Milk Market Observatory

European Commission

Last update : 26.09.2017

MMO Economic Board

Meeting of 26 September 2017

- The 23rd meeting of the MMO Economic Board took place on 26/09/2017, with the participation of experts from the various steps in the milk supply chain: CEJA (young farmers), COPA-COGECA (producers and cooperatives), ECVC (Via Campesina), EMB (European Milk Board), EDA (dairy industry), Eucolait (dairy trade) and Eurocommerce (retail). Presentations and information exchanged during the meeting showed the following.
- EU milk deliveries increased in July 2017 by 220 000 t while cumulated collection contracted in Jan-Jul by 0.3%. The production drop in Jul in FR, NL, DK and DE has been more than compensated by a rise in IE, IT, PL and the UK. Milk production, as well as butter and SMP production, is still higher this year than in the same period of 2015.
- Average EU farm gate milk prices reached 34.2 c/kg in July 2017, 7% higher than the last 5 years' average, and 33% higher than in July 2016. Estimates for August point to a further increase.
- With the exception of protein based products (SMP and whey powder), EU dairy product prices are well above medium term references. The fat-protein gap is wider than ever (4:1) with record prices for butter (647 €/100 kg) and SMP prices at intervention level. Commodity cheese prices are 3% to 17% above the 5-year average, confirming their better remuneration than butter + SMP. A stronger € (+16% since early 2017) is making EU dairy products more expensive than those in Oceania or the US on the world market.
- Public intervention stocks of SMP total 357 000 t to which some 11 000 t should be added following buying-in in late summer.
- The assessment of EU stock levels based on a residual approach (production + imports – consumption - exports) shows normal to low levels of SMP private stocks. Strong butter demand coupled with historically low stocks anticipate a deficit of some 70 000 t by the end of the year. Cheese stocks have rebuilt in spring, but have been decreasing again since July.
- Combined world milk production grew by 0.17% in Jan-Jul, mainly fuelled by the US. New season in Oceania has started with substantial increases both in NZ and Australia and prospects point to further expansion. Growth in the US (+2% in Aug) is mainly driven by the Southwest pool.
- Global exports expanded in July by 6% (milk equivalent). China leads global imports (27% growth) followed by Southeast Asia (+12%). SMP trade rocketed in July helped by low prices but could weaken through the end of the year. Despite high prices the EU increased its butter exports to the US by 56%. EU cheese, cream and infant formula exports are also increasing. EU exports of liquid milk to China have declined to the benefit of NZ. Fat Filled Powders consolidate as a product category with 450 000 t produced in the EU, mostly for export to Sub-Saharan Africa.
- Domestic consumption of liquid milk continues its structural decline. Butter consumption diminishes in volume but increases in value. High butter prices may lead to substitution by vegetable fats. Consumption of organic products grows at 2-digit rate in France (although over a relatively low basis) except for liquid milk due to a shortage of supply.
- The Commission Autumn Short Term Outlook retains a 0.7% increase in EU milk collection in 2017 and a further +1% for 2018. EU dairy herd is generally contracting (except in IE, AT and PL) and slaughtering rate has stabilised. Increased supply may be mostly processed into cheese thanks to good export performance and domestic consumption.
- The Commission presented the farm economy factsheets for dairy based on 2014 FADN data. Dairy farms' income dropped in 2014 but was above EU average. Productivity per farm increased by 5% between 2012 and 2014. Indebtedness of dairy farms (20%) is higher than EU average. Total subsidies decreased in 2014 but still represented some 14 000€ per farm on average.
- The weakening of the US$ and higher feed prices following the recent drought are a matter of concern but milk prices are expected to remain firm in the coming months despite a possible price drop for butter (correction from record levels) and SMP (expiry of public intervention).

ANNEX 1

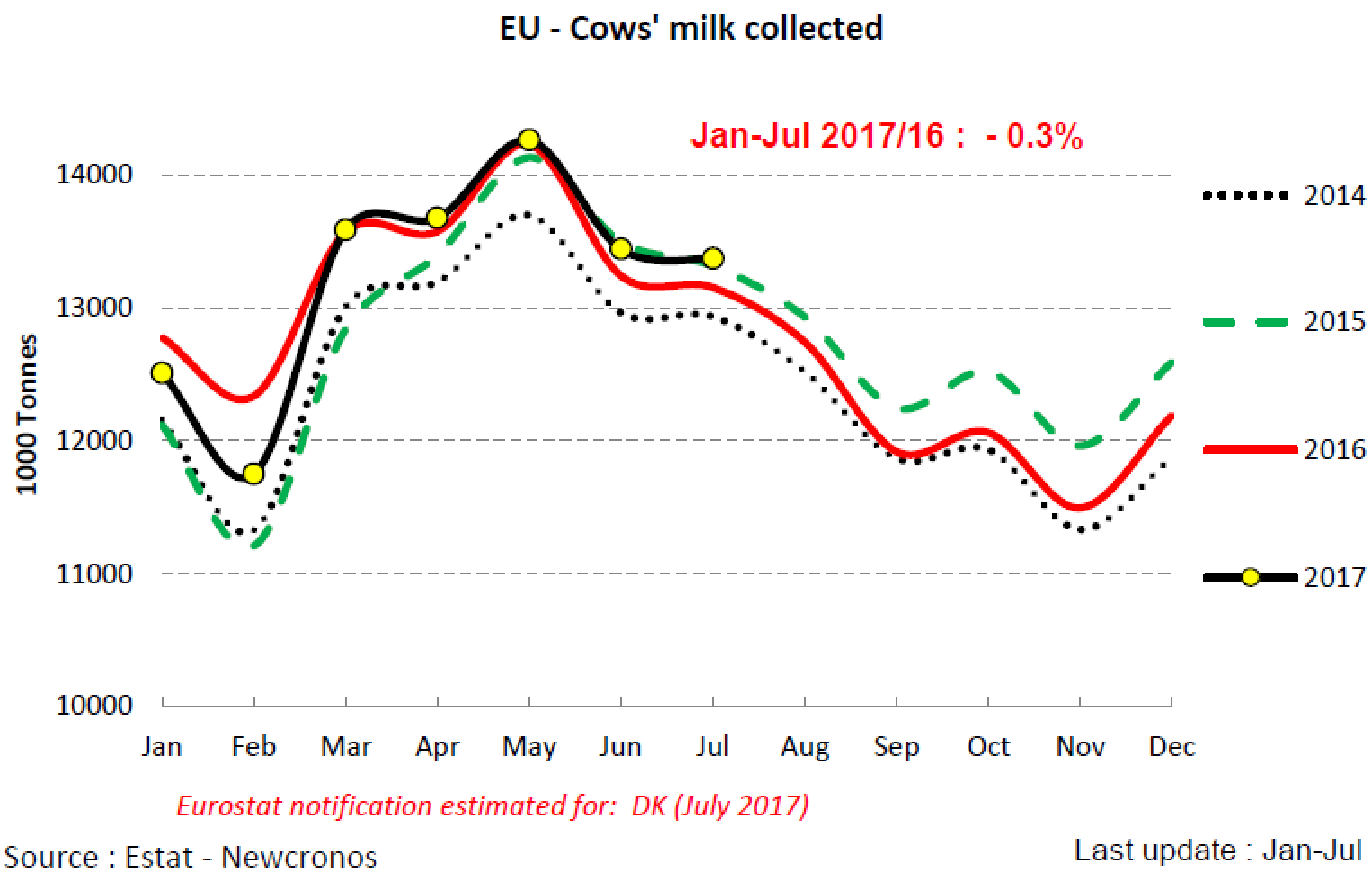
Milk Market Situation

European Commission

Milk Market Situation

Brussels, 26 September 2017

EU Milk deliveries

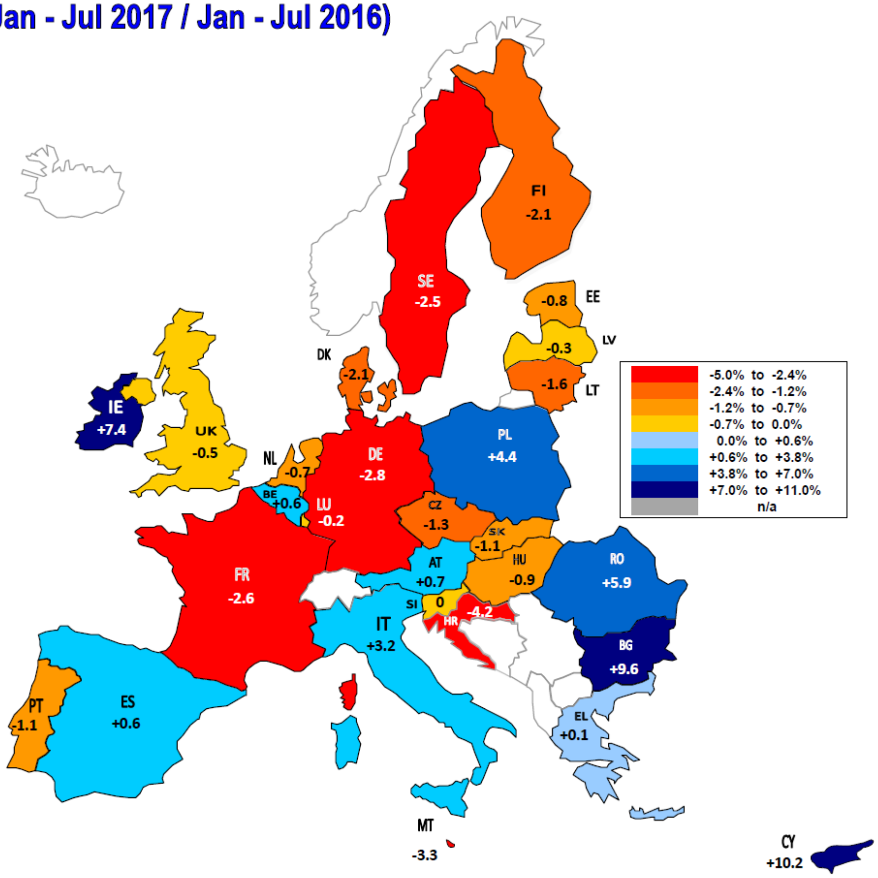


EU Milk deliveries

European Commission

EU Milk Deliveries compared to last period (in %)

(Jan - Jul 2017 / Jan - Jul 2016)



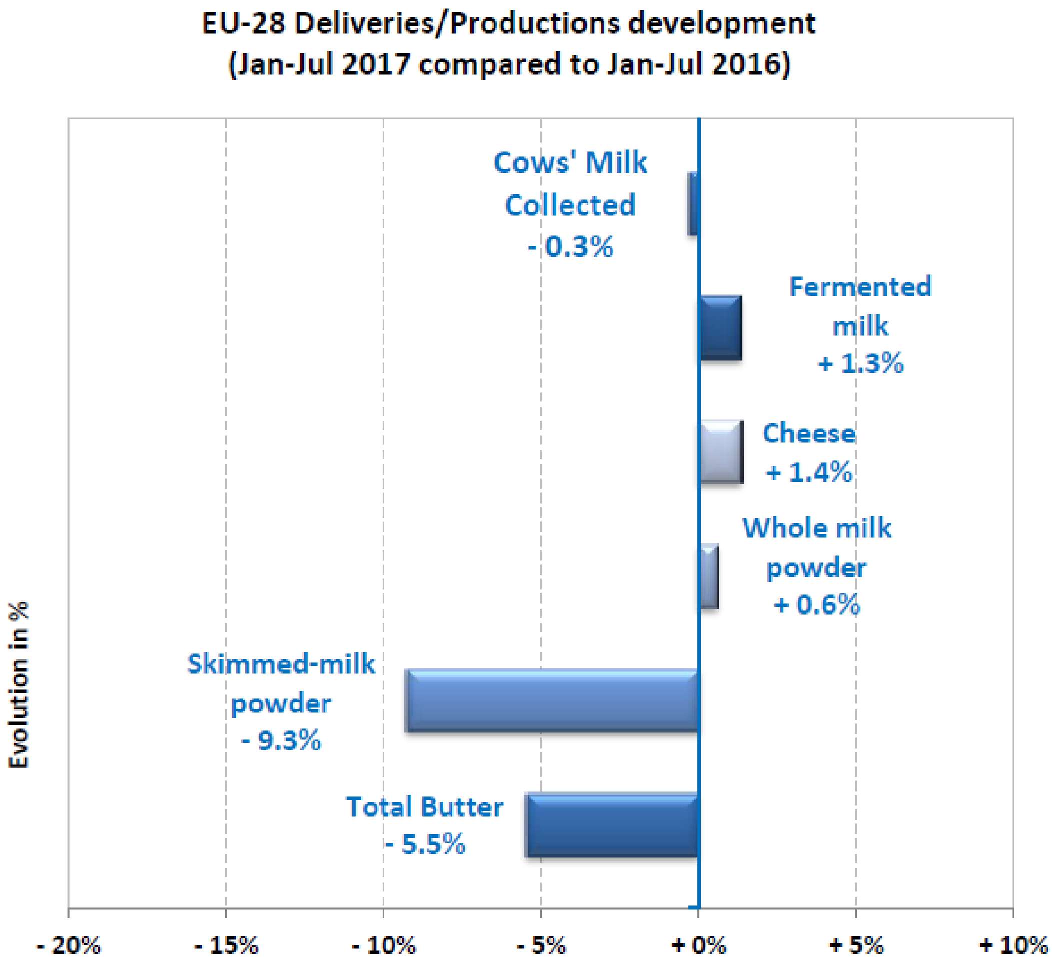
Source : MS' Communications to Eurostat, FEGA, AGEA, Reg.479/2010.1(a)1

26/09/2017

Jul 17 compared to Jul 16				
	evolution in %		evolution in 1000 Tons	
Rank	MS	%	MS	Tons
1.	BG	+ 21.7%	IE	+ 76
2.	RO	+ 13.1%	IT	+ 67
3.	IE	+ 9.5%	PL	+ 63
4.	IT	+ 7.3%	UK	+ 22
5.	PL	+ 6.6%	ES	+ 13
6.	AT	+ 4.1%	RO	+ 11
7.	EE	+ 3.9%	BE	+ 11
8.	CY	+ 3.4%	AT	+ 10
9.	BE	+ 3.4%	BG	+ 10
10.	SK	+ 3.4%	CZ	+ 3
11.	SI	+ 2.5%	EE	+ 2
12.	LU	+ 2.5%	SK	+ 2
13.	ES	+ 2.2%	PT	+ 2
14.	UK	+ 1.8%	SI	+ 1
15.	CZ	+ 1.3%	HU	+ 1
16.	LV	+ 1.2%	FI	+ 1
17.	PT	+ 1.1%	LV	+ 1
18.	HU	+ 0.8%	LT	+ 1
19.	LT	+ 0.6%	LU	+ 1
20.	FI	+ 0.5%	CY	+ 1
21.	DE	- 0.4%	MT	- 0
22.	SE	- 0.7%	HR	- 1
23.	FR	- 1.4%	SE	- 2
24.	HR	- 1.5%	EL	- 2
25.	NL	- 2.1%	DE	- 11
26.	DK	- 2.8%	DK	- 13
27.	MT	- 3.1%	NL	- 25
28.	EL	- 3.6%	FR	- 28
	EU28	+ 1.7%	EU28	+ 219

EU Productions

European Commission

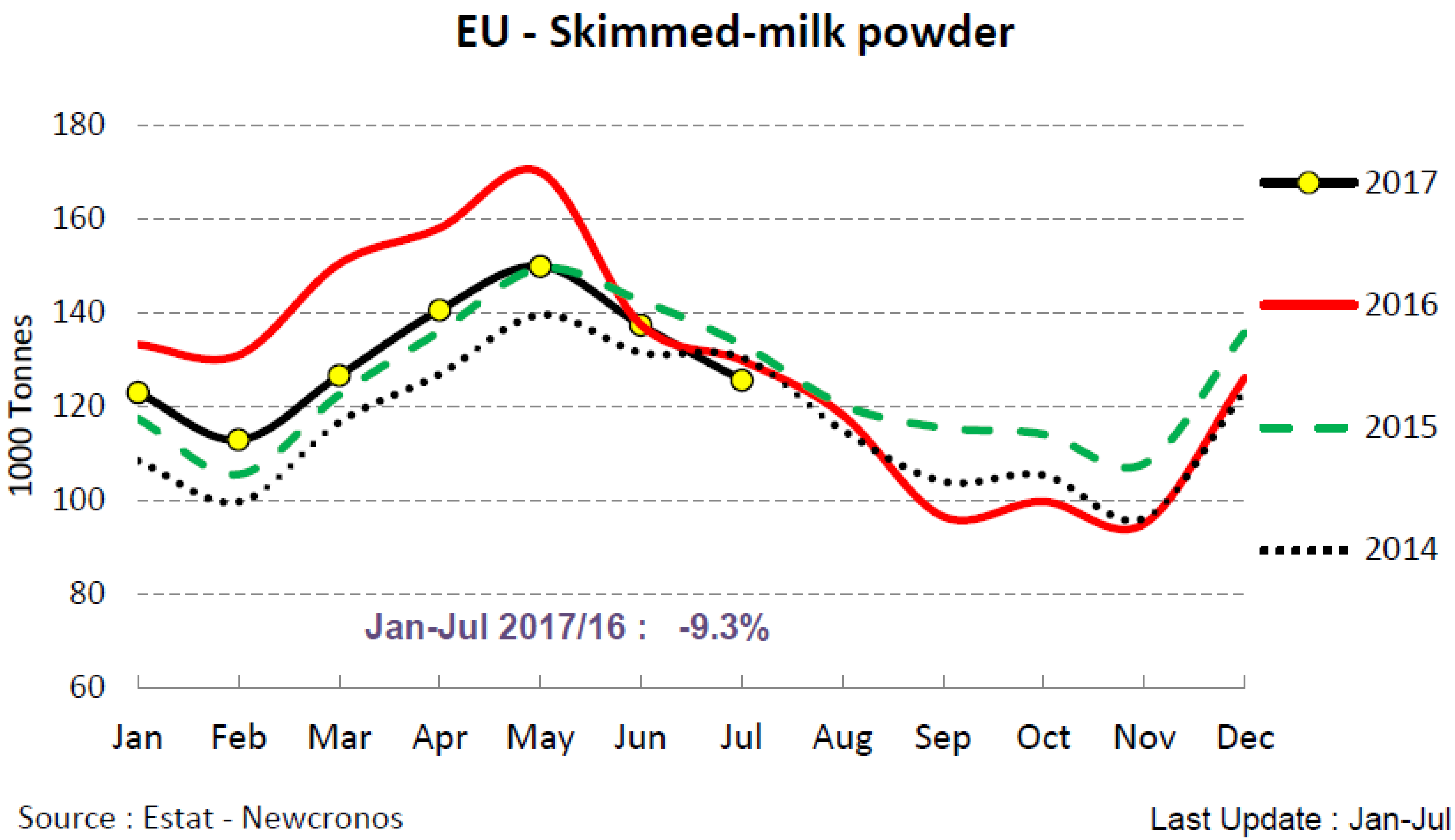


Estimation for DK (May, June and July 2017)

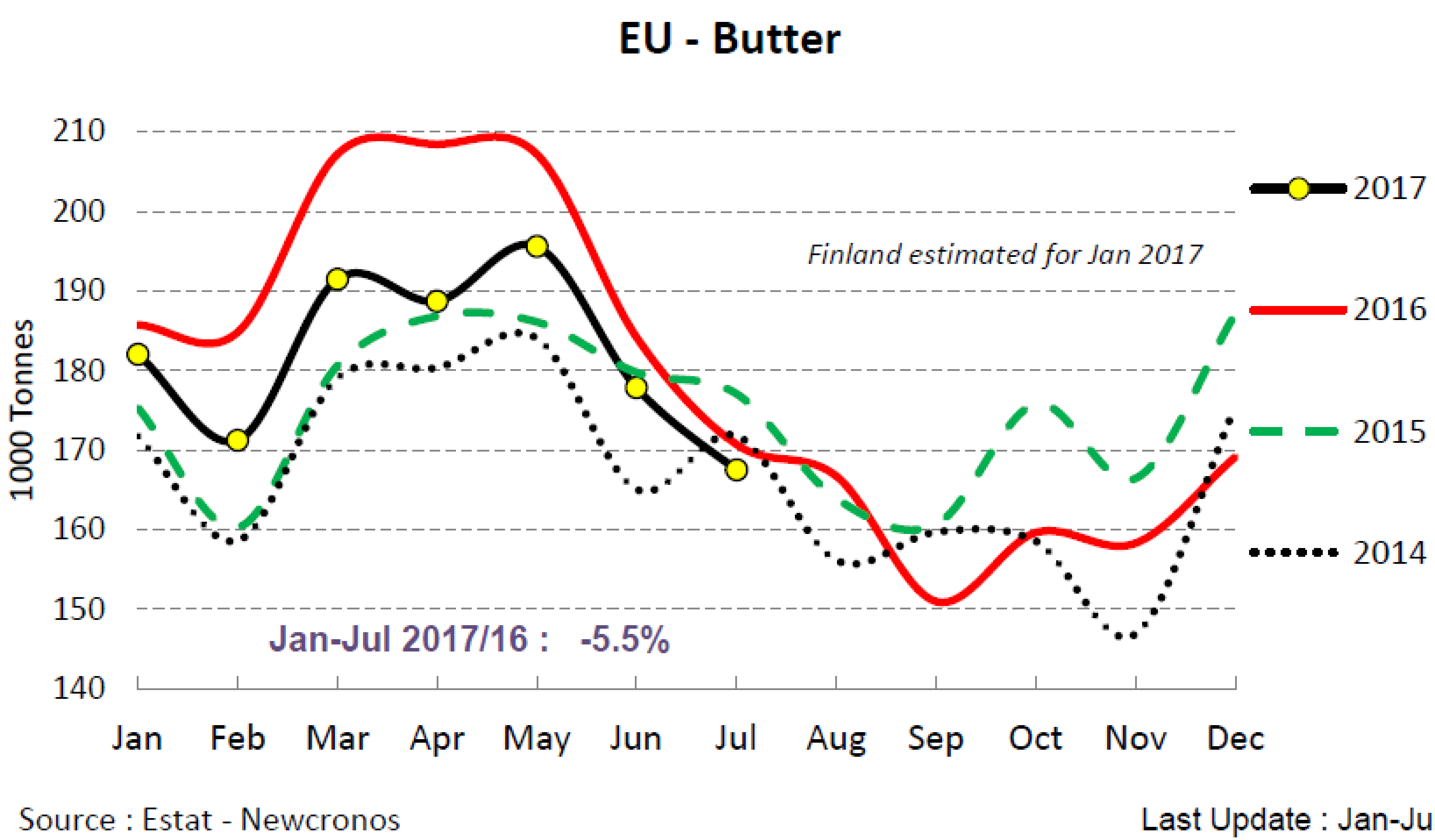
Source : MS' Communications to Eurostat, and, for milk : AGEA, FEGA, Reg. 2017/1185

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

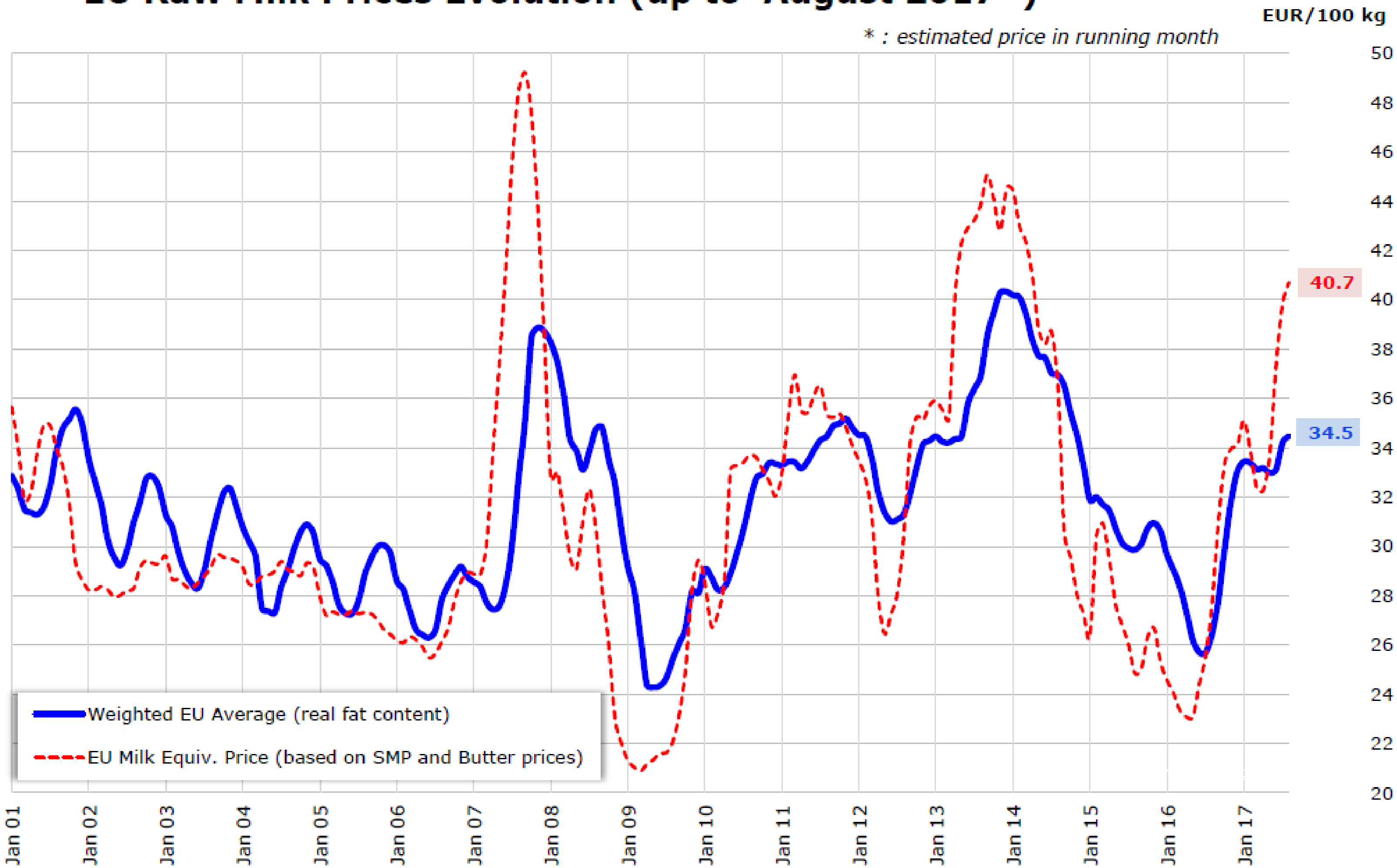
EU Productions



EU Productions



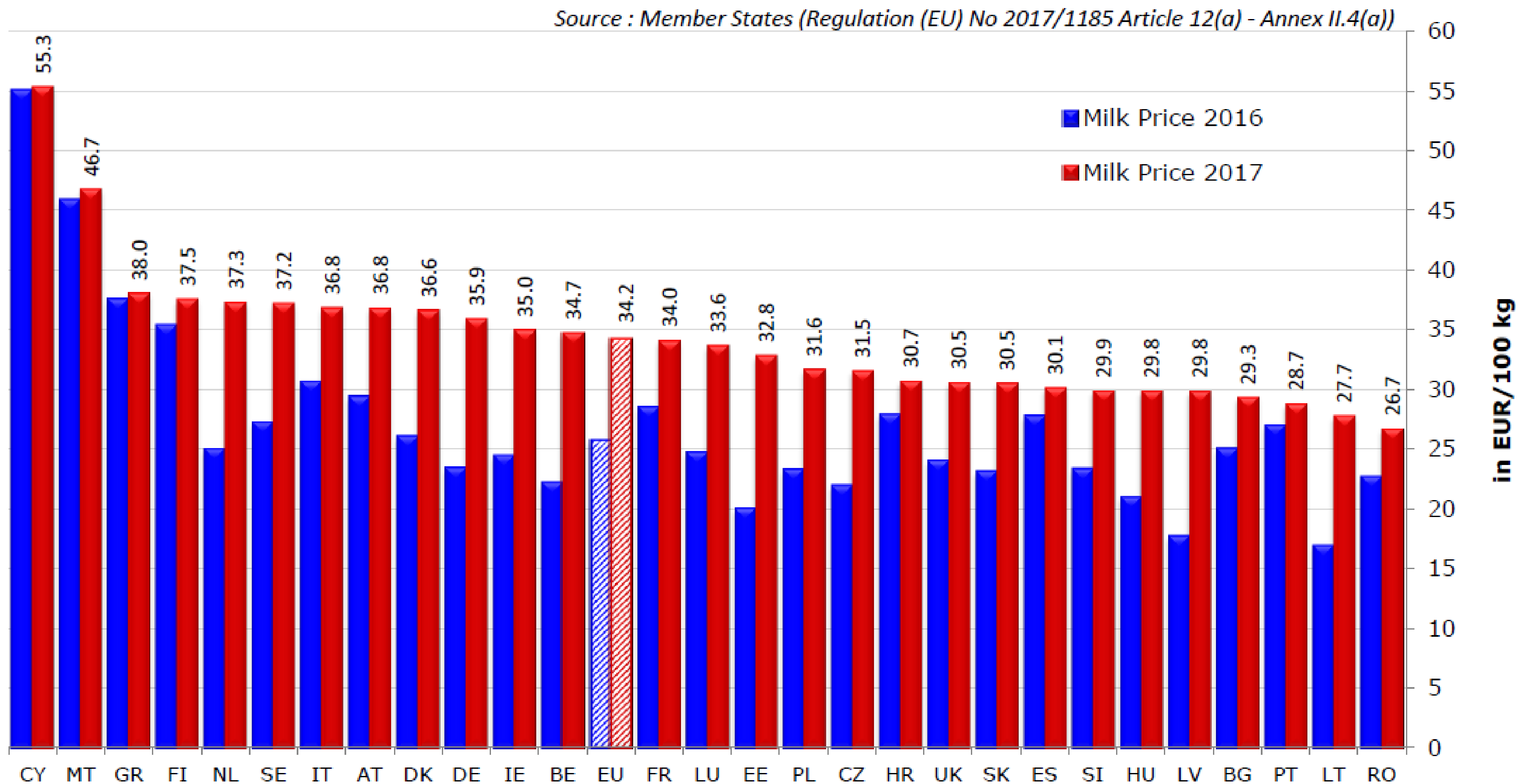
EU Raw Milk Prices Evolution (up to August 2017*)



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

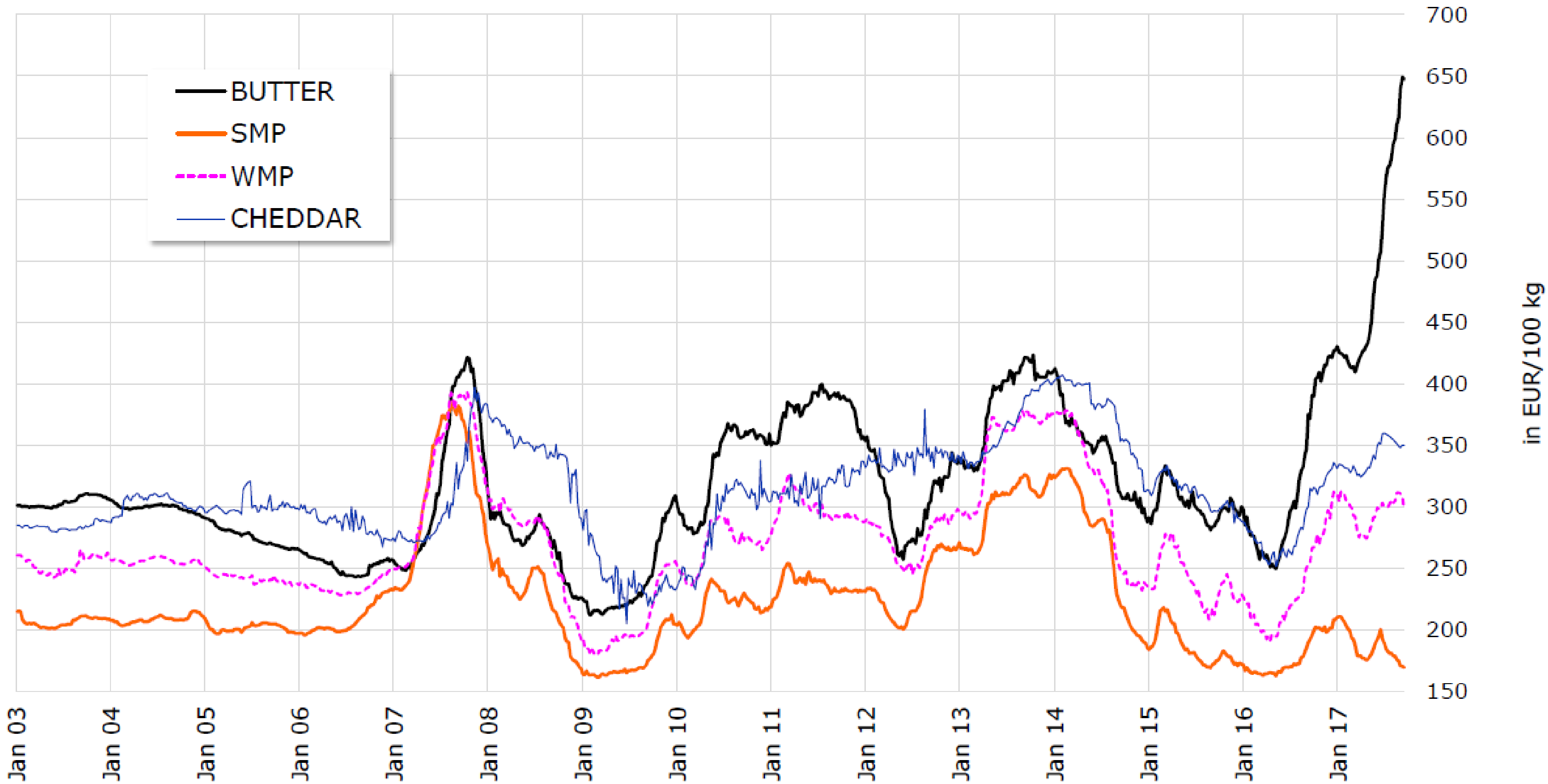
EU MILK PRICES

(Jul 2017 vs Jul 2016)



