Milk Market Observatory

European Commission

Last update : 25.09.2020

MMO Economic Board

Meeting of 25 September 2020

The 35th meeting of the MMO Economic Board took place on 25/09/2020 by video-conference, with the participation of experts from the milk supply chain: COPA-COGECA (producers and cooperatives), CEJA (young farmers), EMB (European Milk Board), ECVC (Via Campesina), EDA (dairy industry), Eucolait (dairy trade) and Eurocommerce (retail). Presentations and information exchanged during the meeting highlighted the following:

- EU-27 cow's milk collection increased in July 2020 by 2.1% (+258 000 t) compared to the same month of 2019 resulting in a cumulative increase in 2020 by +2% (+1.73 million t). FR, IT and IE reported the highest production growth in volume. In only 3 MS production was lower than in July 2019 (-3.1%, -19 000 t). The increase of milk collection in the first 7 months of 2020 translates into production growth for all dairy products: WMP (+4.7%), drinking milk (+3.7%), cheese (+2.0%), SMP (+1.9%) and butter (+1.6%).
- The EU average farm gate milk price is reported at 32.84 c/kg in July, which is 2.9% lower than in July 2019 but 4.7% above the last 5 years' average. MS' estimates for August 2020 show rather stable milk prices at 32.91 c/kg.
- After a fall from 368€/100kg at the beginning of the year to 281€/100kg on 10 May, butter prices have fully recovered, reaching 350 €/100kg (+25%) which is only 4% lower than a year ago. Since the beginning of June, EU SMP prices have been oscillating between 207 and 217 €/100kg. Now they are at 214€/100kg, 2% below last year's levels. EU cheese prices are fluctuating slightly above last year's levels.
- The assessment of EU-27+UK stock levels based on a residual approach (EU+UK production + EU+UK imports – EU+UK internal consumption – EU+UK exports) shows private SMP stocks at a normal level of around 120 000 t. At the end of July 2020, butter stocks were also at a normal level for this time of the year. Higher exports to third countries and retail sales supported market-balance. Cheese stocks are slightly higher compared to the same period in 2019. There was no build-up of stocks in July due to the recovery of food services in the summer, continuous strong retail demand and exports.
- PSA for dairy: 5 975 t cheeses, 1 985 t butter and 426 t SMP were removed from private storage in August. Remaining EU+UK stocks at the end of August: 18 120 t SMP, 33 794 t and 63 691 t butter.
- In the EU, but also globally, milk supply exceeded expectations. In the first 7 months of 2020 in the main exporting countries/regions (EU-27, UK, USA, NZ, AUS, ARG, URG) there was 2.1% growth, with negative figures only for New Zealand (-0.1%) and the UK (-0.7%). Good start of the new season in Australia reflecting favourable weather conditions. Strong milk collection in the US (+1.8%) and big expansion in Argentina (+7.6% in July) due to improved profitability in Q2 (rising costs and lower farm gate prices in H2 may decrease growth rate).
- Short-term outlook for the EU: milk collection growth may remain strong, increasing by 1.4% in 2020, driven by increasing yields and lower herd reduction rate. The declining trend of drinking milk production stopped under Covid-19 due to increased domestic and export demand. Domestic use of cheese may be impacted the most in case of a second wave of Covid-19 outbreaks.
- Global trade and EU exports have been remarkably strong. Increased imports may reflect an increase of consumption or stocking strategies and food security concerns. EU cheese exports to Japan have increased by 12% in Jan.-July 2020 (under FTA), Japan becoming the second destination replacing the USA. EU exports of milk products is more challenging now due to an appreciation of the euro vs. the US dollar.
- EU consumption shows dynamic trends in the use of dairy products for processing (cheese, butter and creams grew by more than 1/3 in the period 2009-2019). The use of dairy powders is growing as well: whey (nutrition), WMP (confectionery) and SMP. Increasing product differentiation on the market: organic dairy, sustainability, pasture-based, hay-based, GM-free, etc.
- Closure of Ho.Re.Ca. and schools caused by Covid-19 resulted in increased demand for products for home cooking, and shifting from fresh to long-life products. In some Member States, price is becoming a key element for consumer choices. Sales of organic dairy products have continued to increase but at a lower rate.
- The dairy market has been resilient to Covid-19 pandemic and recovered faster than expected. The current market balance seems fragile as global milk supply expands in 2020. Uncertainty related to the evolution of the pandemic and the economic downturn have an impact on consumer behaviour, confidence and purchasing power. A no-deal Brexit would disrupt trade between the EU and the UK and put pressure on milk and milk products prices.

ANNEX 1

Milk Market Situation

European Commission

Milk Market Situation

MMO meeting

Brussels, 25 September 2020

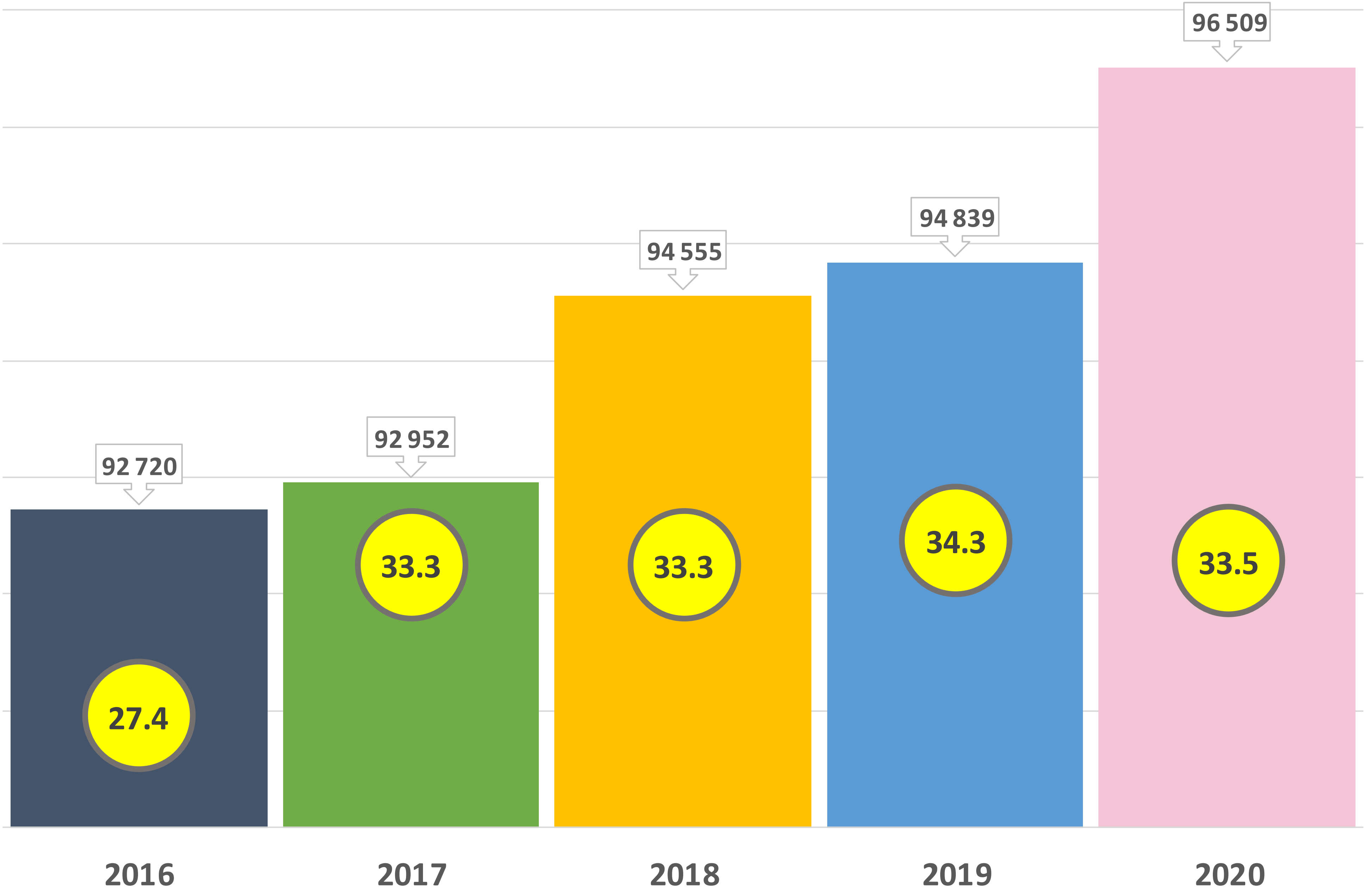
European Commission

Outline

- EU milk and dairy products production
- PSA - update
- EU milk prices
- EU gross margin index
- EU and world dairy quotations
- Indicators
- Agri Data Portal
- Short-term outlook

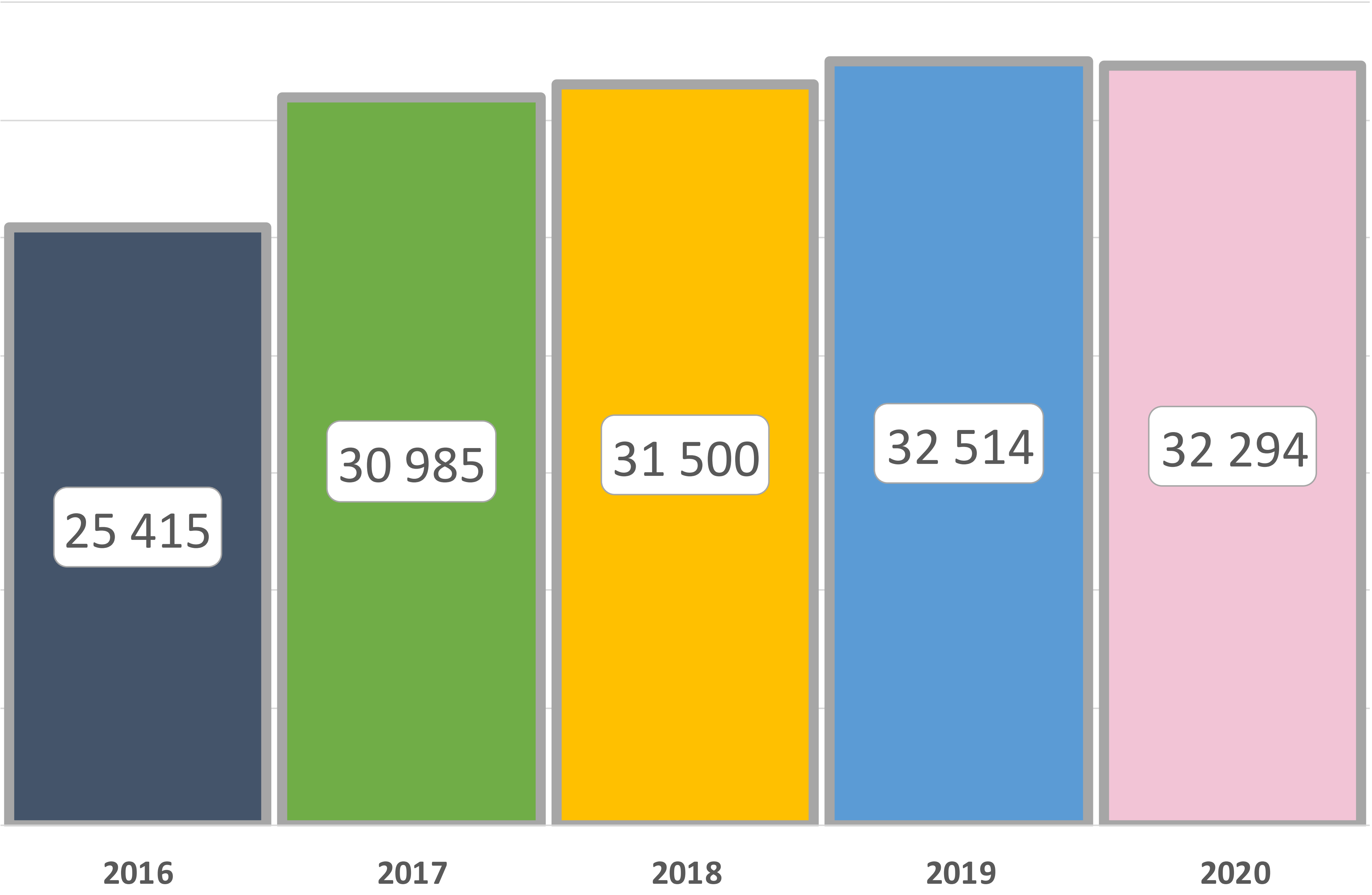
European Commission

EU+UK milk deliveries and price
Jan-July 2016-20 (x1000 t, c/kg)



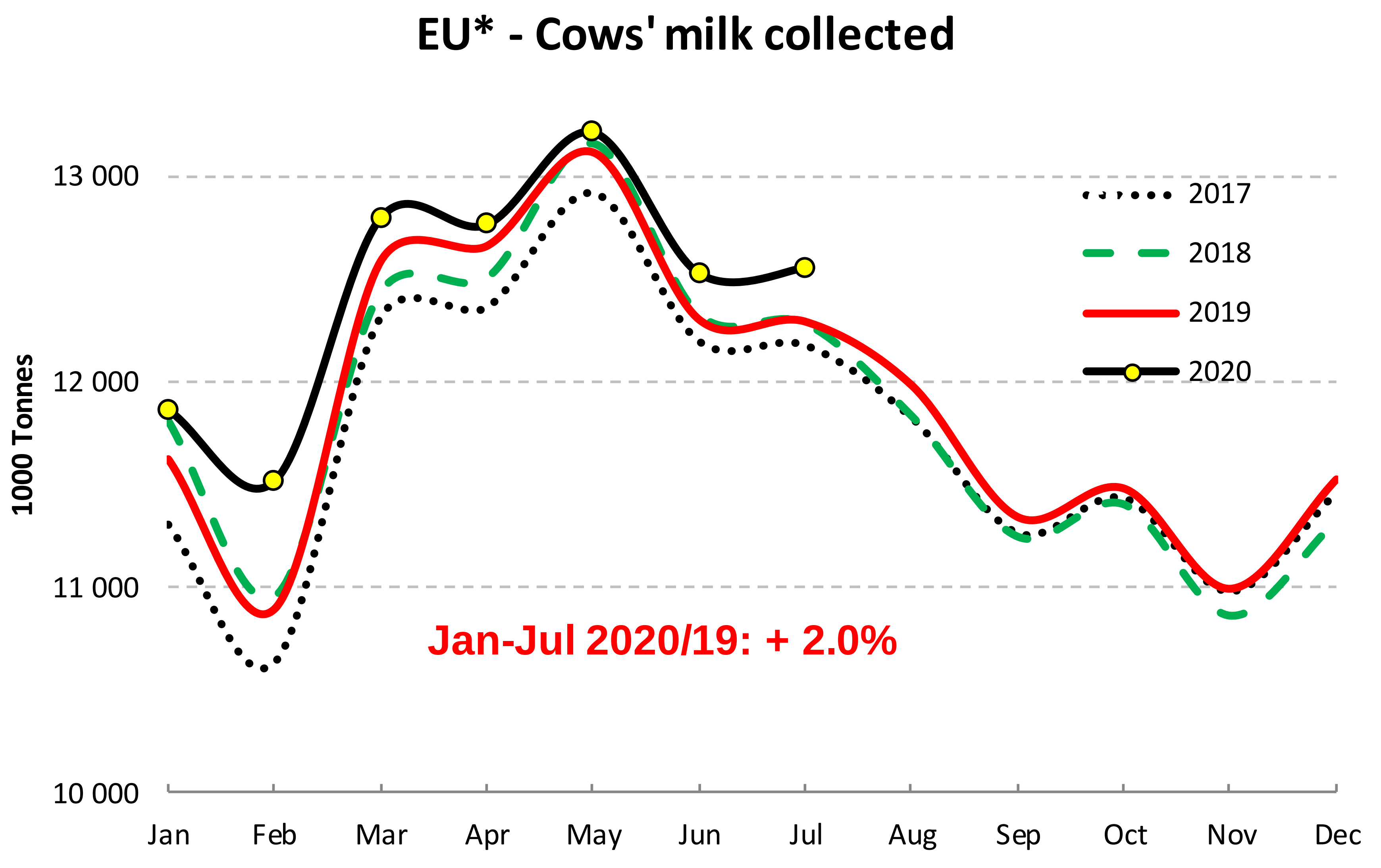
European Commission

EU+UK value milk production
Jan-July 2016-20 (x million €)



European Commission

EU milk production



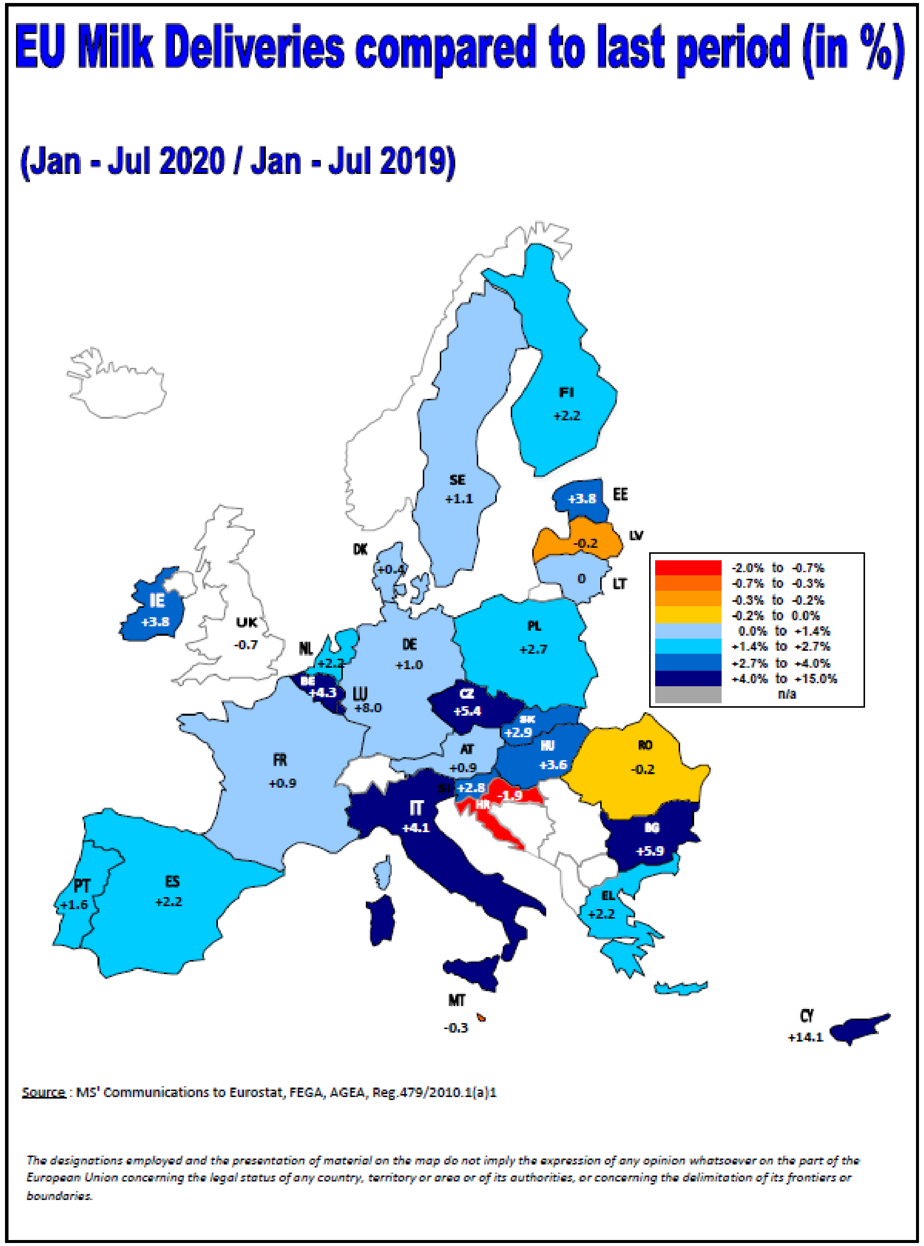
Source: Estat (Newcronos) - MS notifications

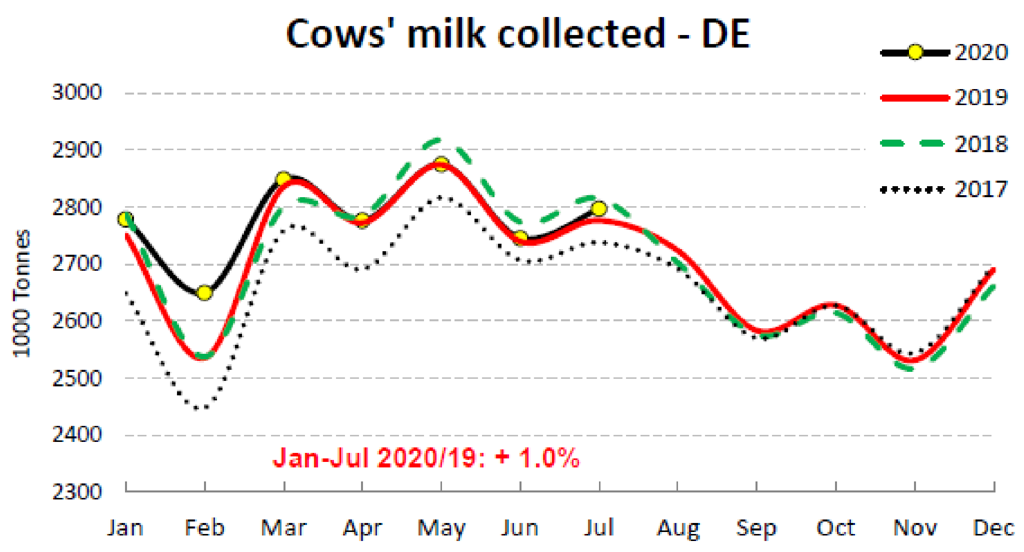
Jul 20 compared to Jul 19

	evolution in %		evolution in 1000 Tons	
Rank	MS	%	MS	Tons
1.	CY	+ 26.6%	FR	+ 54
2.	LU	+ 8.4%	IT	+ 44
3.	CZ	+ 5.1%	IE	+ 43
4.	EE	+ 5.0%	PL	+ 23
5.	BE	+ 4.8%	DE	+ 21
6.	SI	+ 4.5%	BE	+ 17
7.	IT	+ 4.5%	NL	+ 13
8.	SE	+ 4.4%	CZ	+ 13
9.	IE	+ 4.4%	SE	+ 10
10.	BG	+ 4.3%	FI	+ 6
11.	FI	+ 3.2%	CY	+ 5
12.	HU	+ 3.1%	DK	+ 5
13.	RO	+ 2.9%	HU	+ 4
14.	FR	+ 2.7%	EE	+ 3
15.	SK	+ 2.4%	RO	+ 3
16.	PL	+ 2.2%	PT	+ 3
17.	PT	+ 1.8%	LU	+ 3
18.	MT°	+ 1.8%	BG	+ 3
19.	HR	+ 1.6%	SI	+ 2
20.	NL	+ 1.1%	SK	+ 2
21.	DK	+ 1.0%	HR	+ 1
22.	DE	+ 0.8%	LV	+ 0
23.	LV	+ 0.6%	LT	+ 0
24.	LT	+ 0.2%	MT°	+ 0
25.	EL°	- 0.2%	EL°	- 0
26.	AT	- 0.6%	AT	- 1
27.	ES	- 3.1%	ES	- 19
	EU*	+ 2.1%	EU*	+ 258
	UK	*- 0.4%*	*UK*	*- 5*
	EU+UK	*+ 1.9%*	*EU+UK*	*+ 252*

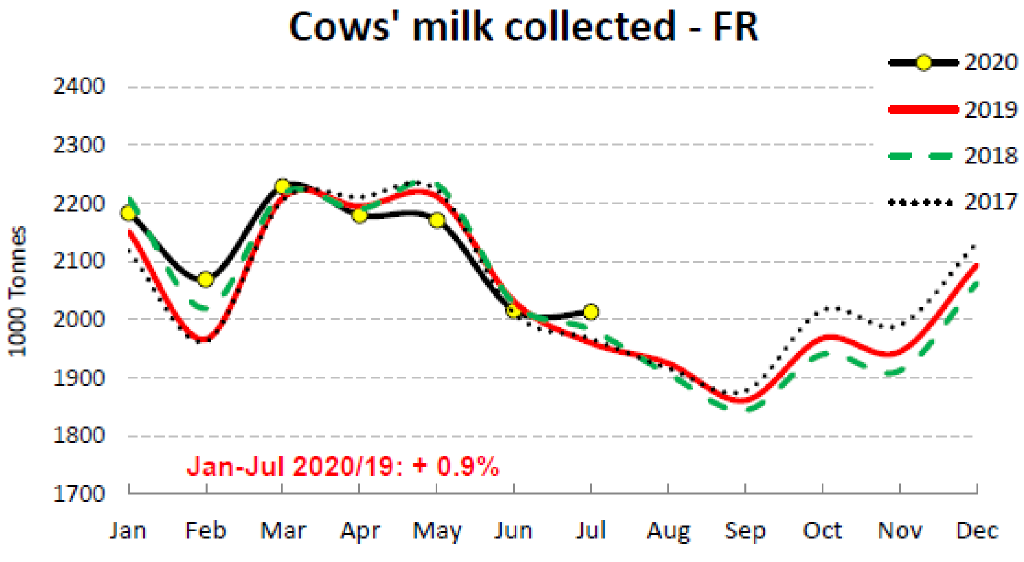
**: EU without UK* *°: estimates*

EU milk deliveries compared to last period (in %)



