

MMO Economic Board

Meeting of 26 June 2020

The 34th meeting of the MMO Economic Board took place on 26/06/2020 by video-conference, 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), Eurocommerce (retail) and CEJA (young farmers). Presentations and information exchanged during the meeting highlighted the following:

- o EU-27 cow's milk collection increased in April 2020 by 0.8% (+107 000 t) compared to the same month of 2019 resulting in a cumulative increase in 2020 by +2.4%. IE, IT and NL reported the highest production growth. In 9 Member States production was lower than in April 2019, including France (-0.7%, -15000 t), likely due to voluntary reduction measures. The increase of milk collection in the first 4 months of 2020 translates into production growth for all dairy products except cream and concentrated milk. Other products: WMP (+8.3%), SMP (+1.5%), cheese (+1.4%) and butter (+0.7%). Production of drinking milk increased by a noticeable 4% in April.
 - o The EU average farm gate milk price is reported at 33.53 c/kg in April, which is 3.1% lower than in April 2019 but 5.1% above the last 5 years' average. Estimation for May is still above 33 c/kg but may drop more due to the fact that milk prices follow dairy market developments with a certain time lag.
 - o EU butter prices fell from 368€/100kg at the beginning of the year to 281€/100kg on 10 May. In the last 5 weeks, prices have improved reaching 318 €/100kg which is still 19% lower than a year ago. EU SMP prices fell sharply from mid-March reaching 191€/100kg by mid-April, but they later improved up to levels above recent years (214€/100kg, +4% above 2019). EU cheese prices are oscillating close to last year's levels. Future developments are uncertain. The uptake of PSA for SMP, butter and cheeses has helped improving market sentiment.
 - o The assessment of EU stock levels based on a residual approach (EU production + EU imports - EU internal consumption - EU exports) shows a fluctuation of private SMP stocks around a normal level of around 120 000 t thanks to continuous exports to third countries and modest production growth. At the end of April 2020, EU butter stocks were slightly higher than a year ago due to higher initial stocks and stronger production. Also high exports to third countries helped to improve the market-balance. EU cheese stocks in total are at a normal level for this period of the year. Strong exports helped to improve the market-balance but
- the collapse of food-service demand due to the lockdown and unusually strong retail demand caused distortions.
- o Global milk supply increased in the first 4 months of 2020 in the main exporting countries/regions (EU-27, US, NZ, AUS, ARG, URG) by +1.7% (rate adjusted for leap year 2020), with only negative figures for New Zealand (-1.7%) and an impressive growth in Australia where production continues to recover due to favourable weather conditions in the last few months (4.4%) and Argentina (+7.6%). In the US, milk collection plunged into negative territory in May. Volatility caused by Covid-19 has been particularly extreme in the US, enhancing uncertainty. In South America, milk production keeps recovering from 2019, especially for Argentina due to improved profitability in Q1 but lower farm gate prices in Q2 and dry weather conditions might reverse this trend. Production in Uruguay is also improving but remains below 2018 levels.
 - o China, the UK and the US followed by Saudi Arabia and Algeria were the top-5 EU export markets for all dairy products in January-March 2020. The impact of Covid-19 is not yet fully visible in trade figures, as March/April volumes were already weak prior to the outbreak. Increased unemployment, lower GDP, a **drop in citizens' incomes, lower oil prices**, further Covid-19 outbreaks would impact the economic situation of importing countries and decrease global demand for dairy products. In addition to Covid-19, trade disputes, additional US tariffs and the final shape of post-BREXIT trade with the UK remain major concerns.
 - o The lockdown period caused by Covid-19 had an impact on consumption channels. In some Member States household dairy (butter, drinking milk, fresh cheeses) purchases increased compared to Q1 in 2019, partly due to at-home cooking. Sales of quality cheeses (GIs) have been negatively impacted. Sales of organic dairy products have continued to increase but at a lower rate.
 - o The dairy market is in a period of uncertainty. Growing global production, trade tensions, negative macroeconomic indicators, a slow recovery of food services, etc. increase the feeling of uncertainty about the next few months. The current market balance seems fragile as supply looks set to outweigh demand in 2020. Milk output will need to adapt accordingly. Uncertainty related to the evolution of the Covid-19 pandemic and the economic downturn have an impact on the confidence of consumers as well as of dairy farmers.

ANNEX 1

Agenda

European Commission



Milk Market Observatory

ECONOMIC BOARD

26 June 2020

1. Milk Market Situation

- EU dairy production and prices (DG AGRI, LTO).



DG AGRI



LTO

- Stocks evolution (EDA).



EDA

- World supply and trade (Eucolait).



Eucolait

- EU domestic consumption (Eurocommerce).



Eurocommerce

2. Round table on the market situation, with a particular focus on the effects of the Covid-19 pandemic

(stakeholders' market experts)

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[EU Spotify](https://open.spotify.com/playlist/37i9dQZF1DX0XUf1C2Q9H1)

