MMO Economic Board

Meeting of 25 July 2017

- The 22nd meeting of the MMO Economic Board took place on 25 July 2017, 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). Presentations and information exchanged during the meeting showed the following.
- EU milk collection decreased by 1.1% in Jan-May 2017, i.e. by 700 000 t. The production drop in May in DE and FR has been more than compensated by the rise in IE, IT, PL and ES, leading to a moderated monthly increase of 0.1%.
- Average EU farm gate milk prices reached 32.9 c/kg in May 2017, 2.5% higher than the last 5 years' average, and 25% higher than in May 2016. Estimates for June point to a slight increase to 33.1 c/kg.
- With the exception of SMP and whey powder, EU dairy product prices have generally improved in recent weeks. Price disparity between protein and fat have accentuated with new record levels for butter (575 €/100 kg) and a further decrease of SMP prices (-9% in 4 weeks down to 182 €/100 kg). Cheese prices are generally at their highest levels in 4 years, making the combination cheese + whey more remunerative than butter + SMP. These developments together with a stronger € (+9% since early 2017) make EU dairy products less competitive than those in Oceania or the US.
- Public intervention stocks of SMP increased by the end of May following buying-in in April and May. Only 140 t have been released since a tendering procedure was open at the end of 2016.
- The assessment of EU stock levels based on a residual approach (production + imports – consumption - exports) shows normal levels for SMP private stocks. Shortage in the butter market is a reality, with an estimated deficit of some 60 000 t by the end of the year. Cheese stocks are quickly rebuilding but demand remains strong, so that prices are expected to stay firm.
- World milk production decreased by 0.25% in Jan-May, mainly driven by the EU. NZ and Australia closed their respective seasons with negative figures but prospects for the next campaign point to 2-3% increases. Growth in the US has slightly slowed down but a 1.45% increase is still expected for H2 2017.
- Global exports clearly trended upwards in May, notably due to SMP. China reinforces its position as the main partner for the EU (in value), followed by the US and Saudi Arabia. The positive evolution of SMP exports might slow down if buyers wait for lower prices. Butter trade is affected by high prices and low availability, which is not expected to change in the coming months. Combined cheese exports in Jan-May increased by 6.3% confirming sustained global demand.
- High butter prices translate into higher consumer prices in some Member States (BE, FR, ES). The impact in domestic consumption is still to be assessed. Sales of organic products in FR keep on growing, except for liquid milk. High added value products (desserts, enriched milks) generally show better performance in retail sales.
- The Commission Short Term Outlook recently published projects an overall 0.7% increase in EU milk collection, with a quite heterogeneous performance in Member States: strong increase in IE, PL and IT, stability in FR and decrease in DE and NL. High temperatures and dry weather might deteriorate pastures and crops productivity, but this should not have a major influence on feed availability.
- The Commission presented a newly launched EU protein balance sheet, providing a comprehensive overview of EU supply and demand situation for feed proteins. Co-products represent 58% of total protein feed use with only 37% of self-sufficiency while crops weight for 41% of protein feed use and 92% of EU origin.
- The market situation is considered as positive, with SMP demand and prices being the only downside (but compensated by positive performance in the rest of the dairy portfolio). Time is however needed for producers to make up for the losses incurred during the crisis.

ANNEX 1

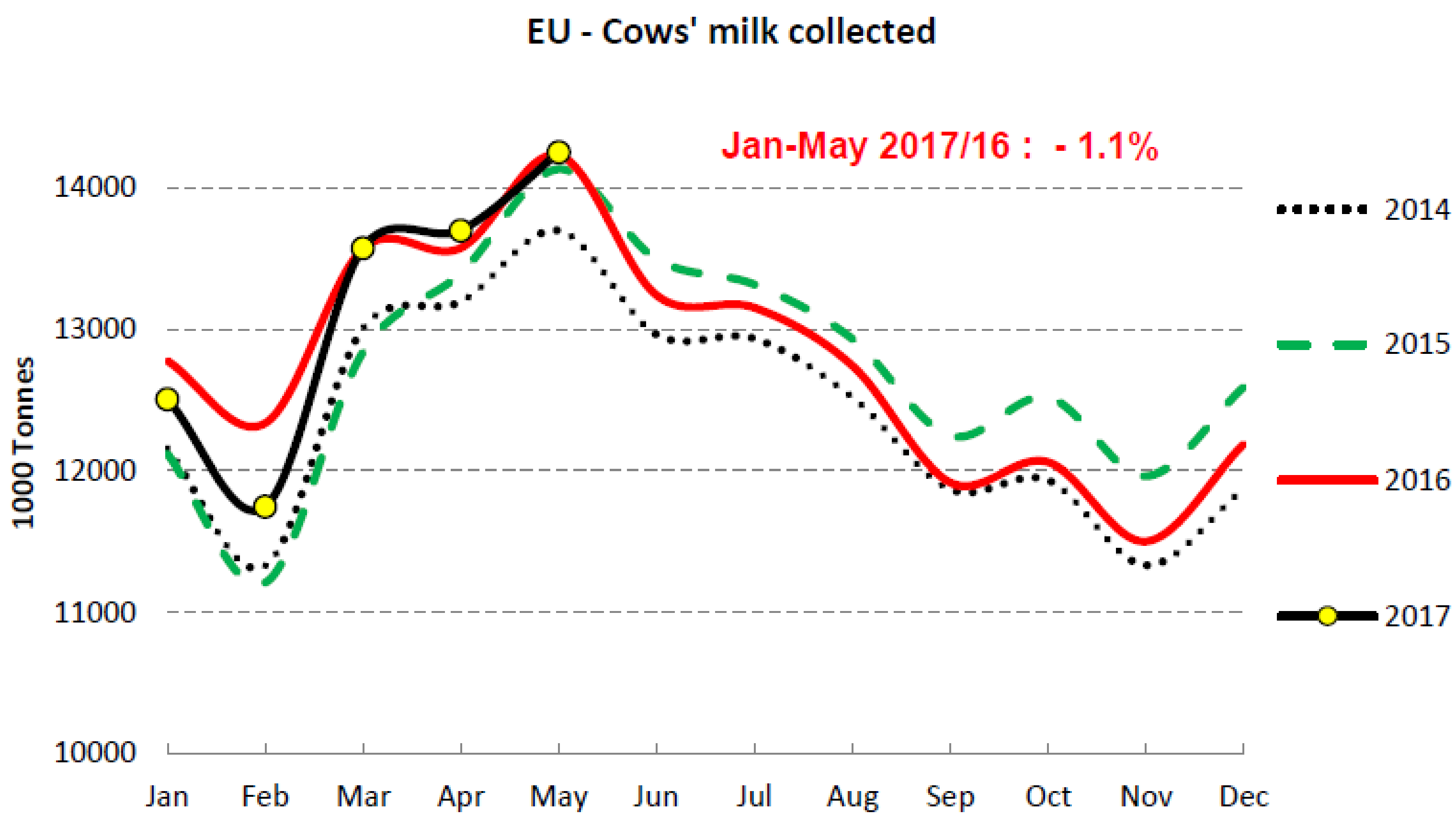
Milk Market Situation

European Commission

Milk Market Situation

Brussels, 25 July 2017

EU Milk deliveries



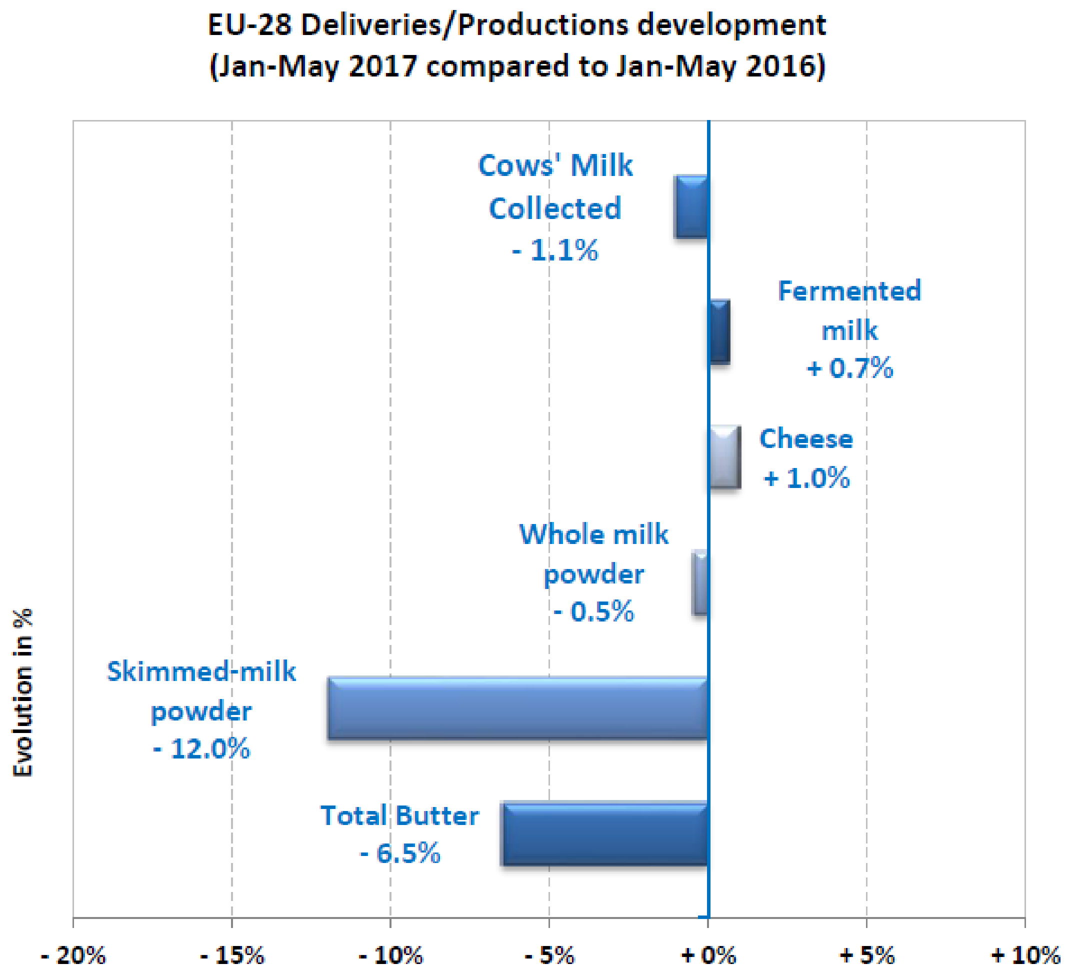
Source : Estat - Newcronos

Last update : Jan-May

25/07/2017

EU Productions

European Commission



Source : MS' Communications to Eurostat, and, for milk : AGEA, FEGA, Reg. 479/2010.Art1(a)1

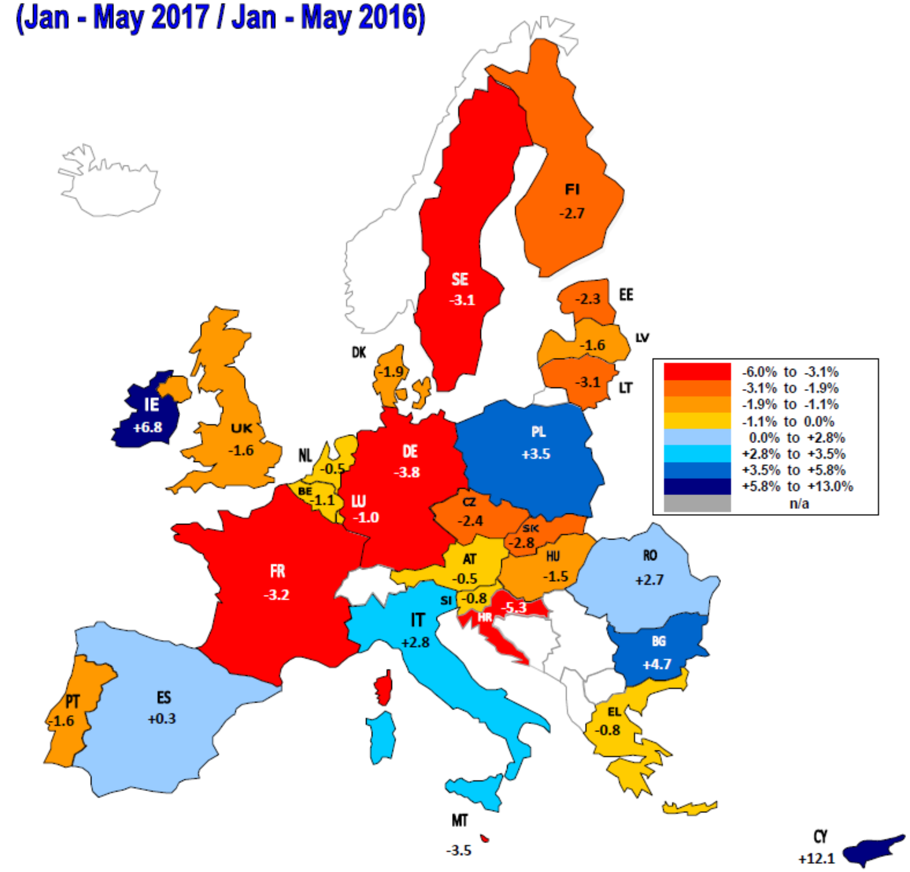
!!! Data from some Member States are confidential and are NOT included in this table !!!

EU Milk deliveries

European Commission

EU Milk Deliveries compared to last period (in %)

(Jan - May 2017 / Jan - May 2016)



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

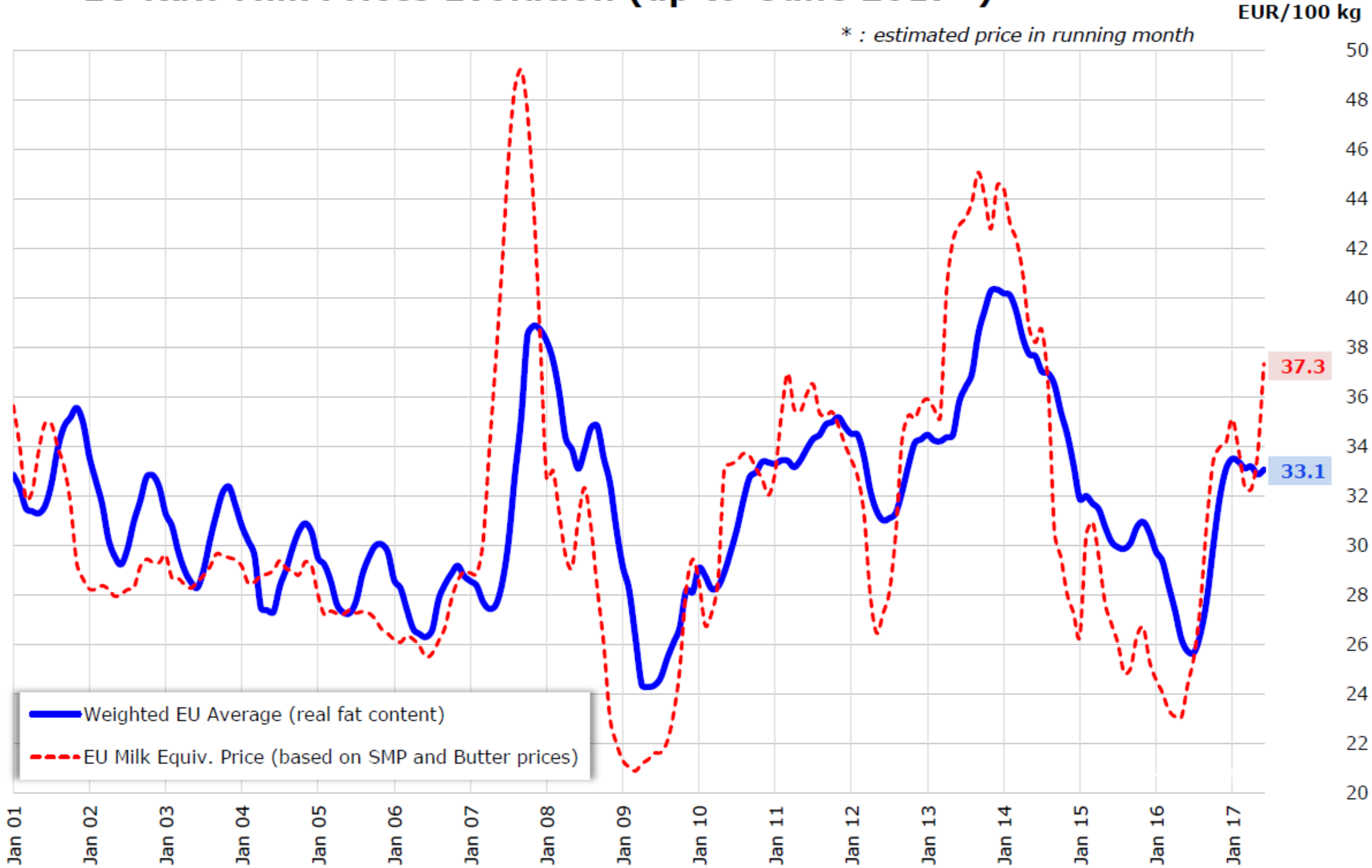
25/07/2017

May 17 compared to May 16

	evolution in %		evolution in 1000 Tons	
Rank	MS	%	MS	Tons
1.	BG	+ 9.7%	IE	+ 69
2.	EL	+ 7.7%	IT	+ 65
3.	IE	+ 7.3%	PL	+ 31
4.	IT	+ 6.3%	ES	+ 18
5.	RO	+ 5.7%	RO	+ 6
6.	CY	+ 4.2%	BG	+ 5
7.	PL	+ 3.1%	AT	+ 4
8.	ES	+ 3.0%	EL	+ 4
9.	AT	+ 1.6%	UK	+ 2
10.	SI	+ 0.9%	CY	+ 1
11.	SK	+ 0.4%	SI	+ 0
12.	UK	+ 0.1%	SK	+ 0
13.	PT	- 0.1%	MT	- 0
14.	LU	- 0.5%	LU	- 0
15.	NL	- 0.6%	PT	- 0
16.	DK	- 0.7%	HR	- 1
17.	CZ	- 0.8%	EE	- 1
18.	BE	- 1.7%	CZ	- 2
19.	EE	- 1.9%	LV	- 3
20.	HR	- 2.4%	DK	- 3
21.	DE	- 2.5%	HU	- 5
22.	FR	- 2.9%	LT	- 6
23.	SE	- 2.9%	BE	- 6
24.	MT	- 3.1%	NL	- 7
25.	FI	- 3.5%	SE	- 7
26.	LV	- 3.6%	FI	- 7
27.	HU	- 3.8%	FR	- 66
28.	LT	- 4.6%	DE	- 71
	EU28	+ 0.1%	EU28	+ 19

European Commission

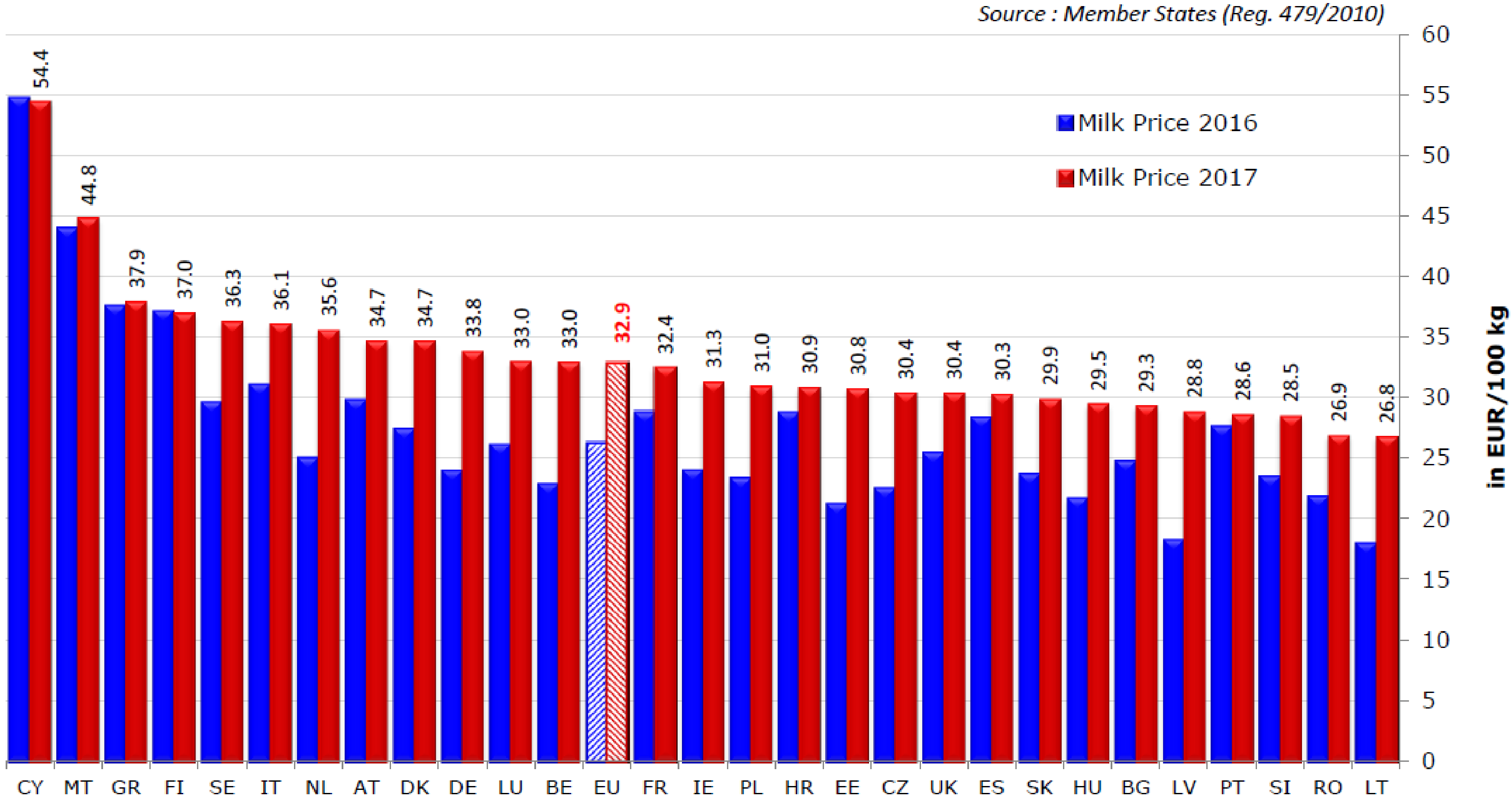
EU Raw Milk Prices Evolution (up to June 2017*)



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

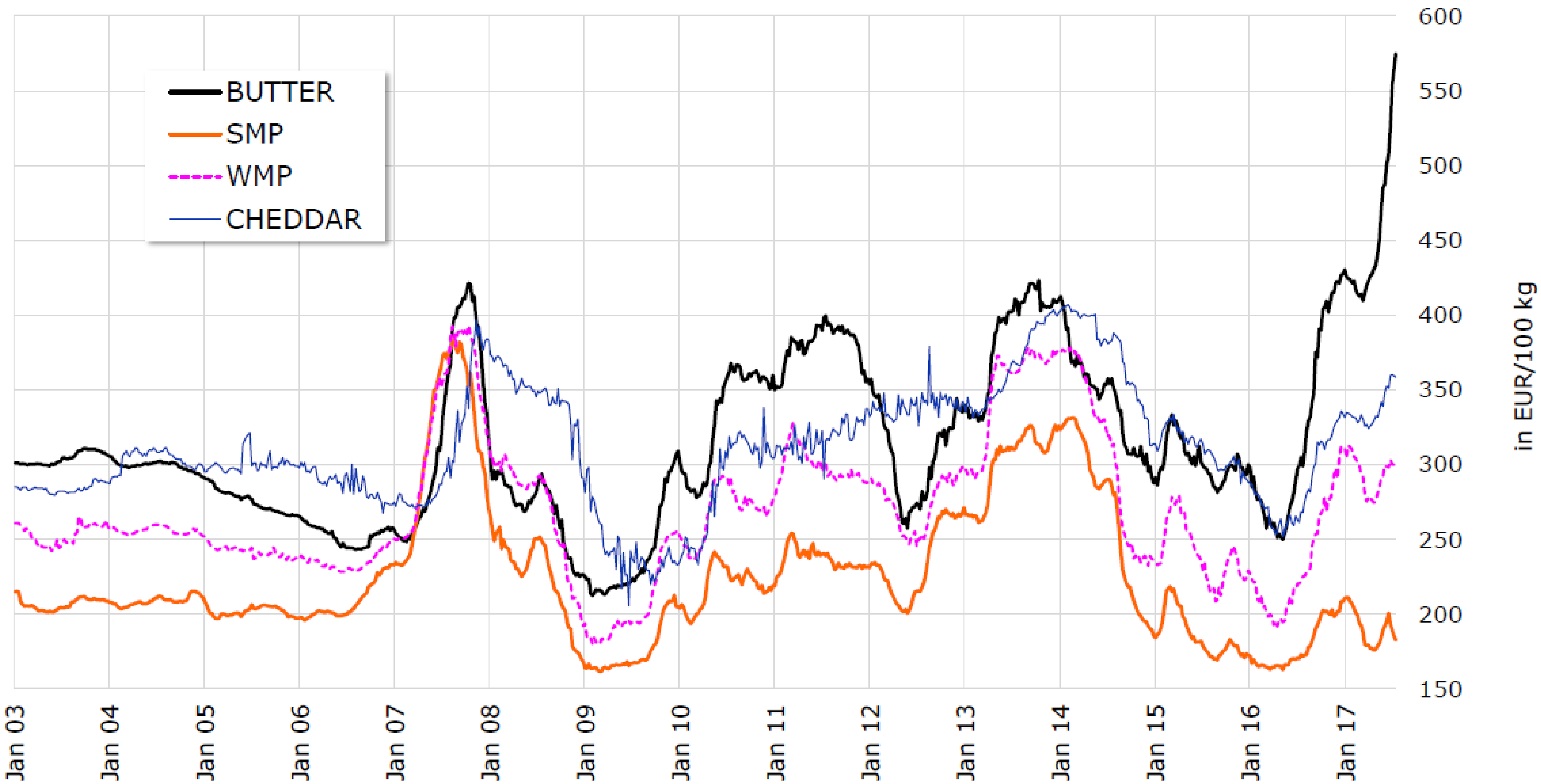
EU MILK PRICES

(May 2017 vs May 2016)



EU Dairy Quotations

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

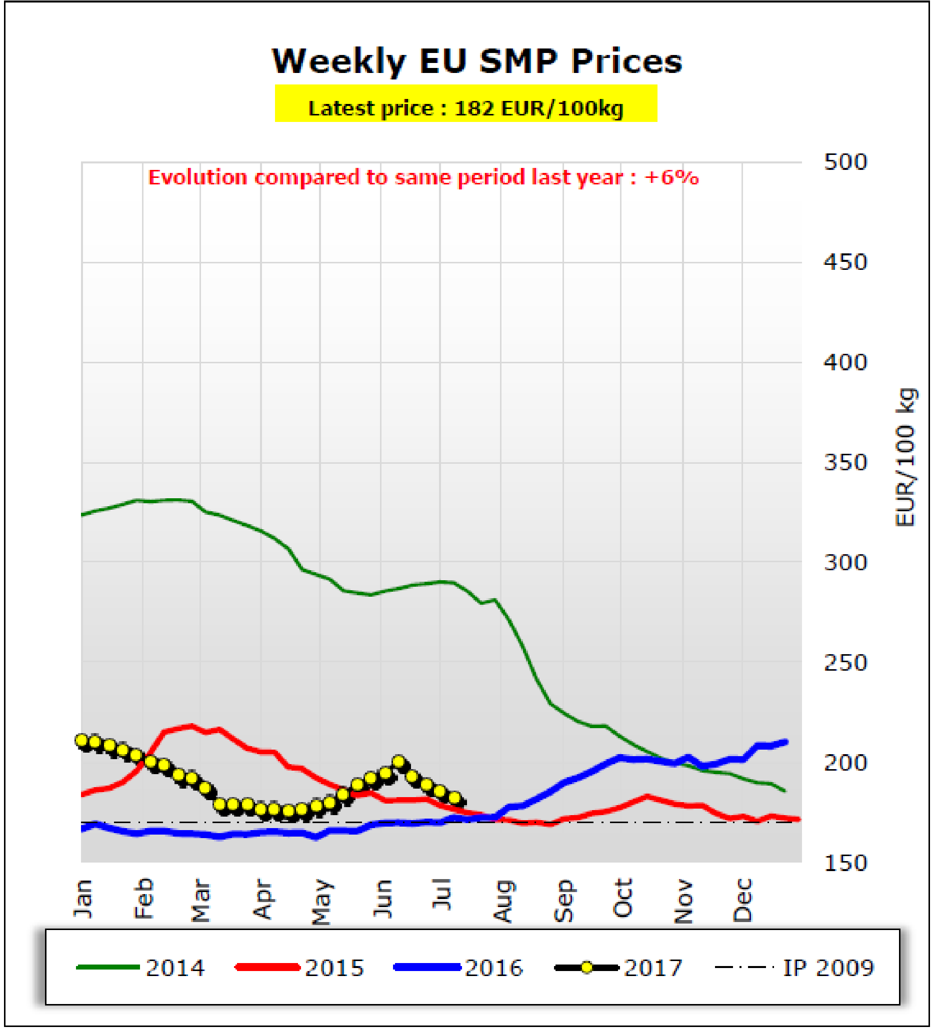


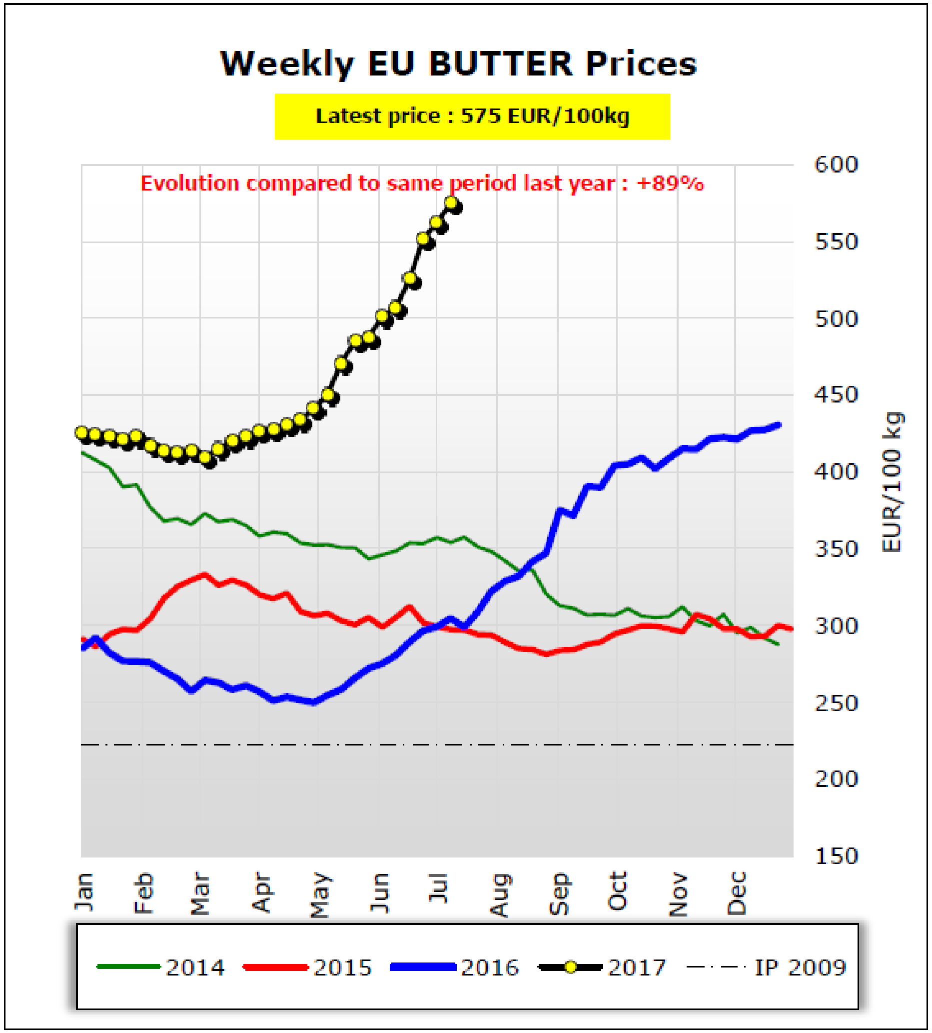
Source: MS' communications under reg. 562/2005 and 479/2010

25/07/2017

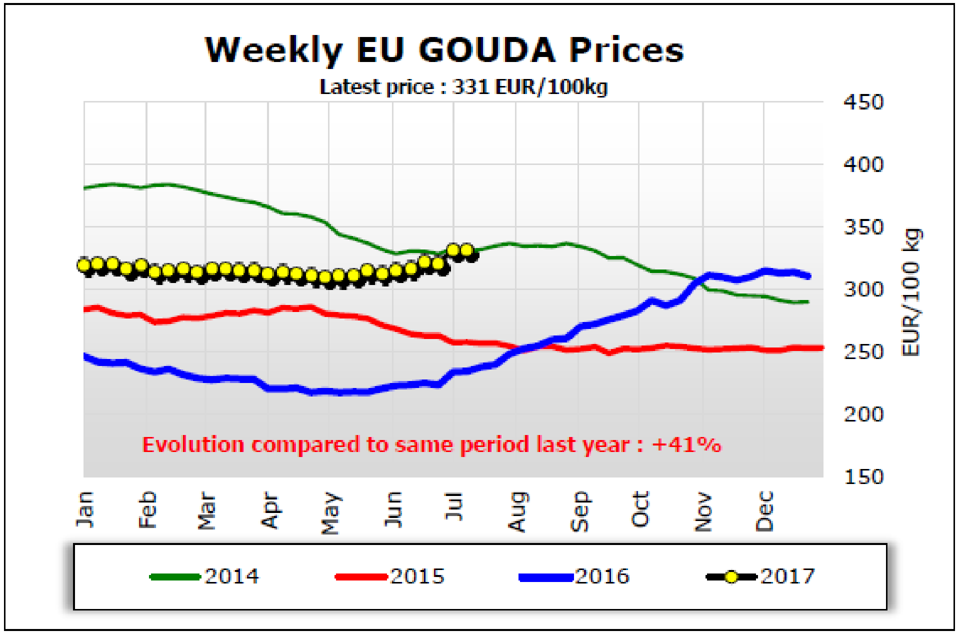
European Commission

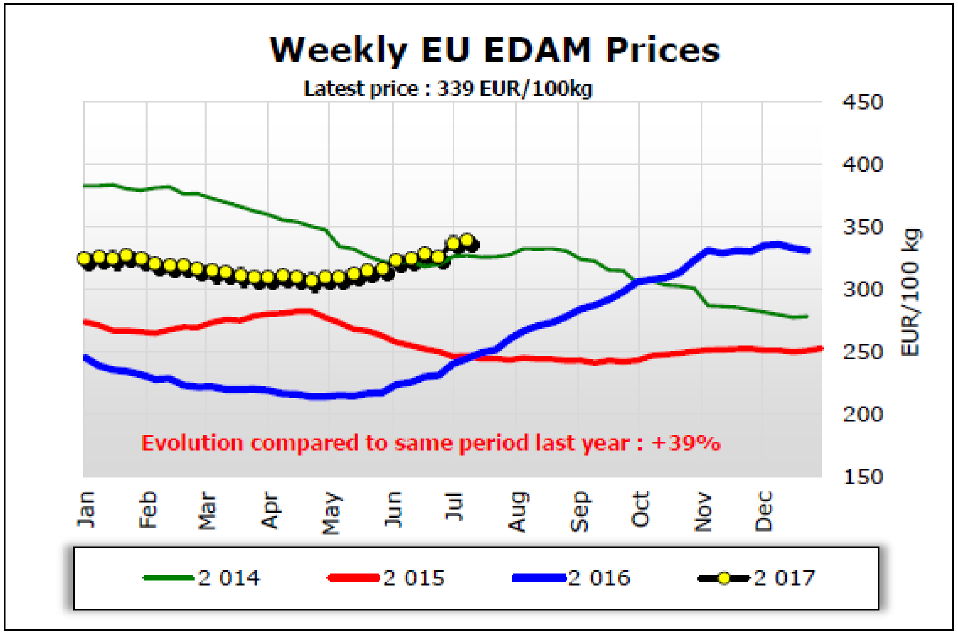
Prices of EU Dairy commodities *(Source : Reg. (EC) No 479/2010 Art. 2)*





