MMO Economic Board

Meeting of 13 December 2018

- The 28th meeting of the MMO Economic Board took place on 13/12/2018, with the participation of experts from 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-Oct 2018 by 1.2%. Milk collection contracted by 0.4% in October, with FR, NL, IT and DE driving the drop. On the expansion side, IE reported a 111 000 t increase in October (+20%), followed by PL with + 26 000 t. Fat and protein content of milk have decreased in the last 5-6 months. SMP production is 1.5% below last year's levels. Butter production has increased by 1.6% and cheese by 0.4%.
- Average EU farm gate milk prices have been improving for 5 months, reaching 35.8 c/kg in October. This is 3.7% higher than the 5-year average. Firm prices are expected for the coming months.
- Prices for protein-based dairy products have experienced an impressive increase so far in 2018: +27% for whey powder and +16% for SMP. Fat-based product prices have also improved albeit at a lower rate (+2% for both butter and WMP). Cheese prices, on the contrary, have generally slightly decreased (with the exception of emmental). The US$/EUR rate has evolved advantageously in recent months. EU SMP has been the most competitive since August, boosting exports to third countries. EU butter prices have somewhat converged with those in the US, but are still well above New Zealand, the main world exporter.
- Some 277 000 t of SMP have been sold out of public intervention stocks, resulting in a total stock level slightly above 100 000 t.
- The assessment of EU stock levels based on a residual approach (production + imports – consumption - exports) shows a normal level of private stocks of SMP (~100 000 t) for a rather undersupplied market of fresh product. Butter stocks are a bit higher following a consumption drop in summer (due to high temperatures and prices) but the situation is regarded as normal. Cheese stocks have been building up since spring, as the industry has favoured cheese+whey production over butter+SMP.
- Global milk supply continues to expand but at a sustainable growth rate. Combined world milk production would have increased by 1.3% in Jan-Sept 2018 with the EU supplying half of the additional milk. Biggest growth rates are registered in South America. NZ production has been soaring in recent months, heading to a strong season, despite a lowering of milk price forecasts.
- Combined global exports are above 2017 levels since July. Demand for cheese is solid (with a remarkable room for further growth in Asia) but competition is strong, notably from the US (augmenting production and stocks). Global butter trade is increasing modestly, with EU exports declining because of uncompetitive prices (except for retail packages). Ukraine emerges as a prominent butter exporter. SMP trade is expanding, driven by low world prices (the US so far benefitting the most, but the EU rapidly catching up in the last two months). Canadian exports of SMP have surged following the introduction of Milk Class 7. EU exports of whey grow at a rather steady rate. Global cream exports show signs of stabilization this year following a sharp increase in 2017.
- The promotion (EU-funded) of drinking milk in PT is resulting in higher consumption. Still, the decline of retail sales of drinking milk is becoming rather structural in the EU. The butter case (increase of sales value due to high prices, despite a lower consumption) is still present, but less relevant than in recent months. Cheese is generally the product showing the healthiest performance at retail level.
- The Commission presented the latest Medium Term Outlook, projecting a milk production increase in the EU of 16 million t by 2030, shaped by evolving environmental and societal demands. The EU would occupy a leading exporting position on the global dairy market where demand from African and Asian countries keeps on expanding.
- The Commission presented an update of consumption trends for dairy products. The portfolio evolved in the last decade, notably with the emergence of fat-filled powders. Vegetable drinks have taken some market share from milk, but at a very low level. In contrast, retail sales of margarine continue to lag vastly behind those of butter.
- The market situation is considered as relatively balanced, with reasonable global production growth and satisfactory demand developments. Fat and protein prices are moving closer together.

ANNEX 1

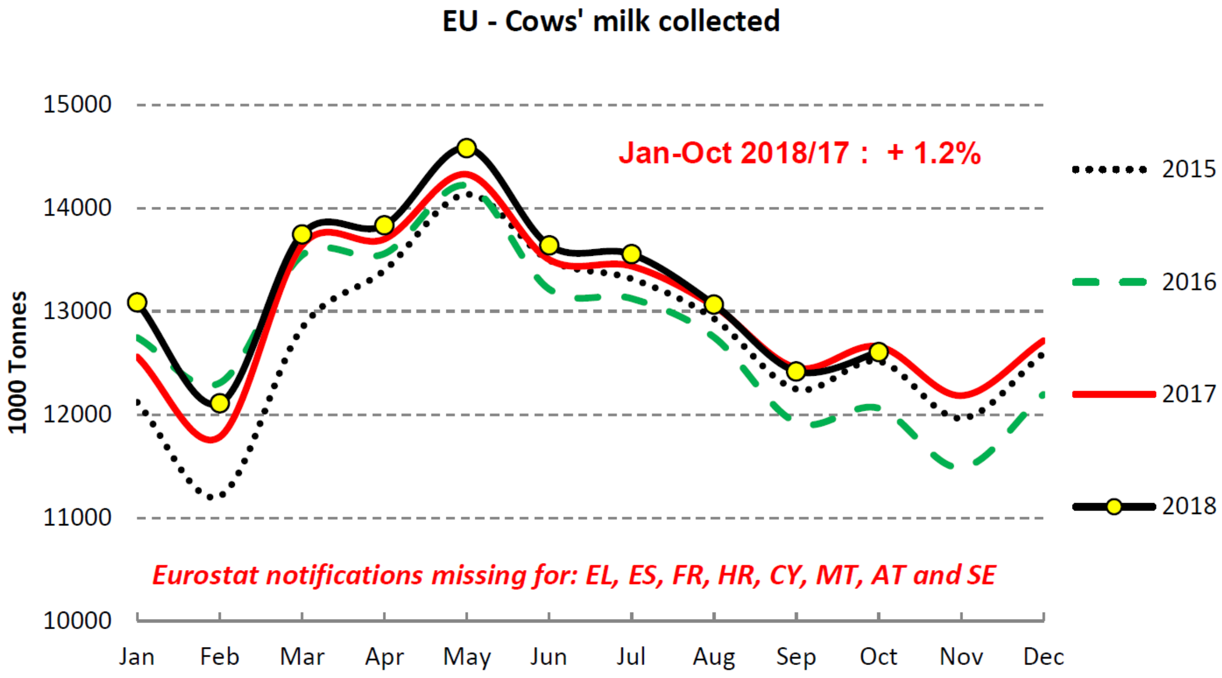
Milk Market Situation

European Commission

European Commission

Milk Market Situation

Brussels, 13 December 2018



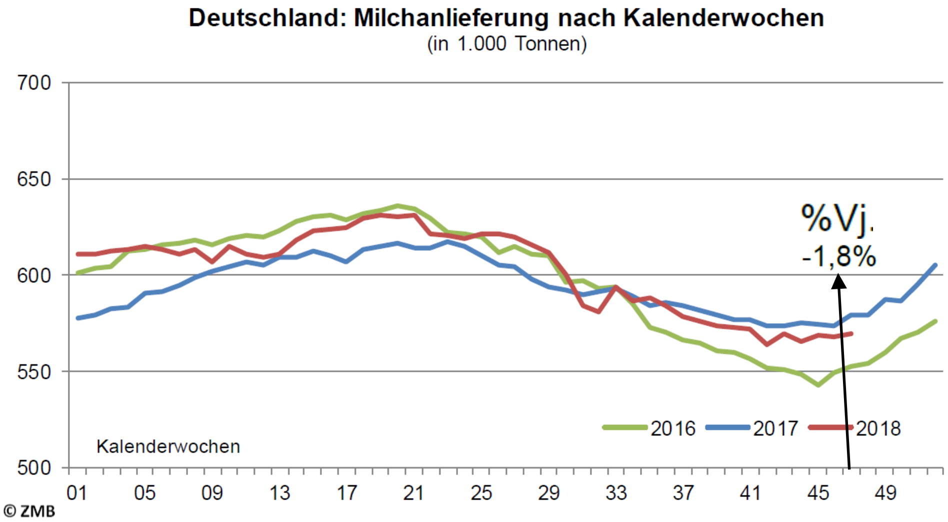
Source : Estat - Newcronos

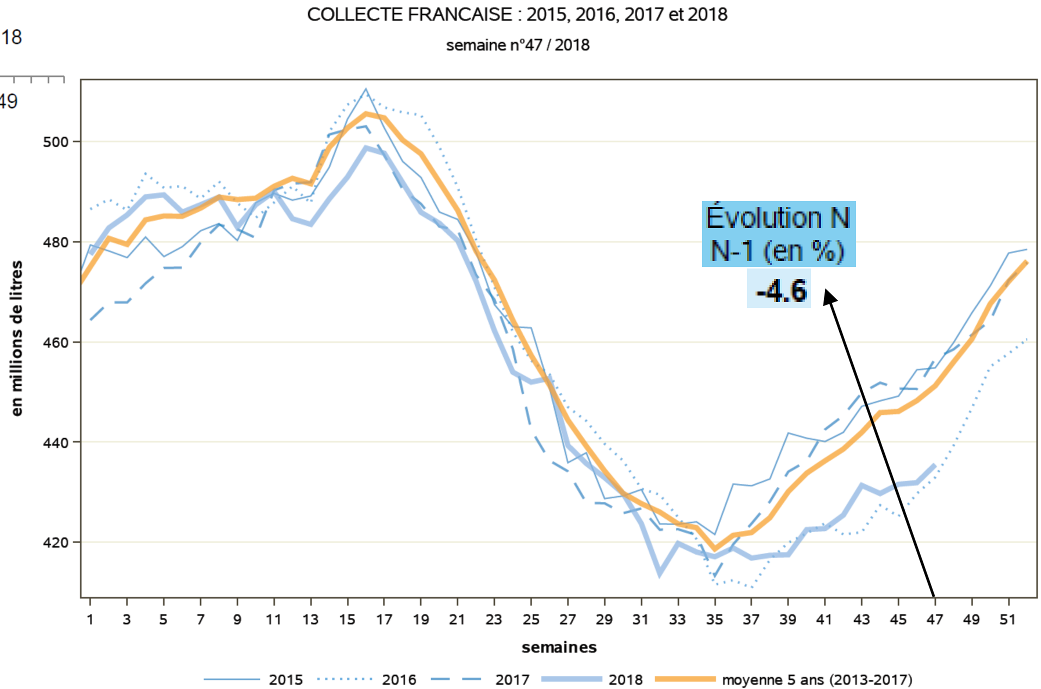
Last update : Jan-Oct

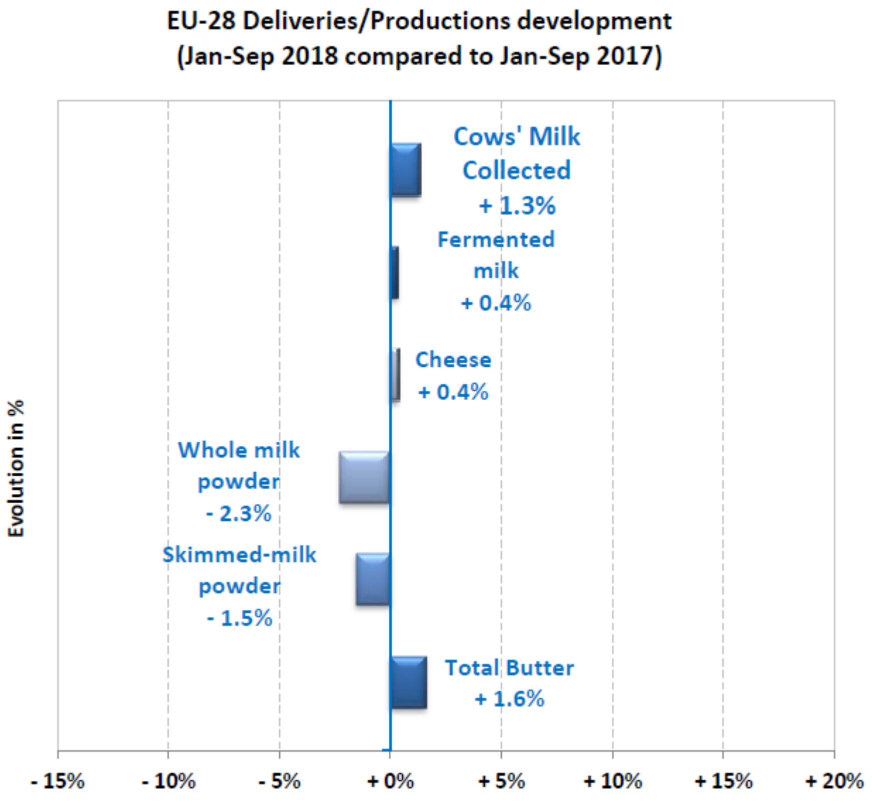
Oct 18 compared to Oct 17

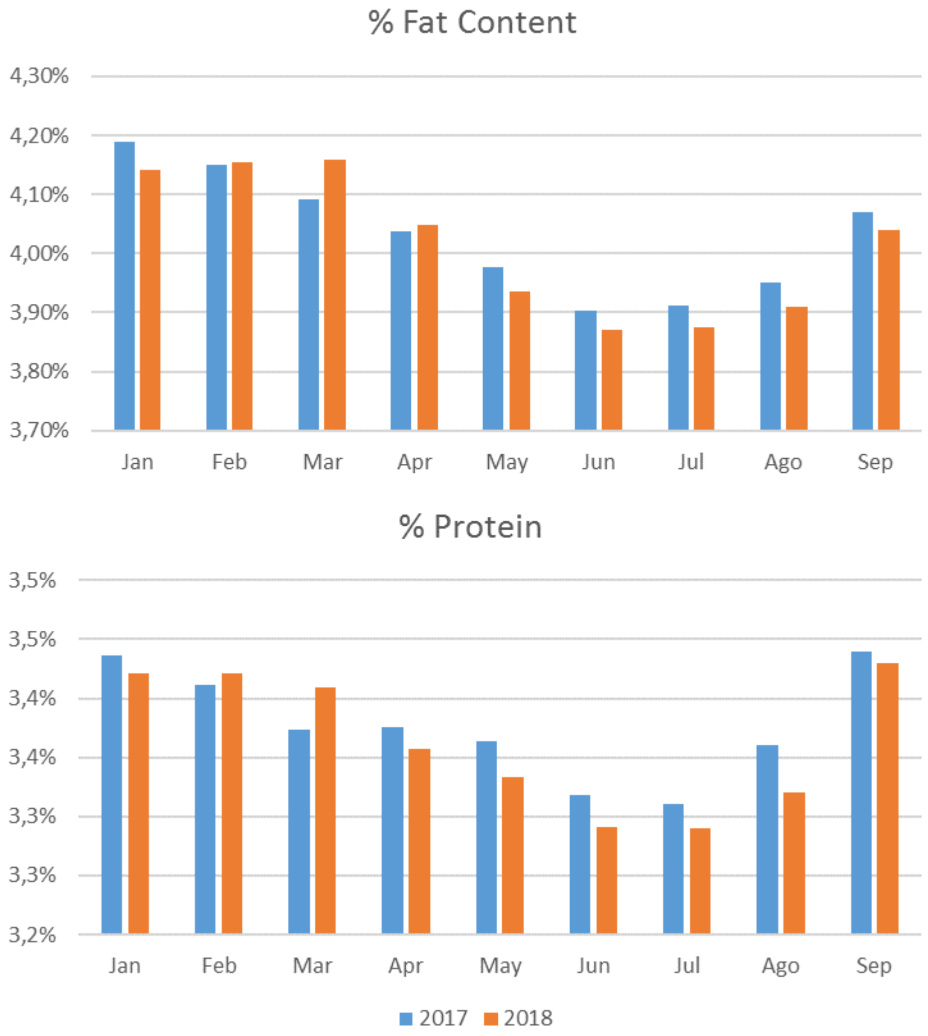
Rank	evolution in %		evolution in 1000 Tons	
	MS	%	MS	Tons
1.	IE	+ 20.2%	IE	+ 111
2.	BG	+ 8.3%	PL	+ 26
3.	EL	+ 8.2%	DK	+ 9
4.	RO	+ 7.9%	RO	+ 7
5.	MT	+ 4.4%	UK	+ 5
6.	CY	+ 3.5%	EL	+ 4
7.	PL	+ 2.8%	BG	+ 4
8.	LU	+ 2.2%	CZ	+ 2
9.	DK	+ 2.0%	LU	+ 1
10.	CZ	+ 0.7%	CY	+ 1
11.	UK	+ 0.4%	ES	+ 1
12.	EE	+ 0.3%	BE	+ 1
13.	BE	+ 0.2%	EE	+ 0
14.	ES	+ 0.1%	MT	+ 0
15.	DE	- 0.5%	PT	- 1
16.	PT	- 0.7%	SK	- 1
17.	HU	- 1.3%	SI	- 1
18.	FI	- 2.0%	HU	- 2
19.	SK	- 2.3%	LV	- 2
20.	SE	- 2.5%	HR	- 4
21.	IT	- 3.1%	FI	- 4
22.	SI	- 3.2%	LT	- 4
23.	LT	- 3.3%	SE	- 6
24.	LV	- 3.7%	AT	- 13
25.	FR	- 3.9%	DE	- 13
26.	AT	- 5.0%	IT	- 29
27.	NL	- 5.5%	NL	- 64
28.	HR	- 9.7%	FR	- 78
	EU28	- 0.4%	EU28	- 52

European Commission

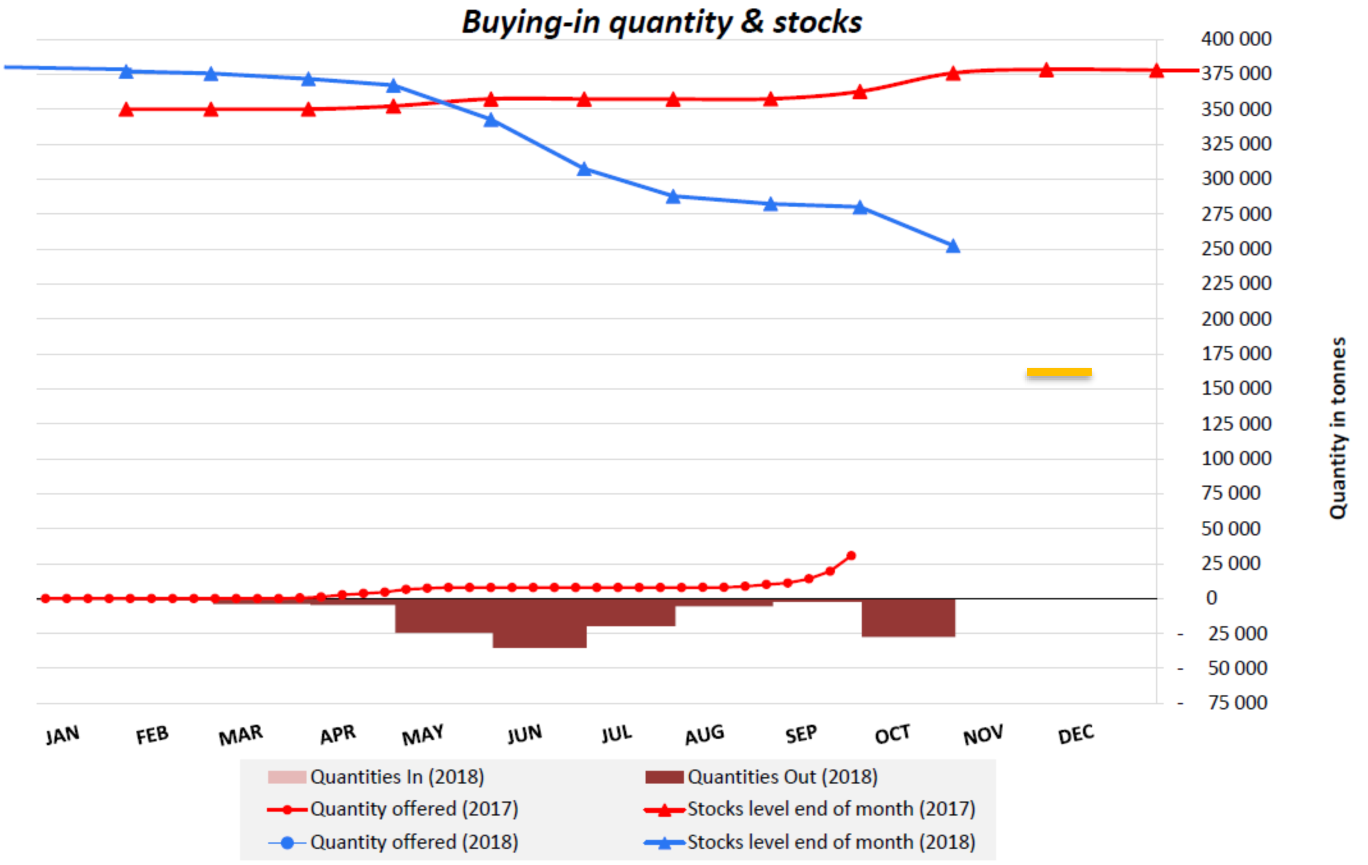

Deutschland: Milchanlieferung nach Kalenderwochen
(in 1.000 Tonnen)
700
650
600
550
500
%Vj.
-1,8%
2016
2017
2018
Kalenderwochen
01
05
09
13
17
21
25
29
33
37
41
45
49
© ZMB


COLLECTE FRANCAISE : 2015, 2016, 2017 et 2018
semaine n°47 / 2018
en millions de litres
500
480
460
440
420
Évolution N
N-1 (en %)
-4.6
1
3
5
7
9
11
13
15
17
19
21
23
25
27
29
31
33
35
37
39
41
43
45
47
49
51
semaines
2015
2016
2017
2018
moyenne 5 ans (2013-2017)

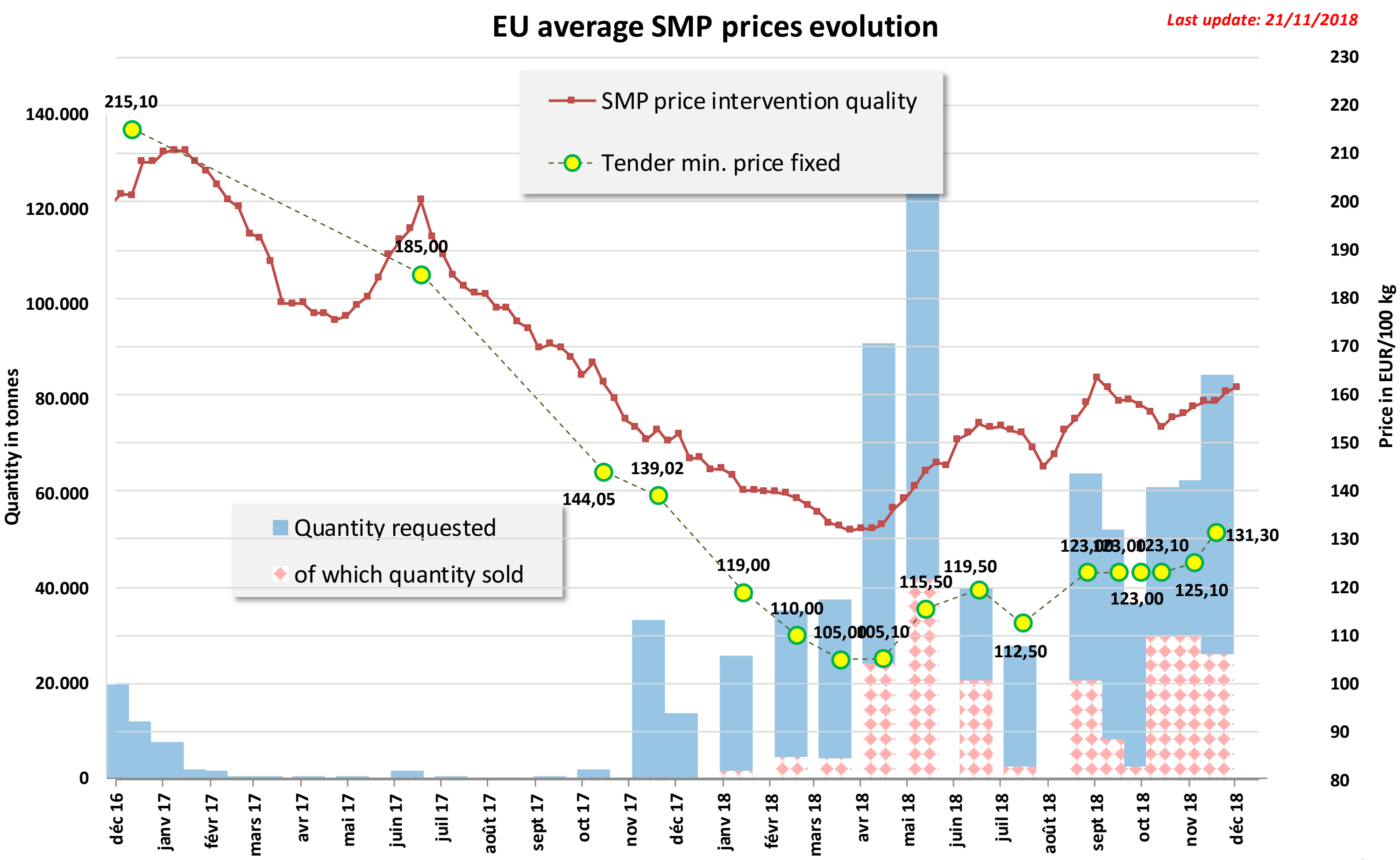

EU-28 Deliveries/Productions development
(Jan-Sep 2018 compared to Jan-Sep 2017)
Evolution in %
Cows' Milk Collected + 1.3%
Fermented milk + 0.4%
Cheese + 0.4%
Whole milk powder - 2.3%
Skimmed-milk powder - 1.5%
Total Butter + 1.6%
- 15%
- 10%
- 5%
+ 0%
+ 5%
+ 10%
+ 15%
+ 20%


% Fat Content
4,30%
4,20%
4,10%
4,00%
3,90%
3,80%
3,70%
Jan
Feb
Mar
Apr
May
Jun
Jul
Ago
Sep
% Protein
3,5%
3,5%
3,4%
3,4%
3,3%
3,3%
3,2%
Jan
Feb
Mar
Apr
May
Jun
Jul
Ago
Sep
2017
2018

Public SMP Intervention scheme (2017-2018)

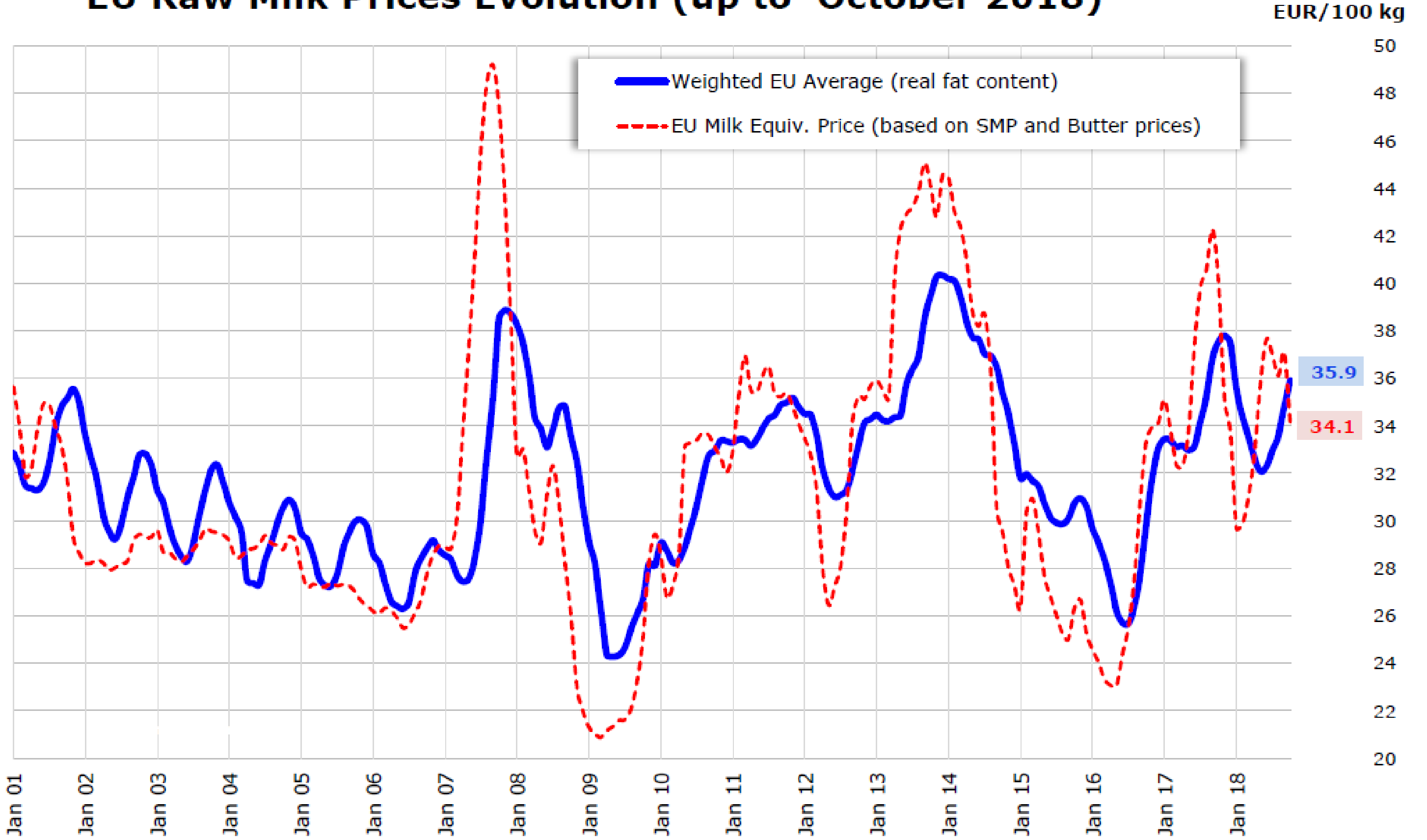


European Commission



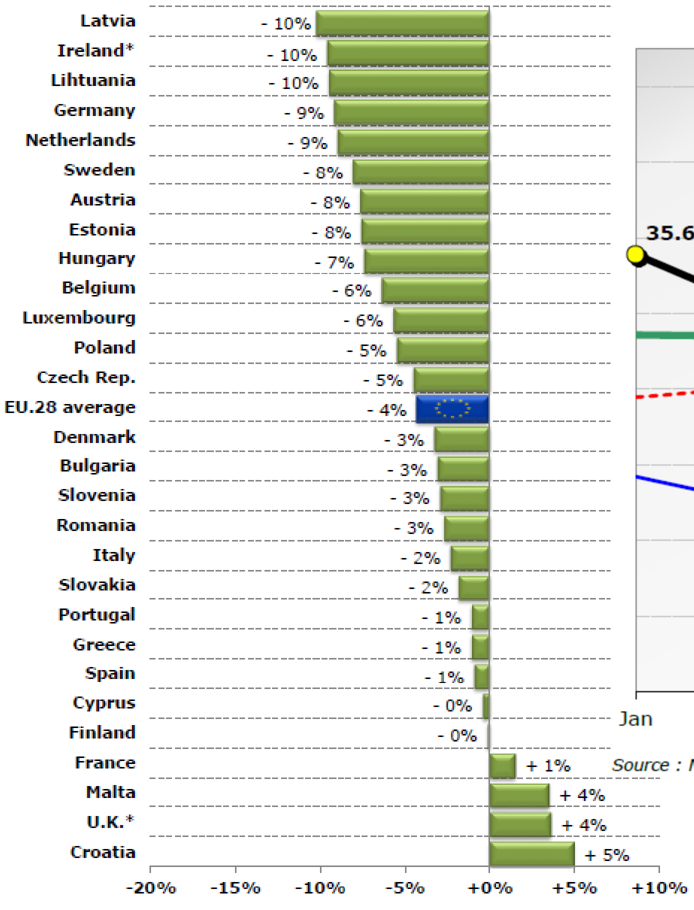
European Commission

EU Raw Milk Prices Evolution (up to October 2018)



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

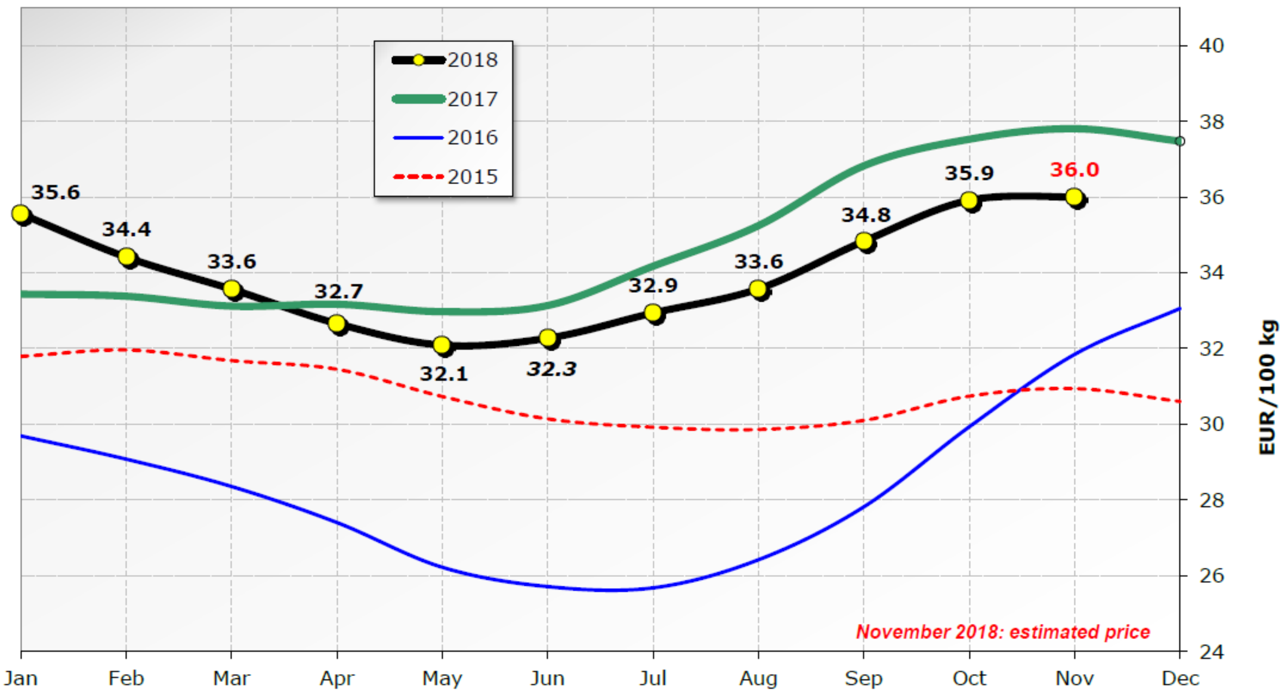
Raw Milk Price evolution in October 2018 compared to October 2017



* : estimated figures for Oct 2018

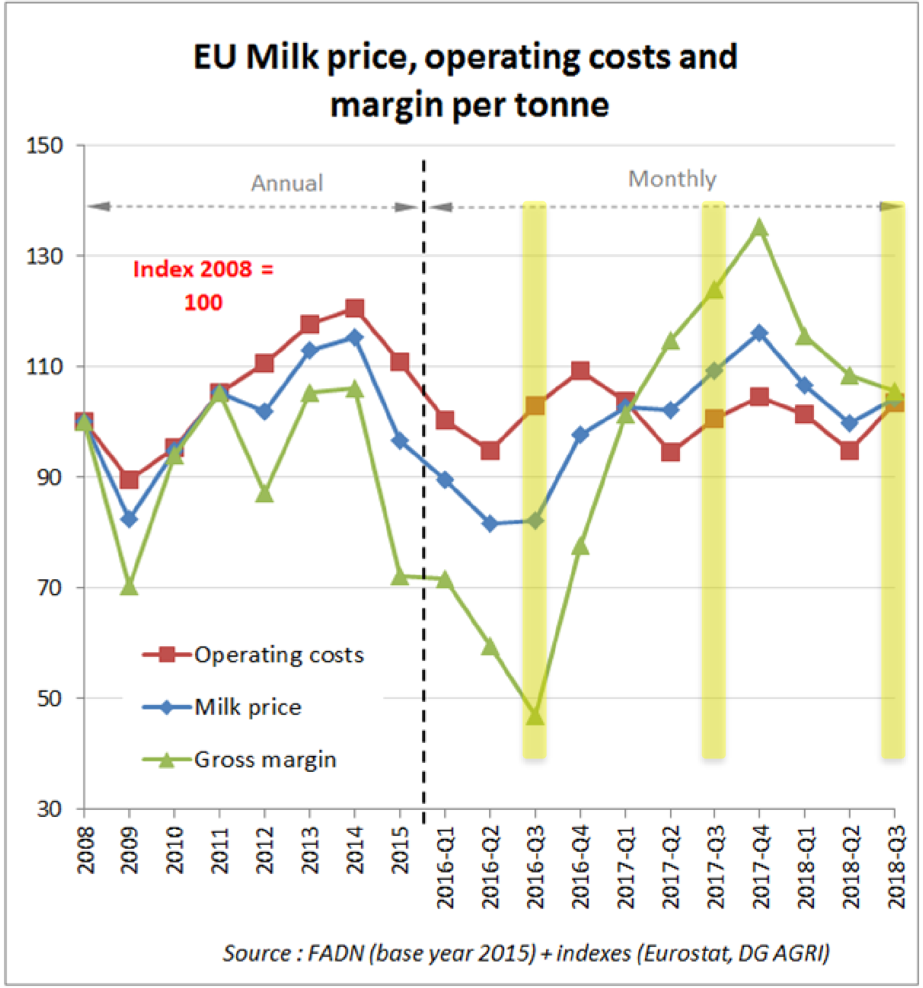
Milk Prices paid to the Producers

EU (weight. avg.)

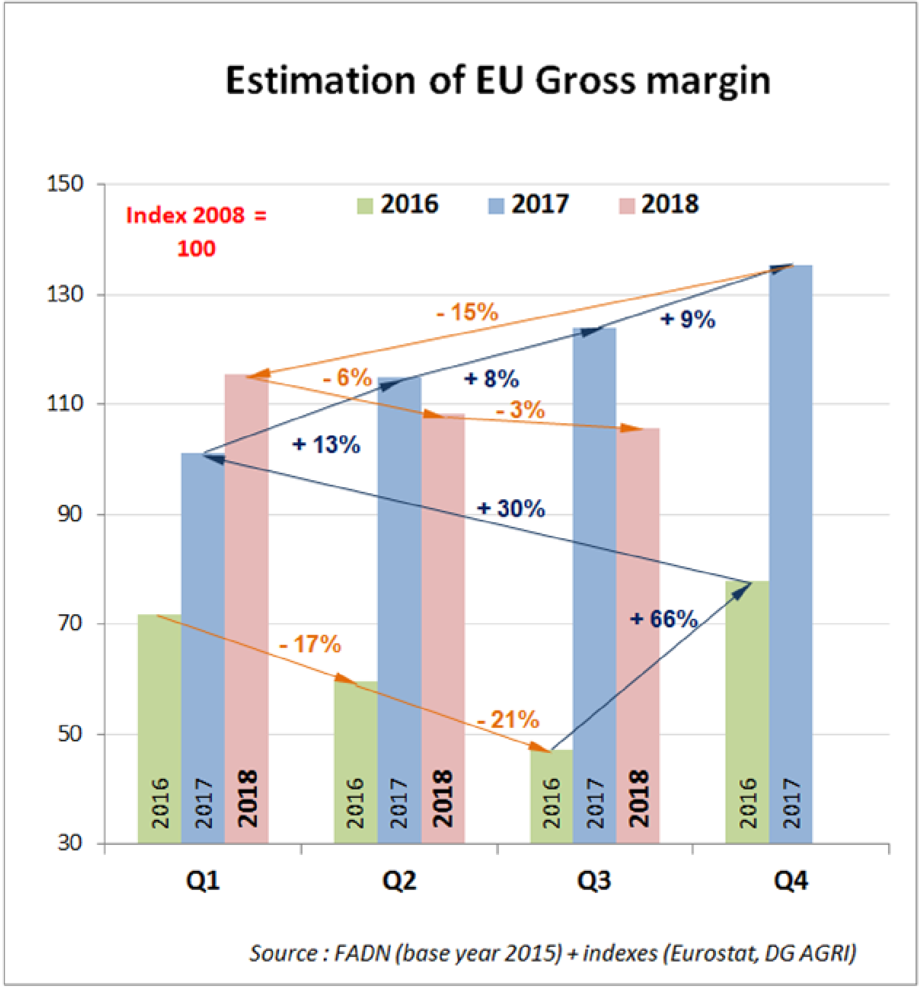


Source : Member States Reg. (EU) No 2017/1185 Article 12(a) - Annex II.4(a))

European Commission



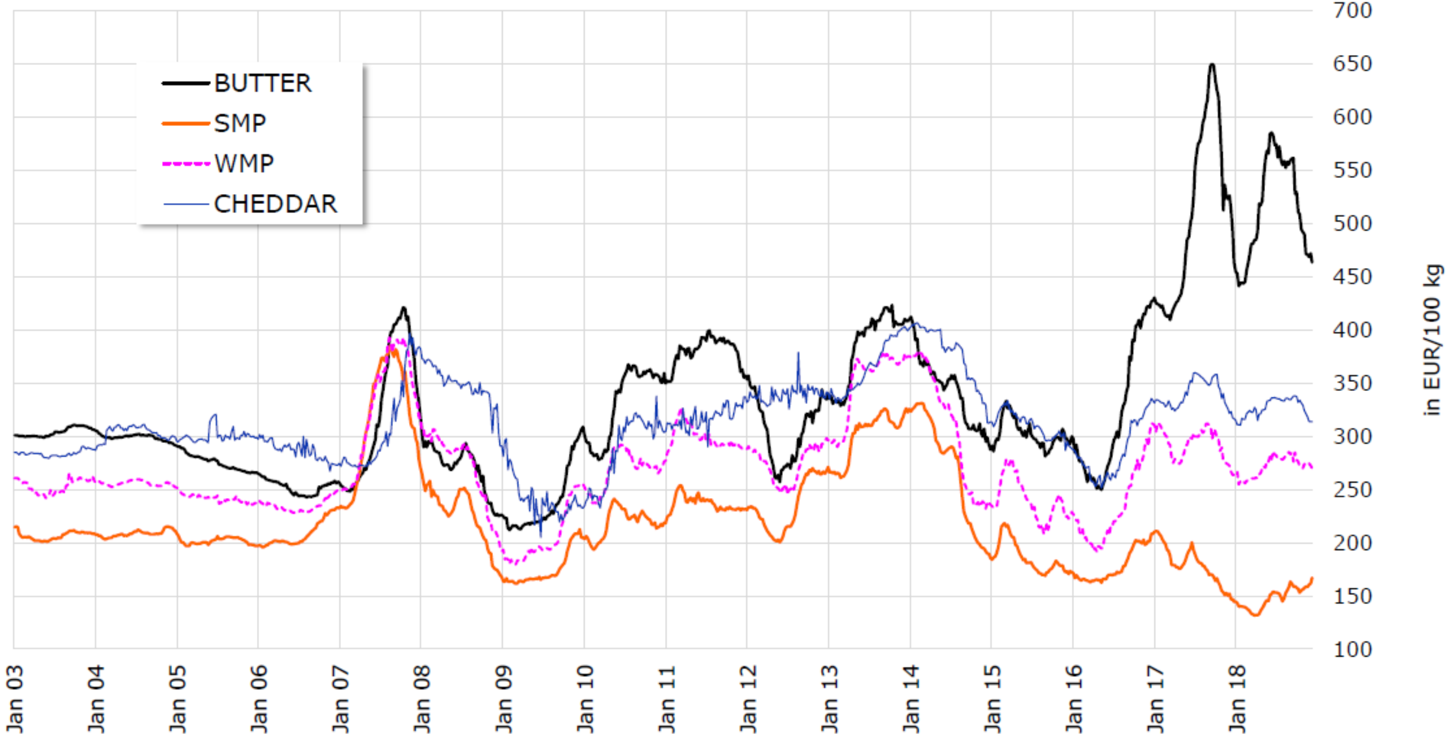
EU Milk price, operating costs and margin per tonne
Annual
Monthly
Index 2008 = 100
Operating costs
Milk price
Gross margin
150
130
110
90
70
50
30
2008
2009
2010
2011
2012
2013
2014
2015
2016-Q1
2016-Q2
2016-Q3
2016-Q4
2017-Q1
2017-Q2
2017-Q3
2017-Q4
2018-Q1
2018-Q2
2018-Q3
Source : FADN (base year 2015) + indexes (Eurostat, DG AGRI)



Estimation of EU Gross margin
Index 2008 = 100
2016
2017
2018
150
130
110
90
70
50
30
- 15%
+ 9%
- 6%
+ 8%
- 3%
+ 13%
+ 30%
+ 66%
- 17%
- 21%
Q1
Q2
Q3
Q4
Source : FADN (base year 2015) + indexes (Eurostat, DG AGRI)

EU Dairy Quotations

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

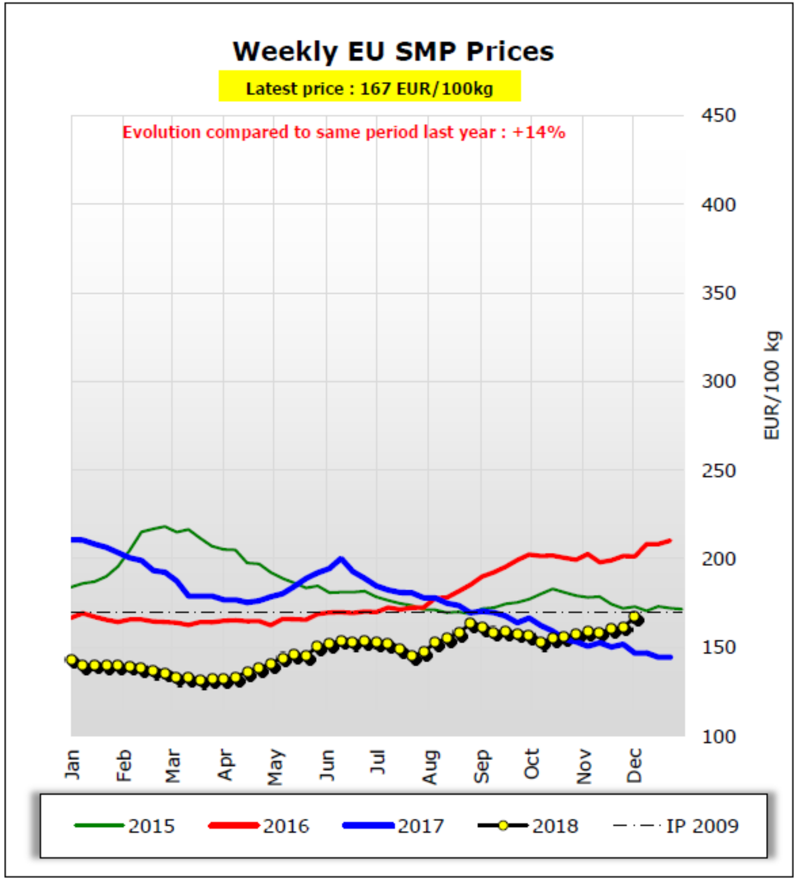


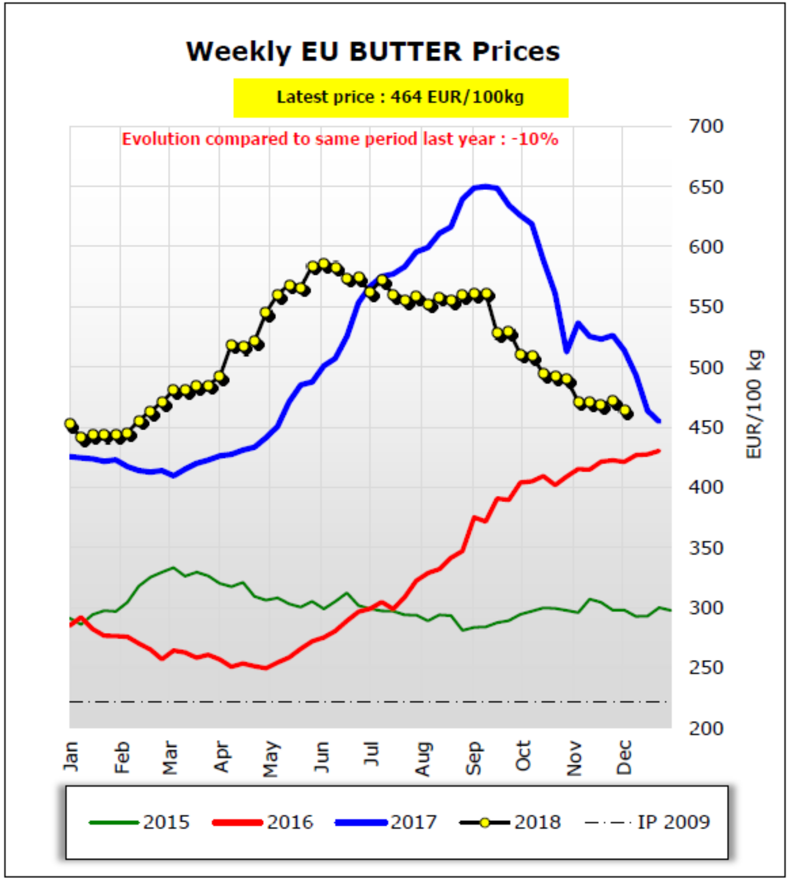
Source: Regulation (EU) No 2017/1185 Article 11 - Annex I.7

