

MMO Economic Board

Meeting of 24 September 2014

- o The 3rd meeting of the Milk Market Observatory economic board took place on 24 September 2014, with the participation of experts from the member organisations representing the various steps in the milk supply chain: CEJA (young farmers), COPA-COGECA (producers and cooperatives), ECVC (Via Campesina), EMB (European Milk Board), EDA (dairy industry), Eucolait (dairy trade) and Eurocommerce (retail).
- o The meeting was opened with 2 presentations by DG AGRI on the milk market situation and on the short term outlook. The major part of the meeting was dedicated to the assessment of the market situation and perspectives with a special focus on the Russian import ban and its impact on dairy products.
- o Downward pressure on prices registered since early 2014 has been exacerbated by the introduction of the Russian ban (SMP -18.5%; butter -9%; WMP -15%; Cheddar -8% and Edam -3%). Negotiations between processors and retailers are going on in some MS and downward price pressure is mounting. In some MS the production of cheese for Russia has stopped and been converted into SMP and butter. Product prices seem to bottom out at the moment.
- o Farmers are not facing yet a severe drop in milk price, except in some MS. It can take up to three months like in France before milk prices adapt to market conditions for dairy products. Forage quality and quantity for the coming period are good. Feed prices are on a downward trend. Therefore, farmers may not reduce milk production before the very end of the year when all farmers might experience price drops. In MS where production is over quota, a slowdown in milk production could occur earlier in order for farmers to limit their surplus levy bill. In some MS, farmers have invested heavily and could face cash flow difficulties. Only once facing these difficulties farmers may cull cows to recover some cash facilities.
- o In the draft short-term outlook prepared by the Commission¹, EU milk collection is nevertheless

expected to show less pronounced growth percentages in the 2nd half of the year, compared to the same period last year where significant increases were registered. Some experts found the assumptions (and results) of the short-term outlook rather optimistic due to the time lag in price transmission to farmers in some important milk producing MS.

Consumption forecasts may seem inflated as they include stock variation. However given the 2014 increase in milk collection and the difficulties met on the exporting markets, more products are expected to remain on the domestic market (whether in the form of increased stocks or consumption). Re-directing products, notably cheese, and finding new customers cannot happen from one day to the next.

The assessment of EU stock levels based on a residual approach (production + imports – consumption and exports) showed that in July 2014 all dairy commodity stocks appeared rather high because of high production. Stock levels for SMP and cheese appear to be comparable to that of the summer 2012. In 2012, stocks reduced rapidly afterwards in the wake of the US drought. Unlike SMP, butter stocks are assessed as being at less worrying levels. Cheese stocks are expected to get healthier given reduced cheese production in a number of MS.

Oversupply in key producing regions of the world persists. As prices are on a downward trend, buyers are holding off purchasing decisions as long as possible, depending on their stock position. For the longer term, global exports are likely to increase again, in line with demand.

- o The market review showed the need to make sure that market signals reach all actors in the milk supply chain, especially in today's oversupply situation. Coming from high levels, prices have been under pressure due to difficulties for the market to absorb increased production in the major milk producing regions of the world and this has been exacerbated by the Russian import ban. This downward trend could continue if production does not slow down. The uptake of the measures taken remains limited so far (with the exception of PSA for cheese).

¹ Publication foreseen the second week of October

ANNEX 1

Milk Market Situation

European Commission



Milk Market Situation

Brussels, 24 September 2014

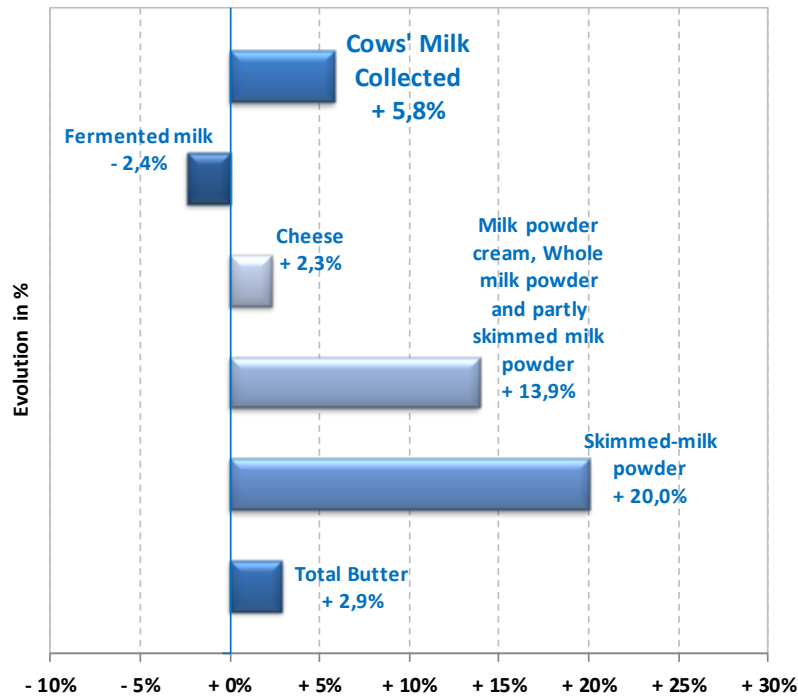


European Commission

EU Productions

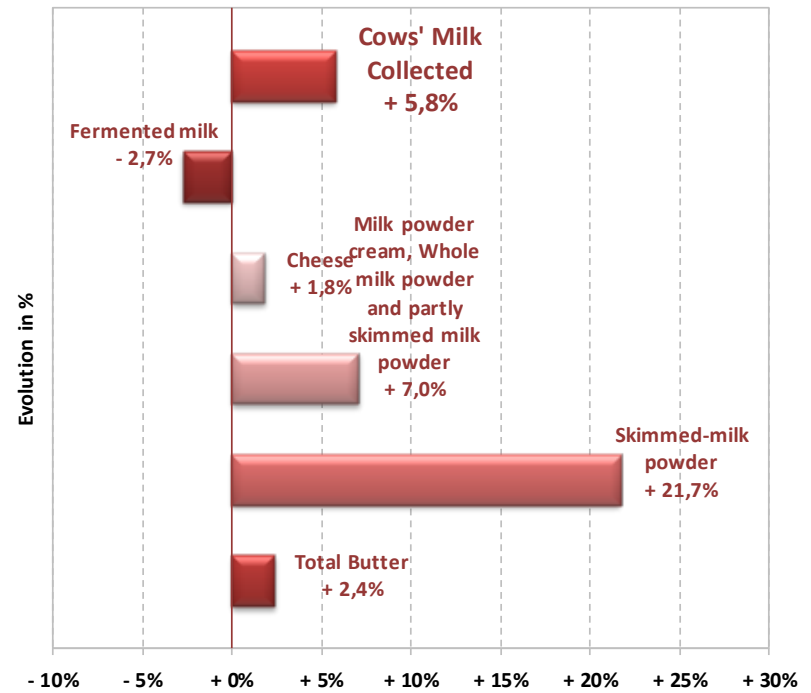
Following a data update, the figures shown in this chart differ from those presented in the MMO economic board meeting held on 24/09/2014

EU-28 Deliveries/Productions development (Jan - Jul 2014 compared to Jan - Jul 2013)



Rem : FR 2013-14 data not considered (except Milk)
DK 2014. Apr>Jul data estimated (except Milk) Source : MS' Communications to Eurostat

EU-28 Deliveries/Productions development (Apr 2014 - Jul 2014 compared to Apr 2013 - Jul 2013)



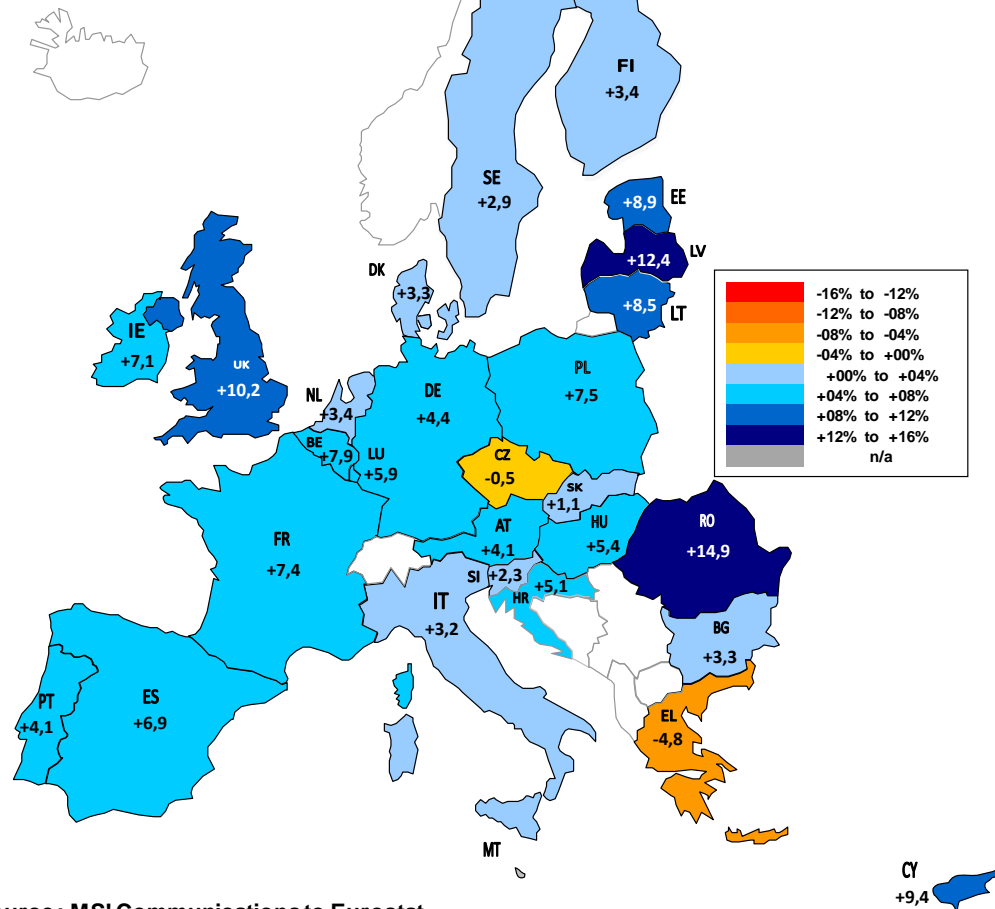
Rem : FR 2013-14 data not considered (except Milk)
DK 2014. Apr>Jul data estimated (except Milk) Source : MS' Communications to Eurostat

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

Following a data update, the figures shown in this chart differ from those presented in the MMO economic board meeting held on 24/09/2014

EU Milk Deliveries compared to last period (in %)

(Jan - Jul 2014 / Jan - Jul 2013)

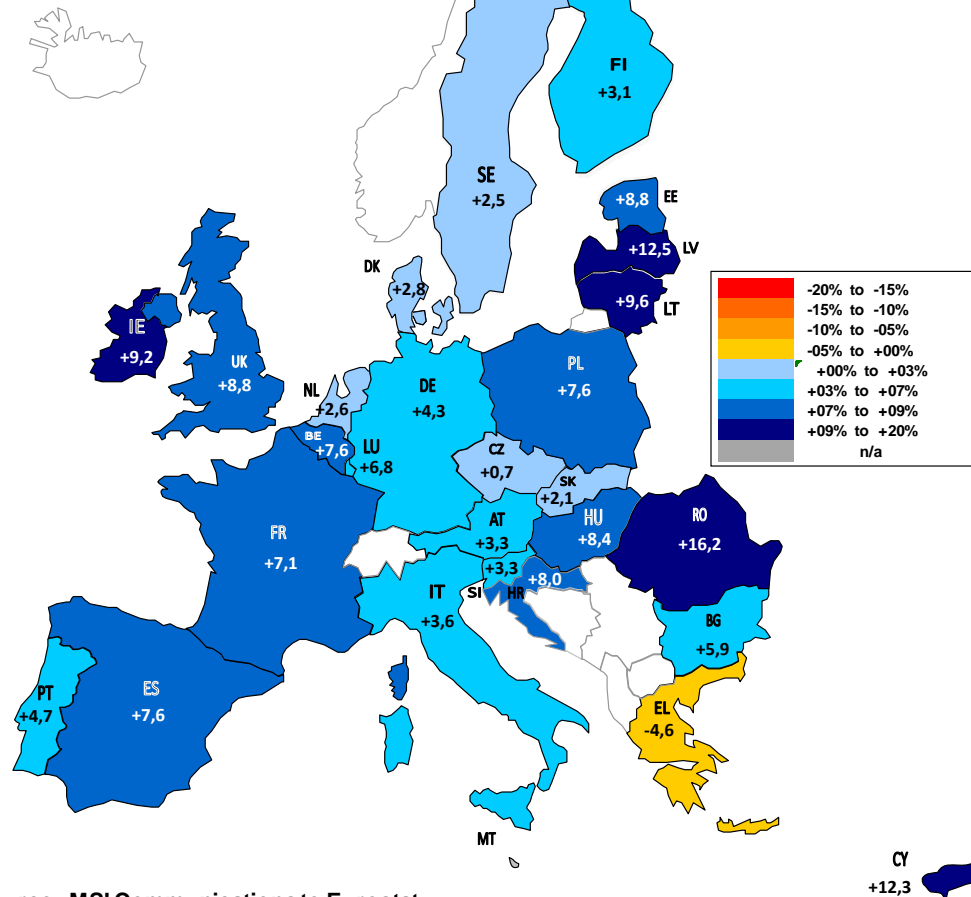


Source: MS' Communications to Eurostat

Following a data update, the figures shown in this chart differ from those presented in the MMO economic board meeting held on 24/09/2014

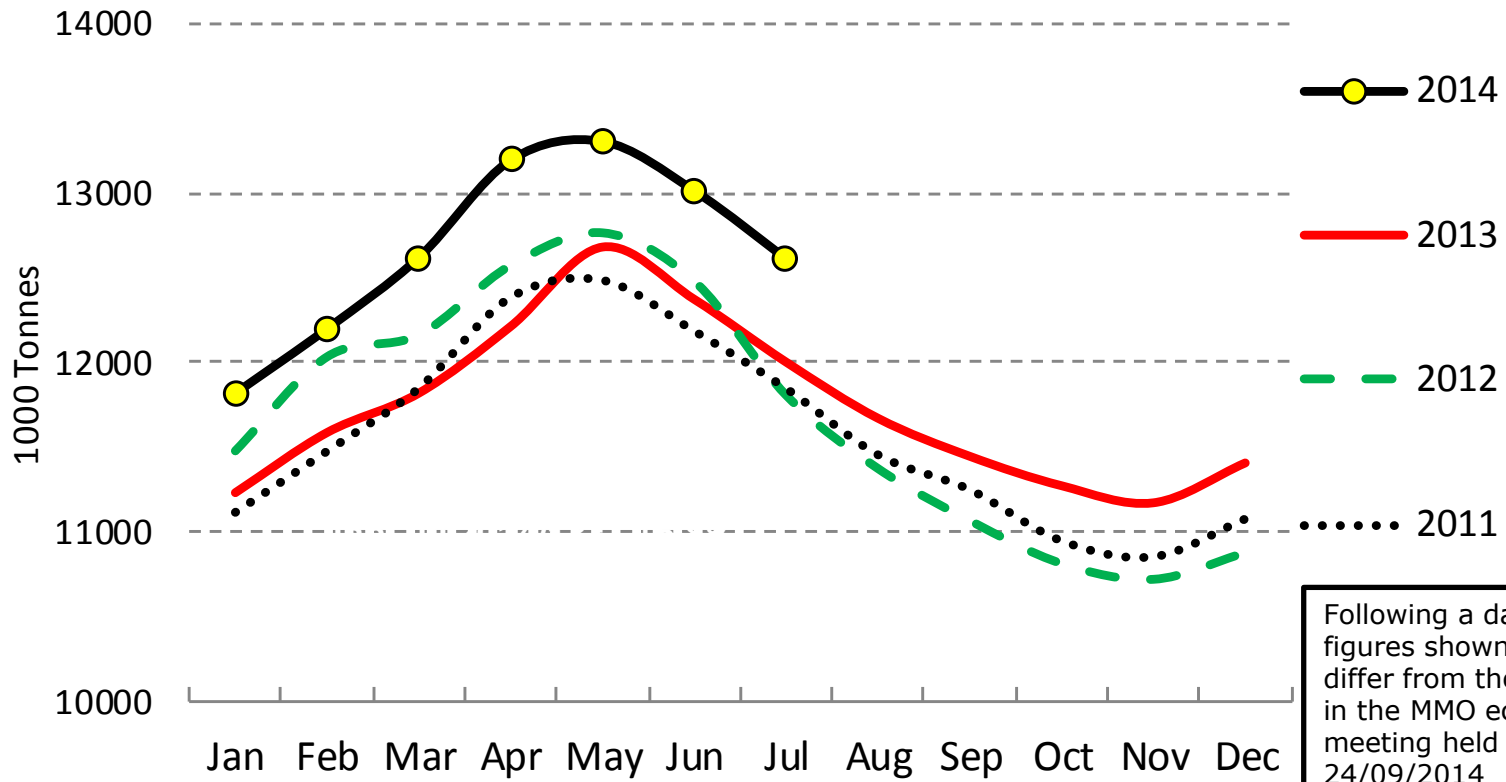
EU Milk Deliveries compared to last period (in %)

(Apr - Jul 2014 / Apr - Jul 2013)



Source : MS' Communications to Eurostat

EU - Cows' milk collected (30d adjusted months)

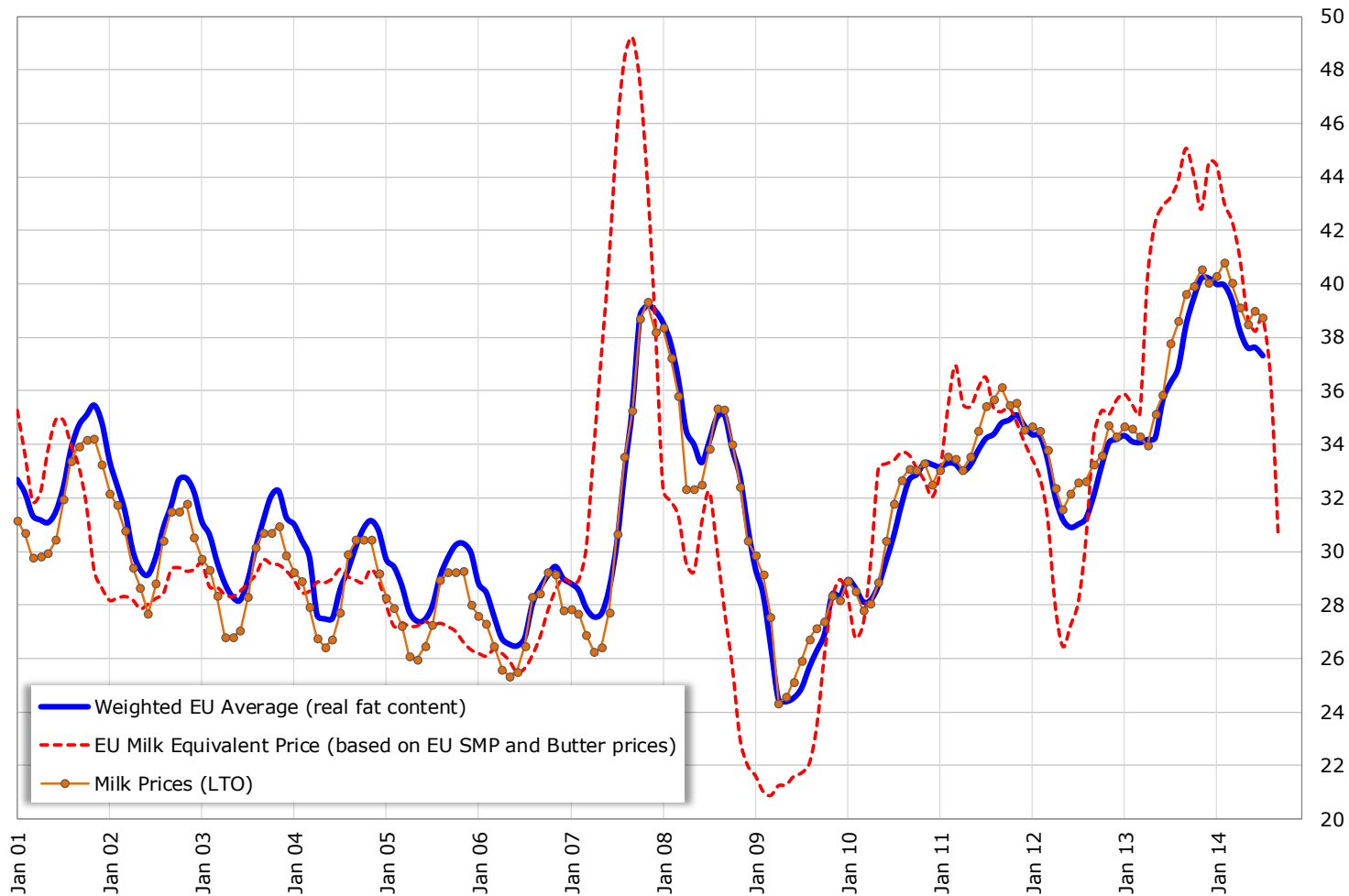


Source : Estat - Newcronos

Last Update : Jan-Jul

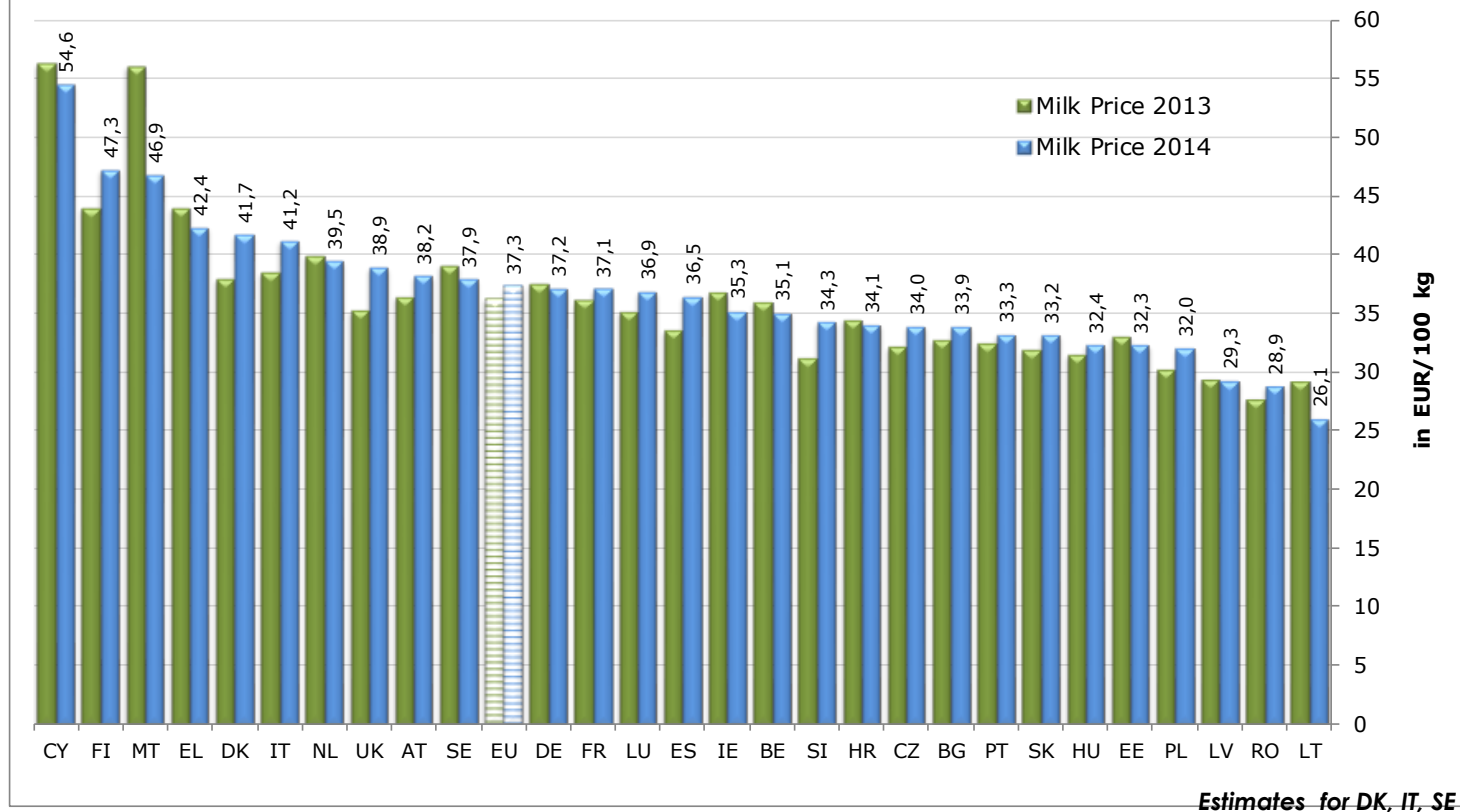
EU Raw Milk Prices Evolution (up to July 14)

EUR/100 kg



EU MILK PRICES (Jul 2014 vs Jul 2013)

Source : Member States (Reg. 479/2010)

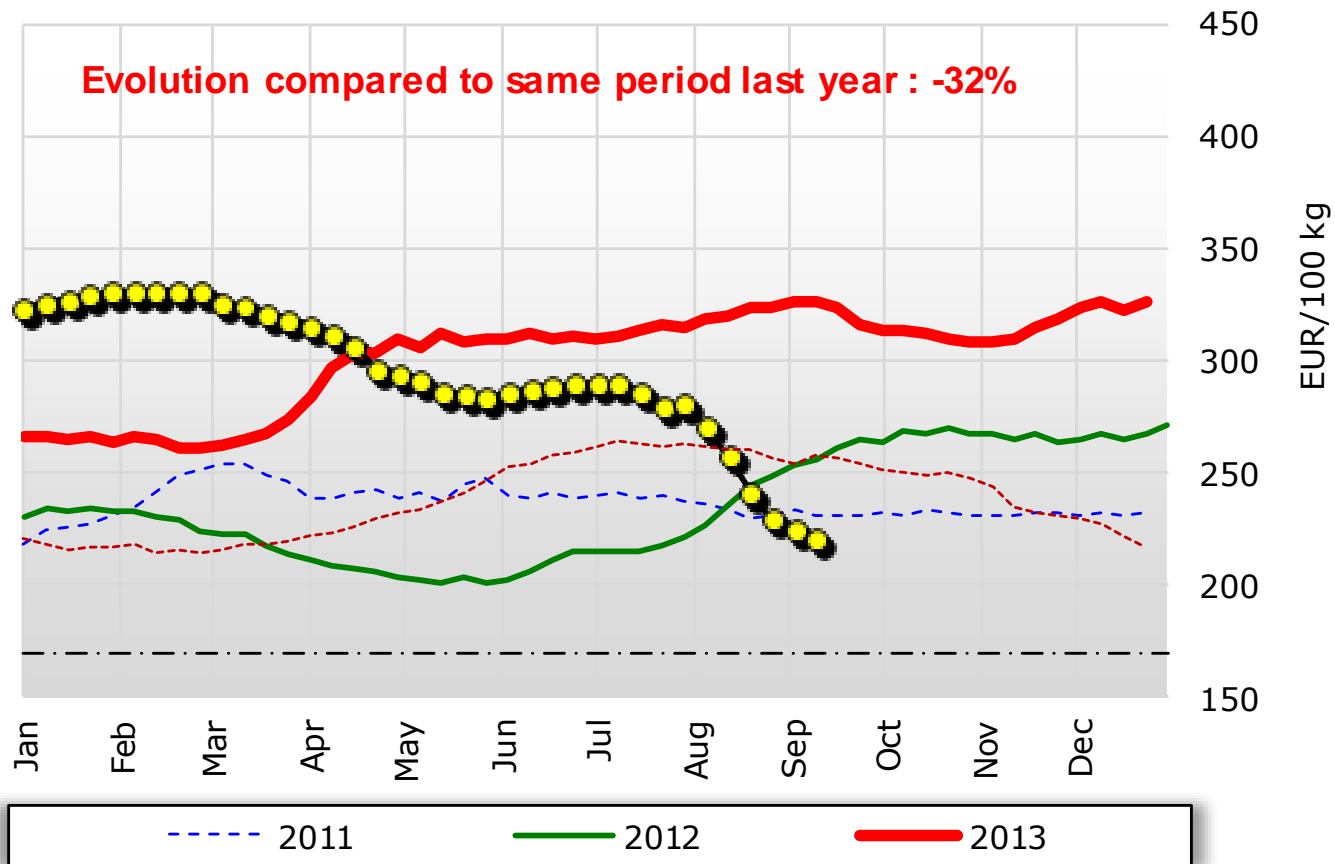


NB: The above national price averages are of mixed nature, some relate to standardised milk, others to milk with real fat and protein content, pending harmonisation under reg. 479/2010

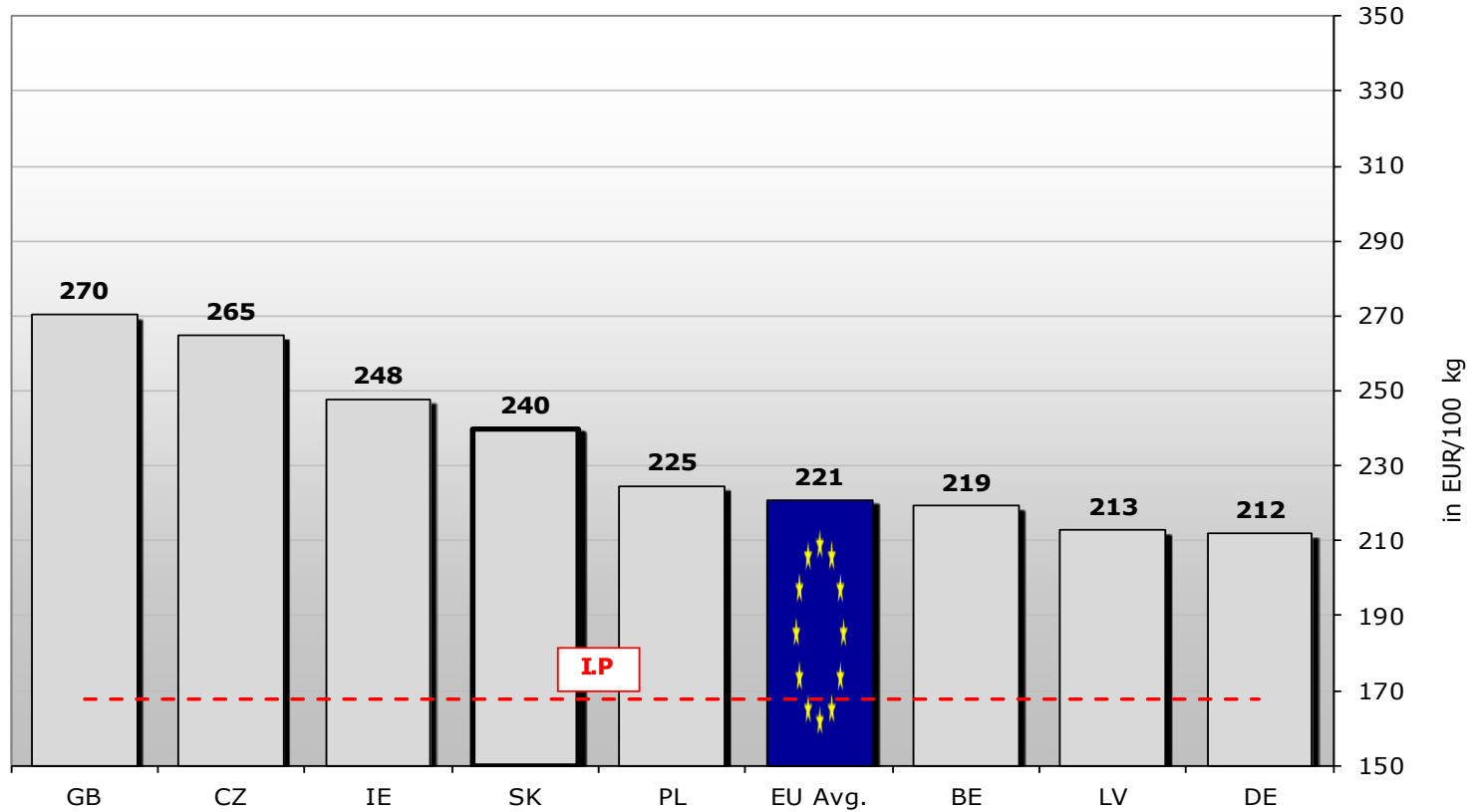
Source: MS' communications under Reg. 479//2010

Weekly EU SMP Prices

Latest price : 221 EUR/100kg



EU S.M.P. Prices (up to 14.09.2014)