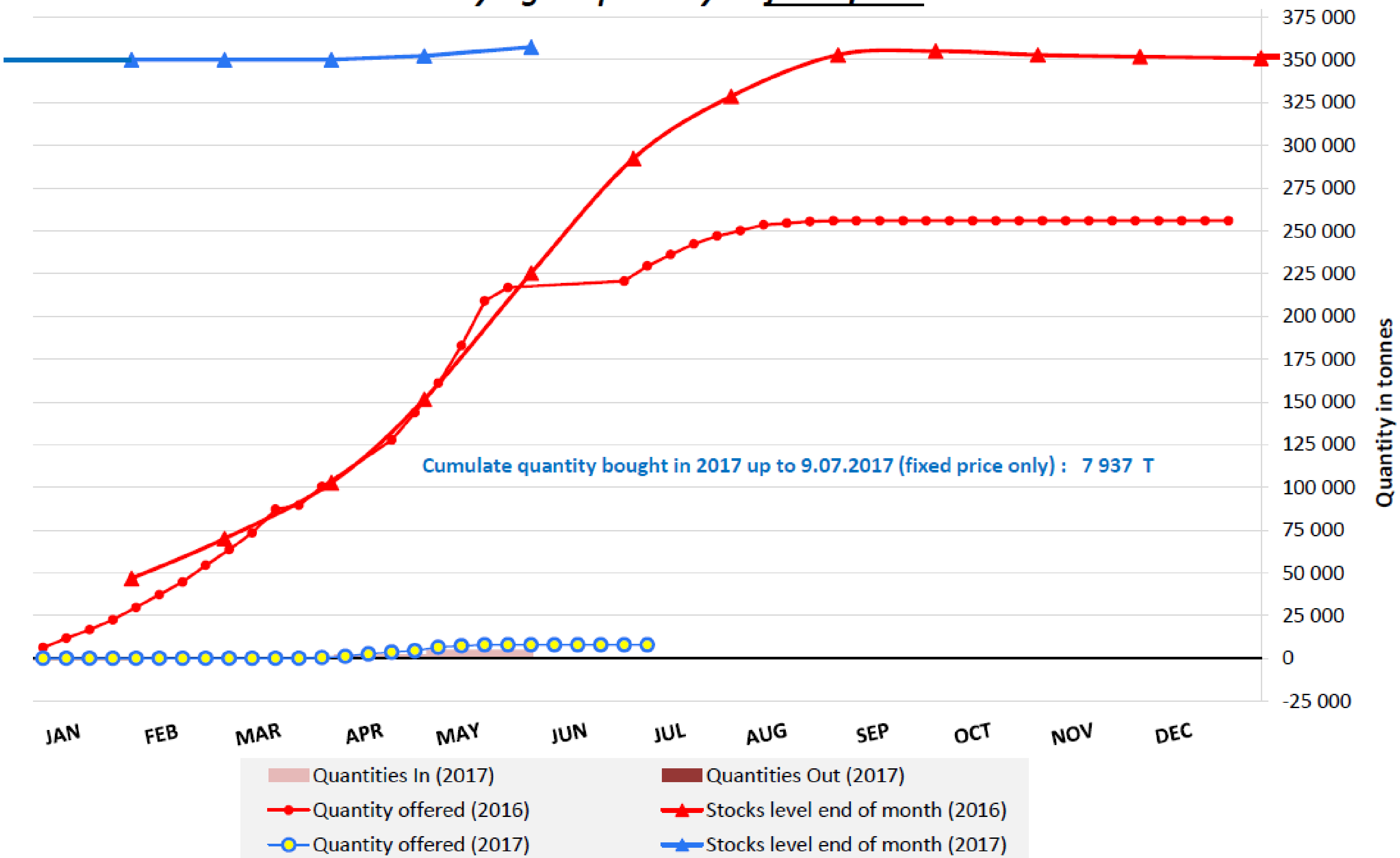
25/07/2017


Weekly EU GOUDA Prices
Latest price : 331 EUR/100kg
450
400
350
300
250
200
150
EUR/100 kg
Evolution compared to same period last year : +41%
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2014
2015
2016
2017


Weekly EU EDAM Prices
Latest price : 339 EUR/100kg
450
400
350
300
250
200
150
EUR/100 kg
Evolution compared to same period last year : +39%
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2 014
2 015
2 016
2 017

Public SMP Intervention scheme (2016-2017)

Buying-in quantity at <u>fixed price</u>



PSA ending stocks 2017

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
SMP	62,1	67,9	58,5	51,0	37,6							
BUTTER	15,9	8,4	4,3	1,4	1,4							
CHEESE	13,5	12,6	12,3	10,8	10,8							

(x 1000 t)

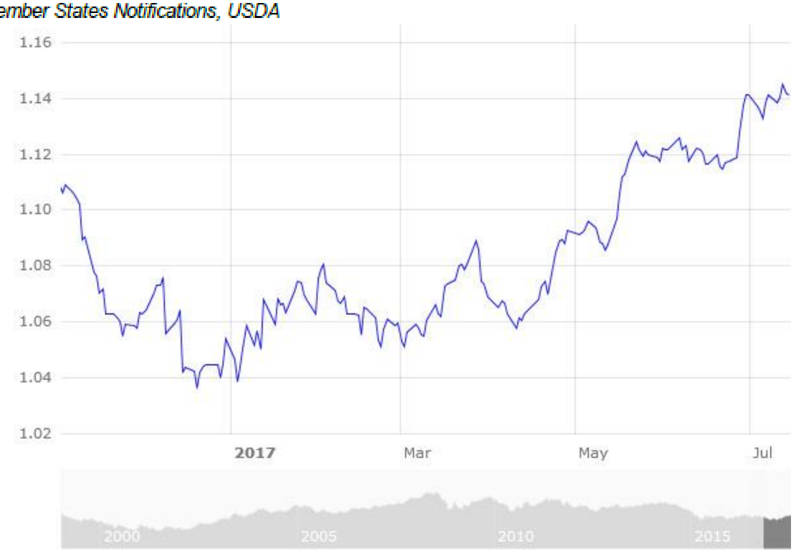
Source : Member States notifications

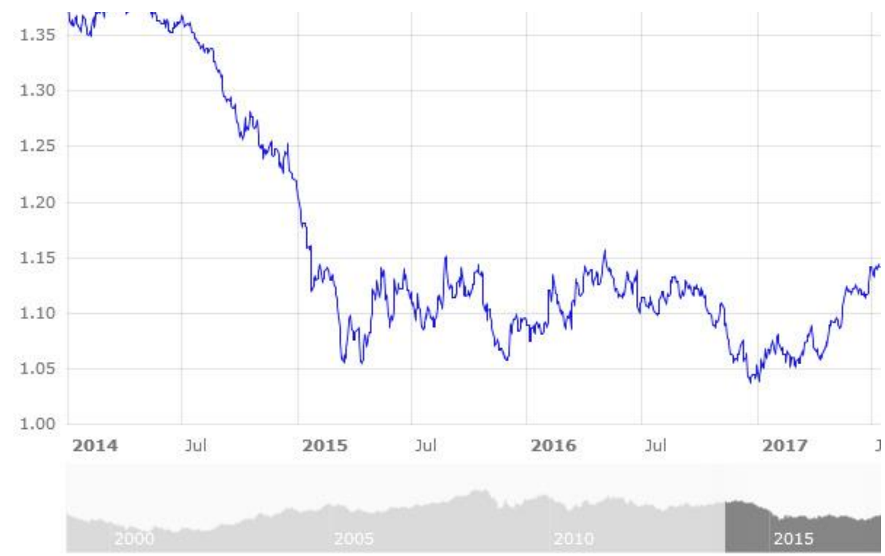
European Commission

Latest World Quotations of Dairy Products

In US$/t	Latest Quotations 23/07/2017			Week - 2 09/07/2017			Week - 2 % change (previous quotation)			Year - 1 July 2016			Year - 1 % change (1 year)		
	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA
Butter	6 560	6 150	5 771	6 317	5 925	5 758	+ 3.9%	+ 3.8%	+ 0.2%	3 390	2 825	5 057	+ 94%	+ 118%	+ 14%
SMP	2 082	2 050	1 895	2 158	2 125	1 885	- 3.5%	- 3.5%	+ 0.5%	1 920	1 925	1 887	+ 8%	+ 6%	+ 0%
WMP	3 419	3 200	3 197	3 425	3 138	3 142	- 0.2%	+ 2.0%	+ 1.8%	2 460	2 213	2 899	+ 39%	+ 45%	+ 10%
Cheddar	4 090	4 050	3 760	4 106	4 013	3 402	- 0.4%	+ 0.9%	+ 10.5%	2 985	2 838	3 703	+ 37%	+ 43%	+ 2%

Source : Member States Notifications, USDA





ANNEX 2

EU dairy products monthly stock estimates at the end of May 2017

EDA

EU dairy products monthly stock estimates at the end of May 2017

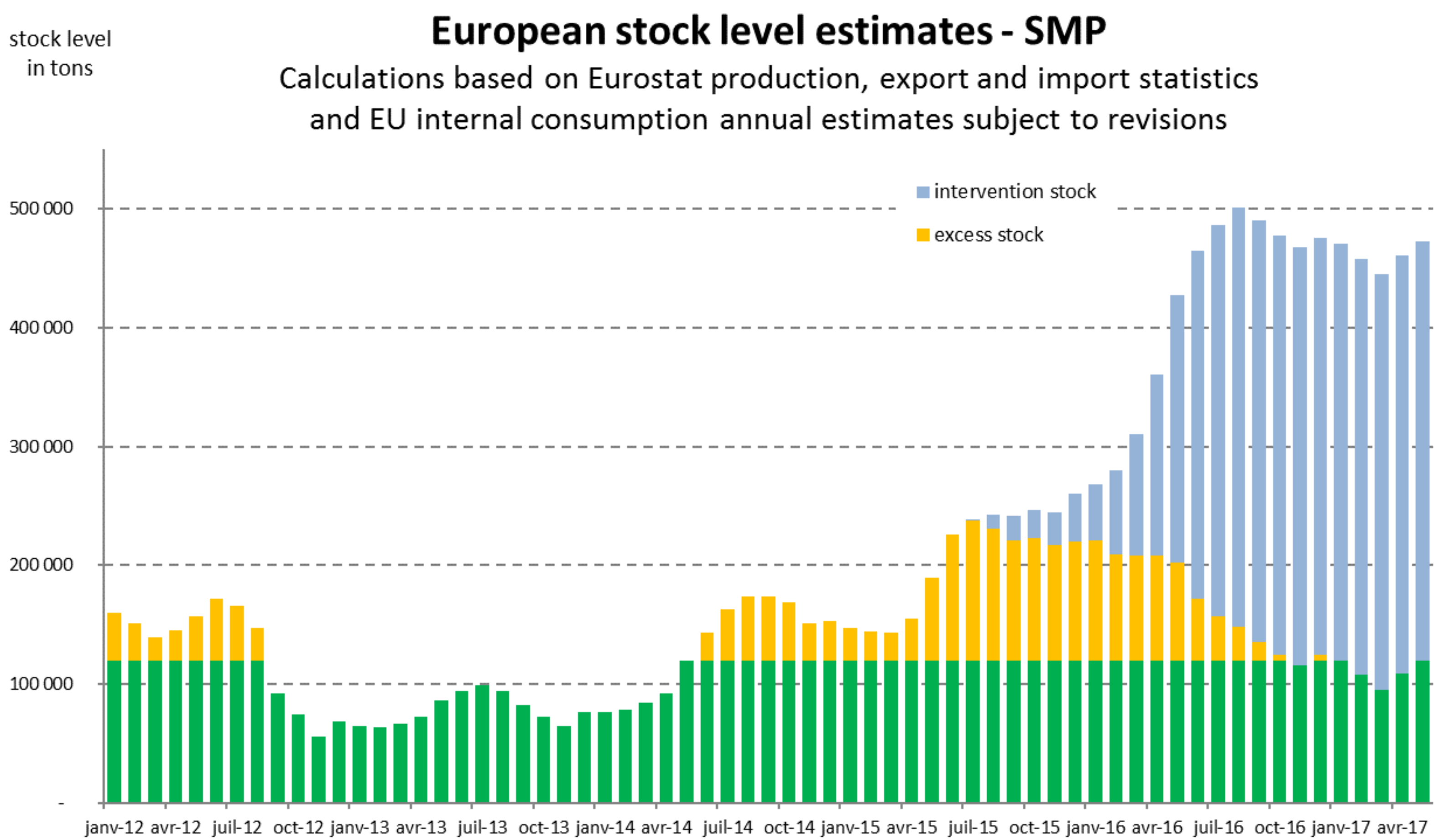
Milk Market Observatory

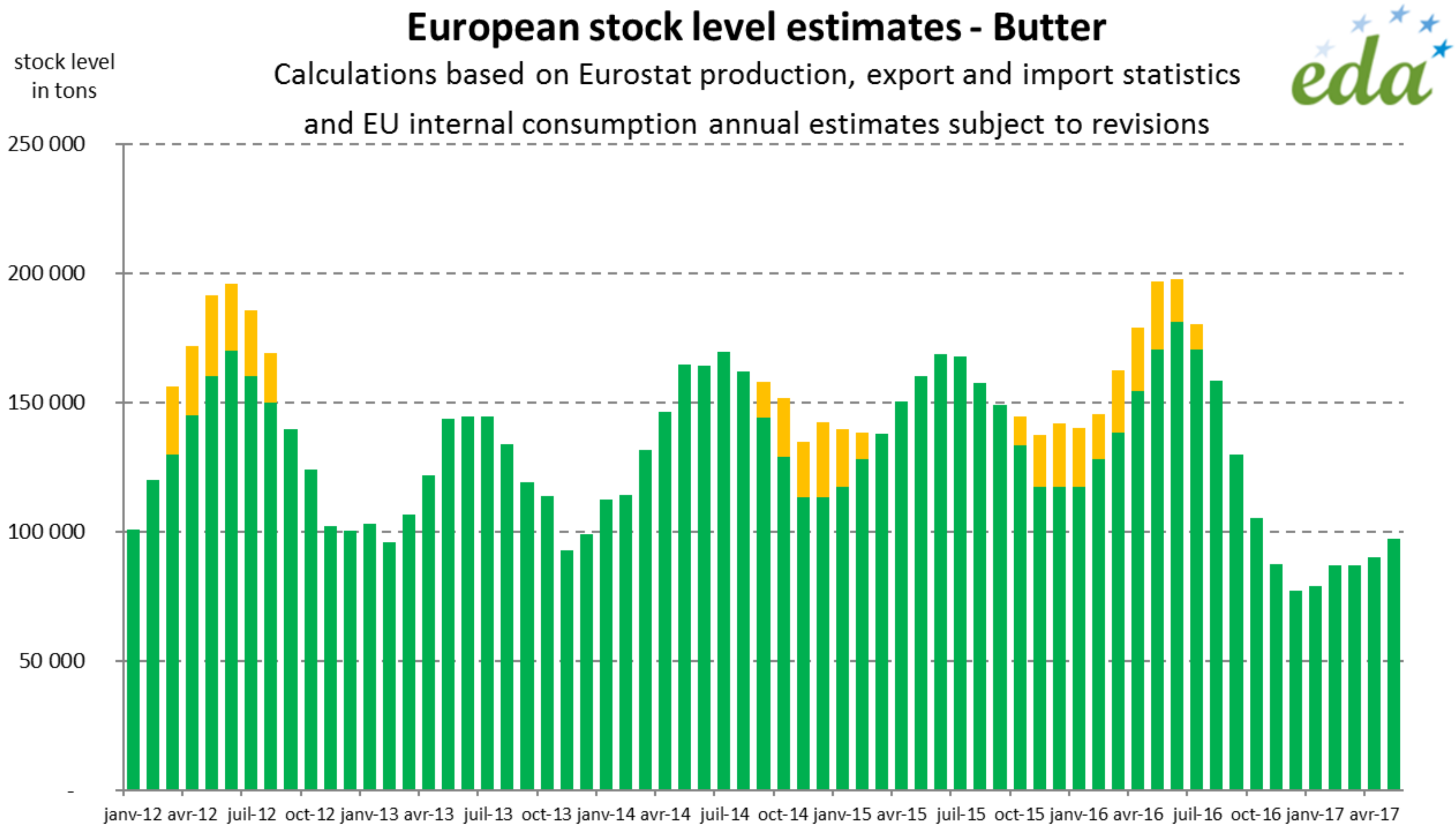
Economic Board

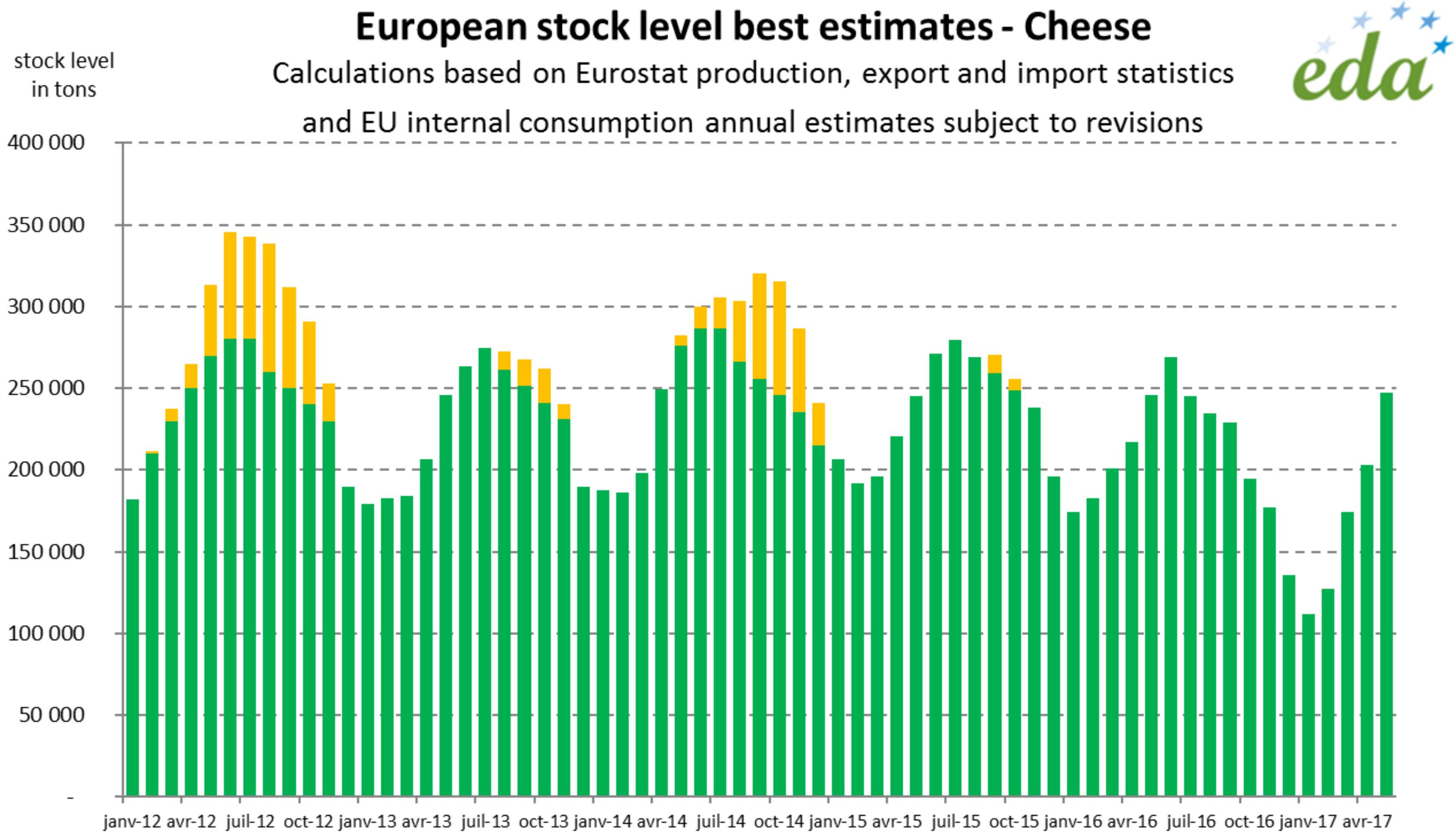
July 25th , 2017

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 stock levels
  - Yearly consumption levels
- 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 observations.


stock level
in tons
European stock level estimates - SMP
Calculations based on Eurostat production, export and import statistics
and EU internal consumption annual estimates subject to revisions
intervention stock
excess stock
500 000
400 000
300 000
200 000
100 000
-
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 janv-17 avr-17


European stock level estimates - Butter
Calculations based on Eurostat production, export and import statistics
and EU internal consumption annual estimates subject to revisions
stock level
in tons
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
janv-17
avr-17
eda


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
eda
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 janv-17 avr-17

ANNEX 3

Perspectives from the Dairy Trade

Eucolait

Perspectives from the Dairy Trade

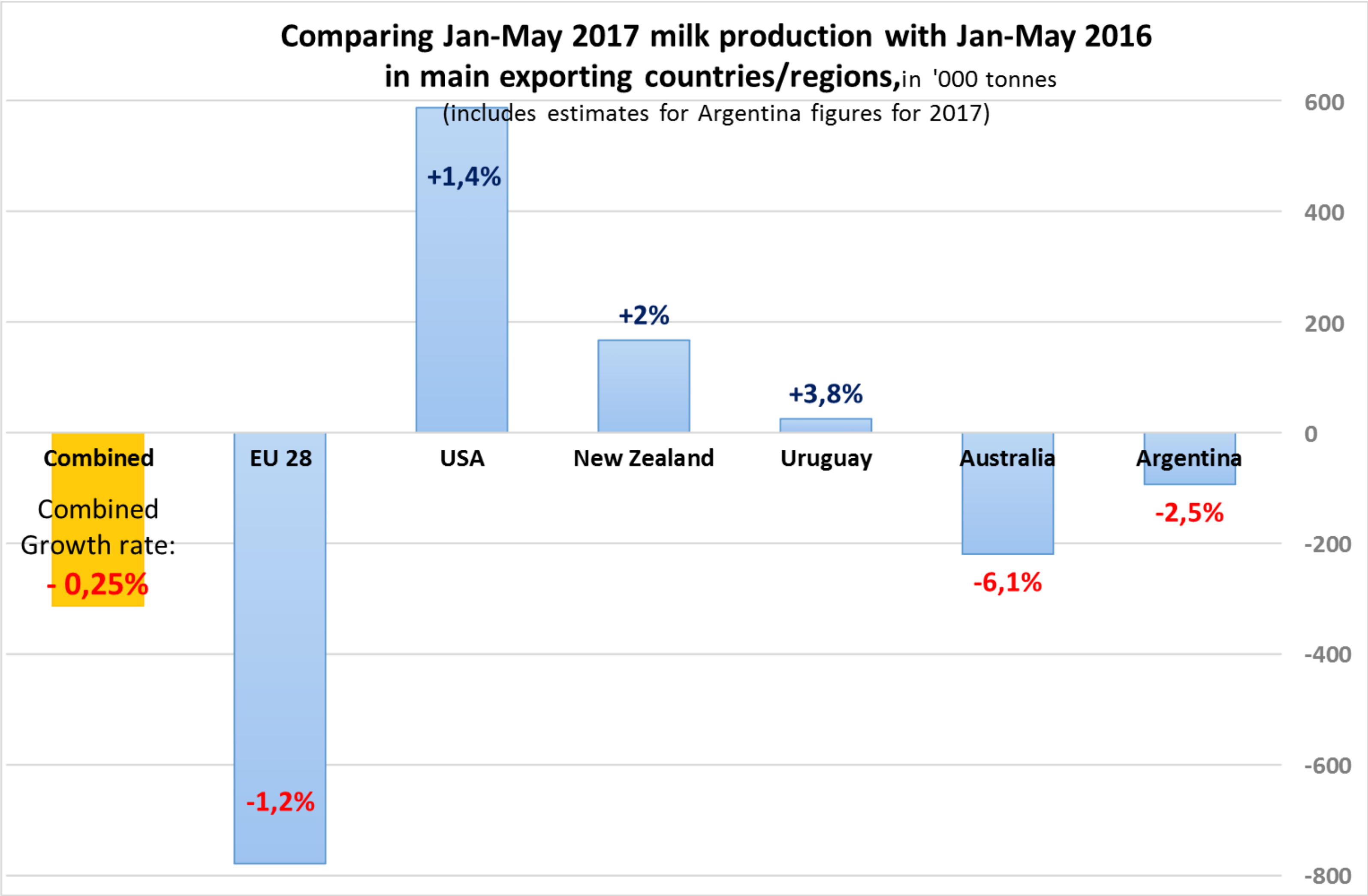
MMO Economic Board

25 July 2017

Outline

- Global Supply
- Global exports & demand
- Developments in key import markets
- Conclusions

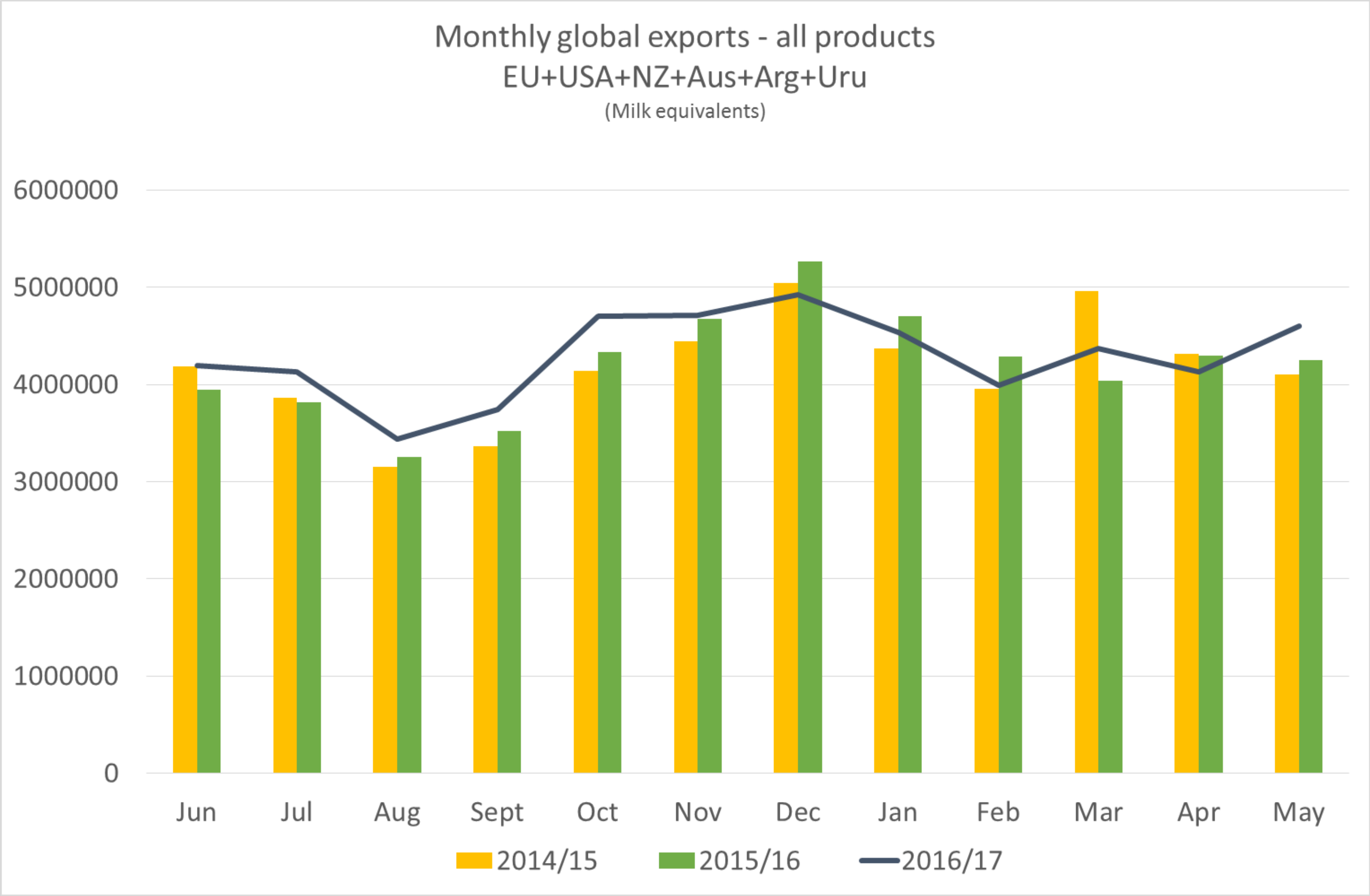
Milk production in key export regions



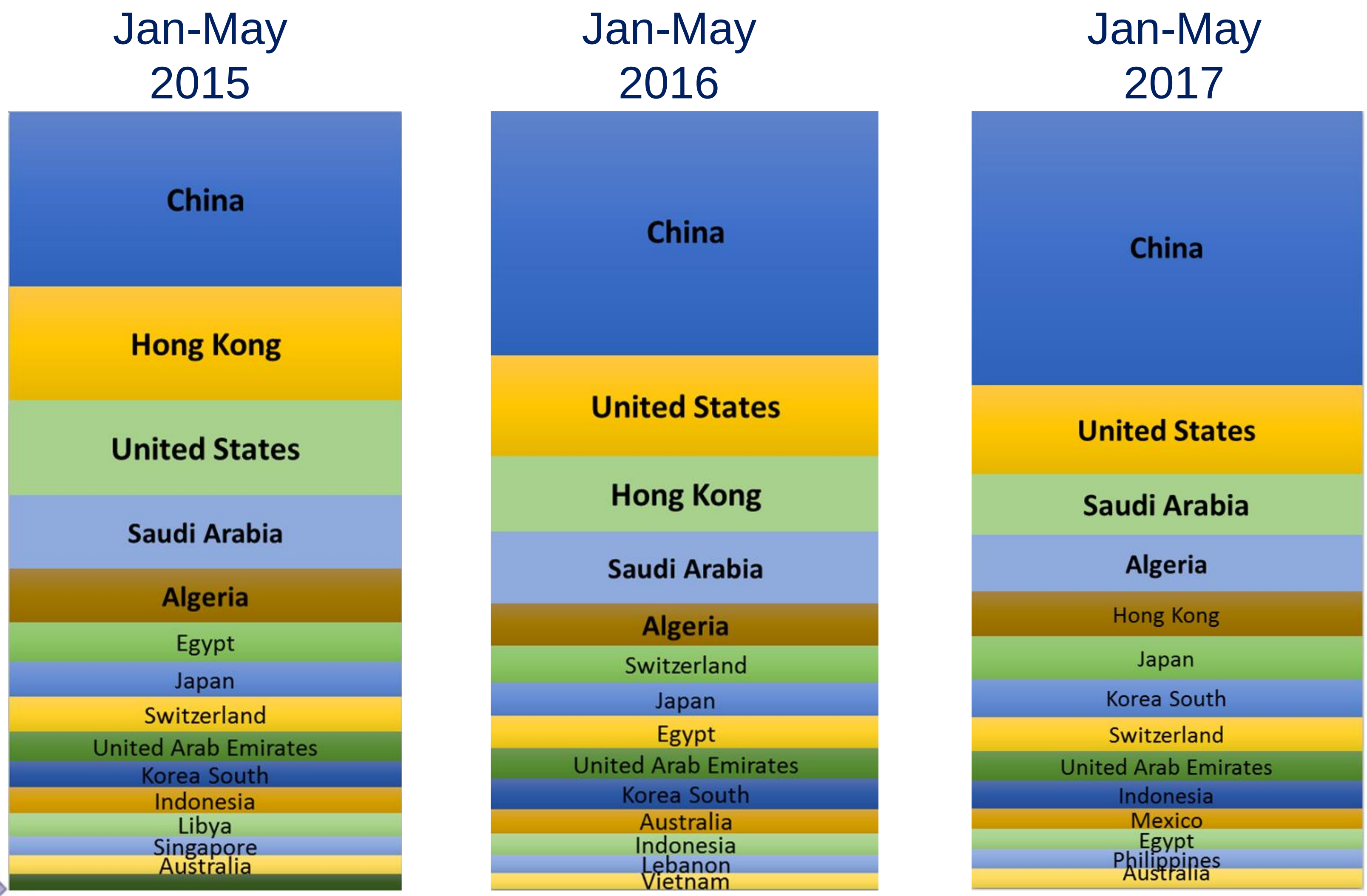
Production outlook

- **EU milk production has been weaker than expected** (poor spring, droughts in May & June, milk prices were not strong enough to incentivize growth) but with very different developments across Member States. Lower fat content of milk. Output likely to increase in H2
- **NZ milk collections for Jan-May grew by +2% (-0,78% for May yoy),** season 2016/2017 ended a lot better than expected with -1,1%, increased farmgate milk price incentivized milk production, **Outlook: +3% for new season** (Fonterra estimate)
- **Australia's milk supply is slowly recovering**, season-best performance in May with -2,8%, **full season Jul-Jun likely down -7,5%** exportable surplus contracted significantly in past year, **Outlook: between +2% and +3% for 2017/18 season**
- **US milk production rose +1,76% in May**, driving factors: +0,8% increase in cow numbers, +1% increase in yield, favourable weather, Southwest output strongly up since 5 months (+11,4% in May), **Outlook: heat wave hitting milk supply in summer?!, H2 2017 estimate: +1,5%**
- Gradual recovery of milk production in South America in 2017
- **More milk across the globe in H2 2017**

