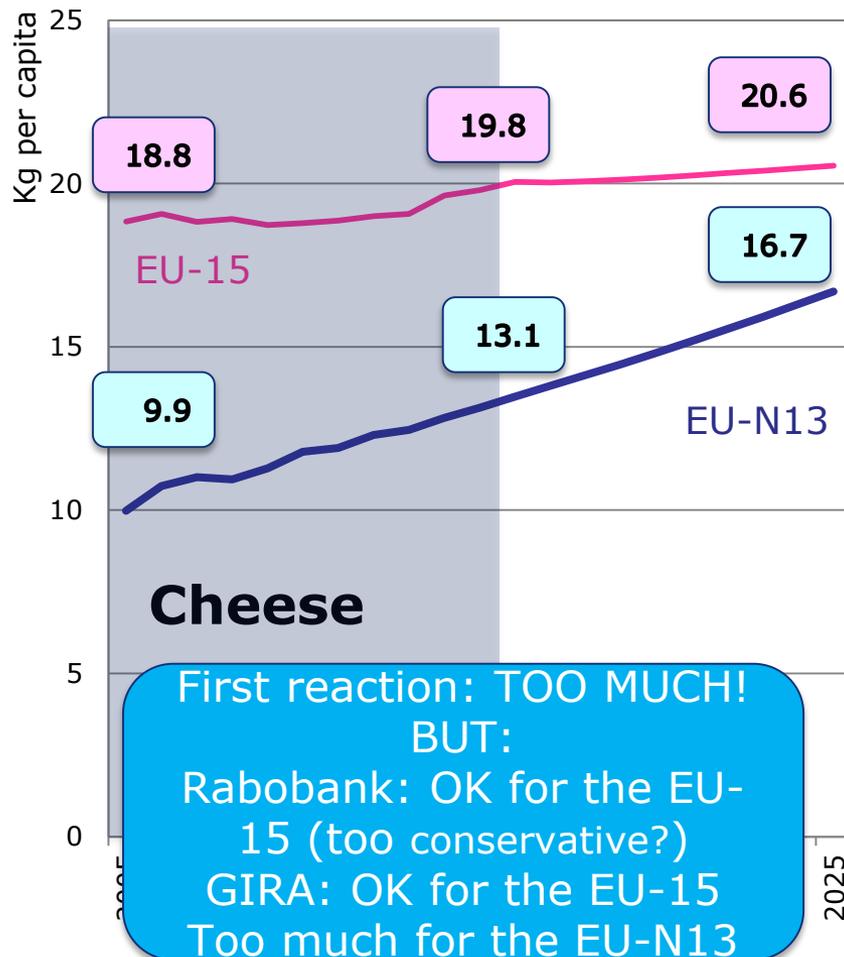
EU: Most of the extra milk channelled into cheese and exported powders



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

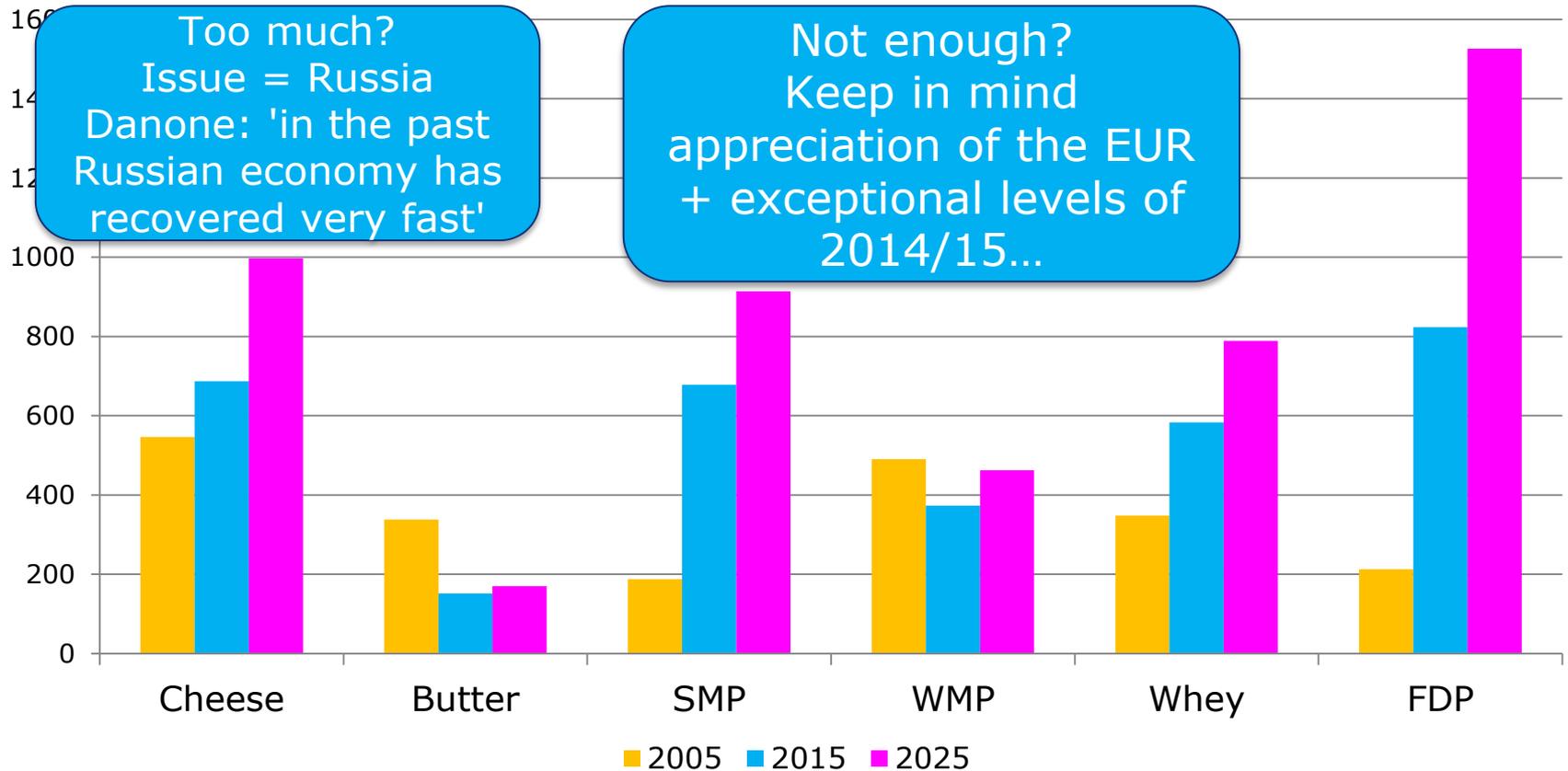
Domestic consumption in the EU, ups and downs