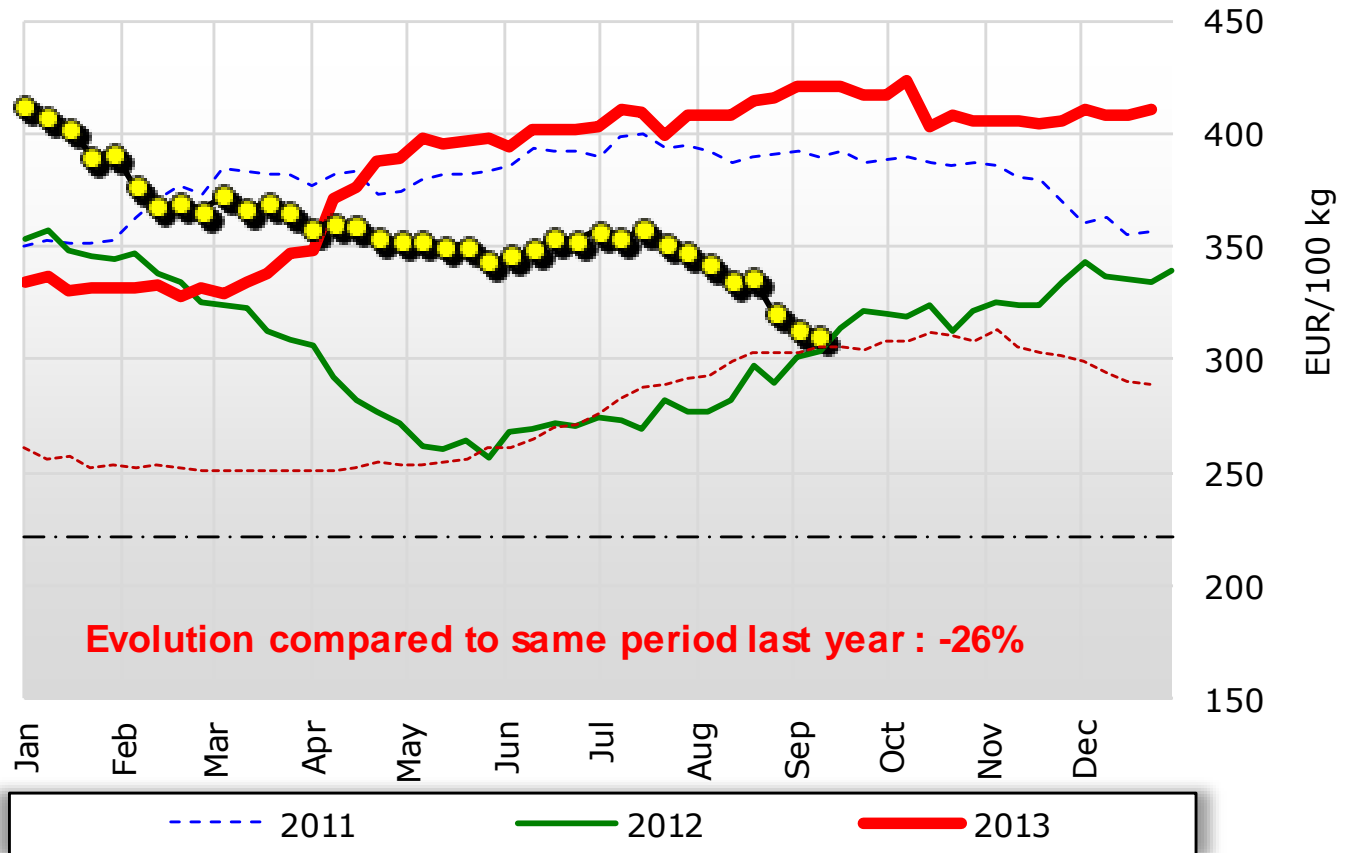


Source : Reg. (EC) No 479/2010 Article 2

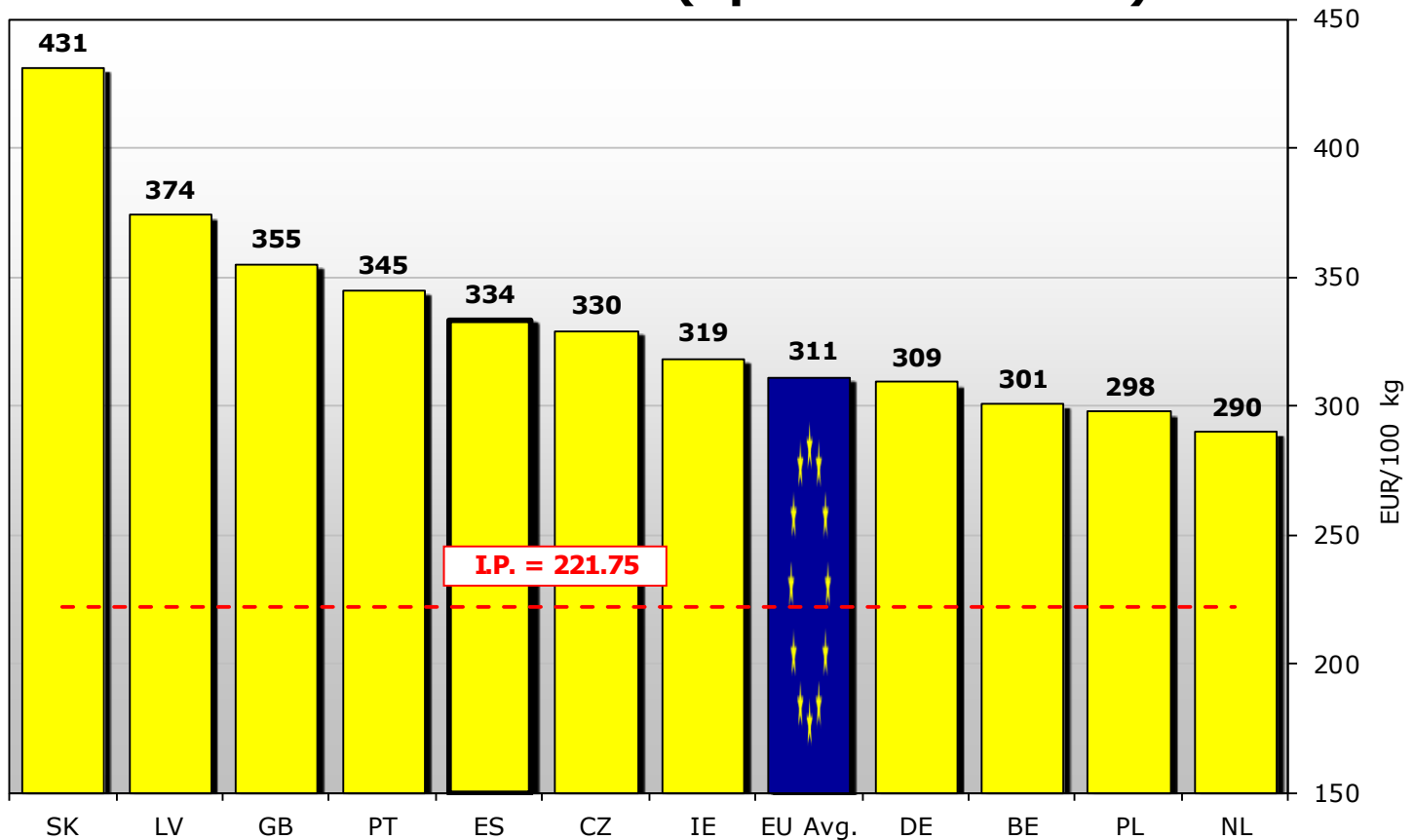
Source: MS' communications under reg. 479/2010

Weekly EU BUTTER Prices

Latest price : 311 EUR/100kg

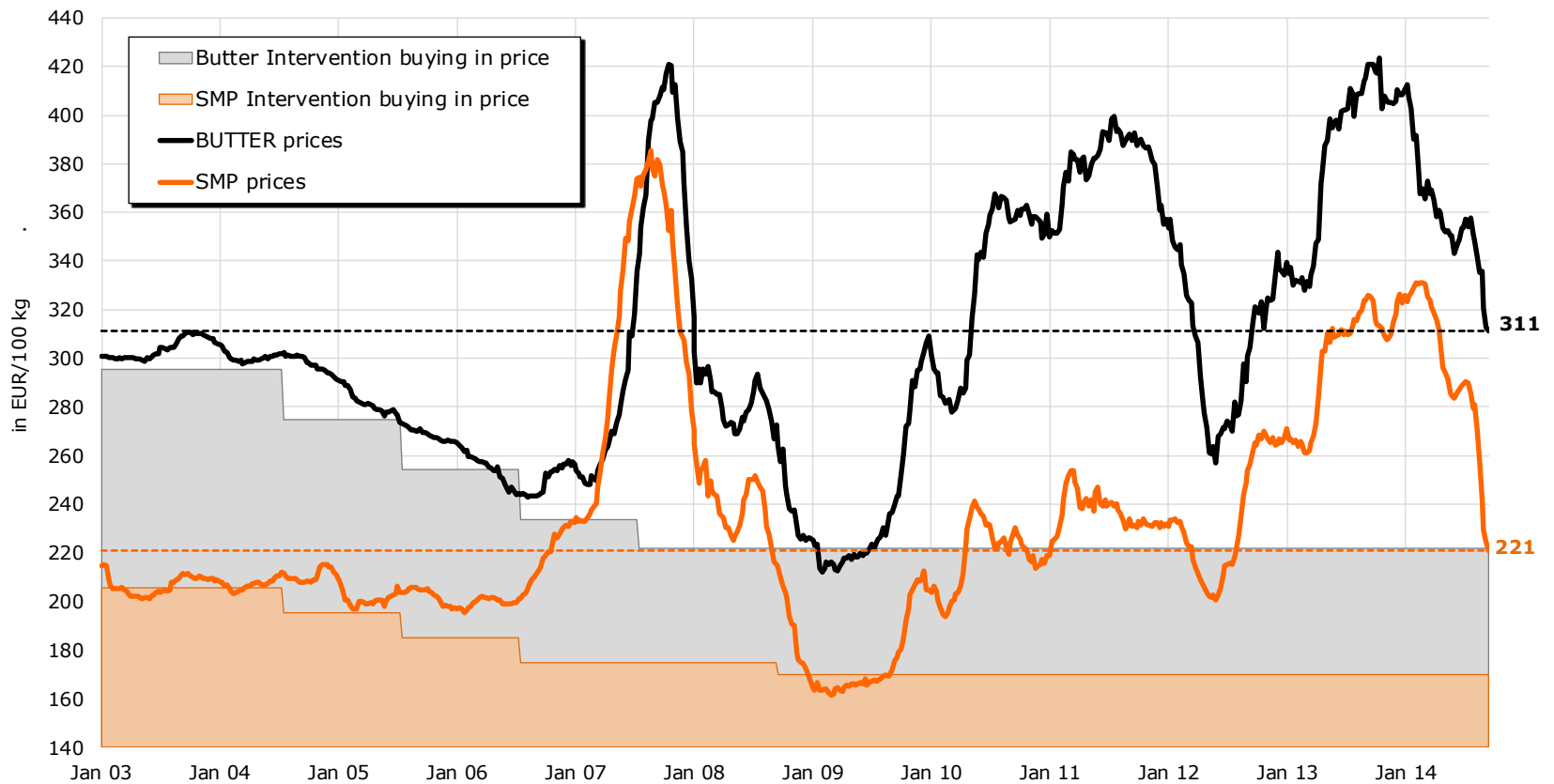


EU Butter Prices (up to 14.09.2014)



Source : Reg. (EC) No 479/2010 Article 2

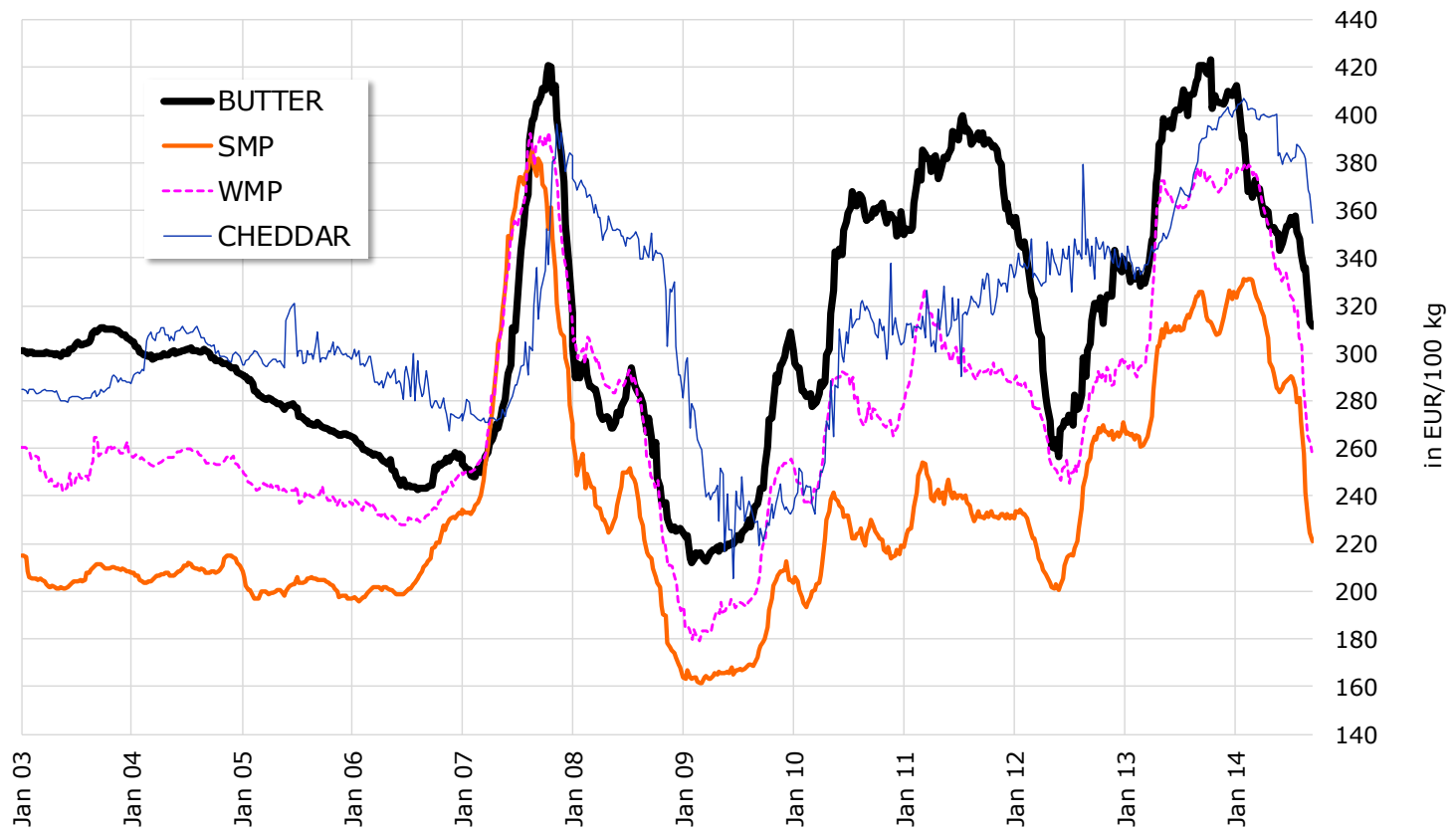
EU Quotations of Butter and SMP (EU average based on MS communication and weighted by production)



Source: MS communications under reg. 562/2005 and 479/2010

EU Dairy Quotations

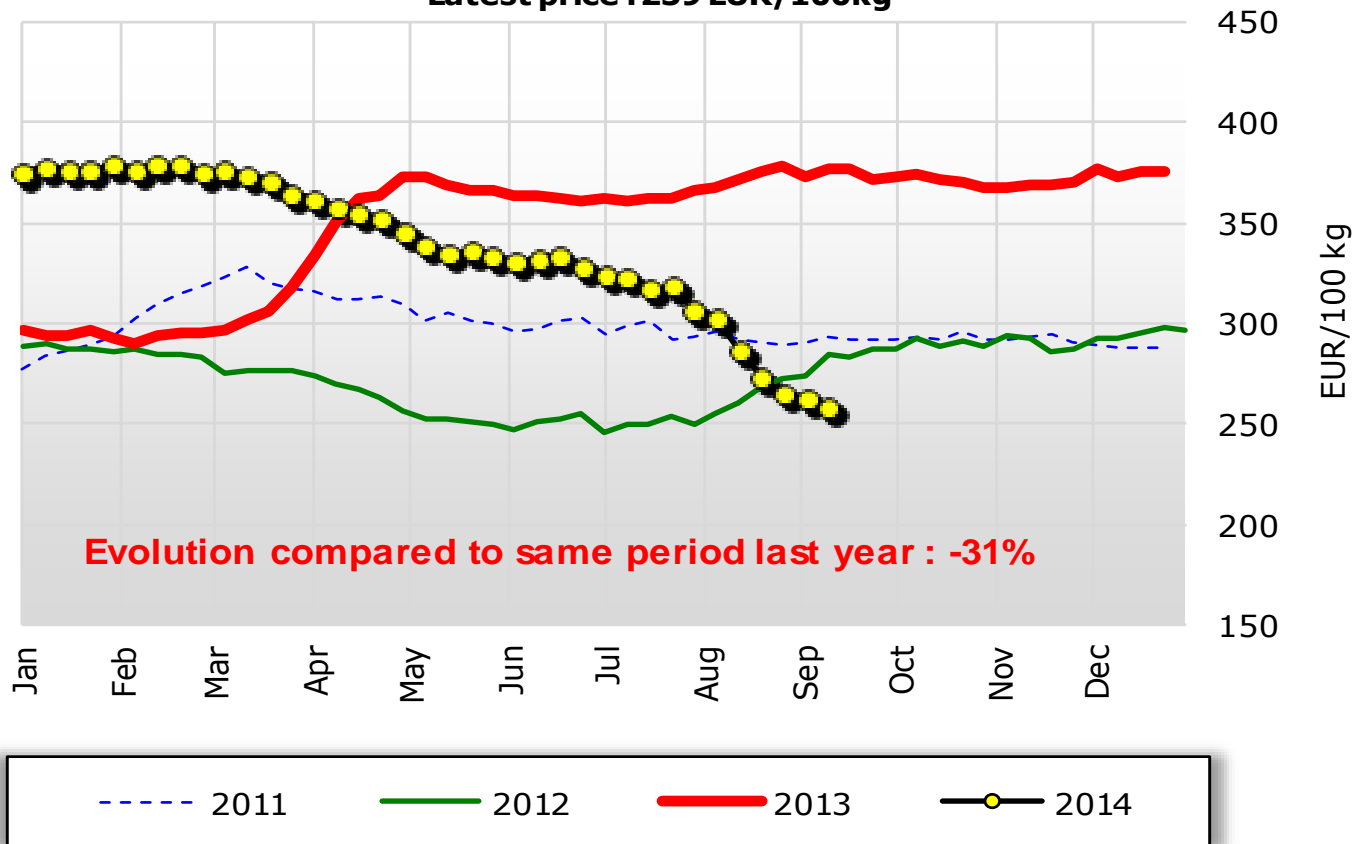
(EU Average Prices based on MS communication and weighted by production)



Source: MS' communications under reg. 562/2005 and 479/2010

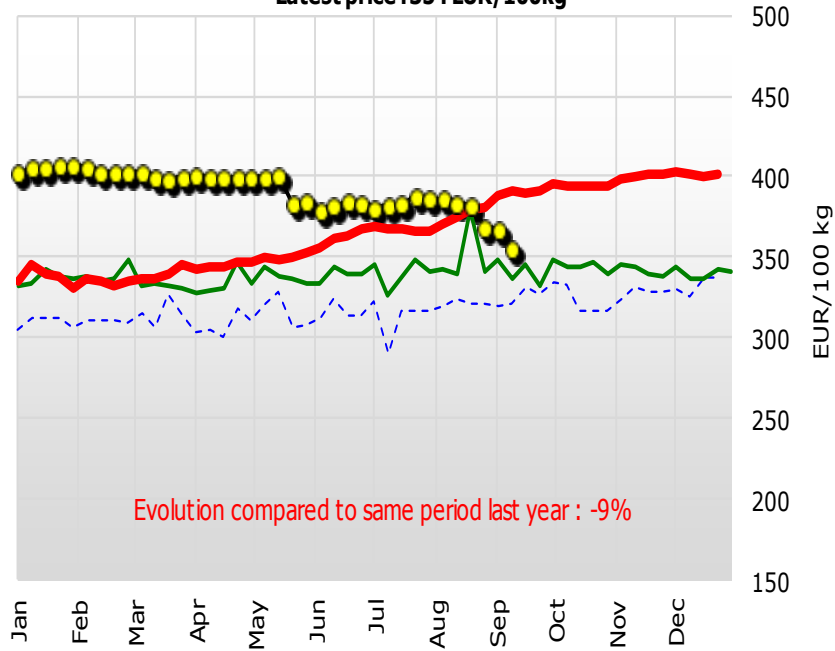
Weekly EU WMP Prices

Latest price : 259 EUR/100kg



Weekly EU CHEDDAR Prices

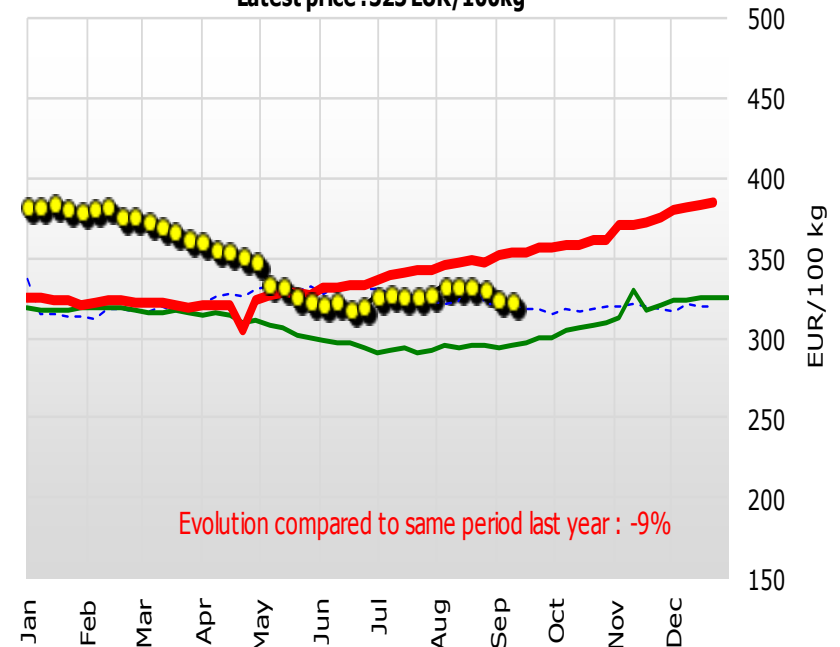
Latest price : 354 EUR/100kg



--- 2011 — 2012 — 2013 ● 2014

Weekly EU EDAM Prices

Latest price : 323 EUR/100kg

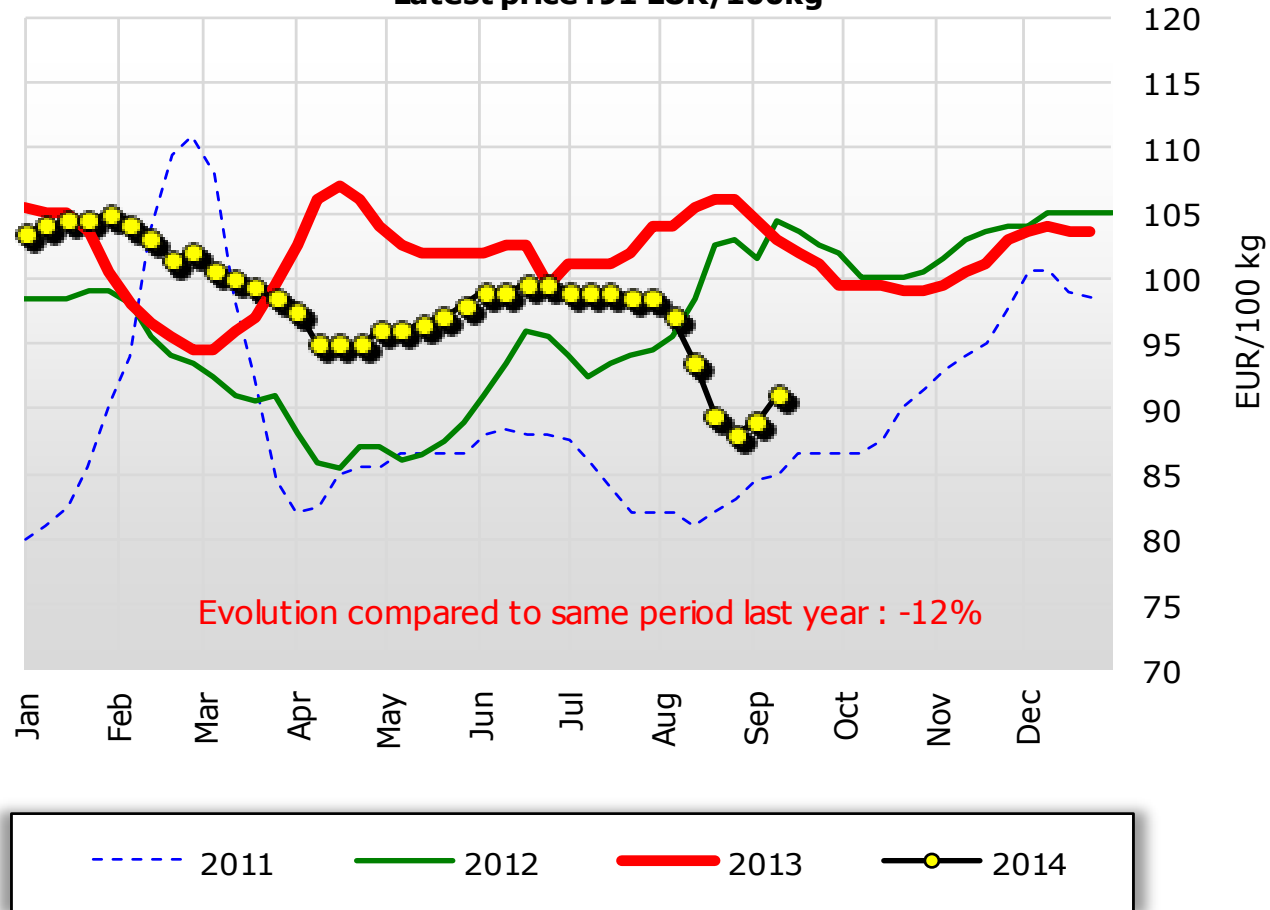


--- 2011 — 2012 — 2013 ● 2014

Source: MS' communications under Regs. 562/2005 and 479/2010

Weekly EU WheyPowder Prices

Latest price : 91 EUR/100kg



Source: MS' communications under Regs. 562/2005 and 479/2010

US Dollar

Latest (22 September 2014): EUR 1 = USD 1.2845 -0.0007 (-0.1%)

Change from 22 September 2013 to 23 September 2014

Minimum (22 September 2014): 1.2845 - Maximum (8 May 2014): 1.3953 - Average: 1.3582

