

MMO Economic Board

Meeting of 13 December 2019

- o The 32nd meeting of the MMO Economic Board took place on 13/12/2019, with the participation of experts from the milk supply chain: COPA-COGECA (producers and cooperatives), EMB (European Milk Board), ECVC (Via Campesina), EDA (dairy industry), Eucolait (dairy trade), Eurocommerce (retail) and CEJA (young farmers). Presentations and information exchanged during the meeting showed the following.
- o EU milk deliveries modestly increased in Jan-Oct 2019 by 0.4%. In October, EU deliveries increased by 0.3% (33 000 t) with NL, FR and ES reporting the highest production growth, and IE and DE the main reduction. The moderate increase of milk collection in this period translates into limited production growth for dairy products: butter (+3.9%), cream (+2.7%), SMP (+0.6%), WMP (+0.1%). Butter production increased noticeably in September (mainly pushed by the UK, DE, FR, NL and PL). Reduced production has been reported so far this year for drinking milk (-3.3%), fermented milk (-0.3%) and cheese (-0.2%).
- o The EU average farm gate milk price is reported at 34.9 c/kg in October, which is 1.6% higher than in September 2019 and 3.3% above the last 5 years' average. Feed costs are reported to be increasing too.
- o EU butter prices have remained stable in the last months, yet 6.5% below the last five years average. EU SMP prices continue the upwards trend initiated more than one year ago (+50% in 2019, highest level in 5 years). Prices have improved this year for WMP (+15%), Cheddar (+3%) and Emmental (+1%). On the contrary, prices are declining for whey powder (-3%) and Gouda (-1%). EU Edam prices are on par with last year's levels.
- o The assessment of EU stock levels based on a residual approach (EU production + EU imports - EU internal consumption - EU exports) shows a progressive reduction of private SMP stocks thanks to a limited increase of production and a strong export performance. Butter stocks were high by September but expected to return to normal levels by the end of the year. Cheese stocks continue to be high, but at levels considered as not of concern by the industry. The additional import tariffs applied by the US is a concern as regards the evolution of cheese stocks.
- o Global milk supply has been stable for more than 9 months. Combined world production slightly decreased in main exporting countries/regions (EU-28, US, NZ, AUS, ARG, URG) in the period Jan-Sept (-0.2%), with notable drops in Oceania and South America, and minimal growth in the EU (+0.5%) and the US (+0.2%). In the US, growing milk yields continue to offset diminished cow numbers. NZ milk production is slightly down so far this season, but from a high base last year. Australian milk production continues to fall with drought conditions having a major impact. After low levels in H1, Argentina's production has started to pick up again and there are signs of recovery also in Uruguay. A very modest total increase is expected in 2019 and stable to slight increase next year.
- o Combined global exports in Jan-Sept were similar to last year's levels but are expected to be slightly higher by the end of the year. EU butter exports show very positive growth figures this year (+27.1%) with more competitive prices, but the butter market is remains unpredictable. EU SMP exports showed an even more significant increase this year (27.9%). Chinese demand for WMP and SMP has remained robust this year, imports in the first 10 months increased by 23% and 27% respectively (China is the main outlet for EU dairy exports in value, and the first destination of EU SMP).
- o Long-term trends in the retail sector show a decline in the consumption of liquid milk and yoghurt/fresh cheese and an increase in demand for cheese, butter and cream in France. Sales of organic dairy products continue to increase: the organic liquid milk market share is now close to 10%. Plant-based products are increasingly competing with dairy products in the segments of packaged milk, cream and fresh products, though the penetration rate is still low (with an observed slowdown of growth in the sector of vegetable drinks). Initiatives such as 'citizen milk' are proving to be successful in the French market. There has been a significant drop in consumption of dairy desserts both in Italy and in Portugal.
- o Following the adoption of the Commission Implementing Regulation on market transparency, there was an exchange of views on the definition and characteristics of 4 products (3 dairy products - cream, drinking milk and mozzarella - and for fat filled powder) for which there will be new weekly price notifications as of January 2021. The aim was to find a coherent definition of standardized and representative products.
- o The dairy market is in balance and remains positive. The outlook is stable due to modest global production and strong demand but there are some uncertainties, mostly external to the dairy sector (slower global economic growth, trade disputes, the UK leaving the EU).

ANNEX 1

Milk Market Situation

European Commission



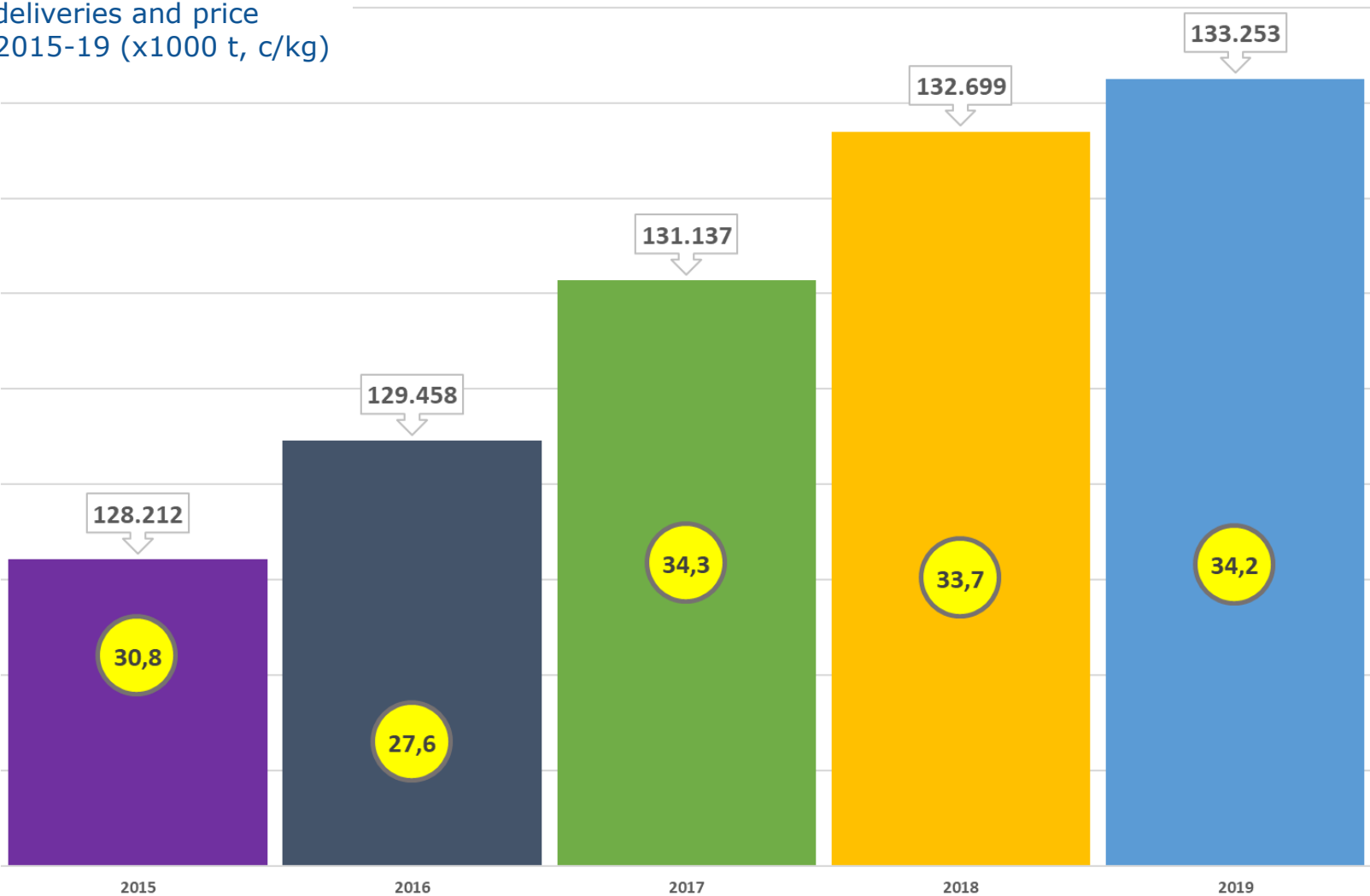
European
Commission



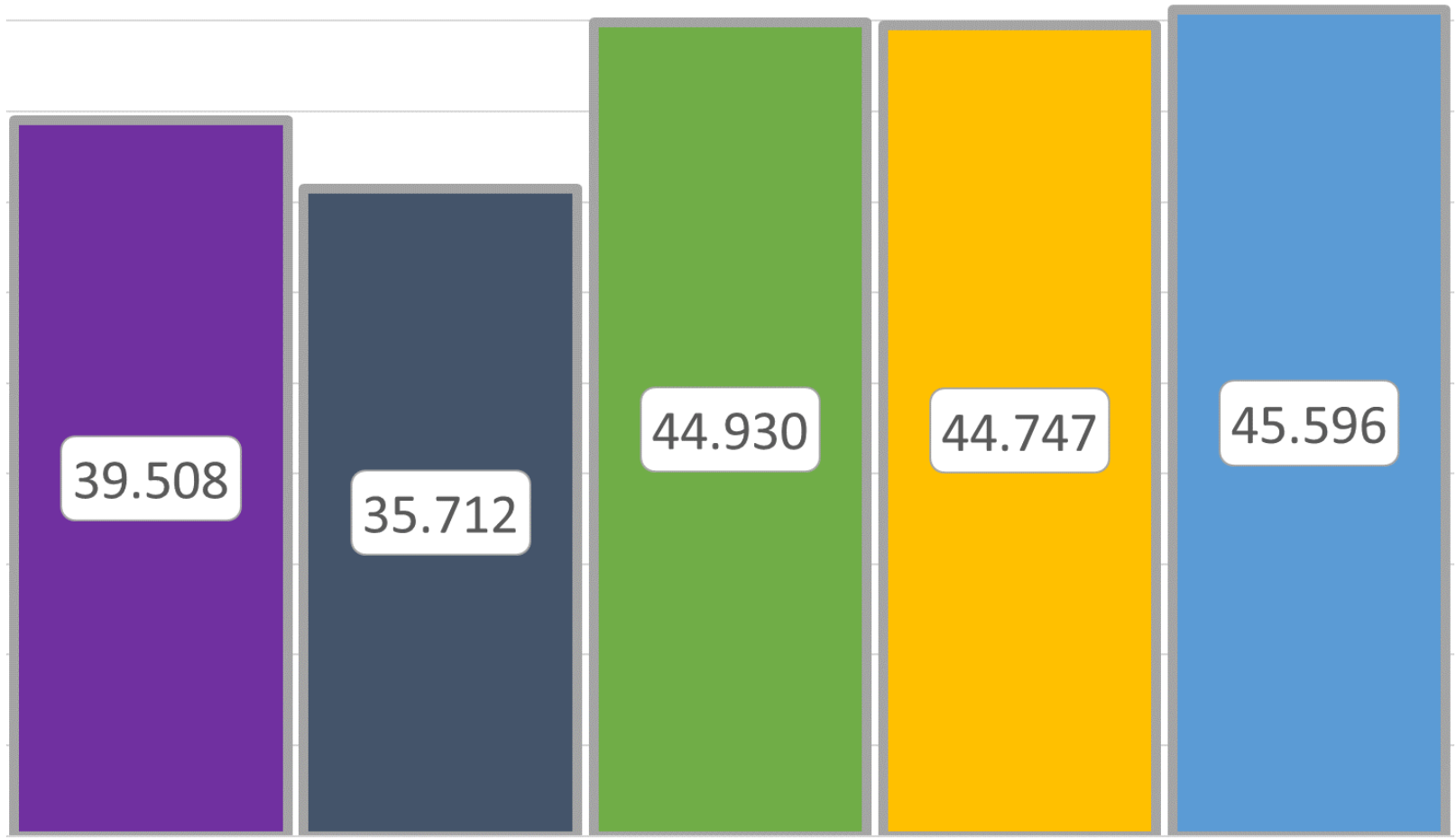
Milk Market Situation

Brussels, 13 December 2019

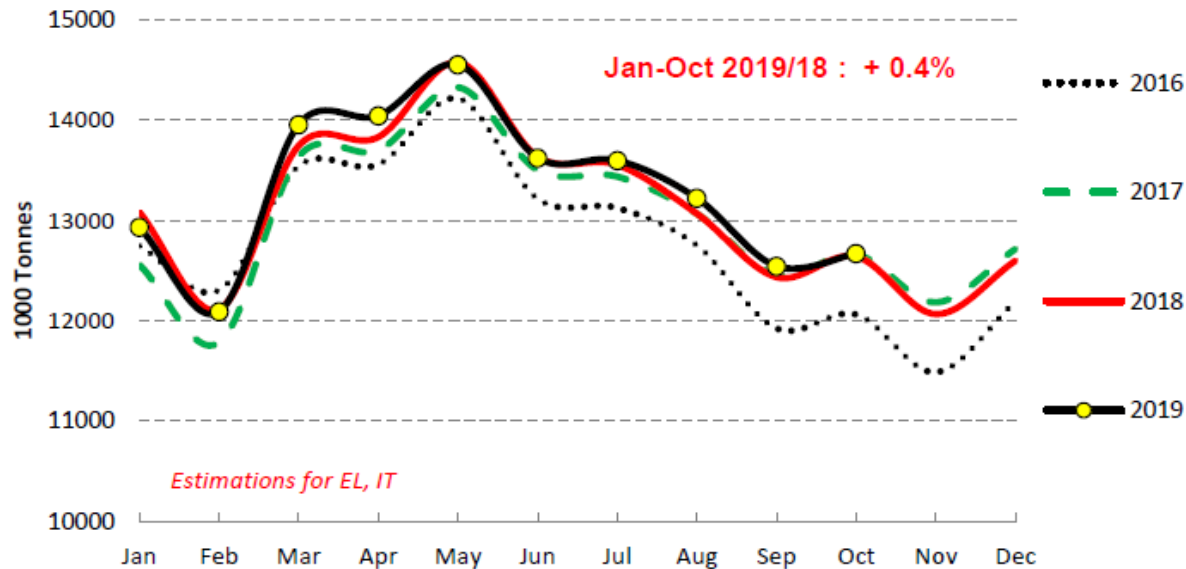
EU milk deliveries and price
Jan-Oct 2015-19 (x1000 t, c/kg)



EU value milk production
Jan-Oct 2015-19 (x million €)



EU - Cows' milk collected



Source : Estat - Newcronos

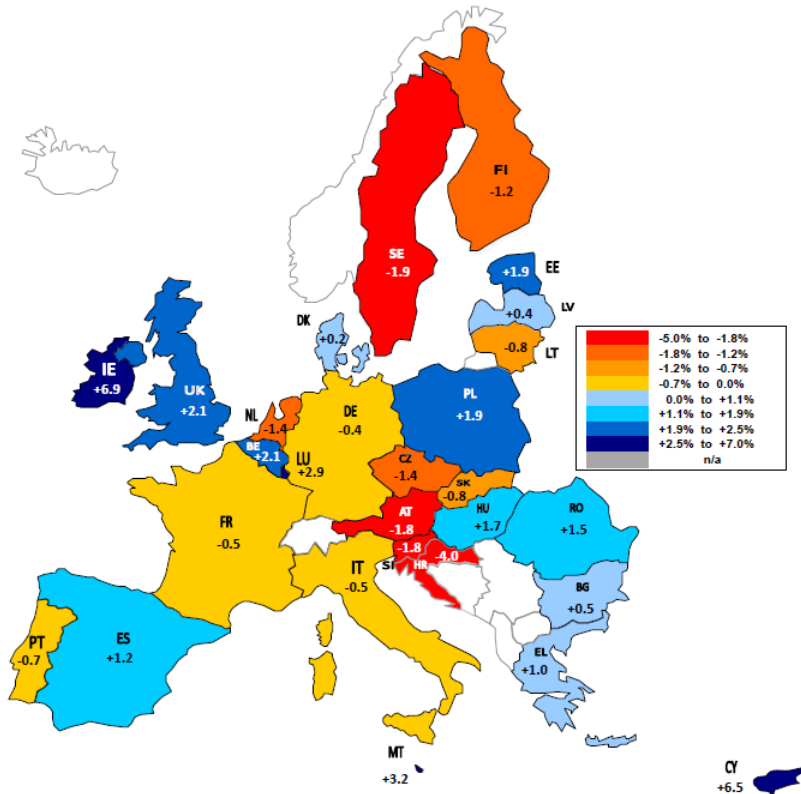
Last update : Jan-Oct

Oct 19 compared to Oct 18

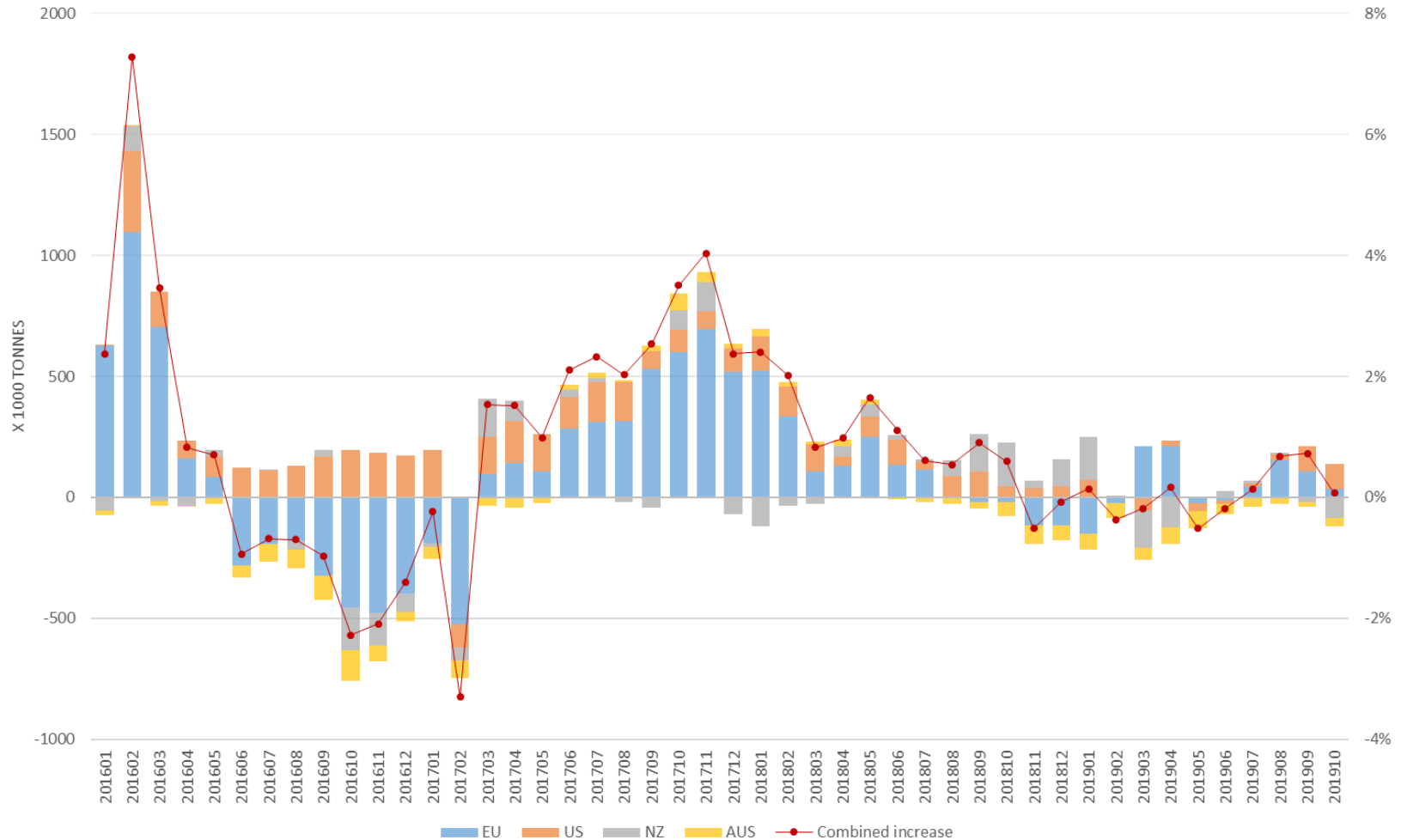
Rank	evolution in %		evolution in 1000 Tons	
	MS	%	MS	Tons
1.	LU	+ 7.5%	NL	+ 22
2.	HU	+ 4.2%	FR	+ 20
3.	CY	+ 4.1%	ES	+ 20
4.	BG	+ 3.9%	IT*	+ 13
5.	ES	+ 3.5%	PL	+ 13
6.	PT	+ 2.5%	HU	+ 5
7.	NL	+ 2.0%	PT	+ 4
8.	EE	+ 1.6%	LU	+ 2
9.	IT*	+ 1.4%	BG	+ 2
10.	PL	+ 1.3%	EE	+ 1
11.	SI	+ 1.2%	CY	+ 1
12.	EL*	+ 1.2%	EL*	+ 1
13.	FR	+ 1.0%	SI	+ 1
14.	SK	+ 0.7%	SK	+ 0
15.	LV	+ 0.5%	LV	+ 0
16.	AT	+ 0.1%	BE	+ 0
17.	BE	+ 0.1%	AT	+ 0
18.	FI	- 0.1%	FI	- 0
19.	CZ	- 0.1%	MT	- 0
20.	UK	- 0.6%	CZ	- 0
21.	DE	- 0.8%	HR	- 2
22.	DK	- 1.2%	RO	- 3
23.	SE	- 2.5%	LT	- 4
24.	RO	- 2.9%	SE	- 5
25.	LT	- 3.2%	DK	- 6
26.	IE	- 3.6%	UK	- 7
27.	HR	- 5.0%	DE	- 22
28.	MT	- 5.2%	IE	- 24
	EU28	+ 0.3%	EU28	+ 33

EU Milk Deliveries compared to last period (in %)

(Jan - Oct 2019 / Jan - Oct 2018)

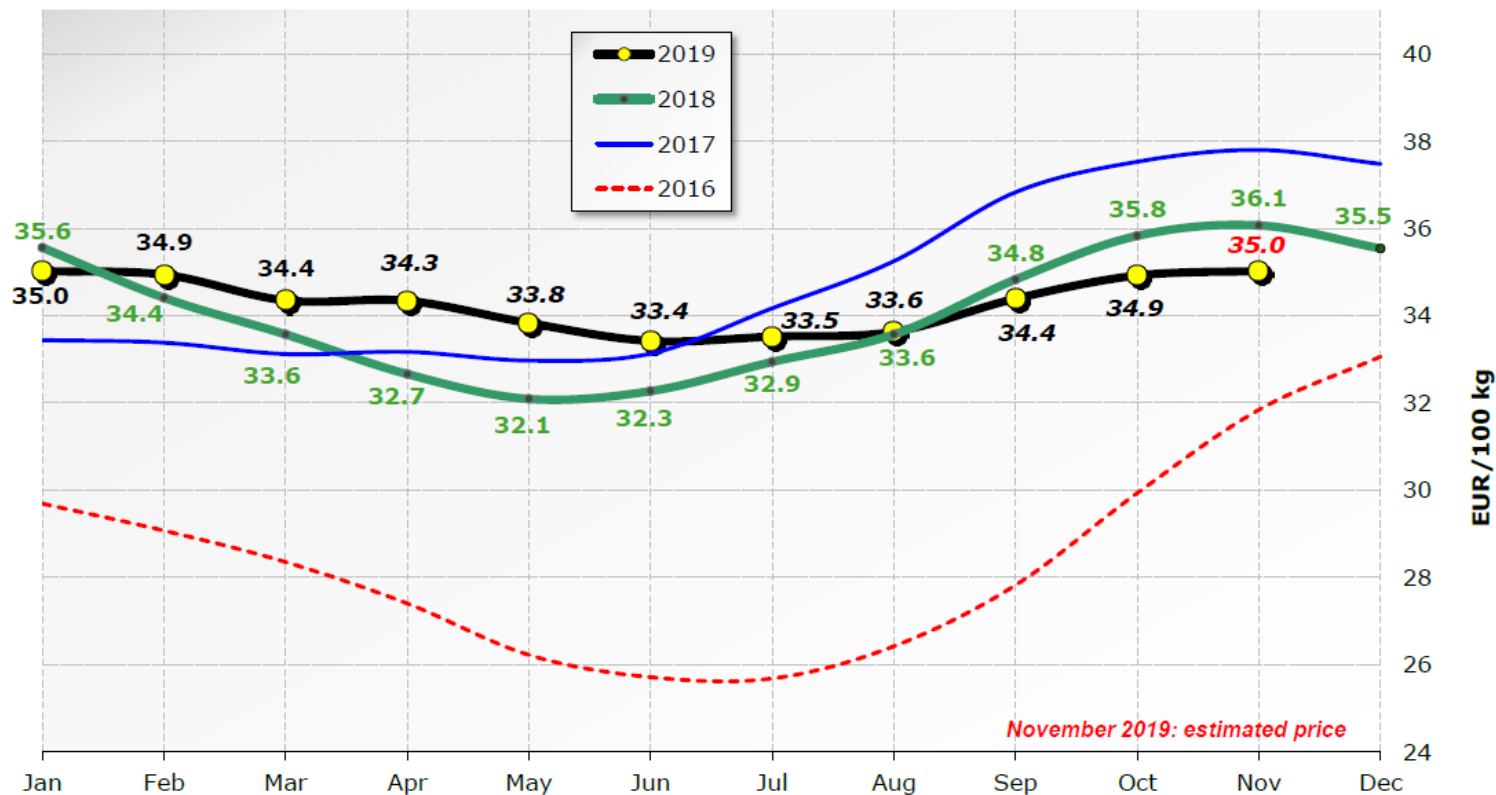


EU+US+NZ+AUS COMBINED MILK PRODUCTION GROWTH



Milk Prices paid to the Producers

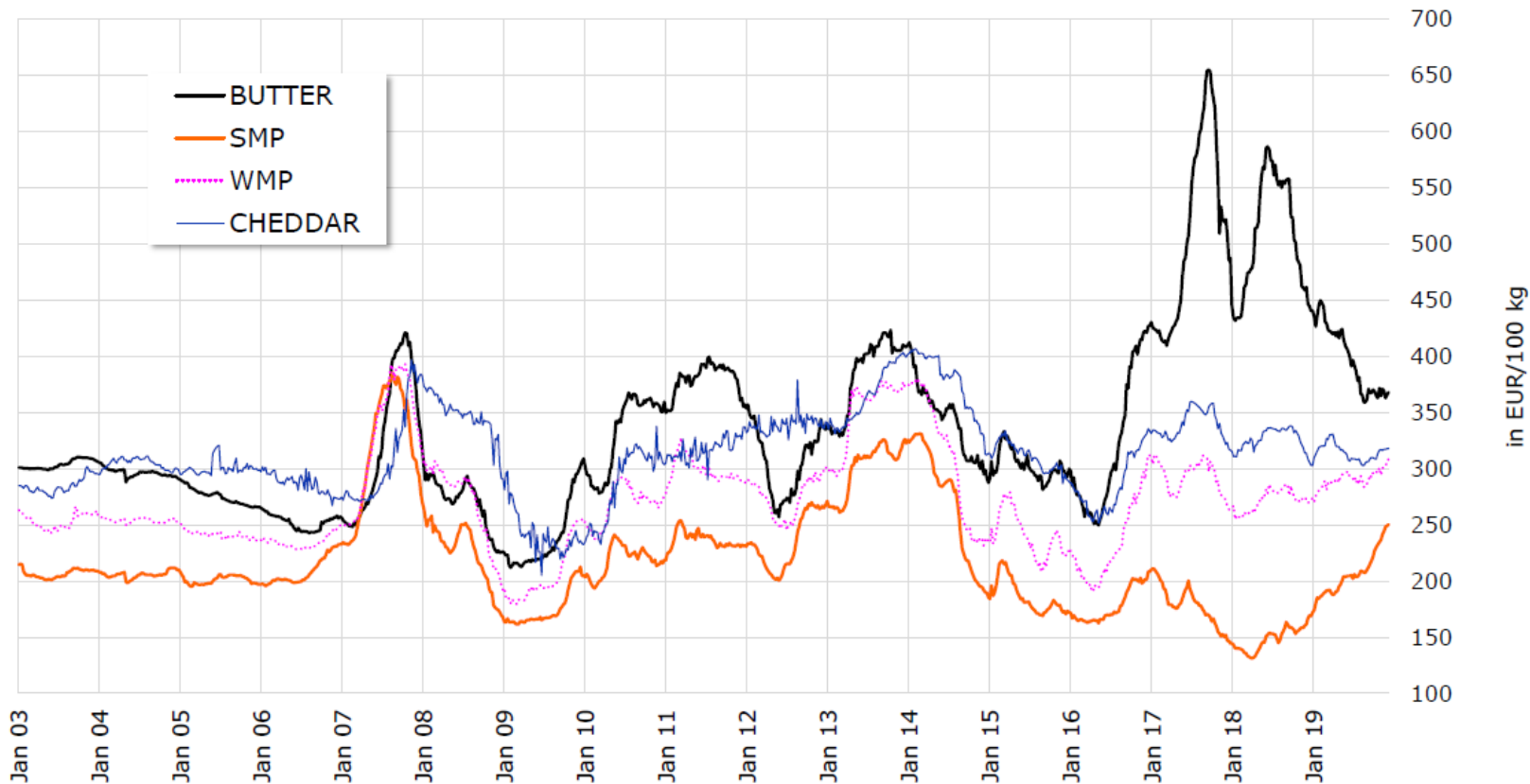
EU (weight. avg.)