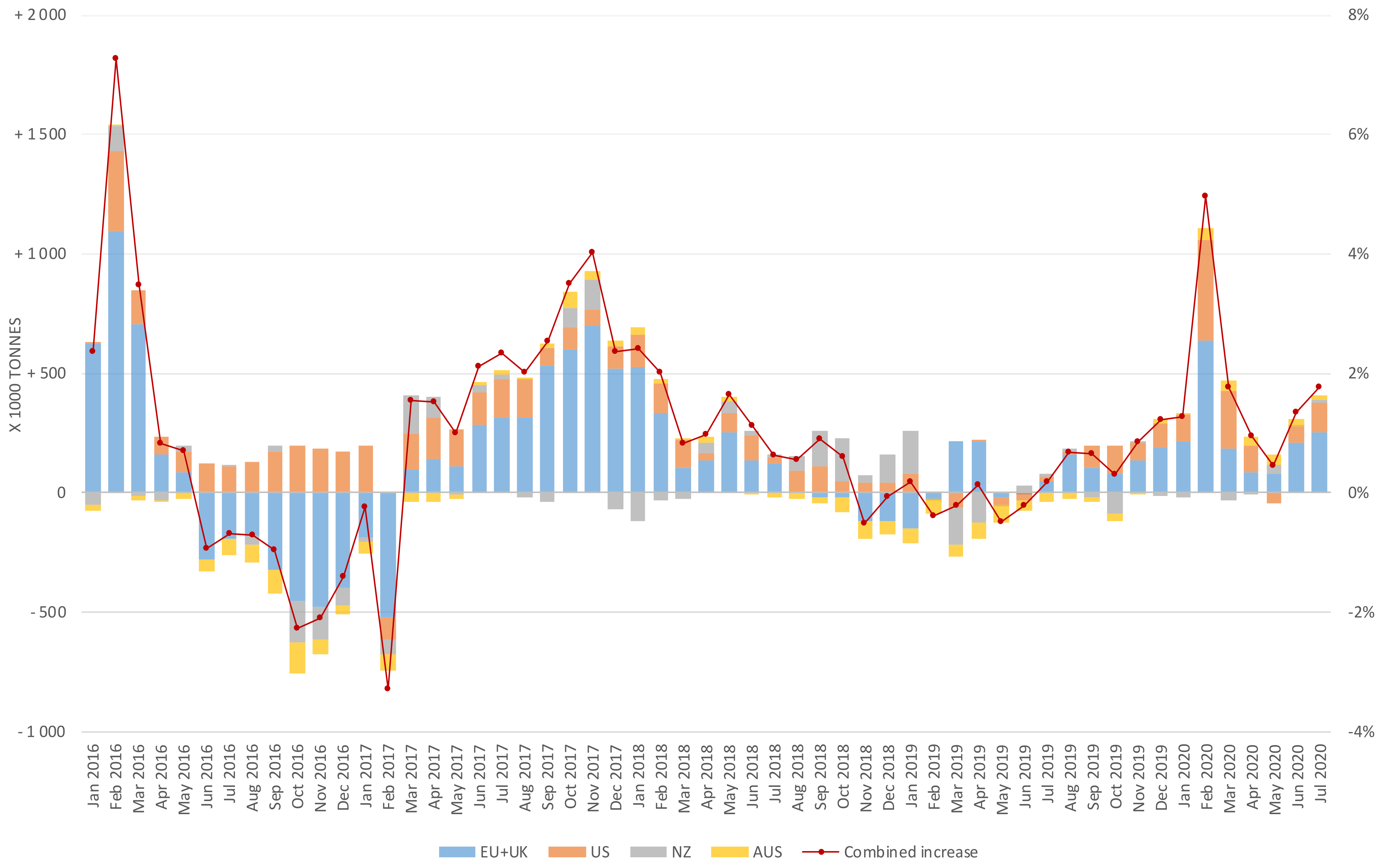


Source : Estat, Newcronos

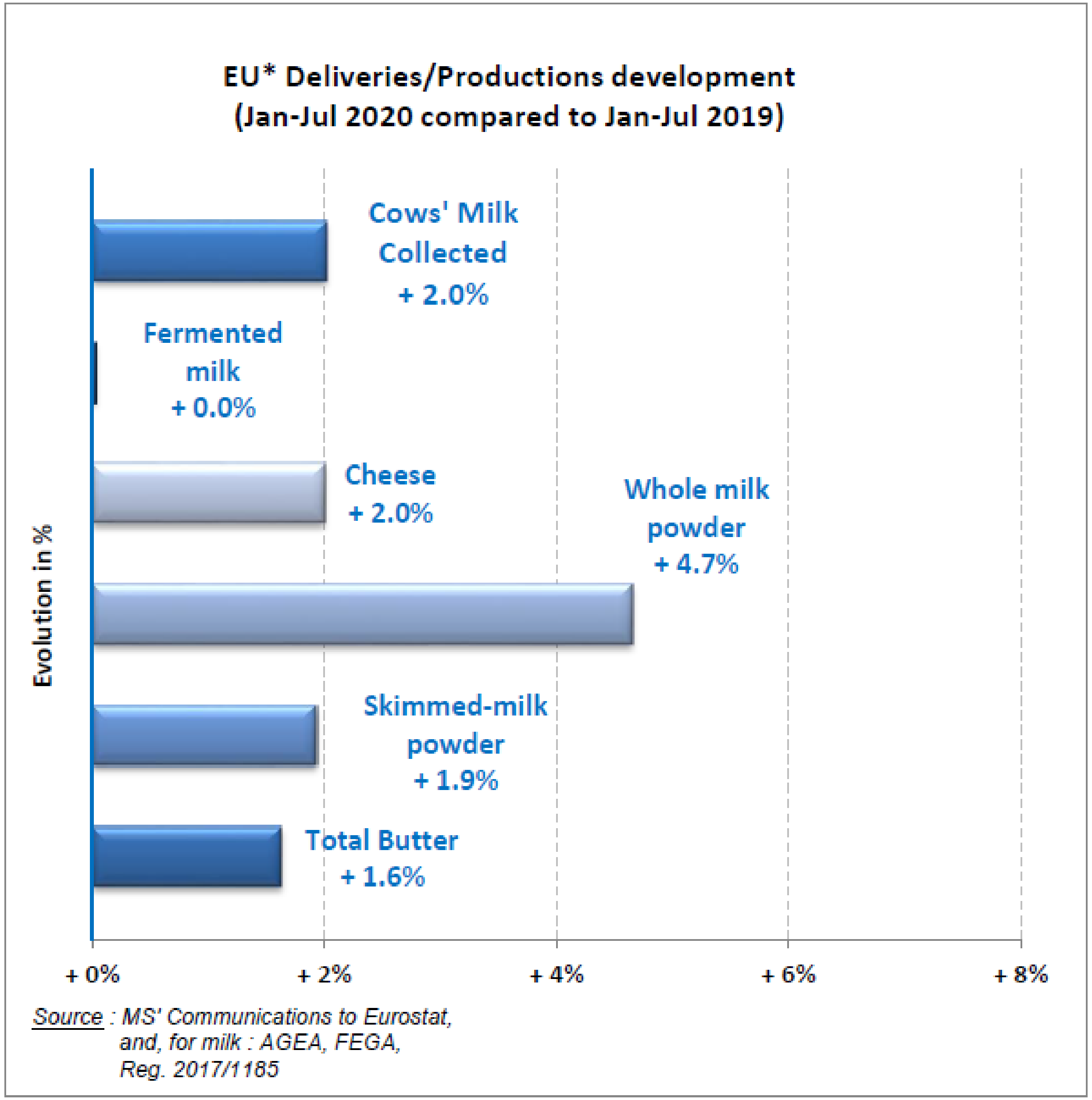


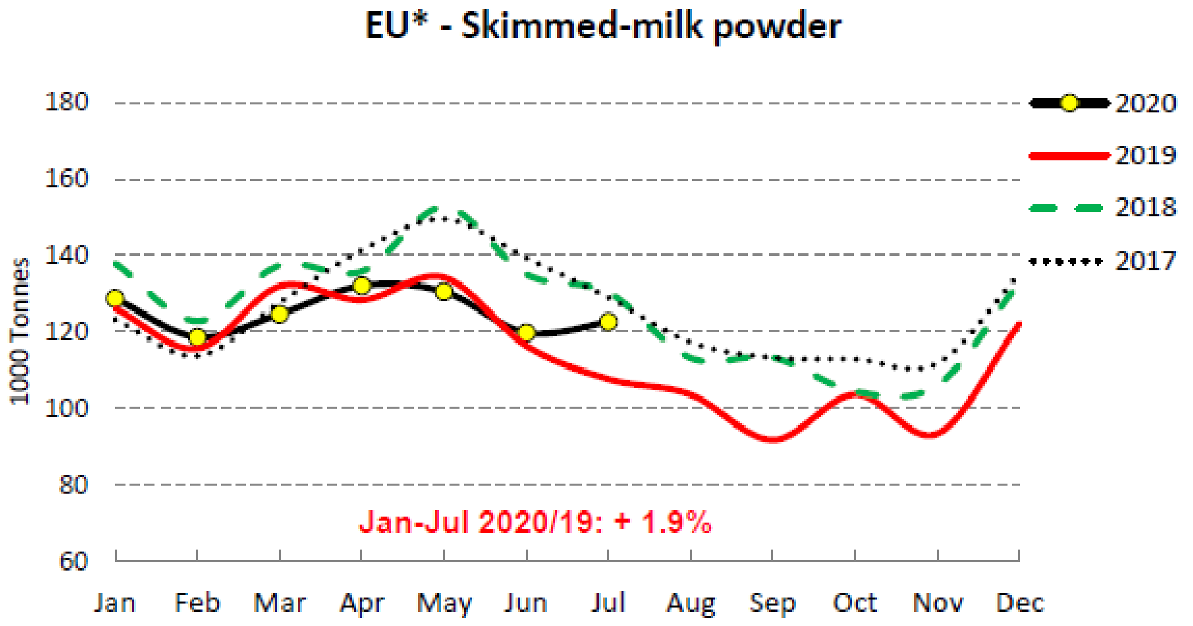
Source : Estat, Newcronos

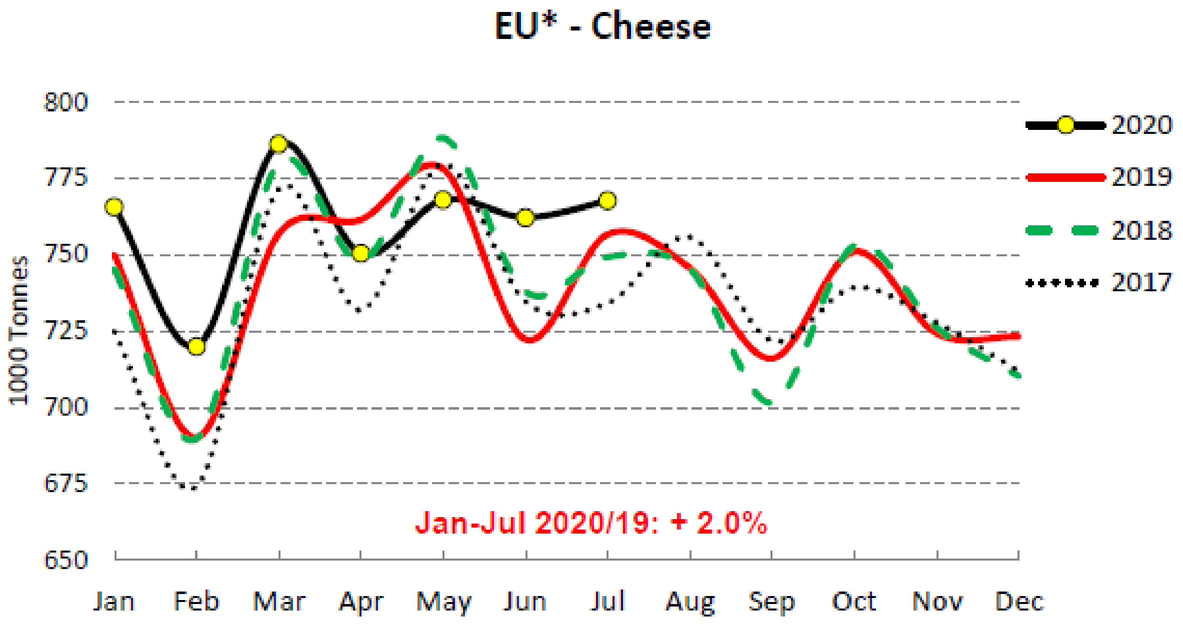
EU+UK+US+NZ+AUS COMBINED MILK PRODUCTION GROWTH



European Commission


EU* Deliveries/Productions development
(Jan-Jul 2020 compared to Jan-Jul 2019)
Cows' Milk Collected + 2.0%
Fermented milk + 0.0%
Cheese + 2.0%
Whole milk powder + 4.7%
Skimmed-milk powder + 1.9%
Total Butter + 1.6%
Evolution in %
+ 0%
+ 2%
+ 4%
+ 6%
+ 8%
Source : MS' Communications to Eurostat, and, for milk : AGEA, FEGA, Reg. 2017/1185


EU* - Skimmed-milk powder
1000 Tonnes
180
160
140
120
100
80
60
2020
2019
2018
2017
Jan-Jul 2020/19: + 1.9%
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec


EU* - Cheese
1000 Tonnes
800
775
750
725
700
675
650
2020
2019
2018
2017
Jan-Jul 2020/19: + 2.0%
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec

PSA for dairy

Applications from 7 May - 30 June 2020 (tons)		
	UK	EU+UK
cheese	4499	47711
butter	1695	67694
SMP	0	20138

DAIRY PRIVATE STORAGE - RECENT STOCKS EVOLUTION

Data up to : up to : August 2020

S.M.P.

Stock at the end of the month — IN and OUT in August 20

In tonnes	May 20	Jun 20	Jul 20	Aug 20	IN	OUT
Belgium	-	1 845	1 825	1 713		112
Bulgaria	-	-	-	-		
Czechia	356	447	447	379		68
Denmark	-	-	-	-		
Germany	2 417	10 025	8 454	8 238		216
Estonia	-	-	-	-		
Ireland	-	-	-	-		
Greece	-	-	-	-		
Spain	-	50	185	185		
France	-	-	-	-		
Croatia	-	-	-	-		
Italy	-	-	-	-		
Cyprus	-	-	-	-		
Latvia	-	-	-	-		
Lithuania	536	724	724	693		31
Luxembourg	-	-	-	-		
Hungary	-	-	-	-		
Malta	-	-	-	-		
Netherlands	652	4 710	4 710	4 710		
Austria	-	-	-	-		
Poland	-	-	354	354		
Portugal	1 825	1 825	1 825	1 825		
Romania	-	23	23 *	23		
Slovenia	-	-	-	-		
Slovakia	-	-	-	-		
Finland	-	-	-	-		
Sweden	-	-	-	-		
United Kingdom	-	-	-	-		
TOTAL EU+UK	5 787	19 649	18 547	18 120	0	426

Butter

Stock at the end of the month — IN and OUT in August 20

In tonnes	May 20	Jun 20	Jul 20	Aug 20	IN	OUT
Belgium	2 268	3 448	3 312	3 195		117
Bulgaria	-	-	-	-		
Czechia	-	12	12	12		
Denmark	-	-	-	-		
Germany	6 392	11 914	11 852	11 543		309
Estonia	-	-	-	-		
Ireland	8 981	14 840	14 840	14 286		554
Greece	-	-	-	-		
Spain	743	783	783	783		
France	639	5 003	7 102	7 079	23	46
Croatia	238	238	238	238		
Italy	-	109	109	56		53
Cyprus	-	-	-	-		
Latvia	-	-	-	-		
Lithuania	1 307	1 717	1 717	1 272		445
Luxembourg	-	-	-	-		
Hungary	-	60	60	60		
Malta	-	-	-	-		
Netherlands	12 459	21 602	21 602	21 181		421
Austria	206	547	547	507		40
Poland	-	189	431	431		
Portugal	1 085	1 085	1 085	1 085		
Romania	-	38	38 *	38 *		
Slovenia	-	-	-	-		
Slovakia	-	-	-	-		
Finland	230	230	230	230		
Sweden	-	-	-	-		
United Kingdom	685	1 695	1 695	1 695		
TOTAL EU+UK	35 232	63 508	65 652	63 691	23	1 985

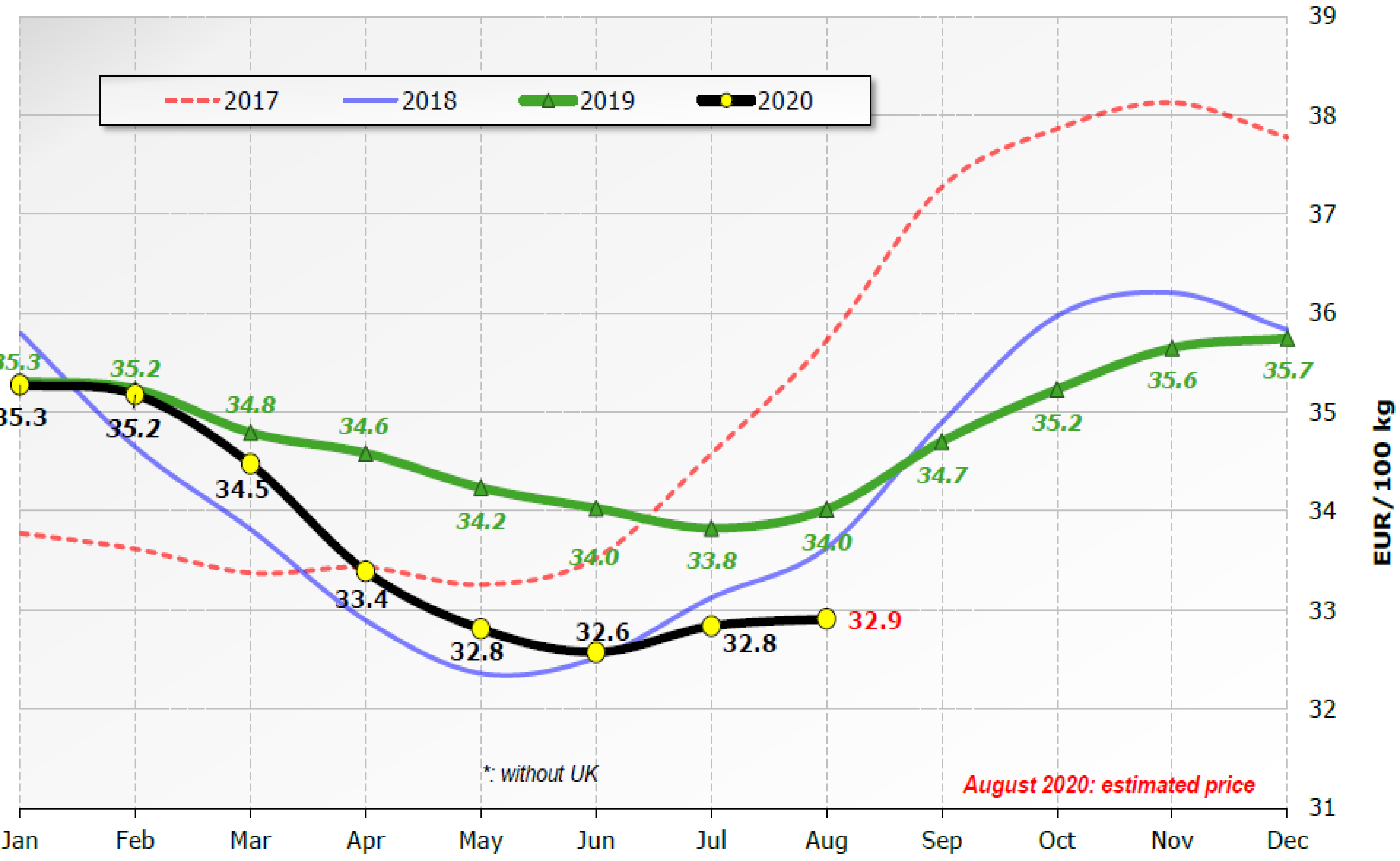
Cheese

Stock at the end of the month — IN and OUT in August 20

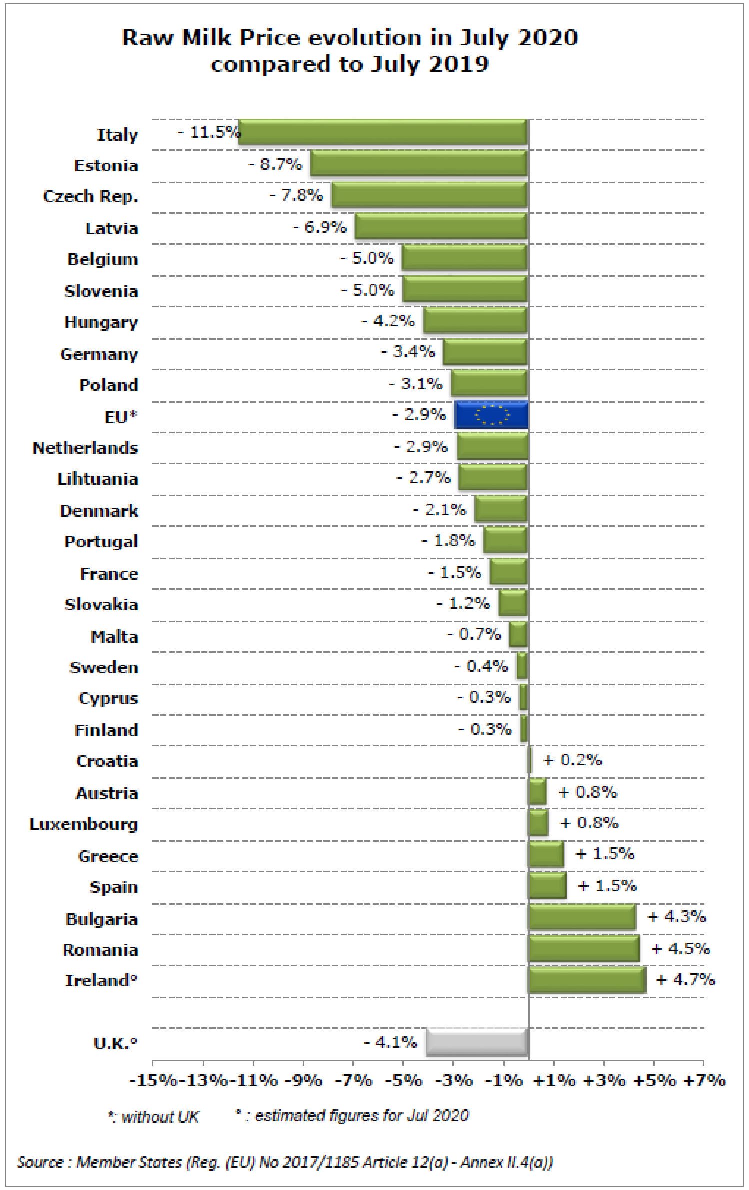
In tonnes	May 20	Jun 20	Jul 20	Aug 20	IN	OUT
Belgium	1 079	1 130	1 116	1 096		19
Bulgaria	-	55	55	-		55
Czechia	-	185	185	-		185
Denmark	-	-	-	-		
Germany	464	901	737	415		322
Estonia	-	-	-	-		
Ireland	2 179	2 179	2 179	2 179		
Greece	-	-	-	-		
Spain	4 591	4 361	3 465	2 751		714
France	3 975	5 919	6 717	5 218		1 500
Croatia	-	-	-	-		
Italy	12 654	12 654	10 823	9 309		1 514
Cyprus	-	-	-	-		
Latvia	-	-	-	-		
Lithuania	819	978	978	978		
Luxembourg	-	-	-	-		
Hungary	-	78	78	78		
Malta	-	-	-	-		
Netherlands	7 355	8 002	7 598	7 121		477
Austria	1 085	1 172	1 172	117		1 056
Poland	39	39	-	-		
Portugal	132	69	69	69		
Romania	-	178	178 *	55		123
Slovenia	-	-	-	-		
Slovakia	-	-	-	-		
Finland	349	472	432	420		11
Sweden	791	787	787	787		
United Kingdom	4 499	3 564	3 199	3 199		
TOTAL EU+UK	40 010	42 723	39 769	33 794	0	5 975

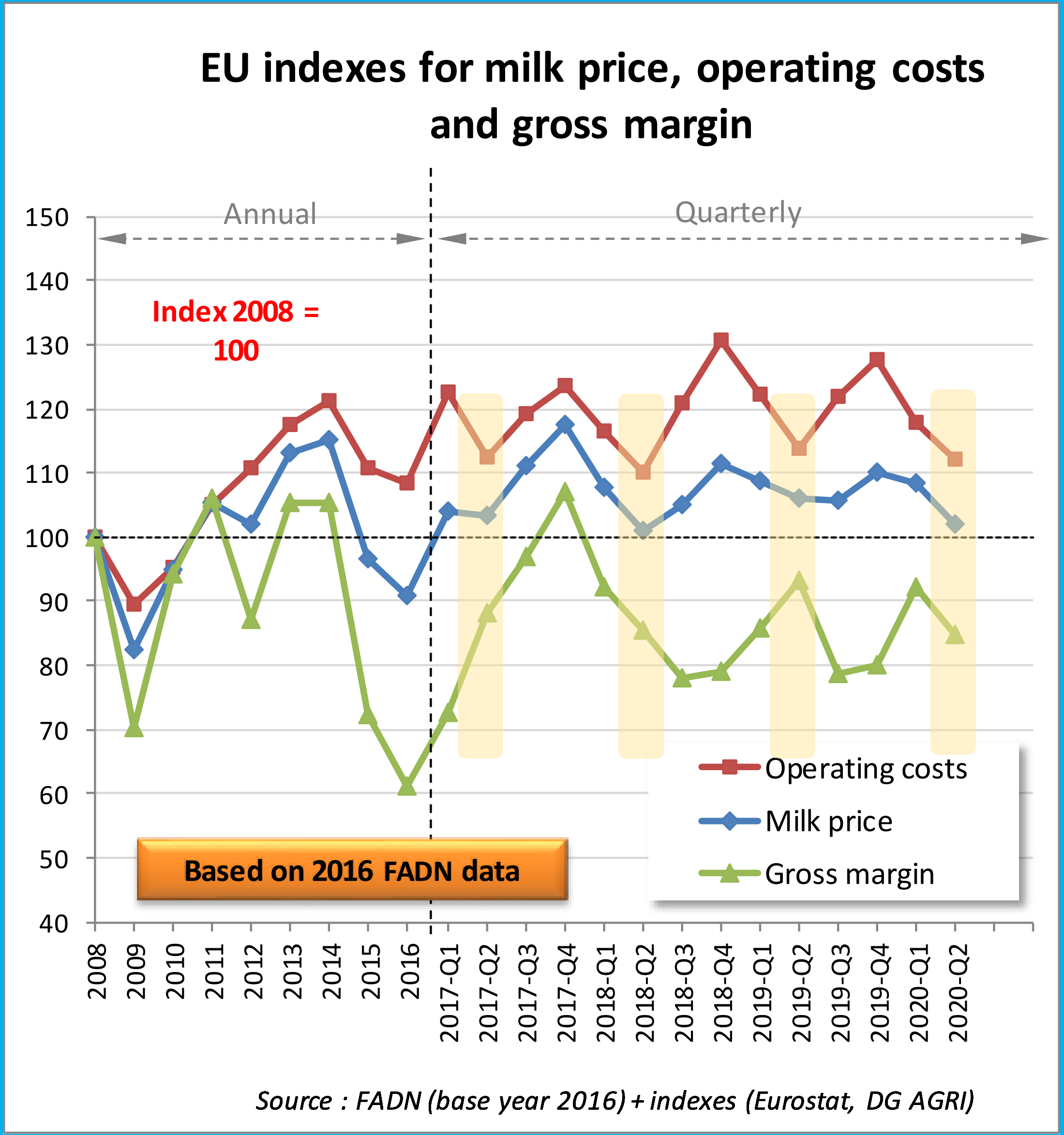
* estimation by DG AGRI; to be confirmed by Member State authorities

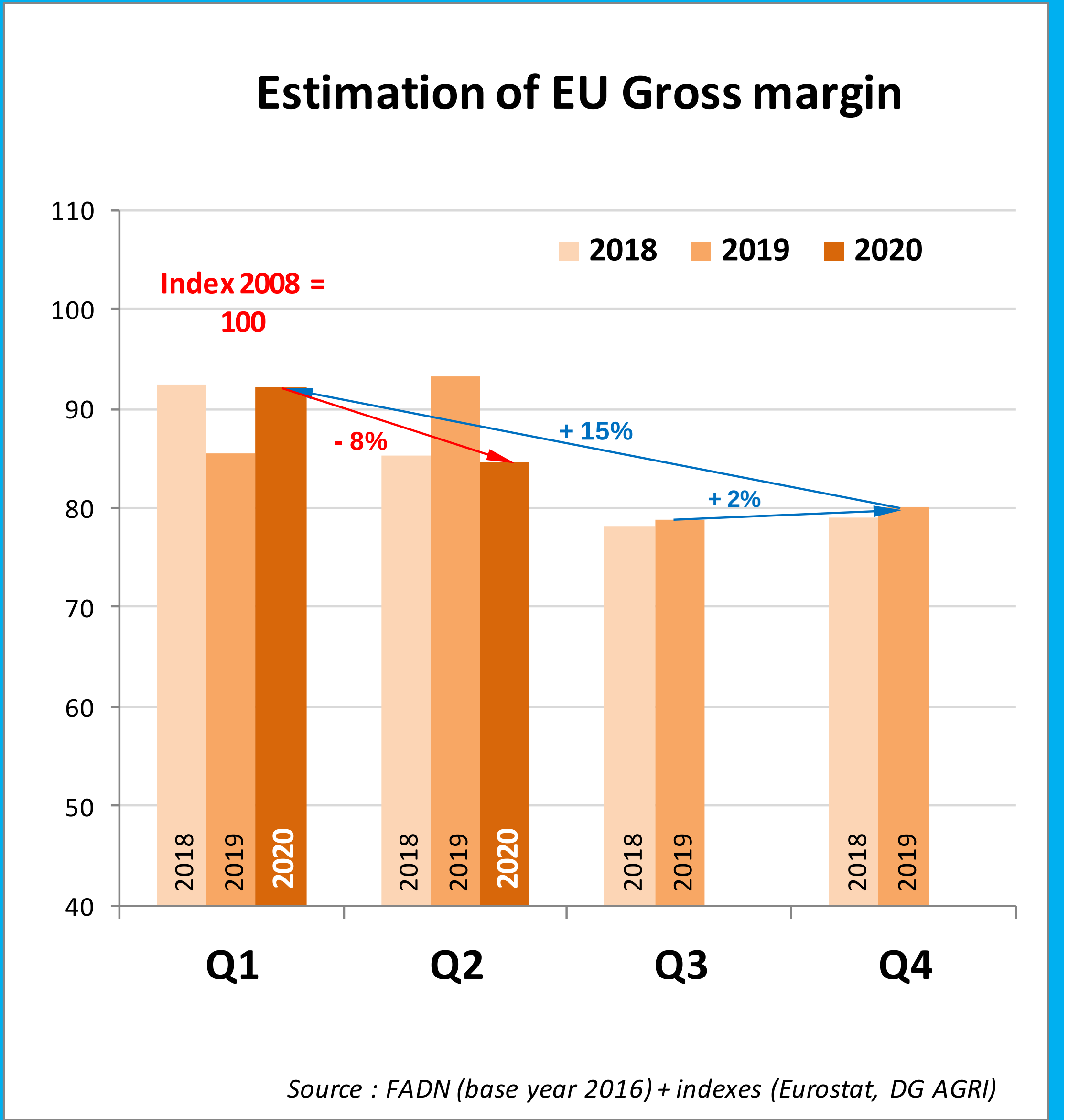
EU milk prices paid to the producers



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







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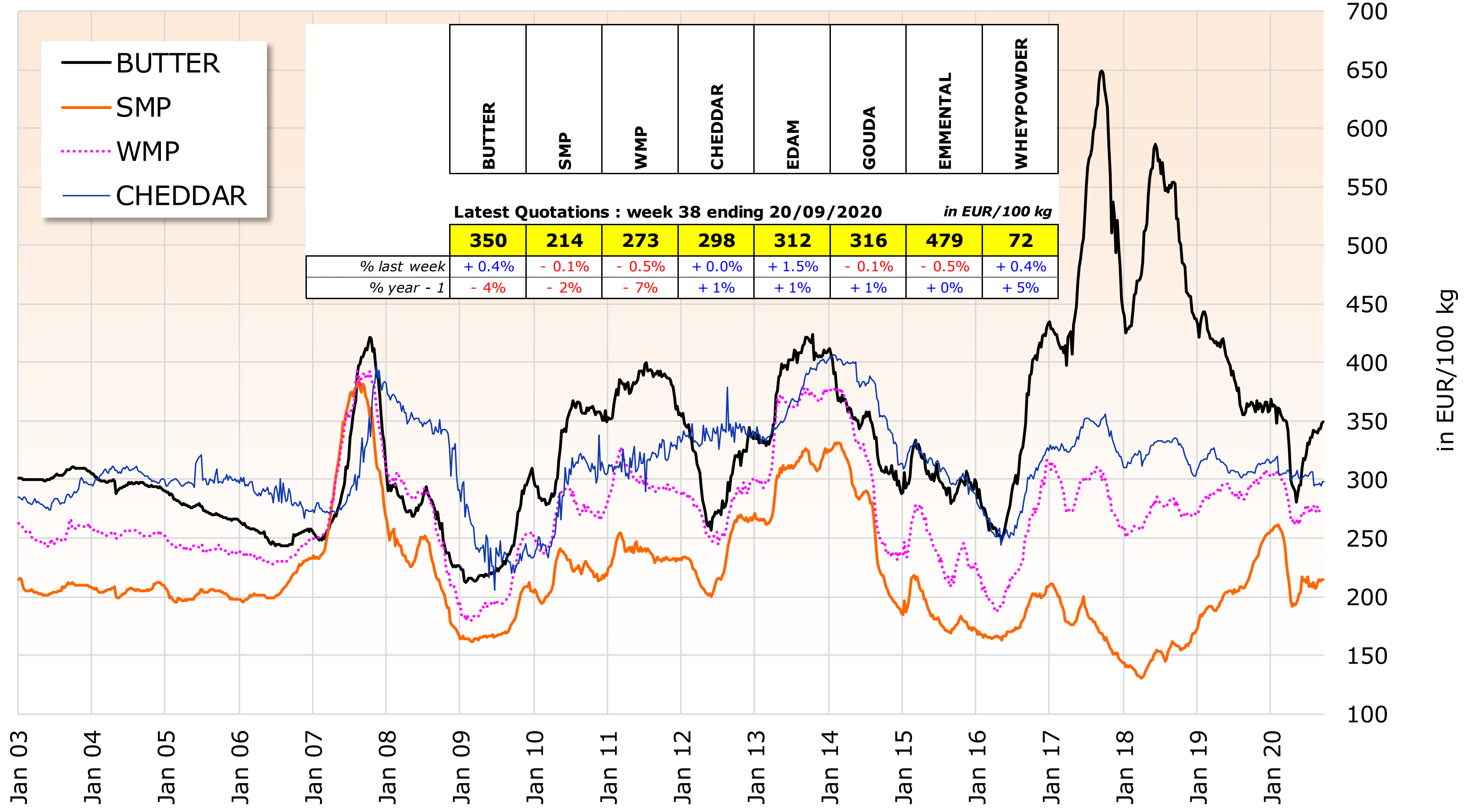
EU dairy quotations

