THE DAIRY SECTOR CRISIS: WHAT HAVE RETAILERS DONE?

Civil Dialogue Group – Milk
3rd May 2016

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Context

- New scenario after milk quota removal
- Did the expected “soft landing” fail ?
- What is happening in the market ? What variables influence milk prices ?
- Problems exist, are just farmers affected by them ?
- What can we do ?

Our role in the food chain (I)

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Our role in the food chain (II)

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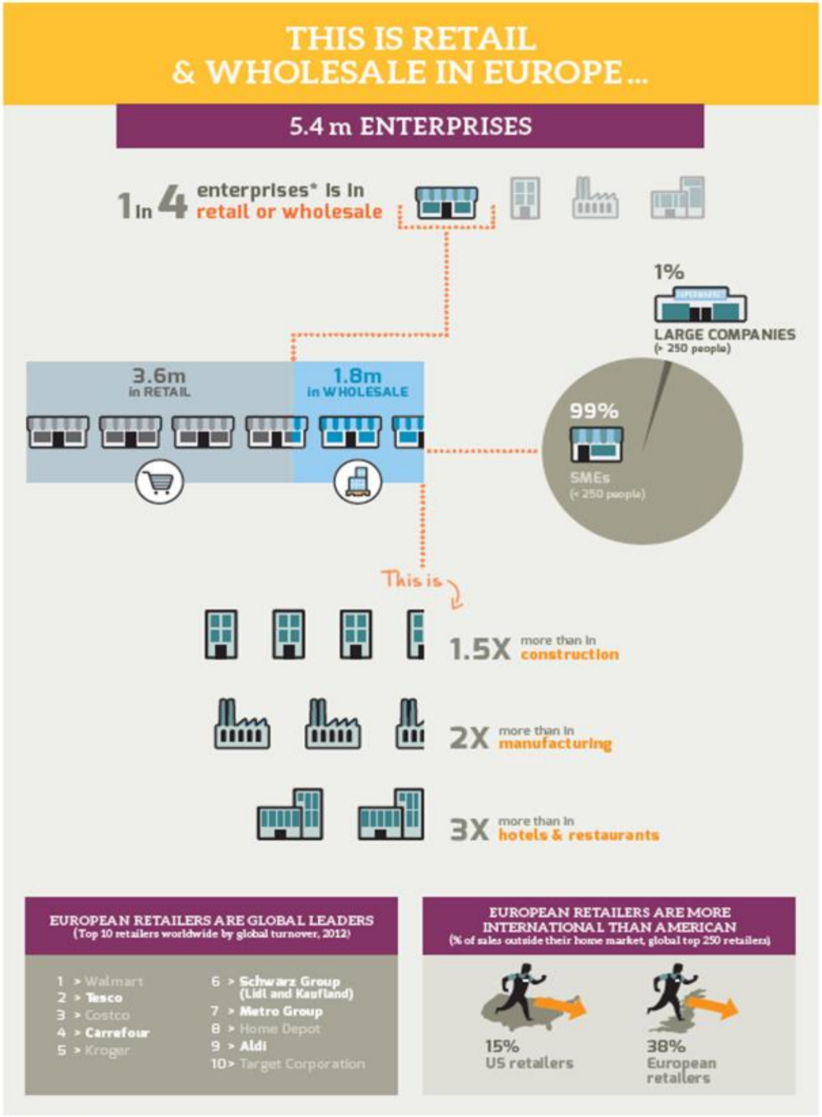
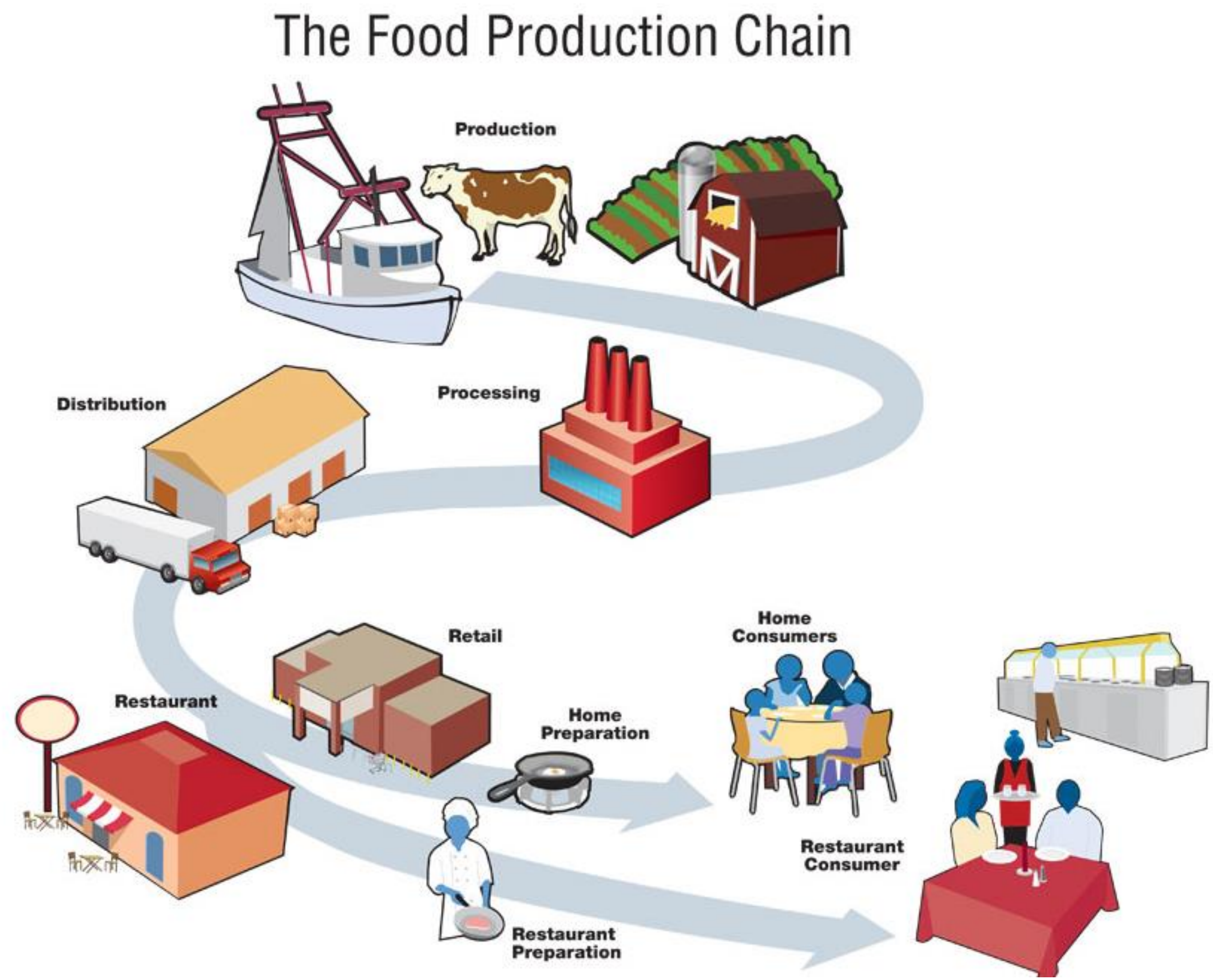
We are a very important sector for the European economy