Source : Member States Reg. (EU) No 2017/1185 Article 12(a) - Annex II.4(a))

EU Dairy Quotations

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

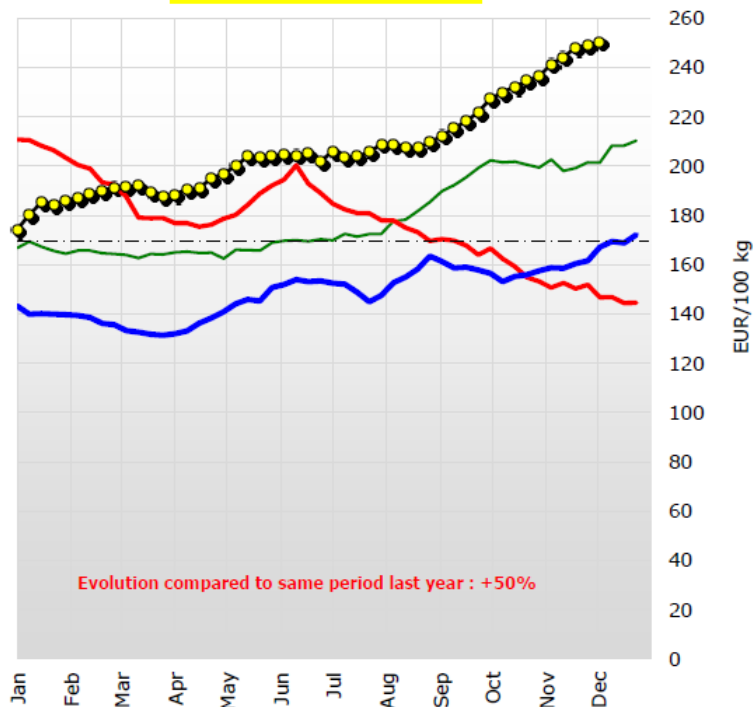


Prices of EU Dairy commodities

(Source: Regulation (EU) No 2017/1185 Article 11 - Annex I.7)

Weekly EU SMP Prices

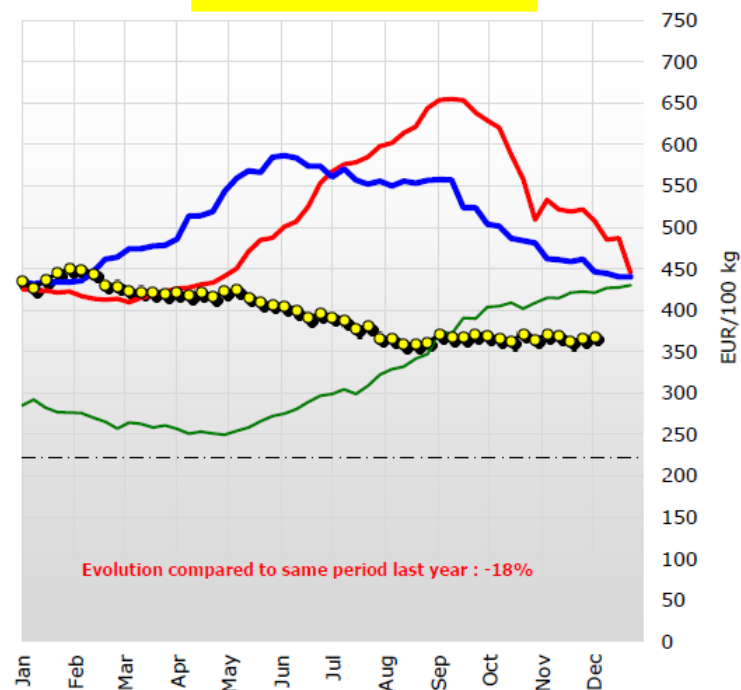
Latest price : 250 EUR/100kg



— 2016 — 2017 — 2018 —●— 2019 - - - IP 2009

Weekly EU BUTTER Prices

Latest price : 368 EUR/100kg



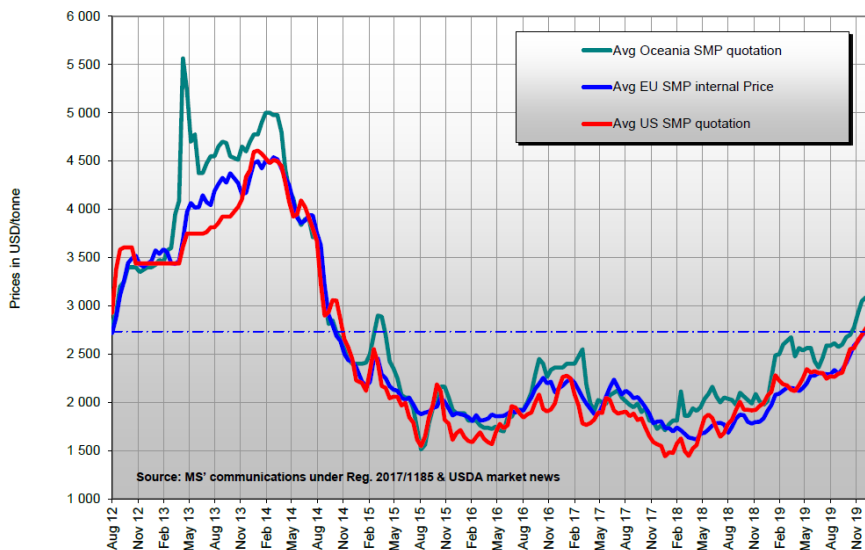
— 2016 — 2017 — 2018 —●— 2019 - - - IP 2009



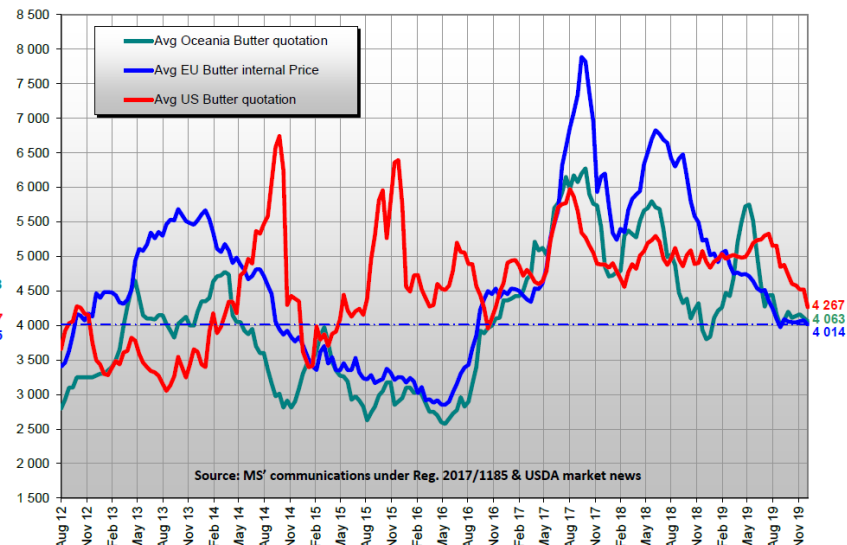
Latest World Quotations of Dairy Products

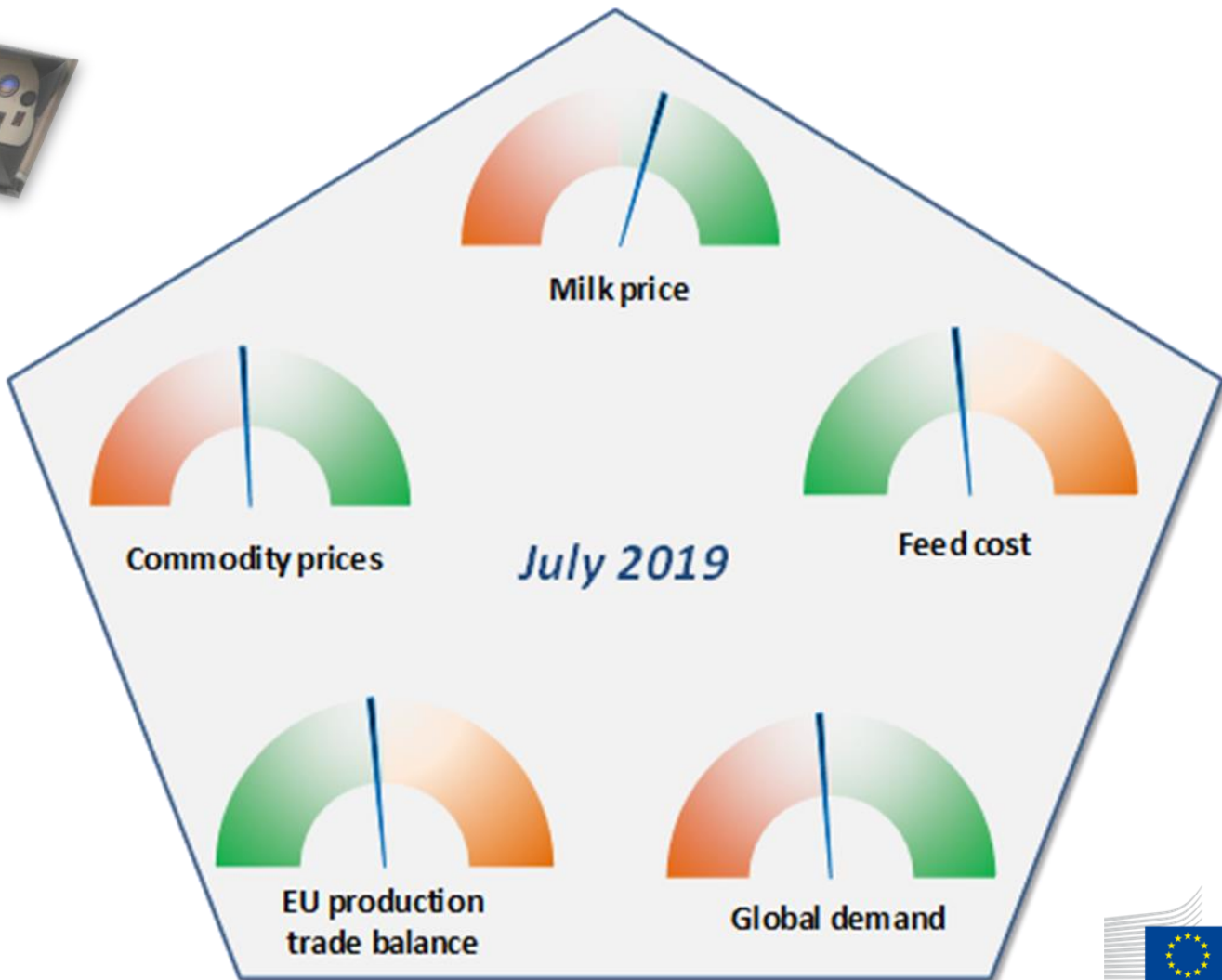
In US\$/t	Latest Quotations			Week - 2						Year - 1					
	08/12/2019			24/11/2019			% change (previous quotation)			09 December 2018			% change (1 year)		
	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA
Butter	4 014	4 063	4 267	4 076	4 113	4 521	-1.5%	-1.2%	-5.6%	5 243	3 800	4 921	-23%	+7%	-13%
SMP	2 735	3 088	2 767	2 695	3 050	2 700	+1.5%	+1.2%	+2.5%	1 834	1 975	1 992	+49%	+56%	+39%
WMP	3 340	3 375	3 968	3 348	3 325	3 880	-0.2%	+1.5%	+2.3%	3 098	2 638	3 417	+8%	+28%	+16%
Cheddar	3 489	3 988	4 320	3 502	3 788	4 069	-0.4%	+5.3%	+6.2%	3 566	3 263	2 985	-2%	+22%	+45%

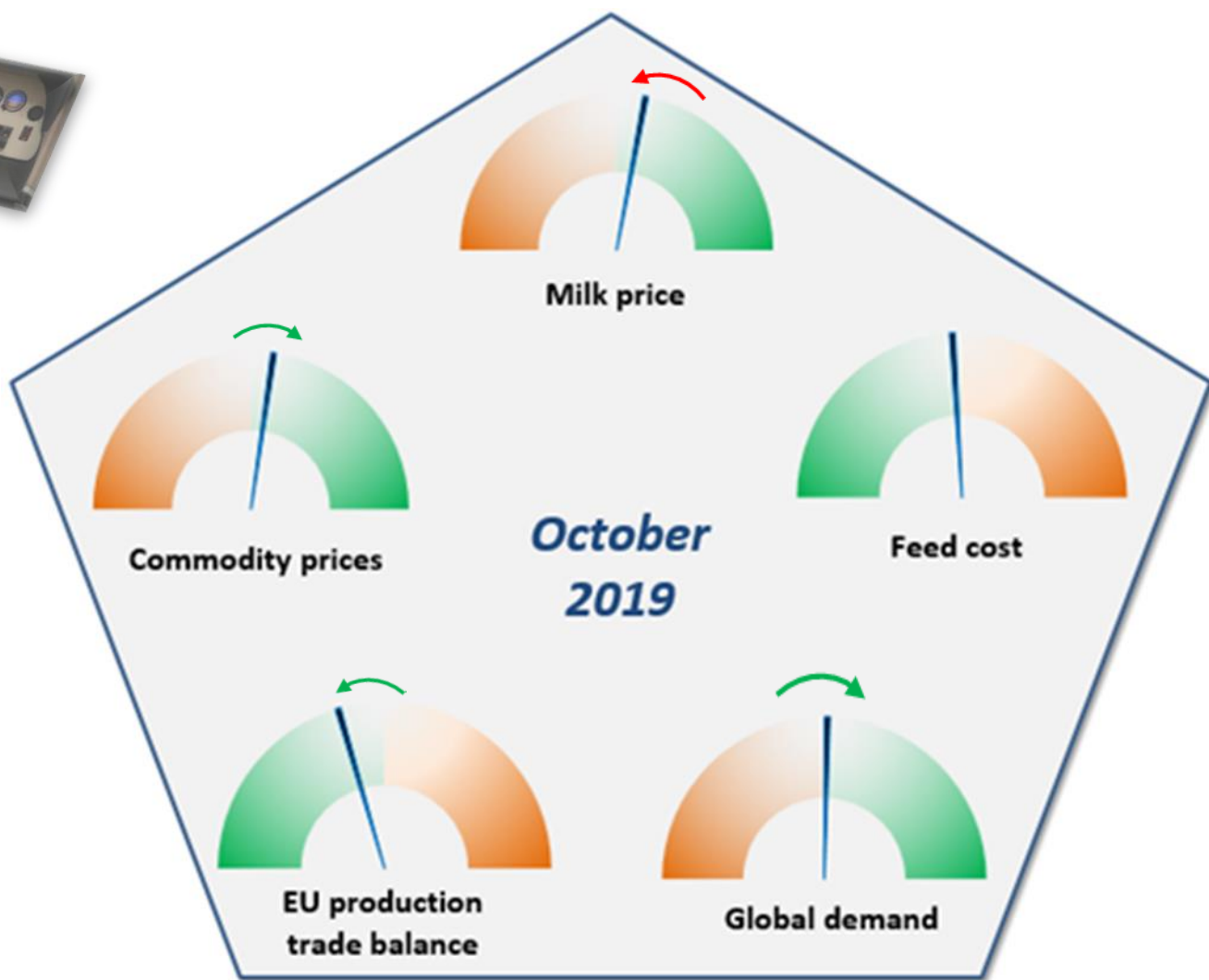
EU/US/Oceania Quotations of SMP



EU/US/Oceania Quotations of Butter







ANNEX 2

Milk Market Situation

LTO Nederland

Milk market situation



1. Milk Prices
2. Production figures
3. Futures, indices..
4. Conclusions
5. Farmers' sentiment

December 13, 2019

[Klaas Johan Osinga](#)

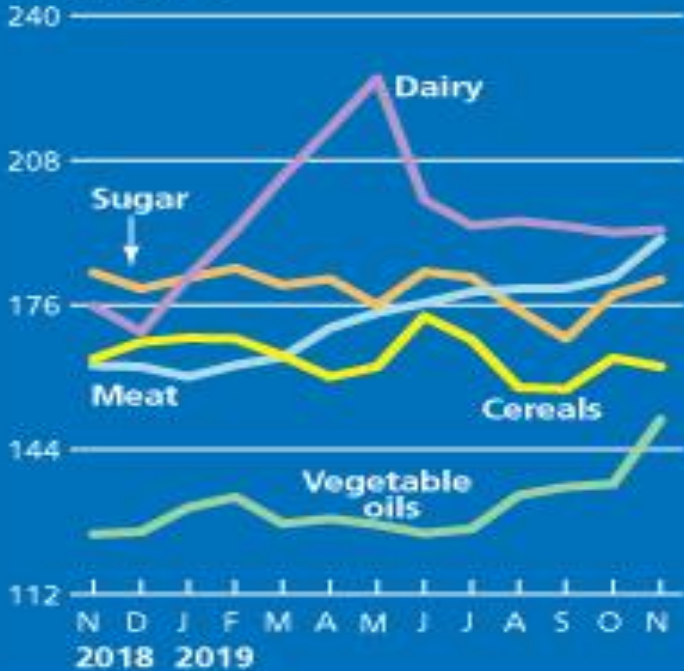
kjosinga@lto.nl, [@KJOsinga](#)

1. FAO Food Price Index at 26-month high in November



FAO Food Commodity Price Indices

2002-2004=100



FAO Food Price Index

2002-2004=100



***LTO International comparison
of producer prices for milk***

2018



*prezzi di latte • melkprizen • prix du lait • molkeprizen
milch preise • milk prices • maelke priser • maidon hinnat*

LTO Nederland

ZuivelNL
KETENORGANISATIE VAN DE ZUIVELSECTOR



LTO Nederland

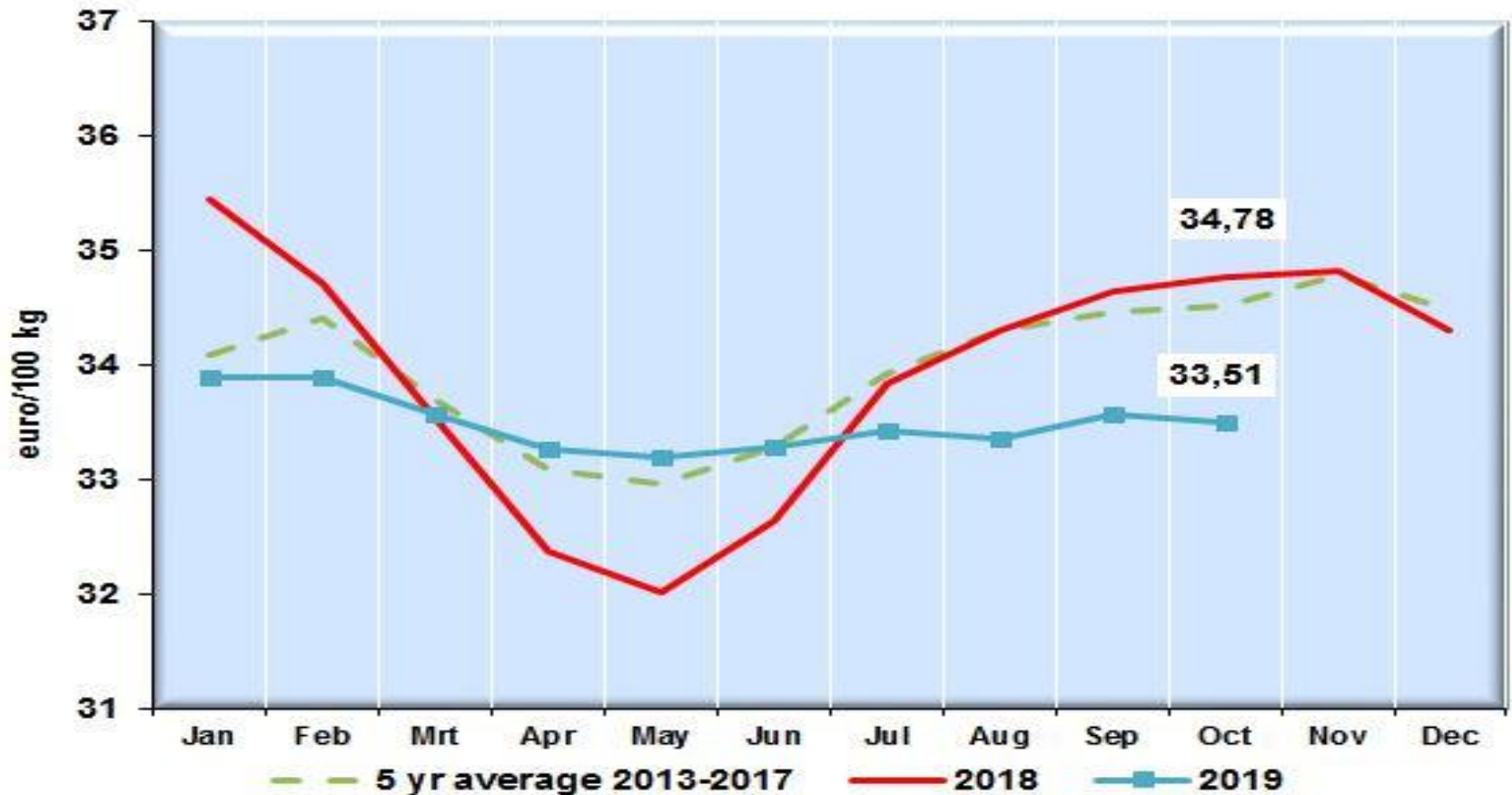
ZuivelNL
KETENORGANISATIE VAN DE ZUIVELSECTOR



<http://milkprices.nl/>

LTO milk prices average

Average milkprice October 2019 € 1.27 lower compared to same month in the previous year



