MMO Economic Board

Meeting of 27 May 2015

- The 6th meeting of the Milk Market Observatory's Economic Board took place on 27 May 2015, 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) and Eucolait (dairy trade). Eurocommerce (retail) was not represented.

- The meeting was opened with 2 presentations by DG AGRI on the milk market situation and the short term outlook. The factual information material prepared by participants and exchanged during the meeting allowed to gather the following picture on the current milk market situation and short term perspectives.

- EU milk production was down by 1.8% in March, bringing the total decrease in milk production for the first quarter of 2015 down to -1.3%. Provisional data on milk production in April (1st month after milk quota expiry) show lower production volumes as well in the first 2 milk producing MS (-1.3% in DE and -3% in FR) accounting for some 40% of EU milk production. Trends in the past weeks however show milk production in Germany gradually catching up last year's levels.

- Average farm gate milk prices approximate 31.6 c/kg in March, which is 6% below the last 5 years' average. First estimates for April point into the direction of 31.4 c/kg. Despite rather favourable feed costs developments, farmers' margins are decreasing due to the milk price erosion.

- Pressure persists on dairy product prices, in particular on butter and milk powder, while cheese prices tend more towards stabilisation. On the world market, a certain price convergence is observed on dairy commodities, except for some outstanding price increases in the US for butter and WMP. The latest GDT auction closed with an index down by 2.2%, mainly due to a substantial decrease for cheddar (but with a minor trading volume) and a more limited decrease for WMP (with a substantial trading volume).

- EU exports in the first quarter of 2015 for the main dairy products increased by 1.5% in milk equivalent, while imports by the main importing third countries decreased by 4%.

- For the short-term outlook, DG AGRI provisionally maintains its estimated 1.2% increase in milk deliveries for 2015. This would require increased exports for all dairy products. The exchange of views with the participants may bring some slight adjustment to this figure before the next publication of the short term outlook. For the sake of comparison, milk production forecast in the US oscillate between + 1 and 1.9%, in Australia around + 2.8% and in NZ around + 0.6%.

- The assessment of EU stock levels based on a residual approach (production + imports – consumption and exports) confirmed decreasing stocks for butter, SMP and cheese in the last months: butter stocks were regarded as only slightly above needs, which is good news at this time of the year and is due to dynamic exports and decreasing production in the 1st quarter of the year. SMP stocks were qualified as less excessive than one month ago thanks to exceptional export performance. Despite prevailing prices, intervention is not really envisaged as the production peak is passed. Cheese stocks show a slight surplus stock, mainly due to increased production following SMP processing capacity not having been able to cope with all peak production.

- At world level, US forecast milk production has been lowered from 1.9 to 1.3% for 2015 due to lower yields and drought in California. Global exports in March were particularly good, including for the EU. Strong demand in the US, in the wake of economic recovery and supportive campaigns notably on butter, is having a double positive effect: there is less US supply to be disposed of on the world market and there is more room for imports into the US.

- Knowing that this is the 1st production peak after the Russian ban and after milk quota expiry, the situation was qualified as better than expected. Market sentiment has slightly improved since the last meeting.

ANNEX 1

Milk Market Situation

European Commission

Milk Market Situation

Brussels, 27 May 2015

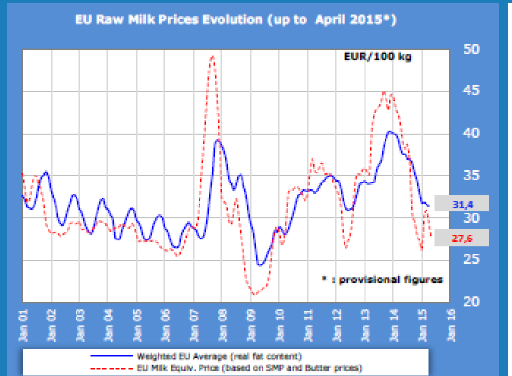
DAIRY PRODUCTS - DASHBOARD

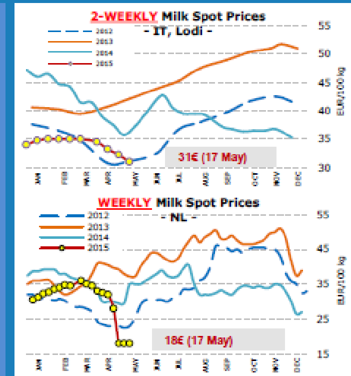
Last update : 21.05.2015

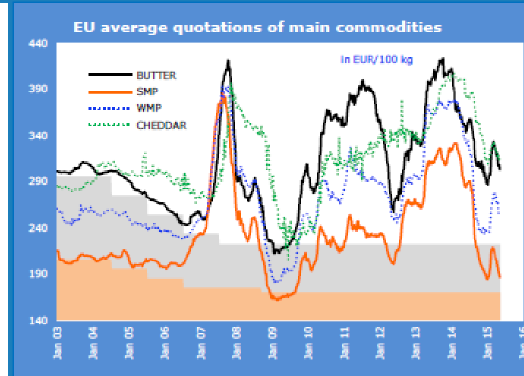
EU Prices

EU Price *April 2015*			Evolution since last month
Raw Milk	31,4	€/100 kg	- 0,5%

EU Prices (week 20)			Evolution since last week
BUTTER	303	€/100 kg	- 1,6%
S.M.P.	186	€/100 kg	- 1,4%
W.M.P.	254	€/100 kg	- 0,2%
CHEDDAR	317	€/100 kg	+ 1,3%

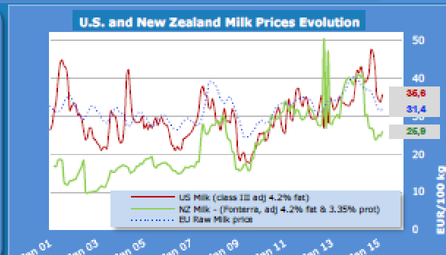




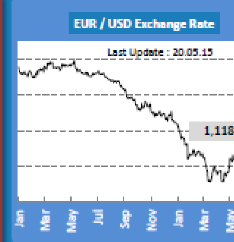


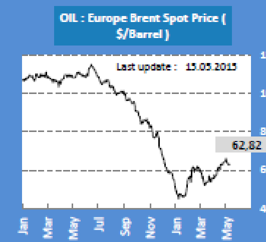
LATEST WORLD QUOTATIONS

	Price in USD/Tonne on 17.05.2015			% change (15 days ago)		
	EU	Oceania	USA	EU	Oceania	USA
Butter	3 456	3 263	4 445	+ 1%	- 0%	+ 7%
SMP	2 117	2 250	2 058	- 2%	- 4%	- 2%
WMP	2 857	2 450	2 998	- 0%	- 6%	+ 9%
Cheddar	3 516	3 500	3 562	- 1%	-	+ 0%



USD/Feed/Energy

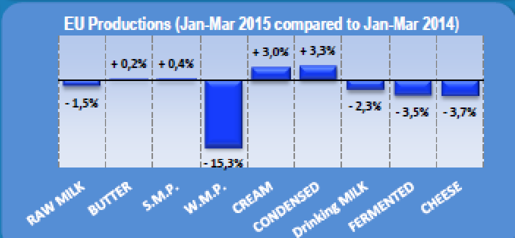


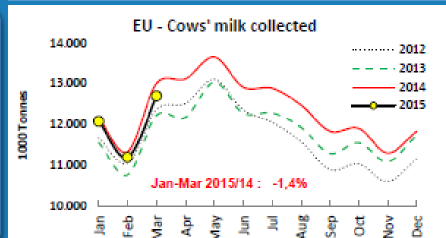


Feed / Energy quotations *Evolution (4 last weeks)*

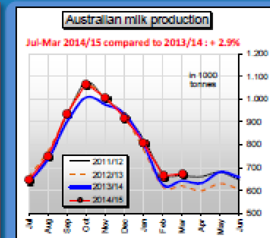
Feed costs (Wk 20)	- 4,7 %
Energy costs (Wk 20)	+ 2,6 %

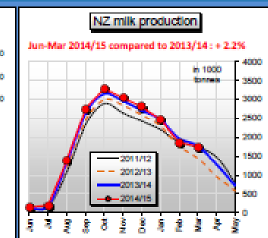
EU Productions

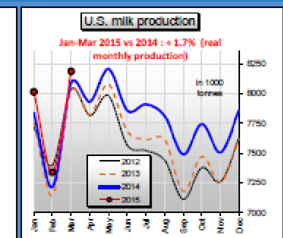




World







EU TRADE

EU Exports - Top 3 destinations in 2015

Period : January to March

BUTTER

in Tonnes	2013	2014	2015	
Extra-EU	26.445	31.453	33.215	+ 6%
Egypt	101	418	4.277	+++
Saudi Arabia	832	1.087	4.047	+++
USA	724	1.759	2.924	+ 66%

CHEESE

in Tonnes	2013	2014	2015	
Extra-EU	189.213	187.373	161.817	- 14%
USA	25.452	24.996	30.756	+ 23%
Japan	9.557	8.865	14.563	+ 64%
Switzerland	12.543	12.539	13.275	+ 6%

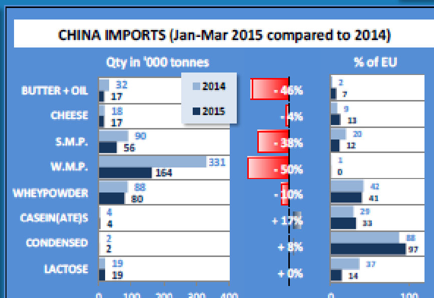
S.M.P.

in Tonnes	2013	2014	2015	
Extra-EU	92.557	147.247	181.787	+ 23%
Algeria	23.647	33.626	25.888	- 23%
Egypt	8.727	9.850	18.987	+ 93%
Indonesia	10.613	15.695	13.682	- 13%

W.M.P.

in Tonnes	2013	2014	2015	
Extra-EU	79.472	103.252	94.798	- 8%
Oman	11.874	12.522	15.299	+ 22%
Algeria	4.648	20.502	9.865	- 52%
Nigeria	10.794	11.162	7.879	- 29%

World TRADE



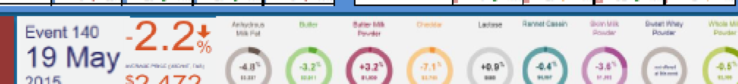
MAIN EXPORTING THIRD COUNTRIES

Jan-Mar 2015 compared to 2014	BUTTER(OIL)		CHEESE		S.M.P.		W.M.P.	
	Qty in ktons	% 2015 /14	Qty in ktons	% 2015 /14	Qty in ktons	% 2015 /14	Qty in ktons	% 2015 /14
New Zealand	137	- 7%	90	+ 22%	123	+ 38%	419	- 5%
EU-28	42	+ 8%	162	- 14%	182	+ 23%	95	- 8%
United States	8	- 74%	88	- 12%	126	- 6%	12	- 18%
Australia	9	- 28%	39	+ 8%	57	+ 24%	17	- 38%
Argentina	3	- 24%	9	- 38%	6	+ 6%	30	- 22%
Belarus up to Feb	5	- 22%	25	+ 11%	17	+ 33%	3	- 58%

MAIN IMPORTING THIRD COUNTRIES

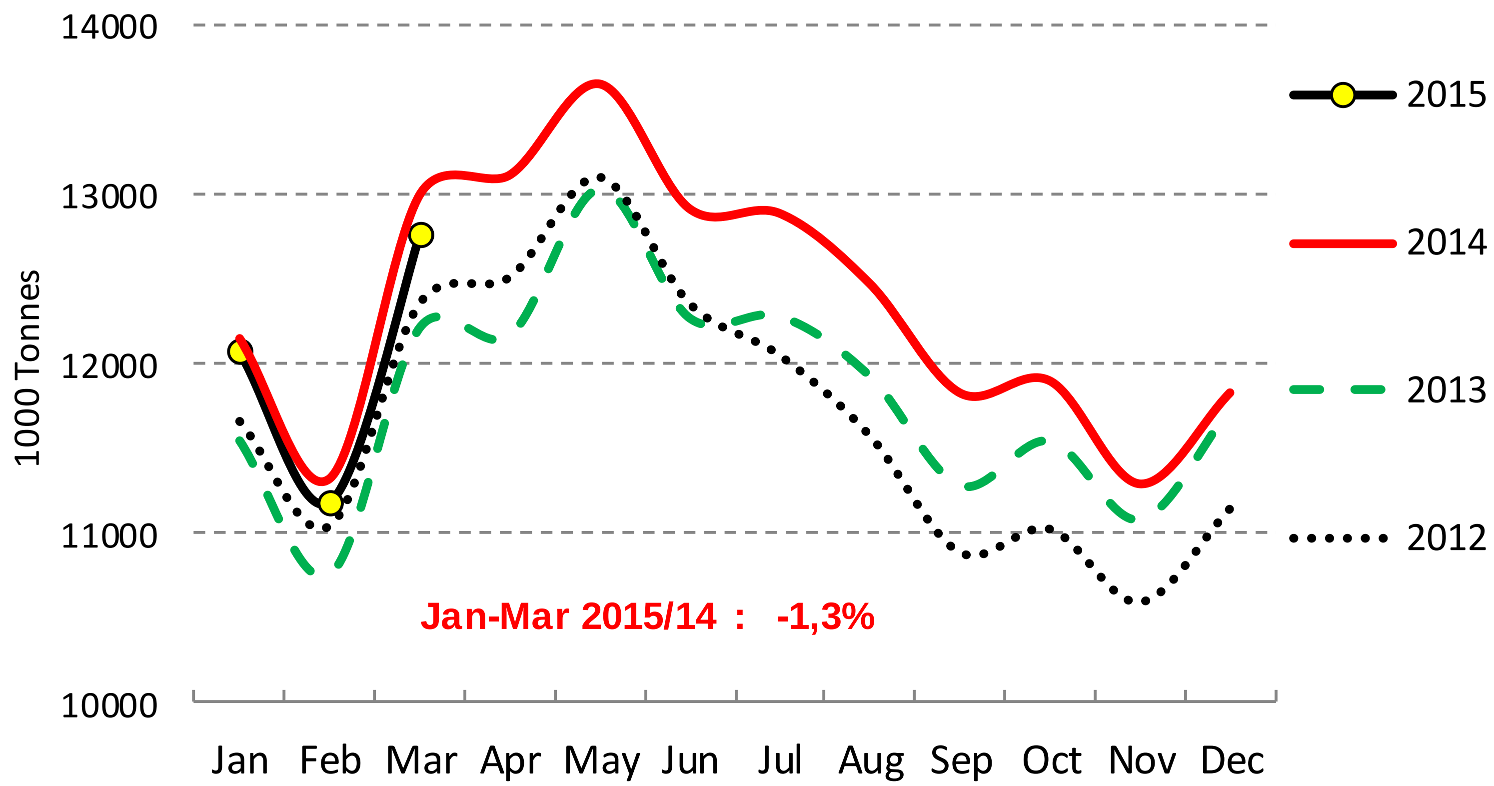
Jan-Mar 2015 compared to 2014	BUTTER(OIL)		CHEESE		S.M.P.		W.M.P.	
	Qty in ktons	% 2015 /14	Qty in ktons	% 2015 /14	Qty in ktons	% 2015 /14	Qty in ktons	% 2015 /14
China	17	- 46%	17	- 4%	56	- 38%	164	- 50%
Russia up to Feb	8	- 69%	24	- 61%	14	- 8%	3	- 45%
Japan	3	+++	60	+ 8%	19	+ 92%	0	+ 144%
United States	9	+++	41	+ 25%	0	- 44%	2	+ 34%
EU-28	8	- 71%	14	- 44%	1	+++	1	+++
Mexico up to Feb	9	+ 166%	17	+ 5%	32	+ 18%	1	- 4%

GDT Auction



Sources : EUROSTAT, Reg. (EU) 479/2010, Clal.it, USDA, Lto.nl, Nasdaq, European Central Bank, Dairyaustralia, Dcanz, Global Trade Atlas, Globaldairytrade.

