

MMO Economic Board

Meeting of 28 March 2023

- o The 45th meeting of the MMO Economic Board took place on 28/03/2023 by video-conference, with the participation of experts from the milk supply chain: COPA-COGECA (producers and cooperatives), ECVC (Via Campesina), EDA (dairy industry), Eucolait (dairy trade) and Eurocommerce (retail). Presentations and information exchanged during the meeting highlighted the following:
 - o EU cow's milk collection continues to increase. In January 2023, production was 1% higher than a year ago (5th month in a row). 11 MS reported increased milk deliveries, including DE (+3.6%), NL (+4.7%), BE (+4.7%) and PL (+1.6%). Milk collection is declining in FR (-1.4%), IT (-3%), ES (-1.4%) and IE (-2.4%).
 - o In January 2023, EU WMP and condensed milk production decreased by -8.4% and -4.7% respectively. Production increased for other dairy products: SMP (+6%), butter (+6.4%), cheese (+0.9%), fermented milk (+1.1%), cream (+3.1%) and drinking milk (+0.8%).
 - o After reaching record levels in Dec. 2022, a correction of EU average farm gate milk prices is taking place. In January 2023, EU average raw milk prices decreased by 3.5% (compared to Dec 2022) to 56.3 c/kg, still well above recent years' levels (+35% compared to Jan 2022, +57% above 5-year avg). MS' estimates for February 2023 point to a further decrease to 54.7 c/kg. Raw milk prices in all MS were higher than a year ago, except for MT. Milk prices decreased in January in 21 MS with the highest drops reported in PL (-13.1%), LT (-12.9%) and LV (-11.3%) but further increased in HU (+3.6%), EL (+1.5%) and CY (+1.1%).
 - o 3.7% raw milk collected in January was organic (based on notifications from 22 MS). The price premium significantly dropped in 2H2022 (price difference of 3.8c/kg in January). In three MS (SK, CZ, RO), raw organic milk prices were lower than for conventional milk. Some 81% of total EU organic raw milk is produced in 4 MS (DE, FR, DK, AT).
 - o Feed costs (based on a mix of cereals, rapeseed meal and soybean meal) have softened in the last 4 months but still remain at high levels (some 75% higher than in 2020 and previous years).
 - o EU average dairy prices have declined but are still at high levels looking at a long perspective. EU SMP prices decreased by 12.2% since the beginning of the year and are now 34.7% lower than a year ago. Butter prices decreased by 12% and are now -21.5% lower than a year ago. WMP prices decreased by 13.5% since the beginning of 2023 and are -27.2% lower than in March 2022. EU whey powder prices decreased by 13.9% since the beginning of 2023 and are now 42.7% lower than a year ago. Cheese prices have declined as well but are still higher than a year ago, except for edam (-0.7%). The EU is the least price competitive exporter of SMP and cheddar compared to Oceania and the US. Oceania is the most price competitive for butter and WMP and the US for SMP and cheddar.
 - o The assessment of EU stock levels based on a residual approach (EU production + EU imports – EU internal consumption – EU exports) shows that SMP stocks are higher than a year ago but still considered at a normal level (some 120 000 t due to higher production). Butter stocks were very low in Q1 2022, declined after summer, and stabilized at the level of 150 000 t. Since summer 2022, cheese stocks have declined by 50 000 t to a low level (around 250 000 t) but the availability of certain cheeses increased due to slower demand. Domestic demand for cheese is still healthy but consumers are buying cheaper types.
 - o Milk collection in the main exporting countries/regions (AU, EU, USA, UK, NZ, AR, UY) globally decreased by -0.5% in 2022 due to lower milk collection in 1H2022. Production has been ramping up since September 2022, especially in the EU and US.
 - o Global dairy exports (in milk equivalent) declined by 2.2% last year, mainly due to a significant drop in Chinese WMP imports. Dairy demand in other key markets (SEA, MENA, the Americas) was strong. China, Mexico, Indonesia, Algeria and the Philippines were the top-5 import markets last year. Overall EU exports remain weak but SMP and butter are performing well. The UK, China, the US, Indonesia and Algeria were the top-5 EU export destinations in 2022 (40% share).
 - o On the retail side, consumer confidence is rather stable, but food inflation is impacting on demand for dairy products. Consumers are generally buying products on special offer, moving to cheaper options and private labels, and are less interested in organic products.
- The Commission presented the latest data on net income for specialised milk farms in 2022, showing a notable increase compared to previous years. A downward trend is observed for some key input prices: energy, gas, fertilizers and feed. Assuming normal weather conditions, EU milk production could slightly decline in 2023, with a declining dairy herd outpacing the growth in milk yields. EU exports may improve in 2023, with the recovery of Chinese demand.
- o The macroeconomic outlook has improved, but the market is nervous, looking for a direction that is hard to find. Dairy markets have stabilised in February-March in a fragile balance which could hold if milk production growth remains modest and demand resilient.

ANNEX 1

Milk Market Situation

European Commission

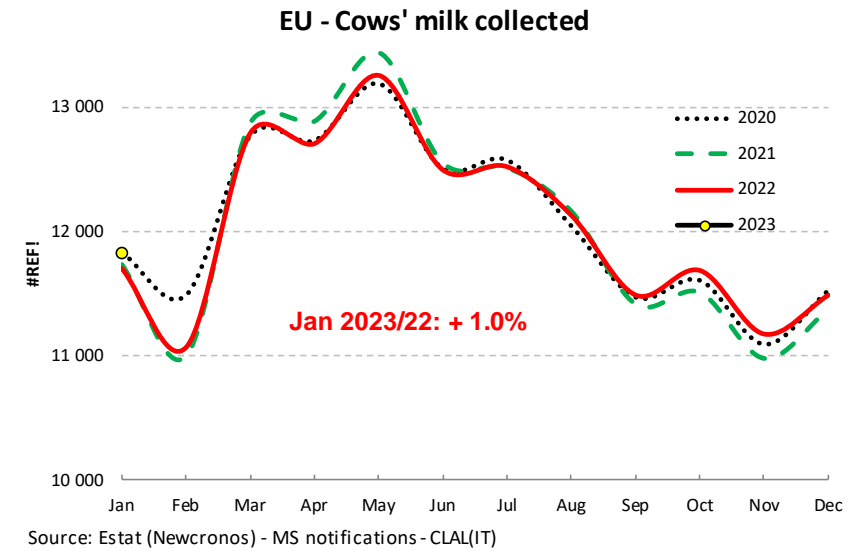
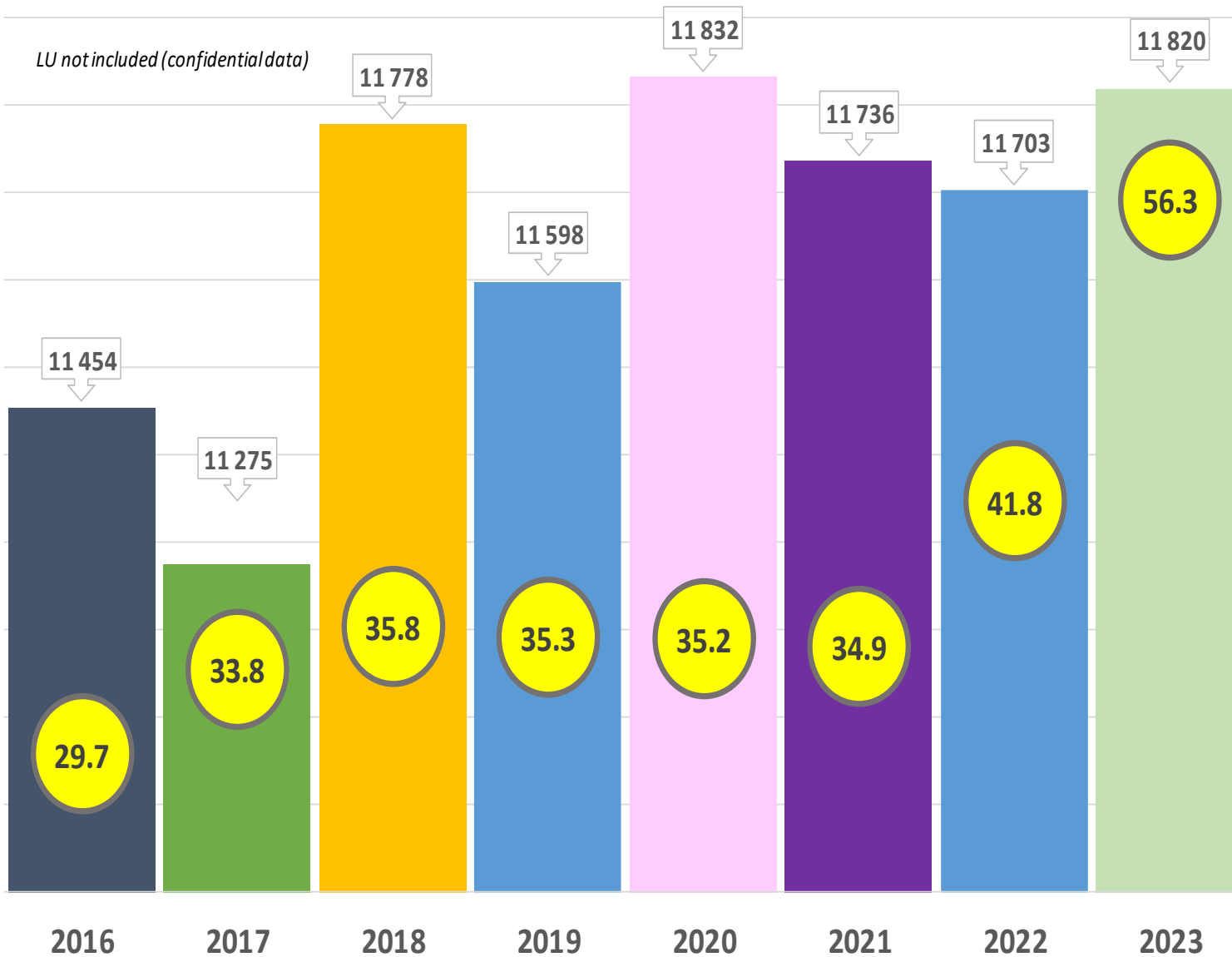


Milk Market Situation

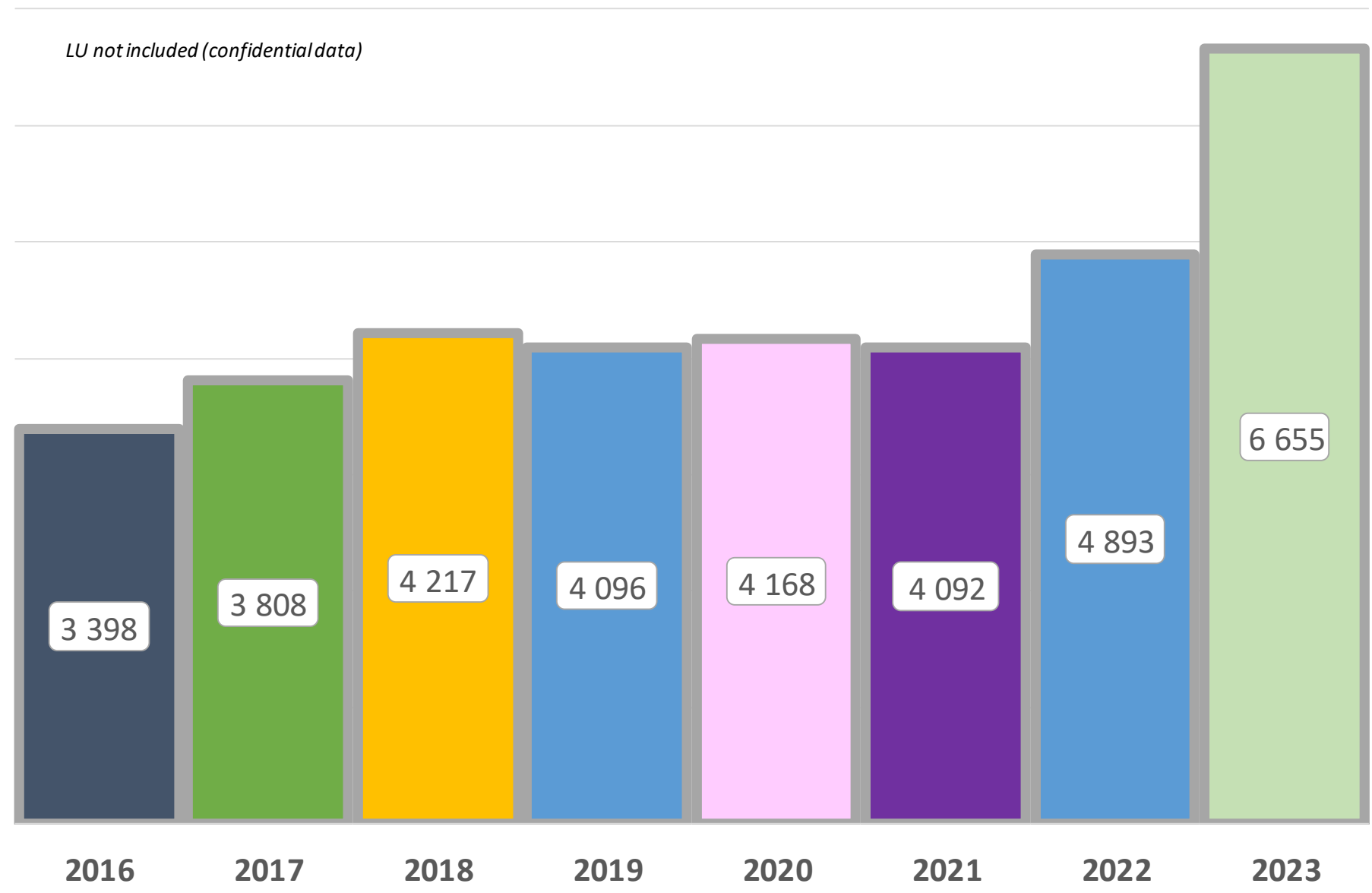
MMO meeting

Brussels, 28 March 2023

EU-27 milk deliveries and price Jan 2016-23 (x1000 t, c/kg)

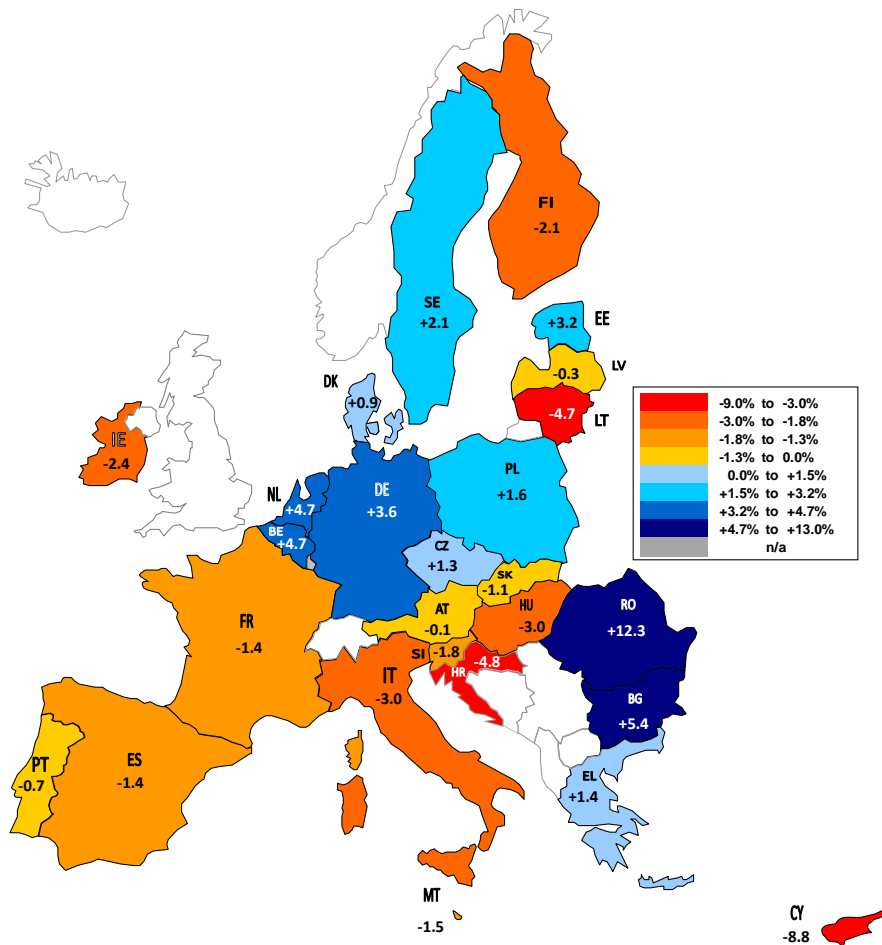


EU-27 value milk production Jan 2016-23 (x million €)



EU Milk Deliveries compared to last period (in %)

(Jan 2023 / Jan 2022)



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

The designations employed and the presentation of material on the map do not imply the expression of any opinion whatsoever on the part of the European Union concerning the legal status of any country, territory or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Jan 23 compared to Jan 22				
Rank	evolution in %		evolution in 1000 Tons	
	MS	%	MS	Tons
1.	RO	+ 12.3%	DE	+ 97
2.	BG	+ 5.4%	NL	+ 54
3.	BE	+ 4.7%	BE	+ 18
4.	NL	+ 4.7%	PL	+ 18
5.	DE	+ 3.6%	RO	+ 10
6.	EE	+ 3.2%	SE	+ 5
7.	SE	+ 2.1%	DK	+ 4
8.	PL	+ 1.6%	CZ	+ 3
9.	EL	+ 1.4%	BG	+ 3
10.	CZ	+ 1.3%	EE	+ 2
11.	DK	+ 0.9%	EL	+ 1
12.	AT	- 0.1%	MT	- 0
13.	LV	- 0.3%	AT	- 0
14.	PT	- 0.7%	LV	- 0
15.	SK	- 1.1%	SK	- 1
16.	FR	- 1.4%	SI	- 1
17.	ES	- 1.4%	PT	- 1
18.	MT	- 1.5%	HR	- 2
19.	SI	- 1.8%	CY	- 2
20.	FI	- 2.1%	FI	- 4
21.	IE	- 2.4%	HU	- 4
22.	HU	- 3.0%	IE	- 5
23.	IT	- 3.0%	LT	- 5
24.	LT	- 4.7%	ES	- 9
25.	HR	- 4.8%	FR	- 30
26.	CY	- 8.8%	IT	- 34
EU		+ 1.0%	EU	+ 117

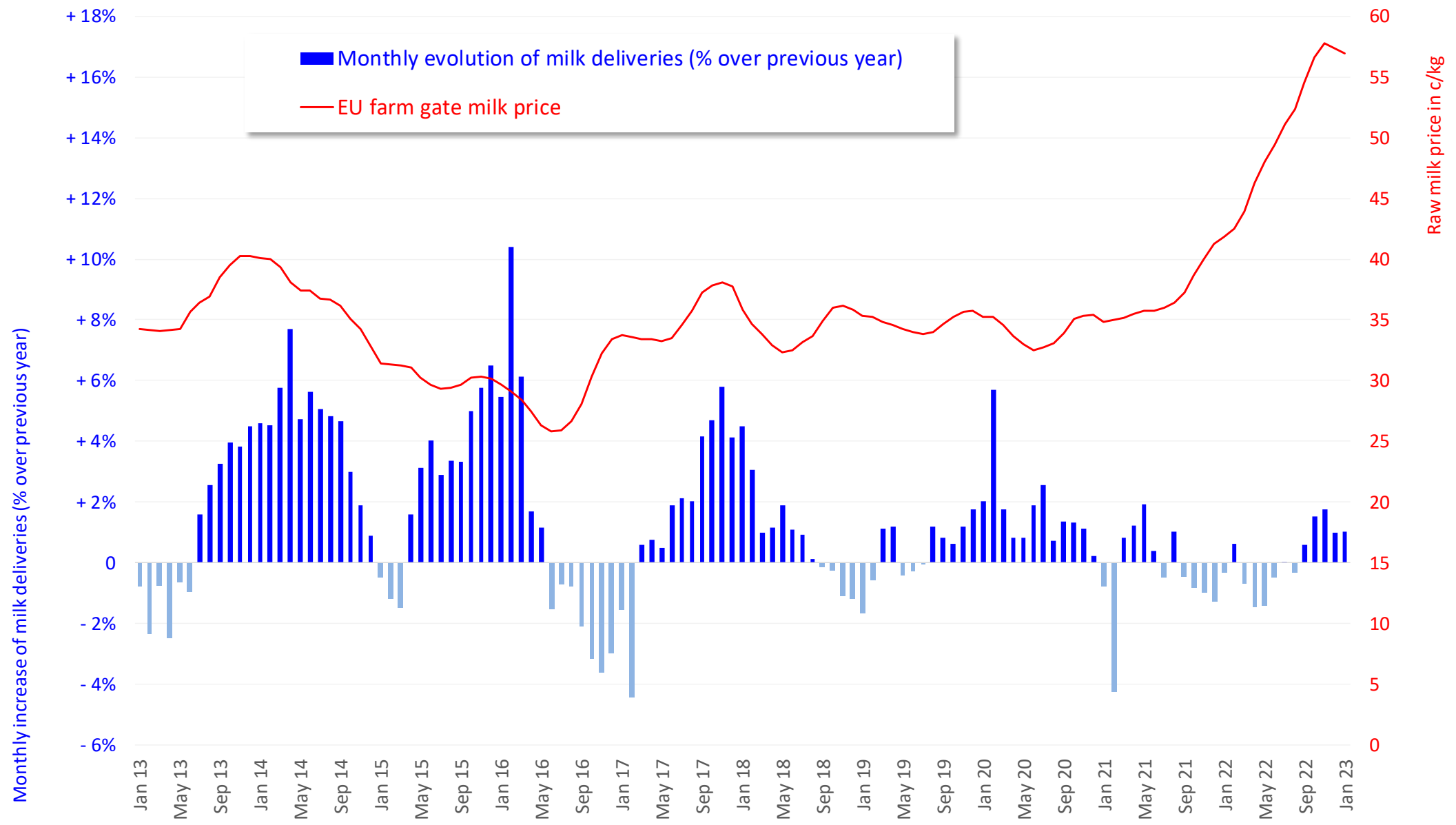
°: estimates

rem: LU not included (confidential data)

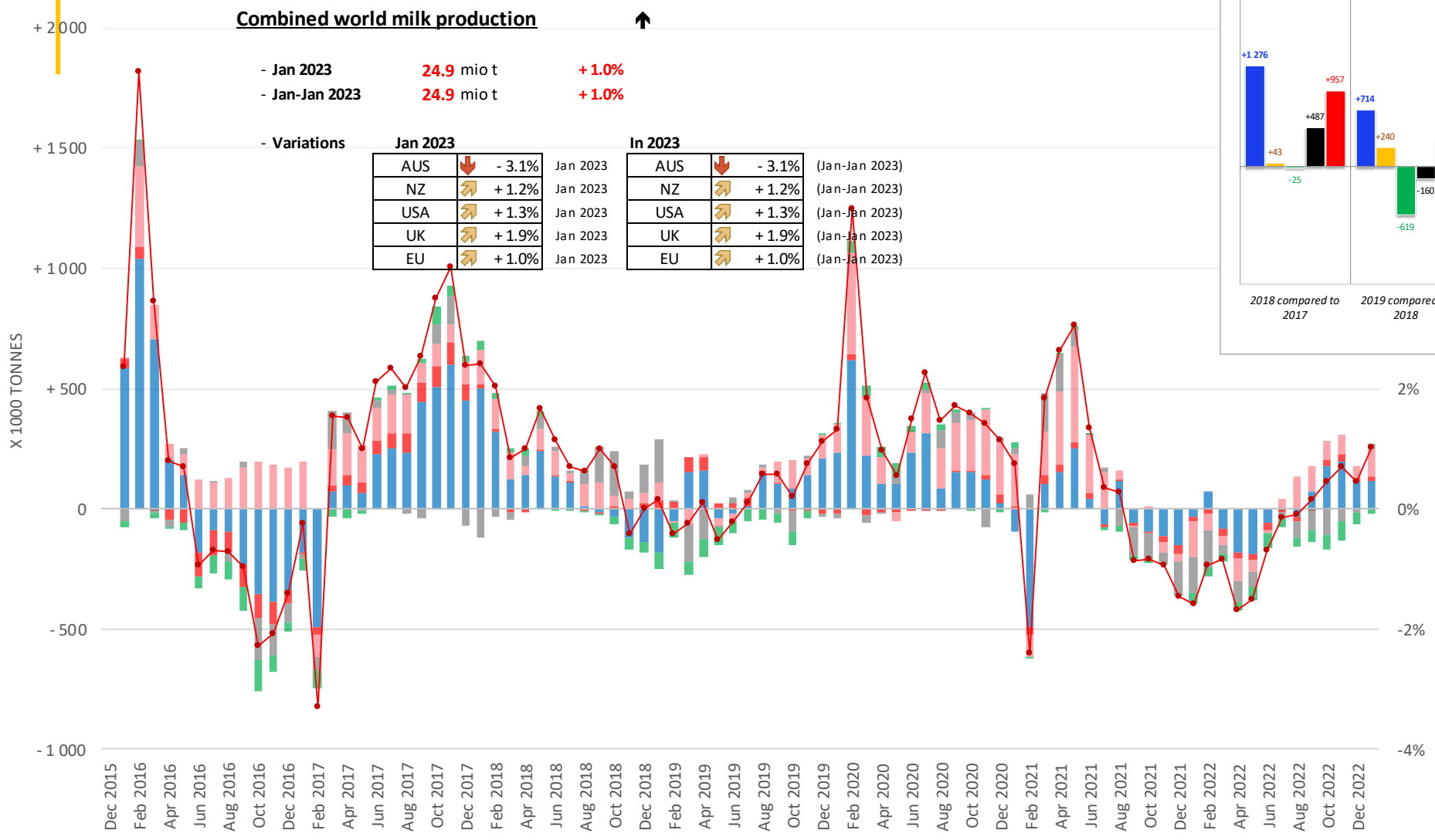
EU milk deliveries in 2022

Jan	- 0.3%
Feb	+ 0.6%
Mar	- 0.7%
Apr	- 1.5%
May	- 1.4%
Jun	- 0.5%
Jul	+ 0.1%
Aug	- 0.3%
Sep	+ 0.6%
Oct	+ 1.5%
Nov	+ 1.7%
Dec	+ 0.8%

Increased production since Sept

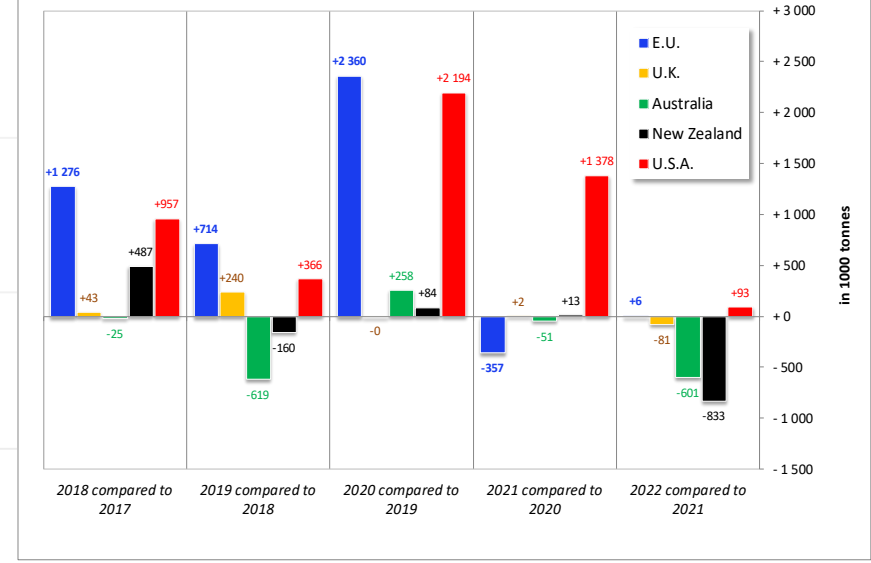


EU*+UK+US+NZ+AUS COMBINED MILK PRODUCTION GROWTH



Evolution of Raw Milk Production

(E.U., U.K., New Zealand, Australia, U.S.A.)