EU evolutive* dairy Quotations

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



Latest Quotations : week 38 ending 20/09/2020 — *in EUR/100 kg*

	BUTTER	SMP	WMP	CHEDDAR	EDAM	GOUDA	EMMENTAL	WHEYPOWDER
	350	214	273	298	312	316	479	72
% last week	+ 0.4%	- 0.1%	- 0.5%	+ 0.0%	+ 1.5%	- 0.1%	- 0.5%	+ 0.4%
% year - 1	- 4%	- 2%	- 7%	+ 1%	+ 1%	+ 1%	+ 0%	+ 5%

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

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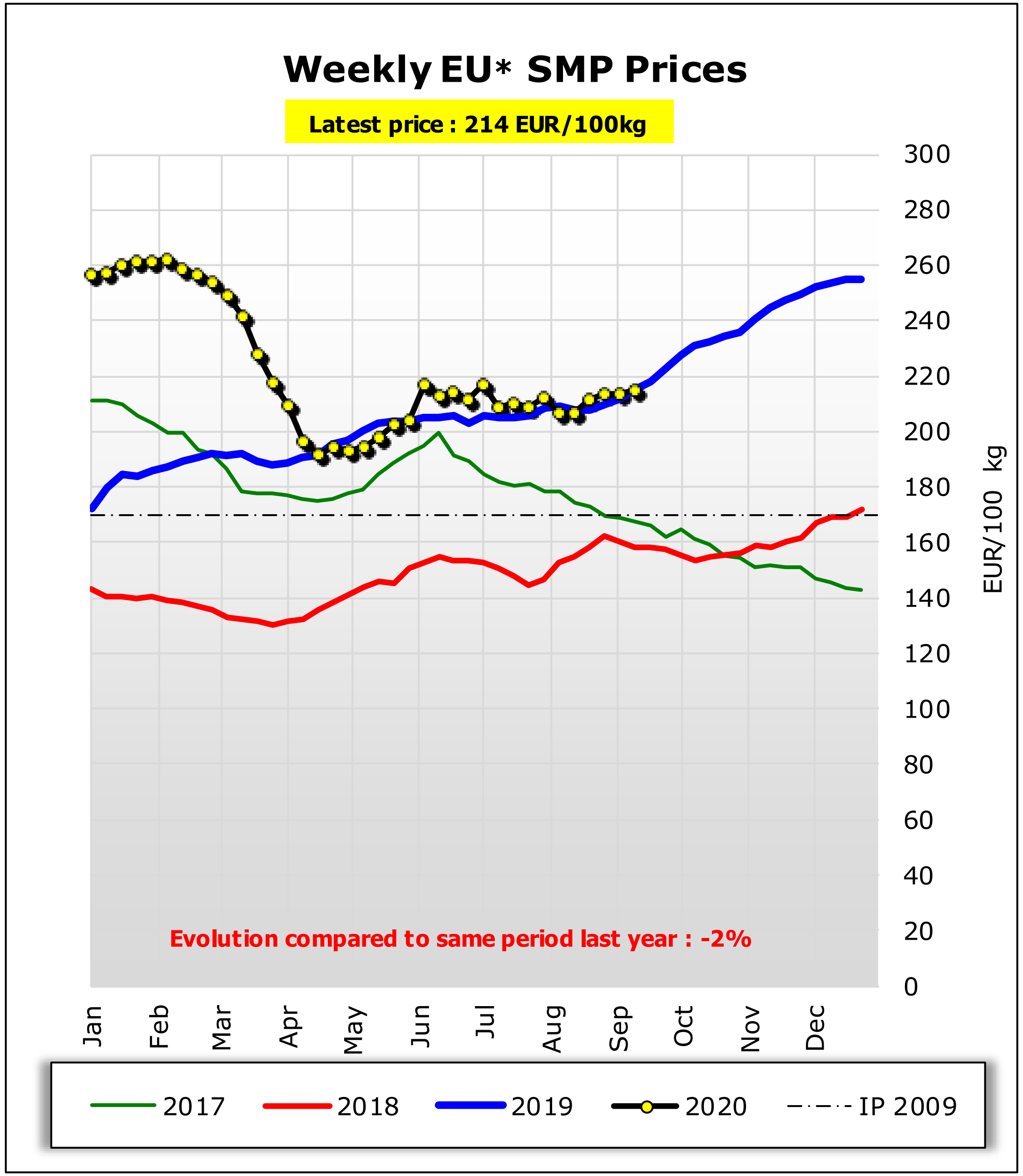
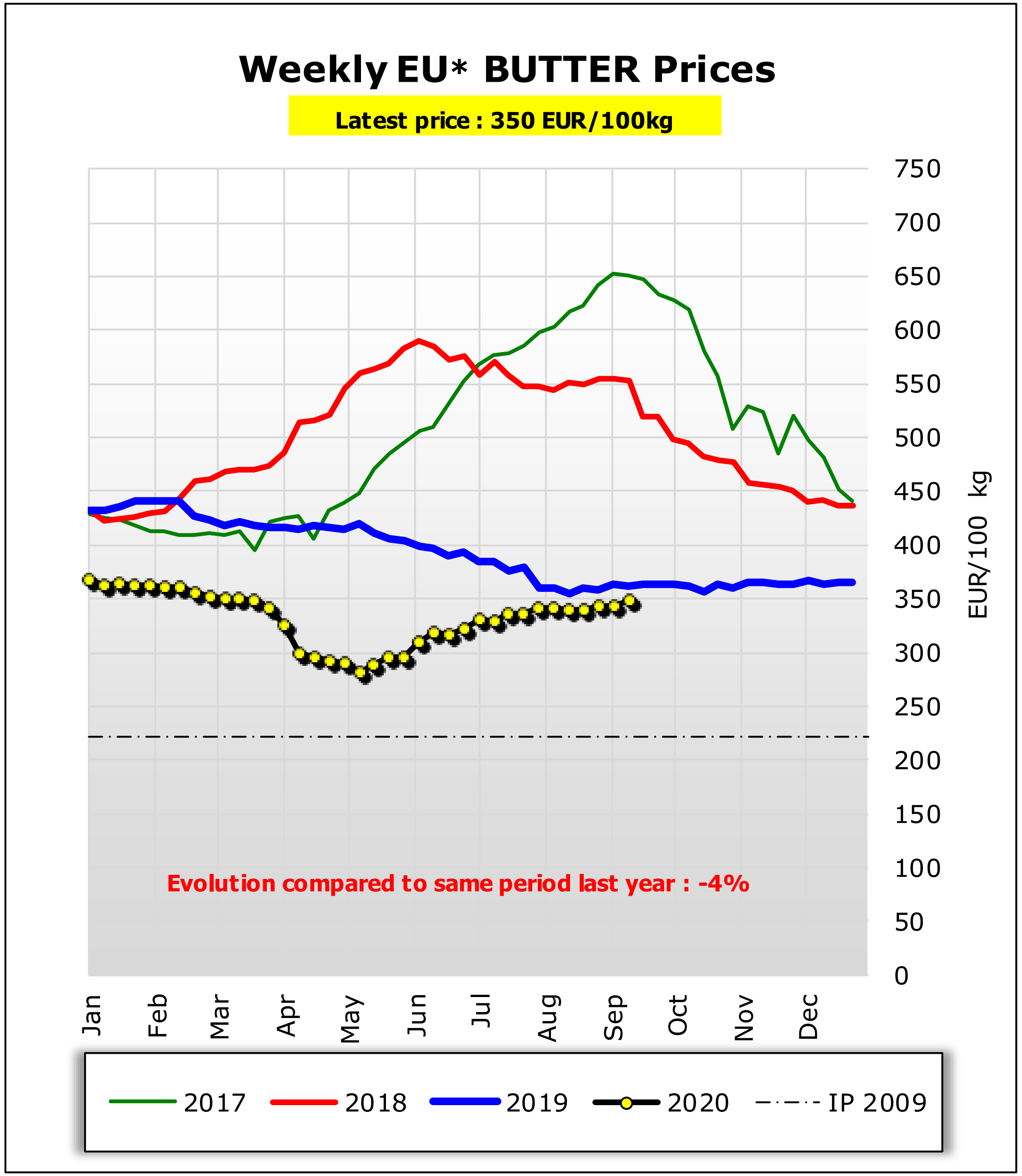
** EU evolutive: EU-15 (before 2004), EU-25 (2004 to 2006), EU-27 (2007 to 2013), EU-28 (2013 to 01/2020), EU-27 without UK (from 02/2020 onwards)*

EU * averages of main dairy commodities

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

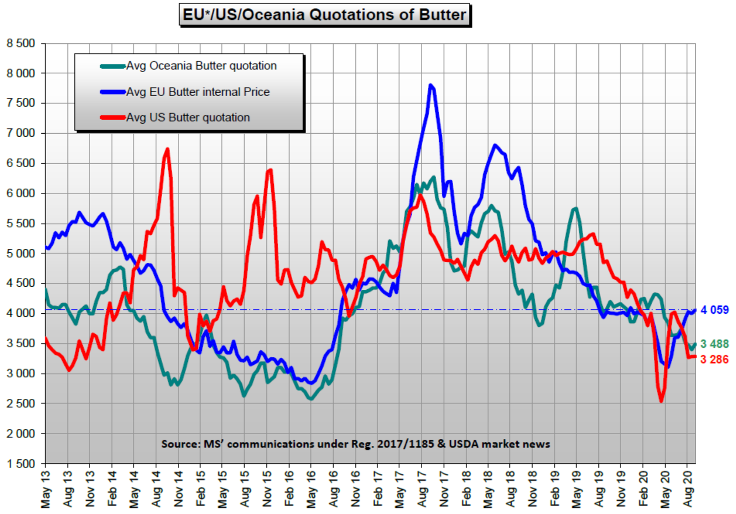


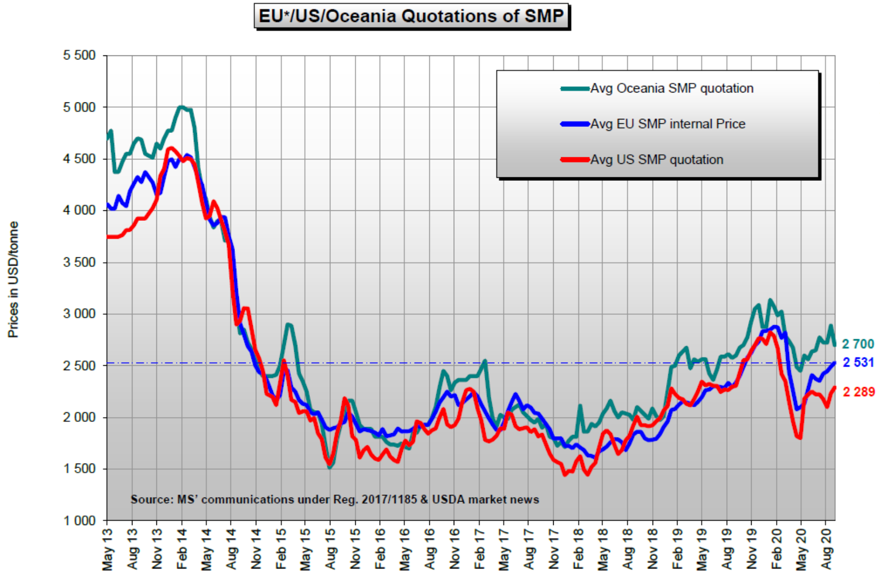


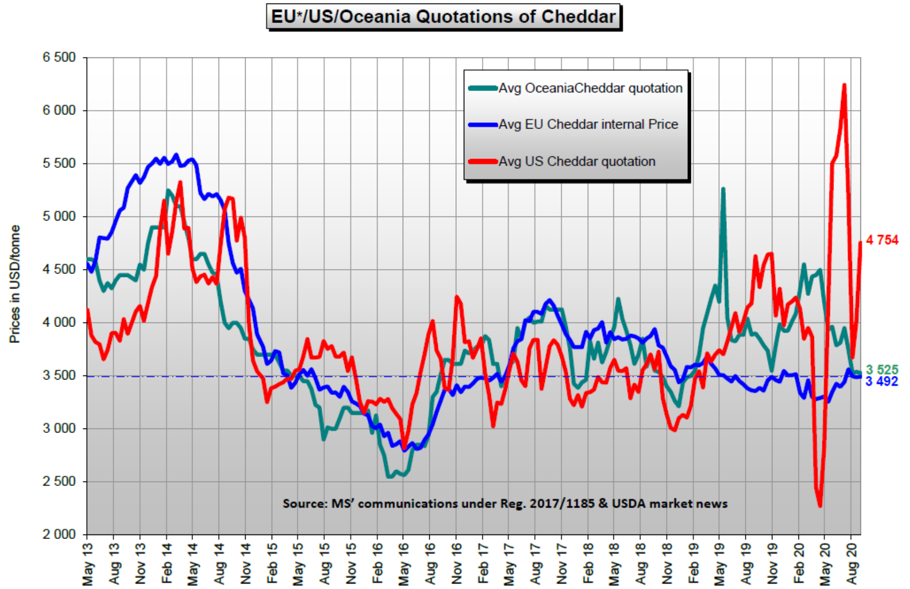
Latest world dairy quotations

In US$/t	Latest Quotations 13/09/2020			Week - 2 30/08/2020			% change (previous quotation)			Year - 1 15 September 2019			% change (1 year)		
	EU*	Oceania	USA	EU*	Oceania	USA	EU*	Oceania	USA	EU*	Oceania	USA	EU*	Oceania	USA
Butter	4 059	3 488	3 286	4 000	3 400	3 285	+ 1.5%	+ 2.6%	+ 0.0%	4 012	4 075	4 877	+ 1%	- 14%	- 33%
SMP	2 531	2 700	2 289	2 490	2 888	2 232	+ 1.6%	- 6.5%	+ 2.5%	2 340	2 600	2 306	+ 8%	+ 4%	- 1%
WMP	3 230	2 913	3 693	3 260	2 988	3 682	- 0.9%	- 2.5%	+ 0.3%	3 175	3 125	3 803	+ 2%	- 7%	- 3%
Cheddar	3 492	3 525	4 754	3 487	3 538	4 023	+ 0.1%	- 0.4%	+ 18.2%	3 277	3 900	4 628	+ 7%	- 10%	+ 3%

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







* EU evolutive

Please visit:
agridata.ec.europa.eu

https://agridata.ec.europa.eu/extensions/DataPortal/milk.html

Milk and Dairy Products

Market data on national and European agriculture provided by the European Commission's agricultural and rural development department. Browse visualisations about imports, exports, prices and production.

The Commission is in the process of updating some of the content on this website in the light of the withdrawal of the United Kingdom from the European Union. If the site contains content that does not yet reflect the withdrawal of the United Kingdom, it is unintentional and will be addressed.

Milk and Dairy Products

The EU produces approximately 150 million tonnes of raw milk each year, which makes it the world's second producer after India. Production yields per cow vary significantly depending on the farming method, but can go up to 10,000 kg annually. The EU is a major exporter of cheese and other high-value dairy products.

Dashboards & Reports

Raw Milk Prices new

Monthly raw milk prices per Member State as well as weighted averages over the Union. Prices can be viewed over an extended period or in the form of a year-to-year comparison. The source of the most recent data are Member State notifications through the ISAMM system. The Data Explorer permits downloading raw monthly data in MS Excel format for offline processing.

Dairy Prices new

Weekly prices of eight representative dairy products per Member State and weighted averages over the Union. Prices can be viewed over an extended period or in a year-to-year comparison. The source of the most recent data are Member State notifications through the ISAMM system. The Data Explorer permits downloading raw weekly data in MS Excel format for offline processing.

Milk and Dairy Products Dashboard

A weekly 15-page PDF file with the latest information on prices, production and trade from a wide range of international sources.

Keep in touch and thank you!

ec.europa.eu/agriculture

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European Commission

ANNEX 2

EU dairy products monthly stock estimates at the end of July 2020

EDA

EU dairy products monthly stock estimates at the end of July 2020

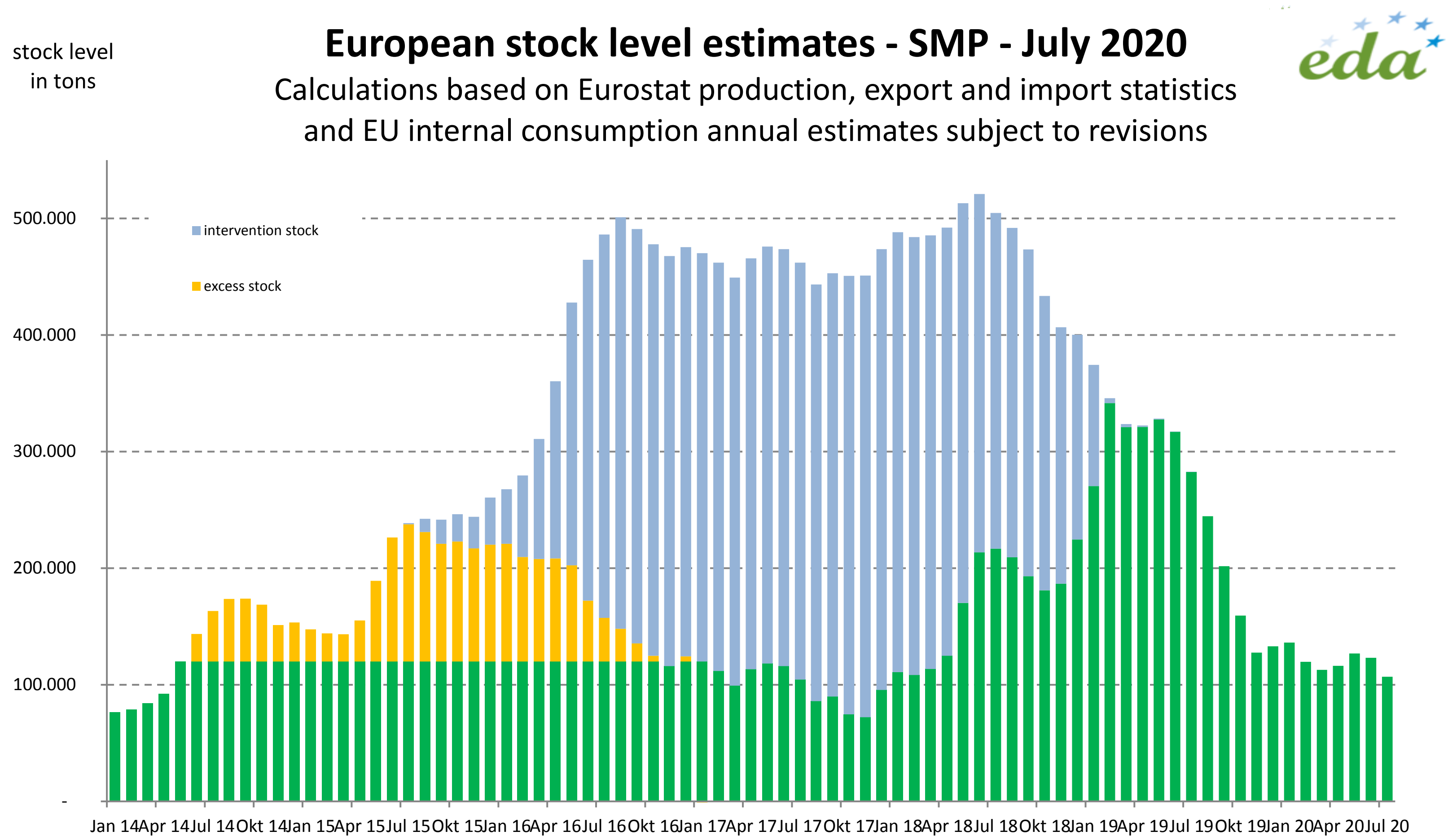
Milk Market Observatory Economic Board

September 25th, 2020

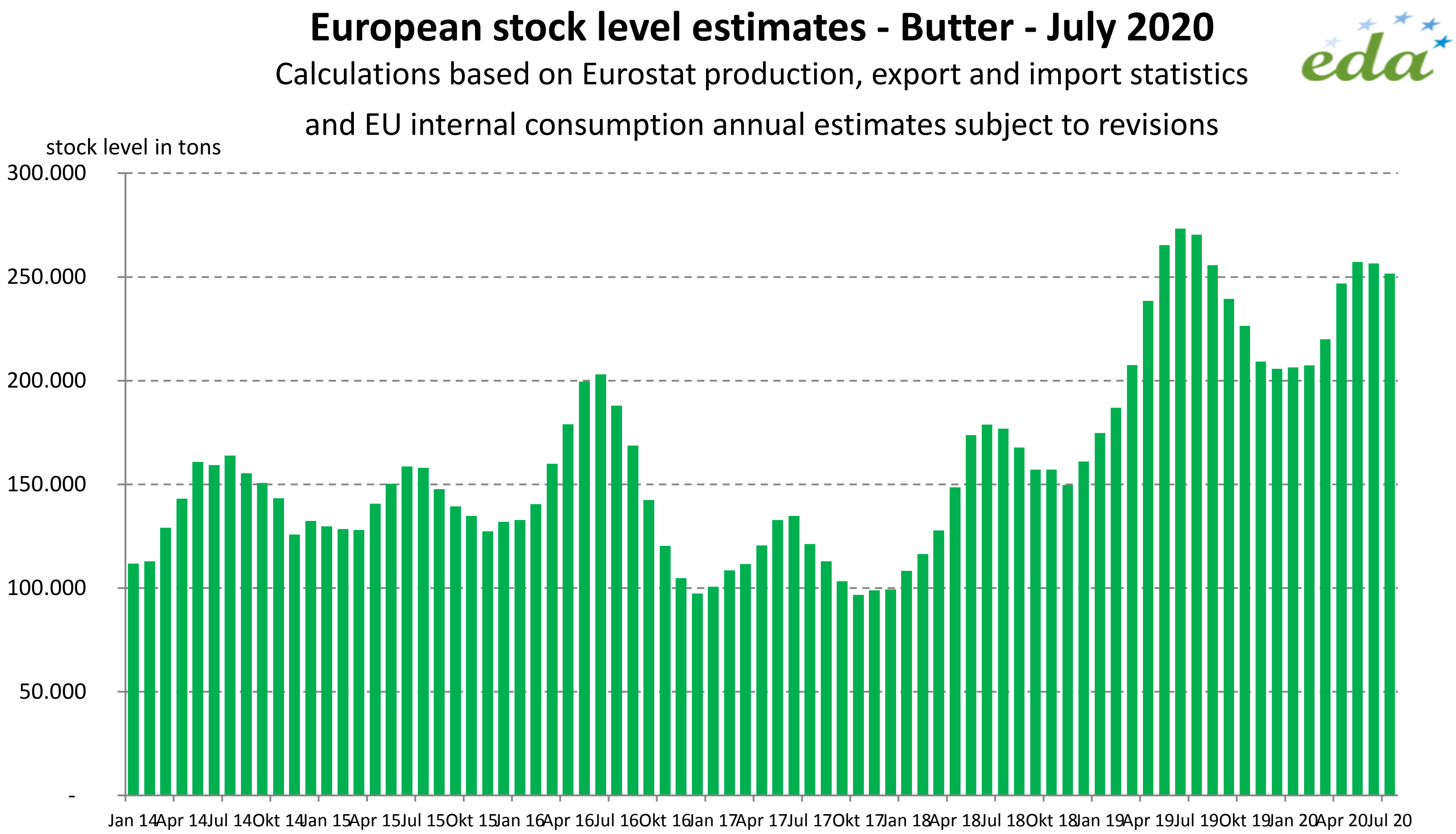
Methodology

- 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 and Eurostat. Due to delays in UK-Trade figures and the transition phase calculations are still referring to EU-28.
- 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.

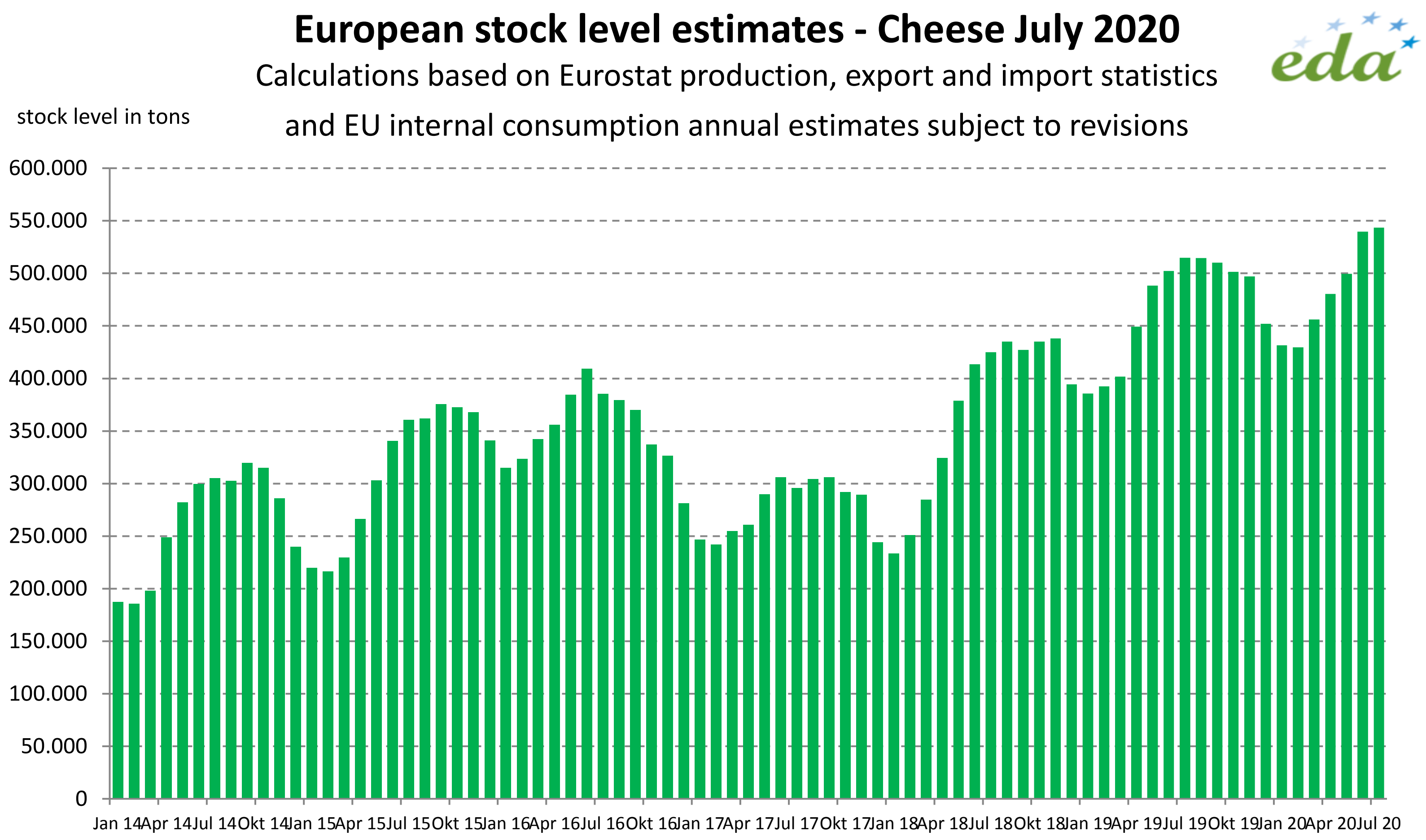
Since the end of November 2019, the European SMP stocks are fluctuating around a normal level of around 120 000 tons. Since the fast clearing of stocks during 2018 and 2019 no new stocks built up, while production kept stable and export-opportunities remained strong.



