

# MMO Economic Board

## Meeting of 26 January 2016

- o The 12<sup>th</sup> meeting of the MMO Economic Board took place on 26 January 2016, with the participation of experts from the various steps in the milk supply chain: CEJA (young farmers), COPA-COGECA (producers and cooperatives), ECVC (Via Campesina), Eucolait (dairy trade) and Eurocommerce (retail). Experts from EMB (European Milk Board) and EDA (dairy industry) could not attend due to other commitments. DG AGRI presentations and information exchanged during the meeting showed the following.
- o EU milk collection was up by 2.2% in the first 11 months of 2015. Increases are particularly strong in IE, LU, BE, NL, HU, SI in % terms, but are also the strongest in volume terms in IE, NL and DE. 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 30.8 c/kg in November and a slight decrease is expected for December (30.7 c/kg). The price gap between MS has increased. Favourable trends in costs (fertilizers, energy, feed) may have allowed farmers to cover variable costs but the situation is not tenable for all in the long run.
- o Applications for private storage aid reached 141 500 t butter and 52 000 t SMP in 2015. Uptake continues in 2016. With regard to offers for sale into intervention, uptake increased in the first week of 2016 (6 400 t), but has been more moderate in the following 2 weeks (5 500 t in week 2 and 5 000 t in week 3).
- 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 compared to their level at the time of the last MMO meeting (end of November 2015). The butter market continues to be the exception in the overall bearish picture.
- 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 increasing, weighing on the market. The picture is clearly better for butter whose stock level is normal and declined. With regard to cheese, stocks increased. The increase of milk production after its lowest point in November is likely to put pressure on cheese production, once drying towers have reached full capacity.
- o At world level, milk production increased by some 1.3% in the first 11 months of the year, mainly due to the EU (+ 3 million t) and the US (+ 1 million t). EU milk production continues strongly, in particular in North-Western Europe without signs of slowdown. US production growth was lower than expected (+ 1.2%). The USDA forecast for 2016 is + 1.7%. NZ forecasts lower production for the new season (- 5% in the herd, adverse weather and lower prices). Although 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 been showing promising signs since the summer. The US, Mexico and Iran 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. Supply chain dialogue continues in an effort to bring elements of stabilisation for all actors concerned.
- o A dedicated presentation was made by ZMB on the milk market outlook for 2016 showing that starting stock levels are higher as demand did not grow in line with production in 2015. According to ZMB, milk production is likely to increase outside the EU as faster growth is expected in the USA, policy change in Argentina, only mild El Nino impact in the Southern Hemisphere, etc. On the positive side, the comeback of Iran as an importing region and the competitive euro might be outpaced by uncertainties related to the real economic situation in China, the purchasing power in oil exporting countries, future political relations with Russia, political instability in different milk importing regions, etc. Experience has shown that the weather is also a significant element to be taken into account.
- o Overall, bearish market sentiment persists. Improvement in the supply/demand equation remains necessary.

# **ANNEX 1**

## **Milk Market Situation**

***European Commission***



European  
Commission



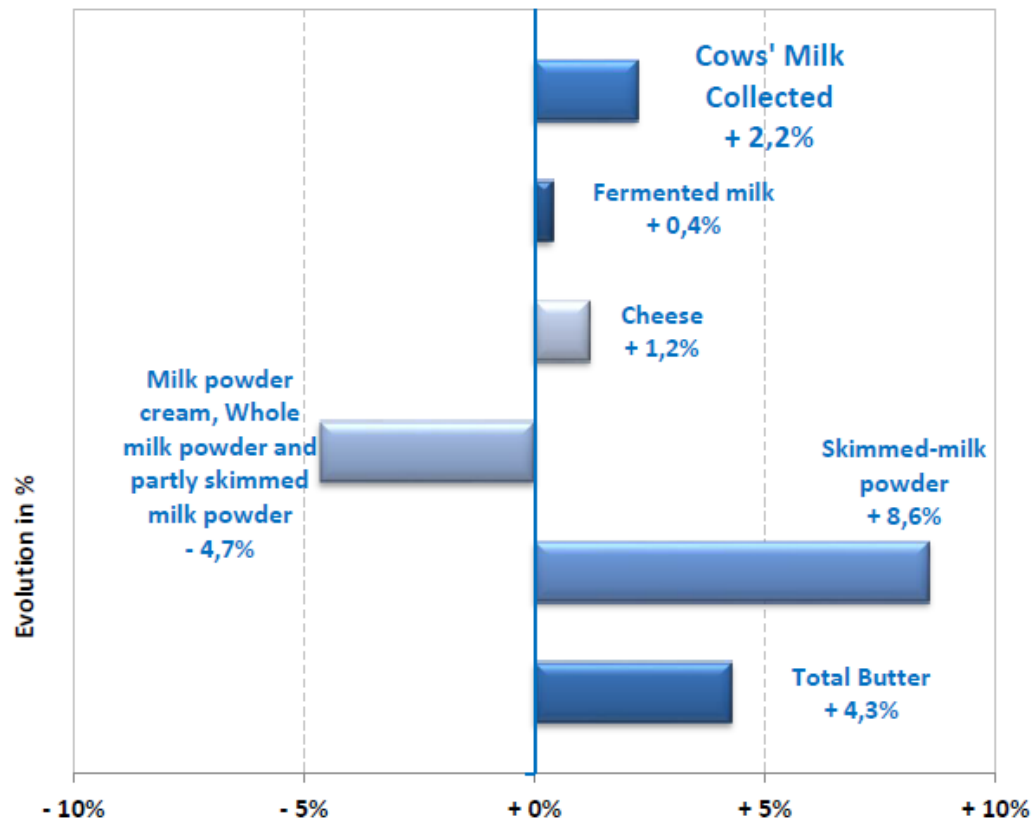
# Milk Market Situation

*Brussels, 26 January 2016*

# EU Productions



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



Rem : ES/IT milk deliveries estimated

Source : MS' Communications to Eurostat,  
and, for milk : AGEA, FEQA,  
Reg. 479/2010.Art1(a)1

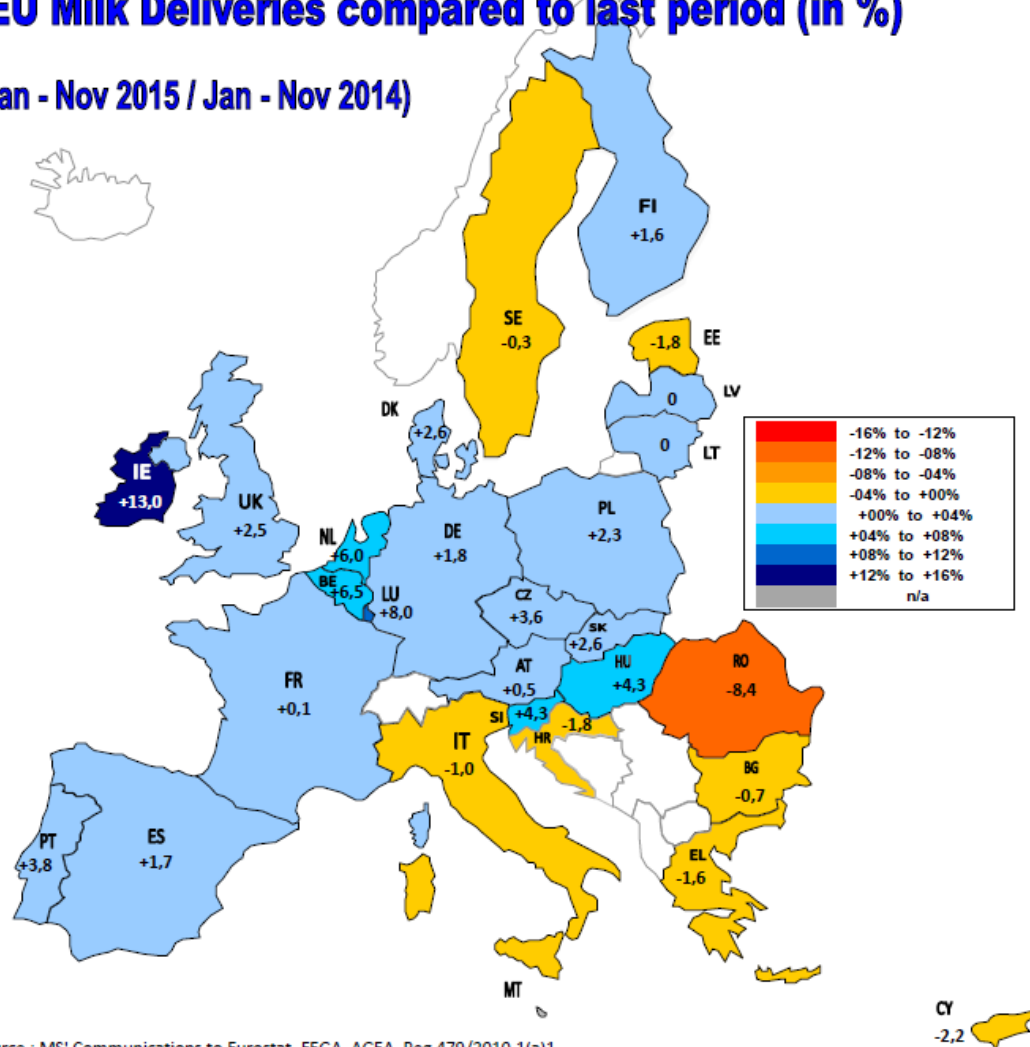
**!!! Data from some Member States are confidential and are NOT included in this table !!!**



European  
Commission

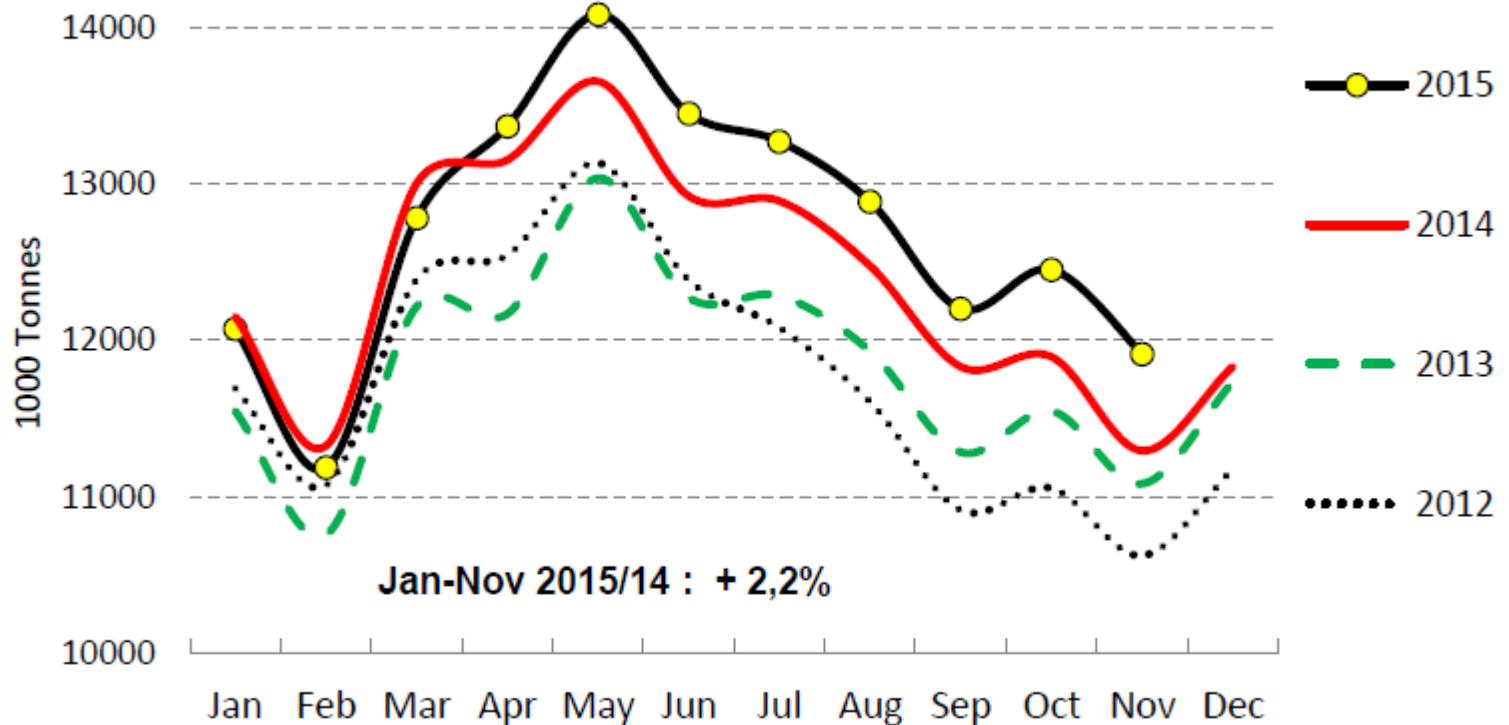
## EU Milk Deliveries compared to last period (in %)

(Jan - Nov 2015 / Jan - Nov 2014)



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

## EU - Cows' milk collected



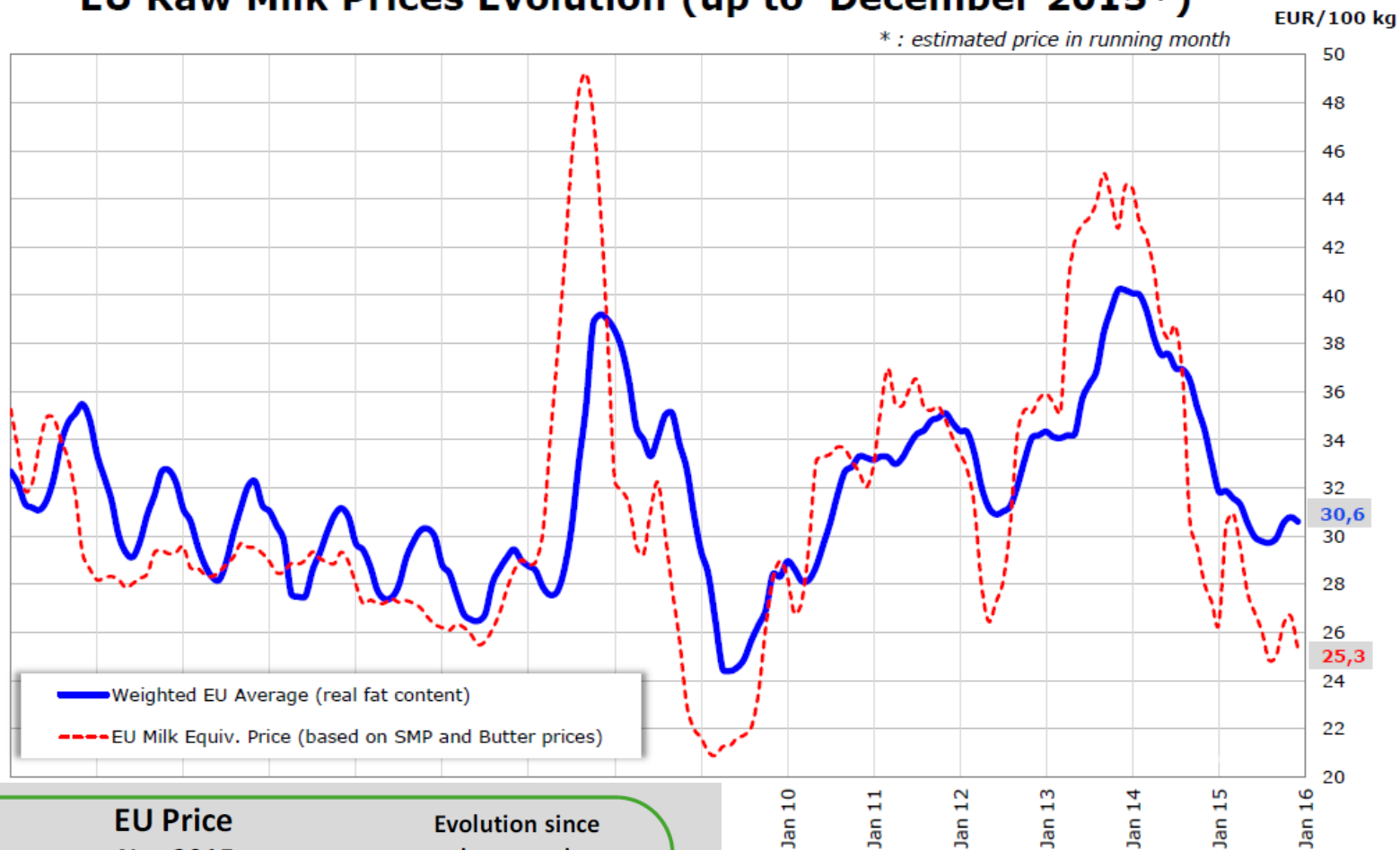
|     |       |
|-----|-------|
| Jan | -0,7% |
| Feb | -1,2% |
| Mar | -1,7% |
| Apr | 1,7%  |
| May | 3,1%  |
| Jun | 4,1%  |
| Jul | 3,0%  |
| Aug | 3,3%  |
| Sep | 3,1%  |
| Oct | 4,7%  |
| Nov | 5,5%  |