European Commission

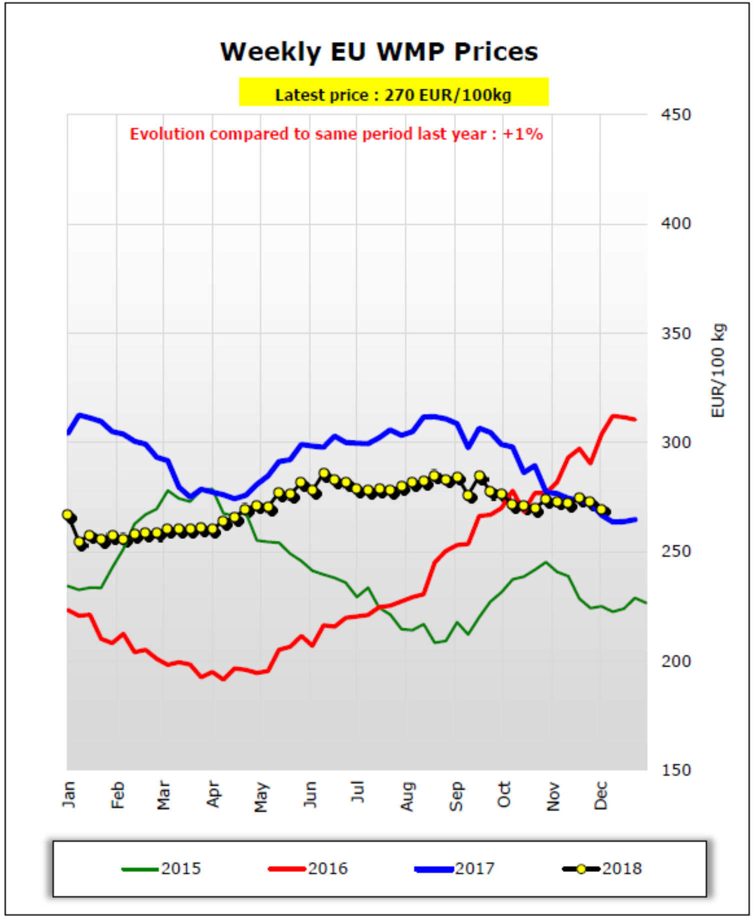
Prices of EU Dairy commodities

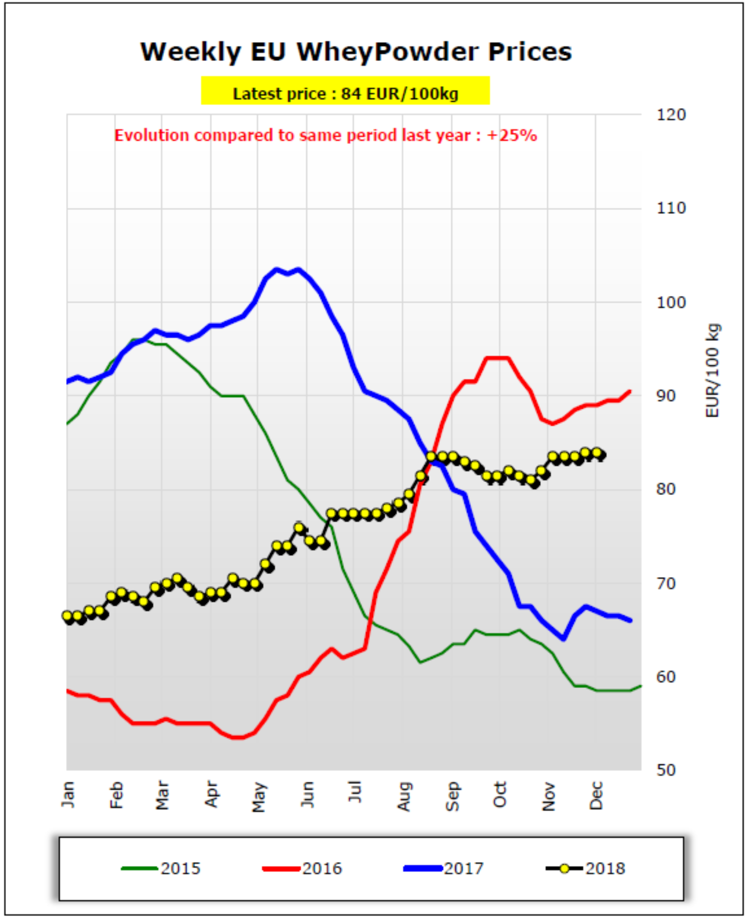
(Source: Regulation (EU) No 2017/1185 Article 11 - Annex I.7)



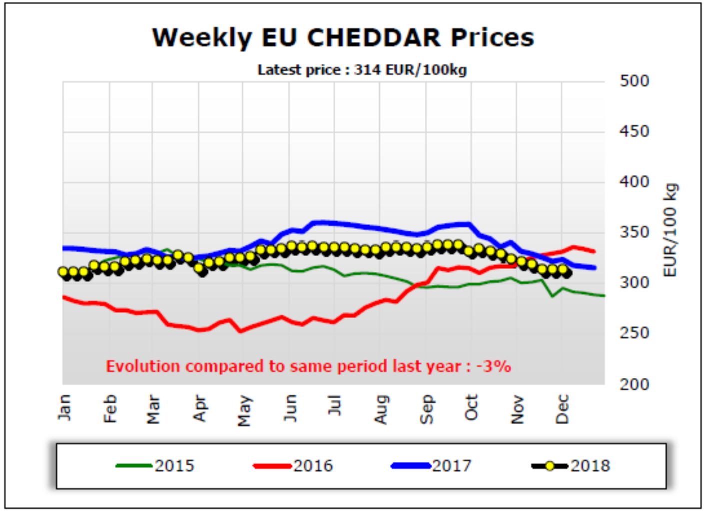


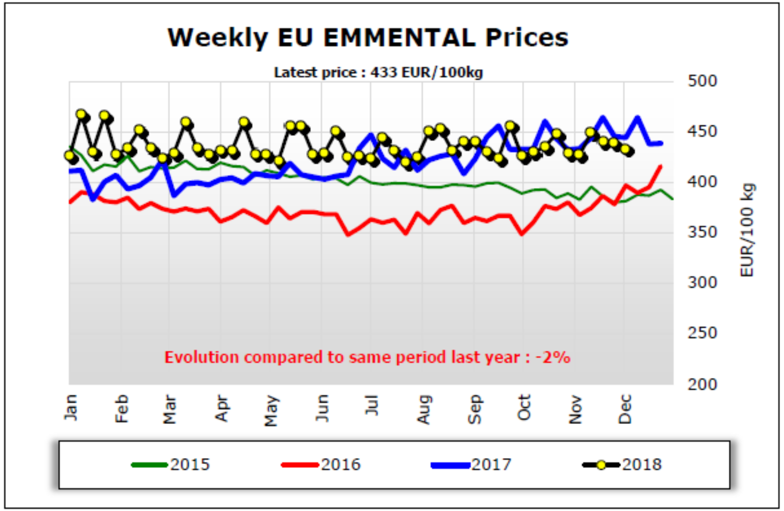
European Commission

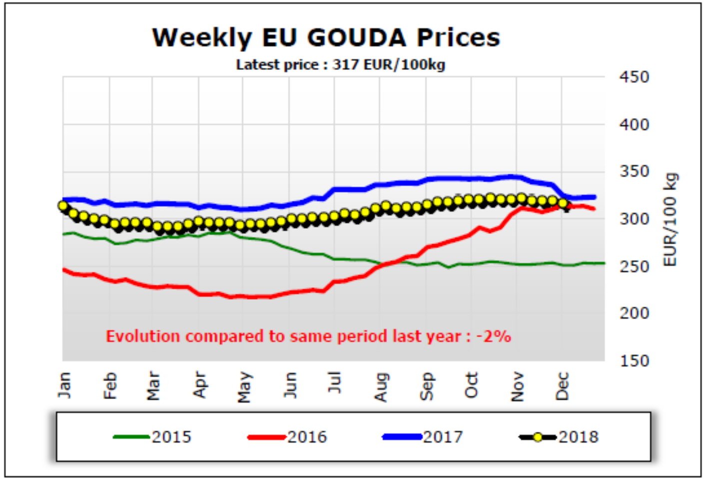


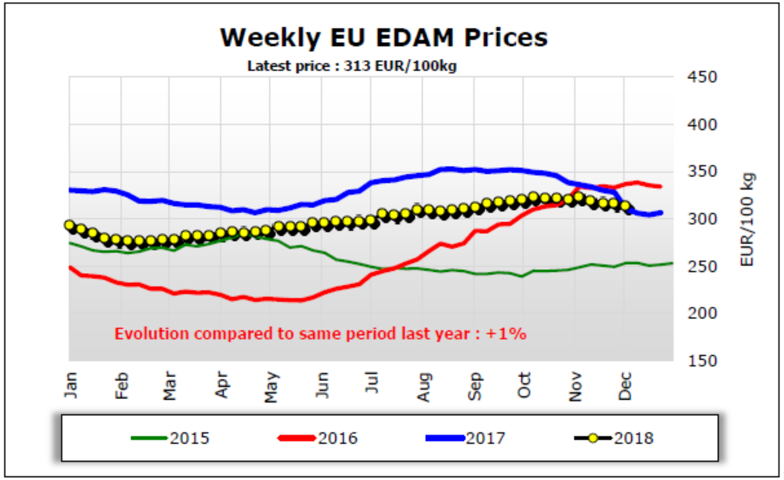


European Commission


Weekly EU CHEDDAR Prices
Latest price : 314 EUR/100kg
Evolution compared to same period last year : -3%
500
450
400
350
300
250
200
EUR/100 kg
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2015 2016 2017 2018


Weekly EU EMMENTAL Prices
Latest price : 433 EUR/100kg
Evolution compared to same period last year : -2%
500
450
400
350
300
250
200
EUR/100 kg
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2015 2016 2017 2018

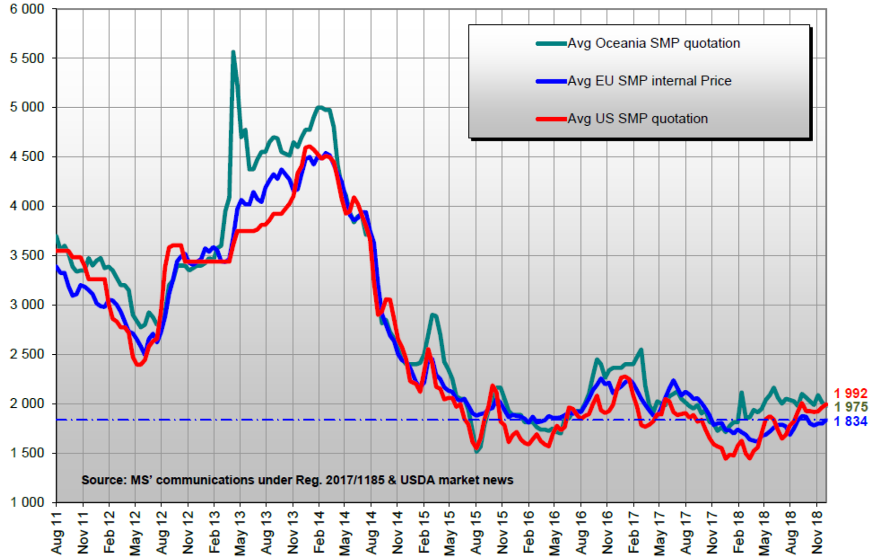

Weekly EU GOUDA Prices
Latest price : 317 EUR/100kg
Evolution compared to same period last year : -2%
450
400
350
300
250
200
150
EUR/100 kg
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2015 2016 2017 2018


Weekly EU EDAM Prices
Latest price : 313 EUR/100kg
Evolution compared to same period last year : +1%
450
400
350
300
250
200
150
EUR/100 kg
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2015 2016 2017 2018

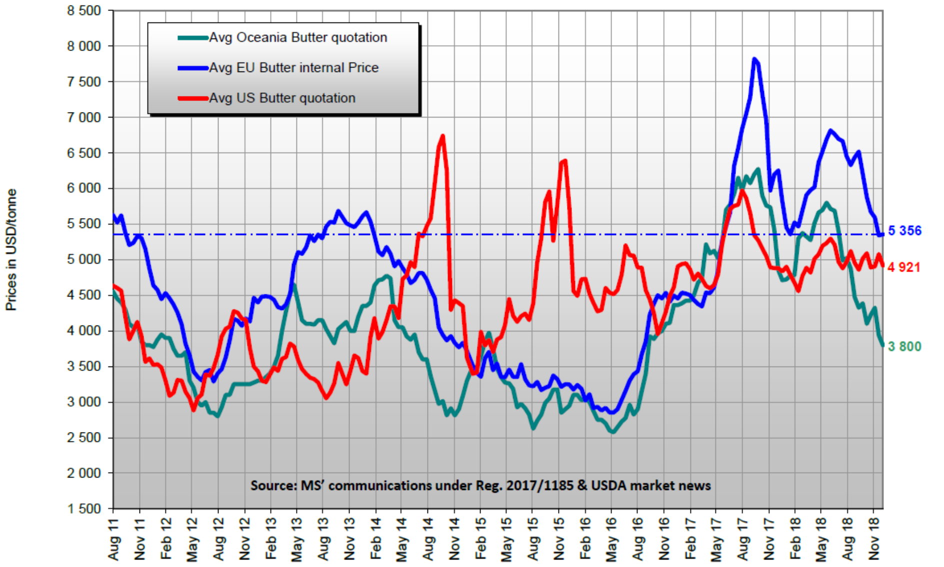
Latest World Quotations of Dairy Products

In US$/t	Latest Quotations			Week - 2						Year - 1					
	09/12/2018			25/11/2018			% change (previous quotation)			10 December 2017			% change (1 year)		
	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA
Butter	5 356	3 800	4 921	5 343	3 938	5 080	+ 0.2%	- 3.5%	- 3.1%	6 255	4 850	4 882	- 14%	- 22%	+ 1%
SMP	1 834	1 975	1 992	1 798	2 013	1 962	+ 2.0%	- 1.9%	+ 1.5%	1 804	1 763	1 550	+ 2%	+ 12%	+ 29%
WMP	3 098	2 638	3 417	3 091	2 625	3 483	+ 0.2%	+ 0.5%	- 1.9%	3 237	2 838	3 020	- 4%	- 7%	+ 13%
Cheddar	3 618	3 263	2 985	3 614	3 350	3 009	+ 0.1%	- 2.6%	- 0.8%	3 821	3 763	3 284	- 5%	- 13%	- 9%

EU/US/Oceania Quotations of SMP



EU/US/Oceania Quotations of Butter



ANNEX 2

Milk Market Situation

LTO Nederland

Milk market situation

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

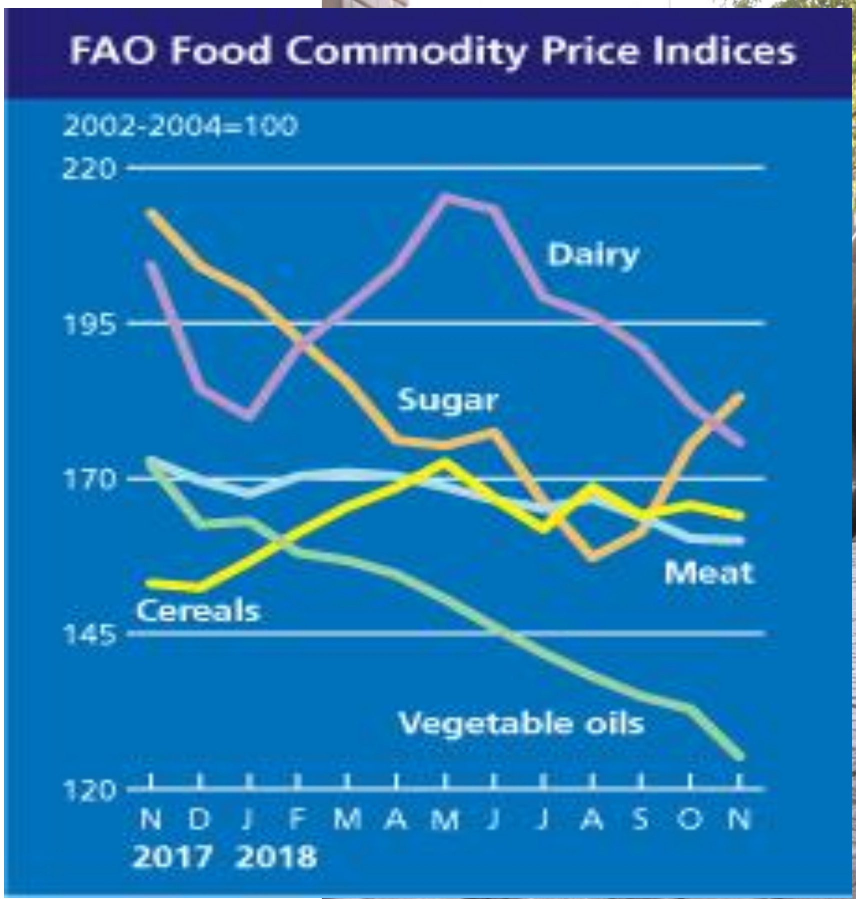
13 December 2018

Klaas Johan Osinga

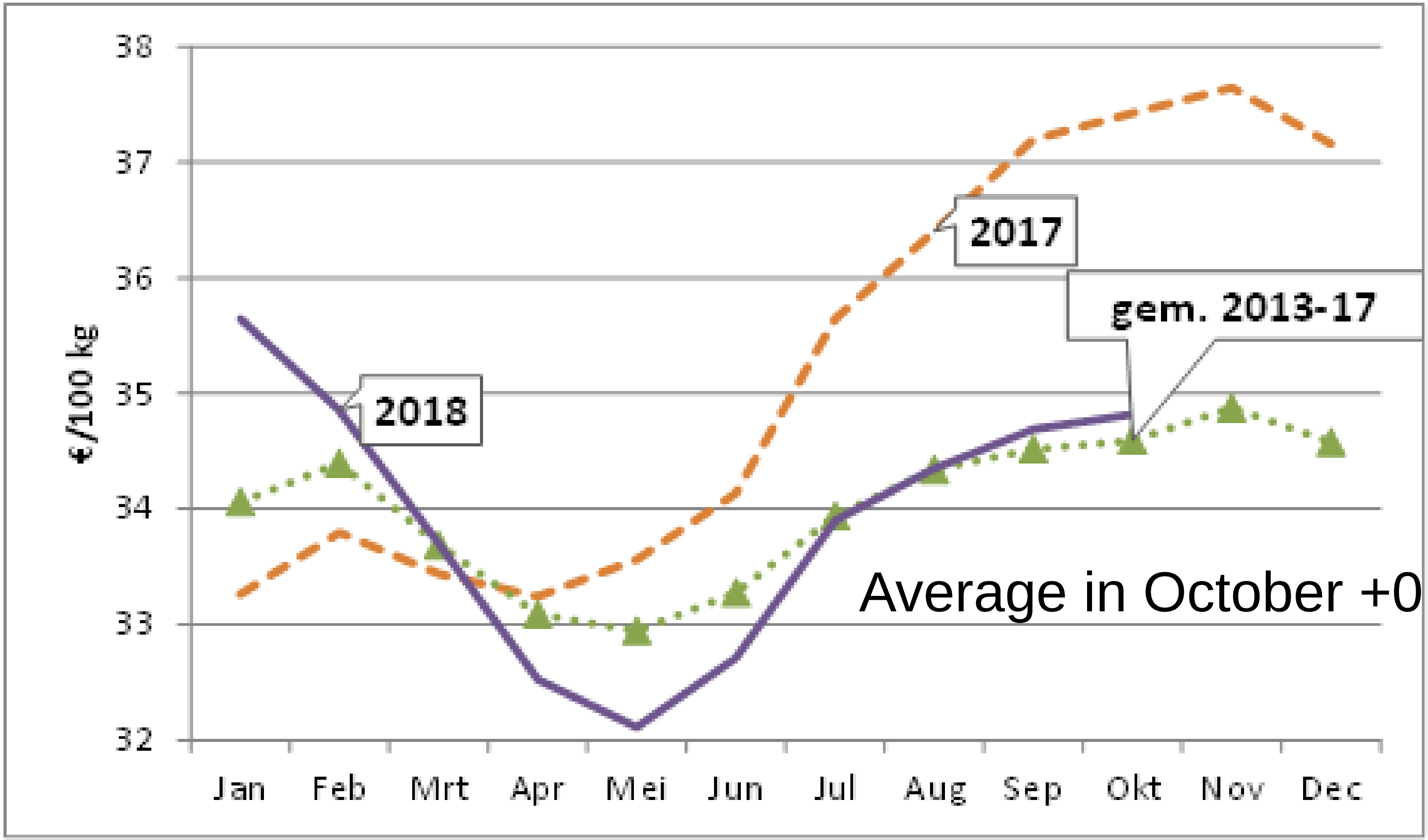
kjosinga@lto.nl, @KJOsinga

1. The big picture....

LTO Nederland



LTO milk prices average



Average in October +0.13

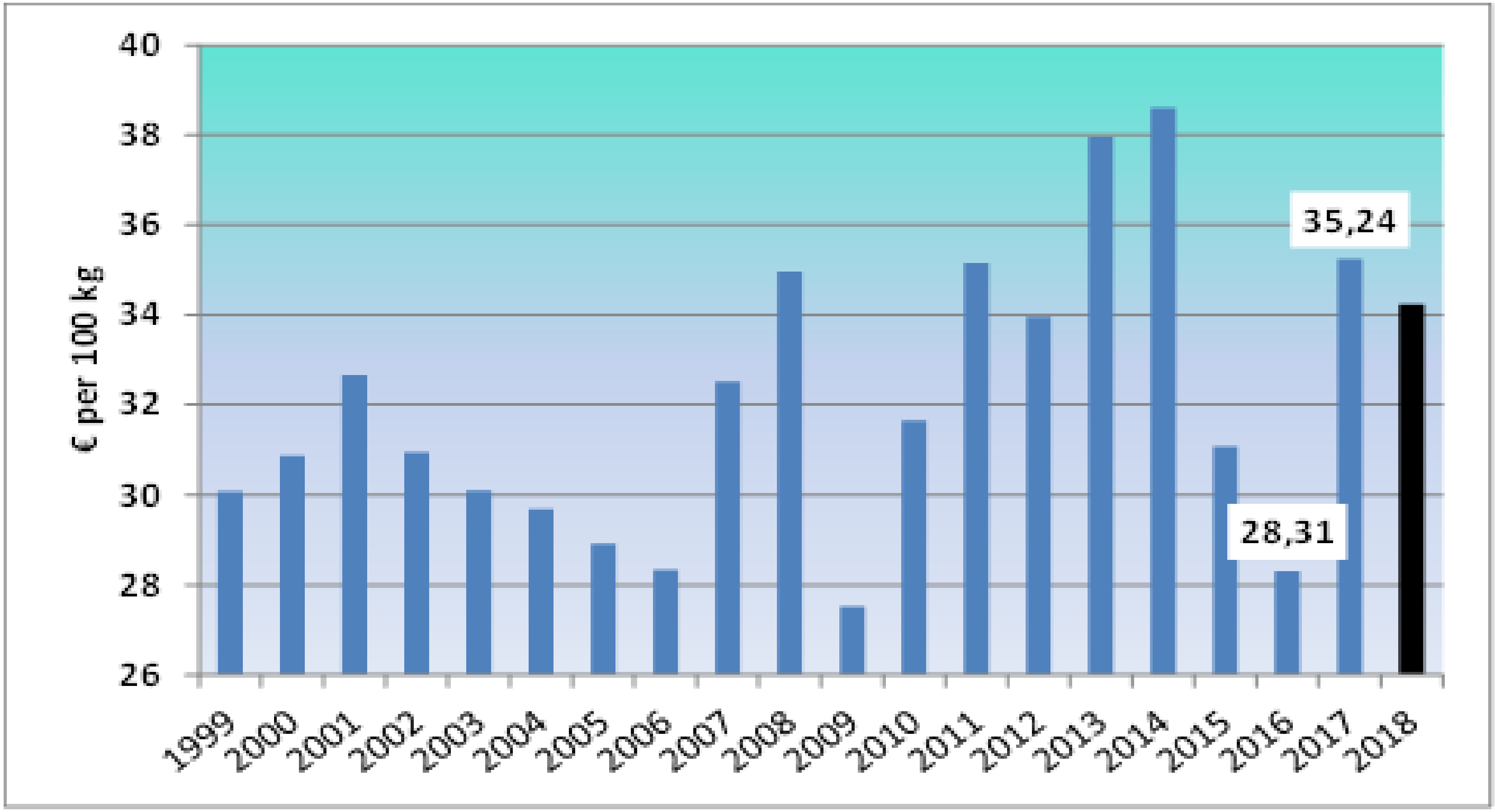
Farm gate milk prices € per 100 kg standardised milk

Dairy Company		October 2018	Rank	October 2017	Difference (%)	Changes in Nov / Dec	Most recent profit payment
GRANAROLO (North)	ITA	37.87	1	40.81	-7.2	No change	
FRIESLANDCAMPINA	NLD	37.39	2	41.04	-8.9	- 0.70 / no change	1.27
SODIAAL UNION (PAS DE CALAIS)	FRA	36.51	3	36.08	+1.2		0.23
DAIRY CREST (DAVIDSTOW)	GB	35.97	4	35.76	+0.6		
LACTALIS (PAYS DE LA LOIRE)	FRA	35.57	5	34.34	+3.5	No change	
ROYAL A-WARE	NLD	35.20	6	43.18	-18.5	-1.50 / no change	
ARLA FOODS DK	DK	35.19	7	37.34	-5.8	No change / -1.00	1.28
VALIO	FIN	34.90	8	36.36	-4.0		0.92
MILCOBEL	BEL	34.72	9	36.44	-4.7		0.24
DMK DEUTSCHES MILCHKONTOR eG	DEU	34.59	10	40.00	-13.5	No change / -1.00	
SAVENCIA (BASSE NORMANDIE)	FRA	34.12	11	35.09	-2.8	No change	
DANONE (PAS DE CALAIS)	FRA	34.10	12	35.64	-4.3		
MULLER (LEPPERSDORF)	DEU	33.95	13	38.85	-12.6		
HOCHWALD MILCH eG	DEU	33.92	14	36.41	-6.9		0.10
KERRY AGRIBUSINESS	IRL	33.43	15	36.59	-8.6		
DAIRYGOLD	IRL	32.30	16	36.30	-11.0		
GLANBIA	IRL	32.21	17	36.02	-10.6		
Average		34.82		37.43	-7.0		
EMMI	CH	52.94		52.86	+0.1		
FONTERRA	NZ	27.87		30.91	-9.8	-1.00 (announced 6 Dec)	
USA Class III	USA	34.20		35.90	-4.7		

Deliveries 1 million kg / year

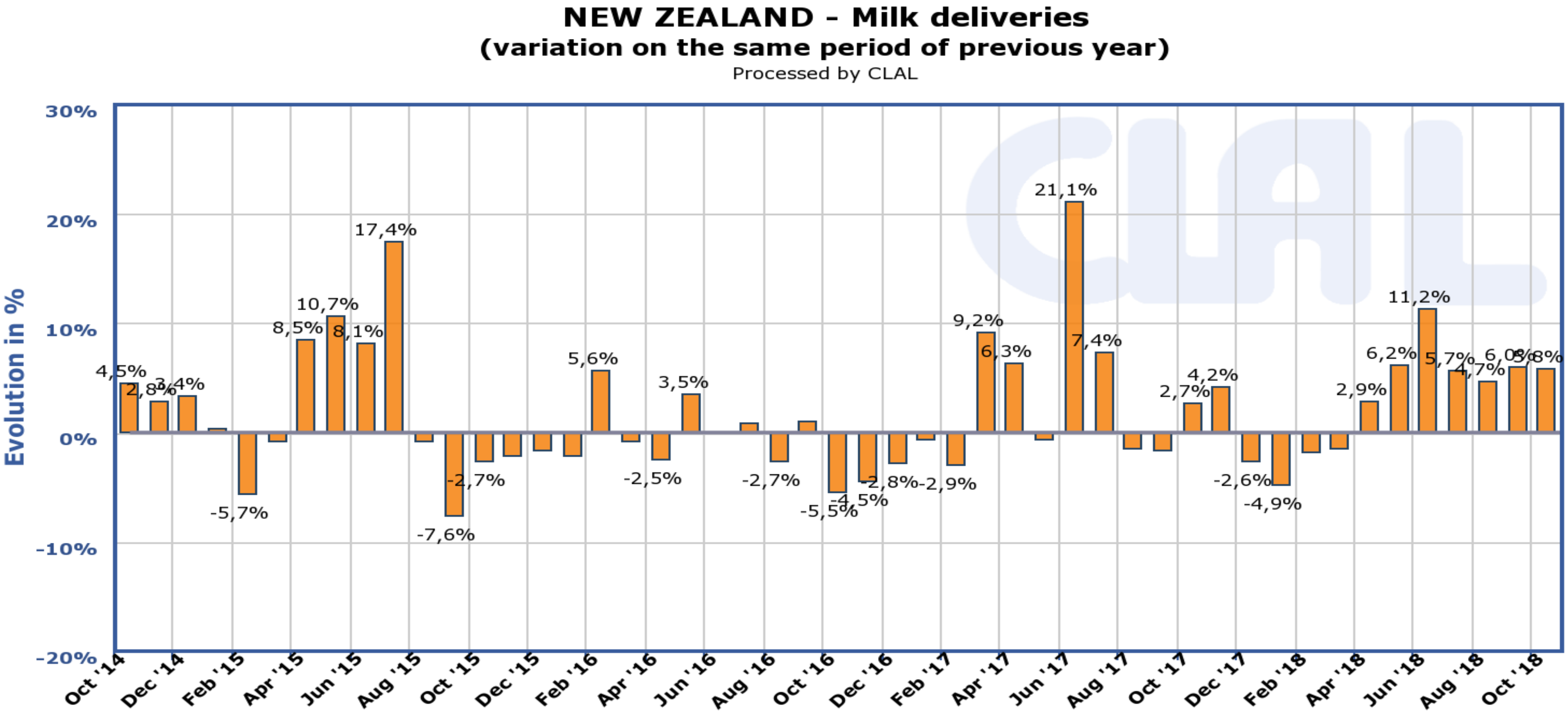
Source: milkprices.nl

2018: an average year



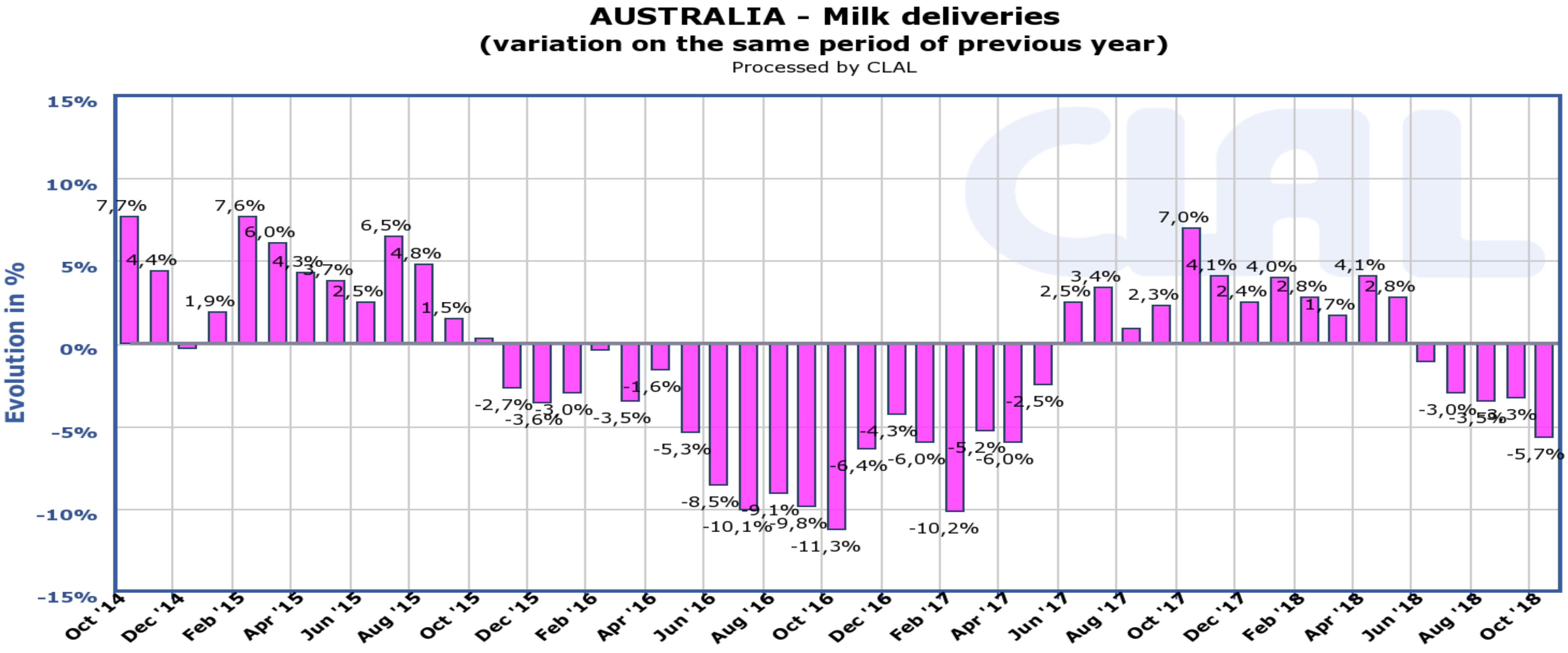
2. Milk production

New Zealand June-Oct 2018: +5.8%



Milk production (2)

Australia: July – October -4.0%



Milk production (3)

United States

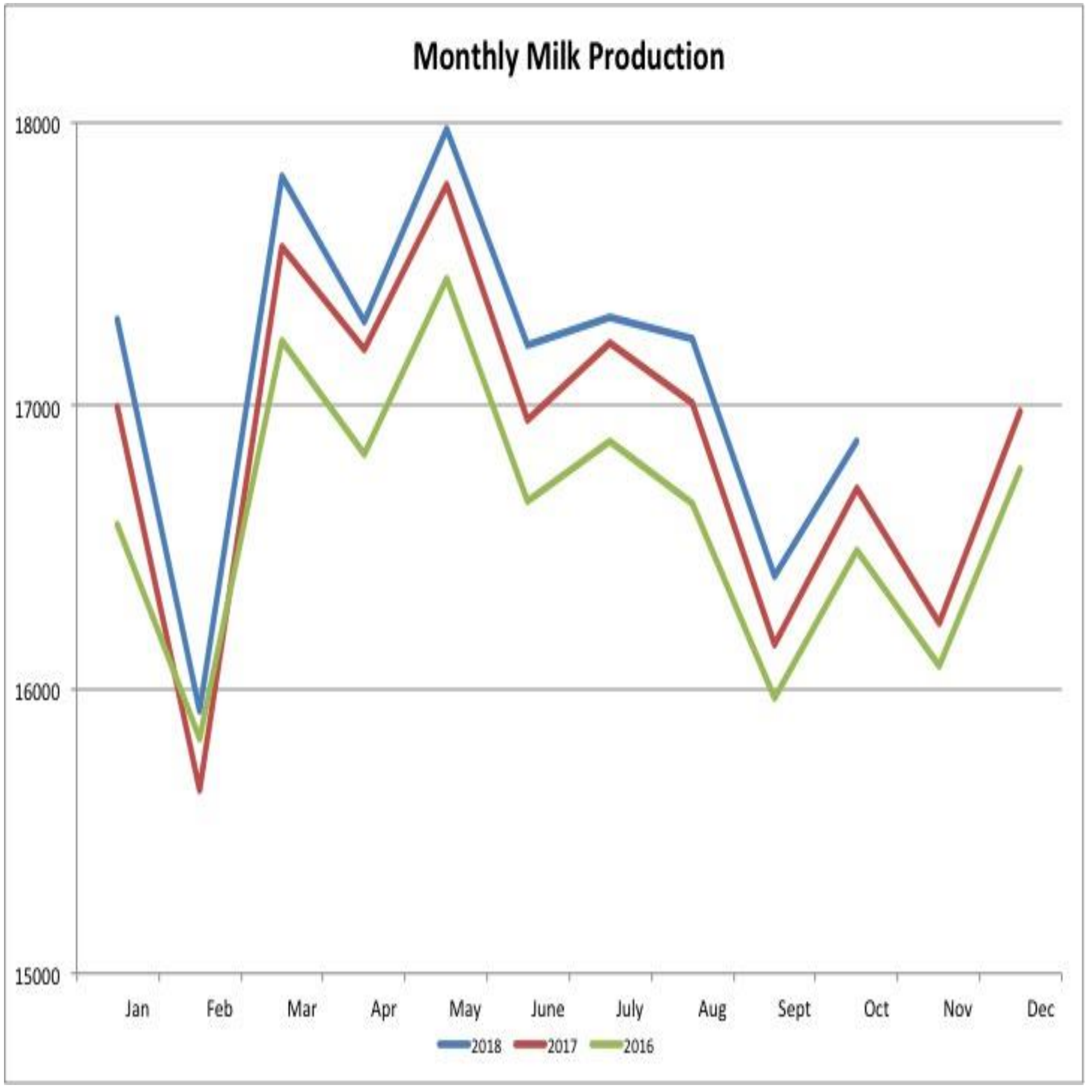
USDA (y-o-y):

September: +1.5%

October: + 1.0%

USDA expectations

for 2019: +1.1%



Milk production (5)

EU – latest data:

Germany

France

UK

Netherlands

Spain

Ireland

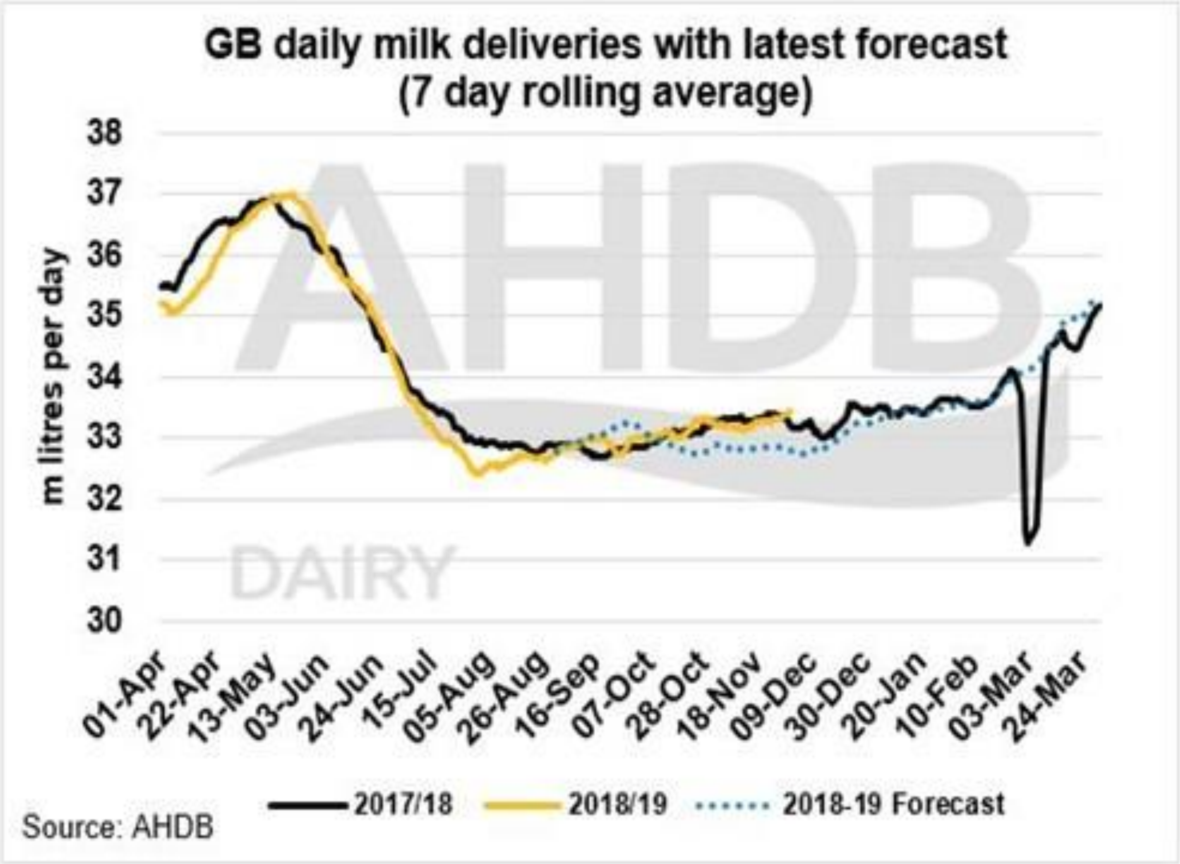
Denmark

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

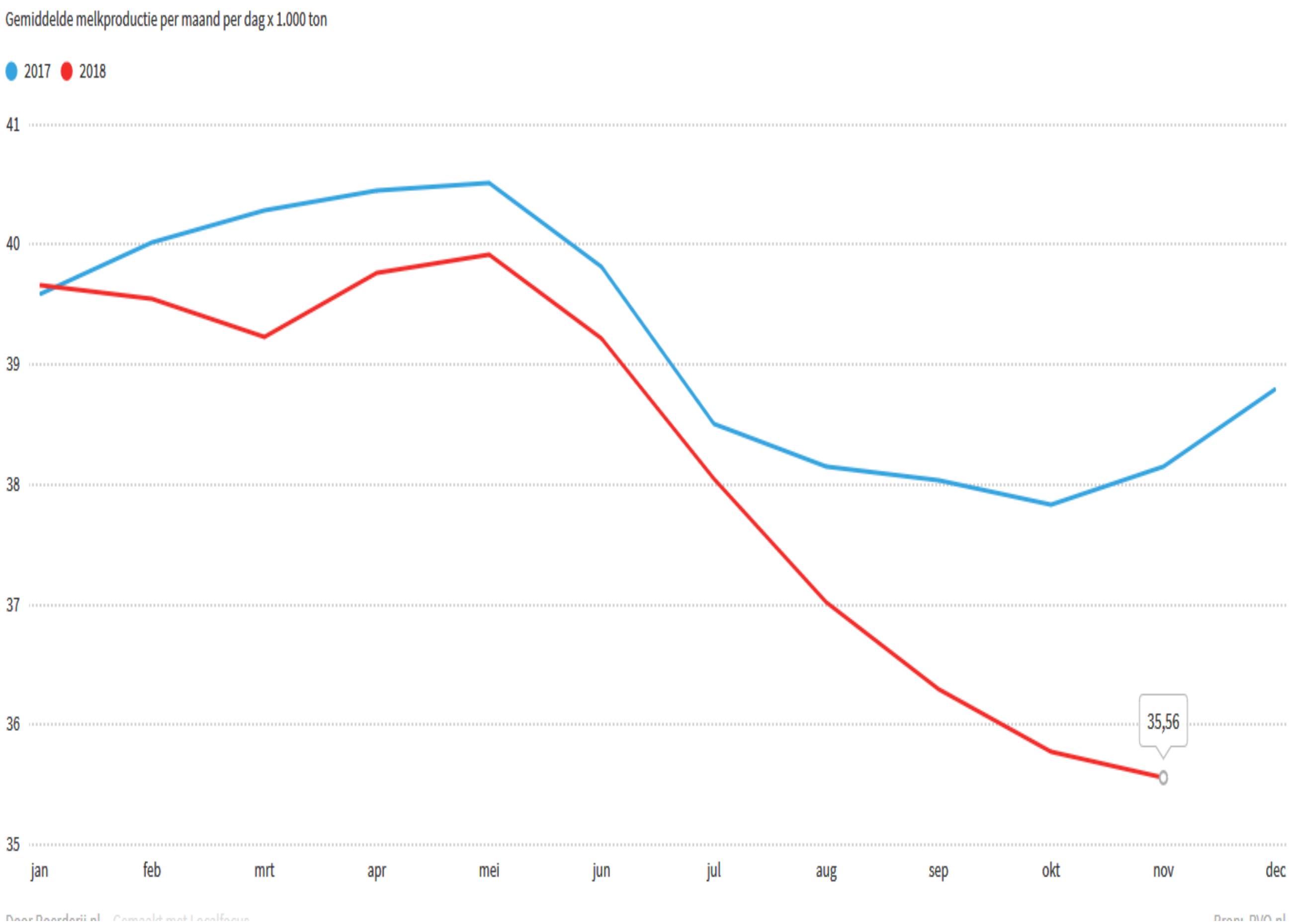
Week	Germany	France
Week 48	-1.5%	
Week 47	-1.8%	-4.6%
Week 46	-0.9%	-4.0%
Week 45	-0.9%	-4.3%
Week 44	-1.7%	-4.9%
Week 43	-0.7%	-4.2%
Week 42	-1.6%	-4,6%
Week 41	-1.0%	-5.1%
Week 40	-0.7%	-3.1%
Week 39	-1.0%	-3.9%

Great Britain (y-o-y)

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



Netherlands milk production



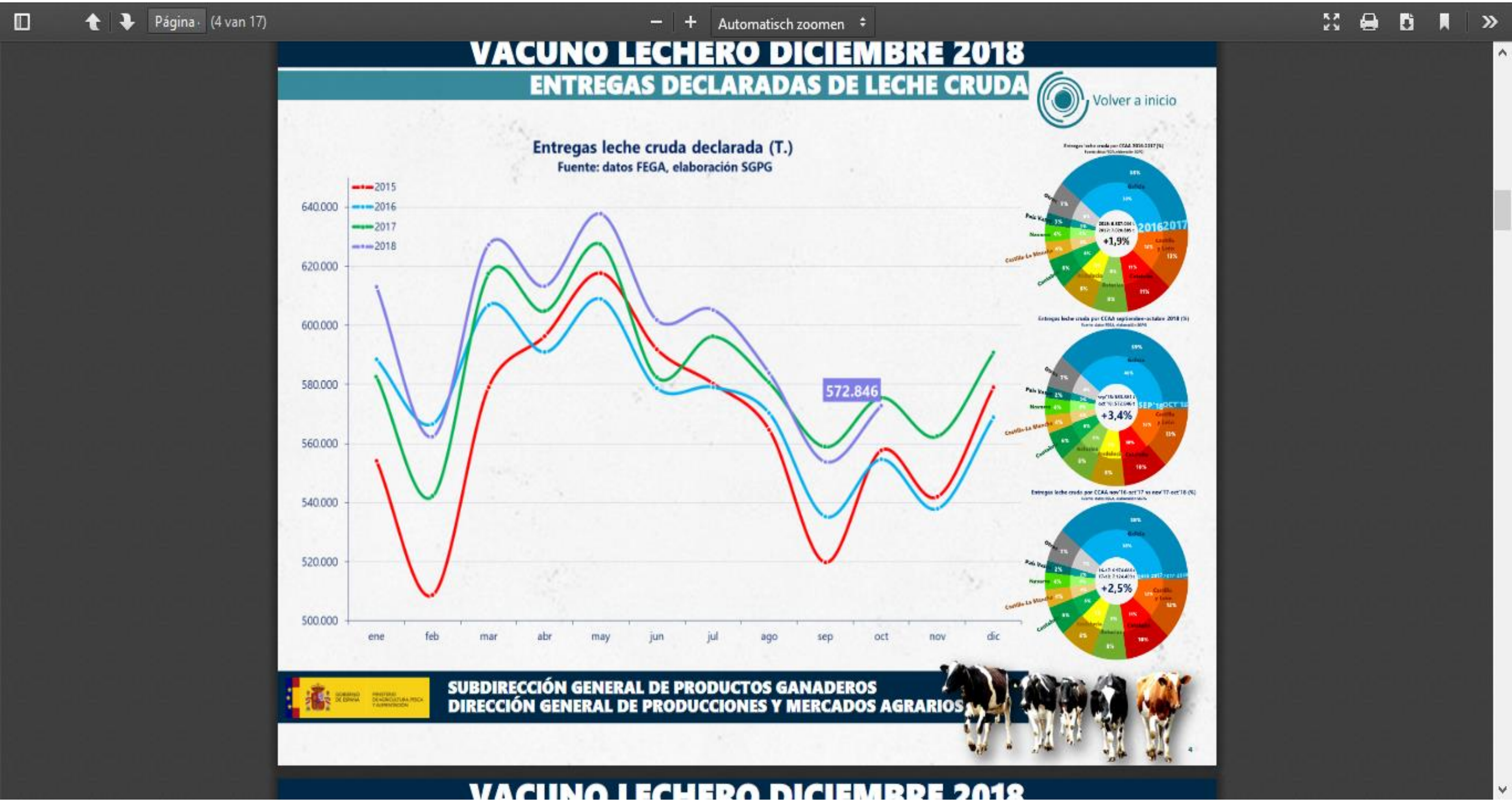
Okt 2018:
-5.5% (milk)
-4.9% (fat)

Nov 2018:
-6.8% (milk)
-5.4% (fat)

Jan-Nov 2018:

-2.8% (milk)
-2.7% (fat)

Spain milk production



Ireland: +2.8% (Jan-Oct)

CSO statistical release, 30 November 2018, 11am

Milk Statistics

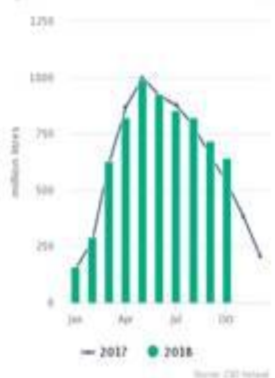
October 2018

Domestic Milk Intake

	2017	2018	% change
	million litres		
October	534.3	642.4	20.2%
January-October	6,676.2	6,864.8	2.8%

Domestic Milk Intake is up by 20.2 % in October 2018

Figure 1 Domestic Milk Intake



Domestic milk intake by creameries and pasteurisers was estimated at 642.4 million litres for October 2018. This was 20.2 % above the corresponding 2017 figure. *See graph opposite.*

Comparing the October 2018 milk produce figures with those for October 2017 shows that:

- Total milk sold for human consumption decreased by 0.3 % to 44.8 million litres.
- Butter production was up 15.5 % to 20,000 tonnes.