EU - Cows' milk collected

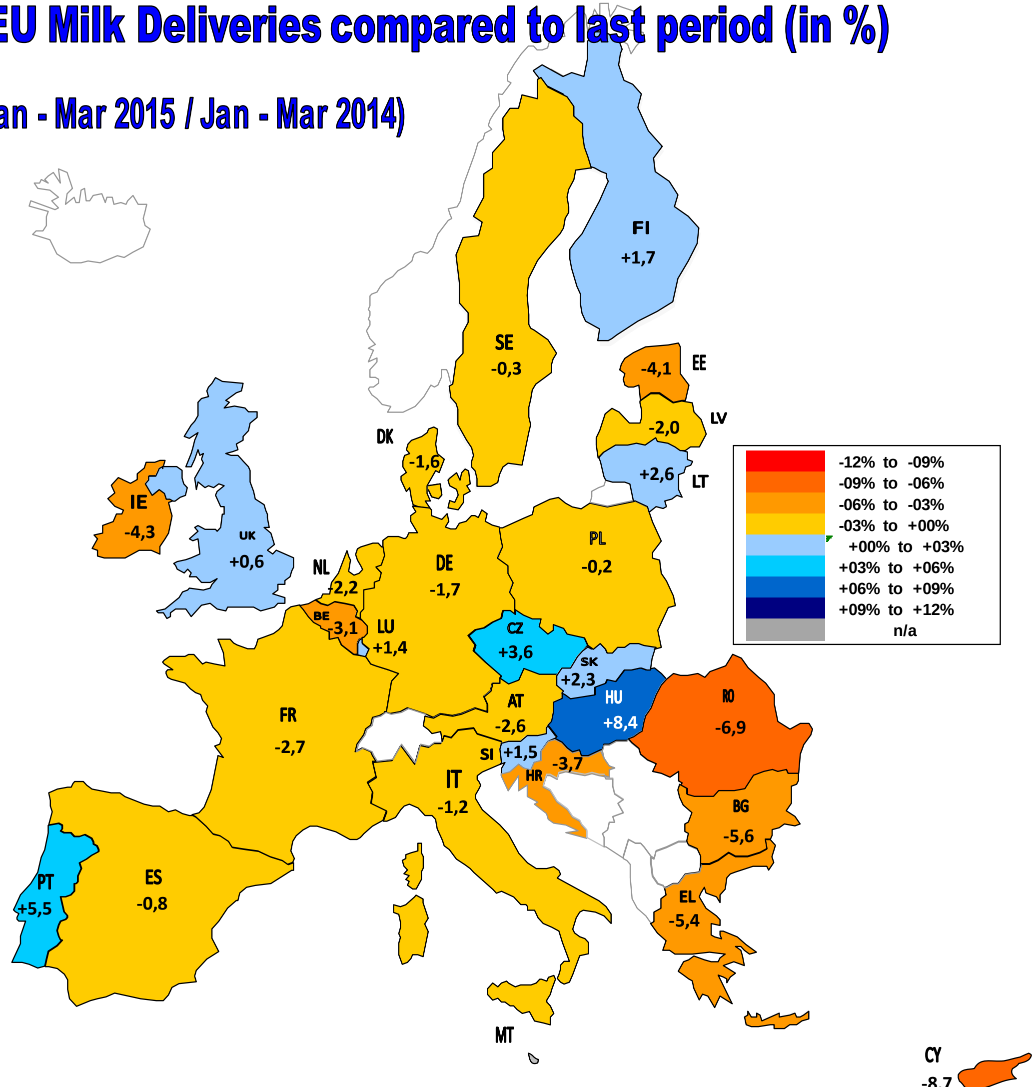


Source : Estat - Newcronos

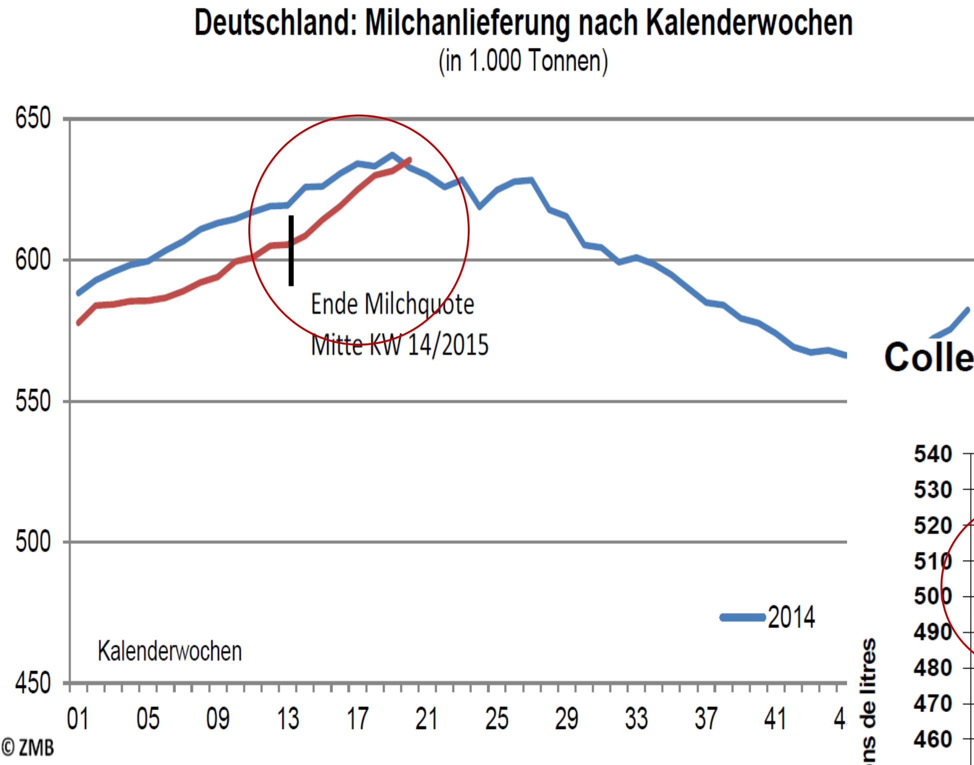
Last update : Jan-Mar

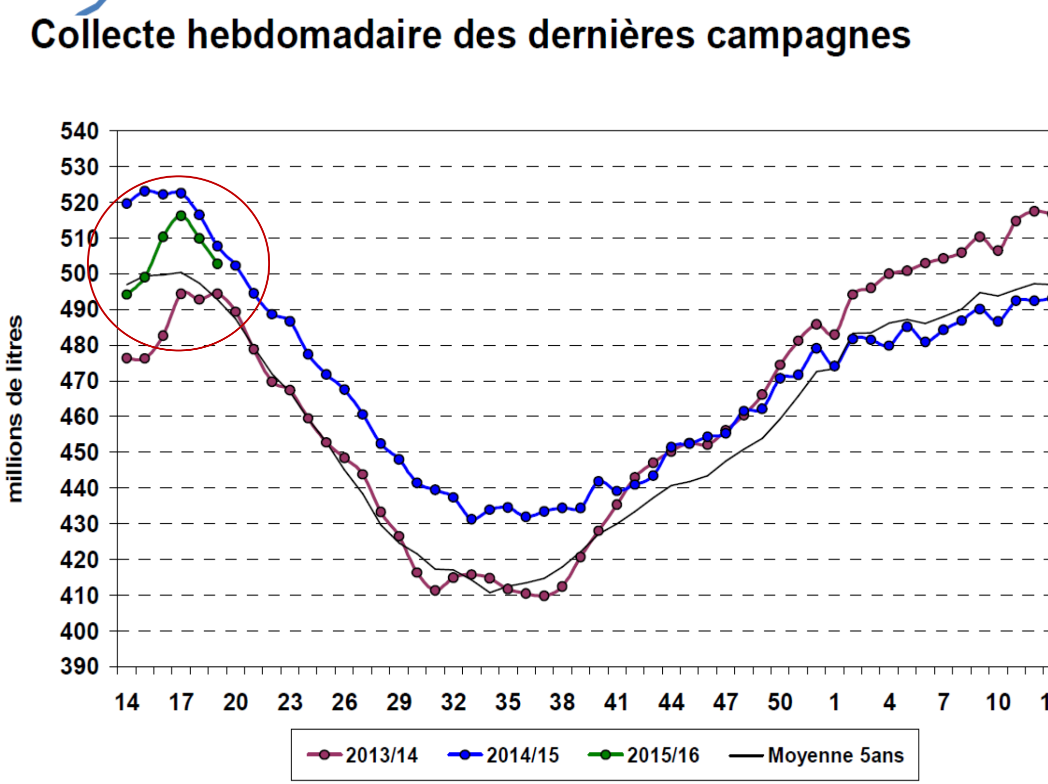
EU Milk Deliveries compared to last period (in %)

(Jan - Mar 2015 / Jan - Mar 2014)

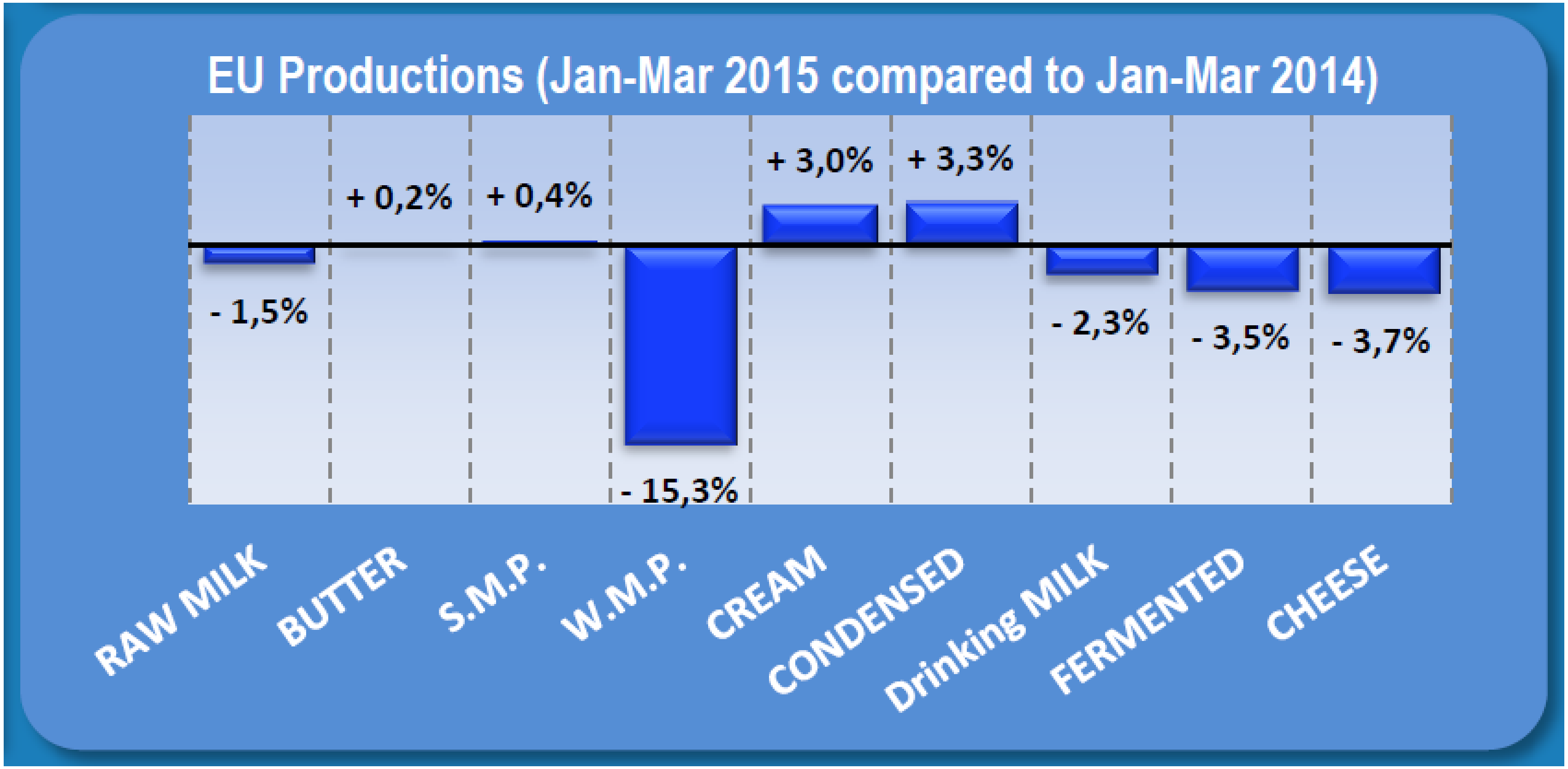


Source : MS' Communications to Eurostat, FEGA, AGEA

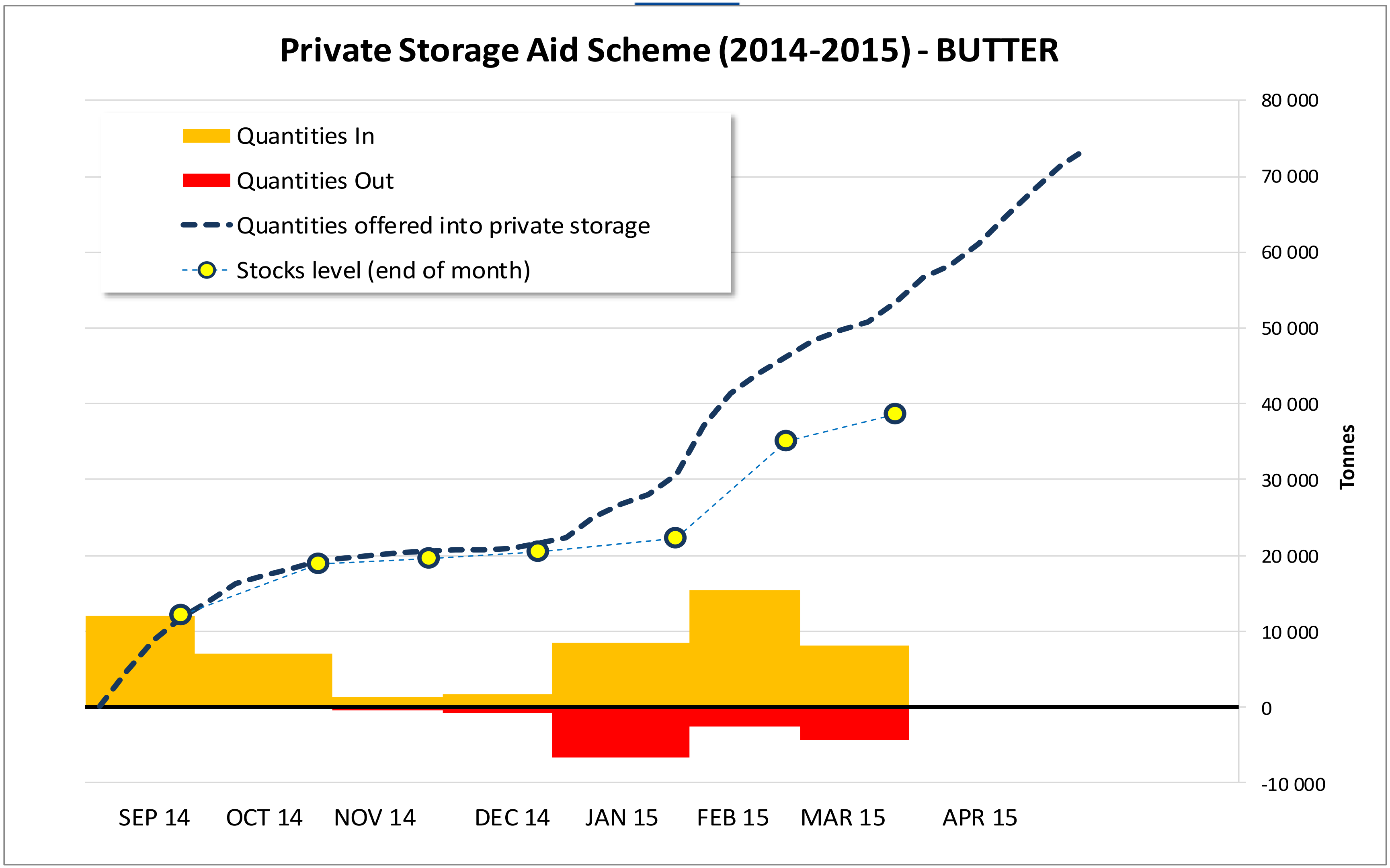


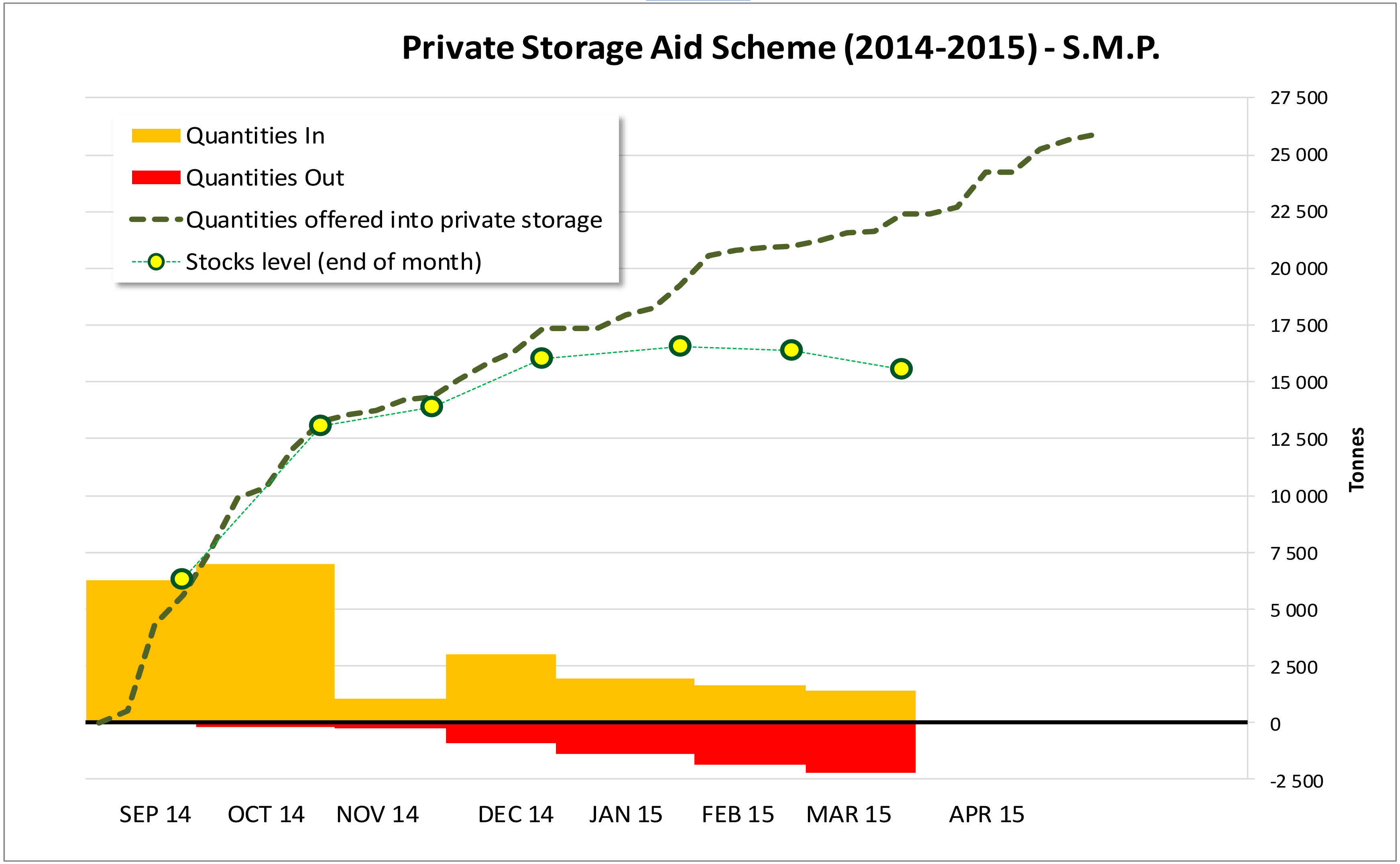


Source : FranceAgriMer / sondage hebdomadaire


EU Productions (Jan-Mar 2015 compared to Jan-Mar 2014)
- 1,5%
+ 0,2%
+ 0,4%
- 15,3%
+ 3,0%
+ 3,3%
- 2,3%
- 3,5%
- 3,7%
RAW MILK
BUTTER
S.M.P.
W.M.P.
CREAM
CONDENSED
Drinking MILK
FERMENTED
CHEESE

