# MMO Economic Board

## Meeting of 28 July 2015

- The 8th meeting of the MMO Economic Board took place on 28 July 2015, with the participation of experts from the various steps in the milk supply chain: CEJA (young farmers), COPA-COGECA (producers and cooperatives), ECVC (Via Campesina), EMB (European Milk Board), EDA (dairy industry), Eucolait (dairy trade) and Eurocommerce (retail). DG AGRI presentations and information exchanged during the meeting showed the following.

- EU milk production was up by 2.7% in May, bringing the cumulative total so far in 2015 to 0.2% above last year's level. In 13 MS, production in the first 5 months of the year was higher than in 2014. The increase in volume is particularly big in IE, PL, UK, HU, PT & CZ.

- Average farm gate milk prices approximated 30.5 c/kg in May and a further decrease is expected in June (estimated average around 30.4 c/kg, 9% below the last 5 years' average). The strongest reductions were reported in the Baltic States, IE, HU, RO & NL. Further price cuts are expected in the months to come. Organic milk prices, representing only a small share of the market, continue to offer better returns to producers.

- Milk producers are faced with cash flow difficulties and banks have been made more cautious by the non-realisation of recovery prospects announced at the start of the year. Increased cow slaughtering was reported in the Baltic States, SI, SK, DK and the UK.

- Last week's situation in FR brought producers, processors and retailers around the Minister's table.

- LT has the lowest milk price in the EU, partially due to a malfunctioning of the supply chain, with buying power concentrated in a few hands.

- Producer organisations called on the Commission to take action, some advocating an increase in dairy intervention prices and financial support to help farmers overcome the situation, other asking for the Commission to propose tools to regulate supply.

- Dairy product quotations show decreasing trends over the past month for all products (especially whey power) except for Emmental cheese. Gouda & Edam prices are below 2009 levels. On the world market, all prices decreased in the last fortnight, except for US prices for butter and cheddar. Price decreases were particularly strong for milk powder. Concerns were expressed at possible difficulties in oil producing countries traditionally importing dairy products, given decreasing oil returns. On the other hand, recent openings with Iran might bring new possibilities.

- The assessment of EU stock levels based on a residual approach (production + imports – consumption and exports) confirmed excessive stocks for cheese up to April included (due to increased production and reduced exports), higher SMP stocks and slightly excessive stocks for butter due to the need to process peak milk production and despite dynamic exports. Similar trends are expected for May and June. In the last 2 weeks, 1 176 t SMP have been offered to intervention in LT, PL and BE.

- At world level, milk production increased by some 825 000 t in the first 5 months of the year, mainly due to the US. Latest figures about US milk production in June show a less dynamic increase (+ 0.7%). Milk production is increasing in China, Russia and Belarus. World exports are decreasing, reflecting demand slow down. EU exports of butter and cheese have benefited from the relative absence of US exports. The US confirm their position as nr 1 destination for EU dairy exports, followed by China, Saudi Arabia and Algeria. China considerably reduced its dairy imports, while Japan and South Korea confirmed their dynamic demand.

- EU per capita consumption (retail sales) in the last 5 years (2010-14) increased for cheese, cream and butter, but decreased for milk and yoghurt. Contrary to liquid, flavoured and fruited yoghurt, per capita consumption of plain yoghurt slightly increased. In 2014, total cheese consumption increased by 1.6% (butter by 3.7%), mainly driven by upward industry use.

- Overall market sentiment remains bearish, with no improvement in sight for the near future. The necessary supply side correction has not materialised so far.

# ANNEX 1

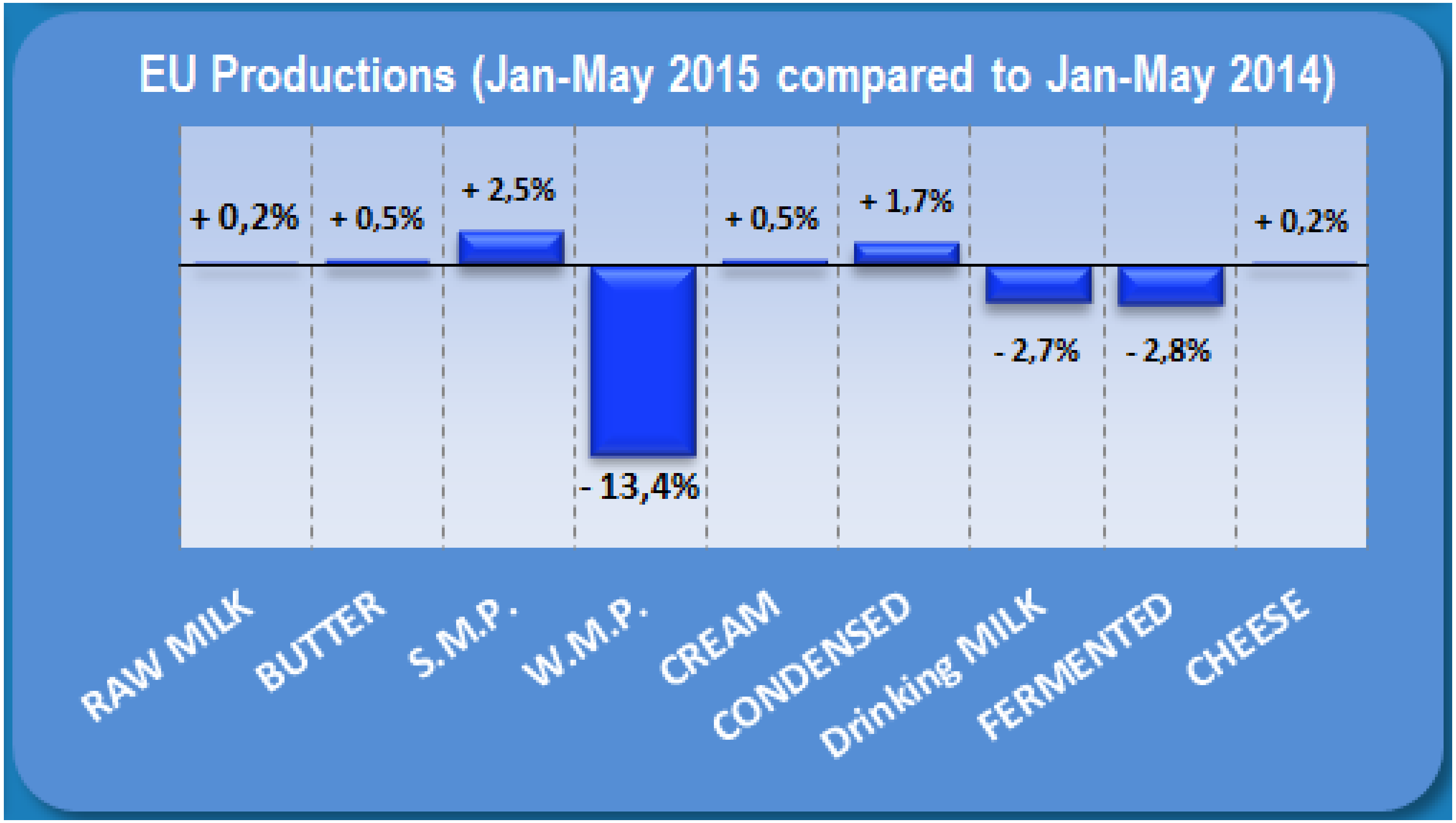
# Milk Market Situation

*European Commission*

# Milk Market Situation

***Brussels, 28 July 2015***

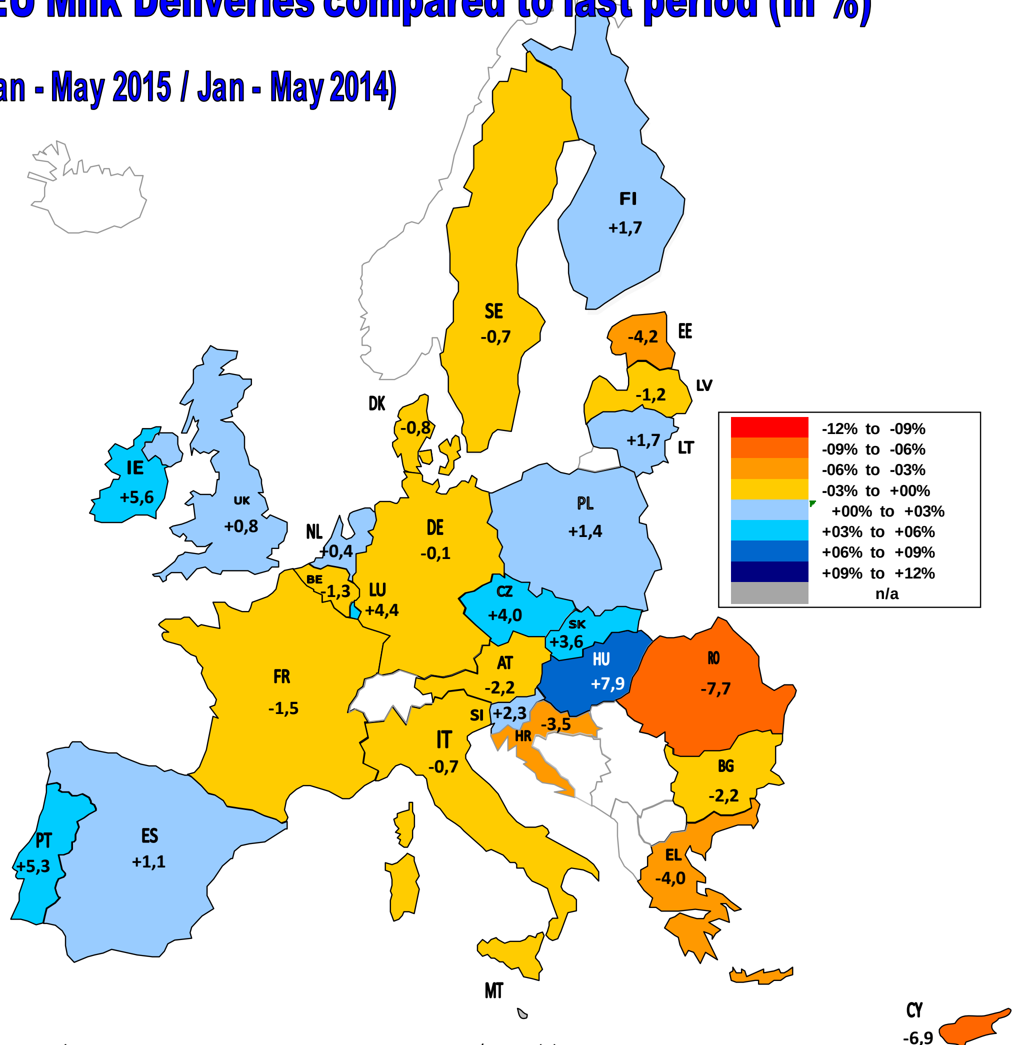
# EU Productions




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

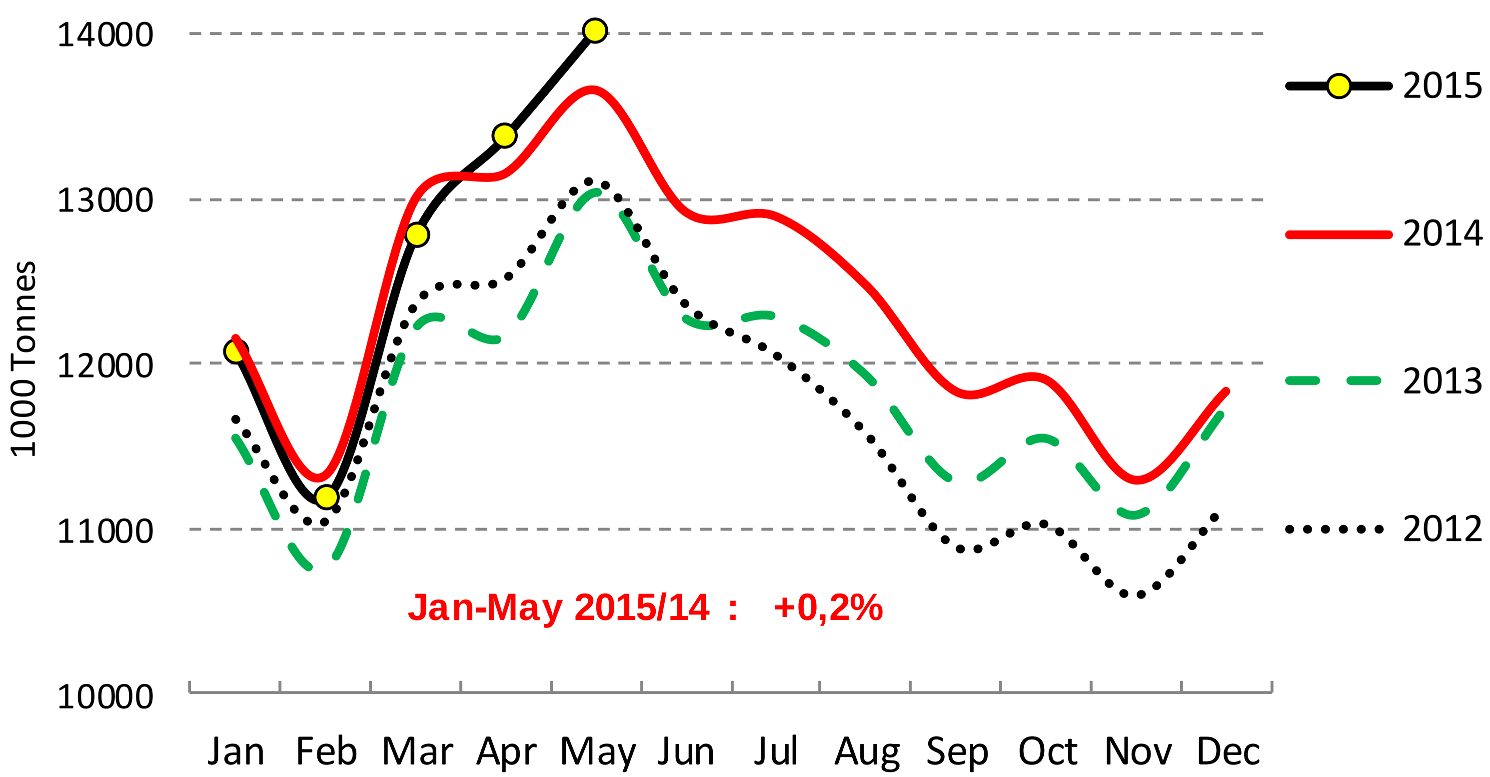
# EU Milk Deliveries compared to last period (in %)