Farm gate milk prices € per 100 kg standardised milk

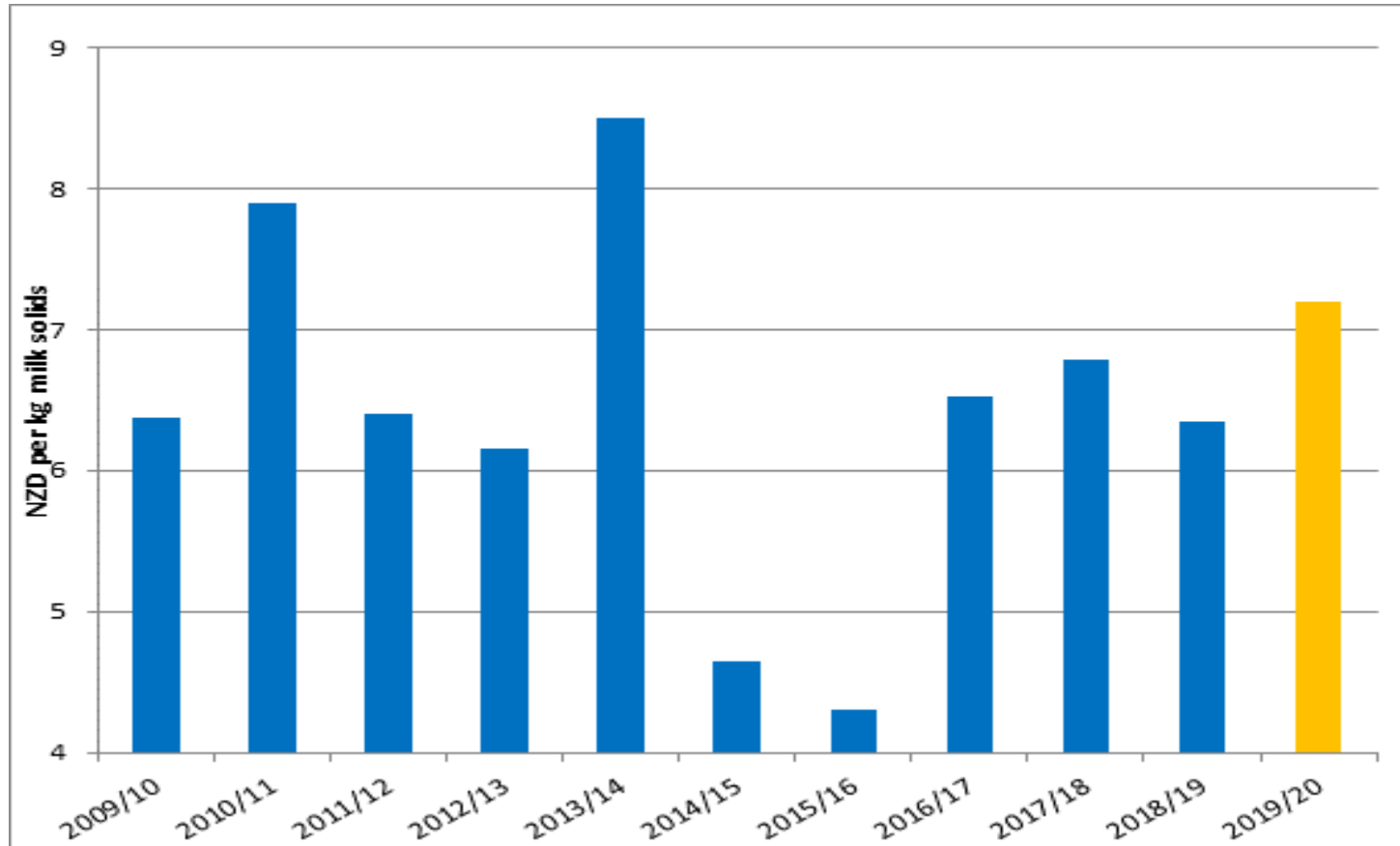


Dairy Company		Oct 2019	Rank	Rolling average (12 months)	Rank	Changes in Nov; Dec	Most recent profit payment
GRANAROLO (North)	ITA	41.27	1	38.71	1	No changes	
SODIAAL (PAS DE CALAIS)	FRA	36.19	2	35.32	2		0.29
VALIO	FIN	35.88	3	35.23	4		1.02
VREUGDENHIL	NL	35.49	4	33.03	9		Incl winter premium 3.90
SAVENCIA	FRA	35.28	5	35.01	5		
SAPUTO DAIRY UK (DAIRY CREST)	FRA	35.16	6	32.86	11		
LACTALIS (PAYS DE LA LOIRE)	FRA	34.99	7	34.93	7	No change in Nov	
DANONE	FRA	34.64	8	34.95	6		
FRIESLANDCAMPINA	NL	34.27	9	35.36	3	+0.7; +0.9	0.57
HOCHWALD MILCH eG	DEU	32.53	10	33.07	8		0.02
ARLA FOODS DK	DK	32.48	11	32.95	10	no change; -1.0	2.30
MILCOBEL	BE	32.22	12	32.45	12	No change in Nov	0.24
MULLER (LEPPERSDORF)	DEU	31.48	13	32.45	12		
DMK DEUTSCHES MILCHKONTOR eG	DEU	31.26	14	31.98	14	No change in Nov	
KERRY AGRIBUSINESS	IRL	30.00	15	31.18	15		
DAIRYGOLD	IRL	29.30	16	30.44	17		
GLANBIA	IRL	29.15	17	30.53	16	+1.0	0.40
Average		33.51		33.59			
EMMI	CH	55.89		51.02			
FONTERRA	NZ	29.17		20.01		See next slide	
USA Class III (USDA)	USA	42.39		35.98		See next slide	

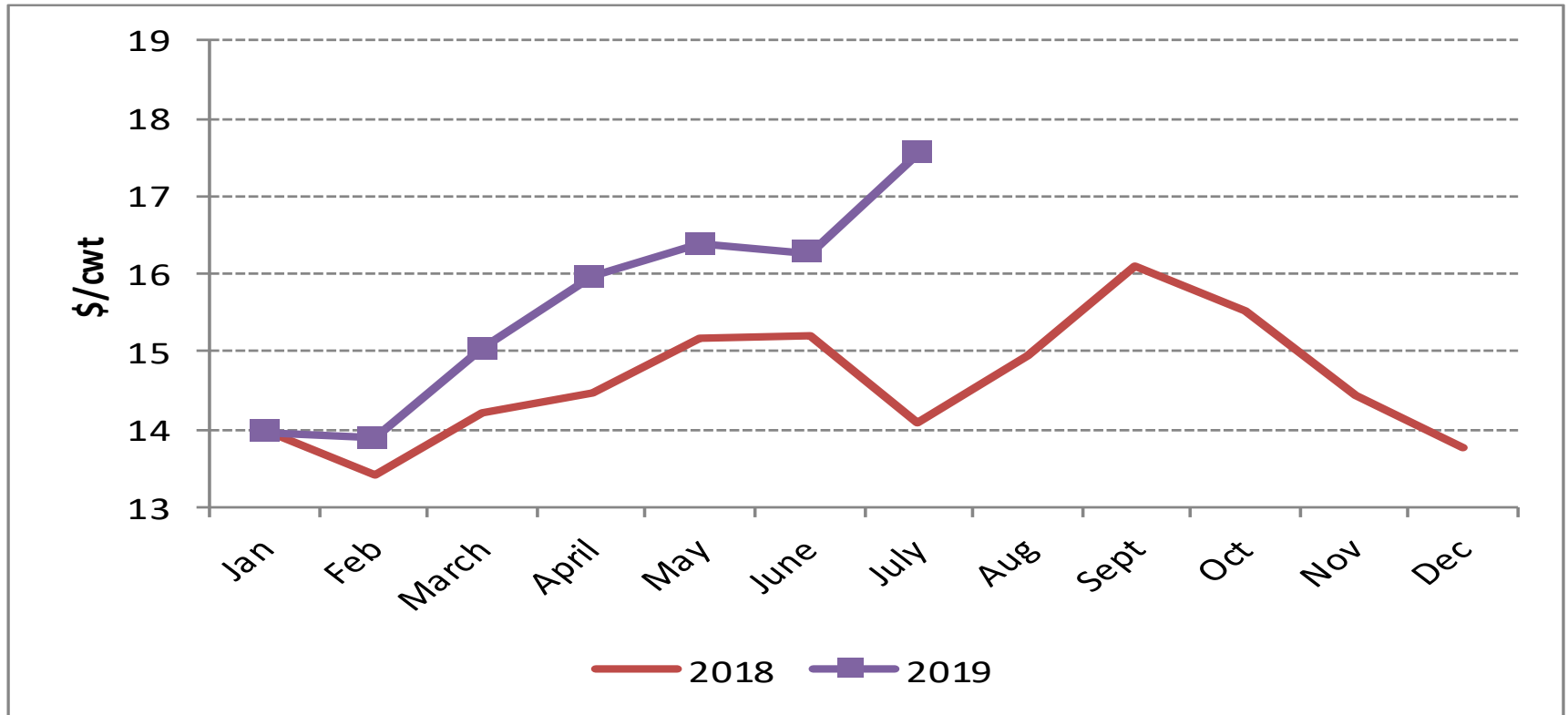
Deliveries 1 million kg / year, 4.2% fat

milkprices.nl

Fonterra raises milk price to highest level since 2014



US Class III milk price has also risen



US September cheese exports were 12% higher than a year ago led by increases of 31% to Mexico, 9% to South Korea and exports nearly triple to United Arab Emirates.

2. Milk production

United States: limited growth still

USDA (y-o-y):

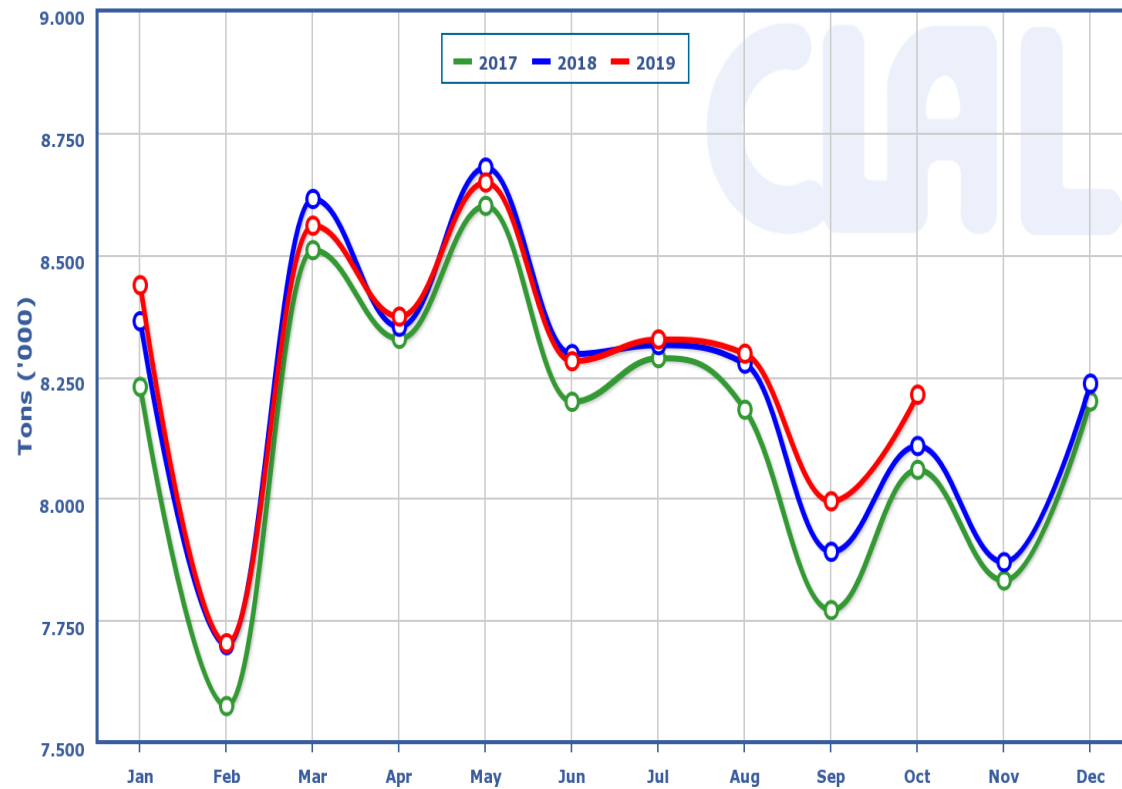
Sept: +1.3%

Oct: +1.3%

Year to date: +0.3%

US: Triennial overview of monthly Milk production

Source: National Agricultural Statistics Service



Milk production

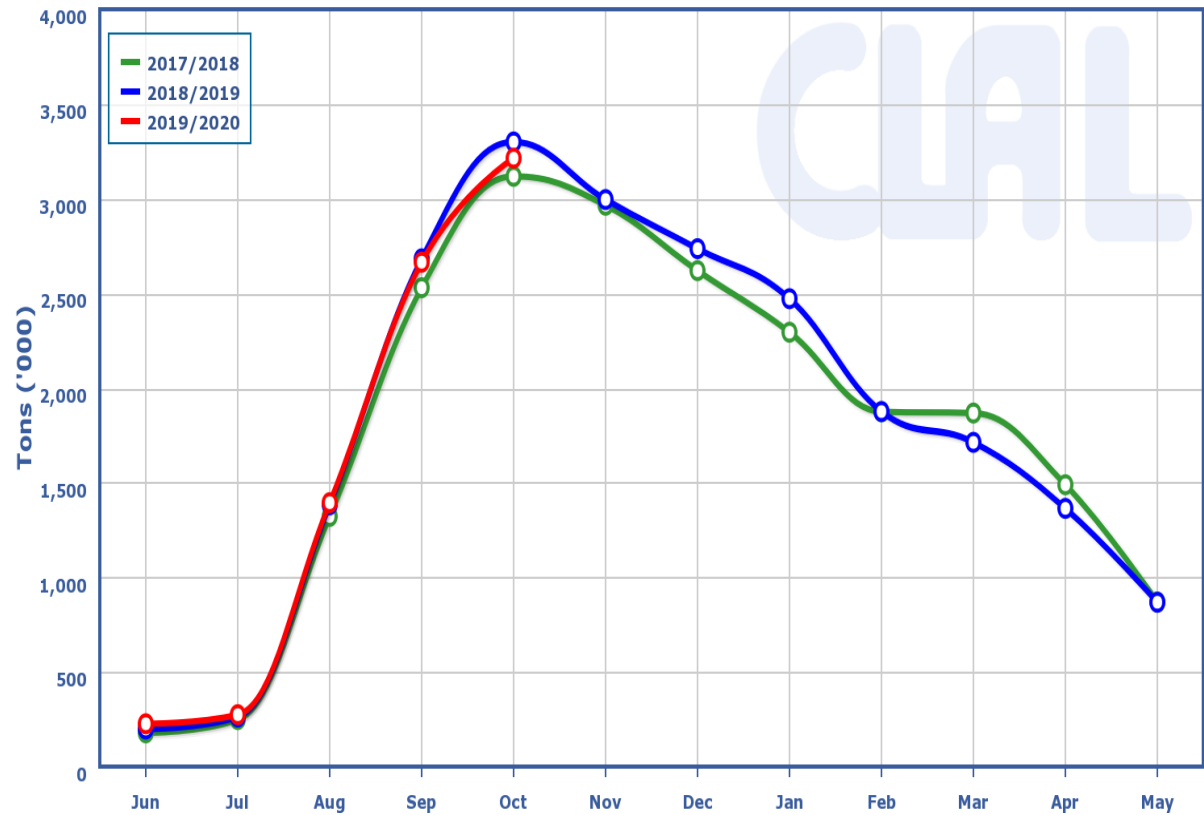
New Zealand Oct 2019:

June-Oct
2019:

-0.7% y-o-y

New Zealand - Triennial overview of monthly Milk production

Source: DCANZ

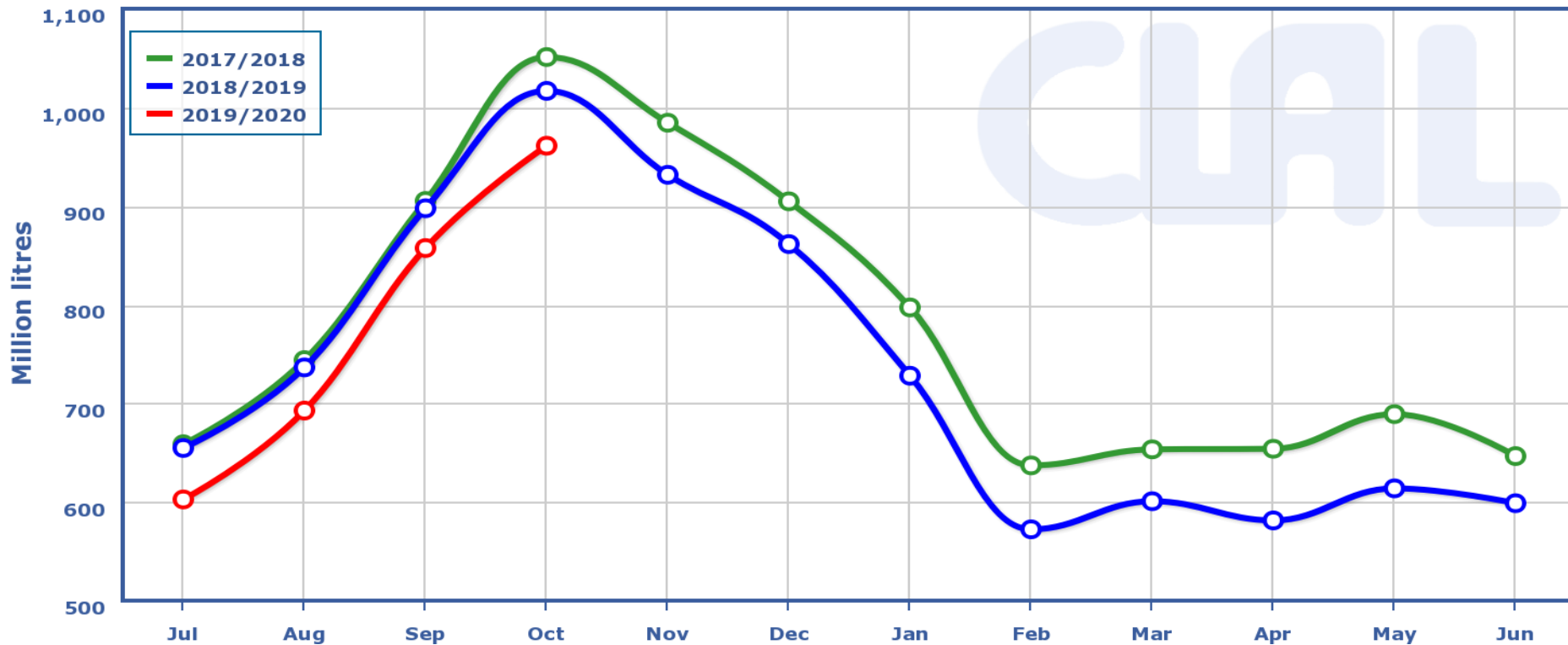


Milk production

Australia: July-Oct 2019 -5.8%

Australia - Triennial overview of monthly Milk production

Source: Dairy Australia



Milk production



EU – some latest data:

Germany

France

UK

Netherlands

Portugal

Poland

Belgium

Hungary

Latvia

Slovakia

Denmark

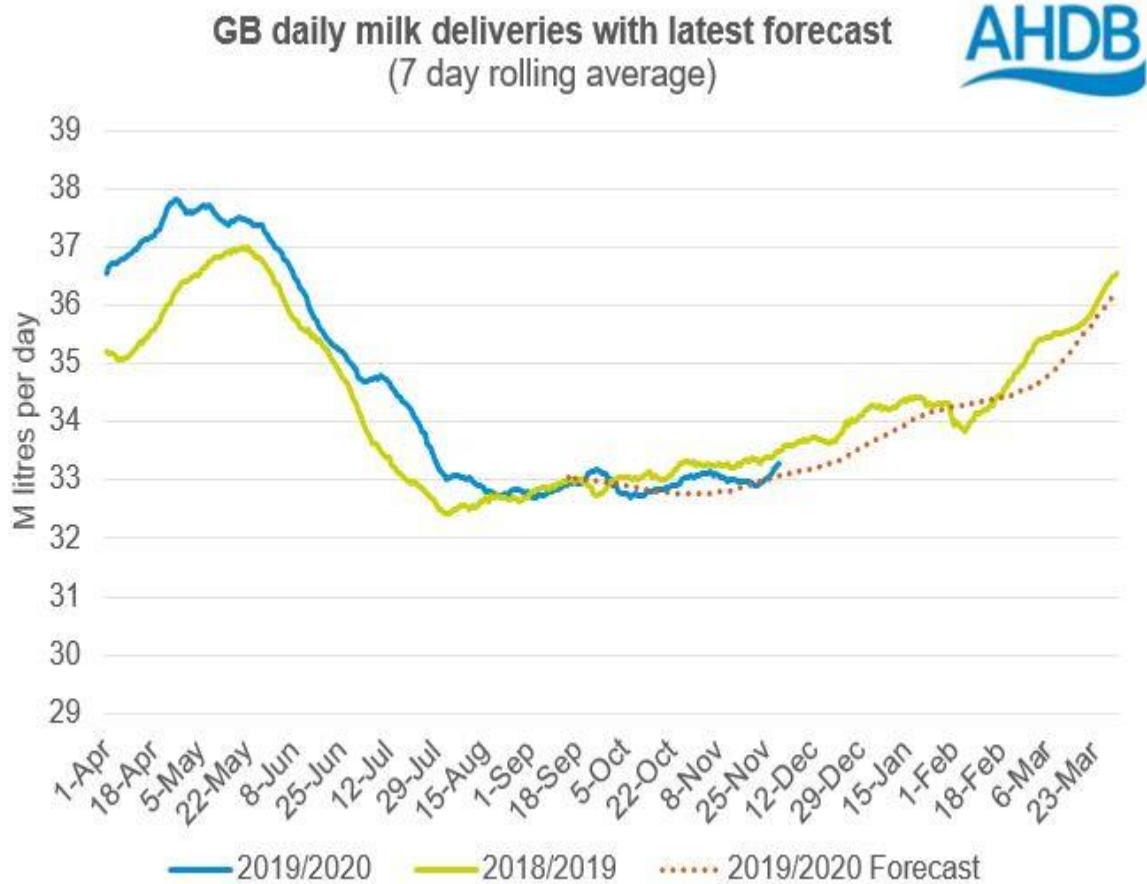
Austria

Germany & France milk production (year-on-year)



Week	Germany	France
Week 47	+0.4%	+1.8%
Week 46	- 0.3%	+1.5%
Week 45	+0.2%	+1.7%
Week 44	+0.4%	+2.6%
Week 43		- 1.8%

Great Britain (y-o-y)

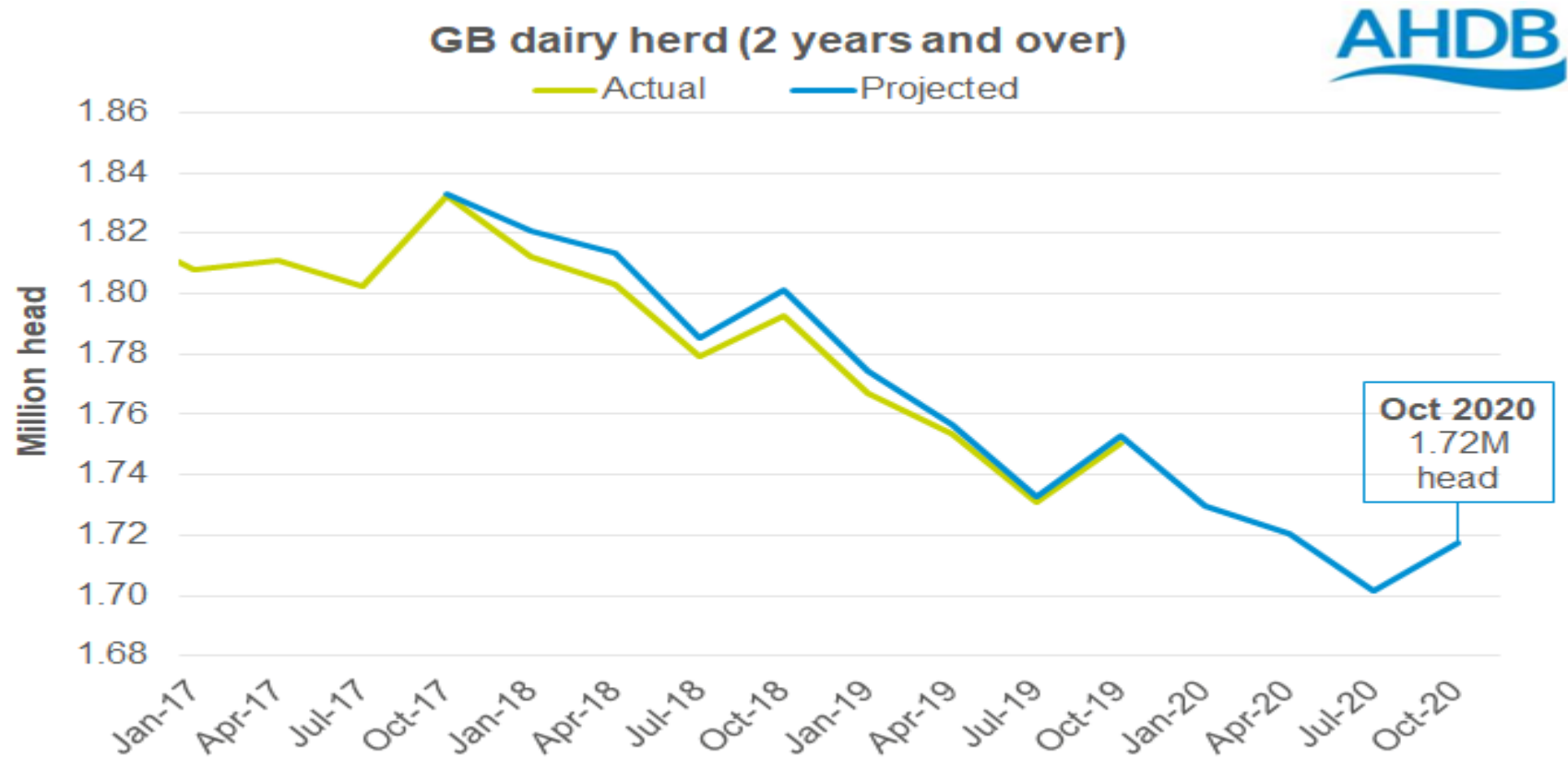


Source: AHDB

Week 48: -0.7%
 Week 47: -1.1%
 Week 46: -0.9%

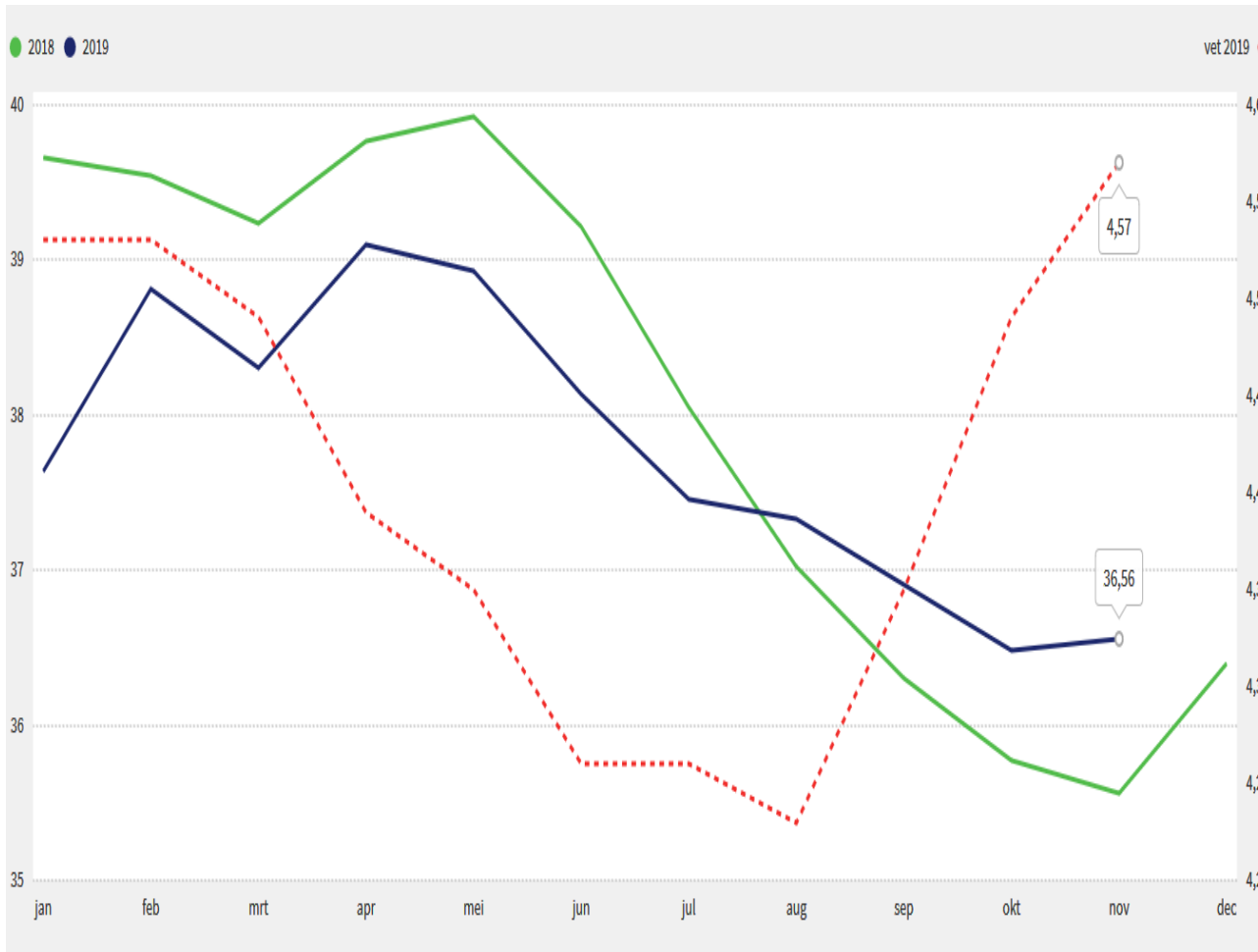
Year-on-year

UK milk herd declining 2% annually



Source: BCMS/AHDB

Netherlands milk production



Jan-Nov 2019:
 -1.0% (milk)
 +0.3% (fat)

