European Commission

Last update : 26.09.2018

MMO Economic Board

Meeting of 25 September 2018

- The 27th meeting of the MMO Economic Board took place on 25/09/2018, with the participation of experts from the various steps in the milk supply chain: CEJA (young farmers), COPA-COGECA (producers and cooperatives), ECVC (Via Campesina), EMB (European Milk Board), EDA (dairy industry), Eucolait (dairy trade) and Eurocommerce (retail). Presentations and information exchanged during the meeting showed the following.
- EU milk deliveries increased in Jan-Jul 2018 by 1.7%. Despite exceptional weather conditions over the summer, July milk collection increased in BE, DE, PL, UK and FR but with fat and protein content falling. Production drops were reported in LV, LT, SE, IE, FI and NL. SMP and butter productions have been rather flat over the last 3-4 months while cheese production increased at a steady rate.
- Average EU farm gate milk prices started a rising trend in June, reaching in July 32.8 c/kg, which is 0.6% higher than the 5-year average. Further price increases are expected for the coming months.
- Prices for dairy products show different trends. Butter prices are stable above 5500 €/t. SMP prices increased by 20% since April, but declined in the last two weeks. With the exception of Emmental, cheese prices are on a rising trend. The US$/EUR rate increased in Sept. EU SMP is the most competitive among main exporter countries. On the contrary, EU butter prices are 51% and 34% higher than Oceania and the US respectively.
- Public intervention stocks of SMP totalled 282 000 t by end August. Deducting the sales in Aug-Sep, total stocks would be around 245 000 tonnes.
- The assessment of EU stock levels based on a residual approach (production + imports – consumption - exports) shows a gradual decrease of total SMP stocks, with some public stocks passing through private ones before finding their ultimate user. Butter stocks remain low, below 100 000 t levels, but consumption has decreased during the hot summer. Cheese stocks are building up at the highest levels in 7 years due to production growth and stagnation of exports but no excess stock is reported.
- World milk production keeps slowing down, with a combined growth down to +1.5% by July 2018, mainly due to the slowdown in the EU and the US. NZ production started strong in the new season. Production in South America is robust, but with mixed climate conditions.
- Combined global exports have expanded in Jan-Jul but in the last 2-3 months were below 2017 levels notably for milk powders. The share of China in EU exports (in value) has slightly diminished, with the US, Hong Kong and Saudi Arabia following in the ranking. The EU has lost 3 points of market share in 2018, mostly to the benefit of the US. EU butter exports are dropping due to uncompetitive prices, and imports from third countries may not be ruled out. EU and world SMP exports recovered in July after 2 months of contraction. EU exports of whey powder to China expanded rapidly in July, benefitting from higher tariff imposed to US products.
- Retail sales of butter show general increases in prices but lower volumes. Domestic demand for cheese is robust, both in terms of volumes and prices. Retail sales of liquid milk continue declining. Organic dairy products continue gaining market penetration in France and Germany.
- The Commission presented an updated Short Term Outlook for 2018 and 2019. EU milk production growth is projected lower than in previous exercises in the light of herd evolution and impact of hot weather. A 0.8% growth is estimated for the whole year, with an additional 0.9% increase in 2019.
- The Spanish interbranch INLAC presented the results of a national campaign to promote the consumption of milk and milk products, in the framework of good dietary practices, and based on a solid scientific/medical basis.
- Büro für Agrarsoziologie und Landwirtschaft (BAL) presented a study based on FADN data, showing that total milk production costs would have been continuously below milk price levels but decreased between 2013 and 2017 by 9% in DE, DK and BE, by 6% in NL and by 4% in FR.
- Market assessment is characterised by uncertainties and diverging views on the potential effect of the summer drought, Brexit and trade disruptions caused by geopolitical tensions.

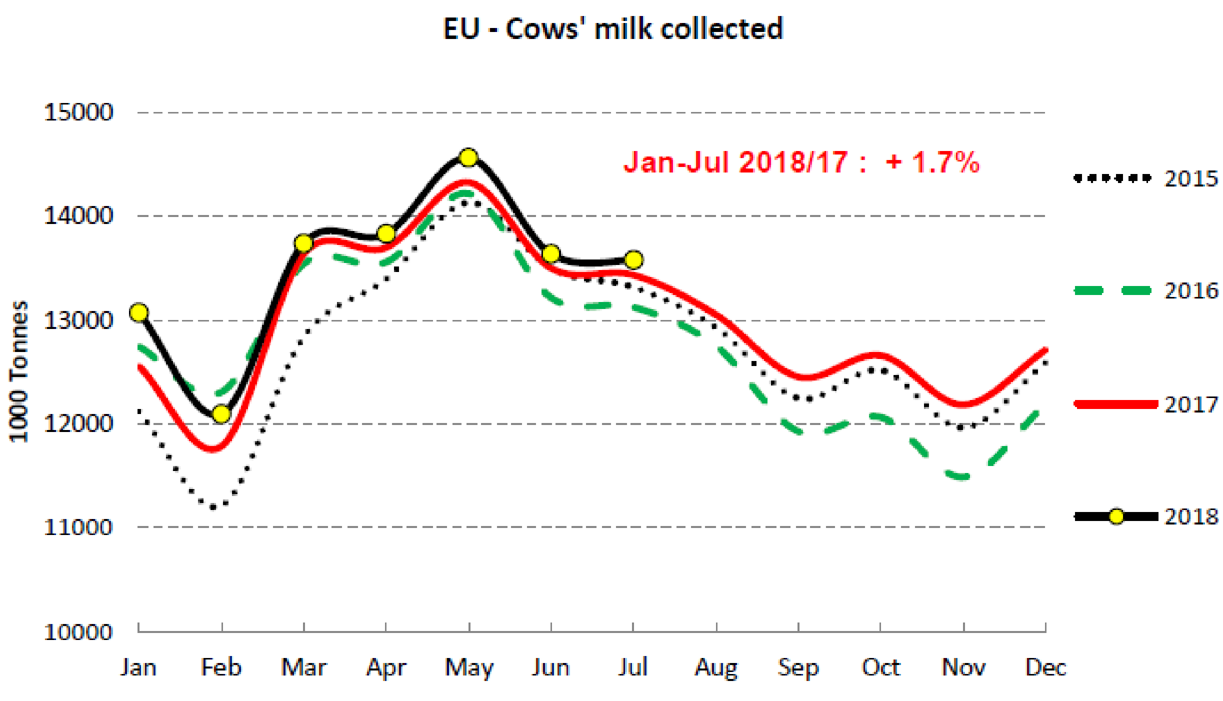
ANNEX 1

Milk Market Situation

European Commission

Milk Market Situation

Brussels, 25 September 2018



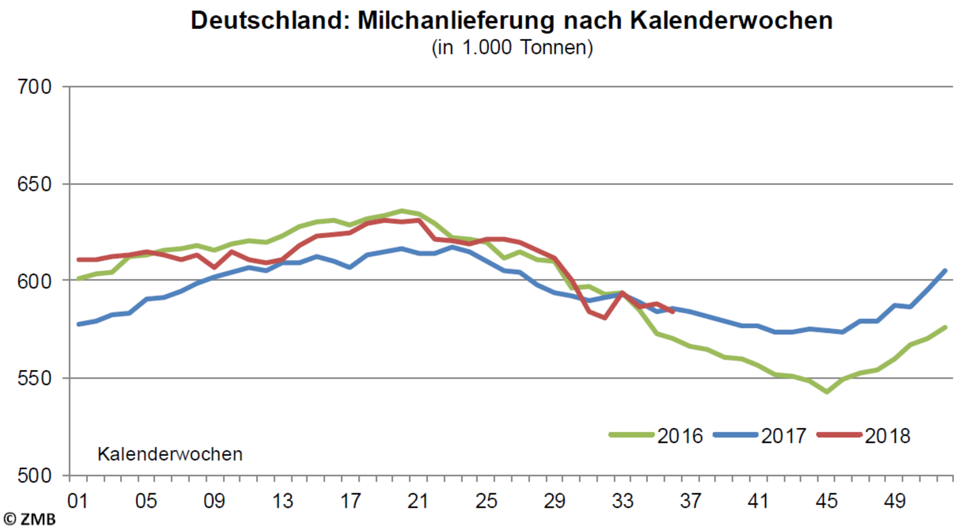
Source : Estat - Newcronos

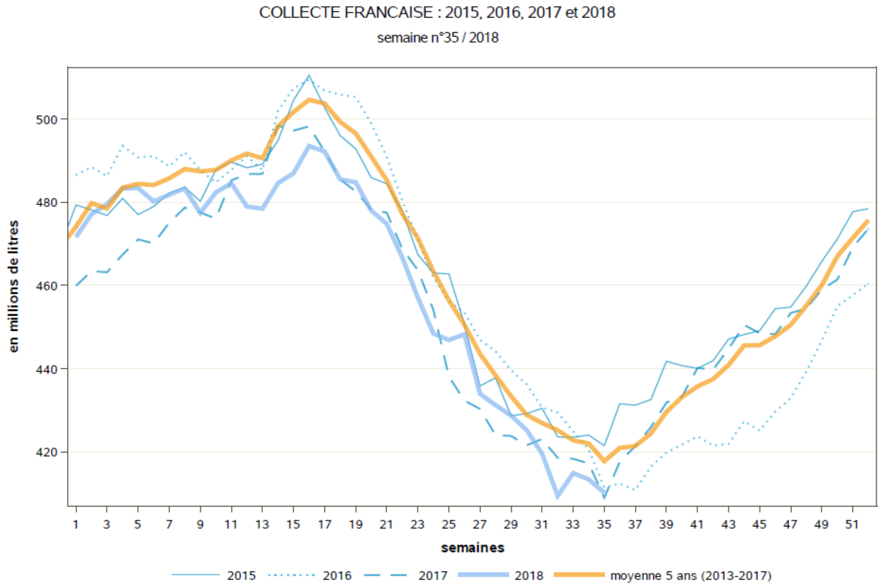
Last update : Jan-Jul

Jul 18 compared to Jul 17

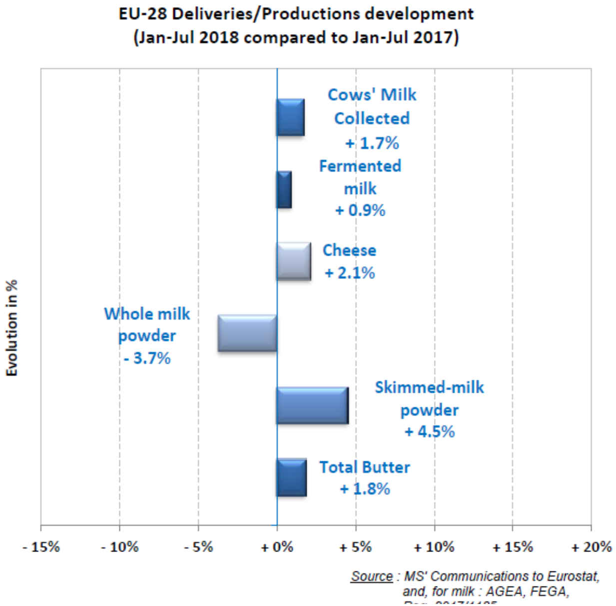
	evolution in %		evolution in 1000 Tons	
Rank	MS	%	MS	Tons
1.	RO	+ 9.6%	DE	+ 77
2.	LU	+ 7.1%	IT	+ 25
3.	CY	+ 6.2%	FR	+ 24
4.	BE	+ 5.5%	BE	+ 19
5.	EL	+ 4.5%	UK	+ 19
6.	CZ	+ 3.2%	PL	+ 17
7.	EE	+ 3.1%	DK	+ 12
8.	DE	+ 2.8%	RO	+ 9
9.	IT	+ 2.5%	CZ	+ 8
10.	DK	+ 2.5%	ES	+ 7
11.	PL	+ 1.7%	EL	+ 2
12.	UK	+ 1.5%	LU	+ 2
13.	FR	+ 1.2%	EE	+ 2
14.	ES	+ 1.1%	PT	+ 1
15.	PT	+ 0.8%	CY	+ 1
16.	HU	- 0.8%	MT	- 0
17.	NL	- 1.2%	HU	- 1
18.	FI	- 1.5%	BG	- 1
19.	SK	- 1.8%	SI	- 1
20.	BG	- 2.0%	SK	- 1
21.	AT	- 2.0%	HR	- 2
22.	SI	- 2.3%	FI	- 3
23.	IE	- 3.1%	AT	- 5
24.	SE	- 3.4%	LV	- 6
25.	HR	- 5.7%	SE	- 8
26.	MT	- 5.8%	LT	- 8
27.	LT	- 5.9%	NL	- 14
28.	LV	- 8.2%	IE	- 28
	EU28	+ 1.1%	EU28	+ 146

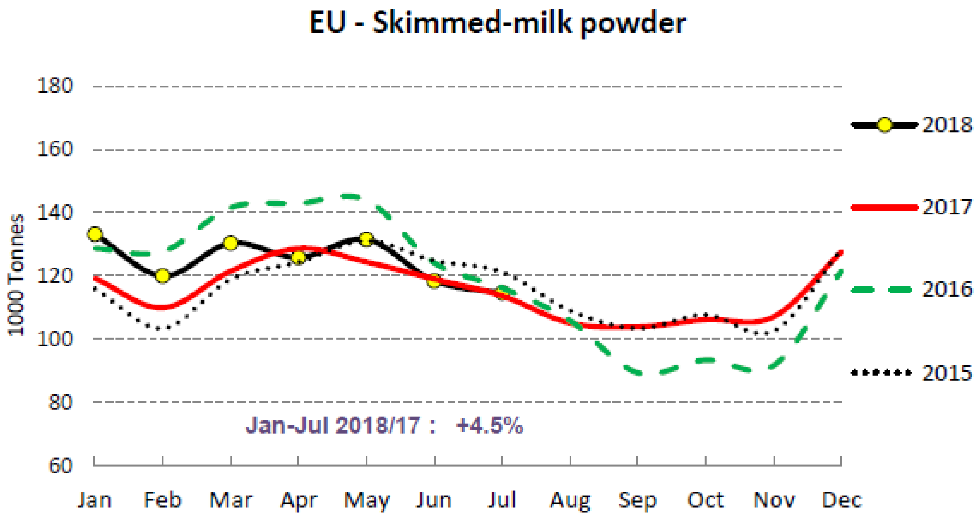
European Commission

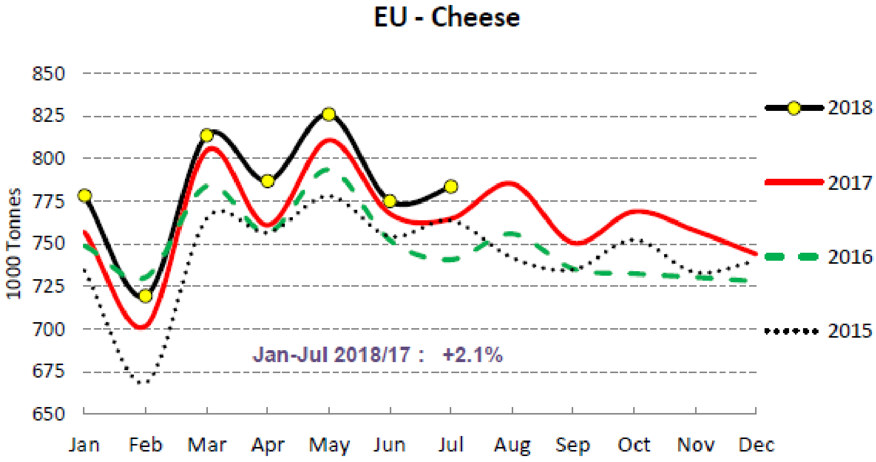


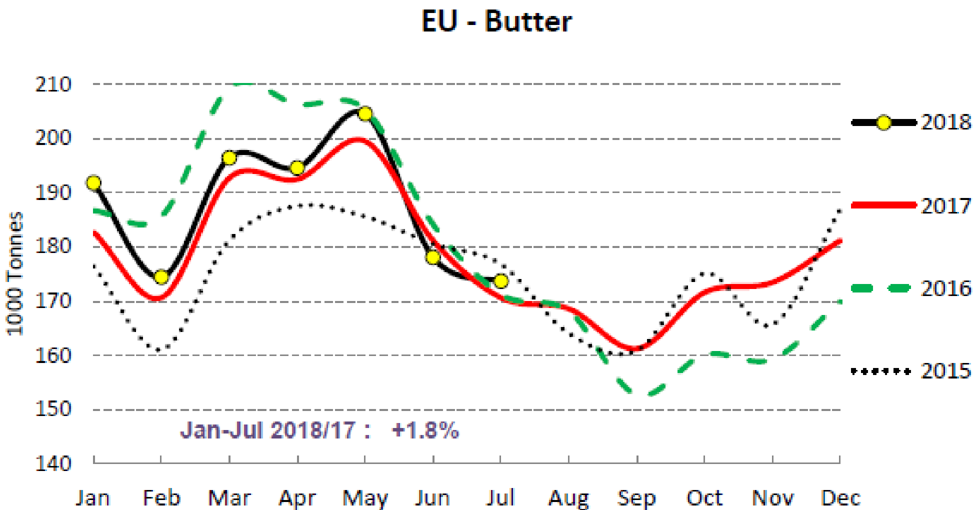


Source : FranceAgriMer / sondage lait de vache

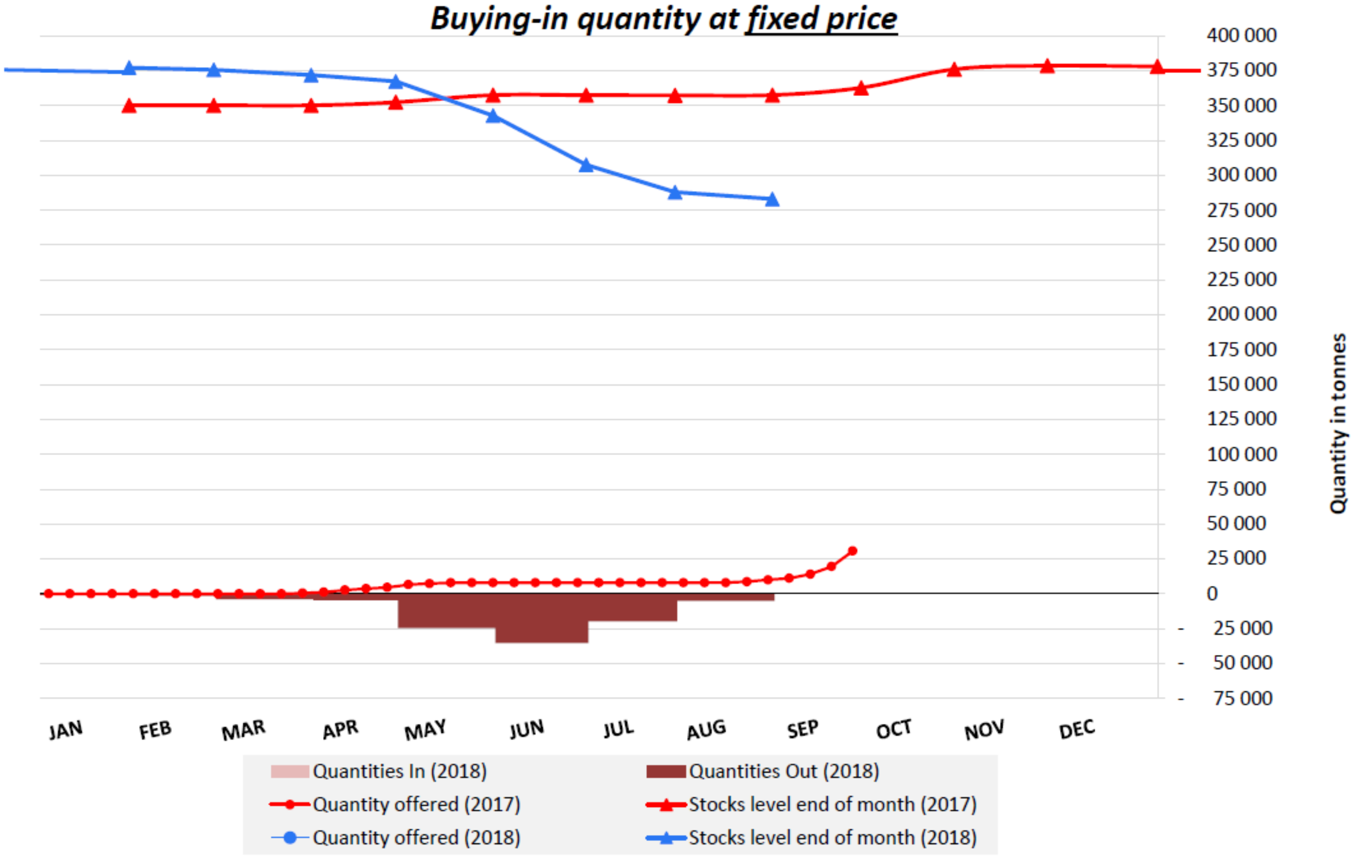

EU-28 Deliveries/Productions development
(Jan-Jul 2018 compared to Jan-Jul 2017)
Evolution in %
Cows' Milk Collected + 1.7%
Fermented milk + 0.9%
Cheese + 2.1%
Whole milk powder - 3.7%
Skimmed-milk powder + 4.5%
Total Butter + 1.8%
- 15%
- 10%
- 5%
+ 0%
+ 5%
+ 10%
+ 15%
+ 20%
Source : MS' Communications to Eurostat,
and, for milk : AGEA, FEGA,


EU - Skimmed-milk powder
1000 Tonnes
180
160
140
120
100
80
60
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2018
2017
2016
2015
Jan-Jul 2018/17 : +4.5%


EU - Cheese
1000 Tonnes
850
825
800
775
750
725
700
675
650
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2018
2017
2016
2015
Jan-Jul 2018/17 : +2.1%

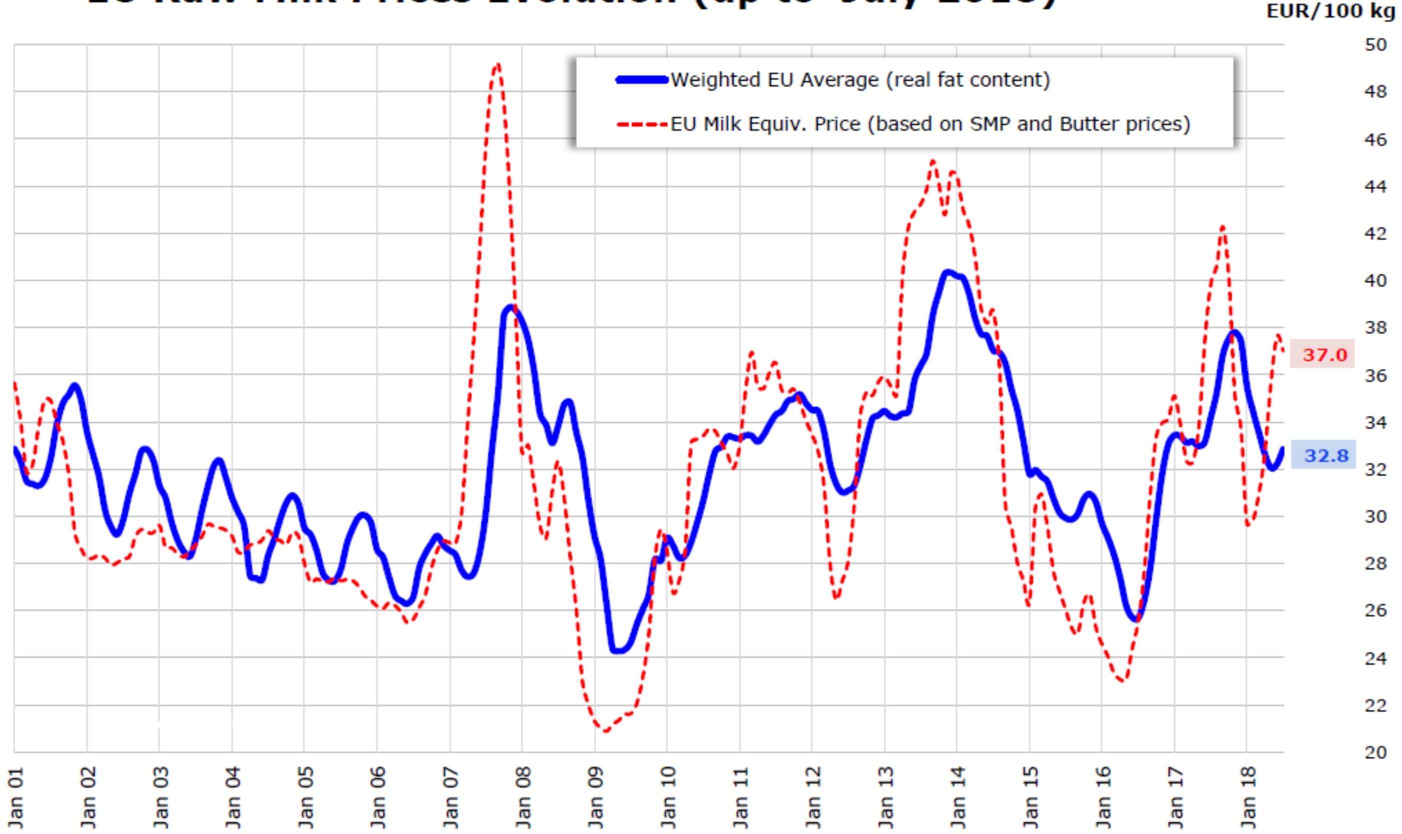

EU - Butter
1000 Tonnes
210
200
190
180
170
160
150
140
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2018
2017
2016
2015
Jan-Jul 2018/17 : +1.8%

Public SMP Intervention scheme (2017-2018)



European Commission

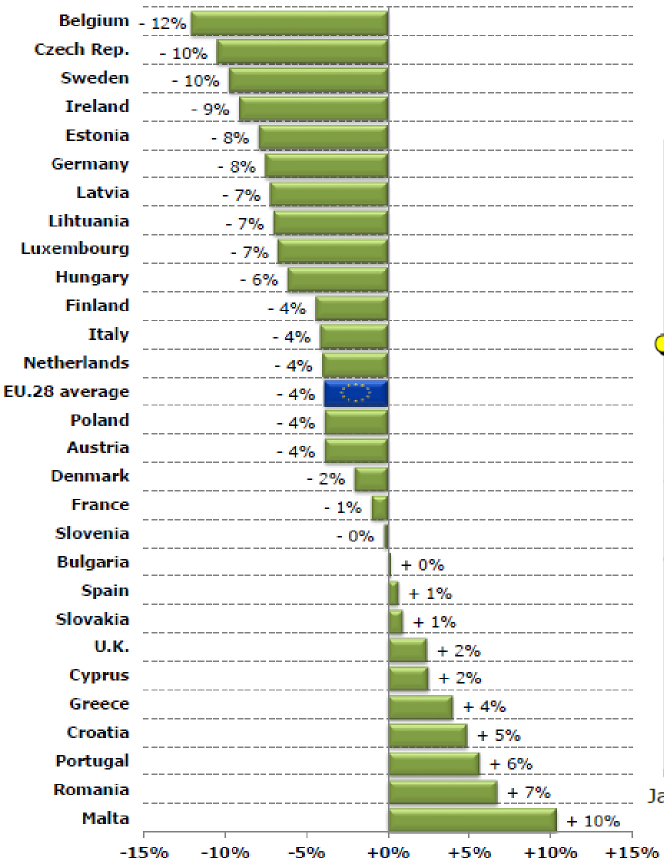
EU Raw Milk Prices Evolution (up to July 2018)



Source : MS' communications under Reg. (EU) No 2017/1185 Article 12(a) - Annex II.4(a)

European Commission

Raw Milk Price evolution in July 2018 compared to July 2017

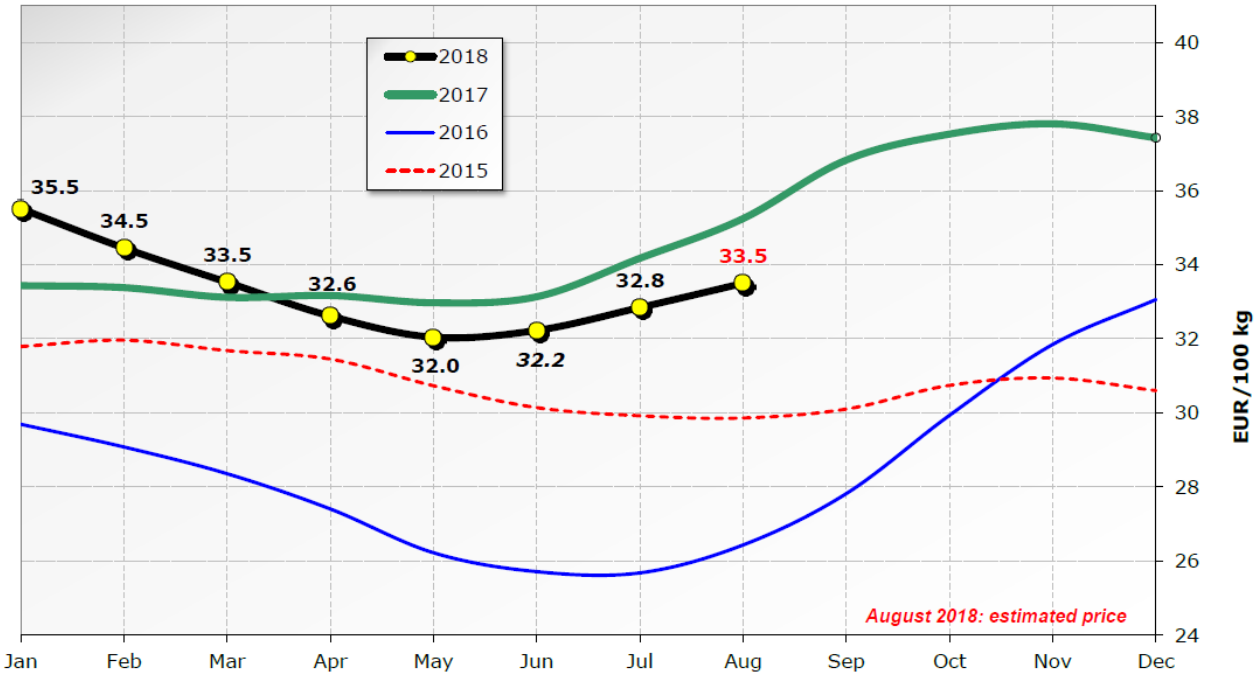


*: estimated figures for Jul 2018

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

Milk Prices paid to the Producers

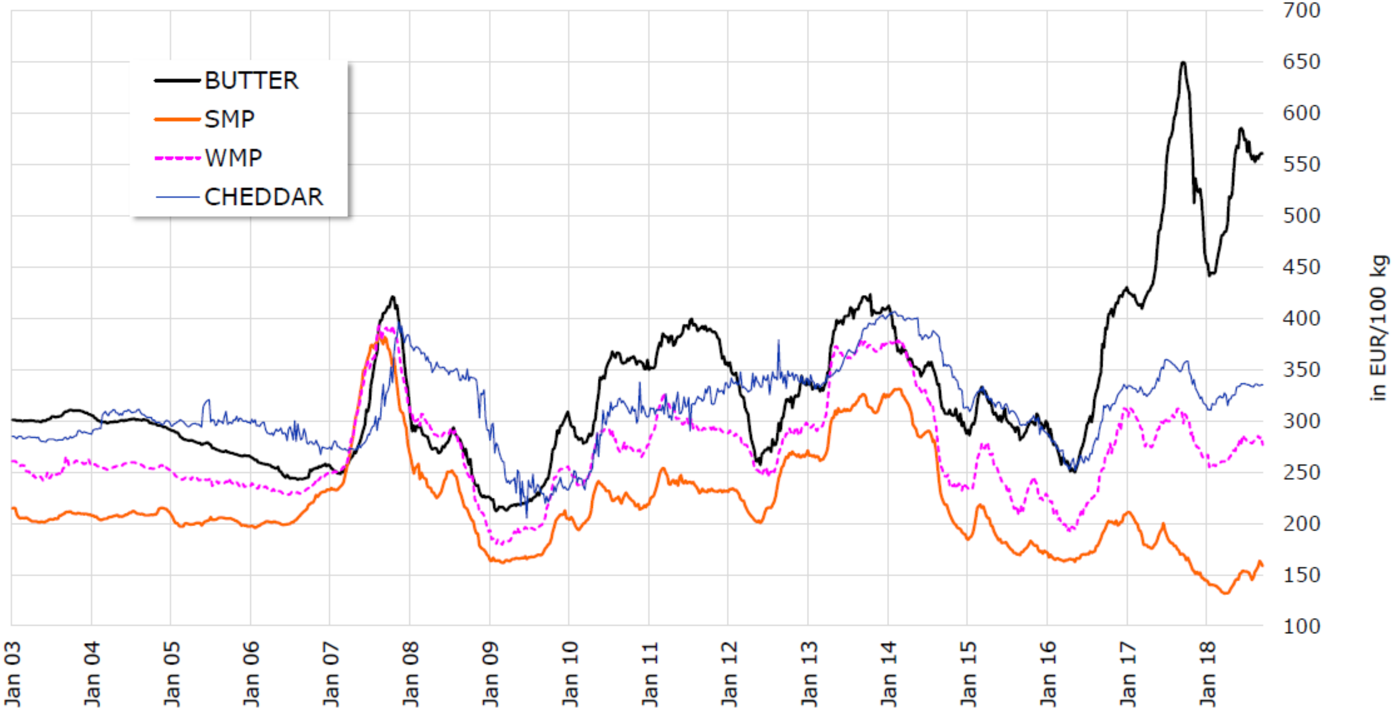
EU (weight. avg.)



European Commission

EU Dairy Quotations

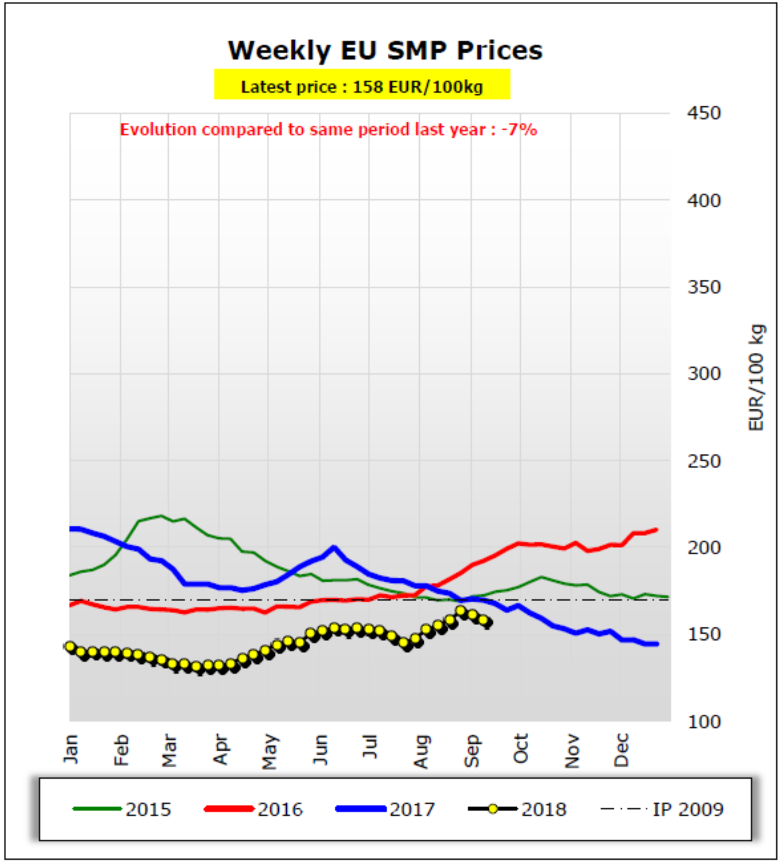
(EU Average Prices based on MS communication and weighted by production)

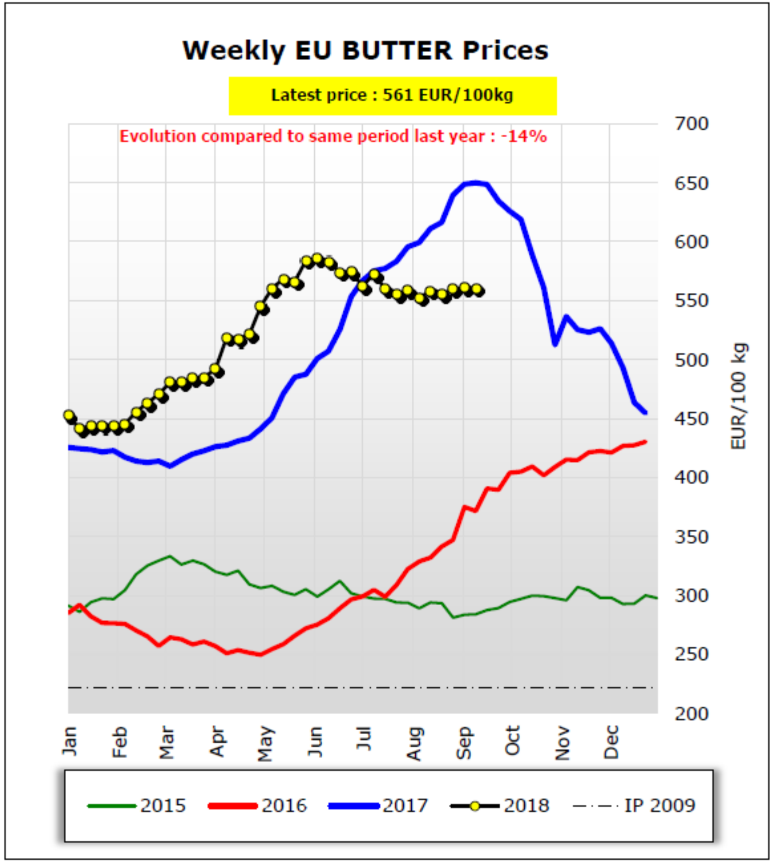


Source: Regulation (EU) No 2017/1185 Article 11 - Annex I.7

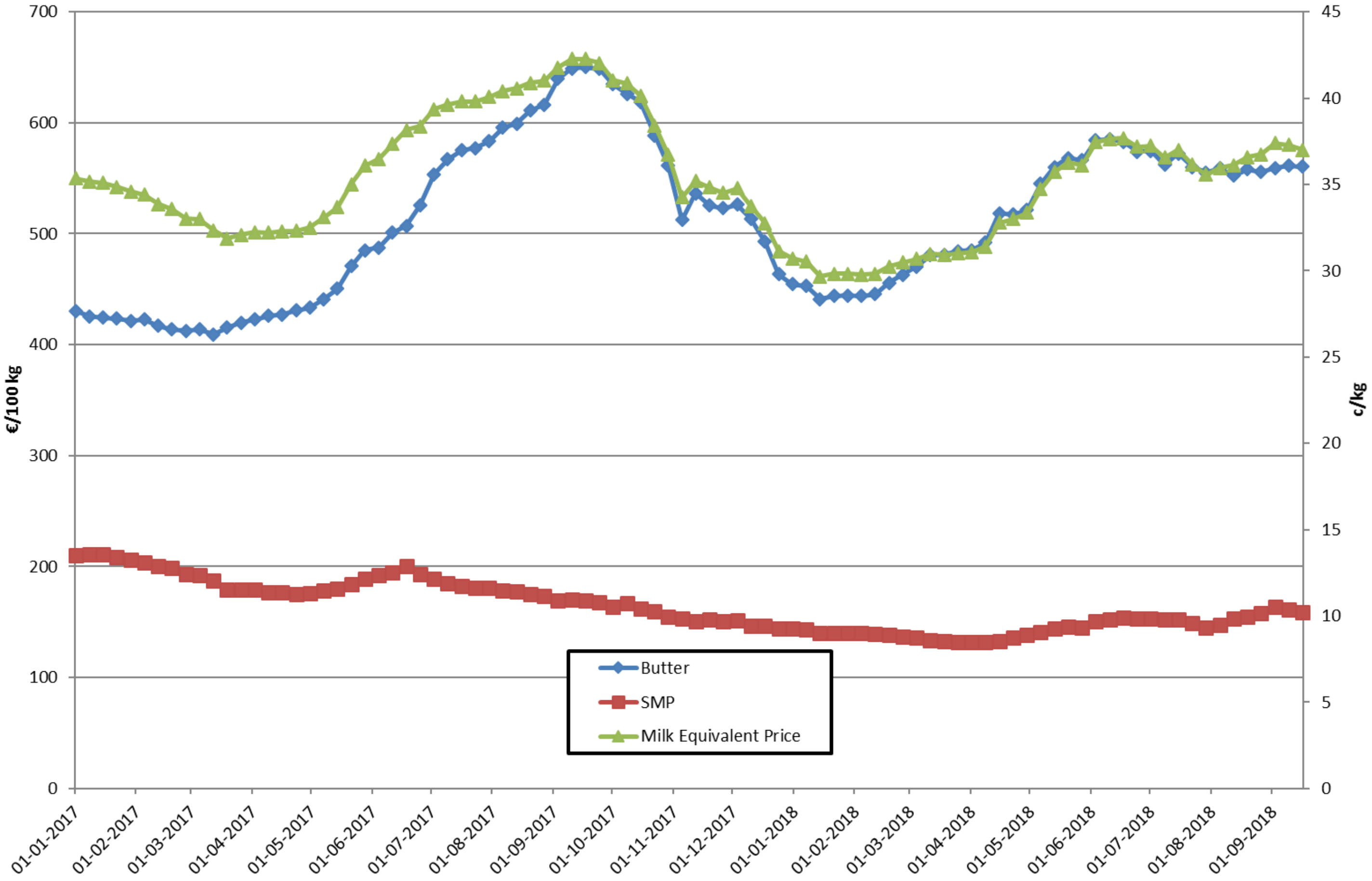
European Commission

Prices of EU Dairy commodities *(Source: Regulation (EU) No 2017/1185 Article 11 - Annex I.7)*





