Last update : 6.09.2016

MMO Economic Board

Meeting of 6 September 2016

- The 17th meeting of the MMO Economic Board took place on 6 September 2016, with the participation of experts from the various steps in the milk supply chain: CEJA (young farmers), COPA-COGECA (producers and cooperatives), ECVC (Via Campesina), EMB (European Milk Board), EDA (dairy industry), Eucolait (dairy trade) and Eurocommerce (retail). DG AGRI presentations and information exchanged during the meeting showed the following.

- EU milk collection was up by 3.3% in the first half of 2016. Milk deliveries were 2% lower in June 2016 (-273 000 t) - first month with a reduction since quota expiry. NL and IE still reported a combined increase of some 90 000 t. Provisional data points to a further contraction in July. These figures relate to milk collection, i.e. milk collected by dairies and reported by the latter to their national authorities, irrespective of whether milk comes from producers located in the same MS or in another one.

- Average farm gate milk prices approximated 25.5 c/kg in June, meaning a 25% decrease compared to a 5-year average. Based on estimates, milk prices might have bottomed out in August 2016.

- Dairy product prices keep the upward trend initiated in May, having outpaced last year's levels (and, for butter, also those of 2014). Price increases since May have ranged from 12% for SMP to 26% for WMP or 37% for butter. The exchange rate evolution exacerbates this development when showing EU prices in US$. Dairy quotations in other main exporting regions have shown different developments, with an overall improvement in Oceania and a significant decline in butter and cheese prices in the US.

- Offers for sale of SMP into public intervention slowed down in the last weeks in line with price recovery. Only 350 t were applied for in the last week, for a total of 334 000 t in 2016 (both at fixed price and by tender). Applications for private storage aid reached 130 000 t butter, 58 000 t SMP so far in 2016 and 51 000 t cheese in the 2nd round.

- The assessment of EU stock levels based on a residual approach (production + imports – consumption - exports) shows a further shift of SMP from private to public intervention stocks by June. Offers to public intervention are expected to come to an end in the coming weeks. Butter and cheese stocks are regarded as balanced which, combined with sustained robust demand, may stimulate firming prices until the end of the year.

- At world level, milk production increased by some 1.7% in Jan-Jun 2016. US production increased in July (+ 1.4%) despite heat waves, driven by improved yield per cow and expanded milk herd. The USDA forecast for 2016 is + 1.7%. Price pressure and weather developments may compromise milk production in Oceania in the 2016/17 season, with forecasted decreases by 2-3% for NZ and 2-5% for Australia.

- Global demand remains healthy and has even outpaced 2013/14 levels in June. The EU and NZ stand as first world exporters, with similar volumes in milk equivalent. The market for SMP has remained bearish in 2016, affected by reduced imports by Algeria (due to low oil price). Trade flows for the other main dairy products have improved in line with growing demand. The main destinations for EU products are Saudi Arabia (butter), the US (cheese), China (whey powder and infant formula), Algeria (SMP) and Oman (WMP). Liquid milk and cream exports are playing an increasingly important role for the EU, with China (UHT bricks) and Belarus (bulk whole milk and cream) as the main outlets.

- With regard to EU retail sales, the overall pattern shows a decrease in consumption for liquid milk and a positive trend for fresh dairy products and cheese. Retailers find difficulties in sourcing organic dairy products to serve increasing demand. Harsh competition from alternative non-dairy products (notably vegetable drinks) was reported as an increasing concern.

- The Commission presented provisional figures for the Autumn Short Term Outlook. The latest data on dairy herd renewal together with the recent market measures adopted by the Commission suggest a reduced EU milk output for 2016 (from +1.4% to +0.9%).

- The Commission depicted the main elements of the July support package, with a special focus on the milk production reduction scheme.

- Experts shared a general consensus on the improvement of market conditions, once the adjustment in supply has started to materialize.

ANNEX 1

Milk Market Situation

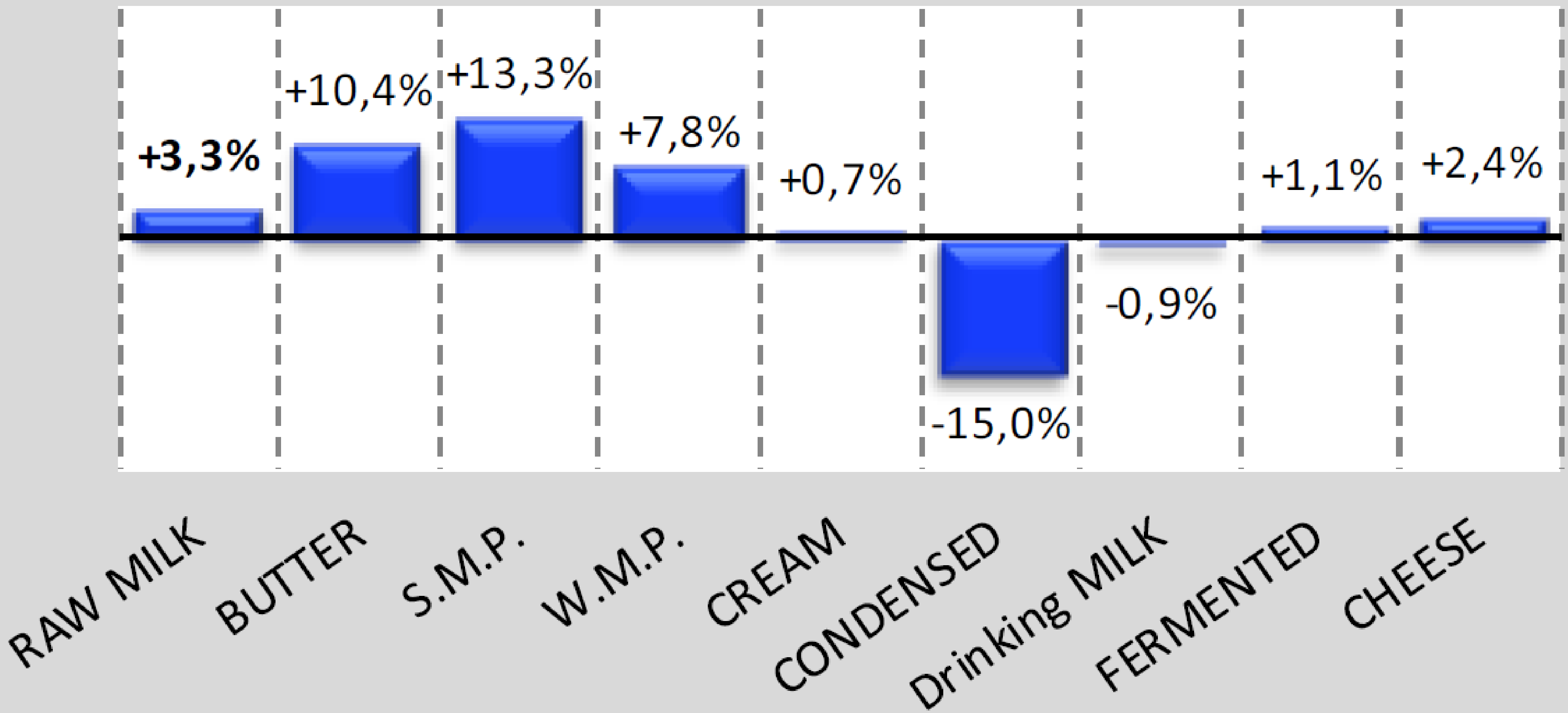
European Commission

Milk Market Situation

Brussels, 6 September 2016

EU Productions

EU Productions (Jan-Jun 2016 compared to Jan-Jun 2015)



Source : EUROSTAT

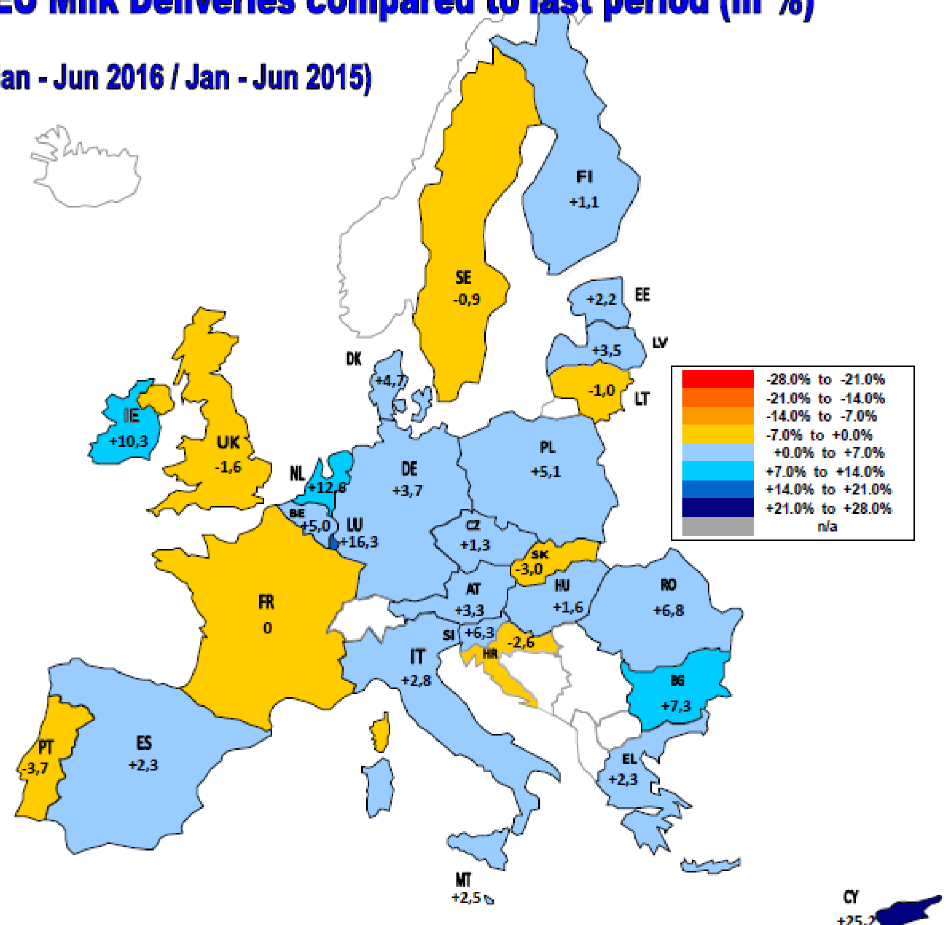
6/09/2016

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

Evolution of Raw milk deliveries

EU Milk Deliveries compared to last period (in %)

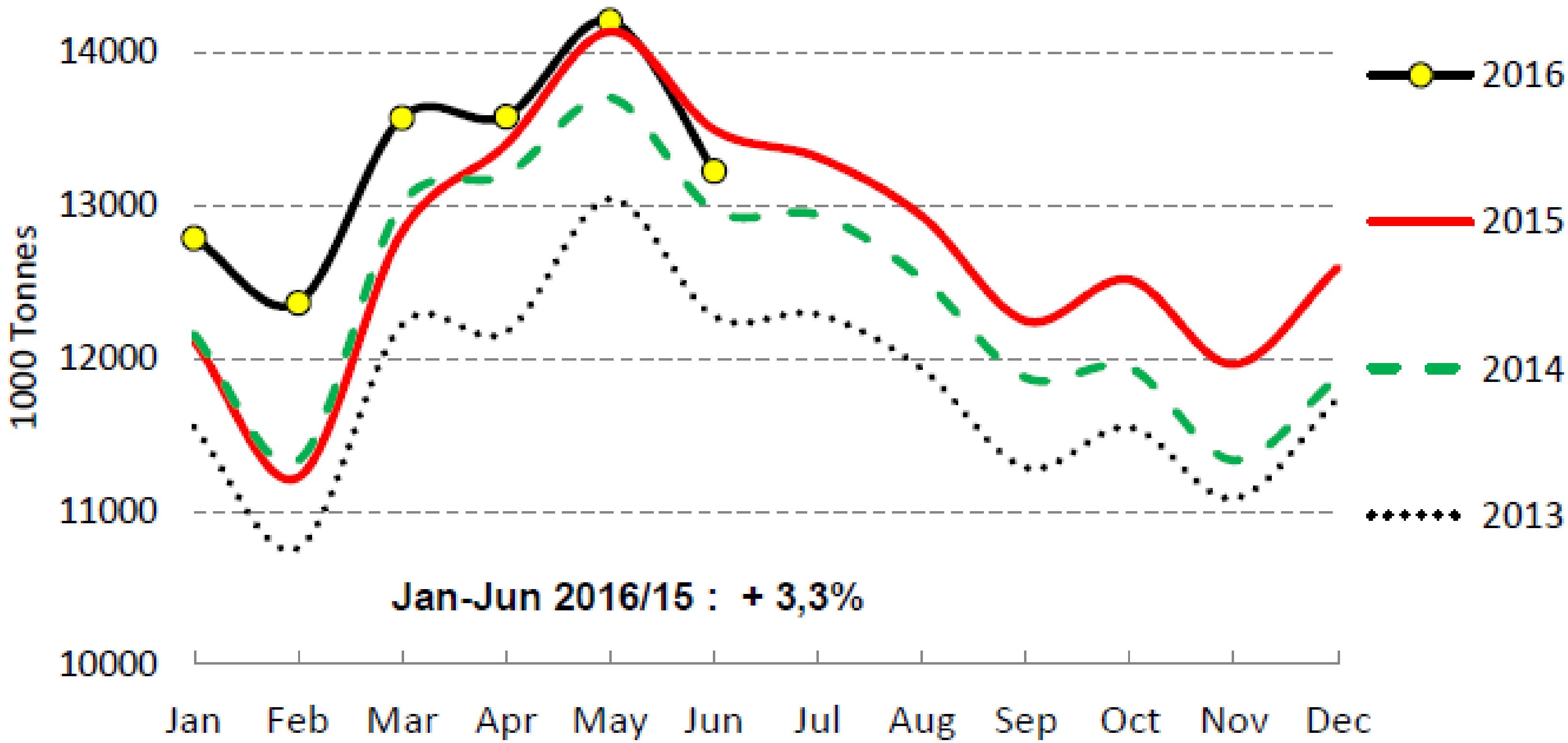
(Jan - Jun 2016 / Jan - Jun 2015)



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

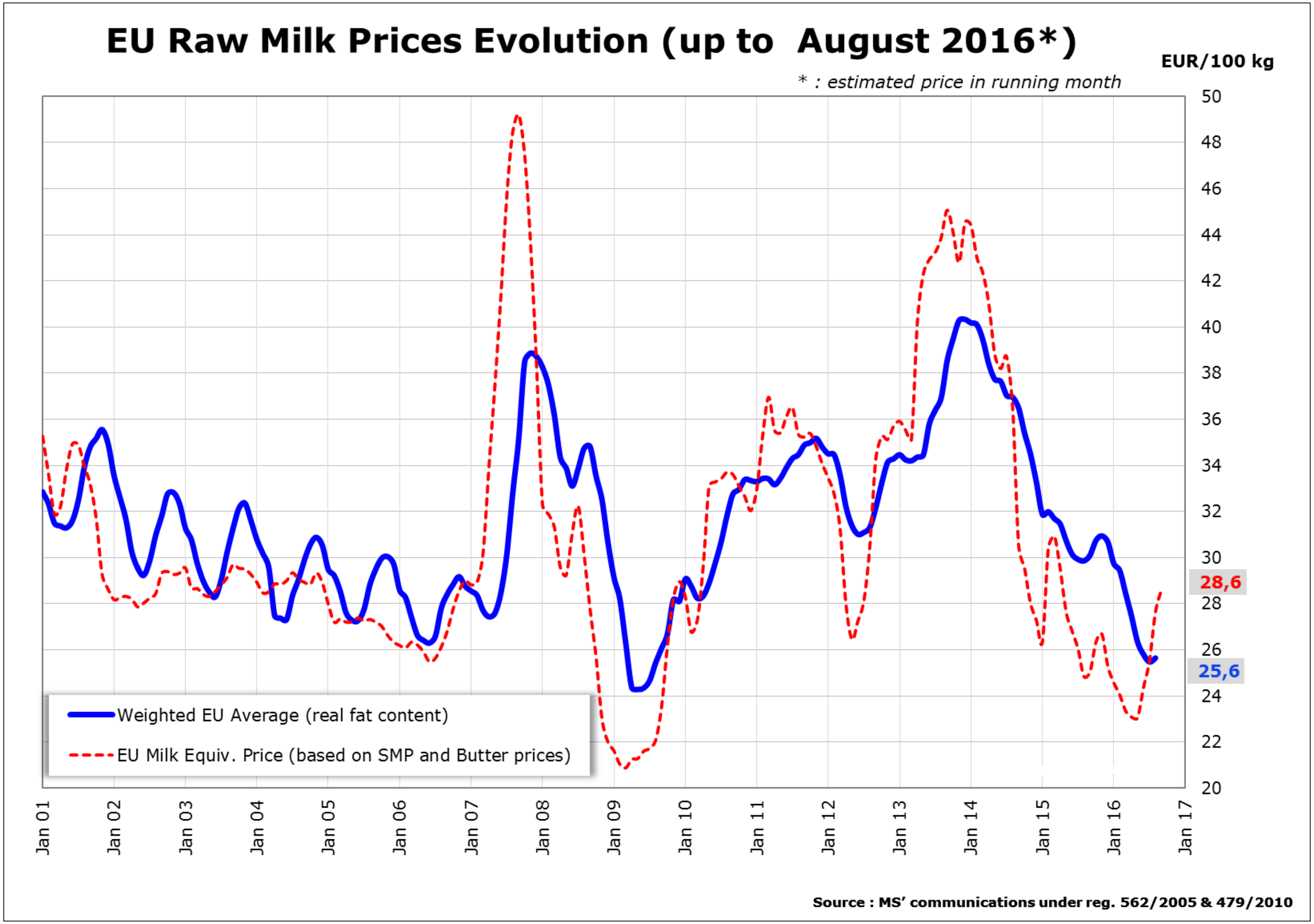
Jun 16 compared to Jun 15				
	evolution in %		evolution in 1000 Tons	
Rank	MS	%	MS	Tons
1.	CY	+ 23,3%	NL	+ 55
2.	LU	+ 6,9%	IE	+ 38
3.	NL	+ 4,8%	DK	+ 5
4.	IE	+ 4,5%	FI	+ 4
5.	FI	+ 1,8%	CY	+ 3
6.	MT	+ 1,7%	LU	+ 2
7.	SI	+ 1,1%	SI	+ 1
8.	DK	+ 1,1%	BG	+ 0
9.	BG	+ 0,3%	MT	+ 0
10.	EE	+ 0,0%	EE	+ 0
11.	EL	- 0,2%	EL	- 0
12.	HU	- 0,9%	HU	- 1
13.	DE	- 1,5%	RO	- 3
14.	CZ	- 2,0%	LV	- 3
15.	PL	- 2,2%	HR	- 3
16.	AT	- 2,2%	CZ	- 5
17.	SE	- 2,4%	SE	- 6
18.	ES	- 2,4%	AT	- 6
19.	RO	- 2,7%	SK	- 7
20.	FR	- 3,3%	PT	- 11
21.	LV	- 3,6%	LT	- 13
22.	IT	- 5,3%	ES	- 14
23.	PT	- 6,6%	PL	- 21
24.	HR	- 6,9%	BE	- 29
25.	UK	- 7,2%	DE	- 40
26.	BE	- 8,0%	IT	- 51
27.	SK	- 8,7%	FR	- 71
28.	LT	- 9,0%	UK	- 96
	EU28	**- 2,0%**	EU28	**- 273**