EU Dairy Quotations

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

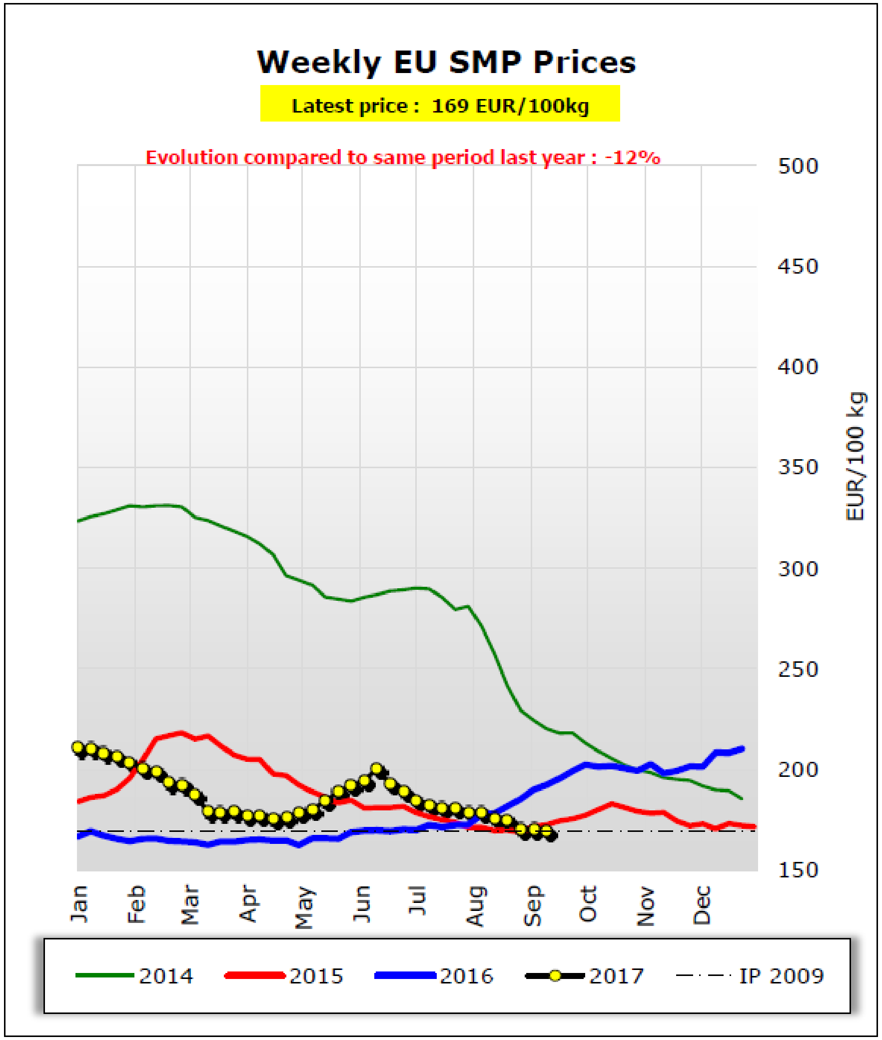


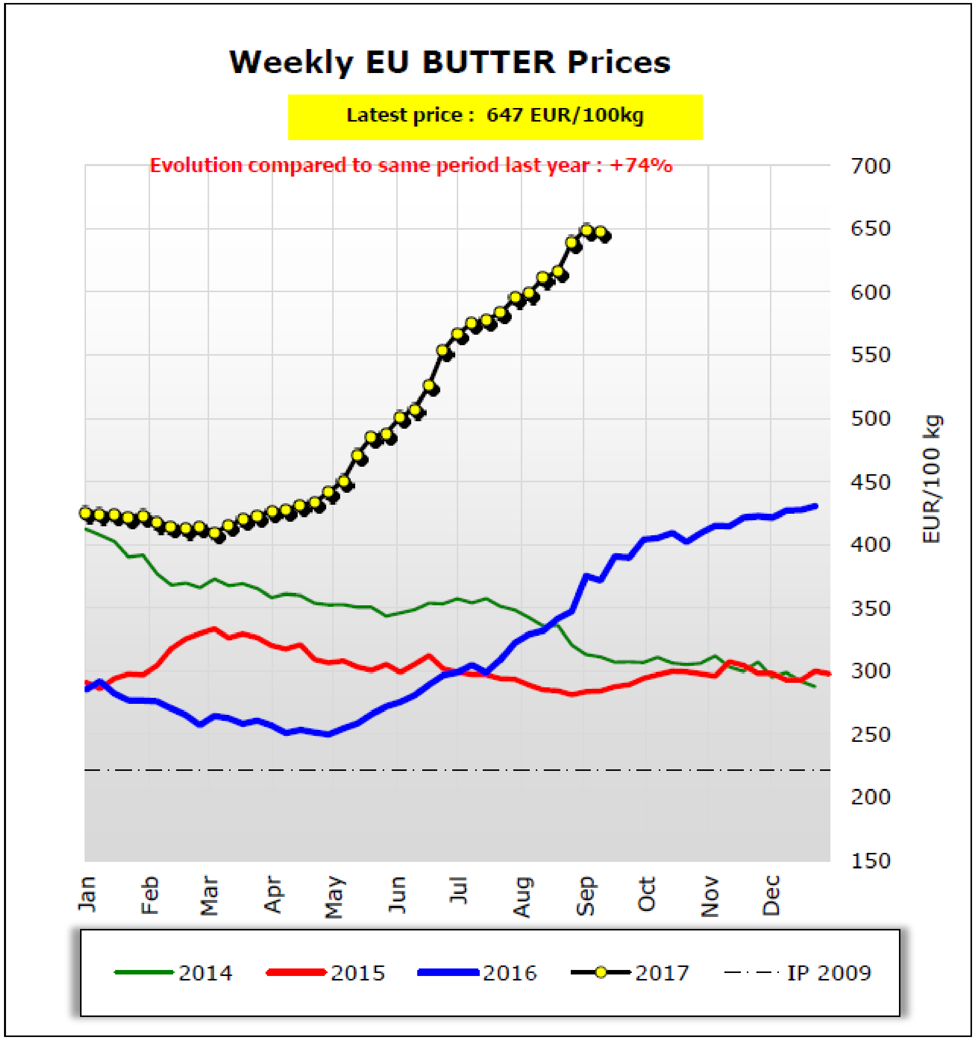
Source: Regulation (EU) No 2017/1185 Article 11 - Annex I.7

26/09/2017

Prices of EU Dairy commodities

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





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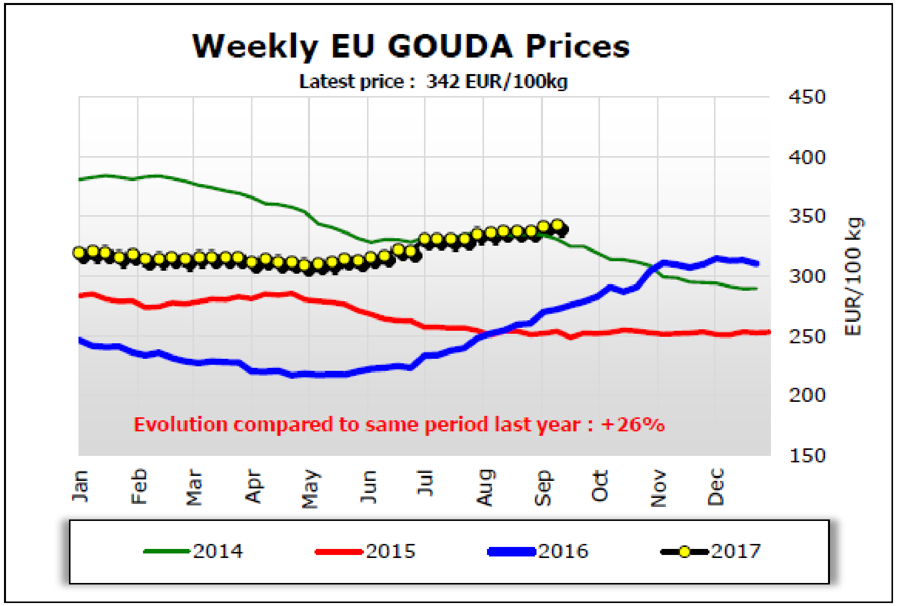
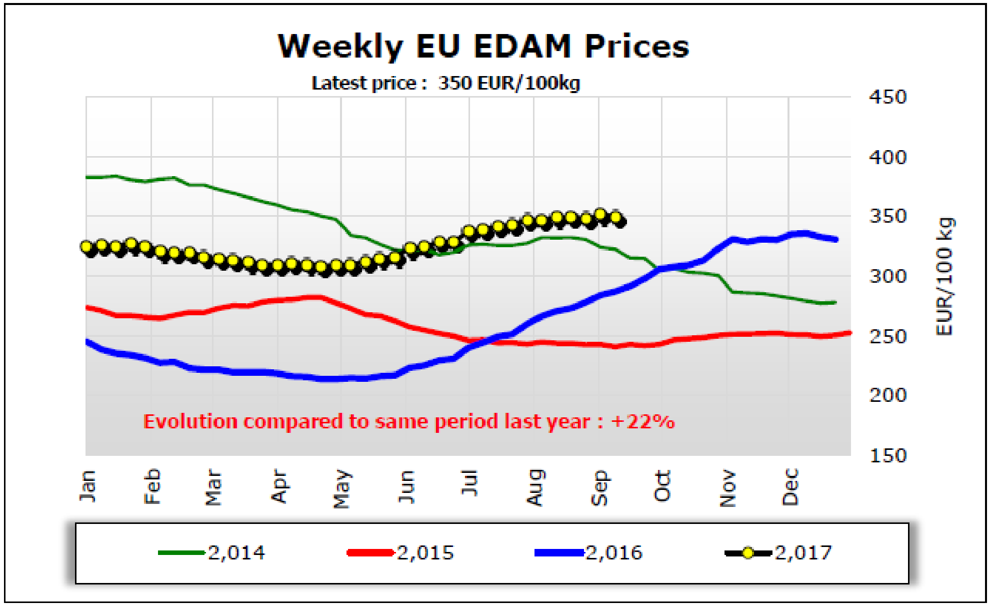
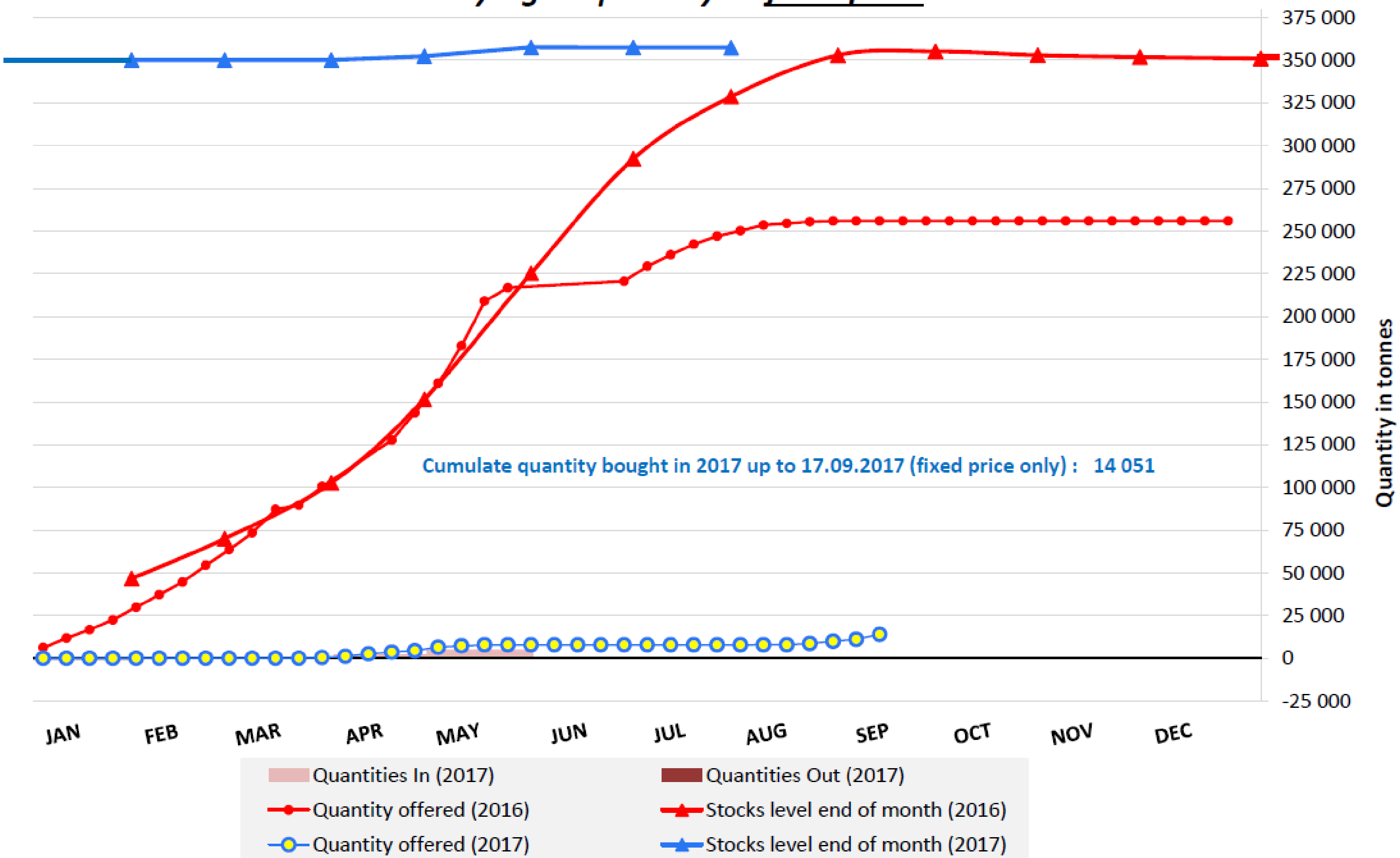

Weekly EU GOUDA Prices
Latest price : 342 EUR/100kg
450
400
350
300
250
200
150
EUR/100 kg
Evolution compared to same period last year : +26%
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2014
2015
2016
2017


Weekly EU EDAM Prices
Latest price : 350 EUR/100kg
450
400
350
300
250
200
150
EUR/100 kg
Evolution compared to same period last year : +22%
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2,014
2,015
2,016
2,017

Public SMP Intervention scheme (2016-2017)

Buying-in quantity at fixed price



PSA ending stocks 2017

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
SMP	62,1	67,9	58,5	51,0	37,6	28,3	18,1					
BUTTER	15,9	8,4	4,3	1,4	1,4	0,2	0,2					
CHEESE	13,5	12,6	12,3	10,8	10,8	10,8	10,8					

(x 1000 t)

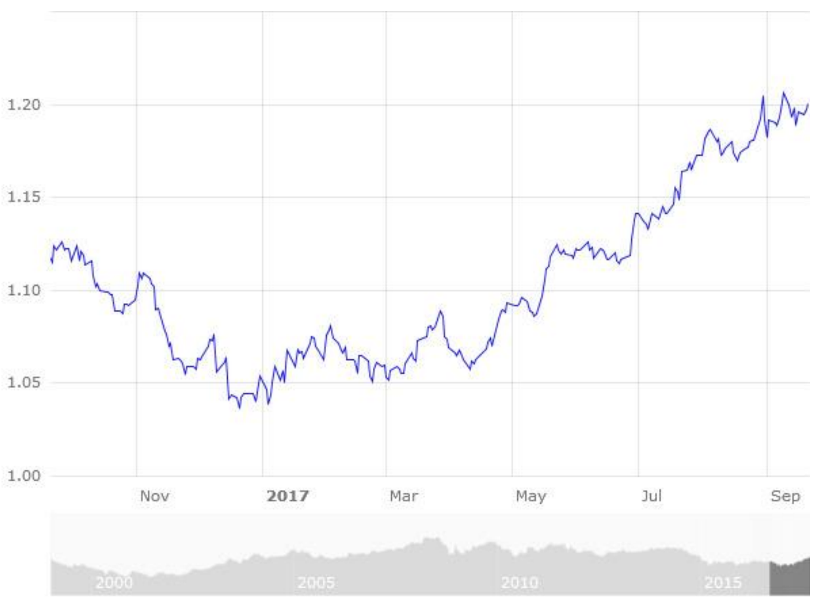
Source : Member States notifications

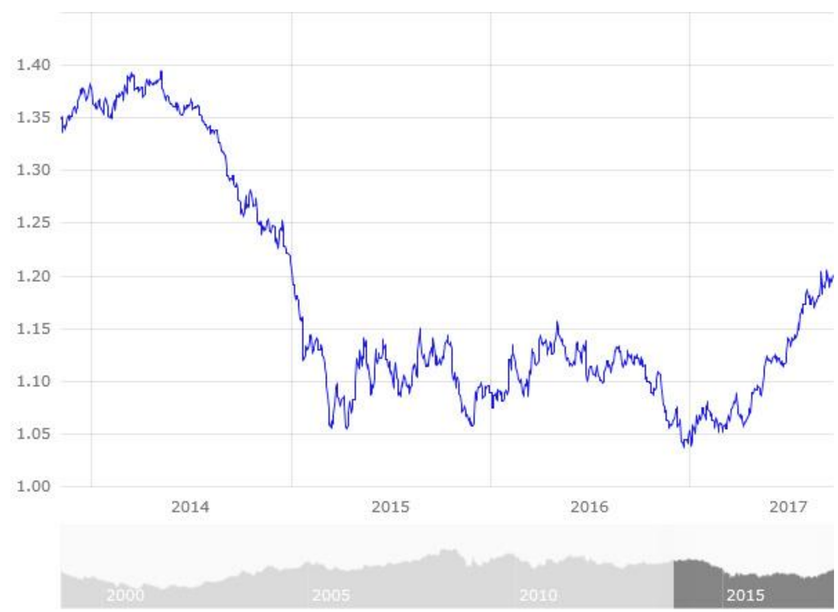
European Commission

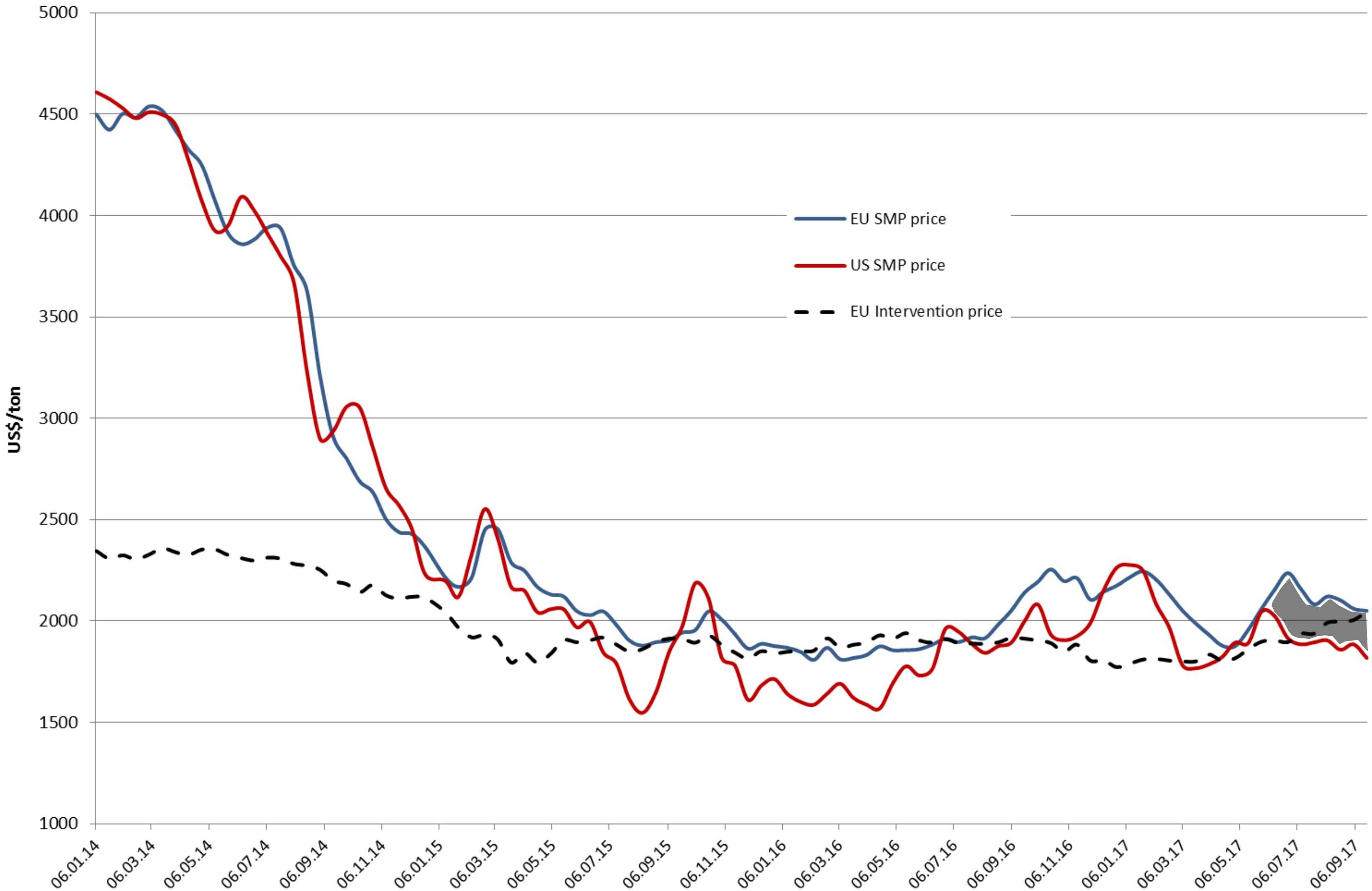
Latest World Quotations of Dairy Products

In US$/t	Latest Quotations			Week - 2						Year - 1					
	17/09/2017			03/09/2017			% change (previous quotation)			September 2016			% change (1 year)		
	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA
Butter	7 862	6 200	5 344	7 293	6 075	5 657	+ 7.8%	+ 2.1%	- 5.5%	4 226	3 925	4 445	+ 86%	+ 58%	+ 20%
SMP	2 050	1 988	1 818	2 066	1 950	1 885	- 0.8%	+ 1.9%	- 3.6%	2 140	2 288	1 998	- 4%	- 13%	- 9%
WMP	3 759	3 088	3 252	3 679	3 113	3 362	+ 2.2%	- 0.8%	- 3.3%	2 852	2 850	2 910	+ 32%	+ 8%	+ 12%
Cheddar	4 197	4 163	3 580	4 200	4 013	3 379	- 0.1%	+ 3.7%	+ 6.0%	3 386	3 513	3 662	+ 24%	+ 19%	- 2%

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






5000
4500
4000
3500
3000
2500
2000
1500
1000
US$/ton
EU SMP price
US SMP price
EU Intervention price
06.01.14
06.03.14
06.05.14
06.07.14
06.09.14
06.11.14
06.01.15
06.03.15
06.05.15
06.07.15
06.09.15
06.11.15
06.01.16
06.03.16
06.05.16
06.07.16
06.09.16
06.11.16
06.01.17
06.03.17
06.05.17
06.07.17
06.09.17

26/09/2017

ANNEX 2

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

EDA

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

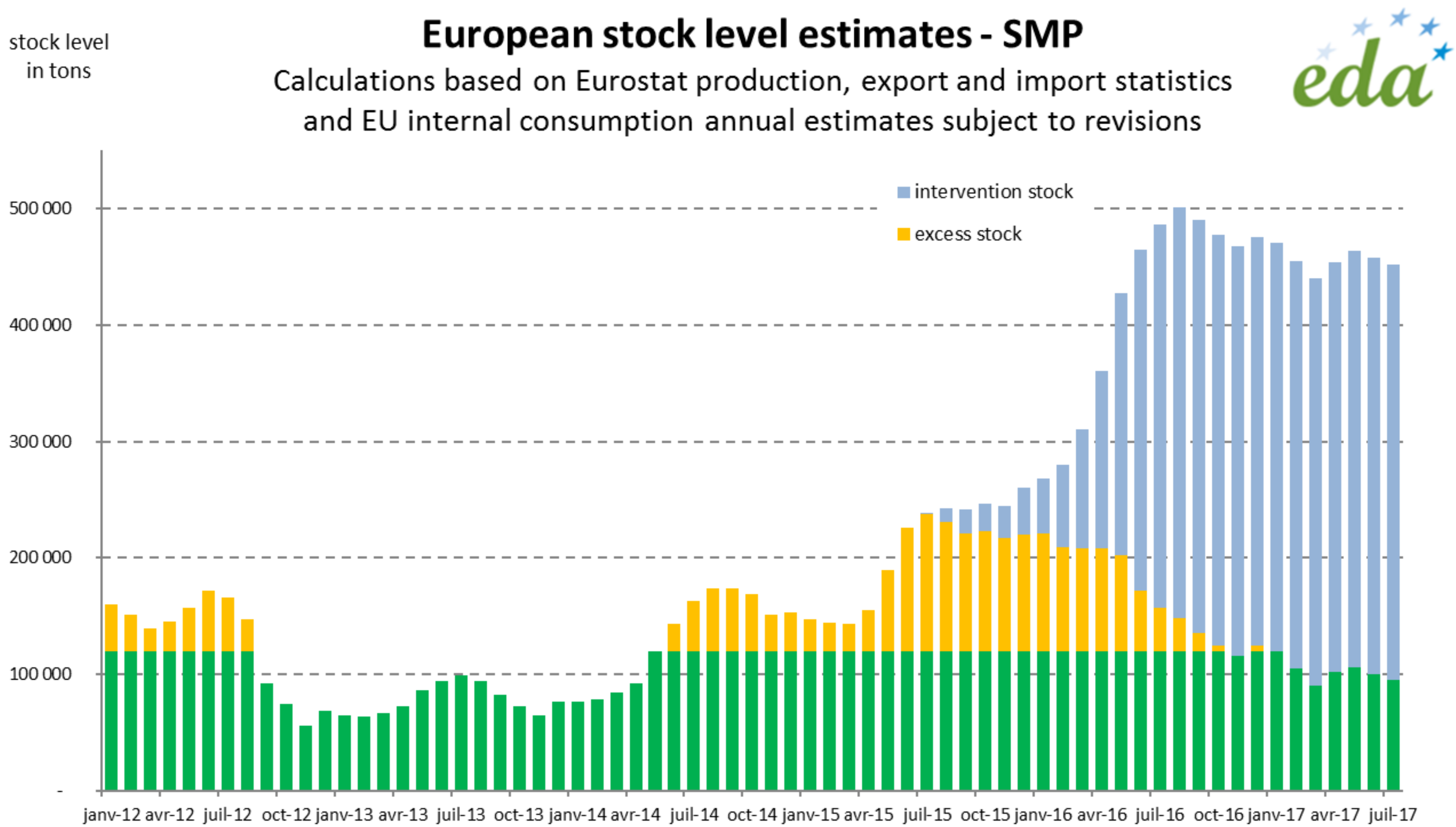
Milk Market Observatory

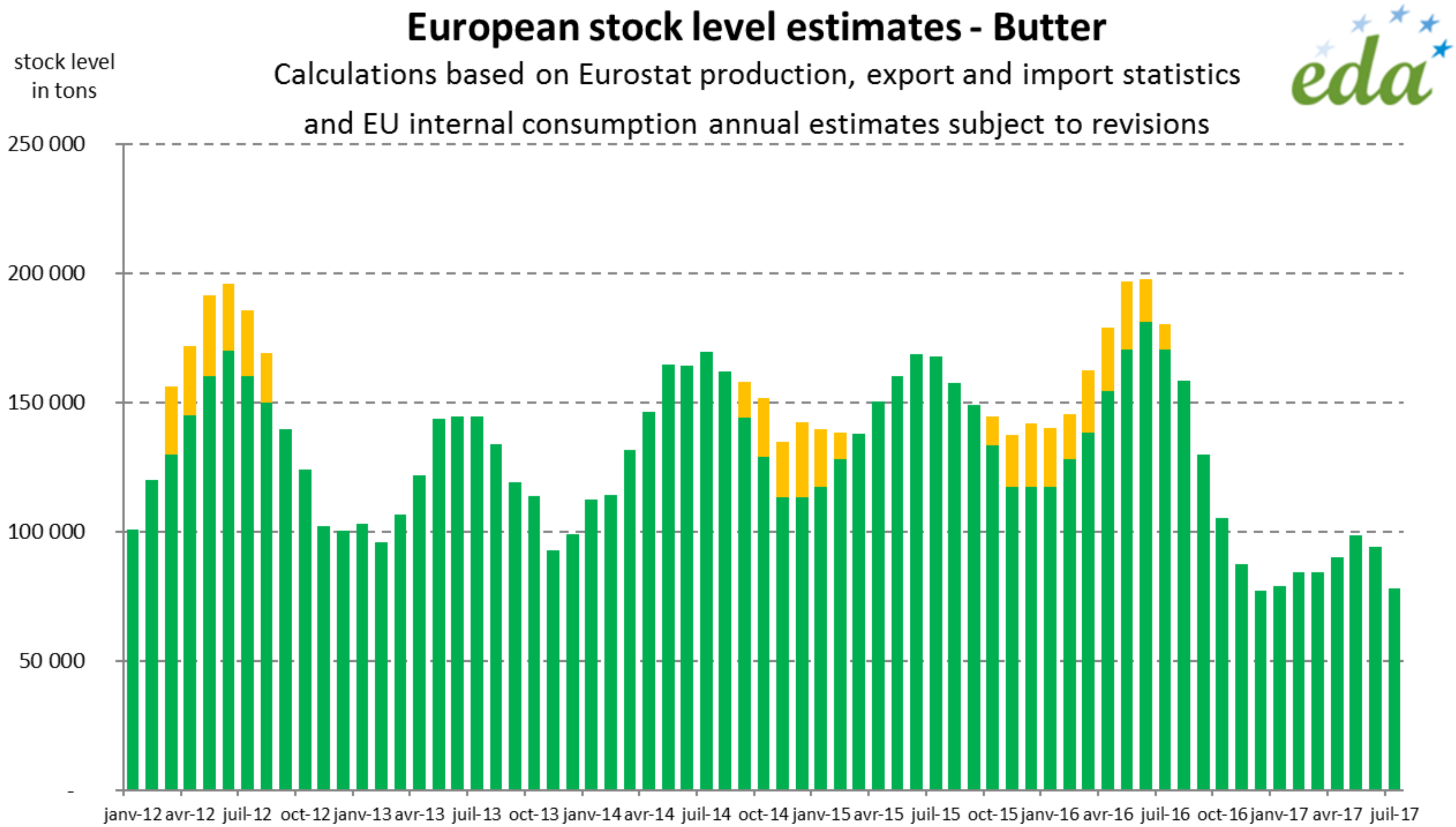
Economic Board

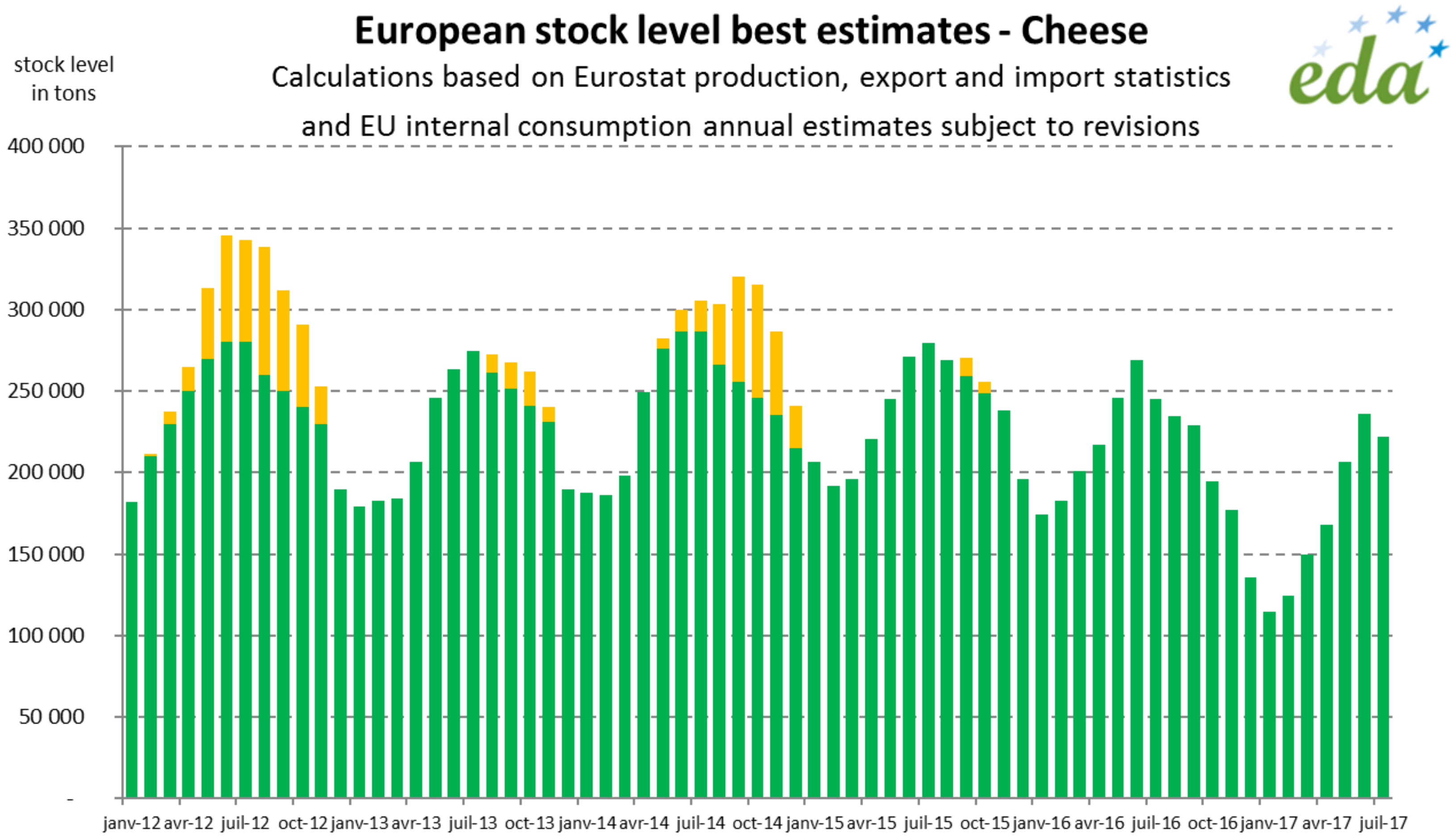
September 26th , 2017

Methodology

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


stock level
in tons
European stock level estimates - SMP
Calculations based on Eurostat production, export and import statistics
and EU internal consumption annual estimates subject to revisions
intervention stock
excess stock
500 000
400 000
300 000
200 000
100 000
-
janv-12 avr-12 juil-12 oct-12 janv-13 avr-13 juil-13 oct-13 janv-14 avr-14 juil-14 oct-14 janv-15 avr-15 juil-15 oct-15 janv-16 avr-16 juil-16 oct-16 janv-17 avr-17 juil-17


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


European stock level best estimates - Cheese
Calculations based on Eurostat production, export and import statistics
and EU internal consumption annual estimates subject to revisions
stock level
in tons
400 000
350 000
300 000
250 000
200 000
150 000
100 000
50 000
-
janv-12
avr-12
juil-12
oct-12
janv-13
avr-13
juil-13
oct-13
janv-14
avr-14
juil-14
oct-14
janv-15
avr-15
juil-15
oct-15
janv-16
avr-16
juil-16
oct-16
janv-17
avr-17
juil-17
eda