## (Jan - May 2015 / Jan - May 2014)




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

# EU - Cows' milk collected

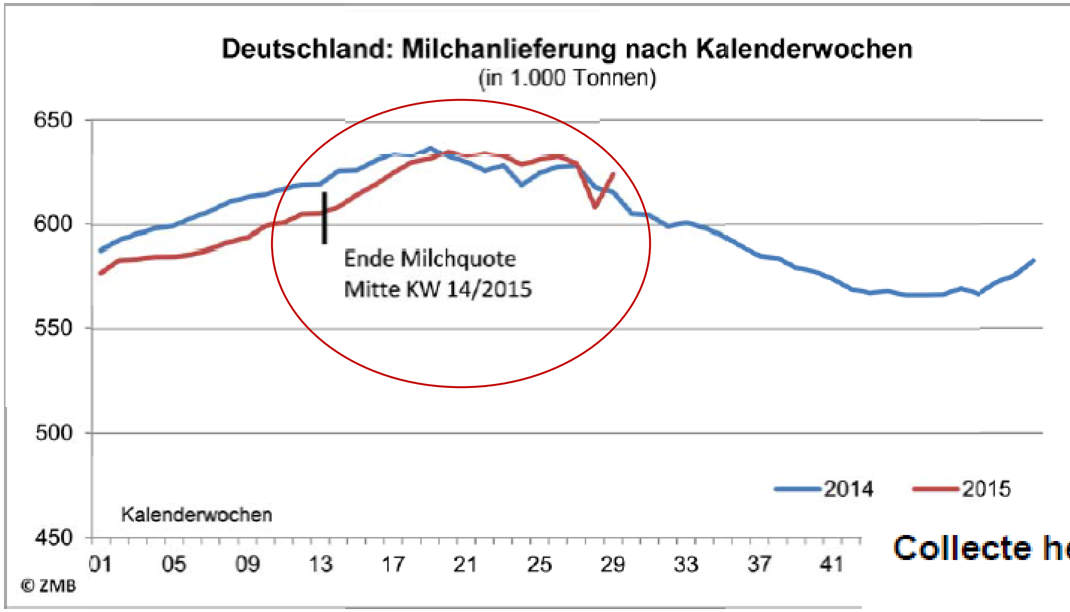


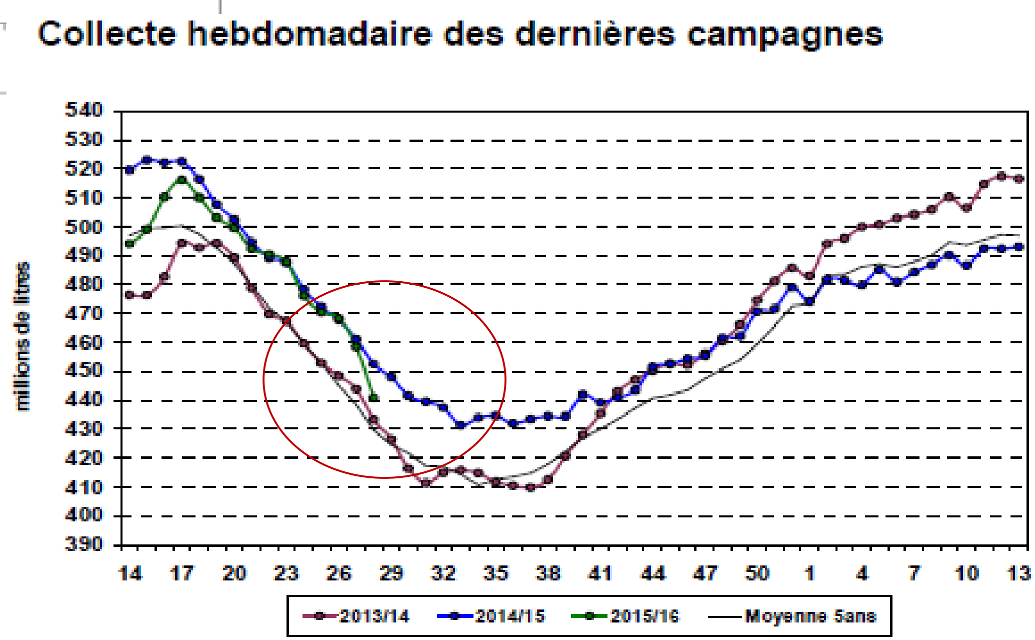

Source : Estat - Newcronos

Last update : Jan-May



Source: MS' communications to Eurostat

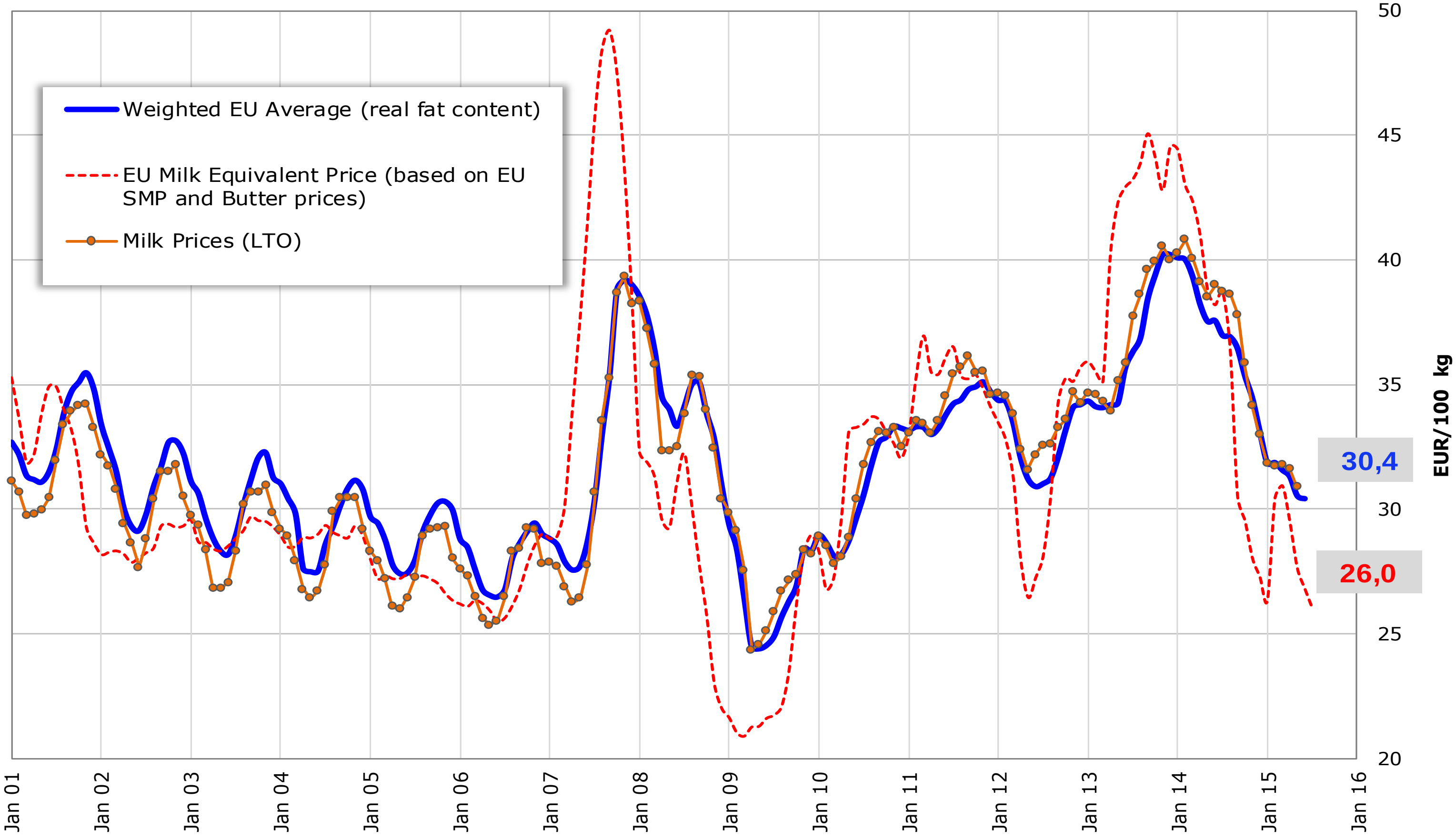



Source : FranceAgriMer / sondage hebdomadaire

# EU Raw Milk Prices Evolution (up to June 2015*)

*** : estimated price in running month**

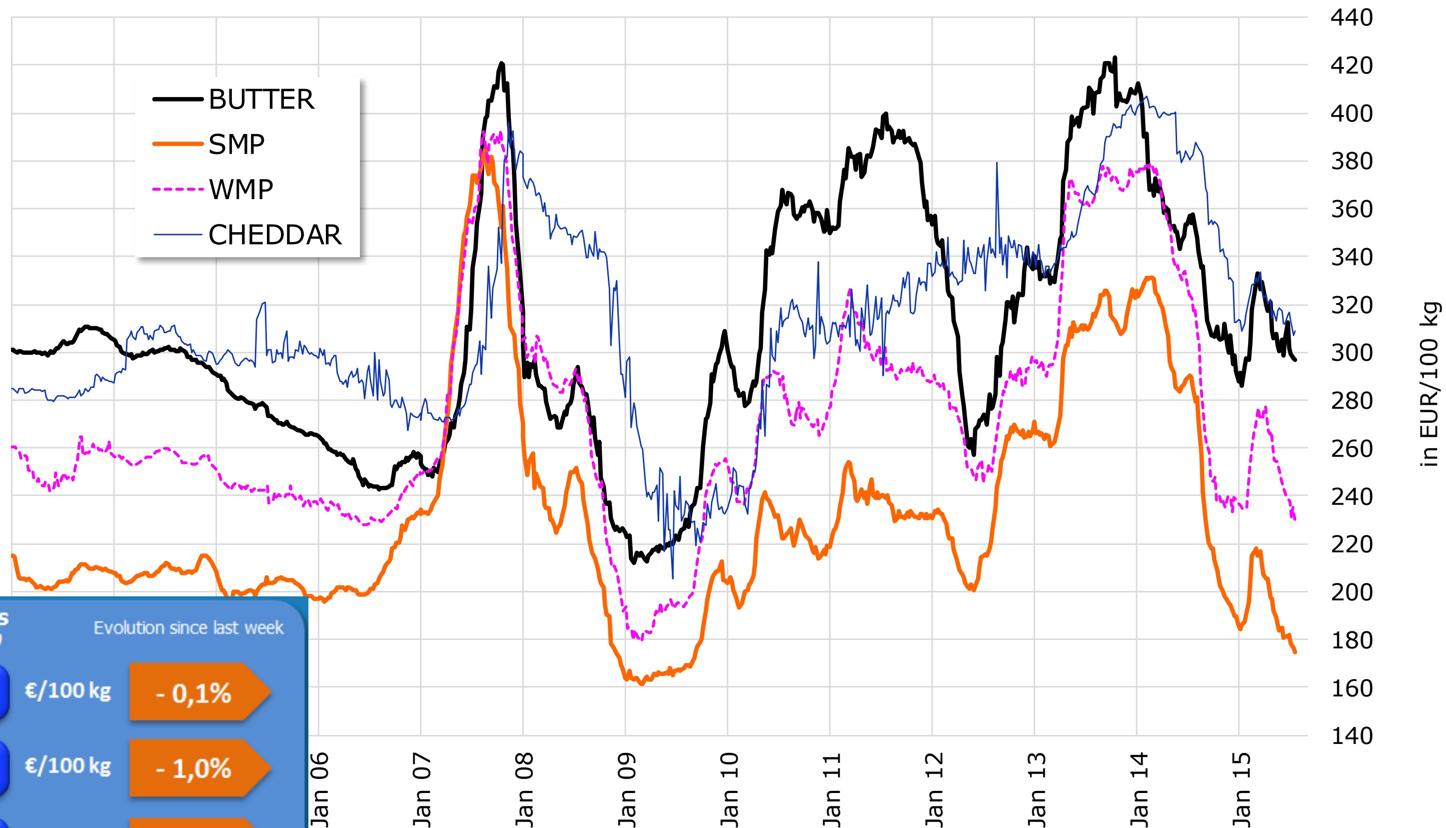



**Source :MS' communications under reg. 562/2005 & 479/2010 + LTO : Land- en Tuinbouworganisatie Nederland (http://www.milkprices.nl/)**

European Commission

# EU Dairy Quotations

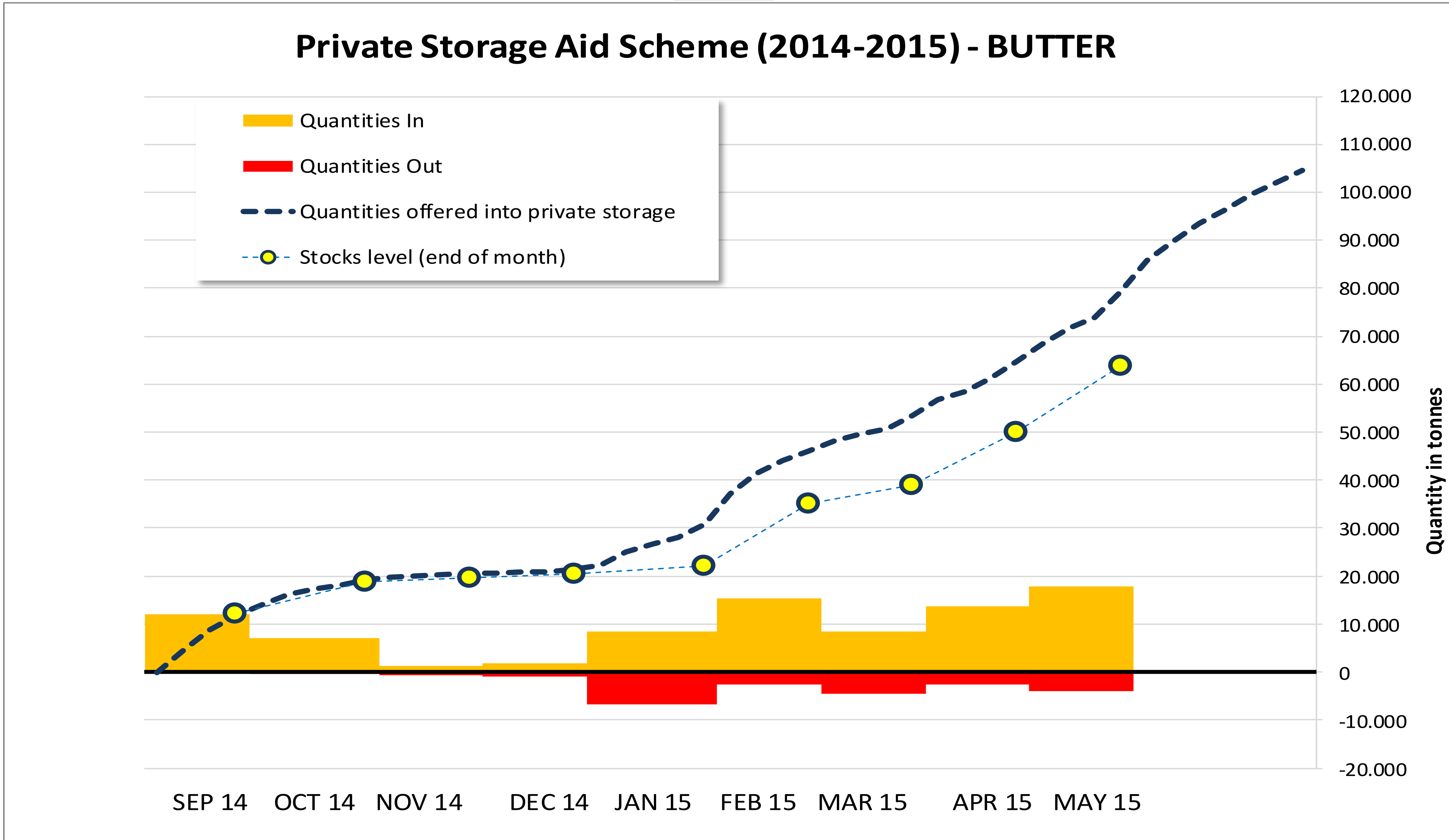
**(EU Average Prices based on MS communication and weighted by production)**

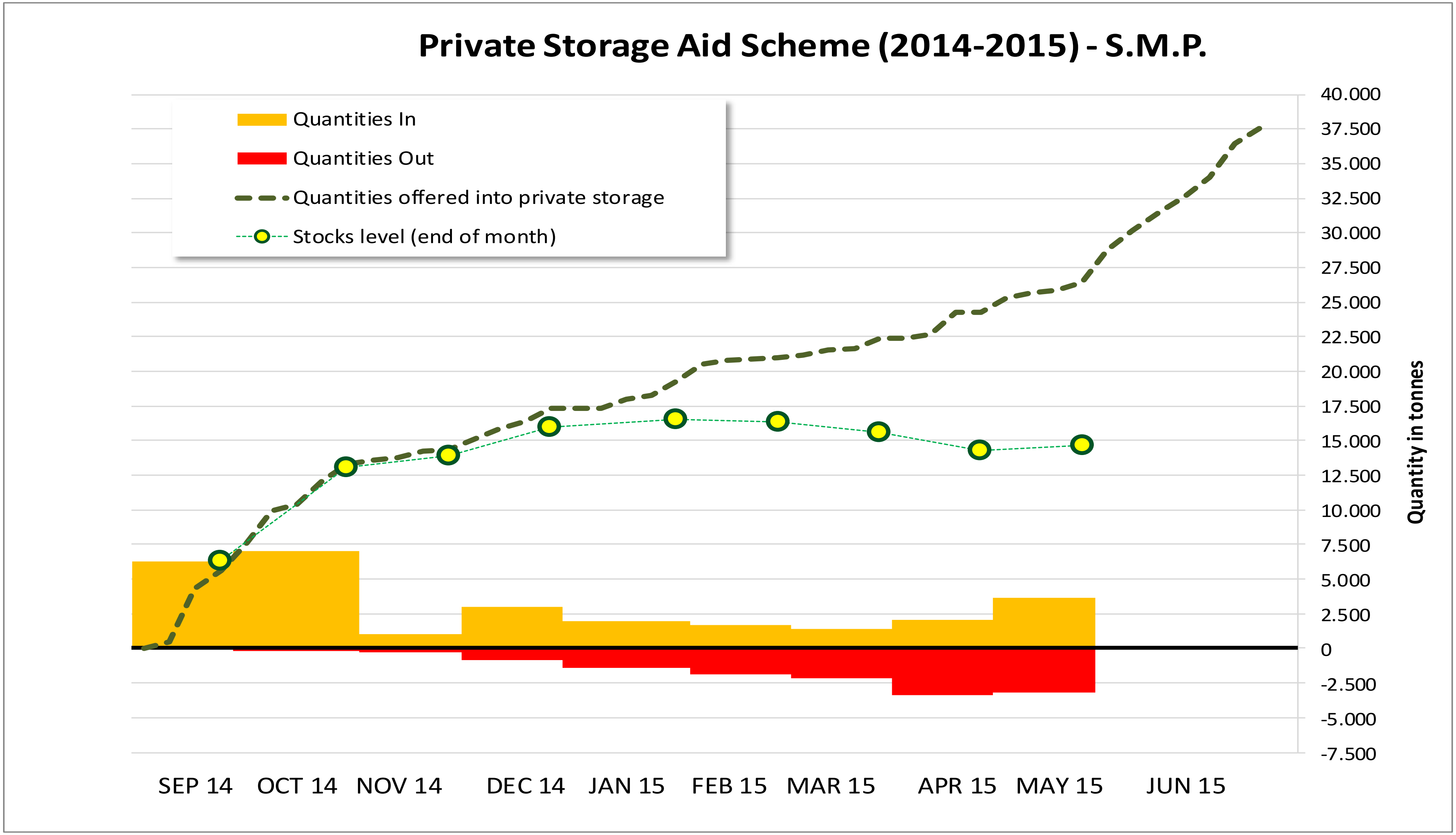



*Source: MS' communications under reg. 562/2005 and 479/2010*

| | EU Prices *(week 29)* | | Evolution since last week |
|---|---|---|---|
| BUTTER | 297 | €/100 kg | - 0,1% |
| S.M.P. | 175 | €/100 kg | - 1,0% |
| W.M.P. | 228 | €/100 kg | - 3,1% |
| CHEDDAR | 309 | €/100 kg | + 0,7% |