EU - Cows' milk collected



Source : Estat - Newcronos

Last update : Jan-Jun



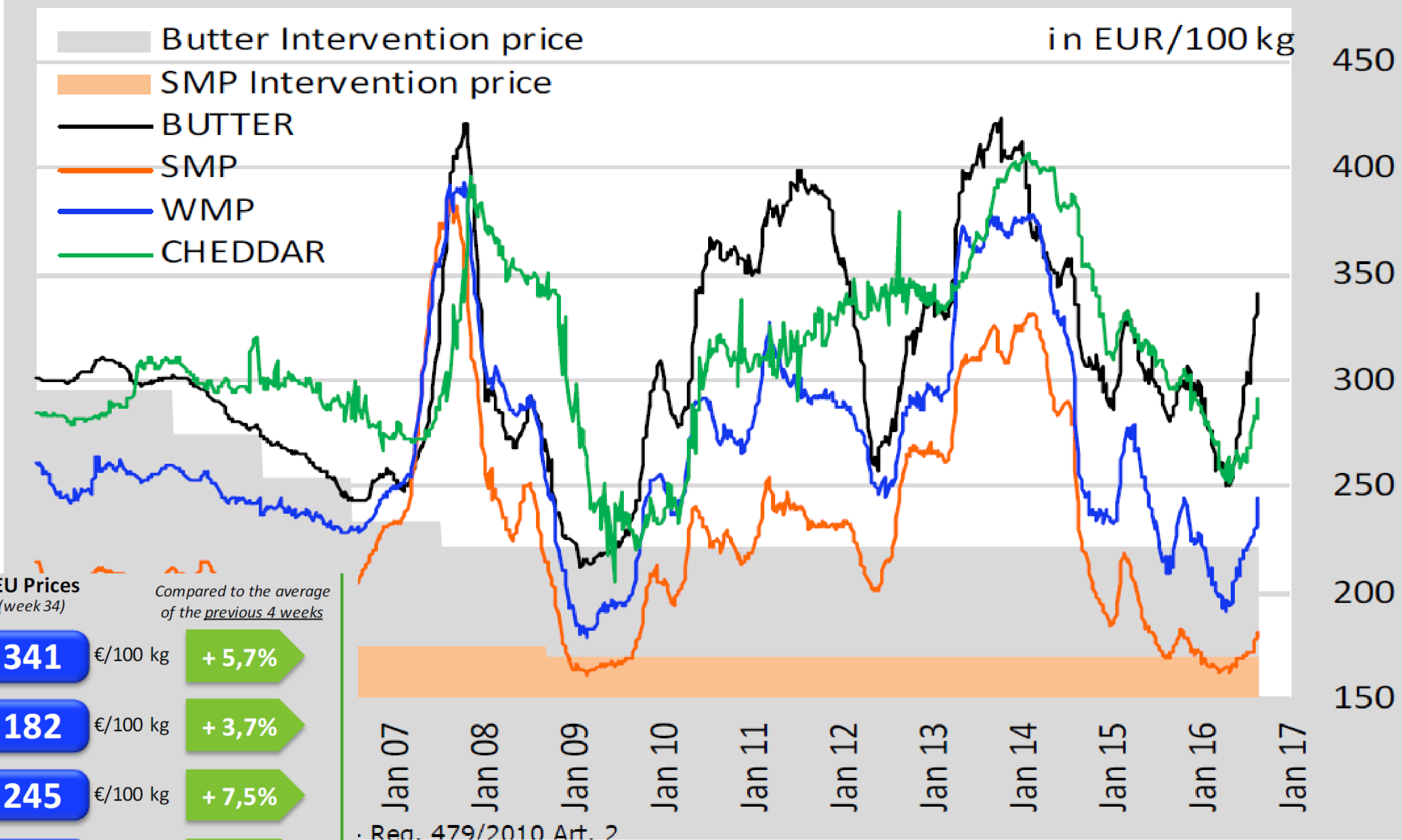
July 2016

25,5 c/kg

-1,3%

European Commission

EU average quotations of main commodities



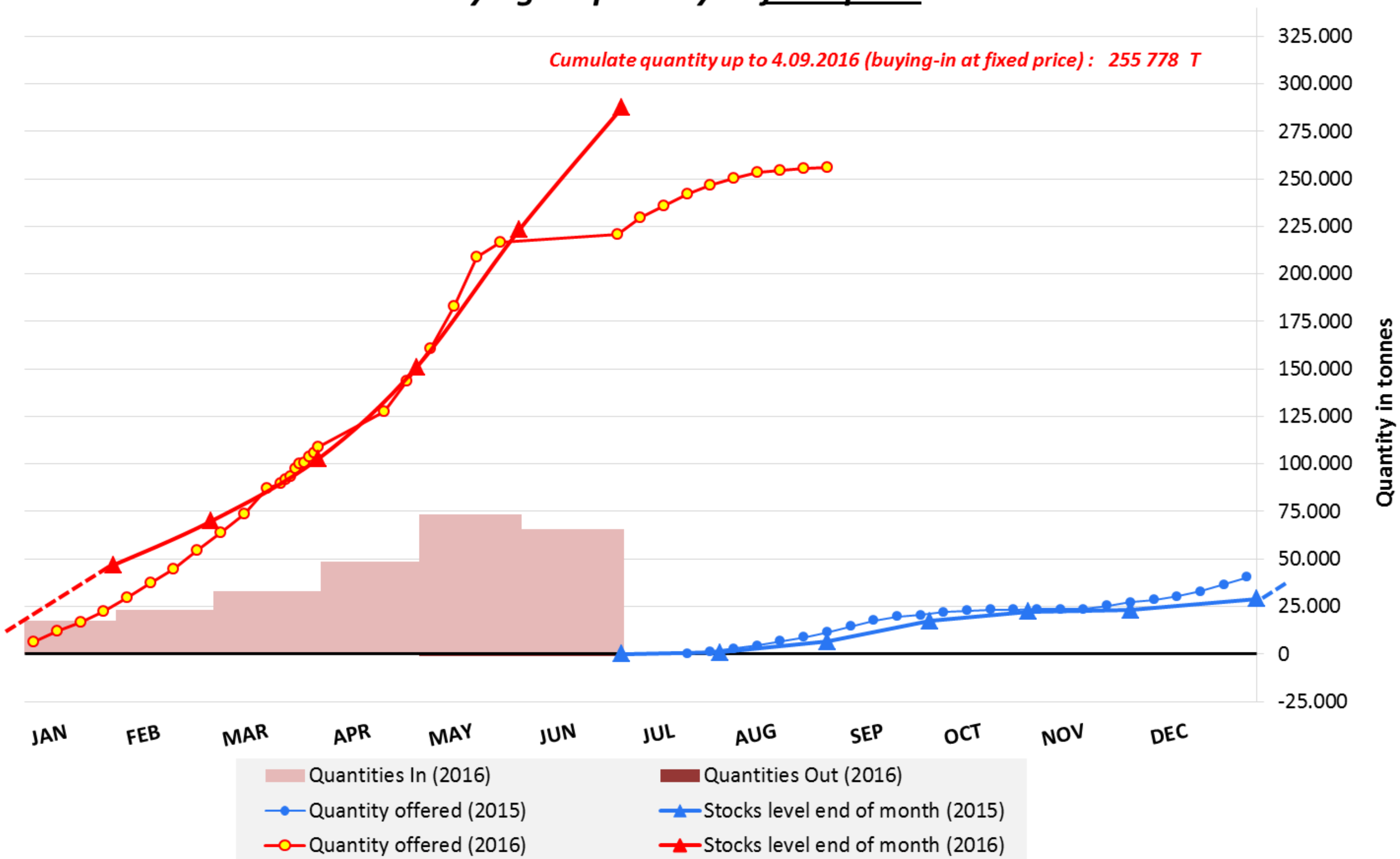
EU Prices *(week 34)*

Compared to the average of the previous 4 weeks

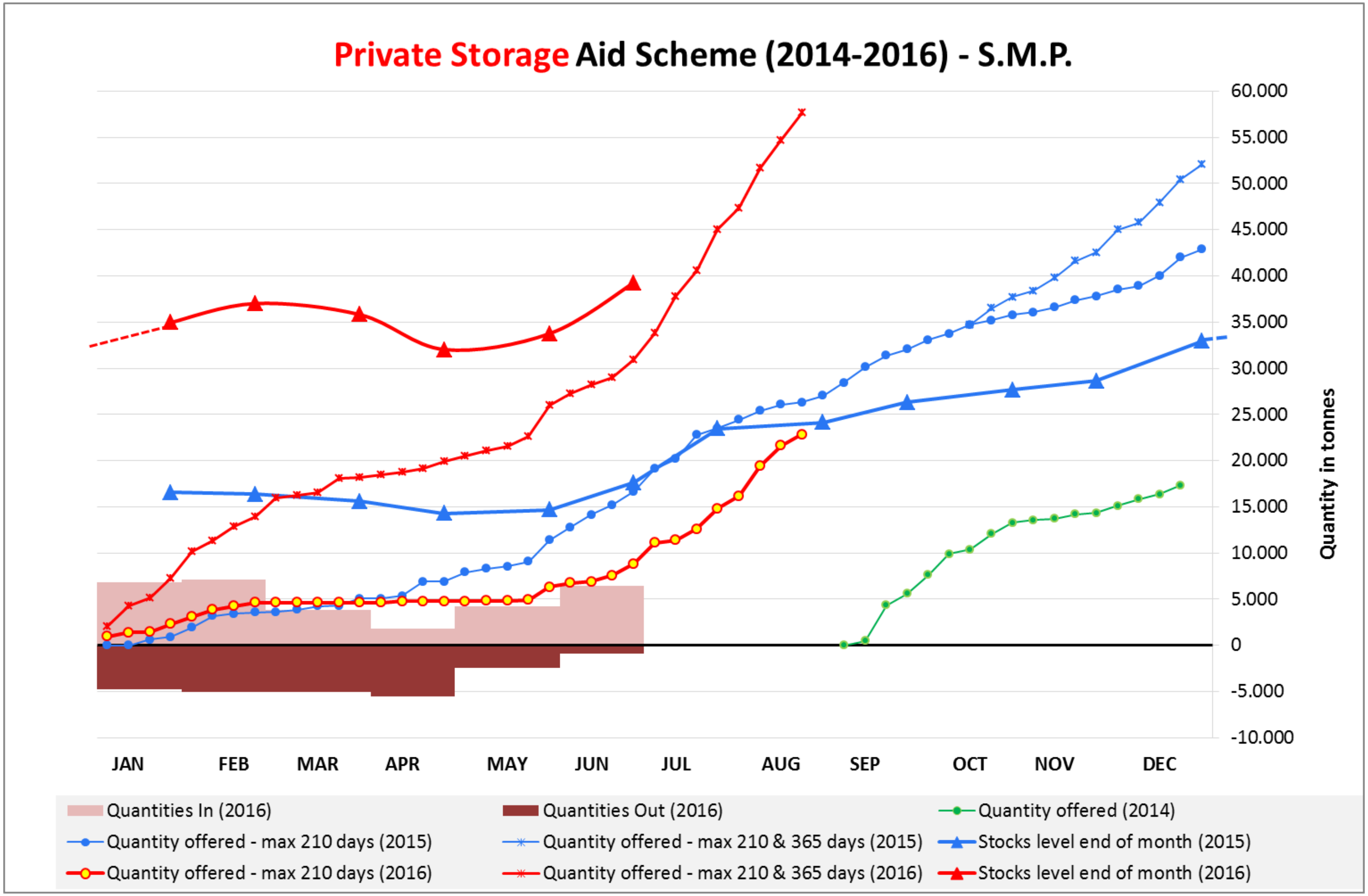
BUTTER	**341**	€/100 kg	**+ 5,7%**
S.M.P.	**182**	€/100 kg	**+ 3,7%**
W.M.P.	**245**	€/100 kg	**+ 7,5%**
CHEDDAR	**292**	€/100 kg	**+ 4,2%**

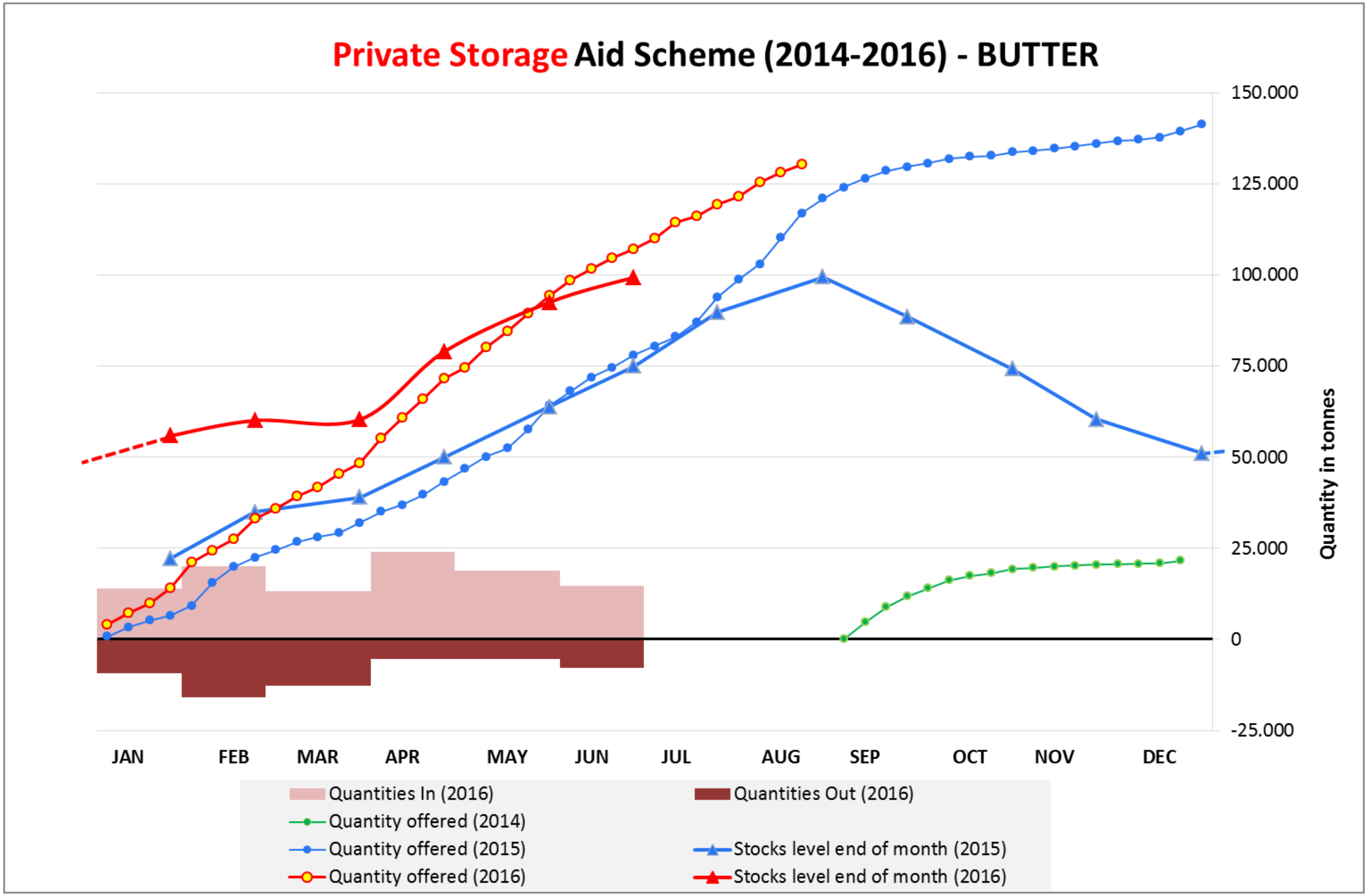
Public SMP Intervention scheme (2015-2016)

Buying-in quantity at _fixed price_

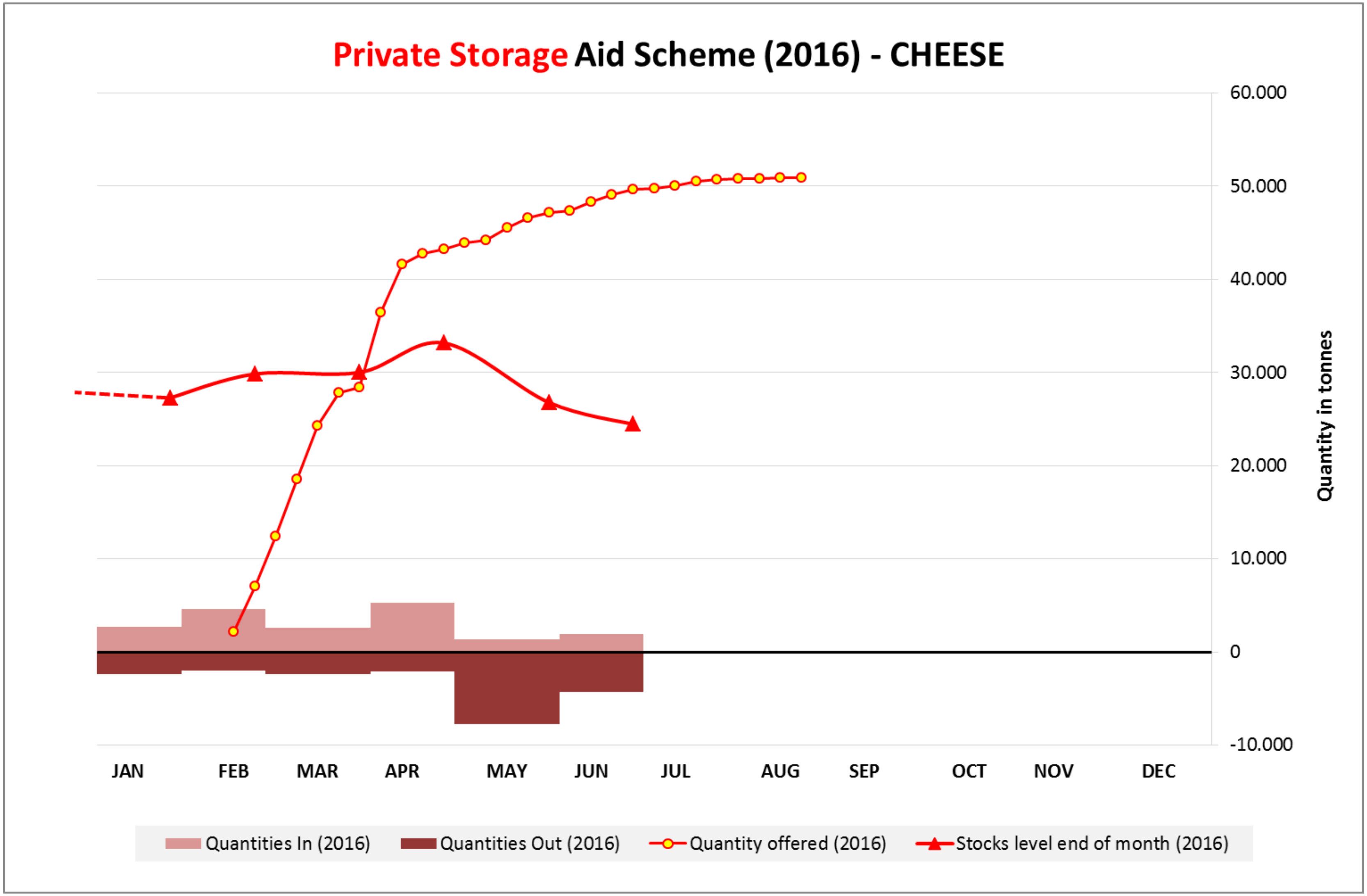


European Commission





Private Storage Aid Scheme (2014-2016) - BUTTER
150.000
125.000
100.000
75.000
50.000
25.000
0
-25.000
Quantity in tonnes
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
Quantities In (2016)
Quantities Out (2016)
Quantity offered (2014)
Quantity offered (2015)
Stocks level end of month (2015)
Quantity offered (2016)
Stocks level end of month (2016)


Private Storage Aid Scheme (2016) - CHEESE
60.000
50.000
40.000
30.000
20.000
10.000
0
-10.000
Quantity in tonnes
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
Quantities In (2016)
Quantities Out (2016)
Quantity offered (2016)
Stocks level end of month (2016)

Latest World Quotations of Dairy Products

In US$/t	Latest Quotations			Week - 2						Year - 1					
	04/09/2016			21/08/2016			% change (previous quotation)			September 2015			% change (1 year)		
	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA
Butter	3 855	3 400	4 569	3 668	3 150	4 901	+ 5.1%	+ 7.9%	- 6.8%	3 168	2 825	5 305	+ 22%	+ 20%	- 14%
SMP	2 052	2 100	1 894	1 983	2 000	1 872	+ 3.5%	+ 5.0%	+ 1.2%	1 904	1 788	1 846	+ 8%	+ 17%	+ 3%
WMP	2 769	2 750	2 910	2 559	2 663	2 954	+ 8.2%	+ 3.3%	- 1.5%	2 358	2 025	2 535	+ 17%	+ 36%	+ 15%
Cheddar	3 293	3 350	3 739	3 161	3 300	3 993	+ 4.2%	+ 1.5%	- 6.4%	3 340	3 000	3 781	- 1%	+ 12%	- 1%

Source : Member States Notifications, USDA

ANNEX 2

EU dairy products monthly stock estimates at the end of June 2016

EDA

EU dairy products monthly stock estimates at the end of June 2016

Milk Market Observatory

Economic Board

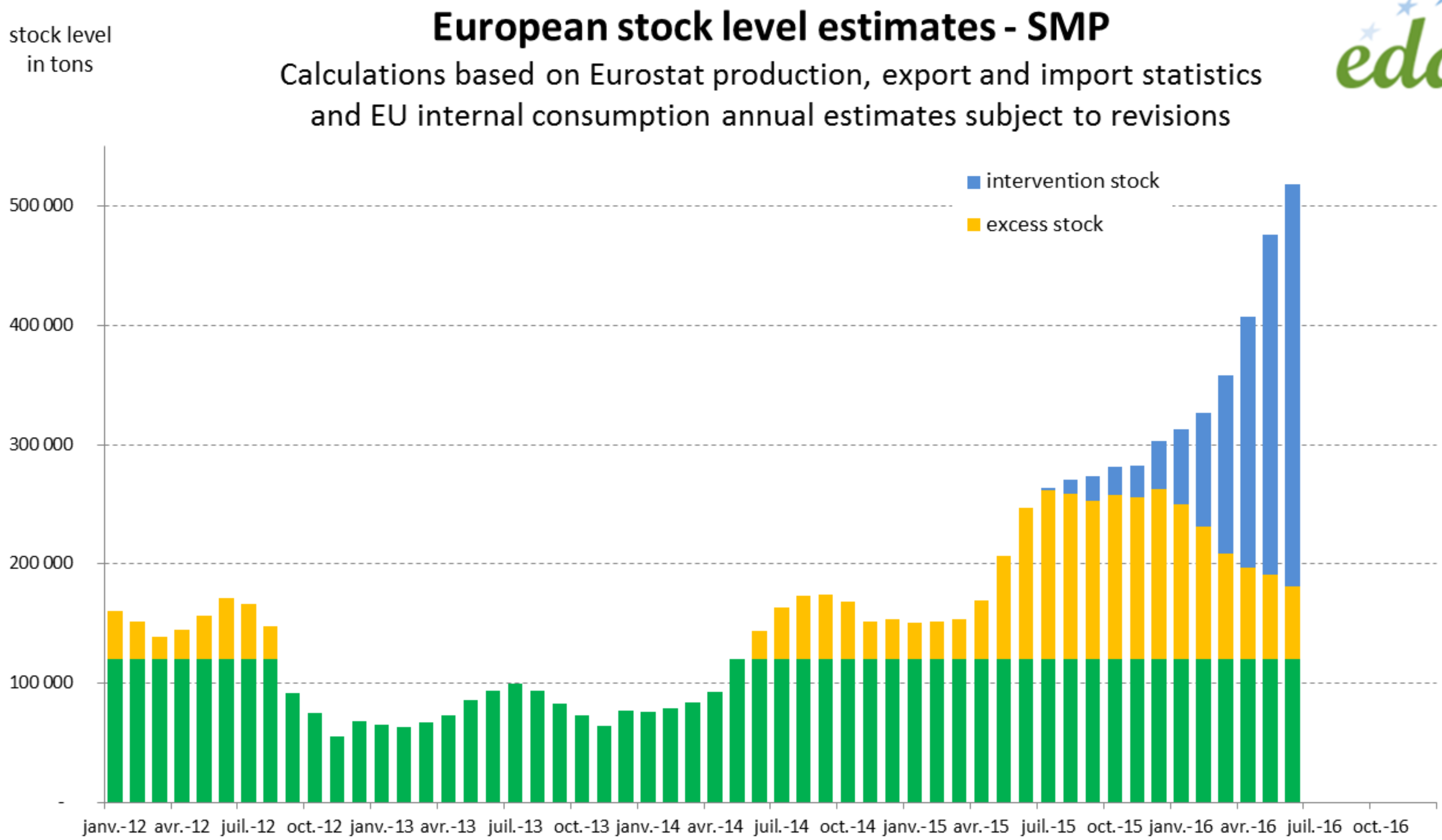
September 6th, 2016

Methodology

- For each dairy product and each month, the stock estimates are based on the equation:
  - **Stock variation** = EU production + EU import – EU internal consumption – EU exports
- ZMB balance sheets and forecasts have been used as references for :
  - End of year stocks levels in 2012 and 2013
  - Yearly consumption levels in 2012, 2013, 2014 and forecast for 2015
- Monthly production statistics are based on ZMB Dairy World publications.
- Exports and imports figures are based on MMO website figures.
- The initial stocks entered in the model at the beginning of 2012 are :
  - SMP: 152 000 t
  - Butter: 80 000 t
  - Cheese: 200 000 t (arbitrary basis)
- The green parts in each graph mean that this stock level can be considered as normal for the month.
- The orange part means that this stock level can be considered as too high for the month
- These qualifications are based on the EDA analysts' personal views and past market observation.

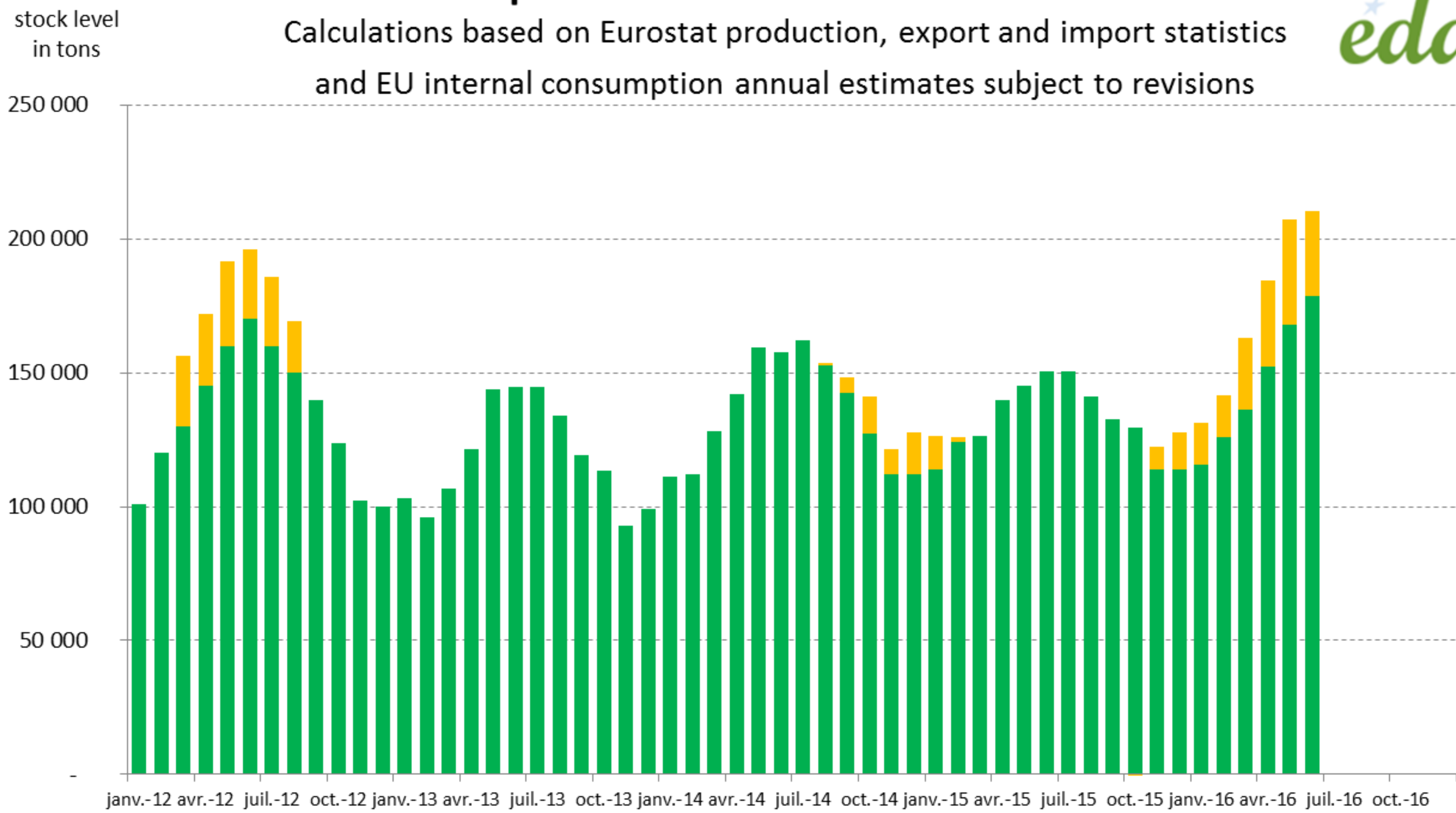
European stock level estimates - SMP

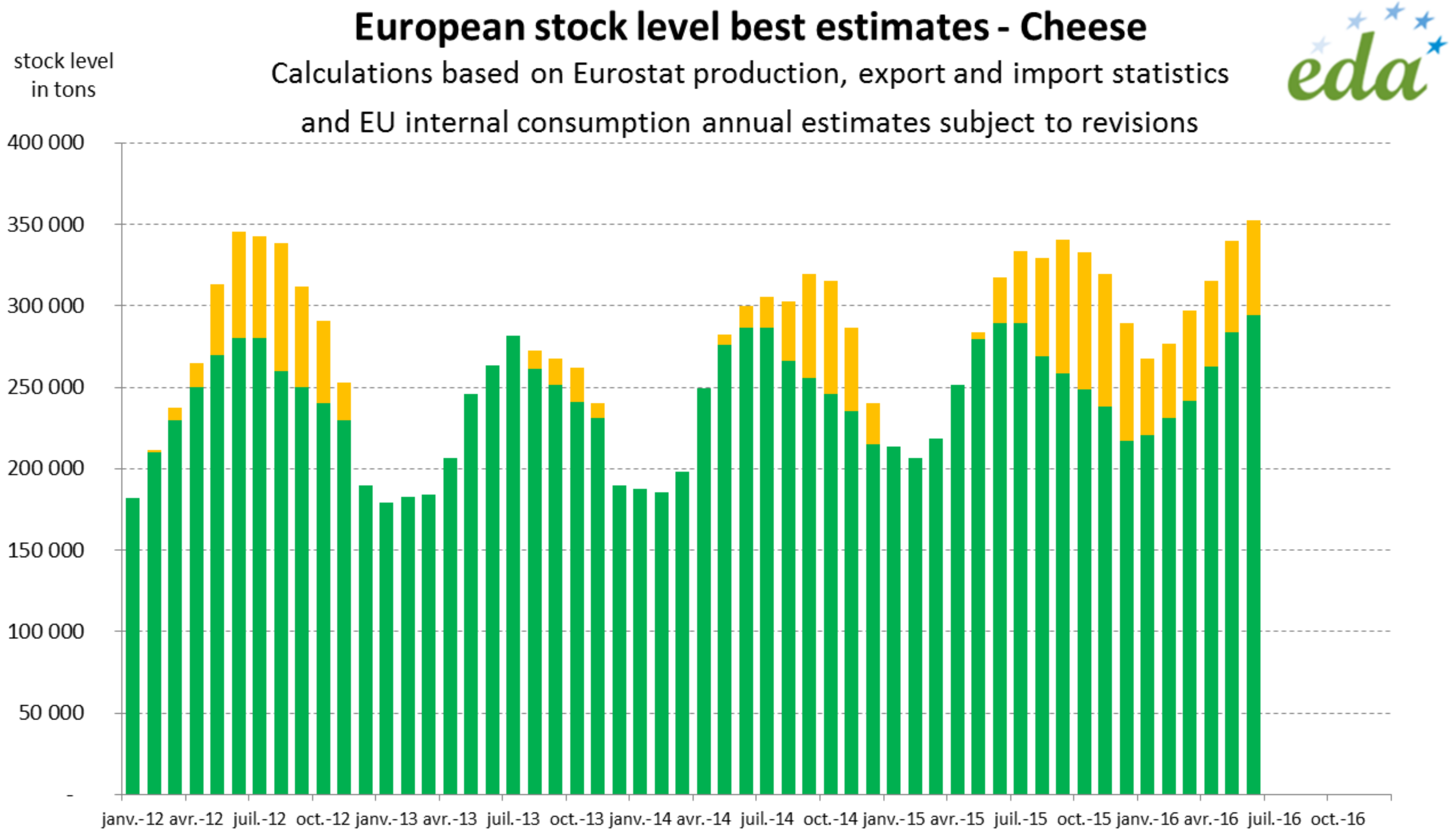
Calculations based on Eurostat production, export and import statistics and EU internal consumption annual estimates subject to revisions