Nov 2019:
 +2.8% (milk)
 +3.7% (fat)

Green = 2018

Blue = 2019

Red = fat content

COPA COGECA members



MS	Milk price & trend (euro)	Milk production	Production costs
Finland	38.30 (Oct) +/-	-1.4% year to Sept	
Belgium	34.50 (Oct) +	+2.4% (Oct)	Stable at € 33 (excl labour)
Portugal	31.00 (Oct)+/-	-1.0% (Jan-Oct)	
Slovakia	32.68 (Oct)		
Denmark	34.20 (Oct)+/-	+0.4% year to Oct	
Poland	30.77 (Oct)+	+1.9% (Oct)	Costs are increasing; €29.00
France	34.31 (Sept)+	+0.9% (Sept)	IPAMPA (70% of farm inputs): Oct 2019/Nov 2018 = + 2,8%
Ireland	28.5 (Oct)+	+6.9% (Jan-Oct)	Oct19/Oct 18: elec +4%; motor fuel +5.3%; Fert +2.1%, feed +3.7%
Lithuania	29.30 (Oct)+	-1.4% (Jan-Oct)	
Latvia	29.10 (Nov)+	+1.9% (Oct)	
Germany	32.86 (Oct)+	+0.4% (week 48)	
Spain	33.10 (Oct)+	+1.1% (Oct)	Feed +4%

Costs are rising

Milk production 2020: moderate growth



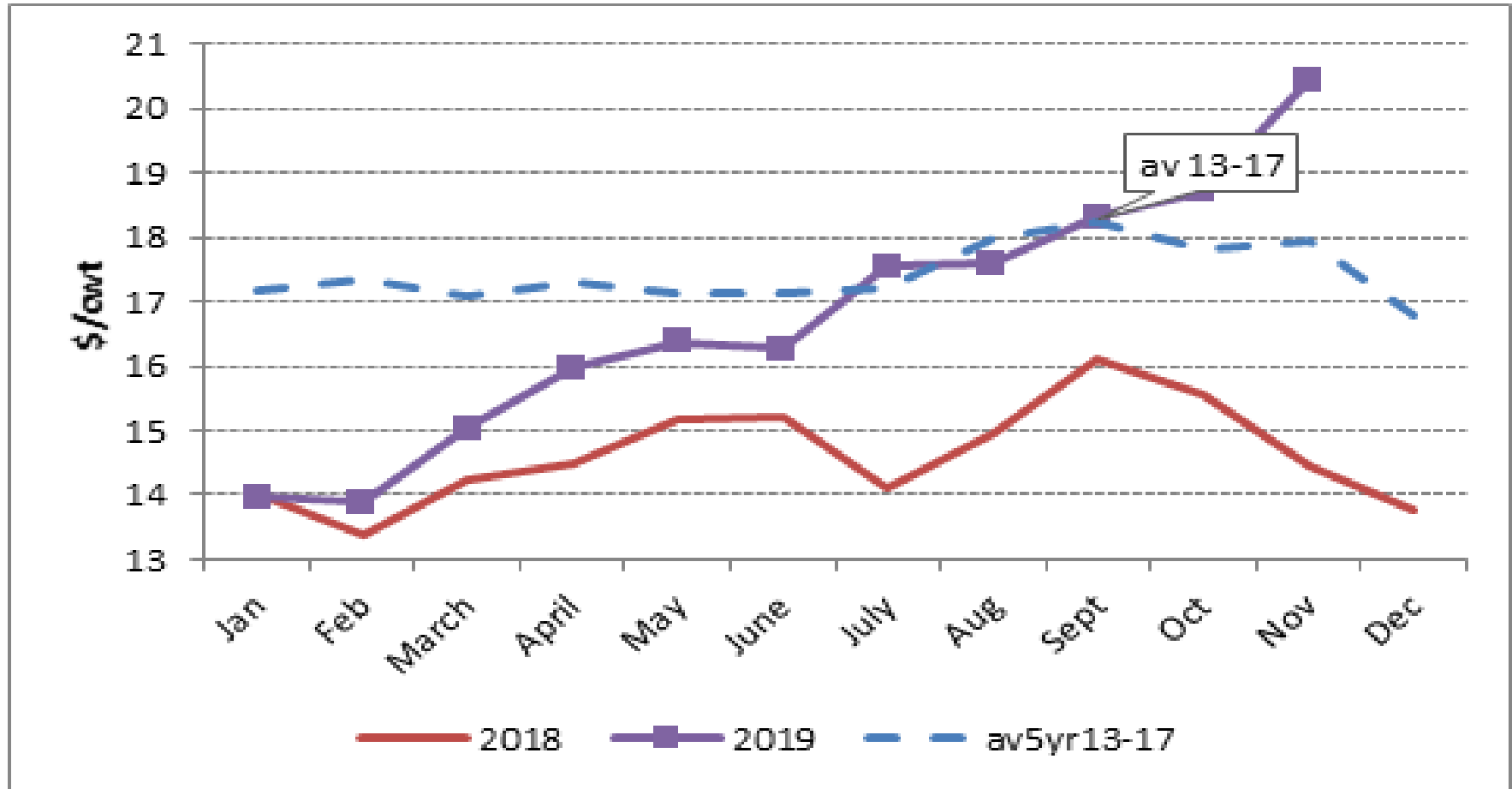
Calendar year 2020 (billion kg milk)

EU	+	1.5 (= +1.0%)
USA	+	1.5 (= +1.5%)
New Zealand	+/-	0.0 (2019/20)
Australia	-	0.2 (= -1%)
Argentina	+	0.2 (+2.5%)

Total + 3.0 billion kg

(Volume of world market is about 60 bn kg)

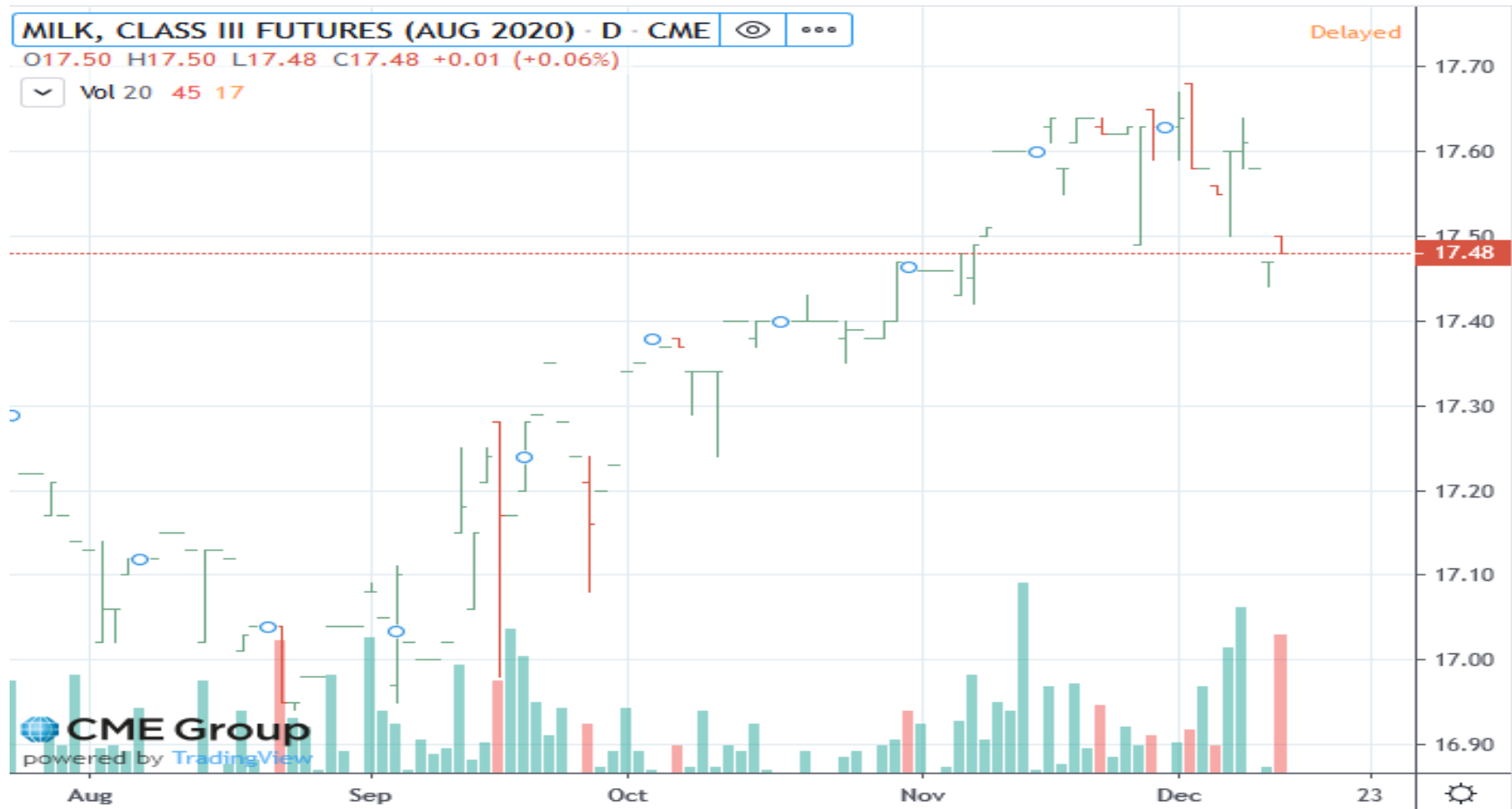
Class II milk at highest level since 2014



3. Future & indices: CME 12 Dec: Class III May 2020 contract



CME (12 Dec) Class III contract August 2020



17,48 US\$ per 100 cwt is € 35 per 100 kg (3,5% fat)

Some dairy quotations

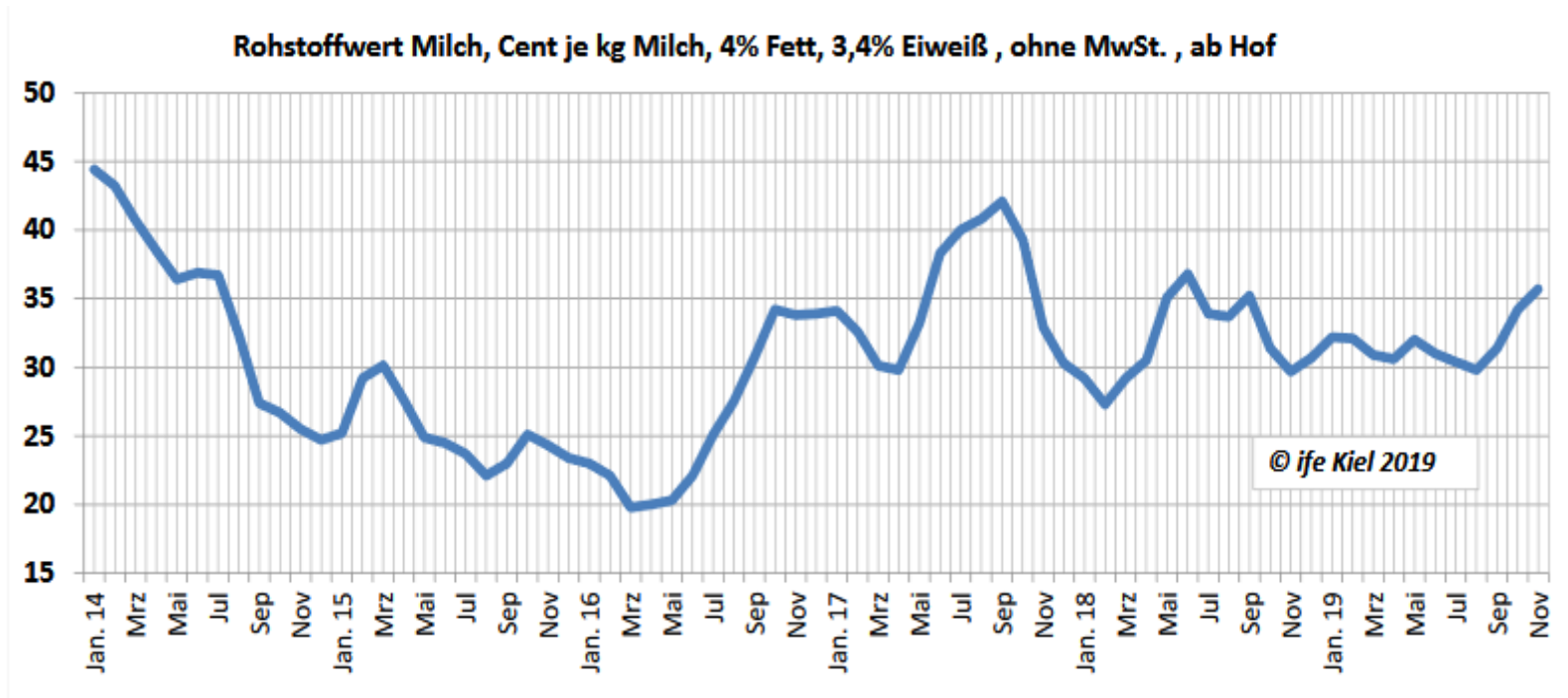
ZuivelNL quotations Dec 11, 2019:

Butter, 25 kg cartons:	+/-€ 0.00	€ 359.00
WMP, 26% fat:	+/-€ 4.00	€ 313.00
SMP extra quality:	+/-€ 3.00	€ 260.00
SMP feed quality:	+/-€ 4.00	€ 248.00
Whey powder:	+ € 1.00	€ 72.00

Cheese Edam/Gouda: Hannover € 3.05-3.30 (11 Dec)

Markets for protein are stable and even butter has improved again a little.

ife-Rohstoffwert € 35.70 (+1.5, 4% fat, Nov 2019)

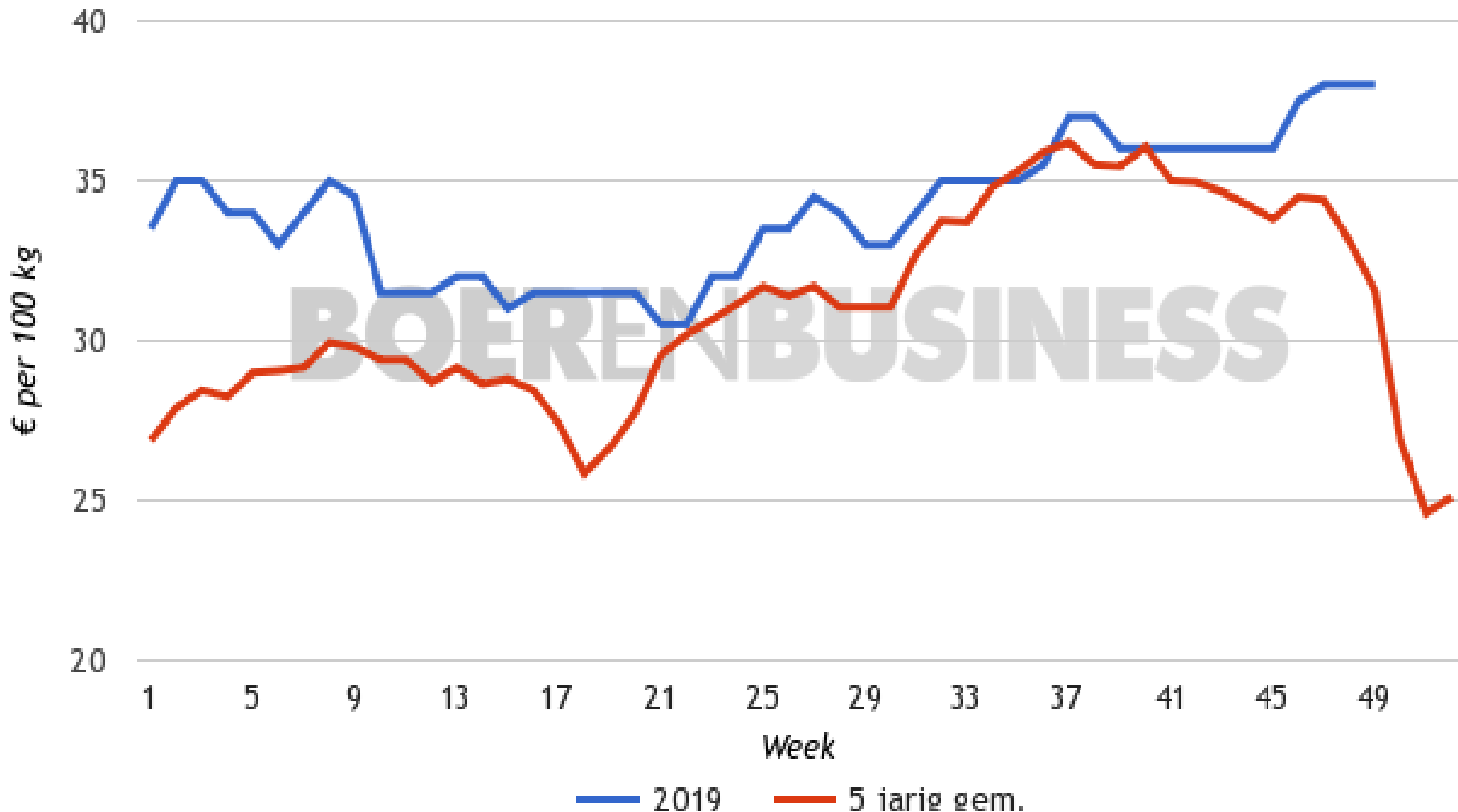


Berechnungsbasis sind die Bruttoerlöse abgeleitet aus den durchschnittlichen Marktpreisen für Butter (geformt und lose) sowie für Magermilchpulver (Lebensmittel- und Futtermittelqualität), ohne Berücksichtigung langfristiger Kontrakte, auf Basis der Notierungen der Süddeutschen Butter- und Käsebörsen in Kempten.

For the next 12 months a price at a level of 36,9 Ct/kg (4,0 % fat, 3,4 % protein) could be hedged at EEX (when cross-hedging with butter and SMP) at the moment

Dutch spot milk quotations (DCA): 38.00

DCA-notering spotmelk Nederland



4. Conclusion: driving factors

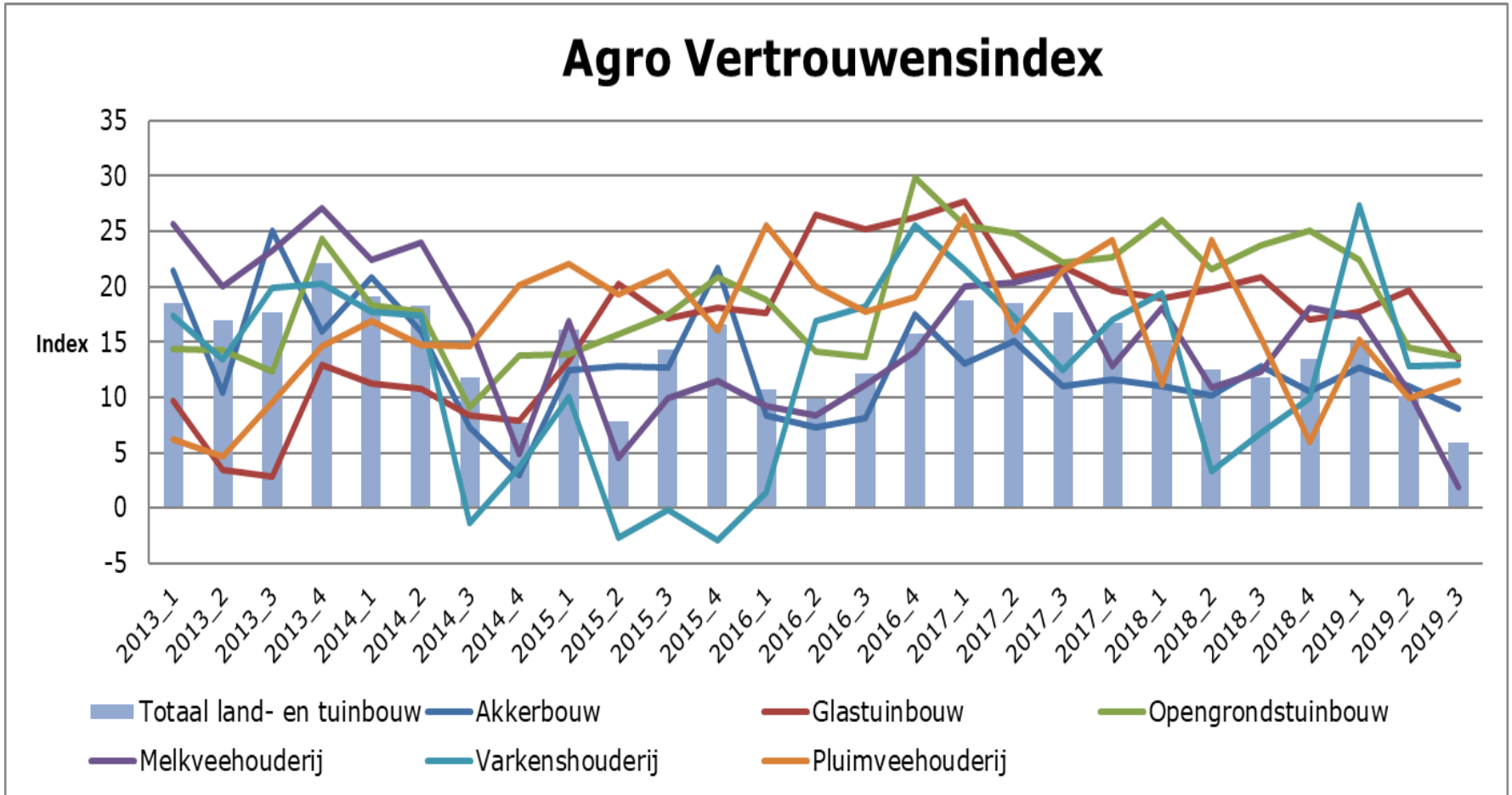
1. Milk production growth modest going into 2020 – cheese & mmp going strong
2. Brexit uncertainty.... (trade deal end of 2020 ???)
3. Other trade issues (China, US, EU, ...)
4. Asia's protein deficit (African Swine Fever)
5. Sustainability drive means costs are going up !