Thank you



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ANNEX 2

Milk Market Situation

European Commission



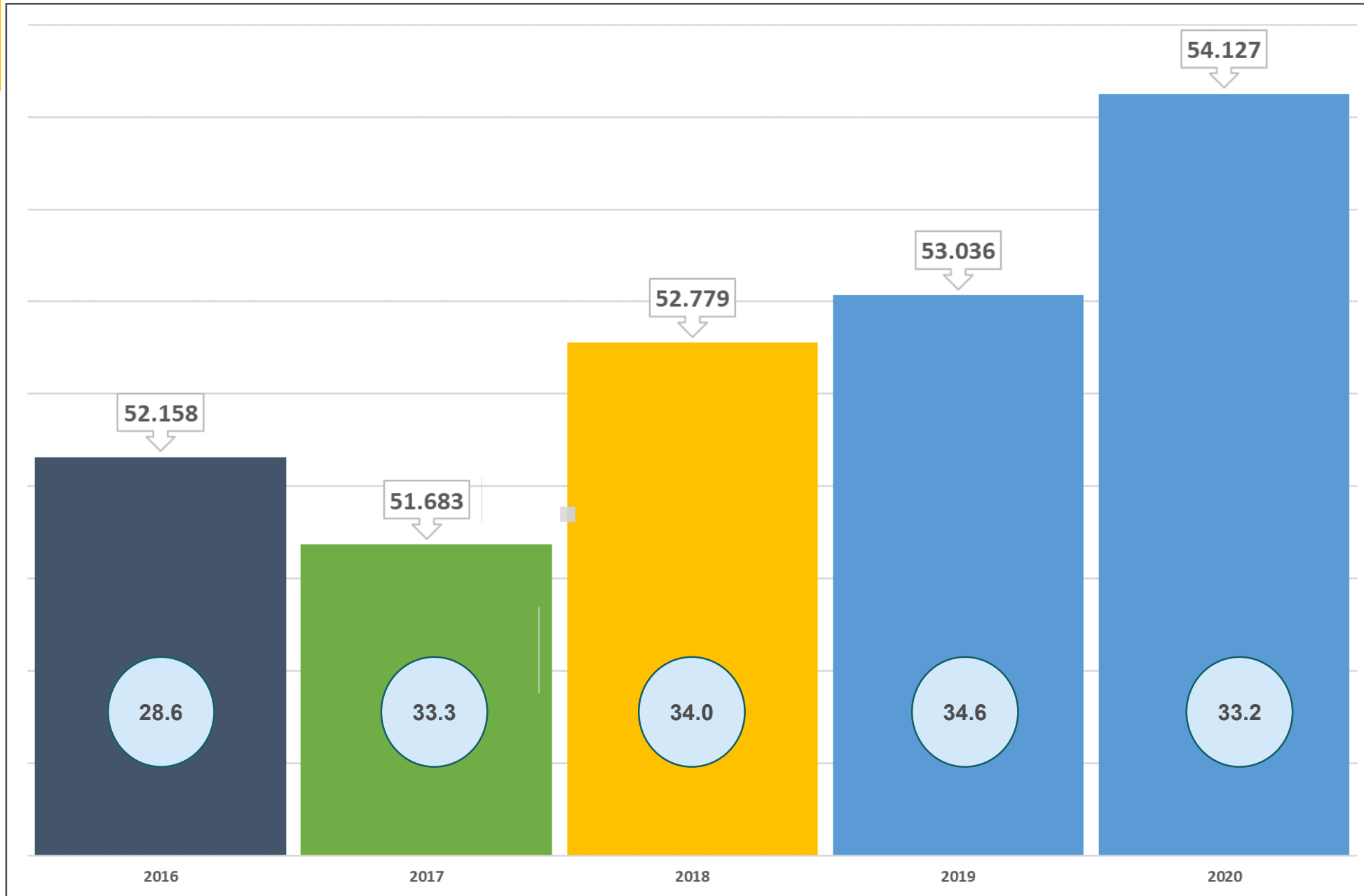
Milk Market Situation

Virtual meeting of MMO
Brussels, 26 June 2020

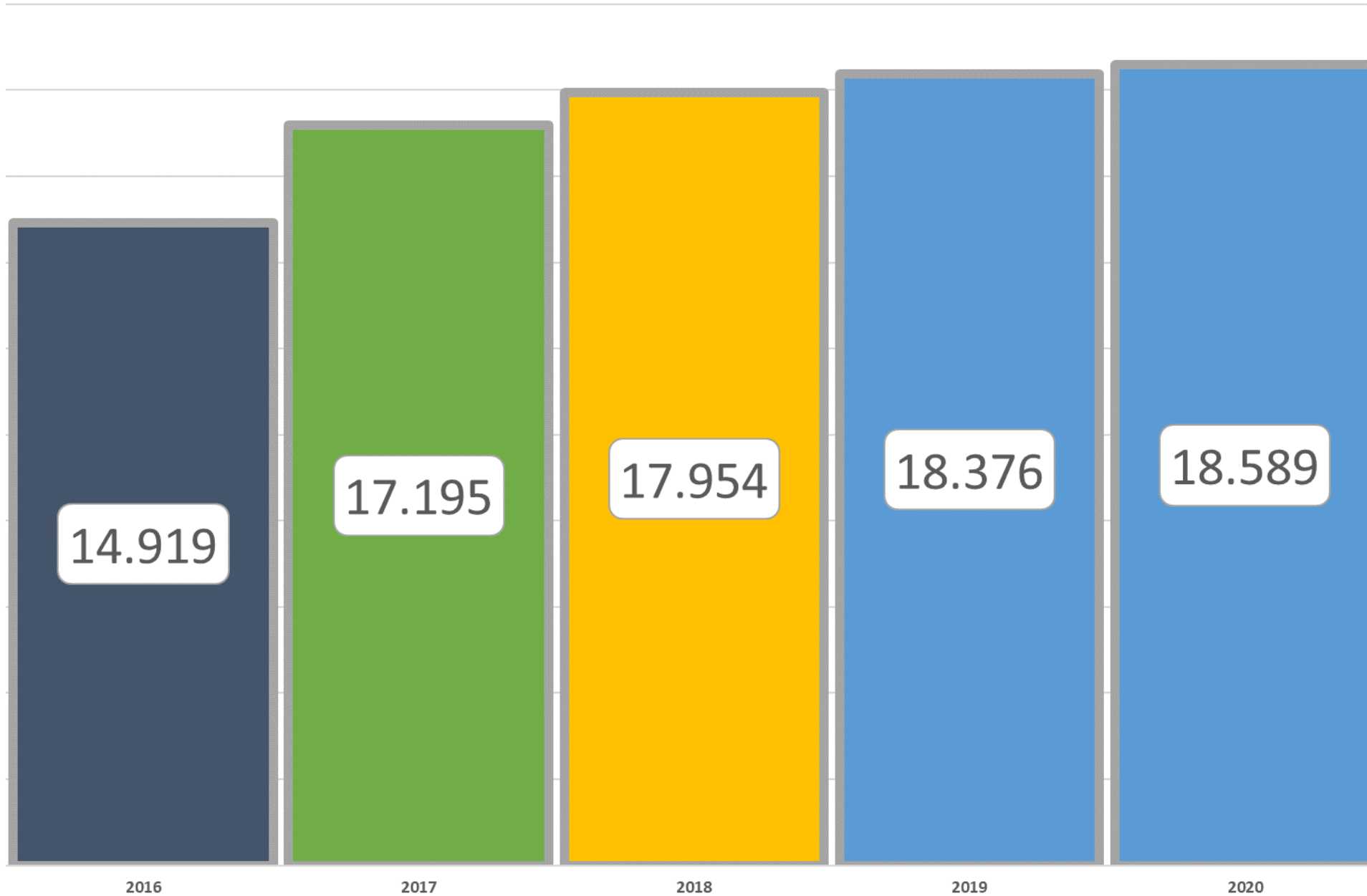
Outline

- EU milk and dairy products production