European stock level estimates - Butter

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




European stock level best estimates - Cheese
Calculations based on Eurostat production, export and import statistics
and EU internal consumption annual estimates subject to revisions
stock level
in tons
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
avr.-15
juil.-15
oct.-15
janv.-16
avr.-16
juil.-16
oct.-16
eda

ANNEX 3

Perspectives from the Dairy Trade

Eucolait

Perspectives from the Dairy Trade

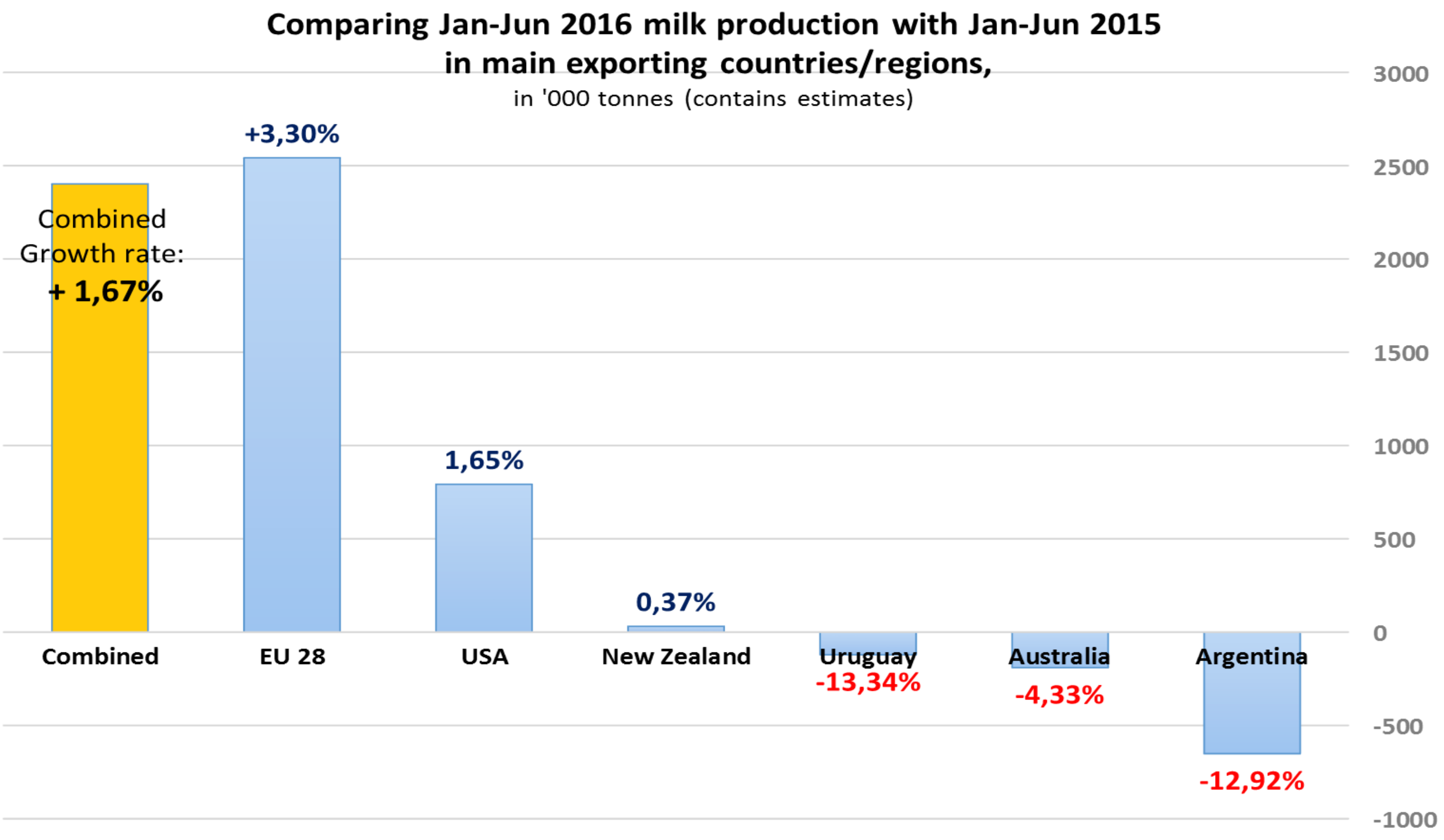
MMO Economic Board

6 September 2016

Outline

- Global Supply
- Global Exports
- Global Demand
- Conclusions

Milk production in key export regions



Production outlook

- **EU milk production showed in June for 1st time in post-quota era a negative growth** (-1,9% year over year) due to lower milk prices, **further production slowdown expected for the remainder of 2016**

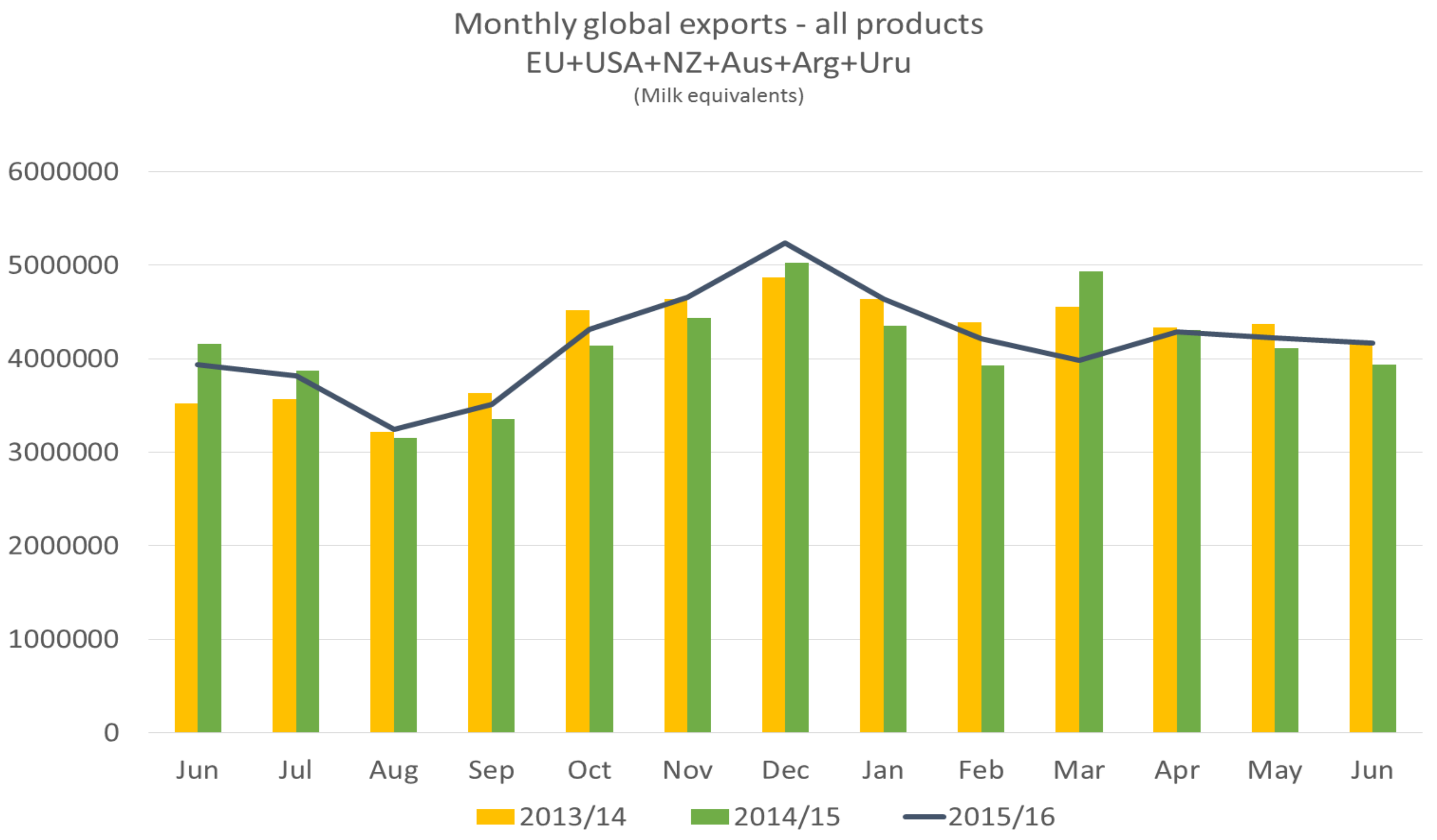
- **NZ collections in June at their lowest point in 2016** (unchanged to June 2015 – 147 kt), for July Fonterra reported production fall of 1,4% year-over-year, further decline of 2-3% announced for 2016/17 season.

- **Australia milk production down by 8,8% in June compared to June 2015** (2% decrease for the 2015/16 season), low milk prices and draughts led to herd reductions, **a further 2%-5% decrease expected for 2016/17**

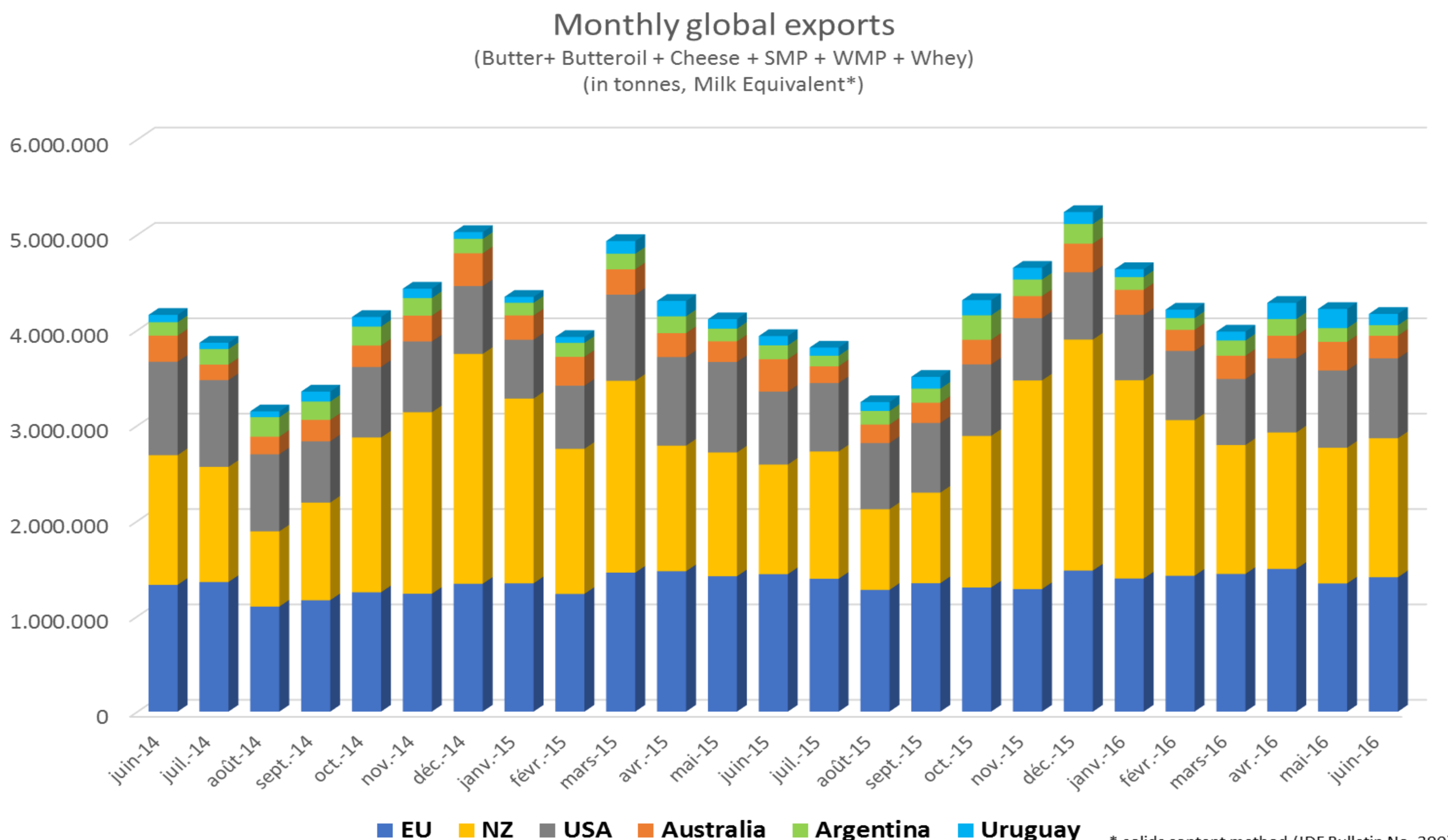
- **US production increased +1,4% in July** (+1,5% in June), expansion despite heat waves in some regions, driven also by improved production per cow and expanded milk herd; **USDA forecast for 2016 +1,7%**

- **Global outlook: milk demand could exceed supply by the end of 2016** (IFCN)

Dairy exports of main market players in ME

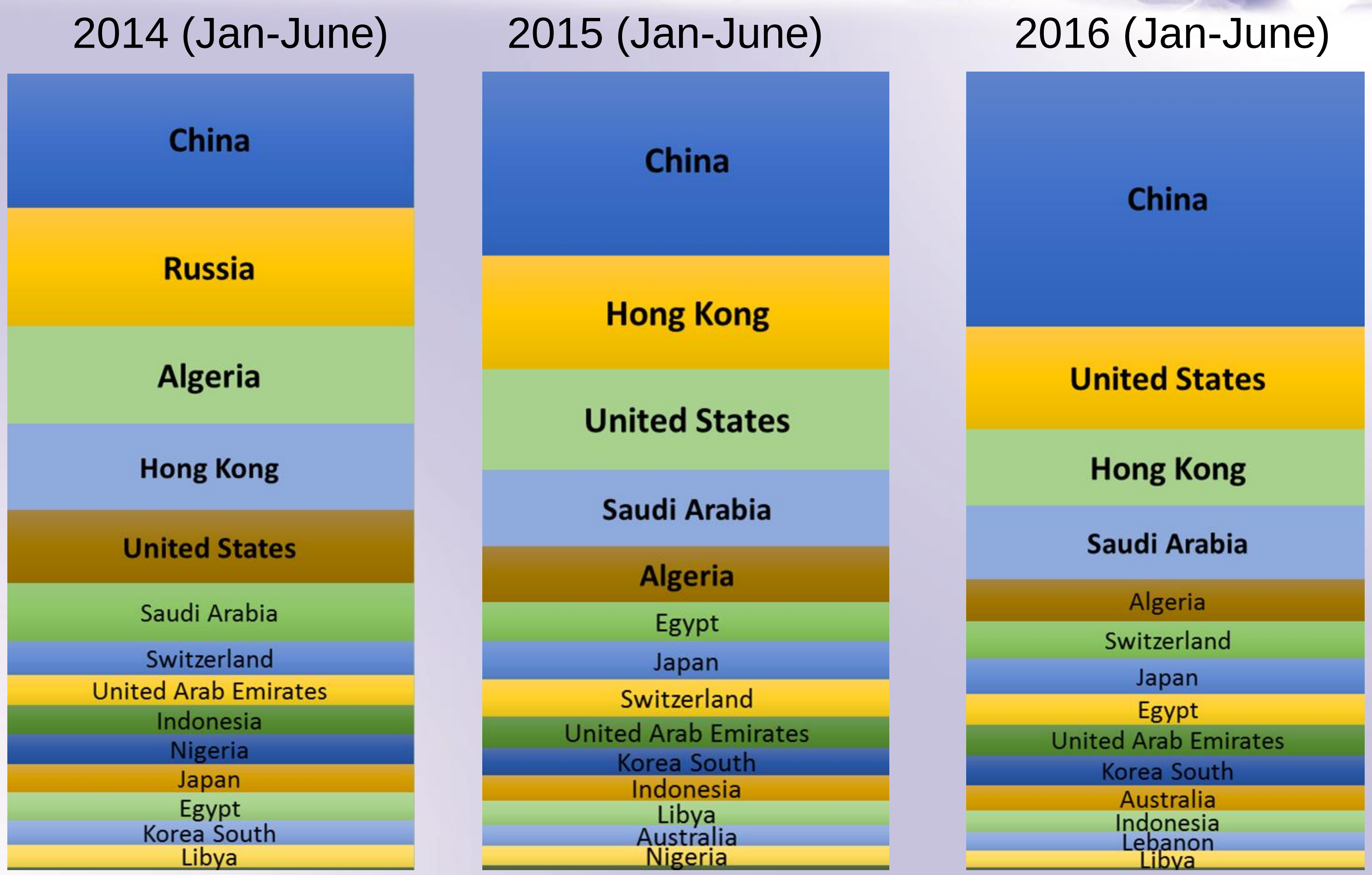


Dairy exports of main market players in ME



* solids content method (IDF Bulletin No. 390)

Main EU export markets for all dairy products **(in value - €)**



Main EU export markets for all dairy products **(in quantities - t)**

2014 (Jan-June)

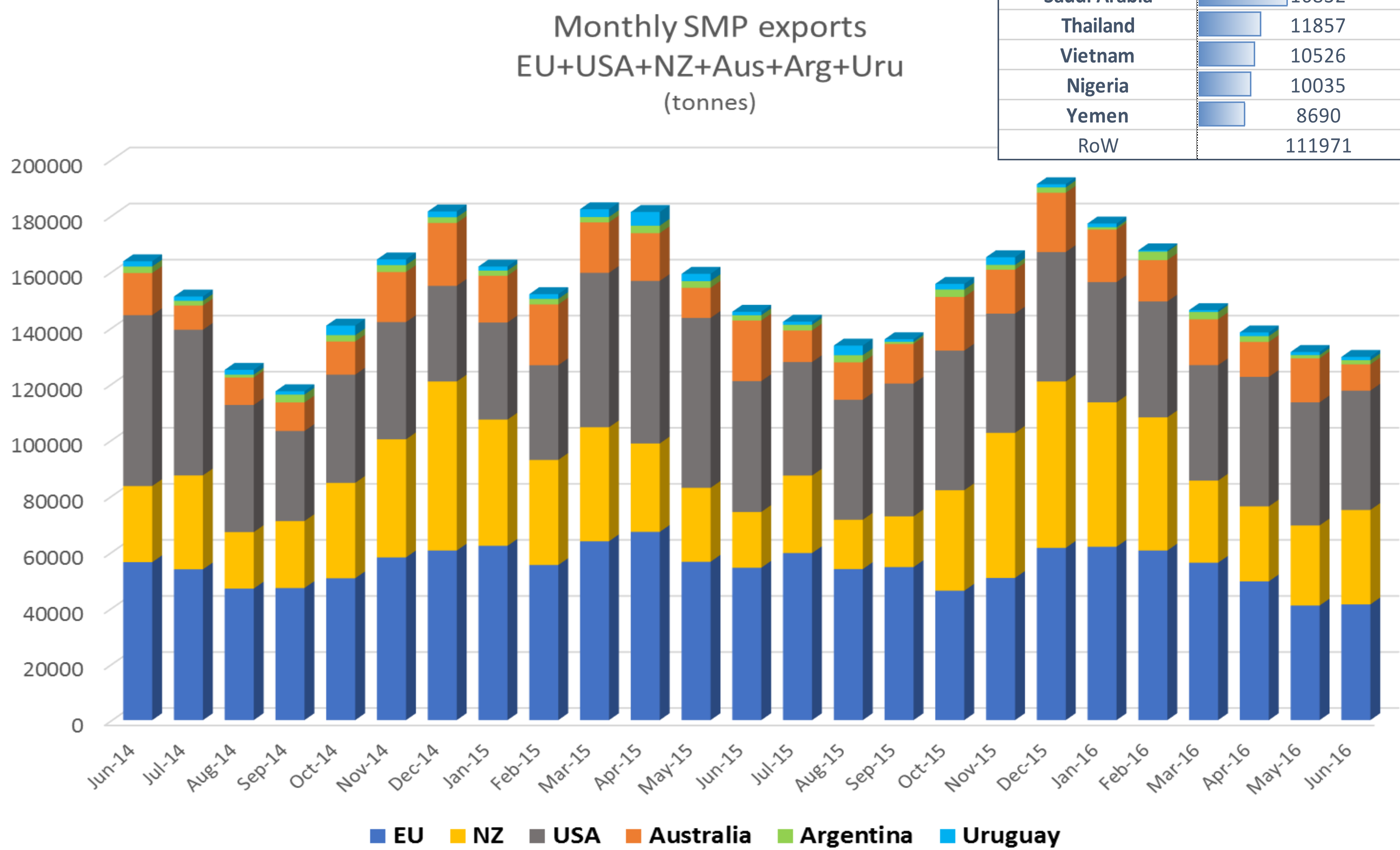
2015 (Jan-June)

2016 (Jan-June)

SMP exports of main market players

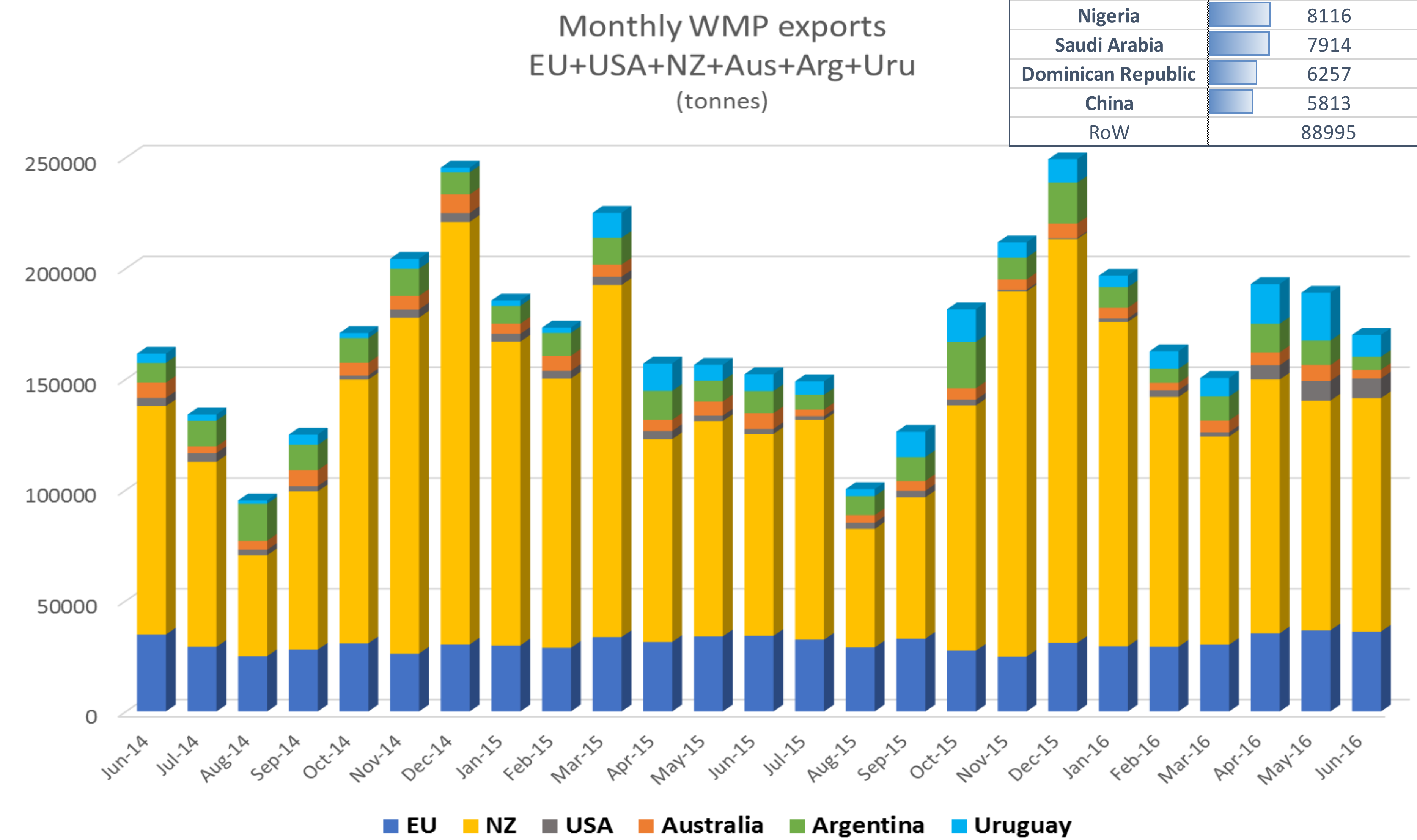
EU SMP EXPORTS Jan-Jun 2016

Main destinations	Total in t: 310214
Algeria	45174
China	26106
Egypt	25876
Indonesia	23470
Philippines	19677
Saudi Arabia	16832
Thailand	11857
Vietnam	10526
Nigeria	10035
Yemen	8690
RoW	111971