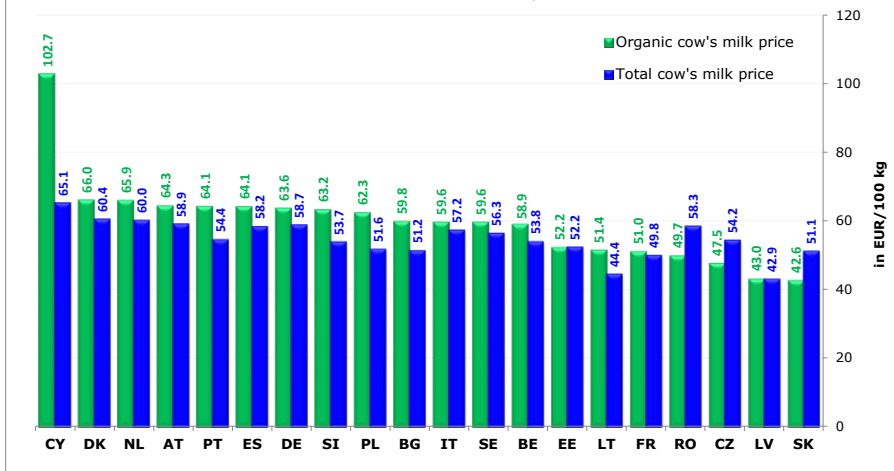
* not including LU (confidential data)

EU organic raw milk production & prices

EU Organic cow's milk prices

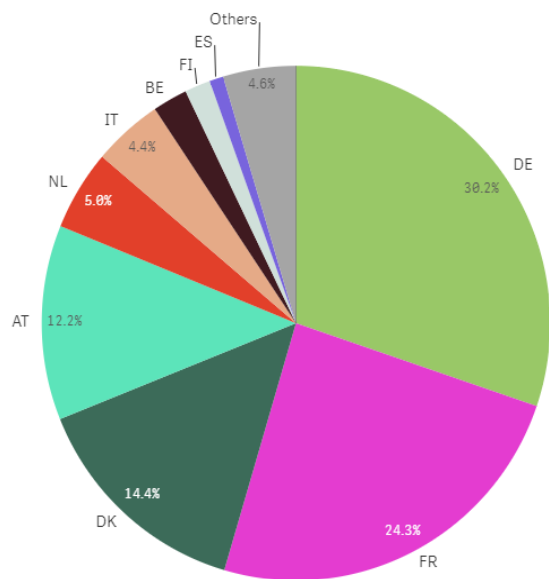
January 2023

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



Organic cow's milk deliveries

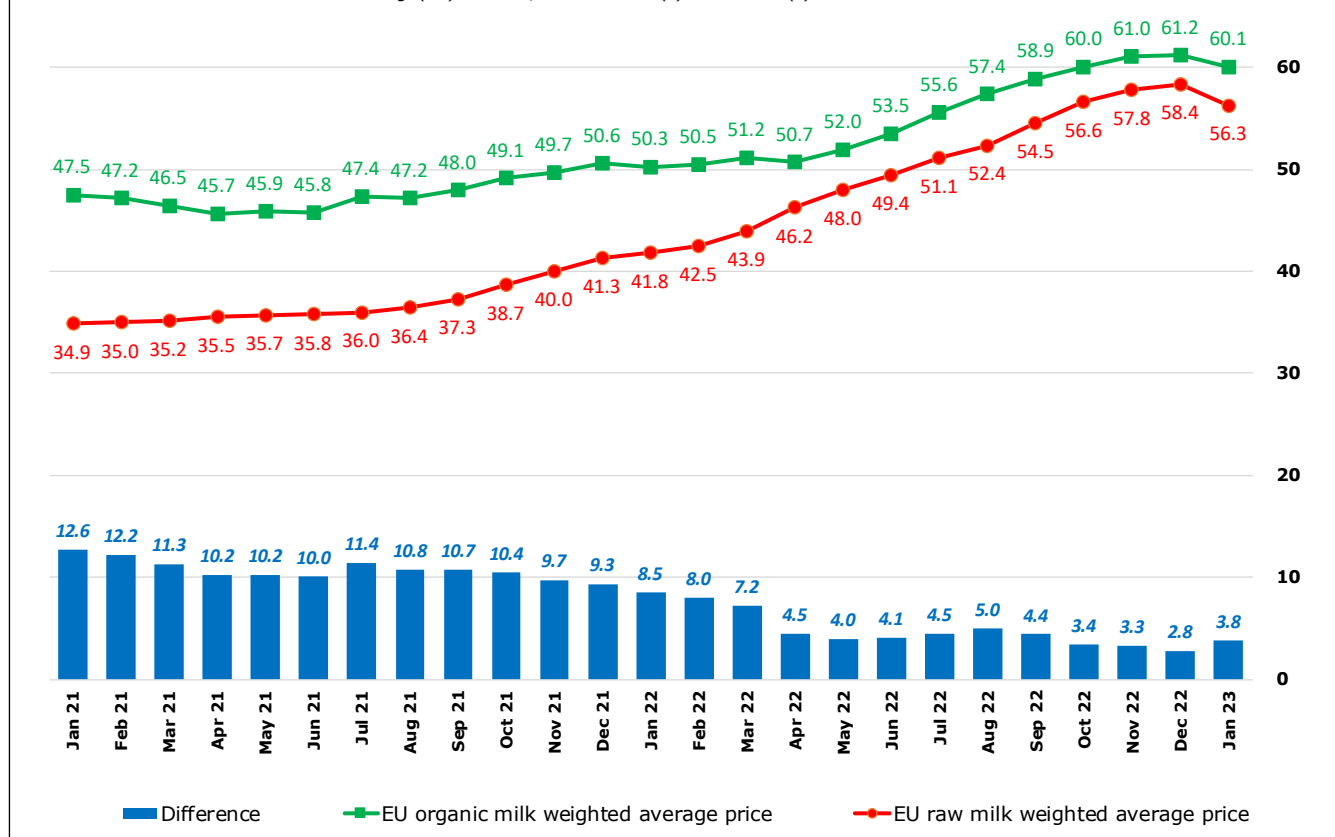
For years: 2023 > Months: 01 > All Member States > Organic raw cow's milk delivered to dairies > Thousand tonnes



EU raw milk and organic milk prices

EUR/100 kg

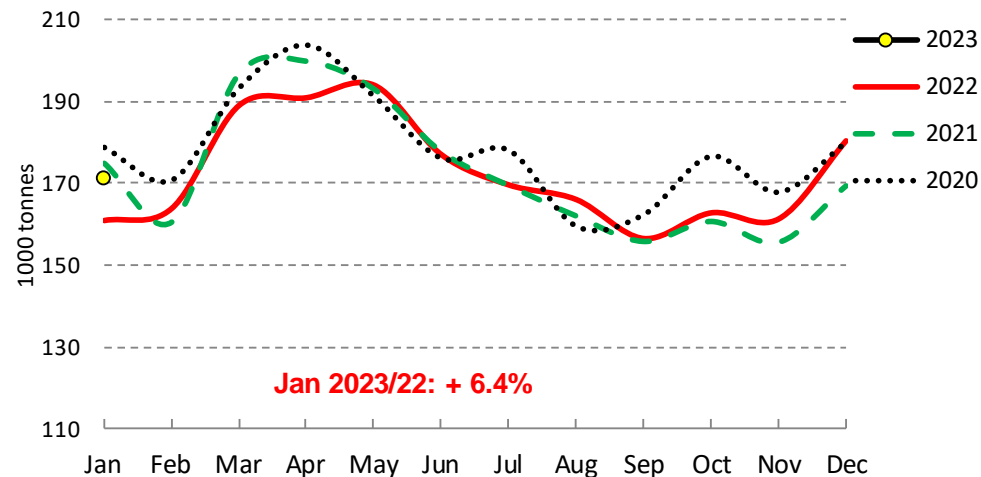
Source : MS' communications under Reg. (EU) No 2017/1185 Article 12(a) - Annex II.4(a)



January 2023:

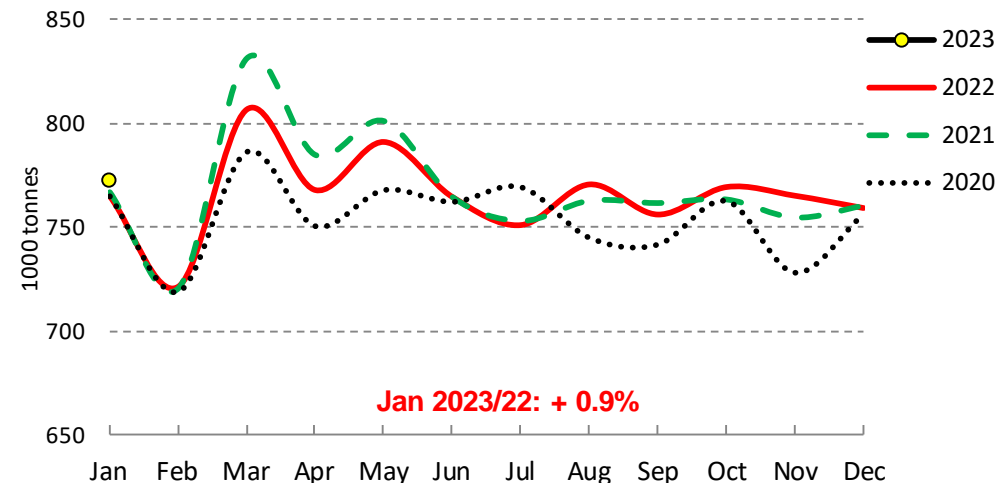
3.7% of total raw milk collected was organic (based on notifications from 22 MS, excluding SE)

EU - Total Butter



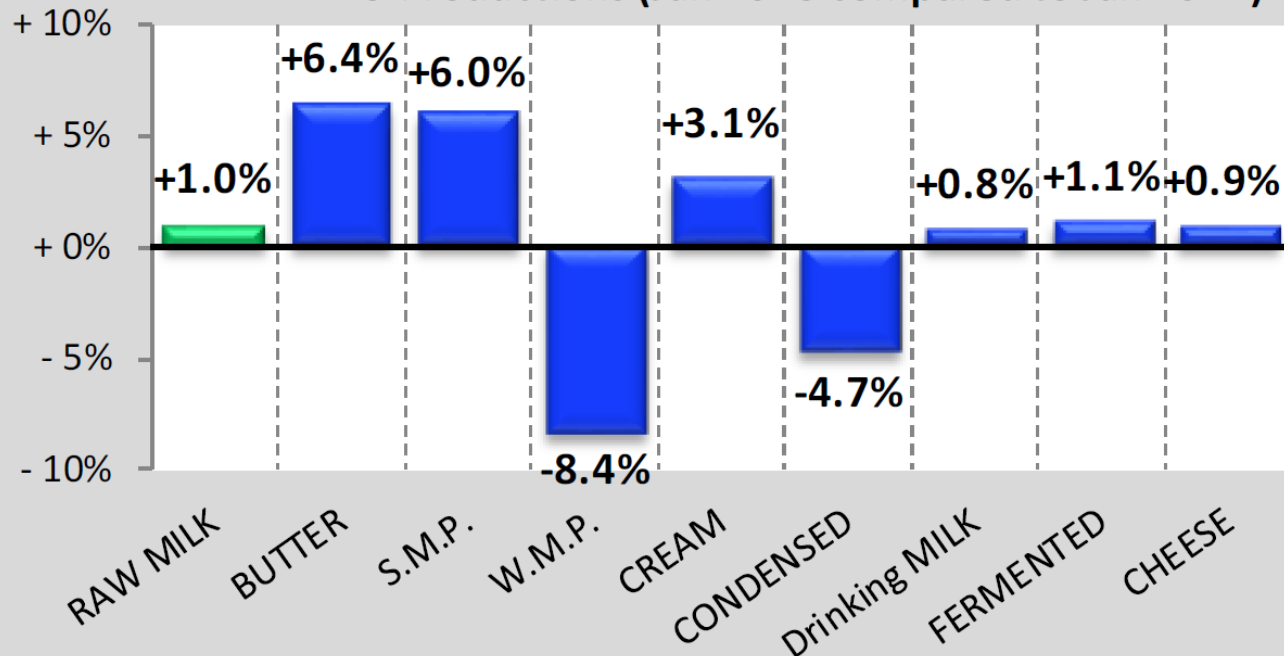
Source : Estat - Newcronos

EU - Cheese

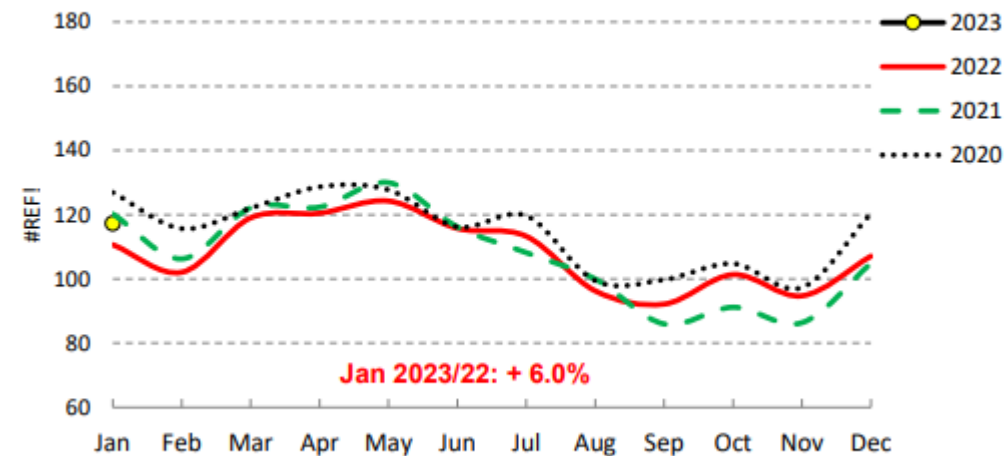


Source : Estat - Newcronos

EU Productions (Jan 2023 compared to Jan 2022)



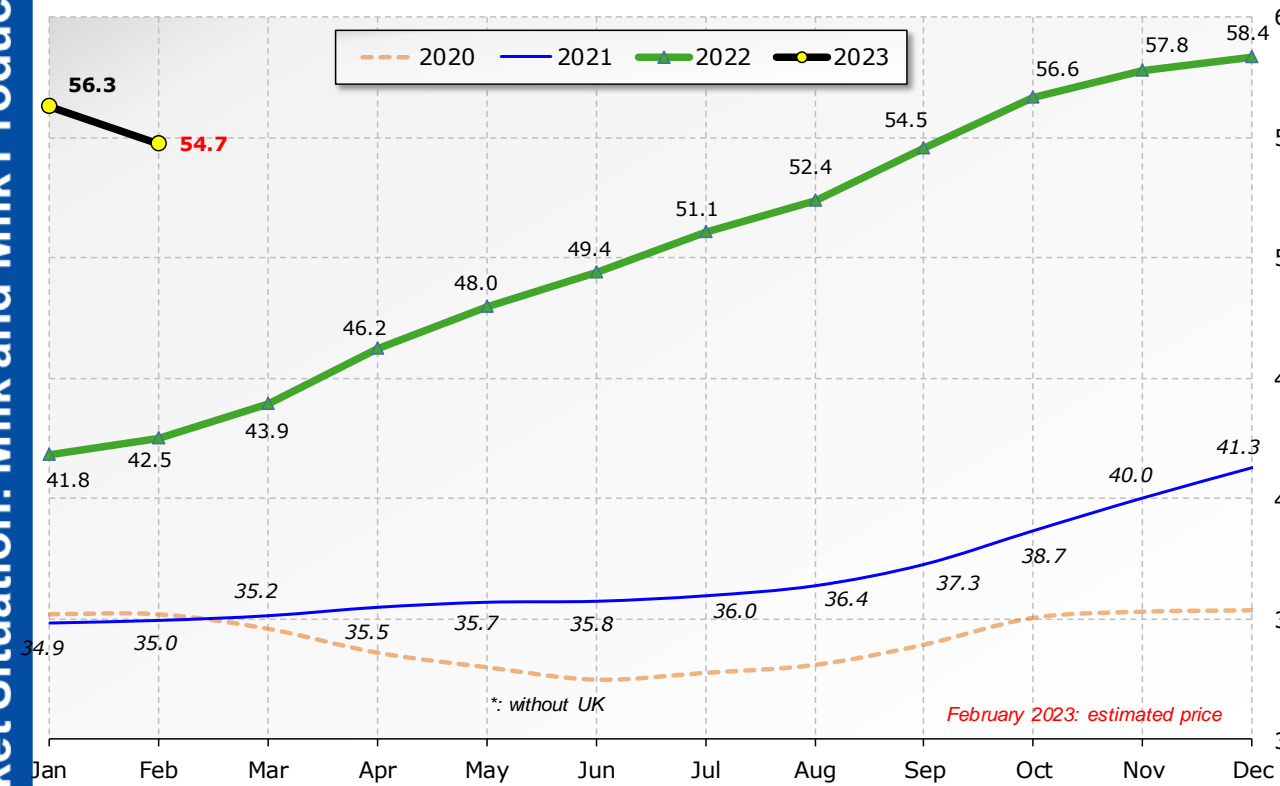
EU - Skimmed-milk powder



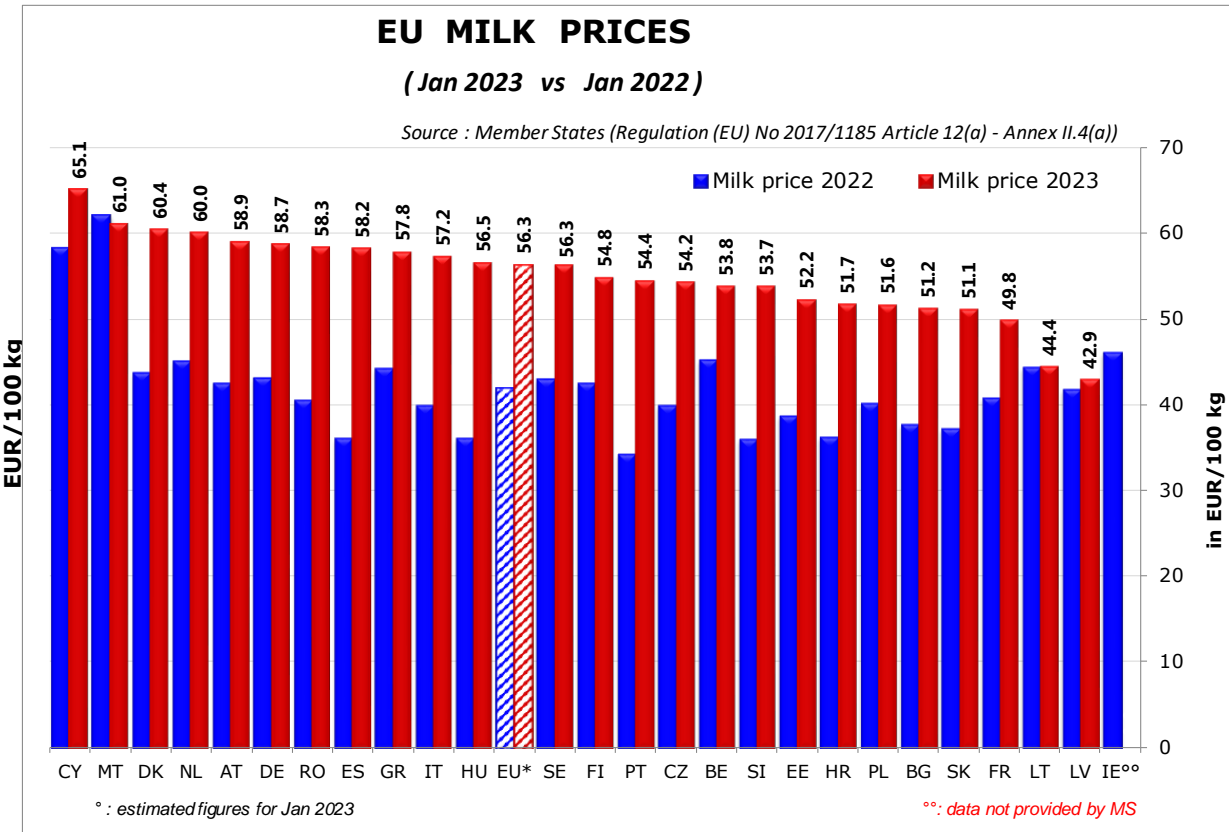
Source : Estat - Newcronos

EU milk prices paid to the producers

MARKET ORIENTATION: MILK AND MILK PRODUCTS



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

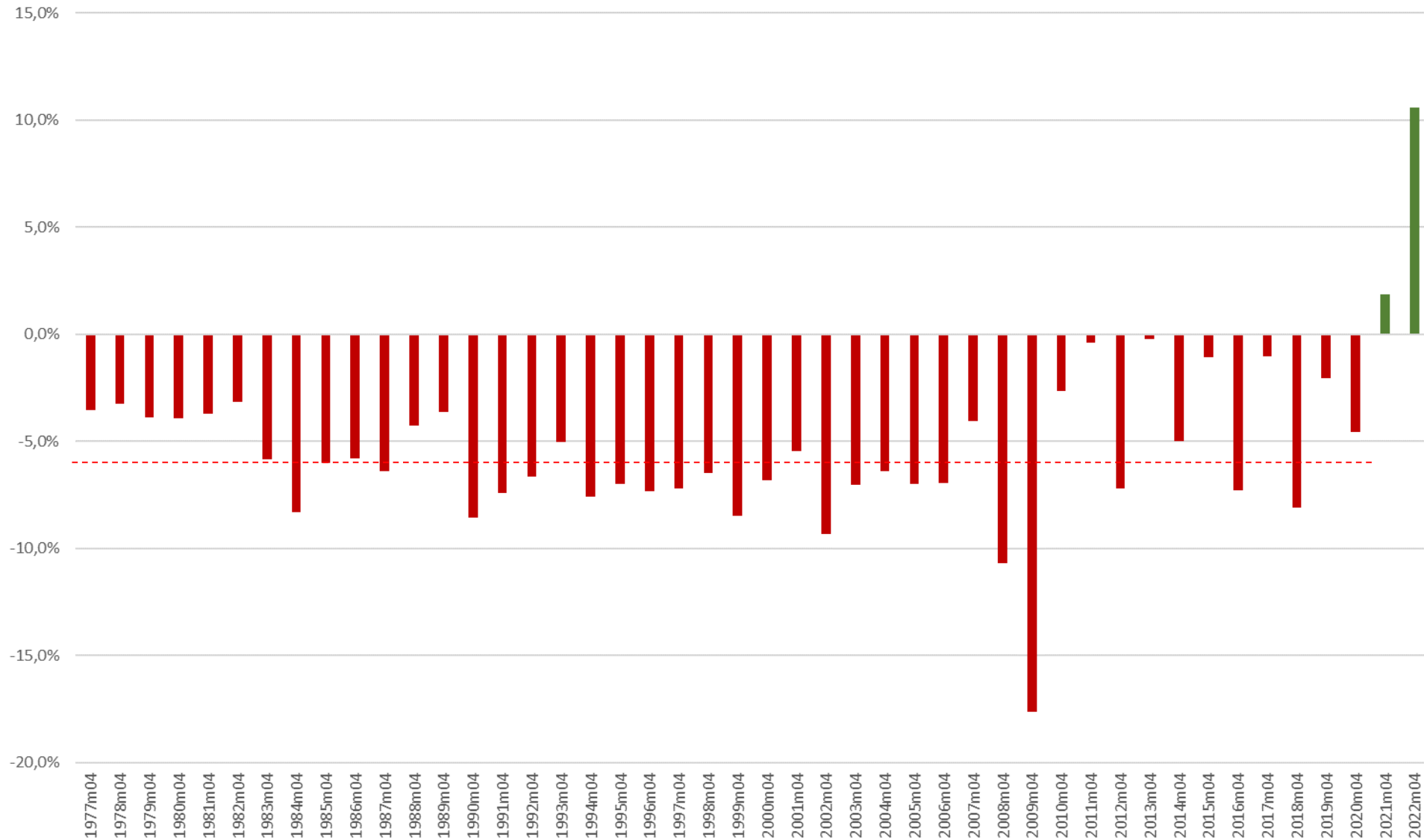


Price of Jan 23 compared to :

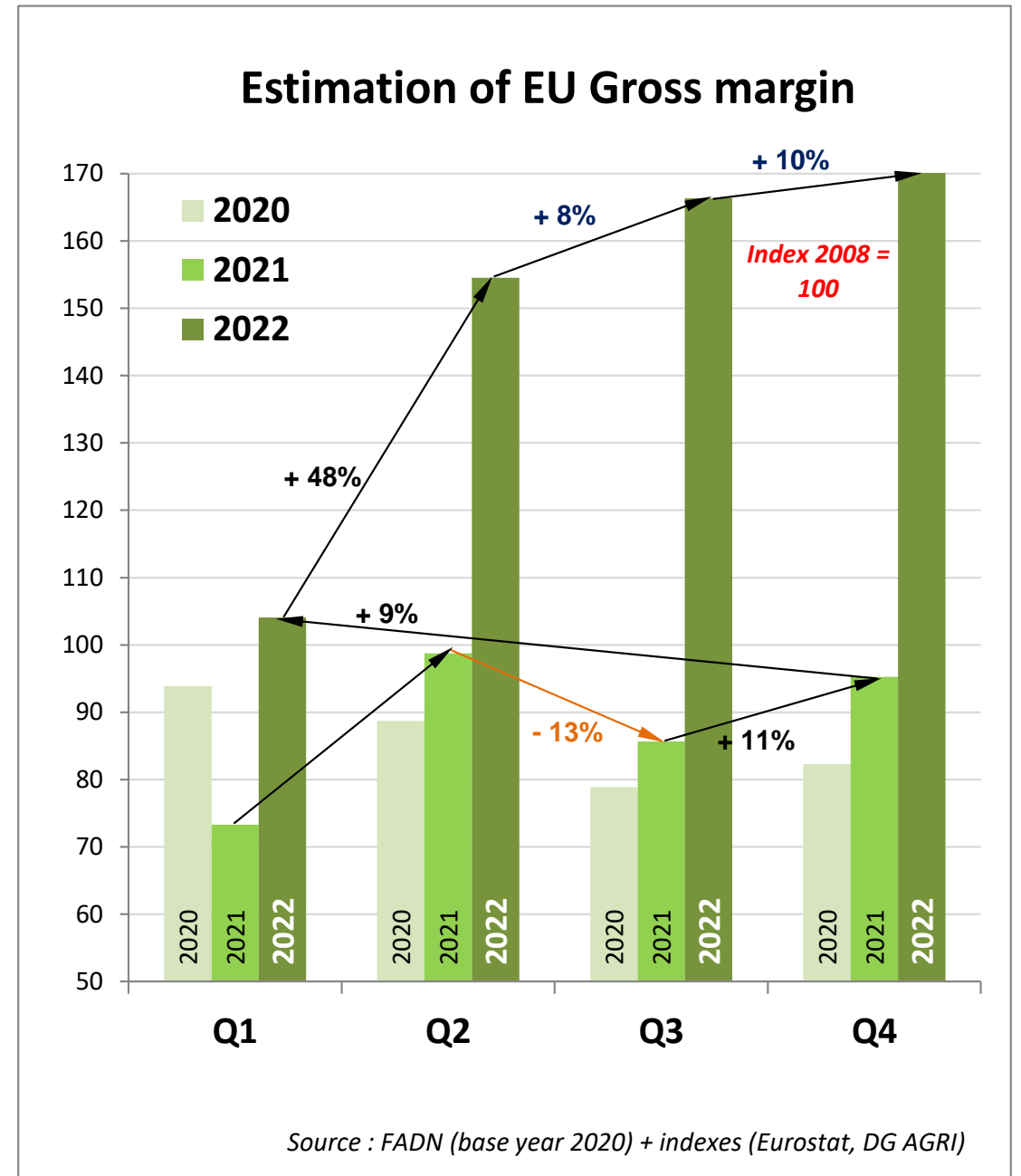
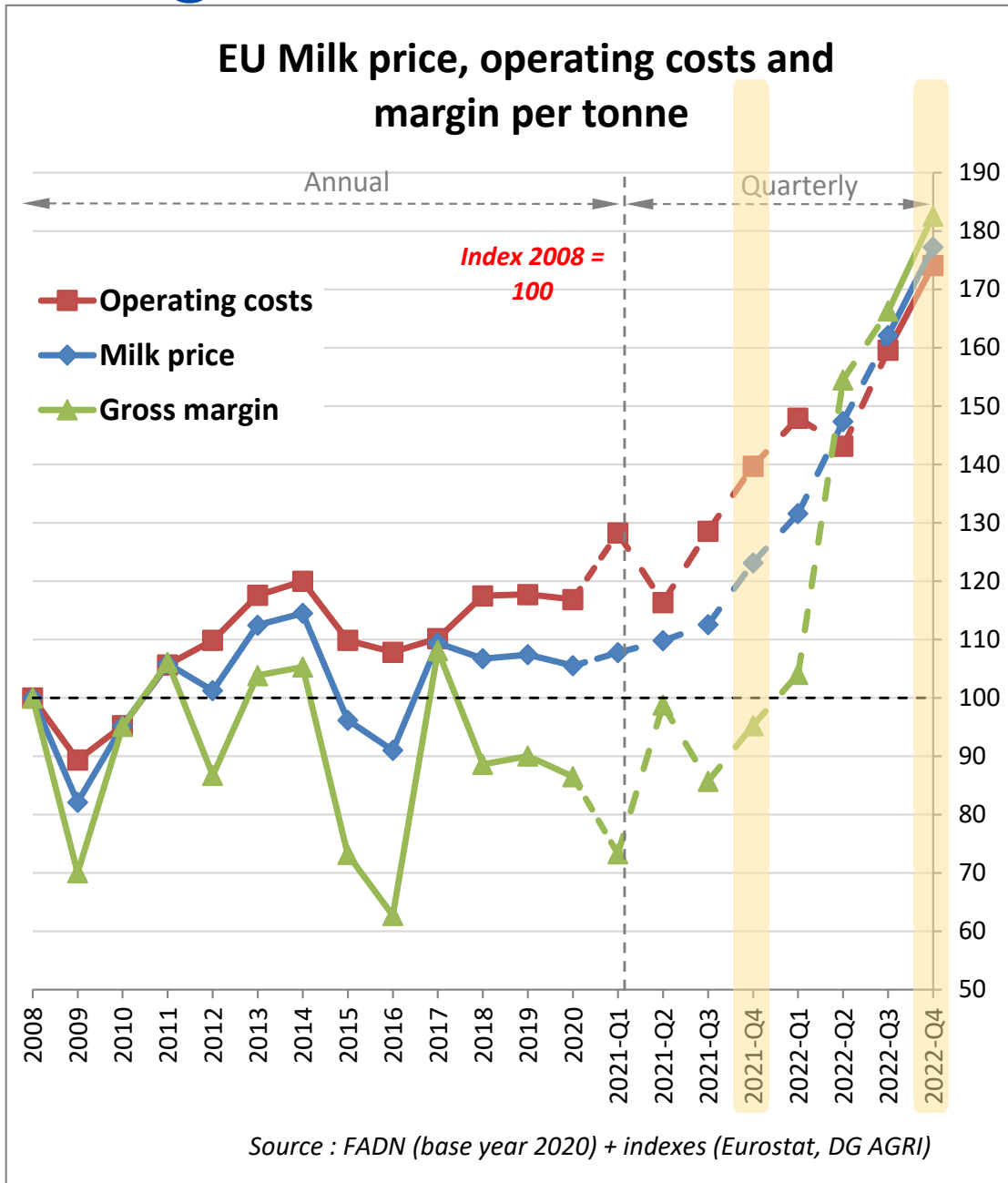
	BE	BG	CZ	DK	DE	EE	IE	GR	ES	FR	HR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	EU (without UK)
Dec 22	-7.5%	-1.1%	-0.1%	-1.8%	-5.0%	-4.0%	n/a	+1.5%	+0.3%	+0.6%	-7.6%	-0.4%	+1.1%	-11.3%	-12.9%	-	+3.6%	-1.0%	-4.0%	-1.4%	-13.1%	-0.9%	-0.5%	-3.0%	-0.6%	-0.7%	-3.7%	-3.5%
Jan 22	+19.1%	+36.0%	+36.2%	+38.2%	+36.3%	+35.0%	n/a	+30.6%	+61.5%	+22.3%	+43.0%	+43.3%	+11.7%	+2.8%	+0.3%	-	+56.9%	-1.5%	+33.3%	+39.0%	+28.7%	+59.0%	+44.2%	+49.5%	+37.3%	+29.3%	+31.1%	+34.7%

