

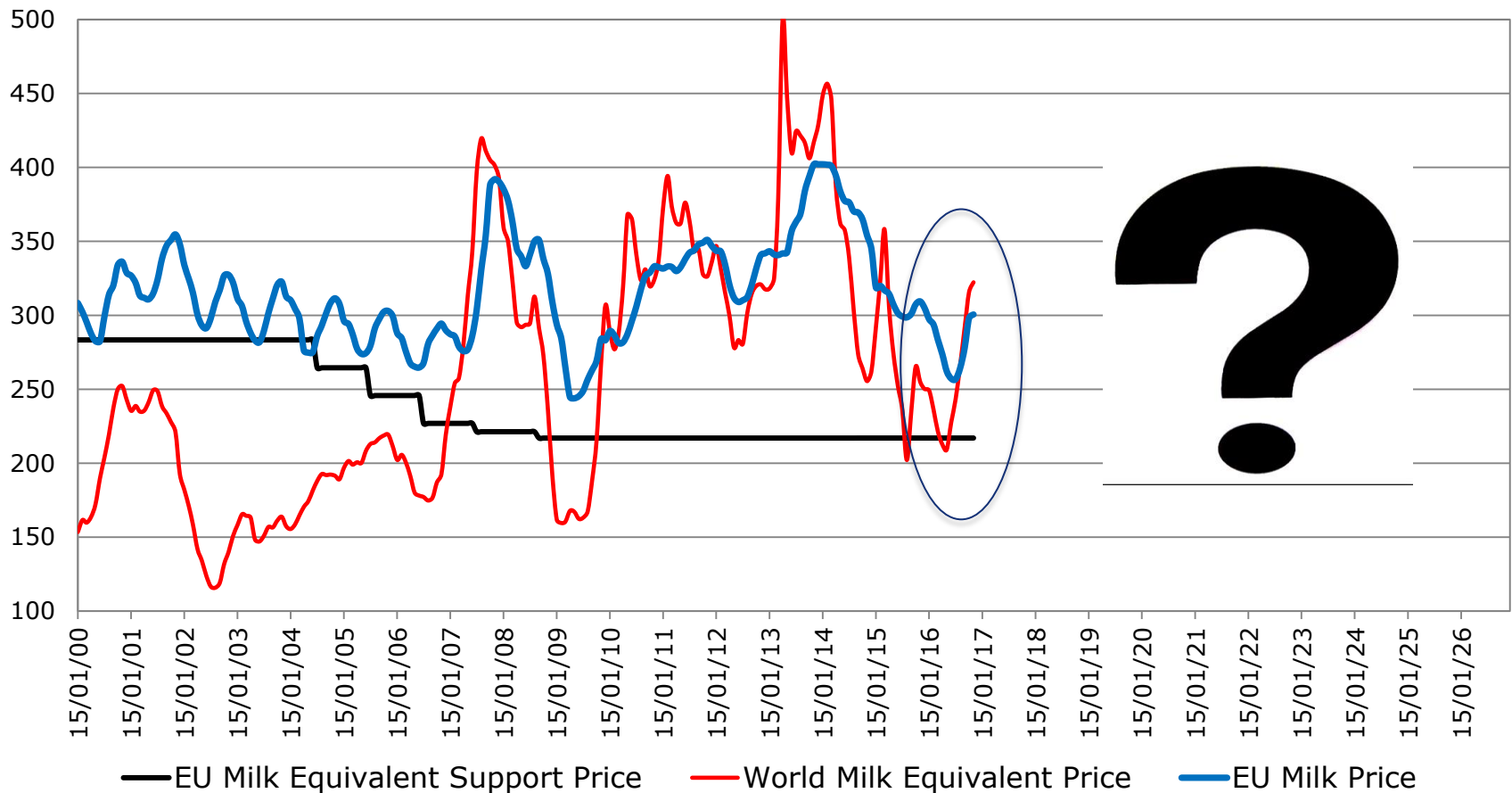
The 2016 EU Agricultural Outlook Conference

Milk and dairy products

Brussels, 6-7 December



Milk price developments (EUR/t)



Source: DG Agriculture and Rural Development, based on Member States notifications and USDA