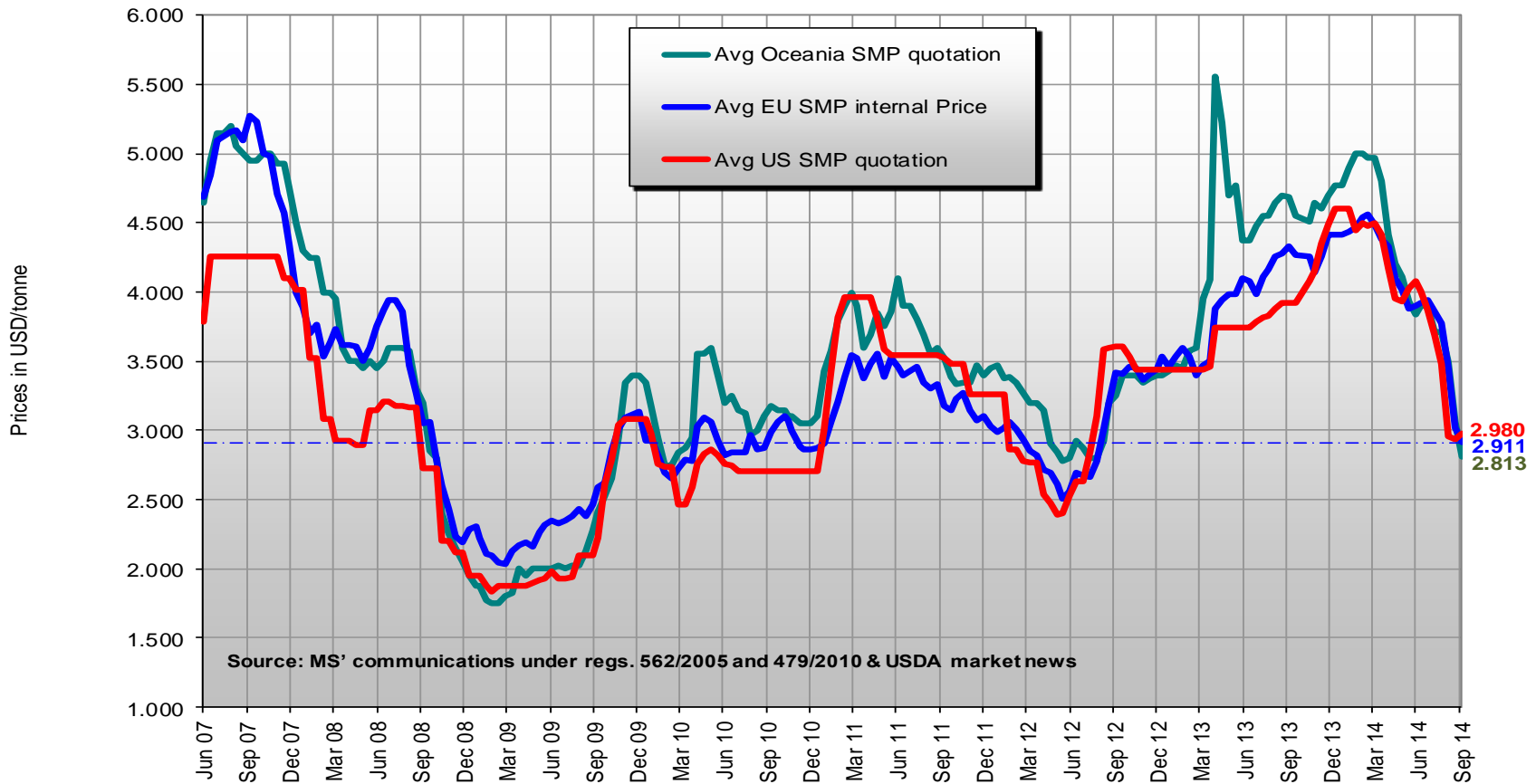
Select: EUR vs. USD ▾

From: 22-09-2013 to: 23-09-2014

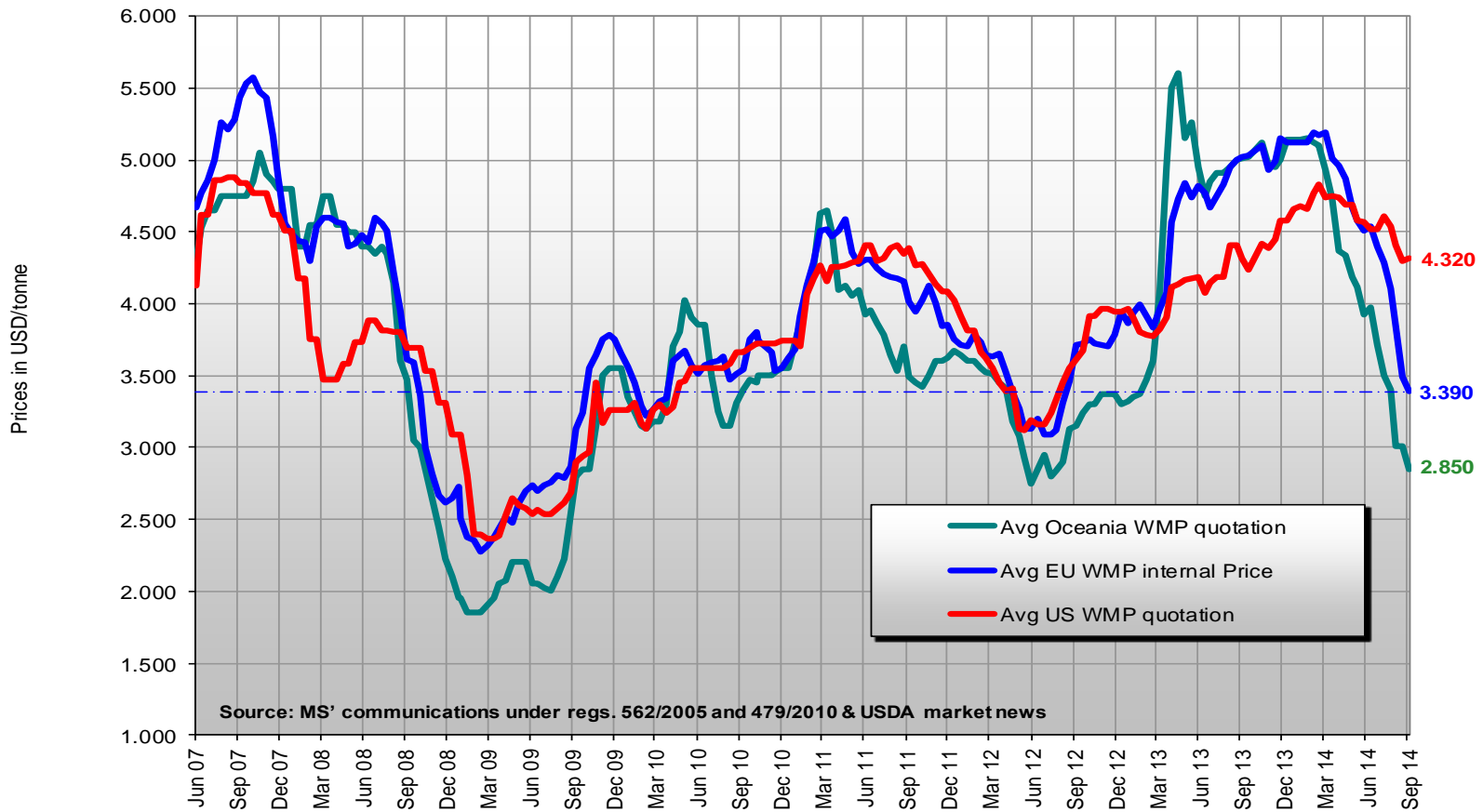
Zoom: 1m 3m 6m 1y 2y 5y 10y all



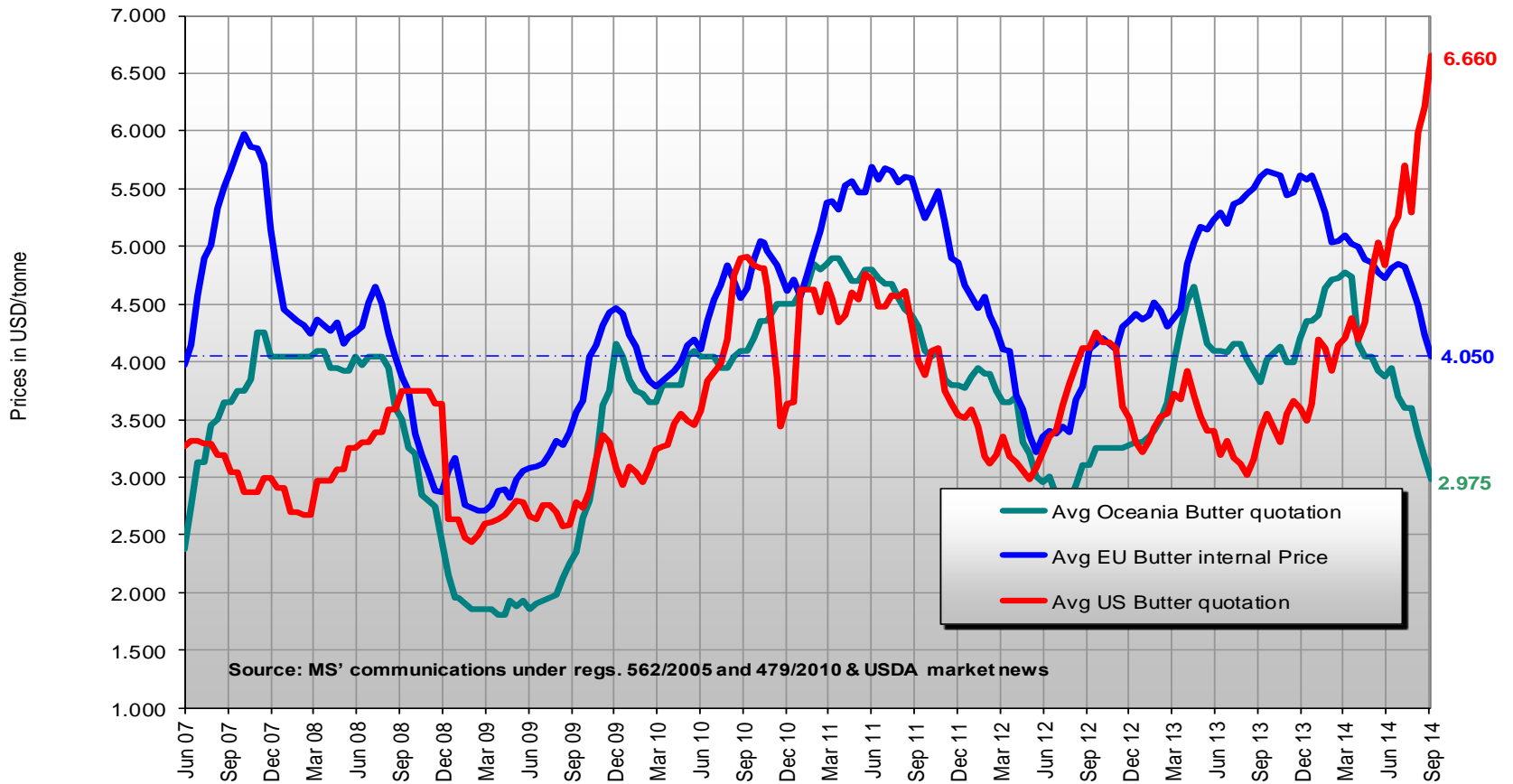
EU/US/Oceania Quotations of SMP



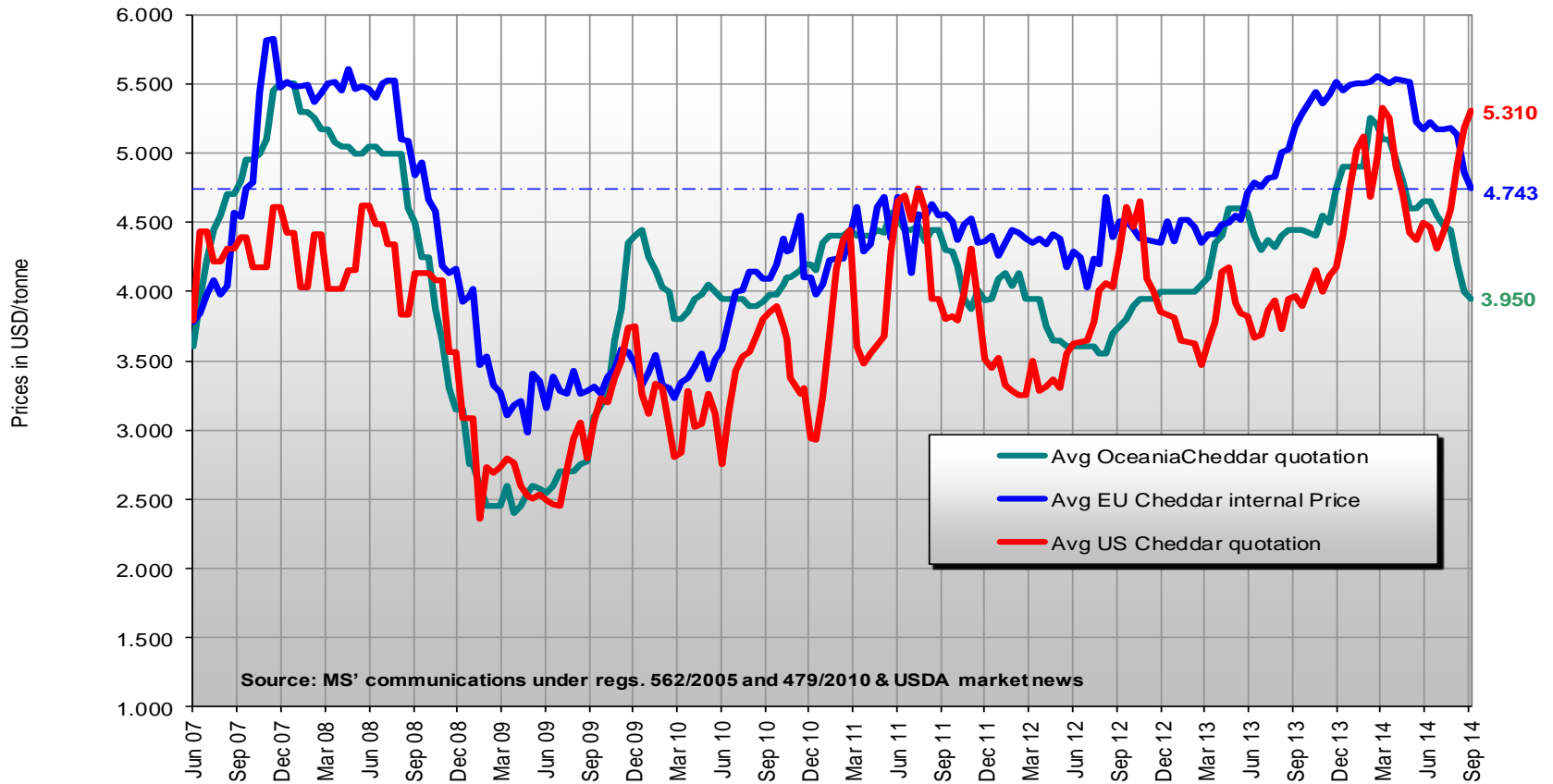
EU/US/Oceania Quotations of WMP



EU/US/Oceania Quotations of Butter

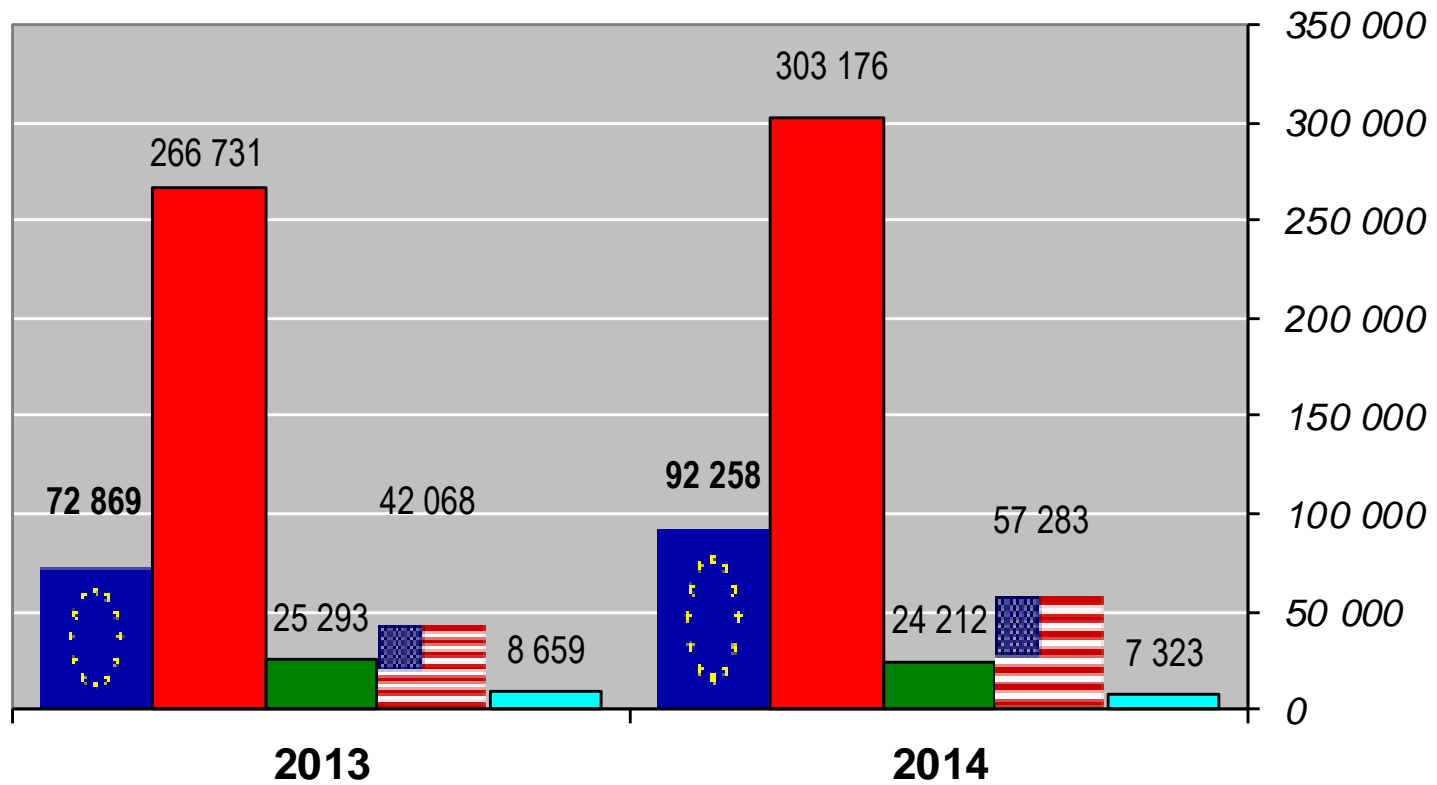


EU/US/Oceania Quotations of Cheddar



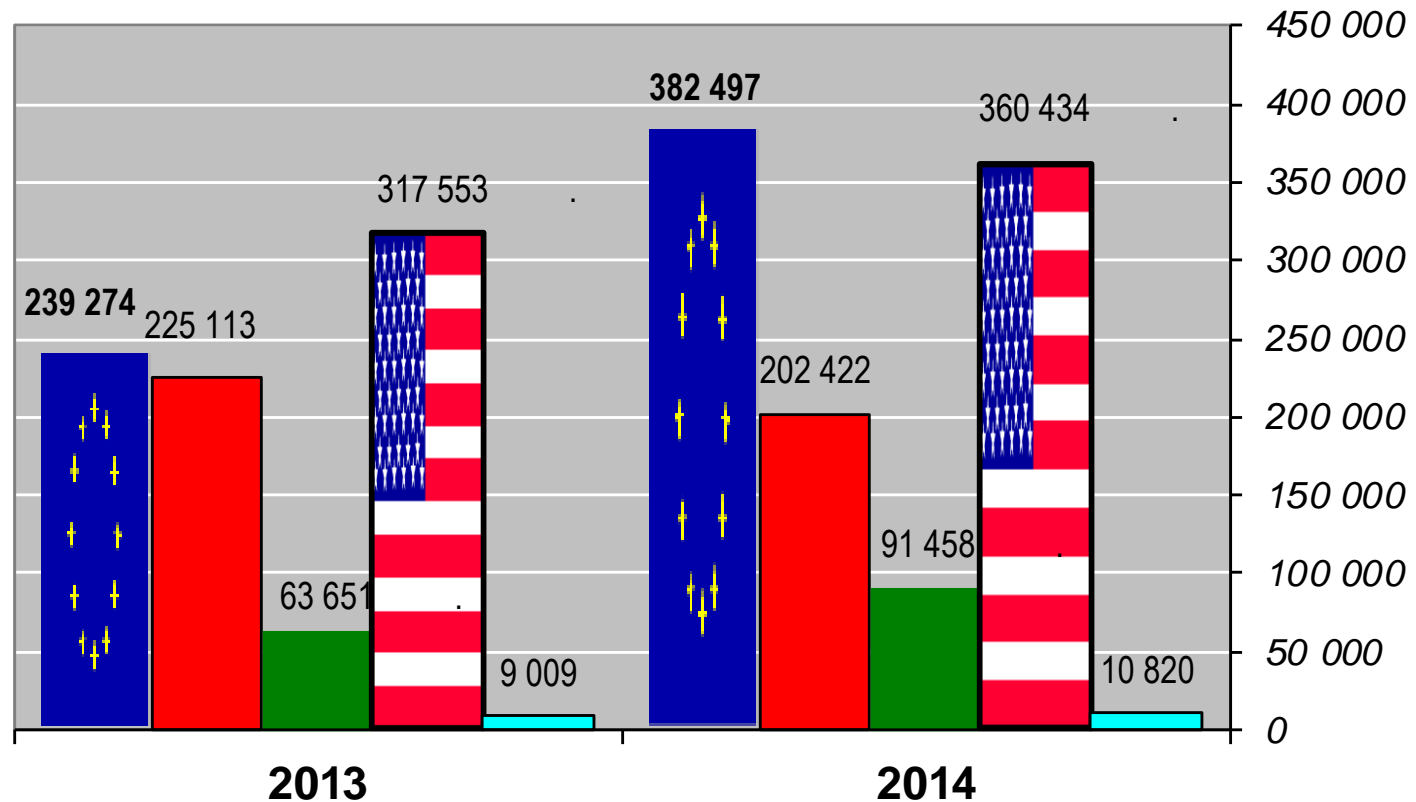
BUTTER & Butteroil Exports

- EU-28 (up to Jul)
- New Zealand (up to Jul)
- Australia (up to Jul)
- United States (up to Jul)
- Argentina (up to Jul)



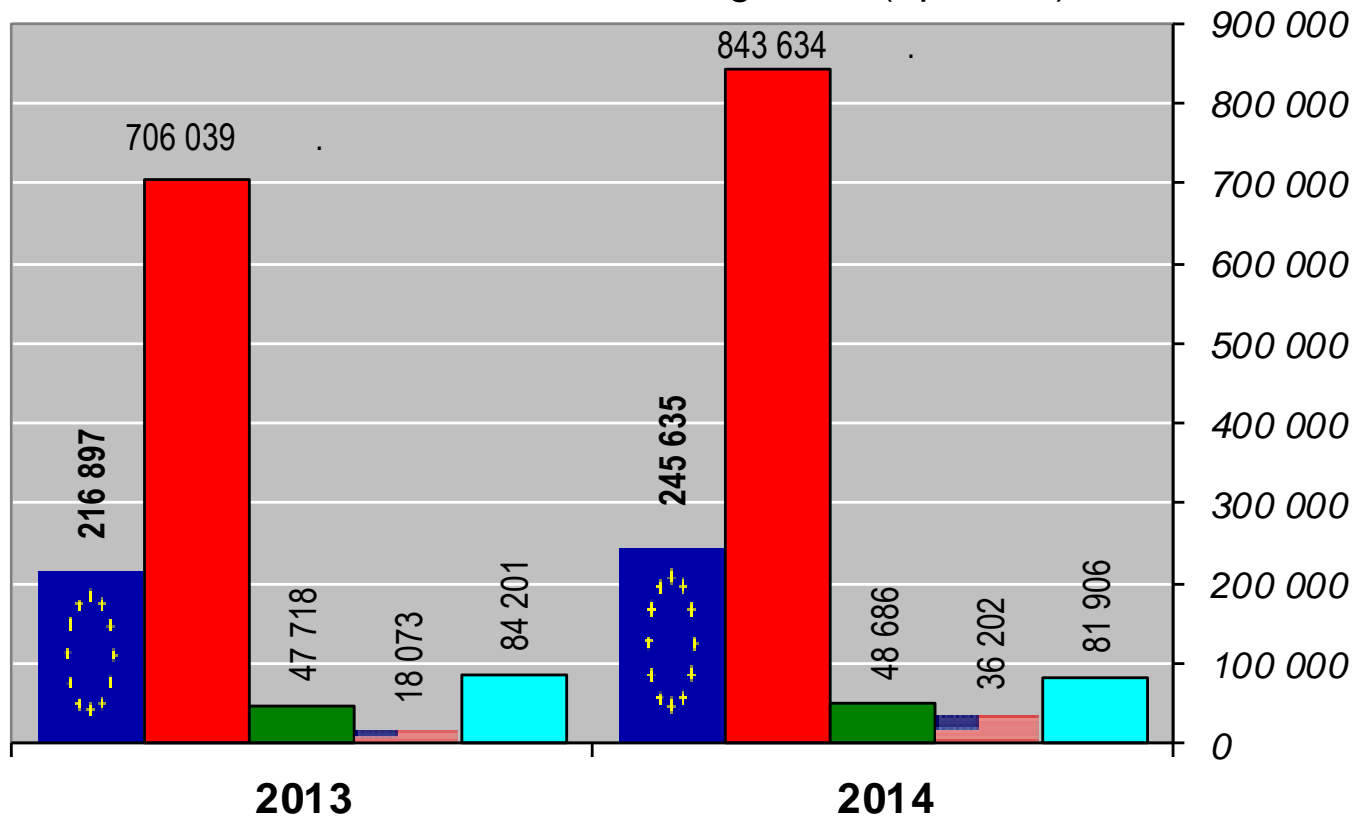
SMP Exports

- EU-28 (up to Jul)
- New Zealand (up to Jul)
- Australia (up to Jul)
- United States (up to Jul)
- Argentina (up to Jul)



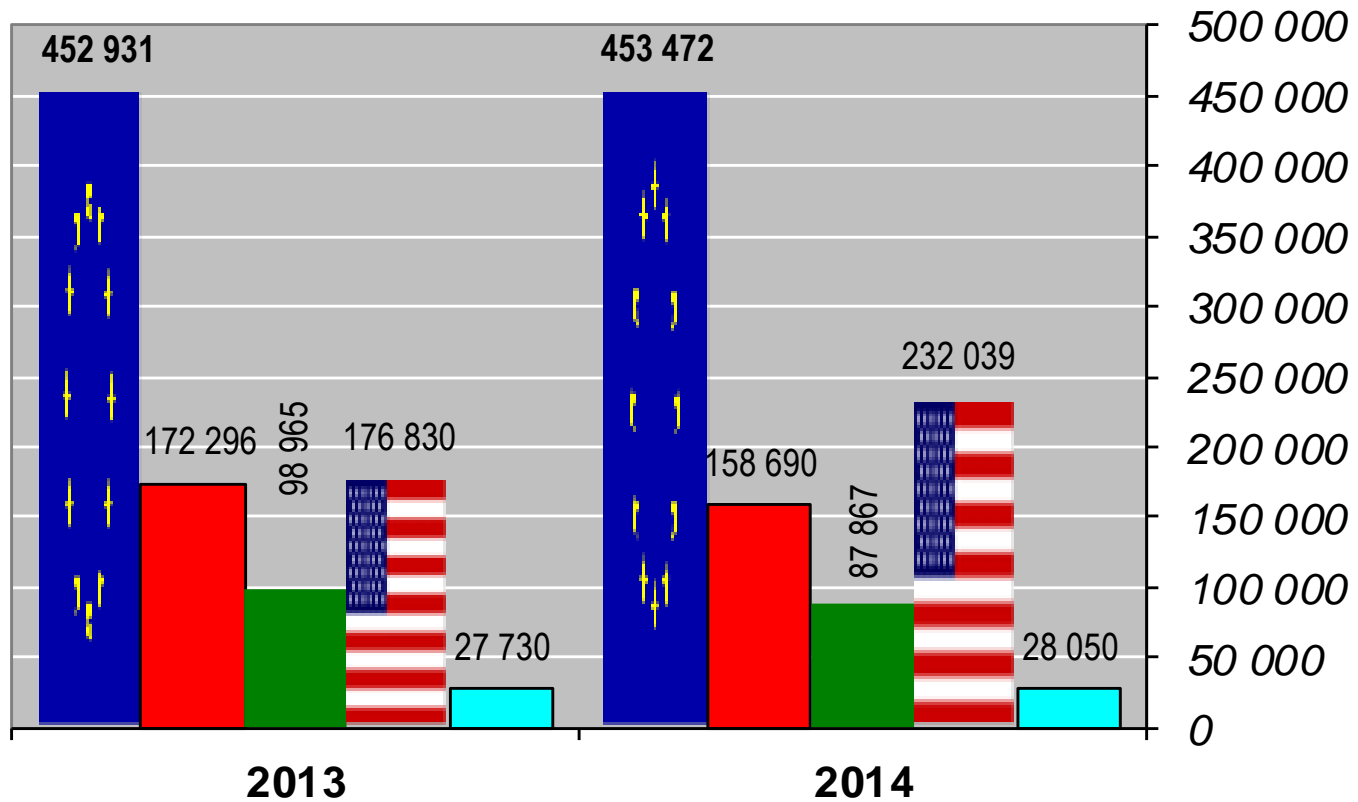
WMP Exports

- EU-28 (up to Jul)
- New Zealand (up to Jul)
- Australia (up to Jul)
- United States (up to Jul)
- Argentina (up to Jul)



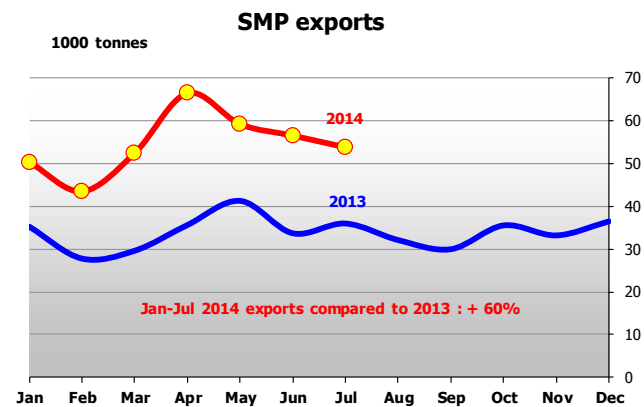
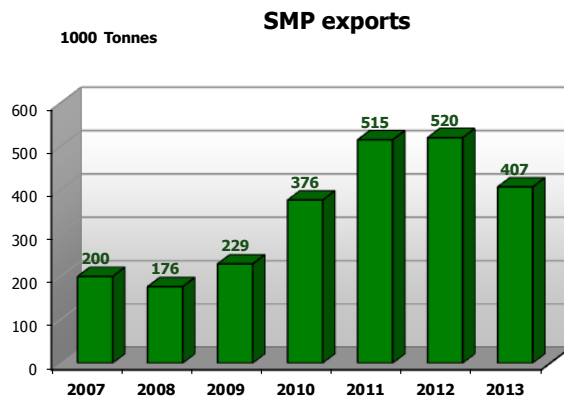
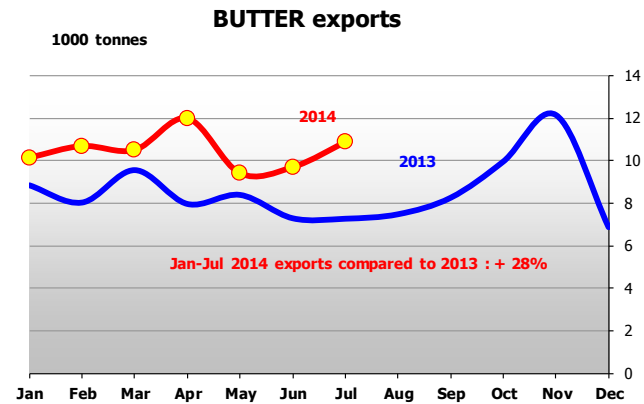
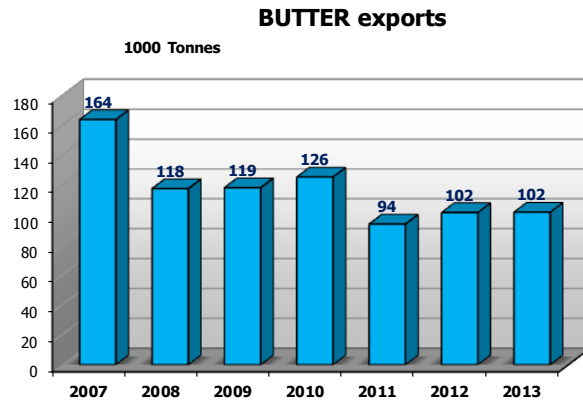
CHEESE Exports

- EU-28 (up to Jul)
- New Zealand (up to Jul)
- Australia (up to Jul)
- United States (up to Jul)
- Argentina (up to Jul)



EU-28 Exports (1/2)

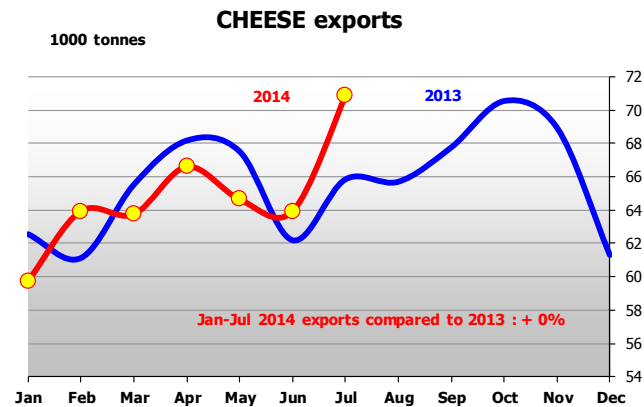
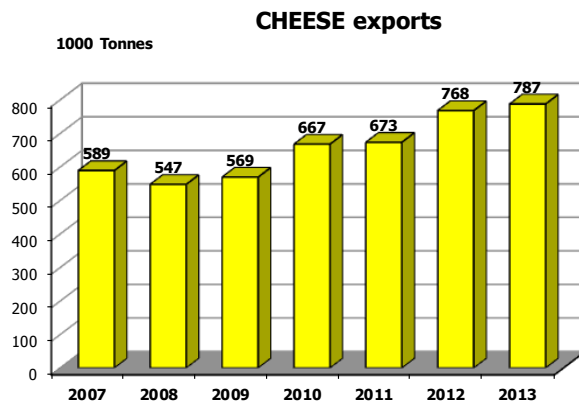
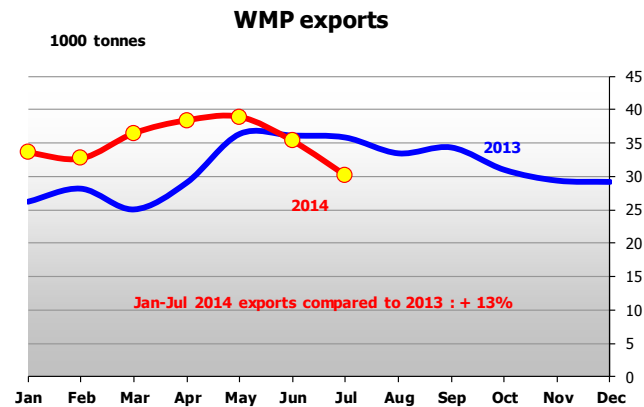
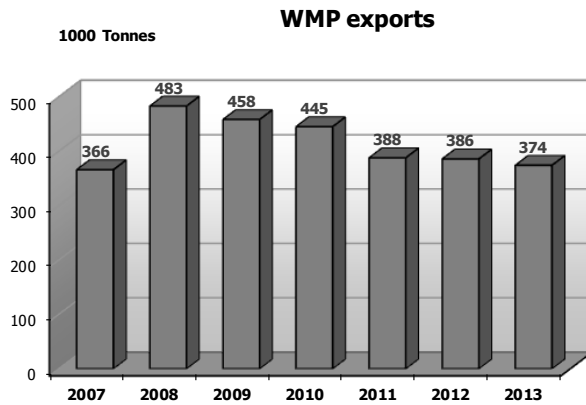
Source : Eurostat (COMEXT)





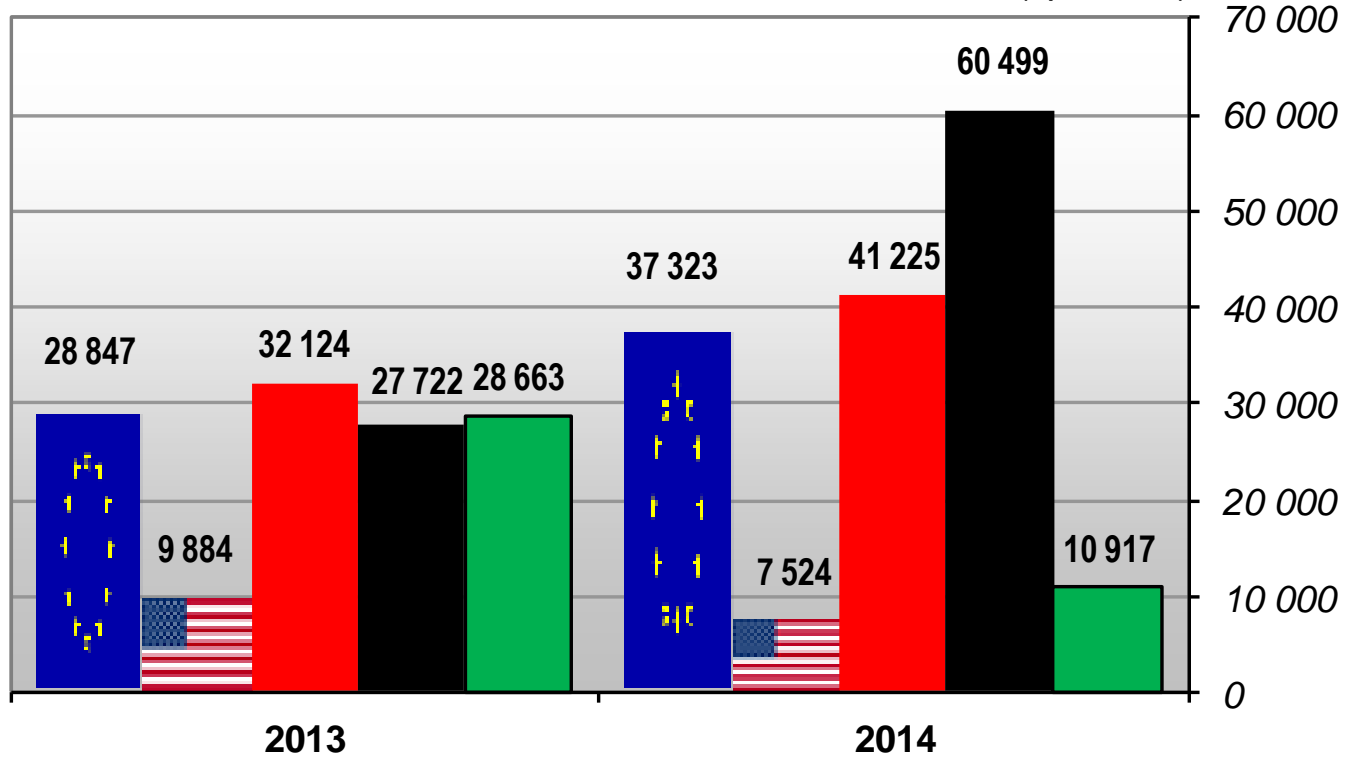
European
Commission

EU-28 Exports (2/2)