European Commission



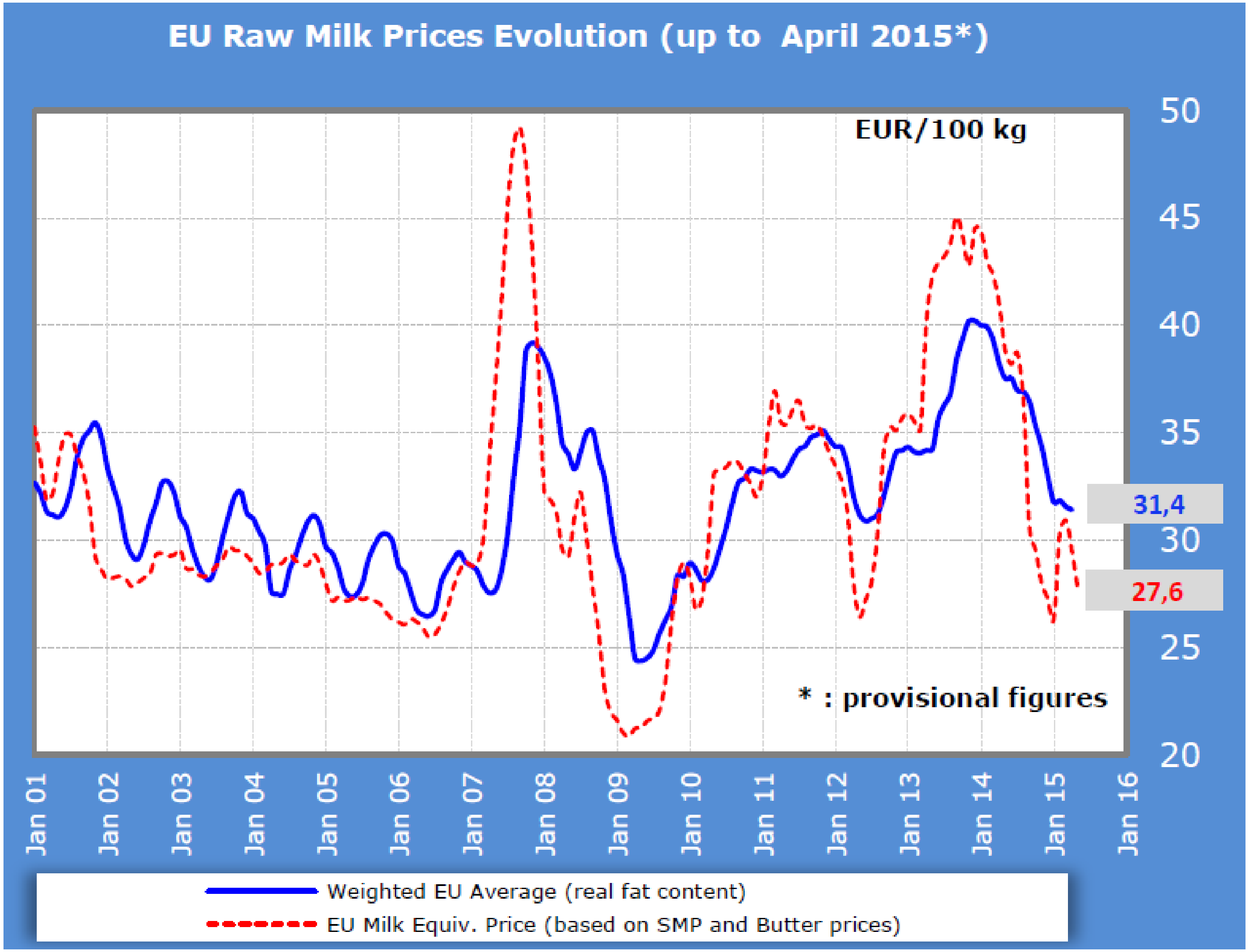

Private Storage Aid Scheme (2014-2015) - S.M.P.
Quantities In
Quantities Out
Quantities offered into private storage
Stocks level (end of month)
27 500
25 000
22 500
20 000
17 500
15 000
12 500
10 000
7 500
5 000
2 500
0
-2 500
Tonnes
SEP 14
OCT 14
NOV 14
DEC 14
JAN 15
FEB 15
MAR 15
APR 15

EU MILK PRICES
(Mar 2015 vs Mar 2014)

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

European Commission



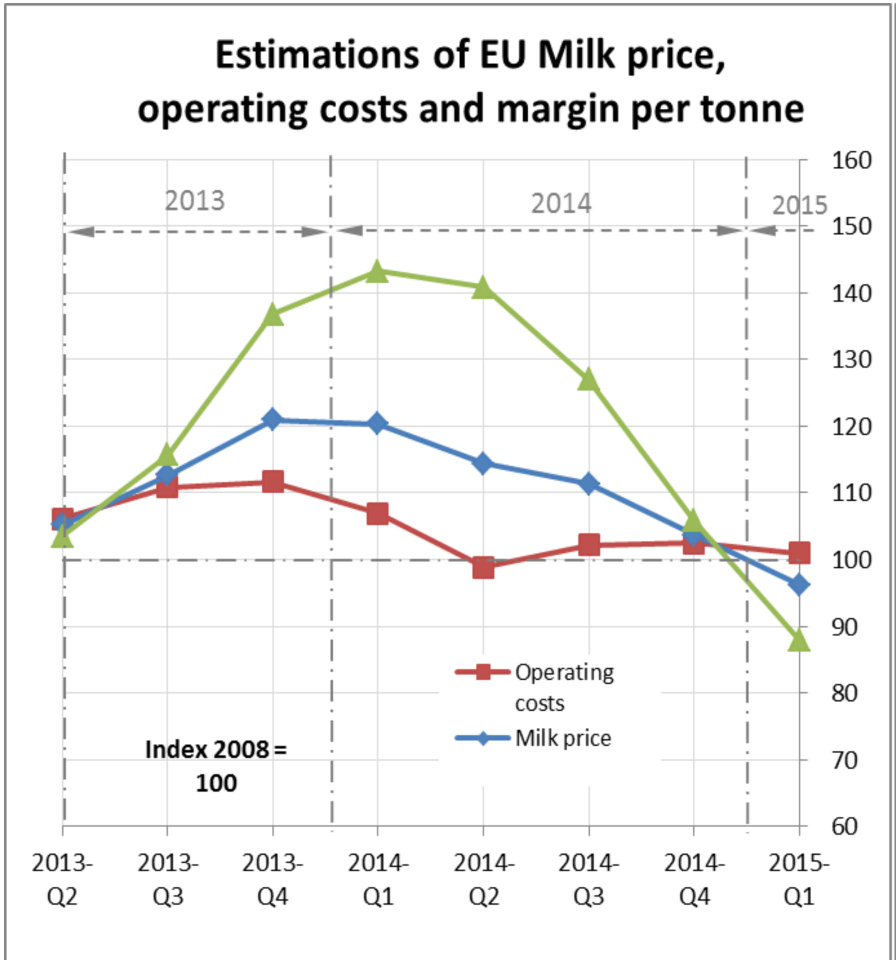
European Commission

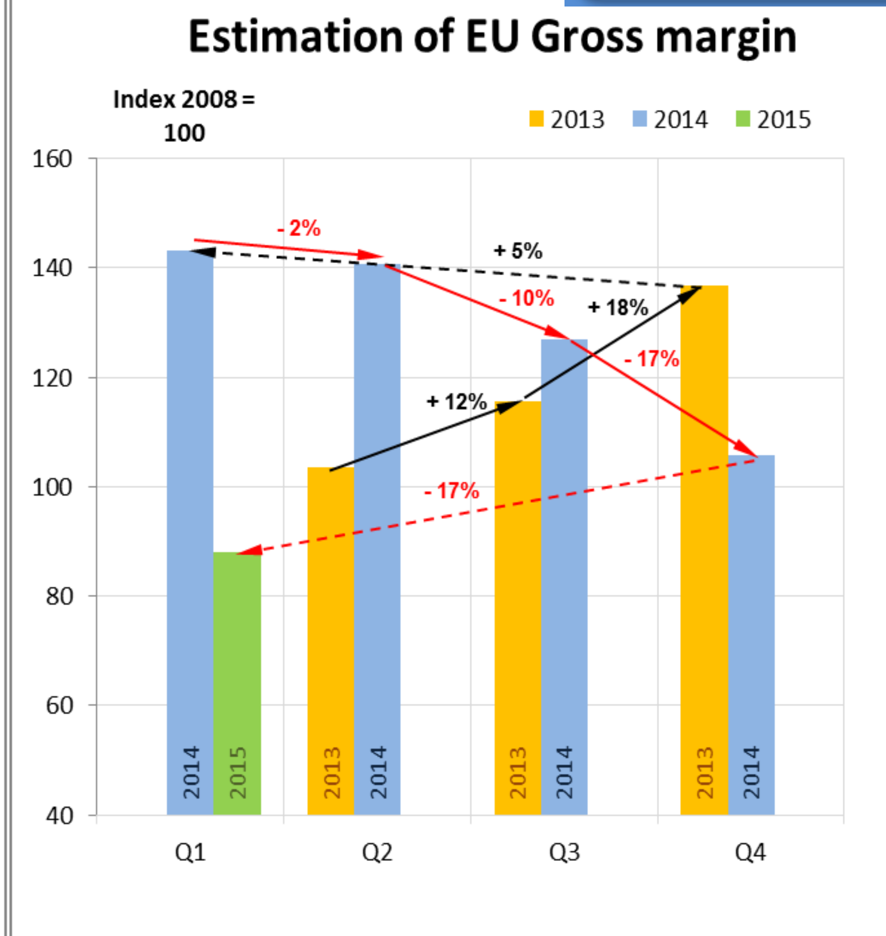
Costs - Margins

Feed / Energy quotations
Evolution (4 last weeks)

Feed costs *(Wk 20)* **- 4,7 %**

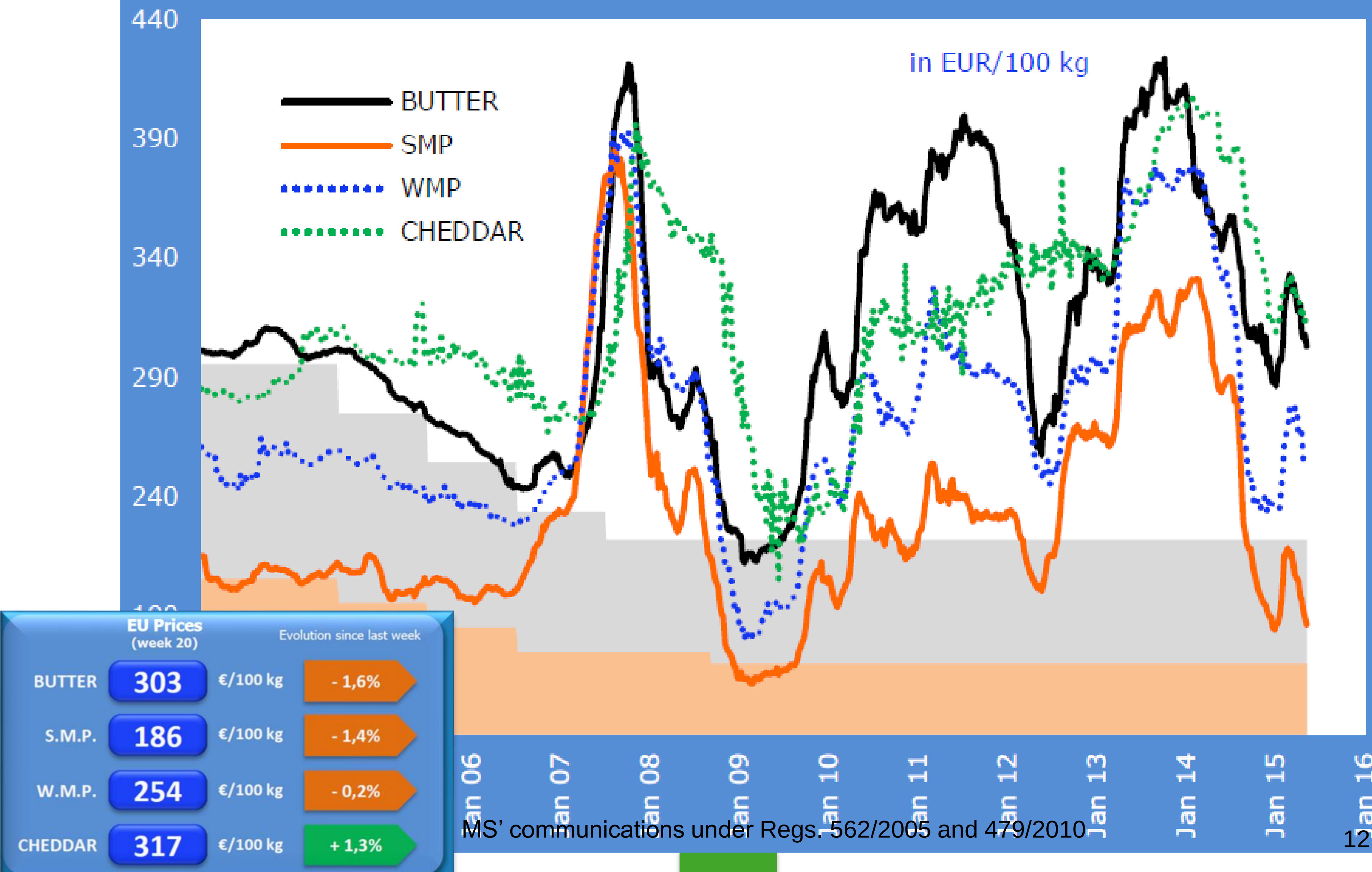
Energy costs *(Wk 20)* **+ 2,6 %**





Source : FADN - base year 2011 + indexes: Eurostat, DG AGRI

EU average quotations of main commodities



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

LATEST WORLD QUOTATIONS

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SMP	2 117	2 250	2 058	- 2%	- 4%	- 2%
WMP	2 857	2 450	2 998	- 0%	- 6%	+ 9%
Cheddar	3 516	3 500	3 562	- 1%	-	+ 0%