DOMESTIC MARKET



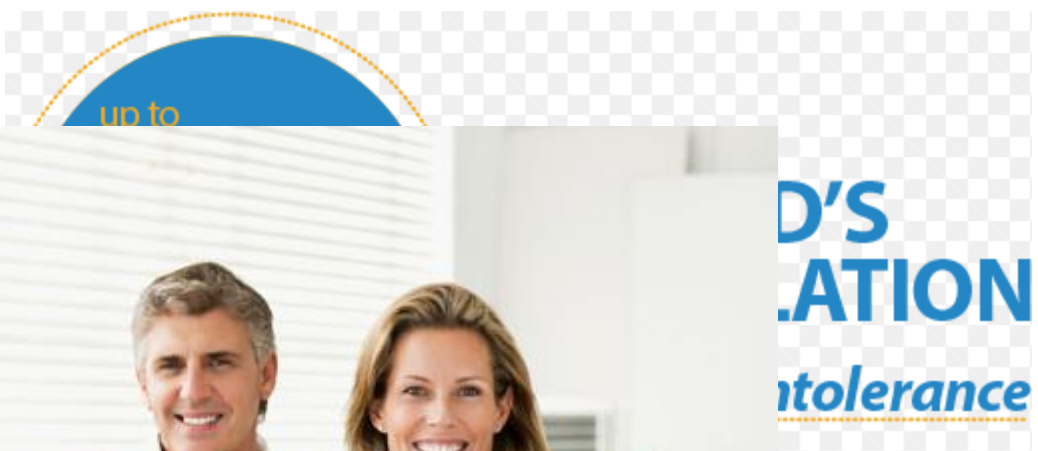
INTERNATIONAL MARKET



EU SUPPLY



Dairy: 6



SOURCE OF LACTOSE

LACTOSE INTOLERANT

CONTAIN ANY LACTOSE

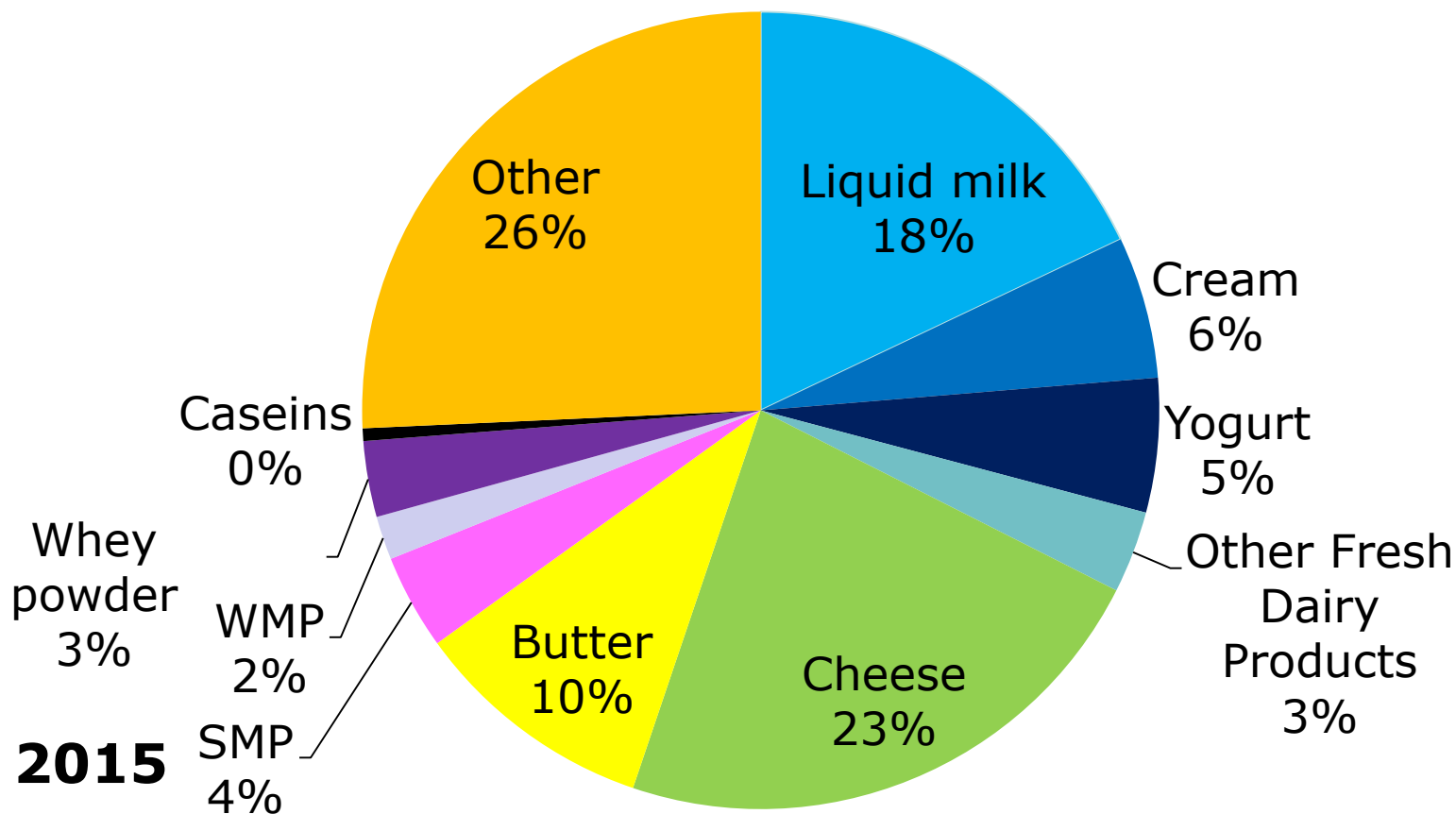




DOMESTIC MARKET

- 87% of EU milk to be consumed domestically by 2026.