See Table 1 for more details.

The information used to compile this release was collected under EU Directive 96/16/EC.

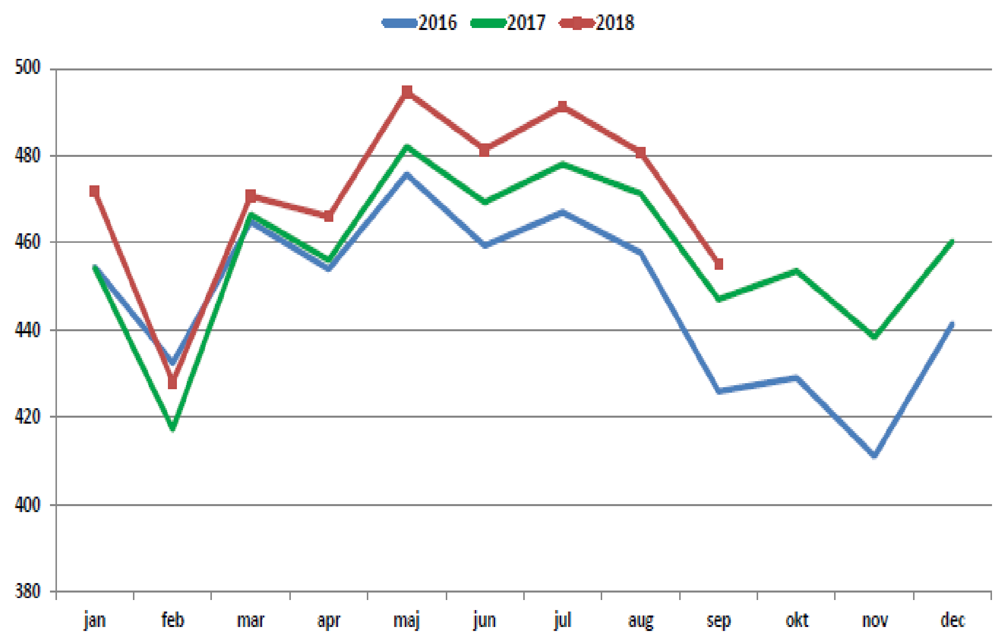
"There will still be a degree of fodder tightness over winter, but much of this has been reduced by late silage harvesting, catch crop incentives, etc.
October was up 20.2% compared to Oct 2017, which was restricted by wet and cold weather. Considerable increase for November is expected (note: Nov 2017 was also very wet and cold)"
Source: IFA

Denmark (+1.8% in Sept)

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

Bemærk: 29 dage i februar 2016

16-11-2018



	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	4.092
2017	454	417	466	456	482	469	478	471	447	454	438	460	4.142
2018	472	428	471	466	495	481	491	481	455				4.240
2018/2017	3,9%	2,6%	0,9%	2,2%	2,6%	2,6%	2,8%	2,0%	1,8%				2,4%

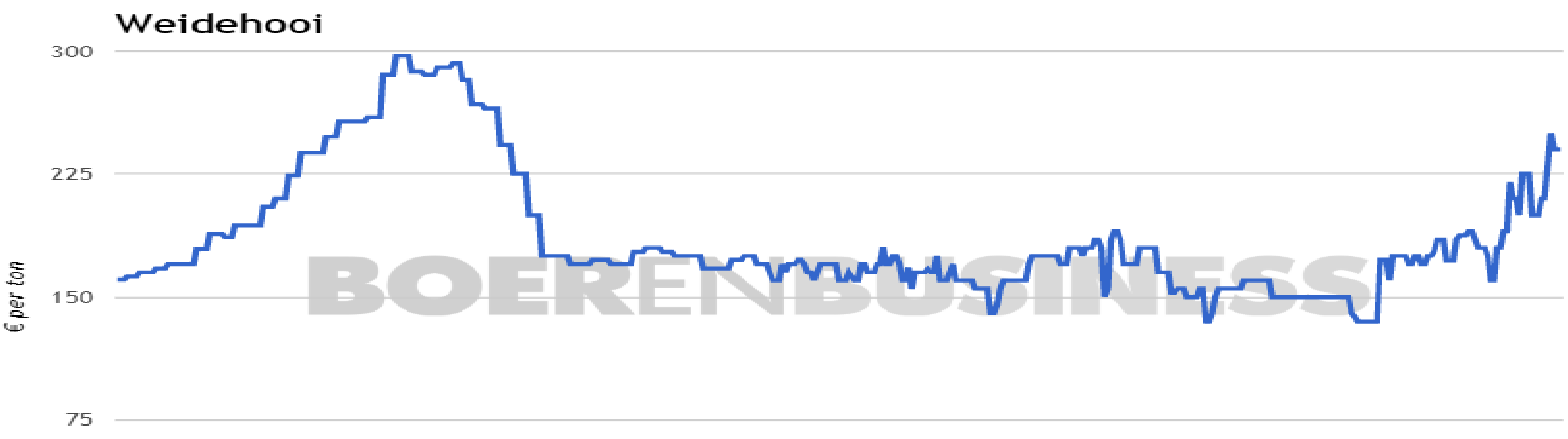
"We are monitoring the situation and still expect that there will be a shortage of feed in the coming months "

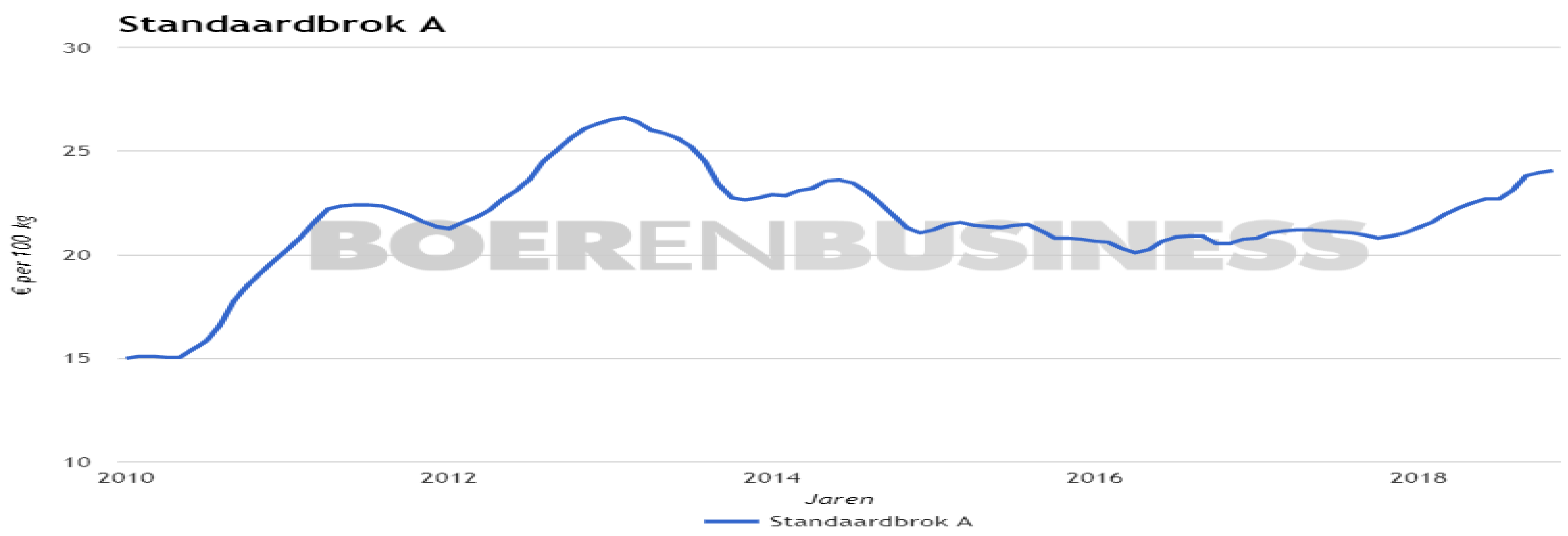
Source: DAFC

Milk production in some other MSs

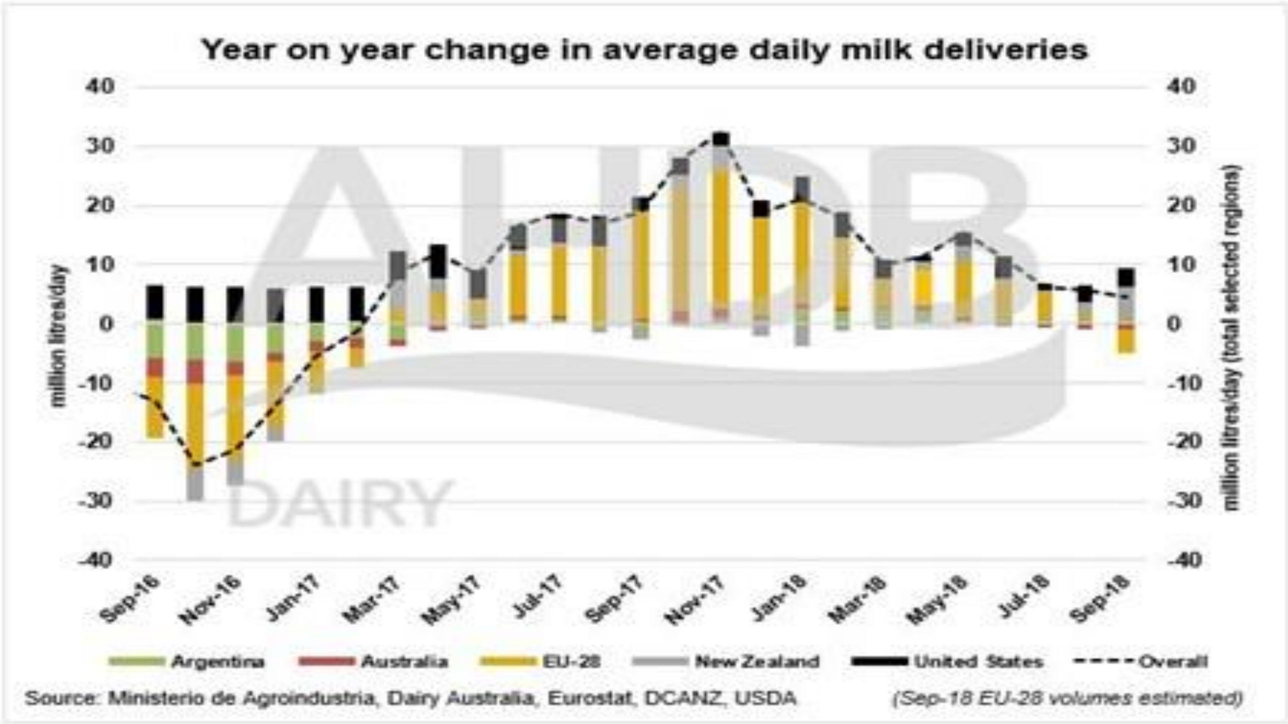
Poland	+2.7%
Slovenia	-4.5% (October)
Sweden	-2% (September)
Belgium	+4.5% (October)

Feed prices going up (DCA)





Aggregated milk supply of five main dairy exporters



Source: AHDB, UK

Milk production growth 2018

	Calender year 2019 (billion kg milk)		
EU	+	1.0	
USA	+	1.5	
New Zealand	+	2.0	(2018/19)
Australia	-	0.2	
Argentina	+	0.2	
Total	**+**	**4.5 billion kg**	

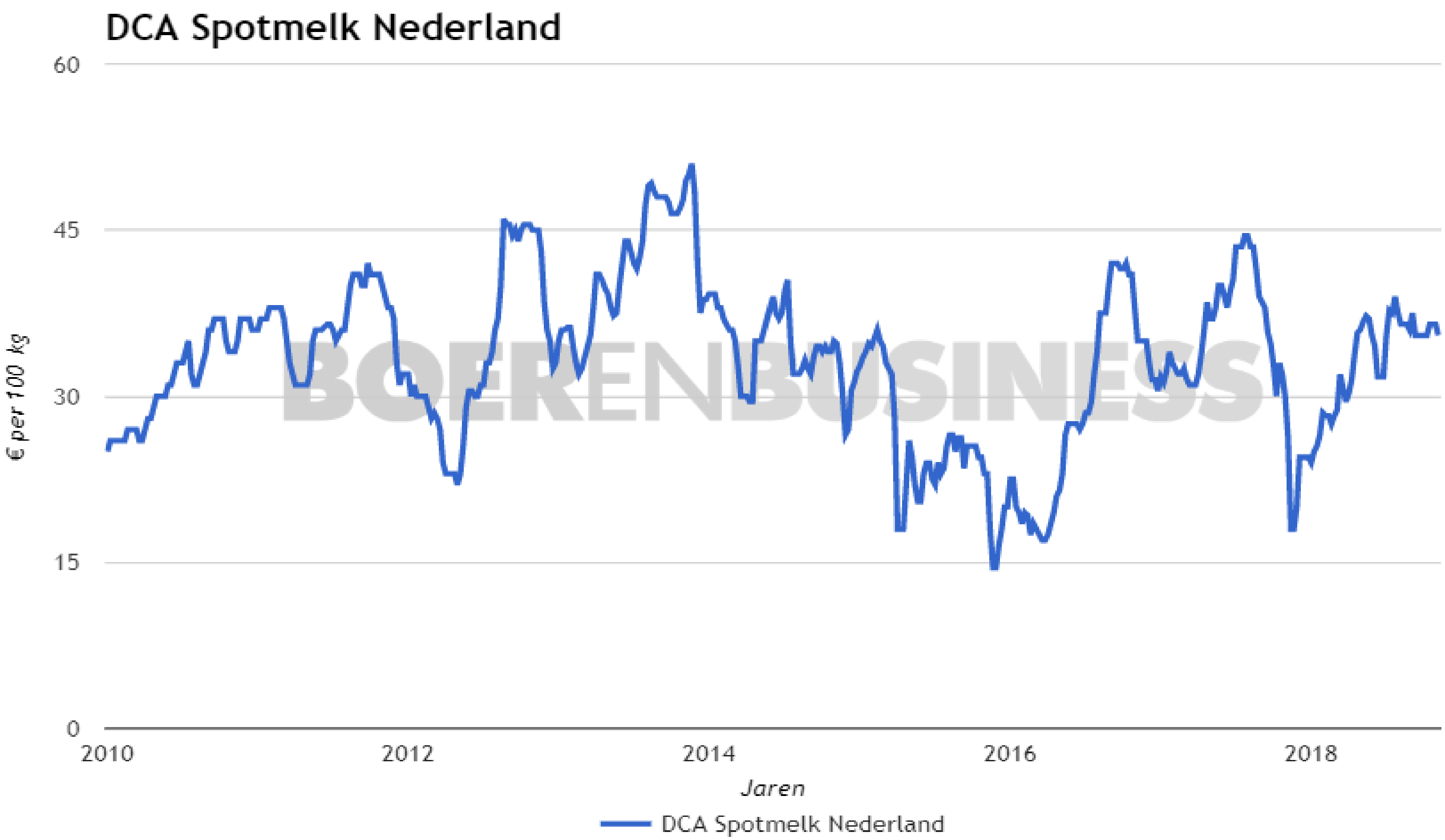
Volume of world market is about 60 bn kg

3. CME Chicago 25 Sept (contract Jan 2019):

CME (9 Dec) Jan 2019 contract

CME Class III July 2019 contract

DCA Dutch spot milk prices



Some dairy quotations

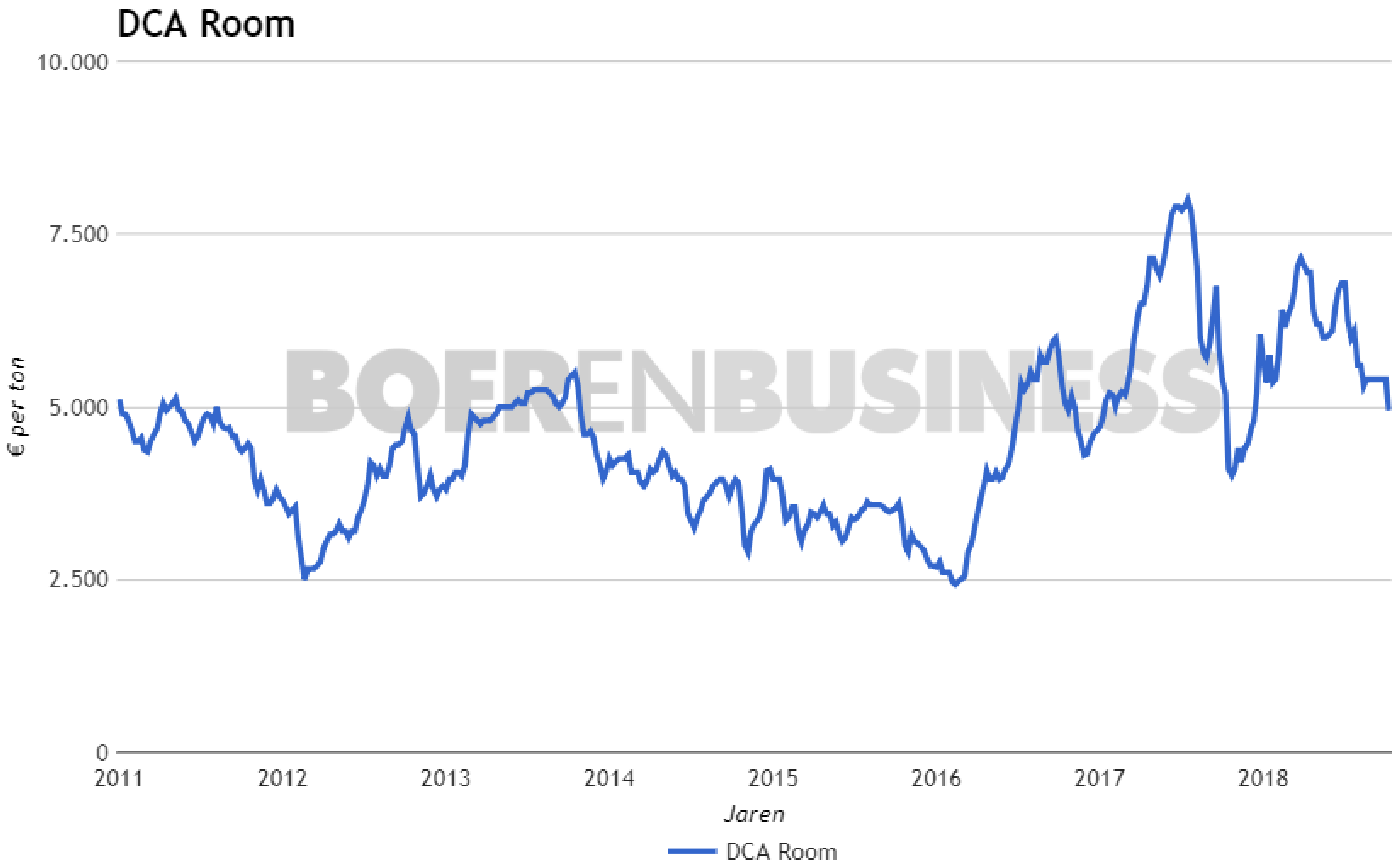
ZuivelNL quotations 12 December 2018:

Butter, 25 kg cartons:	- € 2.00	€ 414.00
WMP, 26% fat:	+€ 3.00	€ 270.00
SMP extra quality:	+€ 4.00	€ 170.00
SMP feed quality:	+/-€ 0.00	€ 148.00
Whey powder:	+€ 0.00	€ 78.00

Cheeses Edam/Gouda: Hannover € 2.95-3.10 stable
Cream: € 5.00
Butter: € 4.05
Milk spot price (*DCA*) € 0.355

Ife-Rohstoffwert € 29.70 (Nov 2018)

Cream prices



Summary

- Fodder situation will be relevant into next spring. More cows were slaughtered. If milk prices keep up, farmers may be able to buy fodder. No evidence for EU/US milk production surge in H12019 which will support prices for the time being
- EU will have to adjust to some global commodity price levels coming months (WMP)
- USA: many farmers feel squeeze on margins. Don’t expect big production growth.
- New Zealand milk production looks very strong !
- China: good demand in Q3 2018. US/China retaliatory tariffs may help Europe (and NZ) in short term? Fodder situation (soybean) may lead to lower milk production in 2019
- Oil prices uncertainty (OPEC decisions)
- EU will sell SMP intervention stock in 2019 – prices have so far not suffered thanks to strong SMP exports

4. Conclusions

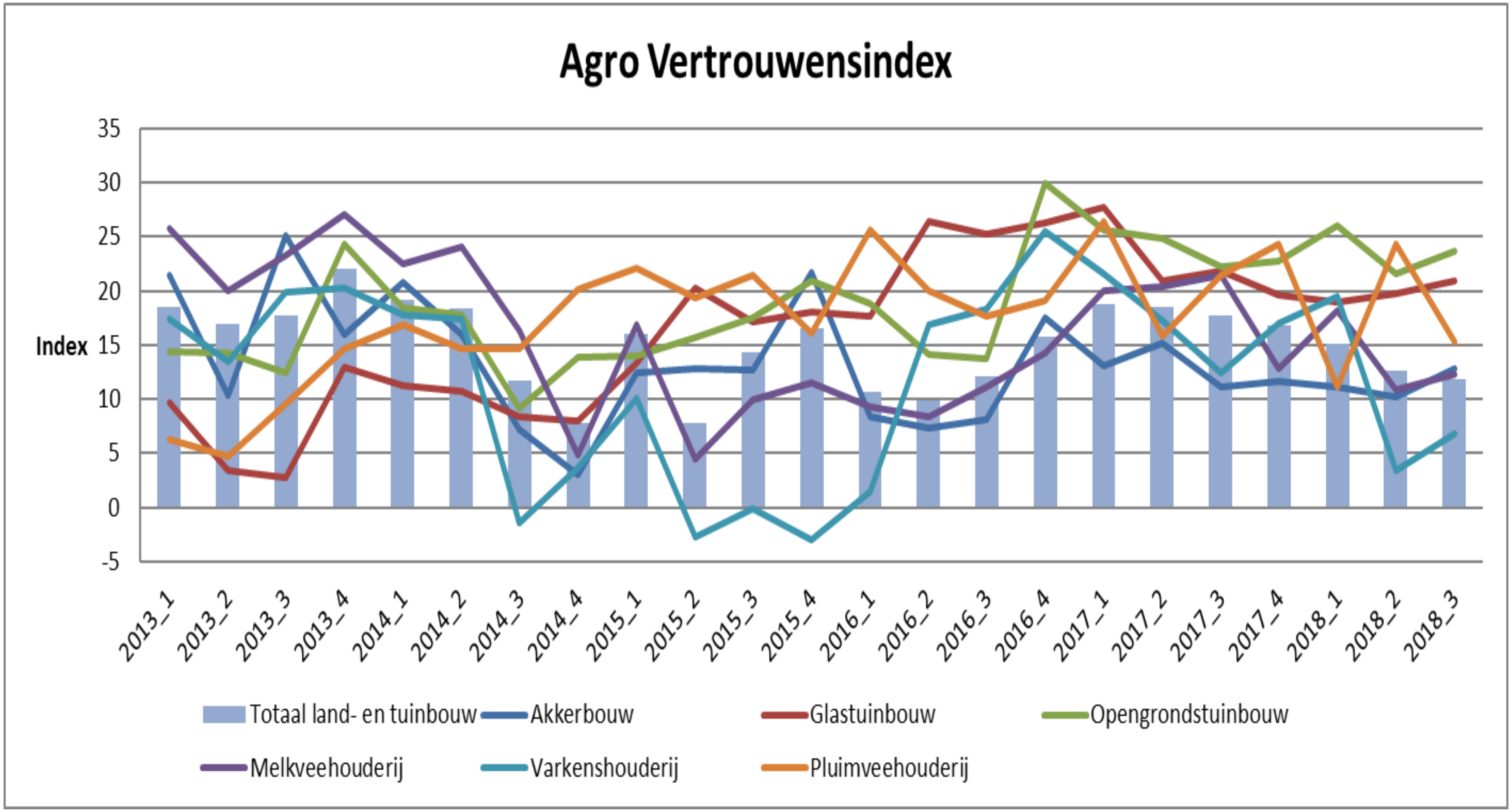
Situation in balance entering 2019

Cheese market stable (short term)

However, NZ will impact on market

Impact of recent drought still unclear – will EU farmers run out of fodder this spring?

5. Farmers' confidence?



Q3 2018

Thank you for your attention

LTO Nederland

@KJOsinga kjosinga@lto.nl

ANNEX 3

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

EDA

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

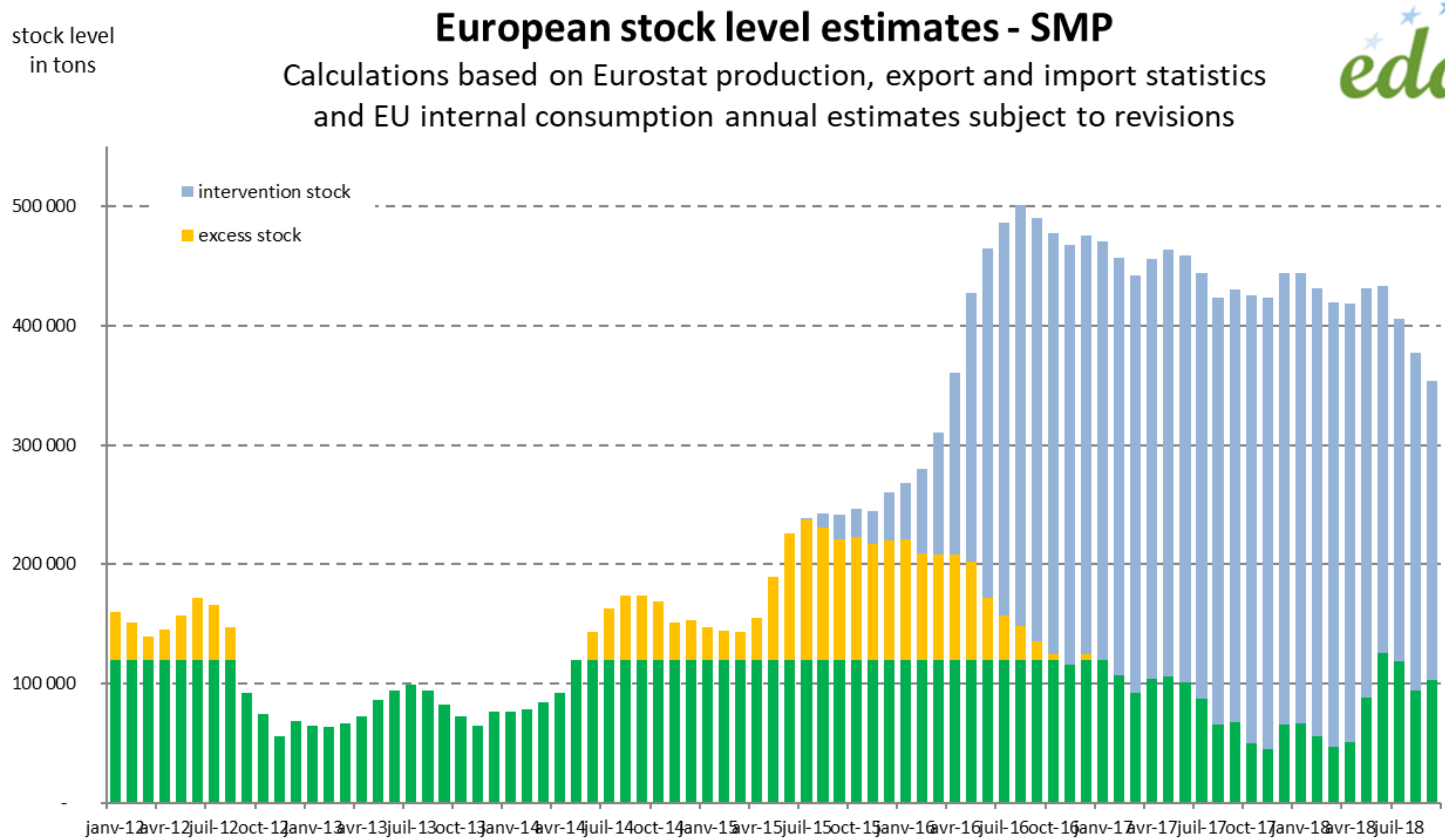
Milk Market Observatory

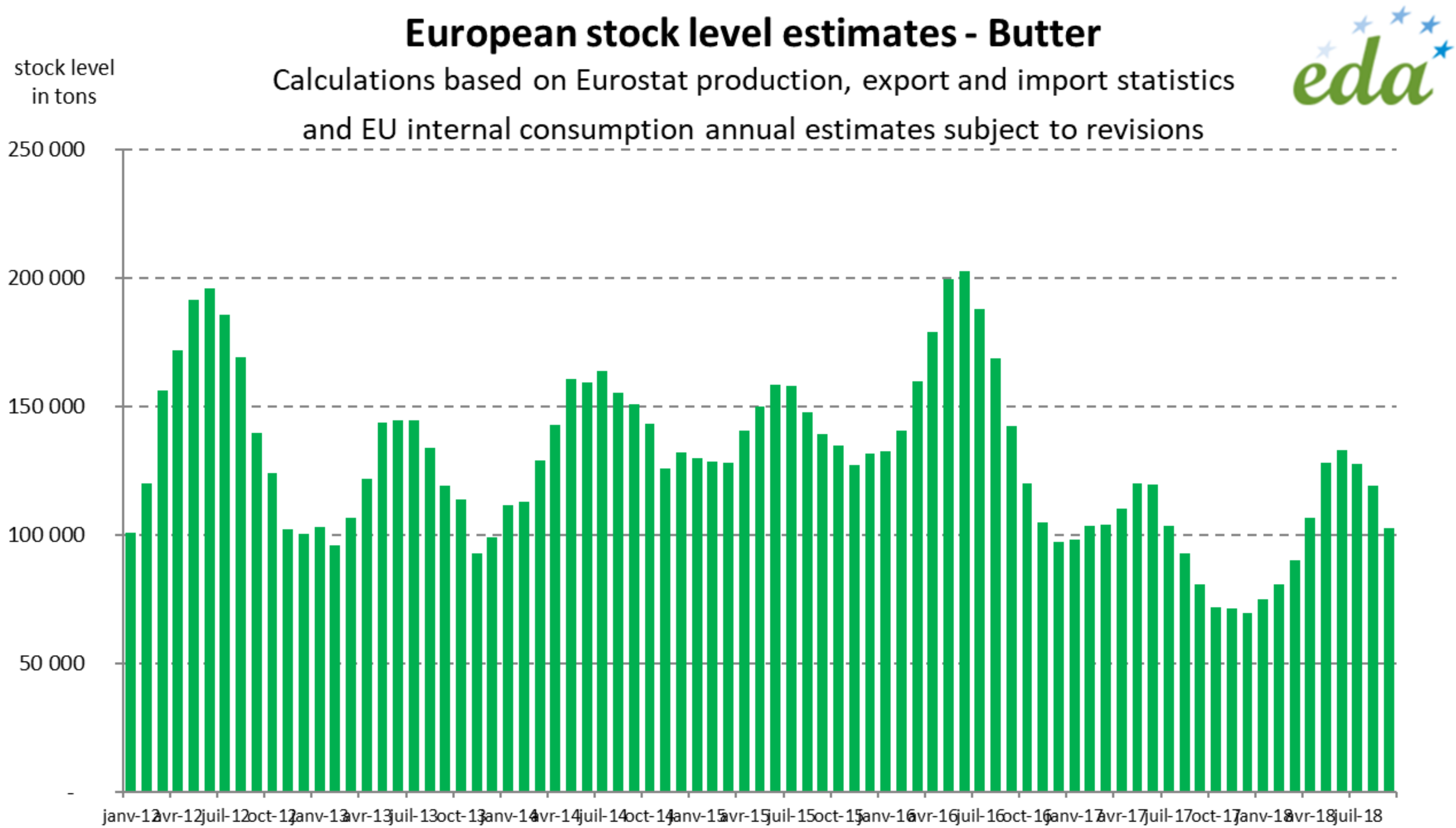
Economic Board

December 13th , 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.


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 oct-17 janv-18 avr-18 juil-18


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
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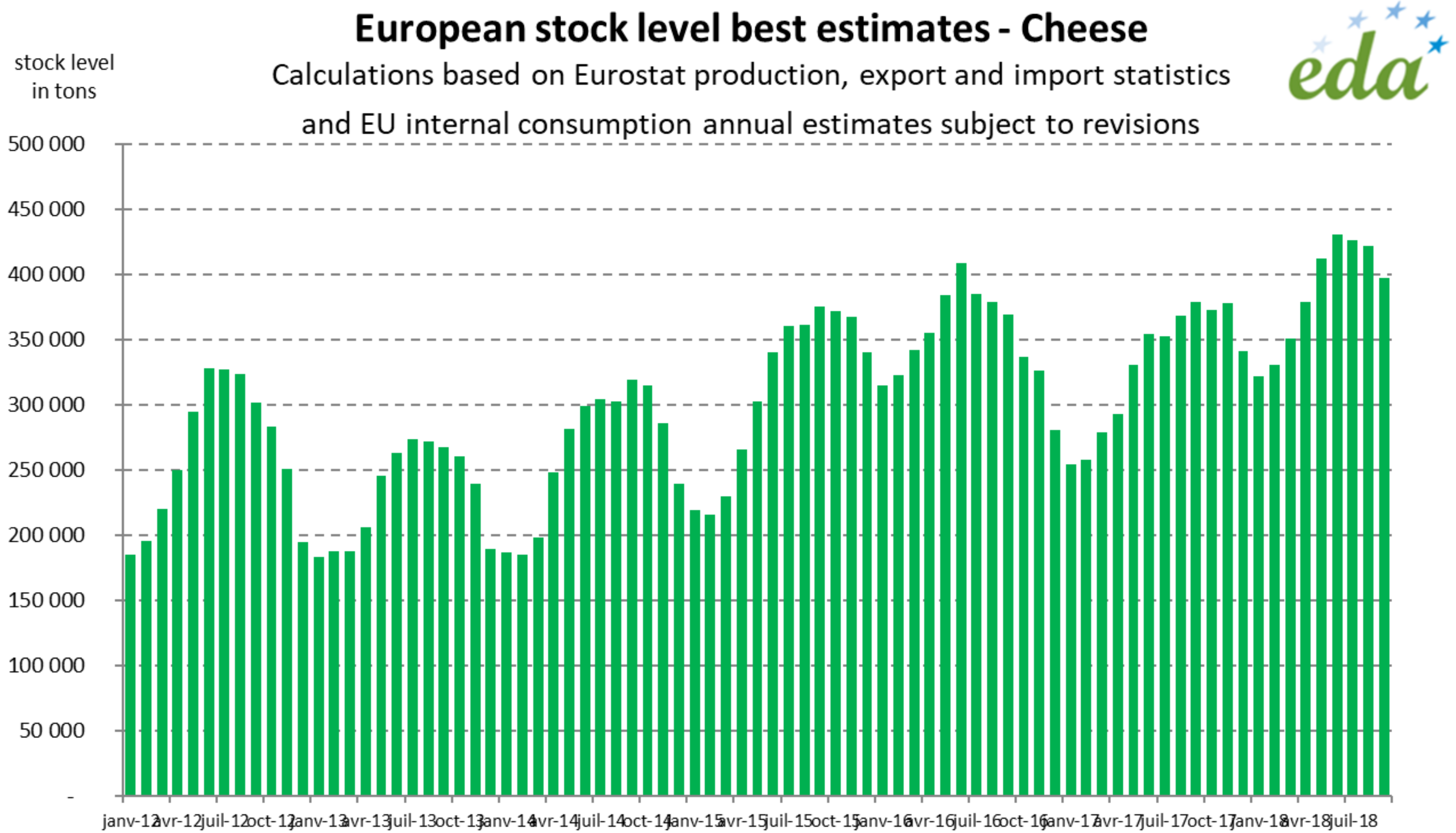
juil-17
oct-17
janv-18
avr-18
juil-18


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

ANNEX 4

Perspectives from the Dairy Trade

Eucolait

Perspectives from the Dairy Trade

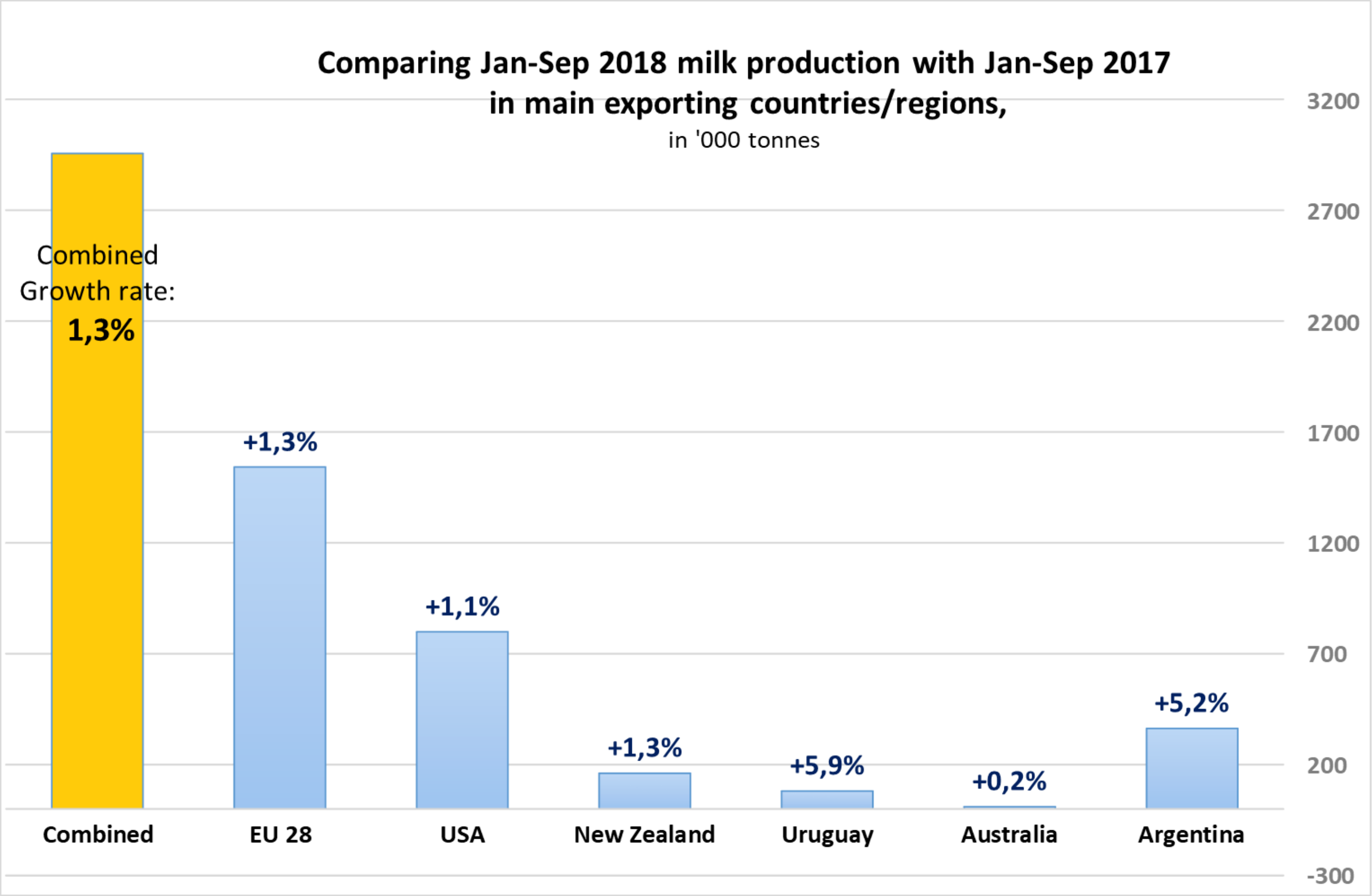
MMO Economic Board

13 December 2018

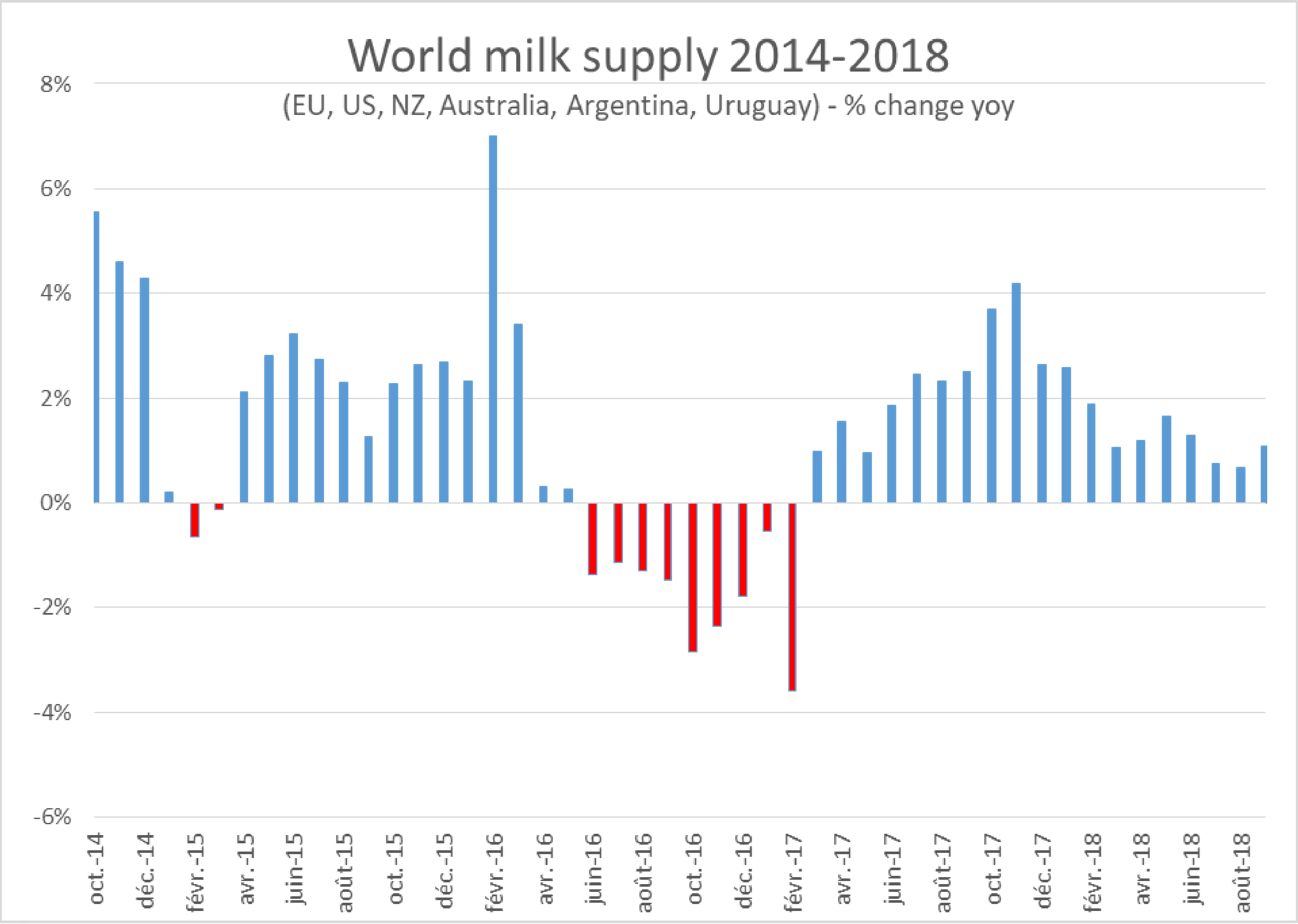
Outline

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

Milk production in key export regions



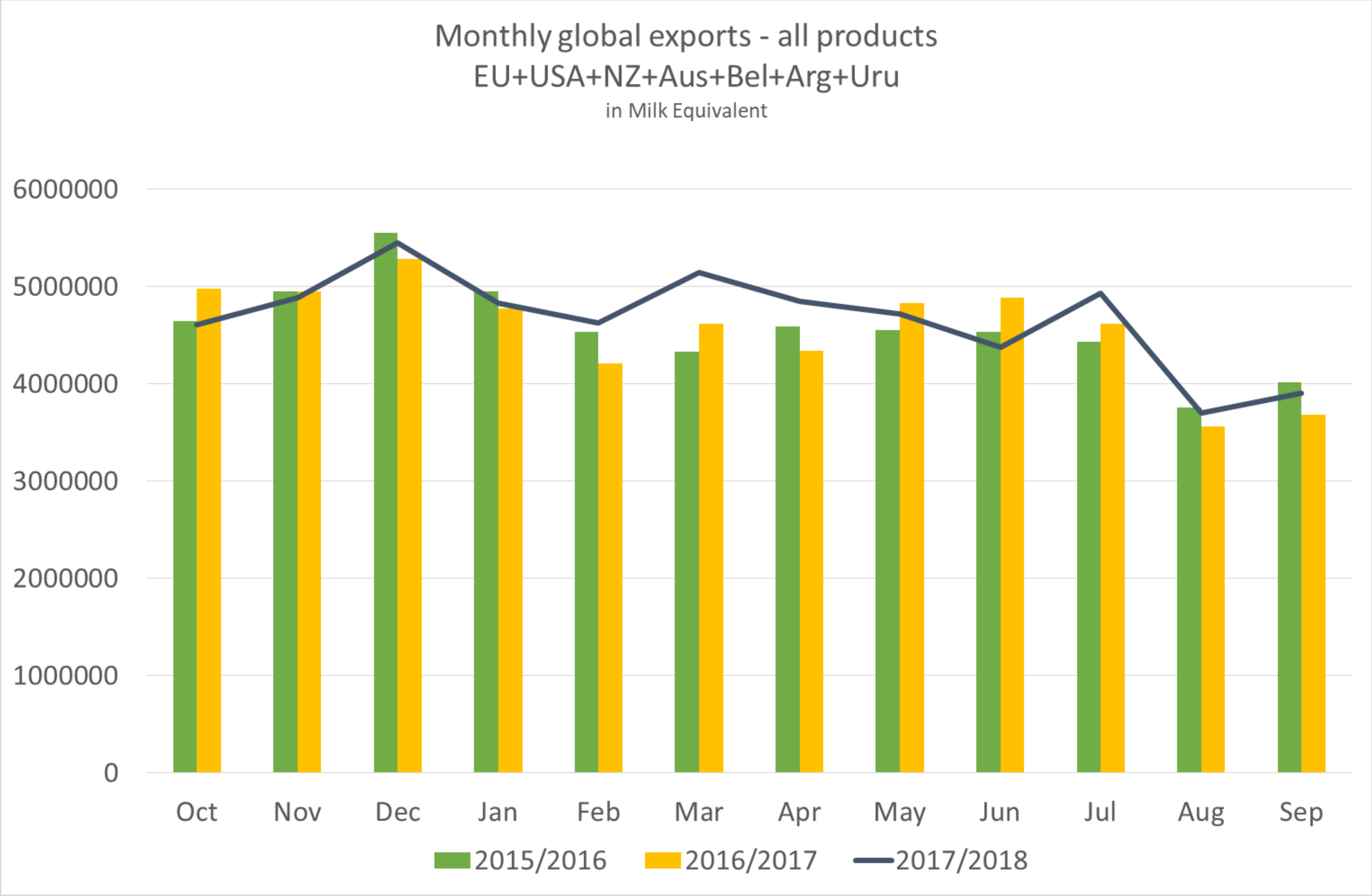
Milk production in key export regions



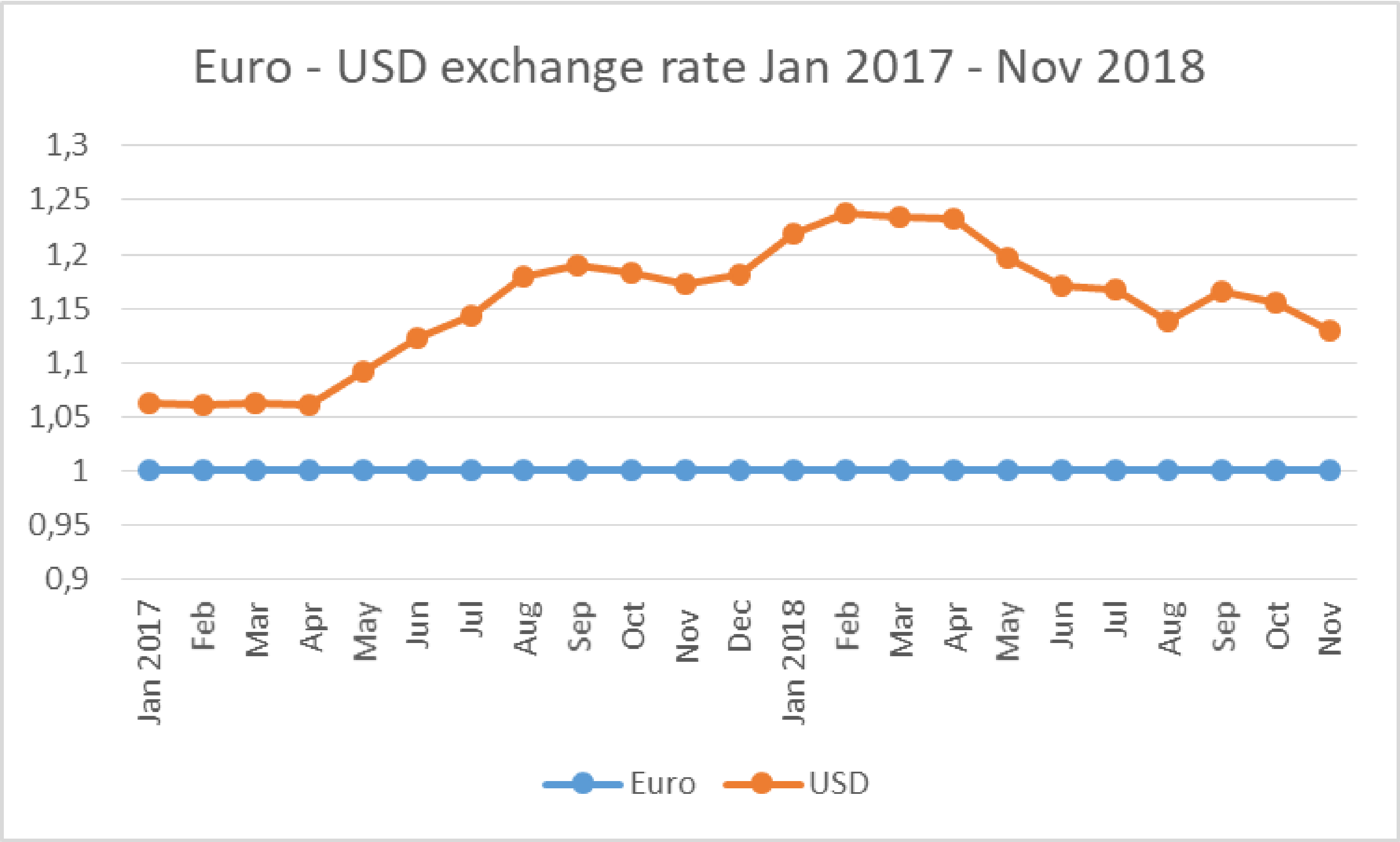
Production outlook

- **EU September production flat again and expected to be below 2017 levels in Q4** due to higher feed costs and increased cull rates. In addition less fat & protein in milk. Possible lagged impact of drought in Q1 2019.
- **US October production growth is slightly slower than in previous months: +0,8% yoy,** (September yoy +1,3%), fat and protein content are down, regional differences persist, Outlook: +1,1% for 2018 and +1,4% for 2019
- **NZ milk production is soaring, up by +5,8% in peak month October** (+6% in September yoy), output is driven by good pasture conditions and favourable weather, Outlook: strong season 18/19 expected but milk price forecast revised downwards
- **Australia: milk output contraction for the last 5 months (Oct -5,7%, Sept -3,3% yoy)** due to extreme heat; lower protein and fat content, Outlook: not much improvement in the months ahead, season 18/19 forecast: -5-7%
- **South America:** collections up considerably in 2018 but growth starts to slow down: Argentina (+2% in October yoy, +4,8% ytd), Uruguay (+3,6% in October yoy, +6% ytd)
- **Global milk supply:** continues to expand but rate of growth is slowing further. Global forecast: +0,5% for Q4 2018