- PSA - update
- EU milk prices
- EU gross margin
- EU and world dairy quotations
- Indicators
- New application on Agri Data Portal

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

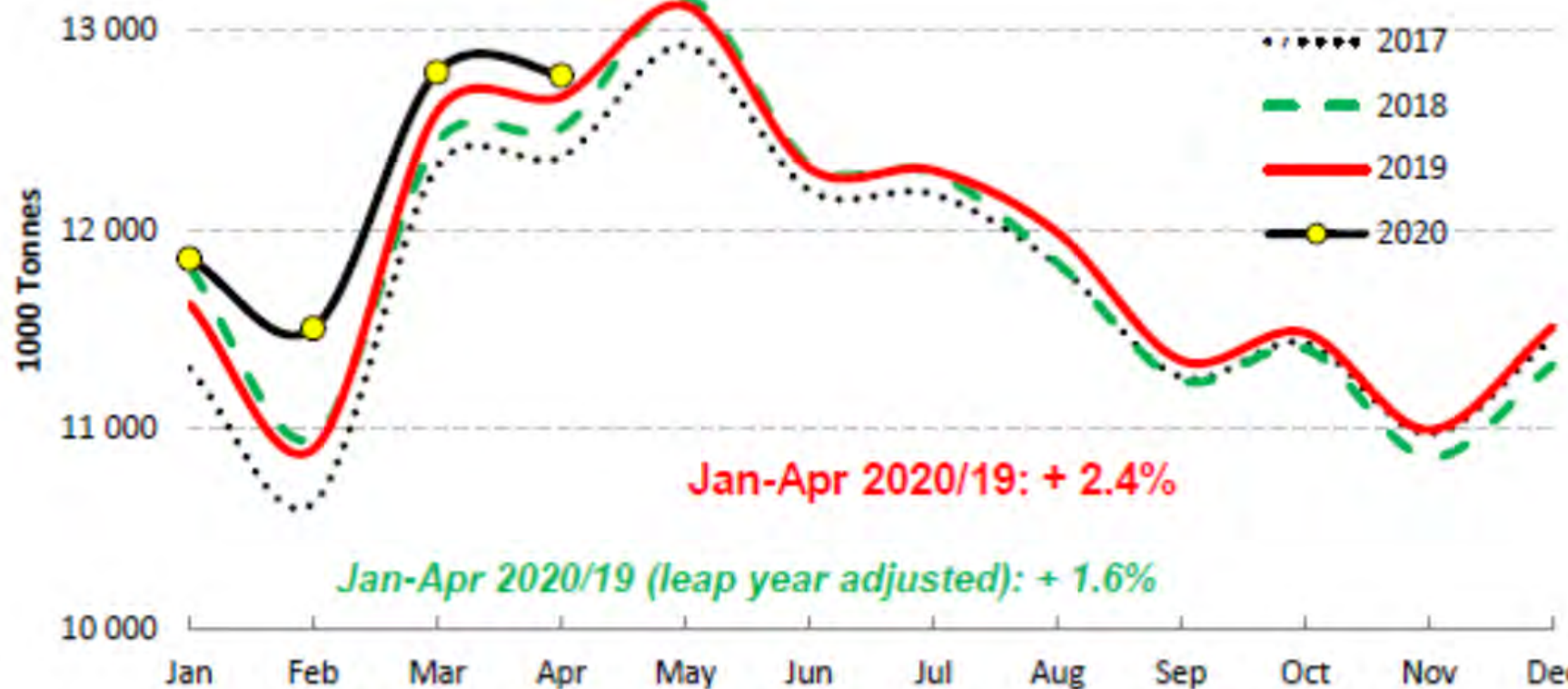


EU+UK value milk production
Jan-April 2016-20 (x million €)