European Commission

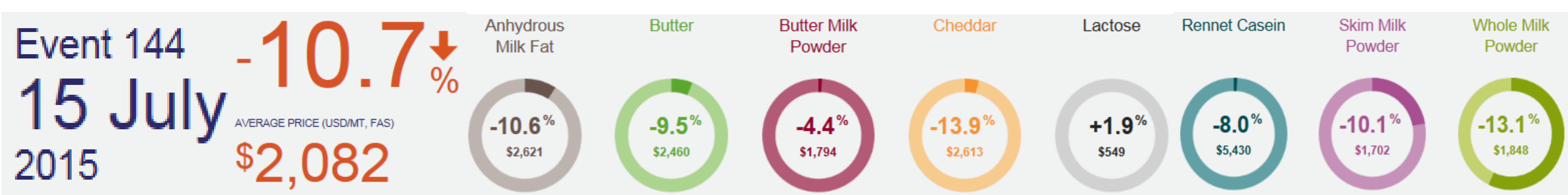




Private Storage Aid Scheme (2014-2015) - S.M.P.
Quantities In
Quantities Out
Quantities offered into private storage
Stocks level (end of month)
40.000
37.500
35.000
32.500
30.000
27.500
25.000
22.500
20.000
17.500
15.000
12.500
10.000
7.500
5.000
2.500
0
-2.500
-5.000
-7.500
Quantity in tonnes
SEP 14
OCT 14
NOV 14
DEC 14
JAN 15
FEB 15
MAR 15
APR 15
MAY 15
JUN 15

# LATEST WORLD QUOTATIONS

| | Price in USD/Tonne on 26.07.2015 | | | % change (15 days ago) | | |
|---|---|---|---|---|---|---|
| | EU | Oceania | USA | EU | Oceania | USA |
| BUTTER | 3 234 | 2 825 | 4 152 | - 3% | - 3% | + 1% |
| SMP | 1 903 | 1 725 | 1 613 | - 4% | - 11% | - 5% |
| WMP | 2 480 | 1 888 | 2 480 | - 6% | - 12% | - 10% |
| CHEDDAR | 3 365 | 3 200 | 3 677 | - 2% | - 1% | + 1% |



# ANNEX 2

# EU dairy products monthly stock situation until the end of April, 2015

***EDA***

# EU dairy products monthly stock situation until the end of April, 2015

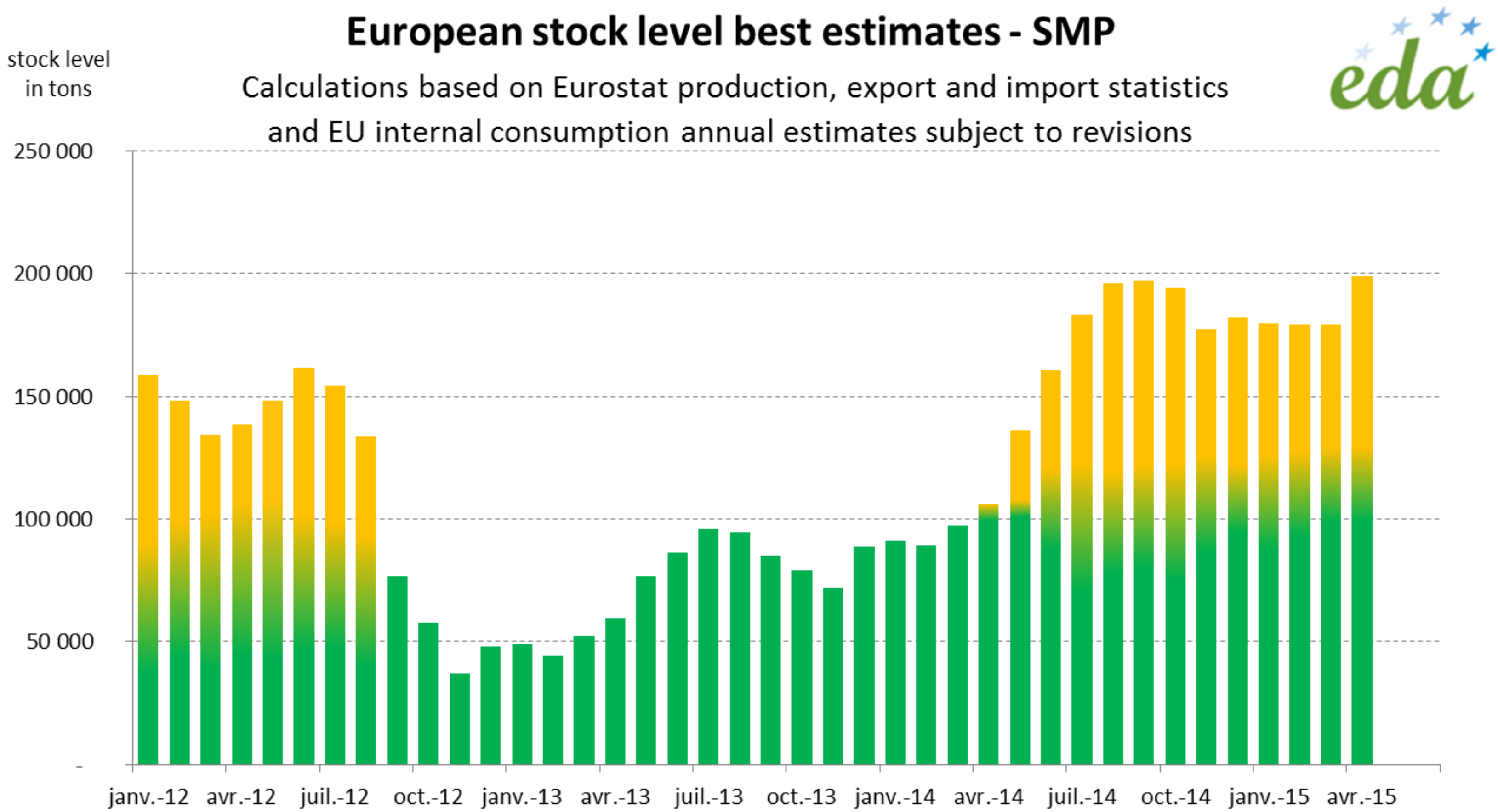
Milk Market Observatory

Economic Board

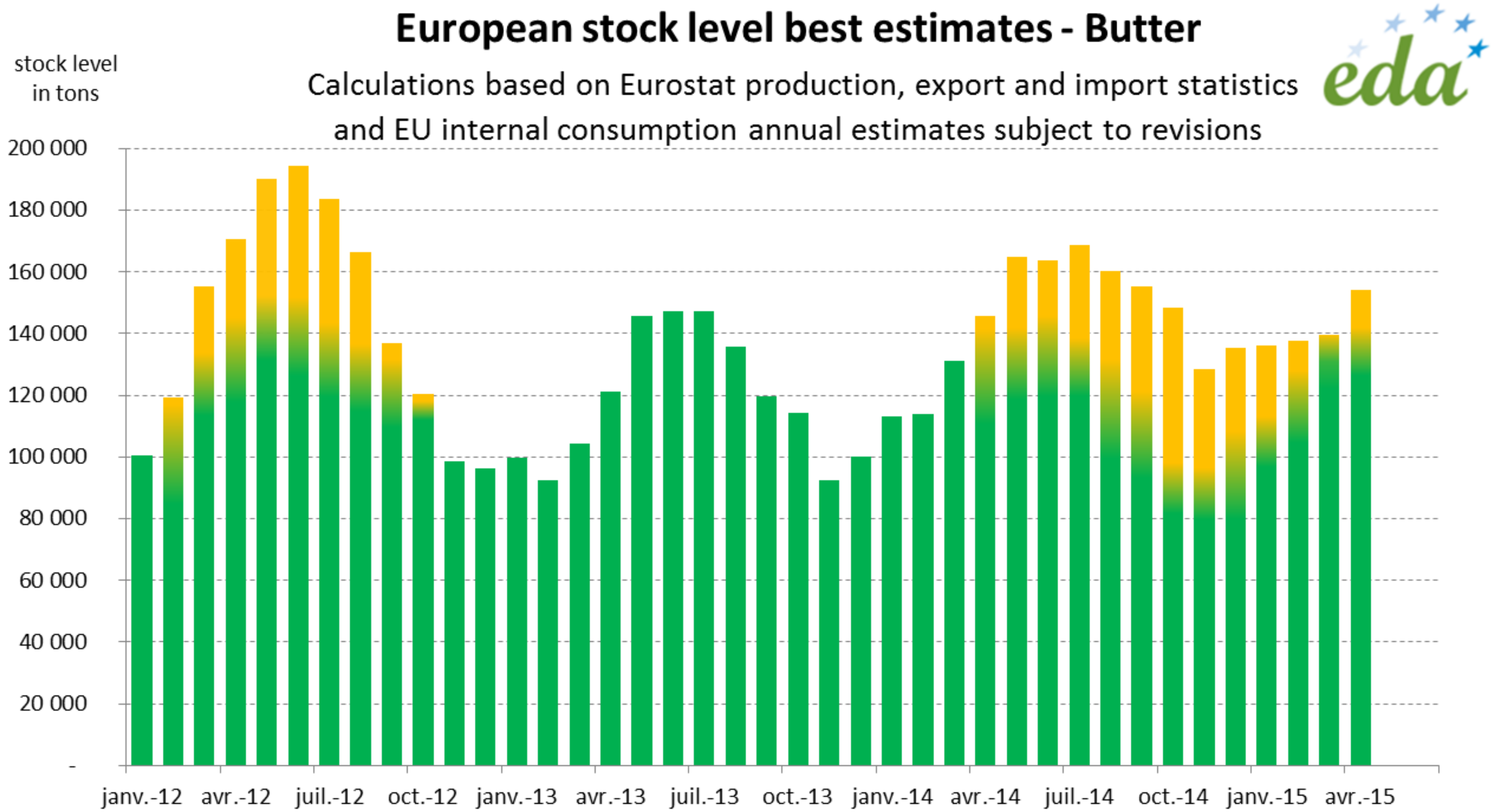
July 28th, 2015

# Methodology

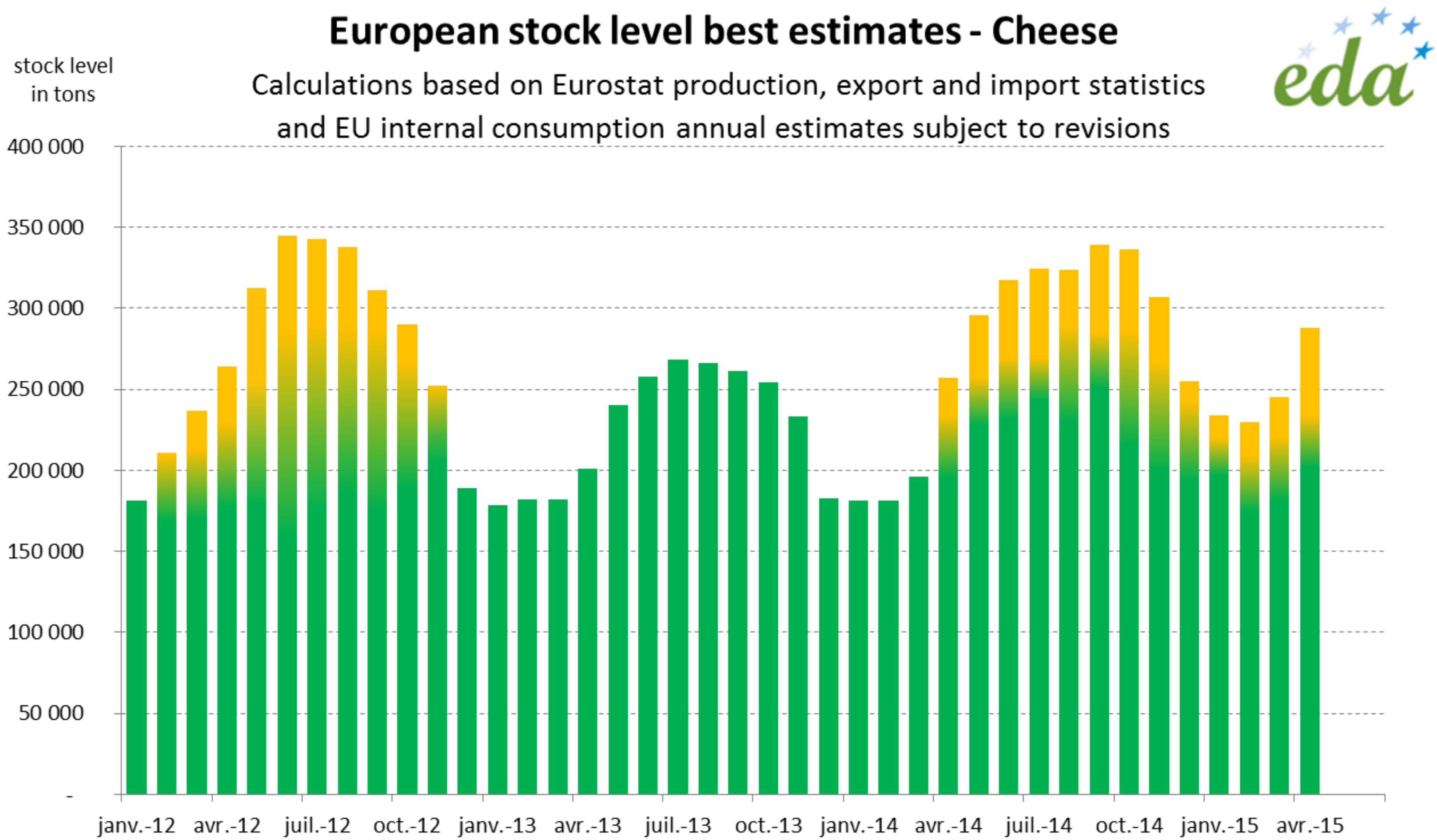
- For each dairy product and each month, the stock estimates are based on the equation:
  - **Stock variation** = EU production + EU import – EU internal consumption – EU exports
- ZMB balance sheets and forecasts have been used as references for :
  - End of year stocks levels in 2012 and 2013
  - Yearly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



European stock level best estimates - SMP
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
eda



European stock level best estimates - Butter
Calculations based on Eurostat production, export and import statistics and EU internal consumption annual estimates subject to revisions
eda
stock level in tons
200 000
180 000
160 000
140 000
120 000
100 000
80 000
60 000
40 000
20 000
-
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


European stock level best estimates - Cheese
Calculations based on Eurostat production, export and import statistics
and EU internal consumption annual estimates subject to revisions
stock level
in tons
400 000
350 000
300 000
250 000
200 000
150 000
100 000
50 000
-
janv.-12
avr.-12
juil.-12
oct.-12
janv.-13
avr.-13
juil.-13
oct.-13
janv.-14
avr.-14
juil.-14
oct.-14
janv.-15
avr.-15
eda