- Declining trend in liquid milk consumption to continue: -5 kg *per capita* in the next 10 years.
- But cream, butter and cheese consumption going up in Europe and worldwide.
- Domestic use of milk to increase by 8 million t in 10 years.

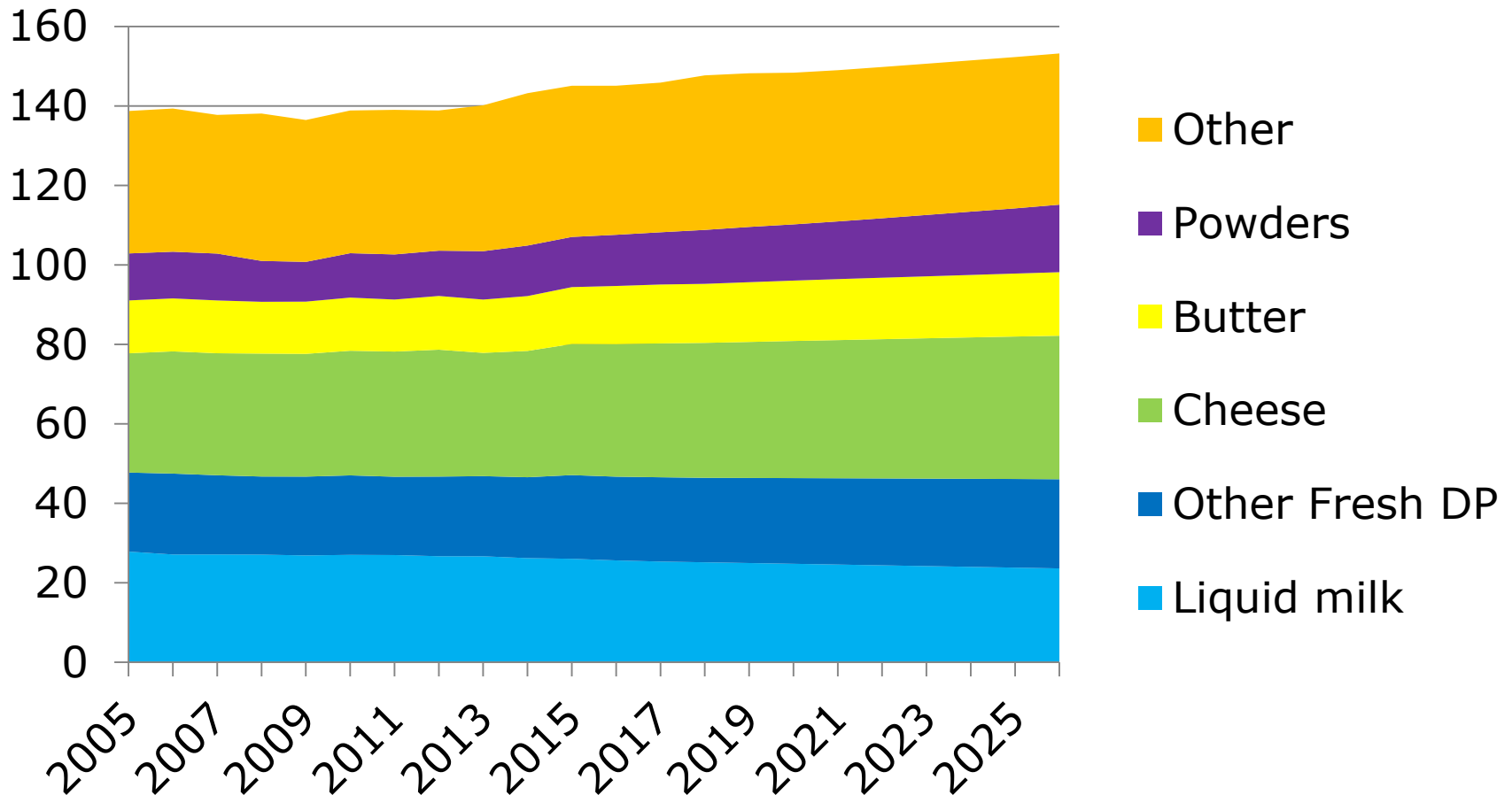
Domestic use of milk in the EU (based on the total solids ingredients of milk)