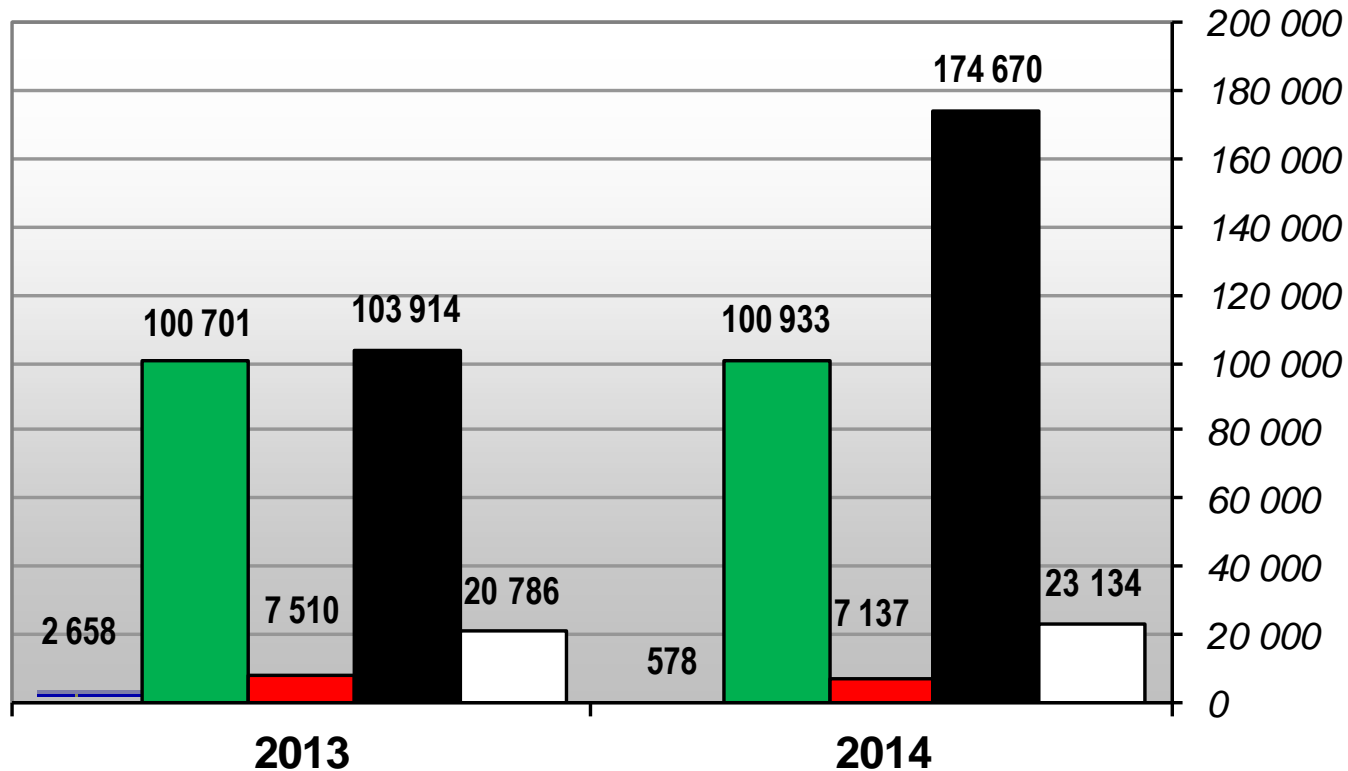
BUTTER + Butteroil Imports

- EU-28 (up to Jul)
- United States (up to Jul)
- Russia (up to Apr)
- China (up to Jul)
- Mexico (up to Jun)



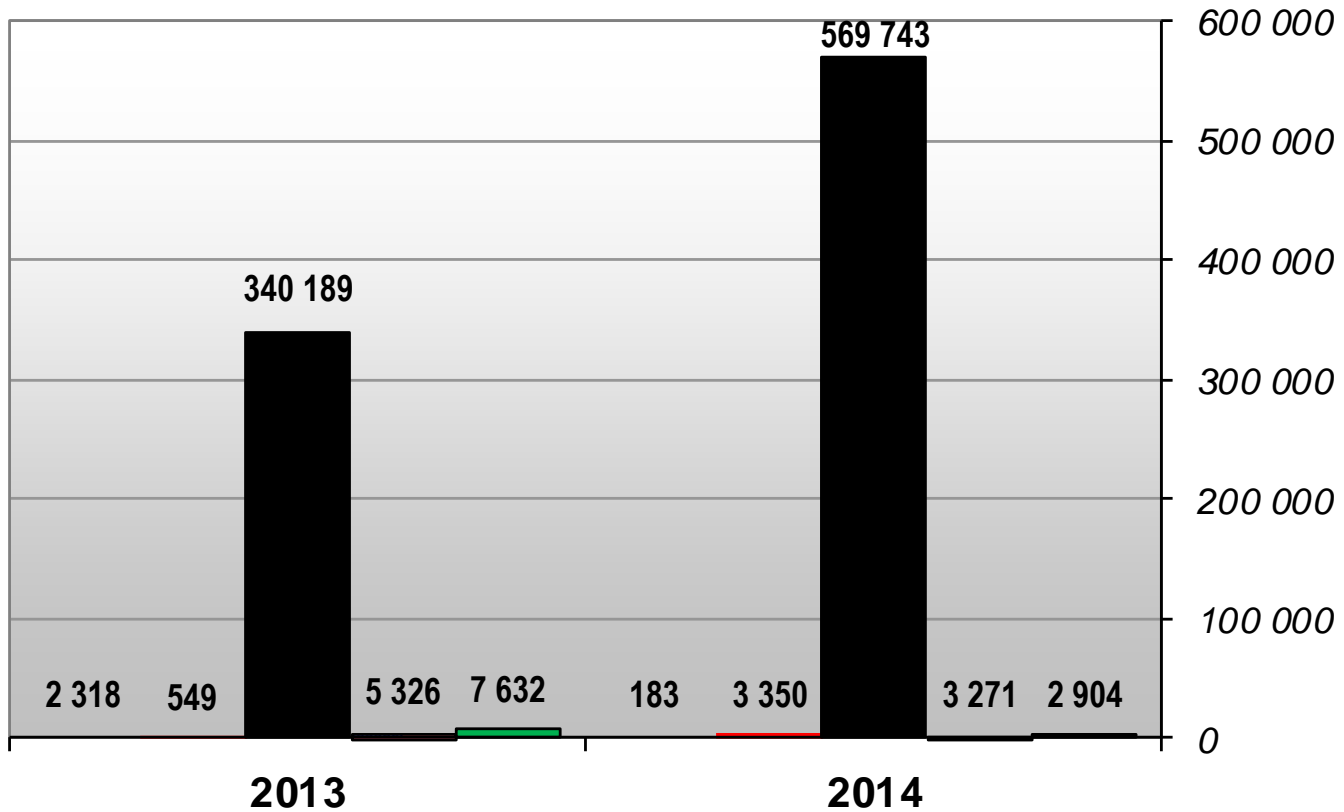
SMP Imports

- EU-28 (up to Jul)
- Mexico (up to Jun)
- Russia (up to Apr)
- China (up to Jul)
- Japan (up to Jul)



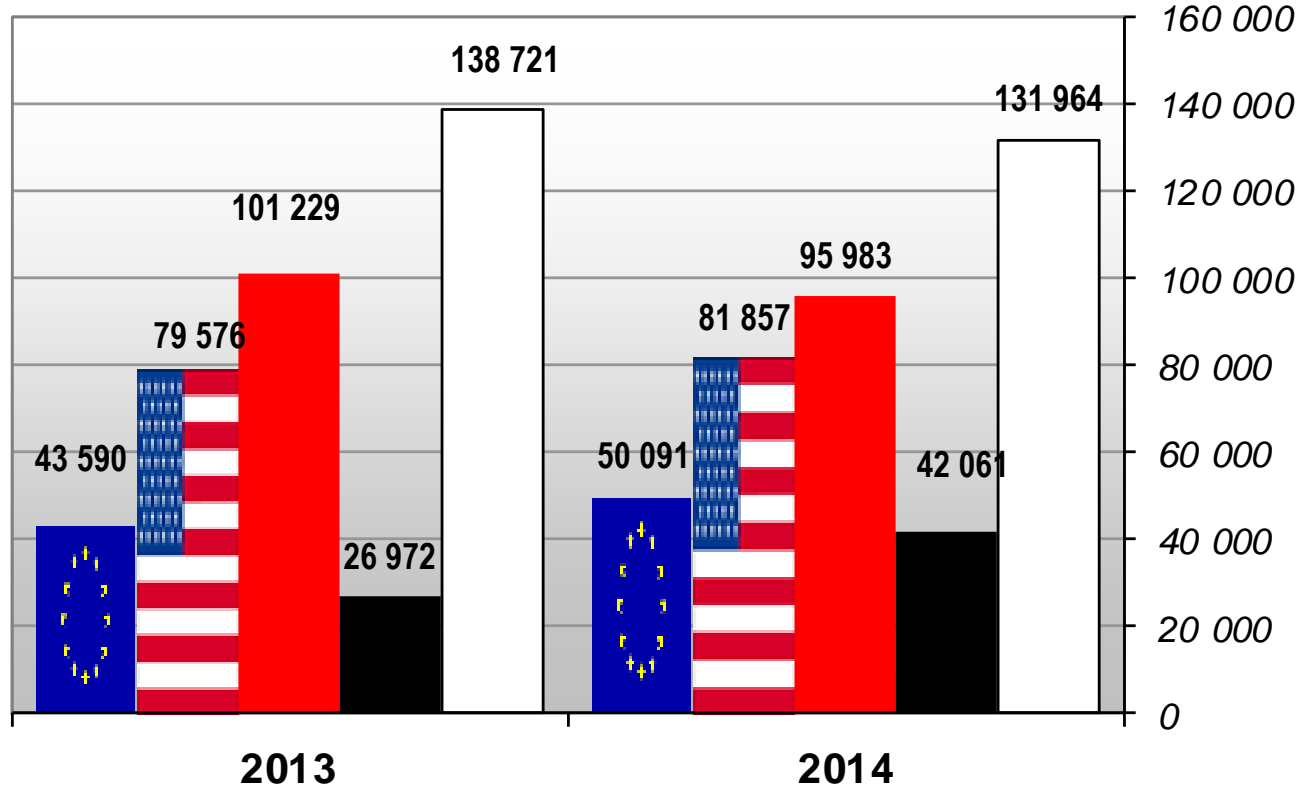
WMP Imports

- EU-28 (up to Jul)
- Russia (up to Apr)
- China (up to Jul)
- United States (up to Jul)
- Mexico (up to Jun)



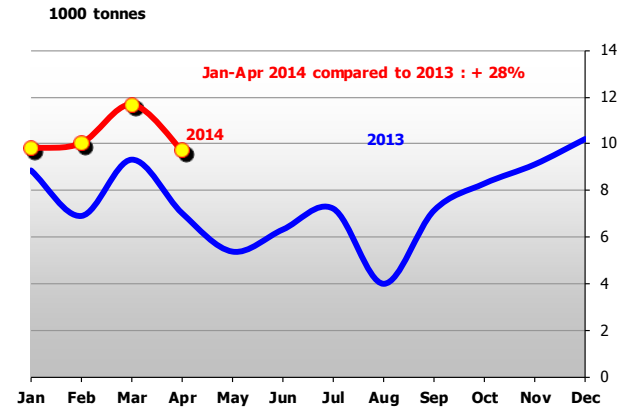
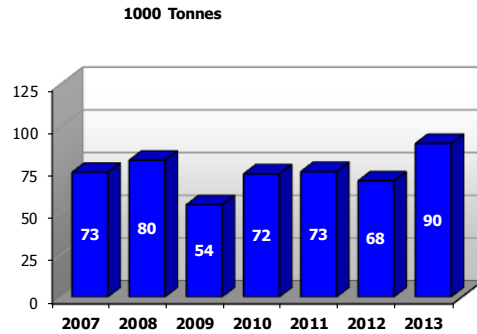
CHEESE Imports

- EU-28 (up to Jul)
- United States (up to Jul)
- Russia (up to Apr)
- China (up to Jul)
- Japan (up to Jul)

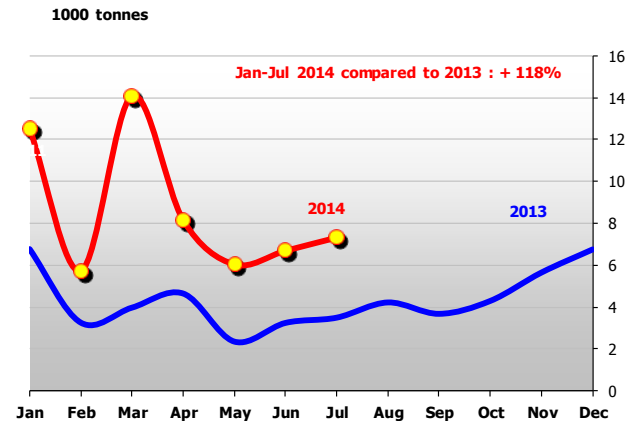
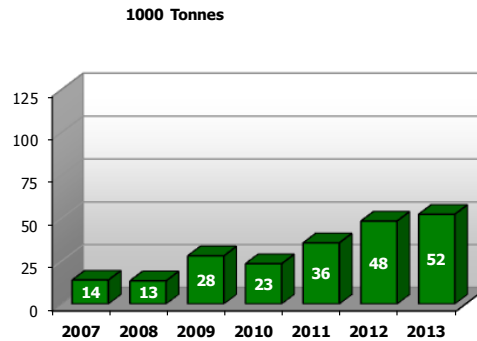


Main Dairy Importers (Butter + Butteroil 1/2)

Russia



China

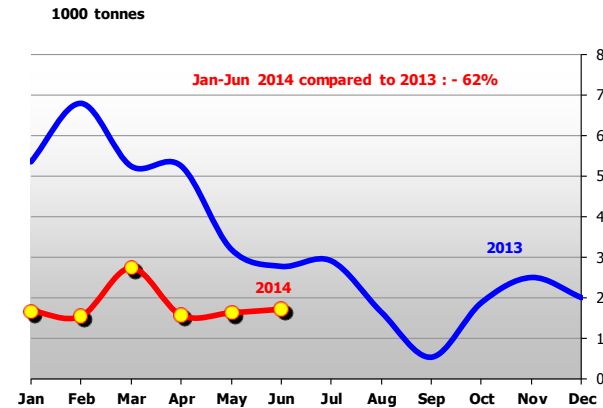
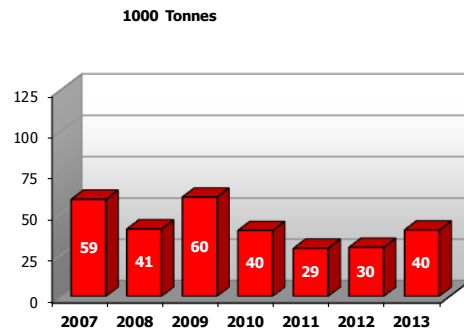




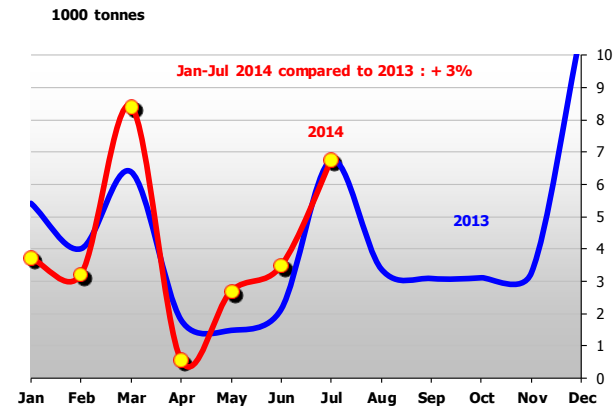
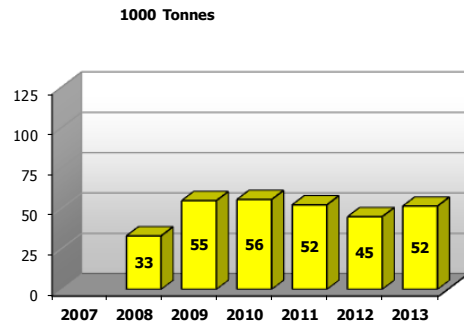
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Commission

Main Dairy Importers (Butter + Butteroil 2/2)

Mexico

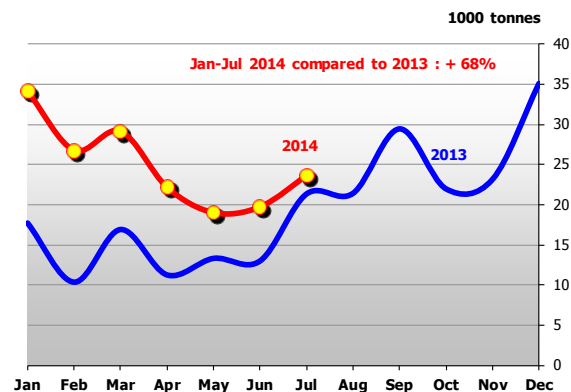
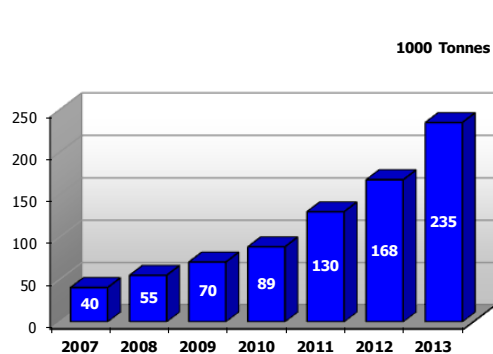


Iran

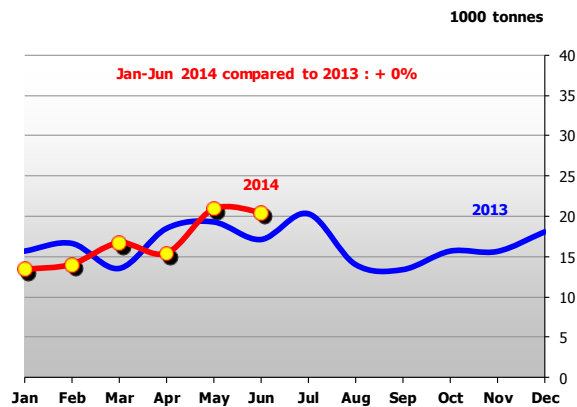
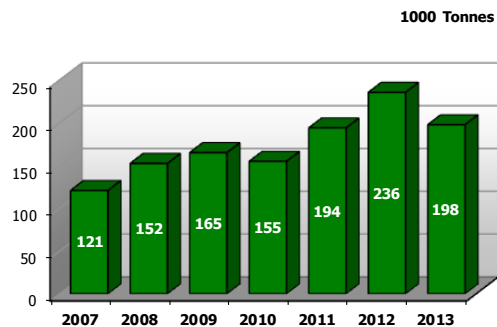


Main Dairy Importers (S.M.P. - 1/2)

China



Mexico

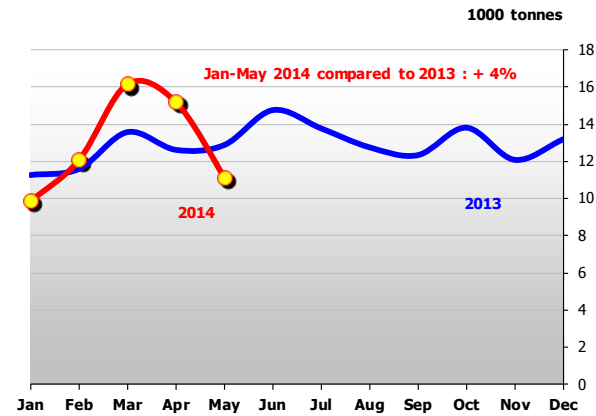
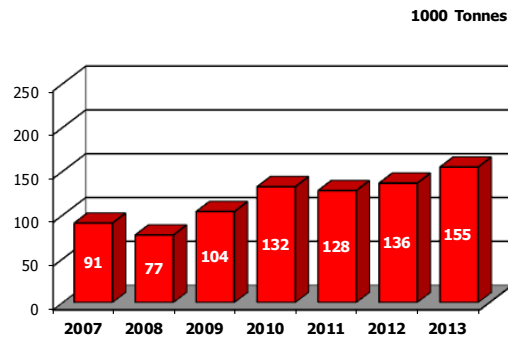




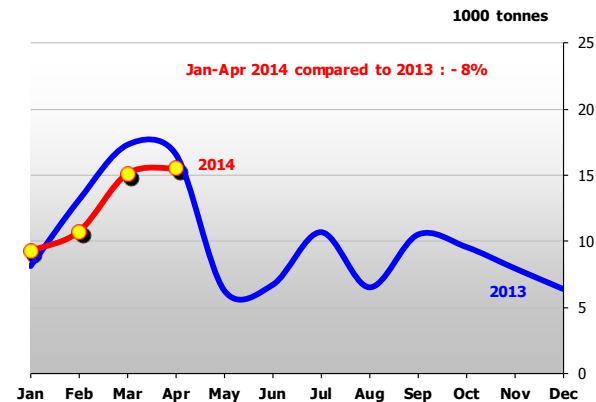
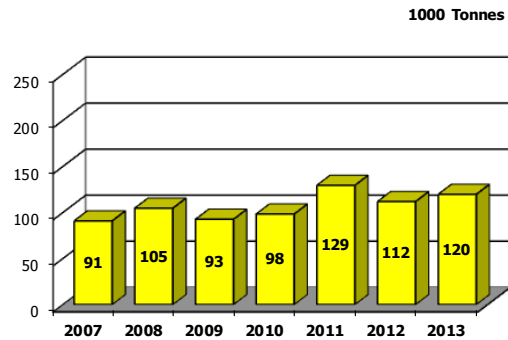
European
Commission

Main Dairy Importers (S.M.P. – 2/2)

Indonesia



Algeria

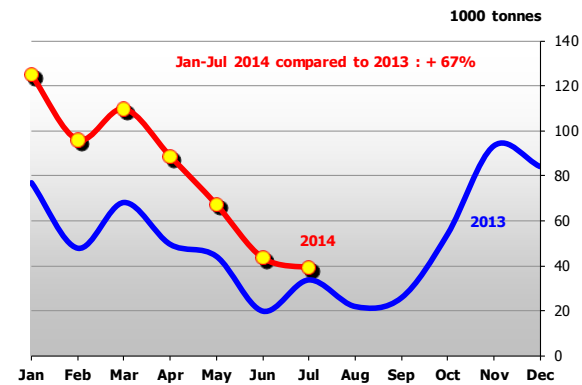
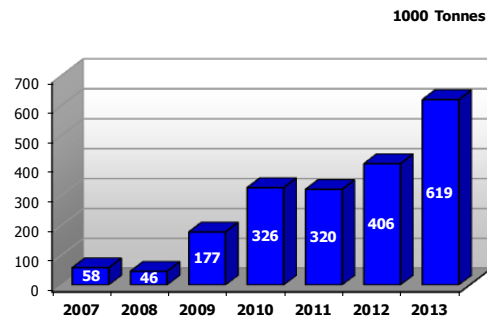




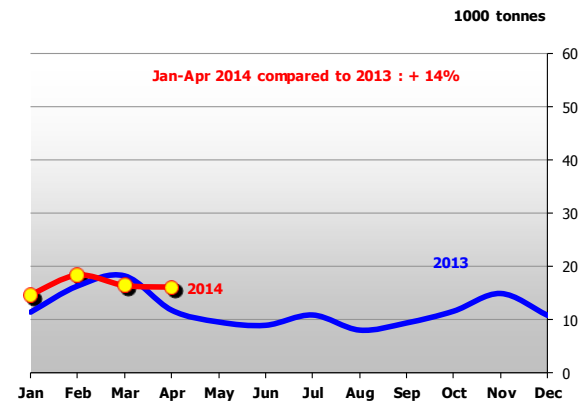
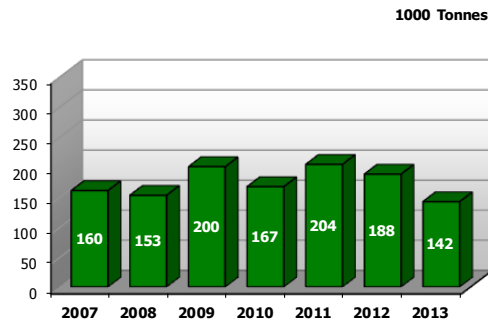
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Main Dairy Importers (W.M.P. 1/2)

China

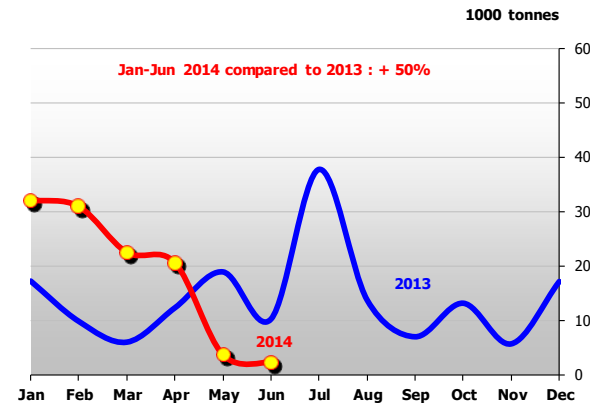
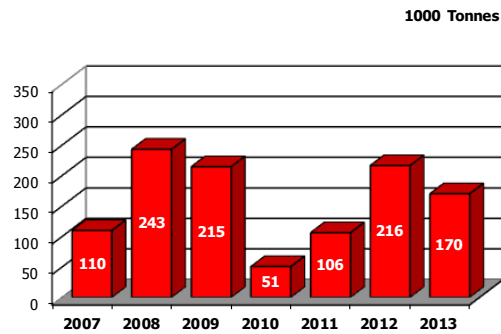


Algeria

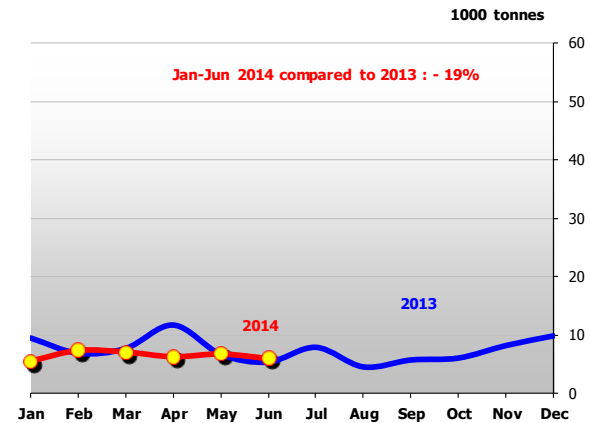
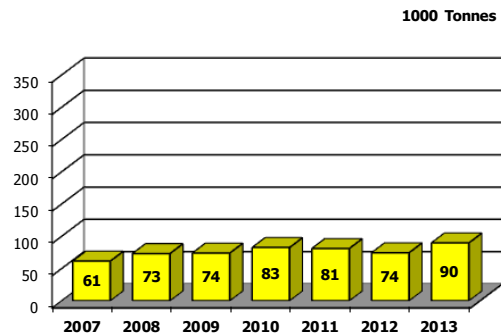


Main Dairy Importers (W.M.P. 2/2)

Venezuela



Singapore

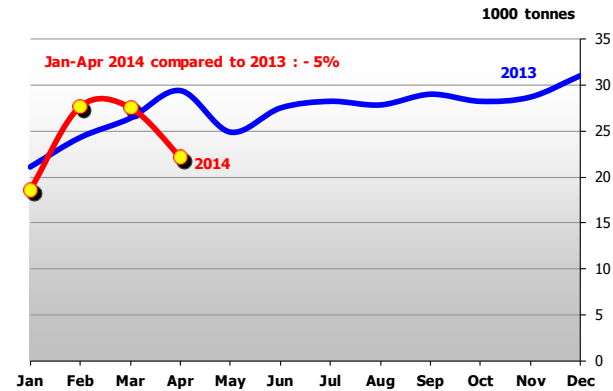
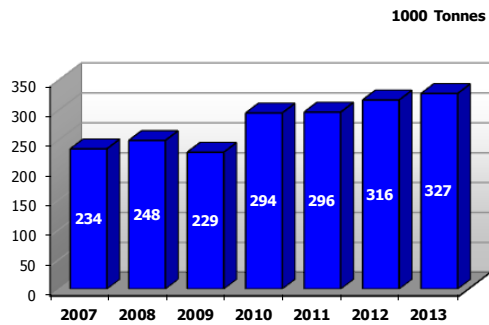




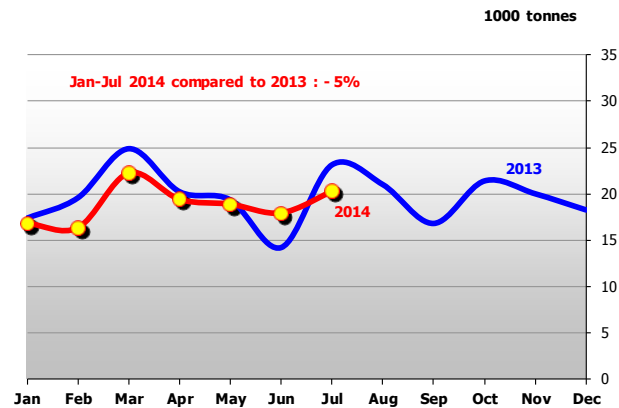
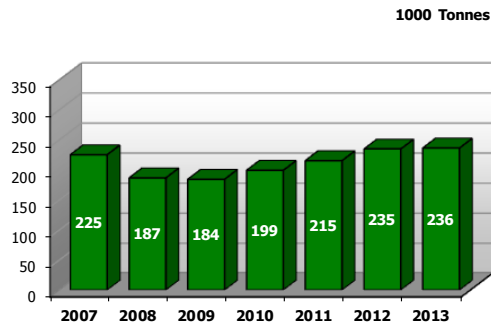
European
Commission

Main Dairy Importers (Cheese - 1/2)

Russia

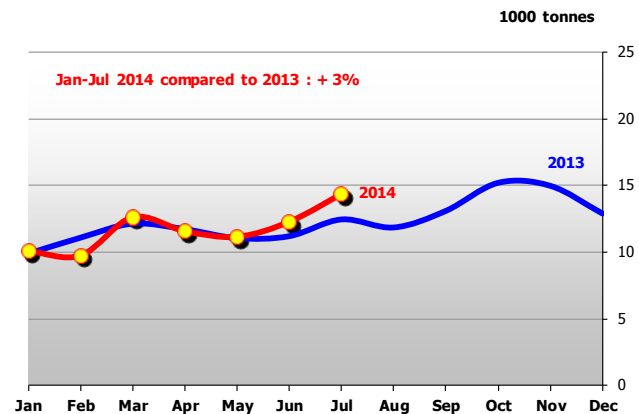
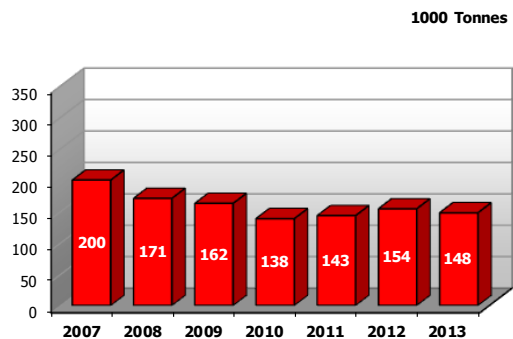


Japan

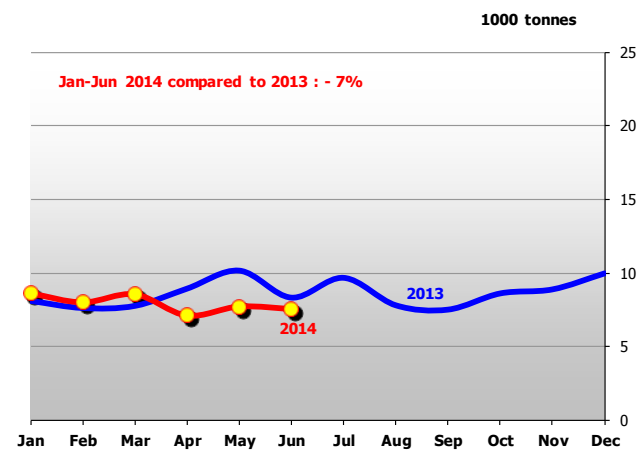
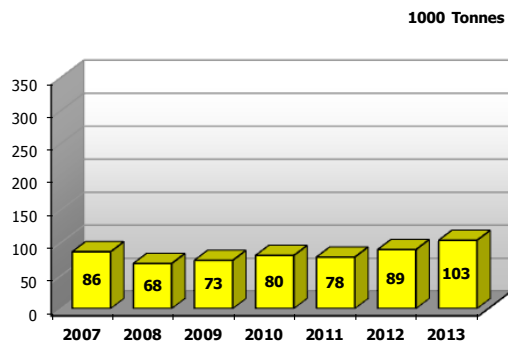