# ANNEX 3

# Perspectives from the Dairy Trade

*Eucolait*

# Perspectives from the Dairy Trade

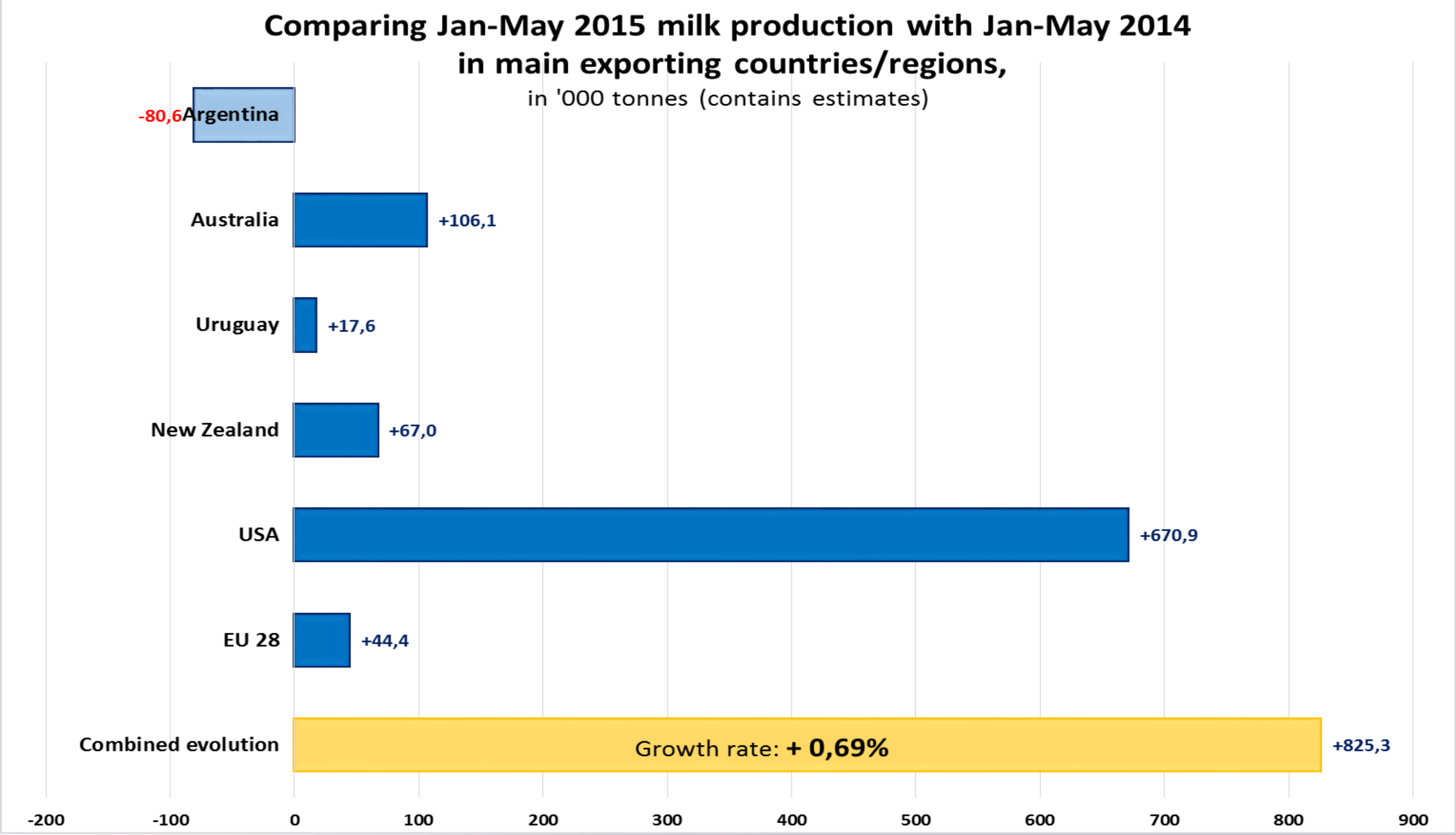
Milk Market Observatory Meeting

28 July 2015

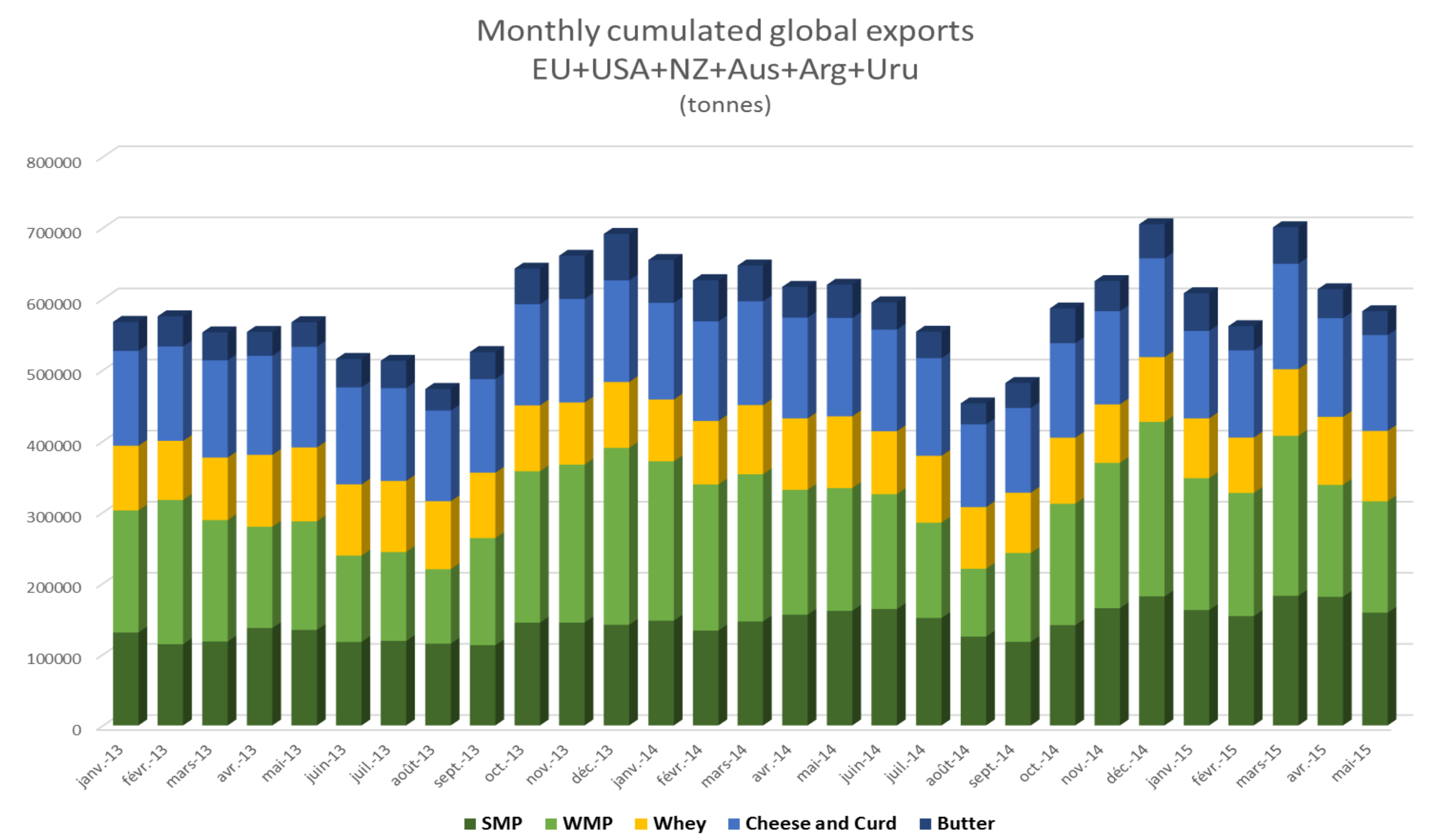
# Outline

- Global Supply
- Global Exports
- Global Demand
- Conclusions

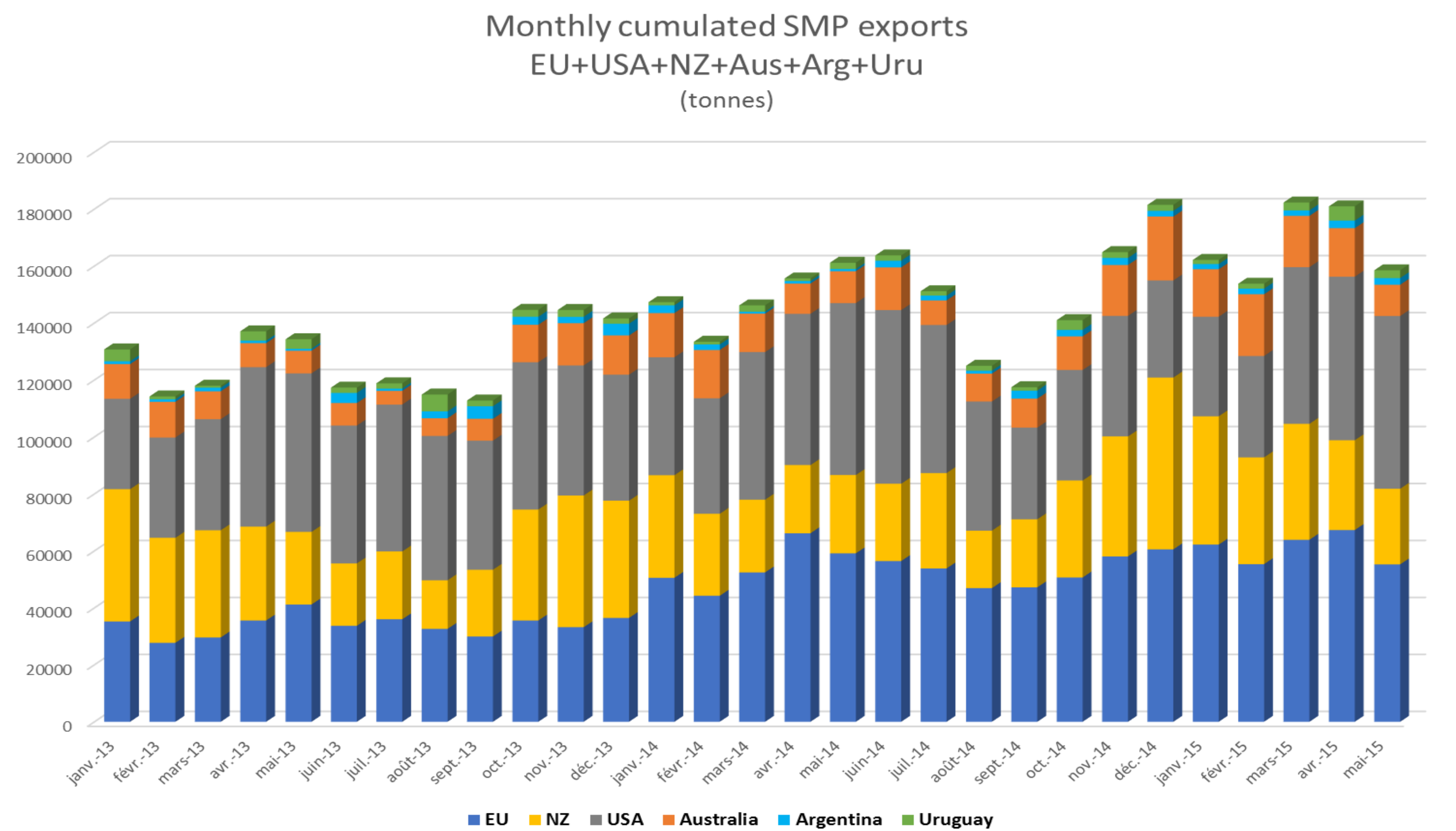
# Jan – May 2015 milk production in key export regions