End of July 2020 , the European butter stocks are on a normal level for the time of the year. Highest exports to 3rd countries since several years and high retails sales supported the market-balance.



End of July 2020, the European cheese stocks are slightly higher than at the same time of 2019. There was now build-up of stocks in July due to the recovery of food-service in summer-time, continuous strong retail demand and strong exports to 3rd countries. Actually the export-business is more challenging due to the strong Euro.



Situation

- The market in general recovered faster than expected at the beginning of the corona-outbreak, but prices of dairy products did not reach the initial level again
- High exports in Q2 and the partly recovery of food-service-demand helped to keep stocks under control
- Actually increasing uncertainties about the development of food-service-demand during the cold months while the numbers of covid-cases are rising

ANNEX 3

Perspectives from the Dairy Trade

Eucolait

Perspectives from the Dairy Trade

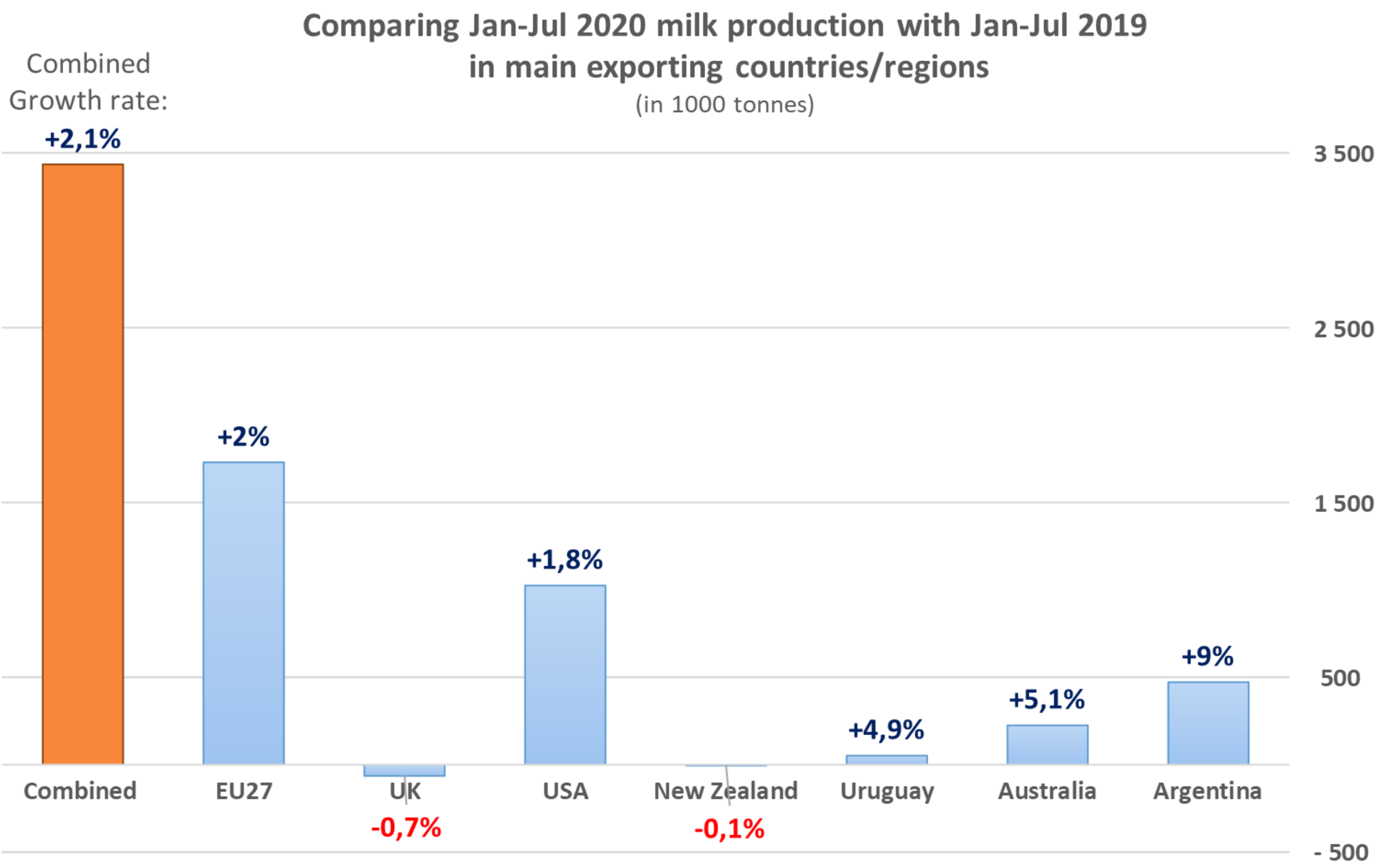
MMO Economic Board

25 September 2020

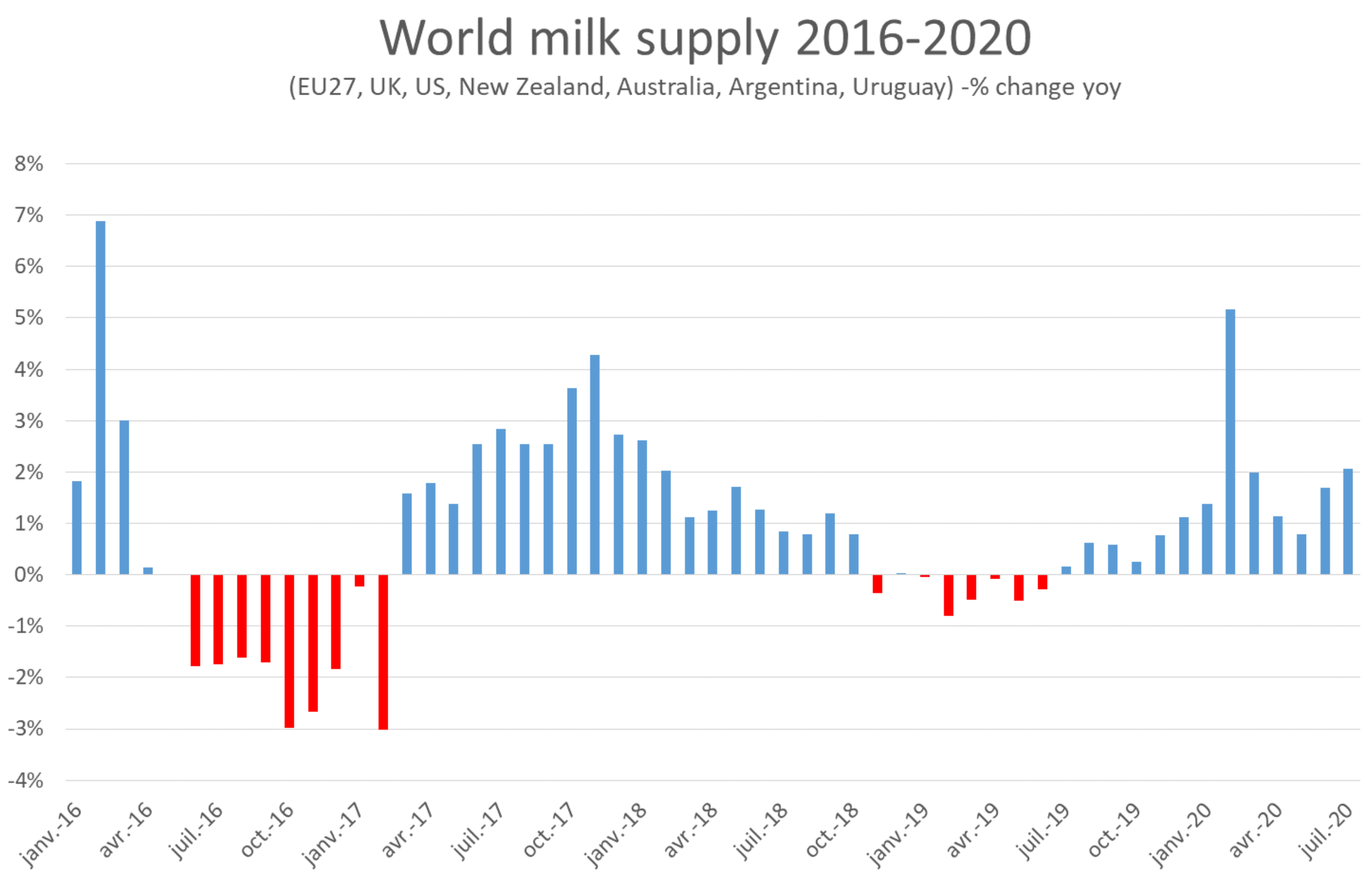
Outline

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

Milk production in key export regions



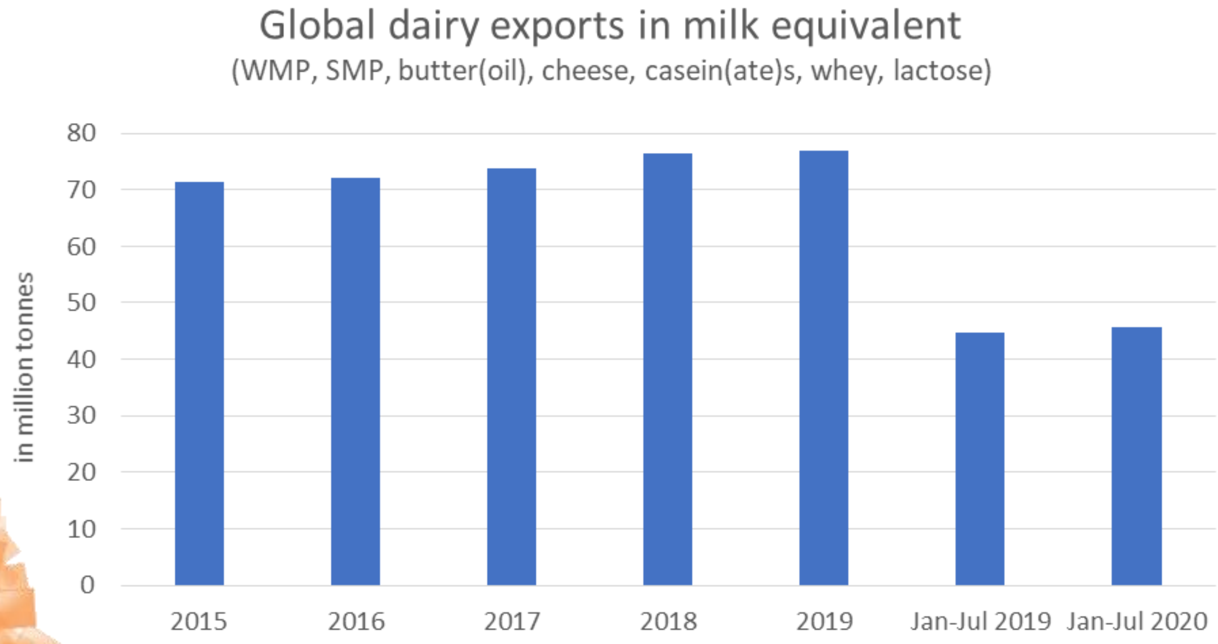
Milk production in key export regions

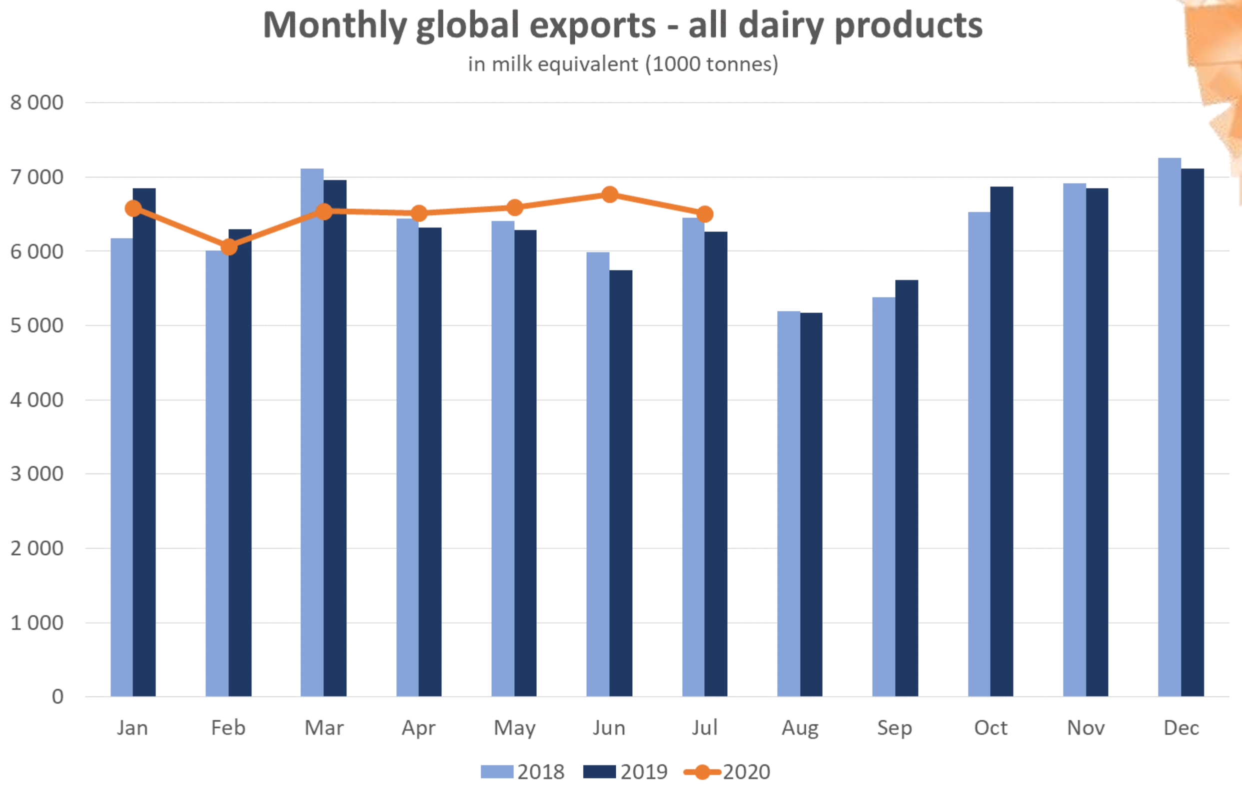


Production outlook

- **EU milk collections** continued to increase in July, helped by stable milk prices and good weather conditions in most of the EU. Droughts in August and September might have some impact on Q3 volumes but in general production should keep growing until the end of the year.
- **US milk collections** have been strong in 2020, except in May when farmers were encouraged to reduce their production due to the spread of covid-19. In August, production rose by 1,8%, a combination of higher yields per cow and an increase in cow numbers. USDA outlook: +1,6% for 2020, +1,5% for 2021.
- **NZ milk collections** have been on the rise since the beginning of the new season (+5,3% yoy in August) reflecting favourable weather conditions. Outlook: +2% for season 2020/21
- **Australian milk collections** had a good start in the new season (+2,9% yoy in July) thanks to good weather conditions which have also helped minimizing the decrease of prior season output (-0,2%). Outlook for 2020/21 is +4% but continued decline is expected in the longer run.
- **South America:** milk production continued to expand in Argentina (+7,6% in July), supported by ongoing profitability through Q2 but rising costs and lower milk prices in H2 should decrease the annual growth rate. Outlook for 2020: +6%. Uruguay milk output has been recovering from a weak 2019 and is now on par with 2018 volumes.
- **Global milk supply** growth for the whole year 2020 likely between +1,5% and +2%

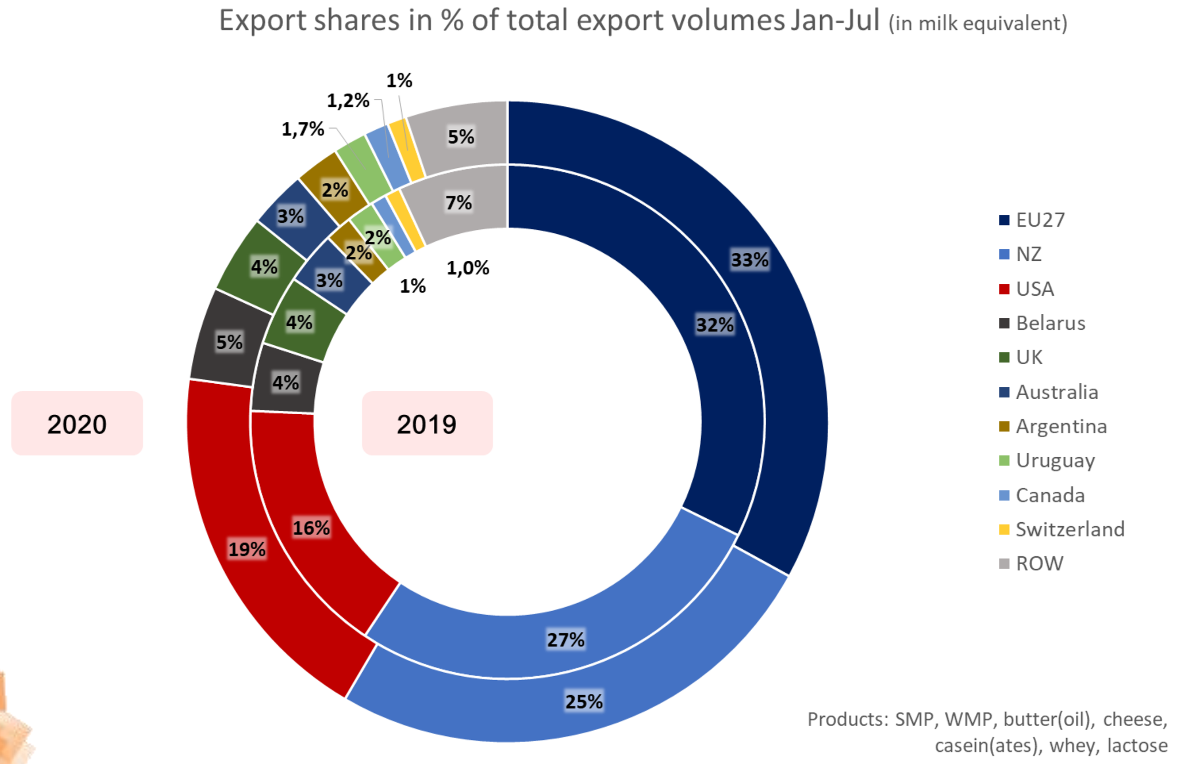
Global dairy exports in ME*

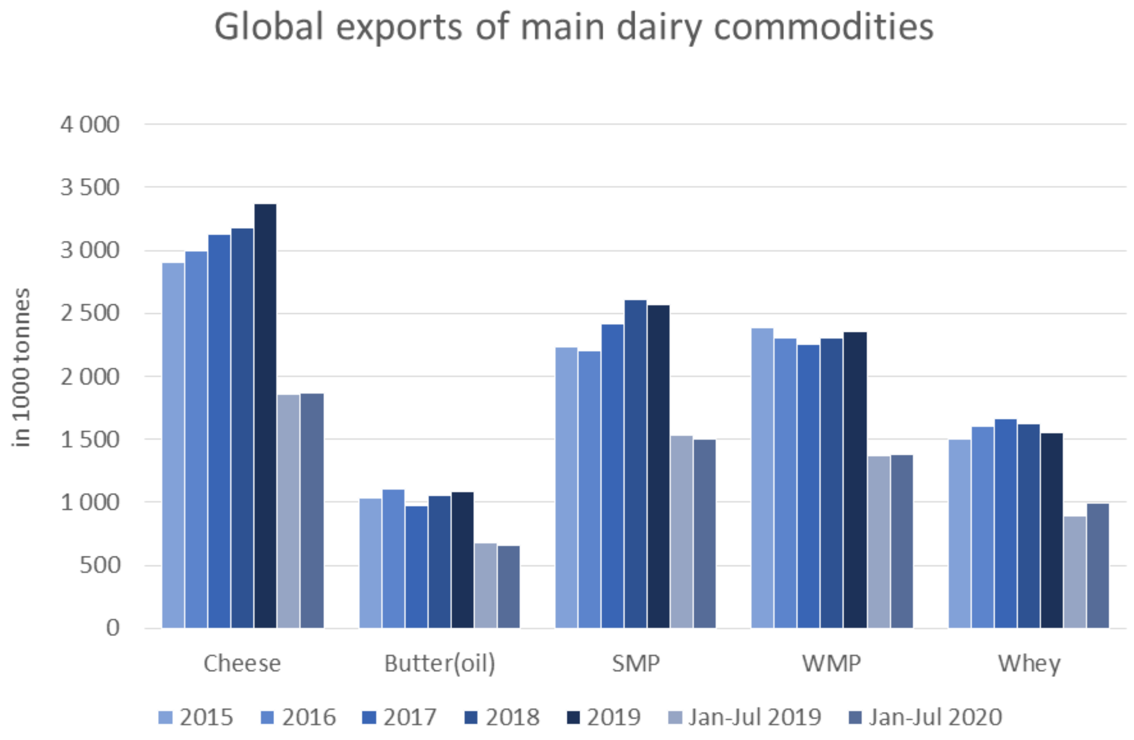




**July data still incomplete*

Dairy exports of main market players in ME*

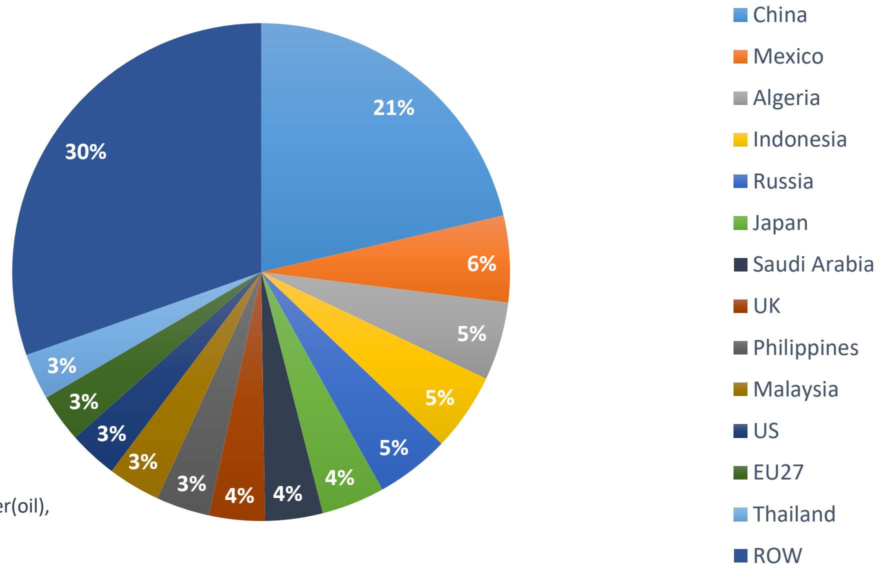




*July data still incomplete

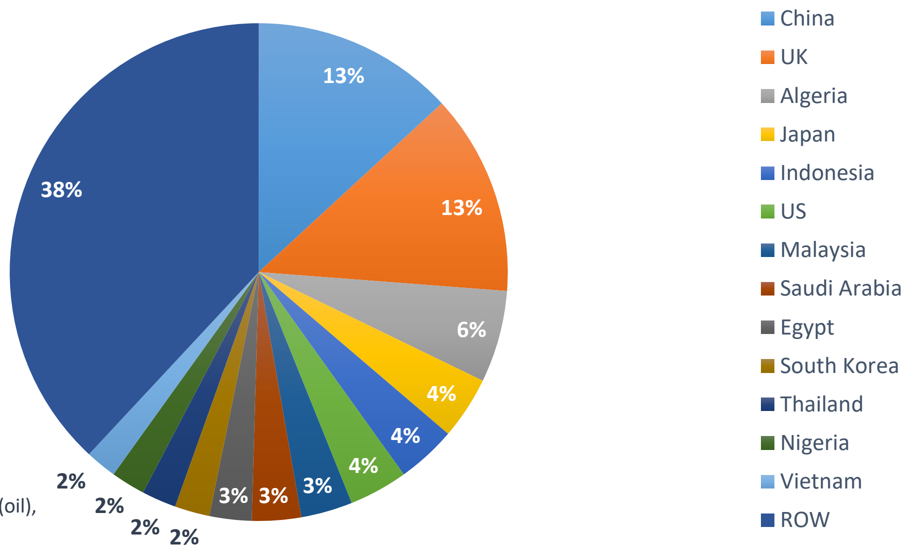
Main import markets & EU export destinations

Main import markets in H1 2020 (in milk equivalent)



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

EU exports destinations in H1 2020 (in milk equivalent)

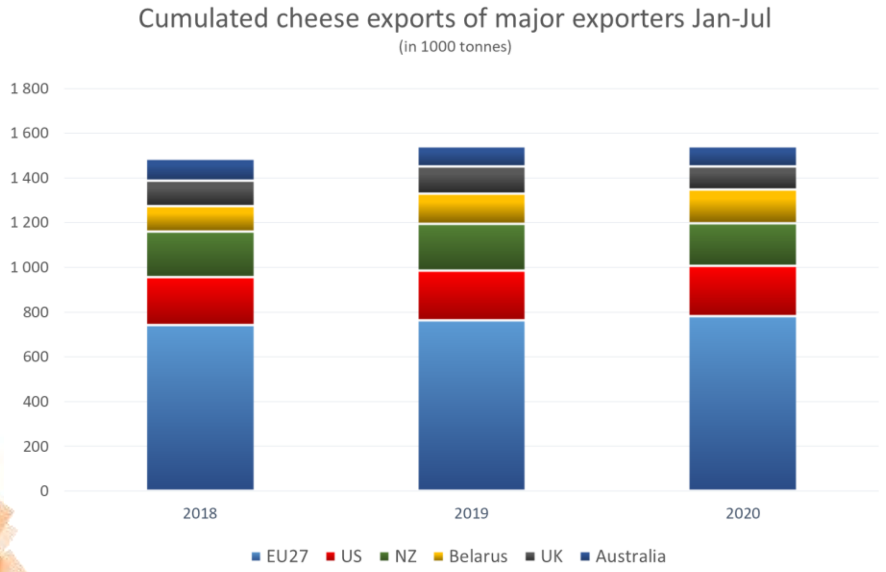


Products: cheese, butter(oil), SMP, WMP, whey, casein(ates)

Cheese trade

Combined cheese exports:

Growth rate Jan-Jul 20/19: +0,9%



EU cheese exports:

Growth rate Jan-Jul 20/19: +2,3%

MAIN CHEESE IMPORTERS H1 2020			
	Volumes in tonnes	Market shares	Δ% 20/19
World	**1 473 005**	**100%**	**+2%**
UK	232 876	16%	-14%
Russia	143 837	10%	+10%
Japan	143 110	10%	-6%
EU27	102 855	7%	+4%
Saudi Arabia	90 461	6%	+3%
South Korea	74 256	5%	+11%
United States	73 582	5%	-9%
Mexico	65 066	4%	+11%
China	62 170	2%	+5%
Australia	53 101	4%	+1%
ROW	431 691	29%	+12%

EU27 CHEESE EXPORTS H1 2020			
	Volumes in tonnes	Share of EU exports	Δ% 20/19
Total EU27 exports	**674 025**	**100%**	**+4%**
United Kingdom	226 959	34%	-8%
Japan	63 812	9%	+12%
United States	52 358	8%	-12%
Switzerland	35 447	5%	+14%
South Korea	29 117	4%	+63%
Ukraine	21 272	3%	+142%
Saudi Arabia	20 517	3%	+7%
Morocco	12 967	2%	+64%
Algeria	12 634	2%	+3%
Australia	12 564	2%	+5%
ROW	186 378	28%	+4%

Butter trade

Combined butter exports:

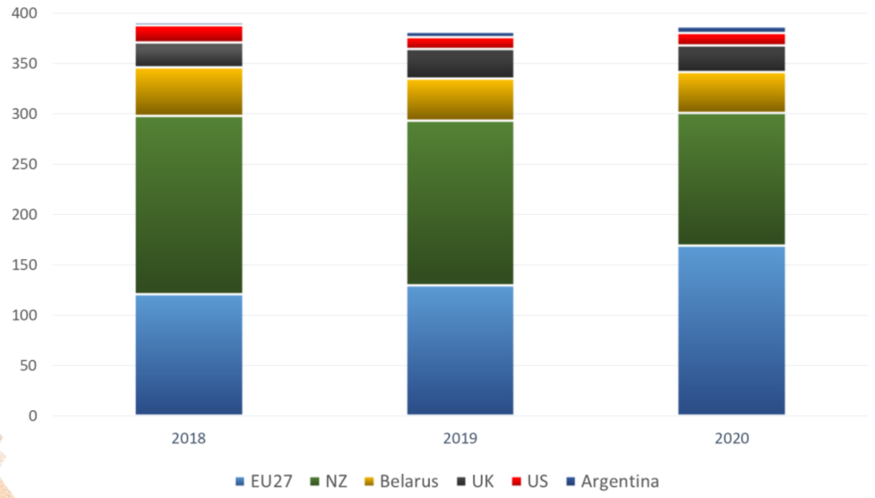
Growth rate Jan-Jul 20/19: -5,6%

EU butter exports:

Growth rate Jan-Jul 20/19: +30,5%

Cumulated butter exports of major exporters Jan-Jul

(in 1000 tonnes)