<u>ANNEX 3</u>

Perspectives from the Dairy Trade

Eucolait

Perspectives from the Dairy Trade

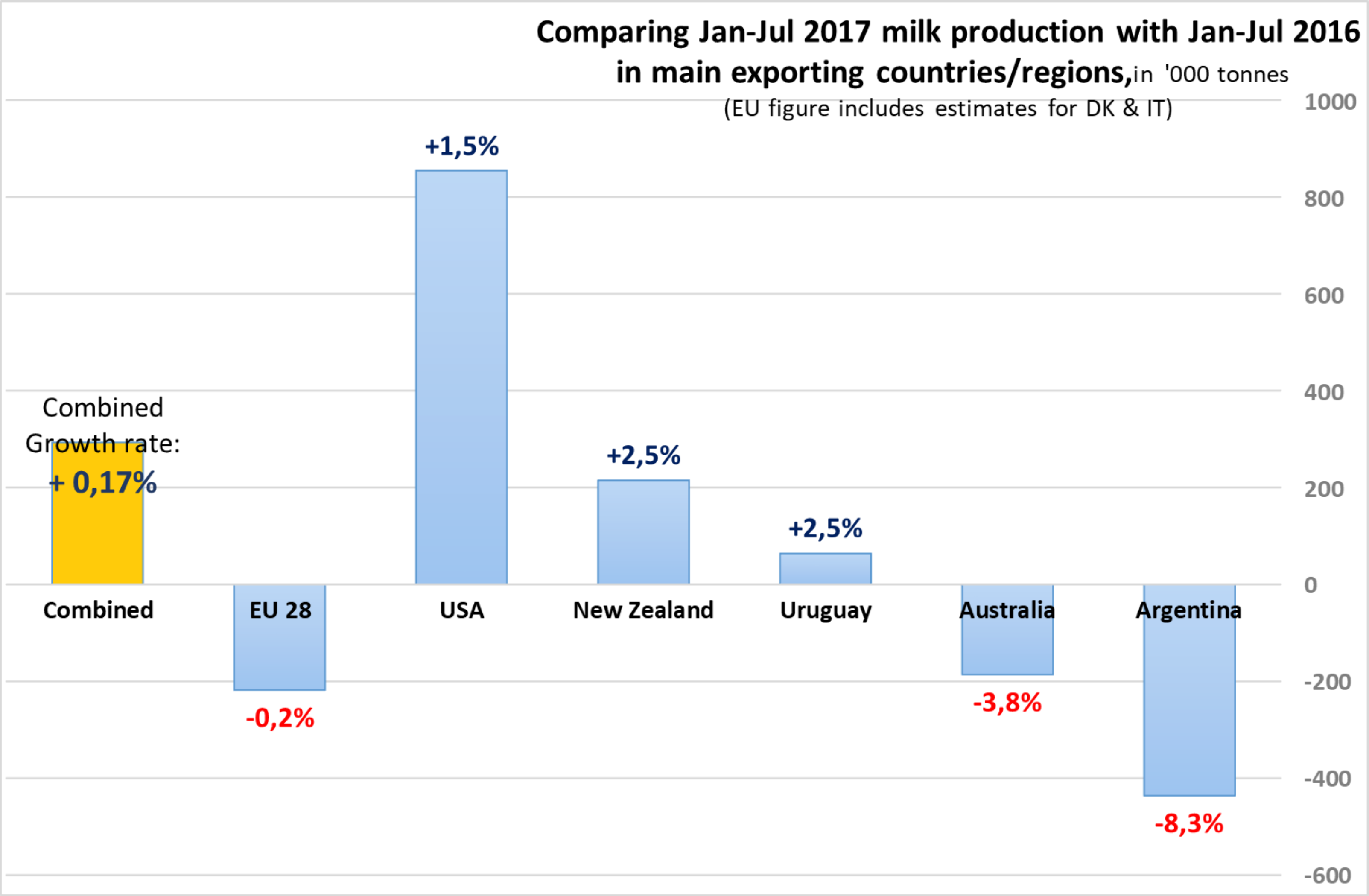
MMO Economic Board

26 September 2017

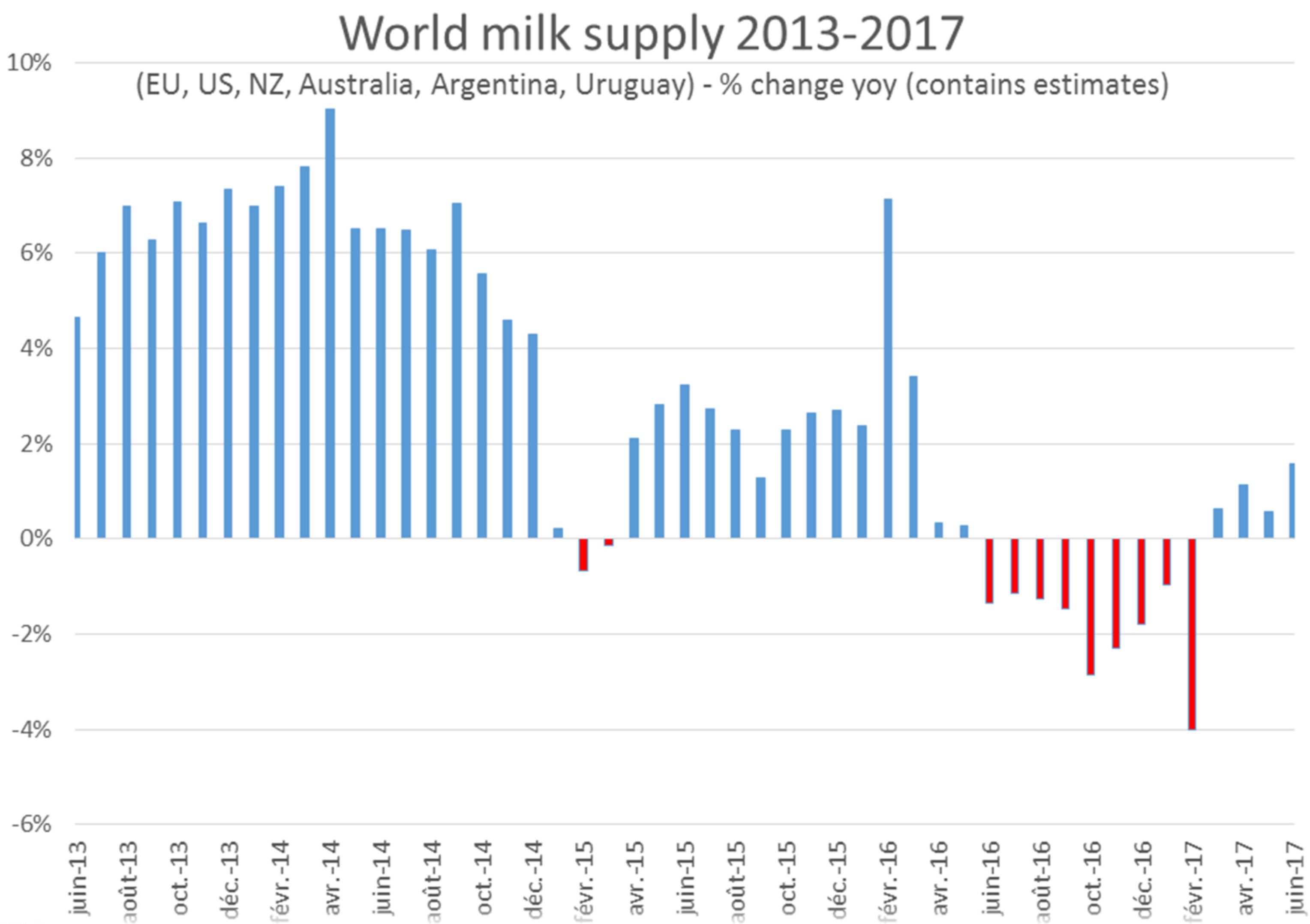
Outline

- 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 production still slightly down for the year to July but +1,7% in July** and further growth is expected for the remainder of the year (led by IE, PL & IT,) as current milk prices are incentivising production

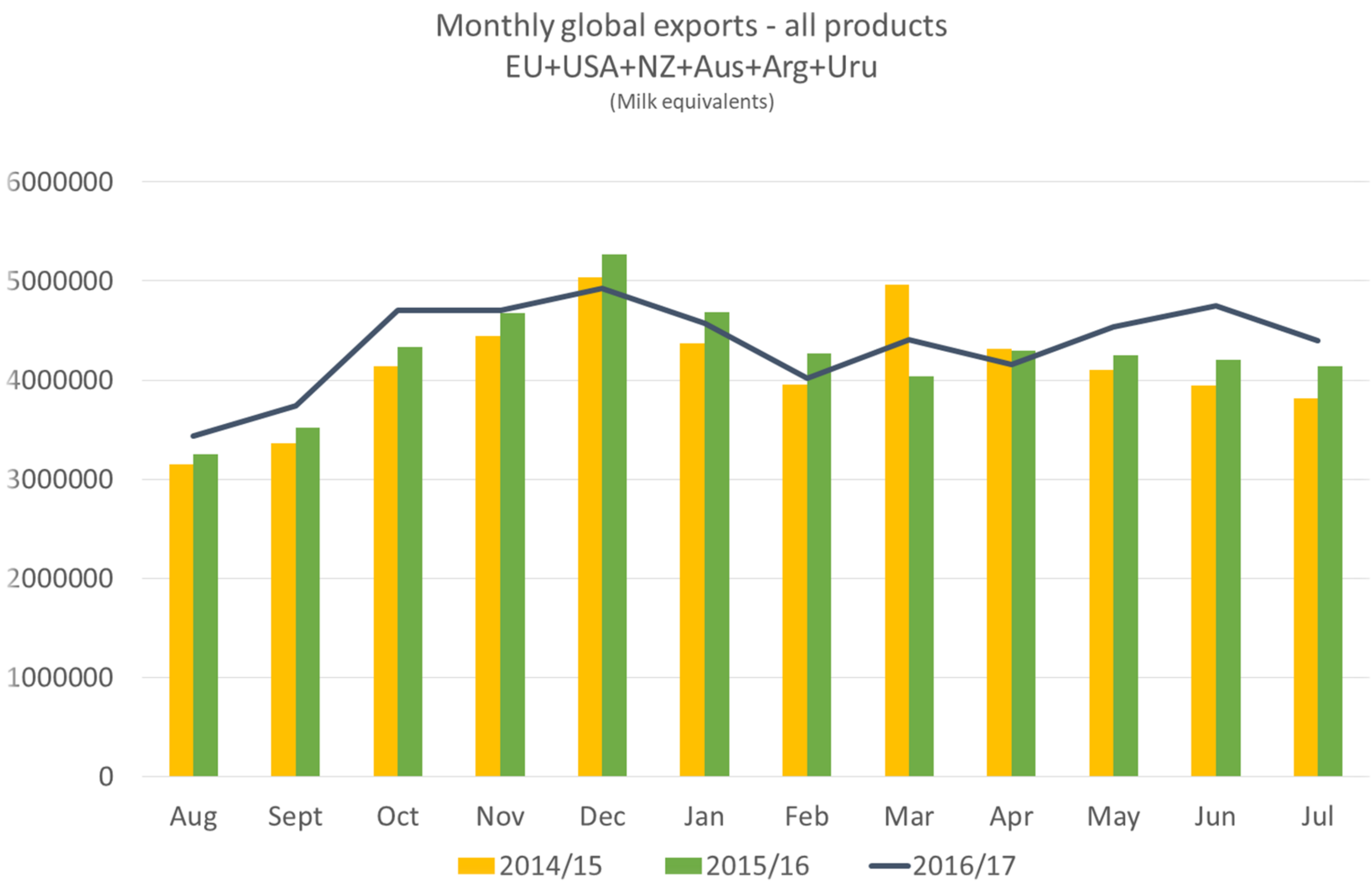
- **NZ milk collection up by +7,4% in July (low season) but reportedly down in August,** the higher payout forecast is expected to drive further expansion in the next months, **Outlook: +3-4% for season 2017/18**

- **Australia's milk production continues to slowly improve** and was up +3% in July, **Outlook: +2-3% for season 2017/18** (if higher farm prices & adequate weather)

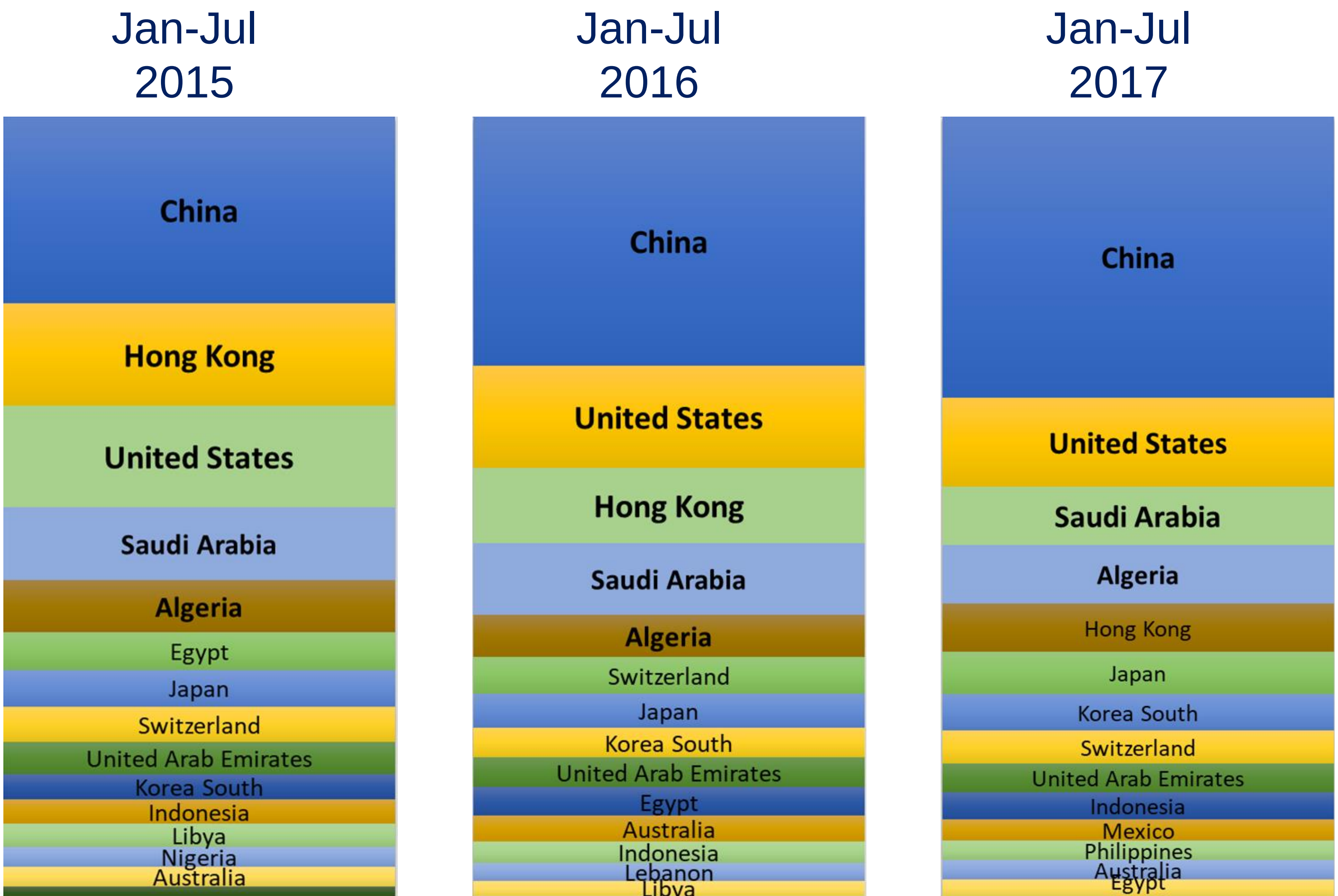
- **US milk production up +2% in August**, Southwest continues to lead national expansion (+6,8%), down in California (-0,7-%) & Pacific Northwest (-0,3%), **Outlook for 2017: +1,8%, Outlook for 2018: +2,1% (USDA)**

- **Slow increases in milk production in South America in 2017**

Dairy exports of main market players in ME

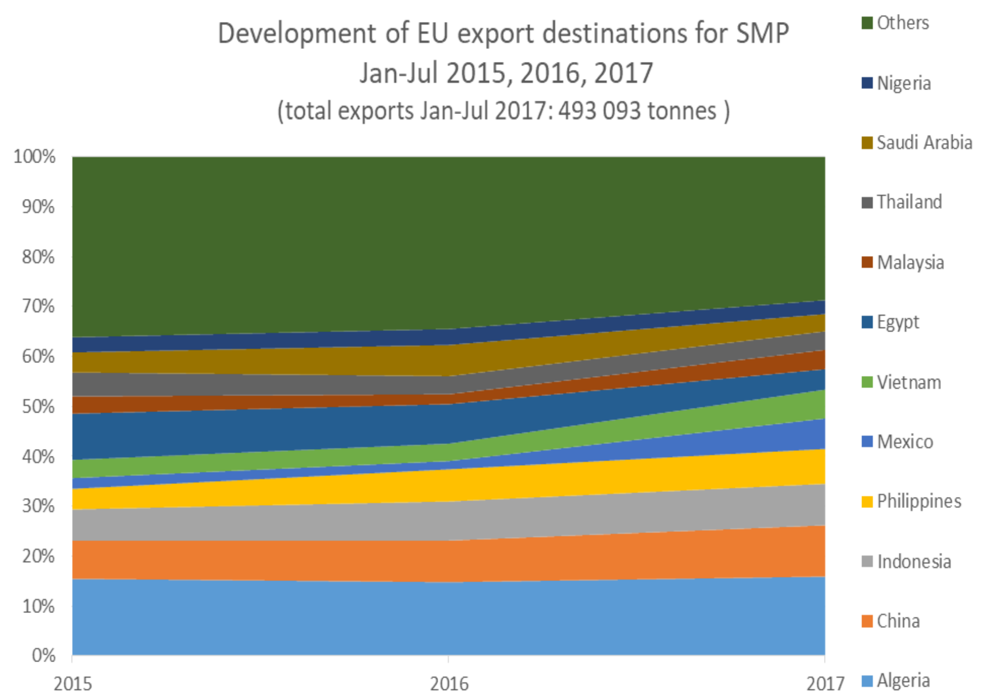


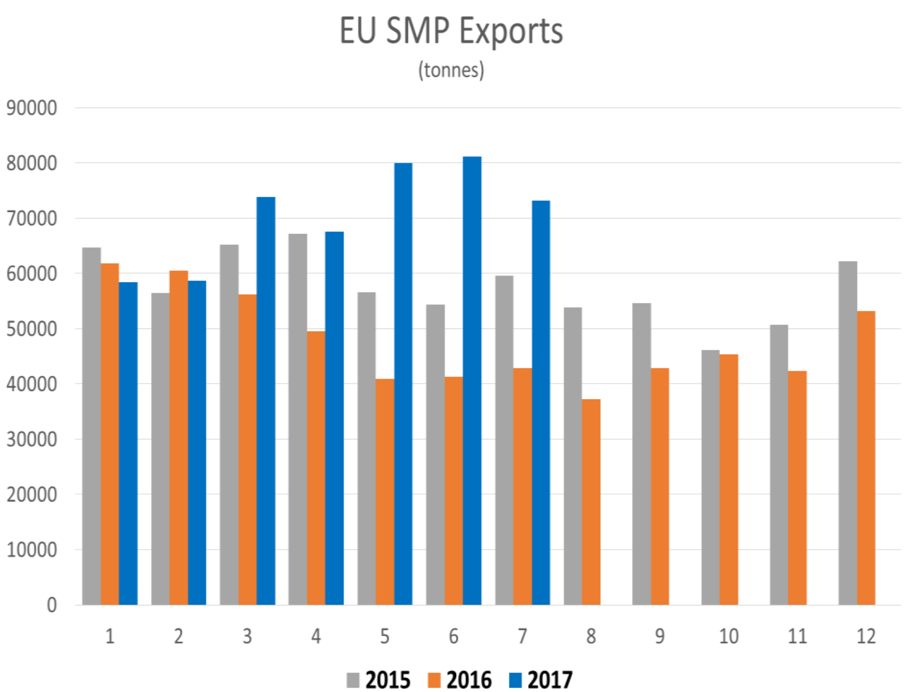
Main EU export markets for all dairy products (in value - €)

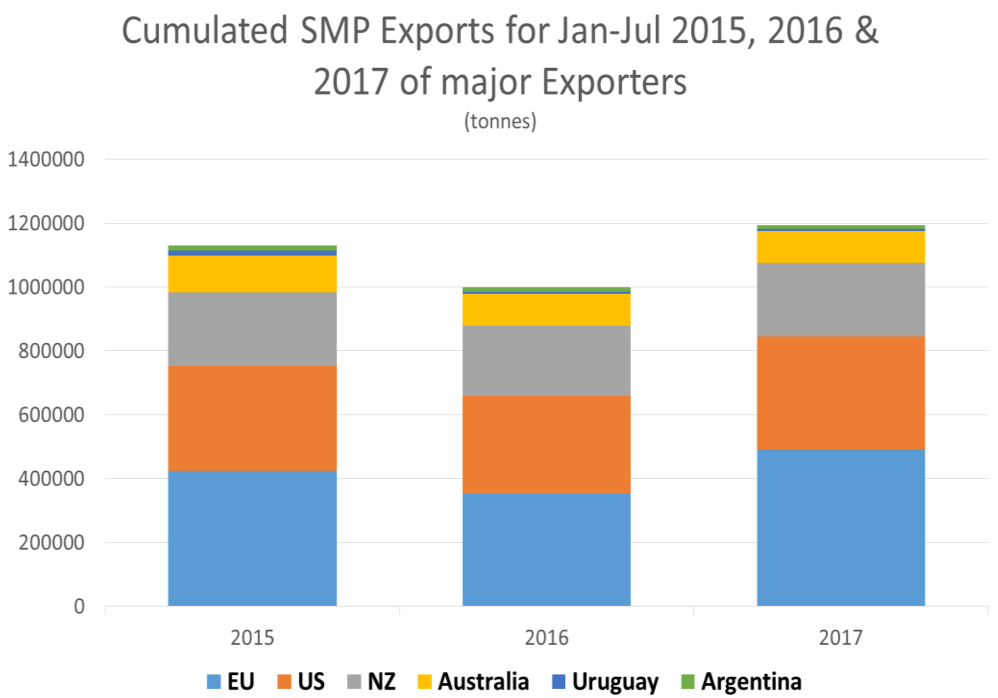


SMP trade

- EU SMP exports:
  - Growth rate Jan-Jul 17/16: +39,6%
- Combined SMP exports:
  - Growth rate Jan-Jul 17/16: +14,9%

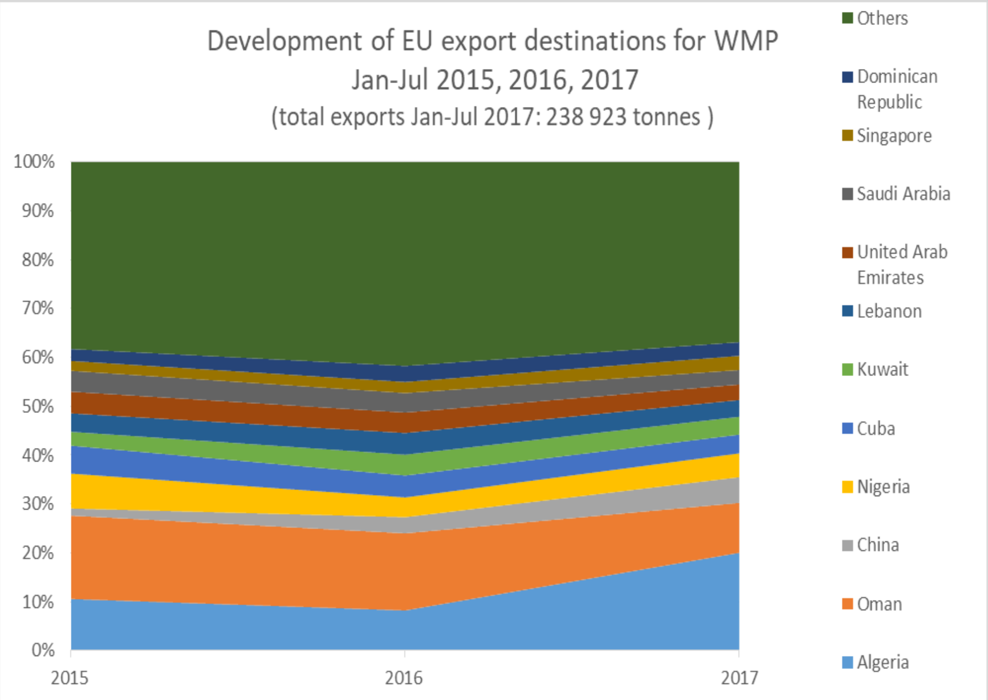


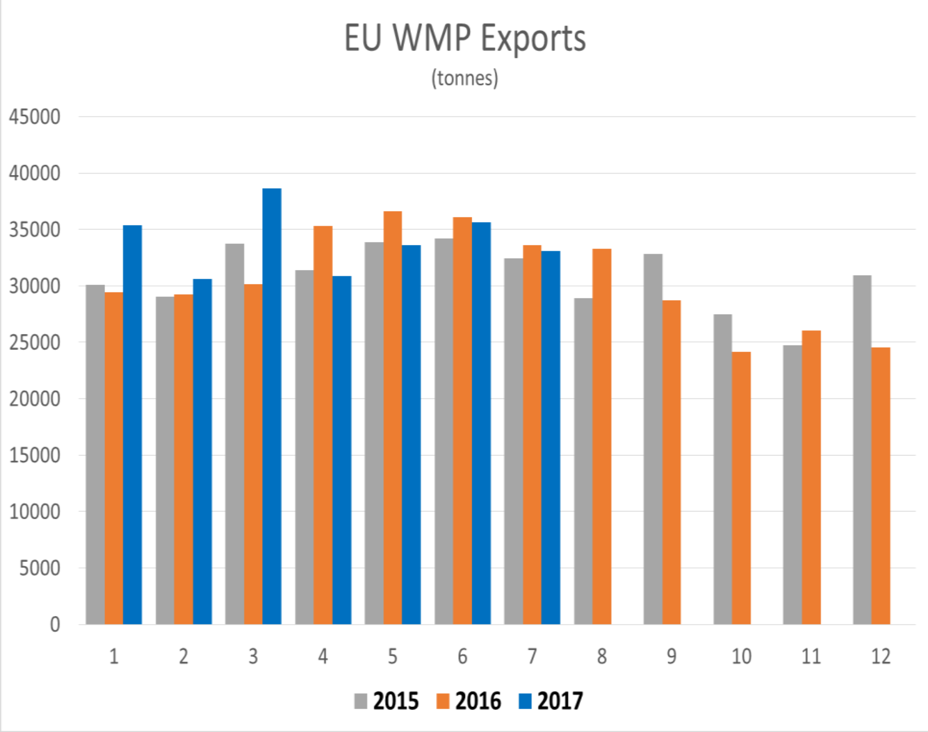


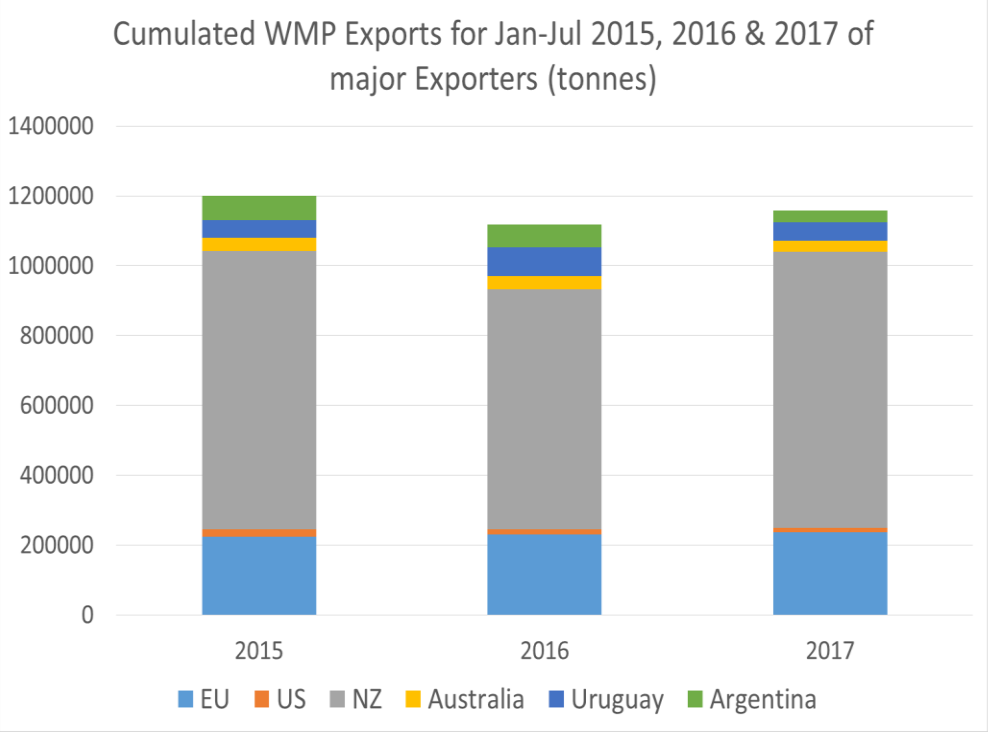


WMP trade

- EU WMP exports:
  - Growth rate Jan-Jul 17/16: +3,2%
- Combined WMP exports:
  - Growth rate Jan-Jul 17/16: -3,5%

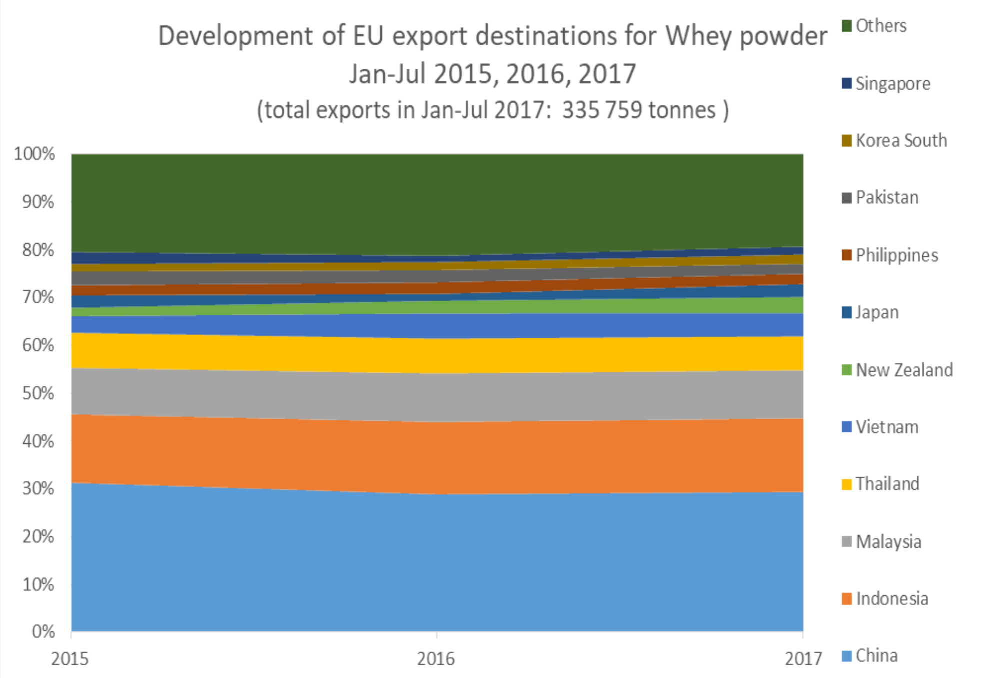


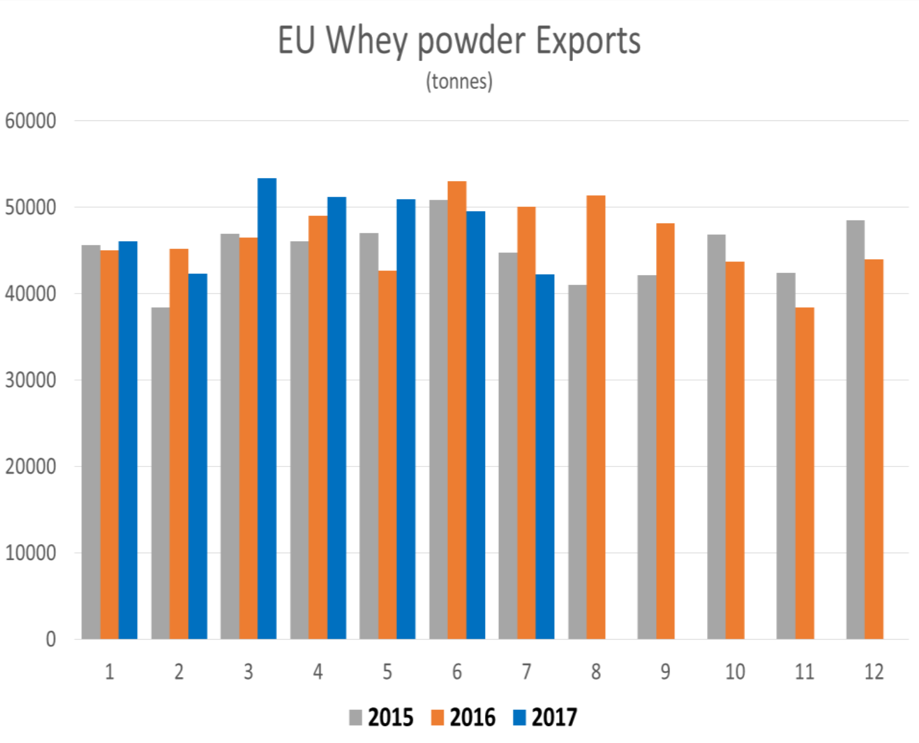


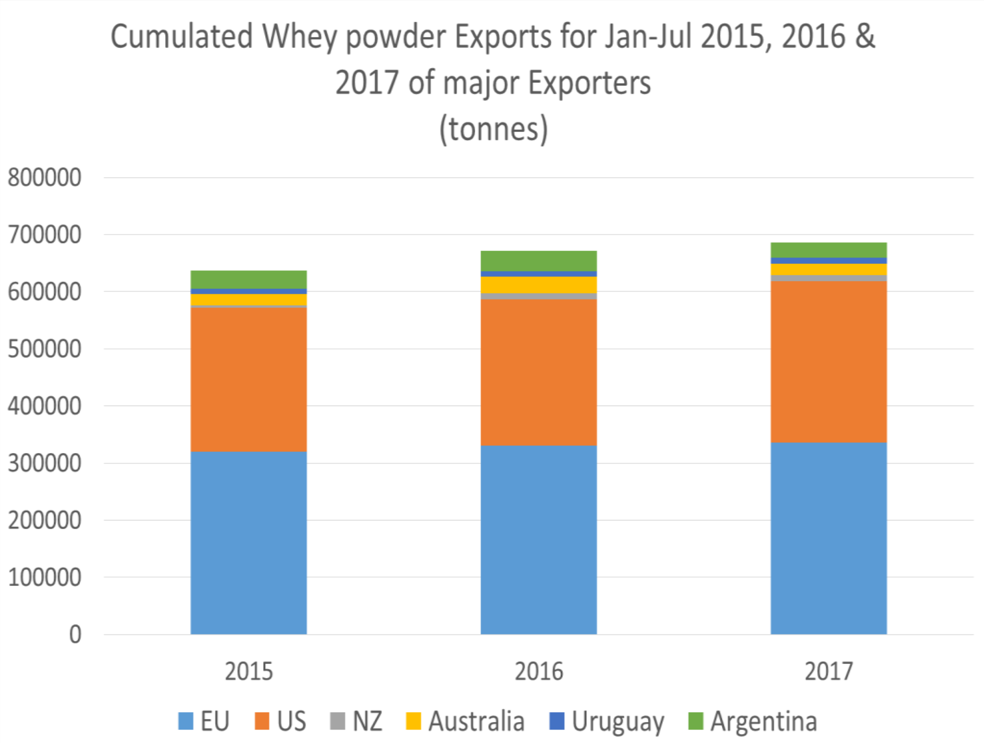


Whey powder trade

- EU whey powder exports:
  - Growth rate Jan-Jul 17/16: +1,3%
- Combined whey powder exports:
  - Growth rate Jan-Jul 17/16: +2,3%

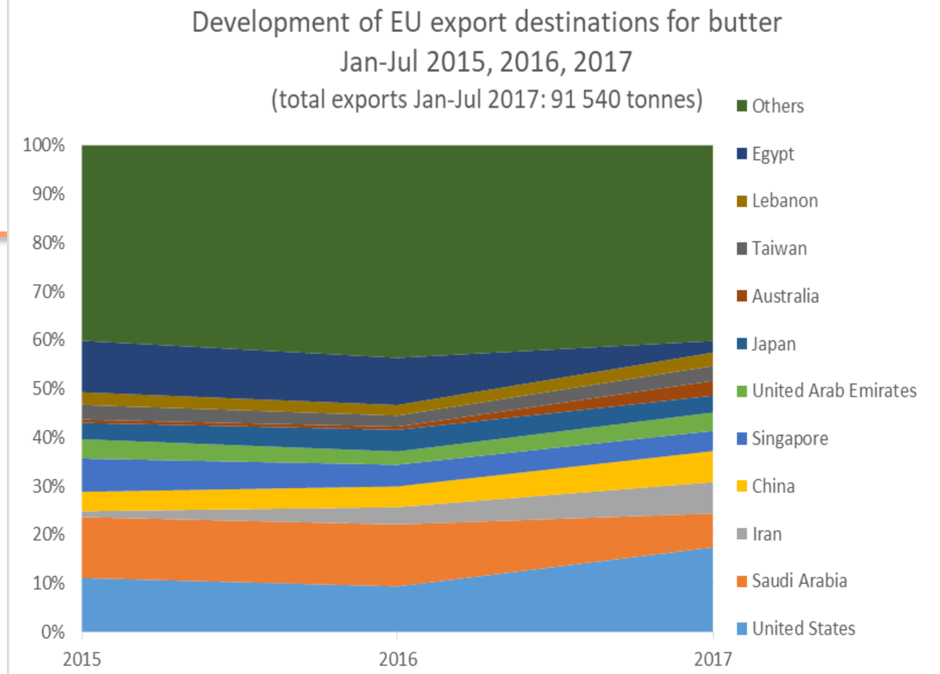


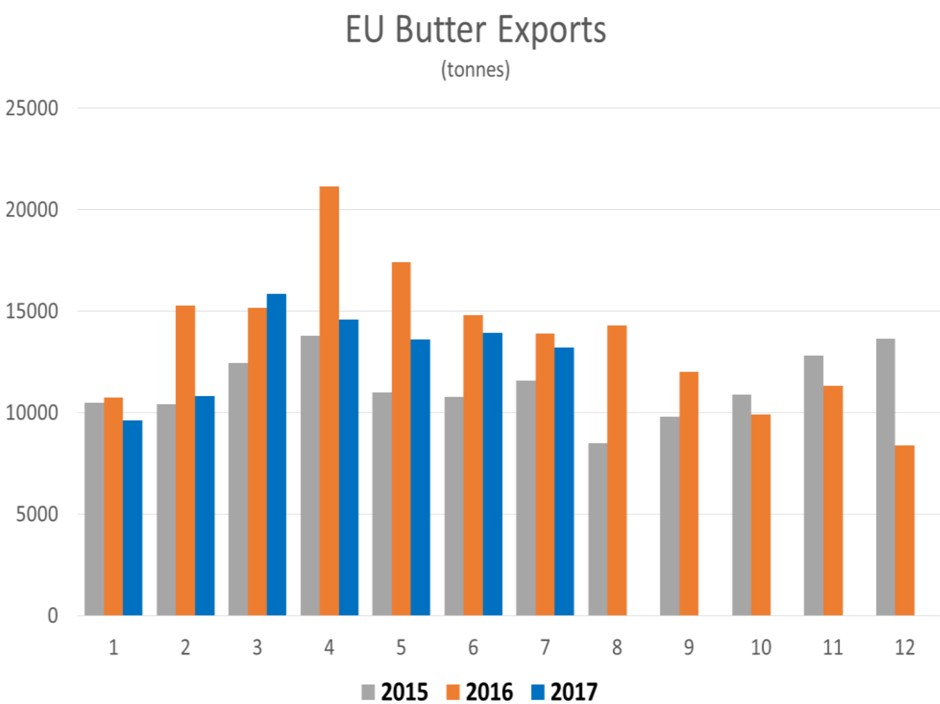


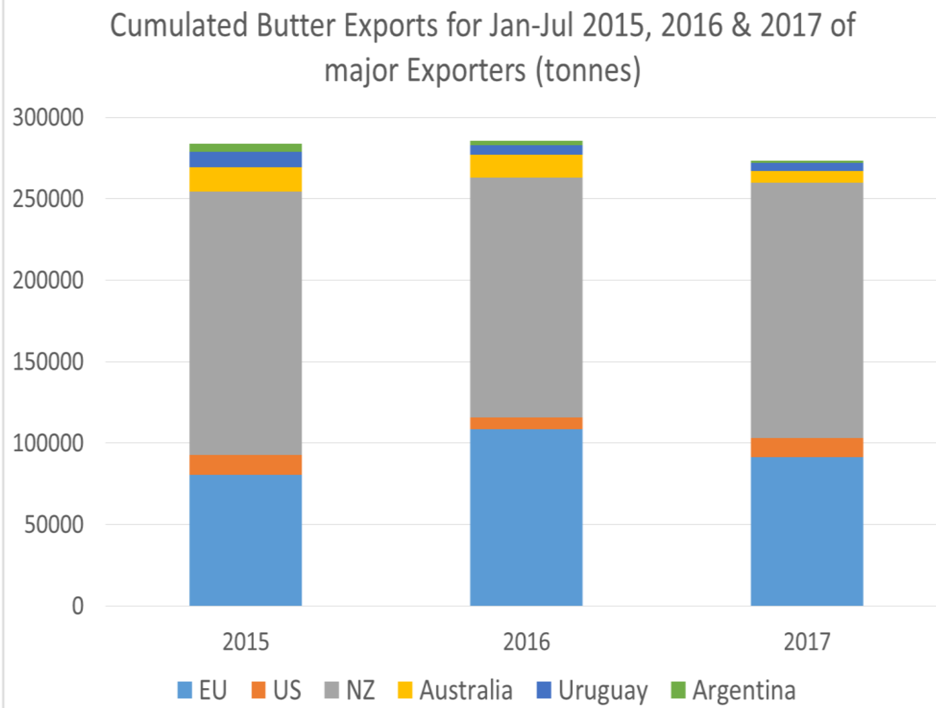


Butter trade

- EU butter exports:
  - Growth rate Jan-Jul 17/16: -15,5%
- Combined butter exports:
  - Growth rate Jan-Jul 17/16: -11,7%