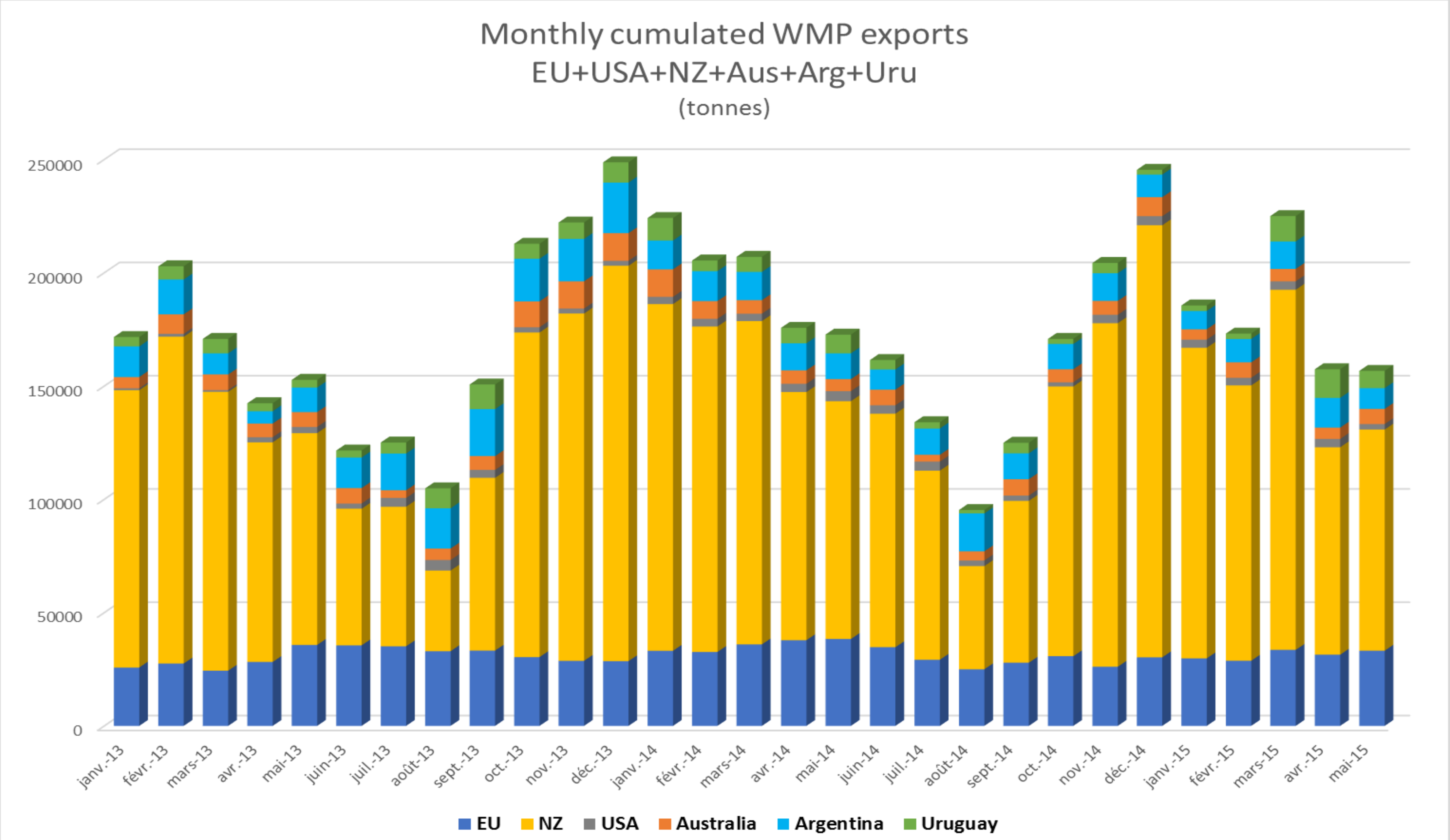
# Global Exports



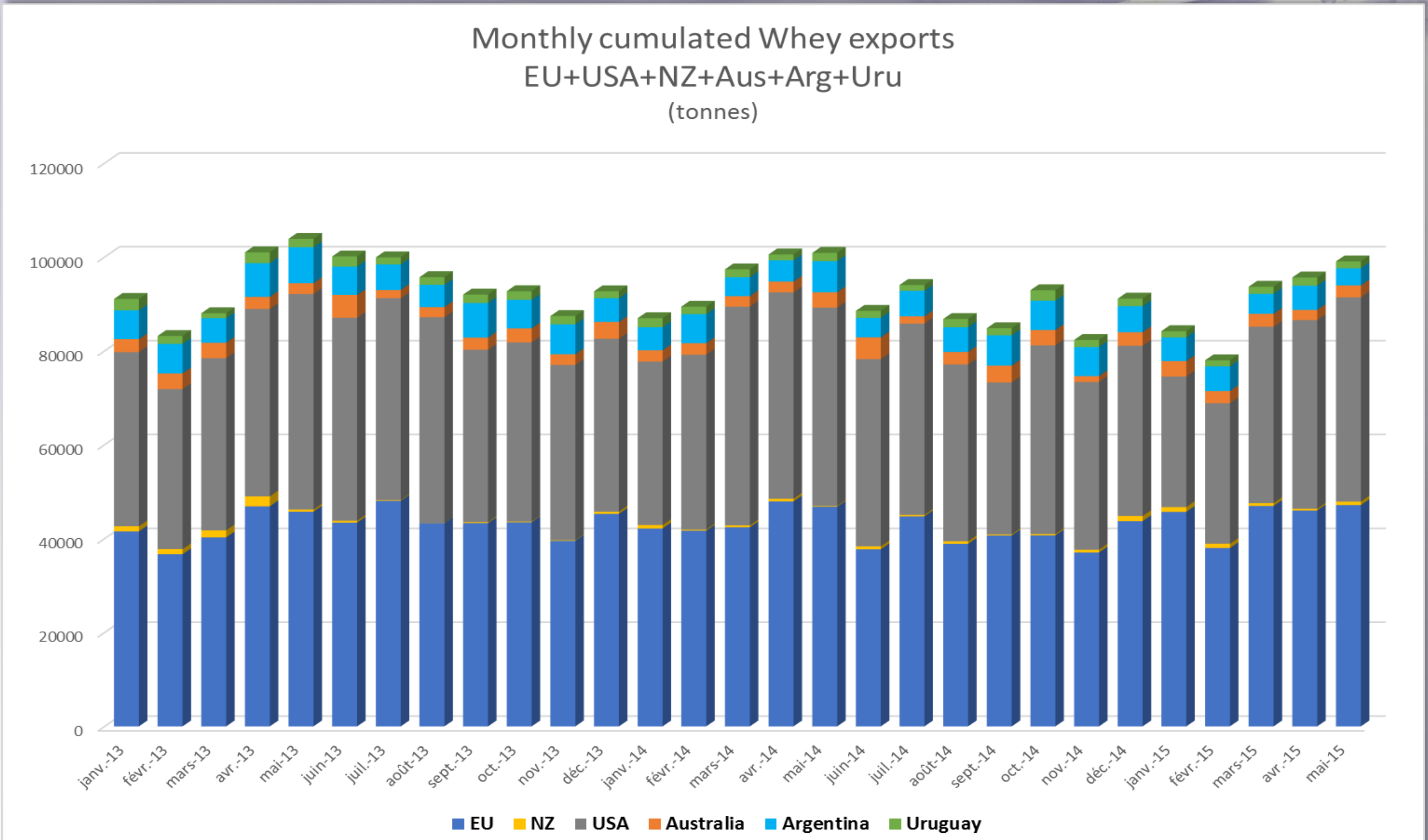
# Global SMP Exports



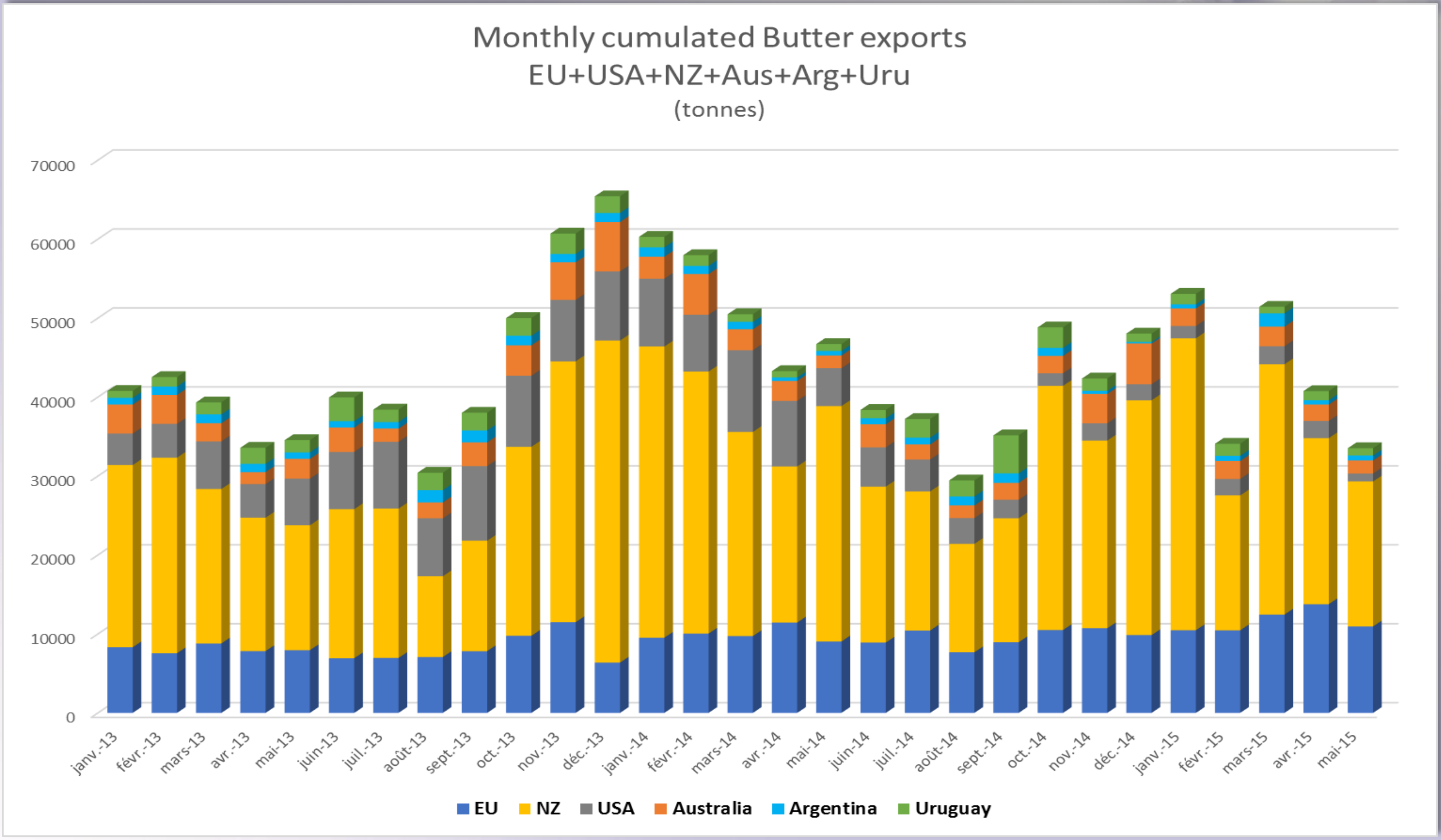
# Global WMP Exports



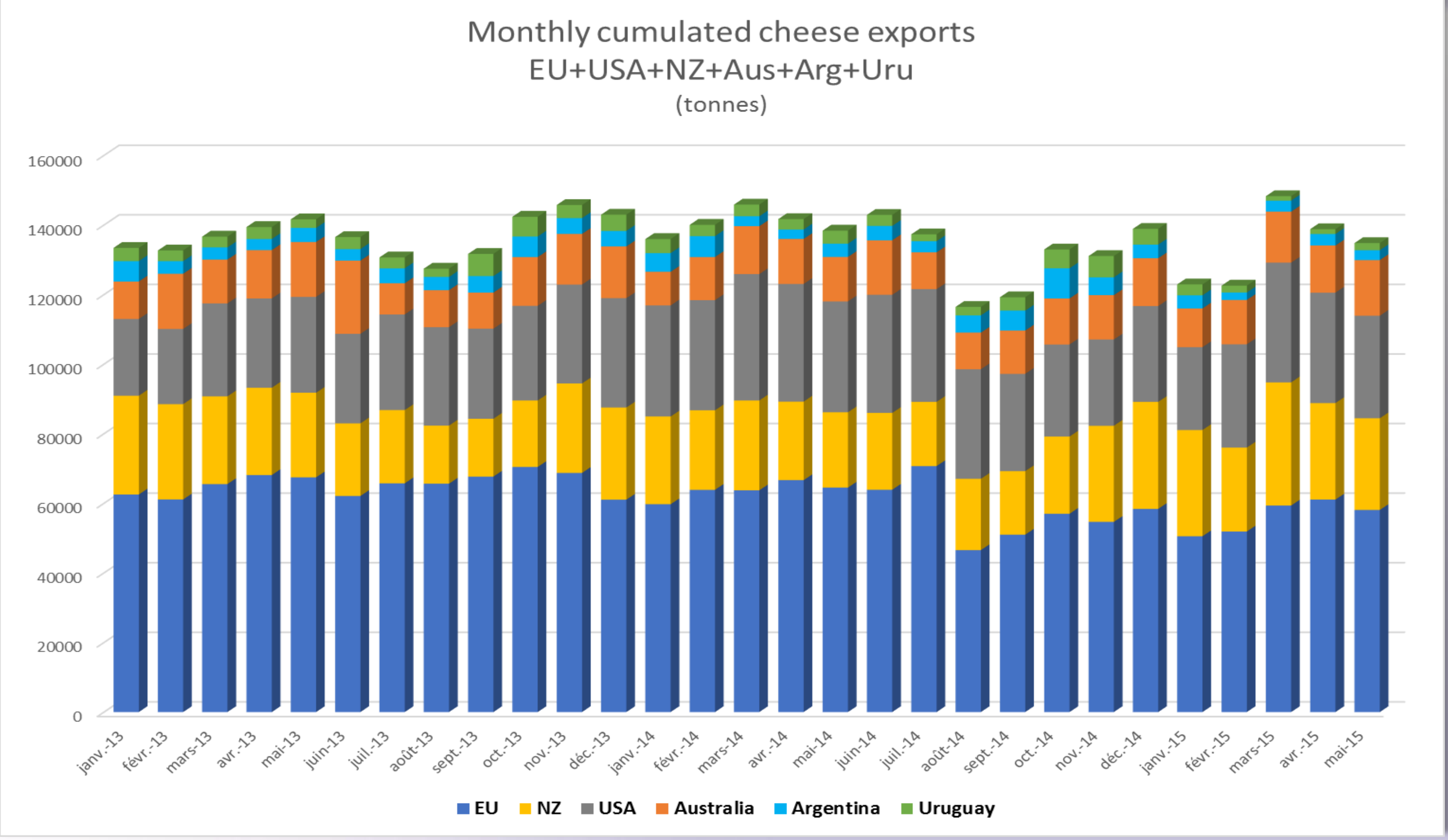
# Global Whey Exports



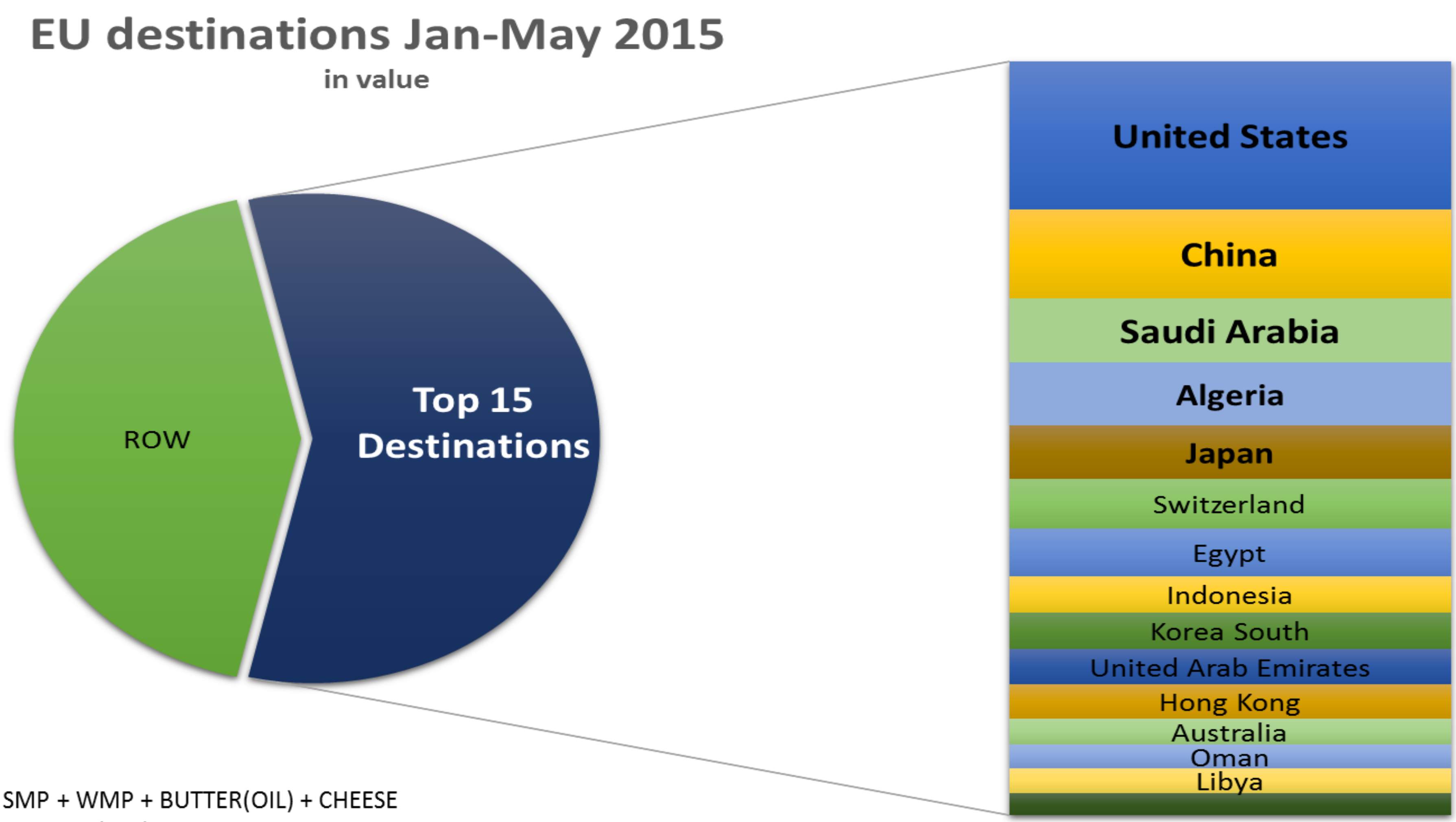
# Global Butter Exports



# Cheese Exports

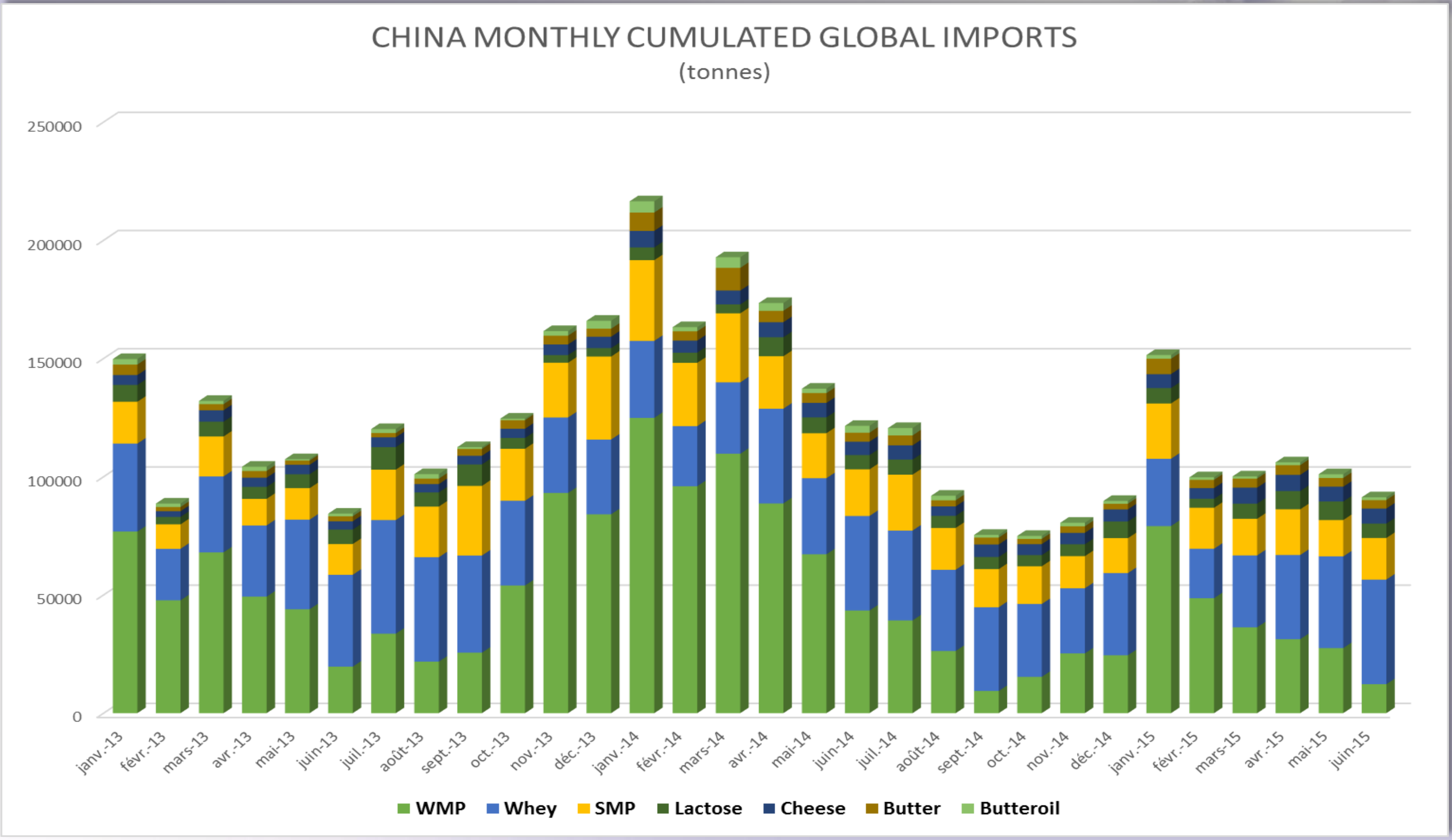


# Main markets for EU dairy products

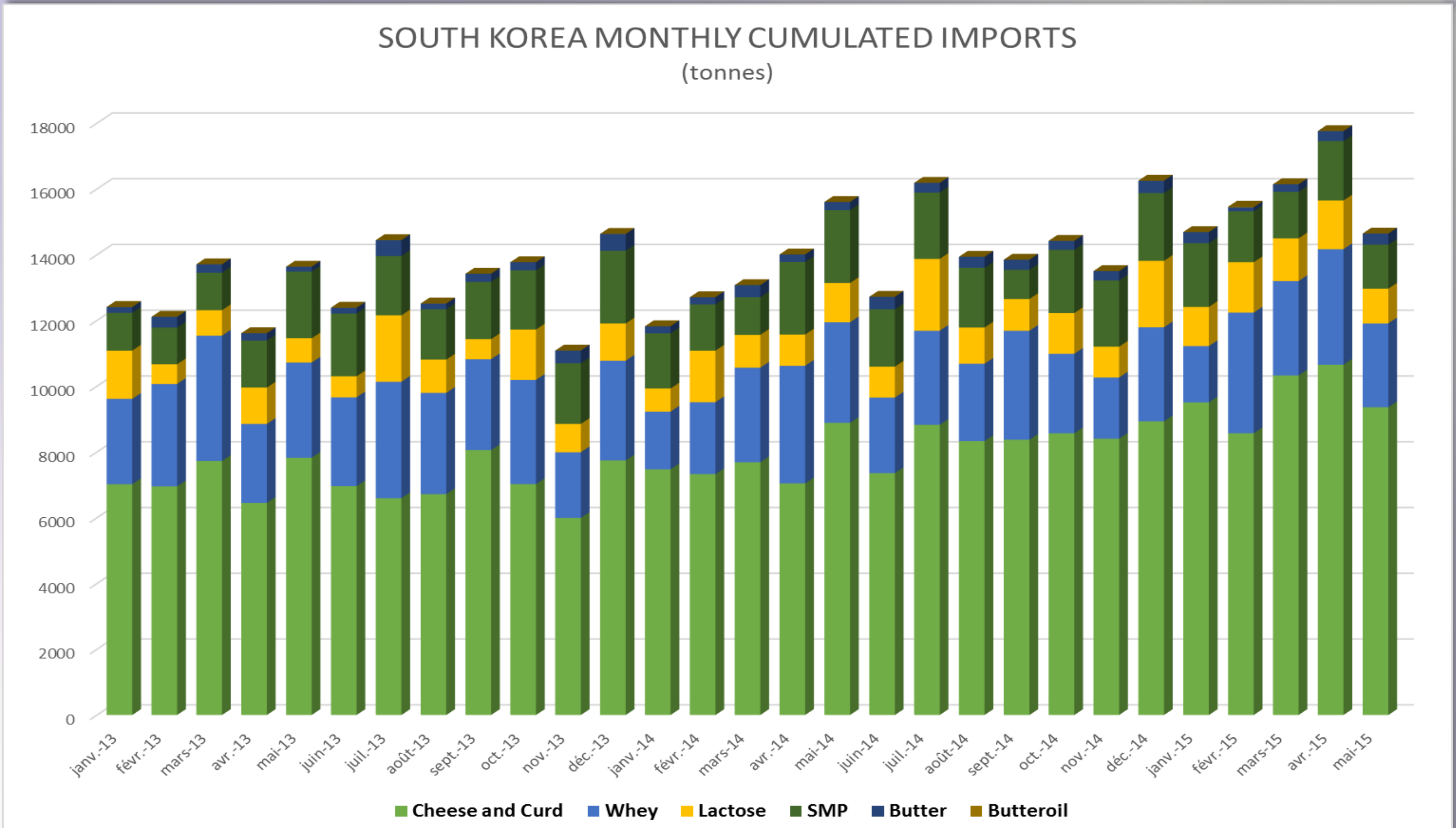



SMP + WMP + BUTTER(OIL) + CHEESE + CASEIN(ATE) + WHEY + LACTOSE

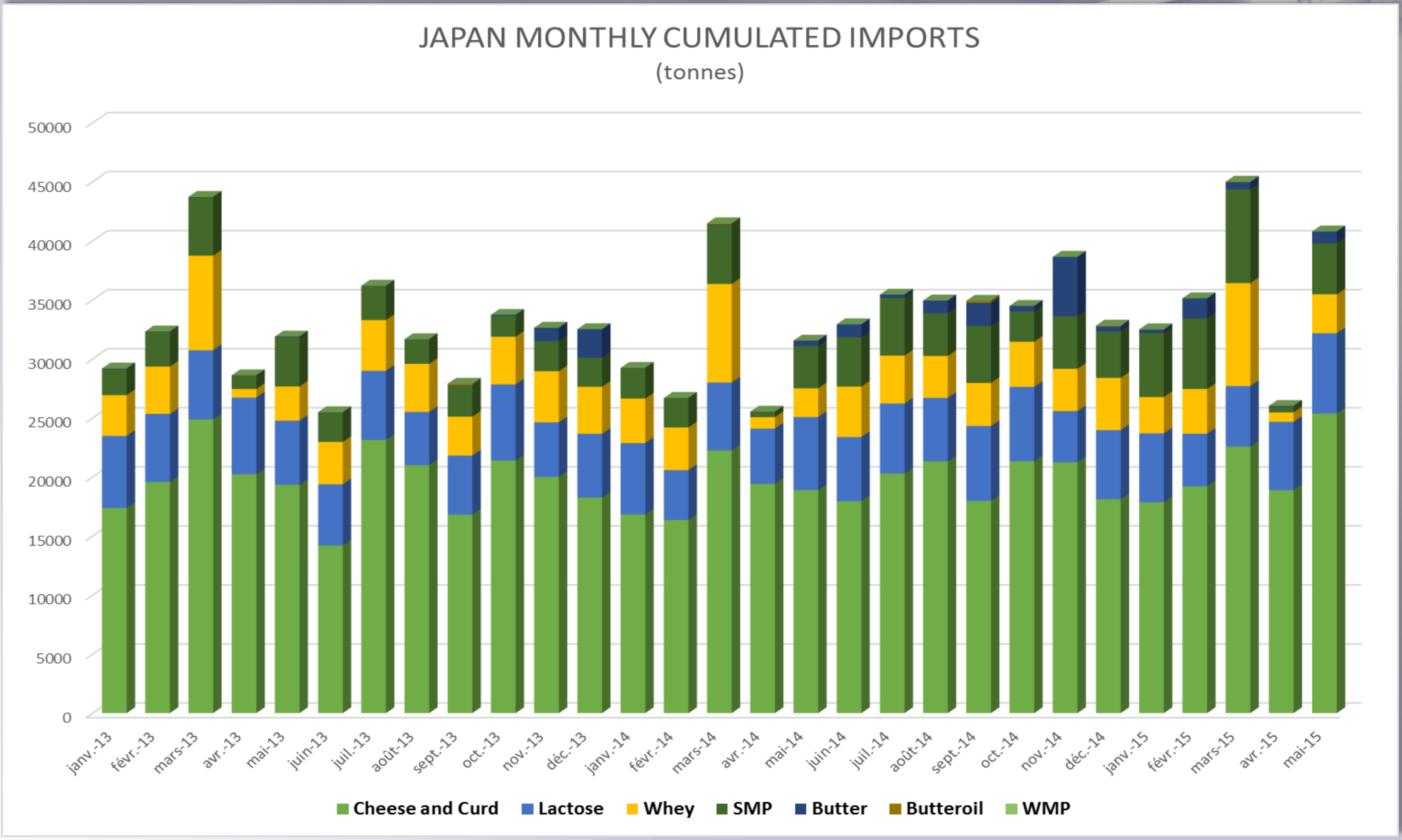
# China Imports



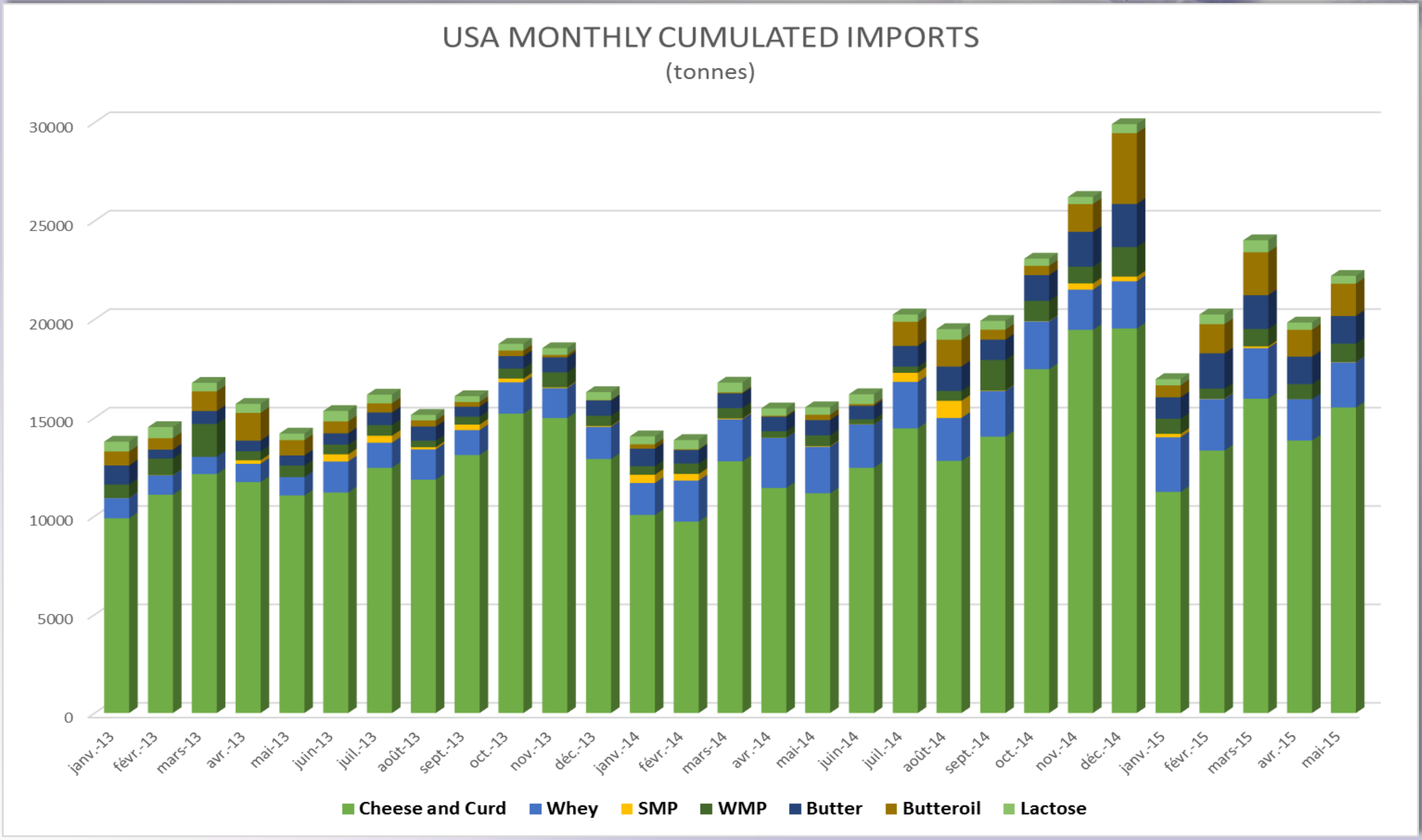
# South Korea imports



# Japan imports



# US Imports


USA MONTHLY CUMULATED IMPORTS
(tonnes)
30000
25000
20000
15000
10000
5000
0
janv.-13
févr.-13
mars-13
avr.-13
mai-13
juin-13
juil.-13
août-13
sept.-13
oct.-13
nov.-13
déc.-13
janv.-14
févr.-14
mars-14
avr.-14
mai-14
juin-14
juil.-14
août-14
sept.-14
oct.-14
nov.-14
déc.-14
janv.-15
févr.-15
mars-15
avr.-15
mai-15
Cheese and Curd
Whey
SMP
WMP
Butter
Butteroil
Lactose

# Conclusions

- Milk production remains strong across the globe
- Global demand is still affected by the relatively weak demand in China and the Russian embargo