MAIN BUTTER IMPORTERS H1 2020			
	Volumes in tonnes	Market shares	Δ% 20/19
World	**337 610**	**100%**	**+5%**
Russia	56 629	17%	+8%
China	50 045	15%	+43%
UK	30 938	9%	-4%
Saudi Arabia	22 571	7%	+38%
United States	21 488	6%	-3%
EU27	17 233	5%	-45%
Australia	16 910	5%	+13%
Egypt	15 241	5%	+51%
Japan	10 052	3%	-8%
Morocco	9 609	3%	+2%
ROW	86 894	26%	-1%

EU27 BUTTER EXPORTS H1 2020			
	Volumes in tonnes	Share of EU exports	Δ% 20/19
Total EU27 exports	**147 581**	**100%**	**+40%**
United Kingdom	26 605	18%	-14%
United States	22 277	15%	+32%
Saudi Arabia	11 332	8%	+167%
China	7 625	5%	+67%
Morocco	7 066	5%	+314%
Ukraine	6 423	4%	+3391%
Egypt	6 280	4%	+760%
United Arab Emirates	4 257	3%	+36%
Israel	3 871	3%	+131%
Japan	3 801	3%	-27%
ROW	48 044	33%	+33%

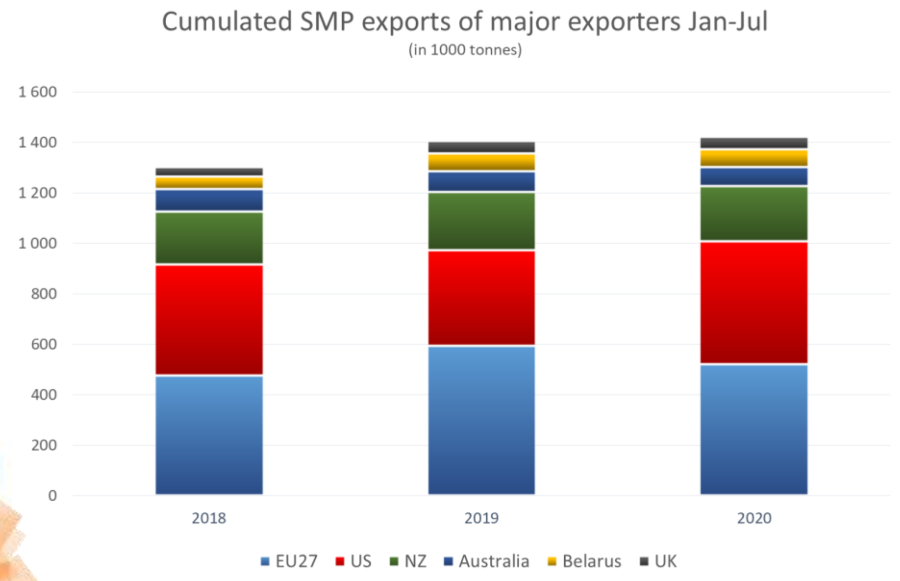
SMP trade

Combined SMP exports:

Growth rate Jan-Jul 20/19: -1,5%

EU SMP exports:

Growth rate Jan-Jul 20/19: -12,3%



MAIN SMP IMPORTERS H1 2020			
	Volumes in tonnes	Market shares	Δ% 20/19
World	**1 019 181**	**100%**	**-6%**
China	157 486	15%	-12%
Mexico	143 571	14%	-16%
Indonesia	108 865	11%	+13%
Algeria	88 060	9%	+54%
Philippines	78 233	8%	-27%
Malaysia	59 520	6%	-5%
Egypt	39 680	4%	-1%
Thailand	34 602	3%	-1%
Singapore	30 027	3%	-7%
Russia	29 059	3%	-42%
ROW	250 078	25%	-8%

EU27 SMP EXPORTS H1 2020			
	Volumes in tonnes	Share of EU exports	Δ% 20/19
Total EU27 exports	**433 040**	**100%**	**-14%**
Algeria	75 571	17%	+53%
China	55 965	11%	-14%
Egypt	25 892	6%	-18%
Malaysia	21 726	5%	-23%
Nigeria	21 452	5%	+27%
Indonesia	20 144	5%	-58%
Saudi Arabia	19 222	4%	-8%
United Kingdom	16 821	4%	+76%
Yemen	16 731	4%	+7%
Philippines	14 891	3%	-64%
ROW	144 625	33%	-20%

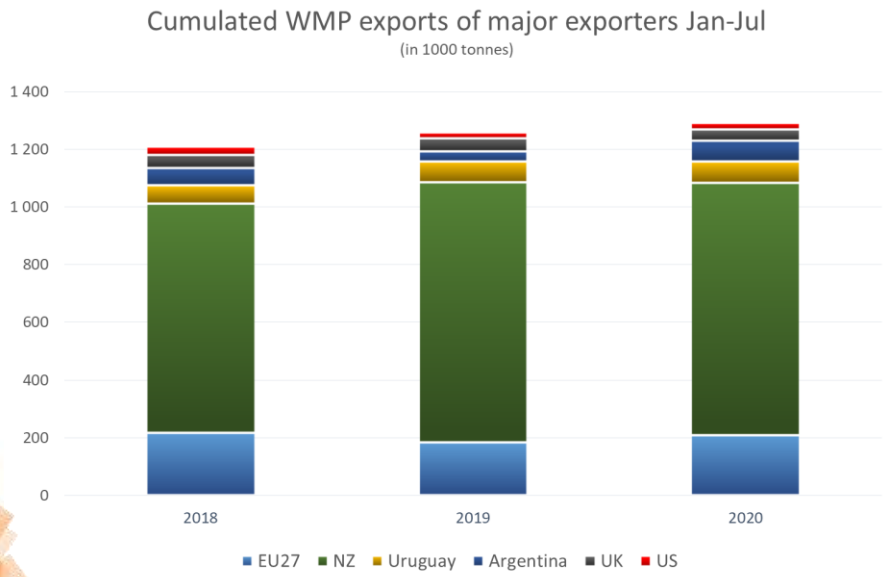
WMP trade

Combined WMP exports:

Growth rate Jan-Jul 20/19: +1,4%

EU WMP exports:

Growth rate Jan-Jul 20/19: +14%



MAIN WMP IMPORTERS H1 2020			
	Volumes in tonnes	Market shares	Δ% 20/19
World	**1 173 313**	**100%**	**+1%**
China	416 318	35%	+2%
Algeria	134 003	11%	+21%
Saudi Arabia	83 677	7%	+8%
Sri Lanka	46 874	4%	+8%
Thailand	42 517	4%	-11%
Oman	37 814	3%	+3%
Nigeria	36 018	3%	+46%
Hong Kong	34 918	3%	-36%
Singapore	30 700	3%	-15%
Malaysia	26 518	2%	-27%
ROW	283 956	44%	-13%

EU27 WMP EXPORTS H1 2020			
	Volumes in tonnes	Share of EU exports	Δ% 20/19
Total EU27 exports	**170 367**	**100%**	**+12%**
Oman	24 962	15%	-2%
United Kingdom	13 939	8%	-13%
Algeria	13 494	8%	+263%
Nigeria	13 406	8%	+131%
Kuwait	7 208	4%	-20%
China	6 799	4%	-15%
United Arab Emirates	5 978	4%	+62,4%
Saudi Arabia	4 599	3%	+2%
Lebanon	4 215	2%	-35%
Senegal	4 138	2%	+40%
ROW	71 629	44%	+7%

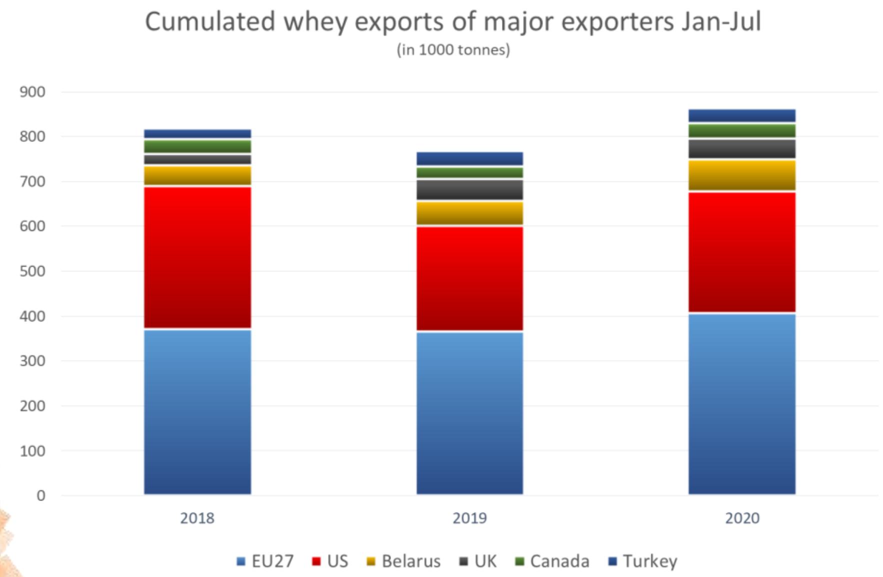
Whey trade

Combined whey exports:

Growth rate Jan-Jul 20/19: +11,2%

EU whey exports:

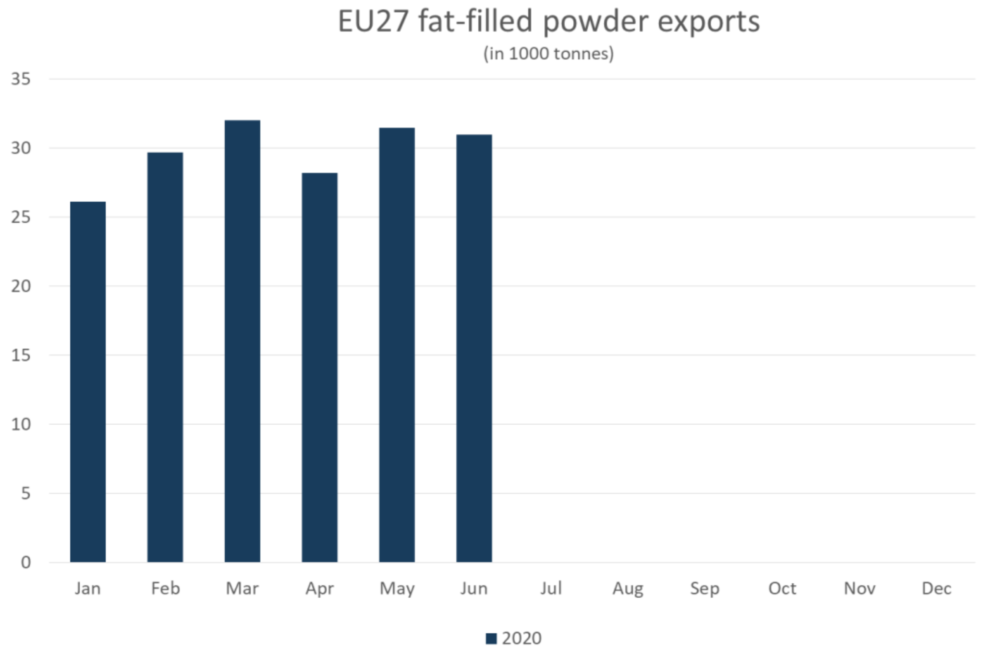
Growth rate Jan-Jul 20/19: +11,2%



MAIN WHEY IMPORTERS H1 2020			
	Volumes in tonnes	Market shares	Δ% 20/19
World	**717 991**	**100%**	**+6%**
China	273 911	38%	+32%
Indonesia	56 284	8%	-9%
Malaysia	47 743	7%	+17%
Thailand	36 595	5%	+14%
Russia	28 418	4%	+7%
Philippines	26 764	4%	-25%
Canada	25 895	4%	+23%
Japan	25 497	4%	-6%
Mexico	24 764	3%	-28%
UK	24 063	3%	-28%
ROW	148 057	21%	-8%

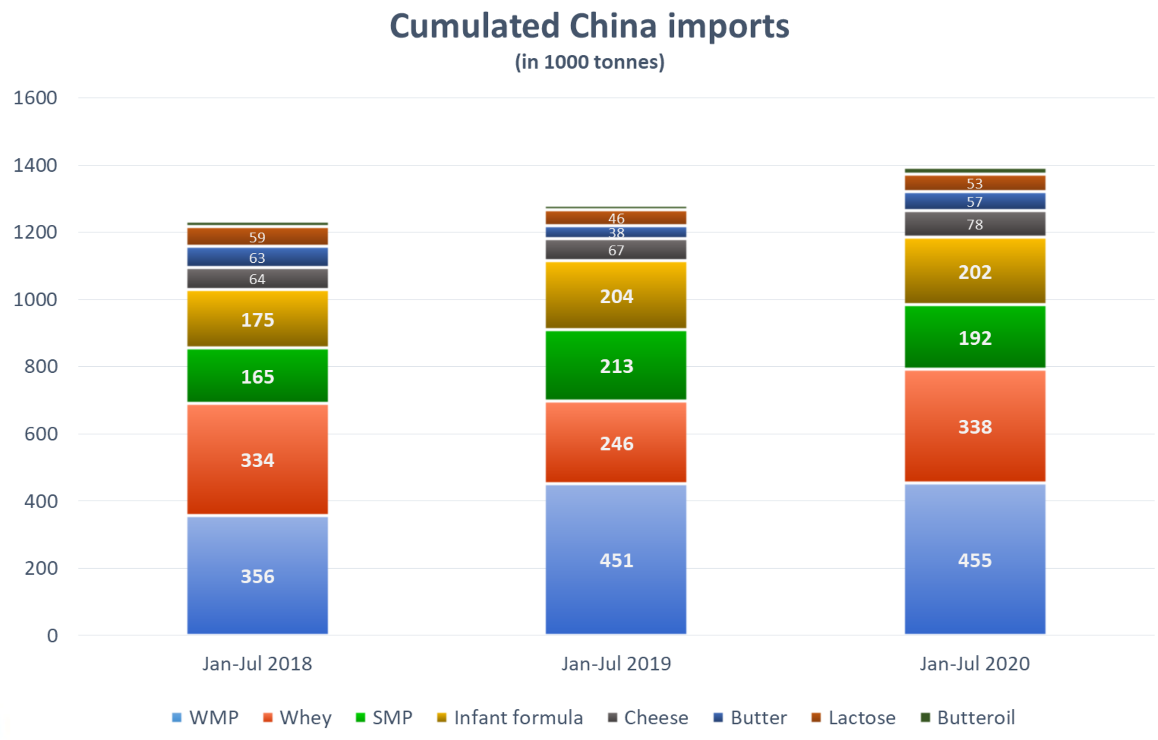
EU27 WHEY EXPORTS H1 2020			
	Volumes in tonnes	Share of EU exports	Δ% 20/19
Total EU27 exports	**343 720**	**100%**	**+12%**
China	120 795	35%	+39%
Indonesia	33 145	13%	-11%
Malaysia	29 998	9%	+3%
Thailand	22 150	6%	+20%
United Kingdom	22 148	6%	-28%
Vietnam	13 591	4%	+65%
Japan	8 776	3%	+14%
South Korea	7 462	2%	+30%
Philippines	6 874	2%	+1%
New Zealand	6 600	2%	+10%
ROW	72 181	21%	+4%

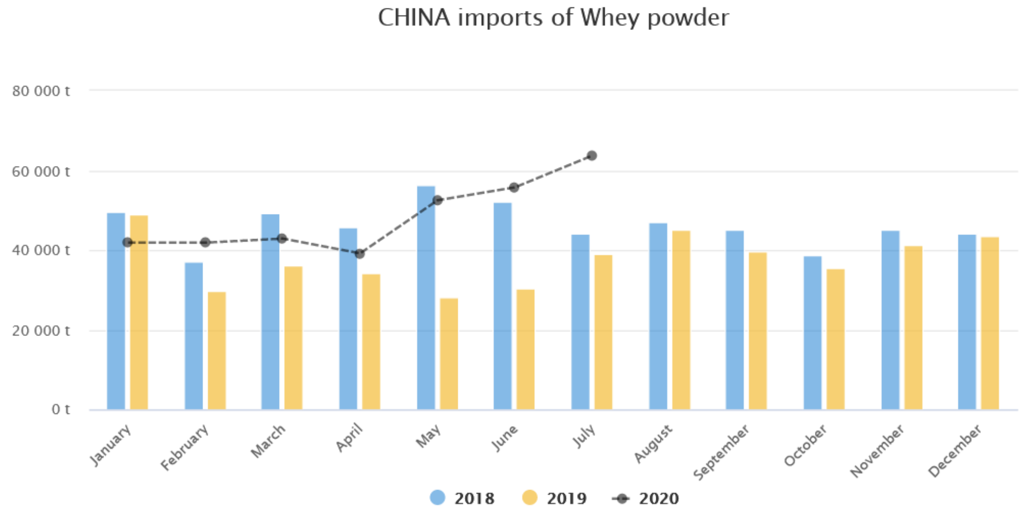
Fat-filled powder trade

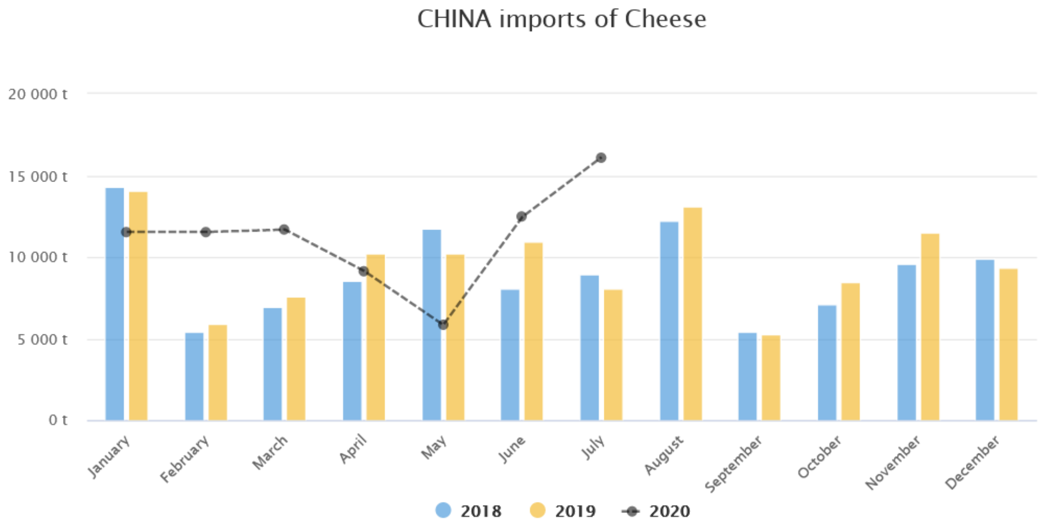


EU27 FAT-FILLED POWDER EXPORTS H1 2020		
	Volumes in tonnes	Share of EU exports
Total EU27 exports	**178 331**	**100%**
Nigeria	33 606	19%
Senegal	25 763	14%
United Arab Emirates	18 367	10%
Iraq	15 527	9%
Bangladesh	7 066	4%
Cote d'Ivoire	5 604	3%
Mali	5 575	3%
Ghana	5 184	3%
Guinea	4 964	3%
Egypt	4 466	3%
ROW	52 209	29%

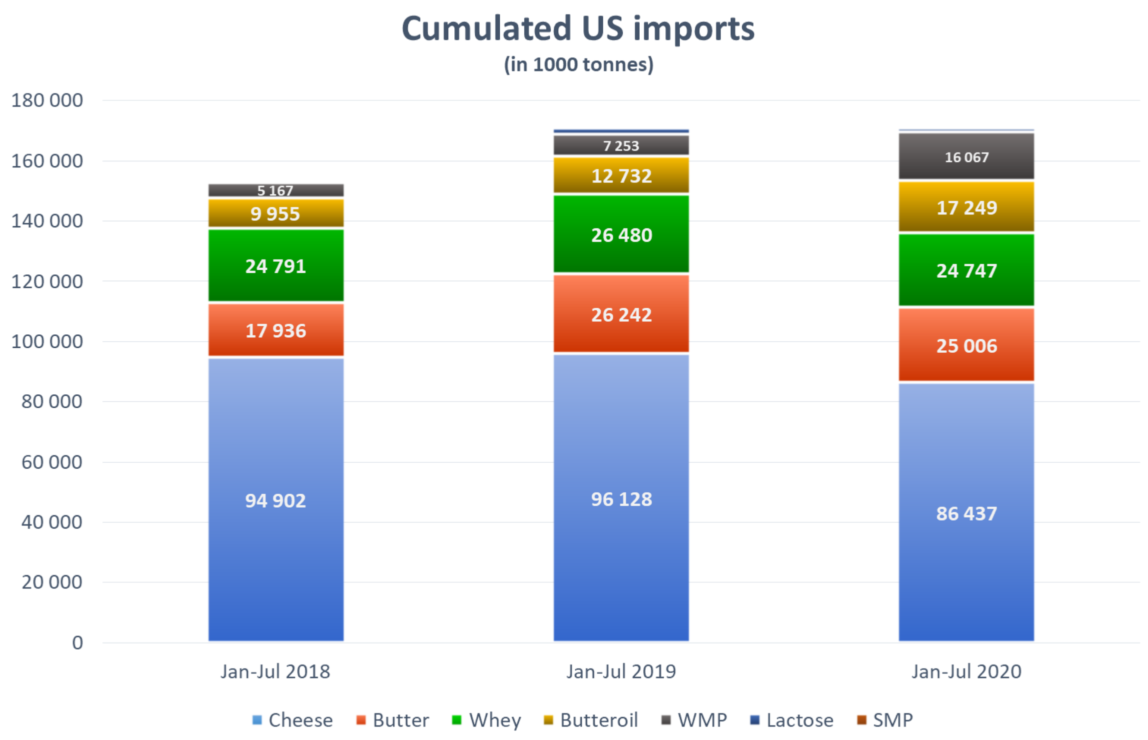
China imports

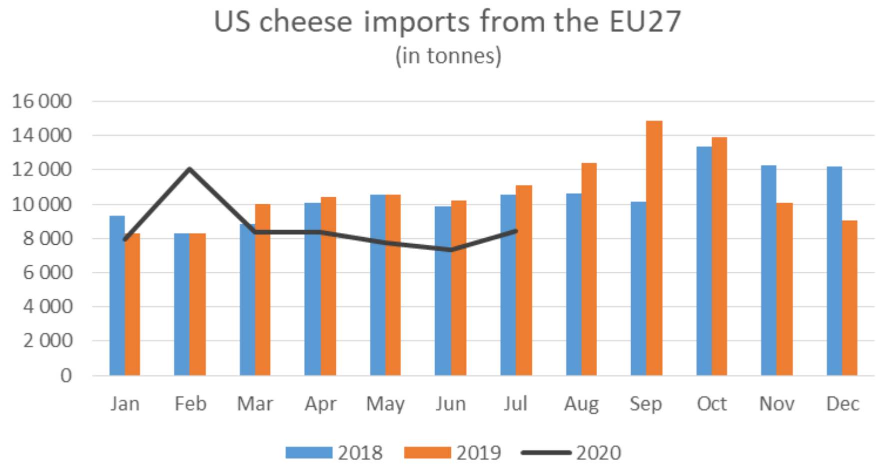


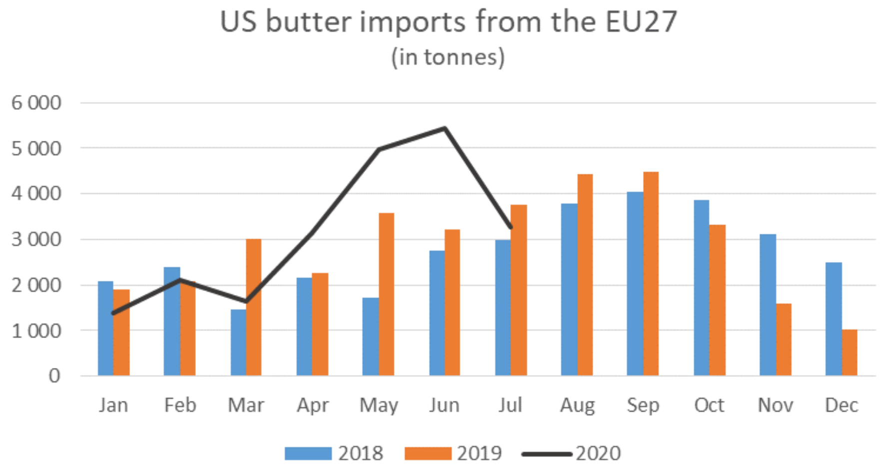




US imports


Cumulated US imports
(in 1000 tonnes)
180 000
160 000
140 000
120 000
100 000
80 000
60 000
40 000
20 000
0
5 167
9 955
24 791
17 936
94 902
7 253
12 732
26 480
26 242
96 128
16 067
17 249
24 747
25 006
86 437
Jan-Jul 2018
Jan-Jul 2019
Jan-Jul 2020
Cheese
Butter
Whey
Butteroil
WMP
Lactose
SMP


US cheese imports from the EU27
(in tonnes)
16 000
14 000
12 000
10 000
8 000
6 000
4 000
2 000
0
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2018
2019
2020


US butter imports from the EU27
(in tonnes)
6 000
5 000
4 000
3 000
2 000
1 000
0
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2018
2019
2020

Conclusions (1)

- **Milk production** in the main exporting regions since the beginning of the pandemic has been **stronger than expected** and there are **no signs of a slowdown**.
- The **drop in food service** demand in Europe has so far been **matched by increased retail sales and exports**. As a result, markets have remained quite stable despite unprecedented shifts in demand patterns. **Market intervention and stimulus packages by public authorities have also played a role**.
- **Global trade and EU exports** have been **remarkably strong,** but it is not clear whether the increased imports reflect actual consumption or were the result of stocking strategies and food security concerns.
- **Macro demand fundamentals appear very weak**: sharply lower global GDP, high unemployment and ongoing restrictions on eating out and tourism.
- **Currencies are volatile** and EU exports are currently challenged by the strong Euro.

Conclusions (2)

- A **no-deal Brexit** would completely **disrupt EU-UK dairy supply chains** and put pressure on prices. Even if there is a deal, EU-UK dairy trade flows will be hampered by customs and veterinary controls.

