

MMO Economic Board

Meeting of 19 September 2019

- o The 31st meeting of the MMO Economic Board took place on 19/09/2019, with the participation of experts from the milk supply chain: COPA-COGECA (producers and cooperatives), EMB (European Milk Board), ECVC (Via Campesina), EDA (dairy industry), Eucolait (dairy trade) and Eurocommerce (retail). CEJA (young farmers) was not present. Presentations and information exchanged during the meeting showed the following.
- o EU milk deliveries modestly increased in Jan-Jul 2019 by 0.2%. In July, EU deliveries increased by 0.2% with IE (+10%, +92 000 tonnes) and the UK reporting the highest production growth and DE, NL and FR the main contraction. The moderate increase of milk collection in these 7 months translates into limited production growth for dairy products: butter (+2.8%), cream (+1.4%) or SMP (+0.3%). Butter production increased noticeably in July (+6%, with +18% in IE). Decreased production in Jan-Jul has been reported for WMP (-3.7), drinking milk (-2.1%), fermented milk (-0.7%) and cheese (-0.6%).
- o The EU average farm gate milk price is reported at 33.7 c/kg in July, which is 5% above the last 5 years' average. Indexes for milk prices and operating costs show an increase of gross margins in Q2 2019, above levels of 2017 and 2018.
- o EU butter and SMP prices continue the trends initiated one year ago (-17% for butter, +25% for SMP in 2019). Prices have improved this year for WMP (+8%), Cheddar (+2%) and Emmental (+0.3%). On the contrary, prices are declining for whey powder (-17%), Edam (-1.9%) and Gouda (-1%).
- o The assessment of EU stock levels based on a residual approach (production + imports - consumption - exports) shows a progressive reduction of private SMP stocks (all public stocks released) thanks to a contained production and a strong export performance. Butter stocks present more uncertainties due to changes in fat uses in the industrial sector, but are estimated at 20 000 to 70 000 t higher than last year. Cheese stocks are at their highest in the last 5 years, but at levels considered as not of concern by the industry.
- o Global milk supply has been stagnating for more than 9 months. World production shrank in the first half of the year (-0.5%), with notable drops in Oceania and South America, and rather flat growth in the EU and the US. A moderate increase is expected for the remainder of the year.
- o Combined global exports have increased in the first half of the year. Global demand is solid (except for whey) but a slowdown can be expected in H2 2019 due to intensive buying in H1. EU cheese exports are increasing though at a lower rate due to strong global competition. EU SMP exports show record growth figures, but trade could slow down as prices increase. EU butter is competitive in world markets, resulting in 7.4% export growth in H1 2019, and more than 90% increase in July. Demand in China remains strong, particularly for milk powders (both SMP and WMP) and infant formula. For cheese, China now registers as the 6th main world importer, approaching South Korea. Chinese butter imports have dropped, to the detriment of NZ exports. US imports have surged this year, notably for butter (+46%). The whey powder market is highly influenced by the effects of African Swine Fever in China. Combined whey exports have contracted by 13% (-4% for the EU). Yet, EU exports of whey powder to China have increased this year. In the butter market, high stock levels keep prices relatively low and therefore encourage trade flows. This year India emerges as a major butter exporter, with sizeable volumes shipped to Turkey.
- o With regard to retail sales, domestic consumption of dairy products is generally flat or declining for most product categories (with the exception of butter, cream and cheese) albeit at higher prices. The trend seems to have reverted to a more positive one in Italy. Sales of organic dairy products maintain steady growth.
- o The Commission presented a draft of the autumn edition of its Short Term Outlook. Warmer than usual temperatures and rainfall below average in large parts of Europe has resulted in a constrained grassland growth in many parts of Europe. In addition, the dairy herd decline is expected to continue in 2019 (yet at slower pace). Milk collection in the EU may moderately increase by 0.8% in Q3 and 1% in Q4 2019, resulting in +0.5% for the whole year (with deliveries increasing notably in IE, UK, PL and BE, decreasing in NL, FR and IT, and remaining fairly stable in DE).
- o Market fundamentals for dairy remain positive and global markets are in relatively good balance due to reduced milk output and strong demand. Sentiment is weakened by Brexit, other geo-political uncertainty factors and worsening trade conflicts.

ANNEX 1

Milk Market Situation

European Commission



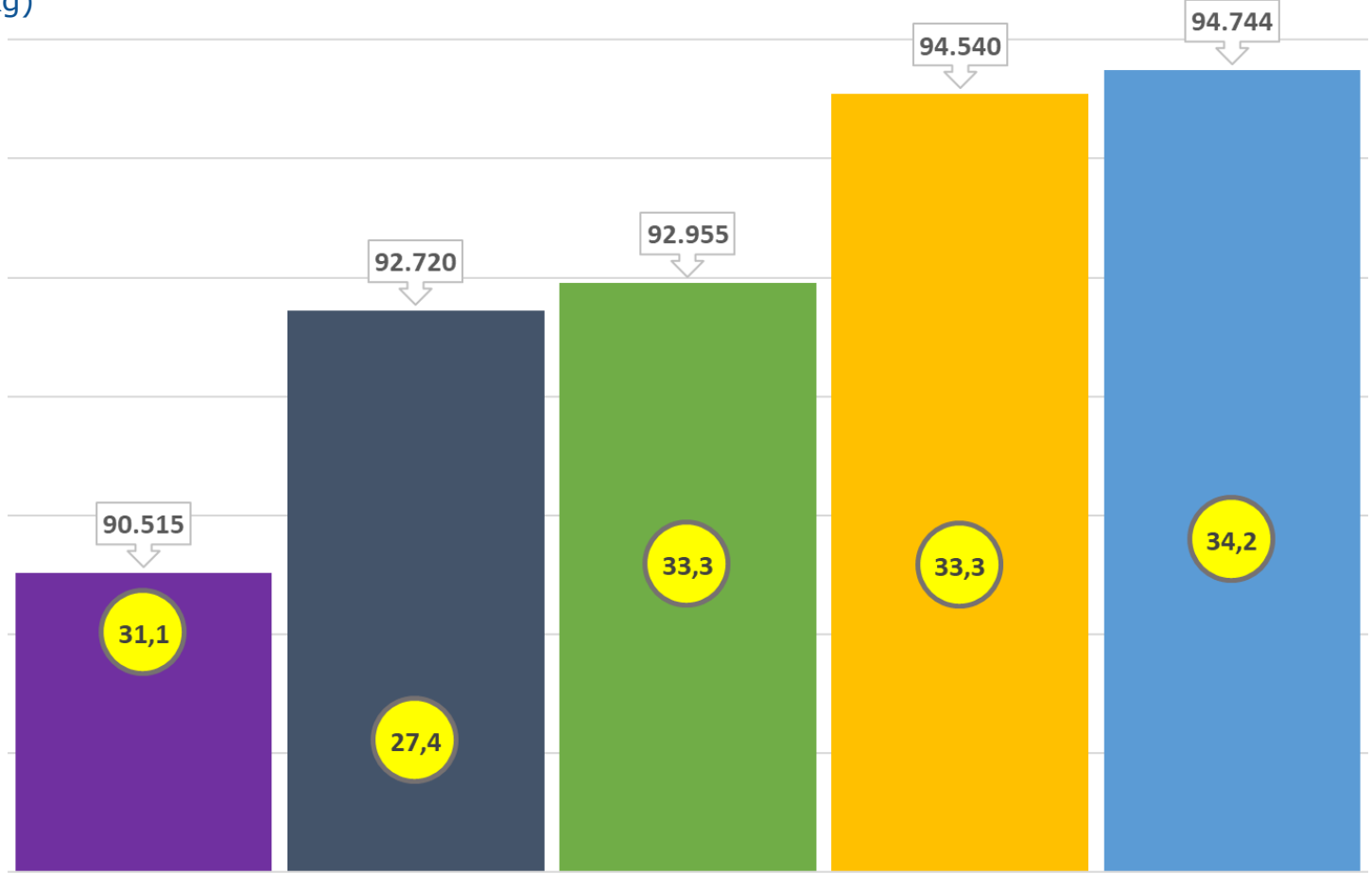
European
Commission



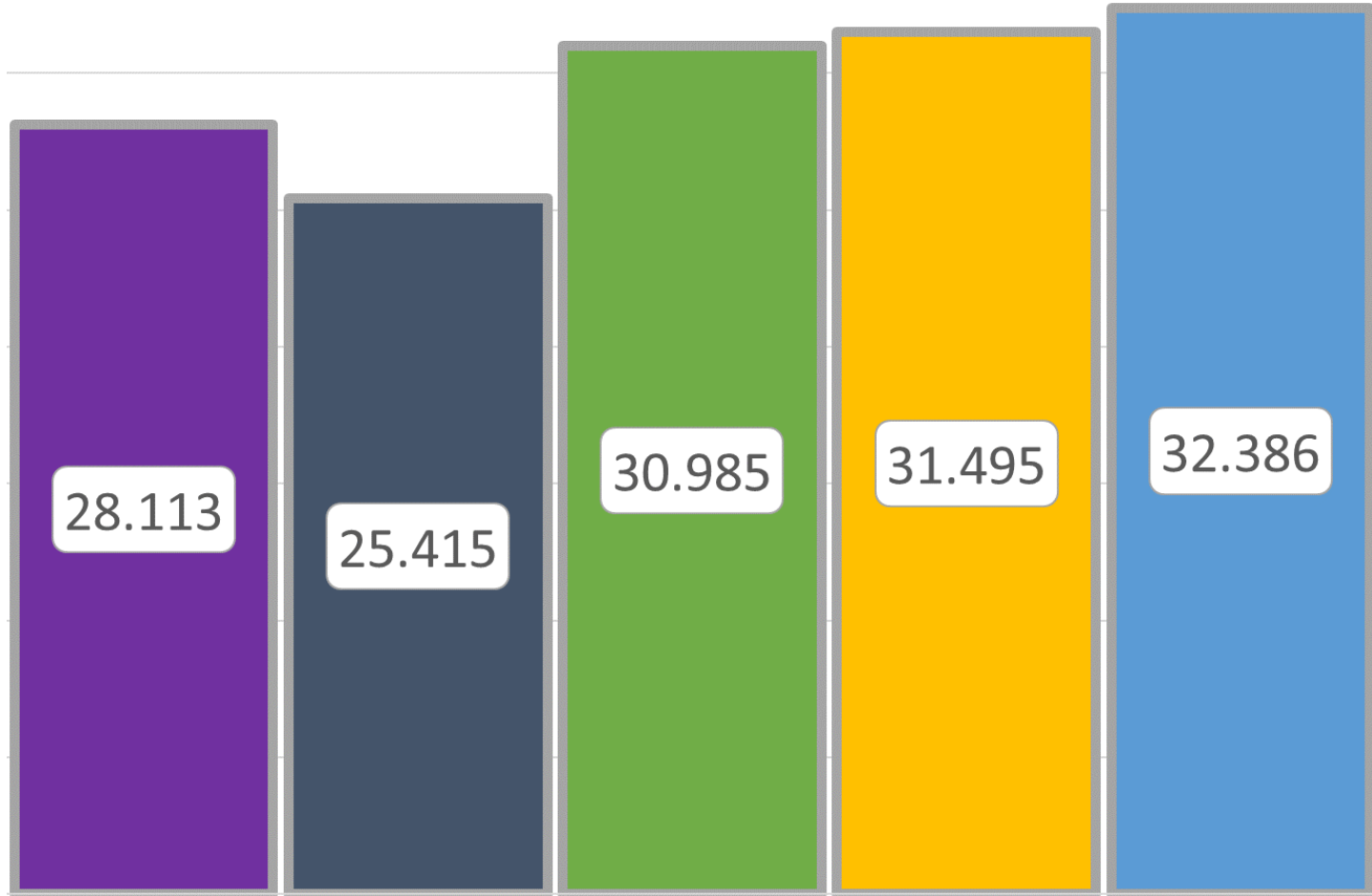
Milk Market Situation

Brussels, 19 September 2019

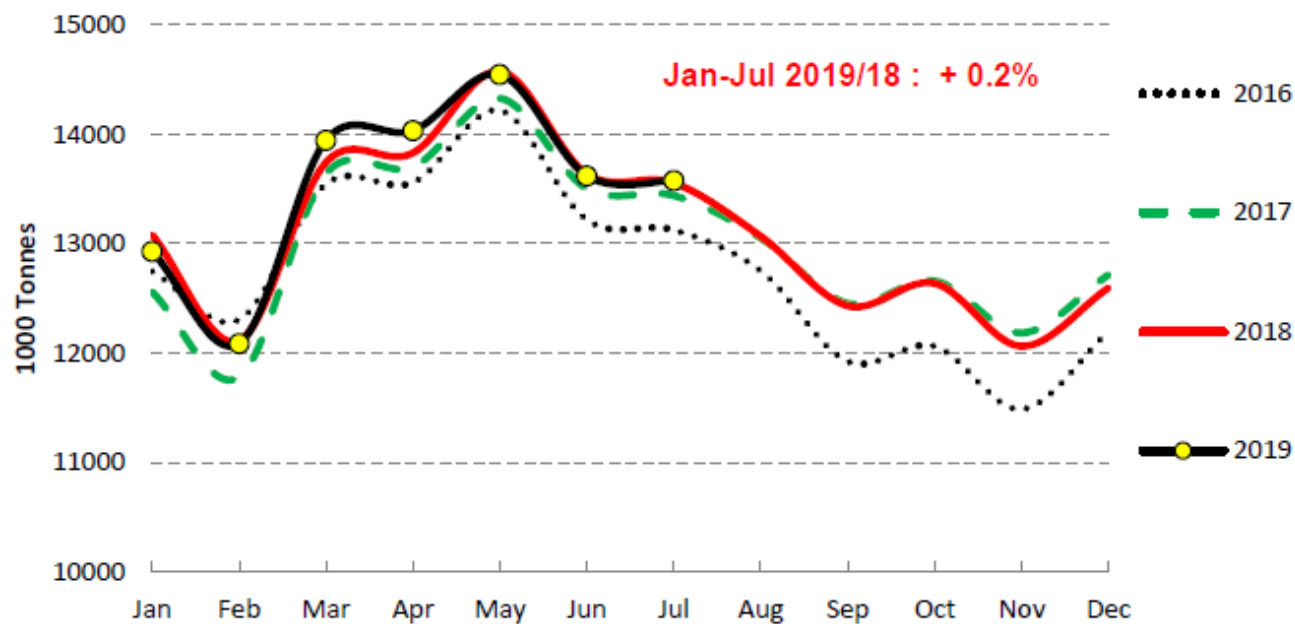
EU milk deliveries and price
Jan-Jul 2015-19
(x1000 t, c/kg)



EU value milk production
Jan-Jul 2015-19 (x million €)



EU - Cows' milk collected



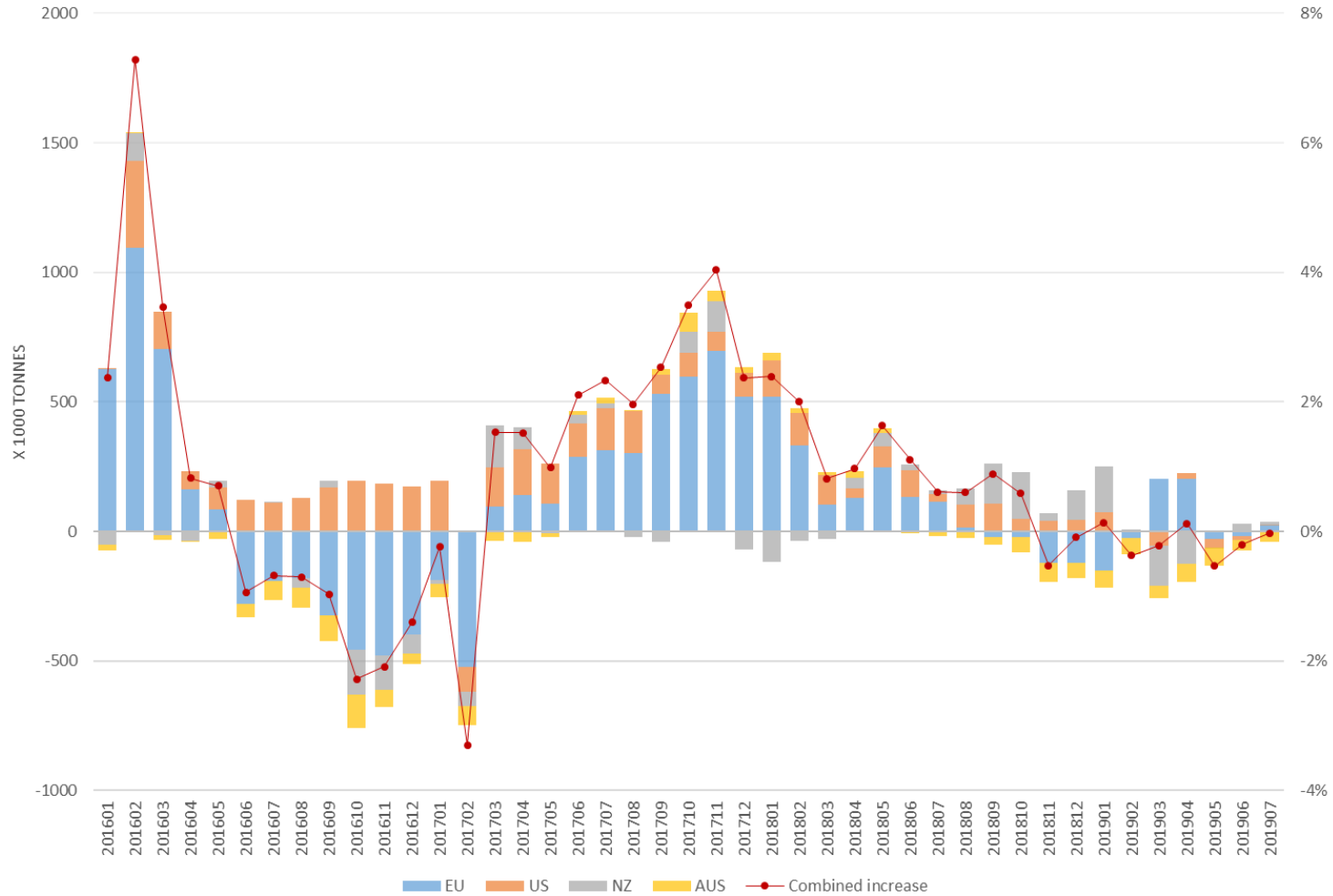
Source : Estat - Newcronos

Last update : Jan-Jul

Jul 19 compared to Jul 18

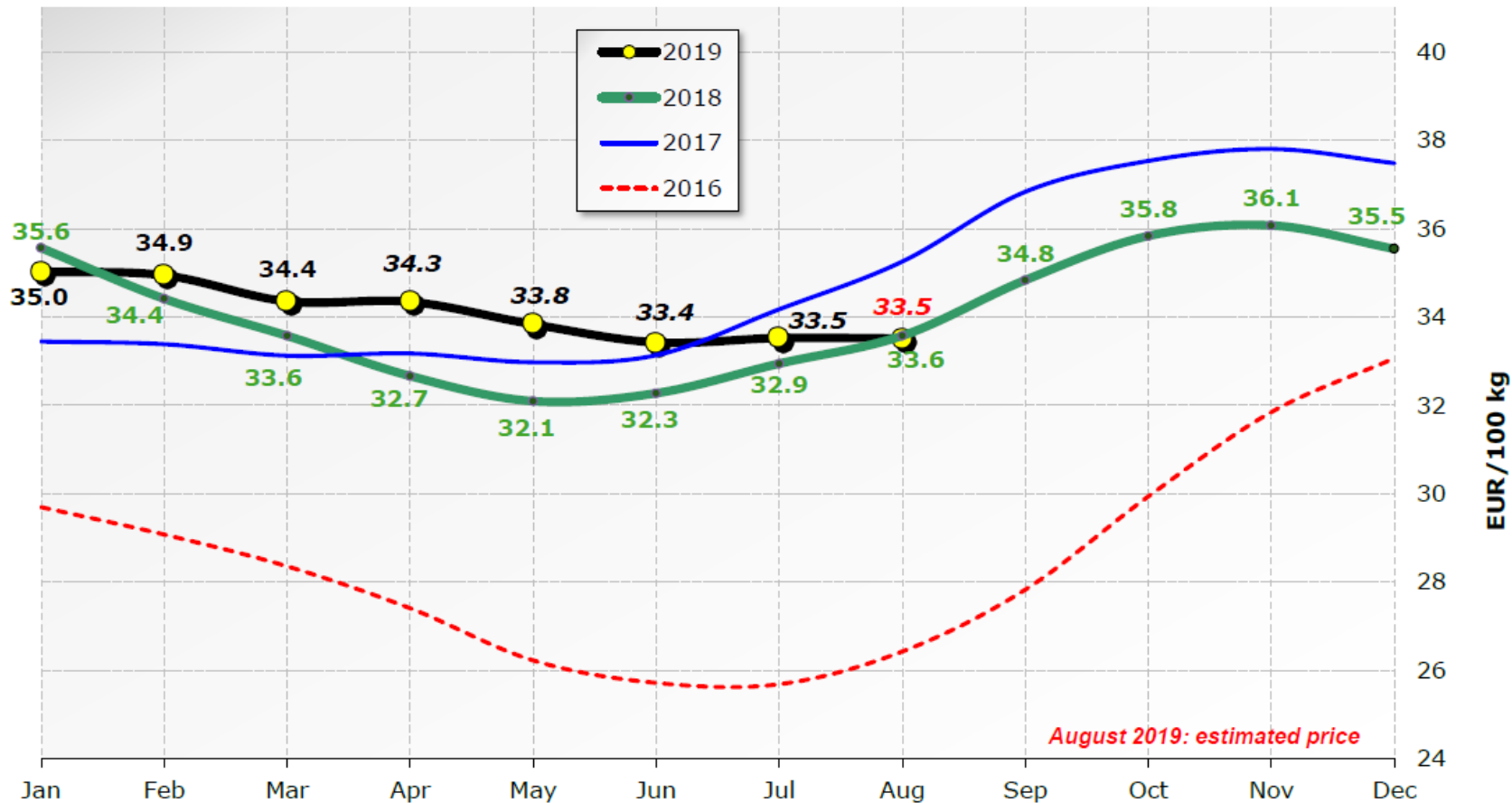
Rank	evolution in %		evolution in 1000 Tons	
	MS	%	MS	Tons
1.	CY	+ 10.6%	IE	+ 92
2.	IE	+ 10.4%	UK	+ 34
3.	MT	+ 5.0%	PL	+ 11
4.	UK	+ 2.7%	BE	+ 9
5.	BE	+ 2.5%	CY	+ 2
6.	LV	+ 2.3%	LV	+ 2
7.	LU	+ 2.3%	HU	+ 1
8.	EL	+ 1.5%	EL	+ 1
9.	BG	+ 1.1%	LU	+ 1
10.	PL	+ 1.0%	BG	+ 1
11.	HU	+ 1.0%	MT	+ 0
12.	AT	- 0.2%	AT	- 0
13.	EE	- 0.8%	EE	- 0
14.	FR	- 0.9%	SI	- 1
15.	LT	- 0.9%	SK	- 1
16.	DE	- 1.2%	LT	- 1
17.	DK	- 1.3%	HR	- 2
18.	SK	- 1.4%	PT	- 2
19.	PT	- 1.4%	RO	- 3
20.	IT	- 1.5%	FI	- 5
21.	NL	- 1.5%	SE	- 5
22.	SI	- 1.6%	CZ	- 7
23.	ES	- 2.1%	DK	- 7
24.	SE	- 2.2%	ES	- 12
25.	RO	- 2.4%	IT	- 15
26.	FI	- 2.4%	FR	- 17
27.	CZ	- 2.5%	NL	- 18
28.	HR	- 4.6%	DE	- 34
	EU28	+ 0.2%	EU28	+ 23

EU+US+NZ+AUS COMBINED MILK PRODUCTION GROWTH



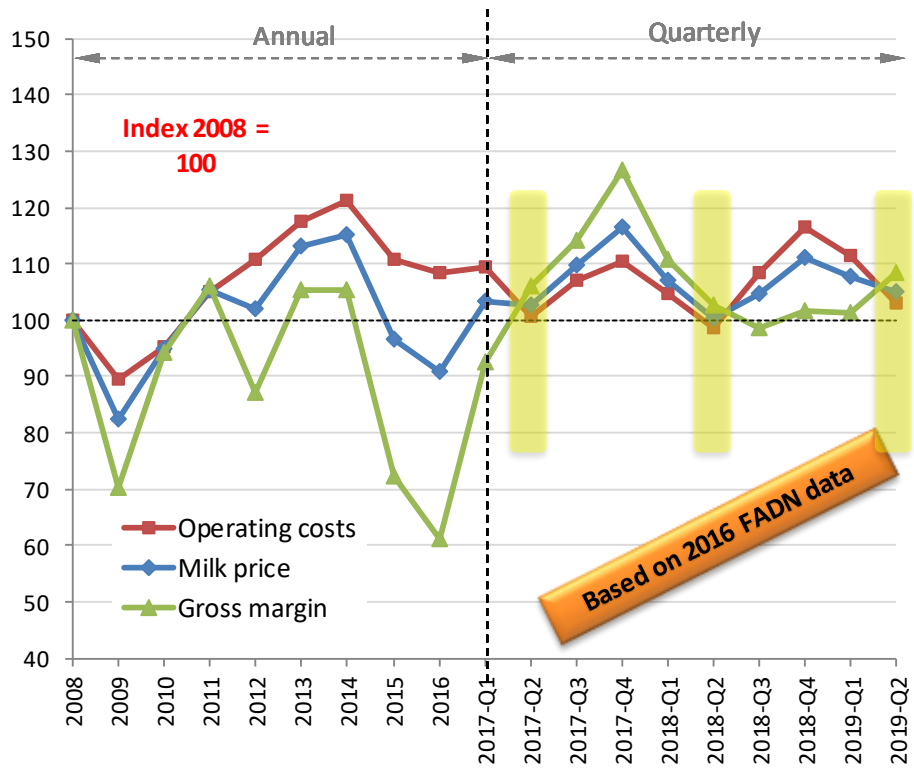
Milk Prices paid to the Producers

EU (weight. avg.)



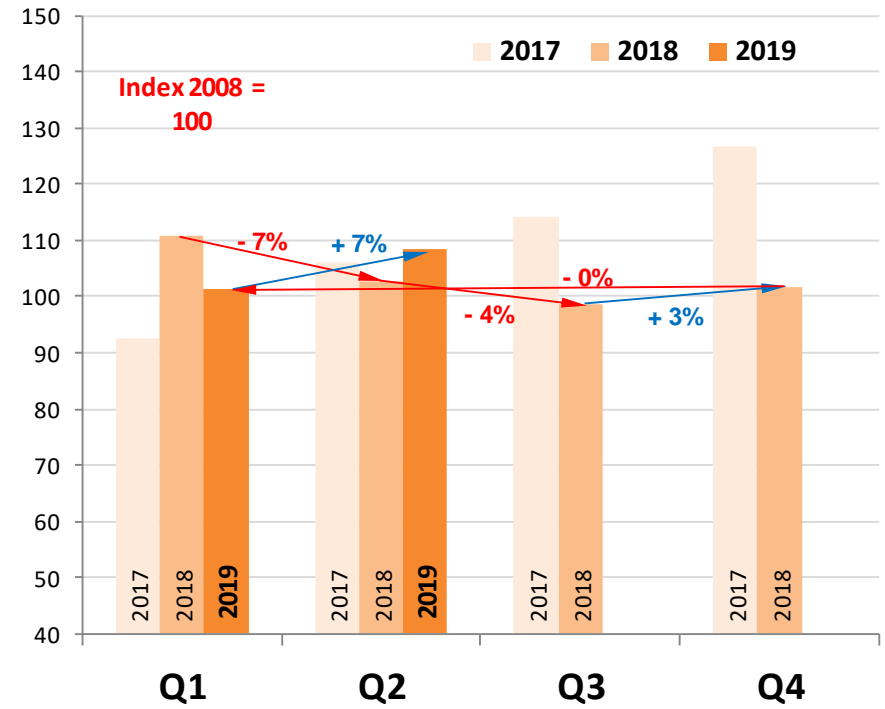
Source : Member States Reg. (EU) No 2017/1185 Article 12(a) - Annex II.4(a)

EU indexes for milk price, operating costs and gross margin



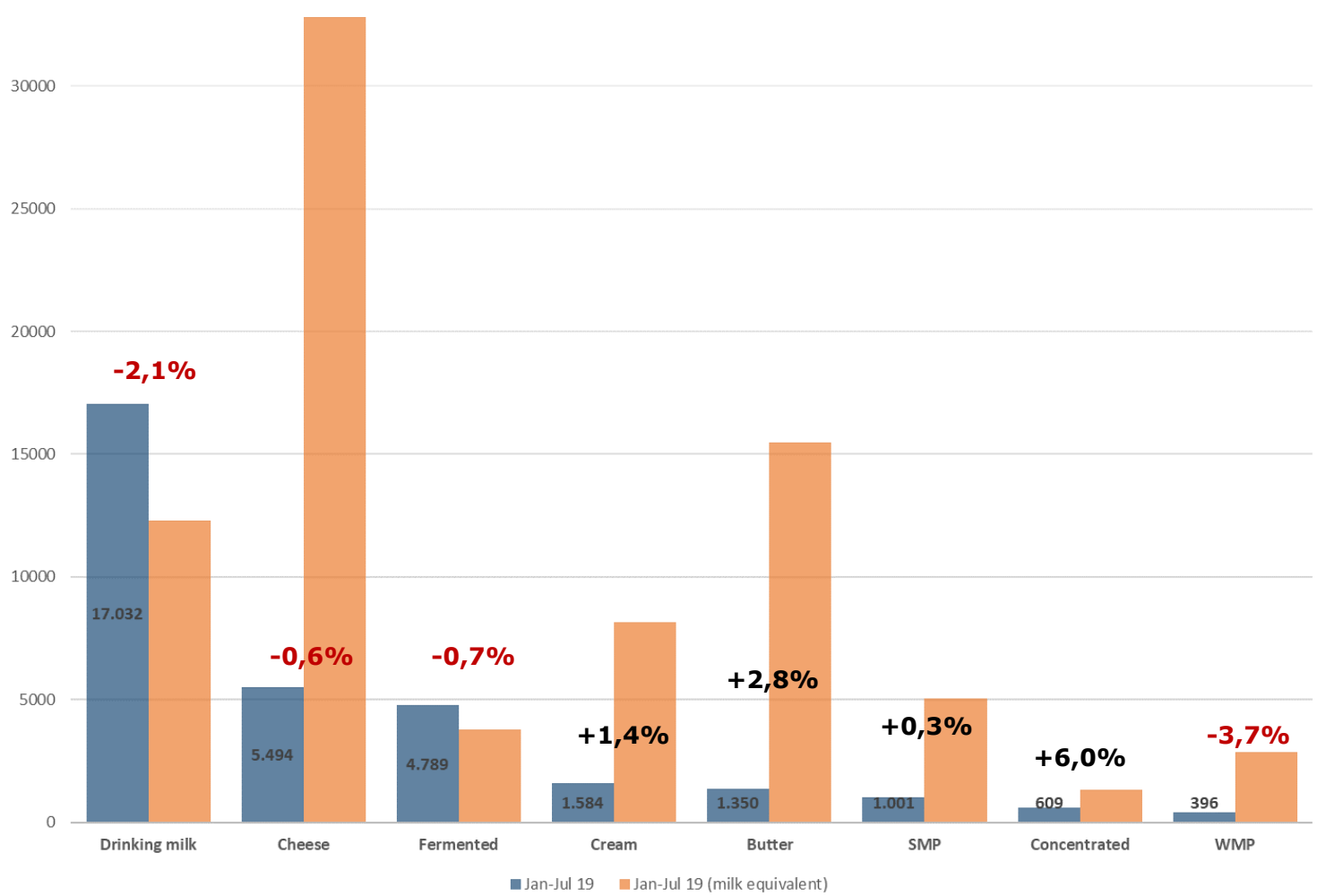
Source : FADN (base year 2016) + indexes (Eurostat, DG AGRI)

Estimation of EU Gross margin

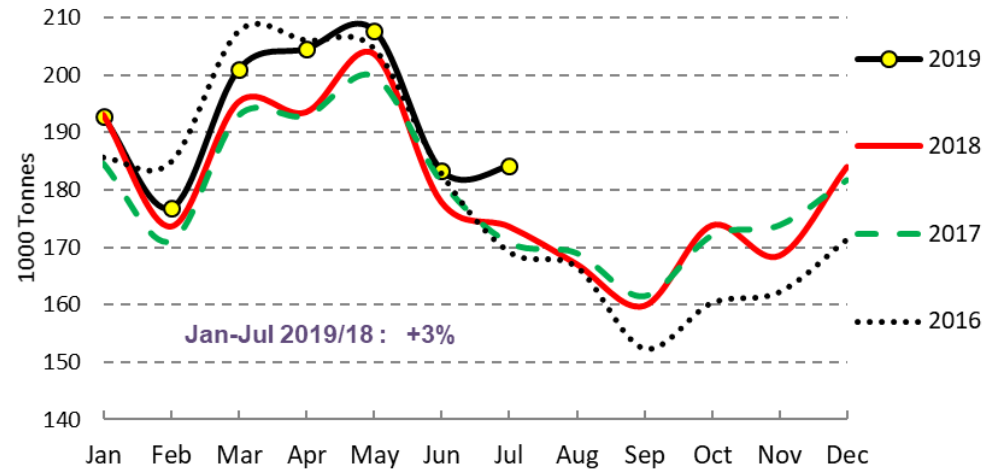


Source : FADN (base year 2016) + indexes (Eurostat, DG AGRI)

EU dairy production (x1000 t, x1000 t milk equivalent)