Market for dairy is in a rather positive mood but farmers' costs are rising

5. Dutch farmers' confidence

Agro Vertrouwensindex



Q3 2019



**Thank you
for your
attention**

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ANNEX 3

EU dairy products monthly stock estimates at the end of September 2019

EDA



**EU dairy products
monthly stock estimates
at the end of September 2019**

Milk Market Observatory

Economic Board

December 13th, 2019

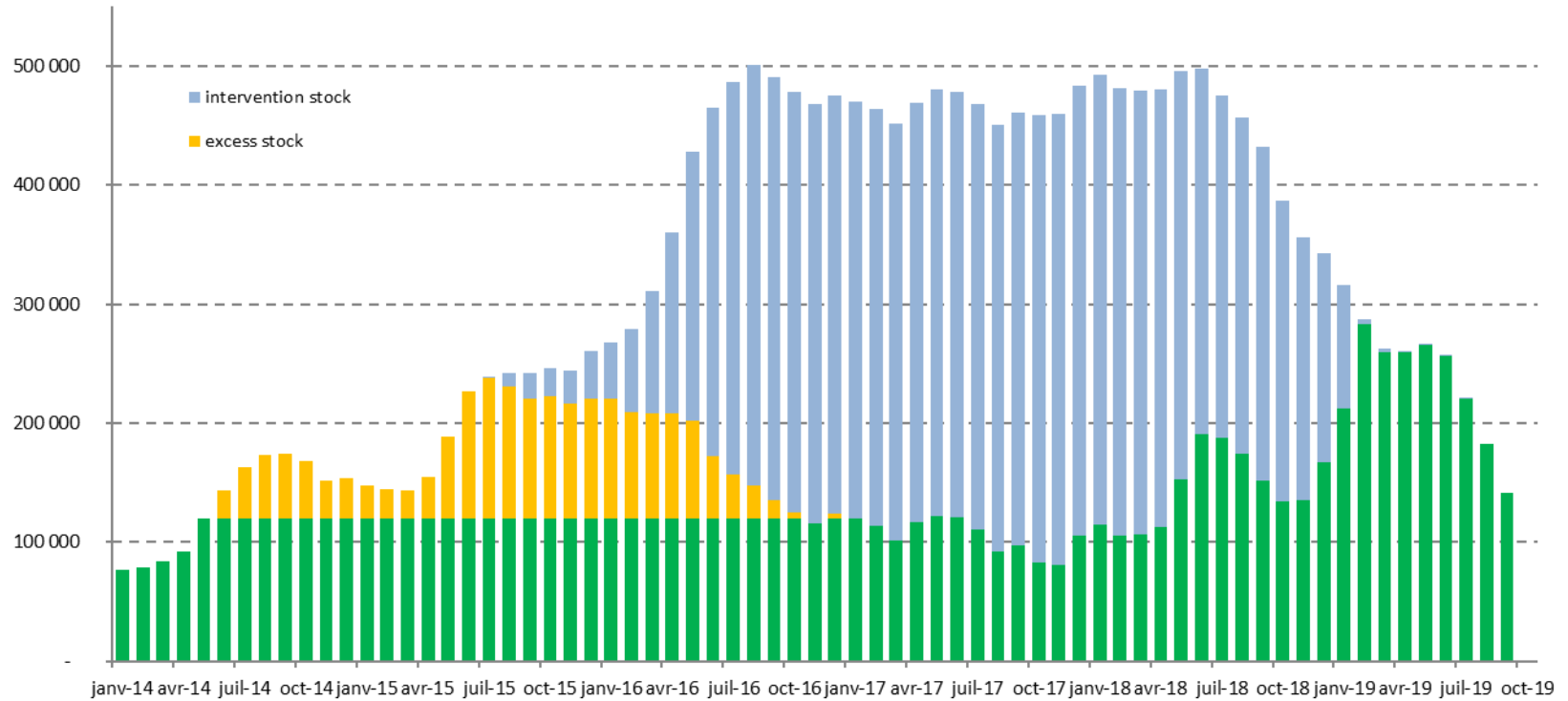
Methodology

- 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

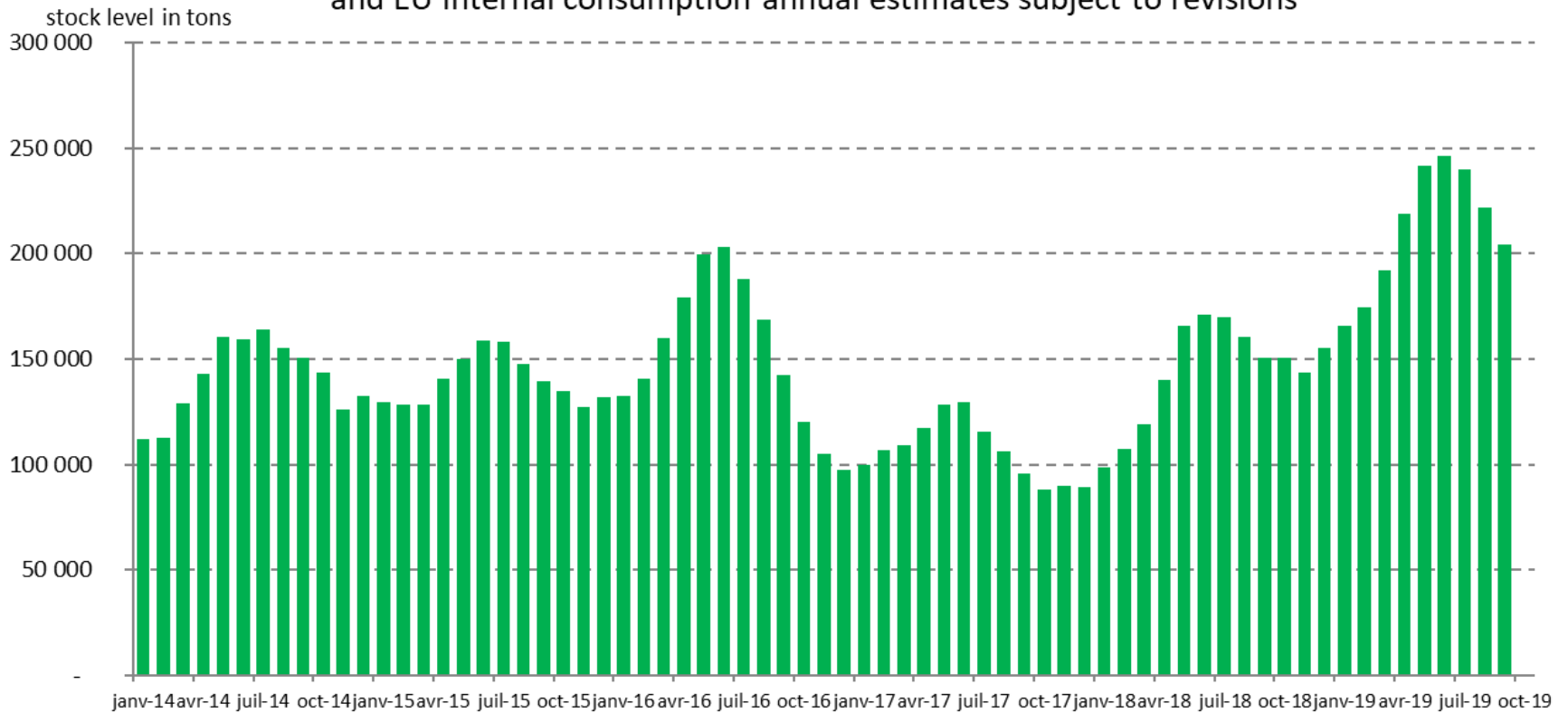
European stock level estimates - SMP

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



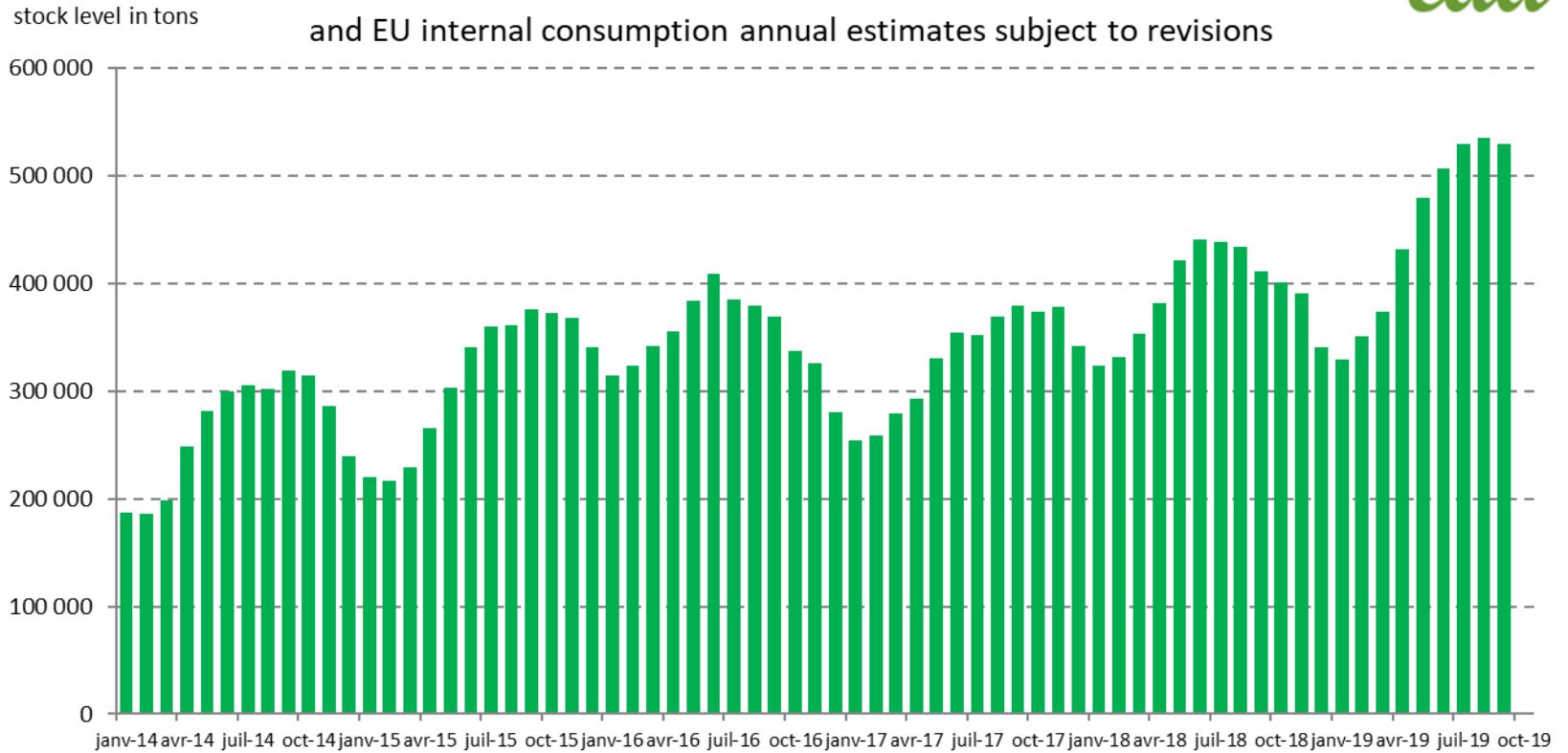
European stock level estimates - Butter

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



European stock level estimates - Cheese

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



ANNEX 4

Perspectives from the Dairy Trade

Eucolait



Perspectives from the Dairy Trade

MMO Economic Board

13 December 2019



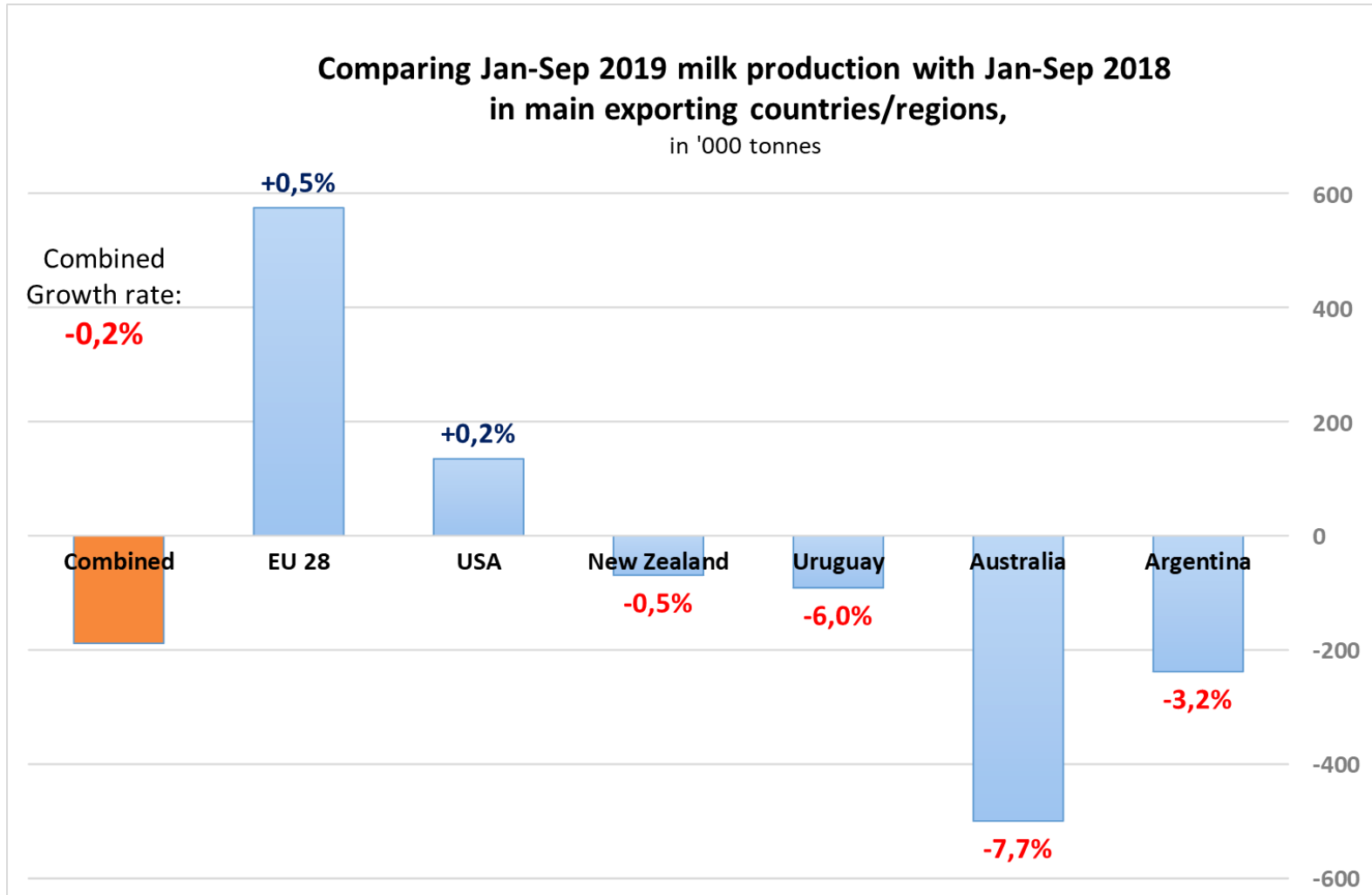
Outline

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



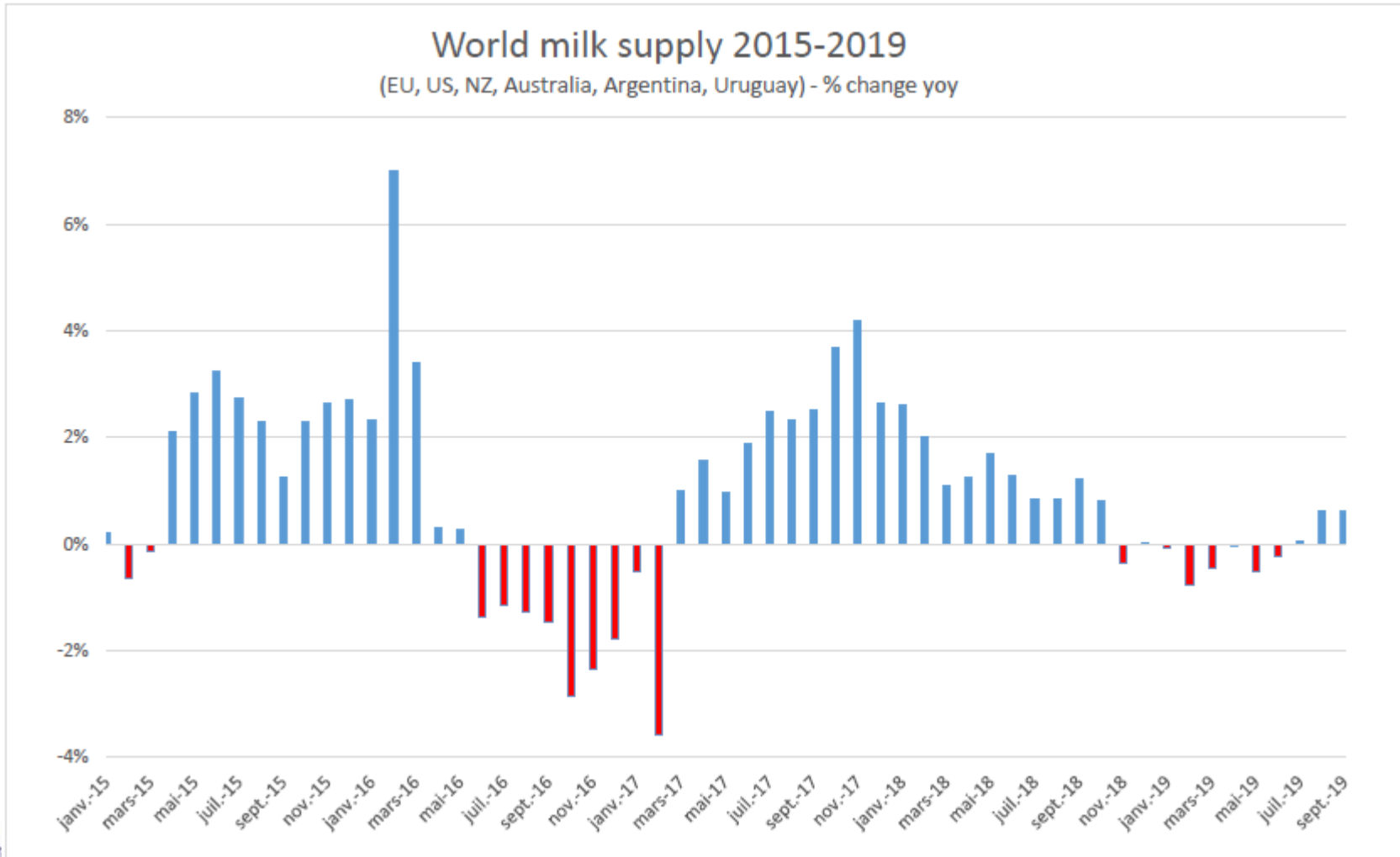
Milk production in key export regions

Comparing Jan-Sep 2019 milk production with Jan-Sep 2018
in main exporting countries/regions,
in '000 tonnes





Milk production in key export regions



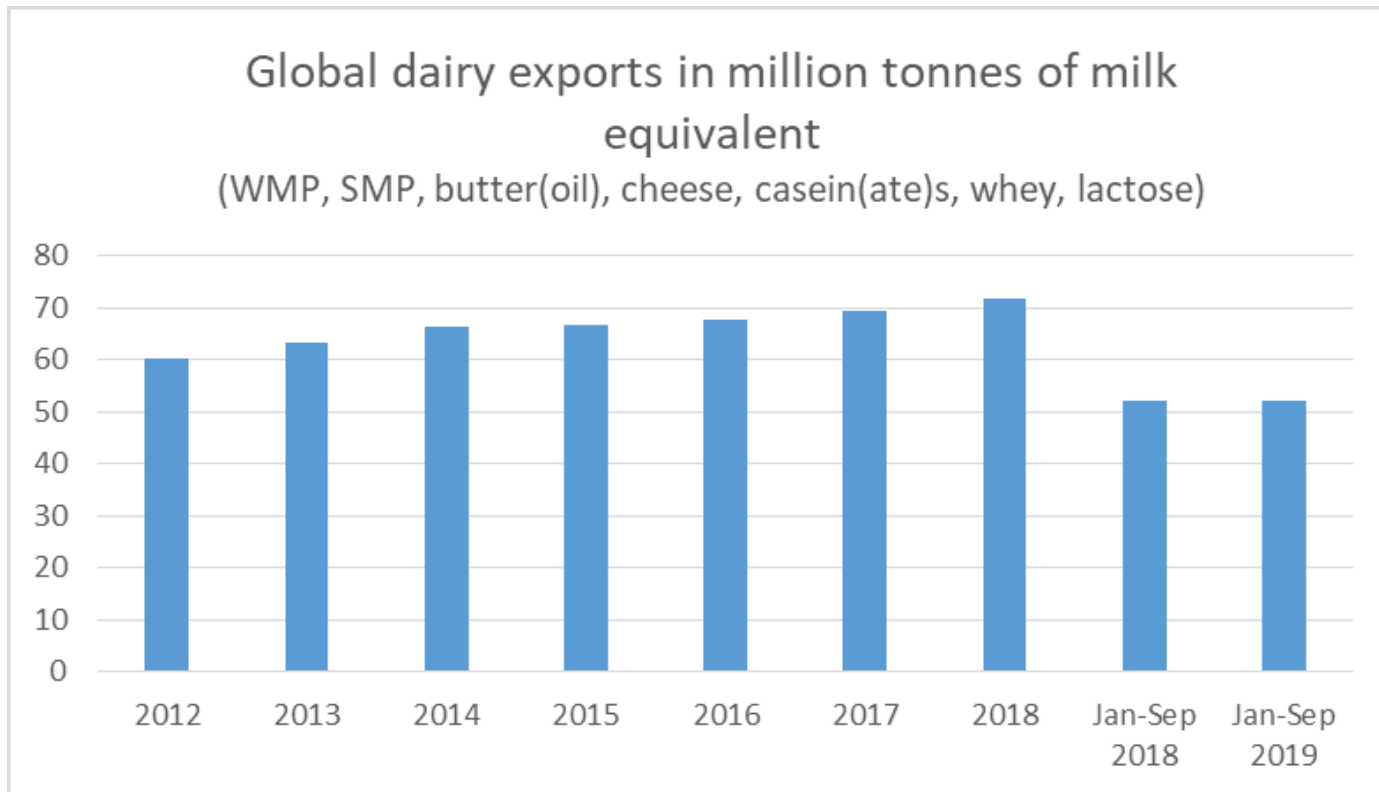


Production outlook

- **EU milk collections have been increasing since July.** Milk flows were up by 0,8% in September yoy and October should be similar. **Modest growth for the whole year 2019**
- **US milk collections up by 1,3% in Oct (YTD +0,3%),** growing milk yields continue to offset diminished cow numbers, **USDA 2019 outlook +0,5%, 2020 outlook +1,7%**
- **NZ milk production slightly down so far this season** with peak month October down by -2,6% in Oct yoy (season to Oct -0,7%) but compared to a high base. Last 12 months combined have been flat but the outlook is rather positive.
- **Australian milk production continues to decrease** albeit at a slightly slower pace in the last months (Oct yoy -5,5%, season to Oct -5,8%) with drought conditions having a major impact. Outlook: no improvement expected in the near future
- **South America: milk production in 2019 still below 2018 levels,** Uruguay October yoy production -0,7% (YTD -5,3%) due to challenging weather, Argentina October yoy production 0,9% but YTD -2,8%. After low levels in H1, Argentina's production has started to pick up again and there are signs of recovery also in Uruguay.
- **Global milk supply:** now very slightly above 2018 level, **very modest total increase in 2019 (although higher when measured in milk solids)**

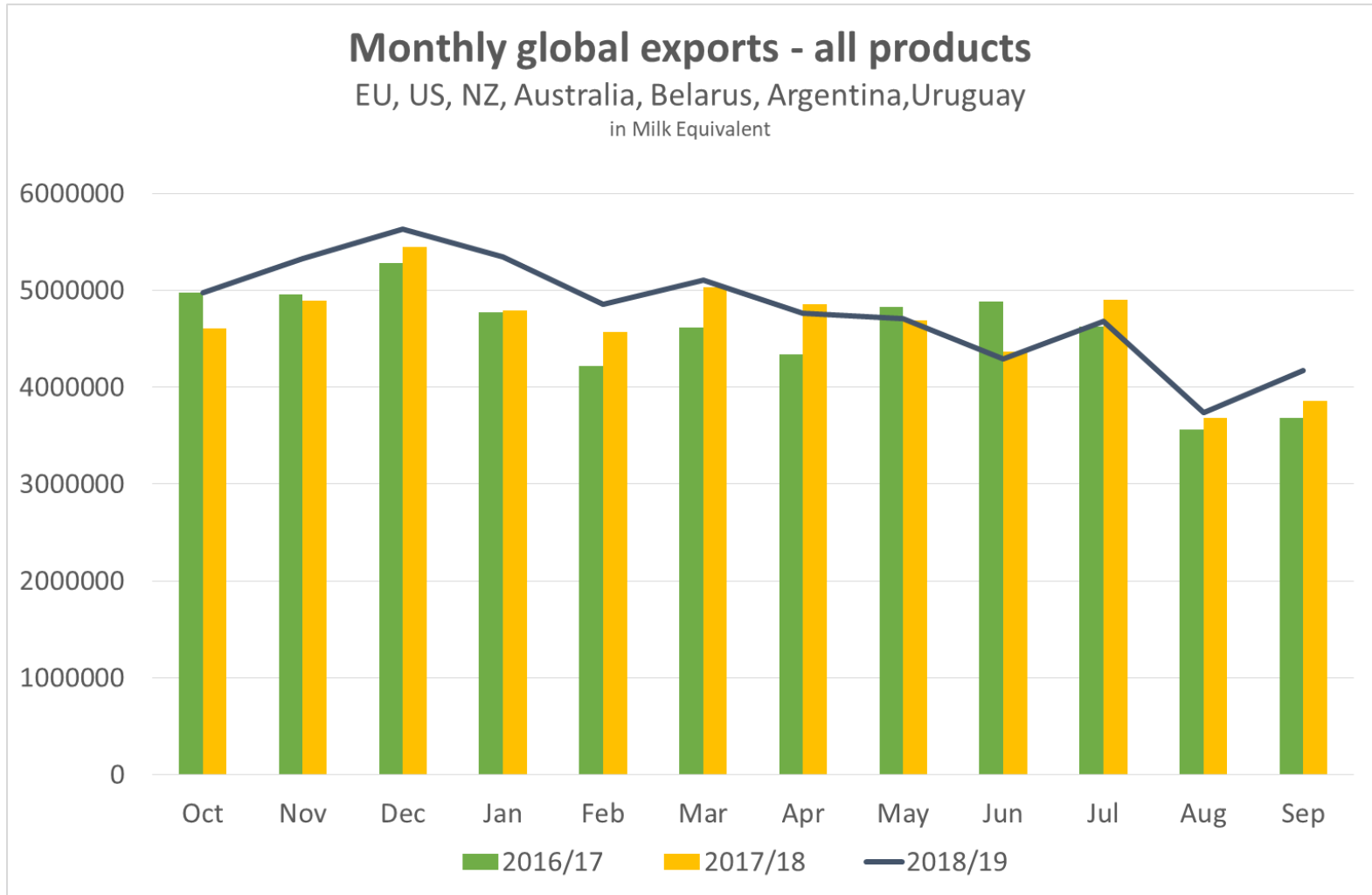


Global dairy exports in ME year to date





Dairy exports of main market players in ME – monthly





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

Jan-Sep
2017



Jan-Sep
2018



Jan-Sep
2019





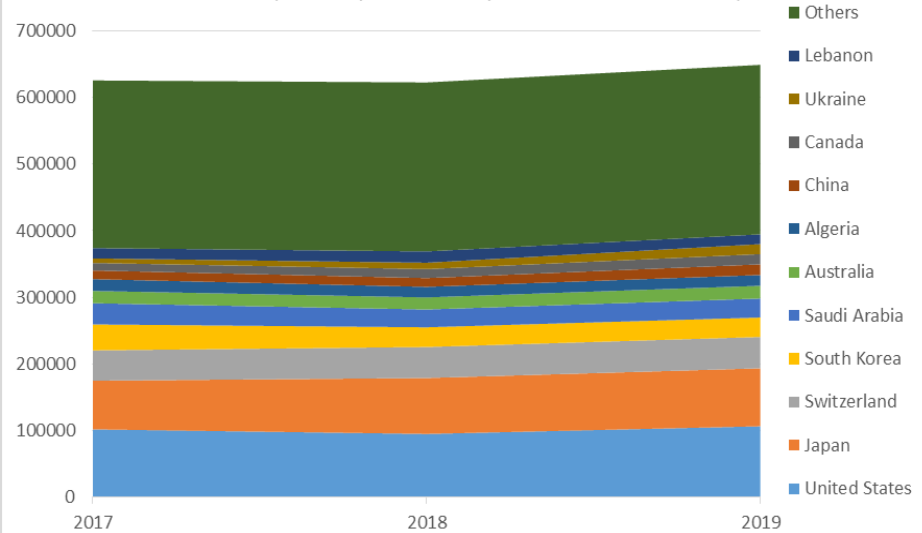
Cheese trade

- EU cheese exports:
 - Growth rate Jan-Sep 19/18: +4,3%
- Combined cheese exports:
 - Growth rate Jan-Sep 19/18: +4,4%