No seasonal downturn (Jan-Apr) in 2021 & 2022

EU average milk price April / January

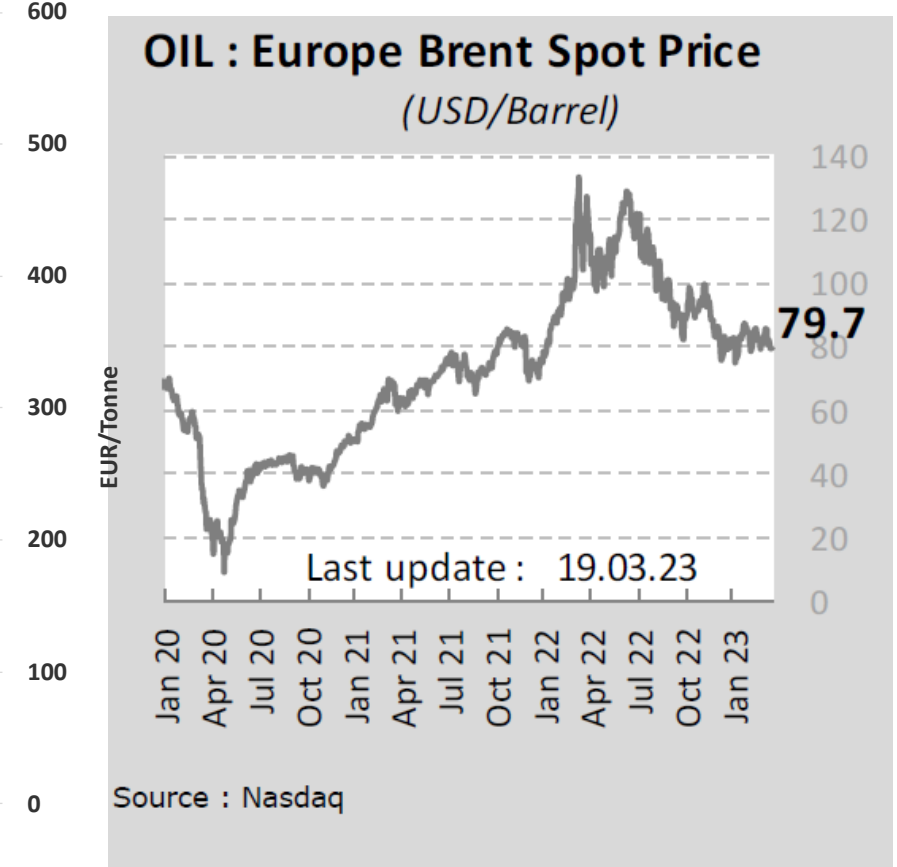
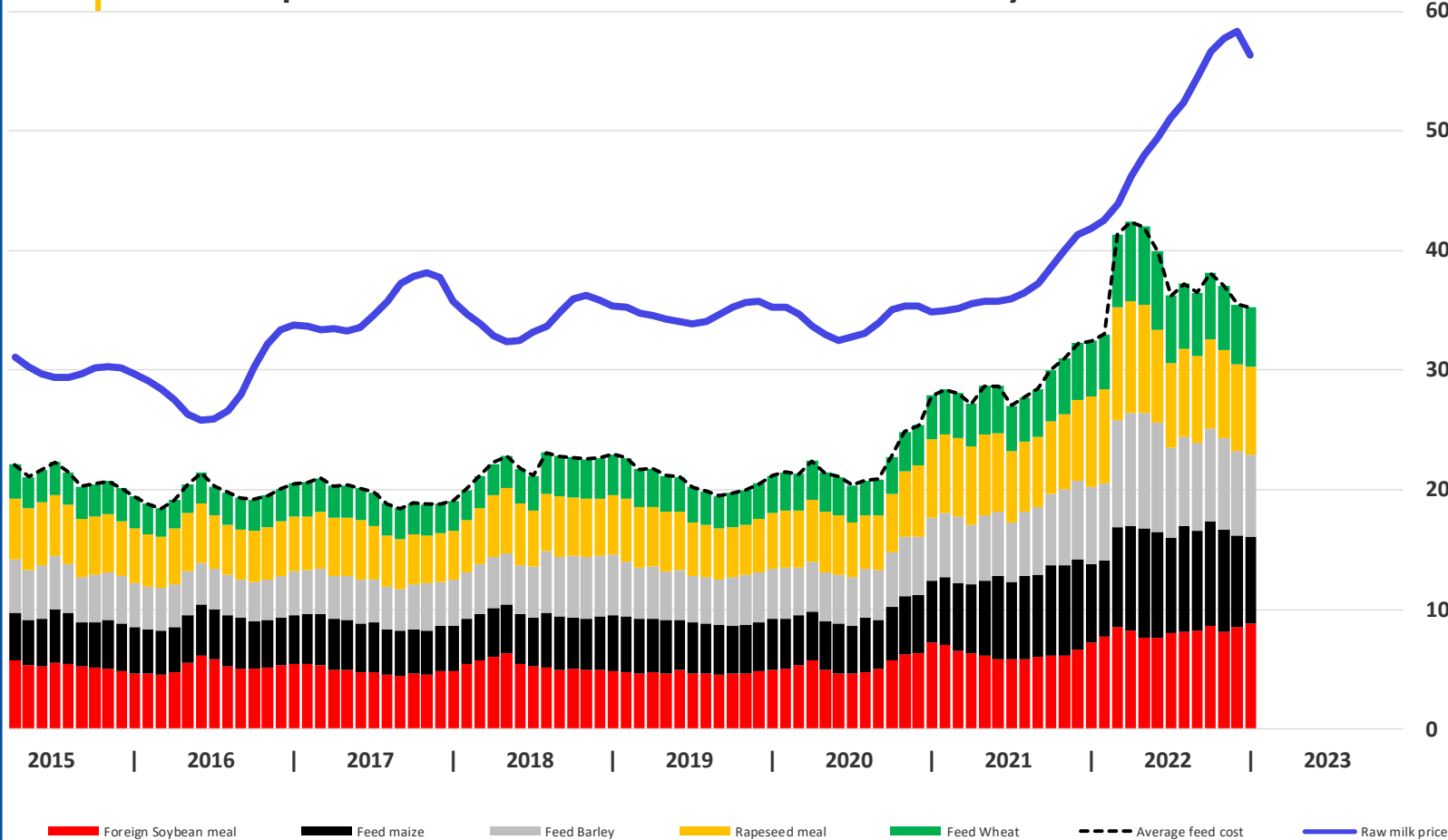


Margins



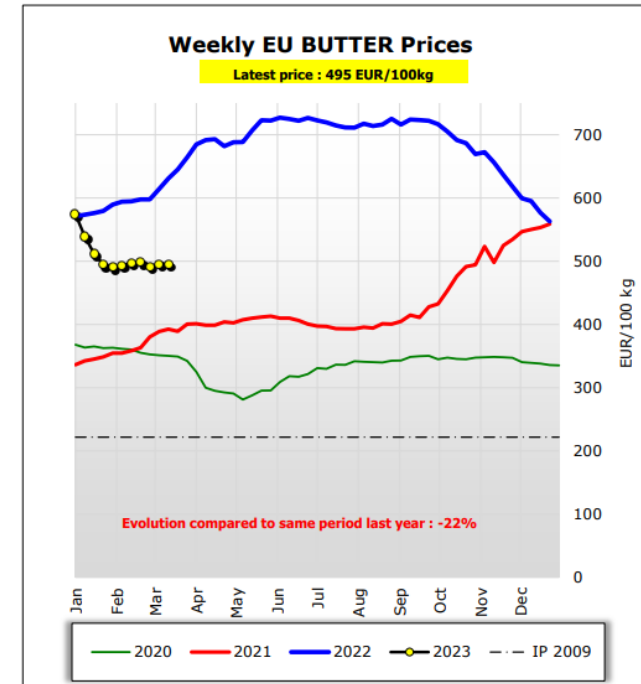
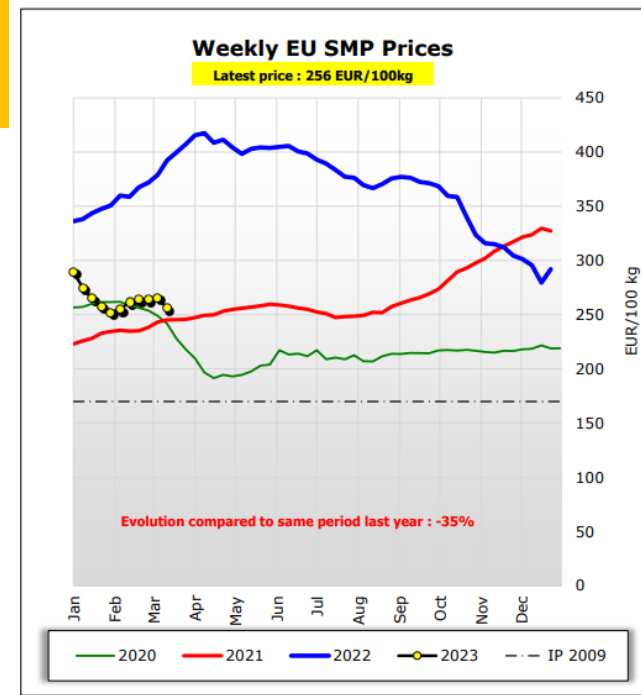
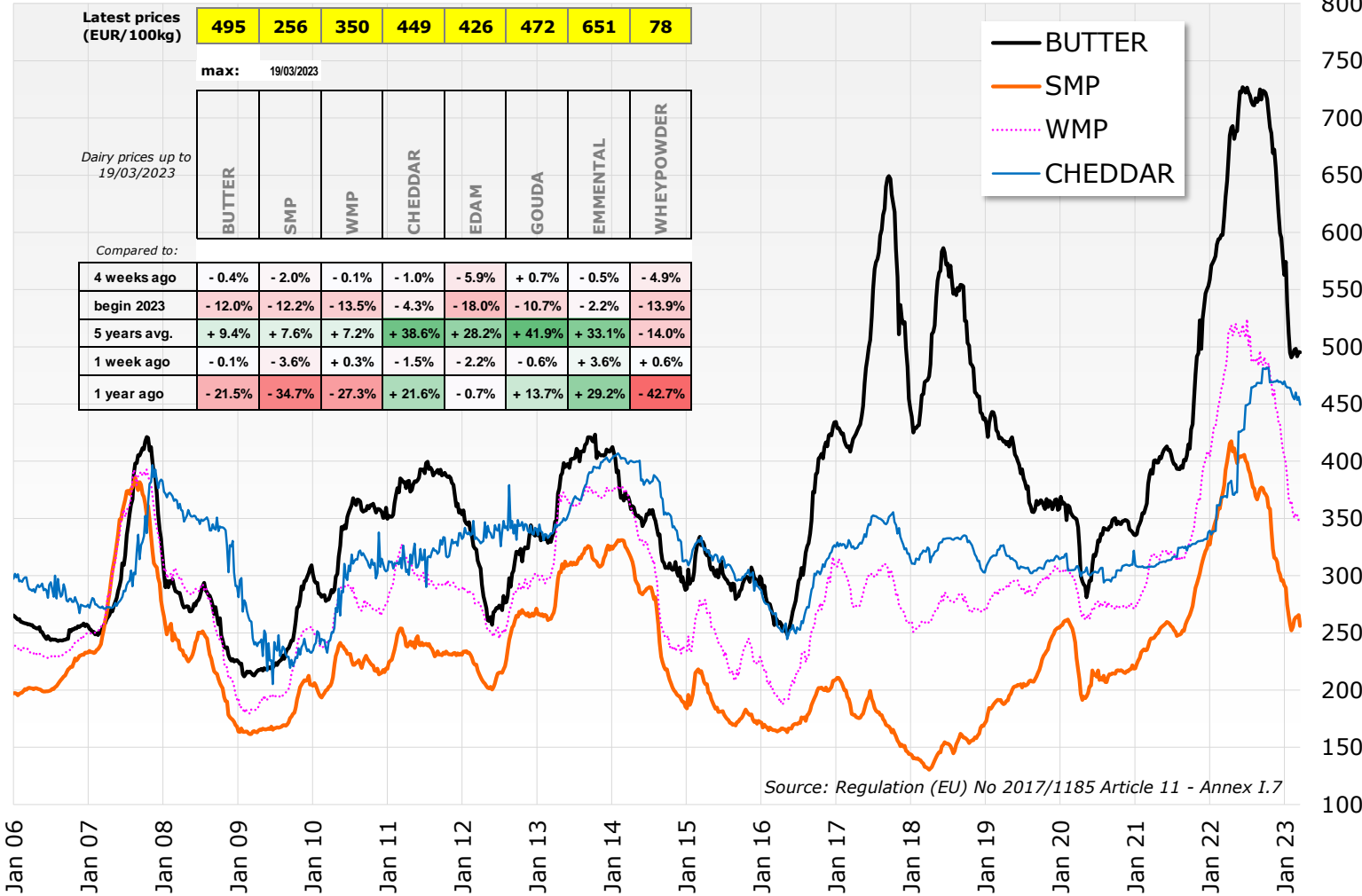
The main cost factor (feed) is no longer increasing

Composition of the DG AGRI feed diet in the dairy sector



EU dairy quotations

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

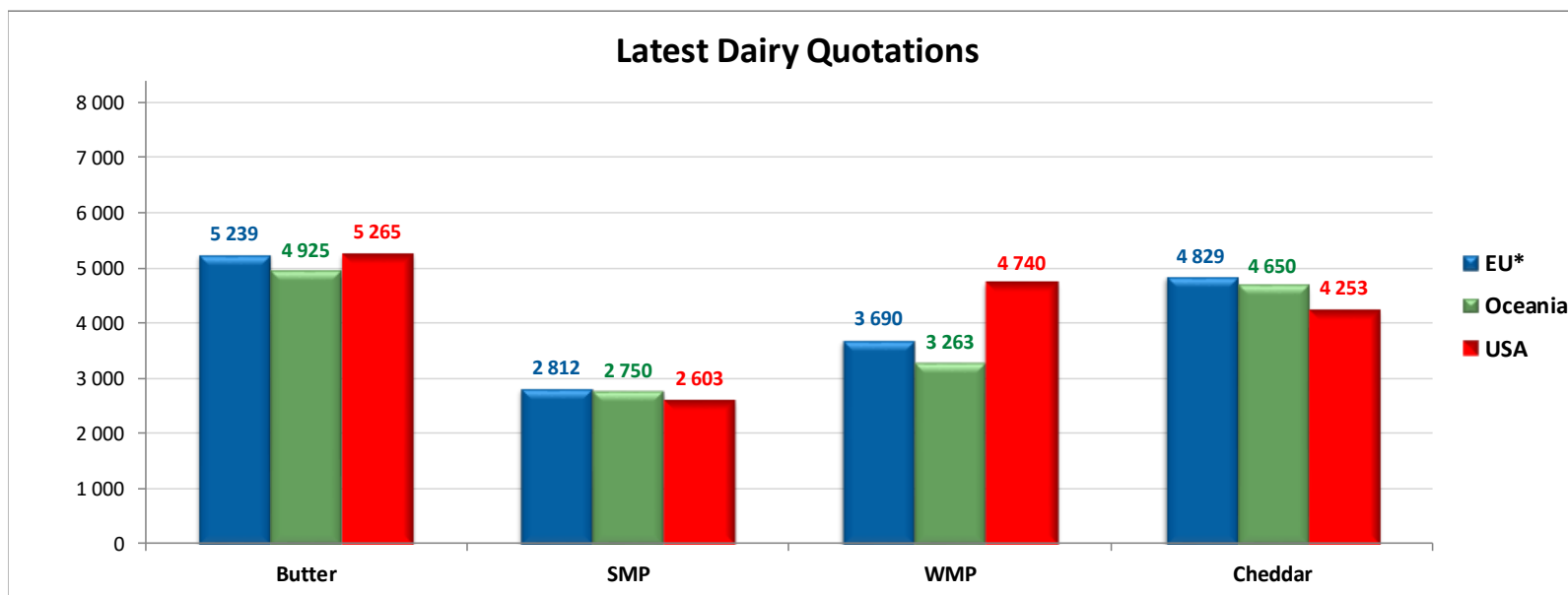


* EU evolutive: EU-15 (before 2004), EU-25 (2004 to 2006), EU-27 (2007 to 2013), EU-28 (2013 to 01/2020), EU-27 without UK (from 02/2020 onwards)

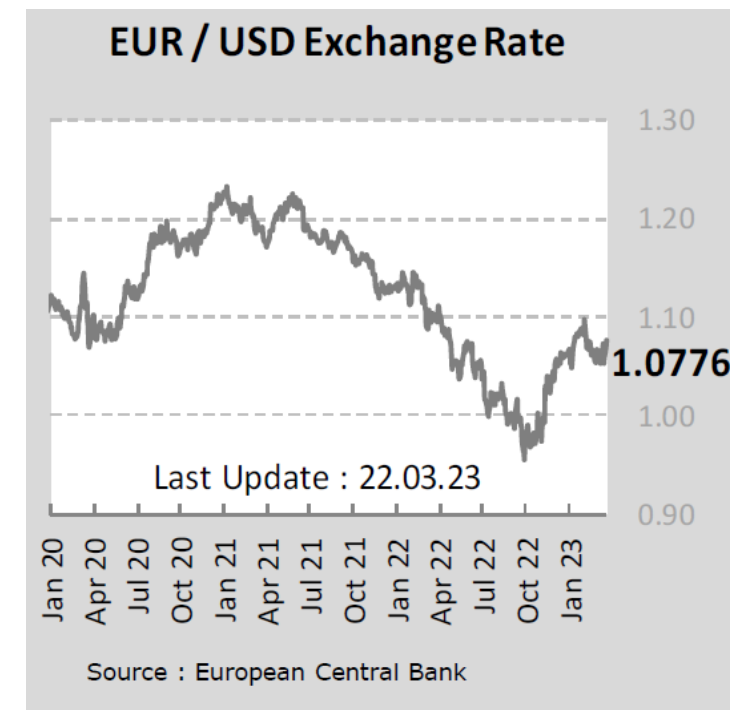
Latest world dairy quotations

In US\$/t	Latest Quotations			Week - 2						Year - 1					
	19/03/2023			05/03/2023			% change (previous quotation)			20 March 2022			% change (1 year)		
	EU*	Oceania	USA	EU*	Oceania	USA	EU*	Oceania	USA	EU*	Oceania	USA	EU*	Oceania	USA
Butter	5 239	4 925	5 265	5 266	4 913	5 278	-0.5%	+0.3%	-0.3%	6 750	6 975	6 162	-22%	-29%	-15%
SMP	2 812	2 750	2 603	2 786	2 825	2 608	+0.9%	-2.7%	-0.2%	4 164	4 588	4 112	-32%	-40%	-37%
WMP	3 690	3 263	4 740	3 748	3 288	4 806	-1.5%	-0.8%	-1.4%	5 246	4 638	4 982	-30%	-30%	-5%
Cheddar	4 829	4 650	4 253	4 863	5 025	4 224	-0.7%	-7.5%	+0.7%	4 061	6 175	4 895	+19%	-25%	-13%

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



EU* = EU without UK



Keep in touch and thank you!



ec.europa.eu/agriculture



[EUagri](https://www.youtube.com/EUagri)



[@EuropeanMMO](https://twitter.com/EuropeanMMO)



[@EUAgri](https://www.facebook.com/EUAgri)



[EU agri-food Data portal](#)

ANNEX 2

EU dairy products monthly stock estimates up to end of January 2023

EDA



**EU dairy products
monthly stock estimates
up to end of January 2023**

**Milk Market Observatory
Economic Board**

March 28th, 2023

Methodology

- For each dairy product and each month, the stock estimates are based on the equation:
 - $\text{Stock variation} = \text{EU production} + \text{EU import} - \text{EU internal consumption} - \text{EU exports}$
- 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 and Eurostat. From 2020 onwards, data refer to the EU-27 (coloured in red).
- 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/red parts in each graph mean that this stock level can be considered as normal for the month.
- Orange parts mean that this stock level can be considered as too high for the month; intervention stocks are coloured blue.
- These qualifications are based on the EDA analysts' personal views and past market observations.

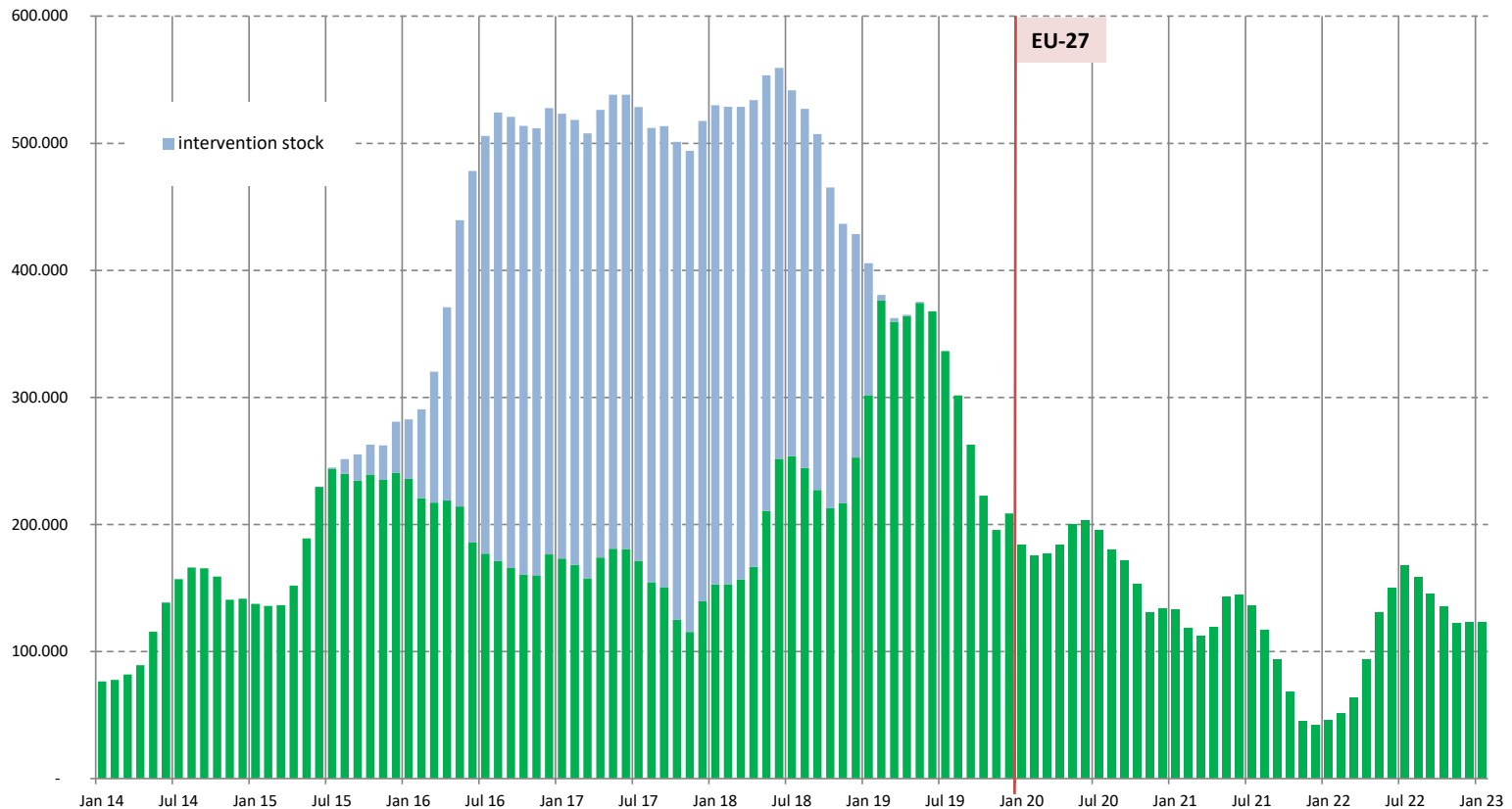
SMP: Production of SMP increased again since mid of 2022. Availability increased too, while export was healthy, but lower than in the 5 years before. Some older product came in the market and stocks are higher than one year before. They could still be considered as normal. Prices reduced substantially.



European stock level estimates - SMP - January 2023

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

stock level
in tons



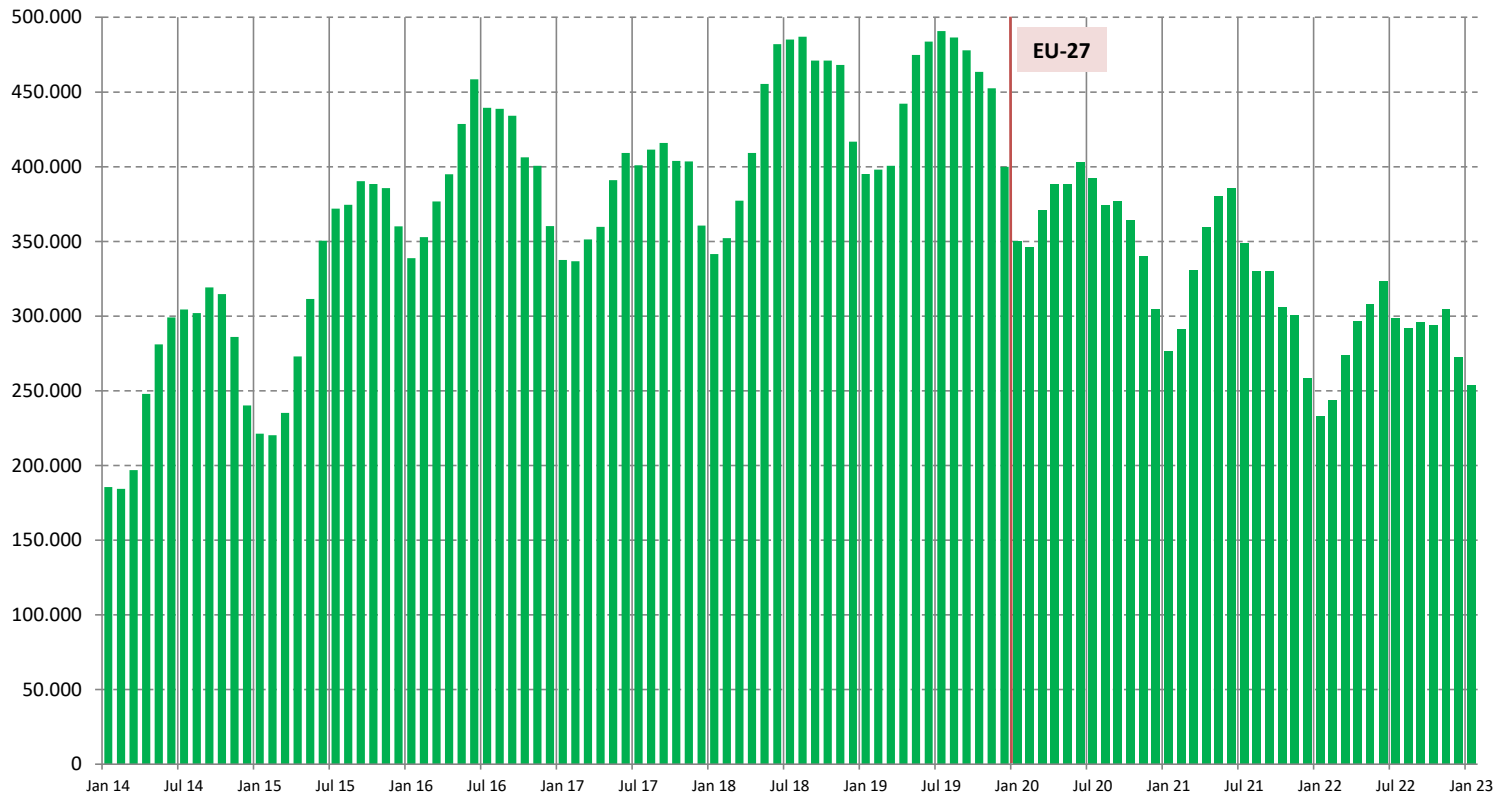
Cheese stocks in total had been slightly higher in January 2023 than one year before, but availability of certain cheese types increased due to slower demand compared with the Corona-peak. The market rebalanced at lower price-level in February.

European stock level estimates - Cheese - January 2023

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



stock level in tons



Situation

Milk deliveries picked up in winter-time, stimulated by record-high prices and mild weather-conditions in most member-states.

EU-export of dairy products and international demand in total contracted in 2022. Consumers reacted to high inflation. They are buying food more planned and are looking for cheaper choices.

The availability of dairy products improved in recent months. Stocks of all products are higher than at same time last year, but in total still in a normal range.

Prices of most dairy commodities decreased strongly in the first weeks of 2023, with a certain stabilisation in February.

ANNEX 3

Global dairy trade flows

Eucolait



eucolait

*European Dairy Trade
Association*

Global dairy trade flows

MMO EXPERT GROUP

28/03/2023

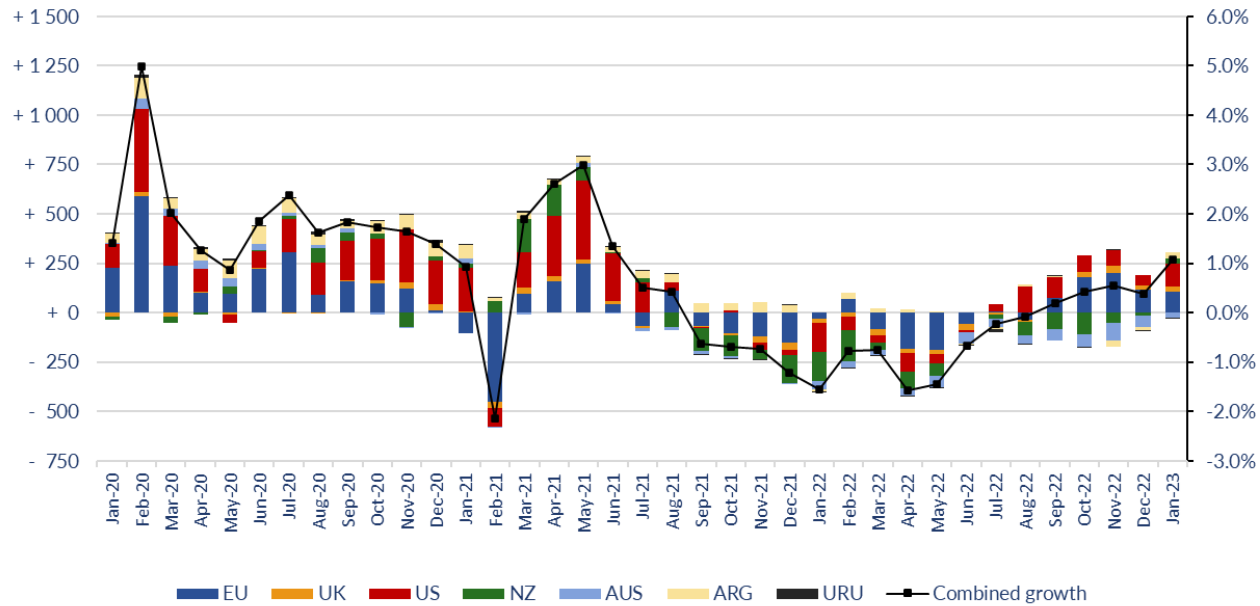
www.eucolait.eu

Outline

- Global supply
- Global exports & imports
- Demand in East Asia
- EU – UK trade flows
- Conclusions

Global supply

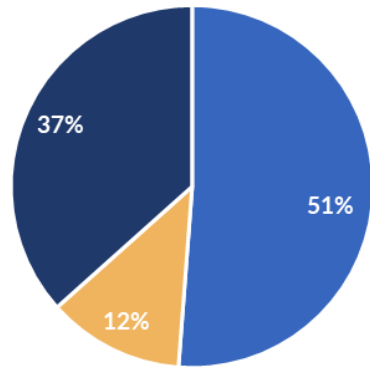
World milk supply growth in 2020-2023
(EU27, UK, US, NZ, Australia, Argentina, Uruguay)



MILK COLLECTION OF MAIN EXPORTERS - DECEMBER 2022					
Country	Volume in '000 tonnes	Δ% YOY 22/21	Volume YTD in '000 tonnes	Δ% YTD 22/21	Δ% Season to date 23/22
EU27	11 478	↑ +0.9%	144 491	→ +0.0%	
United States	8 581	↑ +0.6%	102 796	→ +0.1%	
New Zealand	2 588	↓ -0.6%	21 051	↓ -3.8%	↓ -2.6%
Australia	815	↓ -6.5%	8 455	↓ -6.8%	↓ -7.1%
Argentina	1 061	↓ -1.6%	11 904	→ +0.0%	
Uruguay	190	↓ -0.6%	2 150	↓ -1.5%	
United Kingdom	1 206	↑ +1.8%	14 570	→ -0.6%	
TOTAL	25 919	↑ +0.3%	305 417	↓ -0.5%	