- **Trade with the US remains affected** by the Aircraft dispute. The upcoming presidential elections are a potential game changer in the EU - US relations

- The **dairy market has been resilient to covid-19** but it is a fragile balance accompanied by total **uncertainty**:

  - evolution of the pandemic and related restrictions in the next 6-12 months
  - other government measures and policies
  - availability and effectiveness of a vaccine
  - severity of the recession and its impact on dairy consumption

- Thank you for your attention -

ANNEX 4

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

EuroCommerce

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

Milk Market Observatory

25 SEPTEMBER 2020

EuroCommerce
for retail
& wholesale

France

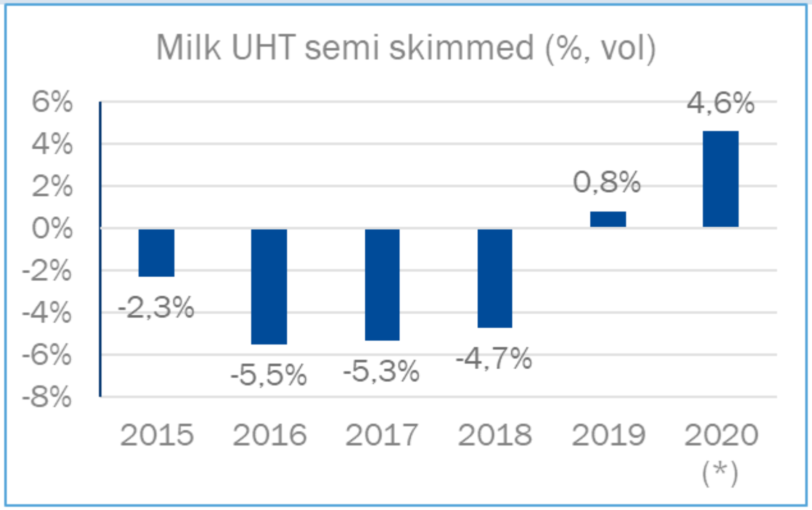
Home consumption - Period ending 31 July 2020

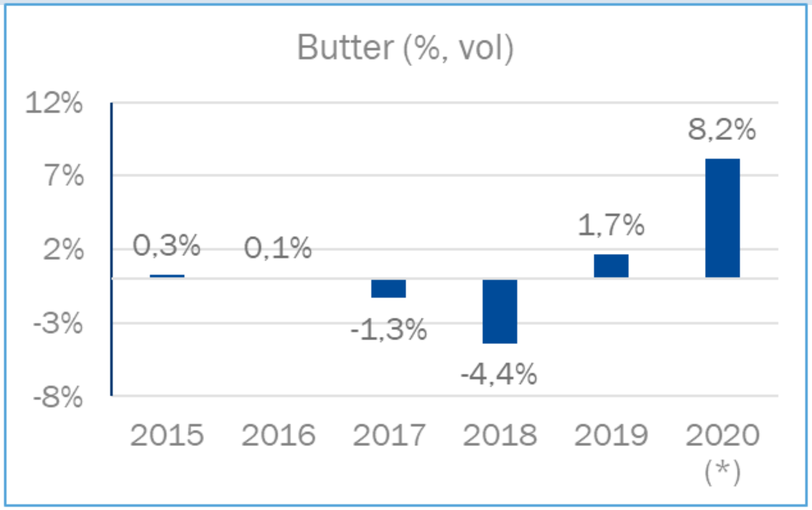
Product category	Volume (% change) 4 weeks period (P07‘19/P07’20)	Volume (% change) Year on year (P07‘18-P07’19 / P07‘19 –P07‘20)	Price (% change) 4 weeks period (P07’19/P07’20)	Price (% change) Year on year (P07‘18-P07’19 / P07‘19 –P07‘20)
Total liquid milk	+8,1%	+3,5%	+0,2%	+1,5%
Of which UHT semi-skimmed milk	+14,7%	+4,6%	+0,0%	+0,7%
Yoghurt & fresh cheese	+3,0%	+2,7%	+1,5%	+1,9%
Butter	+13,0%	+8,2%	-1,0%	+2,1%
Cream	+18,2%	+10,9%	+0,4%	+2,6%
Cheese	+8,1%	+6,6%	+0,0%	+1,2%

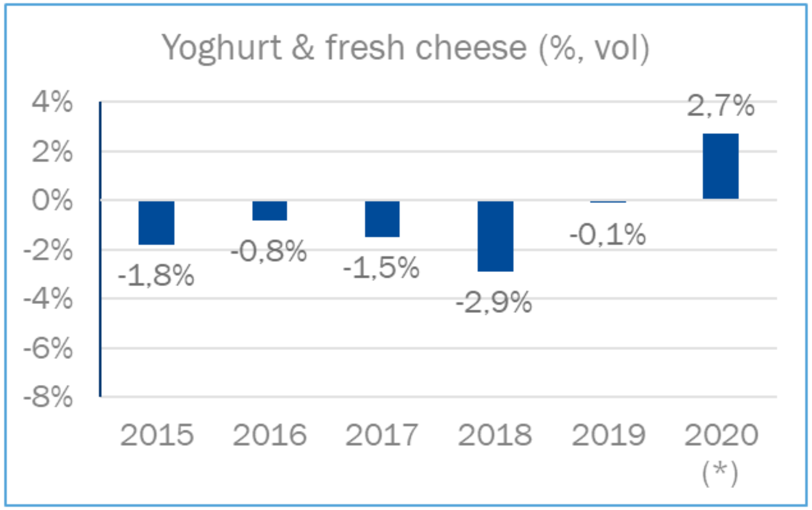
Source: Kantar World Panel via FranceAgriMer (Min. de l’Agriculture)

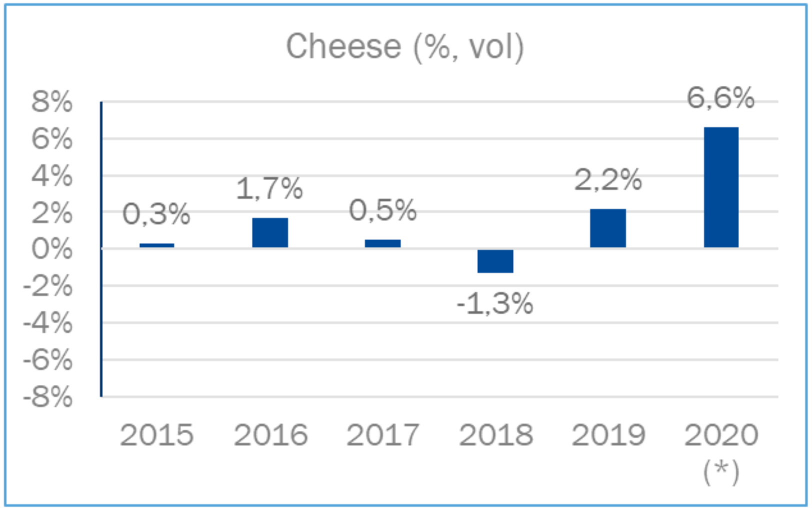
France

Home Consumption - Period ending 31 July 2020





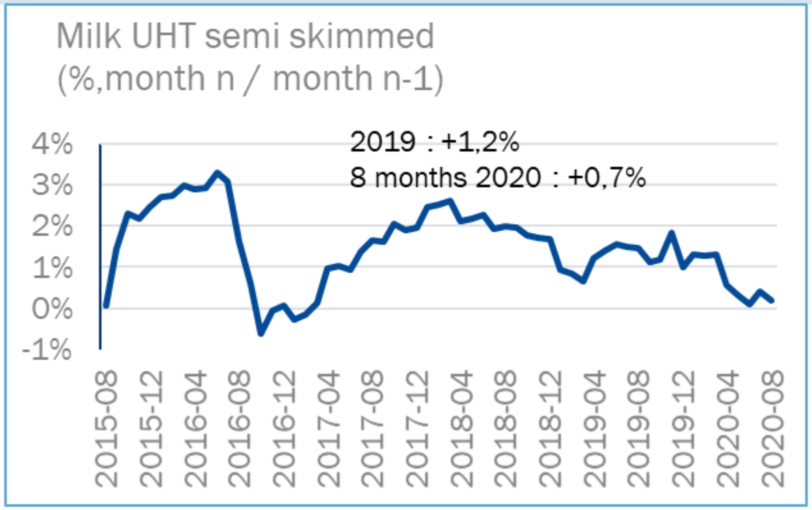


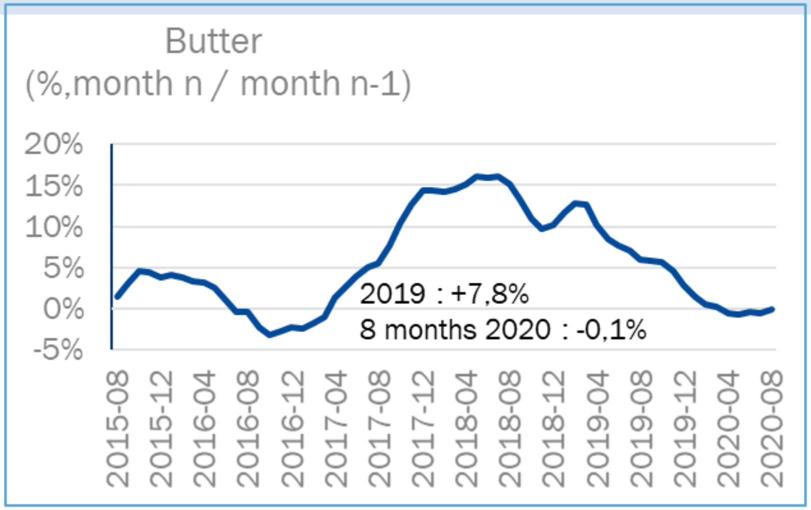


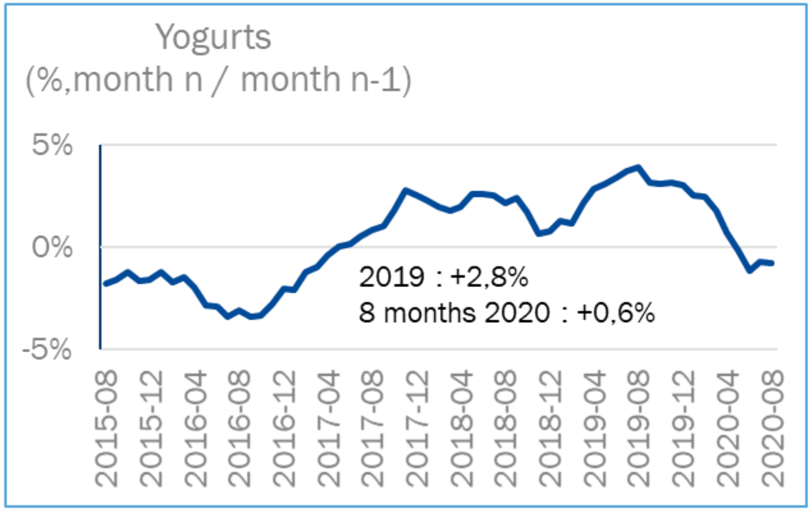
(*) year on year P07 2020
Source: Kantar World Panel via FranceAgriMer (Min. de l'Agriculture)

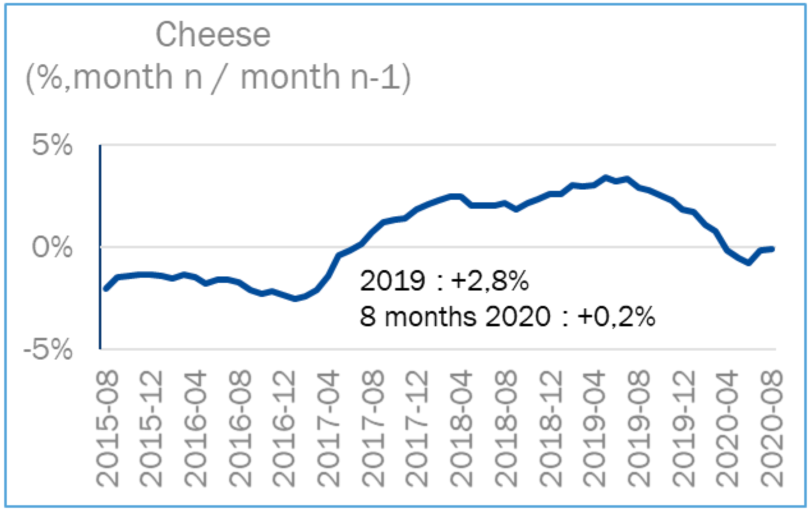
France

Consumption prices - Period ending 31 August 2020









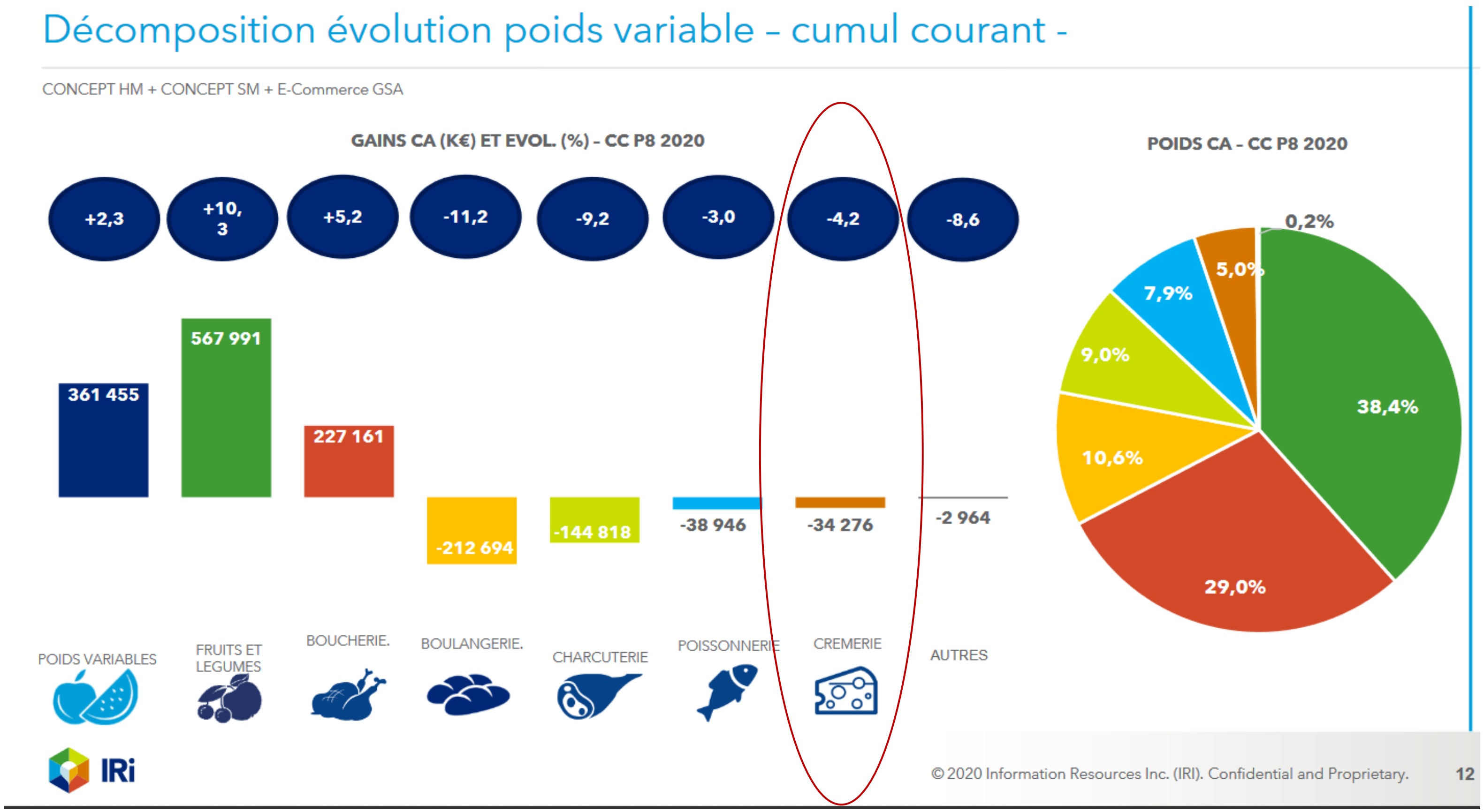
Source: INSEE

EuroCommerce

France

Focus on fresh food in hypermarkets and supermarkets

Dairy sales in cheese counters in HM and SM have been negatively impacted by the period of containment. The sales were impacted by the closure of the cheese counters in hypermarkets and by the shift in consumption towards non-PGI or PDO cheeses.



Source: IRI (hypermarkets, supermarkets, e-commerce

EuroCommerce

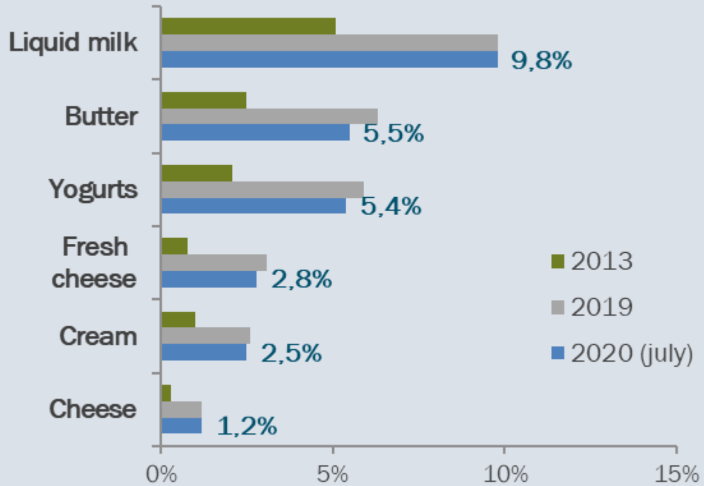
France

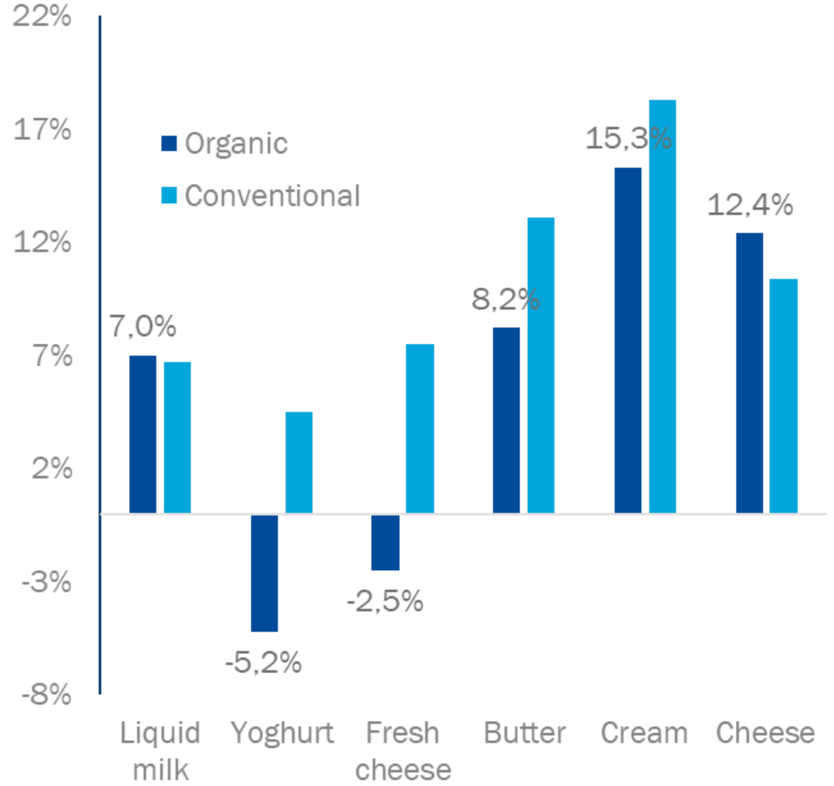
Sales of organic versus conventional milk & dairy products

Organic milk & dairy products

❖ Organic dairy products sales have continued to increase, but the growth rythm was slower during the lockdown period.

Organic *market* shares (% vol. 31/07/2020)





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

EuroCommerce

France

Plant-based options

Plant-based options represent 276 M€, i.e. nearly 7% of the dairy market.

	Sales in value (€) % Evol vs Y-1				
	YtoY before crisis (YtoY to 23/2)	PRE-Containment (W9 to 11)	Containement (W12 to 19)	Decontainment PHASE 1 (W20 to 22)	Summer 2020 (June to August)
TOTAL FMCG	**0,8%**	**18,8%**	**9,6%**	**14,5%**	**4,2%**
TOTAL DESSERTS	**2,6%**	**12,1%**	**9,2%**	**4,7%**	**1,2%**
Soy desserts	-2,7%	6,4%	-5,5%	-6,1%	-3,0%
Other plant-based desserts	63,2%	69,2%	18,0%	21,2%	8,0%
UHT	**-1,3%**	**35,6%**	**13,7%**	**-0,2%**	**3,0%**
Plant-based beverages	2,9%	20,7%	18,8%	13,9%	10,2%

	Sales in value (000 €)				
	YtoY before crisis (YtoY to 23/2)	PRE-Containment (W9 to 11)	Containement (W12 to 19)	Decontainment PHASE 1 (W20 to 22)	Summer 2020 (June to August)
TOTAL FMCG	**109 102 545**	**7 396 403**	**18 217 197**	**7 063 903**	**28 812 070**
TOTAL DESSERTS	**2 180 785**	**148 738**	**374 739**	**133 294**	**541 266**
Soy desserts	55 422	3 616	8 706	3 274	13 003
Other plant-based desserts	25 556	1 910	4 126	1 727	6 686
UHT	**2 019 253**	**164 890**	**361 209**	**113 263**	**470 517**
Plant-based beverages	194 956	14 298	36 447	13 236	50 598

Source: IRI

France

Opinion polls: the expectations of French consumers

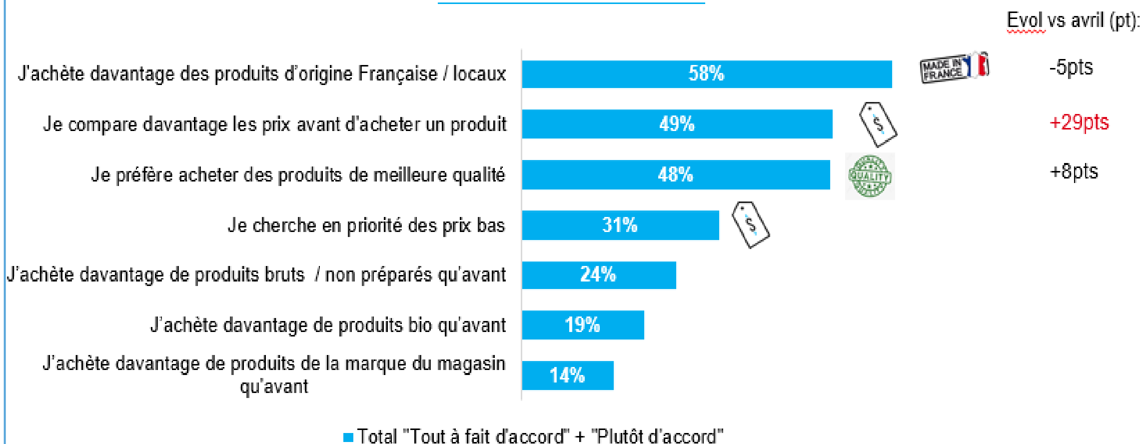
More than half of the households opt for local and better quality products. But 49% say they compare prices before buying a product, this share has increased by 29 points since April.

Consumers say they are more attracted by the "direct producer", by specialised food shops… and much less by hypermarkets and supermarkets.

PLUS DE LA MOITIÉ DES FOYERS PRIVILÉGIENT LES PRODUITS D'ORIGINE LOCALE ET DE MEILLEURE QUALITÉ

À côté de cela, une moitié de foyers fait aussi plus attention au prix qu'avant

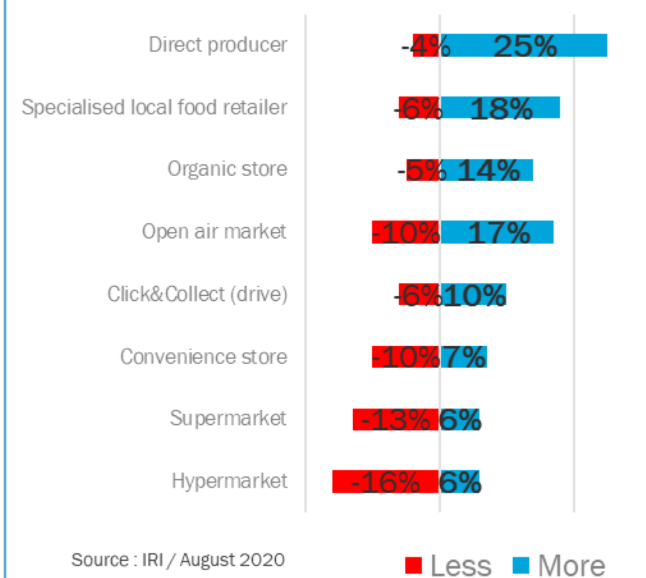
« Par rapport à la situation d'avant la crise COVID-19, dans quelle mesure êtes-vous d'accord avec les déclarations suivantes ? »



Source : Panel Consommateurs Homescan I Panel View I 9 401 répondants I Questionnaire on Line du 10 au 19 juillet 2020

2

Intentions to visit distribution channels



Source : IRI / August 2020

Source : Nielsen

Italy

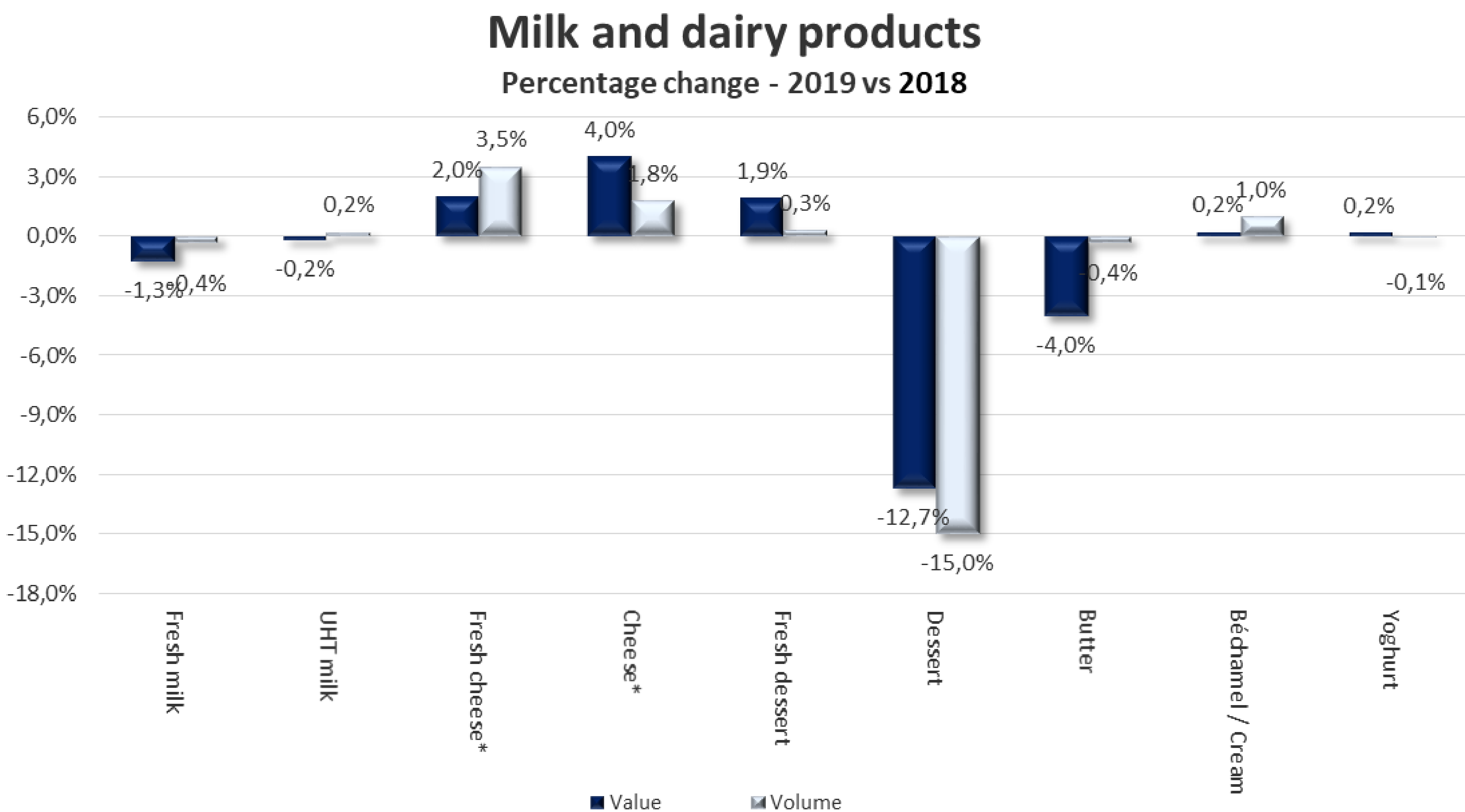
Milk and dairy products – 2Q 2020 and 1S 2020

Product category	2Q 2020 vs 2Q 2019		1S 2020 vs 1S 2019	
	VOLUME (% change)	VALUE % change)	VOLUME % change)	VALUE % change)
Fresh milk	-8,8	-6,7	-4,1	-2,0
UHT milk	7,5	13,0	9,2	13,4
Fresh cheese*	21,2	23,0	17,4	19,1
Cheese*	12,2	15,0	11,1	14,3
Fresh dessert	2,8	6,6	3,5	6,2
Dessert	-5,2	1,1	-5,2	0,2
Butter	31,8	28,7	28,2	24,2
Béchamel / Cream	29,6	30,4	22,3	22,4
Yoghurt	3,5	5,2	4,4	5,6