Source: Eurostat, Deloitte.
*non-financial business economy.

but we are just another link in the food supply chain...



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Food supply chain sustainability

- The agri-food sector is one of the most important sectors of the European economy
- Its sustainability is an essential requirement for guaranteeing the future well-being of our society
- Unfortunately, our lack of vision of the food chain as a whole does not allow the civil society to perceive the importance that this sector really has

Retailers are allies, not enemies

Collaboration in the food chain is very important:

- Crucial for stable supply of goods and services
- It drives innovation and improvements
- It extends choice to consumers AND delivers greater benefits to society
- It ensures long-term competitiveness of retailers and suppliers

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Factors that influence milk prices perceived by farmers, following the end of the quotas

- Political decisions adopted in Europe: e.g. CAP, trade agreements, regulation
- Evolution of the global markets, changes in demand
- Political decisions outside the EU (eg. The Russian ban)
- Production/farm structure and distribution
- Development of industries and manufacturers
- Consumption of milk and dairy products

What have we done to help farmers ?

- Retailers are aware of the situation of farmers

- We have worked hard together, looking for s

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PRESS RELEASE

Brussels, 16 September 2015

Agriculture Crisis: EuroCommerce calls for dialogue, not confrontation in agricultural supply chain

At a round table hosted in the European Parliament today by MEP Paolo de Castro, involving a number of MEPs, farming representatives and other stakeholders, EuroCommerce encouraged further supply chain dialogue to identify common long-term solutions in order to support farmers, and called on the European institutions to refrain from legislation on unfair trading practices.

"*It is true that 'no farmers - no retailers', but the reverse is also true: 'no retailers, no farmers'. We depend on each other. Instead of blaming one another, we believe that dialogue rather than confrontation is more likely to produce positive results*" said Christian Verschueren, EuroCommerce Director-General. "*Together, we need to build up stronger cooperation, better information flows, improved sharing and learning. All these can enable the sectors to find solutions together when faced, as we are now, with a common problem*".

We have signed dairy sector agreements for its sustainability

Supporting tools to improve farmers' position in the market

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PRESS RELEASE
Brussels, 13 January 2015

Agriculture Task Force is a good step forward, say retailers

Today, the European Commission launched its Agricultural Markets Task Force, which will look into current challenges faced by the agriculture sector and will propose recommendations to improve the position of farmers in the food chain.

EuroCommerce supports the establishment of the task force and welcomes the fact that it has a high-level retail representative on it[1]. "*The task force is a good step forward*" said Christian Verschueren, EuroCommerce Director-General. "*We very much hope that it will contribute further to a shared, and fact-based*[2] *understanding of the challenges facing the supply chain, and identify good practice and long-term solutions to support farmers and their customers.*"

Retailers need sustainable and efficient supply chains. As part of a positive response to the current livestock and dairy crisis, EuroCommerce has called for further supply chain dialogue. Throughout the crisis, retailers across the EU showed solidarity through concrete action and dialogue with farmers and suppliers. They are ready to take this forward and help farmers address some of the longer-term problems. The recent debates have largely ignored these problems, and not created sustainable and robust solutions at national level.

In this context, EuroCommerce also calls on the European institutions to refrain from EU-level regulation of unfair trading practices and to continue to support the momentum achieved through the Supply Chain Initiative. The initiative is aimed at promoting fair practice as a firm basis for commercial relations and encouraging businesses to deal with their disputes in a way that allows business relationships to continue, rather than litigation, which can undermine them. "*We would like to use this occasion to renew our invitation to farmers' organisations to join, engage in, and support the Supply Chain Initiative, which is an efficient and non-confrontational vehicle for ensuring fair trading practices,*" Verschueren concluded.

THE SUPPLY CHAIN INITIATIVE

Together for good trading practices

But scenes like these have been seen…

What about consumption ? France

Period: P3 2015 vs. P3 2016 (24 March 2016)

Product category	volumes (% change) 4 weeks period (P3 ‘15/P3 ‘16)	volumes (% change) Year on year (P3 ‘14-P3 ‘15 / P3 ‘15 –P3 ‘16)	Price (% change) 4 week period (P3 ‘15/P3 ‘16)	Price (% change) Year on year (P3 ‘14-P3 ‘15 / P3 ‘15 –P3 ‘16)
Total liquid milk	-8,0%	-3,6%	+5,9%	+2,5%
Of wich UHT skimmed milk	-12,2%	-4,6%	+7,2%	+2,8%
Yoghurt & fresh cheese	-4,2%	-1,7%	+0,8%	+0,4%
Butter	-2,7%	-0,9%	+3,5%	+2,4%
Cream	-2,4%	-0,7%	+2,5%	-0,3%
Cheese	+0,7%	+0,8%	+0,9%	-0,4%

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

What about consumption ? Italy

Product category	Volumes Q1 ‘16 vs Q1 ‘15 (% change)	volumes (% change year on year)	Value Q1 ‘16 vs Q1 ‘15 (% change)	Value (% change year on year)
Fresh milk	-6,3%	-6,6%	-6,2%	-6,0%
UHT milk	-3,8%	-5,1%	-7,3%	-7,3%
Yoghurt	+1,7%	+2,5%	+0,6%	+2,4%
Fresh cheese	+0,7%	+1,0%	-2,0%	-0,8%
Butter	-7,5%	-6,7%	-8,2%	-9,6%
UHT Cream	-2,2%	-4,3%	-3,1%	-4,3%
Fresh desert	+3,5%	+2,6%	+2,0%	+3,1%
Cheese	+1,1%	+1,4%	-1,3%	-0,4%