European Commission

EU Exports - Top 3 destinations in 2015

Period : January to March

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in Tonnes	2013	2014	2015	
Extra-EU	26.445	31.453	33.215	+ 6%
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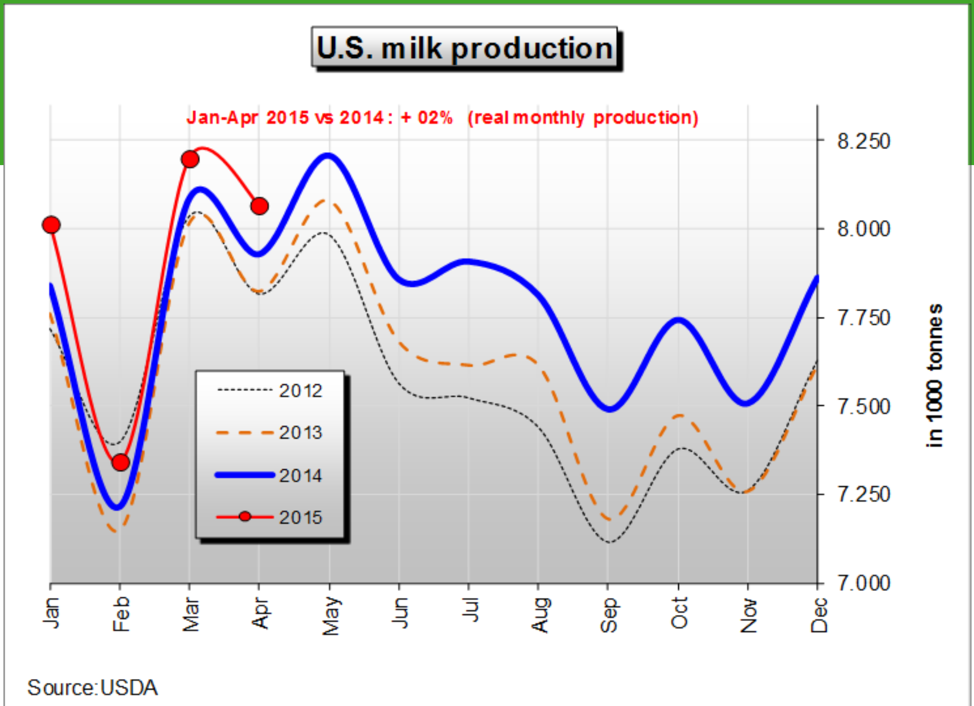
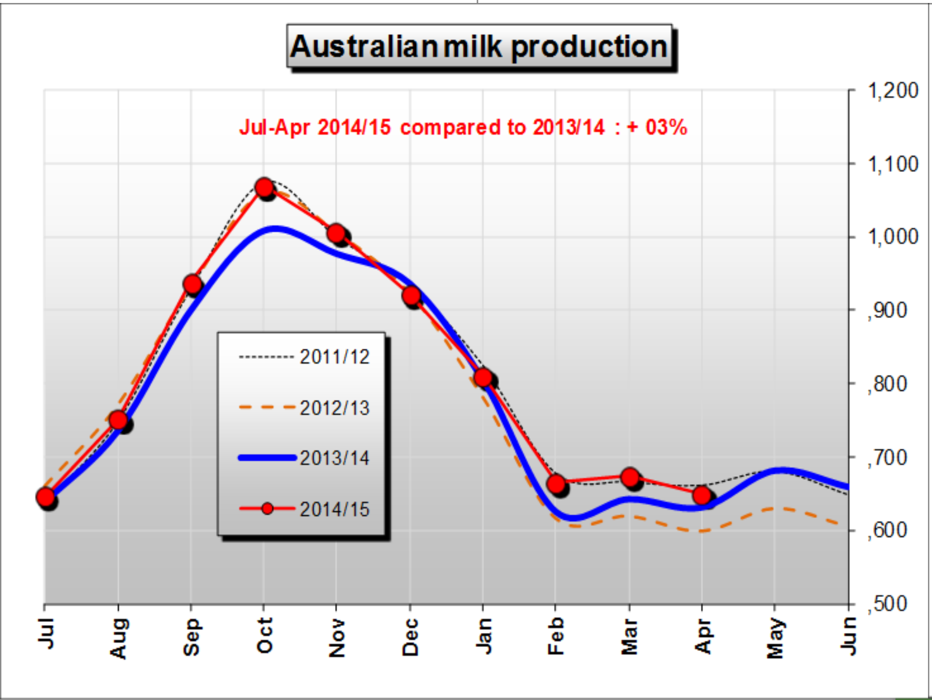
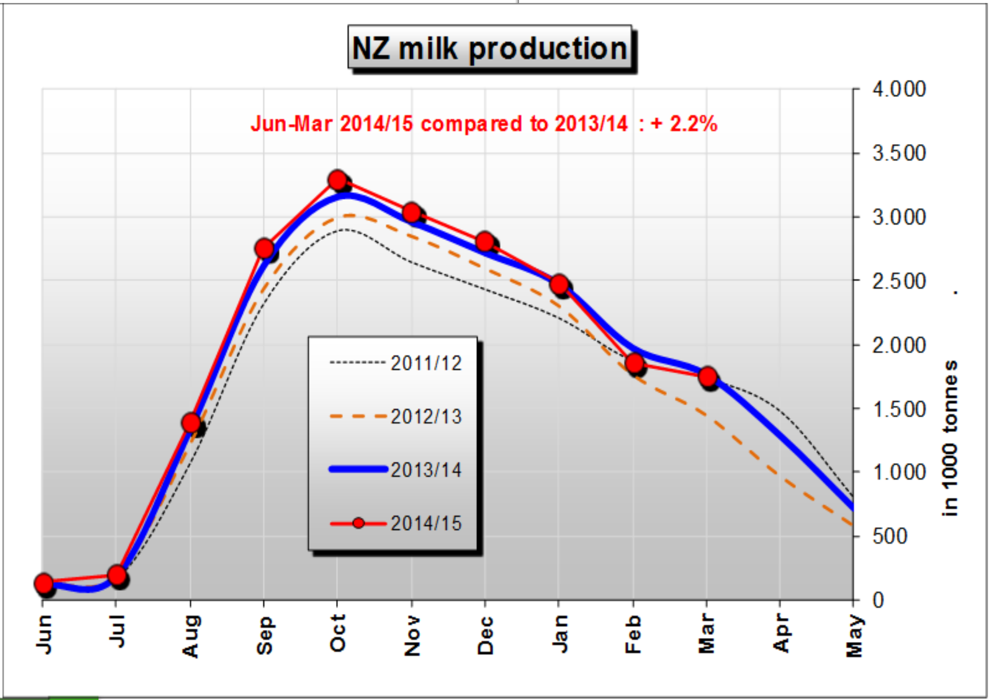

U.S. milk production
Jan-Apr 2015 vs 2014 : + 02% (real monthly production)
2012
2013
2014
2015
8.250
8.000
7.750
7.500
7.250
7.000
in 1000 tonnes
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Source:USDA


Australian milk production
Jul-Apr 2014/15 compared to 2013/14 : + 03%
2011/12
2012/13
2013/14
2014/15
1,200
1,100
1,000
,900
,800
,700
,600
,500
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun


NZ milk production
Jun-Mar 2014/15 compared to 2013/14 : + 2.2%
2011/12
2012/13
2013/14
2014/15
4.000
3.500
3.000
2.500
2.000
1.500
1.000
500
0
in 1000 tonnes
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May

ANNEX 2

Short term Outlook
Draft forecasts
EU Dairy Markets

EUROPEAN COMMISSION

Short term Outlook Draft forecasts EU Dairy Markets

MMO
27 May 2015

Sophie Hélaine

DG Agriculture and Rural Development
European Commission

Main questions

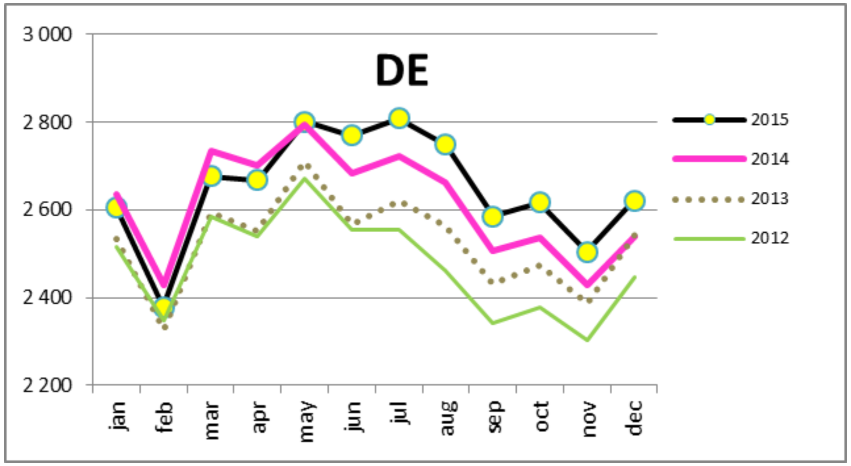
- Which milk collection in 2015 (and 2016)?
  - Review of the main producing countries
- Which exports of cheese and butter in 2015 if ban removed?
- What if the ban is maintained?
- Dairy products in 2015
  - Production
  - Exports
  - Consumption

2015 deliveries – draft forecast

DE

April milk price: 30.8 EUR/100 kg

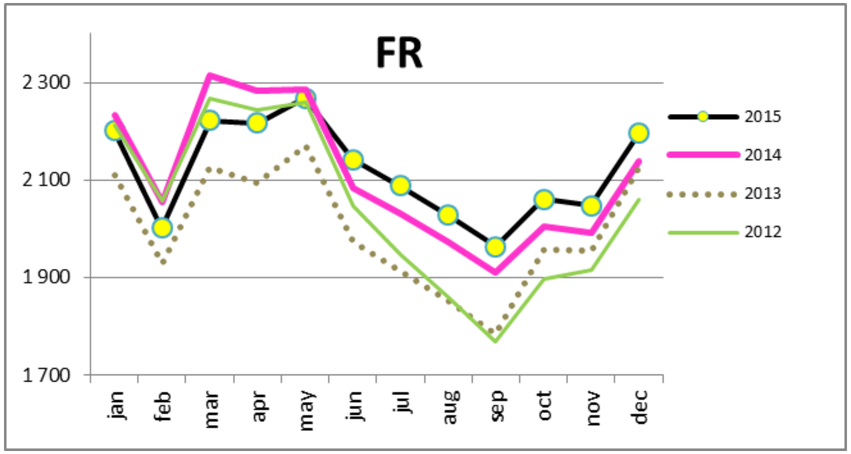
- 2014/2013: +3.5% (+1.1 Mt)
- 2015/2014(*f*): +1.3% (+0.41 Mt)
  - Q1 2015/2014: -1.7%
  - Q2(*f*): +0.7%
  - Q3+Q4(*f*): +3.2%
- 2016/2015(*f*): +1% (+0.32 Mt)



FR

April milk price: 30.2 EUR/100 kg

- 2014/2013: +5.5% (+1.3 Mt)
- 2015/2014 (*f*): +0.5% (+0.13 Mt)
  - Q1 2015/2014: -2.6%
  - Q2(*f*): -0.2%
  - Q3+Q4(*f*):+3%
- 2016/2015(*f*): +1% (+0.25 Mt)



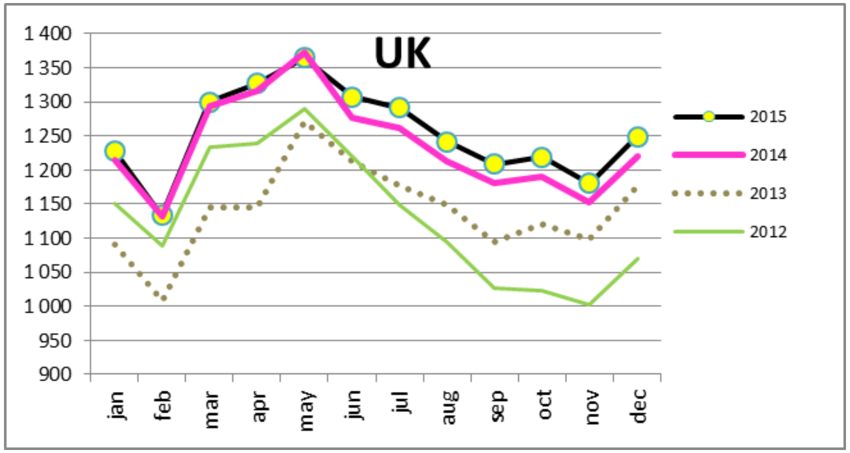
Source: DG AGRI, work in progress

2015 deliveries – draft forecast

UK

April milk price: 33.6 EUR/100 kg

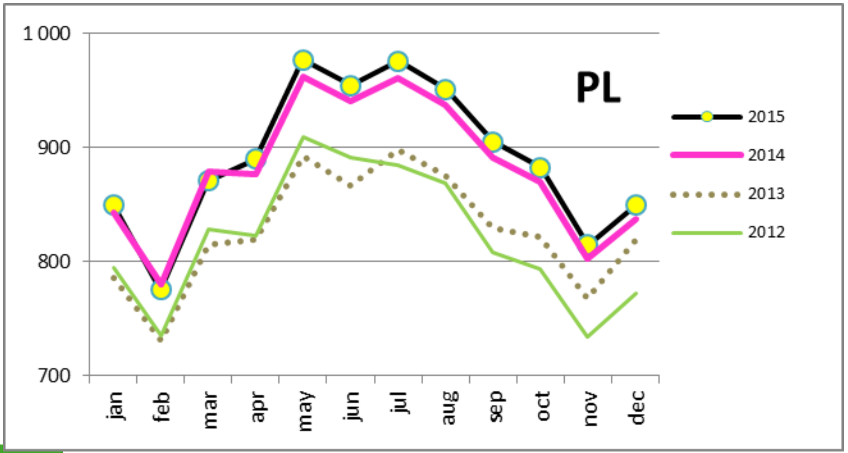
- 2014/2013: +8.3% (+1.1 Mt)
- 2015/2014(*f*): +1.5% (+0.22 Mt)
  - Q1 2015/2014: +0.6%
  - Q2(*f*): +0.8%
  - Q3+Q4(*f*): +2.3%
- 2016/2015(*f*): +1% (+0.15 Mt)



PL

April milk price: 30.5 EUR/100 kg

- 2014/2013: +6.7% (+0.66 Mt)
- 2015/2014(*f*): +1.1% (+0.12 Mt)
  - Q1 2015/2014: -0.2%
  - Apr-Dec(*f*): +1.5%
- 2016/2015(*f*): +3.1% (+0.33 Mt)



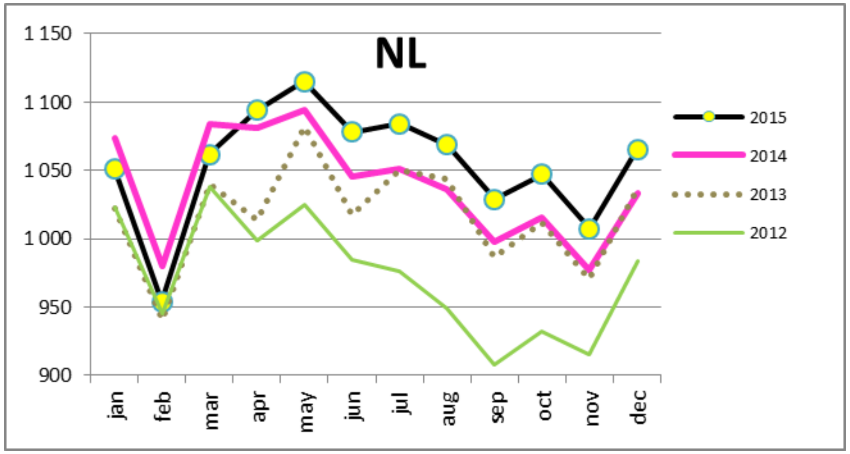
Source: DG AGRI, work in progress

2015 deliveries – draft forecast

NL

April milk price: 33.25 EUR/100 kg

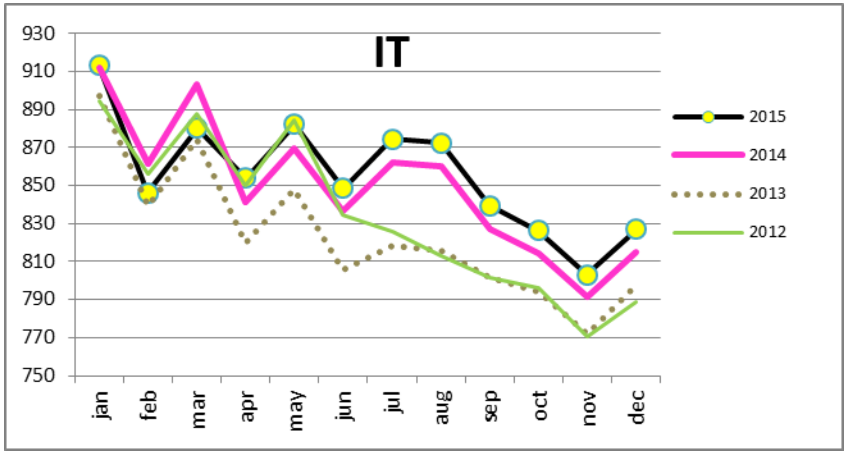
- 2014/2013: +2.1% (+0.26 Mt)
- 2015/2014 (*f*): +1.5% (+0.19 Mt)
  - Q1 2015/2014: -2.2%
  - Apr-Dec (*f*): +2.8%
- 2016/2015 (*f*): +1% (+0.13 Mt)



IT

April milk price: 30.5 EUR/100 kg

- 2014/2013: +1.7% (+0.17 Mt)
- 2015/2014 (*f*): +0.7% (+0.07 Mt)
  - Q1 2015/2014 (*e*): -1.4%
  - Apr-Dec (*f*): +1.4%
- 2016/2015 (*f*): +0.5% (+0.05 Mt)



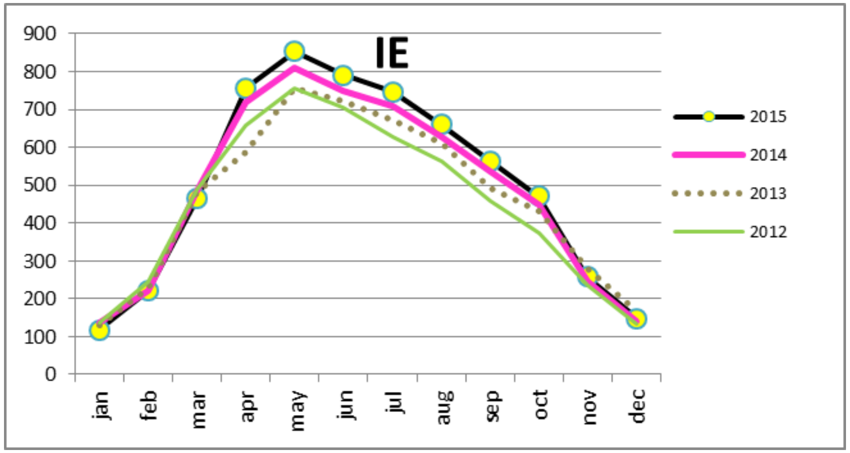
Source: DG AGRI, work in progress

2015 deliveries – draft forecast

IE

April milk price: 29.9 EUR/100 kg

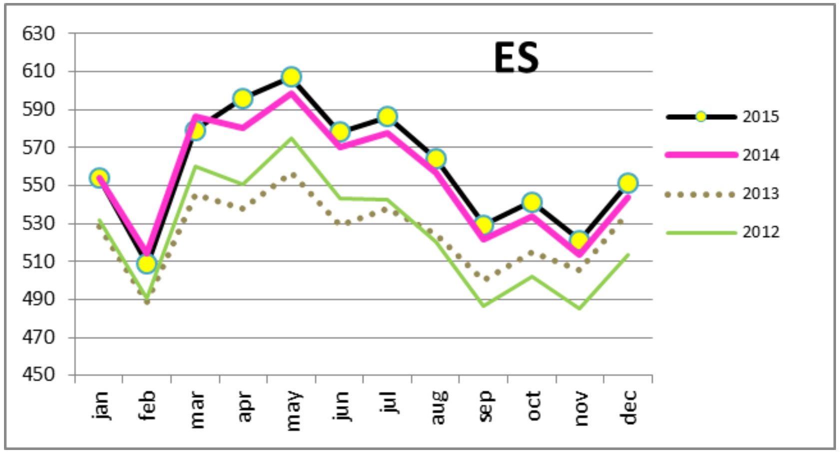
- 2014/2013: +4.7% (+0.26 Mt)
- 2015/2014 (*f*): +4% (+0.23 Mt)
  - Q1 2015/2014: -4.3%
  - Apr-Dec (*f*): +5.4%
- 2016/2015 (*f*): +3% (+0.18 Mt)