Dairy exports of main market players in ME

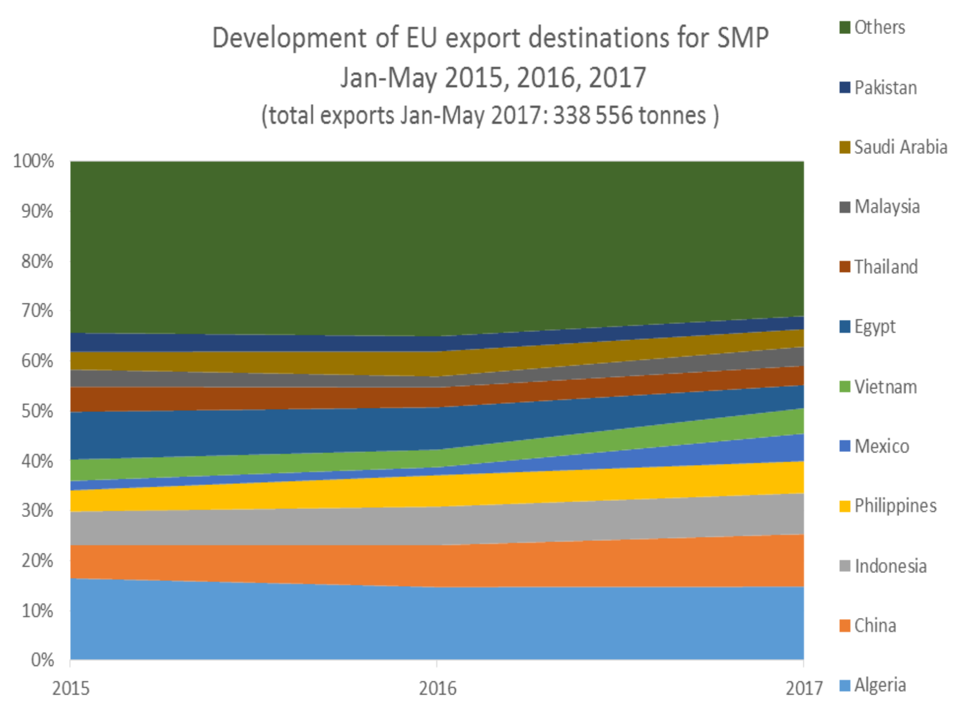


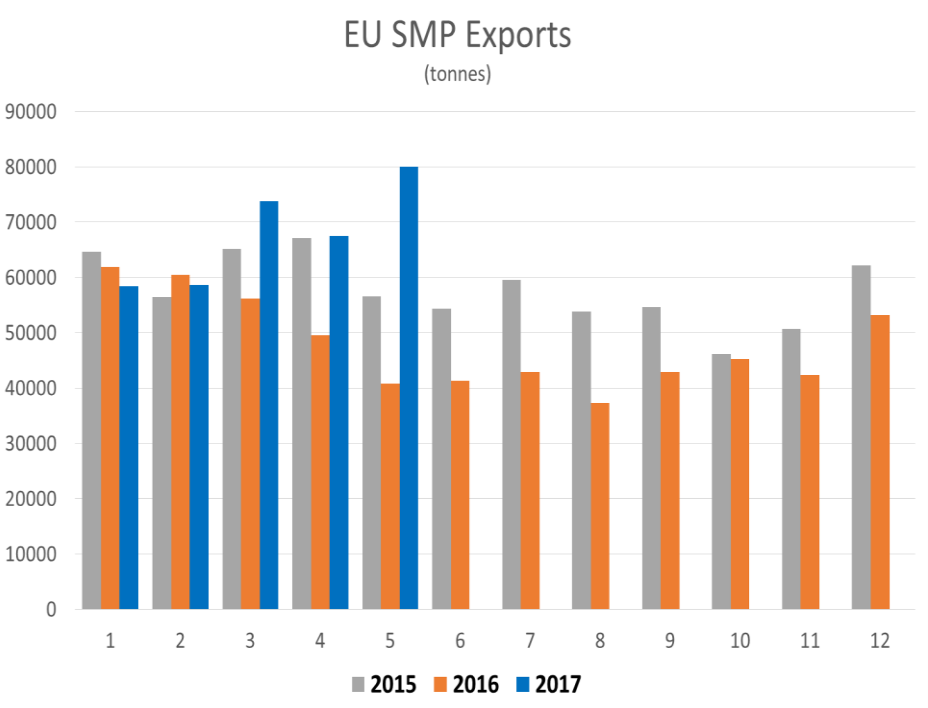
Main EU export markets for all dairy products (in value - €)

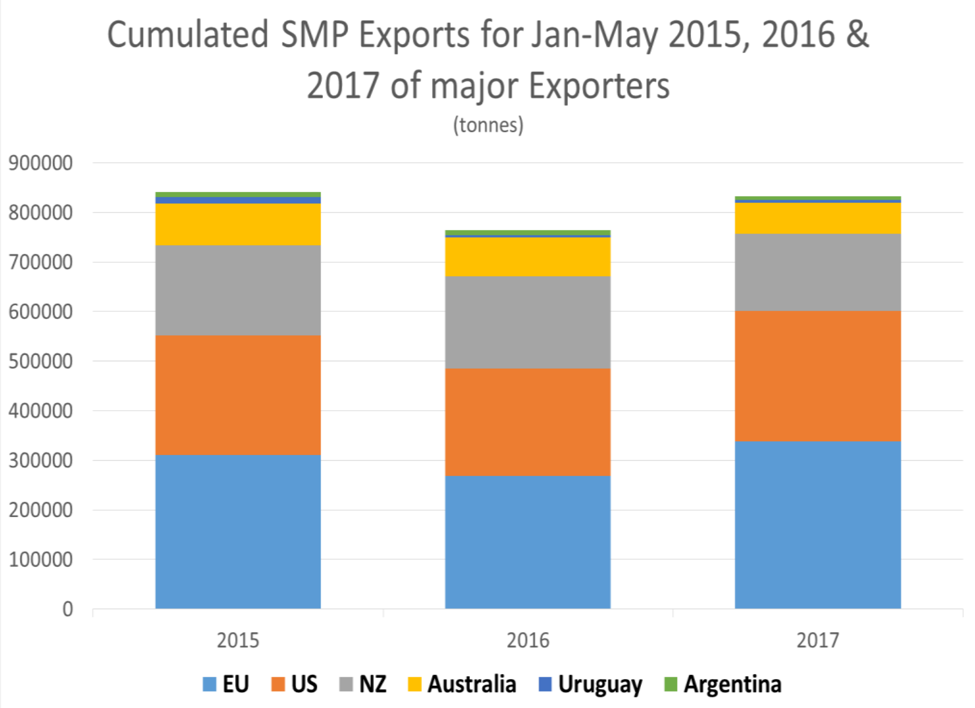


SMP trade

- EU SMP exports:
  - Growth rate Jan-May 17/16: +25,9%
- Combined SMP exports:
  - Growth rate Jan-May 17/16: +8,9%

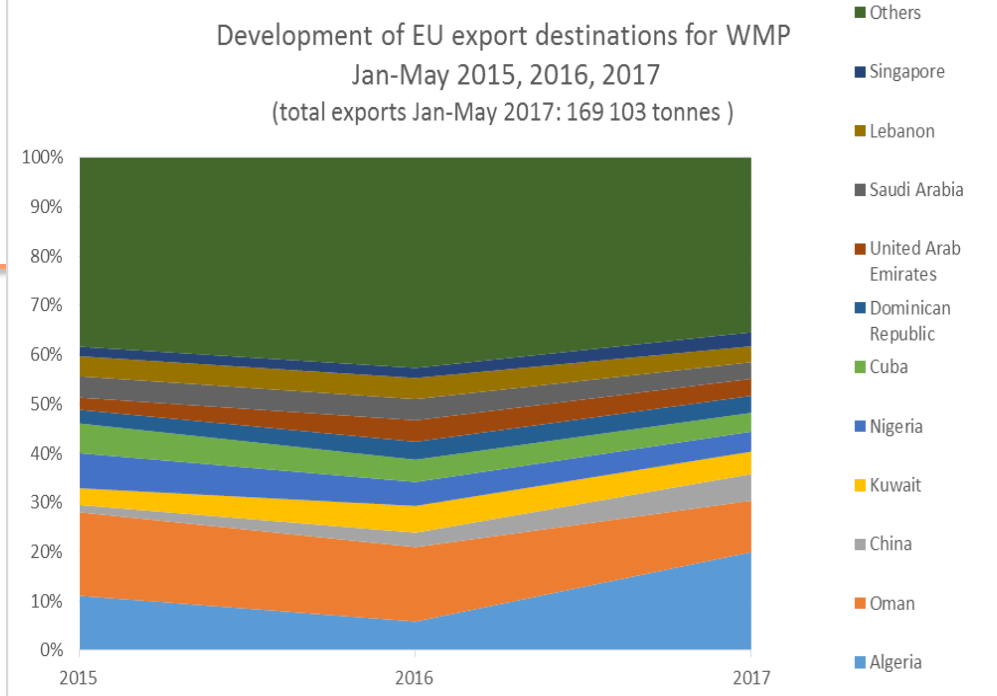


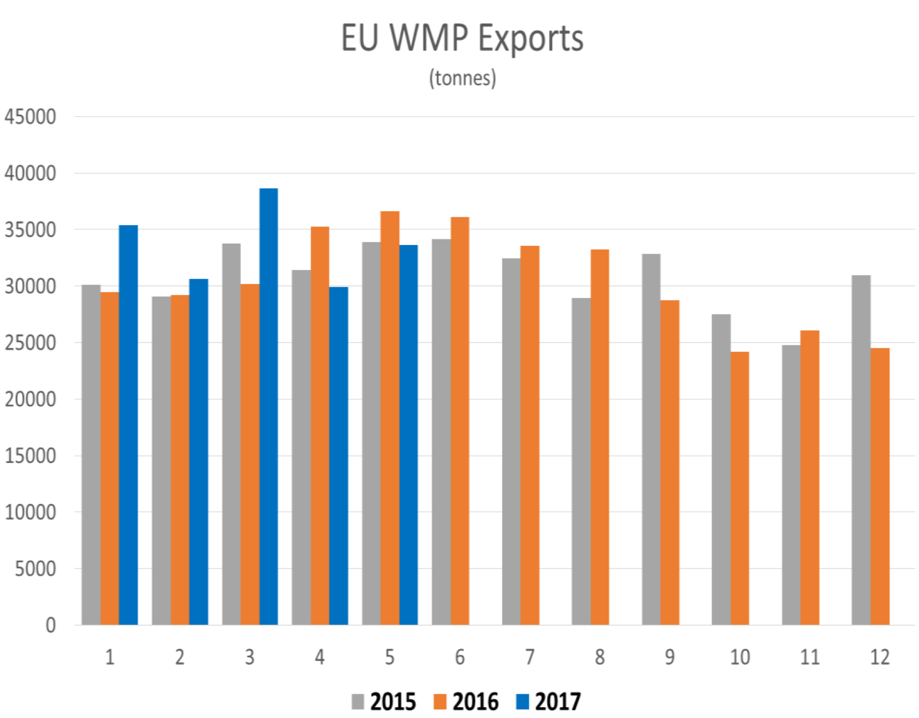


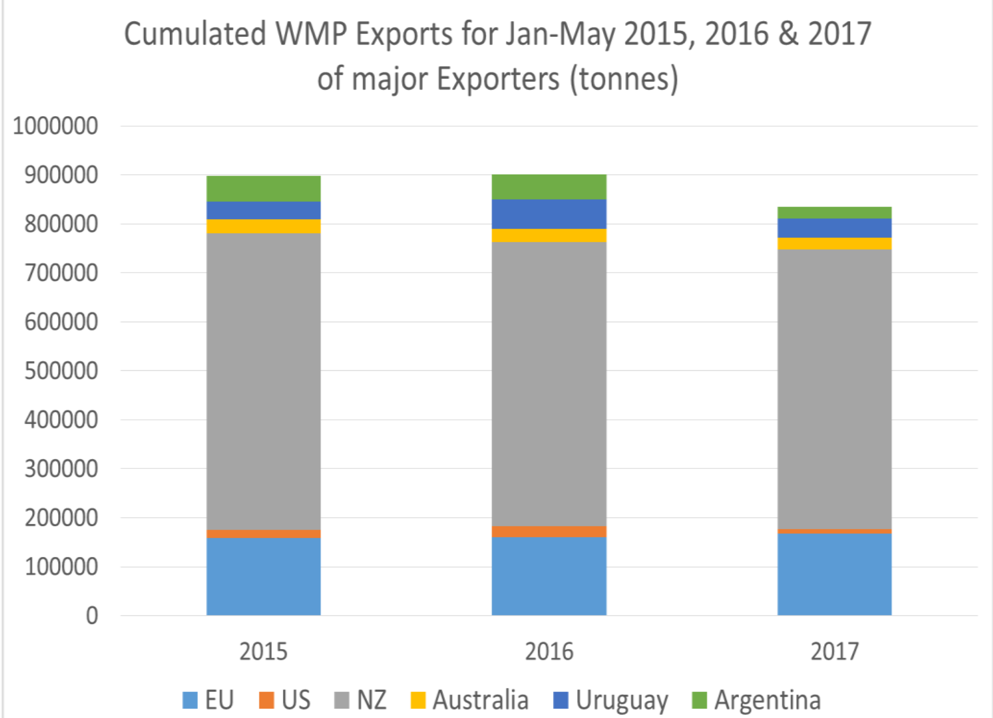


WMP trade

- EU WMP exports:
  - Growth rate Jan-May 17/16: +4,7,%
- Combined WMP exports:
  - Growth rate Jan-May 17/16: -6,3%



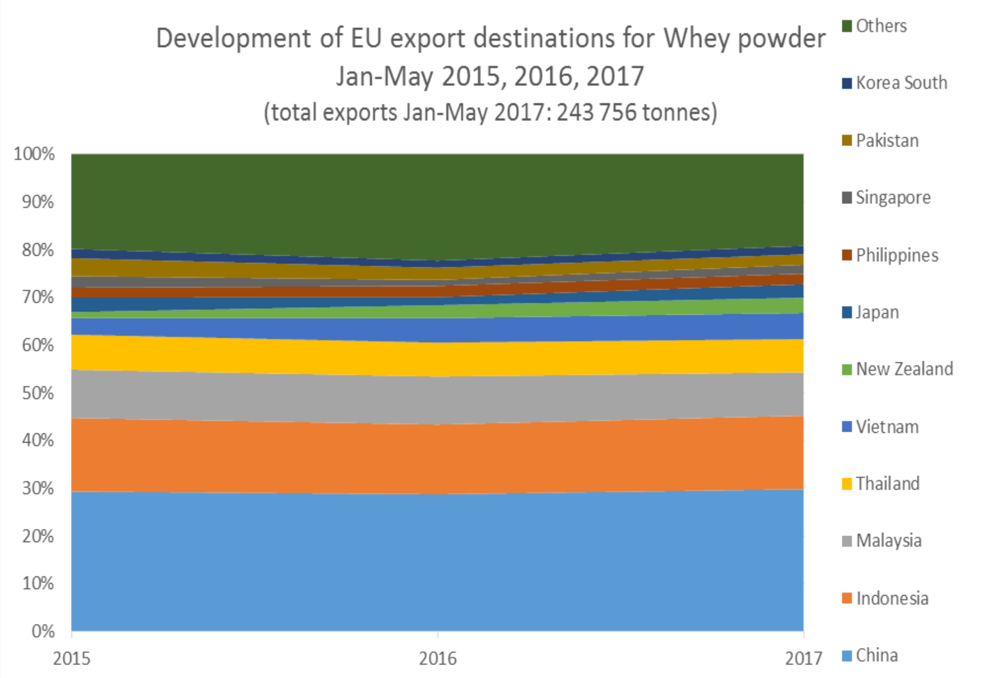


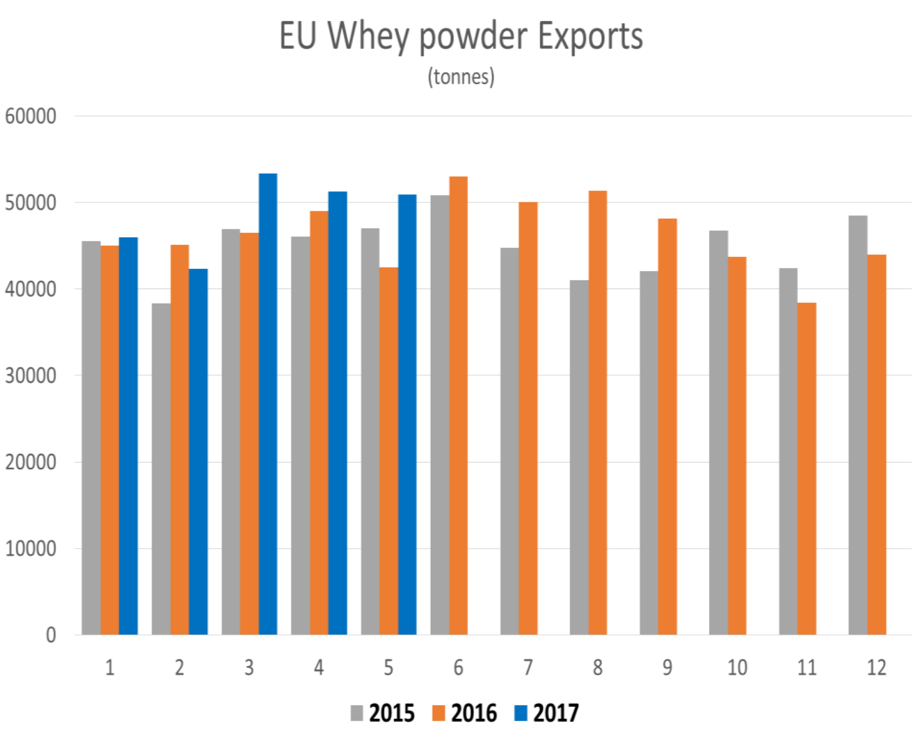


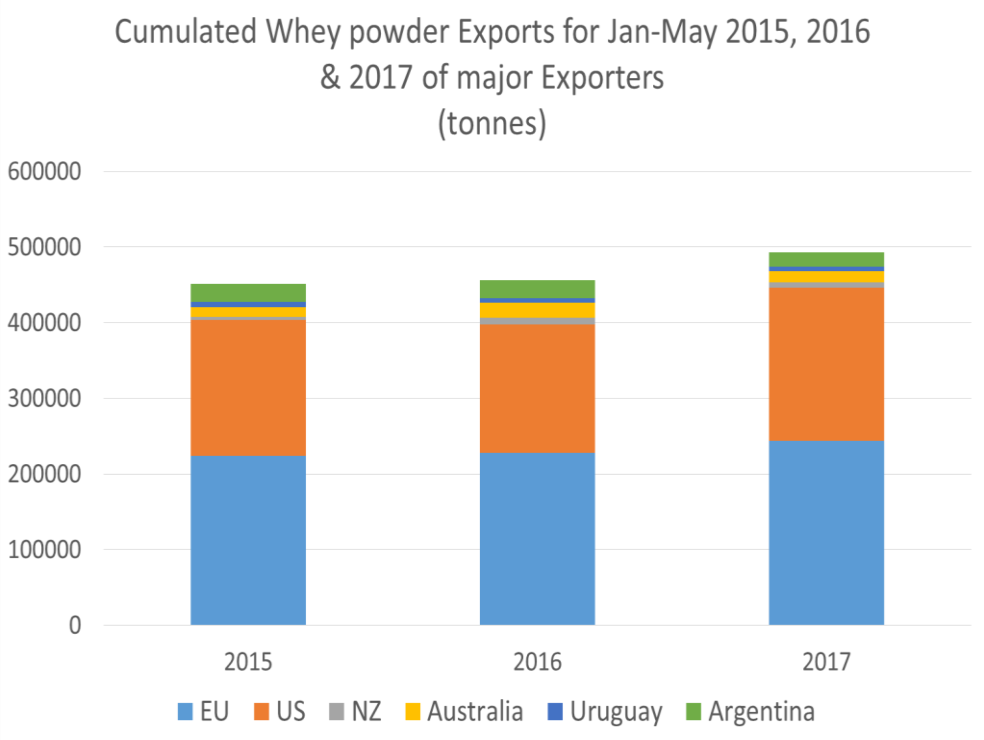
Whey powder trade

- EU whey powder exports:
  - Growth rate Jan-May 17/16: +6,9%

- Combined whey powder exports:
  - Growth rate Jan-May 17/16: +7,7%

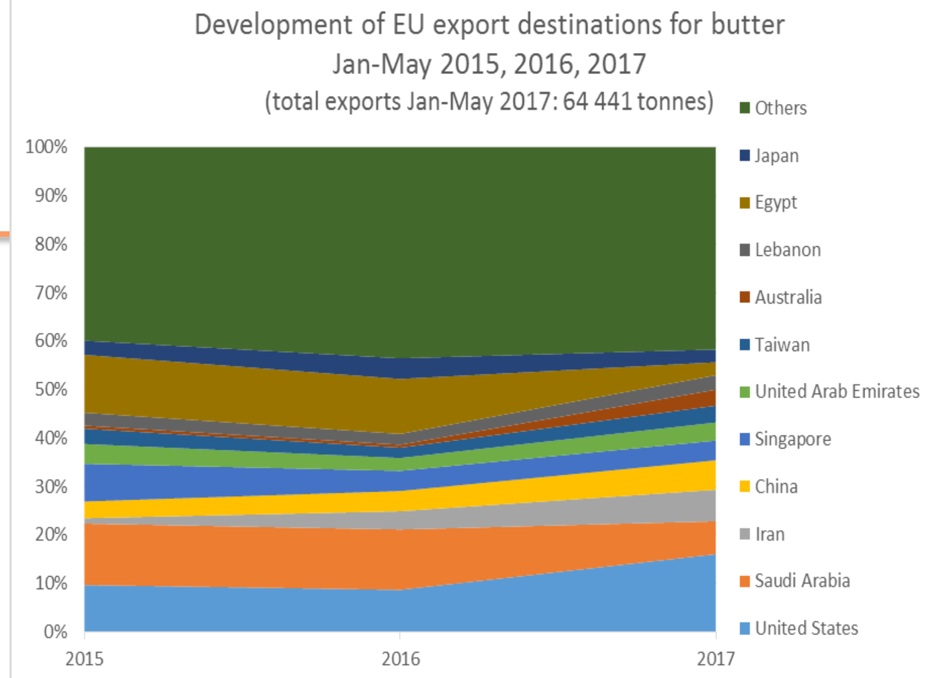


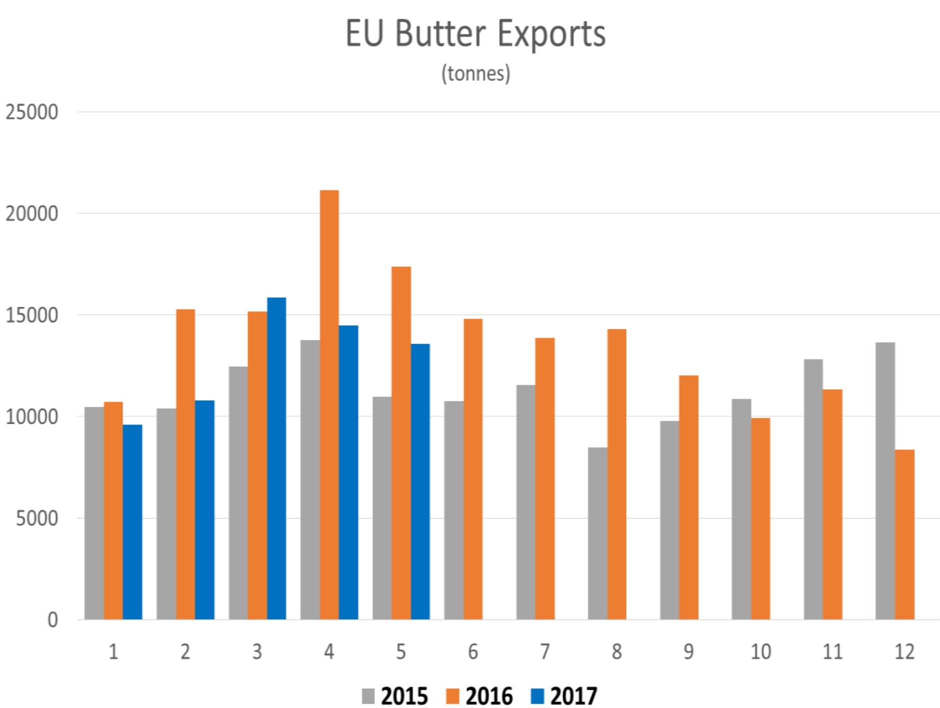


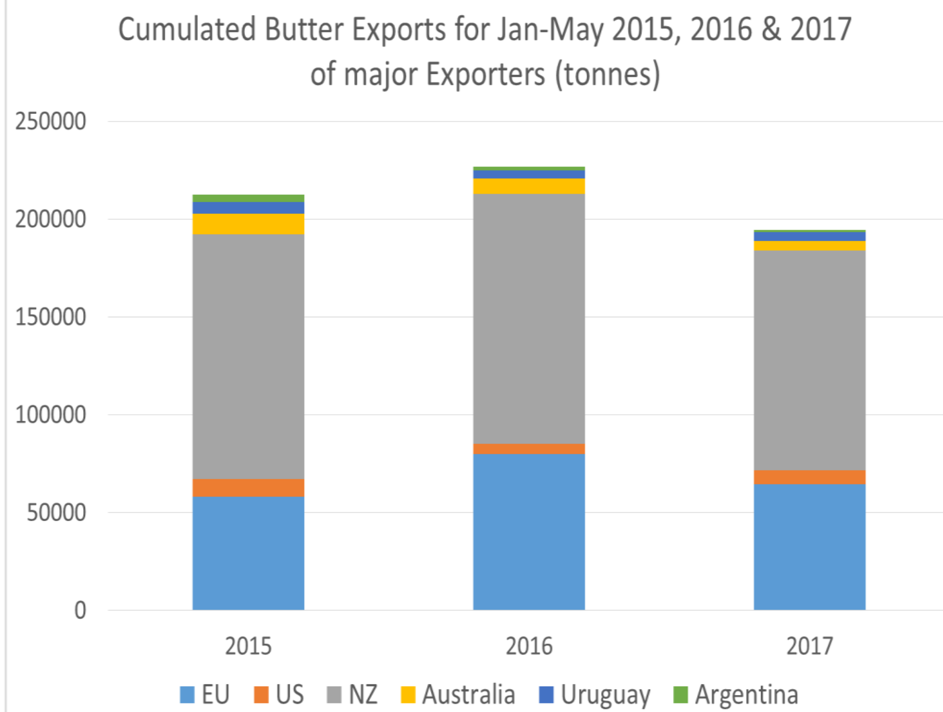


Butter trade

- EU butter exports:
  - Growth rate Jan-May 17/16: -19,3%
- Combined butter exports:
  - Growth rate Jan-May 17/16: -14,4%

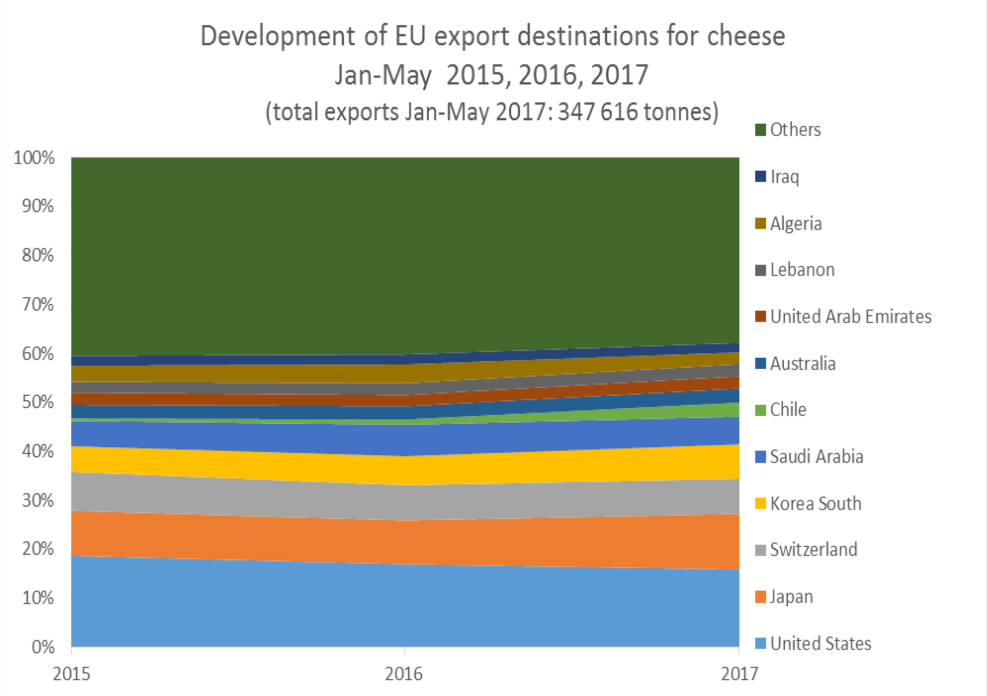


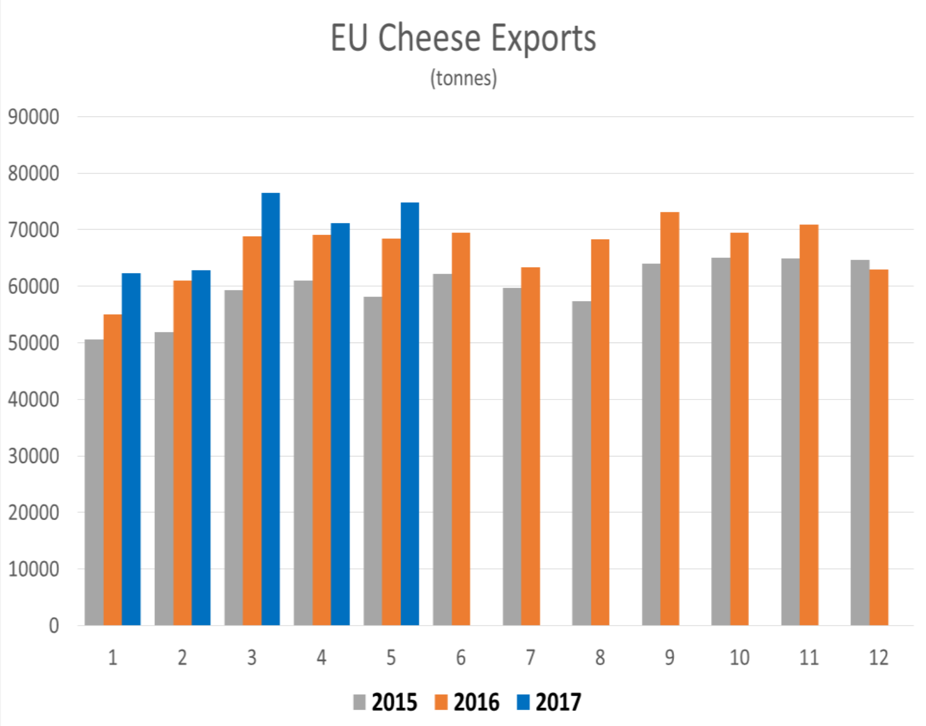


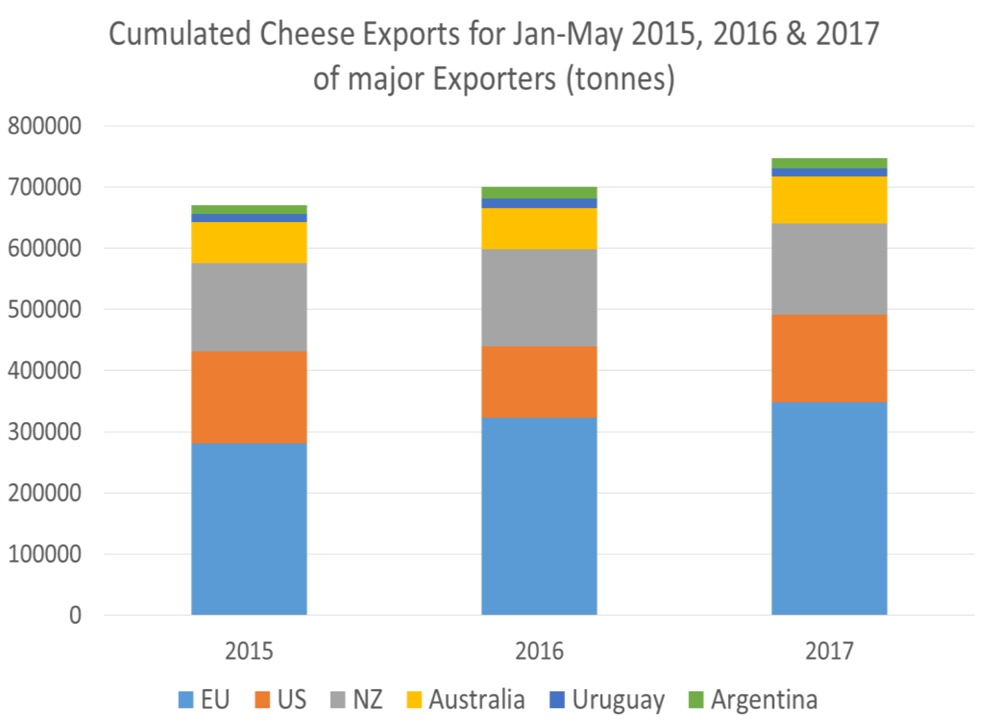


Cheese trade

- EU cheese exports:
  - Growth rate Jan-May 17/16: +7,8%
- Combined cheese exports:
  - Growth rate Jan-May 17/16: +6,3%