Main Dairy Importers (Cheese - 2/2)

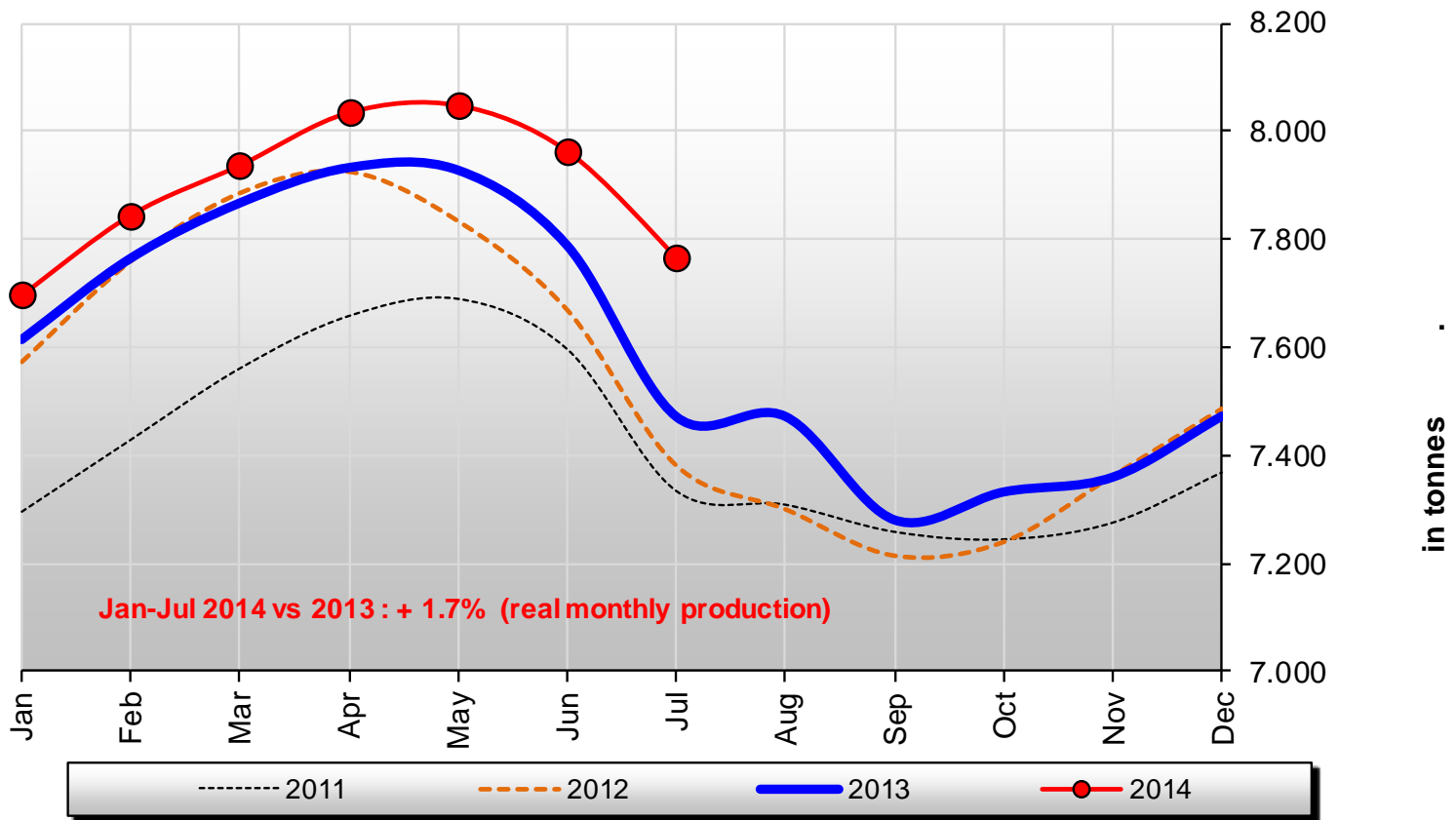
United States



Mexico

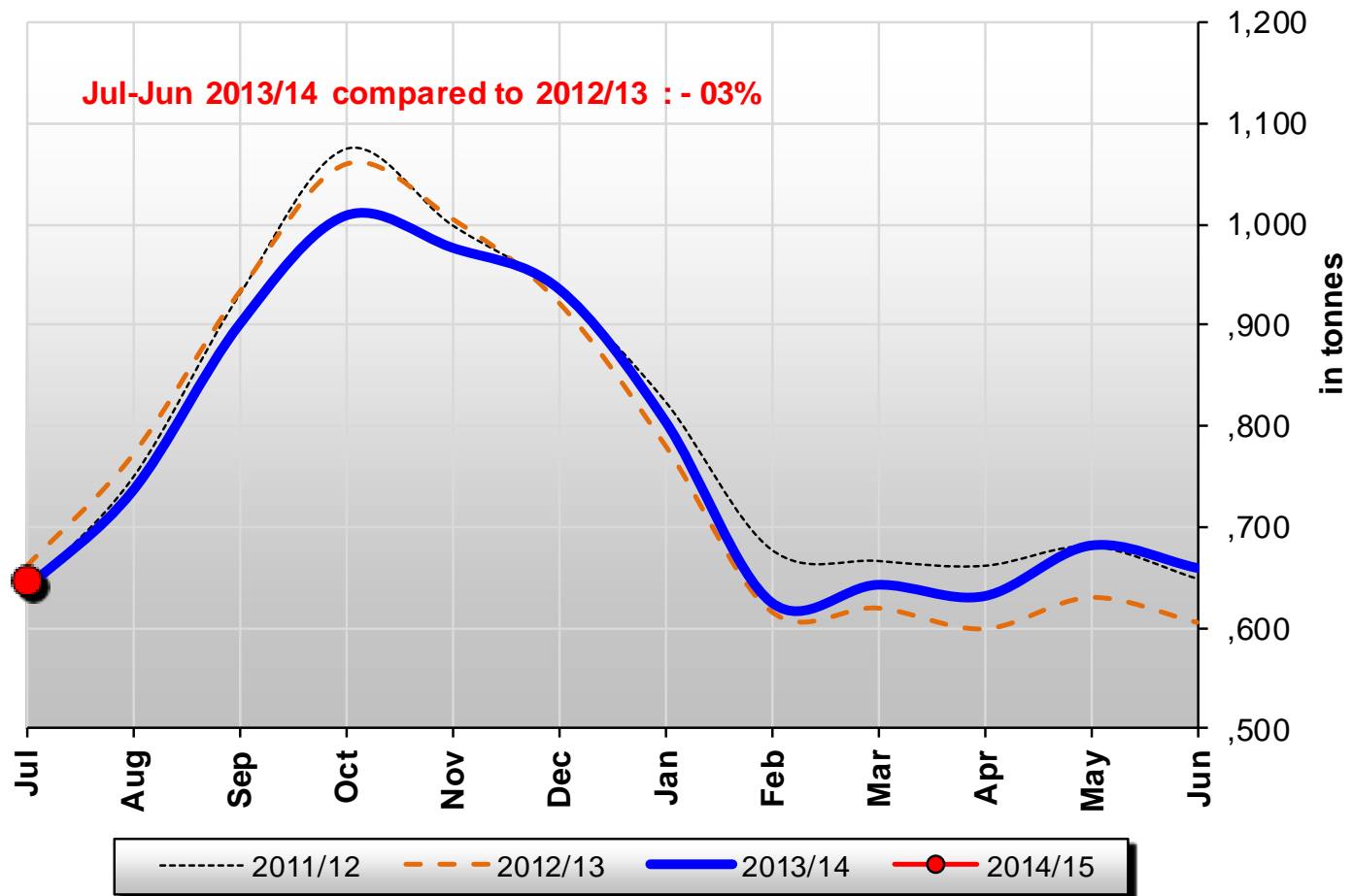


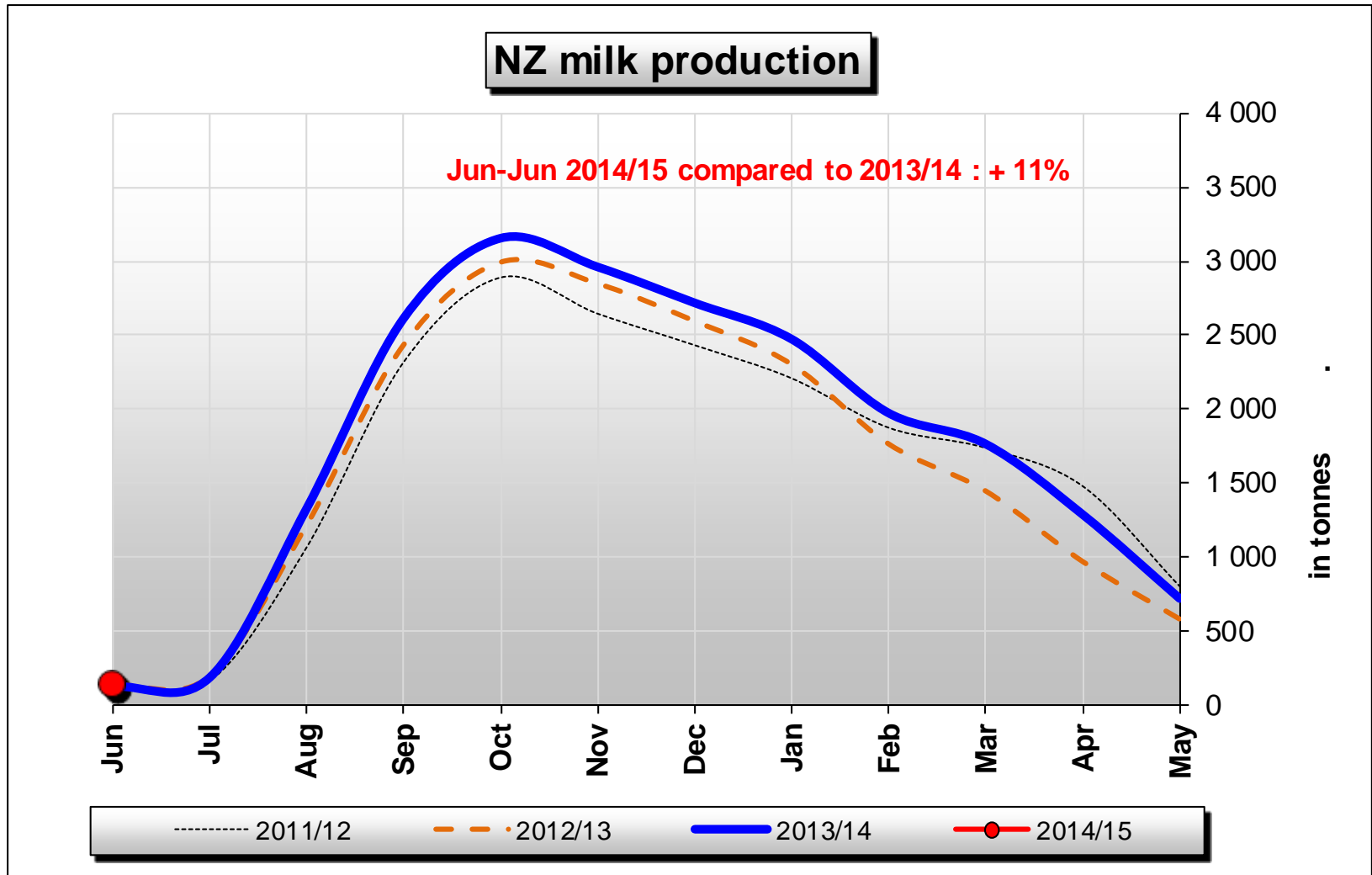
Adjusted U.S. milk production (months of constant length)



Source:USDA

Australian milk production





Source: DCANZ - Fonterra



European
Commission

Results of the GDT event 124 of 16.09.2014

Prices in US\$/t	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Weighted average price	% change	% change by contract from previous auction					
									Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15
AMF	n.a.	3 234	3 251	3 301	3 313	3 394	3 264	- 2.9%		- 2.3%	- 3.2%	- 2.9%	- 3.9%	- 4.1%
Butter	n.a.	2 645	2 700	2 706	2 895	n.a.	2 698	- 2.0%		+ 3.1%	- 4.1%	- 10.1%	- 6.2%	
BMP	n.a.	3 130	3 115	3 265	n.a.	n.a.	3 140	- 1.1%		+ 3.9%	- 8.0%	- 8.8%		
Cheeses	n.a.	3 056	3 057	3 122	n.a.	n.a.	3 077	- 6.0%		- 6.7%	- 6.5%	- 4.8%		
MPC70	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.							
Rennet Casein	n.a.	8 271	8 404	8 435	n.a.	n.a.	8 343	+ 1.4%		+ 1.2%	+ 0.7%	+ 2.7%		
Lactose	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.							
SMP	2 532	2 601	2 660	2 595	2 603	2 828	2 619	+ 0.7%	- 6.5%	+ 3.3%	+ 1.4%	- 3.3%	- 6.2%	- 10.4%
WMP	n.a.	2 670	2 696	2 694	2 723	2 873	2 692	+ 0.7%		+ 1.9%	+ 1.2%	- 1.0%	- 4.2%	- 0.5%

Source : GlobalDairyTrade (<http://www.globaldairytrade.info/>)

16 Sep 2014

1 € = 1.2929 \$ (ECB rate)

in €/t	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Weighted average price
AMF		2 501	2 515	2 553	2 562	2 625	2 525
Butter		2 046	2 088	2 093	2 239		2 086
BMP		2 421	2 409	2 525			2 429
Cheese		2 364	2 364	2 414			2 380
MPC70							
Rennet Casein		6 397	6 500	6 524			6 453
Lactose							6 367
SMP	1 958	2 012	2 058	2 007	2 013	2 187	2 026
WMP		2 065	2 085	2 084	2 106	2 222	2 082

ANNEX 2

Draft short-term prospects for EU dairy markets

European Commission



European
Commission

Draft short-term prospects for EU dairy markets

*Milk market observatory
24 September 2014*

*Sophie H elaine
European Commission*

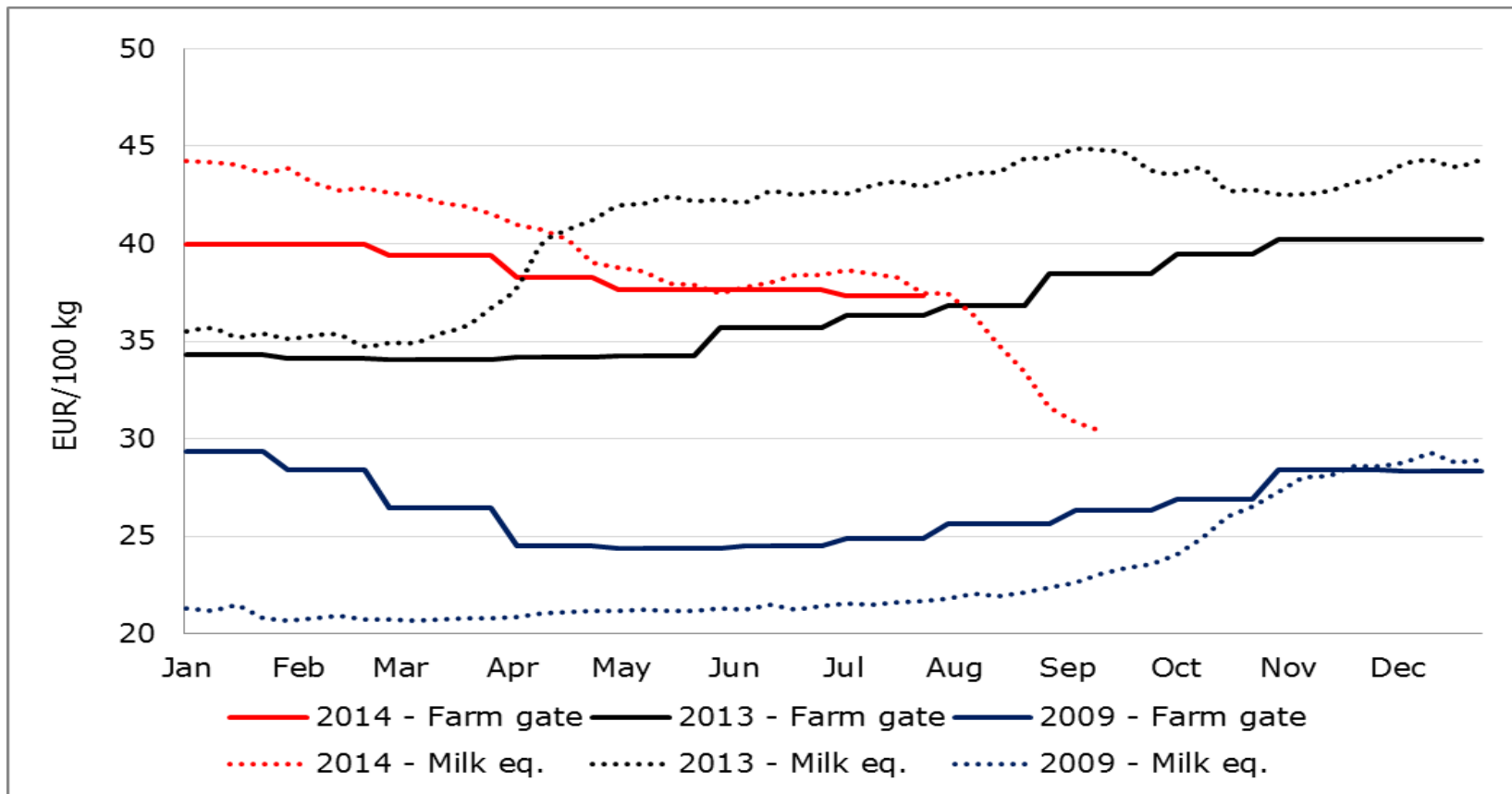
Agriculture
and Rural
Development

Outline

- Which market signals are sent to farmers?
- The EU milk collection in the next months?
- 2015 milk collection
- The balance sheets

The next STO is to be published
the second week of October

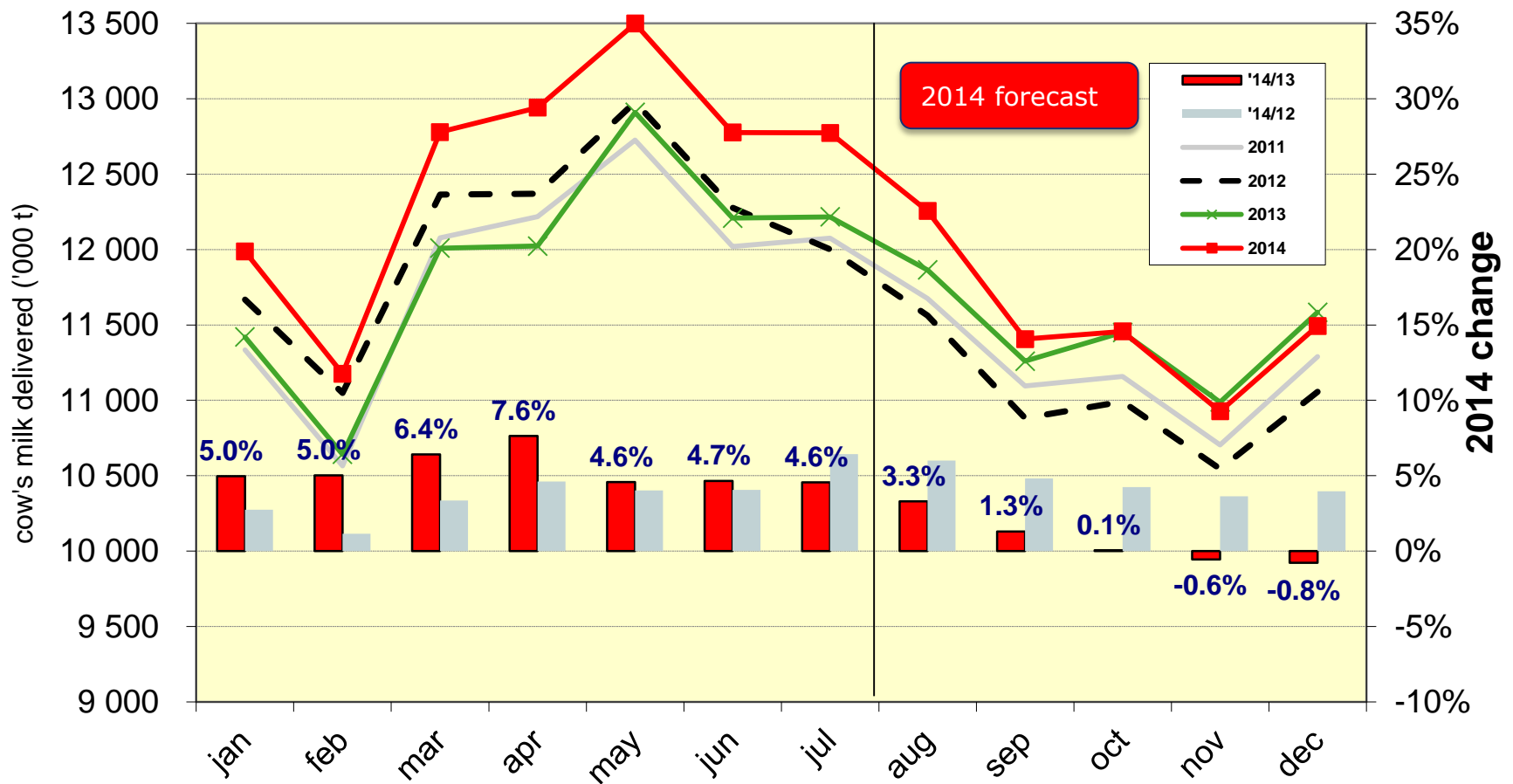
With the exception of certain MS, farmers do not face yet a drop in the milk price



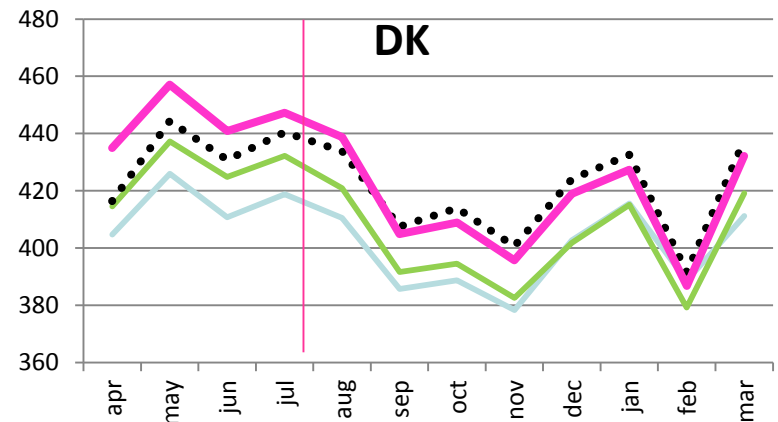
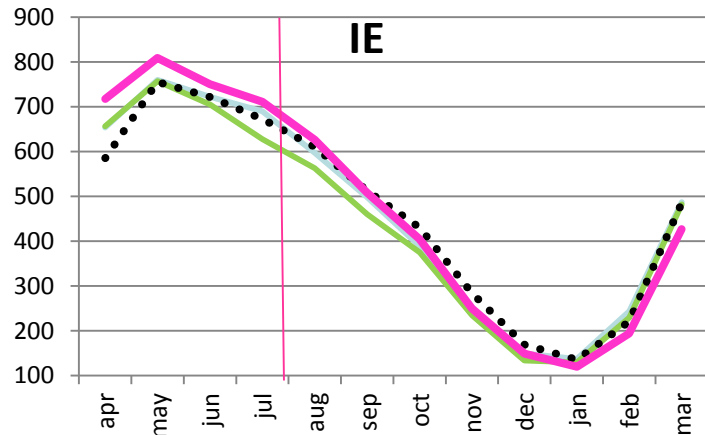
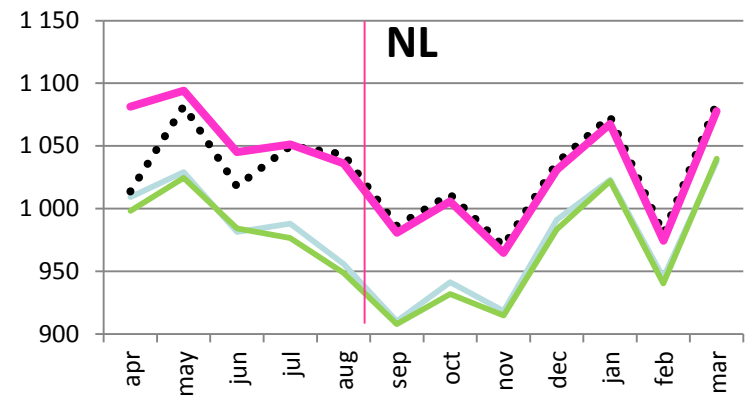
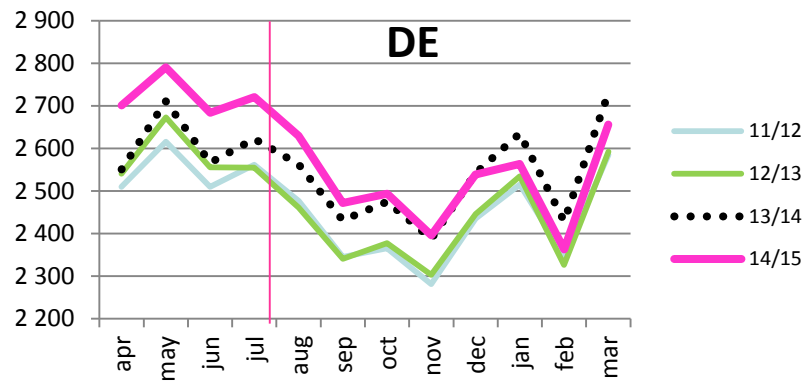
Note: The farm gate milk price is expressed in real fat content

Source: DG AGRI estimates based on MS notifications

No break in milk collection expected before the very end of the year



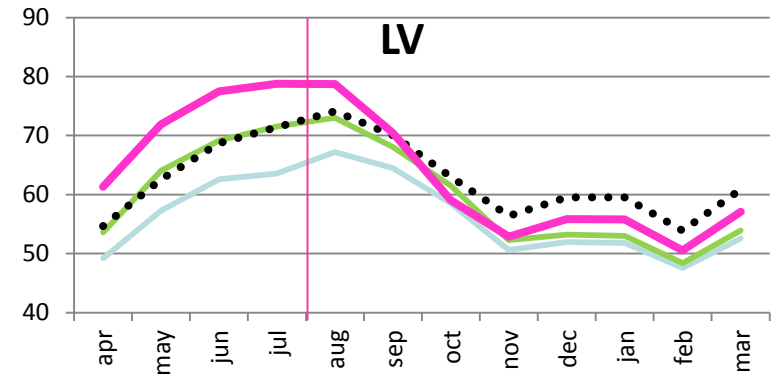
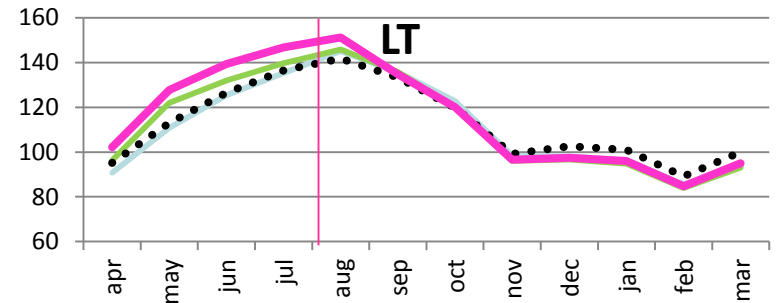
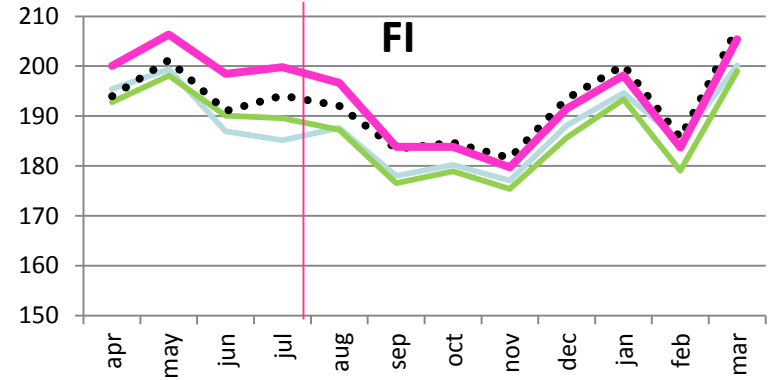
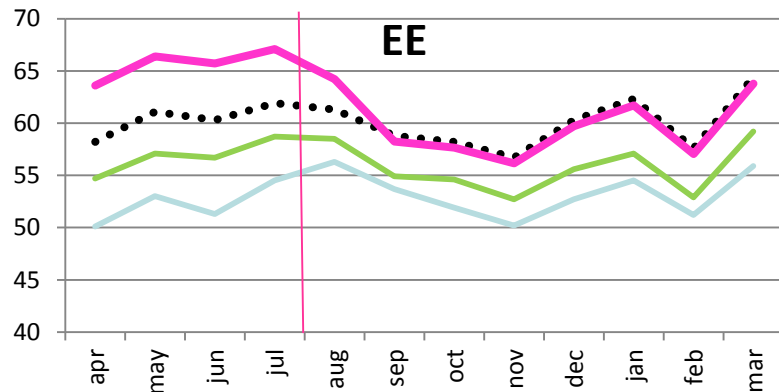
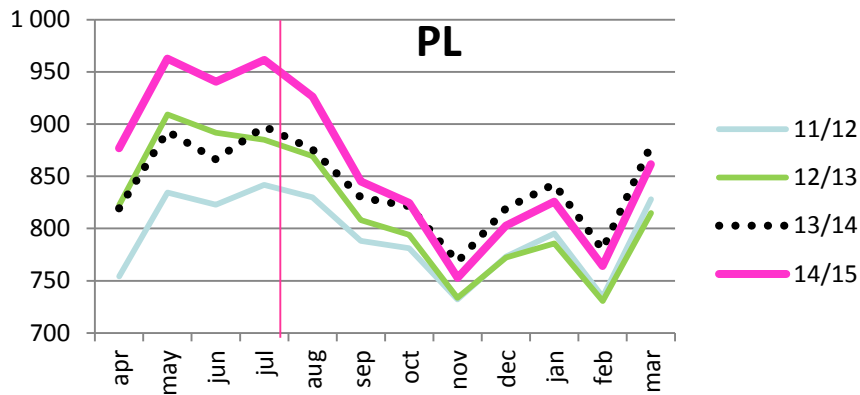
A bigger break to be expected in the countries which might produce above quota?