ES

April milk price: 31.2 EUR/100 kg

- 2014/2013: +5.5% (+0.35 Mt)
- 2015/2014 (*f*): +1% (+0.07 Mt)
  - Q1 2015/2014 (*e*): -0.8%
  - Apr-Dec (*f*): +1.6%
- 2016/2015 (*f*): +0.5% (+0.03 Mt)



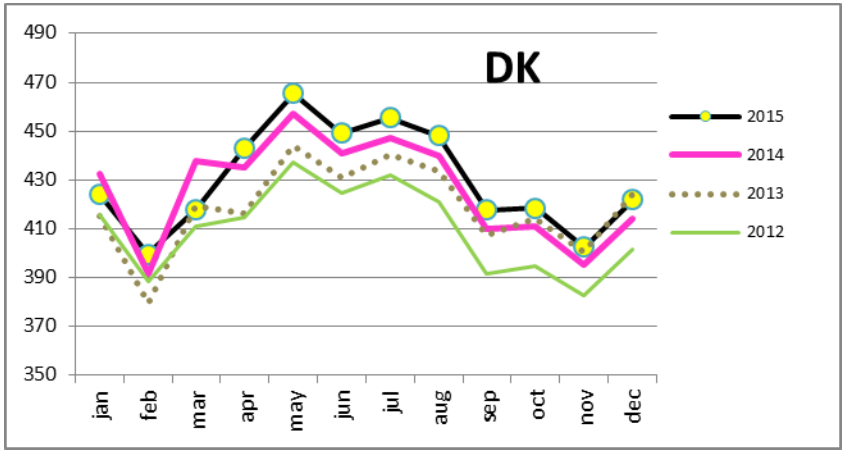
Source: DG AGRI, work in progress

2015 deliveries – draft forecast

DK

April milk price: 30.8 EUR/100 kg

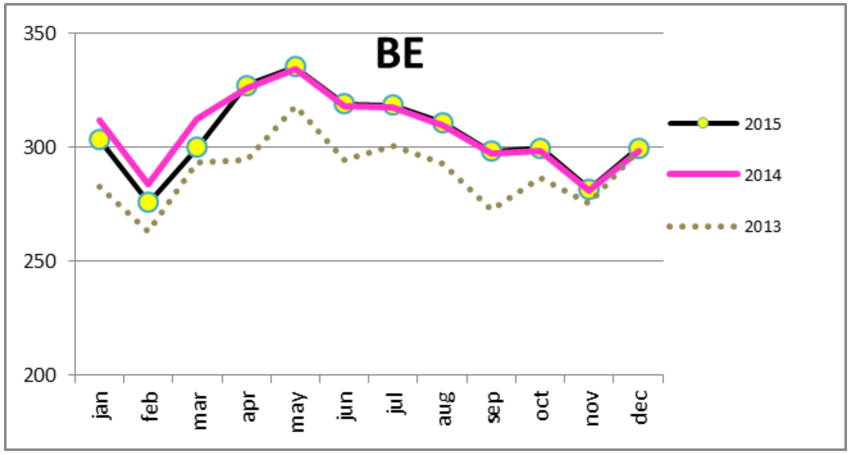
- 2014/2013: +1.7% (+0.09 Mt)
- 2015/2014 (*f*): +1% (+0.05 Mt)
  - Q1 2015/2014: -1.6%
  - Apr-Dec (*f*): +1.8%
- 2016/2015 (*f*): +1.5% (+0.08 Mt)



BE

April milk price: 28.5 EUR/100 kg

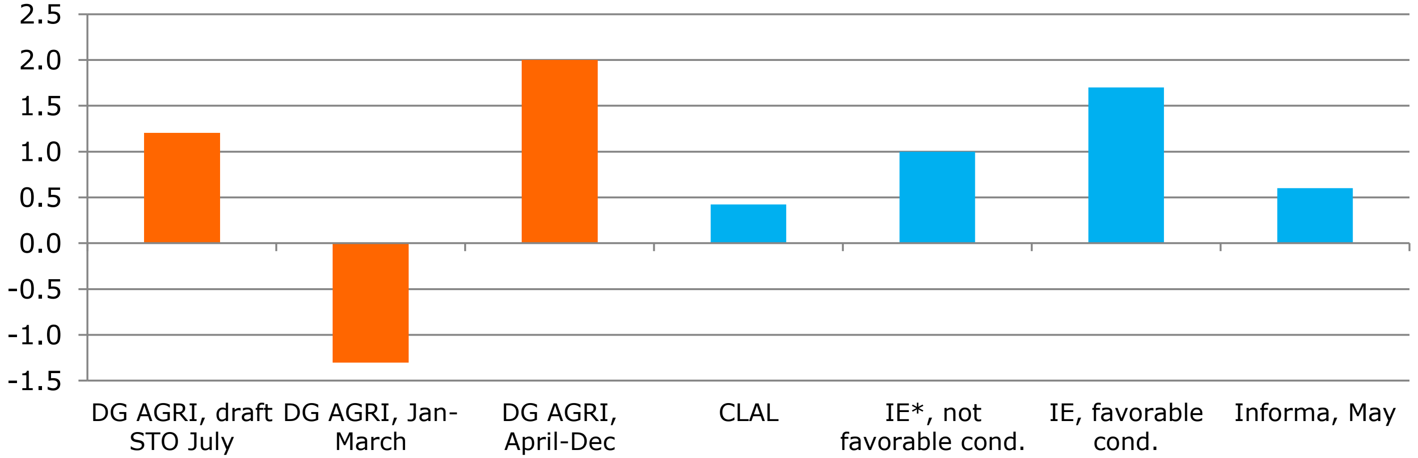
- 2014/2013: +6.2% (+0.22 Mt)
- 2015/2014 (*f*): -0.5% (-0.02 Mt)
  - Q1 2015/2014: -3.1%
  - Apr-Dec (*f*):+0.4%
- 2016/2015 (*f*): +0.6% (+0.02 Mt)



Source: DG AGRI, work in progress

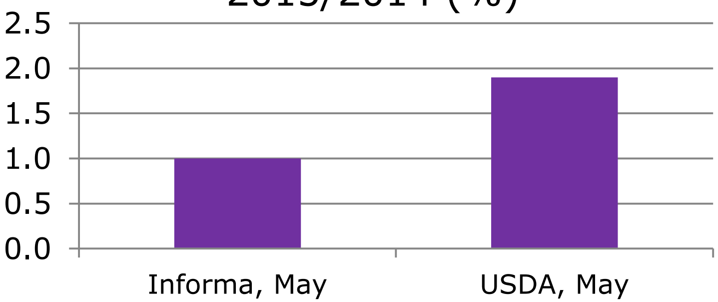
2015 milk production forecasts

EU milk deliveries in 2015/2014 (%)

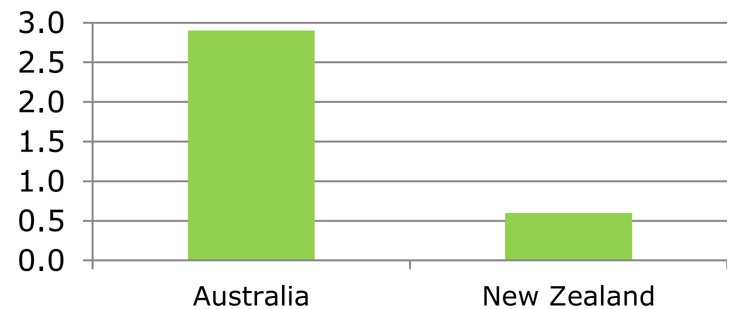


* Institut de l'Elevage, Dossier Economie de l'Elevage n°454, Feb. 2015

US milk production 2015/2014 (%)



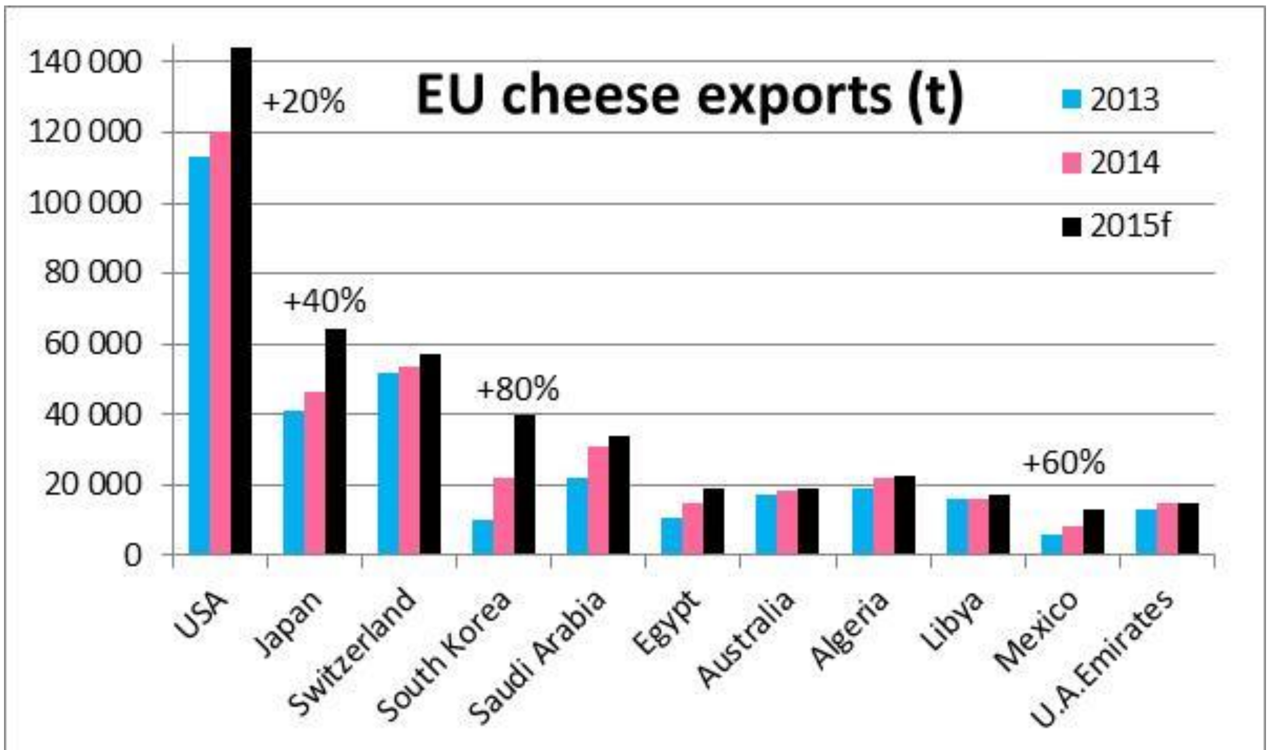
Oceania milk production 2015/2014 (%)



Source: Informa, May 2015

Cheese exports 2015/2014 – draft forecast

- +5% if Russian ban removed // -5% if ban not removed
  - Assumed Aug-Dec exports to Russia = 60% Aug-Dec 2013
  - Strong increase to USA, Japan, South Korea



Reminder

Jan-March 2015/2014

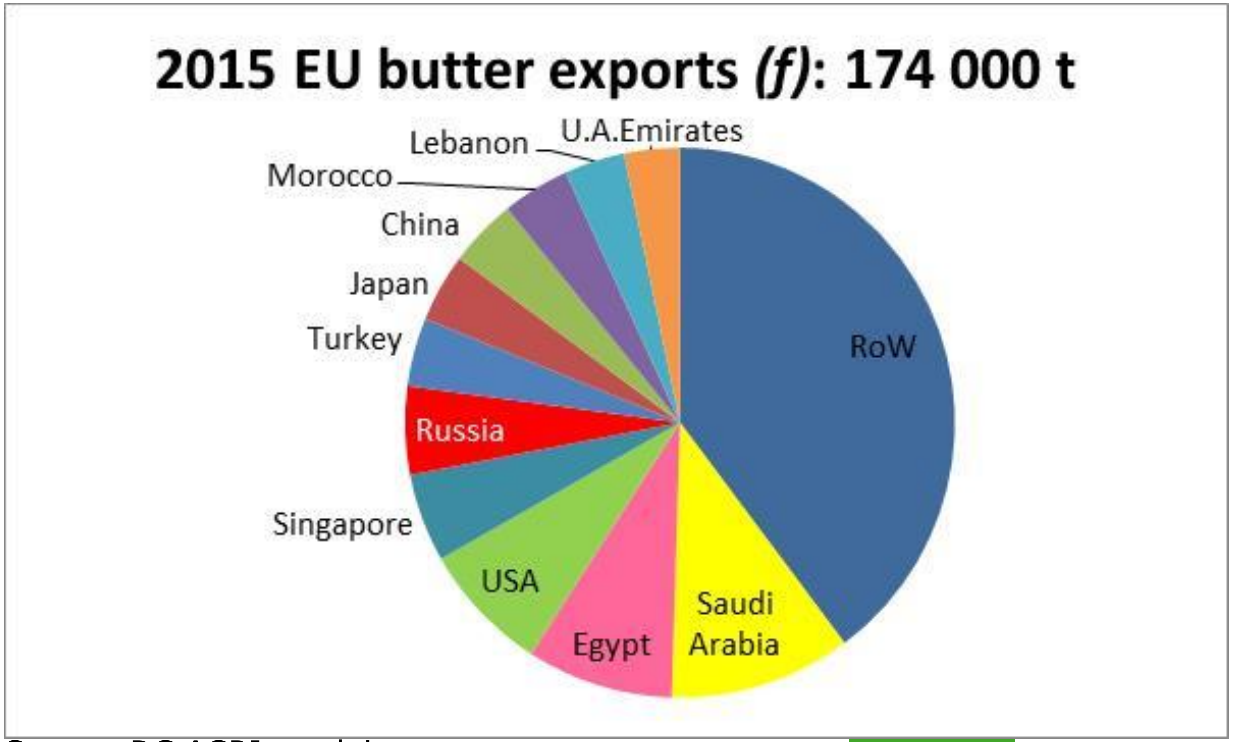
EU-28: -14%
(Russia: -60 000 t)

USA: +23%
Japan: +64%
Switzerland: +6%
South Korea: +193%
RoW: +19%

Source: DG AGRI, work in progress

Butter exports 2015/2014

- +14% if Russian ban removed // +8% if ban not removed
  - Assumed Aug-Dec exports to Russia = 50% Aug-Dec 2013
  - Strong increase to Saudi Arabia, Egypt, USA



Reminder

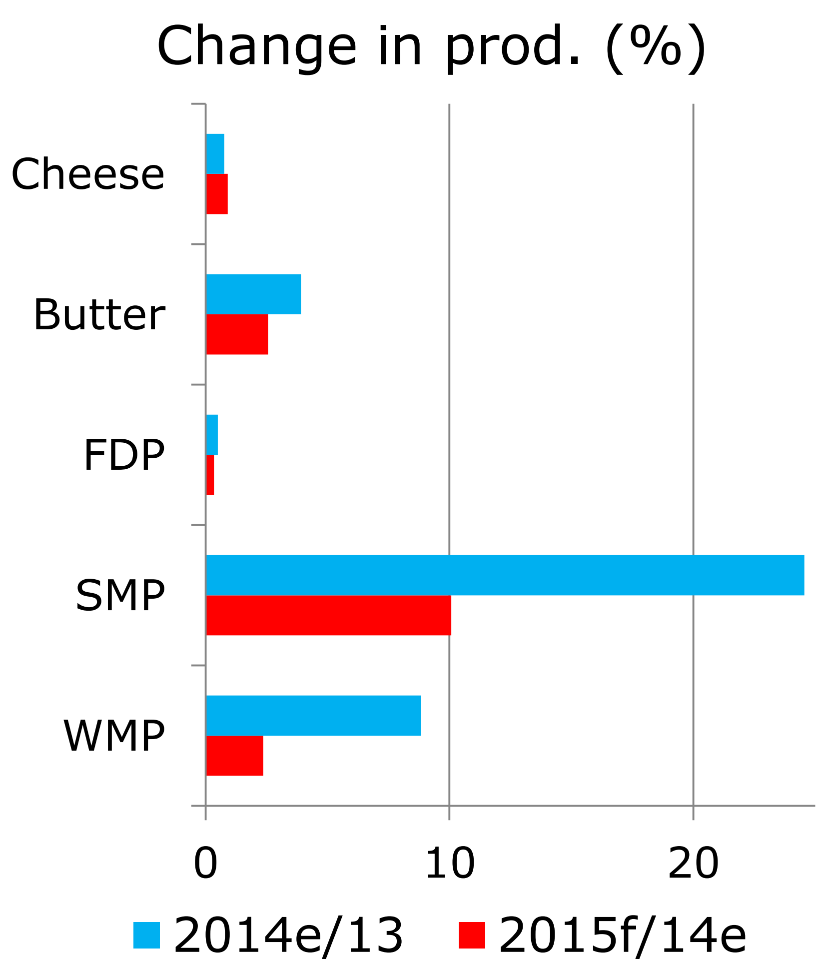
Jan-March 2015/2014

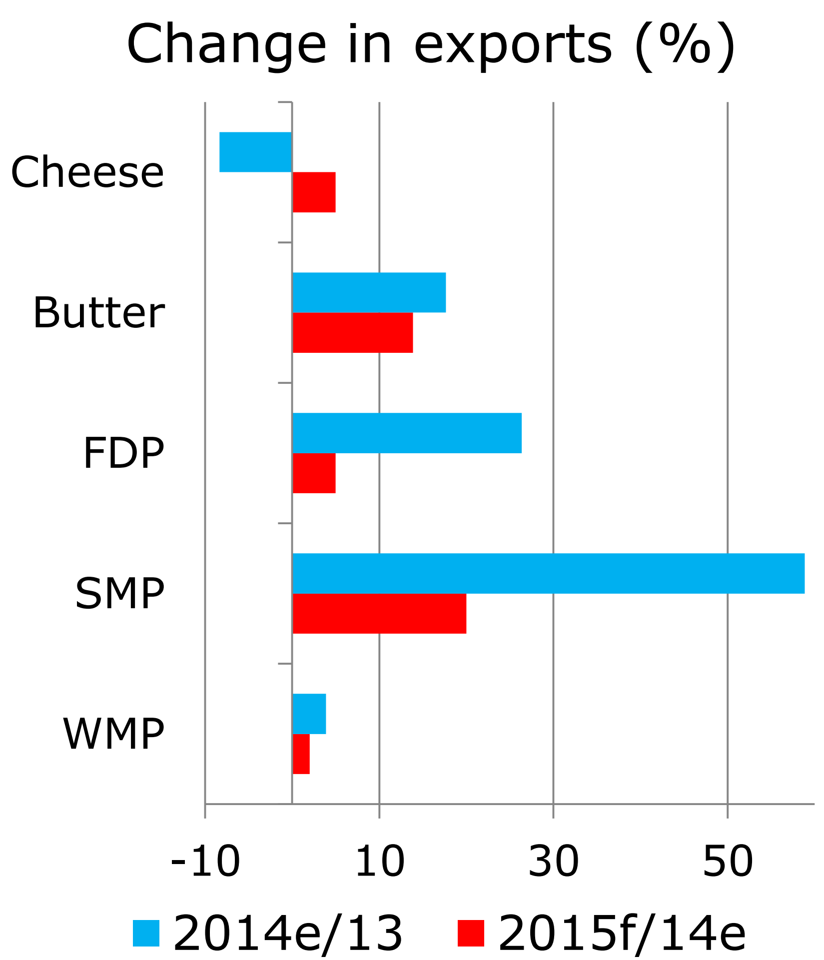
EU-28: +7%
(Russia: -12 000 t)