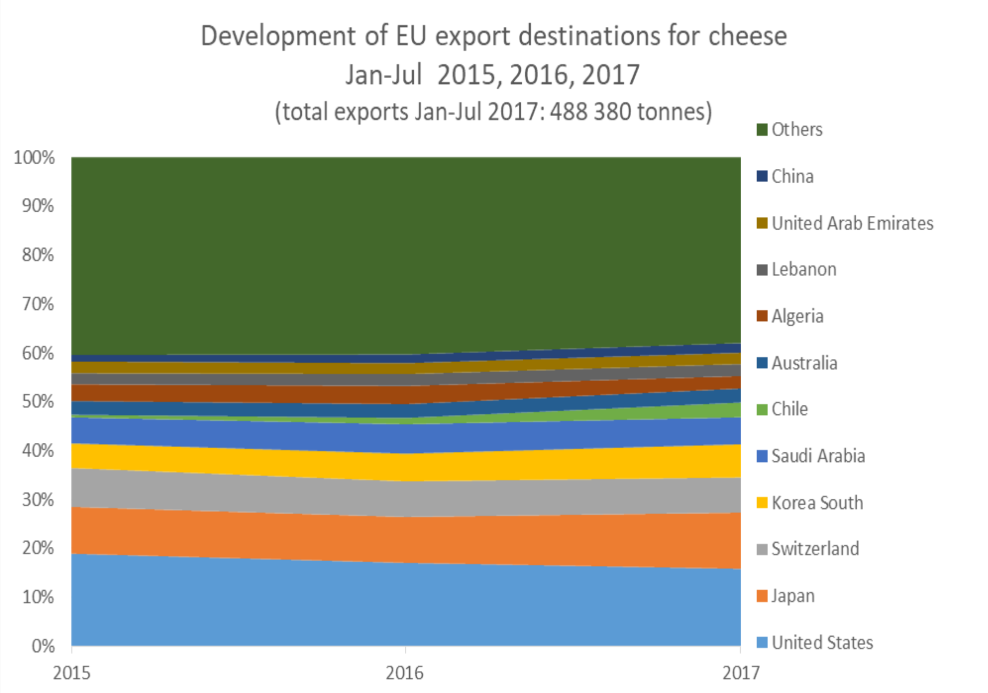


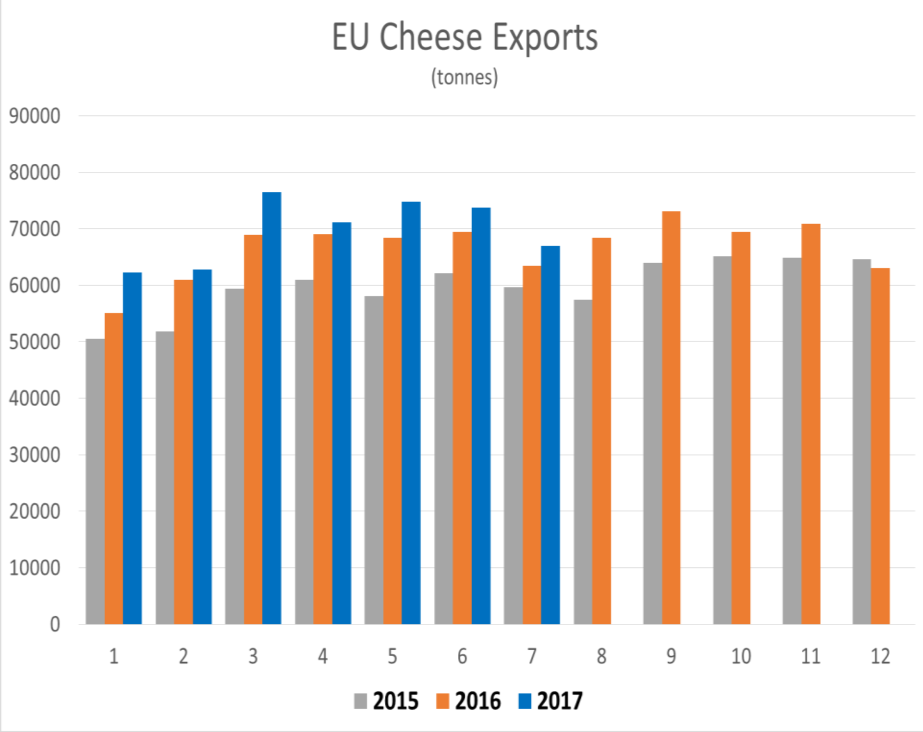


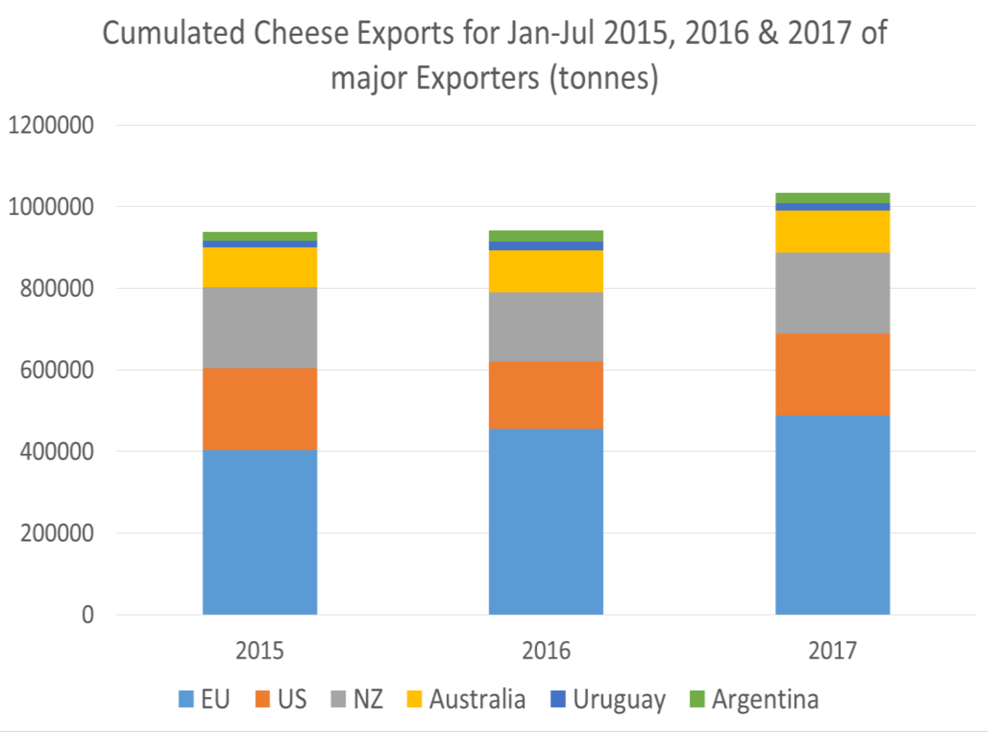


Cheese trade

- EU cheese exports:
  - Growth rate Jan-Jul 17/16: +7,3%
- Combined cheese exports:
  - Growth rate Jan-Jul 17/16: +6,2%

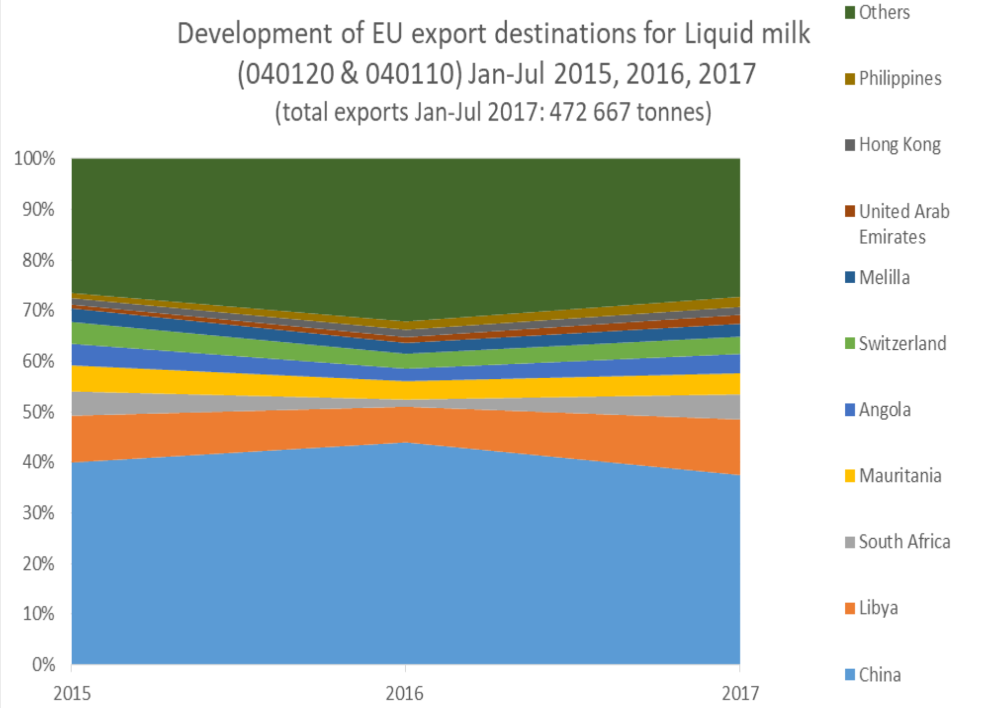


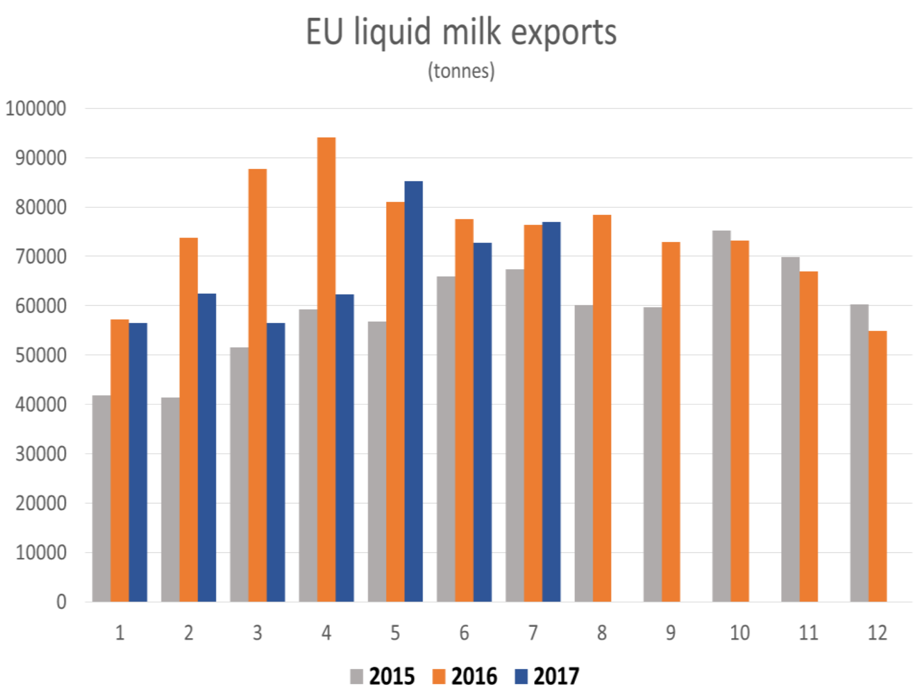


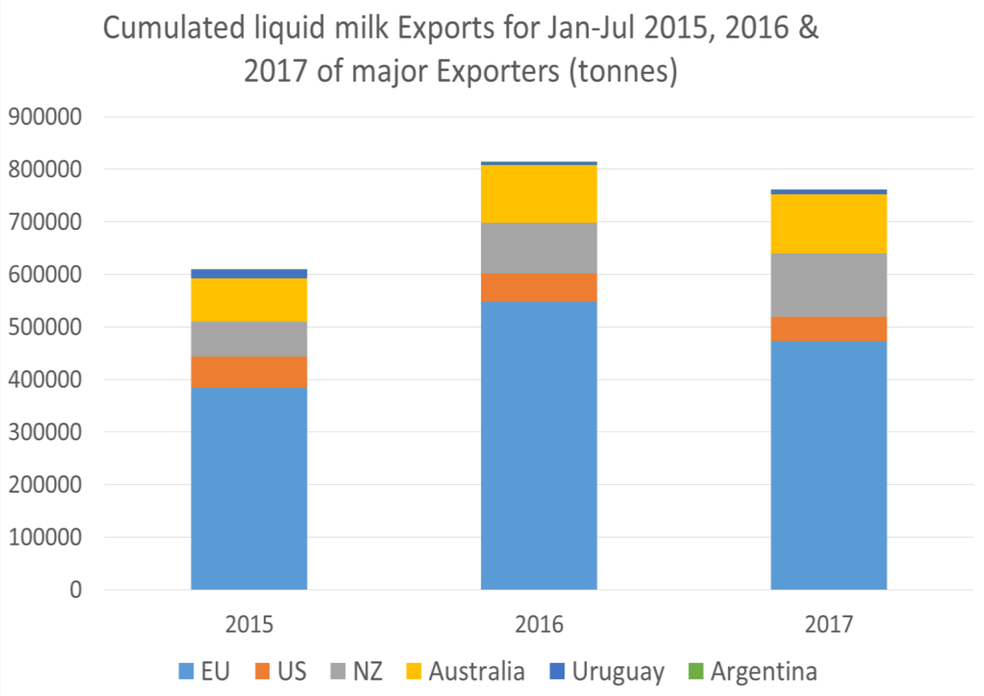


Trade of milk

- EU milk exports:
  - Growth rate Jan-Jul 17/16: -15,8%
- Combined milk exports:
  - Growth rate Jan-Jul 17/16: -6,5%



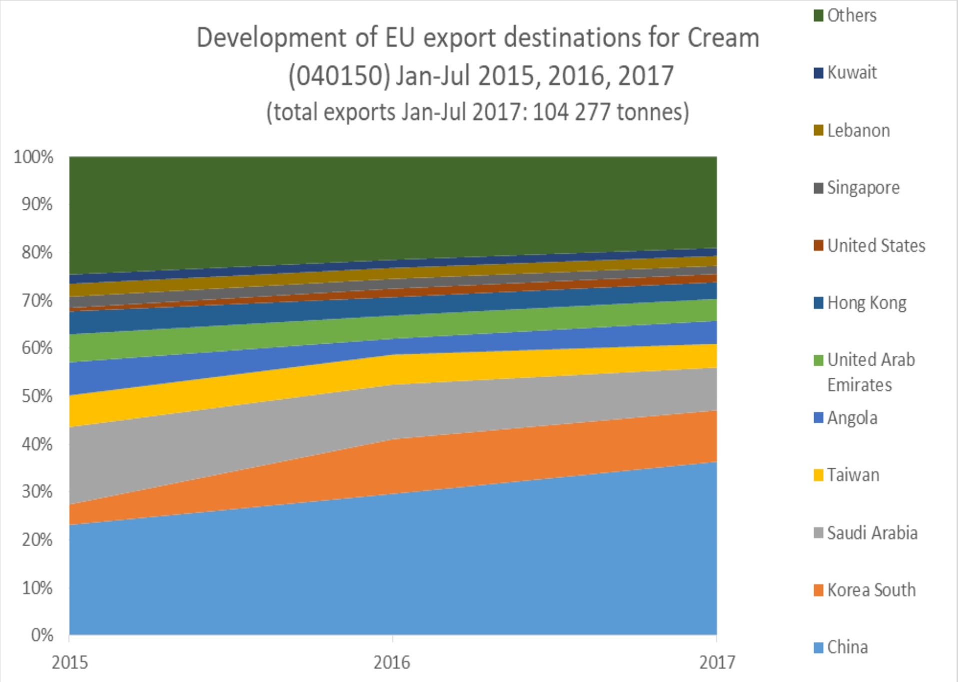


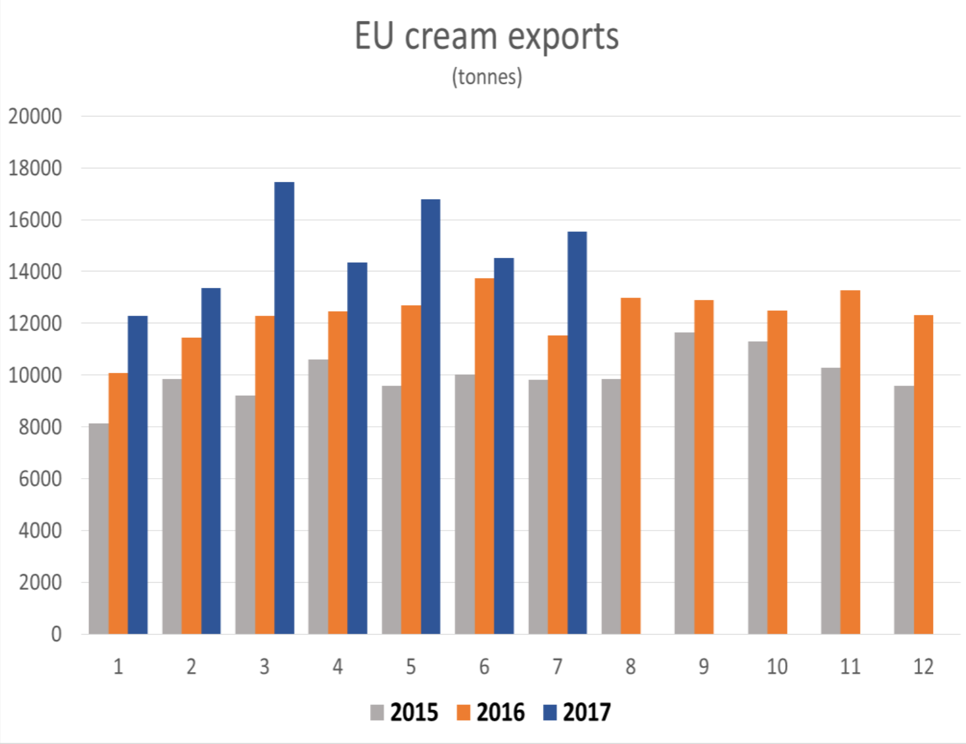


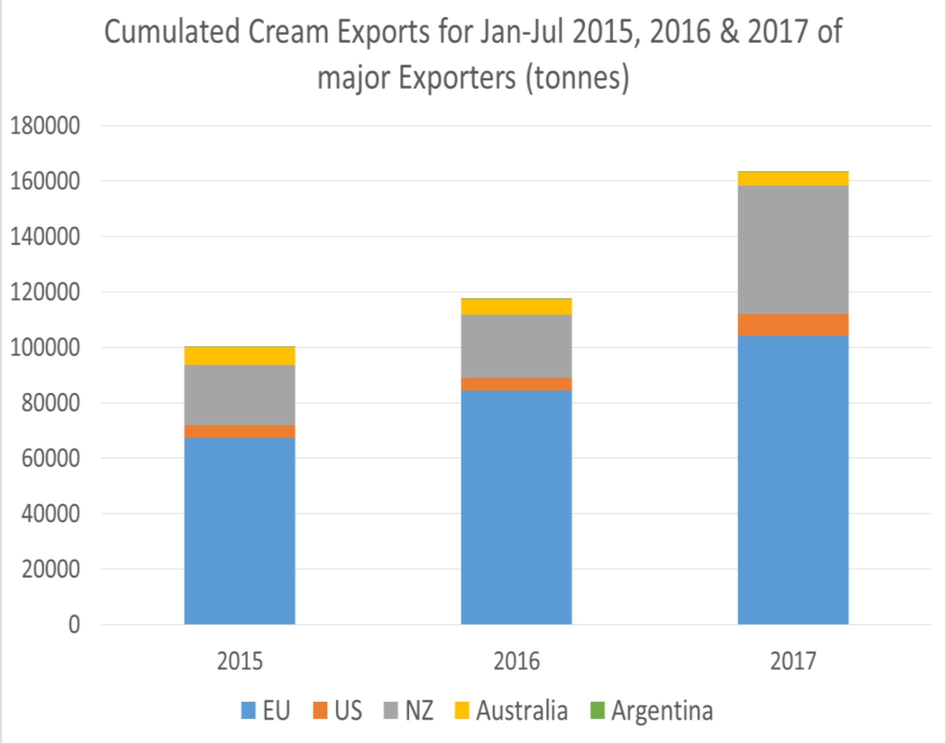
Trade of cream

- EU cream exports:
  - Growth rate Jan-Jul 17/16: +22,1%

- Combined cream exports:
  - Growth rate Jan-Jul 17/16: +10,6%

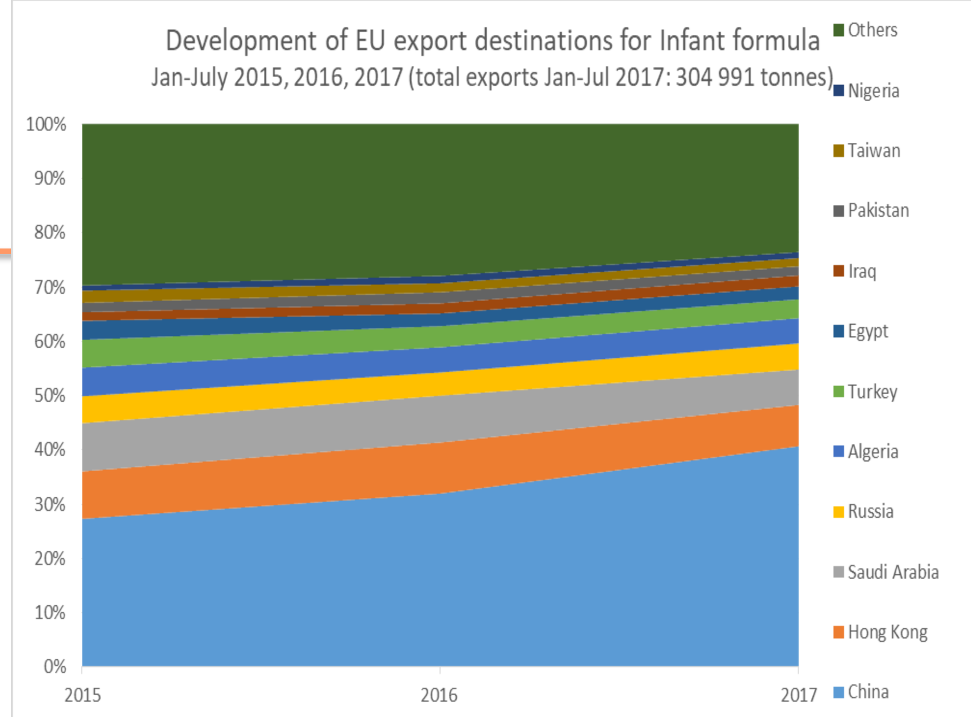


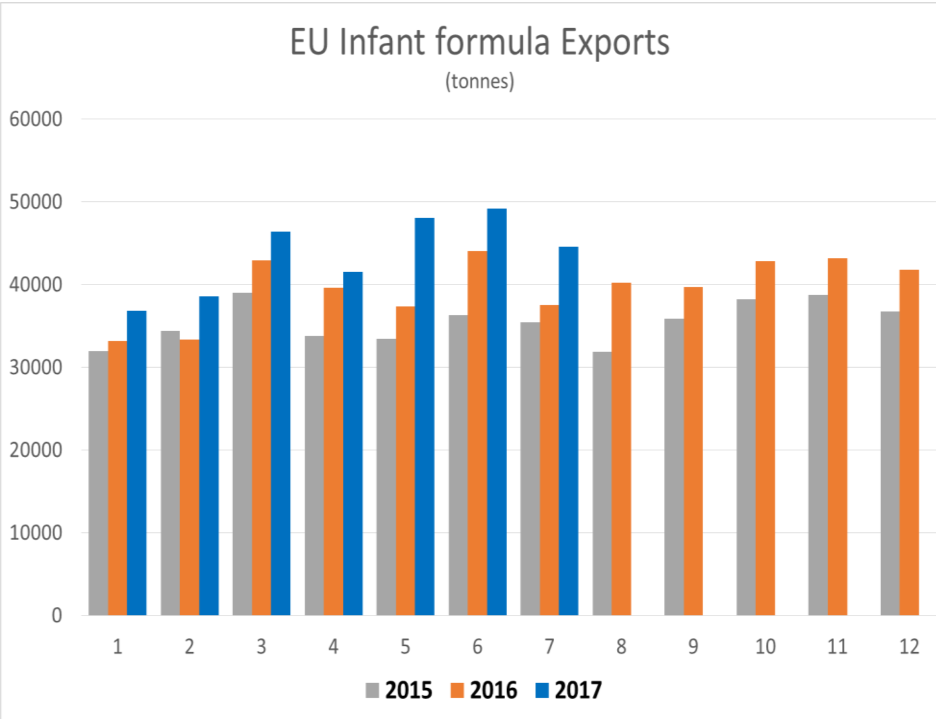


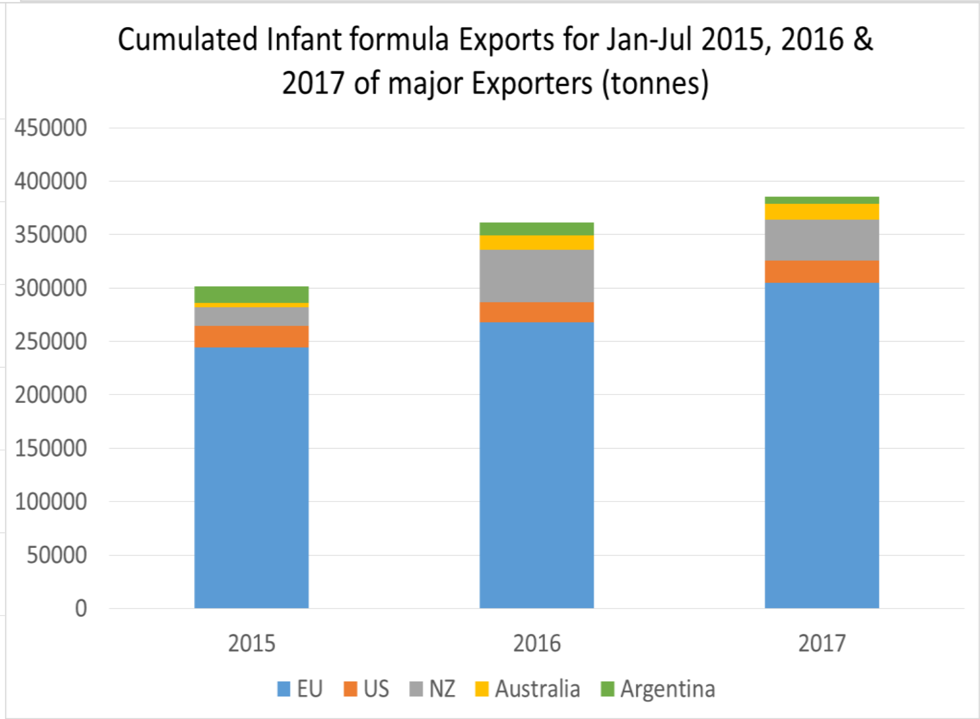


Infant formula trade

- EU infant formula exports:
  - Growth rate Jan-Jul 17/16: +13,8%
- Combined infant formula exports:
  - Growth rate Jan-Jul 17/16: +8,6%

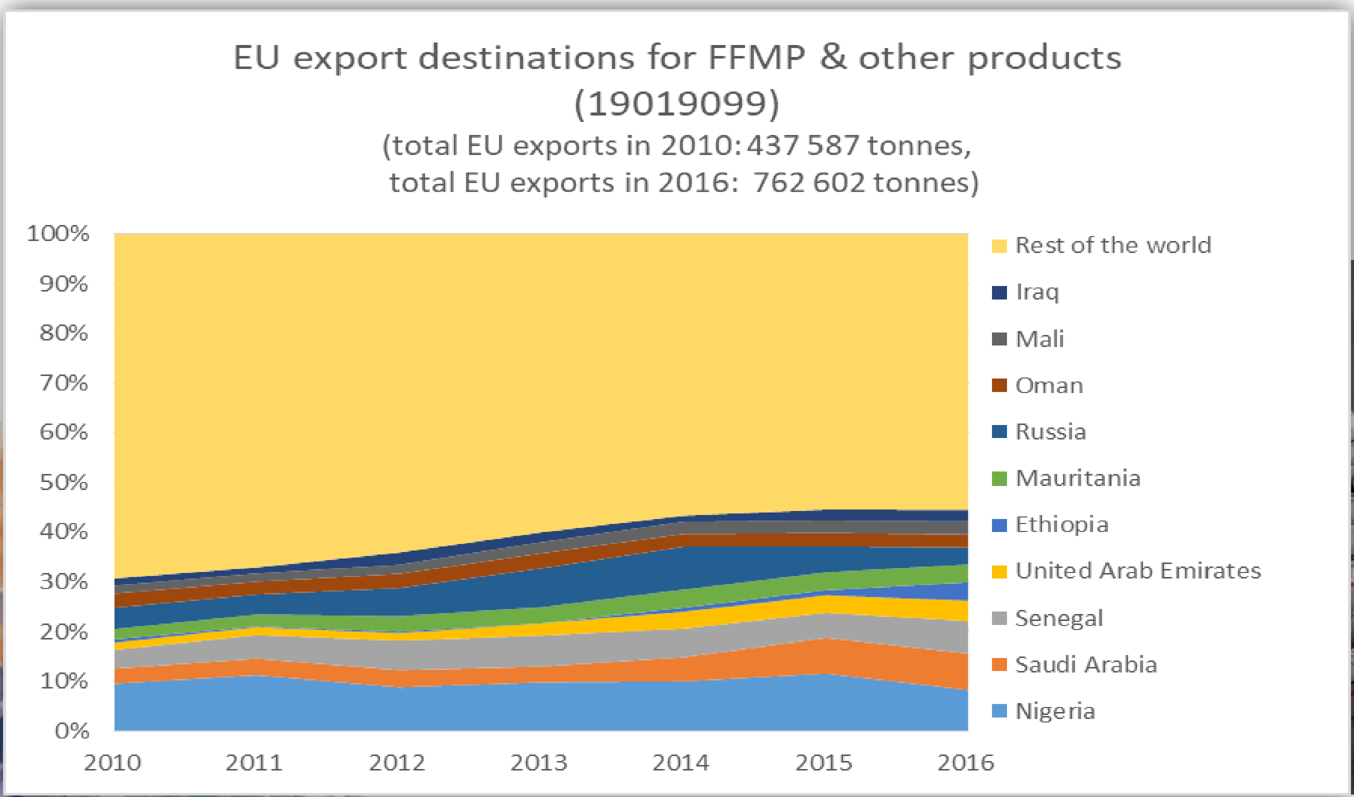






Fatfilled milk powder

- Production of standard FFMP (24% protein, 28% fat) estimated at 890 000 t in 2015
- 450 000 t produced in EU (mainly in IE, NL, BE, PL, DE, FR),
  (estimates by GIRA consultancy)
- EU supplies mainly Africa & Middle East

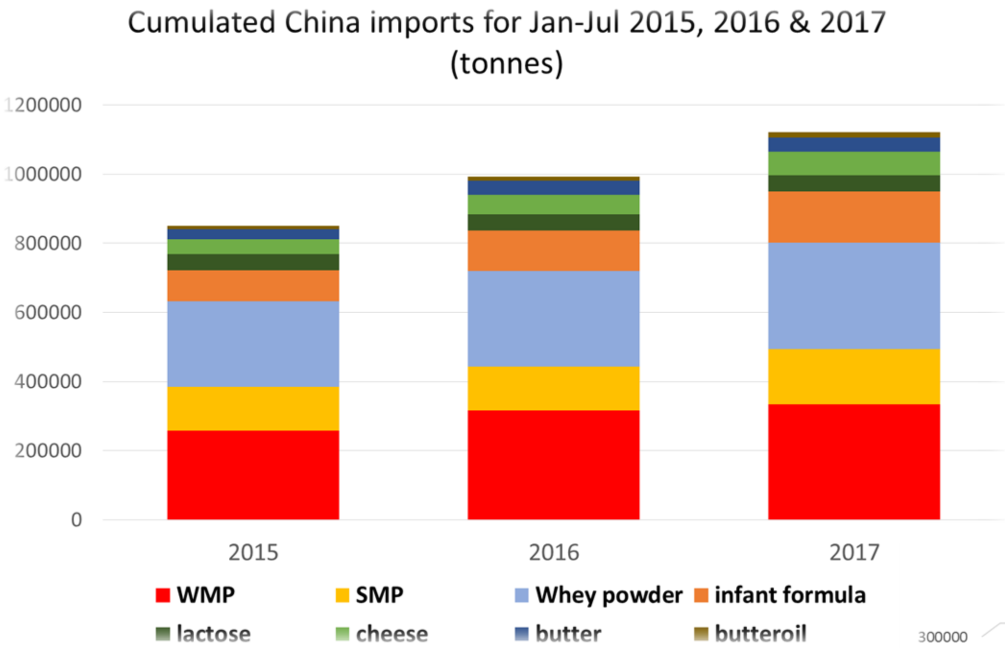


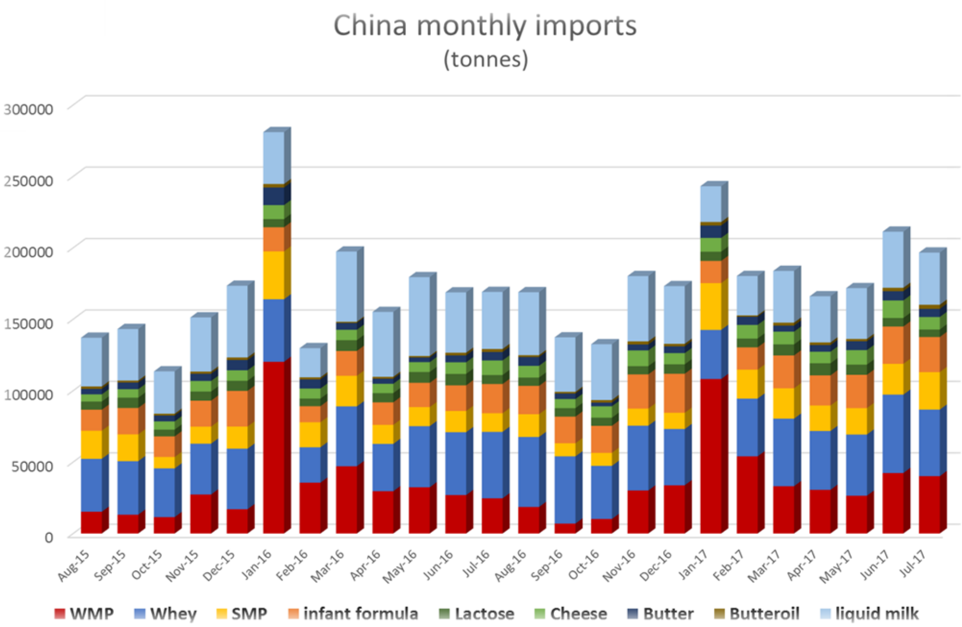
Fatfilled milk powder

- **Sub-Saharan Africa**
  - 2/3 of FFMP imports are from EU
  - SSA Imports 60% of total fatfilled milk powders (mainly Nigeria, Senegal, Mauritania, Togo, Angola)
  - FFMP imports grew by +17% p. a. from 2007-11 (from 2016-2021: +5,5% estim.), (estimates by GIRA consultancy)

