

# MMO Economic Board

## Meeting of 24 July 2014

- o The 2nd meeting of the Milk Market Observatory economic board took place on 24 July 2014, gathering market experts of the organisations representing the various steps in the milk supply chain: CEJA (young farmers), COPA-COGECA (producers and cooperatives), ECVC (Via Campesina), EMB (European Milk Board), EDA (dairy industry), Eucolait (dairy trade) and Eurocommerce (retail).
- o The meeting was opened with 2 presentations by DG AGRI on the milk market situation and on the short term outlook, and 1 presentation by CNIEL on dairy investments in Europe<sup>1</sup>. The floor was then open to market experts.
- o Downward pressure has been increasing on milk prices since March because of higher supply in the main producing regions (EU, US, NZ). After the seasonal production peak in May, dairy commodity and spot milk prices started recovering. As usual, a time lag is expected before farm gate milk prices follow suit.
- o Availability and quality of maize and grass is good and feed prices are decreasing in the wake of a good cereals harvest.
- o Milk collection is expected to show less pronounced growth percentages in the 2<sup>nd</sup> half of the year, compared to the same period last year where significant increases were registered.
- o Household consumption is at best stagnating (except for butter and cream used for home cooking), while industrial customers (buying dairy ingredients to manufacture processed food) and third country buyers are not expected to be dynamic on the demand front until September.
- o The butter market is considered as relatively balanced with stable prices and limited activity. The cheese market is depicted as undergoing a strong recovery. A possible El Niño weather event is predicted by some forecasters but yet to be confirmed would impact world milk production.
- o An assessment of stock levels was presented based on a residual approach (production + imports – consumption and exports). SMP stocks appeared to have been in a healthy state since the 2<sup>nd</sup> half of 2012 but showing a trend towards oversupply from April 2014, probably pursued in May but with a change in trend expected from June/July.
- o It is thought that butter stocks have experienced a similar curve after oversupply in the first half of 2012, but, unlike for SMP, stocks are assessed as being at normal levels in last month of observation (April 2014).
- o Cheese stocks (Gouda type) are assessed at slightly above normal levels in April 2014, but still very far from the oversupply observed in the first half of 2012.
- o Russian imports have been rather stable with regard to cheese up to now and have been increasing for butter. Algerian imports have increased for SMP and WMP. Demand from Indonesia, Malaysia, the Philippines, Singapore, etc. appears to be steady with a long term perspective.
- o World stocks appear to have increased at the end of the 2<sup>nd</sup> quarter of 2014 in the main milk supplying regions and uncommitted stocks are reported in some importing regions.
- o Demand is expected to rebound once buyers have the perception that the floor has been hit.
- o From 2012 to June 2014, dairy investments in Europe have been reported for a total of 5.5 billion € covering 190 investment projects involving 120 companies. Not only EU companies are investing in Europe, but also Chinese and NZ companies, showing the attractiveness of sourcing milk from the EU. Contrary to the past where investments in the EU mainly targeted cheese production, the majority of new projects are in the area of dry dairy products.

<sup>1</sup> See presentations in annex

# **ANNEX 1**

## **Milk Market Situation**

***European Commission***



# Milk Market Situation

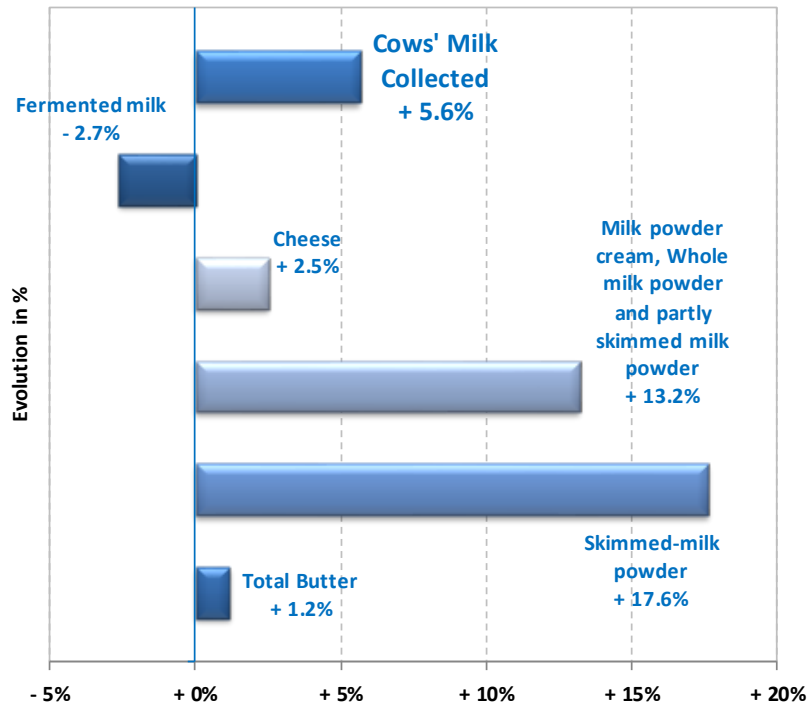
*Brussels, 24 July 2014*



European Commission

# EU Productions

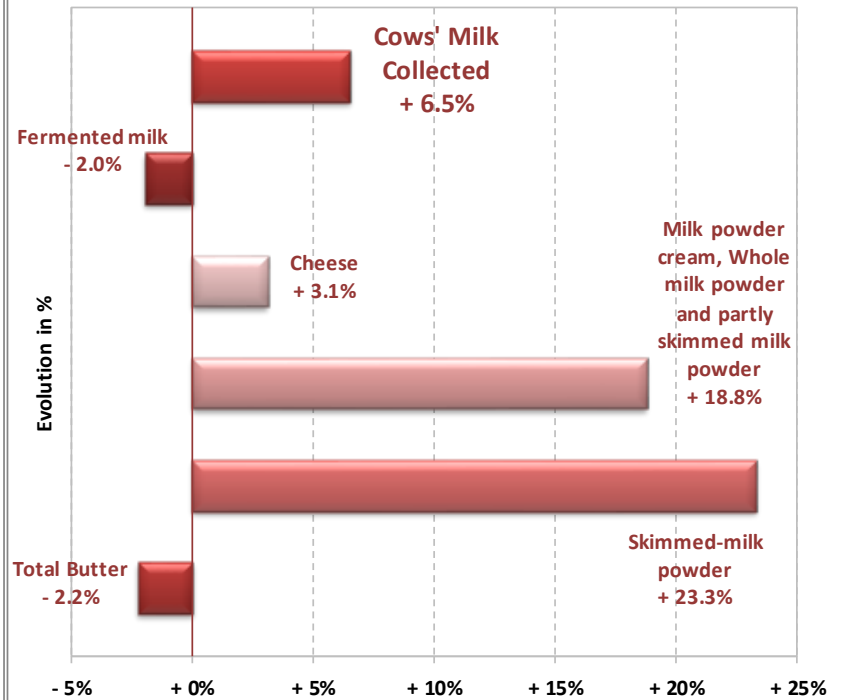
### EU-28 Deliveries/Productions development (Jan - Apr 2014 compared to Jan - Apr 2013)



Rem : April missing for DK, FR in some products

Source : MS' Communications to Eurostat

### EU-28 Deliveries/Productions development (Apr 2014 - Apr 2014 compared to Apr 2013 - Apr 2013)



Rem : April missing for DK, FR in some products

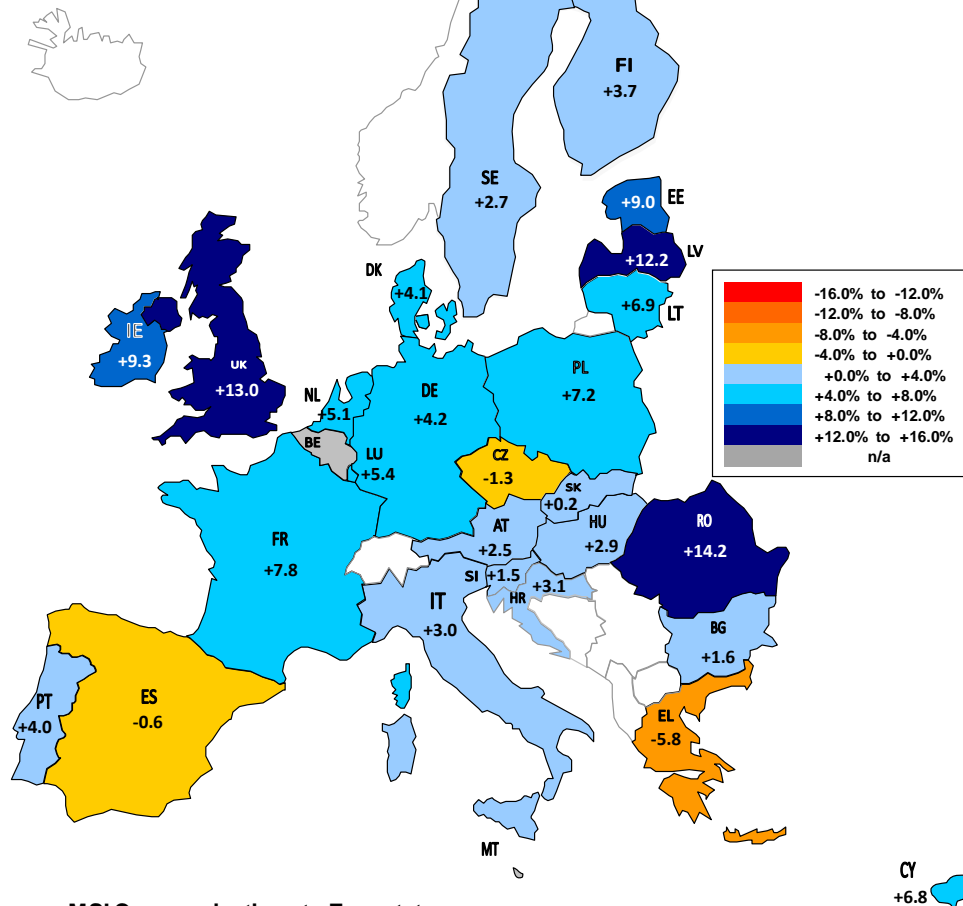
Source : MS' Communications to Eurostat

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

## EU Milk Deliveries compared to last period (in %)

(Jan - Apr 2014 / Jan - Apr 2013)

*Data for April 2014 not available for France*

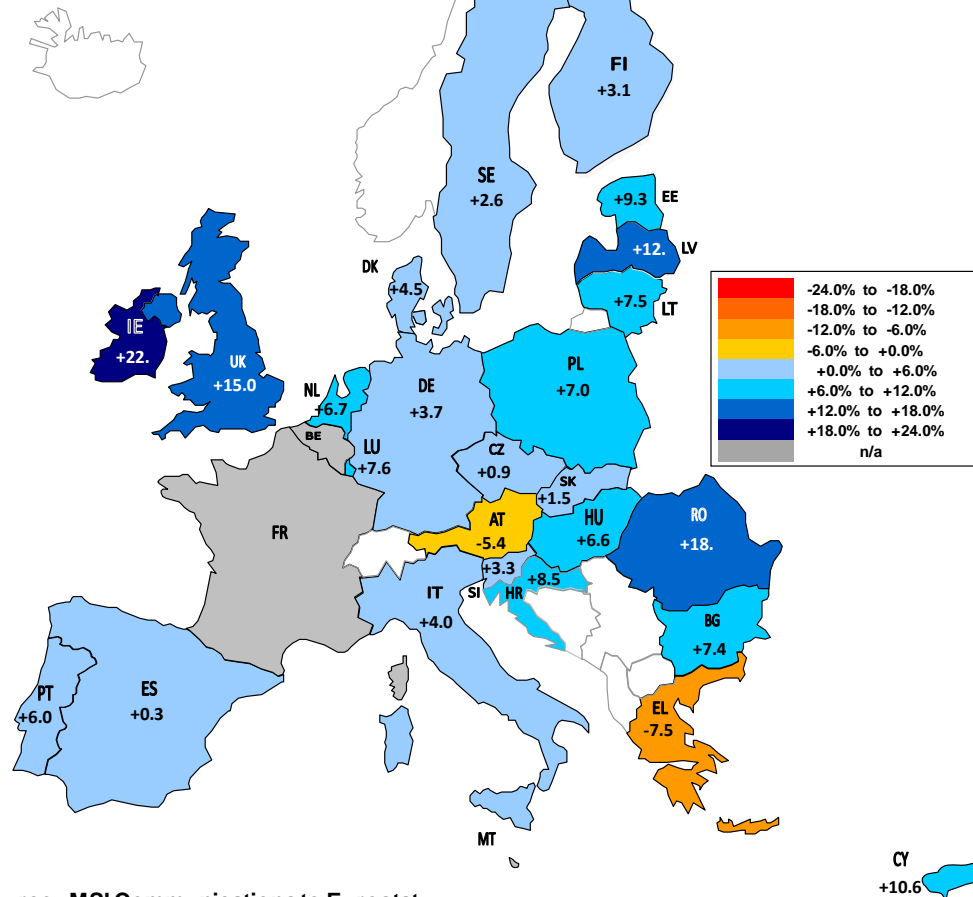


Source: MS' Communications to Eurostat

## EU Milk Deliveries compared to last period (in %)

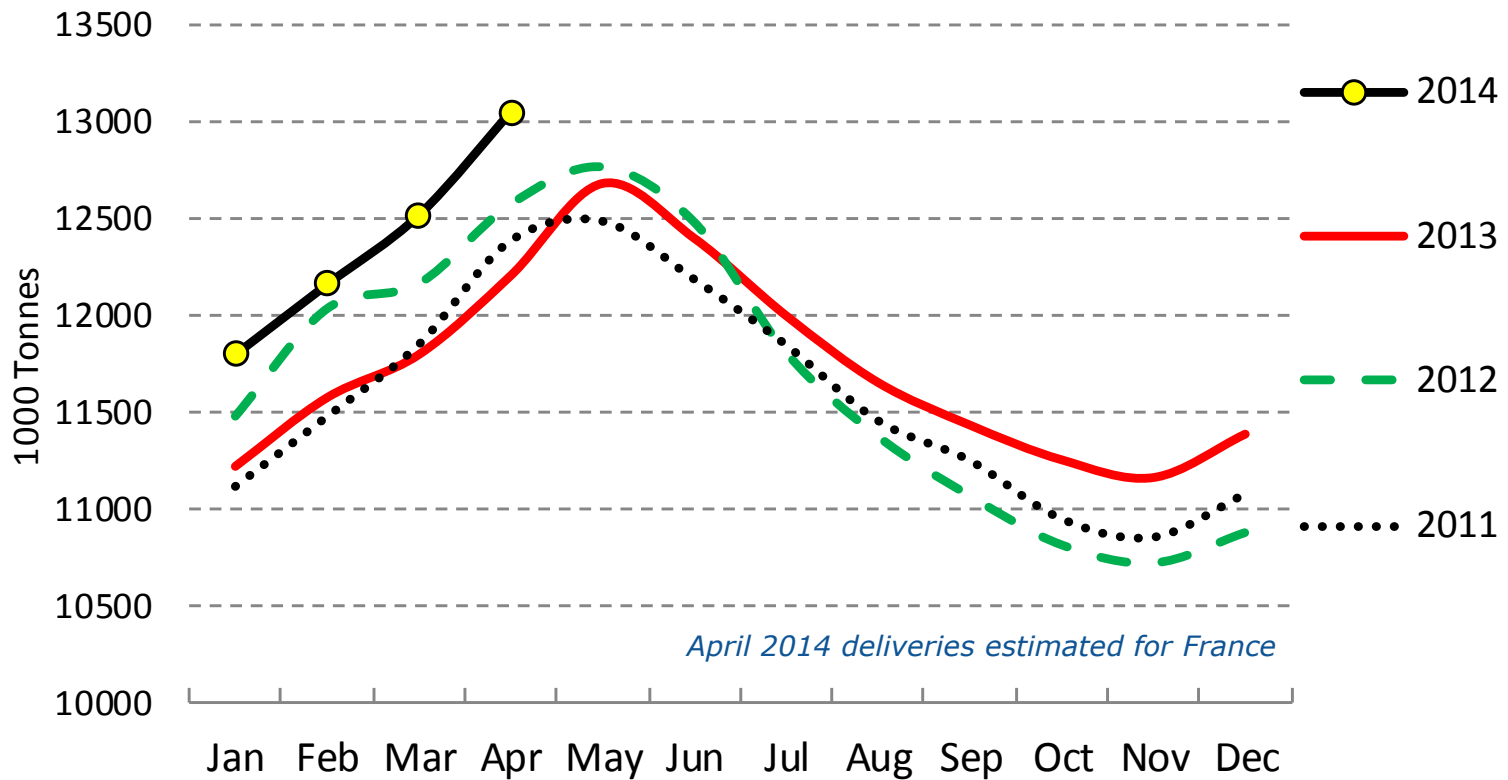
(Apr - Apr 2014 / Apr - Apr 2013)

Data for April 2014 not available for France



Source : MS' Communications to Eurostat

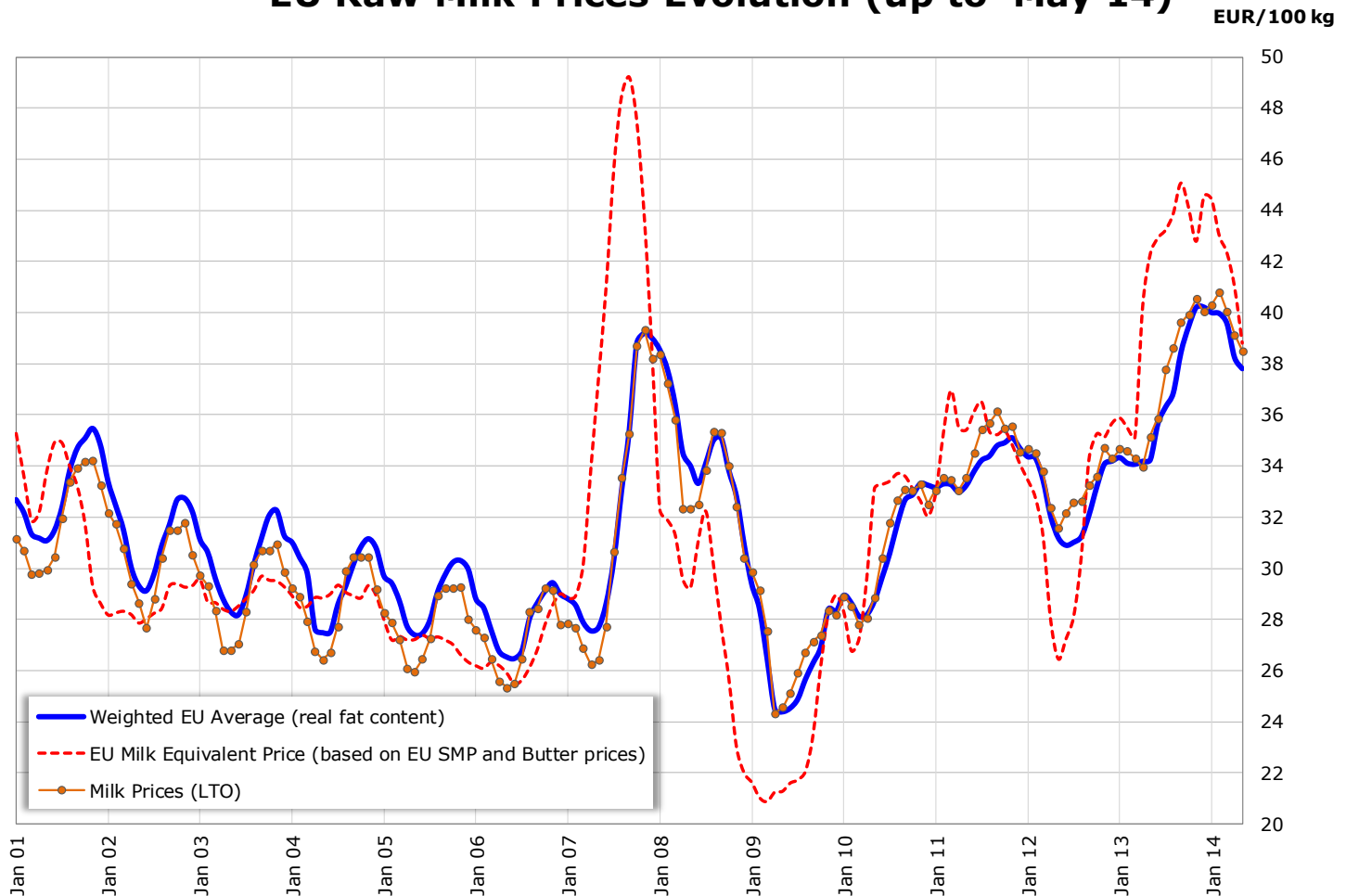
## EU - Cows' milk collected ( 30d ajusted months )



Source : Estat - Newcronos

Last Update : Jan-Apr

## EU Raw Milk Prices Evolution (up to May 14)

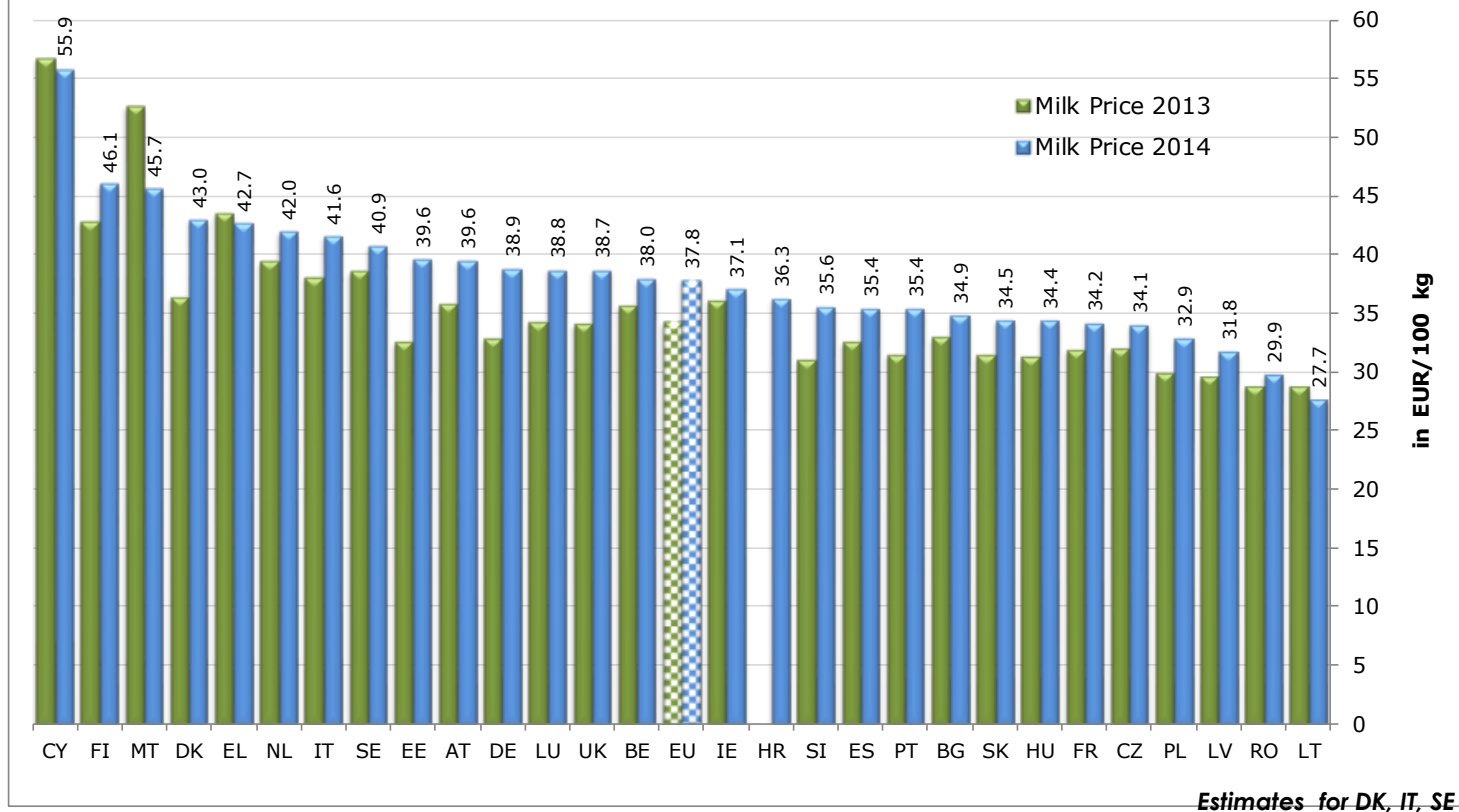


Source :MS' communications under reg. 562/2005 & 479/2010 + LTO : Land- en Tuinbouworganisatie Nederland (<http://www.milkprices.nl/>)



## EU MILK PRICES ( May 2014 vs May 2013 )

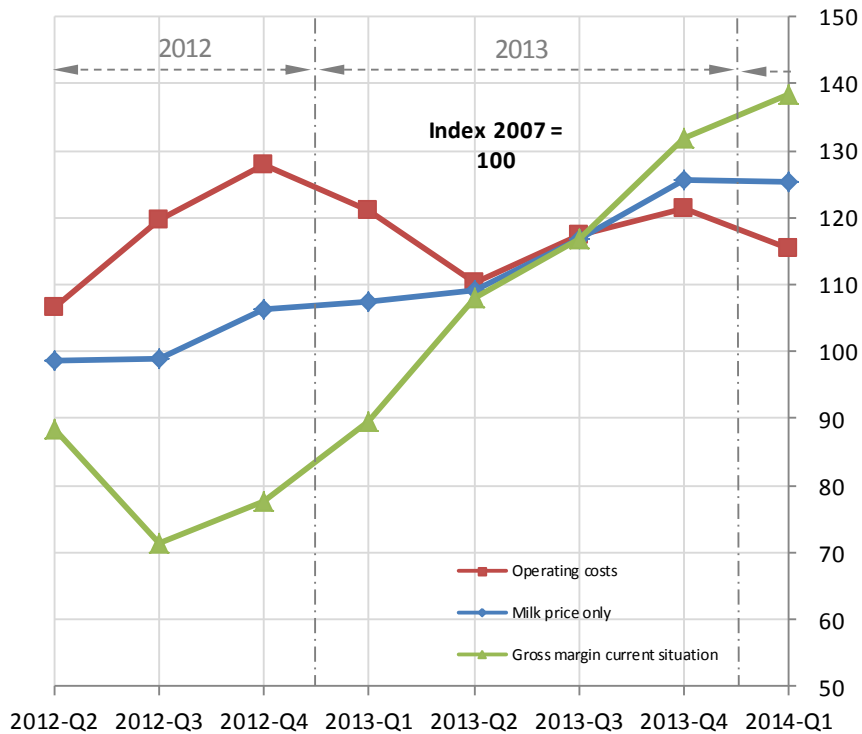
Source : Member States (Reg. 479/2010)



NB: The above national price averages are of mixed nature, some relate to standardised milk, others to milk with real fat and protein content, pending harmonisation under reg. 479/2010