EU milk production

EU* - Cows' milk collected



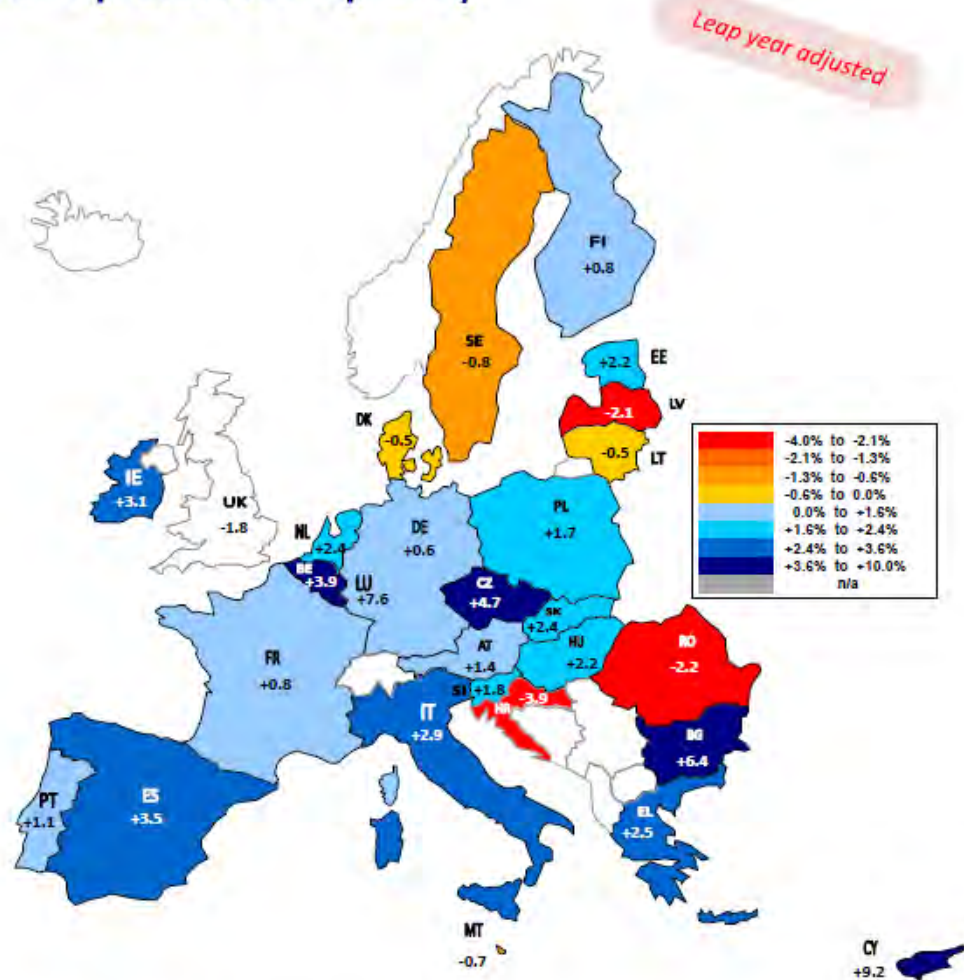
Source: Estat (Newcronos) - MS notifications

Apr 20 compared to Apr 19

Rank	evolution in %		evolution in 1000 Tons	
	MS	%	MS	Tons
1.	CY	+ 11.8%	IE	+ 34
2.	LU	+ 7.8%	IT	+ 27
3.	CZ	+ 3.9%	NL	+ 20
4.	IE	+ 3.5%	ES	+ 16
5.	BE	+ 2.9%	BE	+ 11
6.	BG	+ 2.8%	CZ	+ 10
7.	ES	+ 2.5%	PL	+ 4
8.	IT	+ 2.5%	DE	+ 4
9.	EE	+ 1.7%	LU	+ 3
10.	HU	+ 1.7%	CY	+ 2
11.	NL	+ 1.7%	HU	+ 2
12.	SK	+ 1.1%	BG	+ 2
13.	SI	+ 1.1%	AT	+ 1
14.	PT	+ 0.7%	PT	+ 1
15.	AT	+ 0.5%	EE	+ 1
16.	PL	+ 0.4%	SK	+ 1
17.	FI	+ 0.2%	SI	+ 1
18.	DE	+ 0.2%	FI	+ 0
19.	DK	- 0.6%	MT	- 0
20.	FR	- 0.7%	EL	- 1
21.	SE	- 1.7%	HR	- 2
22.	MT	- 1.9%	LV	- 2
23.	EL	- 2.1%	LT	- 3
24.	LT	- 2.5%	DK	- 3
25.	LV	- 2.9%	RO	- 4
26.	RO	- 4.1%	SE	- 4
27.	HR	- 4.2%	FR	- 15
EU*		+ 0.8%	EU*	+ 107
UK		- 1.6%	UK	- 22
EU+UK		+ 0.6%	EU+UK	+ 86

EU milk deliveries compared to last period (in %)

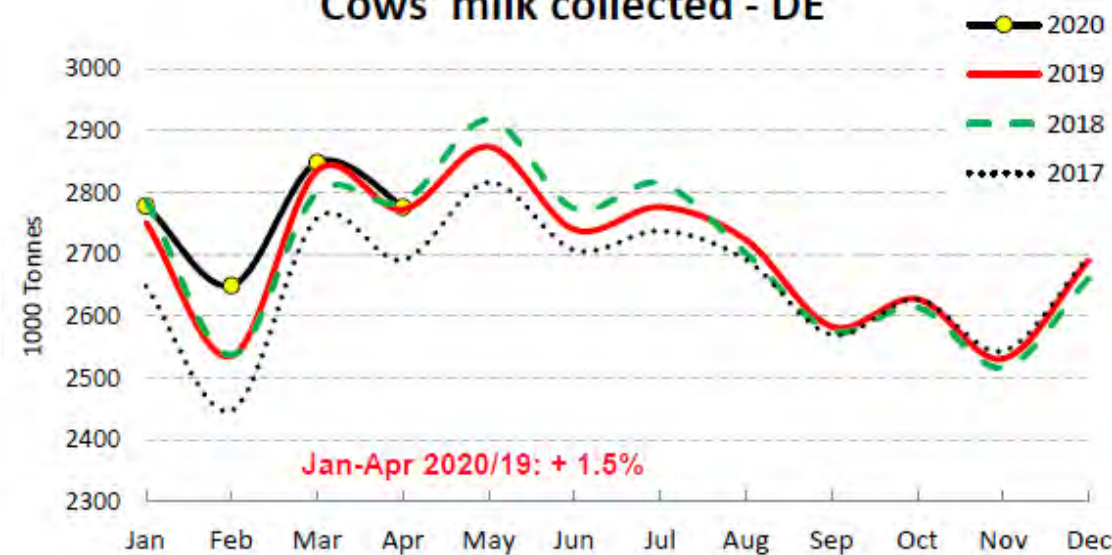
(Jan - Apr 2020 / Jan - Apr 2019)