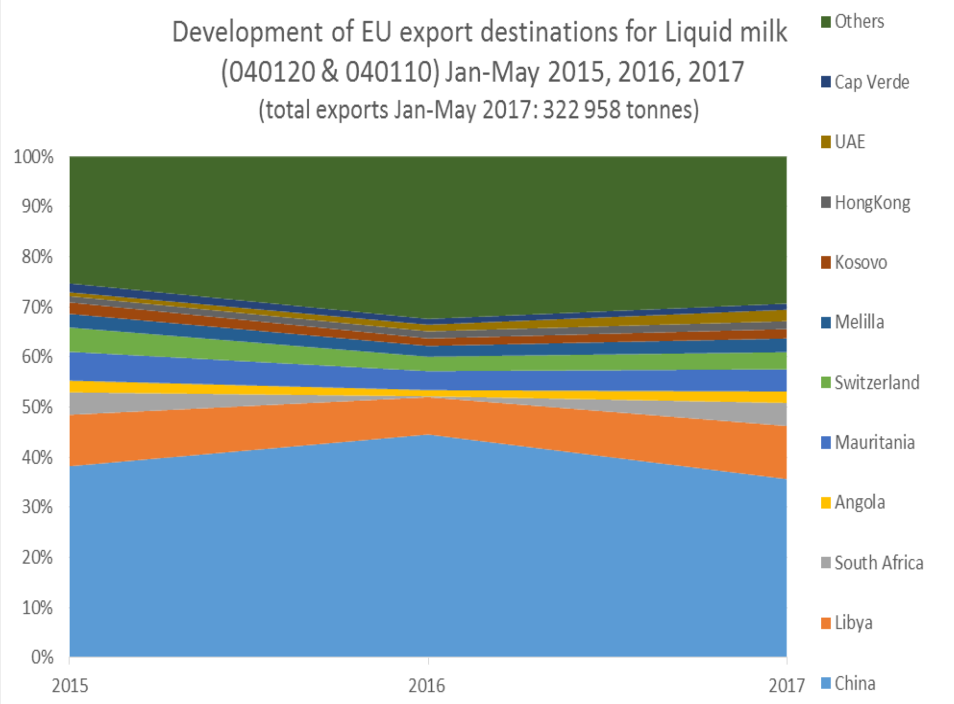


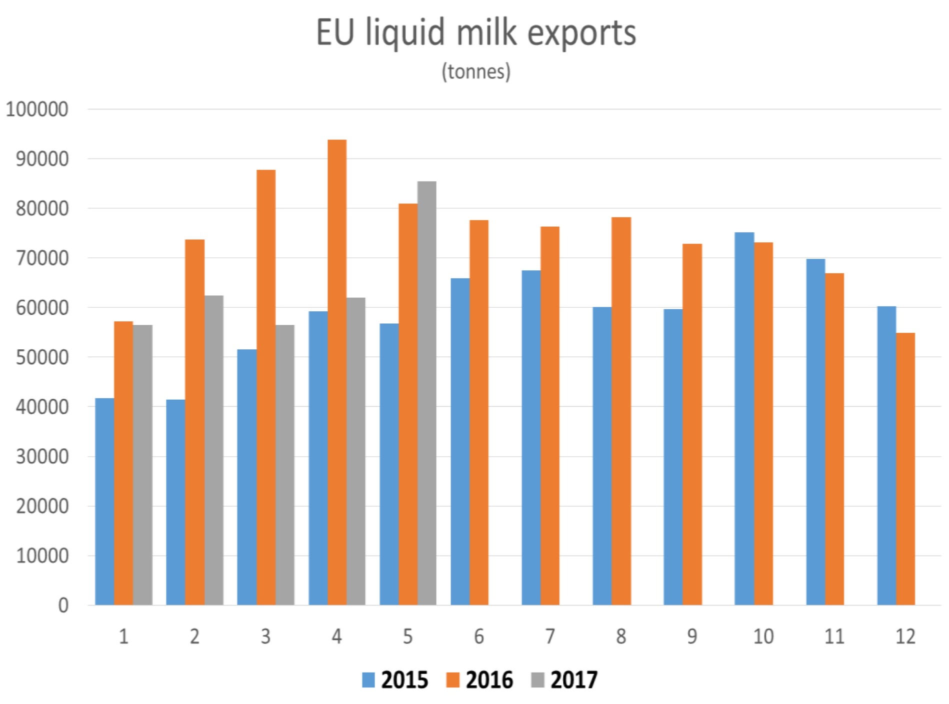


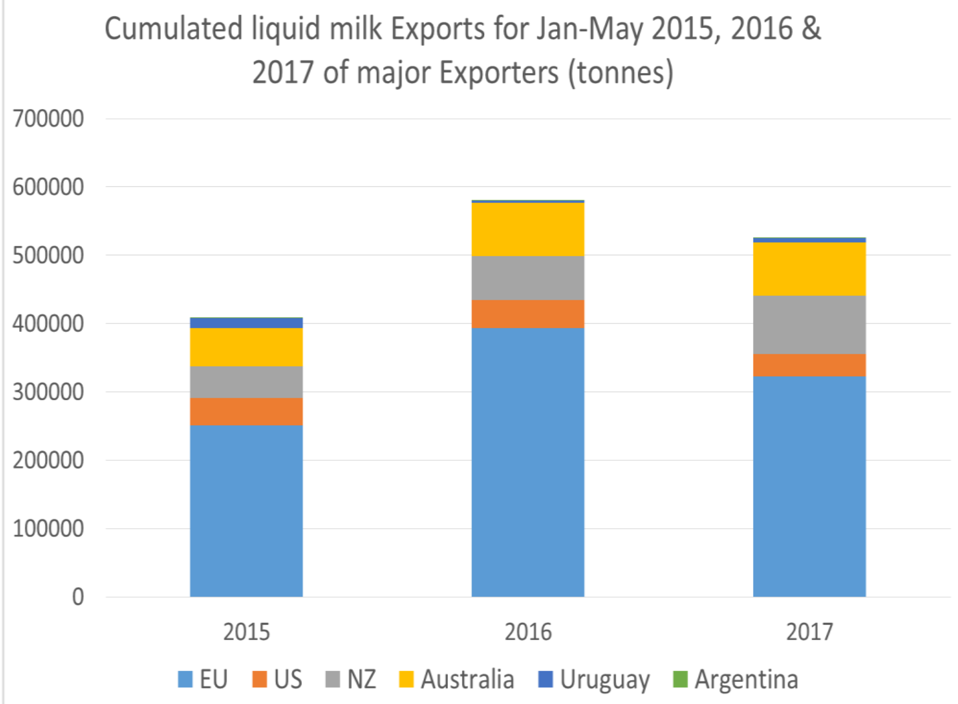


Trade of milk

- EU milk exports:
  - Growth rate Jan-May 17/16: -17,9%
- Combined milk exports:
  - Growth rate Jan-May 17/16: -9,4%

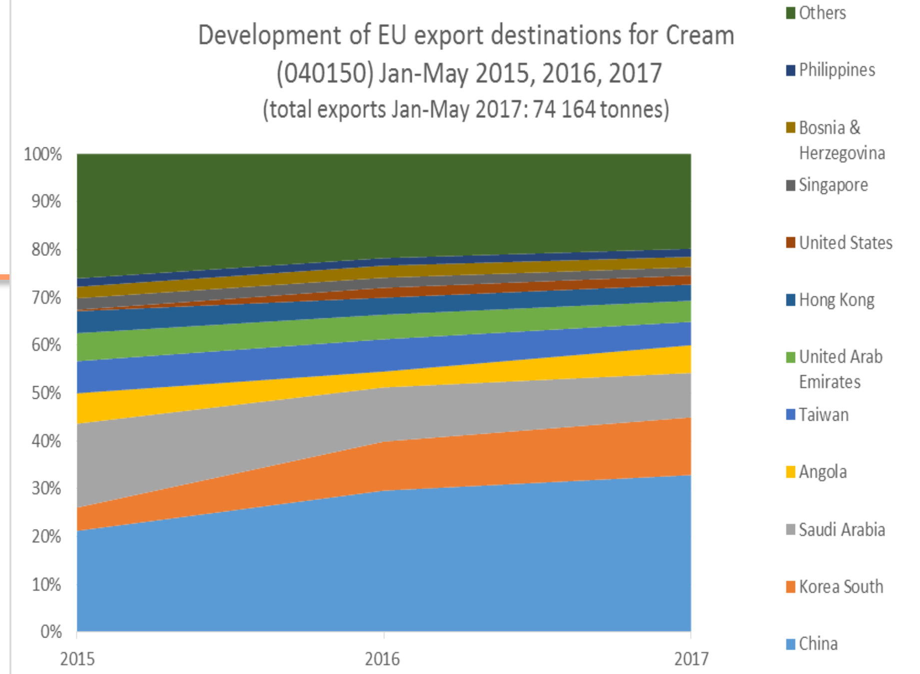


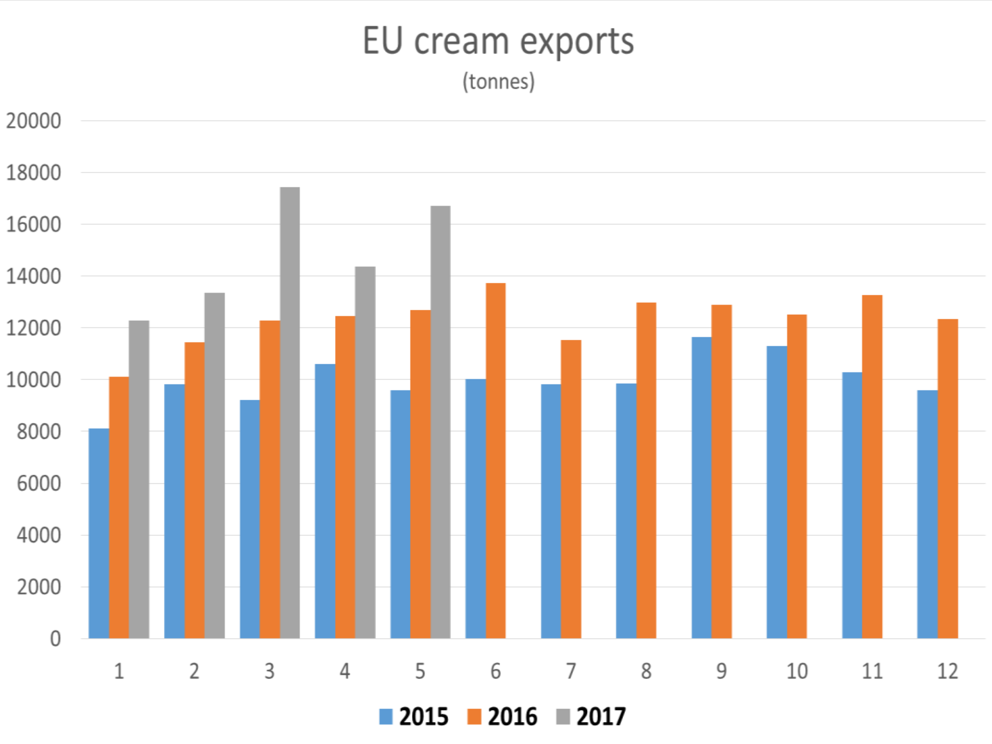


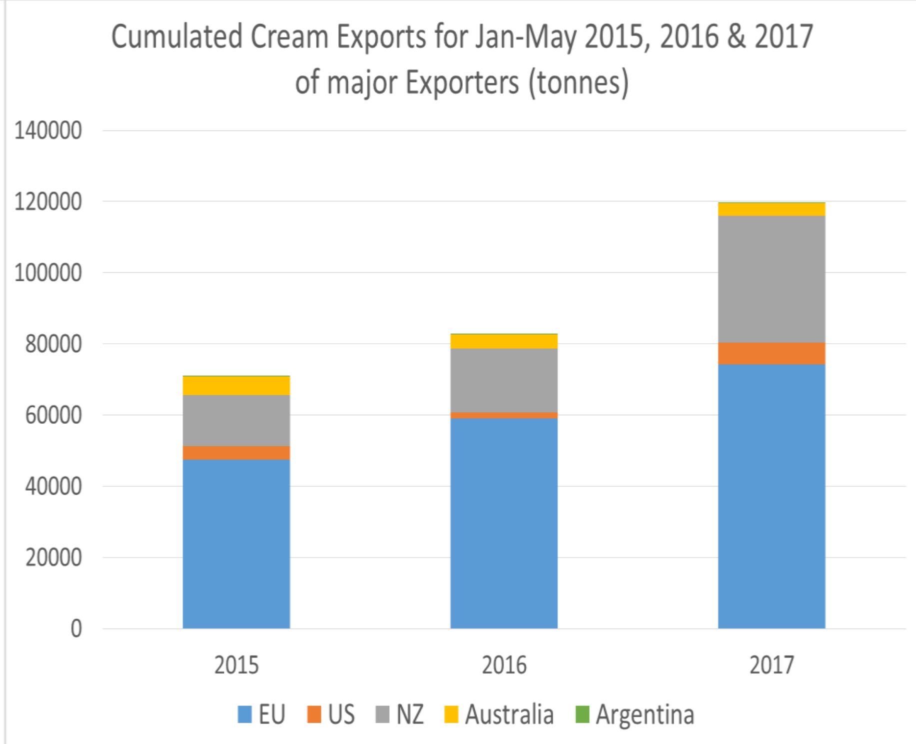


Trade of cream

- EU cream exports:
  - Growth rate Jan-May 17/16: +24,5%
- Combined cream exports:
  - Growth rate Jan-May 17/16: +44,6%

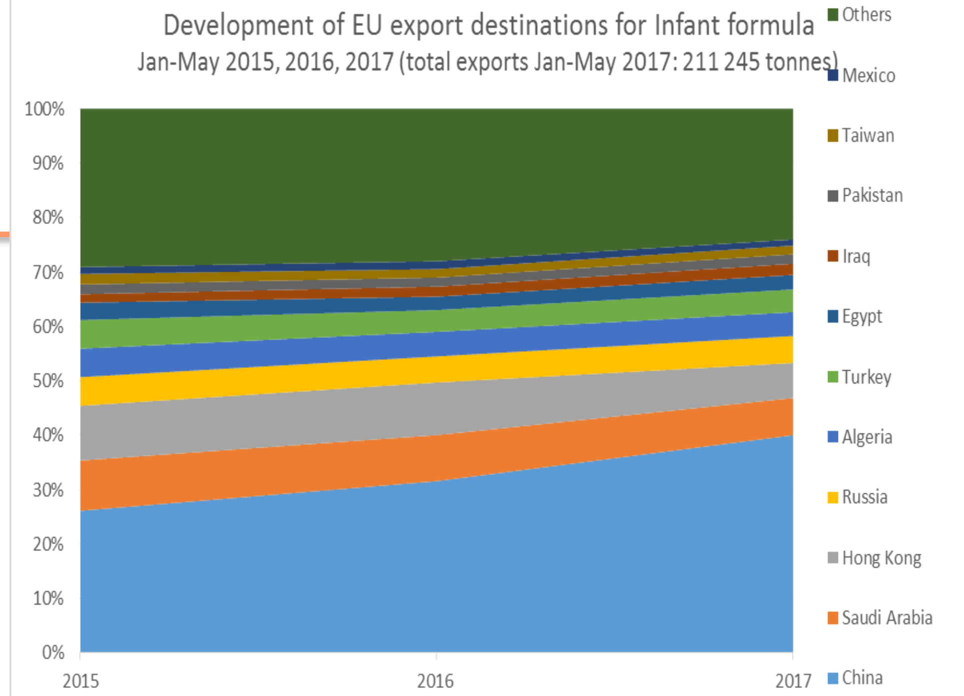


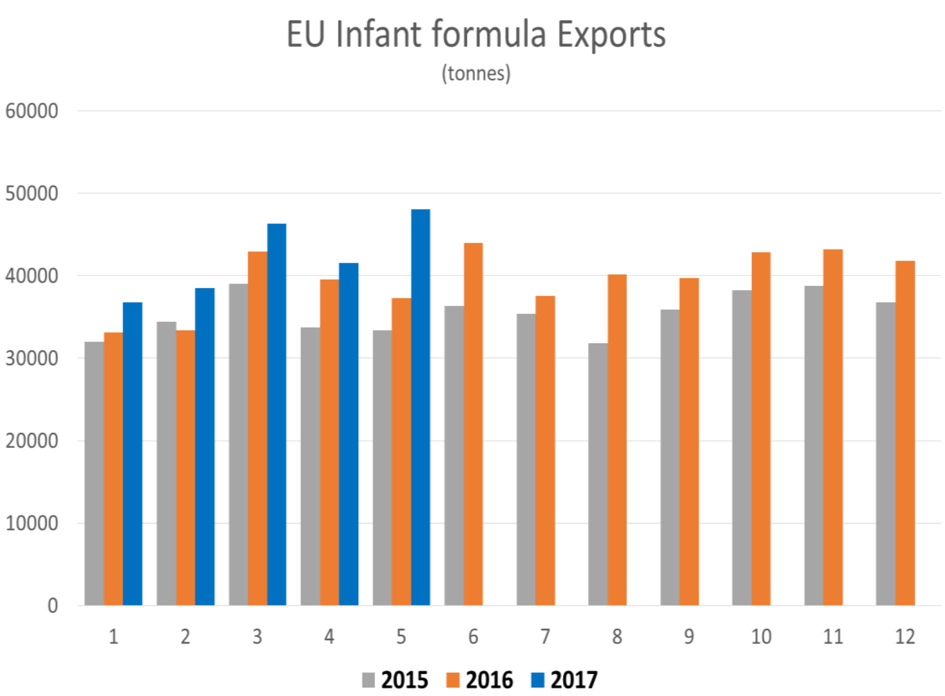


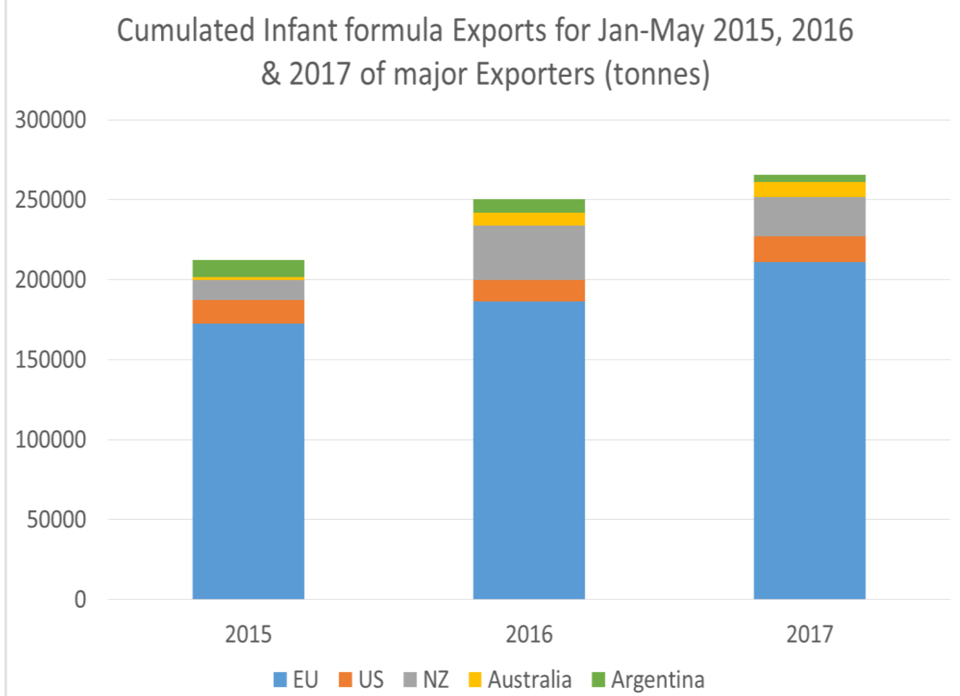


Infant formula trade

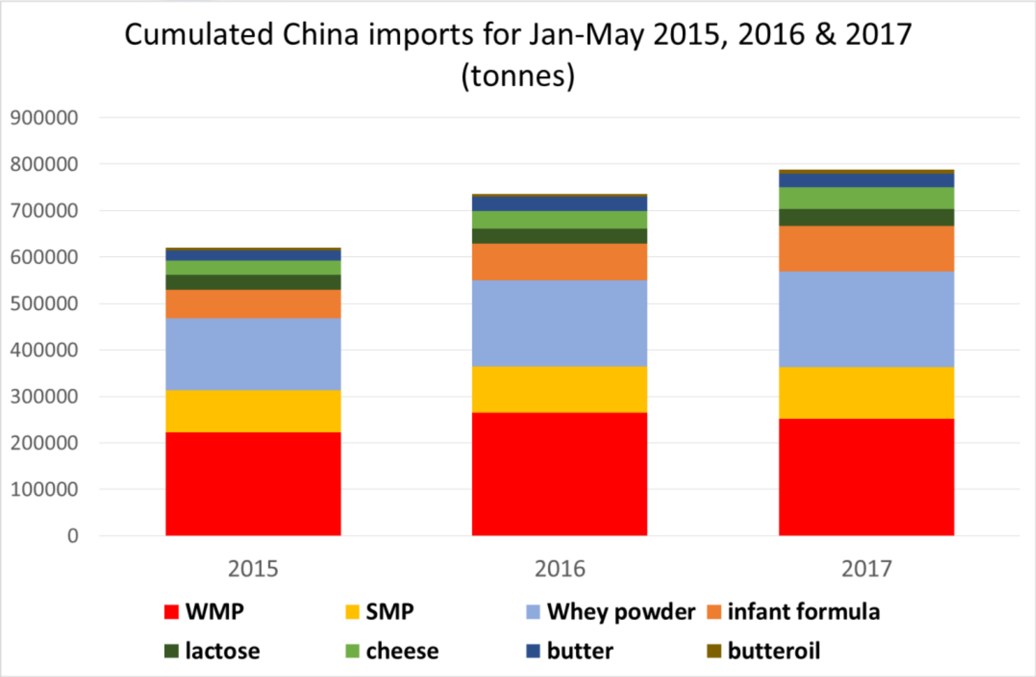
- EU infant formula exports:
  - Growth rate Jan-May 17/16: +13,4%
- Combined infant formula exports:
  - Growth rate Jan-May 17/16: +5,8%

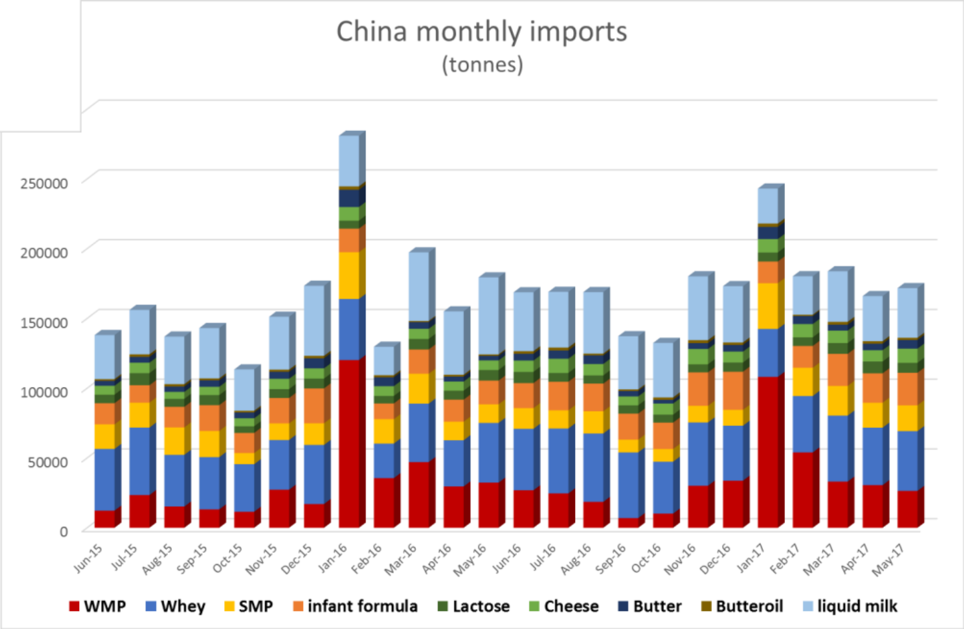




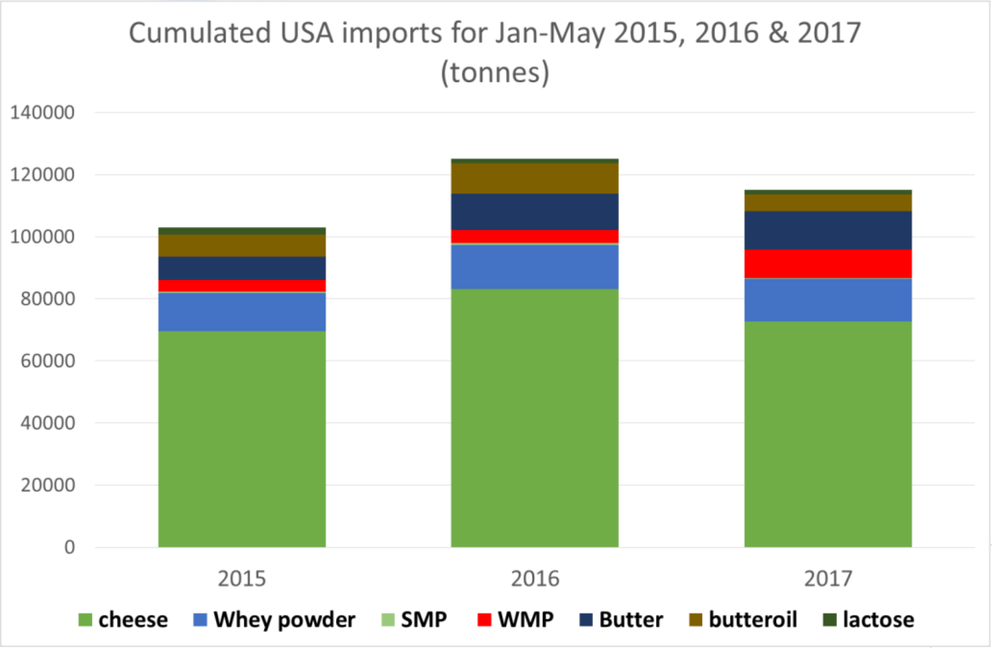


China imports

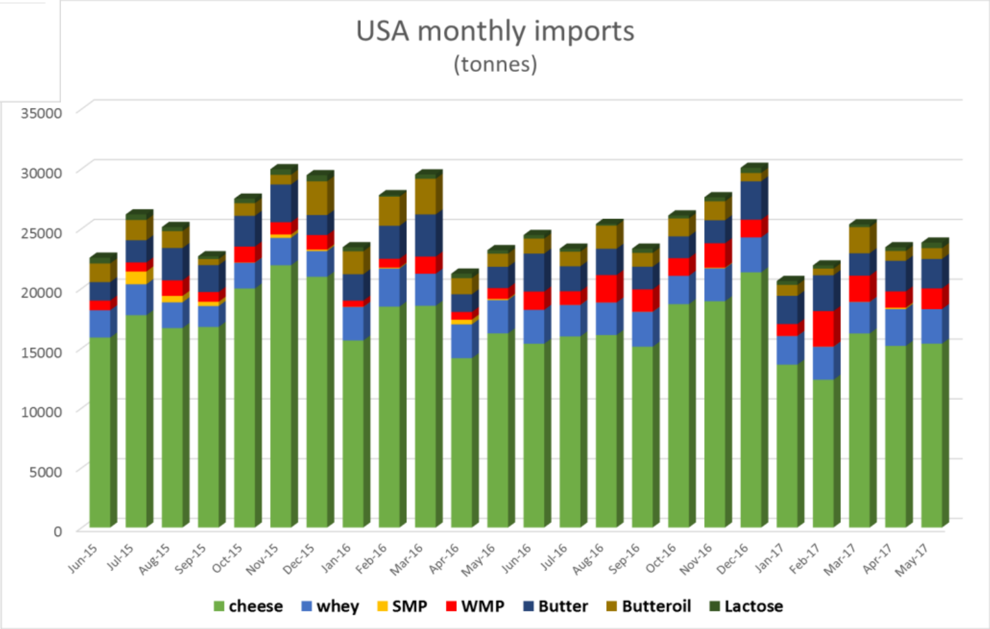




USA imports

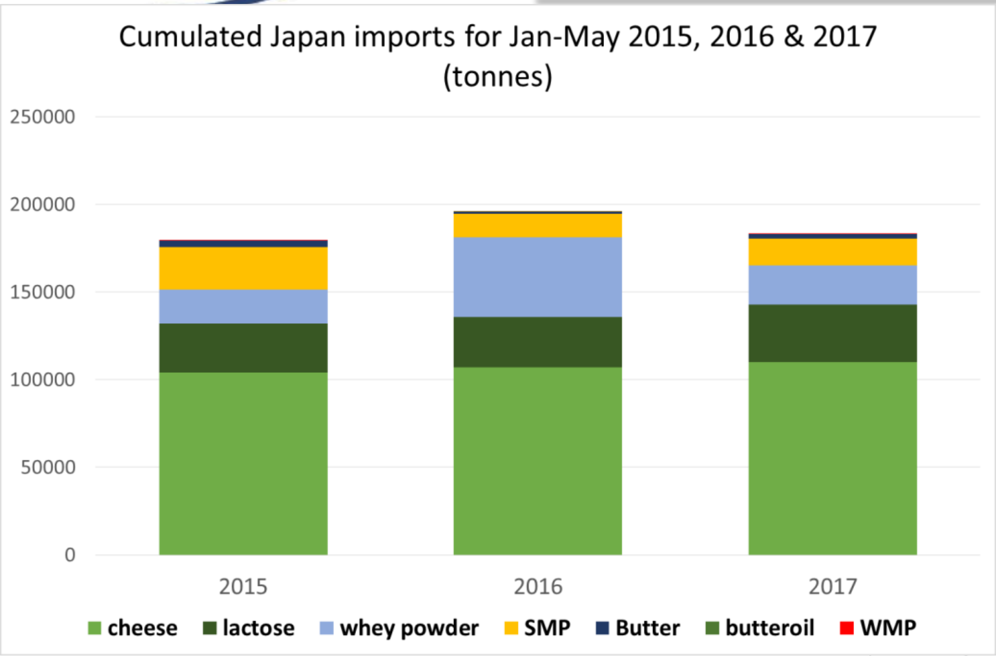


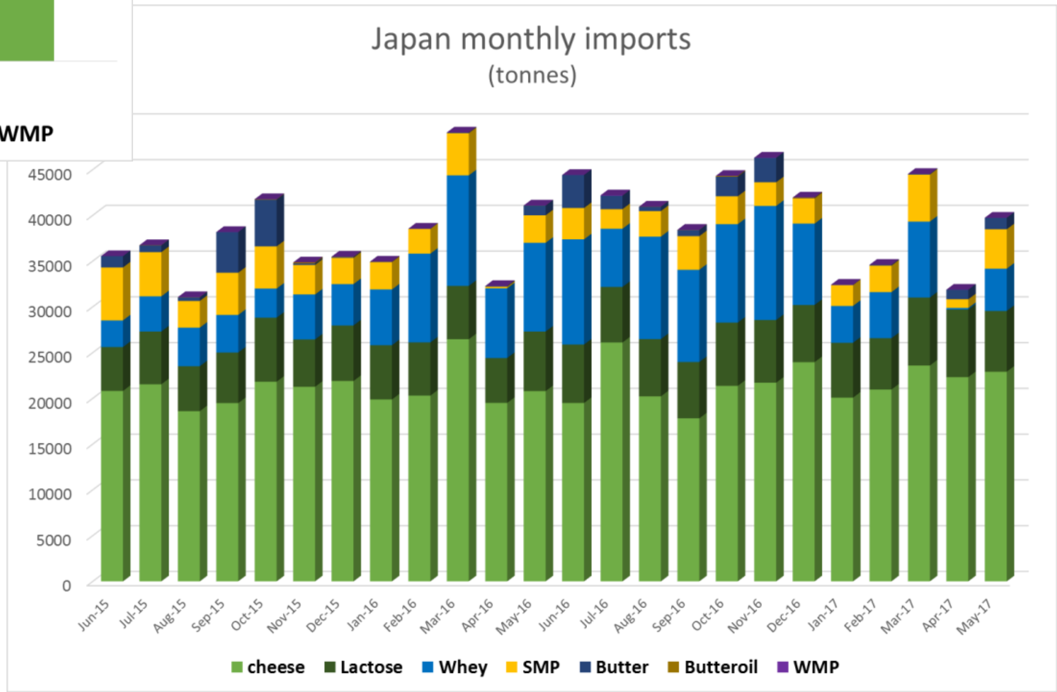
Cumulated USA imports for Jan-May 2015, 2016 & 2017
(tonnes)
140000
120000
100000
80000
60000
40000
20000
0
2015
2016
2017
cheese
Whey powder
SMP
WMP
Butter
butteroil
lactose



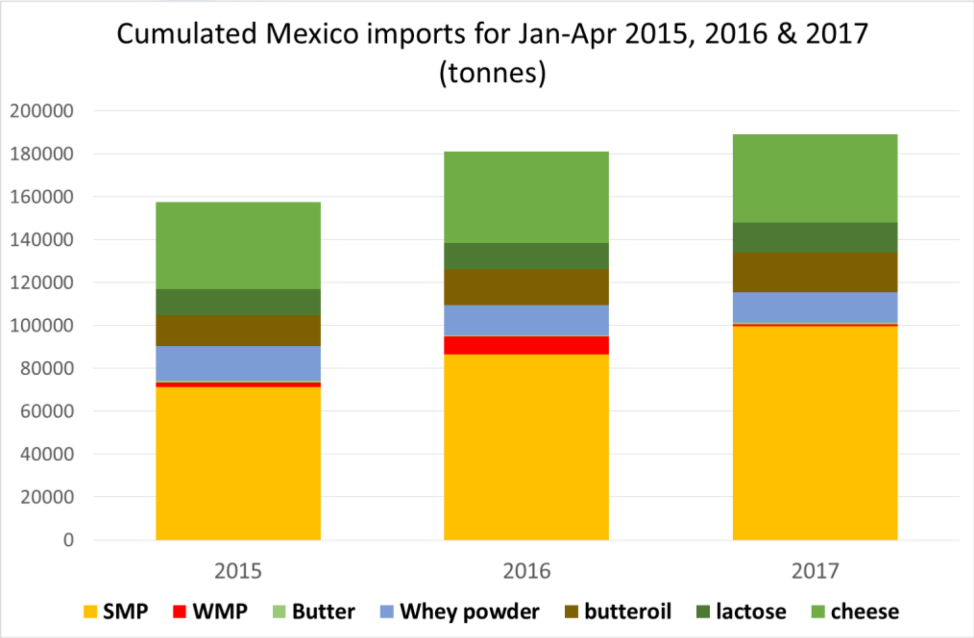
USA monthly imports
(tonnes)
35000
30000
25000
20000
15000
10000
5000
0
Jun-15
Jul-15
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
Jan-16
Feb-16
Mar-16
Apr-16
May-16
Jun-16
Jul-16
Aug-16
Sep-16
Oct-16
Nov-16
Dec-16
Jan-17
Feb-17
Mar-17
Apr-17
May-17
cheese
whey
SMP
WMP
Butter
Butteroil
Lactose

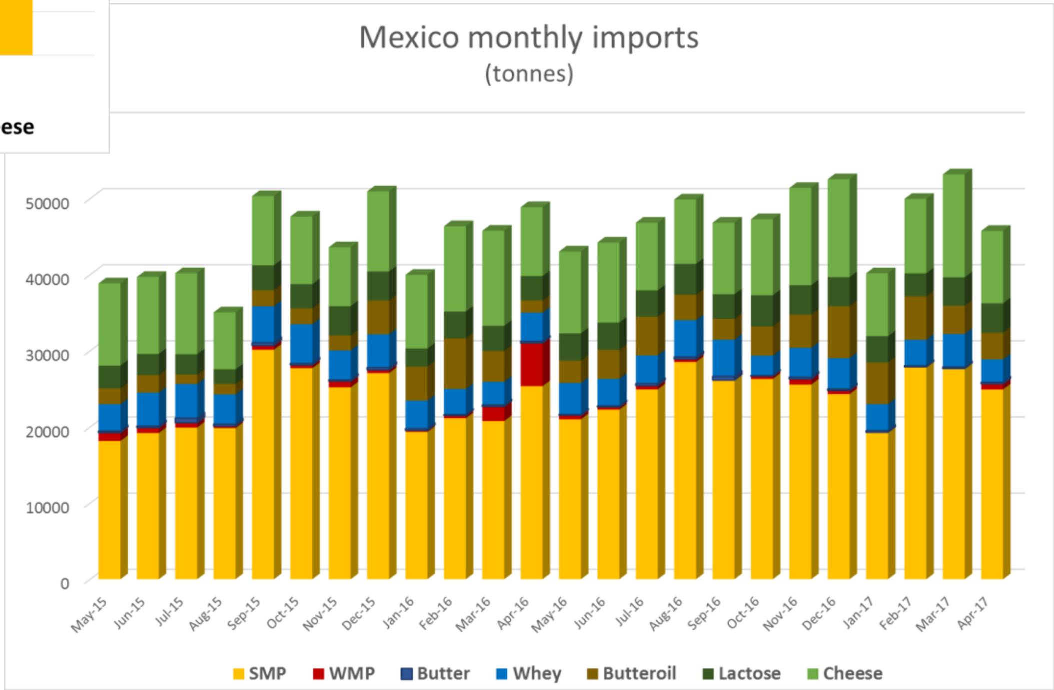
Japan imports



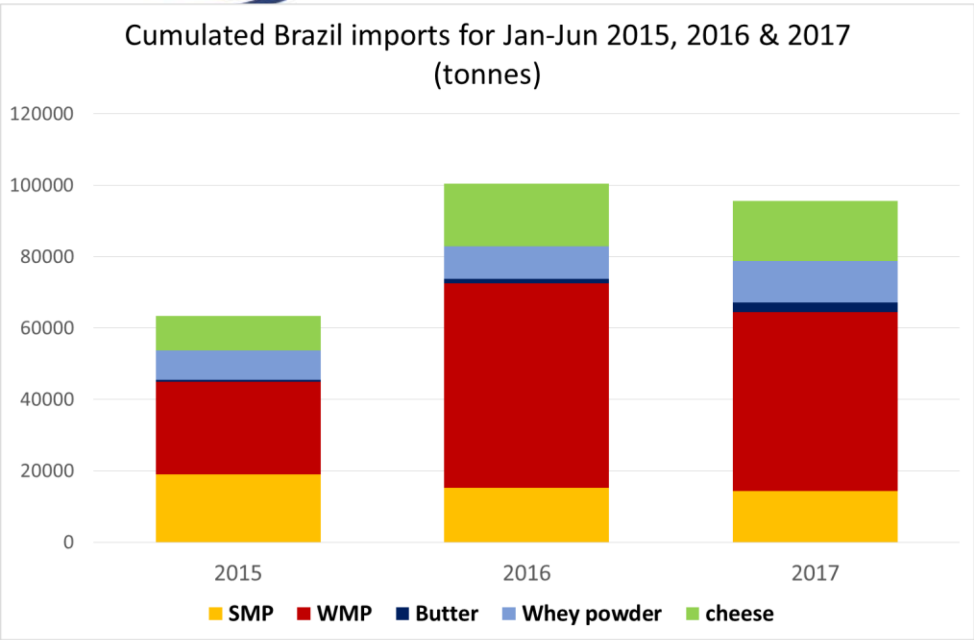


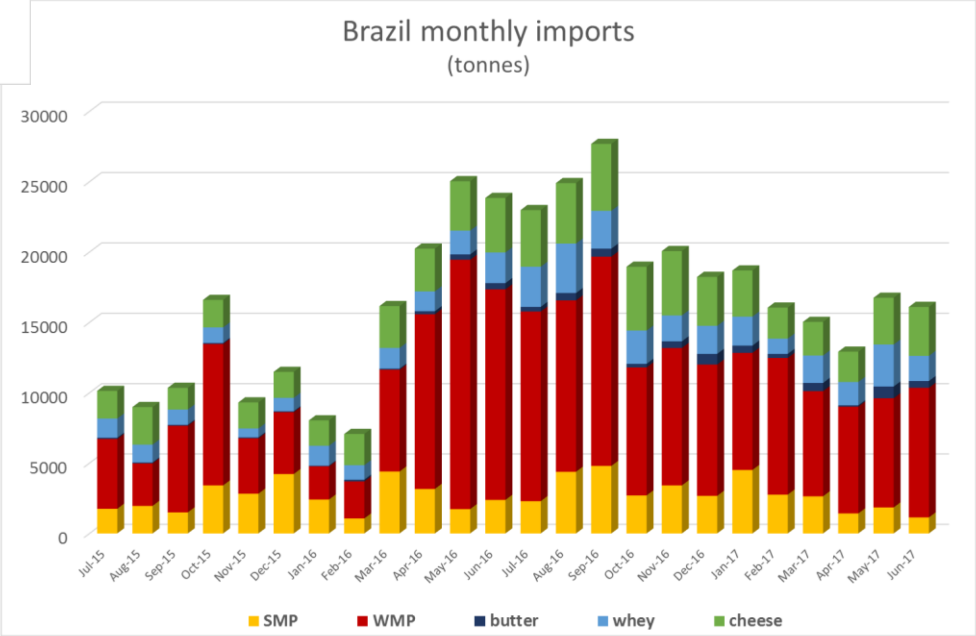
Mexico imports





Brazil imports





Conclusions

- **Global milk production has recovered** (albeit slower than expected in the EU) and is likely to increase in all regions in H2.