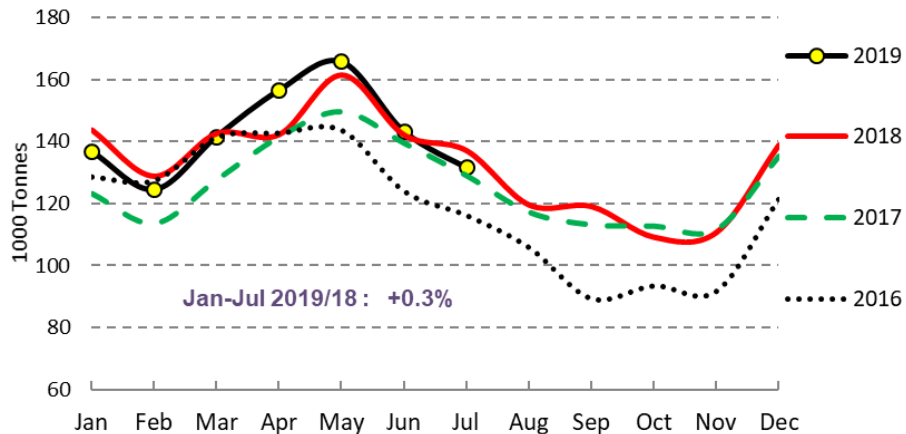
EU - Butter



Source : Estat - Newcronos

Last Update : Jan-Jul

EU - Skimmed-milk powder

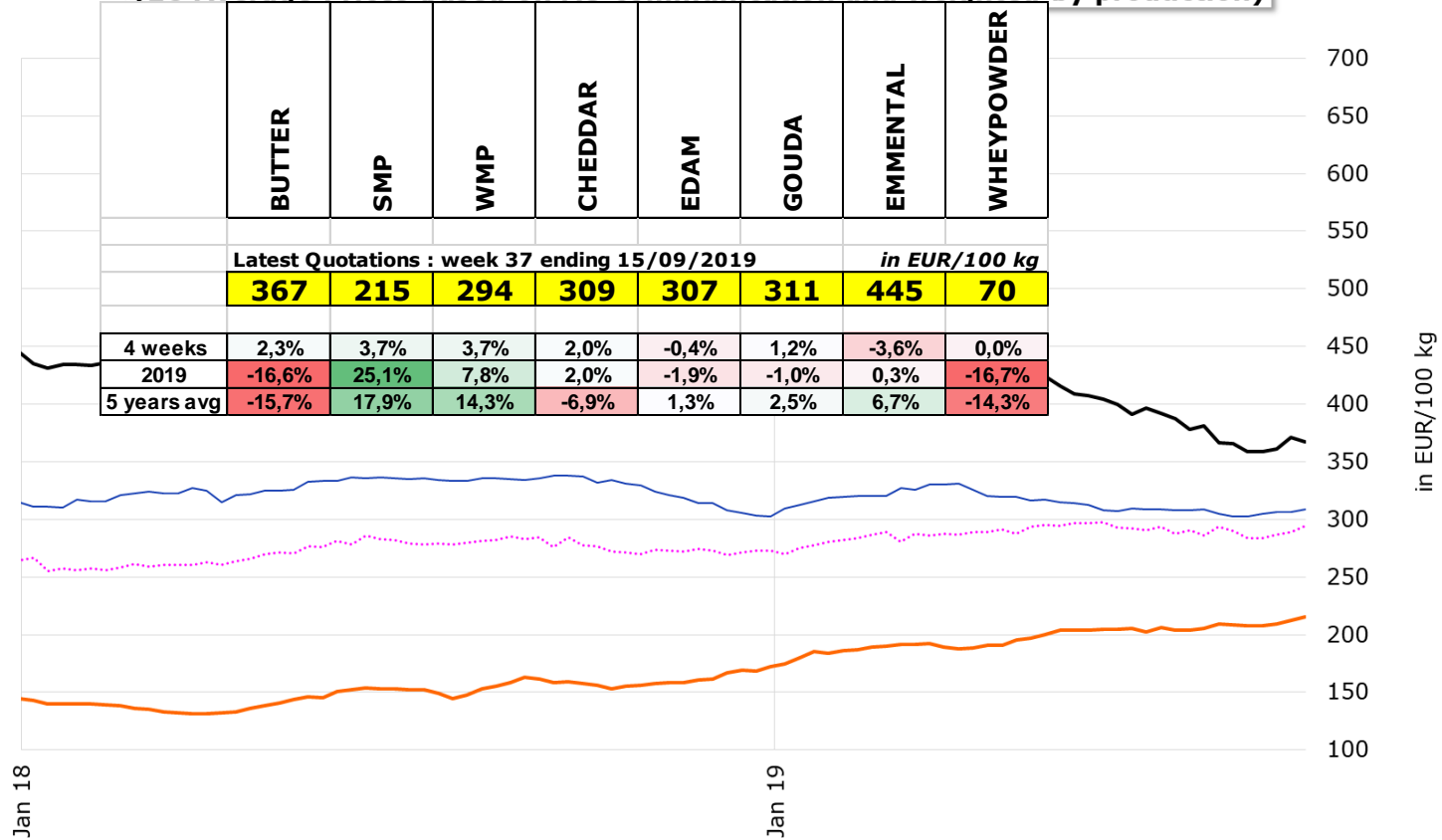


Source : Estat - Newcronos

Last Update : Jan-Jul

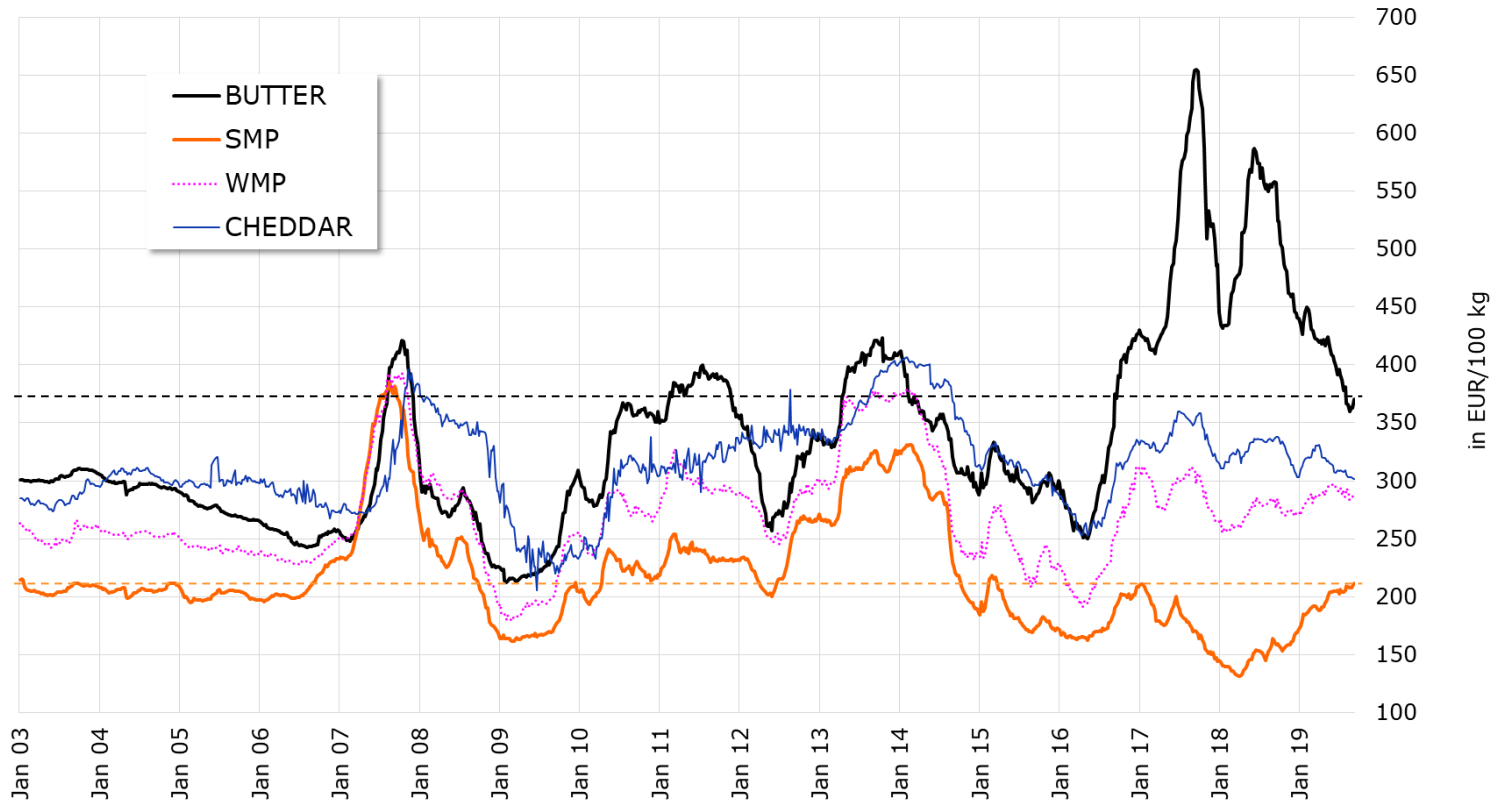
EU Dairy Quotations

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



EU Dairy Quotations

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

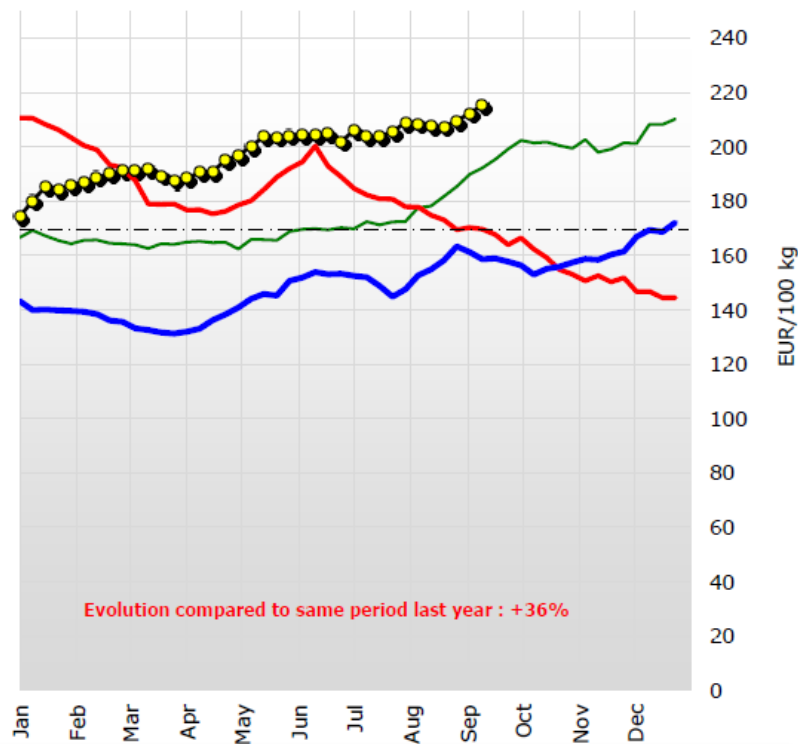


Prices of EU Dairy commodities

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

Weekly EU SMP Prices

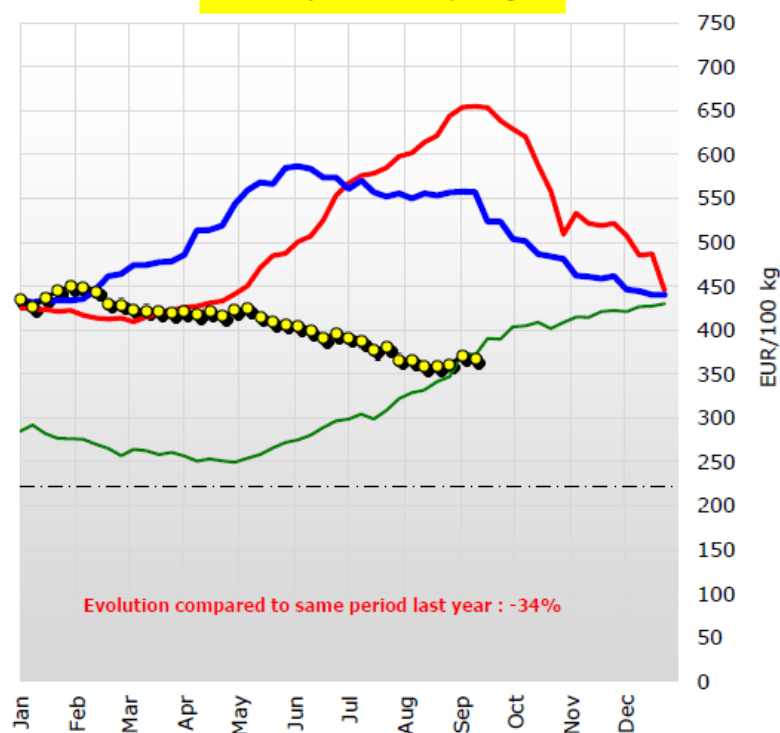
Latest price : 215 EUR/100kg



— 2016 — 2017 — 2018 —●— 2019 - - - IP 2009

Weekly EU BUTTER Prices

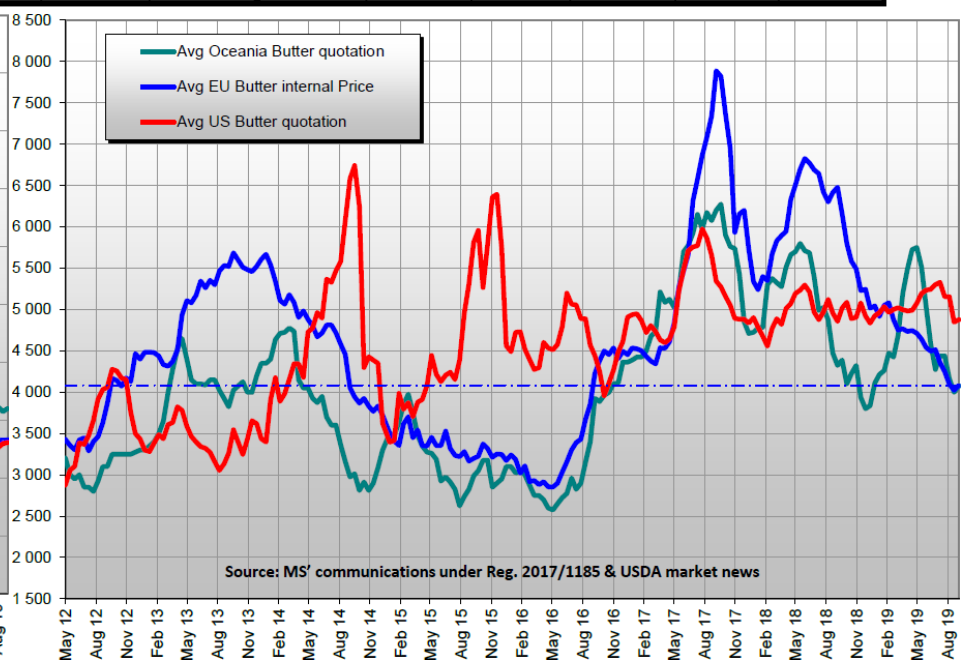
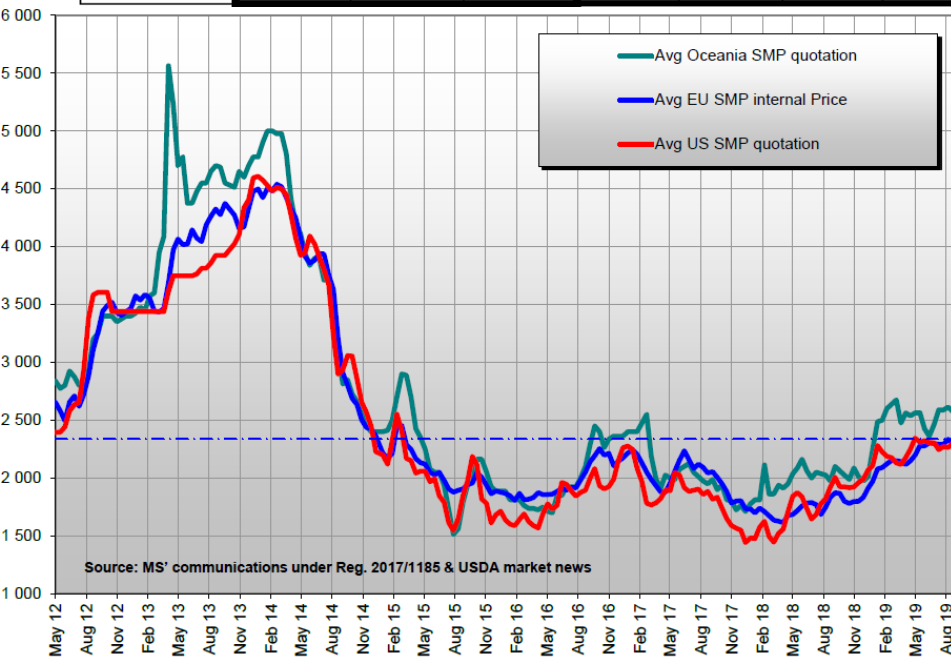
Latest price : 367 EUR/100kg

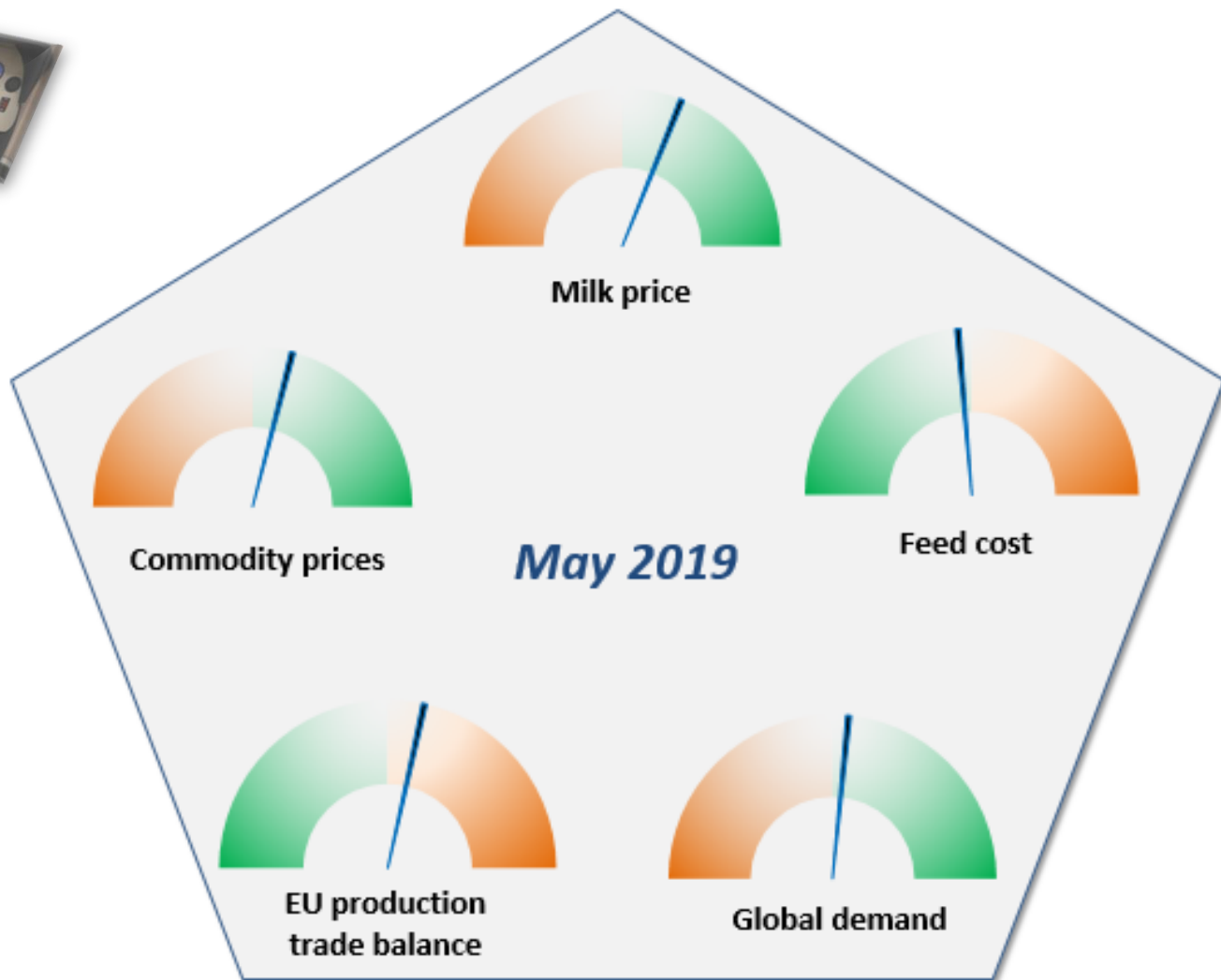


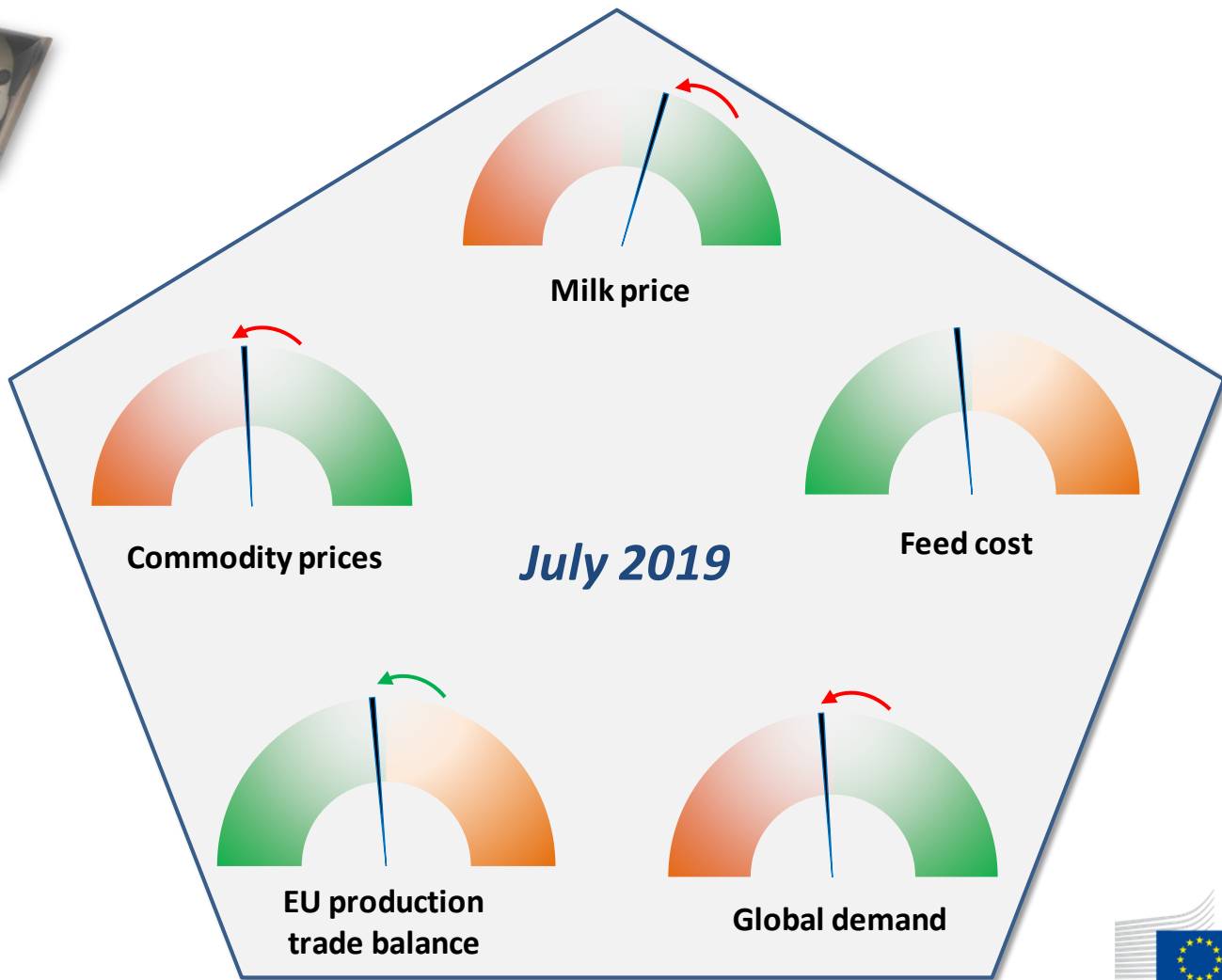
— 2016 — 2017 — 2018 —●— 2019 - - - IP 2009

Latest World Quotations of Dairy Products

In US\$/t	Latest Quotations			Week - 2						Year - 1					
	15/09/2019			01/09/2019			% change (previous quotation)			16 September 2018			% change (1 year)		
	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA	EU	Oceania	USA
Butter	4 081	4 075	4 877	4 024	4 000	4 847	↑ +1.4%	↑ +1.9%	→ +0.6%	6 479	4 325	4 857	↓ -37%	↓ -6%	→ +0%
SMP	2 336	2 600	2 306	2 295	2 575	2 296	↑ +1.8%	→ +1.0%	→ +0.4%	1 873	2 100	2 008	↑ +25%	↑ +24%	↑ +15%
WMP	3 186	3 125	3 803	3 136	3 163	3 770	↑ +1.6%	↓ -1.2%	→ +0.9%	3 303	2 838	3 307	↓ -4%	↑ +10%	↑ +15%
Cheddar	3 327	3 900	4 628	3 349	3 888	4 183	→ -0.7%	→ +0.3%	↑ +10.6%	3 904	3 688	3 702	↓ -15%	↑ +6%	↑ +25%







ANNEX 2

Milk Market Situation

LTO Nederland

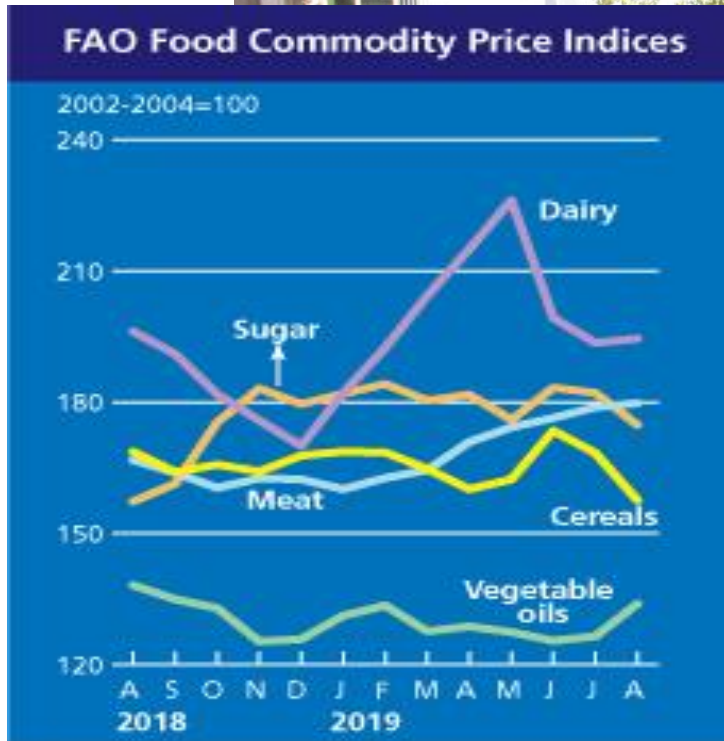
Milk market situation



1. Milk Prices
2. Production figures
3. Futures, indices..
4. Conclusions
5. Farmers' sentiment

September 19, 2019

1. The big picture....



***LTO International comparison
of producer prices for milk***

2018



*prezzi di latte • melkprizen • prix du lait • molkeprizen
milch preise • milk prices • maelke priser • maidon hinnat*

LTO Nederland

ZuivelNL
KETENORGANISATIE VAN DE ZUIVELSECTOR



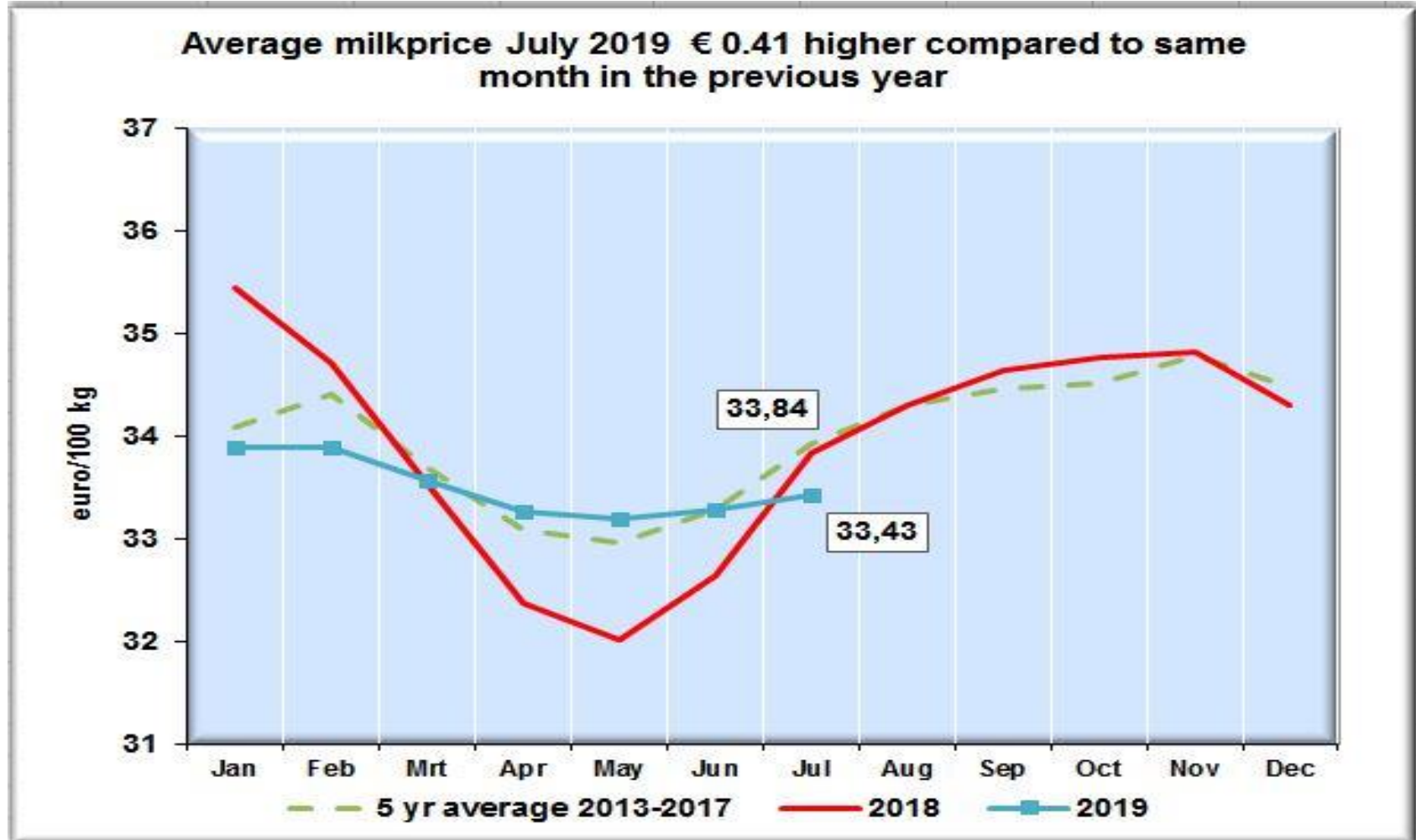
LTO Nederland

ZuivelNL
KETENORGANISATIE VAN DE ZUIVELSECTOR



<http://milkprices.nl/>

LTO milk prices average



Farm gate milk prices € per 100 kg standardised milk

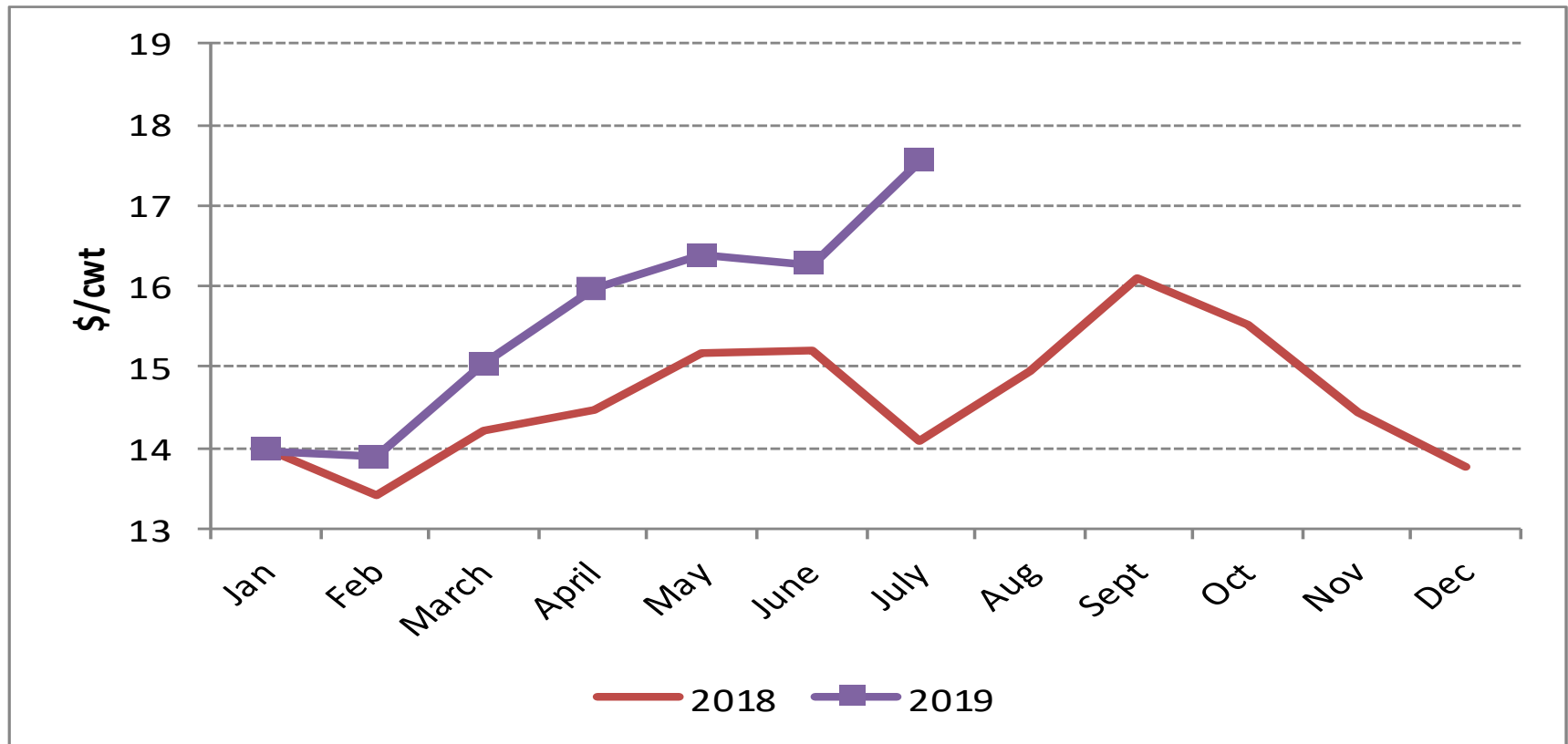


Dairy Company		July 2019	Rank	Rolling average (12 months)	Rank	Changes in Aug/Sept	Most recent profit payment
GRANAROLO (North)	ITA	38.84	1	38.20	1	Increase in Sept	
DANONE (PAS DE CALAIS)	FRA	37.59	2	34.91	6		
SAVENCIA (BASSE NORMANDIE)	FRA	35.91	3	34.66	7	No changes in Aug/Sept	
VALIO	FIN	35.88	4	34.99	5		1.02
SODIAAL (PAS DE CALAIS)	FRA	35.70	5	35.28	3		0.29
LACTALIS (PAYS DE LA LOIRE)	FRA	34.89	6	35.00	4	No changes in Aug/Sept	
FRIESLANDCAMPINA	NL	34.51	7	35.83	2	No changes in Aug/Sept	0.57
ARLA FOODS	DK	32.56	8	33.46	9	No change in Aug/Sept	2.30
HOCHWALD MILCH eG	DEU	32.53	9	33.25	10		0.02
SAPUTO DAIRY UK (DAIRY CREST)	UK	32.06	10	33.10	11		
MULLER (LEPPERSDORF)	DEU	31.87	11	32.79	13		
MILCOBEL	BE	31.72	12	33.04	12		0.24
DMK DEUTSCHES MILCHKONTOR eG	DEU	31.26	13	32.77	14	No change in Aug/Sept	
VREUGDENHIL	NL	31.19	14	33.50	8		
KERRY	IRL	30.00	15	32.02	15	No change in August	
DAIRYGOLD	IRL	29.80	16	31.33	16	-1.0 in August	0.40
GLANBIA	IRL	29.68	17	31.44	17	-1.0 in August	
Average		33.29		33.86			
EMMI	CH	55.44		50.22			
FONTERRA	NZ	29.31		28.97			
USA Class III (USDA)	USA	39.49		34.17		See next slide	