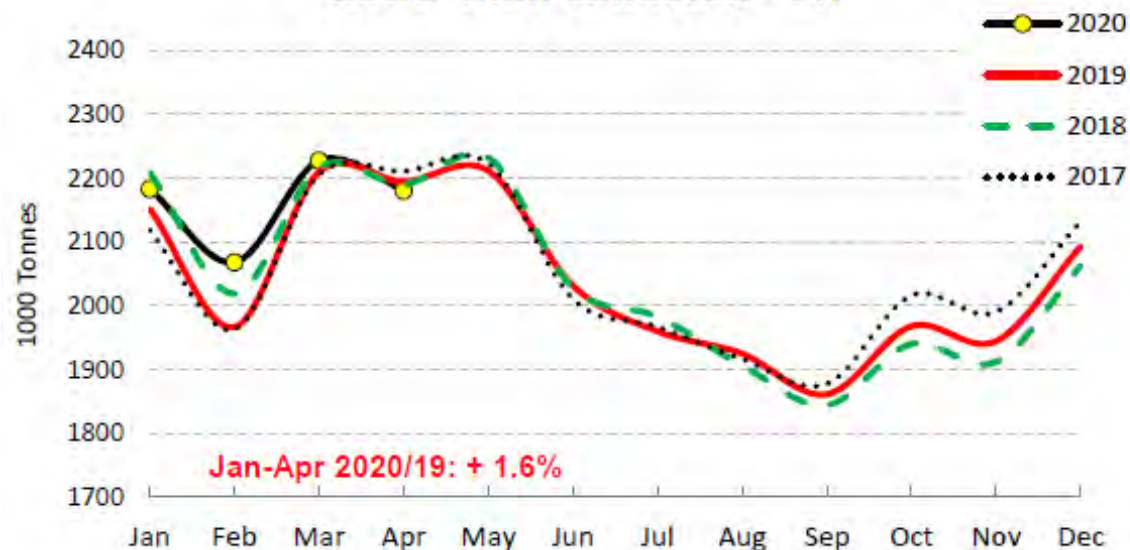
SOURCE : MS' Communications to Eurostat, FEGA, AGEA, Reg.479/2010.1(a)1

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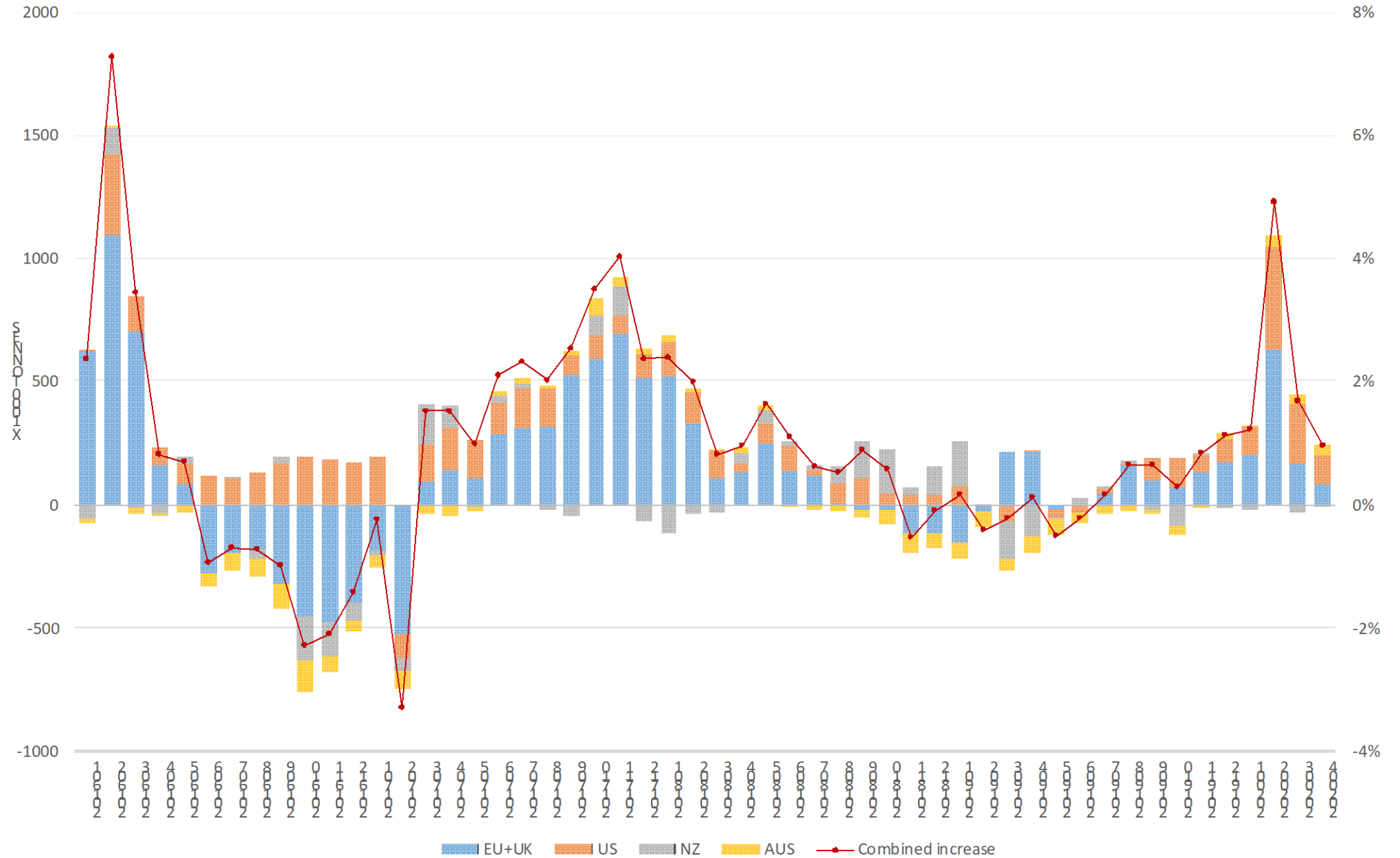
Cows' milk collected - DE