Dairy exports of main market players in ME

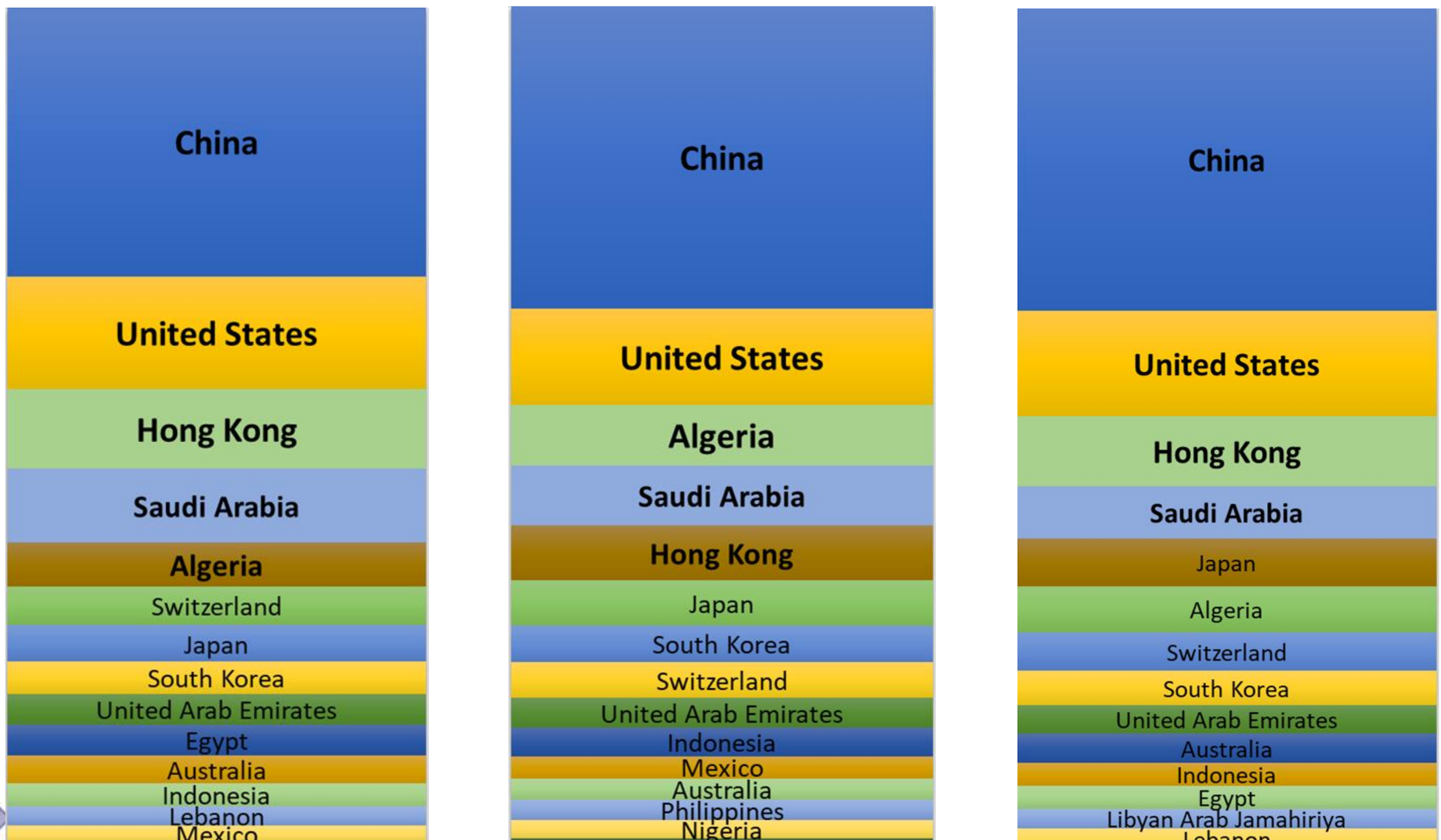


Euro-USD exhange rate



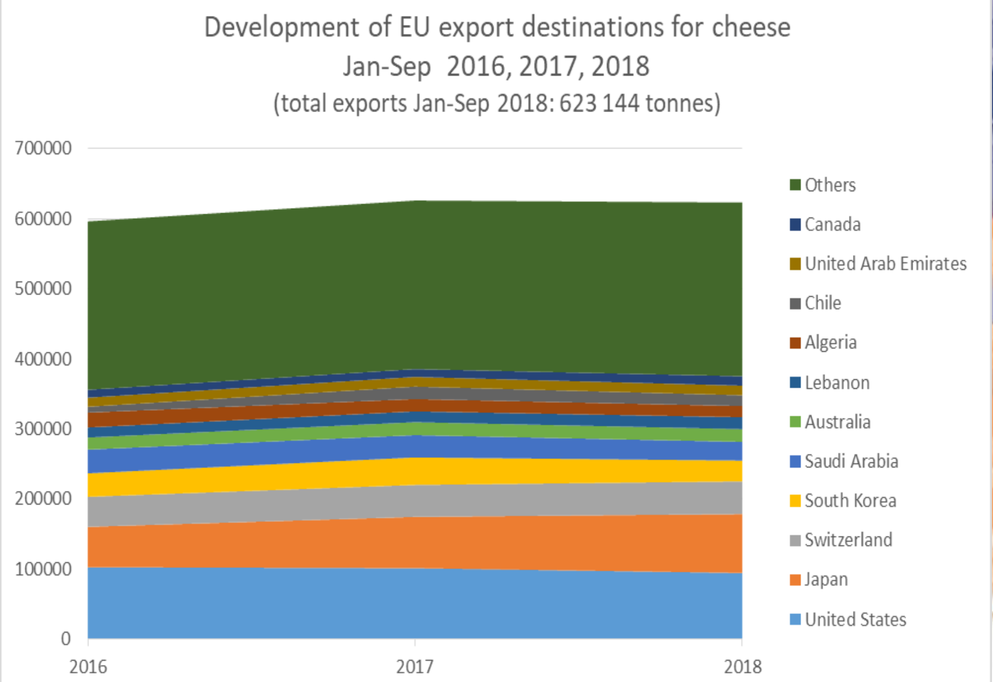
Main EU export markets for all dairy products (in value - €)

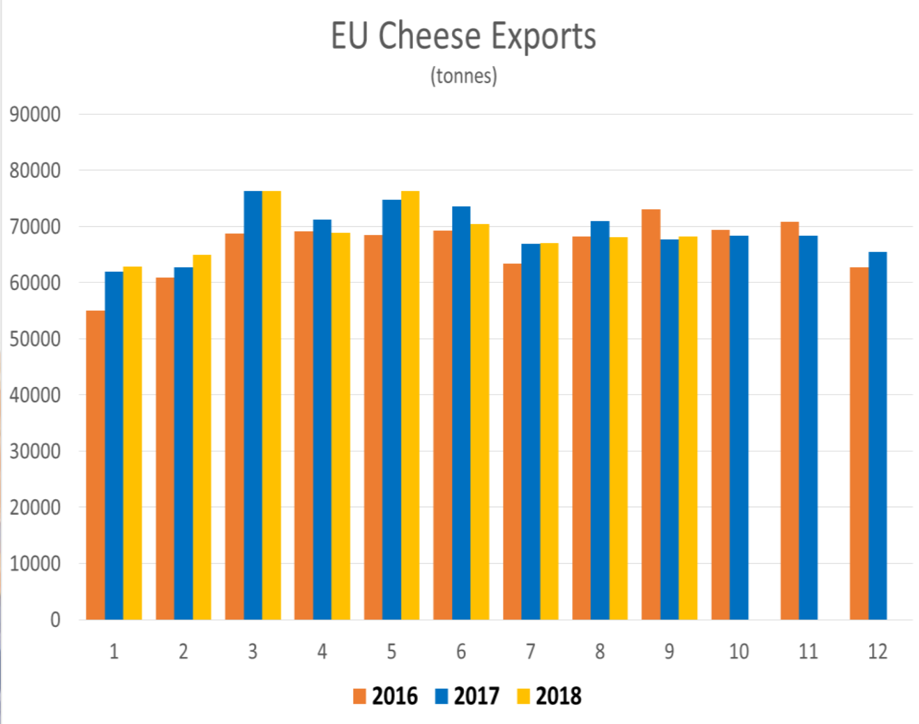
Jan-Sep 2016 | Jan-Sep 2017 | Jan-Sep 2018

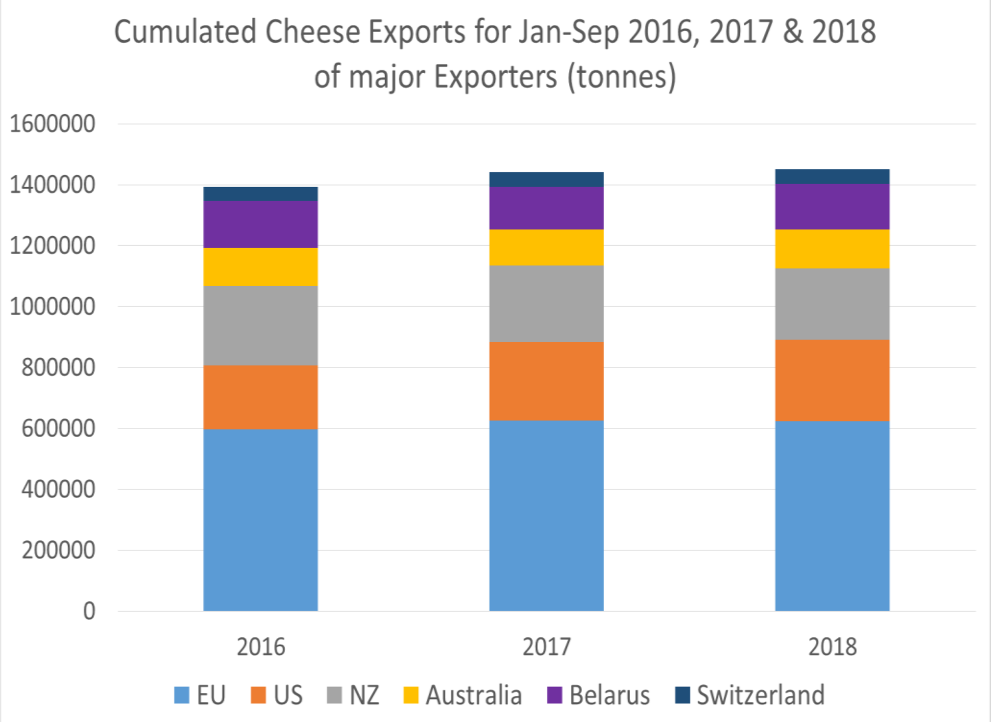


Cheese trade

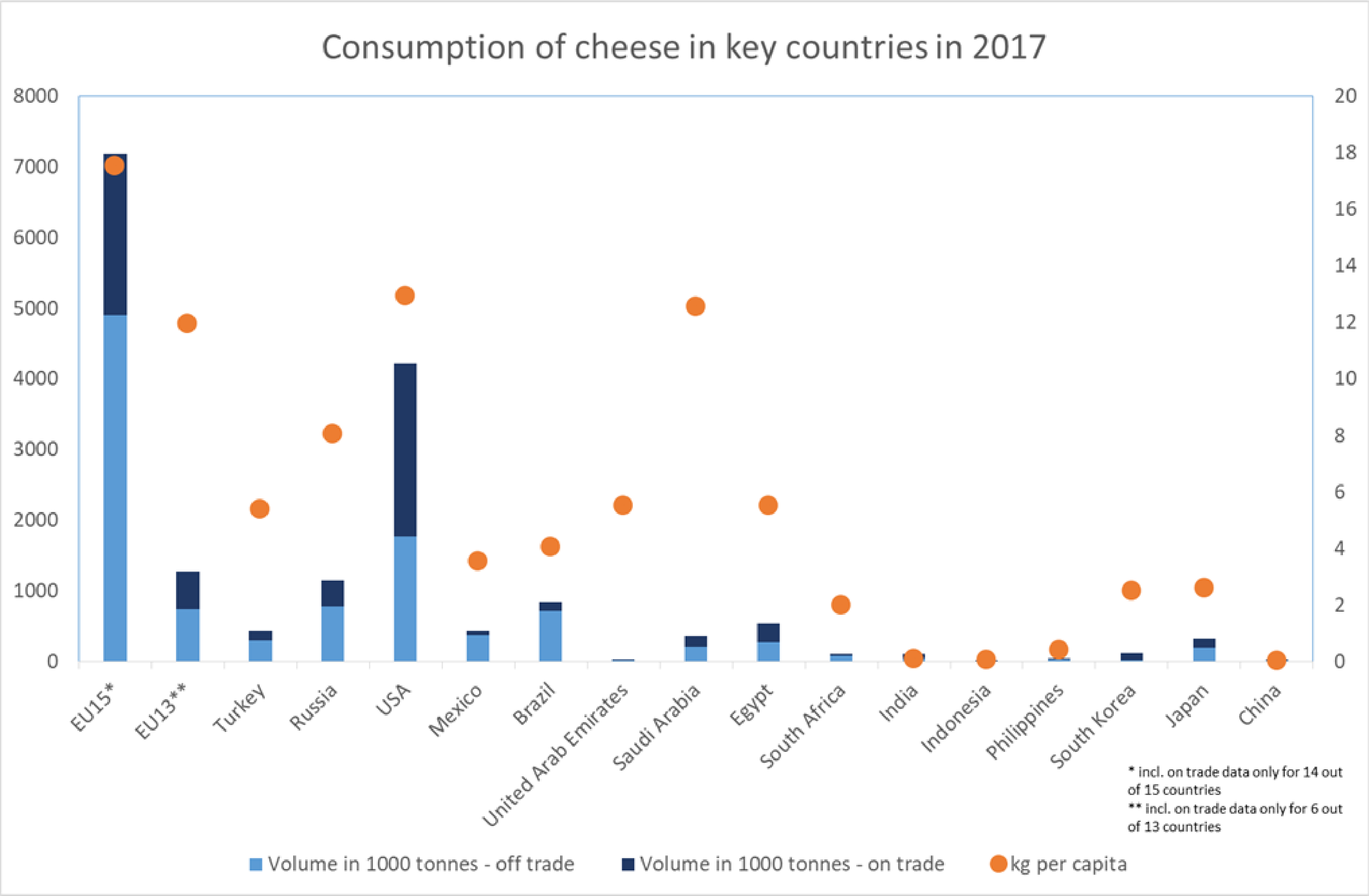
- EU cheese exports:
  - Growth rate Jan-Sep 18/17: -0,5%
- Combined cheese exports:
  - Growth rate Jan-Sep 18/17: +0,7%



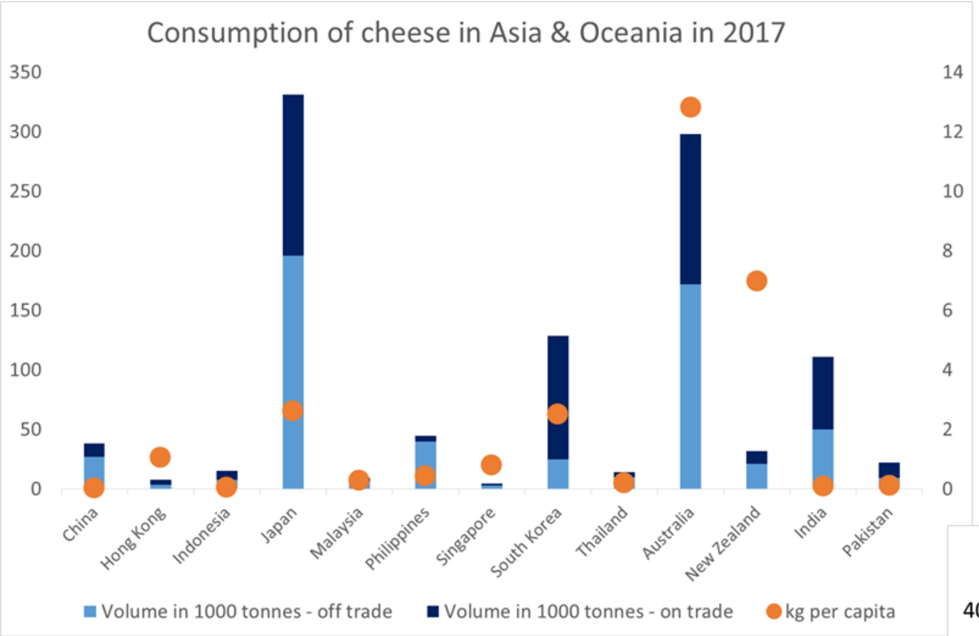


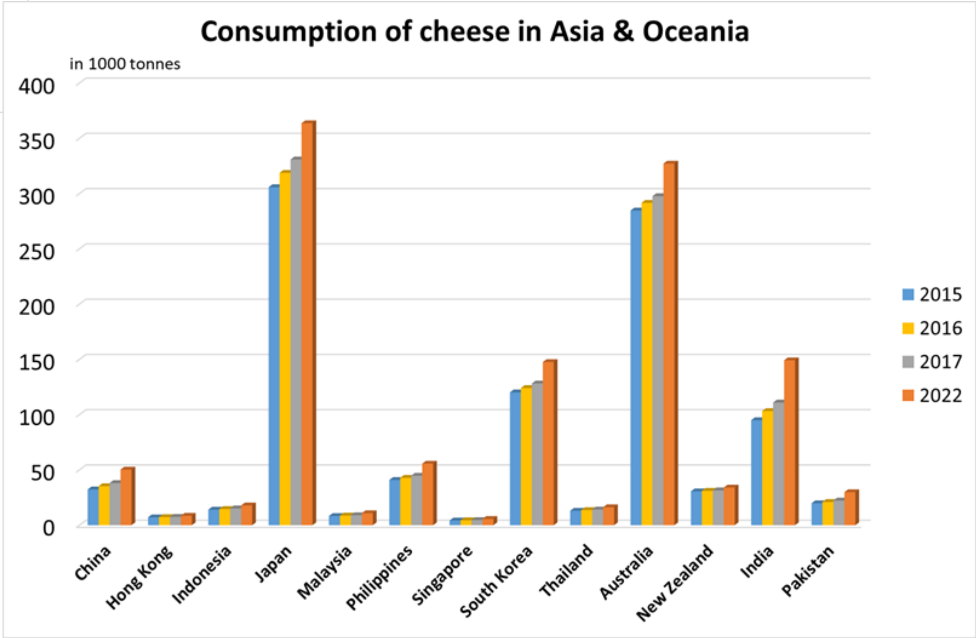


Global consumption of cheese



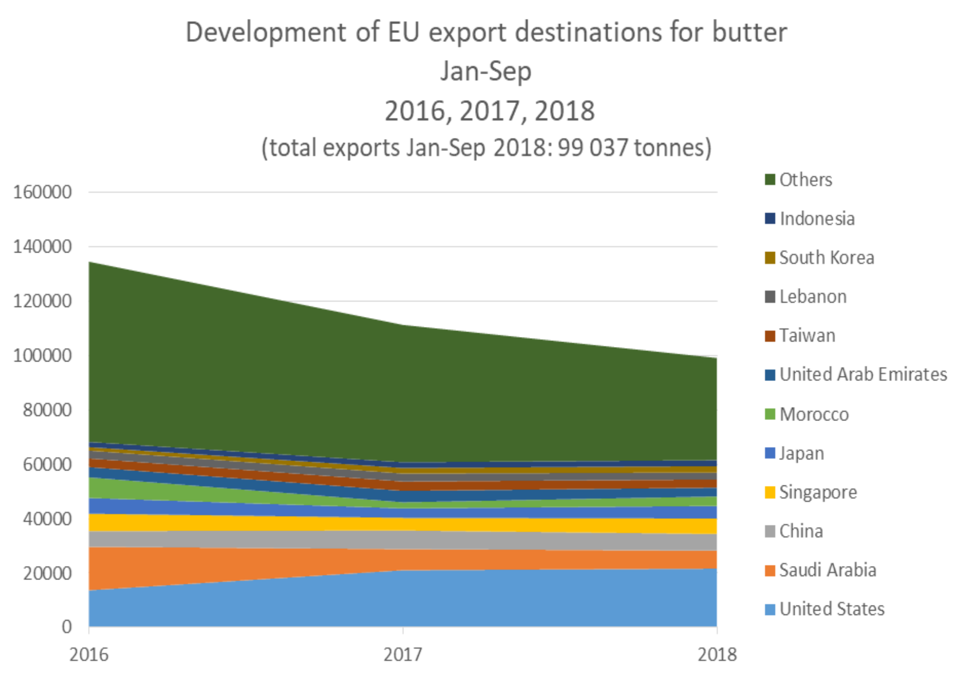
Cheese consumption in Asia & Oceania

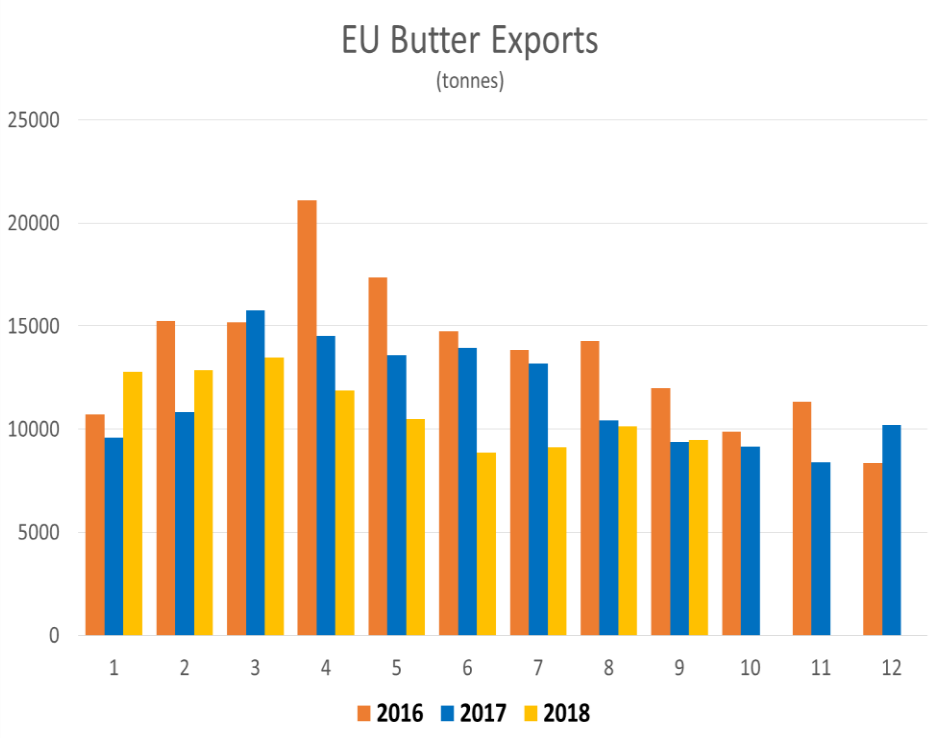


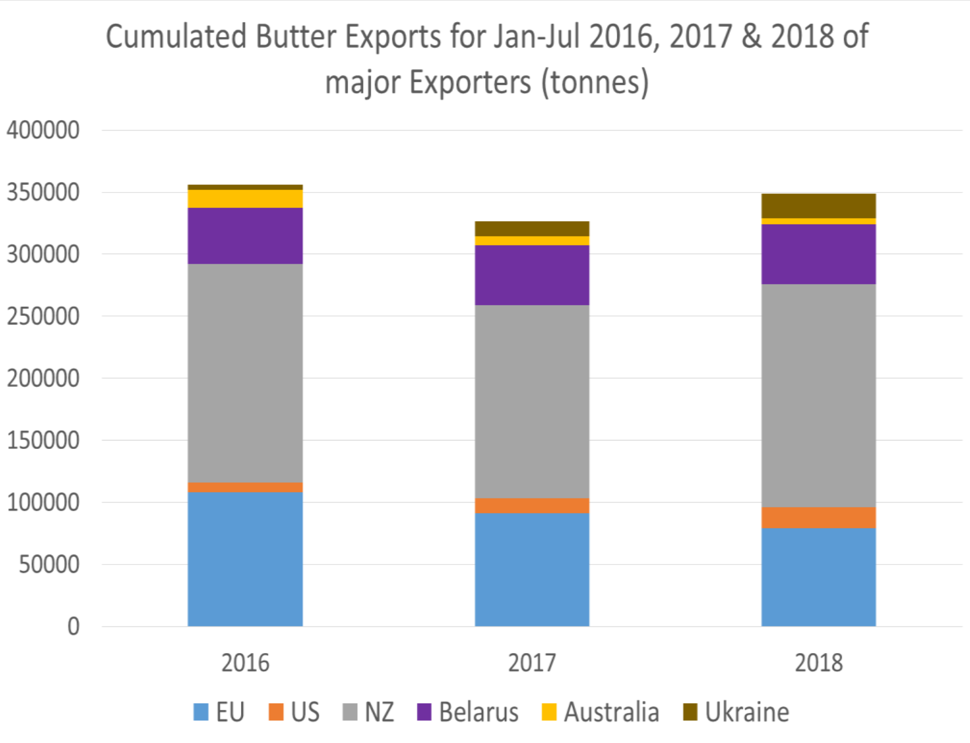


Butter trade

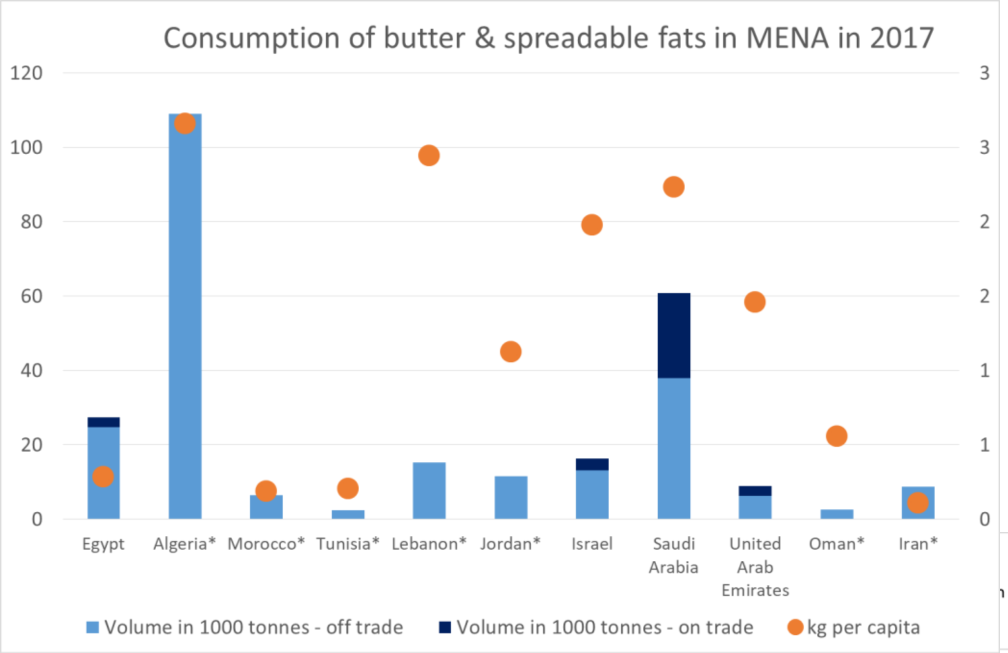
- EU butter exports:
  - Growth rate Jan-Sep 18/17: -10,9%
- Combined butter exports:
  - Growth rate Jan-Sep 18/17: +5,1%

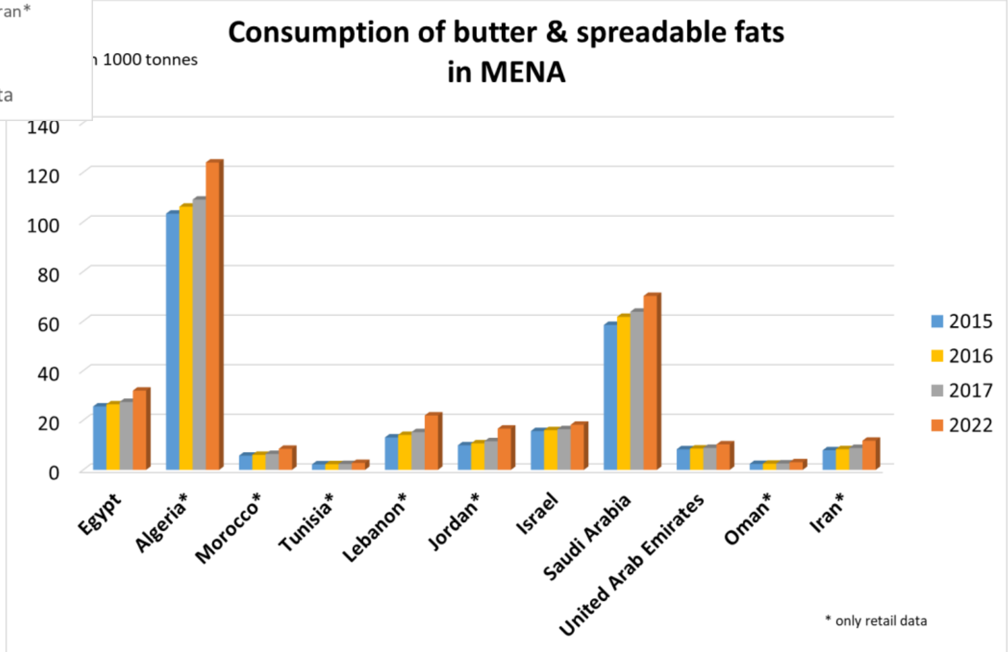






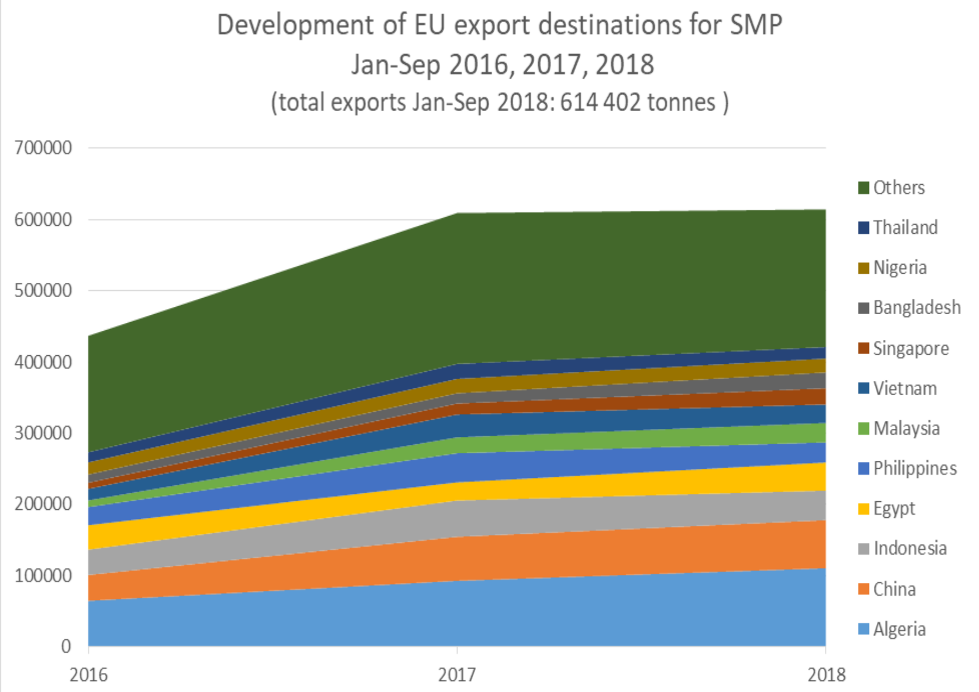
Butter consumption in MENA

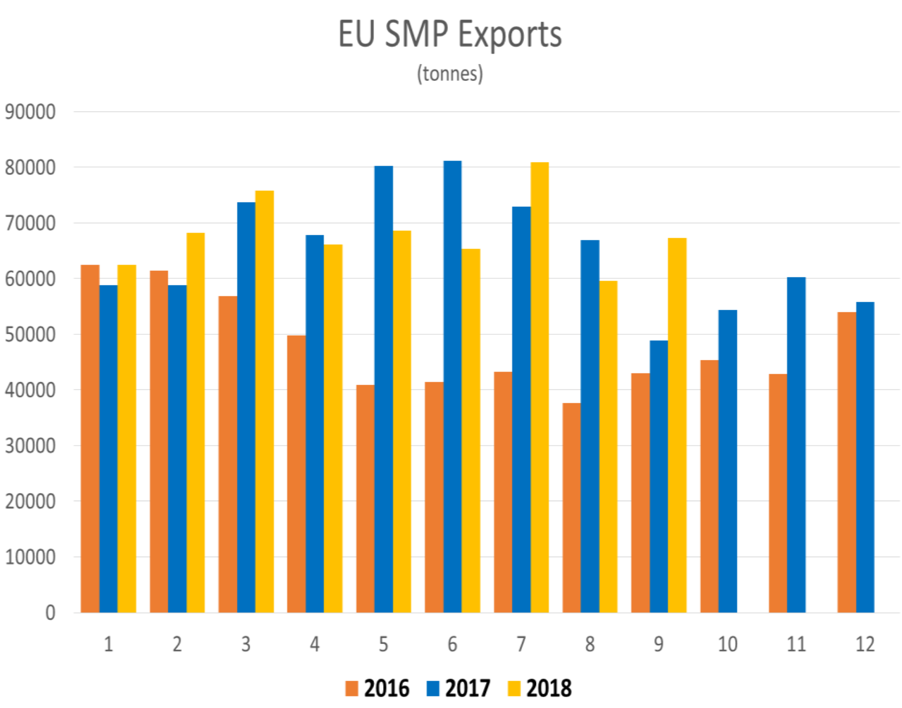


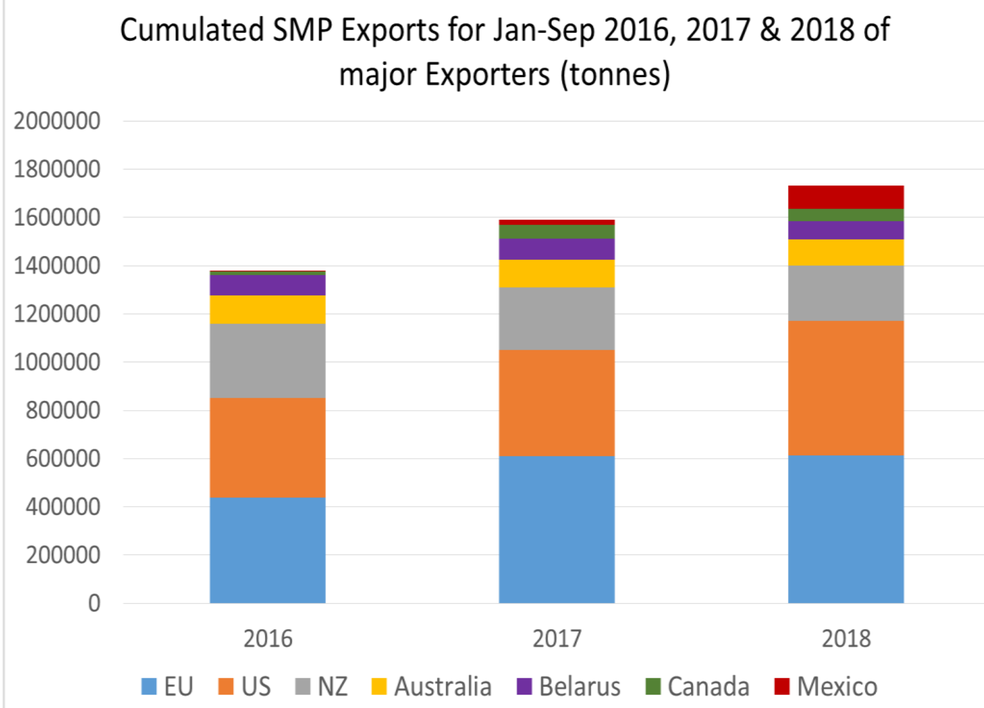


SMP trade

- EU SMP exports:
  - Growth rate Jan-Sep 18/17: +0,8%
- Combined SMP exports:
  - Growth rate Jan-Sep 18/17: +8,9%

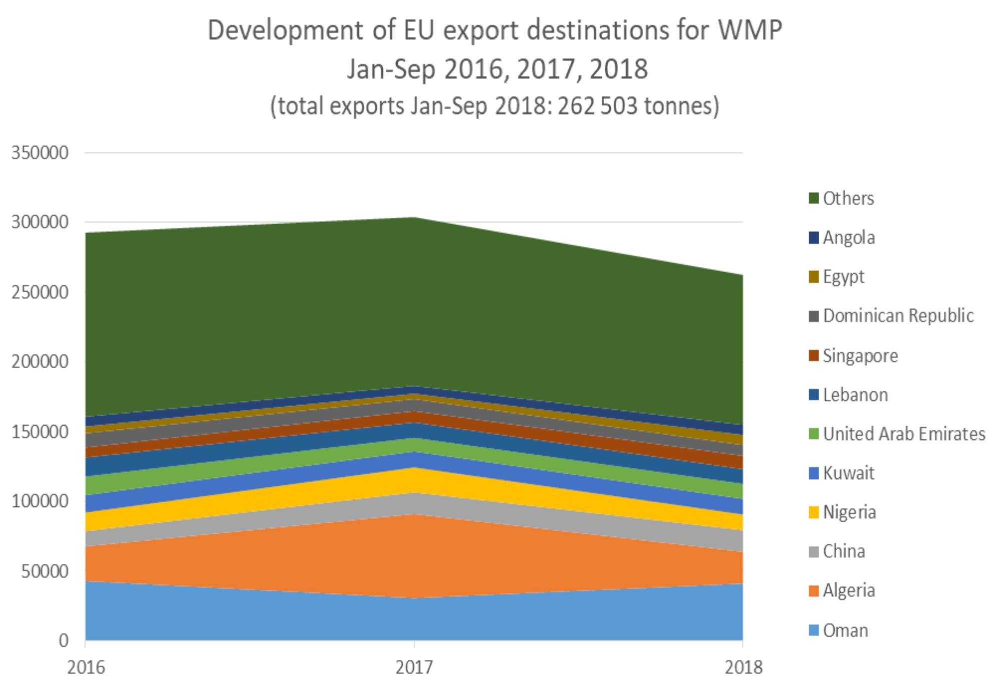


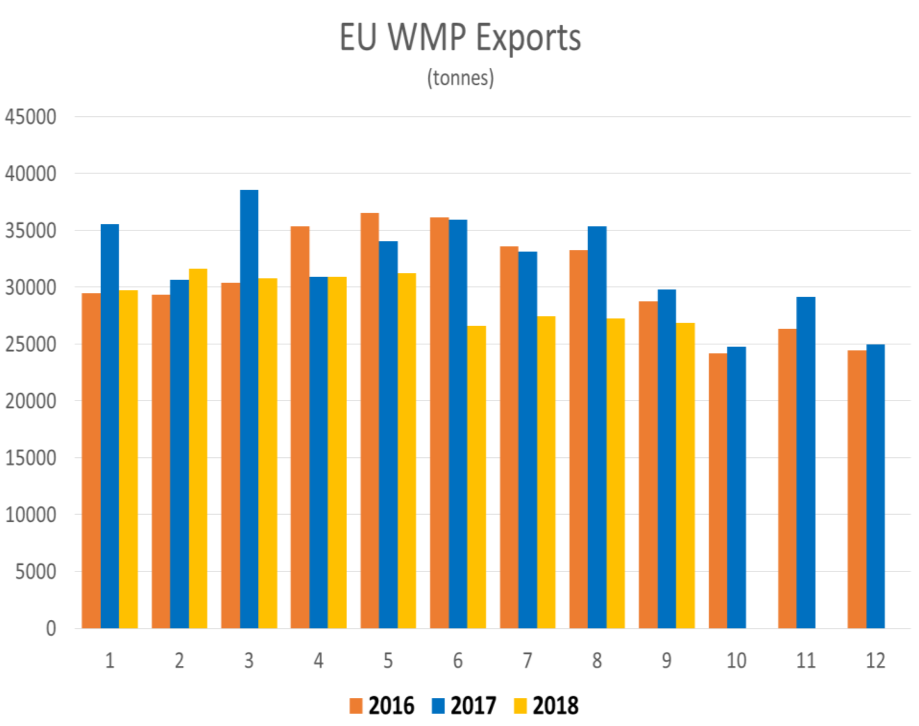


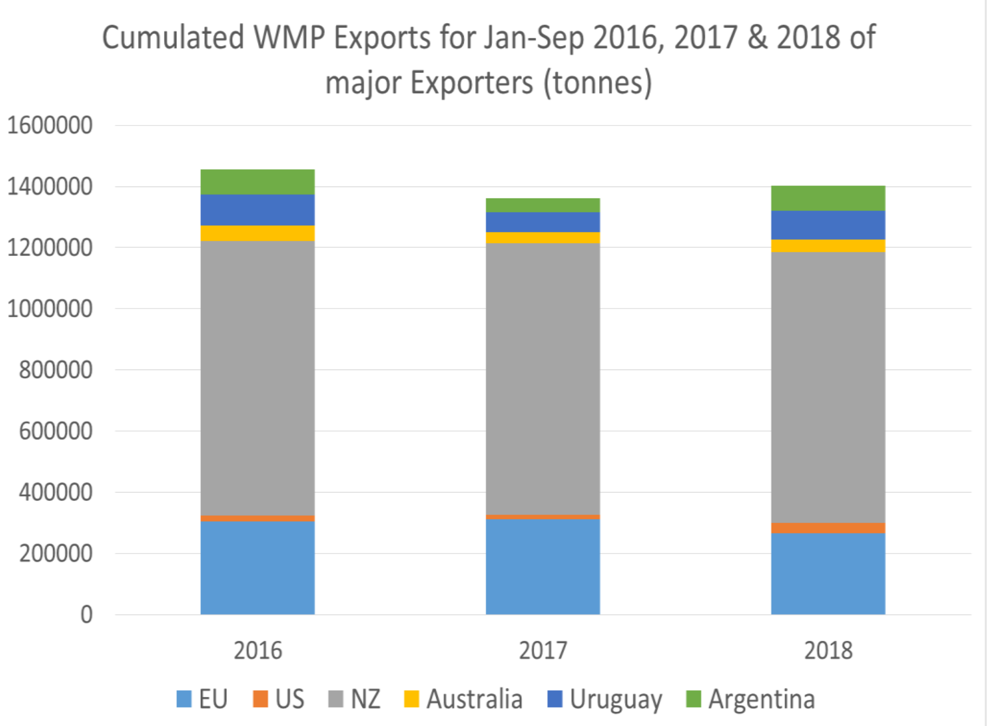


WMP trade

- EU WMP exports:
  - Growth rate Jan-Sep 18/17: -14,3%
- Combined WMP exports:
  - Growth rate Jan-Sep 18/17: +3%