European Commission

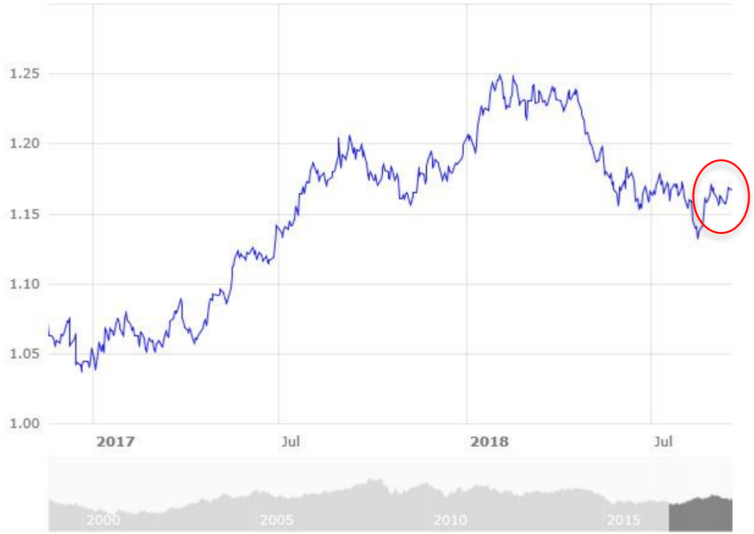


European Commission

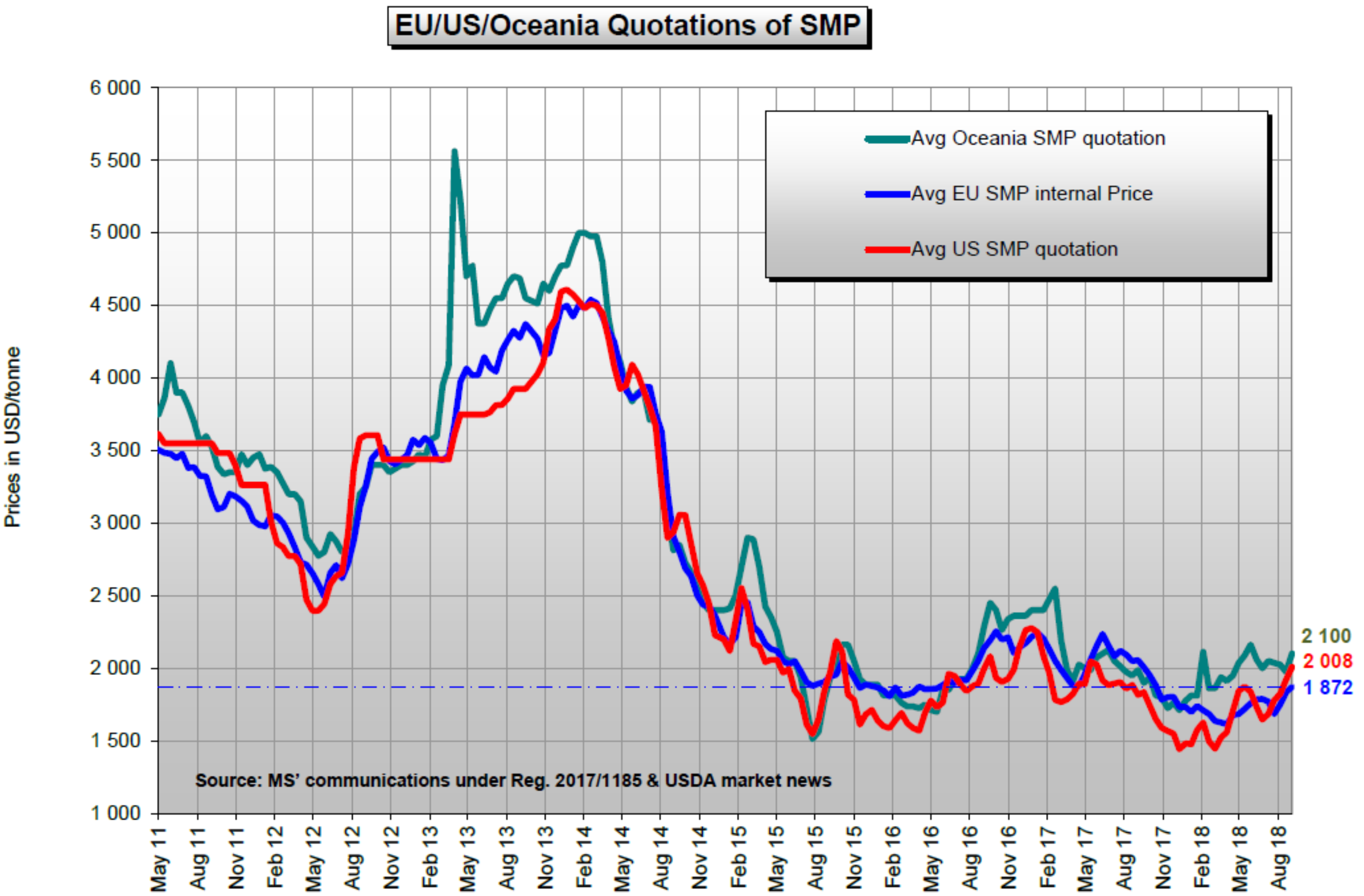
Latest World Quotations of Dairy Products

In US$/t	Latest Quotations			Week - 2						Year - 1					
	16/09/2018			02/09/2018			% change (previous quotation)			17 September 2017			% change (1 year)		
	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA
Butter	6 522	4 325	4 857	6 438	4 475	4 958	+ 1.3%	- 3.4%	- 2.0%	7 826	6 200	5 344	- 17%	- 30%	- 9%
SMP	1 872	2 100	2 008	1 833	1 975	1 921	+ 2.1%	+ 6.3%	+ 4.5%	2 055	1 988	1 818	- 9%	+ 6%	+ 10%
WMP	3 301	2 838	3 307	3 304	2 913	3 450	- 0.1%	- 2.6%	- 4.2%	3 723	3 088	3 252	- 11%	- 8%	+ 2%
Cheddar	3 892	3 688	3 702	3 881	3 588	3 609	+ 0.3%	+ 2.8%	+ 2.6%	4 219	4 163	3 580	- 8%	- 11%	+ 3%

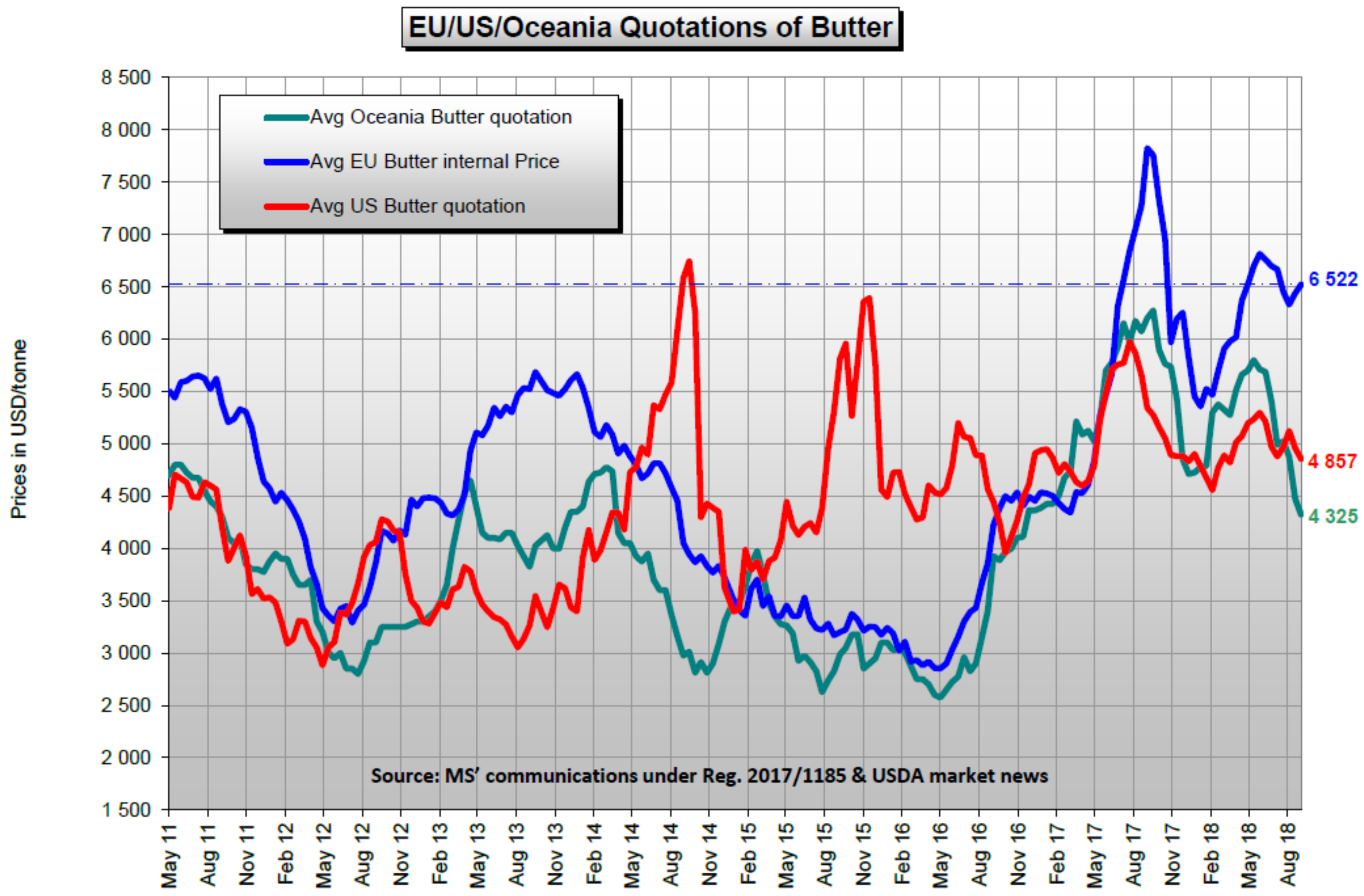
Source : Member States Notifications under Reg. 2017/1185, USDA



European Commission



European Commission



European Commission

<u>ANNEX 2</u>

Milk Market Situation

LTO Nederland

Milk market situation

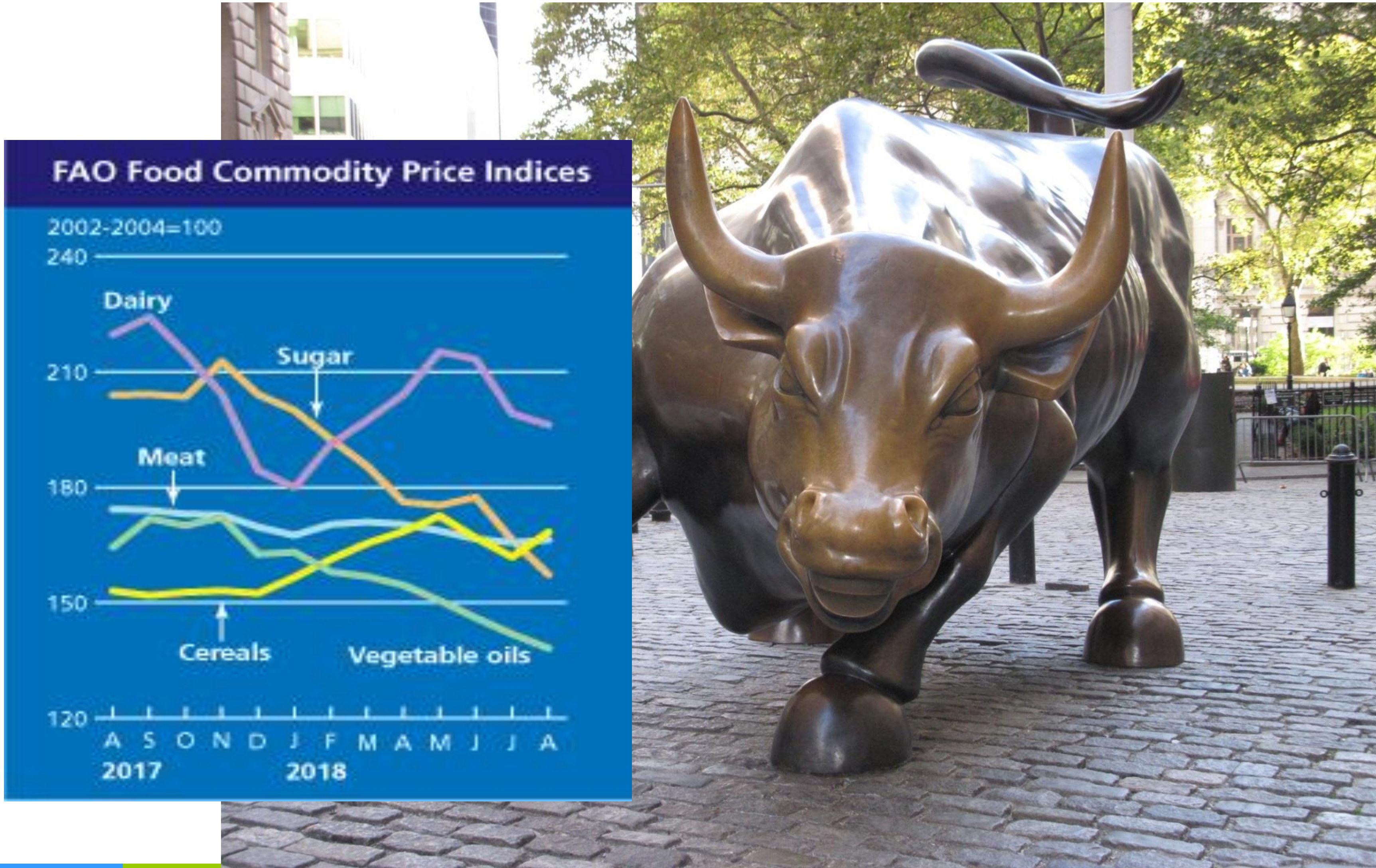
1. Milk Prices
2. Production
3. Futures: CME
4. Conclusions
5. Farmers’ sentiment

25 September 2018

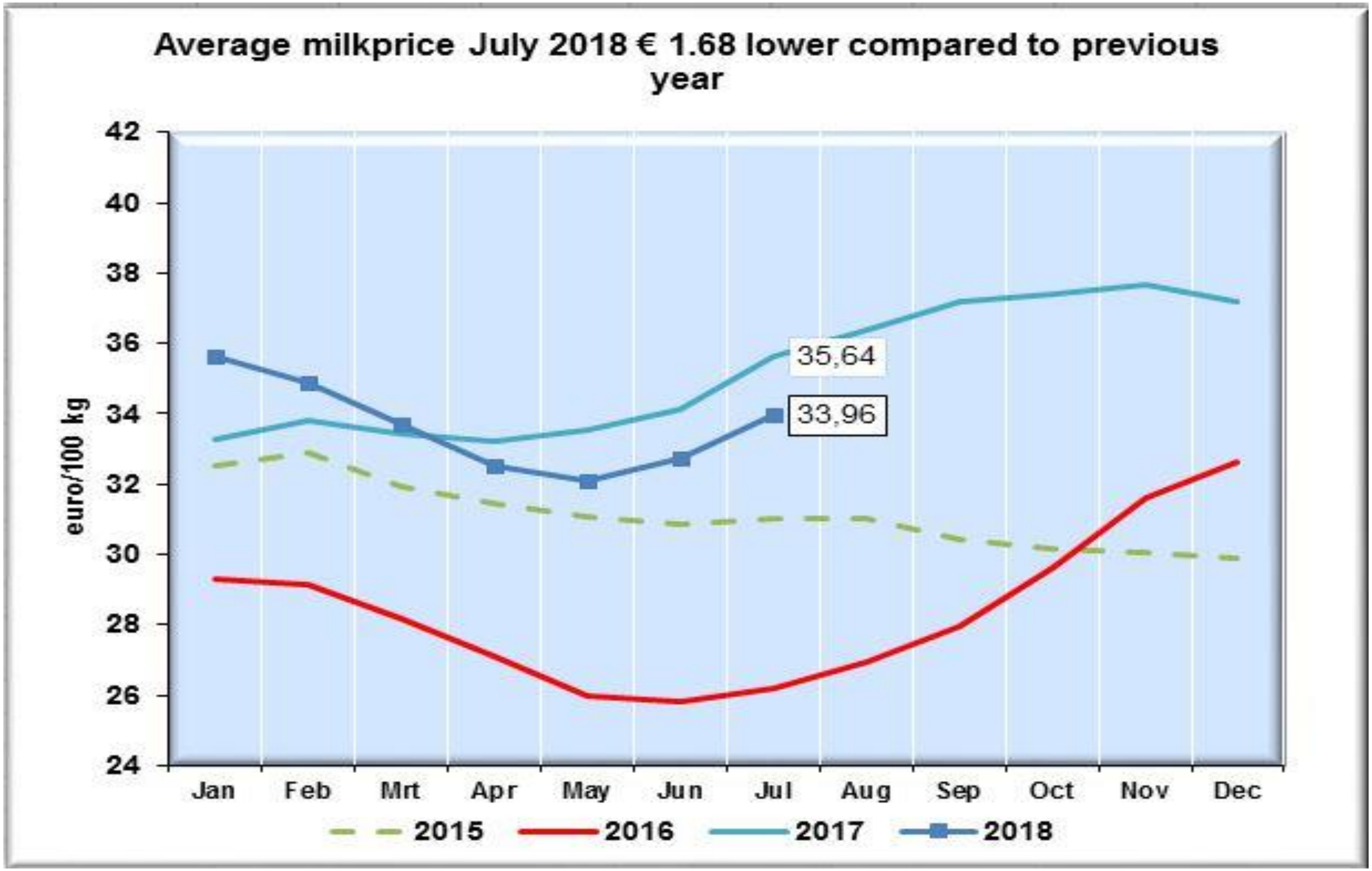
Klaas Johan Osinga

kjosinga@lto.nl, @KJOsinga

1. The big picture....



LTO milk prices average



Farm gate milk prices € per 100 kg standardised milk

Dairy Company		July 2018 (€)	no	Average payment last 12 months	Aug 2018	Sept 2018	Most recent profit payment
GRANAROLO (North)	ITA	37.87	1	39.53	No change	No change	
DANONE (Pays de Calais)	FRA	37.13	2	34.84			
FRIESLANDCAMPINA	NLD	35.21	3	36.99	No change	+1.21 (Oct +1.00)	1.27
SODIAAL	FRA	35.05	4	34.67			0.23
SAVENCIA (Basse Normandie)	FRA	34.94	5	33.99	-1.50		
VALIO	FIN	34.90	6	36.31			0.92
ROYAL A-WARE	NLD	34.53	7	37.90	No change	+1.21	
LACTALIS (Pays de la Loire)	FRA	34.35	8	33.82			
KERRY AGRIBUSINESS	IRL	33.43	9	34.24	No change		
ARLA FOODS DK	DK	33.36	10	34.10	+0.96	No change	1.28
MILCOBEL	BEL	33.22	11	33.25	+0.80		0.24
DMK	DEU	33.07	12	34.95			
HOCHWALD MILCH EG	DEU	32.95	13	34.72			0.10
DAIRYGOLD	IRL	32.30	14	34.19	No change		
GLANBIA	IRL	32.14	15	33.57	No change		
MÜLLER (Leppersdorf)	DEU	31.72	15	34.34	No change		
DAIRY CREST (Davidstow)	UK	31.13	16	32.39			
Average		33.96		34.93			
EMMI	CH	51.79		48.06			
FONTERRA	NZ	31.34		30.79	-0.60		
USA Class III	USA	30.74		32.38	+2.20		

Deliveries 1 million kg / year

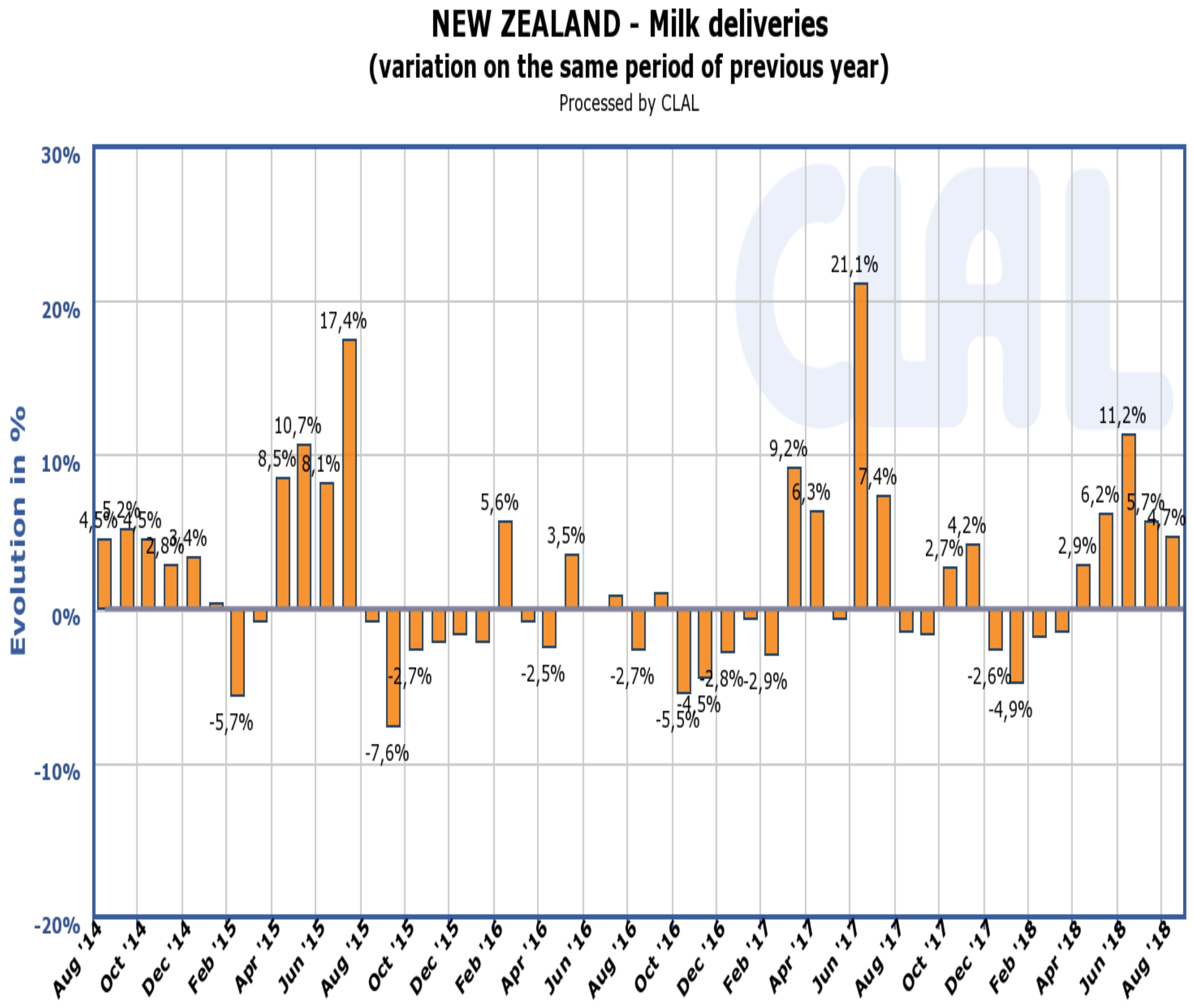
Source: milkprices.nl

2. Milk production

New Zealand

June-Aug 2018:

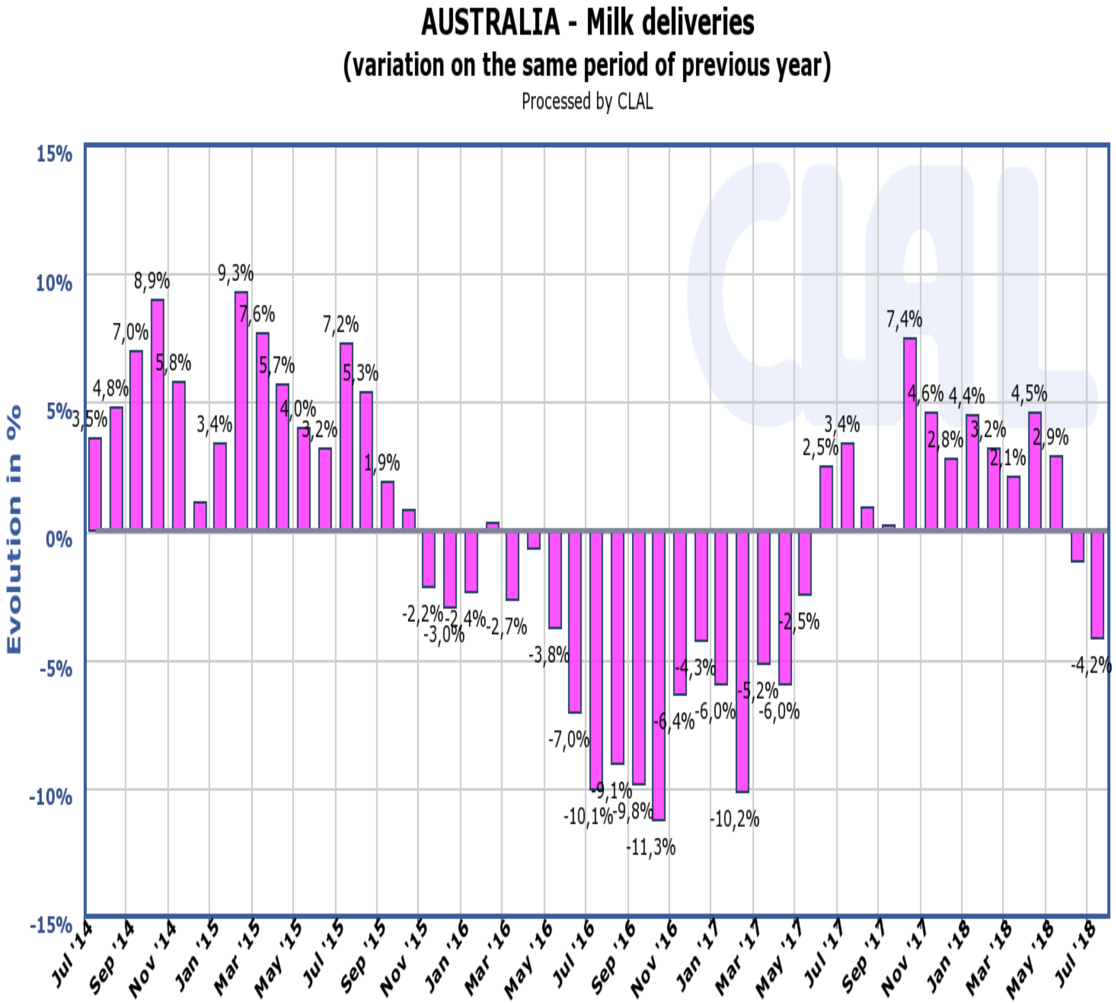
+5.5%



Milk production (2)

Australia:

July -4.2%



Milk production (3)

USA

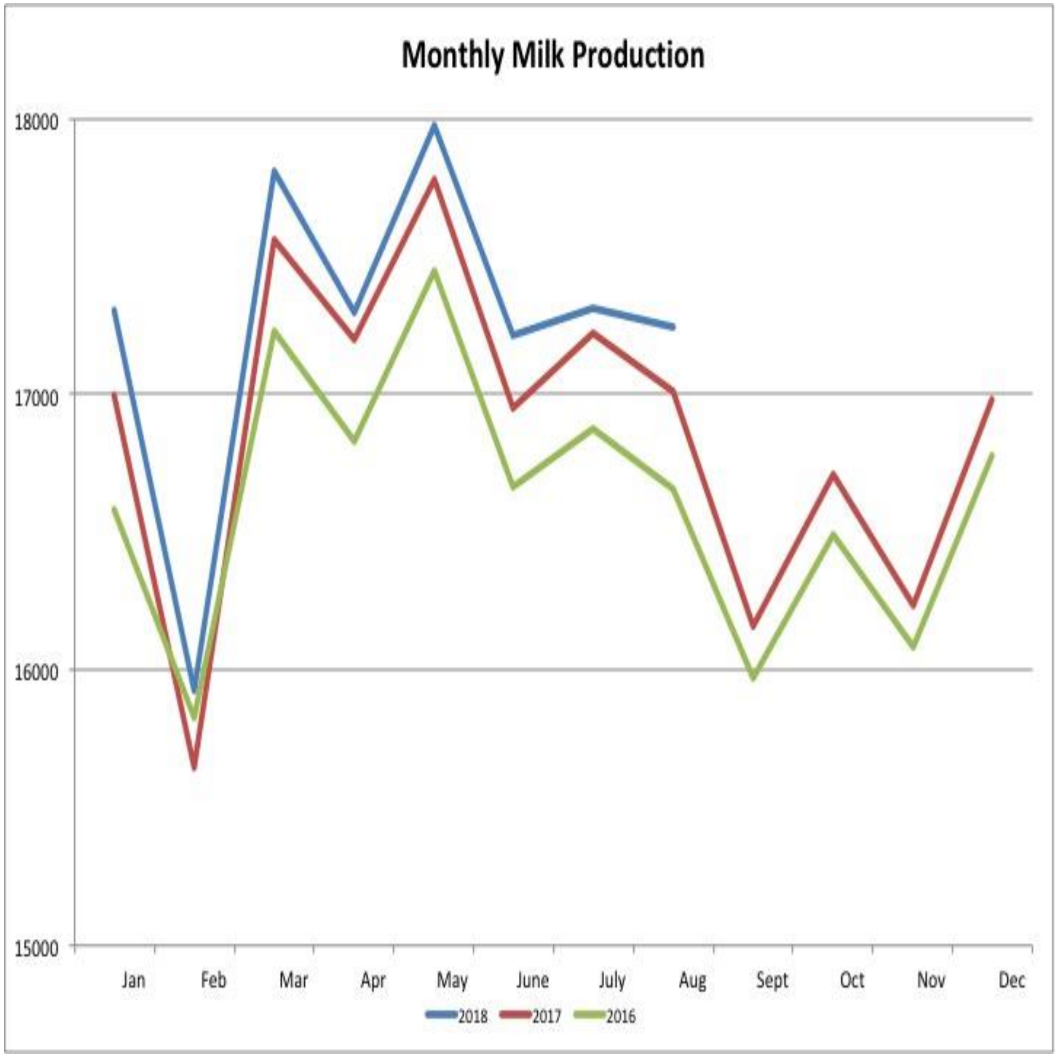
USDA (y-o-y):

July 2018: +0.5%

Aug 2018: +1.4%

Expectations

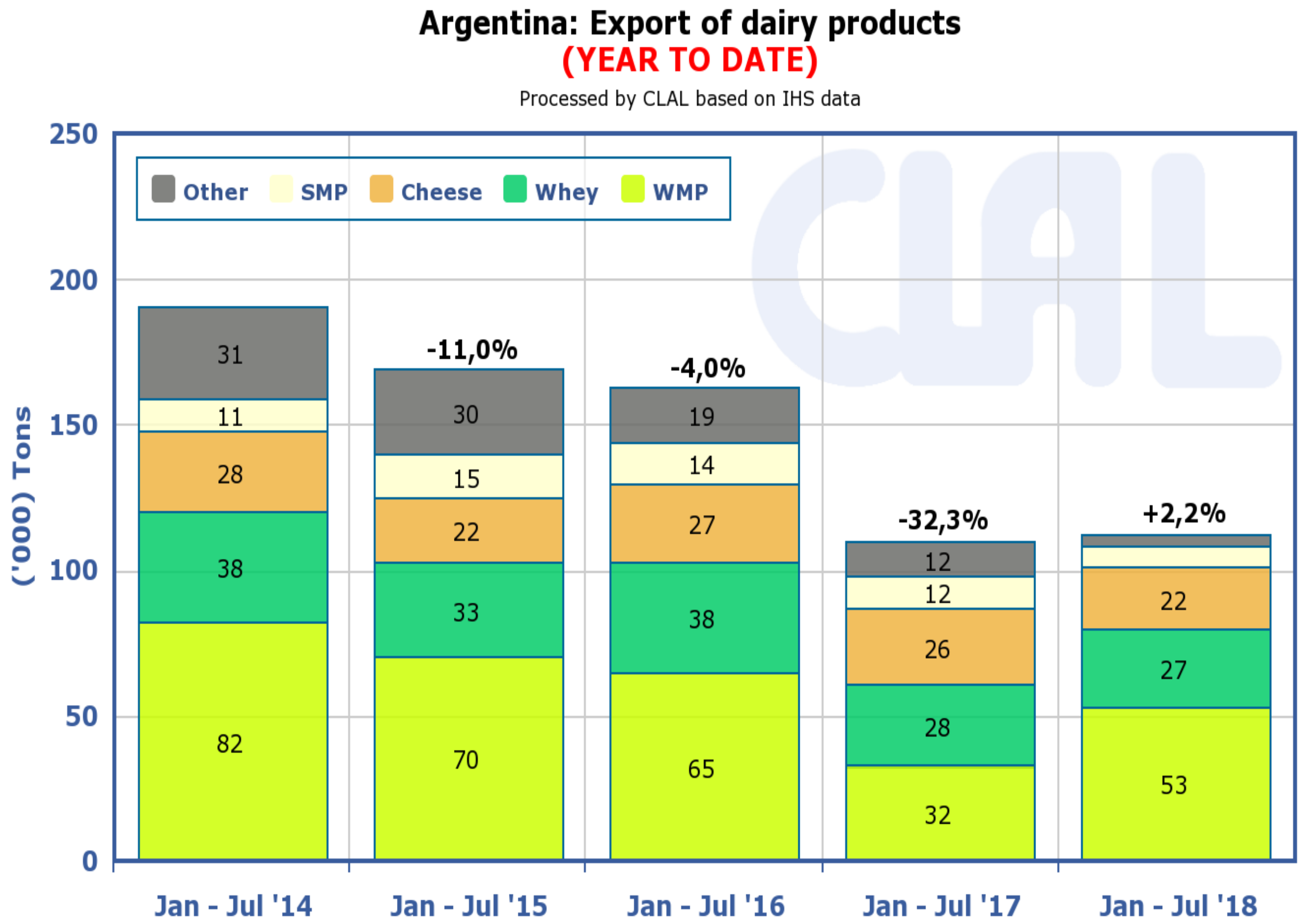
for 2019: +1.5%



Milk production (4)

Argentina

Production up 2.2% during Jan-July 2018



Milk production (5)

EU – latest data:

Germany

France

UK

Netherlands

Ireland

Denmark

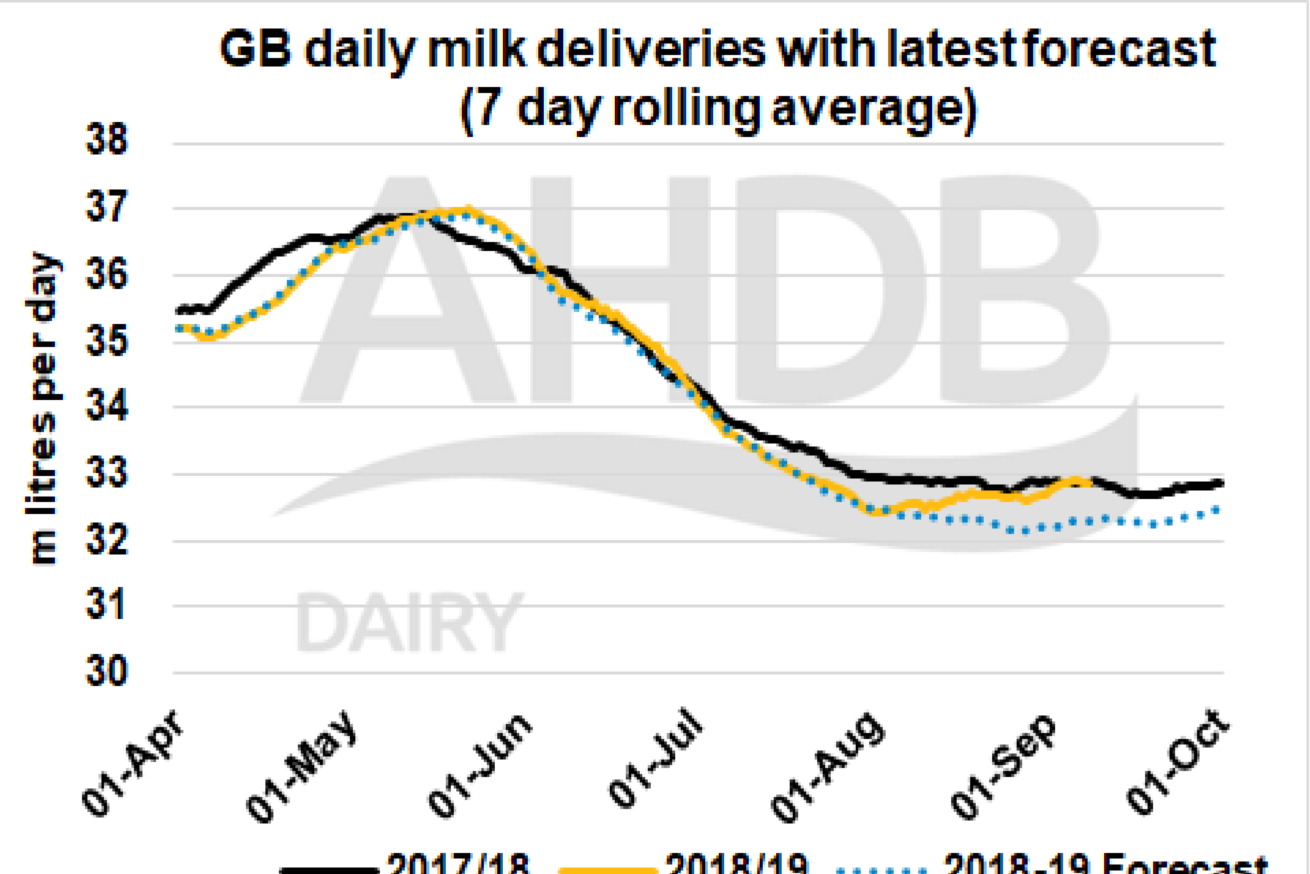
Germany en France (year-on-year)

Week	Germany	France
Week 36	-0.2%	-0.4%
Week 35	+0.7%	+0.3%
Week 34	-0.3%	-1.0%
Week 33	+/- 0.0%	-0.9%
Week 32	-1.8%	-2.0%
Week 31	-1.1%	-0.9%
Week 30	+1.4%	+1.0%
Week 29	+2.1%	+1.1%
Week 28	+2.9%	+1.8%

Great Britain (y-o-y)

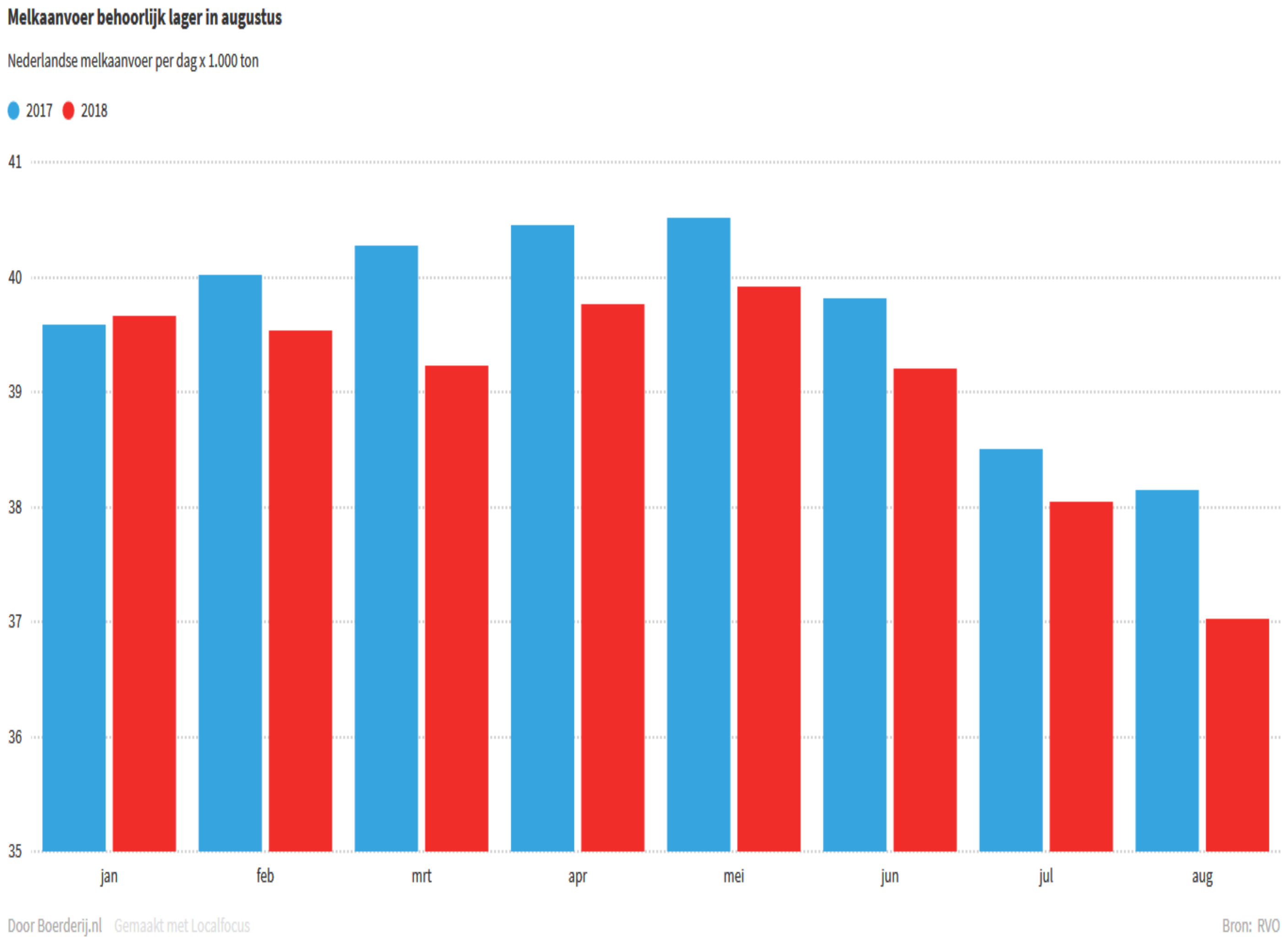
Week 37: +0.4%
Week 36: +0.2%
Rolling average for 2018: 1.0%

"It remains to be seen what happens to production as we go through the winter months."



Source: AHDB

Netherlands milk production



Aug 2018:
-2.9% (milk)
-3.8% (fat)

Jan-Aug 2018:

-1.6% (milk)
-1.9% (fat)

Ireland

Production was up again in August following a dip in July.
Concerns remain about winter fodder availability.

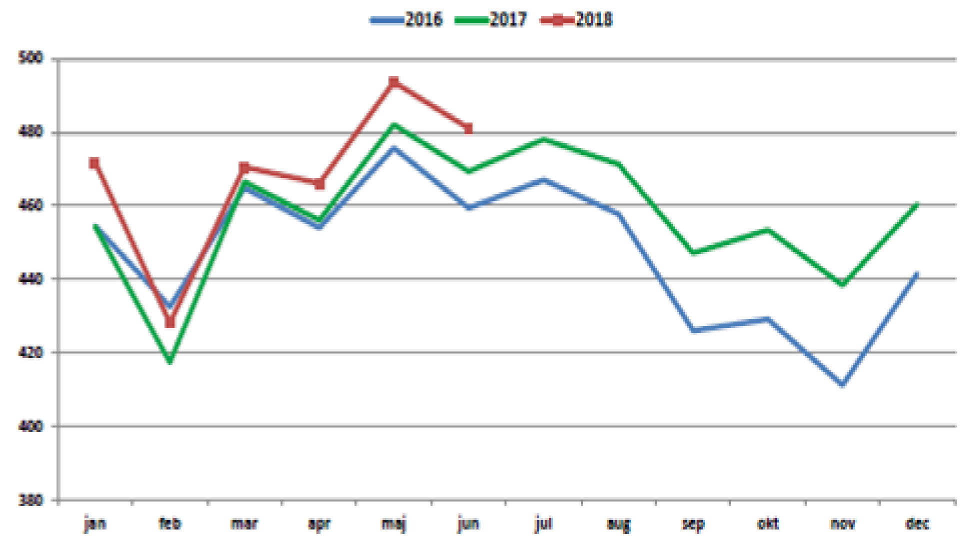
"The costs of feed have increased massively at farm level as farmers have already had to supplement their depleted fodder reserves which the drought conditions over the summer have not allowed them to replenish….."