Source: MS' communications under Reg. 479//2010

## EU-27 Milk price, operating costs and margin per tonne

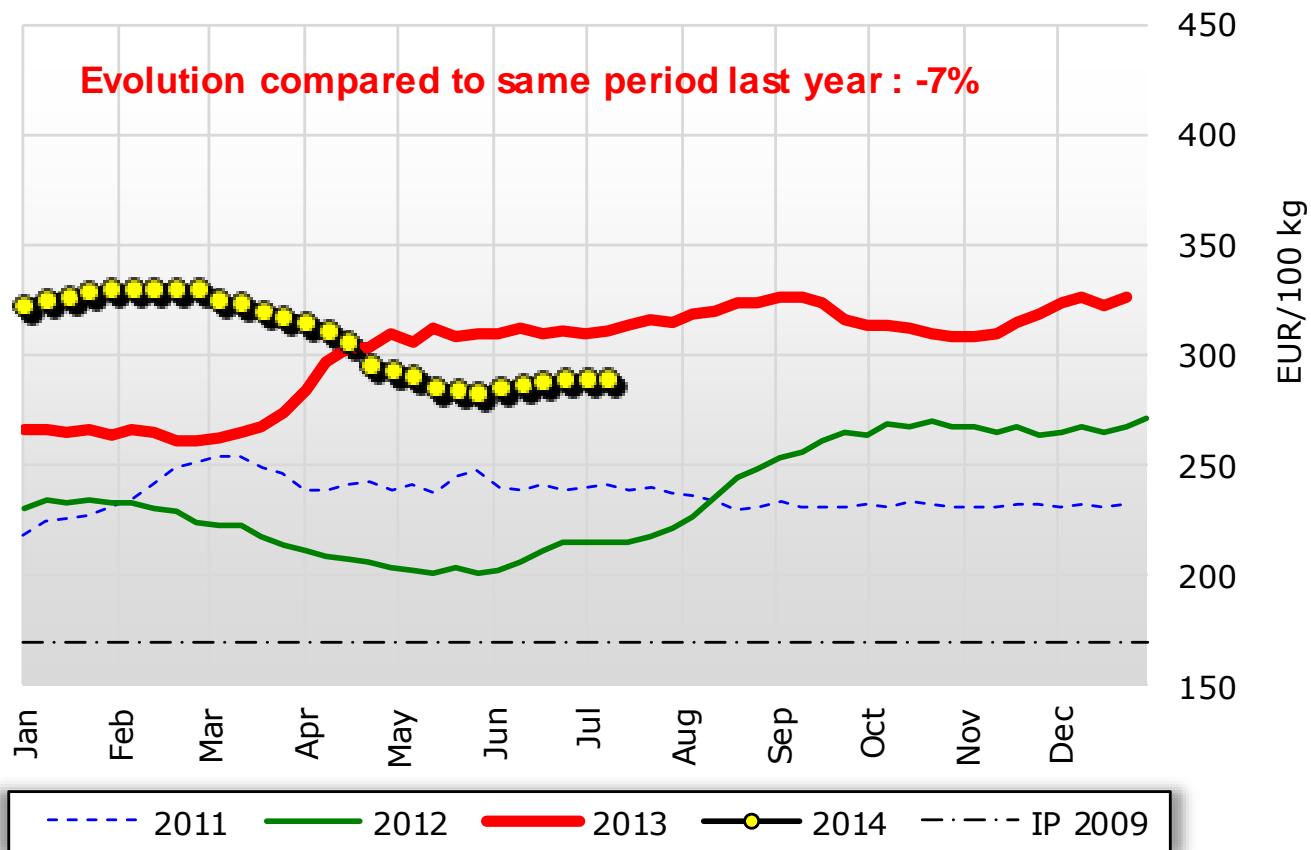


## Gross margin



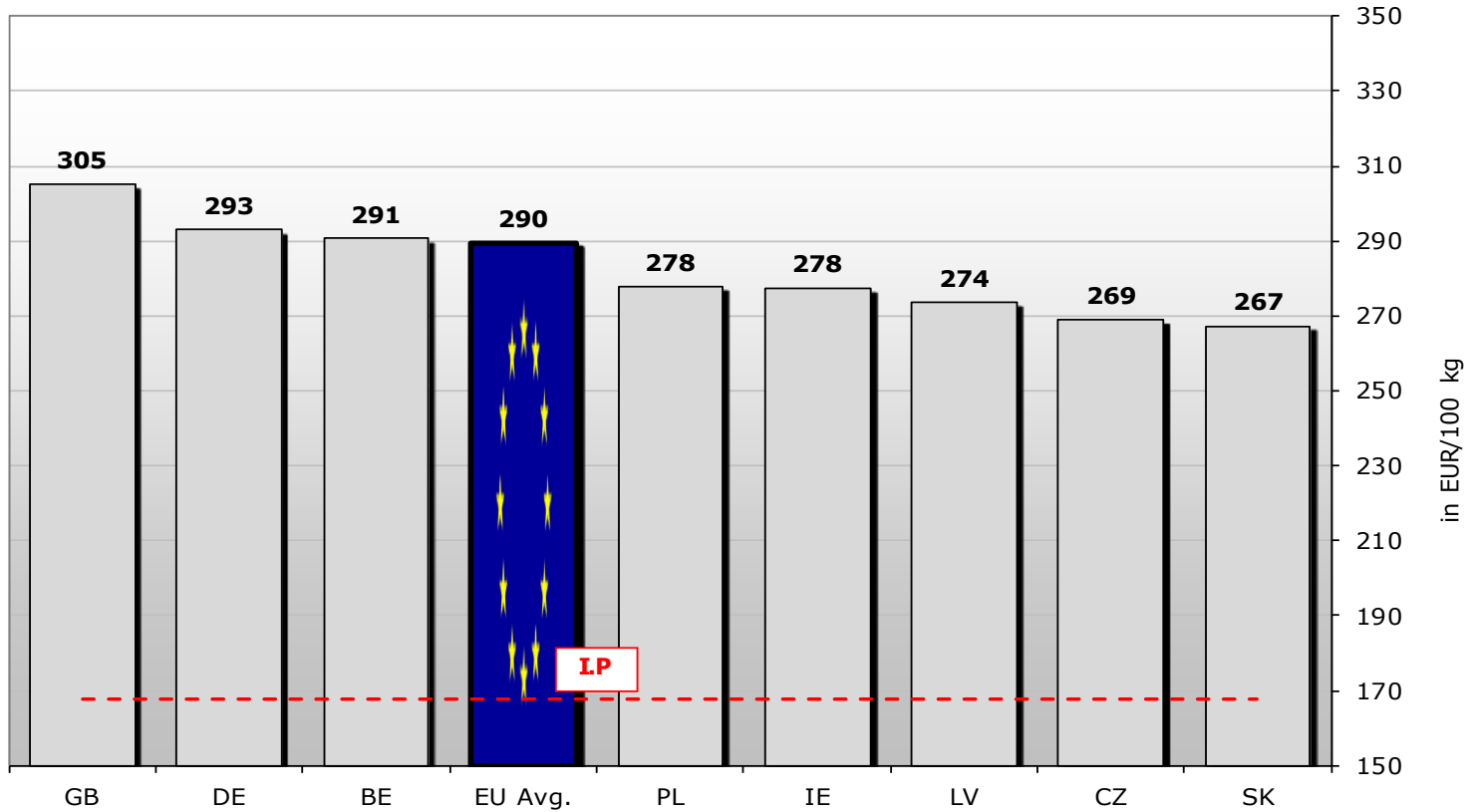
## Weekly EU SMP Prices

Latest price : 290 EUR/100kg



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

## EU S.M.P. Prices (up to 13.07.2014)

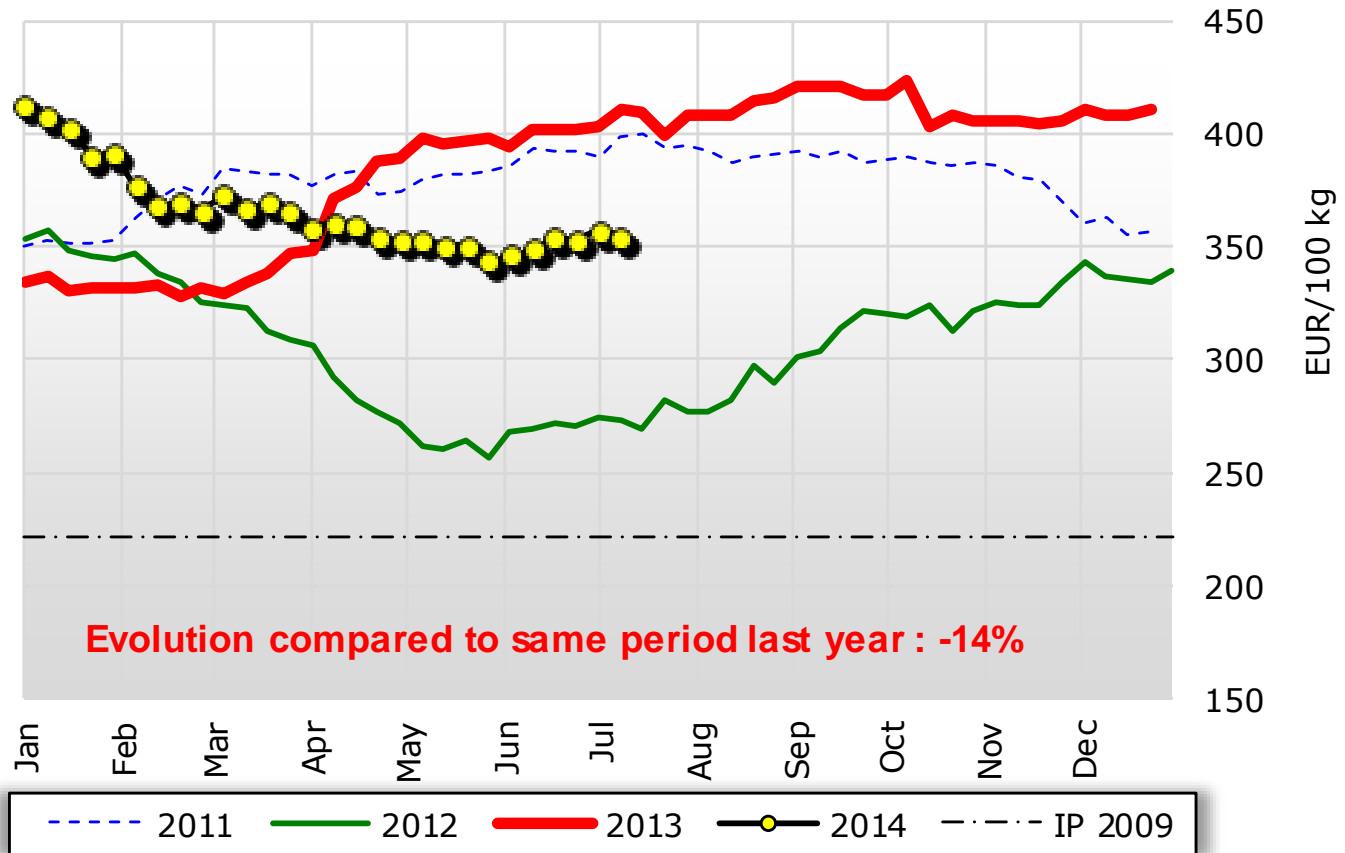


Source : Reg. (EC) No 479/2010 Article 2

Source: MS' communications under reg. 479/2010

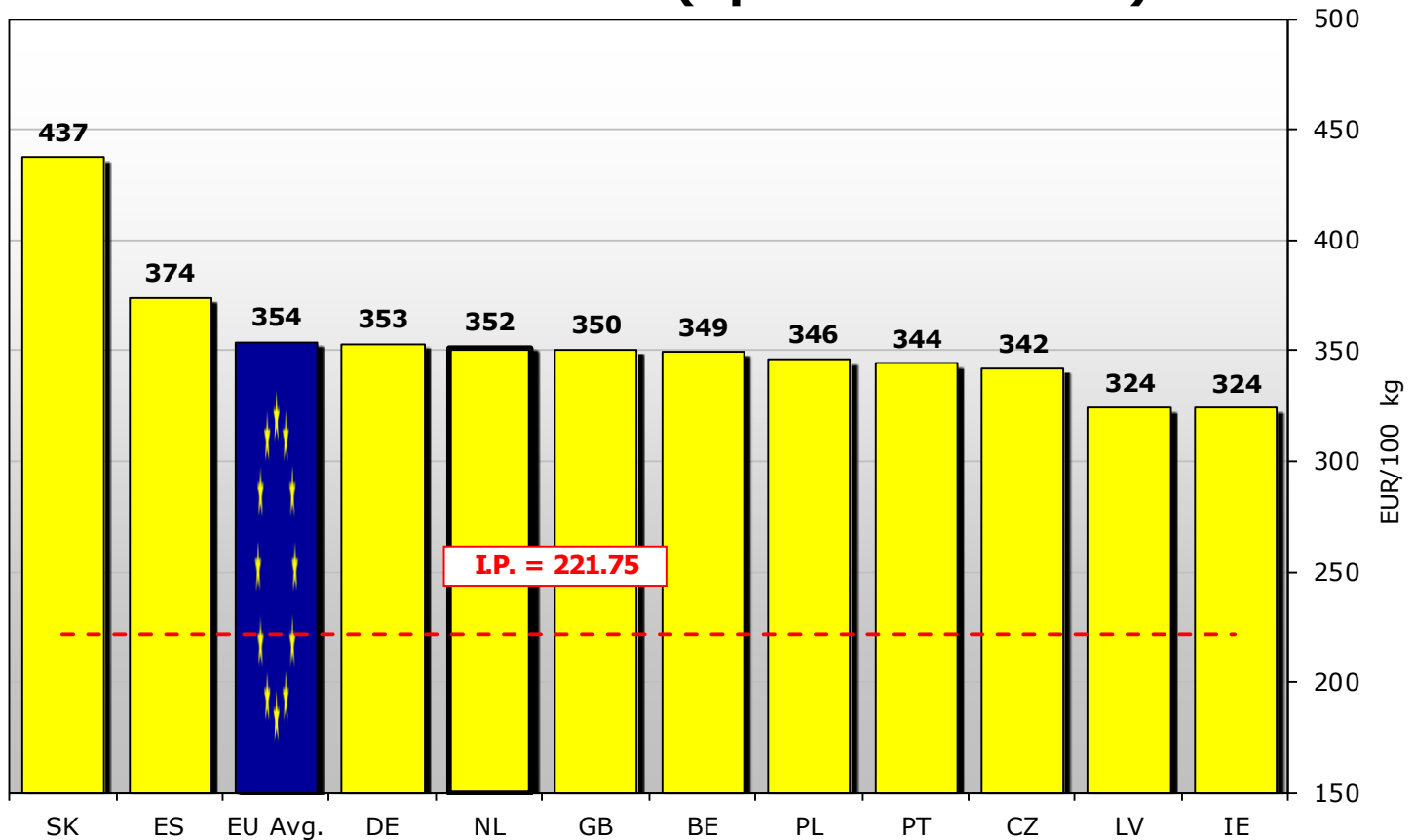
# Weekly EU BUTTER Prices

Latest price : 354 EUR/100kg



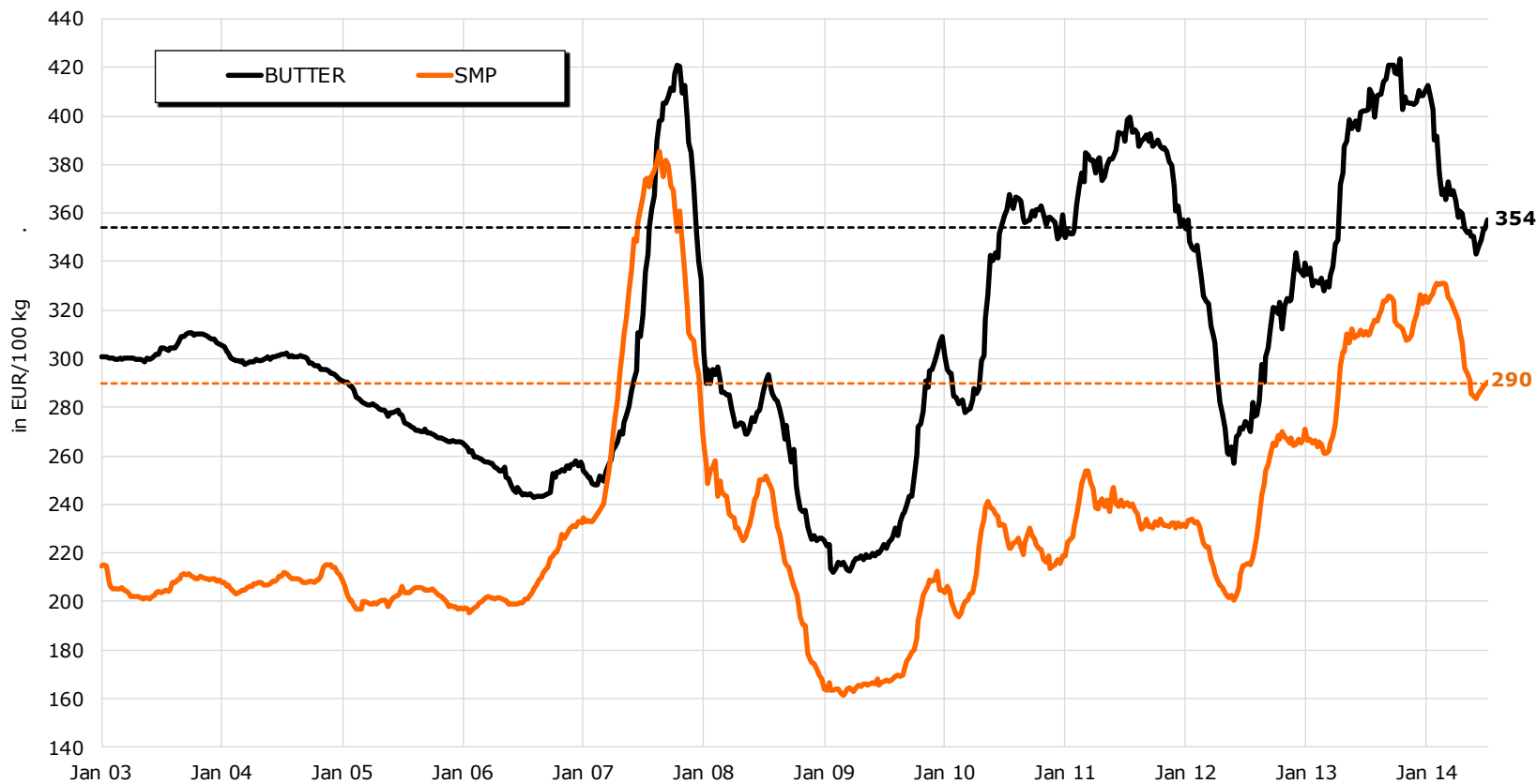
Source: MS' communications under Regs. 562/2005 and 479/2010

## EU Butter Prices (up to 13.07.2014)



Source : Reg. (EC) No 479/2010 Article 2

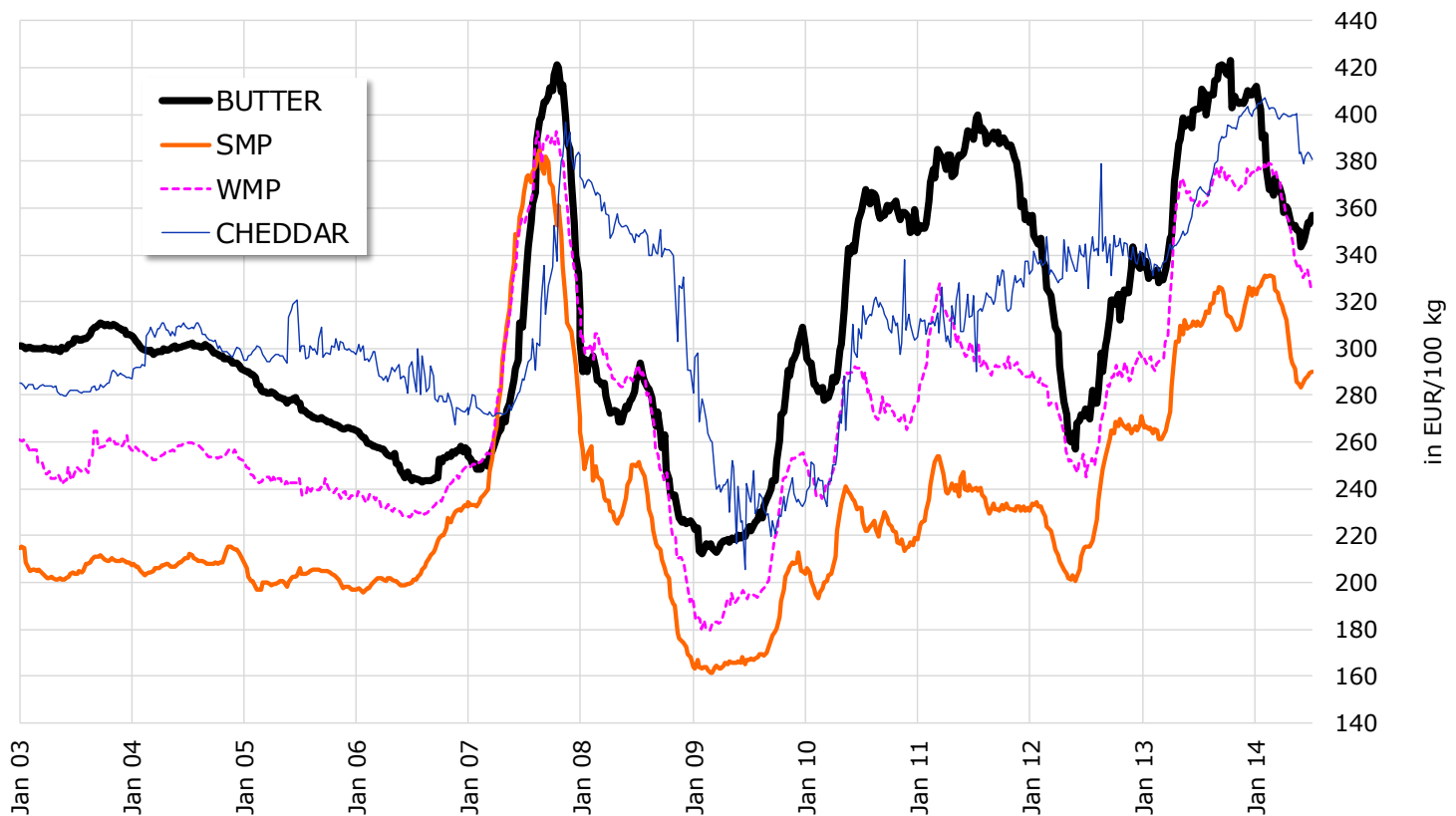
### EU Quotations of Butter and SMP (EU average based on MS communication and weighted by production)



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

## EU Dairy Quotations

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

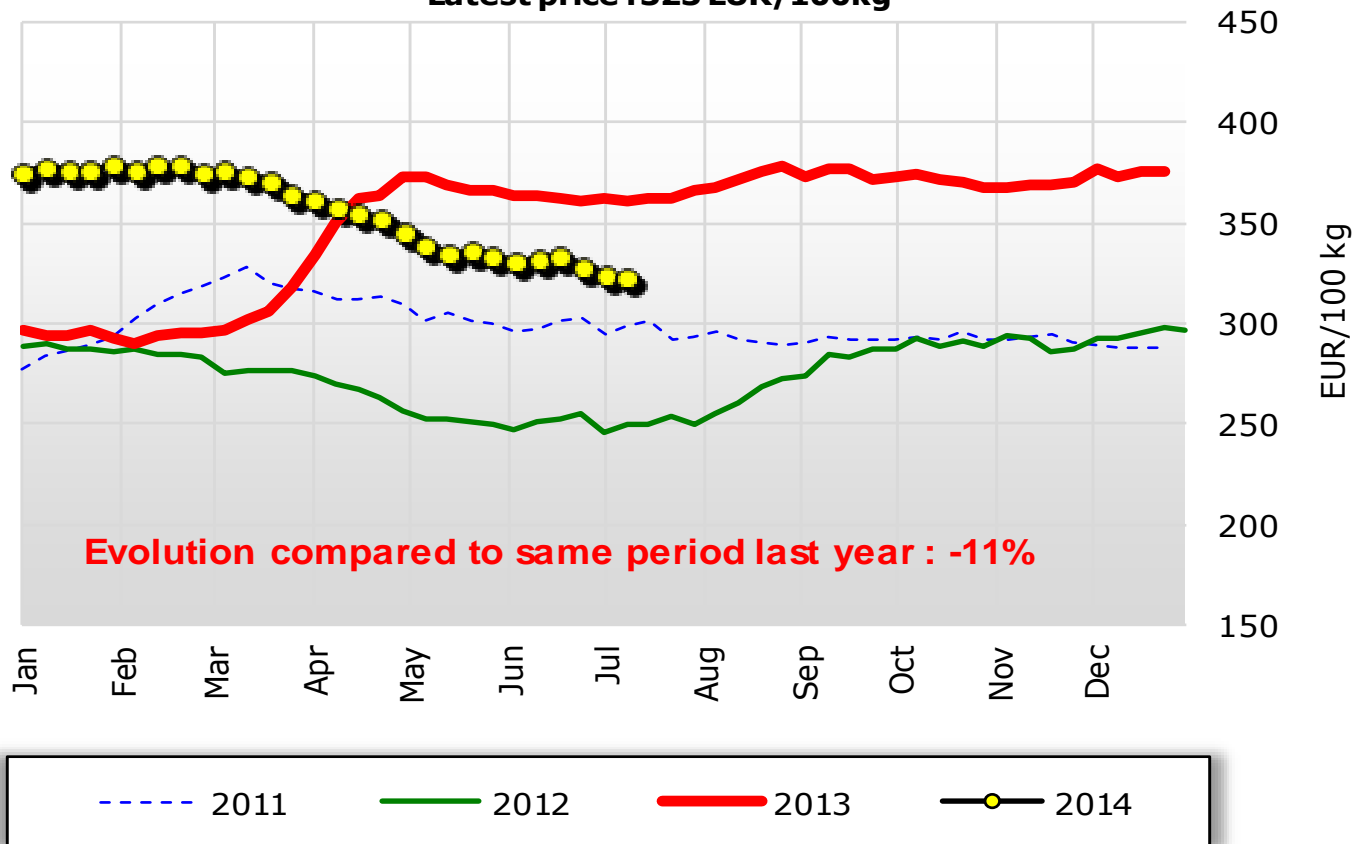


Source: MS' communications under reg. 562/2005 and 479/2010



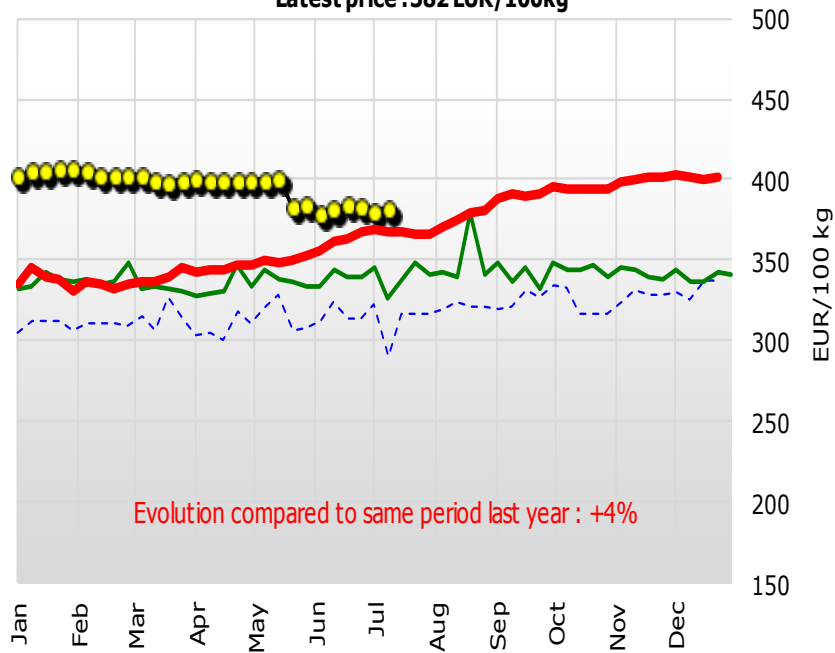
## Weekly EU WMP Prices

Latest price : 323 EUR/100kg



## Weekly EU CHEDDAR Prices

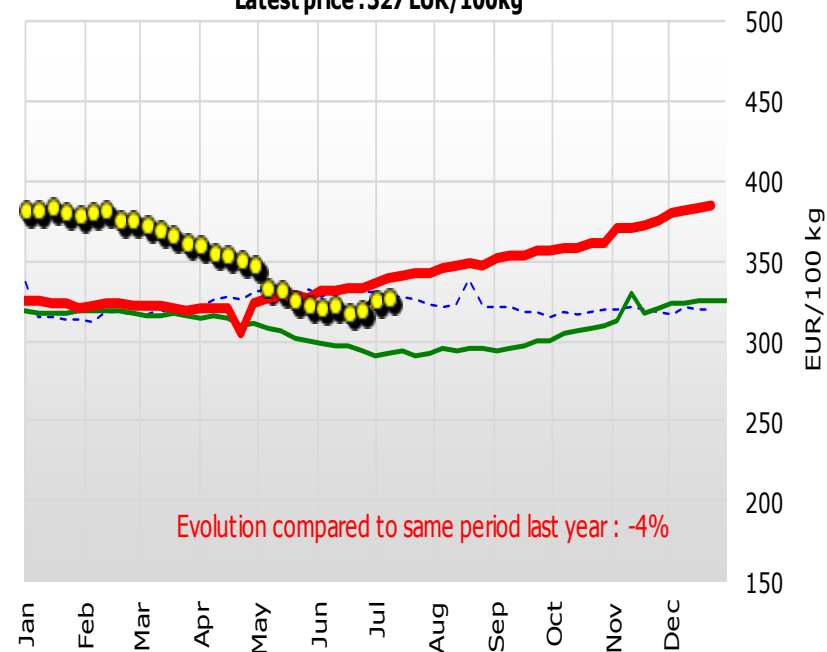
Latest price : 382 EUR/100kg



--- 2011    — 2012    — 2013    ● 2014

## Weekly EU EDAM Prices

Latest price : 327 EUR/100kg

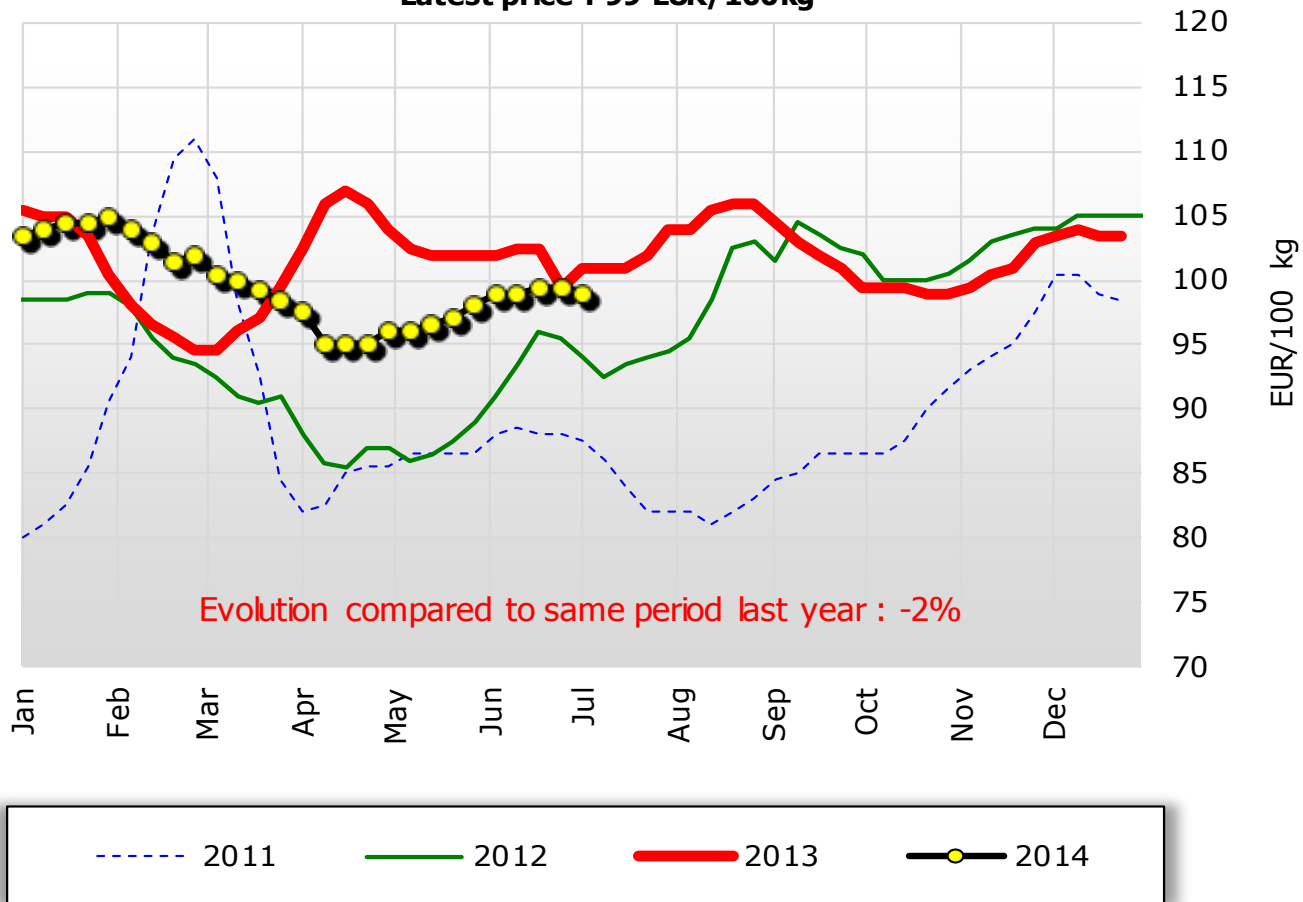


--- 2011    — 2012    — 2013    ● 2014

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

# Weekly EU WheyPowder Prices

Latest price : 99 EUR/100kg



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

## US Dollar

Latest (22 July 2014): EUR 1 = USD 1.3481 -0.0037 (-0.3%)

Change from 22 July 2013 to 22 July 2014

Minimum (6 September 2013): 1.3117 - Maximum (8 May 2014): 1.3953 - Average: 1.3595