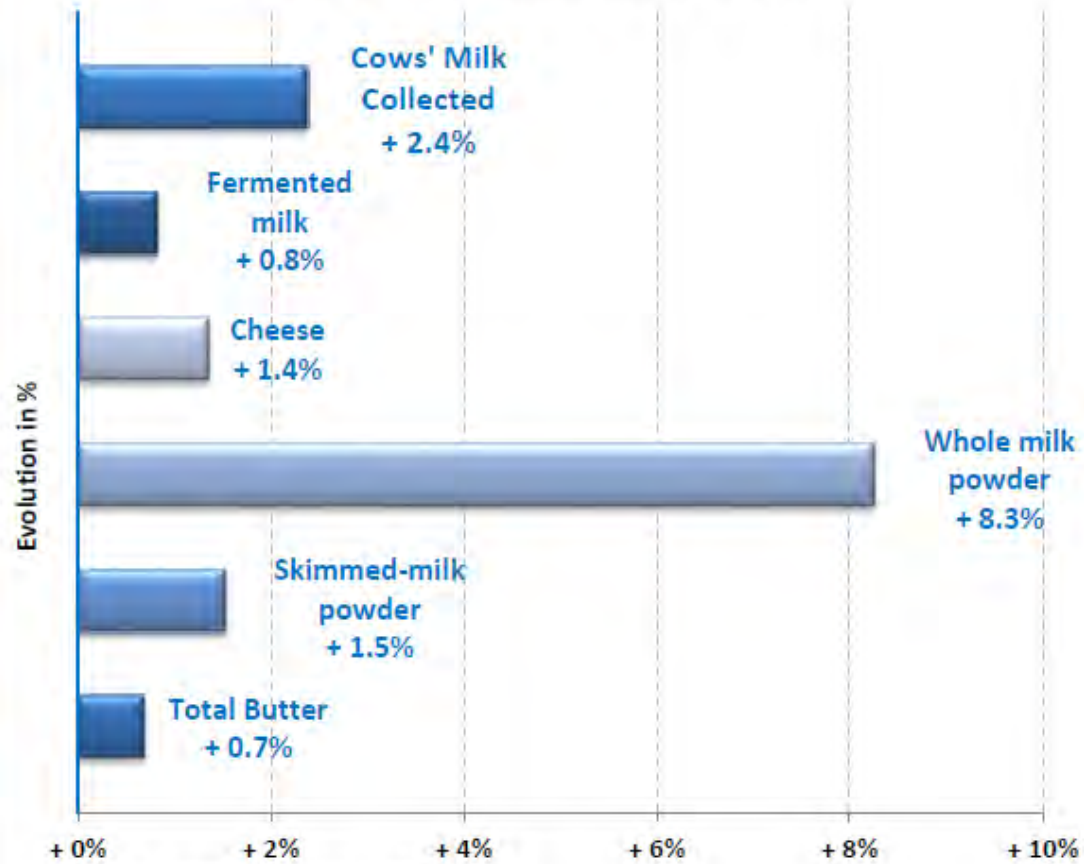
Cows' milk collected - FR



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

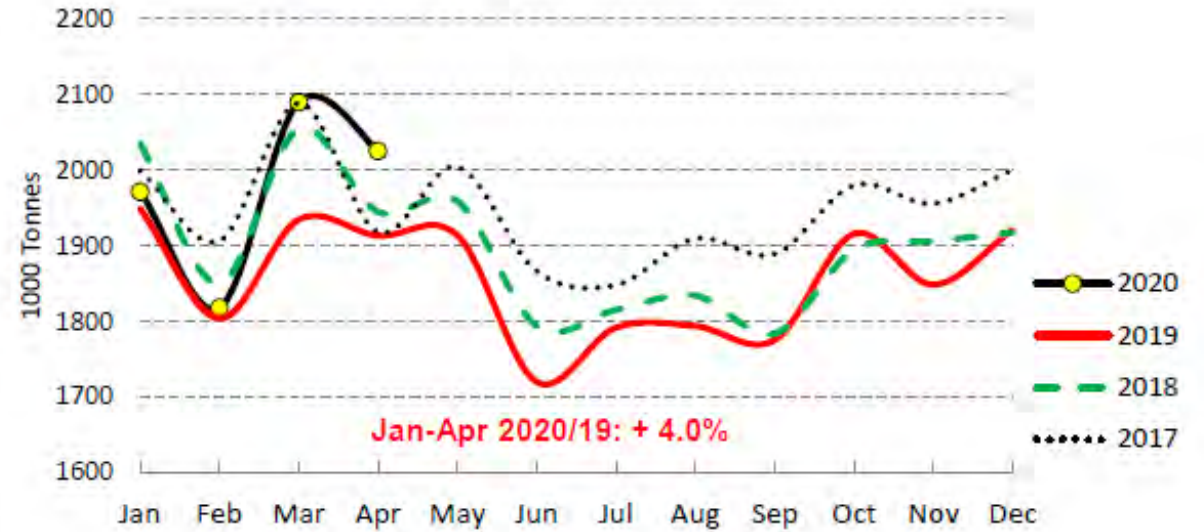


**EU* Deliveries/Productions development
(Jan-Apr 2020 compared to Jan-Apr 2019)**



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

EU* - Drinking milk



Source : Estat - Newcronos

PSA applications from 7 May – 21 June 2020 (7 weeks)

In tonnes

CHEESE

BE	DE	IE	ES	FR	IT	NL	AT	PL	FI	SE	LT	HU	PT	RO	CZ	EU	UK	EU+UK
1130	648	2180	4592	6275	12654	7578	1446	39	393	792	978	56	201	178	185	39325	4499	43824
100%	3%	100%	100%	34%	100%	87%	74%	0%	47%	100%	100%	7%	26%	19%	15%		100%	44%