Denmark

Indvejning fra danske mælkeproducenter - pr. måned (1.000 ton)

Bemærk: 29 dage i februar 2016

01-09-2018



	jan	feb	mar	apr	maj	jun	jul	aug	sep	okt	nov	dec	År-til-dato
2016	455	432	465	454	476	459	467	458	426	429	411	441	2.741
2017	454	417	466	456	482	469	478	471	447	453	438	460	2.746
2018	472	428	471	466	494	481							2.811
2018/2017	3,8%	2,6%	0,9%	2,2%	2,4%	2,5%							2,4%

Foreløbige tal for seneste måned

Kilde: Mejeriforeningen / Landbrug & Fødevarer

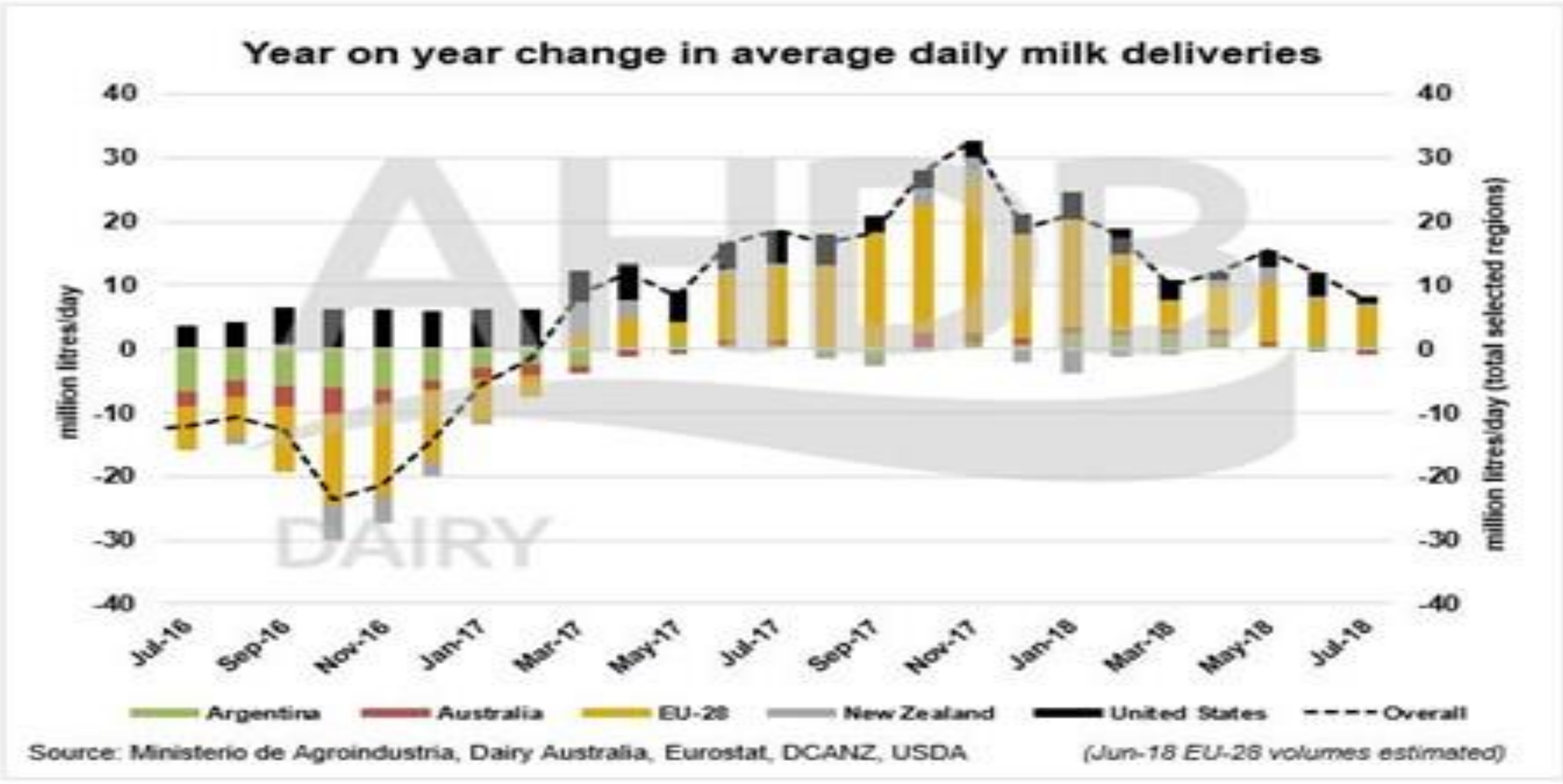
"The most vital element for the future production will be when the milk producers run out of feed (the latest rain has helped many to get some grass). Will they buy or take animals out of production? "

Milk production growth 2018

		Calender year 2018 (billion kg milk)
EU	+	1.5 (less in H2 2018)
USA	+	1.5
New Zealand	+	1.0 (2018/19)
Australia	+/-	0.0
Argentina	+	0.2
Total	**+**	**4.2 billion kg**

Volume of world market is about 60 bn kg

Aggregated milk supply of five main exporters



Source: AHDB, UK

3. Futures CME Chicago (contract January 2019): 30 eurocents

Dutch dairy quotations

19 September 2018

Butter, 25 kg cartons:	- € 23.00	€ 525.00
WMP, 26% fat:	- € 5.00	€ 280.00
SMP extra quality:	- € 8.00	- € 157.00
SMP feed quality:	- € 5.00	- € 133.00
Whey powder:	- € 2.00	- € 76.00

Cheeses Edam/Gouda “healthy market”

Milk spot price € 0.365

Summary

- Parts of EU impacted by heat/drought. Feed situation not resolved yet – higher costs !
- USA: many farmers feel squeeze on margins. Don’t expect big production growth
- Australia: limited by drought in regions
- New Zealand: strong start of the season
- Argentina: WMP aided by weak currency
- China: healthy demand – US/China retaliatory tariffs may help Europe (and NZ)?

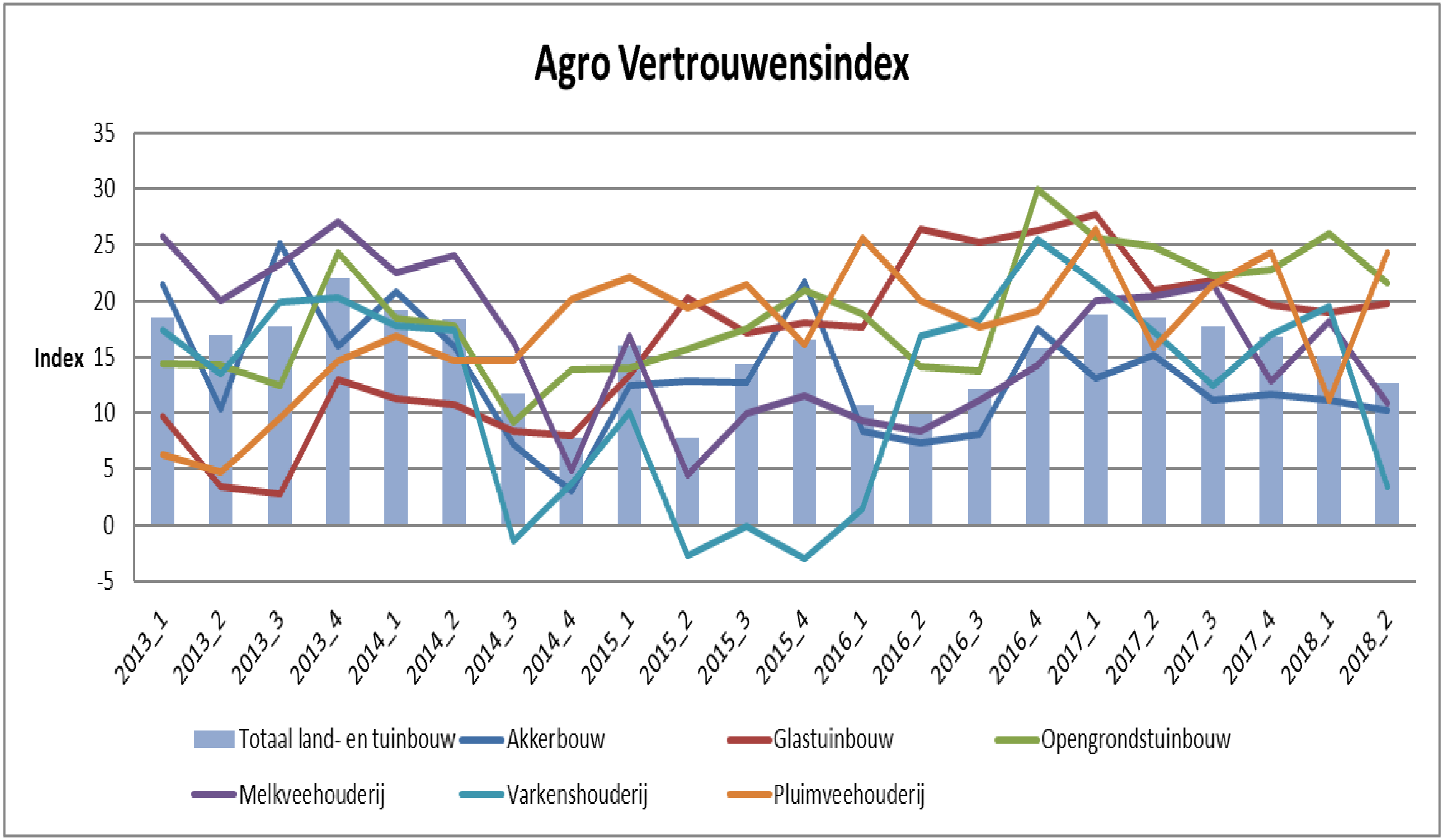
4. Conclusions

Situation stable for Q4

Healthy cheese market

However, NZ will impact on market e.g. butter?

5. Farmers' confidence?



LTO Nederland

Thank you for your attention

@KJOsinga **kjosinga@lto.nl**

ANNEX 3

EU dairy products monthly stock estimates at the end of July 2018

EDA

EU dairy products monthly stock estimates at the end of July 2018

Milk Market Observatory

Economic Board

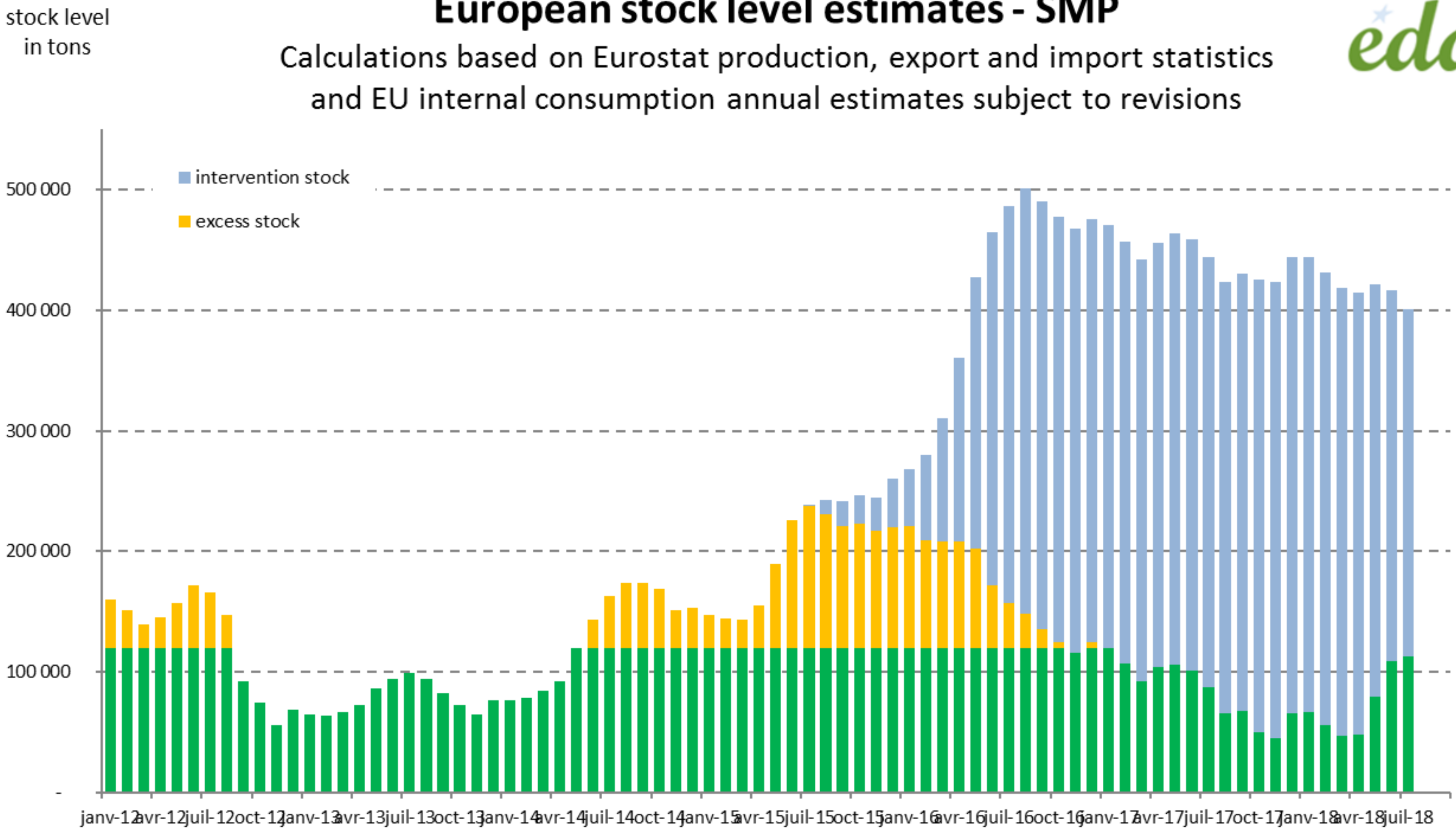
September 25th , 2018

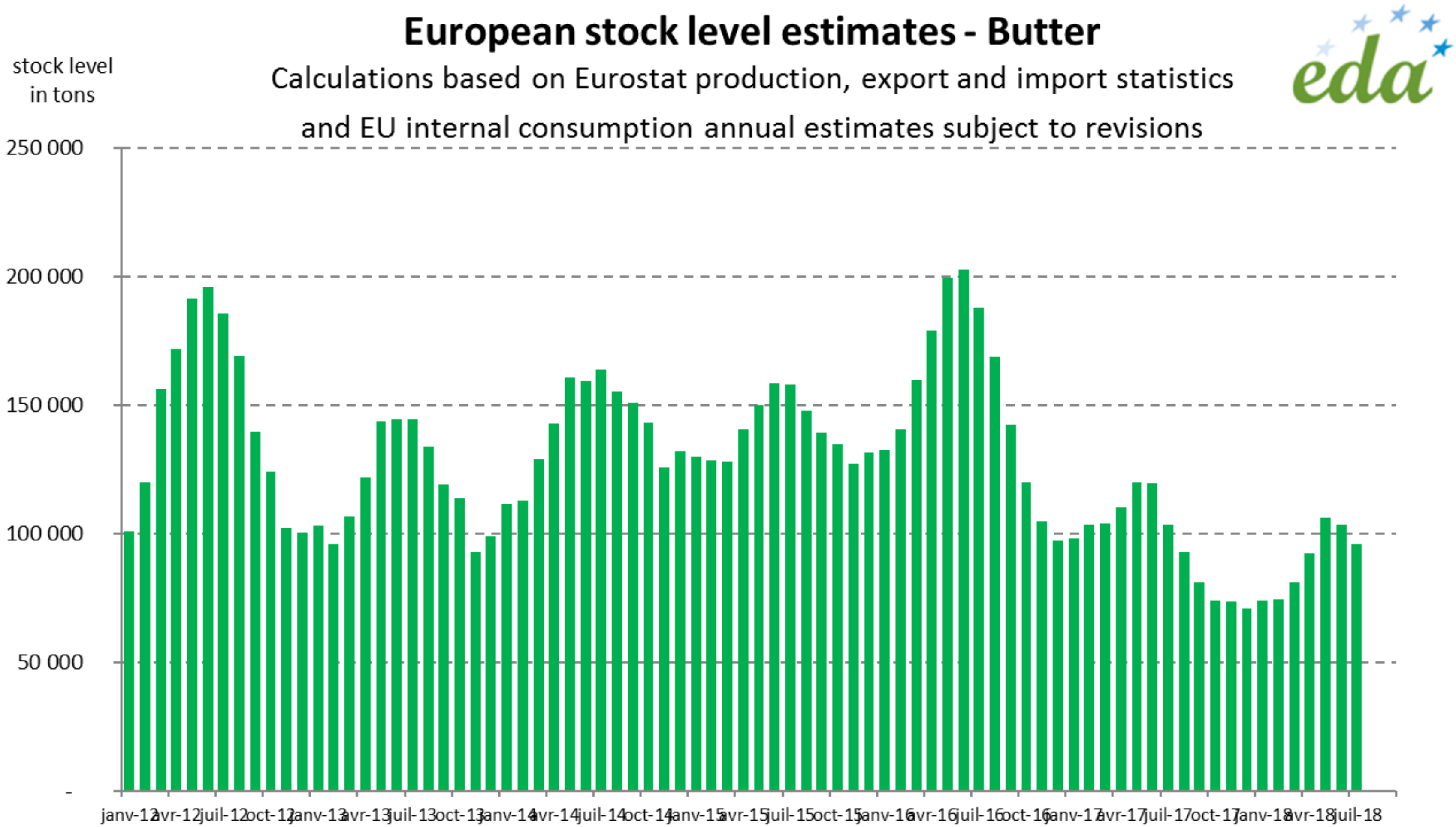
Methodology

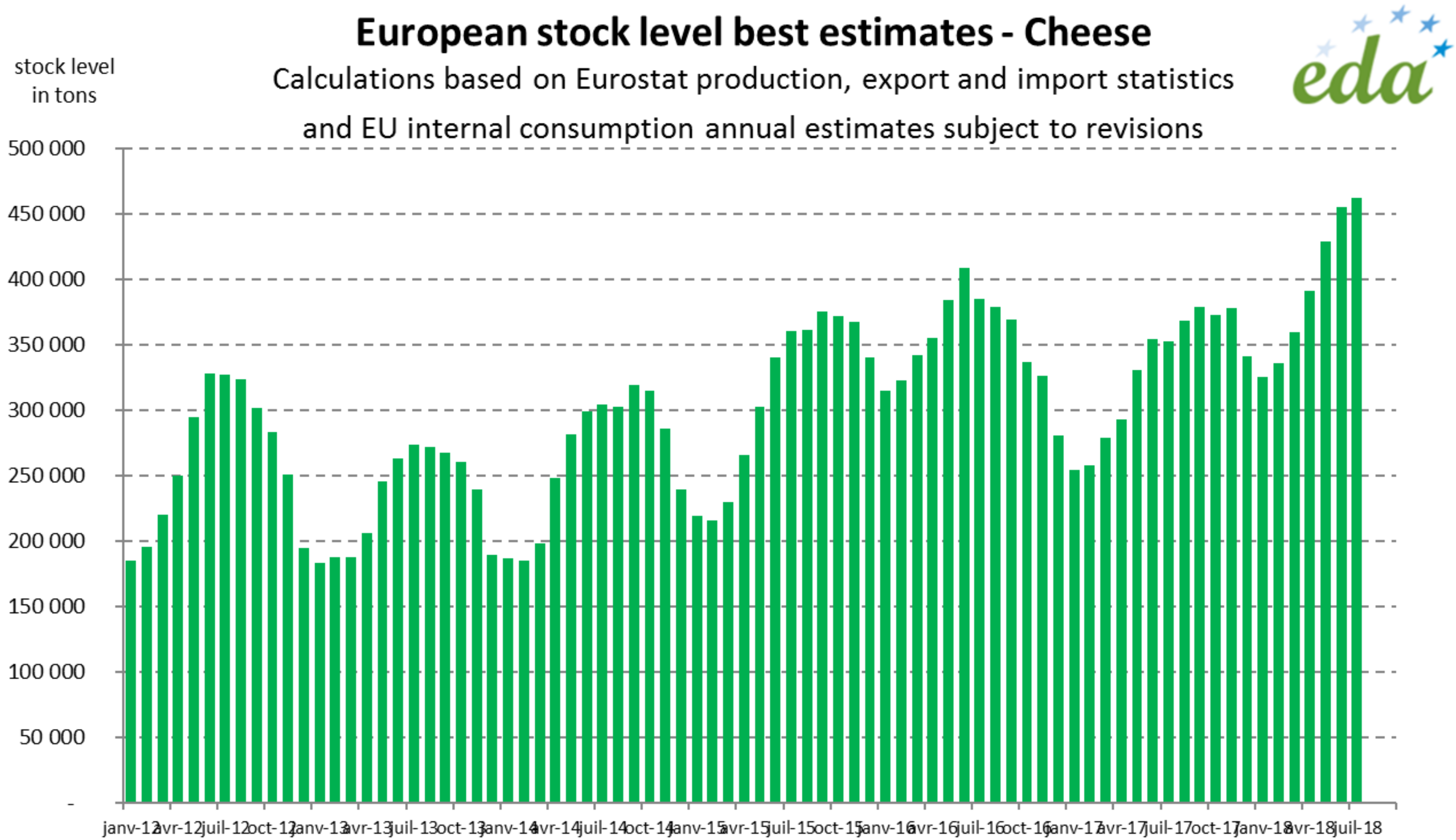
- For each dairy product and each month, the stock estimates are based on the equation:
  - **Stock variation** = EU production + EU import – EU internal consumption – EU exports
- ZMB balance sheets and forecasts have been used as references for :
  - End of year stock levels
  - Yearly consumption 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.

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
stock level
in tons
eda
250 000
200 000
150 000
100 000
50 000
-
janv-12
avr-12
juil-12
oct-12
janv-13
avr-13
juil-13
oct-13
janv-14
avr-14
juil-14
oct-14
janv-15
avr-15
juil-15
oct-15
janv-16
avr-16
juil-16
oct-16
janv-17
avr-17
juil-17
oct-17
janv-18
avr-18
juil-18


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
500 000
450 000
400 000
350 000
300 000
250 000
200 000
150 000
100 000
50 000
-
janv-12
avr-12
juil-12
oct-12
janv-13
avr-13
juil-13
oct-13
janv-14
avr-14
juil-14
oct-14
janv-15
avr-15
juil-15
oct-15
janv-16
avr-16
juil-16
oct-16
janv-17
avr-17
juil-17
oct-17
janv-18
avr-18
juil-18
eda

ANNEX 4

Perspectives from the Dairy Trade

Eucolait

Perspectives from the Dairy Trade

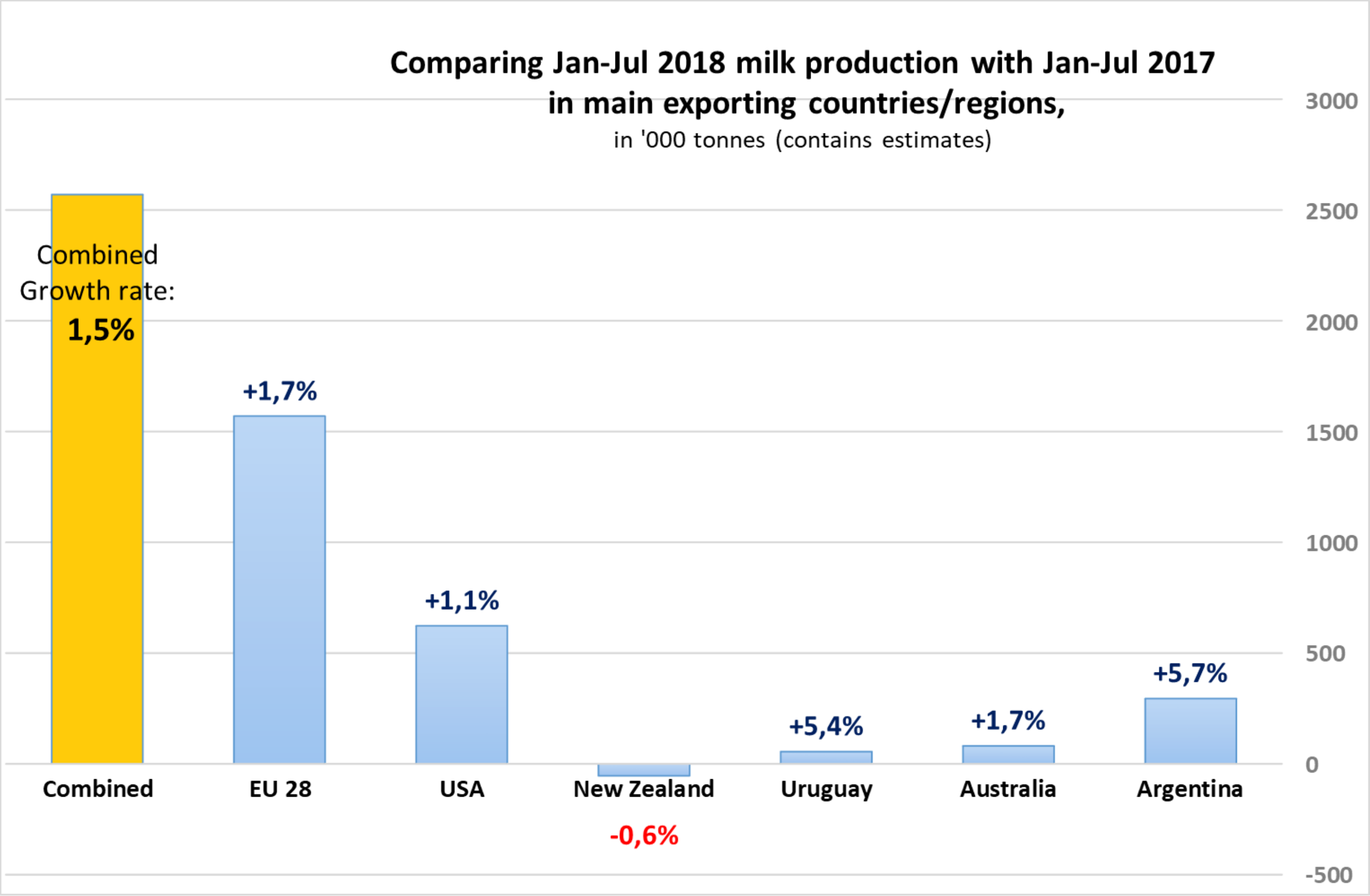
MMO Economic Board

25 September 2018

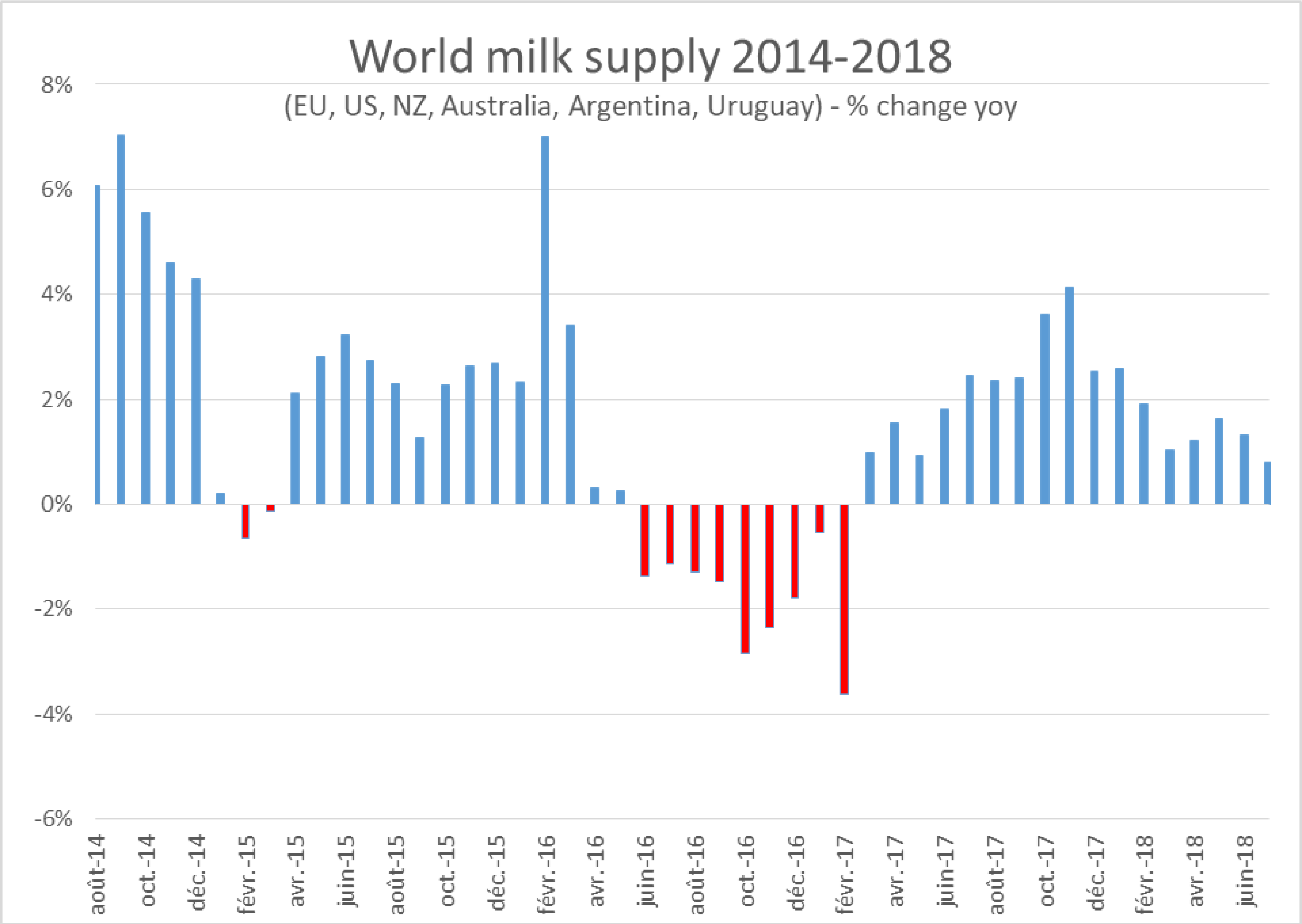
Outline

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

Milk production in key export regions



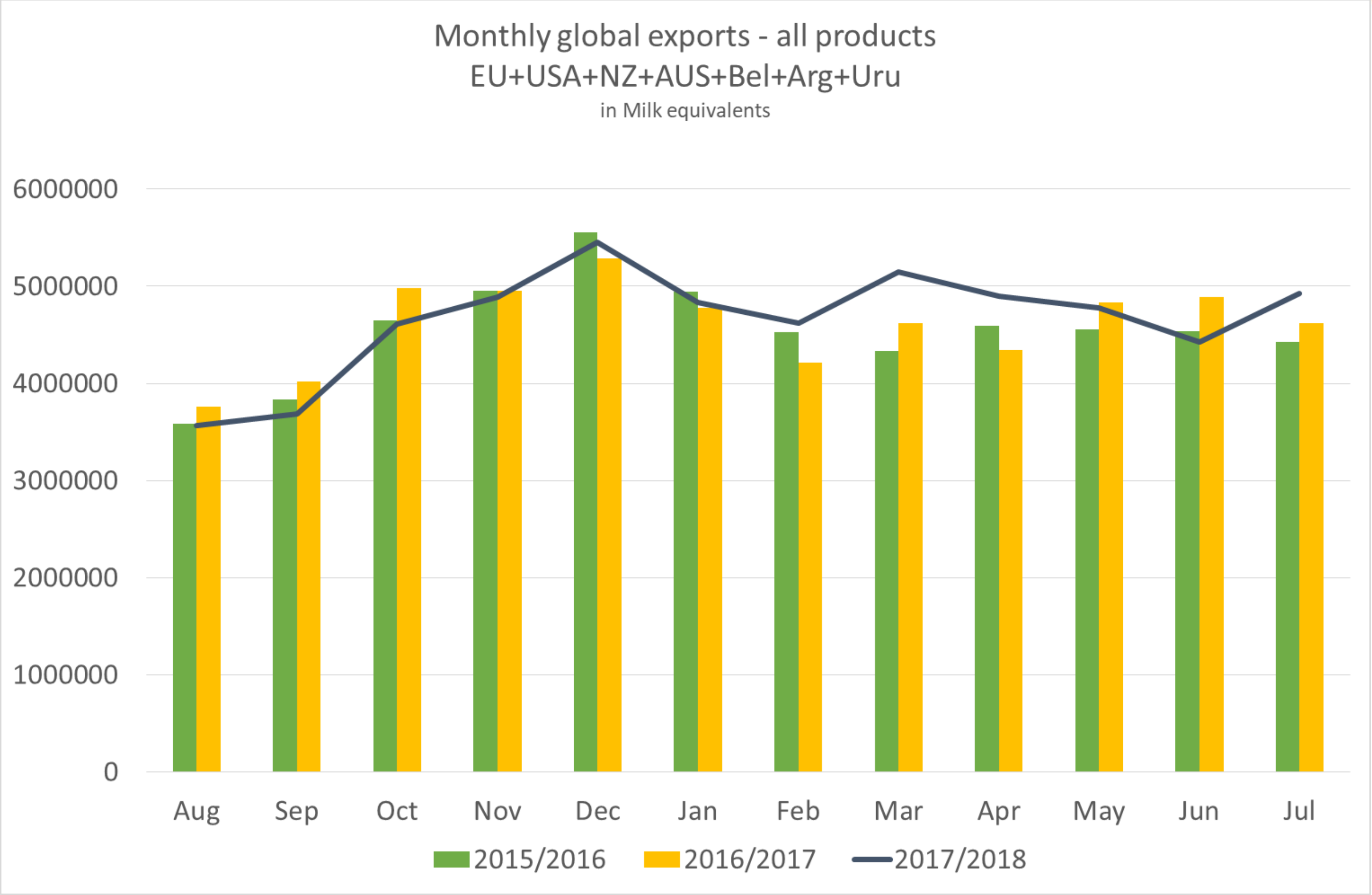
Milk production in key export regions



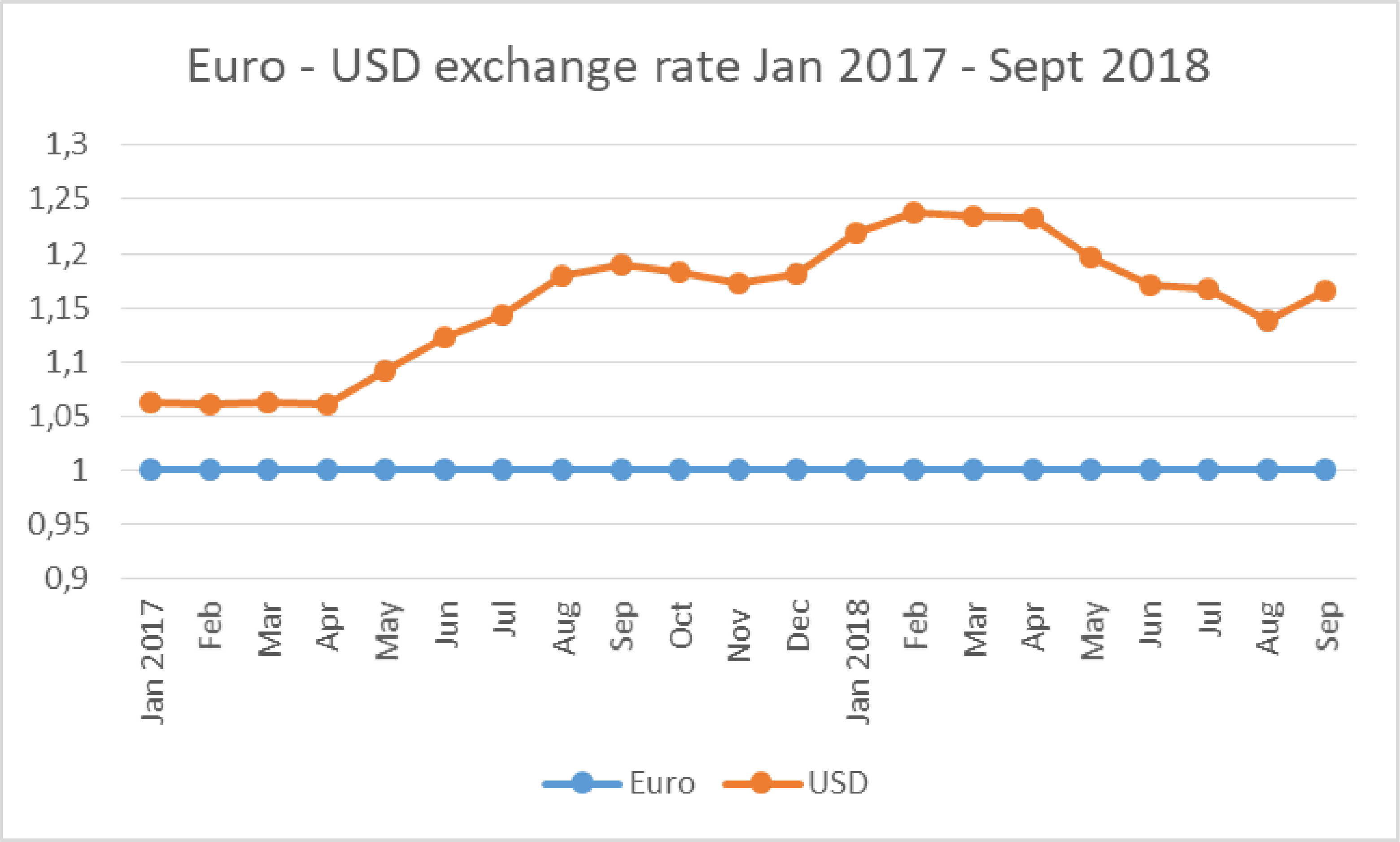
Production outlook

- **EU: immediate impact of extreme summer drought on milk production is very limited** (+1,1 % in July yoy, +1,2% June yoy) **but milk components are down** Outlook: slightly slower growth for rest of 2018 than during H1, full impact of feed shortages and prices won't be seen until Q4 18 and Q1 19
- **USA: weaker milk collection growth in July +0,5%** due to heat and tighter farm margins, **but bounced back in August (+1,4%), exceeding expectations.** Fat and protein content are down. Strong regional differences persist with the Southwest driving growth. Outlook: +1,1% for 2018 and +1,4% for 2019 (USDA)
- **NZ: strong start into the new season,** August milk production +4,7% (July +5,6%) **Outlook: strong season 18/19 expected**
- **Australia: milk flows have fallen for the last two months (Jul -4,2% yoy, Jun -1,4% yoy)** due to hot weather impacts, Jan-Jul +1,7% ytd, Outlook for 18/19 season: conservative between 0 and +2% (Dairy Australia)
- **South America: abundant milk production but mixed climate conditions**, Argentinian milk collection July +4,1% yoy (H1 2018 +5,2% ytd), Uruguay June milk production +3,2% yoy (H1 2018 +6,3% ytd), Outlook: slowdown for H2 2018 likely
- **Global milk supply: growth has slowed but remains solid (July +1,1%)**, Global forecast: perhaps slightly slower growth for H2 2018 (at or below 1%)

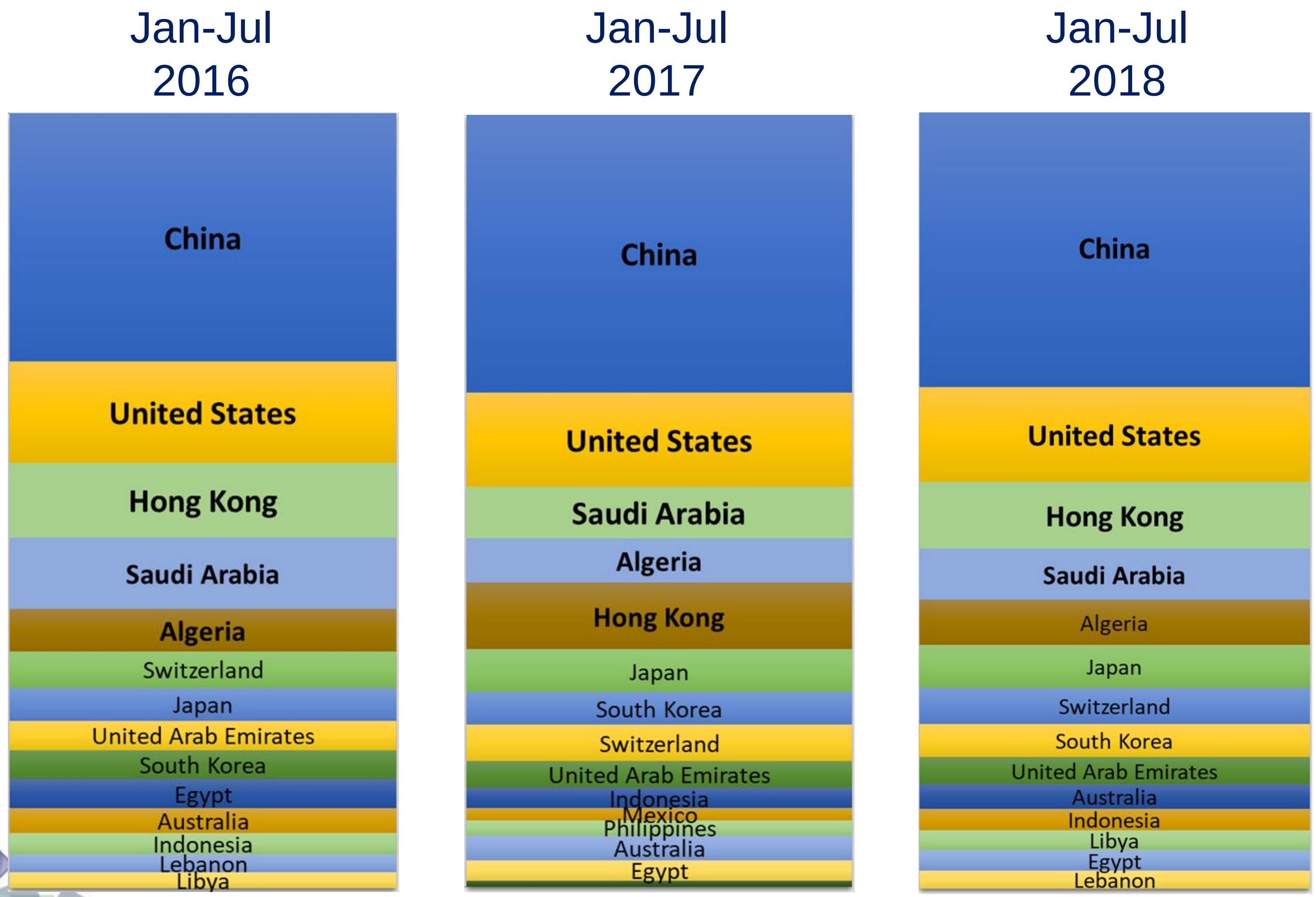
Dairy exports of main market players in ME