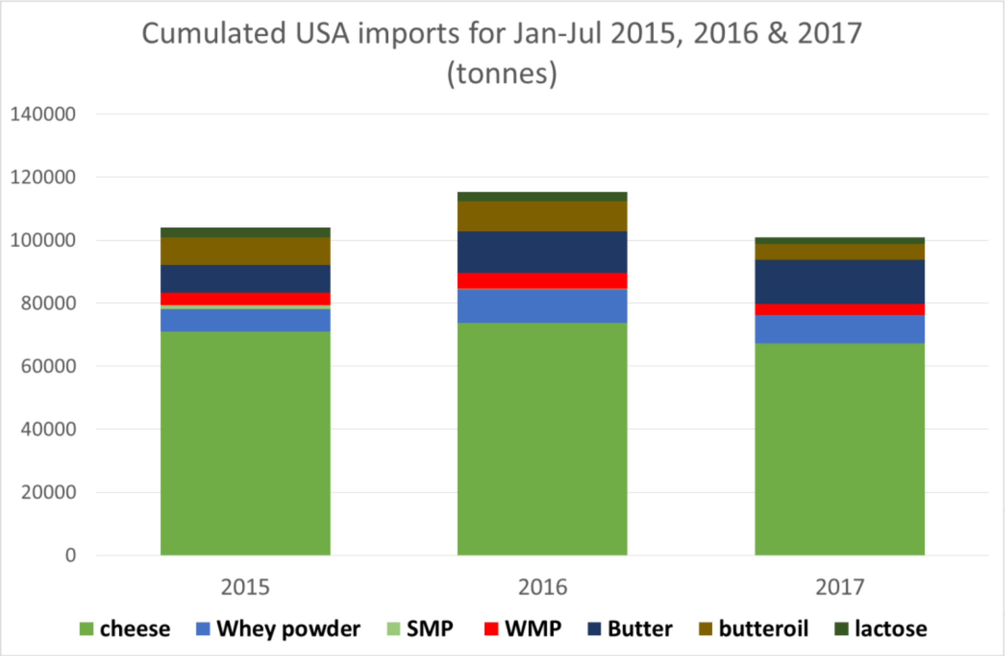
- **Main drivers:**
  - price advantage over WMP
  - population growth in highly populated countries in Westafrica
  - large processors established re-packing plants
  - Longer shelf-life makes it a vital product for markets where cold chain infrastructure is limited

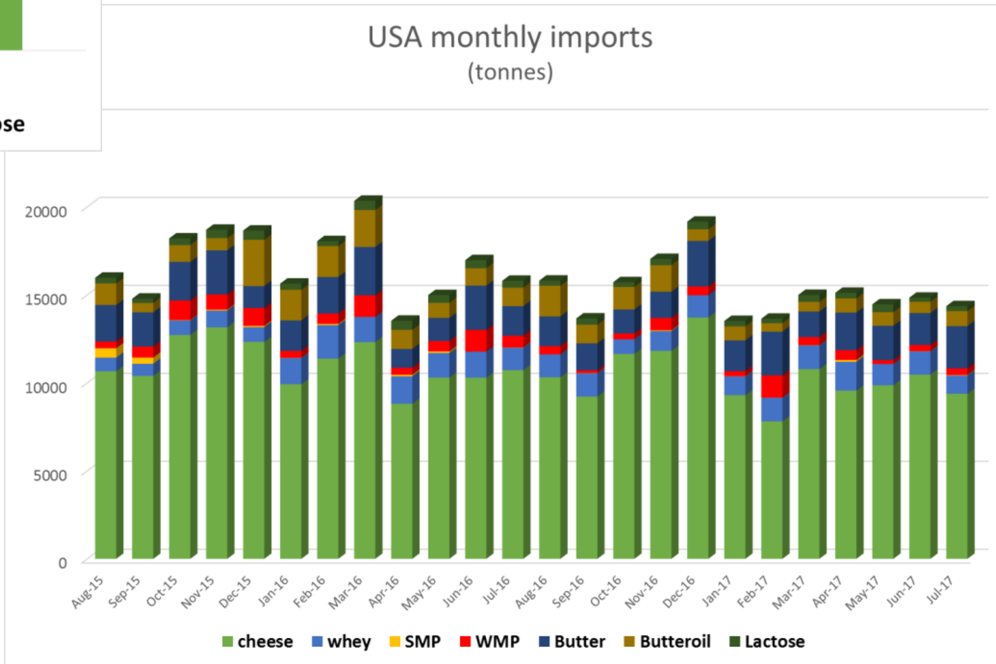
China imports



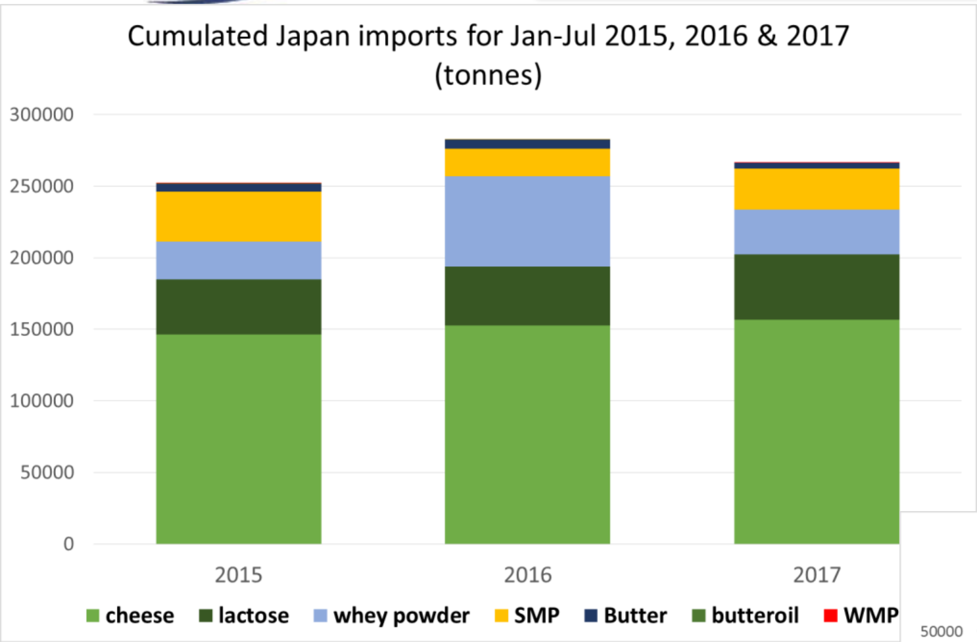


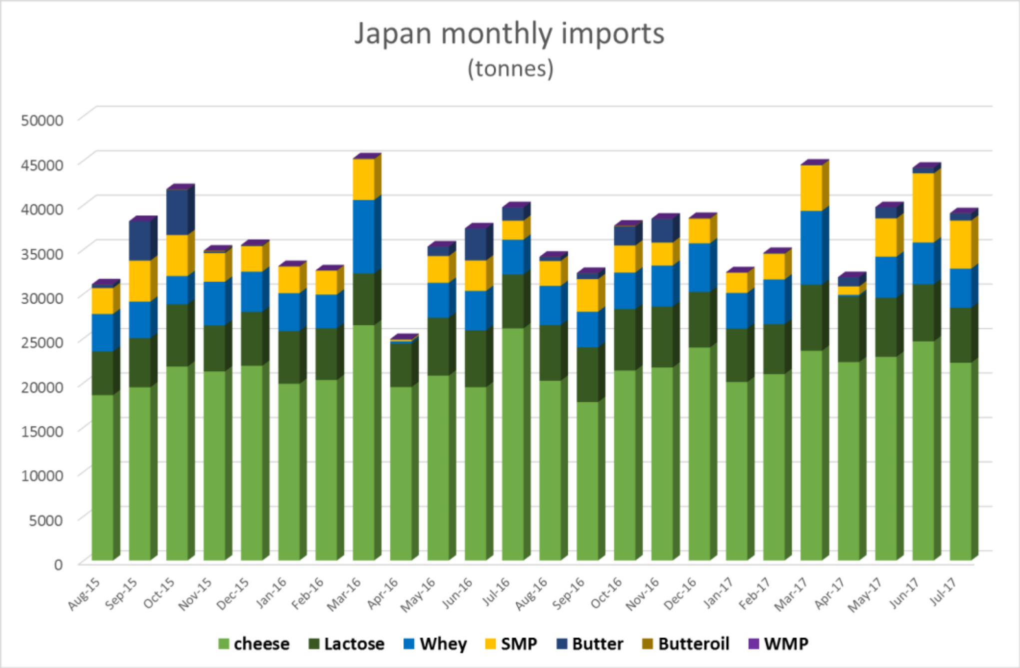
USA imports


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

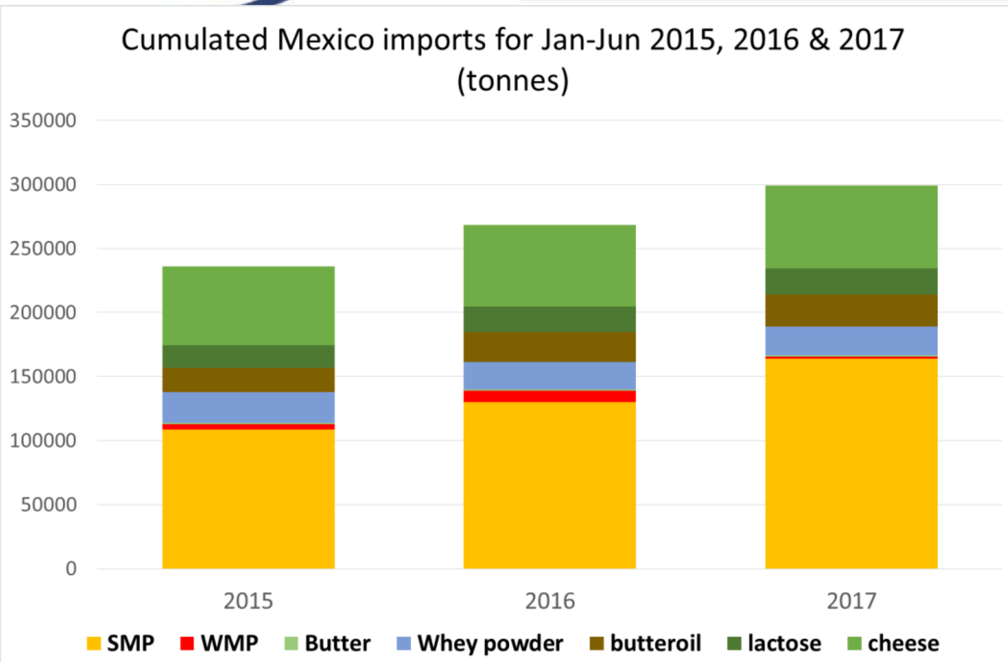

USA monthly imports
(tonnes)
20000
15000
10000
5000
0
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
Jan-16
Feb-16
Mar-16
Apr-16
May-16
Jun-16
Jul-16
Aug-16
Sep-16
Oct-16
Nov-16
Dec-16
Jan-17
Feb-17
Mar-17
Apr-17
May-17
Jun-17
Jul-17
cheese
whey
SMP
WMP
Butter
Butteroil
Lactose

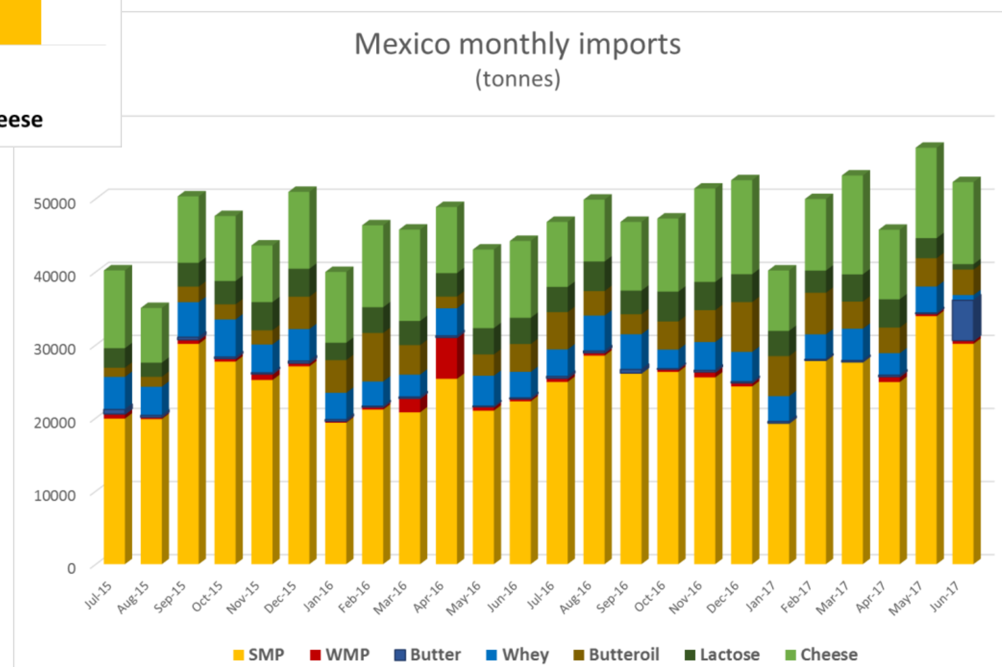
Japan imports



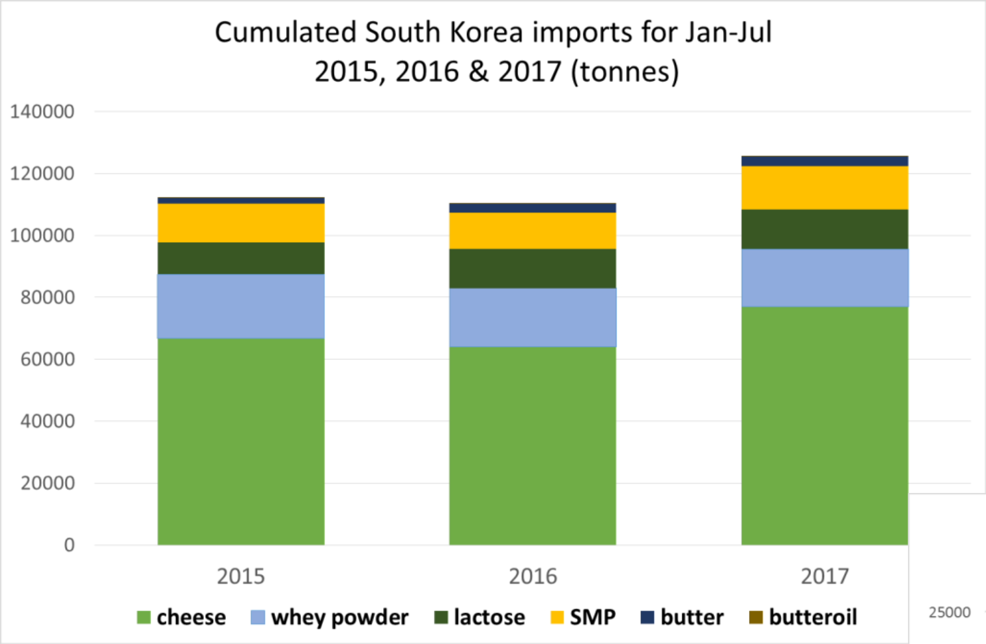


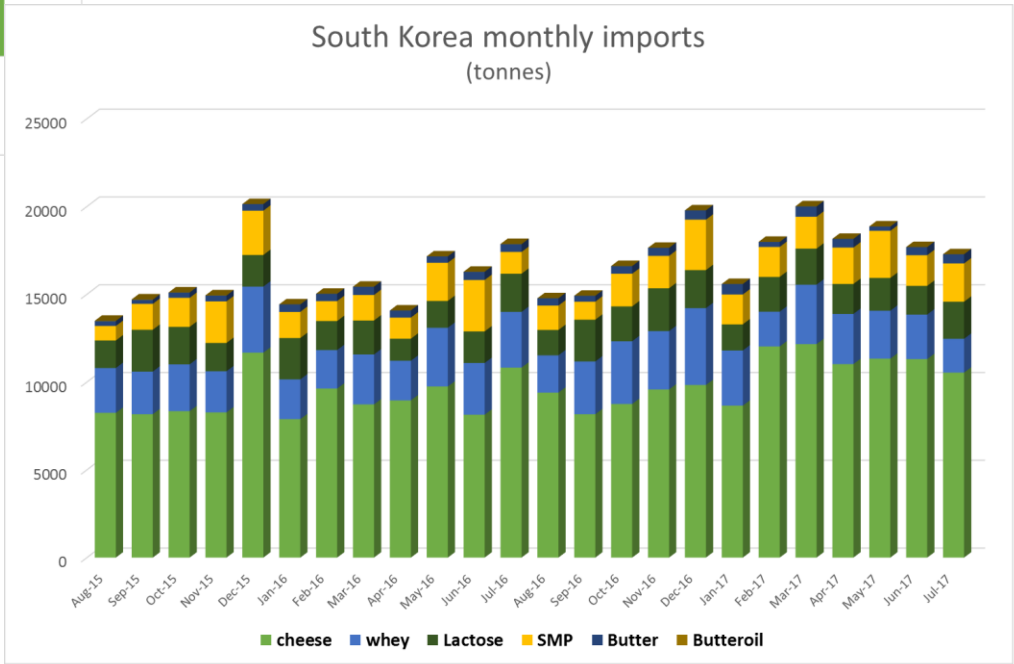
Mexico imports





South Korea imports





Conclusions

- **Global milk output is increasing** on the back of higher prices and further growth is expected in H2 2017 in all major export regions (in the US constant growth at 1,5 – 2%)
- **Continuously strong demand in China and South East Asia in H2 2017** would help absorb some of the increasing volumes. Demand in MENA countries is subdued.
- **EU exports** have performed well (especially cheese and SMP) but are getting **increasingly difficult due to stronger euro and weaker dollar** and competition from the US and NZ. The EU is currently the most expensive origin for all commodities.
- The **fat – protein price gap is larger** than ever (4:1). **Butter price elasticity has been stretched to the maximum but demand is expected to remain positive in the longer term** & prices will come down to lower level at some point
- Despite record **SMP** exports so far, prices have fallen below the intervention level again. The absence of a safety net will put even more weight on EU exports in the months to come
- **Cheese** remains the **most stable** market segment
- **Given the record dairyfat prices, the structural lag in the dairy supply-chain, growing global supplies and increased export competition, are we reaching a tipping point in the EU market balance?**

- Thank you for your attention -

ANNEX 4

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

EuroCommerce

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

Milk Market Observatory

26 September 2017

EuroCommerce
for retail & wholesale

Belgium

Product	August 2017 vs. August 2016 Consumer Price Index	Total 2016 vs. 2015 Consumer Price Index
Whole milk	+1.5%	+7.2%
Semi-skimmed milk	+4.2%	+6.9%
Concentrated and powdered milk	+5.0%	+2.7%
Yoghurt	+1.9%	+0.2%
Butter	+24.7%	+1.6%

Dairy Products	% change in volume	% change in value	% change in price
August 2017 vs. 2016	-1.0%	-0.8%	+0.3%
Total 2016 vs. 2015	-1.0%	-0.4%	+0.6%

Source: Nielsen ScanTrack

France

Period ending 3 September 2017

Product category	Volume (% change) 4 weeks period (P9‘16/P9 ‘17)	Volume (% change) Year on year (P9 ‘15-P9‘16 / P69‘16 –P9 ‘17)	Price (% change) 4 weeks period (P9‘16/P9 ‘17)	Price (% change) Year on year (P9 ‘15-P9 ‘16 / P9‘16 –P9 ‘17)
Total liquid milk	-6,5%	-4,4%	+3,9%	+0,9%
Of which UHT semi-skimmed milk	-9,5%	-6,5%	+2,2%	+0,3%
Yoghurt & fresh cheese	-2,5%	-1,3%	+1,2%	-0,5%
Butter	-1,7%	-1,7%	+11,4%	+2,8%
Cream	+6,2%	-2,4%	+2,7%	+0,3%
Cheese	+0,7%	+0,3%	+2,5%	+0,2%

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

EuroCommerce

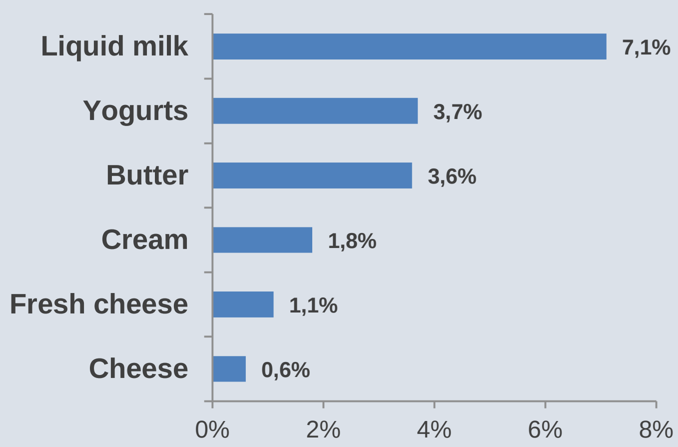
France

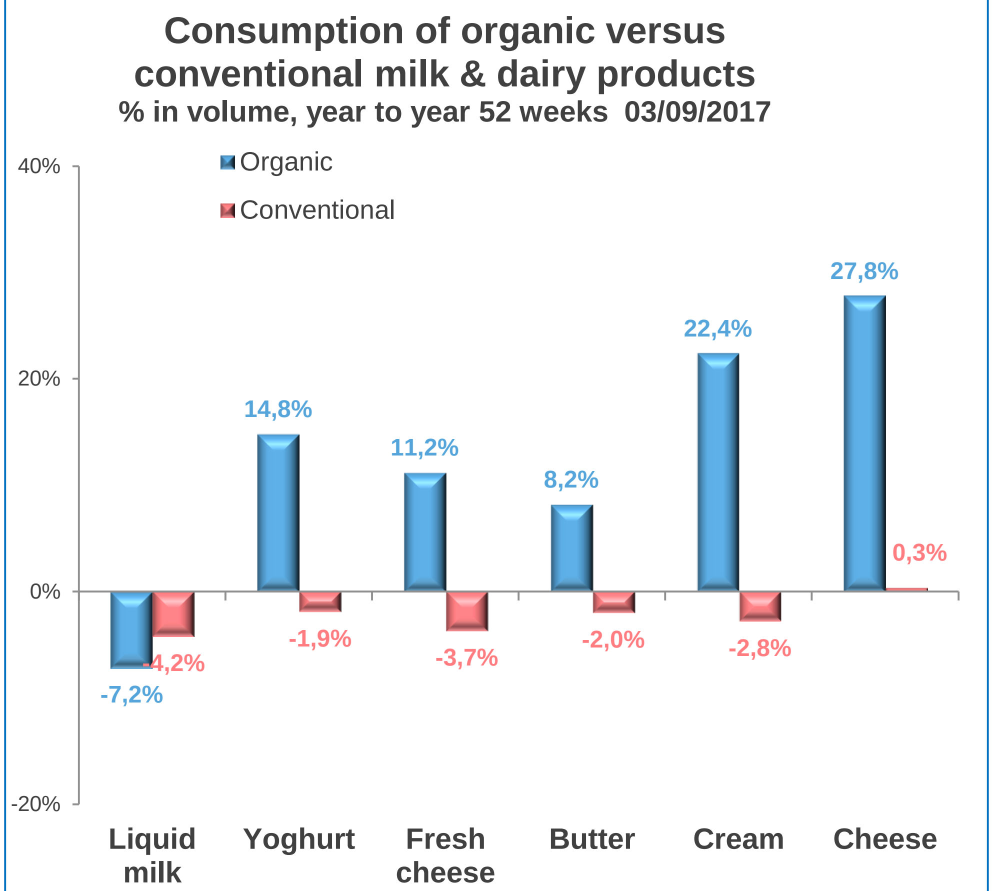
Sales of organic versus conventional milk & dairy products

Organic milk & dairy products

- Organic dairy products sales have continued to increase. The increase is registered for every product, **except liquid milk**. This decrease is due to the shortage of supply in France.

Organic *market* shares (% vol. 03/09/2017)





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

France

Butter market

The French butter market is still decreasing, but premium segments are increasing (AOP : +6,6%, organic : +5,8%).

Private labels are losing market share (sales decreased by 4,3%) while national brands increased (Elle & Vire : +10%).

Parts de marché

Premium ou pratique

	% CA	Évol. 1 an
Standard	60,5	- 1,9 %
Spécialités dont	17,2	+ 3,9 %
Sel de mer	6,4	- 0,1 %
AOP	5,4	+ 6,6 %
Bio	0,5	+ 5,8 %
Cru	0,7	+ 6,6 %
Tartinable	13,9	+ 2,0 %
Allégé	8,3	- 6,9 %
Total		- 0,9 %

Source : panels distributeurs d'après fabricant. Données sur 1 an arrêtées au 18 juin 2017 en hypers et supermarchés.

Les marques profitent

	% Vol.	Évol. 1 an
MDD	40 %	- 4,3 %
Président	17 %	+ 3,7 %
Paysan Breton	15 %	+ 2,8 %
Elle & Vire	9 %	+ 10,1 %
Grand Fermage	6 %	+ 2,0 %
Le Gall	1 %	+ 1,8 %
Les Tulipes	1 %	- 12,0 %
Autres	9 %	- 7,7 %

Source : panels distributeurs d'après fabricant. Données sur le beurre standard sur 1 an arrêtées au 21 mai 2017 en hypers et supermarchés.

EuroCommerce

Italy

Period: 2016 vs. 2015

Product category	VOLUME (2016 vs. 2015 % change)	VOLUME Q4 2016 vs Q4 2015	VALUE (2016 vs. 2015 % change)	VALUE Q4 2016 vs Q4 2015
Fresh milk	-3,5%	-0,4%	-4,4%	-1,7%
UHT milk	-3,1%	-3,2%	-6,8%	-6,1%
Yoghurt	+0,7%	0,0%	-1,0%	-1,8%
Fresh cheese(1)	+1,0%	+0,9%	-1,7%	-1,6%
Fresh dessert	+4,2%	+7,2%	+3,2%	+4,5%
Cheese(1)	+2,2%	+2,7%	+0,03%	+1,1%

Source: Market Track Nielsen

(1) Peso imposto

Italy

Period: 1H 2017 vs. 1H 2016

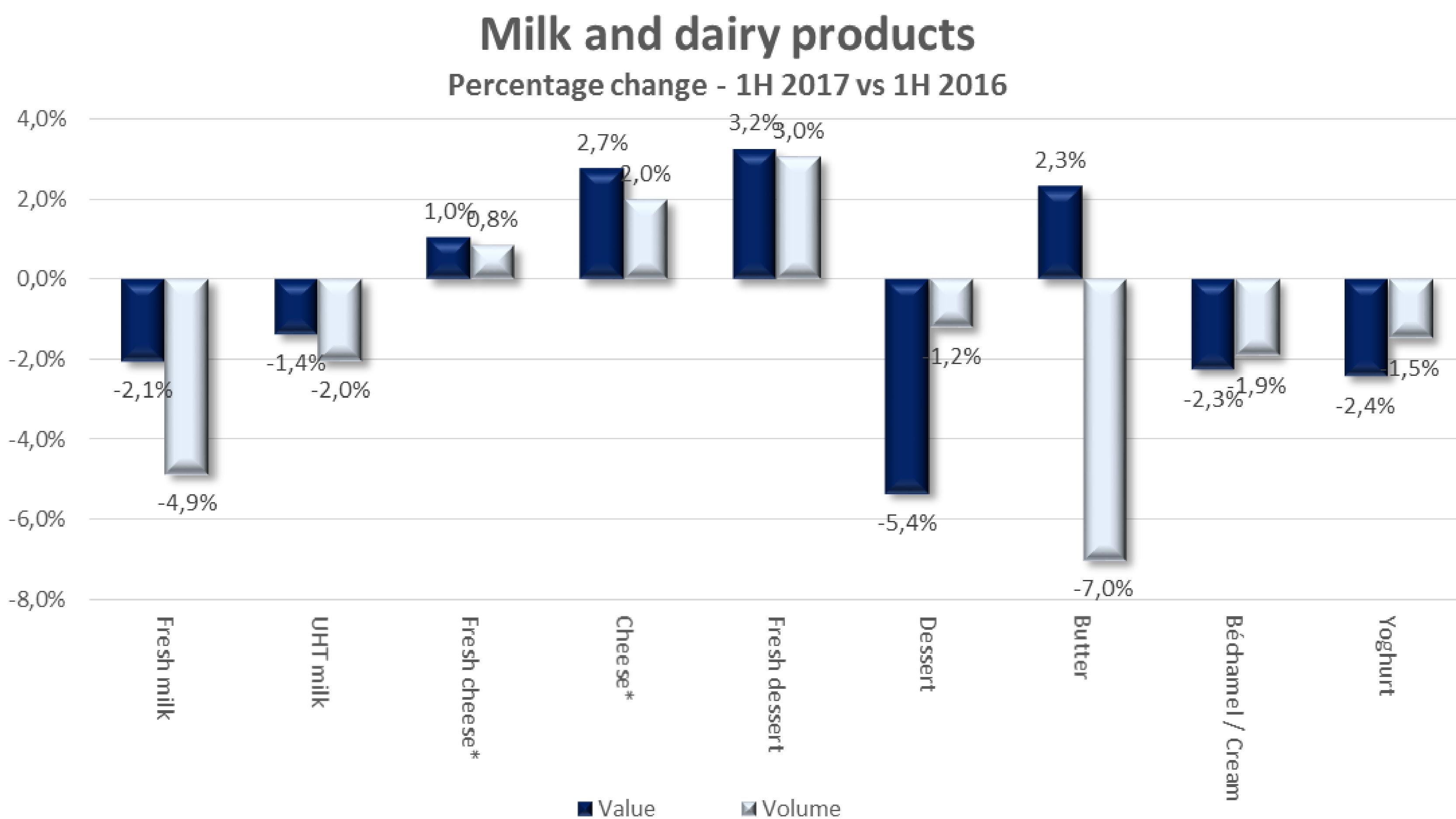
Product category	VOLUME (1H 2017 vs. 1H 2016 % change)	VOLUME (Q2 2017 vs Q2 2016 % change)	VALUE (1H2017 vs. 1H 20176 % change)	VALUE (Q2 2017 vs Q2 2016 % change)
Fresh milk	-4,9%	-5,3%	-2,1%	-1,2%
UHT milk	-2,0%	-1,7%	-1,4%	+0,3%
Fresh cheese(1)	+0,8%	+2,1%	+1,0%	+2,9%
Cheese(1)	+2,0%	+1,6%	+2,7%	+2,9%
Fresh dessert	+3,0%	+2,2%	+3,2%	+2,6%
Dessert	-1,2%	-3,5%	-5,4%	-8,0%
Butter	-7,0%	-4,4%	+2,3%	+5,7%
Béchamel / Cream	-1,9%	0,5%	-2,3%	0,4%
Yoghurt	-1,5%	-2,2%	-2,4%	-3,2%