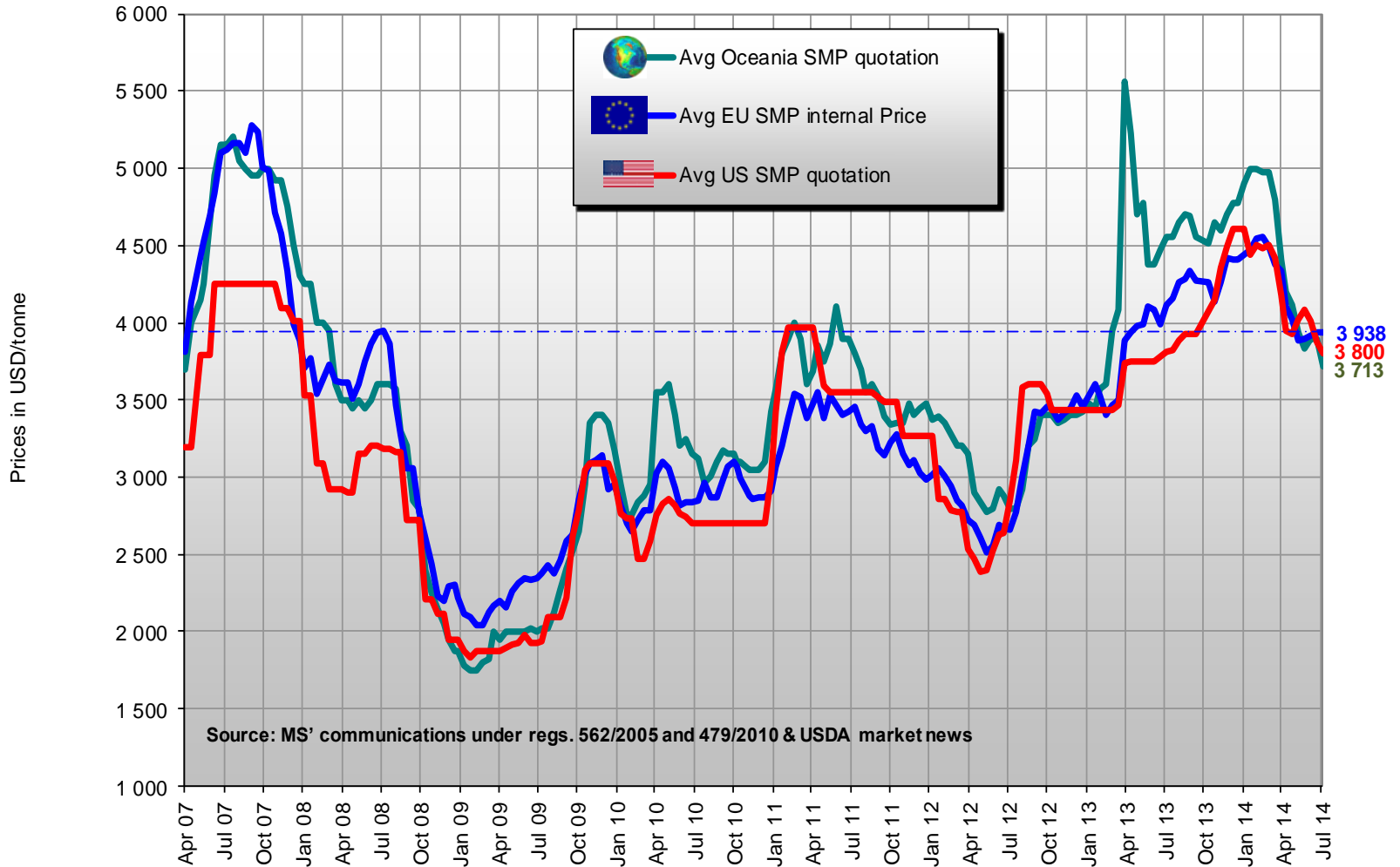
Select: EUR vs. USD

From: 22-07-2013 to: 23-07-2014

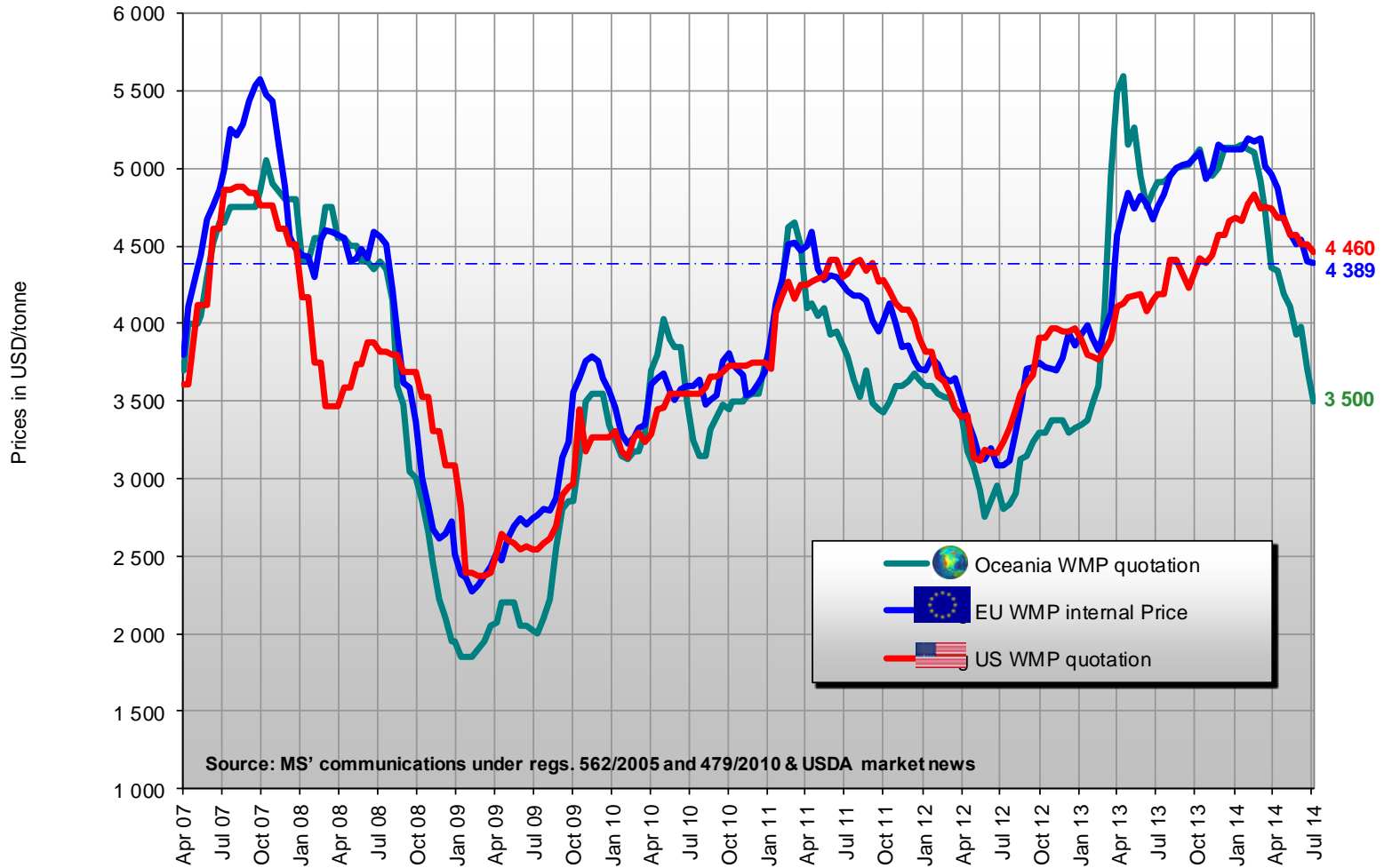
Zoom: 1m 3m 6m 1y 2y 5y 10y all



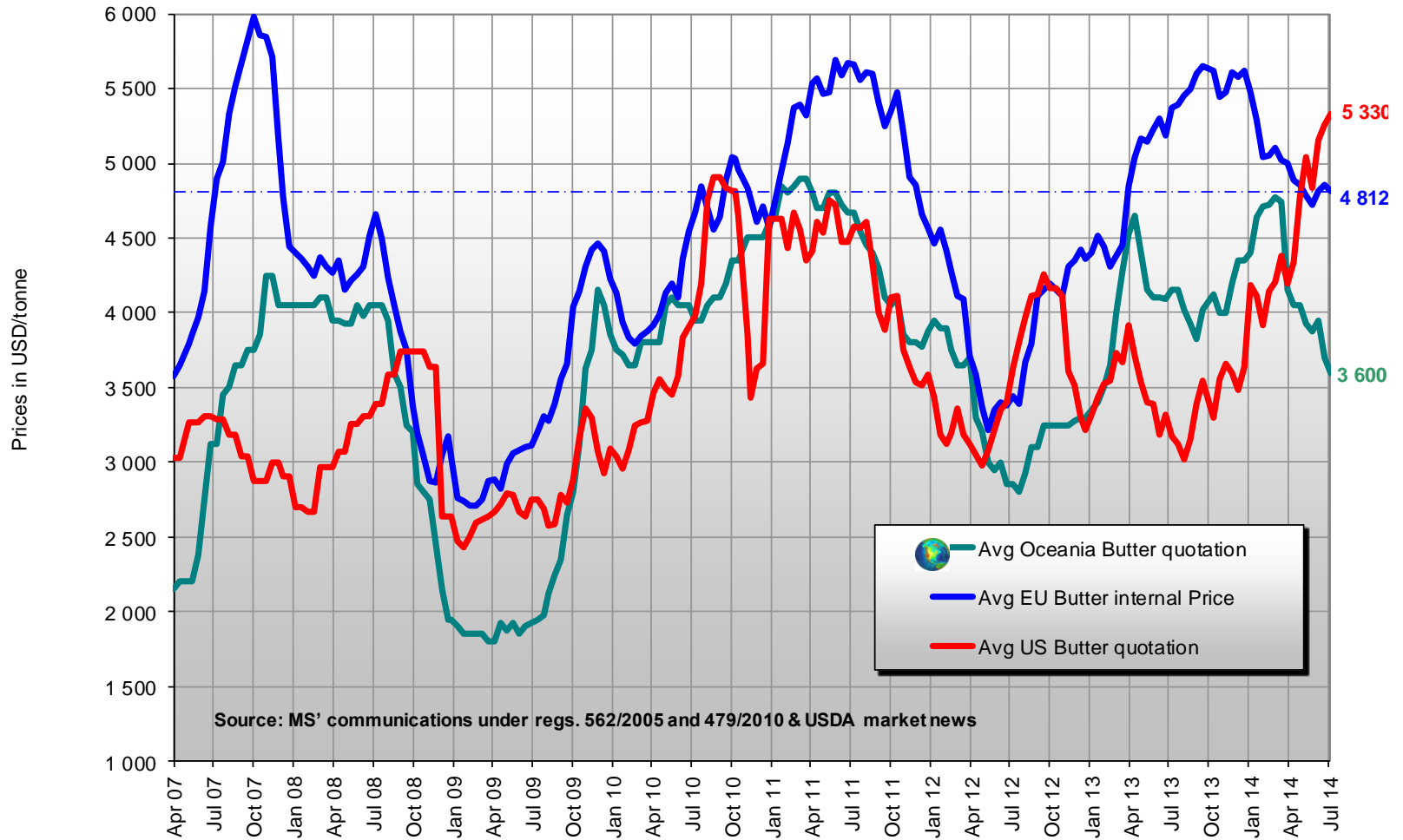
## EU/US/Oceania Quotations of SMP



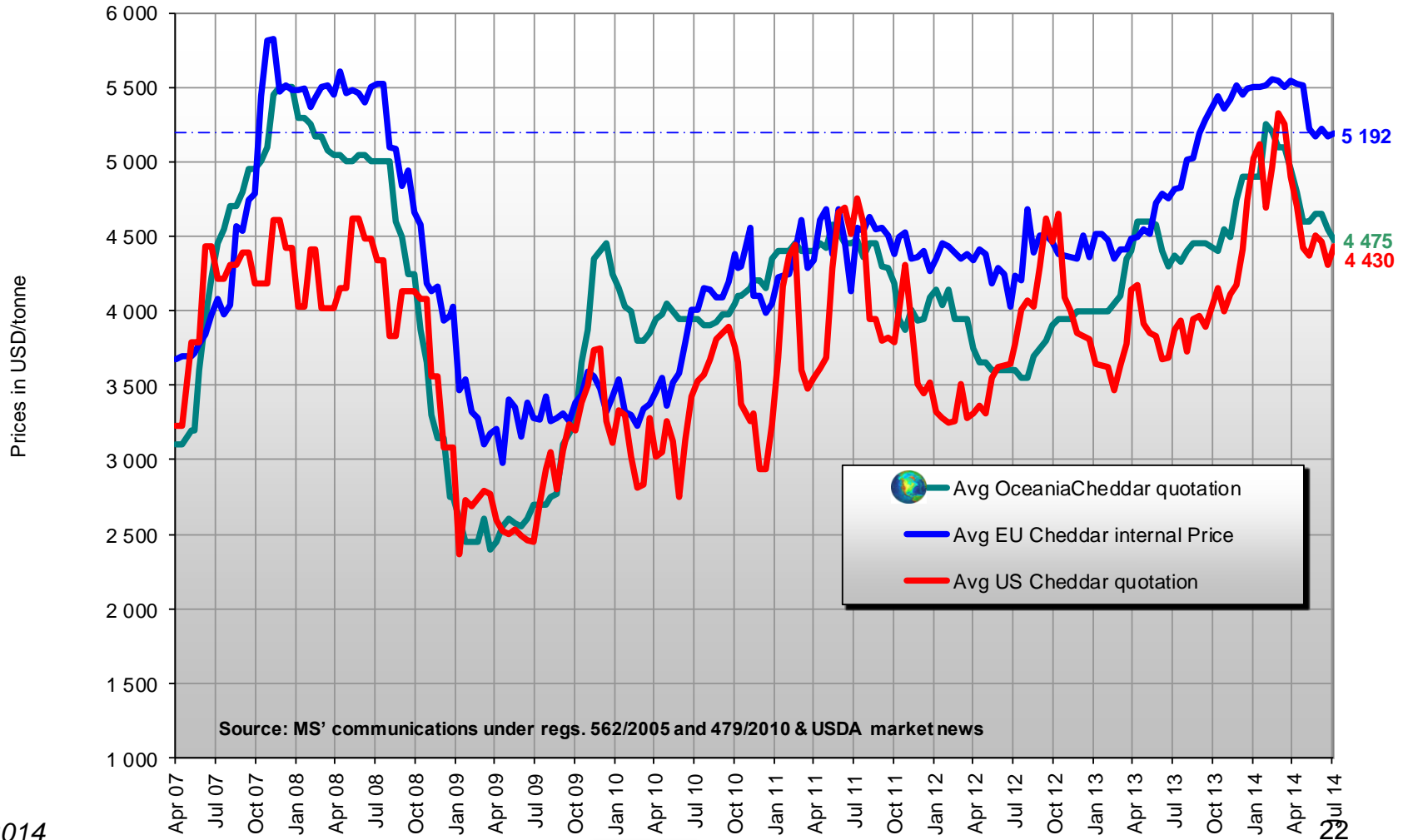
### EU/US/Oceania Quotations of WMP



### EU/US/Oceania Quotations of Butter



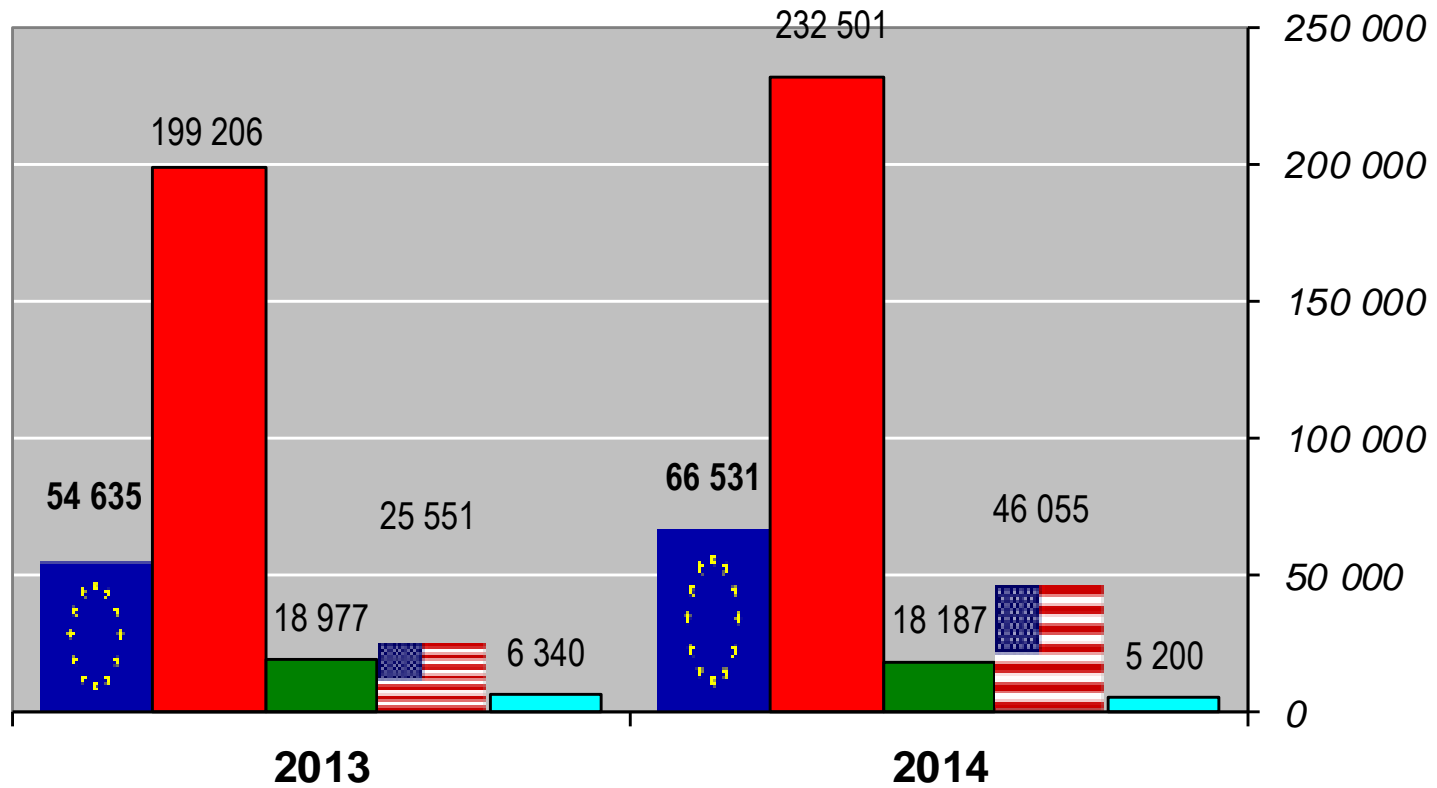
### EU/US/Oceania Quotations of Cheddar





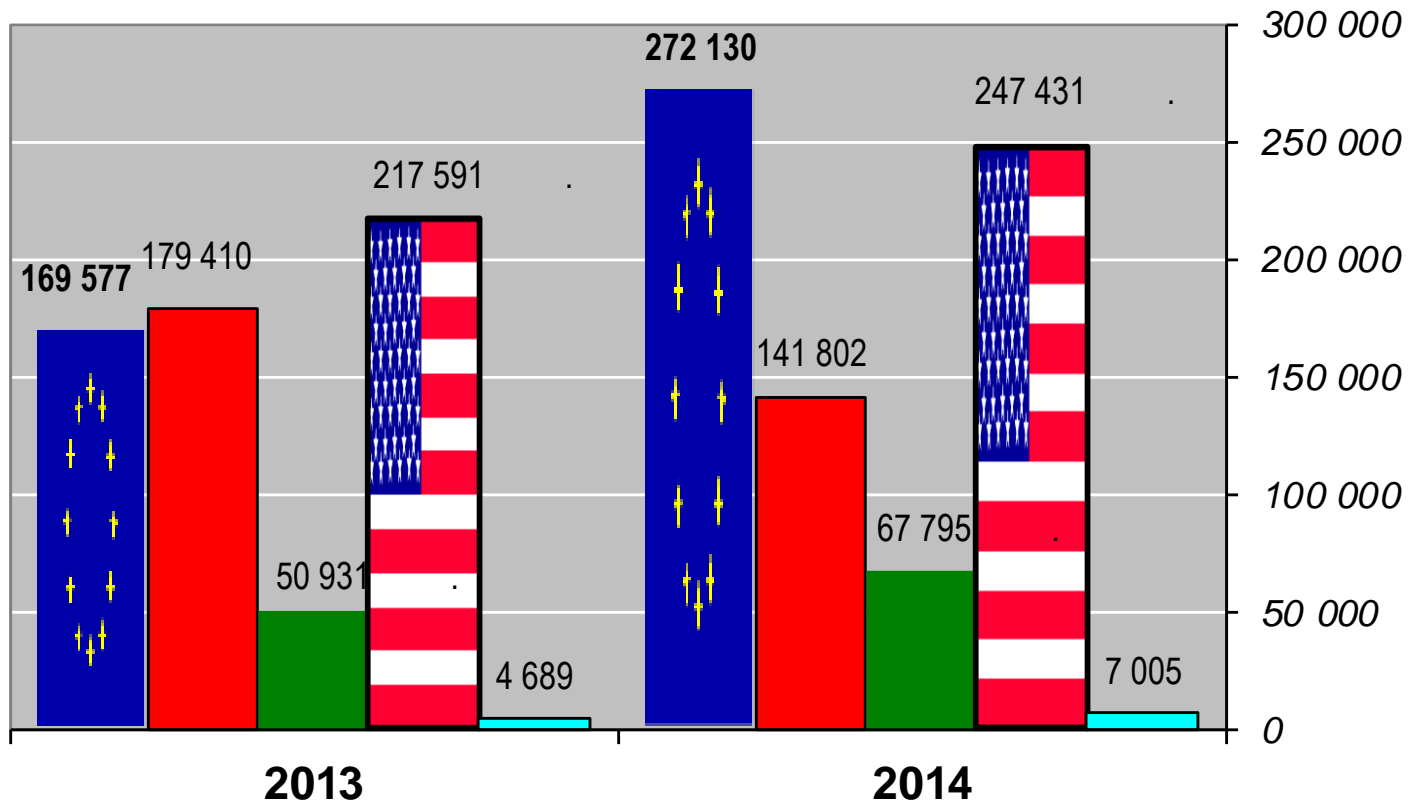
# BUTTER & Butteroil Exports

- EU-28 (up to May)
- New Zealand (up to May)
- Australia (up to May)
- United States (up to May)
- Argentina (up to May)



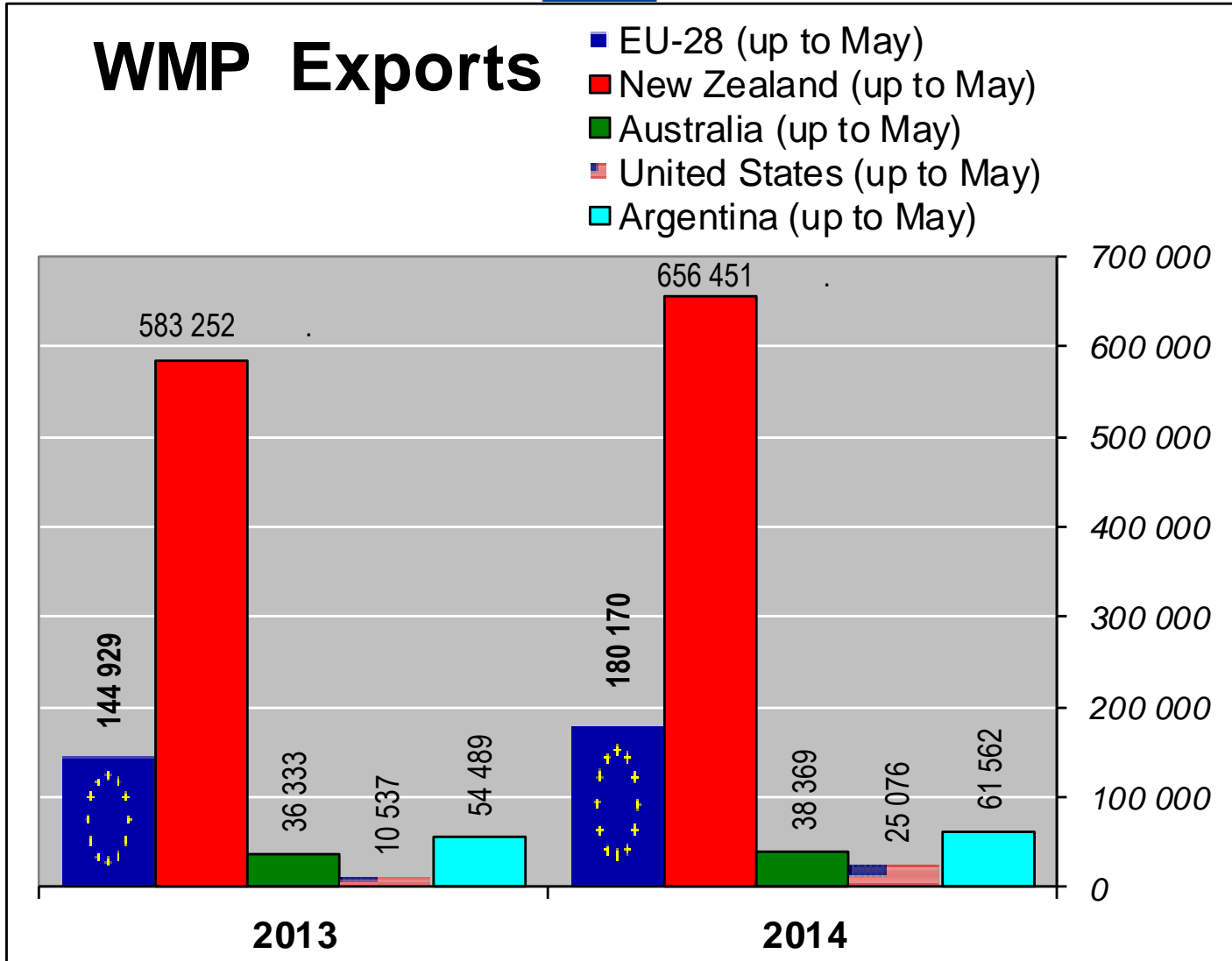
# SMP Exports

- EU-28 (up to May)
- New Zealand (up to May)
- Australia (up to May)
- United States (up to May)
- Argentina (up to May)



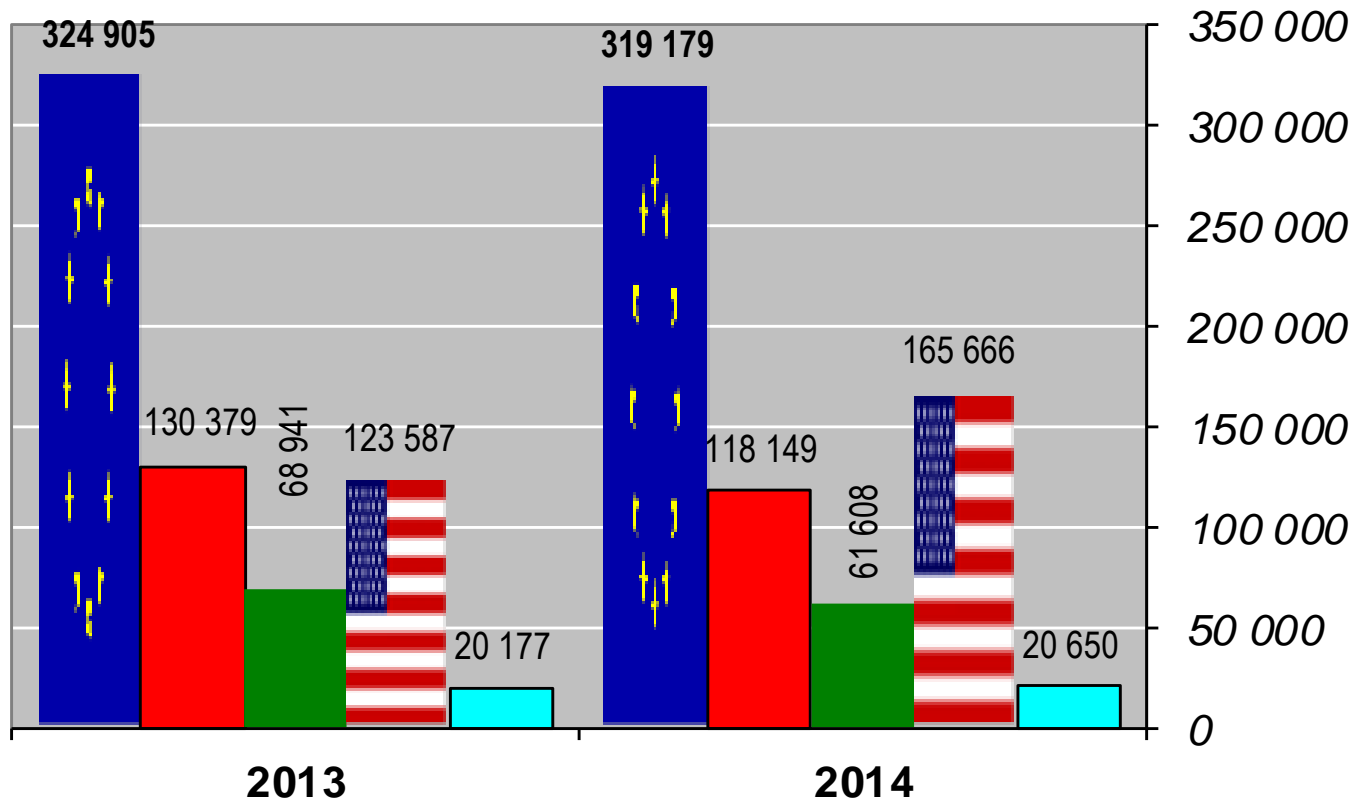
# WMP Exports

- EU-28 (up to May)
- New Zealand (up to May)
- Australia (up to May)
- United States (up to May)
- Argentina (up to May)



# CHEESE Exports

- EU-28 (up to May)
- New Zealand (up to May)
- Australia (up to May)
- United States (up to May)
- Argentina (up to May)



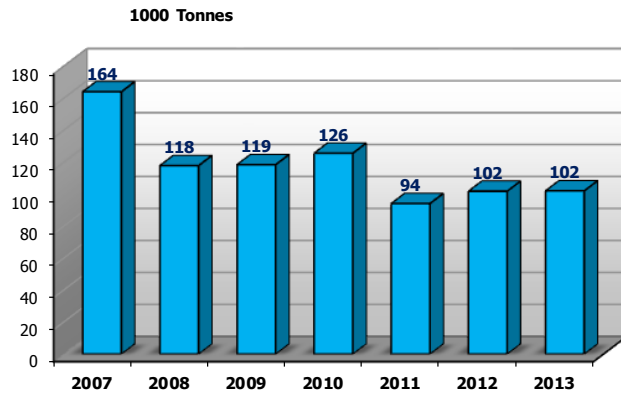


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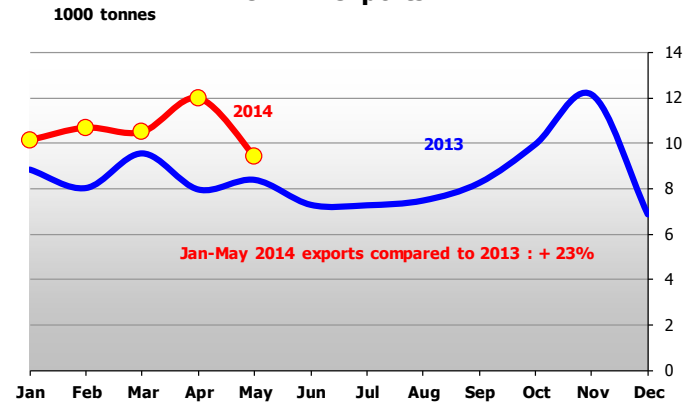
# EU-28 Exports (1/2)

Source : Eurostat (COMEXT)

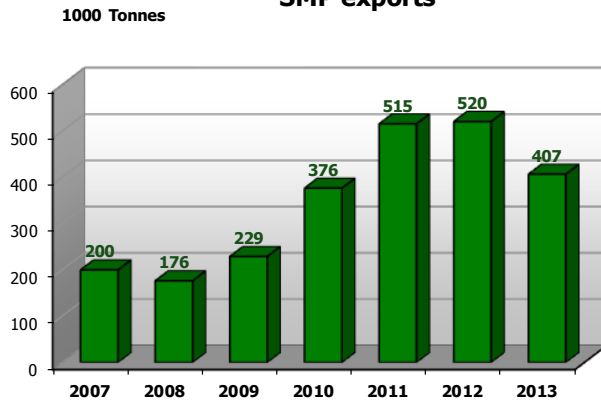
## BUTTER exports



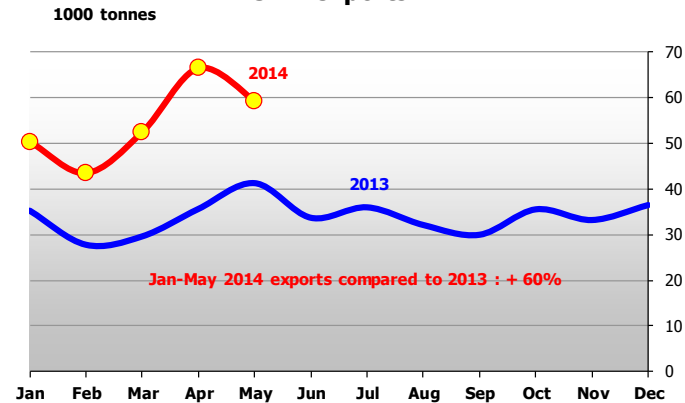
## BUTTER exports



## SMP exports



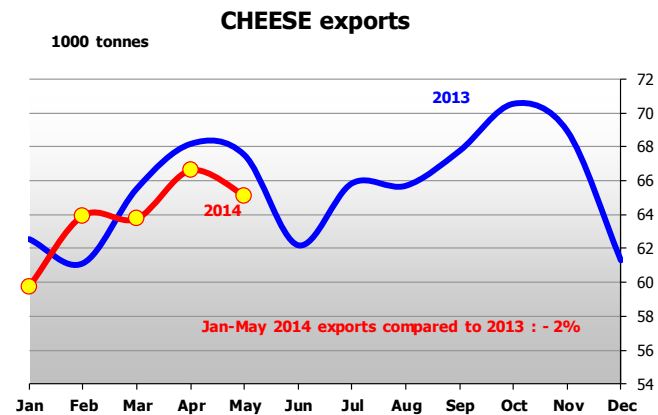
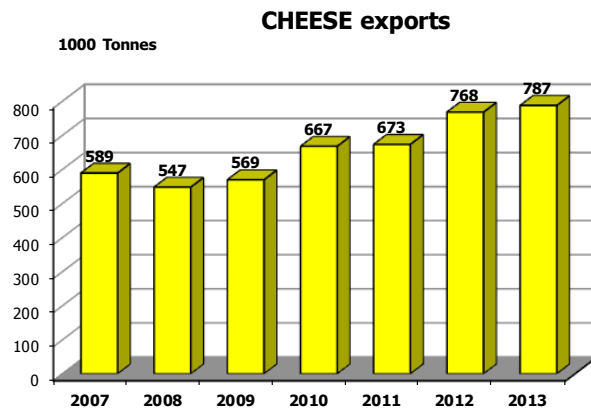
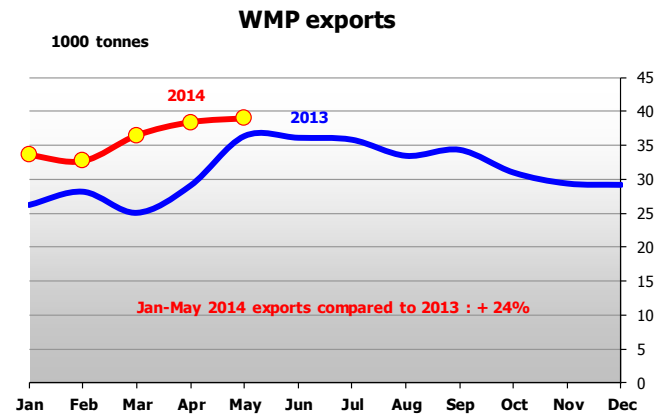
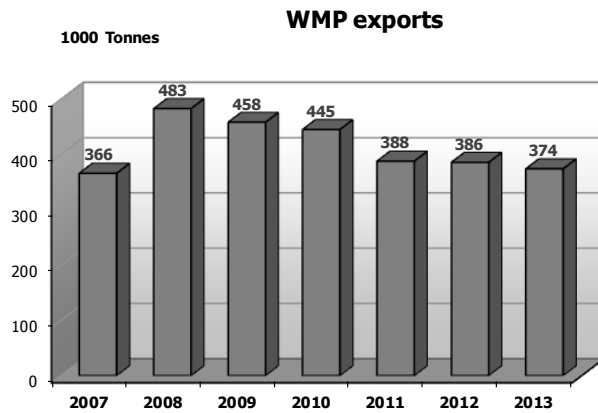
## SMP exports





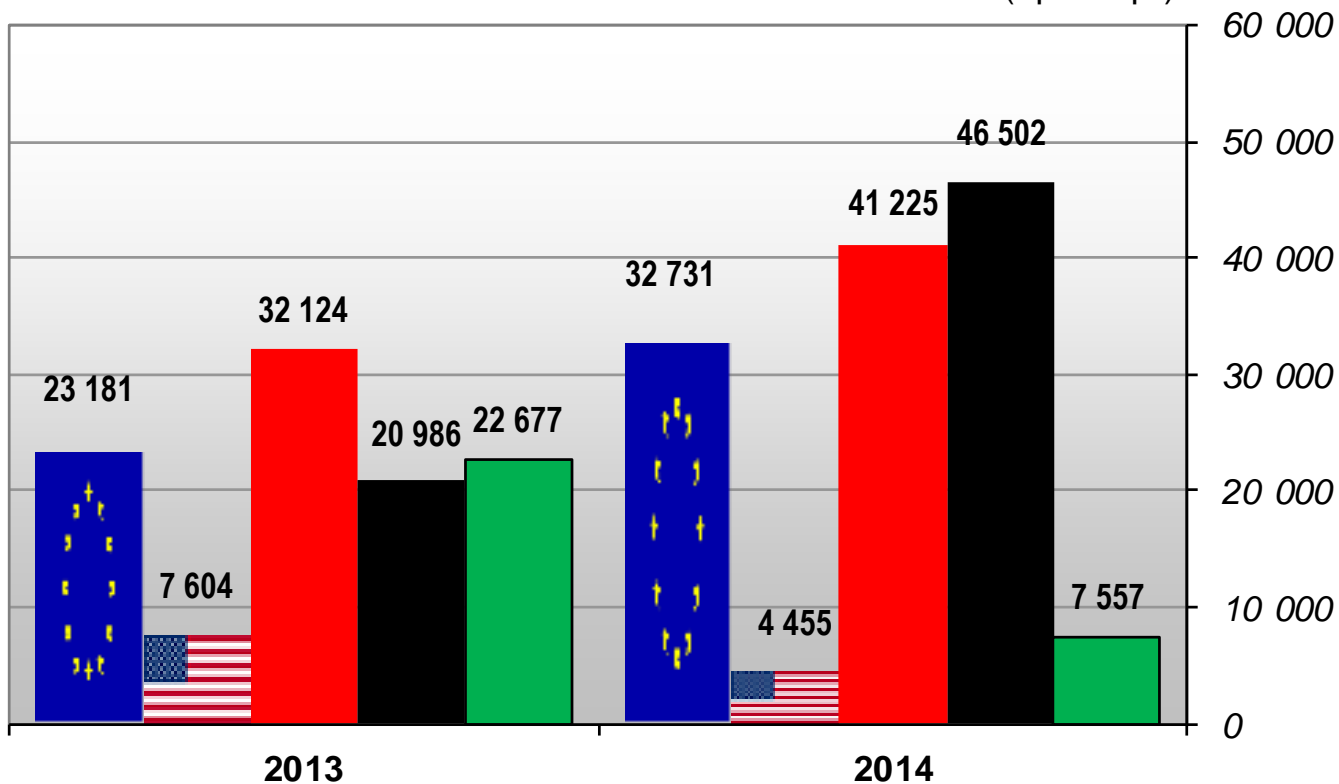
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## EU-28 Exports (2/2)



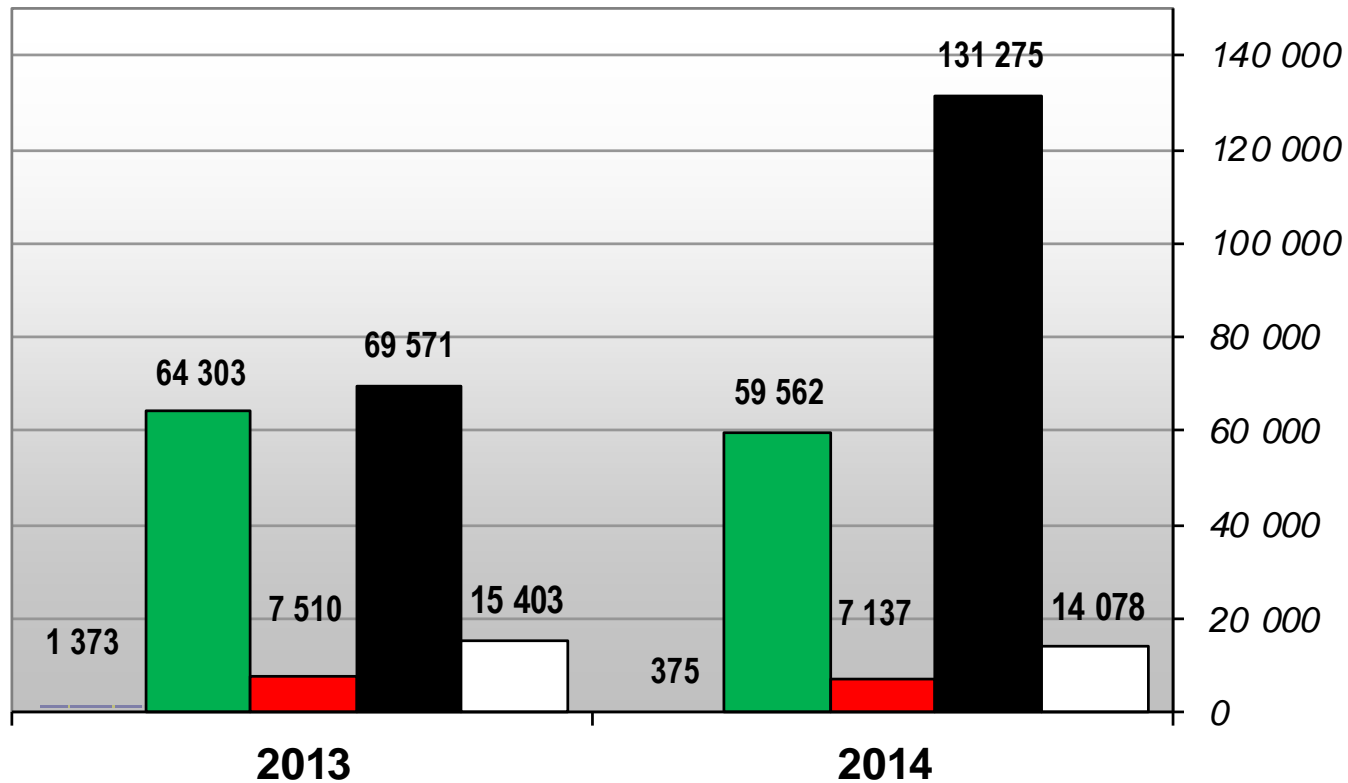
# BUTTER + Butteroil Imports

- EU-28 (up to May)
- United States (up to May)
- Russia (up to Apr)
- China (up to May)
- Mexico (up to Apr)



# SMP Imports

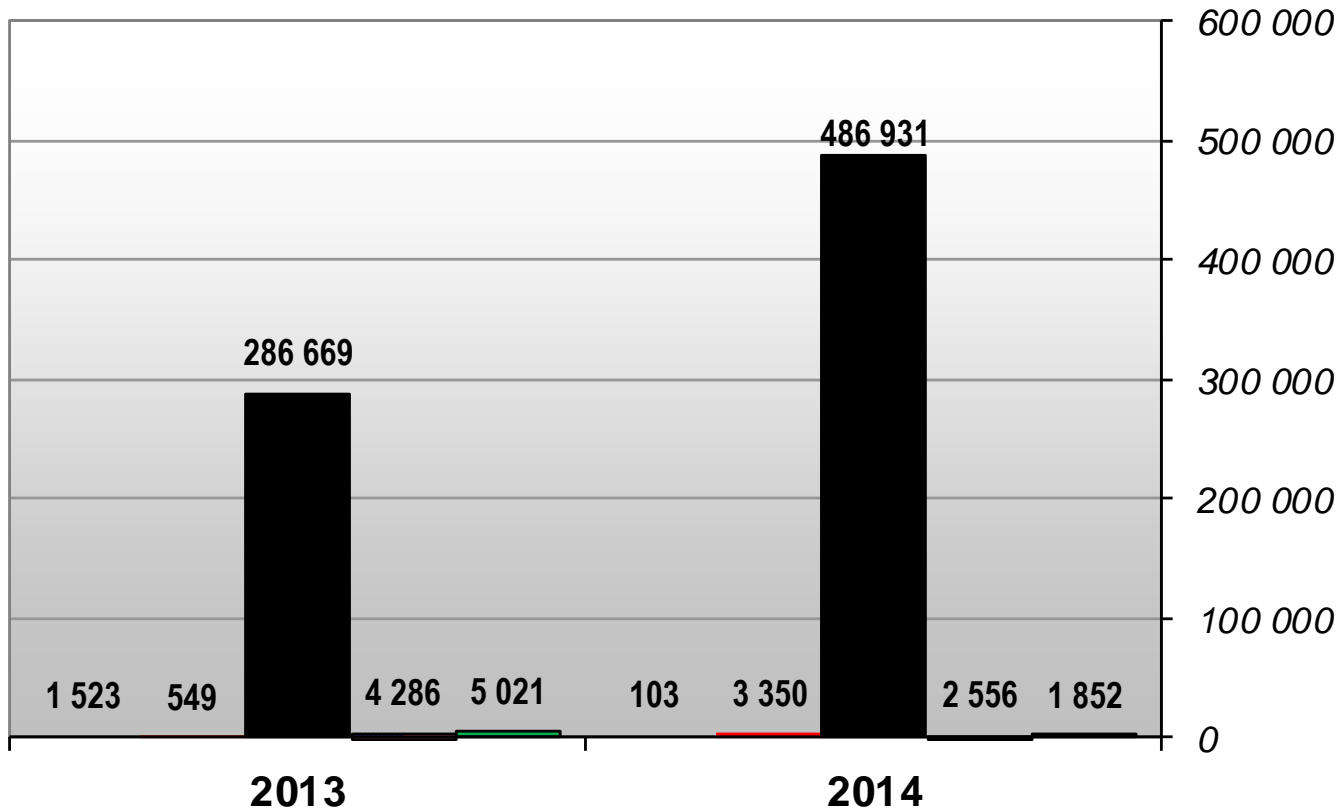
- EU-28 (up to May)
- Mexico (up to Apr)
- Russia (up to Apr)
- China (up to May)
- Japan (up to May)





# WMP Imports

- EU-28 (up to May)
- Russia (up to Apr)
- China (up to May)
- United States (up to May)
- Mexico (up to Apr)