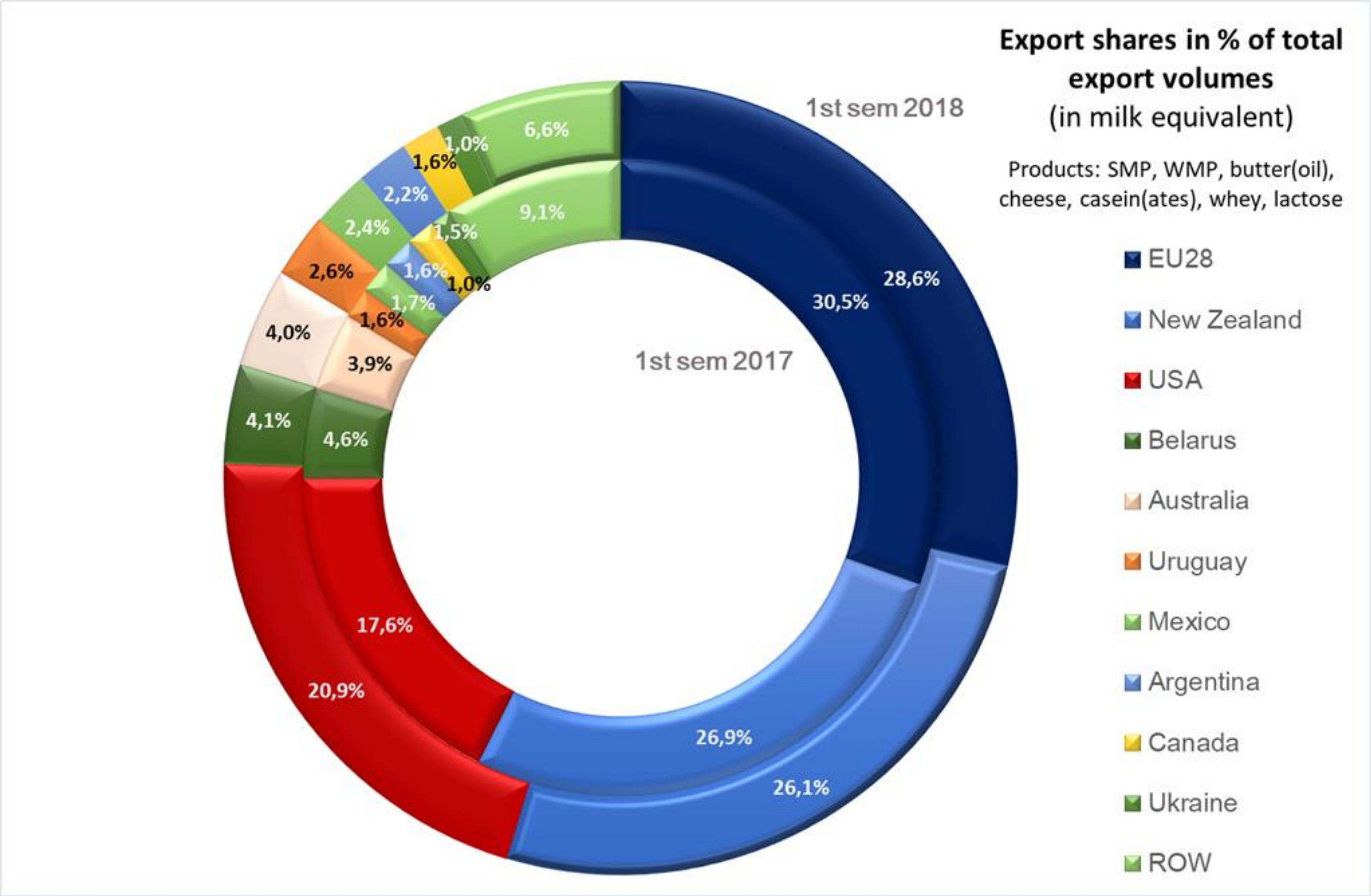
Euro-USD exhange rate



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

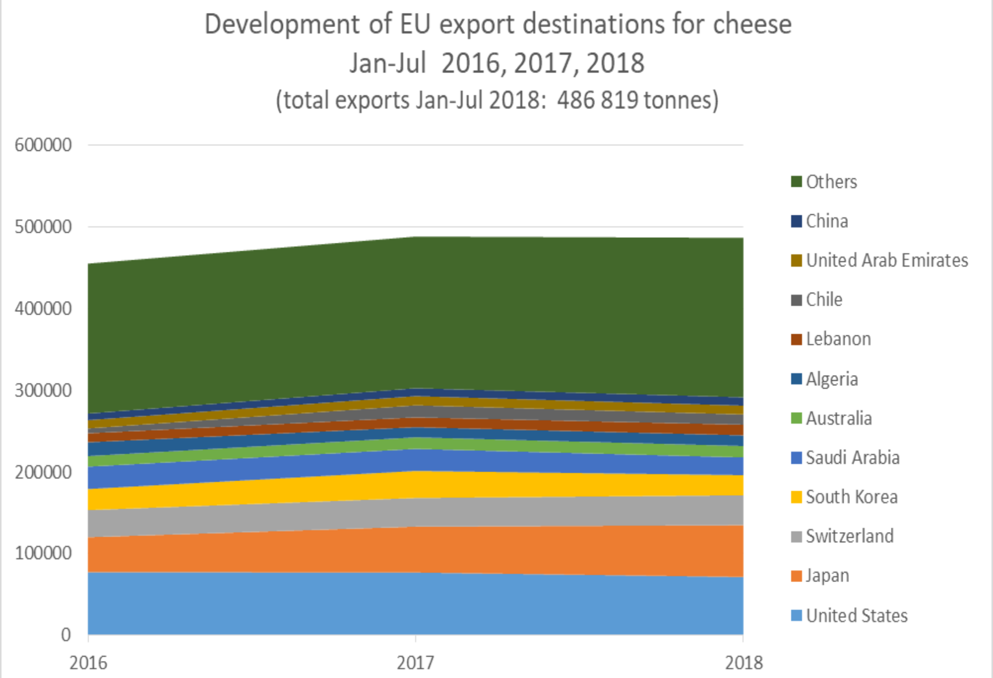


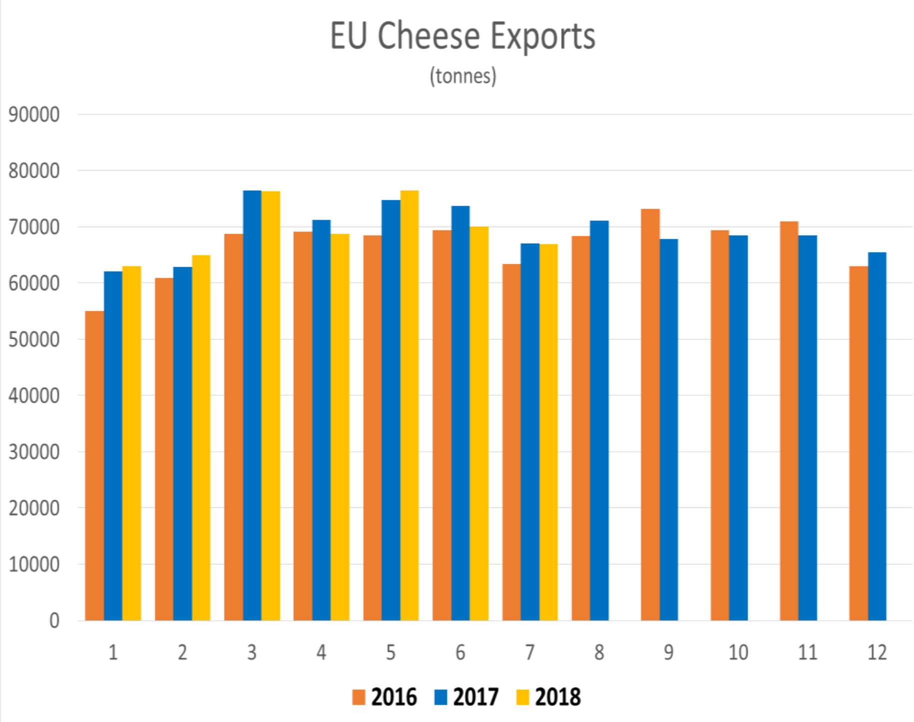
Global market share of main exporters in ME

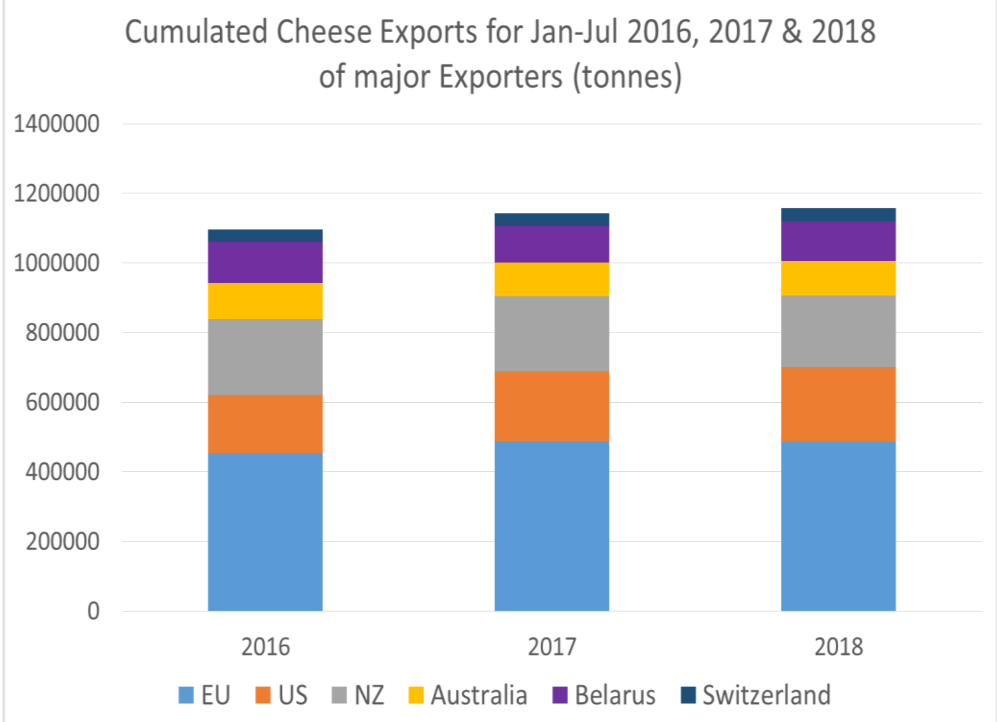


Cheese trade

- EU cheese exports:
  - Growth rate Jan-Jul 18/17: -0,4%
- Combined cheese exports:
  - Growth rate Jan-Jul 18/17: +1,3%

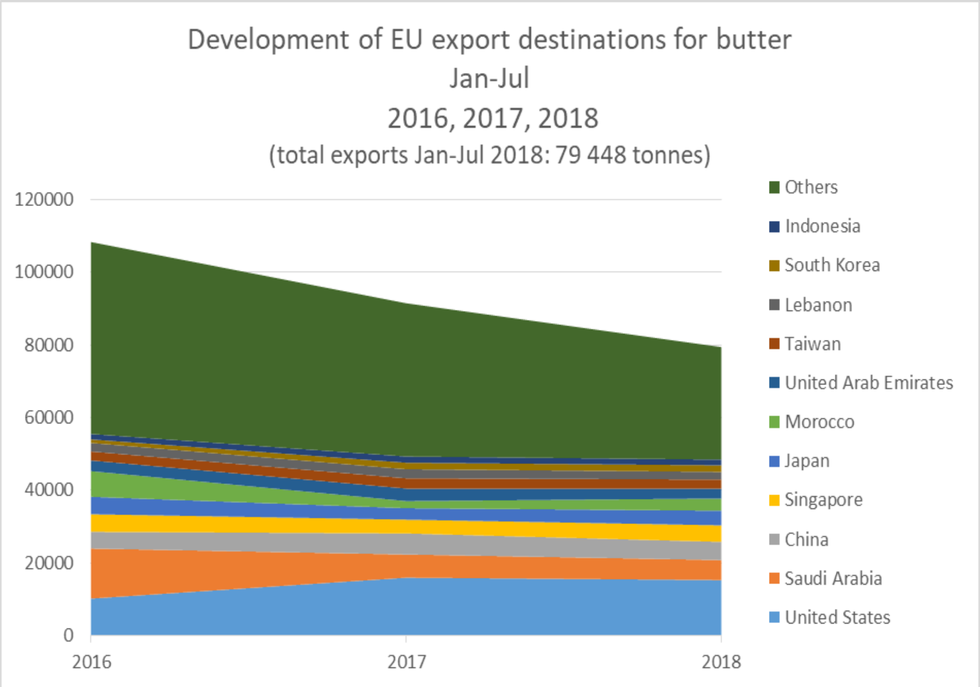


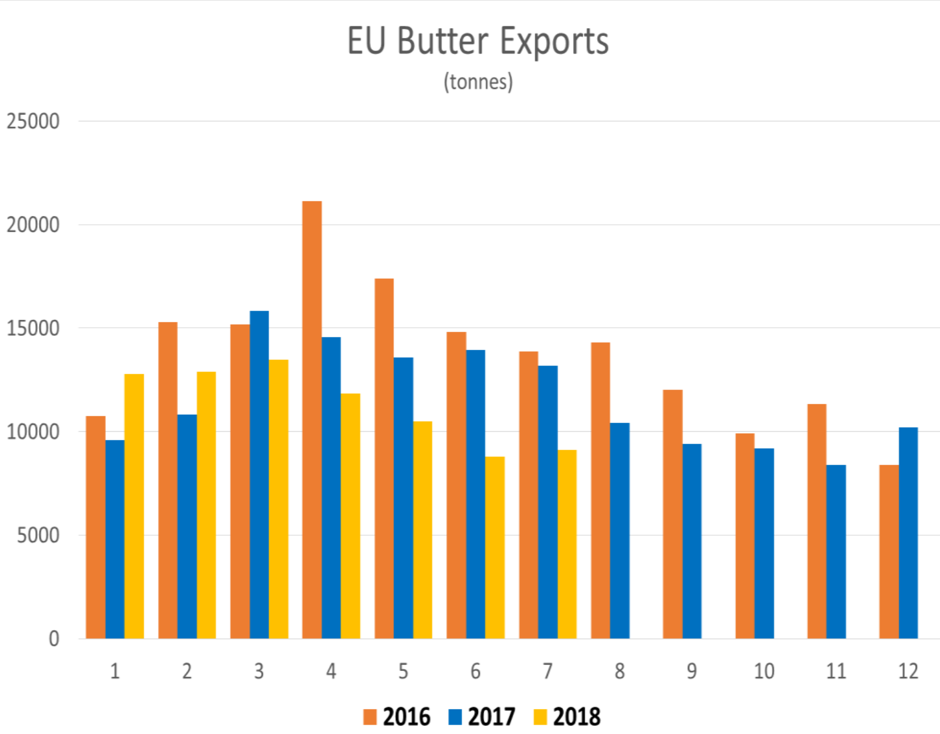


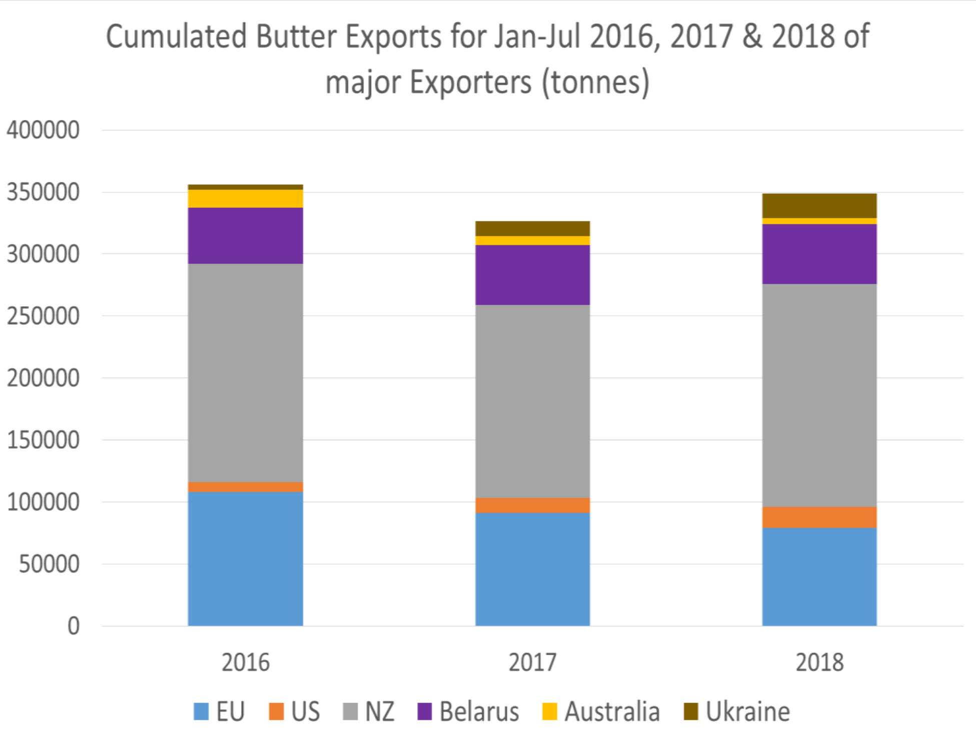


Butter trade

- EU butter exports:
  - Growth rate Jan-Jul 18/17: -13,3%
- Combined butter exports:
  - Growth rate Jan-Jul 18/17: +6,8%

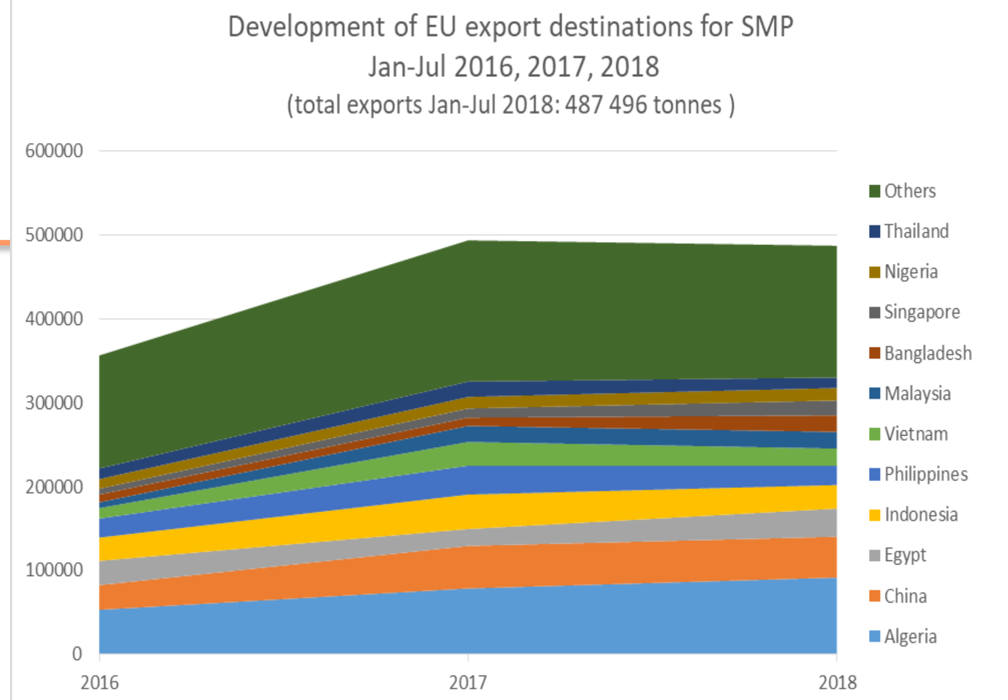


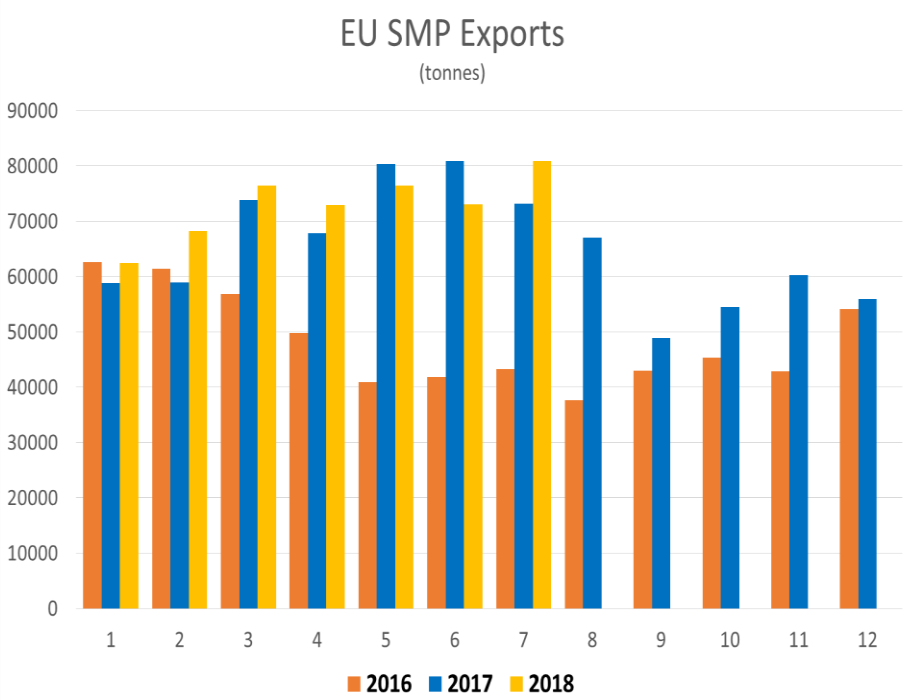


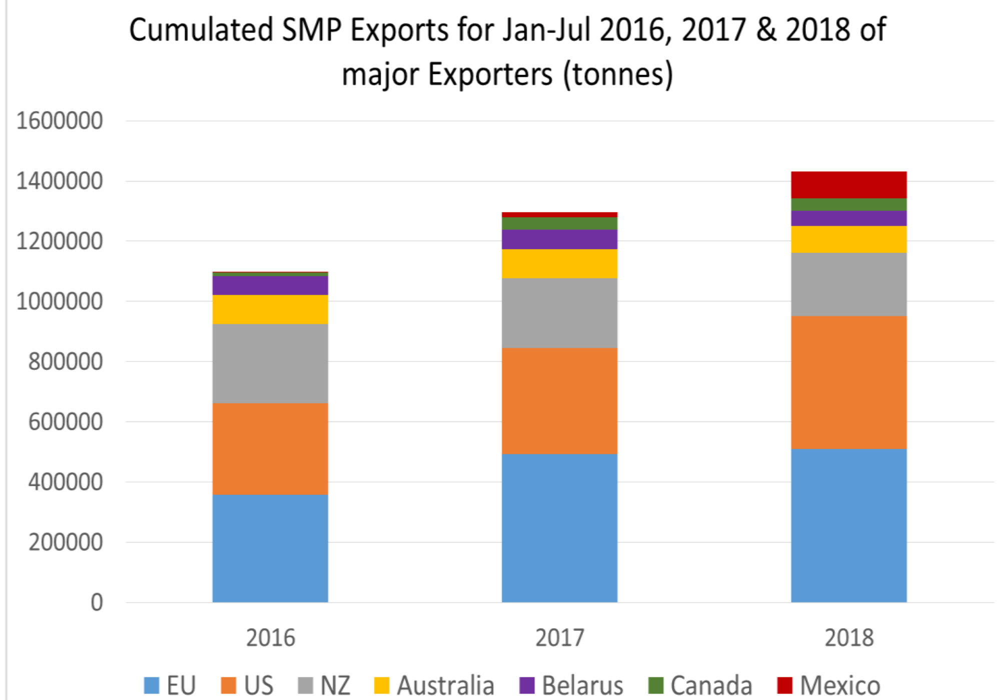


SMP trade

- EU SMP exports:
  - Growth rate Jan-Jul 18/17: +3,3%
- Combined SMP exports:
  - Growth rate Jan-Jul 18/17: +10,4%

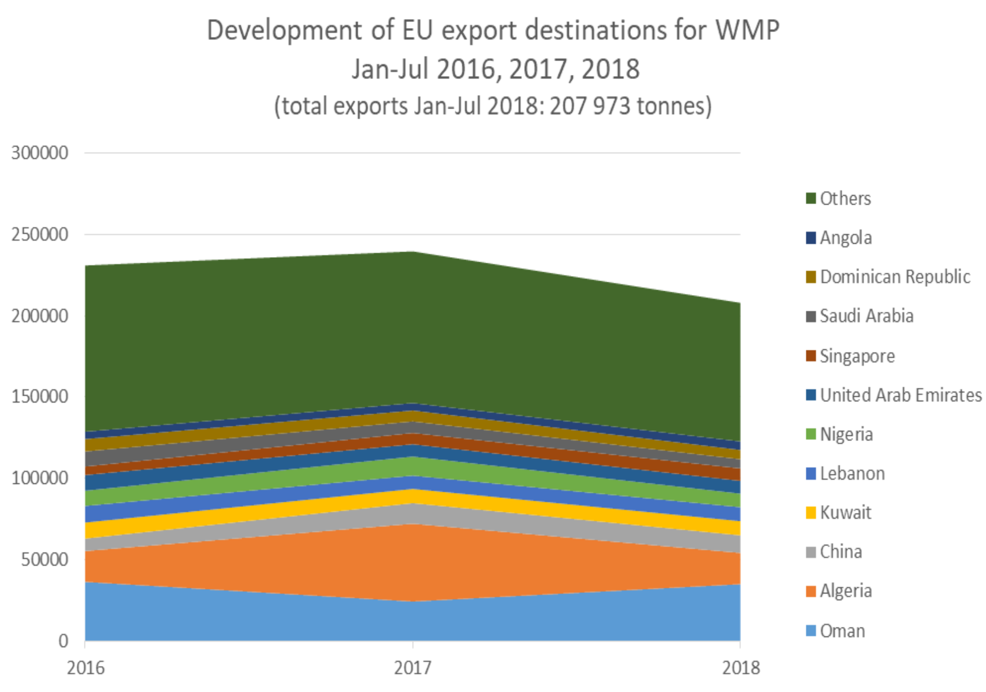


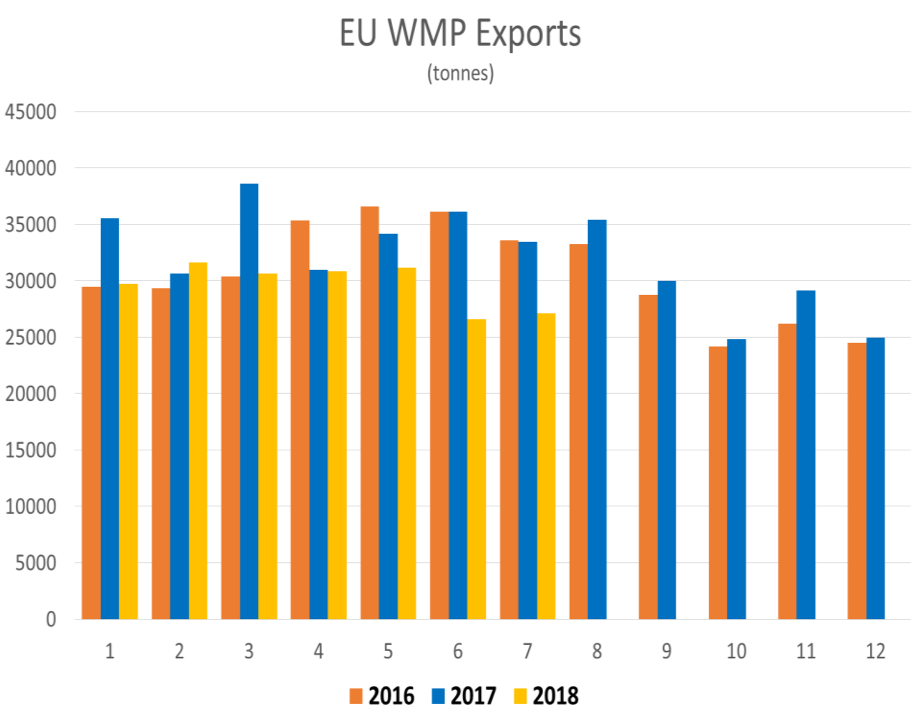


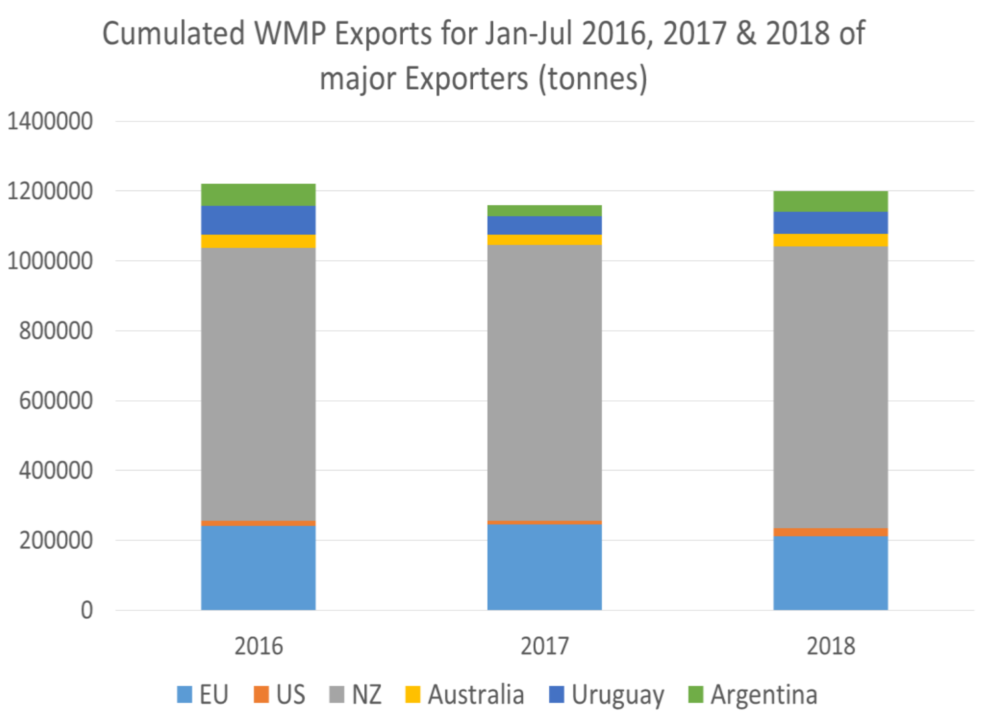


WMP trade

- EU WMP exports:
  - Growth rate Jan-Jul 18/17: -13,5%
- Combined WMP exports:
  - Growth rate Jan-Jul 18/17: +3,5%

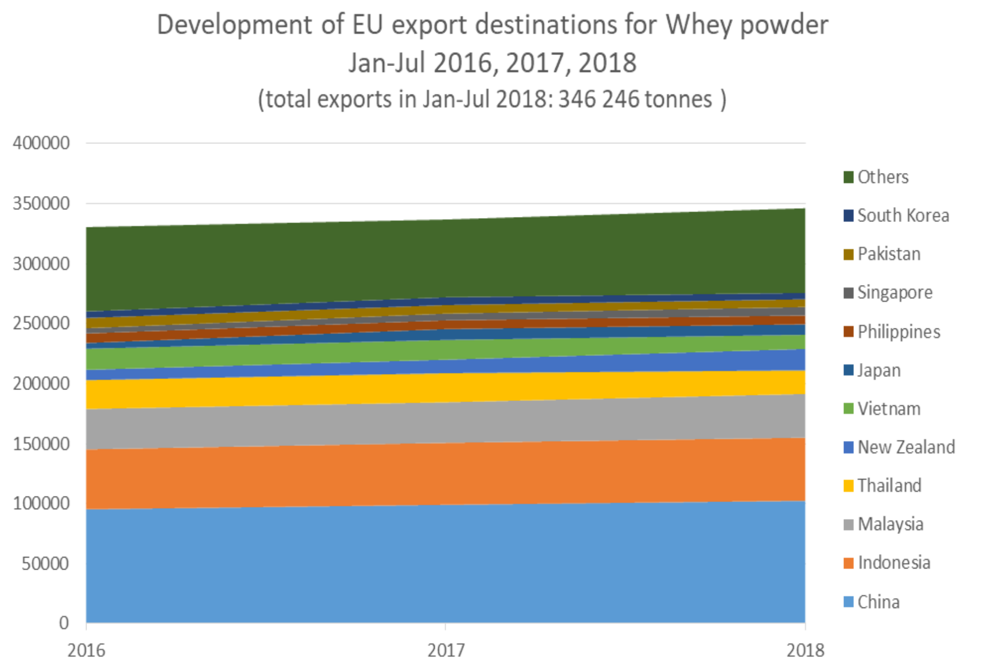


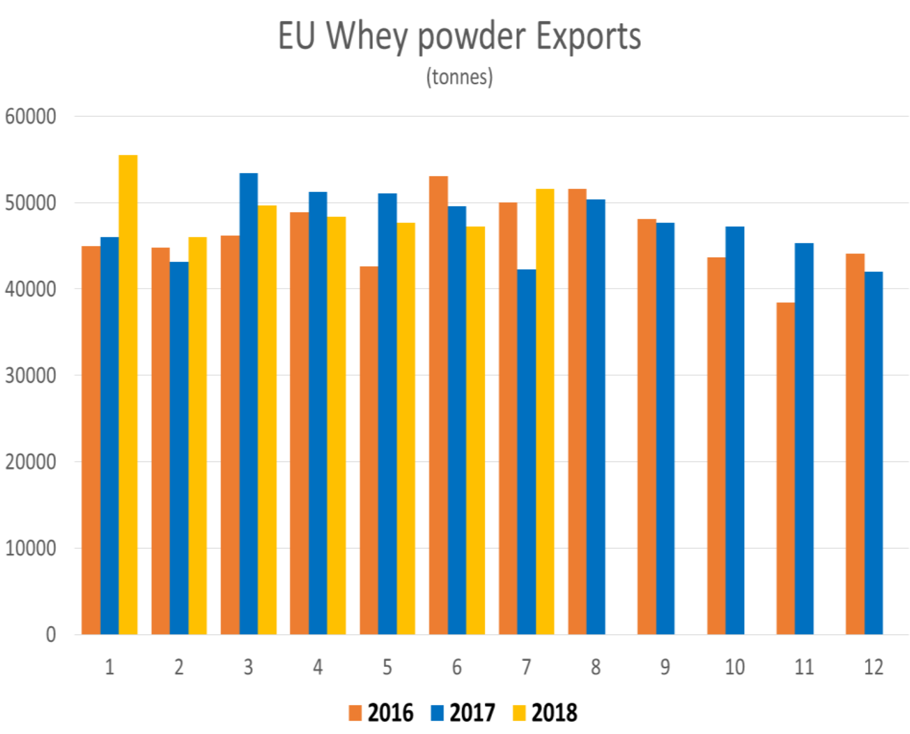


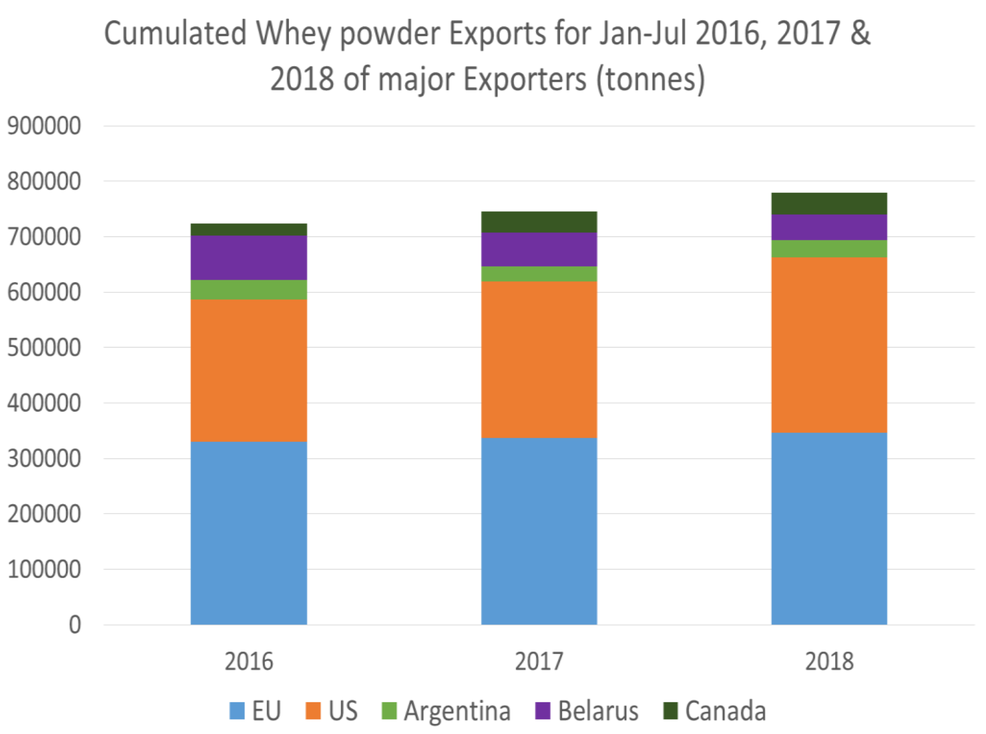


Whey powder trade

- EU whey powder exports:
  - Growth rate Jan-Jul 18/17: +2,8%
- Combined whey powder exports:
  - Growth rate Jan-Jul 18/17: +4,5%

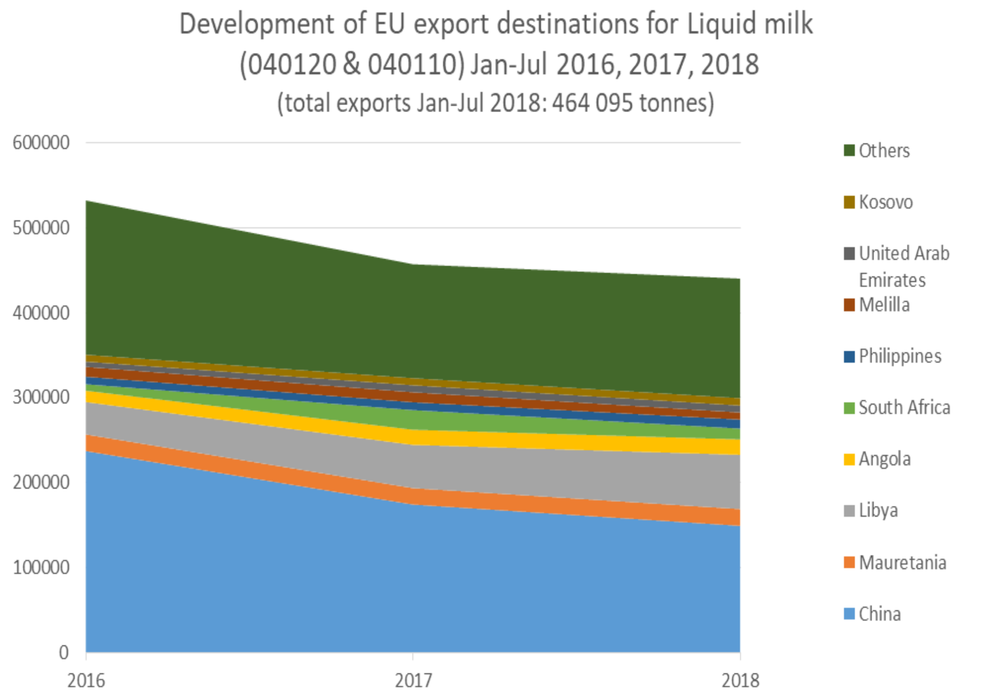


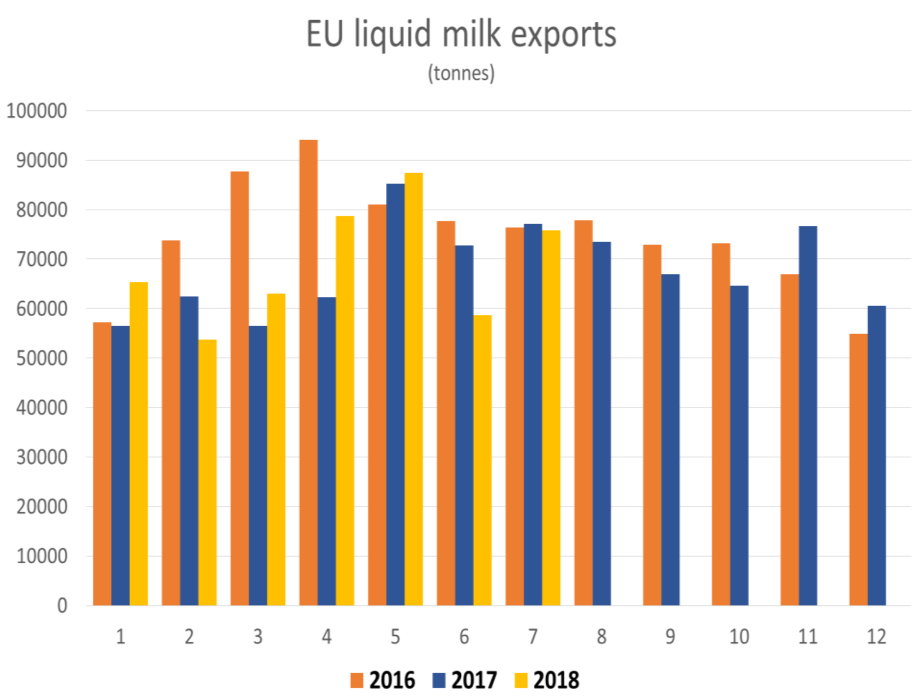


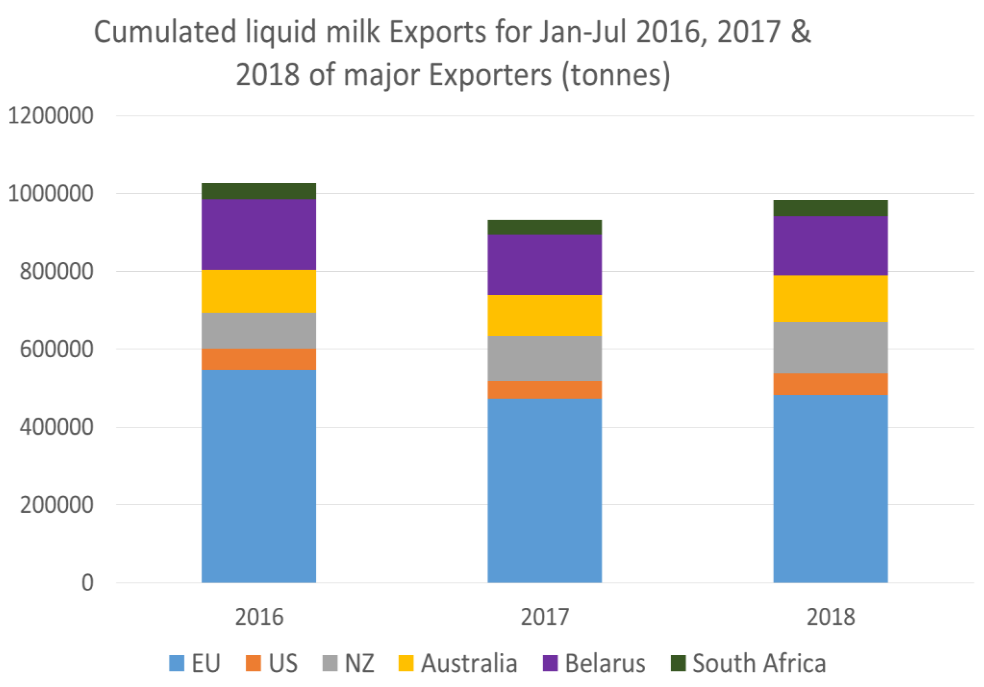


Trade of milk

- EU milk exports:
  - Growth rate Jan-Jul 18/17: -2%
- Combined milk exports:
  - Growth rate Jan-Jul 18/17: +5,4%