Deliveries 1 million kg / year, 4.2% fat

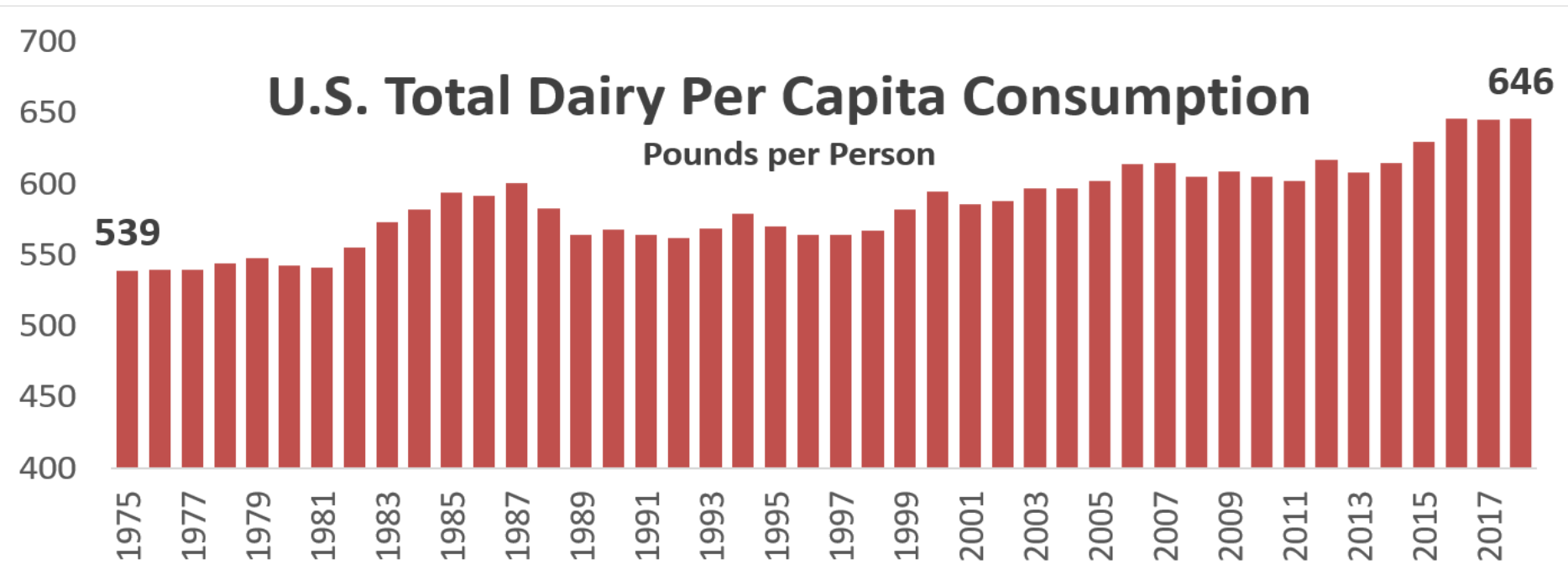
milkprices.nl

US Class III milk price has risen



Main reason: tighter milk supplies and falling cheese stocks

Also: US dairy consumption per person at all high



Source: USDA ERS Dairy Data 1975-2018

Total dairy is reported on a milk equivalent, milkfat basis

This measure is a proxy for consumption as it based on product available to be consumed

2. Milk production

United States: no growth

USDA (y-o-y):

May: -0.4%

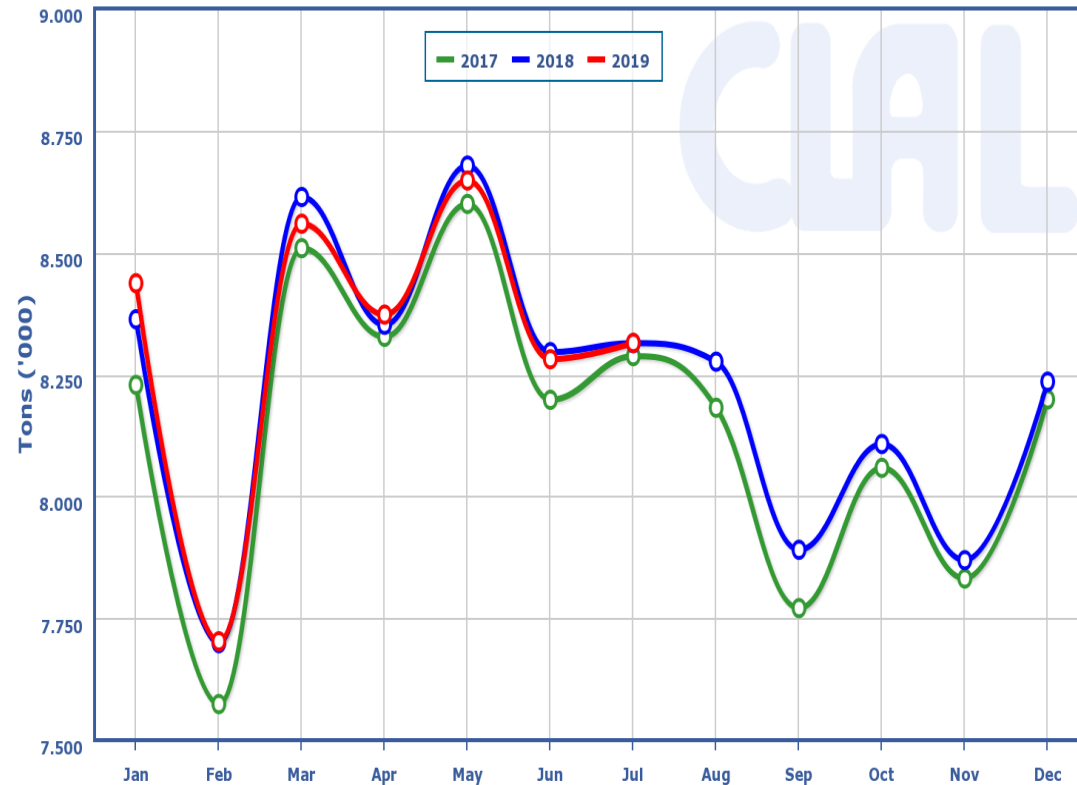
June: -0.2%

July: +/- 0.0%

Year to date: +/- 0.0%

US: Triennial overview of monthly Milk production

Source: National Agricultural Statistics Service

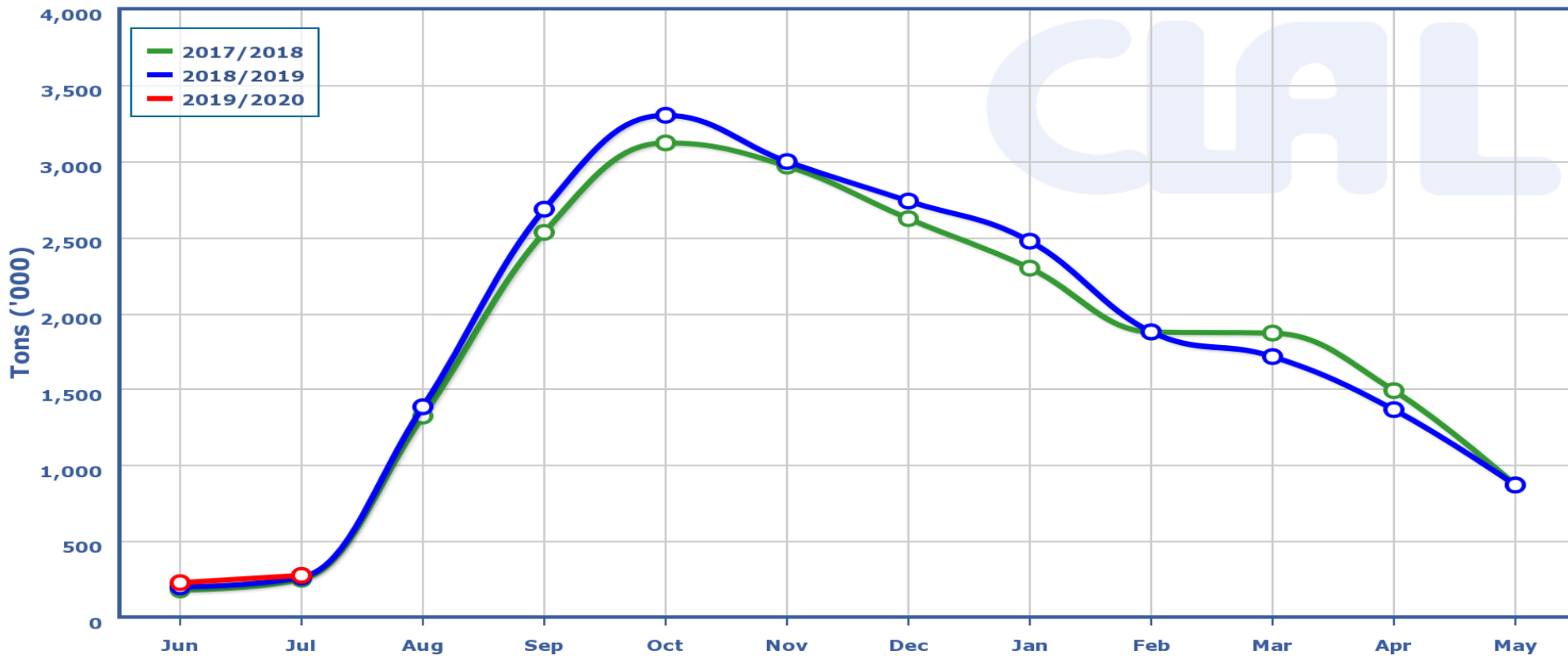


Milk production

New Zealand July 2019: +4.6%

New Zealand - Triennial overview of monthly Milk production

Source: DCANZ

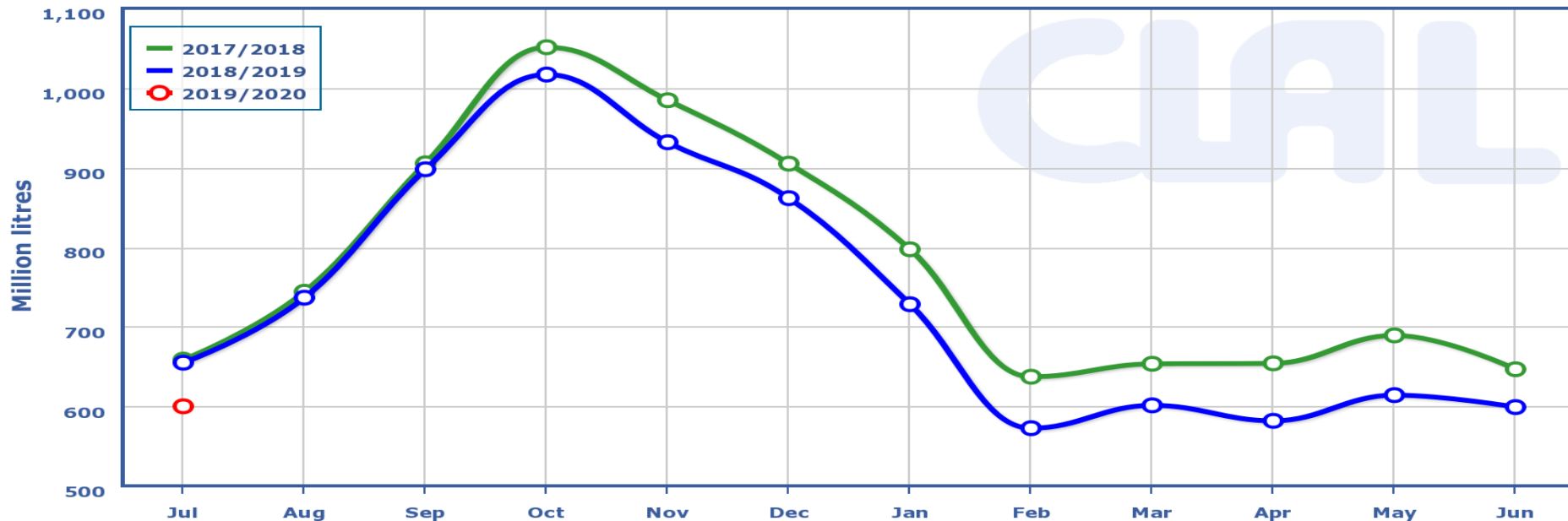


Milk production

Australia: July 2019 -8.4%

Australia - Triennial overview of monthly Milk production

Source: Dairy Australia



Drought likely to be a big influence on ag exports for the upcoming marketing year

Milk production



EU – some latest data:

Germany

France

UK

Netherlands

Portugal

Poland

Belgium

Hungary

Latvia

Denmark

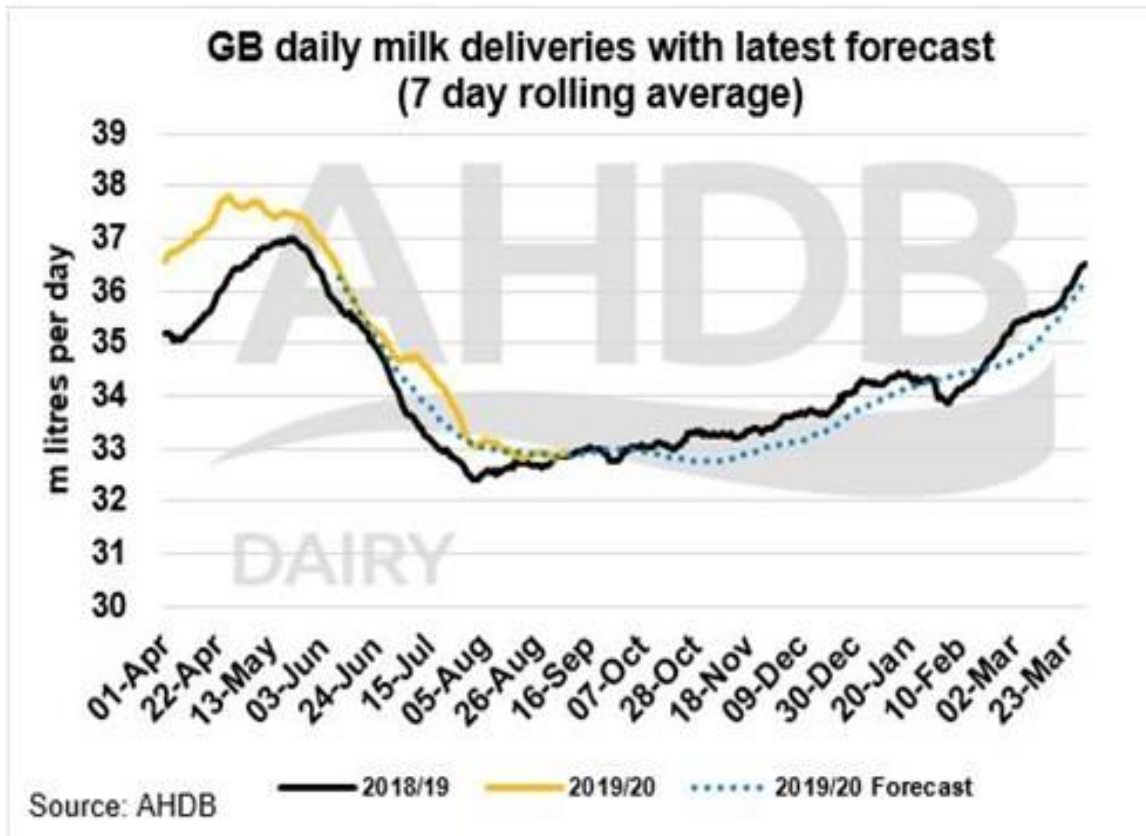
Austria

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



Week	Germany	France
Week 35	-1.2%	+0.8%
Week 34	+0.9%	+0.9%
Week 33	+0.2%	+0.5%
Week 32		+1.8%
Week 31		- 1.0%
Year 2019	-0.8%	

Great Britain (y-o-y)



Week 34: +0.5%
 Week 35: +0.6%
 Week 36: +0.3%

Netherlands milk production

Jan-Aug 2019:

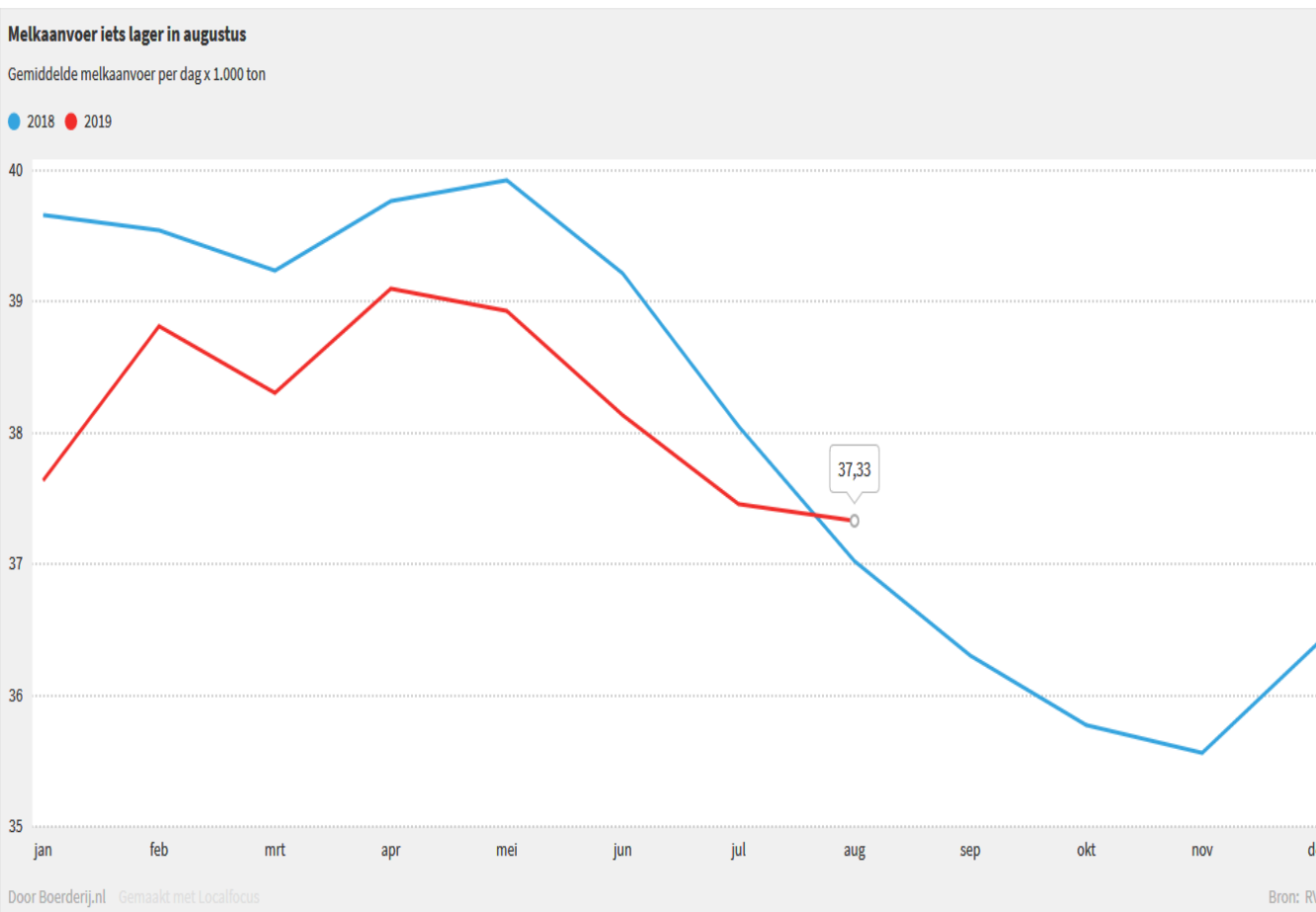
-2.1% (milk)

-1.1% (fat)

Aug 2019:

+0.8%

+2.4% (fat)



Milk Statistics

July 2019

Domestic Milk Intake

	2018	2019	% change
	million litres		
July	853.4	942.4	10.4%
January-July	4,677.8	5,149.1	10.1%

Domestic Milk Intake is up by 10.4% in July 2019

Figure 1 Domestic Milk Intake



Domestic milk intake by creameries and pasteurisers was estimated at 942.4 million litres for July 2019. This was 10.4% above the corresponding 2018 figure. *See graph opposite.*

Comparing the July 2019 milk produce figures with those for July 2018 shows that:

- Total milk sold for human consumption increased by 4.1 % to 45.3 million litres.
- Butter production was up 18.1 % to 27,680 tonnes.

See Table 1 for more details.

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

COPA COGECA members' information

Member State	Milk price and trend (euro)	Milk production	Production costs
Austria	36.73	+1.0% (July)	
Belgium	33.00 (July)	+2.2% (July)	Energy +5-10%
Hungary	30.10 (Aug)	-1.5% (Aug)	Rising costs: labour, heat
Latvia	28.38 (July)		
Portugal	31.50 (Aug)	-1.05% (August)	
Sweden	33.00 (June)		
Denmark	34.20	+1.0% (Jan-July)	
Poland	29.99 (July)	+0.7% (July)	Costs are increasing
France	34.00 (July)	-0.9% (July)	Indice IPAMPA (70% of dairy farms inputs): July 2019 - July 2018 = + 1,2%

Milk production 2019

Calendar year 2019 (billion kg milk)

EU	+	1.0 (= +0.5%)
USA	+	0.5 (= +0.5%)
New Zealand	+	0.4 (= +2.0%) (2019/20)
Australia	-	0.2 (= -1%)
Argentina	+/-	0

Total + 1.9 billion kg – low!

(Volume of world market is about 60 bn kg)

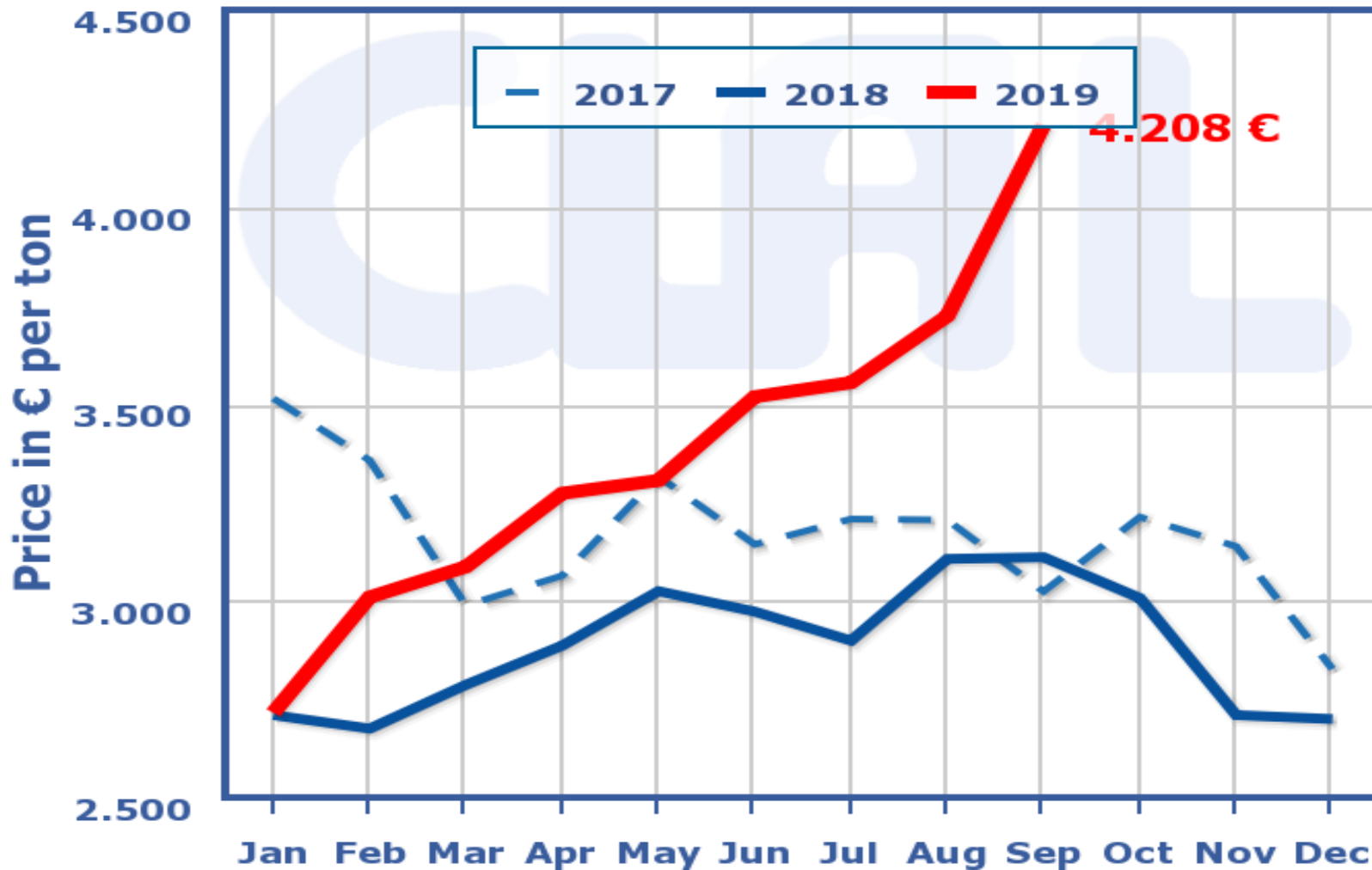
3. Futures & indices: CME Chicago (18 Sept) Class III contract Oct 2019



US cheese prices: the bulls are in charge...

US, Chicago - Price of Cheese (40# Blocks)

Source: CME



3. CME Chicago (18 Sept) Class III contract April 2020



16,52 US\$ per 100 cwt is € 32.20 per 100 kg (3,5% fat)

Some dairy quotations

ZuivelNL quotations Sept 18, 2019:

Butter, 25 kg cartons:	+€ 4.00	€ 347.00
WMP, 26% fat:	+€ 4.00	€ 290.00
SMP extra quality:	+€ 3.00	€ 221.00
SMP feed quality:	+€ 4.00	€ 206.00
Whey powder:	- € 1.00	€ 58.00

Cheese Edam/Gouda: Hannover € 2.95-3.20 (stable, 18 Sept)

Milk spot price (*DCA*) € 0.37 (+0.015) (week 37)

lfe-Rohstoffwert € 29.80 (-0.60, 'ab hof') (4% fat, Aug 2018)

On the consumption side, finally.....



The two faces of the same retailer...