Source : Estat - Newcronos

Last update : Jan-Nov

## EU Raw Milk Prices Evolution (up to December 2015\*)

\* : estimated price in running month



EU Price  
Nov 2015

Evolution since  
last month

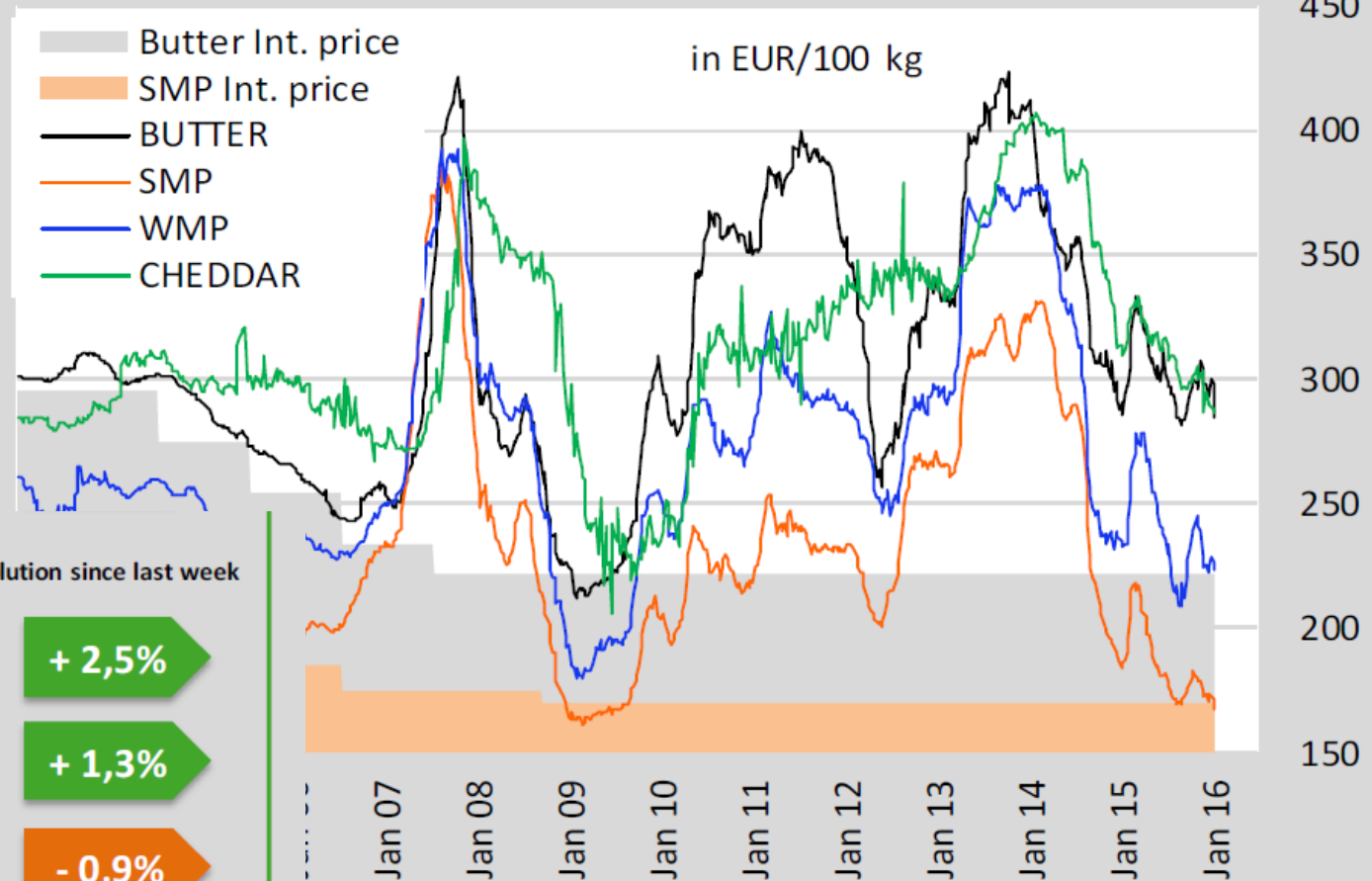
Raw Milk

30,8

€/100 kg

+ 0,7%

## EU average quotations of main commodities



### EU Prices (week 3)

Evolution since last week

BUTTER **292** €/100 kg

+ 2,5%

S.M.P. **169** €/100 kg

+ 1,3%

W.M.P. **221** €/100 kg

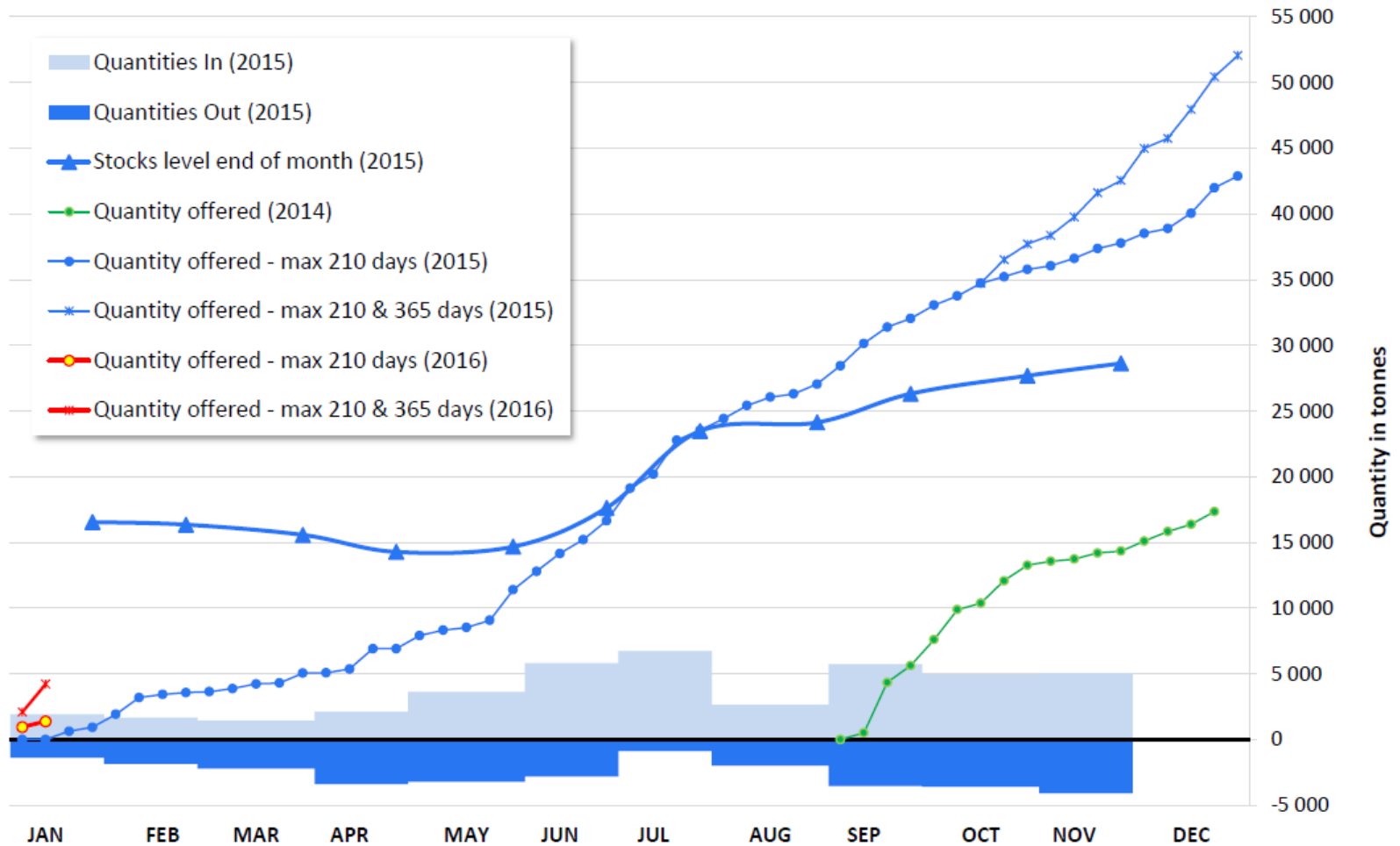
- 0,9%

CHEDDAR **282** €/100 kg

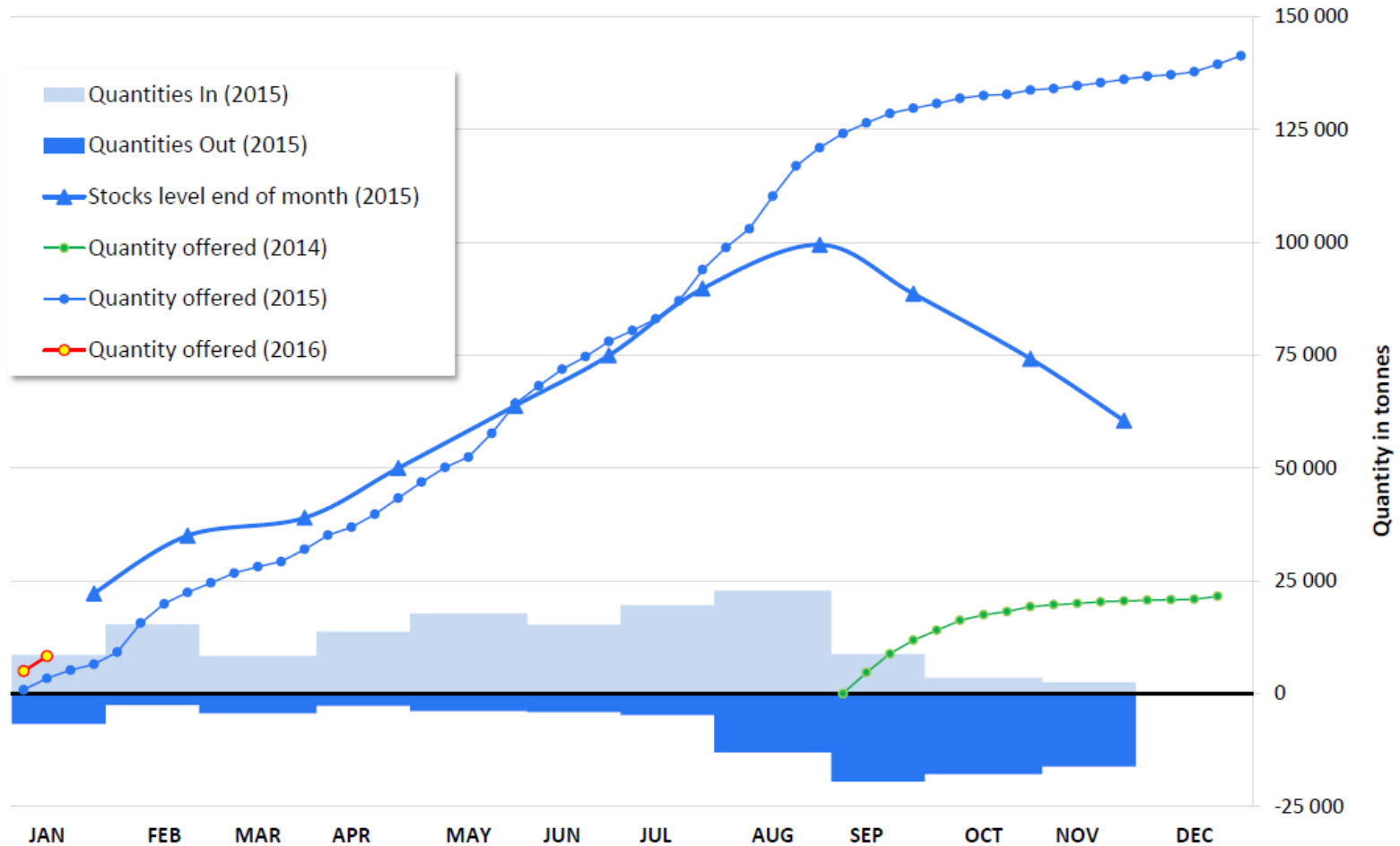
- 1,4%



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



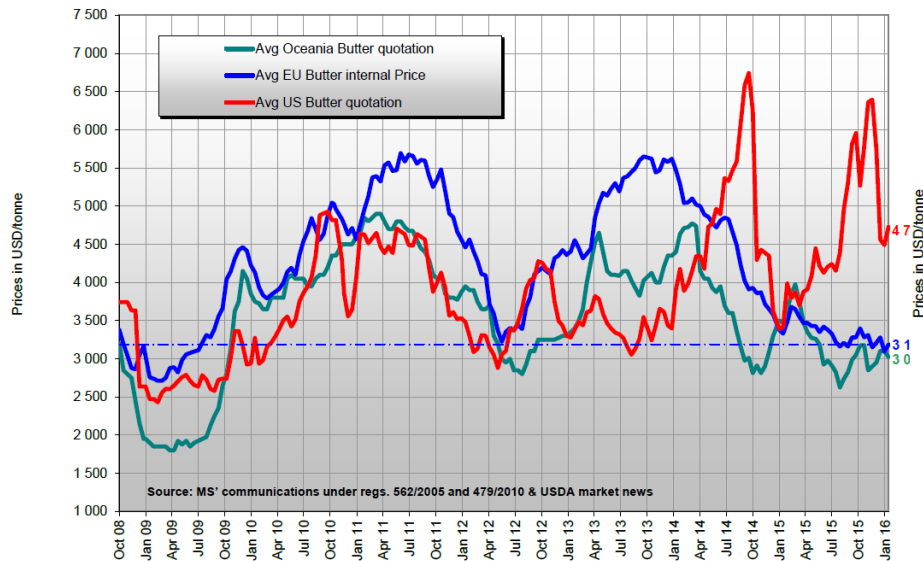
## Private Storage Aid Scheme (2014-2016) - BUTTER



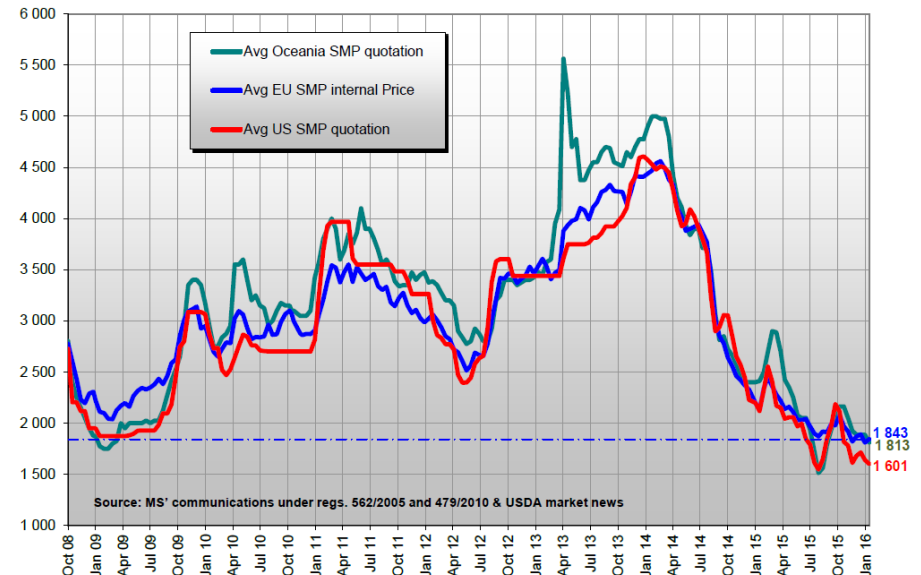
## Latest World Quotations of Dairy Products

| In US\$/t      | Latest Quotations |         |       | Week - 2   |         |       |                               |         |         | Year - 1     |         |       |                   |         |        |
|----------------|-------------------|---------|-------|------------|---------|-------|-------------------------------|---------|---------|--------------|---------|-------|-------------------|---------|--------|
|                | 24/01/2016        |         |       | 10/01/2016 |         |       | % change (previous quotation) |         |         | January 2015 |         |       | % change (1 year) |         |        |
|                | EU                | Oceania | USA   | EU         | Oceania | USA   | EU                            | Oceania | USA     | EU           | Oceania | USA   | EU                | Oceania | USA    |
| <b>Butter</b>  | 3 187             | 3 025   | 4 726 | 3 094      | 3 100   | 4 491 | ↑ +3.0%                       | ↓ -2.4% | ↑ +5.2% | 3 330        | 3 475   | 3 417 | ↓ -4%             | ↓ -13%  | ↑ +38% |
| <b>SMP</b>     | 1 843             | 1 813   | 1 601 | 1 811      | 1 888   | 1 640 | ↑ +1.8%                       | ↓ -4.0% | ↓ -2.4% | 2 130        | 2 413   | 2 119 | ↓ -13%            | ↓ -25%  | ↓ -24% |
| <b>WMP</b>     | 2 416             | 2 100   | 2 800 | 2 426      | 2 100   | 2 965 | ↓ -0.4%                       | ↓ -     | ↓ -5.6% | 2 620        | 2 500   | 3 164 | ↓ -8%             | ↓ -16%  | ↓ -11% |
| <b>Cheddar</b> | 3 080             | 2 963   | 3 257 | 3 108      | 3 175   | 3 260 | ↓ -0.9%                       | ↓ -6.7% | ↓ -0.1% | 3 540        | 3 700   | 3 252 | ↓ -13%            | ↓ -20%  | ↓ +0%  |

EU/US/Oceania Quotations of Butter



EU/US/Oceania Quotations of SMP



# **ANNEX 2**

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

***EDA***



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

**Milk Market Observatory**

**Economic Board**

**January 26<sup>th</sup>, 2015**

# Methodology

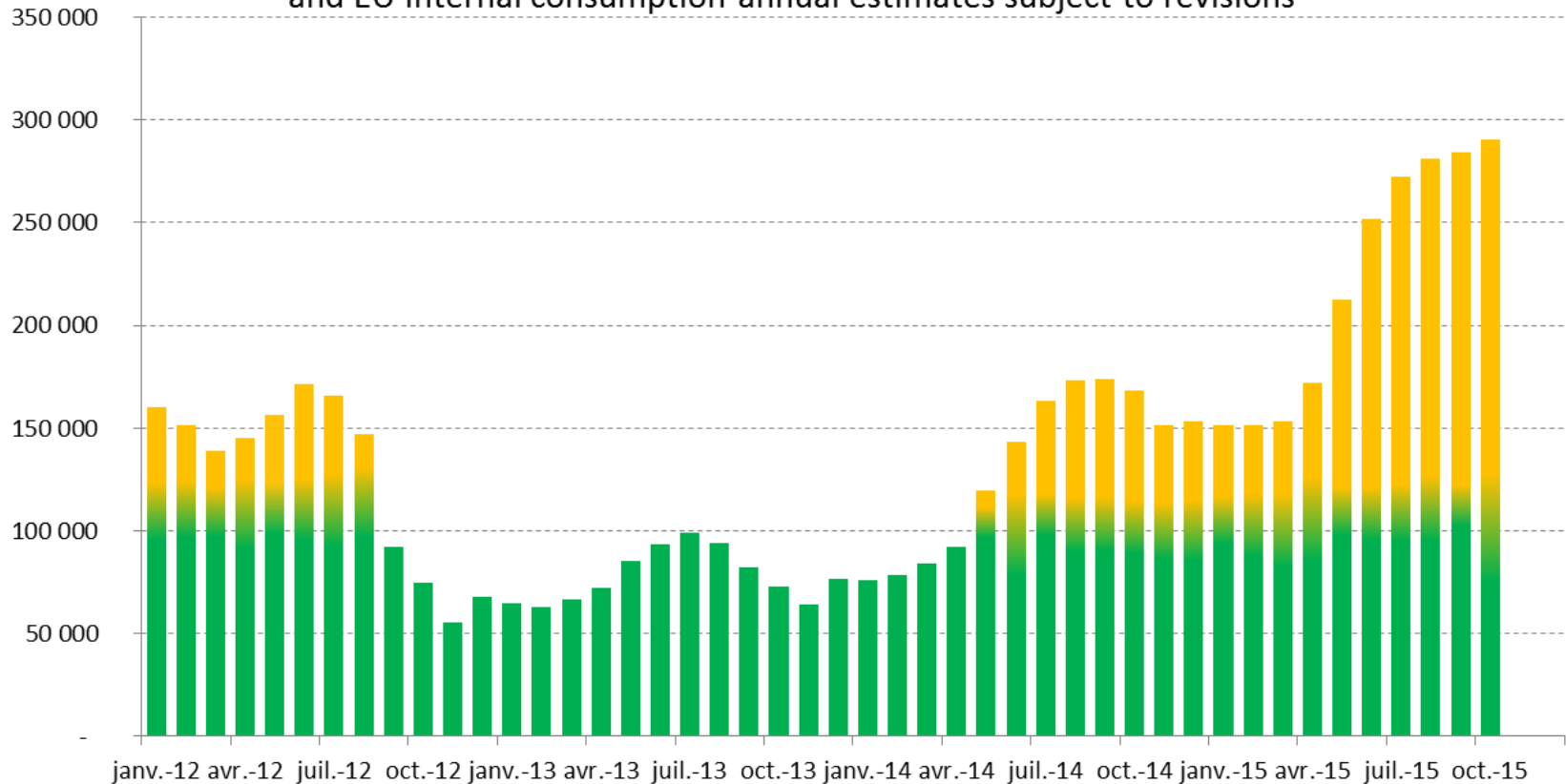
- For each dairy product and each month, the stock estimates are based on the equation:
  - **Stock variation** = EU production + EU import – EU internal consumption – EU exports
- ZMB balance sheets and forecasts have been used as references for :
  - End of year stocks levels in 2012 and 2013
  - Yearly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