Source: Market Track Nielsen
(1) Peso imposto

EuroCommerce

Italy

Period: 1H 2017 vs. 1H 2016



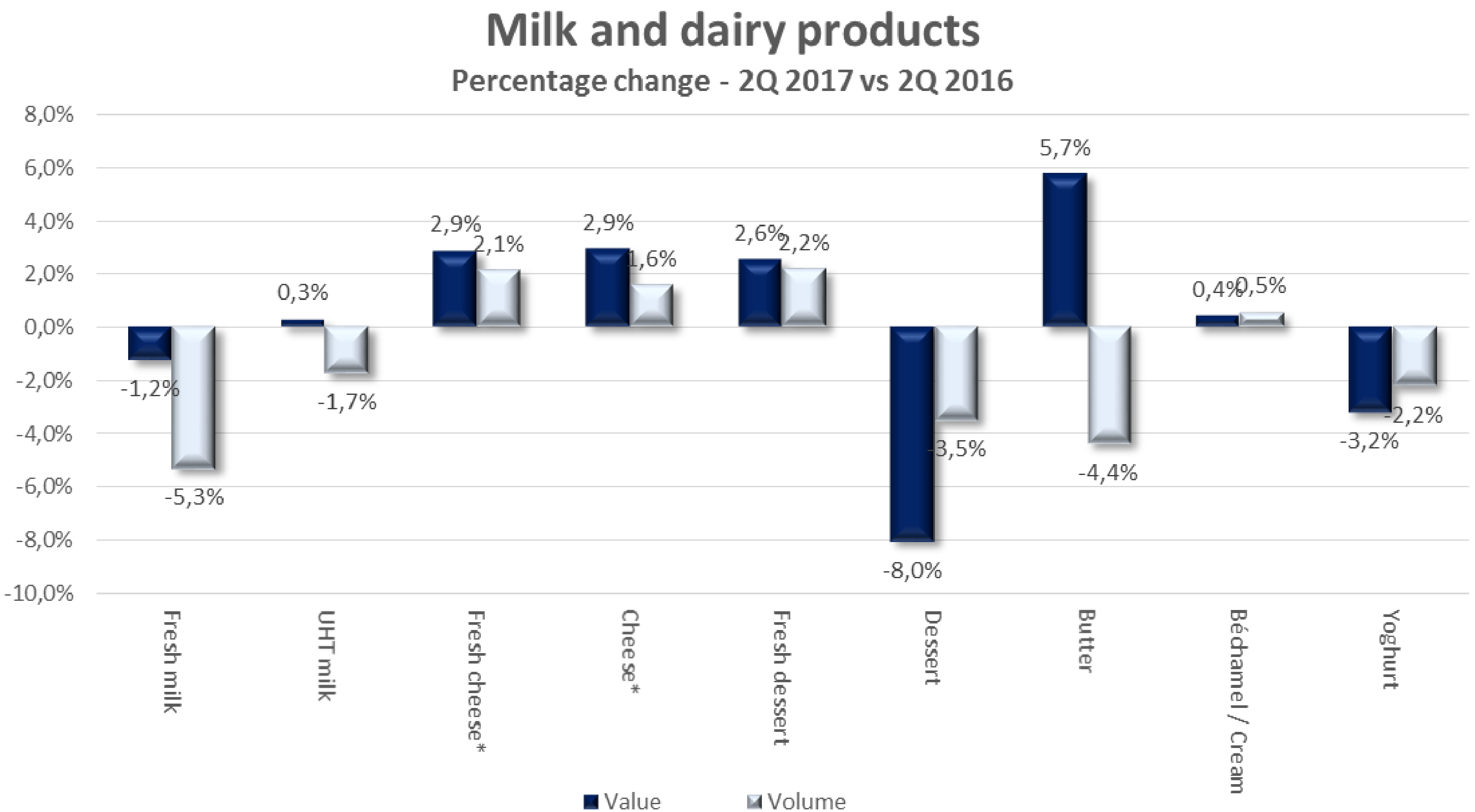
Source: Market Track Nielsen

* Peso imposto

EuroCommerce

Italy

Period: 2Q 2017 vs. 2Q 2016

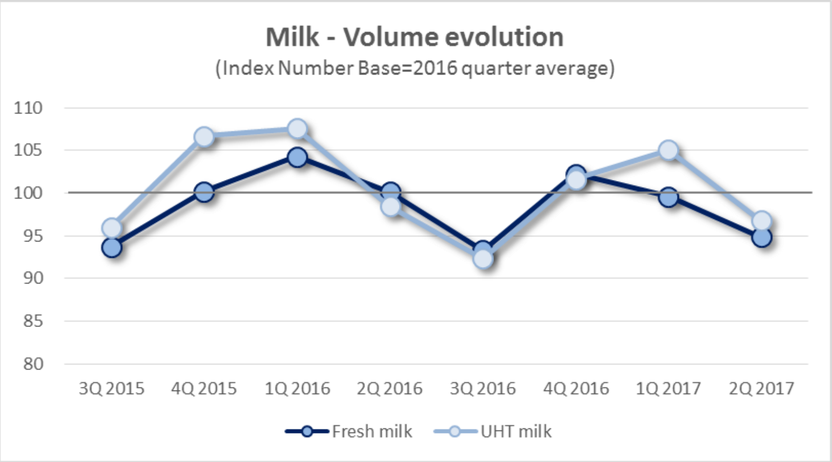


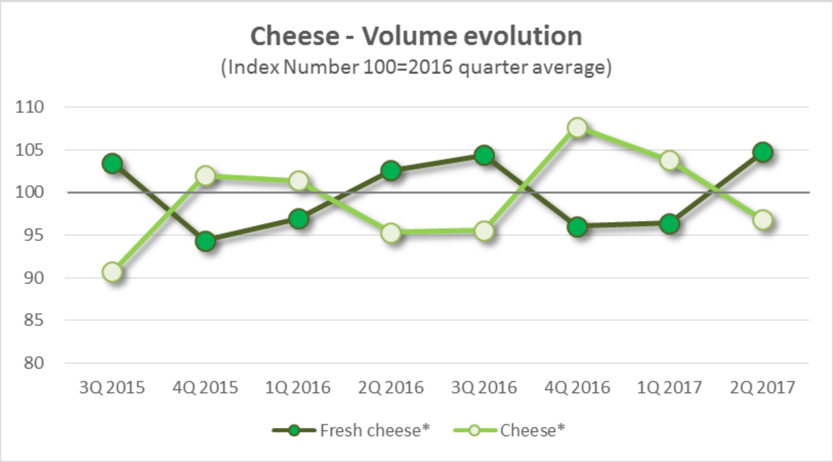
Source: Market Track Nielsen

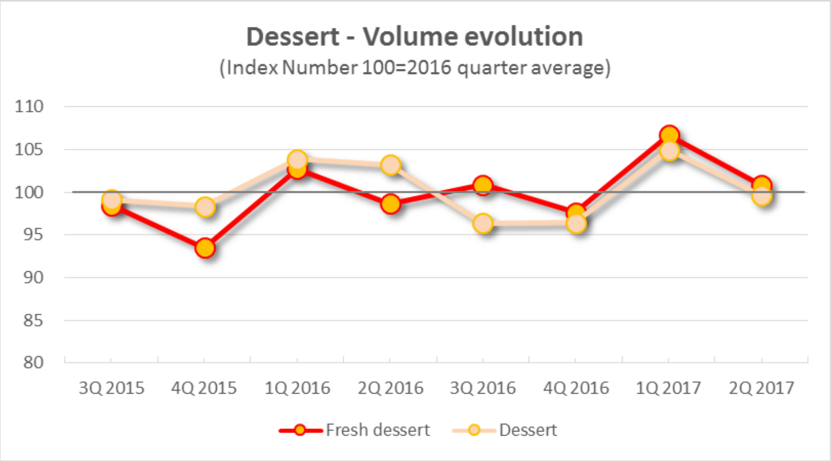
* Peso imposto

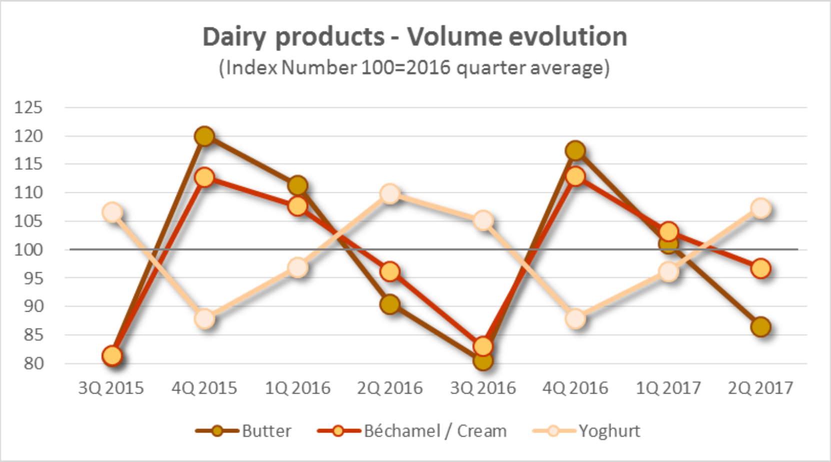
Italy

Milk and dairy products – Volume evolution





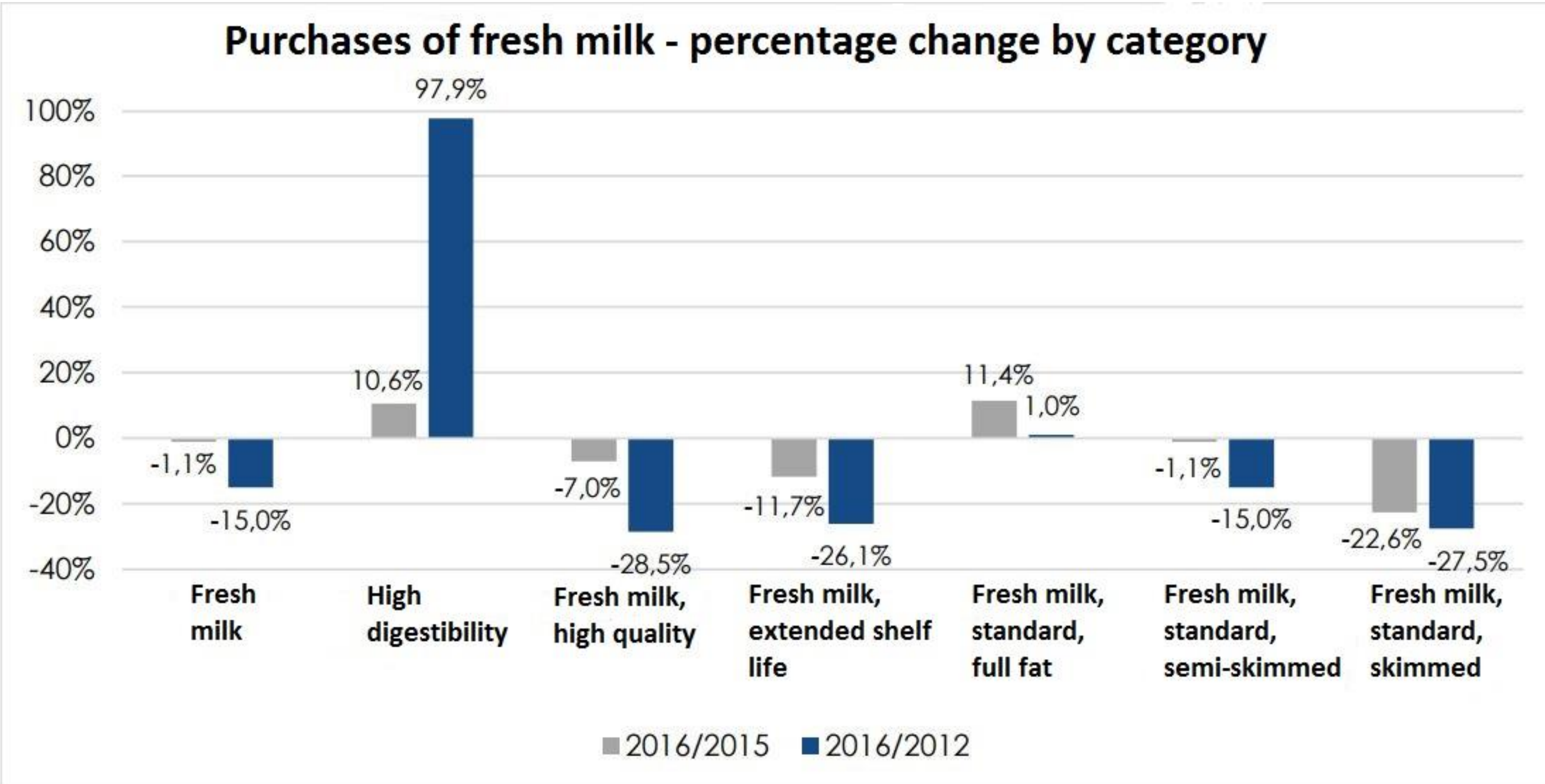




Source: Market Track Nielsen
* Peso imposto

EuroCommerce

Italy



Fonte: Elaborazioni Ismea su dati Nielsen Consumer Panel

Portugal

Period ending August 2017

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

Source: Nielsen

Portugal

Period 2016 vs 2015

Product category	Volume (% change)	Value (% change)
Fresh milk	-10,7%	-10,3%
UHT milk	-7,7%	-11,5%
Yoghurt	-2,1%	-0,1%
Fresh cheese	+1,6%	+0,6%
Butter	-1,2%	-3,7%
UHT cream	+0,9%	-0,5%
Fresh dessert	+13,1%	+14,7%
Cheese	+4,6%	+1,5%

Source: Nielsen

Spain

Period ending July 2017

Product category	Volumes (% change July 2017 vs July 2016)	Volumes (% change YTD July 2017)	Value (% change July 2017 vs July 2016)	Value (% change YTD July 2017)	Price (% change July 2017 vs July 2016)	Price (% change YTD July2017)
Standard liquid milk	-3.1%	-4.7%	-3.0%	-5.2%	+0.2%	-0.6%
Other types of milk	+7.6%	+5.6%	+4.0%	+0.3%	-3.4%	-5.0 %
Milkshakes	-2.7%	+0.8%	+4.4%	+4.5%	+7.3%	+3.7%
Yoghurts and fermented milk	+1.0%	0.0%	-1.3%	-2.4%	-2.2%	-2.4%
Fresh desserts	-2.5%	-4.0%	-1.4%	-3.0%	+1.1 %	+1.0%
Fresh cheese	+0.4%	-1.6%	+2.5%	-0.4%	+2.0%	+1.2%
Local, traditional cheese	+1.4%	+2.3%	+3.8%	+3.0%	+2.3%	+0.7%
Processed cheese	+4.1%	-0.9%	+3.9%	+0.5%	-0.2%	+1.4%
Imported [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Spain

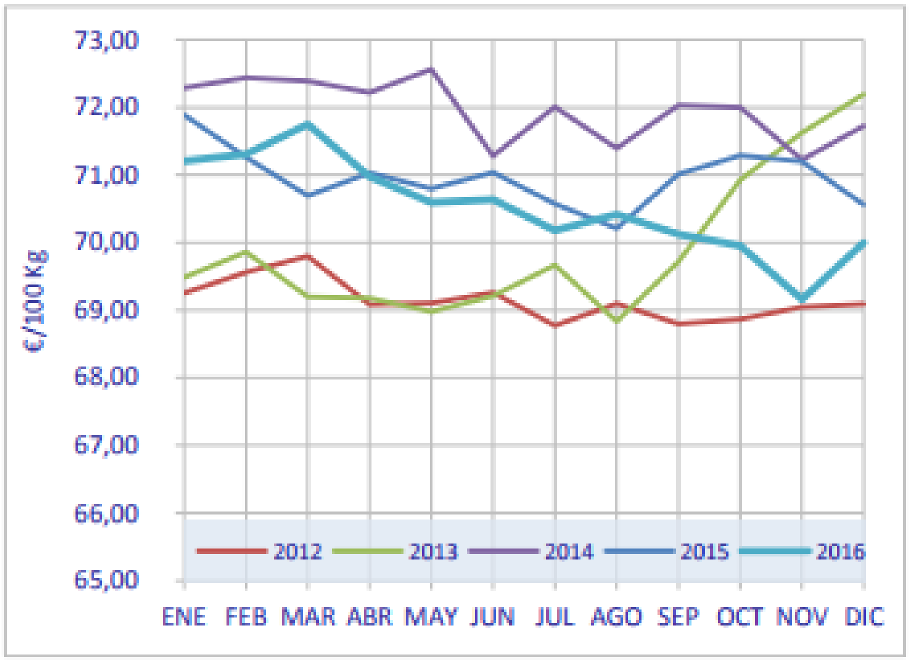
Period ending July 2017

Product category	Volumes (% change July 2017 vs July 2016)	Volumes (% change YTD July 2017)	Value (% change July 2017 vs July 2016)	Value (% change YTD July 2017)	Price (% change July 2017 vs July 2016)	Price (% change YTD July 2017)
Grated cheese	+7,6%	+2,6%	+10,1%	+4,5%	+2,3%	+1,8%
Other types of cheese	+9,5%	+4,1%	+9,9%	+3,8%	+0,3%	-0,3%
Cream	+2,2%	0,0%	+6,0%	+1,7%	+3,7%	+1,7%
Butter	+16,6%	+11,6%	+20,0%	+14,1%	+3,0%	+2,2%
Desserts and yoghurt with long conservation	-17,6%	-15,9%	-12,6%	-11,4%	+6,1%	+5,4%
Non-liquid milk	+2,2%	-2,4 %	-2,8%	-6,7%	-4,9%	-4,5%
Total dairy products	0,0%	-1,5%	+1,7%	-0,7%	+1,7%	+0,8%

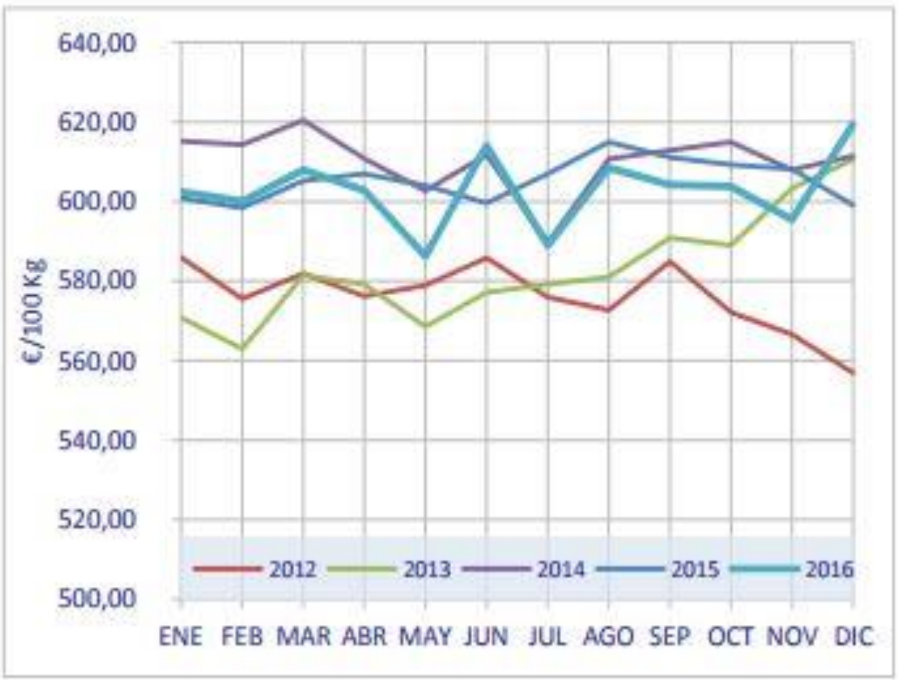
Source: Nielsen and FeNIL

Spain - retail price of fresh milk and butter

Fresh Milk



Butter

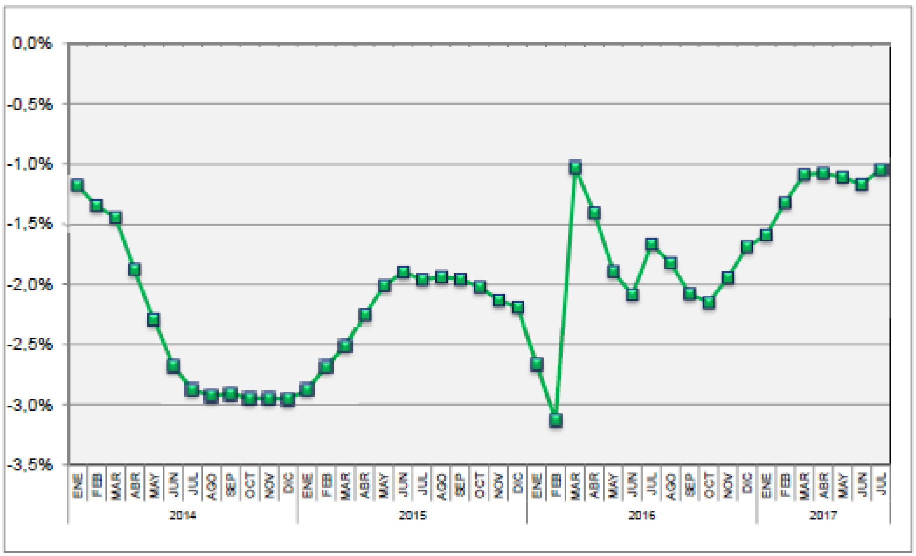


Source: Magrama

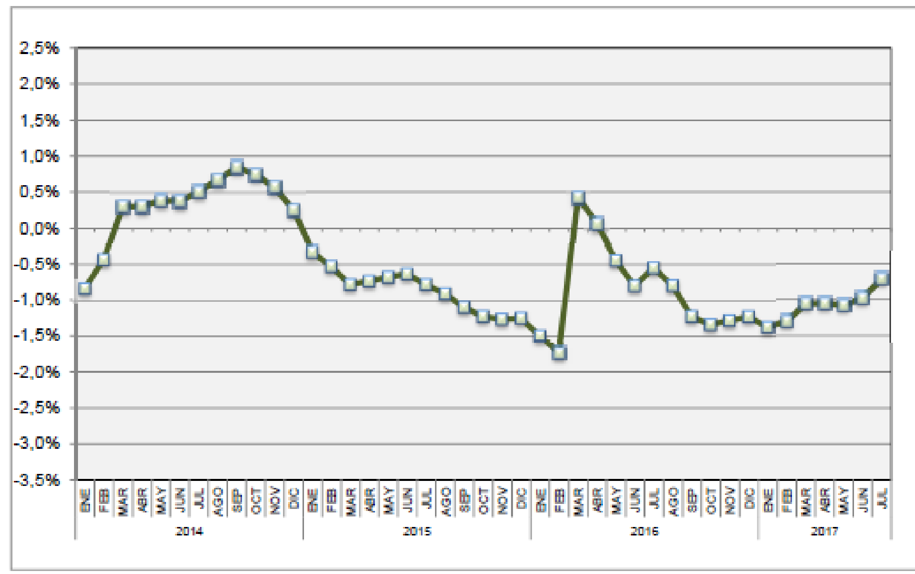
EuroCommerce

Spain

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



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



Source: Nielsen and FeNIL

Spain

Total leche líquida: % Distribución por canales

EuroCommerce

Spain

	Total liquid milk	Dairy products	Cheese
Volume (000s l) 2016	3.198.551,88	1.738.259,87	351.994,14
Variation 2016 vs 2015	-2,2%	-0,6%	+1,4%
Value (€000s) 2016	2.261.085,22	5.762.868,60	2.597.769,91
Variation 2016 vs 2015	-2,6%	-0,6%	+0,1%
Consumption per capita 2016	72,86	39,60	8,02
Variation 2016 vs 2015	-0,6%	1,0%	+3,1%

Source: Magrama

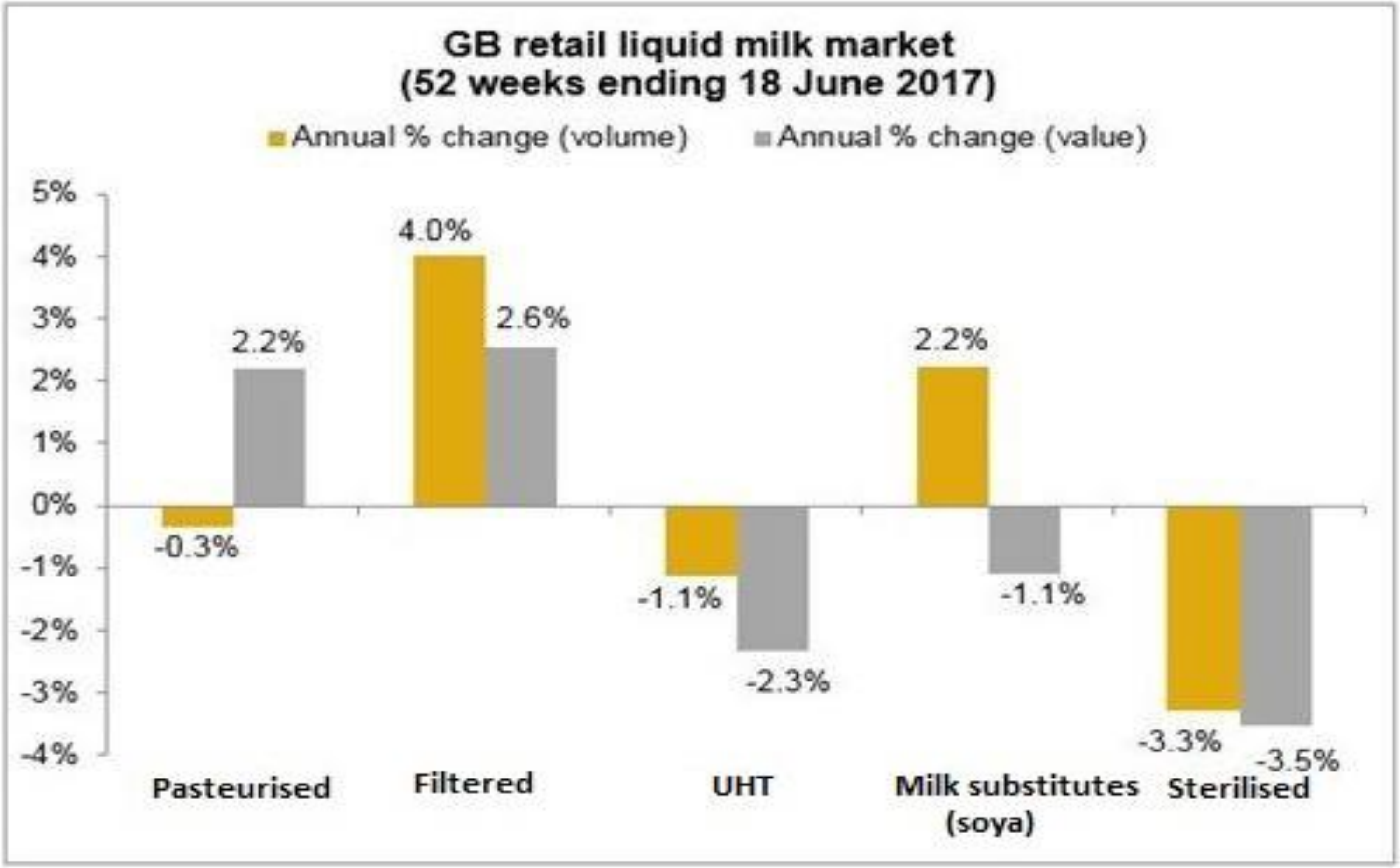
United Kingdom

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

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

EuroCommerce

United Kingdom



United Kingdom

unit price (p)		Aug-17	July-17	Month Diff.	Aug-16	**Annual Diff.**
Liquid milk†	Retail (4 pints)*	103	104	-1	102	**+1**
	Doorstep (1 pint)**	81	81	n/c	81	**n/c**

ppl		Jul-17	Jun-17	Month Diff.	Jul-16	**Annual Diff.**
Cream††	Total Cream	261	265	-4	239	**+22**
	Double Cream	228	234	-6	206	**+22**
	Single Cream	218	219	-1	194	**+24**

p/kg		Jul-17	Jun-16	Month Diff	Jul-16	**Annual Diff.**
Cheddar††	Total market	583	573	+10	571	**+12**
	Mature	578	561	+17	572	**+6**
	Mild	536	537	-1	515	**+21**

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

ANNEX 5

Farm economy focus by sector
(factsheets)
TF45 – dairy farms

European Commission

Farm economy focus by sector (factsheets)
TF45 – dairy farms

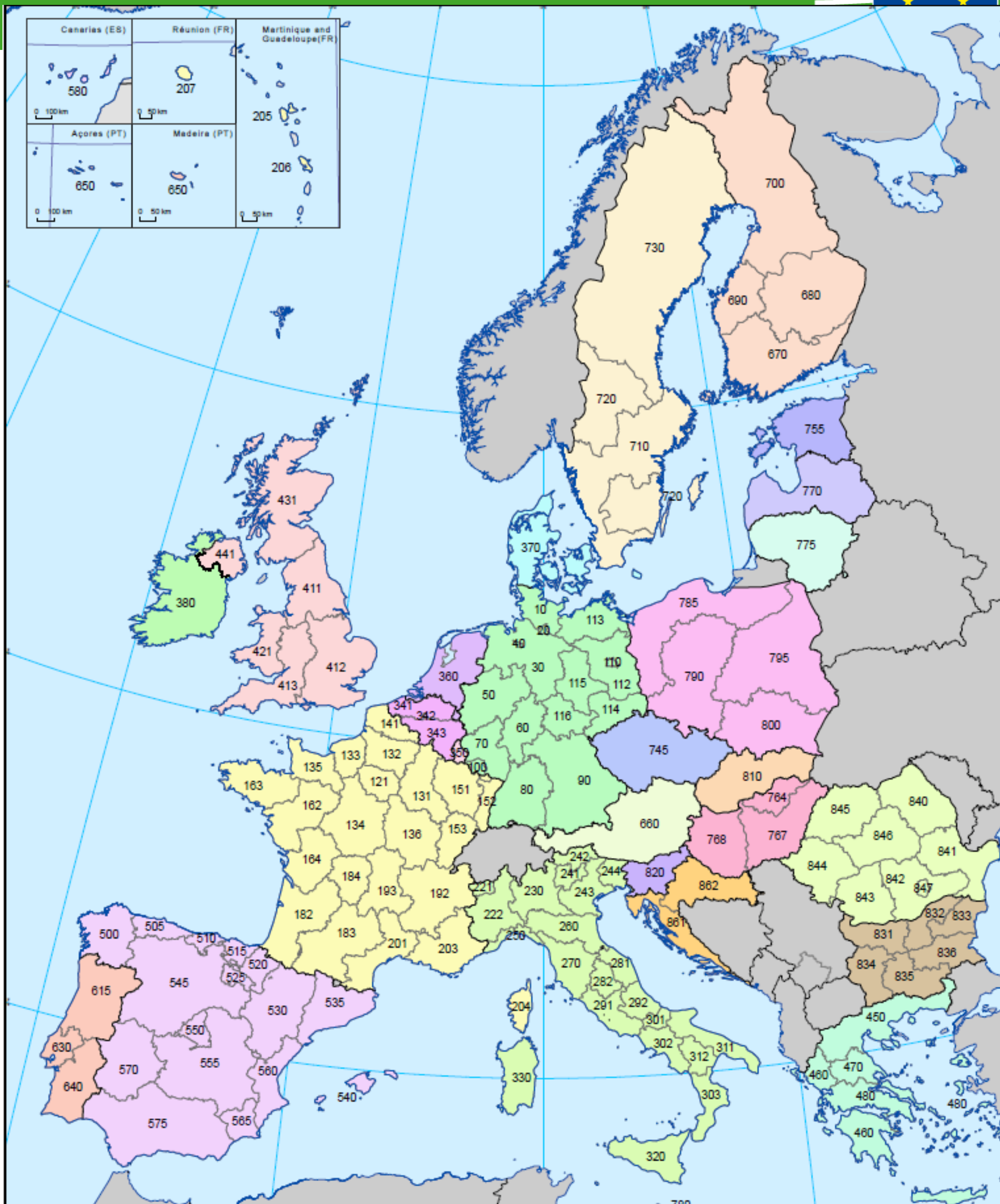
Milk Market Observatory, Brussels, September 26, 2017

FADN

European Commission

- Farm Accountancy Data Network – harmonised source on farm level data in the EU,
  - **Bookkeeping principles the same in all MS**
- To evaluate incomes of farms and CAP
- Commercial farms above certain thresholds
- Farms classified by Types of farming
- FADN regions
- Sample of over 80 thousands farms represent over 5 mln EU farms
  - **Covers about 90% of UAA and 90% of agricultural production**

Sectors and regions



14 sectors:

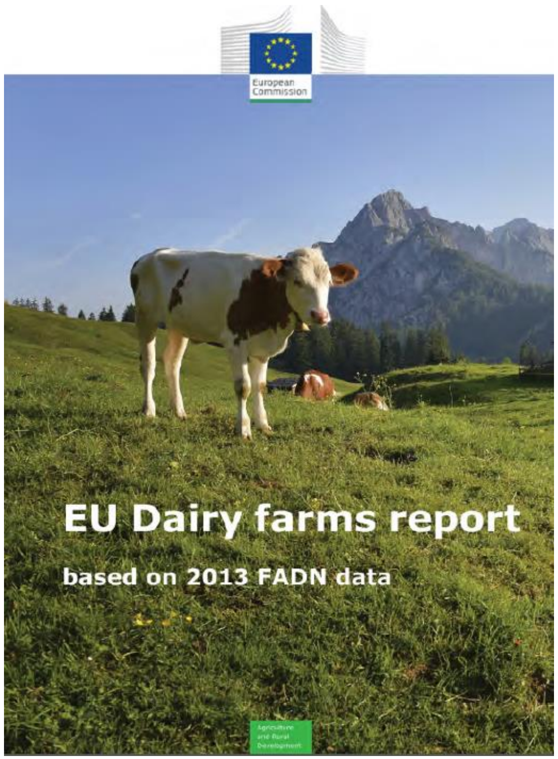
Specialist COP
Specialist other fieldcrops
Specialist horticulture
Specialist wine
Specialist orchards - fruits
Specialist olives
Permanent crops combined
Specialist milk
Specialist sheep and goats
Specialist cattle
Specialist granivores
Mixed crops
Mixed livestock
Mixed crops and livestock

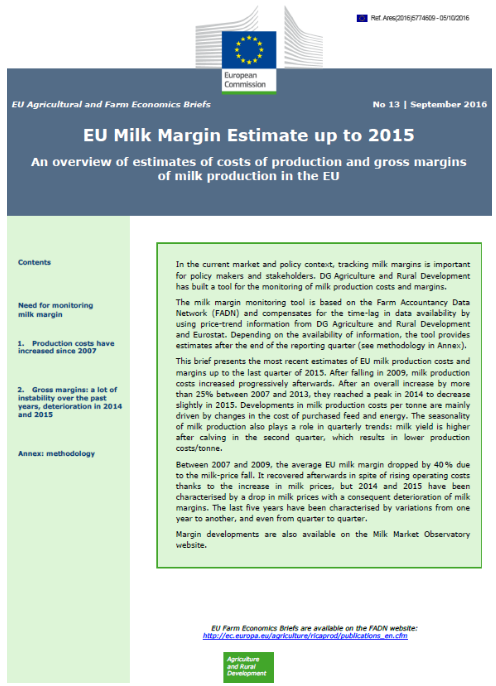
Online database

http://ec.europa.eu/agriculture/rica/database/database_en.cfm

- Dynamic reporting tool or standard reports
- Available data from 2004
- Circa 150 Standard variables (out of over 2000 from the database)

Publications related to dairy farms





Ref. Ares(2016)5774609 - 05/10/2016

European Commission

EU Agricultural and Farm Economics Briefs — No 13 | September 2016

EU Milk Margin Estimate up to 2015

An overview of estimates of costs of production and gross margins of milk production in the EU

Contents

In the current market and policy context, tracking milk margins is important for policy makers and stakeholders. DG Agriculture and Rural Development has built a tool for the monitoring of milk production costs and margins.

The milk margin monitoring tool is based on the Farm Accountancy Data Network (FADN) and compensates for the time-lag in data availability by using price-trend information from DG Agriculture and Rural Development and Eurostat. Depending on the availability of information, the tool provides estimates after the end of the reporting quarter (see methodology in Annex).

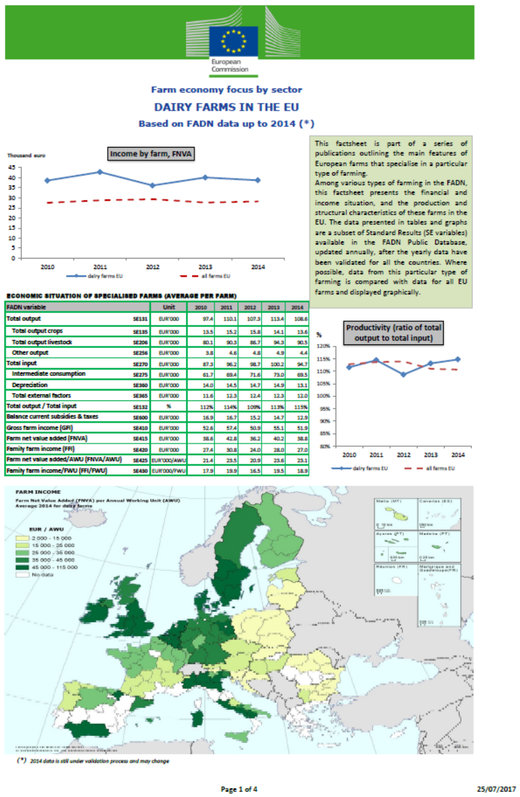
This brief presents the most recent estimates of EU milk production costs and margins up to the last quarter of 2015. After falling in 2009, milk production costs increased progressively afterwards. After an overall increase by more than 25% between 2007 and 2013, they reached a peak in 2014 to decrease slightly in 2015. Developments in milk production costs per tonne are mainly driven by changes in the cost of purchased feed and energy. The seasonality of milk production also plays a role in quarterly trends: milk yield is higher after calving in the second quarter, which results in lower production costs/tonne.

Between 2007 and 2009, the average EU milk margin dropped by 40 % due to the milk-price fall. It recovered afterwards in spite of rising operating costs thanks to the increase in milk prices, but 2014 and 2015 have been characterised by a drop in milk prices with a consequent deterioration of milk margins. The last five years have been characterised by variations from one year to another, and even from quarter to quarter.

Margin developments are also available on the Milk Market Observatory website.

EU Farm Economics Briefs are available on the FADN website:
http://ec.europa.eu/agriculture/ricaprod/publications_en.cfm

Agriculture and Rural Development



European Commission

Farm economy focus by sector

DAIRY FARMS IN THE EU

Based on FADN data up to 2014 (*)

This factsheet is part of a series of publications outlining the main features of European farms that specialise in a particular type of farming.
Among various types of farming in the FADN, this factsheet presents the financial and income situation, and the production and structural characteristics of these farms in the EU. The data presented in tables and graphs are a subset of Standard Results (SE variables) available in the FADN Public Database, updated annually, after the yearly data have been validated for all the countries. Where possible, data from this particular type of farming is compared with data for all EU farms and displayed graphically.

ECONOMIC SITUATION OF SPECIALISED FARMS (AVERAGE PER FARM)

FADN variable		Unit	2010	2011	2012	2013	2014
Total output	SE131	EUR'000	97.4	110.1	107.3	113.4	108.6
Total output crops	SE135	EUR'000	13.5	15.2	15.8	14.1	13.6
Total output livestock	SE206	EUR'000	80.1	90.3	86.7	94.3	90.5
Other output	SE256	EUR'000	3.8	4.6	4.8	4.9	4.4
Total input	SE270	EUR'000	87.3	96.2	98.7	100.2	94.7
Intermediate consumption	SE275	EUR'000	61.7	69.4	71.6	73.0	69.5
Depreciation	SE360	EUR'000	14.0	14.5	14.7	14.9	13.1
Total external factors	SE365	EUR'000	11.6	12.3	12.4	12.3	12.0
Total output / Total input	SE132	%	112%	114%	109%	113%	115%
Balance current subsidies & taxes	SE600	EUR'000	16.9	16.7	15.2	14.7	12.9
Gross farm income (GFI)	SE410	EUR'000	52.6	57.4	50.9	55.1	51.9
Farm net value added (FNVA)	SE415	EUR'000	38.6	42.8	36.2	40.2	38.8
Family farm income (FFI)	SE420	EUR'000	27.4	30.8	24.0	28.0	27.0
Farm net value added/AWU (FNVA/AWU)	SE425	EUR'000/AWU	21.4	23.5	20.9	23.6	23.1
Family farm income/FWU (FFI/FWU)	SE430	EUR'000/FWU	17.9	19.9	16.5	19.5	18.9

(*) 2014 data is still under validation process and may change

Page 1 of 4 — 25/07/2017

Farm economy focus by sector (factsheets) is a concise 4-paged sample of database with graphs and maps for the main sectors of EU agriculture

Purpose: inform, and encourage the use of FADN results available online in the database
Advantages: facilitated access to key farm results by sector; little effort to produce.