Source: DG Agriculture and Rural Development (draft baseline)

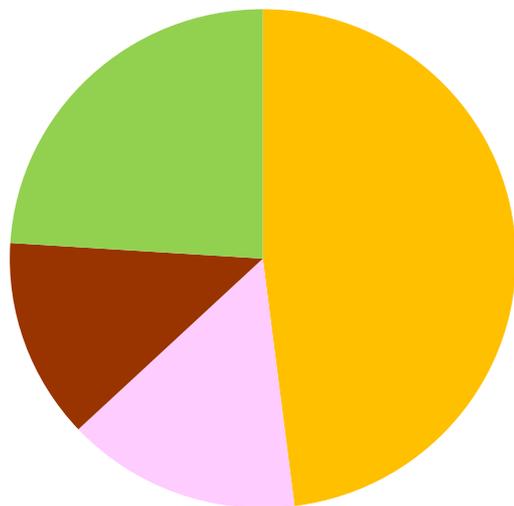
IRAN?
FTAs?

EU exports (1000 t)

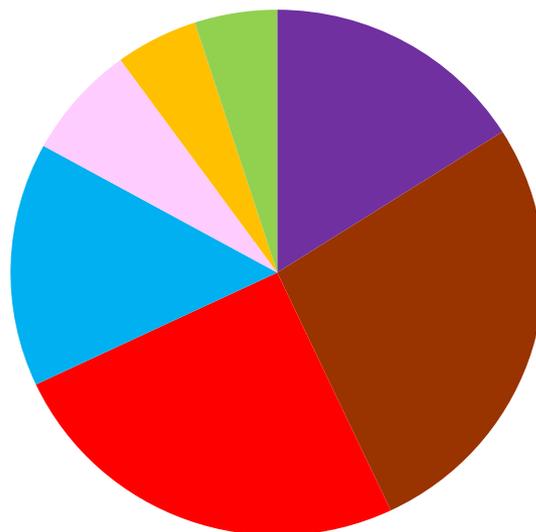


Industrial use of dairy products in the EU

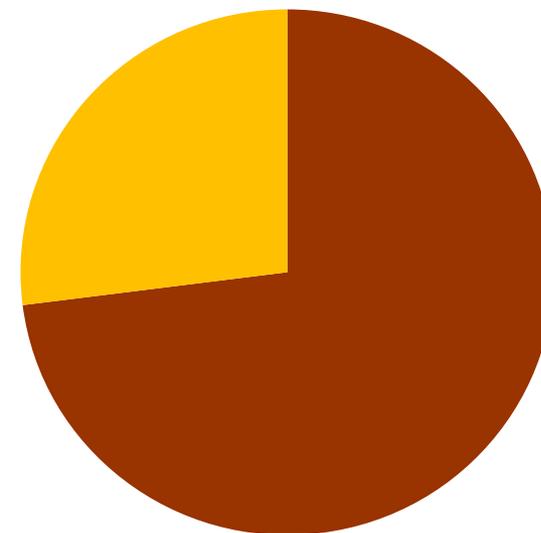
Butter



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:

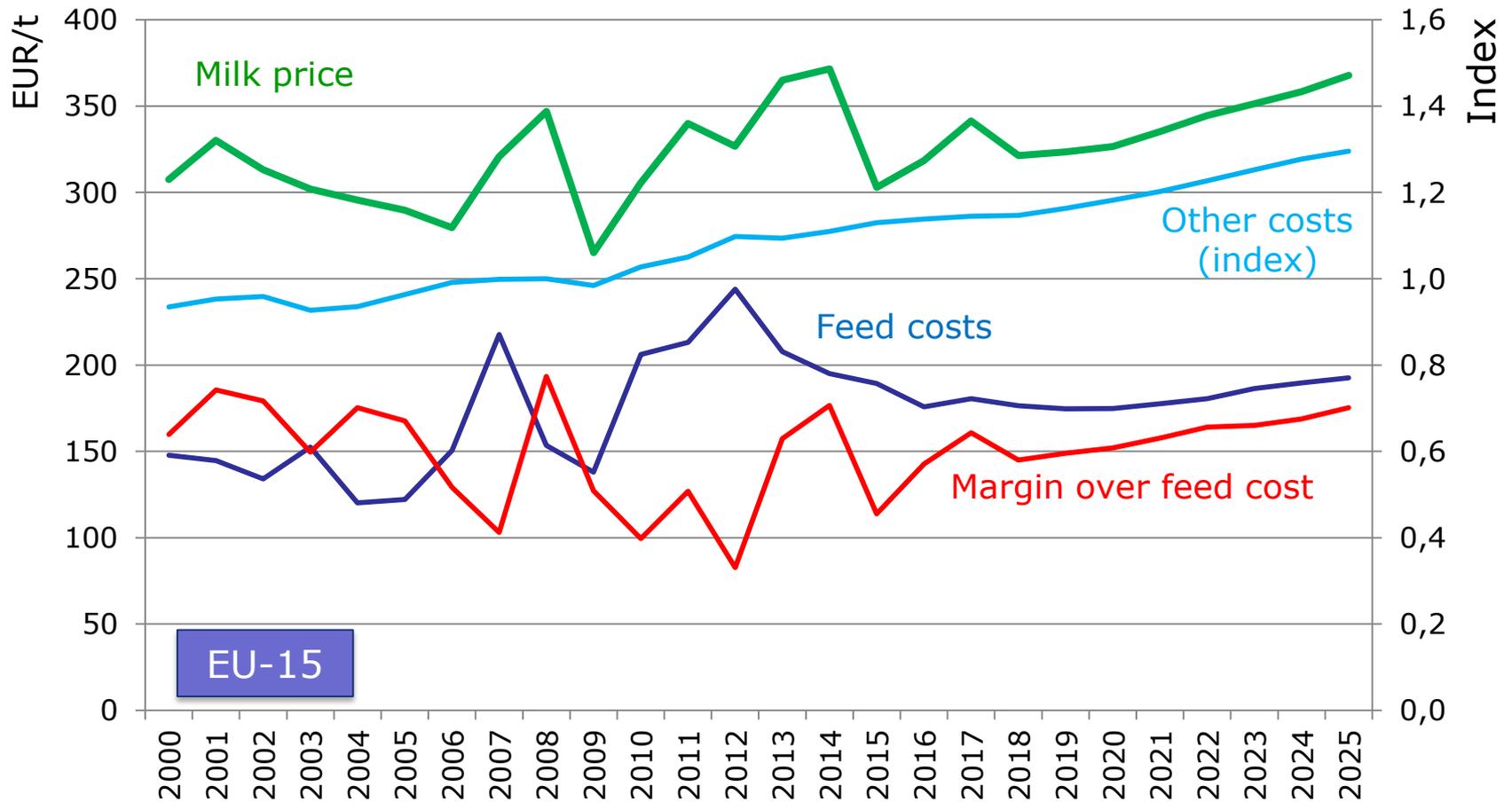
http://ec.europa.eu/agriculture/markets-and-prices/short-term-outlook/index_en.htm

Thanks

Prospects for milk and dairy products in the EU

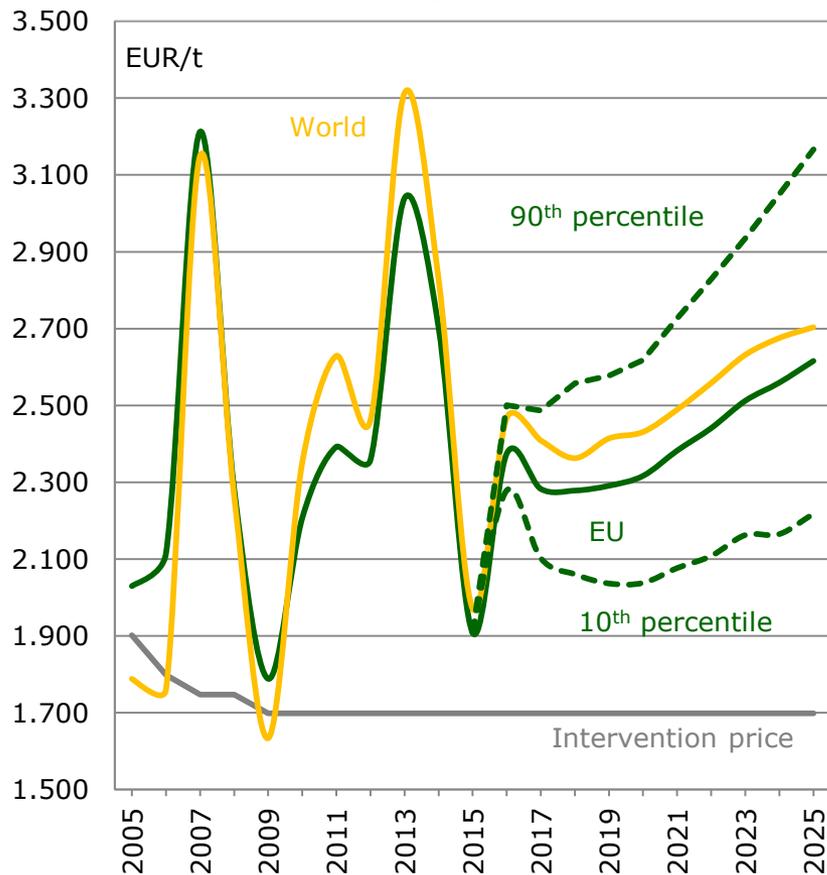
- **The EU to supply growing internal and world demand**
 - *despite current market unbalance,*
 - *because world demand is steadily growing,*
 - *and the EU is well positioned to supply this extra-demand.*
- **EU production to increase by 11 Mt in 10 years**
 - *environmental constraints to play a major 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