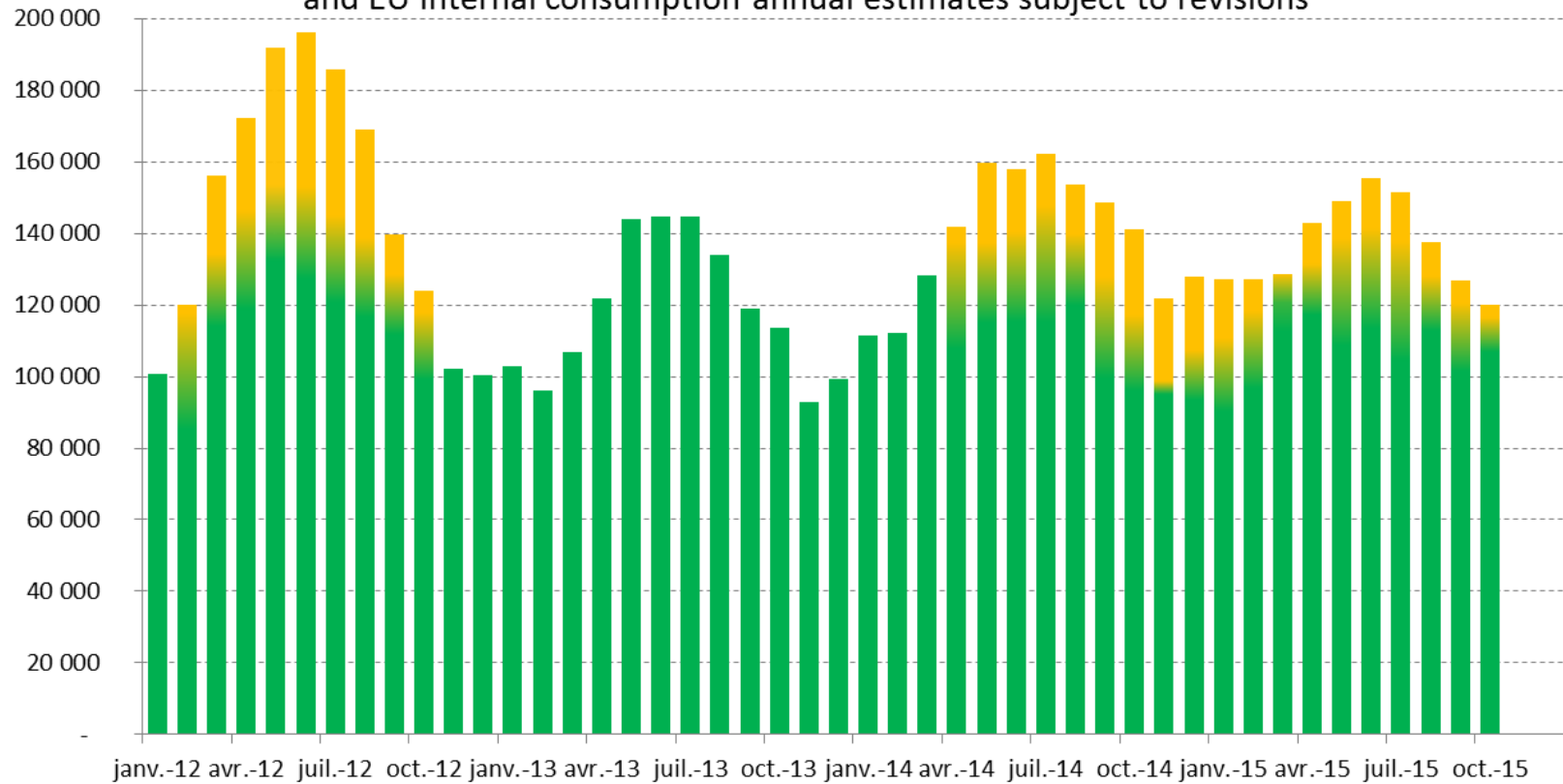


# European stock level estimates - Butter



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

stock level  
in tons



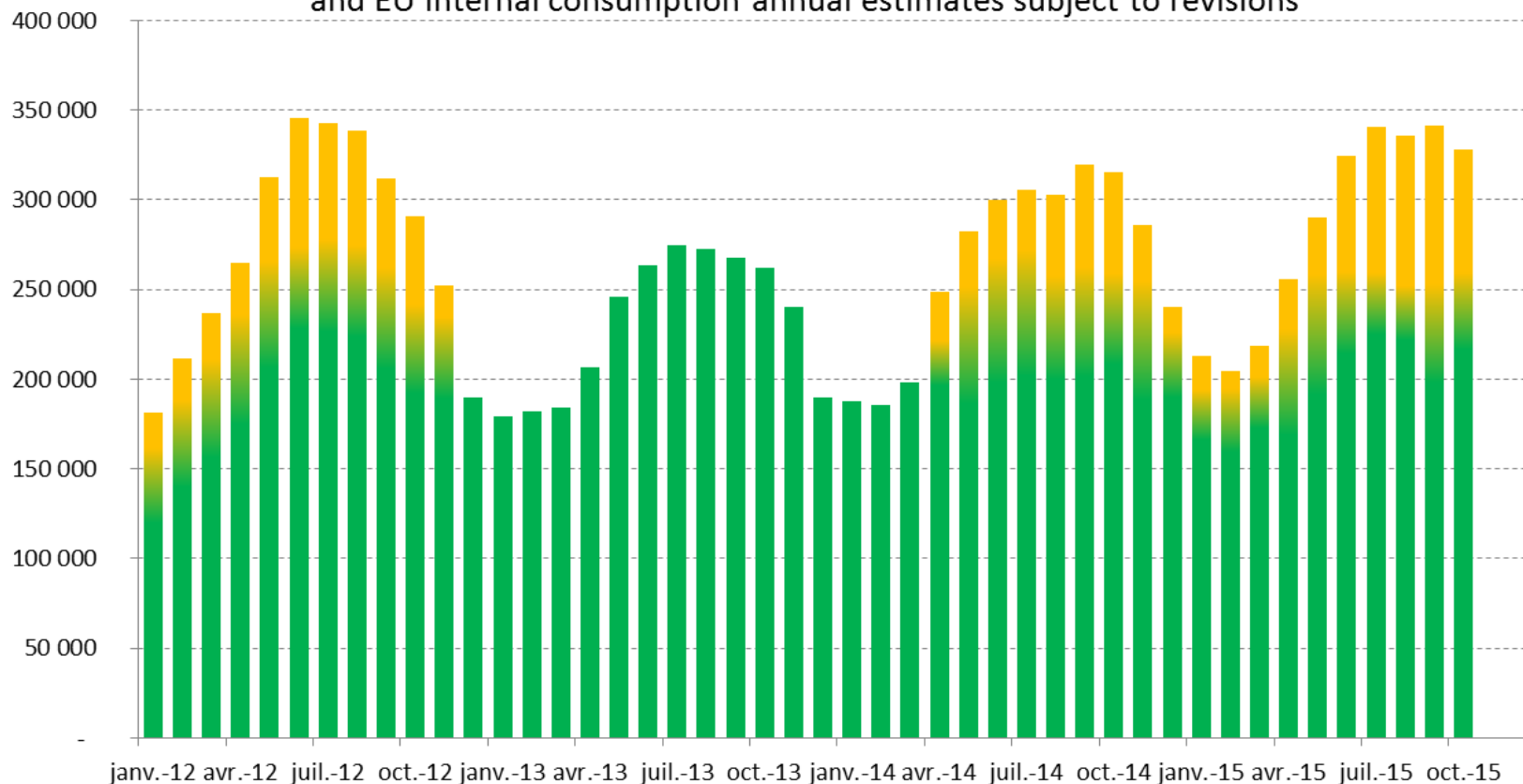


# European stock level best estimates - Cheese

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  
26 January 2016



## Outline



- Global Supply
- Global Exports
- Global Demand
- Conclusions



# Milk production in key export regions

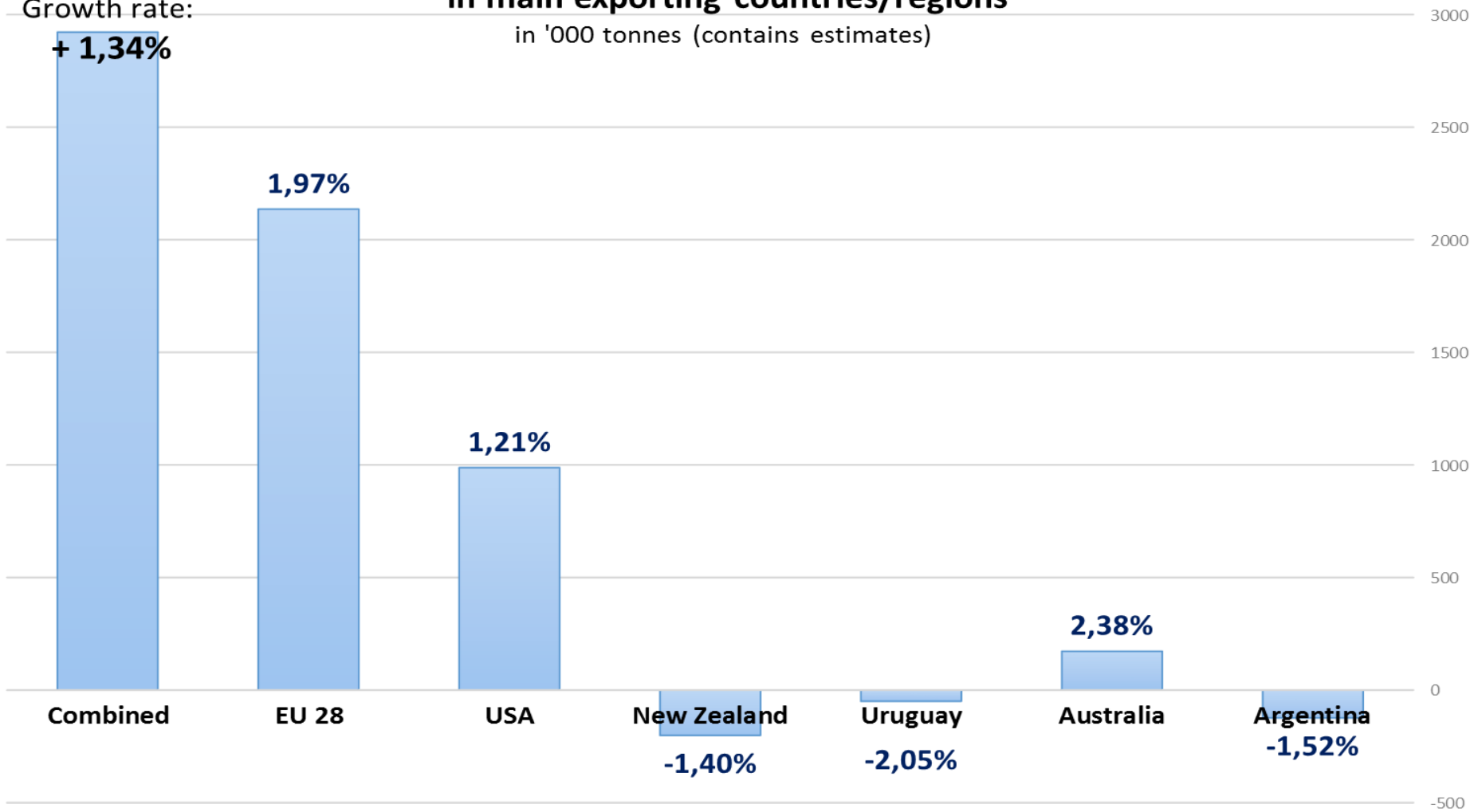


## Comparing Jan-Nov 2015 milk production with Jan-Nov 2014 in main exporting countries/regions

in '000 tonnes (contains estimates)

Combined  
Growth rate:

**+ 1,34%**





## Production outlook



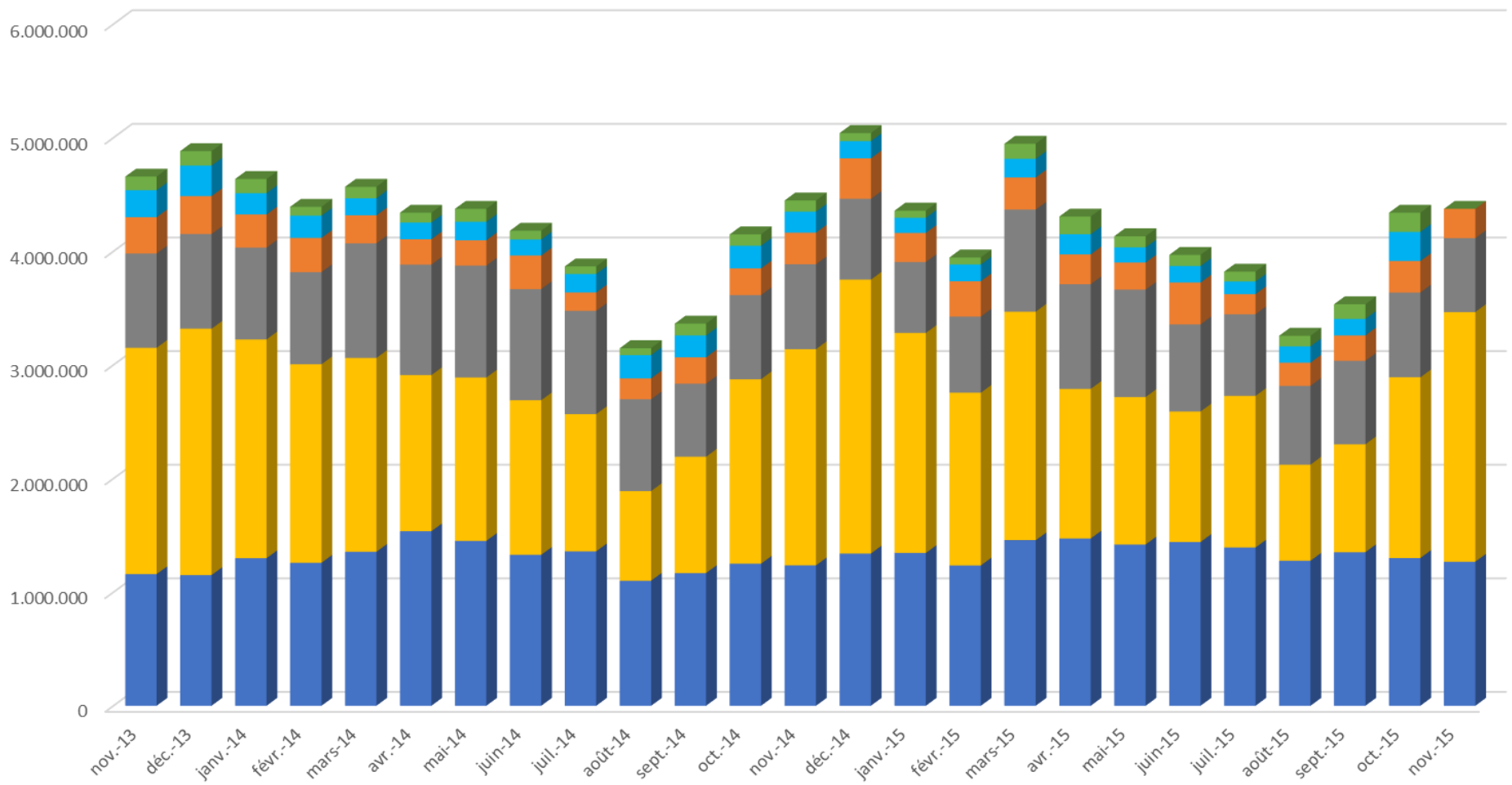
- EU milk production continues strong, in particular in North-Western Europe, without any signs of slowdown.
- US production growth picked up pace slightly in November (+0,6%). USDA estimate for whole year 2015 +1,16%. Expected growth of +1,7% in Q1 2016
- New Zealand: milk output is -1,4% ytd in November; herd size is down, El Nino drought has effected production (particularly in the North Island) but there has subsequently been January rainfall
- Australia: yoy -3,4% (November 2015 vs November 2014). YTD +0,8%. Effects of El Nino?