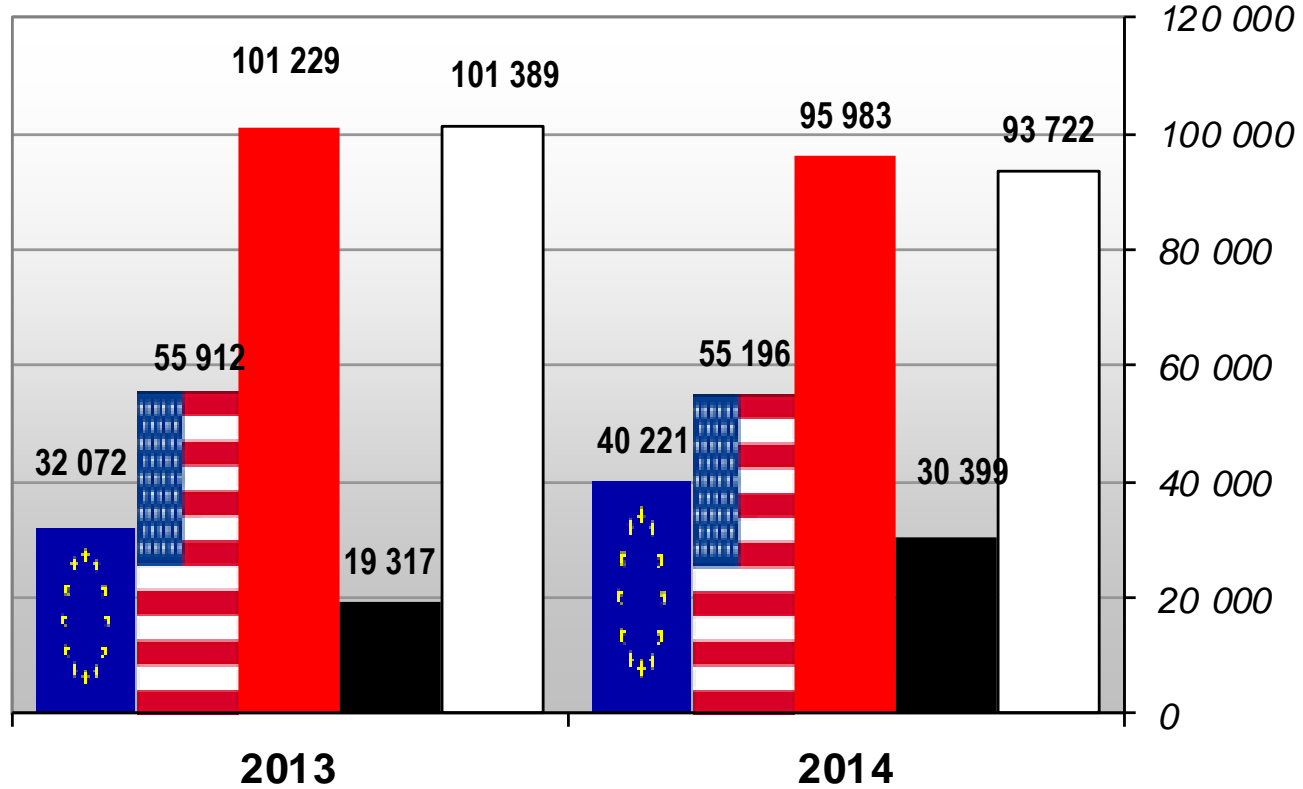




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Commission

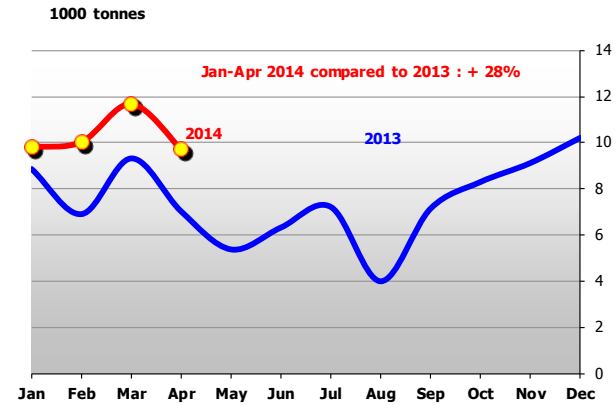
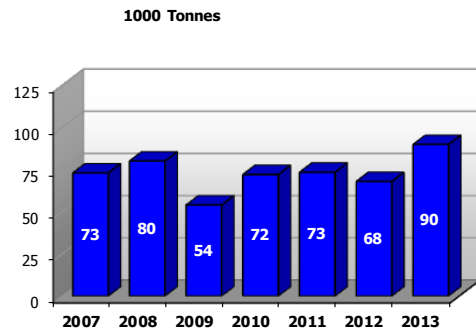
# CHEESE Imports

- EU-28 (up to May)
- United States (up to May)
- Russia (up to Apr)
- China (up to May)
- Japan (up to May)

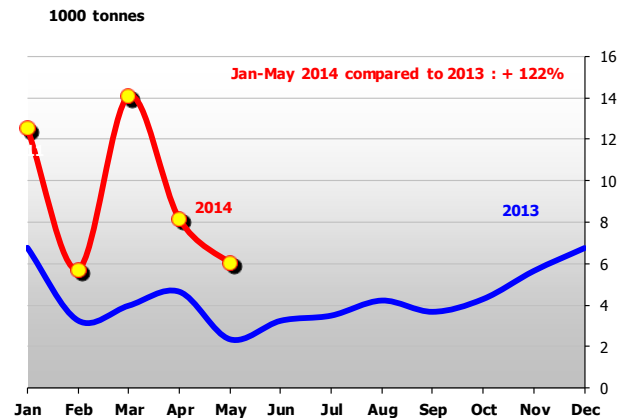
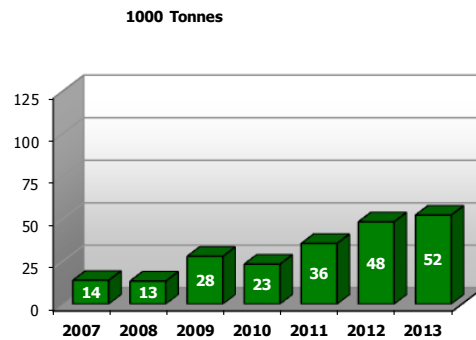


## Main Dairy Importers (Butter + Butteroil 1/2)

### Russia

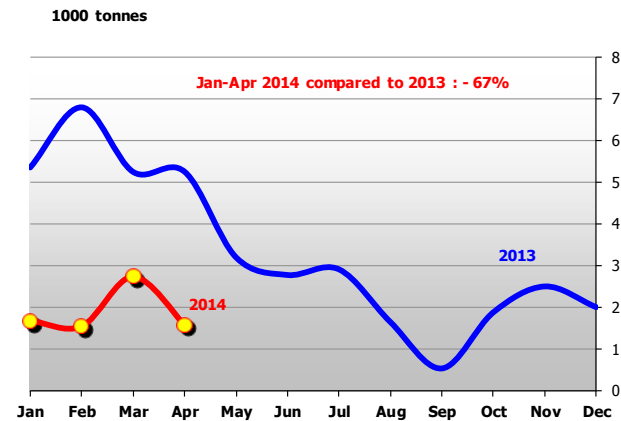
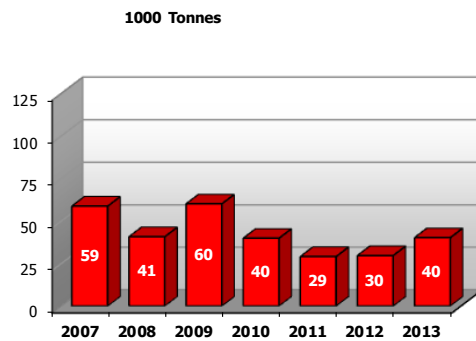


### China

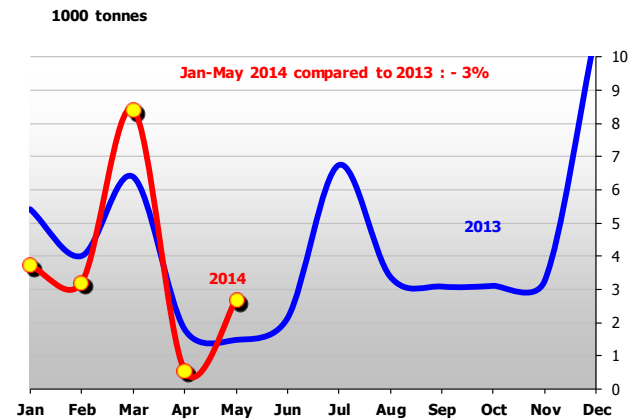
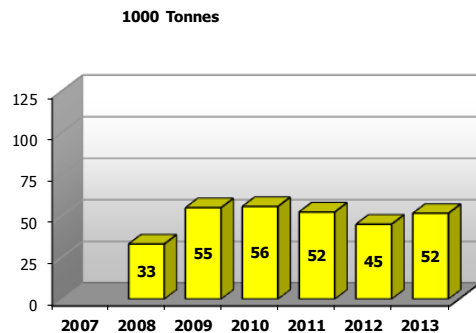


## Main Dairy Importers (Butter + Butteroil 2/2)

### Mexico

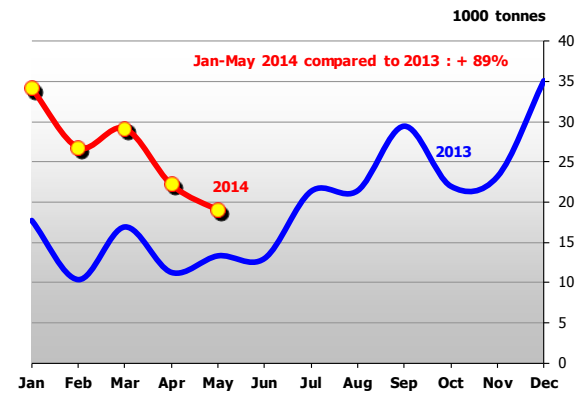
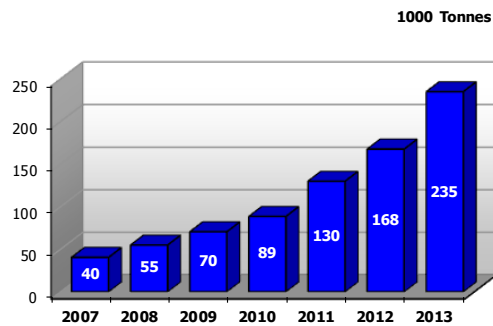


### Iran

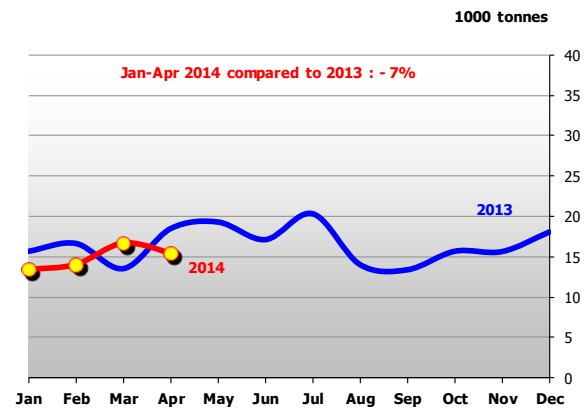
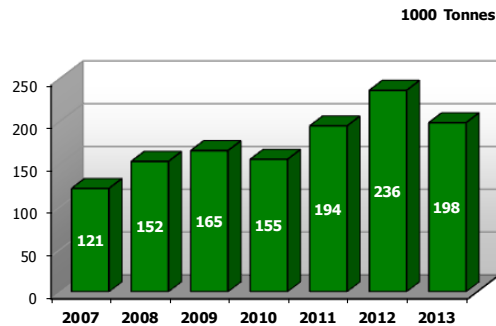


## Main Dairy Importers (S.M.P. - 1/2)

### China

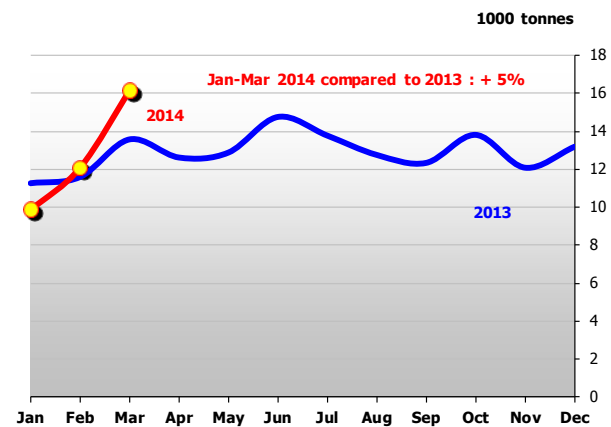
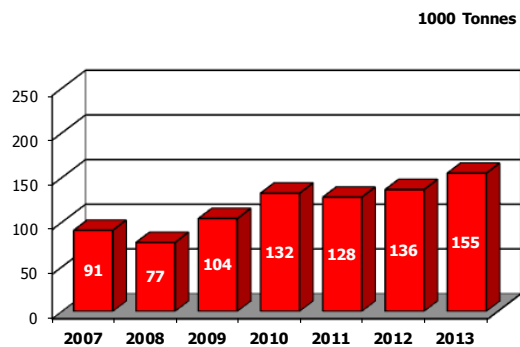


### Mexico

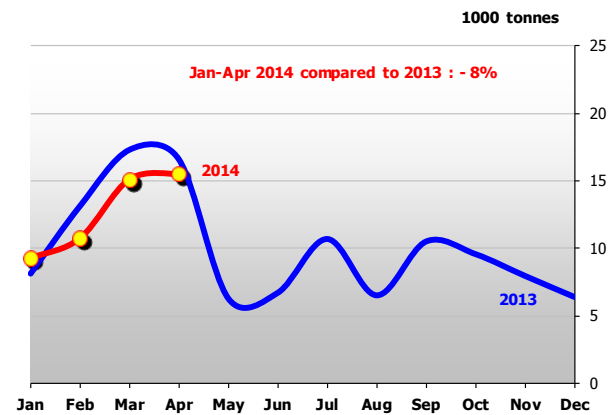
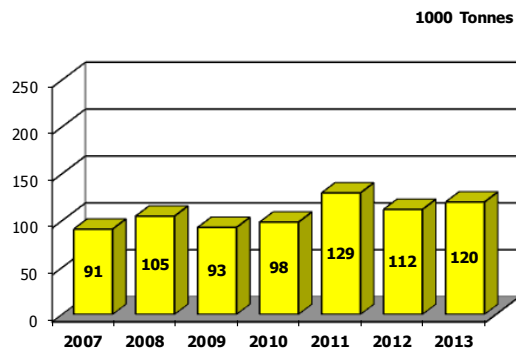


## Main Dairy Importers (S.M.P. – 2/2)

### Indonesia

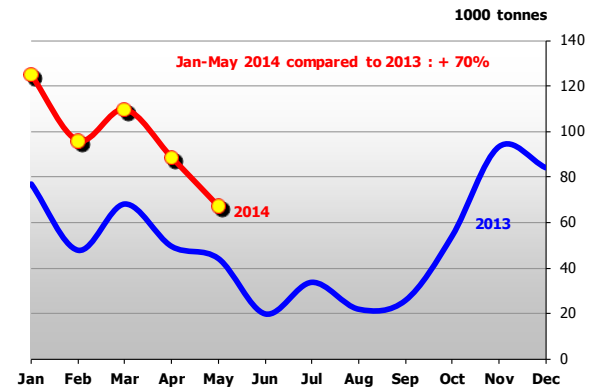
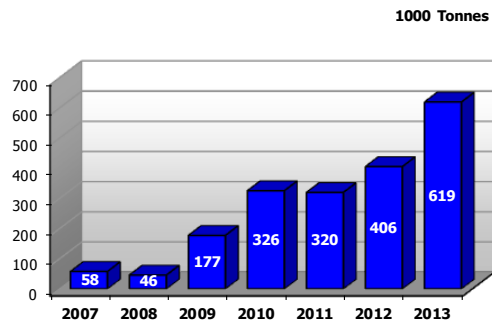


### Algeria

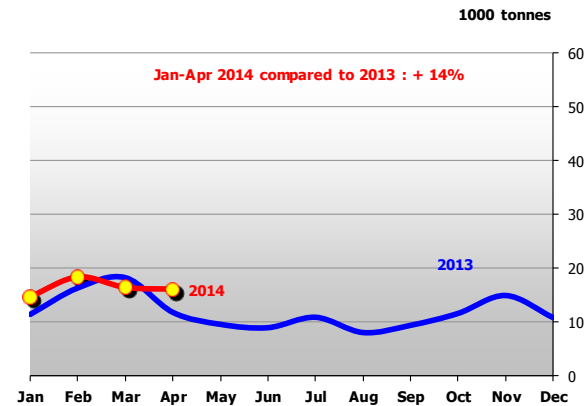
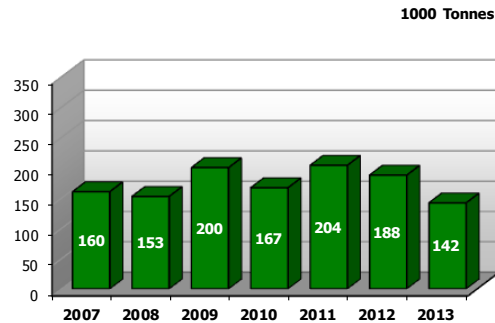


## Main Dairy Importers (W.M.P. 1/2)

### China

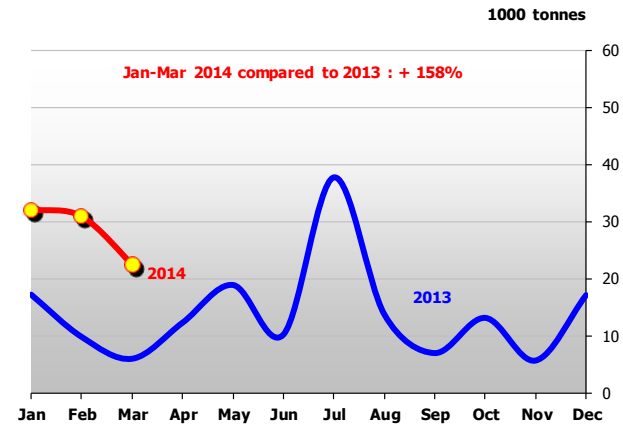
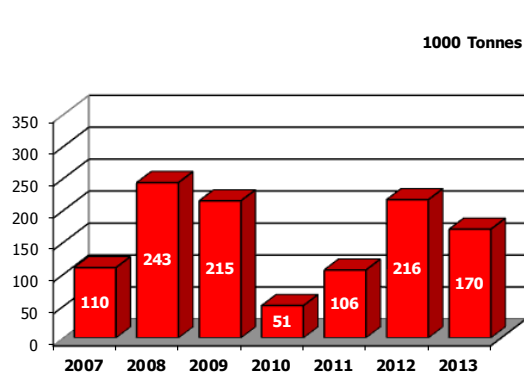


### Algeria

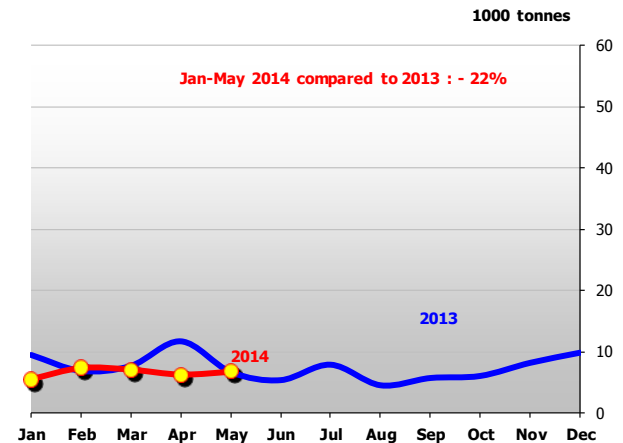
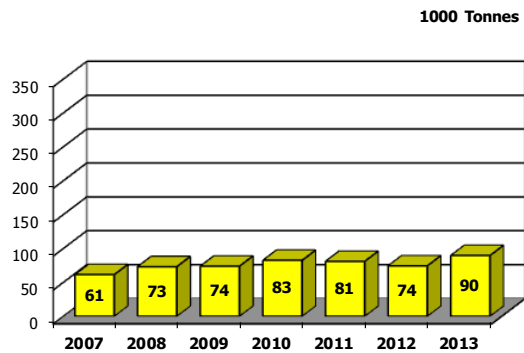


## Main Dairy Importers (W.M.P. 2/2)

### Venezuela



### Singapore



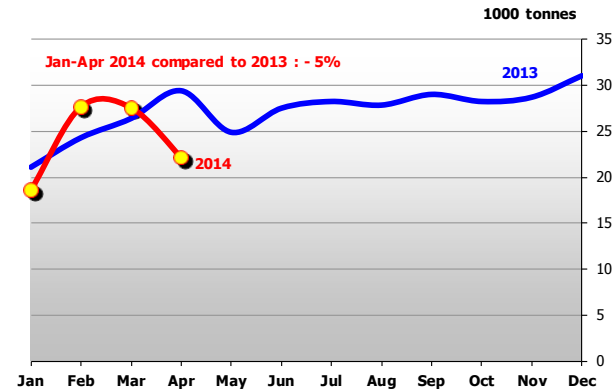
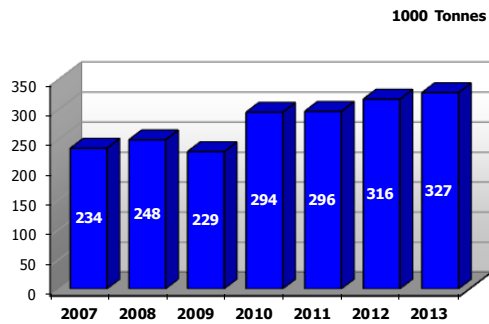




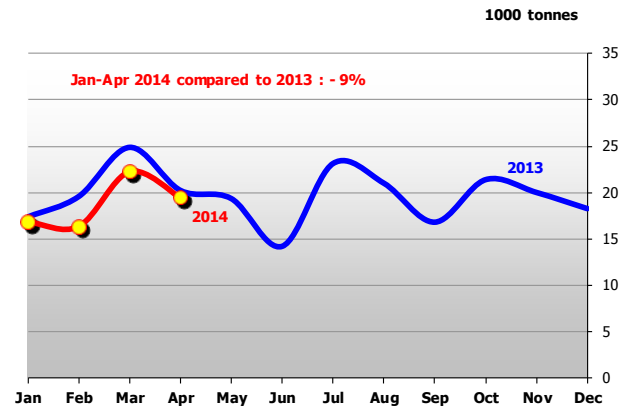
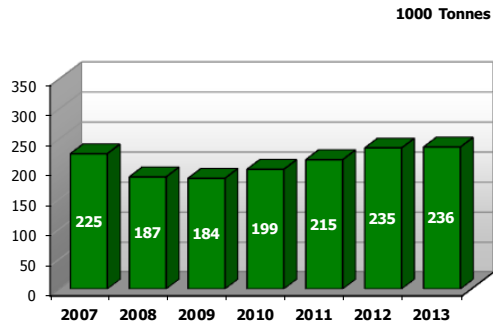
European  
Commission

## Main Dairy Importers (Cheese - 1/2)

### Russia



### Japan

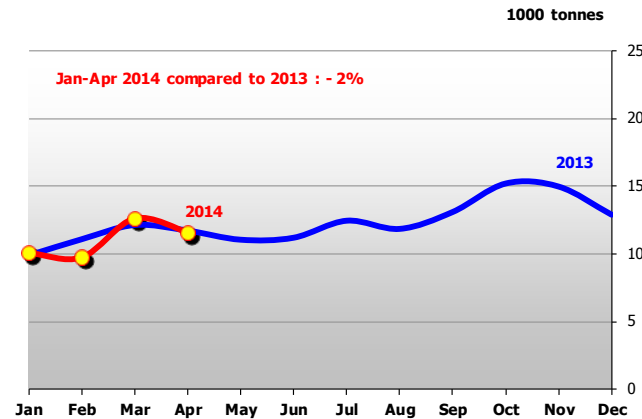
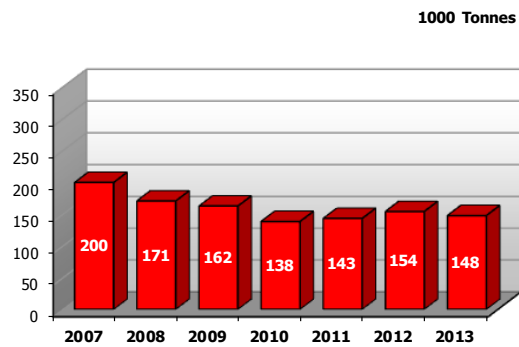




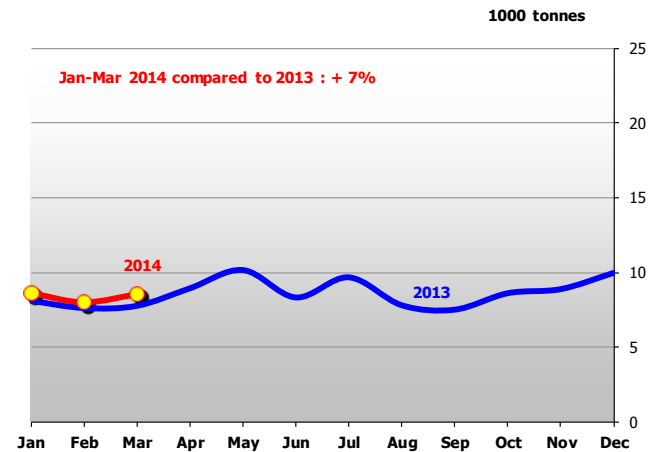
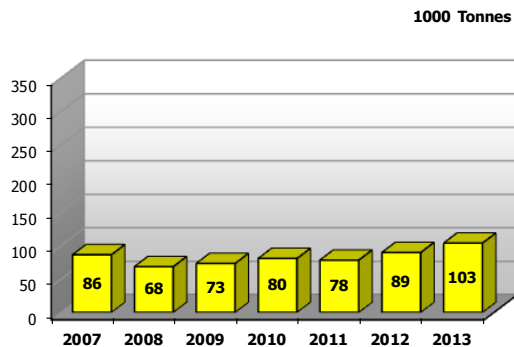
European  
Commission

## Main Dairy Importers (Cheese - 2/2)

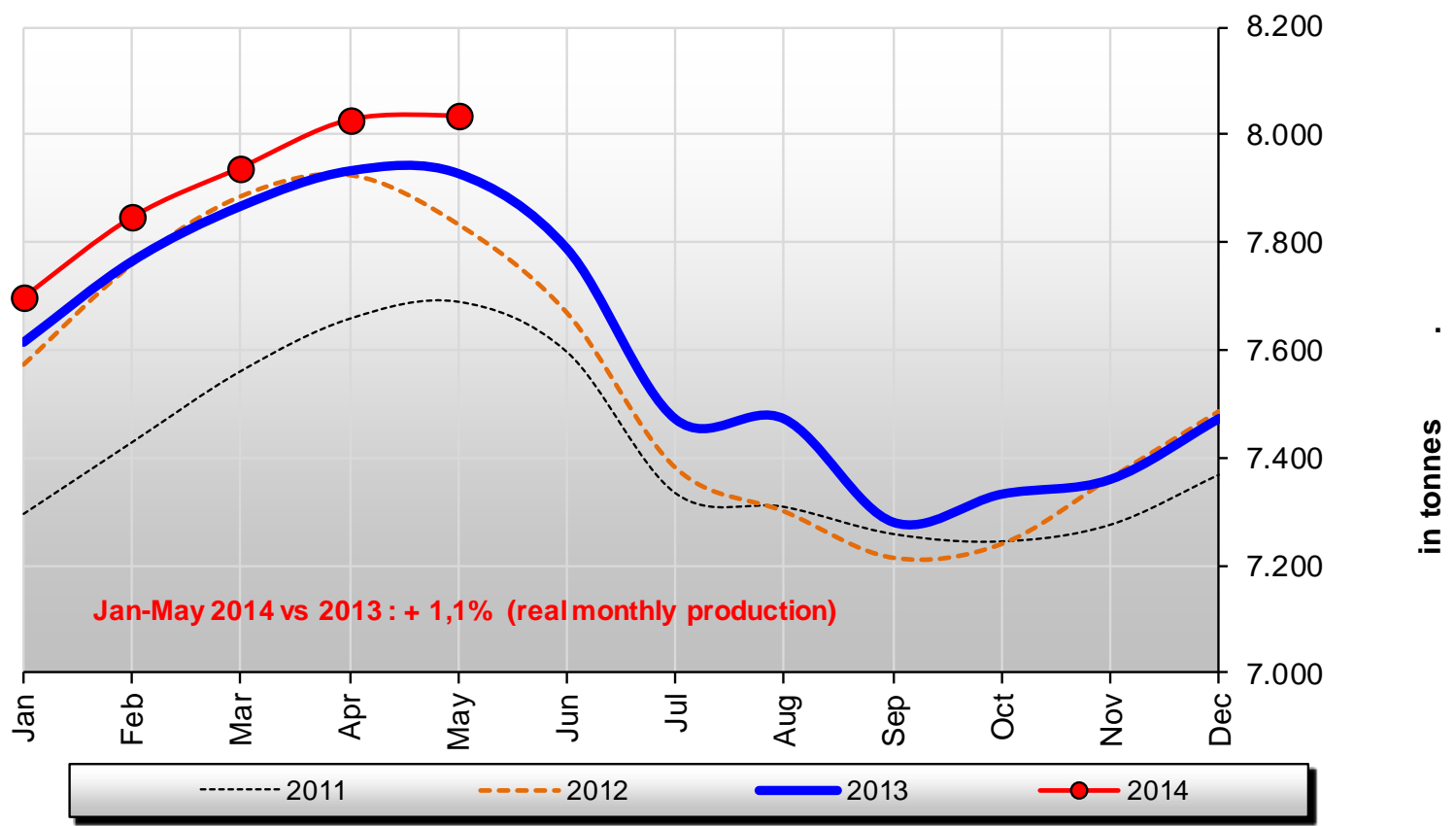
### United States



### Mexico

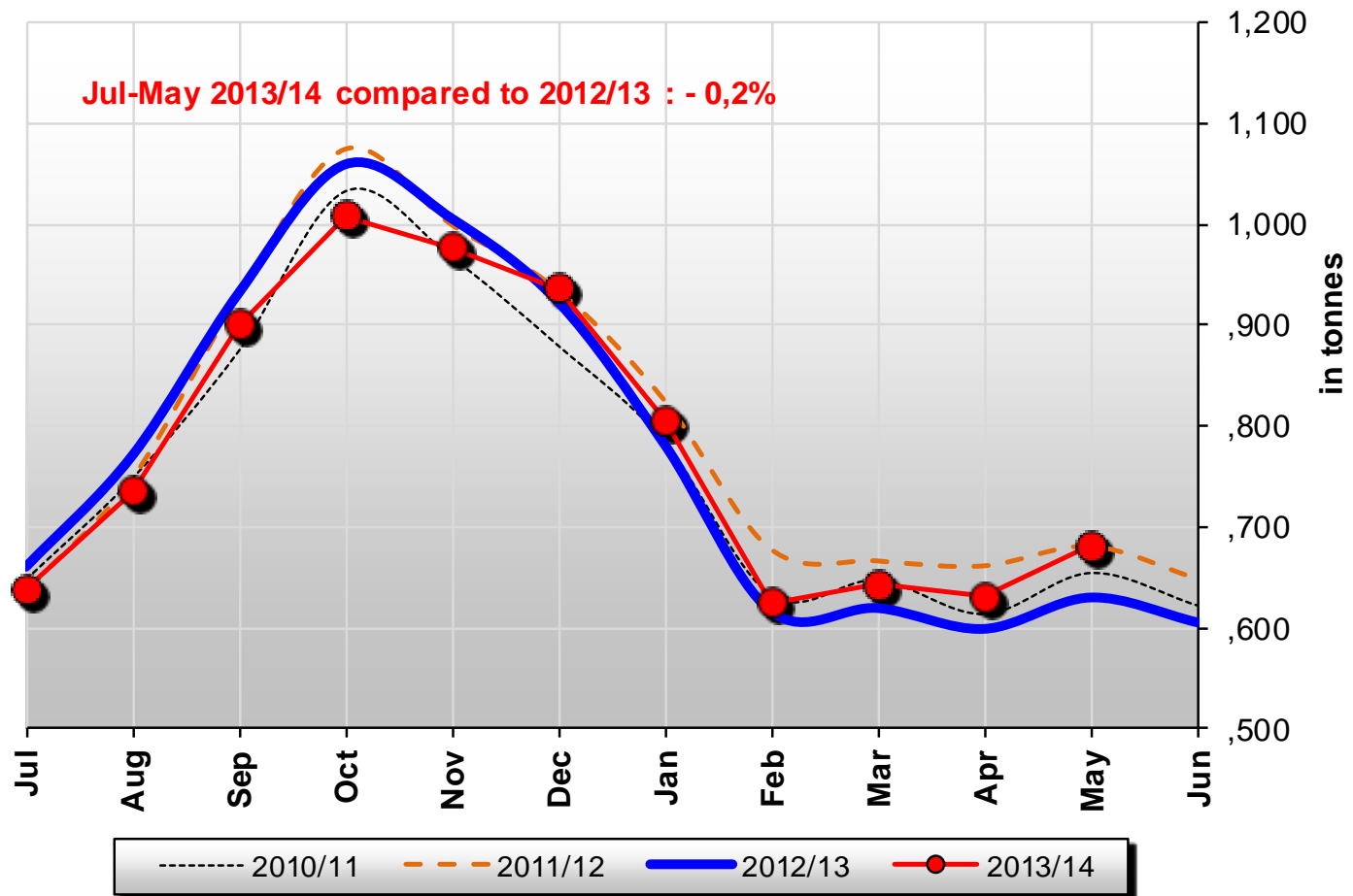


## Adjusted U.S. milk production (months of constant length)

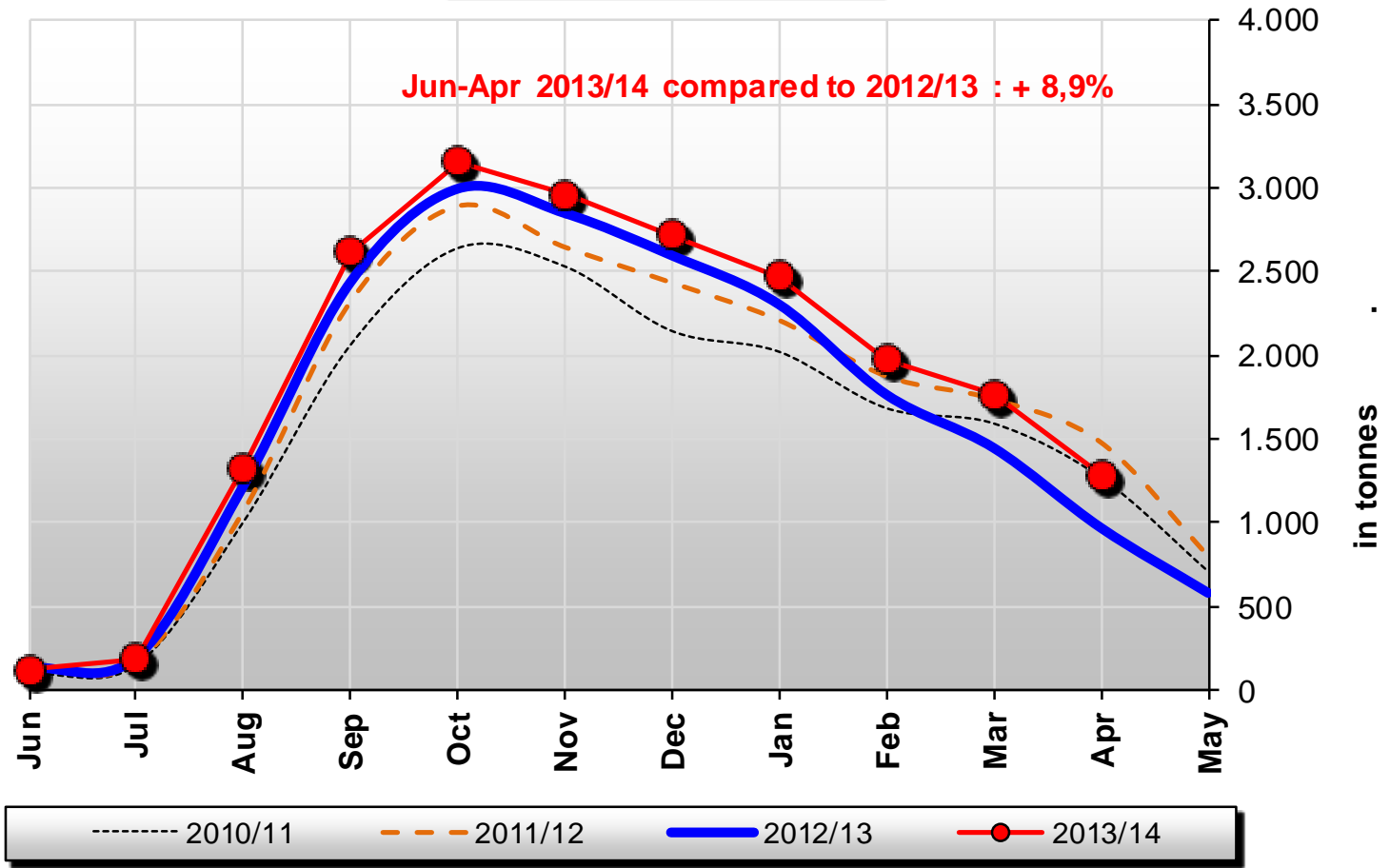


Source:USDA

## Australian milk production



## NZ milk production



Source: DCANZ - Fonterra

## Results of the GDT Auction of 15.07.2014

Prices in US\$/t							% change by contract from previous auction							
	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Weighted average price	% change	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
AMF	n.a.	3 198	3 223	3 289	3 373	3 475	3 250	-9.9%		-11.6%	-11.0%	-7.0%	-7.1%	-5.3%
Butter	4 800	3 115	3 035	3 125	3 195	n.a.	3 144	-1.1%	-1.5%	-1.6%	-2.1%	+0.2%	-0.2%	
BMP	n.a.	4 485	4 360	4 440	n.a.	n.a.	4 426	+7.0%		+14.3%	-6.8%	+3.7%		
Cheeses	n.a.	4 314	4 129	4 101	n.a.	n.a.	4 164	-1.5%		-3.9%	-1.4%	-0.5%		
MPC70	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.							
Rennet Casein	n.a.	9 605	10 192	n.a.	n.a.	n.a.	9 761	-9.5%		-12.0%	-3.8%			
Lactose	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.							
SMP	3 850	3 478	3 509	3 612	3 543	3 535	3 516	-7.7%	-1.2%	-9.0%	-8.3%	-4.1%	-5.5%	-6.5%
WMP	n.a.	3 090	3 082	3 042	3 074	3 423	3 088	-10.7%		-9.2%	-9.8%	-11.6%	-11.9%	-6.4%