- The **split between fat and protein prices has increased further** and a correction is not expected in the short term

- **Lots of nervosity about how and when SMP stocks are released**

- **Mixed picture on global demand & exports: SMP** exports have been performing well but the **market is now weakening due to slower demand** as buyers are waiting for lower prices. **Healthy demand for cheese**, while **butter trade is affected by high prices** and lack of availability. **WMP demand quite slow** and partly displaced by fat filled milk powders; however **China is expected to import more in H2 2017**.

- **Recent currency developments play into the hands of the US**, **now the most competitive across the whole product range**

- First statistical **evidence of the negative impact of the French mandatory CoOL measure** available, showing negative impact on single market

- EU **trade policy successes (Canada, Japan) boost confidence** for the longer term future

- Thank you for your attention -

ANNEX 4

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

EuroCommerce

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

Milk Market Observatory

25 July 2017

EuroCommerce for retail & wholesale

Belgium

Product	June 2017 vs. June 2016 Consumer Price Index
Whole milk	-10,08%
Semi-skimmed milk	-6,29%
Concentrated and powdered milk	+3,38%
Yoghurt	-0,32%
Butter	+18,99%

	% change in volume	% change in value	% change in price
Dairy products	-1,0%	-1,1%	-0,1%

Source: Nielsen ScanTrack

France

Period ending 11 June 2017

Product category	Volume (% change) 4 weeks period (P6'16/P6 '17)	Volume (% change) Year on year (P6 '15-P6 '16 / P6 '16 –P6 '17)	Price (% change) 4 weeks period (P6'16/P6 '17)	Price (% change) Year on year (P6 '15-P6 '16 / P6'16 –P6 '17)
Total liquid milk	-3,9%	-3,8%	+1,1%	+0,8%
Of which UHT semi-skimmed milk	-7,9%	-5,9%	+0,6%	+0,7%
Yoghurt & fresh cheese	-5,5%	-1,5%	+0,1%	-0,7%
Butter	-5,2%	-0,6%	+5,7%	+1,4%
Cream	-7,4%	-2,5%	+3,5%	+0,2%
Cheese	-1,7%	+0,4%	+1,4%	-0,3%

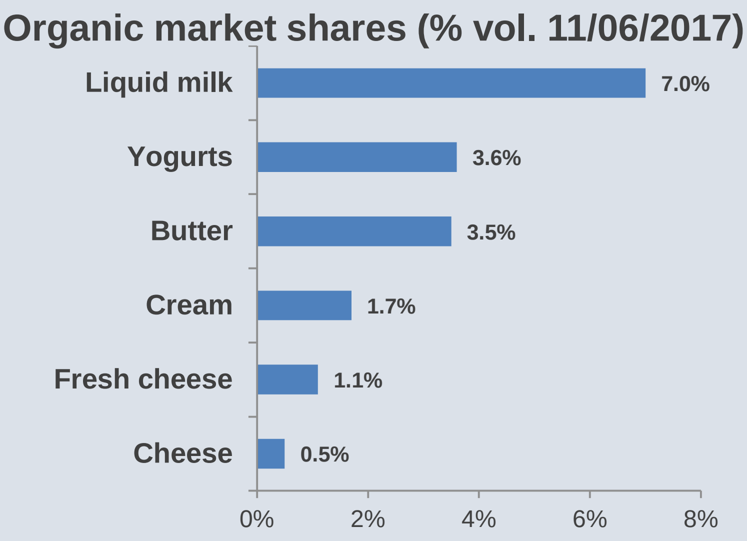
Source: Kantar World Panel via FranceAgriMer (Min. de l'Agriculture)

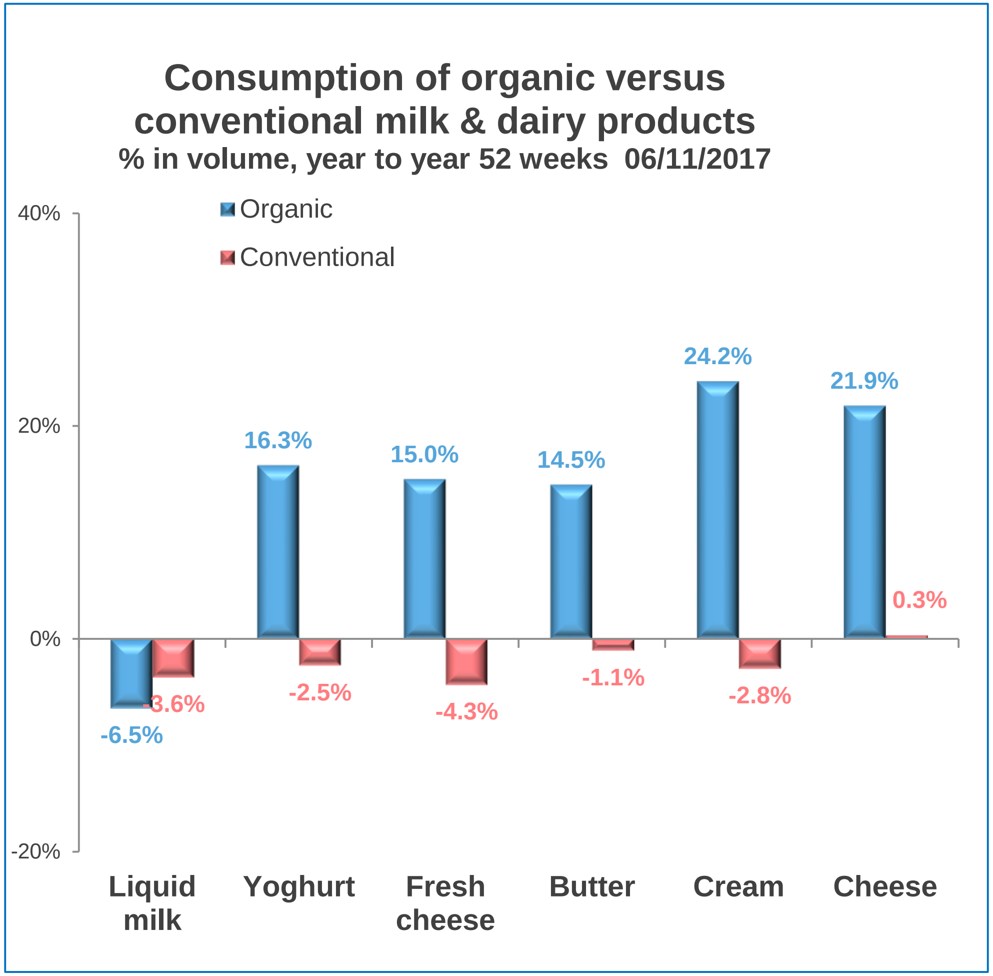
France

Sales of organic versus conventional milk & dairy products

Organic milk & dairy products

❖ Organic dairy products sales have continued to increase. The increase is registered for every product, **except liquid milk**.





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

France

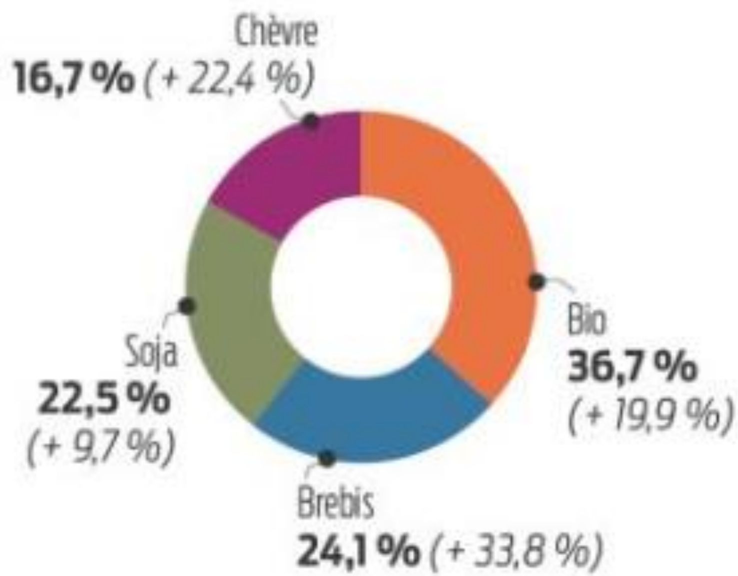
Top 20 des marques
Les gros trinquent

	% CA	Évol. 1 an
MDD	27,9 %	- 3,6 %
Danone	27,7 %	- 4,9 %
Yoplait	12,8 %	- 6,5 %
Nestlé	11,8 %	+ 2,9 %
Bonne Maman	2,6 %	+ 9,4 %
Rians	2,3 %	+ 1,6 %
Mamie Nova	2,1 %	+ 6,5 %
Sojasun	1,5 %	+ 2,5 %
Vrai	1,3 %	+ 15,9 %
Soignon	1,0 %	+ 26,4 %
Malo	0,9 %	+ 14,9 %
La Fermière	0,9 %	+ 23,8 %
Le Petit Basque	0,8 %	+ 26,8 %
Kinder	0,7 %	+ 5,7 %
Michel et Augustin	0,5 %	+ 6,9 %
GÜ	0,5 %	- 6,6 %
Marie Morin	0,4 %	+ 10,2 %
Alsace Lait	0,3 %	+ 2,1 %
La Bressane	0,2 %	- 4,2 %
Savoie	0,2 %	- 7,9 %

Panels distributeurs d'après fabricant. Données sur douze mois sur le total rayon ultra-frais arrêtées fin mai en hypers, supermarchés et e-commerce.

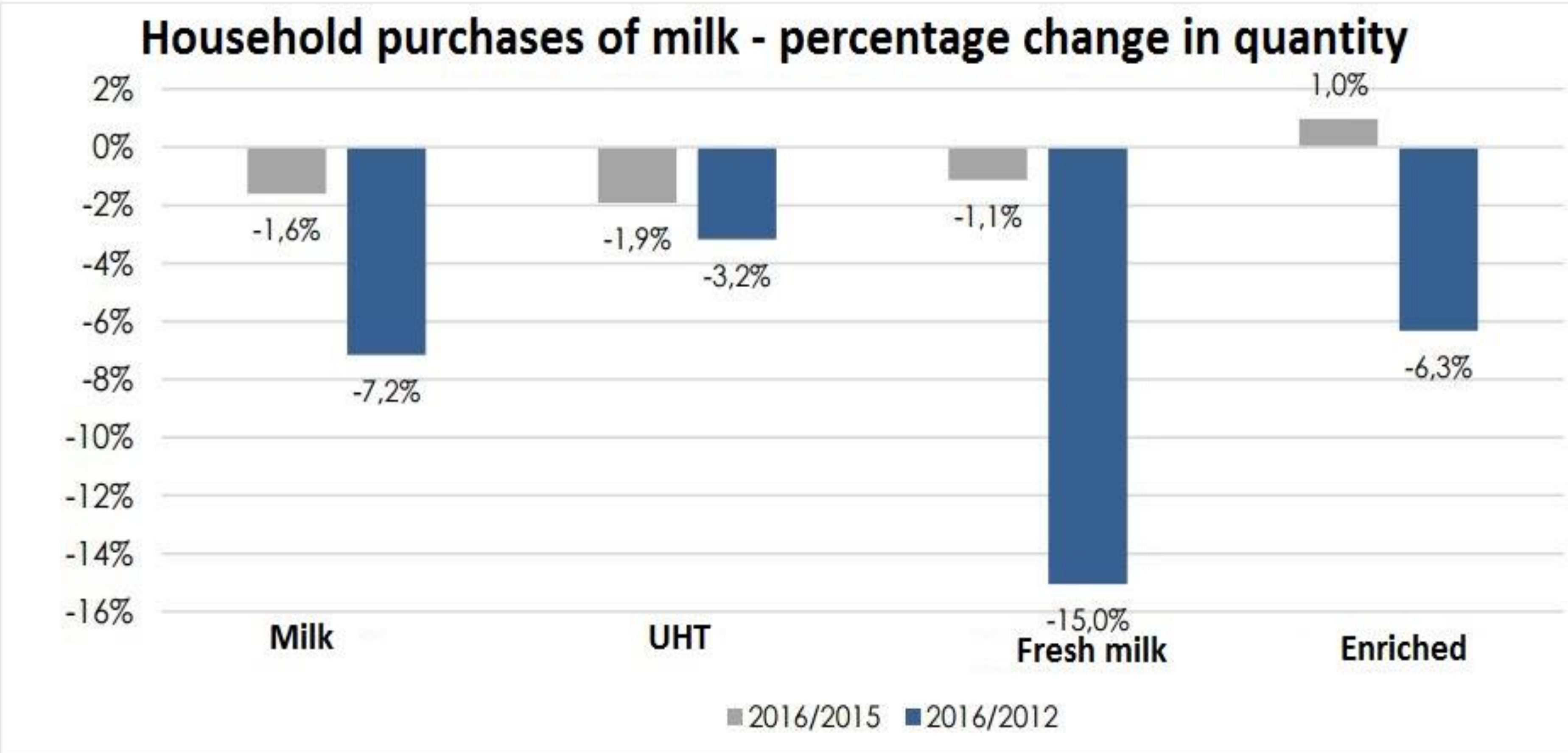
Segments

La brebis passe devant le soja



Source : panel distributeurs origine fabricant. Données en chiffre d'affaires sur un an arrêtées à fin avril 2017. HM + SM + drive.

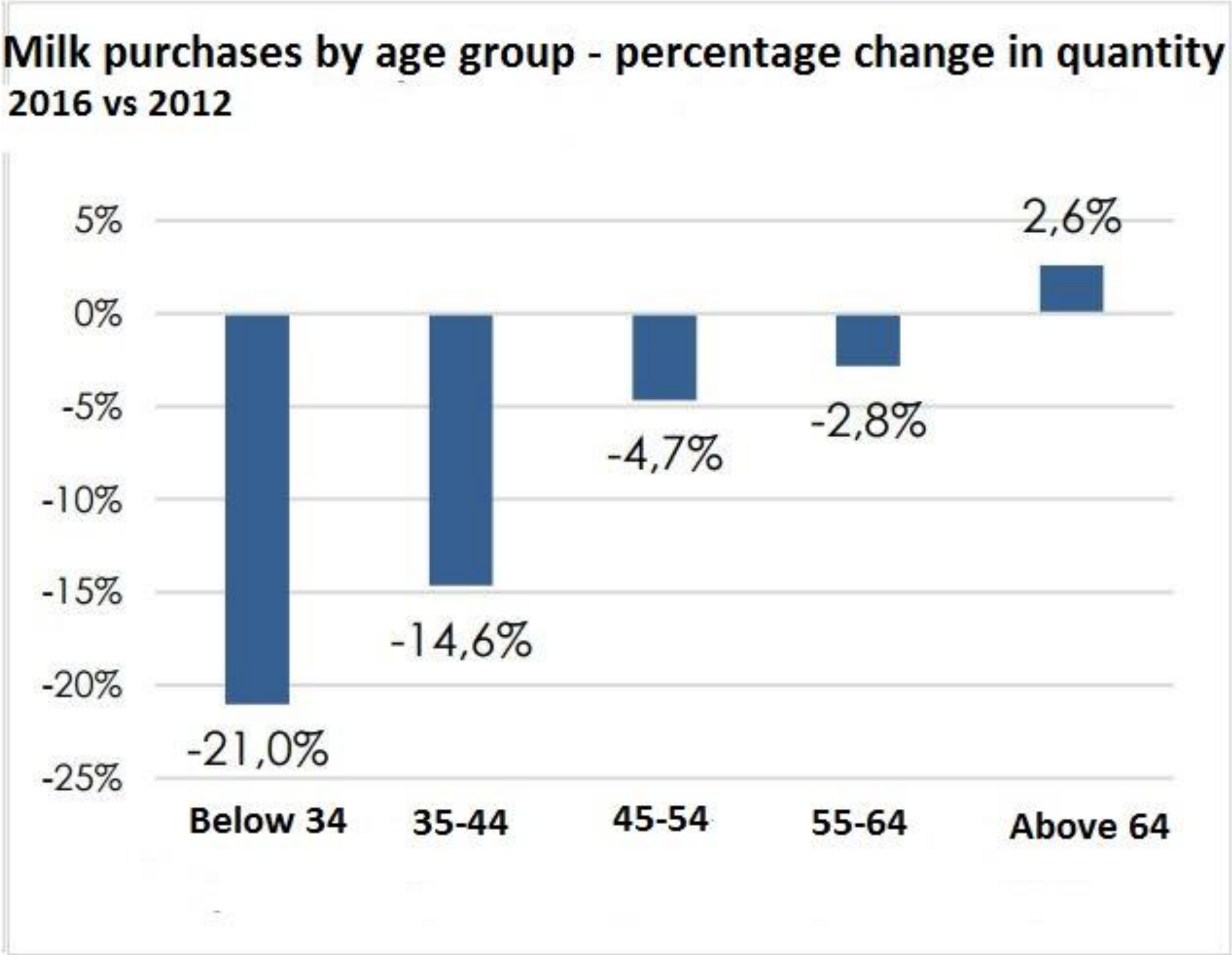
Italy



Fonte: elaborazioni Ismea su dati Nielsen Consumer Panel

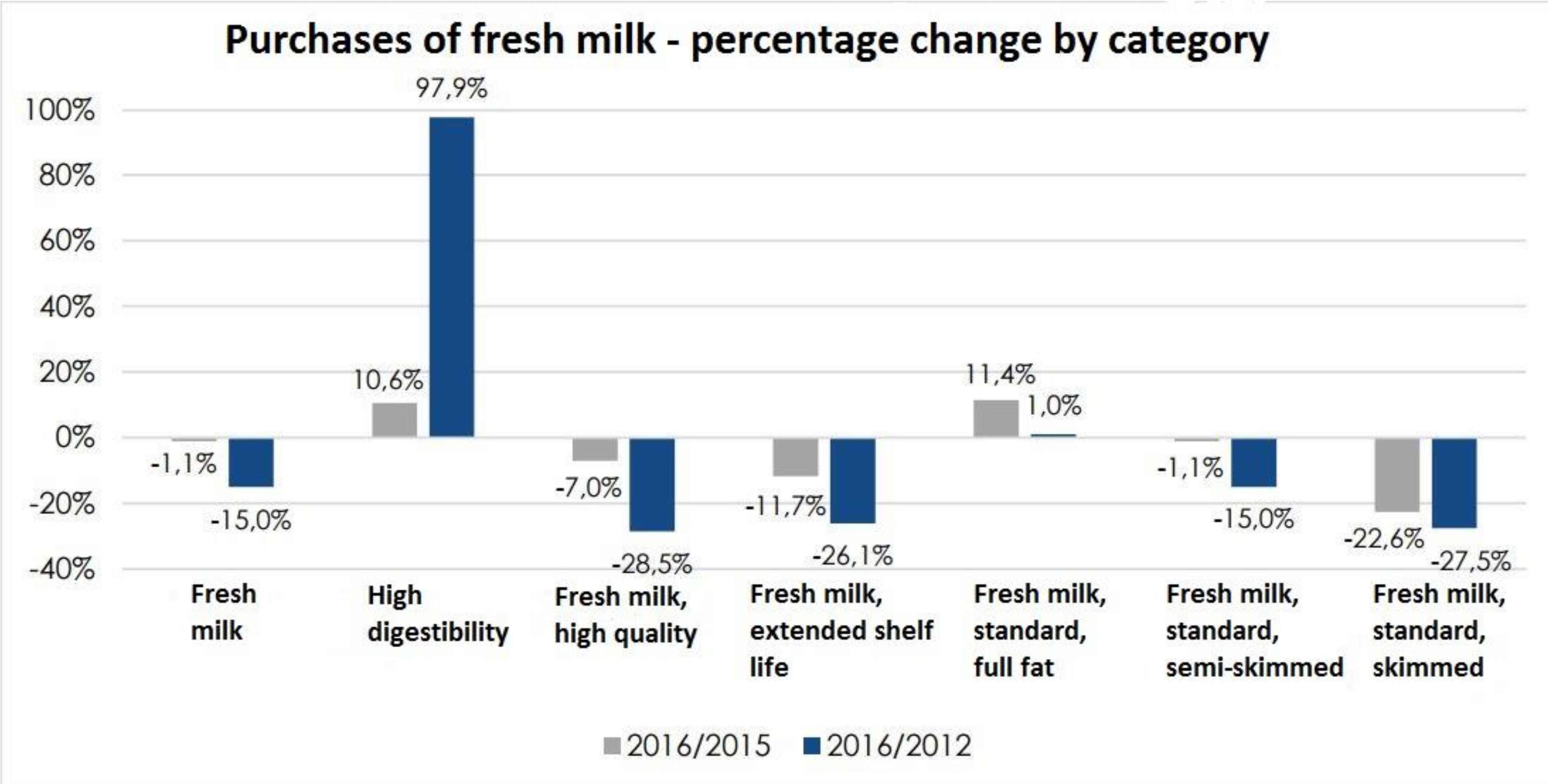
EuroCommerce

Italy



Milk purchases by age group - percentage change in quantity
2016 vs 2012
5%
0%
-5%
-10%
-15%
-20%
-25%
-21,0%
-14,6%
-4,7%
-2,8%
2,6%
Below 34
35-44
45-54
55-64
Above 64

Italy



Fonte: Elaborazioni Ismea su dati Nielsen Consumer Panel

EuroCommerce

Portugal

Period ending June 2017

Product category	Volume (% change, year-to-date)	Volume (% change, year-on-year)	Value (% change, year-to-date)	Value (% change, year-on-year)
Fresh milk	-11,5%	-11,7%	-9,9%	-10,4%
UHT milk	-4,6%	-6,4%	-0,2%	-3,0%
Yoghurt	-3,5%	-3,0%	-3,3%	-1,0%
Fresh cheese	-1,5%	-0,4%	+0,7%	+0,4%
Butter	-3,4%	-2,4%	+1,9%	-0,2%
UHT cream	-0,5%	+0,6%	+1,2%	+0,8%
Fresh dessert	+9,4%	+12,0%	+8,8%	+14,6%
Cheese	+0,8%	+2,1%	+2,8%	+2,3%

Source: Nielsen

Spain

Period ending May 2017

Product category	Volumes (% change May 2017 vs May 2016)	Volumes (% change YTD May 2017)	Value (% change May 2017 vs May 2016)	Value (% change YTD May 2017)	Price (% change May 2017 vs May 2016)	Price (% change YTD May 2017)
Standard liquid milk	-6,8%	-4,9%	-6,6%	-5,6%	+0,2%	-0,8%
Other types of milk	+4,6%	+5,0%	-0,3%	-0,9%	-4,6%	-5,6%
Milkshakes	-7,2%	+0,9%	+0,6%	+3,5%	+8,5%	+2,6%
Yoghurts and fermented milk	-0,8%	-0,1%	-3,7%	-2,6%	-2,9%	-2,5%
Fresh desserts	-8,3%	-4,0%	-6,8%	-3,2%	+1,7%	+0,8%
Fresh cheese	-1,3%	-2,3%	-0,1%	-1,8%	+1,1%	+0,5%
Local, traditional cheese	+0,7%	+3,2%	+1,4%	+3,2%	+0,7%	0,0%
Processed cheese	-2,2%	-3,2%	-0,1%	-1,7%	+2,1%	+1,5%
Imported cheese	+2,8%	+4,9%	+2,0%	+4,6%	-0,8%	-0,4%

Spain

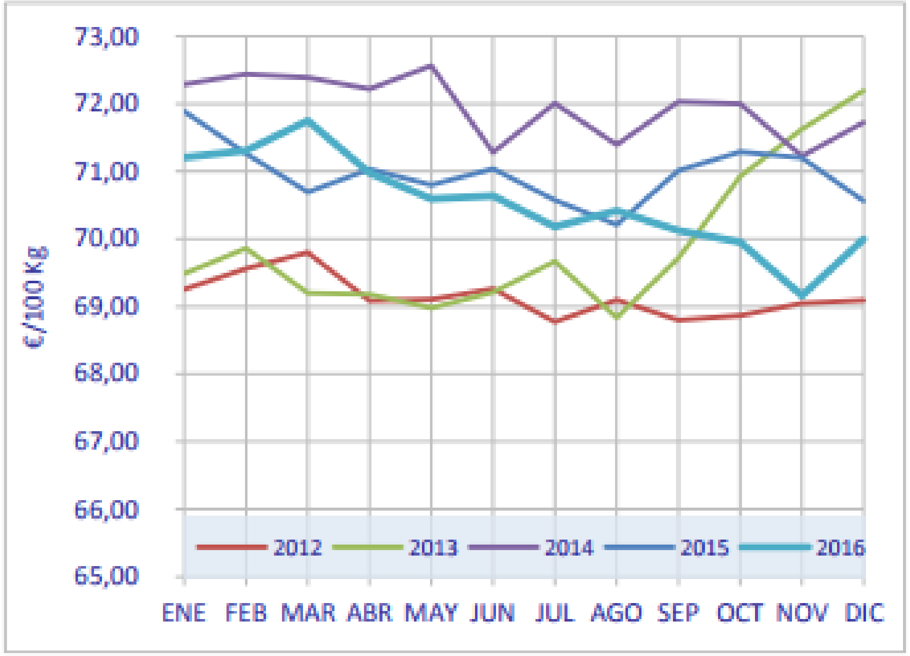
Period ending May 2017

Product category	Volumes (% change May 2017 vs May 2016)	Volumes (% change YTD May 2017)	Value (% change May 2017 vs May 2016)	Value (% change YTD May 2017)	Price (% change May 2017 vs May 2016)	Price (% change YTD May 2017)
Grated cheese	+1,3%	+1,7%	+3,2%	+3,3%	+1,8%	+1,5%
Other types of cheese	+1,9%	+2,1%	+1,6%	+1,5%	-0,3%	-0,6%
Cream	-2,0%	+0,1%	+0,4%	+1,2%	+2,4%	+1,1%
Butter	+12,4%	+10,1%	+15,1%	+12,5%	+2,4%	+2,2%
Desserts and yoghurt with long conservation	-18,6%	-15,4%	-17,0%	-10,8%	+2,0%	+5,5%
Non-liquid milk	-3,8%	-2,9%	-9,2%	-7,1%	-5,6%	-4,3%
Total dairy products	-3,4%	-1,8%	-2,2%	-1,3%	+1,2%	+0,4%

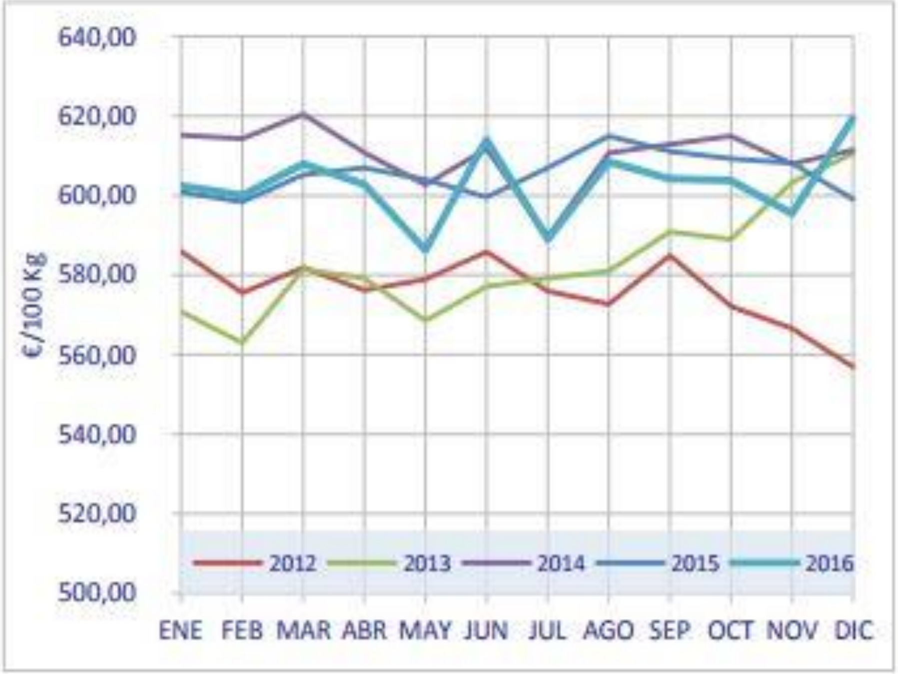
Source: Nielsen and FeNIL

Spain - retail price of fresh milk and butter

Fresh Milk



Butter

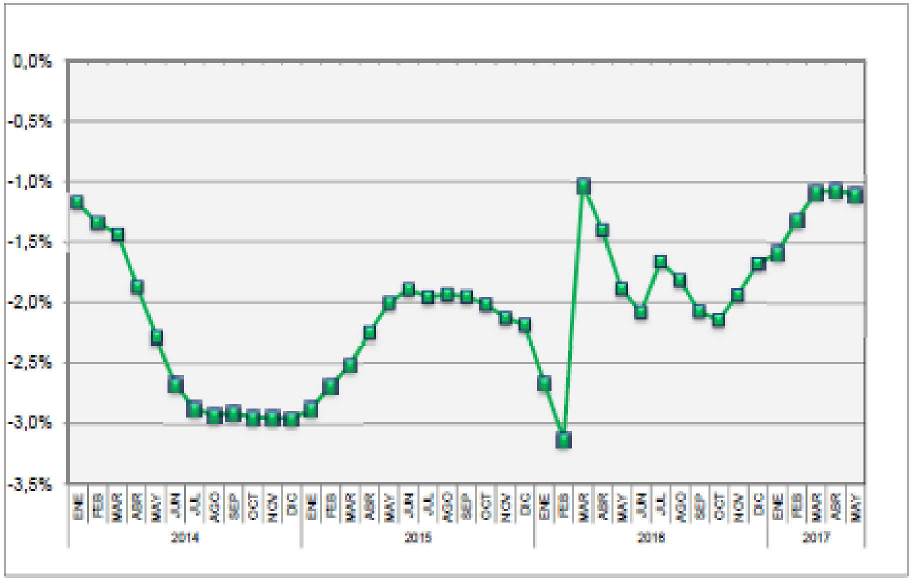


Source: Magrama

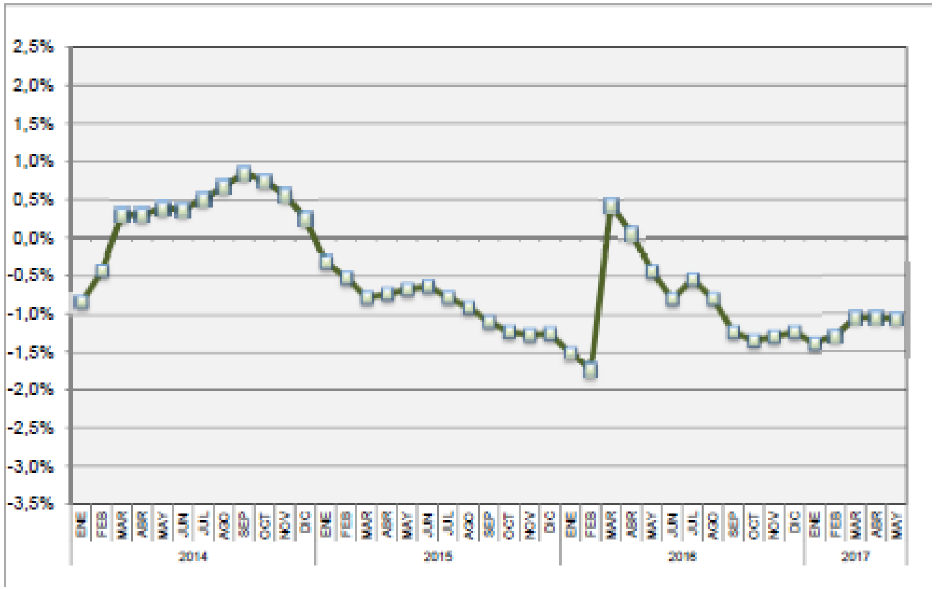
EuroCommerce

Spain

1. Evolución de la variación del VOLUMEN VENTAS TAM. Total productos lácteos.



2. Evolución de la variación del VALOR VENTAS TAM. Total productos lácteos.



Source: Nielsen and FeNIL

EuroCommerce

Sweden

Period ending May 2017

Product category	Volume (% change in the last 4 weeks)	Volume (% change last 52 weeks)	Value (% change in the last 4 weeks)	Value (% change last 52 weeks)
Milk	-3.2%	-2.1%	3.4%	0.8%
Hard cheese	-5.7%	-1.6%	5.1%	0.2%
Cream	-3.8%	0.5%	1.6%	1.4%
Yoghurt	-3.8%	-0.5%	-3.4%	-0.7%
Cottage cheese/curd	-5.8%	-2.8%	-5.9%	-4.2%
Cold desserts	18.7%	14.2%	21.3%	19.5%
Butter	-13.3%	2.4%	-10.5%	0.7%

Source: Nielsen

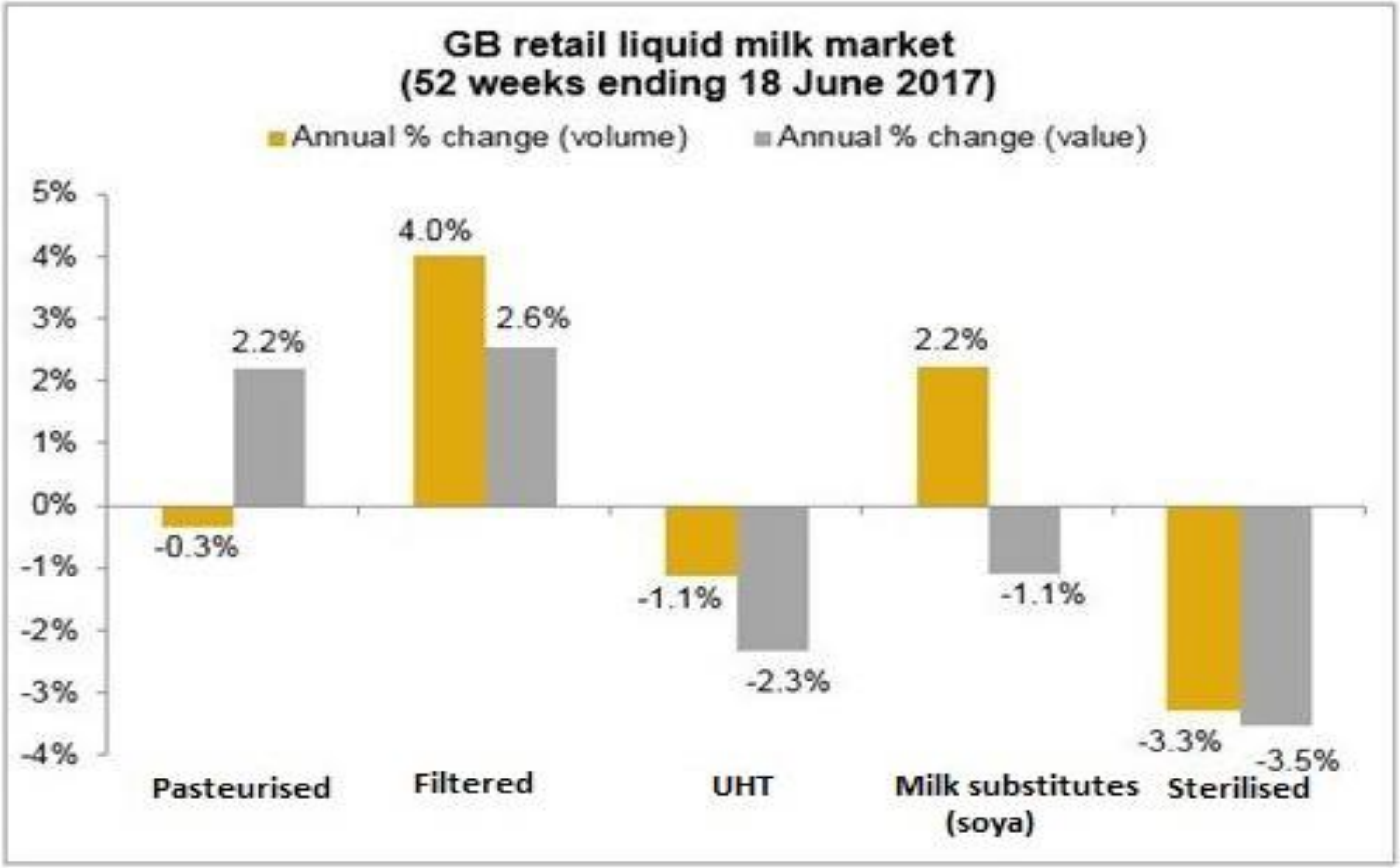
United Kingdom

52 weeks ending 18 June 2017						
	Volume (000 Litres)	YOY diff	Spend (£000s)	YOY diff	Average price (£/Litre)	YOY diff
Total milk market	5,511,736	0.2%	3,188,679	2.5%	0.58	2.3%
Pasteurised*	4,767,179	-0.3%	2,560,600	2.2%	0.54	2.5%
Filtered	297,710	4.0%	229,170	2.6%	0.77	-1.4%
UHT	233,789	-1.1%	152,639	-2.3%	0.65	-1.2%
Soya	87,664	2.2%	79,251	-1.1%	0.90	-3.2%
Sterilised	6,914	-3.3%	7,192	-3.5%	1.04	-0.3%
'Other milk' types	118,481	19.1%	159,828	16.6%	1.35	-2.1%
Source: Kantar Worldpanel						

*Kantar Worldpanel classify all non-barcoded products such as doorstep milk as pasteurised.