Unit: 1000 tonnes

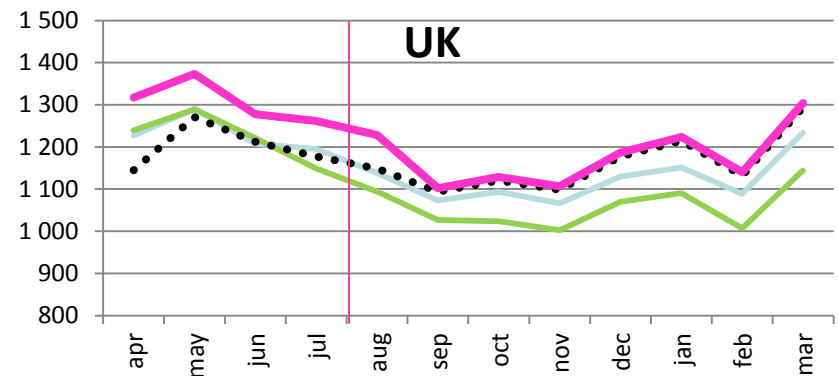
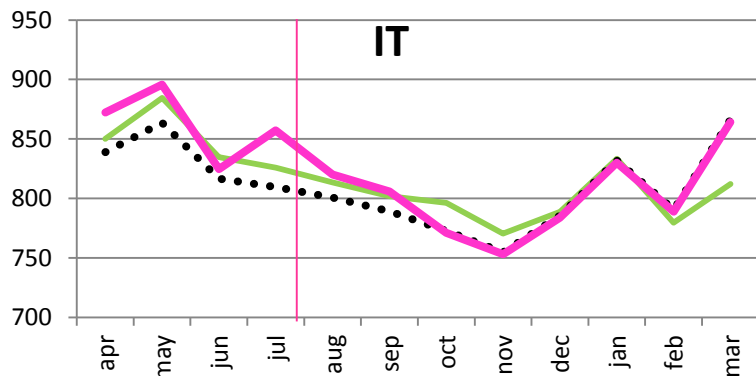
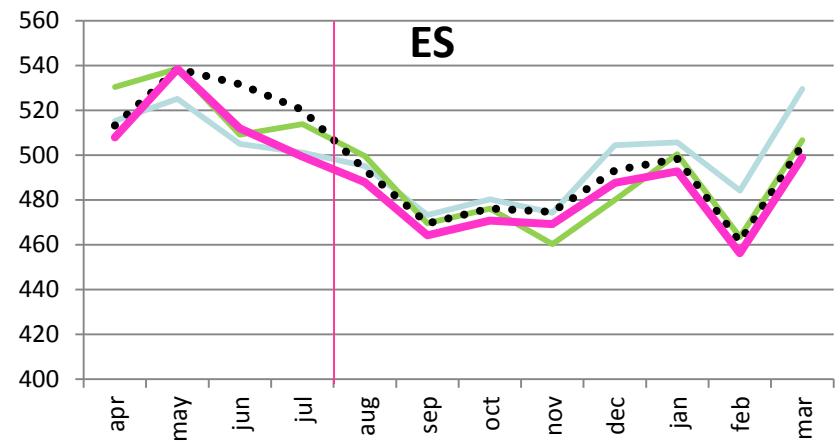
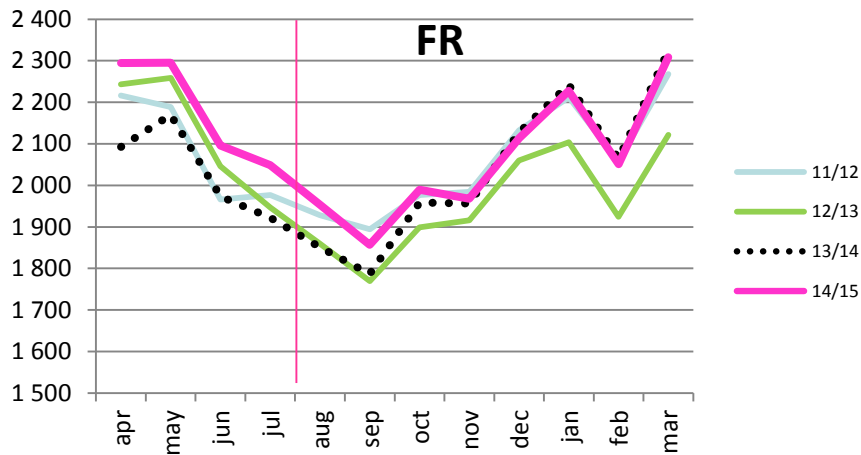
Source: Eurostat and DG AGRI forecast from August 2014 (September for NL) (Work in progress)

Which magnitude of the decrease further to the embargo?



Unit: 1000 tonnes
 Source: Eurostat and DG AGRI forecast from August 2014 (Work in progress)

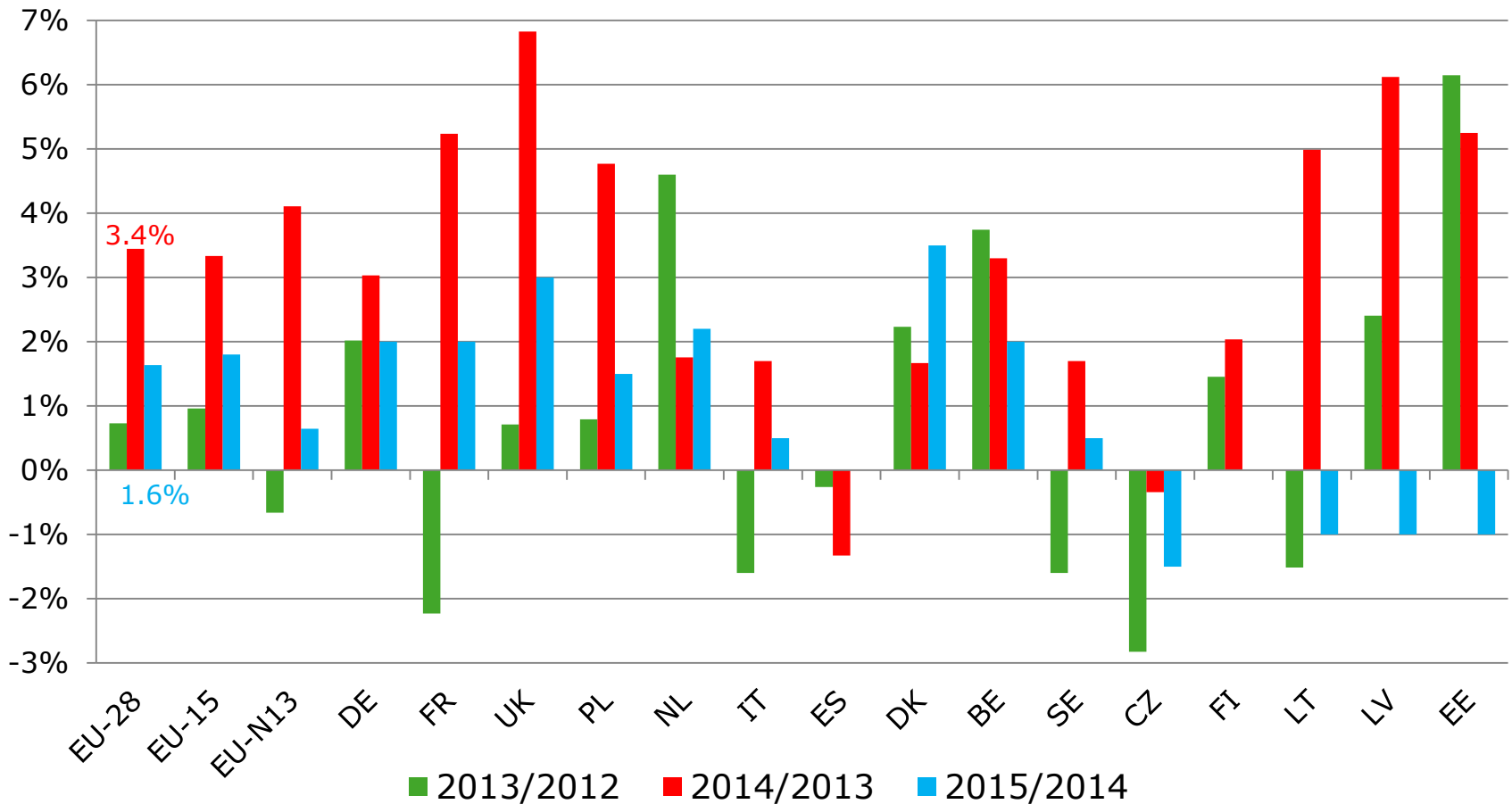
What about the other Member States?



Unit: 1000 tonnes

Source: Eurostat and DG AGRI forecast from August 2014 (Work in progress)

Milk collection in 2015?



Source: DG AGRI forecast (Work in progress)

Which re- direction of exports?

		2014 EU Exports in 1000 tonnes			Change (1000 t) 2014 – 2013			Change (1000 t) 2015 – 2014		
		Jan-July known	Aug-Dec forecast	Year forecast	Jan- July	Aug- Dec	Year	Jan- July	Aug- Dec	Year
Cheese	Total	453	250	703	+1	-84	-84	-98	+130	+32
	Russia	130	0	130	-14	-113	-127	-130	+100	-30
	Other	323	250	573	+15	+29	+44	+32	+30	+62
Butter	Total	94	37	131	+20	-5	+15	-13	+23	+10
	Russia	24	0	24	+5	-18	-13	-24	+15	-9
	Other	71	37	108	+14	+13	+28	+11	+8	+19
SMP	Total	383	185	568	+144	+18	+162	+37	+43	+80
	Russia	9	0	9	+1	-13	-12	-9	+10	+1
	Other	374	185	559	+144	+30	+174	+46	+33	+79
WMP	Total	246	169	415	+29	+12	+41	+7	+2	+9
FDP	Total	421	243	664	+70	+16	+87	+10	+57	+67
	Russia	35	0	35	+8	-22	-14	-35	+20	-15
	Other	386	243	630	+62	+38	+100	+45	+37	+81

Source: Eurostat – Comext for Jan- July and DG
AGRI forecast for Aug-Dec (Work in progress)

The use of milk



	Jan-July* 2014/13	Aug-Dec ^f 2014/13	2014 ^f	2014/13 ^f	2015/14 ^f
Milk col. (million t)	+5.4%	+0.7%	146.1	+3.4%	+1.6%
CHEESE					
Prod. (1000 t)	+2.3%	+0.7%	9 457	+1.7%	+1%
Exports (1000 t)	0%	-25%	703	-11%	+5%
Dom. Cons.** (kg/cap)			17.4	+2.6%	+0.5%
BUTTER					
Prod. (1000 t)	+2.9%	+6.9%	2 222	+4.5%	+2%
Exports (1000 t)	+26%	-11%	131	+13%	+8%
Dom. Cons.** (kg/cap)			4.2	+4.6%	+1.4%
FRESH DAIRY PRODUCTS					
Prod. (1000 t)	+0.3%	+0.3%	47 186	+0.3%	+0.5%
Exports (1000 t)	+20%	+7%	664	+15%	+10%
Dom. Cons.** (kg/cap)			91.3	-0.1%	+0.2%

Note: * Jan-July change versus 2013 based on Eurostat figures excluding FR and estimating DK (except for milk)

** Including change in stocks

Source: DG AGRI (Work in progress)

The use of milk



	Jan-July* 2014/13	Aug-Dec 2014/13	2014	2014/13	2015/14
Milk col. (million t)	+5.4%	+0.7%	146.1	+3.4%	+1.6%
SMP					
Prod. (1000 t)	+20%	+15%	1 301	+18%	+8%
Exports (1000 t)	+60%	+11%	568	+40%	+14%
Dom. use** (1000 t)			734	+5%	+3%
WMP					
Prod. (1000 t)	+14%	+6%	778	+11%	+2%
Exports (1000 t)	+13%	+8%	415	+11%	+2%
Dom. use** (1000 t)			364	+10%	+3%

Note: * Jan-July change versus 2013 based on Eurostat figures excluding FR and estimating DK (except for milk)

** Including change in stocks

Source: DG AGRI (Work in progress)

For further information

- STO

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

- MTO

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

- OECD-FAO Outlook

<http://www.oecd.org/site/oecd-faoagriculturaloutlook/>

<http://www.compareyourcountry.org/chart?cr=ch&cr1=mk&lg=en&project=agricultural-outlook&page=1>

Thank you



ANNEX 3

Dairy market update ***24 September 2014***

COPA-COGECA

Dairy market update 24 September 2014

Milk supply

Thanks to good climatic conditions, EU milk production has increased year-on-year (+5.4%, first seven months), US (+2.9% in August) and New Zealand (+16%, first seven months). But if we look back at the last two years, the production increases have been moderate (New Zealand +1.5%, EU +3.8%).

Milk production increases have become more moderate, but deliveries are still up year-on-year in Germany (+2.4%), France (+6.2%,) and UK (+6.9%, August). In the Netherlands, August deliveries were down -0.3% compared to the same month of 2013. Average milk production increase in the EU may end around 4% for the calendar year 2014. For next year, a return to the long-term trend of 2% may be expected (which is the long-term global consumption growth), but with a wide variety of trends across the EU.

World Market

Since April, the market was impacted by the uncertainty about the Chinese imports. However, the EU statistics still show a strong demand from China. This may be related to new Chinese regulations, requiring foreign companies to get consent for importation. The Russian embargo came on top of that. Price levels in the international market are now back to the level of the summer of 2012. Volatility is clearly on the agenda because of deregulation (CAP) and greater market transparency. As we may expect, grassland conditions in the main exporting nations (EU, US, NZ) are good for milk production going forward into 2015.

New Zealand

Fonterra has lowered payment forecasts from a record 8.50 NZD per kg of dry matter to 5.60 NZD, which would be -34%. The last **GlobalDairyTrade** auction (September 16) showed stability, with no change to the main GDT index, after many months of declining prices.

At GlobalDairyTrade in September 2013, whole milk powder was sold at prices around 5,100 USD per tonne but at the same time this year the price was 2,700 USD. This is also the price level that characterizes the market until March 2015 and has consequences for the futures market. At the beginning of August future prices may have increased, but the GDT auction results have been used to close the futures offered by NZX. Therefore the futures market has become very flat at levels just below 3,000 USD for contracts well into 2015.

USA

In the USA, the stocks were low at the beginning of 2014, and milk production growth was limited. Record milk prices, along with lower feed costs, have resulted in very favourable margins for dairy producers to increase U.S. milk production. In August 2014, the increase was 2.6%, but the average production increase during the first seven months of 2014 was 1.9%. As a result, prices of butter and cheese are well above the world market including EU prices. The average farm milk prices were 27% above the level of 2013. As a result, the US is now much less present on the world market. The current forecast for the 2014 milk price is a record high, but the forecast for 2015 has already been reduced by a third.

Note: This document should not be regarded as an official position of COPA-COGECA but as a factual document.

The **graph** below shows that the Chicago futures for *Class III* milk January 2015 contracts' market is still firm (USD18.83 per 100 cwt, which is about € 31.4 per 100 kg at 3.5% fat)



European Union

We know that the growth of the EU market is limited at best, so production increases need to be exported. This has also happened as we can take from the statistics published by the European Commission and milk prices remained at a relative high level.

However, the EU was hit by the Russian boycott on 7 August. Approximately 260,000 tons of cheese and 40,000 tonnes of butter must now be redirected. This constitutes about 1.5% of the EU milk in terms of equivalent production. Cheese production has already been reduced in several countries. Prices paid in markets were below € 3.00 per kg. We need to increase exports so we need to find new outlets. A question is: will the Russians still consume cheeses and is the international dairy market after all a 'zero sum game'? Annual demand growth is estimated at 2.0% per year by FAO/OECD, which is more than the direct impact of the Russians sanctions on the EU-sector. However, milk prices are now under pressure.

The impact would have been bigger had the embargo struck in April-May, at our milk production peak. Also the lower euro-dollar exchange rate of recent weeks has supported EU exports.

At current cheese and butter prices, milk prices would be 30-32 eurocents per kg. For example, the so-called IFE raw material value based on butter and skimmed milk powder quotations in the EU in August was down to 32.4 cents per kg (4% fat).

The latest market information shows that the prices for fresh dairy have increased somewhat from the late lows, with cream and skimmed milk concentrates on the up. However, young cheese is sold at prices as low as € 2.75 per kg.

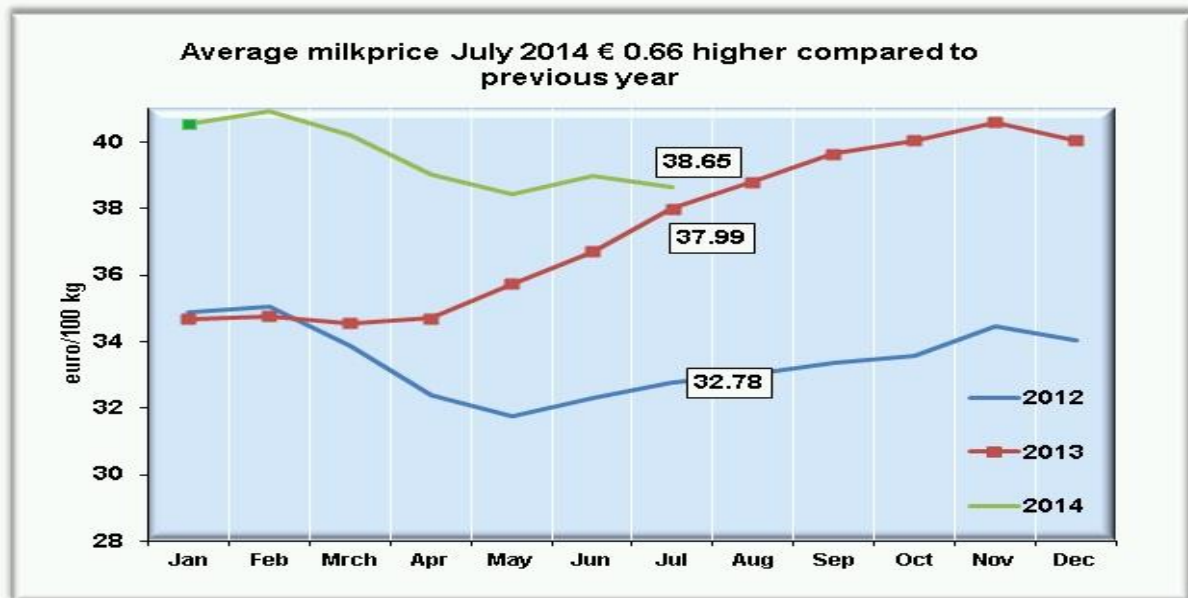
The European Union has responded well to the Russian boycott with private storage support for SMP, butter and cheeses. Even where the effect in volumes seems limited, this may have helped to stabilise markets and we now seem to have reached the bottom in the global and European market. However, the Commission has repealed the private storage scheme for cheeses on 22 September.

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This may cause new uncertainty in the market. Many operators are still looking for ways to cope with the effects of the Russian boycott.

Milk prices

The LTO International Milk Prices Comparison shows an average milk prices per standard milk (4.2% fat) of 38.65 euro per 100 kg for July 2014 (see graph below).



Graph: the average paid milk price per kg standard milk (4.2%) of July 2014 was € 0.66 above the same month of 2013. But then the trend was up, now the trend is down. Source: LTO Milkprices.

The table below provides some information about recent milk price developments, taken from LTO Milkprices.

	Most recent milk price change (eurocent)				
	Aug	Sept	Oct	2014 Cumulative	
Milcobel	-1,0			-6,0	including August
Alois Müller, Leppersdorf	-1,0			-4,5	including August
DMK	0			-3,0	including August
Arla Foods DK	-1,2	-1,5		-4,6	including September
Hämeenlinnan O.					
Bongrain (Basse Normandie)					
Danone (Pas de Calais)					
Lactalis (Pays de la Loire)					
Sodiaal Union					
Dairy Crest (Davidstow)		-1.1 ppl	-1,75ppl	-2.85 ppl	Including October
First Milk (compositional)	-1.25ppl	-0.5 ppl	-3.0 ppl	-5.9 ppl	Including October. Since April, price drop was 7.4 ppl
Glanbia	-2			-6	Including August

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Kerry Agribusiness					
Granarolo (North)	-2	0	0	-0,25	
DOC Cheese	0	-3,5		-11	including September
Royal FrieslandCampina	0,25	-1,75		-6	including September
USA Class III	in US\$/cwt average Class III price January-August 2014: 27% higher than in 2013				
Fonterra	Cash pay-out (milk price + dividend), 2013/14: 8,50, 2014/15: 5,60 (-34%)				

From this table, the following conclusions may be drawn:

- The average 2014 advance payments by Glanbia, Kerry and Milcobel will be below the average level of 2013, even if their payments would stay level for the rest of this year.
- If the milk price of October, November and December is 1 eurocent per kg below the level in the same month of 2013, then Alois Müller's payments (Leppersdorf) will also end below the 2013 average
- We expect the average 2014 payments of the other dairies in the comparison to be above the average of 2013 because of the relatively high milk prices of the beginning of 2014. The weaker euro is also helpful for the dairies in the Eurozone.
- For Granarolo (Italy), the average 2014 milk price will be € 2 per kg above the average of 2013, thanks to a contract.
- For the French dairies, it is a bit more difficult to make predictions, but also in France the average 2014 milk prices will be above the 2013 level. In the first half of 2014, the prices level was 4-5 eurocent per kg higher than in 2013
- In Great Britain, the official July price was 32.41 ppl. For the UK, the average was 31.79 ppl. Arla dropped the milk prices 4,68ppl (liquid) from April to October. Muller Wiseman Dairies Milk Group dropped the price 3.50 ppl between April and October. Significant price cuts have been announced by milk buyers which are not reflected in these prices.
- It is interesting to note the rising milk prices in the USA, while Fonterra is lowering it's forecast considerably (-34%).

In Baltic States, at the moment, prices range from 18-23.5 €/100 kg, 30-40% drop compared to the beginning of the year. There is still downward pressure.

For Lithuania, below some examples of prices paid to coops/farmers (from contracts):

Period	<i>Price of raw milk, without VAT, LTL/t (with/without transport)</i>	<i>Receiver (farmer/coop.)</i>
Company A to cooperative		
2013.08.01-31	1120/1090	Cooperative
2013.09.01-30	1180/1150	Cooperative
2013.10.01-31	1210/1180	Cooperative
2013.11.01-30	1160/1130	Cooperative
2013.12.01-31	1180/1150	Cooperative
2014.01.01-31	1180/1150	Cooperative
2014.02.01-28	1230/1200	Cooperative
2014.03.01-31	1170/1140	Cooperative

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2014.04.01-30	1030/1000	Cooperative
2014.05.01-31	860/830	Cooperative
2014.06.01-30	830/800	Cooperative
2014.07.01-31	860/830	Cooperative
2014.08.01-31	870/840	Cooperative
2014.09.01-30	695/665	Cooperative
Comparing 2013.09 with 2014.09, the price dropped down by 41 proc.		
Company B to cooperative		
2013.08.01-31	1130/1090	Cooperative
2013.09.01-30	1190/1150	Cooperative
2013.10.01-31	1230/1190	Cooperative
2013.11.01-30	1200/1160	Cooperative
2013.12.01-31	1195/1155	Cooperative
2014.01.01-31	1210/1170	Cooperative
2014.02.01-28	1240/1200	Cooperative
2014.03.01-31	1180/1140	Cooperative
2014.04.01-30	1080/1040	Cooperative
2014.05.01-31	1040 (for the first 500 t)/1000 (870/830 for the next volumes)	Cooperative
2014.06.01-30	850/810	Cooperative
2014.07.01-31	880/840	Cooperative
2014.08.01-31	890/850	Cooperative
2014.09.01-30	740/700	Cooperative
Comparing 2013.09 with 2014.09, the price dropped down by 38 proc.		
Cooperative to farmer		
2014.01.01-30	1060	Farmer
2014.02.01-15	1130	Farmer
2014.02.16-28	1110	Farmer
2014.03.01-31	1130	Farmer
2014.04.01-15	1130	Farmer
2014.04.16-30	1070	Farmer
2014.05.01-15	990	Farmer
2014.05.16-31	860	Farmer
2014.06.01-15	860	Farmer
2014.06.16-30	840	Farmer
2014.07.01-15	890	Farmer
2014.07.16-31	870	Farmer
2014.08.01-31	870	Farmer
Comparing 2014.02 with 2014.08, the price dropped down by 23 proc.		
Company C to cooperative		
2013.12.01-2014.01.31	1175	Cooperative
2014.02.01-28	1220	Cooperative
2014.03.01-31	1190	Cooperative
2014.04.01-30	1020	Cooperative
2014.05.01-31	830	Cooperative
2014.06.01-30	810	Cooperative
2014.07.01-31	880	Cooperative
2014.08.01-31	860	Cooperative
Comparing 2014.02 with 2014.08, the price dropped down by 30 proc.		

Note: This document should not be regarded as an official position of COPA-COGECA but as a factual document.

Company D to cooperative		
2014.01.01-31	1250	Cooperative
2014.02.01-28	1260	Cooperative
2014.03.01-31	1250	Cooperative
2014.05.01-31	850	Cooperative
2014.06.01-30	830	Cooperative
2014.07.01-31	870	Cooperative
2014.08.01-31	910	Cooperative
2014.09.01-30	660	Cooperative
Comparing 2014.02 with 2014.09, the price dropped down by 48 proc.		
Company E to cooperative		
2014.04.16 (atbuline data, informacija gauta 04.28)	870/820	Cooperative
2014.08.15	780/730	Cooperative
Company F to cooperative		
2014.08.01-31	920	Cooperative
2014.09.01-30	670	Cooperative
Company G to cooperative		
2014.08.01-15	910	Cooperative
2014.08.16-31	810	Cooperative
2014.09.01-30	660	Cooperative
Company H to cooperative		
2014.01.01-30	1090	Cooperative
2014.02.01-28	1110	Cooperative
2014.03.01-31	1110	Cooperative
2014.04.01-30	970	Cooperative
2014.05.01-15	880	Cooperative
2014.05.16-31	900	Cooperative
2014.06.01-31	840	Cooperative
2014.07.01-15	840	Cooperative
2014.07.16-31	860	Cooperative
2014.08.01-15	770	Cooperative
2014.08.16-31	670	Cooperative
Comparing 2014.02 with 2014.08, the price dropped down by 40 proc.		

In Hungary, the price of raw milk moves around 30-32 €/100 kg. After contracts finish in October 2014, significant price drops are expected.

Feed prices

There is a lot of pressure on the price for feed ingredients in the world market. The US expects record harvests for soyabean and wheat in 2014. In northwest Europe, quotations for wheat are approaching € 1.50 per kg. The global grain and oilseed markets moved down further again last week after the latest USDA world supply and demand estimates were revealed. While expectations are for further increases to both global supply and demand, the level of demand is not large enough to

Note: This document should not be regarded as an official position of COPA-COGECA but as a factual document.

offset the record crops. Consequently, end-season stock projections were increased for wheat, maize and soybeans and prices have declined in response. This may indicate much lower concentrate prices for dairy towards the end of 2014. This added to the reasonable weather conditions in many regions (early spring, recent rain fall in parts of Europe, including Brussels) may help dairy farmers to reduce costs of production this year and the first months of 2015.

Conclusions

- Certain member states are struggling with the effects of the Russian boycott and this is impacting on the whole of the internal European market
- Milk prices are under pressure
- The European Union has responded well with private storage support for SMP, butter and cheeses.
- Even where the effect in volumes seems limited, this may have helped to stabilise markets and we now seem to have reached the bottom in the global and European market.
- The situation in the US is very different from ours, with prices for cheeses and butter reaching record levels. The US is now much less competitive on the world market. For how long this will last, we don't know. US milk production was up 2.6% in August year-on-year, which is more than earlier this year.
- However, the Commission has repealed the private storage scheme for cheeses on 22 September. This may cause new uncertainty in the market. Many operators are still looking for ways to cope with the effects of the Russian boycott.
- Because of the low milk prices in H1 2013 and much higher milk prices in H1 2014, we expect average 2014 EU milk prices still to be above the average of 2013 for most dairies. But the market trend is now downwards, and the situation in 2015 will be very different from the start!
- falling feed prices will not be enough to compensate farmers for lower milk prices

Copa-Cogeca delegation to the Milk Market Observatory meeting

ANNEX 4

EU dairy products monthly stock situation

EDA



EU dairy products monthly stock situation

**Milk Market Observatory
Economic Board
Sept 24th, 2014**

Gérard CALBRIX
Director Economic Affairs
ATLA

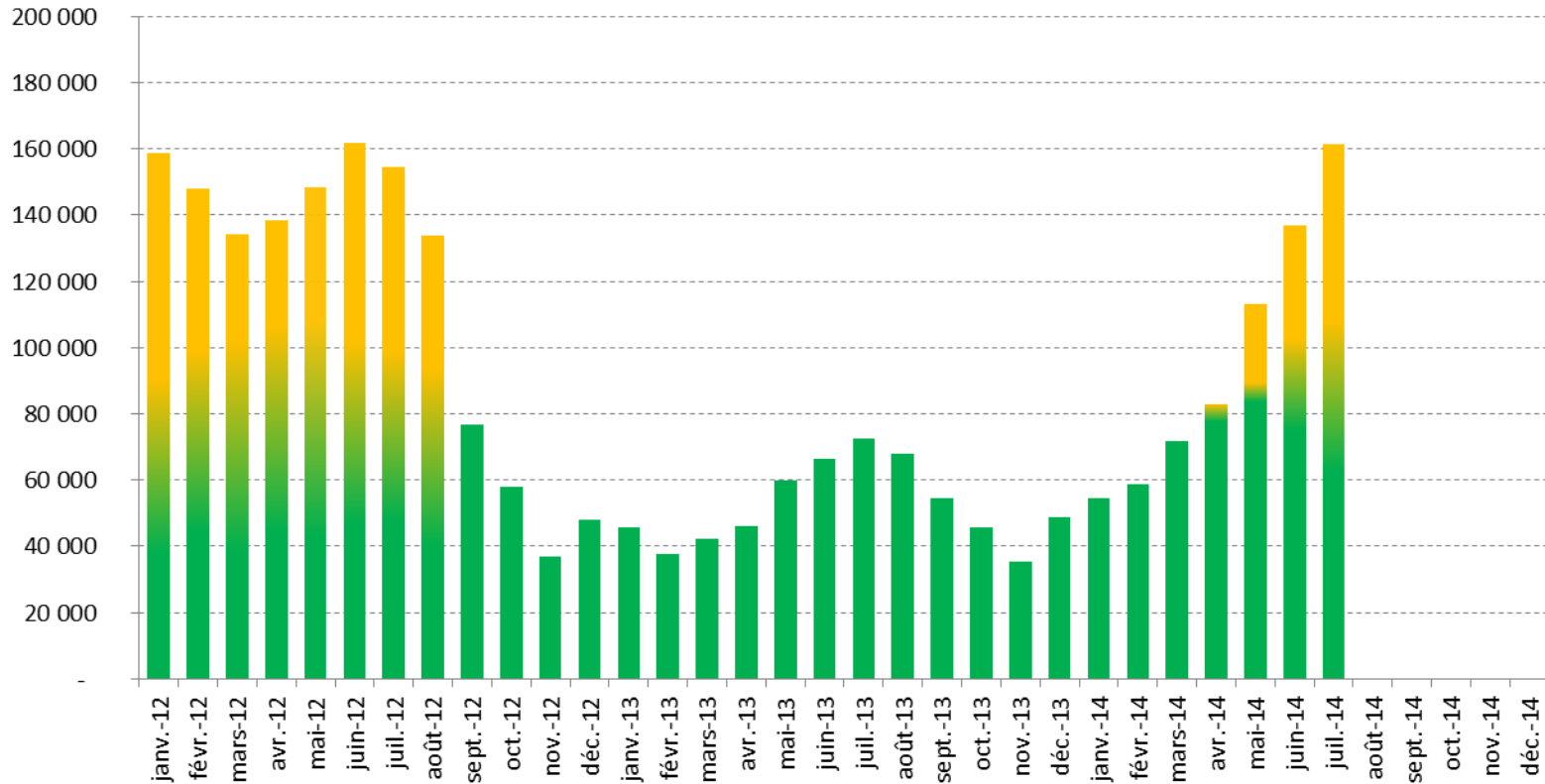
Methodology

- For each dairy product, these 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 and 2014 forecast
- 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 for end of 2011 are :
 - SMP: 152 000 t
 - Butter: 80 000 t
 - Cheese: 200 000 t (arbitrary basis)
- The qualification of stock levels (green, orange or red) is based on the EDA analysts' personal views and past market observation.