Source : GlobalDairyTrade (<http://www.globaldairytrade.info/>)

15 Jul 2014

1 € = 1.3603 \$ (ECB rate)

in €/t	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Weighted average price
AMF		2 351	2 369	2 418	2 479	2 555	2 389
Butter	3 529	2 290	2 231	2 297	2 349		2 311
BMP		3 297	3 205	3 264			3 253
Cheese		3 171	3 035	3 015			3 061
MPC70							
Rennet Casein		7 061	7 493				7 175
Lactose							7 931
SMP	2 830	2 557	2 579	2 655	2 604	2 599	2 585
WMP		2 272	2 266	2 236	2 260	2 516	2 270

# **ANNEX 2**

## **Short-term prospects for EU crop and dairy markets**

***European Commission***



European  
Commission

# Short-term prospects for EU crop and dairy markets

*Milk market observatory  
24 July 2014*

*Sophie H elaine  
European Commission*

Agriculture  
and Rural  
Development





## Outline

- Short-term outlook for arable crops
- Short-term outlook for milk & dairy products
- Price transmission

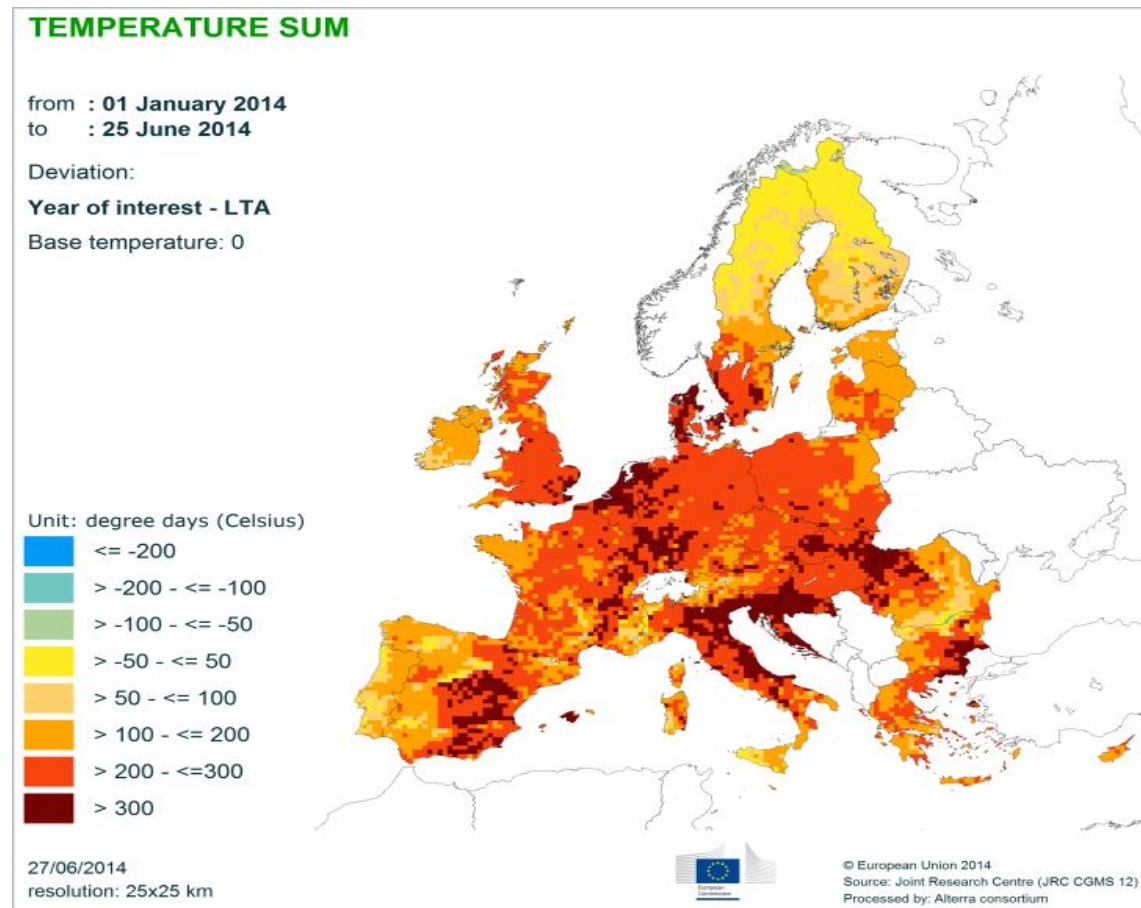
Published on  
7 July 2014

Based on data  
available till  
15 June 2014

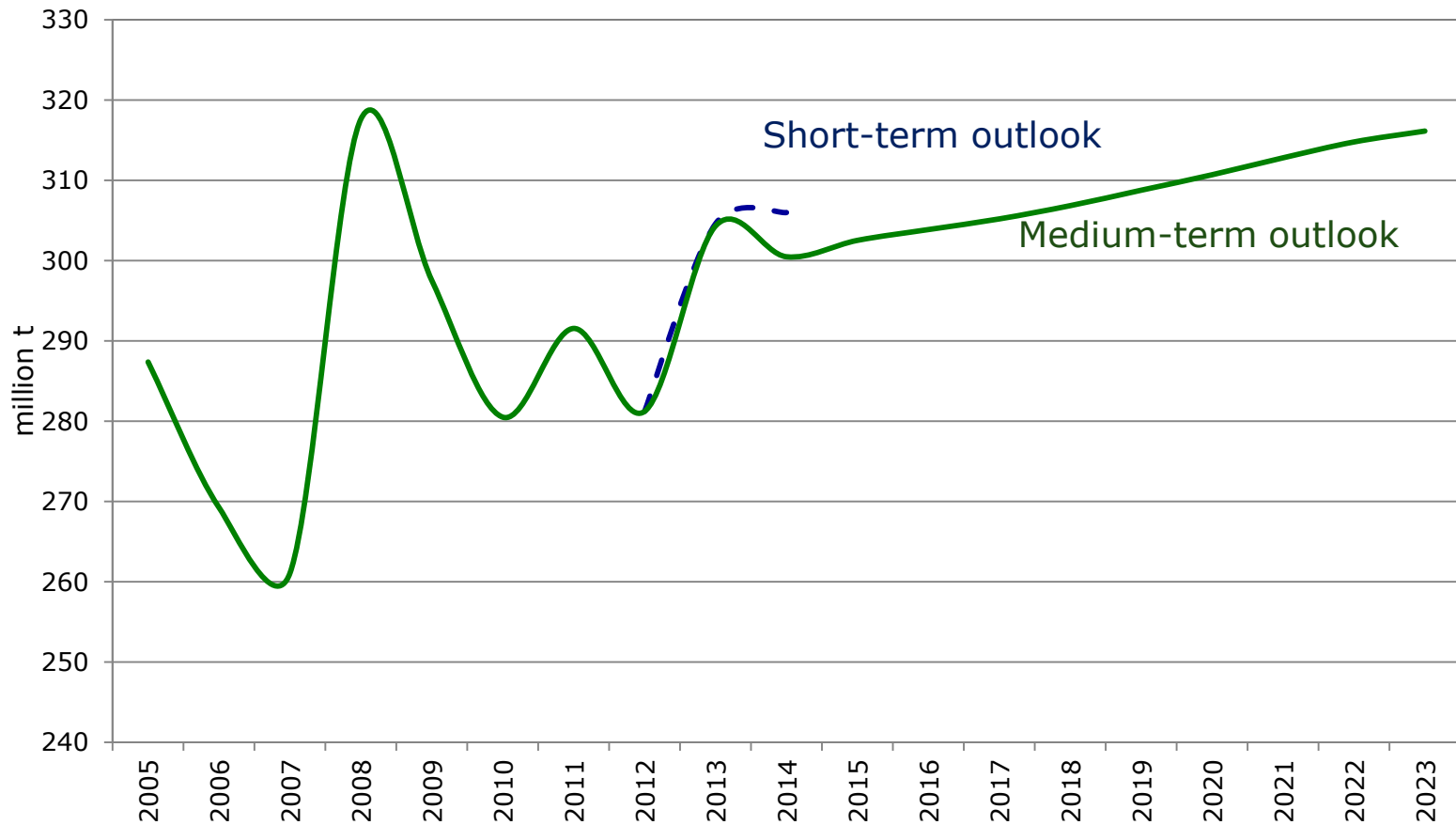
## Main market developments in the EU

- Arable crops
  - Favourable weather conditions
  - Above average 2014 harvest
  - Partial recovery of the cereal stock-to-use ratio
- Dairy
  - Record EU milk collection in 2014; no surge expected in 2015
  - Milk prices to remain firm, despite abundant supply worldwide
  - Strong world demand, especially for powders, supports prices

# Mild 2014 temperatures boosted crop growth

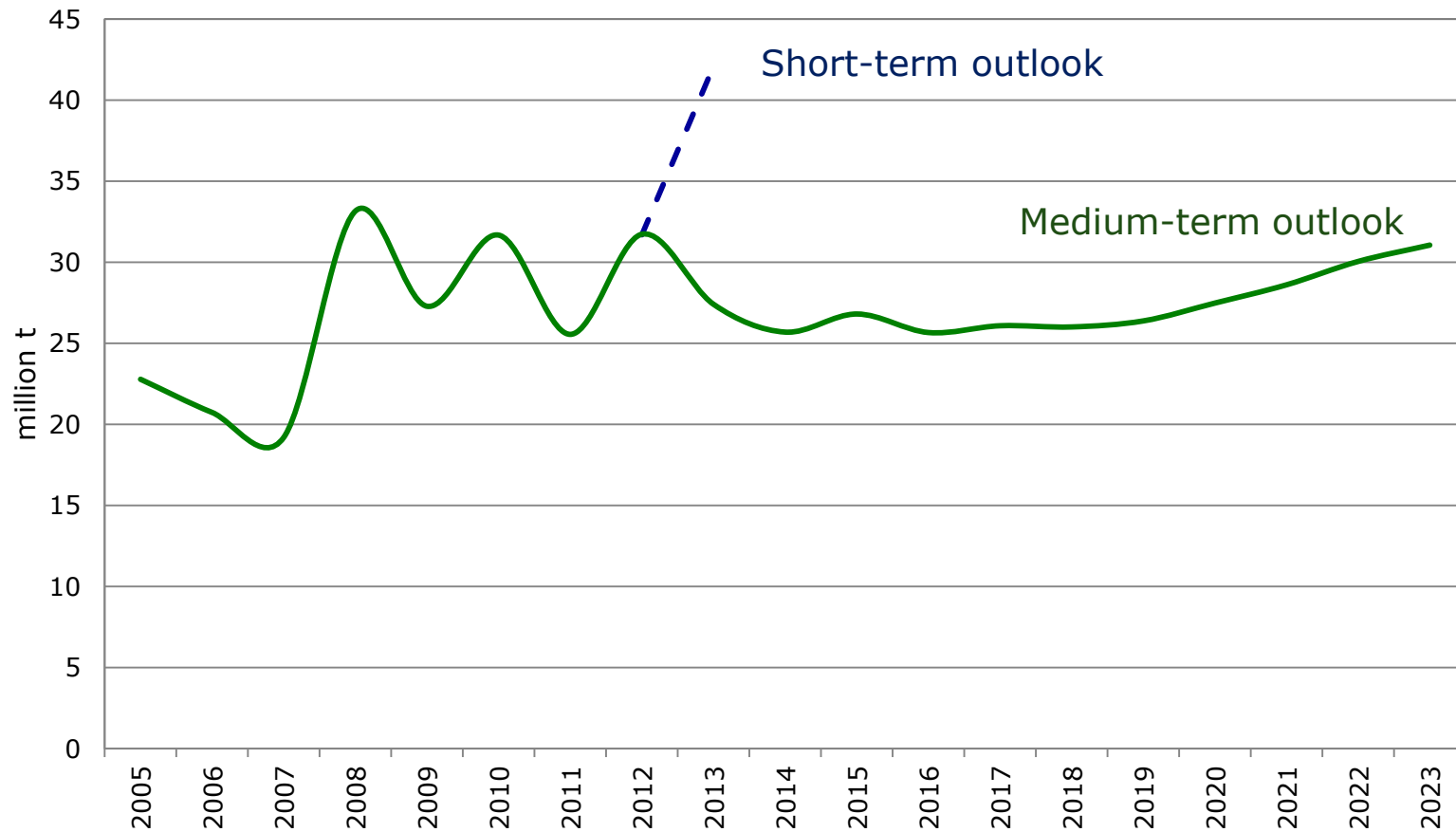


# Very good EU cereal harvest in 2014/15 for the 2nd year in a row



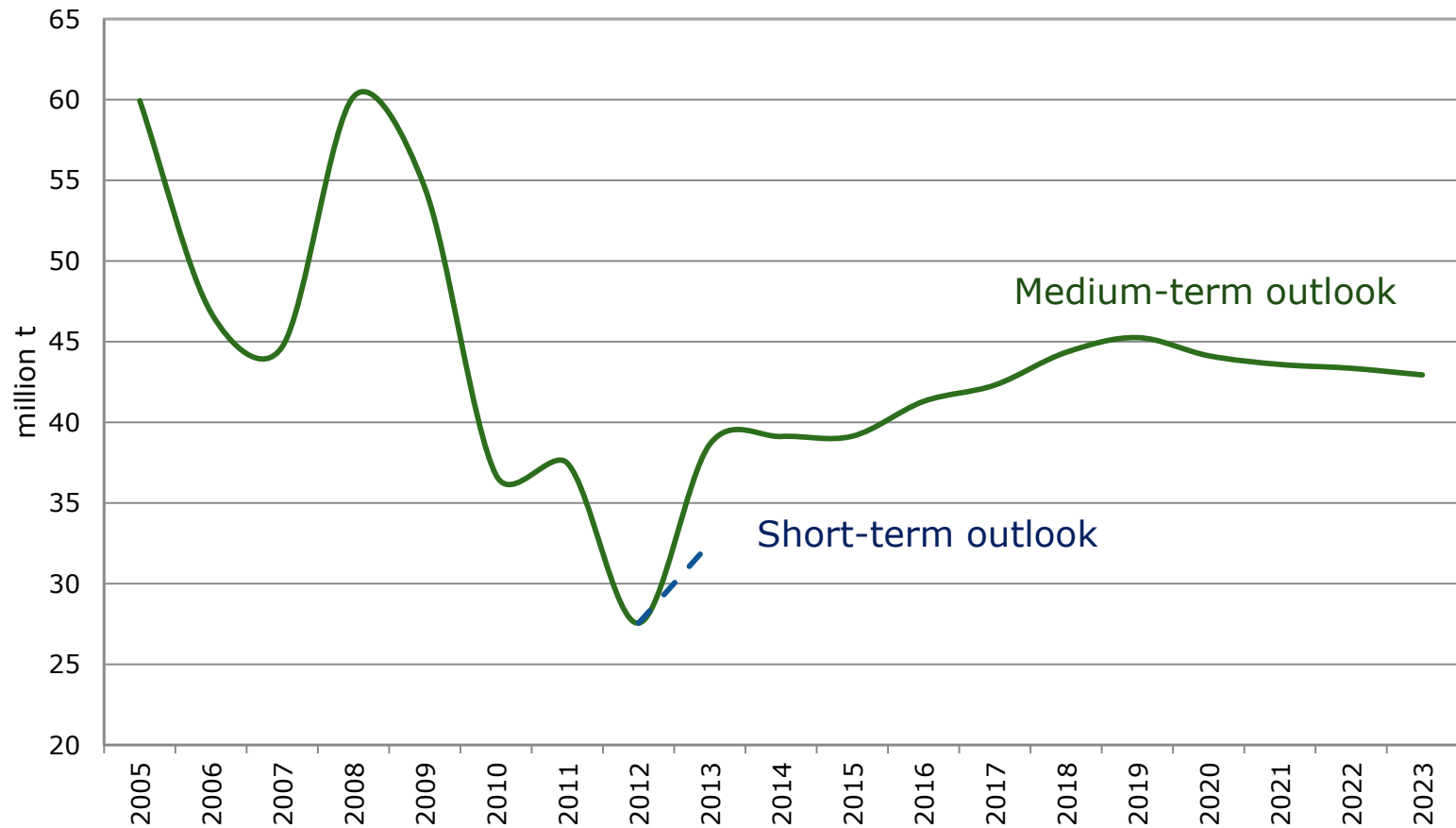
Source: DG Agriculture and Rural Development

## Record 2013/14 EU cereal exports



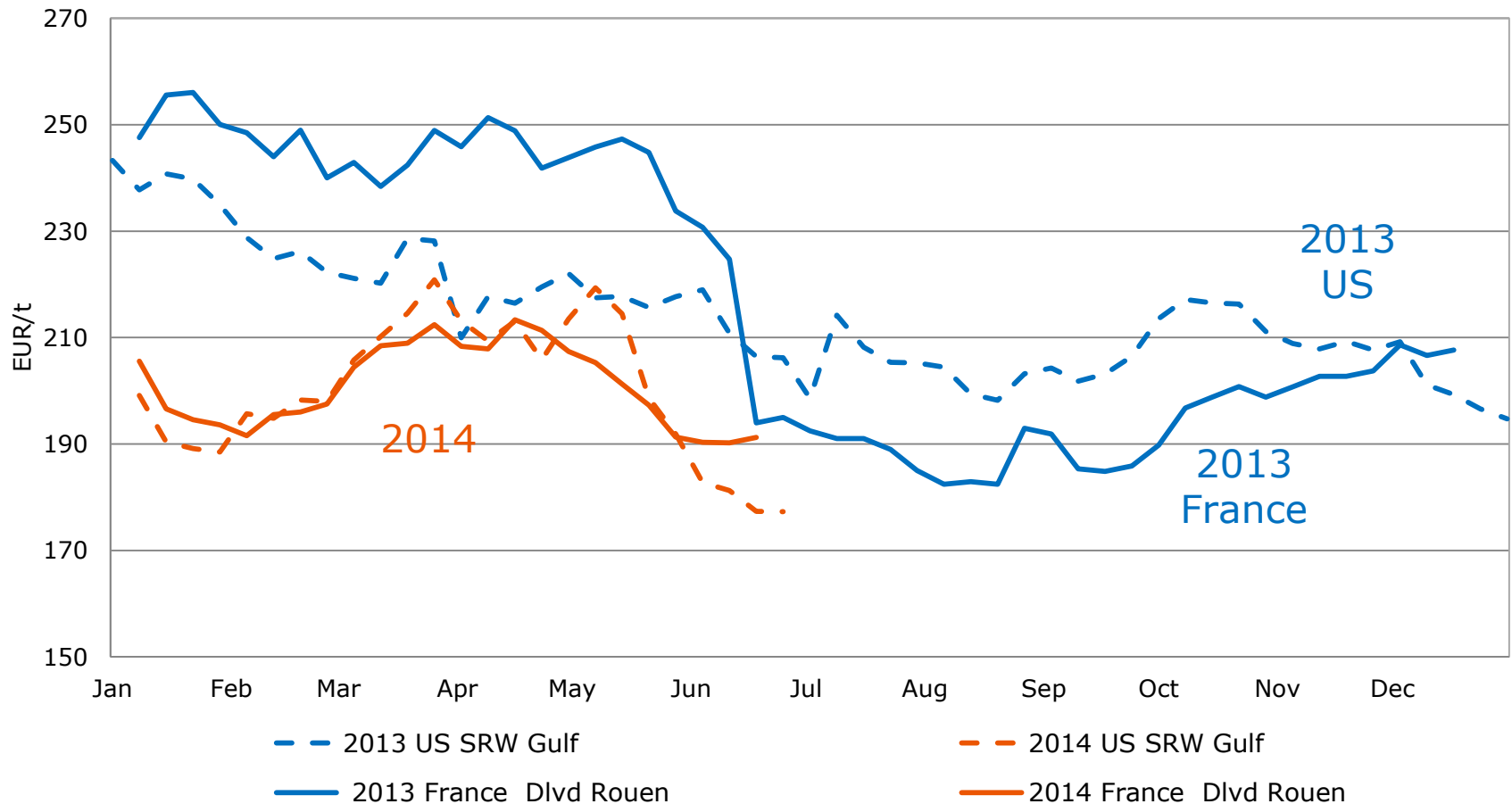
Source: DG Agriculture and Rural Development

## Leading to slower EU stocks recovery



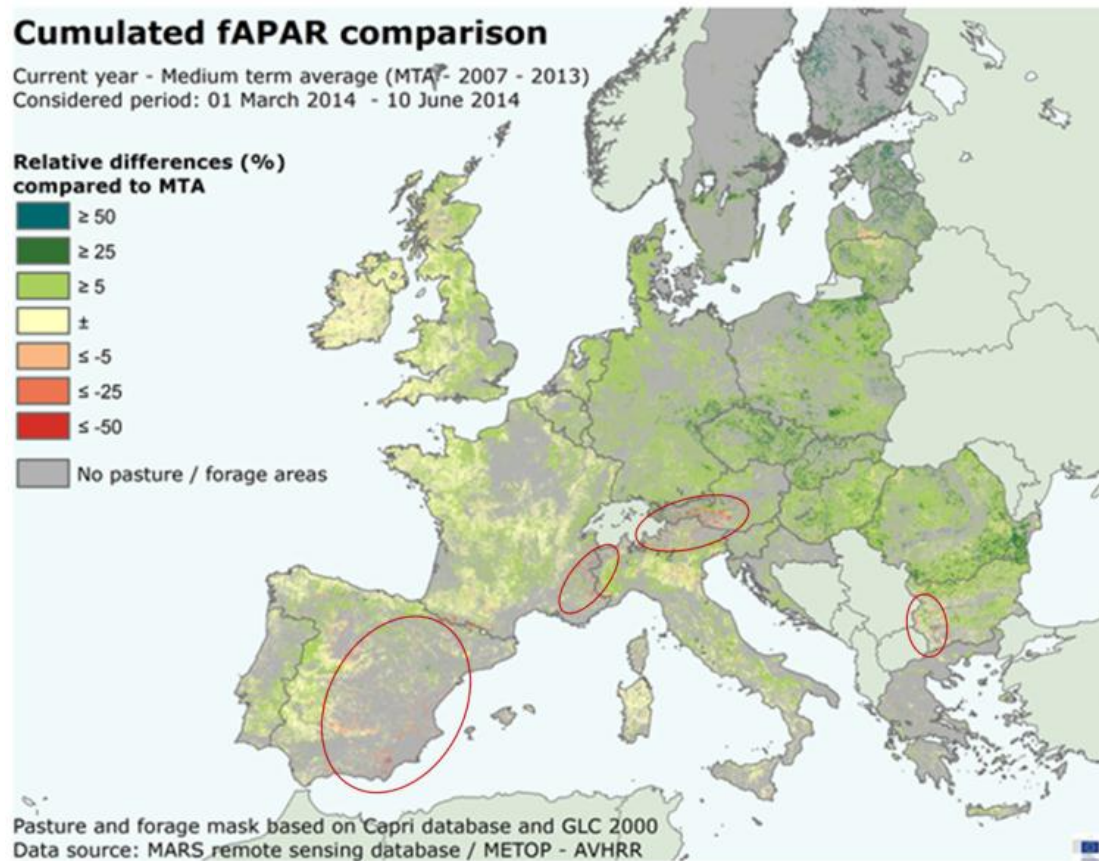
Source: DG Agriculture and Rural Development

## Lower wheat prices in 2013/14



Source: DG Agriculture and Rural Development and USDA

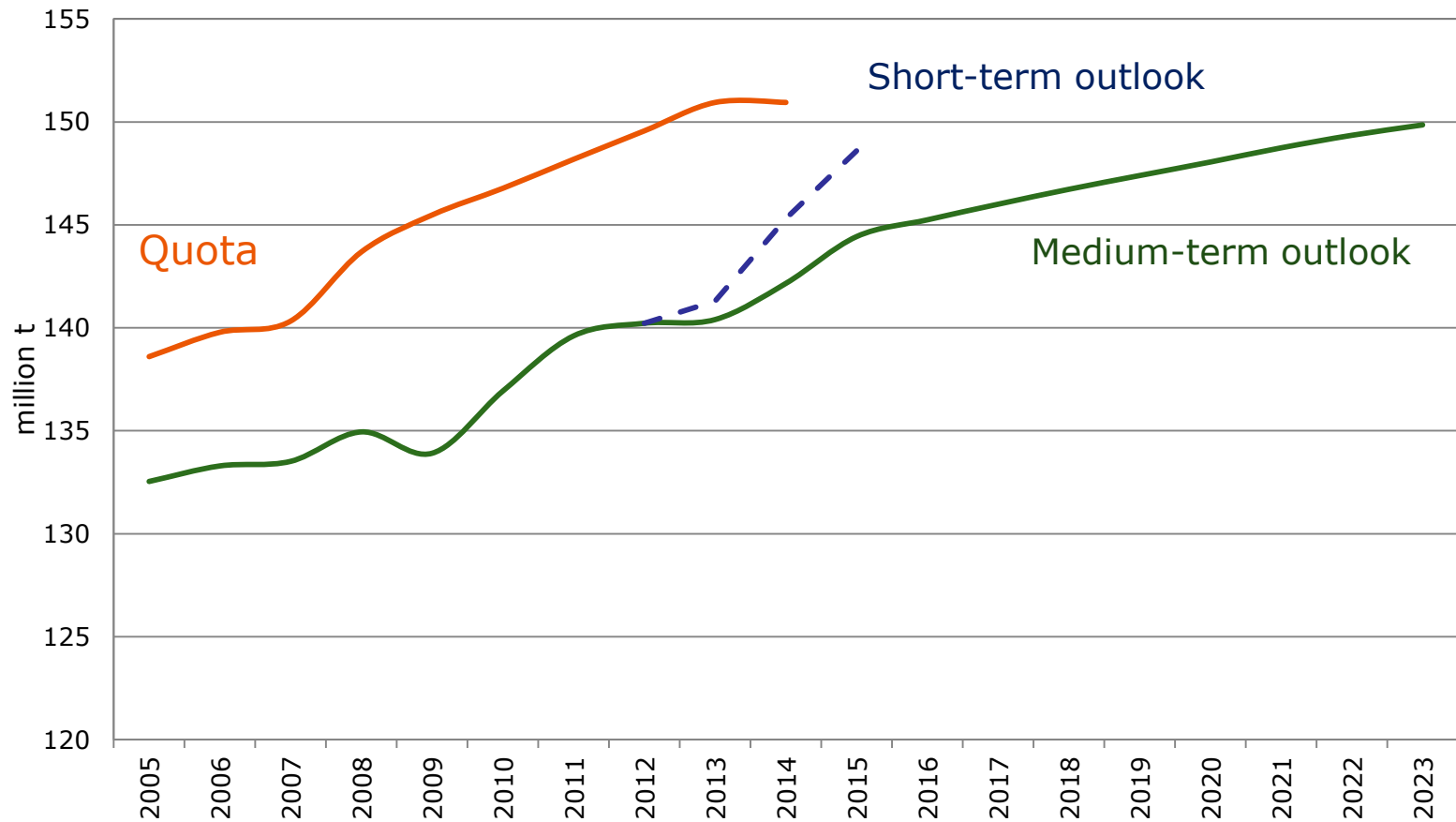
## Pasture: biomass conditions below normal in the spotted red areas affecting more sheep than dairy



Source: Mars-JRC Agri4cast <http://mars.jrc.ec.europa.eu/mars/Bulletins-Publications>