# Dairy exports of main market players in ME



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

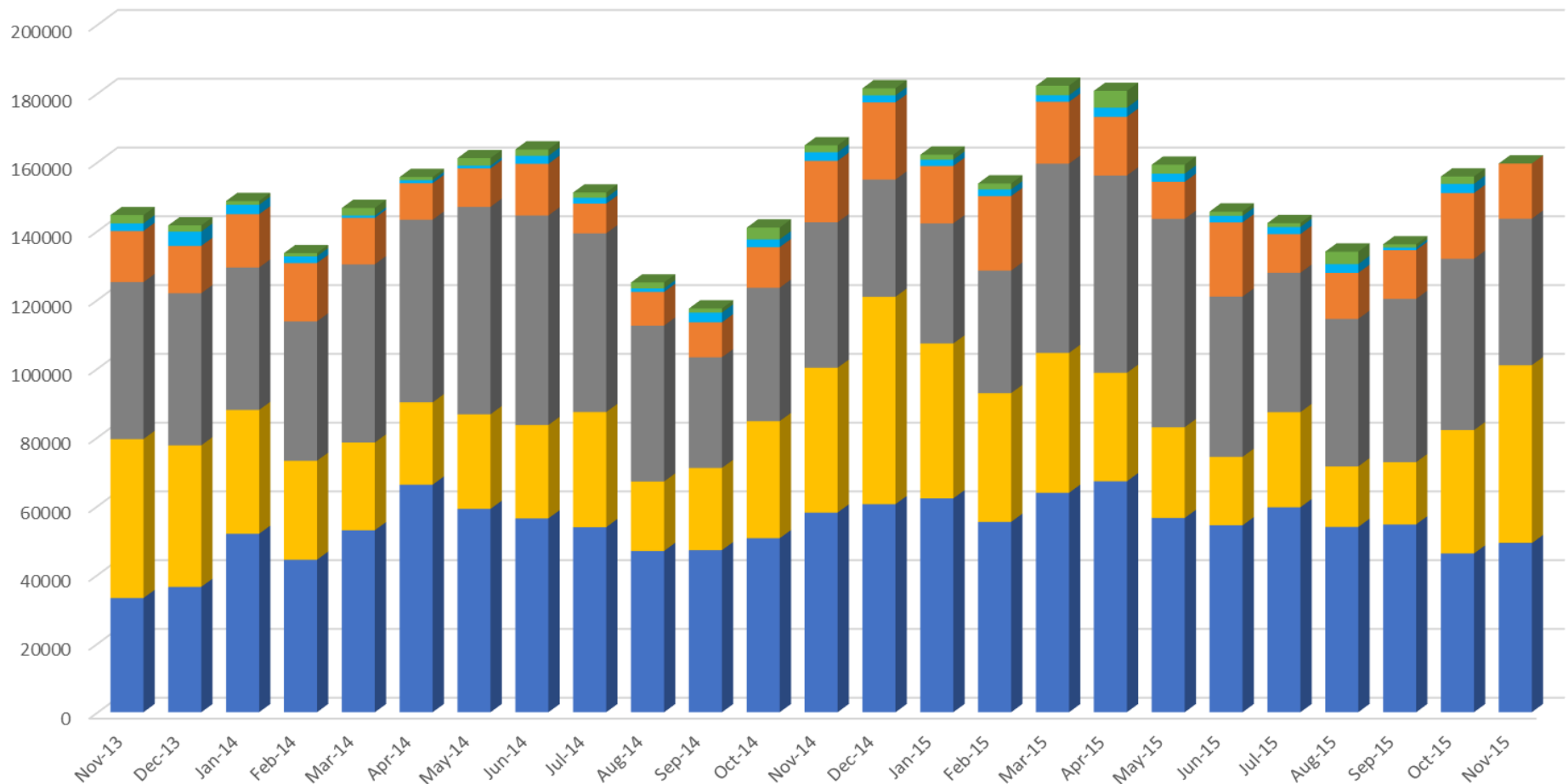




# SMP exports of main market players



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



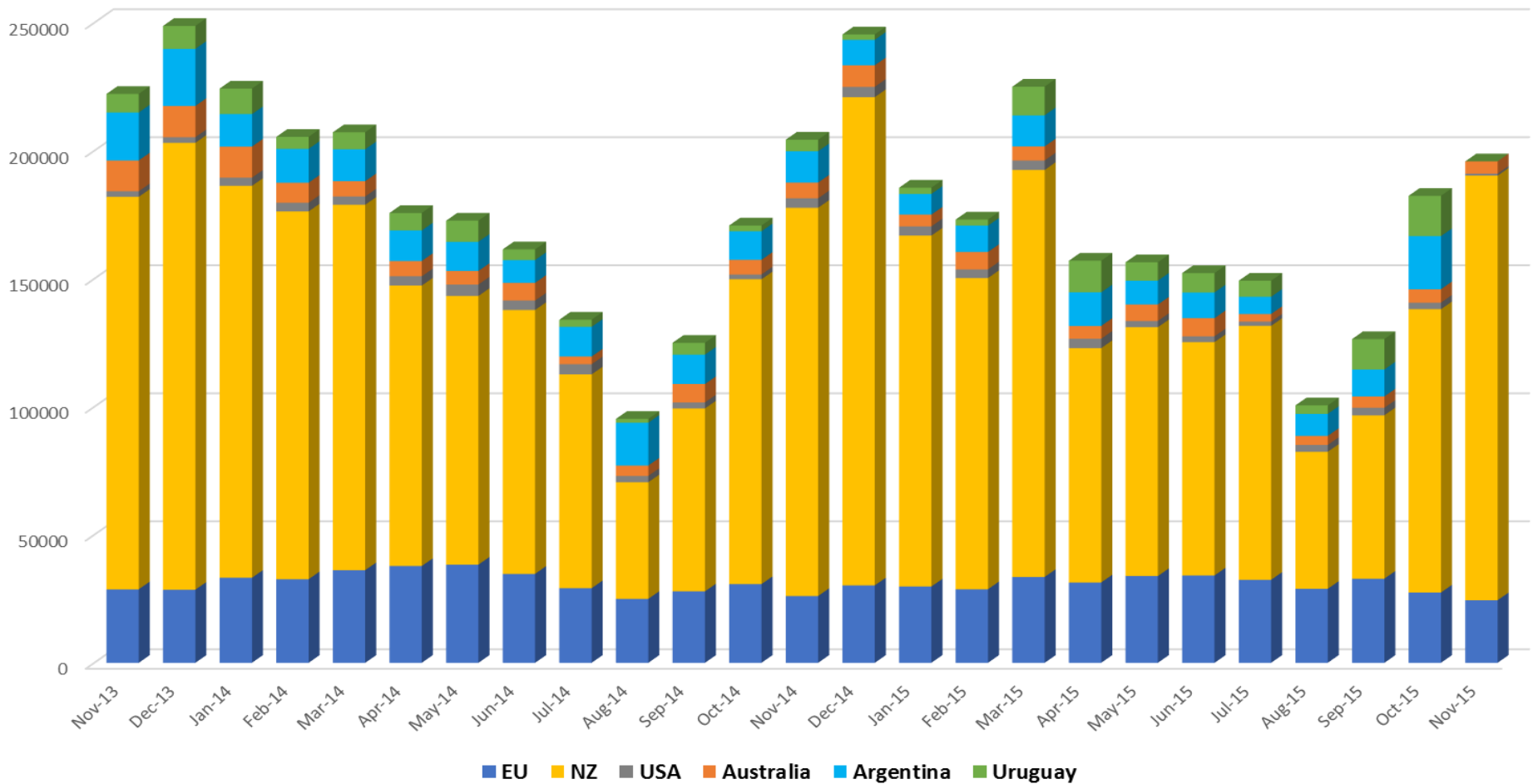




# WMP exports of main market players



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

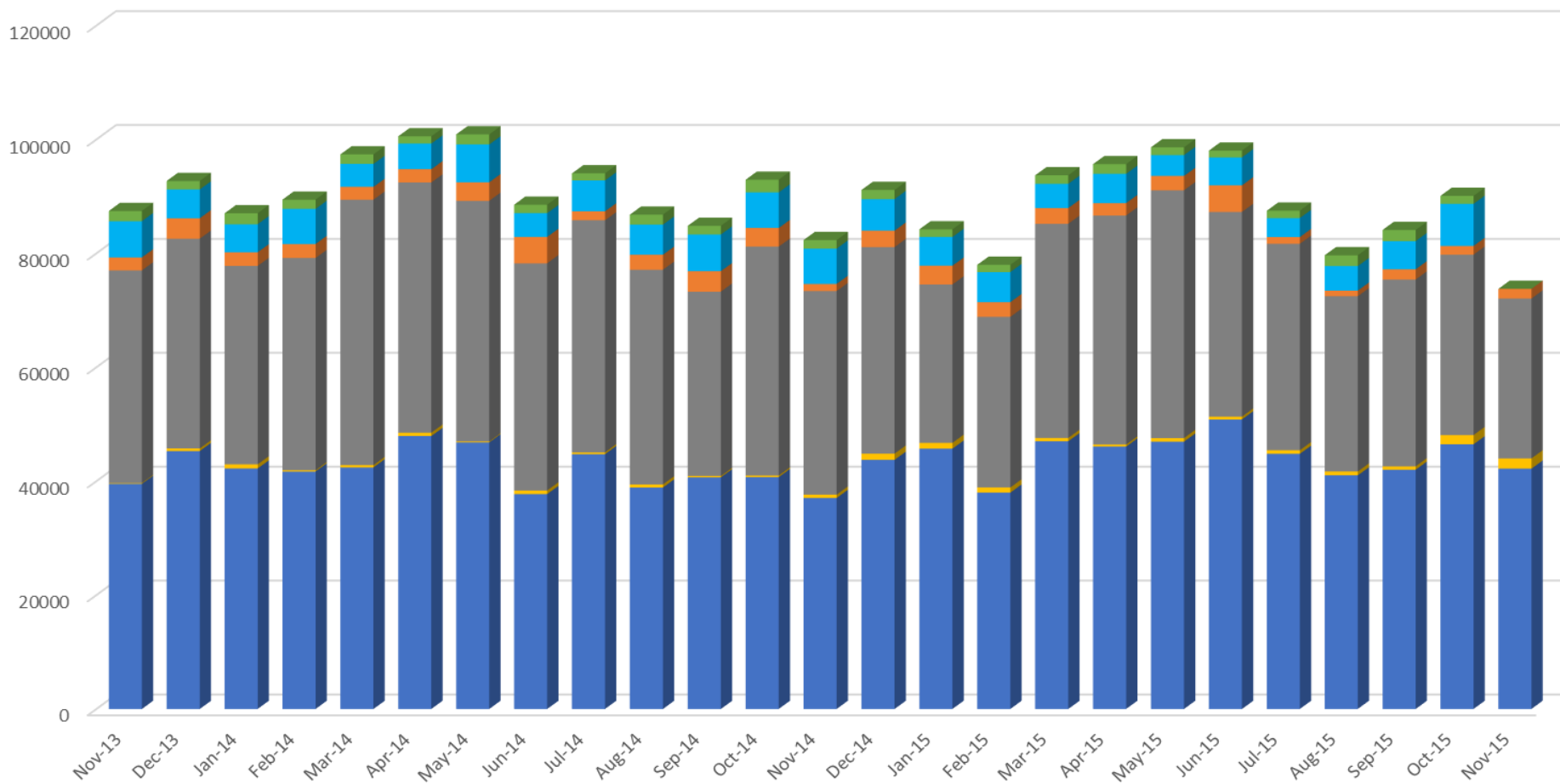




# Whey powder exports of main market players



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

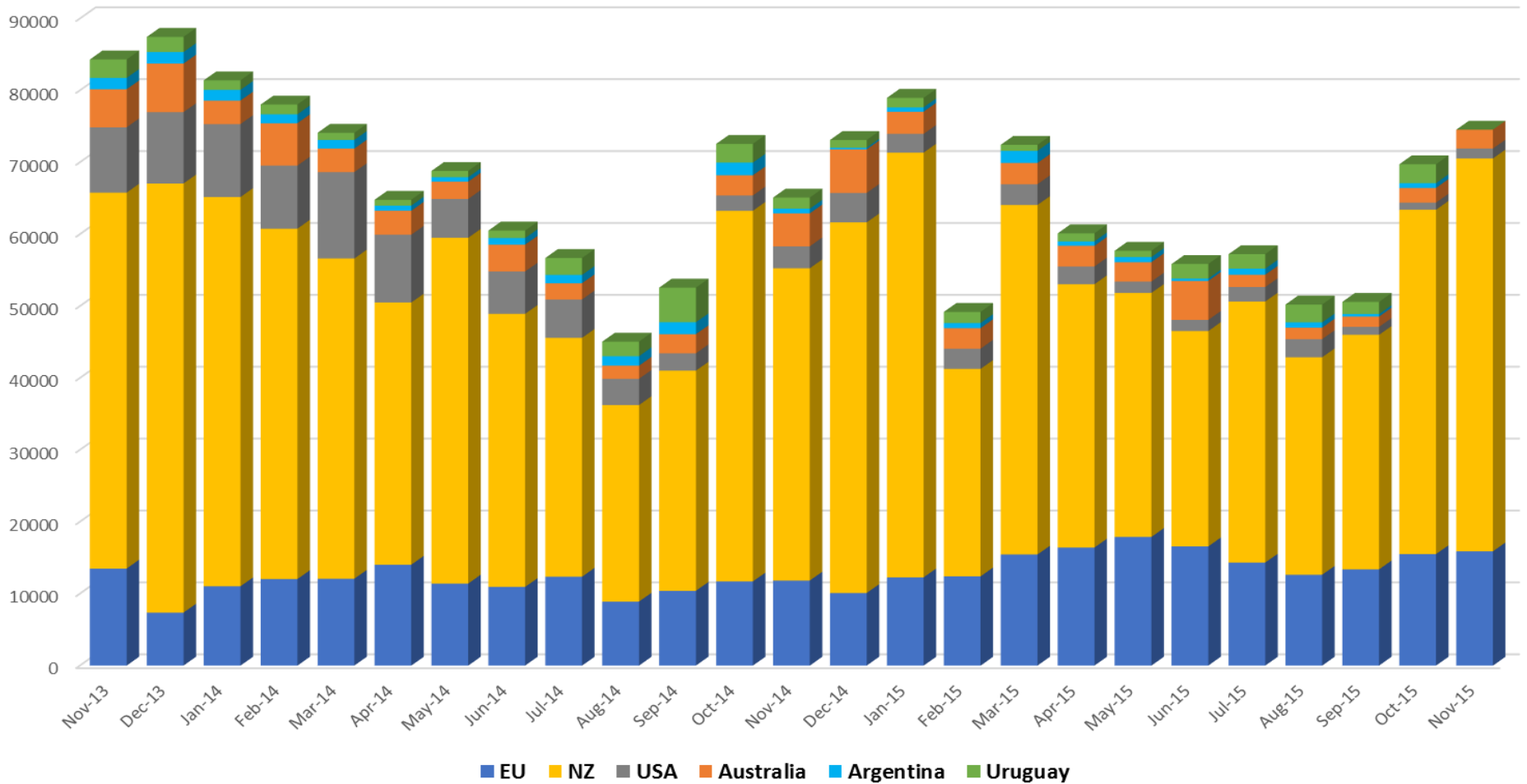




# Butterfat exports of main market players



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

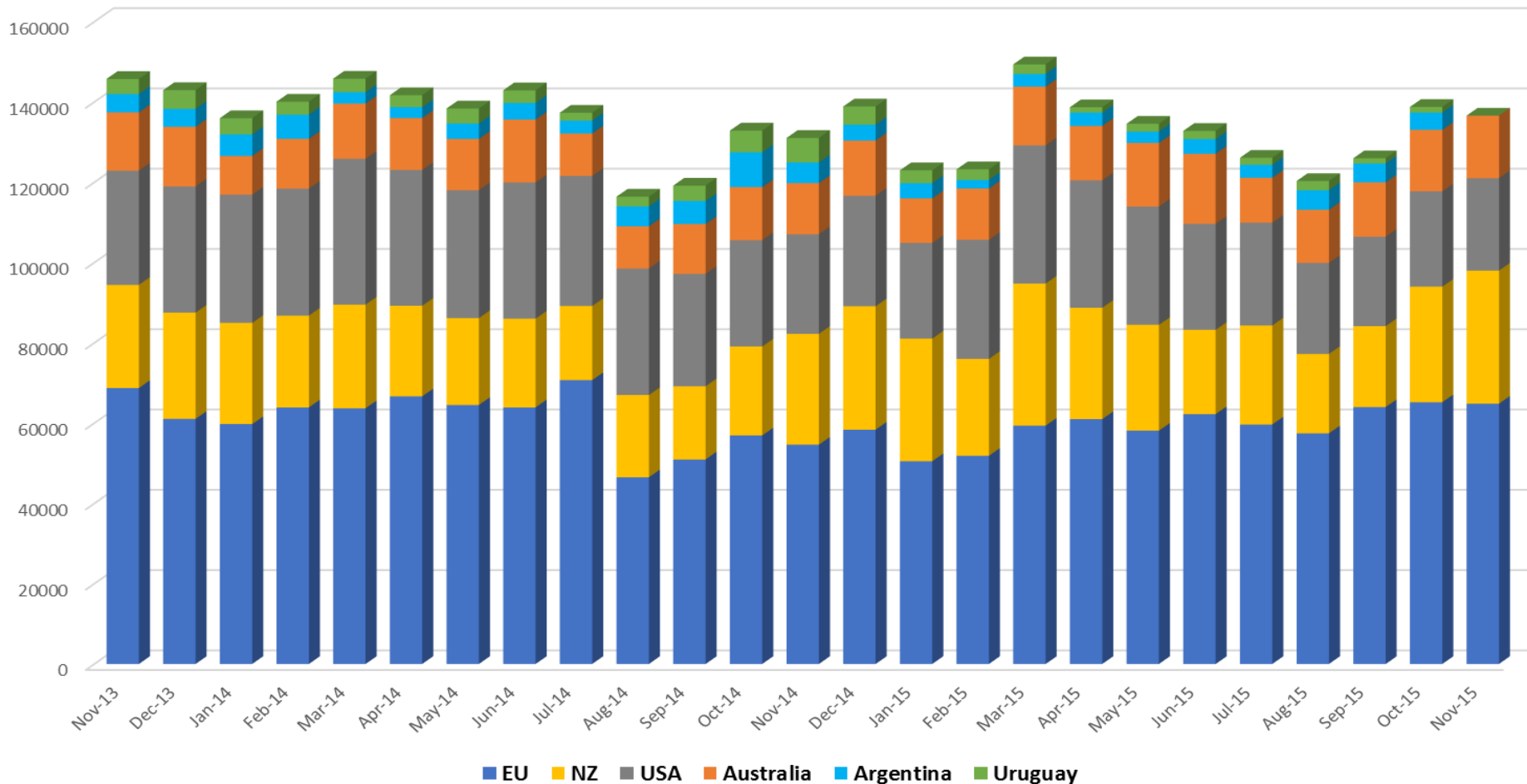




# Cheese exports of main market players



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





# EU export destinations (Jan-Oct 2015)



| EU WMP EXPORTS      |             |
|---------------------|-------------|
| Main destinations   | % of shares |
| Oman                | 16%         |
| Algeria             | 9%          |
| Nigeria             | 8%          |
| United Arab Emirate | 5%          |
| Cuba                | 5%          |
| Saudi Arabia        | 4%          |
| Lebanon             | 4%          |
| Angola              | 4%          |
| Kuwait              | 3%          |
| Dominican Republic  | 3%          |
| RoW                 | 39%         |

| EU SMP EXPORTS    |             |
|-------------------|-------------|
| Main destinations | % of shares |
| Algeria           | 17%         |
| Egypt             | 8%          |
| China             | 7%          |
| Indonesia         | 7%          |
| Thailand          | 5%          |
| Philippines       | 5%          |
| Saudi Arabia      | 4%          |
| Nigeria           | 3%          |
| Malaysia          | 3%          |
| Vietnam           | 3%          |
| RoW               | 38%         |

| EU BUTTER EXPORTS   |             |
|---------------------|-------------|
| Main destinations   | % of shares |
| United States       | 14%         |
| Saudi Arabia        | 11%         |
| Egypt               | 9%          |
| Singapore           | 7%          |
| China               | 4%          |
| Turkey              | 4%          |
| Morocco             | 4%          |
| United Arab Emirate | 4%          |
| Japan               | 3%          |
| Taiwan              | 3%          |
| RoW                 | 38%         |

| EU CHEESE EXPORTS   |             |
|---------------------|-------------|
| Main destinations   | % of shares |
| United States       | 20%         |
| Japan               | 10%         |
| Switzerland         | 8%          |
| Saudi Arabia        | 5%          |
| Korea South         | 5%          |
| Algeria             | 3%          |
| Egypt               | 3%          |
| Australia           | 3%          |
| Lebanon             | 2%          |
| United Arab Emirate | 2%          |
| RoW                 | 39%         |

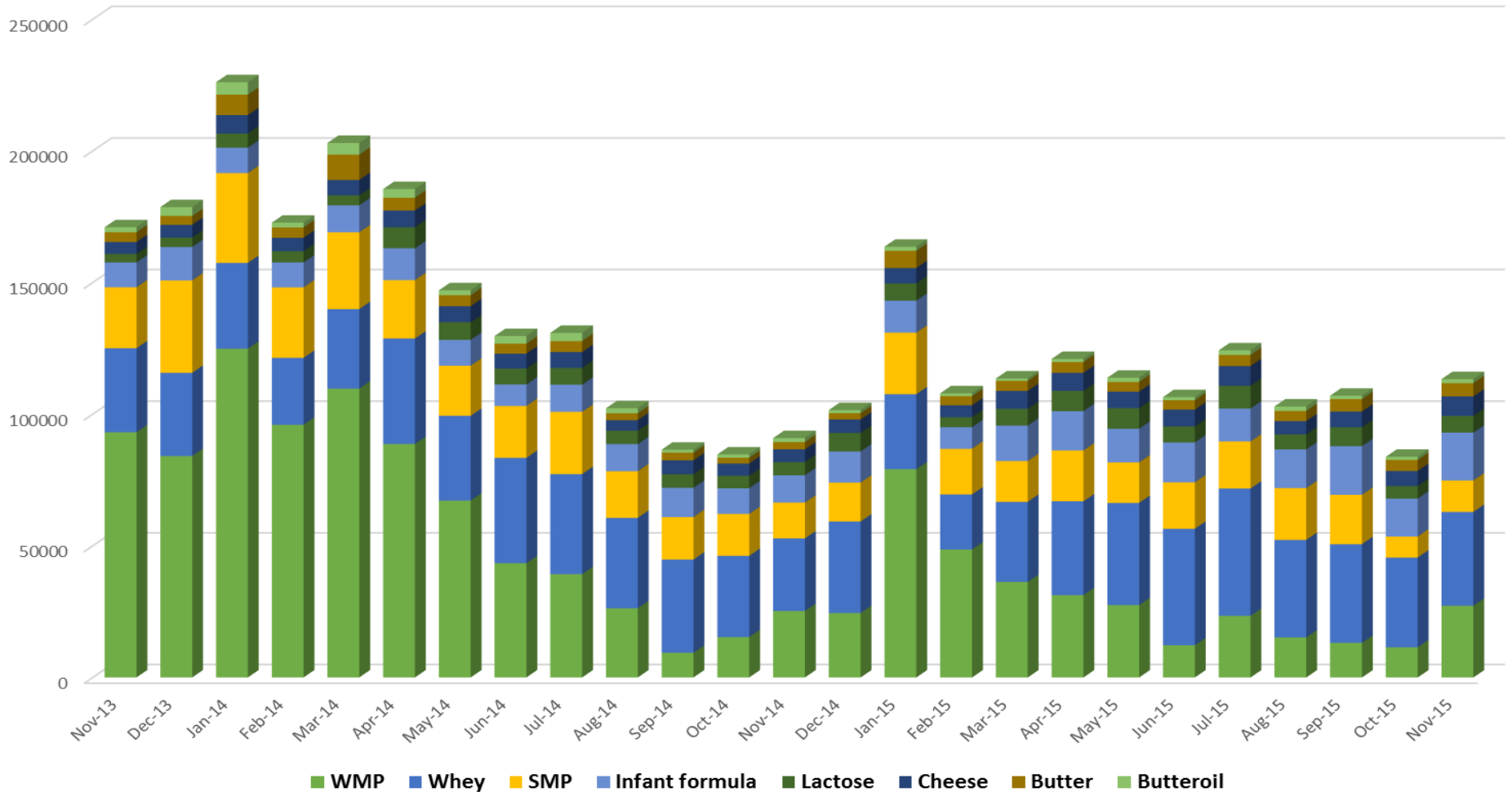
| EU WHEY EXPORTS   |             |
|-------------------|-------------|
| Main destinations | % of shares |
| China             | 30%         |
| Indonesia         | 15%         |
| Malaysia          | 10%         |
| Thailand          | 8%          |
| Vietnam           | 4%          |
| Singapore         | 3%          |
| Japan             | 3%          |
| Pakistan          | 2%          |
| New Zealand       | 2%          |
| Philippines       | 2%          |
| RoW               | 22%         |



# China Imports



China monthly imports  
(tonnes)

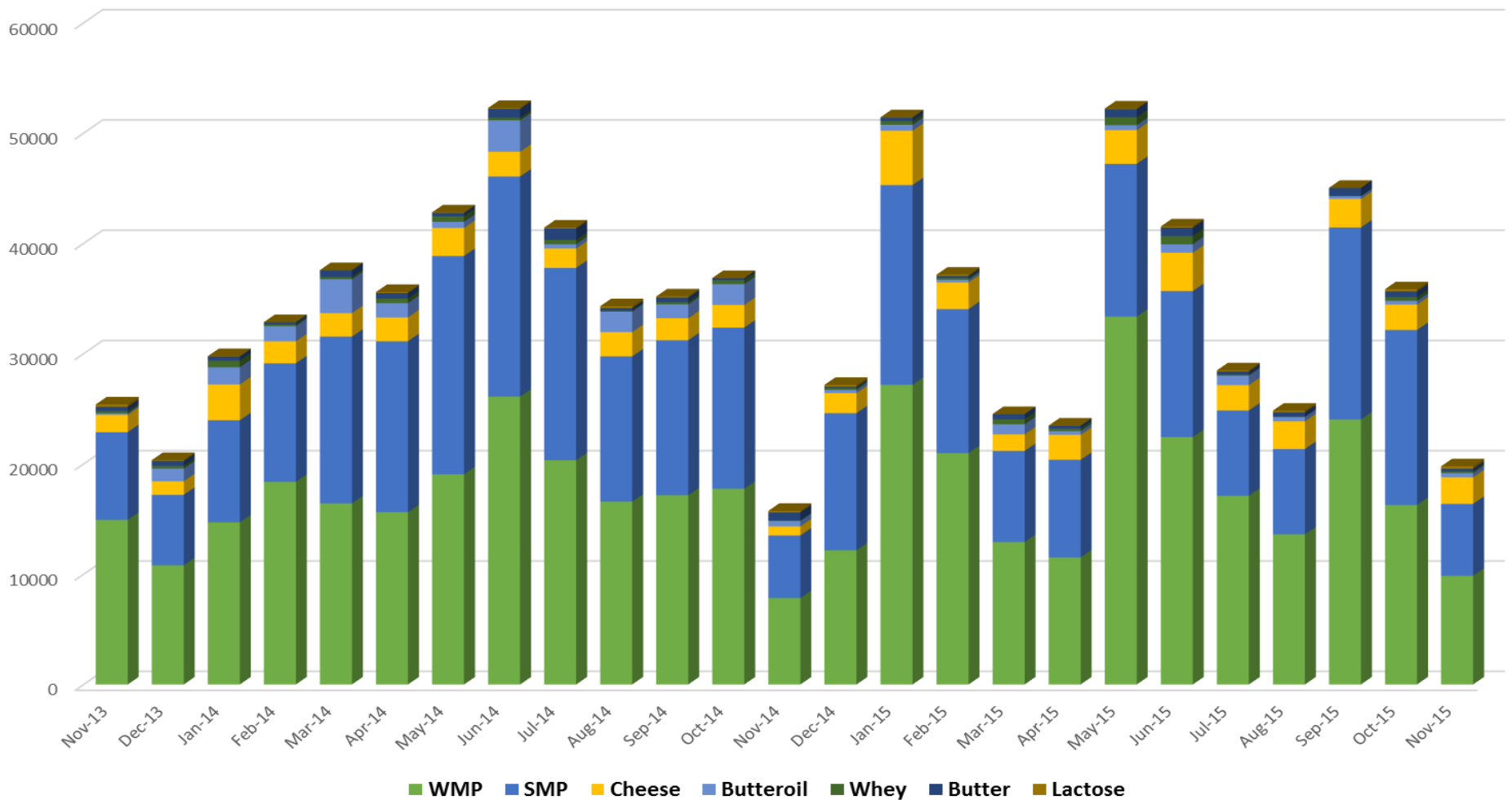




# Algeria Imports



Algeria monthly imports  
(tonnes)

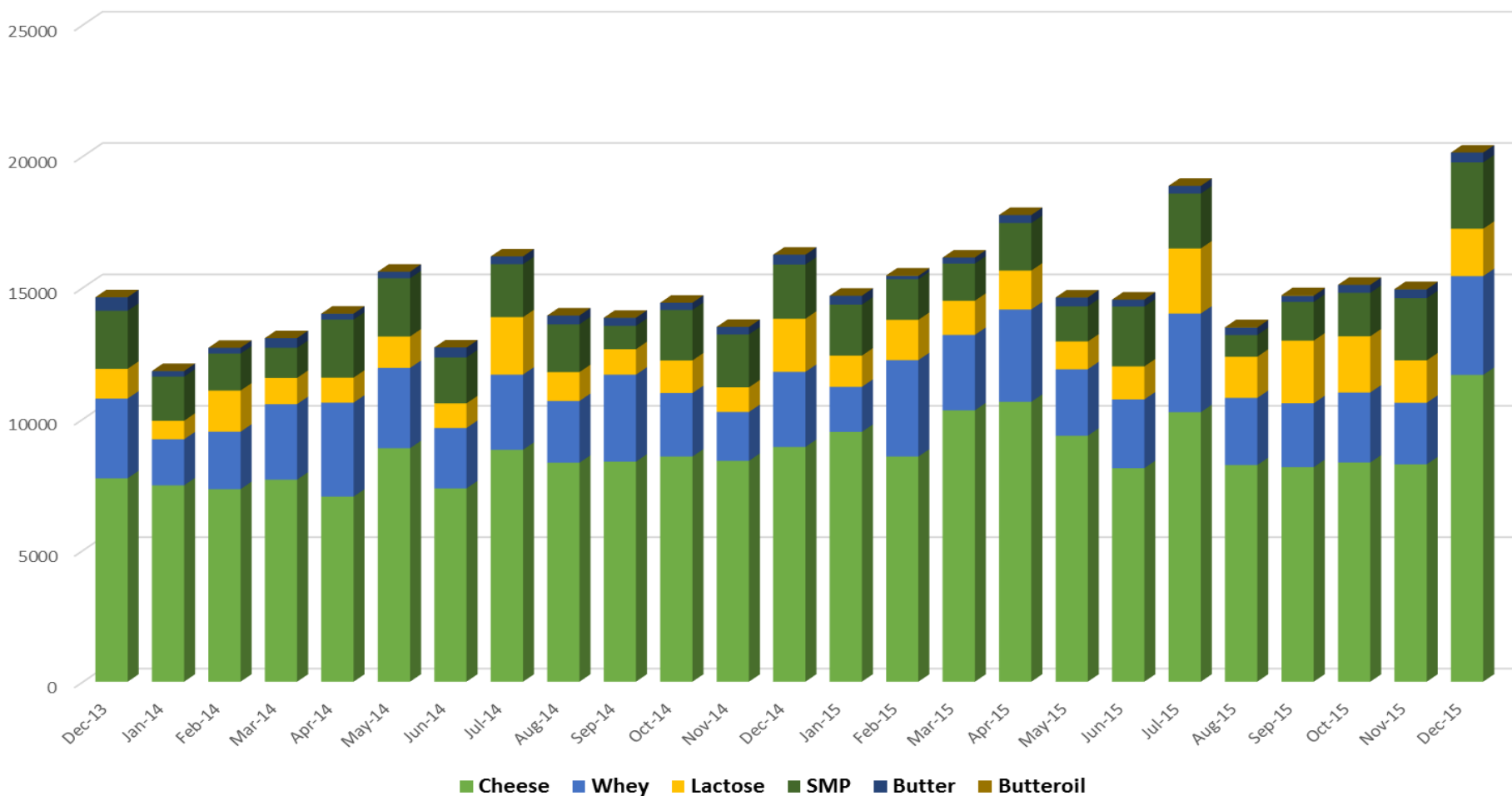




# South Korea imports



South Korea monthly imports  
(tonnes)



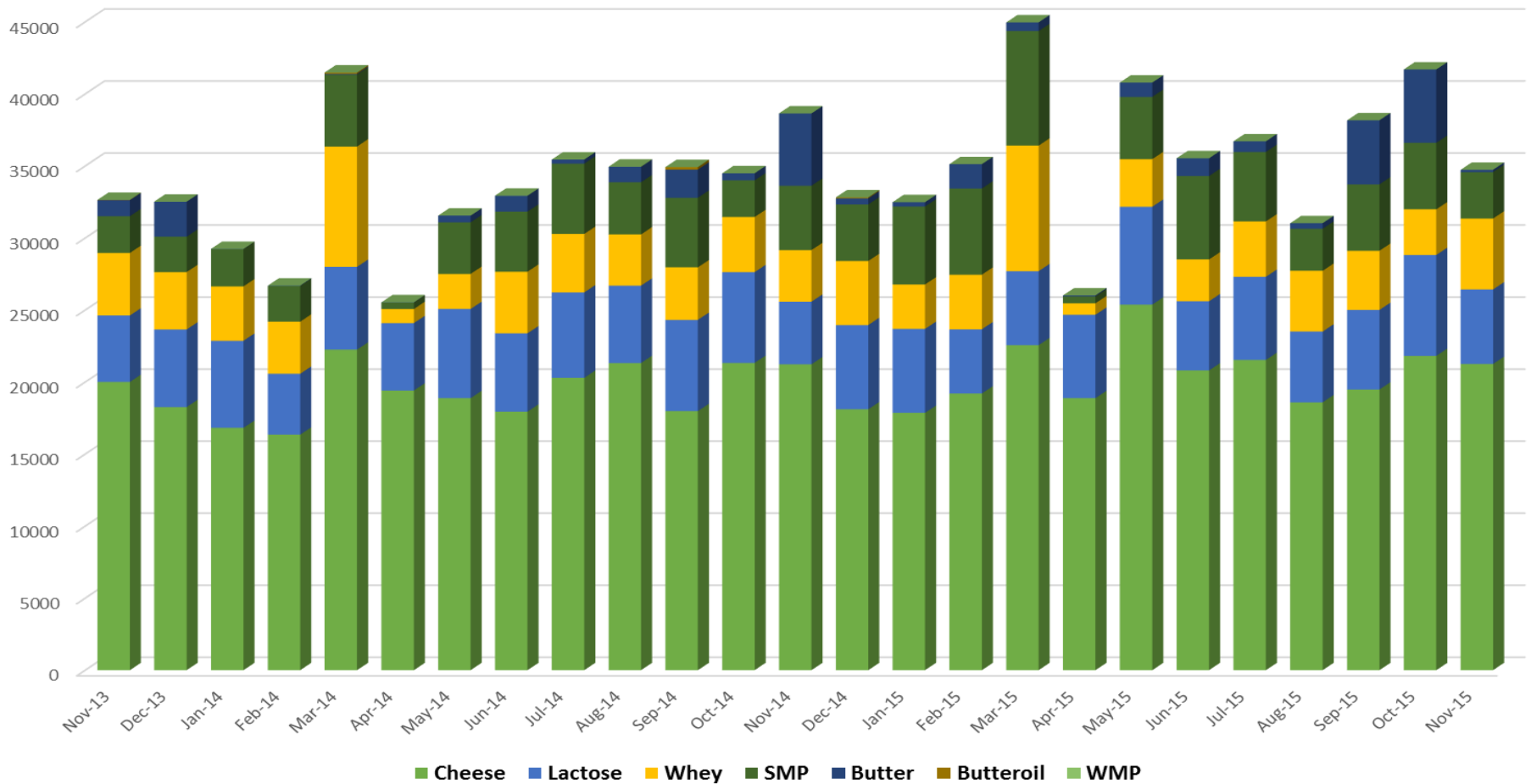




# Japan imports



Japan monthly imports  
(tonnes)