Source: Nielsen (Market Track - Totale Italia)

What about consumption ? Portugal

Period: year-to-date (21 February 2016)

Product category	volumes (% change)	volumes (% change year on year)	value (% change)	Value (% change year on year)
Fresh milk	-10,0 %	-11,2 %	-9,2 %	-8,7%
UHT milk	-9,0 %	-7,6 %	-24,7 %	-19,5%
Yoghurt	3,4 %	-2,9 %	-0,1 %	-5,3 %
Fresh cheese	6,6 %	-0,6 %	2,8 %	-1,9 %
Butter	-1,2 %	-0,3 %	-8,1 %	-5,0 %
UHT Cream	-1,7 %	-3,5 %	-2,9 %	-3,6 %
Fresh desert	17,4 %	13,7 %	6,3 %	13,0 %
Cheese	7,5 %	4,1 %	0,9 %	-0,5 %

Source: Nielsen, W8 2016

What about consumption ? Spain

Product category	Volume (million kg/l)		Evolution	Value (million €)		Evolution
	Nov 2014	Nov 2015		Nov 2014	Nov 2015	
Total liquid milk	3.289,34	3.267,76	-0,7%	2.369,29	2.322,87	0,0%
Sterilised milk	3.177,64	3.162,95	-0,5%	2.276,30	2.238,70	-1,7%
Pasteurised milk	80,63	80,88	0,3%	70,03	68,14	-2,7%
Raw milk	31,06	23,82	-23,3%	22,96	16,00	-30,3%
Other types of milk	29,8	30	0,8%	218,1	217,8	-0,1%
Dairy products	1.727,74	1.748,41	1,2%	5.745,28	5.793,28	0,8%
Yoghurt	442,62	432,86	-2,2%	798,24	777,35	-2,6%
Fermented milk/ Bifidus	244,30	247,04	1,1%	766,80	782,78	2,1%
Cheese	347,71	346,83	-0,3%	2.587,64	2.595,83	0,3%
Other dairy products	693,10	721,66	4,1%	1.592,60	1.637,30	2,8%

Source: Ministerio de Agricultura, Alimentacion y Medio Ambiente

What about consumption? Sweden

Period: year-to-date (20 March 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	-1%	-1%	-0,8%	0,8%
Hard cheese	0,1%	3,2%	1,7 %	-2,2 %
Cream	-2,5%	2,0 %	-2,8 %	2,1 %
Yoghurt	0,5%	-0,6 %	0,7 %	-1,3 %
Cottage cheese/curd	5,5 %	21,8%	4,5 %	13,5 %
Cold desserts	17,6 %	2,2%	12,9%	7,5%
Butter	5,0 %	5,7 %	5,0%	6,4 %

Source: Nielsen ScanTrack

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What about consumption ?
United Kingdom

UK Dairy Product Retail Price Indices

In March 2016, the RPI increased by 0.42% compared with February and is 1.56% higher than the same month last year. The fresh milk price index decreased 0.45% on the previous month and decreased on the year by 4.88%. The butter index decreased on the month by 3.15% and on the year by 4.76%. Cheese saw an increase on the month of 0.42% and a decrease of 3.35% on the year.