S. Arabia: x2.3
Egypt: x7.2
USA: x1.6

Source: DG AGRI, work in progress

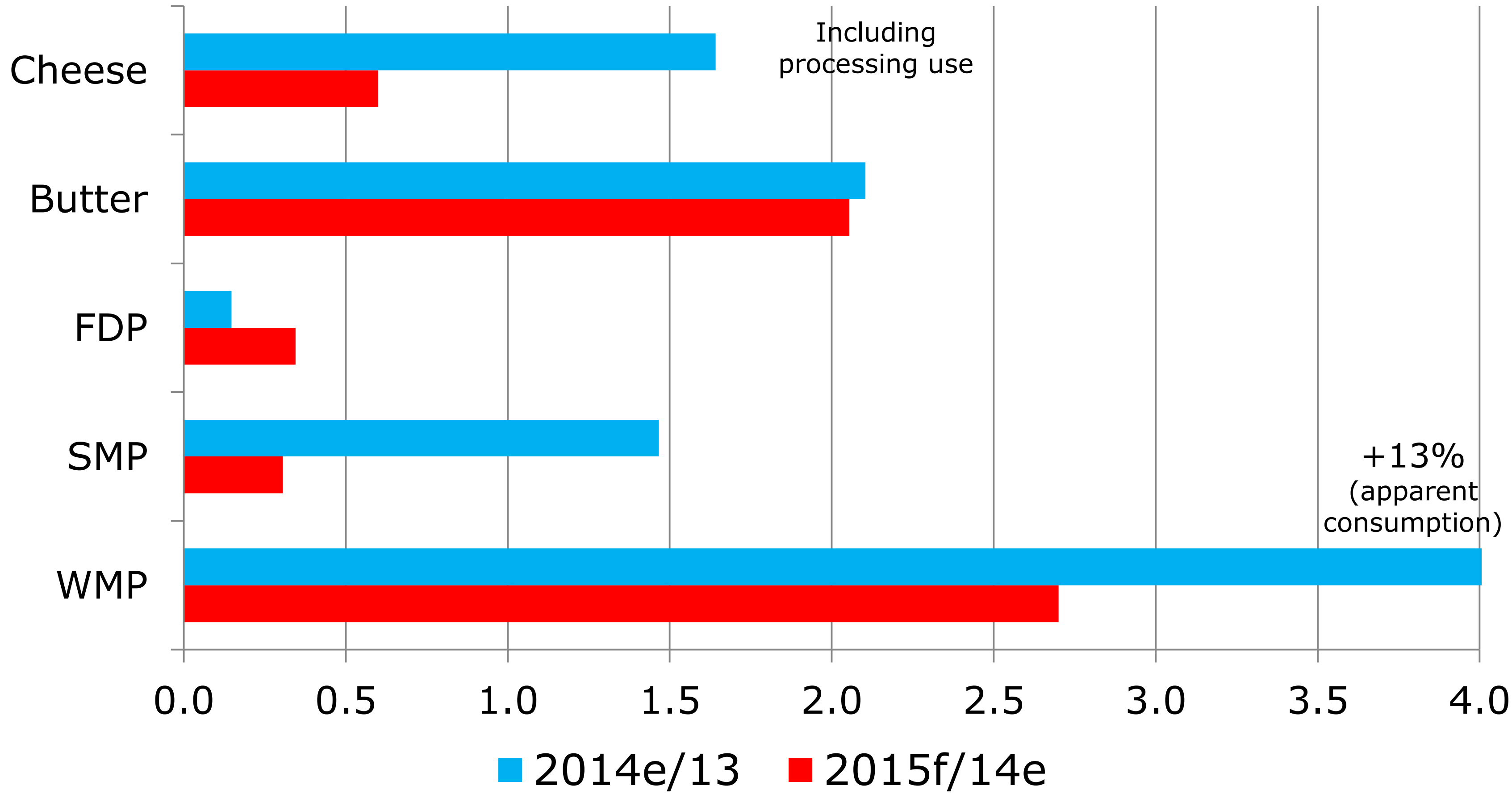
2015 draft forecast (with ban removed)





Source: DG AGRI, work in progress

Change in total consumption (%)



Source: DG AGRI, work in progress

European Commission

Medium-term outlook report and data available at:

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

Short term outlook at:

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

MMO at:

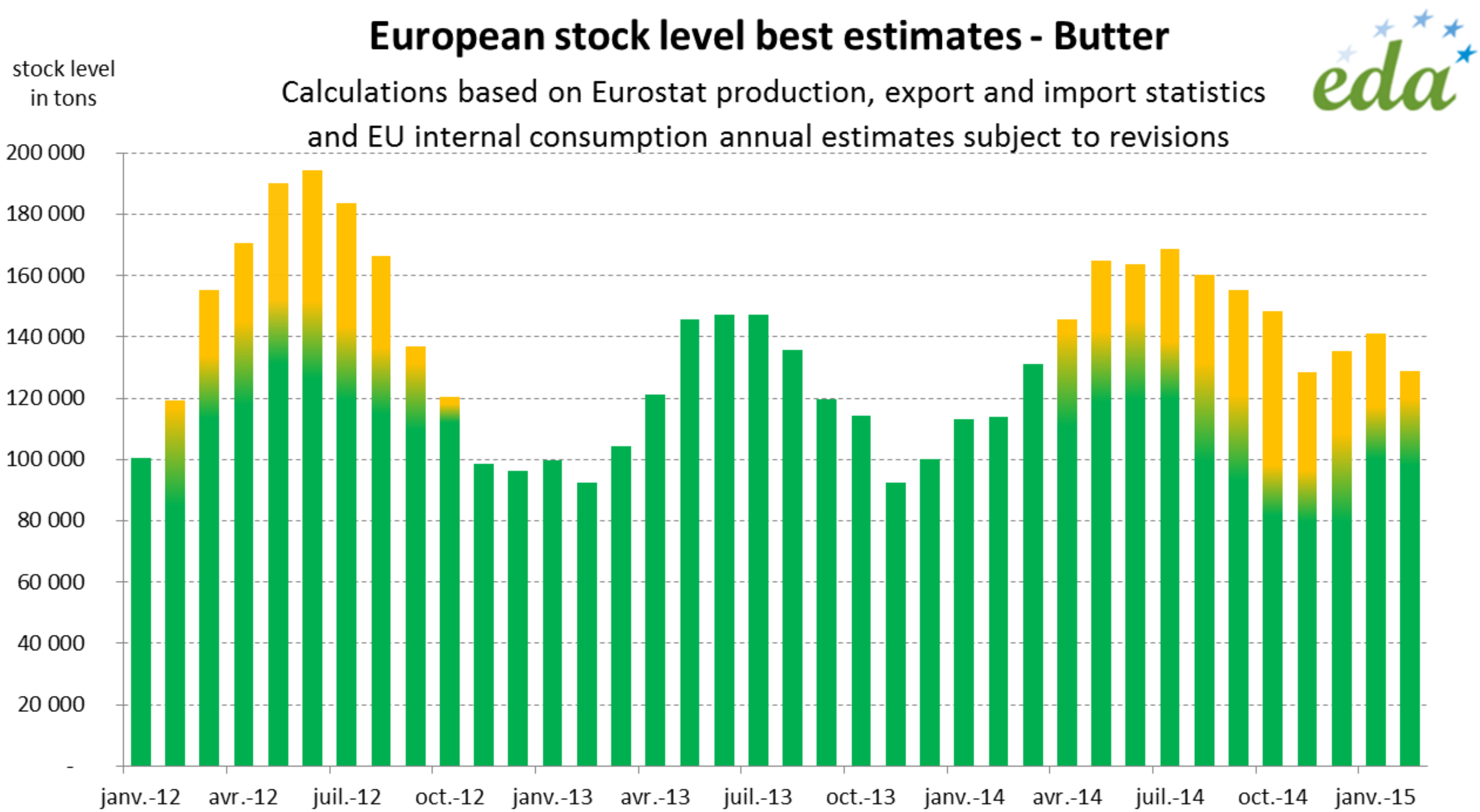
http://ec.europa.eu/agriculture/milk-market-observatory/index_en.htm

DISCLAIMER: While all efforts are made to reach robust market and income prospects, uncertainties remain. This publication does not necessarily reflect the official opinion of the European Commission.

ANNEX 3

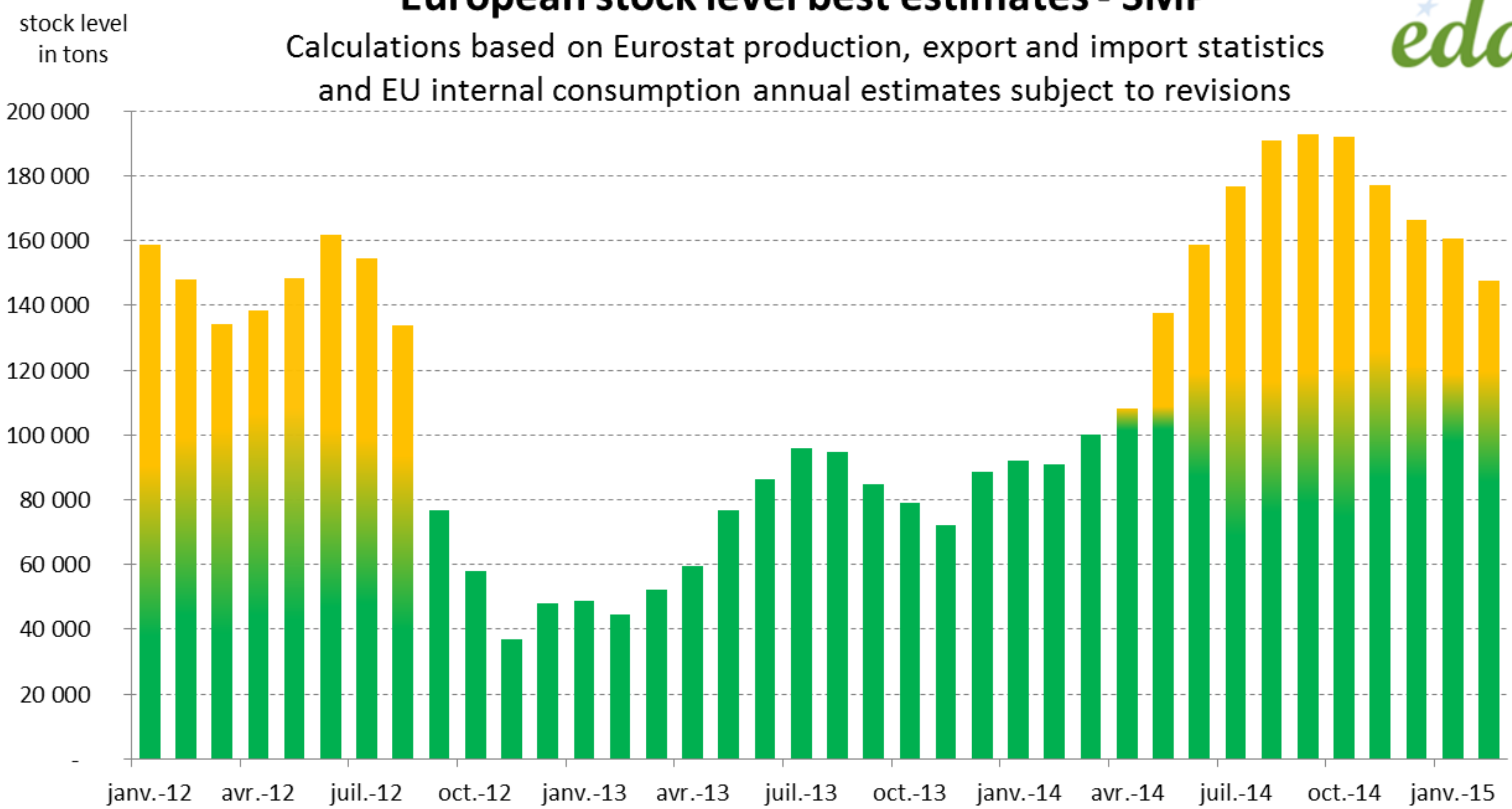
EU dairy products monthly stock situation

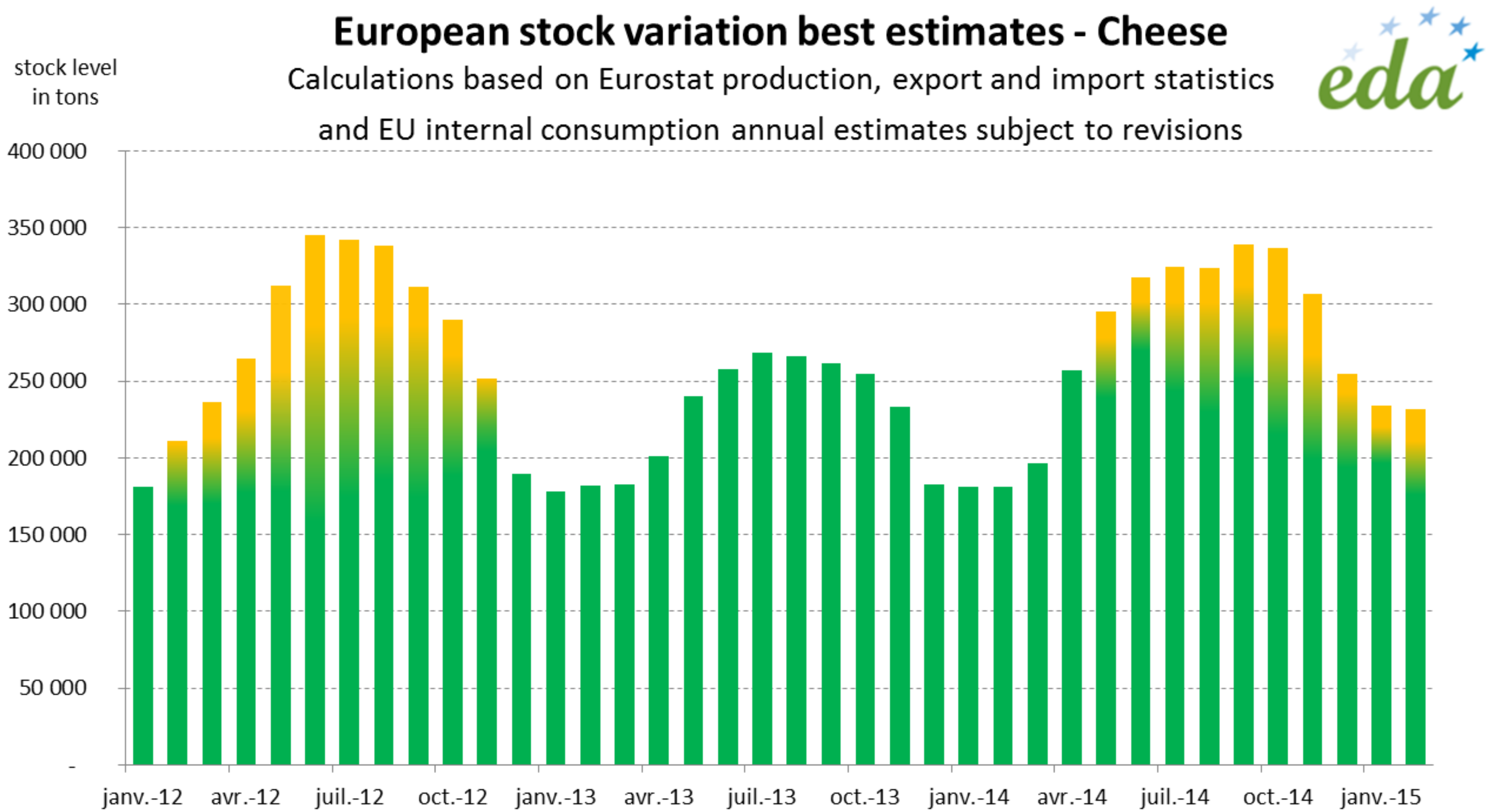
EDA


European stock level best estimates - Butter
Calculations based on Eurostat production, export and import statistics
and EU internal consumption annual estimates subject to revisions
stock level
in tons
200 000
180 000
160 000
140 000
120 000
100 000
80 000
60 000
40 000
20 000
-
janv.-12
avr.-12
juil.-12
oct.-12
janv.-13
avr.-13
juil.-13
oct.-13
janv.-14
avr.-14
juil.-14
oct.-14
janv.-15
eda