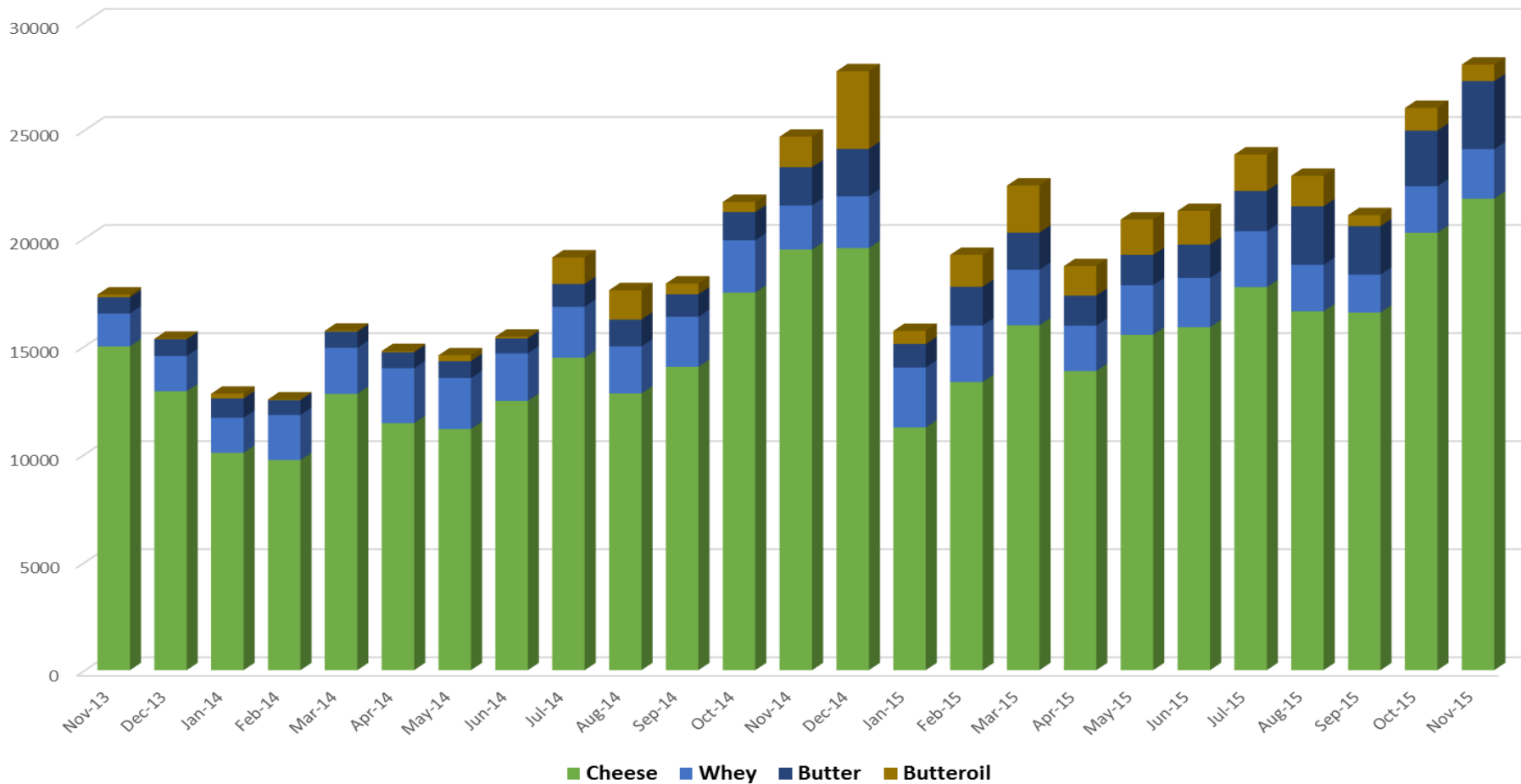




# USA Imports



USA monthly imports  
(tonnes)





## Conclusions



- EU milk production growth outstripping reductions in other regions
- Global trade is still relatively dynamic (at low prices) mainly due to demand in 'developed markets' but buying power of oil producing countries is affected
- The impact of Russian embargo and slow down in China is still visible. Some recovery of Chinese imports in December?
- Bearish market conditions persist
- Continued strong EU export performance and a strong adjustment on the supply side required to bring market into balance



# Thank You

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

Eucolait

[www.eucolait.eu](http://www.eucolait.eu)

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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**

**26 January 2016**

# Belgium

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

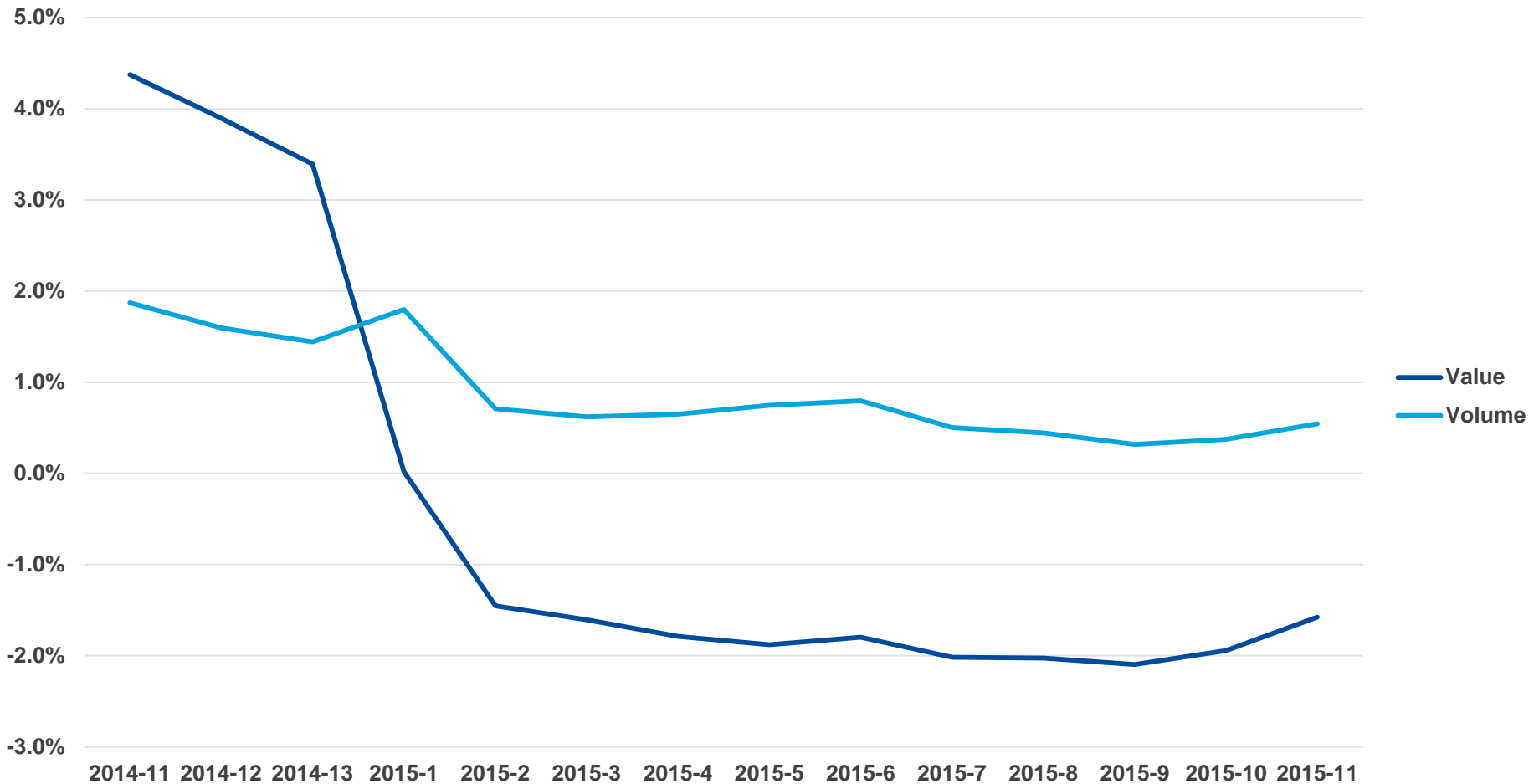
|               | 2014-11 | 2014-12 | 2014-13 | 2015-1 | 2015-2 | 2015-3  | 2015-4  |
|---------------|---------|---------|---------|--------|--------|---------|---------|
| <b>Value</b>  | 4,4%    | 3,9%    | 3,4%    | 0,0%   | -1,5%  | -1,6%   | -1,8%   |
| <b>Volume</b> | 1,9%    | 1,6%    | 1,4%    | 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€) |
| <b>Dairy</b> | -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:** P12 2014 vs P12 2015 (P12 2015= 4 weeks ending 29 november 2015)

| Product category                | volumes<br>(% change)<br>4 weeks period<br>(P12 2014/P12 2015) | volumes<br>(% change)<br>Year on year<br>(P12 2013-P12 2014 /<br>P12 2014 -P12 2015) | value<br>(% change)<br>4 week period<br>(P12 2014/P12 2015) | Value<br>(% change)<br>Year on year<br>(P12 2013-P12 2014 / P12<br>2014 -P12 2015) |
|---------------------------------|--|--|---|--|
| Total liquid milk               | -6,5%  | -1,4%  | +4,2%   | +1,2%  |
| Of <b>wich</b> UHT skimmed milk | -6,6%  | +4,1%  | +4,9%   | +1%  |
| Yoghurt & fresh cheese          | -1,7%  | -1,9%  | +0,1%   | +0,7%  |
| Butter                          | -1,7%  | +0,6%  | +5%   | +0,6%  |
| Cream                           | +0,4%  | -0,4%  | +0,6%   | -1,4%  |
| Cheese                          | -2,9%  | -0,4%  | +0,7%   | -0,5%  |

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

# Italy

Period: Y 2015

| Product category    | volumes<br>(% change) | value<br>(% 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 <sup>1</sup> | 3,2%                  | 1,1%                |
| Cheese <sup>2</sup> | -4,8%                 | -0,7%               |

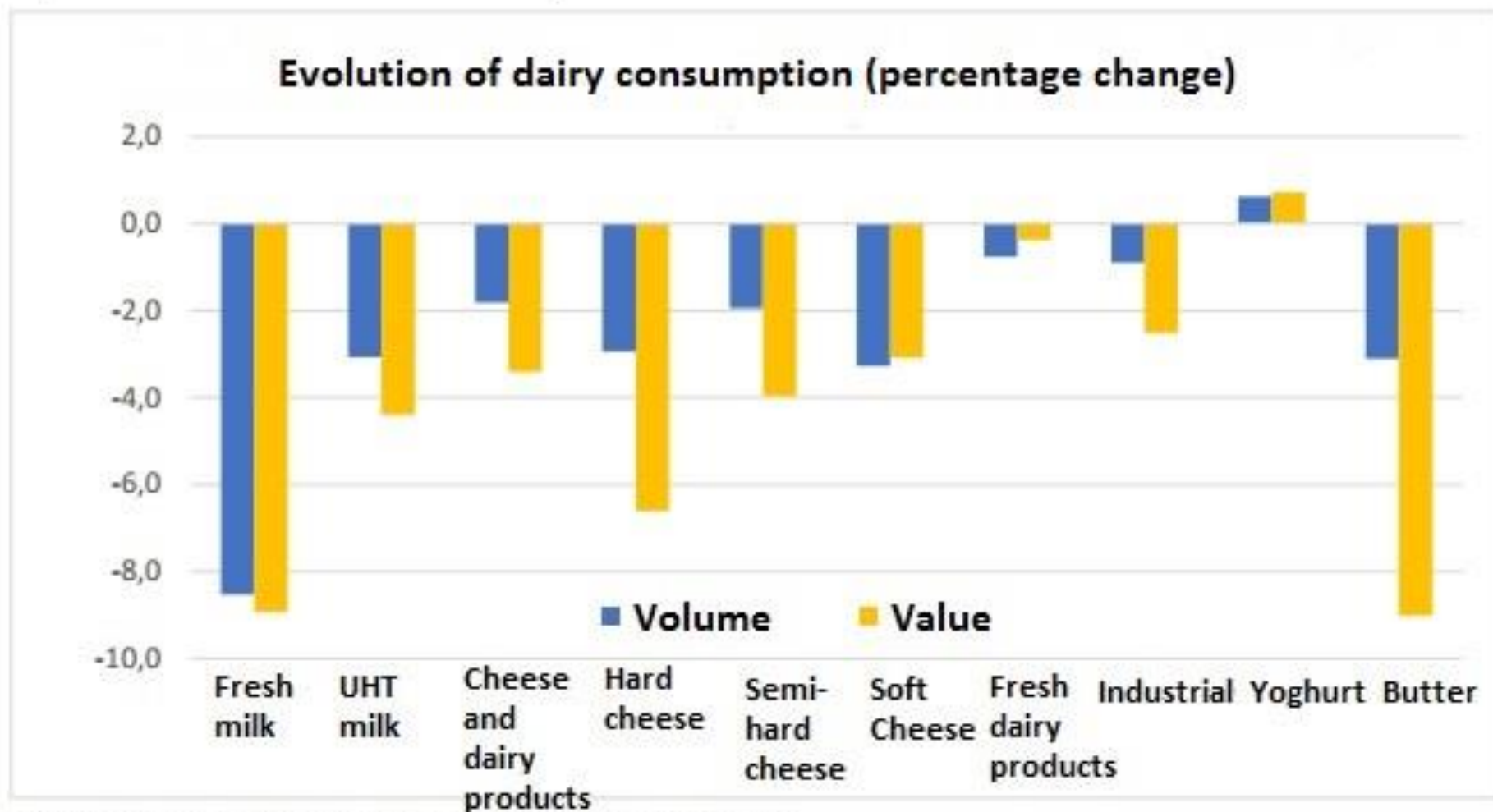
Source: Nielsen (Market Track - Totale Italia)

<sup>1</sup> Peso imposto

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

# Italy

Period: Year-to-date (04/10/15)



Fonte: elaborazione ISMEA su dati Panel Consumer NIELSEN

# Portugal

Period: Year-to-date (29/11/2015)

| Product category | volumes<br>(% change) | volumes<br>(% change)<br>Year on year | value<br>(% change) | Value<br>(% change)<br>Year on year |
|------------------|-----------------------|---------------------------------------|---------------------|-------------------------------------|
| Fresh milk       | -11,0                 | -10,8                                 | -8,2                | -8,1                                |
| UHT milk         | -7,2                  | -7,2                                  | -16,2               | -15,6                               |
| Joghurt          | -4,9                  | -4,8                                  | -6,3                | -6,1                                |
| Fresh cheese     | -2,1                  | -1,7                                  | -2,3                | -2,0                                |
| Butter           | 0,1                   | 0,3                                   | -3,6                | -3,3                                |
| UHT Cream        | -4,2                  | -4,2                                  | -2,6                | -2,2                                |
| Fresh desert     | 12,6                  | 12,8                                  | 13,8                | 13,5                                |
| Cheese           | 2,8                   | 2,6                                   | -0,6                | -0,4                                |

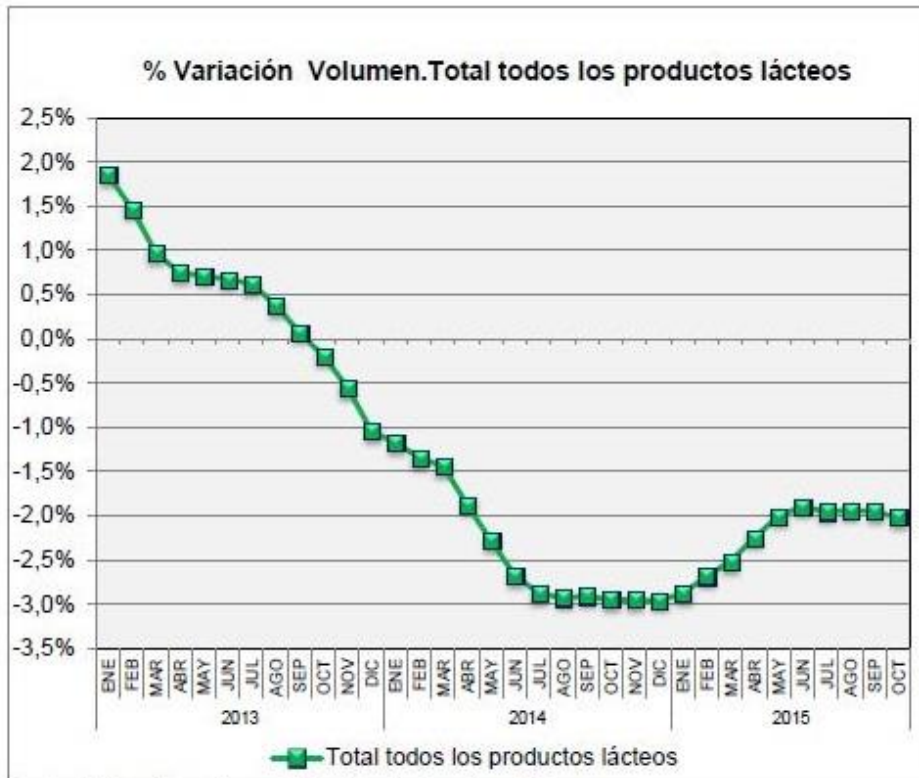
# Spain

|   | Sales in Euro        |                      | Evolution     |
|---|----------------------|----------------------|---------------|
|   | October 2014         | October 2015         | Value Change  |
| <b>Total milk and milkshakes</b>                        | <b>2.260.973.281</b> | <b>2.176.060.051</b> | <b>-3,80%</b> |
| <b>Liquid milk</b>                                      | <b>1.505.772.800</b> | <b>1.409.410.688</b> | <b>-6,40%</b> |
| Other types of milk                                     | 604.076.577          | 608.060.531          | 0,70%         |
| Milkshakes  | 151.123.904          | 158.588.832          | 4,90%         |
| <b>Total yoghurt, fermented milk and fresh desserts</b> | <b>2.159.337.184</b> | <b>2.141.262.080</b> | <b>-0,80%</b> |
| <b>Yoghurt and fermented milk</b>                       | <b>1.685.699.904</b> | <b>1.654.053.184</b> | <b>-1,90%</b> |
| Fresh desserts  | 473.637.280          | 487.208.896          | 2,90%         |
| <b>Total cheese</b>                                     | <b>2.170.221.365</b> | <b>2.191.228.993</b> | <b>1,00%</b>  |
| <b>Fresh cheese</b>                                     | <b>422.816.108</b>   | <b>421.003.958</b>   | <b>-0,40%</b> |
| Traditional national cheese                             | 818.119.008          | 821.276.576          | 0,40%         |
| <b>Processed cheese</b>                                 | <b>211.377.458</b>   | <b>209.989.866</b>   | <b>-0,70%</b> |
| Imported cheese specialties                             | 302.417.348          | 311.356.238          | 3,00%         |
| Grated cheese   | 195.989.856          | 199.657.792          | 1,90%         |
| Others  | 219.501.587          | 227.944.563          | 3,80%         |
| <b>Total other dairy products</b>                       | <b>290.112.467</b>   | <b>288.110.296</b>   | <b>-0,70%</b> |
| <b>Cream</b>  | <b>137.091.408</b>   | <b>133.994.056</b>   | <b>-2,30%</b> |
| <b>Butter</b>   | <b>84.997.600</b>    | <b>84.489.112</b>    | <b>-0,60%</b> |
| Desserts and yoghurts with a long shelf life            | 5.030.509            | 6.689.972            | 33,00%        |
| <b>Powdered milk</b>                                    | <b>62.992.950</b>    | <b>62.937.156</b>    | <b>-0,10%</b> |
| <b>Total dairy products</b>                             | <b>6.880.644.296</b> | <b>6.796.661.419</b> | <b>-1,20%</b> |

Source: Symphony IRI Group

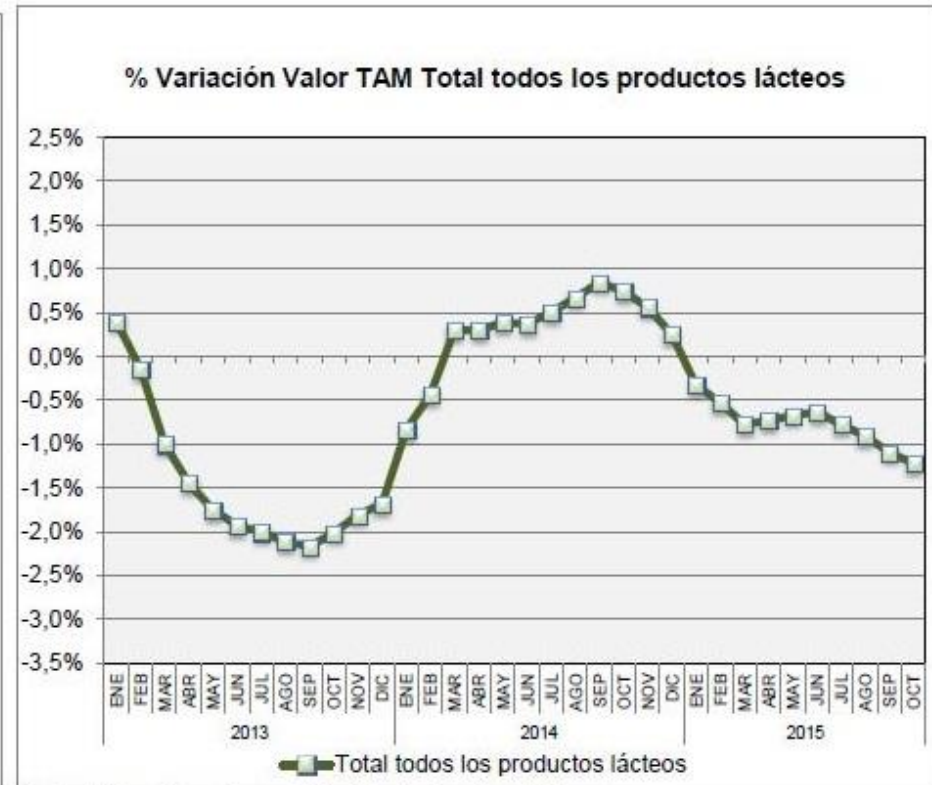
# Spain

## Variation in sales volume



Fuente: Elaboración propia a partir de datos de Symphony Iri Group

## Variation in sales value



Fuente: Elaboración propia a partir de datos de Symphony Iri Group

Source: Symphony IRI

# United Kingdom

## UK Dairy Product Retail Price Indices

In November 2015, the RPI increased by 0.12% compared with October and is 1.05% higher than the same month last year. The fresh milk price index decreased by 1.48% on the previous month and decreased on the year by 8.66%. The butter index increased on the month by 7.5% and increased on the year by 0.87%. Cheese saw an increase on the month of 1.43% and a decrease of 4.85% on the year.

| PRODUCT PRICE INDICES |        |                |                  |
|-----------------------|--------|----------------|------------------|
|                       |        | compared with  |                  |
|                       | Nov-15 | 1 month before | 12 months before |
| RPI price index       | 259.8  | 0.12%          | 1.05%            |
| Fresh Milk            | 219.5  | -1.48%         | -8.66%           |
| Butter                | 326.4  | 7.05%          | 0.87%            |
| Cheese                | 241.3  | 1.43%          | -4.85%           |