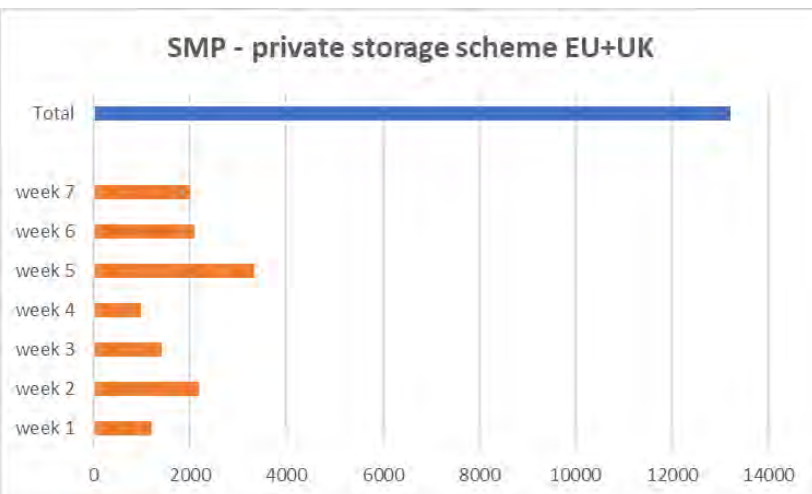
BUTTER

BE	DE	IE	ES	HR	LT	NL	AT	PT	FI	CZ	FR	IT	LV	PL	RO	EU	UK	EU+UK
2979	11753	11709	793	238	1566	19145	370	1085	230	71	2928	183	28	431	38	53547	1431	54978