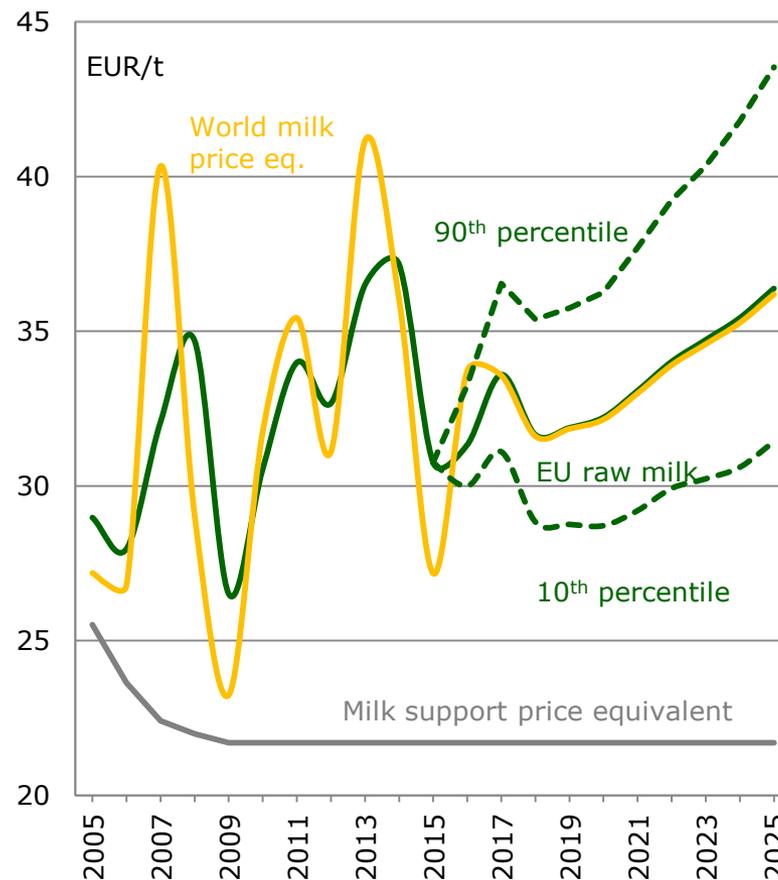


Dairy prices to go up in the long-term

SMP

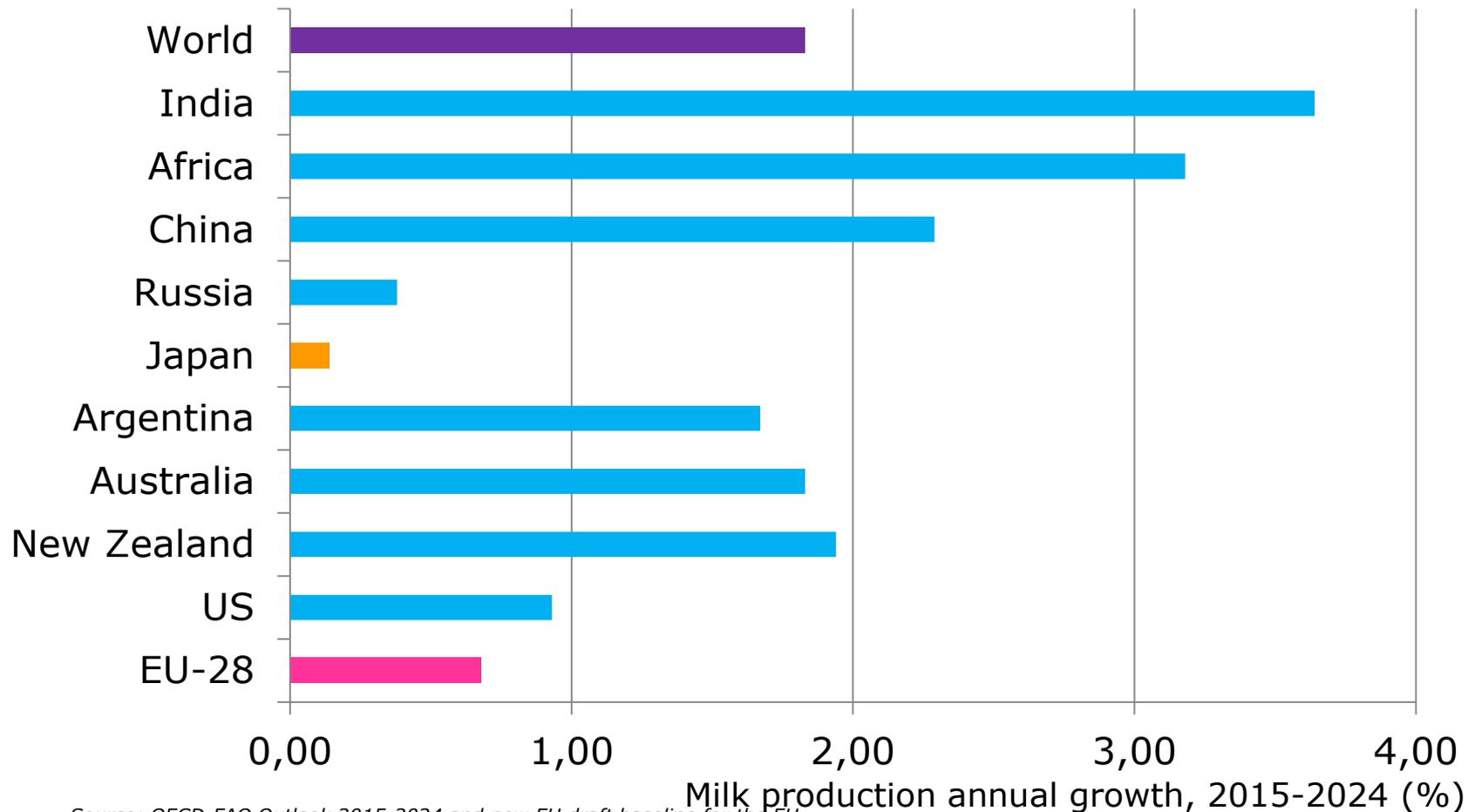