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

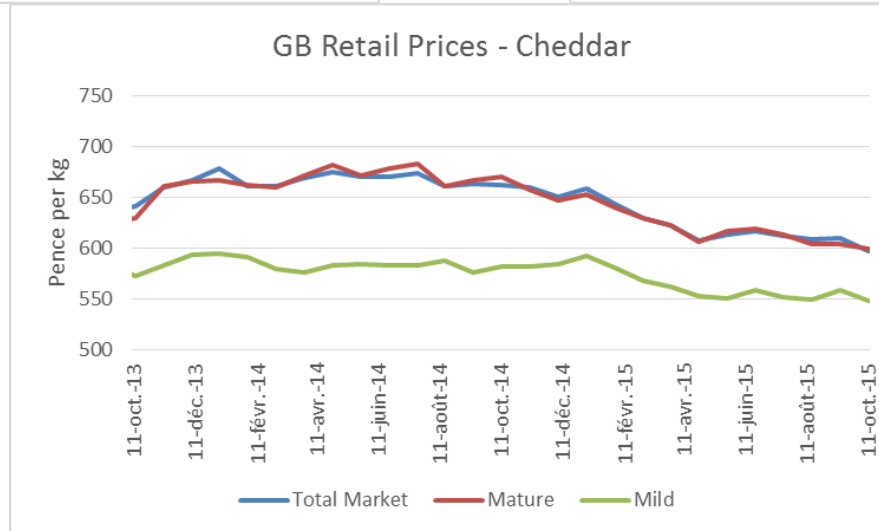
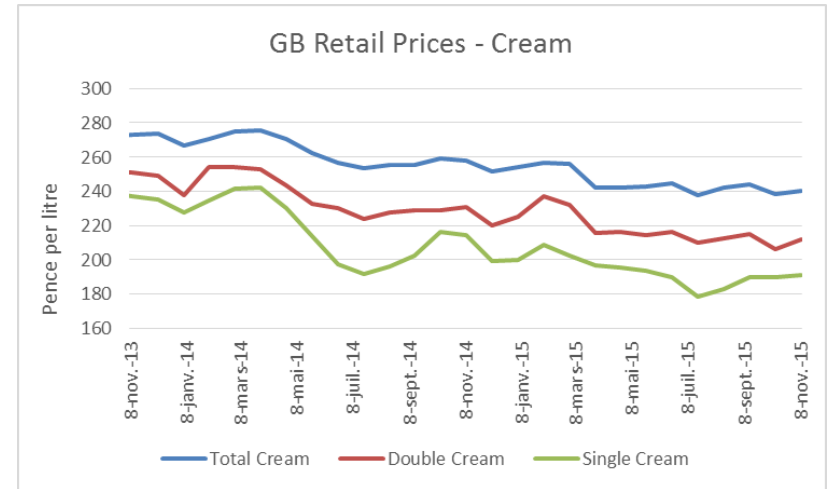
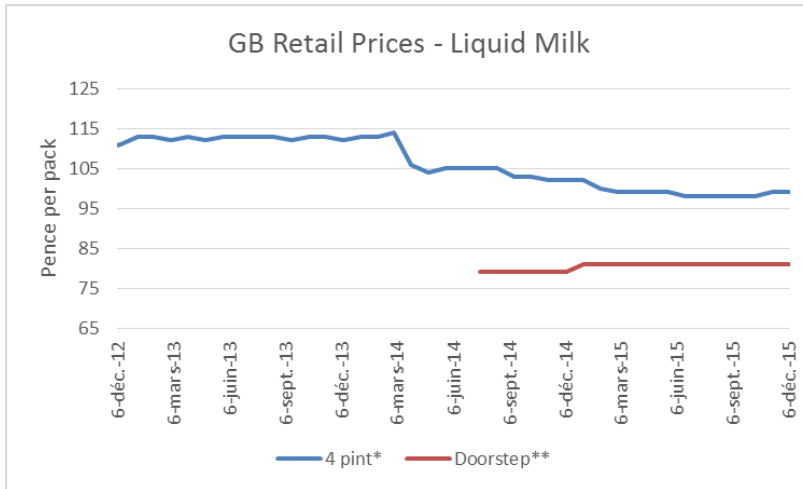
The League table: prices paid to producers on a selection of contracts for milk with a standardised composition (AHDB Dairy Standard Litre) (Published December 7<sup>th</sup>) (top 10)

| Companies                         | Price | Average |
|-----------------------------------|-------|---------|
|                                   | Oct   | Annual  |
| Dairy Crest M&S - Profile 1       | 33.31 | 33.38   |
| Dairy Crest M&S - Variable 1      | 35.31 | 33.30   |
| Müller Wiseman Dairies Booths     | 35.11 | 32.92   |
| Müller Wiseman Dairies M&S        | 34.58 | 32.37   |
| Müller Wiseman Dairies Tesco 2    | 33.37 | 31.30   |
| Dairy Crest Sainsbury- Profile 1  | 30.72 | 30.78   |
| Müller Wiseman Dairies Sainsbury  | 32.93 | 30.74   |
| Dairy Crest Sainsbury -Variable 1 | 32.72 | 30.71   |
| DC Waitrose Profile               | 30.62 | 30.68   |
| First Milk Tesco 2                | 30.61 | 30.65   |

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



# United Kingdom



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

# United Kingdom

| unit price (p) |                     | 06-Dec-15 | 08-Nov-15 | Month Diff. | 07-Dec-14 | Annual Diff. |
|----------------|---------------------|-----------|-----------|-------------|-----------|--------------|
| Liquid milk†   | Retail (4 pints)*   | 99        | 99        | n/c         | 102       | -3           |
|                | Doorstep (1 pint)** | 81        | 81        | n/c         | 79        | +2           |

| 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**

## **EU-Dairy Market: Outlook 2016**

***ZMB***



# EU-Dairy Market: Outlook 2016

Meeting of the Milk Market Observatory  
Brussels, 26. January 2016

## Monika Wohlfarth

Zentrale Milchmarkt Berichterstattung GmbH  
Tel. +49 30/4060799721 | [info@milk.de](mailto:info@milk.de)

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# 2015 – Weaker Market Conditions

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## Policy

- End of Milk-Quota at 31st of March

## Milk intake

- Increased further with reduced speed in EU and world-wide

## EU-Exports

- Reached a new record, but not enough to avoid intervention

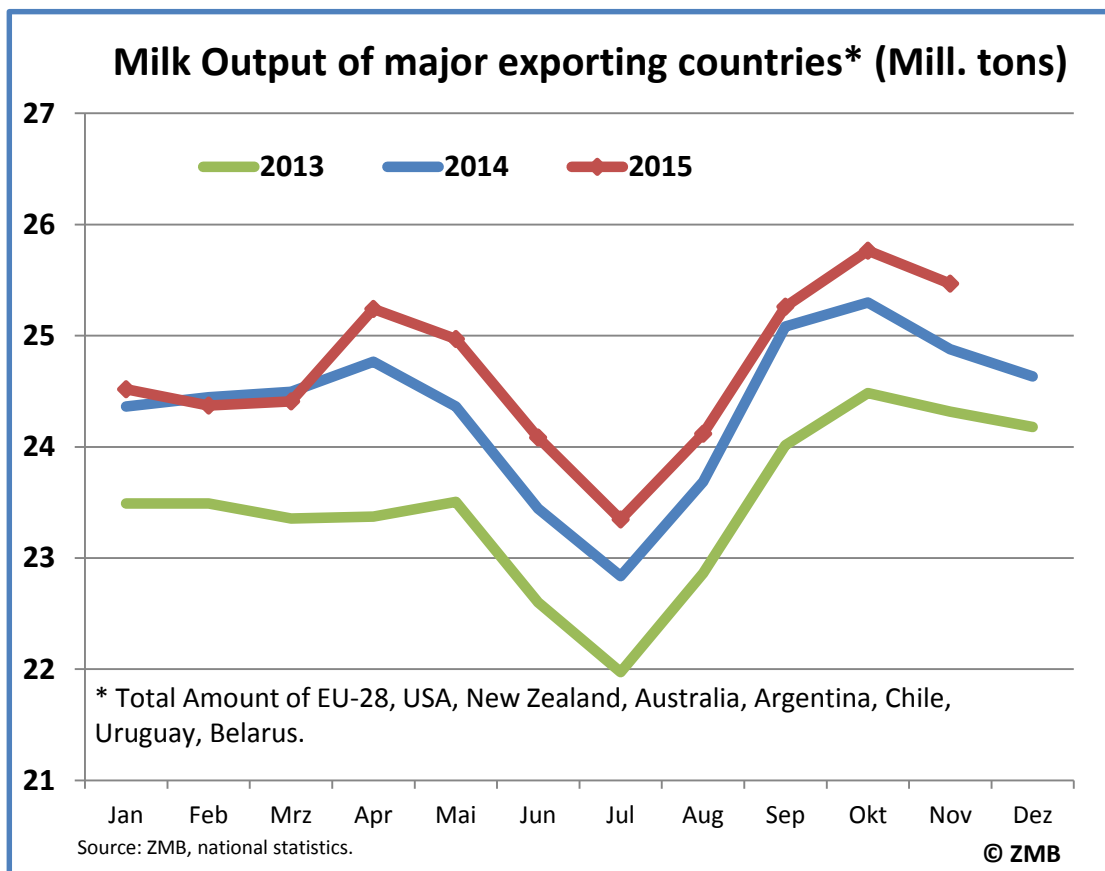
## Demand

- Internal demand increased further, but international demand decreased for the first time since 2008

## Milk prices

- Dropped in the most regions of the world

# Reduced growth of milk supplies in exporting countries

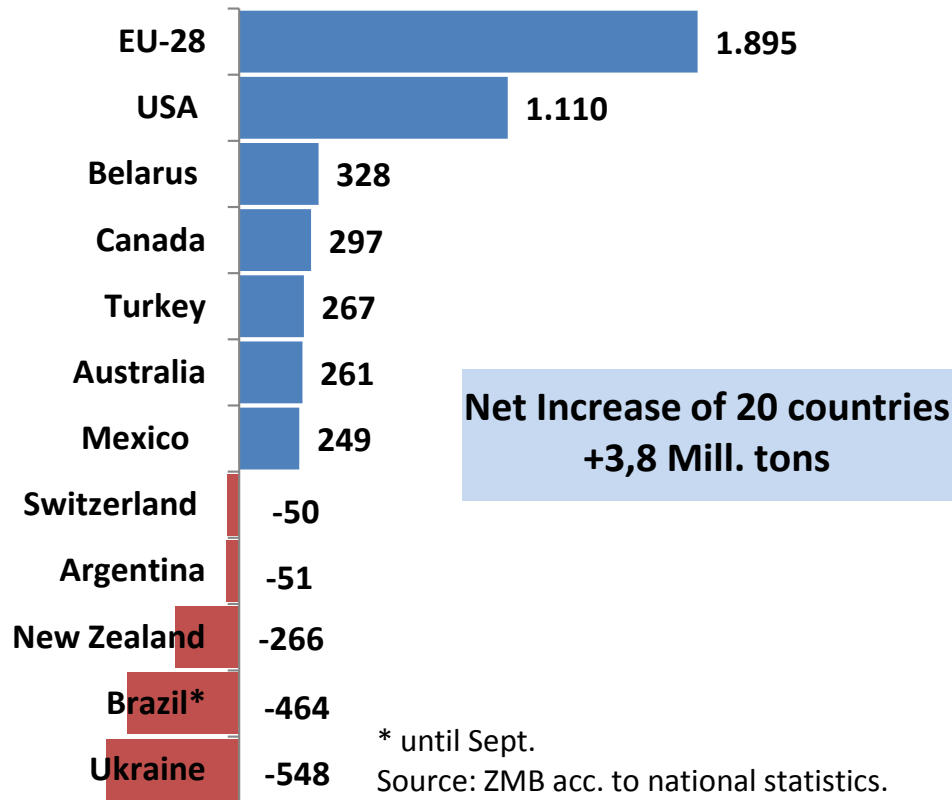


| Change against PY (mill. tons) |              |             |
|--------------------------------|--------------|-------------|
| Jan. to Nov.                   | 2014         | 2015        |
| EU                             | +6,4         | +2,5        |
| USA                            | +1,9         | +1,0        |
| New Zealand                    | +1,6         | -0,3        |
| Australia                      | +0,5         | +0,3        |
| Argentina                      | -0,3         | -0,1        |
| <b>Total</b>                   | <b>+10,1</b> | <b>+3,4</b> |

# 2015: Growth of milk production mainly in Northern-Hemisphere

## Changes in milk volumes in important regions

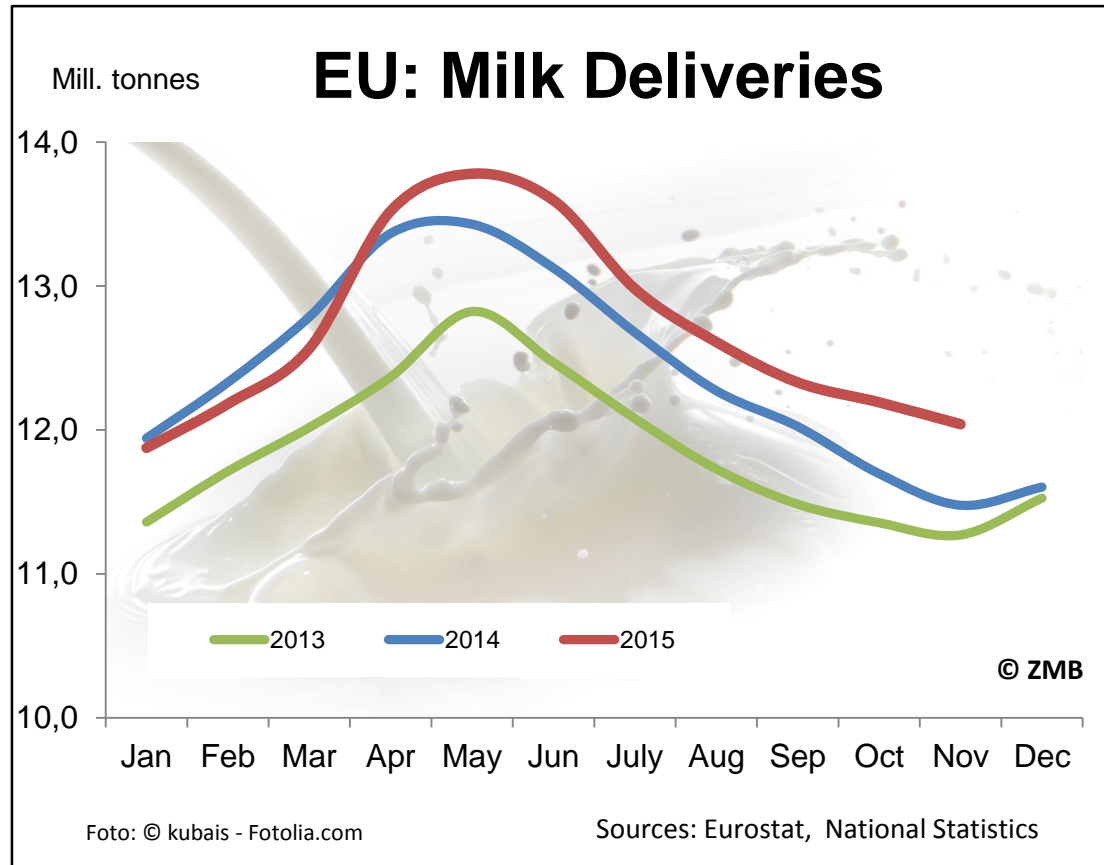
± 1 000 tons in Jan-Nov. 2015 vs 2014



© ZMB

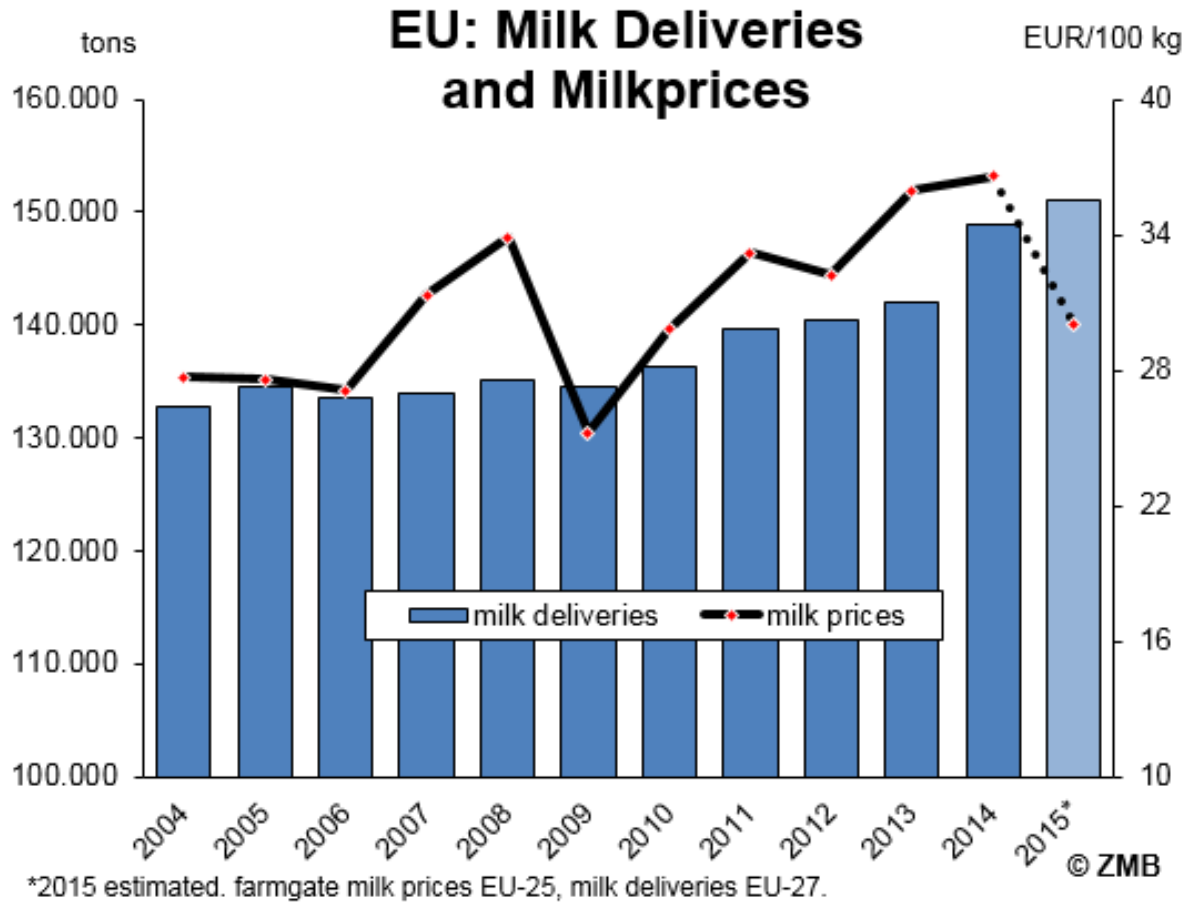
Impact of strong  
El-Nino-Event  
lower than expected

# EU milk deliveries: Growth gained speed at the end of 2015 – partly due to an unusual mild winter



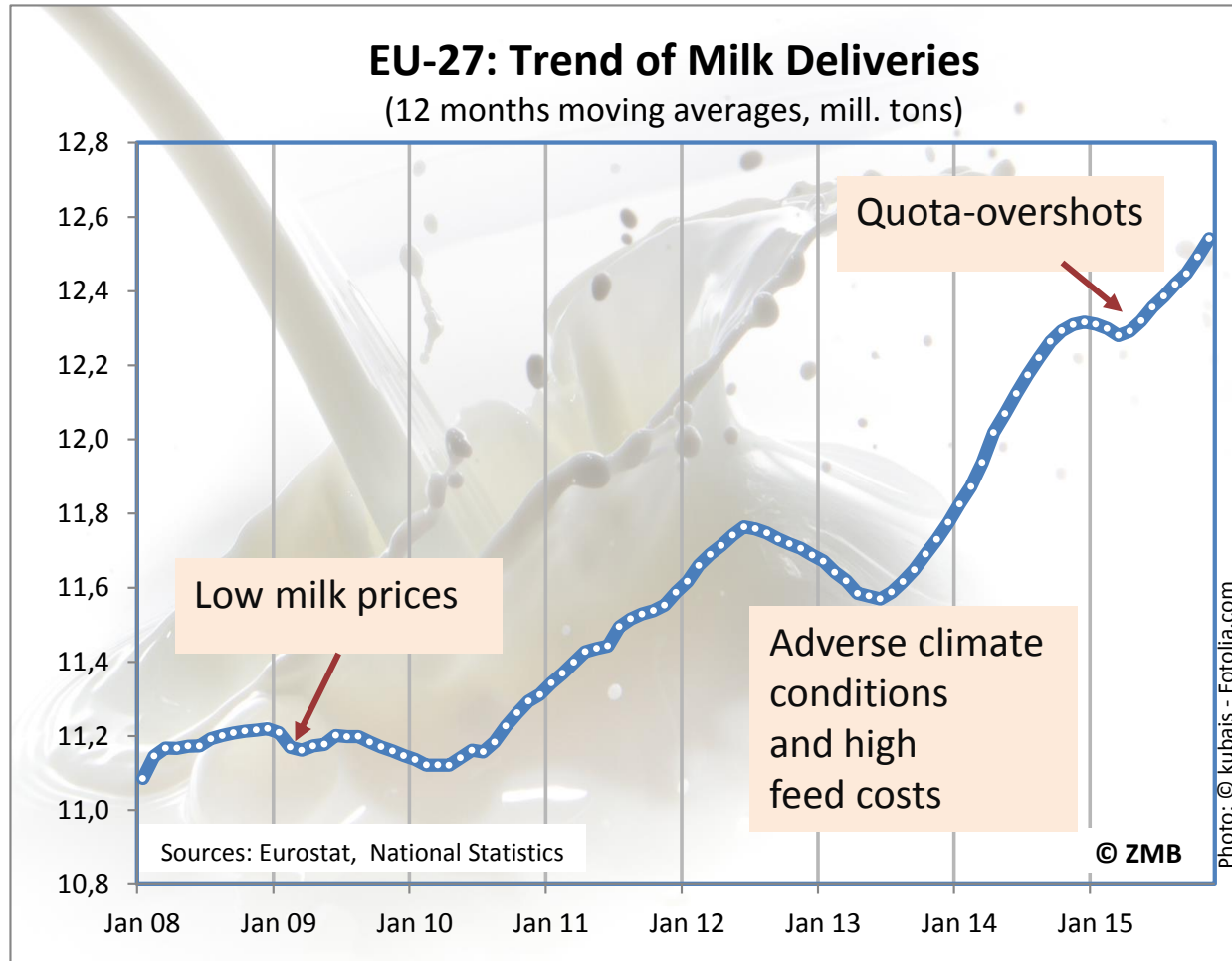


# Will farmers react to lower milk prices and when?

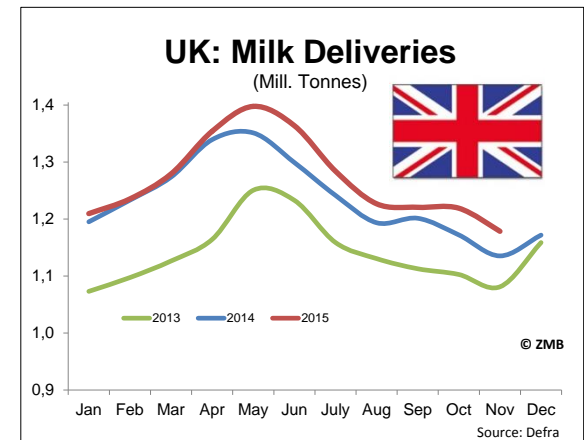
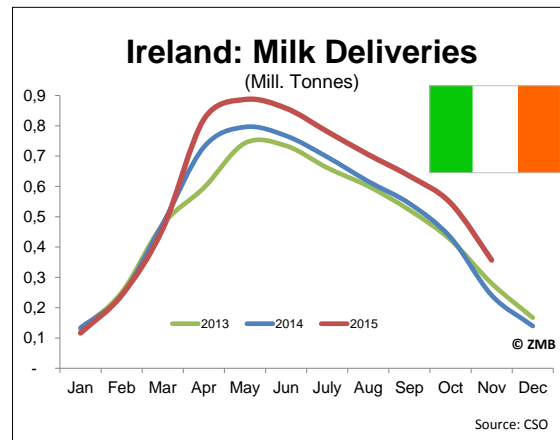
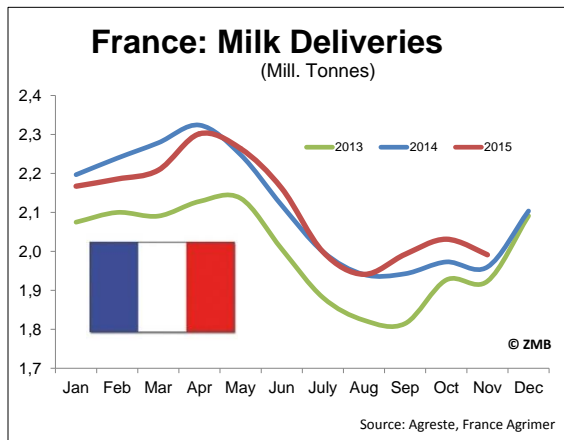
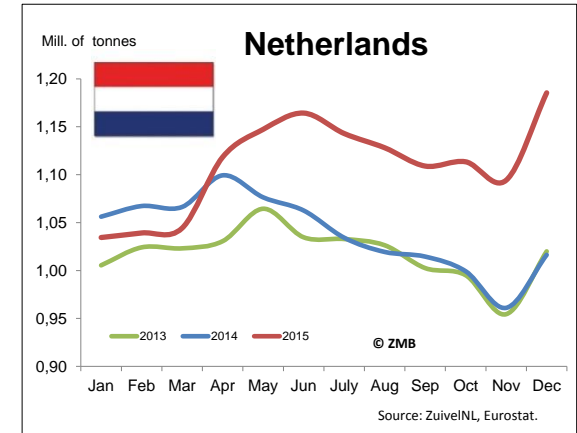
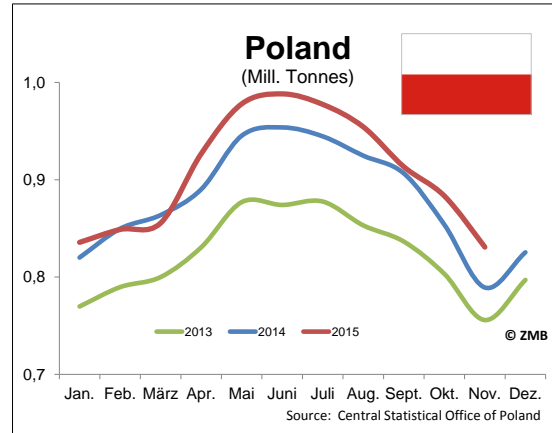
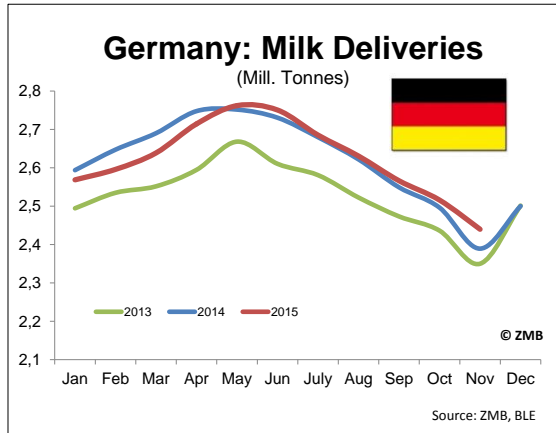