Source: Market Track Nielsen
* Peso imposto

Italy

Milk and dairy products – Year 2019 *versus* Year 2018

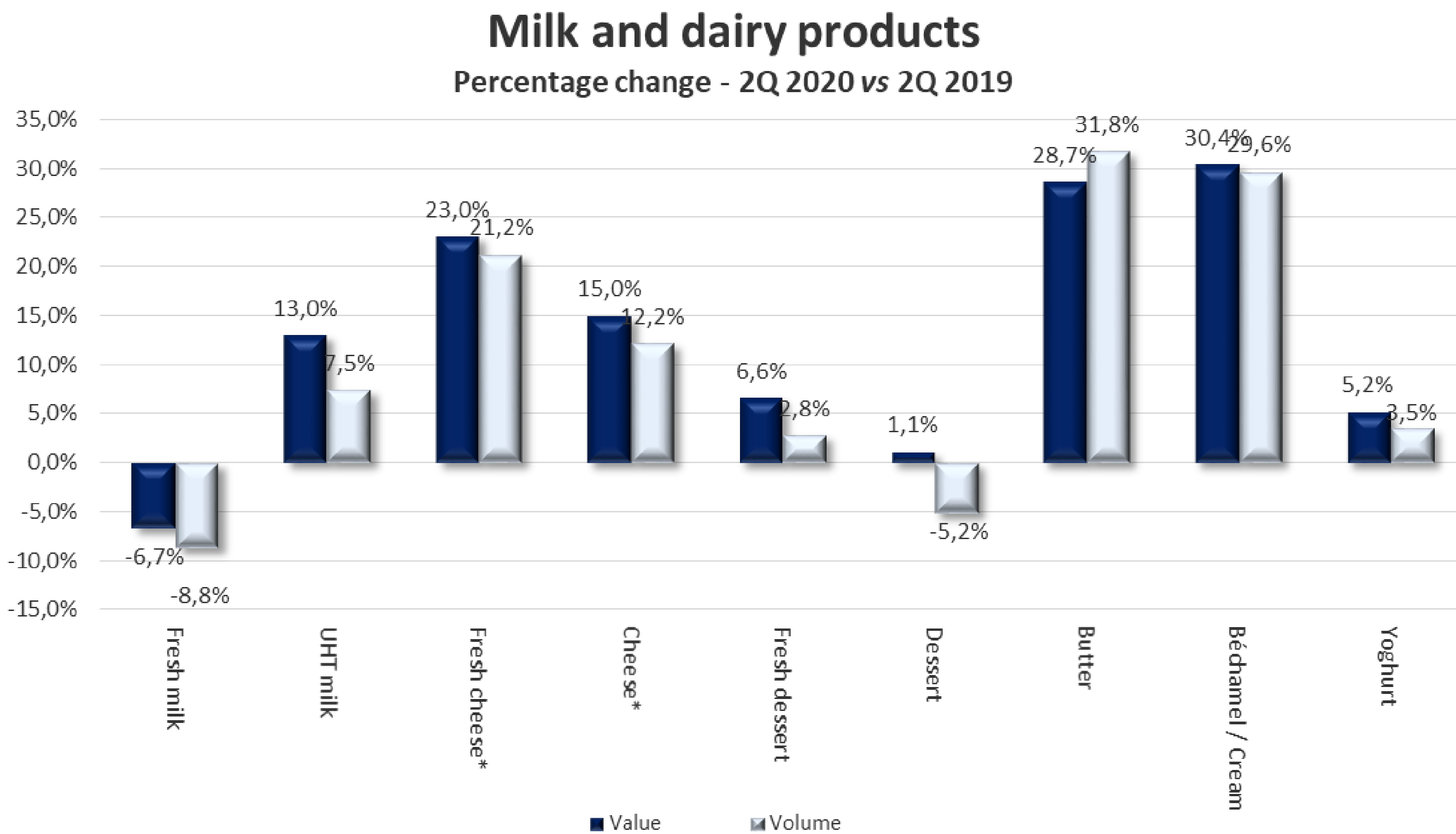


Source: Market Track Nielsen

* Peso imposto

Italy

Milk and dairy products – 2Q 2020 *versus* 2Q 2019



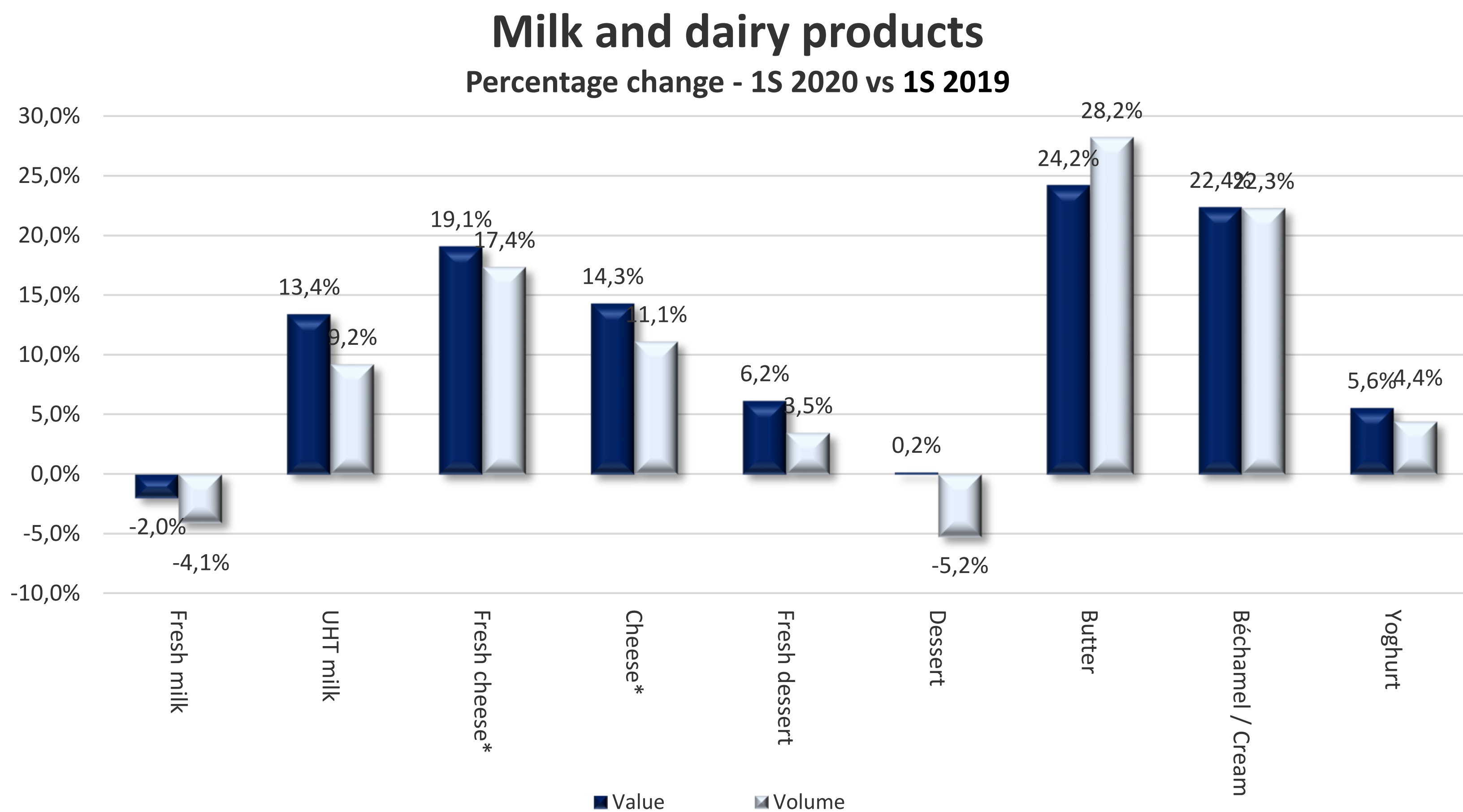
Source: Market Track Nielsen

* Peso imposto

EuroCommerce

Italy

Milk and dairy products – 1S 2020 *versus* 1S 2019



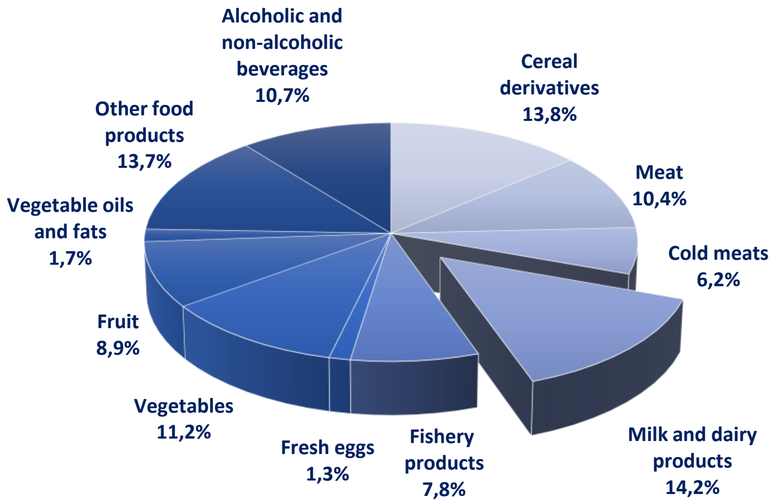
Source: Market Track Nielsen
* Peso imposto

EuroCommerce

Italy - Covid-19 Emergency

Household purchases of food and drinks– Year 2019 and 1S 2020

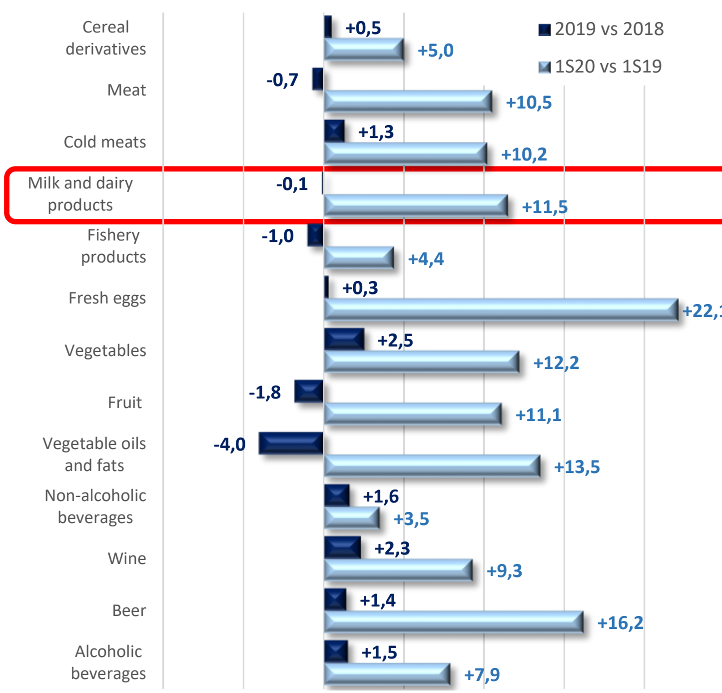
Household purchases Product share - 1S 2020



CHANGES IN SHOPPING CART - FOOD:
IN-HOME COOKING AND RISING DEMAND OF PACKAGED, HEALTHY AND LOCAL FOOD

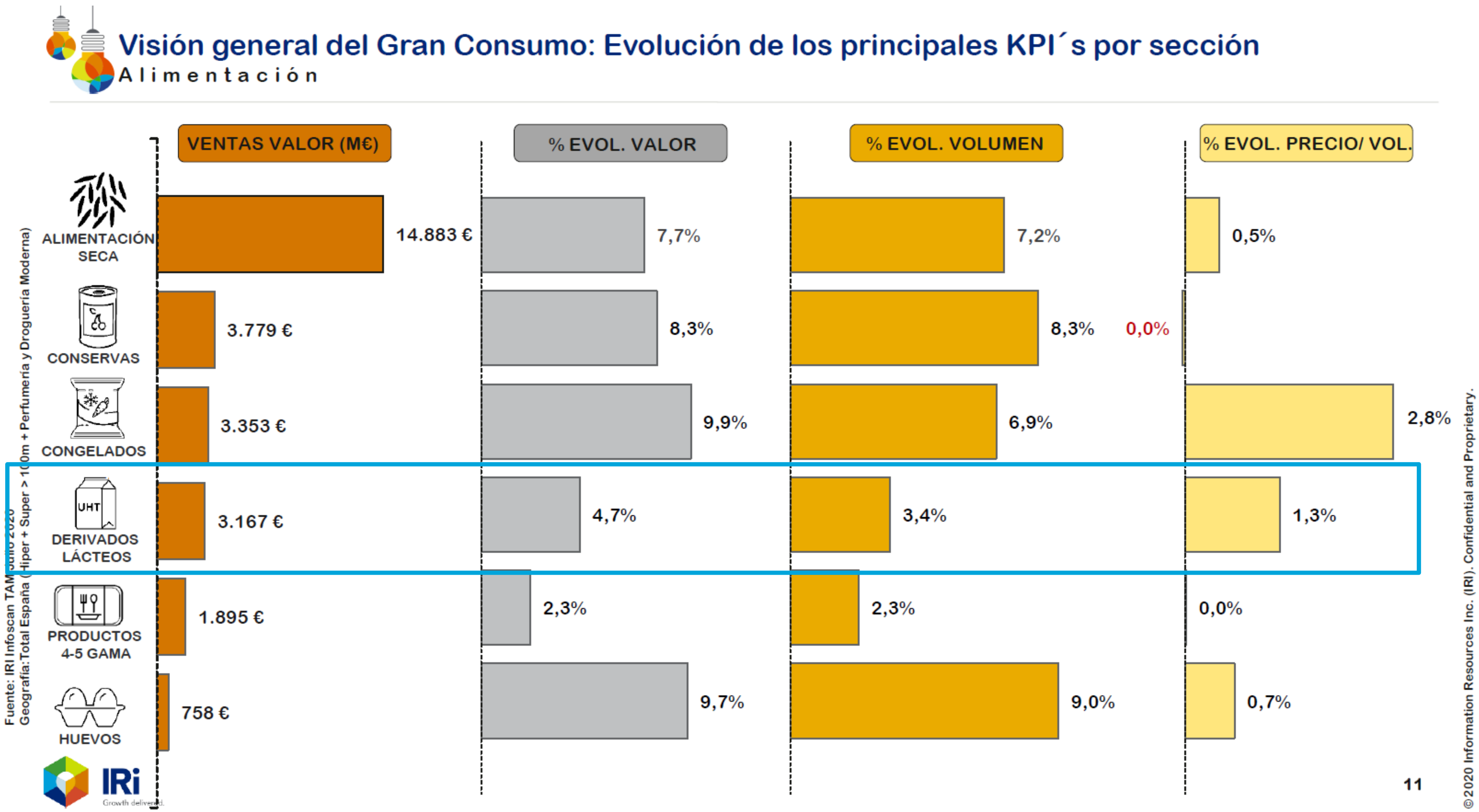
Household purchases Percentage change

	Var %			
	2019 vs 2018	1S2020 vs 1S2019 TOTAL	EAN Products	No EAN Products
Food and drinks	**0,4**	**9,2**	**11,1**	**4,7**
Food	0,2	9,4	11,8	4,7
Drinks	1,7	7,4	7,4	8,7



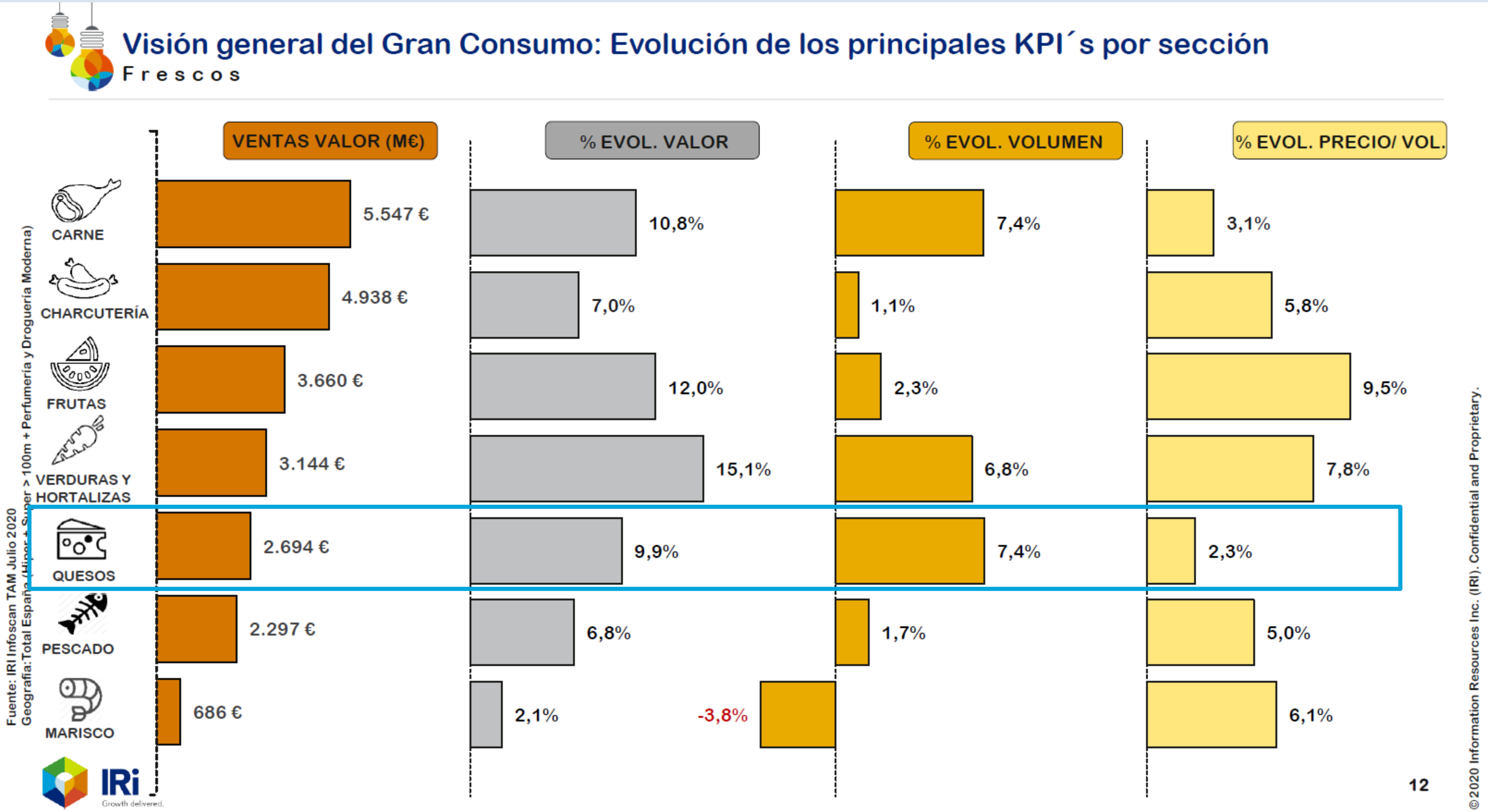
Source: Ismea – Nielsen Consumer Panel

Spain



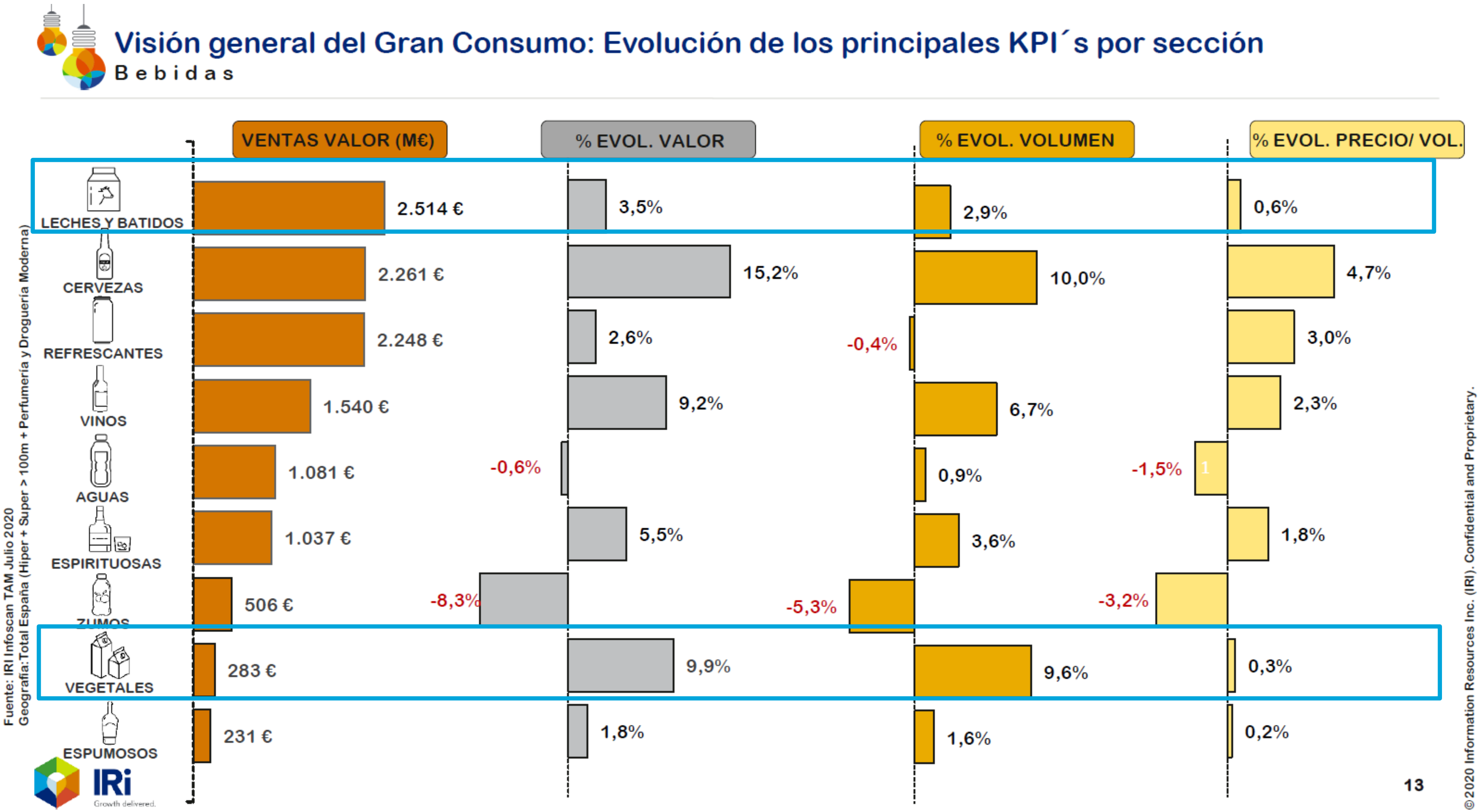
EuroCommerce

Spain



EuroCommerce

Spain



EuroCommerce

Spain

Análisis del canal online: contribución en volumen y evolución

TOP 5 SECCIONES CON MAYOR CONTRIBUCIÓN AL CRECIMIENTO EN VOLUMEN EN EL CANAL ONLINE

Contribución al crecimiento en volumen

Evolución volumen

ALIMENTACIÓN SECA

7,7%

+66,5%

LECHES Y BATIDOS

5,9%

+39,2%

HIGIENE

5,3%

+77,5%

AGUAS

10,1%

+50,6%

CUIDADO DEL HOGAR

2,9%

+62,5%

+47,9%

EVOLUCIÓN VOLUMEN TOTAL E-COMMERCE UNIVERSO IRI

BUY

Fuente: IRI Infoscan TAM Julio 2020
Geografía:Total Online (no extrapolado)

IRi Growth delivered.

EuroCommerce

Spain

Análisis de la cesta de la compra física vs. online

Fuente: IRI Infoscan TAM Julio 2020.
Geografía:Total España (Hiper + Super > 100m + Perfumería y Droguería Moderna) y total Online

TIENDA FÍSICA

	PESO EN VENTAS VOLUMEN
AGUA SIN GAS	14,2%
LECHE LARGA CONSERVA	8,9%
FRUTA	6,3%
VERDURA Y HORTALIZAS	5,6%
CERVEZAS	5,5%
REFRESCOS DE COLA	3,7%
CARNE	3,0%
YOGURES FRESCOS SOLIDOS	2,1%
HUEVOS (DOCENAS)	1,4%

LA CESTA DE LA COMPRA

ESTAS CATEGORÍAS SUPONEN EL **50%** PARA EL TAM EN VOLUMEN DEL TOTAL FMCG

TIENDA ONLINE

	PESO EN VENTAS VOLUMEN
AGUA SIN GAS	18,6%
LECHE LARGA CONSERVA	12,8%
CERVEZAS	4,6%
REFRESCOS DE COLA	3,9%
VERDURA Y HORTALIZAS	3,9%
FRUTA	3,3%
CARNE	1,5%
PAPEL HIGIÉNICO SECO	1,5%

IRi Growth delivered.

Sweden

Milk and dairy products – period ending September 6

Product category+	Volume (% change) 4 weeks period (P36‘19/P36’20)	Volume (% change) Year on year (P036’18-P36’19 / P36‘19 –P36‘20)	Value (% change) 4 weeks period (P36’19/P36’20)	Value (% change) Year on year (P36‘18-P36’19 / P36‘19 –P36‘20)
Milk	+2,9%	+2,1%	+3,6%	+3,0%
Hard cheese	-1,2%	+2,5%	-1,6%	+2,9%
Cream	+6,2%	+5,6%	+5,2%	+5,7%
Yoghurt	+3,1%	+1,2%	+2,8%	+0,9%
Cottage cheese, curd cheese	+13,0%	+2,6%	+14,6%	+4,0%
Cold desserts	-5,9%	-4,1%	-4,2%	-3,2%
Butter	+16,6%	+5,1%	+13,2%	+4,2%

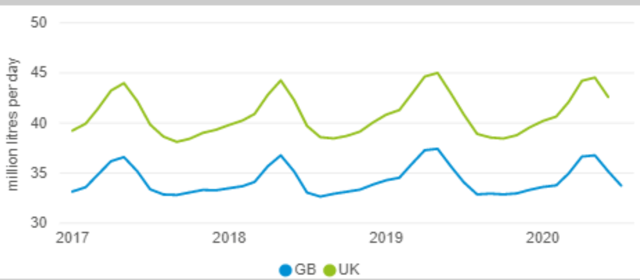
Source: Nielsen

United Kingdom

UK farmgate milk prices

Price series	Date	Current value (ppl)	Month change	% Month change
UK average farmgate price (excl bonus)	Jul 2020	27.56	0.41	1.5%
GB average farmgate price (excl bonus)	Jun 2020	27.52	0.32	1.2%
Weighted average EU (ex UK)	Jun 2020	30.15	0.08	0.3%

GB and UK milk production



UK market indicators - AMPE and MCVE

Price series	Date	Current value (ppl)	Month change (ppl)	% Month change	12 month trend
AMPE 2020	Aug 2020	28.24	-0.52	-1.8%	
MCVE 2020	Aug 2020	31.54	-0.10	-0.3%	

UK wholesale prices: Aug 2020

Butter (unsalted)

Current value (£/t)	Month change (£/t)	% change
3,080	10	0.3%

Mild Cheddar

Current value (£/t)	Month change (£/t)	% change
2,920	0	0.0%

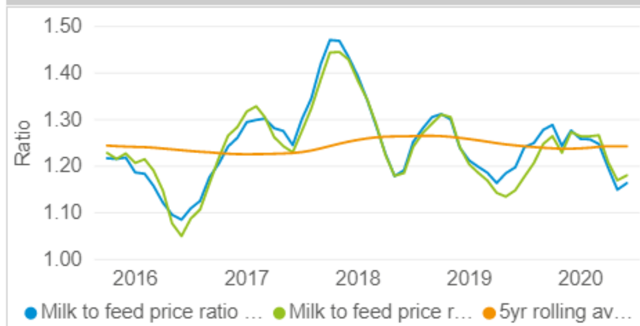
Skimmed milk powder (SMP)

Current value (£/t)	Month change (£/t)	% change
1,860	-60	-3.1%

Bulk cream

Current value (£/t)	Month change (£/t)	% change
1,480	50	3.5%

UK market indicators - milk to feed price ratio:



Source: AHDB

<u>ANNEX 5</u>

Consumption trends in the EU dairy products

European Commission

Consumption trends in the EU dairy products

Andrea Čapkovičová
Unit Analysis and Outlook

Milk Market Observatory

25 September 2020

European Commission | Agriculture and Rural Development

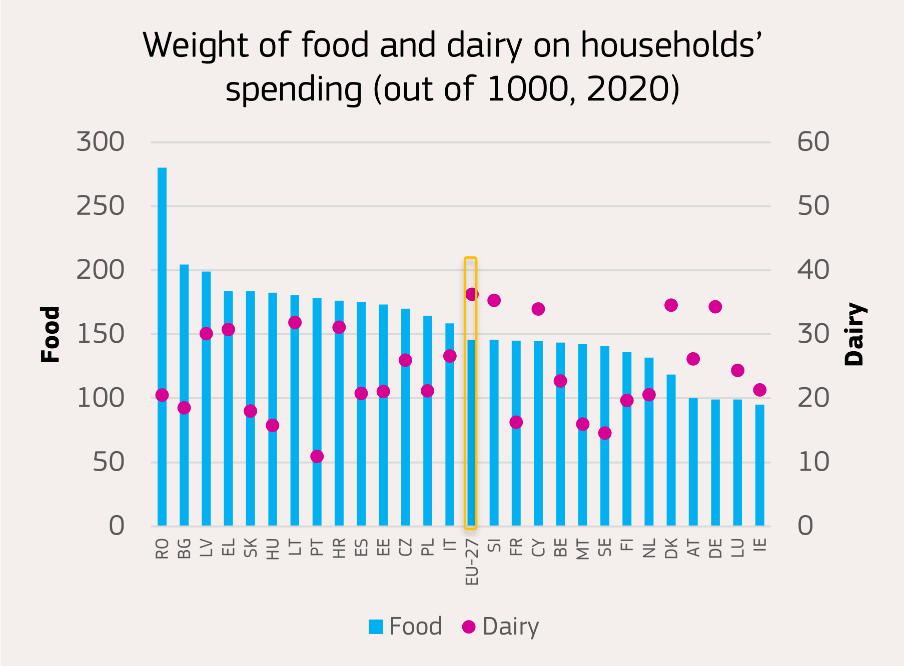
Outline

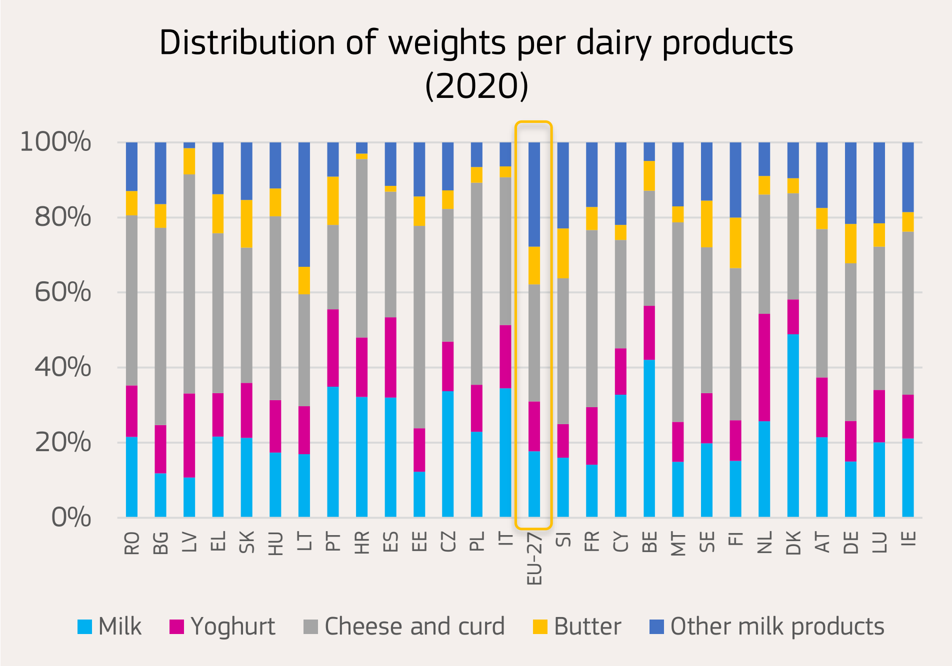
How much milk do we consume and in what products?