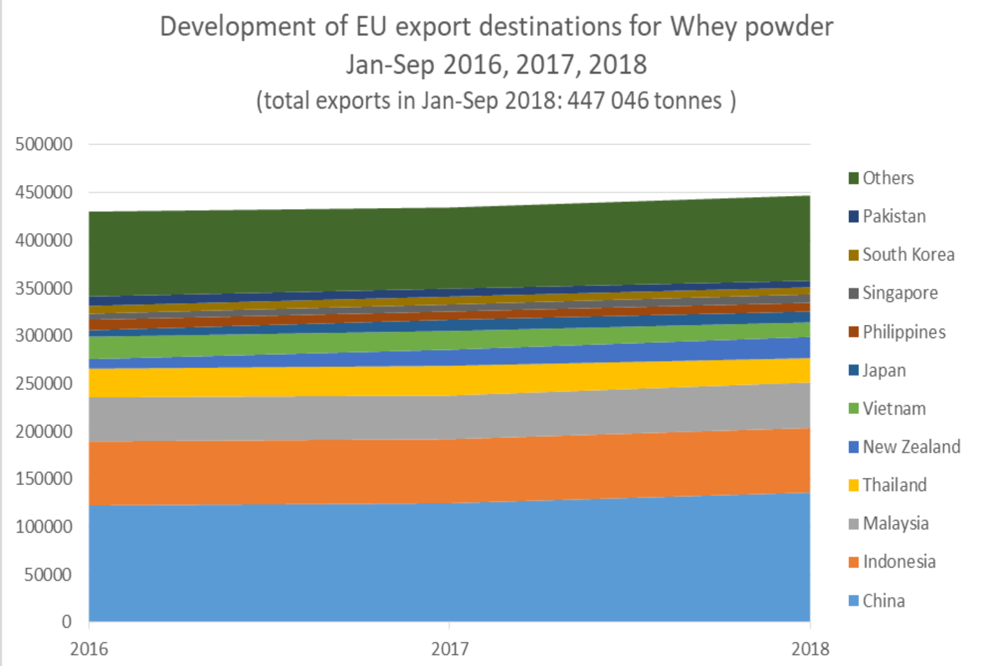


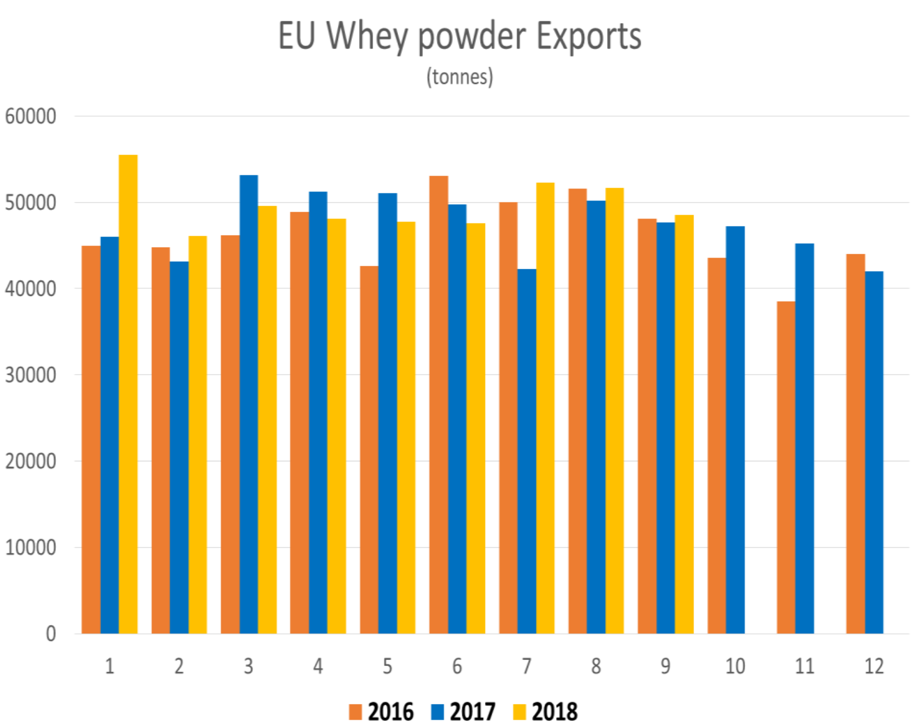


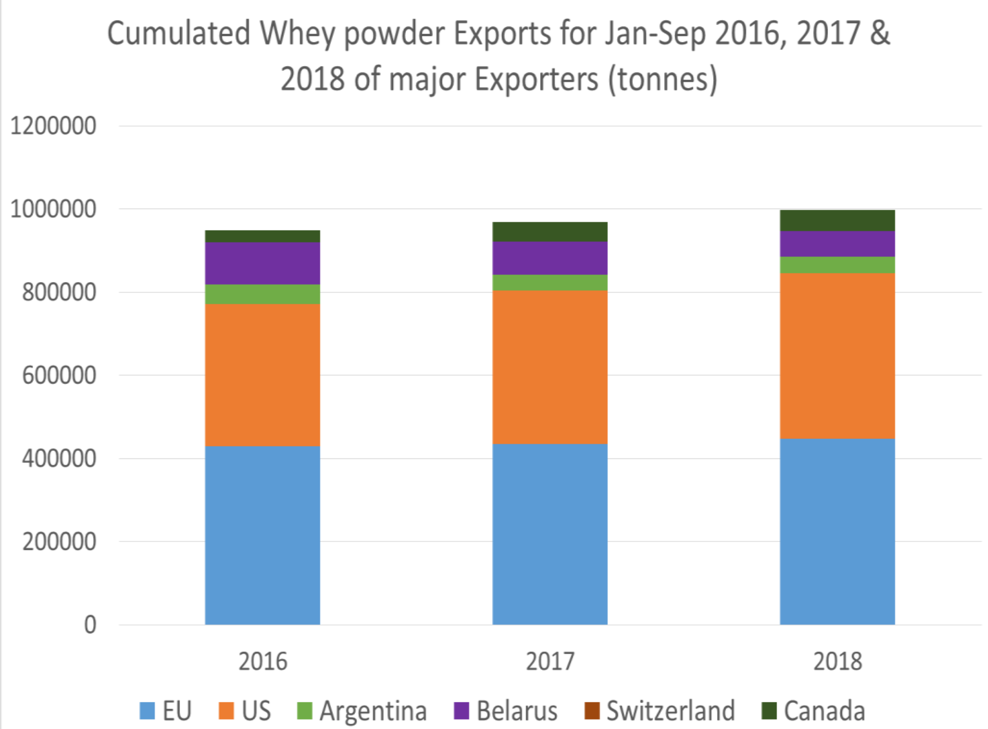


Whey powder trade

- EU whey powder exports:
  - Growth rate Jan-Sep 18/17: +2,9%
- Combined whey powder exports:
  - Growth rate Jan-Sep 18/17: +3%

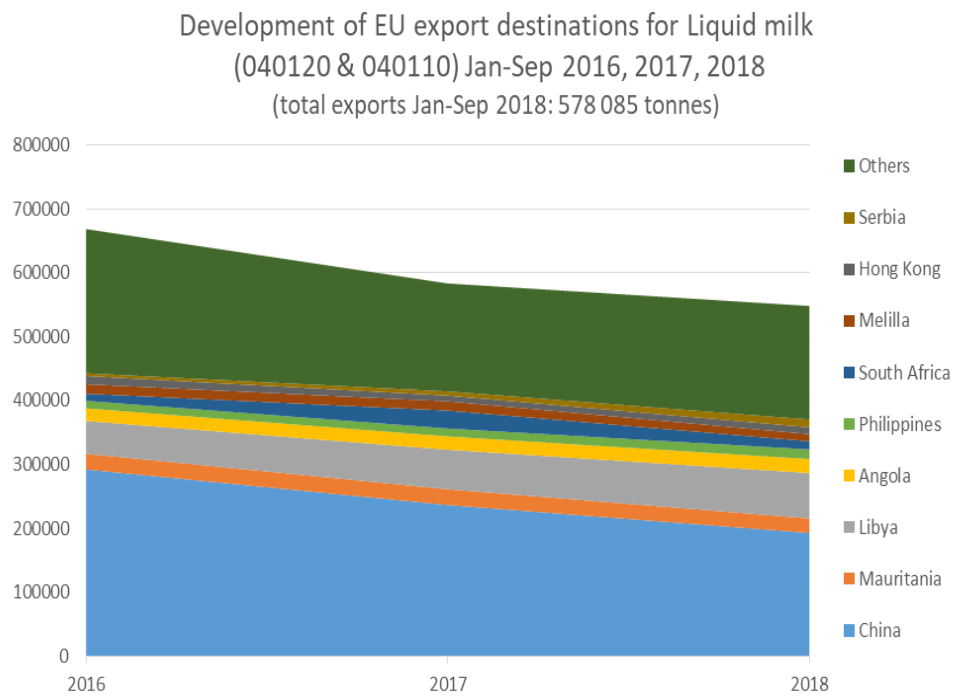


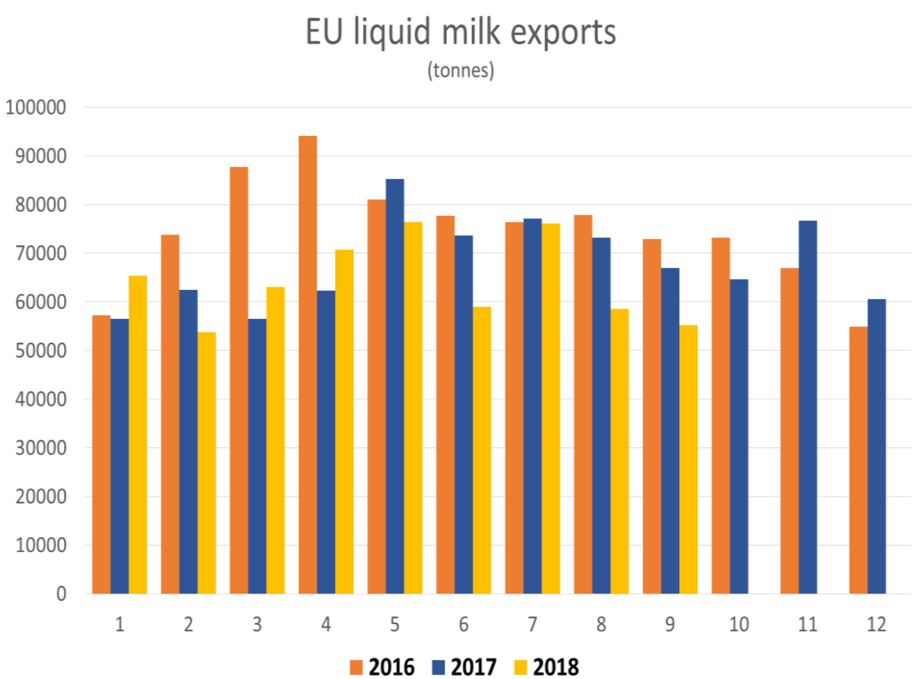


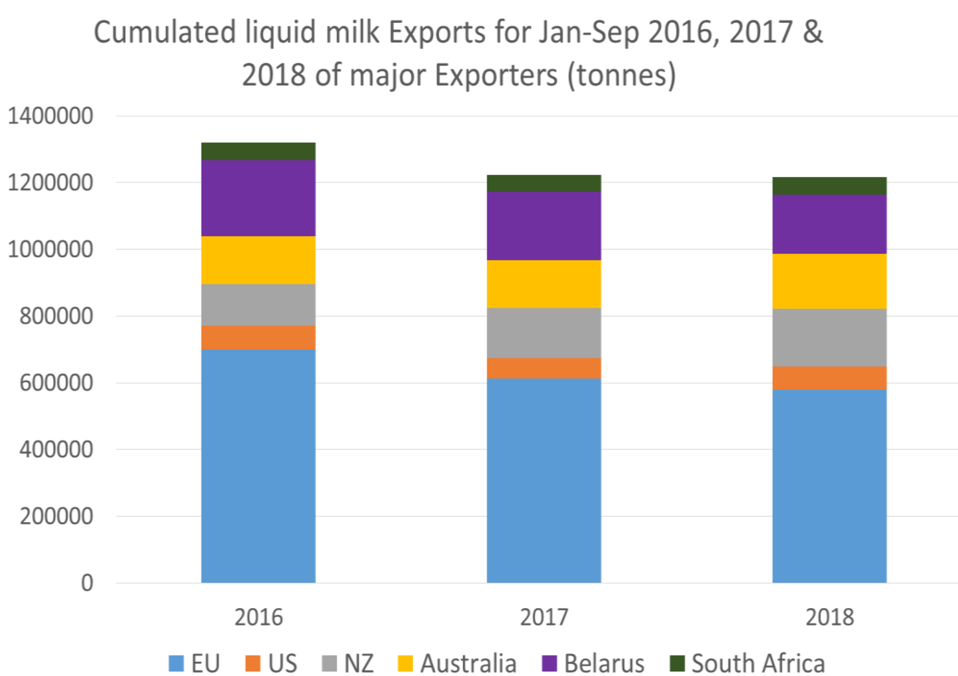


Trade of milk

- EU milk exports:
  - Growth rate Jan-Sep 18/17: -5,9%
- Combined milk exports:
  - Growth rate Jan-Sep 18/17: -0,7%

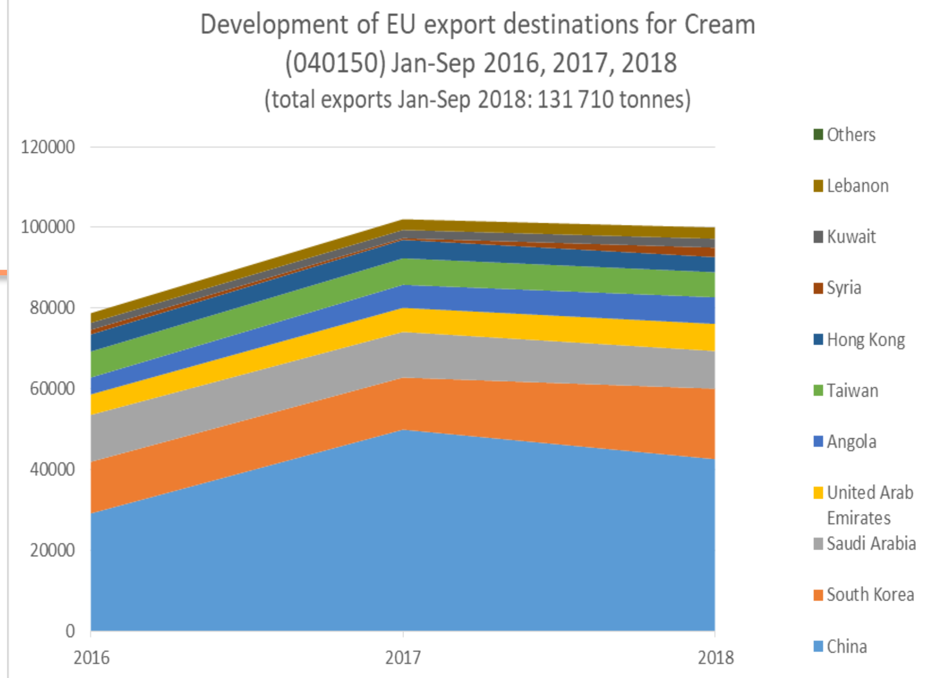


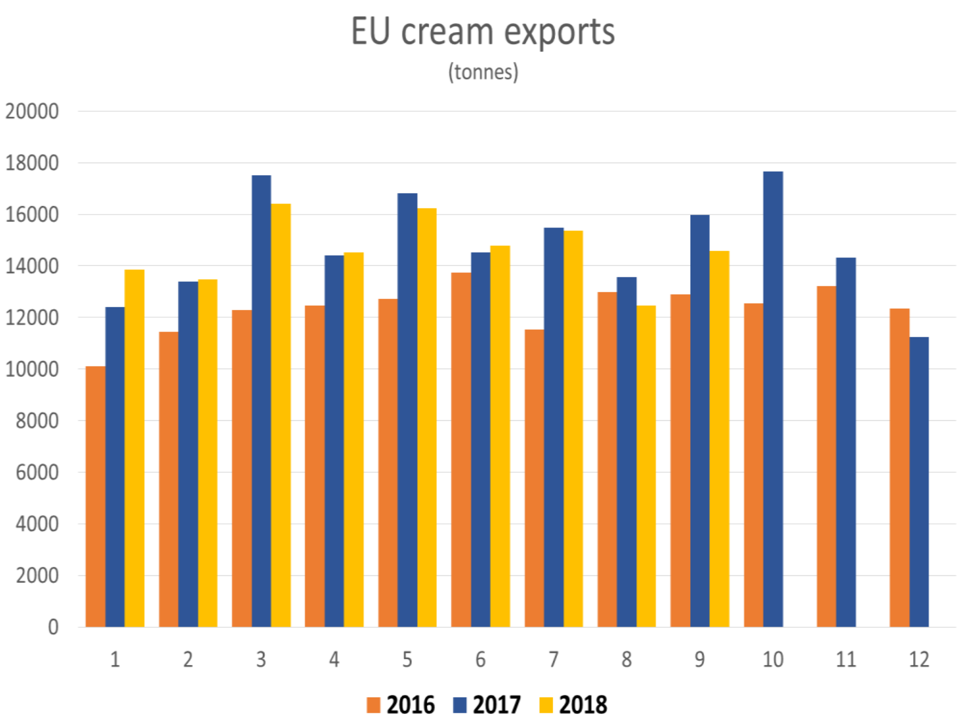


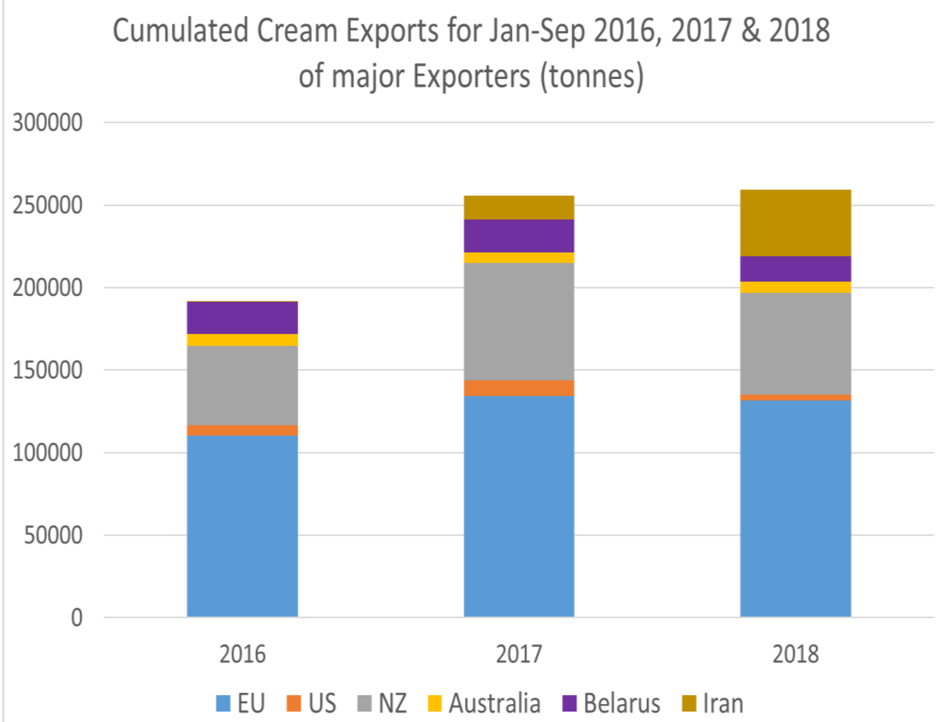


Trade of cream

- EU cream exports:
  - Growth rate Jan-Sep 18/17: -1,8%
- Combined cream exports:
  - Growth rate Jan-Sep 18/17: +1,3%

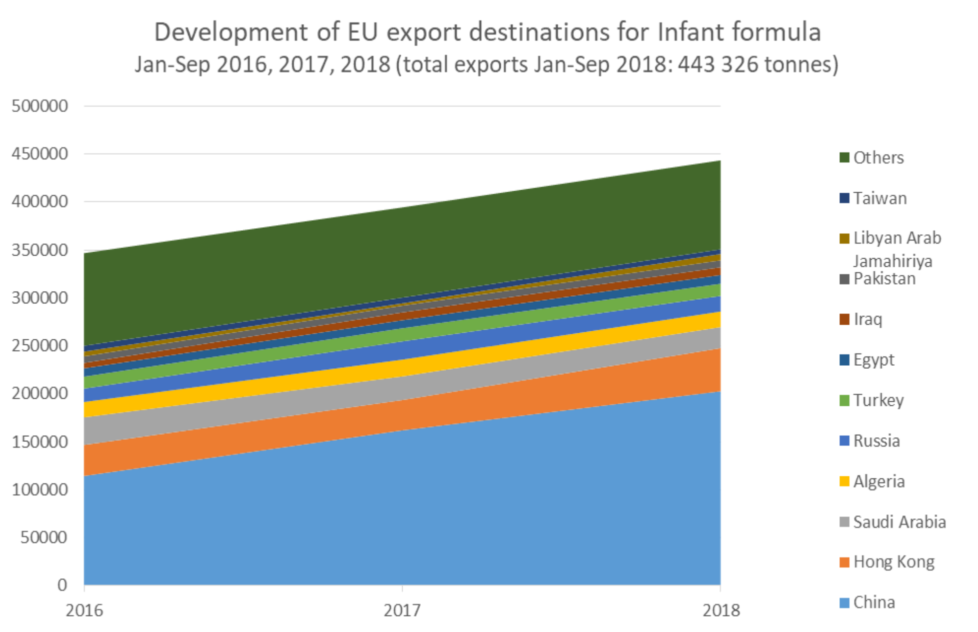


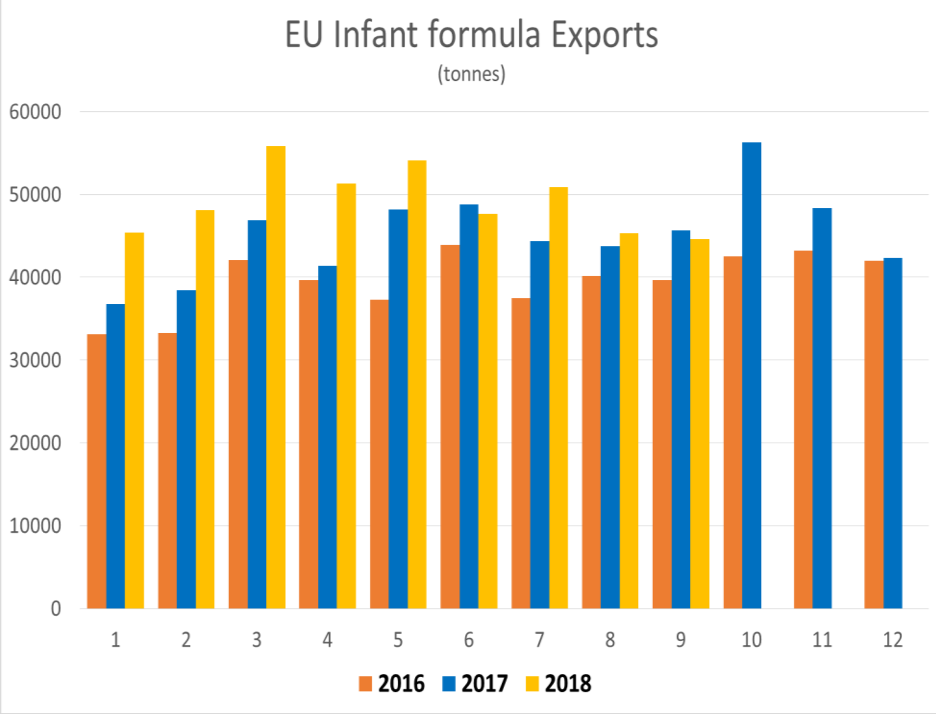


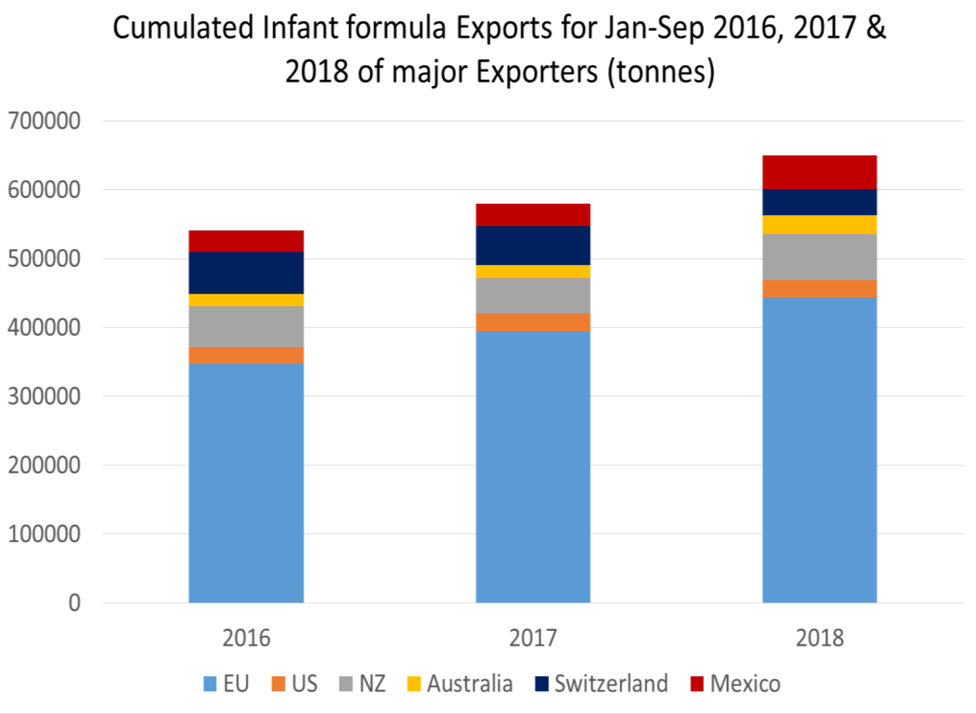


Infant formula trade

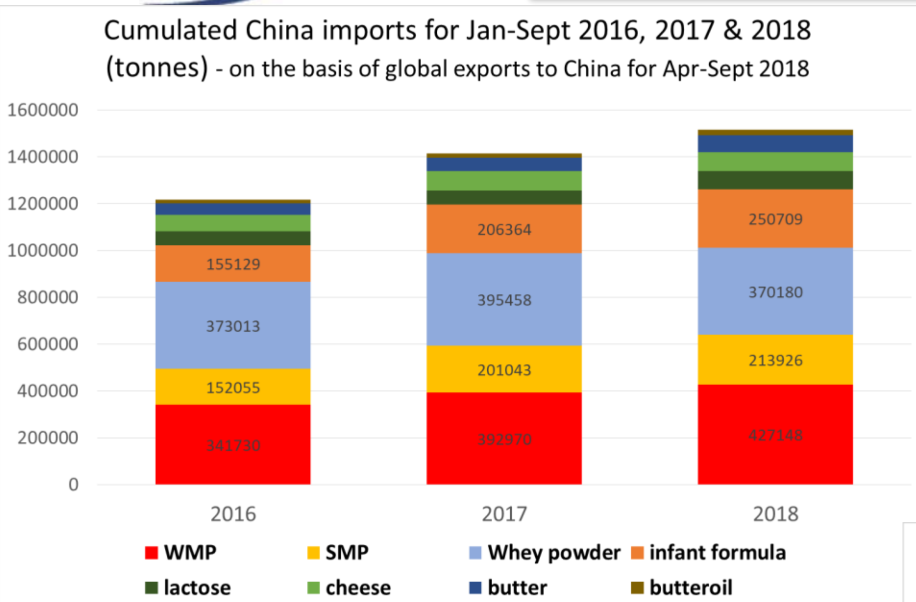
- EU infant formula exports:
  - Growth rate Jan-Sep 18/17: +12,4%
- Combined infant formula exports:
  - Growth rate Jan-Sep 18/17: +12,1%

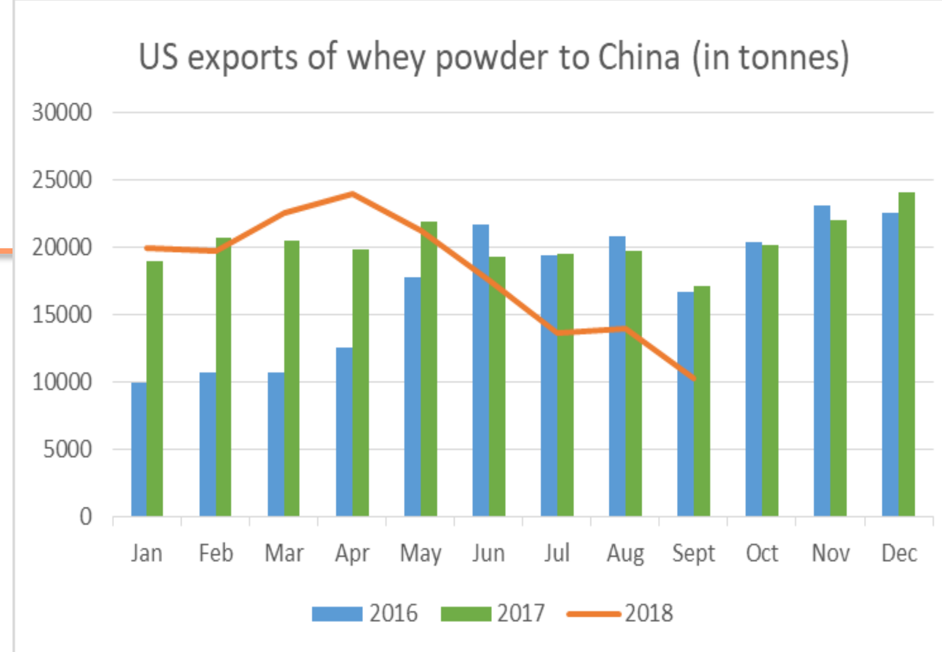


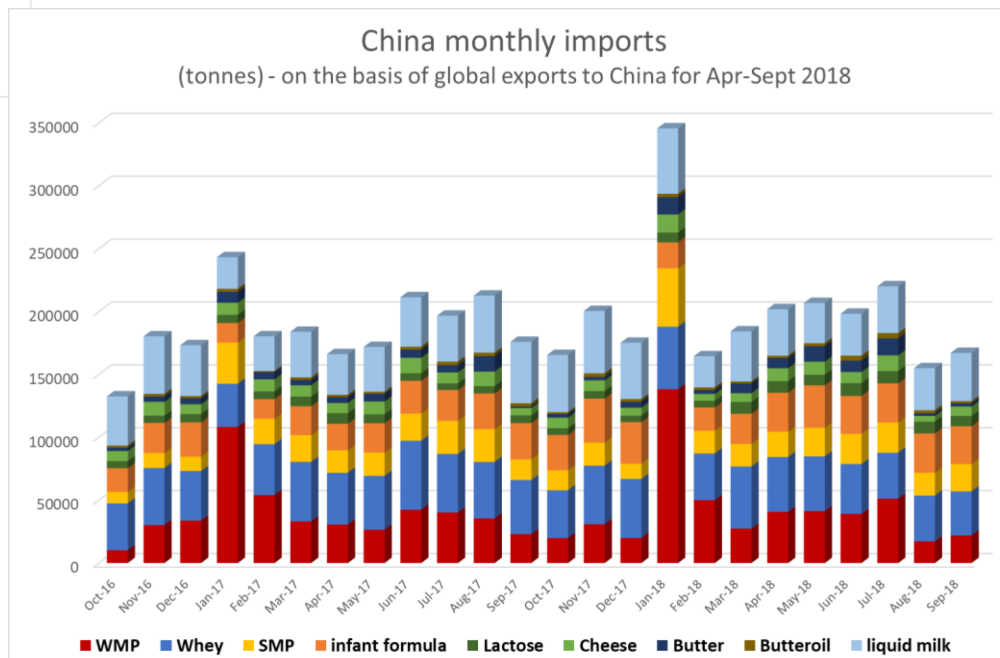




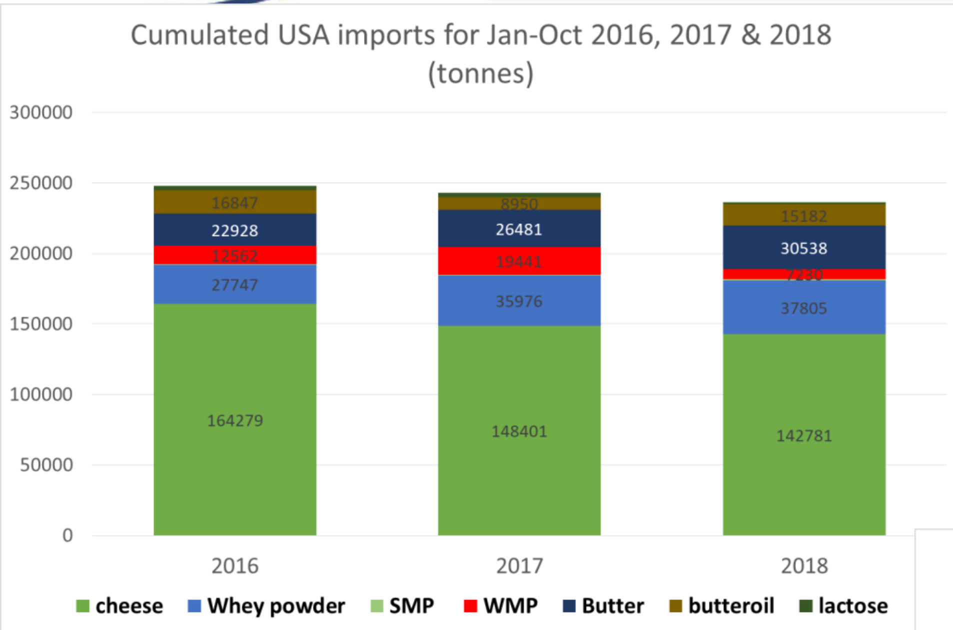
China imports

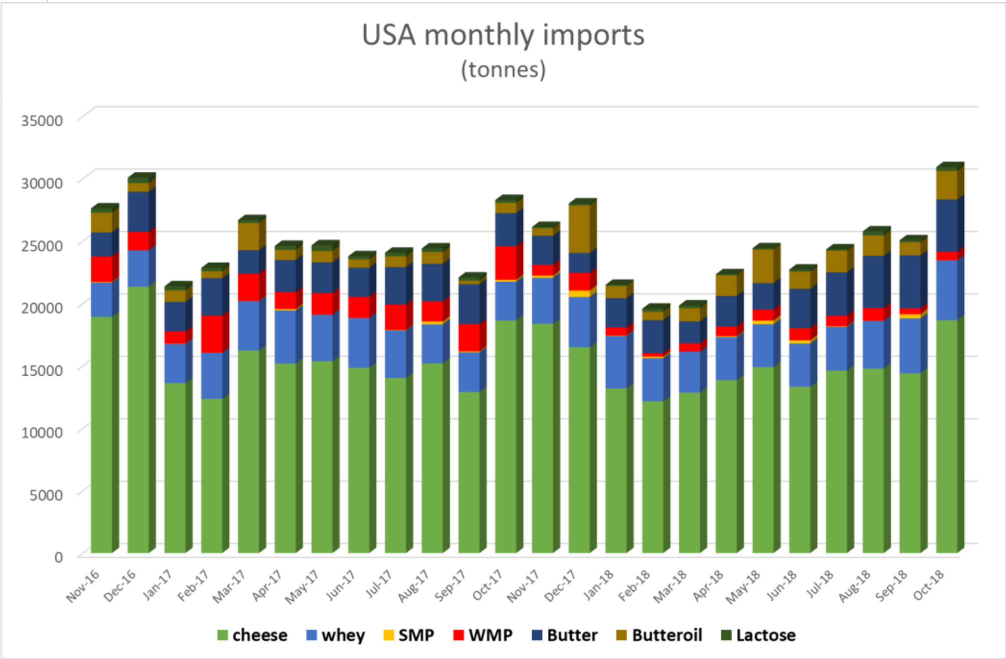




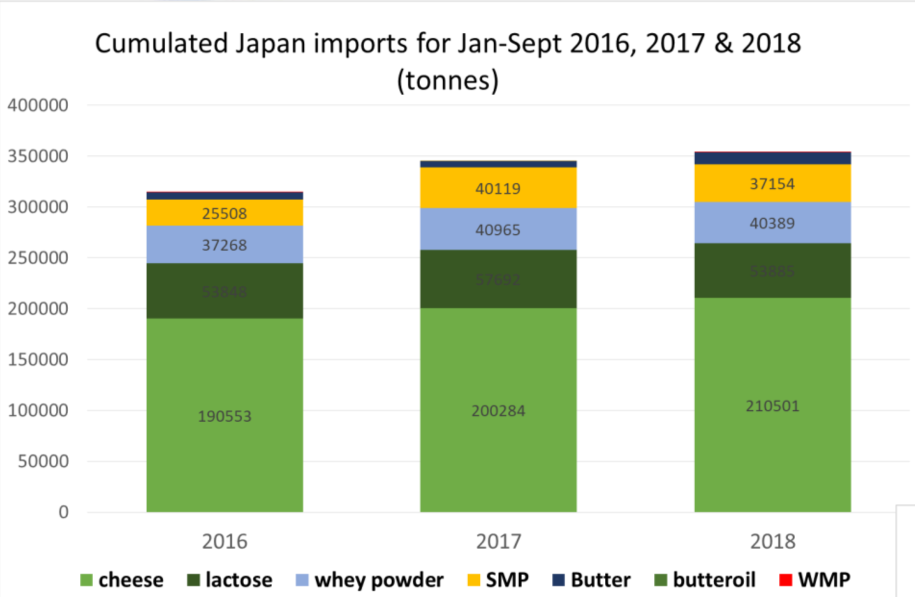


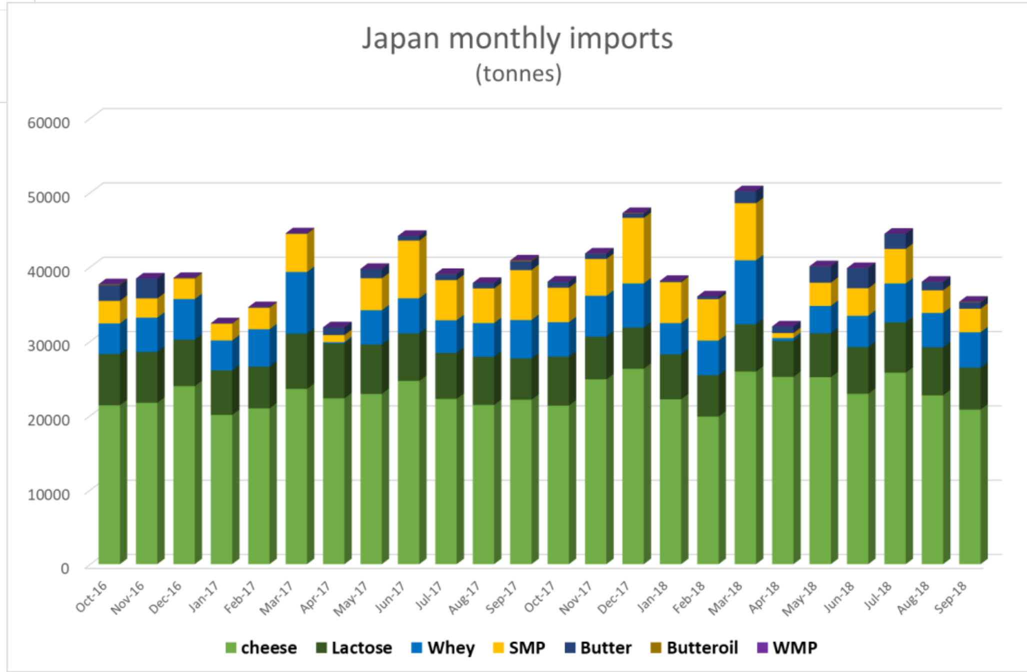
USA imports


Cumulated USA imports for Jan-Oct 2016, 2017 & 2018 (tonnes)
300000
250000
200000
150000
100000
50000
0
2016
2017
2018
16847
22928
12562
27747
164279
8950
26481
19441
35976
148401
15182
30538
37805
142781
cheese
Whey powder
SMP
WMP
Butter
butteroil
lactose

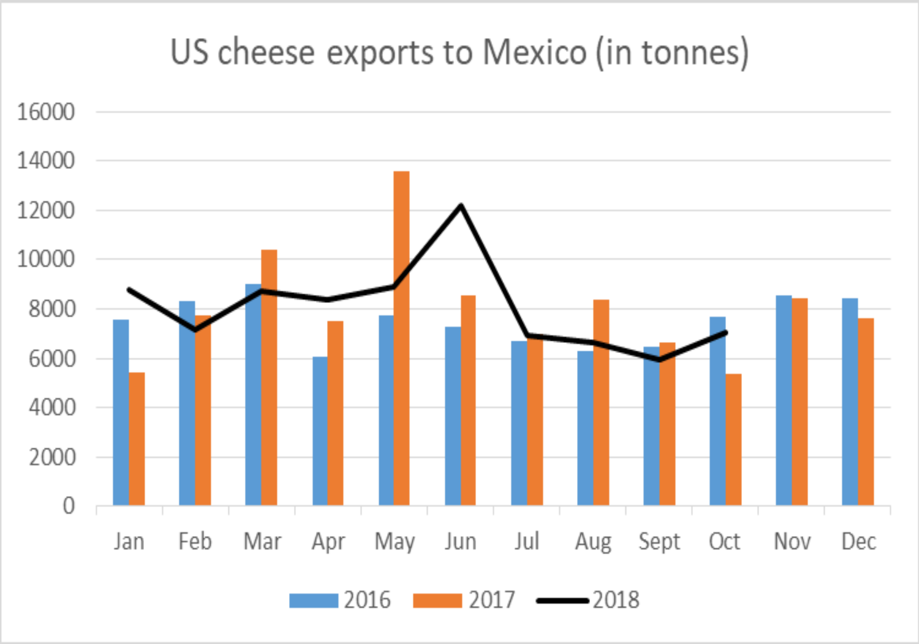

USA monthly imports
(tonnes)
35000
30000
25000
20000
15000
10000
5000
0
Nov-16
Dec-16
Jan-17
Feb-17
Mar-17
Apr-17
May-17
Jun-17
Jul-17
Aug-17
Sep-17
Oct-17
Nov-17
Dec-17
Jan-18
Feb-18
Mar-18
Apr-18
May-18
Jun-18
Jul-18
Aug-18
Sep-18
Oct-18
cheese
whey
SMP
WMP
Butter
Butteroil
Lactose

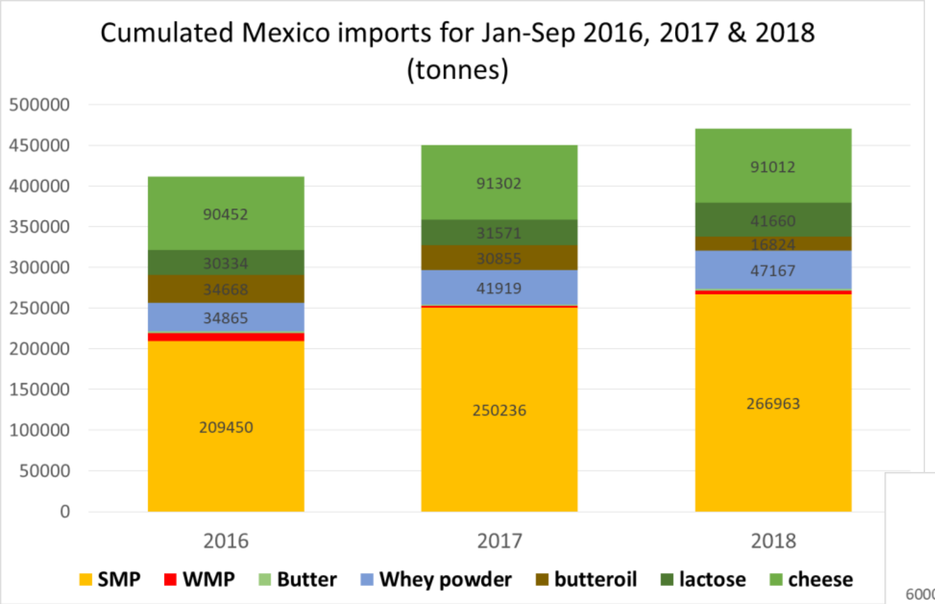
Japan imports

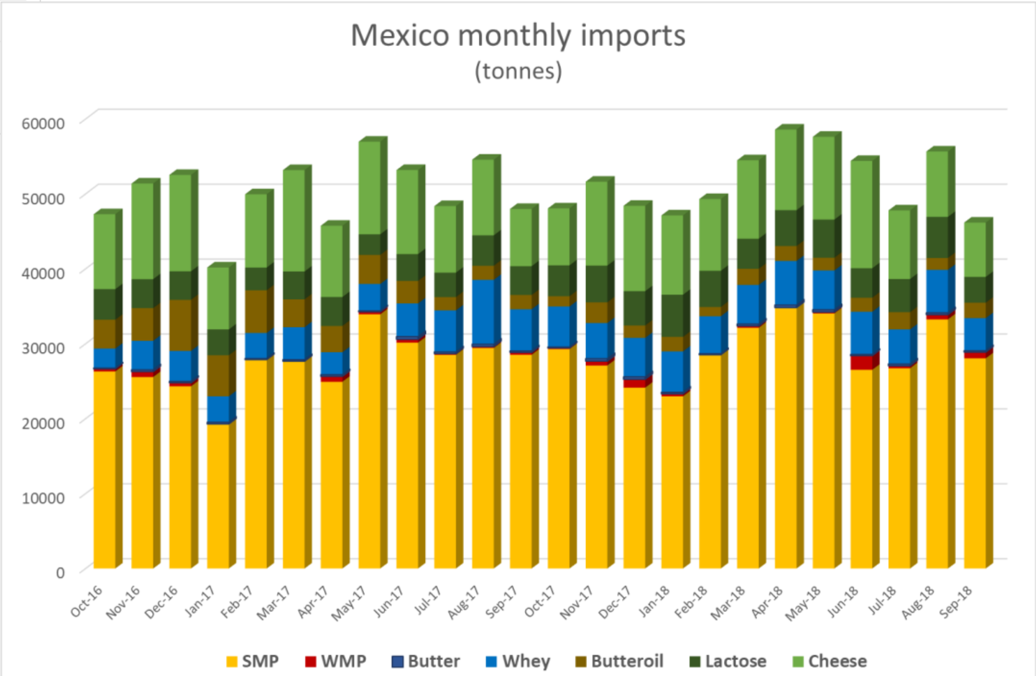




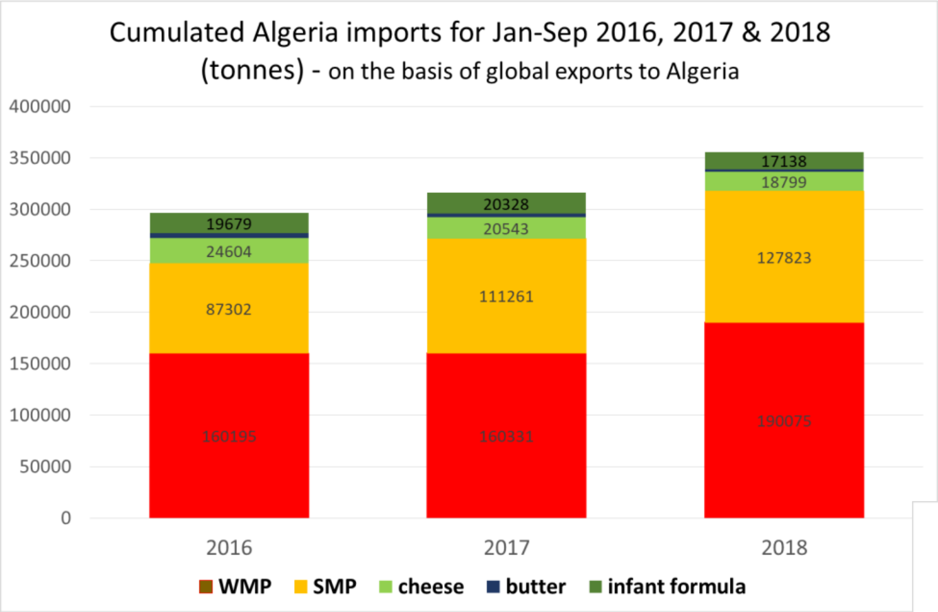
Mexico imports

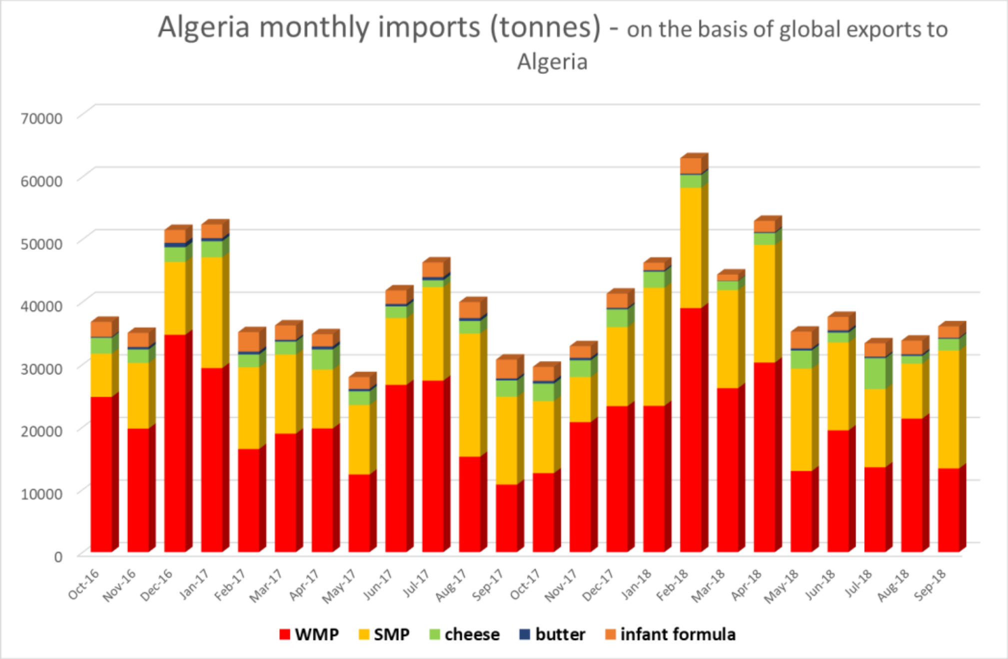






Algeria imports





Conclusions (1)

- **Global milk production growth is declining in particular due to lower output in the EU and US**. Among the reasons are margin pressure, increased cull rates and the impact of the summer heat wave. NZ flows are strong but milk price forecasts have recently been lowered. Lagged impact of EU drought over winter and NZ post seasonal flows will be key looking forward.