WMP exports of main market players

EU WMP EXPORTS Jan-Jun 2016	
Main destinations	Total in t: 196775
Oman	31470
Algeria	12687
Cuba	9165
Kuwait	8983
Lebanon	8866
United Arab Emirates	8509
Nigeria	8116
Saudi Arabia	7914
Dominican Republic	6257
China	5813
RoW	88995

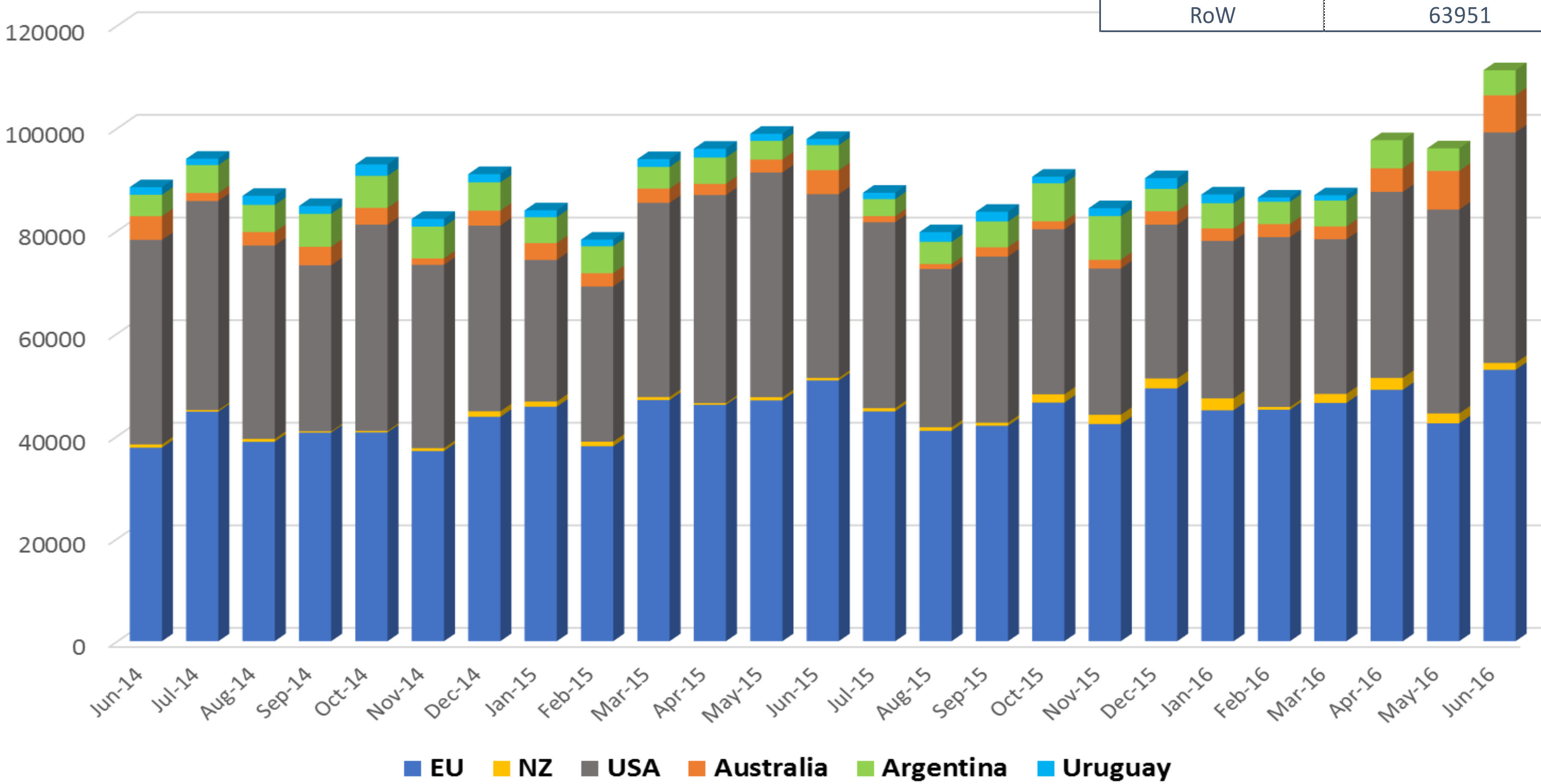


Whey exports of main market players

EU WHEY EXPORTS Jan-Jun 2016

Main destinations	Total in t: 280973
China	81878
Indonesia	42414
Malaysia	27268
Thailand	20196
Vietnam	14782
Pakistan	7493
New Zealand	7325
Philippines	6633
Korea South	4563
Japan	4470
RoW	63951

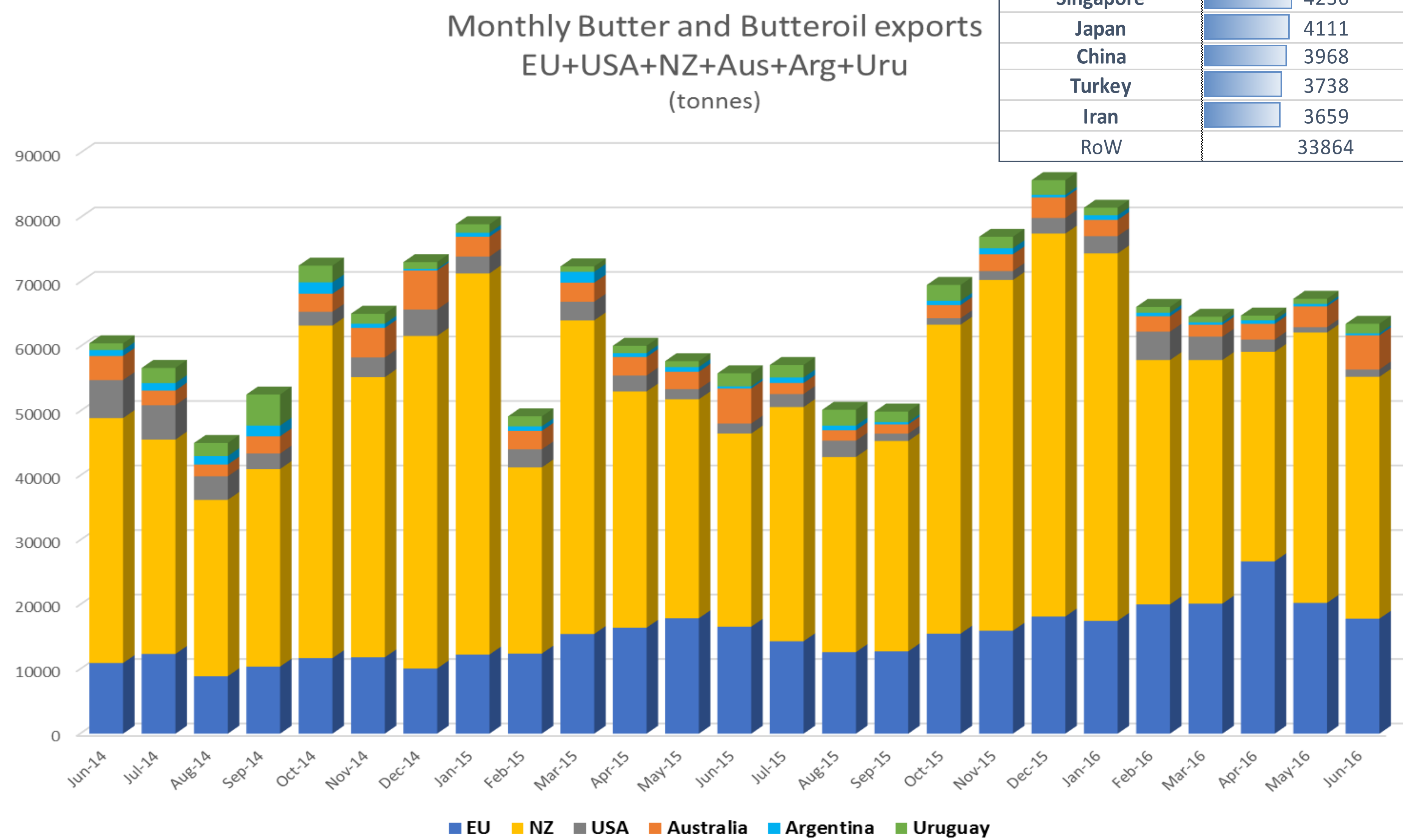
Monthly Whey exports
EU+USA+NZ+Aus+Arg+Uru
(tonnes)



Butterfat exports of main market players

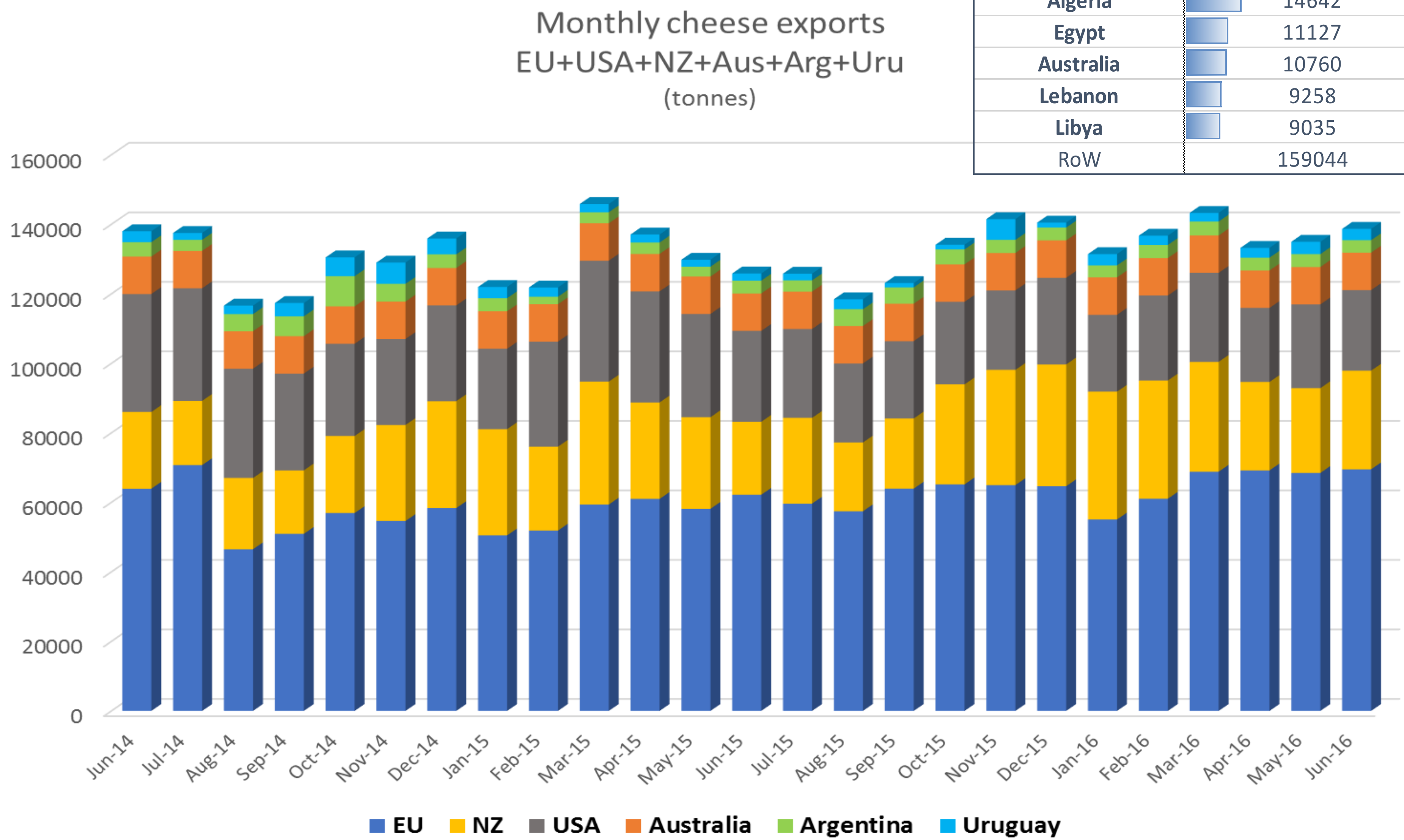
EU BUTTER EXPORTS Jan-Jun 2016

Main destinations	Total in t: 94504
Saudi Arabia	11739
Egypt	9730
United States	8406
Morocco	6211
Canada	4842
Singapore	4236
Japan	4111
China	3968
Turkey	3738
Iran	3659
RoW	33864



Cheese exports of main market players

EU CHEESE EXPORTS Jan-Jun 2016	
Main destinations	Total in t: 392115
United States	66337
Japan	36749
Switzerland	28461
Saudi Arabia	24014
Korea South	22688
Algeria	14642
Egypt	11127
Australia	10760
Lebanon	9258
Libya	9035
RoW	159044

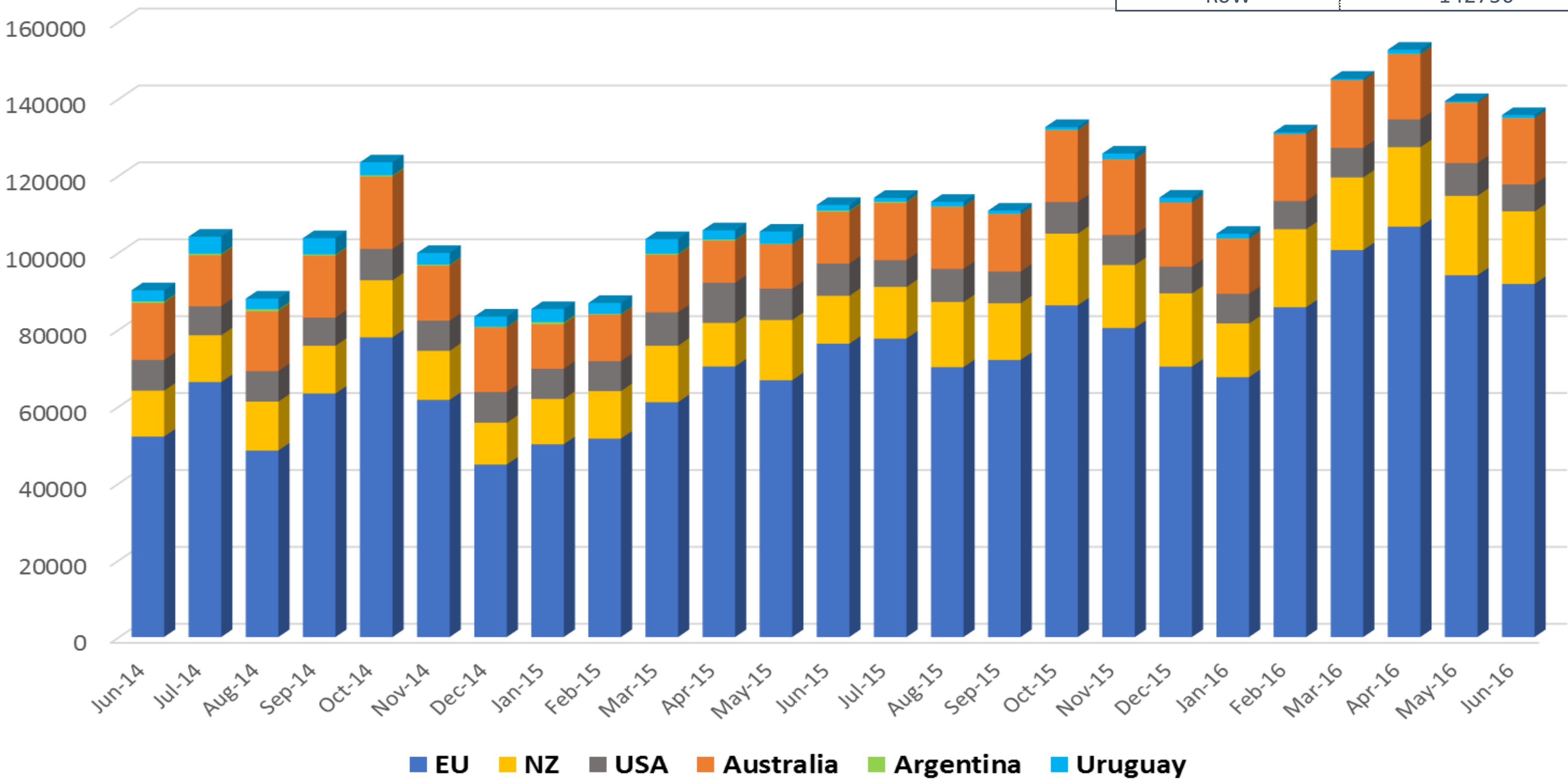


Milk & cream exports of main market players

EU MILK AND CREAM EXPORTS Jan-Jun 2016

Main destinations	Total in t: 546603
China	229141
Belarus	58552
Libya	34195
Mauritania	17434
Switzerland	13624
Angola	13030
Melilla	10491
Korea South	9258
United Arab Emirates	9157
Hong Kong	8971
RoW	142750

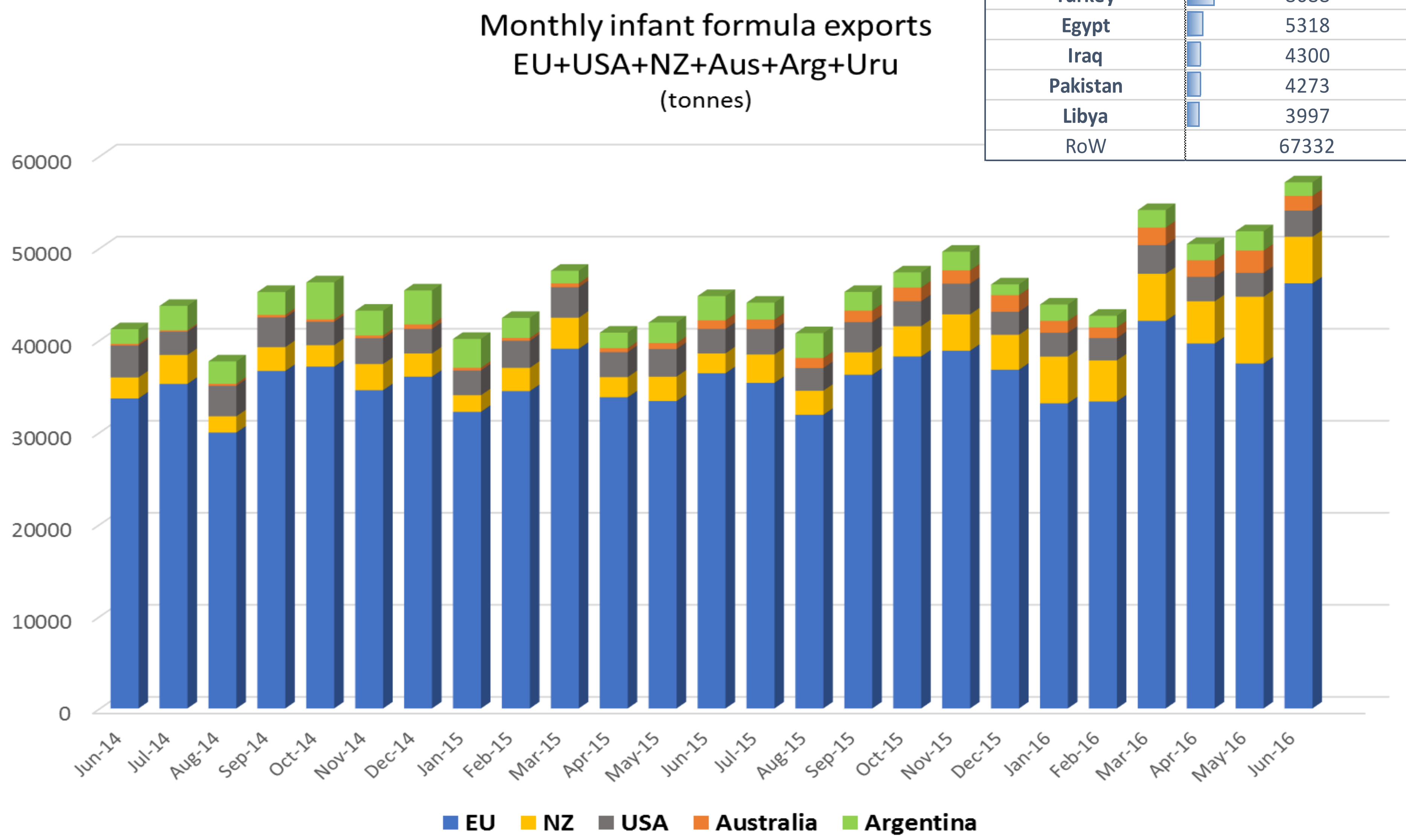
Monthly milk & cream exports (0401)
EU+USA+NZ+Aus+Arg+Uru
(tonnes)



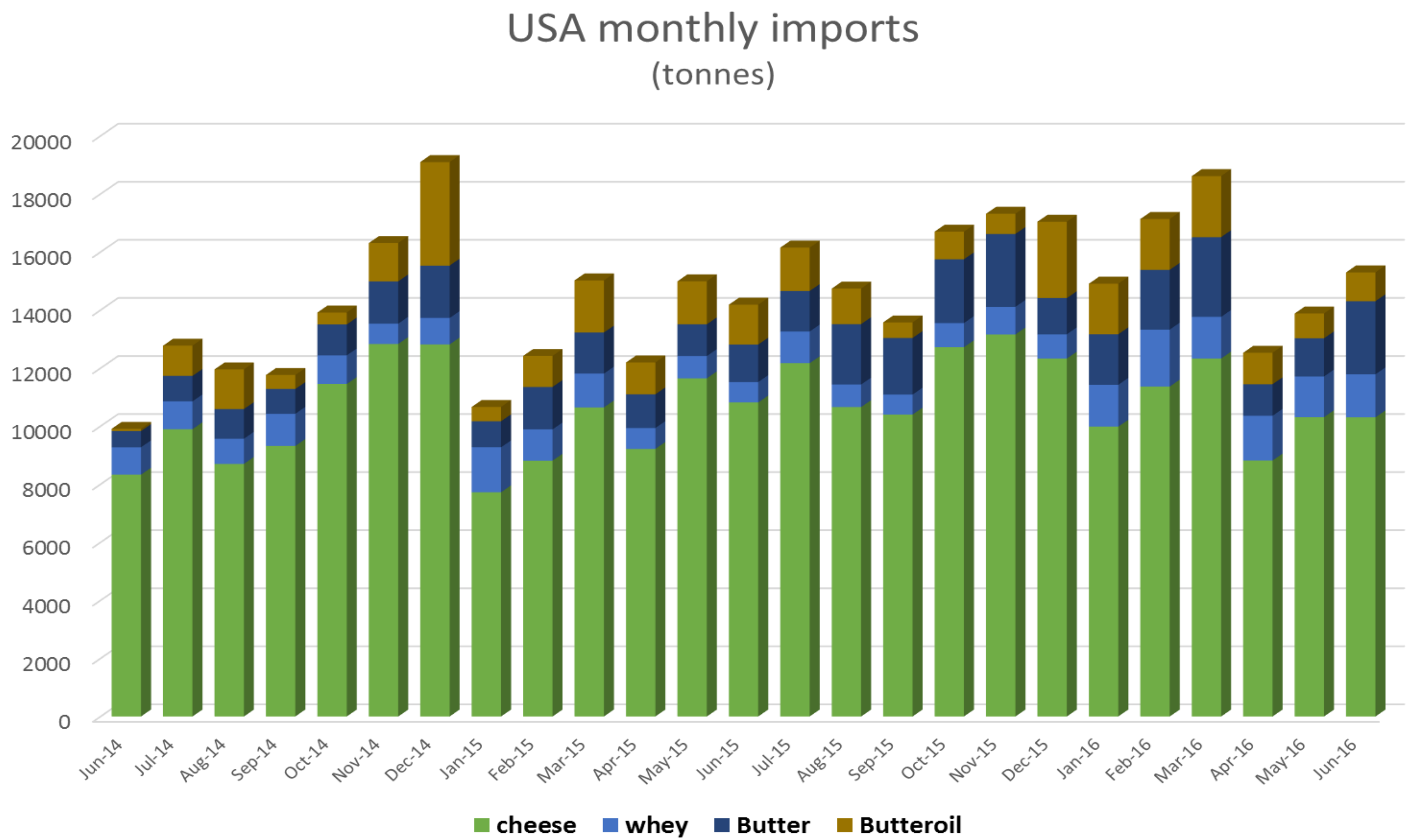
Infant formula exports of main market players