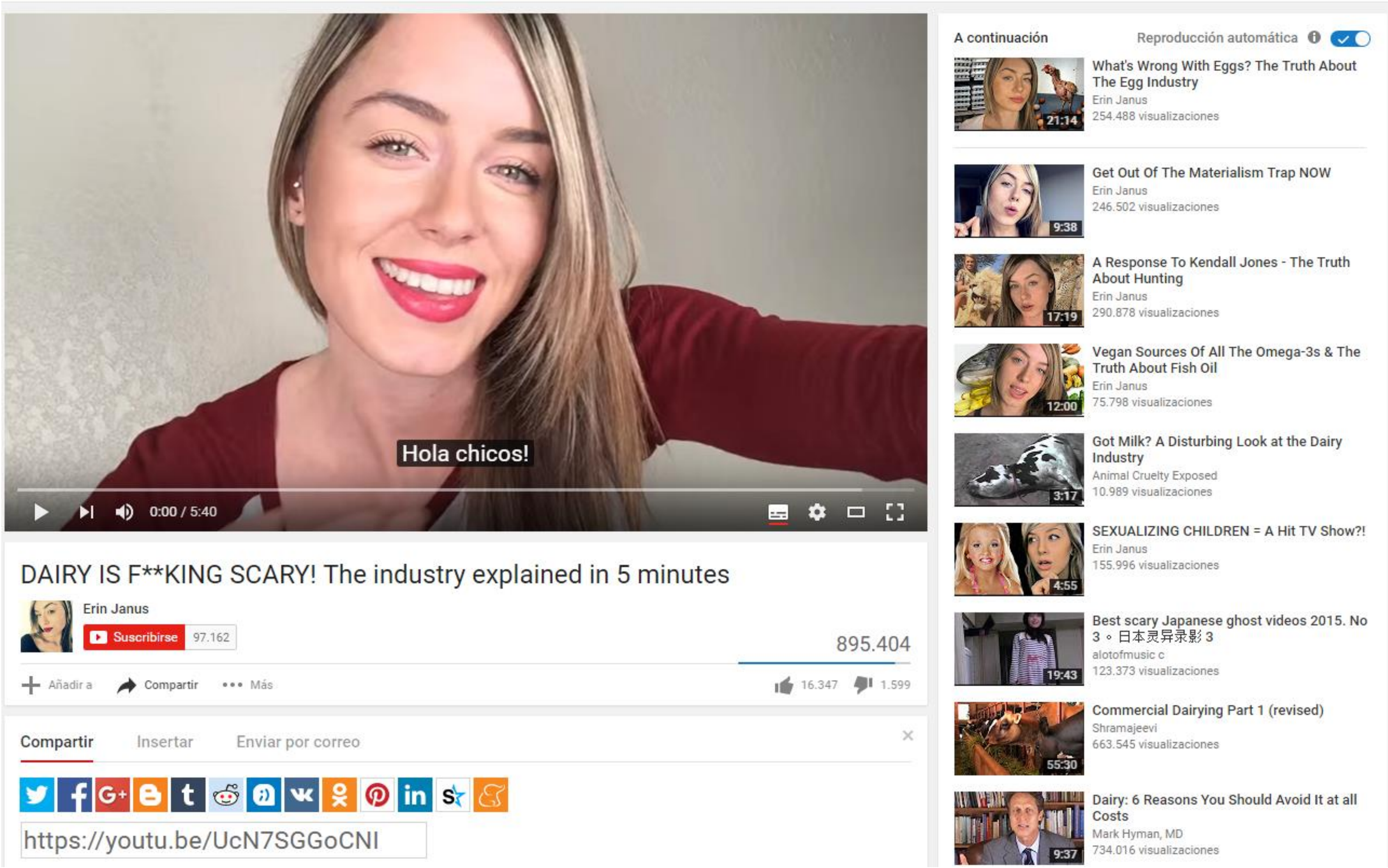
PRODUCT PRICE INDICES			
		compared with	
	Mar-16	1 month before	12 months before
RPI price index	261.1	0.42%	1.56%
Fresh Milk	220.3	-0.45%	-4.88%
Butter	297.8	-3.15%	-4.76%
Cheese	239.7	-0.42%	-3.35%

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 /

What about the social perception of the dairy sector ? How can we all deal with this ?



Some reflections...

- Economic crisis has influenced consumer behavior
- Only a food chain with high levels of cooperation will have the flexibility and the capacity to adapt to these changes
- A healthy food chain requires to ensure the future of all actors, especially farmers
- We must help farmers to balance costs and prices and make the consumers appreciate their products
- Modifying market conditions is not the solution

What can we do in the internal market ?

- Trade relations that secure a stable supply
- Retailer activities with farmers: standard setting, meeting consumer demands together, role of regional production
- Collaboration for transferring know-how and joint innovation with impact at farm level
- Principles of good practice
- Develop a holistic food chain vision
- Match production to consumer demands

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THANK YOU !

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