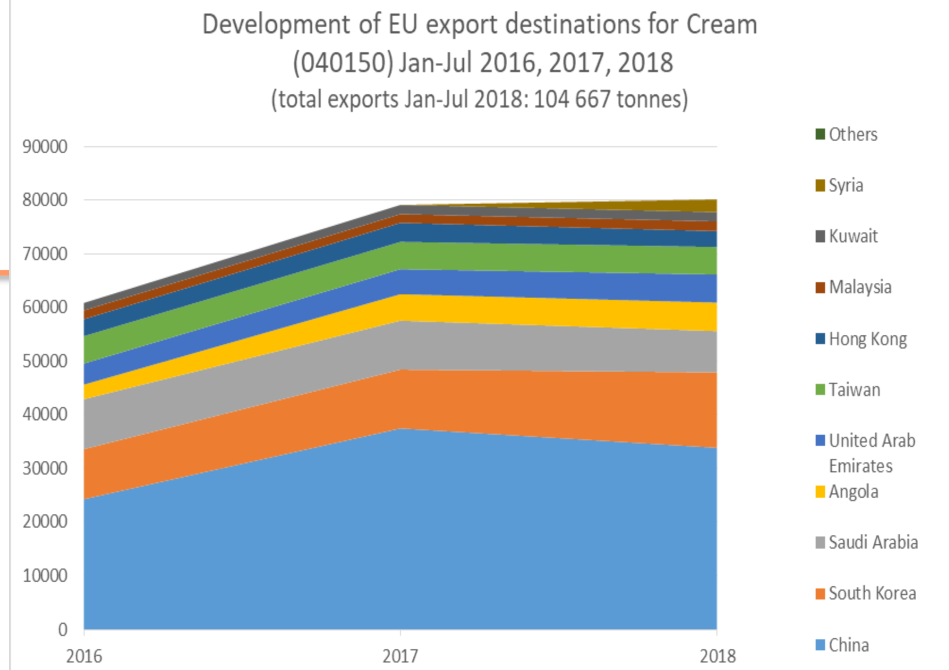


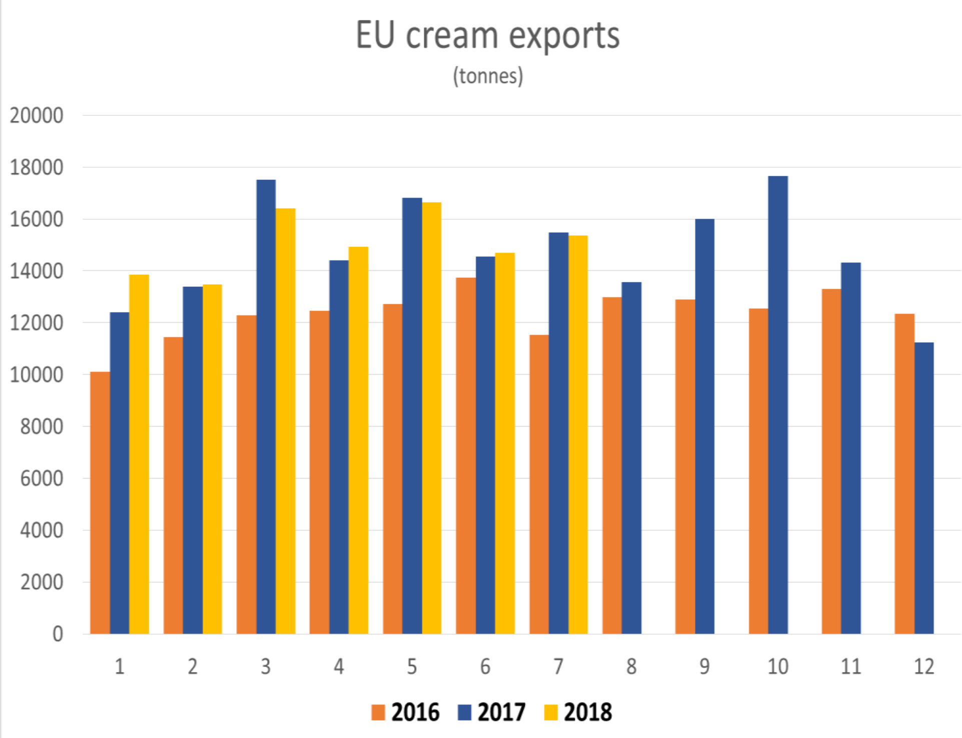


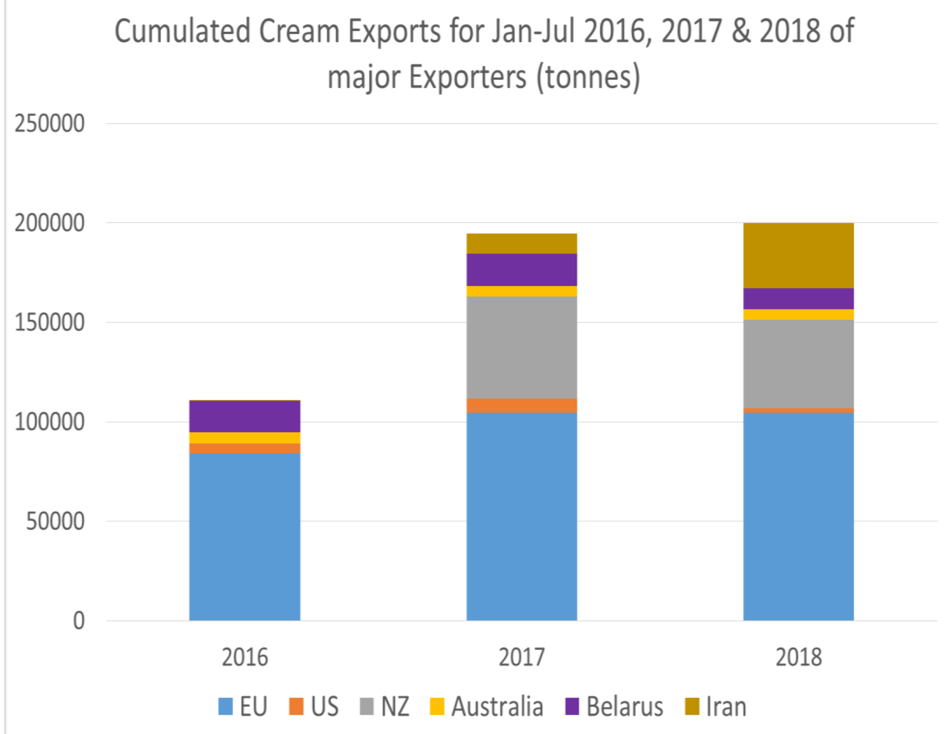


Trade of cream

- EU cream exports:
  - Growth rate Jan-Jul 18/17: +0,8%
- Combined cream exports:
  - Growth rate Jan-Jul 18/17: +2,7%



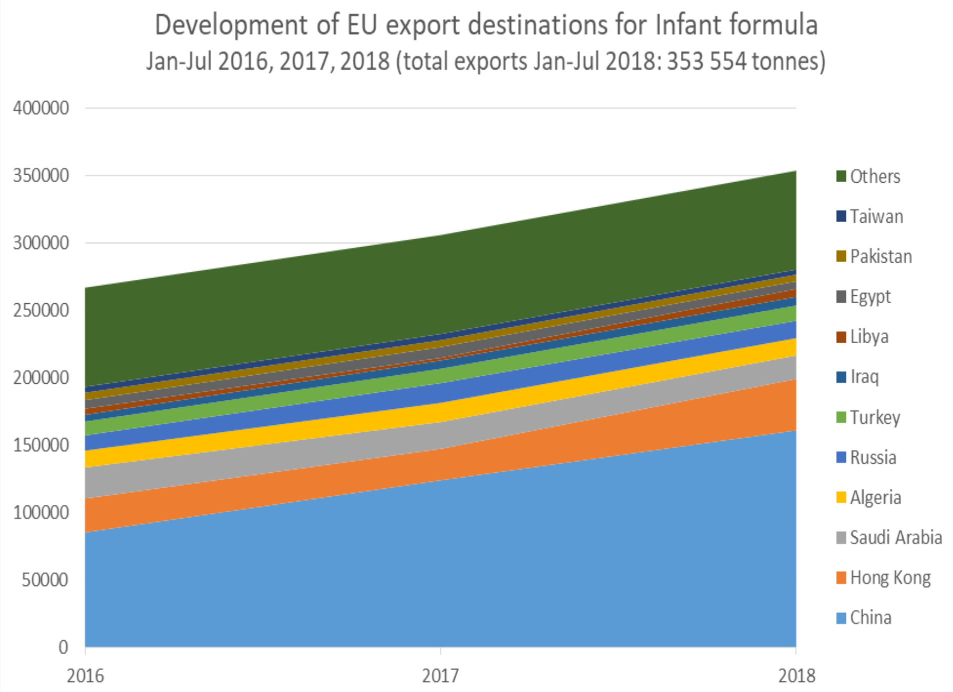


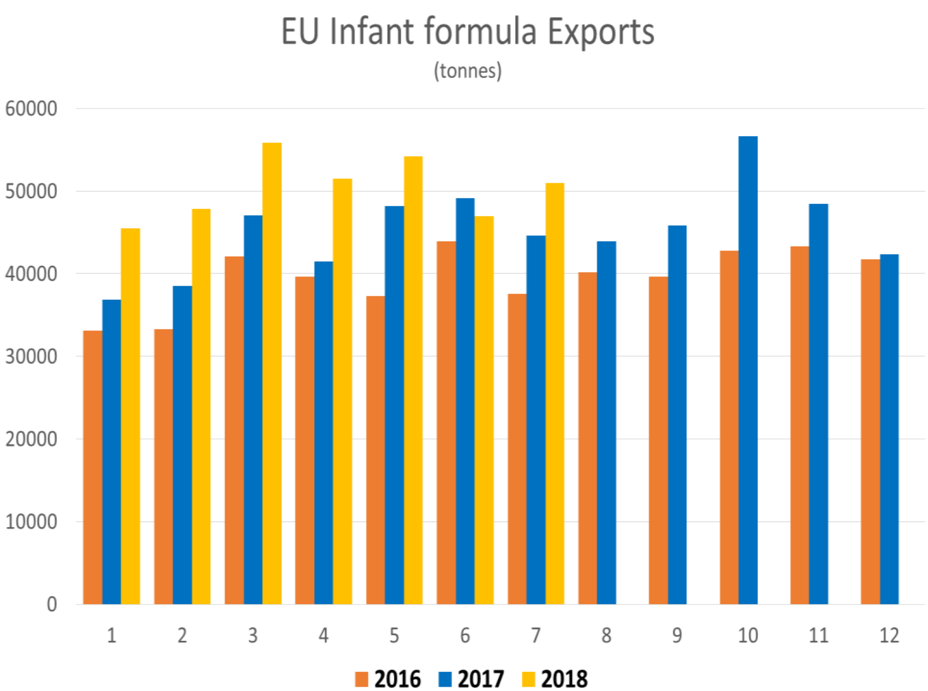


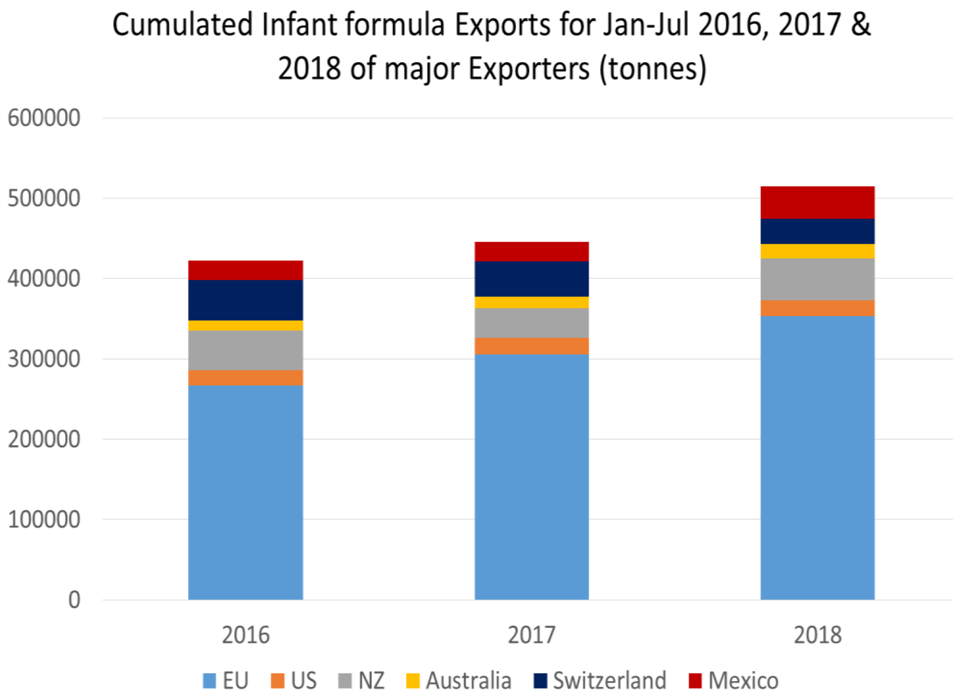
Infant formula trade

- EU infant formula exports:
  - Growth rate Jan-Jul 18/17: +15,4%

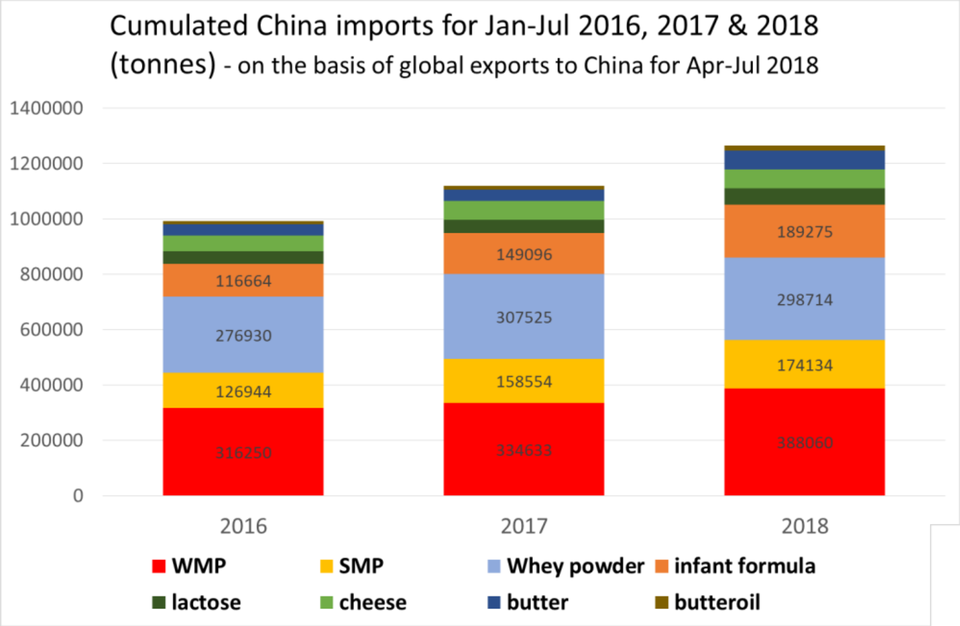
- Combined infant formula exports:
  - Growth rate Jan-Jul 18/17: +15,5%

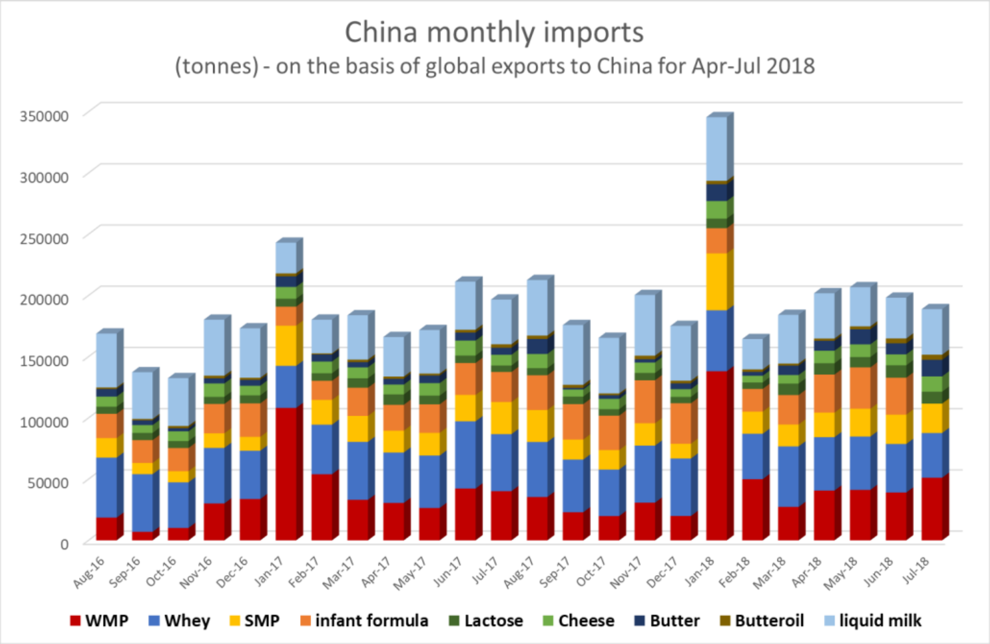




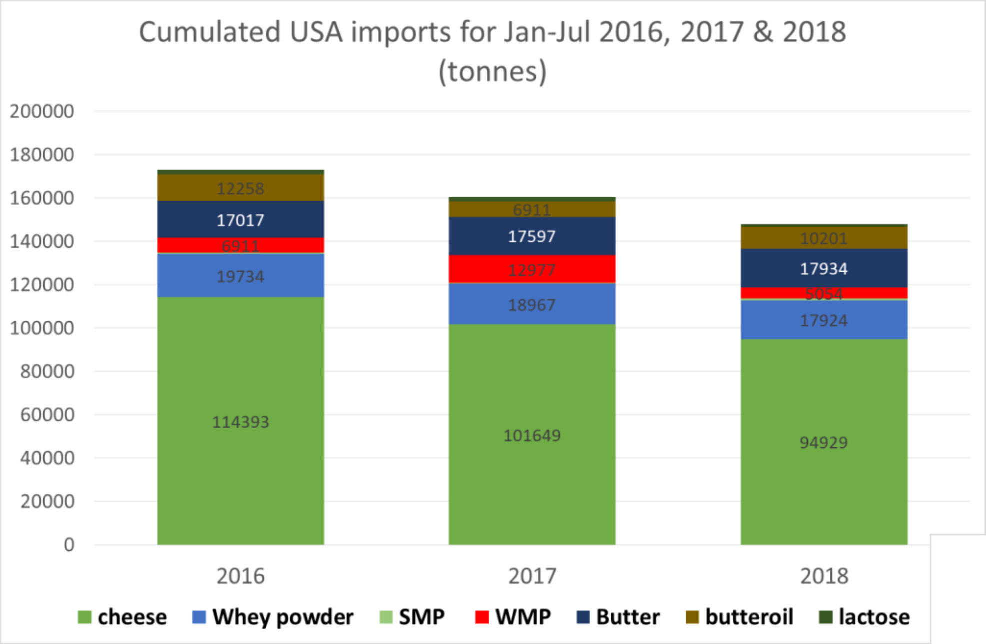


China imports

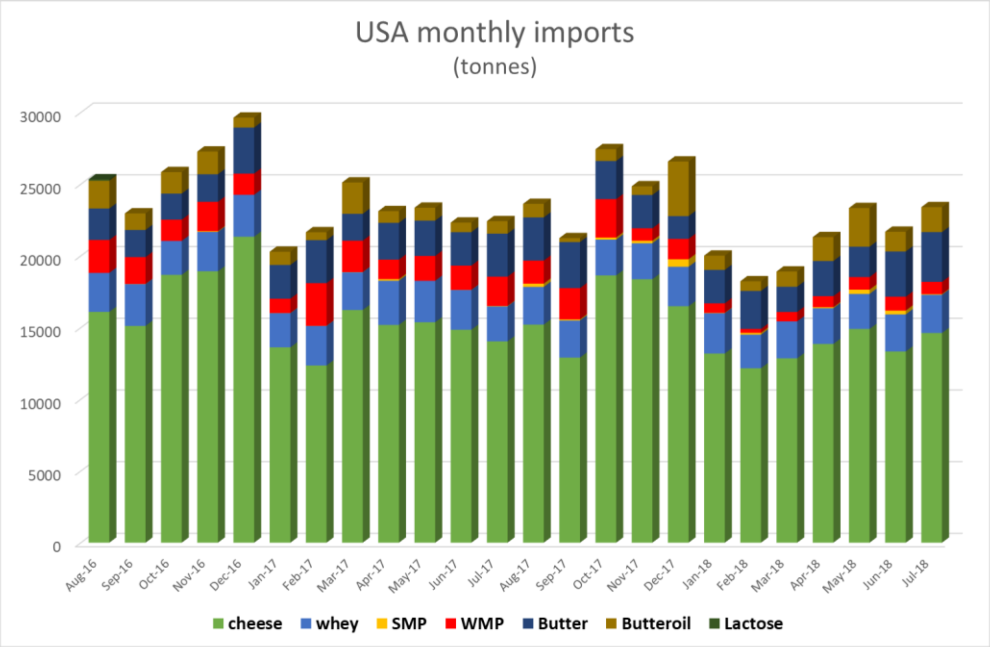




USA imports

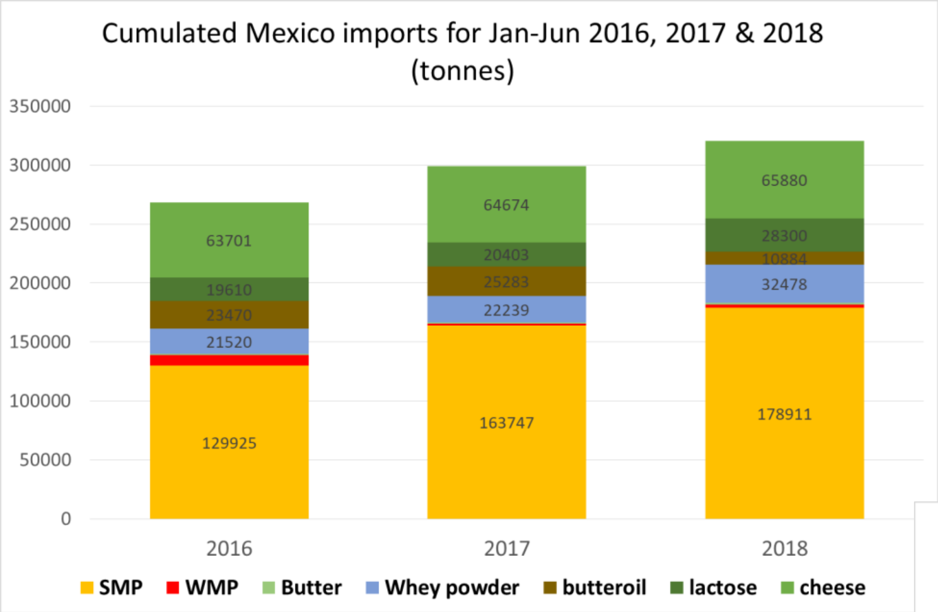


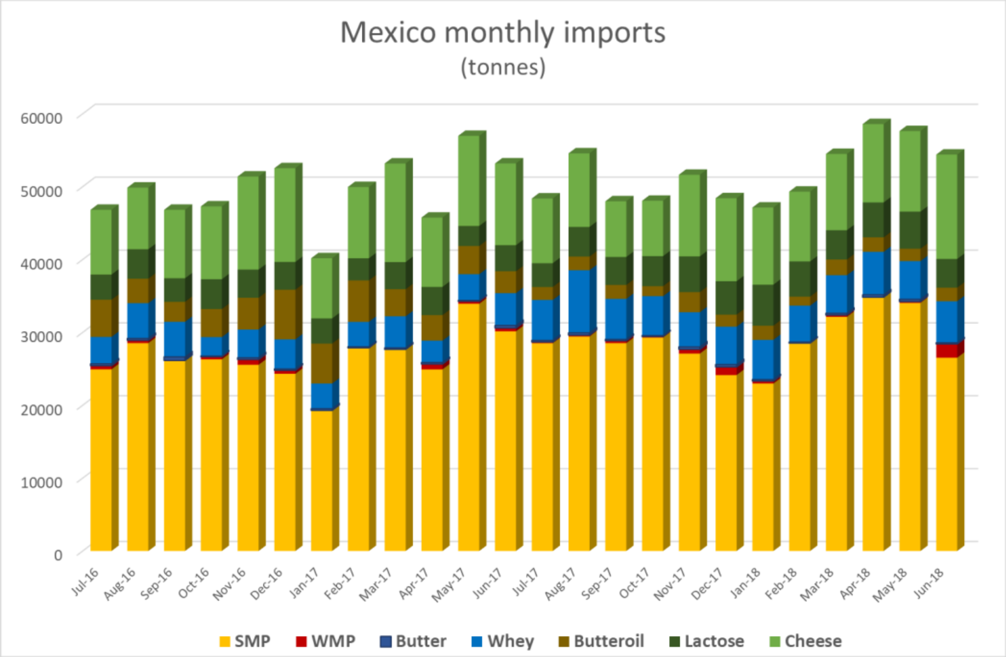
Cumulated USA imports for Jan-Jul 2016, 2017 & 2018
(tonnes)
200000
180000
160000
140000
120000
100000
80000
60000
40000
20000
0
12258
17017
6911
19734
114393
6911
17597
12977
18967
101649
10201
17934
5054
17924
94929
2016
2017
2018
cheese
Whey powder
SMP
WMP
Butter
butteroil
lactose



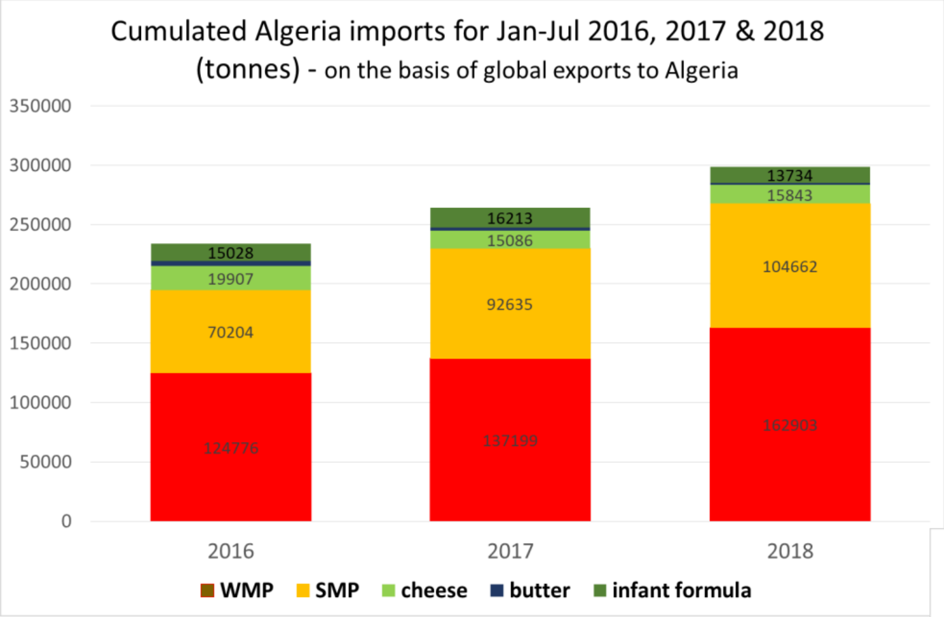
USA monthly imports
(tonnes)
30000
25000
20000
15000
10000
5000
0
Aug-16
Sep-16
Oct-16
Nov-16
Dec-16
Jan-17
Feb-17
Mar-17
Apr-17
May-17
Jun-17
Jul-17
Aug-17
Sep-17
Oct-17
Nov-17
Dec-17
Jan-18
Feb-18
Mar-18
Apr-18
May-18
Jun-18
Jul-18
cheese
whey
SMP
WMP
Butter
Butteroil
Lactose

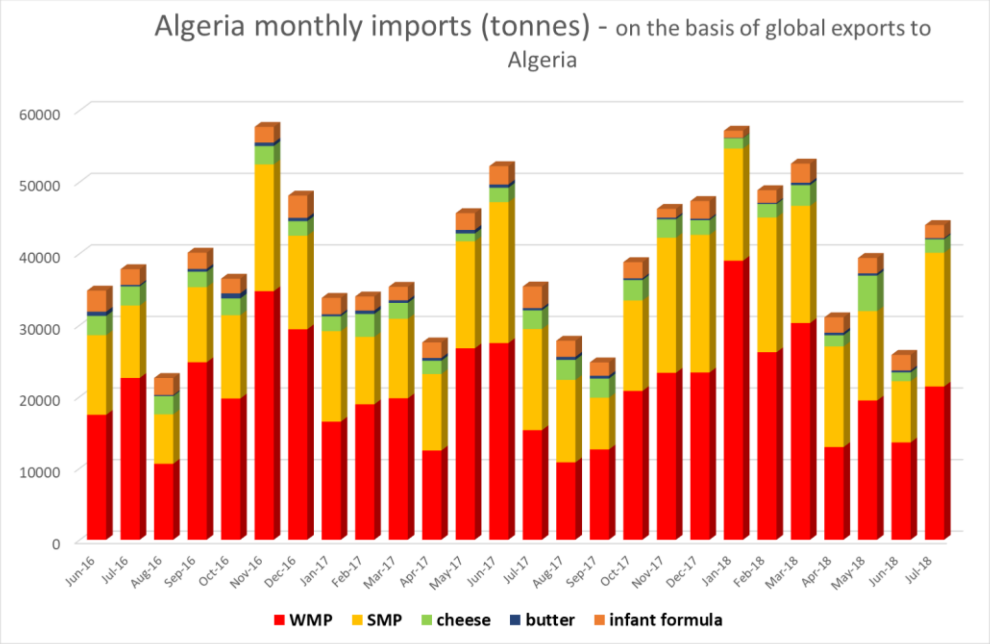
Mexico imports



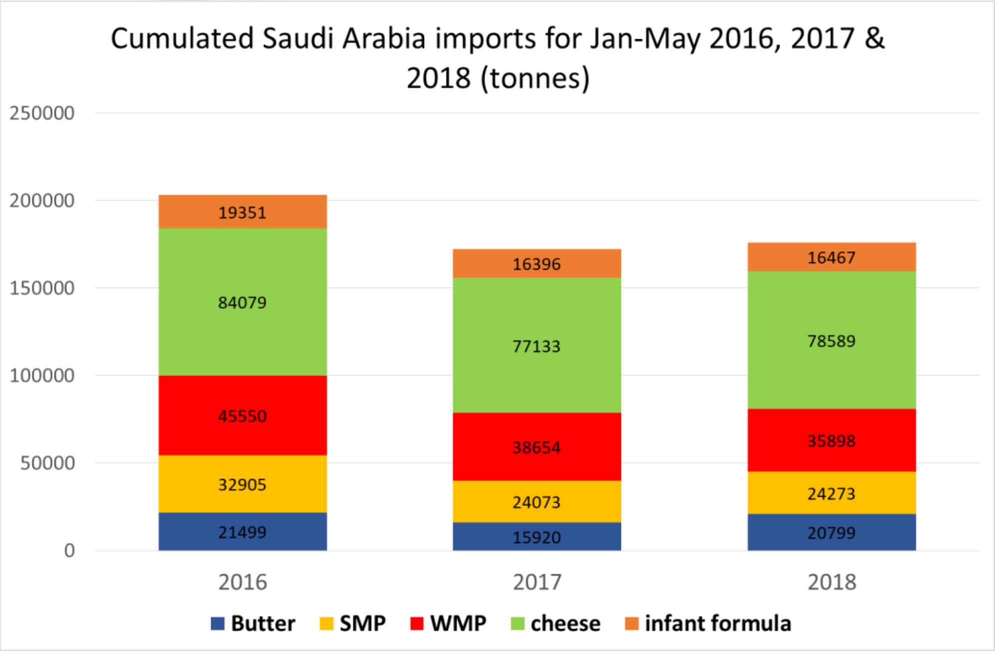


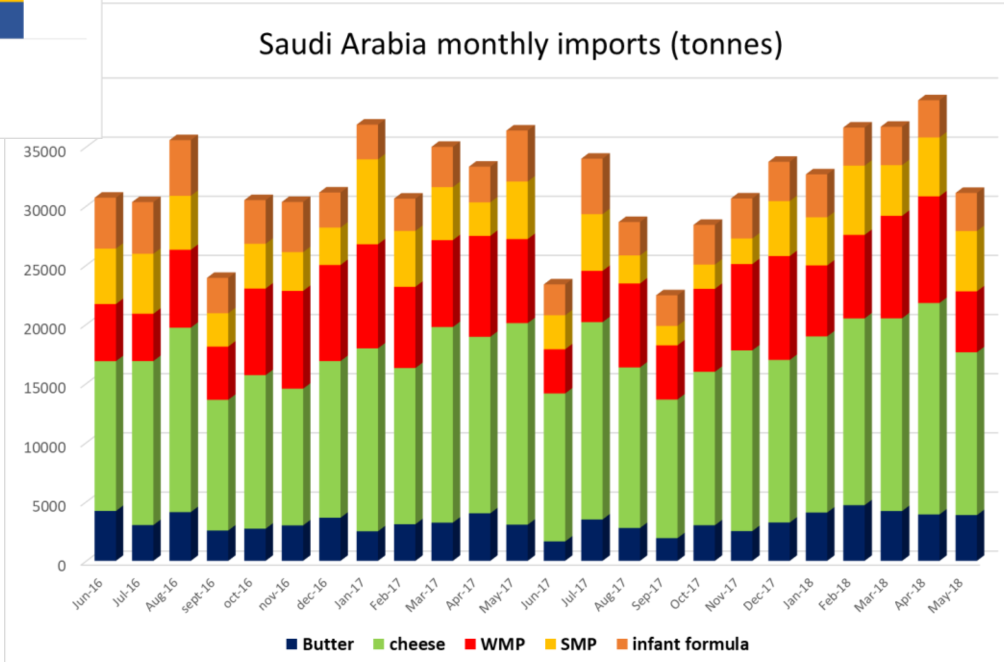
Algeria imports



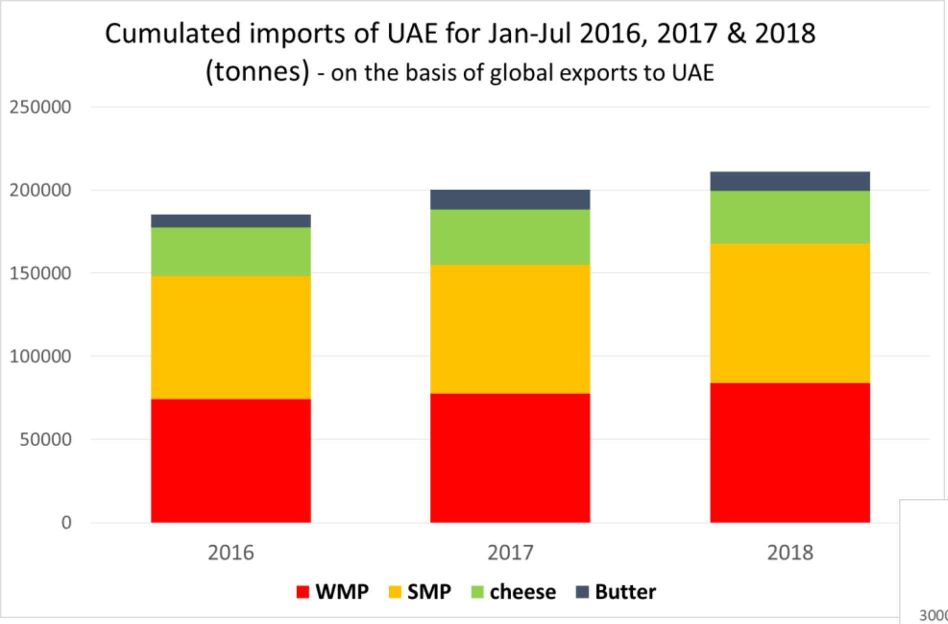


Saudi Arabia imports

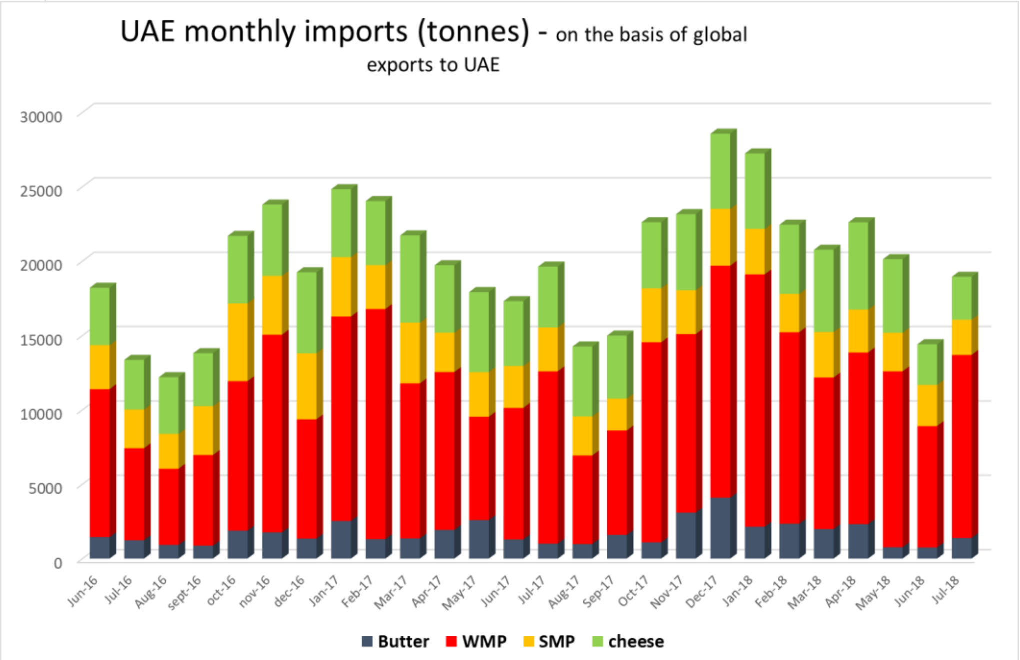




UAE imports



Cumulated imports of UAE for Jan-Jul 2016, 2017 & 2018 (tonnes) - on the basis of global exports to UAE
250000
200000
150000
100000
50000
0
2016
2017
2018
WMP
SMP
cheese
Butter



UAE monthly imports (tonnes) - on the basis of global exports to UAE
30000
25000
20000
15000
10000
5000
0
Jun-16
Jul-16
Aug-16
sept-16
oct-16
nov-16
dec-16
Jan-17
Feb-17
Mar-17
Apr-17
May-17
Jun-17
Jul-17
Aug-17
Sep-17
Oct-17
Nov-17
Dec-17
Jan-18
Feb-18
Mar-18
Apr-18
May-18
Jun-18
Jul-18
Butter
WMP
SMP
cheese

Conclusions (1)

- **Global and EU milk output growth expected to remain stable or to <u>slightly</u> slow down in H2** in comparison to H1
- **Demand is reported to be somewhat sluggish after solid growth of global trade in Jan – July 2018.** The growth is mainly due to huge increases in US exports as the performance of the EU has been slightly negative overall. EU exports weakened in Q2 after a solid Q1 but partly recovered again in July.
- **China as the key player in global dairy trade is influenced by the trade war with the US and slower economic growth,** which could lead to lower imports.
- **Trade wars had so far only limited effects on volumes** (less US dairy exports to China in July) but will have a strong influence on market sentiment for the rest of the year. US whey and cheese will have to find new markets.

Conclusions (2)

- **Record SMP trade volumes and EU exports on the back of low prices.** Public stocks are decreasing and prices are almost back to the intervention level. Maintaining current export volumes will be challenging. Two tier market for fresh and intervention product.
- **Global demand for fat appears healthy but EU butter remains uncompetitive** despite recent price decreases. EU production is growing while there is evidence of the high prices having affected domestic demand. Increased butter imports in H2 have been possible due to price gap.
- **The global cheese market is rather balanced**. Cheese production is strong but is matched by healthy demand. EU exports face strong US competition.
- **Overall relatively stable dairy market** but a lot of nervousness due to trade wars and Brexit

- 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

25 September 2018

EuroCommerce for retail & wholesale

Belgium
Period ending August 2018

Consumer price index

Product	Aug 18 vs Aug 17	YTD 2018 vs YTD 2017
Whole milk	0.3%	2.6%
Semi-skimmed milk	2.4%	5.3%
Concentrated milk, powdered milk	3.8%	5.7%
Yogurt	3.0%	4.2%
Butter	13.3%	17.9%
Source: SPF Economie (2018)		

Belgium
Period ending August 2018

YOY August 2018	Volume % change	Value % change	Price % change
Total Dairy products	-1.2%	3.9%	5.1%
YTD Aug 2018	Volume % change	Value % change	Price % change
Total Dairy products	-2.3%	3.0%	5.3%

Source: Nielsen ScanTrack

EuroCommerce

France

Period ending 05 August 2018

Product category	Volume (% change) 4 weeks period (P8‘17/P8 ‘18)	Volume (% change) Year on year (P08 ‘16-P08‘17 / P08‘17 –P08 ‘18)	Price (% change) 4 weeks period (P8‘17/P8 ‘18)	Price (% change) Year on year (P08‘16-P08’17 / P08‘17 –P08‘18)
Total liquid milk	-2,4%	-2,1%	+2,9%	+2,8%
Of which UHT semi-skimmed milk	-2,9%	-3,4%	+3,2%	+2,7%
Yoghurt & fresh cheese	-1,1%	-2,1%	+1,0%	+1,0%
Butter	-5,2%	-2,8%	+17,5%	+16,6%
Cream	-4,7%	+1,5%	+4,9%	+4,8%
Cheese	-2,4%	-0,4%	+2,5%	+2,5%

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

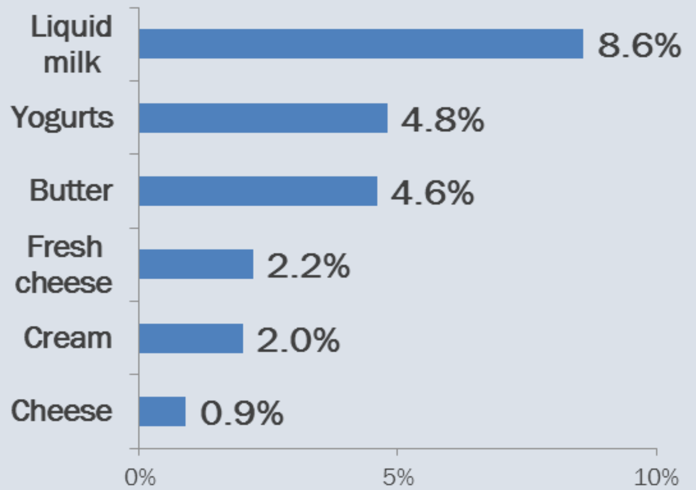
France

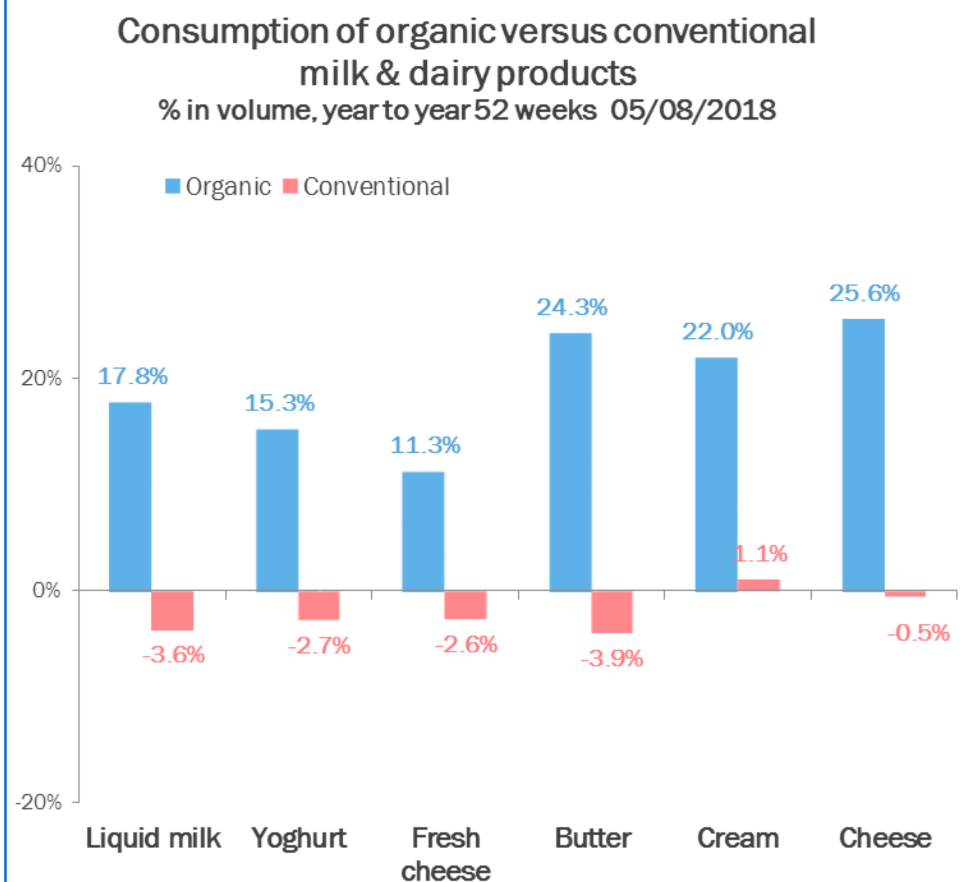
Sales of organic versus conventional milk & dairy products

Organic milk & dairy products

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

Organic *market* shares (% vol. 05/08/2018)





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

Germany: overview of the dairy market

- Only a comparatively small proportion of the milk produced ends up directly on the tables of the consumers via food retailers. Half of the milk processed by German dairies are exported (17 million tonnes out of 33.8).