EU INFANT FORMULA EXPORTS Jan-Jun 2016

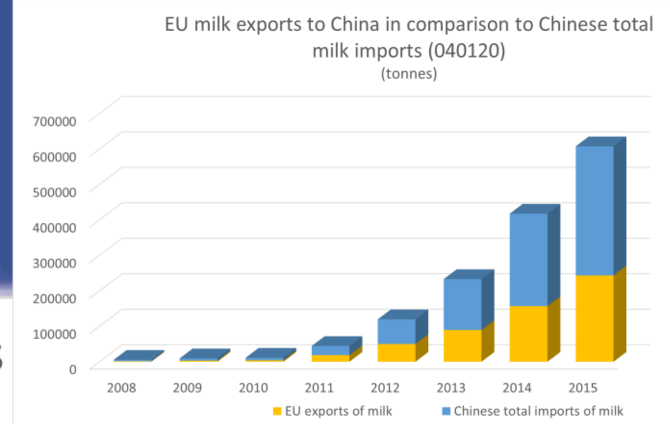
Main destinations	Total in t: 231925
China	76093
Hong Kong	21298
Saudi Arabia	19700
Algeria	10831
Russia	10095
Turkey	8688
Egypt	5318
Iraq	4300
Pakistan	4273
Libya	3997
RoW	67332

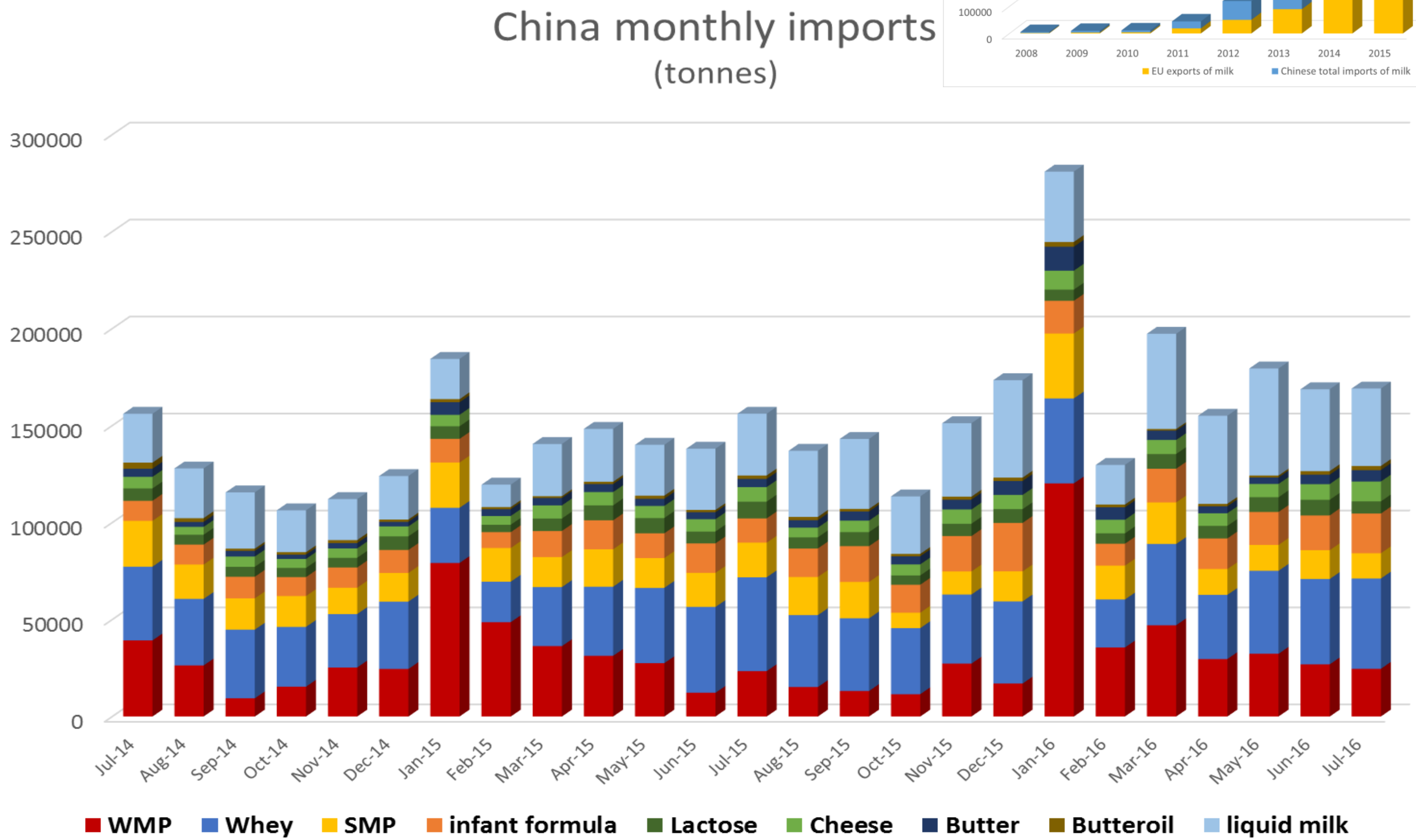


USA Imports

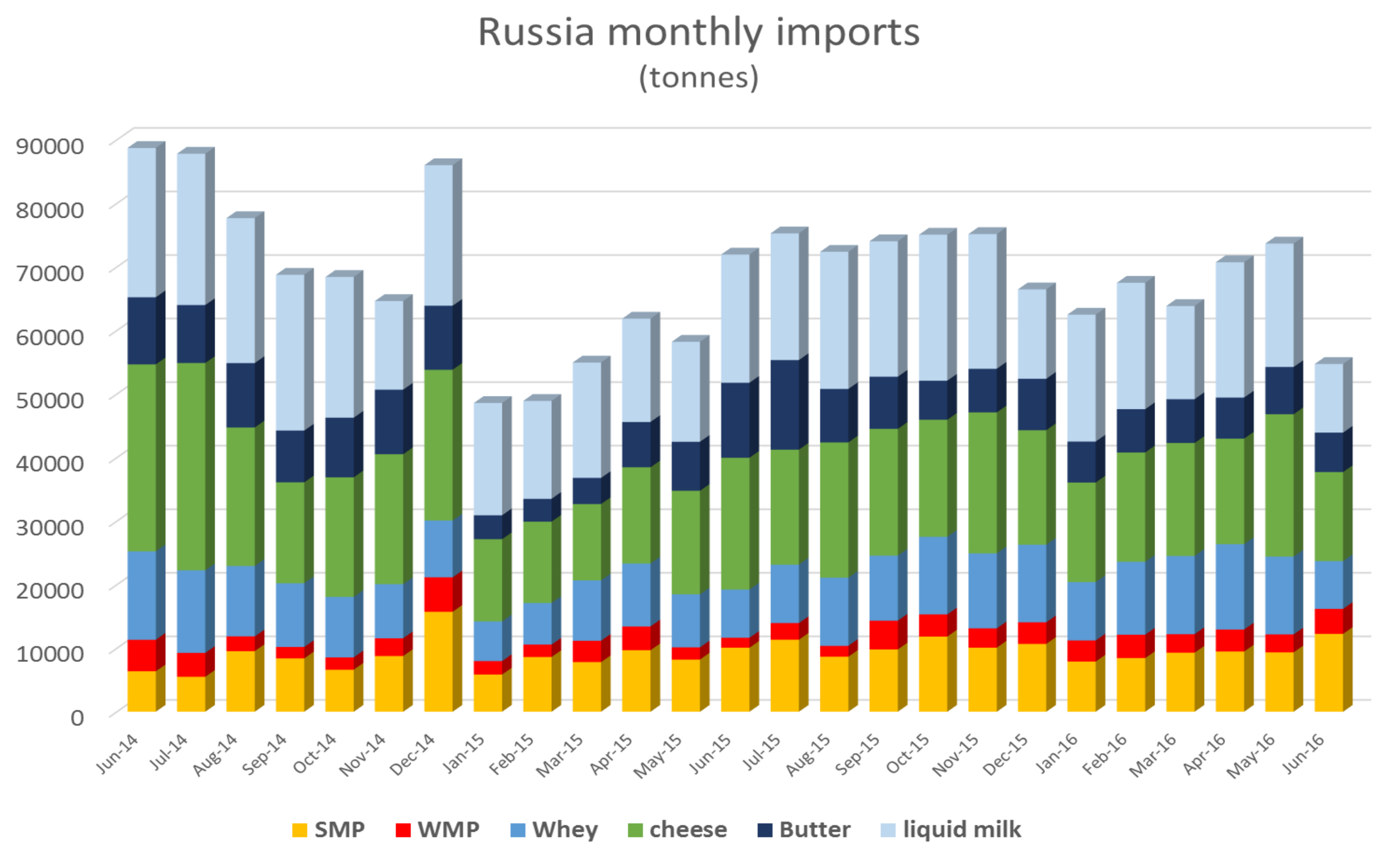

USA monthly imports
(tonnes)
20000
18000
16000
14000
12000
10000
8000
6000
4000
2000
0
Jun-14
Jul-14
Aug-14
Sep-14
Oct-14
Nov-14
Dec-14
Jan-15
Feb-15
Mar-15
Apr-15
May-15
Jun-15
Jul-15
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
Jan-16
Feb-16
Mar-16
Apr-16
May-16
Jun-16
cheese
whey
Butter
Butteroil

China Imports

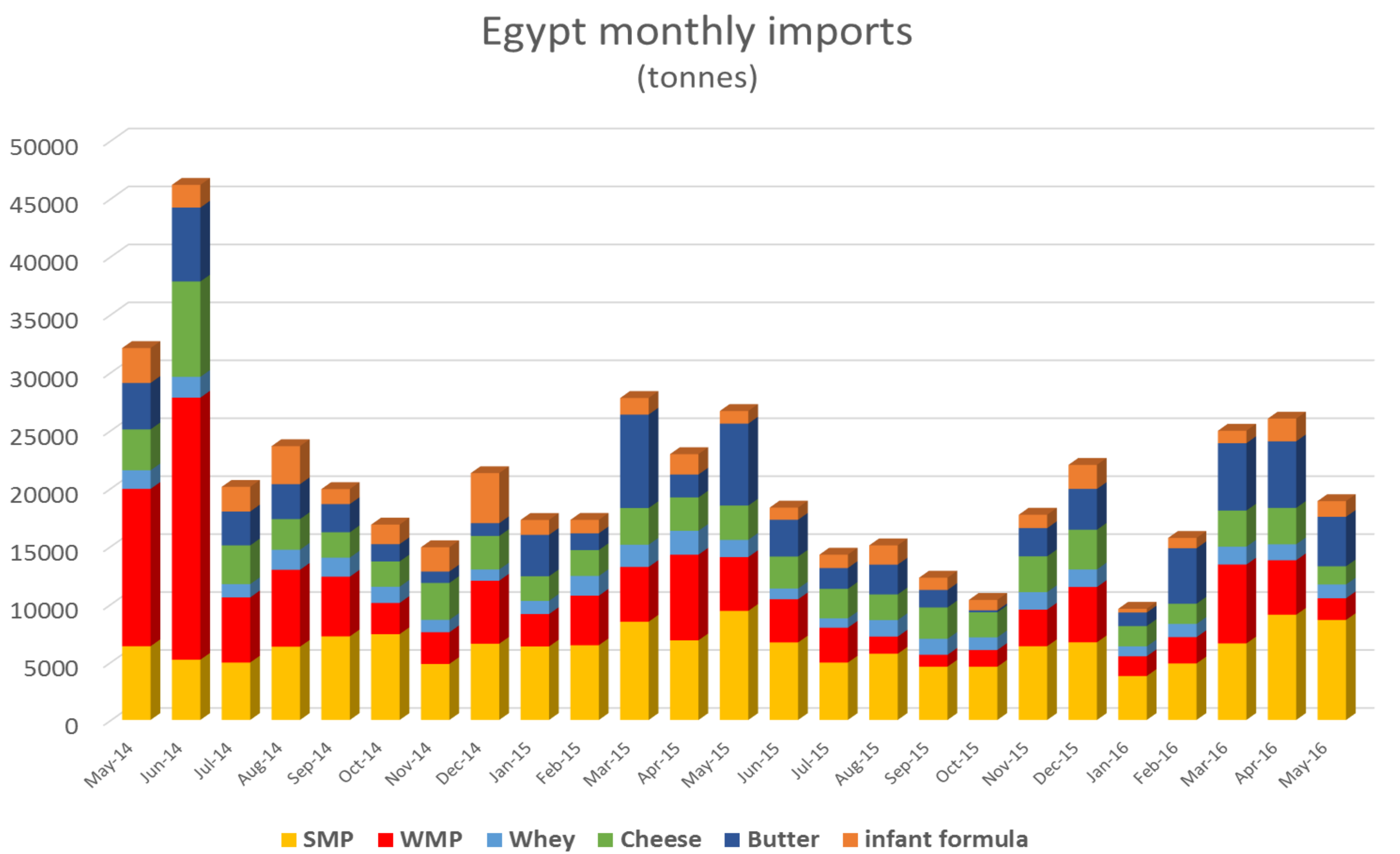




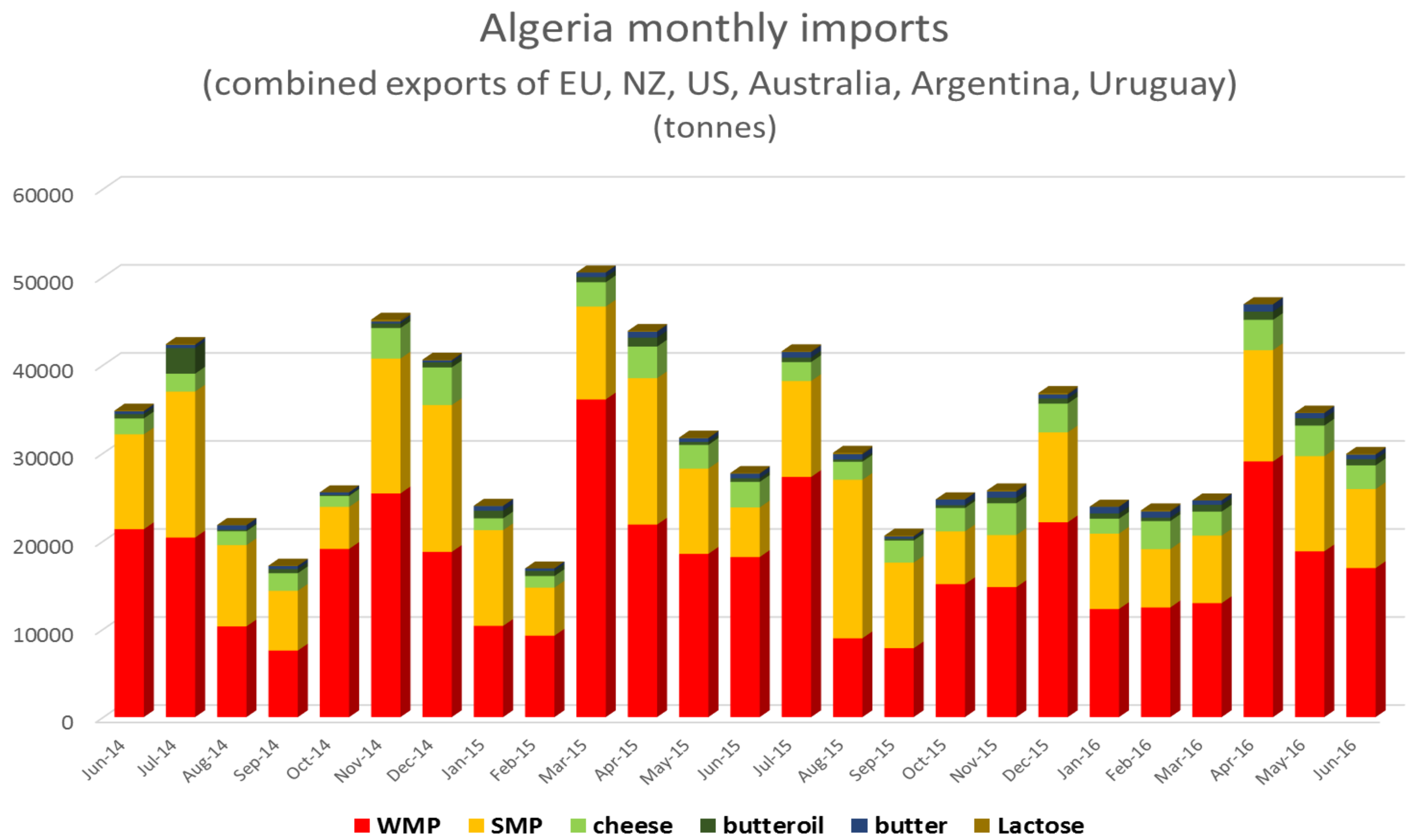
Russia imports



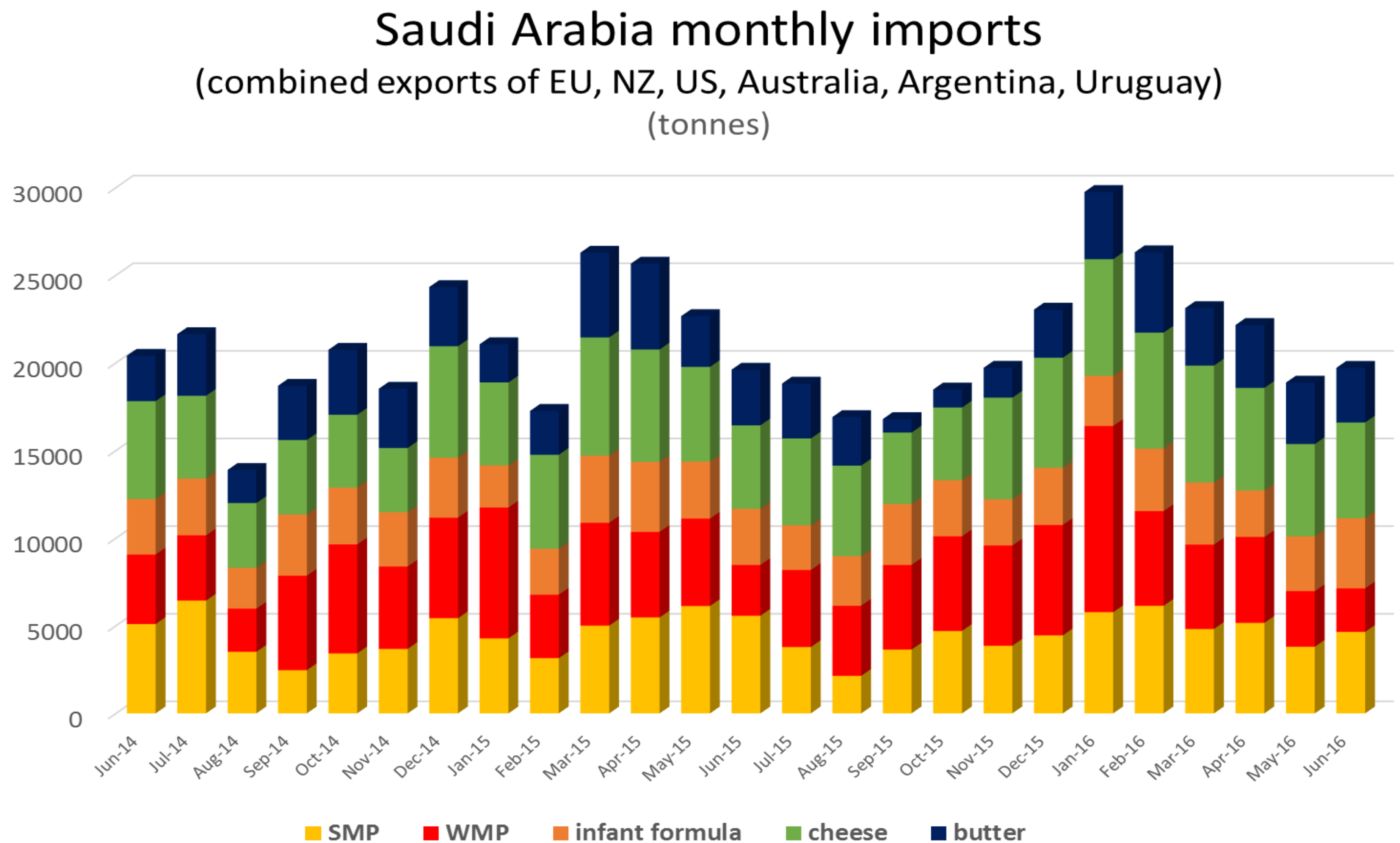
Egypt imports



Algeria imports



Saudi Arabia imports



Conclusions

- A **continuous firming of prices** can be observed as **world demand and supply continue to rebalance**, mainly due to lower flows in Europe
- **Global trade volumes for all dairy products (except for SMP) have increased in 2016**, indicative of a **healthy global demand**. Key buyers such as China, Russia, USA, Brazil and have all imported considerably more.
- **EU exports have performed strongly** (except for SMP), growing in line with or faster than global trade. What will be the impact of rising prices on EU exports?
- **High global stocks** especially for SMP **continue weighing on the market.**
- **The expected continued drops in EU milk production** in the coming months should support the **improved sentiment.** A weak NZ spring flush could reinforce this development.
- Serious **concerns about the state of trade policy and increasingly protectionist measures** taken by certain Member States, leading to a fragmentation of the internal market

Thank You

Sources used in presentation: Global Trade Atlas, Eurostat, USDA, Dairy Australia, DCANZ, CLAL, Inale, IFCN

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<u>ANNEX 4</u>

Trends in sales of Milk & Dairy products– a retail perspective

EUROCOMMERCE

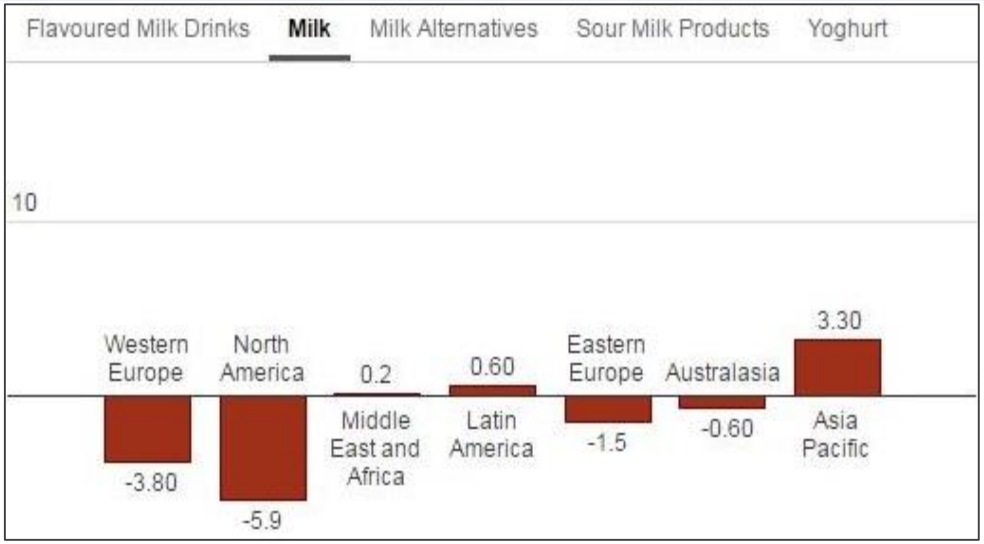
TRENDS IN SALES OF MILK & DAIRY PRODUCTS – A RETAIL PERSPECTIVE