- **Household spendings** on dairy products
- **Domestic use** of dairy products **by channels**
- Consumption **by dairy products and MS**
- Trends in **organic dairy** consumption
- Market of **plant-based drinks**

Households' spendings on dairy products

Average EU household spends the most on cheese and other milk products





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

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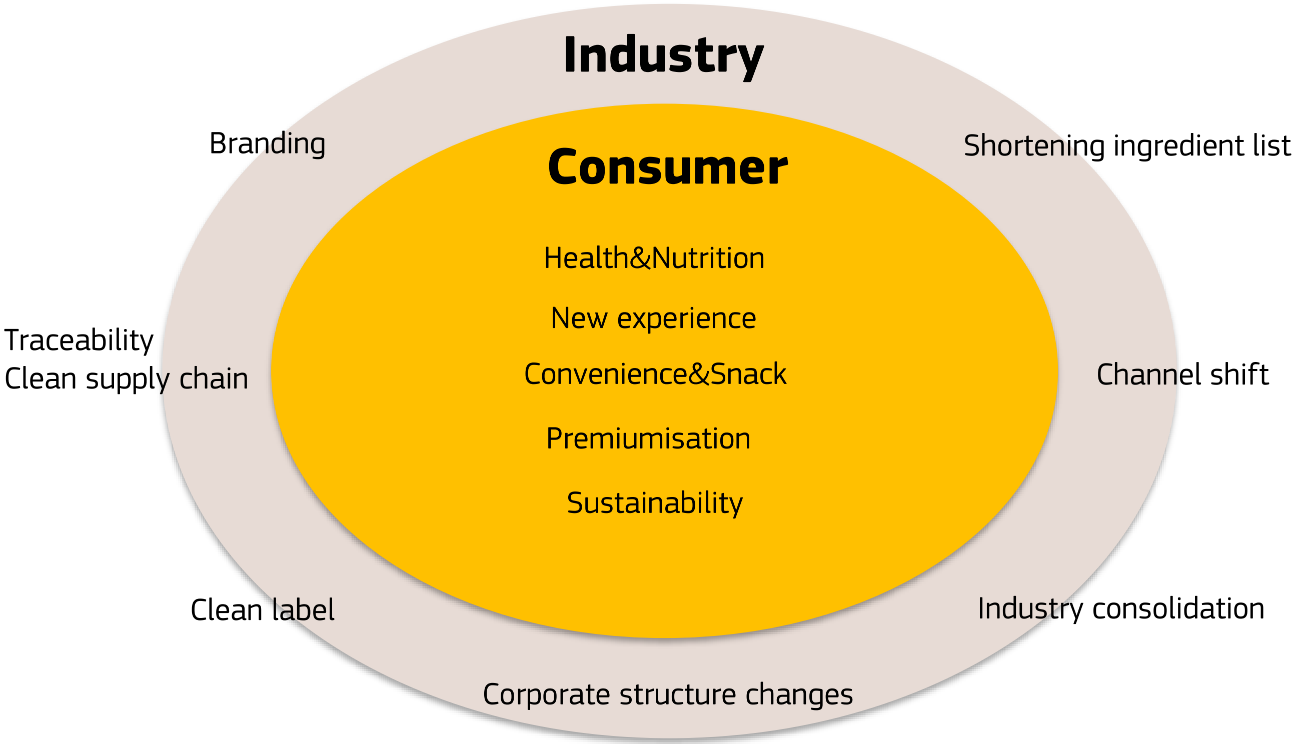
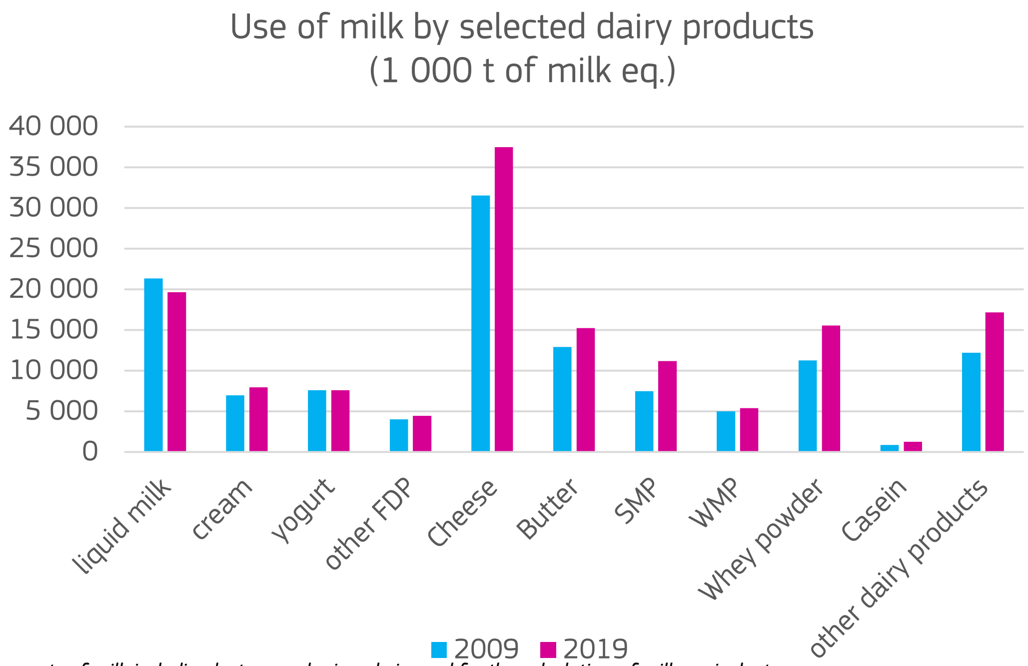
Global trends in dairy consumption

Many push and pull factors in place



Use of milk

Cheese to remain the biggest user



Note: Total solid methodology accounting for all components of milk including lactose and minerals is used for the calculation of milk equivalents. 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.

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

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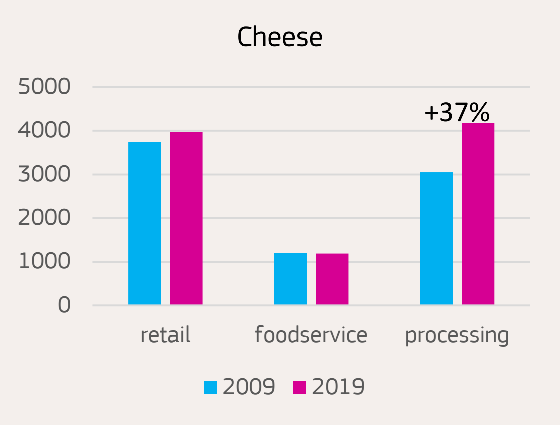
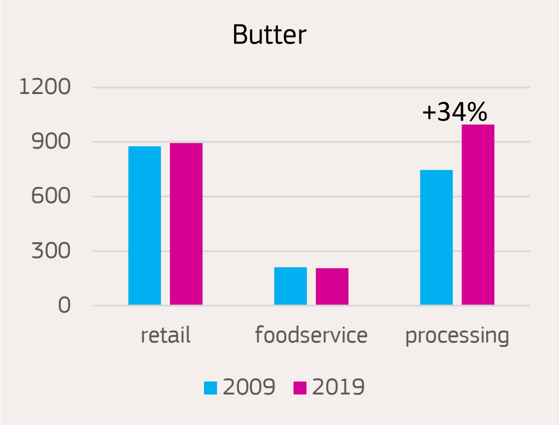
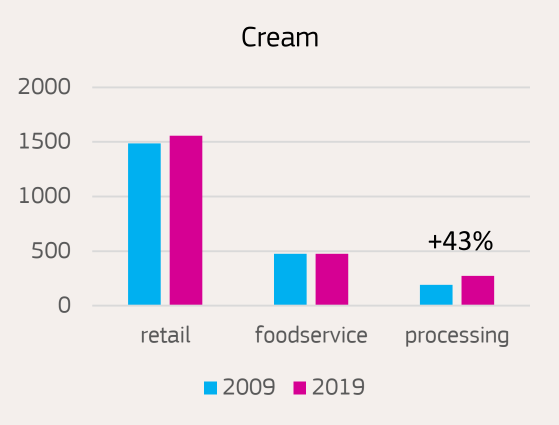
Domestic use of dairy products by channels (1)

Processing use increasing (1 000 t)







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

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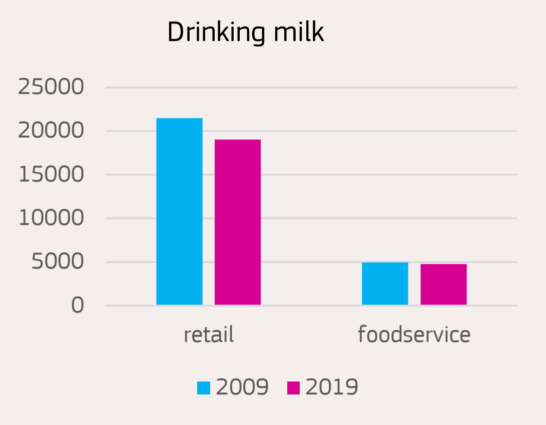
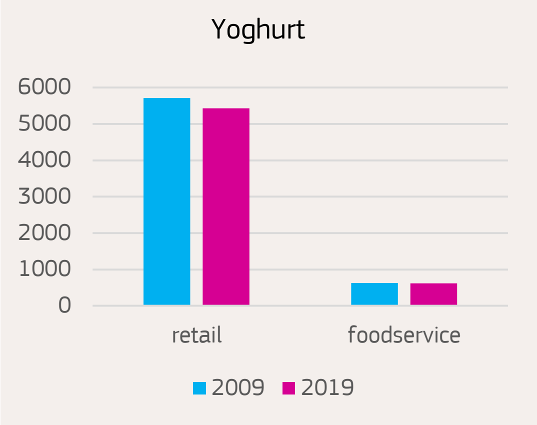
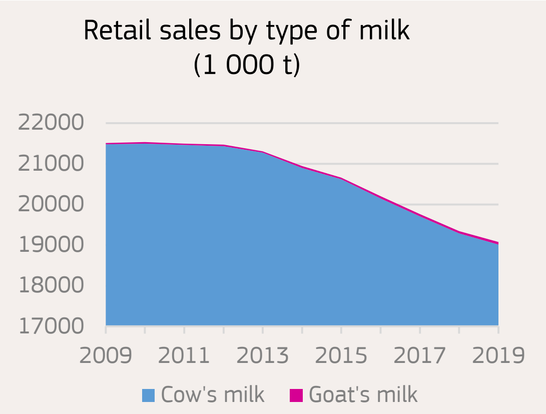
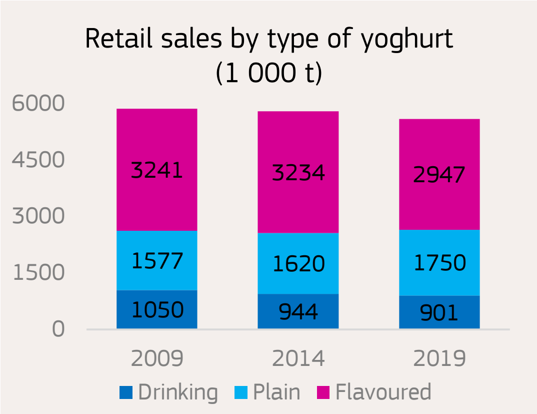
Domestic use of dairy products by channels (2)

Decreasing retails sales of drinking milk and yoghurts





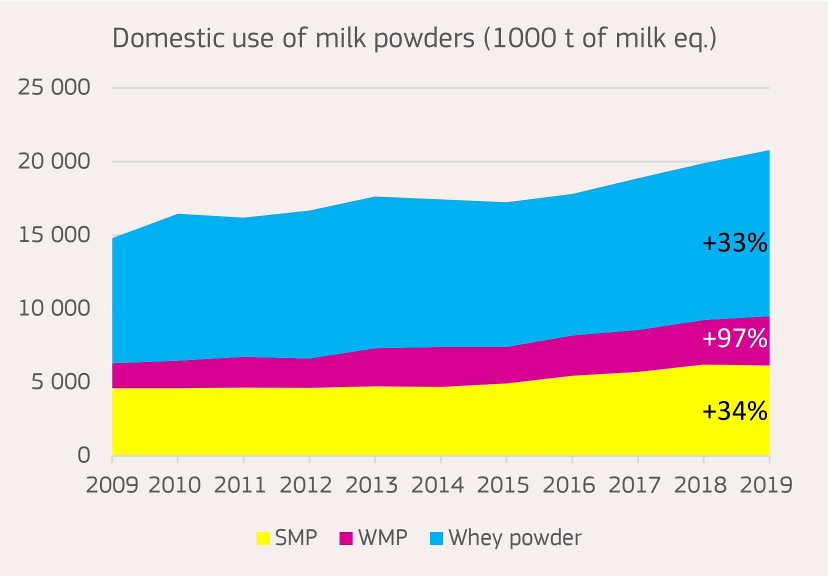




Source: Euromonitor

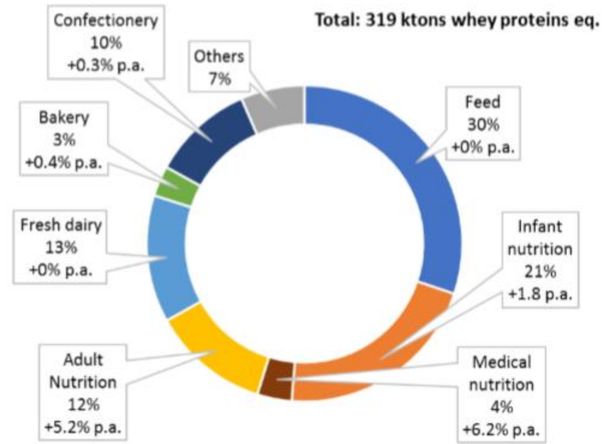
Domestic use of dairy products by channels (3)

Growing demand for processing of milk powders



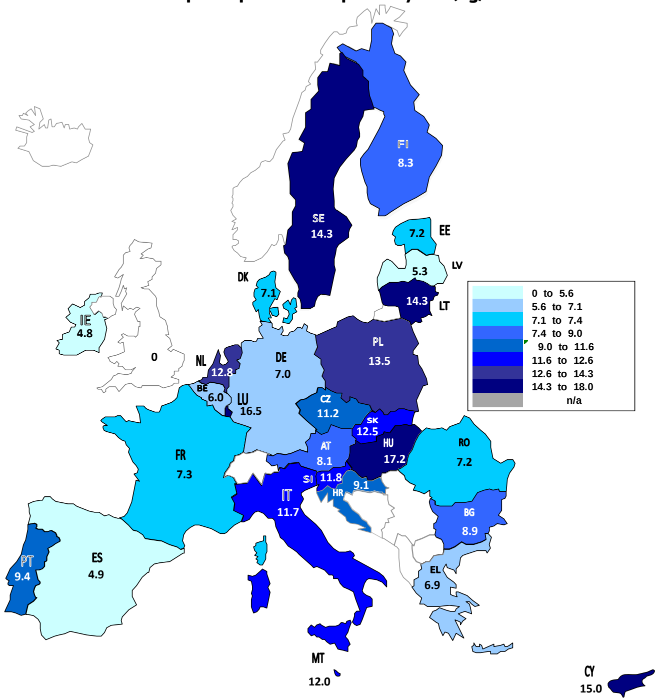
Source: DG Agriculture and Rural Development, based on Eurostat

End-user segments of dry whey products (in whey proteins eq., 2019e)



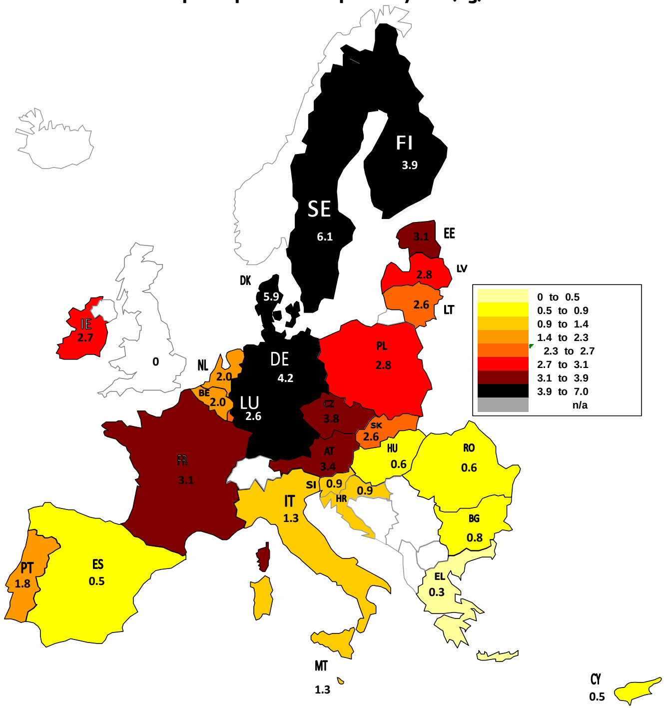
Source: GIRA

Per capita consumption by EU country (1)



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

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.



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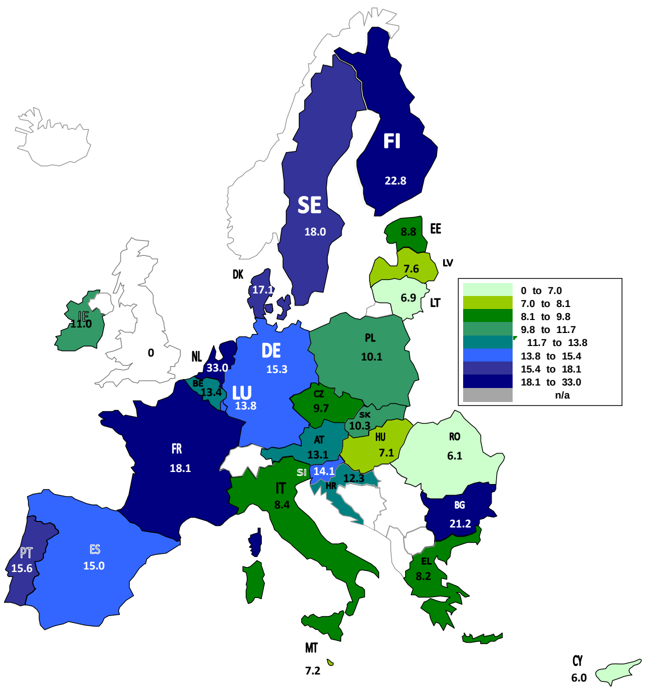
Per capita consumption by EU country (2)

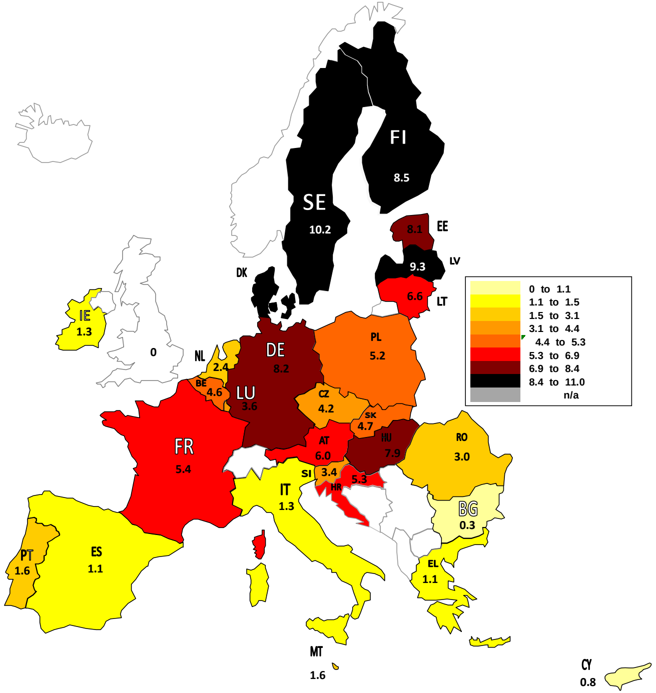
Yoghurt per capita consumption by MS (kg)



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

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.

Cream per capita consumption by MS (kg)



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

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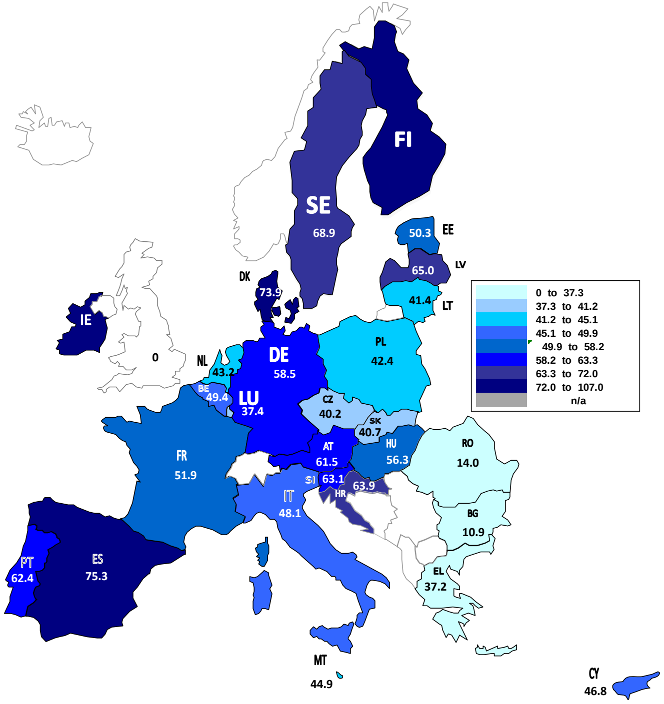
Per capita consumption by EU country (3)

Cow's milk per capita consumption by MS (kg)



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

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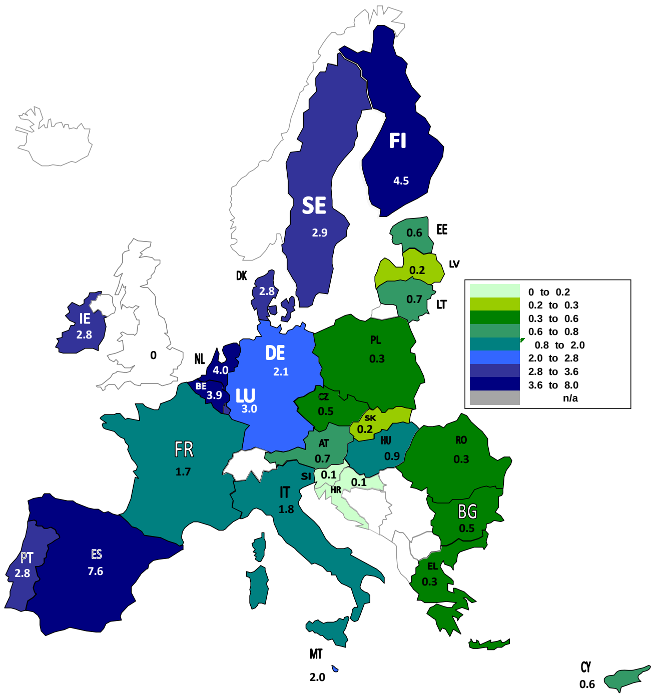
Plant-based drinks per capita consumption by MS (kg)



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

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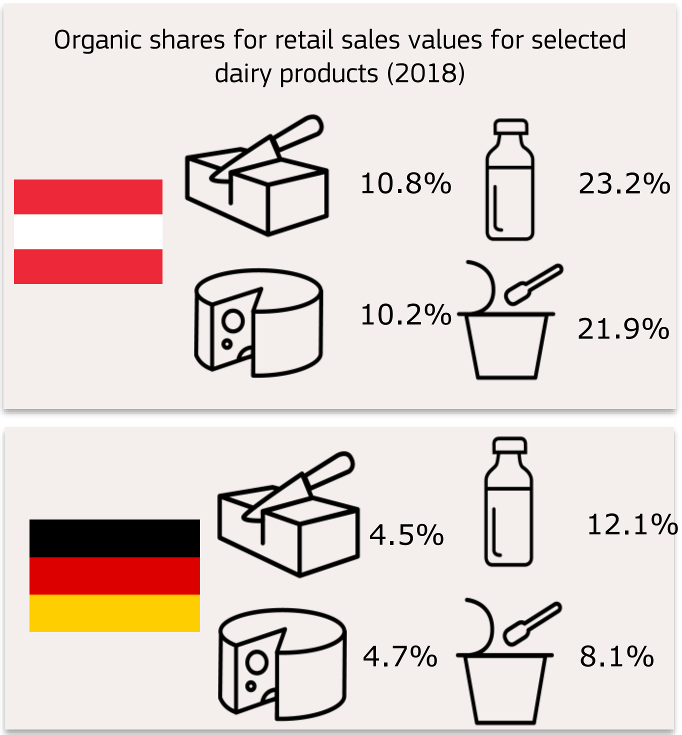
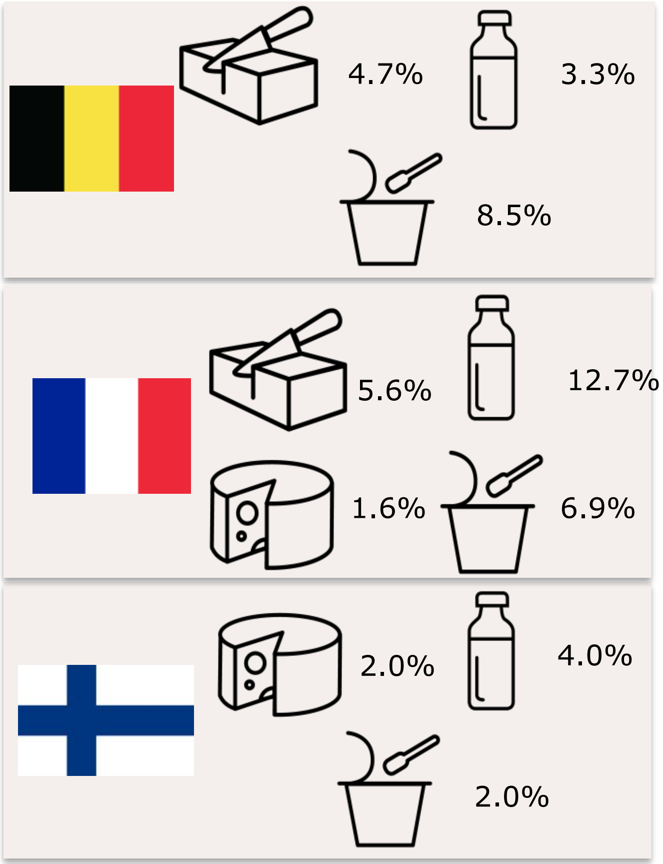
Agriculture and Rural Development

Organic dairy products

Gaining shares in consumption

- **High awareness** of organic claims (61%) in Europe
- 11% **actively seeking** organic products
- EU organic milk represent **around 4% of total milk production** and increasing





**France data of 2017*
Source: FiBL-AMI survey 2020

Further differentiation of production streams

Increasing variability to meet consumers' demand

Extra protein

Mountain

Pasture-based

Sustainability

Lactose-free

GM-free

Hay

Gluten-free,
GM-free,
Lactose-free

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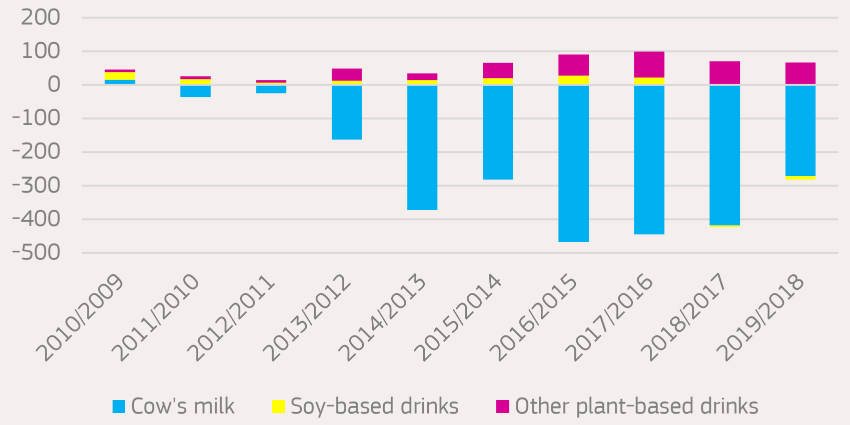
Plant-based alternatives

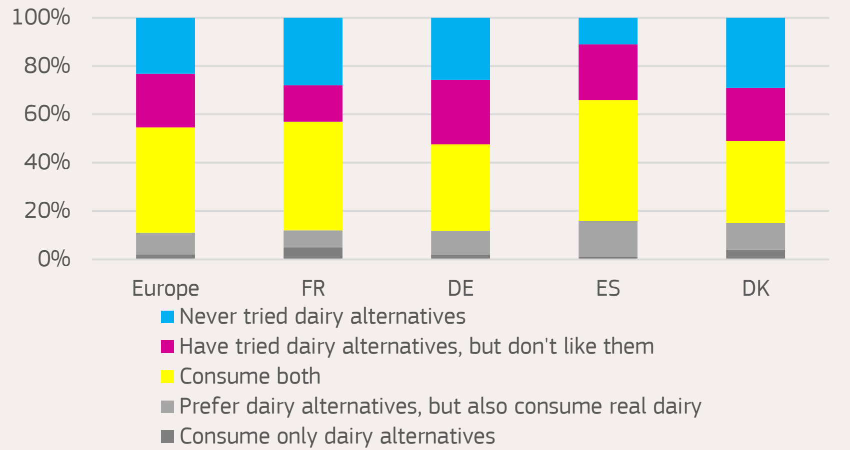
Increasing competition for cow's milk on liquids' market

Annual change in retail sales of cow's milk and plant-based drinks (1 000 t)



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

Consumer's experience with dairy alternatives



Source: Cargill – The shifting global dairy market.

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