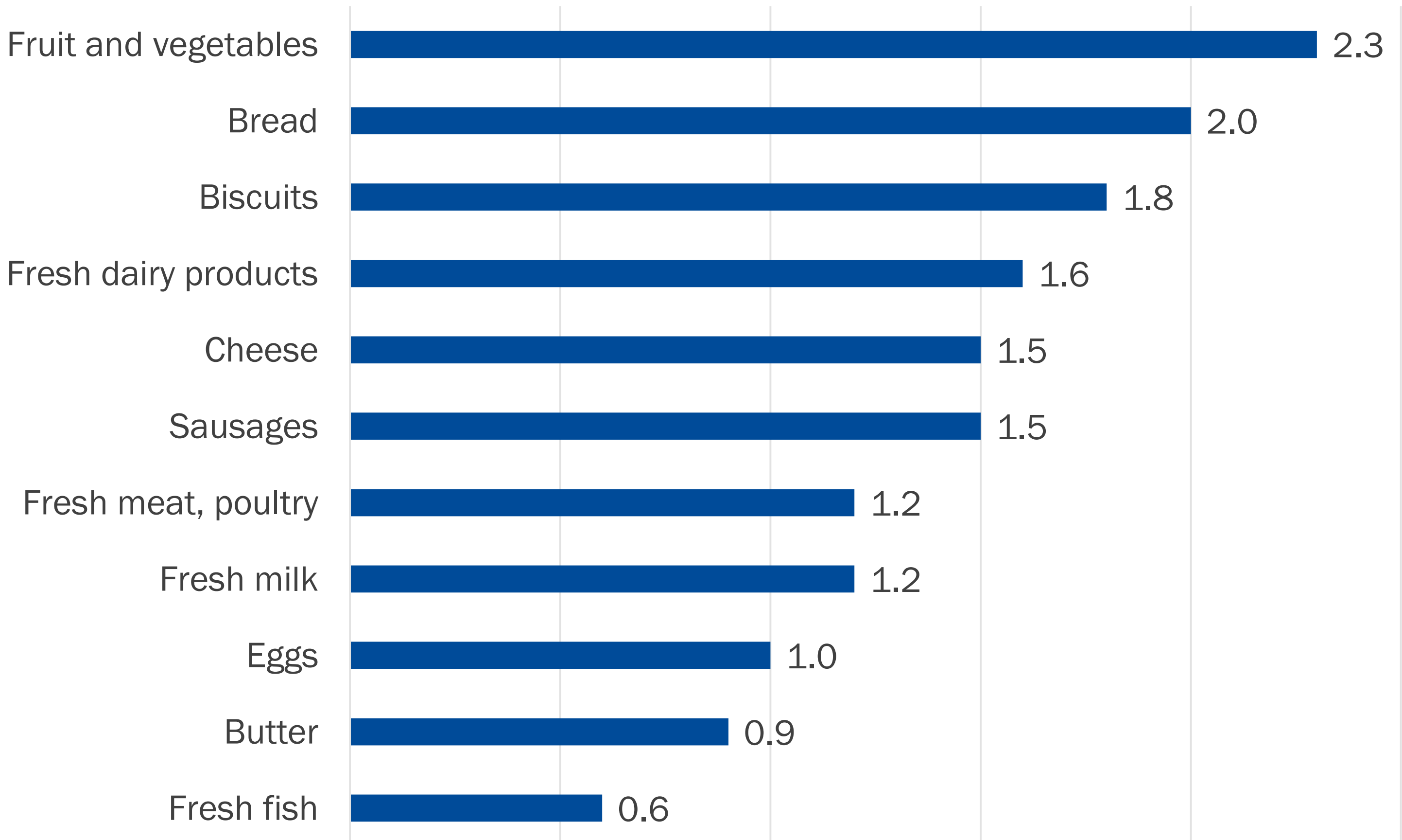
- In value terms, 44% of the additional dairy production over the period 2007-2017 (which is equal to EUR 4.8 billion) was exported. In terms of growth in 2007-2017, exports have increased significantly more than production (32% vs 25%).

- Converted to milk equivalents, only 9.9% of domestic milk is consumed as drinking milk, 5% as butter and 21% as cheese.

- The structural change in the dairy industry is significantly influenced by the development of the number of companies as well as their milk processing.

- The number of milk processing companies has been declining for years, whereas the average turnover per farm has increased, from EUR 44 to 77 million in the years 2000-2017 alone. 16% of the companies are in a sales volume range of more than 100 million EUR turnover and hold a share of turnover of 85%.

Germany: Average household number of purchases per week by food categories, 2017

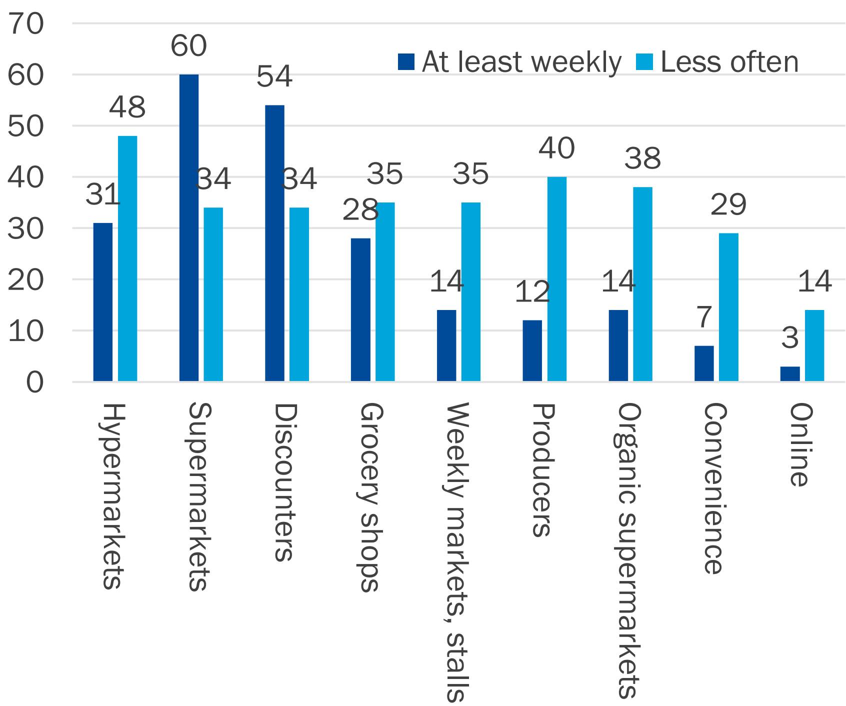


Source: IFH Köln

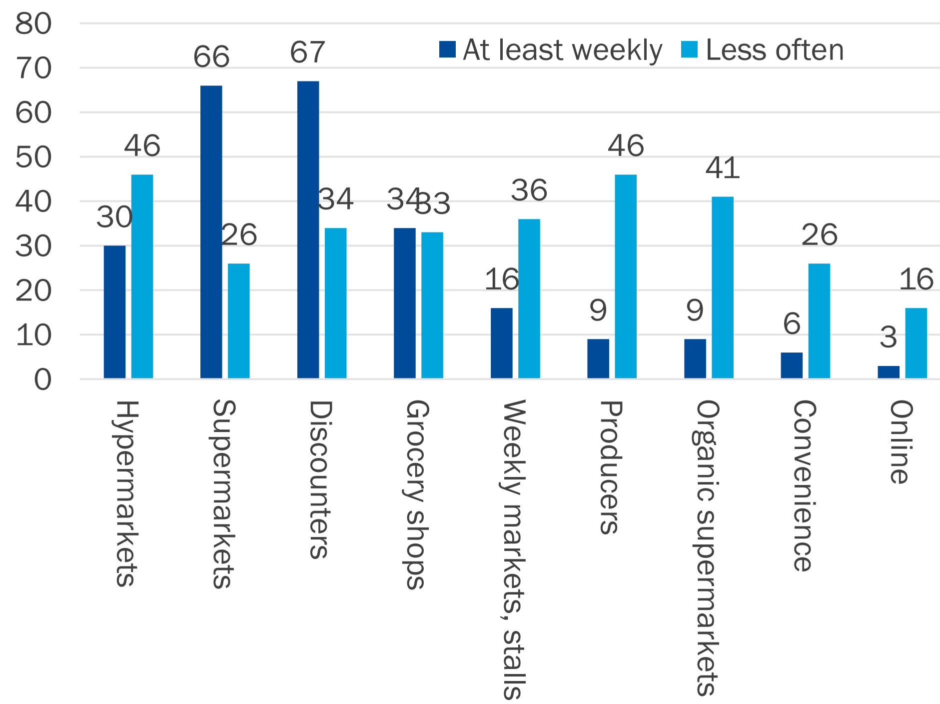
EuroCommerce

Germany: milk and dairy purchases

Fresh Milk: consumers' purchase frequency by distribution channel, (%)



Dairy products: consumers' purchase frequency by distribution channel (%)



Source: IFH Köln

EuroCommerce

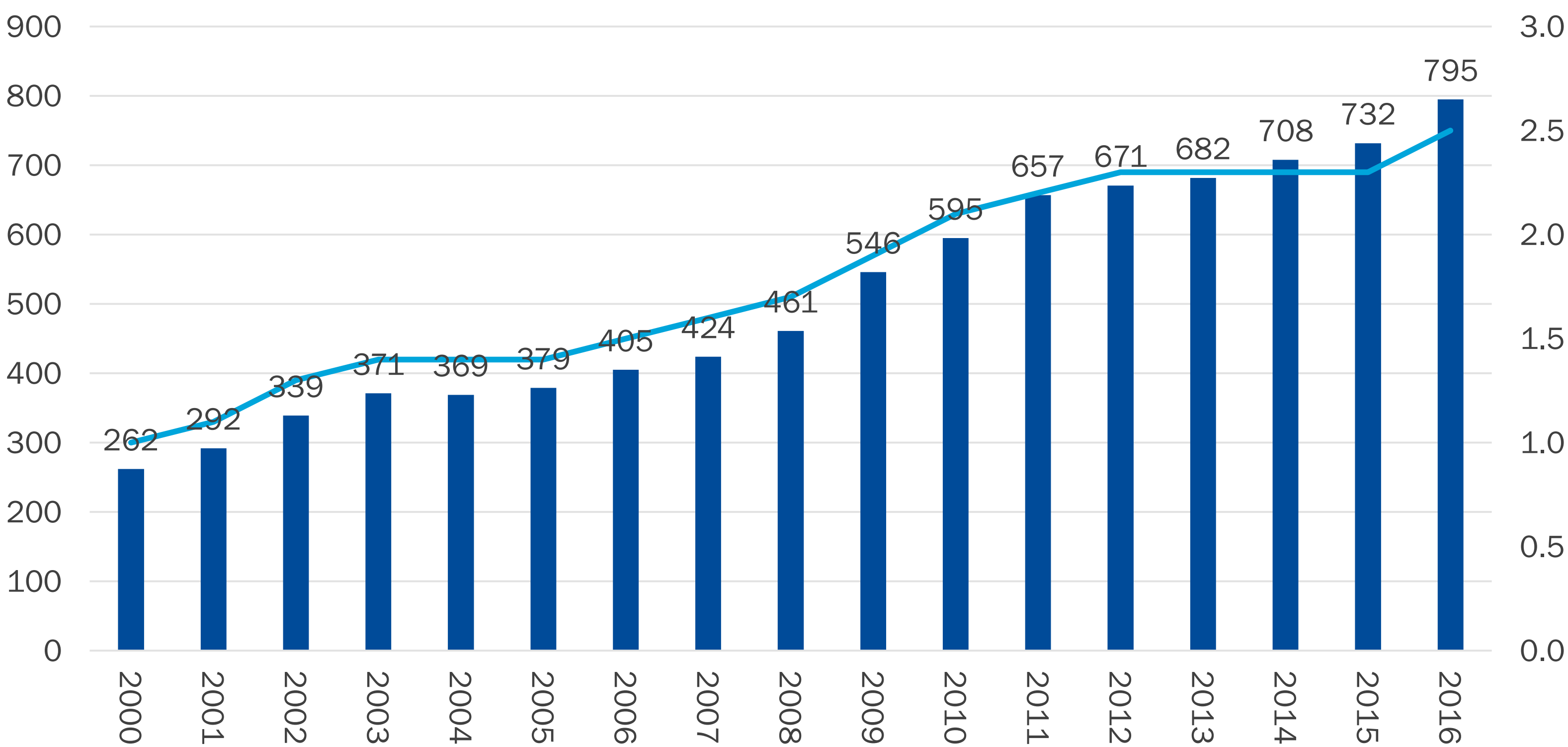
Germany: consumer preferences

- 10% of German consumers **always** buy dairy products.
- 39% of them buy dairy products often.
- Therefore, roughly 50% of consumers buy dairy products at least often.

- Roughly 60% of consumers consume milk and over 70% cheese and yogurt, their buying decision depending on the brand,
- 39% to 54% of consumers choose from a very specific brand portfolio and 8% to 13% always buy the same brand.

Germany: organic milk

Production of organic milk, 000s tonnes (left scale) and % of total milk production (right scale)



Source: *Milchindustrieverband*

EuroCommerce

Italy

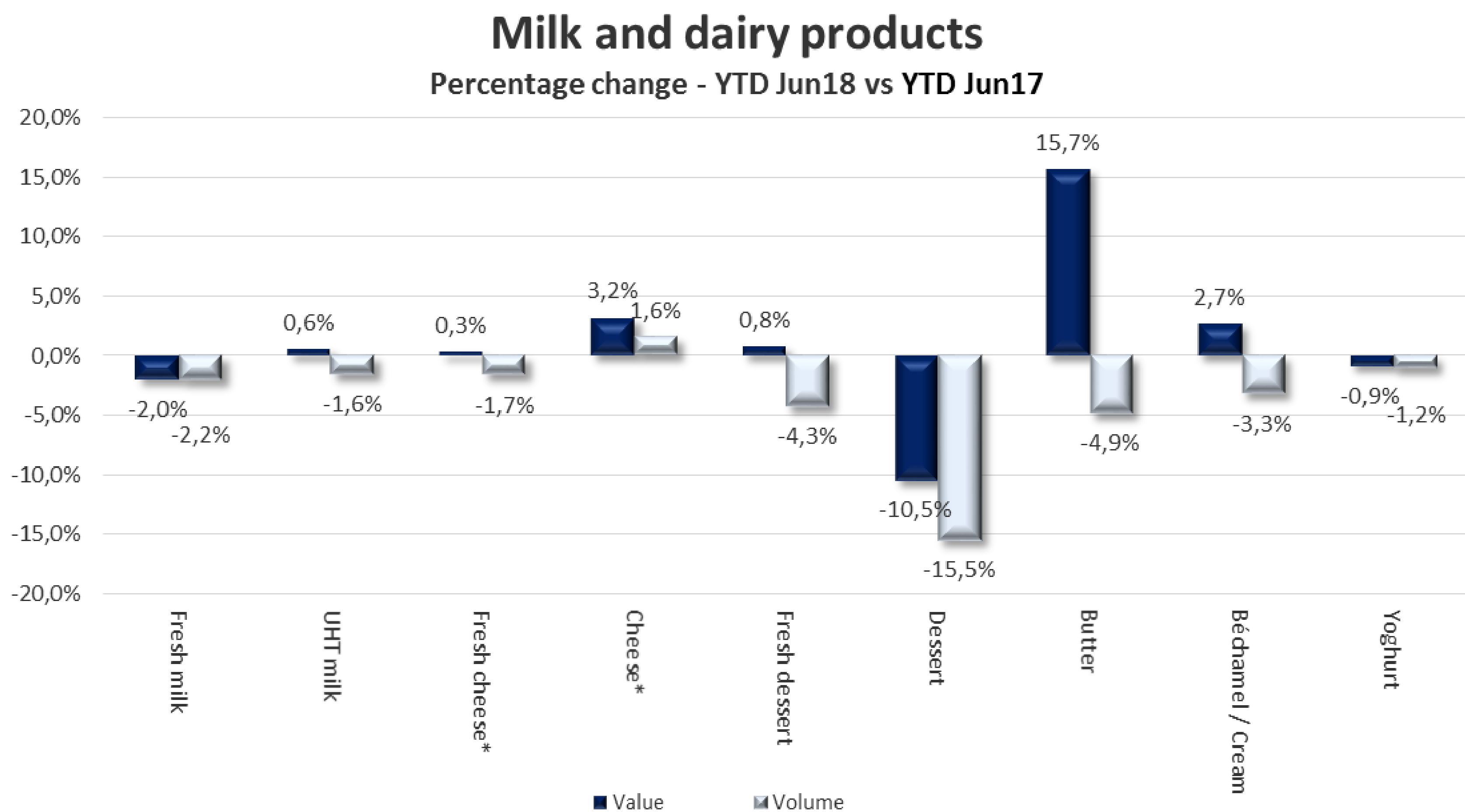
Period: Q2 2018 and YTD Jun18

Product category	VOLUME (2Q 2018 vs 2Q 2017 % change)	VOLUME (YTD Jun18 vs. YTD Jun17) % change)	VALUE (2Q 2018 vs 2Q 2017 % change)	VALUE (YTD Jun18 vs. YTD Jun17) % change)
Fresh milk	-2,9	-2,2	-2,8	-2,0
UHT milk	-1,6	-1,6	0,0	0,6
Fresh cheese*	-2,7	-1,7	-0,5	0,3
Cheese*	2,1	1,6	2,7	3,2
Fresh dessert	-1,8	-4,3	3,6	0,8
Dessert	-21,0	-15,5	-14,3	-10,5
Butter	-10,3	-4,9	9,1	15,7
Béchamel / Cream	-6,5	-3,3	-0,1	2,7
Yoghurt	0,6	-1,2	0,8	-0,9

Source: Market Track Nielsen
* Standard weight

Italy

Period: YTD Jun18 *versus* YTD Jun17

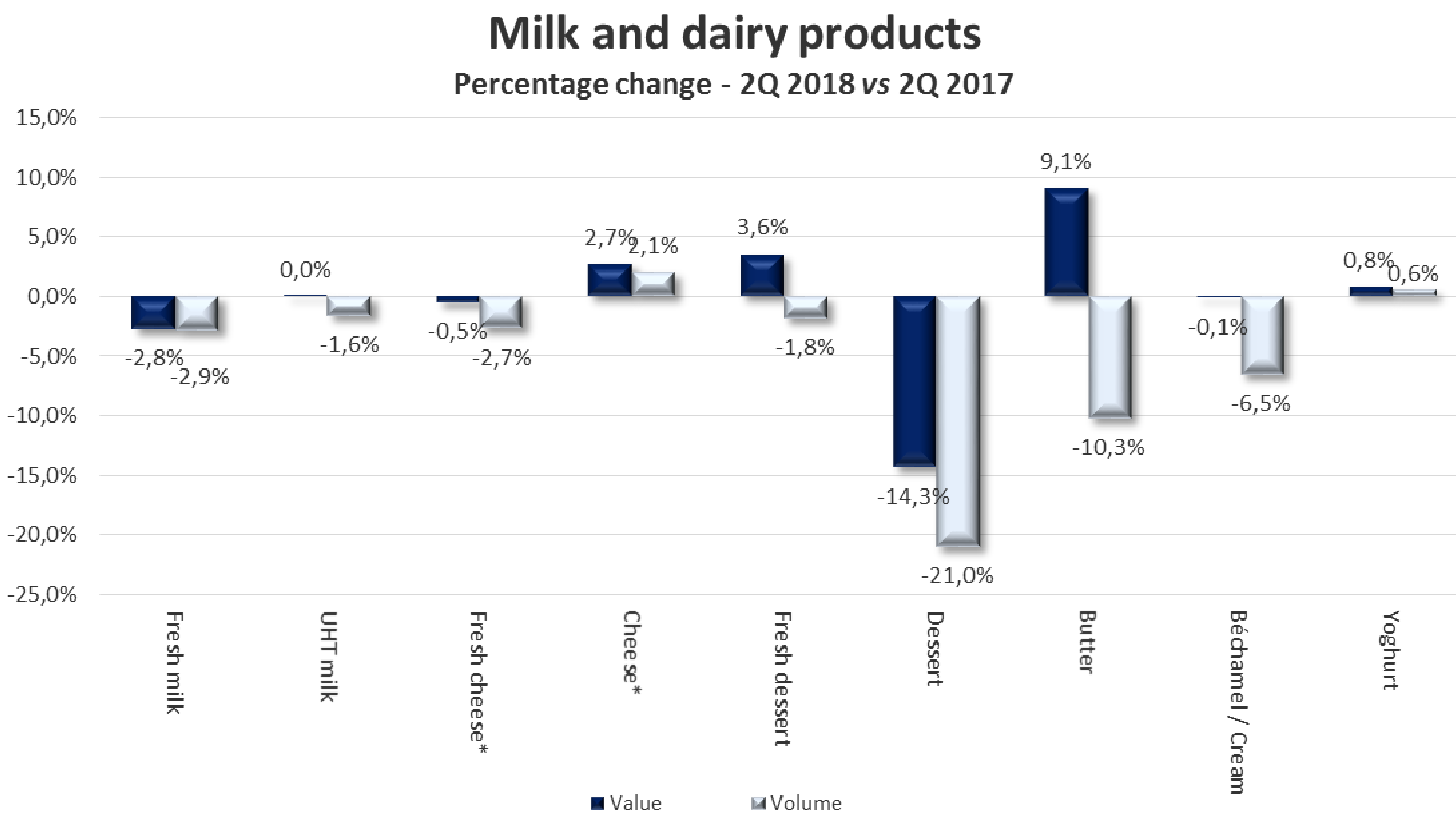


Source: Market Track Nielsen
* Standard weight

EuroCommerce

Italy

Period: Q2 2018 *versus* Q2 2017



Source: Market Track Nielsen

* Standard weight

EuroCommerce

Portugal

Period ending 12 August 2018

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

Source: Nielsen

EuroCommerce

United Kingdom
Period ending 12 August 2018

Liquid milk retail prices (pence)

		12-Aug-18	15-Jul-18	13-Aug-17	Annual Difference (pence)
	Retail	112	112	103	+9
	Doorstep	81	81	81	-

Source: Kantar Worldpanel

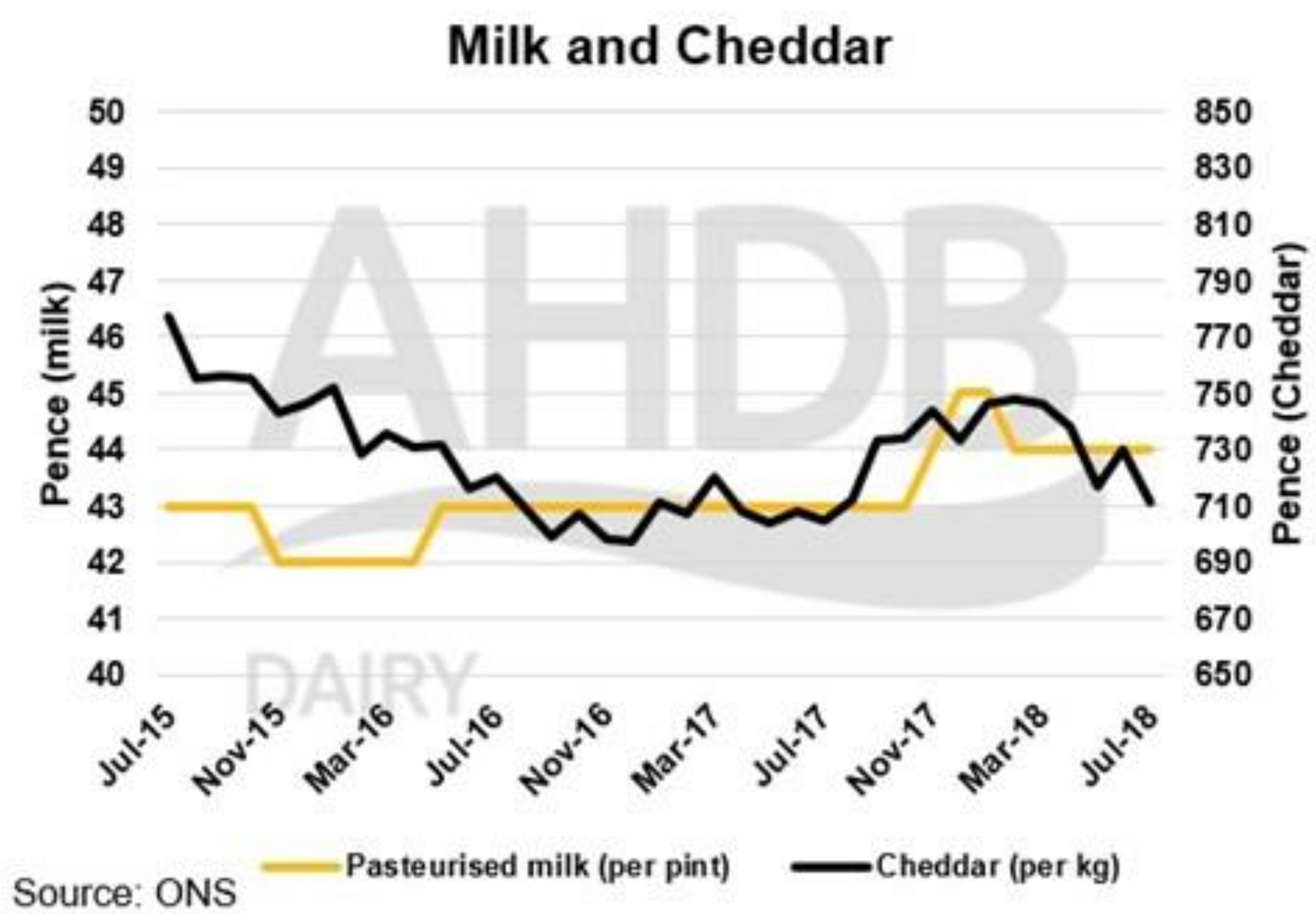
United Kingdom
Period ending July 2018

	Average Retail Price (pence)				
	Jul-18	Jun-18	Monthly Change	Jul-17	Annual Change (pence)
Block butter (per 250g)	180	179	1	150	**30**
Spreadable butter (per 500g)	337	323	14	293	**44**
Margarine/low fat spread (per 500g)	151	140	11	130	**21**
Pasteurised milk (per pint)	44	44	0	43	**1**
Cheddar (per kg)	711	730	-19	705	**6**

Source: Kantar Worldpanel

EuroCommerce

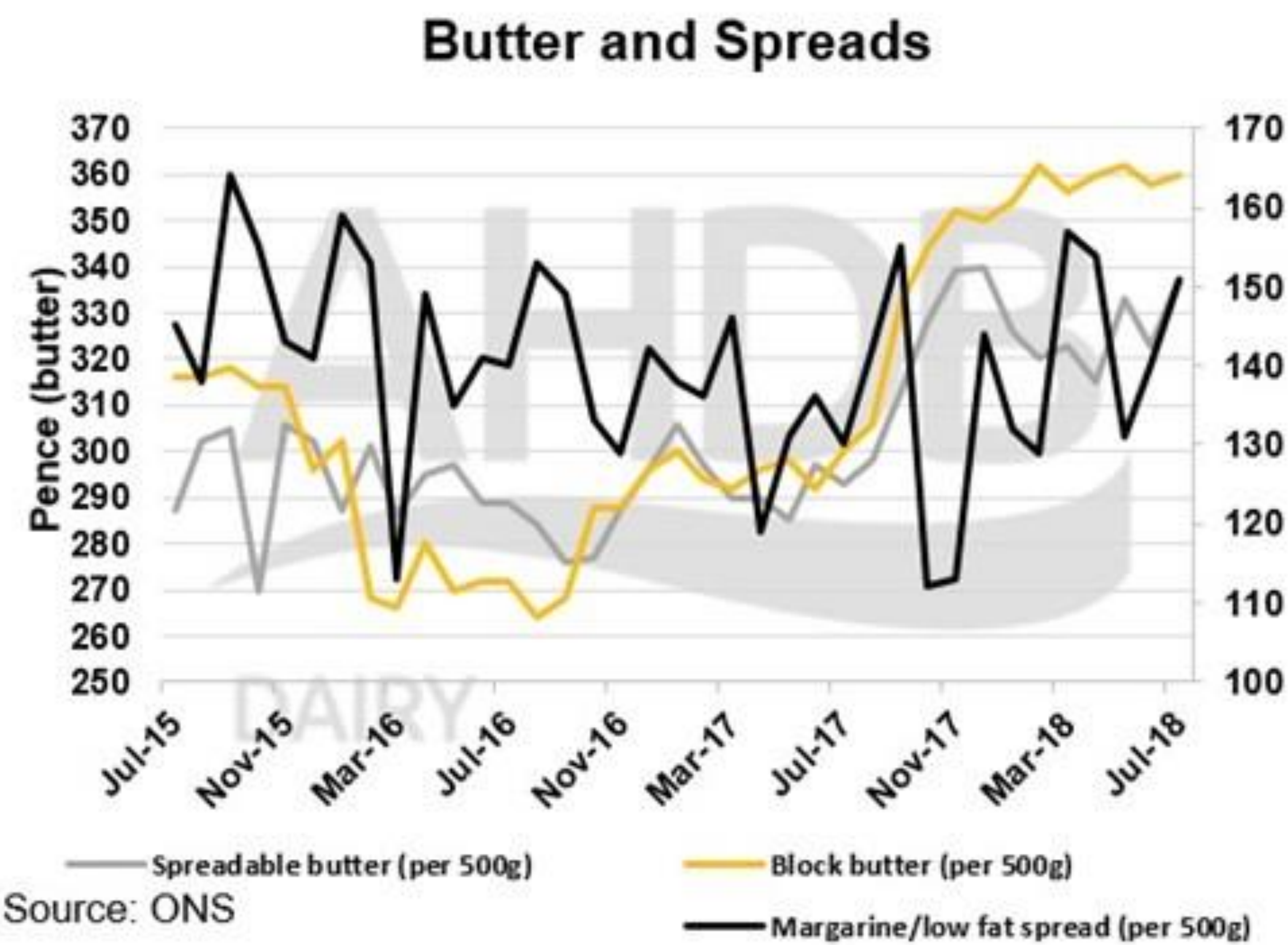
United Kingdom
Period ending July 2018



Milk price slightly higher than one year ago (+8.7%)

Cheese (cheddar): negligible increase (0.9%)

United Kingdom
Period ending July 2018



Source: ONS

Block butter price has increased by 20% year-on-year in July ’18

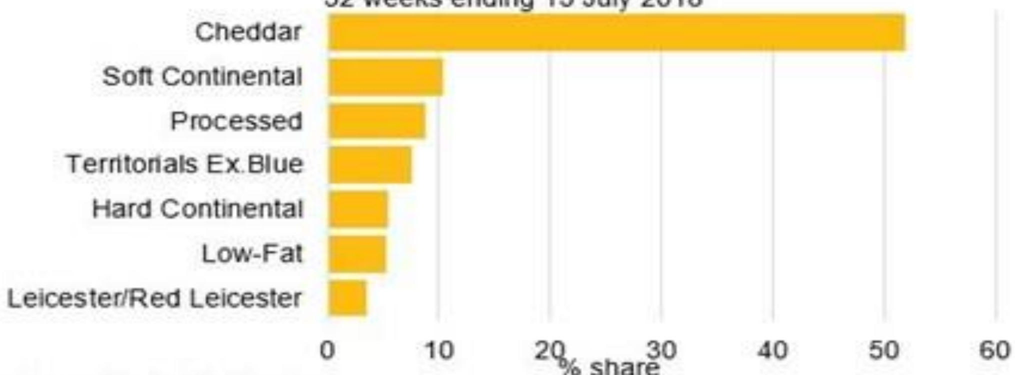
Spreadable butter: same trend, but a lower pace

United Kingdom
Period ending July 2018

Cheese retail performance
GB cheese market, year to 15 July 2018

	Spend (£000)	Year on year change	Volume (000kgs)	Year on year change	Average price (£/kg)	Year on year change
Total cheese	2,881,510	+3.7%	447,336	+0.5%	6.44	+3.2%

Share of total cheese volume
52 weeks ending 15 July 2018



Source: Kantar Worldpanel

Year on year % change in volume

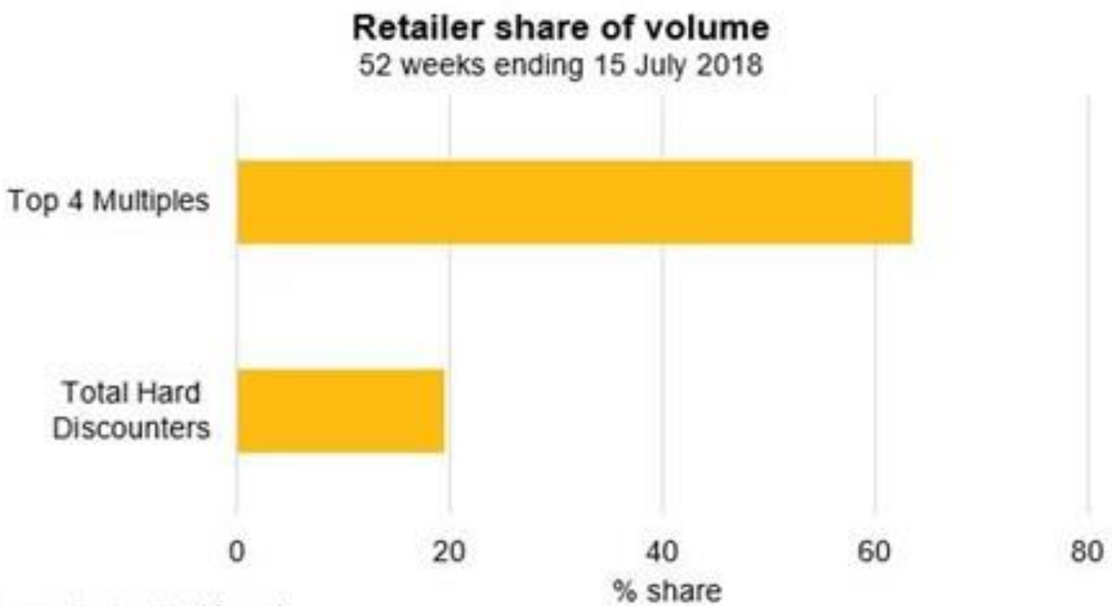
Cheddar	Hard Continental	Leicester/Red Leicester	Low-Fat	Processed	Soft Continental	Territorials Ex.Blue
-0.5%	+6.0%	+2.7%	-2.0%	-1.4%	+6.4%	+2.8%

Source: Kantar Worldpanel

Total cheese prices have increased 3.2% year-on-year which has helped to increase overall spend by 3.7%. Volume sales of total cheese are up 0.5%.

Continental style cheeses have improved their sales volumes year on year, with hard continentals up by 6% and soft continentals up by 6.4%.

United Kingdom
Period ending 15 July 2018



Source: Kantar Worldpanel

	Total Hard Discounters	Top 4 Multiples
Year on year % change in volume	+12.7%	-2.3%

Hard discounters have continued to increase their sales of cheese, up 12.7% in volume terms year on year. The top 4 multiples' volume of sales is down 2.3%.

Source: Kantar Worldpanel

EuroCommerce

ANNEX 6

EU dairy short-term outlook

European Commission

European Commission

EU dairy short-term outlook

Andrea Čapkovičová, DG AGRI

Brussels, MMO, 25 September 2018

Agriculture and Rural Development

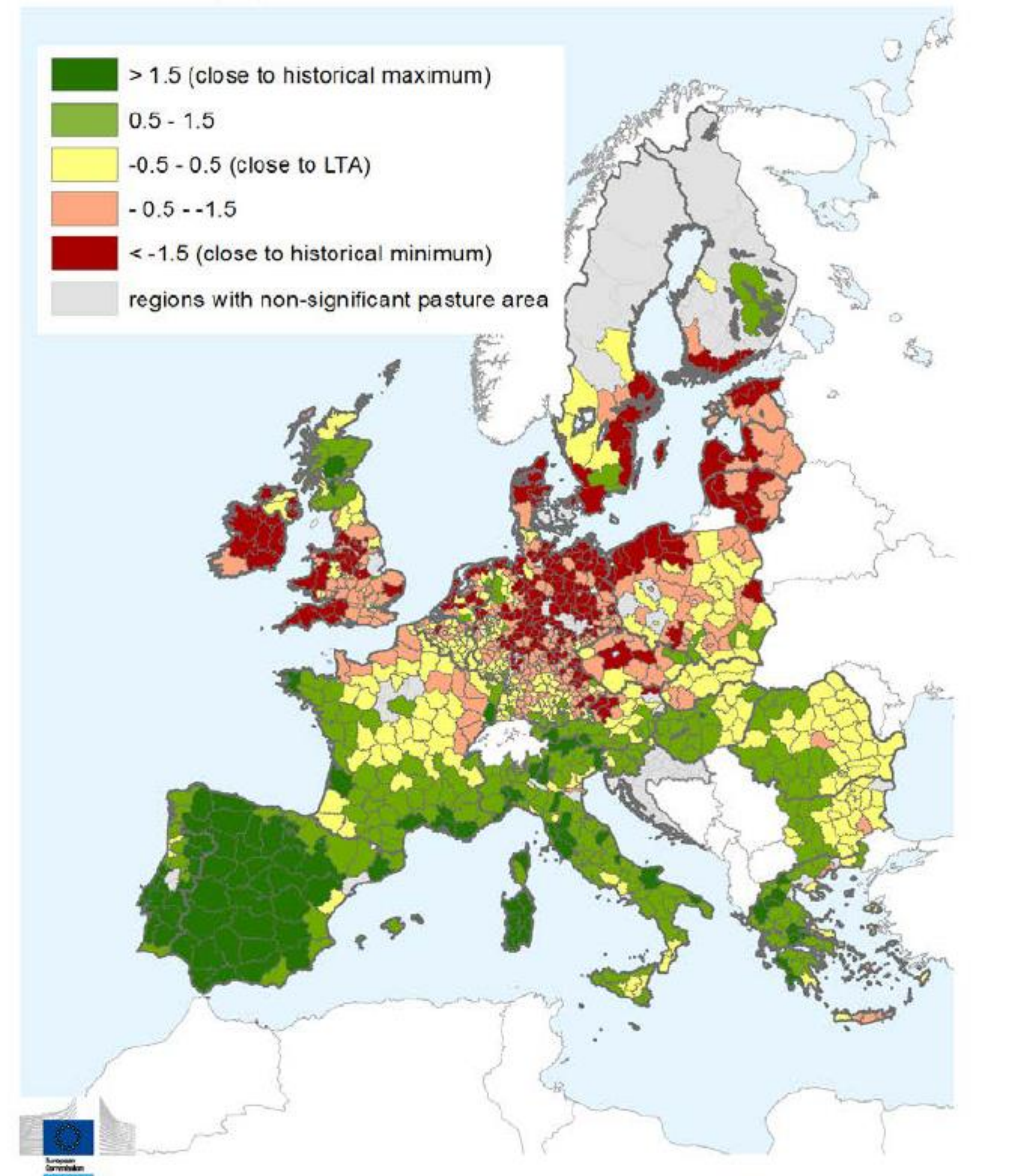
Outline

- Pasture prospects and dairy herd development
- Crop production and imports – feed perspective
- Fat and protein development
- 2018 Milk collection forecast
- 2018 Forecast for dairy products