Milk



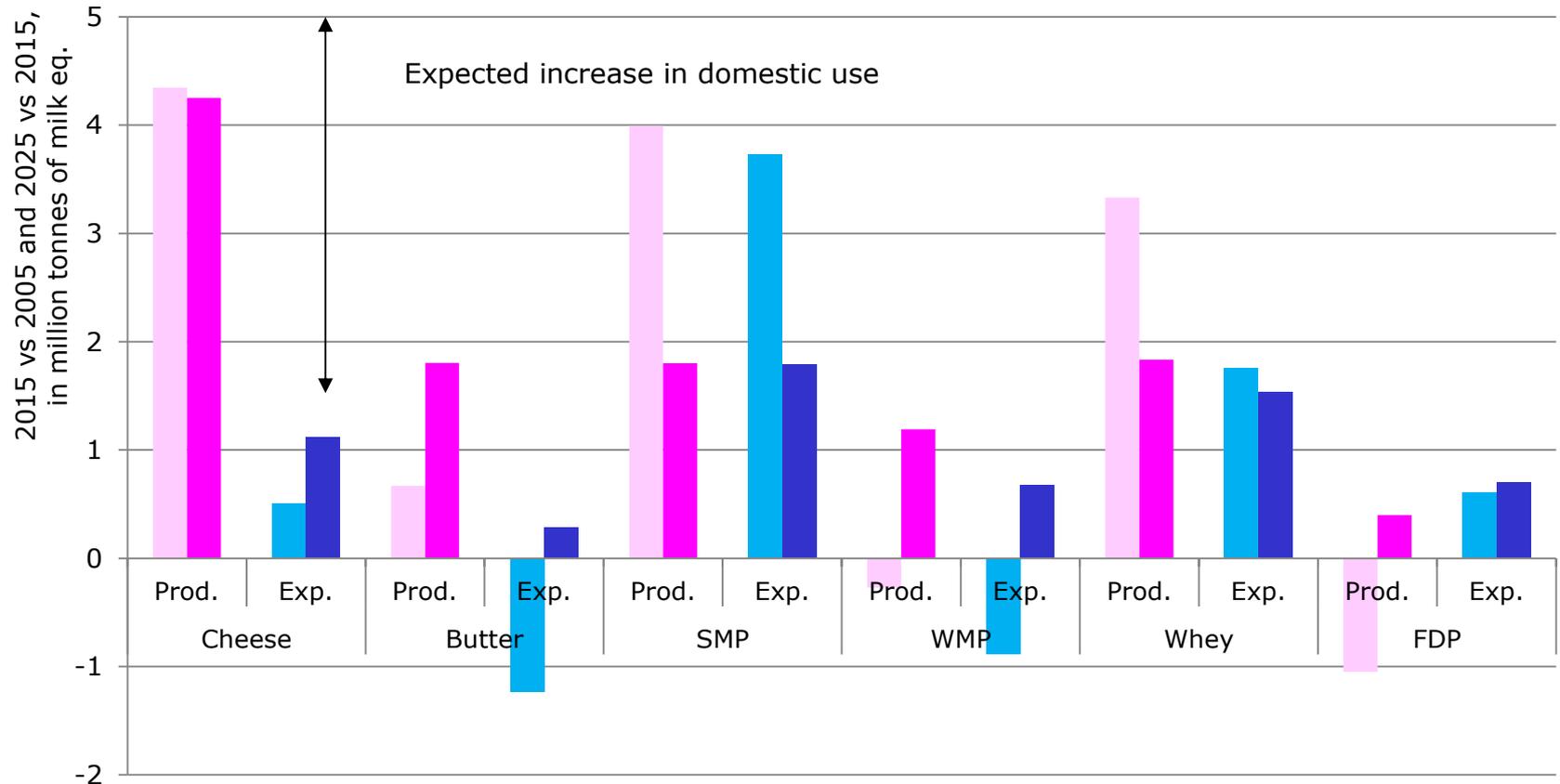
Source: DG Agriculture and Rural Development (draft baseline)