Development of EU export destinations for cheese

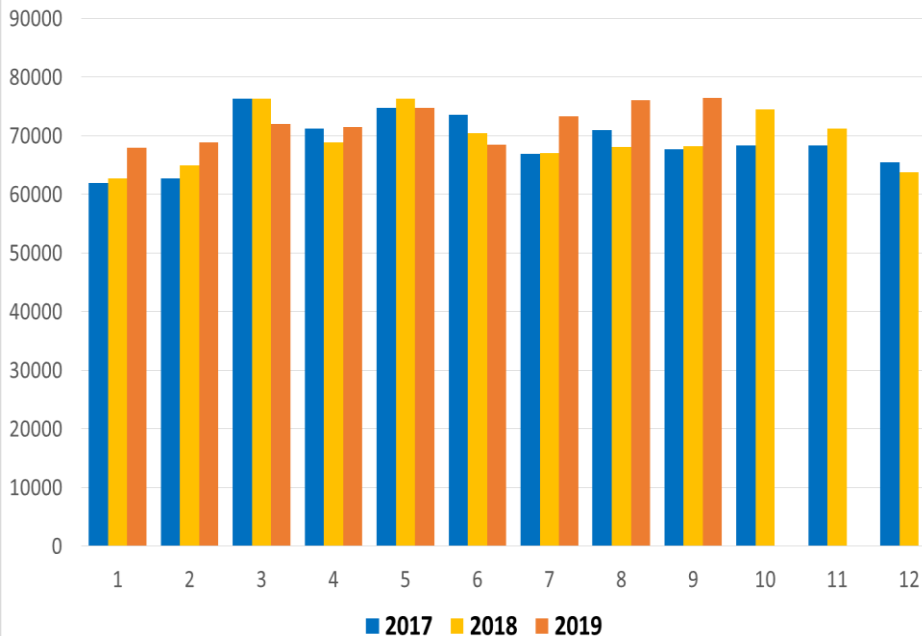
Jan-Sep 2017, 2018, 2019

(total exports Jan-Sep 2019: 649 445 tonnes)

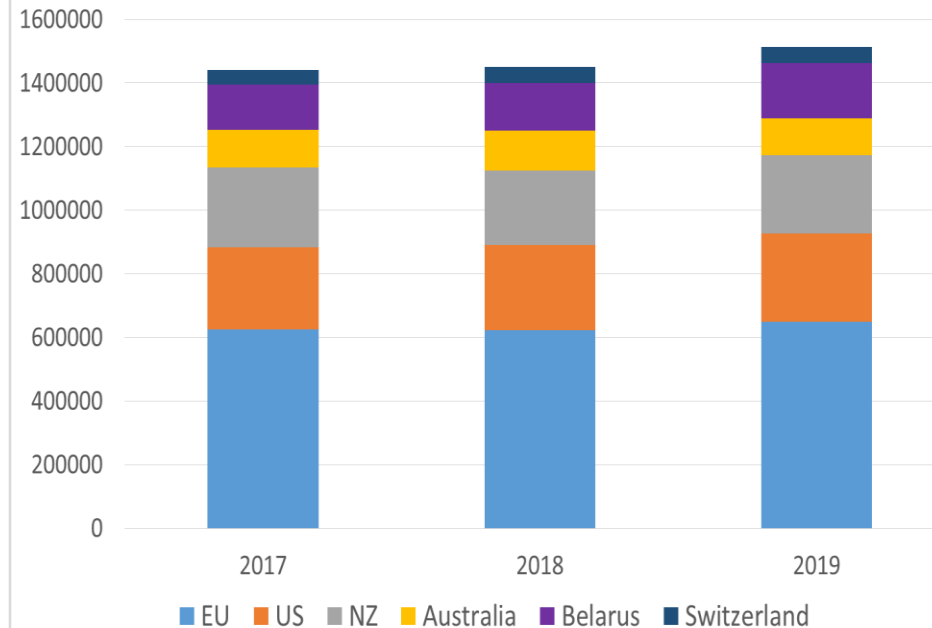


EU Cheese Exports

(tonnes)



Cumulated Cheese Exports for Jan-Sep 2017, 2018 & 2019 of major Exporters (tonnes)

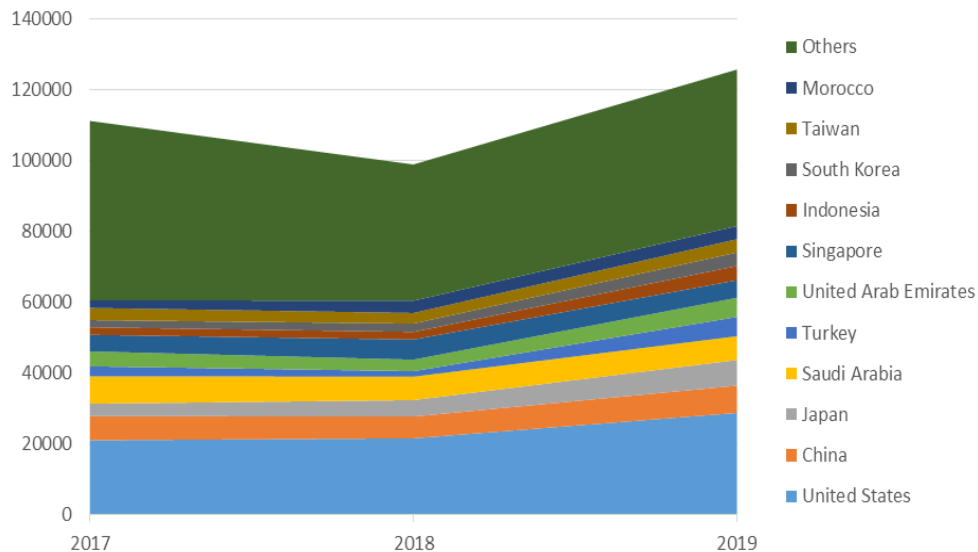




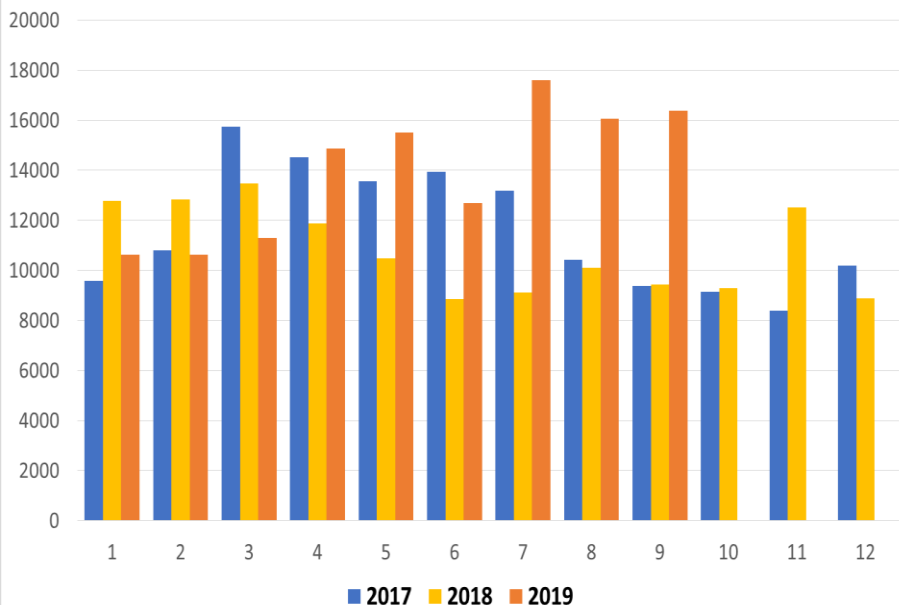
Butter trade

- EU butter exports:
 - Growth rate Jan-Sept 19/18: +27,1%
- Combined butter exports:
 - Growth rate Jan-Sept 19/18: -2,2%

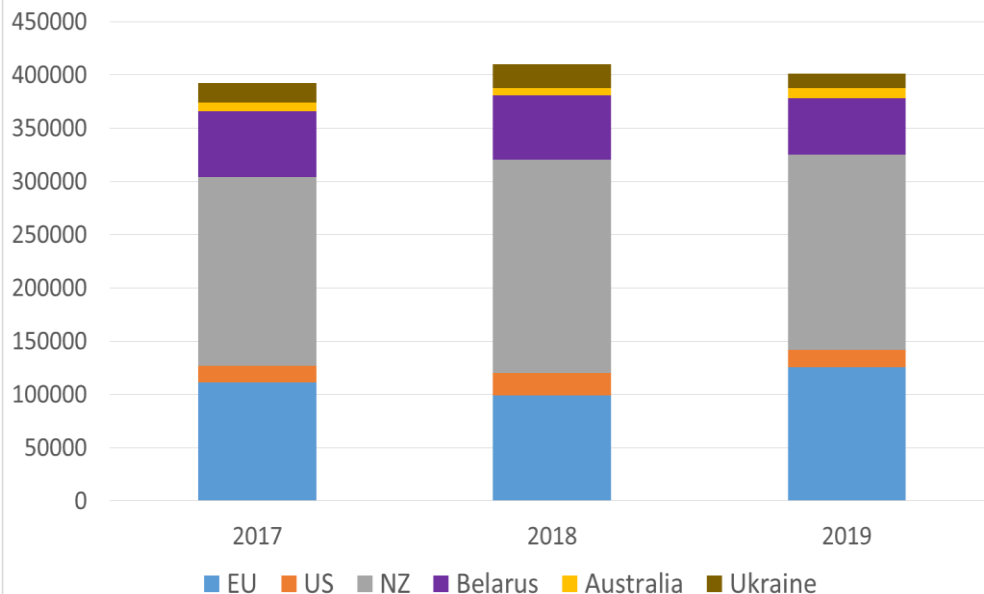
Development of EU export destinations for butter
Jan-Sept 2017, 2018, 2019
(total exports Jan-Sept 2019: 125 692 tonnes)



EU Butter Exports
(tonnes)



Cumulated Butter Exports for Jan-Sept 2017, 2018 & 2019
of major Exporters (tonnes)

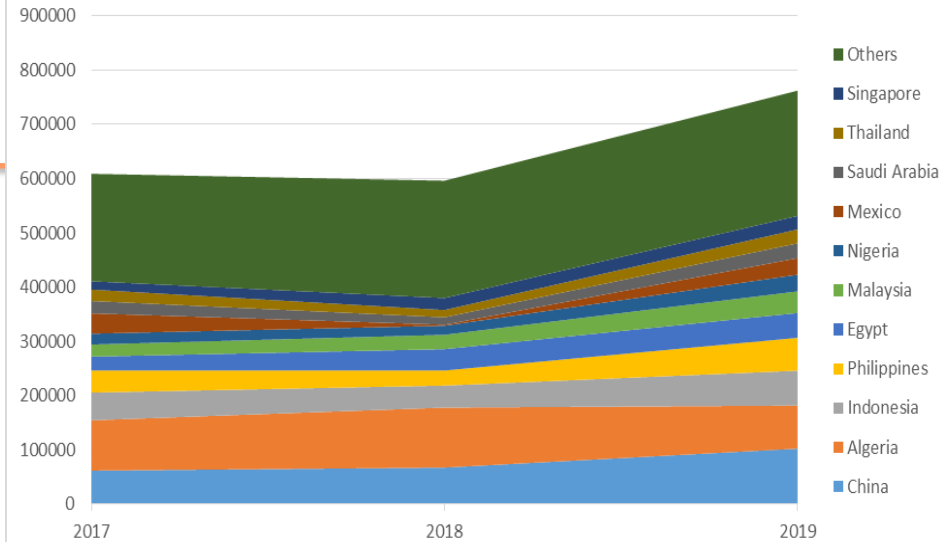




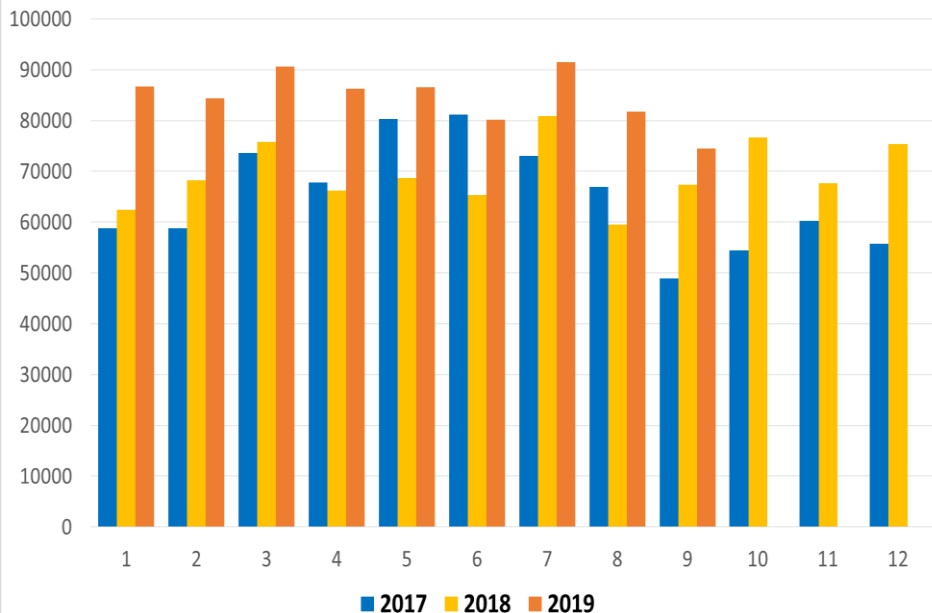
SMP trade

- EU SMP exports:
 - Growth rate Jan-Sept 19/18: +27,9%
- Combined SMP exports:
 - Growth rate Jan-Sept 19/18: +7,4%

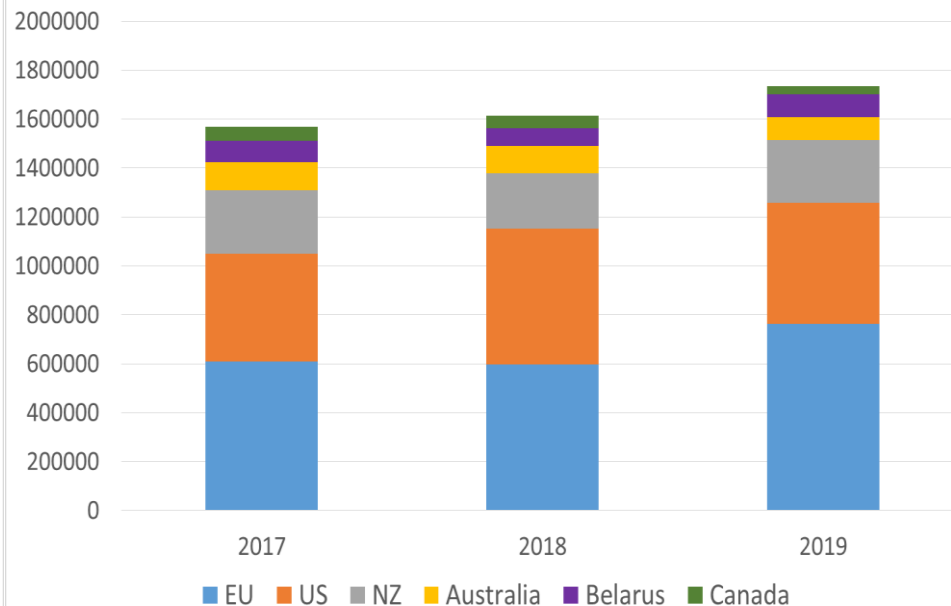
Development of EU export destinations for SMP
Jan-Sept 2017, 2018, 2019
(total exports Jan-Sept 2019: 762 407 tonnes)



EU SMP Exports
(tonnes)



Cumulated SMP Exports for Jan-Sept 2017, 2018 & 2019 of major Exporters (tonnes)





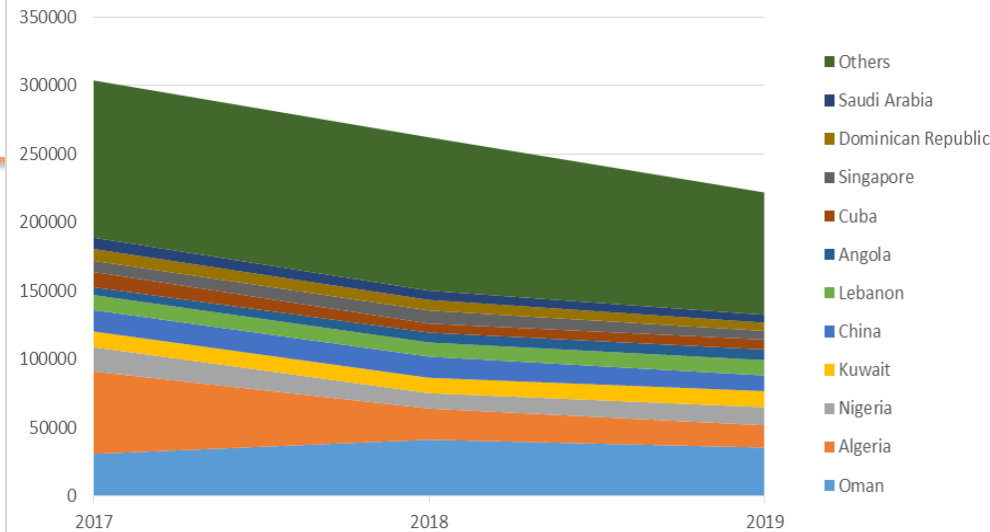
WMP trade

- EU WMP exports:
 - Growth rate Jan-Sept 19/18: -15,4%
- Combined WMP exports:
 - Growth rate Jan-Sept 19/18: +3,2%

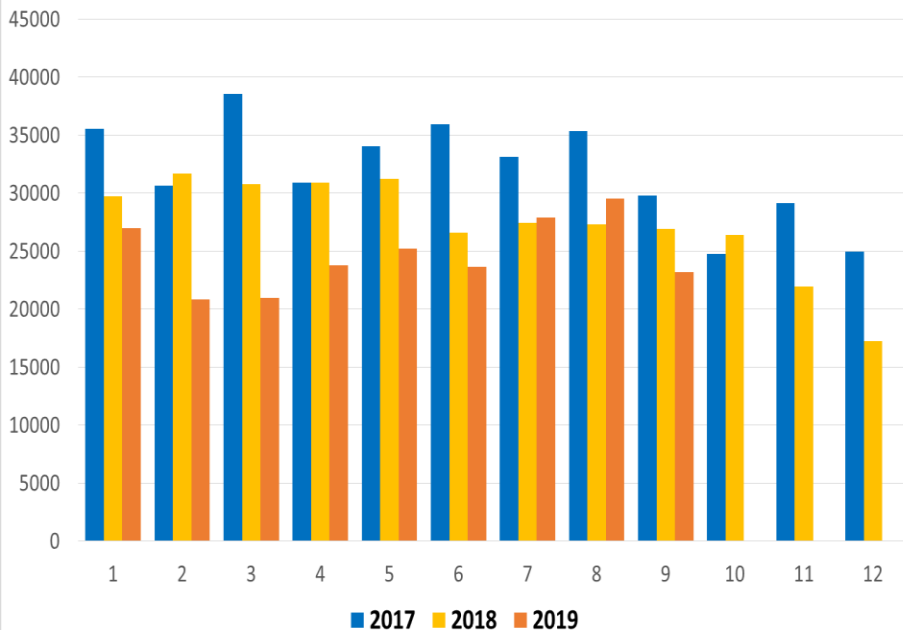
Development of EU export destinations for WMP

Jan-Sept 2017, 2018, 2019

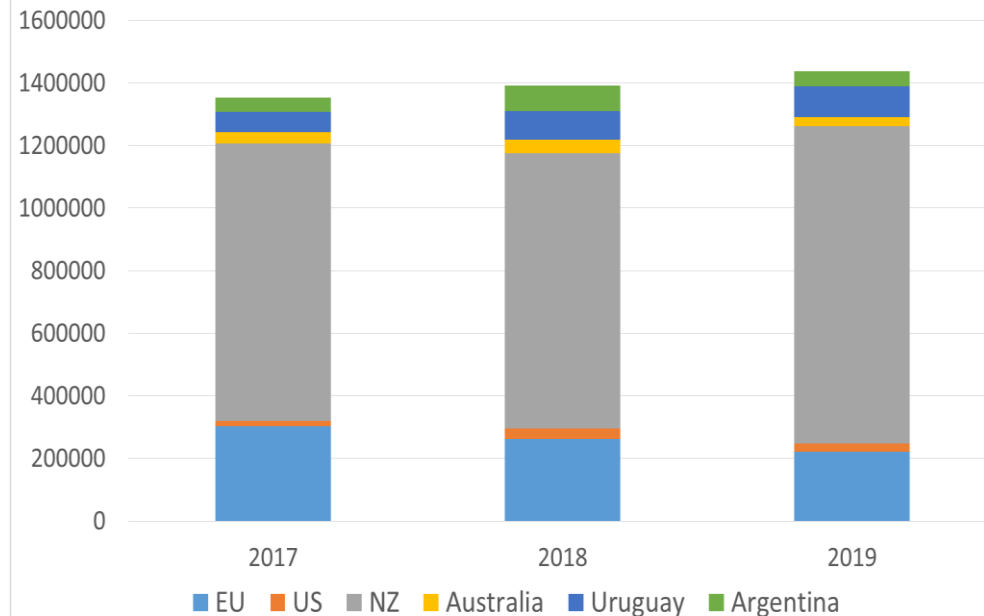
(total exports Jan-Sept 2019: 221 961 tonnes)



EU WMP Exports (tonnes)



Cumulated WMP Exports for Jan-Sept 2017, 2018 & 2019 of major Exporters (tonnes)





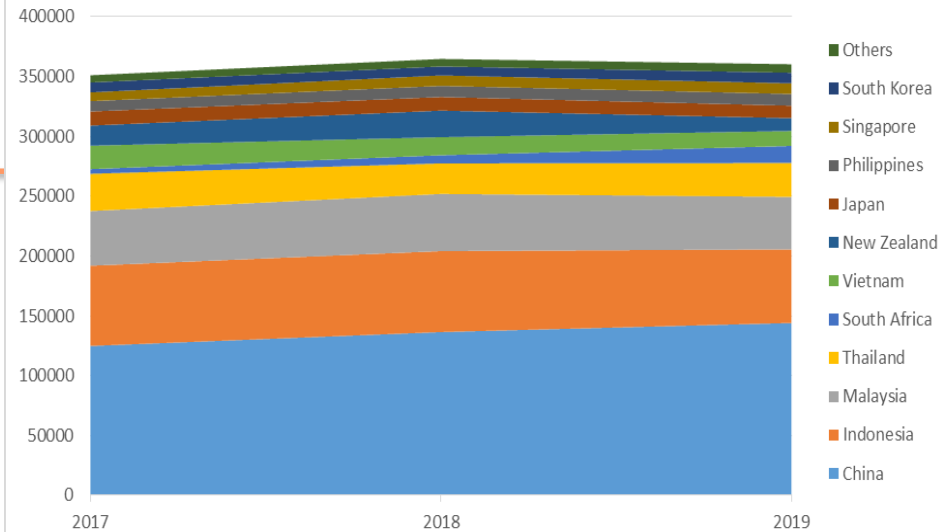
Whey powder trade

- EU Whey exports:
 - Growth rate Jan-Sept 19/18: -1,5%
- Combined Whey exports:
 - Growth rate Jan-Sept 19/18: -9%

Development of EU export destinations for Whey powder

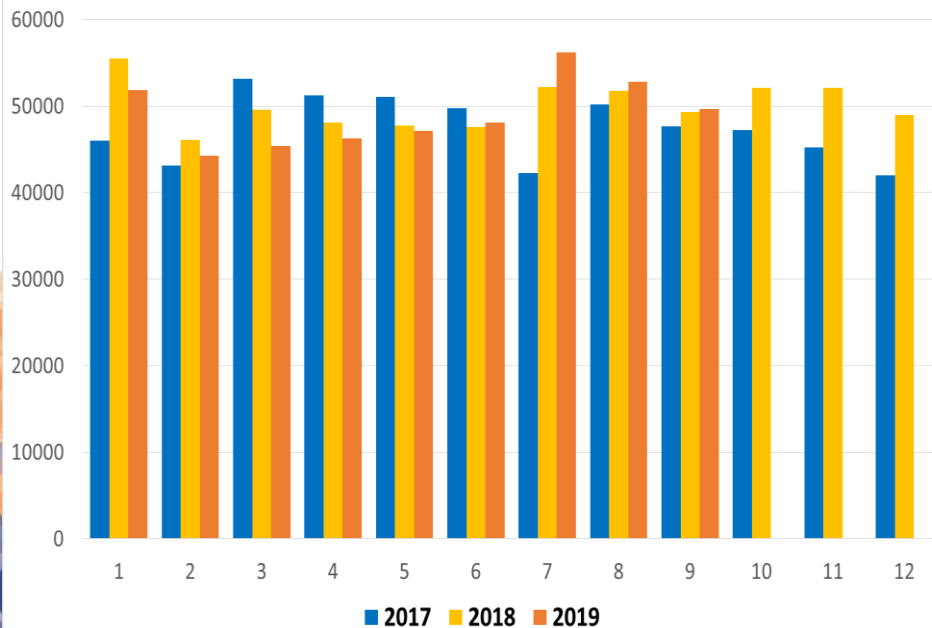
Jan-Sept 2017, 2018, 2019

(total exports in Jan-Sept 2019: 441 625 tonnes)