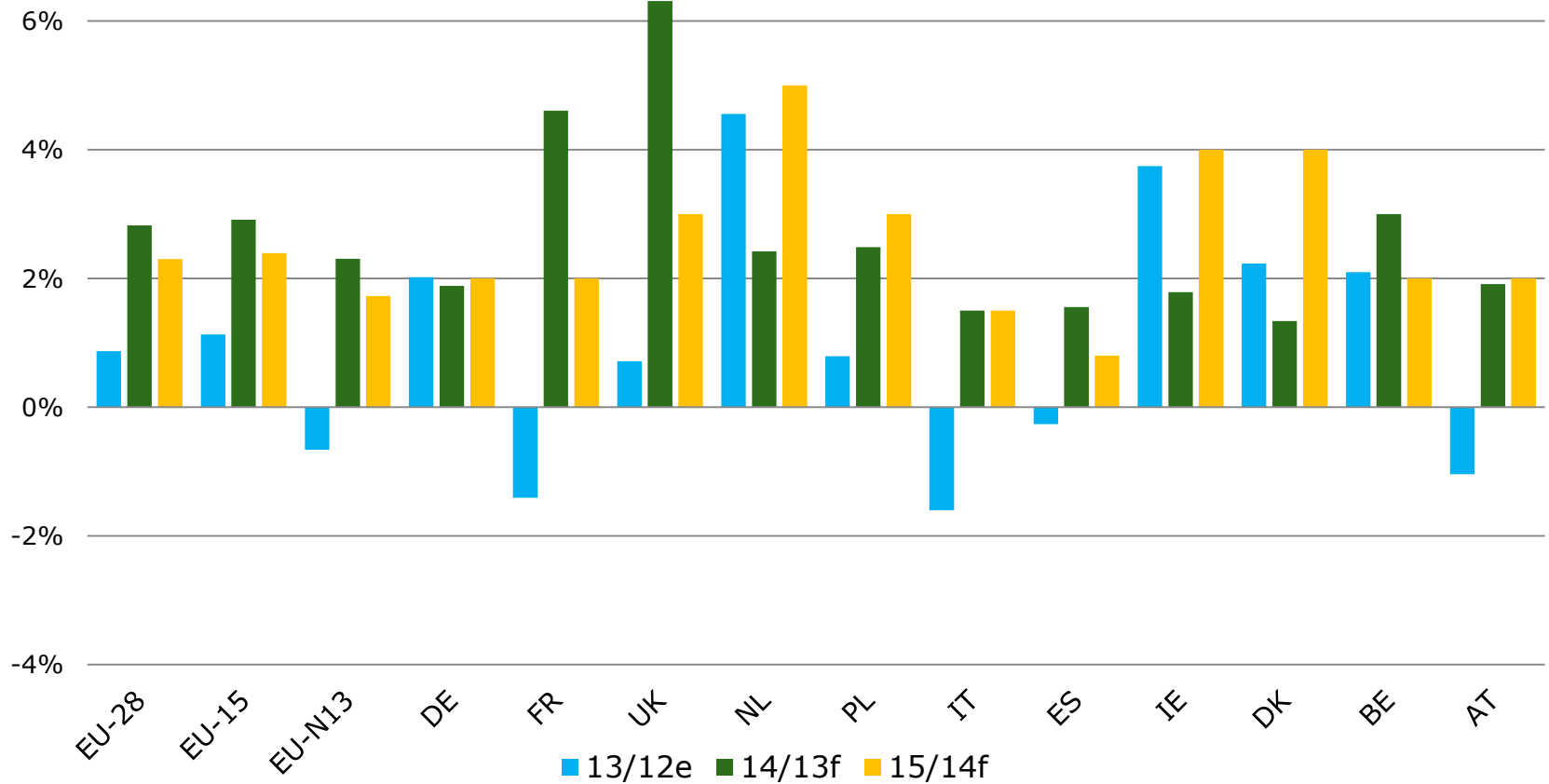


## A 2014 record milk collection in the EU

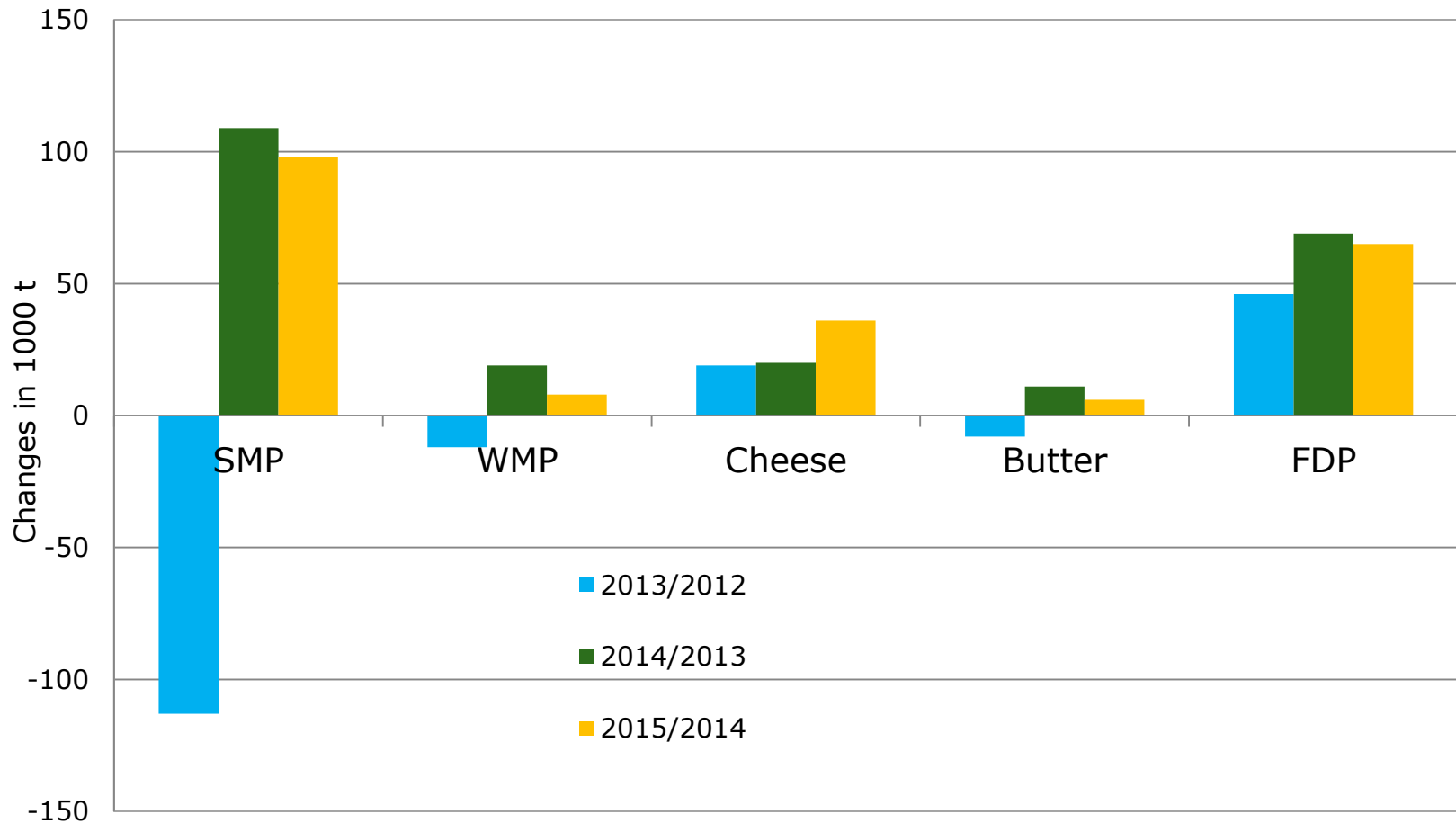


Source: DG Agriculture and Rural Development

# Milk collection forecast by MS



## Increasing EU exports, driven by Chinese demand

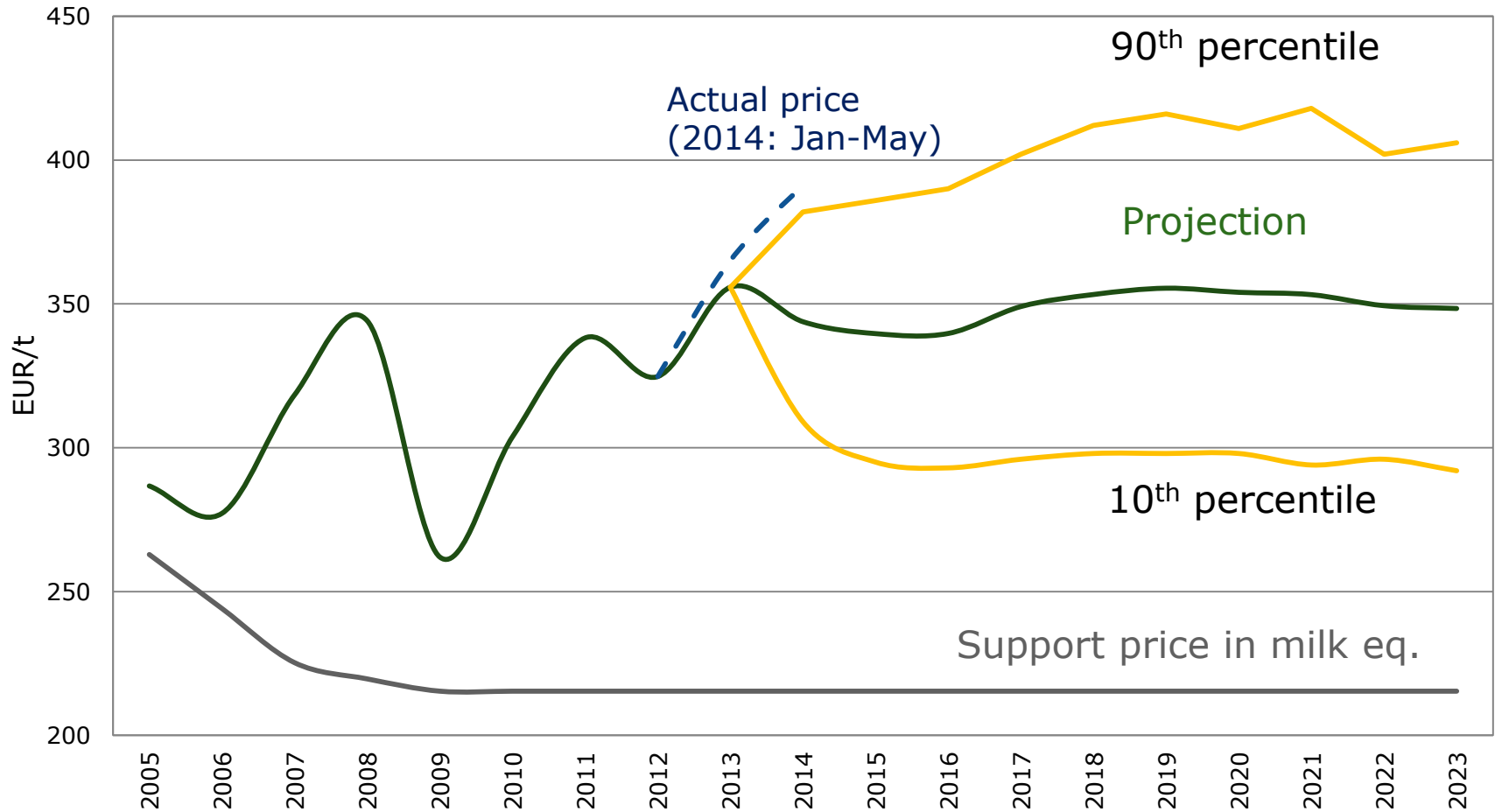


Source: DG Agriculture and Rural Development

## 2014 forecasts comparison for the EU (June 2014)

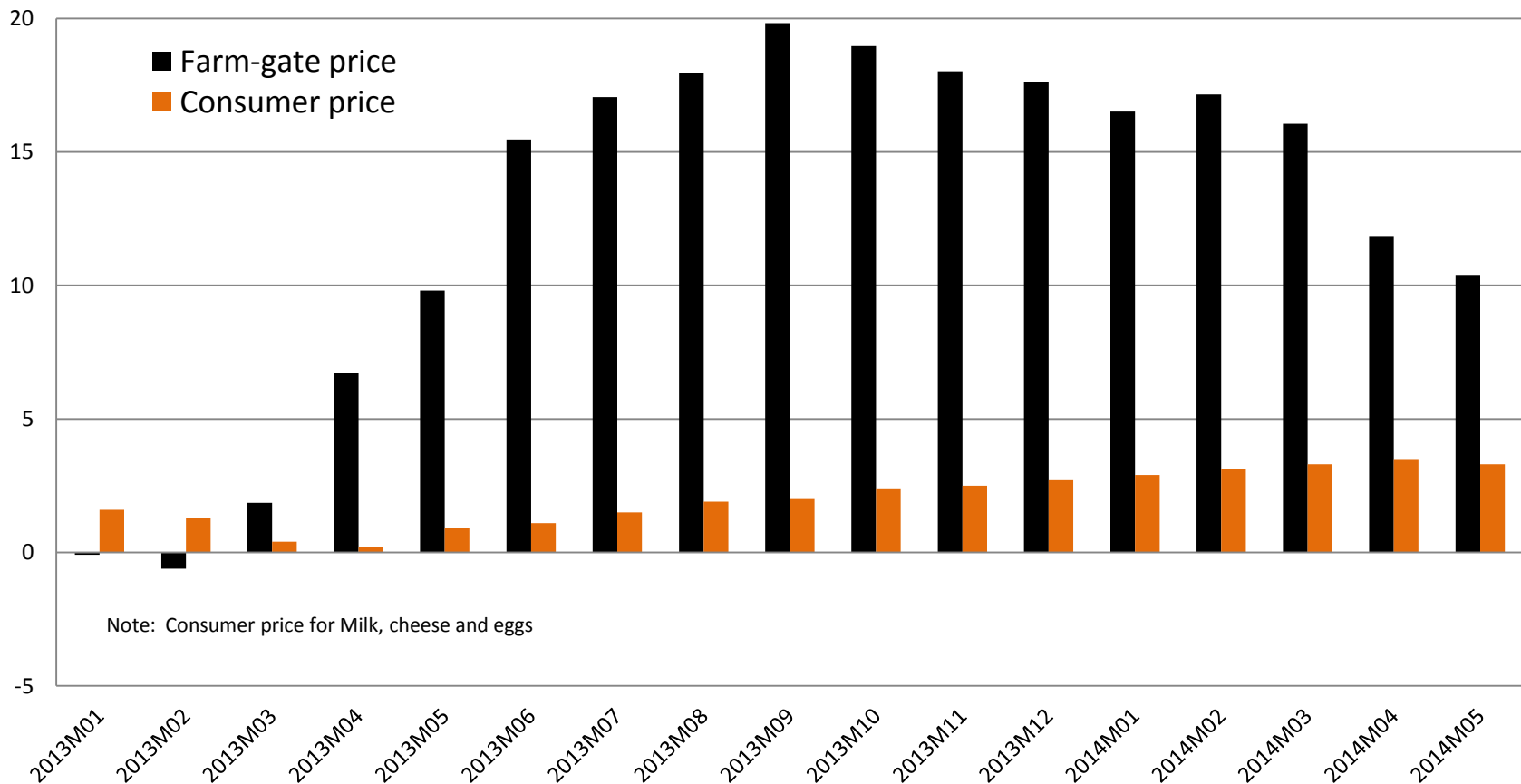
		DG AGRI	USDA	CLAL	FAO
<b>Milk del.</b>	<b>Prod.</b>	2.8%	3.3%	3.0%	
<b>SMP</b>	<b>Prod.</b>	10.3%	8.8%	16.7%	
	<b>Cons.</b>	0.3%		3.1%	
	<b>Exports</b>	27.0%		29.3%	14.5%
<b>WMP</b>	<b>Prod.</b>	3.3%	4.1%	6.8%	
	<b>Cons.</b>	1.4%		1.2%	
	<b>Exports</b>	5.0%		11.7%	-2.0%
<b>Cheese</b>	<b>Prod.</b>	1.6%	1.8%	0.5%	
	<b>Cons.</b>	1.6%		0.3%	
	<b>Exports</b>	2.5%		1.5%	2.5%
<b>Butter</b>	<b>Prod.</b>	2.5%	2.2%	5.9%	
	<b>Cons.</b>	2.9%		0.9%	
	<b>Exports</b>	9.0%		20.3%	4.0%

## Very firm EU milk producer price\*



\* Farm gate milk price in real fat content, weighted EU average

# Yearly change in EU monthly prices: Farm-gate milk price compared to consumer prices



Source: DG Agriculture and Rural Development and Eurostat

## Huge differences among Member States

% change	March 2014/13		May 2014/13	
	Farm-gate price	Consumer price	Farm-gate price	Consumer price
EU	16.1	3.3	10.4	3.3
DE	16.9	8.7	17.8	7.7
DK	20.8	7.8	17.8	7.8
NL	23.2	4.0	6.3	4.7
PL	17.1	3.5	9.7	3.7
FR	17.0	0.8	7.0	1.8
ES	15.7	1.6	8.6	1.5
UK	15.8	2.1	13.4	0.4
IT	10.4	1.8	9.0	1.7

Source: DG Agriculture and Rural Development and Eurostat

## For further information

- Short-term outlook

[http://ec.europa.eu/agriculture/markets-and-prices/short-term-outlook/index\\_en.htm](http://ec.europa.eu/agriculture/markets-and-prices/short-term-outlook/index_en.htm)

- Medium-term outlook

[http://ec.europa.eu/agriculture/markets-and-prices/medium-term-outlook/index\\_en.htm](http://ec.europa.eu/agriculture/markets-and-prices/medium-term-outlook/index_en.htm)

- OECD-FAO Outlook

<http://www.oecd.org/site/oecd-faoagriculturaloutlook/>

<http://www.compareyourcountry.org/chart?cr=ch&cr1=mk&lg=en&project=agricultural-outlook&page=1>

**Thank you**





# **ANNEX 3**

## **Dairy investments in Europe in recent years**

***(2012 to June 2014)***

***Cniel***



# Dairy investments in Europe in recent years (2012 to June 2014)

Brussels, 24<sup>th</sup> July 2014

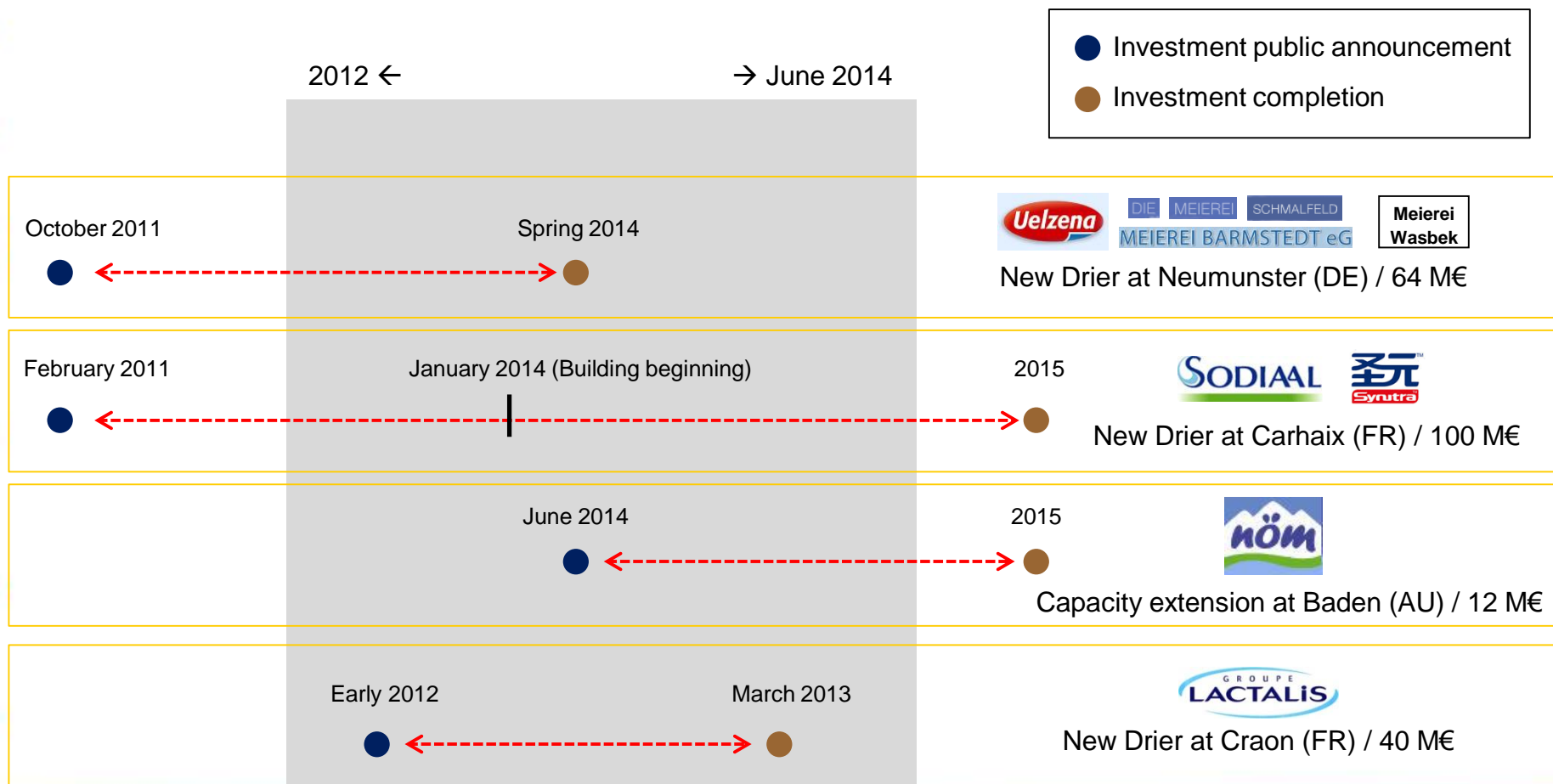
Absence of statistics /  
Dissection of the international press  
with a fine tooth comb



Public information only taken into account  
-> Underestimation of the global investment  
-> Heterogeneous information content

# Method – Investments taken into account

All investments announced or finalized between 2012 and June 2014 are taken into account -> 4 possibilities



# Global results: huge activity in terms of investment!



€ 5.5 billion invested between 2012 and June 2014



190 projects



120 companies involved

# Global investment breakdown in terms of products: Dry dairy ingredients are the main driving force!

## Dairy investments announced or finalized between 2012 and June 2014 (million €)



Dry ingredients 2 680 M€



Cheese 1 020 M€



Milk, dairy beverages 650 M€



Yoghurt, chilled dairy products 330 M€



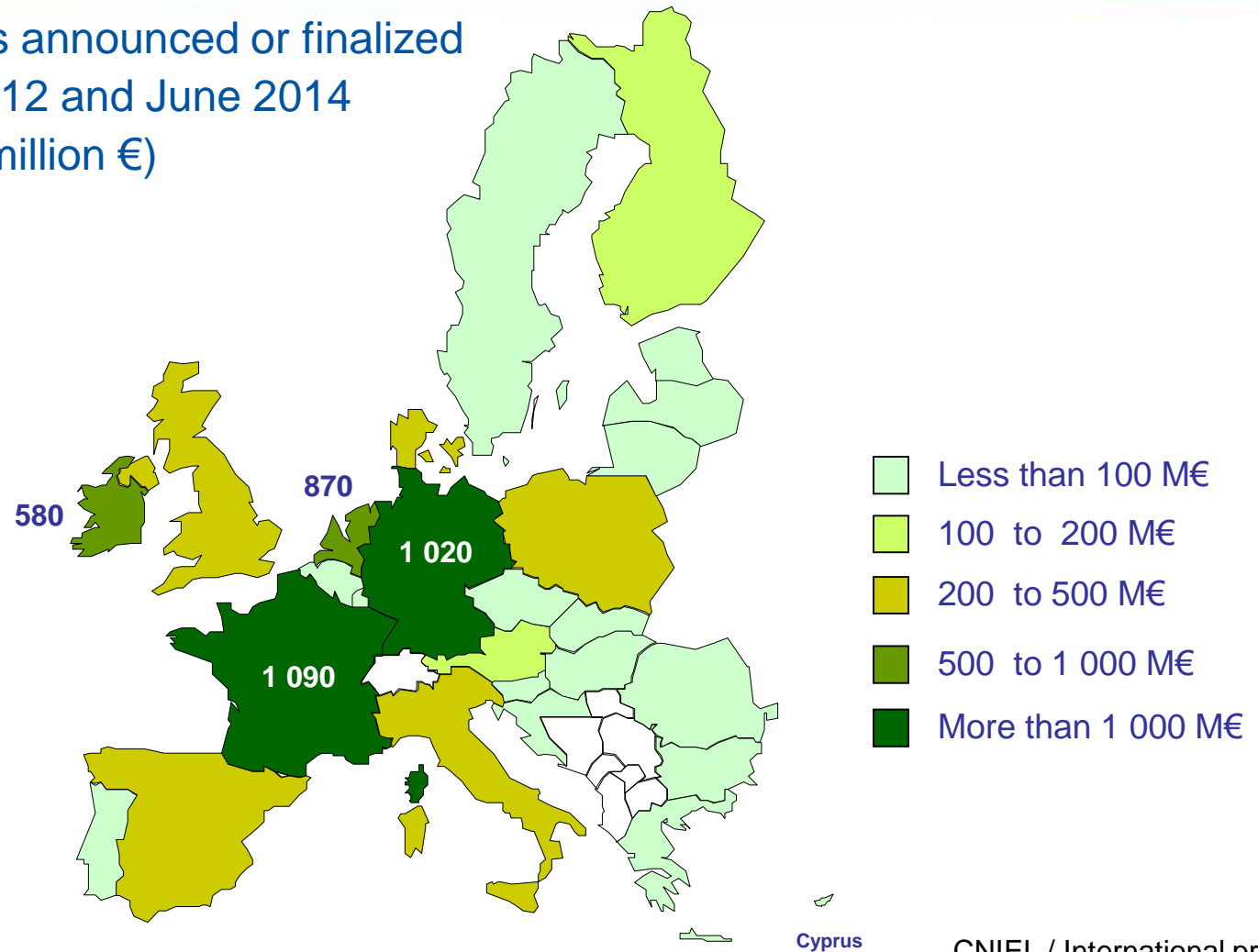
Butter 100 M€

NB : 750 M€ other products or non allocated

CNIEL / International press

# Global investment breakdown in terms of countries: France, Germany, the Netherlands and Ireland have the highest concentration of investments in Europe.

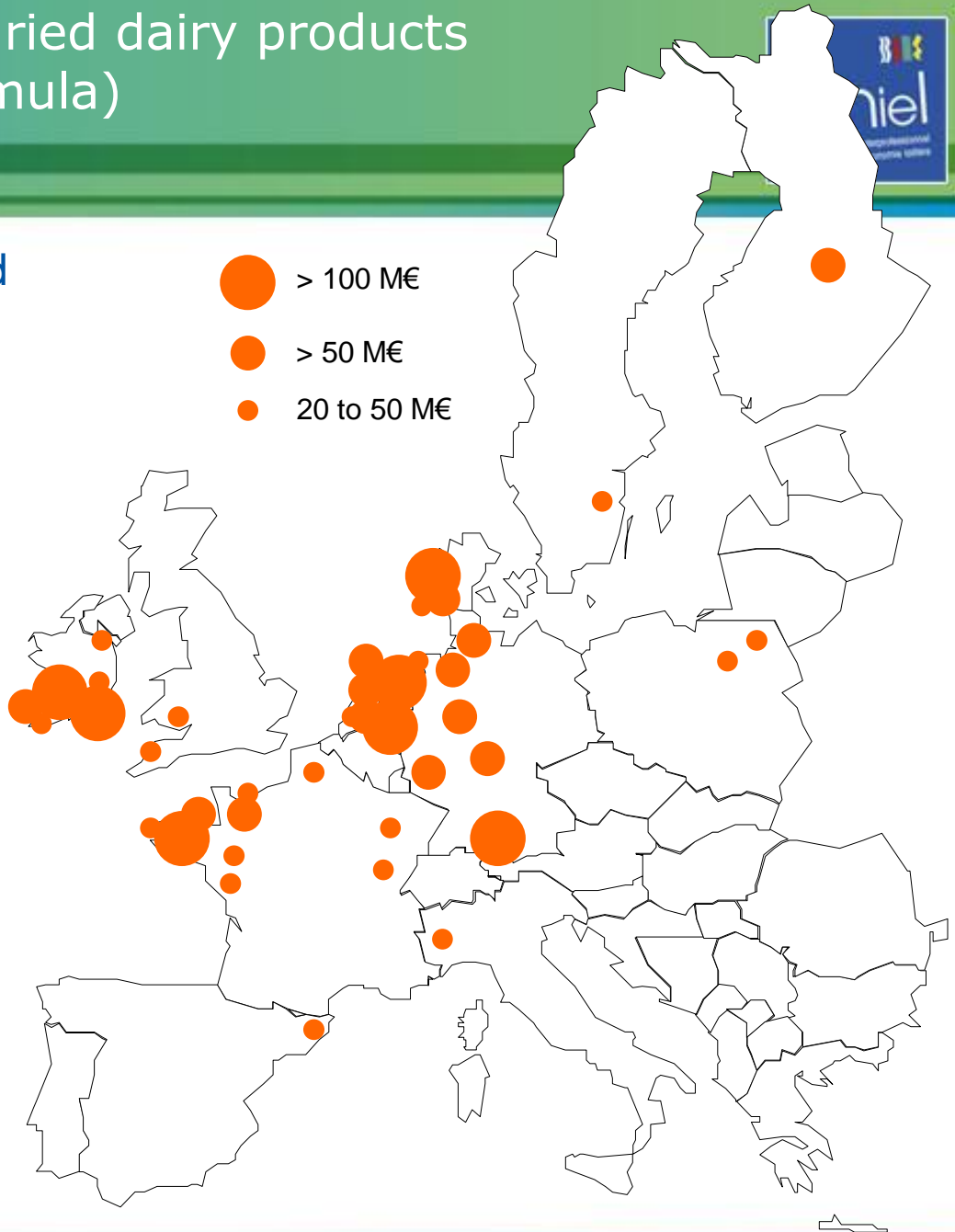
Dairy investments announced or finalized  
between 2012 and June 2014  
(million €)



CNIEL / International press

# Main investments concerning dried dairy products (whey, milk powder, infant formula)

Investments announced or finalized between 2012 and June 2014 exceeding 20 million €

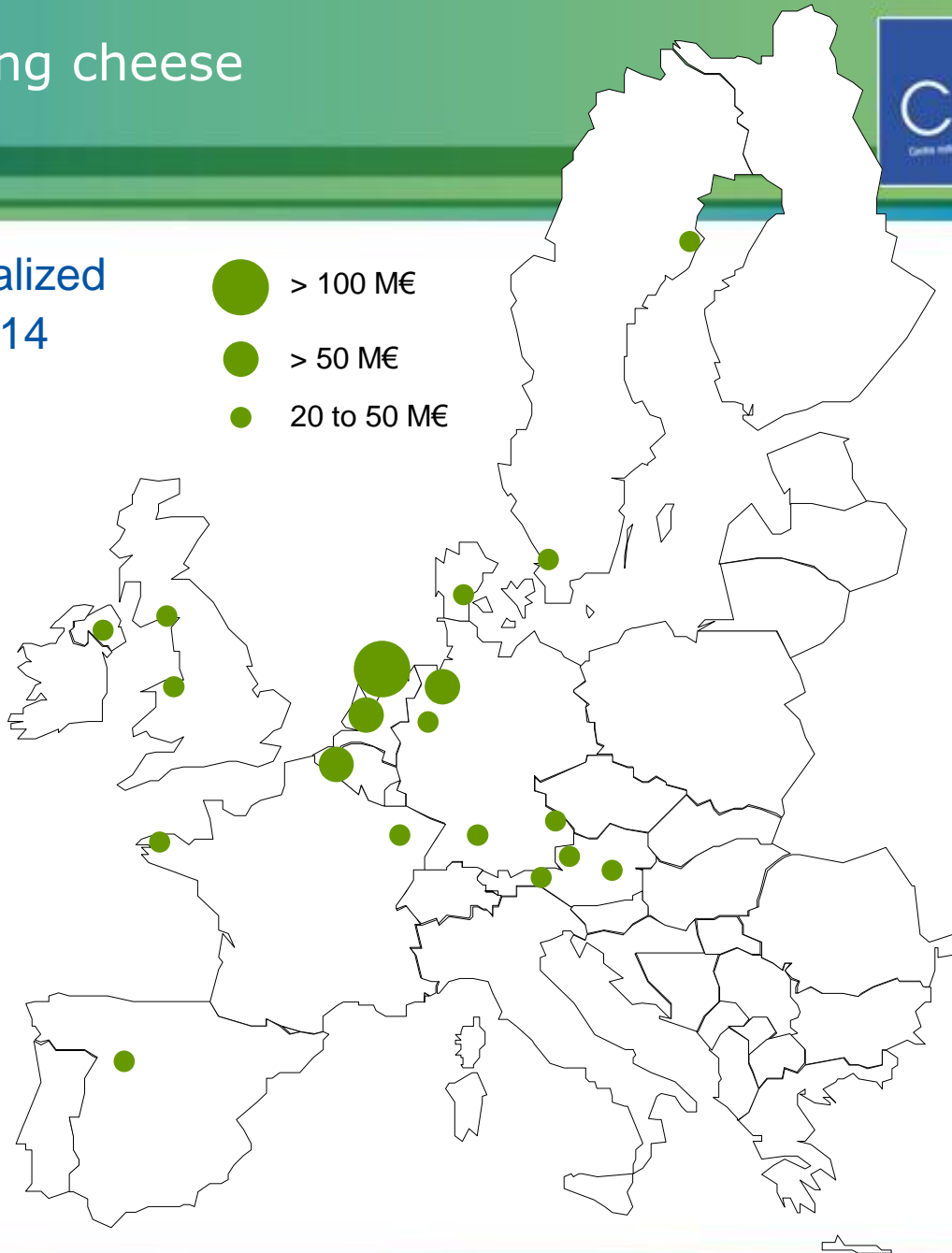




# Main investments concerning cheese

Investments announced or finalized  
between 2012 and June 2014  
exceeding 20 million €

- > 100 M€
- > 50 M€
- 20 to 50 M€

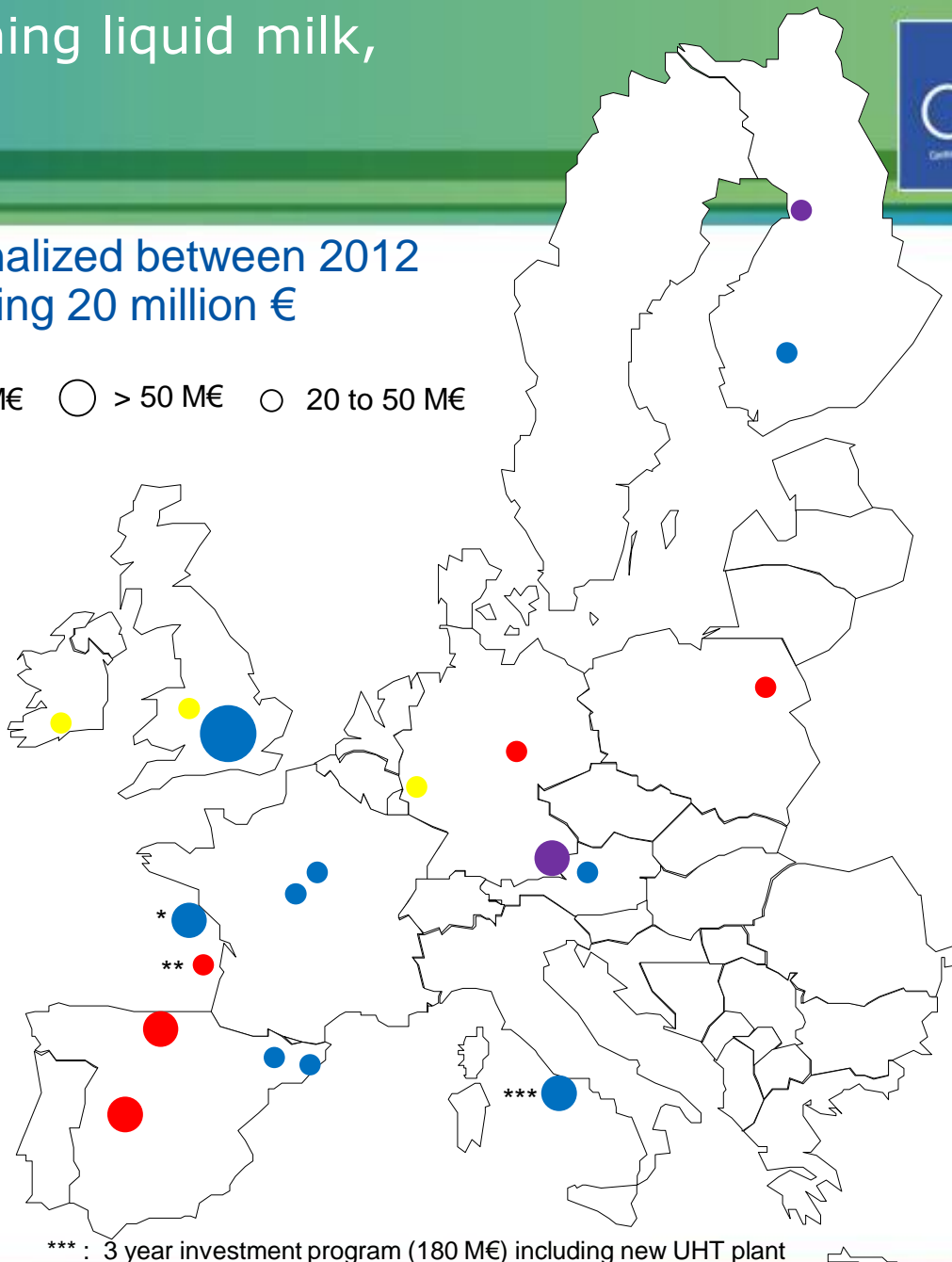


Cyprus

# Main investments concerning liquid milk, yoghurt and butter

## Investments announced or finalized between 2012 and June 2014 exceeding 20 million €

- Yoghurt, chilled dessert
  - Liquid milk, dairy beverage
  - Yoghurt & liquid milk ; chilled warehouse
  - Butterfat
- > 100 M€   ○ > 50 M€   ○ 20 to 50 M€



\* : multisite investment by Sodiaal (60 M€) ;

\*\* : multisite investment by Danone

\*\*\* : 3 year investment program (180 M€) including new UHT plant

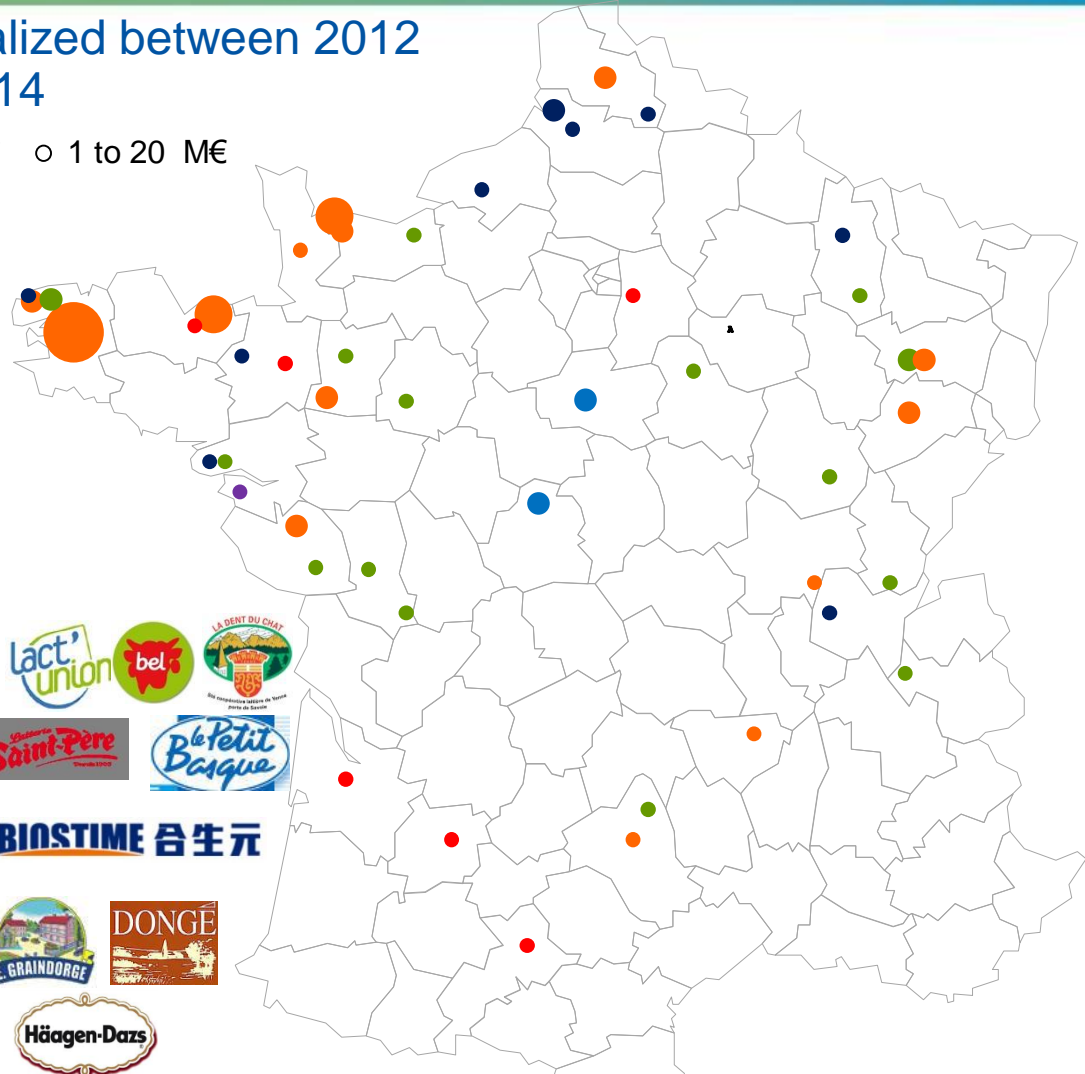
Cyprus

# Investments can be spread geographically and can concern a large range of company profile - The example of France

## Investments announced or finalized between 2012 and June 2014

○ > 100 M€  
 ○ > 50 M€  
 ○ 20 to 50 M€  
 ○ 1 to 20 M€

- Yoghurt
- Liquid milk, dairy beverage
- Yoghurt & Liquid milk ; chilled warehouse
- Butterfat
- Dried dairy products
- Cheese
- Other products ; concentrator, boiler, R&D



\* : multisite investment by Sodiaal (60 M€) ; \*\* : multisite investment by Danone

# The European dairy sector has become attractive to Chinese investors over the last few years.



Chinese Synutra has invested € 90 million in a € 100 million project set up with French Sodiaal to build two driers at Carhaix (France). The opening is forecasted in 2015. The plant will process 280 million litres of milk.



In 2013 Chinese Biostime brought € 20 million out the € 50 million invested jointly with Isigny Ste Mère in the building of a new infant formula plant (30 000 t / y). Biostime has taken a stake in the French coop.



Hyproca Dairy Group BV

In 2011 Chinese Ausnutria purchased 51% of Dutch Hyproca. In 2013 it announced a € 67 million investment to expand Hyproca's drying capacity.



In 2013 Chinese Beingmate set up a partnership with the Irish Kerry Group and invested € 20 million to set up a infant formula plant in Ireland.

Companies from New Zealand and Japan are also investing or contracting in order to secure sourcing in Europe.