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



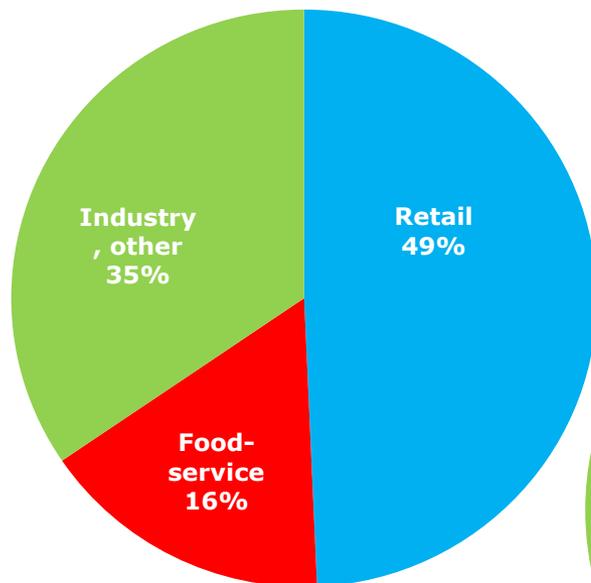
Source: DG Agriculture and Rural Development elaboration based on OECD-FAO Outlook 2015-2024

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

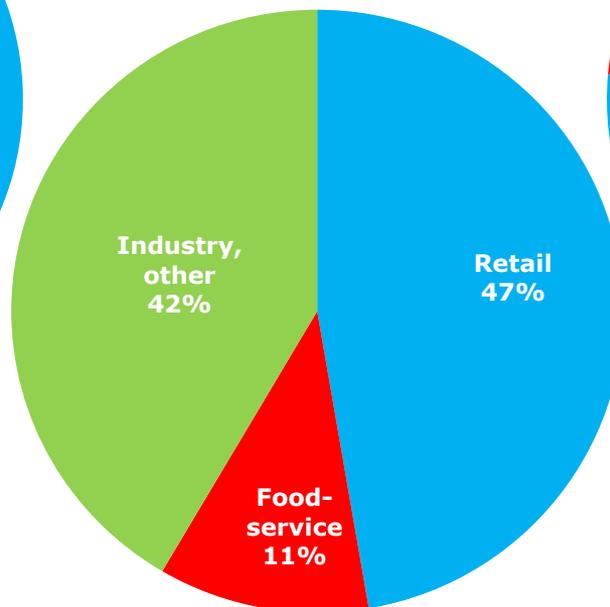
In the EU-28, the industrial use a major outlet for cheese and butter