Note: Coefficients used: 3.58 for cheese, 6.57 for butter, 7.57 for SMP, 7.56 for WMP, 7.48 for whey powder, 0.85 for drinking milk, 3.21 for cream and 0.98 for yogurts.

Source: DG Agriculture and Rural Development, based on Short-term outlook, Autumn 2016.

EU domestic use to grow by 8 million t in 10 years (in million t of milk equivalent)





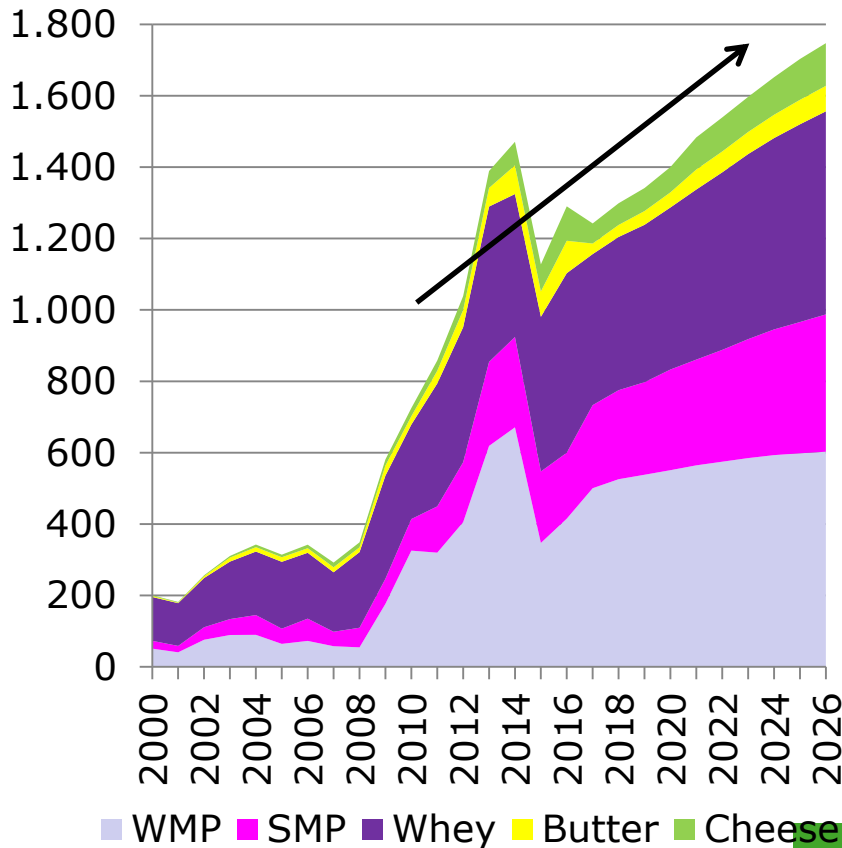
INTERNATIONAL MARKET

- Main drivers: population and income growth as well as change in diets.
- An annual increase of 1.8% of milk consumption, to 975 million t by 2026 worldwide.
- Consumption and production increase mostly in developing world (India), but not at the same pace...
- ... leading to close to 2% annual increase in world imports, i.e. +1.3 million t of milk eq. per year.
- A lower increase in traded volumes compared to the last decade, largest slowdown for whey powder trade