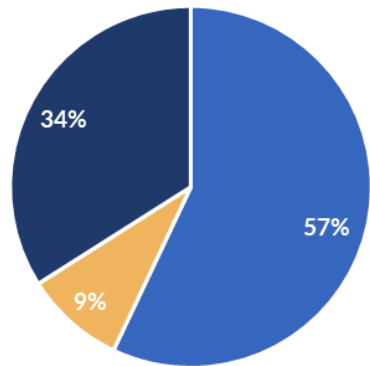
EU+UK cheese & butter use by channel

Use of cheese in 2021



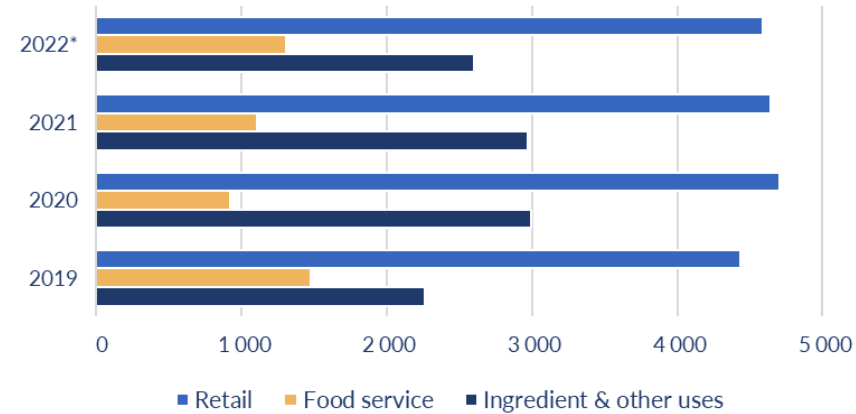
■ Retail ■ Food service ■ Ingredient & other uses

Use of butter in 2021



■ Retail ■ Food service ■ Ingredient use

Evolution of cheese usage by channel
in '000 tonnes



Evolution of butter usage by channel
in '000 tonnes



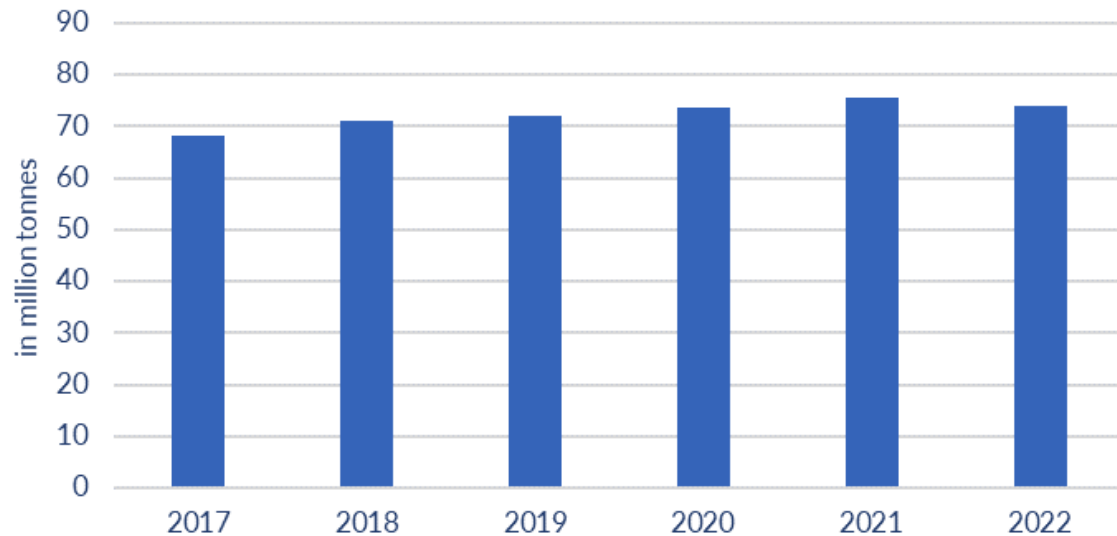
* provisional

Global dairy exports in ME

Global dairy exports:
2022/2021: -2,2%

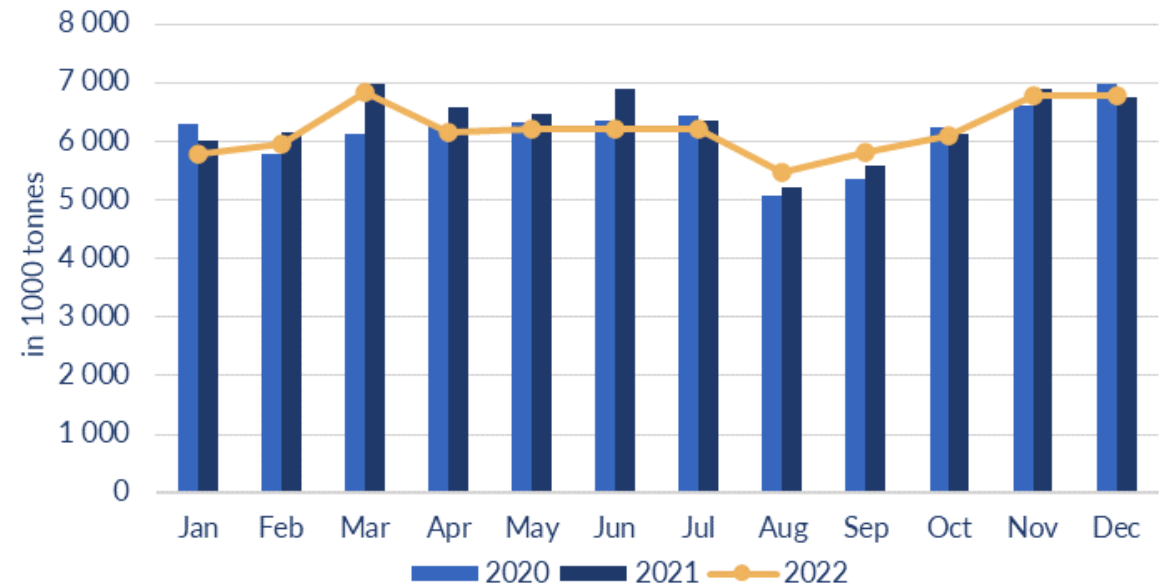
Global dairy exports in milk equivalent

WMP, SMP, butter(oil), cheese, casein(ate)s, whey, lactose



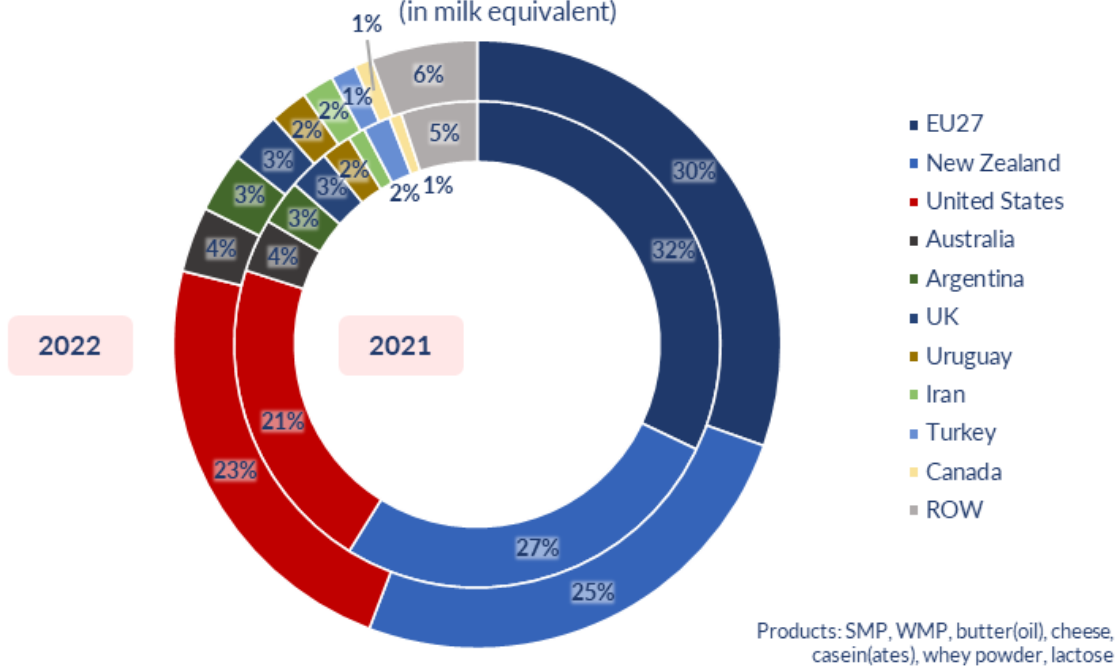
Monthly global dairy exports in milk equivalent

Cheese, butter(oil), SMP, WMP, whey, lactose, casein(ates)

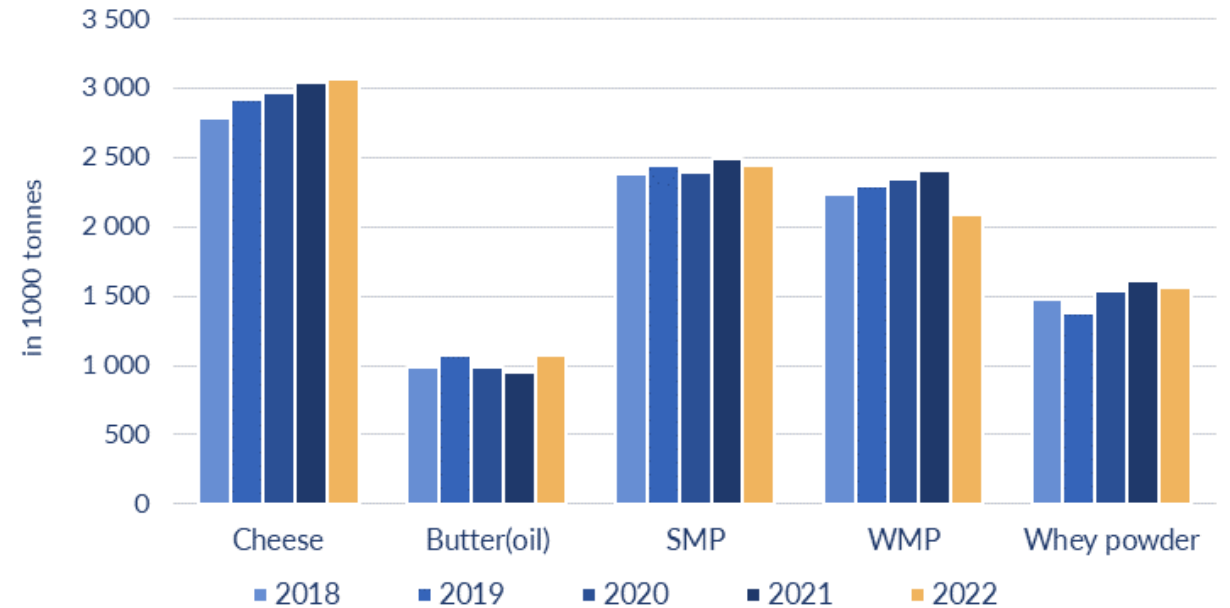


Global dairy exports

Export shares in % of total export volumes (in milk equivalent)

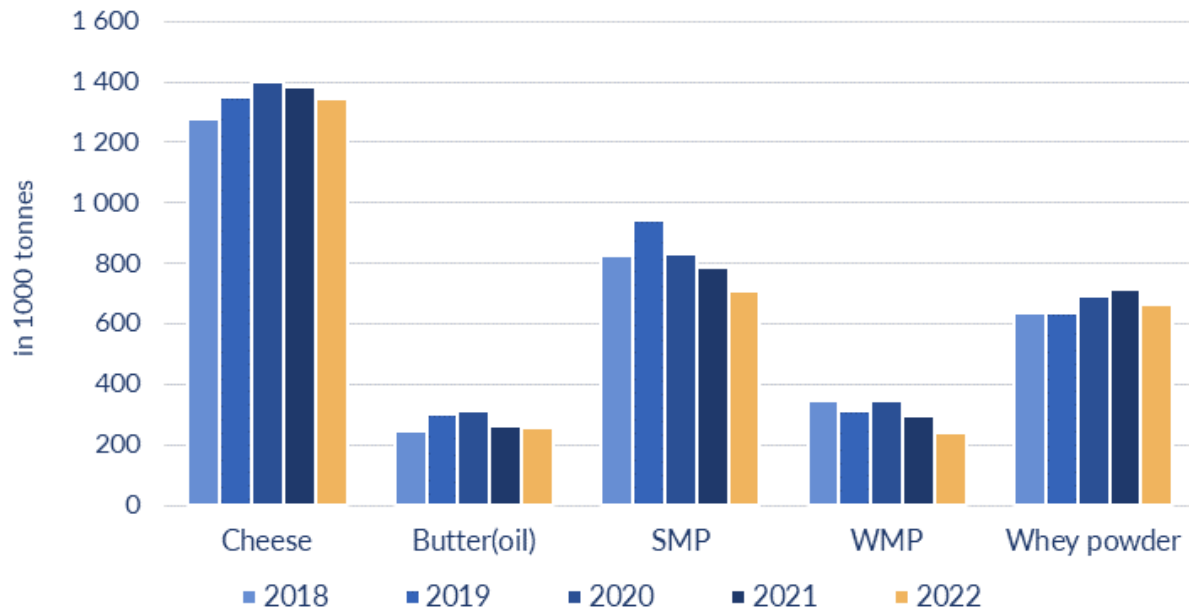


Global exports of main dairy commodities



EU exports by product and destination

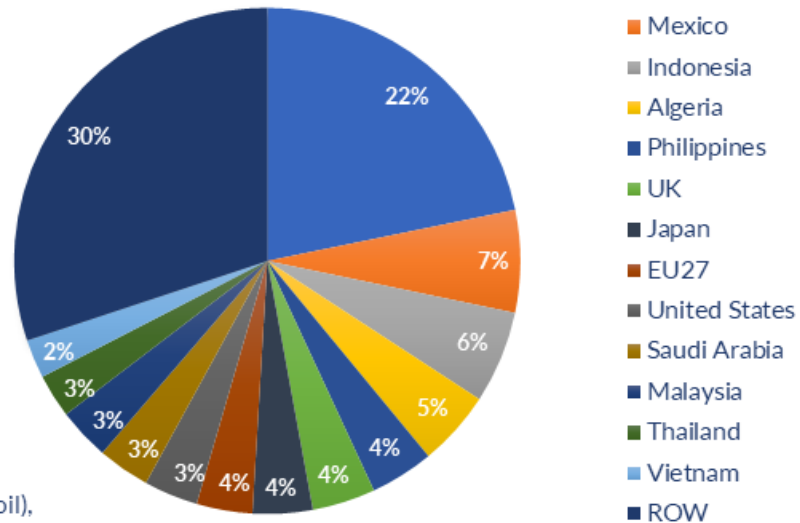
EU exports of main dairy commodities



EU export destinations in 2022		
Country	Share of EU exports	Δ% 22/21
Total	100%	↓ -7%
UK	13%	↑ +4%
China	12%	↓ -21%
United States	5%	→ +0%
Indonesia	5%	↓ -22%
Algeria	5%	↑ +11%
Japan	4%	→ +1%
Malaysia	3%	↓ -19%
Saudi Arabia	3%	↑ +5%
Thailand	2%	↓ -17%
South Korea	2%	↑ +7%
Egypt	2%	↓ -7%
Switzerland	2%	↑ +8%
Philippines	2%	↓ -20%
ROW	39%	↑ +28%

Main import markets

Main import markets in 2022
(in milk equivalent)



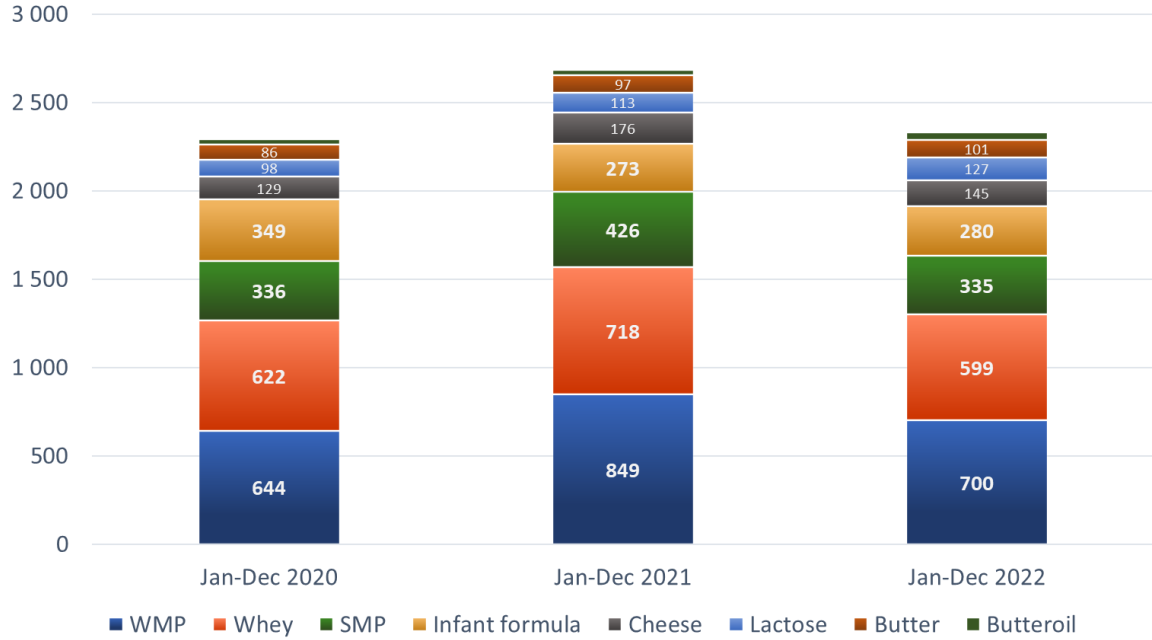
Products: cheese, butter(oil), SMP, WMP, whey, lactose, casein(ates)

Main import markets in 2022	
Importers	Δ% 22/21
World	↓ -1%
China	↓ -15%
Mexico	↑ +8%
Indonesia	↑ +11%
Algeria	↑ +15%
Philippines	↑ +10%
UK	↑ +1%
Japan	↑ +3%
EU27	↑ +19%
United States	↑ +16%
Saudi Arabia	↑ +9%
Malaysia	→ -0%
Thailand	↑ +3%
Vietnam	↓ -19%
ROW	→ -1%

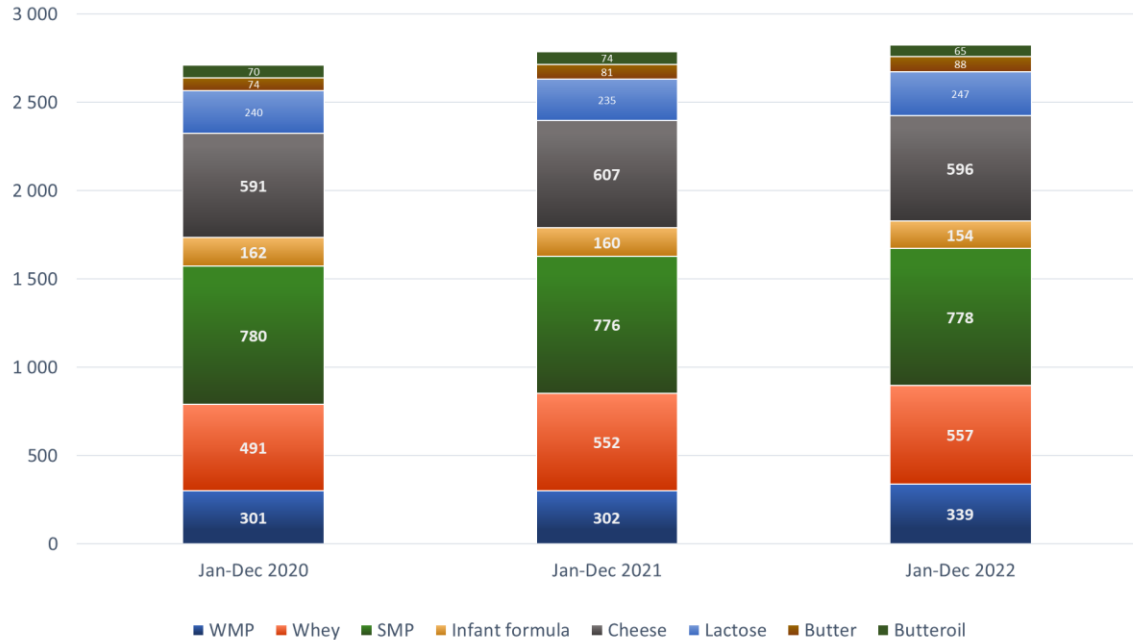
East Asia imports

China imports 22/21 (in ME): **-15%**
 SE Asia imports 22/21 (in ME): **+2%**

Cumulated China imports
 (in 1000 tonnes)



Cumulated other East Asia imports
 (in 1000 tonnes)

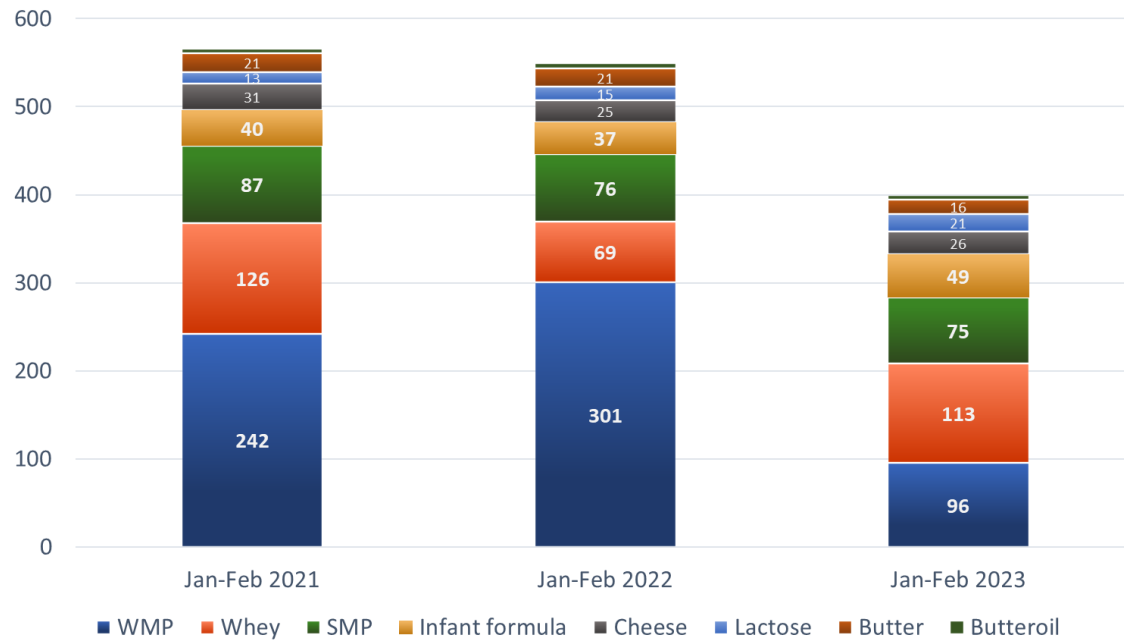


Source: Trade Data Monitor

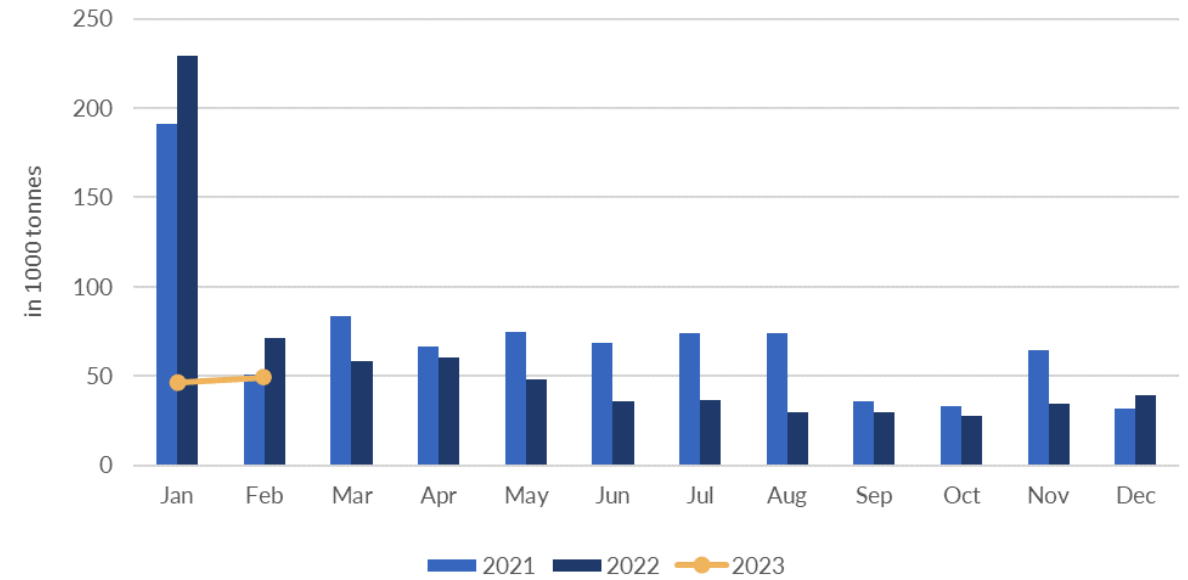
Other East Asia includes Brunei, Cambodia, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Thailand & Vietnam

China

Cumulated China imports (in 1000 tonnes)

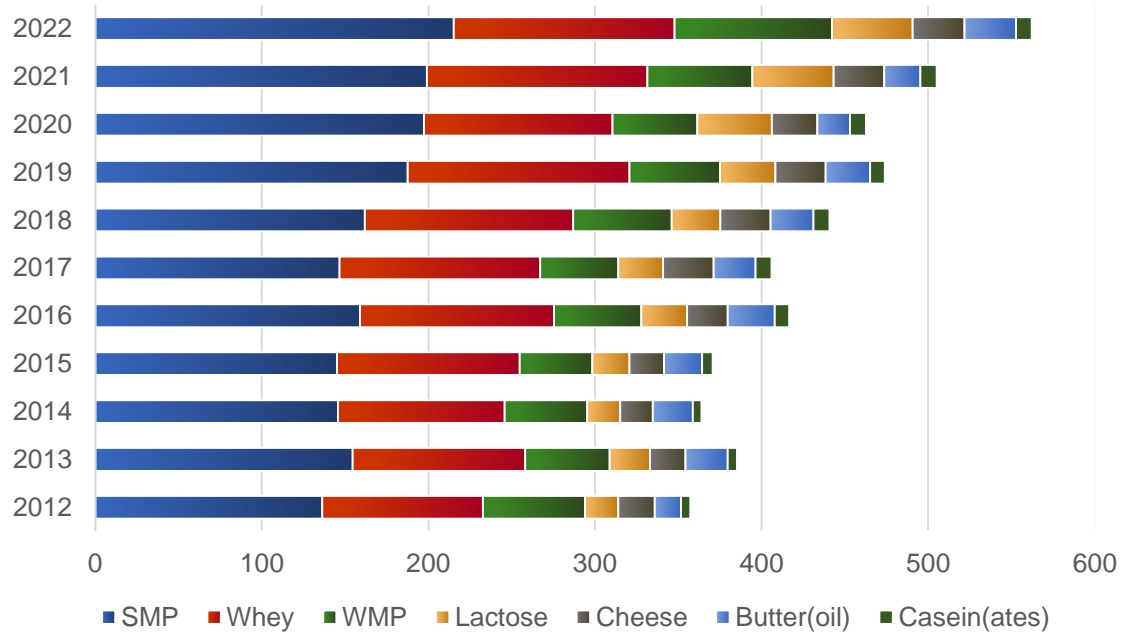


China WMP imports (040221+040229)

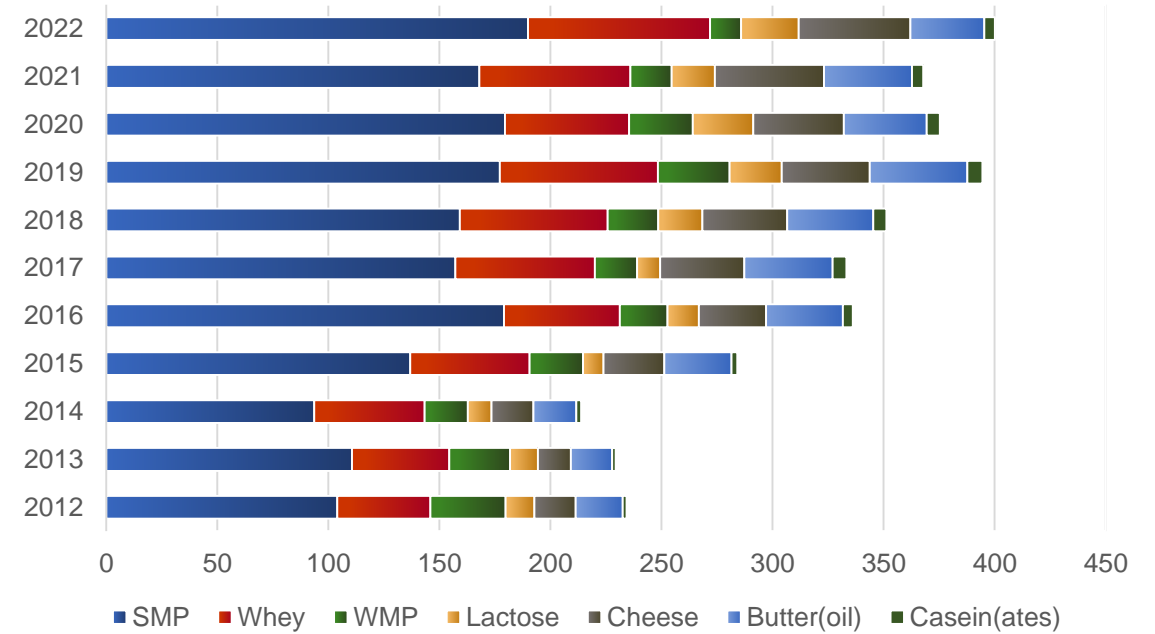


Indonesia & Philippines

Indonesia imports 2012-2022 (in '000 tonnes)

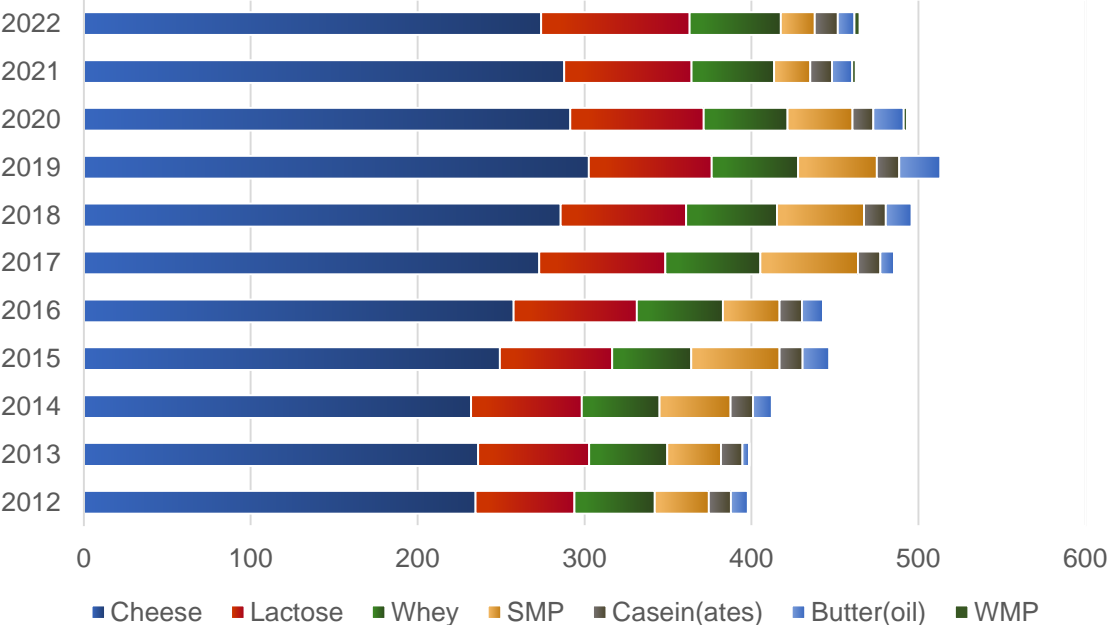


Philippines imports 2012-2022 (in '000 tonnes)