- Buyers in other import regions (S-E Asia, Middle East, Africa) seem to be well covered and as a result demand is slow
- Strong domestic demand in the US has reduced export availability and helped EU cheese and butter exports.
- A supply-side correction is required but seems unlikely in the short term

# Thank You

*Sources used in presentation: GTIS, EU Commission, USDA, Dairy Australia, DCANZ, Fonterra, Clal, Inale*

Eucolait
www.eucolait.eu
info@eucolait.eu

# ANNEX 4

# Consumption trends in the EU Dairy products

*EUROPEAN COMMISSION*

European Commission

# Consumption trends in the EU Dairy products

**MMO**
**28 July 2015**


***Sophie Hélaine***

*DG Agriculture and Rural Development*
*European Commission*


*Agriculture and Rural Development*

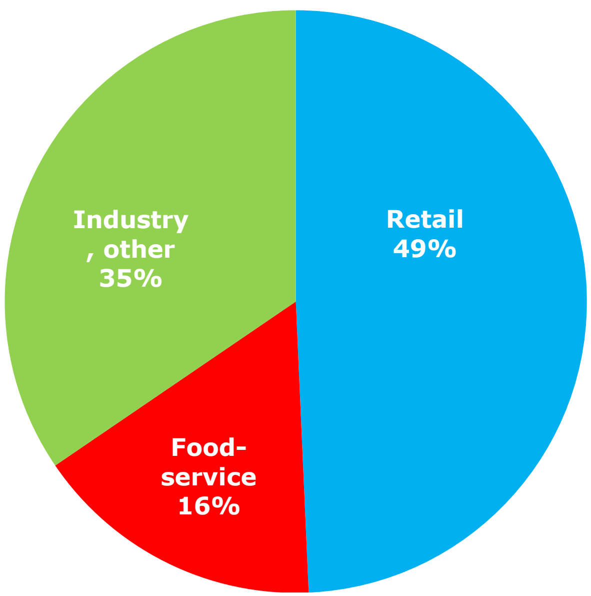
# Introduction

- Total consumption:
  - Estimated by the EC for the EU-28, EU-15 and EU-N13
  - Production - Stock change - net exports = apparent consumption
  - Based on COMEXT and Eurostat annual production data (not final yet - NL, ES missing)
- Consumers can find dairy products:
  - close to the retail services ➔ Panel information, Euromonitor
  - in foodservices ➔ Euromonitor
  - processed by the industry and other ➔

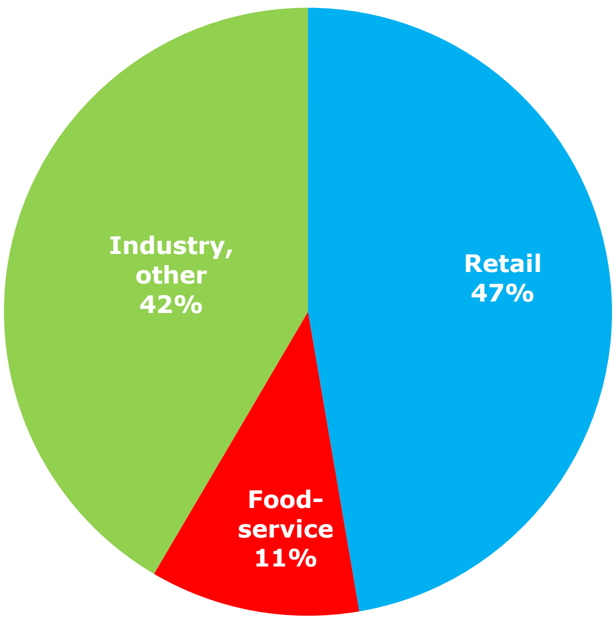
Estimated as:
Apparent cons.
- Retail sales
- Foodservices