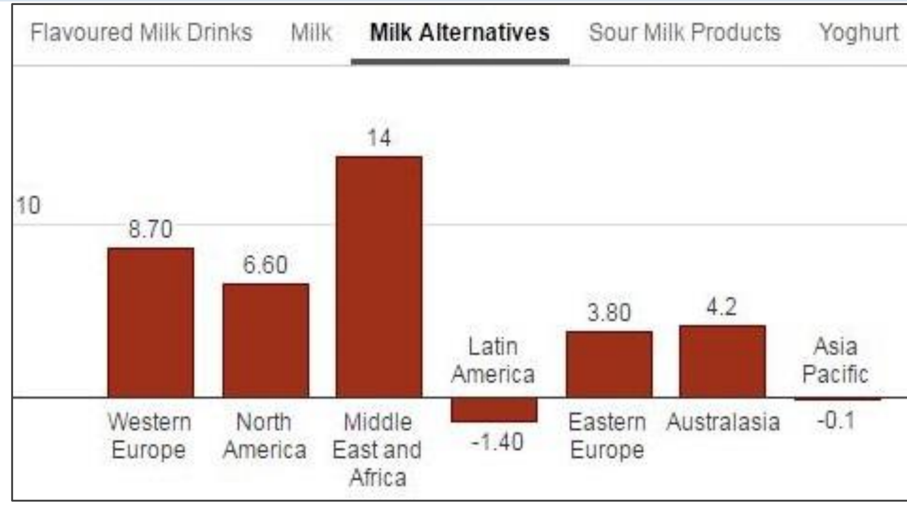
Milk Market Observatory

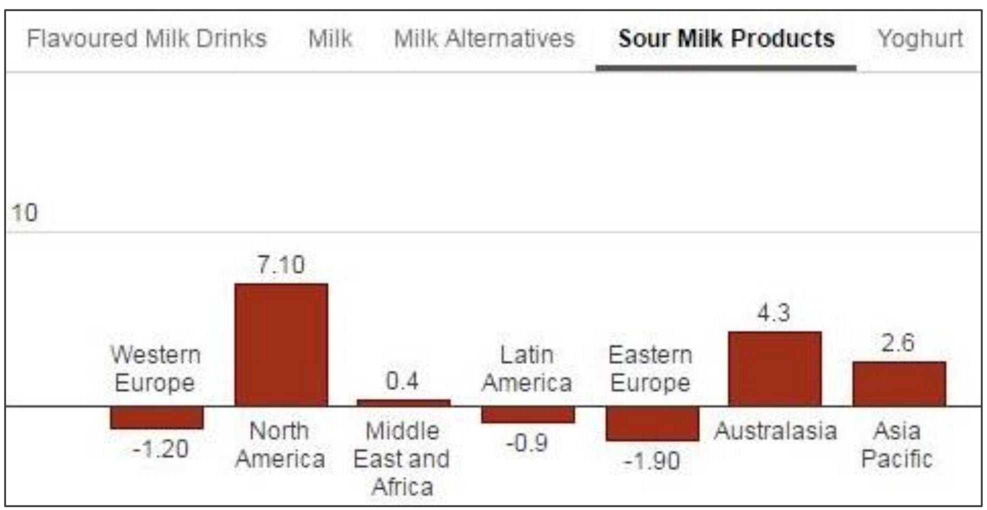
6 September 2016

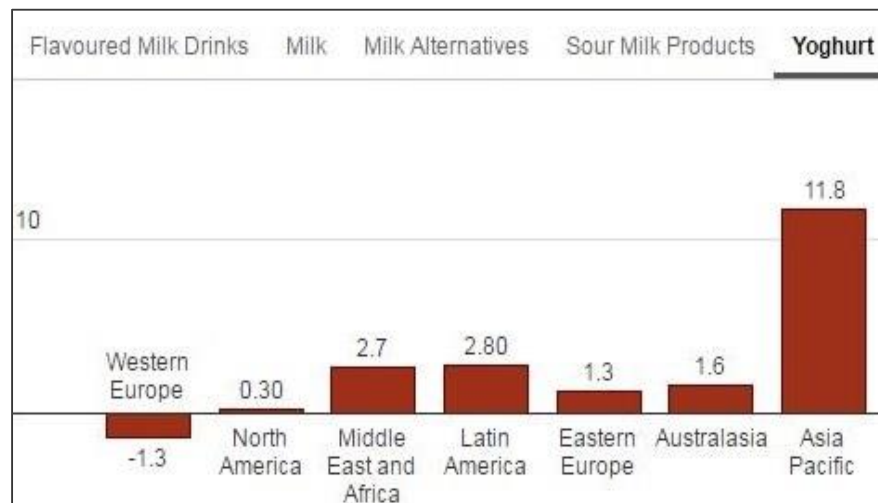
EuroCommerce
THE RETAIL, WHOLESALE AND INTERNATIONAL TRADE REPRESENTATION TO THE EU

Percentage change in consumption of dairy products in 2015









EuroCommerce

https://www.fginsight.com/news/global-dairy-market-shrinks-by-9-per-cent-14757

France

Period: year-to-date (07 August 2016)

Product category	volumes (% change) 4 weeks period (P8 '15/P8 '16)	volumes (% change) Year on year (P8 '14-P8 '15 / P8 '15 –P8 '16)	Price (% change) 4 week period (P8 '15/P8 '16)	Price (% change) Year on year (P8 '14-P8 '15 / P8 '15 –P8 '16)
Total liquid milk	-8,4%	-3,6%	+5,1%	+3,8%
Of which UHT semi-skimmed milk	-12,2%	-5,4%	+5,5%	+4,3%
Yoghurt & fresh cheese	-4,7%	-1,4%	+0,4%	-0,1%
Butter	+0,6%	+0,8%	+2,2%	+3,7%
Cream	-3,0%	-0,2%	+2,4%	+1,3%
Cheese	-0,8%	+1,9%	+0,5%	-0,1%

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

Germany

Period: year-to-date (June 2016)

Product category	volumes (% change)	volumes (% change year on year)	value (% change)	Value (% change year on year)
Fresh milk	0%	-5%	0%	3%
UHT milk	-5%	-13%	-2%	-1%
Yoghurt	-1%	2%	0%	3%
Fresh cheese	-1%	1%	3%	5%
Butter	-6%	-3%	2%	5%
Fresh dessert	-2%	5%	0%	4%
Cheese	-2%	1%	2%	5%

Source: Nielsen Market Track

Hungary

Period: year-to-date (August 2016)

Product category	Value (% change in the last 4 weeks)	Value (% change year-on-year)
Fresh and UHT milk	-1,7%	-5,5%
Milk products and Cream	-3,5%	-1,7%
Milk desserts and pudding	+3,9%	+2,3%
Cheese	+3,8%	-0,1%
Butter and margarine	+0,3%	-2,4%

EuroCommerce

Italy

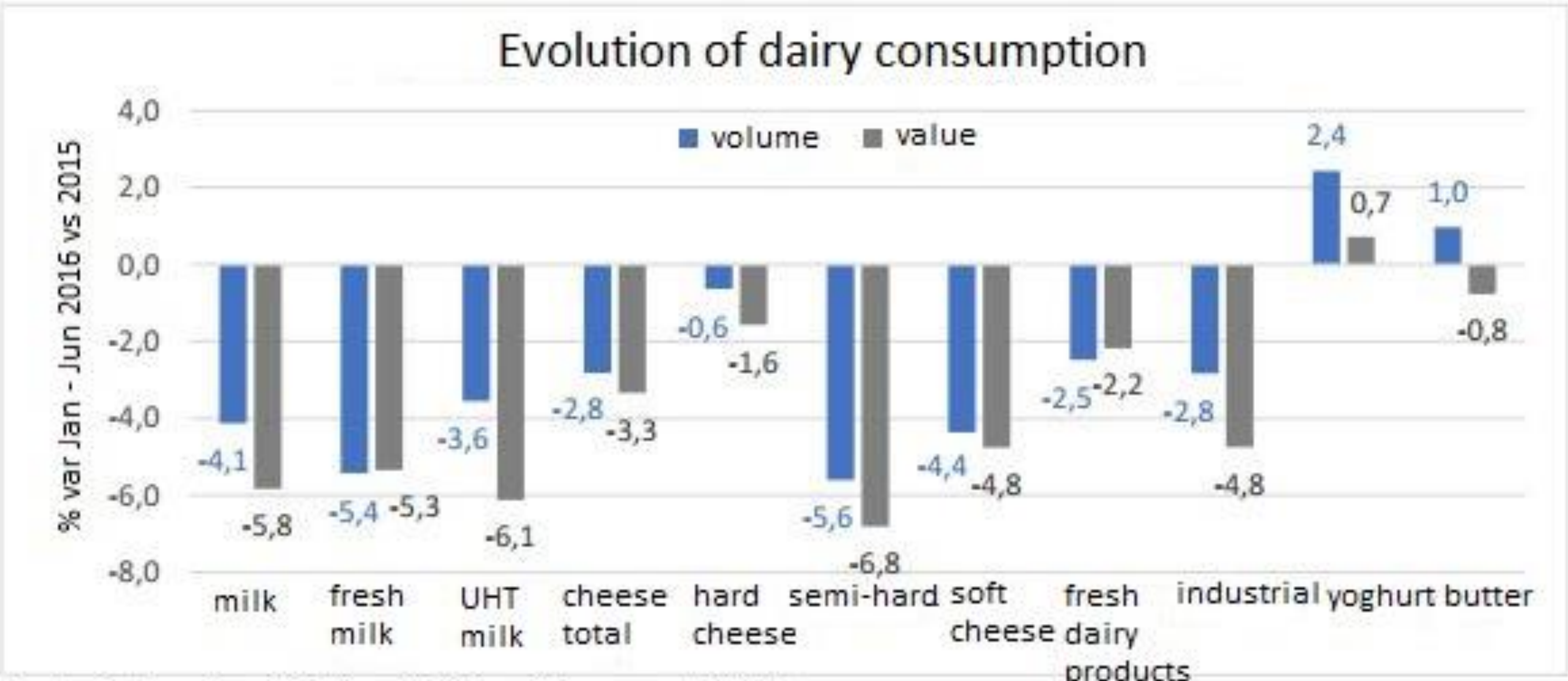
Period: YTD (week 3 July 2016)

Product category	VOLUME (% change I sem ‘16 / I sem ’15)	VOLUME (YTD 3 July ‘16)	VALUE (% change I sem ‘16 / I sem ’15)	VALUE (YTD 3 July ‘16)
Fresh milk	-5,5%	-5,5%	-6,0%	-5,2%
UHT milk	-2,8%	-4,1%	-6,4%	-6,9%
Yoghurt	+1,8%	+2,4%	+0,6%	+1,8%
Fresh cheese(1)	+0,9%	+1,7%	-1,9%	-0,7%
Fresh dessert	+3,8%	+2,6%	+2,8%	+2,9%
Cheese(1)	+1,8%	+2,1%	-0,5%	0,0%

Source: Market Track Nielsen week 26
(1) Peso imposto

EuroCommerce

Italy



Fonte: elaborazione ISMEA su dati Panel Consumer NIELSEN

Poland

Period: year-to-date (November 2015 to July 2016)

Product category	volumes (% change)	volumes (% change year on year)	value (% change)	Value (% change year on year)
Fresh milk	+2,0%	+0,4%	-3,6%	+0,0%
UHT milk	-0,7%	-8,3%	-4,3%	-1,0%
Yoghurt	+4,3%	+2,5%	+3,0%	+2,7%
Fresh cheese	+5,9%	+0,0%	+5,5%	+2,7%
Butter	-3,7%	-2,8%	-2,6%	+1,1%
UHT Cream	+0,1%	-1,2%	-1,2%	+1,9%
Fresh dessert	+1,5%	-5,5%	-1,3%	-7,1%
Cheese	+5,4%	-12,1%	1,0%	-9,7%

Source: Nielsen

Portugal

Period: year-to-date (7 August 2016)

Product category	volumes (% change)	volumes (% change year on year)	value (% change)	Value (% change year on year)
Fresh milk	-10,1 %	-11,2 %	-9,7 %	-9,6 %
UHT milk	-8,0 %	-7,1 %	-16,9 %	-18,7 %
Yoghurt	-0,9 %	-1,8 %	-0,0 %	-2,7 %
Fresh cheese	+ 3,1 %	+2,2 %	+ 1,5 %	+ 0,2 %
Butter	-0,6 %	-0,8 %	-4,9 %	-5,2 %
UHT Cream	+0,3 %	0,0 %	-1,6 %	-2,1 %
Fresh dessert	+ 12,3 %	+ 11,6 %	+ 6,3 %	+ 6,5 %
Cheese	+ 5,7 %	+ 5,9 %	+ 0,9 %	+ 0,4 %

Source: Nielsen

EuroCommerce

Spain

Period: year-to-date (June 2016)

Product category	Volumes (% change year on year)	Value (% change year on year)	Price (% change year on year)
Standard liquid milk	-5,1%	-7,2%	-2,2%
Other types of milk	+2,4%	+1,2%	-1,2%
Milkshakes	+5,6%	+5,9%	+0,3%
Yoghurts and fermented milk	-1,1%	-0,4%	+0,7%
Fresh desserts	+1,8%	+1,9%	+0,1%
Fresh cheese	-1,2 %	+0,9%	+2,1%
Local, traditional cheese	+ 2,8%	+0,9%	-1,8%
Processed cheese	-0,4%	-1%	-0,6%
Imported cheese specialties	+4,2%	+2,4%	-1,7%

Source: Nielsen and FeNIL

Spain

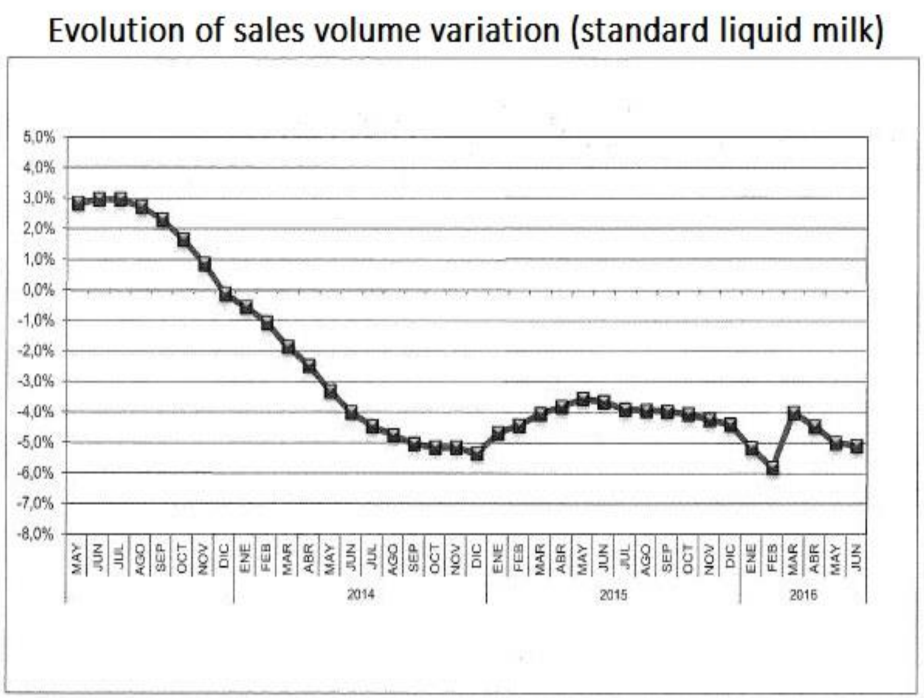
Period: year-to-date (June 2016)

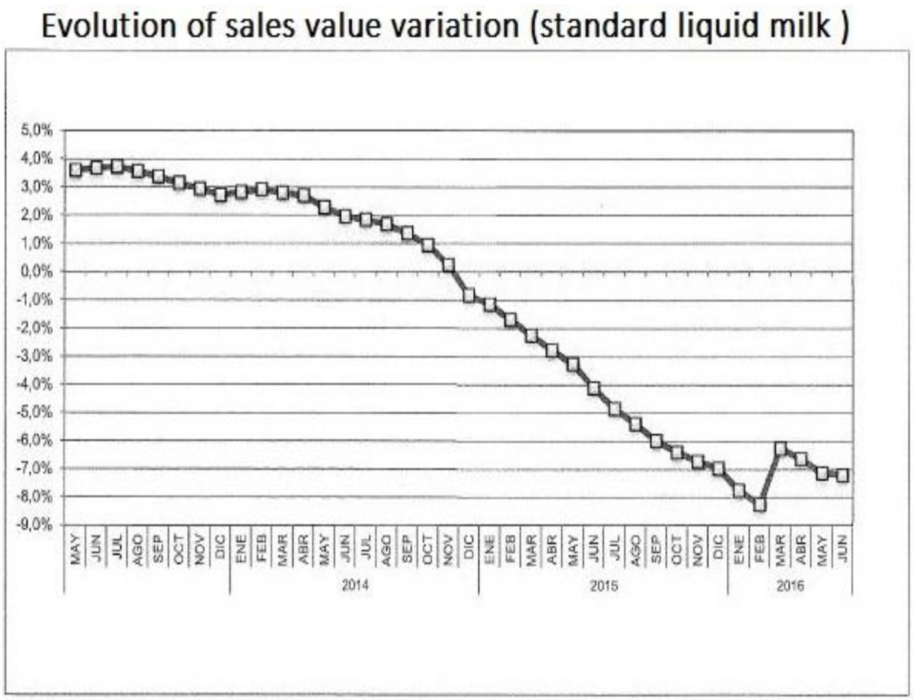
Product category	volumes (% change year on year)	value (% change year on year)	Price (% change year on year)
Grated cheese	+4,4 %	+4%	-0,3%
Other types of cheese	+3,0%	+2,3%	-0,7%
Cream	+1,0%	+0,6%	-0,4%
Butter	+1,4%	+1,3%	-0,1%
Desserts and yoghurt with long conservation	-16,1%	-21,8%	-6,7%
Non-liquid milk	+3,1%	+2,3%	-0,7%
Total dairy products	-2,1%	+0,8%	+1,3%

Source: Nielsen and FeNIL

EuroCommerce

Spain





Source: Nielsen and FeNIL

Sweden

Period: year-to-date (07 August 2016)

Product category	volumes (% change in the last 4 weeks)	volumes (% change year on year)	value (% change in the last 4 weeks)	Value (% change year on year)
Milk	-2,3%	-1,2 %	+0,8 %	+1,4 %
Hard cheese	-4,9%	+2,3 %	-7,1 %	-2,8 %
Cream	-2,1%	+1,0 %	-3,4 %	+0,5 %
Yoghurt	+1,9 %	-0,9 %	+ 1,4 %	-0,9 %
Cottage cheese/curd	-0,7 %	+9,9 %	-3,8 %	+4,8 %
Cold desserts	+ 25,4 %	+ 9,5 %	+ 32,1 %	+16,8 %
Butter	+12,3 %	+7,9 %	+ 7,2 %	+7,6 %

Source: Nielsen

United Kingdom

UK Dairy Product Retail Price Indices

In July 2016, the RPI increased by 0,11% compared with June and is also 1,86% higher than the same month last year. The fresh milk price index increased 0,72% on the month but decreased on the year by 0,04%. The butter index increased on the month by 0,23% but decreased on the year by 4,02%. Cheese saw an increase on the month of 1,96% and a fall of 2,12% on the year.

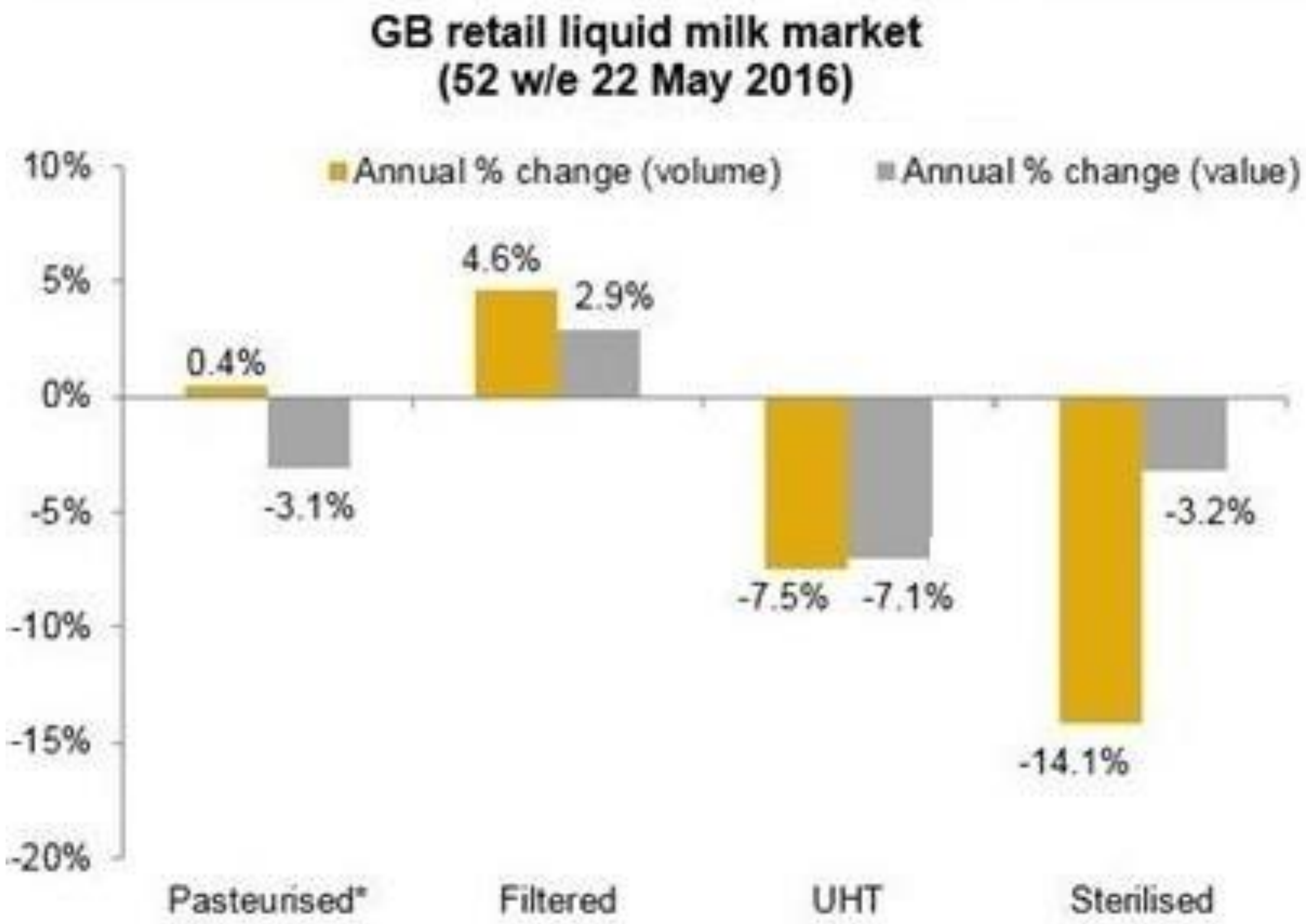
PRODUCT PRICE INDICES			
		compared with	
	Jul-16	1 month before	12 months before
RPI price index	263.4	0.11%	1.86%
Fresh Milk	223.7	0.72%	-0.04%
Butter	303.1	0.23%	-4.02%
Cheese	239.6	1.96%	-2.12%

Source: Office for National Statistics (ONS)

Please note: the reference base is January 1987.