China to remain first world importer but Africa keeps growing

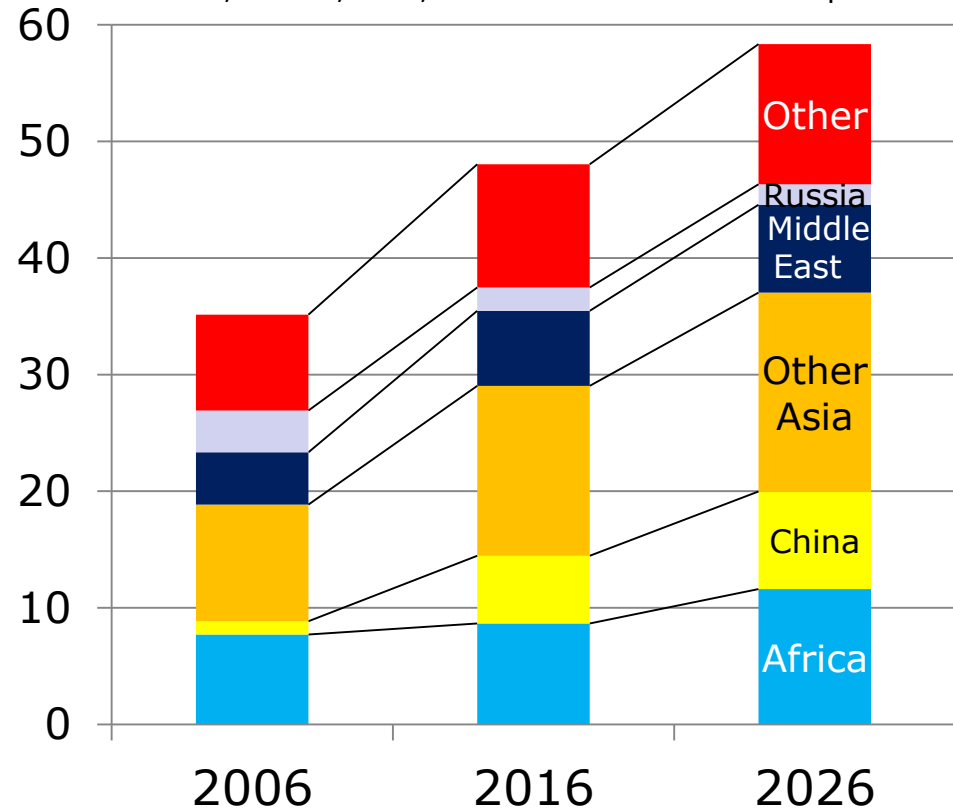
Chinese imports of dairy products

1000 t of product weight



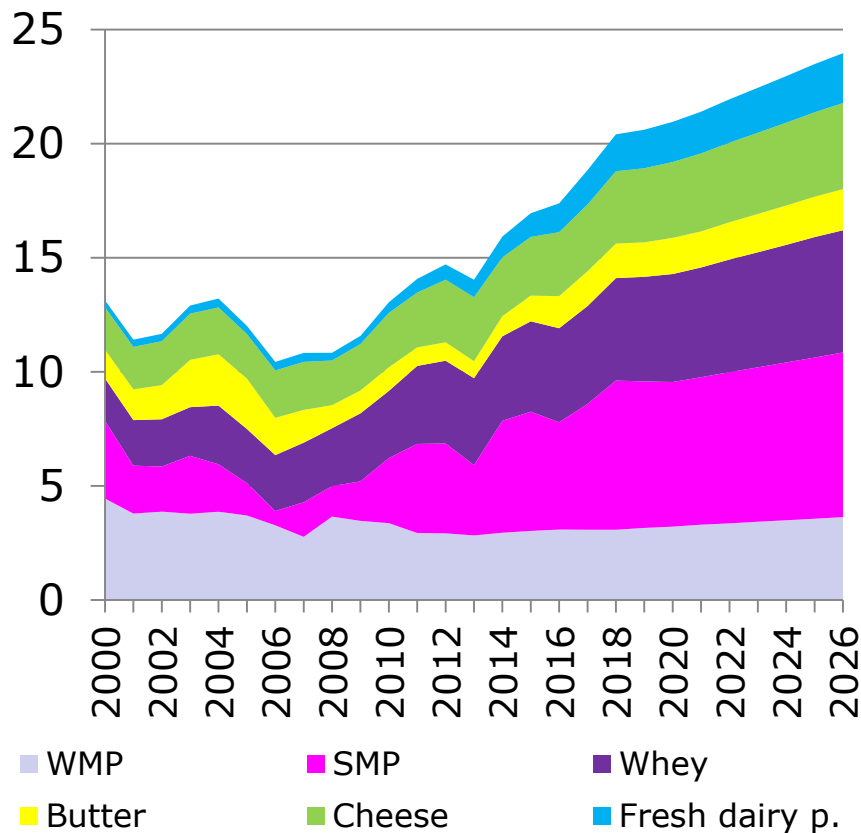
World imports of dairy products

Cheese, Butter, SMP, WMP in million t of milk equivalent



The EU to become the first world exporter

EU exports of dairy products
In million t of milk equivalent



- EU exports of dairy products are expected to represent 26% of world trade by 2026
- Just in front of New Zealand at 25%
- The US could remain at 11% because of a strong domestic demand.