European stock level best estimates - SMP

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




European stock variation 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
400 000
350 000
300 000
250 000
200 000
150 000
100 000
50 000
-
janv.-12
avr.-12
juil.-12
oct.-12
janv.-13
avr.-13
juil.-13
oct.-13
janv.-14
avr.-14
juil.-14
oct.-14
janv.-15
eda

ANNEX 4

Perspectives from the Dairy Trade

Eucolait

Perspectives from the Dairy Trade

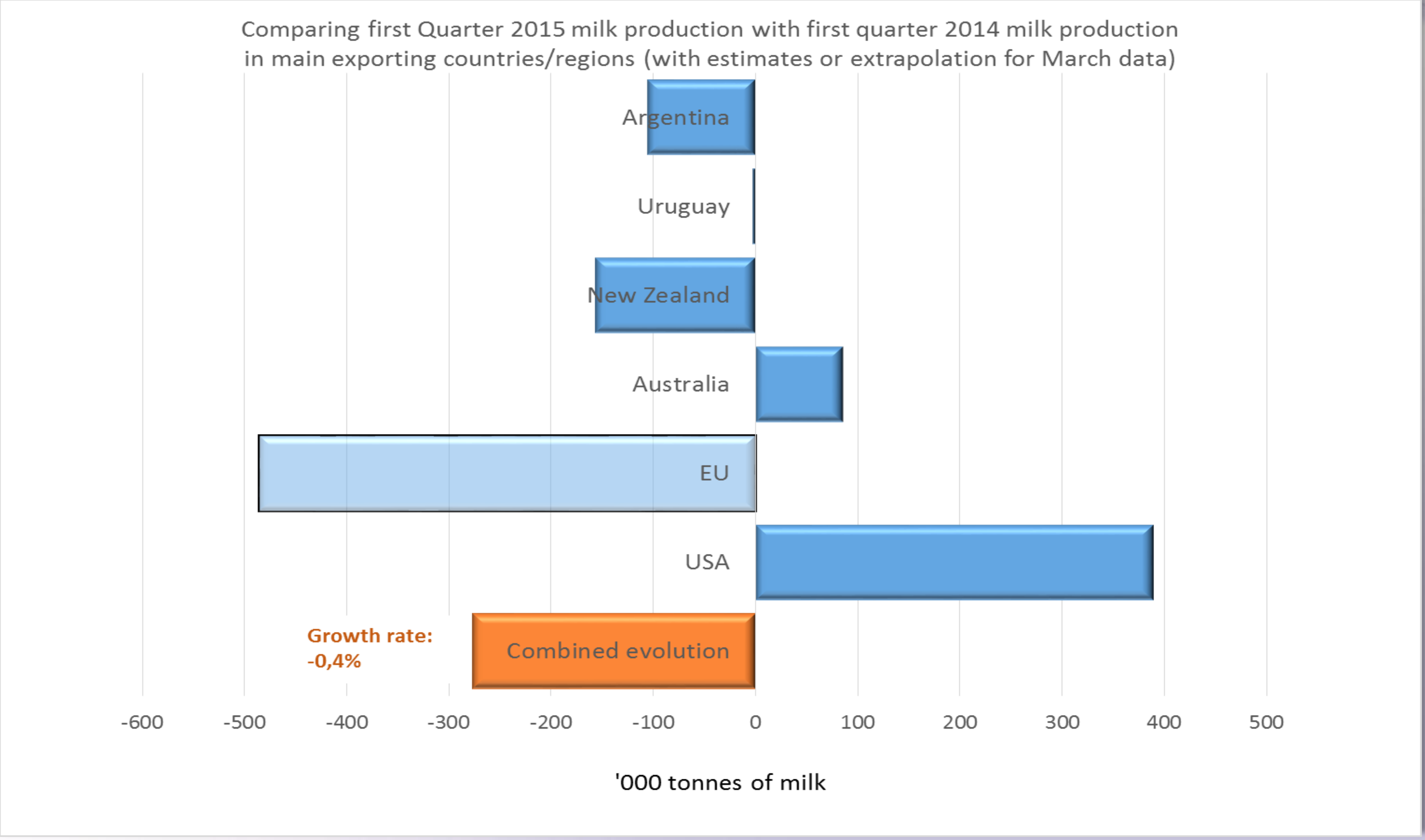
Milk Market Observatory Meeting

27 May 2015

Outline

- Global Supply
- Global Exports
- Global Demand
- Conclusions

Global Supply in Q1 2015



Global Supply - Outlook

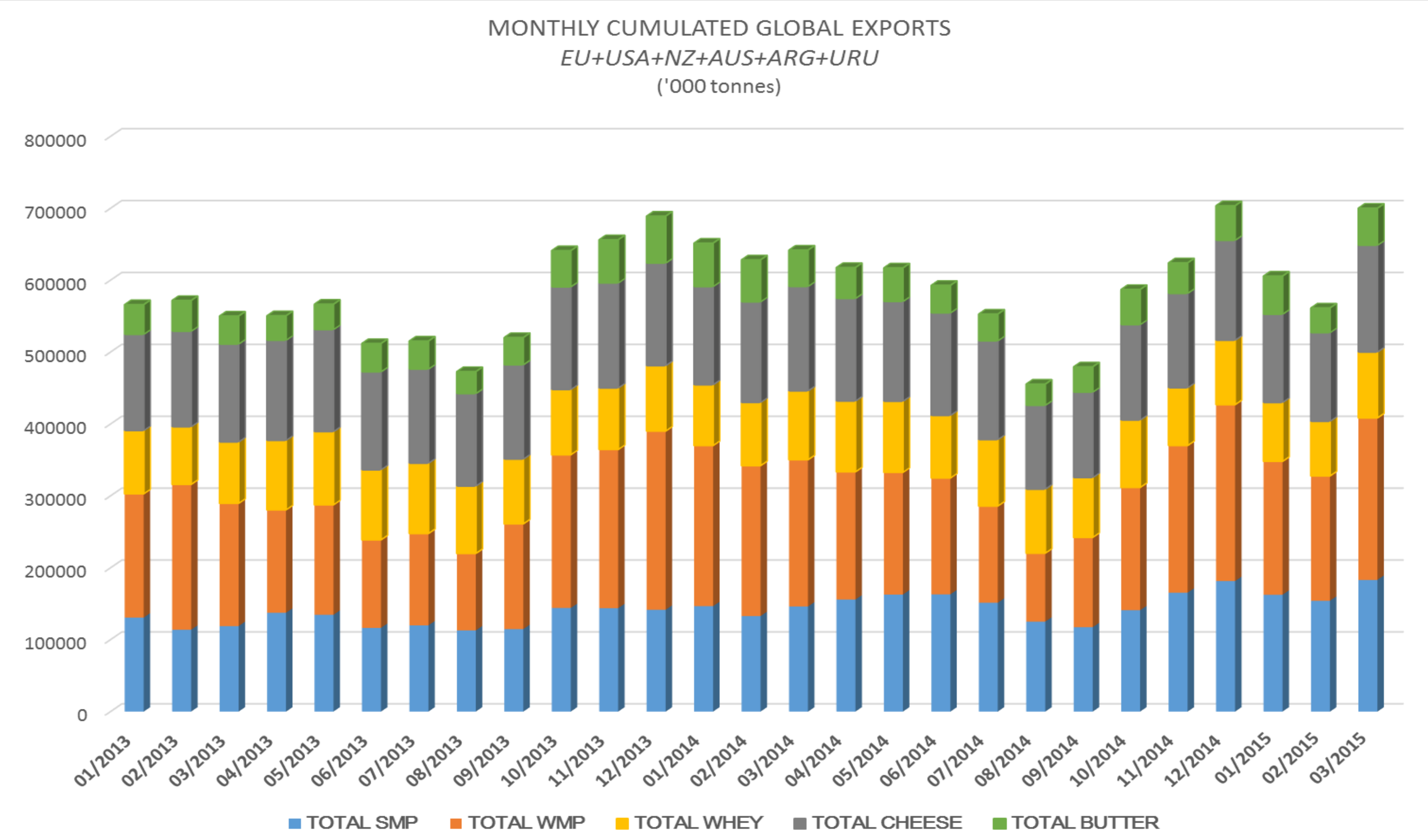
- **EU** milk production after 1 April: increases higher than expected in some Member States, but not dramatically

- **US** – April production up 1,7%; milk production forecast for 2015 again revised downwards to +1,3%

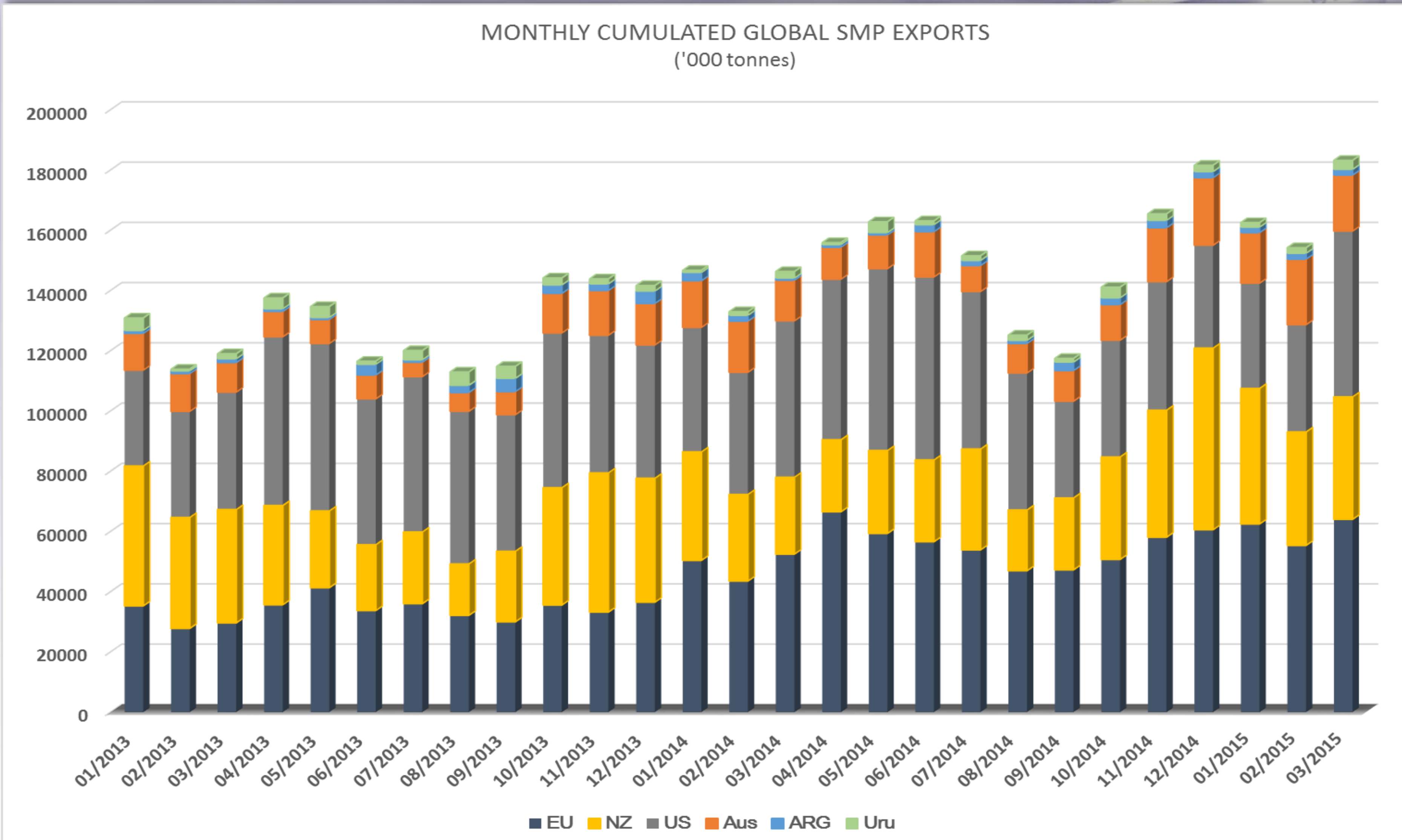
- **NZ**: supplies winding down seasonally, -2% for the season announced but seems a bit low