2014, based on volumes

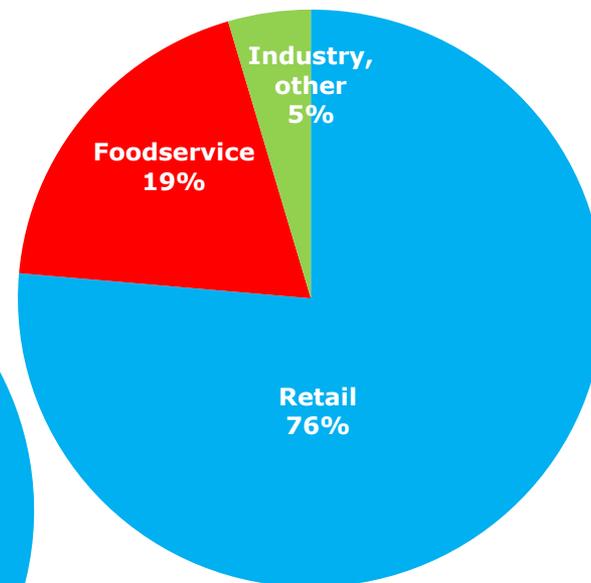
Cheese



Butter

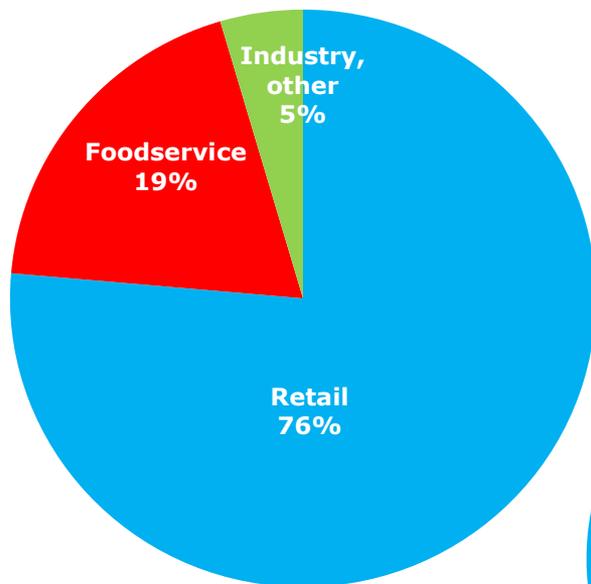


Liquid milk

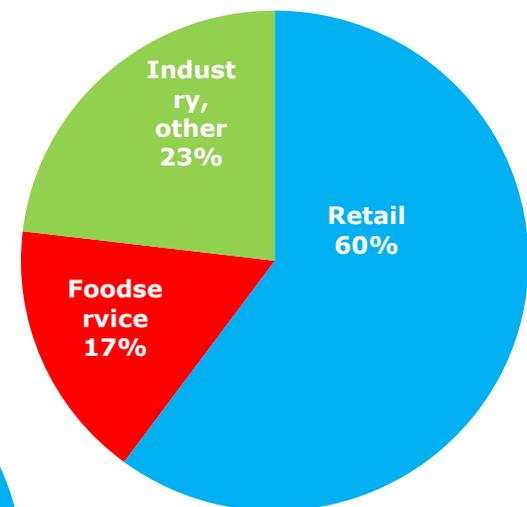


Dairy prod. channels in the EU-28 2014, based on volumes

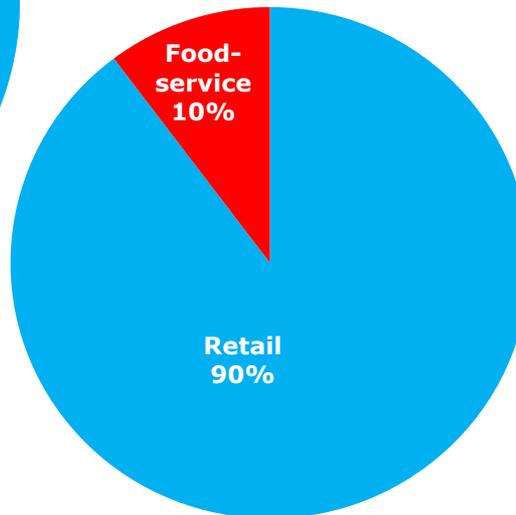