Shareholder of the German protein processor Milei for more than a decade, the Japanese group Morigana grew its stake to 70% in 2009, then to 100% in 2012. It recently announced a 7-year investment program of € 150 million to increase milk and whey protein output capacity.



The New Zealander group Fonterra has set up several partnerships with European processors, which provide it with whey components:

- JV DMV-Fonterra Excipients with Dutch FrieslandCampina
- JV Fast Forward Ltd with British First Milk
- Sourcing contract with Lithuanian Rokiškio sūris
- Sourcing contract with Dutch A Ware; Fonterra is building a whey factory next to A Ware's new cheese plant, which will be operational in March 2015
- Sourcing contract with British Dairy Crest

CNIEL / international press

# **ANNEX 4**

## **EU dairy products monthly stock situation**

***EDA***



# EU dairy products monthly stock situation

**Milk Market Observatory**

**Economic Board**

**July 23<sup>rd</sup>, 2014**

Gérard CALBRIX

Director Economic Affairs

ATLA

# Methodology

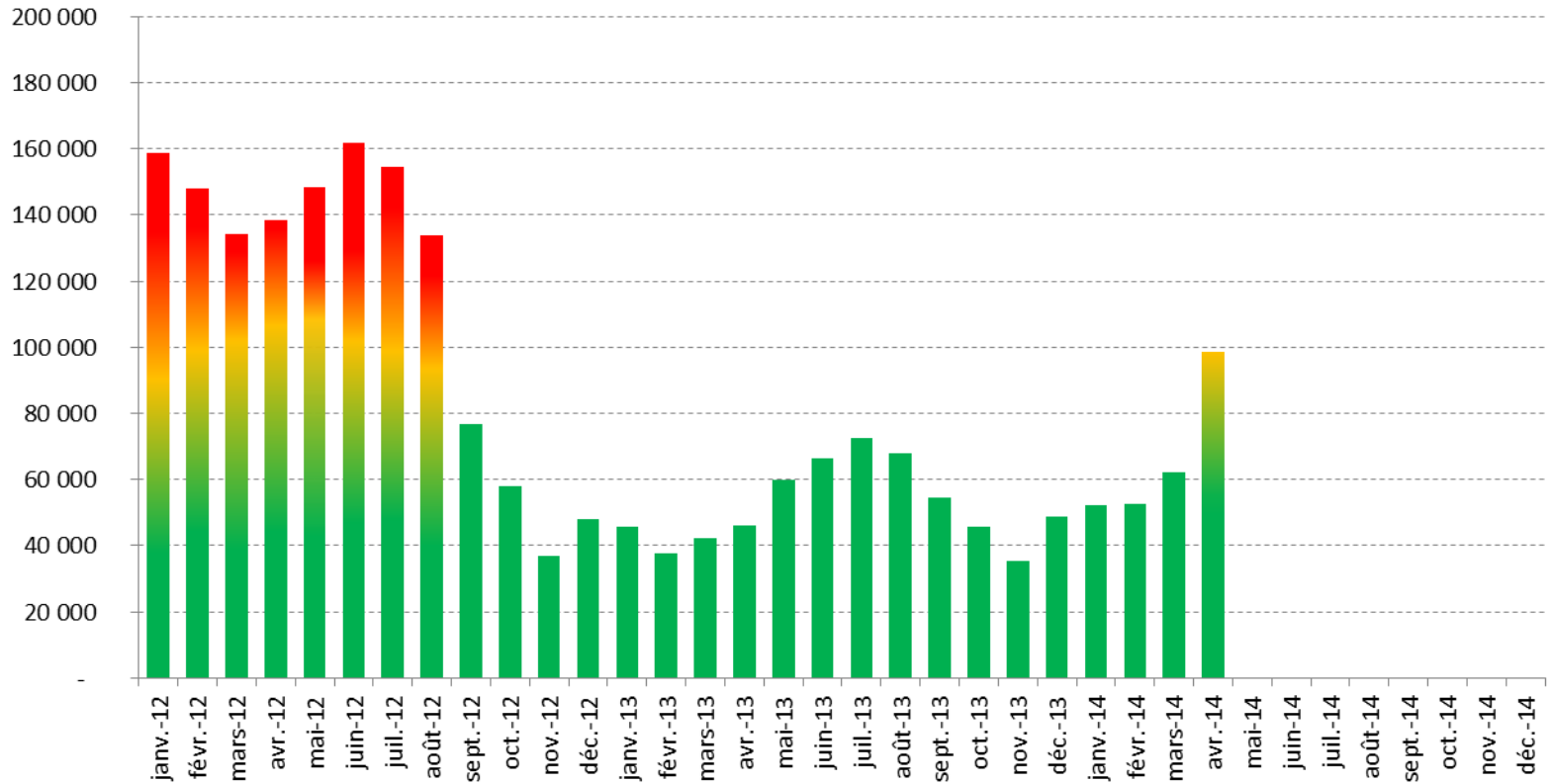
- For each dairy product, these stock estimates are based on the equation:
  - **Stock variation** = EU production + EU import – EU internal consumption – EU exports
- ZMB balance sheets and forecasts have been used as references for :
  - End of year stocks levels in 2012 and 2013
  - Yearly consumption levels in 2012, 2013 and 2014 forecast
- 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 for end of 2011 are :
  - SMP: 152 000 t
  - Butter: 80 000 t
  - Cheese: 200 000 t (arbitrary basis)
- The qualification of stock levels (green, orange or red) is based on the EDA analysts' personal views and past market observation.



# European stock level estimates - SMP



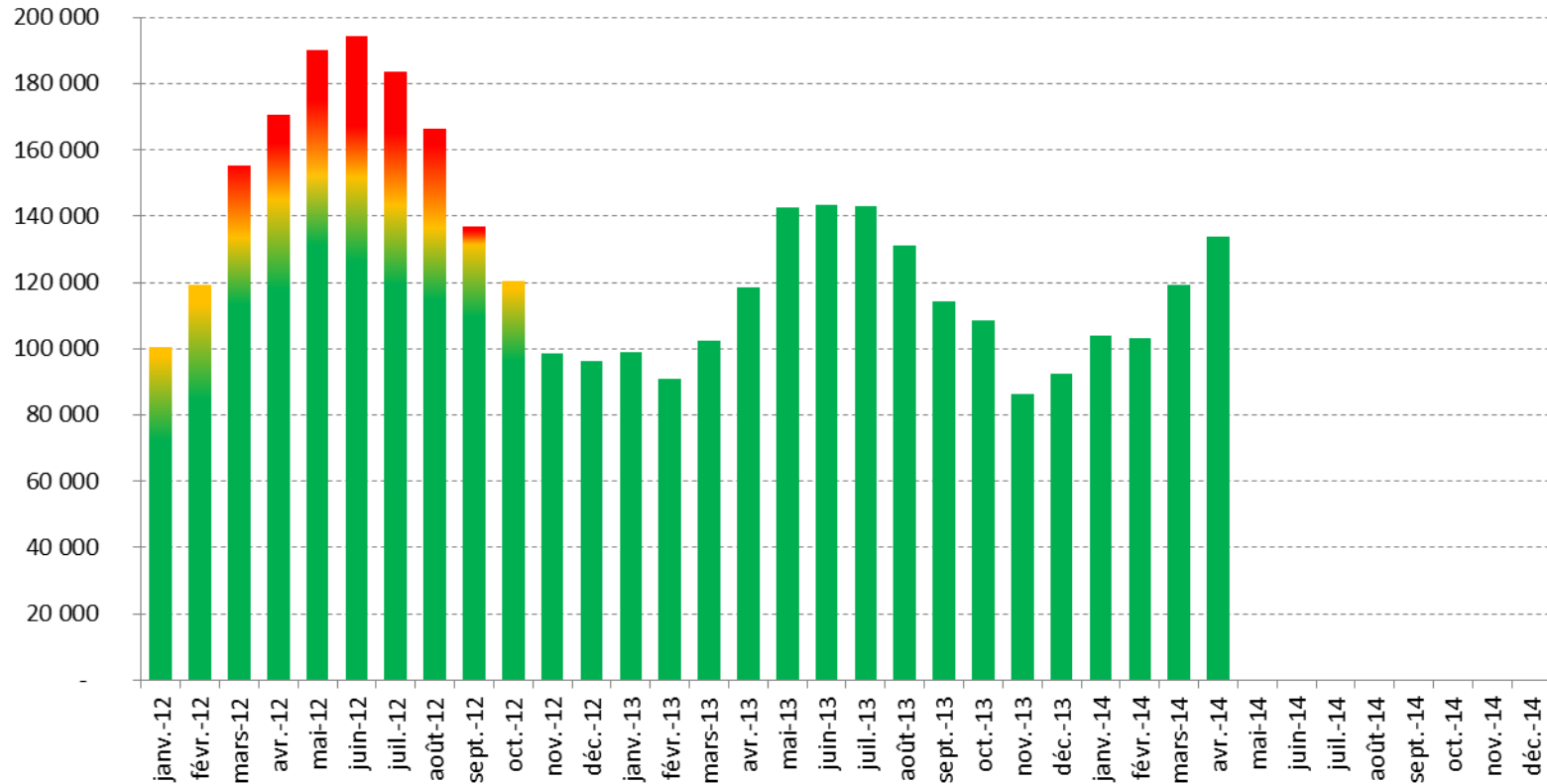
stock level  
in tons



# European stock level estimates - Butter



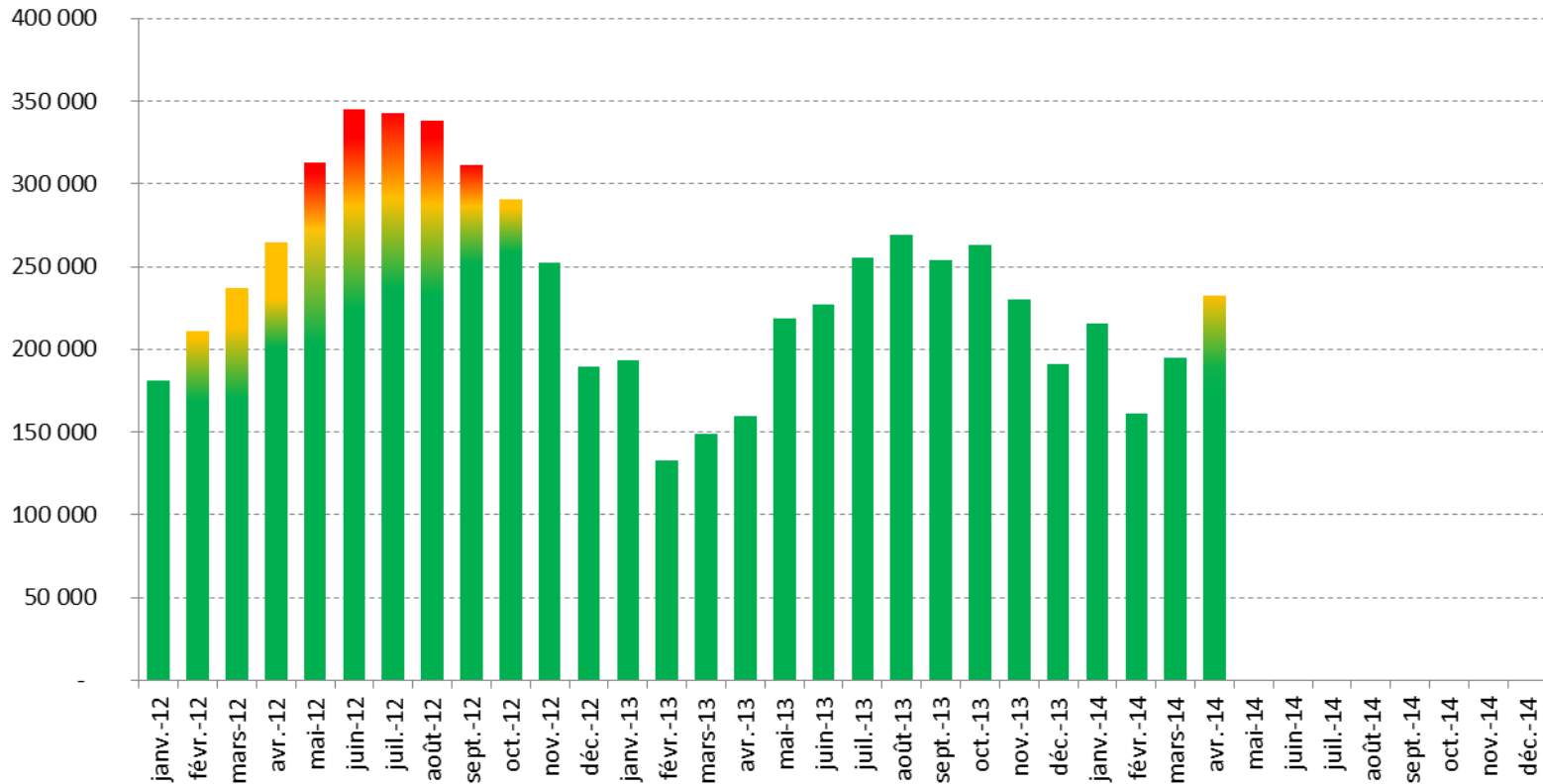
stock level  
in tons



# European stock level estimates - Cheese



stock level  
in tons



# **ANNEX 5**

## **Perspectives from the Dairy Trade**

***Eucolait***



# Perspectives from the Dairy Trade

Milk Market Observatory Meeting

24 July 2014



# Outline



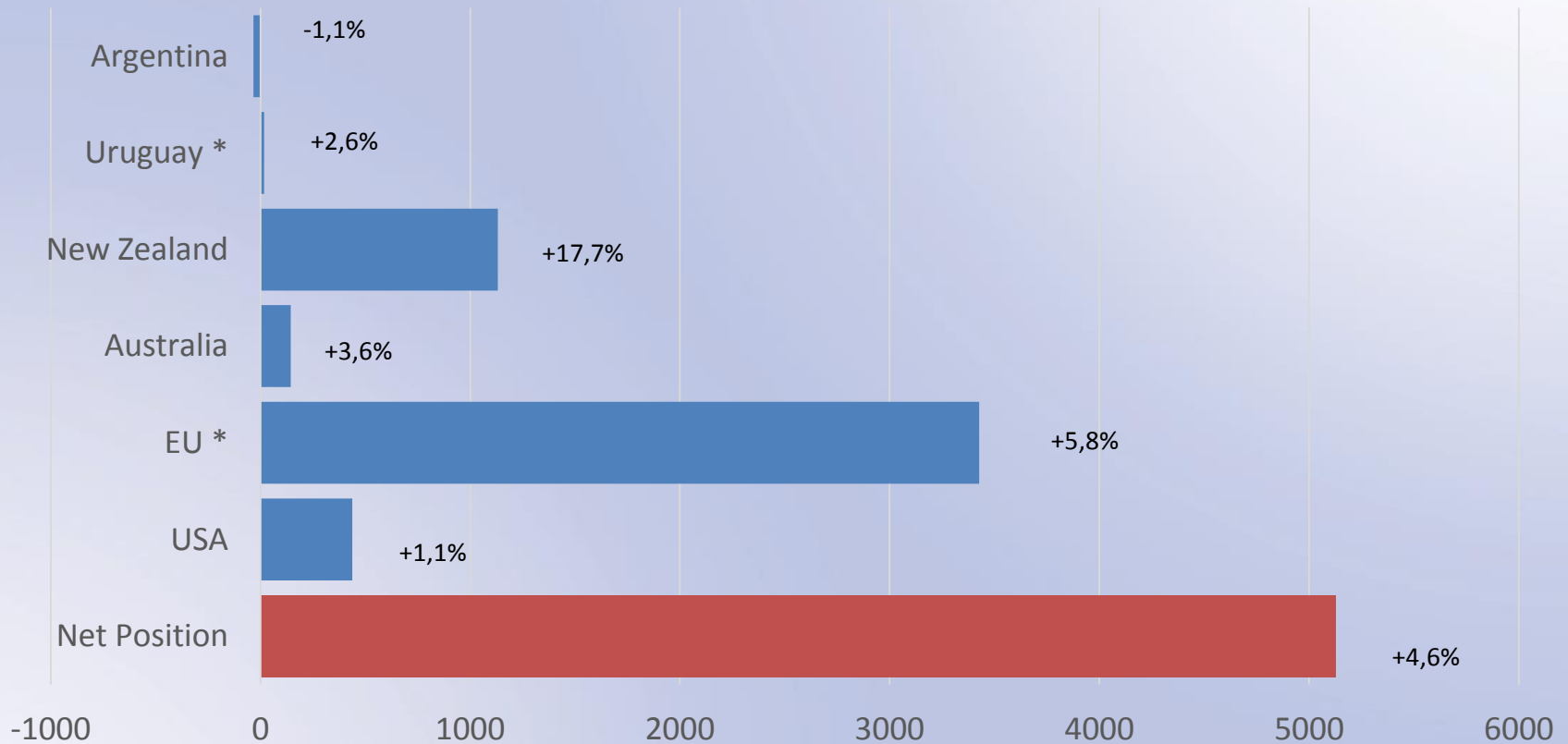
- Global Supply
- Global Exports
- Global Demand
- Global Stocks
- Conclusions



# Global Supply



## JAN – MAY PRODUCTION





# EU Supply



- See EDA report
- Very strong on the back of high milk prices (lagging market reality), lower feed prices and favourable weather.





# US Supply



- Milk Production Q2-2014:
  - April 2014: +1,2% versus April 2013
  - May 2014: +1,5% versus May 2013
  - June 2014: +1,9% versus June 2013
- Outlook rest of 2014
  - Robust herd expansion
  - Continued Favourable Margins
  - Growth expected to accelerate to above 2%
  - Water is a concern in California



# New Zealand Supply



- Milk Production
  - DCANZ reported till May
    - April 2014 is up 32% from April 2013
    - May 2014 is up 25% from May 2013
    - April-May 2014 is down 10% from April-May 2012
    - 2013-14 season: +9%
  - Outlook for new season
    - Fonterra June collection is up 10% from June 2013
    - New season expected to start strong
    - Forecast 2014/15 season + 10%



# Australia supply



- Milk Production
  - Solid growth in the beginning of 2014 (compared to a weak base)
    - May and June milk production is expected to be on par with 2013.
  - 2013/14 season expected to finish on par with 2012/13
- Outlook
  - For the 2014/15 season a growth of 2 % (180 000 tonnes) is expected



# Argentina



- Milk Production
  - After promising start beginning of 2014 milk production started lagging behind 2013 figures
    - May 2014 is down 7,3% from May 2013
    - June 2014 is down 8,4% from June 2013
    - Jan – Jun 2014 is down 2,45% from Jan – Jun 2013
- Outlook
  - Wet conditions worsening (El niño)
  - Unpredictable government interventions



# Uruguay Supply

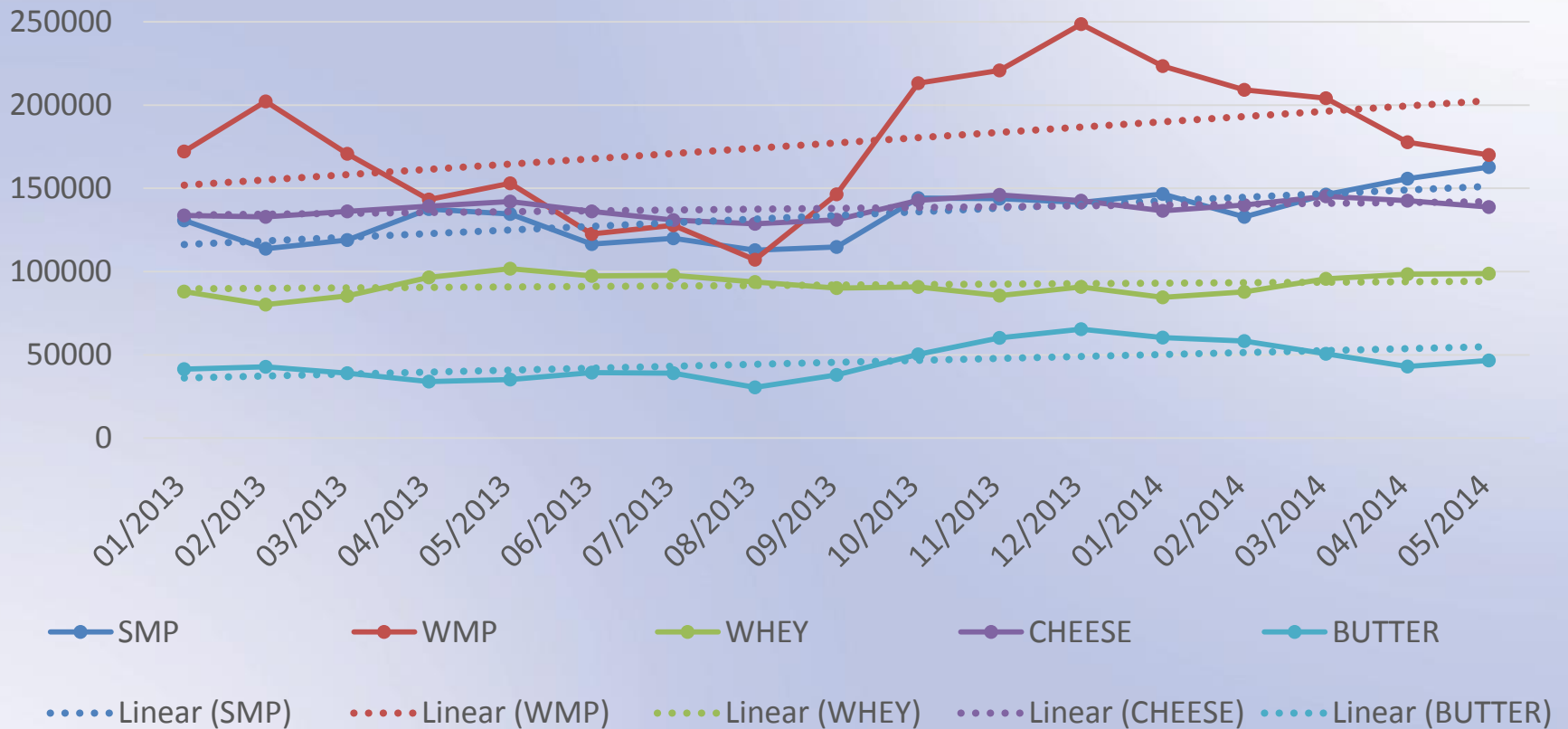
- Milk Production
  - Jan – April 2014 up 3% versus 2013
  - Growth slowing down from 4,8 % in Jan to 1,2% in April



# Global Exports



MONTHLY EXPORTS (EU+USA+NZ+AUS+ARG+URU)

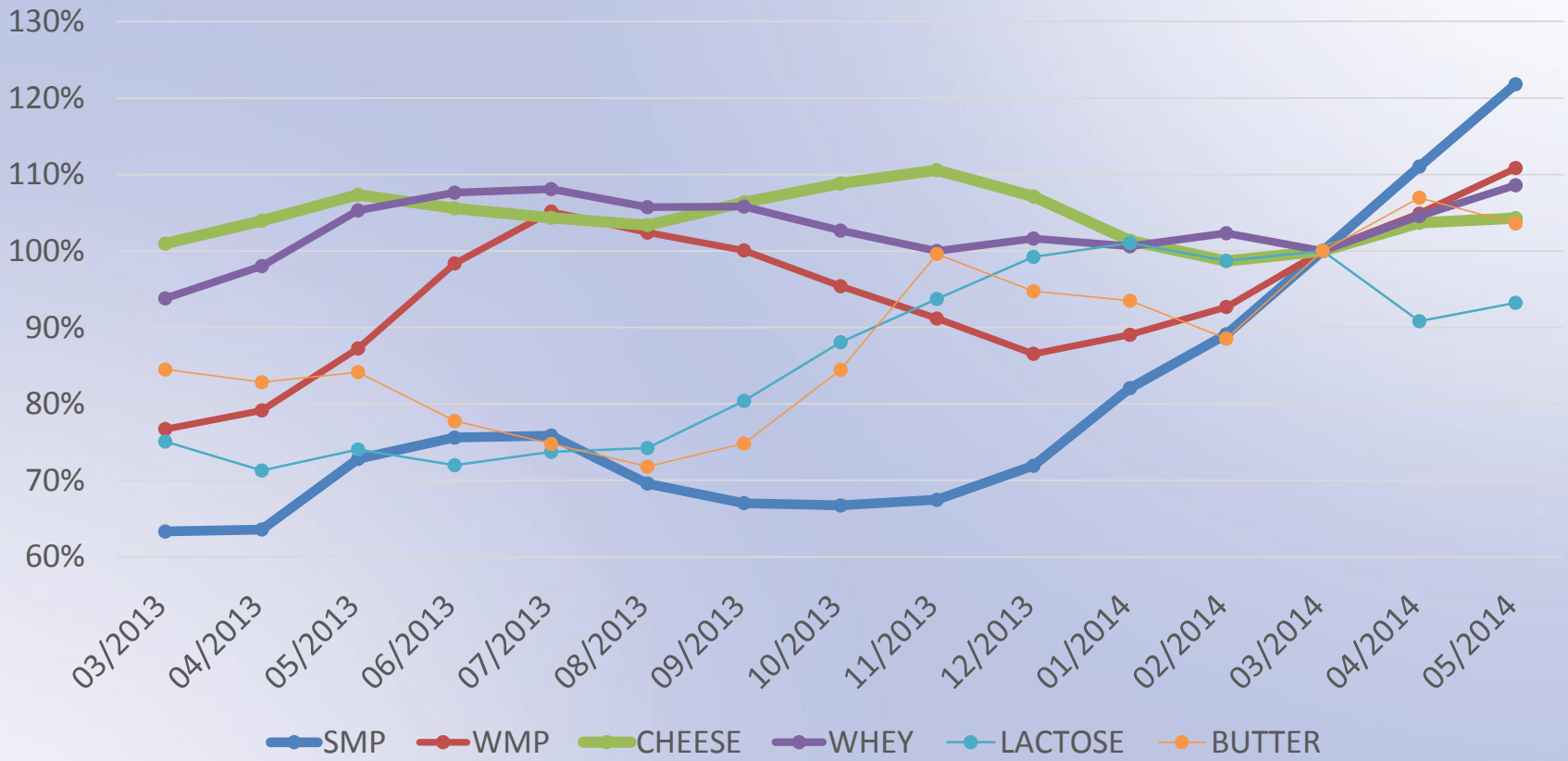




# EU Exports



3 MONTH ROLLING AVERAGE (Q1-2014 = 100%)

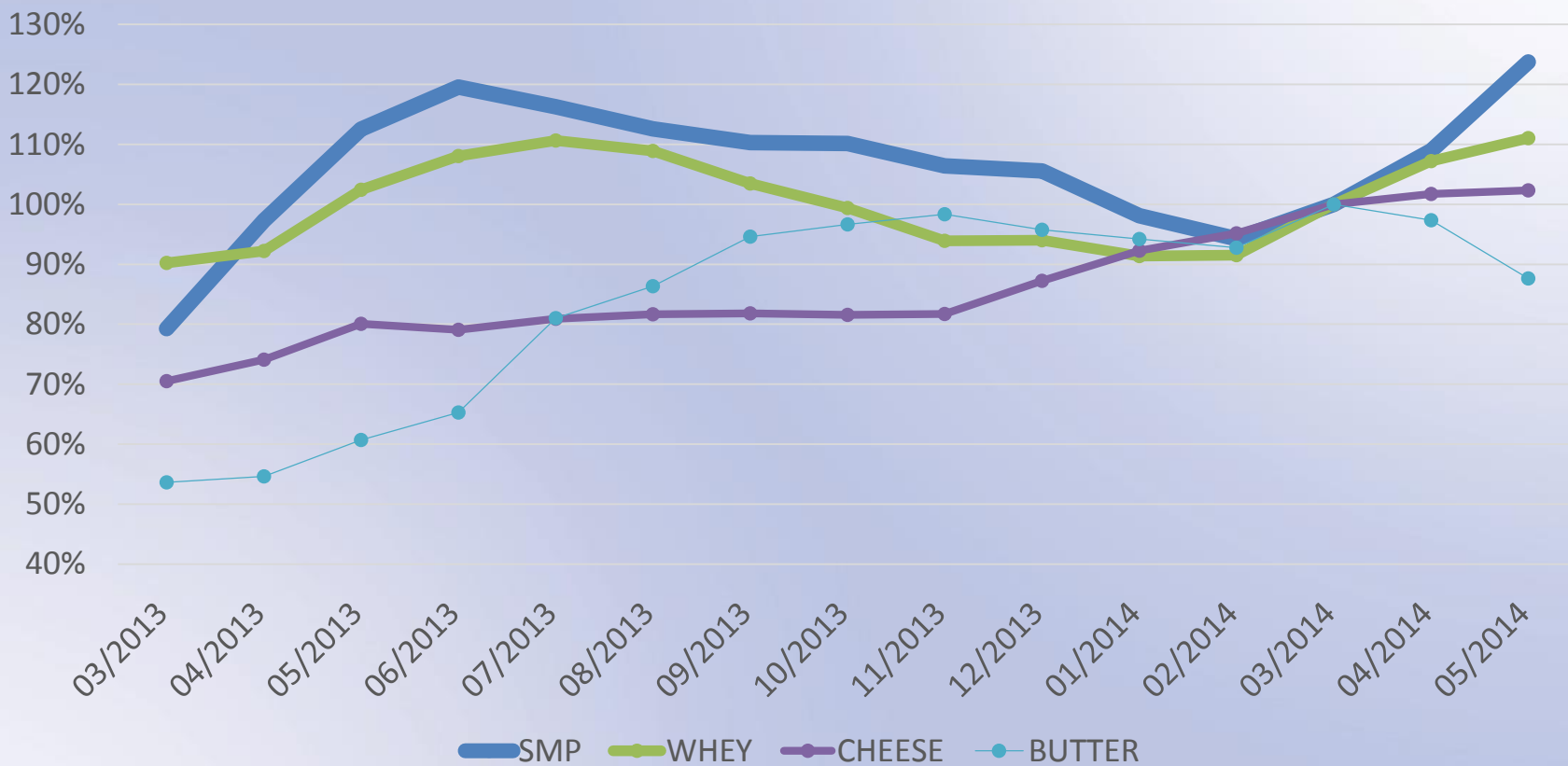




# US Exports



3 monthly moving average (Q1-2014 = 100)