- **Australia**: +2% for the whole season expected

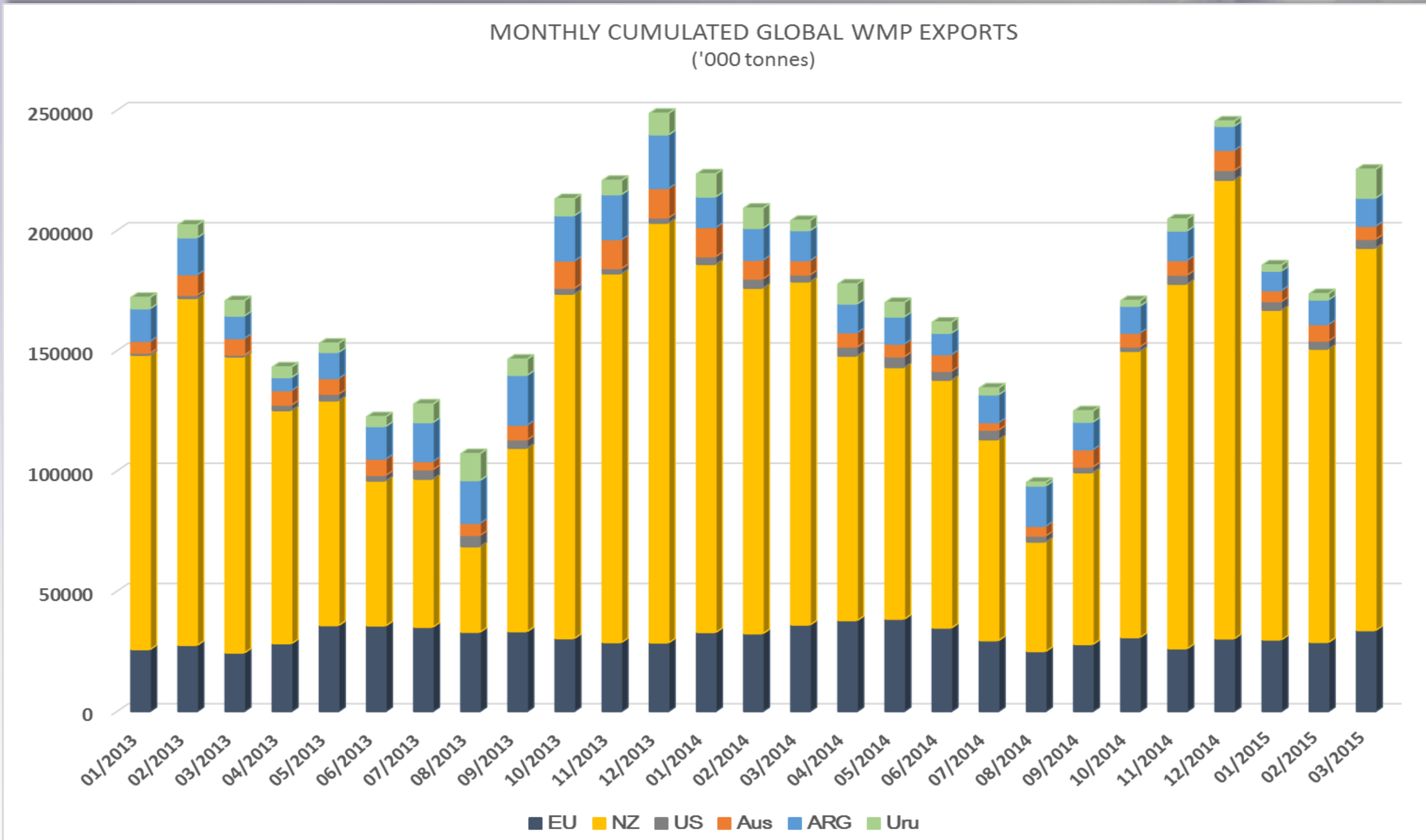
Global Exports



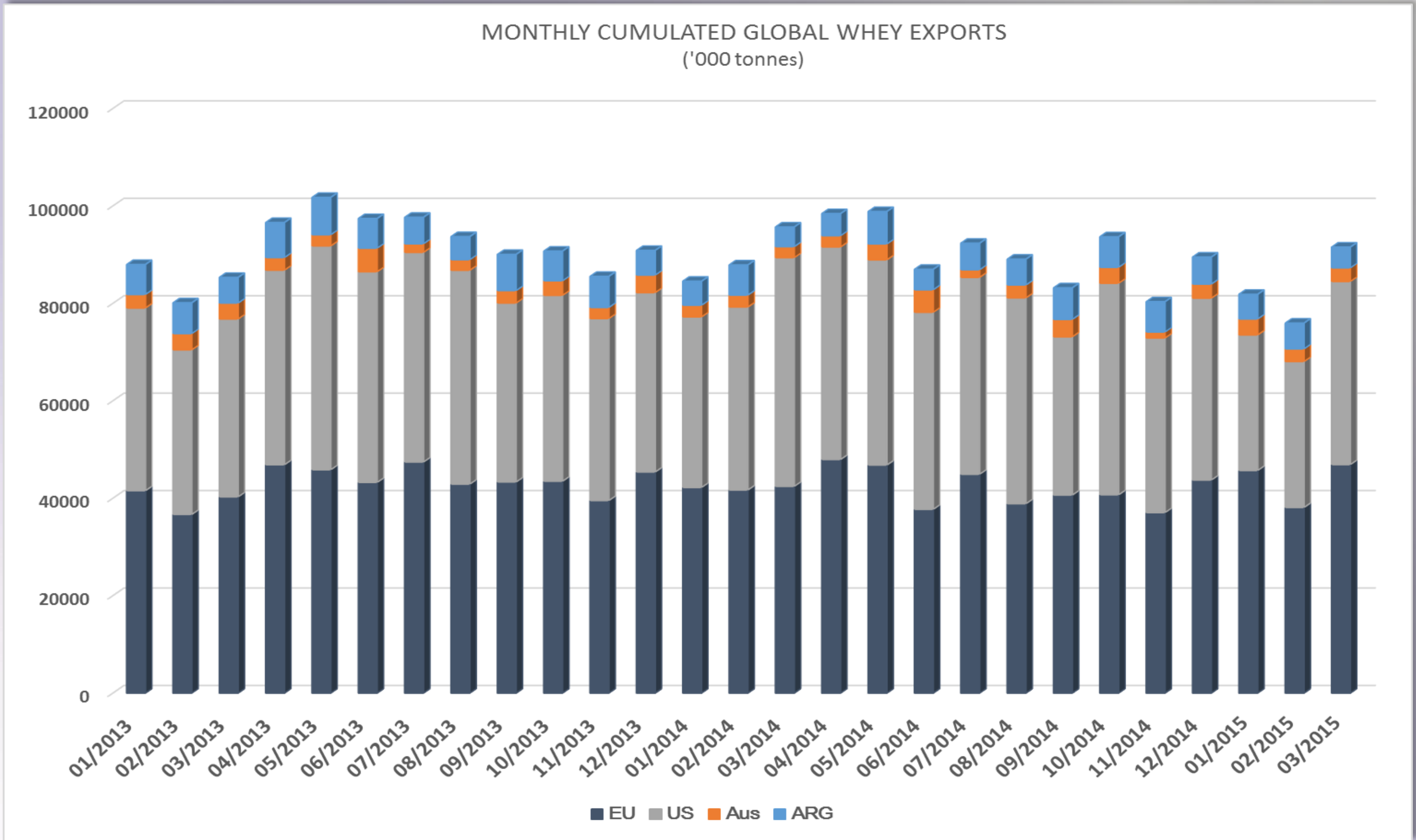
Global SMP Exports



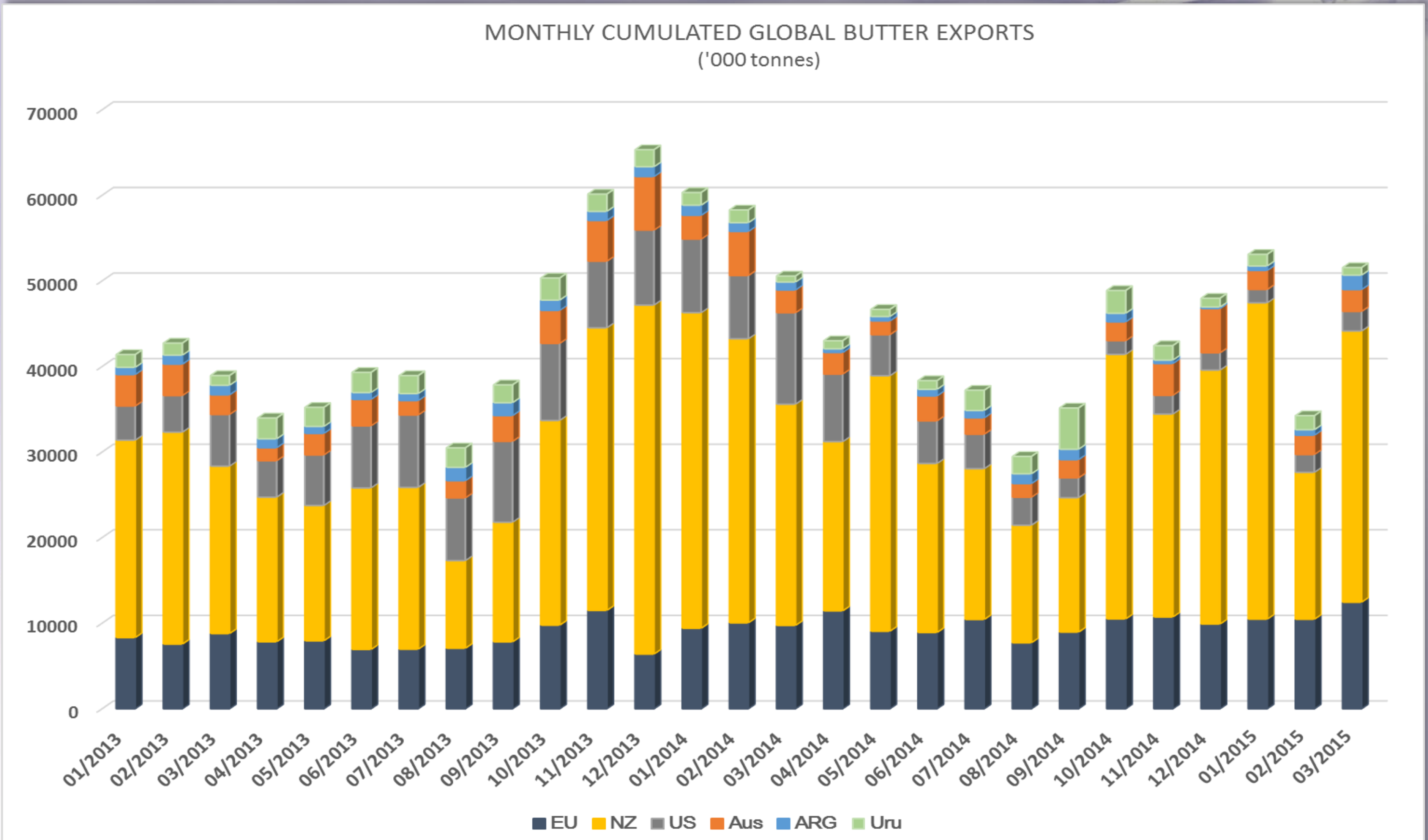
Global WMP Exports



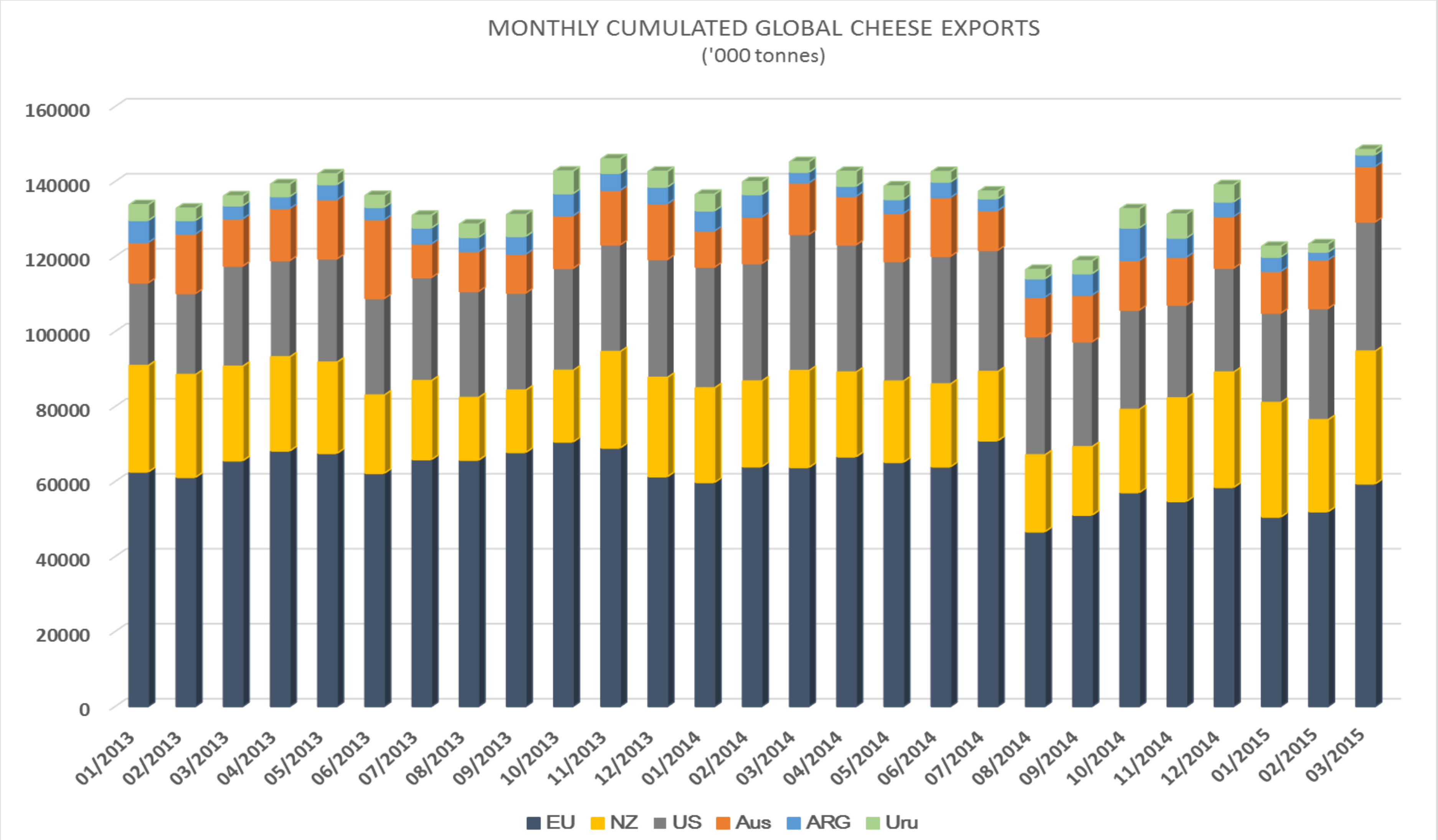
Global Whey Exports



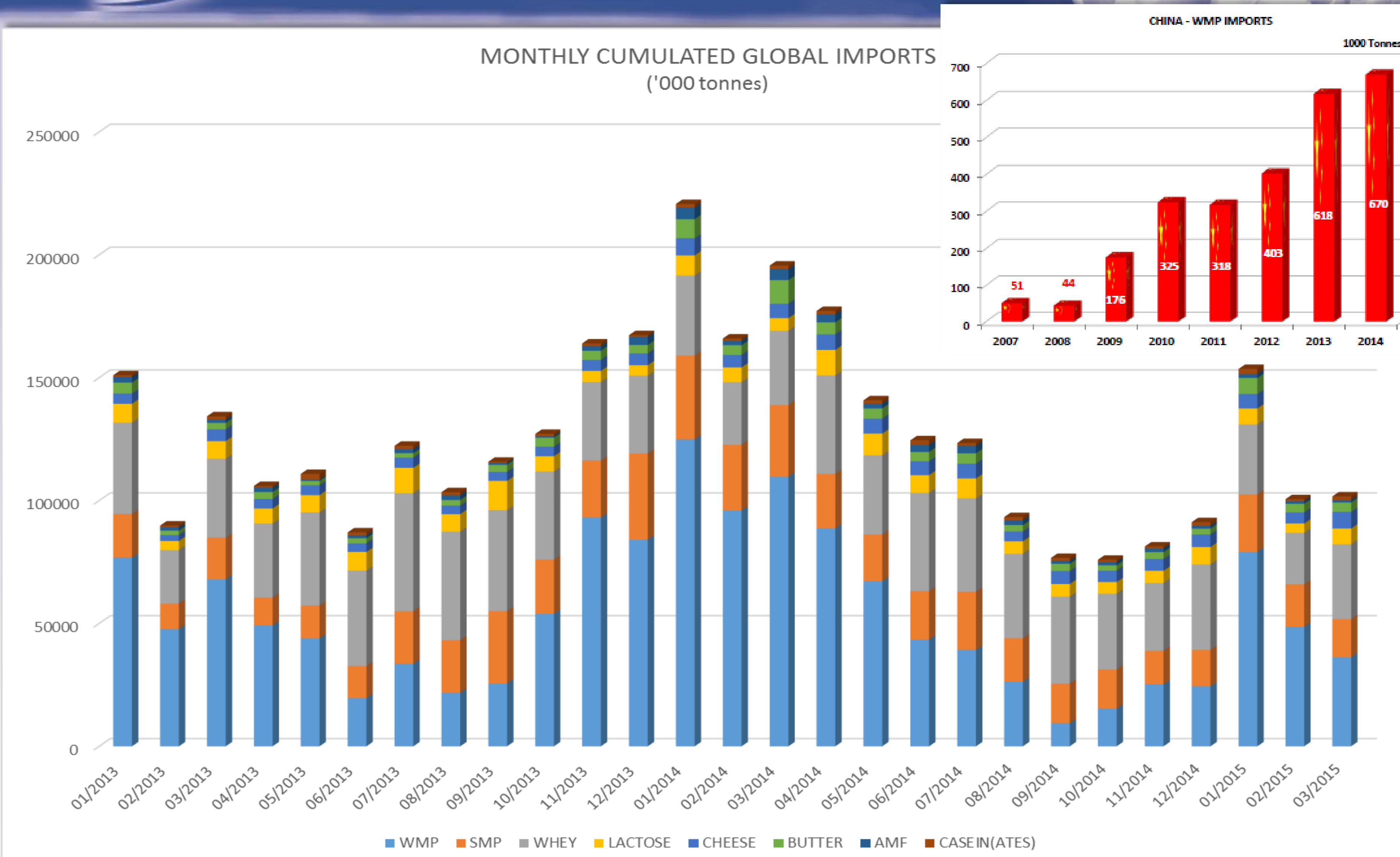
Global Butter Exports



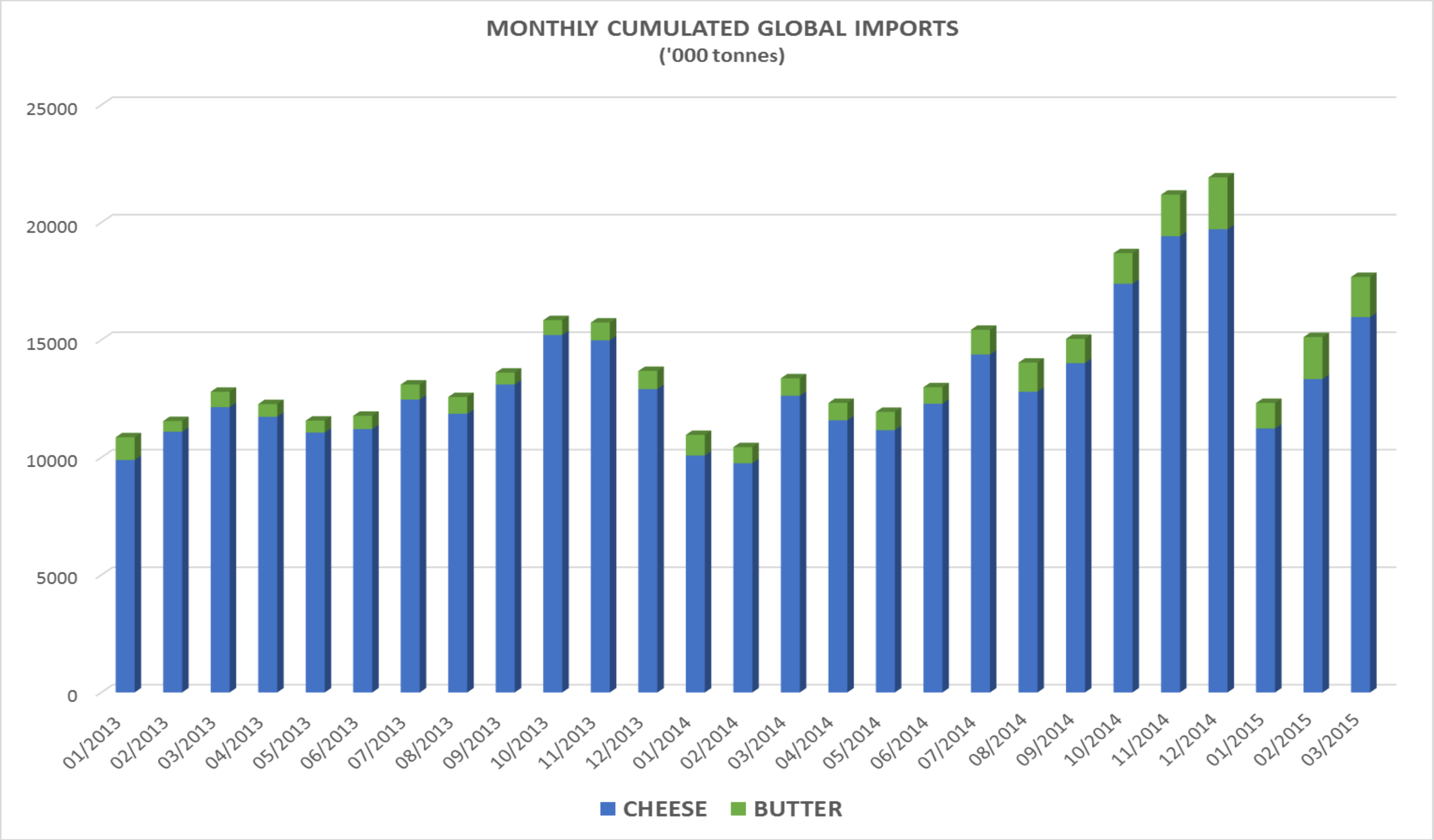
Cheese Exports



China Imports



US Imports



MONTHLY CUMULATED GLOBAL IMPORTS
('000 tonnes)
25000
20000
15000
10000
5000
0
01/2013
02/2013
03/2013
04/2013
05/2013
06/2013
07/2013
08/2013
09/2013
10/2013
11/2013
12/2013
01/2014
02/2014
03/2014
04/2014
05/2014
06/2014
07/2014
08/2014
09/2014
10/2014
11/2014
12/2014
01/2015
02/2015
03/2015
CHEESE
BUTTER

Conclusions

- Post quota milk production higher than expected in some Member States
- Relatively quiet market but overall underlying demand is good
- EU exports competitive and have performed well despite situation in Russia and China
- Strong demand in the US
- Sentiment improved since last meeting

Thank You

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

Eucolait
www.eucolait.eu
info@eucolait.eu