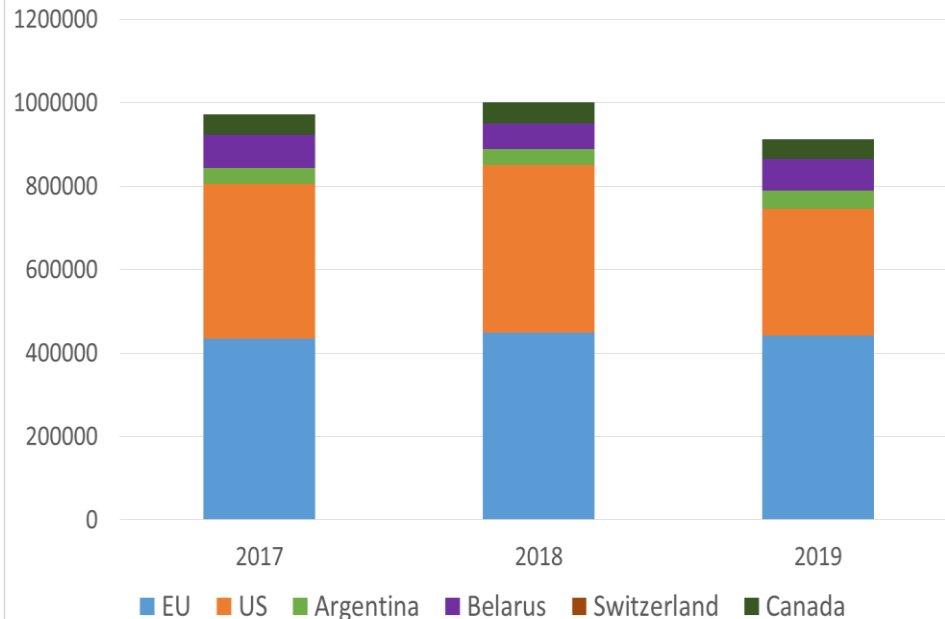
EU Whey powder Exports

(tonnes)



Cumulated Whey powder Exports for Jan-Sept 2017, 2018 & 2019 of major Exporters (tonnes)

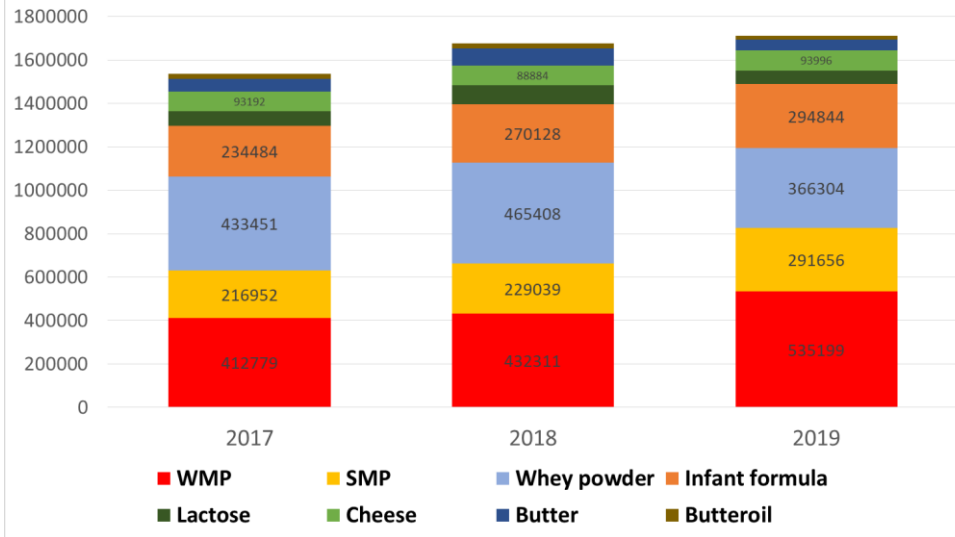
(tonnes)



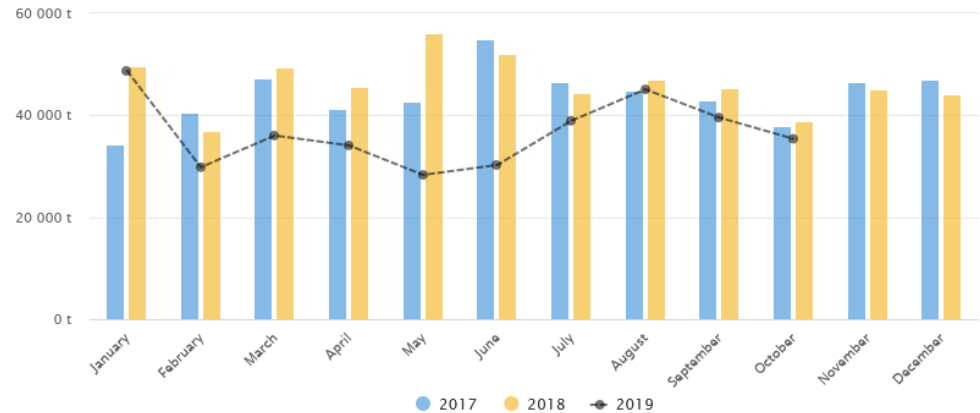


China imports

Cumulated China imports for Jan-Oct 2017, 2018 & 2019
(tonnes)



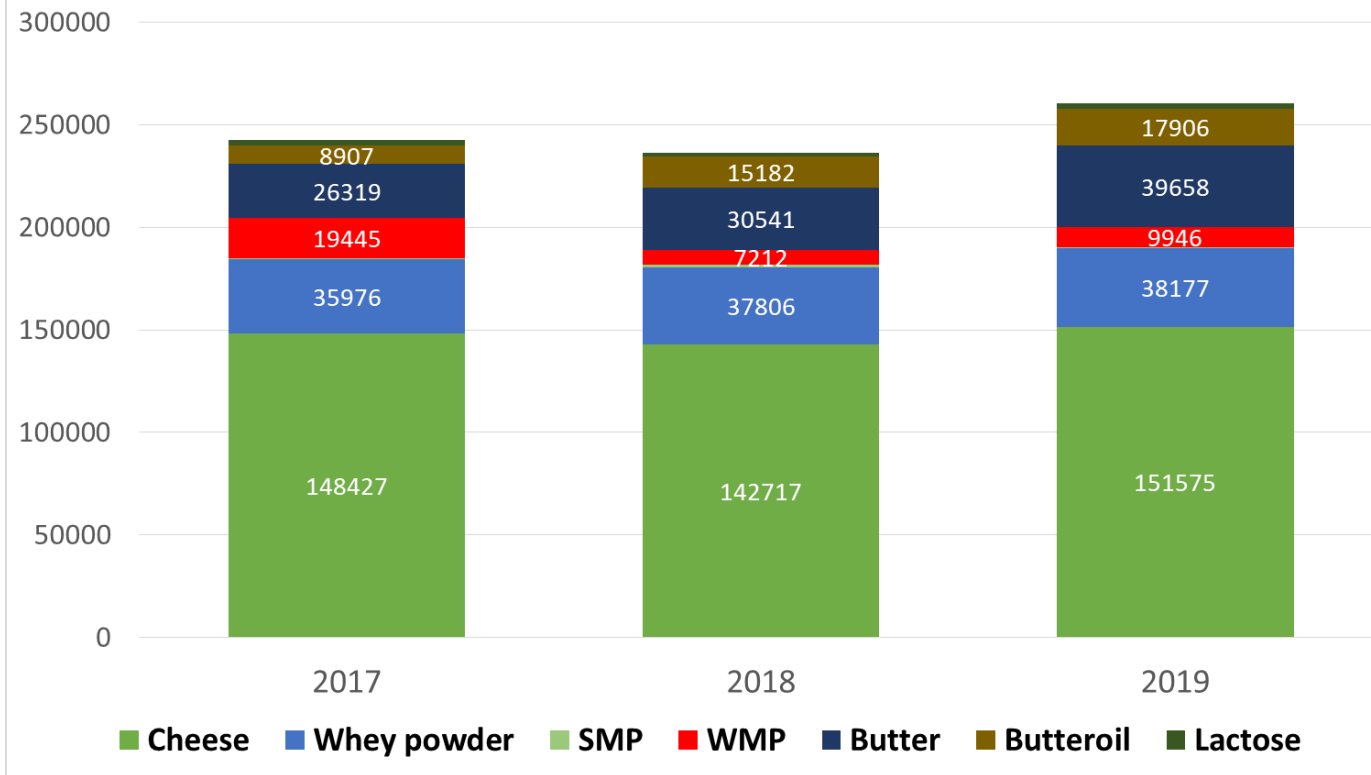
CHINA imports of Whey powder





USA imports

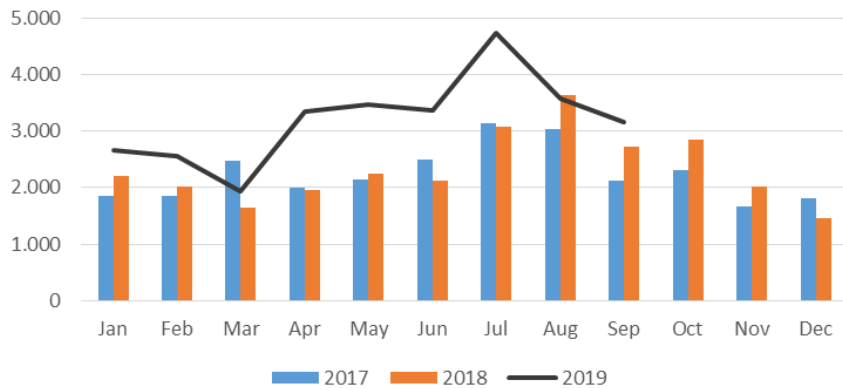
Cumulated USA imports for Jan-Oct 2017, 2018 & 2019
(tonnes)



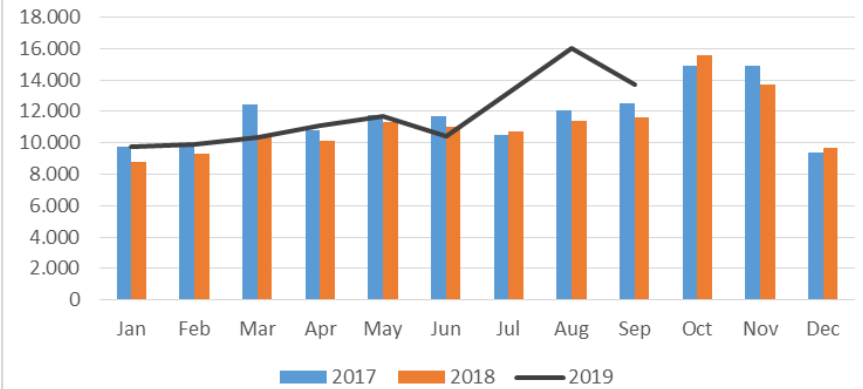


EU – US trade ahead of aircraft tariffs

EU butter exports to the US (in tonnes)
2017- 2019



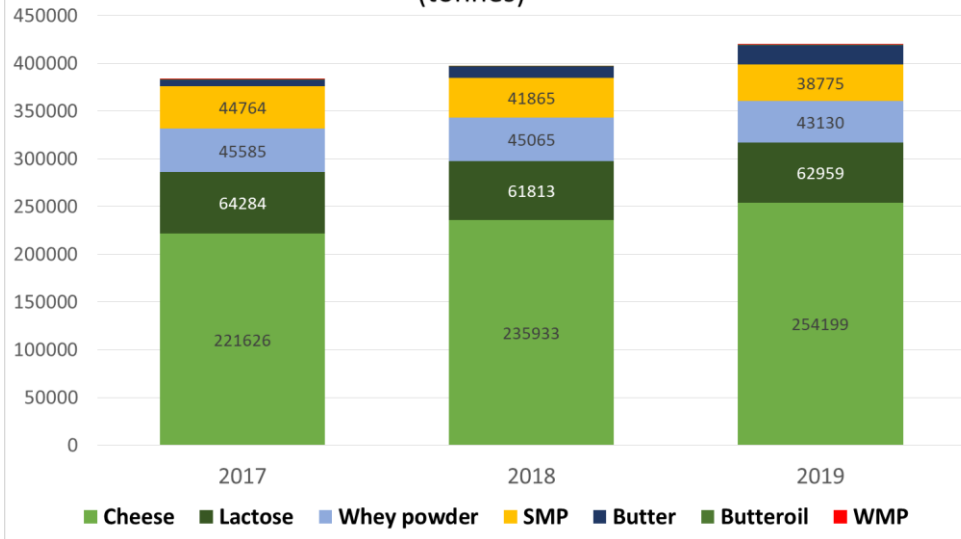
EU cheese exports to the US (in tonnes)
2017- 2019



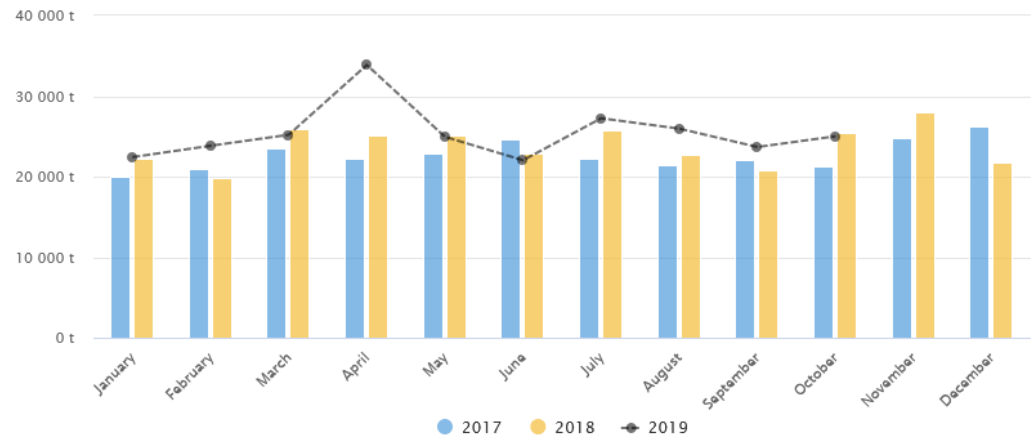


Japan imports

Cumulated Japan imports for Jan-Oct 2017, 2018 & 2019
(tonnes)



JAPAN imports of Cheese





Conclusions (1)

- **Global milk production has recovered** but is **likely to grow only slightly in the coming months**. **Milk has been richer in solids** in all main export regions.
- **Global demand has remained quite strong** across product categories, despite political headwinds
- As a result the **market is in balance** and the short term outlook is stable.
- There are however a **lot of uncertainty factors** (mostly external to the dairy sector): slower economic growth globally, US-China trade war, EU-US relations, demise of the WTO, Brexit....
- The **cheese market** remains in balance with strong exports (in particular to the US and Japan) offsetting somewhat weaker demand domestically.
- The **US tariffs in the aircraft dispute are already having an impact** and there might be a second layer of tariffs coming soon. The US is by far our largest export market for cheese and butter so this is very worrying.



Conclusions (2)

- **Fat and protein values have moved closer** still but the **butter market** is as unpredictable as ever. EU exports have developed in a positive manner with more competitive pricing but a large share of the exports is due to frontloading to the US ahead of the tariff increase.
- The **SMP market continues firming with strong exports and diminished stocks**. Rising prices will affect demand at some point but there is no sign of this yet.
- **Chinese demand for WMP has remained robust** throughout the year to the benefit of NZ exporters. **EU WMP exports are subdued** and only occasionally competitive. **Exports of fat filled powders are performing well** however.
- **Whey powder trade is heavily affected by AFS** but EU exports have replaced a lot of US product in China (US whey being subject to an additional duty)
- **Quite a balanced picture overall** but demand within Europe and globally will have to grow further to absorb increasing milk flows.
- **Longer term market fundamentals for dairy remain positive**, even with sustainability considerations impacting production and consumption in developed markets



- Thank you for your attention -

ANNEX 5

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

EuroCommerce



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

Milk Market Observatory

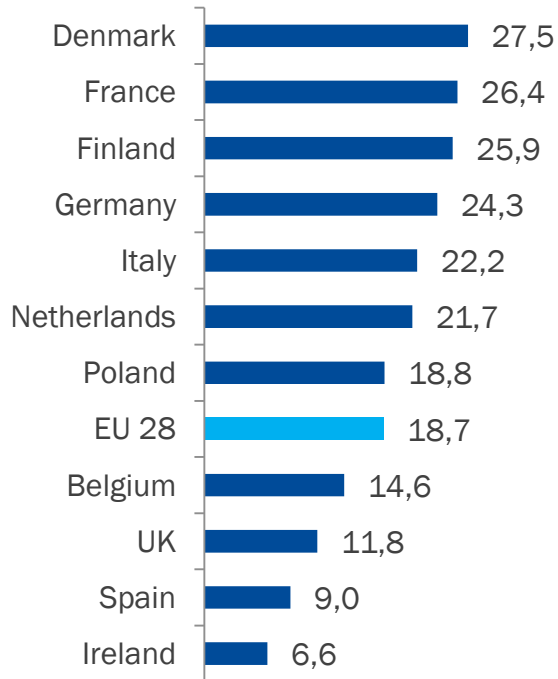
13 December 2019

Europe

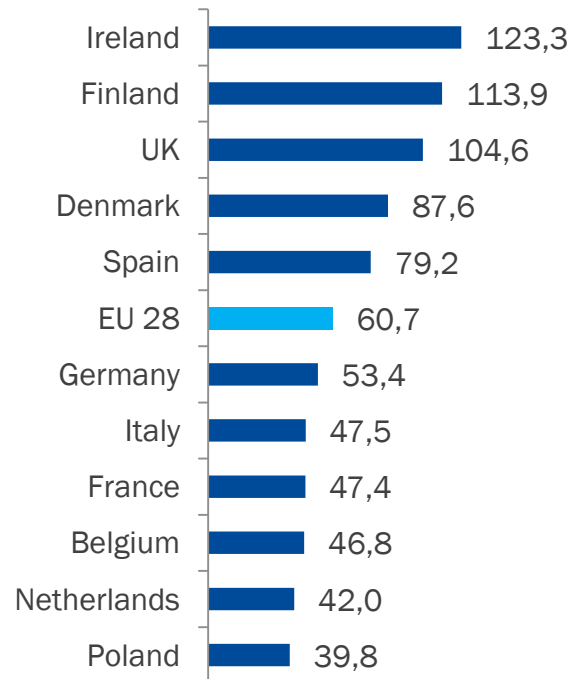
Key Figures

Cheese and butter in France and Denmark, liquid milk in Ireland, Finland and UK.

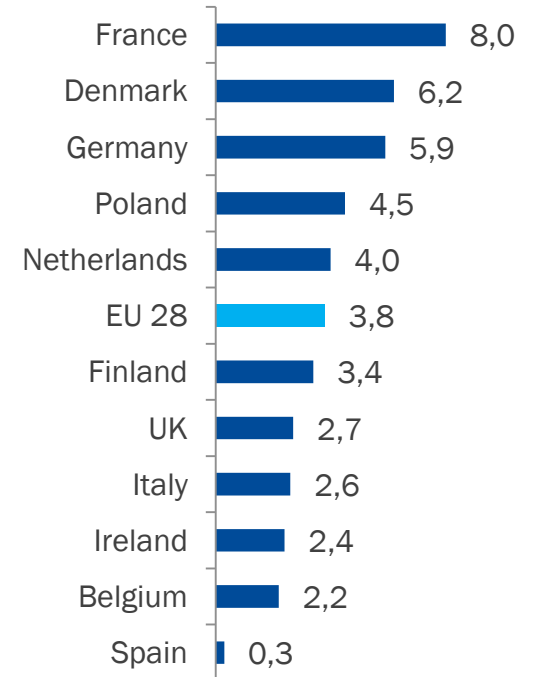
Consumption (kg/hab) : cheese
(2017)



Consumption (kg/hab) : liquid milk
(2017)



Consumption (kg/hab) : butter
(2017)



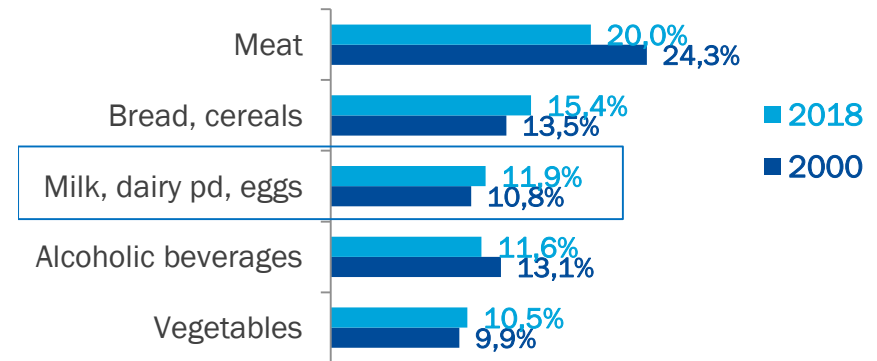
Source : CNIEL

France

Key Figures

- The consumption of dairy products and eggs represents 20,9 billion euros in 2018 (11,9% of food expenditures) vs 10,8% in 2000 (+51%). In volume, consumption increased by 26,5% during this period.
- Long-term trends show a decline in the consumption of liquid milk and butter and an increase in demand for cheese and yoghurts.

Breakdown of households consumption : food
(home consumption , % value)



Consumption : milk, dairy products, eggs

	2018 M€	2017-2018 value	2017-2018 volume	2000-2018 value	2000-2018 volume
Milk, dairy products, eggs	20 887	2,0%	0,1%	50,9%	26,5%
Cheese	11 317	2,2%	0,0%	62,8%	34,1%
Yoghurt & fresh cheese	4 106	1,4%	0,3%	34,3%	31,1%
Liquid milk	2 596	-0,1%	-2,2%	17,2%	-15,5%
Butter	1 589	10,8%	-2,6%	42,2%	-5,1%

Source : INSEE

France

Period ending 30 October 2019

Product category	Volume (% change) 4 weeks period (P10'18/P10'19)	Volume (% change) Year on year (P10'17-P10'18 / P10'18 -P10'19)	Price (% change) 4 weeks period (P10'18/P10'19)	Price (% change) Year on year (P10'17-P10'18 / P10'18 -P10'19)
Total liquid milk	-0,6%	-1,5%	+2,1%	+1,4%
Of which UHT semi-skimmed milk	+1,9%	+0,1%	+1,4%	+1,6%
Yoghurt & fresh cheese	+0,8%	-0,3%	+2,5%	+2,5%
Butter	+3,6%	+1,9%	+5,0%	+9,4%
Cream	+0,8%	+2,0%	+4,3%	+6,3%
Cheese	+1,9%	+2,1%	+3,2%	+2,3%

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

France

Sales in hypermarkets & supermarkets

Crémerie

18,38 Mrds€

Le CA de la crémerie, à **+3%**
(-0,2% en volume)



6 534,31 **+3,9%**



6 325,89 **+2,1%**



5 519,67 **+2,9%**

Cheese (self-service)

6,53 Mrds€

Le chiffre d'affaires
du fromage LS, à **+3,9%**

+1,6%

L'évolution en volume

+2,3%

L'évolution des prix

Source: Iri, CAM au 30.06.2019, tous circuits

Fresh dairy foods

6,32 Mrds€

Le chiffre d'affaires
de l'ultrafrais, à **+2,1%**

-0,8%

L'évolution en volume

+2,8%

L'évolution des prix

Source: Iri, CAM au 30.06.2019, tous circuits

Butter-milk-eggs

5,52 Mrds€

Le chiffre d'affaires du beurre-
œufs-lait, à **+2,9%**

-1,7%

L'évolution en volume

+4,6%

L'évolution des prix

Source: Iri, CAM au 30.06.2019, tous circuits

Source: IRI, CAM 30/06/2019

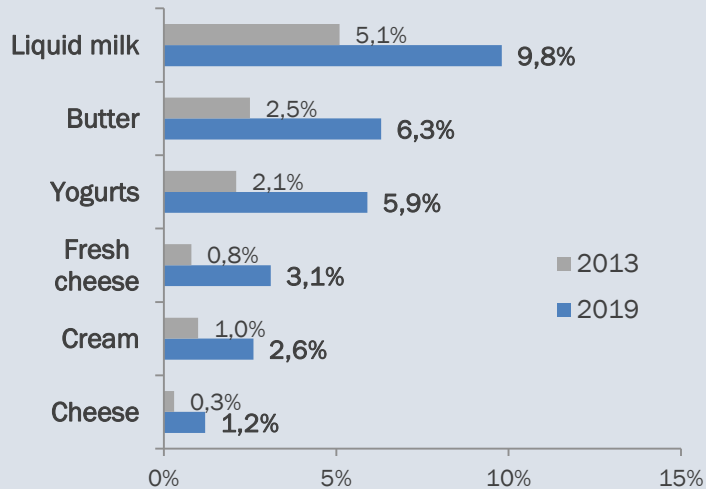
France

Sales of organic versus conventional milk & dairy products

Organic milk & dairy products

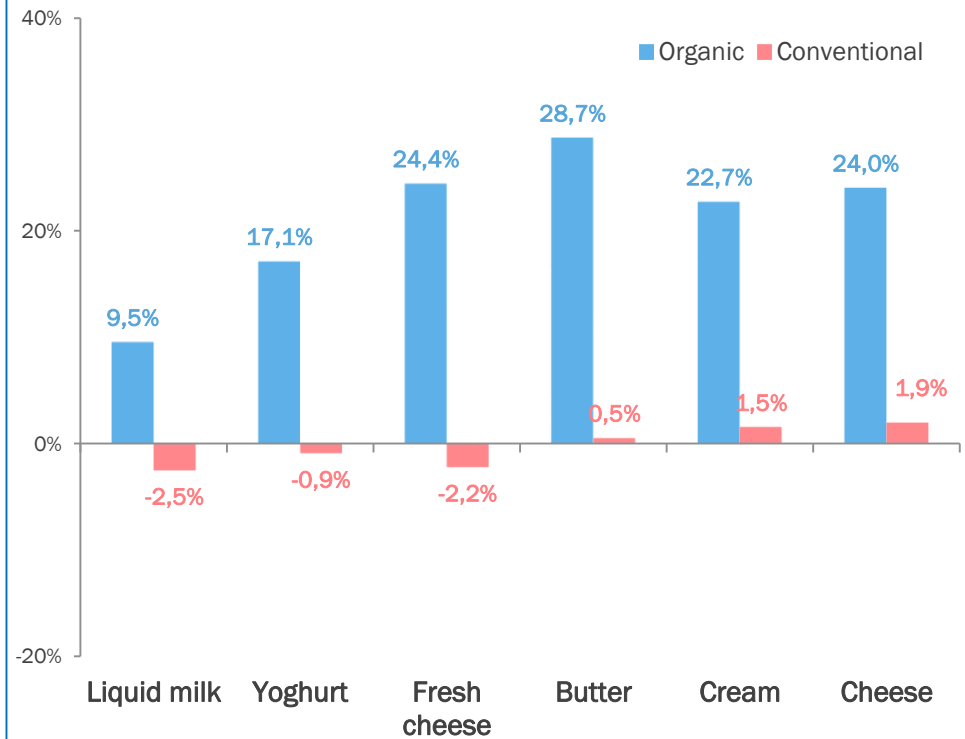
- ❖ Organic dairy products sales have continued to increase. The increase is registered for every product.