European stock level estimates - SMP



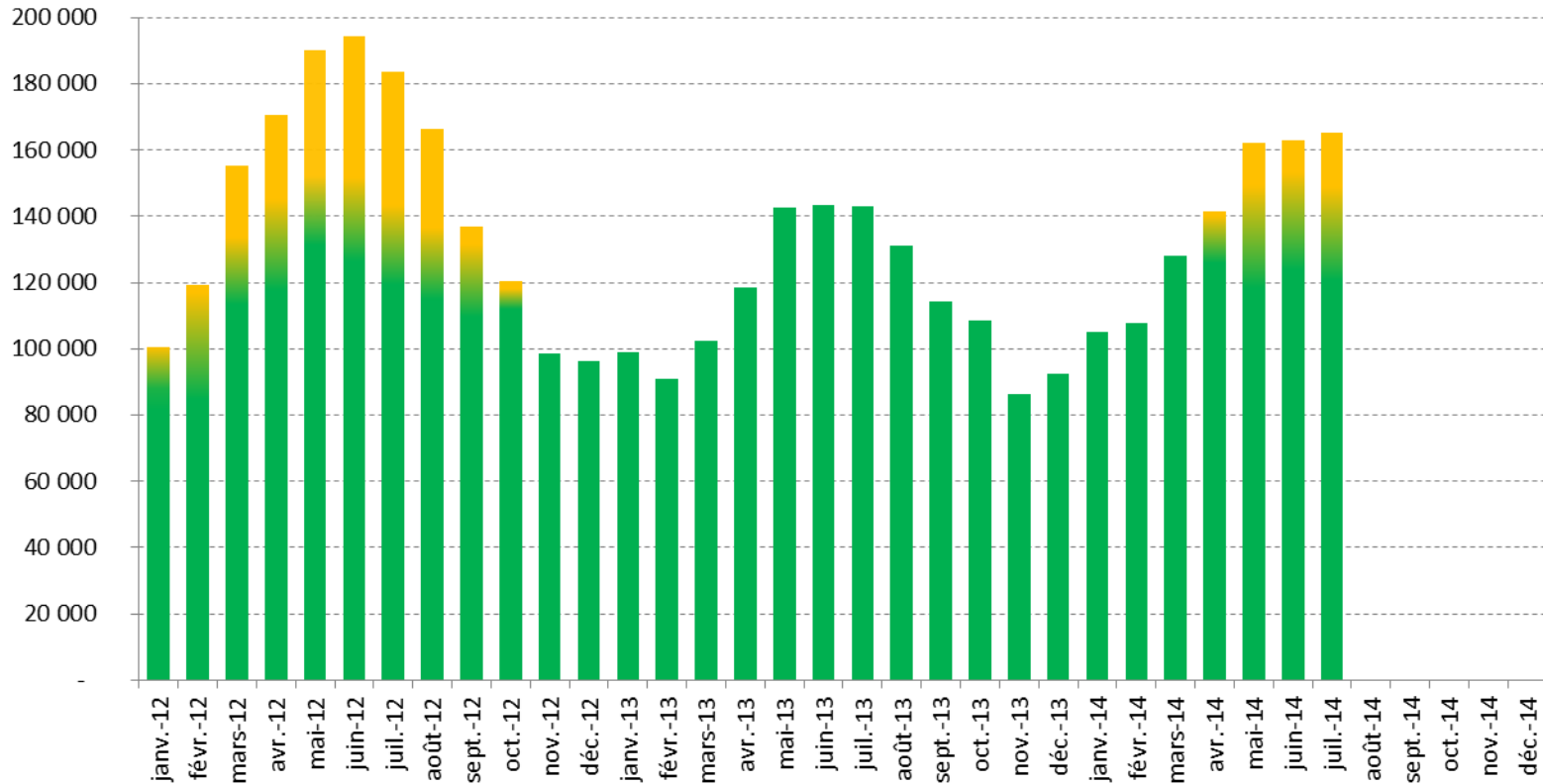
stock level
in tons



European stock level estimates - Butter



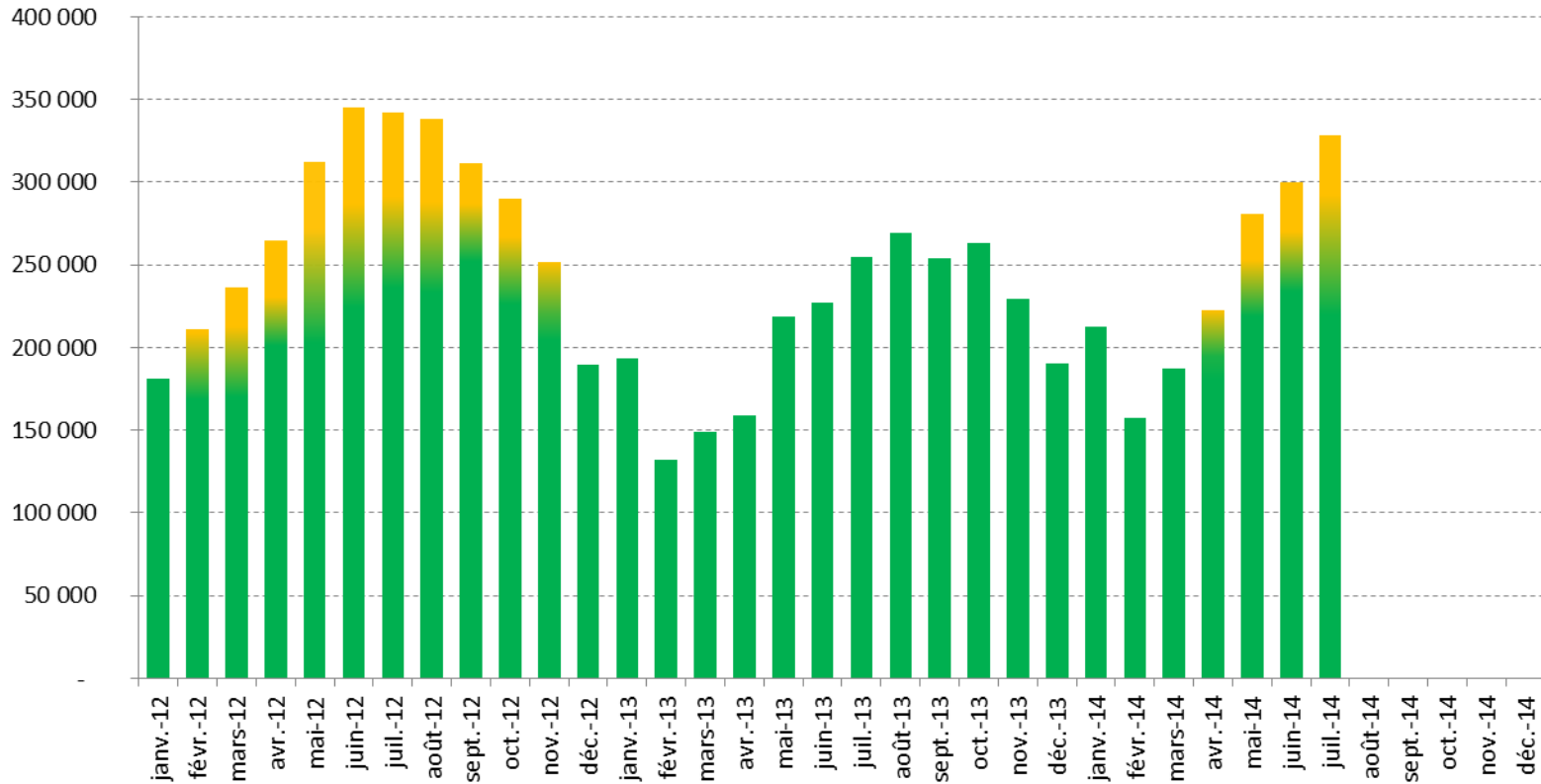
stock level
in tons



European stock level estimates - Cheese



stock level
in tons



ANNEX 5

Perspectives from the Dairy Trade

Eucolait



Perspectives from the Dairy Trade

Milk Market Observatory Meeting
24 September 2014



Outline



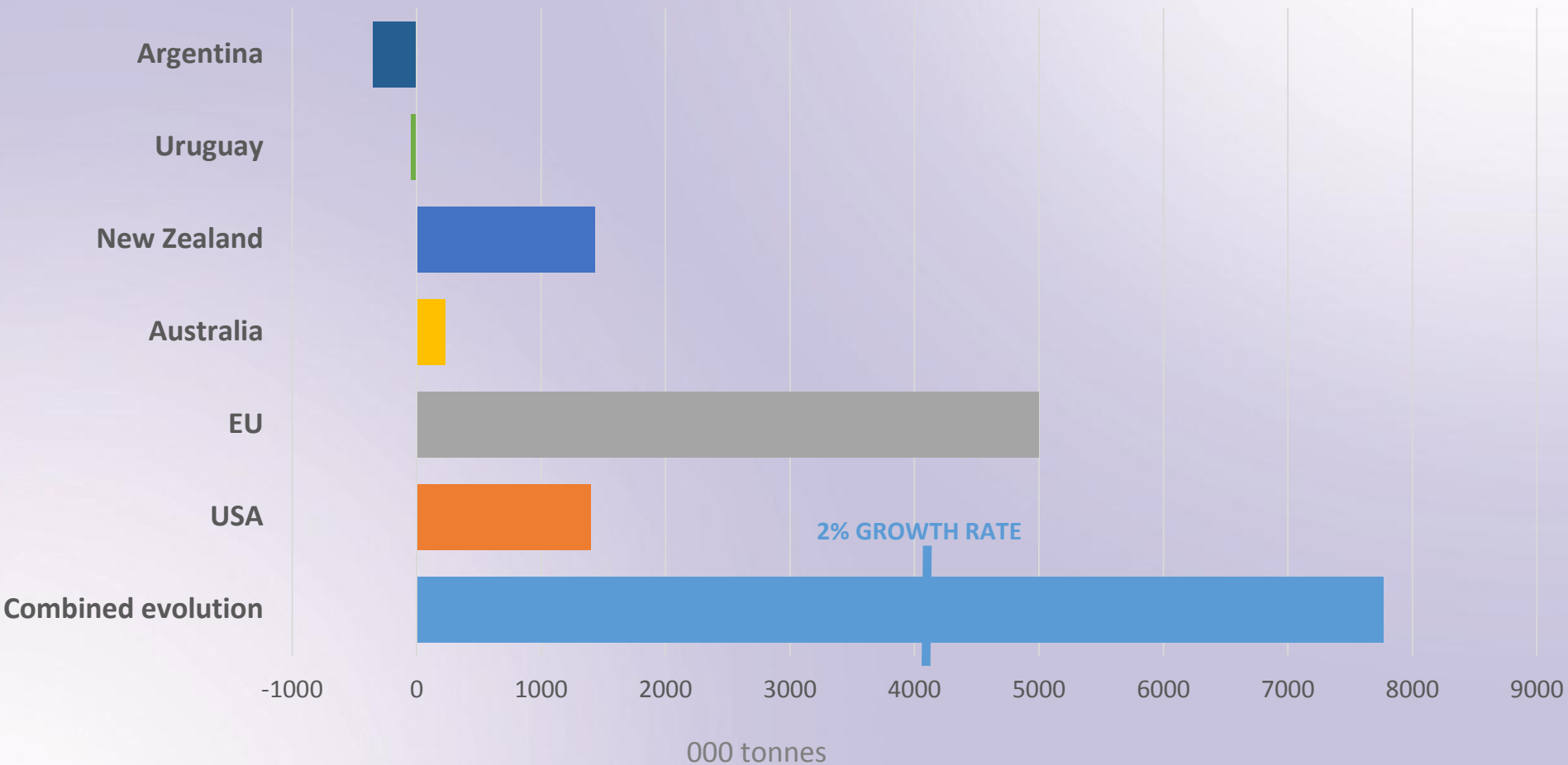
- Global Supply
- Global Exports
- Global Demand
- Global Stocks
- Conclusions



Global Supply



Comparing milk production in 2014 with 2013
January - September (with partial extrapolation for Q3 - 2014 data)

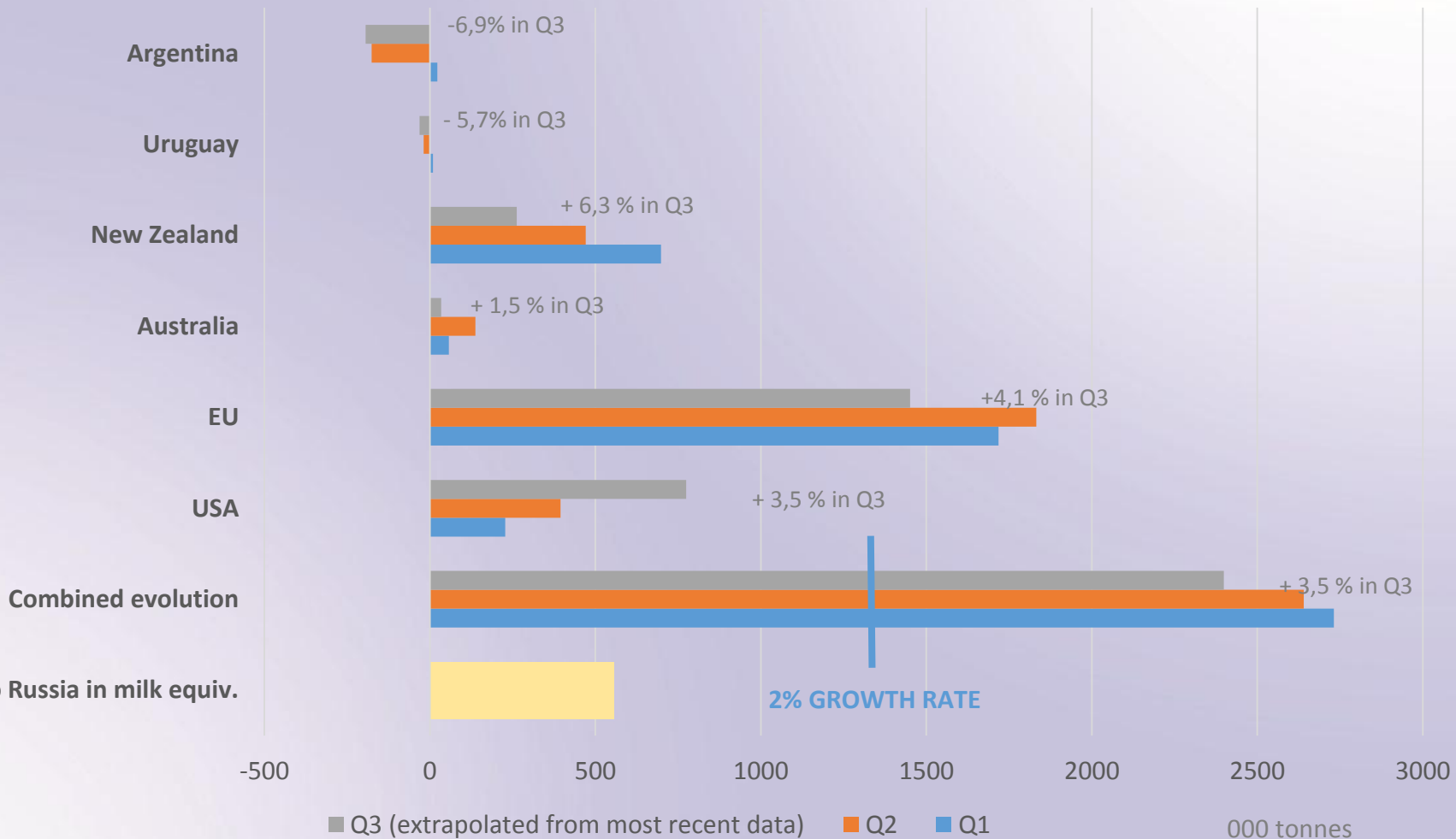




Global Supply



Comparing 2014 milk production with 2013 for the major dairy exporting countries





Global Supply



- Oversupply in key producing regions persists
- Somewhat slower combined growth expected in Q3 versus the first half of the year, US being the exception
- Russian ban has potential to worsen global oversupply.



EU Supply



- EU production was up 5% during first half of 2014
- Conditions remain favourable: high milk prices (lagging market reality), lower feed prices, low energy costs and favourable weather
- No signs of lower milk production



US Supply



- Milk production year to date:
 - June 2014: +2,2% versus June 2013
 - July 2014: + 3,9% versus July 2013
 - August 2014: +2,5% versus August 2013
- Outlook for rest of 2014
 - September growth likely to be similar to July's
 - Production conditions remain very favourable
 - Domestic consumption appears to have been growing at a pace well above 1% per year.



New Zealand supply



- Milk Production
 - DCANZ has reported until June
 - April-June 2014 is up 29% from April-June 2013 (but down 10% from April-June 2012)
 - 2013-14 season: +9%
 - Outlook for new season
 - Growth rate appears to be slowing down
Fonterra collection in July + 8,3% and in August + 5 %
 - Fonterra forecast for 2014/15 season revised down to + 2% due to effect of lower milk price



Australia supply



- Milk Production
 - 2013/14 season finished on par with 2012/13 after strong second half
 - July 2014 production: +1,5% versus July 2013
- Outlook
 - Q3 growth expected to be in line with July's
 - 2014/2015 season + 1 to 3% (9,3-9,5 billion litres)



Argentina



- Milk Production
 - After promising start beginning of 2014 milk production started lagging behind 2013 figures
 - May 2014 is down 7,3% from May 2013
 - June 2014 is down 8,4% from June 2013
- Outlook
 - No immediate improvement expected, bad weather conditions (floods)



Uruguay Supply



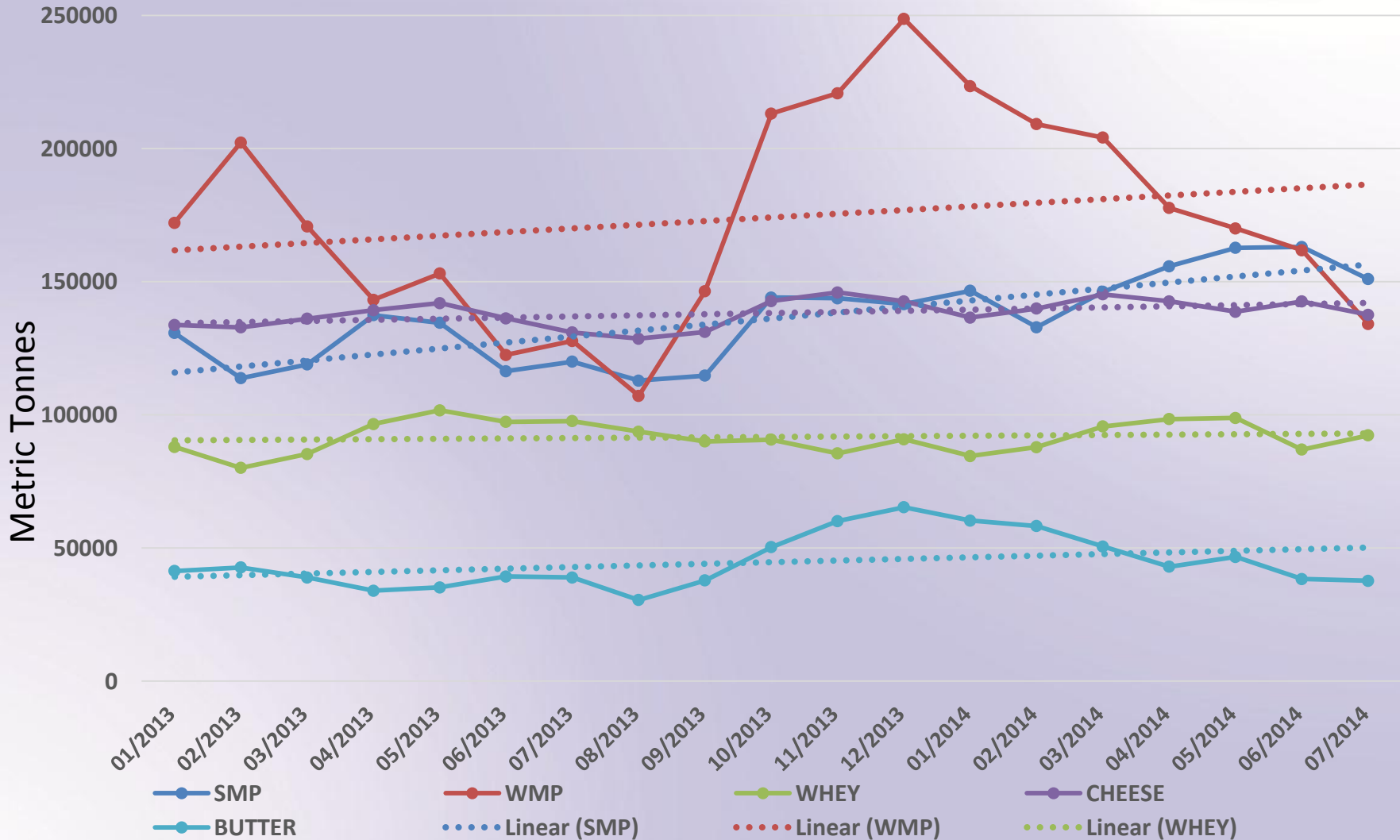
- Milk Production
 - May 2014 production down 0,7% from 2013
 - June 2014 estimate down 6,1% from 2013
 - July 2014 estimate down 5,7% from 2013
- Outlook
 - No immediate improvement expected



Global Exports



MONTHLY EXPORTS (EU+USA+NZ+AUS+ARG+URU)





Global Exports



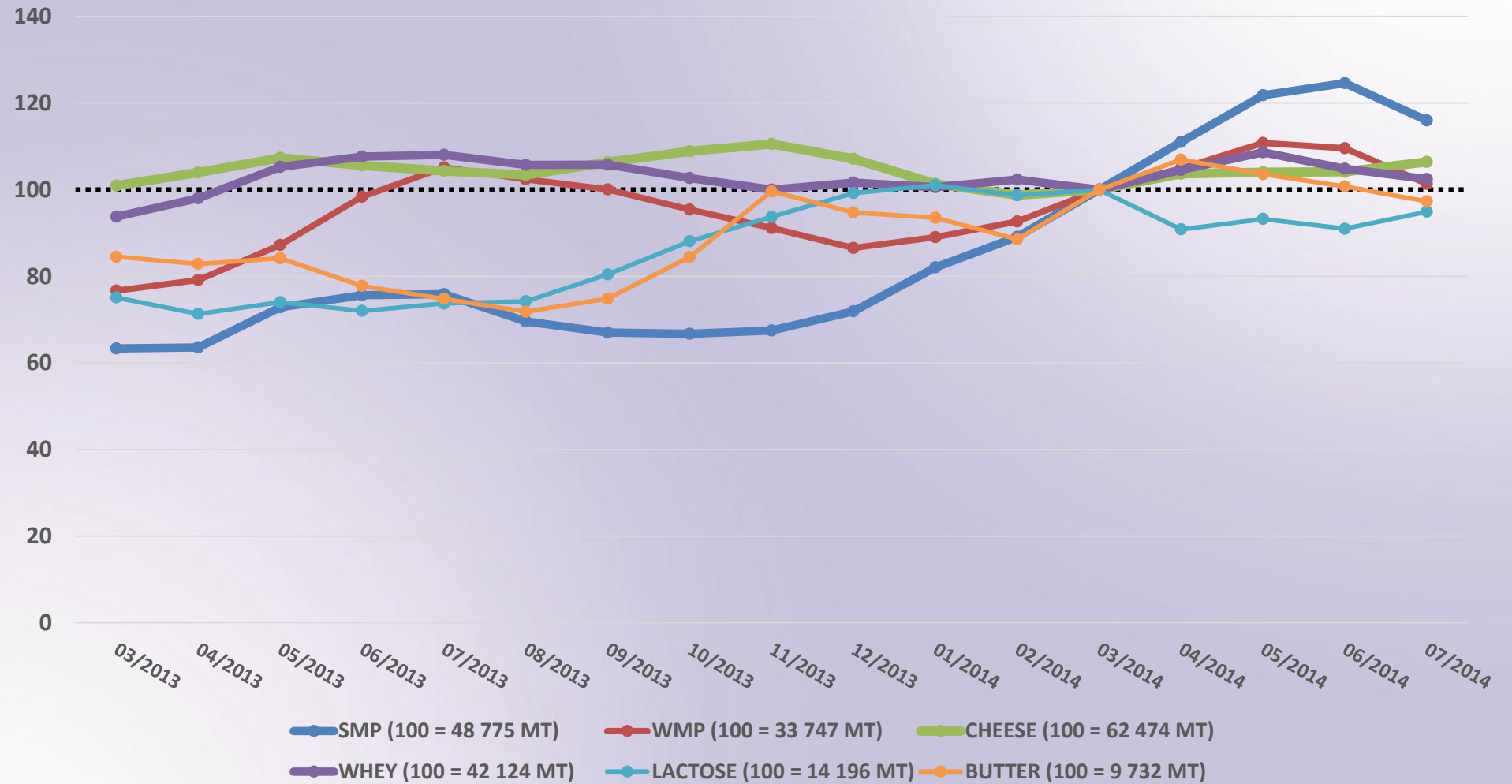
- Most products performing below trend line
 - technical correction due to price development notably in China
- Global exports have potential to increase as global demand is there



EU Exports



3 MONTH ROLLING AVERAGE, Index Q1-2014=100





EU Exports



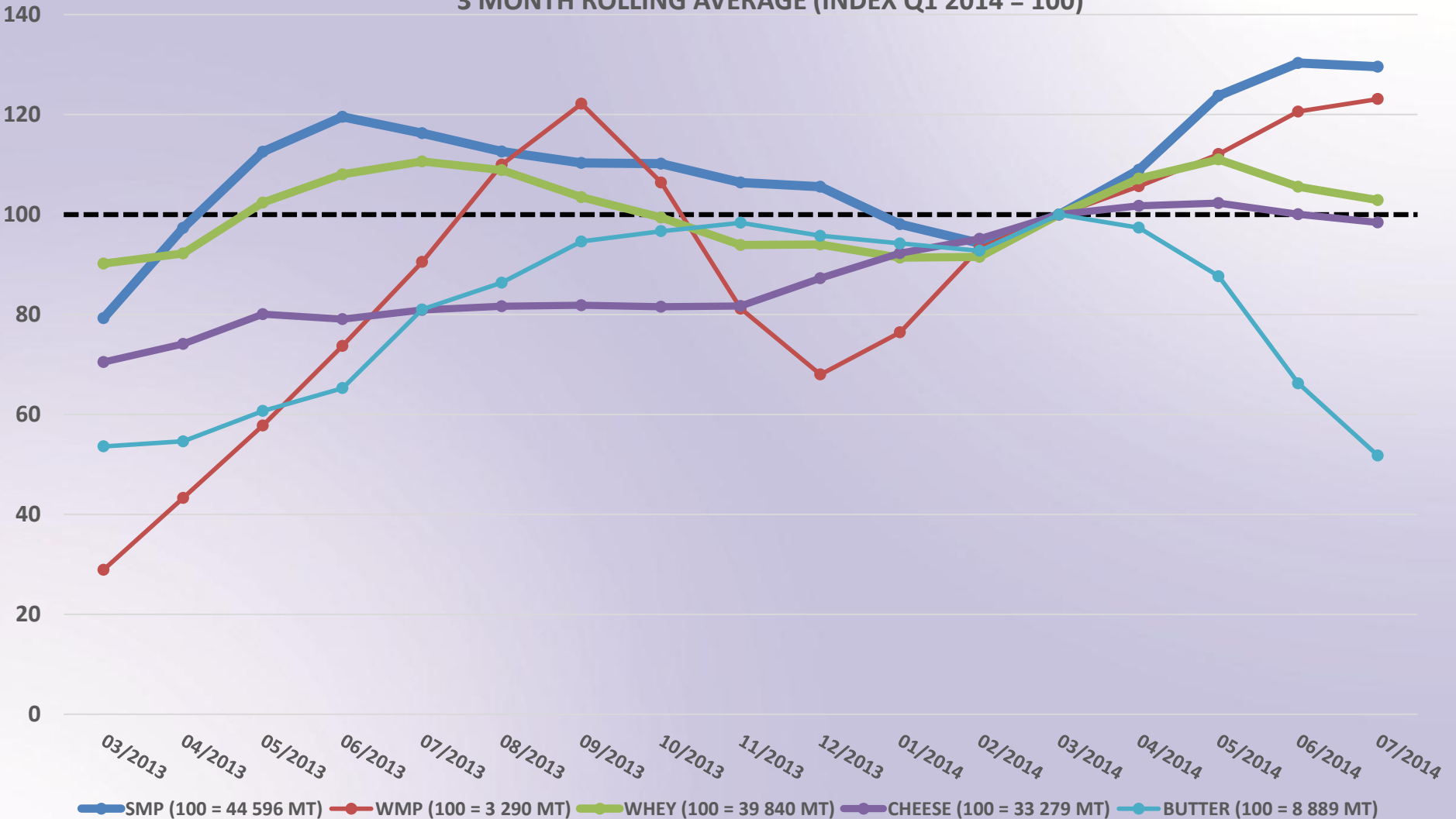
- Very good first half of 2014 with gains for most products (in comparison to first half of 2013)
- Especially milk powders and butter doing well
- Cheese and whey exports up in July, mainly to Russia
- No post Russia ban data available yet