4. Conclusion: driving factors

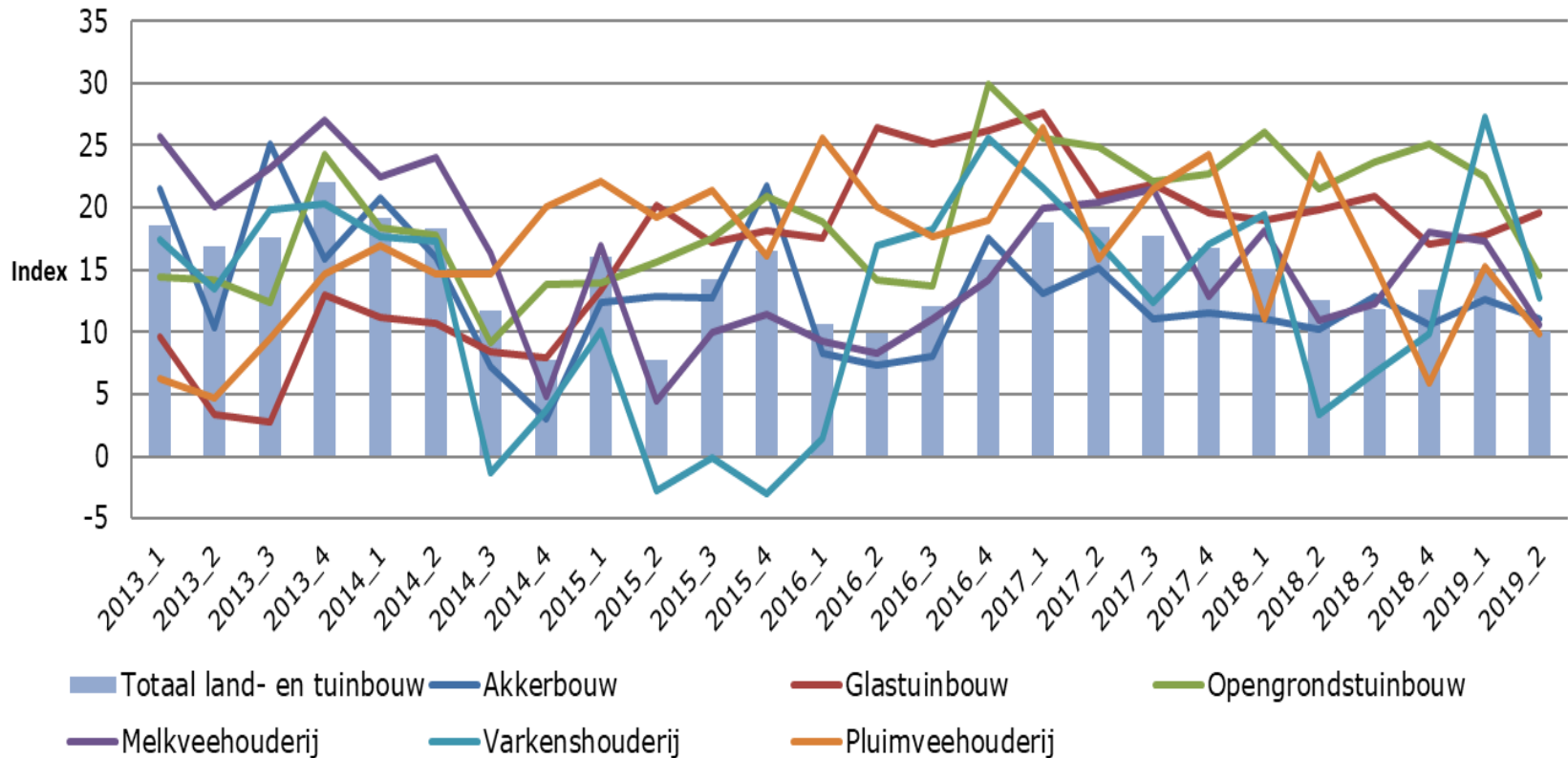
1. Milk production growth modest – markets tightening...
2. Brexit uncertainty....
(Halloween, Oct 31)
3. Trade wars
(China, US, EU?)
4. Yuan/Pound/dollar/euro fluctuations
5. Asia's protein deficit
(African Swine Fever)
6. Drought in Australia



**“Stable market”
but how stable is it?
We have some doubts....**

5. Dutch farmers' confidence

Agro Vertrouwensindex



Q2 2019

Thank you for your attention

LTO Nederland



ANNEX 3

EU dairy products monthly stock estimates at the end of June 2019

EDA



**EU dairy products
monthly stock estimates
at the end of June 2019**

**Milk Market Observatory
Economic Board
September 19th , 2019**

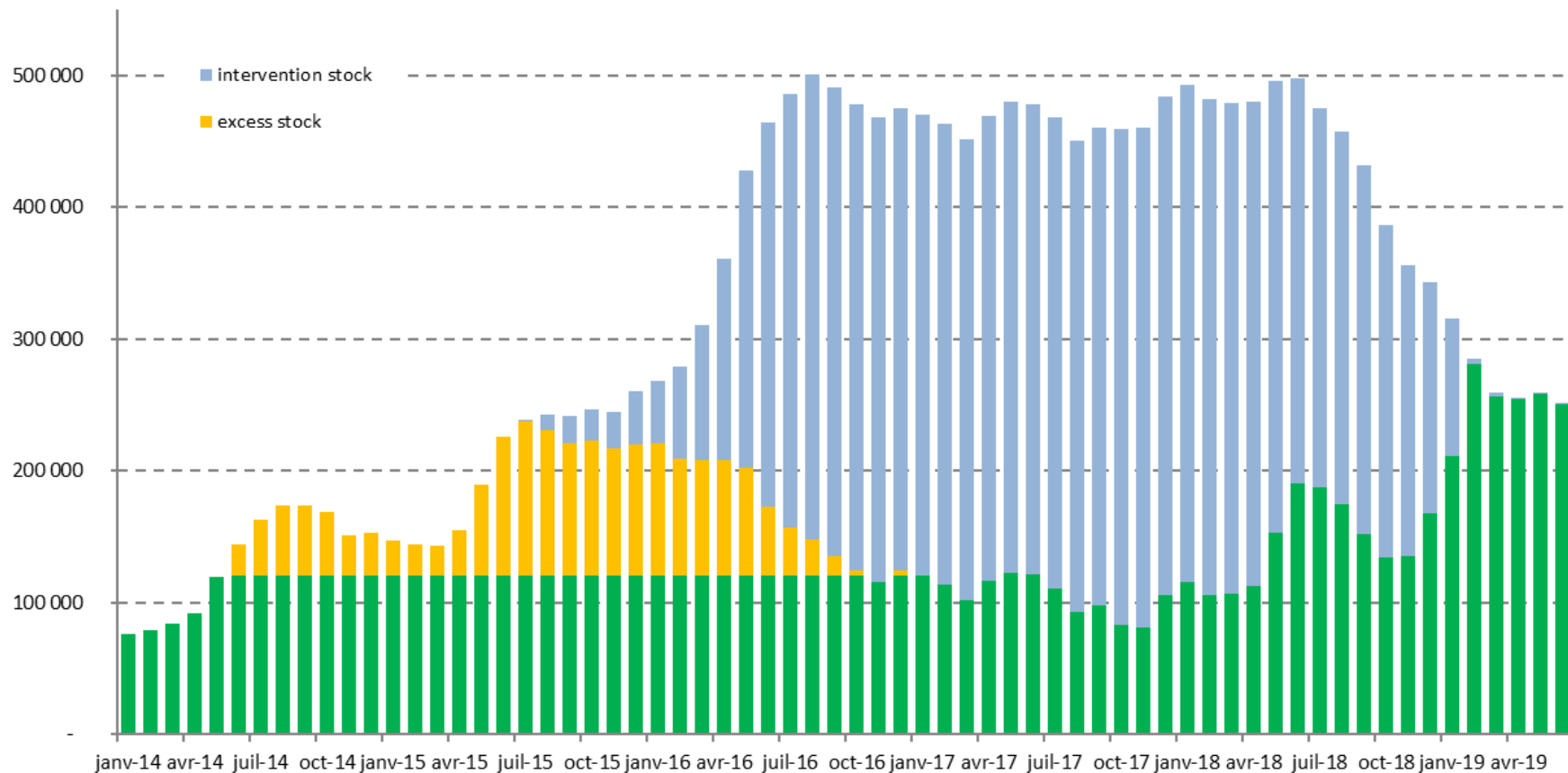
Methodology

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

European stock level estimates - SMP

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

stock level
in tons



Butter stocks

Methodology concerns:

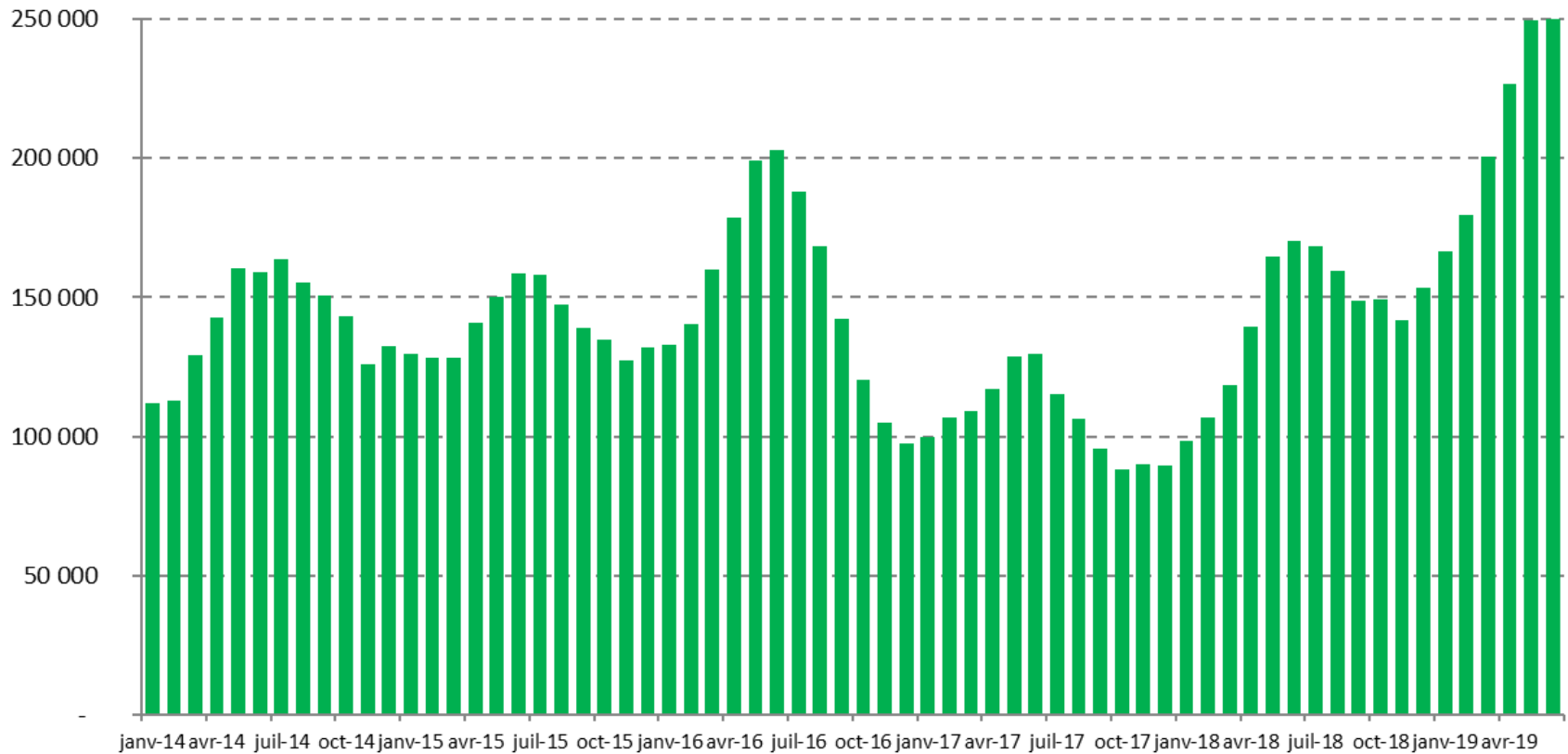
- In the calculation of stocks estimates, EDA is facing 2 areas of uncertainties where hypotheses are needed, especially in 2019 :
 - The butter fat uses in the industrial sector have certainly changed after the high butter prices of 2017-2018. The market operators have very different views on the evaluation of these cuts.
 - It seems that the Eurostat statistics on butter and AMF European production do not totally reflect the European production for these products. It seems that Eurostat underestimates the overall European production of butter and related butterfat products.
- So, EDA has prepared two hypotheses for the European butter stock estimate for this MMO meeting.

Hypothesis 1 : European stock level estimates - Butter

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



stock level
in tons

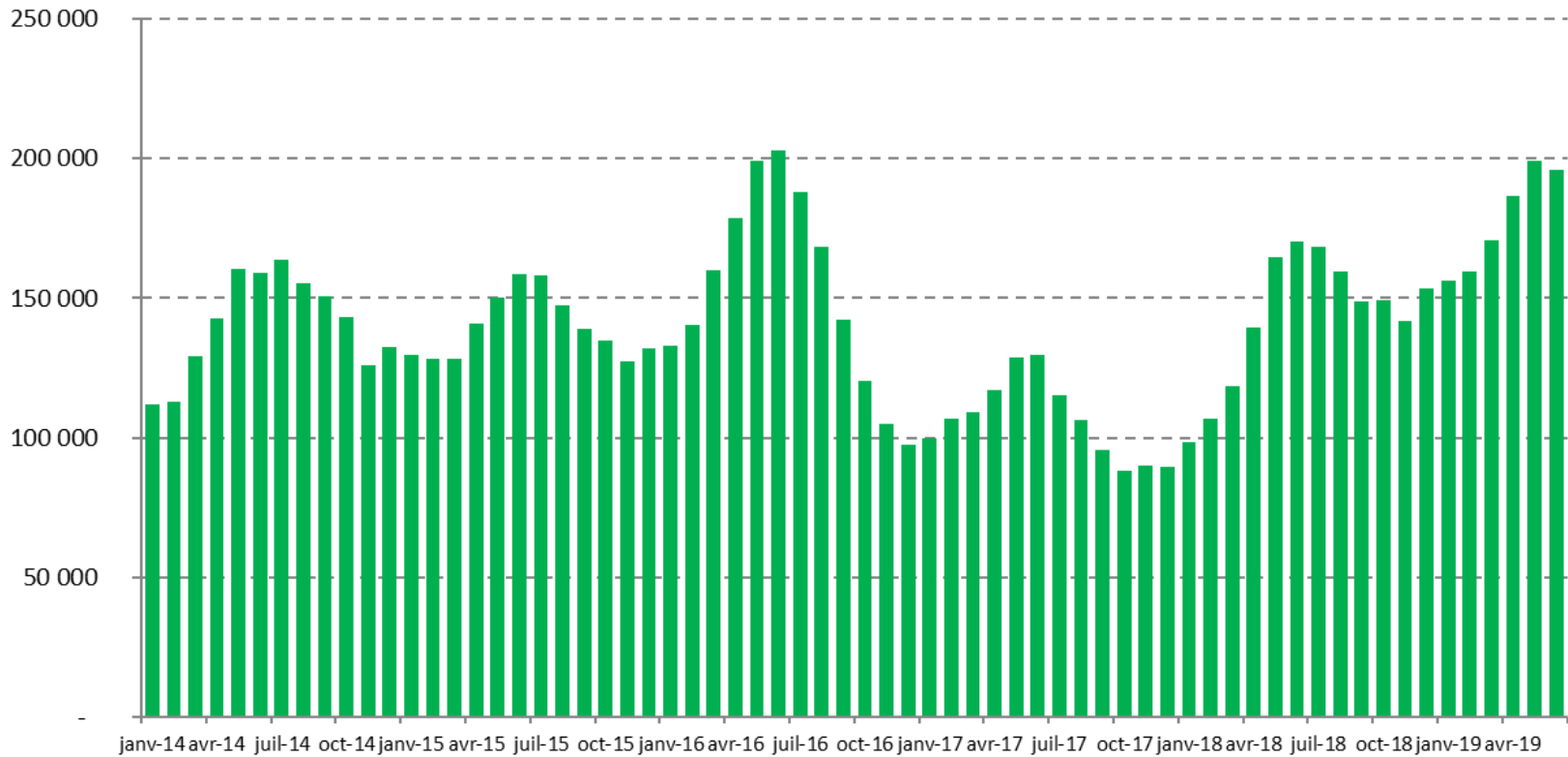


Hypothesis 2 : European stock level estimates - Butter

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



stock level
in tons

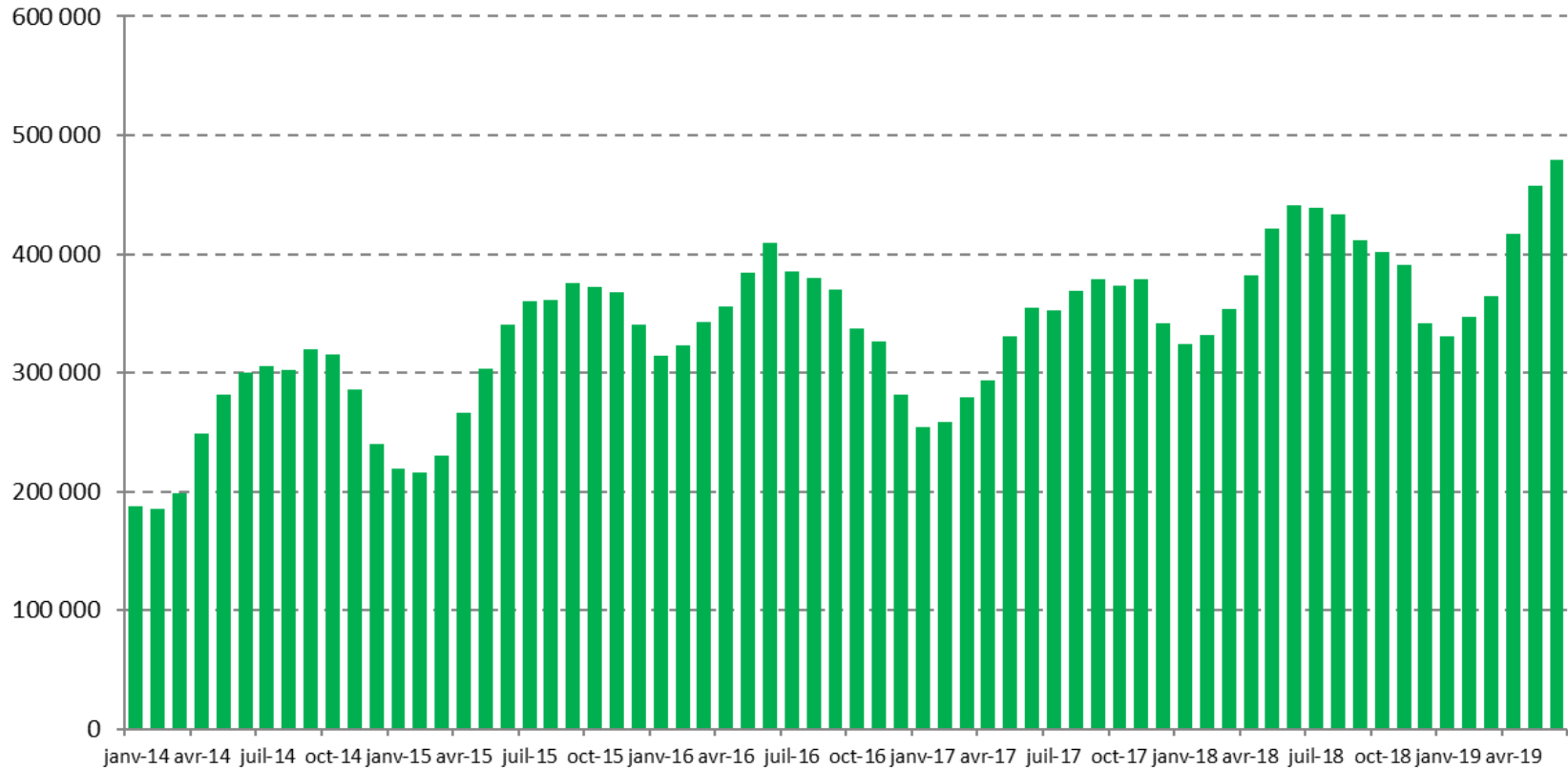


European stock level estimates - Cheese



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

stock level
in tons



ANNEX 4

Perspectives from the Dairy Trade

Eucolait



Perspectives from the Dairy Trade

MMO Economic Board

19 September 2019

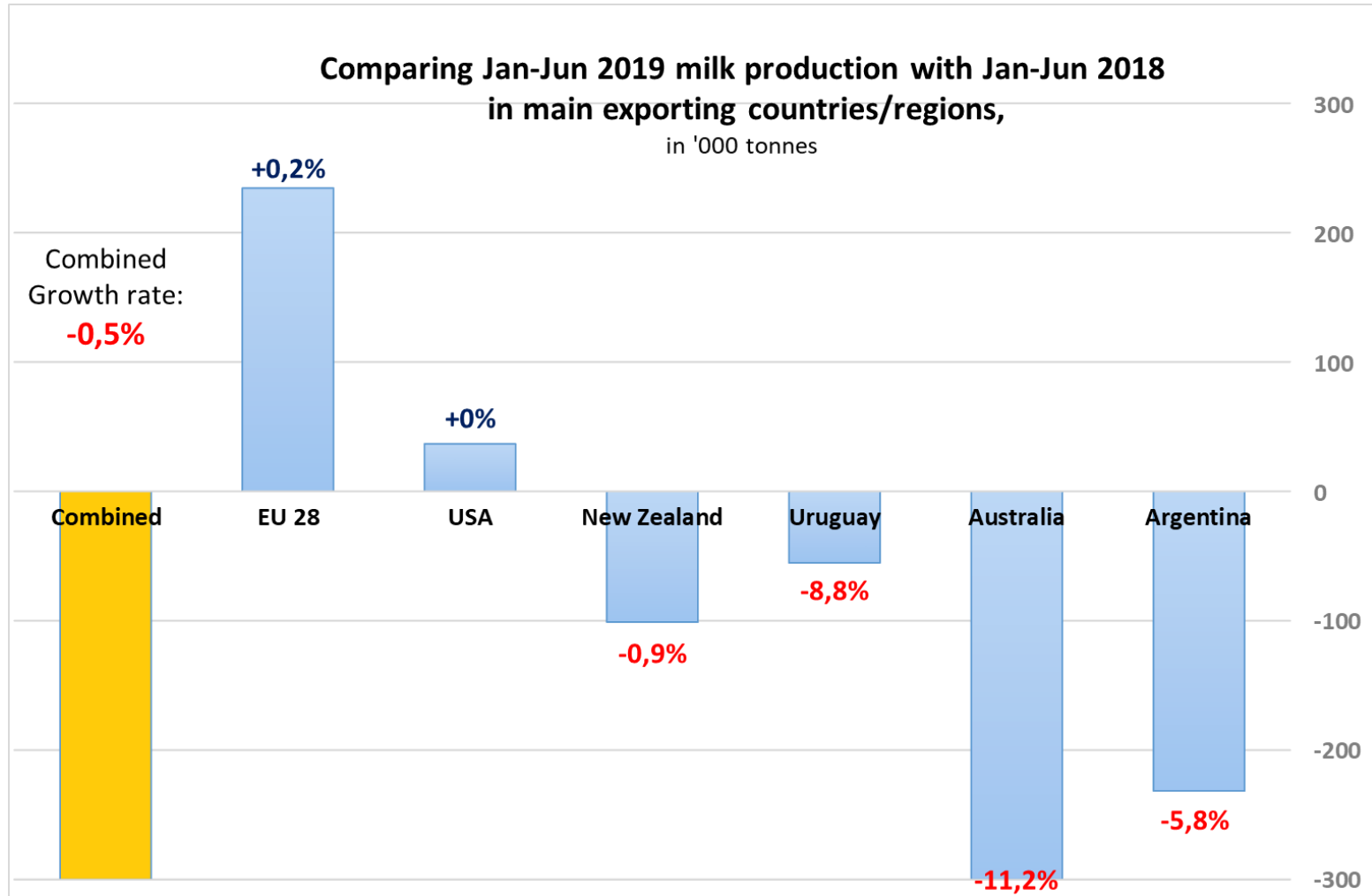


Outline

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

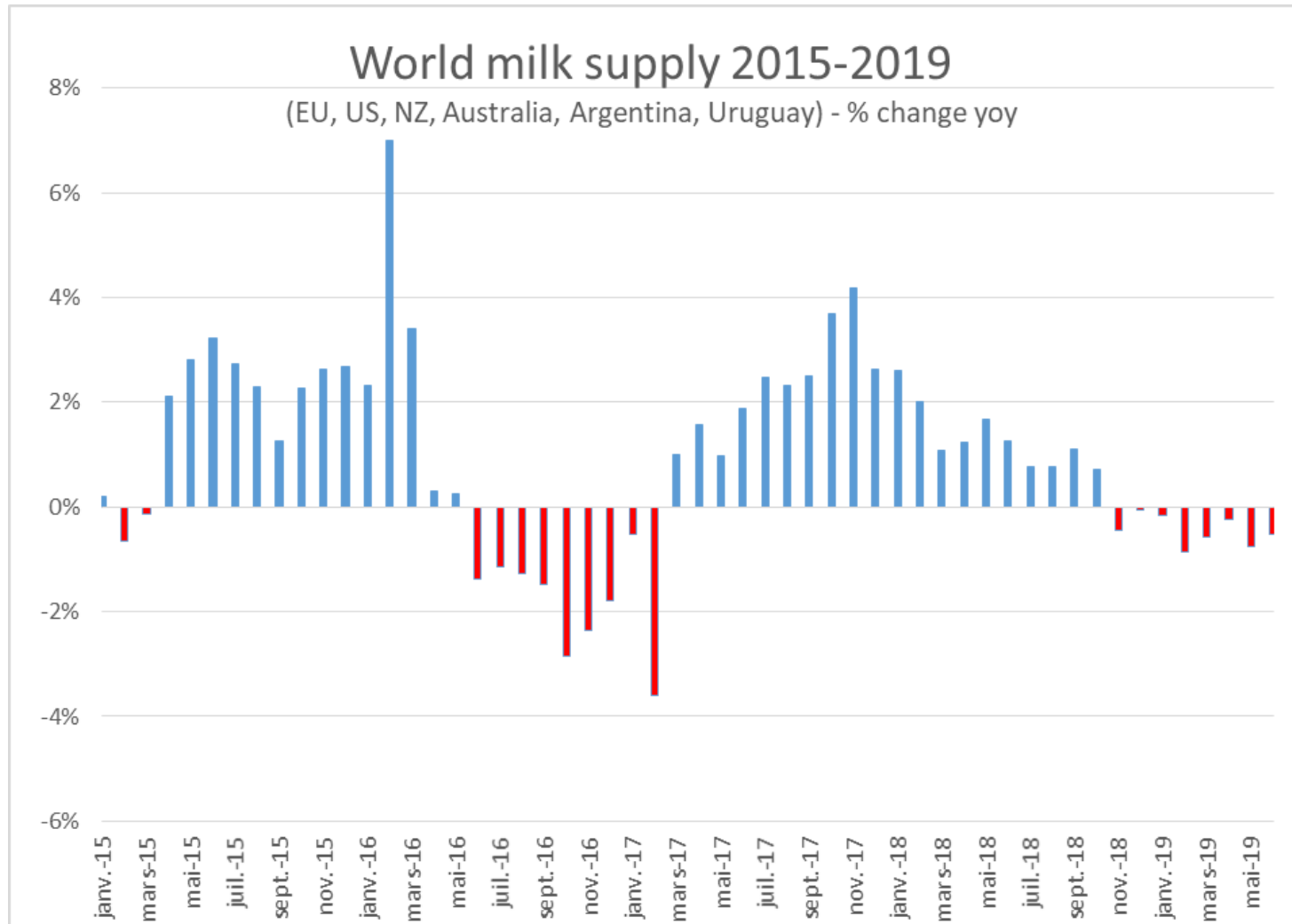


Milk production in key export regions





Milk production in key export regions





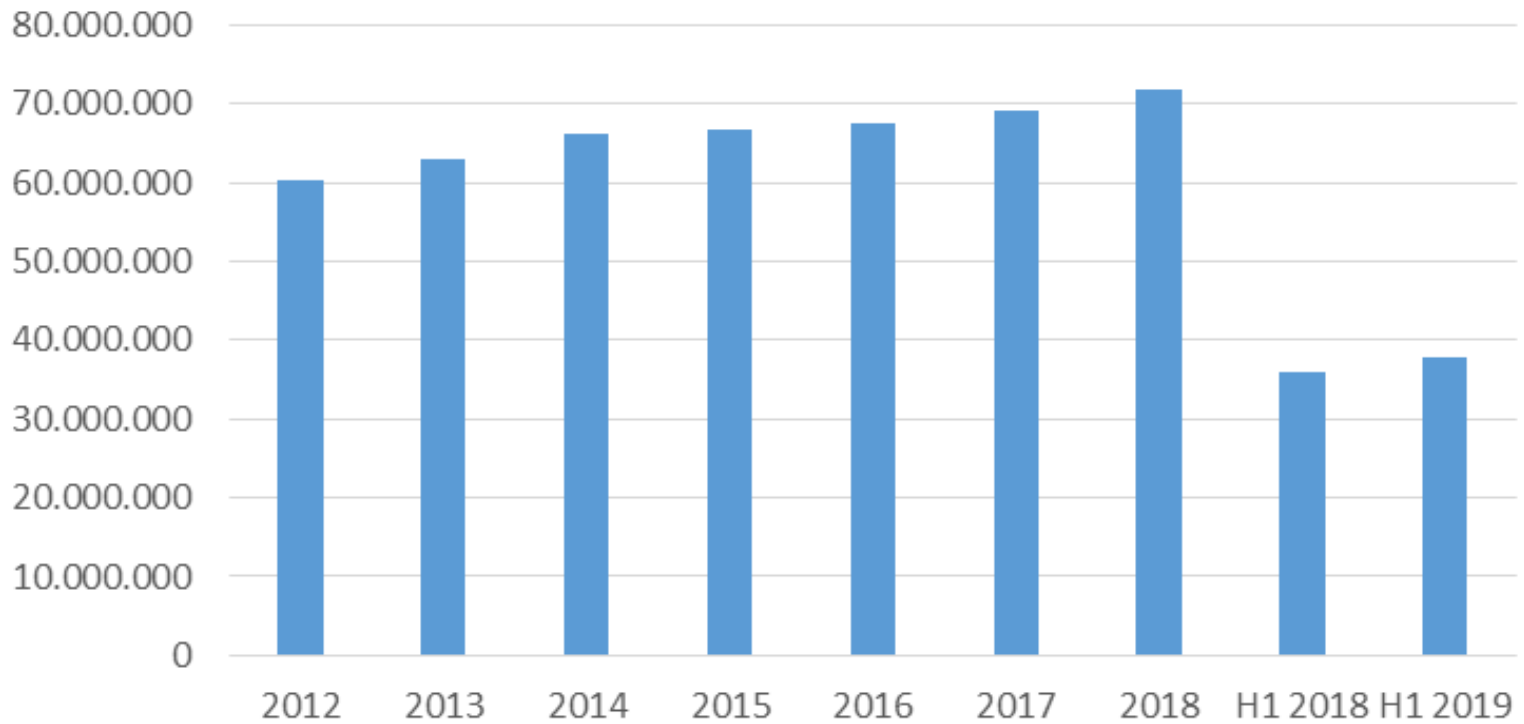
Production outlook

- **EU: heat waves took a toll on milk production in some Member States. Environmental, contractual and strategic factors also play a role.** EU June production was at -0,4% (-0,2% in May yoy, +1,5% in April yoy) but fat & protein components are high in 2019 are making up for lower milk production/ **Modest growth expected for the whole year 2019**
- **US milk production was slightly up in August (+0,2%),** following falls in May and June & a flat output in July, the 0,9% rise in average yields per cow in July was offset by an equivalent fall in cow numbers, **USDA outlook for 2019 was revised downwards to +0,2%**
- **NZ season starts on a high, up by +4,6% in July yoy** (+14% in June yoy but seasonally low volumes in June & July), due to good grass & soil condition and good rainfall, Outlook: +1,1% for current season
- **Australia milk production continues to fall strongly in the beginning of the new season (July yoy - 8,4%)** after a -5,7 % drop during the 2018/19 season. Upward movement in milk prices might encourage production but weather/drought challenges mean further decreases are likely.
- **South America: 2019 milk production improved but is still below 2018 levels,** Argentina's production recovered due to improved weather and farm margins (0% in July yoy after 8 months of consecutive declines), Uruguay's production decreases also slowed down (-6,2% in June yoy), Outlook: moderate milk production for H2
- **Global milk supply:** continues to be slightly down in June (for the 9th month), Outlook: at best moderate increase in H2 2019



Dairy exports of main market players in ME

Global dairy exports in Milk equivalents
(WMP, SMP, butter(oil), cheese, casein(ate)s, whey, lactose)





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

Jan-Jun
2017



Jan-Jun
2018



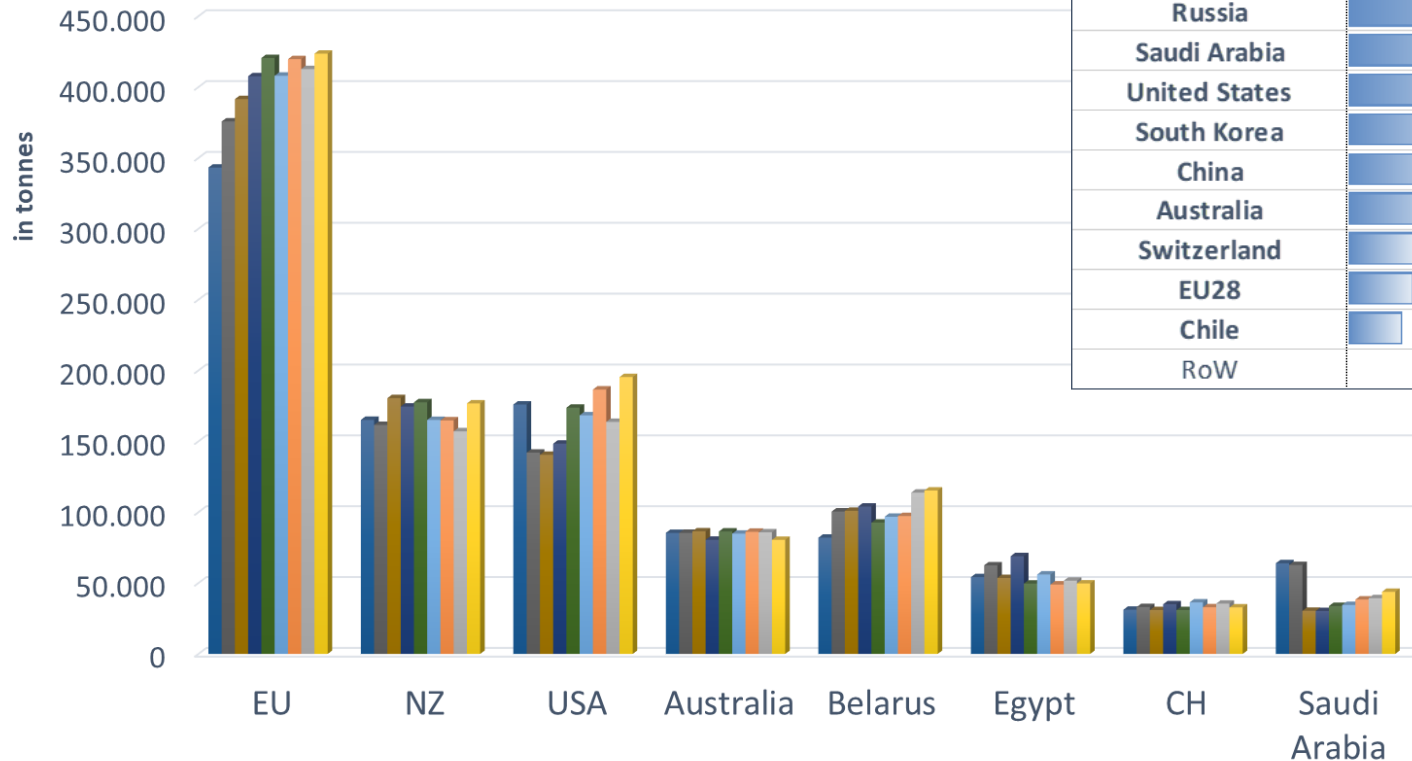
Jan-Jun
2019





- **EU cheese exports:**
 - Growth rate Jan-Jun 19/18: +0,9%
- **Combined cheese exports:**
 - Growth rate Jan-Jun 19/18: +3,7%

Global Cheese Exports (H1 2015 - H1 2019)



EU CHEESE EXPORTS Jan-Jun 2019	
Main destinations	Total in t: 423 610
United States	63263
Japan	56989
Switzerland	31328
Saudi Arabia	20020
South Korea	17976
Algeria	12740
Australia	12652
Lebanon	10422
China	10307
Canada	9204
RoW	178709