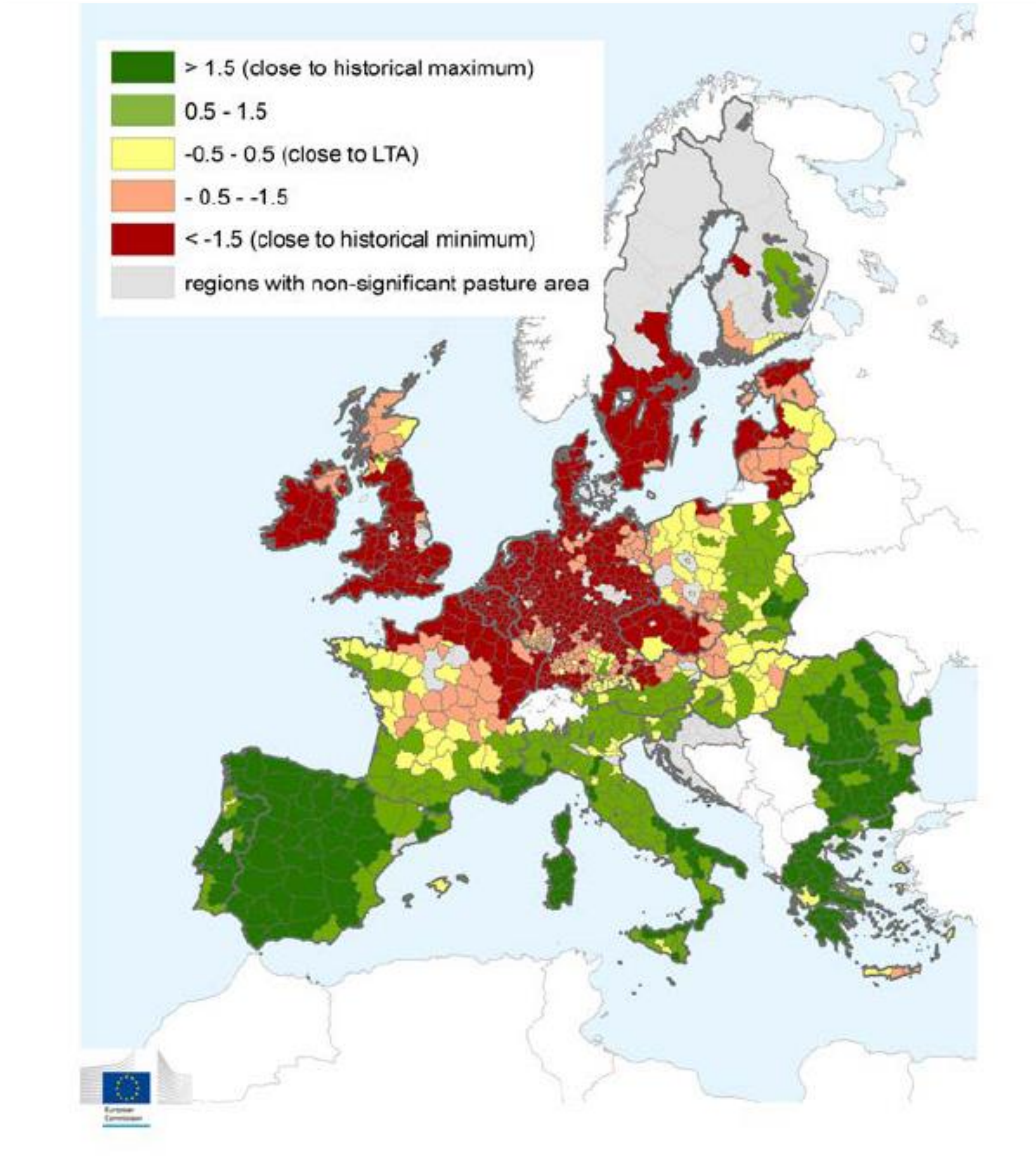
Pasture prospects

Relative index of pasture growth

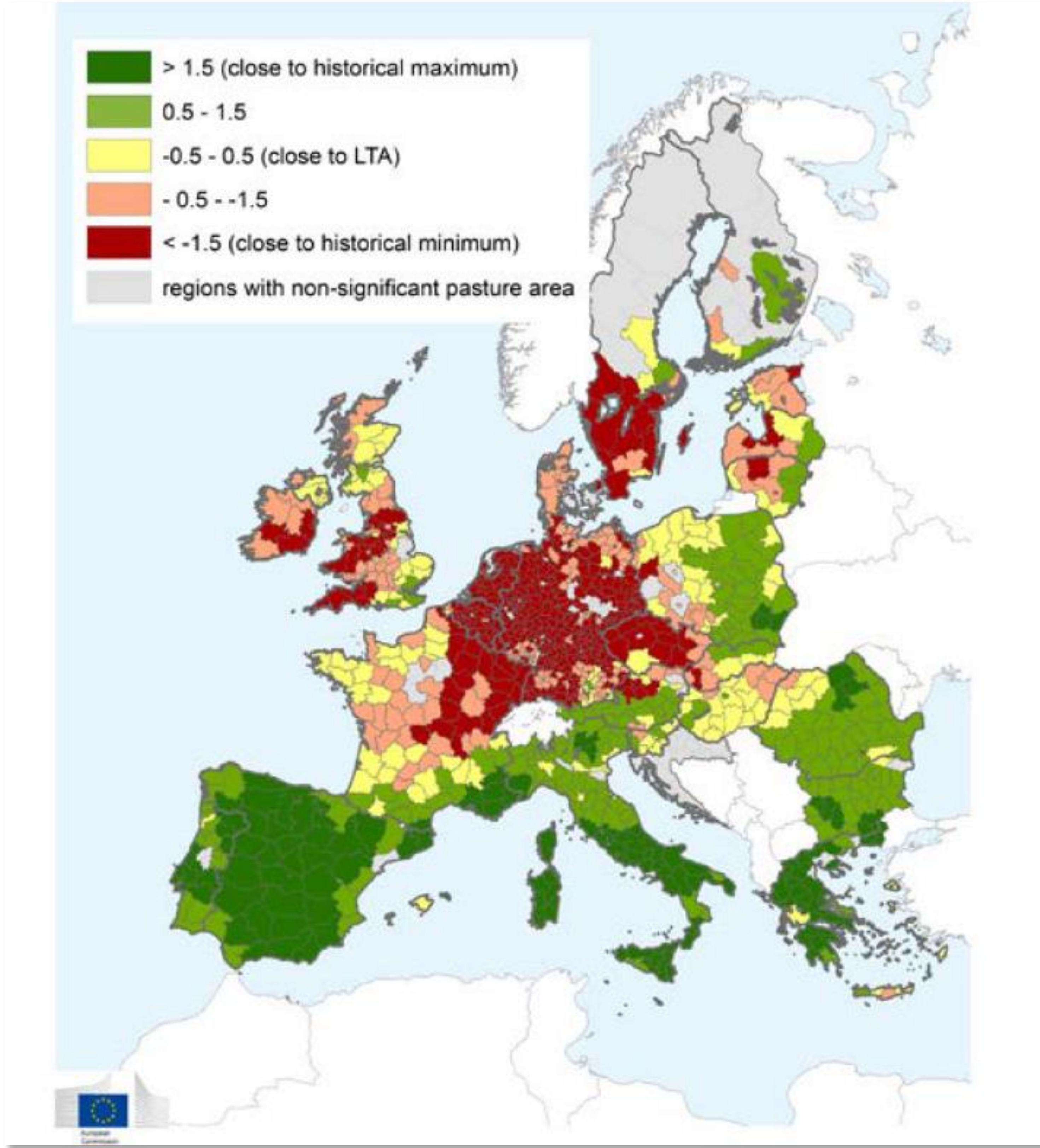
1 June – 10 July 2018



1 July – 20 August 2018



1 August – 10 September 2018

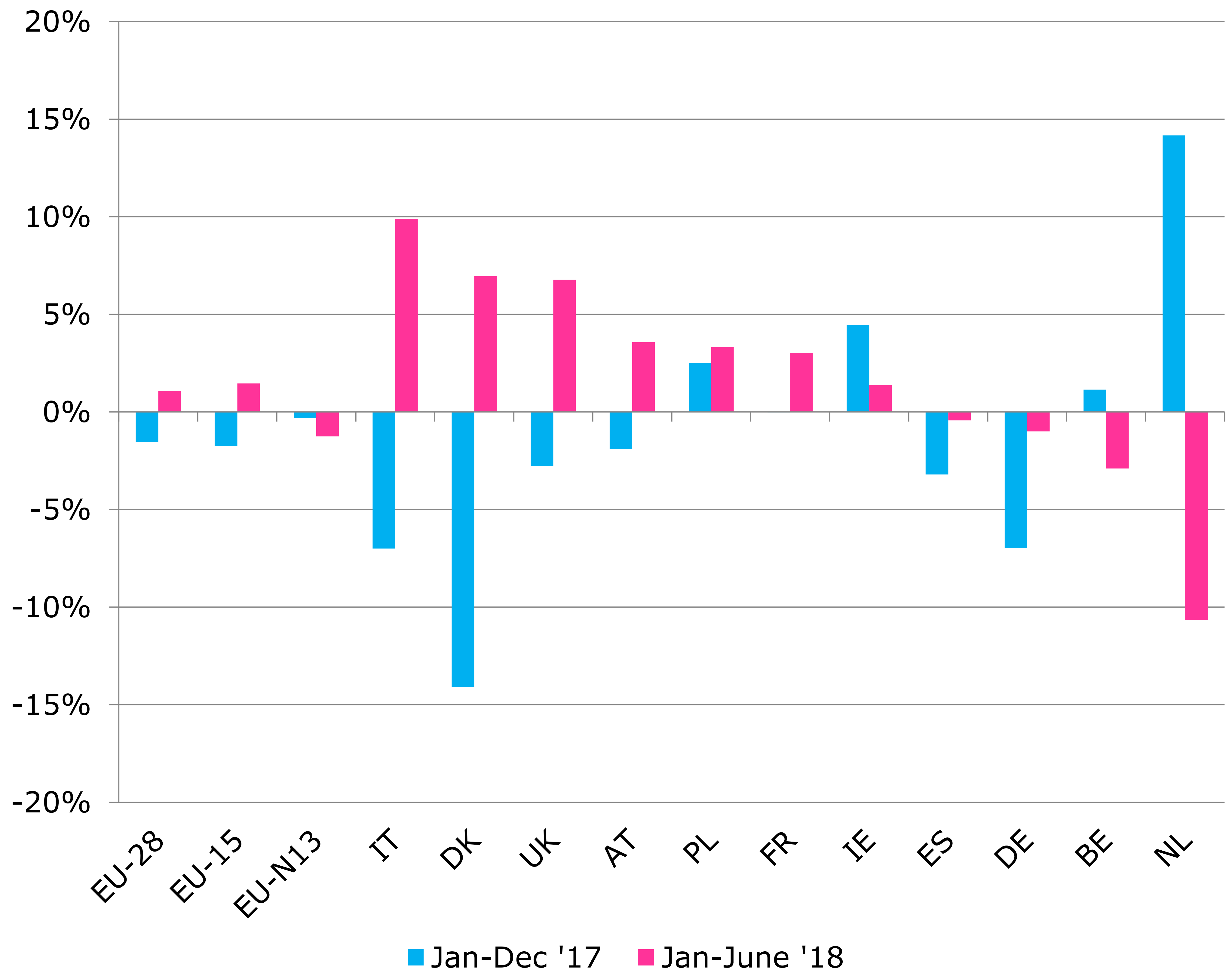


Source: Mars https://ec.europa.eu/jrc/en/mars/bulletins

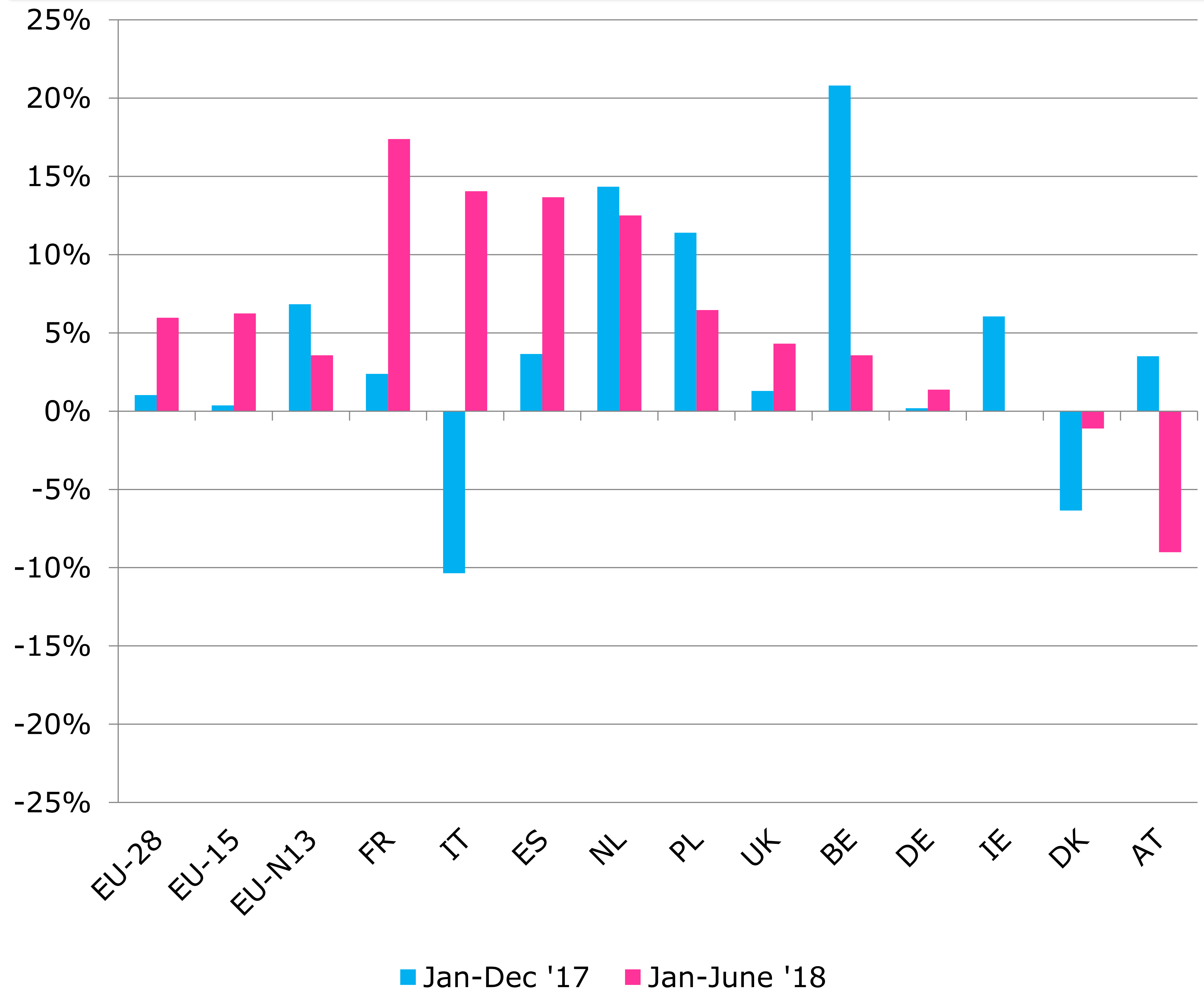
European Commission | Agriculture and Rural Development

Dairy herd development

Change in numbers of slaughtered cows



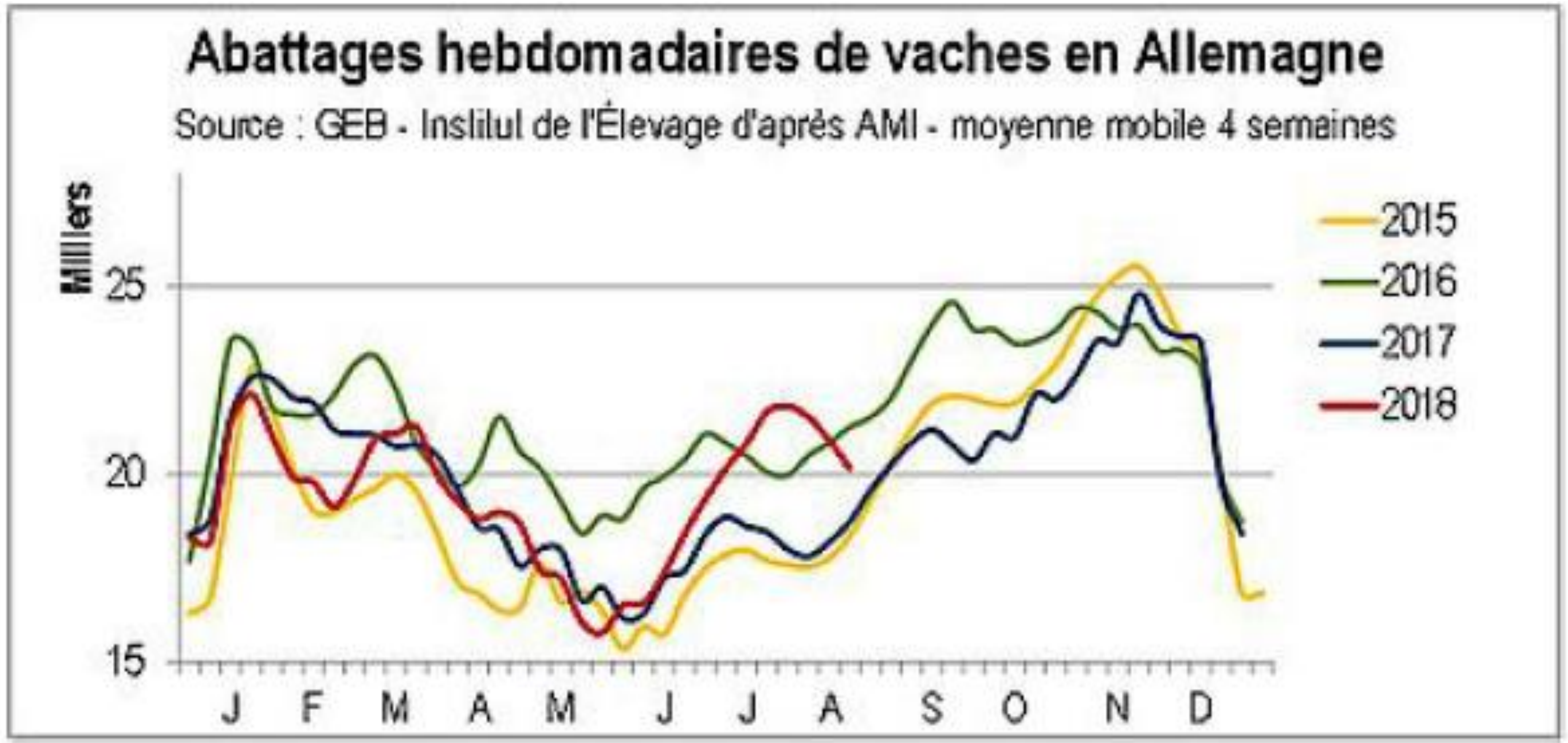
Change in numbers of slaughtered heifers

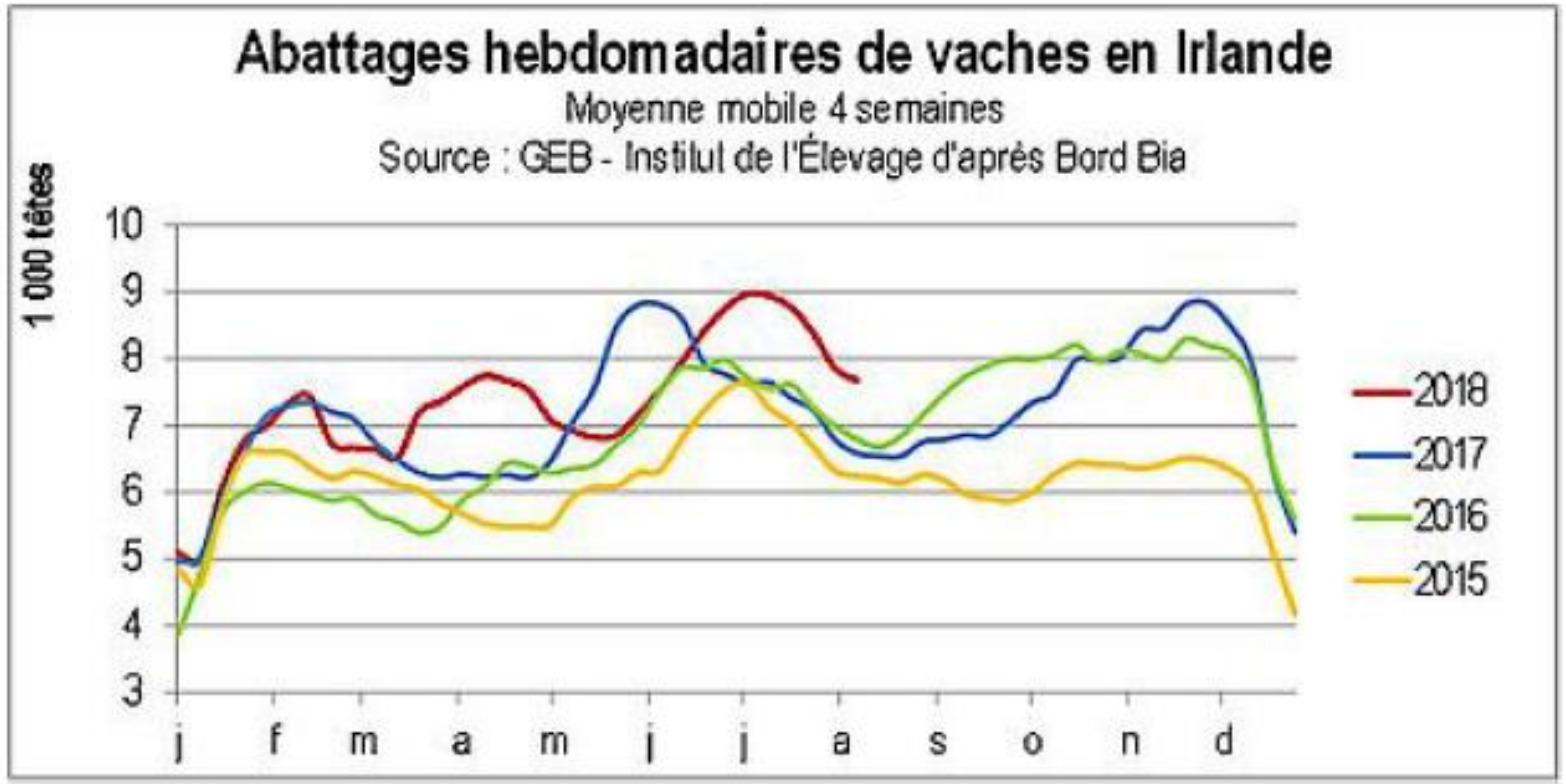


-> lower replacement rate

Note: including beef and dairy
Source: Eurostat

Dairy herd development





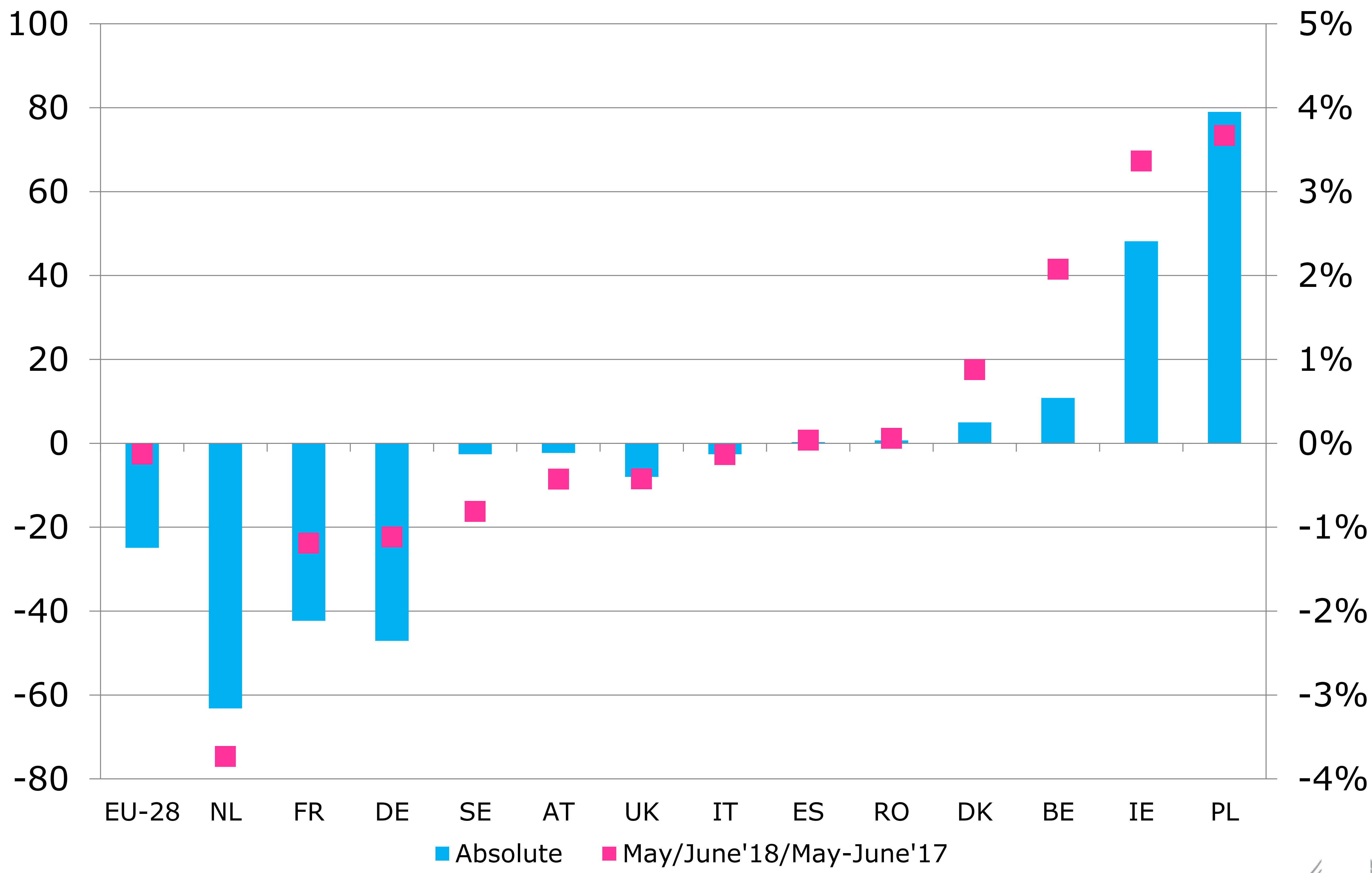
FR – dairy cows slaughterings in August +6% compared to August 2017

Source: L'institut de l'Élevage

European Commission | Agriculture and Rural Development

Livestock survey May-June 2018

Change in numbers of dairy cows

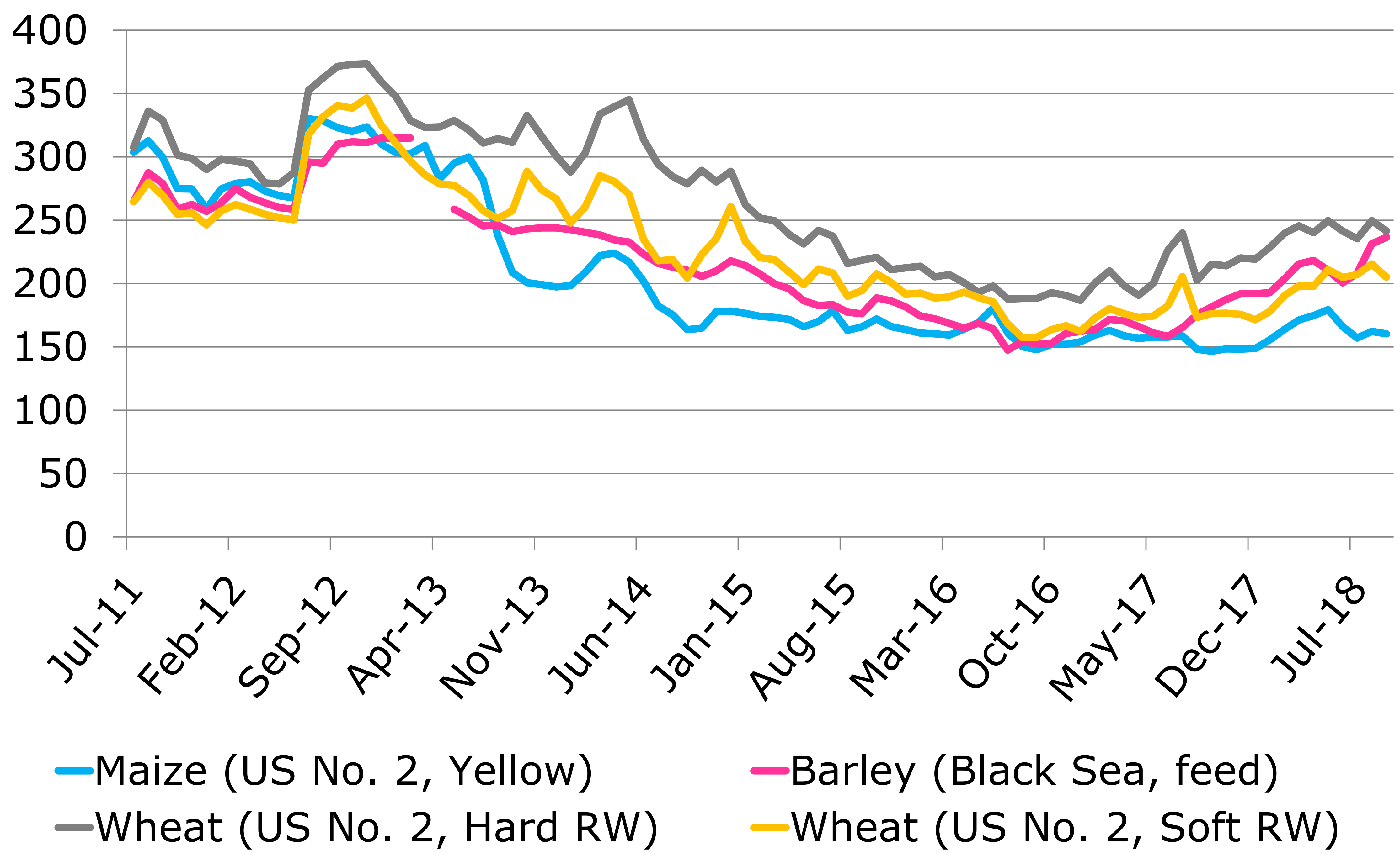


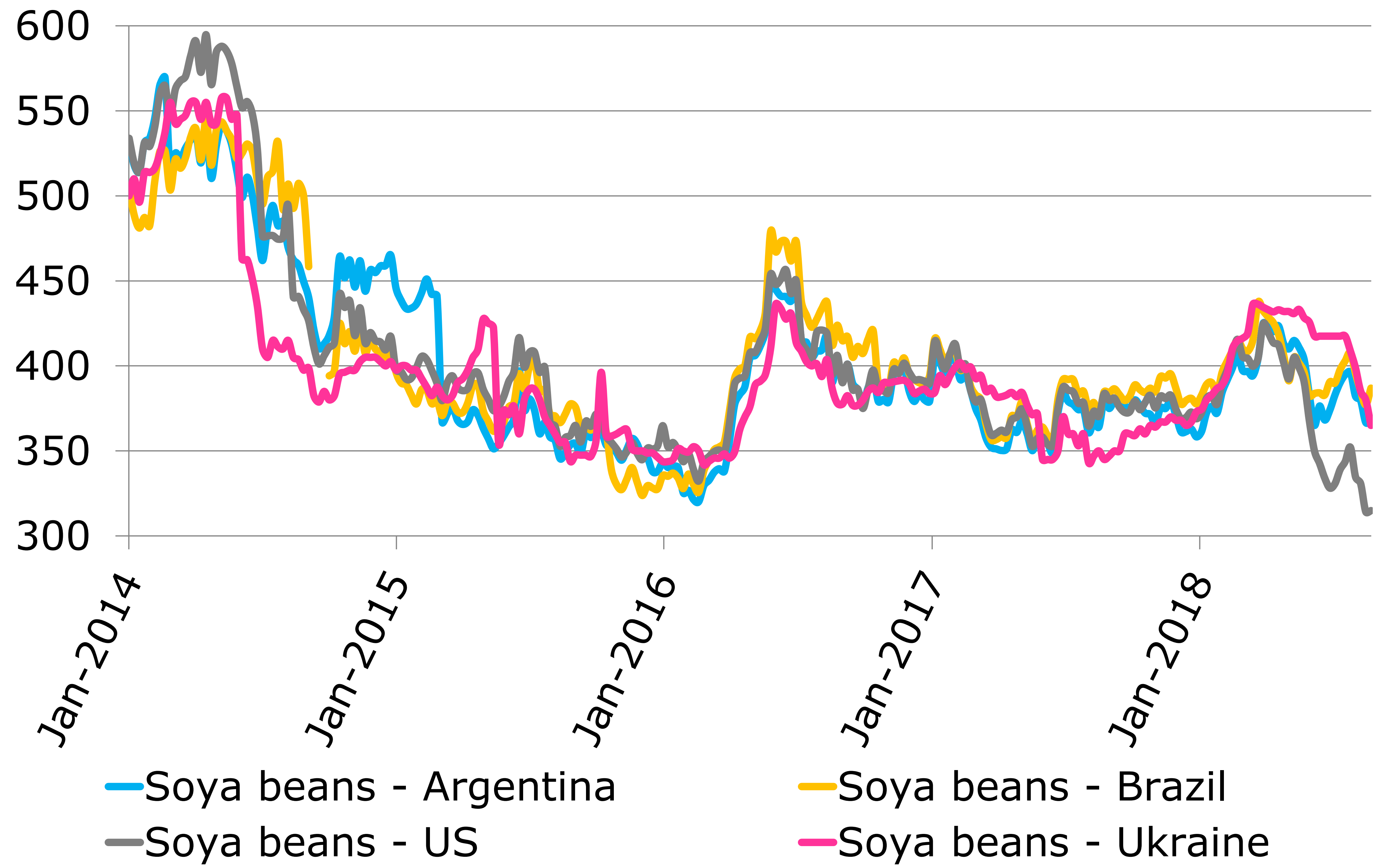
Source: Eurostat

-0.1% May-June'18/May-June'17

European Commission | Agriculture and Rural Development

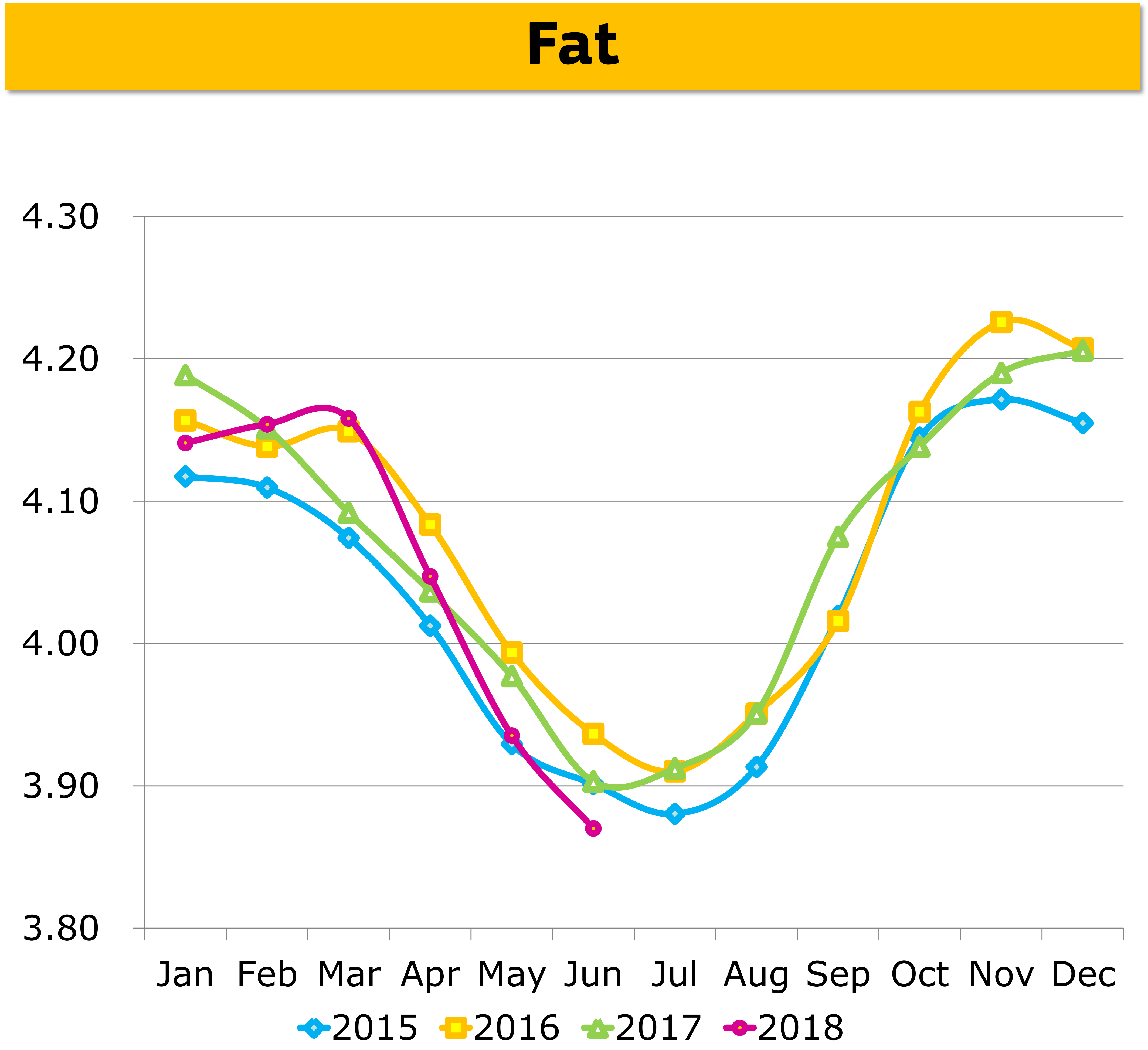
Crop production and prices

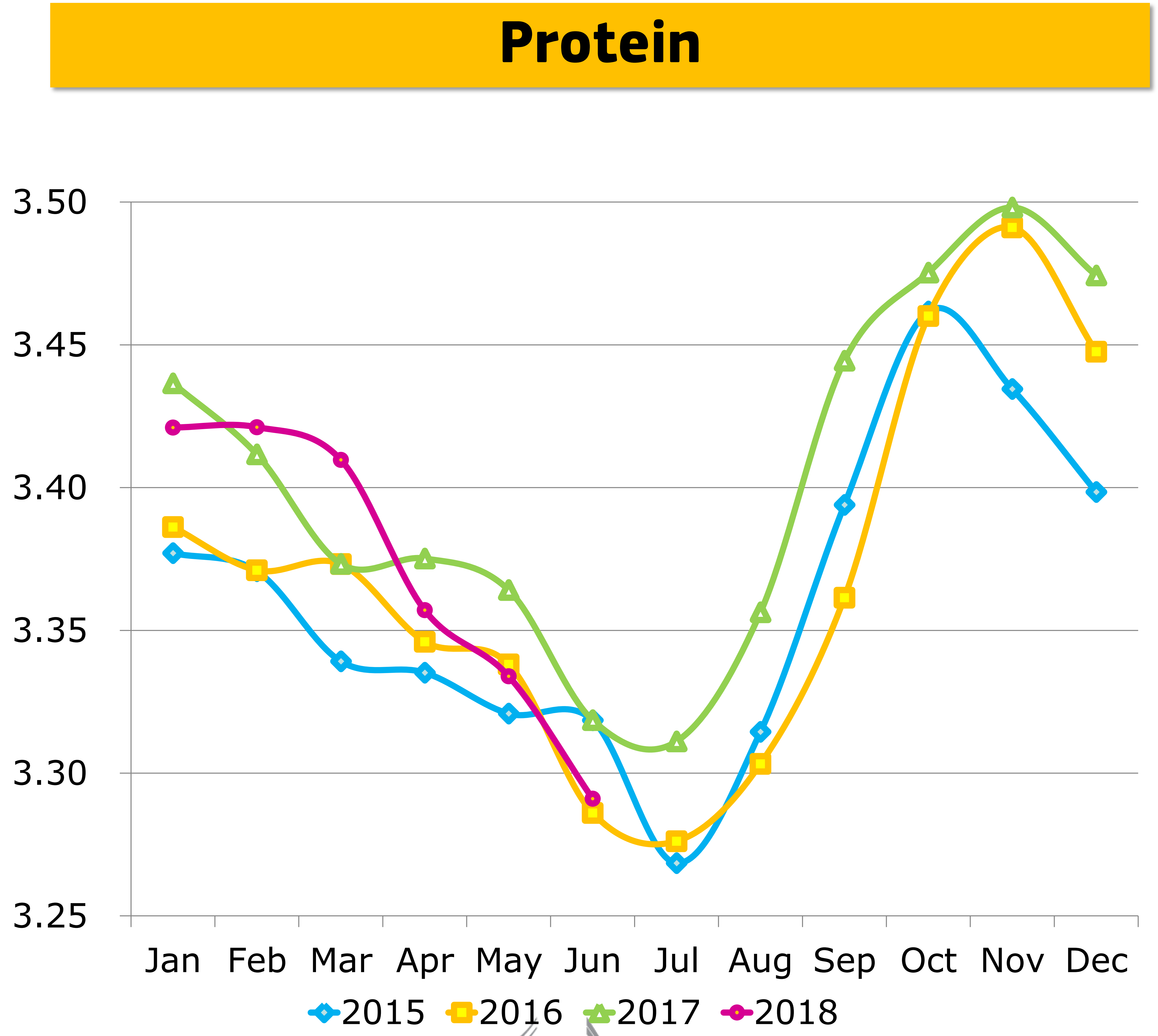




- **EU cereal production** dropped by **5 %** year-on-year (more than 7 % below the last 5-year average)
- **Common wheat -9%** year-on-year (-9% last 5-year average)
- **Barley -4%** year-on-year (-6% last 5-year average)
- **Maize -5.5%** year-on-year (-5% last 5-year average)

Fat and protein milk content



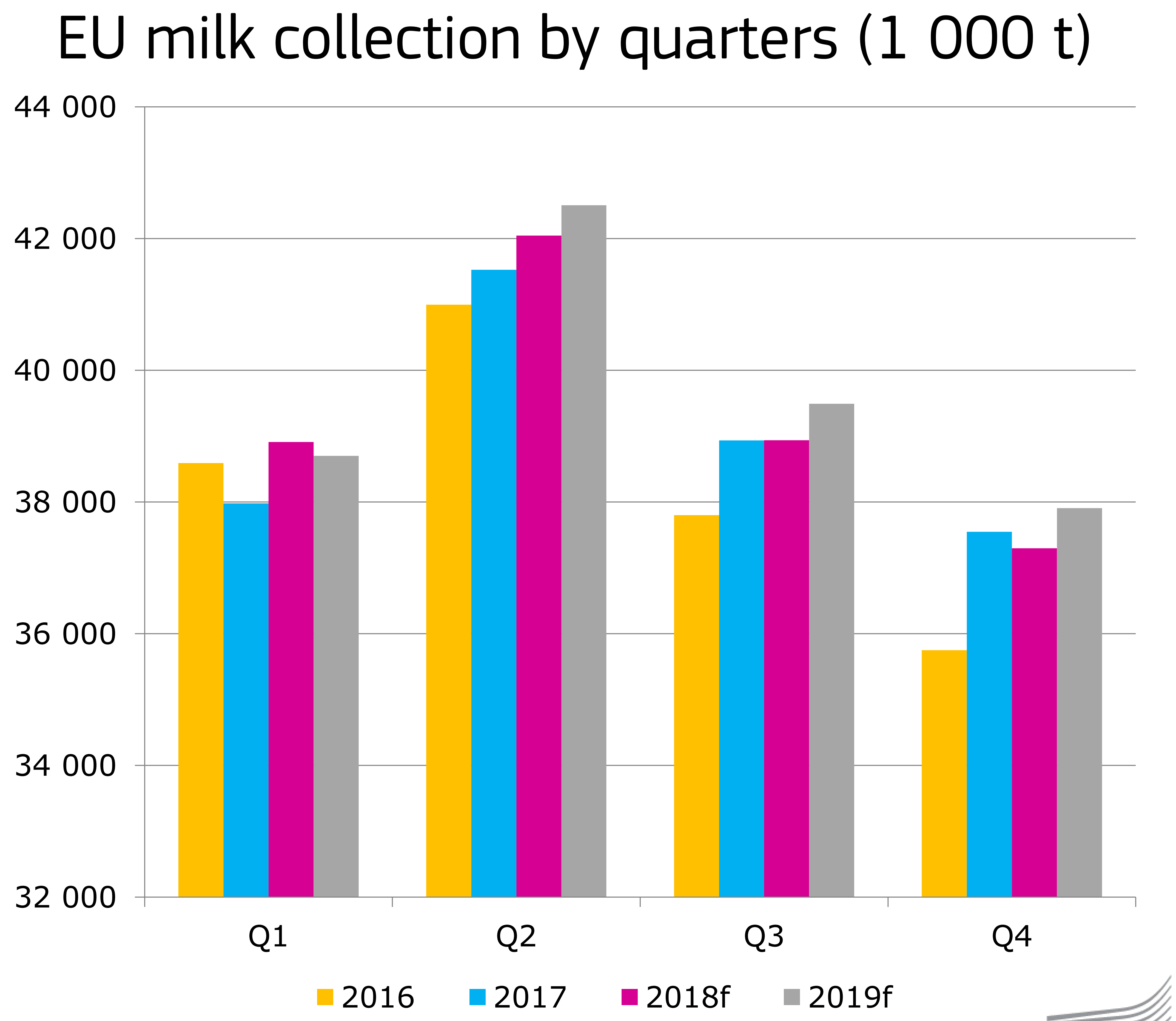


Source: Eurostat

European Commission | Agriculture and Rural Development

2018 Milk collection forecast

+0.8% / 2017

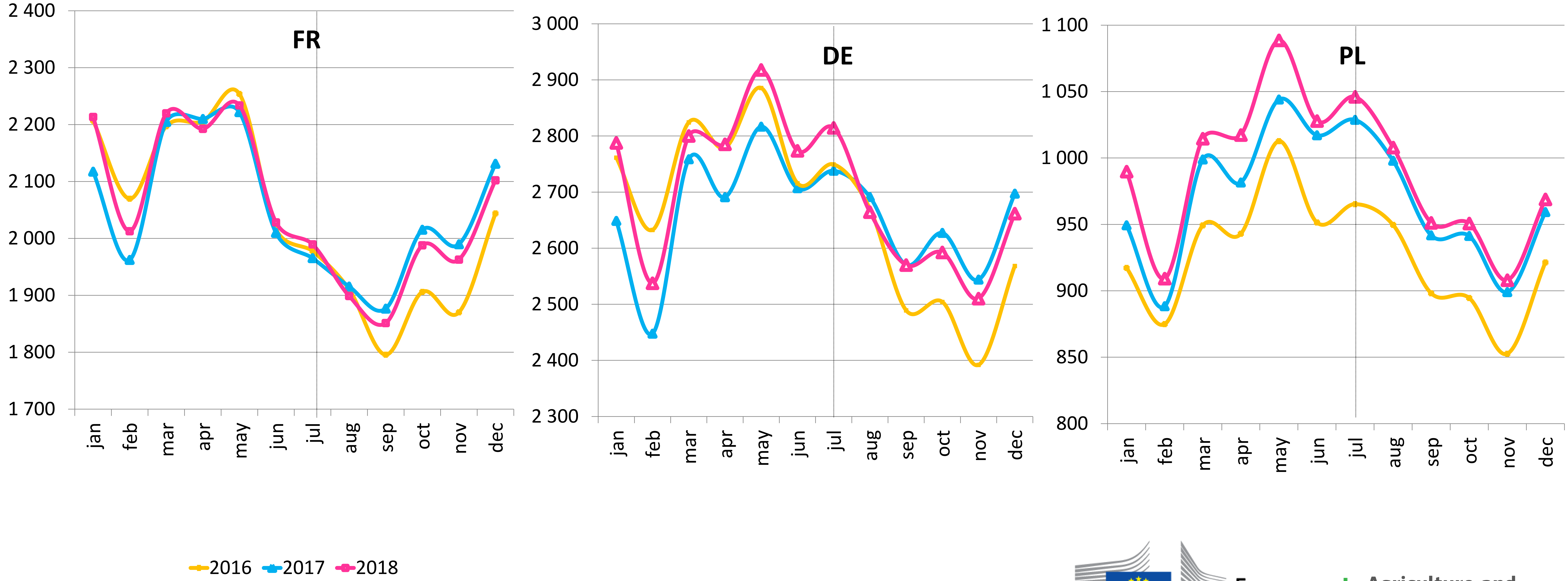


2019 +0.9%

European Commission | Agriculture and Rural Development

Source: DG Agriculture and Rural Development, based on Eurostat

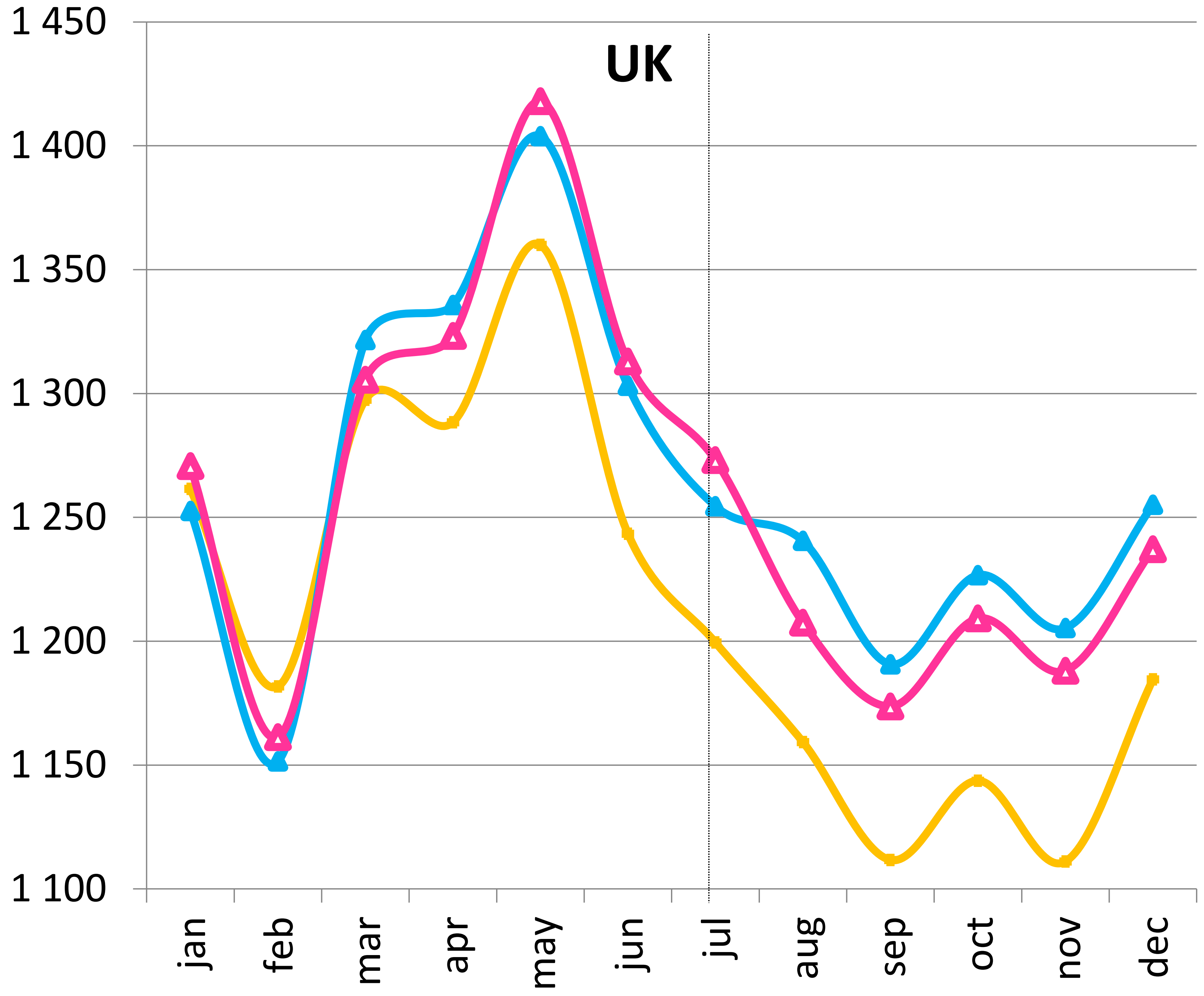
2018 Milk collection forecast by selected MS