Liquid Milk



Cream

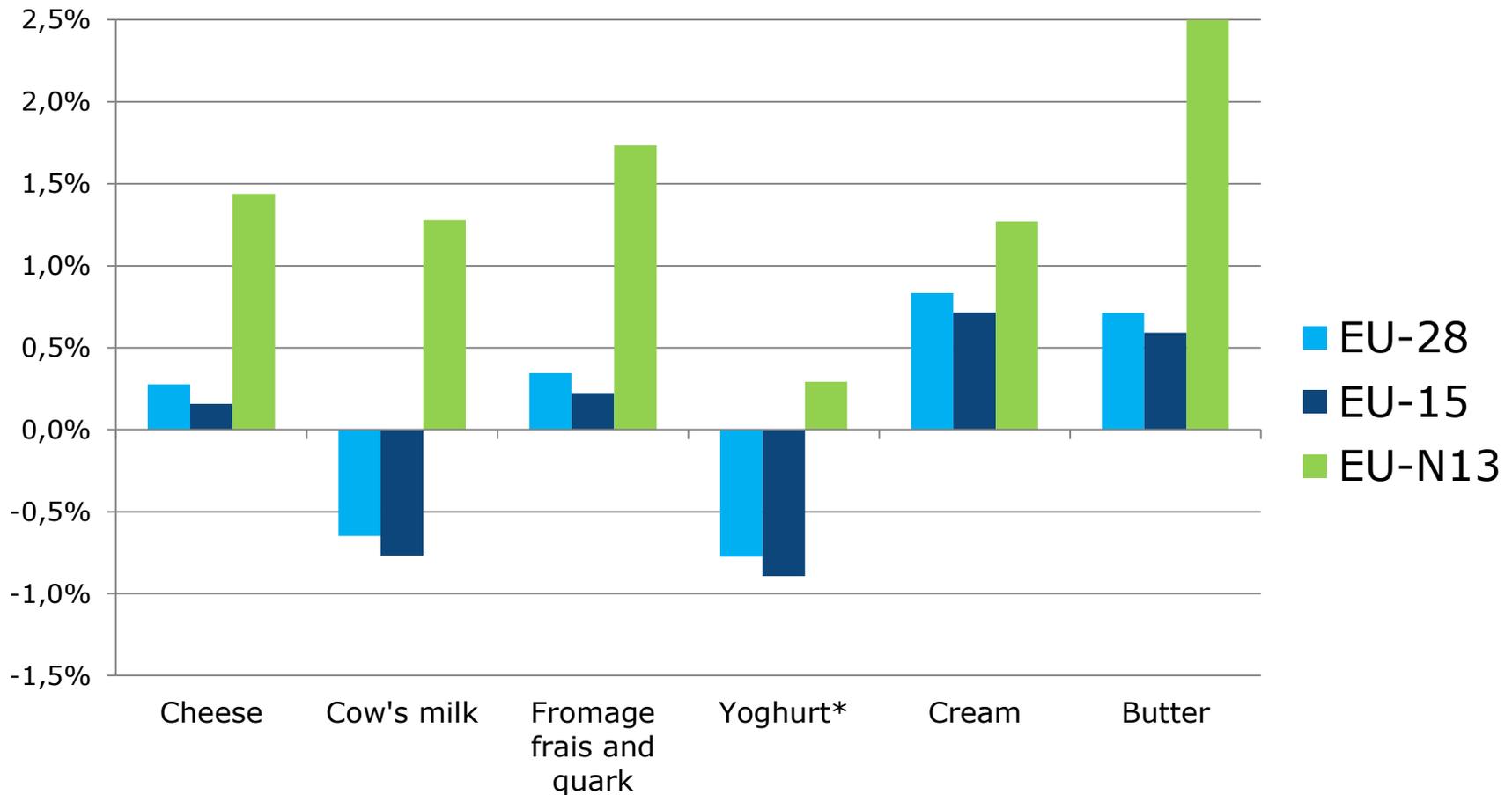


Yogurt



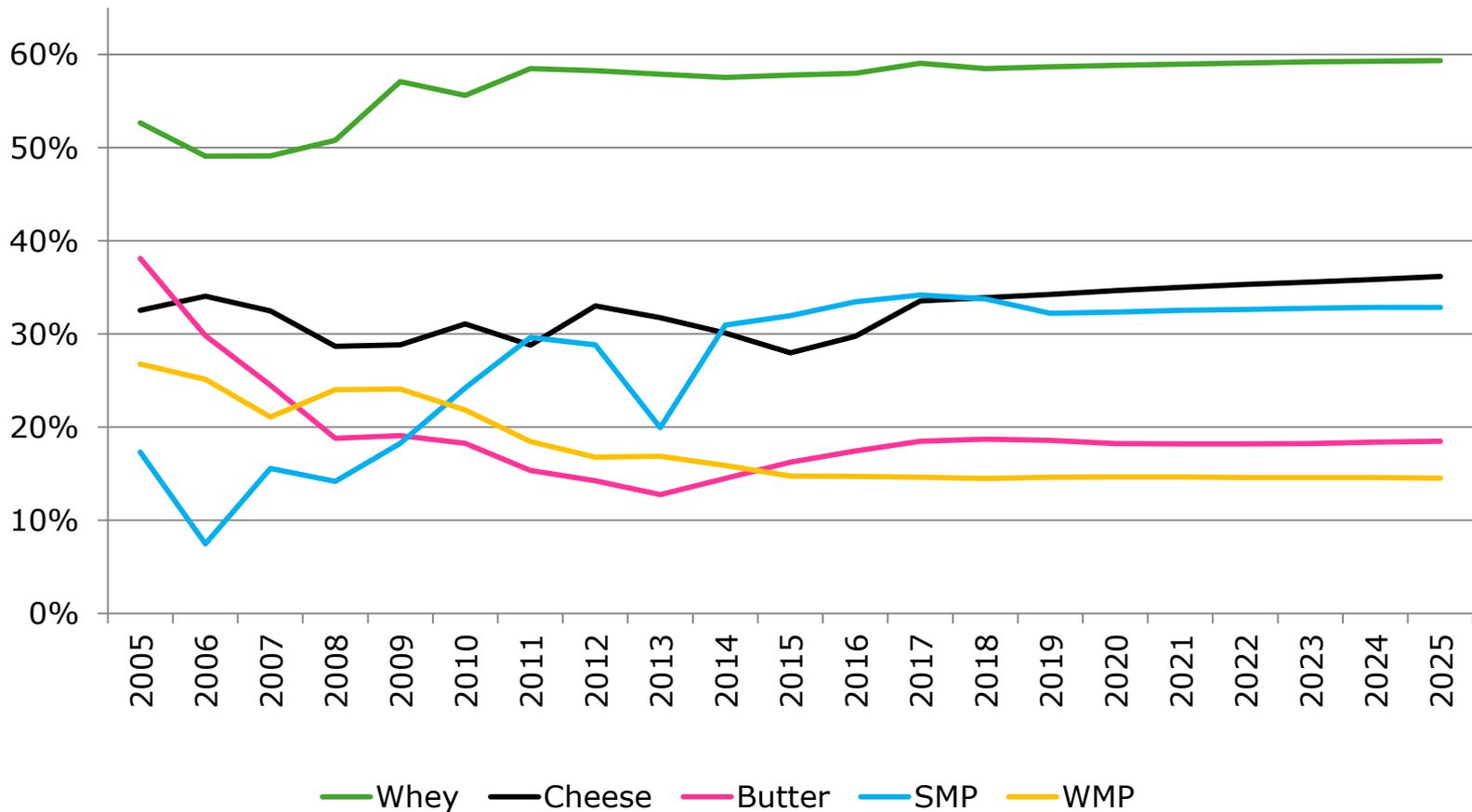
Source: DG Agriculture and Rural Development, based on Short-term outlook, Summer 2015 and Euromonitor

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