EuroCommerce

United Kingdom



EuroCommerce

United Kingdom – milk contract league table

MILK PRICES - AHDB Dairy League table for May 2017

League Table	Monthly Price	Annual Price
Aligned Liquid Milk		
Arla Foods - Sainsburys	26,75	27,29
Müller Milk & Ingredients Co-op Dairy Group	27,23	27,85
Müller Milk & Ingredients M&S	29,40	30,02
Müller Milk & Ingredients Sainsbury's	26,99	27,61
Müller Milk & Ingredients TSDG (Tesco)	28,86	29,23
Standard Liquid Milk		
Crediton Dairy	26,85	28,20
Müller Milk & Ingredients Non-Aligned	26,38	26,91
Pensworth	26,54	26,56
UK Arla Farmers Liquid 2	24,17	25,46
Standard Manufacturing		
Arla Direct Manufacturing	23,29	24,62
Barber A.J & R.G	25,71	28,66
Dairy Crest cheese - Davidstow (Profile)	28,24	28,83
Dairy Crest cheese - Davidstow (Seasonal)	25,74	28,75
Dale Farm - GB	26,38	26,62
Dale Farm - NI	26,44	26,74
Glanbia - Llangefni	25,49	26,88
Lactalis - Caledonian Cheese	26,97	27,35
Lactalis - Caledonian Cheese (Seasonal)	22,37	27,55
Pattemores Dairy Ingredients	27,05	27,40
South Caernarfon Creameries	24,84	26,92
UK Arla Farmers Manufacturing 2	24,49	25,91
Wensleydale Creamery	26,97	27,34
Wyke Farms	25,81	28,52

United Kingdom

unit price (p)		Jun-17	May-17	Month Diff.	Jun-16	**Annual Diff.**
Liquid milk†	Retail (4 pints)*	103	103	n/c	101	**+2**
	Doorstep (1 pint)**	81	81	n/c	81	**n/c**

ppl		May-17	Apr-17	Month Diff.	May-16	**Annual Diff.**
Cream††	Total Cream	259	256	+4	240	**+20**
	Double Cream	232	229	+3	212	**+20**
	Single Cream	218	215	+3	199	**+19**

p/kg		Apr-17	Mar-16	Month Diff	Apr-16	**Annual Diff.**
Cheddar††	Total market	584	590	-7	593	**-9**
	Mature	574	589	-15	597	**-23**
	Mild	541	541	0	532	**+9**

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

EuroCommerce

ANNEX 5

Milk market situation

LTO Nederland

Milk market situation

1. Milk prices
2. Butter
3. Production
4. Futures: EEX, CME
5. China
6. Conclusions
7. Farmers' sentiment

Klaas Johan Osinga

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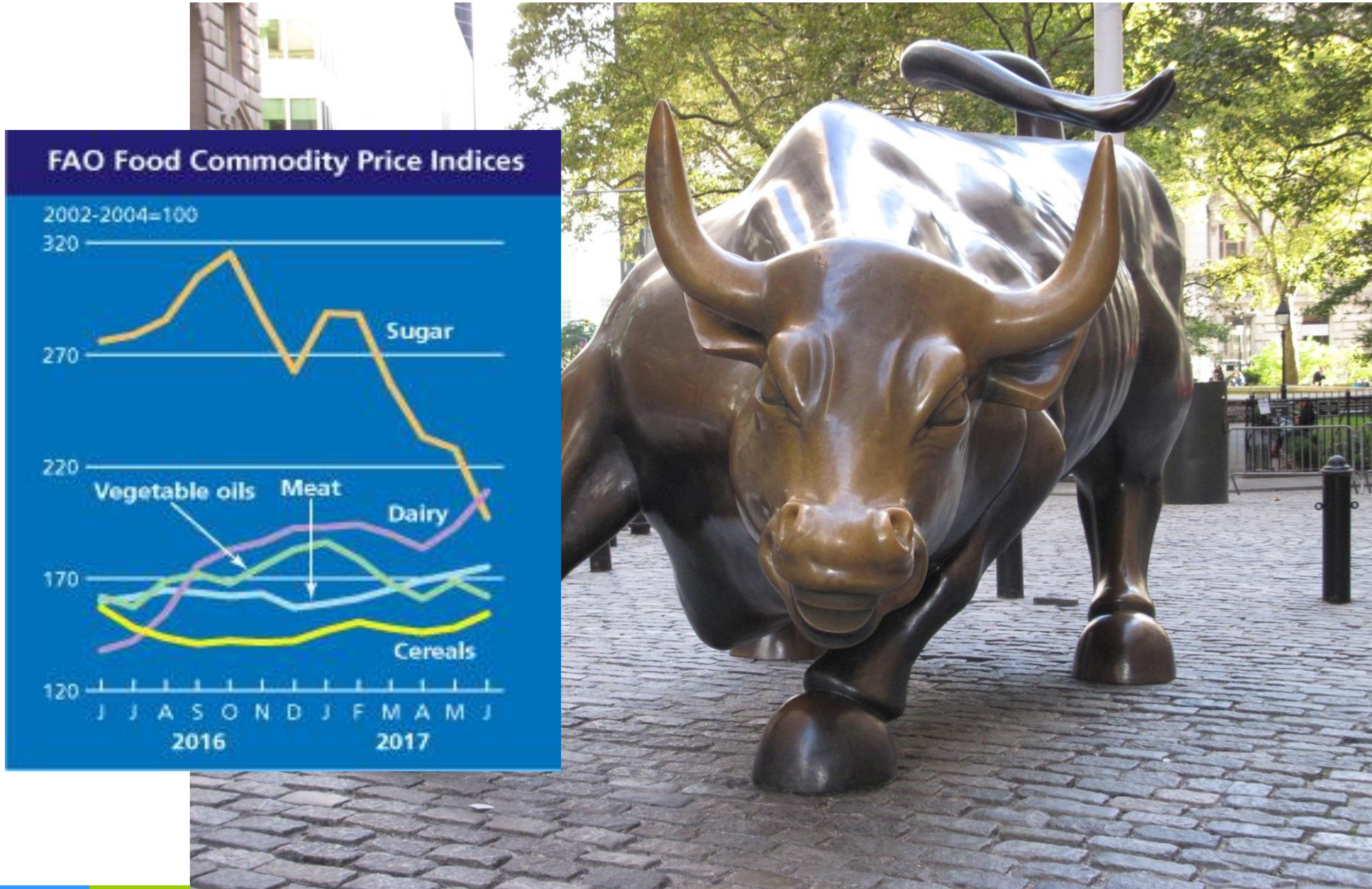
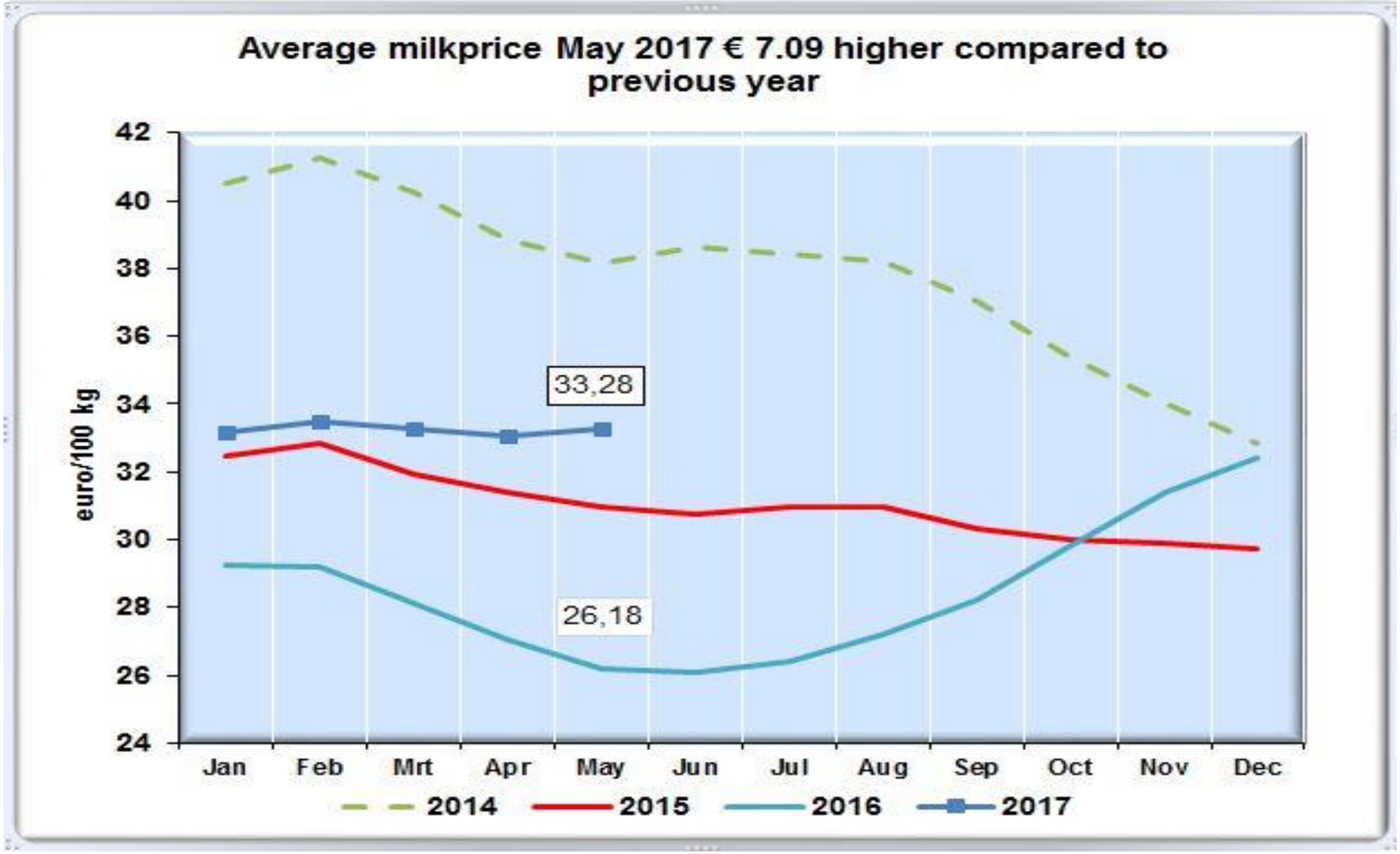
1. The big picture....



LTO milk prices average



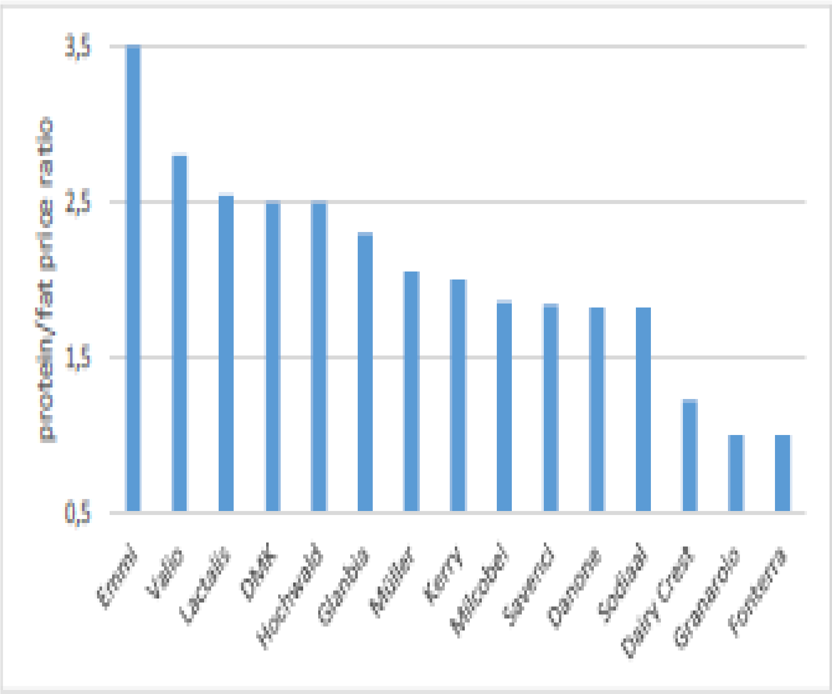
Farm gate milk prices € per 100 kg standardised milk

Dairy		2016 (€)	2016	May 2017	June 2017	July 2017
Granarolo (Noord)	IT	36,83	1	34.01		
Valio	FI	35,21	2	35.10		
Danone (Pas de Calais)	FR	31,57	3	33.70		
FrieslandCampina	NL	30,80	4	35.02	+ 0.7	+ 0.5
Sodiaal (Pas de Calais)	FR	30,29	5	32.06		
Savencia (Basse Normandie)	FR	29,78	6	32.51		
Lactalis (Pays de la Loire)	FR	29,31	7	31.88	No change	+2.0, and for August +1.0
Arla Foods DK	DK	28,28	8	33.12	No change	+1.8, and for August +1.0
Milcobel	BE	26,88	9	34.01		
Dairy Crest (Davidstow)	UK	26,67	10	30.64	- 1.0 pence	- 1.0 pence, August no change, Sept +1 pence
Müller (Leppersdorf)	DE	26,10	11	32.81	+ 2.0	
Kerry Agribusiness	IE	24,84	12	32.02	+ 1.0	
DMK	DE	24,71	13	32.81	+ 1.0	+ 2.0
Dairygold	IE	24,63	14	32.80	+.1.0	
DOC Kaas	NL	23,96	15	-		
Glanbia	IE	22,99	16	31.87	+ 1.0	
Average		28,30		33.28		
Hochwald eG	DE	26,36		33.17	No change	
Emmi	CH	47,46		43.61		
Fonterra	NZ	28,02		31.78		
Verenigde Staten klasse III	US	33,99		35.40		

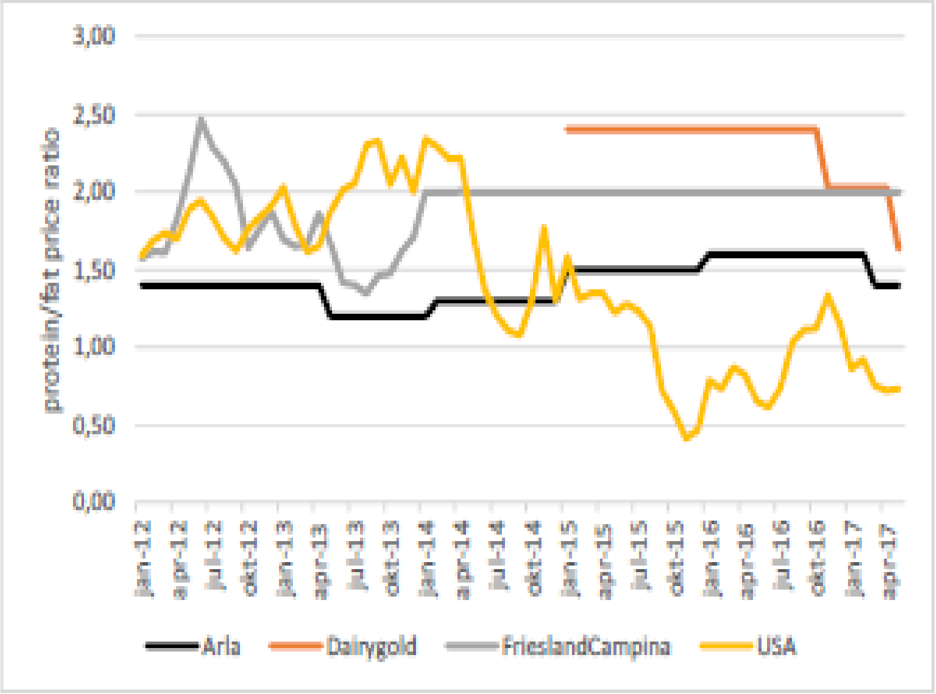
Source: milkprices.nl

2. Butter price signals (1): Protein/fat ratio

Graph 2 Dairies with fixed protein/ fat price ratios



Graph 3 Dairies with variable protein/fat price ratio



LTO Nederland

Butter (2)

Contracted at € 6.10 / kg in Germany?

€ 1,49 per 250 gr

=

€ 5,96 per kg

(Albert Heijn,
24 July 2017)

Butter (3)

Of course, there are many types of butter…

Butter (4)

€ 1,65 / 250 g

=

€ 6,60 / kg

(ALDI, 24 July 2017)

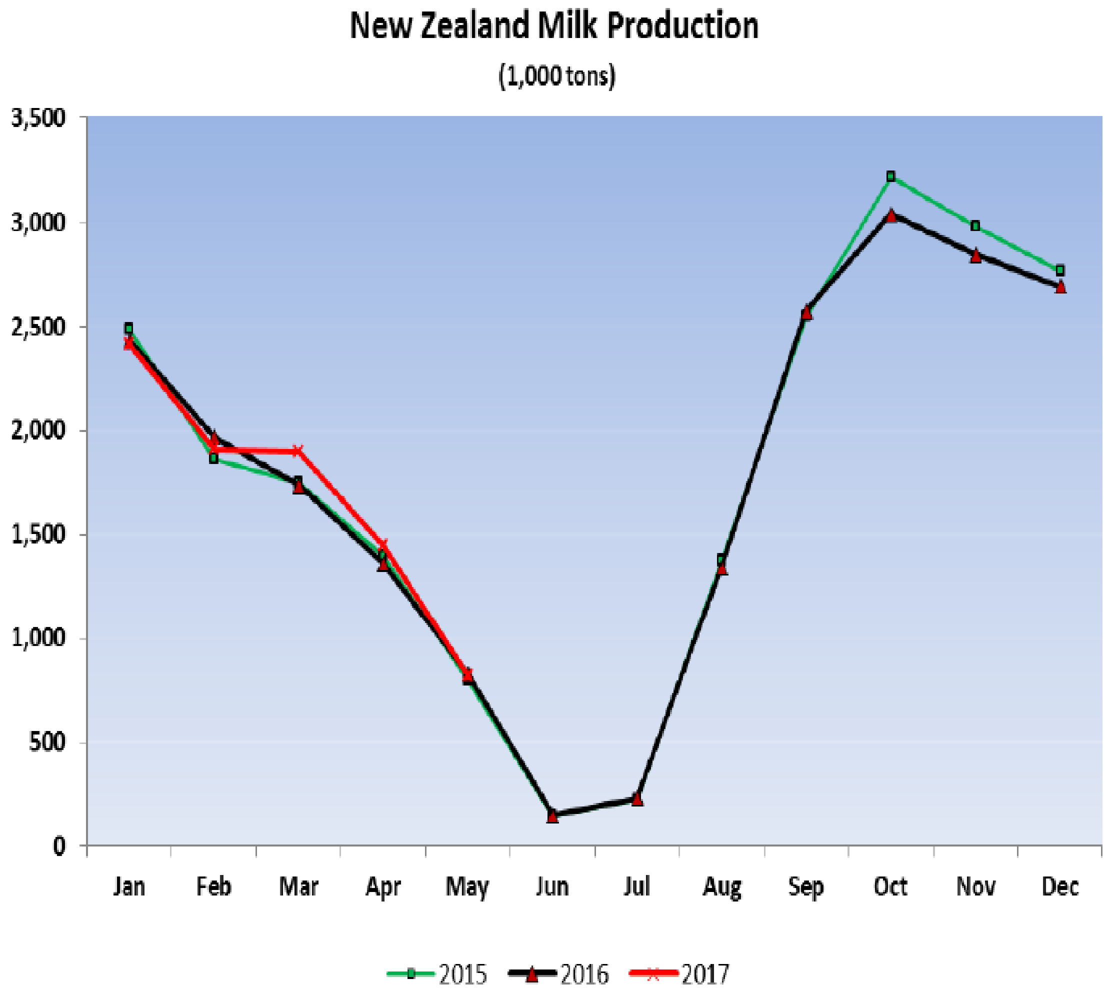
And there are many contracts…

1. Milk production

New Zealand

2016/17 milk production -1.1% year-on-year to 21.3bn kg

(-0.2bn kg)

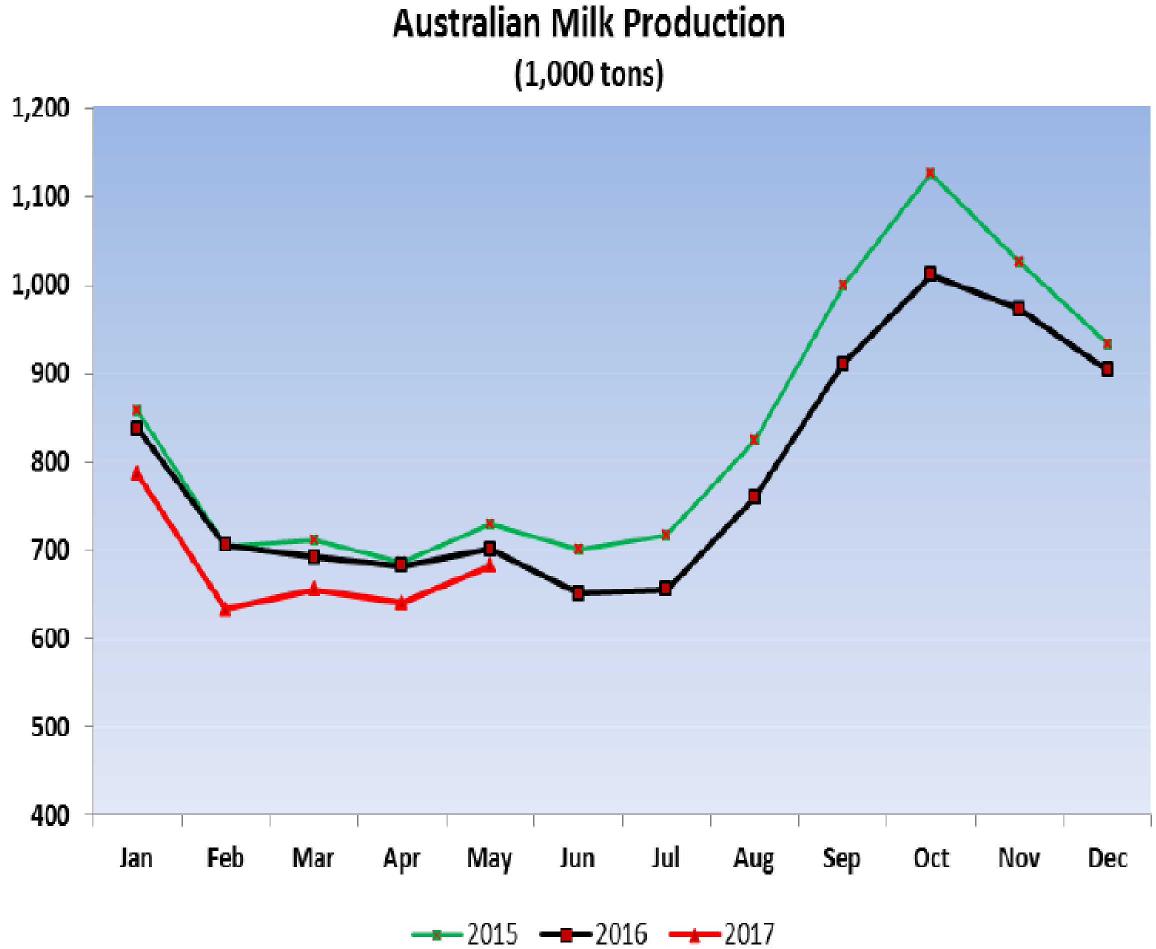


Milk production (2)

Australia:

Season 2016/17:
-7.6% y-o-y

(July -2.8%;
June not yet in)



Milk production (3)

USA

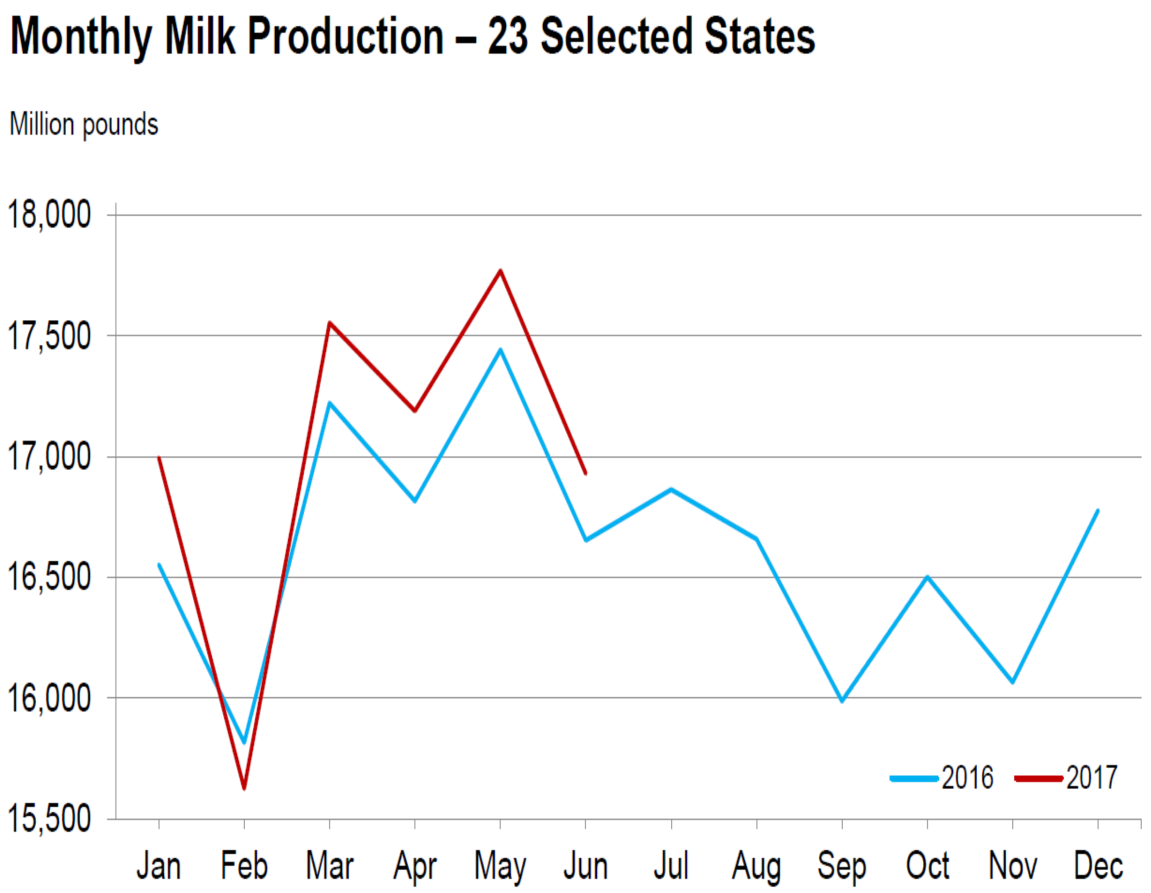
USDA (y-o-y):

June 17: +1,6%

May 17: +1.8%

April 17: +2.1%

2016: +1.8%

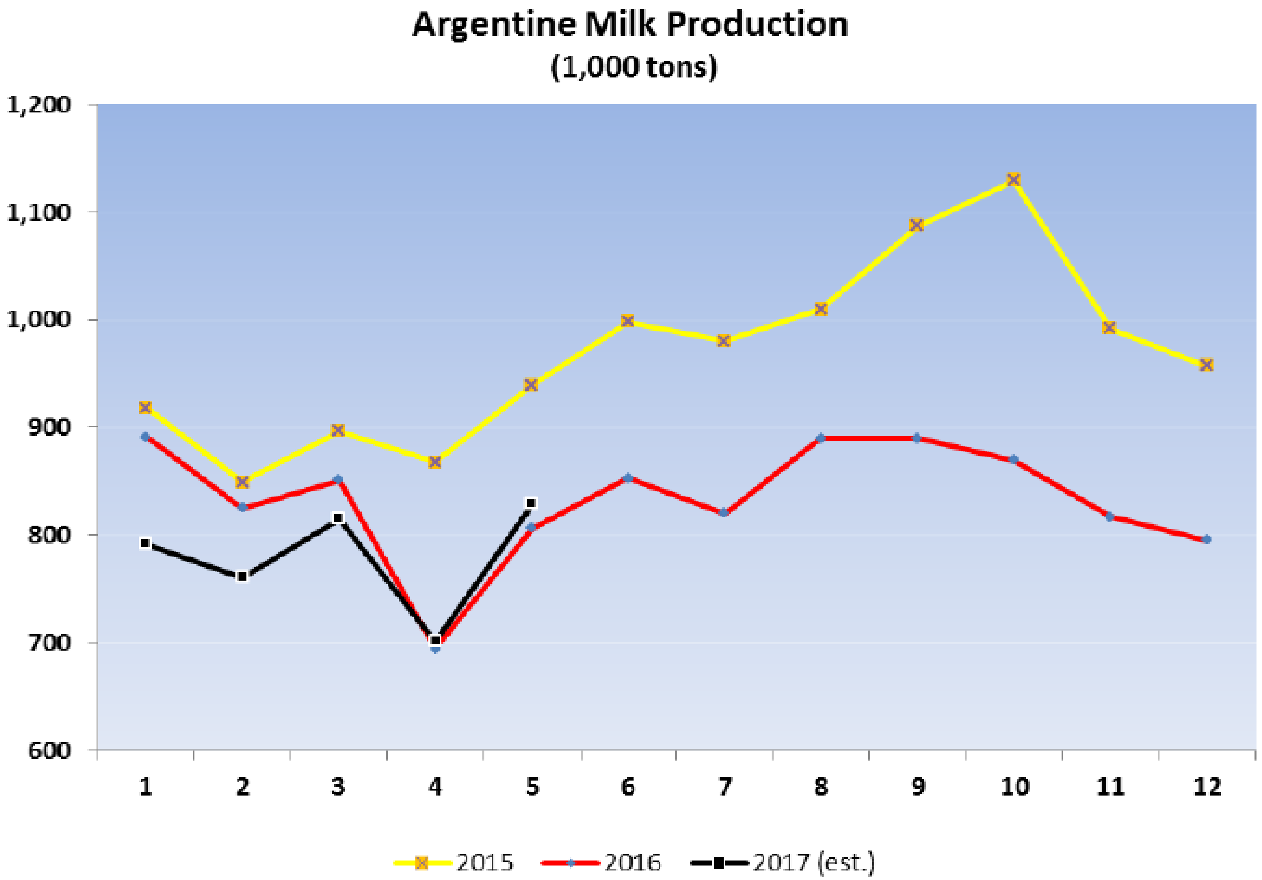


Milk production (4)

Argentina

Production was down 12% in 2016 to 10.2bn kg

Estimate for 2017: +2%



Milk production (5)