- **Global demand is still growing but slowed down by:**
  - Uncertainty caused by trade wars and Brexit
  - Weaker economic outlook
  - Falling oil prices
  - Political and regulatory issues in some MENA countries
- **Recent currency developments support EU exports**

- **Public SMP stocks are decreasing rapidly** as the gap between fresh and IV SMP encourages further purchases). **Tighter supply and strong exports** (of SMP and FFMP) have lifted the market for fresh SMP upwards. EU SMP remains the most competitive origin and continued strong export performance is needed for continued recovery.

Conclusions (2)

- **Cheese demand remains solid globally but increased availability and stocks have pushed prices down**. Lower prices combined with reduced production should stabilise prices and avoid stock building. Competition on the global market remains strong.

- EU butter prices have returned to and stabilised at historically more normal levels but remain above those of main competitors. **The underlying demand for fat is good and should be stimulated by the lower pricing.**

- **Global demand for WMP is modest.** Strong output in Oceania and South America and growing sales of FFMP have affected EU exports.

- **Overall a relatively balanced situation with global demand and production growth both below average. Fat and protein are moving closer together.**

- Thank you for your attention -

ANNEX 5

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

EuroCommerce

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

Milk Market Observatory

13 December 2018

Belgium
Period ending October 2018

Consumer price index		
Product	*Nov 18 vs Nov 17*	*YTD 2018 vs YTD 2017*
Whole milk	-1.4%	1.9%
Semi-skimmed milk	0.6%	4.4%
Concentrated milk, powdered milk	3.2%	5.2%
Yogurt	0.2%	3.1%
Butter	4.5%	14.5%
Source: SPF Economie (2018)		

Source: Nielsen ScanTrack

Belgium
Period ending October 2018

YOY 10 2018	Volume % change	Value % change	Price % change
Total Dairy products	-2.2%	3.1%	5.3%
YTD 10 2018	Volume % change	Value % change	Price % change
Total Dairy products	-2.5%	2.6%	5.1%
Source: Nielsen ScanTrack			

EuroCommerce

France

Period ending 04 November 2018

Product category	Volume (% change) 4 weeks period (P11'17/P11 '18)	Volume (% change) Year on year	Price (% change) 4 weeks period (P11'17/P11 '18)	Price (% change) Year on year
Total liquid milk	-9.2%	-3.1%	+3.7%	+2.6%
Of which UHT semi-skimmed milk	-11.2%	-3.5%	+5.5%	+2.8%
Yoghurt & fresh cheese	-3.2%	-1.9%	+1.3%	+1.2%
Butter	-17.4%	-5.1%	+10.8%	+16.1%
Cream	+1.7%	+0.7%	+4.8%	+4.7%
Cheese	+3.9%	-0.4%	+1.4%	+2.4%

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

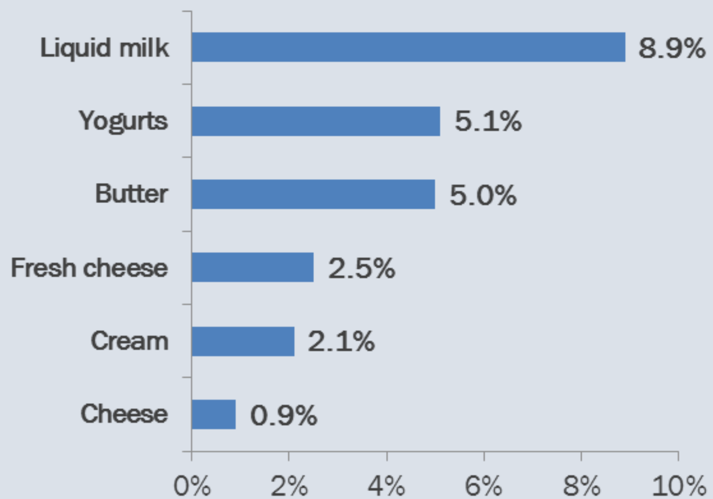
France

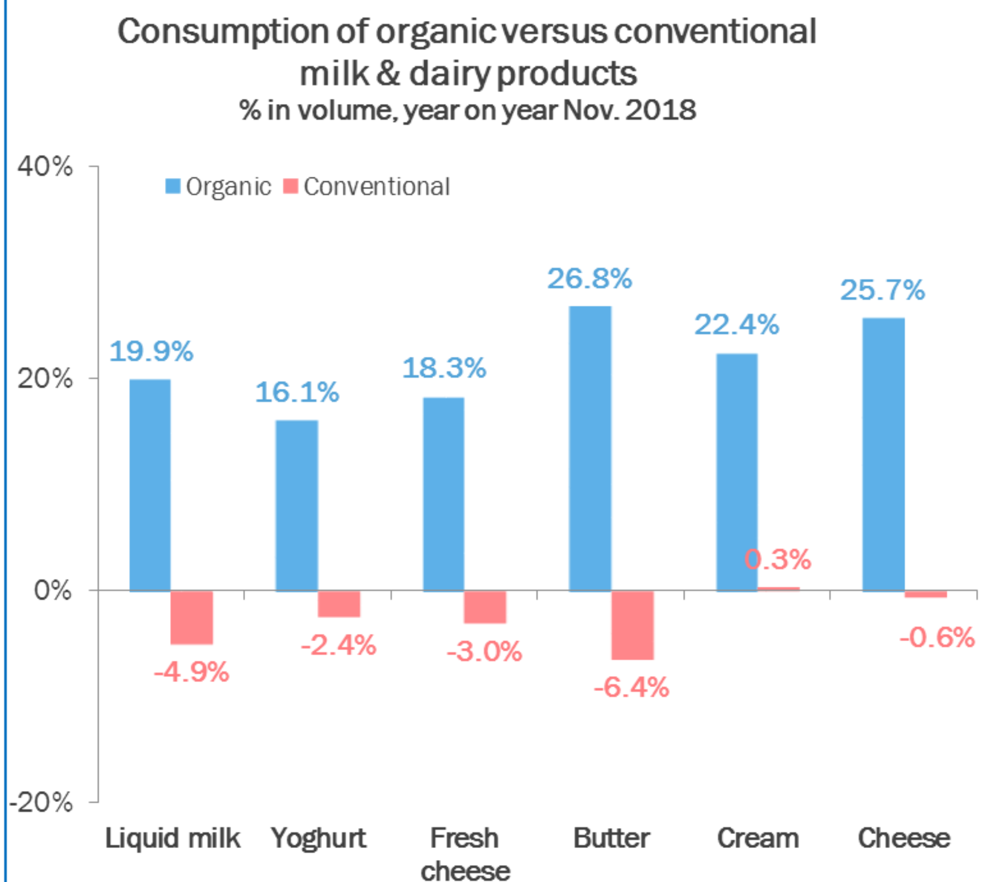
Sales of organic versus conventional milk & dairy products

Organic milk & dairy products

- Organic dairy products sales have continued to increase

Organic market shares (% vol. 04/11/2018)





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

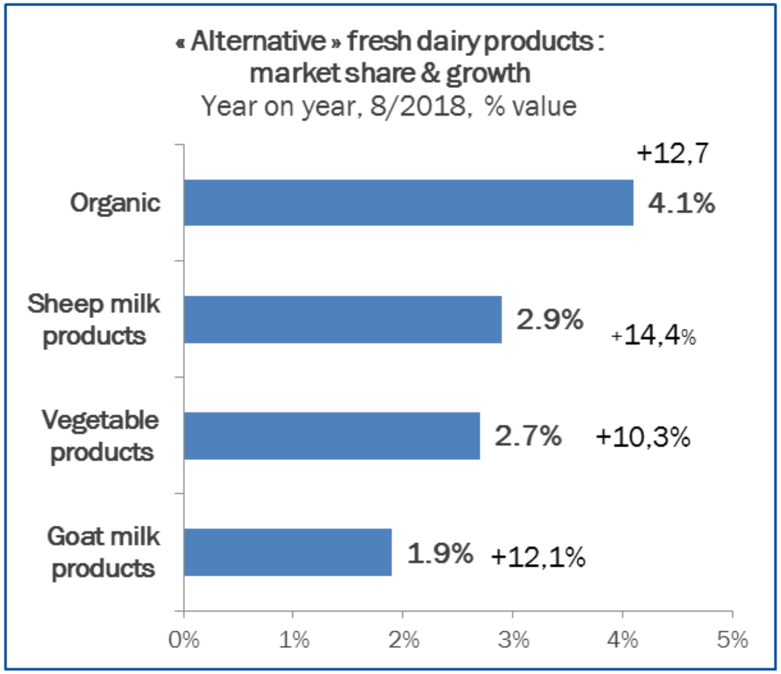
EuroCommerce

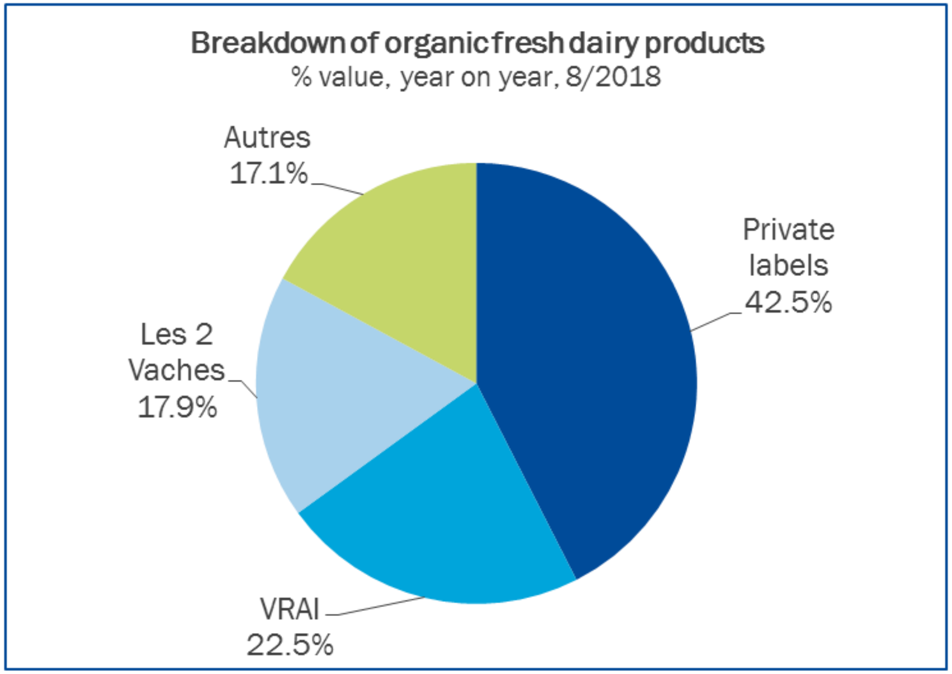
France

Sales of “alternative” versus conventional milk & dairy products

Market share of « alternative » products: 11.5%

Contribution to growth from « alternative » products: 68%





Source: IRI via LSA

EuroCommerce

Italy

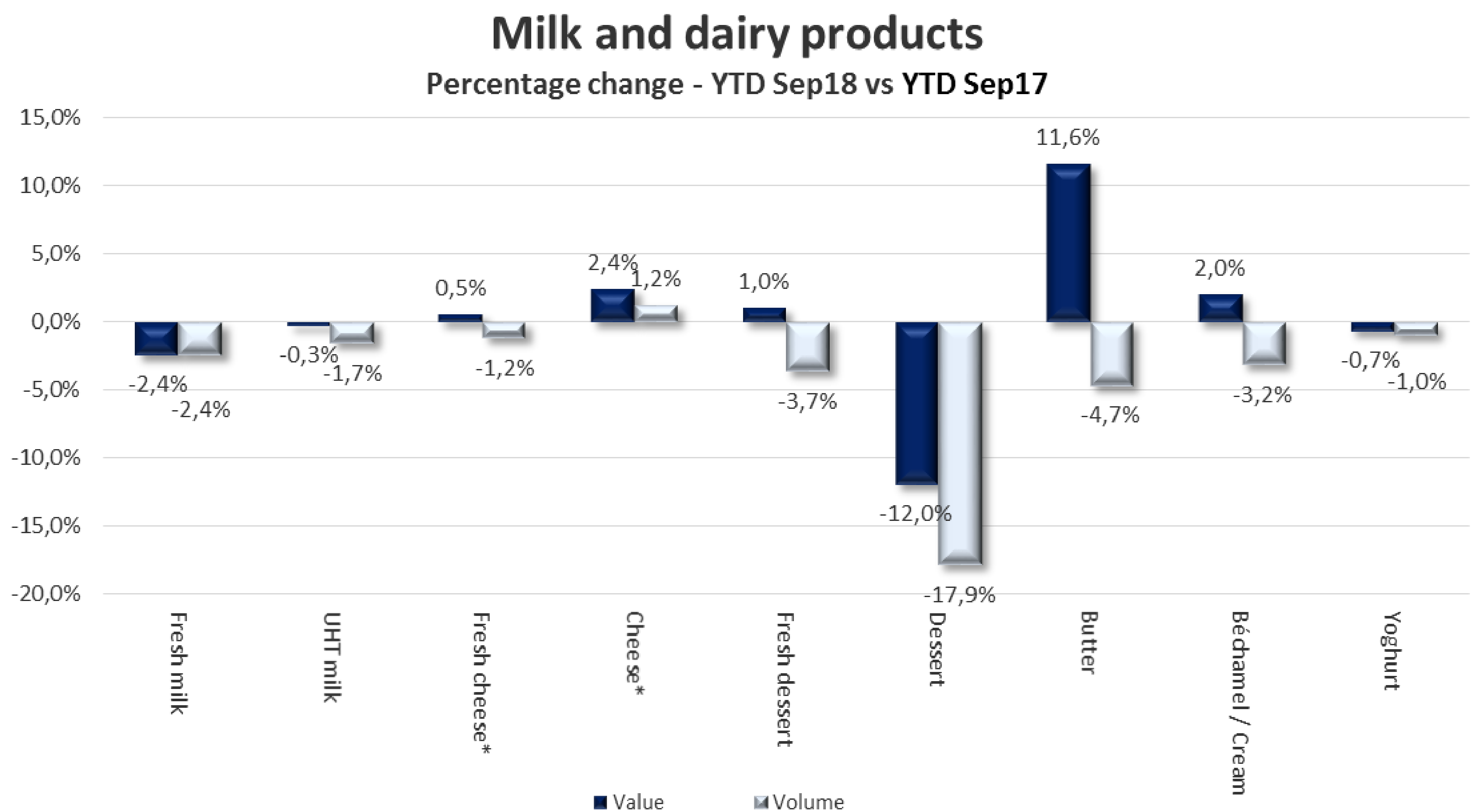
Period: Q3 2018 and YTD Sep18

Product category	VOLUME (3Q 2018 vs 3Q 2017 % change)	VOLUME (YTD Sep18 vs. YTD Sep17) % change)	VALUE (3Q 2018 vs 3Q 2017 % change)	VALUE (YTD Sep18 vs. YTD Sep17) % change)
Fresh milk	-3,1	-2,4	-3,3	-2,4
UHT milk	-1,8	-1,7	-2,2	-0,3
Fresh cheese*	-0,3	-1,2	0,9	0,5
Cheese*	0,5	1,2	0,8	2,4
Fresh dessert	-2,5	-3,7	1,5	1,0
Dessert	-23,1	-17,9	-15,3	-12,0
Butter	-4,3	-4,7	3,0	11,6
Béchamel / Cream	-3,0	-3,2	0,5	2,0
Yoghurt	-0,8	-1,0	-0,3	-0,7

Source: Market Track Nielsen
* Peso imposto

Italy

Period: YTD Sep18 *versus* YTD Sep17

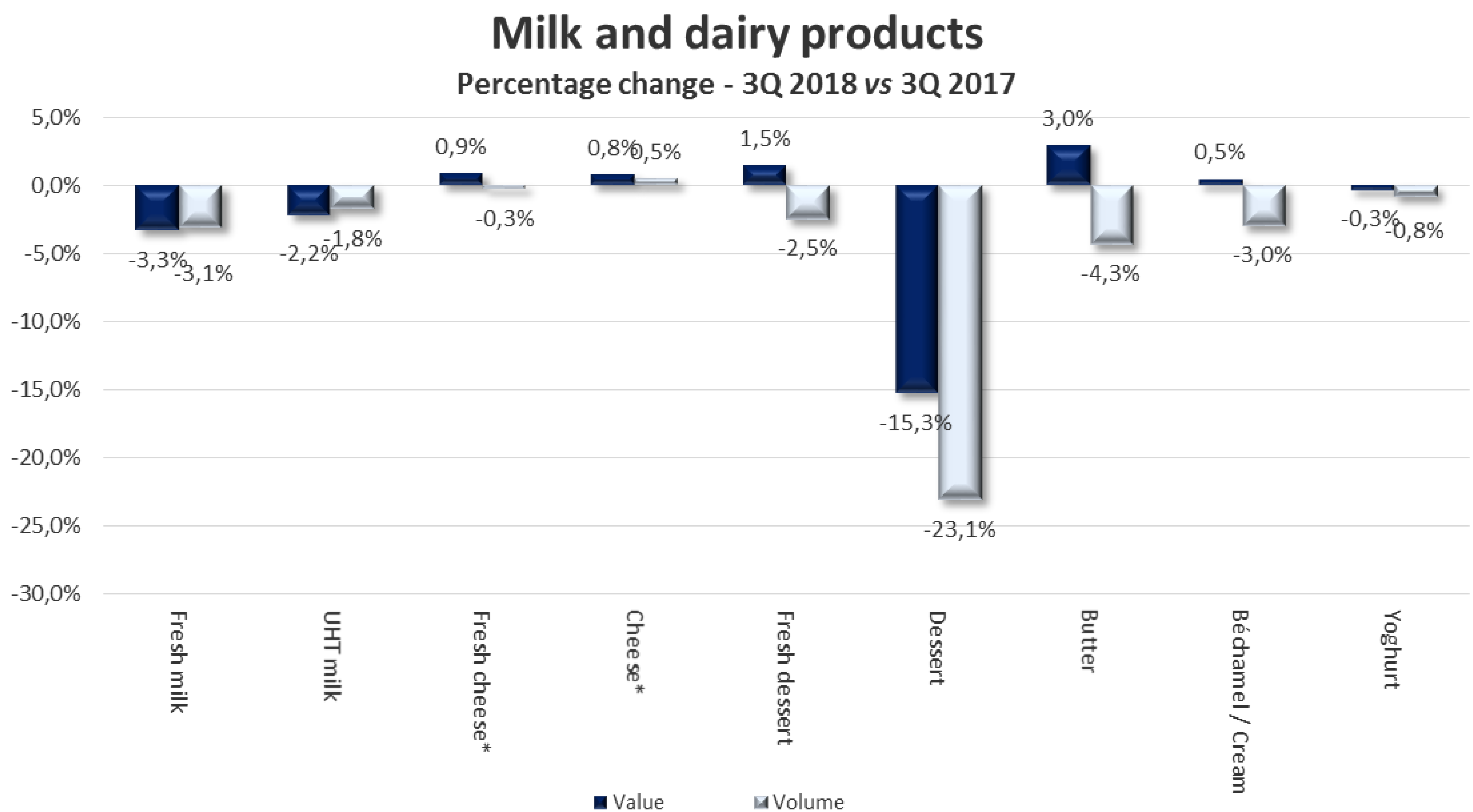


Source: Market Track Nielsen
* Peso imposto

EuroCommerce

Italy

Period: Q3 2018 *versus* Q3 2017



Source: Market Track Nielsen

* Peso imposto

Portugal

Period ending 4 December 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	-0,6	-1,3	-4,8	-4,9
UHT milk	-2,6	-2,0	-0,6	0,2
Yoghurt	-5,4	-4,7	-2,5	-2,0
Butter	1,8	1,7	8,6	9,1
UHT Cream	-0,2	-0,4	3,0	3,3
Fresh desert	-5,0	-4,3	5,7	4,8
Cheese	2,9	3,1	4,0	4,6

Source: Nielsen

Spain

Period ending September 2018

Product category	Volumes (% change Sept 2018 vs Sept 2017)	Volumes (% change YTD Sept 2018)	Value (% change Sept 2018 vs Sept 2017)	Value (% change YTD Sept 2018)	Price (% change Sept 2018 vs Sept 2017)	Price (% change YTD Sept 2018)
Standard liquid milk	-3.2	-2.5	-3.3	-2.1	-0.2	0.4
Other types of milk	1.6	3.2	-0.2	1.9	-1.8	-1.3
Milkshakes	-0.6	-5.6	-1.1	-4.6	-0.6	1.0
Yoghurts and fermented milk	2.8	2.7	2.9	2.8	0.1	0.1
Fresh desserts	-3.6	-0.8	-3.4	0.2	0.2	1.1
Fresh cheese	2.7	0.7	3.7	3.3	1.0	2.6
Local, traditional cheese	2.5	6.6	2.7	6.5	0.2	-1.1
Imported cheese specialties	6.8	6.1	4.9	5.0	-1.7	0.8

Source: Fenil

Spain

Period ending September 2018

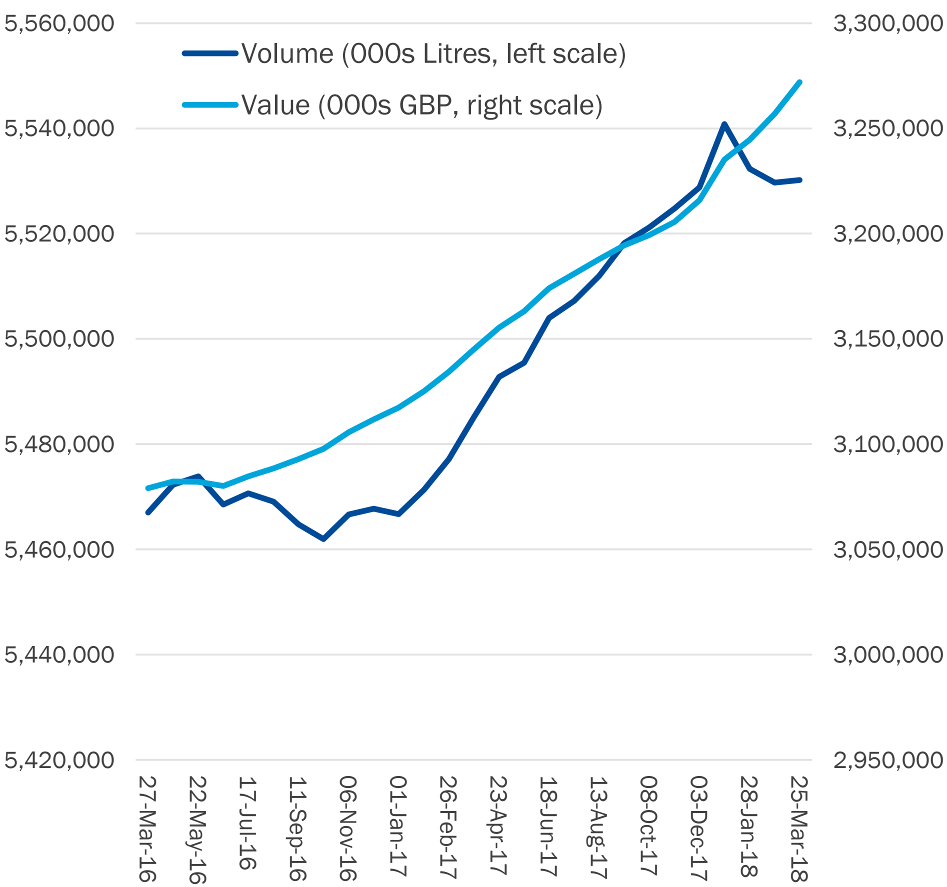
Product category	Volumes (% change Sept 2018 vs Sept 2017)	Volumes (% change YTD Sept 2018)	Value (% change Sept 2018 vs Sept 2017)	Value (% change YTD Sept 2018)	Price (% change Sept 2018 vs Sept 2017)	Price (% change YTD Sept 2018)
Grated cheese	1.3	3.5	1.7	4.3	0.4	0.8
Other types of cheese	0.4	2.4	2.1	4.3	1.7	1.8
Cream	0.8	1.6	-1.6	2.9	-2.4	1.3
Butter	0.8	2.5	11.8	22.4	10.9	19.4
Desserts and long-term conservation yoghurt	-28.4	-24.8	-10.3	-14.4	25.9	13.8
Non-liquid milk	-1.3	1.5	-1.8	1.4	-0.5	-0.2
Total dairy products	**-0.7**	**-0.1**	**0.9**	**2.3**	**1.6**	**2.5**

Source: Fenil

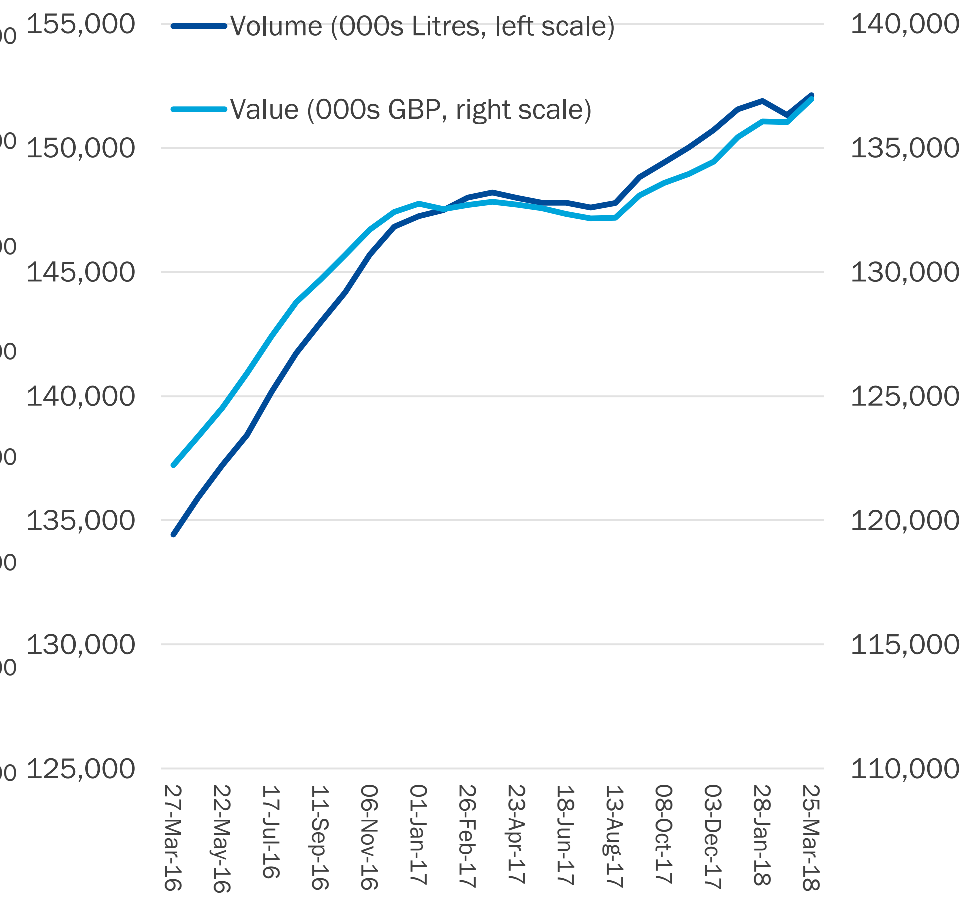
EuroCommerce

United Kingdom: drinking milk consumption
Period ending April 2018

Conventional drinking milk



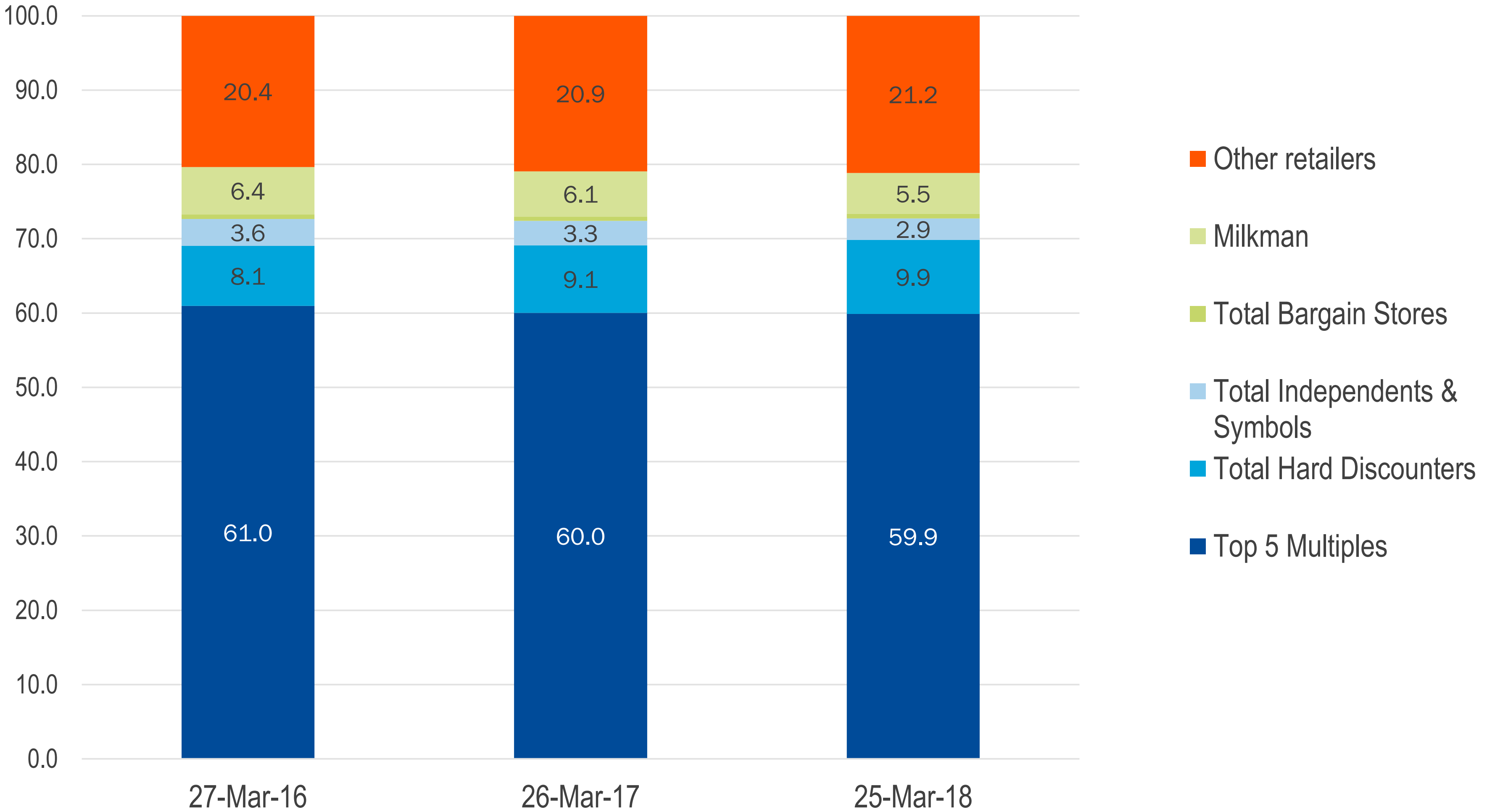
Organic milk consumption



Source: Kantar Worldpanel

United Kingdom: liquid milk market shares

Period ending March 2018



Source: Kantar Worldpanel

United Kingdom: cheese market
Period ending July 2018

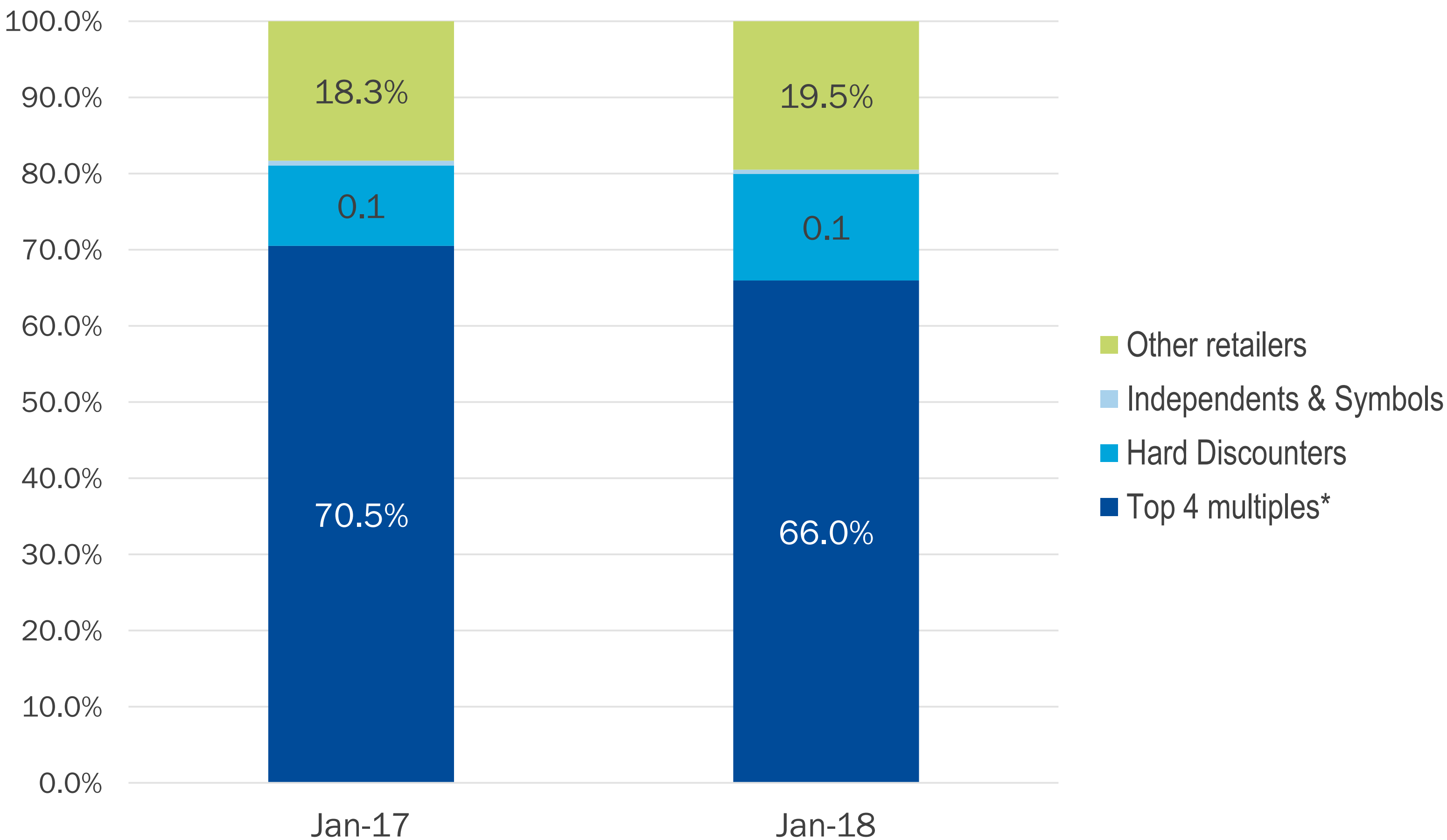
	Total Cheese	Cheddar	Hard Continental	Soft Continental	Territorials Ex.Blue	Processed	Other
Volume	**1.2%**	1.4%	5.9%	5.0%	1.2%	-1.1%	-1.1%
Value	**3.4%**	3.2%	5.2%	7.3%	6.7%	1.9%	0.1%
Average Price	**2.2%**	1.8%	-0.7%	2.2%	5.6%	3.1%	1.8%

Source: Kantar Worldpanel

EuroCommerce

United Kingdom

Cheese market – breakdown by distribution channel



Source: Kantar Worldpanel

ANNEX 6

Consumption trends in the EU dairy products

European Commission

European Commission

Consumption trends in the EU dairy products

Milk Market Observatory

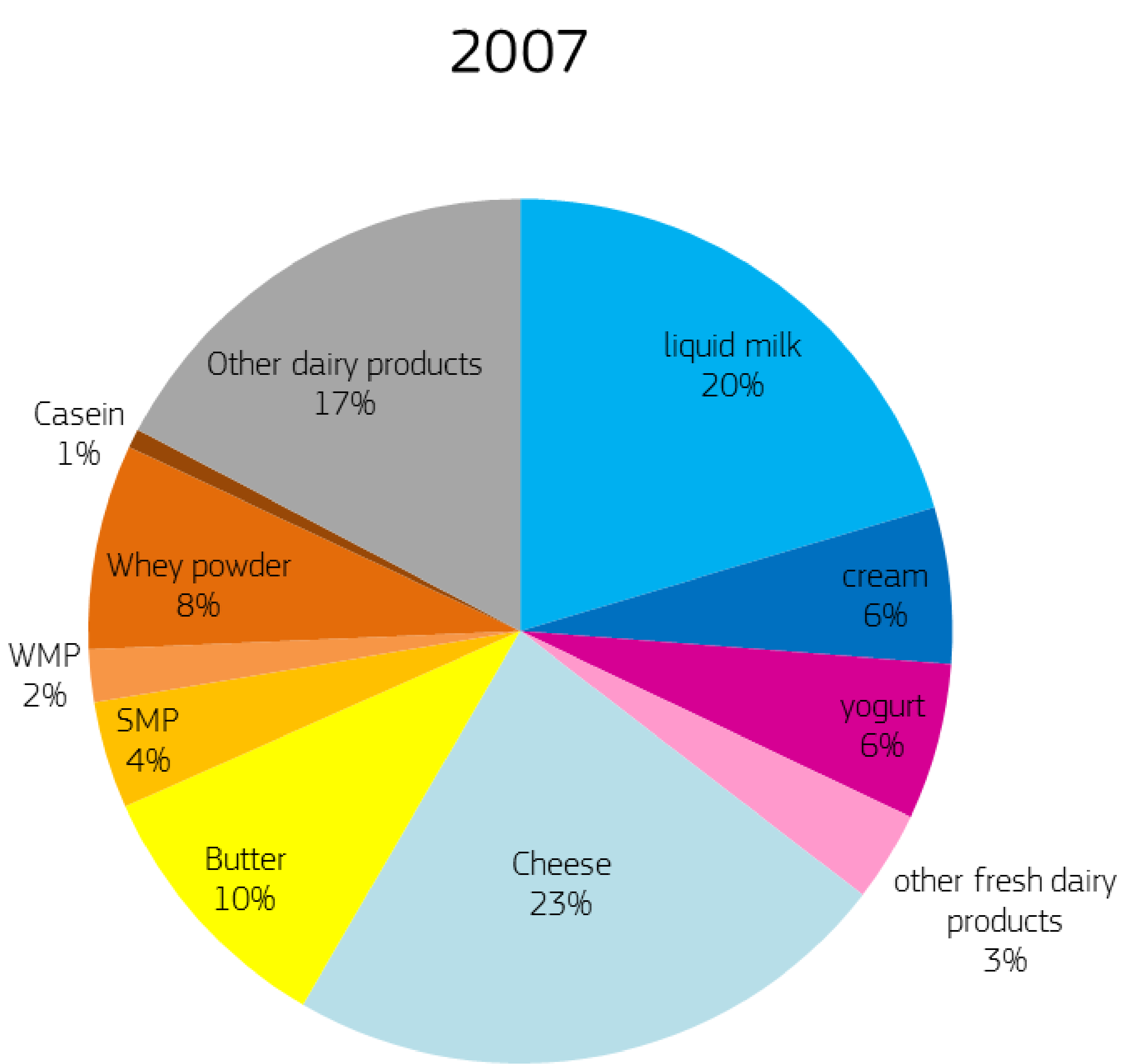
Brussels 13 December 2018

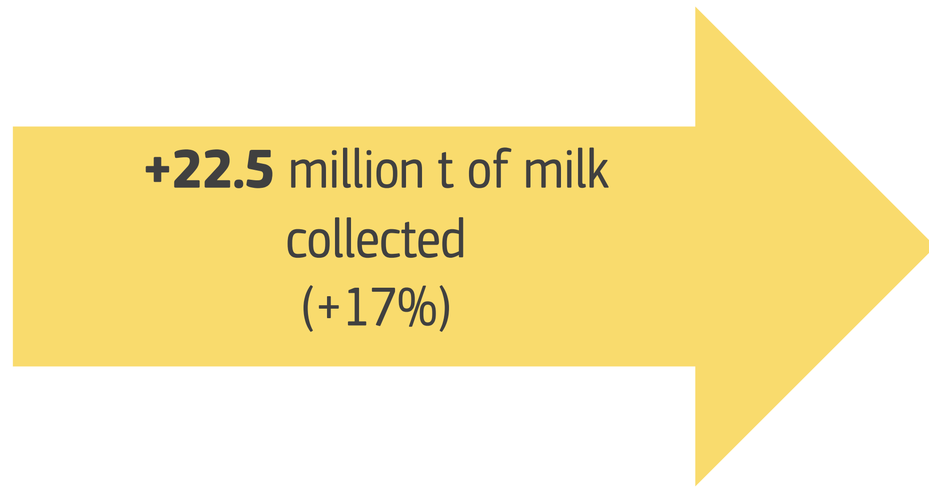
Agriculture and Rural Development

Outline

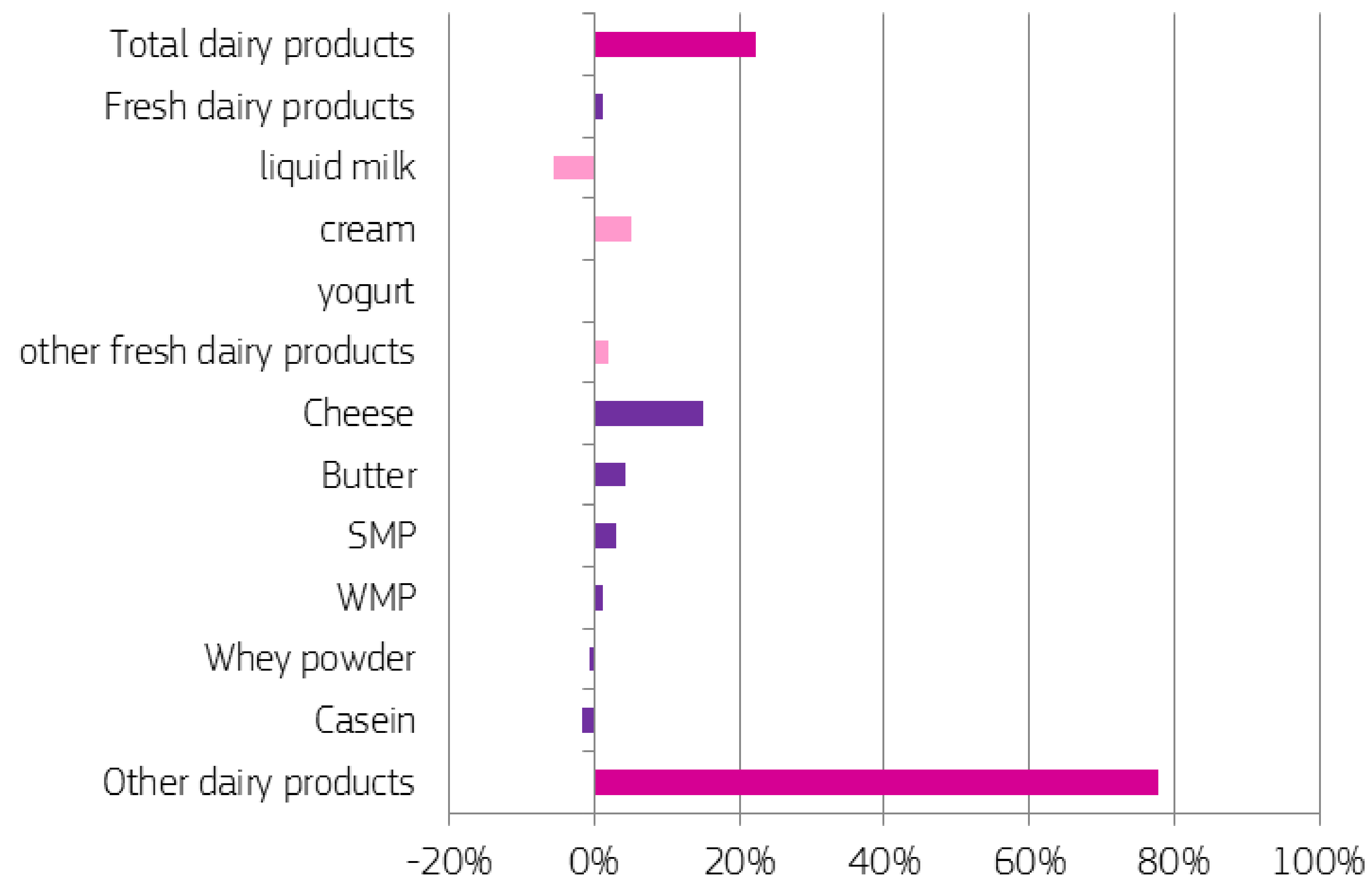
- Domestic use of dairy products
- Retail sales and foodservices of dairy products
- Exports of cheeses by type

Domestic use of dairy products





Contribution of dairy products to growth (%, 2007-2017)



Source: DG Agriculture and Rural Development, based on Short-term outlook, Autumn 2018; total solid methodology accounting for all components of milk including lactose and minerals. As a consequence, the milk coefficient of cheese (composed of fat and protein only) is lower with this methodology (3.58) than when accounting for fat and protein only (5.97). The other coefficients used are: 6.57 for butter, 7.57 for SMP, 7.56 for WMP, 7.48 for whey powder, 0.85 for drinking milk, 3.21 for cream and 0.98 for yogurts:

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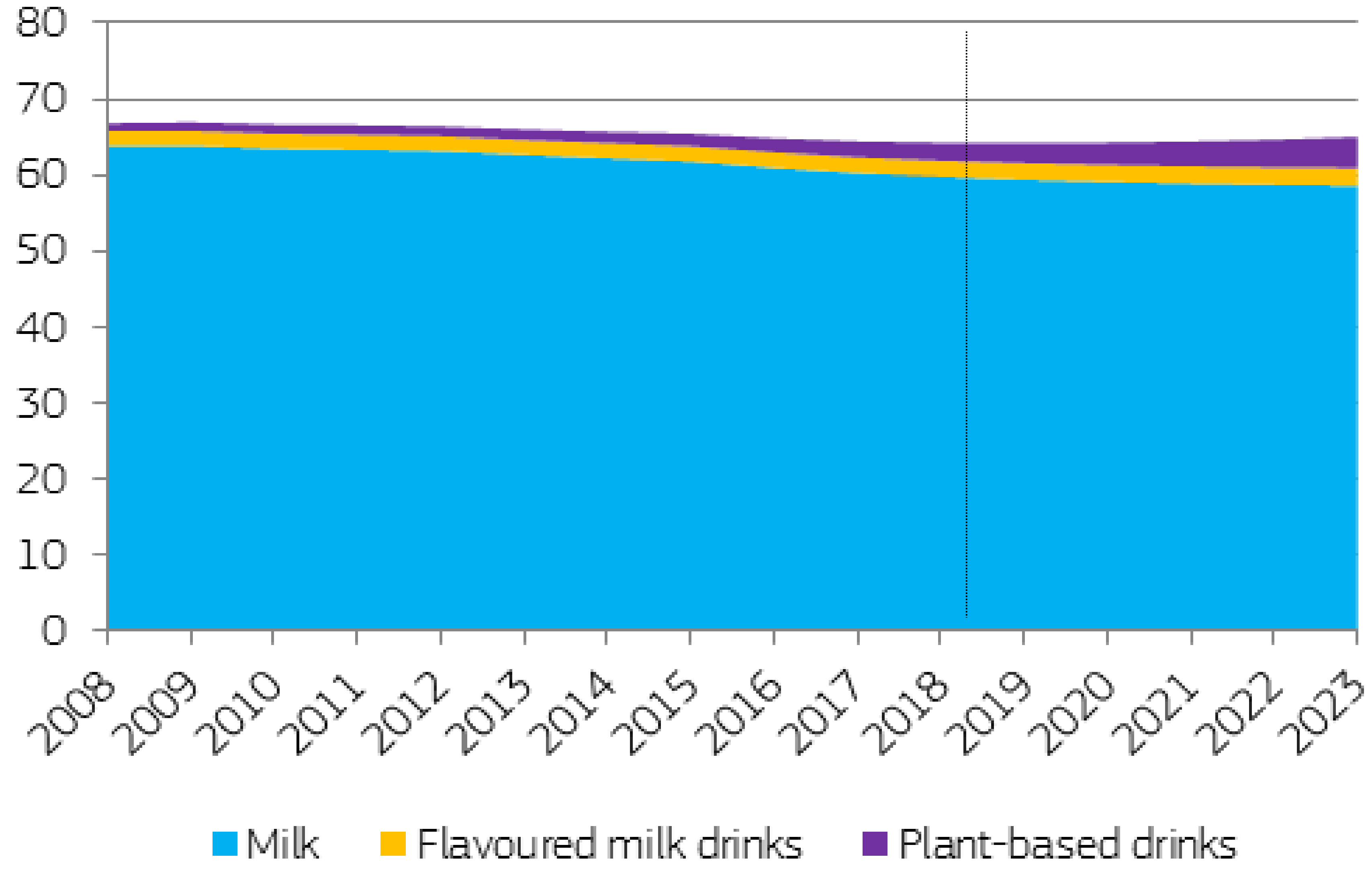
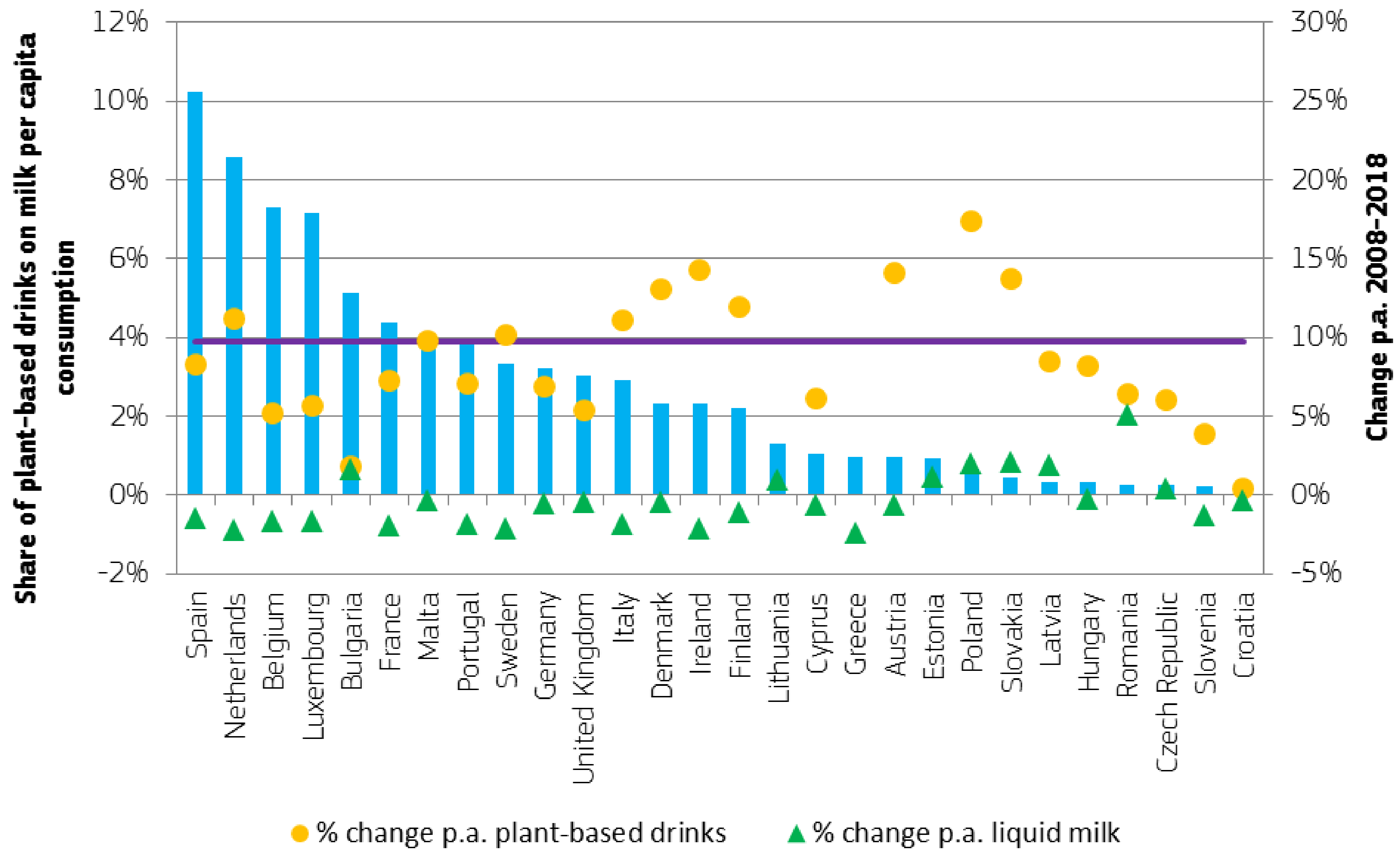
Retail sales of liquid milk*
kg per capita

Retail sales of milk and plant-based drinks (kg/capita)



- Growing market of **plant-based drinks** (4% of drinking milk retail and foodservice volume in 2018 → 7% in 2023)

Share of plant-based drinks on liquid milk consumption and annual change 2008-2018 (kg/capita, %)

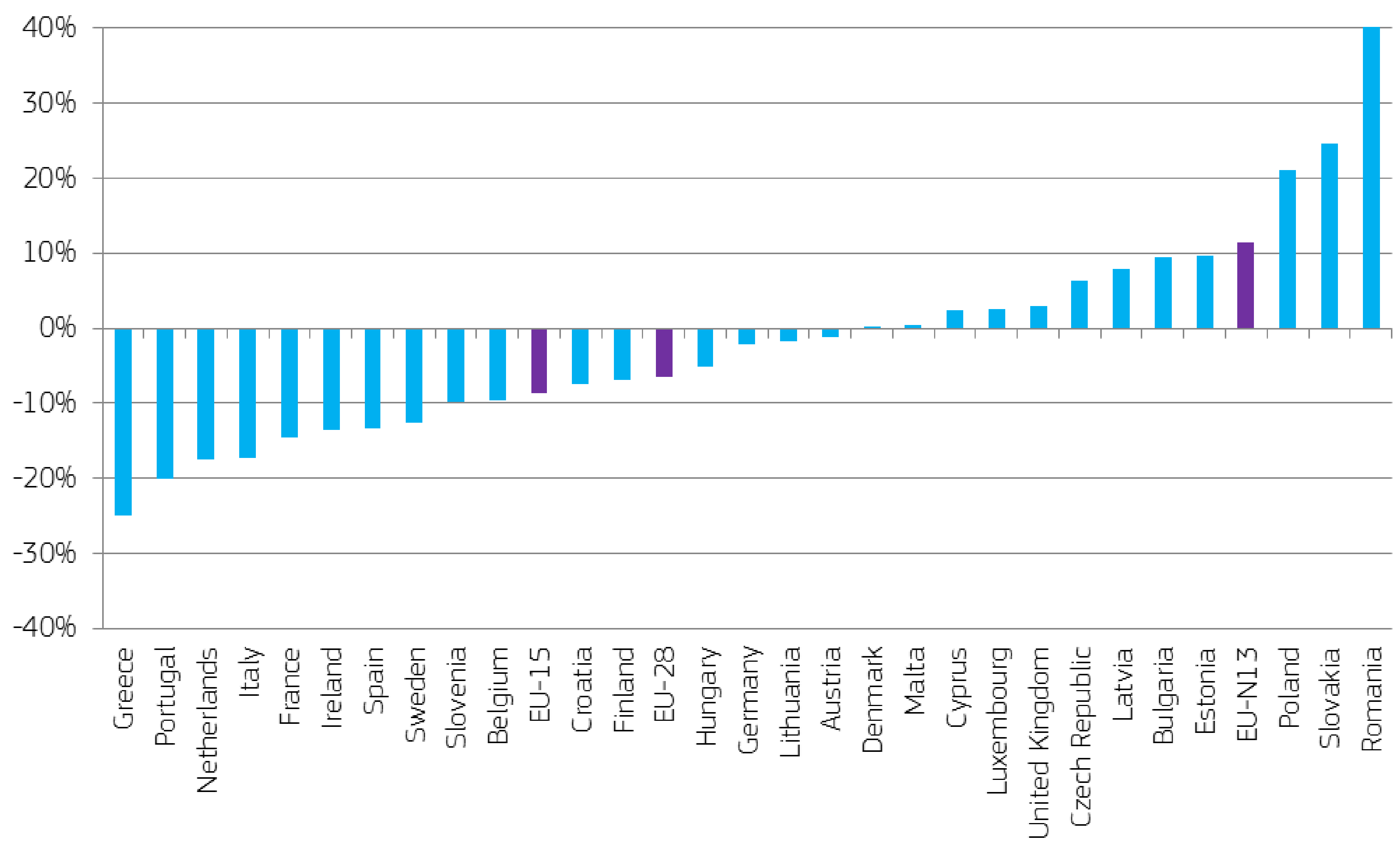


- ES+UK+DE+FR concentrates **nearly 80%** of retail and foodservice volume of plant-based drinks
- 6 MS **above 4%** share of plant-based drinks of drinking milk per capita consumption

*Note: *Foodservices included.*
Source: DG Agriculture and Rural Development, based on Euromonitor

Retail sales and foodservices – cow milk

Change in total volume 2018/2008 (%)

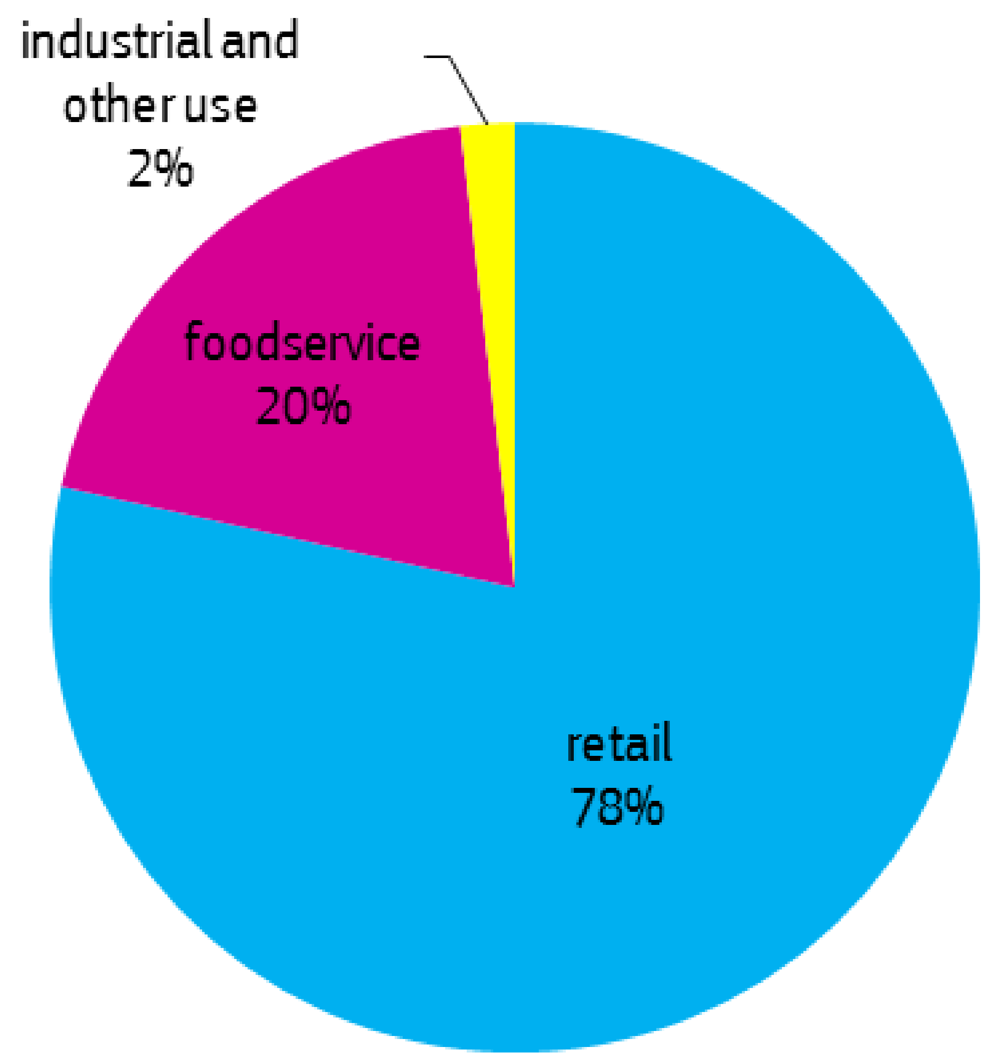


- ES+UK+DE+FR+IT concentrates **nearly 70%** of retail and foodservice volume in 2018

Source: DG Agriculture and Rural Development, based on Euromonitor

Liquid milk production channels in 2018,

based on volumes



Source: DG Agriculture and Rural Development, based on Short-term outlook, Autumn 2018 and Euromonitor

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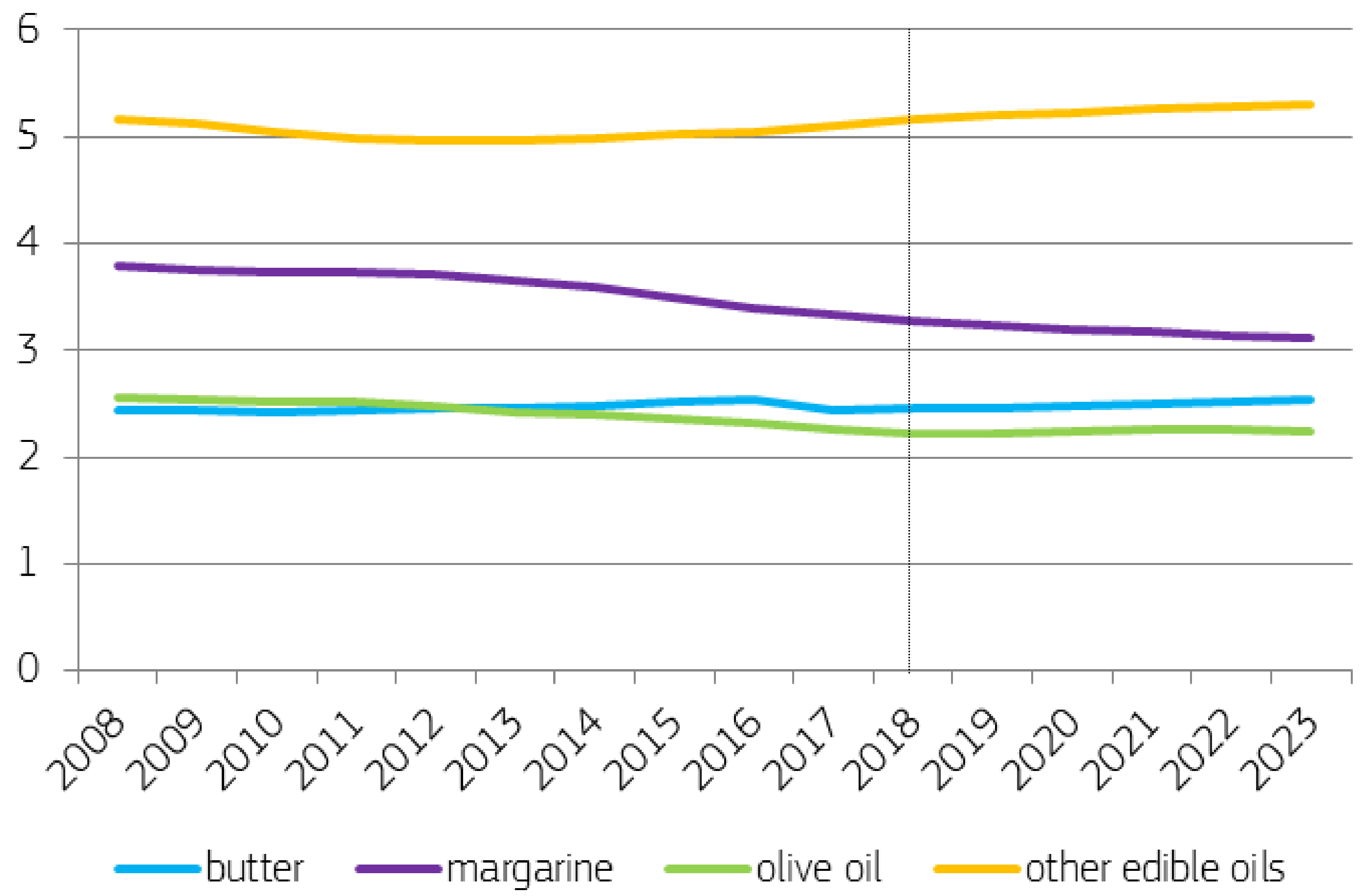
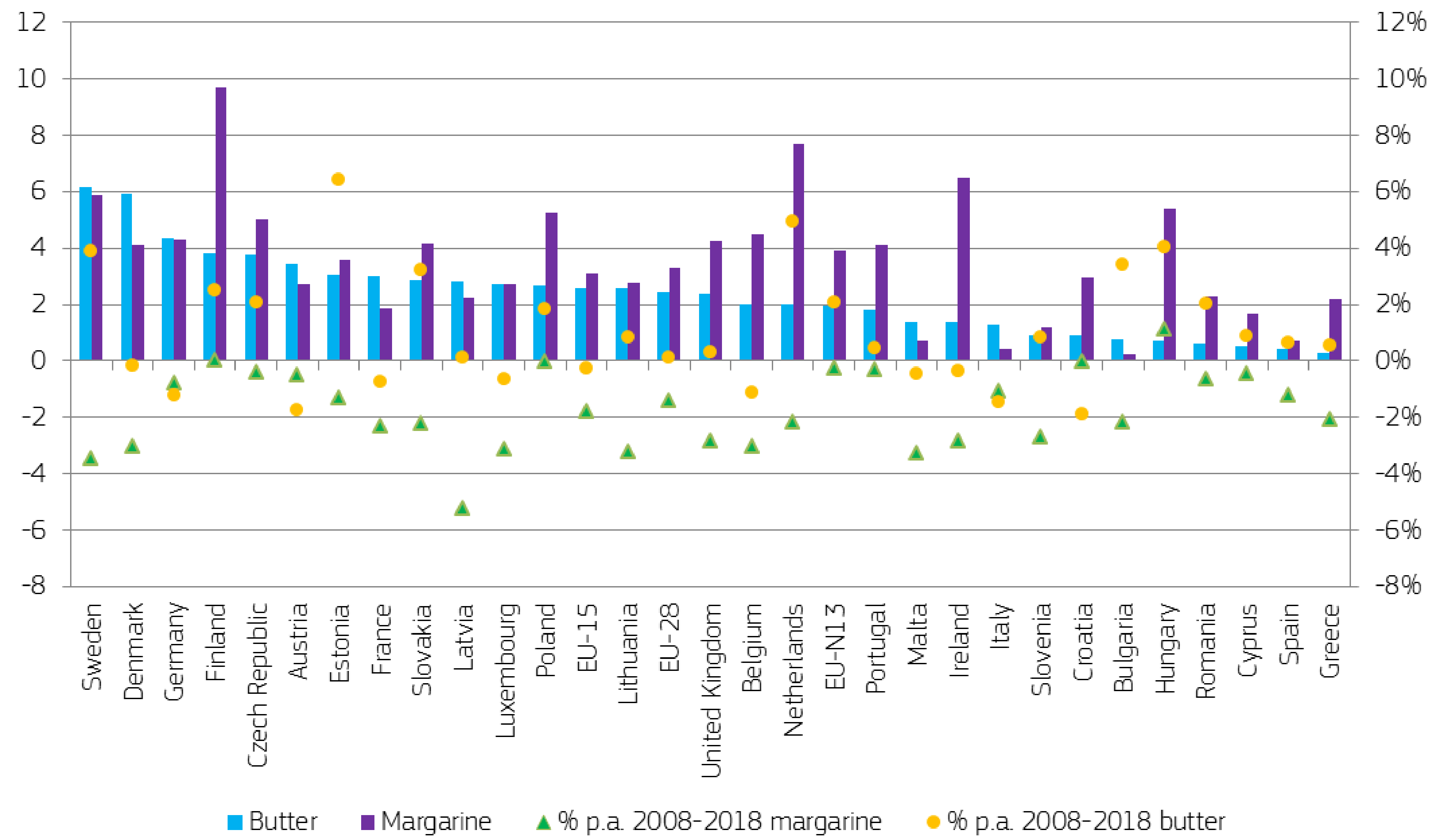
Retail sales of butter*
kg per capita

Retail sales of butter and vegetable fats/oils (kg/capita)



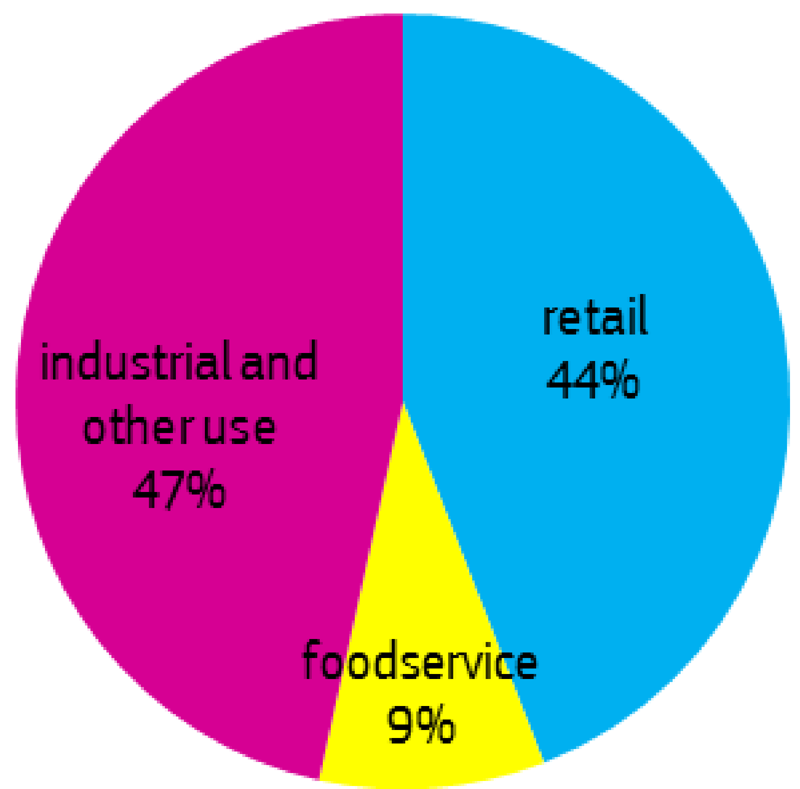
Consumption of butter and margarine in 2018 (kg/capita) and annual consumption change 2008-2018 (%, right axis)



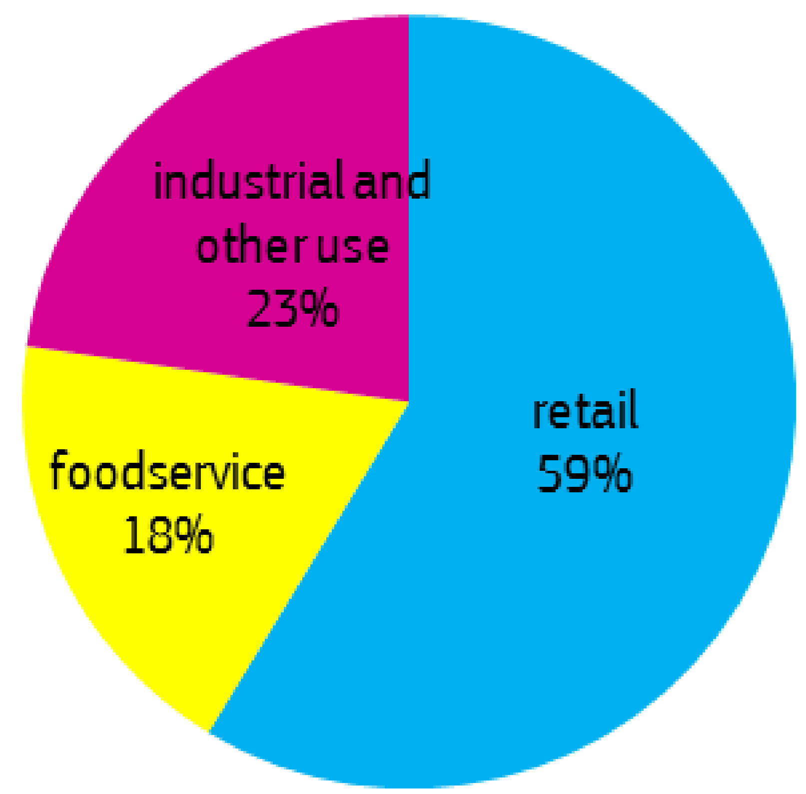
- UK+DE+FR concentrates **nearly 60%** of retail and foodservice volume
- 10 MS consume **more butter** per capita than margarine

*Note: *Foodservices included.*
Source: DG Agriculture and Rural Development, based on Euromonitor

Butter production channels in 2018, based on volumes



Cream production channels in 2018, based on volumes



Source: DG Agriculture and Rural Development, based on Short-term outlook, Autumn 2018 and Euromonitor

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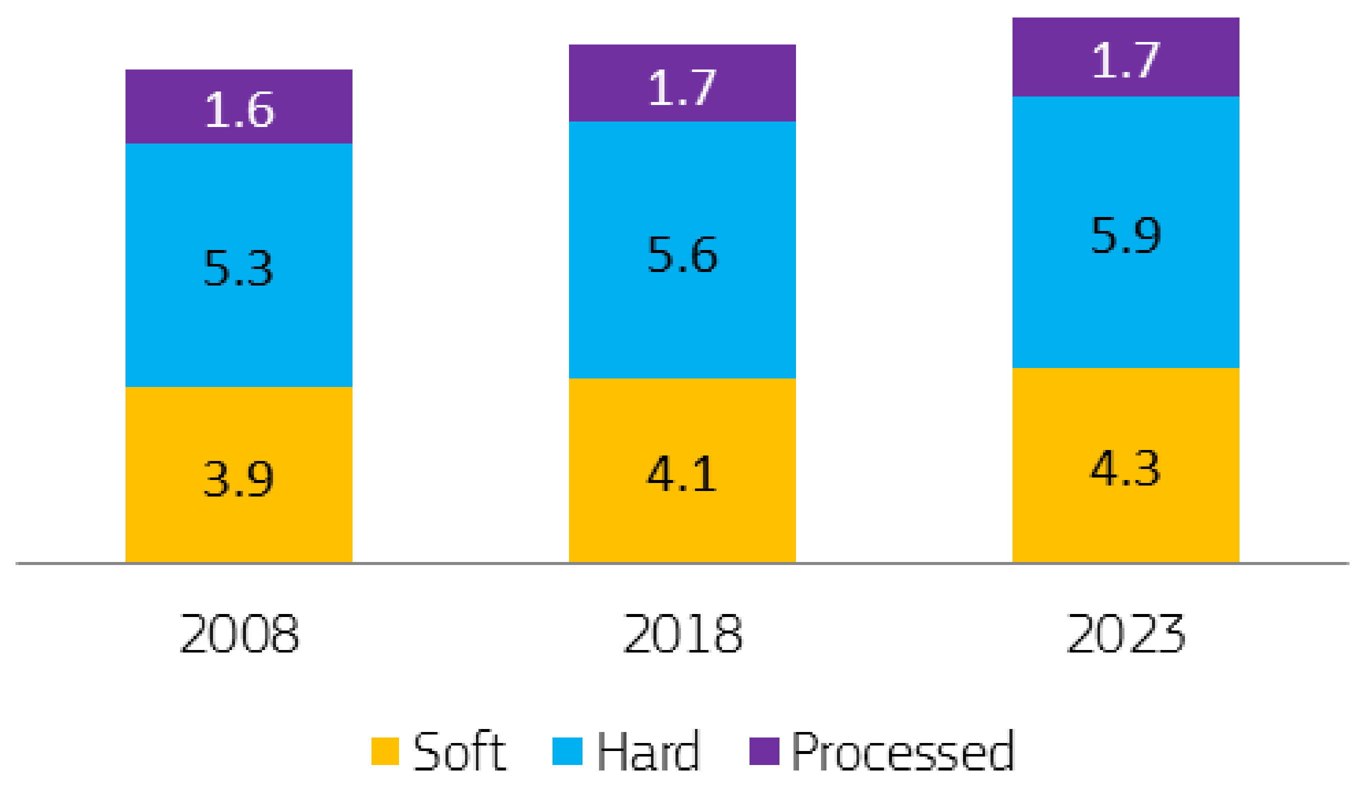
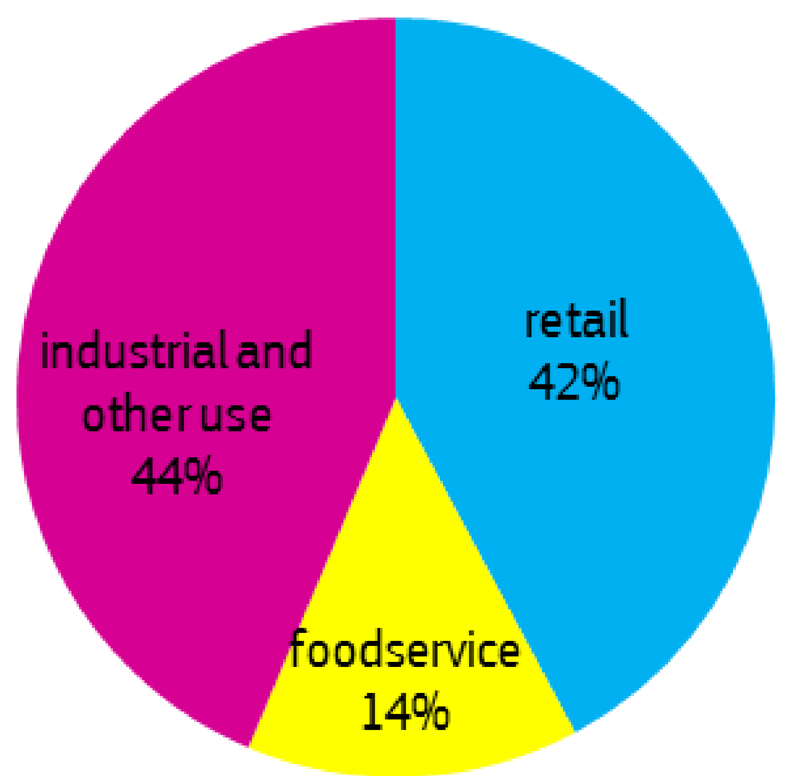
Retail sales* of cheese

Retail sales by cheese type(kg/capita)



*Note: *Foodservices included.*
Source: DG Agriculture and Rural Development, based on Euromonitor

Cheese production channels in 2018, based on volumes



Source: DG Agriculture and Rural Development, based on Short-term outlook, Autumn 2018 and Euromonitor

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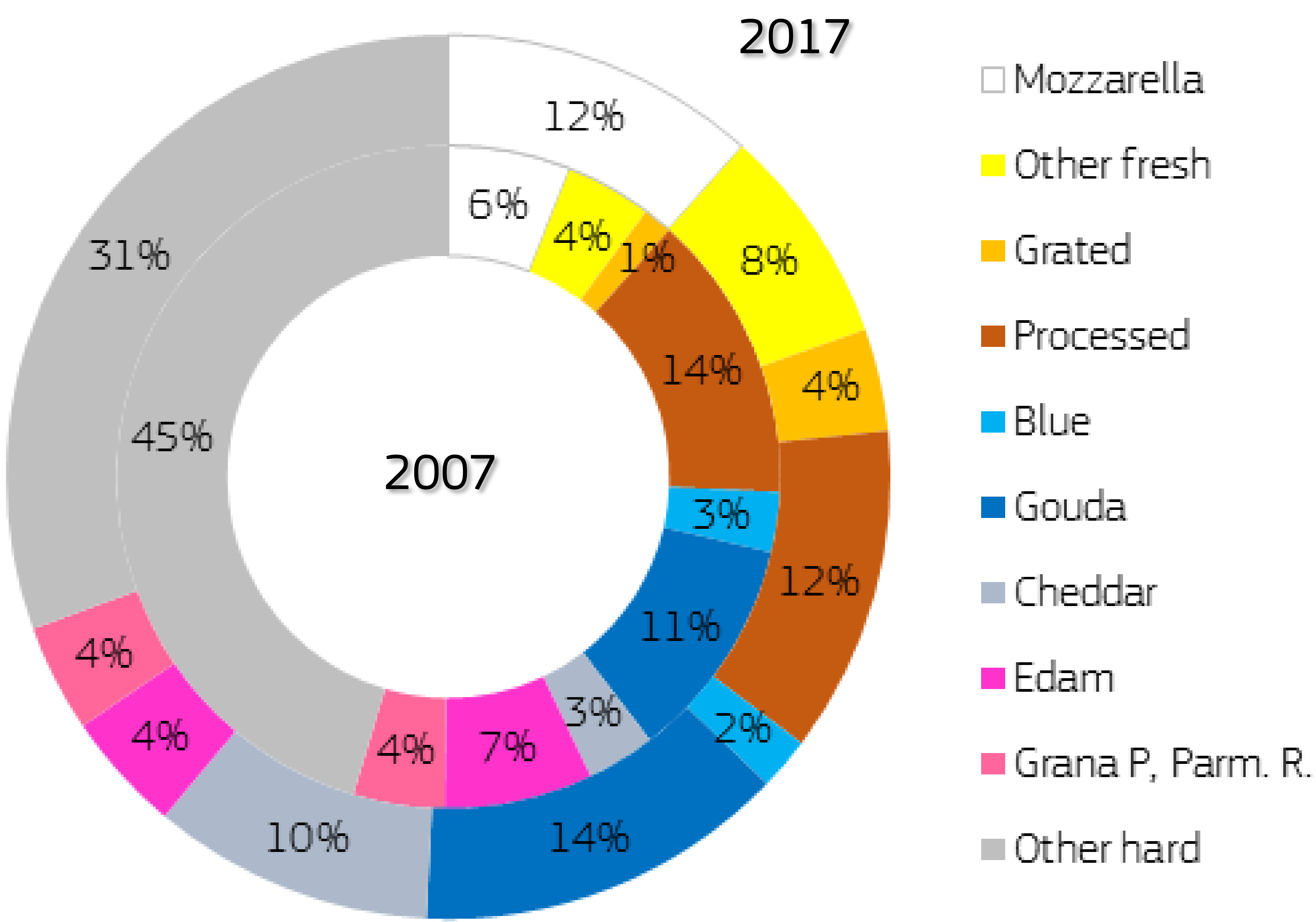
Cheese exports by type
(based on volumes)

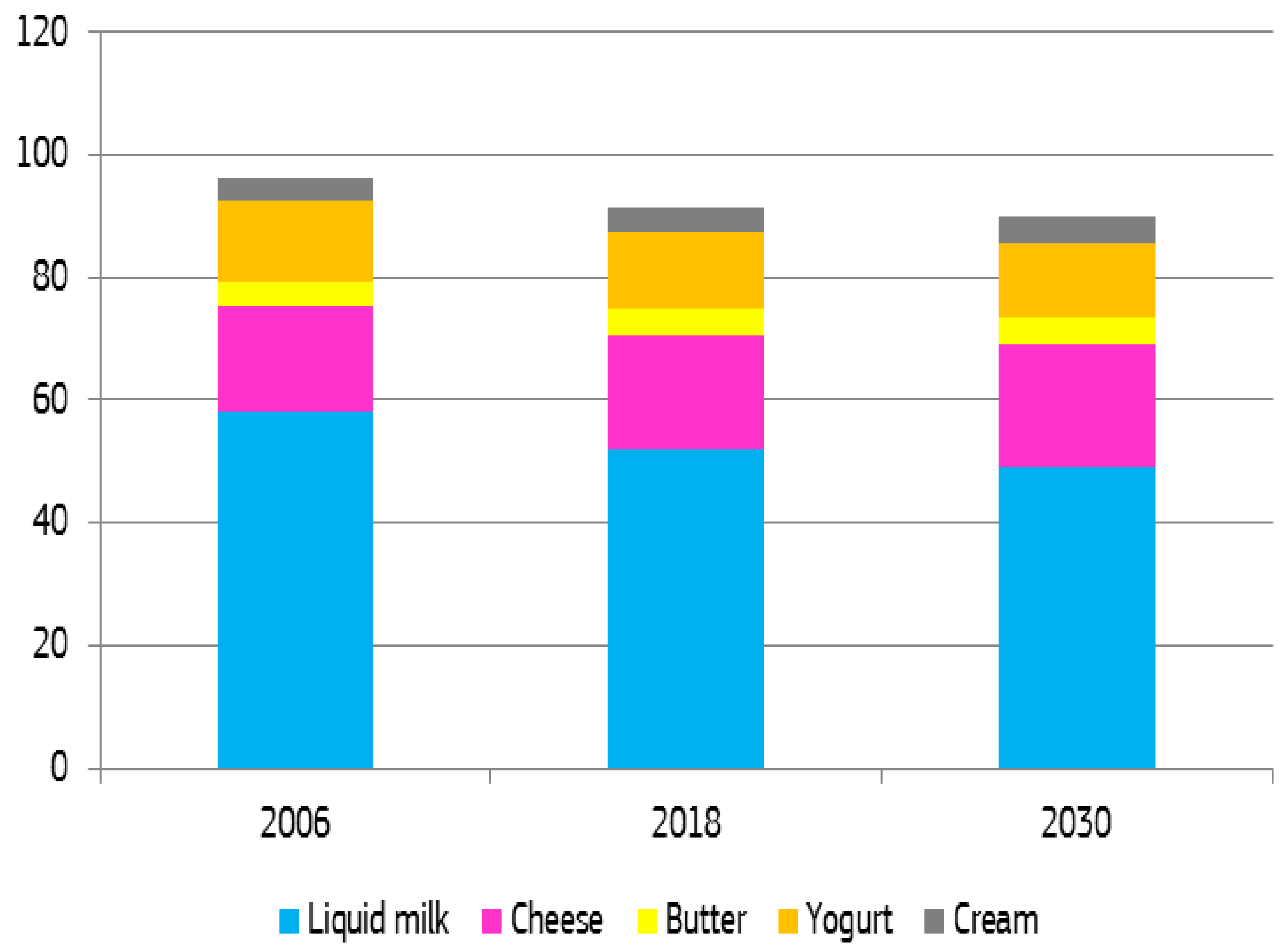


- **+242 000 tonnes** → +41% growth 2017/2007
- **Contribution to growth:**
  - → Mozzarella 25%
  - → Cheddar 27%
  - → Gouda 20%
  - → Processed 7%

Source: DG Agriculture and Rural Development, based on Comext

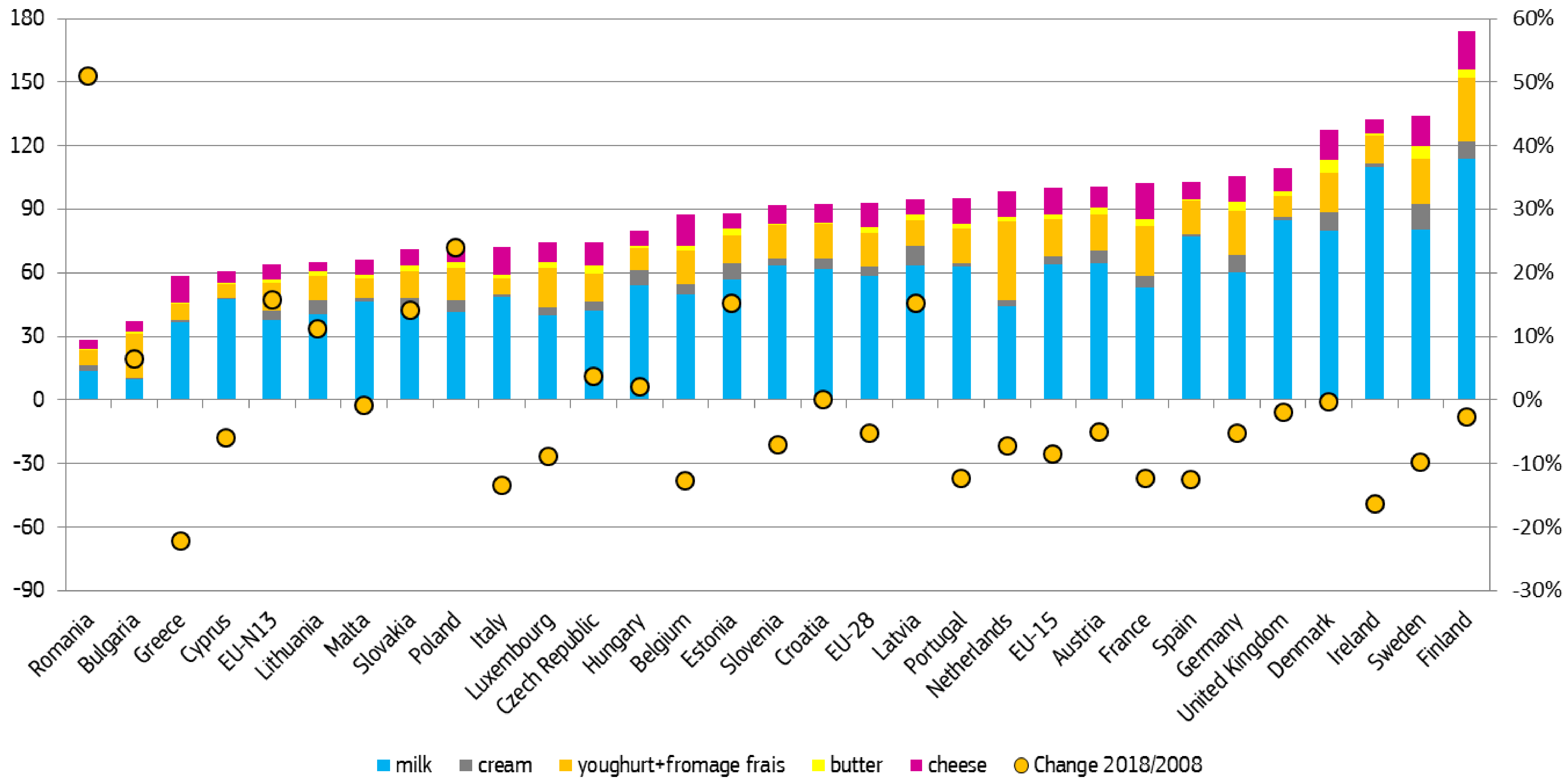
Dairy consumption of selected products

EU-28 consumption of selected dairy products (kg/capita)



Source: DG Agriculture and Rural Development, based on OECD-FAO Agricultural Outlook

Cumulative retail sales of selected dairy product per MS (kg/capita) and relative change in consumption 2018/2008



*Note: *Foodservices included*
Source: DG Agriculture and Rural Development, based on Euromonitor

European Commission | 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

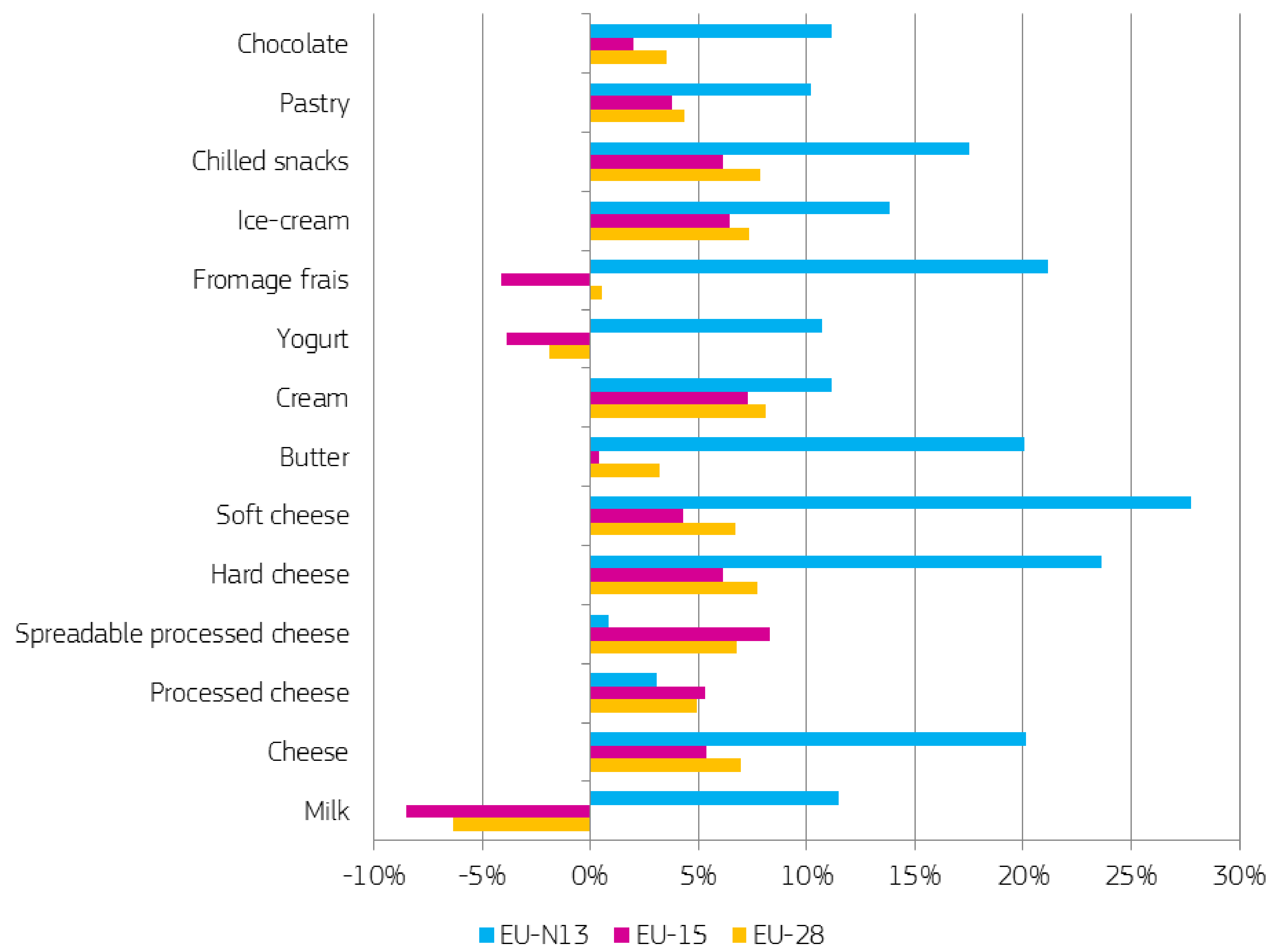
CAP reform

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

European Commission | Agriculture and Rural Development

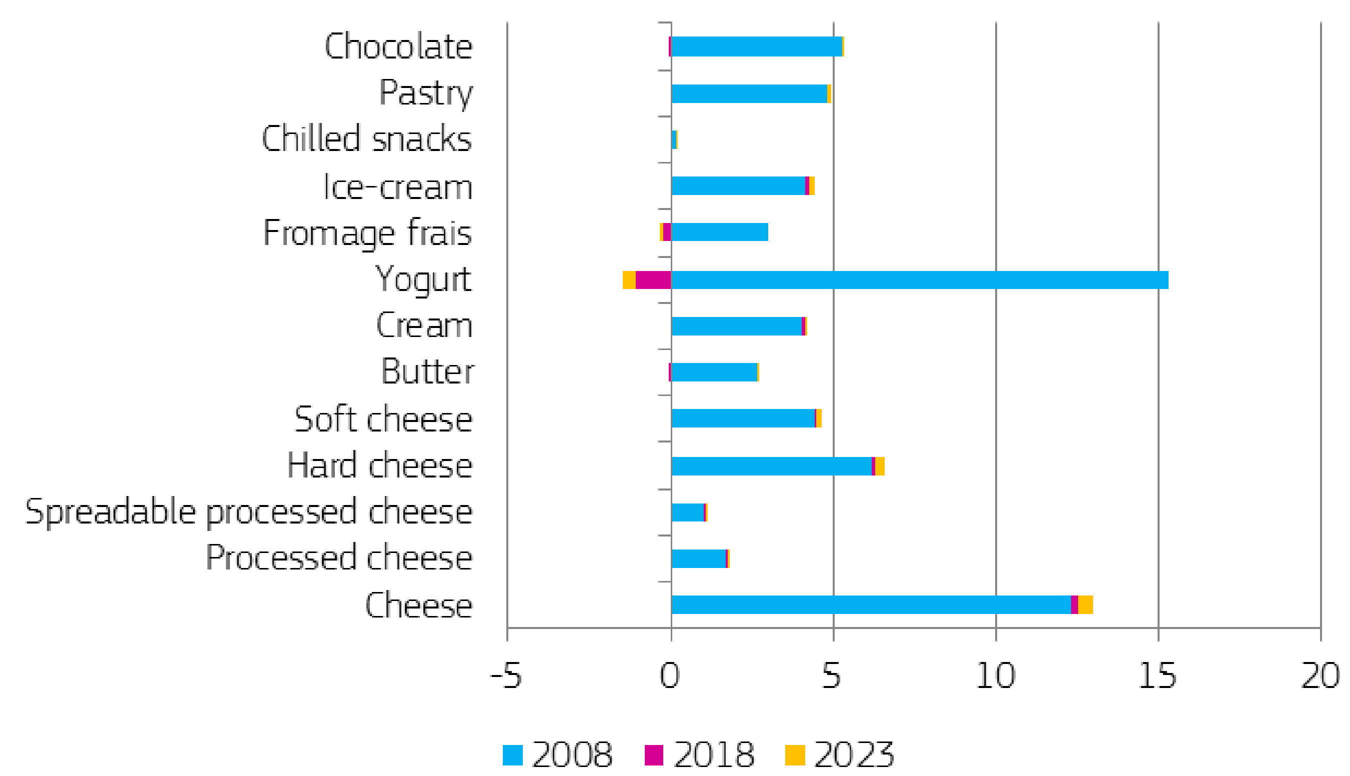
Consumption of selected products – product retail view*