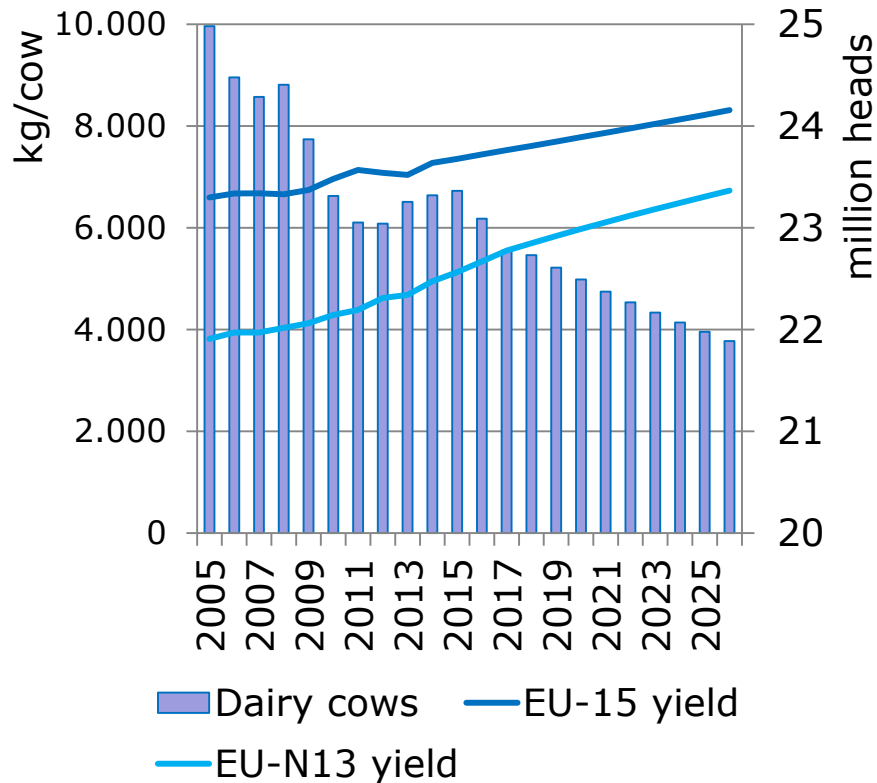


EU SUPPLY

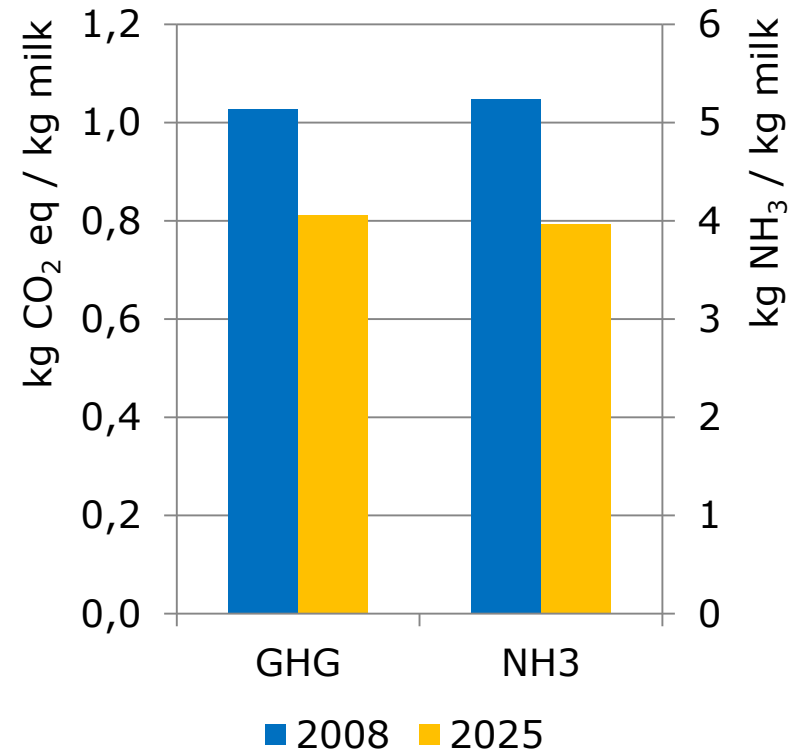
- The EU milk production is expected to grow by 1.3 million t annually, to 177 million t by 2026.
- Yield to further increase and herd back to declining trend (except in Ireland)
- Limited further concentration of milk production because of...
- ... environmental constraints and coupled support

Yield increase allows for less emissions

Milk yield and cow numbers in the EU



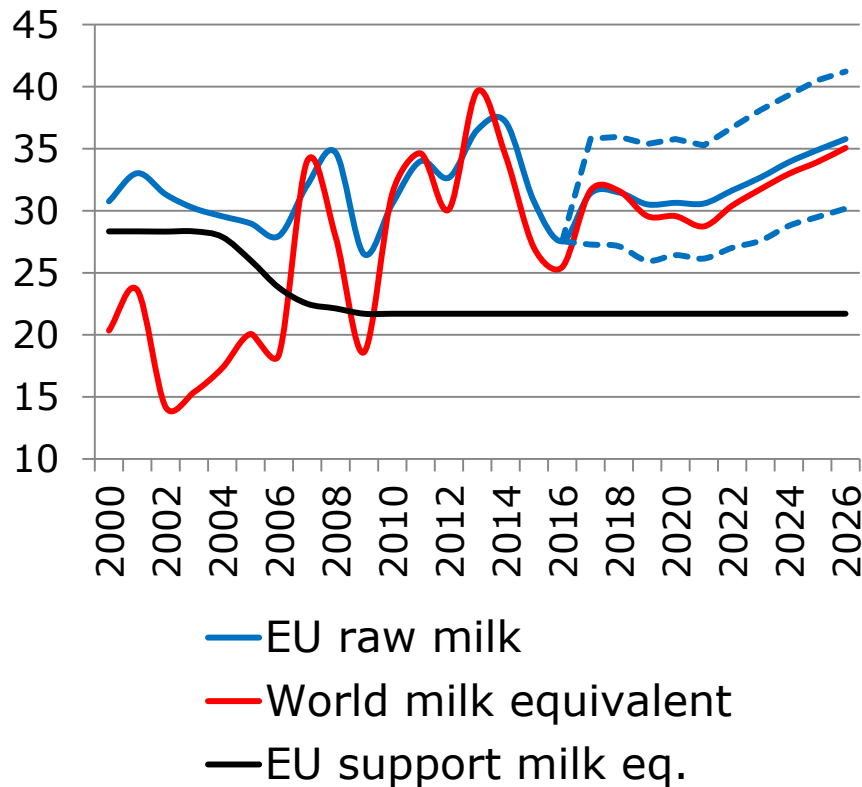
Emissions by kg of milk



Source: 2016 CAPRI baseline

An EU price expected to recover

EU raw milk and world milk price equivalent (EUR/100 kg)



- At the beginning, the public SMP stock is expected to limit the price upturn.
- But prices to increase in the long run to supply growing demand
- Strong correlation with changes in butter and SMP prices on the European and world market => volatility.
- As rather low feed prices are expected, the profitability should remain stable.

Main facts on EU dairy market outlook



More than 85% of EU milk is consumed domestically
Butter and cheese use (inc. industrial use) is increasing
Liquid milk consumption on a declining trend



World demand to expand, especially in Africa and Asia
The EU to become first world exporter, just in front of
New Zealand
Half of additional EU production to be exported



A moderate production increase in the EU
Environmental constraints to limit production expansion
Volatility is to be expected