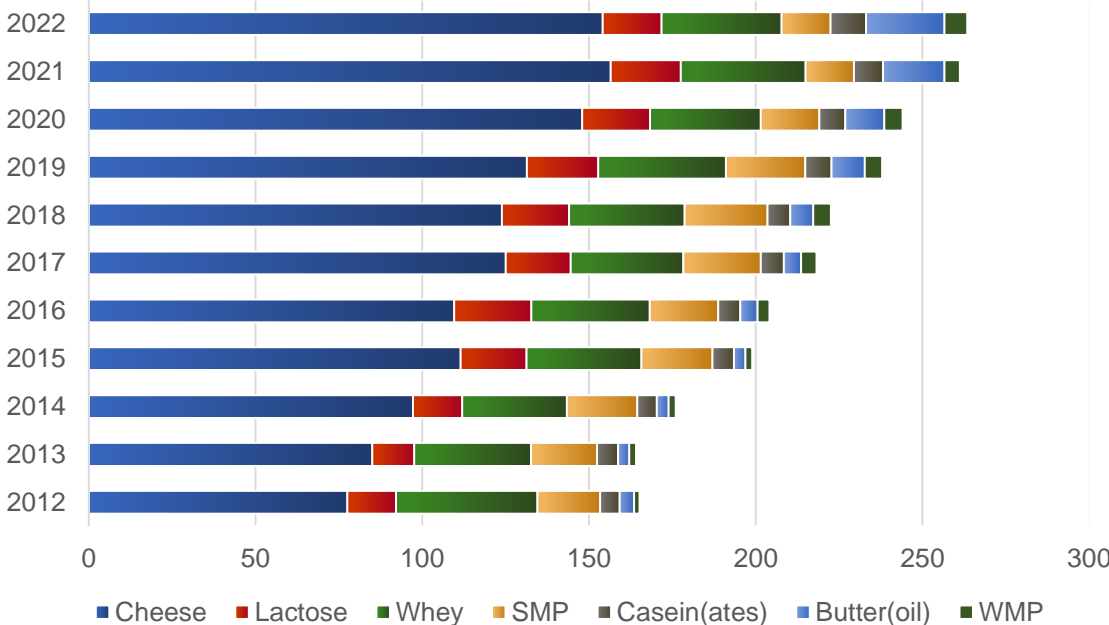


Japan & South Korea

Japan imports 2012-2022 (in '000 tonnes)



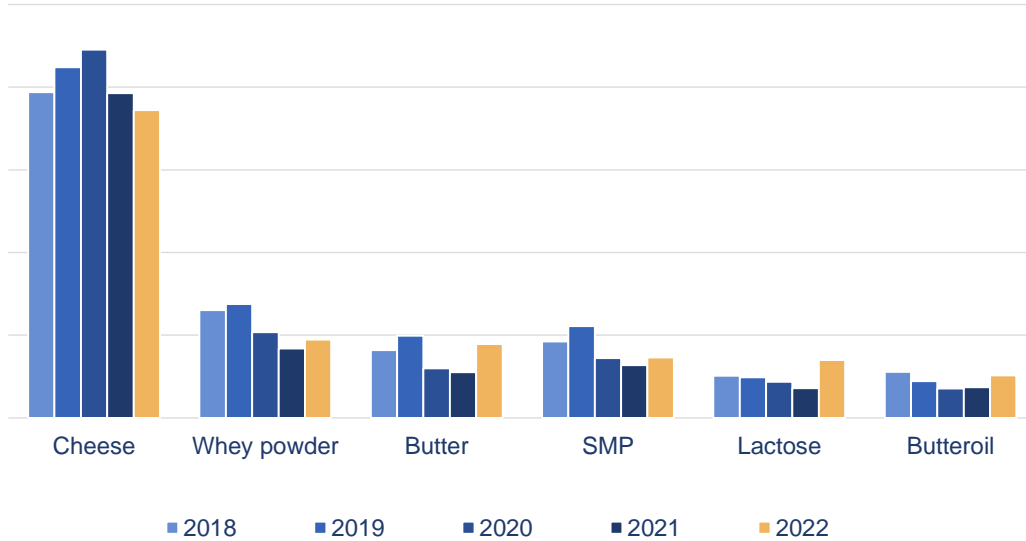
South Korea imports 2012-2022 (in '000 tonnes)



Source: Trade Data Monitor

EU imports by product and origins

EU imports of main dairy commodities (in '000 tonnes)



CHEESE		
Main origins	Market share	Δ% 22/21
UK	62%	-10%
Switzerland	30%	-6%
Norway	2%	+176%

WHEY POWDER		
Main origins	Market share	Δ% 22/21
UK	69%	+7%
Norway	15%	-0%
US	6%	+189%

BUTTER		
Main origins	Market share	Δ% 22/21
UK	70%	+30%
Ukraine	15%	+4949%
NZ	7%	+154%

SMP		
Main origins	Market share	Δ% 22/21
UK	48%	-19%
Ukraine	28%	+504%
Norway	13%	+152%

LACTOSE		
Main origins	Market share	Δ% 22/21
UK	84%	+146%
US	11%	+41%
Israel	5%	-42%

BUTTEROIL		
Main origins	Market share	Δ% 22/21
NZ	55%	+225%
UK	42%	-19%
Serbia	1%	-3%

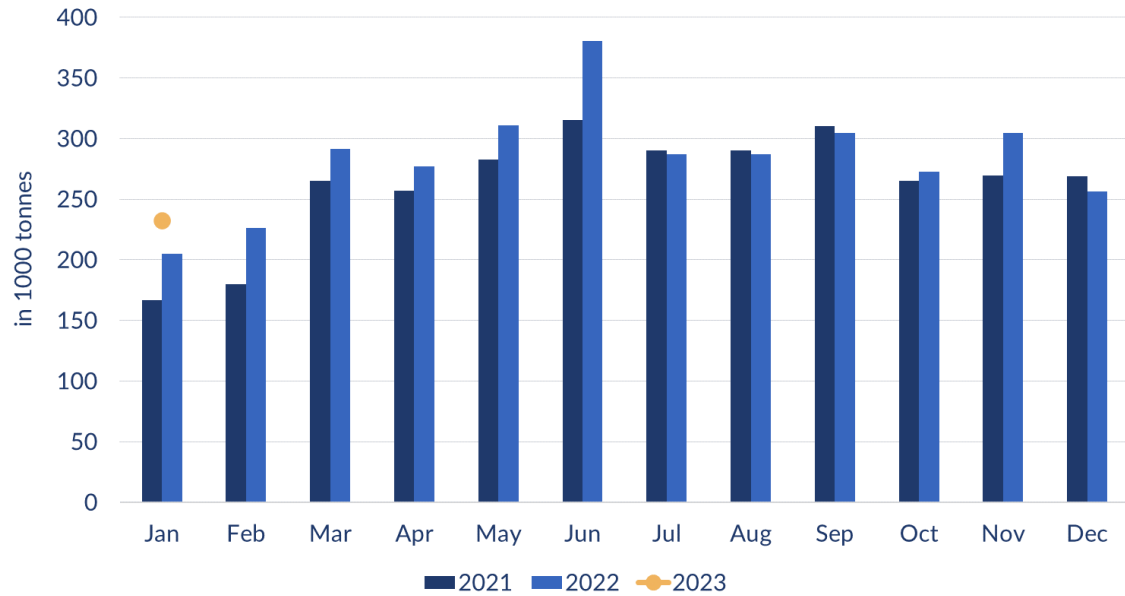
EU-UK trade

EU exports to UK 22/21: +8%

UK exports to EU 22/21: +7%

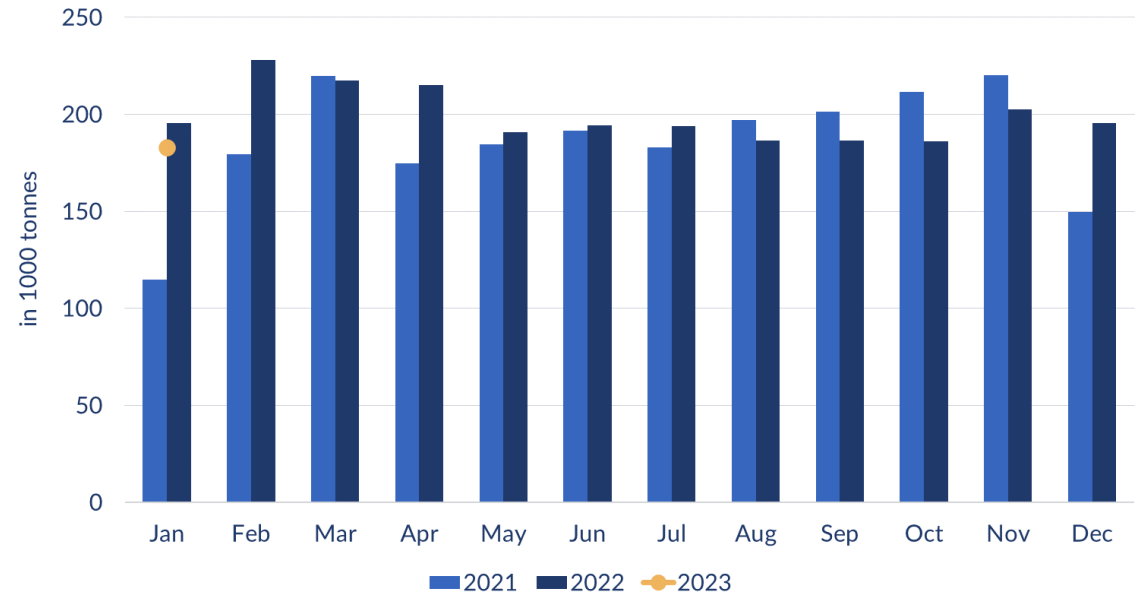
EU dairy exports to the UK in milk equivalent

Cheese, butter(oil), SMP, WMP, whey, lactose, casein(ates), milk, cream



UK dairy exports to the EU in milk equivalent

Cheese, butter(oil), SMP, WMP, whey, lactose, casein(ates), milk, cream



Conclusions

- **Global milk production continues to accelerate** as growth in the EU and US is outpacing the decline in the Southern hemisphere exporting countries. The duration of the current supply strength (compared to a weak base) is very uncertain in light of the now weaker milk prices and other constraining factors.
- The tremendous **drop in Chinese (WMP) imports** has heavily **impacted total trade flows**, although **demand in other key markets** in SEA, MENA and the Americas **was strong throughout 2022**. European exports remain weak overall, but SMP and butter are performing well.
- To date, the **effects of inflation on dairy consumption do not seem to have been as significant as feared**. The repercussions of Russia's war continue to be visible in the market but energy and input costs have come down. **Macroeconomic outlook has improved**, however sentiment is still nervous.
- **Dairy markets are in flux and have stabilised in February-March** after having been in free fall in Q4 2022 and into this year. It is a fragile balance which could hold if milk production growth remains modest and demand resilient.

Thank You

Rue Belliard 199 – 1040 Brussels | Belgium
Tel: +32 (0)2 230 44 48 | info@eucolait.eu
www.eucolait.eu | twitter: [@eucolait](https://twitter.com/eucolait)



ANNEX 4

DG AGRI Milk Market Observatory – a retail perspective

EuroCommerce



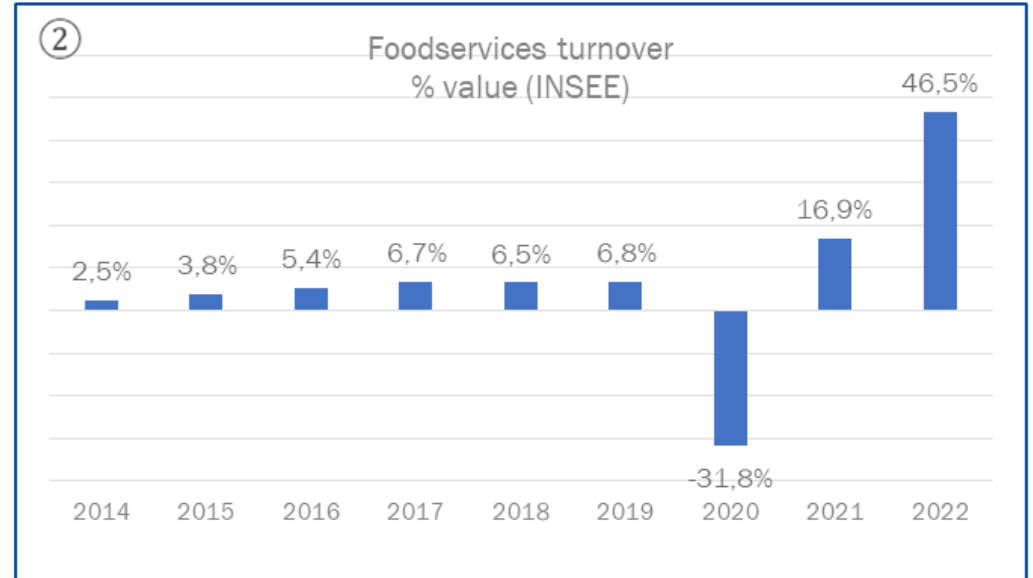
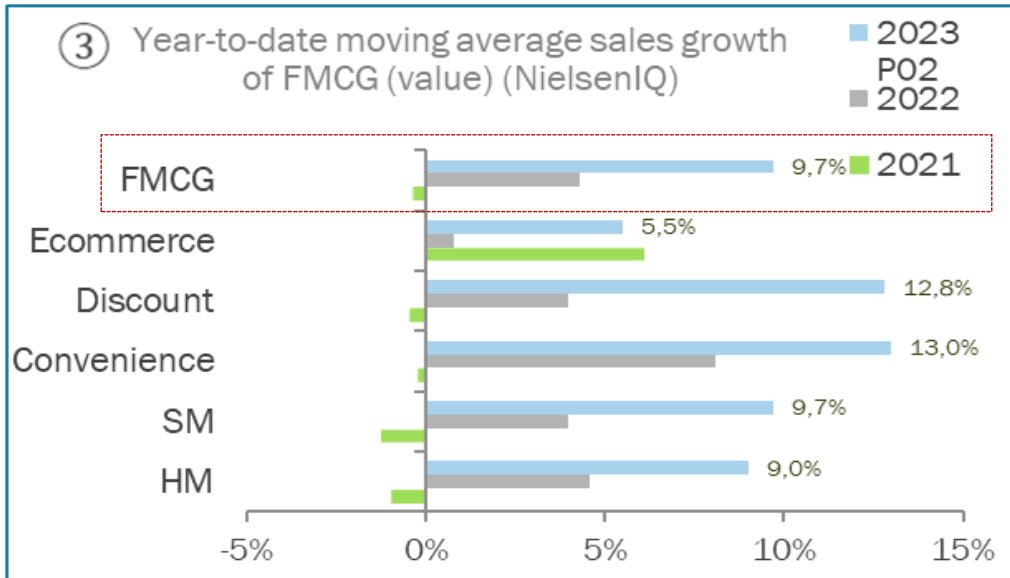
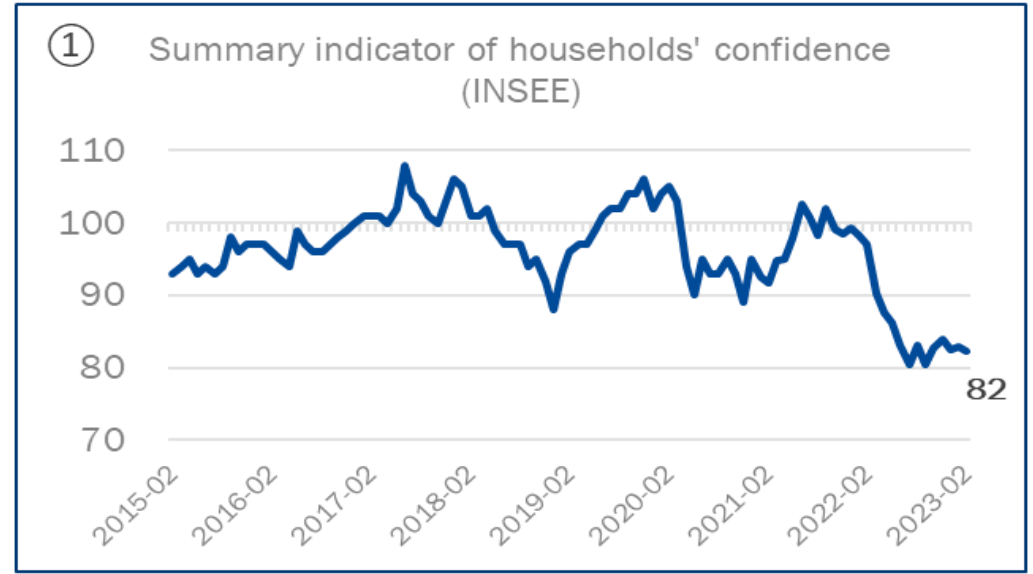
DG AGRI Milk Market Observatory

A retail perspective
28 March 2023

France

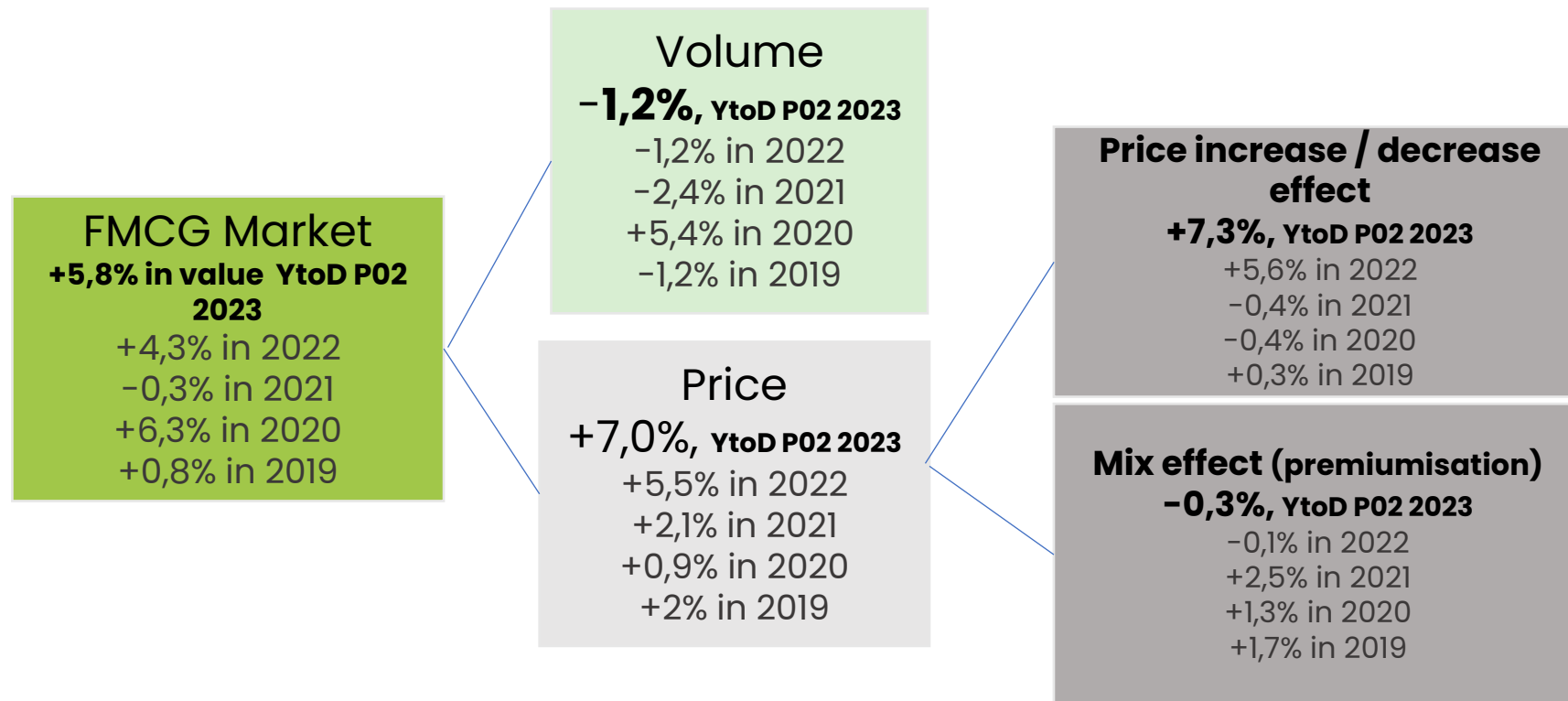
Economic context (1)

- ① In February 2023, **household confidence** is almost stable. At 82, the indicator that summarizes it has lost one point and remains well below its long-term average (100 between January 1987 and December 2022).
- ② **Restaurant sales** rebounded 46% in value in 2022, the sector has finally returned to its pre-crisis level : revenues are 16% higher. Within the European Union, the trend is similar: +43% (UE 27).
- ③ **FMCG sales** increased during the first 2 months of the year 2023 (+9,7%) but decreased in volume (-1,8%).



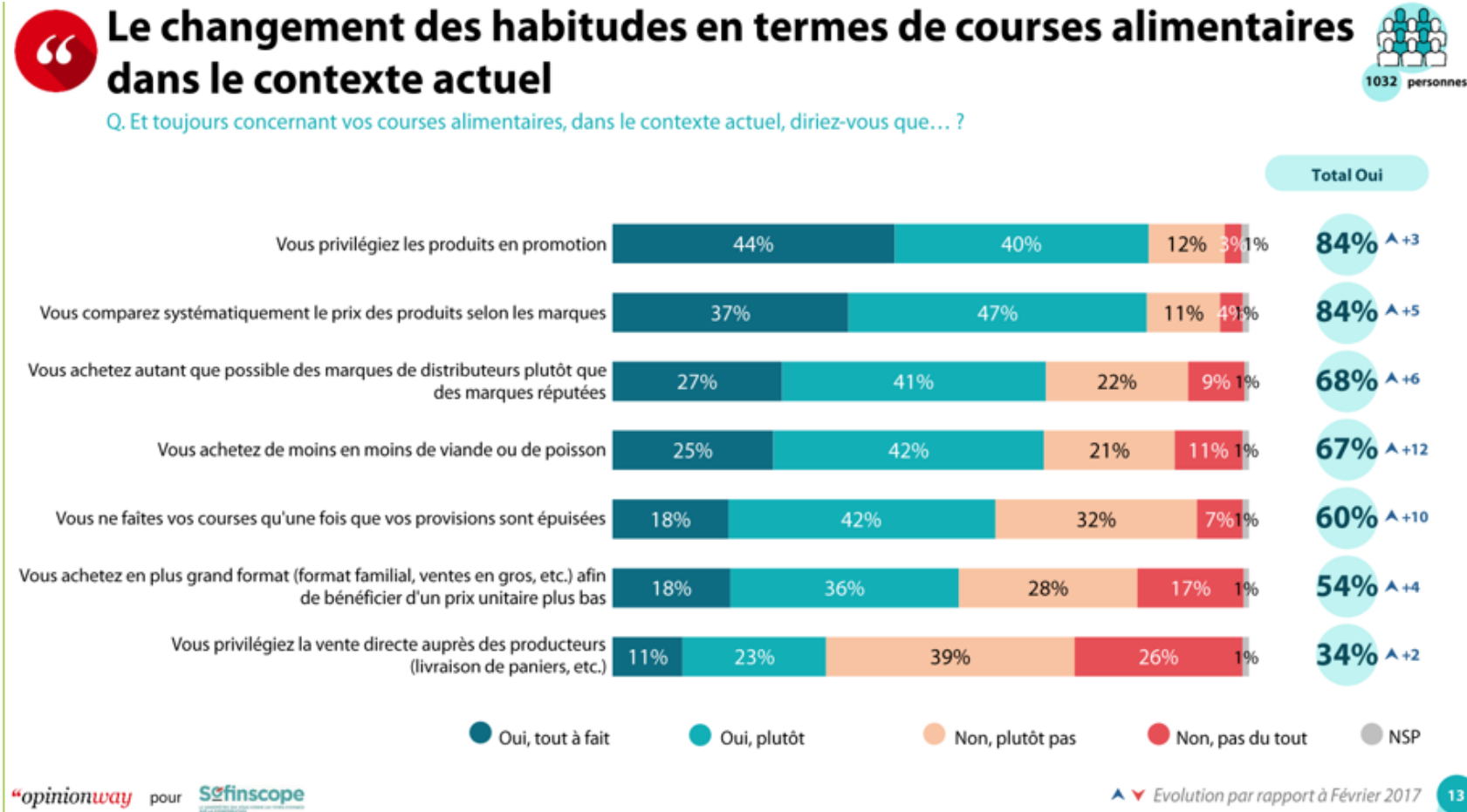
Economic context (2)

- ❖ Growth in FMCG sales in 2022 was exclusively due to a price effect (+7,3%). Volumes were down by 1.2%. The trend is the same at the beginning of 2023.
- ❖ The value-added effect (upmarket consumption) is now non-existent : -0.1% in 2022 and -0,3% during the last 12 months.



Economic context (3)

According to the OpinionWay survey conducted in February 2023, 84% of French say they prefer products on special offer (+3 points compared to 2017). 84% systematically compare product prices by brand (+5 points) and 68% buy private labels as much as possible (+6 points). 67% are buying less and less meat or fish (+ 12 points). 60% are buying less and less meat or fish (+ 10 points).



Focus on hypermarkets and supermarkets

Sales of dairy products in hypermarkets and supermarkets fell by 1,3% in volume during the first 2 months of 2023, compared to the same period in 2022 but increased by 15,7% in value.

Jan-Feb 2023 // Jan-Feb 2022

CUMUL A DATE HMSM+SDMP+ECOMMERCE+PROXI	EVOLUTION VALEUR	POIDS VALEUR	CONTRIBUTION GAINS/PERTES	EVOLUTION VOLUME UC
PGC FLS	9.7%			-1.8%
FRAIS	12.4%	36.3%		-1.9%
FRAIS - LAITIER	15.7%	17.5%	26%	-1.3%
FRAIS - NON LAITIER	9.5%	18.7%	18%	-2.5%

12 months to 26 Feb 2023 // 12 months to 26 Feb 2022

CUMUL ANNUEL MOBILE HMSM+SDMP+ECOMMERCE+PROXI	EVOLUTION VALEUR	POIDS VALEUR	CONTRIBUTION GAINS/PERTES	EVOLUTION VOLUME UC
PGC FLS	5.8%			-0.8%
FRAIS	7.1%	34.8%		-1.5%
FRAIS - LAITIER	8.0%	16.2%	22%	-1.8%
FRAIS - NON LAITIER	6.3%	18.6%	20%	-1.1%

Source: NielsenIQ - year-to-date 26 february 2023

Focus on hypermarkets and supermarkets






Data : February 2023

French consumers' purchases of dairy products fell by 2.3% in volume over the last 12 months to the end of February 2023.

The fall affected all product segments, with more marked declines for **milk fat** and **cream** (-5.4% and -3.7%).

Liquid milk is also among the heavily penalised segments with a 3% contraction in sales volume (12 months at the end of February).

Consumption of ultra fresh and cheese also fell in volume.