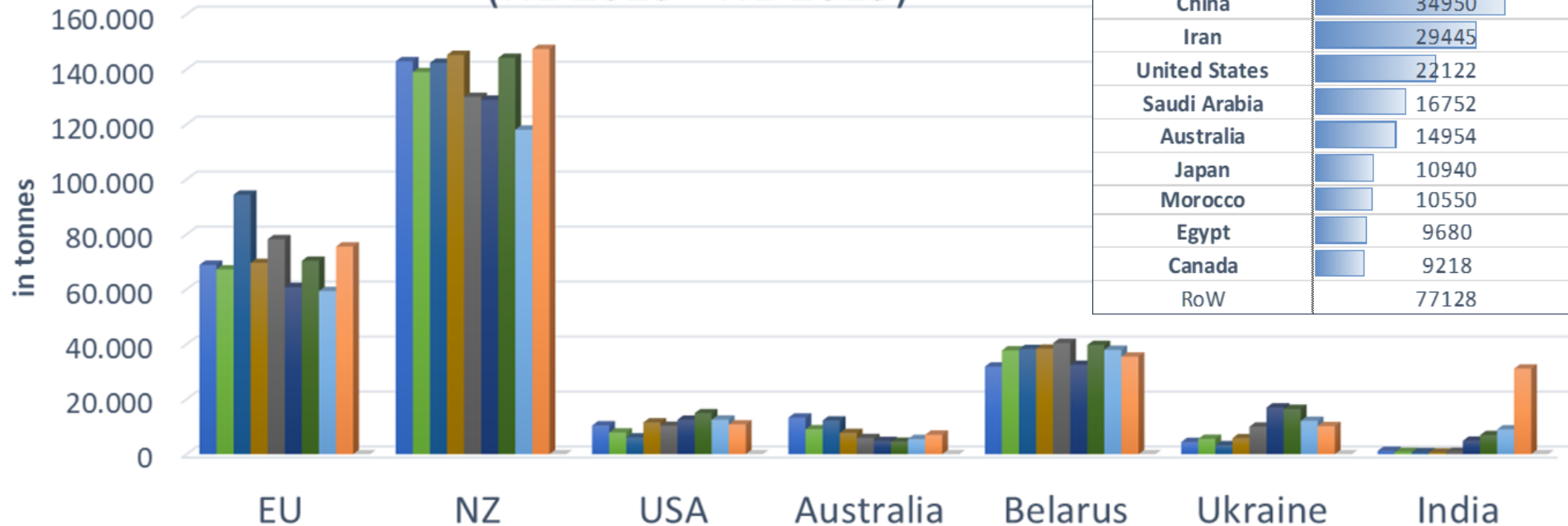
MAIN CHEESE IMPORTERS Jan-Jun 2019	
Main Importers	Total in t: 1 000 318
Japan	152305
Russia	124023
Saudi Arabia	89990
United States	80953
South Korea	66661
China	59087
Australia	52327
Switzerland	31819
EU28	29824
Chile	24856
RoW	288473



- EU butter exports:
 - Growth rate Jan-Jun 19/18: +7,4%
- Combined butter exports:
 - Growth rate Jan-Jun 19/18: +6,6%

EU BUTTER EXPORTS Jan-Jun 2019	
Main destinations	Total in t: 75 536
United States	17323
Japan	5206
China	4558
Saudi Arabia	4268
United Arab Emirates	3238
Singapore	3046
Turkey	2783
South Korea	2697
Taiwan	2561
Lebanon	2228
RoW	27628

Global Butter Exports (H1 2015 - H1 2019)



MAIN BUTTER IMPORTERS Jan-Jun 2019	
Main Importers	Total in t: 284 007
Russia	48268
China	34950
Iran	29445
United States	22122
Saudi Arabia	16752
Australia	14954
Japan	10940
Morocco	10550
Egypt	9680
Canada	9218
RoW	77128

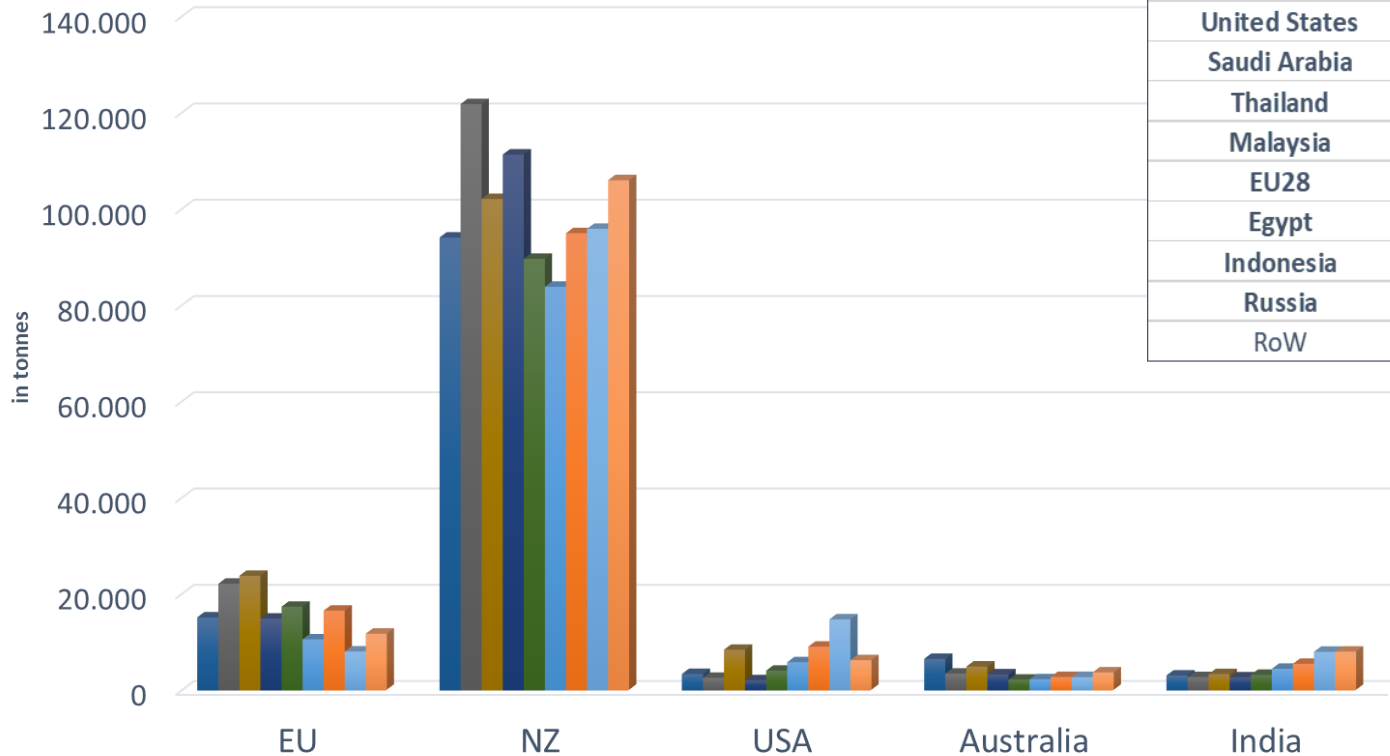


- EU butteroil exports:
 - Growth rate Jan-Jun 19/18: -28,8%
- Combined butteroil exports:
 - Growth rate Jan-Jun 19/18: +5,2%

EU BUTTEROIL EXPORTS Jan-Jun 2019

Main destinations	Total in t: 11 826
Saudi Arabia	2031
Indonesia	1223
Jordan	951
Lebanon	881
Egypt	688
Algeria	667
Syria	662
Taiwan	658
China	627
Iraq	597
RoW	2841

Global Butteroil Exports (H1 2015 - H1 2019)



MAIN BUTTEROIL IMPORTERS Jan-Jun 2019

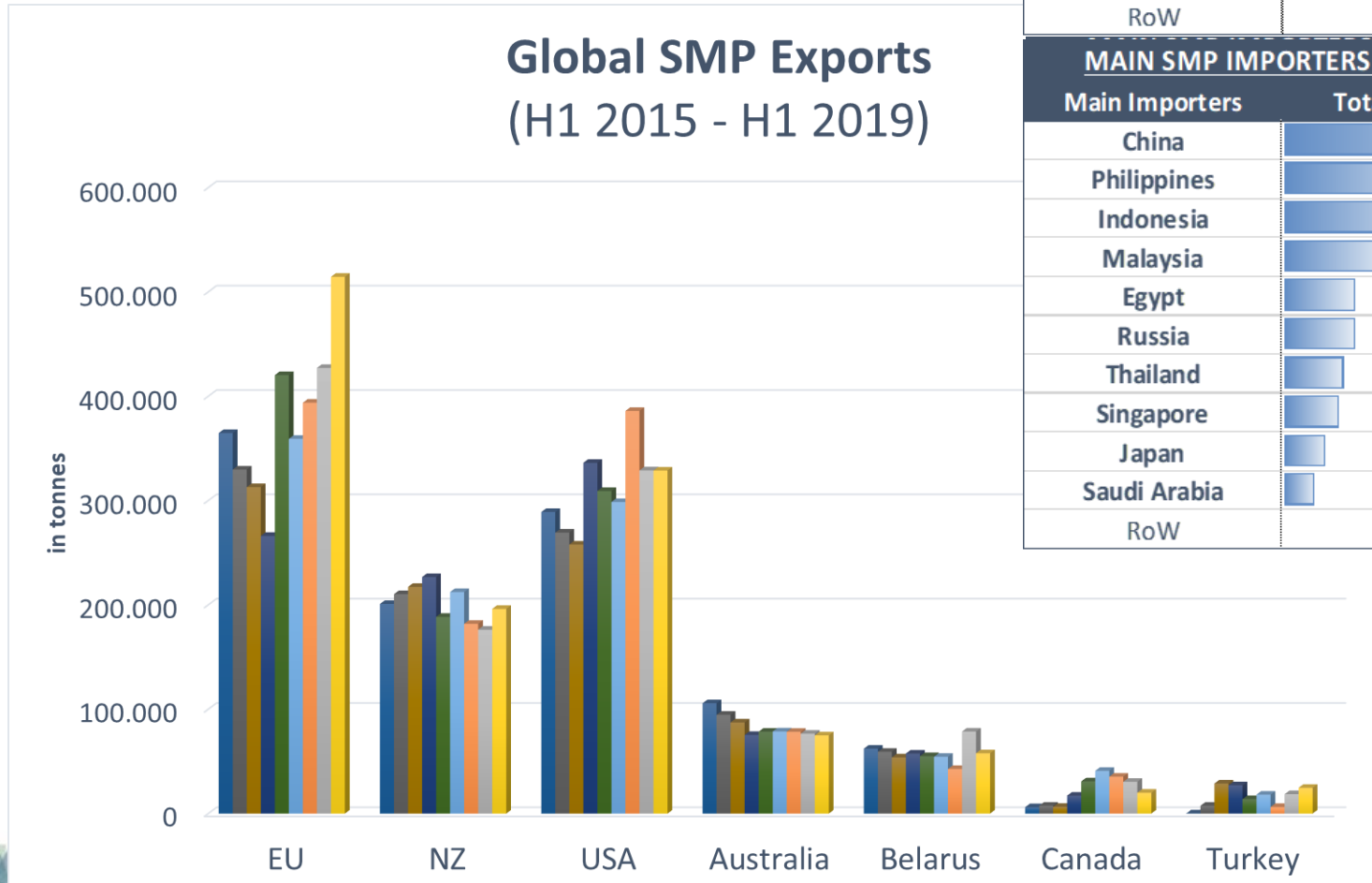
Main destinations	Total in t: 95 662
Philippines	17221
China	11789
United States	10940
Saudi Arabia	7088
Thailand	5965
Malaysia	5615
EU28	5474
Egypt	5342
Indonesia	4620
Russia	3838
RoW	17770



- EU SMP exports:
 - Growth rate Jan-Jun 19/18: +30,6%
- Combined SMP exports:
 - Growth rate Jan-Jun 19/18: +6,6%

EU SMP EXPORTS Jan-Jun 2019	
Main destinations	Total in t: 514 564
China	67346
Algeria	50131
Indonesia	47636
Philippines	41625
Egypt	34647
Malaysia	28207
Saudi Arabia	21605
Mexico	20123
Singapore	17216
Nigeria	17210
RoW	168818

MAIN SMP IMPORTERS Jan-Jun 2019	
Main Importers	Total in t: 804 128
China	179656
Philippines	105144
Indonesia	96713
Malaysia	62899
Egypt	41855
Russia	41733
Thailand	34915
Singapore	32399
Japan	24084
Saudi Arabia	17821
RoW	166909



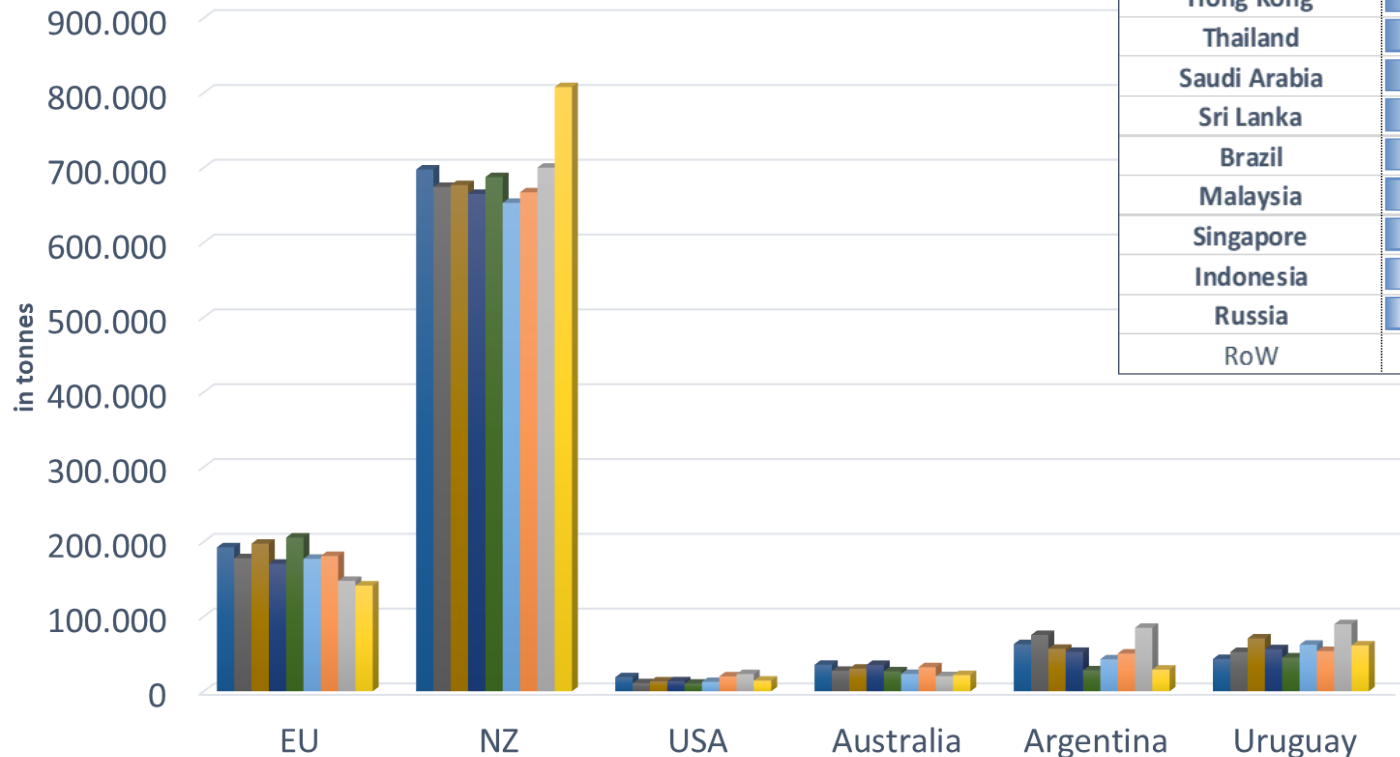


- EU WMP exports:
 - Growth rate Jan-Jun 19/18: -21,8%
- Combined WMP exports:
 - Growth rate Jan-Jun 19/18: +7,1%

EU WMP EXPORTS Jan-Jun 2019	
Main destinations	Total in t: 141 348
Oman	25561
Kuwait	9028
Lebanon	7356
China	7321
Angola	6620
Nigeria	5813
Cuba	4665
Saudi Arabia	4490
Singapore	4052
Algeria	4021
RoW	62421

MAIN WMP IMPORTERS Jan-Jun 2019	
Main Importers	Total in t: 848 501
China	405715
Hong Kong	54603
Thailand	47345
Saudi Arabia	52922
Sri Lanka	42251
Brazil	35920
Malaysia	35591
Singapore	34494
Indonesia	26995
Russia	25080
RoW	87585

**Global WMP Exports
(H1 2015 - H1 2019)**

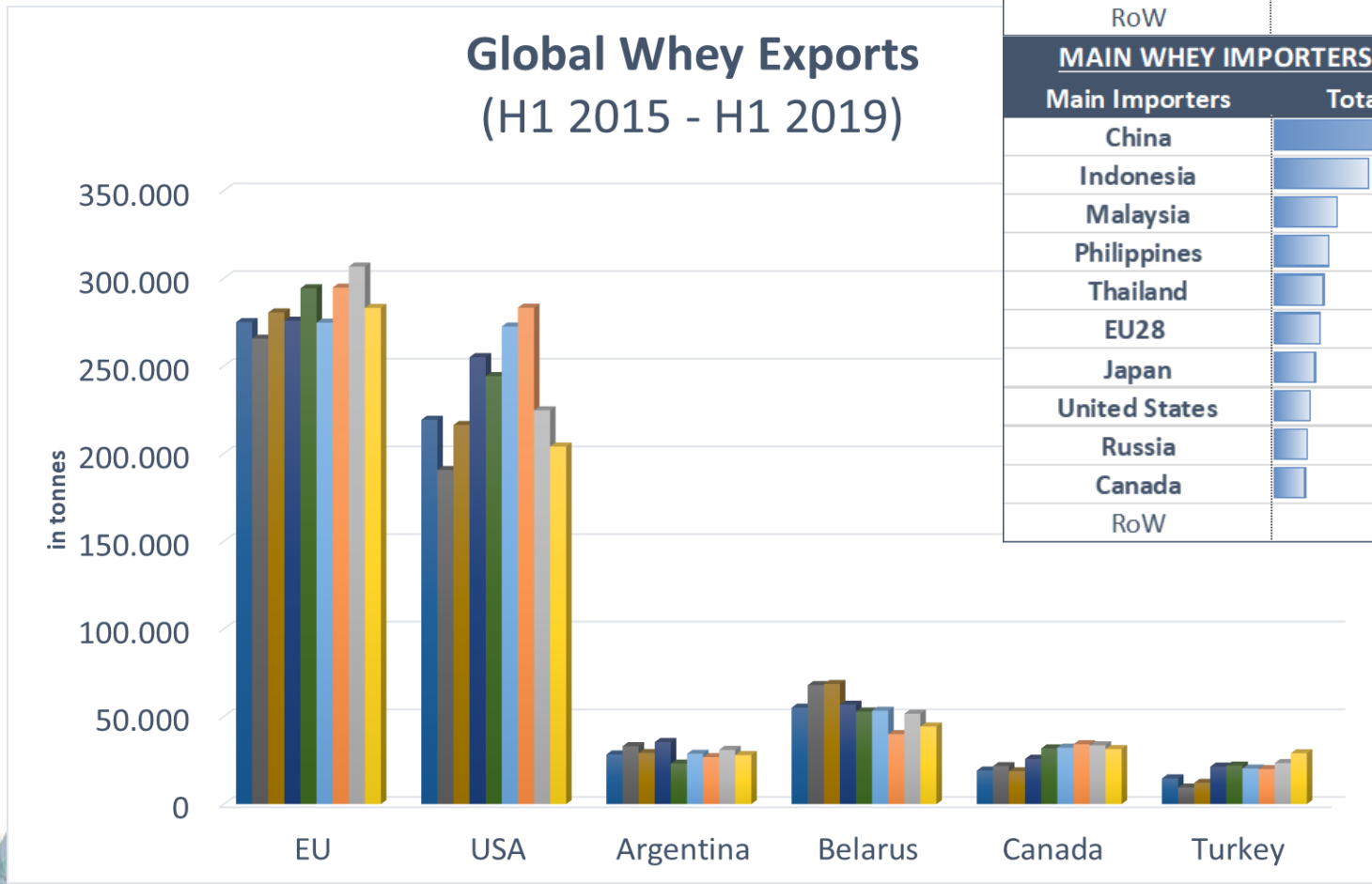




- EU Whey exports:
 - Growth rate Jan-Jun 19/18: -3,9%
- Combined Whey exports:
 - Growth rate Jan-Jun 19/18: -13%

EU WHEY EXPORTS Jan-Jun 2019	
Main destinations	Total in t: 283 063
China	90459
Indonesia	37445
Malaysia	29053
Thailand	18605
Vietnam	8470
New Zealand	8437
Japan	7742
South Africa	7074
Philippines	7011
South Korea	5703
RoW	63064

MAIN WHEY IMPORTERS Jan-Jun 2019	
Main Importers	Total in t: 643 519
China	207345
Indonesia	61714
Malaysia	40789
Philippines	35856
Thailand	32110
EU28	30543
Japan	27156
United States	23384
Russia	21938
Canada	20997
RoW	141687





- EU milk exports:
 - Growth rate Jan-Jun 19/18: +23,5%
- Combined milk exports:
 - Growth rate Jan-Jun 19/18: +12,8%

EU MILK AND CREAM EXPORTS Jan-Jun 2019

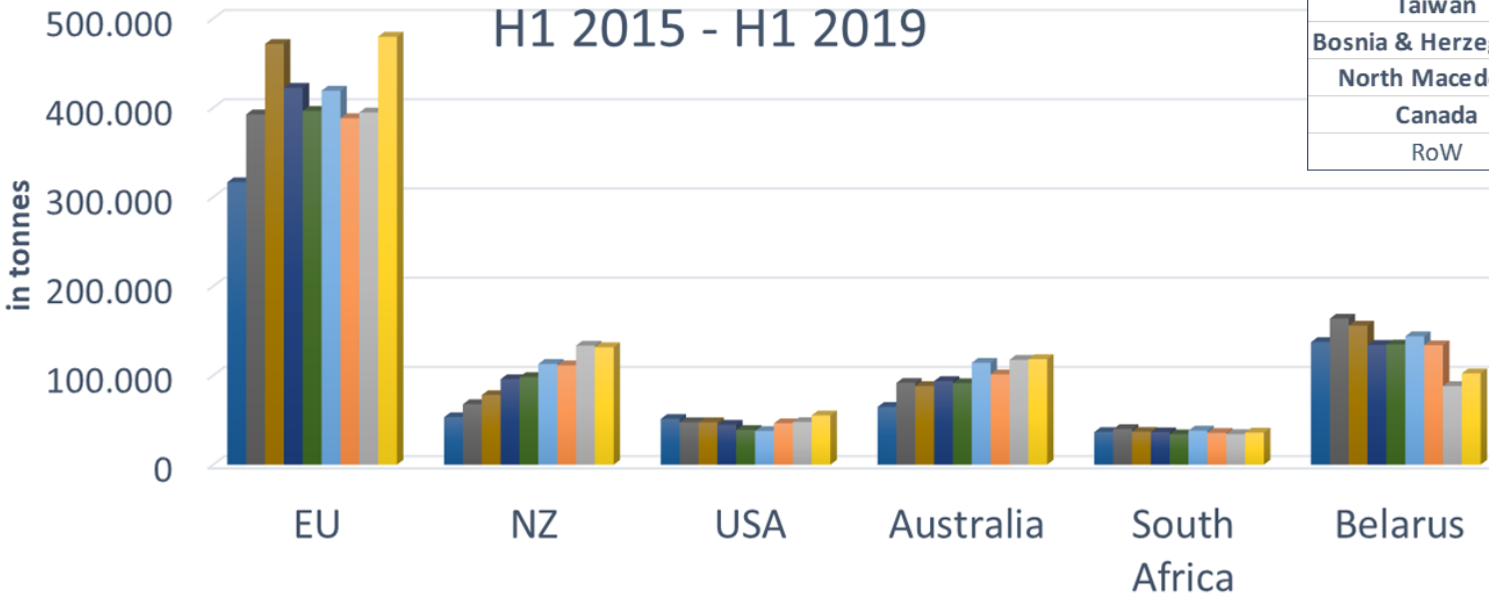
Main destinations	Total in t: 570 337
China	242685
Libya	47733
South Korea	21869
Mauritania	16186
South Africa	15116
Philippines	14953
Switzerland	12804
Angola	11595
Melilla	10509
Hong Kong	10283
RoW	166604

MAIN MILK & CREAM IMPORTERS Jan-Jun 2019

Main destinations	Total in t: 1 147 984
China	417642
Russia	120247
Kenya	74088
Philippines	52198
Singapore	47851
Hong Kong	47564
Taiwan	36662
Bosnia & Herzegovina	29121
North Macedonia	24497
Canada	23605
RoW	274509

Global Milk Exports (040110 & 040120)

H1 2015 - H1 2019



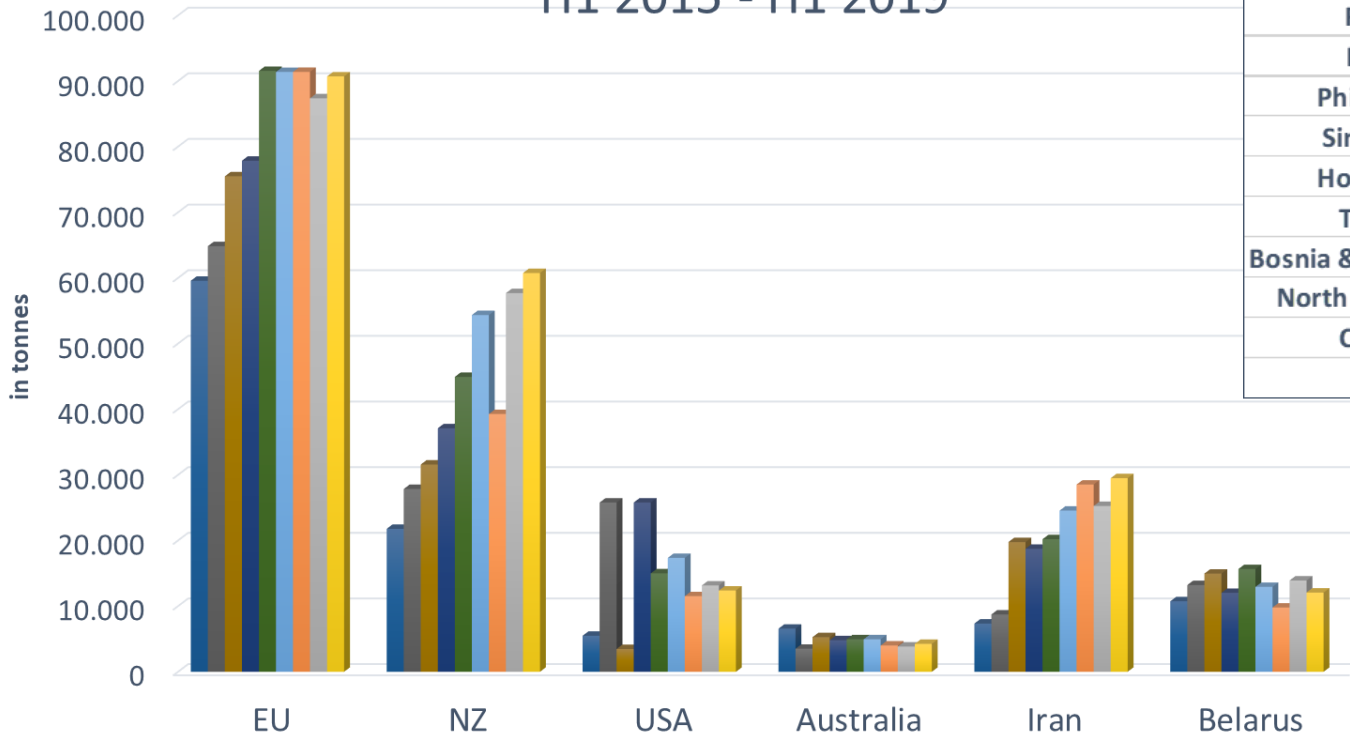


- EU cream exports:
 - Growth rate Jan-Jun 19/18: -0,8%
- Combined cream exports:
 - Growth rate Jan-Jun 19/18: +13,2%

EU MILK AND CREAM EXPORTS Jan-Jun 2019

Main destinations	Total in t: 570 337
China	242685
Libya	47733
South Korea	21869
Mauritania	16186
South Africa	15116
Philippines	14953
Switzerland	12804
Angola	11595
Melilla	10509
Hong Kong	10283
RoW	166604

Global Cream Exports (040140 & 040150) H1 2015 - H1 2019



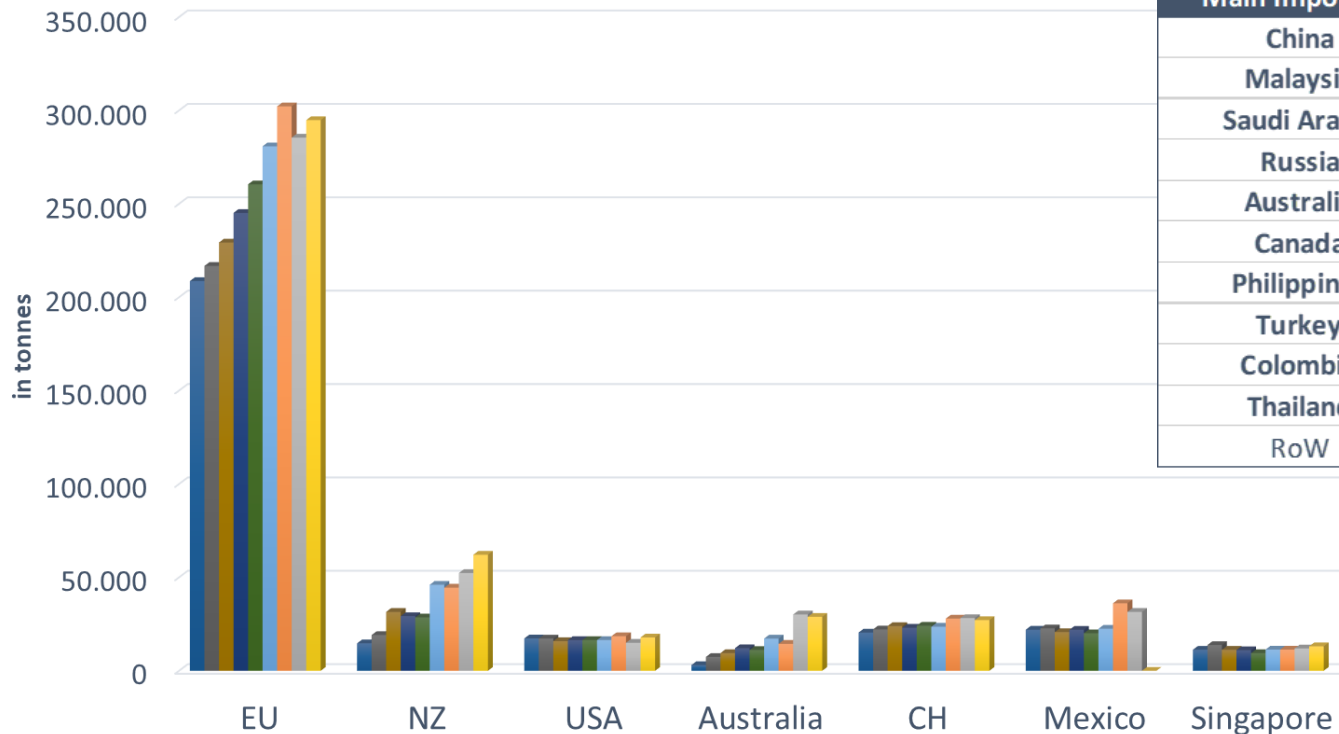
MAIN MILK & CREAM IMPORTERS Jan-Jun 2019

Main destinations	Total in t: 1 147 984
China	417642
Russia	120247
Kenya	74088
Philippines	52198
Singapore	47851
Hong Kong	47564
Taiwan	36662
Bosnia & Herzegovina	29121
North Macedonia	24497
Canada	23605
RoW	274509



- EU infant formula exports:
 - Growth rate Jan-Jun 19/18: -2,4%
- Combined infant formula exports:
 - Growth rate Jan-Jun 19/18: +4,3%

Global infant formula Exports (H1 2015 - H1 2019)



EU INFANT FORMULA EXPORTS Jan-Jun 2019

Main destinations	Total in t: 294 825
China	128695
Hong Kong	22351
Saudi Arabia	15862
Algeria	13989
Russia	11483
Egypt	8550
Iraq	8099
Turkey	7384
Taiwan	3985
Israel	3183
RoW	71244

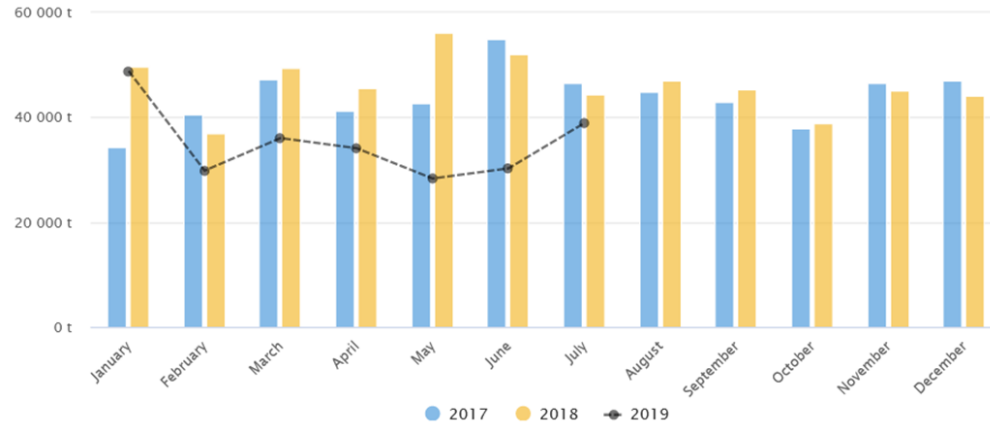
MAIN INFANT FORM. IMPORTERS Jan-Jun 2019