Reactions on low prices could be very different

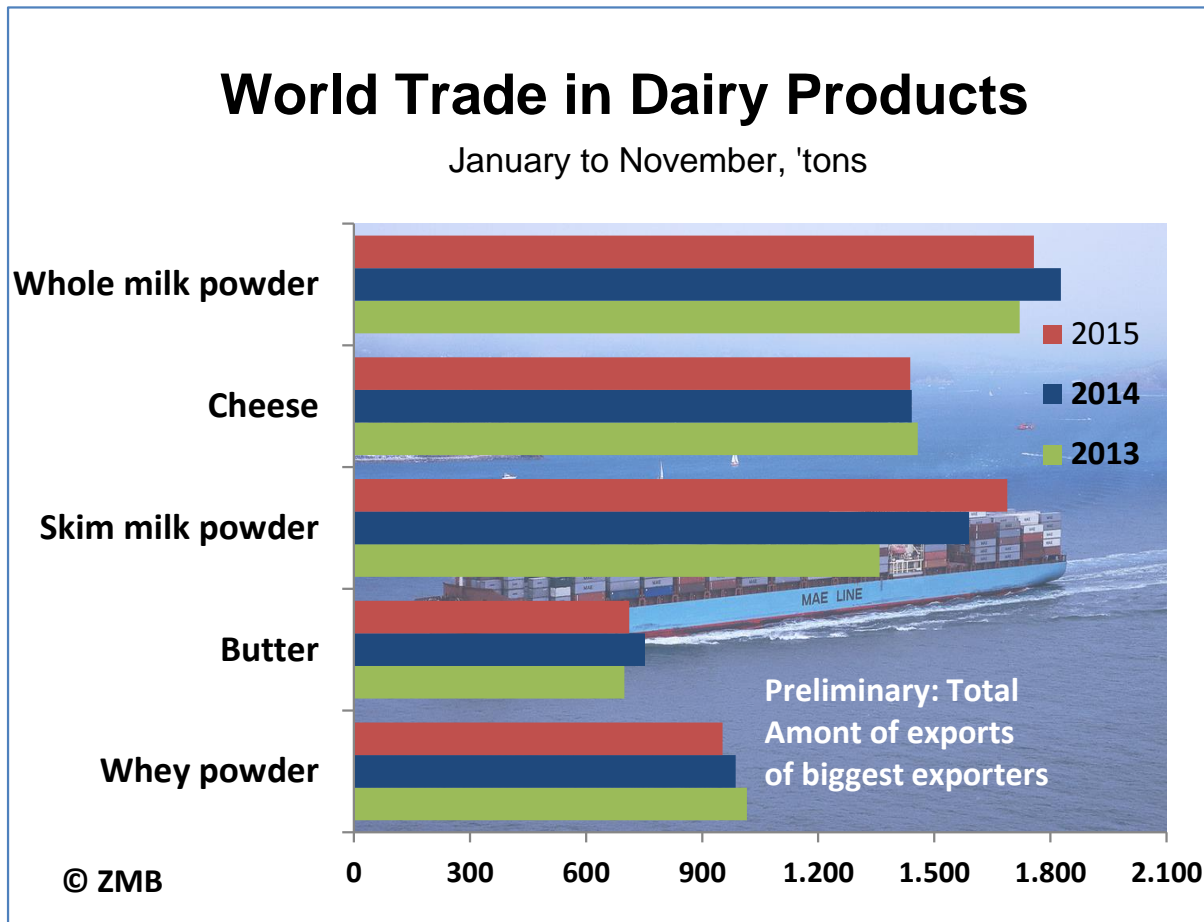
# Rising trend of milk deliveries with short-term interruptions



# Different developments, but growth in general



# World Dairy Trade decreased slightly in 2015 against the long-term trend



Demand shifted from China and Russia to other countries

# Oil-exporting countries are important buyers of dairy products

**Milk Imports of Oil-exporting-Countries (2014 or last available)**

| 000 tonnes           | Whole milk   |              | Skimmed      |              | Share in oil-export (%) |  |
|----------------------|--------------|--------------|--------------|--------------|-------------------------|--|
|                      | powder       | milk powder  | Butter       | Cheese       | 2010                    |  |
| Algeria              | 204,3        | 167,7        | 22,4         | 25,0         | 1,7                     |  |
| Saudi-Arabia         | 91,8         | 52,2         | 51,6         | 133,9        | 16,0                    |  |
| Mexico               | 7,3          | 203,2        | 16,6         | 99,2         | 3,5                     |  |
| Venezuela            | 166,9        | 7,4          | 2,9          | 35,5         | 3,8                     |  |
| Nigeria              | 51,6         | 28,8         | 6,6          | 0,6          | 5,9                     |  |
| Russia               | 37,4         | 94,8         | 150,4        | 316,1        | 13,5                    |  |
| Iran                 | 1,7          | 9,7          | 45,0         | 0,2          | 5,4                     |  |
| UAE                  | 120,9        | 26,8         | 28,8         | 58,1         | 4,9                     |  |
| Kasachstan           | 4,0          | 23,1         | 10,4         | 22,3         | 3,6                     |  |
| Kuwait               | 16,7         | 15,5         | 9,5          | 37,3         | 3,4                     |  |
| Lybia                | 16,3         | 12,3         | 2,3          | 43,3         | 2,7                     |  |
| <b>Total of list</b> | <b>718,8</b> | <b>641,6</b> | <b>346,6</b> | <b>771,5</b> | <b>64,4</b>             |  |

Source: ZMB, Comtrade, FAO

**Low oil-prices are a risk for international demand for dairy products**

# More milk powder and cheese produced

## EU-Production of Dairy Products

| 000 t              | Januar - November |        |         | Nov.    |
|--------------------|-------------------|--------|---------|---------|
|                    | 2014              | 2015*  | 15:14 * | 15:14*  |
| Liquid milk        | 29.968            | 29.815 | - 0,5%  | + 1,4%  |
| Cream              | 2.415             | 2.480  | + 2,7%  | + 8,2%  |
| Fermented Products | 8.031             | 8.045  | + 0,2%  | + 4,2%  |
| Butter             | 1.841             | 1.901  | + 3,2%  | + 10,4% |
| Cheese             | 8.148             | 8.275  | + 1,6%  | + 6,0%  |
| WMP etc.           | 663               | 632    | - 4,8%  | + 3,0%  |
| SMP                | 1.405             | 1.513  | + 7,7%  | + 11,1% |
| Condensed milk     | 920               | 925    | + 0,6%  | - 7,1%  |

\*) Provisional.

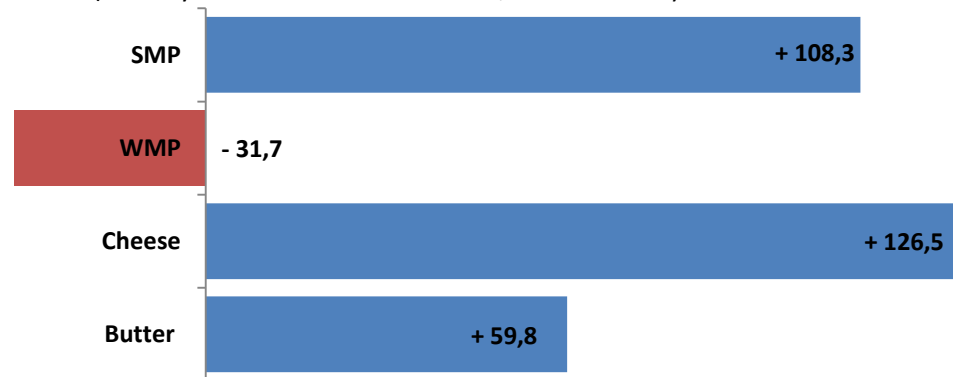
Sources: ZMB, Eurostat, national statistics.

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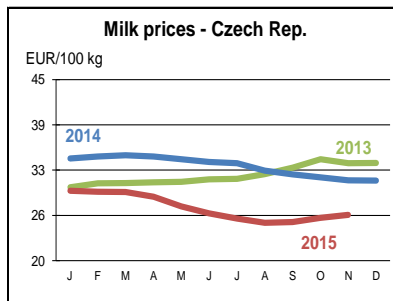
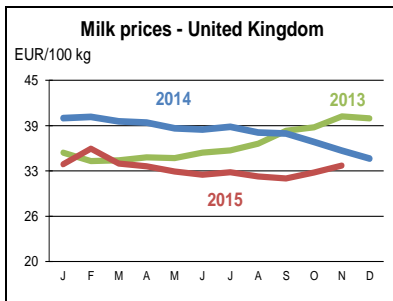
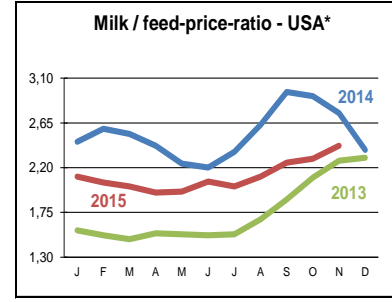
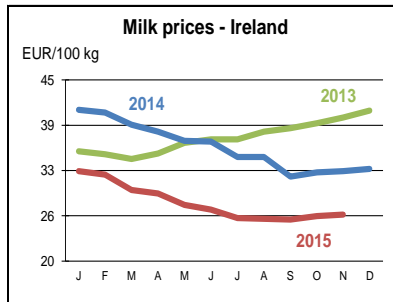
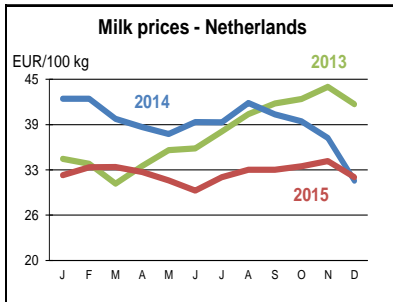
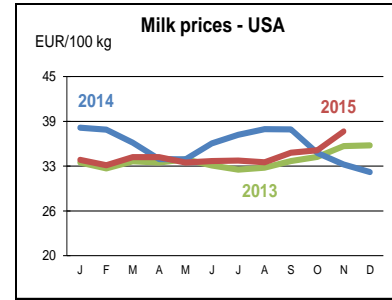
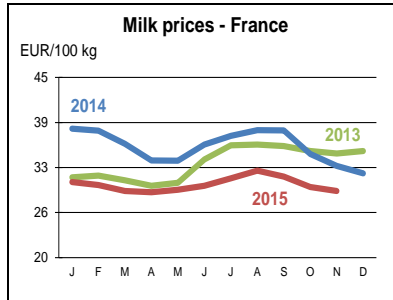
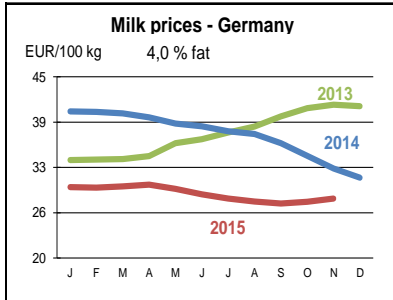
Production of liquid milk and fermented products is stagnating despite of growing population and increasing export

## EU: Change in Production of Dairy Products

(January-November 2015 vs. 2014, in '000 tons)



# Milk prices decreased world-wide



# Cheese Market: Higher production, but difficult export markets

| EU Cheese Balance Sheet           |              |              |              |              |              |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| '000 t                            | 2012         | 2013         | 2014*        | 2015*        | 2016**       |
|                                   | EU 27        | EU 28        | EU 28        | EU 28        | EU 28        |
| <b>Production</b>                 | <b>9.461</b> | <b>9.514</b> | <b>9.692</b> | <b>9.780</b> | <b>9.900</b> |
| - from cows' milk in dairies      | 8.641        | 8.709        | 8.892        | 8.980        | 9.100        |
| - on farms                        | 100          | 100          | 100          | 100          | 100          |
| - from other milk                 | 720          | 705          | 700          | 700          | 700          |
| Imports                           | 77           | 75           | 76           | 60           | 50           |
| Processing addition <sup>1)</sup> | 235          | 240          | 210          | 210          | 210          |
| Available                         | 9.773        | 9.828        | 9.978        | 10.050       | 10.160       |
| <b>Exports</b>                    | <b>776</b>   | <b>788</b>   | <b>721</b>   | <b>700</b>   | <b>730</b>   |
| Stock Change                      | -5           | -5           | 50           | 50           | 20           |
| <b>Consumption</b>                | <b>9.001</b> | <b>9.046</b> | <b>9.207</b> | <b>9.300</b> | <b>9.410</b> |
| <b>- per capita (kg)</b>          | <b>18,0</b>  | <b>17,9</b>  | <b>18,2</b>  | <b>18,3</b>  | <b>18,5</b>  |

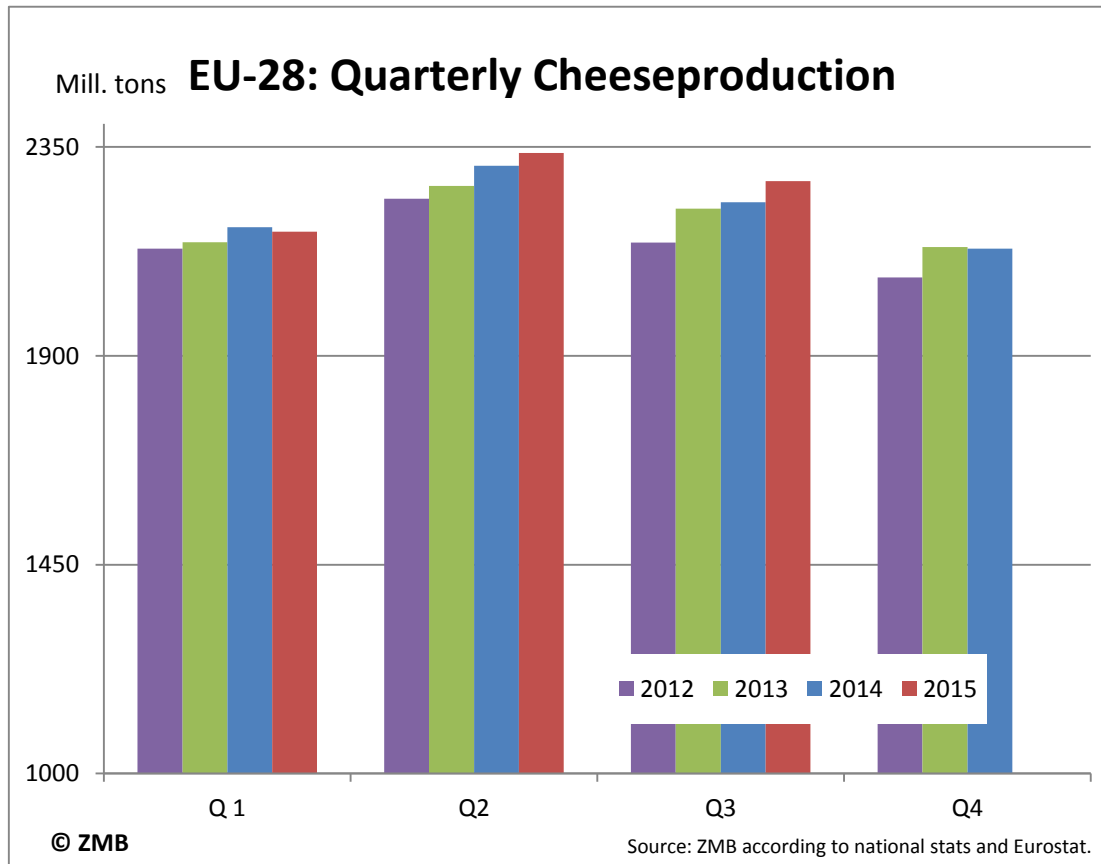
1) From processed cheese. \*)Provisional \*\*) Forecast.

Source: ZMB

Updated December 2015

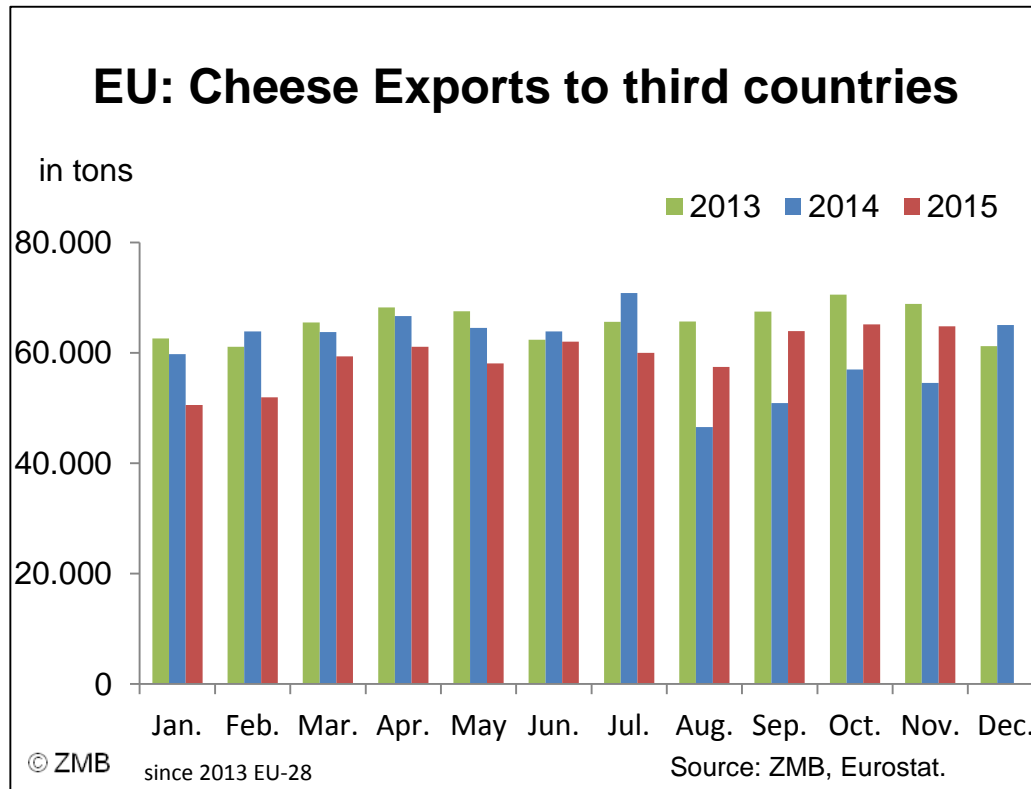


# More cheese produced since Q2



Actual increase  
in the  
Netherlands  
+ 15 % per  
month

# Cheese export reduced because of Russian import stop



So far 70 %  
of losses in  
Russia  
compensated

# No growth of international cheese trade

| Exports of Cheese   |             |                  |                  |              |
|---------------------|-------------|------------------|------------------|--------------|
| tonnes              |             | 2014             | 2015             | ± %          |
| EU - 28             | Jan. - Nov. | 662.248          | 654.344          | - 1,2        |
| Switzerland         | Jan. - Nov. | 61.027           | 61.657           | + 1,0        |
| New Zealand         | Jan. - Nov. | 247.219          | 291.741          | + 18,0       |
| Australia           | Jan. - Nov. | 136.772          | 154.299          | + 12,8       |
| USA                 | Jan. - Nov. | 341.066          | 291.900          | - 14,4       |
| Belarus             | Jan. - Nov. | 150.000          | 165.000          | + 10,0       |
| Argentina           | Jan. - Oct. | 51.303           | 39.247           | - 23,5       |
| Uruguay             | Jan. - Dec. | 45.602           | 32.111           | - 29,6       |
| Egypt               | Jan. - Oct. | 95.047           | 87.657           | - 7,8        |
| Turkey              | Jan. - Nov. | 39.231           | 38.250           | - 2,5        |
| Iran                | Jan. - Oct. | 32.891           | 39.910           | + 21,3       |
| <b>Total amount</b> |             | <b>1.862.407</b> | <b>1.856.116</b> | <b>- 0,3</b> |