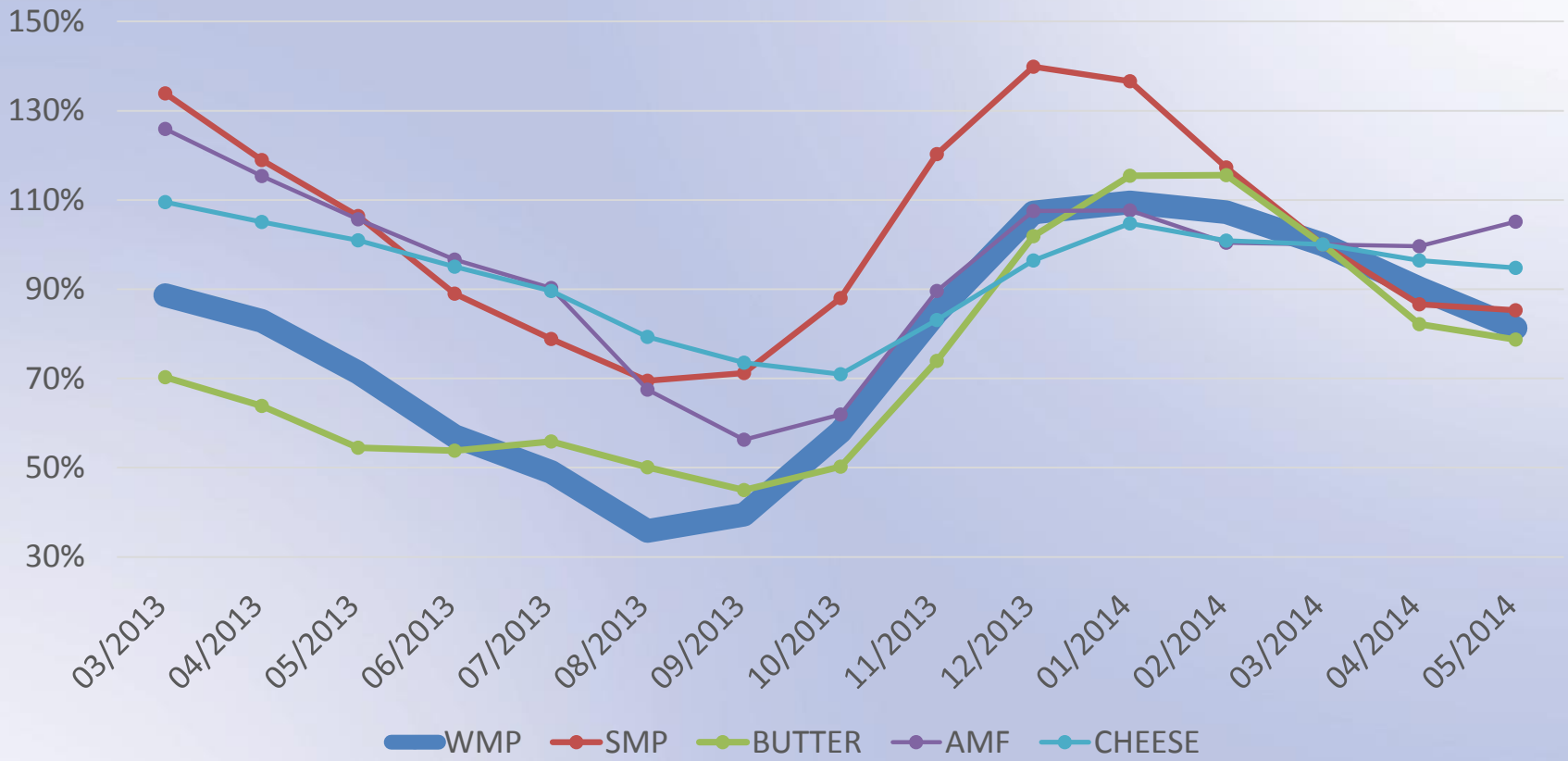




# NZ Exports



3 MONTHS MOVING AVERAGE (Q1 -2014 = 100%)

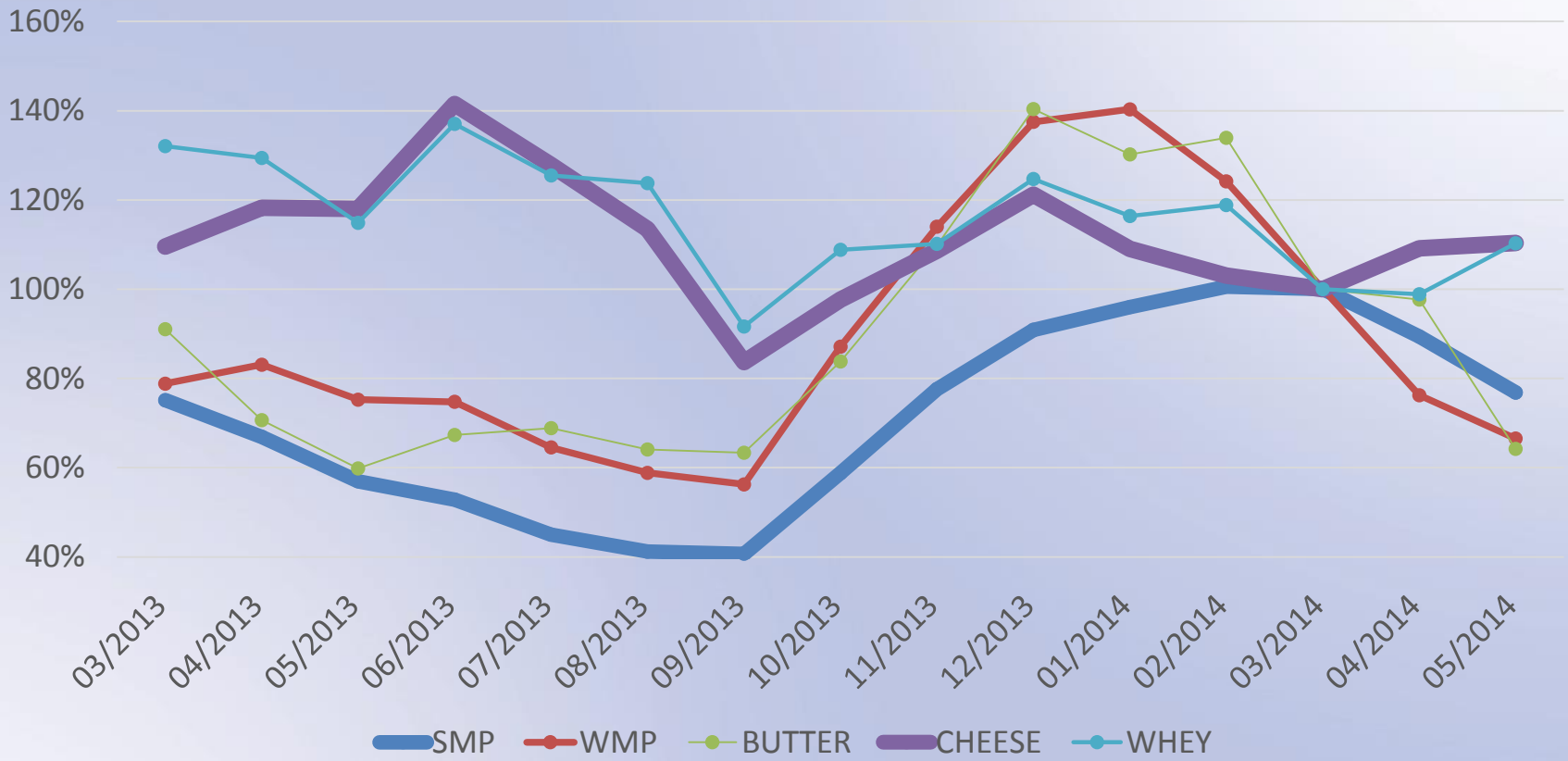




# Australia Exports



3 MONTH MOVING AVERAGE (Q1- 2014 = 100%)

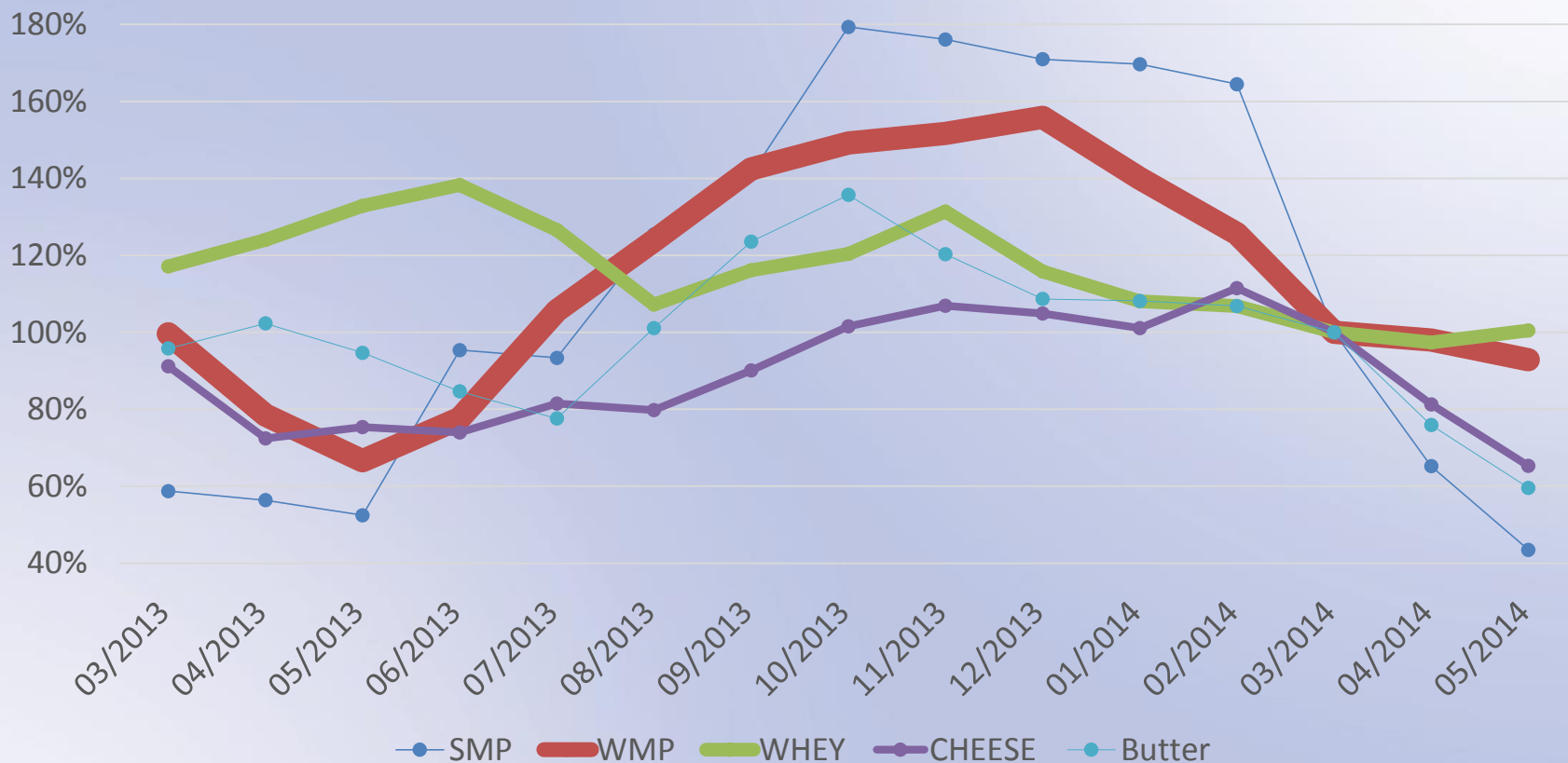




# Argentina Exports



3 MONTHLY MOVING AVERAGE (Q1 2014 = 100%)

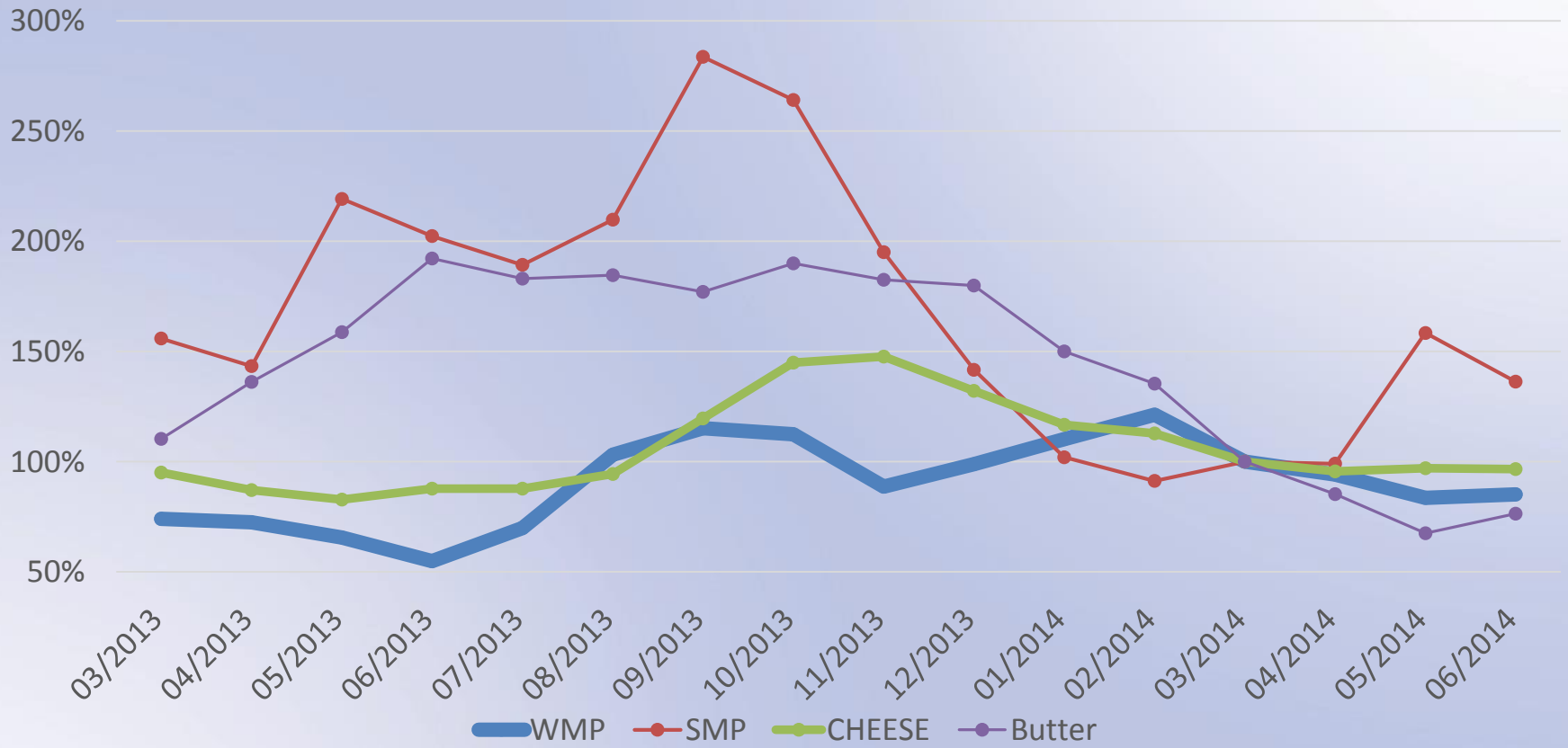




# Uruguay Exports



3 month moving average (Q1 2014 = 100)

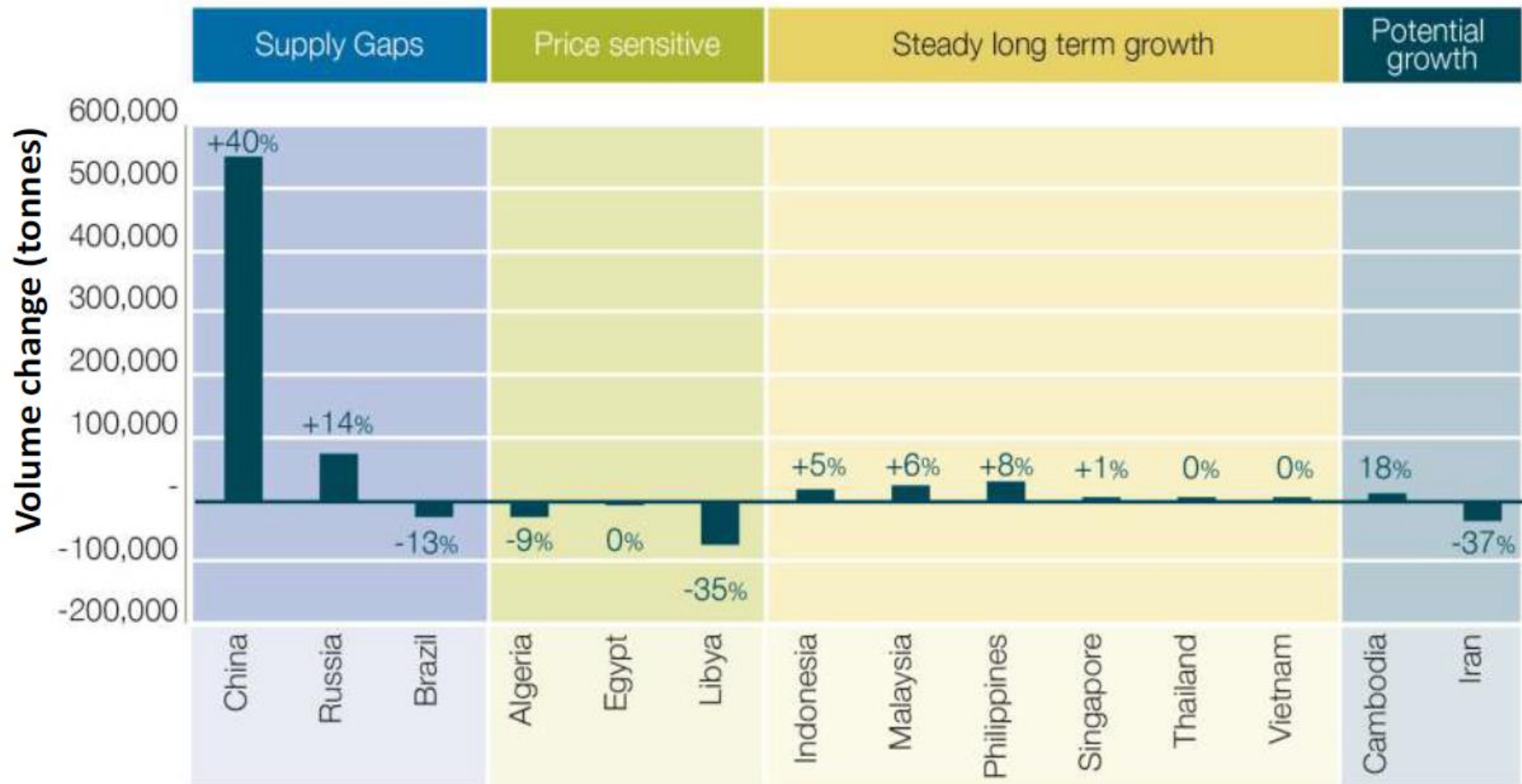




# Global Demand



Dairy import volume change to December 2013 (selected markets)

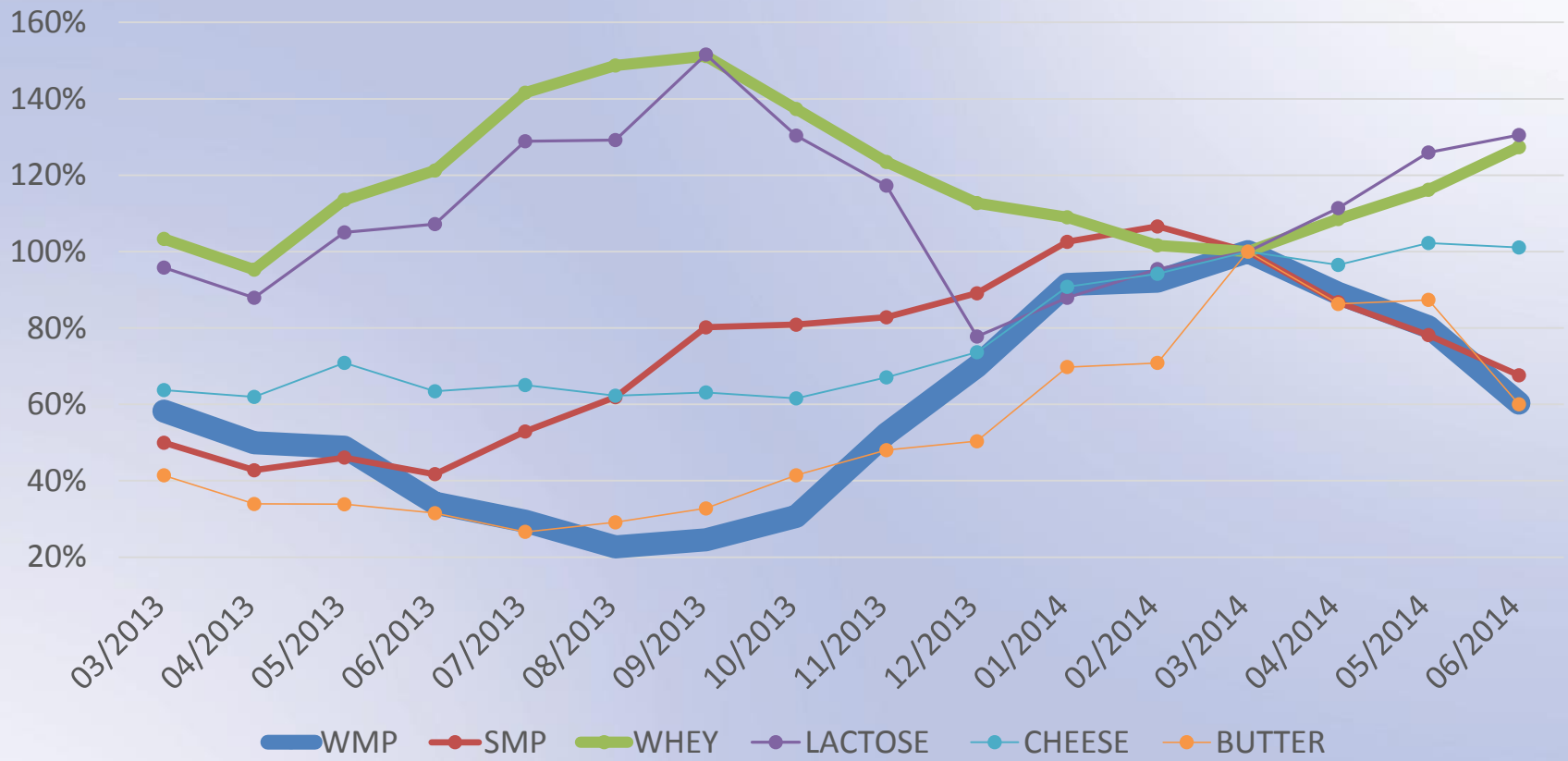




# China Imports



3 MONTH MOVING AVERAGE (Q1-2014 = 100%)

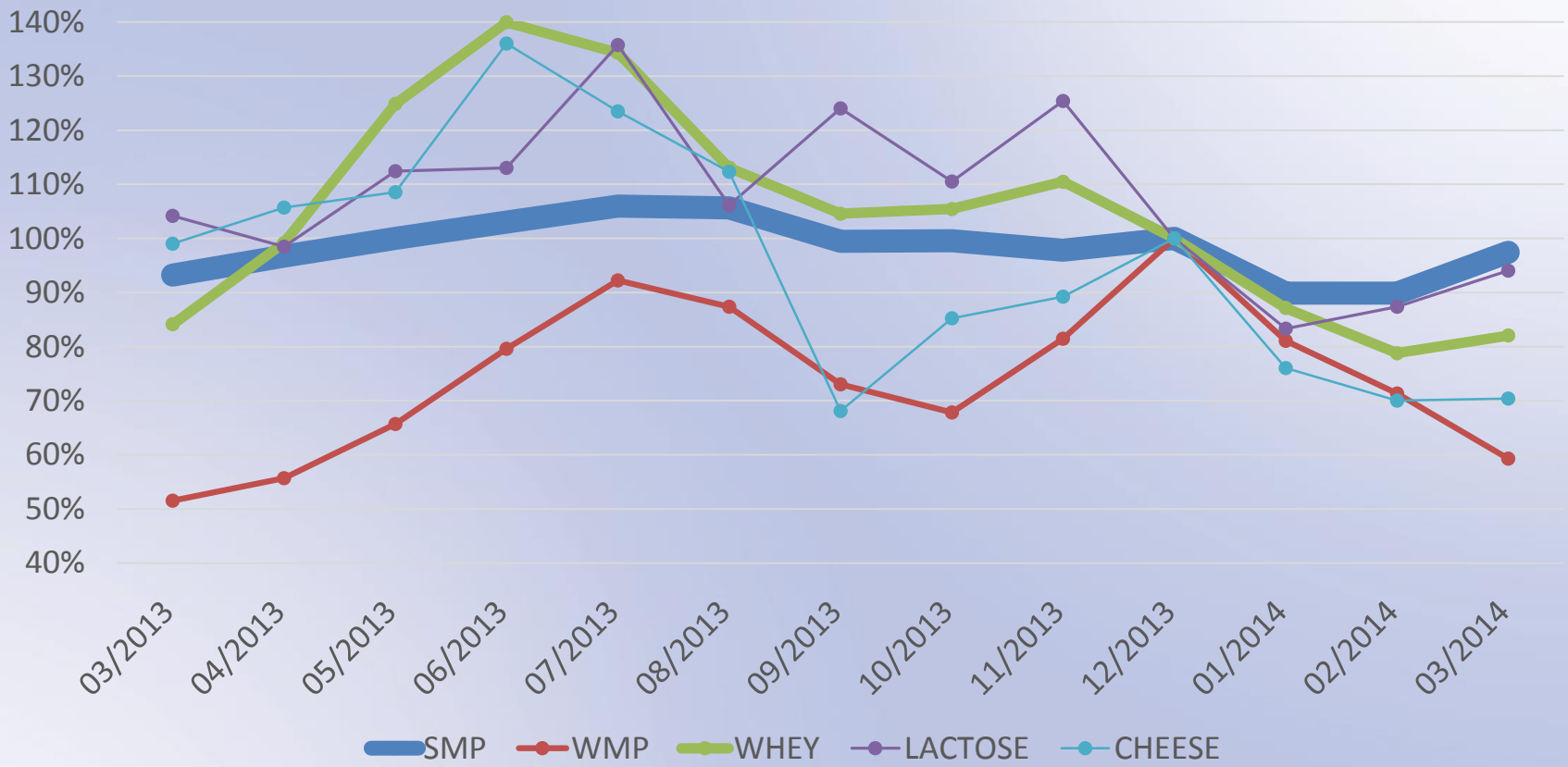




# Indonesia Imports



3 MONTH MOVING AVERAGE (Q4-2013 = 100%)

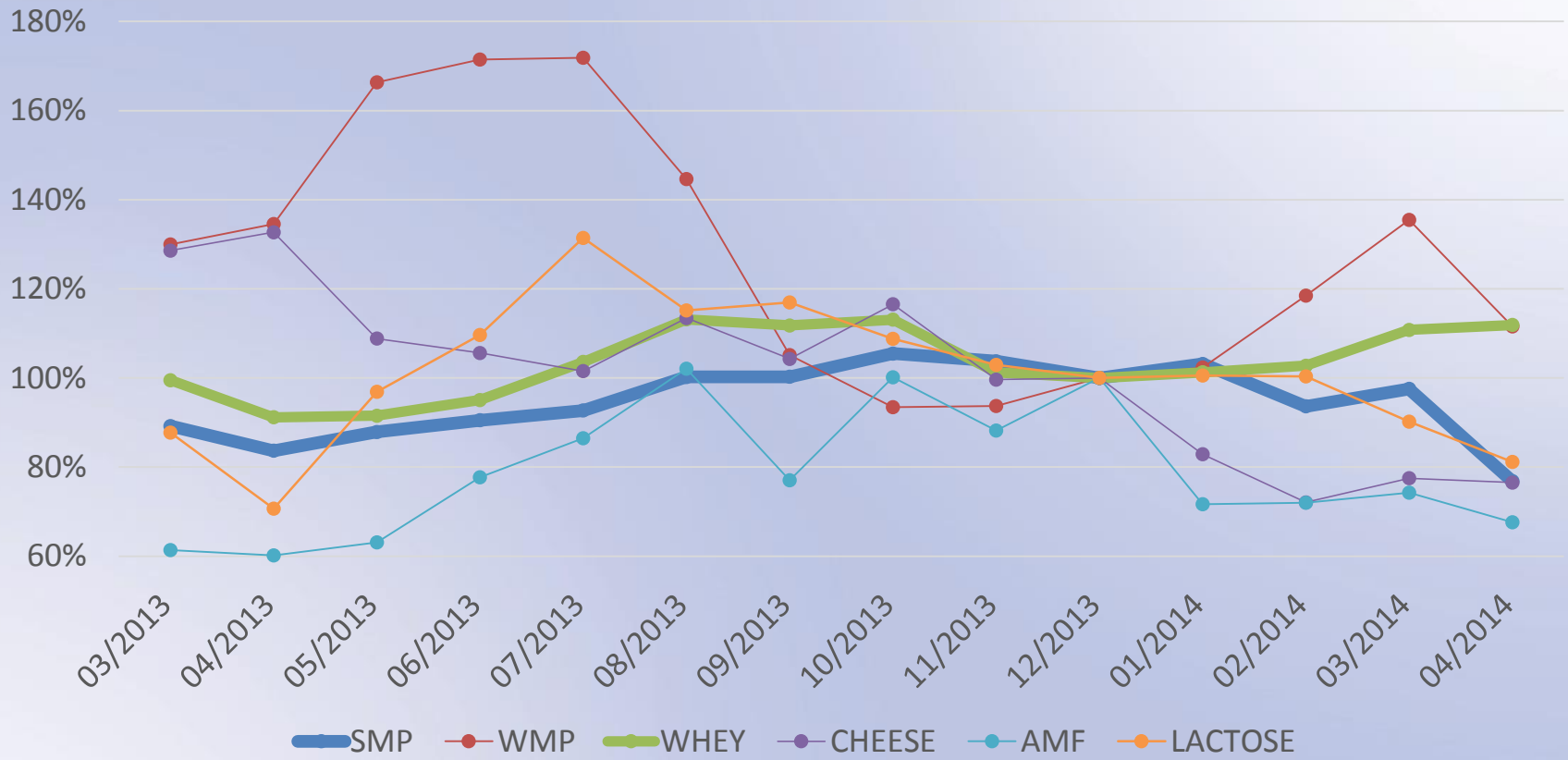




# Philippines Imports



3 month moving average (Q4-2014 = 100%)



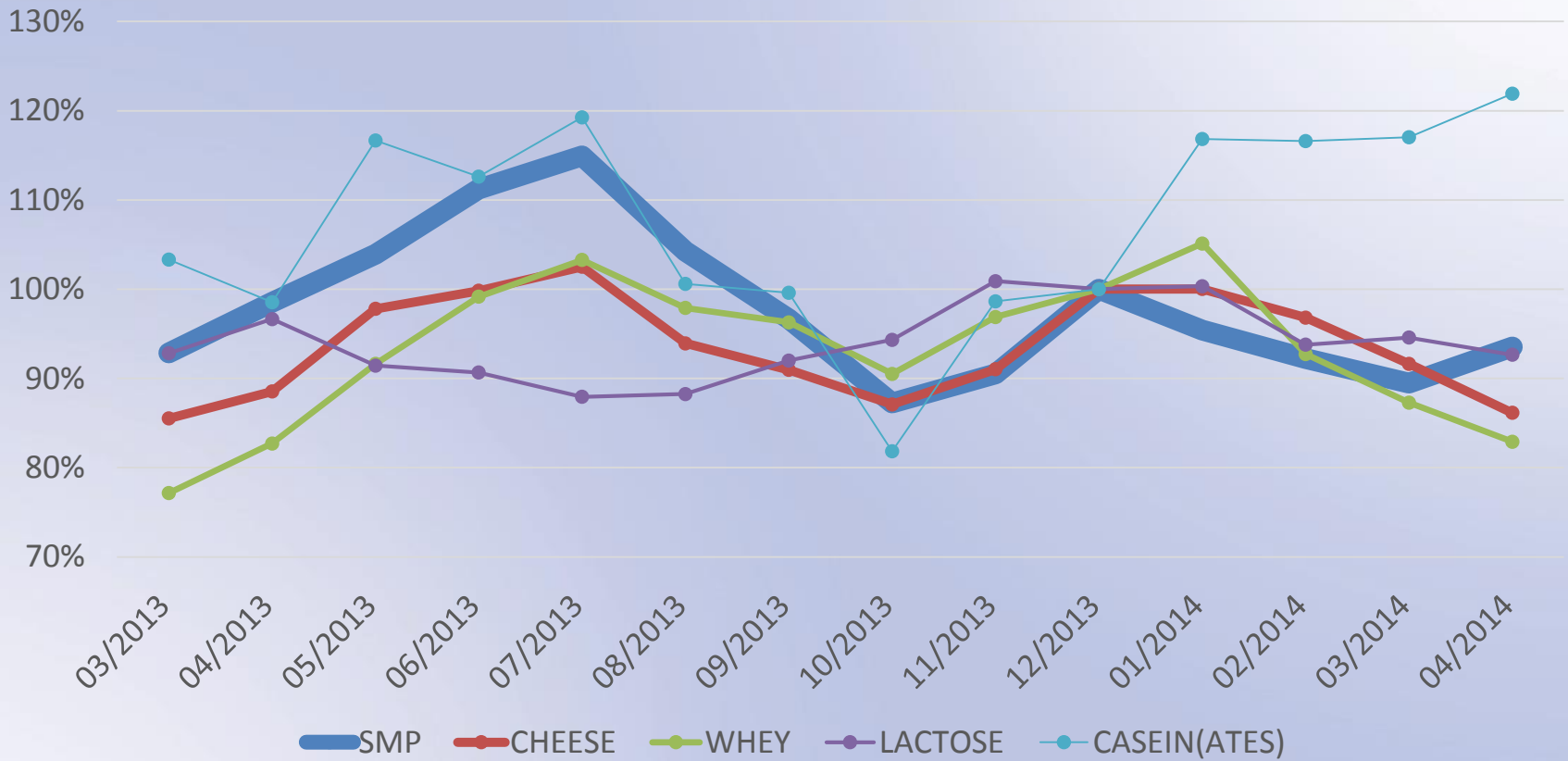




# Mexico Imports



3 Month Moving Average (Q4-2013 = 100%)

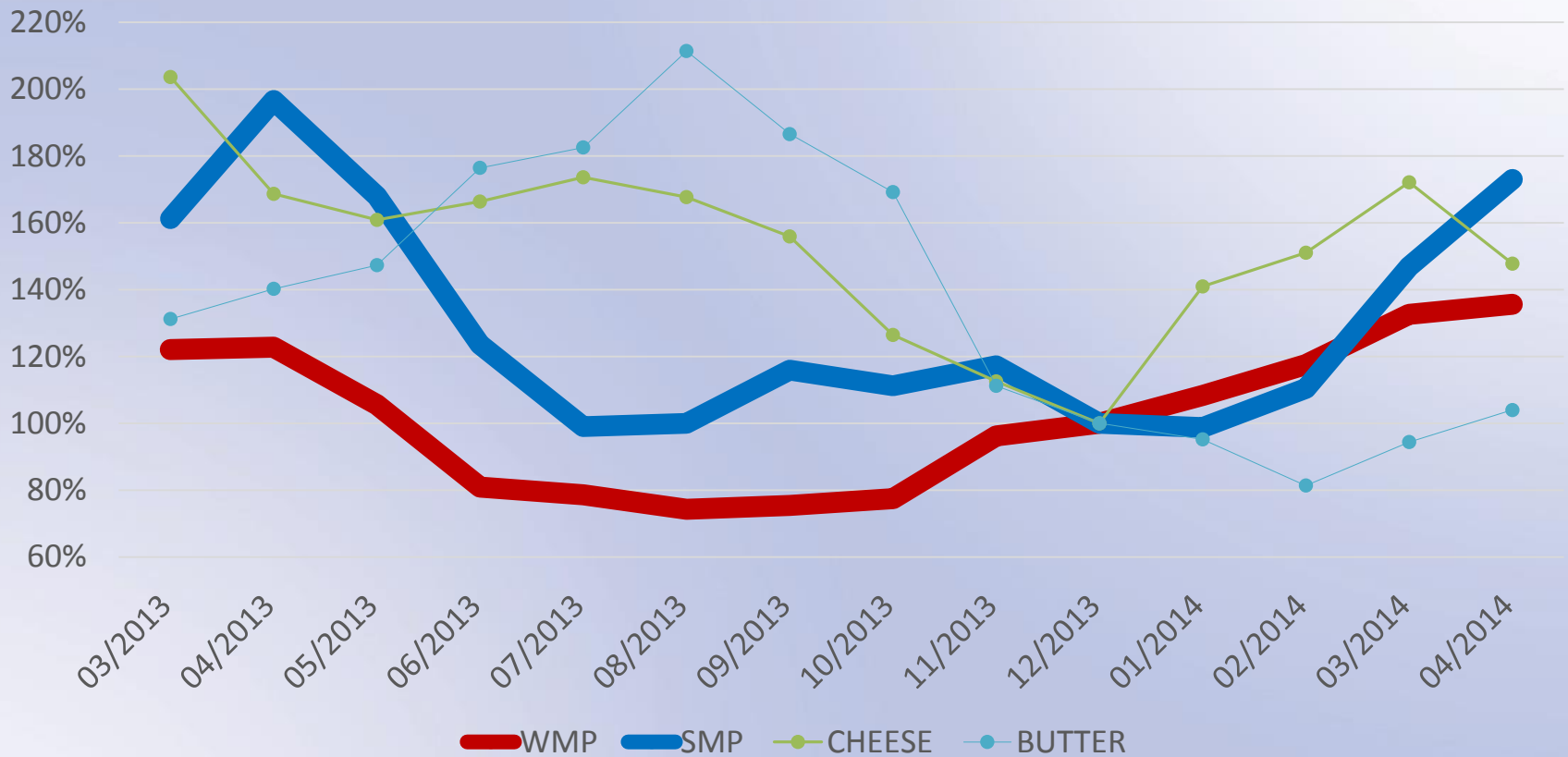




# Algeria Imports



3 Month Moving Average (Q4-2013 = 100%)

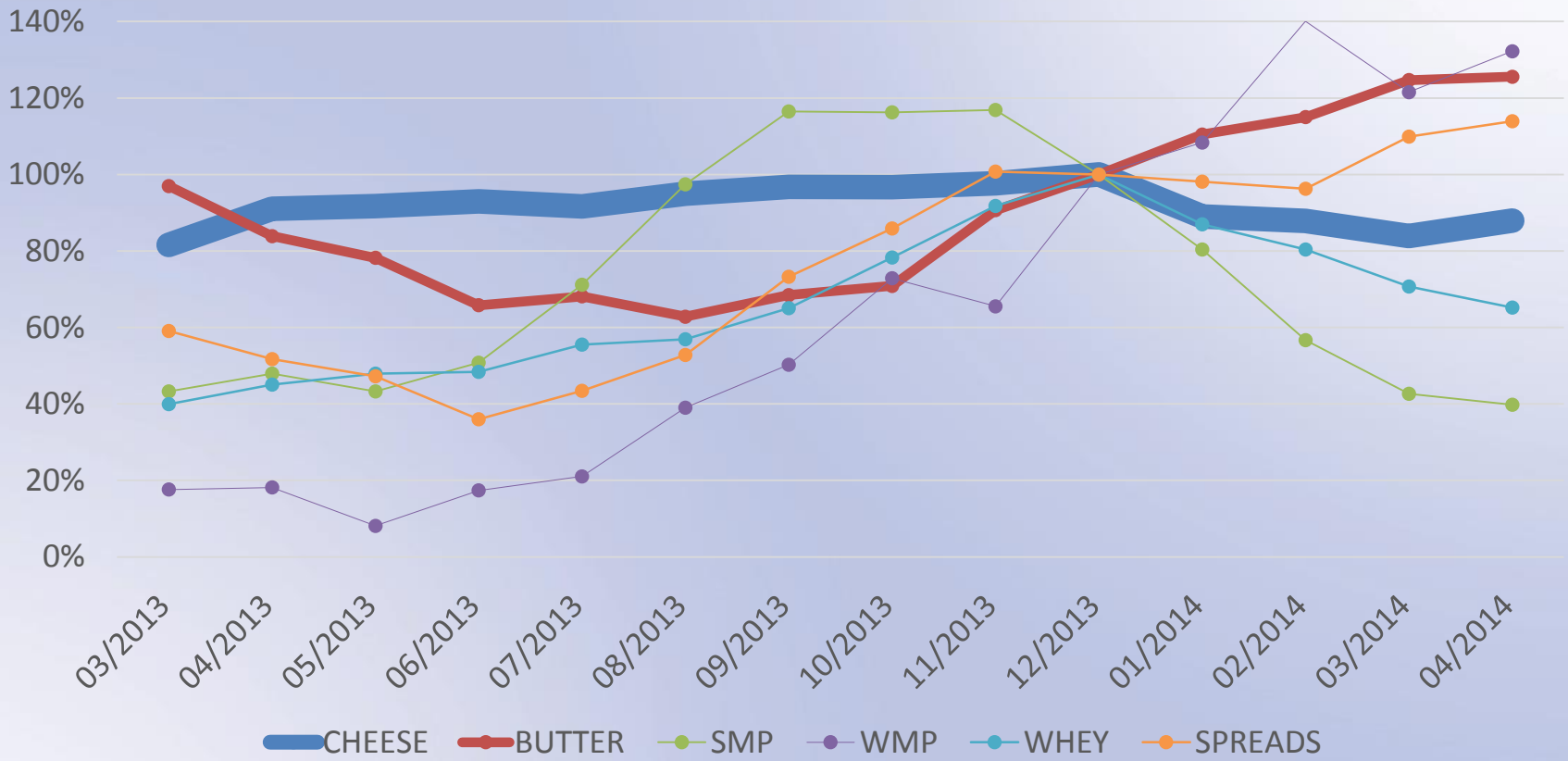




# Russia Imports



3 MONTH MOVING AVERAGE (Q4-2013 = 100%)





# Global Stocks

- In the absence of good data we make indirect assessments
- With an exception for USA (where we have data) we believe stocks have increased in most supplying regions
- Reports of uncommitted stocks in importing regions



# Conclusion



- Global demand remains good
- Price correction can temporarily temper demand on the way down but has the potential to boost demand once the perceived floor is hit
- As long as supply of global exporters outstrips the long term demand trend of 2 to 2,5 % downward price pressure will persist



# Thank You

- Sources used in presentation: GTIS, USDA, Dairy Australia, DCANZ, Inale

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