Main Importers	Total in t: 397 077
China	170378
Malaysia	42014
Saudi Arabia	21215
Russia	19990
Australia	17594
Canada	11837
Philippines	8394
Turkey	6264
Colombia	5655
Thailand	5592
RoW	88144

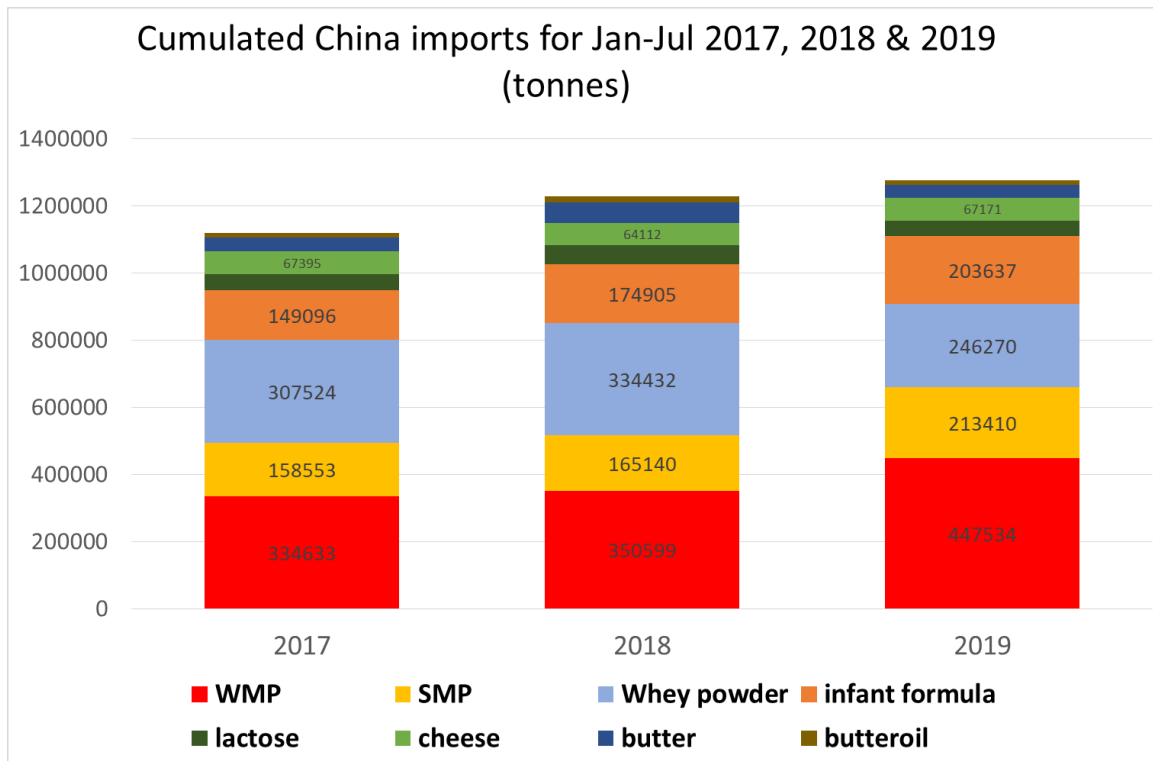


China imports

CHINA imports of Whey powder



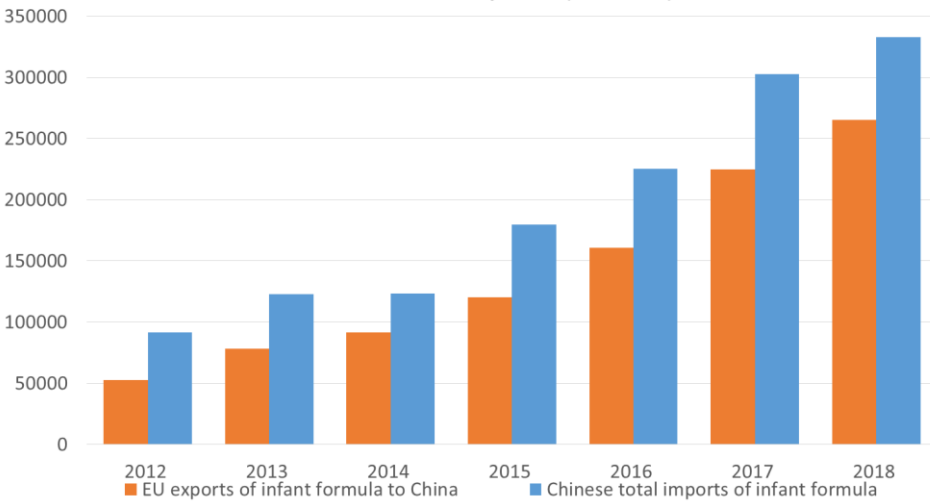
Cumulated China imports for Jan-Jul 2017, 2018 & 2019 (tonnes)



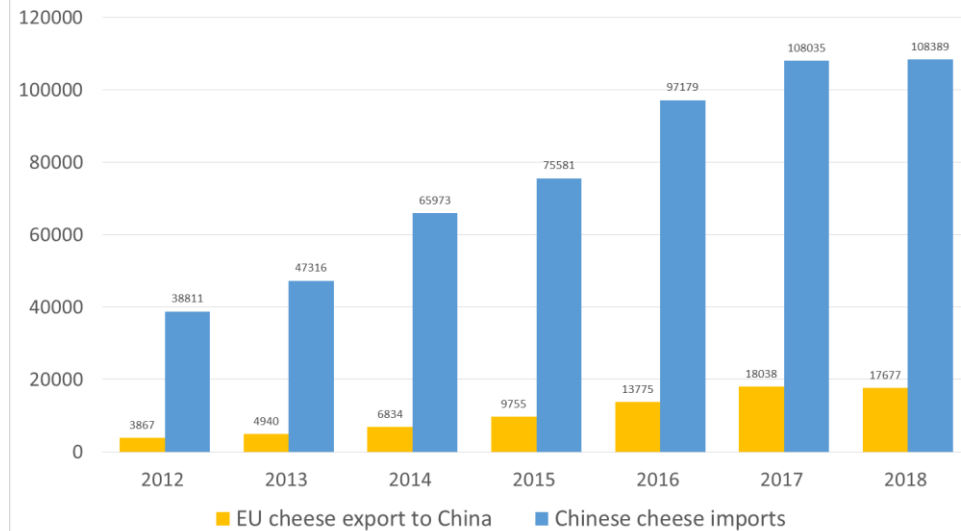


China imports

EU Infant formula exports to China in comparison to total Chinese Infant formula imports (190110) in tonnes



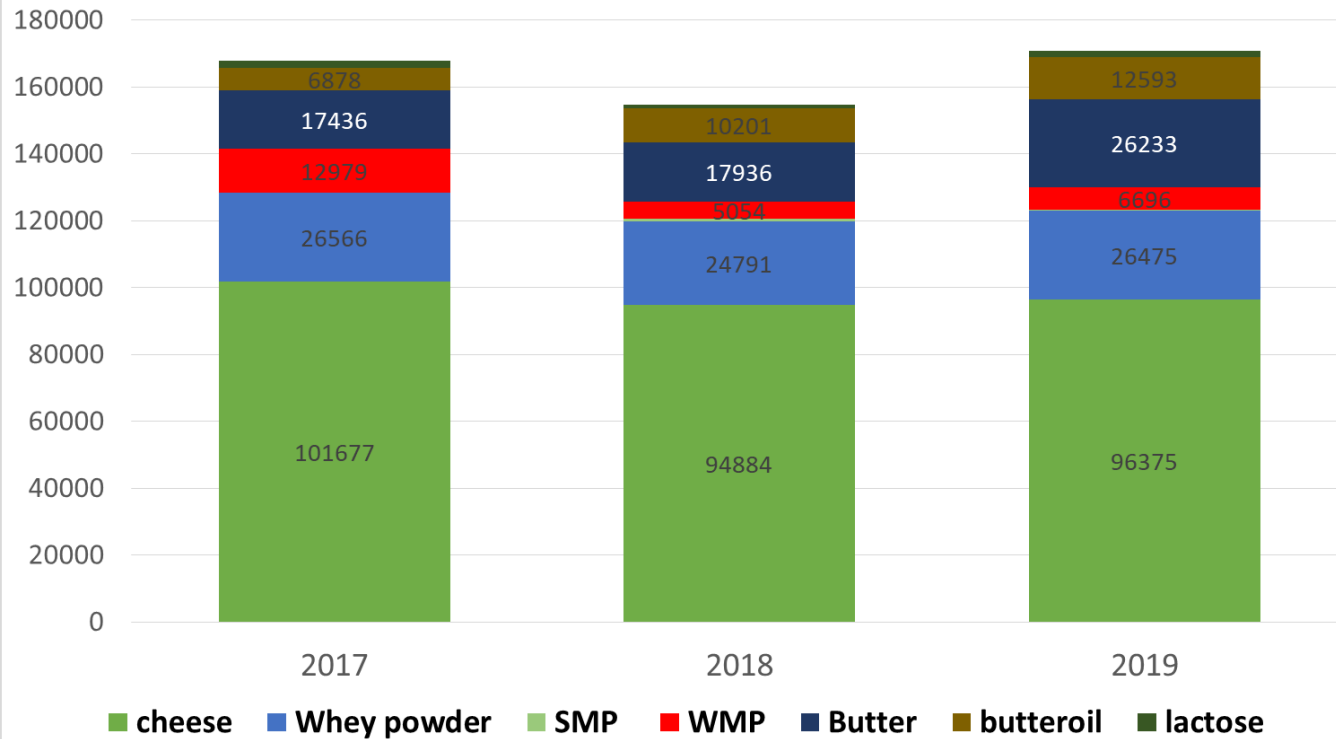
EU cheese exports to China in comparison to total Chinese cheese imports in tonnes





USA imports

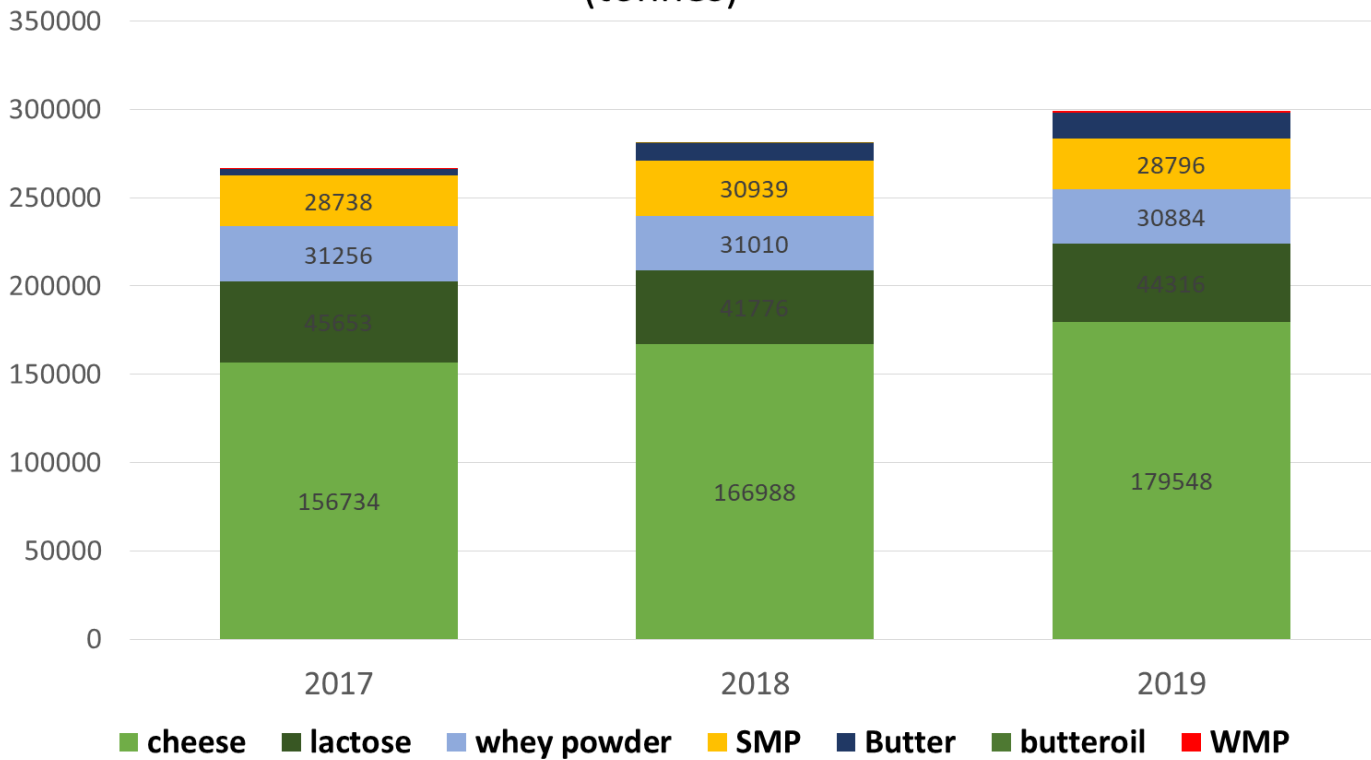
Cumulated USA imports for Jan-Jul 2017, 2018 & 2019 (tonnes)





Japan imports

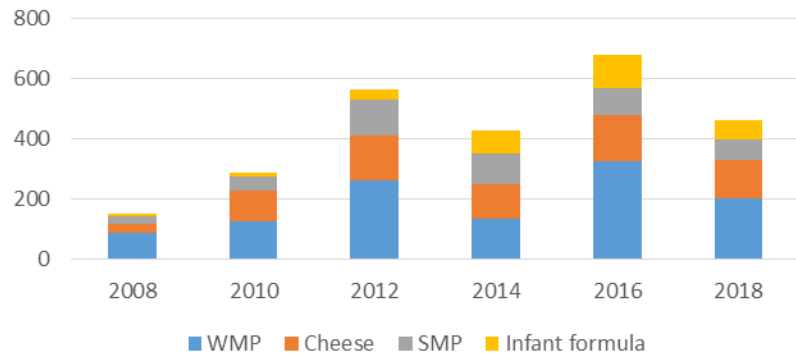
Cumulated Japan imports for Jan-Jul 2017, 2018 & 2019
(tonnes)



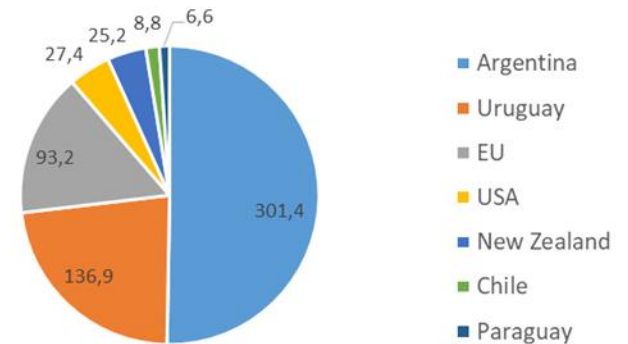


Brazil imports

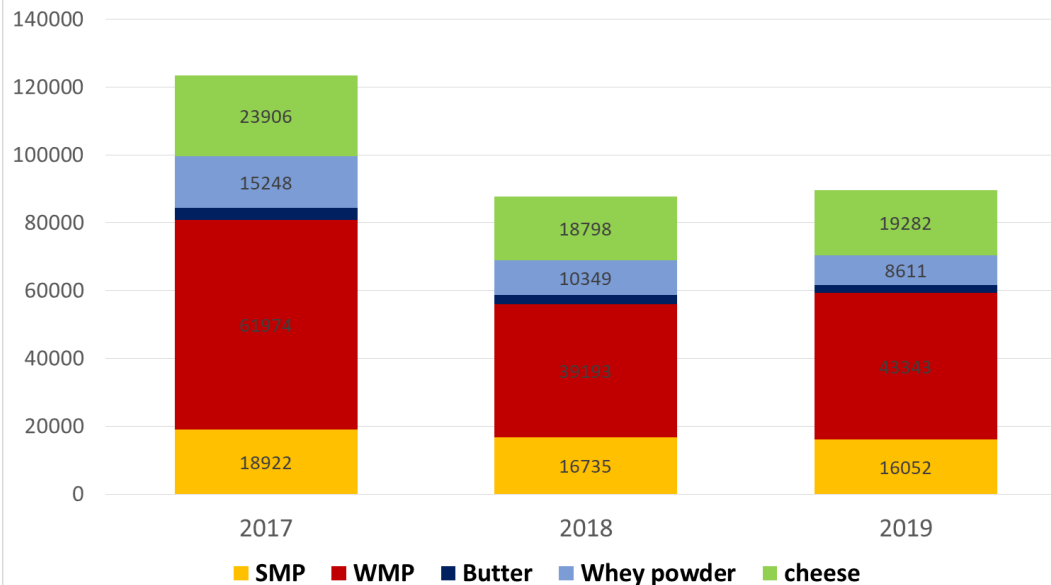
Evolution of Brazil dairy imports from 2008-2018 in values (million USD)



Brazil's main origins of all dairy products in 2018 in values (in million USD)



Cumulated Brazil imports for Jan-Aug 2017, 2018 & 2019 (tonnes)





Conclusions (1)

- **Milk output continues to be sluggish across all main producing regions and is recovering very slowly**
- **Global demand has been solid** (except for whey) but a slow down can be expected in H2 2019 due to intensive buying in H1.
- **Sentiment is weakened by Brexit**, other (geo)political uncertainty factors and worsening trade conflicts
- The escalating trade war between US and China could lead to a **global recession** with potentially negative impacts on dairy consumption beyond these countries
- Latest measures by the ECB will likely lead to a **weaker Euro** (compared to USD), **which will support EU exports**
- SMP market recovered with most of the stocks gone thanks to record exports. Trade is likely to slow as prices increase.



Conclusions (2)

- **EU butter exports** and reportedly also domestic demand **strong again** at historically more “normal” price levels. Higher production and stocks render the outlook quite uncertain.
- **Cheese market is stable**, as is demand. Less EU export growth than in previous years due to strong global competition. Looming US tariffs are a serious concern.
- **Whey market weakened due to ASF** but low prices stir demand growth
- **WMP market is growing** but only because of New Zealand exports to **China**. EU’s share in this product category continues to decline.
- **Overall market fundamentals for dairy remain positive and global markets are in relatively good balance** due to still reduced milk output & relatively strong demand
- Even short term forecasts are more difficult than ever due to the huge number of uncertainty factors



- Thank you for your attention -

ANNEX 5

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

EuroCommerce



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

Milk Market Observatory

19 September 2019

Belgium

Period ending August 2019

Consumer price index		
<i>Product</i>	<i>August 19 vs August 18</i>	<i>YTD 2019 vs YTD 2018</i>
Whole milk	1.7%	1.0%
Semi-skimmed milk	2.1%	0.1%
Concentrated milk, powdered milk	2.1%	1.6%
Yogurt	0.6%	0.7%
Butter	-0.5%	2.4%
<i>Source: SPF Economie (2019)</i>		

Belgium

Period ending August 2019

August 2019 year-on-year	Volume % change	Value % change	Price % change
Total Dairy products	-0.5%	1.7%	2.2%

Source: Nielsen ScanTrack

France

Period ending 30 June 2019

Product category	Volume (% change) Year-to-date	Volume (% change) Year on year	Price (% change) 4 weeks period Year-to-date	Price (% change) Year on year
Total liquid milk	-7,4%	-4.6%	+1,2%	+1,5%
Of which UHT semi-skimmed milk	-10,4%	-3,2%	+1,9%	+2,1%
Yoghurt & fresh cheese	-5,4%	-2.0%	+3,3%	+2,0%
Butter	-5,2%	-2.9%	+8,3%	+11,3%
Cream	-2,0%	+0,3%	+6,9%	+6,0%
Cheese	-2,1%	+0,2%	+2,1%	+1,9%

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

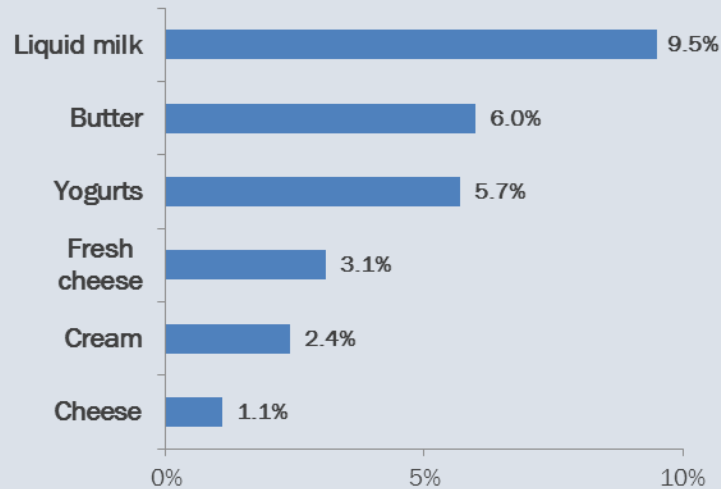
France

Sales of organic versus conventional milk & dairy products

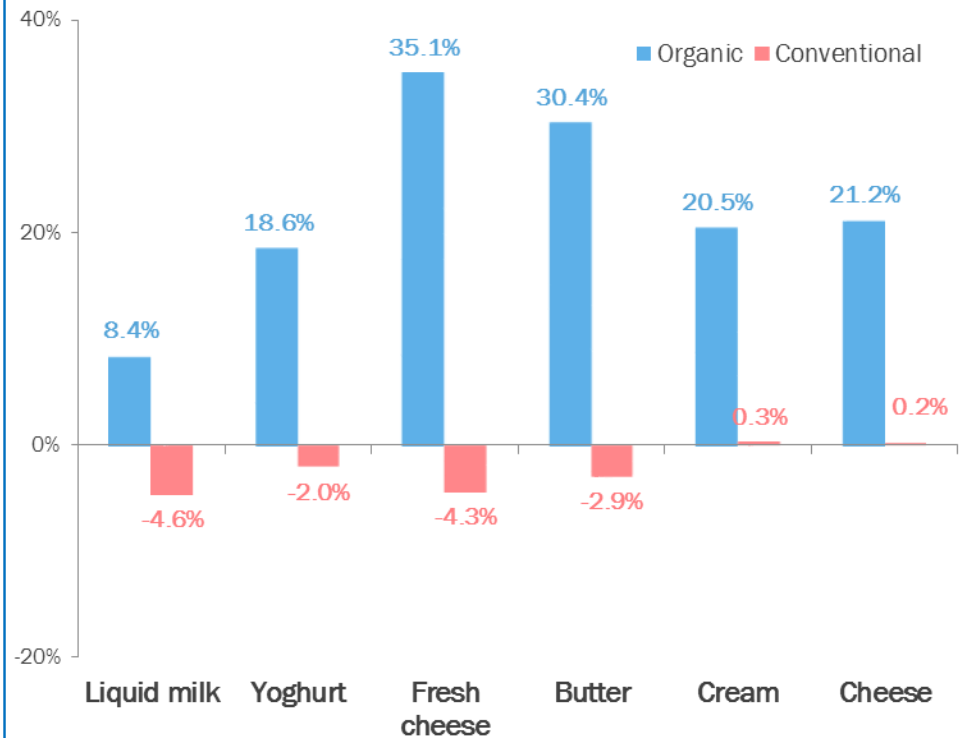
Organic milk & dairy products

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

Organic market shares (% vol. 30/06/2019)



Consumption of organic versus conventional milk & dairy products % in volume, year to year 52 weeks 30/06/2019



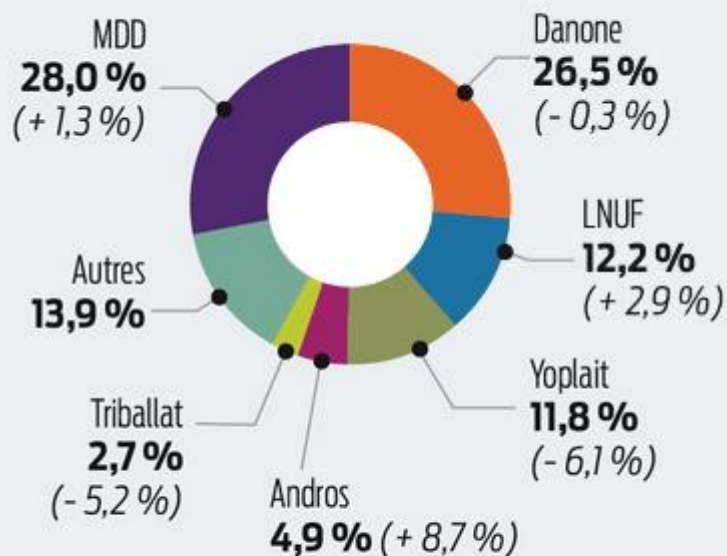
Source: Kantar World Panel via FranceAgriMer (Min. de l'Agriculture)

France

Yoghurt & fresh cheese : the market represents a turnover of €4.2 billion (-1.5% vol, +0.8% value)

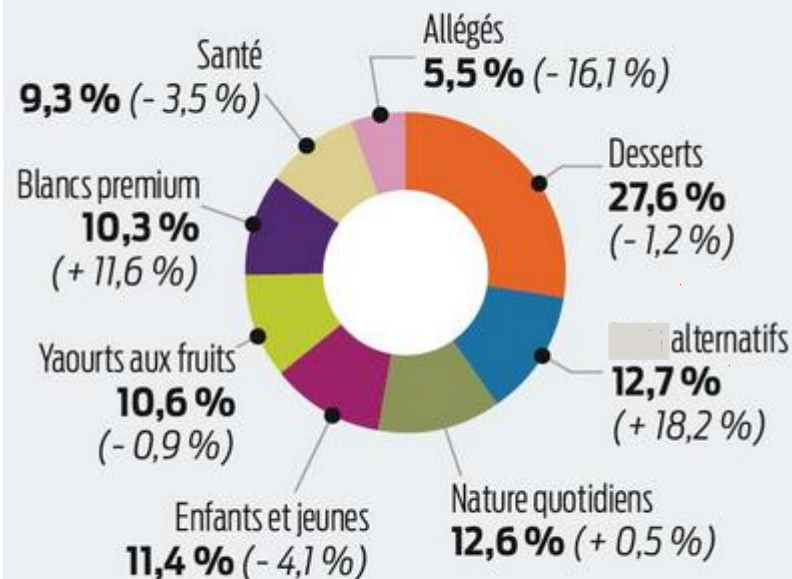
- ❖ The yoghurt & fresh cheese market sees growing importance of alternative products (premium, etc)
- ❖ Private labels represent 28% of sales, Danone 26.5%.

Yoplait au creux de la vague



Source : panel distributeurs d'après fabricant. Données sur un an en hypers, supermarchés et e-commerce, arrêtées à fin avril 2019.

Segments : l'alternatif a du bon



Source : panel distributeurs d'après fabricant. Données sur un an en hypers, supermarchés et e-commerce, arrêtées à fin avril 2019.

Italy

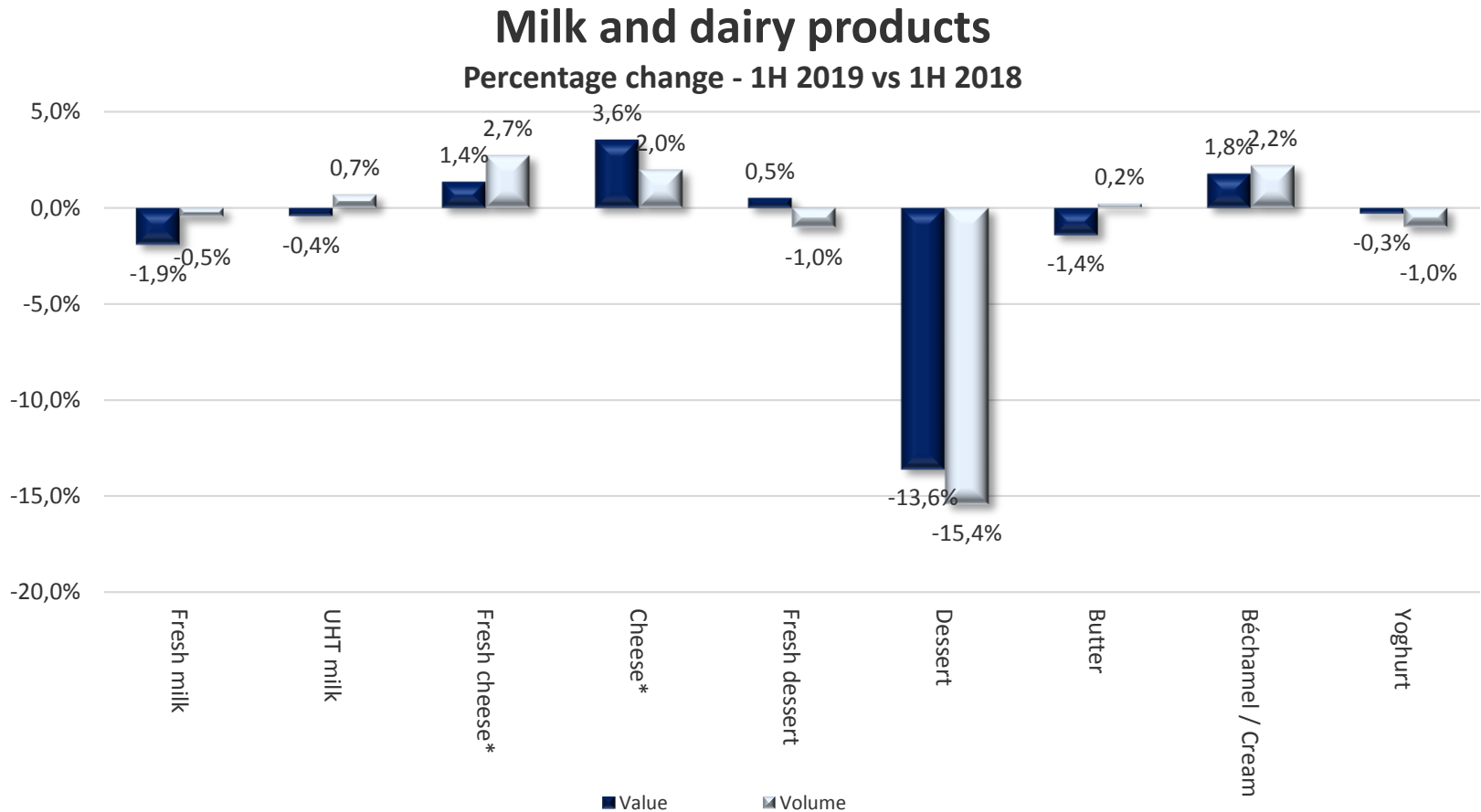
Period: Q2 2019 and H1 2019

Product category	<u>VOLUME</u> (2Q 2019 vs 2Q 2018 % change)	<u>VOLUME</u> (H1 2019 vs. H1 2018) % change)	<u>VALUE</u> (2Q 2019 vs 2Q 2018 % change)	<u>VALUE</u> (H1 2019 vs. H1 2018) % change)
Fresh milk	1,7	-0,5	0,4	-1,9
UHT milk	1,7	0,7	1,0	-0,4
Fresh cheese*	5,6	2,7	2,8	1,4
Cheese*	3,6	2,0	6,3	3,6
Fresh dessert	-1,0	-1,0	0,2	0,5
Dessert	-10,7	-15,4	-10,2	-13,6
Butter	10,2	0,2	7,4	-1,4
Béchamel / Cream	8,8	2,2	7,2	1,8
Yoghurt	-2,9	-1,0	-2,4	-0,3