# Dairy prod. channels in the EU-28 2014, based on volumes

## Cheese



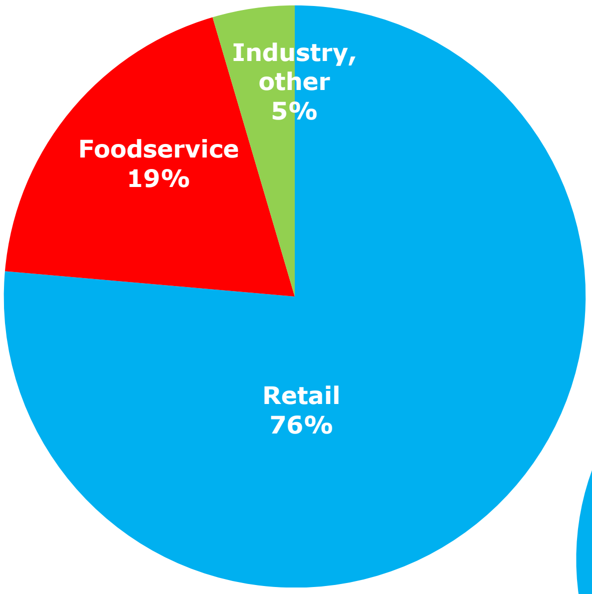

## Butter



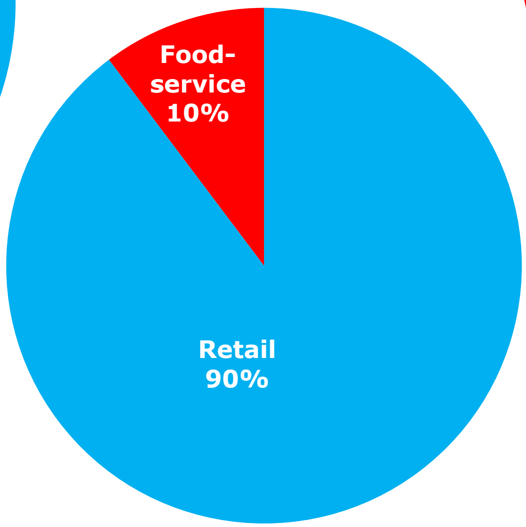

*Source: DG Agriculture and Rural Development, based on Short-term outlook, Summer 2015 and Euromonitor*

# Dairy prod. channels in the EU-28 2014, based on volumes

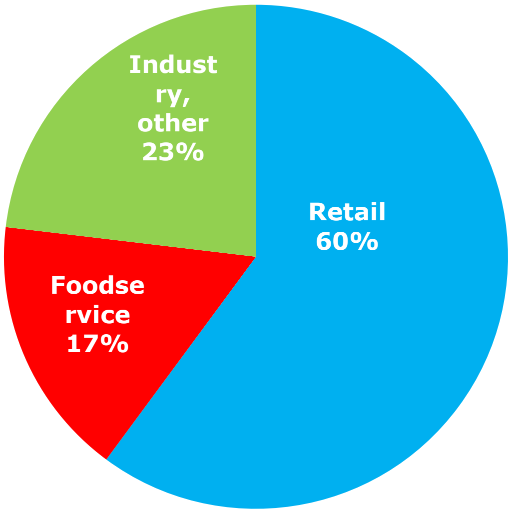
## Milk




## Yogurt

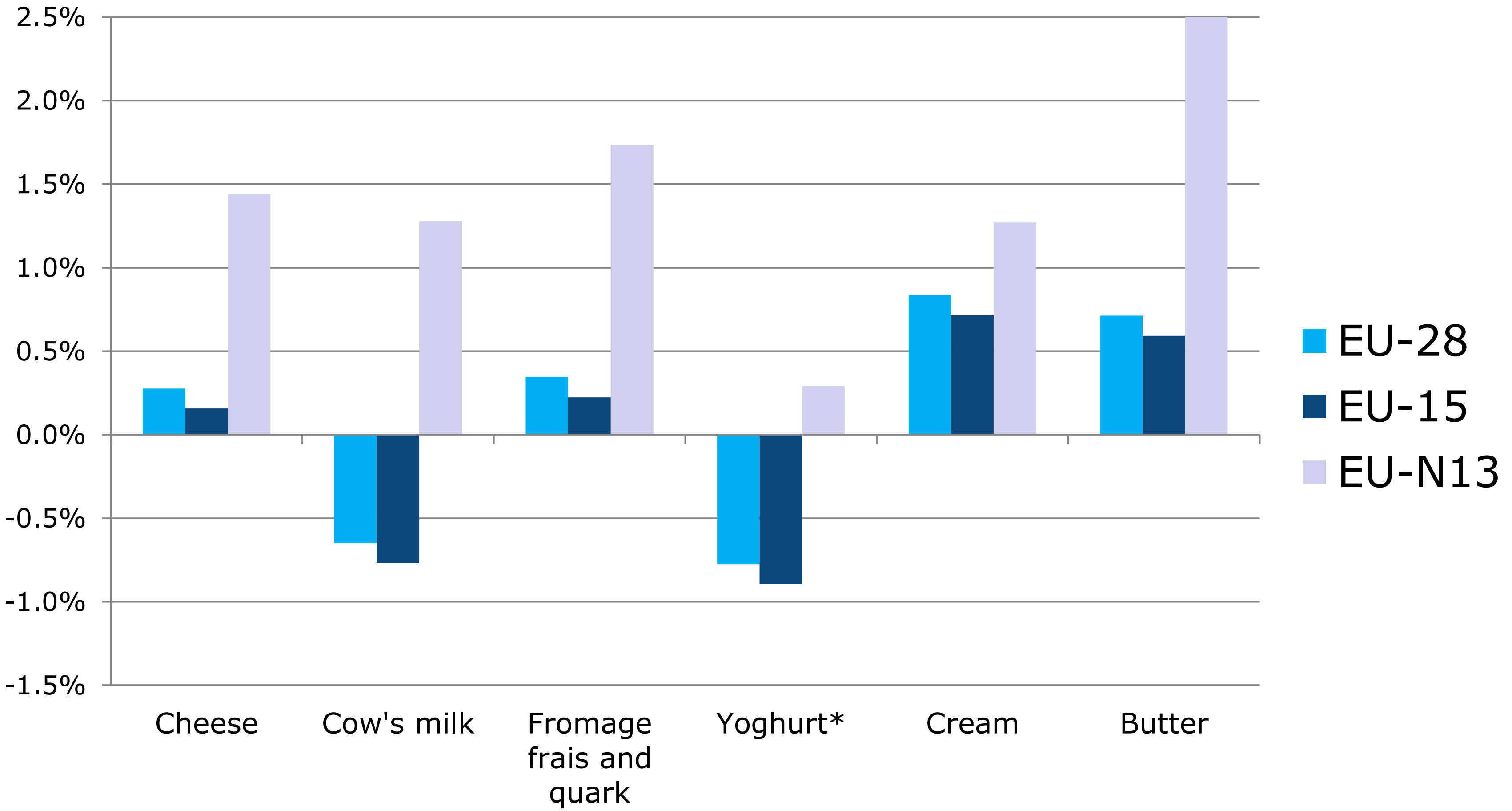



## Cream



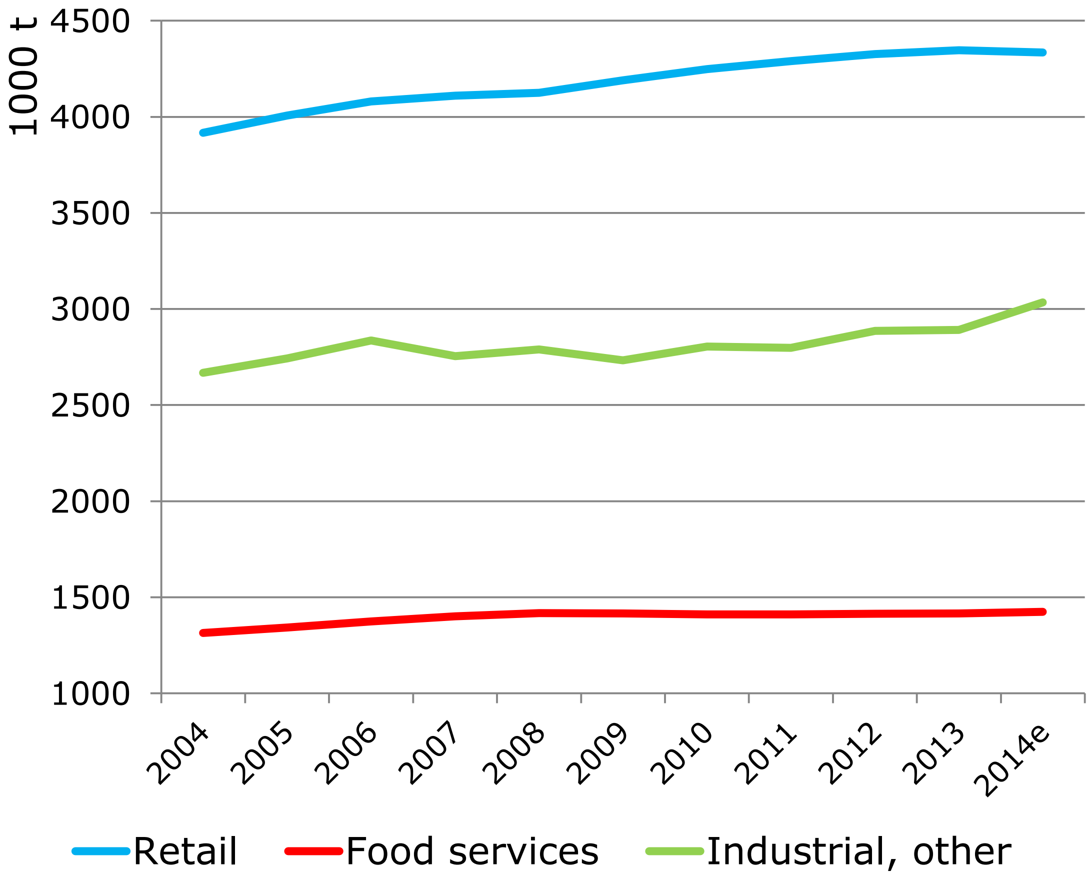

*Source: DG Agriculture and Rural Development, based on Short-term outlook, Summer 2015 and Euromonitor*

# 2010-2014 annual growth of EU retail sales per capita




** Sum of drinking yoghurt, flavoured yoghurt, fruited yoghurt and plain yoghurt*
*Source: DG Agriculture and Rural Development, based on Euromonitor and AMECO*

# EU-28 cheese: sales and ind. use up



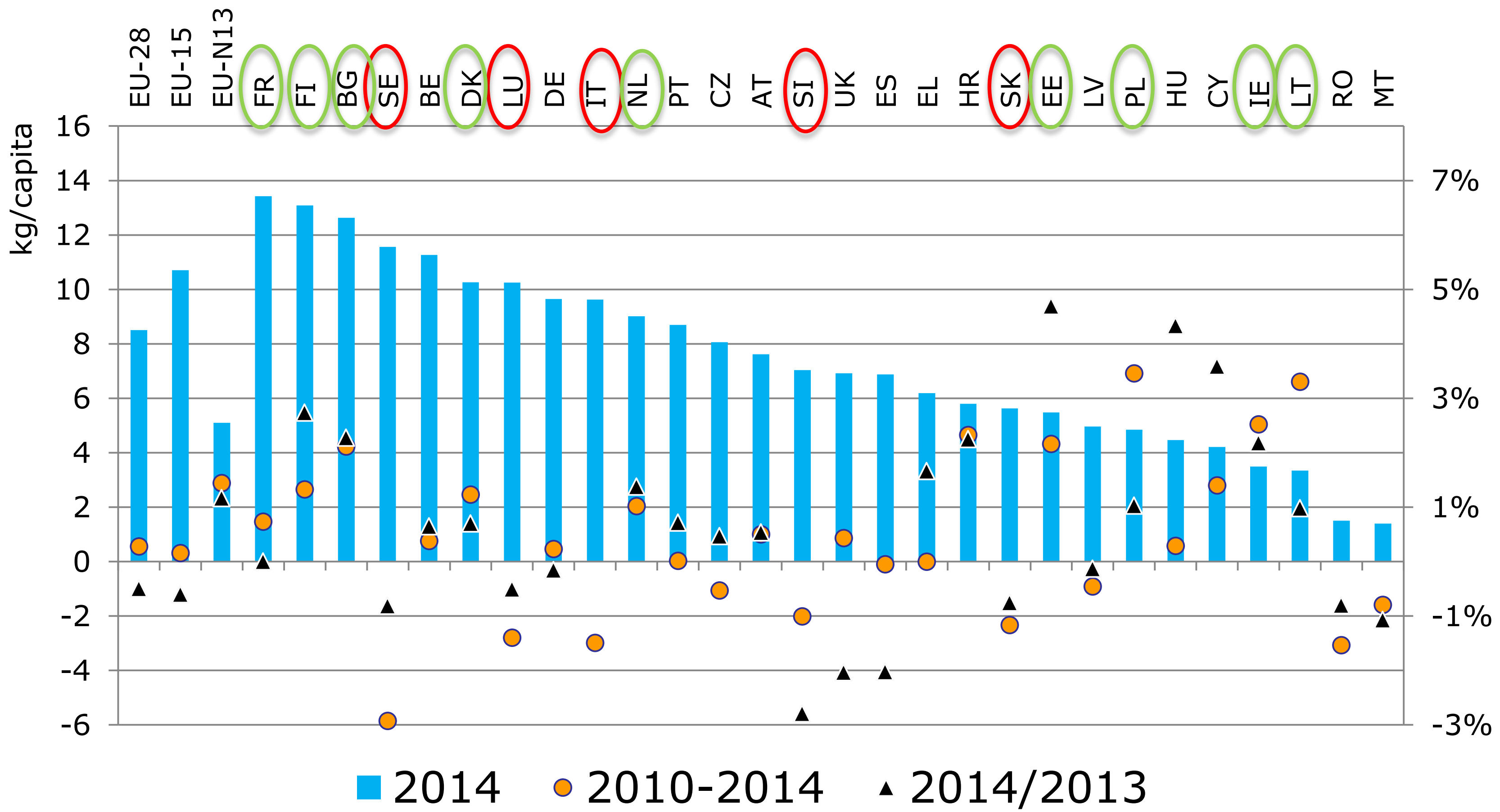

- **2014/2013**
  - Prod*: +1.5% *(e)*
  - Net trade: -9.5%
  - Cons.: +1.6%
  - Retail sales: -0.3%
  - Food services: +0.6%
  - Ind. use: +4.9% *(e)*
- **2004-2014 annual growth**
  - Prod: +1.3%
  - Cons.:+1.1%
  - Retail sales: +1%
  - Food services: +0.8%
  - Ind. Use: +1.3%

** Corrected upwards compared to STO Summer 2015, especially because of a difference in IT figures between monthly and annual surveys covering different population*

*Source: DG Agriculture and Rural Development, based on Eurostat, Euromonitor and AMECO*

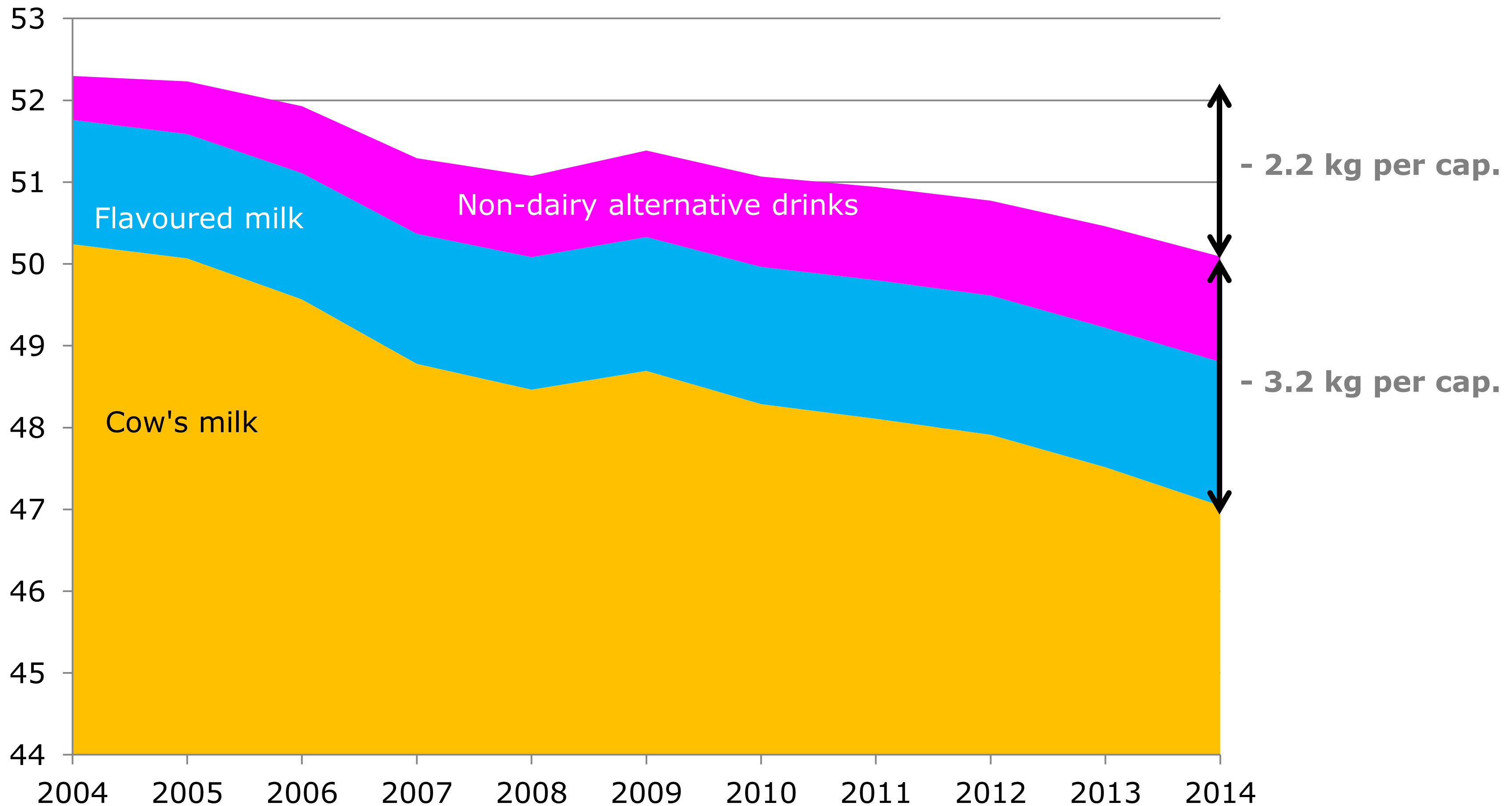
FR+DE+IT+UK+ES =
70% of retail sales
63% of prod.
NL+PL+DK=
9% of retail sales
20% of prod.