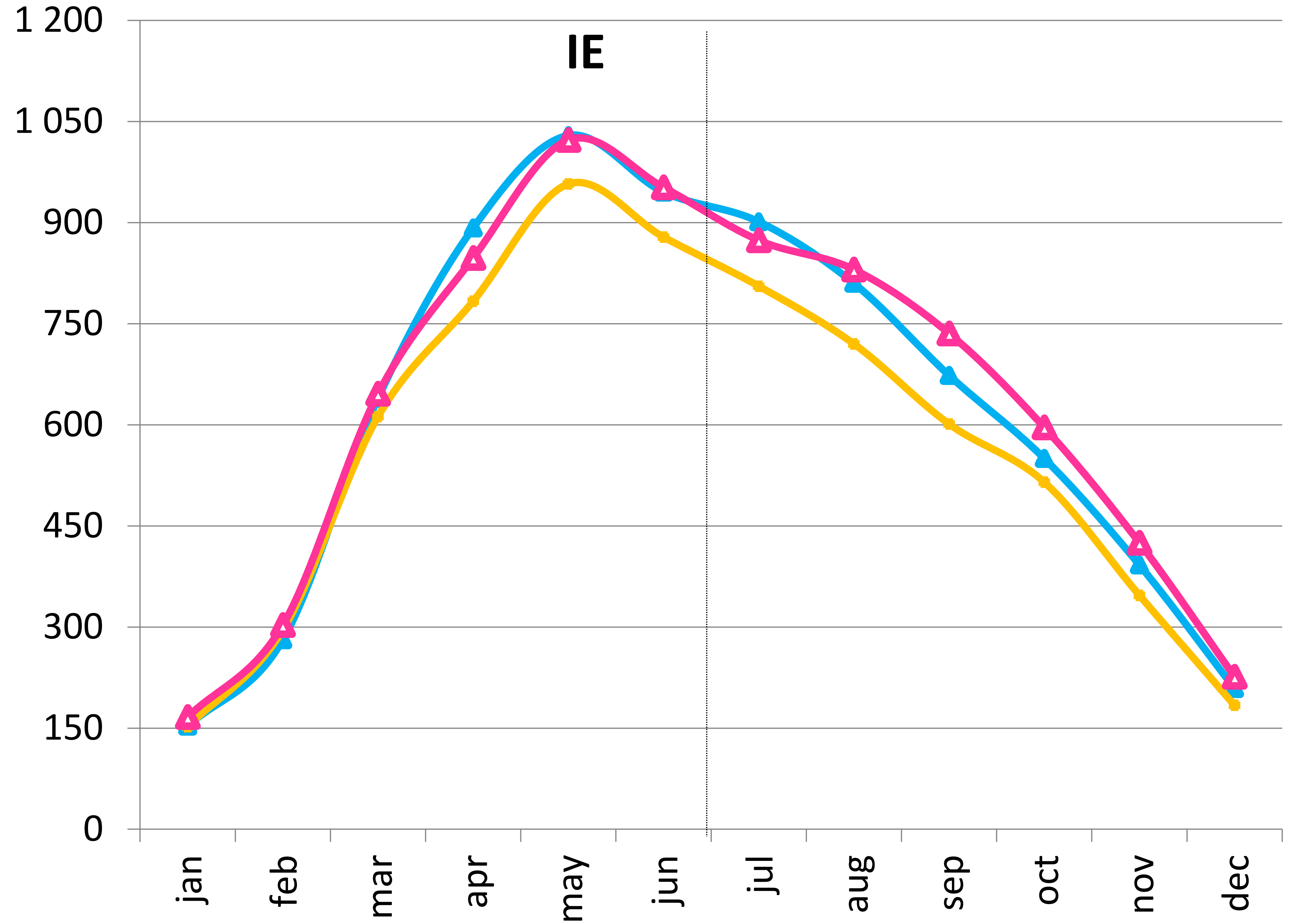


Source: Eurostat, MS notifications

European Commission | Agriculture and Rural Development

2018 Milk collection forecast by selected MS





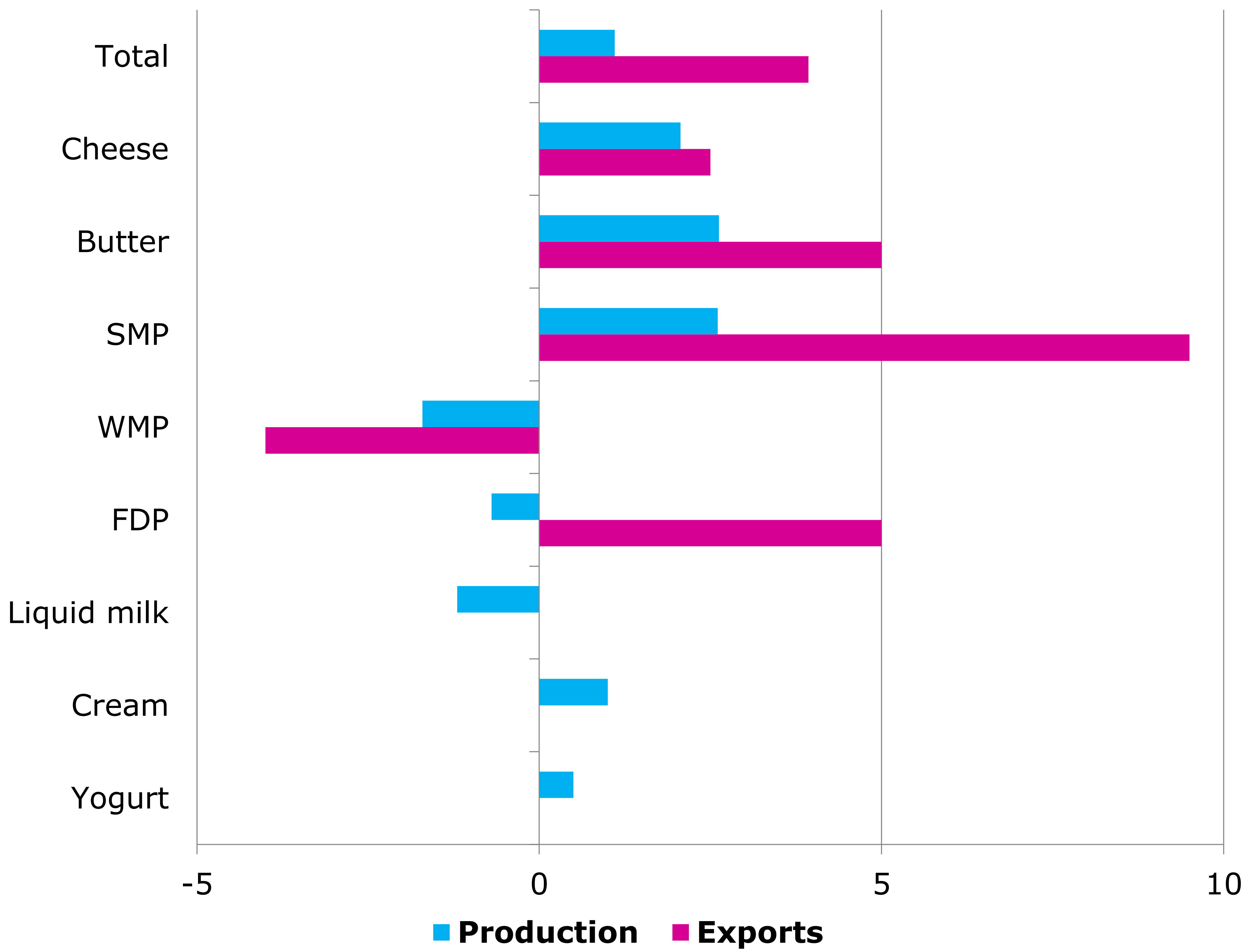
2016 2017 2018

Source: Eurostat, MS notifications

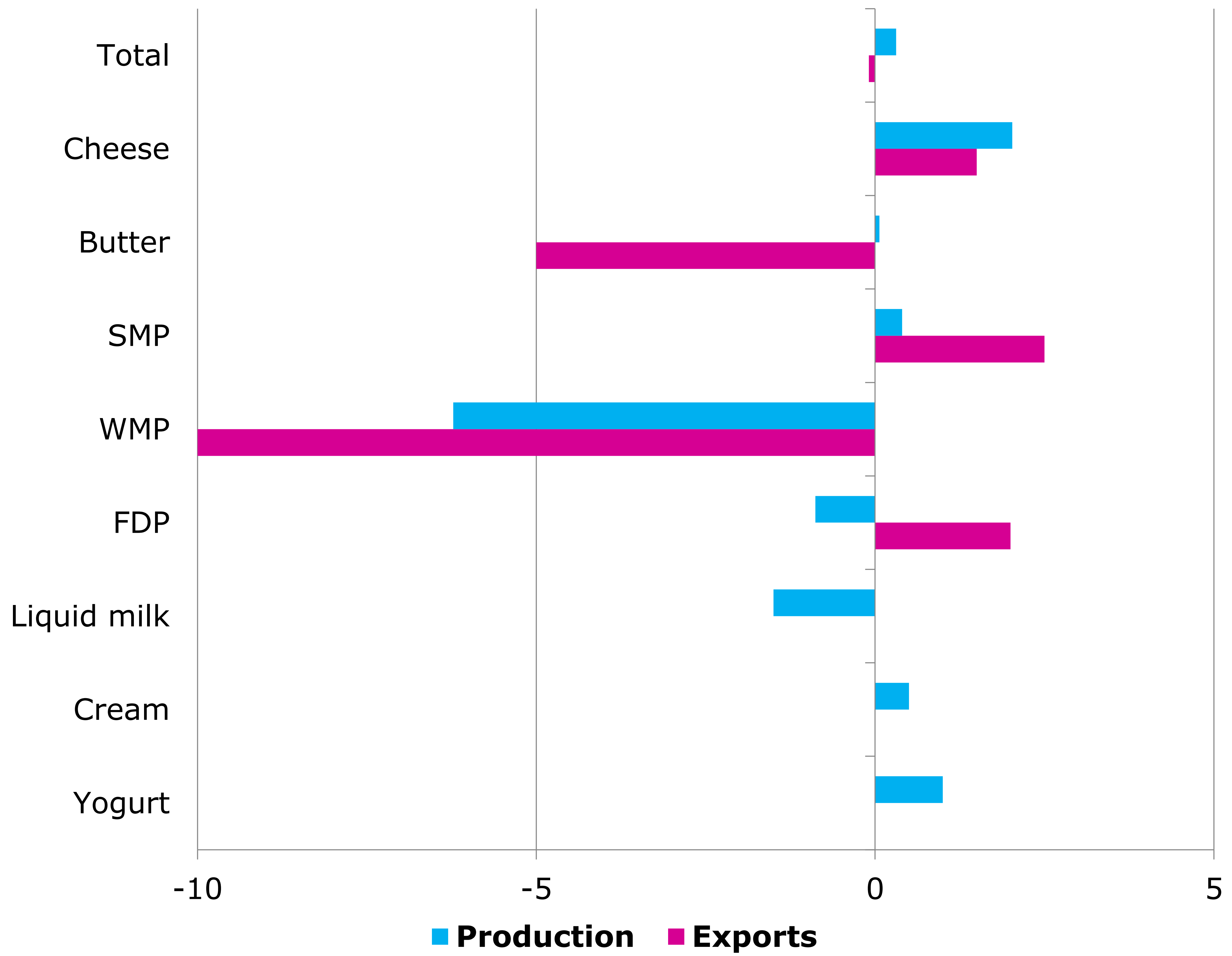
2018 draft forecasts for dairy products

Estimated change in production and exports 2018/2017 (%)

Short-term outlook Summer 2018



Short-term outlook Autumn 2018



Source: DG Agriculture and Rural Development, based on Eurostat, MS notifications and COMEXT

Focus on SMP

Scenario for 2018

	2017	Scenario	
		2018	18/17
Production	1 523	1 536	0.4%
Exports	781	896	2%
Use	794	857	4%
Stocks	451	366	-19%
Intervention	376	211	-44%
Private	75	155	107%
Change in stocks	-50	-90	
out of which Intervention	25	-165	

Source: DG Agriculture and Rural Development

Thank you

Agricultural Outlook

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

Markets briefs

https://ec.europa.eu/agriculture/markets-and-prices/market-briefs_en

Market observatories

https://ec.europa.eu/agriculture/market-observatory_en

CAP reform

https://ec.europa.eu/agriculture/future-cap_en

European Commission | Agriculture and Rural Development

ANNEX 7

The Economic Board of the European Milk Market Observatory

InLac

The Economic Board of the European Milk Market Observatory

Brussels, September 25th 2018

INLAC
ORGANIZACIÓN INTERPROFESIONAL LÁCTEA

inLac, Interbranch Organisation of the Spanish dairy sector, whose members represent milk production -ASAJA, COAG, UPA (farmers unión) and Cooperativas Agro-Alimentarias de España-; and dairy processors -FENIL and Cooperativas Agro-Alimentarias de España-.

The Spanish dairy sector, data

The whole dairy industry, production and processors, generates almost 12.000 MEUR, employing 80.000 people.

- **Milk production** accounts for **17%** of the Spanish agrarian income. Of all the livestock sub-sectors, dairy is the third in economic importance, after pork and beef meat.
- The production of **cow's milk** represents about 89% of total Spanish´s milk production, representing 4% of the total EU, 7th producer.
- The production of **sheep's milk** represents about 6% of total milk production, representing 17% of the total EU, the first producer.
- The production of **goat's milk** represents 5% of total milk production, representing 22% of the total EU, second producer, after Greece.
- The **dairy industry** generates 8.640 MEUR/year, 9% of the food sector. Employs about 32.800 people.

ORGANIZACIÓN INTERPROFESIONAL LÁCTEA

In Spain, the milk production grows continuously, the consumption of milk declines and the consumption of other dairy products is stable.

MILK PRODUCTION EVOLUTION
(vaca, oveja, cabra) (miles t)

Años	Miles de Toneladas
2012	6.809,70
2017	8.033,70
% Δ 2017/2012	17,97%
Fuente: MAPAMA	

CONSUMPTION EVOLUTION (MILK+ OTHER DAIRY PRODUCTS (Miles t)

Años	Leche Líquida	Derivados Lácteos
2012	3.404,1	1.762,1
2017	3.187,9	1.749,4
% Δ 2017/2012	-6,35%	-0,72%
Fuente: MAPAMA		

ORGANIZACIÓN INTERPROFESIONAL LÁCTEA

External trade balance has improved significantly, both in volume and in value: it has been reduced by 27% in volume and 42% in value.

GLOBAL Evolution of exports

Años	En volumen (000 Tms equivalentes)	En valor (Millones Euros)
2012	1.207,91	766,61
2017	1.774,58	1.089,62
% Δ 2017/2012	46,9%	42,1%
Fuente: AEAT		

GLOBAL Import Evolution

Años	En volumen (000 Tms equivalentes)	En valor (Millones Euros)
2012	3.632,02	1.635,03
2017	3.535,57	1.591,68
% Δ 2017/2012	-2,6%	-2,7%
Fuente: AEAT		

ORGANIZACIÓN INTERPROFESIONAL LÁCTEA

PROGRAMME ON PROMOTING MILK AND DAIRY PRODUCTS ON THE FRAMEWORK OF GOOD DIETARY PRACTICES

CAMPAÑA FINANCIADA
CON LA AYUDA DE
LA UNIÓN EUROPEA

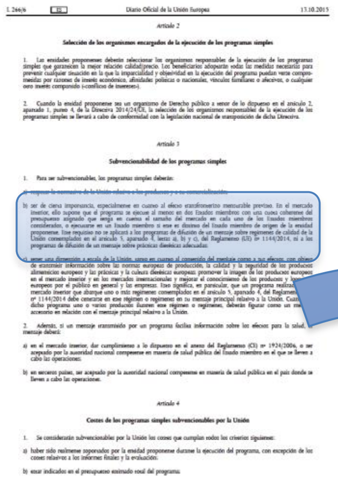
LA UNIÓN EUROPEA
RESPALDA LAS CAMPAÑAS
QUE PROMUEVEN LA VIDA SANA.

ENJOY
IT'S FROM
EUROPE

Background

Simple Programme: Information and Promotion

A programme broadcasting a message on **suitable dietary practices** based on EU Reg, 1924/2006 and in line with the European Commision´s **White Paper on the Strategy for Nutrition, Overweight and Obesity-related matters**


Diario Oficial de la Unión Europea

Artículo 2

Selección de los organismos encargados de la ejecución de los programas simples

Artículo 3

Subvencionabilidad de los programas simples

Artículo 4

Costes de los programas simples subvencionables por la Unión

AGRIP-1-1

Call for proposals for simple programmes 2016 – Promotion of agri ...

AGRI-SIMPLE-2016

Publication date:04 February 2016

ENJOY IT'S FROM EUROPE

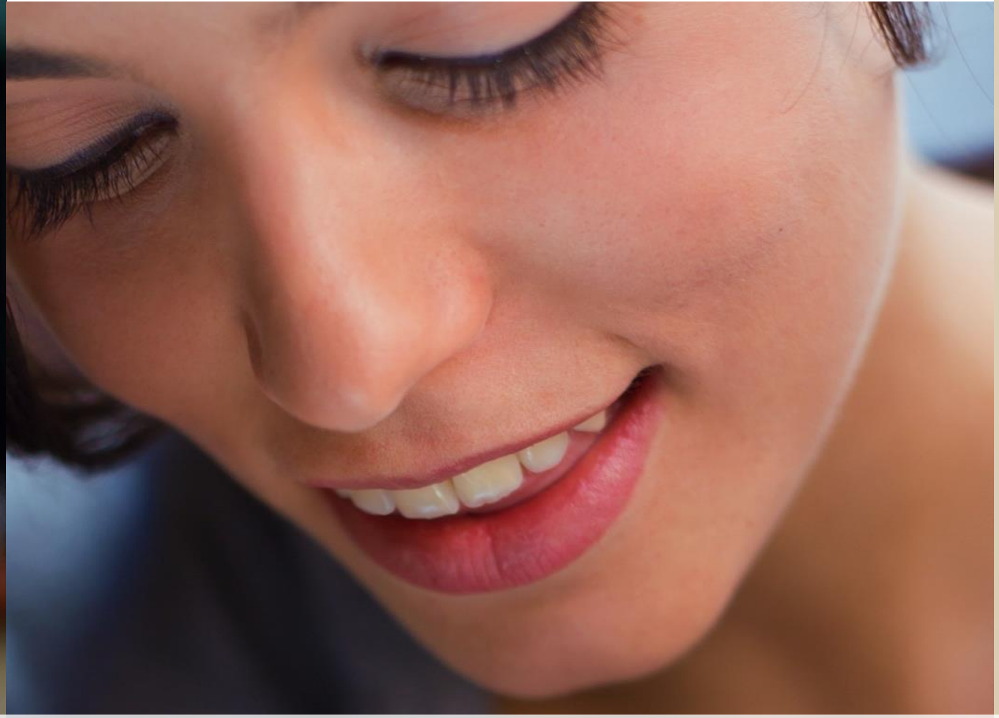
INLAC ORGANIZACIÓN INTERPROFESIONAL LÁCTEA

TWO specific objectives: two challenges

- Increase **awareness on the nutritional values** of milk and dairy products, connecting its consumption with a **healthy lifestyle**.

- Change the **image** and perception of **consumers** and **opinion makers** on milk and dairy products

inlac
ORGANIZACIÓN INTERPROFESIONAL LÁCTEA



TARGET AUDIENCE:

- END CONSUMER: emphasizing those in charge of doing the shopping in the home.
- PROFESSIONALS AND THE MEDICAL PROFESSIONS: working on opinion makers.
- MEDIA: agents that will help to amplify the information.

TWO pillars: double strategy

- The **benefits of consuming dairy products for every age and lifestyle**: focusing on a healthy lifestyle.

- Promoting **suitable nutrition**: putting into the mind of people the recommended frequency of consuming per day “at least 3 dairy products”

inLac
ORGANIZACIÓN INTERPROFESIONAL LÁCTEA

So, we say yes to:

To have an **active life**,
to a healthy balanced diet.

To playing your **favorite sport**,
To growing tal and not wide

To **calcium and protein**
to a healthy balanced diet.

To **exercive** every day
to a healthy balanced diet.

To **calcium to grow and energy to never stop**,
to a healthy, balanced diet

ENJOY IT'S FROM EUROPE

inlac ORGANIZACIÓN INTERPROFESIONAL LÁCTEA

CAMPAÑA FINANCIADA CON LA AYUDA DE LA UNIÓN EUROPEA

LA UNIÓN EUROPEA RESPALDA LAS CAMPAÑAS QUE PROMUEVEN LA VIDA SANA.

Scientific Comittee: 8 medical specialist, well-known prestige and reputated, in various medical disciplines: endocrinology, pediatrics, family medicine, public health, geriatrics, sports medicine, etc.

Is key in our strategy to get a serious, solid and credible campaign

1. They create all communications, information, messages,...of the campaign.

2. Spokenperson

A campaign of TRUTH

Activities

360°
ATL
Magazines
Cinemas
BTL
Healthy Encounters
Medical Congress
Medical Consultations
ONLINE
Website
Facebook
Youtube
PR
Presentation Event
Digital Newsletters
Publicity Editorials
Press Office

Synergies With Other Programmes

Ministry of Agriculture, Promotion Campain:
at least 3 servings of dairy products per day.
2015, 2016

InLac
ORGANIZACIÓN INTERPROFESIONAL LÁCTEA

FAO: World School Milk Day

2016


DEPORTISTAS PARTICIPANTES

José Luis Abajo
Esgrima- Madrid

Carmen Herrera- judo*
Málaga

Jennifer Pareja- waterpolo
Barcelona

Concha Montaner- atletismo
Valencia

Julio Rey- atletismo
Toledo

Ángela Pumariega- vela
Oviedo

Marta Vetanzos- vela
Santander

Emilio Merchán- piraguismo
Zamora

Gustavo Nieves- atletismo*
Santiago de Comp.

Brigitte Yagüe- taekwondo
Palma de Mallorca

inlac

* Modalidades paralímpicas

inlac

inlac
ORGANIZACIÓN INTERPROFESIONAL LÁCTEA

The campaign "Say yes to Dairy" is achieving its goals:

more and more people say "Yes" to take a healthy diet in the framework of an active life, consuming at least 3 dairy products a day.

We hope will be able to continue working on for at least two more years!!!

INLAC ORGANIZACIÓN INTERPROFESIONAL LÁCTEA

inLac
ORGANIZACIÓN INTERPROFESIONAL LÁCTEA

Thank You!!

www.inlac.es

CAMPAÑA FINANCIADA
CON LA AYUDA DE
LA UNIÓN EUROPEA

LA UNIÓN EUROPEA
RESPALDA LAS CAMPAÑAS
QUE PROMUEVEN LA VIDA SANA.

ENJOY
IT'S FROM
EUROPE

ANNEX 8

What is the cost of producing milk?
Results for six EU Member States

Study commissioned by the dairy farmer organisations of the European Milk Board (EMB)

What is the cost of producing milk? Results for six EU Member States

Calculations based on the Farm Accountancy Data Network (FADN)

Study commissioned by the dairy farmer organisations of the European Milk Board (EMB)

Collaborative project of the EMB
Starting point and objectives

The milk producers' economic situation does not only depend on milk prices but also on the cost of milk production

Working method and objectives

- Show **regular & up-to-date** data on production costs of milk (on a quarterly/ yearly basis)
- **EU data**: recognised, representative and comparable on EU level
  -> Farm Accountancy Data Network (FADN)
- **Index (MMI)** shows cost trends & **price/cost ratio** compares production costs and milk prices
- Cost trends are **important for negotiations of milk prices** (EU Milk Package, pooling within producer organisations)

Calculation method

- Based on the method used in the **EU Dairy Farms Report** + use of the same data base, **trend analysis** based on latest FADN data + price indices of agricultural products

- But: use of **rates set in wage agreements** to calculate labour costs

  -> education and qualification

  -> country-specific wage standards for farm managers etc.

- **Subsidies** are **deducted** from total costs

- **NEW:** presentation of **net investments** (10-year average)

Overview of milk production costs in Germany in 2017*

	cost items	in cents / kg
+	bought-in feed	7.97
+	home-grown fodder (seeds, fertilizers, plant protection products, other)	2.76
+	livestock costs (veterinary costs, insemination, etc.)	3.68
+	building & machine upkeep	4.06
+	energy	3.10
+	contract work	2.59
+	wages paid	2.22
+	other indirect costs	2.11
+	rent paid	2.44
+	depreciation	5.75
+	interest and taxes	1.38
–	**production value of beef**	–5.88
=	**incurred costs of milk production (only for delivered milk)**	32.18
+	**income variable (labour costs)**	12.73
=	**total production costs**	44.91
–	**subsidies**	–3.10
=	**milk production costs**	**41.81**
+	**net investments (10-year average)**	1.58
=	**milk production costs including net investments**	43.39

Dairy farms are run by people:
Including labour costs by using an income variable

- Use of **rates set in wage agreements** to calculate labour costs
  - -> education and qualification
  - -> country-specific wage standards for farm managers etc.
  - -> use of FADN data on working hours (exception: France)

Income variables used in the BAL cost calculations 2016/2017

	€/hour	in cents/kg	% of income from milk production
Belgium	**22.05**	17.54	87%
Denmark	**29.82**	4.08	83%
Germany	**16.46-22.11 (federal state rate)**	12.73	55-80%
France	**22.17**	14.21	73%
Luxembourg	**26.38**	12.46	69%
Netherlands	**22.89**	9.12	86%

Final results for 2017

Milk production costs and farm gate prices in six European countries (in cents per kg)						
	Belgium					
Production costs (end total without net investments)	42.53					
Farm gate price	35.05					
Cost shortfall	-18%					
Cost shortfall in cent per kg	-7.48					

Final results for 2017

Milk production costs and farm gate prices in six European countries (in cents per kg)						
	Belgium	**Denmark**				
Production costs (end total without net investments)	**42.53**	**38.74**				
Farm gate price	**35.05**	**36.79**				
Cost shortfall in %	**-18%**	**-5%**				
Cost shortfall in cents per kg	**-7.48**	**-1.95**				

Final results for 2017

Milk production costs and farm gate prices in six European countries (in cents per kg)						
	Belgium	Denmark	France			
Production costs (end total without net investments)	42.53	38.74	45.14			
Farm gate price	35.05	36.79	34.42			
Cost shortfall in %	-18%	-5%	-24%			
Cost shortfall in cents per kg	-7.48	-1.95	-10.72			

Final results for 2017

Milk production costs and farm gate prices in six European countries (in cents per kg)						
	Belgium	Denmark	France	Germany		
Production costs (end total without net investments)	42.53	38.74	45.14	41.81		
Farm gate price	35.05	36.79	34.42	37.40		
Cost shortfall in %	-18%	-5%	-24%	-11%		
Cost shortfall in cents per kg	-7.48	-1.95	-10.72	-4.41		

Final results for 2017

Milk production costs and farm gate prices in six European countries (in cents per kg)						
	Belgium	Denmark	France	Germany	Luxemb.	
Production costs (end total without net investments)	42.53	38.74	45.14	41.81	42.62	
Farm gate price	35.05	36.79	34.42	37.40	34.83	
Cost shortfall in %	-18%	-5%	-24%	-11%	-18%	
Cost shortfall in cents per kg	-7.48	-1.95	-10.72	-4.41	-7.79	

Final results for 2017

Milk production costs and farm gate prices in six European countries (in cents per kg)						
	Belgium	Denmark	France	Germany	Luxemb.	Netherl.
Production costs (end total without net investments)	42.53	38.74	45.14	41.81	42.62	42.01
Farm gate price	35.05	36.79	34.42	37.40	34.83	35.45
Cost shortfall in %	-18%	-5%	-24%	-11%	-18%	-16%
Cost shortfall in cents per kg	-7.48	-1.95	-10.72	-4.41	-7.79	-6.56

Net investments

Production costs 2017 (end total including net investments)						
	Belgium	**Denmark**	**France**	**Germany**	**Luxemb.**	**Netherl.**
Milk production costs (end total without net investments)	42.53	38.74	45.14	41.81	42.62	42.01
Net investments (∅ 2007-2016)	3.27	4.74	-0.17	1.58	6.27	5.80
Production costs (end total including net investments)	**45.80**	**43.48**	**44.97**	**43.39**	**48.89**	**47.81**

Cost shortfall in the last five years

Year	2013	2014	2015	2016	2017*	Ø (2013-2017)
	Belgium					
Milk production costs in cents/kg	46.96	46.09	45.20	42.12	42.53	**44.58**
Farm gate milk price in cents/kg	37.22	36.00	27.93	26.70	35.05	**32.58**
Cost shortfall in cents/kg	-9.74	-10.09	-17.27	-15.42	-7.48	**-12.00**

die land forscher

Cost shortfall in the last five years

Year	2013	2014	2015	2016	2017*	Ø (2013-2017)
			Belgium			
Milk production costs in cents/kg	46.96	46.09	45.20	42.12	42.53	**44.58**
Farm gate milk price in cents/kg	37.22	36.00	27.93	26.70	35.05	**32.58**
Cost shortfall in cents/kg	-9.74	-10.09	-17.27	-15.42	-7.48	**-12.00**
			Denmark			
Milk production costs in cents/kg	42.85	42.76	39.75	39.34	38.74	**40.69**
Farm gate milk price in cents/kg	38.63	39.67	31.03	28.68	36.78	**34.96**
Cost shortfall in cents/kg	-4.22	-3.09	-8.72	-10.66	-1.96	**-5.73**

die land forscher

Cost shortfall in the last five years

Year	2013	2014	2015	2016	2017*	Ø (2013-2017)
	Belgium					
Milk production costs in cents/kg	46.96	46.09	45.20	42.12	42.53	**44.58**
Farm gate milk price in cents/kg	37.22	36.00	27.93	26.70	35.05	**32.58**
Cost shortfall in cents/kg	-9.74	-10.09	-17.27	-15.42	-7.48	**-12.00**
	Denmark					
Milk production costs in cents/kg	42.85	42.76	39.75	39.34	38.74	**40.69**
Farm gate milk price in cents/kg	38.63	39.67	31.03	28.68	36.78	**34.96**
Cost shortfall in cents/kg	-4.22	-3.09	-8.72	-10.66	-1.96	**-5.73**
	France					
Milk production costs in cents/kg	46.88	49.67	45.74	44.49	45.14	**46.38**
Farm gate milk price in cents/kg	35.30	37.34	32.29	30.18	34.42	**33.91**
Cost shortfall in cents/kg	-11.58	-12.33	-13.45	-14.31	-10.72	**-12.47**

Cost shortfall in the last five years

Year	2013	2014	2015	2016	2017*	Ø (2013-2017)
			Belgium			
Milk production costs in cents/kg	46.96	46.09	45.20	42.12	42.53	**44.58**
Farm gate milk price in cents/kg	37.22	36.00	27.93	26.70	35.05	**32.58**
Cost shortfall in cents/kg	-9.74	-10.09	-17.27	-15.42	-7.48	**-12.00**
			Denmark			
Milk production costs in cents/kg	42.85	42.76	39.75	39.34	38.74	**40.69**
Farm gate milk price in cents/kg	38.63	39.67	31.03	28.68	36.78	**34.96**
Cost shortfall in cents/kg	-4.22	-3.09	-8.72	-10.66	-1.96	**-5.73**
			France			
Milk production costs in cents/kg	46.88	49.67	45.74	44.49	45.14	**46.38**
Farm gate milk price in cents/kg	35.30	37.34	32.29	30.18	34.42	**33.91**
Cost shortfall in cents/kg	-11.58	-12.33	-13.45	-14.31	-10.72	**-12.47**
			Germany			
Milk production costs in cents/kg	45.90	44.39	41.20	42.44	41.81	**43.15**
Farm gate milk price in cents/kg	38.75	38.78	30.53	27.93	37.40	**34.68**
Cost shortfall in cents/kg	-7.15	-5.61	-10.67	-14.51	-4.41	**-8.47**

Cost shortfall in the last five years

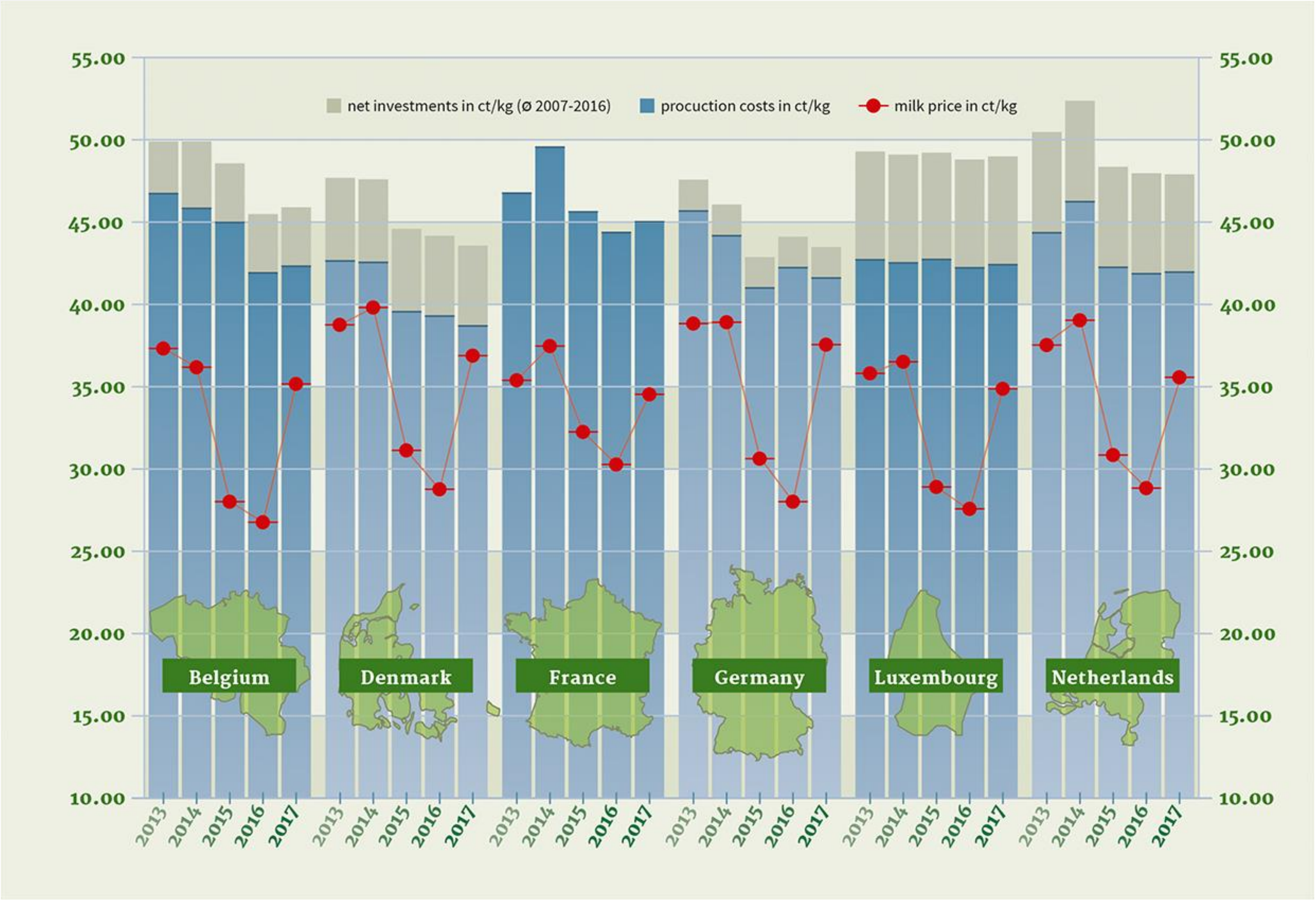
Year	2013	2014	2015	2016	2017*	Ø (2013-2017)
			Belgium			
Milk production costs in cents/kg	46.96	46.09	45.20	42.12	42.53	**44.58**
Farm gate milk price in cents/kg	37.22	36.00	27.93	26.70	35.05	**32.58**
Cost shortfall in cents/kg	-9.74	-10.09	-17.27	-15.42	-7.48	**-12.00**
			Denmark			
Milk production costs in cents/kg	42.85	42.76	39.75	39.34	38.74	**40.69**
Farm gate milk price in cents/kg	38.63	39.67	31.03	28.68	36.78	**34.96**
Cost shortfall in cents/kg	-4.22	-3.09	-8.72	-10.66	-1.96	**-5.73**
			France			
Milk production costs in cents/kg	46.88	49.67	45.74	44.49	45.14	**46.38**
Farm gate milk price in cents/kg	35.30	37.34	32.29	30.18	34.42	**33.91**
Cost shortfall in cents/kg	-11.58	-12.33	-13.45	-14.31	-10.72	**-12.47**
			Germany			
Milk production costs in cents/kg	45.90	44.39	41.20	42.44	41.81	**43.15**
Farm gate milk price in cents/kg	38.75	38.78	30.53	27.93	37.40	**34.68**
Cost shortfall in cents/kg	-7.15	-5.61	-10.67	-14.51	-4.41	**-8.47**
			Luxembourg			
Milk production costs in cents/kg	42.92	42.73	42.94	42.43	42.62	**42.73**
Farm gate milk price in cents/kg	35.69	36.39	28.82	27.48	34.83	**32.64**
Cost shortfall in cents/kg	-7.23	-6.34	-14.12	-14.95	-7.79	**-10.09**

die land forscher

Cost shortfall in the last five years

Year	2013	2014	2015	2016	2017*	Ø (2013-2017)
			Belgium			
Milk production costs in cents/kg	46.96	46.09	45.20	42.12	42.53	**44.58**
Farm gate milk price in cents/kg	37.22	36.00	27.93	26.70	35.05	**32.58**
Cost shortfall in cents/kg	-9.74	-10.09	-17.27	-15.42	-7.48	**-12.00**
			Denmark			
Milk production costs in cents/kg	42.85	42.76	39.75	39.34	38.74	**40.69**
Farm gate milk price in cents/kg	38.63	39.67	31.03	28.68	36.78	**34.96**
Cost shortfall in cents/kg	-4.22	-3.09	-8.72	-10.66	-1.96	**-5.73**
			France			
Milk production costs in cents/kg	46.88	49.67	45.74	44.49	45.14	**46.38**
Farm gate milk price in cents/kg	35.30	37.34	32.29	30.18	34.42	**33.91**
Cost shortfall in cents/kg	-11.58	-12.33	-13.45	-14.31	-10.72	**-12.47**
			Germany			
Milk production costs in cents/kg	45.90	44.39	41.20	42.44	41.81	**43.15**
Farm gate milk price in cents/kg	38.75	38.78	30.53	27.93	37.40	**34.68**
Cost shortfall in cents/kg	-7.15	-5.61	-10.67	-14.51	-4.41	**-8.47**
			Luxembourg			
Milk production costs in cents/kg	42.92	42.73	42.94	42.43	42.62	**42.73**
Farm gate milk price in cents/kg	35.69	36.39	28.82	27.48	34.83	**32.64**
Cost shortfall in cents/kg	-7.23	-6.34	-14.12	-14.95	-7.79	**-10.09**
			Netherlands			
Milk production costs in cents/kg	44.57	46.47	42.46	42.07	42.01	**43.52**
Farm gate milk price in cents/kg	37.40	38.90	30.75	28.75	35.45	**34.25**
Cost shortfall in cents/kg	-7.17	-7.57	-11.71	-13.32	-6.56	**-9.27**

Development of production costs and milk prices 2013-2017



die land forscher

Milk production costs and crises

- In only 10 years – from 2008 to today – **three milk crises:**
  - 2008/09 and 2015/16 due to **low market prices**,
  - 2012/13 due to **increase in input costs**

➢ Situation of dairy farmers during these crises: not even their **paid costs** were covered – let alone **labour costs**

Milk production costs and crises

- Reactions: **further cost reductions** at the expense of a lack of further developments and necessary investments
- The crises affected both **large and small farms**,
  - **Many farmers leave the industry**
- France: **net investments** in the past 10 years **became negative**, i.e. the physical capital of French dairy farms is decreasing
- Other countries: at first very high investments – **massive drop in times of crises**
- Consequence: **limited development possibilities** – but at the same time increasing **demands from society and dairies**

Milk production costs and milk prices never intersect!

- **No matter when**: even in the years between producer price crises, **prices** were **permanently below production costs**

➢ On a five-year average in six countries, **prices were** between +/- **32 and max. 35 cents** per kilogram of milk

➢ **Milk production costs**, on the other hand, were between +/- **41 and 45 cents**

Conclusions

- For an individual dairy farmer it is impossible to negotiate prices with his dairy, which are oriented at his cost of production.

Conclusions

- For an individual dairy farmer it is impossible to negotiate prices with his dairy, which are oriented at his cost of production.
- Milk producers are paid what is left below the line.

Conclusions

- For an individual dairy farmer it is impossible to negotiate prices with his dairy, which are oriented at his cost of production.
- Milk producers are paid what is left below the line.
- It is above all farmers who bear market risks, when supply exceeds demand and their revenue shrinks.

Conclusions

- For an individual dairy farmer it is impossible to negotiate prices with his dairy, which are oriented at his cost of production.
- Milk producers are paid what is left below the line.
- It is above all farmers who bear market risks, when supply exceeds demand and their revenue shrinks.

➢ As long as this dilemma is not solved, it will be increasingly difficult for dairy farmers in Europe to continue producing milk.

die land forscher