Source: Market Track Nielsen

Italy

Period: H1 2019 versus H1 2018

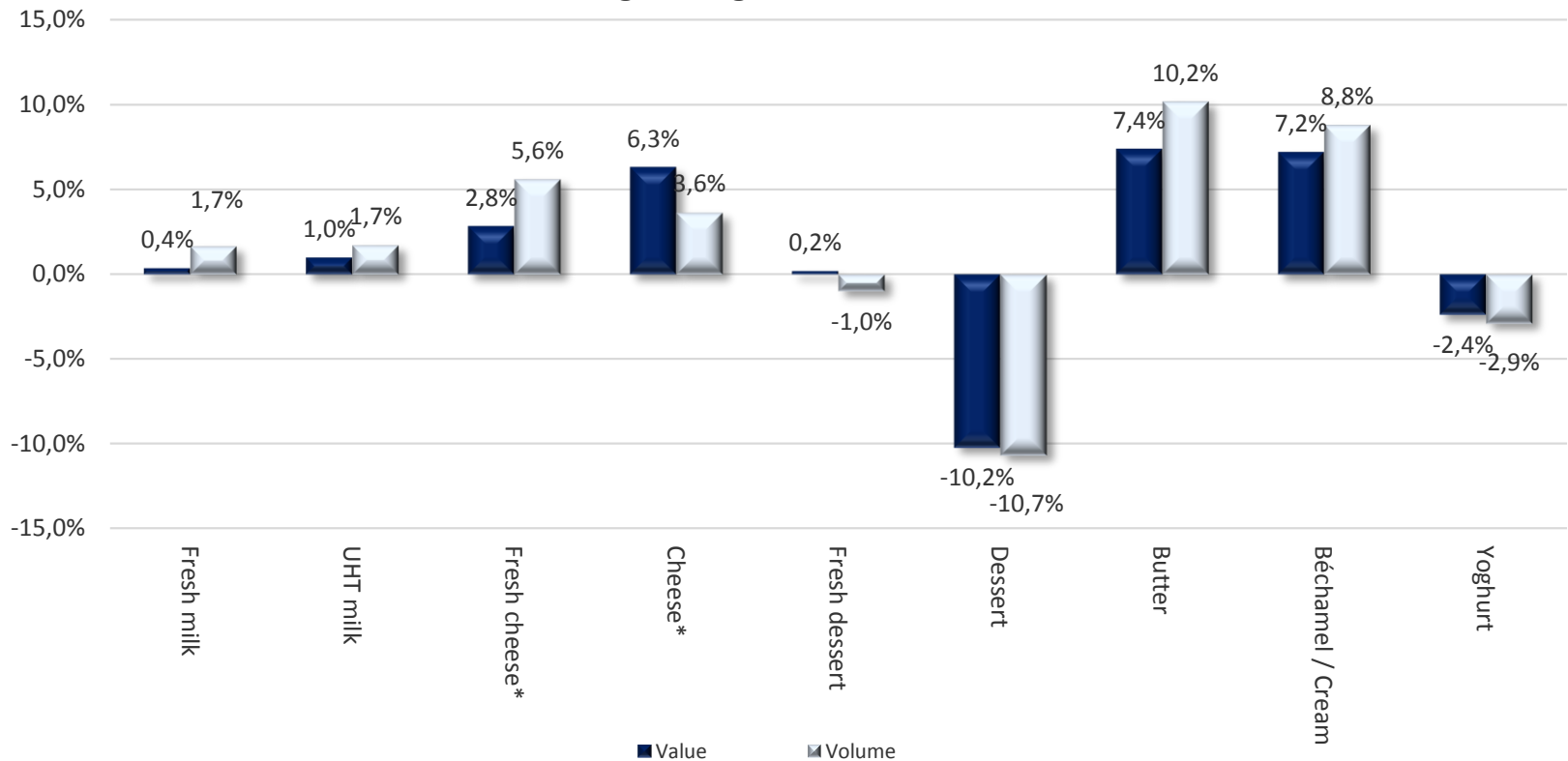


Source: Market Track Nielsen

Italy

Period: Q2 2019 versus Q2 2018

Milk and dairy products Percentage change - 2Q 2019 vs 2Q 2018



Source: Market Track Nielsen

Portugal

Period ending 11 August 2019

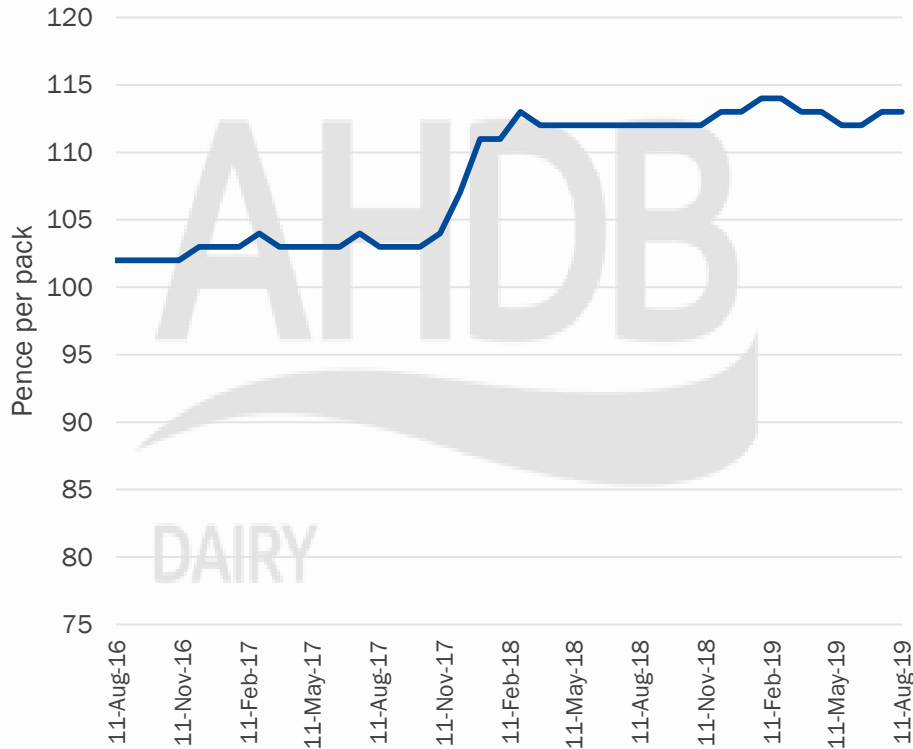
Product category	volumes (% change year-to-date)	volumes (% change) Year on year	value (% change year-to-date)	Value (% change) Year on year
Fresh milk	-1,4	-0,9	-2,7	-3,7
UHT milk	-2,7	-3,3	-3,0	-2,9
Yoghurt	-0,1	-1,7	2,0	0,6
Butter	3,5	3,2	7,9	7,6
UHT Cream	4,9	3,7	7,4	5,9
Fresh desert	-3,4	-1,9	-8,1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

Source: Nielsen

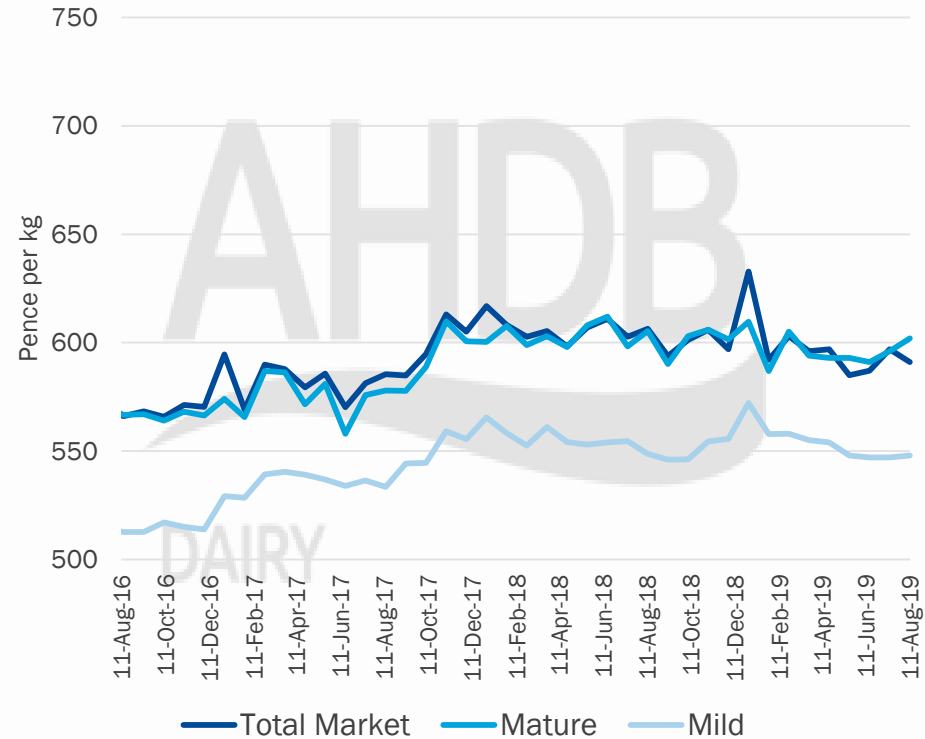
United Kingdom: retail prices

Period ending July 2019

GB Retail Prices - Liquid Milk



GB Retail Prices - Cheddar



United Kingdom: cheese market

Period ending July 2019

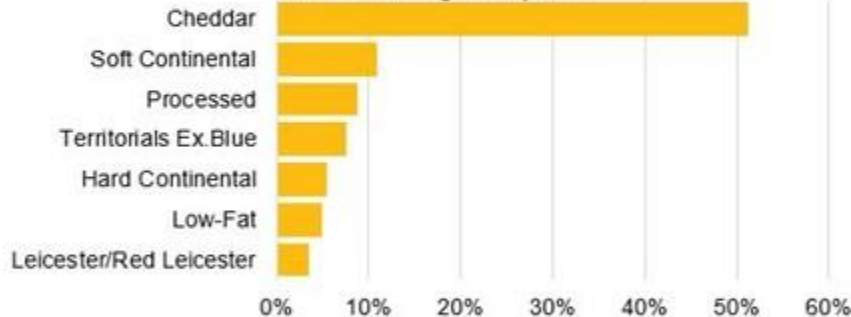
Cheese retail performance

GB cheese market, year to 14 July 2019

	Spend (£000)	Year on year change	Volume (000kgs)	Year on year change	Average price (£/kg)	Year on year change
Total cheese	2,944,829	+2.1%	456,929	+2.1%	6.44	+0.1%

Share of total cheese volume

52 weeks ending 14 July 2019



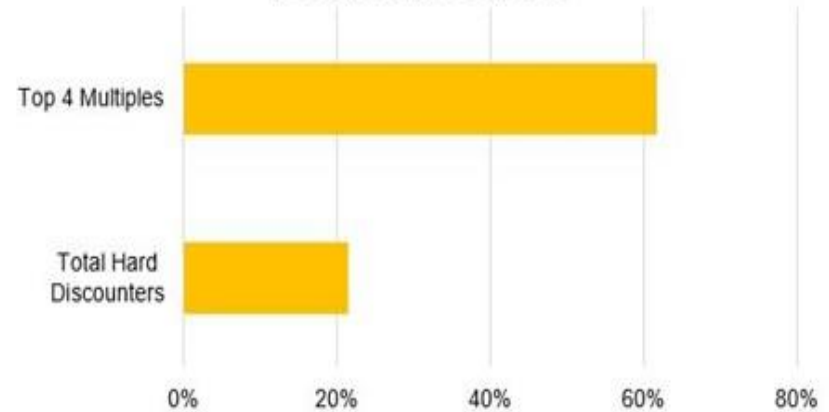
Source: Kantar Worldpanel

Year on year % change in volume

	Hard Continental	Leicester/Red Leicester	Soft Continental	Territorials Ex.Blue
Cheddar	+0.8%	+2.9%	+5.2%	-6.1%
Processed	+2.9%	+7.7%	+2.9%	

Retailer share of total cheese volume

52 weeks ending 14 July 2019



Source: Kantar Worldpanel

Year on year % change in volume

Category	Year on year % change in volume
Total Hard Discounters	+12.1%
Top 4 Multiples	-0.5%

Source: Kantar Worldpanel

ANNEX 6

DRAFT EU dairy short-term outlook

European Commission



DRAFT EU dairy short-term outlook

DG AGRI – C2

Brussels, MMO, 19 September 2019





Milk collection

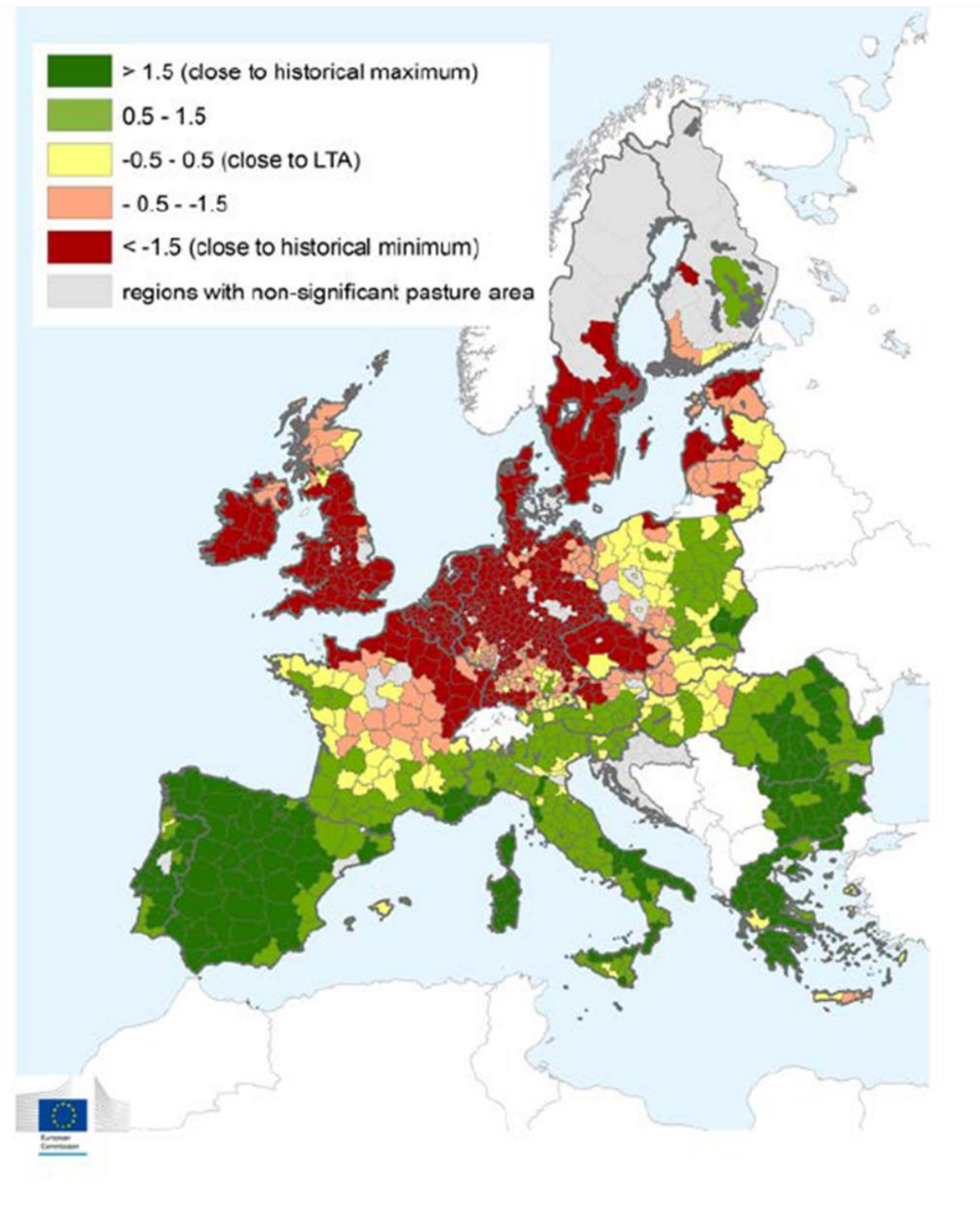


Agriculture
and Rural
Development

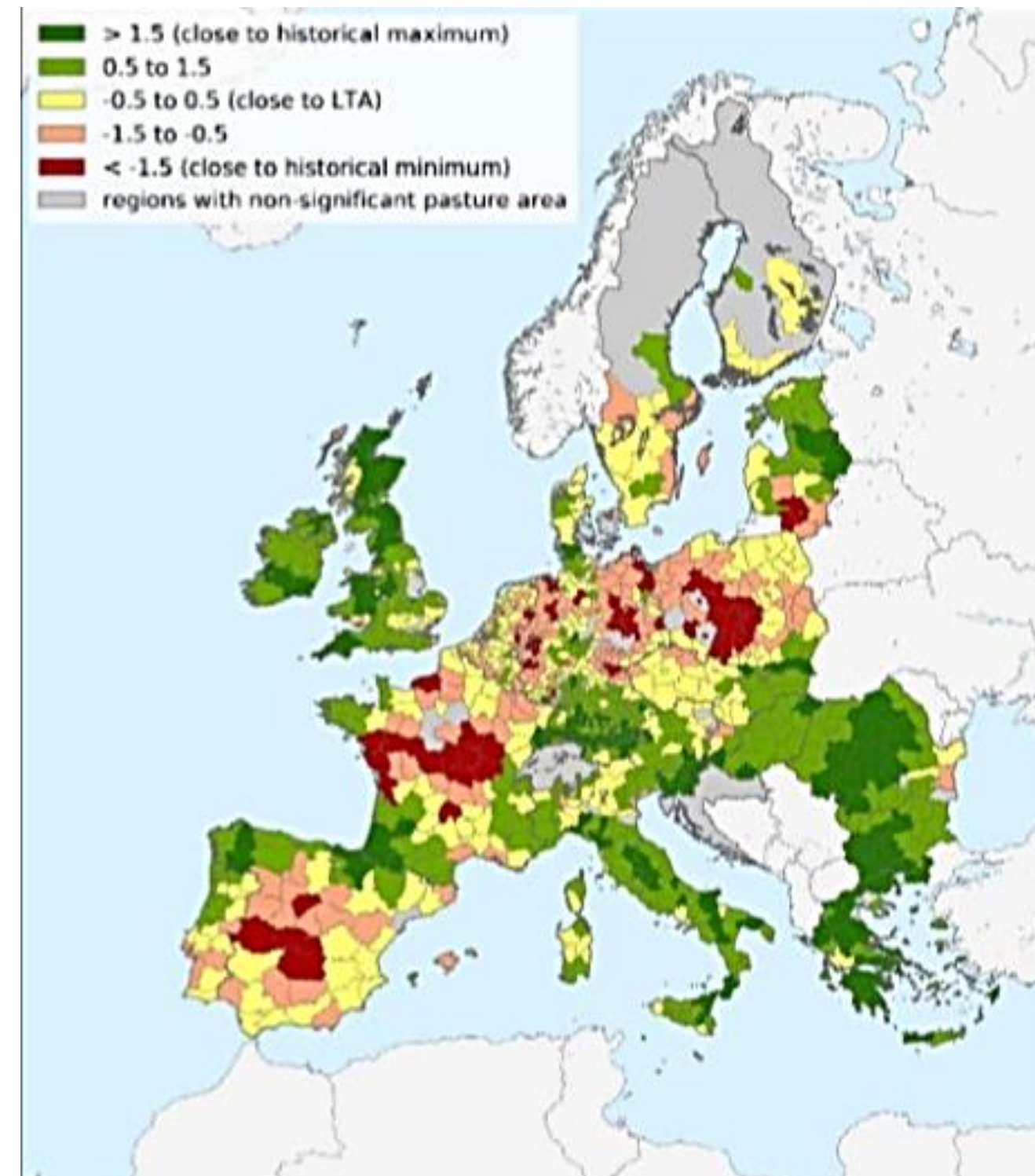
Pasture prospects

Mixed impact of the summer on the grassland growth

1 July – 20 August 2018



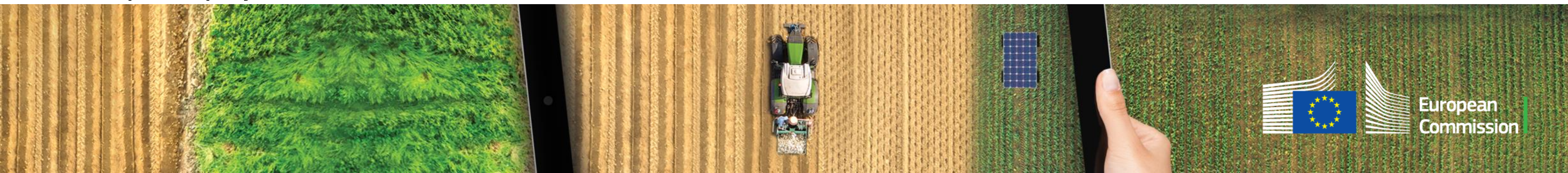
1 July – 31 August 2019



- **temperatures warmer than usual**
- **rainfall below average in large parts of Europe**

=> grassland growth has been constrained in many parts of Europe

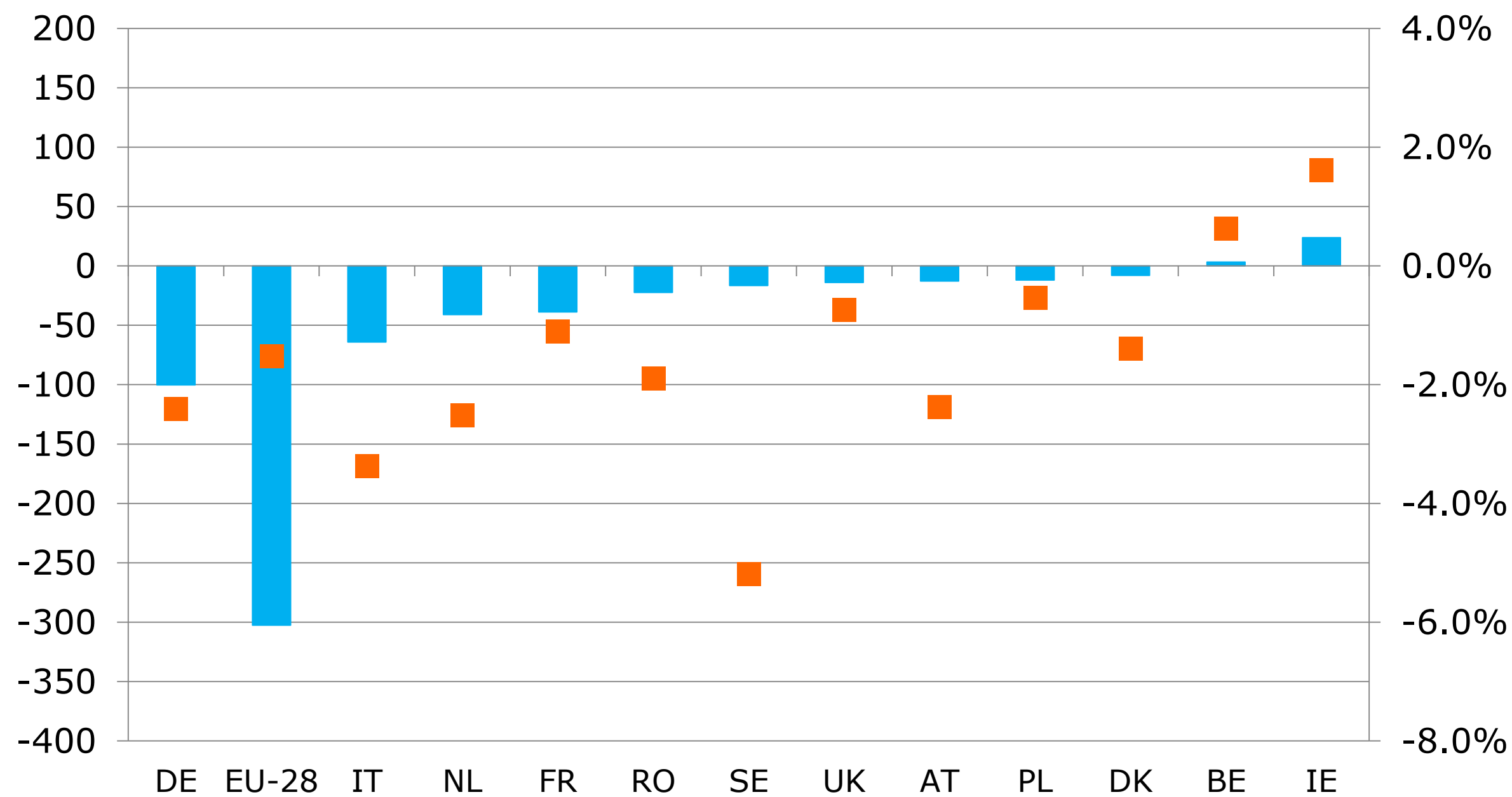
Source: Mars <https://ec.europa.eu/jrc/en/mars/bulletins>



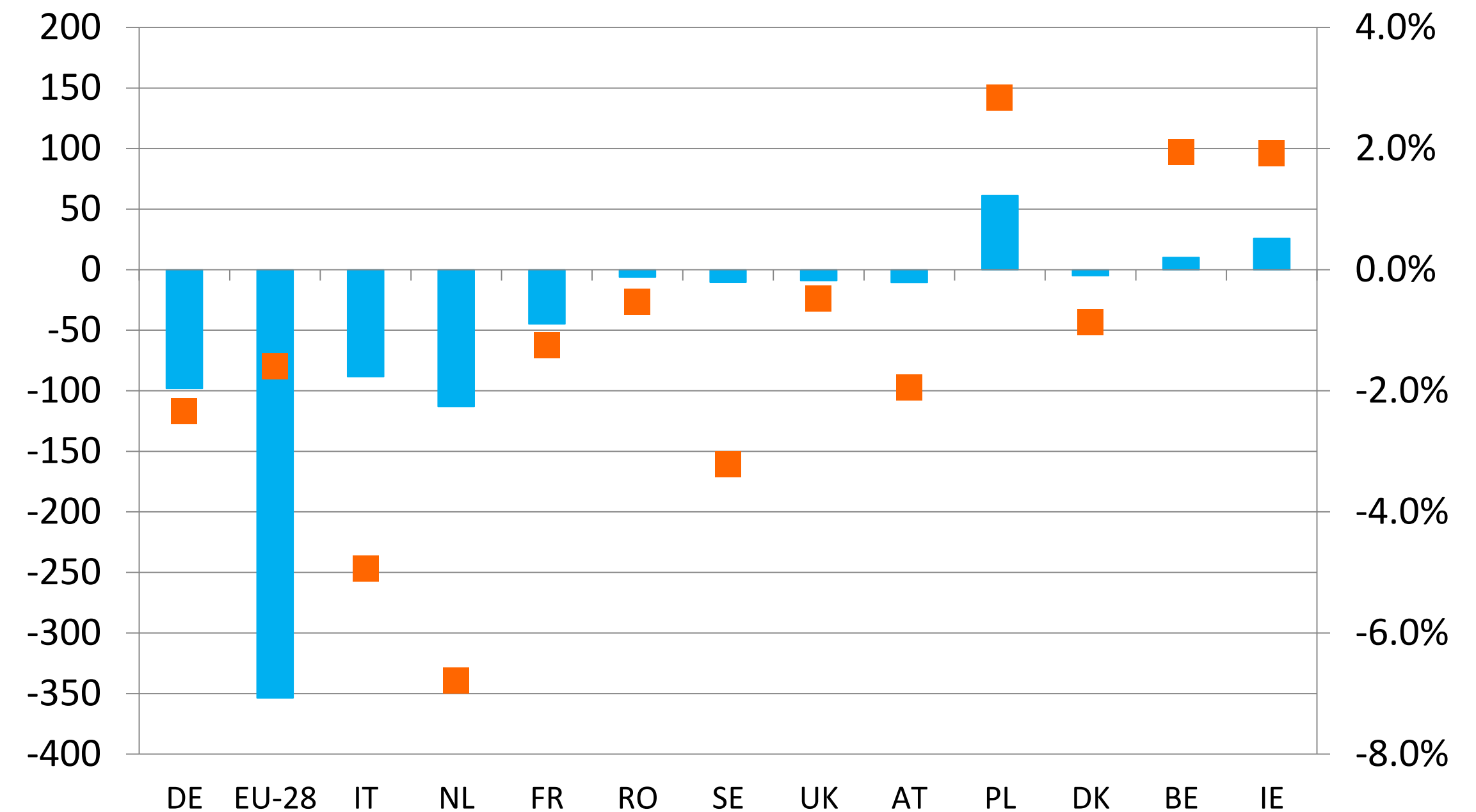
Dairy herd development

Livestock survey

May-June '19/ May-June '18



December '18/ December '17



■ Absolute ■ Relative

■ Absolute ■ Relative

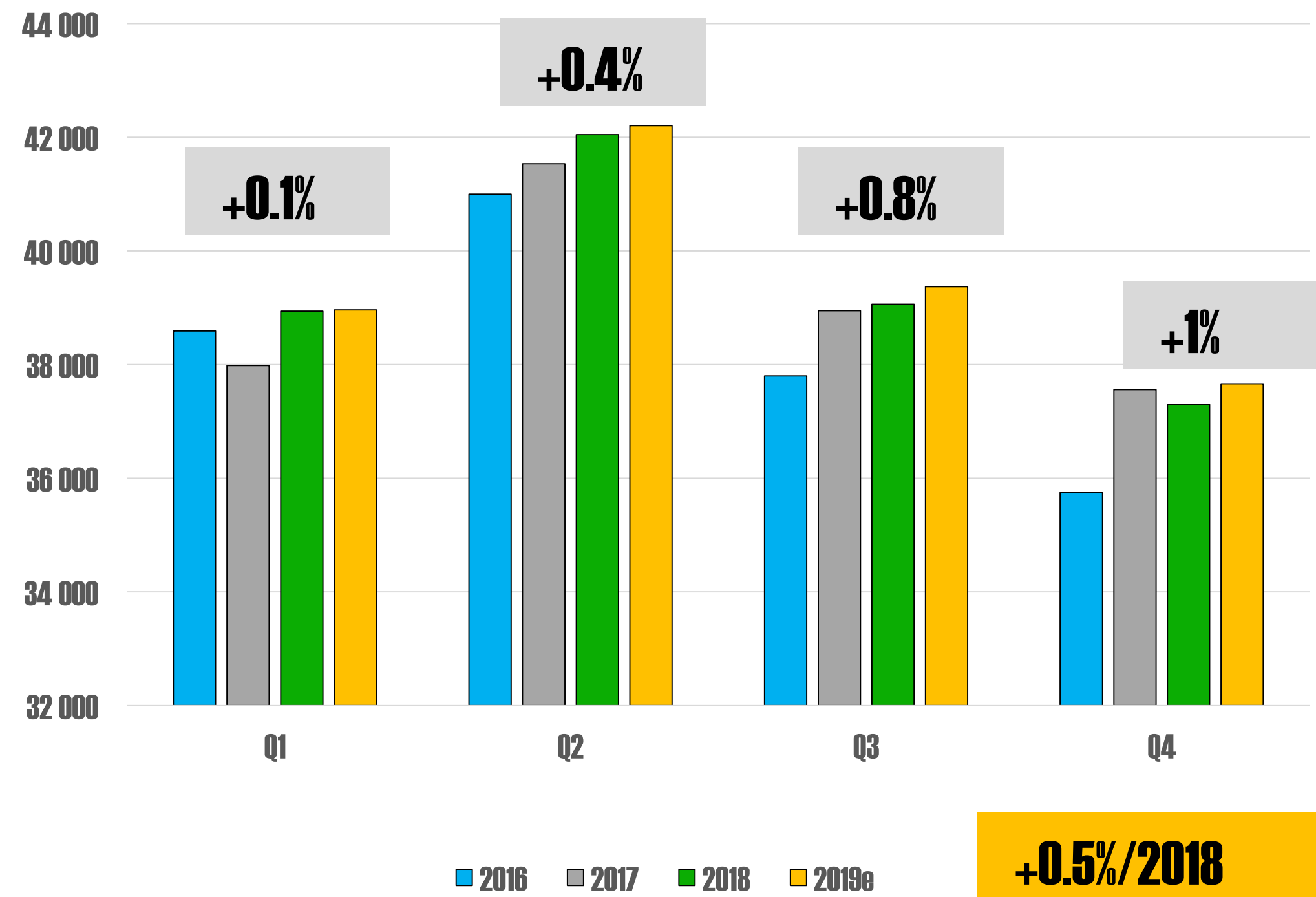
Source: Eurostat

- Dairy herd decline expected to continue in 2019 but at slower pace (-0.7 %) (-1.6%)
- Slowdown in the yield increase (EU-15 +1.2%, EU-N13 +1%) (+3%/+2.3%)
- Gap between the yield EU-15 and EU-N13 to remain at 70%

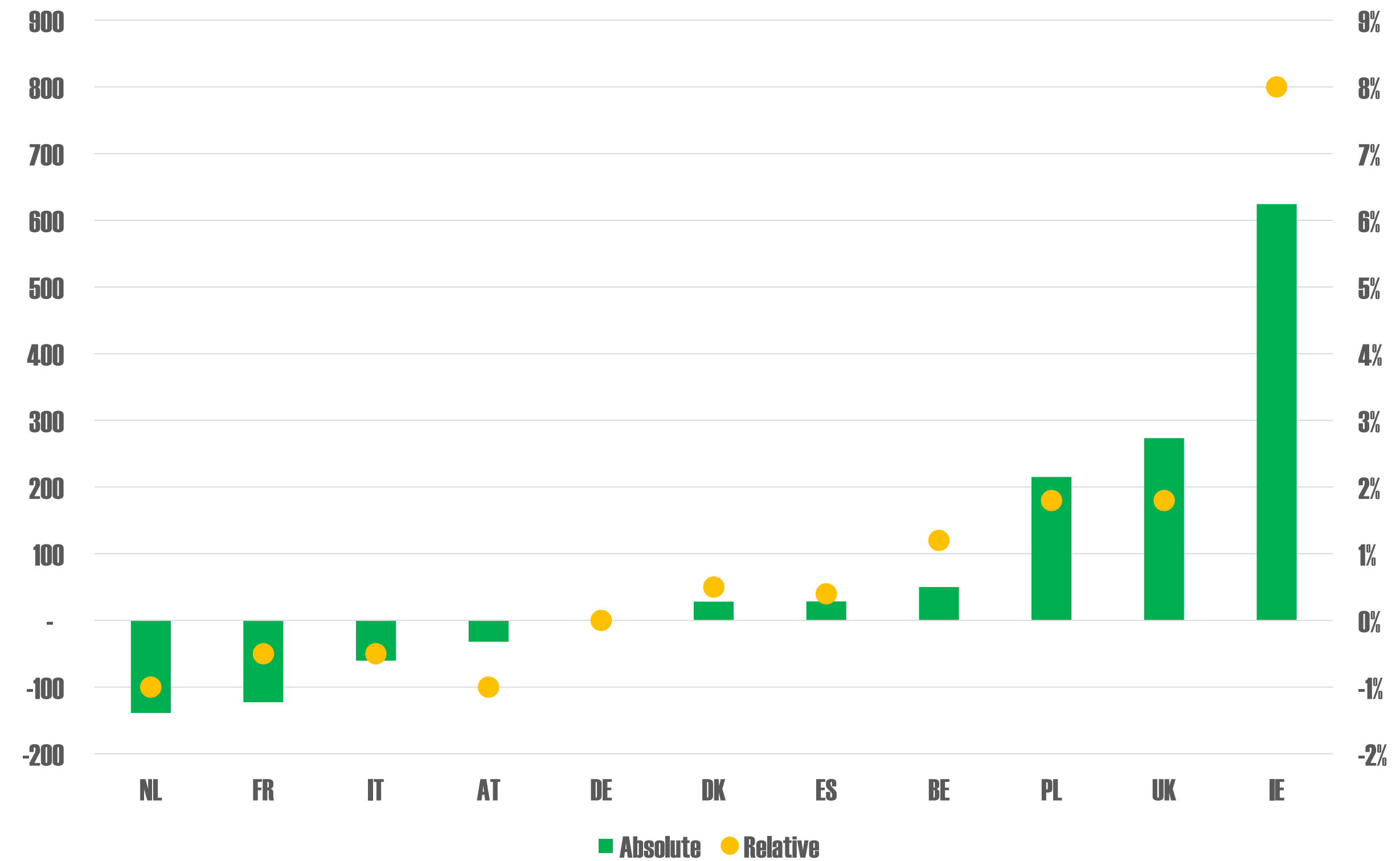
Milk collection development

+850 000 tonnes more milk in 2019

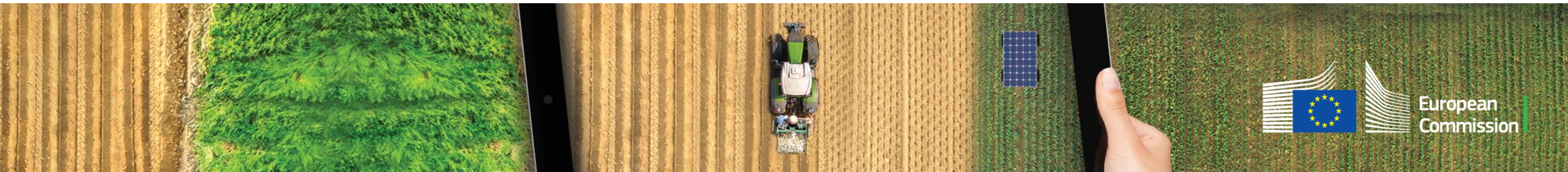
EU milk collection by quarter (1 000 t)