Factsheets

- *11 EU factsheets*
- *82 MS factsheets*
    - **dairy farms for 19 MS**
    - **COP farms for 13 MS**
    - **granivores for 10 MS**
    - **cattle farms for 8 MS**
    - **horticulture farms for 7 MS**
    - **sheep and goats farms for 6 MS**
    - **mixed farms for 5 MS**
    - **other fieldcrops farms for 4 MS**
    - **wine farms for 4 MS**
    - **fruits farms for 3 MS**
    - **olives farms for 3 MS**

2 criteria:

i) 3 MS with the greatest share of the standard output in the EU sector (DE, FR and NL in case of dairy farms),

ii) Sectors with the greatest share of standard output in each MS,

Europa website

European Commission

Farm economy focus

The series below consists of factsheets outlining the main features of European farms by country, by type of farming, or by a combination of the two.

The factsheets summarize the income level, financial situation, production and structural characteristics of farms, based on data from the Farm Accountancy Data Network (FADN) for a given period of years.

The factsheets will be updated annually.

Farm economy focus by member states EN | •••

Farm economy focus by sector

- horticulture EN | •••
- wine EN | •••
- fruit EN | •••
- COP (cereals, oilseeds and protein crops) EN | •••
- other field crops EN | •••
- granivores (pigs and poultry) EN | •••
- olives EN | •••
- milk EN | •••
- sheep and goats EN | •••
- cattle EN | •••
- mixed farming EN | •••

Farm economy focus by member states and sector

MS / sector	COP (cereals, oilseeds and protein crops) (15)	other fieldcrops (16)	horticulture (20)	wine (35)	fruit (36)	olives (37)	milk (45)	sh			
Belgium			PDF								
Bulgaria	PDF										
Cyprus		PDF									
Czech Republic	PDF										
Denmark							PDF				
Germany	PDF	PDF	PDF				PDF				
Greece						PDF					
Spain	PDF		PDF	PDF	PDF	PDF					
Estonia	PDF						PDF				
France	PDF	PDF	PDF	PDF	PDF		PDF				
Croatia							PDF				
Hungary	PDF										
Ireland							PDF				
Italy		PDF	PDF	PDF	PDF	PDF	PDF	PDF	PDF	PDF	
Lithuania	PDF						PDF				
Luxembourg							PDF		PDF		
Latvia	PDF						PDF				
Malta			PDF							PDF	
Netherlands			PDF				PDF				
Austria							PDF			PDF	
Poland							PDF				PDF
Portugal				PDF			PDF				
Romania	PDF							PDF			
Finland	PDF						PDF				
Sweden							PDF		PDF		
Slovakia	PDF						PDF				
Slovenia							PDF		PDF		
United Kingdom	PDF						PDF	PDF	PDF		

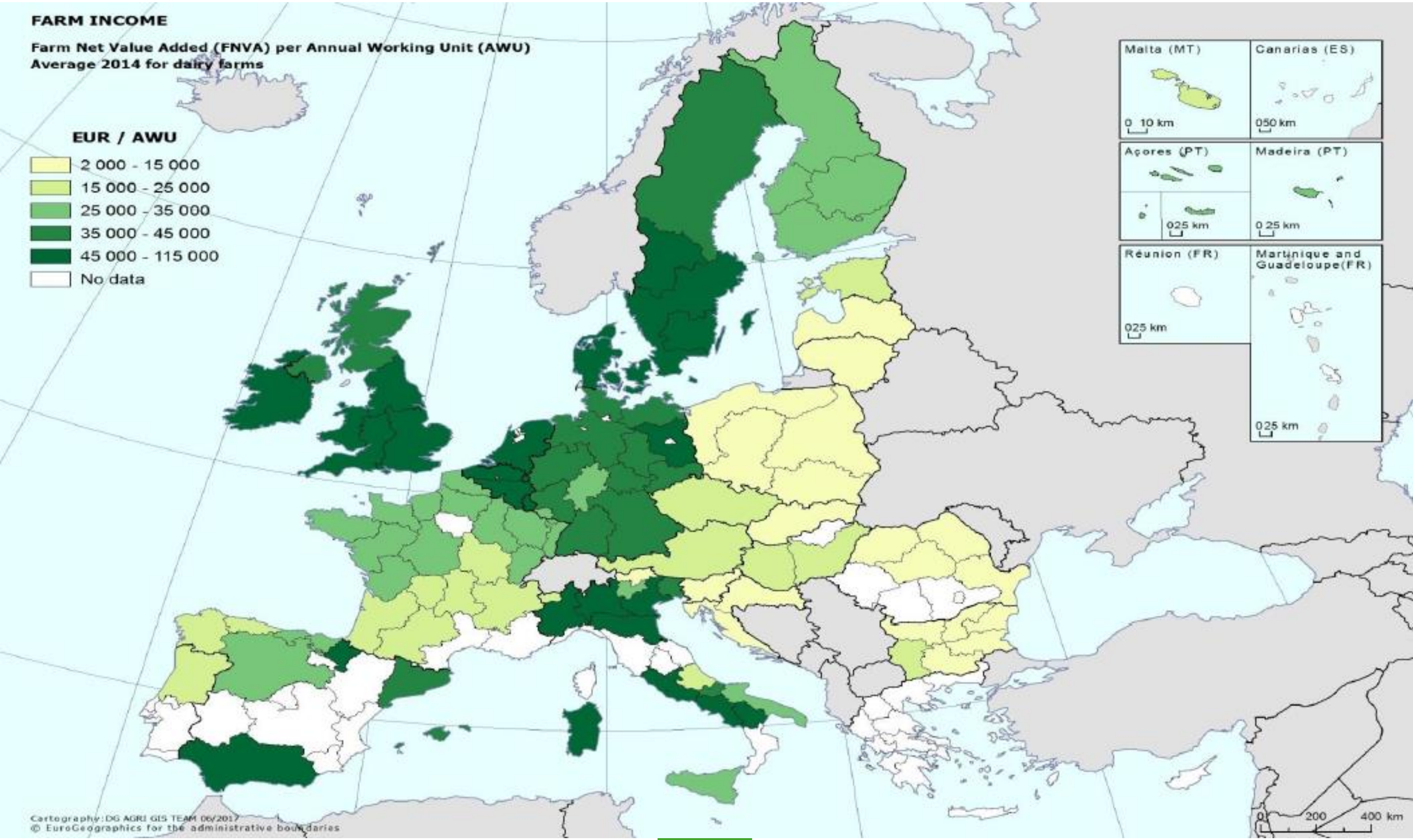
Content

European Commission

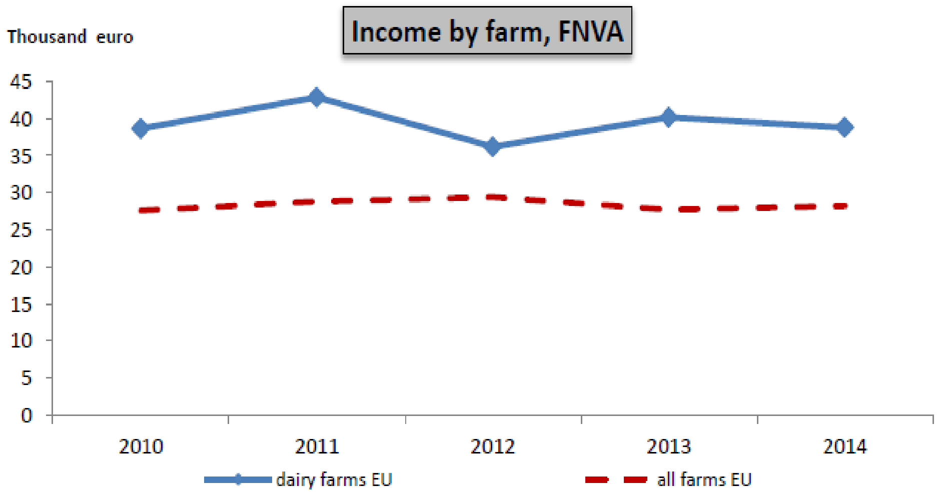
- *Economic situation (total output, total input, main income indicators)*
- *Subsidies, liabilities, net worth*
- *Detailed output and detailed input*
- *Structural information, LU, UAA, assets*
- *Graphs, maps*

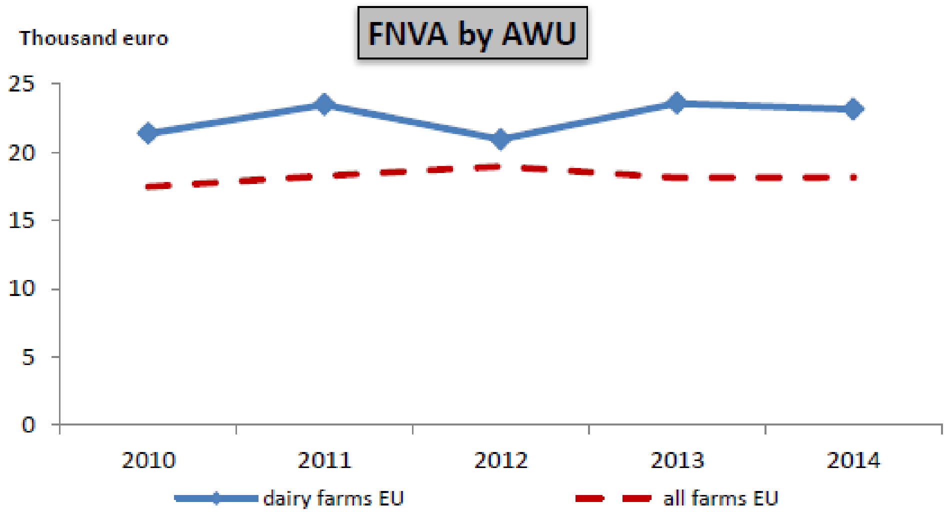
Income (FNVA) per AWU by regions in 2014

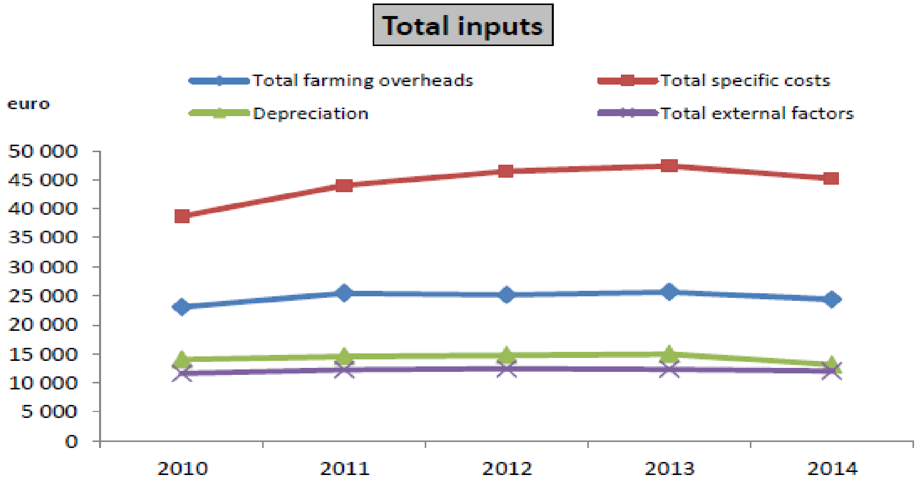
European Commission

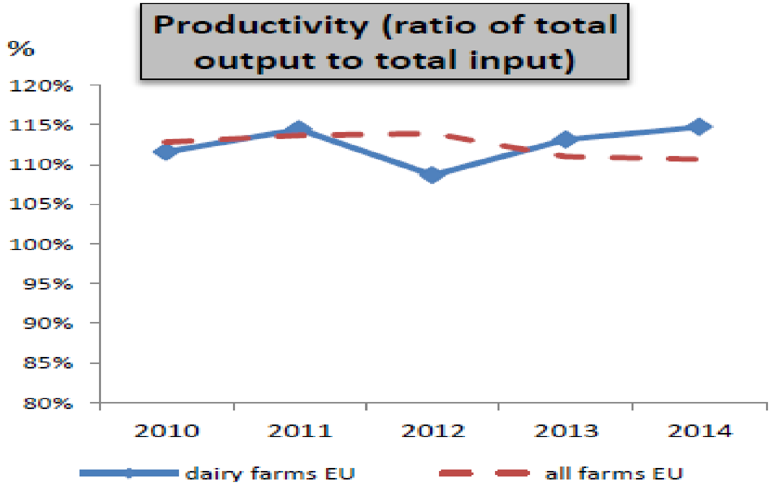


From EU dairy factsheet

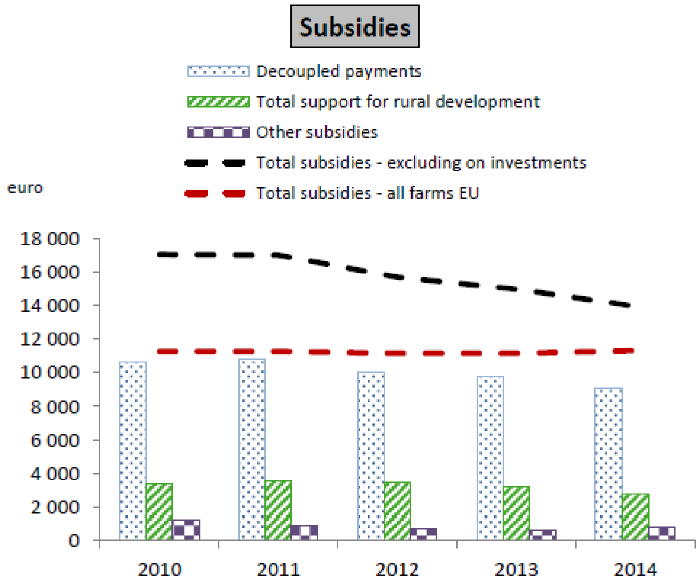


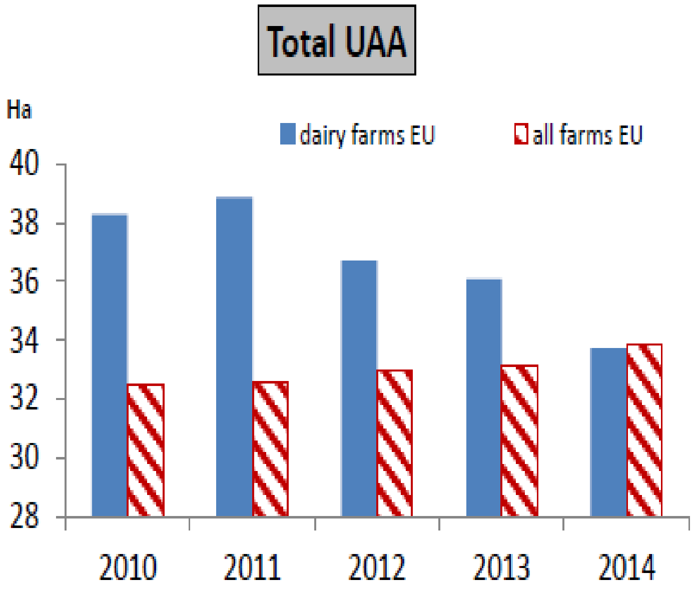


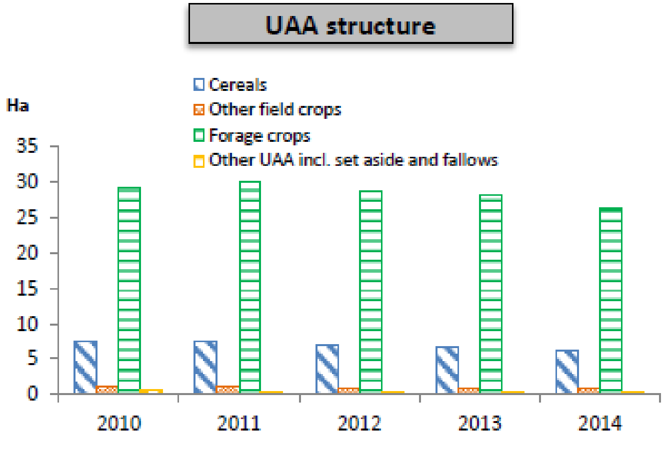


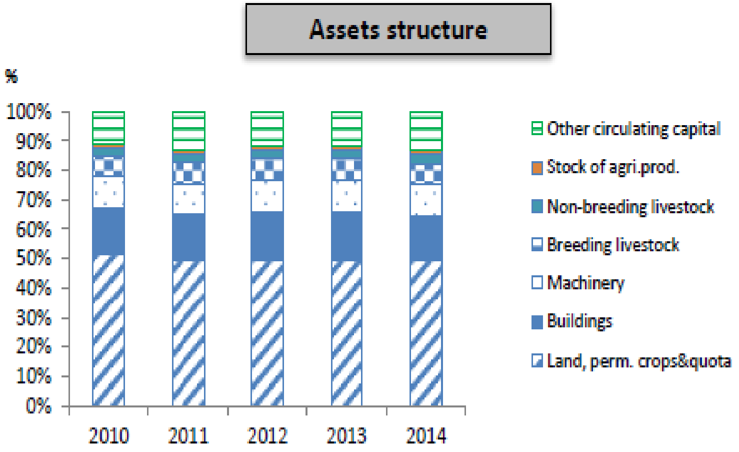


From EU dairy factsheet



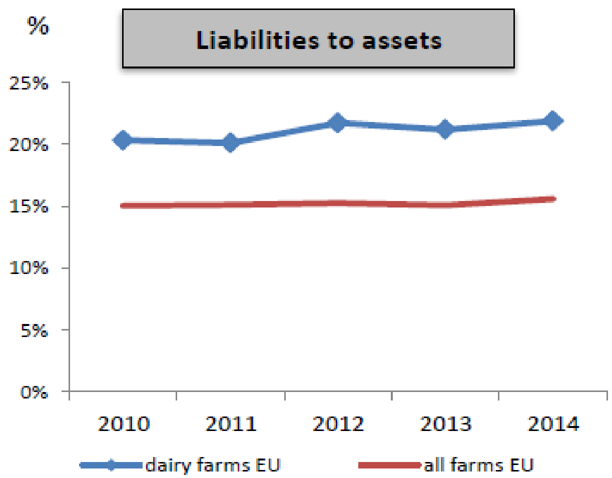


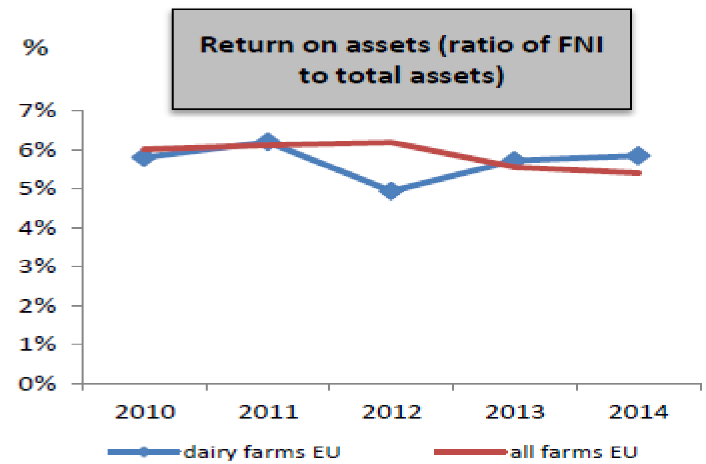




From EU dairy factsheet

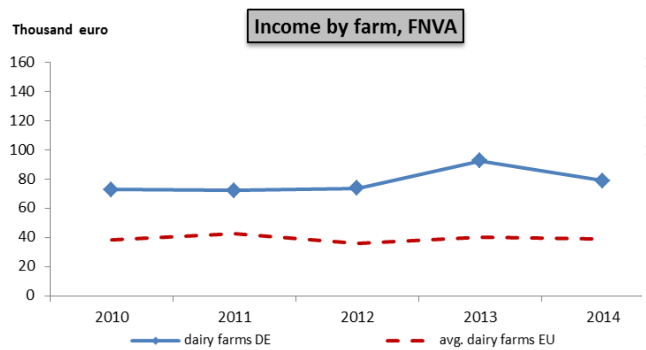
European Commission





Income by farm comparison for several MS

European Commission



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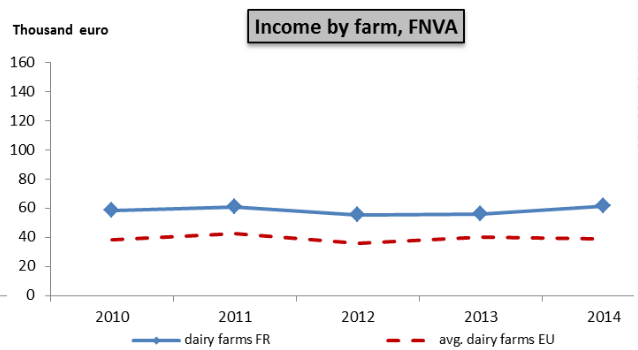

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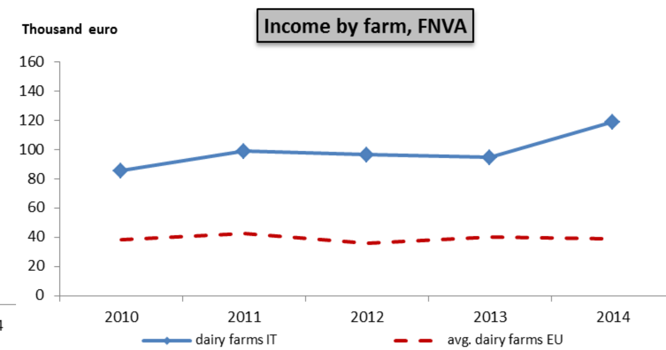

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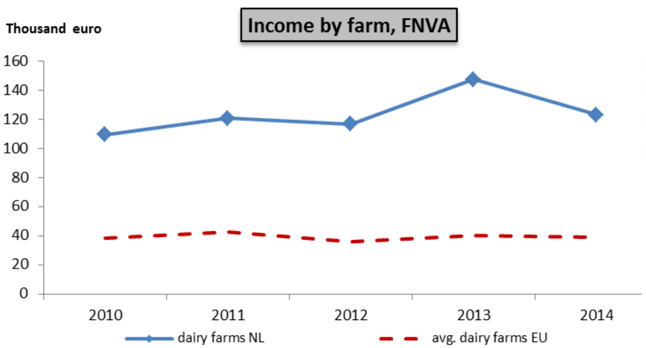

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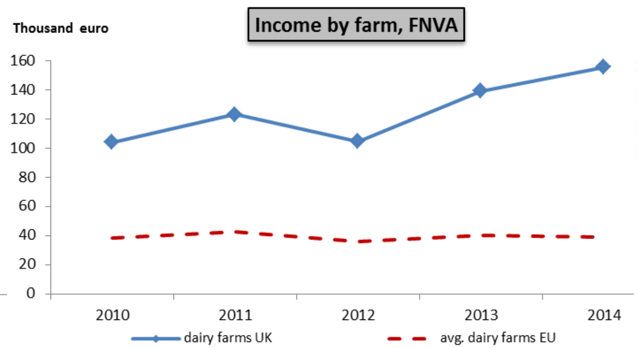

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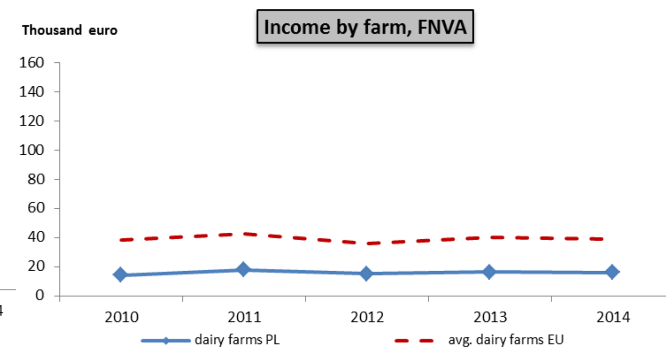
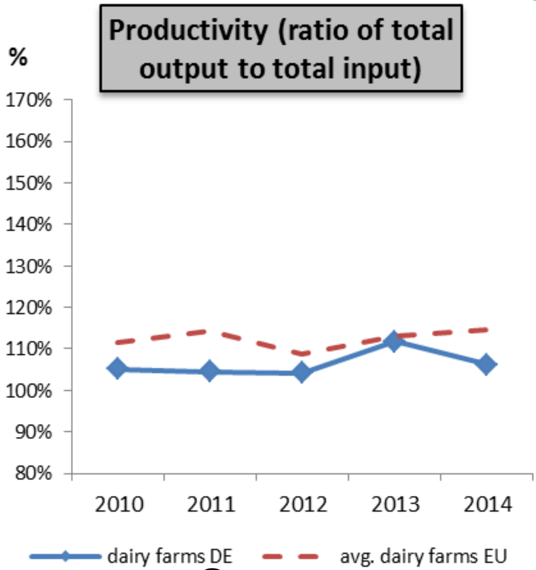


Poland

Productivity – comparison for several MS



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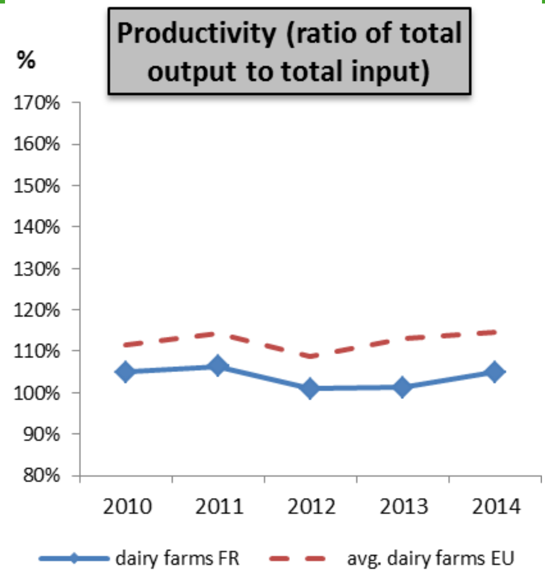

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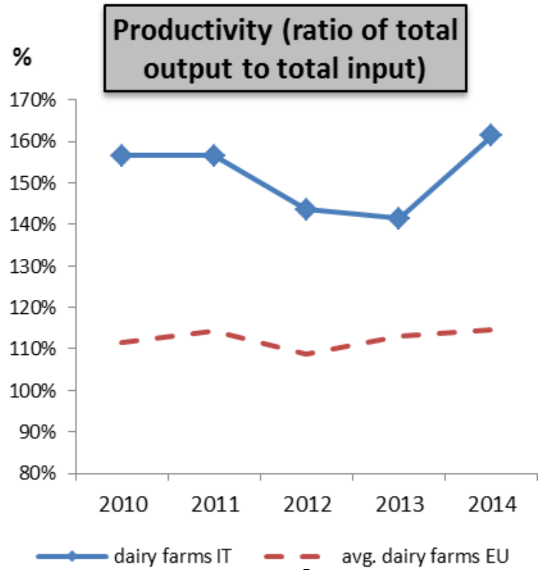

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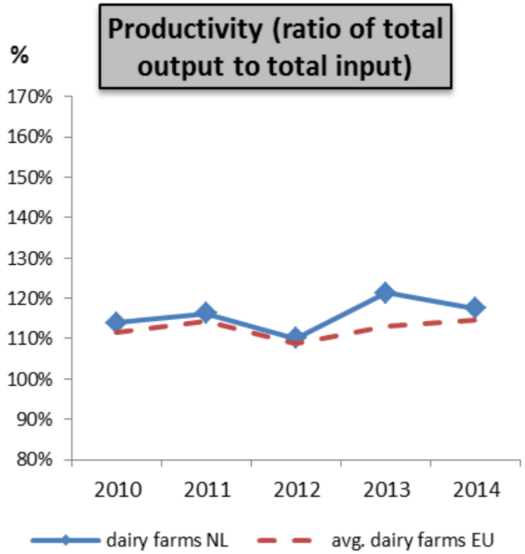

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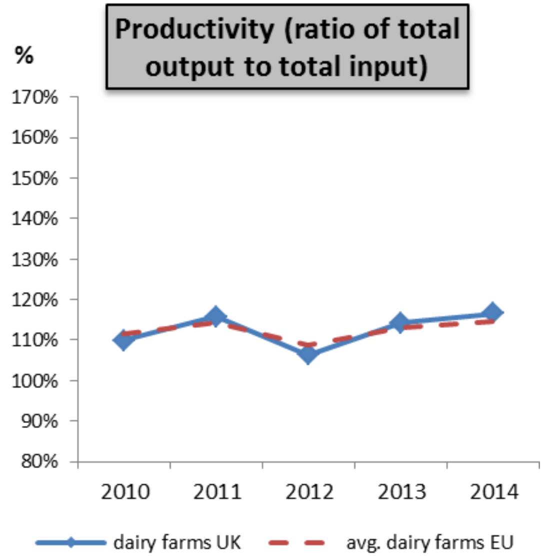

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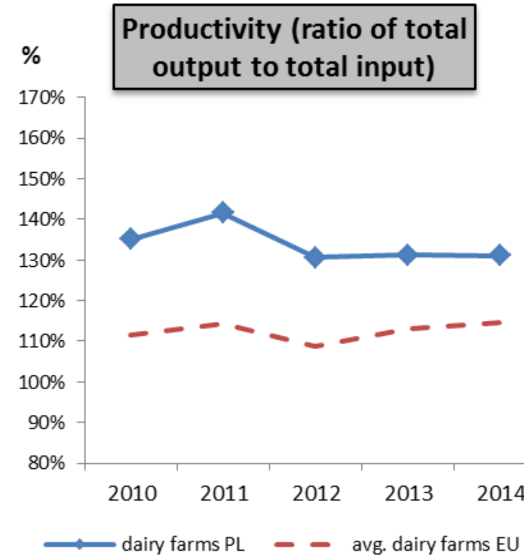

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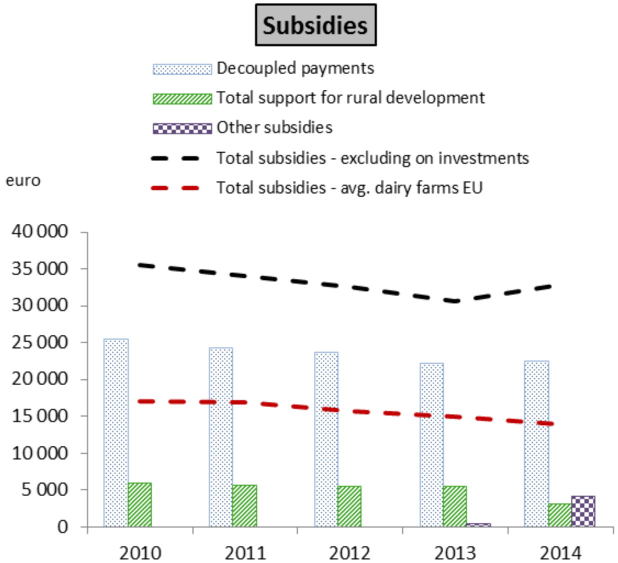

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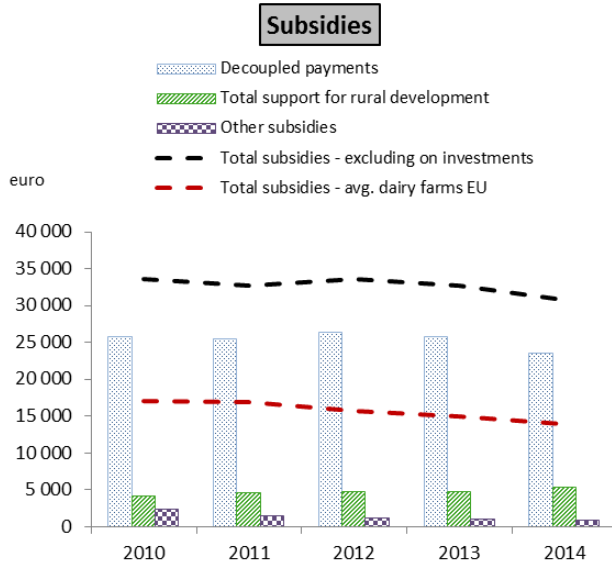

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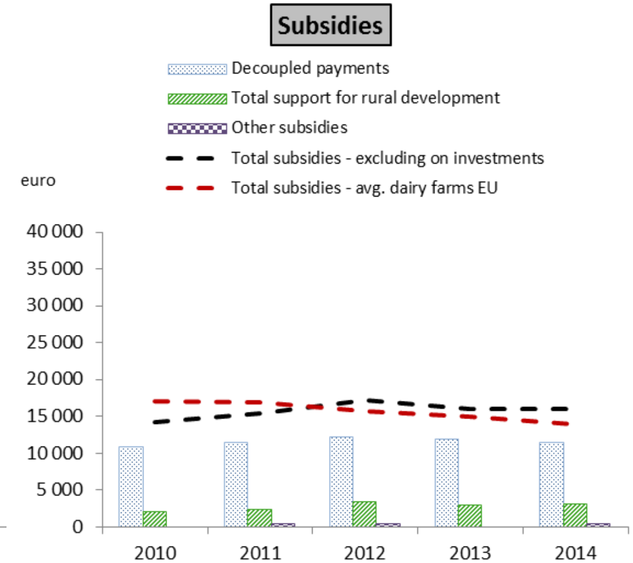

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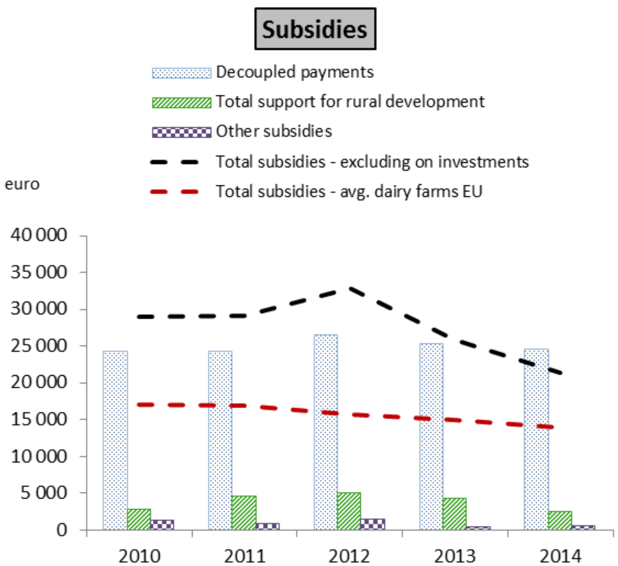

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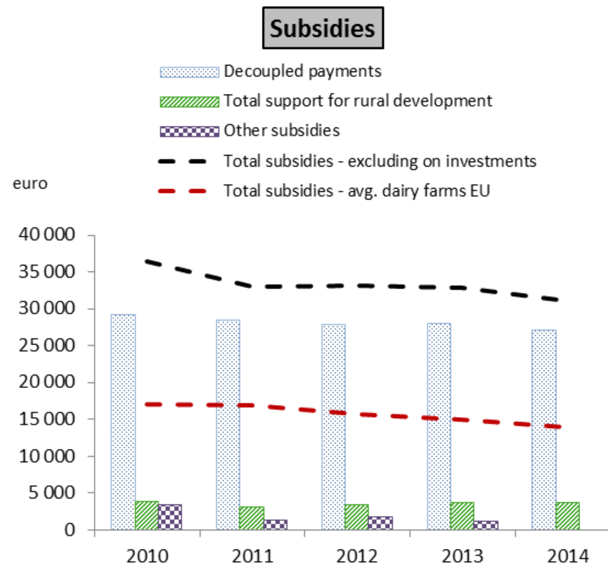

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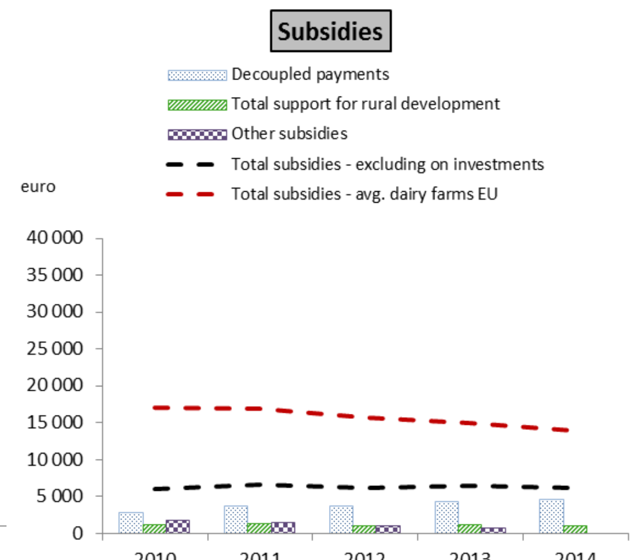
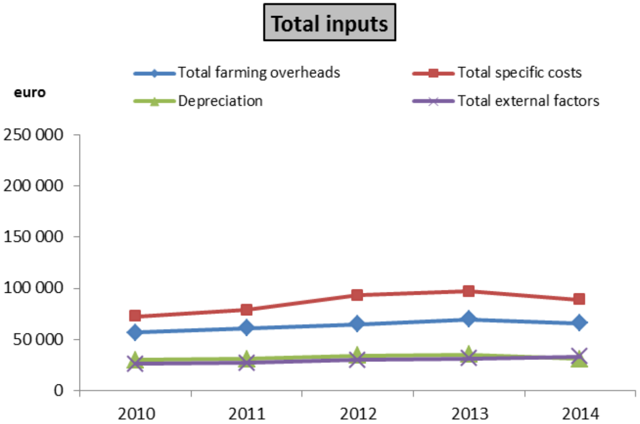