Source: http://dairy.ahdb.org.uk/market-information/dairy-sales-consumption/gb-retail-prices /

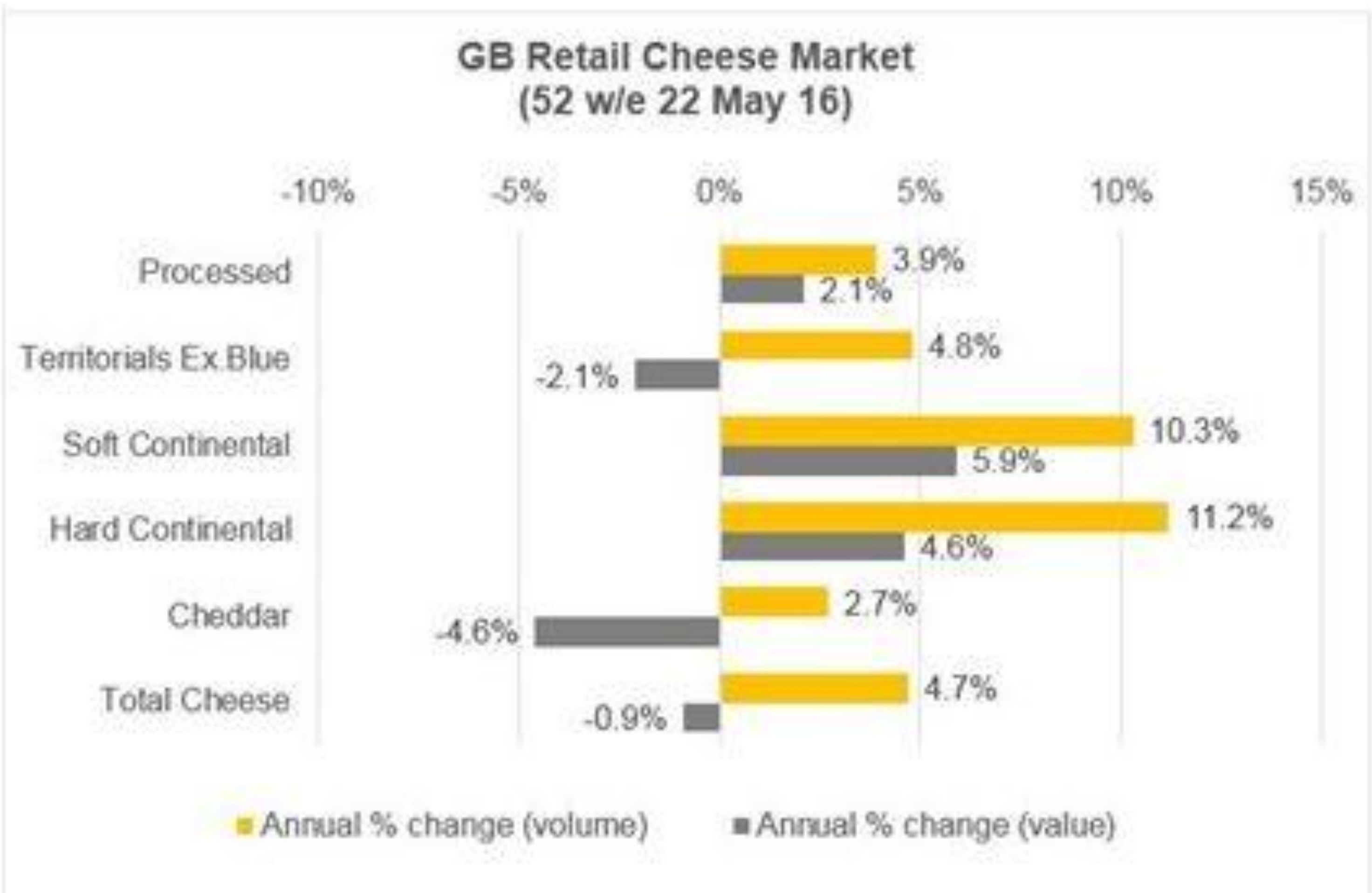
United Kingdom



Source: http://dairy.ahdb.org.uk/market-information/dairy-sales-consumption/liquid-milk-market/#.V81j_fl94dU

EuroCommerce

United Kindgom



http://dairy.ahdb.org.uk/market-information/dairy-sales-consumption/cheese-market/#.V81iYvl94dU

EuroCommerce

United Kingdom : contract league table

MILK PRICES - AHDB Dairy League table for June 2016

League Table	Monthly Price	Annual Price
Aligned Liquid Milk		
Müller Milk Group - Booths	29,75	31,92
Müller Direct Milk - M&S (Profile) 2	30,97	31,07
Müller Direct Milk - Waitrose (Profile)	30,90	31,00
Müller Direct Milk - M&S (Seasonal) 2	28,72	30,99
Müller Direct Milk - Waitrose (Seasonal)	28,65	30,92
Müller Milk Group - M&S	29,64	30,03
Müller Direct Milk - Sainsbury (Profile) 2	29,86	29,96
Müller Milk Group - Sainsbury	29,51	29,89
Müller Direct Milk - Sainsbury (Seasonal) 2	27,61	29,88
Arla Foods - Sainsburys 4	29,22	29,61
Müller Milk Group - Tesco	28,41	28,55
Müller Milk Group - Co-operative	25,47	25,85
Standard Liquid Milk		
Müller Direct Milk - Core Formula (Profile)	24,29	24,39
Müller Direct Milk - Core Formula (Seasonal)	22,04	24,31
Müller Milk Group - Formula	21,08	23,25
Crediton Dairy	21,30	22,11
Müller Milk Group - Partnership.	21,23	21,61
Müller Direct Milk - Liquid (Profile)	20,99	21,09
Müller Direct Milk - Liquid (Seasonal)	18,74	21,01
Pensworth	18,52	18,71
UK Arla Farmers Liquid 3	17,21	17,87

http://dairy.ahdb.org.uk/resources-library/market-information/milk-prices-contracts/league-table-new-profile/#.VzReA4R94dU

United Kingdom

unit price (p)		14-Aug-16	17-Jul-16	Month Diff.	16-Aug-15	Annual Diff.
Liquid milk†	Retail (4 pints)*	102	102	n/c	98	+4
	Doorstep (1 pint)**	81	81	n/c	81	n/c

ppl		22-May-16	24-Apr-16	Month Diff.	24-May-15	Annual Diff.
Cream††	Total Cream	240	238	+2	243	-3
	Double Cream	212	210	+2	214	-2
	Single Cream	199	193	+6	194	+5

p/kg		22-May-16	24-Apr-16	Month Diff	24-May-15	Annual Diff.
Cheddar††	Total market	591	592	-1	610	-19
	Mature	594	597	-4	613	-20
	Mild	534	532	+2	545	-11

*† updated monthly ; †† updated quarterly ; *pasteurised (private label)*
***milkandmore monthly spot price - semi-skimmed glass bottle*
Source: Kantar Worldpanel Online

EuroCommerce

<u>ANNEX 5</u>

Dairy production
draft short-term forecast

European Commission

European Commission

Dairy production
draft short-term forecast
Publication: first week of October

MMO 6 September 2016

Sophie Hélaine

DG Agriculture and Rural Development
European Commission

Agriculture and Rural Development

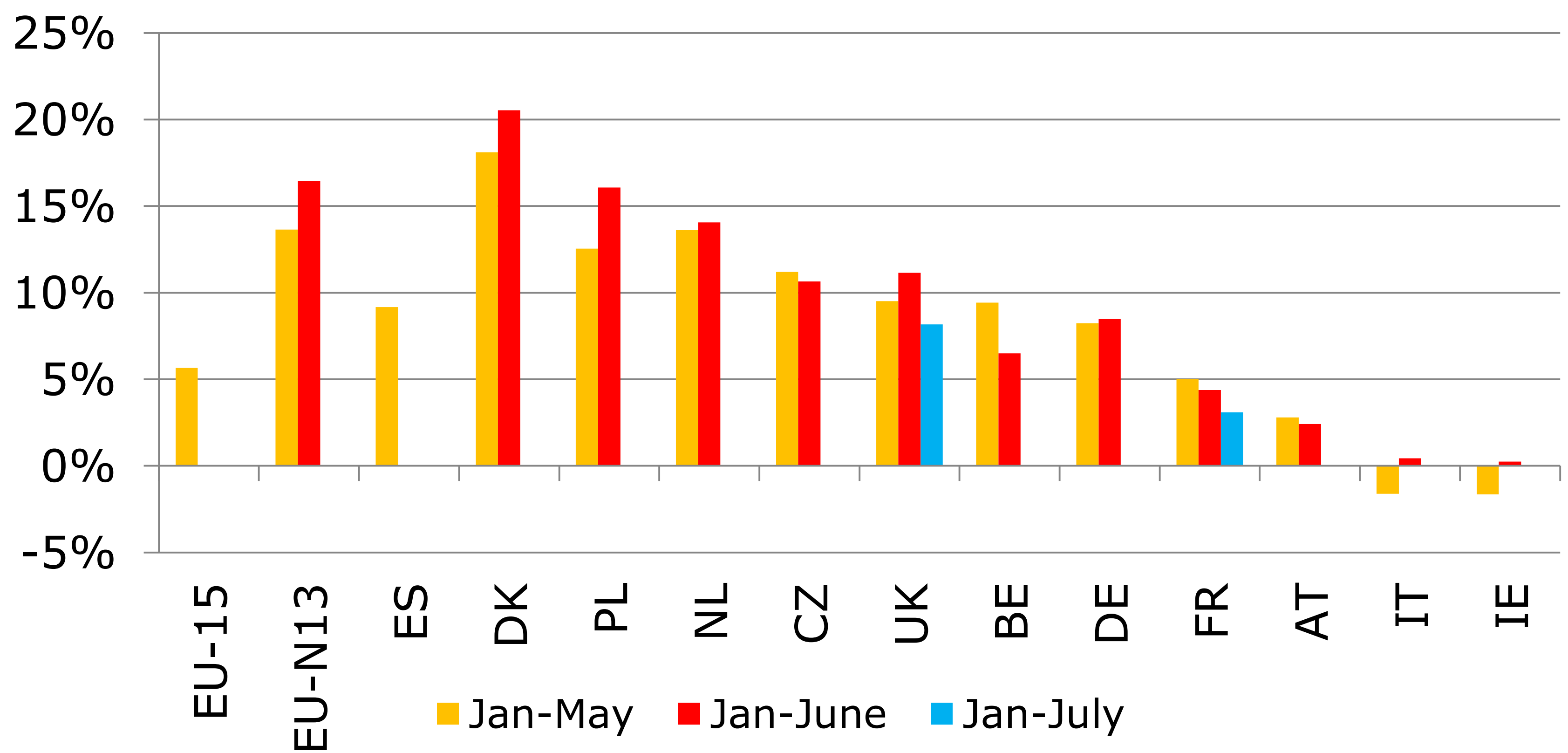
European Commission

Outline

- Slaughterings
- Pasture conditions and crop prices development
- Milk production forecasts
- Use of the milk

Increase in cow slaughterings confirmed…

…but link with milk collection development still unclear



Note: Dairy and beef cows
Feb. corrected
Source: Eurostat

What about the herd?

- …but link with milk collection development still unclear
- Partly due to herd replacement with heifers
  - December livestock survey

	IE	NL	UK	DK	BE	IT	AT	ES	CZ	DE	FR	PL
Dairy cows	10%	7%	3%	4%	2%	0%	0%	0%	-1%	0%	-1%	-5%
Heifers > 2 years*	-19%	**7%**	-8%	-16%	-2%	-1%	3%	-26%	3%	-2%	-1%	4%
Heifers > 1 year*	3%	1%	2%	-1%	2%	0%	2%	9%	2%	1%	4%	5%

- Information on May-June livestock survey still very incomplete

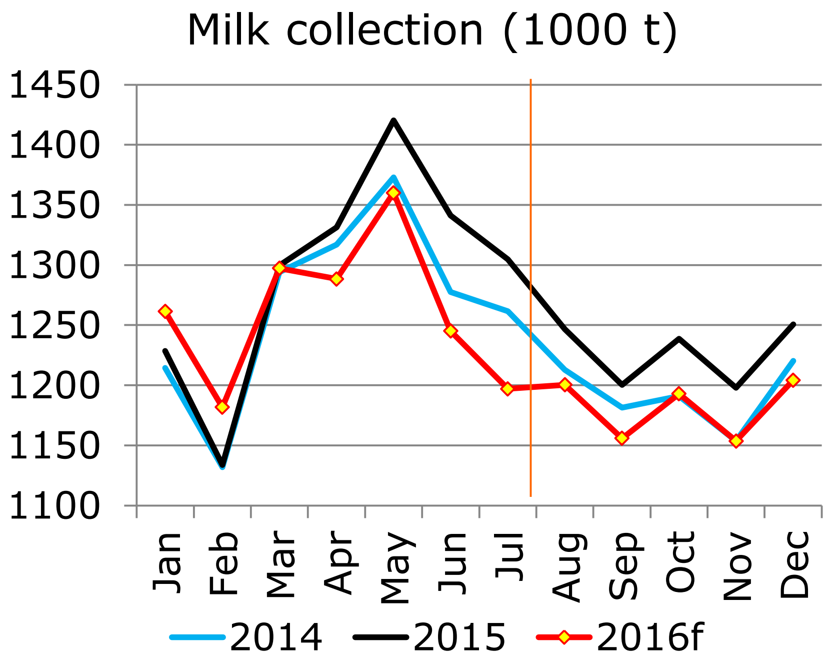
	DK	AT	DE
Dairy cows	2%	-0.6%	-0.3%
Heifers > 2 years*	-17%	1.5%	-2.9%

Note: * Heifers not for slaughter (including beef heifers)
Source: Eurostat livestock survey

UK: a strong decline in production IE: a slowdown in the increase...

UK

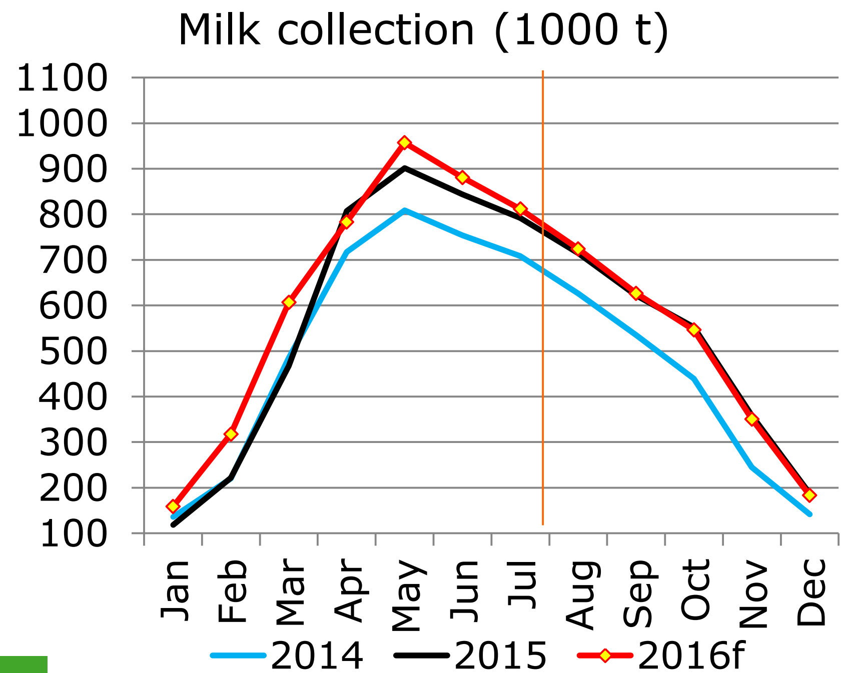
- Good pasture conditions, but strong reaction to price decline, increase in cow slaughterings (+8% to July)
- 2016/2015 *f*: -3%
  (Jan/July: -2.5% Aug/Dec*f*: -4%)



Source: DG AGRI, draft forecast

IE

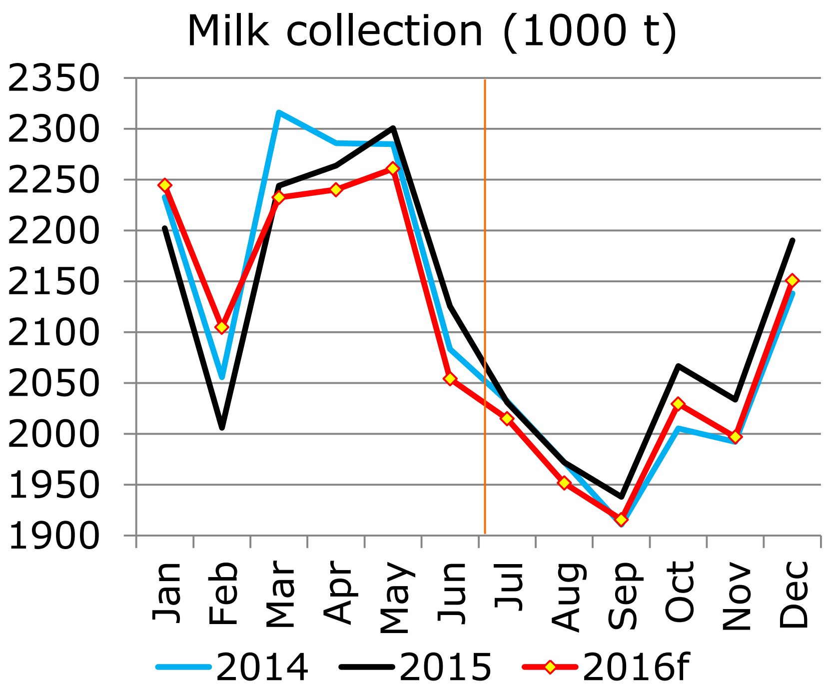
- Good pasture conditions, only recent and 'small' increase in cow slaughterings
- 2016/2015 *f*: +5.5%
  (Jan/July:+9% Aug/Dec*f*: -0%)



FR, ES, PT, SK, SE: milk collection below last year for several months

FR

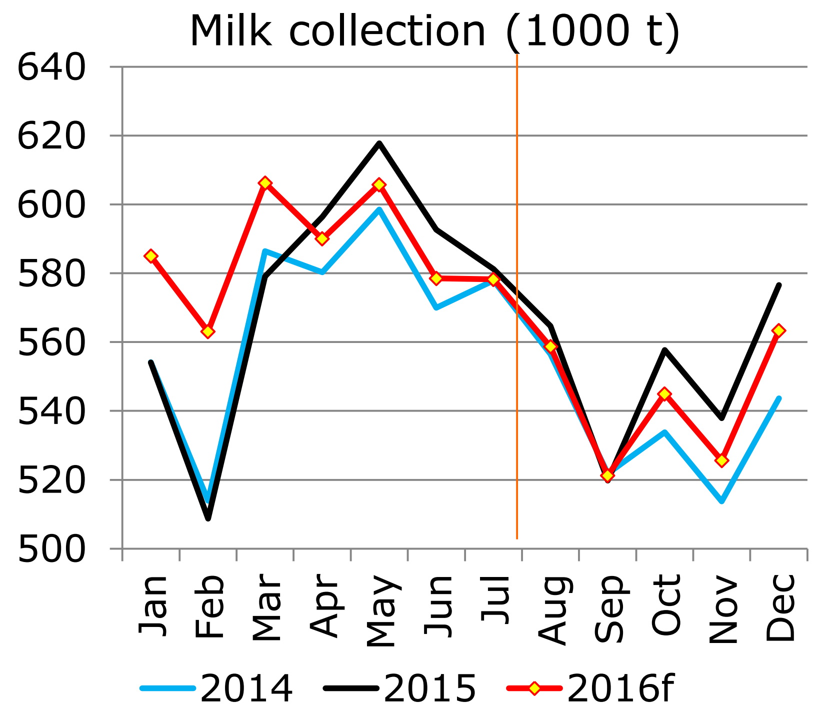
- Supply management by operators, new scheme
- Limited rise in cow slaughterings (+3% to July)
- 2016/2015 *f*: -0.7%
  (Jan/July*e*: -0.1%   Aug/Dec*f*: -1.5%)



Source: DG AGRI, draft forecast

ES

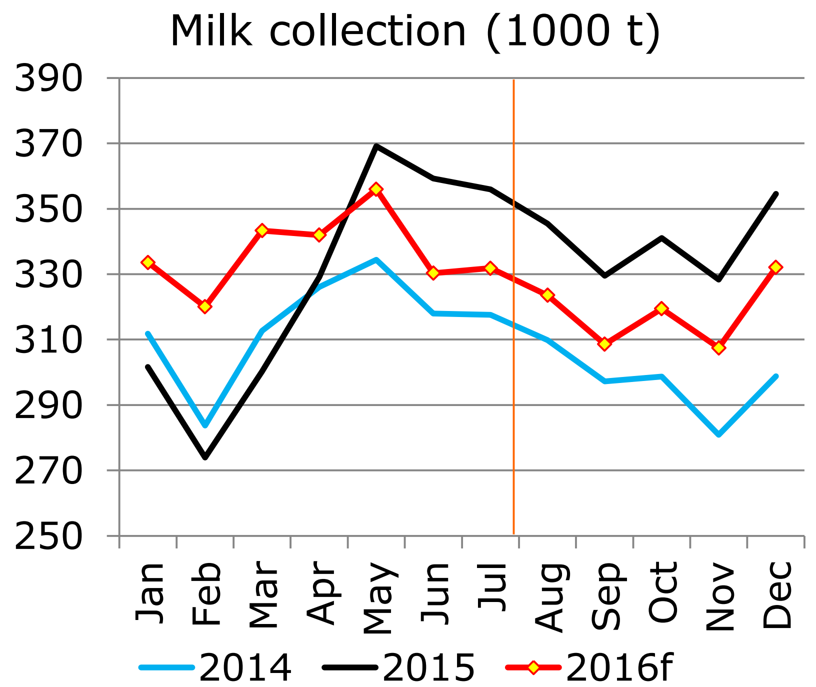
- Increase in cow slaughter. (+9% to May)
- 2016/2015 *f*: +0.5%
  (Jan/July:+2%   Aug/Dec*f*: -1.6%)



BE, PL, DE, IT, EE, LT, LV, CZ, HU: milk collection now below last year

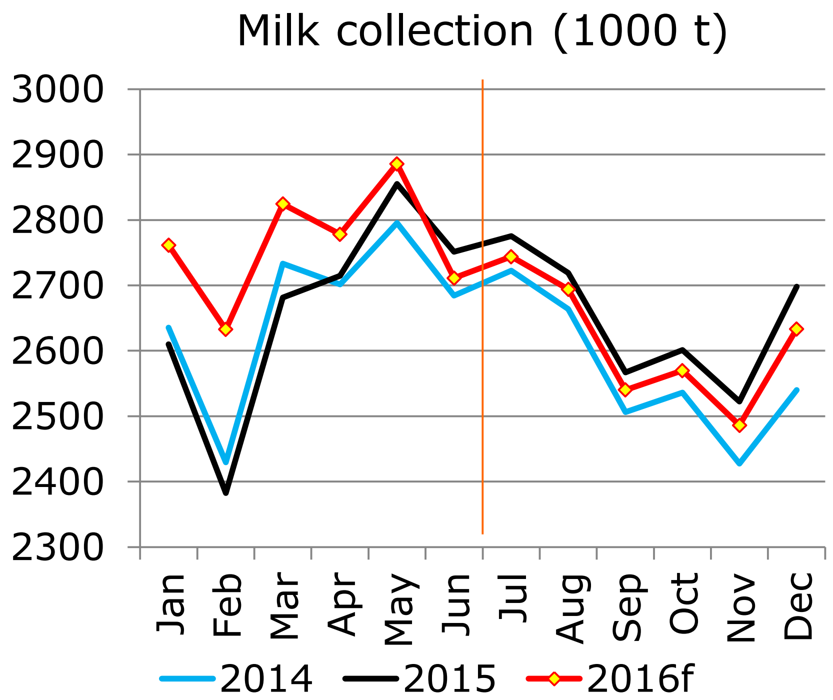
BE

- Rise in cow slaughterings (+6% to June), comparison to very high levels, low prices
- 2016/2015 *f*: -1%
  (Jan/July:+3%   Aug/Dec*f*: -6%)



DE

- Very small decrease in dairy cow herd
- 2016/2015 *f*: +1.2%
  (Jan/Julye:+3%   Aug/Decf: -1.4%)

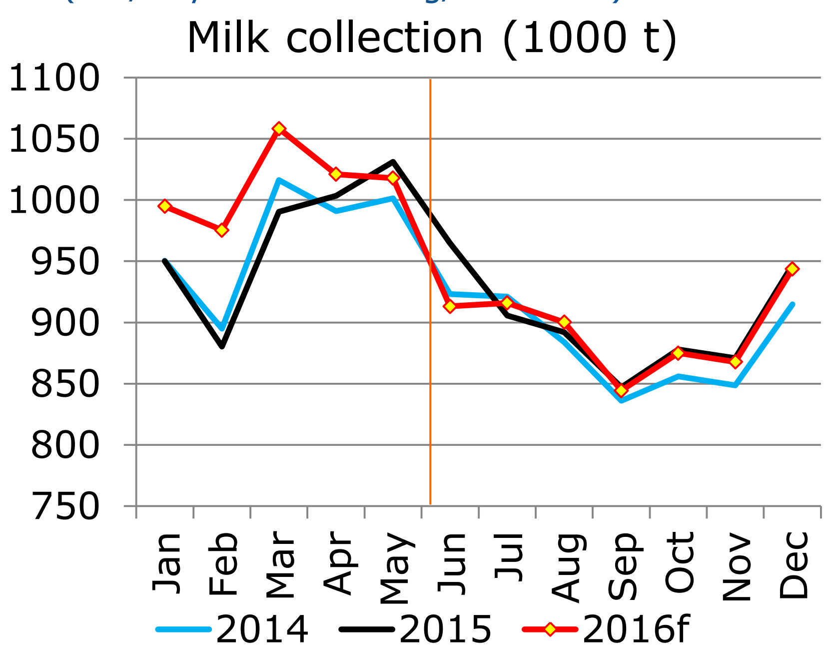


Source: DG AGRI, draft forecast

BE, PL, DE, IT, EE, LT, LV, CZ, HU: milk collection now below last year

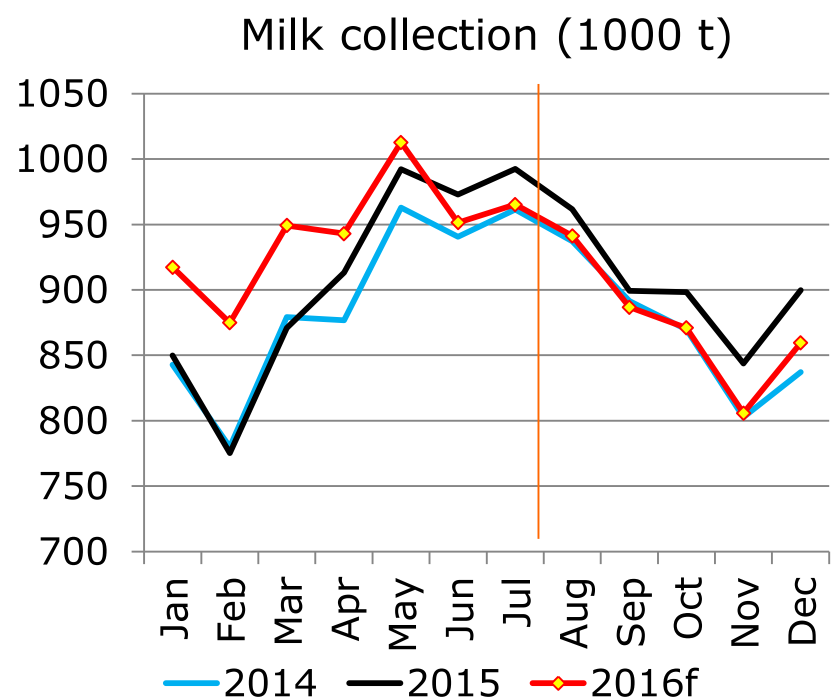
IT

- Only recent rise in cow slaughterings
- Among highest mlk price paid to farmers
- Strong uncertainties on data
- 2016/2015 *f*: +1.5%
  (Jan/July:+2.5%   Aug/Dec*f*: 0%)



PL

- Very strong increase in cow slaughter. (+16% up to June), low prices paid to farmers
- 2016/2015 *f*: +1%
  (Jan/July:+4%   Aug/Dec*f*: -3%)