EU – latest data:

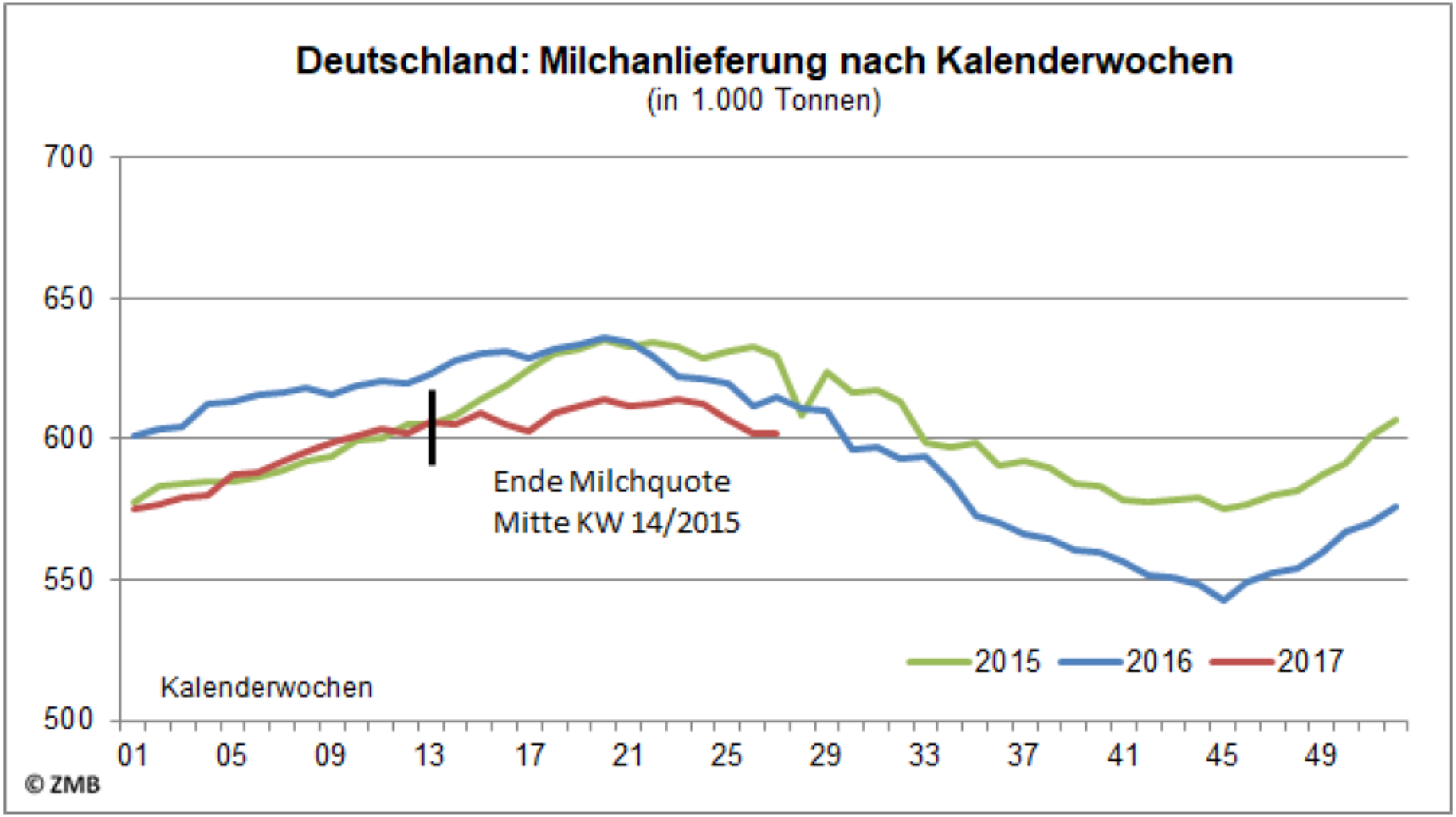
Germany

France

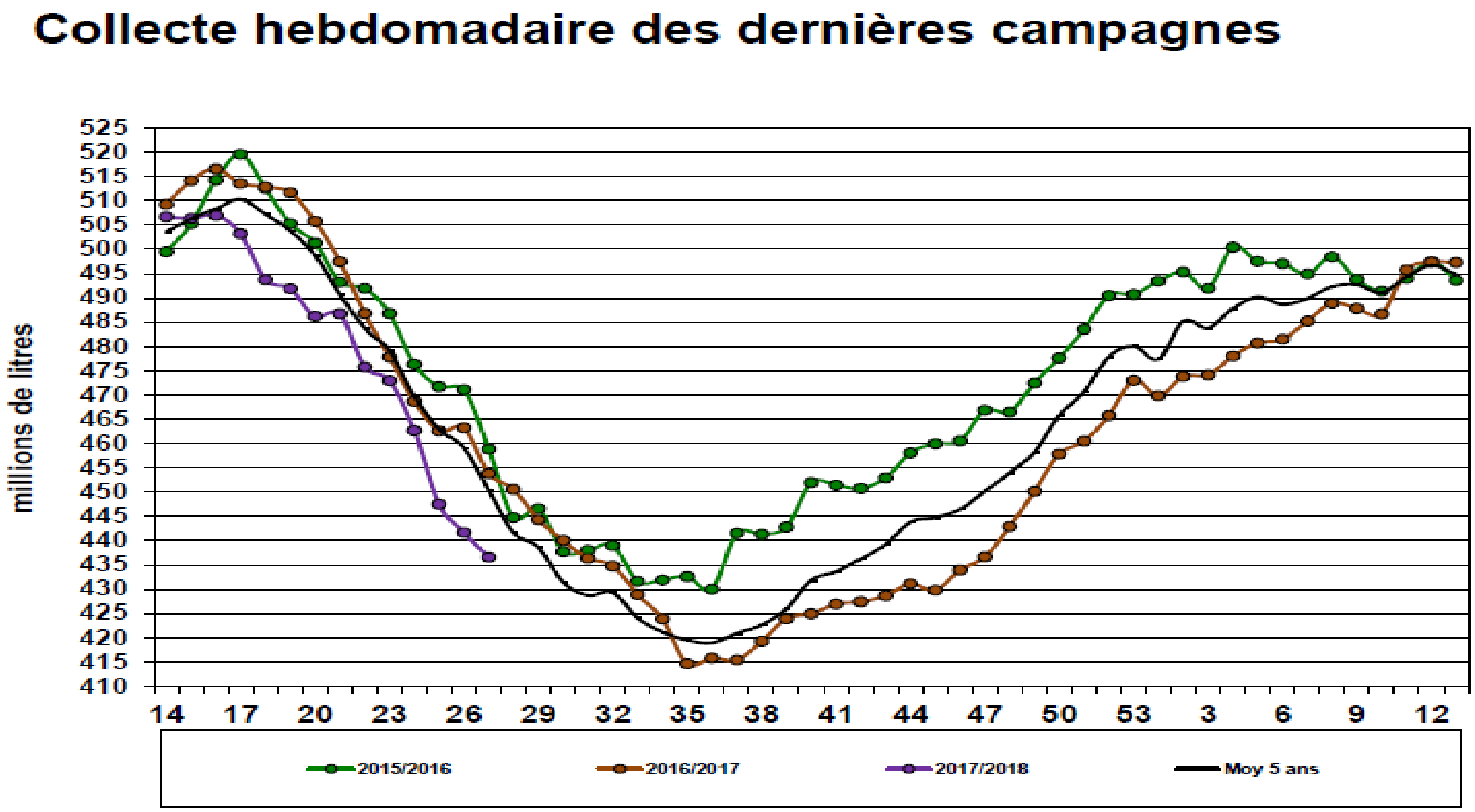
UK

Netherlands

Germany: -2.6% (26 June-1 July)

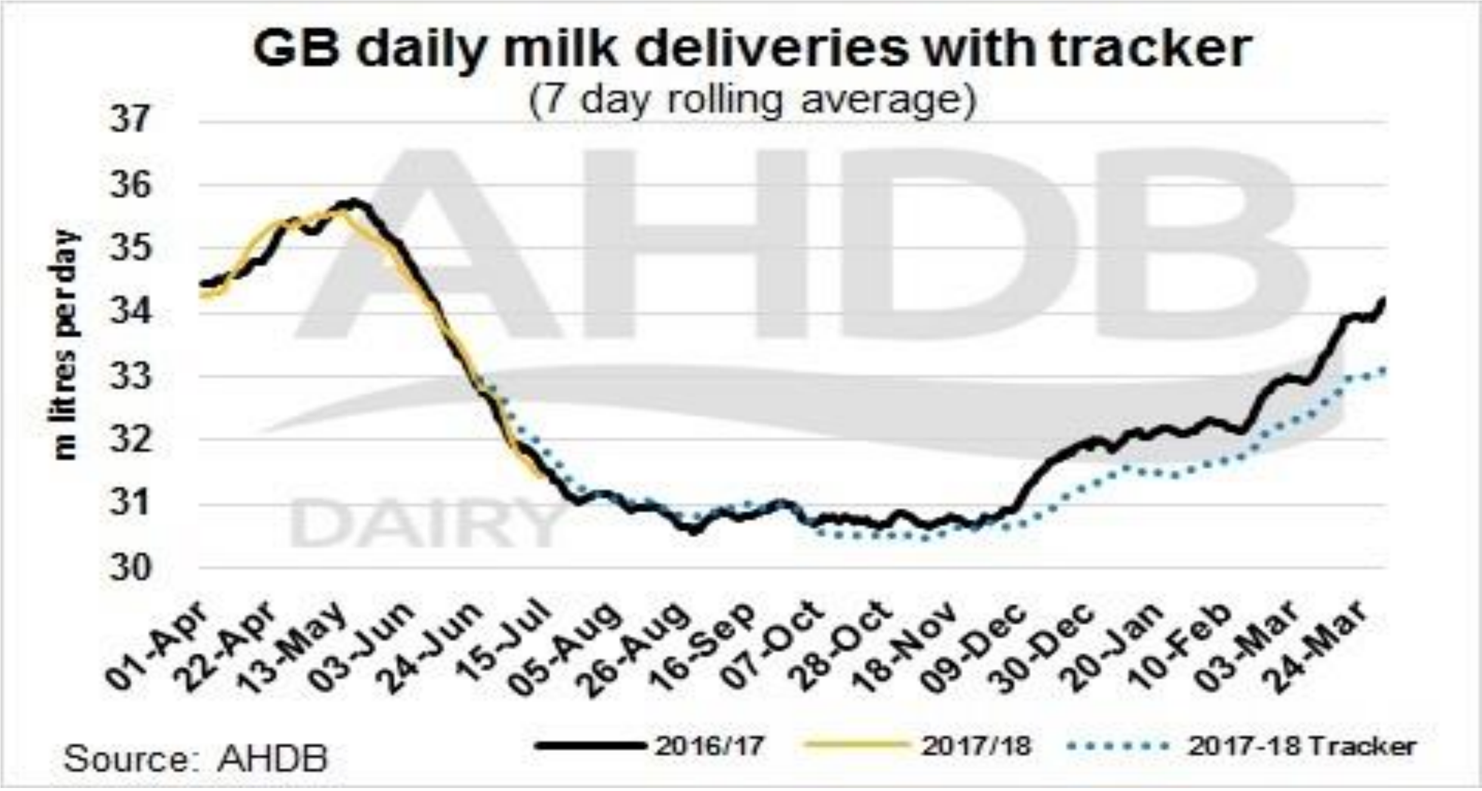


France (3-9 July): -3.8%

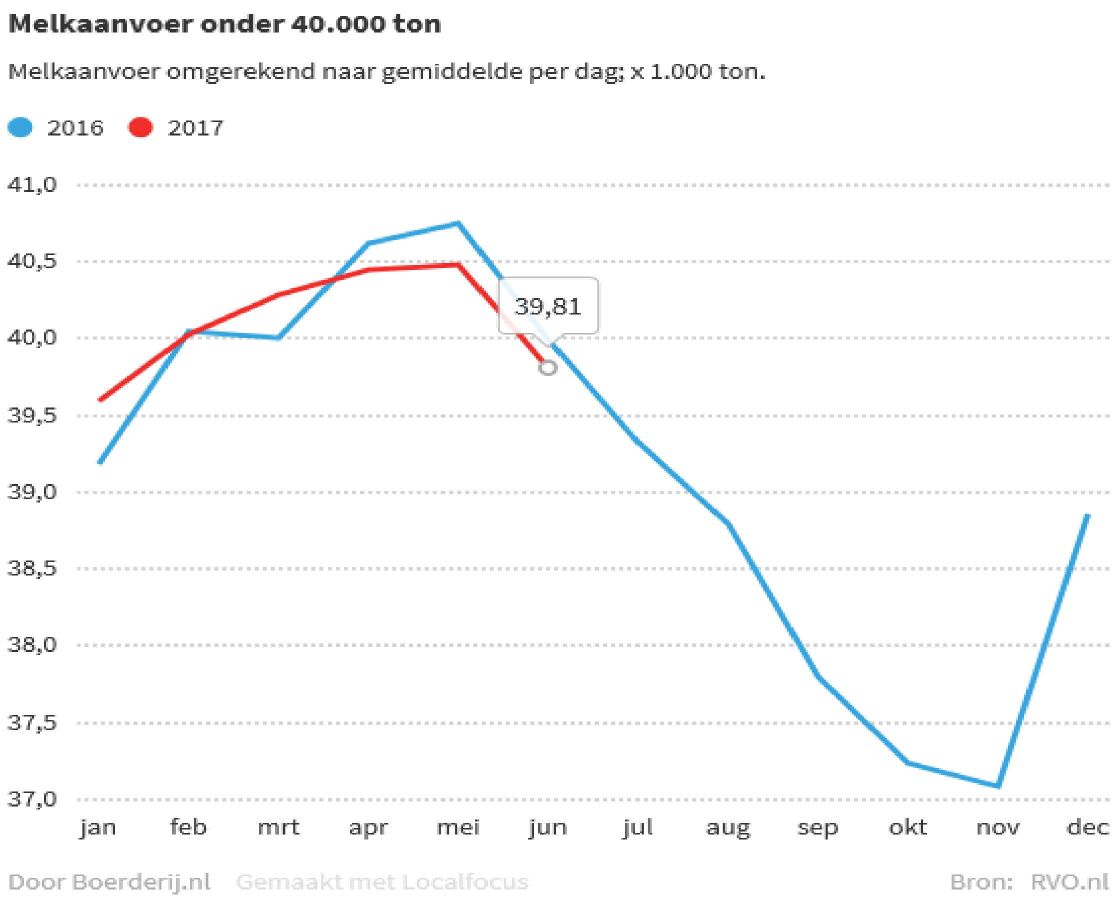


Source : FranceAgriMer / sondage hebdomadaire

UK: -0.4% during 9-15 July (y-o-y)



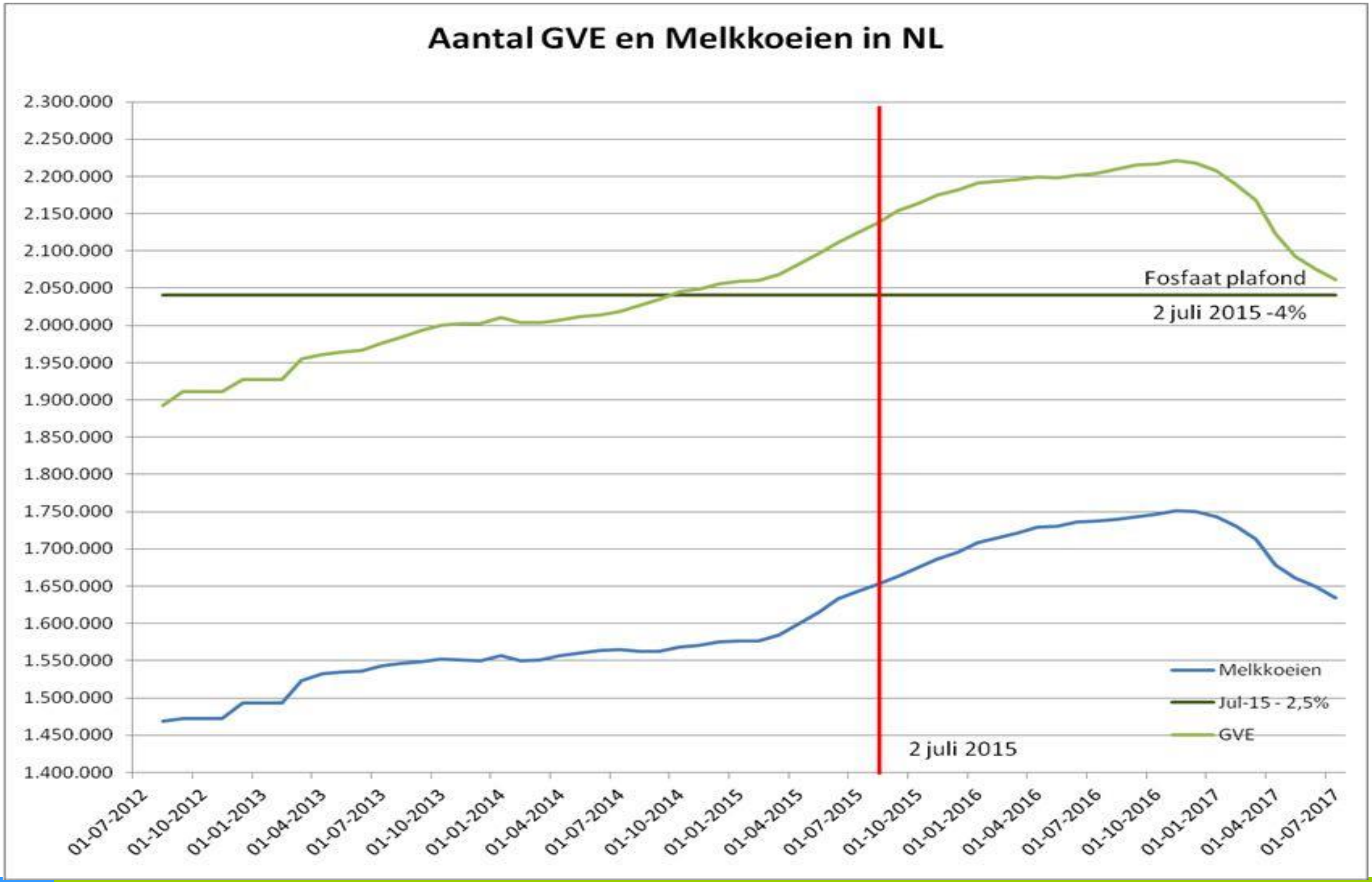
Netherlands milk production



June 2017:
-0.4% (milk)
-2.0% (fat)

Jan-June 2017:
-0.5%
-1.5%

Number of Dutch cows decreasing



Milk production y-o-y (4)

My estimates for 2017:

- Germany: -1%
- France: -2%
- UK: +/- 0
- Netherlands: -1 %

Conclusion:

not yet a big hike in EU milk production

Germany/France/UK production y-o-y):

Week 23: - 8m kg
Week 24: -5.5m kg
Week 25: -12.4m kg
Week 26: -9.5m kg
Week 27: -13.5m kg

Milk prod growth still limited in 2017

		Calender year 2017 (billion kg milk)
EU	-	1.0
USA	+	2.0
New Zealand	+	1.0
Australia	+/-	0,0
Argentina	+	0.2
Total	**+**	**2.2 billion kg**

World market is about 60 bn kg

Futures (1) Chicago: (contract Dec 17): +/- 32 eurocents (3.5% fat)

16,74 US$ per 100 cwt is € 31.80 per 100 kg (3,5% fat)

Futures (2)
milk price based on EEX futures: 40 cents in Nov/Dec

LTO Nederland

Kieler Börsenmilchwert			Freitag, den 21.7.2017						
Kontrakt Monat	Kieler Börsen-milch-wert*	Änd.	EEX Butter Future	Änd.	OI	EEX MMP Future	Änd.	OI
	Ct / kg		€ / t		Anz.	€ / t		Anz.
Jul 17	40,4	↗	6300	↗	186	1775	→	455
Aug 17	39,8	↘	6275	↘	331	1725	↘	534
Sep 17	39,9	→	6275	↗	290	1730	↘	510
Okt 17	40,0	↗	6275	↗	319	1740	↘	333
Nov 17	41,1	↗	6500	↗	329	1750	↘	268
Dez 17	40,4	↗	6282	↗	315	1783	↘	260
Jan 18	39,3	↗	5950	↗	150	1830	↗	294
Feb 18	37,6	↗	5650	↗	135	1793	↘	233
Mrz 18	36,9	↘	5400	↘	134	1840	→	284
Apr 18	36,1	↗	5150	↗	97	1878	↘	58
Mai 18	35,1	↘	4875	→	86	1905	↘	60
Jun 18	35,1	↗	4850	↗	60	1925	→	38
Jul 18	34,7	↗	4750	↗	27	1925	→	32
Aug 18	34,0	↗	4650	↗	25	1900	↘	32
Sep 18	33,6	↘	4550	↗	25	1910	↘	32
Okt 18	33,5	↘	4500	↗	42	1920	↘	32
Nov 18	33,6	↘	4500	↗	21	1930	↘	32
Dez 18	33,7	↘	4500	↗	21	1940	↘	32
Jan 19	33,8	↗	4500	↗	0	1950	↘	0
Summe					2593			3519

* Berechnung nach: Methode Kieler Rohstoffwert, 4,0% F., 3,4% Eiw., ab Hof, o. MwSt.

Änd. = Änderung zu Vortag, OI = Open Interest (Anzahl der bestehenden Kontrakte)

Quelle: © ife Institut Kiel, www.ife-ev.de

Dutch dairy quotations

19 July 2017

Butter, 25 kg cartons: no change at € 6.14
WMP, 26% fat: no change at € 295.00
SMP extra quality: – € 5.00 - € 174.00
SMP feed quality: - € 7.00 - € 164.00
Whey powder: - € 1.00 - € 84.00

Cheeses Edam/Gouda € 3.50 and firm
Cream € 7.00 and firm
Milk spot price 0.38

5. The China question mark

China's consumption of dairy to grow at 2 to 2.5% per year for the next five years – slower than before

Infant formula to grow 10% per year – down from 15%.

Focus needed more on value, not on volume

Source: Rabobank

6. Summary

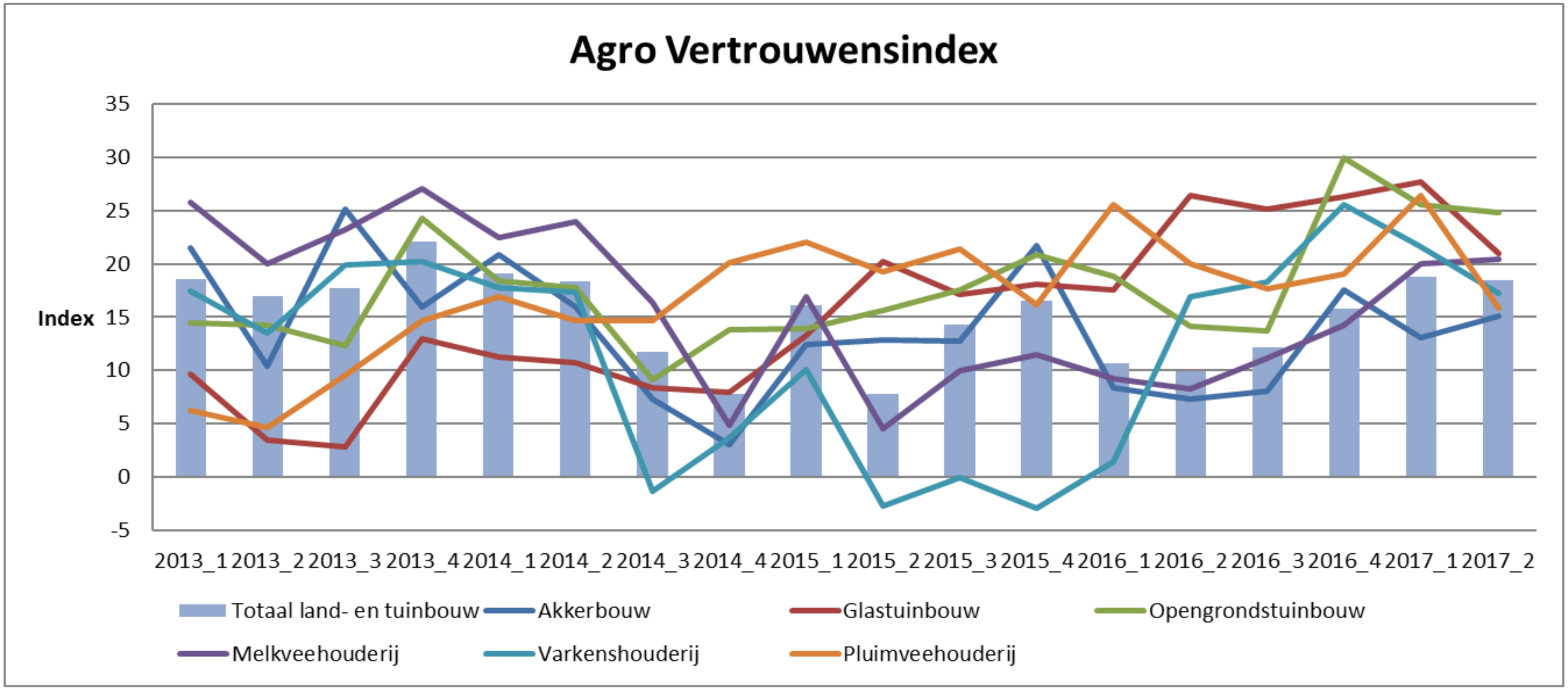
Production growth limited, still negative in EU, NZ & Australia

Cheese and butter carry the market

Market expected to be stable to firm during the next months

Crucial as ever: New Zealand & China

7. How is confidence?



Thank you for your attention

@KJOsinga **kjosinga@lto.nl**

ANNEX 6

Dairy Short-term Outlook published 11 July 2017

European Commission

Dairy
Short-term Outlook
Published 11 July 2017

MMO
25.07.2017

Sophie Hélaine

DG Agriculture and Rural Development
European Commission

Agriculture and Rural Development

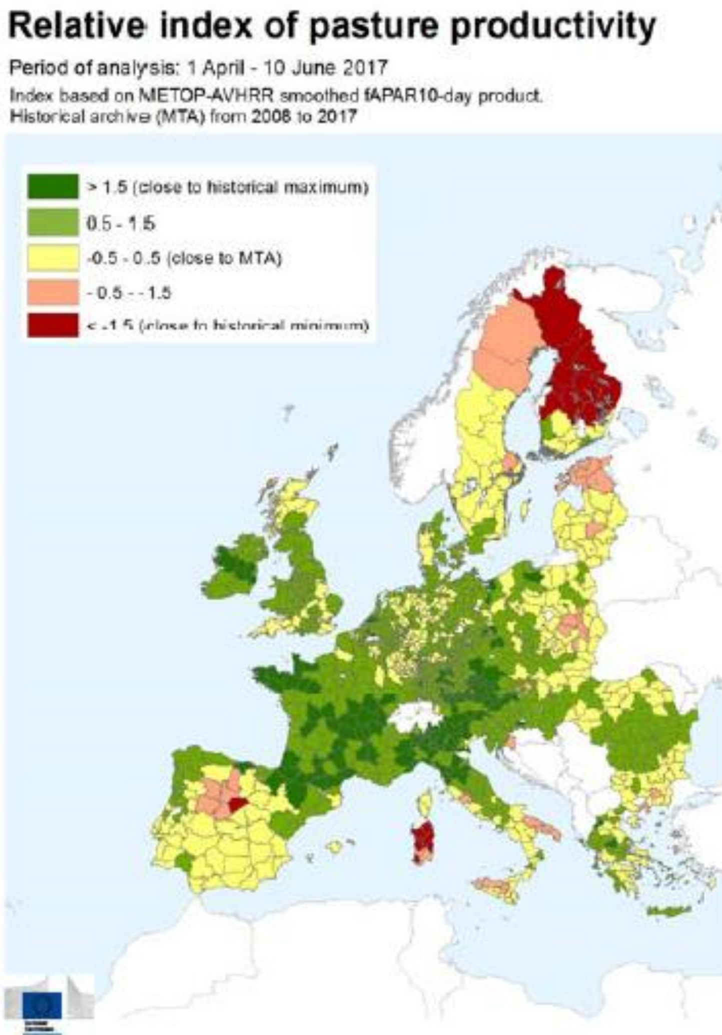
European Commission

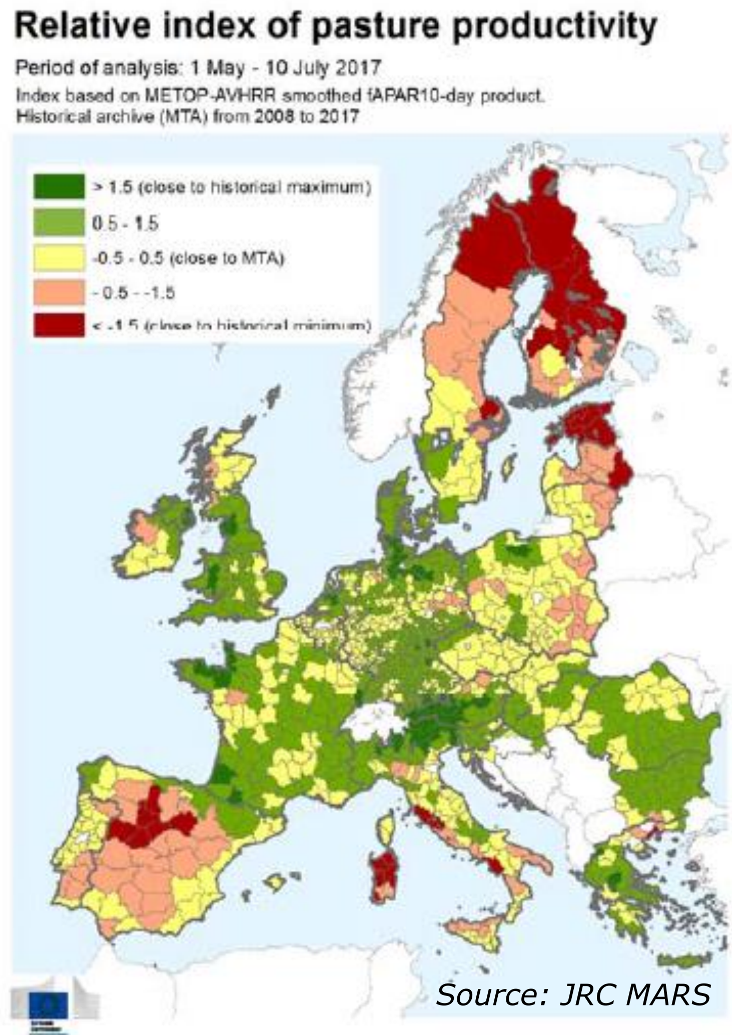
Outline

- Pastures and crops
- Milk collection
- Use of milk

Pastures:

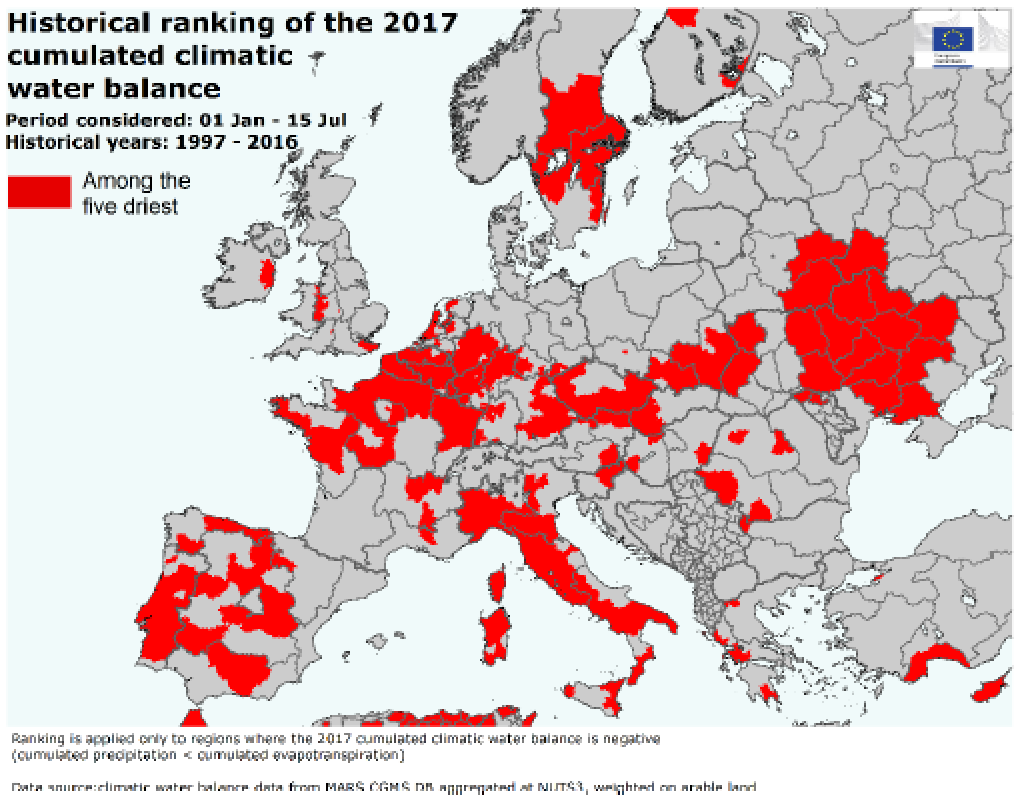
decrease of productivity in some regions as a consequence of the high temperatures





Source: JRC MARS

Regions with water deficit and belonging to the five driest over the last 20 years



Source: JRC MARS

2017/2018 EU cereal harvest below average

Sown areas

- Slightly lower than previous marketing year
- 56.2 million ha (-1.3% last year, -2.3% 5y avg)
- Lower mainly for maize, sorghum and rye, while durum is expanding

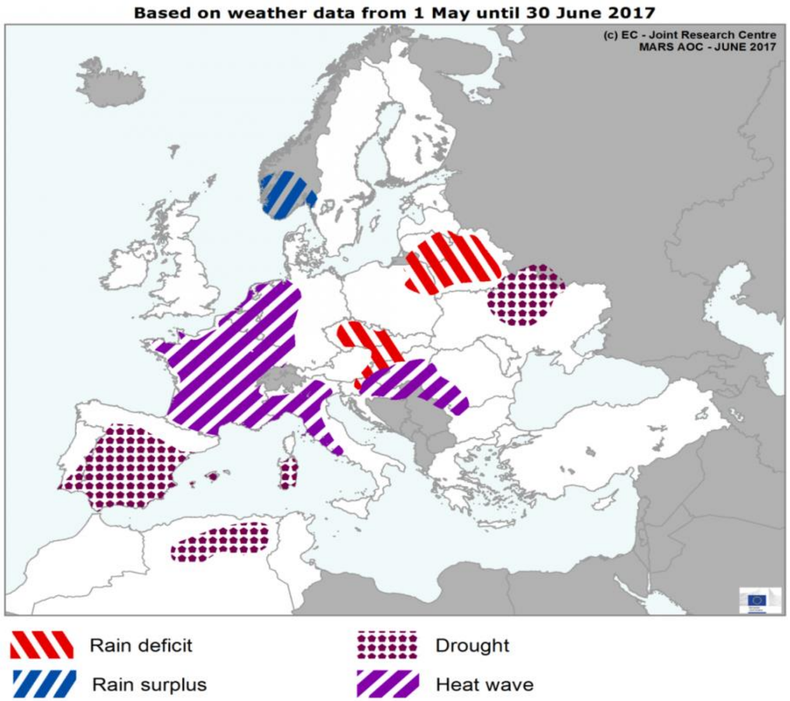
Yields

- Spring conditions hampered crop development
- Spain (drought): winter barley -21%, spring barley -33%
- Also north-western France and Belgium (dry and hot)
- Netherlands, Germany, northern Italy, central Europe: heat wave in June