Sources: ZMB, EU-Comm., GTA, national statistics

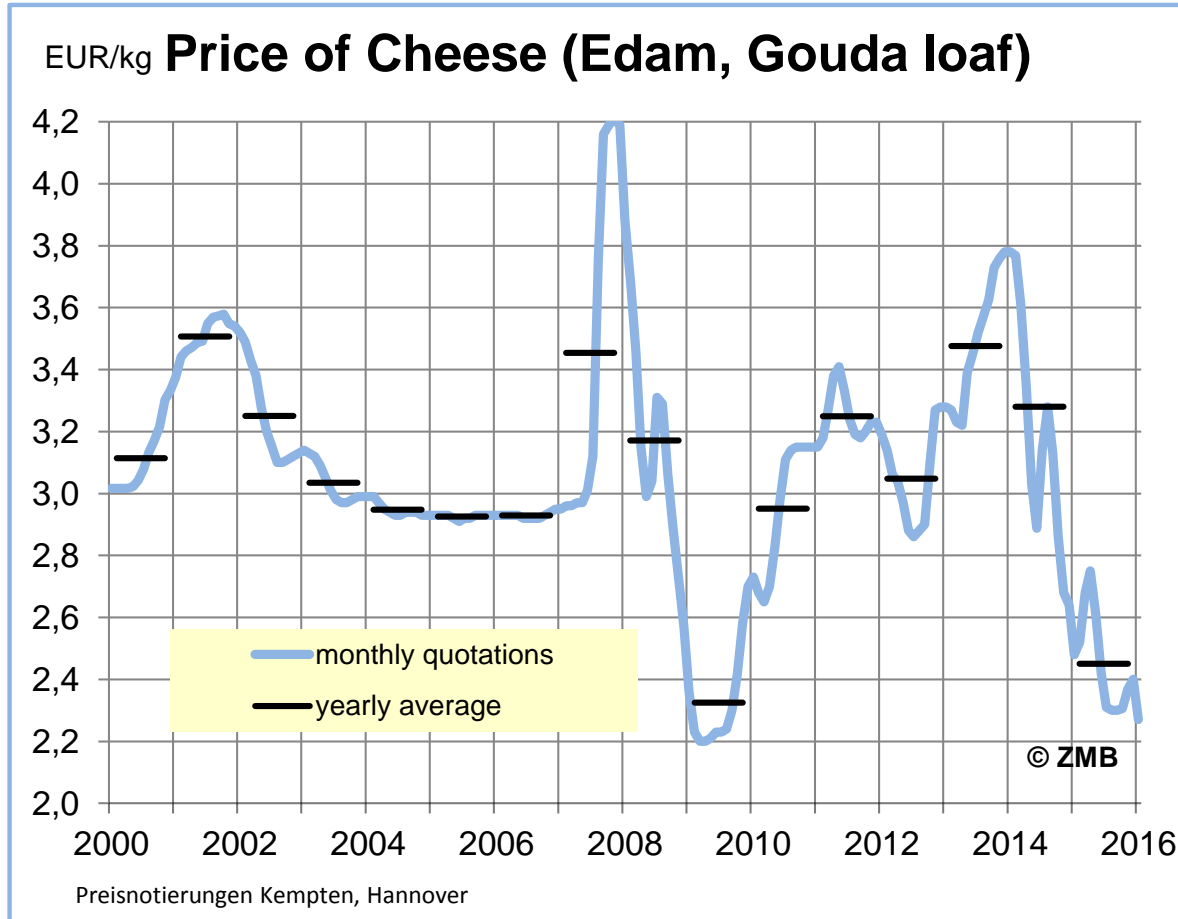
© ZMB

More competition from Oceania again, less from US and South-America

← More to Russia

← Young player

# Cheese Prices on historical low



# Butter supply will increase further

| EU Butter Balance Sheet    |              |              |              |              |              |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| '000 t                     | 2012         | 2013         | 2014*        | 2015*        | 2016**       |
|                            | EU 27        | EU 28        | EU 28        | EU 28        | EU 28        |
| Initial stocks             | 80           | 100          | 100          | 130          | 110          |
| <b>Total production</b>    | <b>2.030</b> | <b>2.015</b> | <b>2.105</b> | <b>2.150</b> | <b>2.200</b> |
| - in dairies <sup>1)</sup> | 2.010        | 1.995        | 2.085        | 2.130        | 2.180        |
| - on farms                 | 20           | 20           | 20           | 20           | 20           |
| Imports                    | 56           | 45           | 53           | 25           | 25           |
| <b>Exports</b>             | <b>128</b>   | <b>130</b>   | <b>154</b>   | <b>190</b>   | <b>200</b>   |
| Final stocks               | 100          | 100          | 130          | 110          | 110          |
| thereof public stocks      | 0            | 0            | 0            | 0            | 0            |
| <b>Disappearance</b>       | <b>1.938</b> | <b>1.930</b> | <b>1.974</b> | <b>2.005</b> | <b>2.025</b> |
| <b>Per capita (kg)</b>     | <b>3,9</b>   | <b>3,8</b>   | <b>3,9</b>   | <b>3,9</b>   | <b>4,0</b>   |

\*)Provisional \*\*) Forecast. 1)incl. An estimation for Butteroil made from cream and mixtures.

Source: ZMB

Updated December 2015

# Increasing market-share for EU-Butter

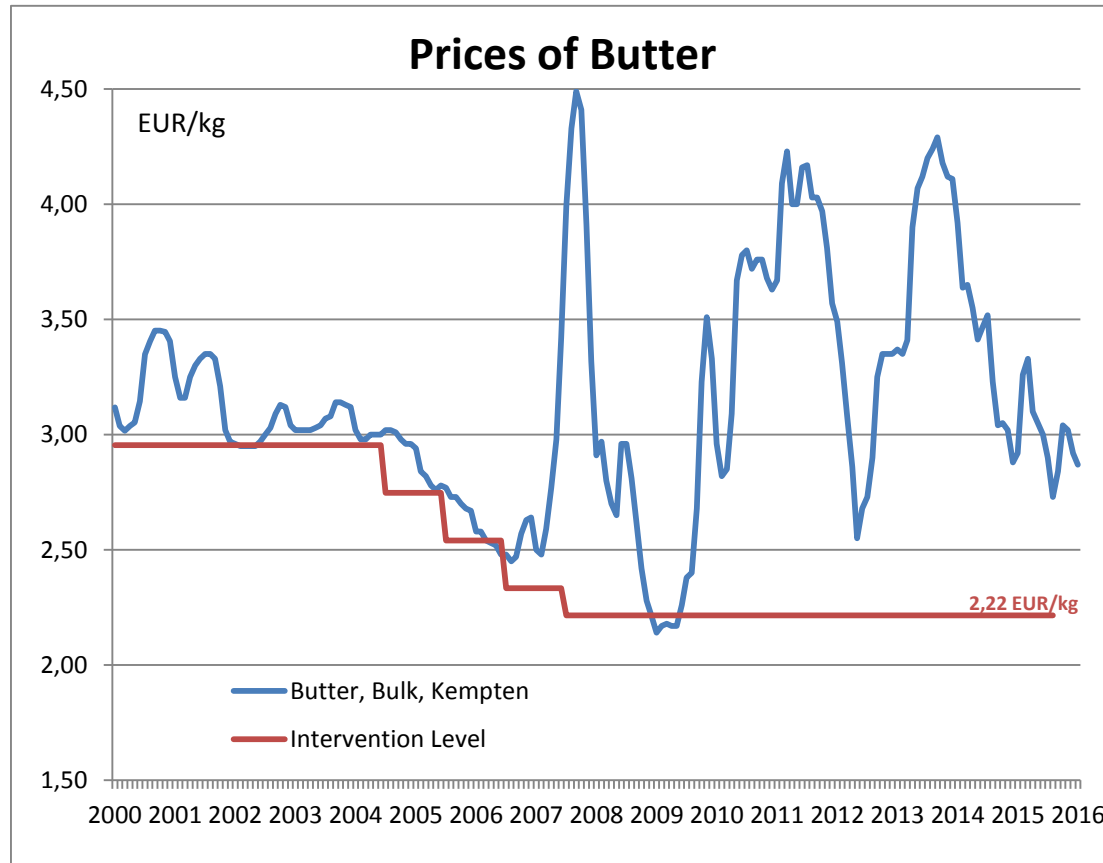
| Exports of Butter and Butteroil |             |                |                |              |
|---------------------------------|-------------|----------------|----------------|--------------|
| tonnes                          |             | 2014           | 2015           | ± %          |
| EU - 28                         | Jan. - Nov. | 137.164        | 173.205        | + 26,3       |
| New Zealand                     | Jan. - Nov. | 456.127        | 438.488        | - 3,9        |
| Australia                       | Jan. - Nov. | 36.071         | 29.314         | - 18,7       |
| USA                             | Jan. - Nov. | 69.146         | 20.385         | - 70,5       |
| Switzerland                     | Jan. - Nov. | 3.475          | 3.175          | - 8,6        |
| Belaruss                        | Jan. - Nov. | 63.292         | 80.985         | + 28,0       |
| Ukraine                         | Jan. - Oct. | 3.807          | 8.366          | + 119,8      |
| Argentina                       | Jan. - Oct. | 12.593         | 7.385          | - 41,4       |
| Uruguay                         | Jan. - Dec. | 21.077         | 20.330         | - 3,5        |
| Mexiko                          | Jan. - Sep. | 5.498          | 6.386          | + 16,2       |
| Singapore                       | Jan. - Nov. | 8.218          | 6.480          | - 21,1       |
| India                           | Jan. - Oct. | 7.275          | 6.767          | - 7,0        |
| <b>Total amount</b>             |             | <b>818.244</b> | <b>794.880</b> | <b>- 2,9</b> |

← Net-importer again

Sources: ZMB, EU-Comm., GTA, national statistics

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# Butter Prices reduced, but more stable than SMP



# High export of SMP necessary

## EU SMP Balance Sheet

| '000 t             | 2012         | 2013         | 2014*        | 2015*        | 2016**       |
|--------------------|--------------|--------------|--------------|--------------|--------------|
|                    | EU 27        | EU 28        | EU 28        | EU 28        | EU 28        |
| Opening stocks     | 152          | 65           | 77           | 153          | 268          |
| <b>Production</b>  | <b>1.225</b> | <b>1.220</b> | <b>1.550</b> | <b>1.640</b> | <b>1.720</b> |
| Imports            | 2            | 5            | 2            | 5            | 5            |
| Available          | 1.379        | 1.290        | 1.629        | 1.798        | 1.993        |
| <b>Consumption</b> | <b>790</b>   | <b>805</b>   | <b>830</b>   | <b>860</b>   | <b>890</b>   |
| - other than feed  | 650          | 685          | 700          | 720          | 740          |
| - in feed          | 140          | 120          | 130          | 140          | 150          |
| <b>Exports</b>     | <b>524</b>   | <b>408</b>   | <b>646</b>   | <b>670</b>   | <b>750</b>   |
| Ending stocks      | 65           | 77           | 153          | 268          | 353          |
| - in intervention  | 0            | 0            | 0            | 40           | 200          |

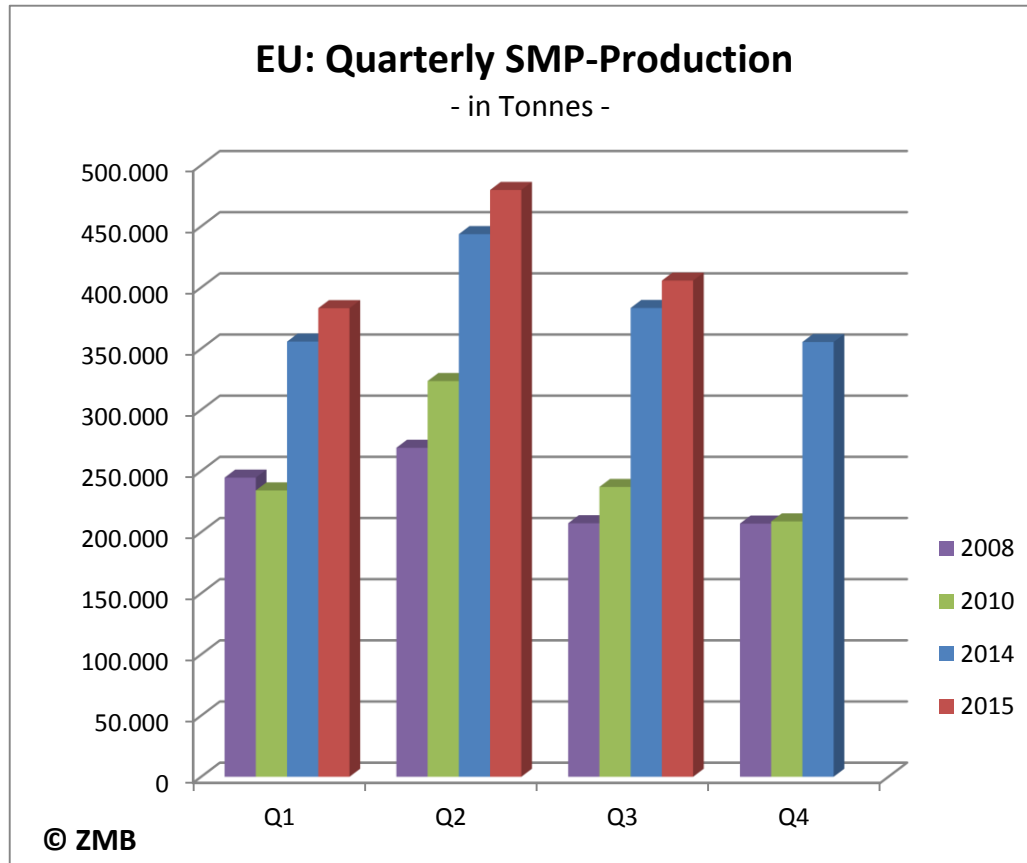
\*)Provisional \*\*) Forecast.

Source: ZMB

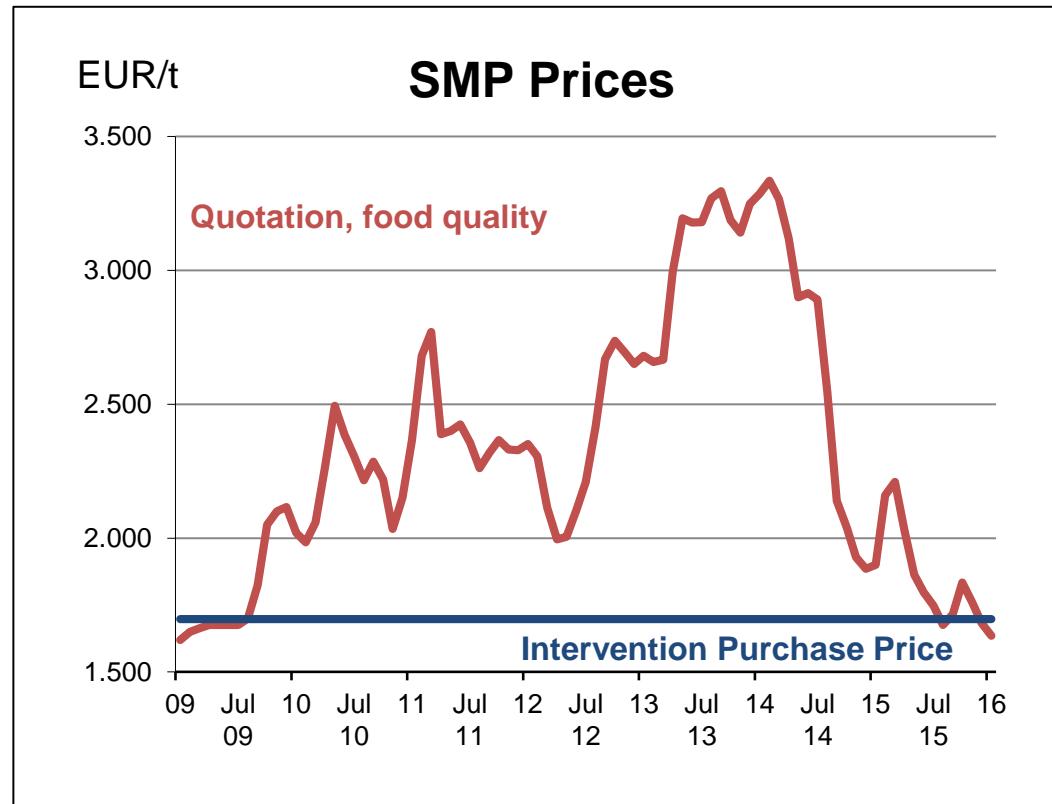
Updated December 2015



# Production substantially higher than some years ago



# SMP Prices closed to intervention level, more competition on international market again



**Further sales into intervention expected**

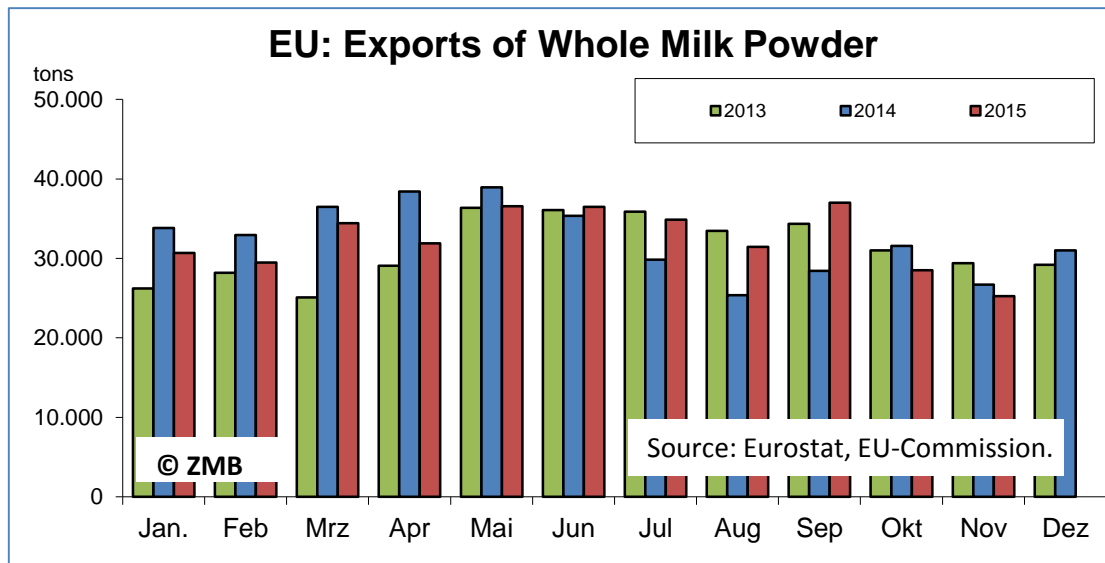
# WMP: International market is suffering from lower chinese demand, but EU-export stable

| EU Balance Sheet of Whole Milk Powder |            |            |            |            |            |
|---------------------------------------|------------|------------|------------|------------|------------|
| '000 t                                | 2012       | 2013       | 2014       | 2015**     | 2016**     |
|                                       | EU 27      | EU 28      | EU 28      | EU 28      | EU 28      |
| <b>Production</b>                     | <b>715</b> | <b>770</b> | <b>820</b> | <b>780</b> | <b>800</b> |
| Imports                               | 2          | 3          | 1          | 3          | 3          |
| <b>Exports</b>                        | <b>388</b> | <b>374</b> | <b>389</b> | <b>380</b> | <b>400</b> |
| Change in stocks                      | -20        | 10         | 20         | 10         | 0          |
| <b>Sales</b>                          | <b>349</b> | <b>369</b> | <b>378</b> | <b>383</b> | <b>403</b> |

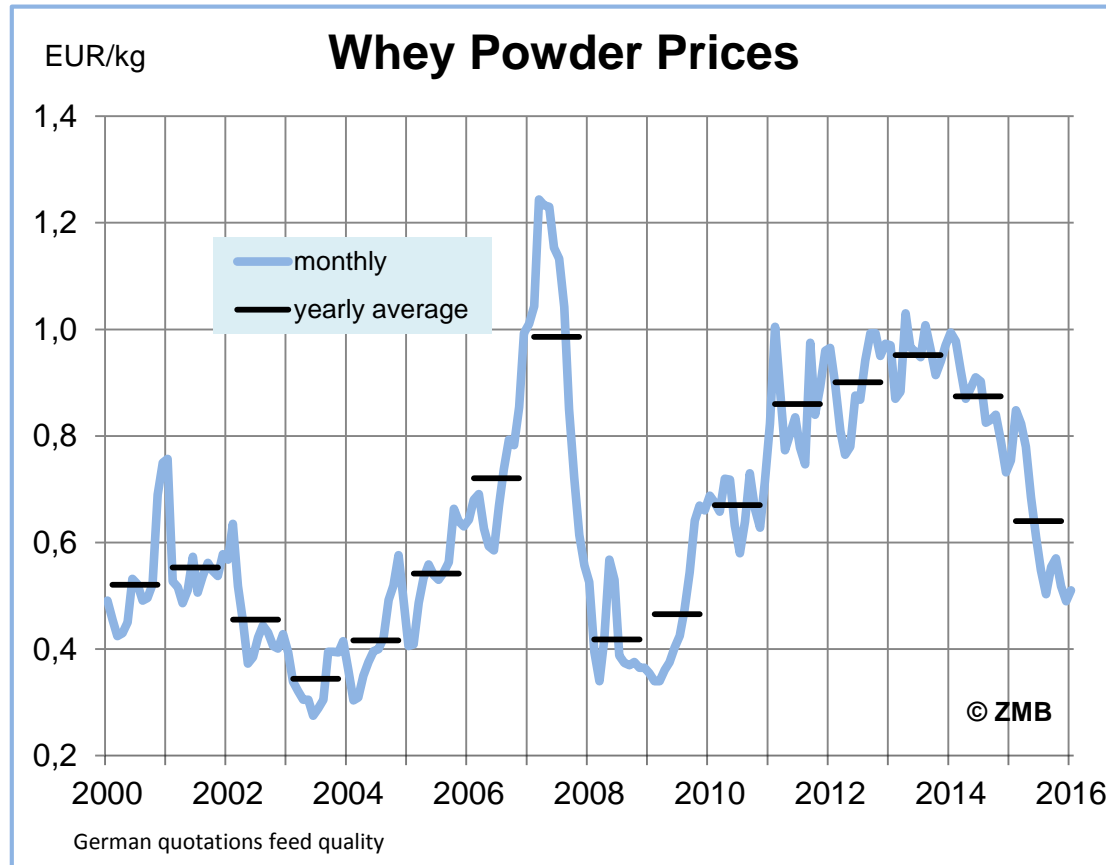
\*)Provisional \*\*) Forecast.

Source: ZMB

Updated December 2015



# Whey Powder Prices decreased substantially



# Summary and Outlook

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- **Milk output in exporting countries increased with reduced speed and mixed developments in 2015**
- **Growth concentrated in the Northern Hemisphere, biggest additional volumes in EU**
- **Expected and unexpected growth in EU-member states**
- **Processing capacities limited or full, f.e. in NL**
- **Growth in EU will continue, especially in Q1 because of reductions in Q1 2015.**
- **Milk prices decreased in 2015 after two years with record-highs**
- **Milk prices will decrease further because of lower valorisations**
- **Farmers production-responses will be different**

# Summary and Outlook

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- Demand didn't grow in line with production, stocks are growing
- Import demand shifted from China and Russia (markets with highest returns) to other markets
- International prices decreased due to strong competition, esp. from Oceania
- Milk output outside EU is likely to increase:
  - Faster growth in USA expected for 2016
  - Policy-change in Argentina
  - El-Nino is weakening in the Southern-Hemisphere
  - Reactions in New-Zealand to low prices?

# Determinants for export opportunities – actually more uncertainties

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## Pros

- Iran will come back into the market after end of sanctions
- Weak Euro is supporting competitiveness

## Uncertainties

- Real economic situation in China
- Purchasing power of oil-exporting countries
- Political relationship to Russia
- Political instability in different regions
- Currencies (China, Russia, Brazil, South-Africa)
- Stock situation in importing countries

# Thank you for your attention!

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