US Exports



3 MONTH ROLLING AVERAGE (INDEX Q1 2014 = 100)

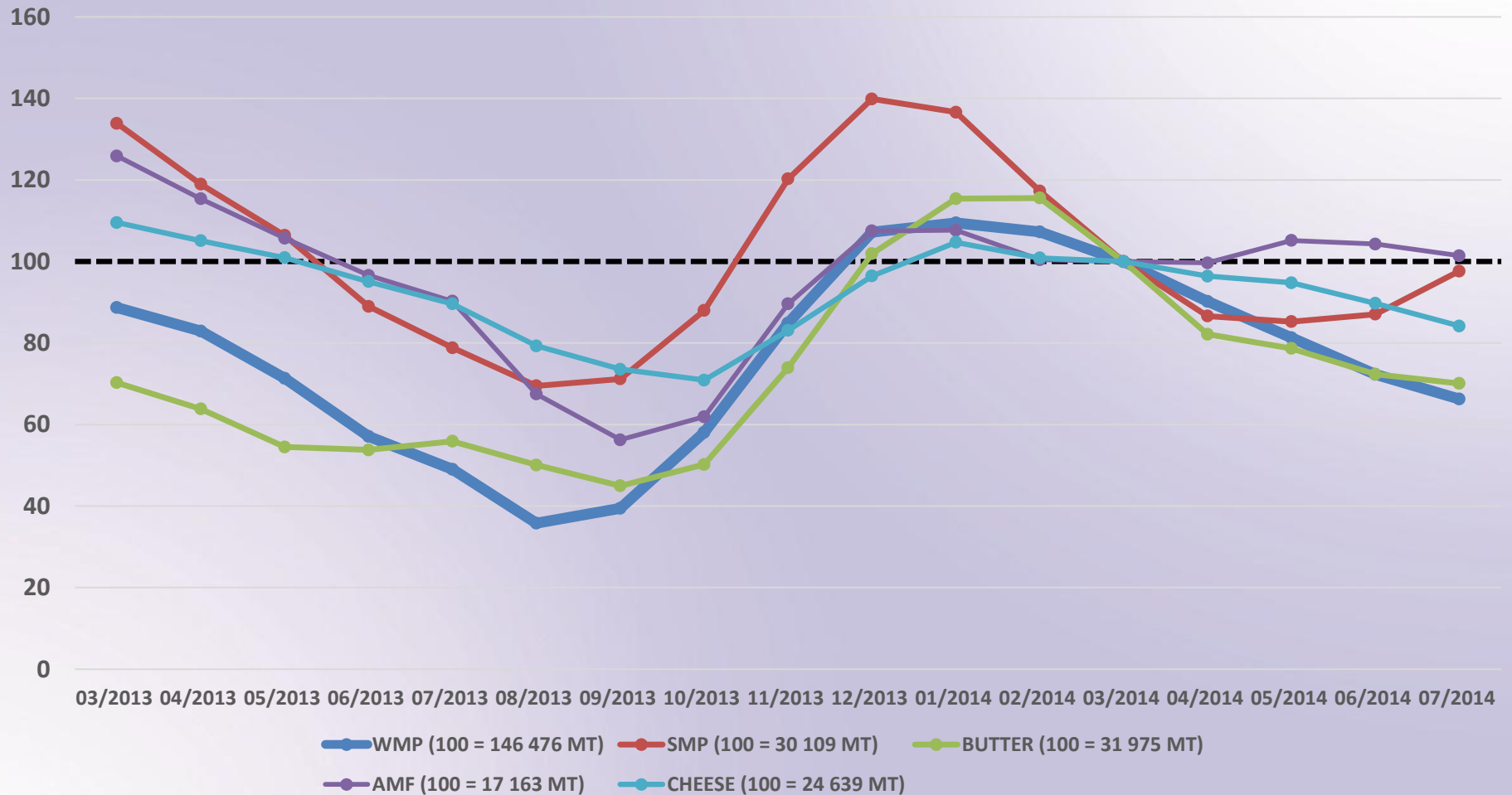




NZ Exports



3 MONTH ROLLING AVERAGE (Index Q1 -2014 = 100)

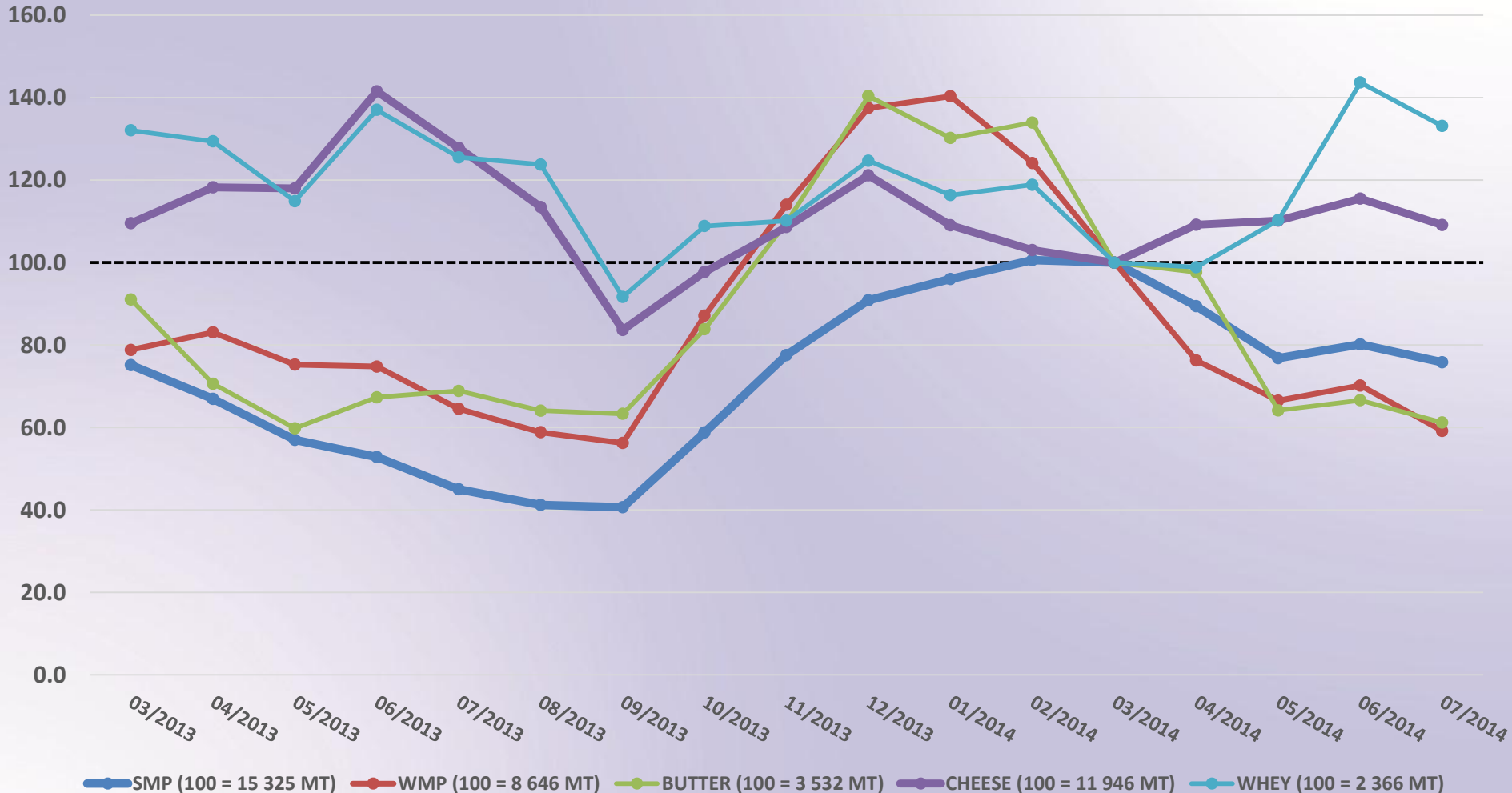




Australia Exports



3 MONTH ROLLING AVERAGE (Index Q1- 2014 = 100)

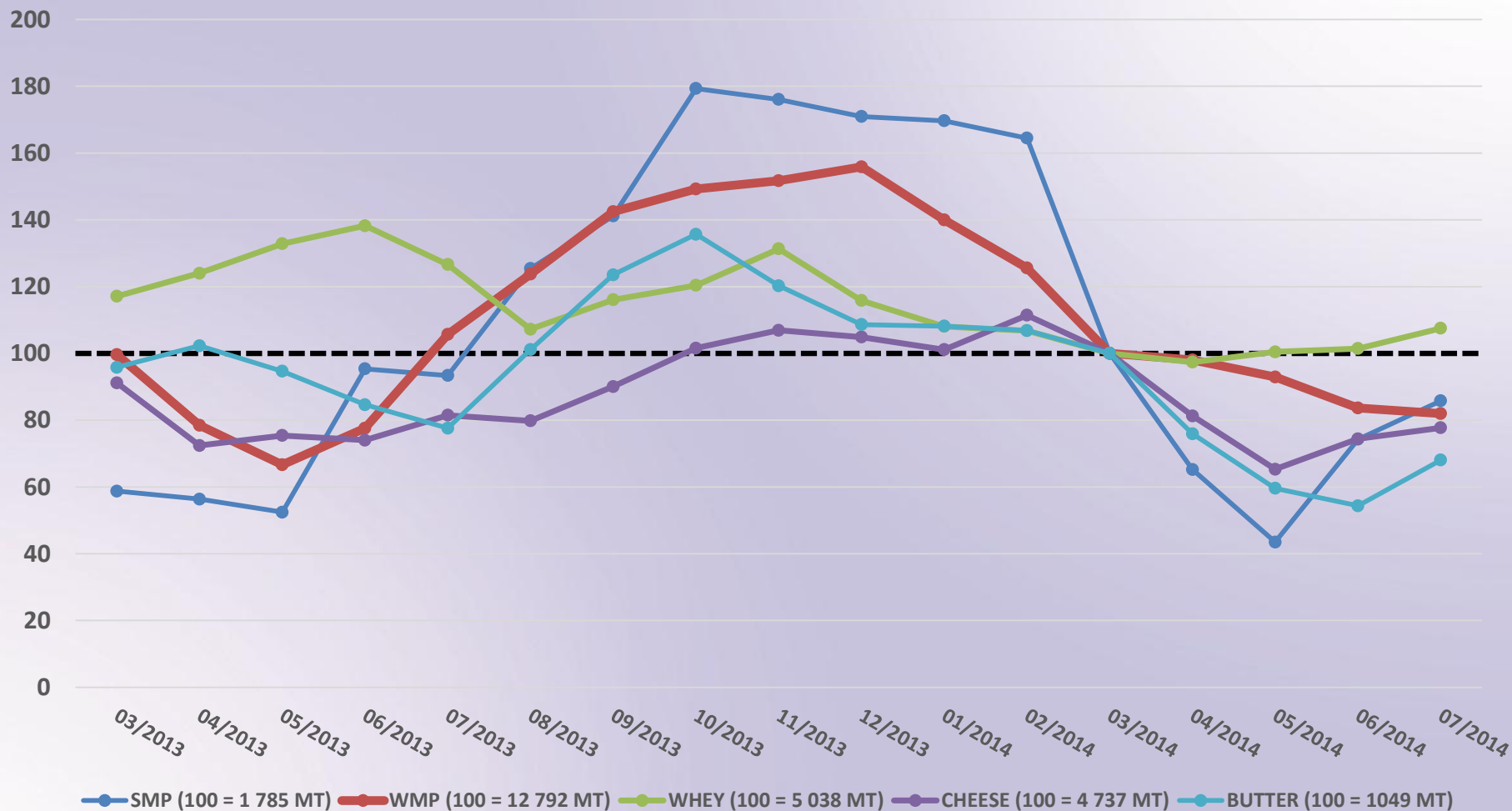




Argentina Exports



3 MONTH ROLLING AVERAGE (Q1 2014 = 100)

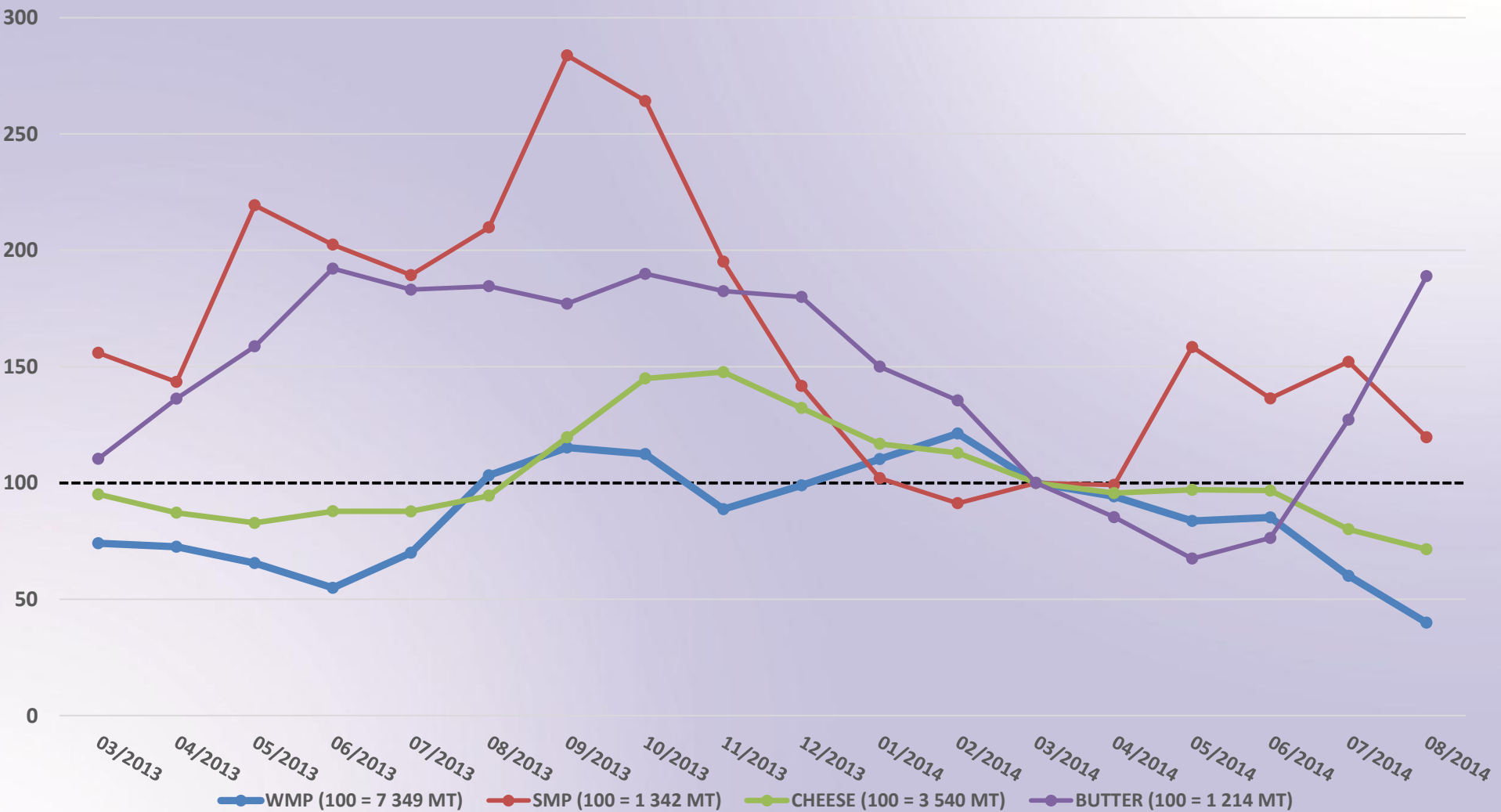




Uruguay Exports



3 MONTH ROLLING AVERAGE (INDEX Q1 2014 = 100)

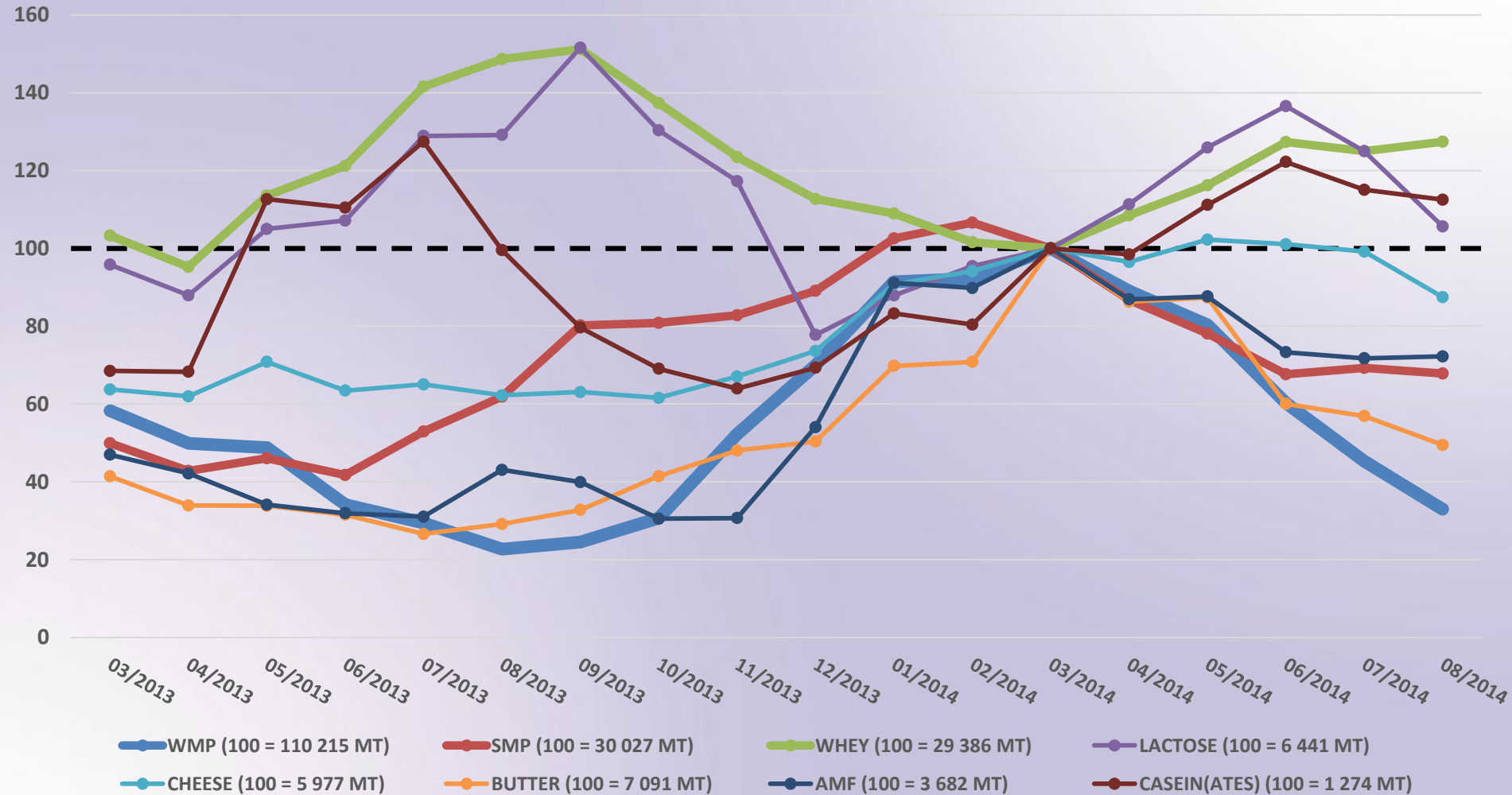




China Imports



3 MONTH ROLLING AVERAGE (Index Q1-2014 = 100)

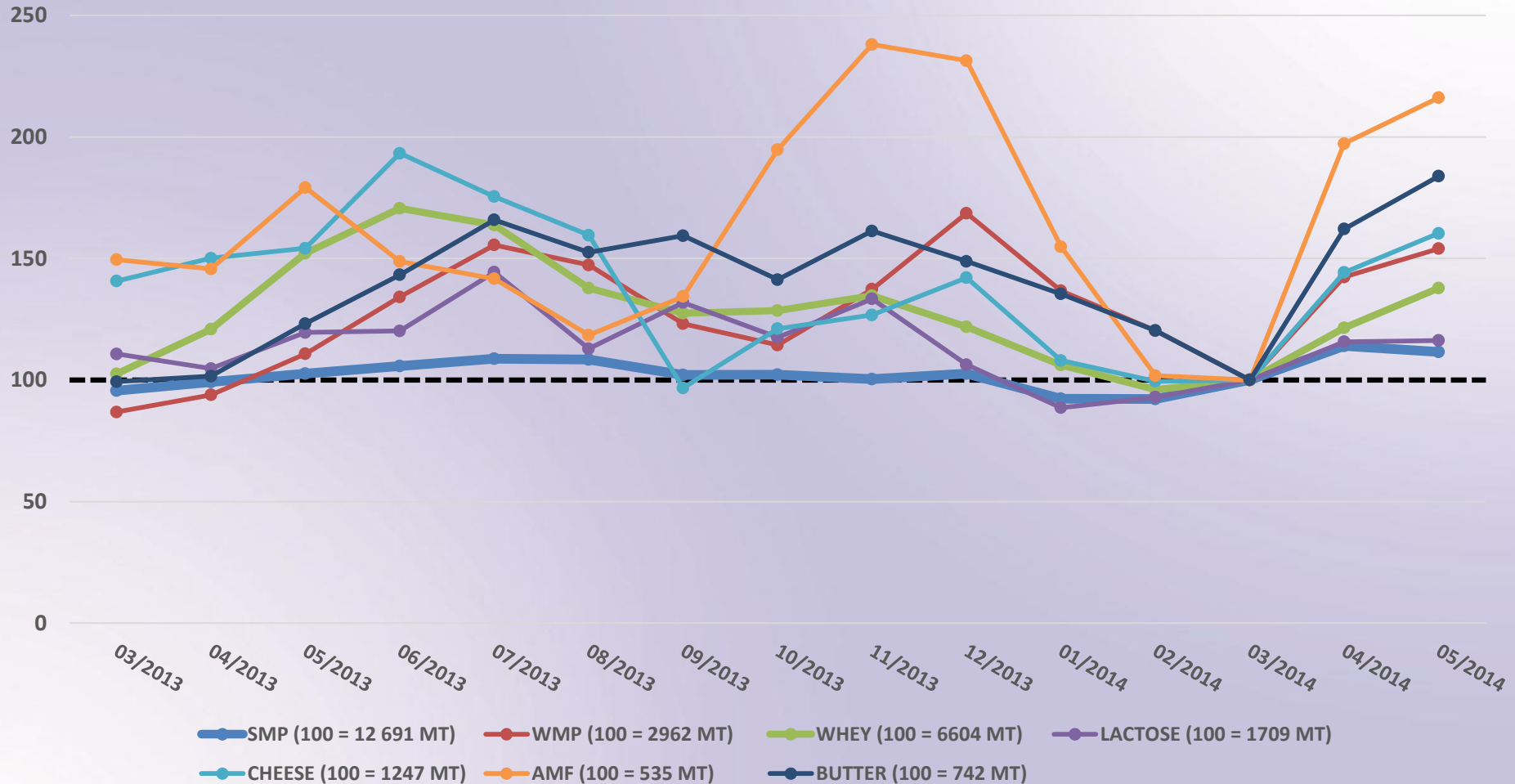




Indonesia Imports



3 MONTH ROLLING AVERAGE (Index Q1-2014 = 100)

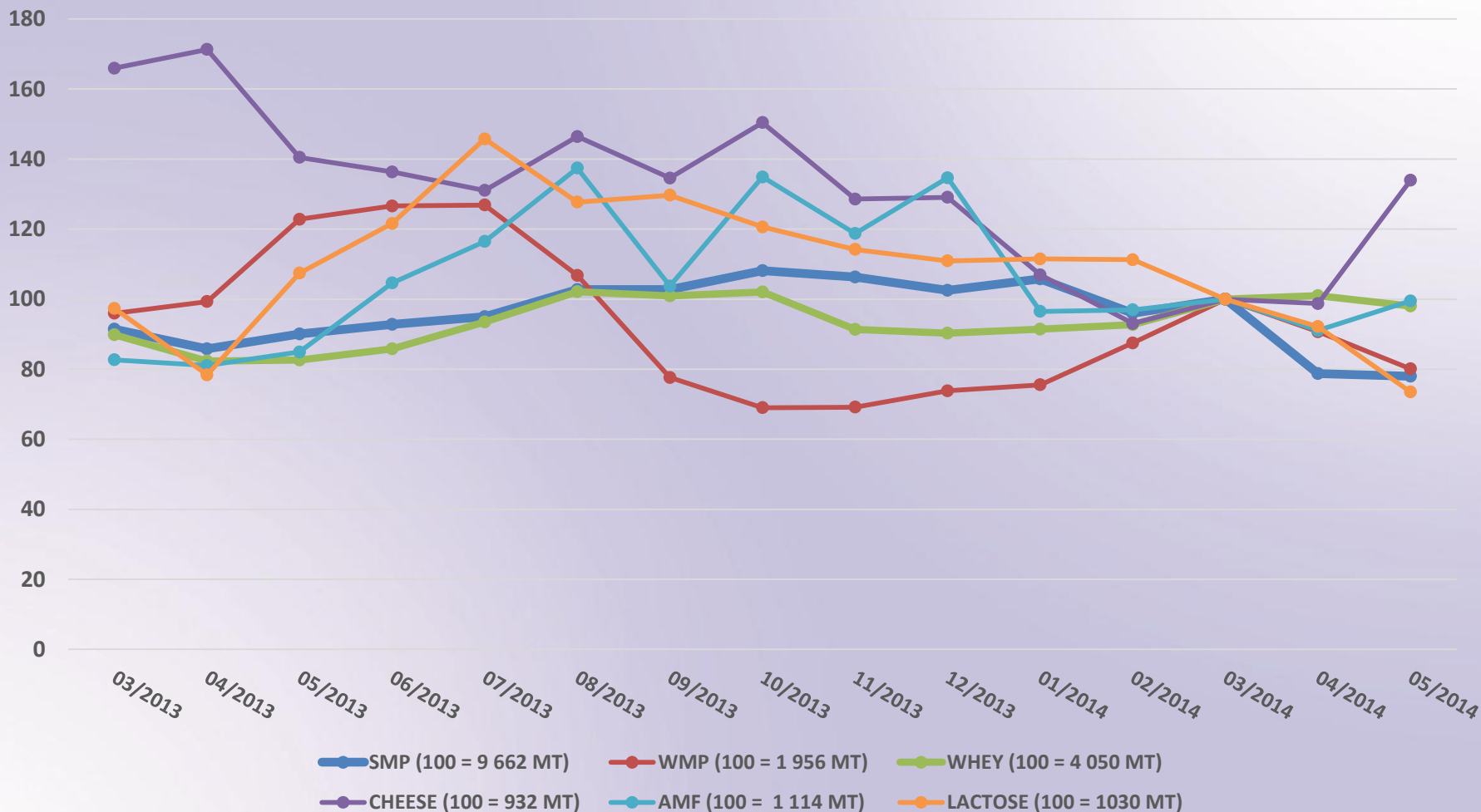




Philippines Imports



3 MONTH ROLLING AVERAGE (INDEX Q1-2014 = 100)

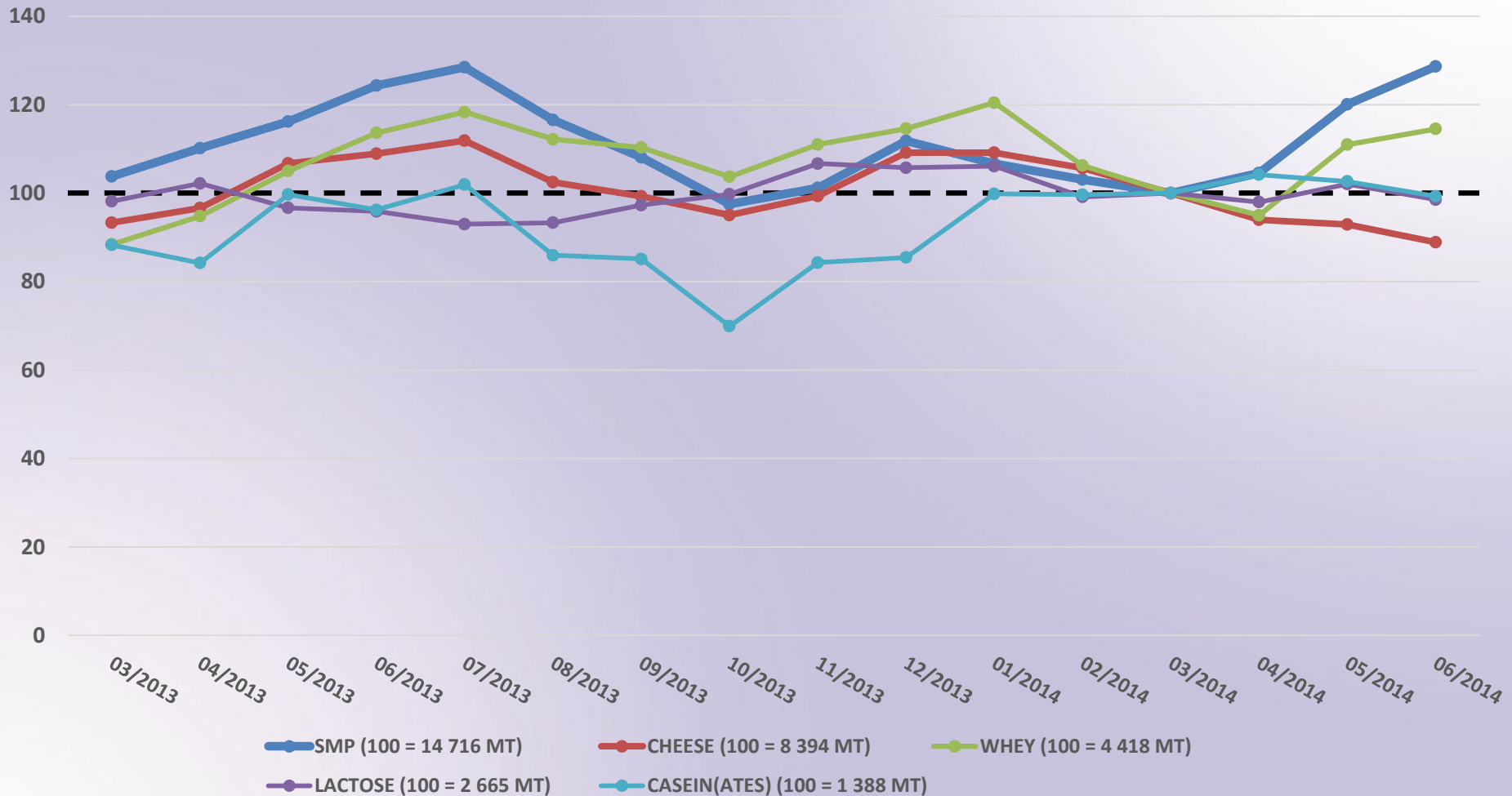




Mexico Imports



3 MONTH ROLLING AVERAGE (INDEX Q1-2014 = 100)

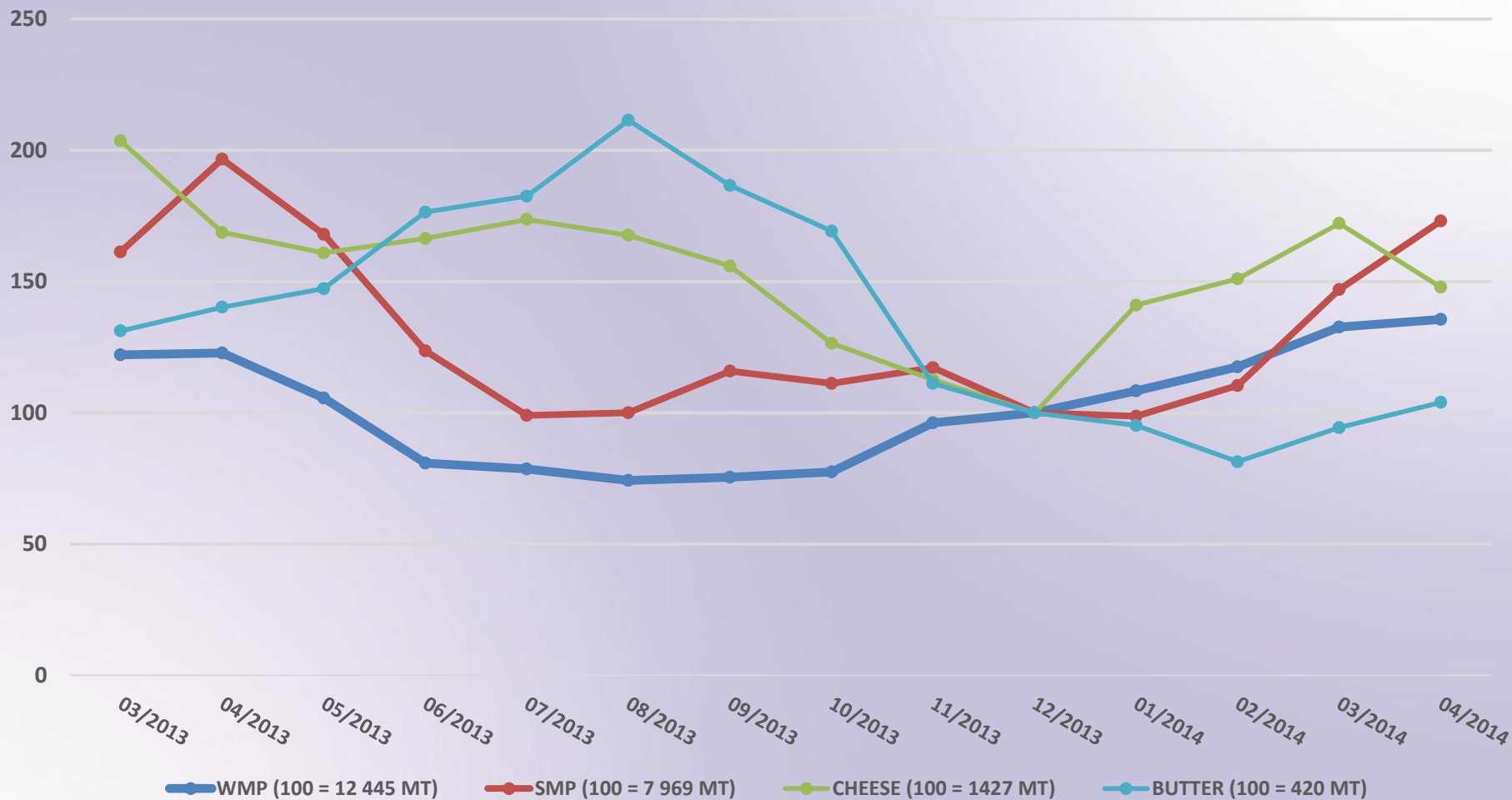




Algeria Imports



3 MONTH ROLLING AVERAGE (INDEX Q4-2013 = 100)

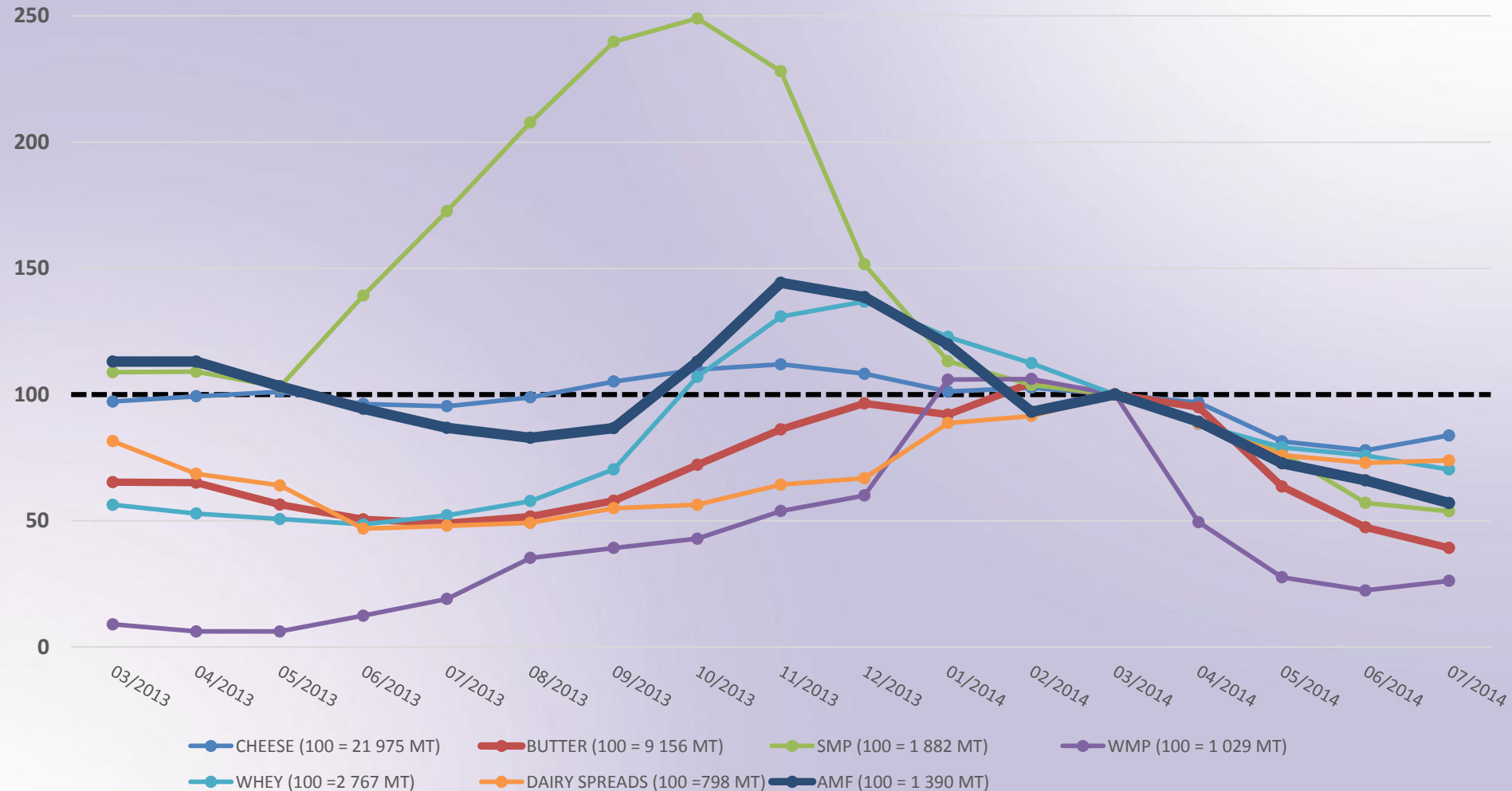




Russia Imports



COMBINED EXPORTS TO RUSSIA (EU+NZ+USA+ARG+URU+AUS)
3 MONTH ROLLING AVERAGE (Index Q1-2014 = 100)





Global Stocks



We hear:

- **Stocks have increased in most regions following high milk production**
- In EU, especially SMP, butter and cheese stocks appear to be significantly higher than in Q3/2013, less so for whey and WMP
- US: in particular SMP stocks have increased
- Oceania: higher for most products, in particular WMP
- South America: little changes



Conclusions



- Global demand is good
- Current imbalance is supply driven
- Direction of the market uncertain
- Supply reaction to lower prices is needed



Thank You

- Sources used in presentation: GTIS, USDA, Dairy Australia, Fonterra DCANZ, Inale

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