Evolution Ventes volume (%)		Sur le mois	Depuis le 1 ^{er} janvier	Sur un an
Total Produits Laitiers		● -0,7	● -2,9	● -2,3
	Lait liquide	● -0,2	● -3,9	● -3,0
	Mat. grasses laitières	● -4,0	● -4,8	● -5,4
	Crème	● 0,3	● -0,8	● -3,7
	Ultra-frais	● -1,5	● -2,4	● -1,4
	Fromages LS	● 0,5	● -1,0	● -1,4

Source: IRI – HMSM Discount Ecommerce

Inflation (1)

Source: IRI (hypermarkets, supermarkets, e-commerce)

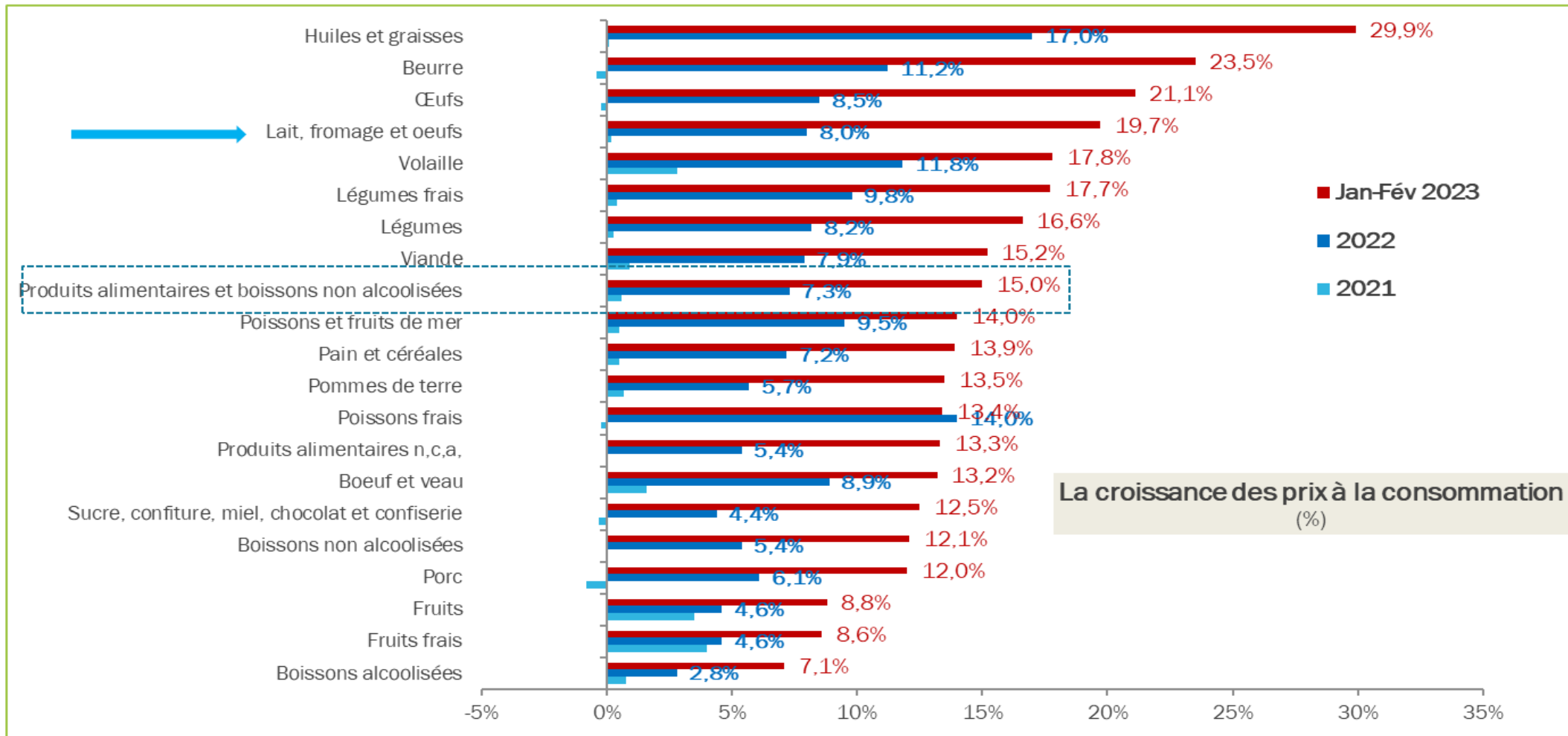
Inflation in **February 2023** : FMCG

- ❖ One-year inflation accelerated sharply to +14,45% overall.
- ❖ All types of brands are now inflationary, including national brands at +12,45%.
- ❖ The **dairy product** section is now one of the most inflationary section at +19,14% between February 2022 and February 2023. Between January and February, the increase was : +0,75% (vs 0,79% for the FMCG).
- ❖ Dairy products sold under “first prices” (premiers prix) jumped 27,33% in one year

	Tous Circuits			
	Tous produits	MN	MDD	PPX
TOTAL INFOSCAN IRI	14,45	12,45	18,66	21,11
INFOSCAN ALIMENTAIRE	14,54	12,53	18,76	21,65
DPH	11,91	8,14	19,18	22,81
ENTRETIEN	9,28	6,62	14,61	15,09
HYGIENE	13,07	8,81	21,22	25,50
EPICERIE	14,59	13,25	18,41	20,60
EPICERIE SALEE	15,47	13,66	19,38	21,20
EPICERIE SUCREE	13,87	12,96	17,25	19,57
FLS POIDS FIXE	17,71	15,88	19,95	23,47
CREMERIE	19,14	17,58	21,16	27,33
FRAIS NON LAITIERS LS	15,55	13,39	18,18	19,85
SURGELES GLACES	20,07	17,85	21,63	29,46
LIQUIDES	8,81	8,33	11,38	12,74
BIERES ET CIDRES	9,72	9,53	10,90	18,26
BRSA ET EAUX	11,00	10,15	14,14	16,53
SPIRITUEUX ET CHAMPAGNES	5,64	5,47	6,64	6,29
INFOSCAN BAZAR	10,32	8,84	14,17	10,10

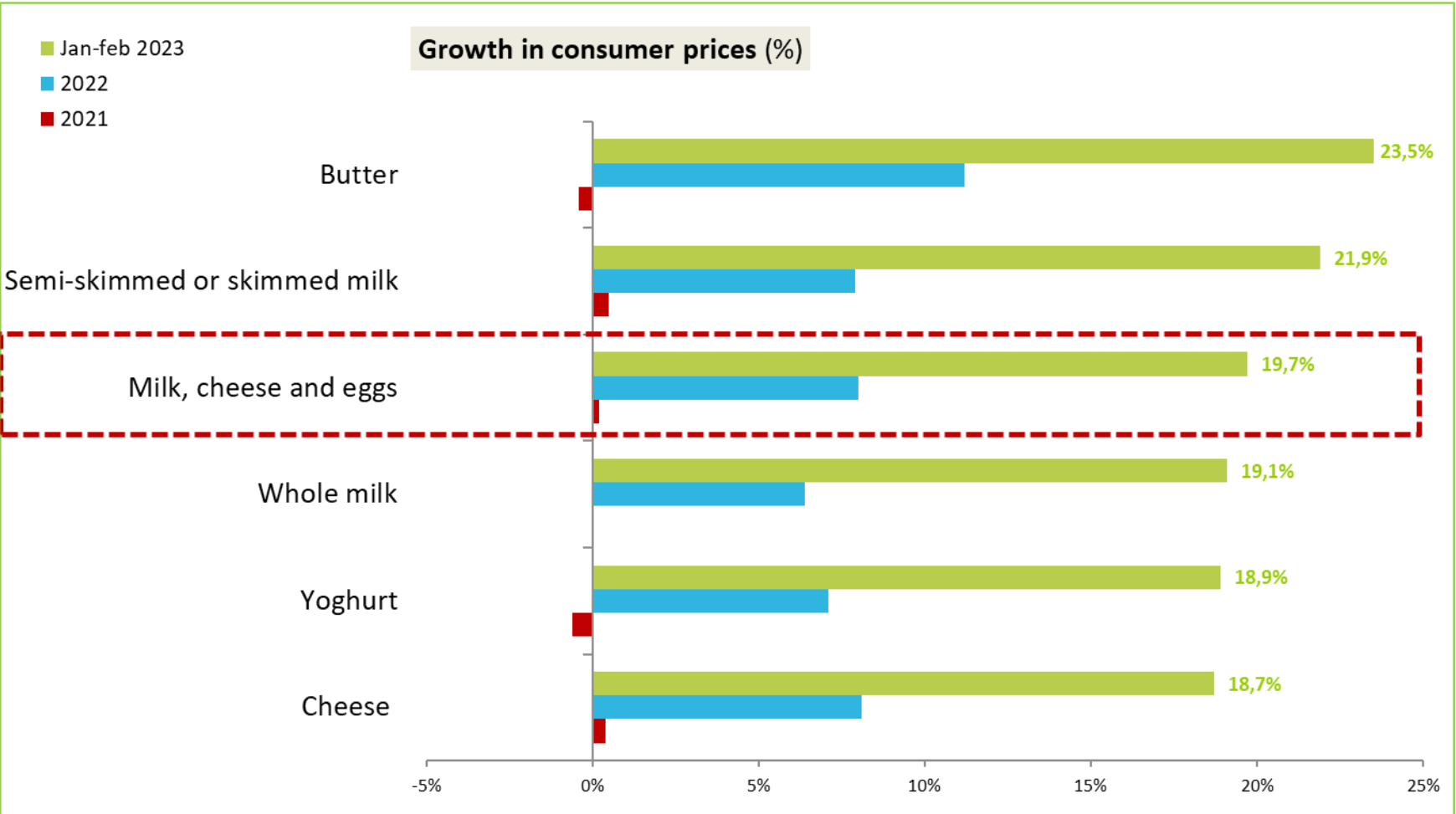
Inflation (2)

The growth of consumer prices of food products has tended to accelerate in recent months. Oil & fats prices have risen by 30% during the first 2 months of 2023, **dairy products** prices : +19,7%.



Inflation (3): dairy products

The growth of consumer prices of food products has tended to accelerate in recent months. Oil & fats prices have risen by 30% during the first 2 months of 2023, **dairy products** prices : +19,7%.

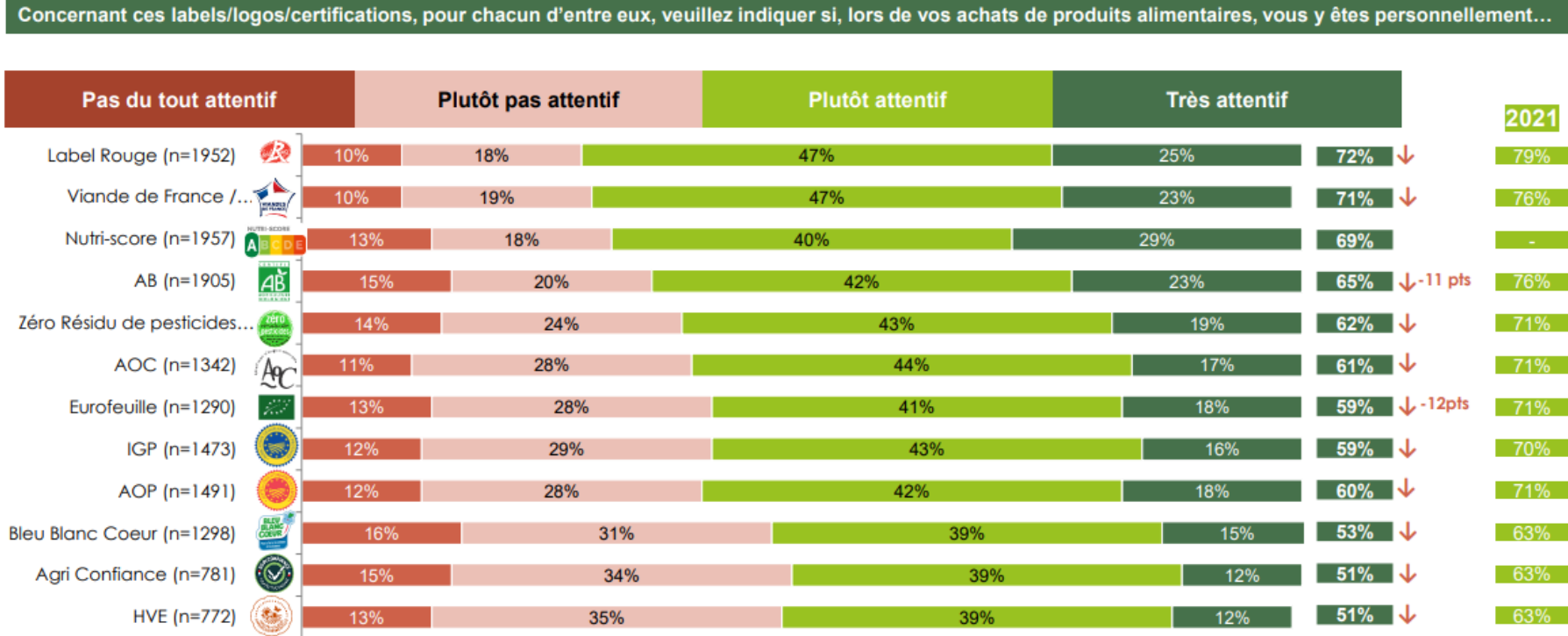


(*) IPC : indice des prix à la consommation (ensemble des ménages / France) / Source : INSEE - dernière donnée février 2023

Organic market: the French are less interested in the organic label

- Loss of consumer interest in the organic label in France in 2022
- Loss of consumer confidence in the French organic label in France in 2022 (85% in 2022 vs 91% in 2021) and in the European label (65% in 2022 vs 76% in 2021)

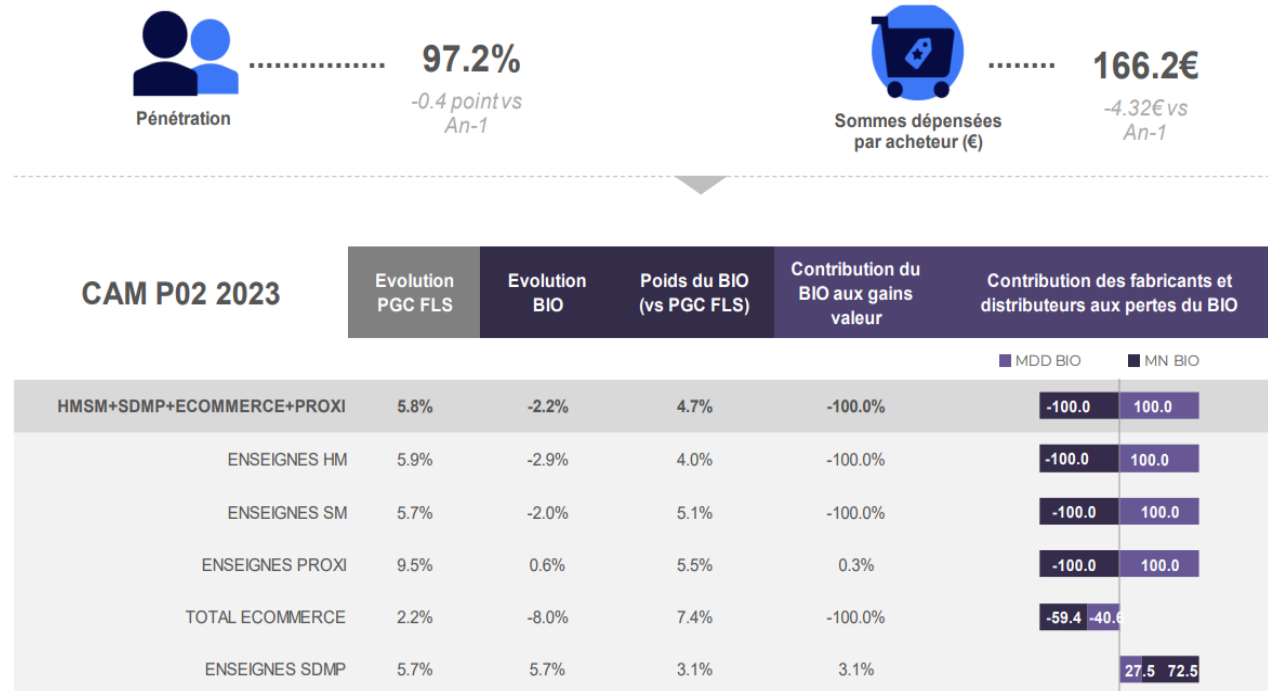
Concerning these labels/logos/certifications, for each of them, please indicate whether you personally pay attention to them when buying food products...



Organic market: hyper, super, discount, ecommerce

Trend Reversal. According to Nielsen data, organic sales have decreased by **-2,2%** over the last 12 months to the end of February 2023 (vs +5,8% for the overall market). Organic represents 4,7% of FMCG sales, down slightly from 5.2% a year ago. In terms of distribution channels, organic sales in hypermarkets fell by -2,9% (+5,9% for all FMCG), in supermarkets they fell by -2%. Note an increase of +5,7% in the discount channel.

Quelle tendance du bio sur le cumul annuel mobile ?



	Basket
2017	109,5 €
2018	130,6 €
2019	152,7 €
2020	172,2 €
2021	172,1 €
2022	167,2 €
2023 (CAM P02)	166,2 €

Source: NielsenIQ

Sales of organic milk and dairy products

Stong decrease in the sales of organic milk and dairy products in hyper & supermarkets. All segments are affected by the decline : milk (-8,4% in volume), ultra fresh dairy (-9%), cream (-15,6%), butter (-9,5%), cheese (-15,4%).

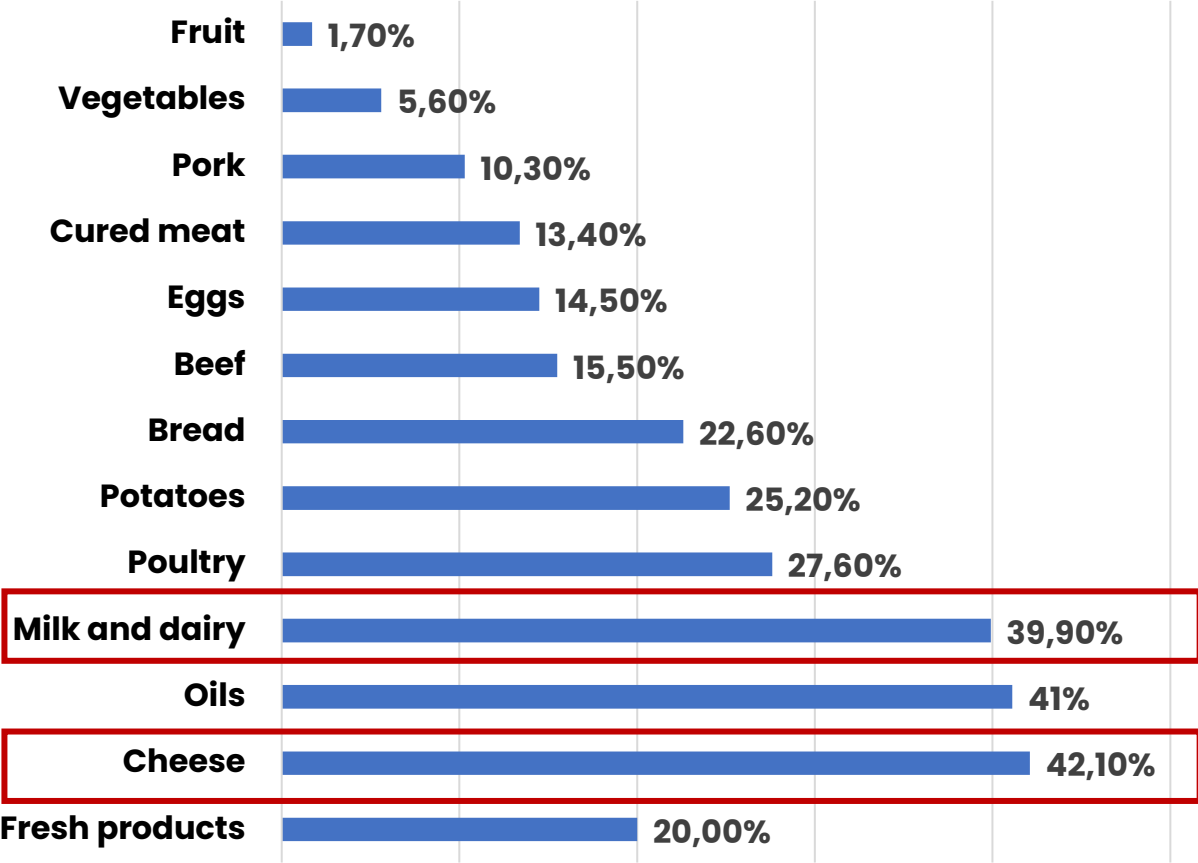
Fabrications	Annuel		12 mois fabrications			Evolution (%)		
	2020	2021	2020	2021	2022	21/20	21/22	20/22
Collecte (1 000 litres)	1 107 800	1 229 324	1 107 800	1 229 324	1 262 053	11,0%	2,7%	13,9%
Lait liquide (1 000 litres)	365 998	354 570	365 998	354 570	322 346	-3,1%	-9,1%	-11,9%
UF (tonnes)	92 213	88 875	92 213	88 875	78 758	-3,6%	-11,4%	-14,6%
Ventes GMS	2020	2021	cumul annuel glissant à P13					
Lait (1 000 litres)	296 798	273 673	297 580	272 566	249 793	-8,4%	-8,4%	-16,1%
UF (tonnes)	80 820	74 850	79 741	74 178	67 465	-7,0%	-9,0%	-15,4%
Crème (tonnes)	7 219	6 413	7 265	6 335	5 347	-12,8%	-15,6%	-26,4%
Beurre (tonnes)	11 534	10 348	11 783	10 436	9 444	-11,4%	-9,5%	-19,9%
Fromages (tonnes)	11 904	11 012	12 019	10 927	9 243	-9,1%	-15,4%	-23,1%

Source : [Cniel](#) / IRI (ventes en Hyper-, Supermarchés, discount et e-commerce)

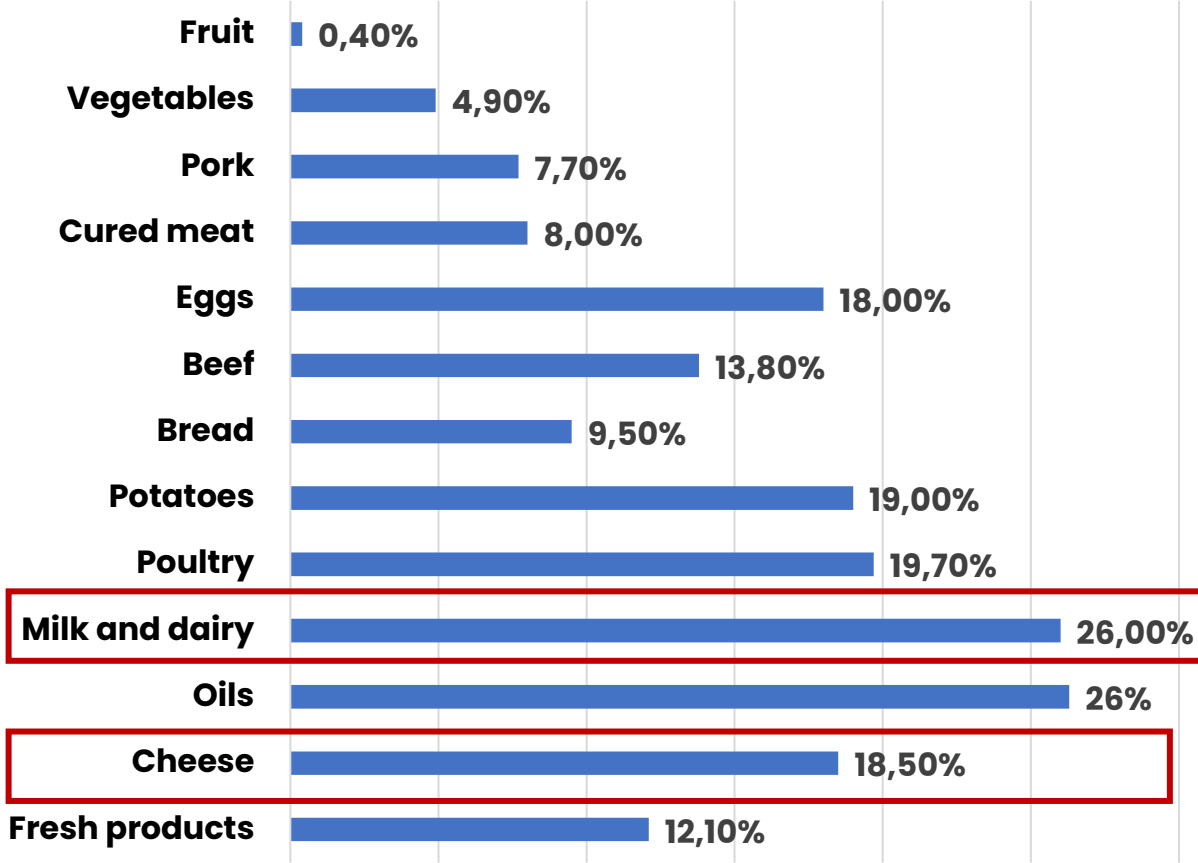
Germany

Inflation

Food inflation – January 2023



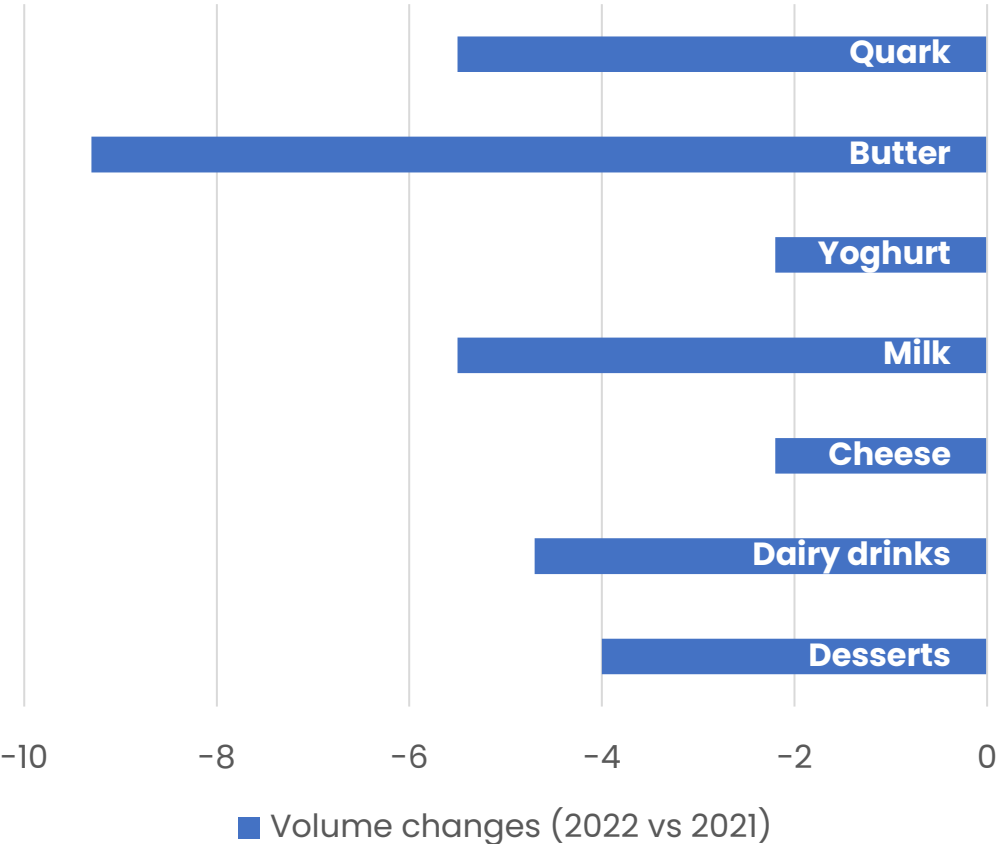
Food inflation – Year 2022 vs 2021



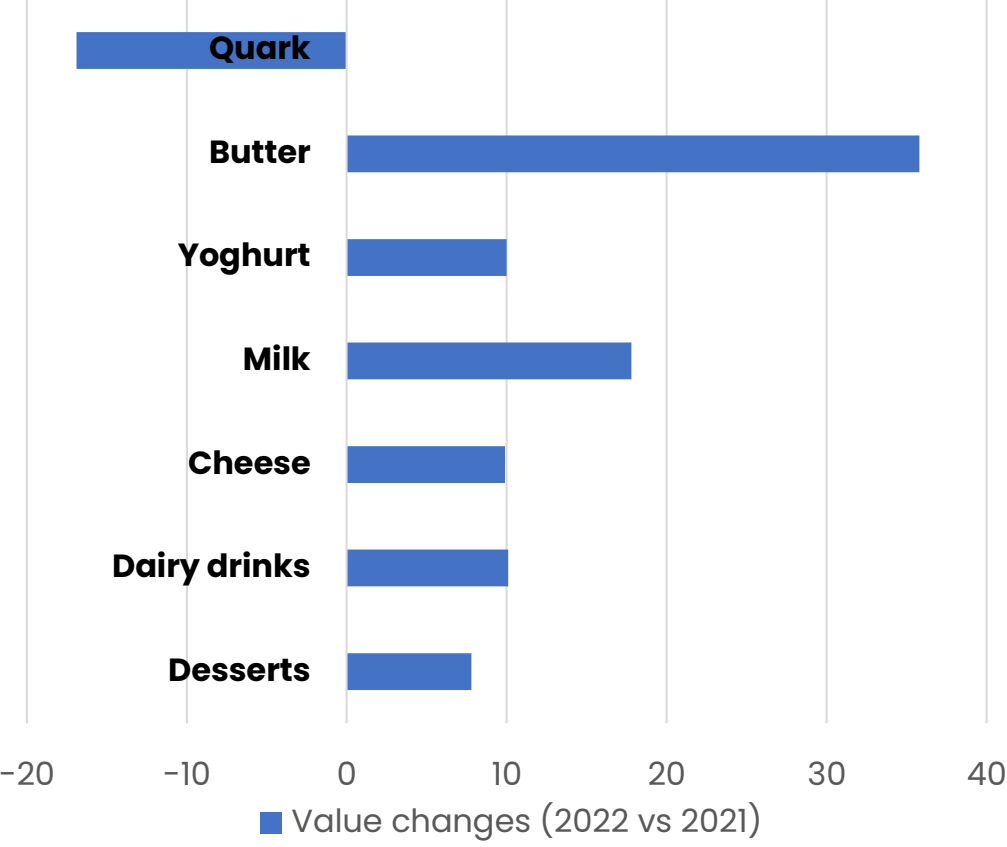
Source: AMI

Milk and dairy market in 2022

Volume changes (2022 vs 2021)



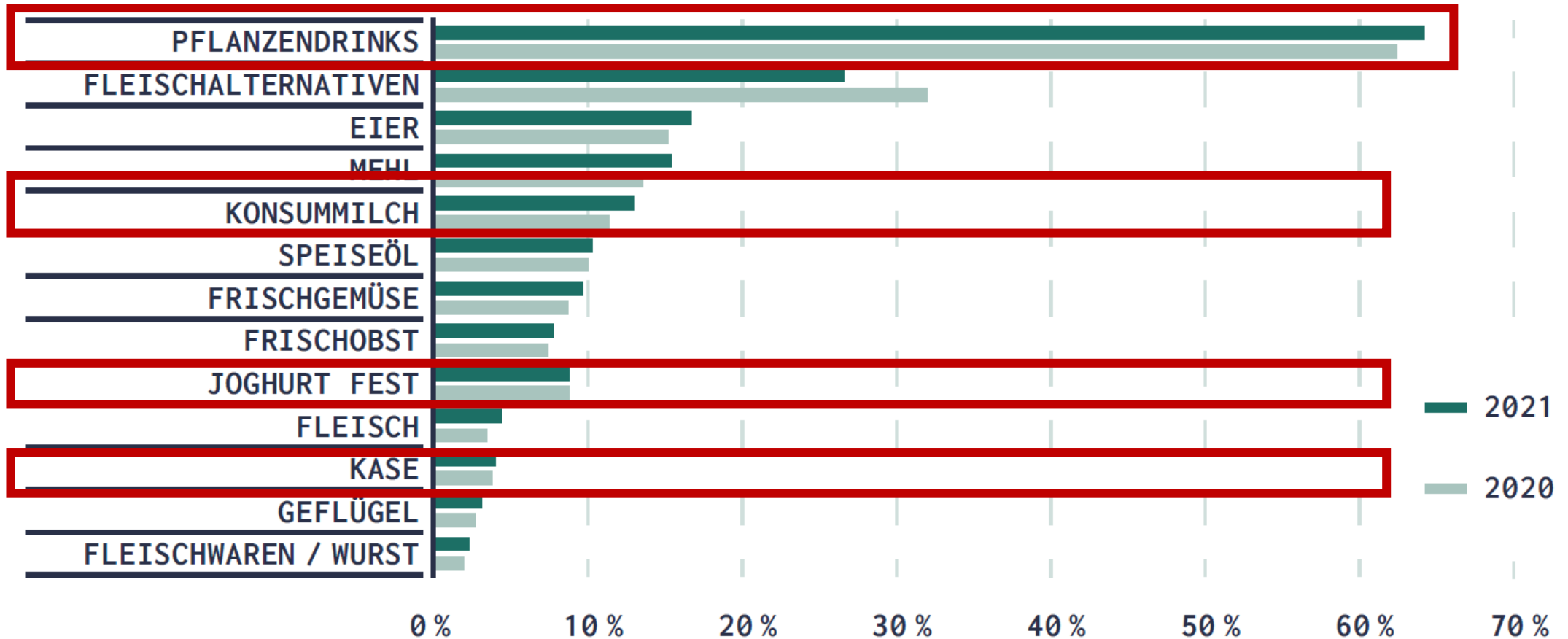
Value changes (2022 vs 2021)