Poland

Main input components – comparison for several MS

European



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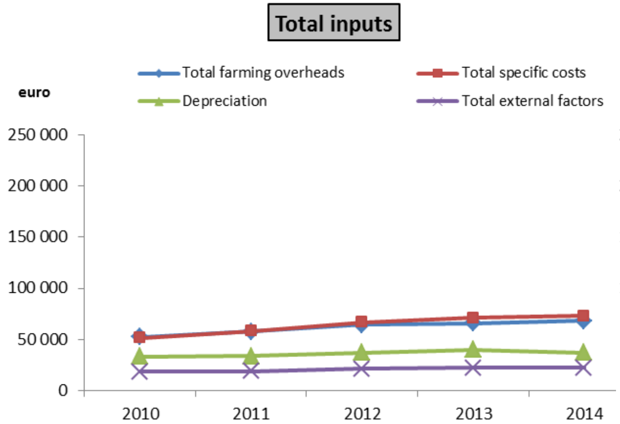

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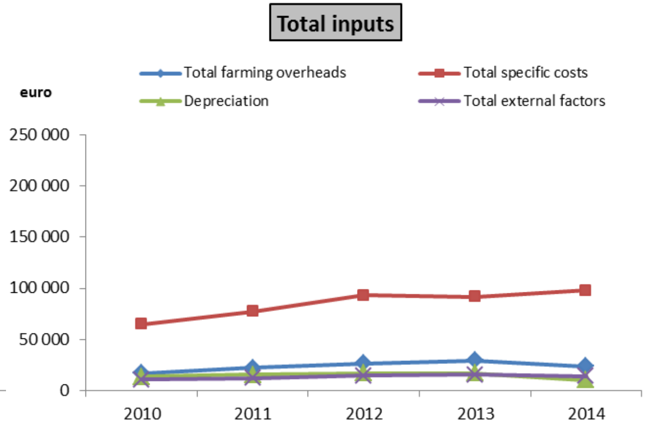

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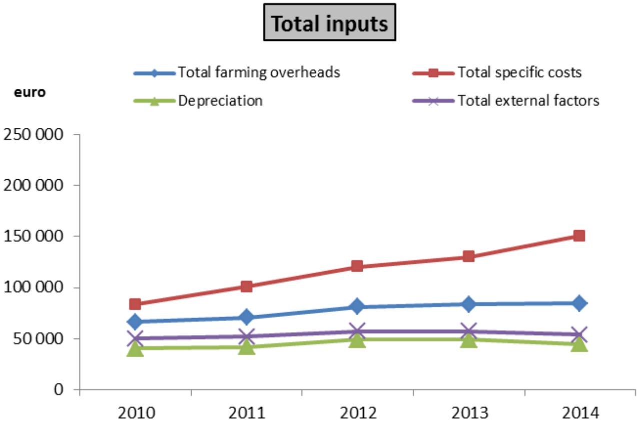

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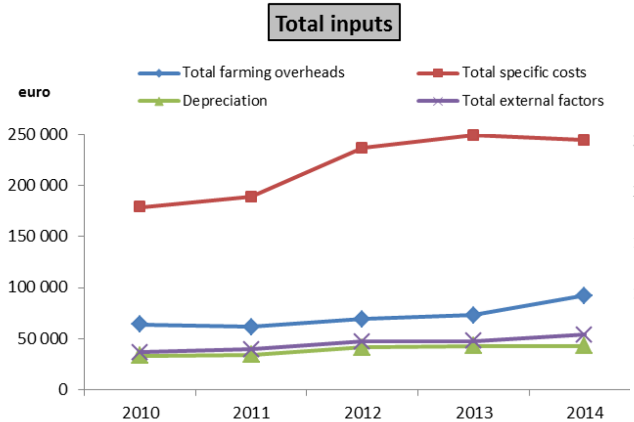

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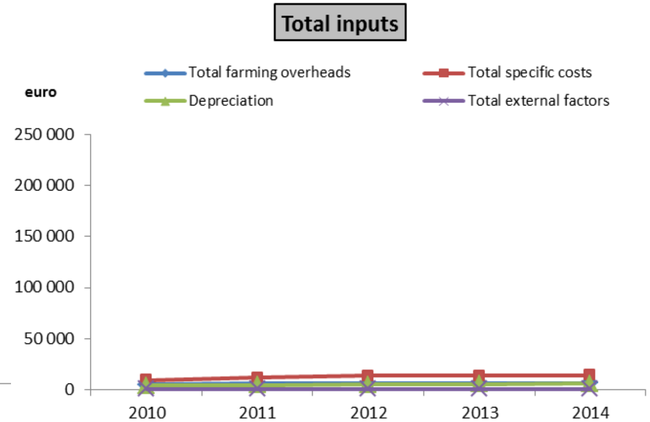


Poland

European Commission

The farm economy focus factsheets can also be used to:

- *inform briefly about particular farm sectors,*
- *indicate relative profitability of sectors,*
- *analyse factors influencing profitability,*
- *inform about differences between farms' operation,*
- *analyse differences between farms' results and operation in different MS (factsheets by MS).*

… in addition to their main purpose: encourage the awareness and use of farming economic results already published by FADN and available online.

European Commission

Thank you

Piotr.CZARNOTA@ec.europa.eu

ANNEX 6

Short-term Outlook
Dairy markets
Publication 3.10.2017

European Commission



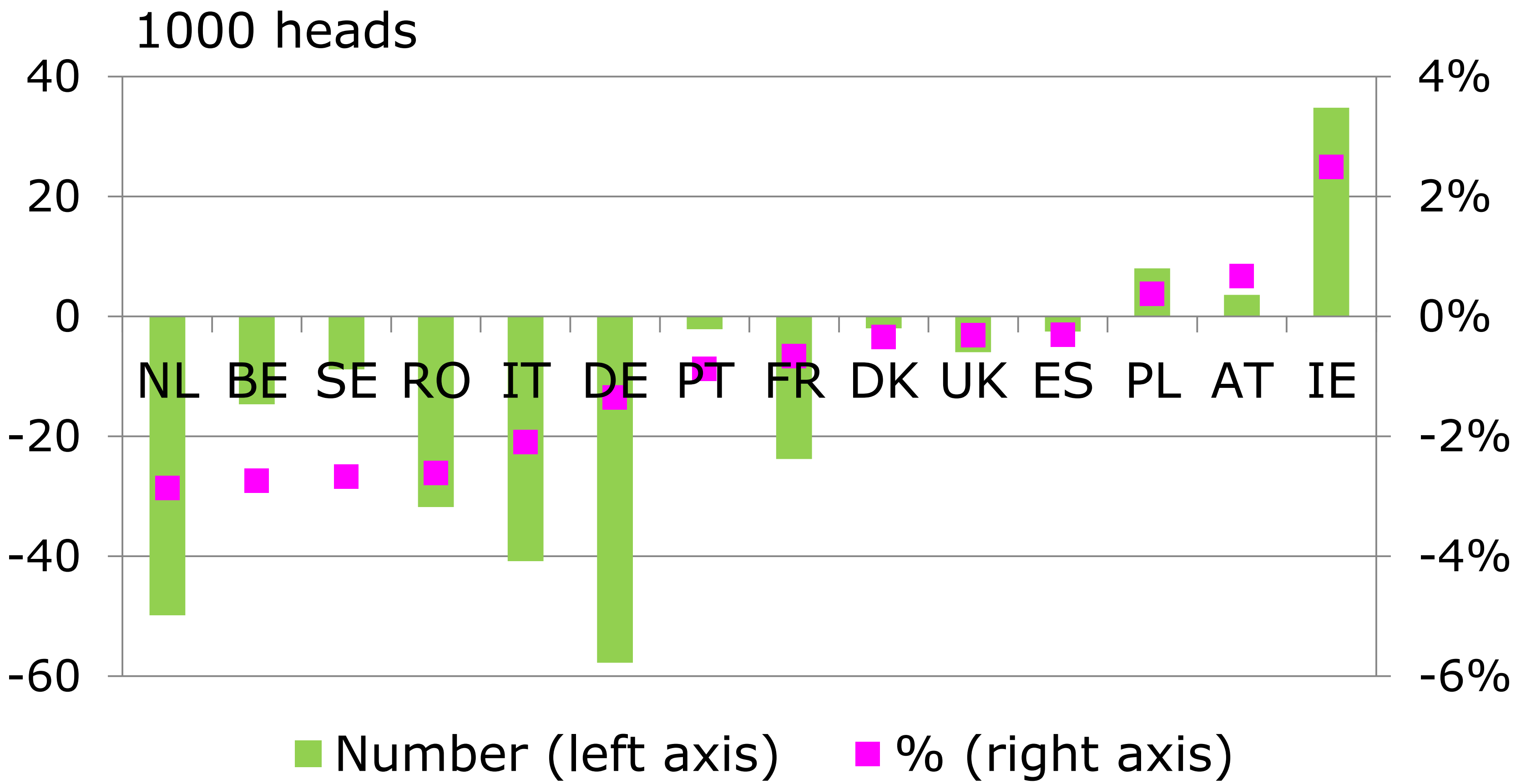

Short-term Outlook Dairy markets
Publication 3.10.2017

Milk market observatory
26.09.2017

Sophie Hélaine
DG Agriculture and Rural Development
European Commission

Agriculture and Rural Development

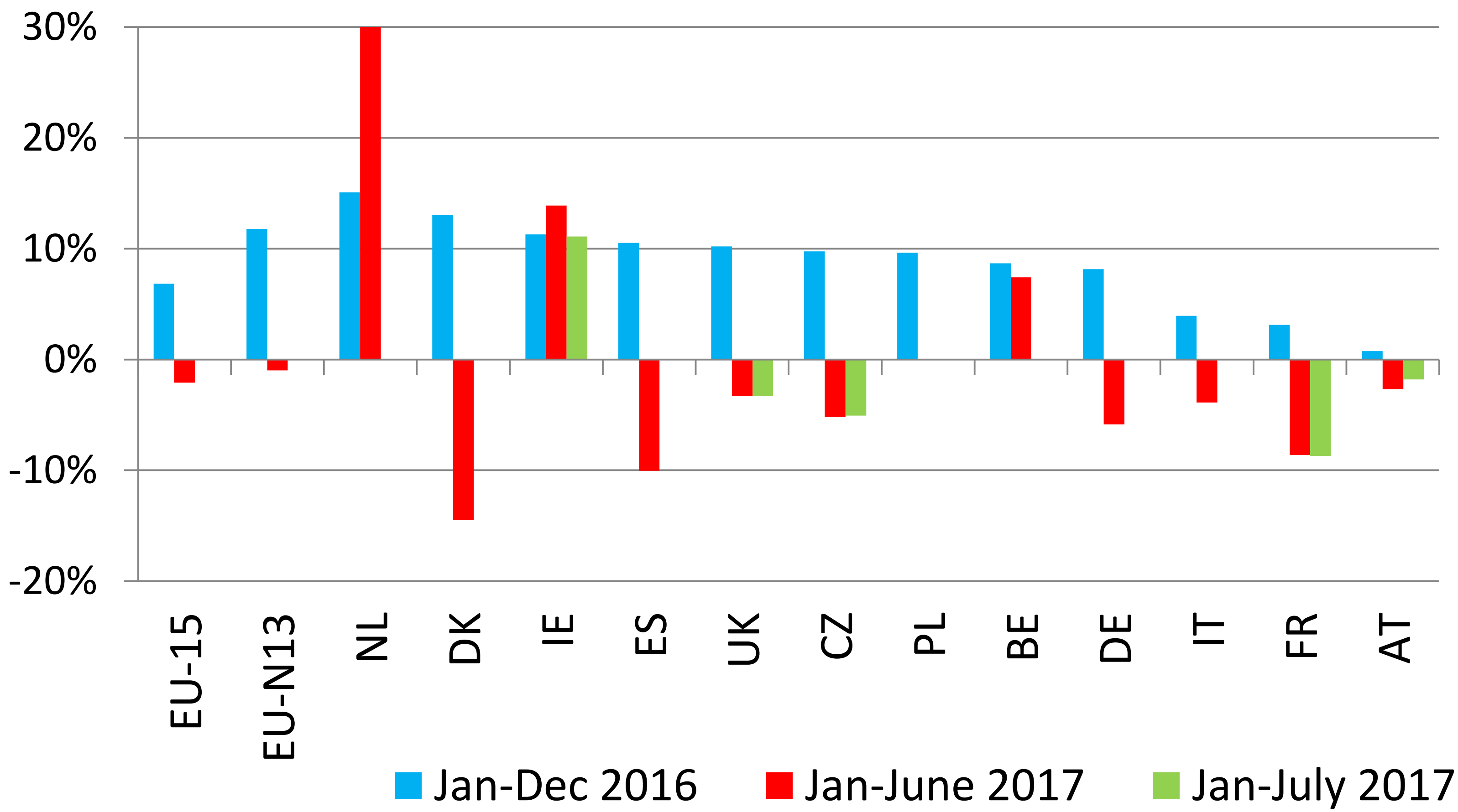
EU Dairy herd: back to declining trend 2017/2016 - May-June livestock survey



Source: Eurostat

Slow down in EU cow slaughterings

% change compared to previous year

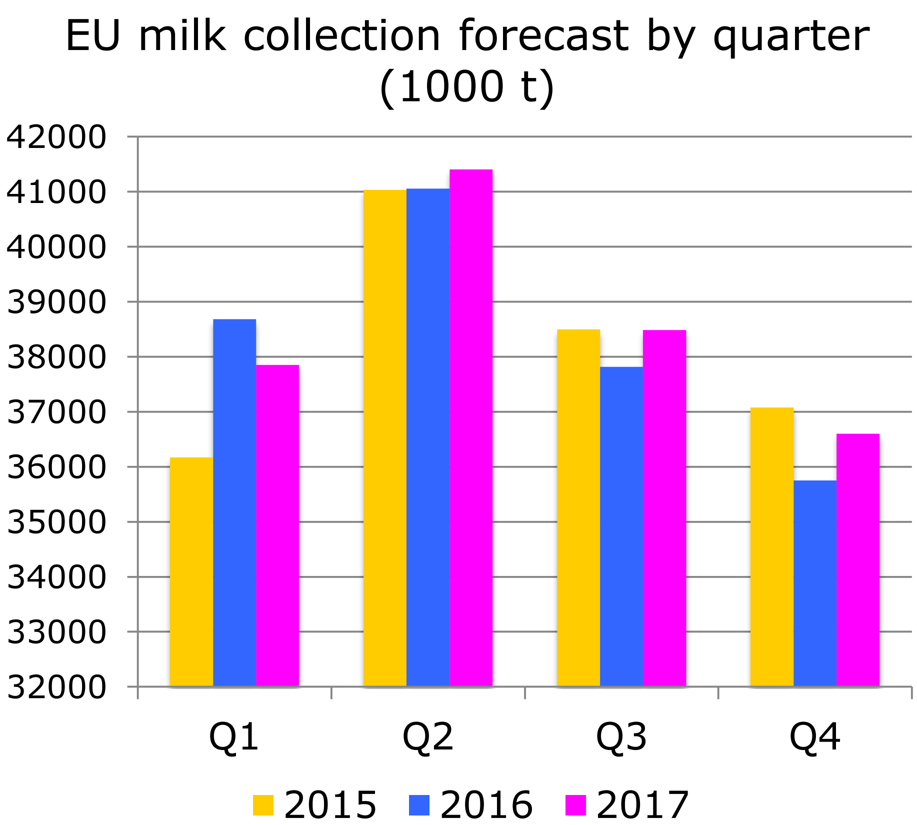


Source: Eurostat, beef and dairy cows

2017

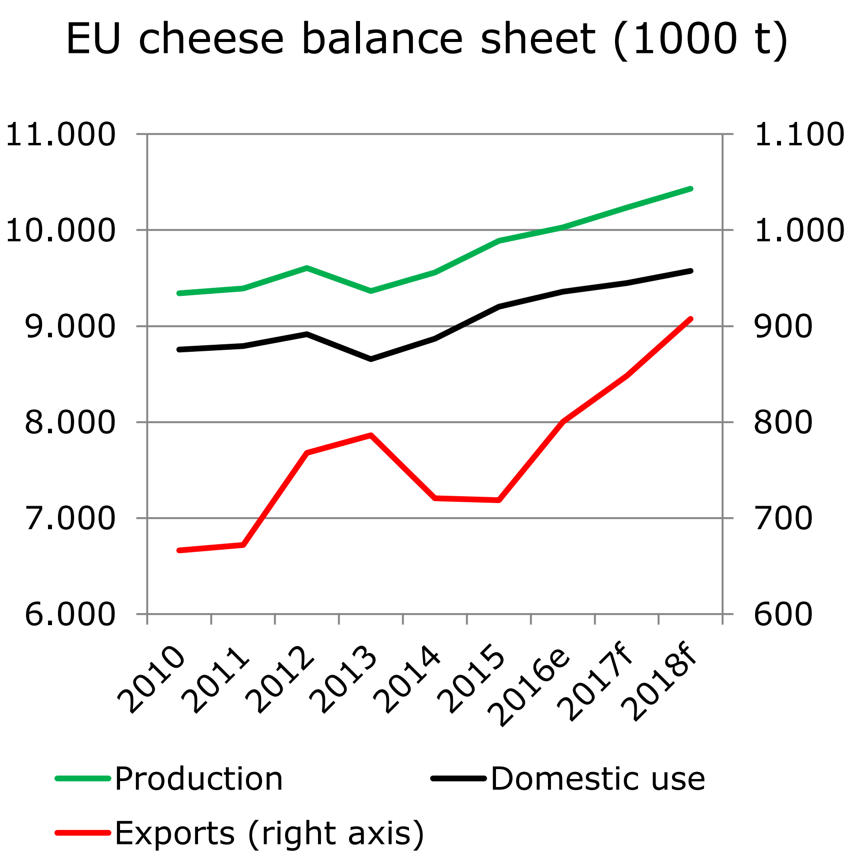
- Milk collection: close to + 1 million t (+0.7%)
- Mainly processed into cheese, where best returns
- Strong exports: close to + 2 million t of milk equivalent
- Continuous higher consumption of dairy products: +0.6 million t
- Very low EU private stocks

2017 EU milk collection +0.7%
(2018 > + 1%)



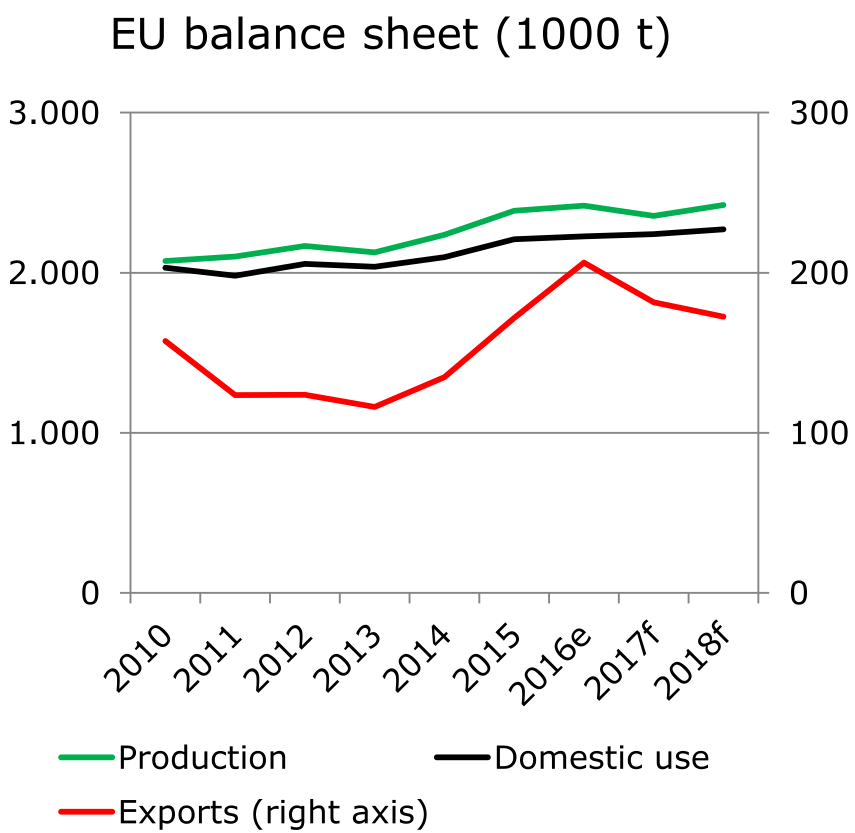
- Milk collection Jan-July: -0.3%
- A contrasted situation in the EU:
  - Strong increase to be expected in IE, PL, IT, LU, SI, CY, BG, RO
  - Increase in ES, AT
  - Recovery in the UK, BE
  - Stable (-0.5% // +0.5%) in: DK, EE, LV, CZ, FI, HU, LT, SK
  - Decrease in: DE, FR, SE, NL, PT

Cheese



- 2017 forecast
  - Production: +2%
  - Exports: +6%
  - Consumption: +1%
  - i.e. +0.33 million t of milk eq.
  - Per capita consumption: 17.9 kg
- 2018
  - More production and exports

Butter

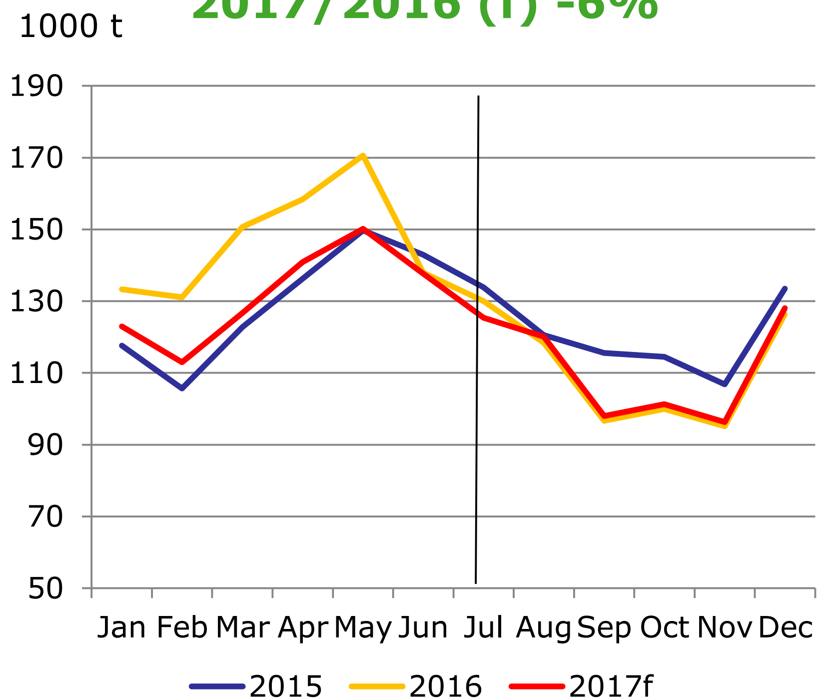


- 2017 forecast
  - Lower fat content in 2017
  - Production: -3%
  - Exports: -12%
  - Consumption: +1%
  - Very low stocks: 65 000 t end 2017
- But more cream: +3.5%
- 2018
  - Increase in production

EU SMP 2017 production down

Jan-July -9%/2016

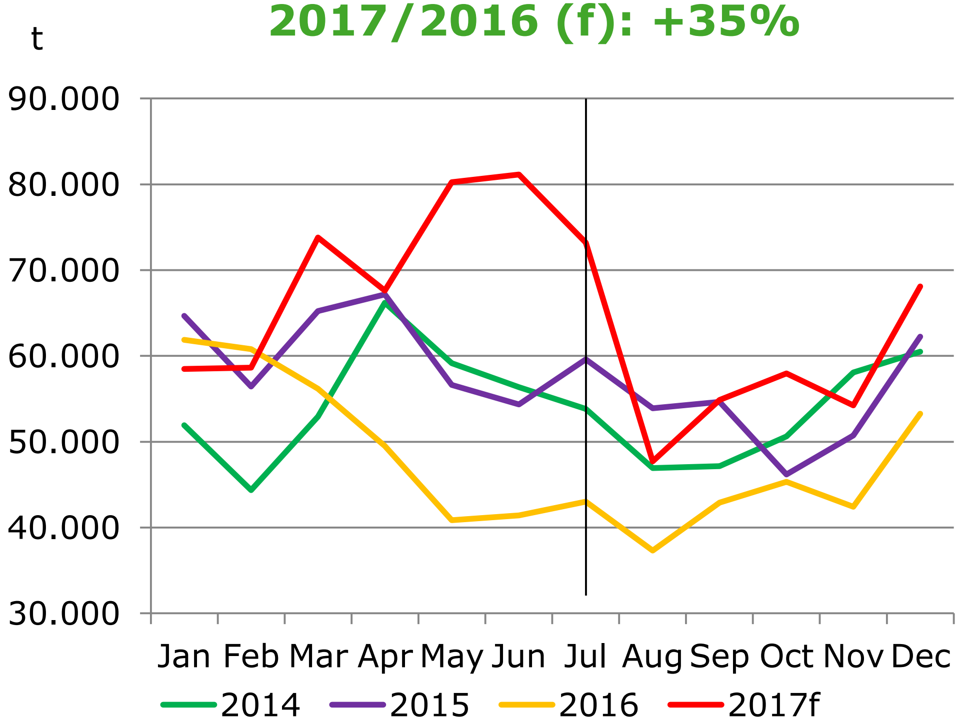
2017/2016 (f) -6%



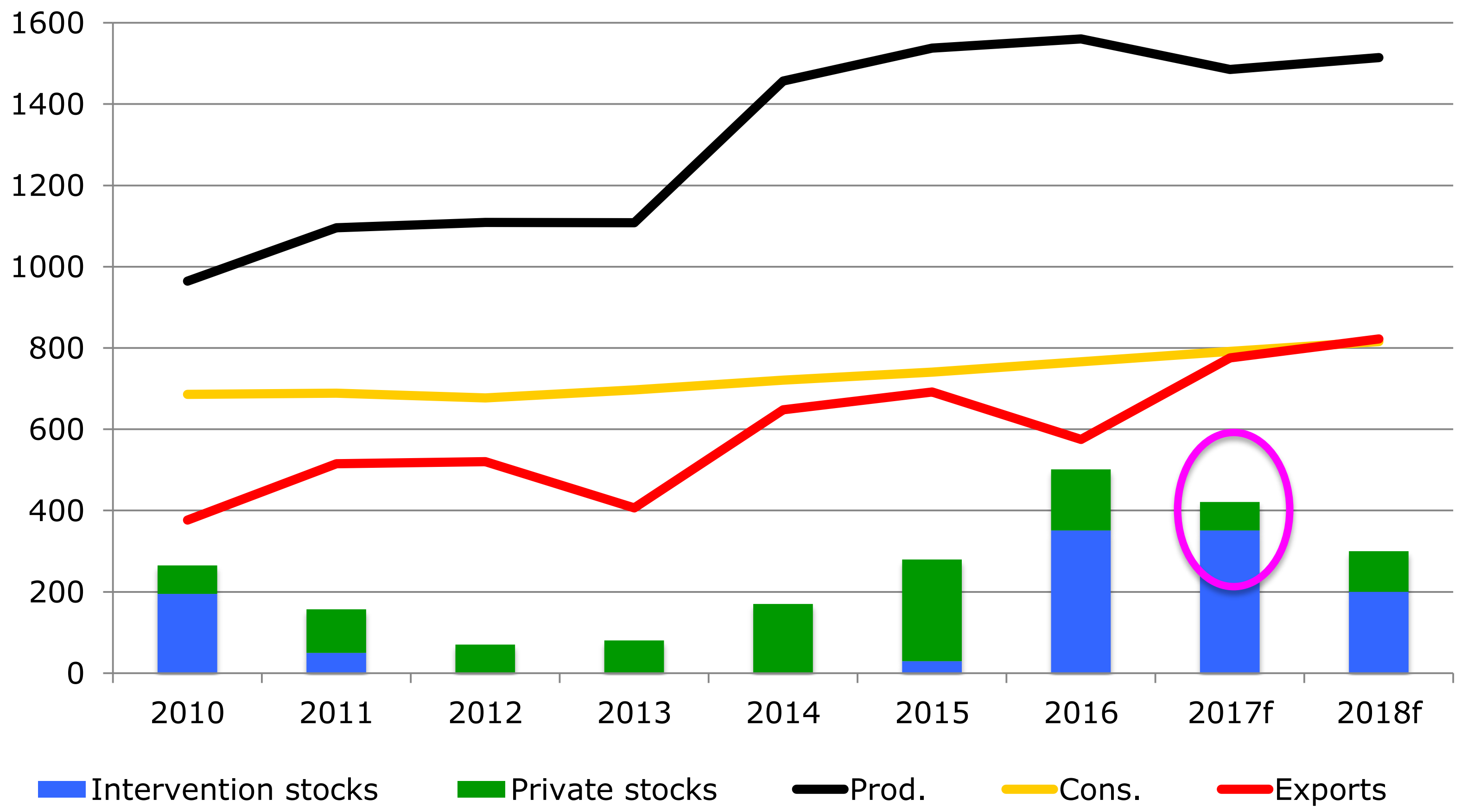
EU SMP exports strongly up

Jan-July +39%/2016

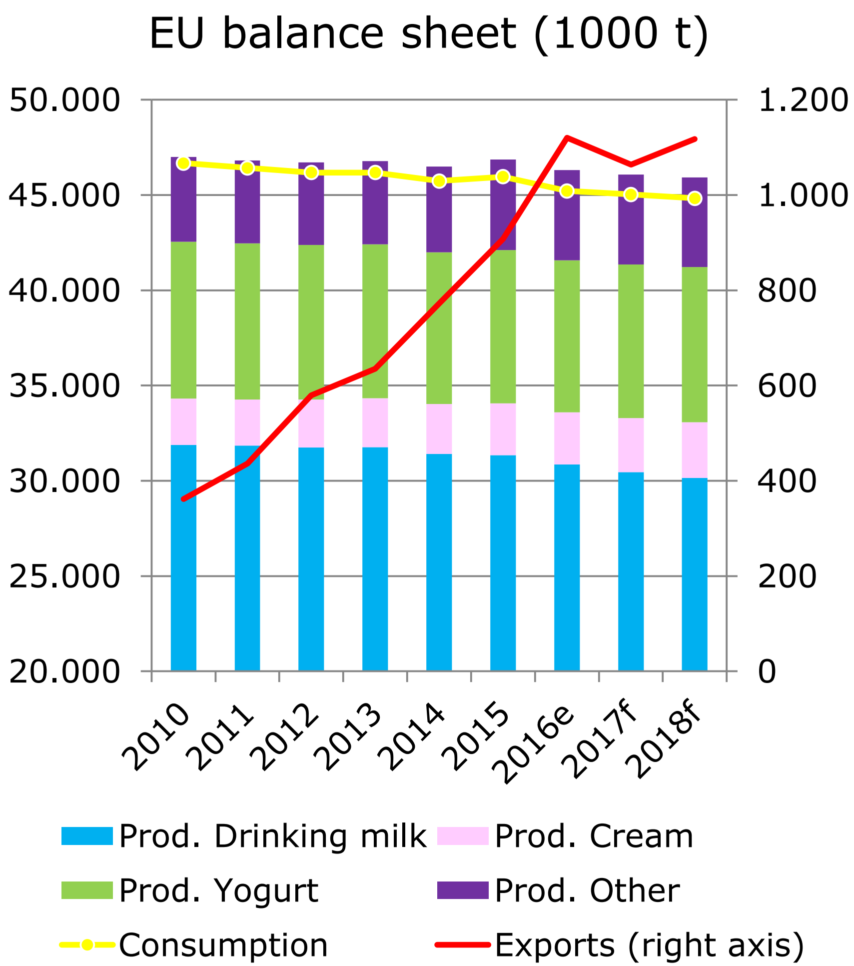
2017/2016 (f): +35%



EU SMP balance sheet

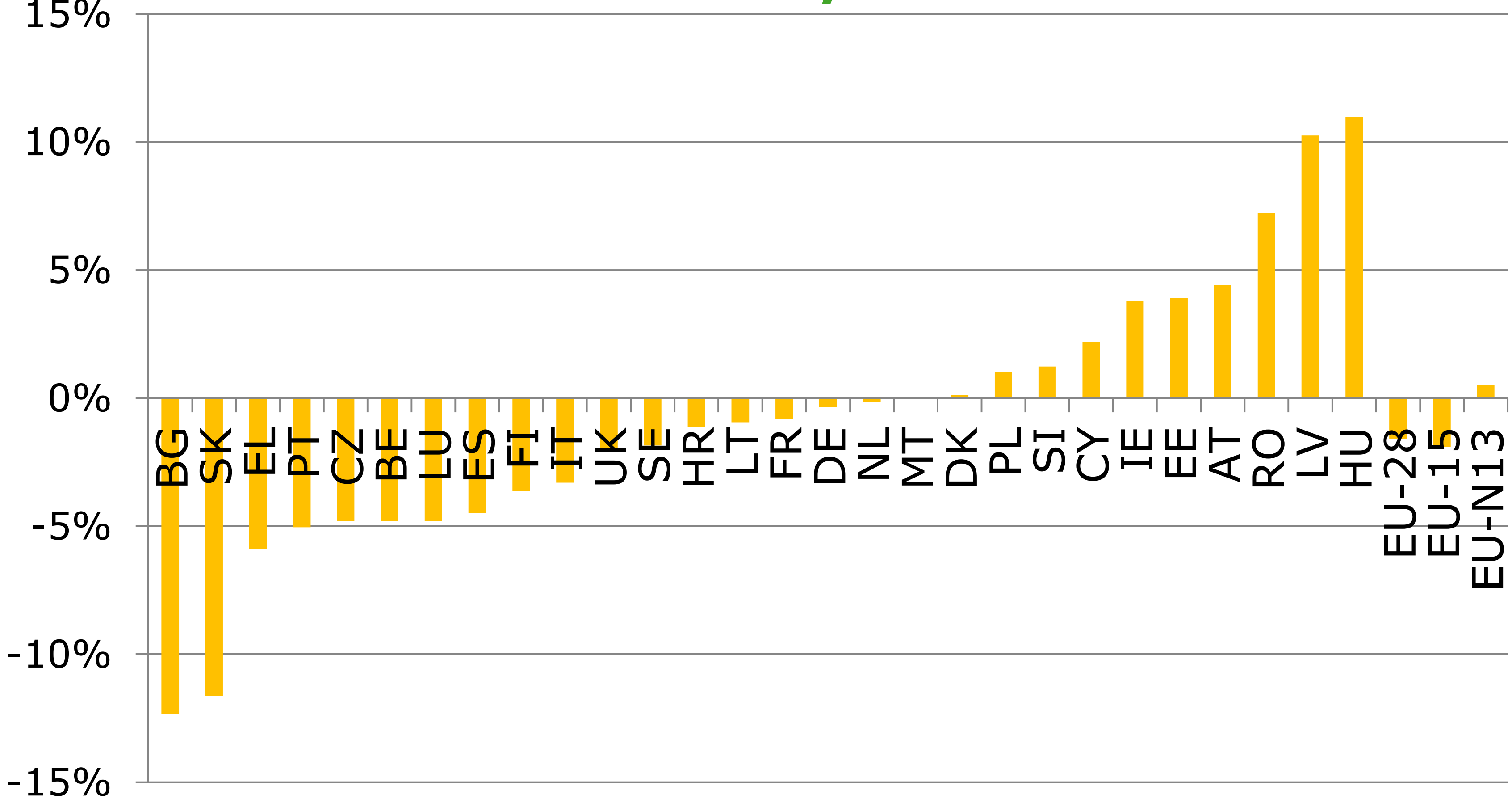


Fresh dairy products



- 2016 production 'final' numbers
  - Drinking milk -1.6%
  - Cream +0.6%
  - Yogurt -0.6%
  - Total in product weight: -1.2%
  - Stable in the EU-N13
  - Down in the EU-15 -1.3%
- 2017 forecast
  - Production: -0.5%
    - Drinking milk -1%
    - Cream, yogurt up
  - Exports: -5%
  - Consumption: 87.8 kg/cap (-0.7%)
- 2018
  - Similar trends

% change in drinking milk production in 2016/2015



Source: Eurostat

Thank you

Short-term outlook

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

Medium-term outlook

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

EU agricultural outlook conference

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

EU Milk Market Observatory

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