# Cheese: retail sales per capita by MS in 2014




* Door delivered milk not included
Source: DG Agriculture and Rural Development, based on Euromonitor and AMECO

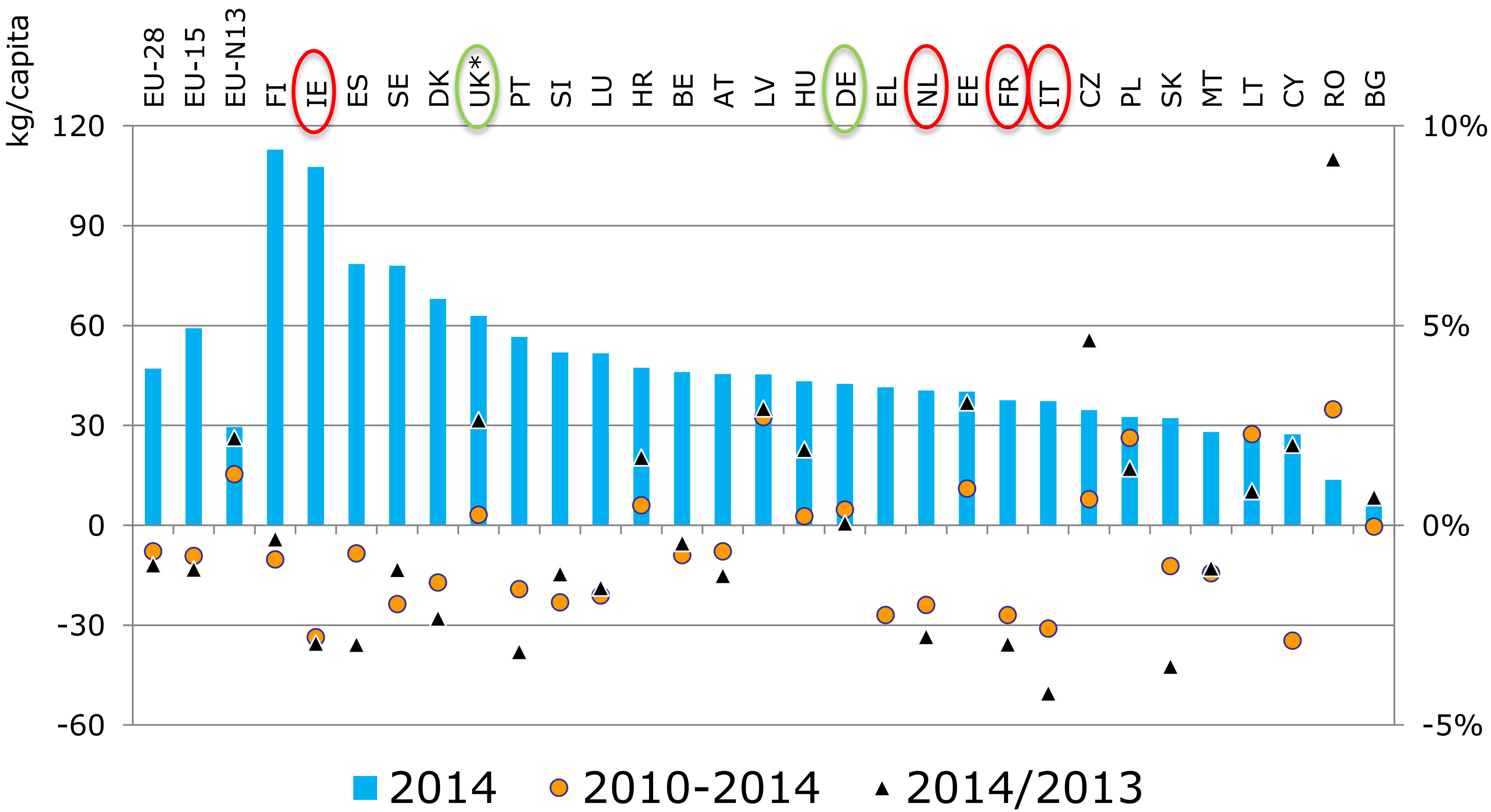
# Liquid milk retail sales per capita




*Source: DG Agriculture and Rural Development, based on Euromonitor and AMECO*

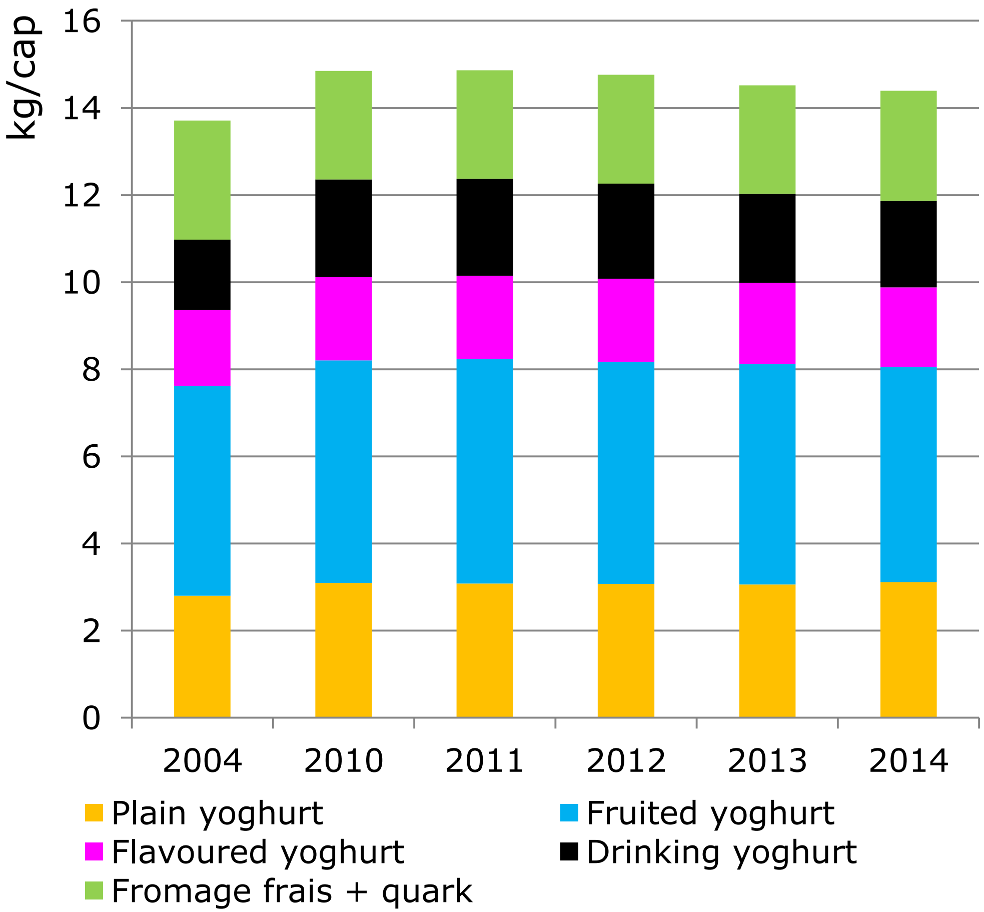
UK+ES+DE+FR+IT+PL = 72% of retail sales

# Cow's milk: retail sales per capita by MS in 2014




** Door delivered milk not included*
*Source: DG Agriculture and Rural Development, based on Euromonitor and AMECO*

# EU-28 yoghurt retail sales per capita



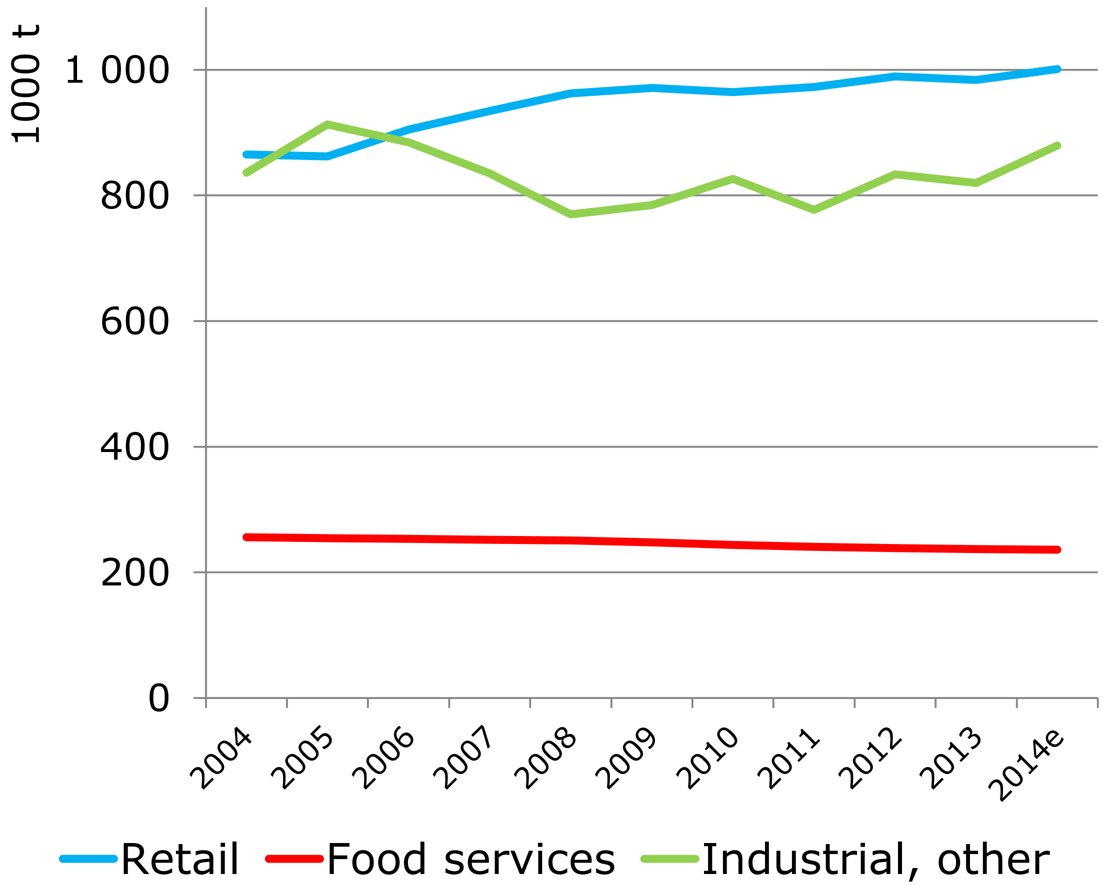

*Source: DG Agriculture and Rural Development, based on Euromonitor and AMECO*

- **2014 retail sales in kg/cap**
  - EU-28: 14.4
  - EU-15: 18.1
  - EU-N13: 11.5

- **2010-2014 trend**

| | EU-28 | EU-15 | EU-N13 |
|---|---|---|---|
| Fromage fr. + quark | ↑ | ↑ | ↑ |
| Plain | ↑ | ↔ | ↑ |
| Drinking | ↓ | ↓ | ↑ |
| Fruited | ↓ | ↓ | ↓ |
| Flavoured | ↓ | ↓ | ↓ |
| Total | ↓ | ↓ | ↑ |

# EU butter: sales and ind. use up

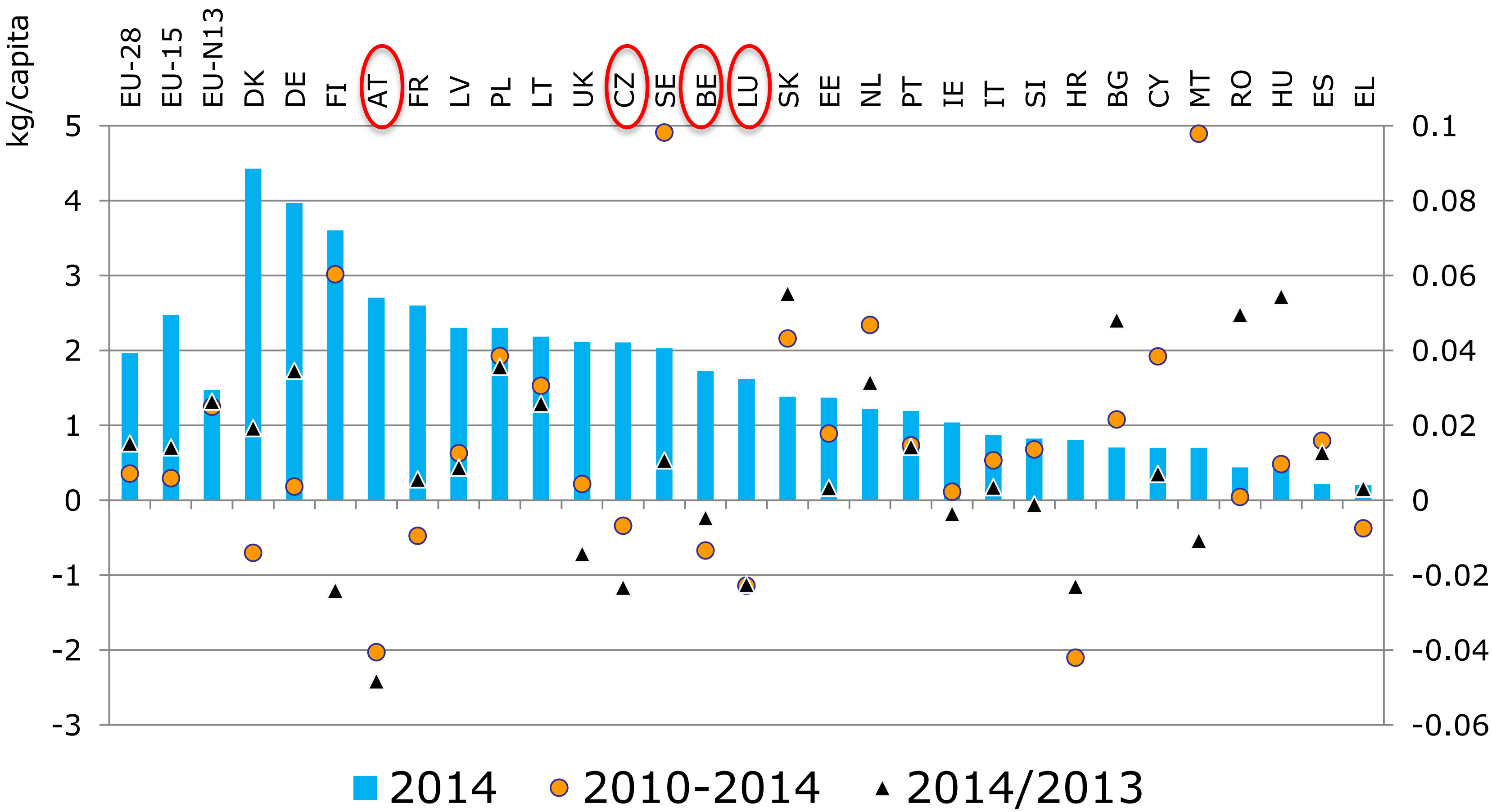



- **2014/2013**
  - Prod: +5.4% *(e)*
  - Net trade: +16%
  - Cons.: +3.7%
  - Retail sales: +1.8%
  - Food services: -0.5%
  - Ind. use: +7% *(e)*
- **2004-2014 annual growth**
  - Prod: +0.4%
  - Cons.:+0.8%
  - Retail sales: +1.5%
  - Food services: -0.8%
  - Ind. Use: +0.5%

*Source: DG Agriculture and Rural Development, based on Eurostat, Euromonitor and AMECO*

FR+DE+UK+PL =
72% of retail sales
55% of prod.
IE+NL =
3% of retail sales
20% of prod.

# Butter: retail sales per capita by MS in 2014




*Source: DG Agriculture and Rural Development, based on Euromonitor and AMECO*

Medium-term outlook report and data available at:
http://ec.europa.eu/agriculture/markets-and-prices/medium-term-outlook/index_en.htm

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

MMO at:
http://ec.europa.eu/agriculture/milk-market-observatory/index_en.htm