Source: AMI

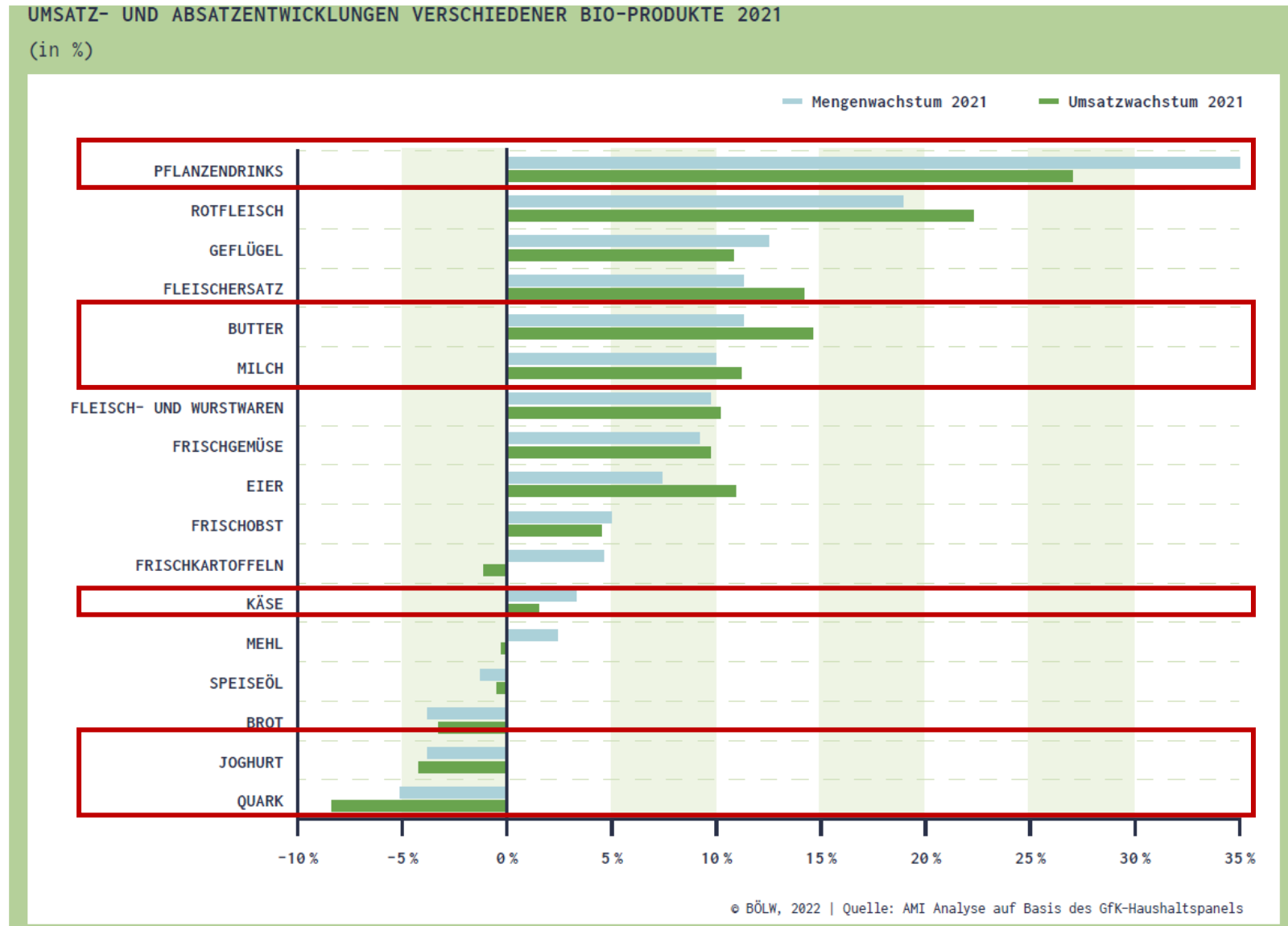
Organic market – organic products in fresh sales

Comparison 2021 to 2020 (in %)

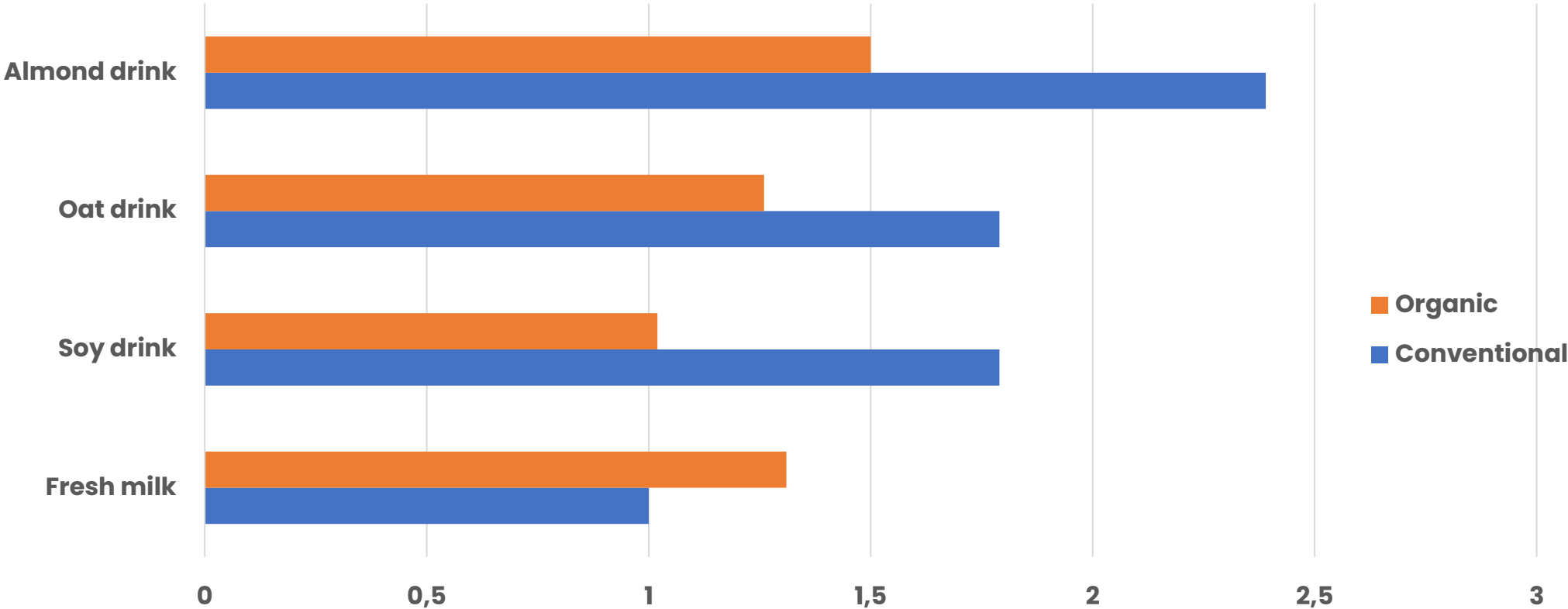


© BÖLW, 2022 | Quelle: AMI nach GfK-Haushaltspanel

Organic market – development of sales (volume and turnover) in 2021



Plant-based alternatives – prices (EUR per liter)



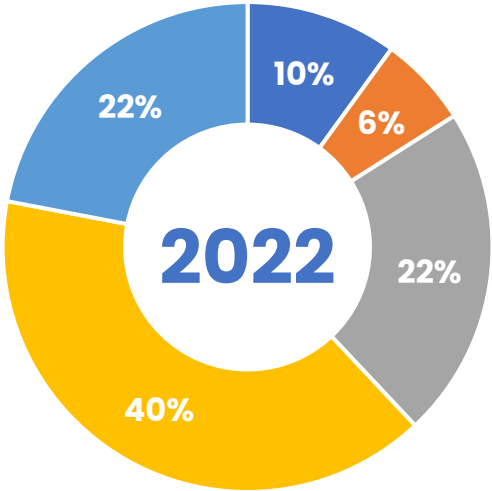
	Fresh milk	Soy drink	Oat drink	Almond drink
Organic	1,31	1,02	1,26	1,5
Conventional	1	1,79	1,79	2,39

Source: AMI

Italy

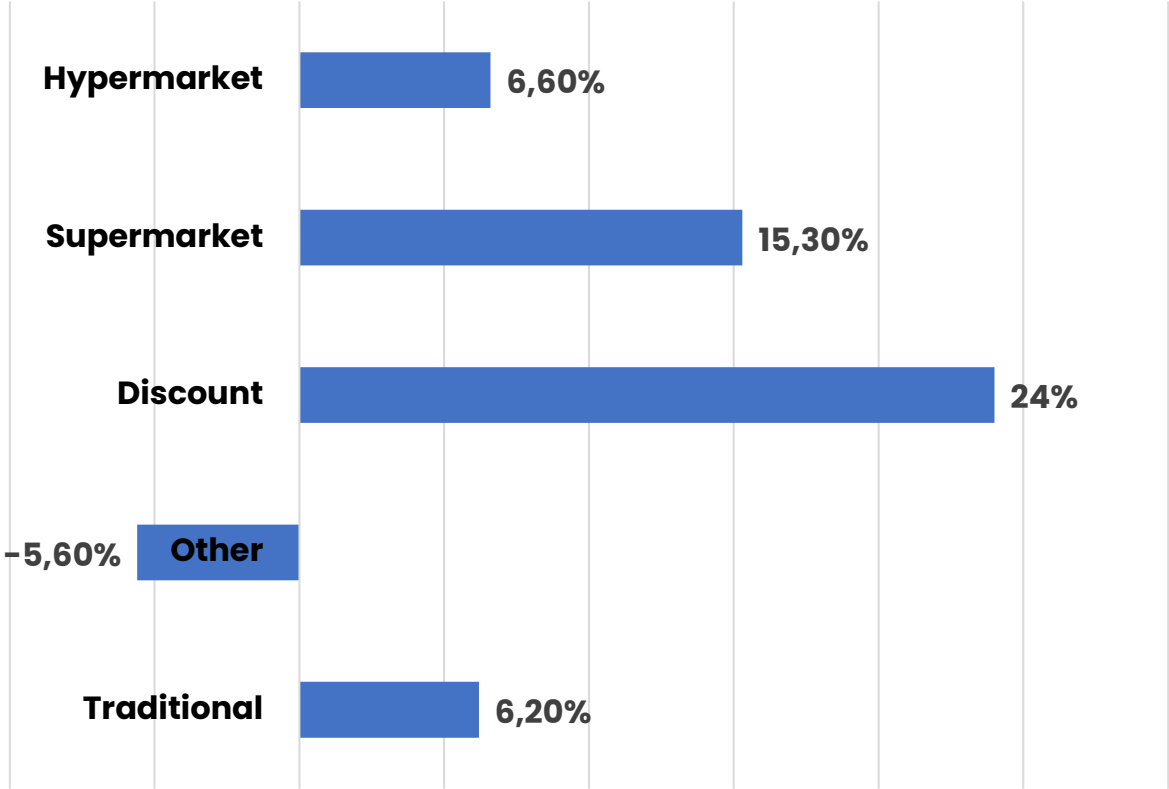
Retail channels in times of crisis

Turnover by type of retail



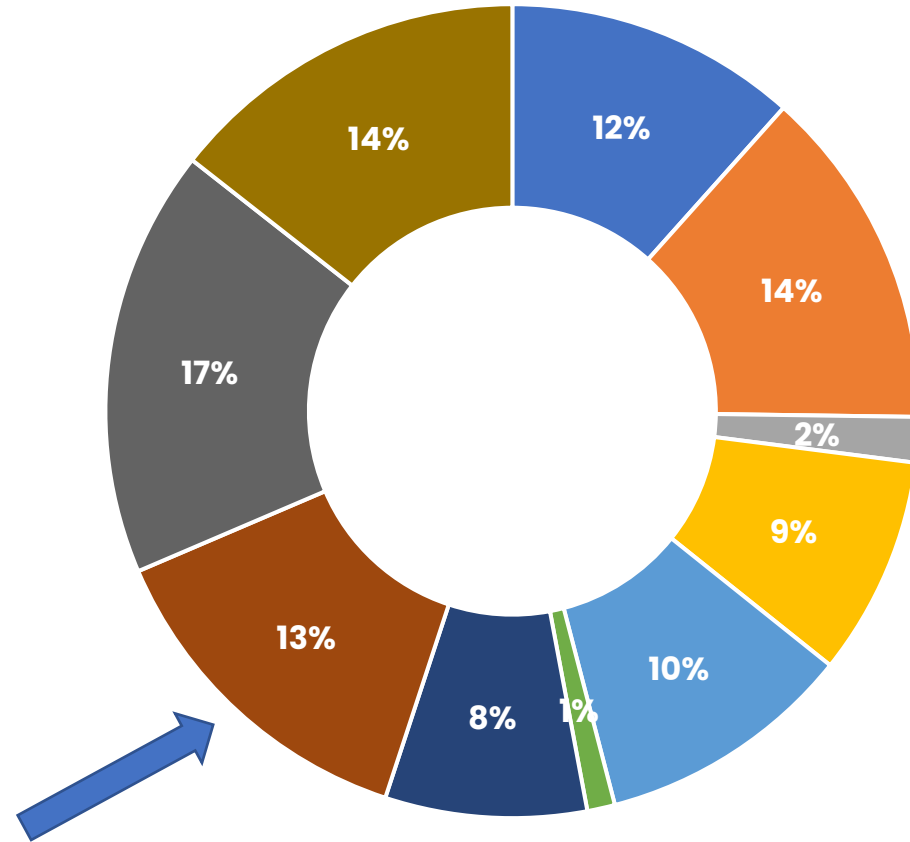
- Traditional ■ Other ■ Discount
- Supermarkets ■ Hypermarkets

Turnover variation by type of retail (2019 vs 2022)



Source: ISMEA

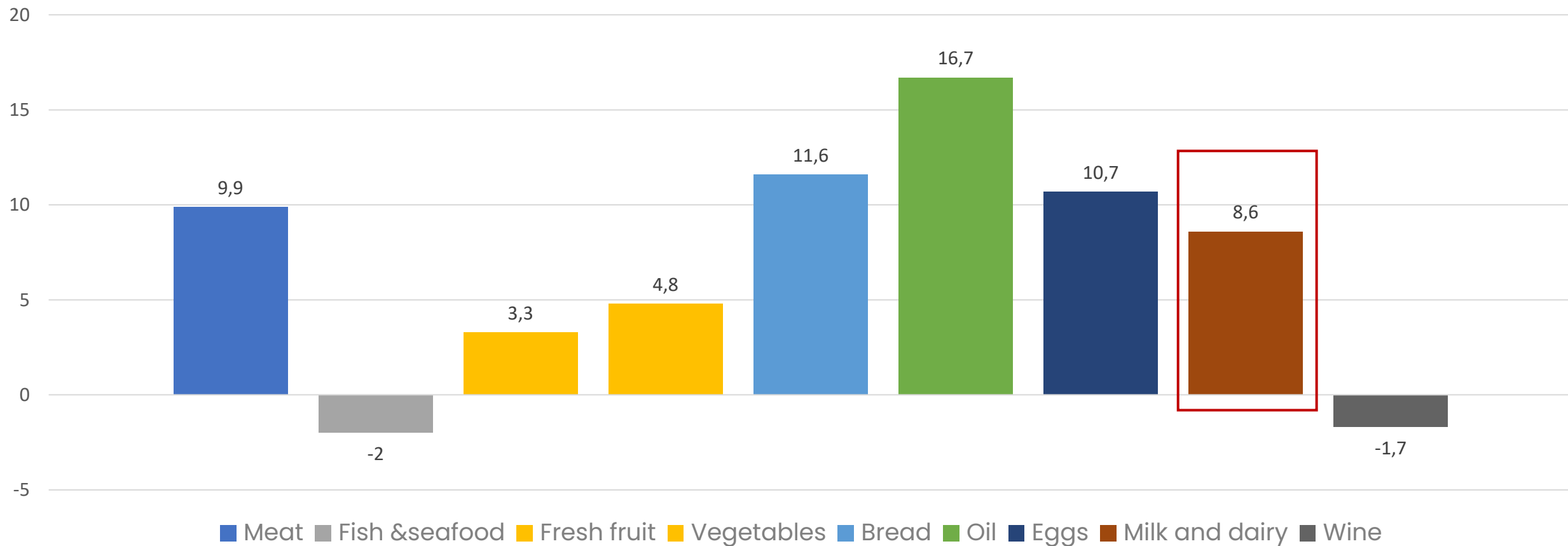
The shopping basket in 2022



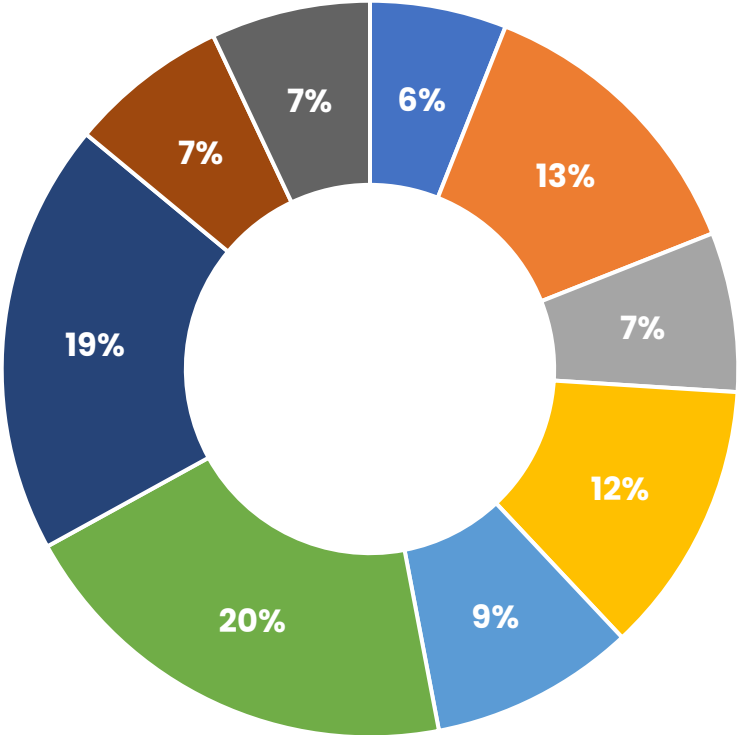
- Wine and alcohol
- Other
- Oil
- Fruit
- Vegetables
- Eggs
- Fish & seafood
- Milk and dairy
- Meat
- Bread & cereal

Food home consumption in 2022

Food home consumption (value changes vs 2021)



Milk and dairy shopping basket in 2022

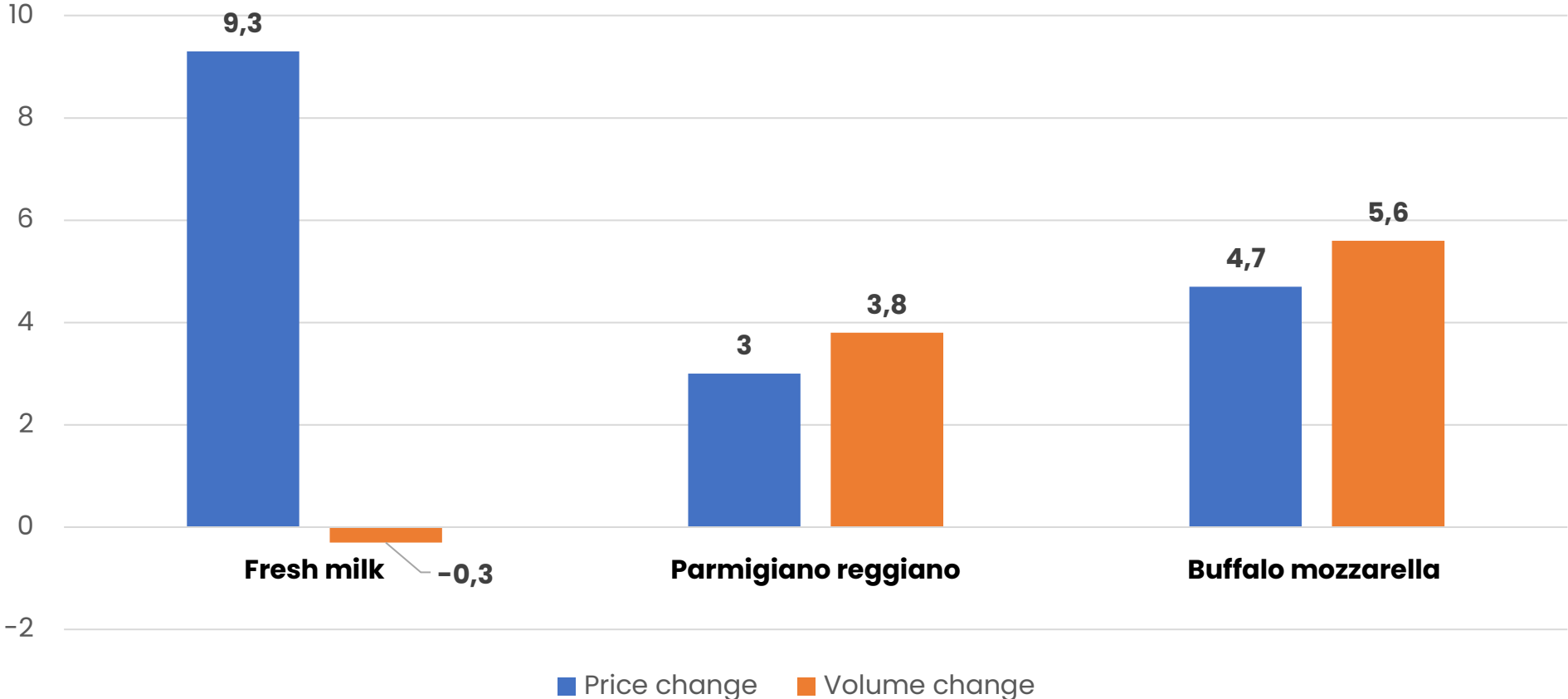


- Fresh milk
- UHT milk
- Other
- Yoghurt
- Soft cheese
- Hard cheese
- Fresh cheese
- Industrial cheese
- Semi-hard cheese

	Value changes 2022/2021	% in 2022 shopping basket
Total food	6,4%	
Ice cream	16,1%	1,4%
Yogurt	6,6%	1,6%
Hard cheese	8,5%	2,6%
Fresh cheese	8,2%	25%
Soft cheese	4,8%	13%
Industrial cheese	11,4%	0,9%
Semi-hard cheese	10,6%	1%
Fresh milk	8,1%	0,8%
UHT milk	12,1%	1,8%
Margarine	15,7%	0%

Inflation

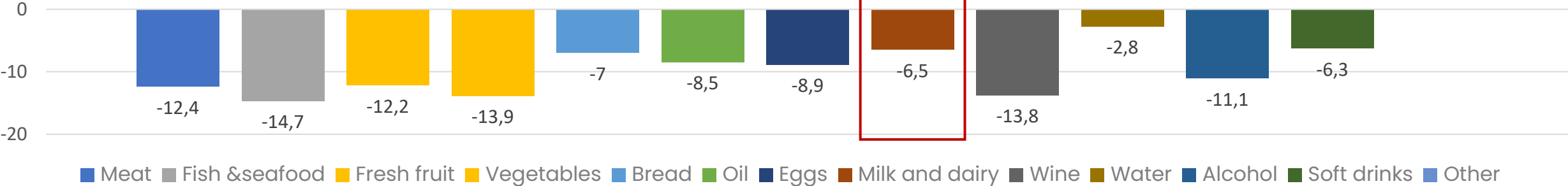
Price and volume variation (%) - 2022 vs 2021



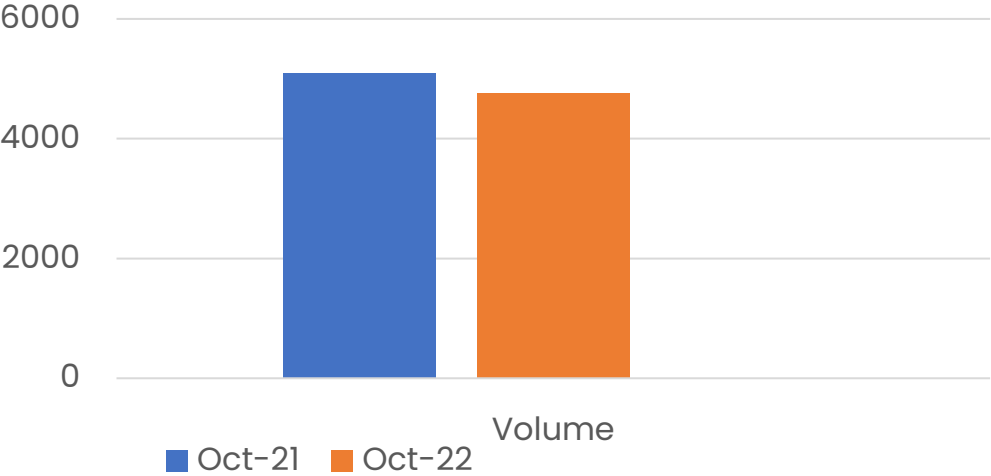
Spain

Milk and dairy consumption in 2022 (1)

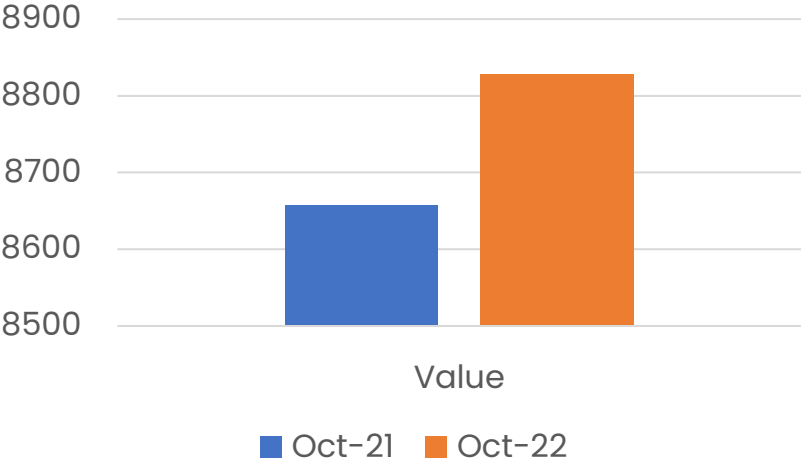
Food home consumption (volume changes vs October 2021)



Volume (million kg)

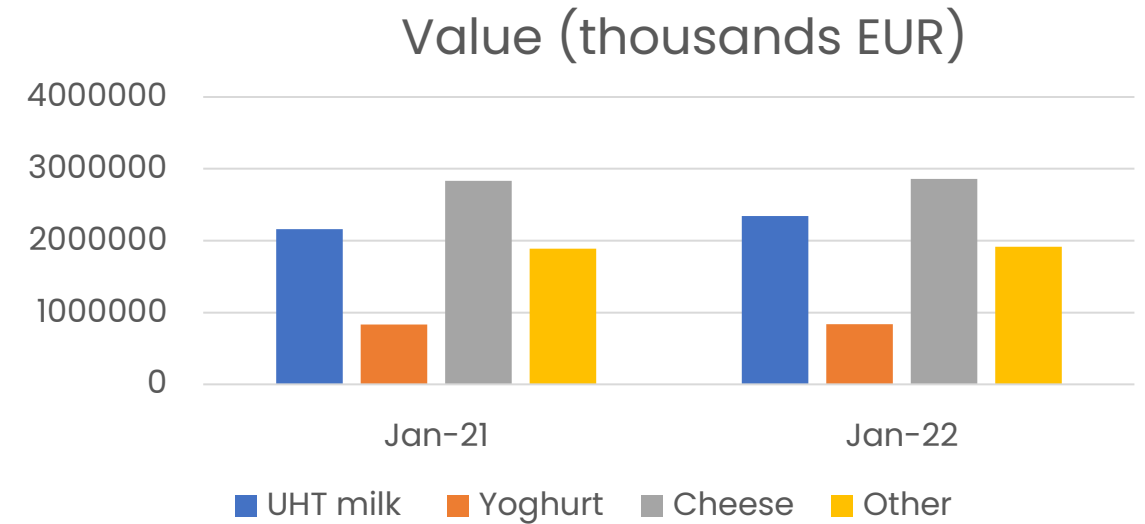
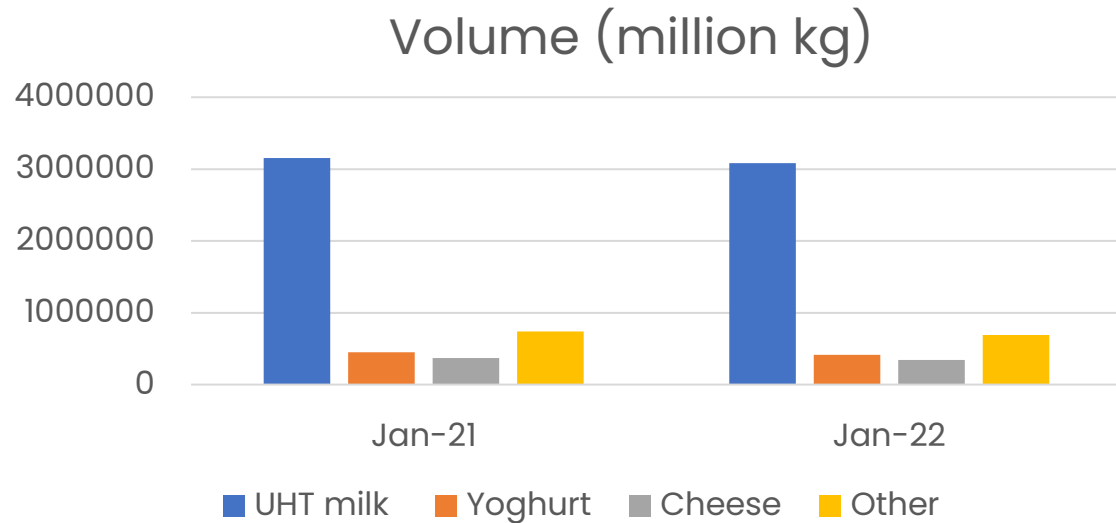


Value (EUR million)



Sales of milk and dairy decreased by 6,5% in volume in 2022 compared to 2021 and increased in value by 2%.

Milk and dairy consumption in 2022 (2)



Pro-capita home consumption in volume in Spain in 2022:

- -5.7% for UHT milk;
- -8,3% for yoghurt;
- -6,9% for cheese;
- -6.8% for other dairy products.

Pro-capita home consumption in value in Spain in 2022:

- +8.3% for UHT milk;
- -1% for yoghurt;
- +1% for cheese;
- +1.6% for other dairy products.