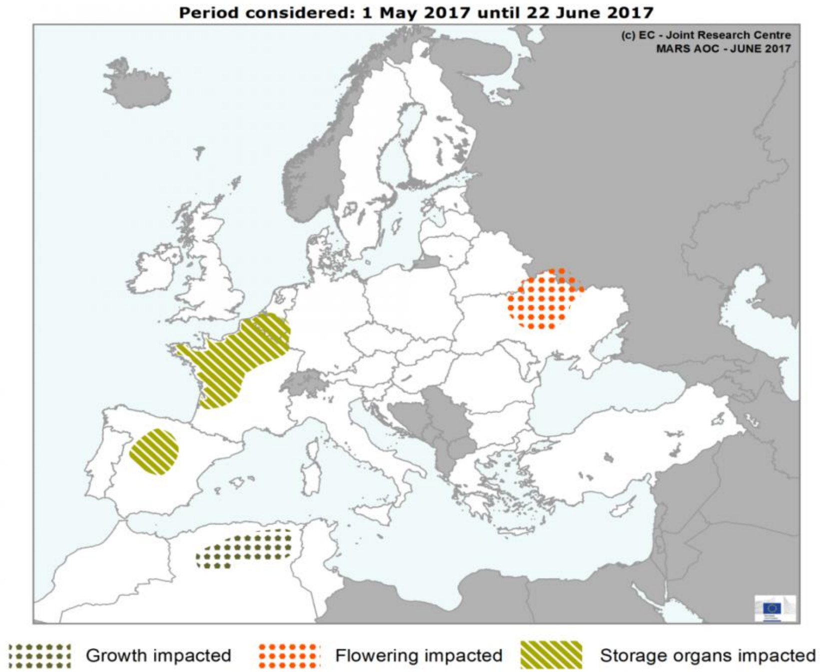
Areas of concern

Areas of concern

Map 1 Areas of concern: extreme weather events



Map 2 Areas of concern: winter crops



Source: Mars-Bulletin Crop Monitoring in Europe 25(6) http://mars.jrc.ec.europa.eu/mars/Bulletins-Publications

EU production not in tune with world

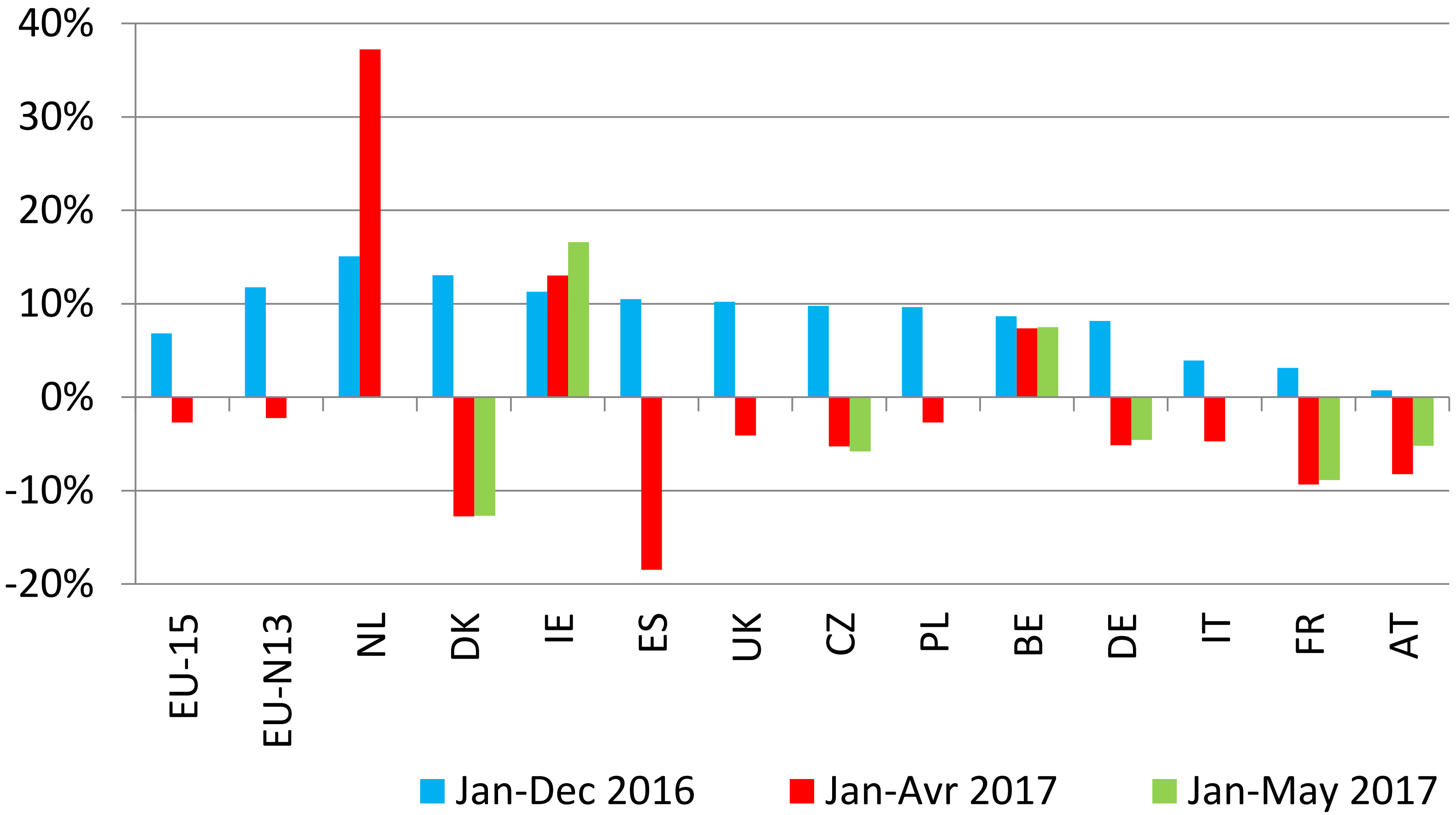
2017/2018 EU Production

- Below 300 million t, 2nd year in a row
- Drop mainly for barley, at 57 million t
- Maize uncertain (early), closer to 60 than 65 million t

2017/2018 World Production

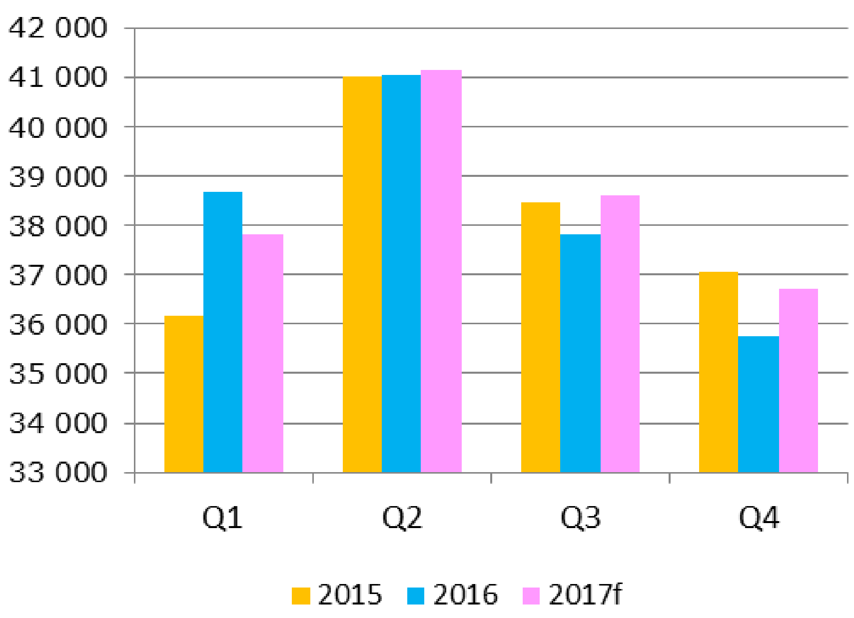
- Substantial but lower than previous record year
- 2050 million t (-3% compared to 2016/17)
- High level of stocks (only slightly below last year)
- Wheat around 740 million t: lower in the US, Canada, Ukraine, but excellent in Russia
- Maize at 1 030 million t slightly below last year's record (-3%)

Slow down in EU cow slaughterings



2017 EU milk collection +0.7% (2018: +0.9%)

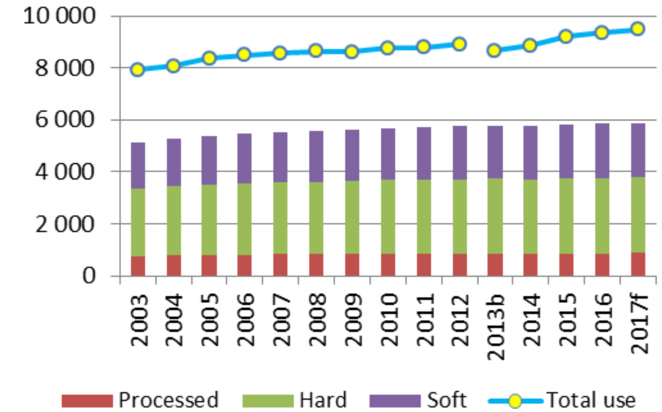
EU milk collection forecast by quarter (1000 t)



- A contrasted situation in the EU:
  - Strong increase to be expected in IE, PL, IT, LU, SI, CY
  - Increase in ES, AT
  - Recovery in the UK, BE, PT, SK
  - Stable (-0.5% // +0.5%) in: DK, EE, LV, CZ, FR, FI, HU, LT,
  - Decrease in: DE, SE, NL

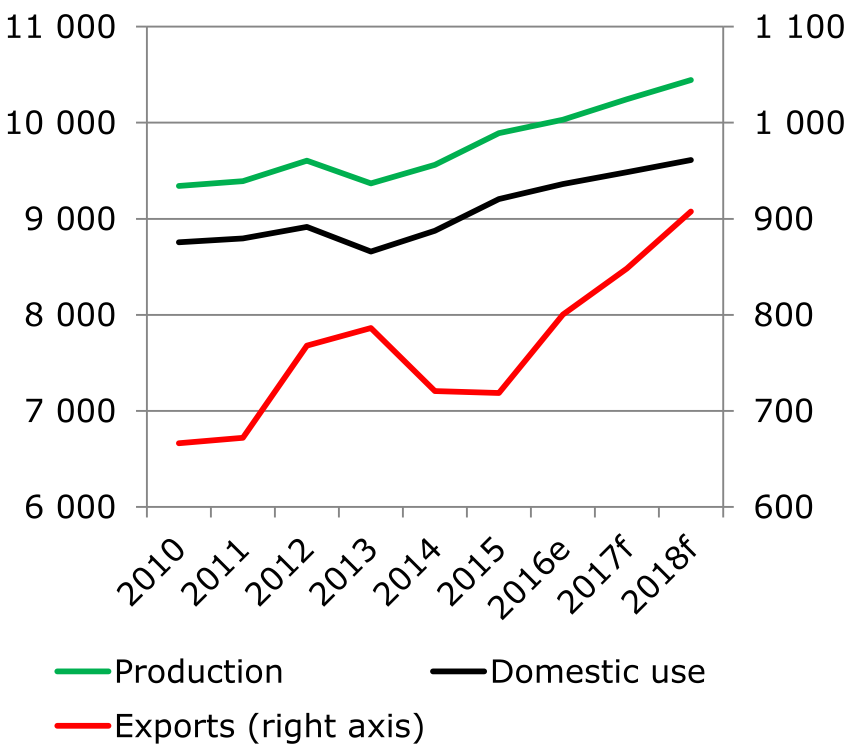
Cheese

EU cheese retail sales and total use (1000 t)



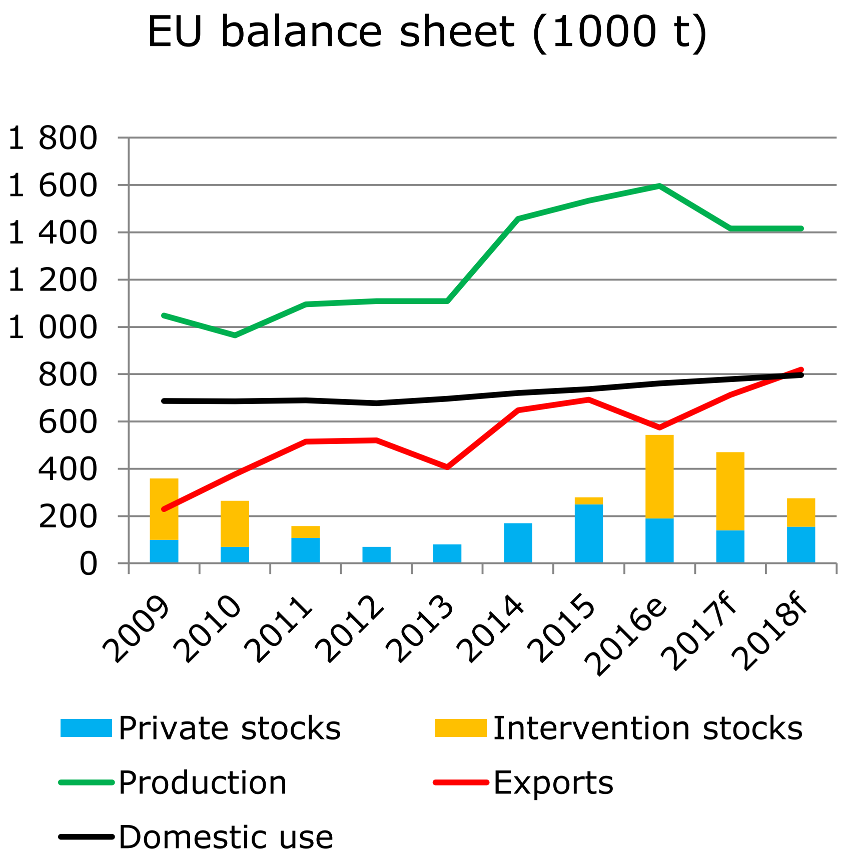
Source: DG AGRI and Euromonitor

EU cheese balance sheet (1000 t)



- Production
  - 2017/2016*f*: +2.2%
  - *(Jan-May): +1.9%*
- Exports
  - 2017/2016*f*: +6%
  - *(Jan-May): +8%*
- Consumption
  - 2017: 17.9 kg/capita (+1%)
  - i.e. +0.44 million t of milk eq.

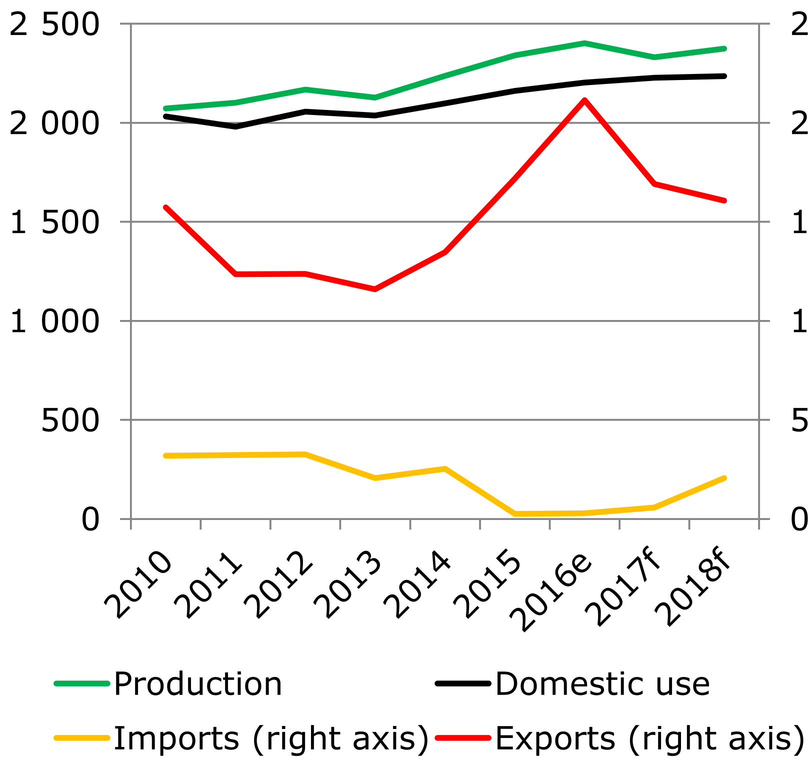
SMP



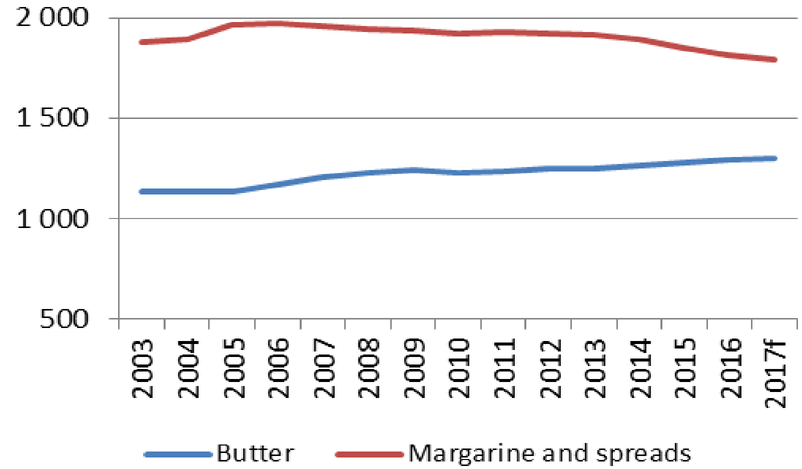
- Production
  - 2017/2016*f*: -11%
  - *(Jan-May): -12%*
- Exports
  - 2017/2016*f*: +24%
  - i.e. +1 million t of milk eq.
  - *(Jan-May): +26%*
- Use
  - 2017/2016*f*: +2.3%
  - i.e. +0.13 million t of milk eq.
- Total stocks
  - End 2017: 470 000 t
  - Of which 330 000 t of intervention stocks

Butter

EU balance sheet (1000 t)



EU Butter retail sales (1000 t)

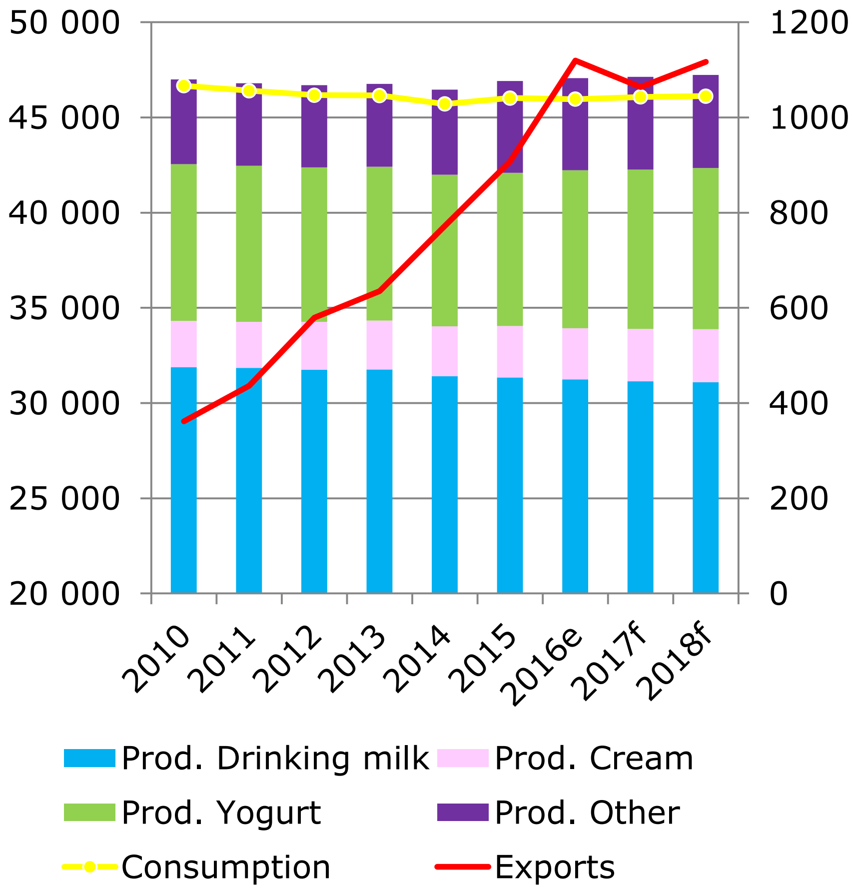


Source: Euromonitor

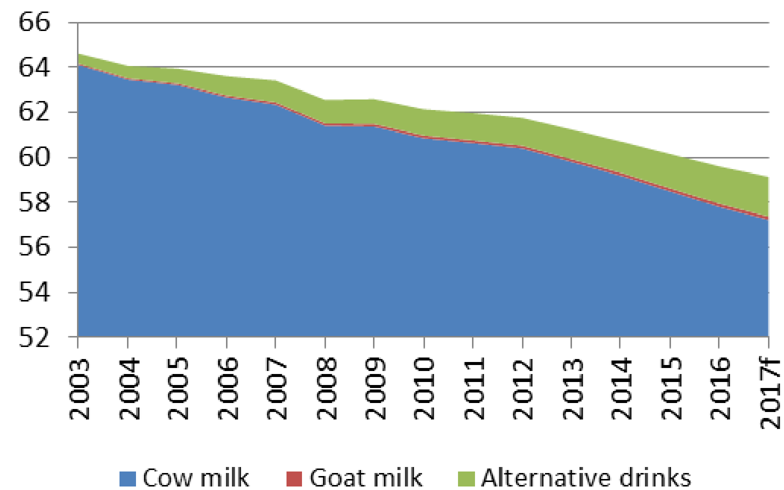
- Lower fat content in 2017
- Production
  - 2017/2016*f*: -3%
  - *(Jan-May): -6.5%*
- Exports
  - 2017/2016*f*: -20%
  - *(Jan-May): -20%*
- Use
  - 2017/2016*f*: +1%
- Very low stocks
  - End 2017: 65 000 t

Fresh dairy products

EU balance sheet (1000 t)



EU milk retail sales (1000 t)



Source: Euromonitor

- Production
  - 2017/2016*f*: +0.1%
  - *(Jan-May): -0.9%*
  - Drinking milk down
  - Cream, yogurt up
- Exports
  - 2017/2016*f*: -5%
  - *(Jan-April, drinking milk): -24%*
- Consumption
  - 2017/2016*f*: 89.9 kg/cap (stable)

Thank you

Milk market observatory

http://ec.europa.eu/agriculture/market-observatory/milk_en

Short-term outlook

http://ec.europa.eu/agriculture/markets-and-prices/short-term-outlook_en

Medium-term outlook

http://ec.europa.eu/agriculture/markets-and-prices/medium-term-outlook_en

EU agricultural outlook conference

http://ec.europa.eu/agriculture/events/2016-outlook-conference_en

ANNEX 7

EU Protein Balance sheet

European Commission

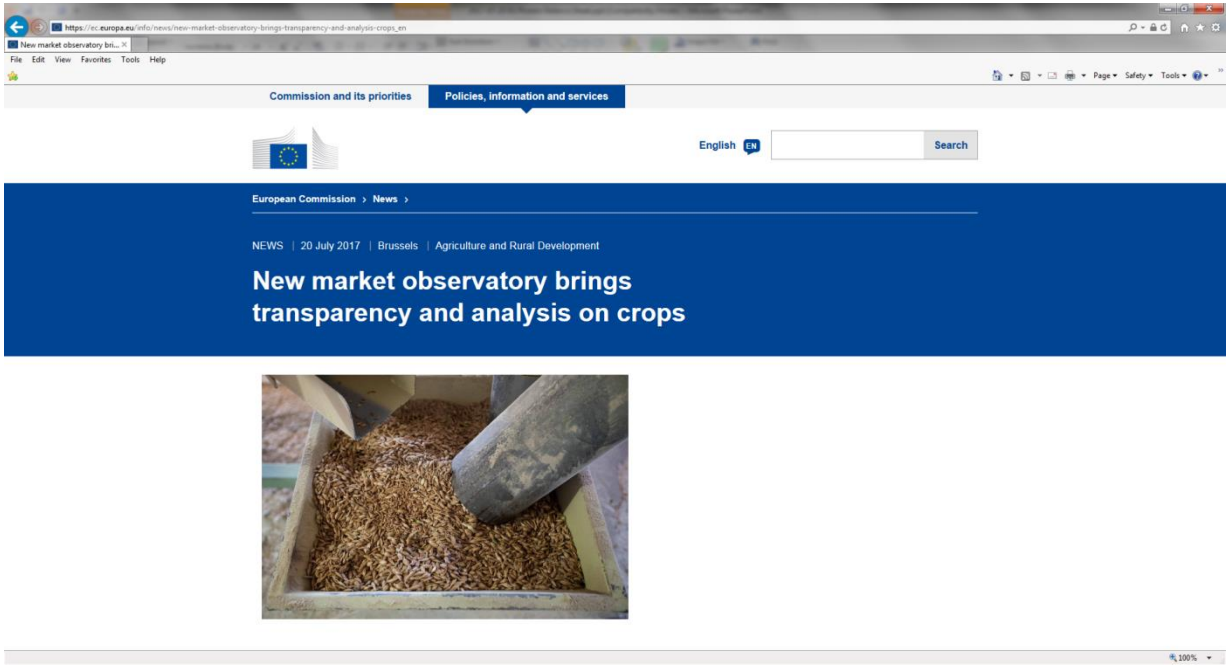
"EU Protein Balance sheet"

Milk Market Observatory

Brussels, 25th July 2017

Agriculture
and Rural
Development

Breaking News:
Crops Market Observatory in place
See https://ec.europa.eu/agriculture/market-observatory/crops_en



Objective

A comprehensive (and "official") overview of EU supply and demand situation for feed proteins

Supply: exhaustive list of feed protein sources (not only protein-rich materials)

Demand: focus on <u>feed</u> uses of proteins

Quantification of EU protein self-sufficiency (or deficit) – monitoring tool for further policy-making

Timelines

- **November 2016 + January 2017:** two "technical" meetings with stakeholders (producers, traders, users of plant proteins)

- **March-April 2017:** presentation of draft EU protein balance sheet in various CDGs (COP+meat)

- **10 April 2017**: publication of first EU protein balance sheet (MY 2015/16) + explanatory note

- **18 July 2017:** publication of EU Protein Balance Sheets since MY 2011/12

Scope

Supply: exhaustive list of (44) feed protein sources, sub-divided into **three main categories**:

1. **Crops** (cereals, oilseeds, pulses): **15 entries**
2. **Co-products** (protein-rich materials eg meals): **25 entries**
3. **Others** (non-plant proteins): **4 entries**

Demand: focus on feed uses of proteins,

incl. for each protein source, volume of EU production, trade, total use, feed use then conversion into **crude protein volume and % feed use of EU origin**

European Commission

Explanatory note

Some limitations related to data gaps about:

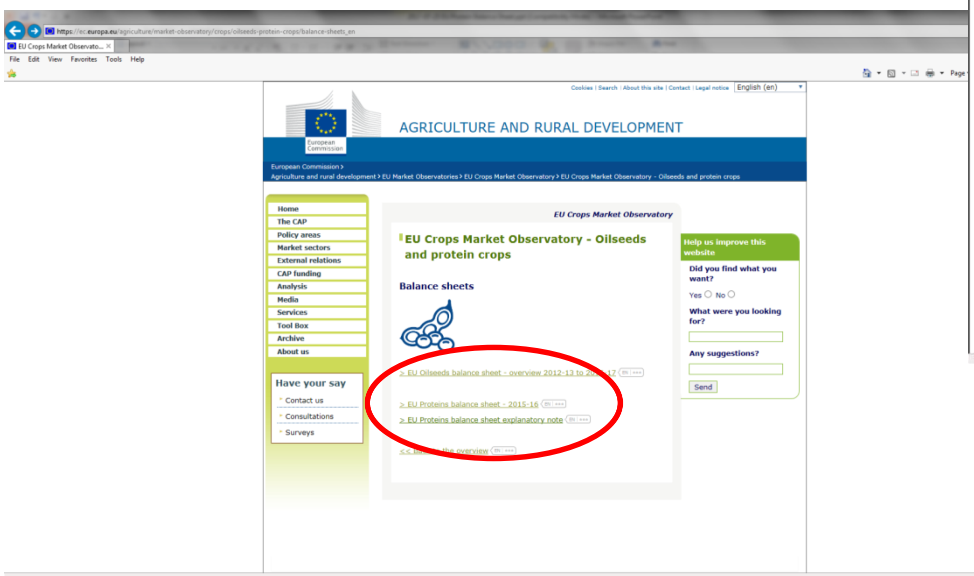
- Proteins from forage sources (not included)
- Protein content per source (average values used)
- On-farm feed uses (estimated)
- Stocks (not included)

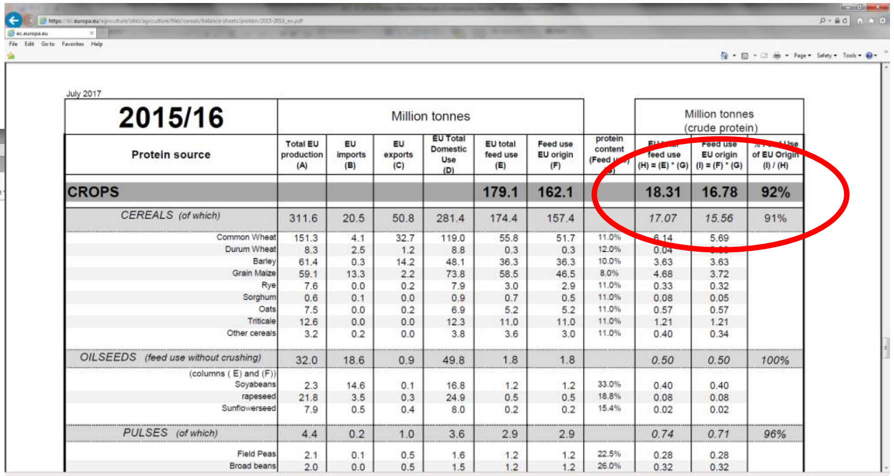
No "grand total" (limited protein inter-changeability)

Data sources: not only EU Commission but also stakeholders input (eg crude protein content) - further stakeholders input welcome (eg on forage sources?)

Publication on Crops MO website

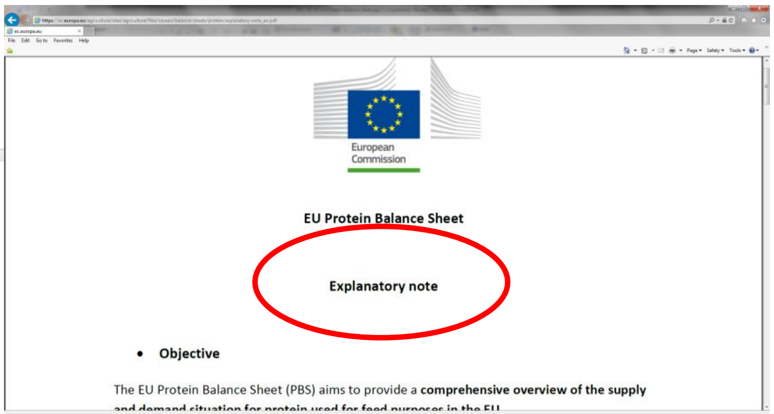
https://ec.europa.eu/agriculture/market-observatory/crops_en





July 2017

2015/16	Million tonnes							Million tonnes (crude protein)		
Protein source	Total EU production (A)	EU imports (B)	EU exports (C)	EU Total Domestic Use (D)	EU total feed use (E)	Feed use EU origin (F)	protein content (Feed [illegible])	[illegible] feed use (H) = (E) * (G)	Feed use EU origin (I) = (F) * (G)	[illegible] Use of EU Origin (I) / (H)
CROPS					179.1	162.1		18.31	16.78	92%
CEREALS (of which)	311.6	20.5	50.8	281.4	174.4	157.4		*17.07*	*15.56*	91%
Common Wheat	151.3	4.1	32.7	119.0	55.8	51.7	11.0%	6.14	5.69	
Durum Wheat	8.3	2.5	1.2	8.8	0.3	0.3	12.0%	0.04	[illegible]	
Barley	61.4	0.3	14.2	48.1	36.3	36.3	10.0%	3.63	3.63	
Grain Maize	59.1	13.3	2.2	73.8	58.5	46.5	8.0%	4.68	3.72	
Rye	7.6	0.0	0.2	7.9	3.0	2.9	11.0%	0.33	0.32	
Sorghum	0.6	0.1	0.0	0.9	0.7	0.5	11.0%	0.08	0.05	
Oats	7.5	0.0	0.2	6.9	5.2	5.2	11.0%	0.57	0.57	
Triticale	12.6	0.0	0.0	12.3	11.0	11.0	11.0%	1.21	1.21	
Other cereals	3.2	0.2	0.0	3.8	3.6	3.0	11.0%	0.40	0.34	
OILSEEDS (feed use without crushing)	32.0	18.6	0.9	49.8	1.8	1.8		*0.50*	*0.50*	*100%*
(columns (E) and (F))										
Soyabeans	2.3	14.6	0.1	16.8	1.2	1.2	33.0%	0.40	0.40	
rapeseed	21.8	3.5	0.3	24.9	0.5	0.5	18.8%	0.08	0.08	
Sunflowerseed	7.9	0.5	0.4	8.0	0.2	0.2	15.4%	0.02	0.02	
PULSES (of which)	4.4	0.2	1.0	3.6	2.9	2.9		*0.74*	*0.71*	*96%*
Field Peas	2.1	0.1	0.5	1.6	1.2	1.2	22.5%	0.28	0.28	
Broad beans	2.0	0.0	0.5	1.5	1.2	1.2	26.0%	0.32	0.32	



European Commission

EU Protein Balance Sheet

Explanatory note

- **Objective**

The EU Protein Balance Sheet (PBS) aims to provide a **comprehensive overview of the supply**

European Commission

First Results – MY 2015/16

1. **Proteins from Crops:**
   - **Feed Use: 18.31 million tonnes** (crude protein)
   - **Origin: 92% EU**

2. **Proteins from Co-products:**
   - **Feed Use: 26.01 million tonnes** (crude protein)
   - **Origin: 37% EU**

3. Proteins from Others:
   - Feed Use: 0.78 million tonnes (crude protein)
   - Origin: 89% EU

First Results – MY 2011/12 to 2015/16

1. **Proteins from Crops:**
   - **Feed Use: variable from 16.84 in 2011/12 to 18.31 in 2015/16** (million tonnes crude protein)
   - **Origin: stable ≈92% EU**

2. **Proteins from Co-products:**
   - **Feed Use: variable from 23.50 in 2012/13 to 26.01 in 2015/16** (million tonnes crude protein)
   - **Origin: variable from 37% to 41 % EU**

Next Steps

September 2017: publication of EU Protein Balance Sheet MY 2016/17

Q4 2017: fine-tuning of published Protein Balance Sheet (some data gaps filled in?)

Note: stakeholders' comments always welcome at agri-G4@ec.europa.eu

European Commission

Thank you for your attention!

Arable Crops (incl. protein crops) data available at:

https://ec.europa.eu/agriculture/market-observatory/crops_en