Relative change in volume 2018/2008

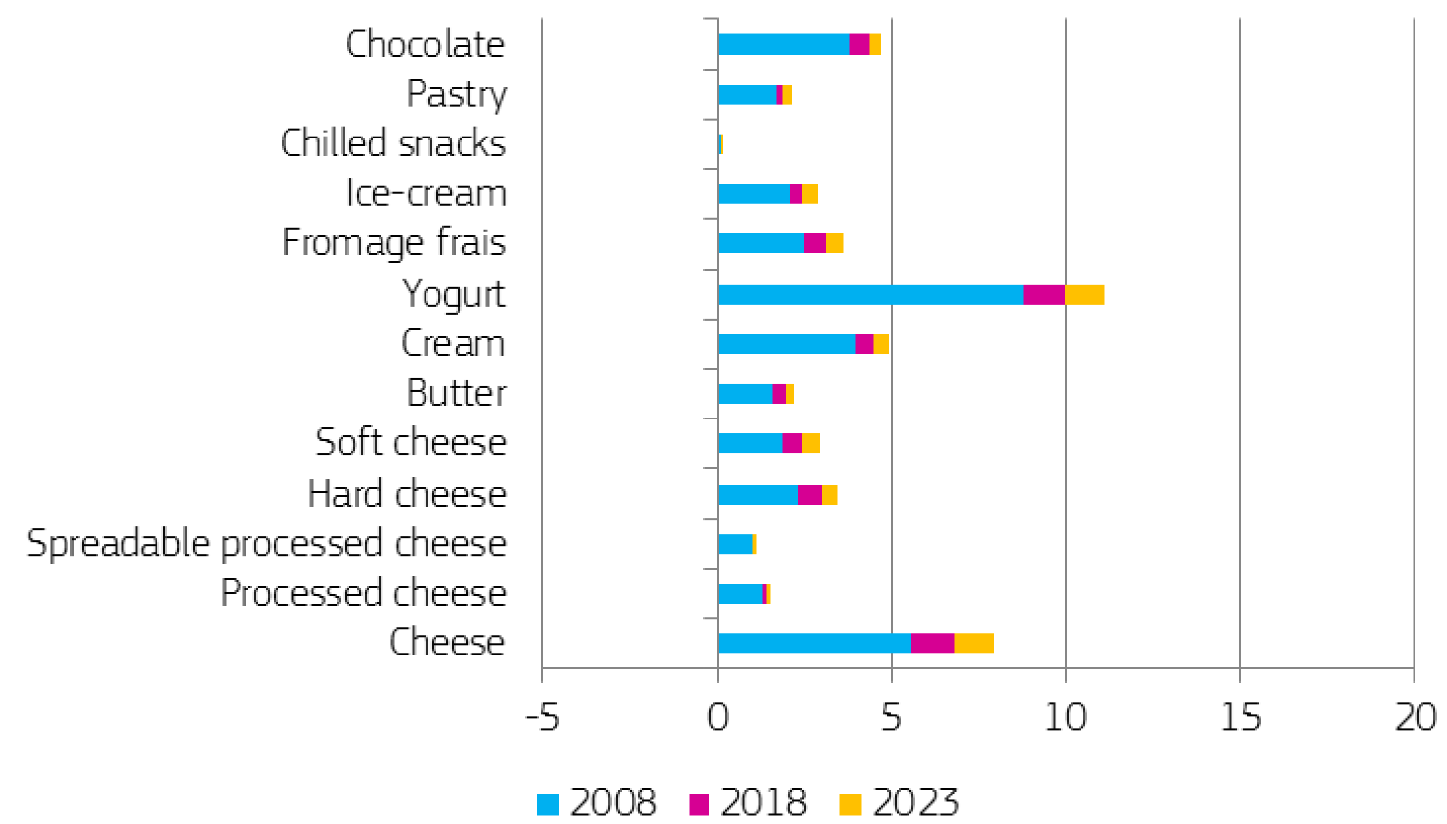


Per capita consumption of selected products (kg/capita)

EU-15



EU-N13



*Note: *Foodservices included*
Source: DG Agriculture and Rural Development, based on Euromonitor

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ANNEX 7

THE FUTURE OF FOOD AND FARMING

FOOD FOR THOUGHT

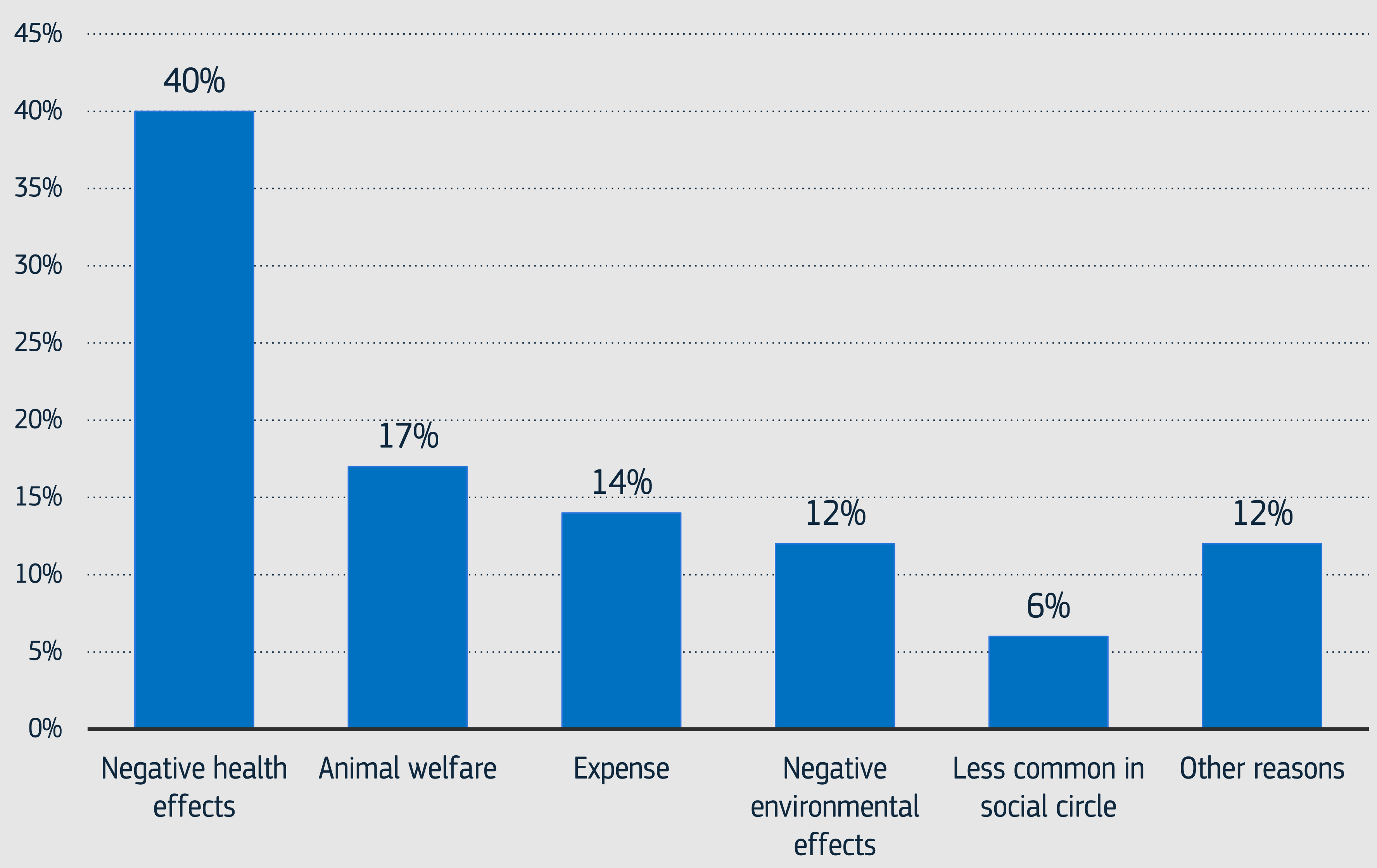
European Commission


European Commission
The 2018 EU Agricultural Outlook Conference
THE FUTURE OF FOOD AND FARMING
FOOD FOR THOUGHT
Brussels, 13 December 2018
EU agricultural outlook for meat and dairy
Agriculture and Rural Development

Meat and dairy consumption pushed down

By societal demands

Main reasons why people are planning to eat less meat within the next five years in Europe as of 2017



Note: Europe; 2017; 13 000 European consumers
Source: ING

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Meat and dairy consumption pushed down

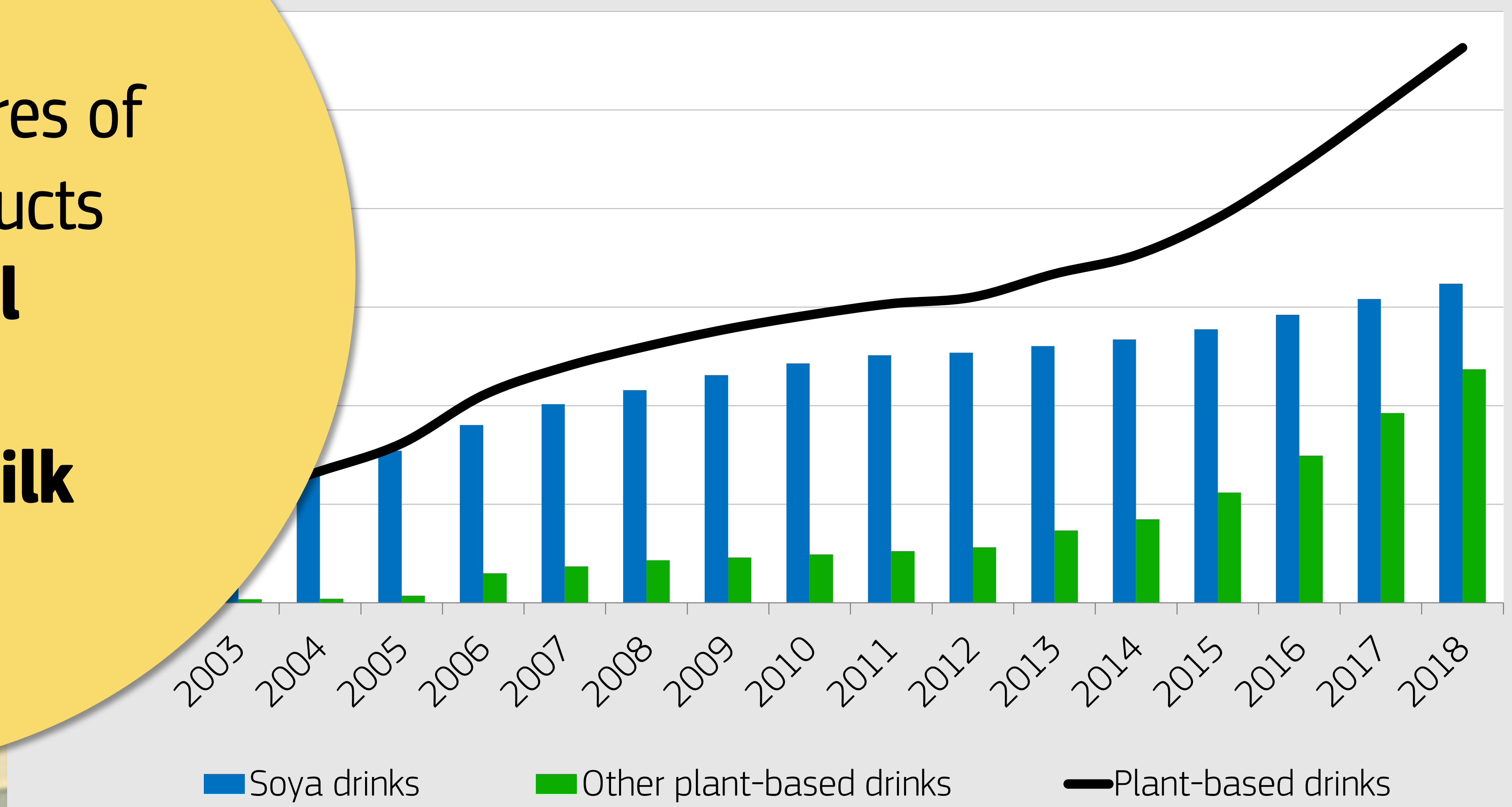
by the development of alternative products…

Nevertheless shares of alternative products remain **small**

- **4%** of cow's **milk** sales

Source: Euromonitor

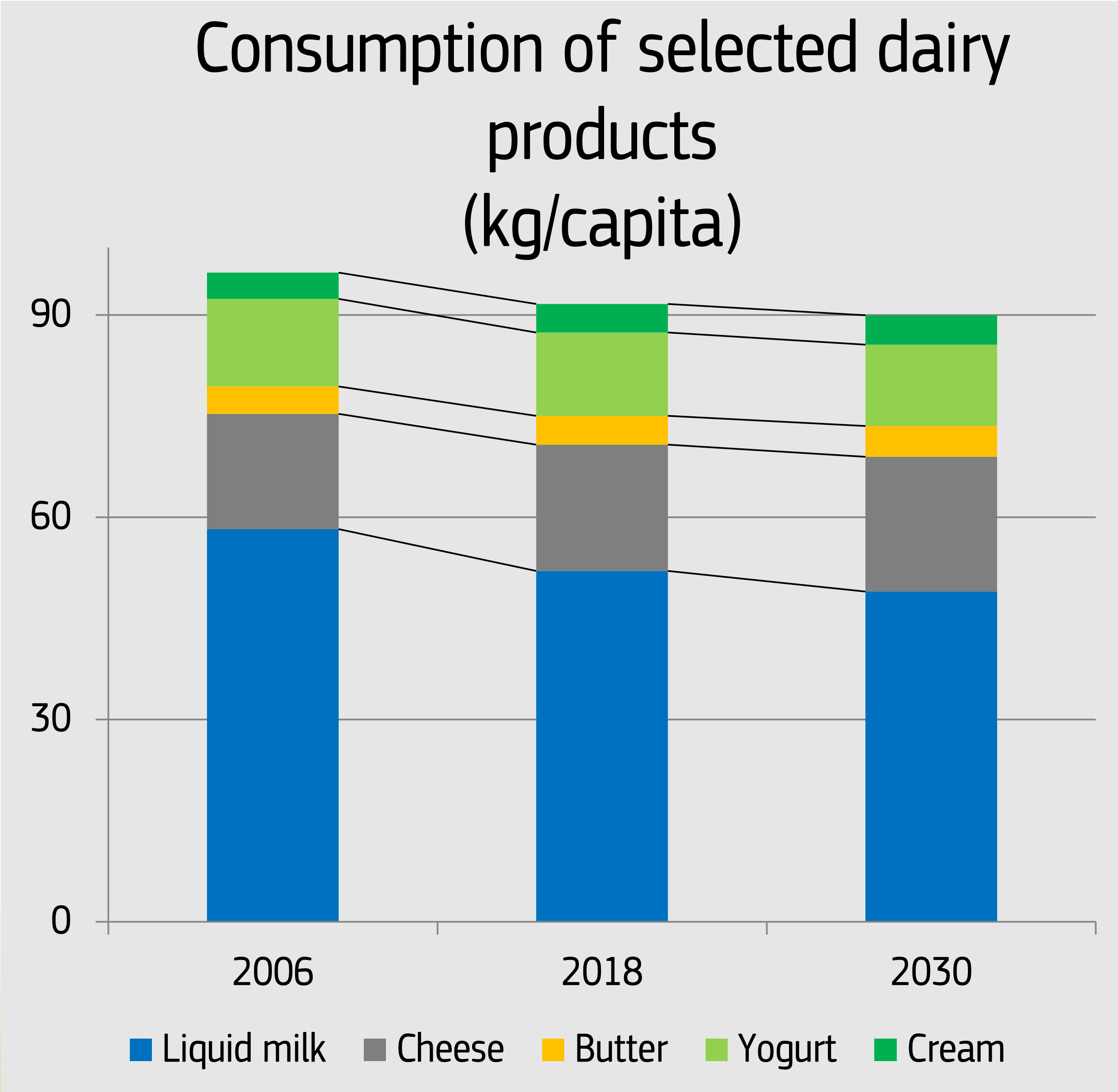
Retail and foodservice volume of plant-based
ks (million litres)

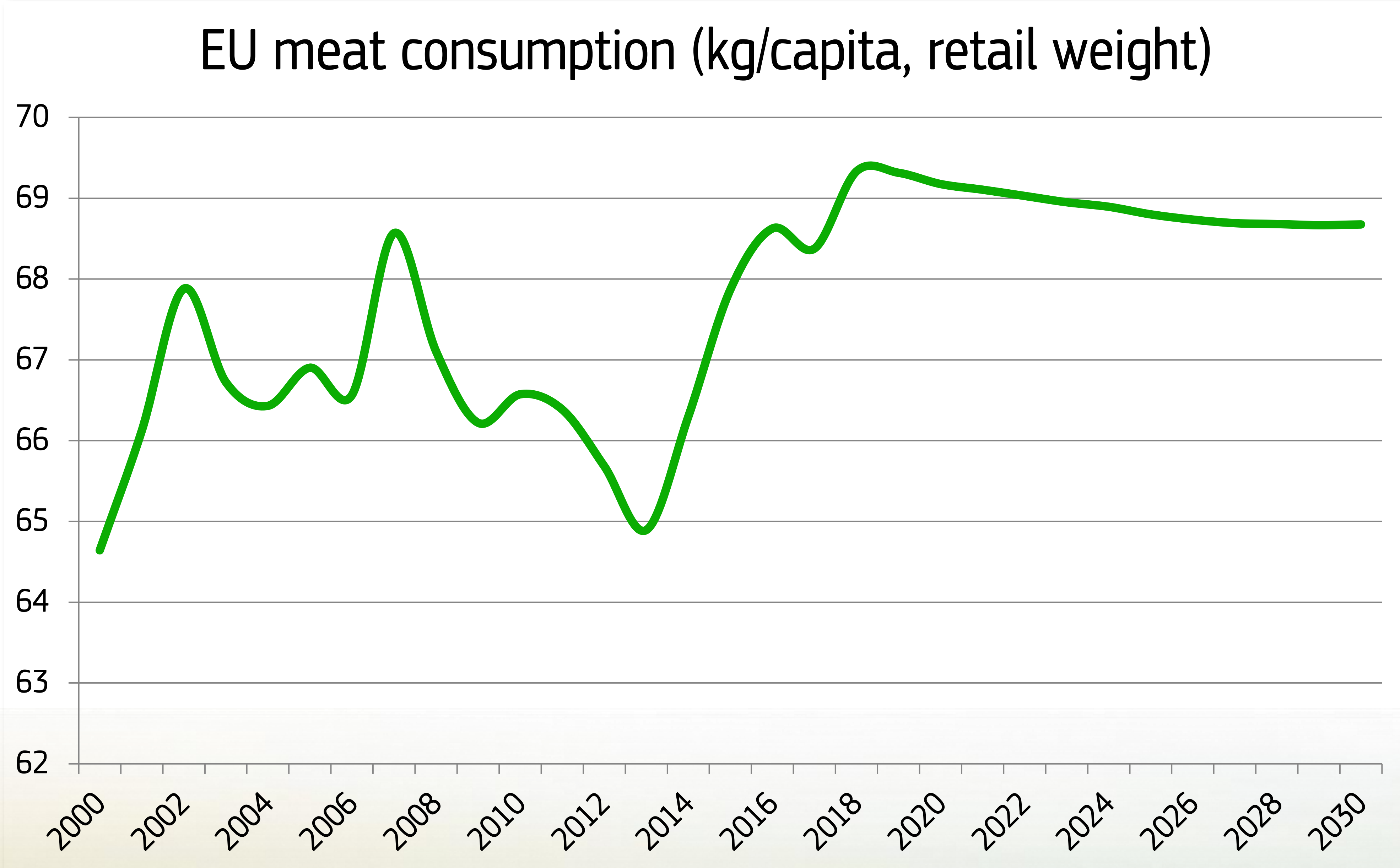


Source: DG Agriculture and Rural Development, based on Euromonitor

But actual impact on total consumption still small

...and EU domestic use remains the main driver of production growth





→ **smoothened** decline in **liquid milk** consumption

→ more milk processed into **fat-filled powders**

→ use of **cheese** remains **strong**

→ dependent on **availabilities**

→ shift towards **more processed** meat

→ **preference for quality** over quantity

d

ment

Other challenges for the livestock sector

Sustainability requirements stimulate actions

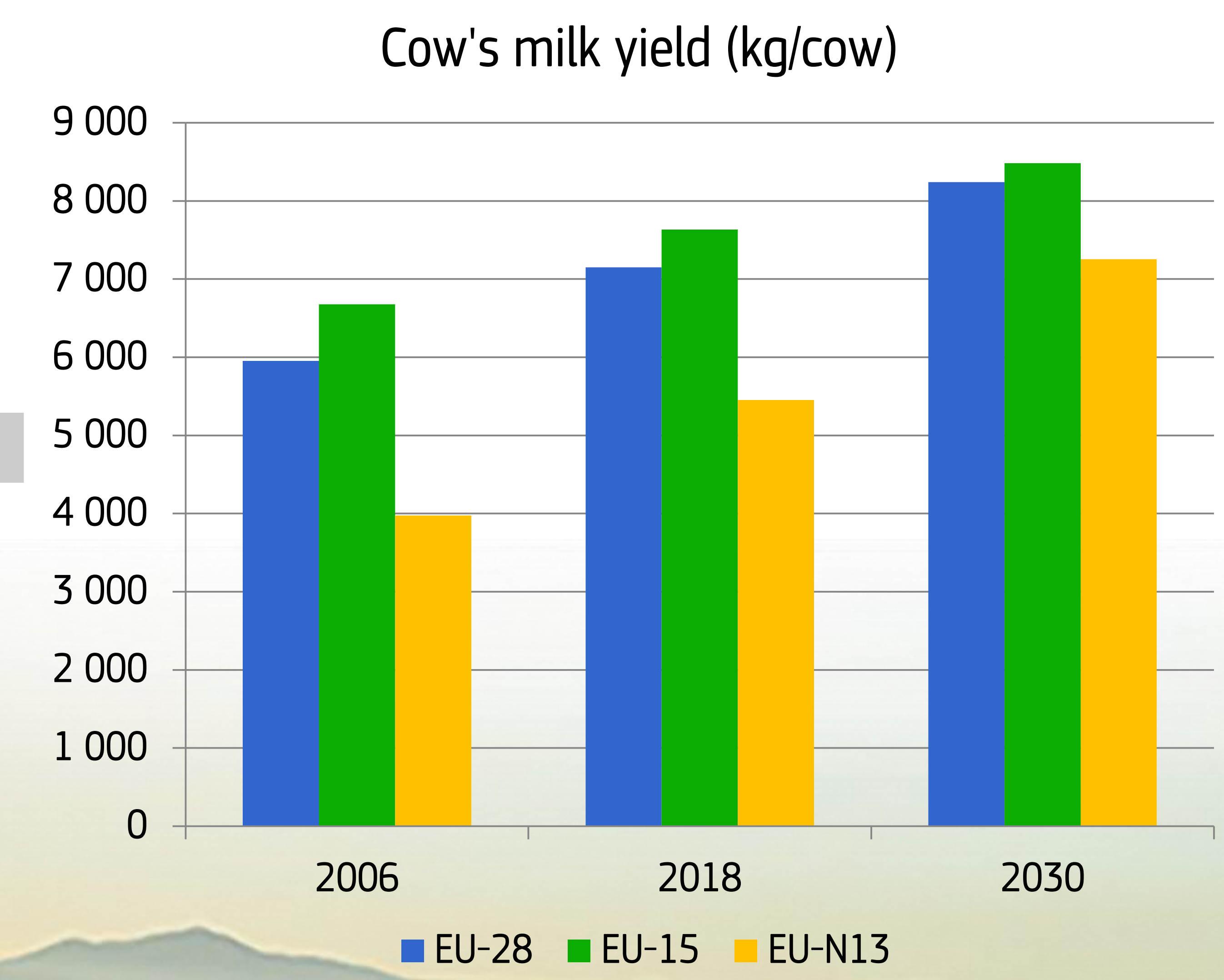
To mitigate GHG emissions

To reduce ammonia emissions

To reduce nitrogen leakage and phosphates

... and impact production (de)localisation

and stimulate efficiency increase



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Challenges can become opportunities

Focusing on differentiated products and value creation

Organic production

- **10%** of **dairy** production in 2030
- more **complex** in **meat** sector

Locally-produced

PROTECTED GEOGRAPHICAL INDICATION

PROTECTED DESIGNATION OF ORIGIN

produit de MONTAGNE

Pasture-based products

WEIDEMILCH

PRO WEIDELAND Deutsche Weidecharta

lait de Pâturage

Lait de territoires
où les vaches pâturent
en moyenne 150 jours
par an

GM-free products

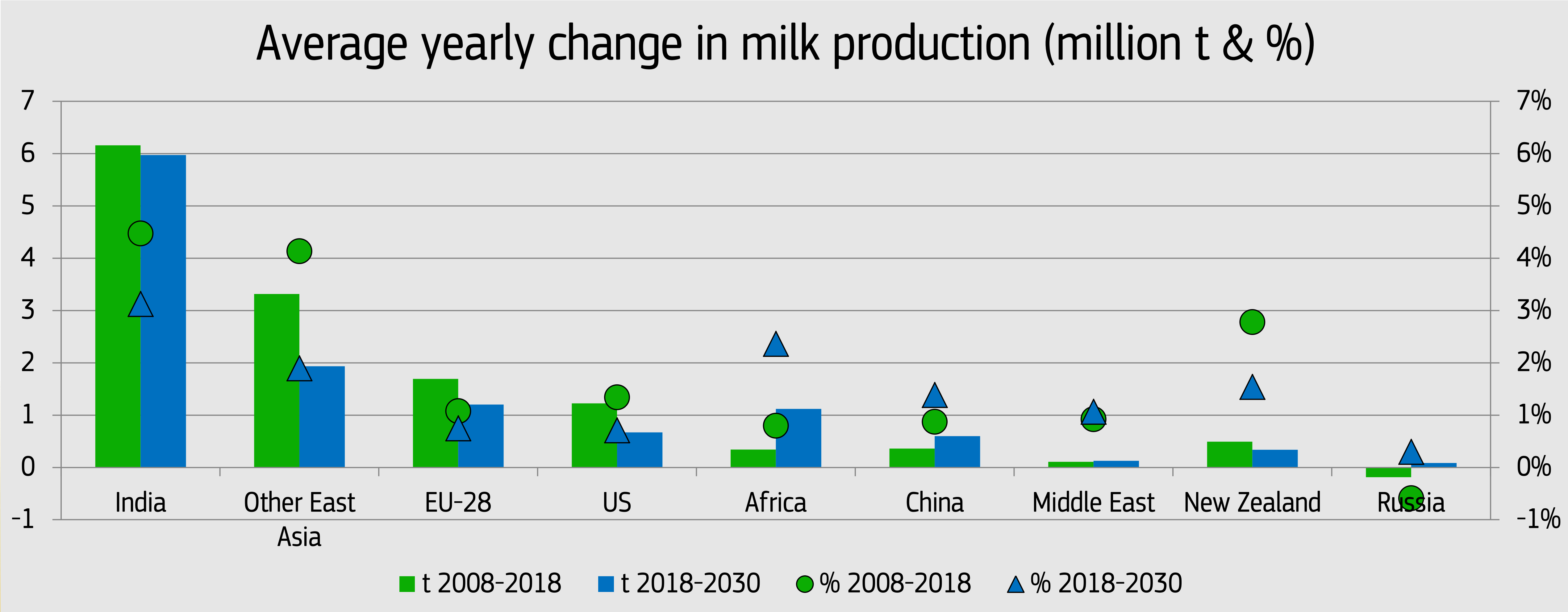
Animaux Nourris sans utilisation d'OGM*

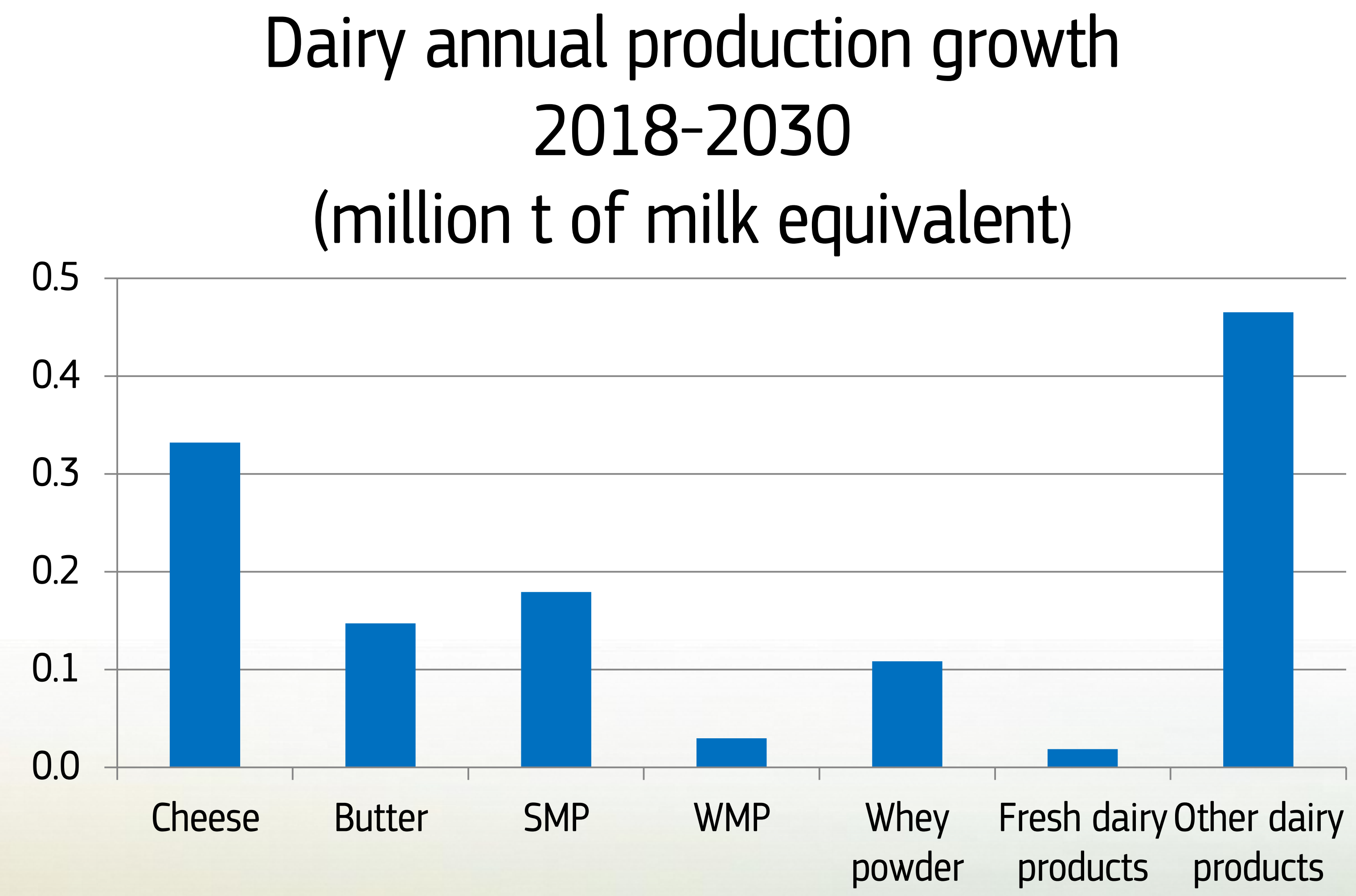
OHNE gen TECHNIK HERGESTELLT

Production driven by environmental and societal demands

More cheese and other dairy products

What about competitors?





→ modest increase in milk production

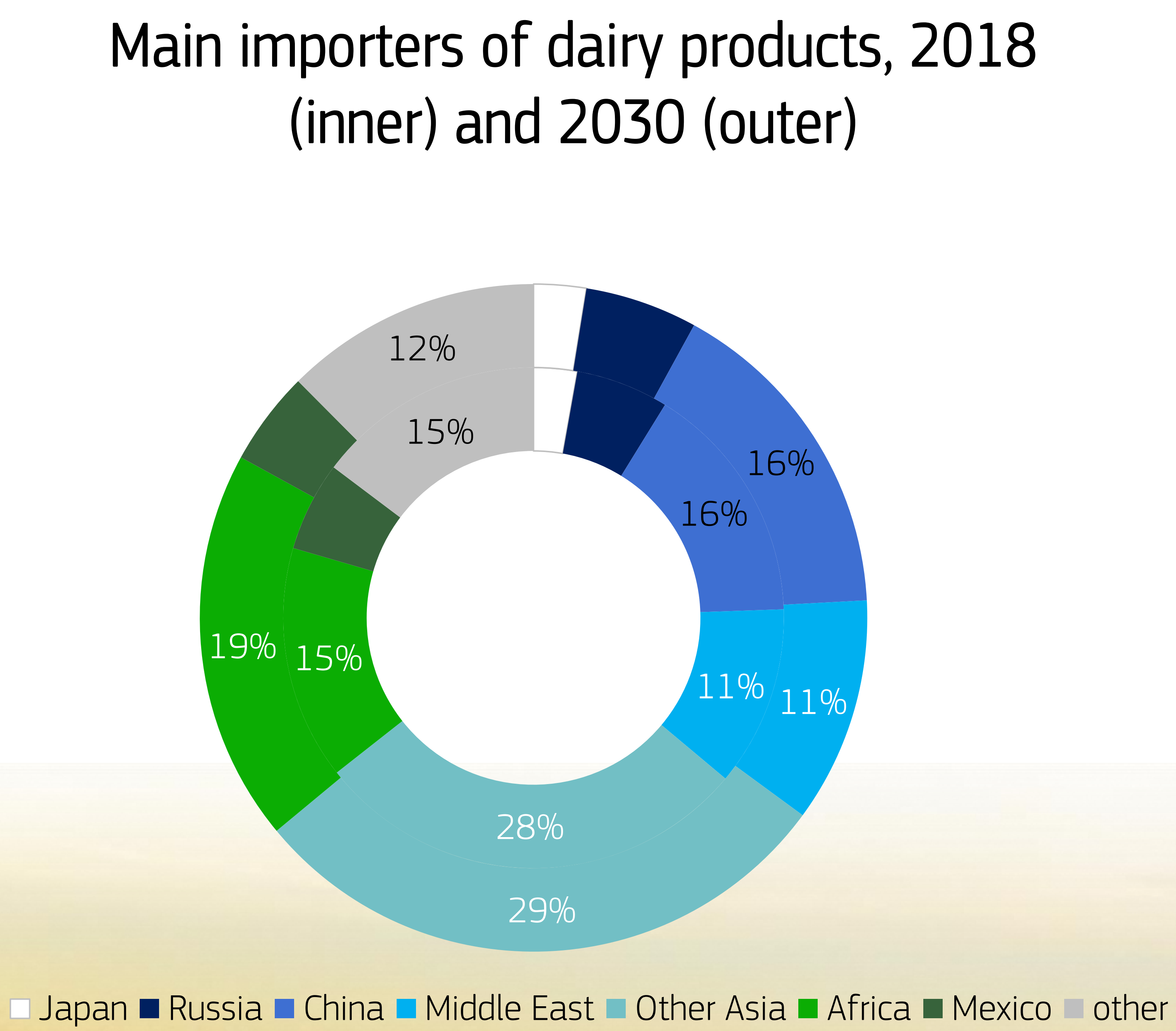
+ 16 Mt to 182 million t

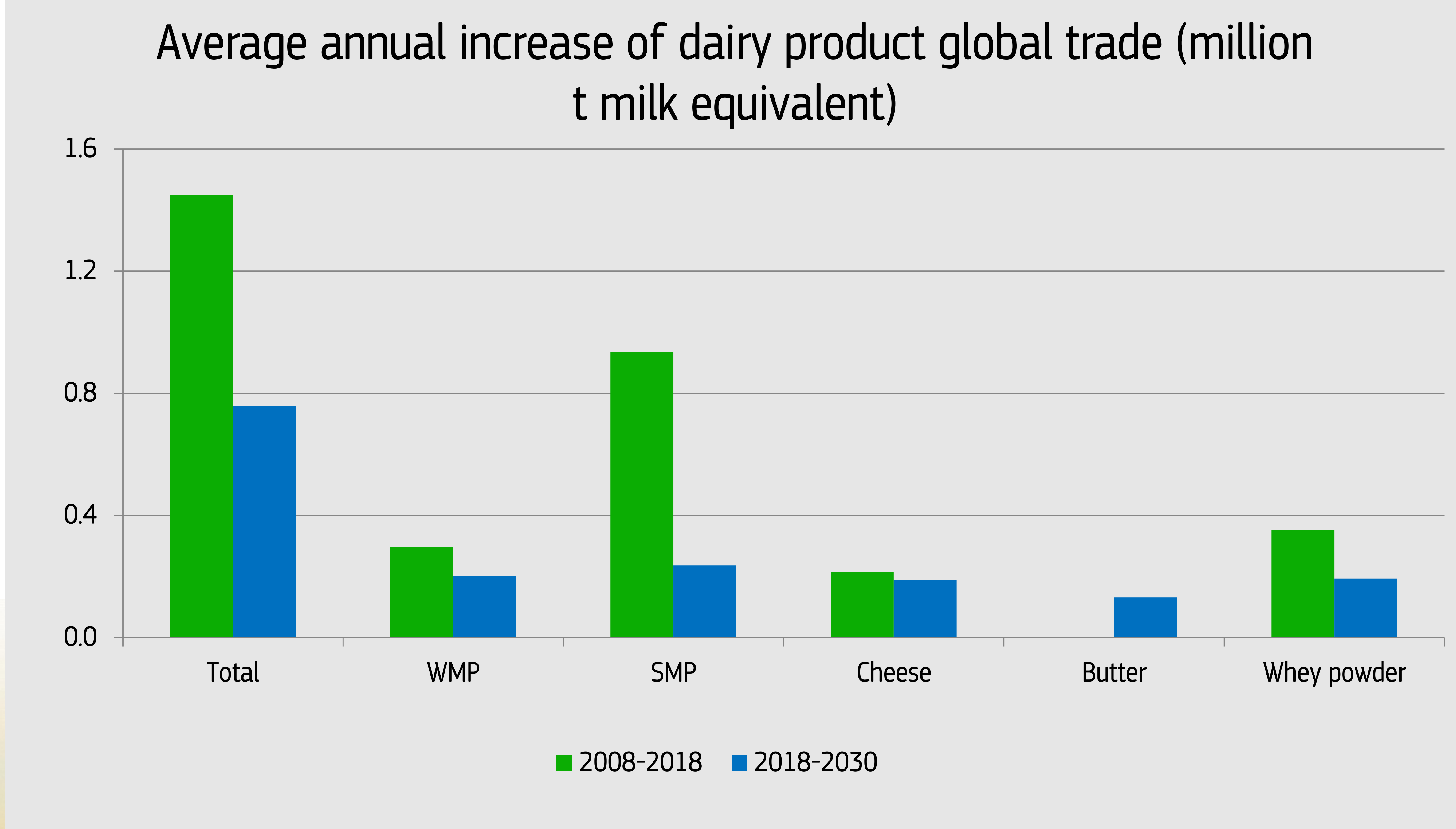
in 12 years

and
lopment

EU leading position on global dairy market

Global import demand driven by population and income growth in developing countries





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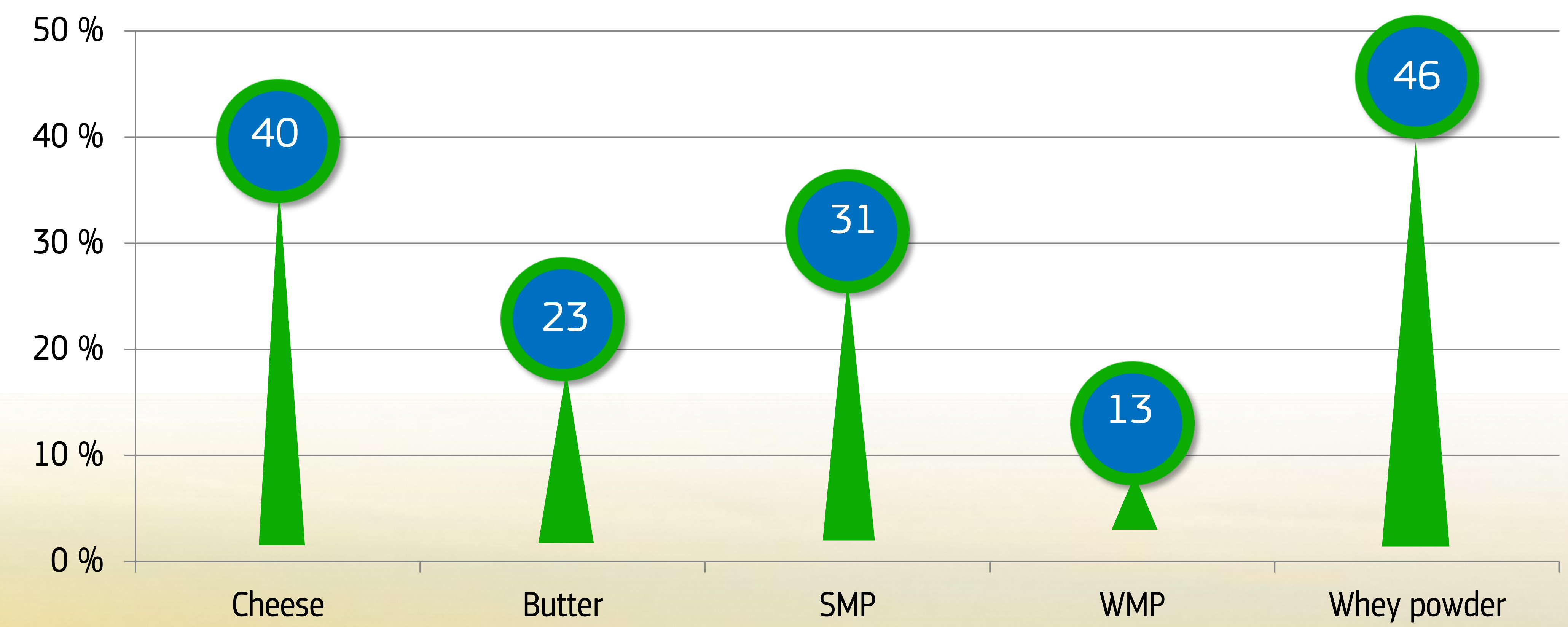
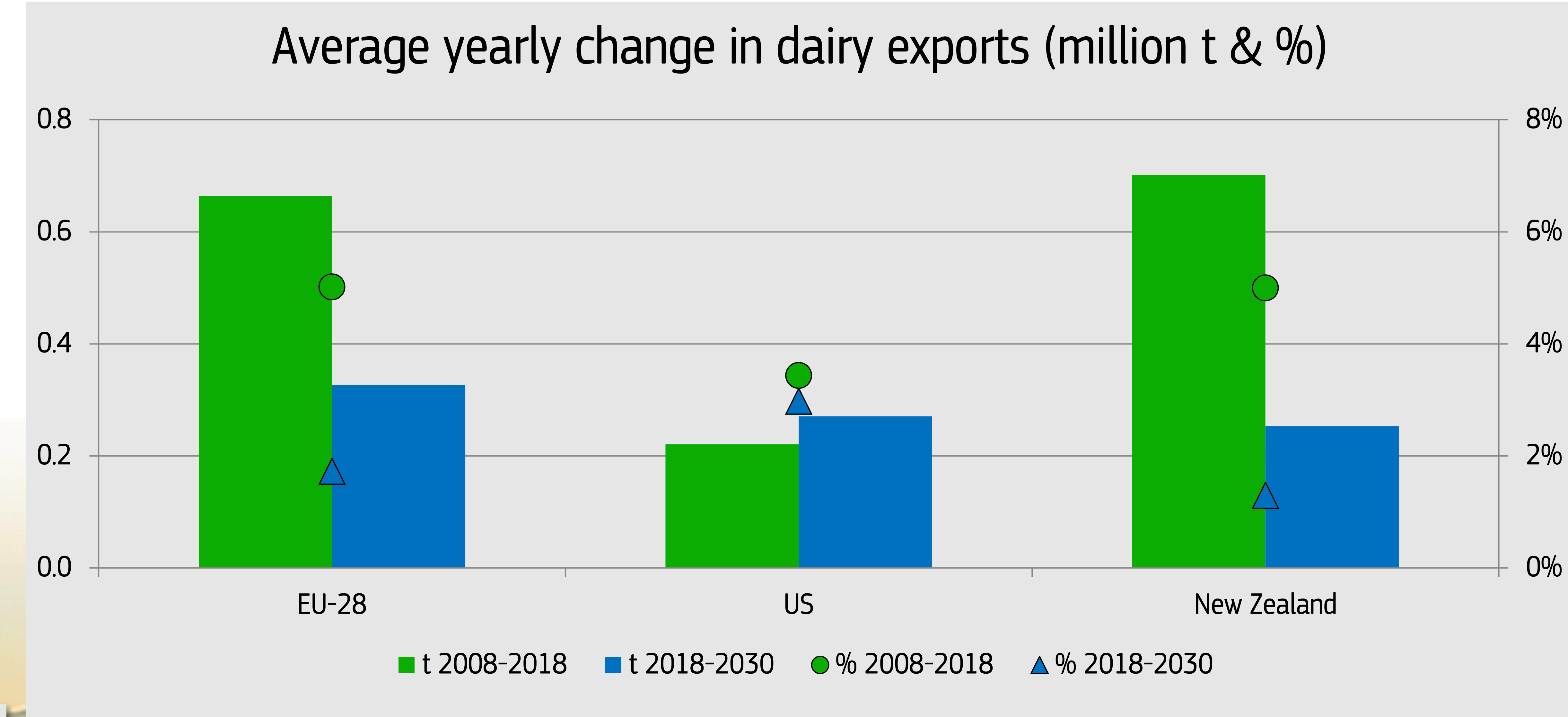
EU remains well-positioned on the market

Global demand expected to grow for high value-added products

What about competitors?

Share of EU on world exports in 2030 (%)





- The **EU** to remain one of the largest global dairy exporter
- **30%** shares of both the **EU** and **New Zealand** in 2030
- 15% share of the **US** in 2030 in global exports

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