Annual milk collection change by MS (1 000 t)



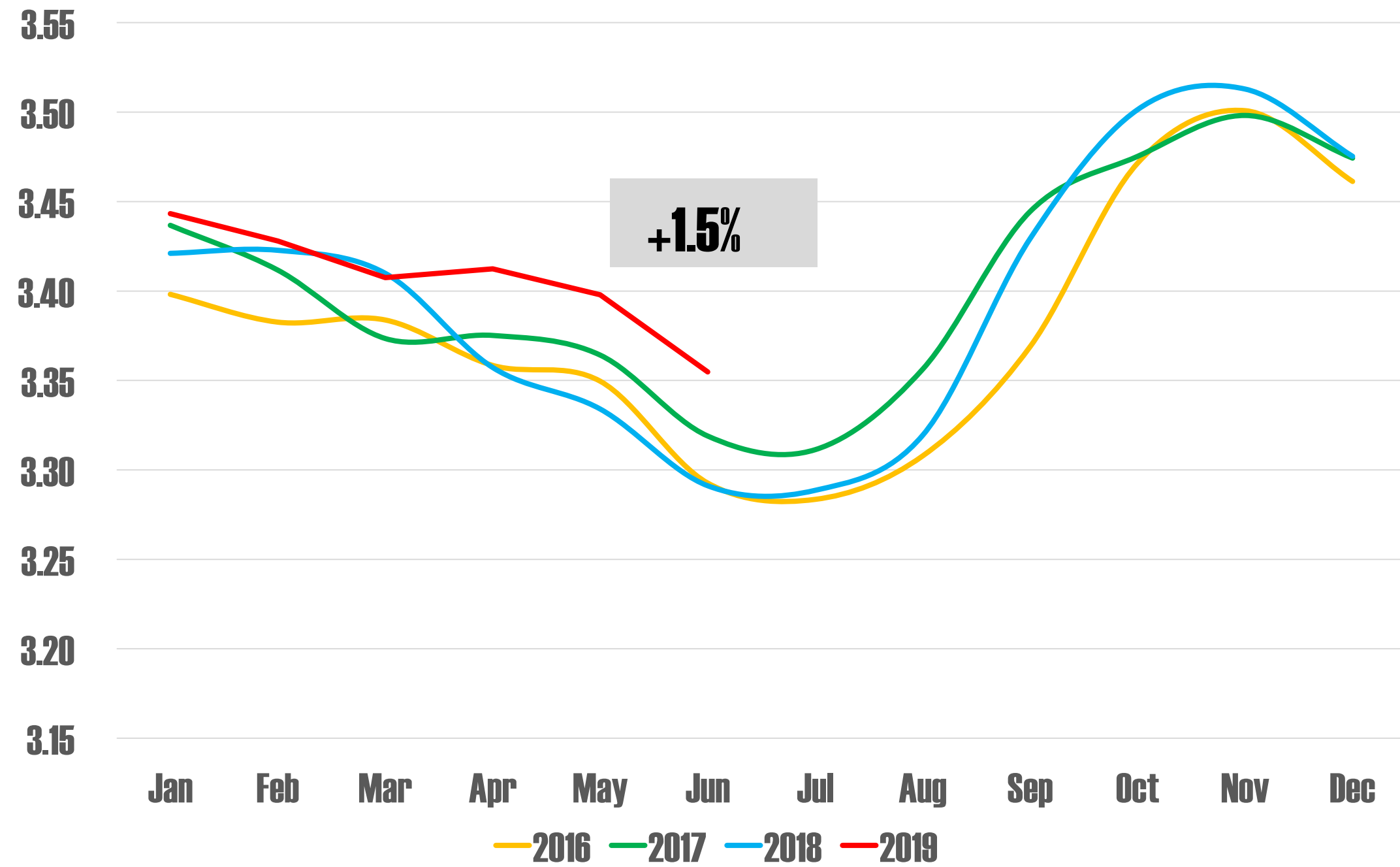
Source: DG Agriculture and Rural Development, based on Eurostat and MS notifications



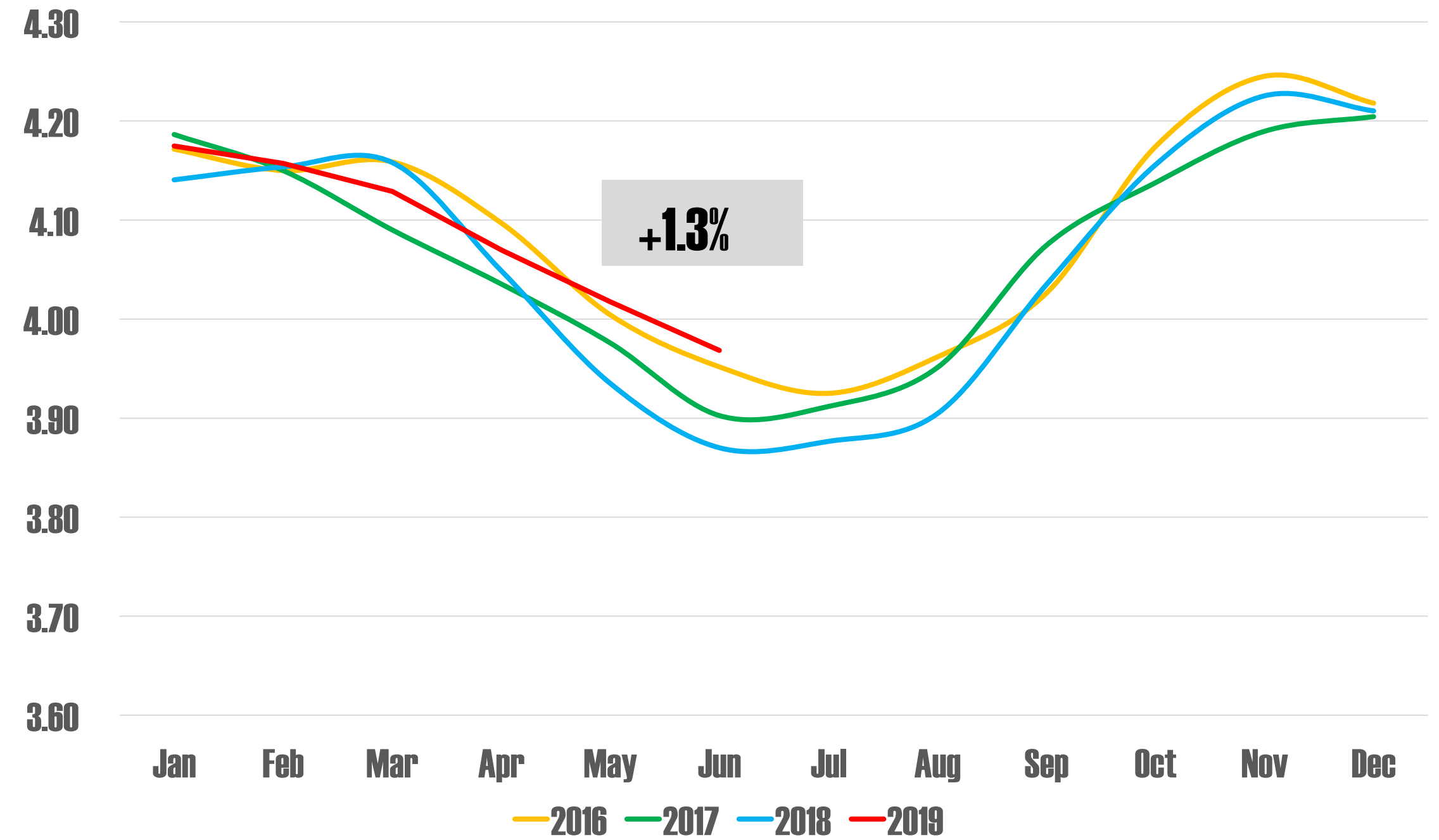
Milk solids content

Stronger growth than the milk collection

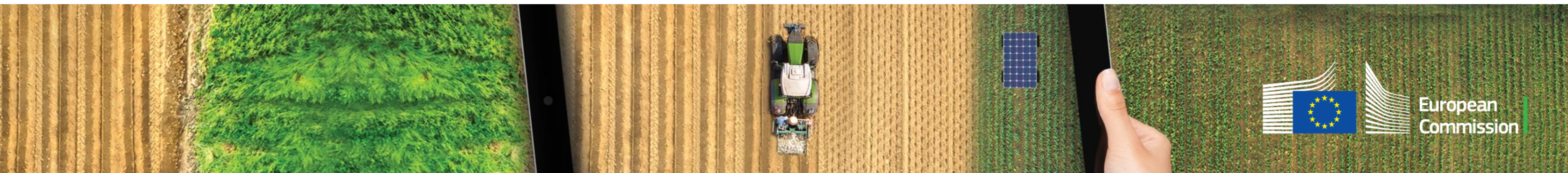
Milk protein content



Milk fat content



Source: Eurostat





Dairy products

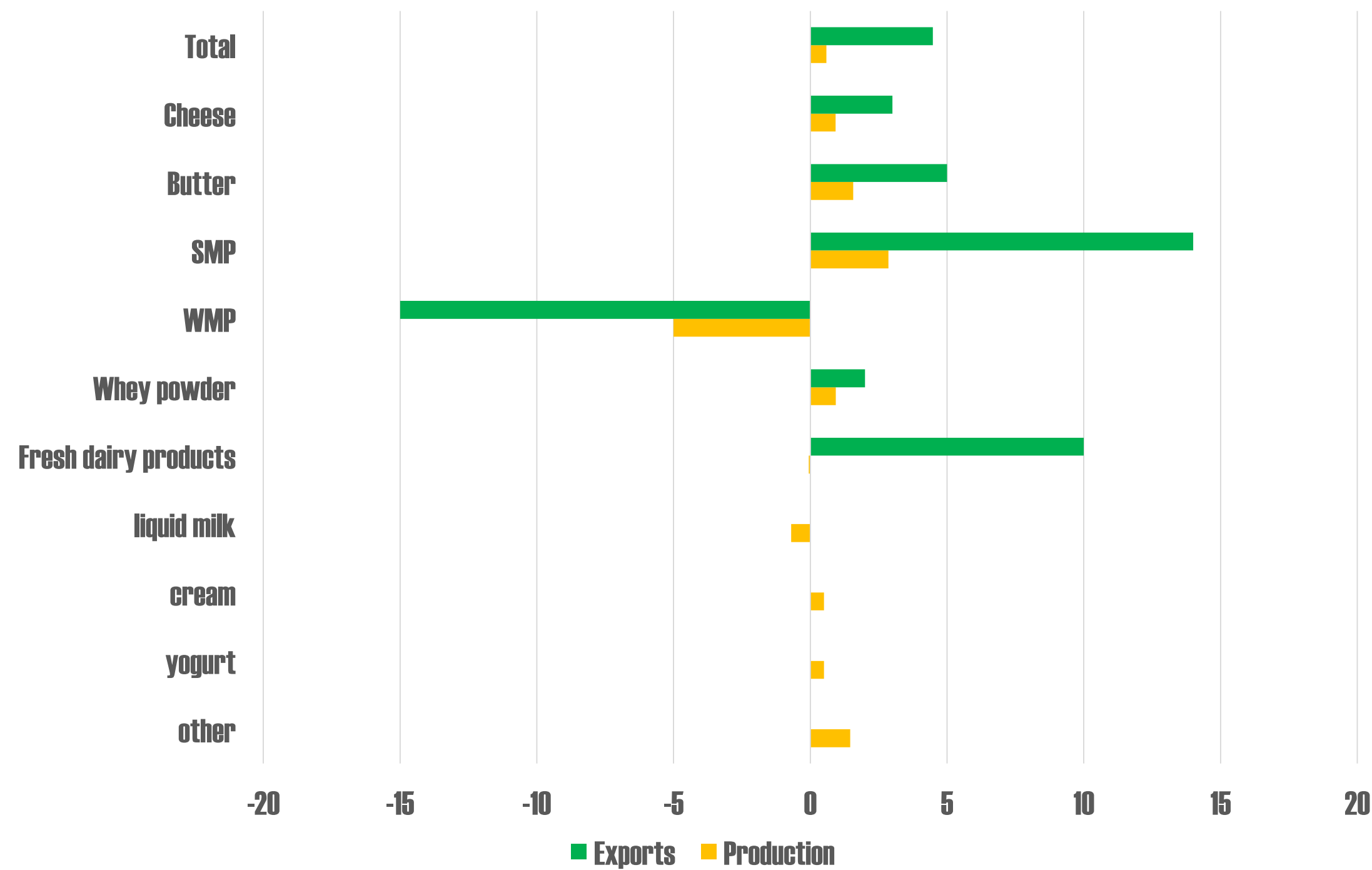


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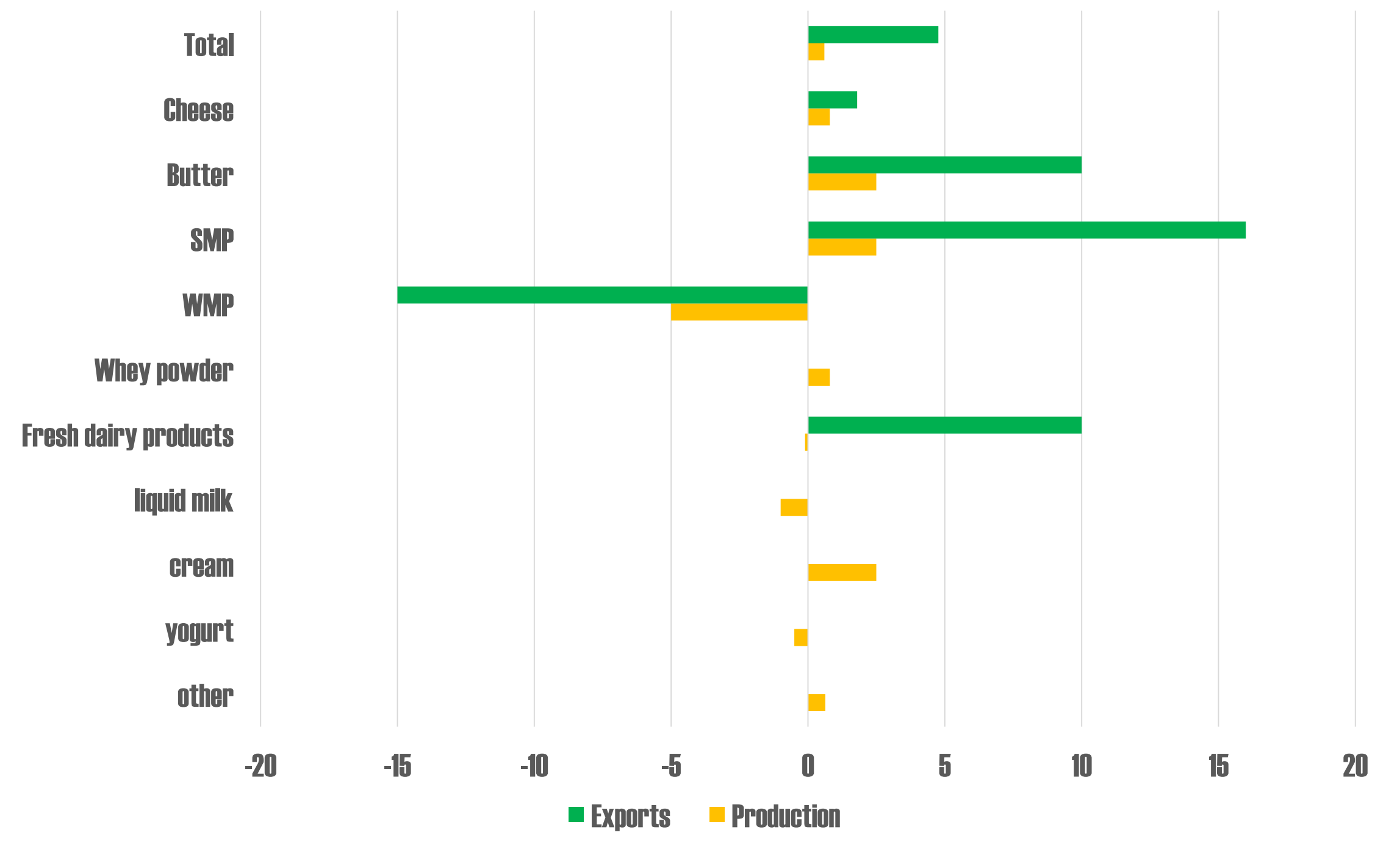
2019 draft estimates for dairy products

Estimated change in production and exports 2019/2018 (%)

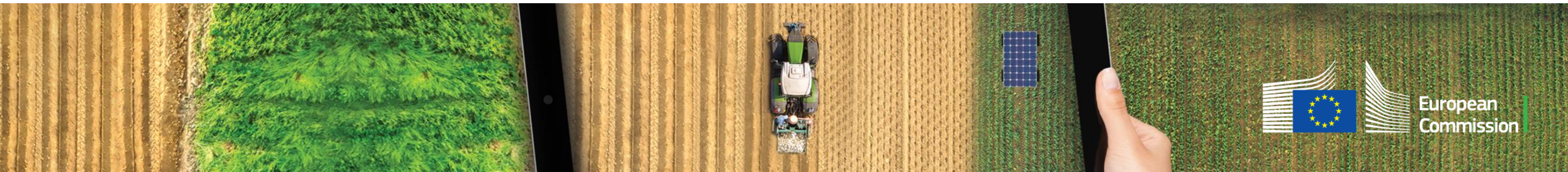
Short-term outlook Summer 2019



Short-term outlook Autumn 2019



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

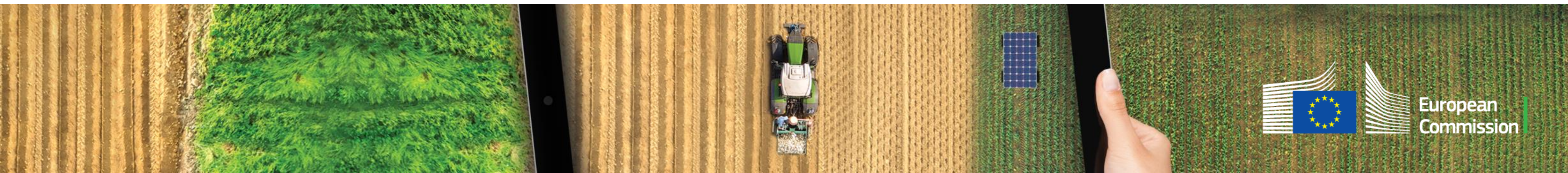


Focus on SMP

How the market balance will be achieved in 2019 and 2020?

	2019 e	19/18	2020 f	20/19
Beginning stocks	319	-30%	95	-70%
<i>Intervention</i>	99	-74%	0	-100%
<i>Private</i>	220	175%	95	-57%
Production	1577	3%	1649	4.6%
Exports	952	16%	829	-13%
Imports	5	30%	5	0%
Domestic use	853	0.3%	855	0.2%
Ending stocks	95	-70%	65	-32%

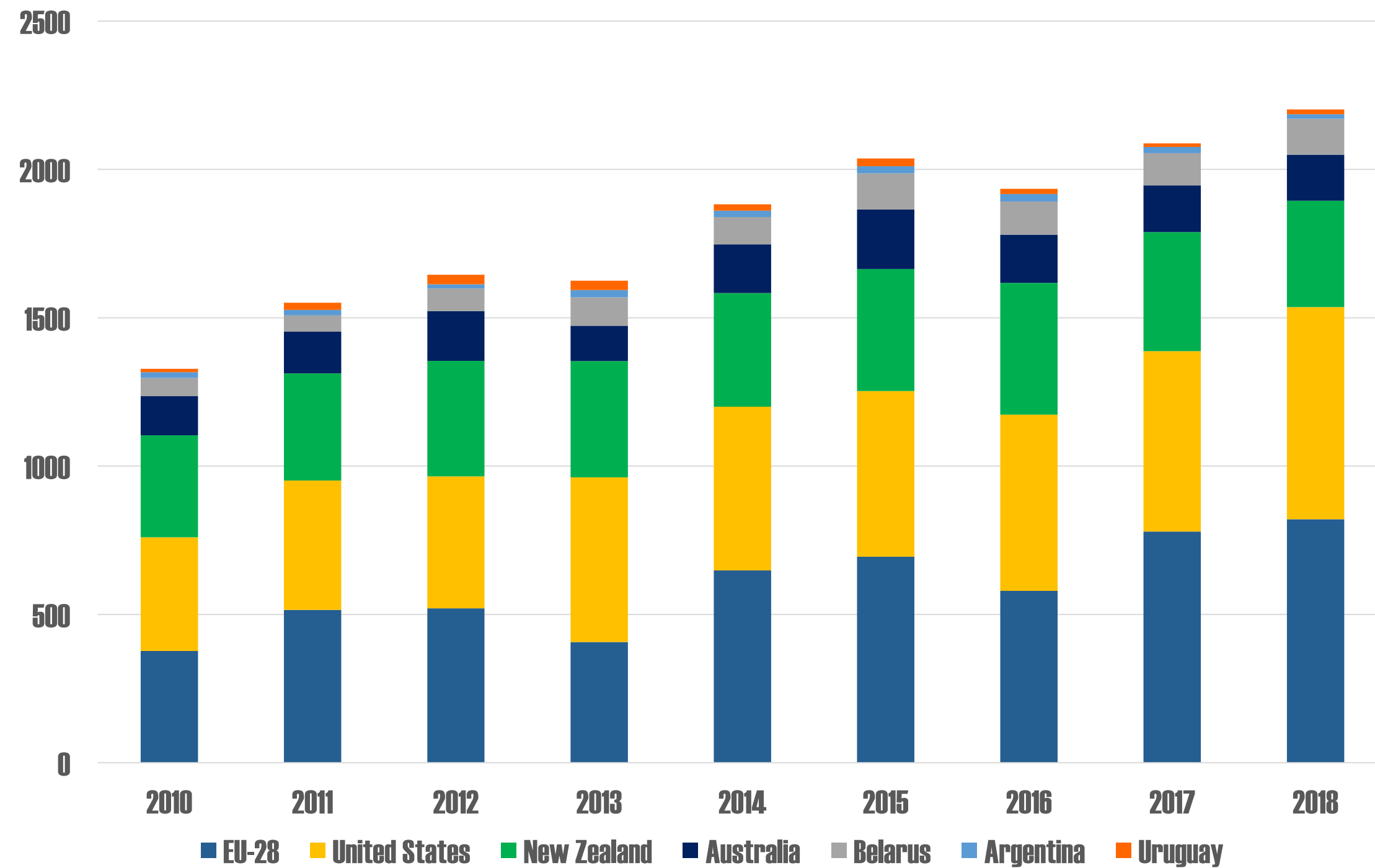
Source: DG Agriculture and Rural Development, 1 000 t



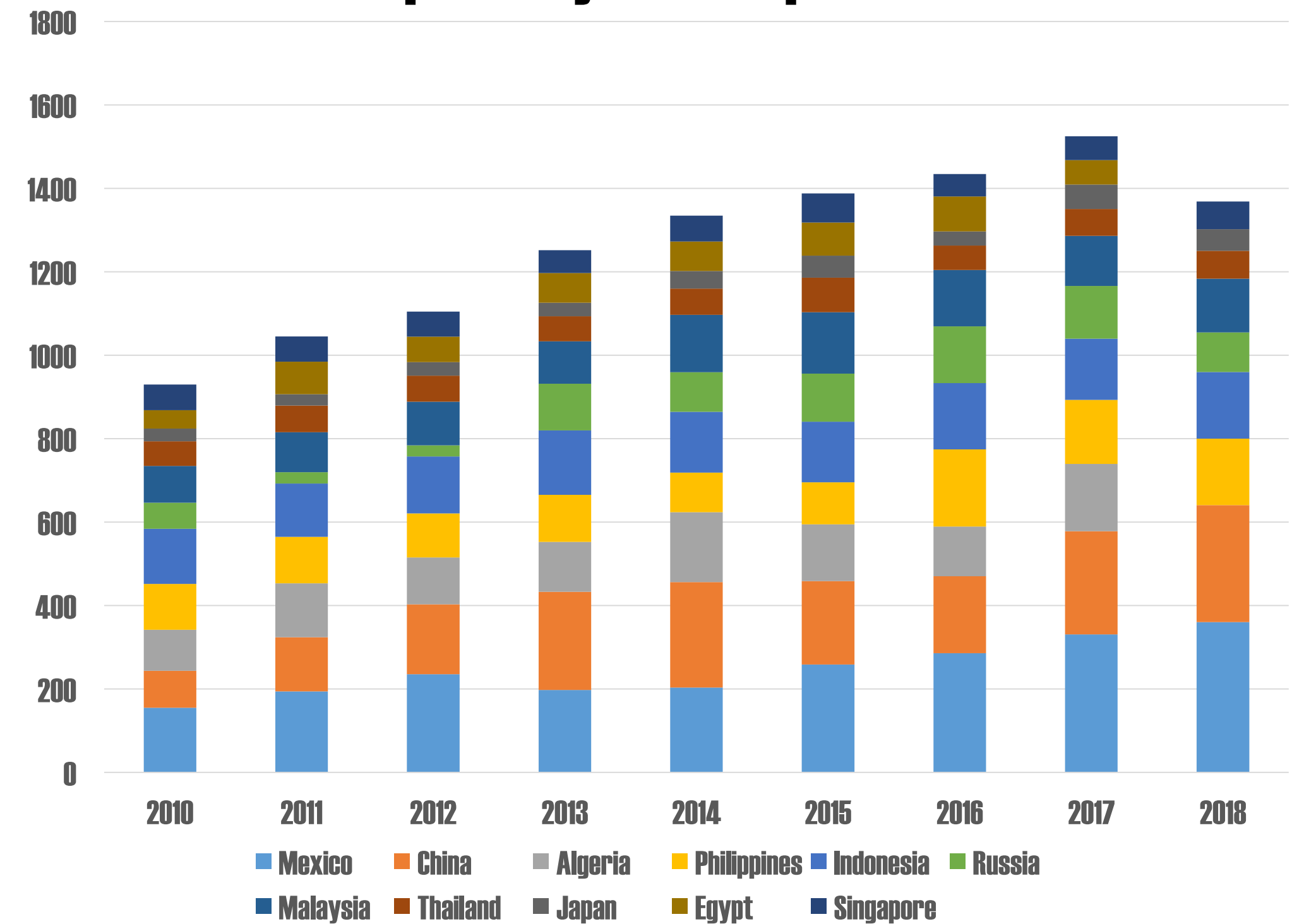
SMP trade

The development over the period 2010-2018

SMP exports by main exporters

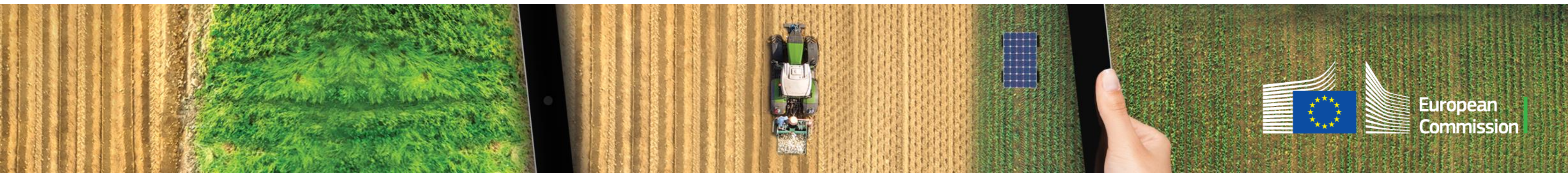


SMP imports by main importers



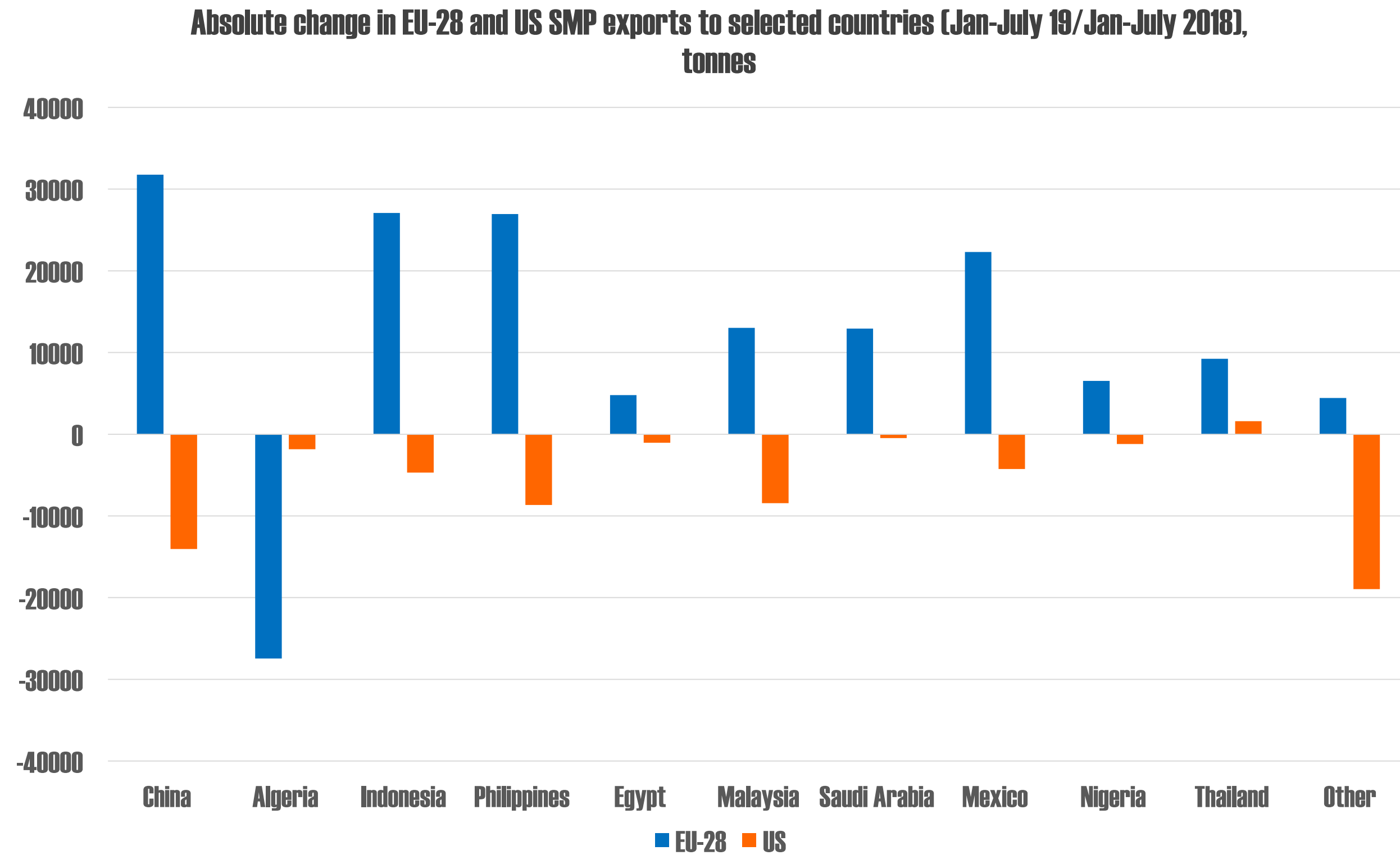
Note: 2018 not available for Algeria and Egypt in Global Trade Atlas

Source: Global Trade Atlas

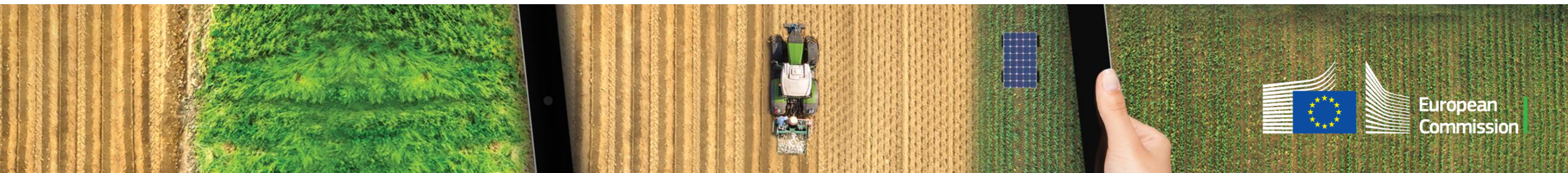


EU and US SMP exports

By main importing destinations



Source: COMEXT, Global Trade Atlas



Thank you

Agricultural Outlook

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

Markets briefs

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

Market observatories

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

CAP reform

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