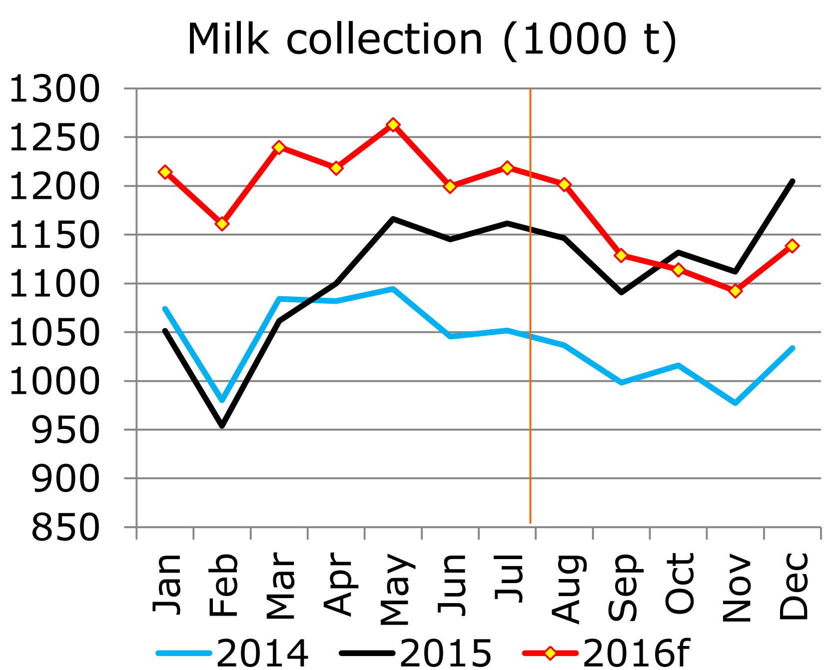


Source: DG AGRI, draft forecast

NL, LU, SI, MT, CY, RO, BG: milk col. still strongly above 2015
DK, FI: +/- stable compared to 2015

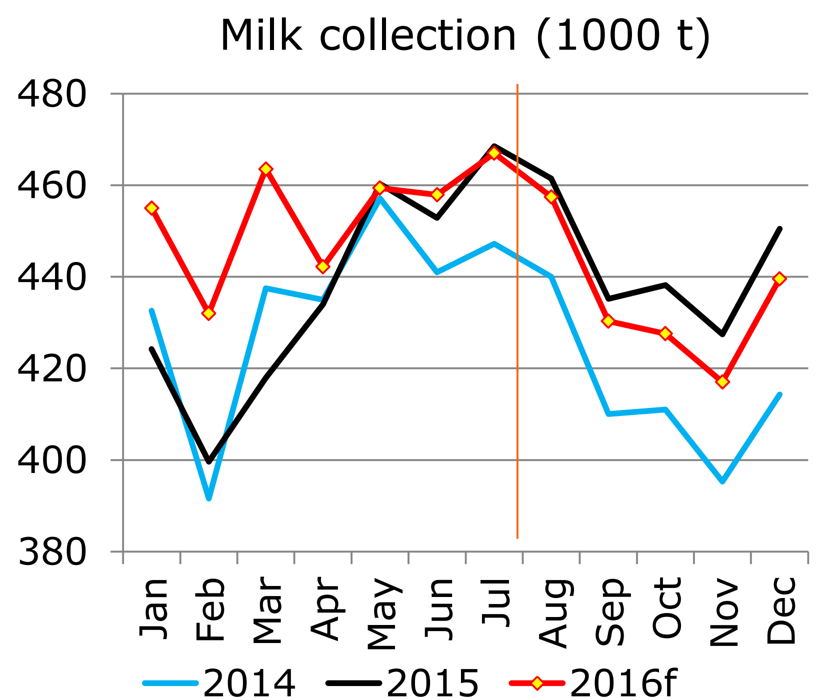
NL

- Slaughterings above last year (+14% to June), but numerous heifers in Dec….
- Phosphates legislation?
- 2016/2015 *f*: +6.5%
  (Jan/July:+11% Aug/Dec*f*: 0%)



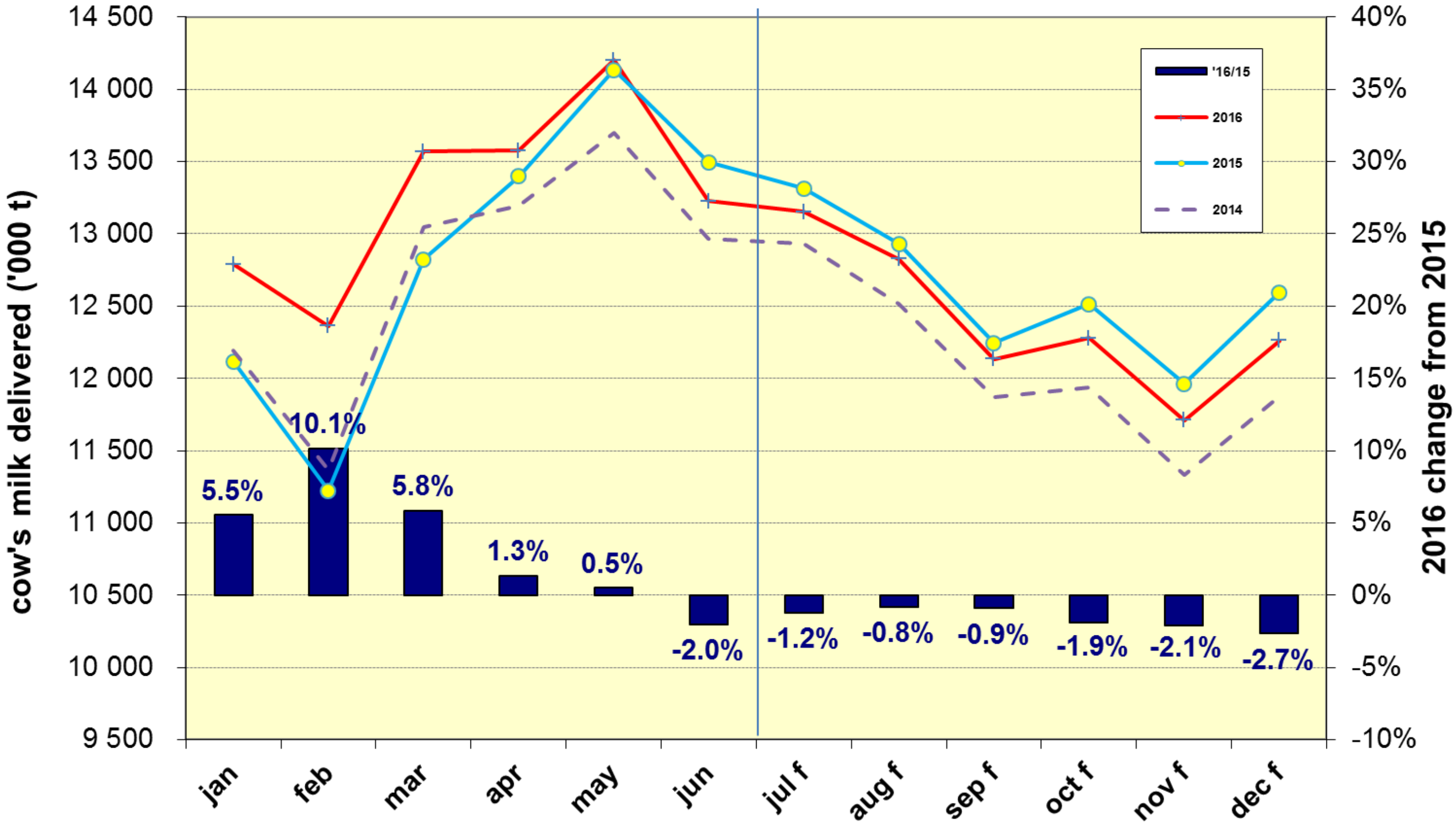
DK

- Strong cow slaughterings (+21% to June)!
- But no strong decline in milk collection…
- 2016/2015 *f*: +1.5%
  (Jan/Julye:+4% June/Dec*f*: -2%)



Source: DG AGRI, draft forecast

2016 milk deliveries +0.9% in the EU / 2015
2017: +0.5%



Source: DG AGRI, draft forecast

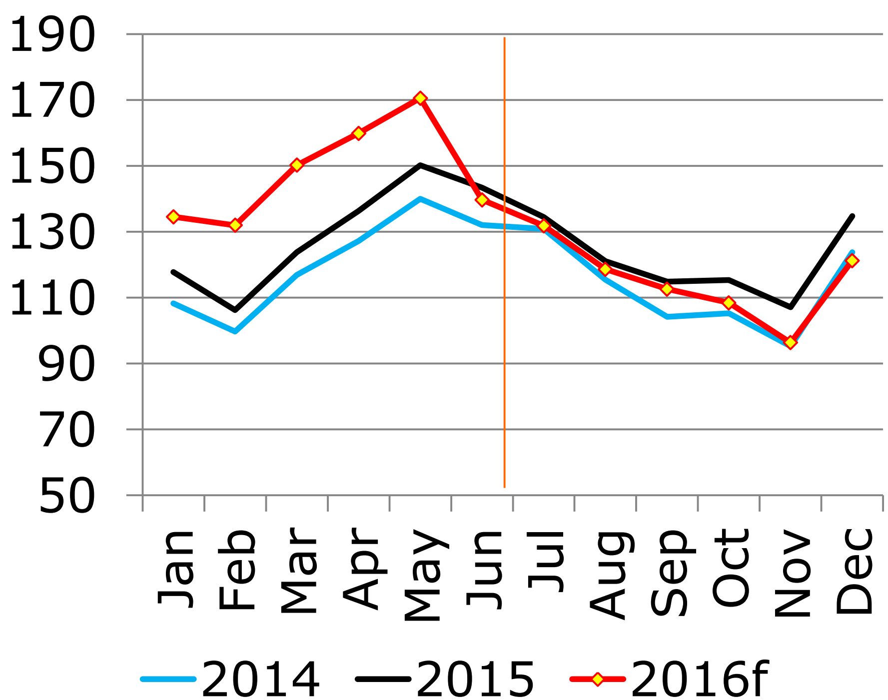
Draft forecast use of the EU milk, 2016 and 2017, % change

	Production			Exports		
	2016/15		2017/16	2016/15		2017/16
	Jan-July	Year	Year		Year	Year
Milk del.	2.6	0.9	0.5		3	8
	Jan-June	Year	Year	Jan-June	Year	Year
FDP	-0.4	-0.5	0.1	44	30	15
Cheese	2.4	1.2	1.2	14	10	2
Butter	10	4.0	1.7	33	25	5
SMP	14	4.6	-6.7	-14	-10	18
WMP	7	3.0	1.1	3	2	0
Whey p.		1.3	1.3	4	4	4

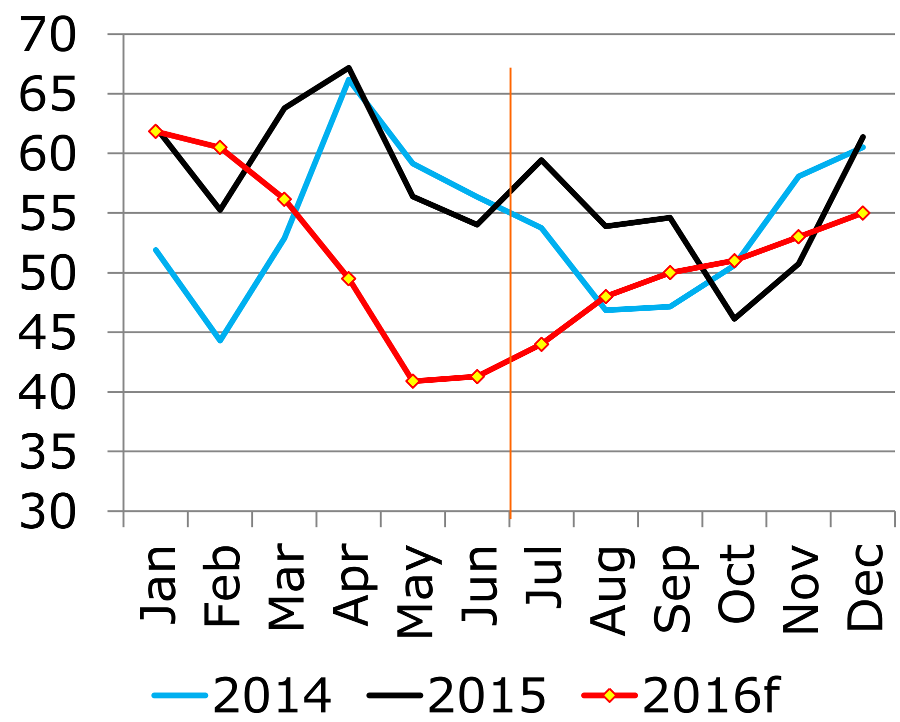
Source: DG AGRI, draft forecast

SMP

SMP production (1000 t)
2016f/2015: +4.6%

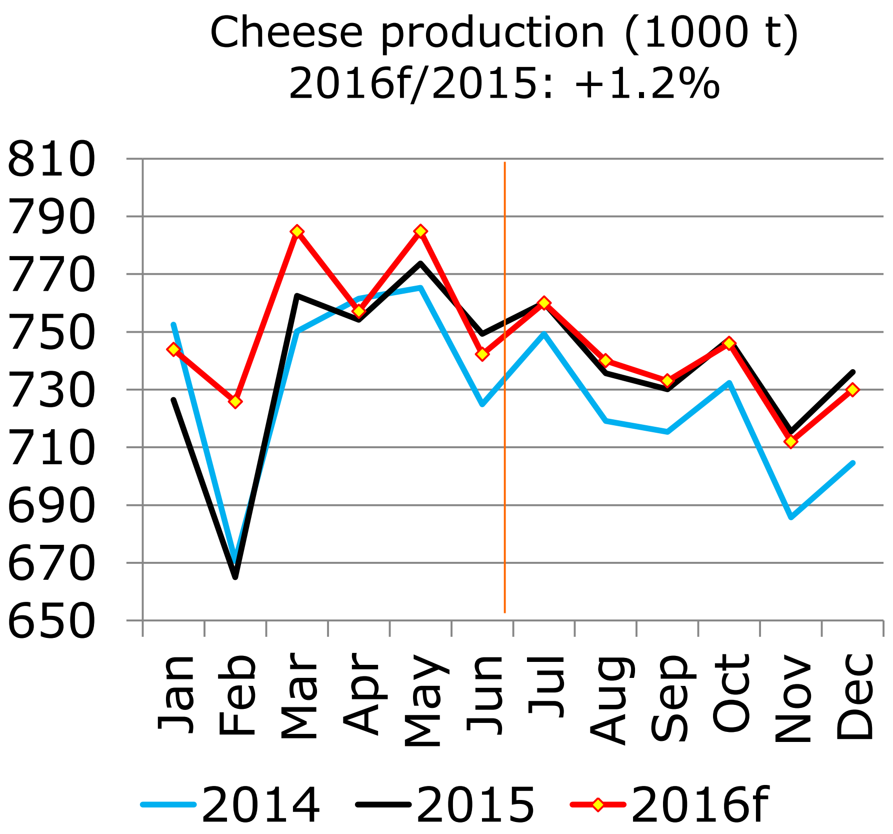


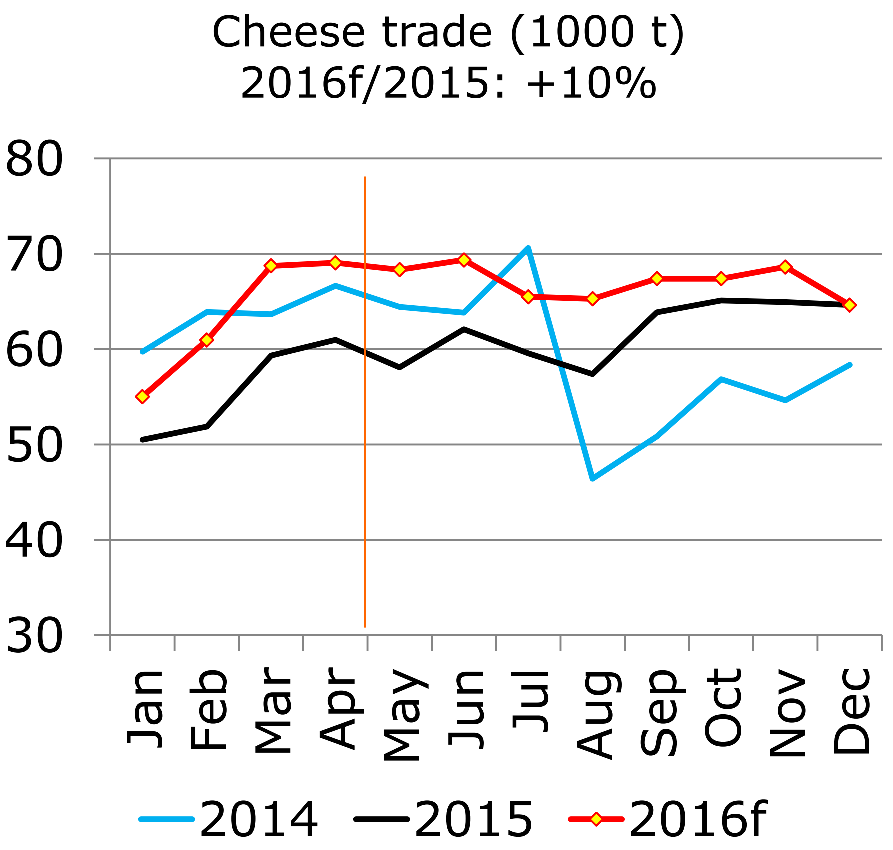
SMP trade (1000 t)
2016f/2015: -10%



Source: DG AGRI, draft forecast

Cheese





Source: DG AGRI, draft forecast

EU prospects report and data available in December at:

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

OECD-FAO Outlook at:

http://www.agri-outlook.org/

Short term outlook at:

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

Thanks

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ANNEX 6

July Package – state of play

European Commission

July Package – state of play

MMO Economic Board, 6 September 2016

The July Package

European Commission

- 7 measures:
  - Milk production reduction scheme
  - Exceptional adjustment aid
  - Extension of public intervention for SMP - transitional period for new horizontal rules until 31 December 2016
  - Extension of PSA for SMP – transitional period until 28 February 2017
  - Voluntary Coupled support
  - Advance payments
  - 6 month extension of Art. 222
- Time schedule: formal adoption by Commission on 8 September, publication on 9, entry into force on 10 September

Aid for Milk Production Reduction

- Cow milk deliveries for a 3 month period
- Aid level of 14 €/100 kg or a budget of 150 million €(= 1.07 million t)
- Eligibility: delivering cow milk to first purchasers in July 2016
- Minimum per aid application: reduction of 1 500 kg
- Maximum: 50% reduction of deliveries in the reference period
- 4 application periods until the total volume is exhausted: 21 September - 12 October - 9 November - 7 December
- Plausibility and admissibility checks by MS within 3 working days
- Farmers informed before start of the reduction period (30/09)
- In case allocation coefficient, applies to quantities (not to aid)
- Aid paid after the reduction period (after checks)
- Aid reduced if the actual reduction is far from the planned one

Exceptional adjustment aid

European Commission

Exceptional adjustment aid (350 million €):

- Eligible farmers are those who engage in activities that are of a market stabilisation and economic sustainability nature and that MS have selected among the following possibilities:
  - freezing or reducing production beyond that covered by the reduction scheme detailed above,
  - small scale farming,
  - extensive production,
  - environmental and climate friendly production,
  - cooperation between farmers,
  - improvement of quality and added value,
  - training in financial instruments and risk management tools.
- Member States can grant additional support, up to 100 % (top-ups)
- Payments by 30 September 2017 at the latest

Sample calendar (1/3)

	September 2016		October 2016		November 2016		December 2016		
Mon									Mon
Tue					1	Start of the 2nd reduction period			Tue
Wed					2				Wed
Thu	1				3		1	Start of the 3rd reduction period	Thu
Fri	2				4		2		Fri
Sat	3		1	Start of the 1st reduction period	5		3		Sat
Sun	4		2		6		4		Sun
Mon	5		3		7		5		Mon
Tue	6		4		8		6		Tue
Wed	7		5		9	Deadline for receiving aid applications from farmers (3rd period)	7	Deadline for receiving aid applications from farmers (4th period)	Wed
Thu	8	Expected adoption of the legal acts	6		10		8		Thu
Fri	9	Expected publication of the legal acts	7		11		9		Fri
Sat	10	Expected entry into force of the legal acts	8		12		10		Sat
Sun	11		9		13		11		Sun
Mon	12		10		14	Deadline for MS notifying aid applications to the Commission (3rd period)	12	Deadline for MS notifying aid applications to the Commission (4th period)	Mon
Tue	13		11		15		13		Tue
Wed	14		12	Deadline for receiving aid applications from farmers (2nd period)	16		14		Wed
Thu	15		13		17		15		Thu
Fri	16		14		18	Deadline for MS granting authorisations to farmers (3rd period)	16	Deadline for MS granting authorisations to farmers (4th period)	Fri
Sat	17		15		19		17		Sat
Sun	18		16		20		18		Sun
Mon	19		17	Deadline for MS notifying aid applications to the Commission (2nd period)	21		19		Mon
Tue	20		18		22		20		Tue
Wed	21	Deadline for receiving aid applications from farmers (1st period)	19		23		21		Wed
Thu	22		20		24		22		Thu
Fri	23		21	Deadline for MS granting authorisations to farmers (2nd period)	25		23		Fri
Sat	24		22		26		24		Sat
Sun	25		23		27		25		Sun
Mon	26	Deadline for MS notifying aid applications to the Commission (1st period)	24		28		26		Mon
Tue	27		25		29		27		Tue
Wed	28		26		30		28		Wed
Thu	29		27				29		Thu
Fri	30	Deadline for MS granting authorisations to farmers (1st period)	28				30		Fri
Sat			29				31	End of the 1st reduction period	Sat
Sun			30						Sun
Mon			31						Mon

Sample calendar (2/3)

European Commission

	January 2017		February 2017		March 2017		
Mon							Mon
Tue							Tue
Wed			1		1		Wed
Thu			2		2		Thu
Fri			3		3		Fri
Sat			4		4		Sat
Sun	1	Start of the 4nd reduction period	5		5		Sun
Mon	2		6		6		Mon
Tue	3		7		7		Tue
Wed	4		8		8	Deadline for MS notifying payment applications to the Commission (1st period)	Wed
Thu	5		9		9		Thu
Fri	6		10		10		Fri
Sat	7		11		11		Sat
Sun	8		12		12		Sun
Mon	9		13		13		Mon
Tue	10		14	Deadline for receiving payment applications from farmers (1st period)	14		Tue
Wed	11		15		15		Wed
Thu	12		16		16		Thu
Fri	13		17		17	Deadline for receiving payment applications from farmers (2nd period)	Fri
Sat	14		18		18		Sat
Sun	15		19		19		Sun
Mon	16		20		20		Mon
Tue	17		21		21		Tue
Wed	18		22		22		Wed
Thu	19		23		23		Thu
Fri	20		24		24		Fri
Sat	21		25		25		Sat
Sun	22		26		26		Sun
Mon	23		27		27		Mon
Tue	24		28	End of the 3rd reduction period	28		Tue
Wed	25				29		Wed
Thu	26				30		Thu
Fri	27				31	Deadline for payment by MS (1st period) + End of the 4nd reduction period	Fri
Sat	28						Sat
Sun	29						Sun
Mon	30						Mon
Tue	31	End of the 2nd reduction period					Tue

Sample calendar (3/3)

European Commission

	April 2017		May 2017		June 2017		September 2017		
Mon			1	Deadline for payment by MS (2nd period)					Mon
Tue			2						Tue
Wed			3	Deadline for MS notifying payment applications to the Commission (3rd period)					Wed
Thu			4		1				Thu
Fri			5		2		1		Fri
Sat	1		6		3		2		Sat
Sun	2		7		4		3		Sun
Mon	3		8		5		4		Mon
Tue	4		9		6		5		Tue
Wed	5	Deadline for MS notifying payment applications to the Commission (2nd period)	10		7	Deadline for MS notifying payment applications to the Commission (4nd period)	6		Wed
Thu	6		11		8		7		Thu
Fri	7		12		9		8		Fri
Sat	8		13		10		9		Sat
Sun	9		14		11		10		Sun
Mon	10		15	Deadline for receiving payment applications from farmers (4th period)	12		11		Mon
Tue	11		16		13		12		Tue
Wed	12		17		14		13		Wed
Thu	13		18		15		14		Thu
Fri	14	Deadline for receiving payment applications from farmers (3rd period)	19		16		15		Fri
Sat	15		20		17		16		Sat
Sun	16		21		18		17		Sun
Mon	17		22		19		18		Mon
Tue	18		23		20		19		Tue
Wed	19		24		21		20		Wed
Thu	20		25		22		21		Thu
Fri	21		26		23		22		Fri
Sat	22		27		24		23		Sat
Sun	23		28		25		24		Sun
Mon	24		29	Deadline for payment by MS (3rd period)	26		25		Mon
Tue	25		30		27		26		Tue
Wed	26		31		28		27		Wed
Thu	27				29	Deadline for payment by MS (4th period)	28		Thu
Fri	28				30	Deadline for MS notifying expected payments to the Commission (Art. 7)	29		Fri
Sat	29						30	Deadline for payment by MS	Sat
Sun	30								Sun

Sample workflow

(1st reduction period)

European Commission