ANNEX 5

Short-term EU dairy market outlook

European Commission

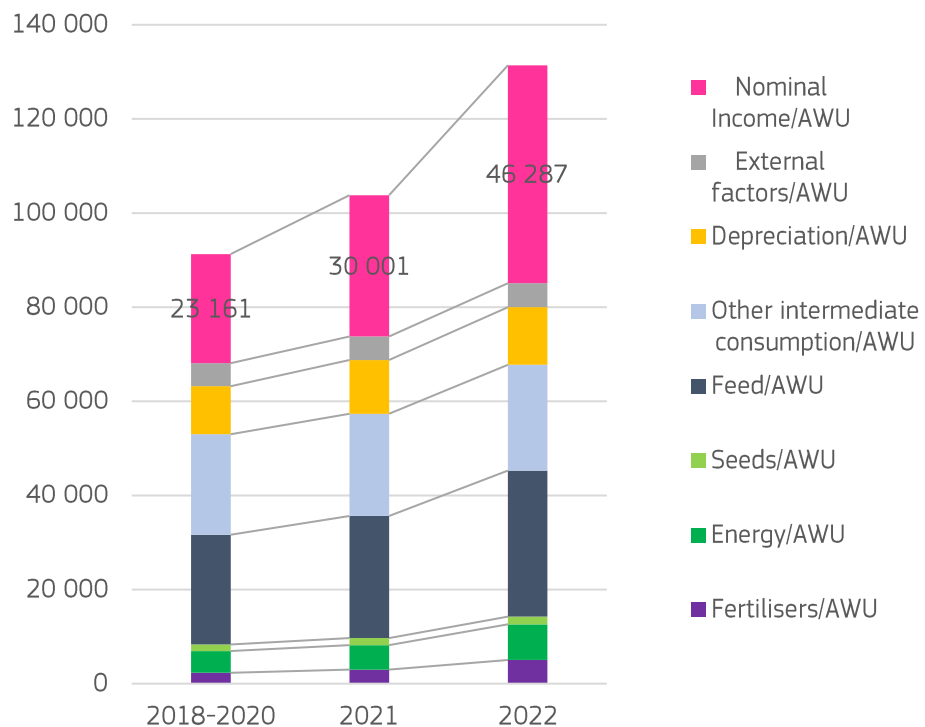


SHORT-TERM EU DAIRY MARKET OUTLOOK

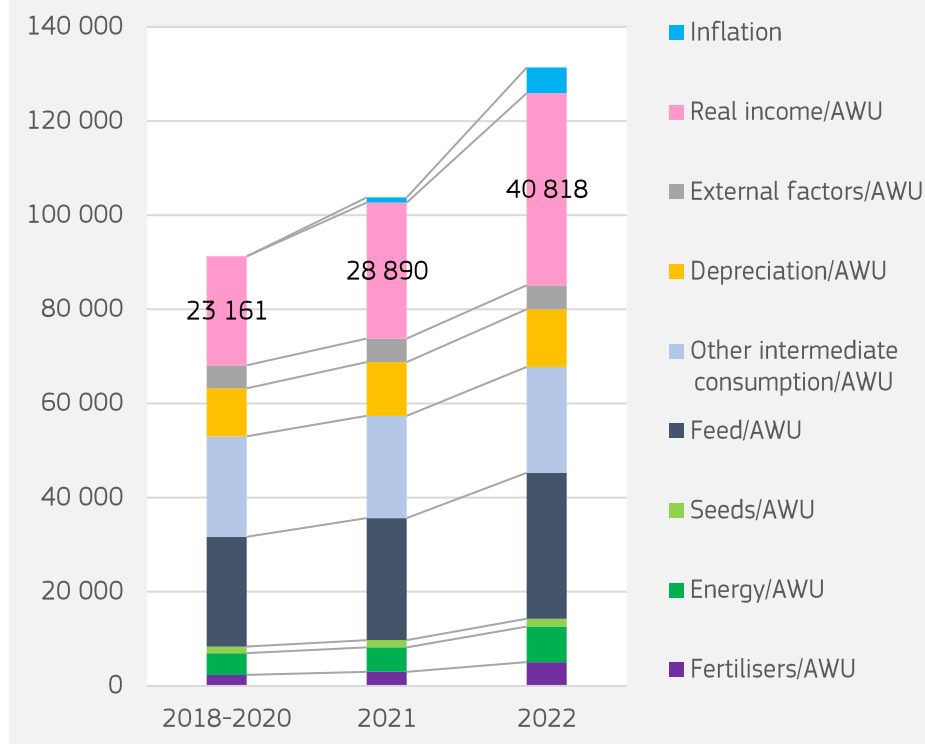
Milk Market Observatory
28 March 2023, unit of Analysis and Outlook

Income of milk specialised farms in the EU

Nominal income and selected costs (EUR/AWU)
in milk specialised farms



Real income and selected costs (EUR/AWU) in
milk specialised farms



Note: **External factors** - Remuneration of inputs (work, land and capital) which are not the property of the holder = wages, rent and interest paid; **Total intermediate consumption** - Total specific costs (including inputs produced on the holding) and overheads arising from production in the accounting year / "Other" includes all except the ones displayed separately.

Source: DG Agriculture and Rural Developments, based on FADN data (2018-2020) and Eurostat (EAA).

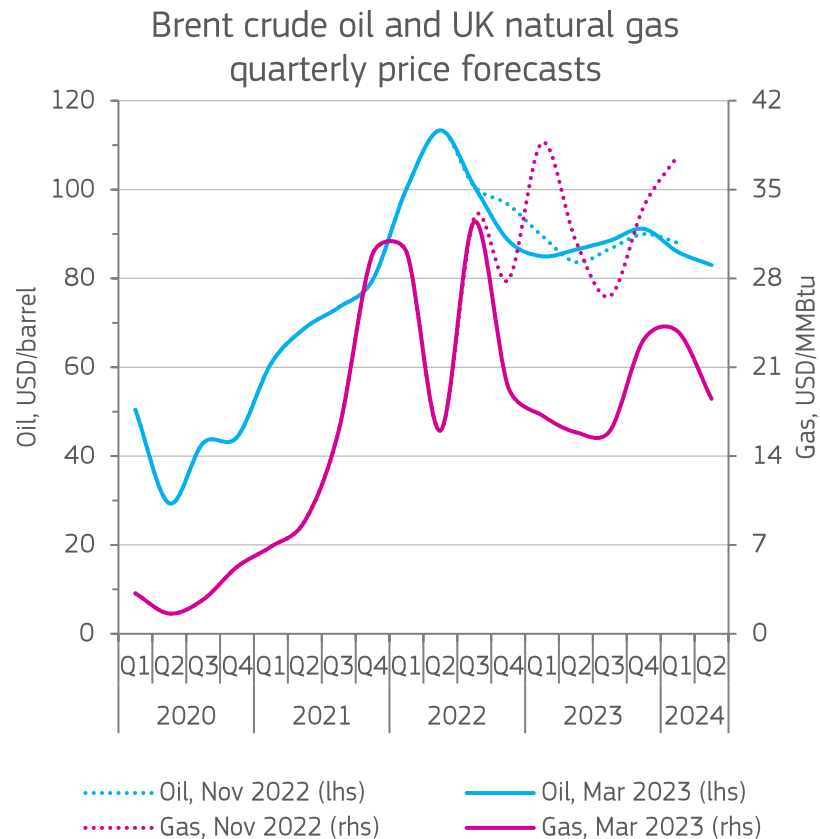


SHORT-TERM OUTLOOK PROSPECTS

#AgriOutlook

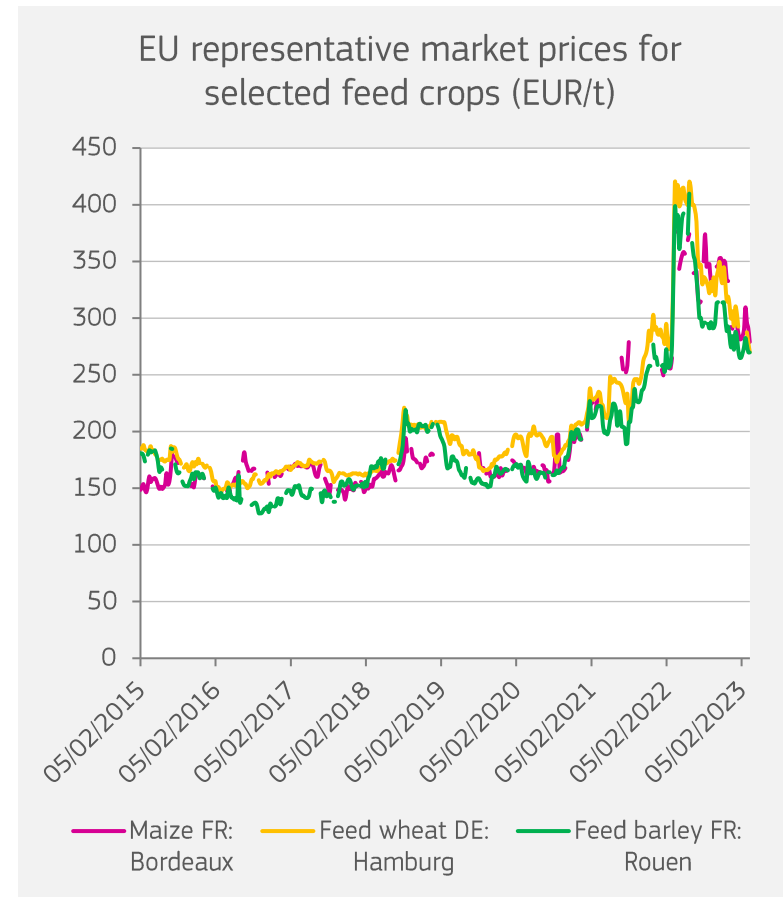


Supply factors – energy and feed costs



Note: 1 MMBtu is 1 million British thermal units, approximately 293.1 kilowatt hours.

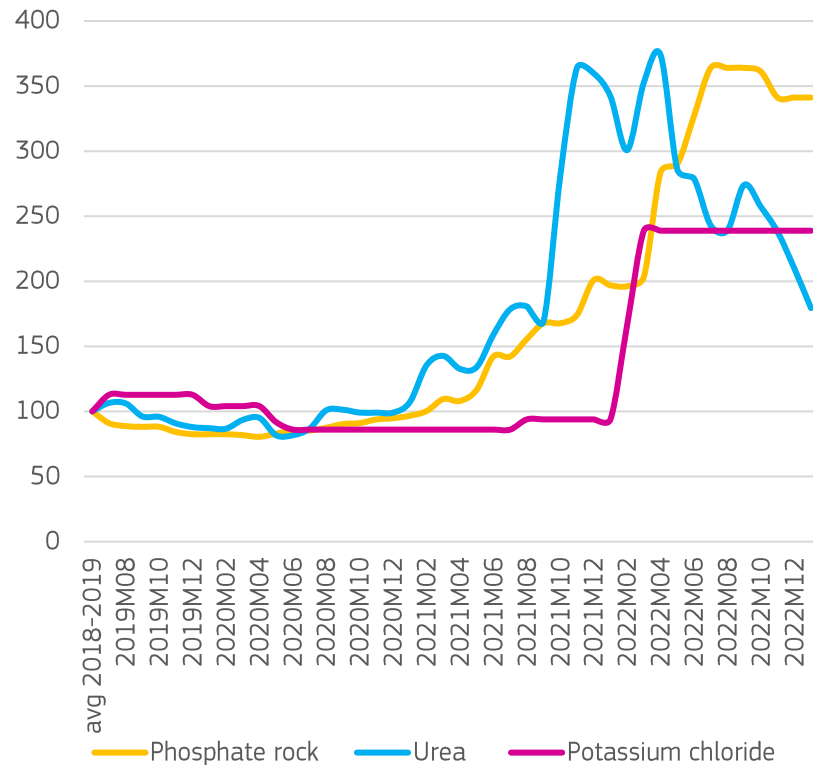
Source: DG Agriculture and Rural Developments, based on S&P Global.



Source: DG Agriculture and Rural Developments, based on MS notifications.

Supply factors –fertilisers

Fertilisers costs (average 2018-2019=100)



Source: DG Agriculture and Rural Developments, based on World Bank.

Fertilisers impact:

- Quality of **pastures**
- Availability and quality of **feed**

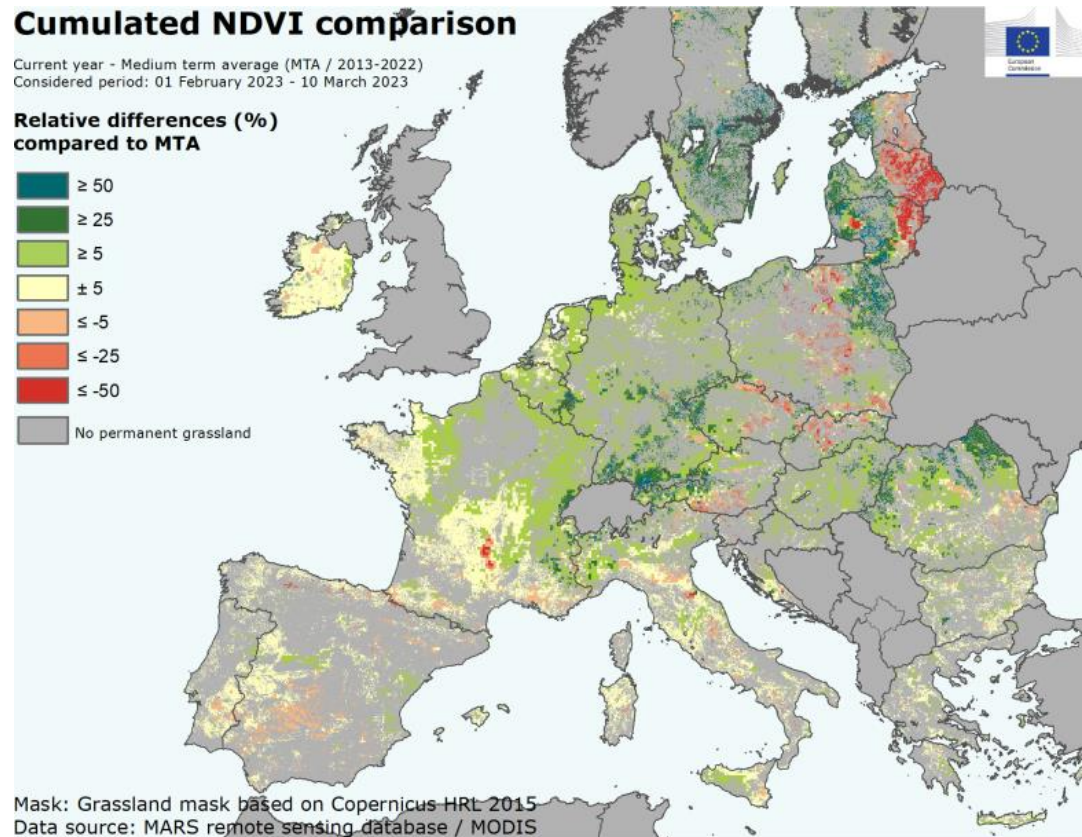
-> besides milk volumes, also milk protein and fat content

In 2019-2021:

- Average EU mineral fertiliser **production**: around 40 million t
- Average EU mineral fertilisers **imports**: around 26 million t

Any change in 2022?

Supply factors – grassland conditions



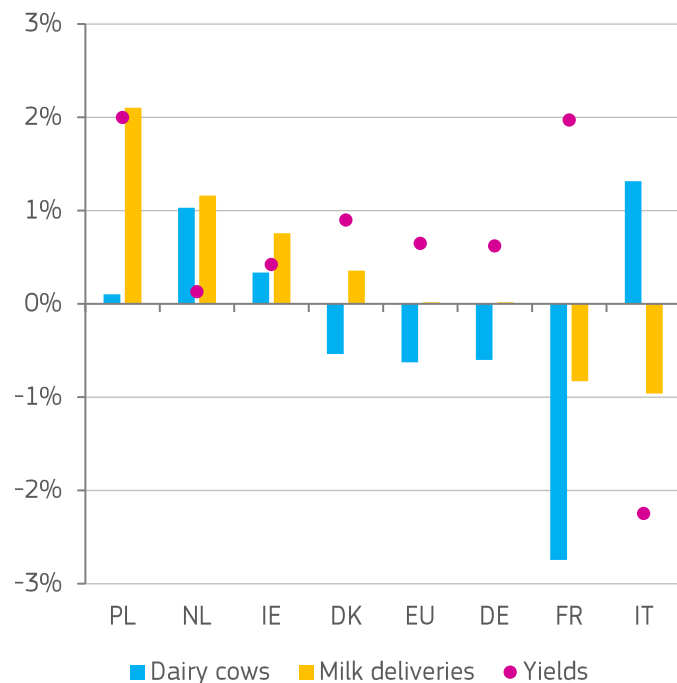
Note: Normalized Difference Vegetation Index (NDVI) from 1 February to 10 March 2023 and the medium-term average (MTA, 2013-2022) for the same period.

Source: JRC MARS Bulletin – March 2023.

- Mild winter weather conditions with frequent rainfall events have been **favourable** for grasslands (e.g. northern DE, DK, southern SE, western PL and HU)
- **Average** conditions are found in large parts of IE, Benelux, FR, ES, PT, IT, HR, EL, BG and central RO.
- **Below-average** photosynthetic activity and biomass accumulation in large parts of ES and PT, along the Po Valley in IT, in eastern RO and southern FR

EU milk supply in 2022

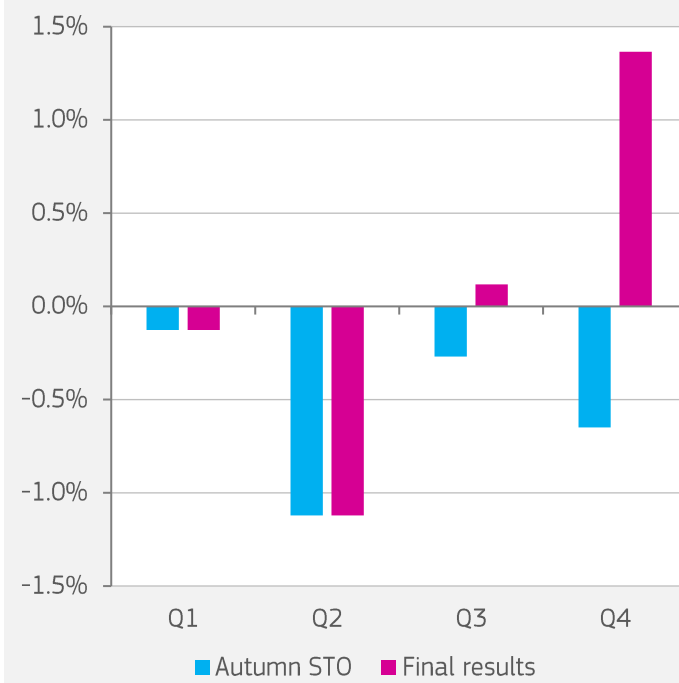
2022/2021 change in number of dairy cows, milk deliveries and yields



Note: Yields calculation is based on milk deliveries and dairy cows' numbers.

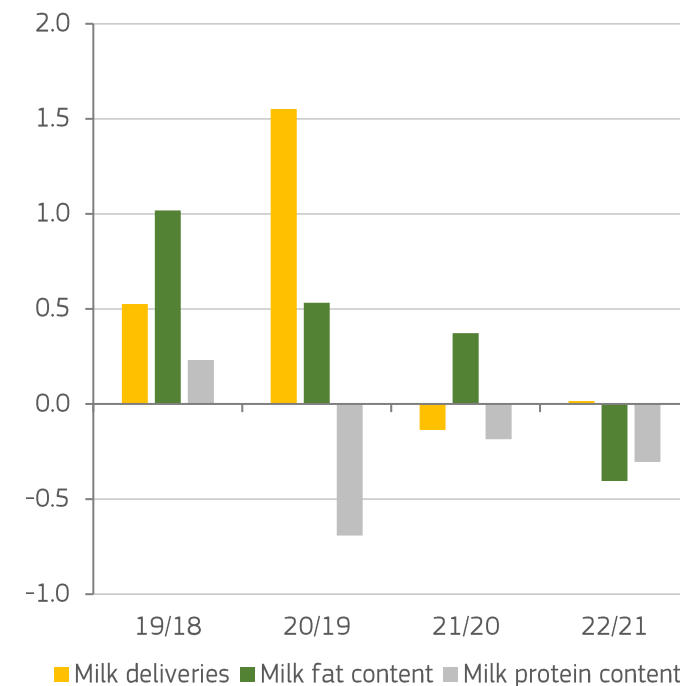
Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications.

2022/2021 quarterly change of EU milk deliveries



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

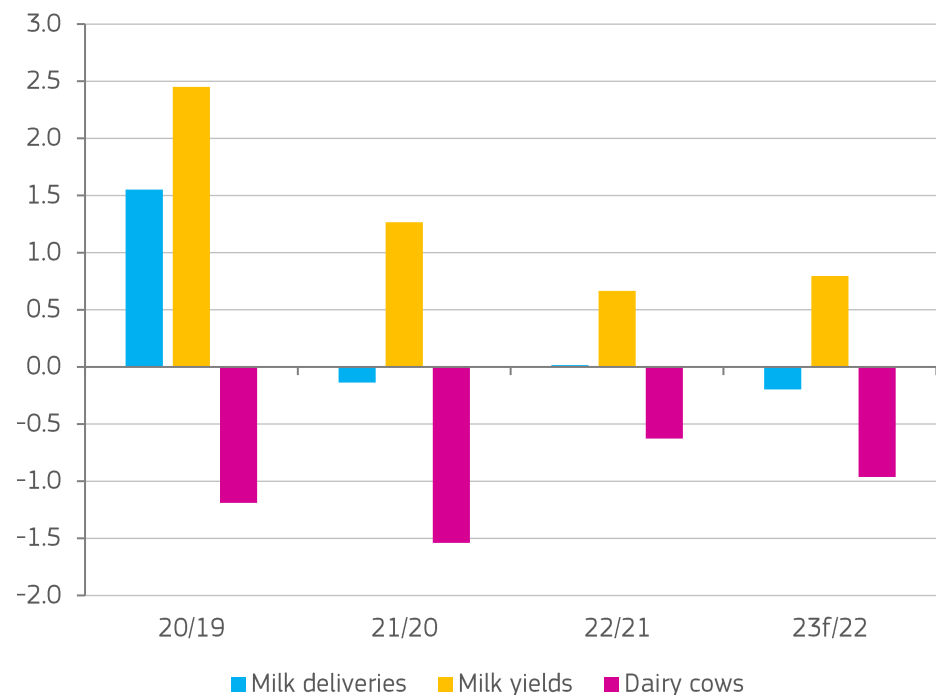
Annual change of milk deliveries, milk fat and milk protein content (%)



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

EU milk supply outlook in 2023

Annual change of EU milk deliveries, milk yields and dairy cows' herd (%)



Note: Yields calculation is based on milk deliveries and dairy cows' numbers.
Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications

Dairy herd:

- A stronger reduction expected in 2023 (due to delayed slaughterings from 2022, also good beef prices while raw milk price is going down)

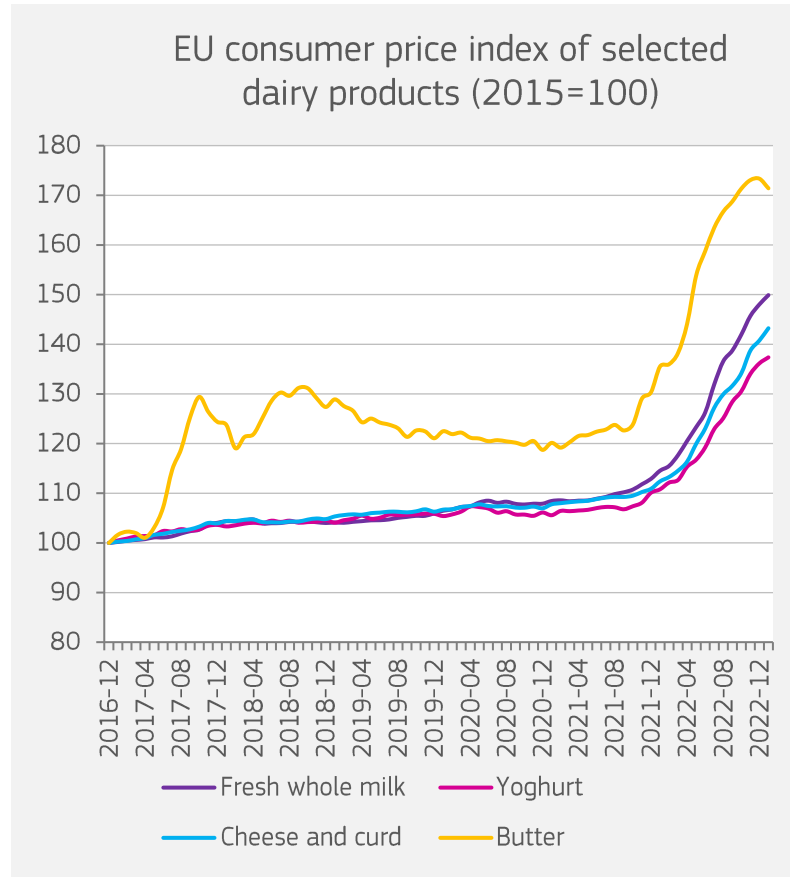
Yields:

- A compound-feed diet could still be of a higher price (versus a lower milk price)
- ...while grass quality is assumed to be better
- Overall, slightly higher yield growth expected
- Also milk solids to go back to normal levels

Milk deliveries (and production):

- Still going up in the first half of 2023
- Likely to decline in Q3 and then more in Q4 (compared to an exceptional growth in 2022)

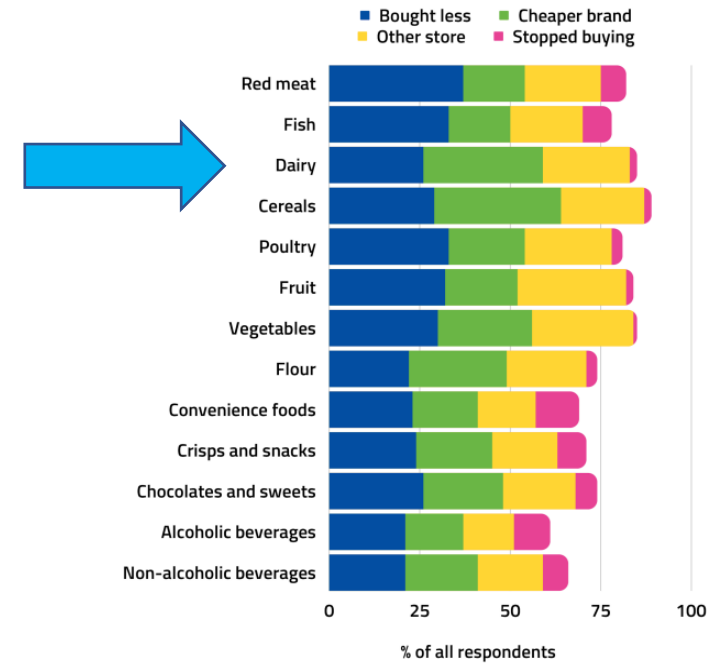
Demand factors - EU consumer prices



Source: DG Agriculture and Rural Developments, based on Eurostat

Consumers cut food costs by buying less or switching brands

Consumers are reacting to increased prices by cutting costs where they can, including buying less, buying cheaper brands, and shopping at cheaper stores.



Source: [European consumers cut back on food costs to cope with shortages and rising prices - EIT Food](#)

Global dairy demand – focus on China

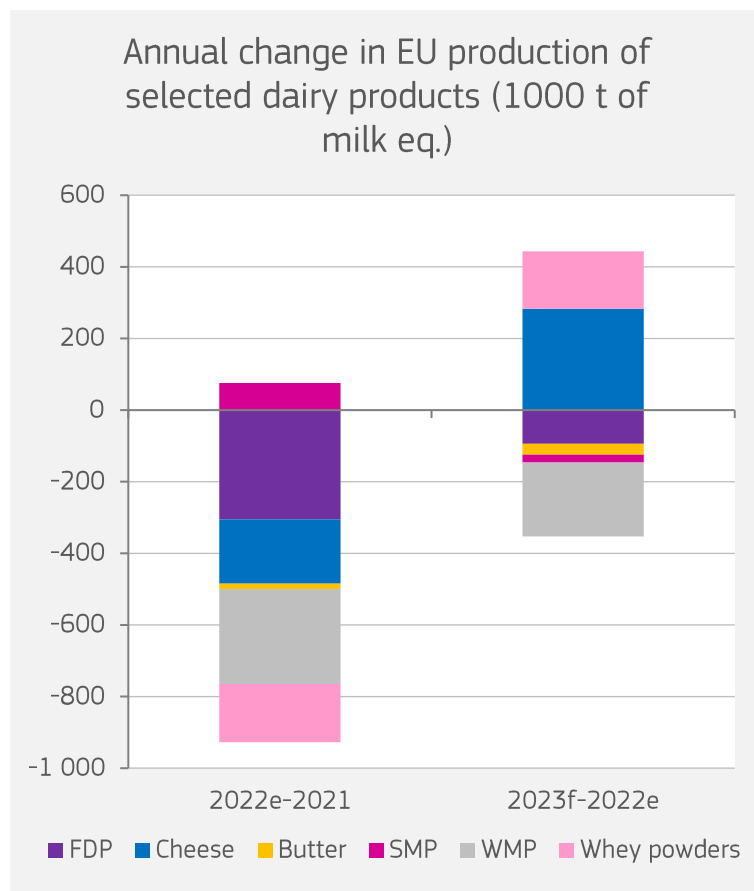
2022

- **Stocks** accumulated in 2020-2021 and high commodity prices led to lower **China's trade** presence in 2022
- **Stocks' release** slowed also by zero-Covid policy and repeated lockdowns
- Now stocks are getting to more normal level
- **Domestic milk supply** growing

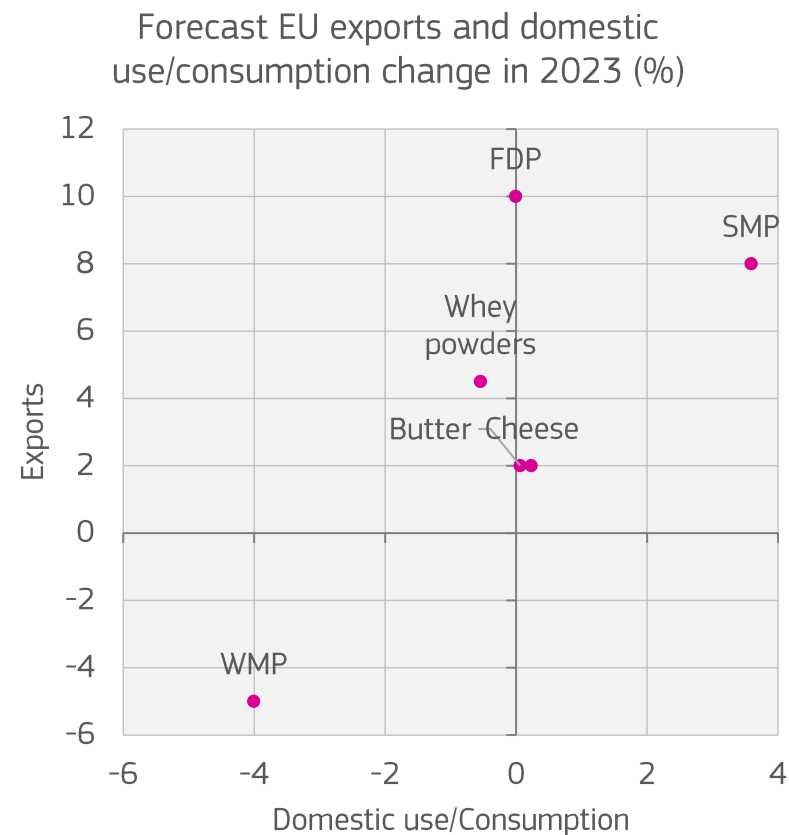
2023?

- **Import demand** likely to return in the second half of 2023, subject to:
 - Restrictions in place due to new COVID outbreaks
 - Stretched households' incomes
 - Willingness to eat outside even if no restrictions are in place
 - Overall economic growth
- **Domestic milk supply** could grow further (but milk prices are falling) – limitation for WMP imports and prices

EU dairy products outlook in 2023



Source: DG Agriculture and Rural Development, based on Eurostat.



Source: DG Agriculture and Rural Development, based on Eurostat.

Useful links

- Short-term outlook: https://agriculture.ec.europa.eu/data-and-analysis/markets/outlook/short-term_en
- Short-term outlook interactive balance sheets: <https://agridata.ec.europa.eu/extensions/DataPortal/short-term-outlook.html>
- Estimated MS balance sheets: https://datam.jrc.ec.europa.eu/datam/mashup/PROD_TRADE_USE/
- Food supply and security dashboard: <https://agridata.ec.europa.eu/extensions/DataPortal/food-supply-security.html>

#AgriOutlook

An aerial photograph of a rural landscape. On the left, a lush green field contains a herd of cows of various colors. In the center, a dense, rectangular plantation of young trees is visible, with a small red-roofed structure in the middle. On the right, a golden-brown field is bordered by a strip of green vegetation, which in turn borders a dark, calm body of water.

THANK
YOU

#AgriOutlook