Organic market shares (% vol. 30/10/2019)



Consumption of organic versus conventional milk & dairy products

% in volume, year to year 52 weeks 30/10/2019



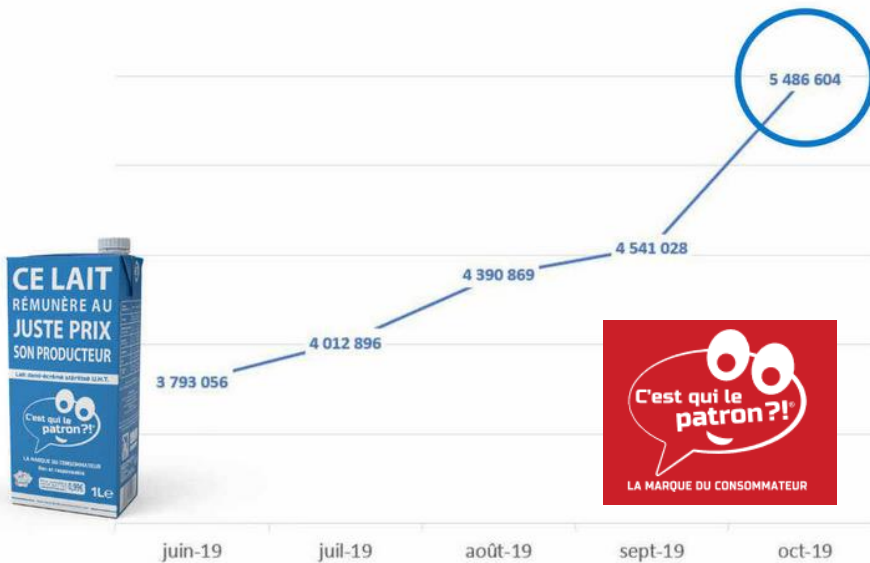
Source: Kantar World Panel via FranceAgriMer (Min. de l'Agriculture)

France

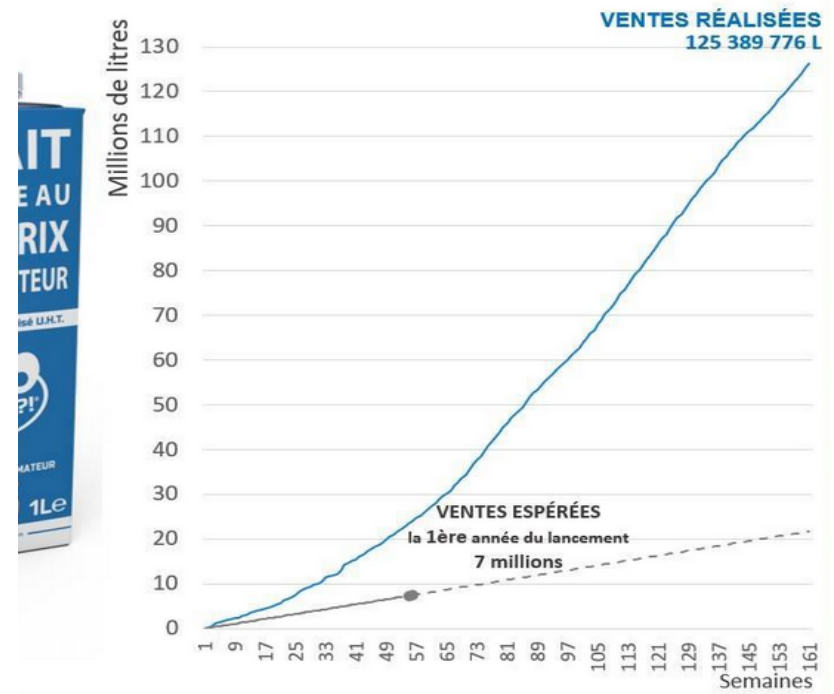
“citizen milk”

« Citizen milk » (ex. C’est qui le patron: the French brand with an innovative business model where consumers decide on food product specifications and on the price paid to farmers) is very dynamic : **+69.3% in 2018**. National brands (Lactel, Candia) and private label are decreasing. The market share of C’est qui le Patron was 2,2% in 2018 in value (less than 50 M€ / total market in HMSM = 1 920 M€).

VENTES MENSUELLES DE LAIT "C'EST QUI LE PATRON ?!"



Ventes de lait "C'est Qui Le Patron?!"



Source: C’est qui le patron

France

Plant-based products

- ❖ Plant-based products are now considered to be direct competitors of dairy products in the segments of packaged milk, packaged cream and ultra-fresh products.
- ❖ Nevertheless, even if their development has been very rapid in recent years, their weight in the basket of French households for their home consumption is still limited. The **vegetable juice** department is the most significant: these products represent **3.6% of the quantities in 2018 purchased** and **7.4% of the total amount spent on milk and vegetable juices**. On most indicators, Plant-based products show lower performance than dairy products: a penetration rate still low (23% to buy vegetable juices, 11% to buy vegetable cream).

Achats des ménages en France en 2018 : comparaison entre produits d'origine animale et produits d'origine végétale

	% quantités achetées	% sommes dépensées	Taux de pénétration (%)	Fréquence d'achat (/an)	Quantités achetées /acte (kg)	Sommes dépensées /acte (€)
Lait et jus végétal	100,0%	100,0%	97,5	18,4	4,46	4,08
Lait conditionné	96,4%	92,6%	96,6	17,4	4,58	4,03
Jus végétal	3,6%	7,4%	22,9	6,4	1,96	3,72
Crème	100,0%	100,0%	95,5	14,5	0,61	2,09
d'origine animale	97,7%	97,0%	94,8	14,3	0,61	2,08
d'origine végétale	2,3%	3,0%	11,2	3,6	0,47	2,18
Produits ultra-frais	100,0%	100,0%	99,3	35,9	1,64	4,12
d'origine animale	97,9%	96,7%	99,2	35,3	1,64	4,06
d'origine végétale	2,1%	3,3%	26,1	6,3	0,73	2,91

Source : FranceAgriMer d'après Kantar Worldpanel

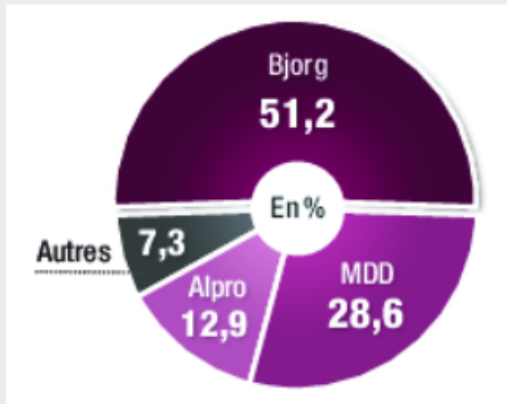
France

Plant-based products: vegetable beverage

- ❖ The vegetable beverage market remains in good shape with a growth in value of 5.4% (171 M€) and 3.6% in volume.
- ❖ But there is a slowdown in growth (+17% last year). Two major weaknesses: soy drinks are down (-9.9% in value and -11.4% in volume). And rice stagnated at +0.5% in value and -0.1%

Bjorg net leader du marché

Part de marché en valeur des acteurs des boissons végétales, en %



Source : Iri, CAM à P7 2019, HM + SM + e-commerce, origine fabricants

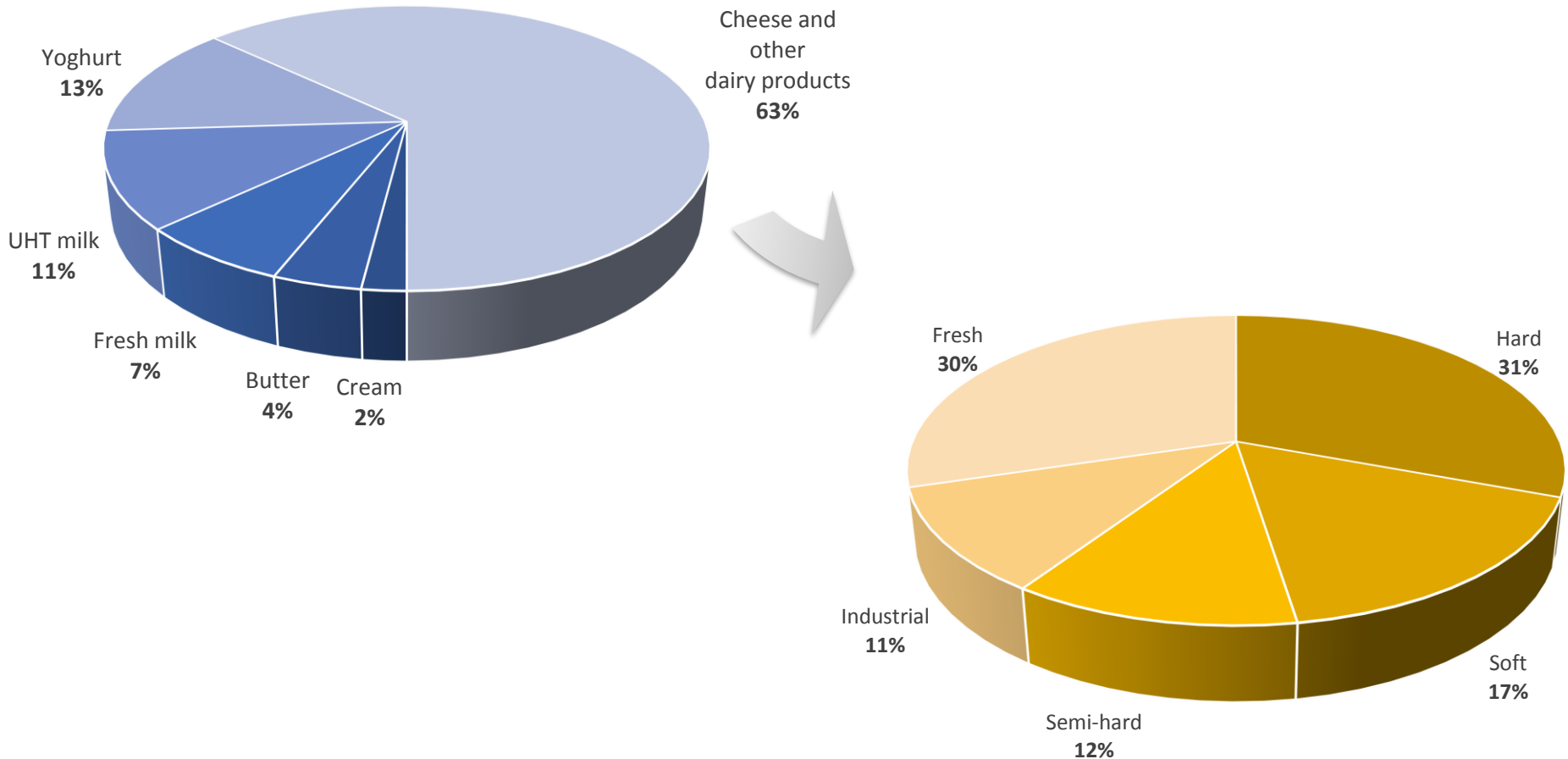
Milk market (HMMSM) :
1 900 M€

Vegetable beverage market
(HMMSM)
171 M€

Italy

Milk and dairy products – Year 2018

Product Share (Value)



Source: Ismea elaboration on Nielsen Panel Consumer data

Italy

Milk and dairy products – 3Q 2019 and YTD Sep19

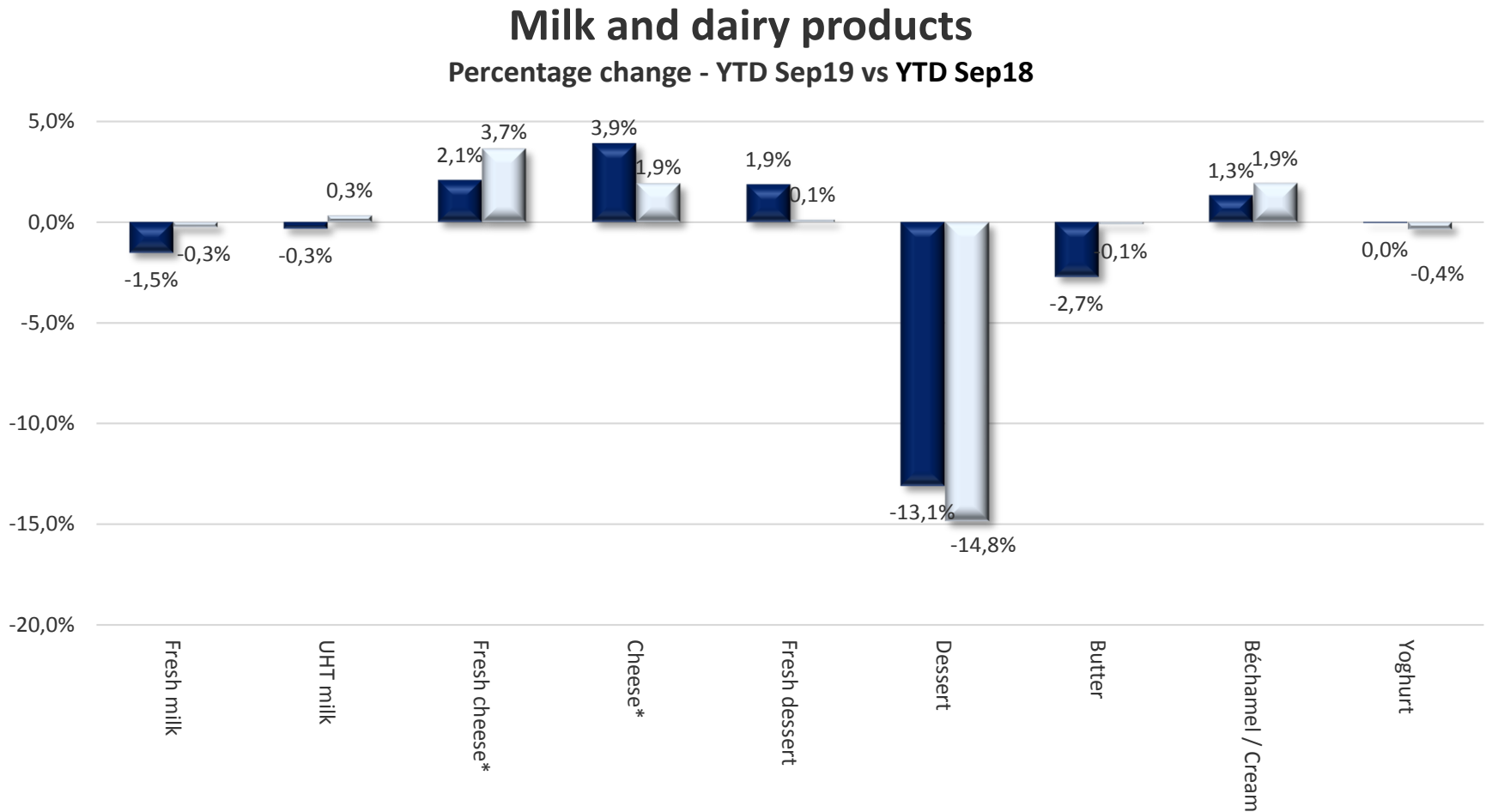
Product category	<u>VOLUME</u> (3Q2019 vs 3Q 2018 % change)	<u>VOLUME</u> (YTD Sep19 vs. YTD Sep18) % change)	<u>VALUE</u> (3Q2019 vs 3Q 2018 % change)	<u>VALUE</u> (YTD Sep19 vs. YTD Sep18) % change)
Fresh milk	-0,4	-0,3	-1,0	-1,5
UHT milk	-0,3	0,3	0,1	-0,3
Fresh cheese*	6,1	3,7	3,6	2,1
Cheese*	1,6	1,9	4,5	3,9
Fresh dessert	2,4	0,1	4,4	1,9
Dessert	-13,5	-14,8	-11,9	-13,1
Butter	-1,0	-0,1	-5,9	-2,7
Béchamel / Cream	1,3	1,9	0,2	1,3
Yoghurt	0,6	-0,4	0,3	0,0

Source: Market Track Nielsen

* Peso imposto

Italy

Milk and dairy products – YTD Sep19 versus YTD Sep18

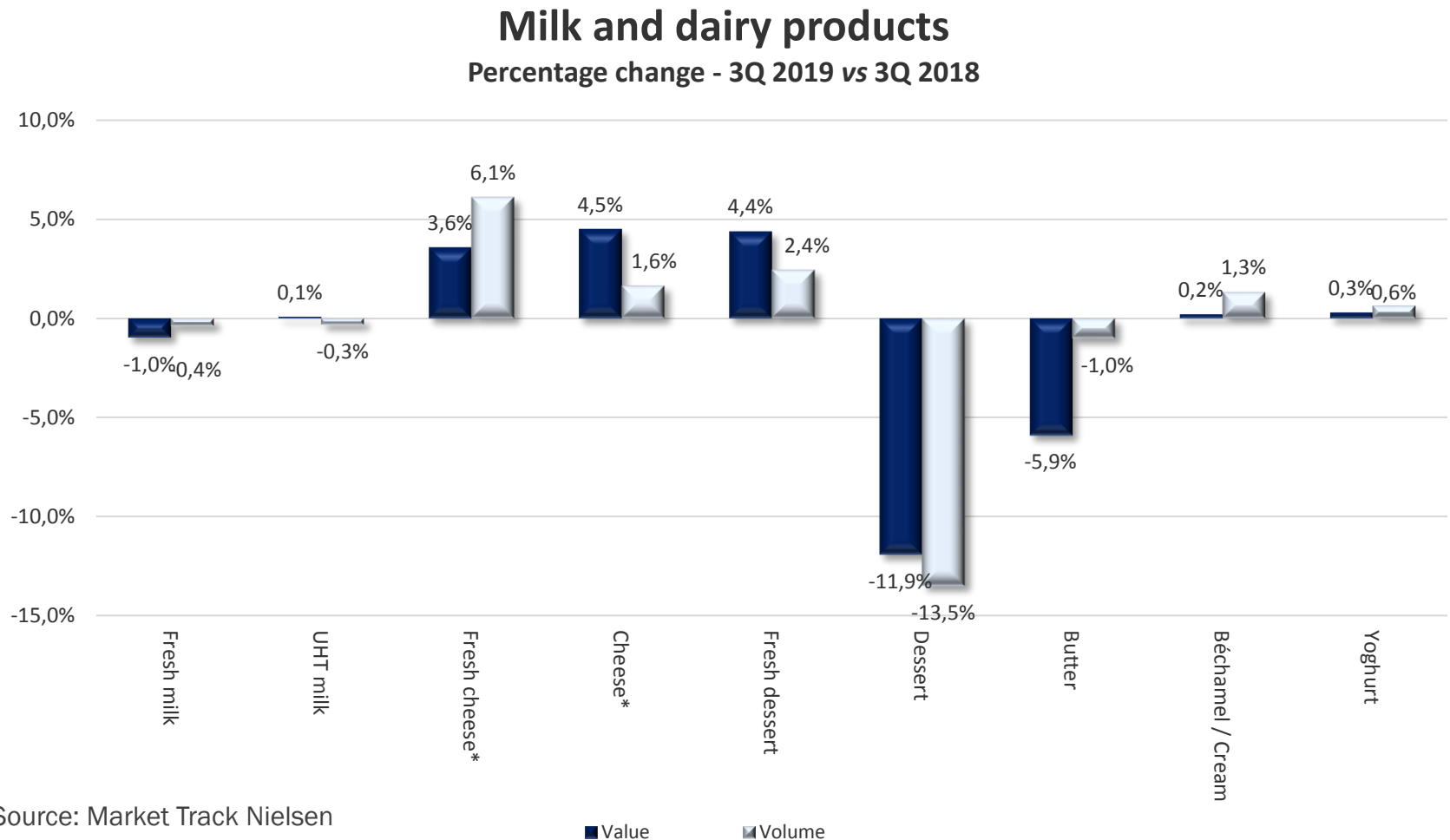


Source: Market Track Nielsen
* Peso imposto

■ Value ■ Volume

Italy

Milk and dairy products – 3Q 2019 versus 3Q 2018



Italy

Milk and dairy products' substitutes – Year 2017

Sales Value

(Million euro – Hyper + Super – Consumer Packaged Goods)

PRODUCTS	2013	2014	2015	2016	2017	Trend % 2017 vs 2013
Cheese substitutes	5,4	7,6	15,7	18,1	15,8	+192,6%
Fresh milk substitutes	3,3	4,6	6,1	8,4	8,6	+160,6%
Yoghurt substitutes	29,3	36,7	48,0	53,4	53,7	+83,3%
UHT Milk substitutes	93,5	112,8	152,8	166,4	170,4	+82,2%
TOTAL substitutes	131,4	161,7	222,6	246,3	248,5	+89,1%

Source: Assolatte - LATTE IN PILLOLE № 2 / 2017 – September 2017/March 2018

Italy

Milk and dairy products' substitutes – Year 2017

Frequency of consumption (% of consumers)

Frequency of consumption	Vegetable "cheese"	Vegetable "milk"	Vegetable "yoghurt"
I regularly consume	3,8	8,6	6,1
I occasionally consume	13,7	20,9	12,3
I never consume	82,5	70,5	81,6
TOTAL consumers	100,0	100,0	100,0

Why did you try this kind of products?

(% of people who "regularly or occasionally consume" vegetable substitutes)

I tried them since ...	Vegetable "cheese"	Vegetable "milk"	Vegetable "yoghurt"
I've heard about them, I was curious	77,1	67,1	70,1
A doctor/dietician suggested them	47,6	47,8	60,1
They were available in promotion	20,7	18,1	26,4
They were suggested to me in a restaurant	20,5	8,7	10,5
I tried them at a vegan/vegetarian friend's house	41,0	26,1	29,1
In my family, a person regularly consumes this kind of products	19,5	22,5	16,3

Source: Assolatte - LATTE IN PILLOLE № 2 / 2017 – September 2017/March 2018

Portugal

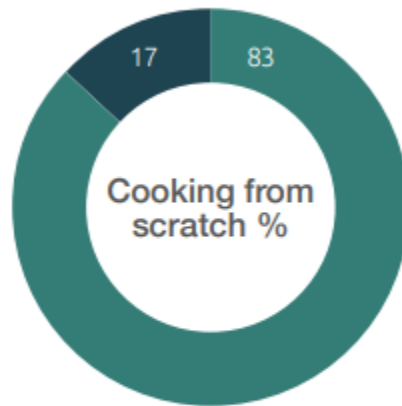
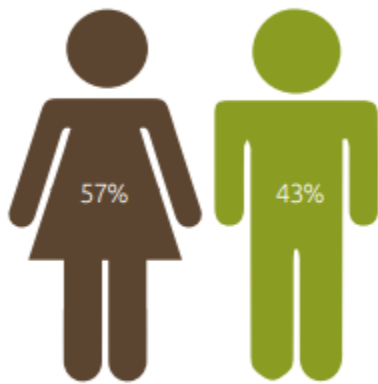
Period ending 3 November 2019

Product category	volumes (% change year-to-date)	volumes (% change) Year on year	value (% change year-to-date)	Value (% change) Year on year
Fresh milk	-1,2	-1,1	-2,1	-2,8
UHT milk	-3,0	-3,2	-3,7	-3,7
Yoghurt	-0,4	-0,7	1,4	1,0
Butter	3,3	3,4	7,2	7,2
UHT Cream	4,7	4,3	6,9	6,2
Fresh desert	-4,1	-3,9	-8,6	-6,8
Cheese	2,5	2,7	2,1	2,1

Source: Nielsen

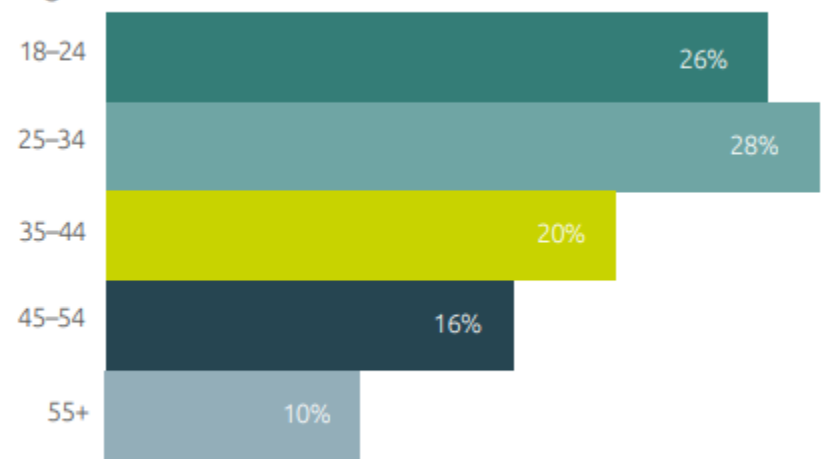
UK: over half of vegans are under 35

Profile of vegans



Source: AHDB/YouGov Consumer Tracker April 2018

Age



Source: AHDB

ANNEX 6

Market Transparency New price notifications

European Commission



European
Commission



Market Transparency

New price notifications

Annex I: Weekly prices

7. Milk and milk products

Content of the notification: prices of whey powder, skimmed milk powder, whole milk powder, butter, **cream**, **drinking milk** and commodity cheeses* expressed per 100 kg of product.

Member States concerned: Member States whose national production represents 2% or more of Union production; or, in the case of commodity cheeses, where the cheese type represents 4 % or more of the total national cheese production.

Other: prices shall be notified for products purchased from the manufacturer, excluding any other cost (transport, loading, handling, storage, pallets, insurance, etc.) based on contracts concluded for deliveries within three months.

10. Other

Content of the notification: price of fat filled powder expressed per 100 kg of product.

Other: prices shall be notified for products purchased from the manufacturer, excluding any other cost (transport, loading, handling, storage, pallets, insurance, etc.) based on contracts concluded for deliveries within three months.



Coherent definition of standardized and representative products that allows the collection and transmission of prices by Member States, for the further aggregation and consolidation by the Commission

This is not about marketing standards, just price reporting.

Cream: Centrifuged cream, pasteurized, with 20-40% fat in bulk (packed in min 15kg bag)

Drinking milk: Baseline: UHT treated semi-skimmed milk (fat content ranging from 1,50 % to 1,80 %). In 1l brick or bottle.

Mozzarella: Low moisture (min 40% dry matter) cheese made by 'pasta filata' processing of milk, chilled/frozen, in block (1-5 kg minimum).

Fat Filled Powder: Blend of skimmed milk and vegetable fats (max 30% fat content, min 20% protein content), in powder form (25 kg bags)