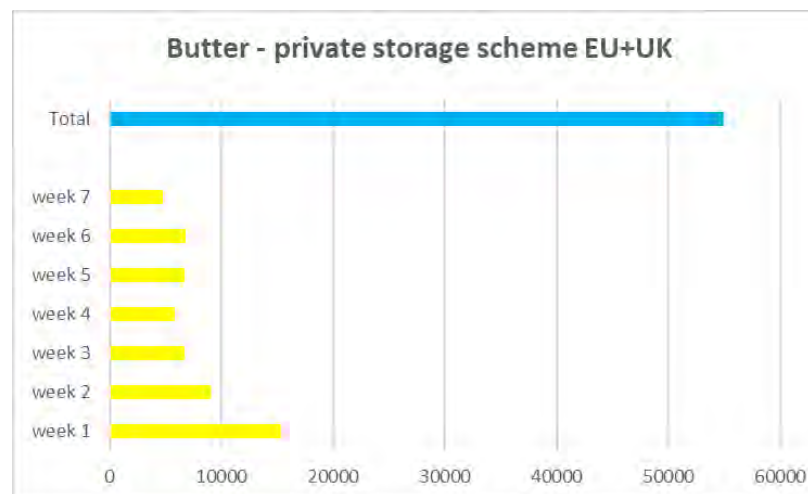
SMP

CZ	DE	LT	PT	ES	NL	RO	BE	PL								EU	UK	EU+UK
447	6006	724	1825	113	3535	23	505	24								13202	0	13202

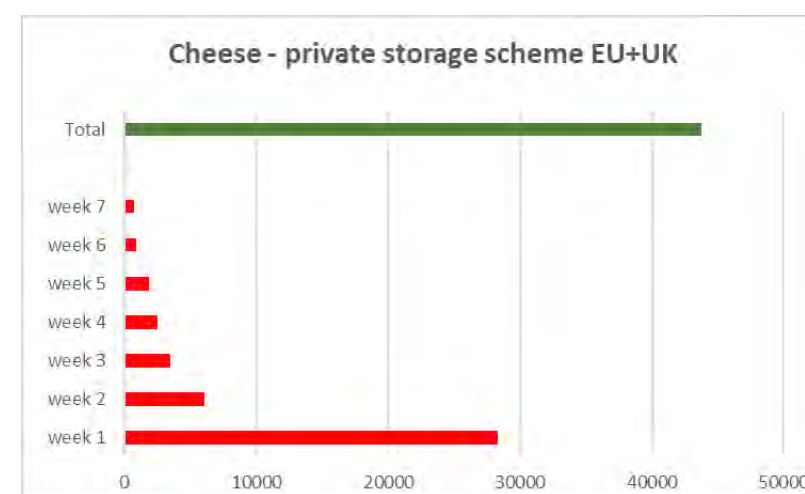
SMP - private storage scheme EU+UK



Butter - private storage scheme EU+UK

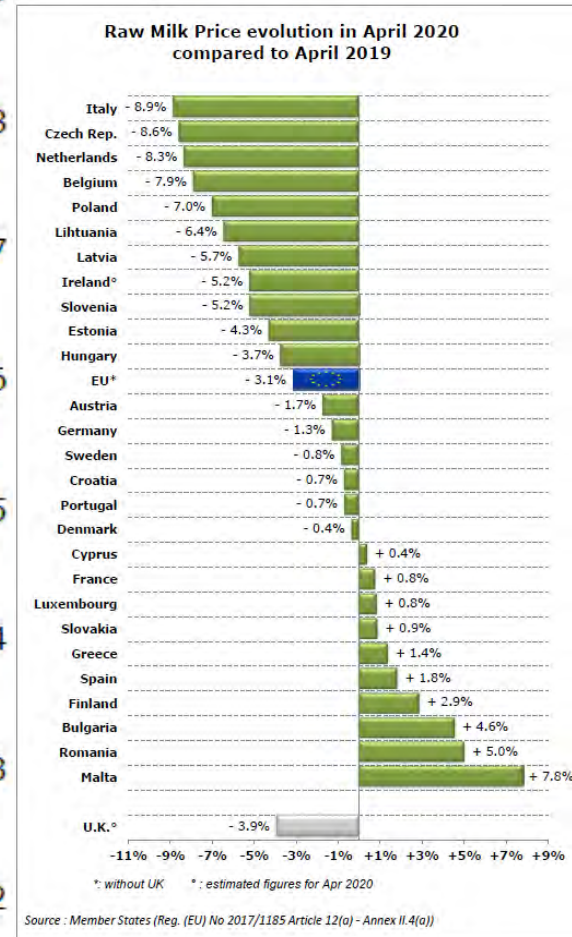
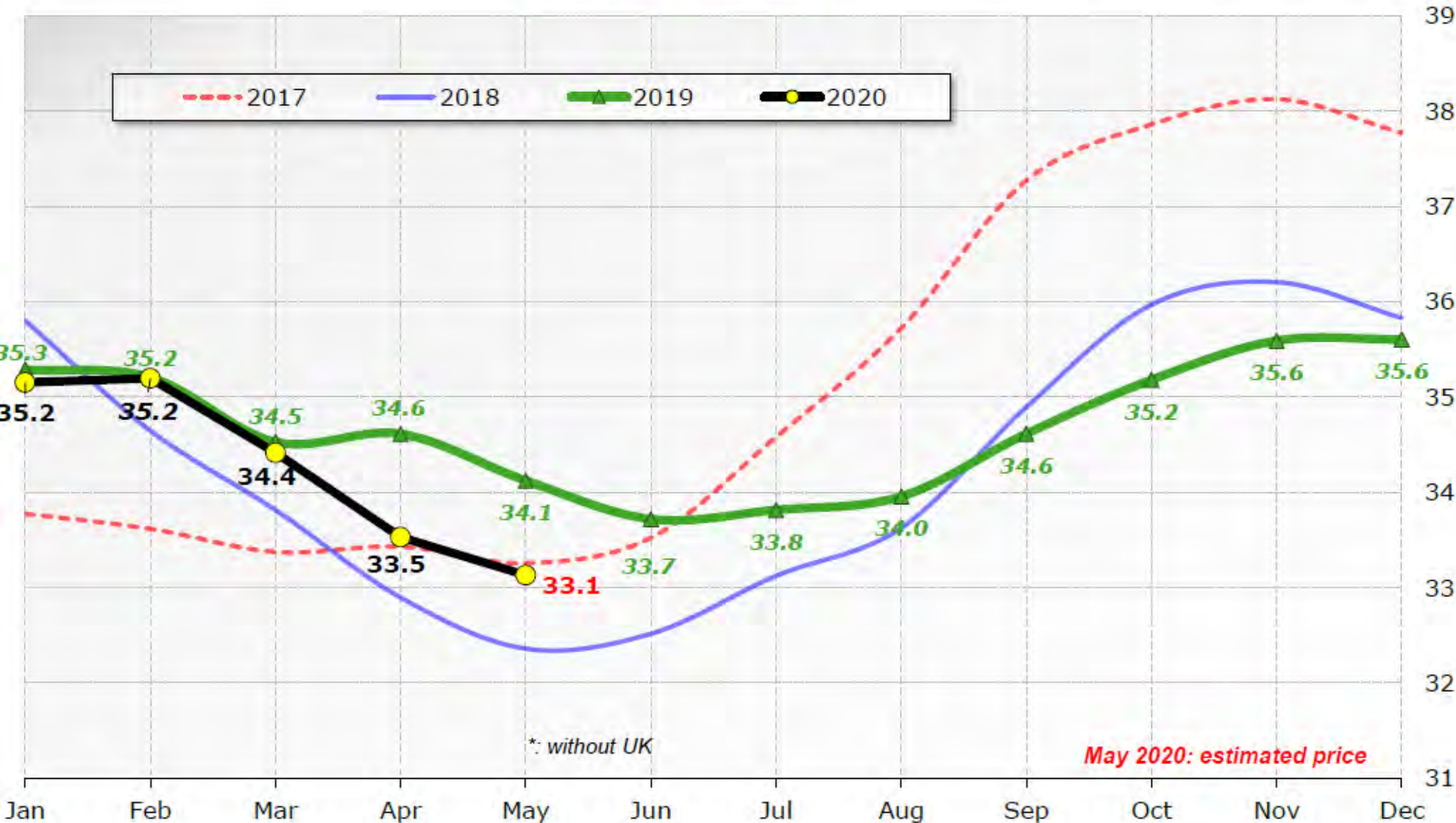


Cheese - private storage scheme EU+UK



EU milk prices paid to the producers

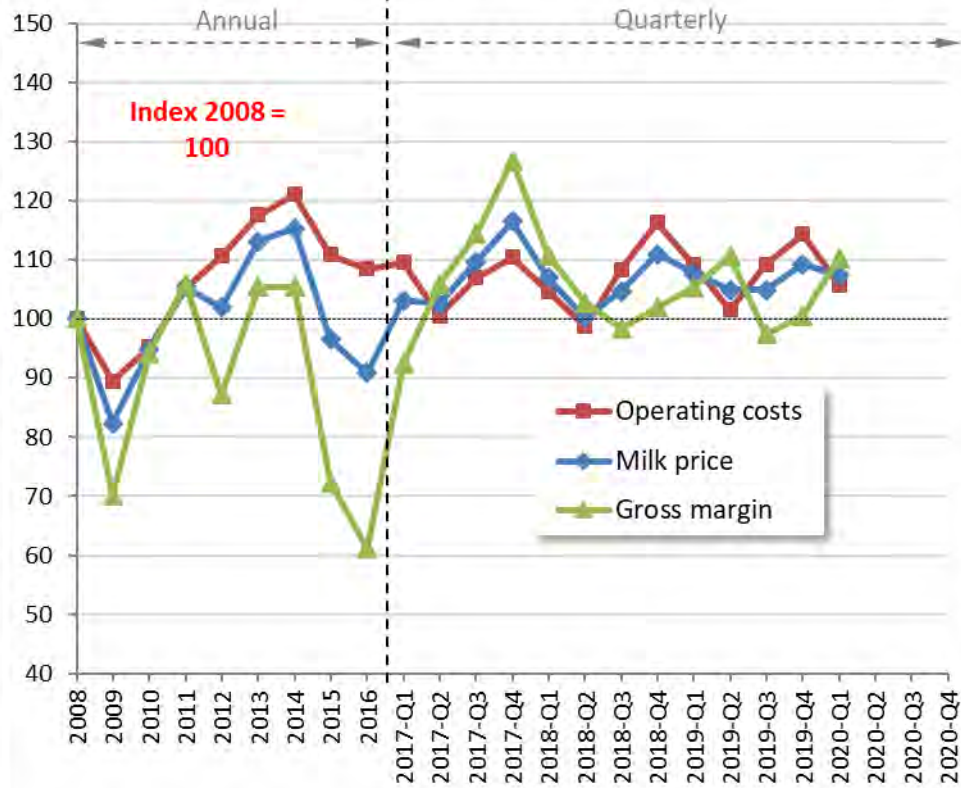
EU* (weight. avg.)



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

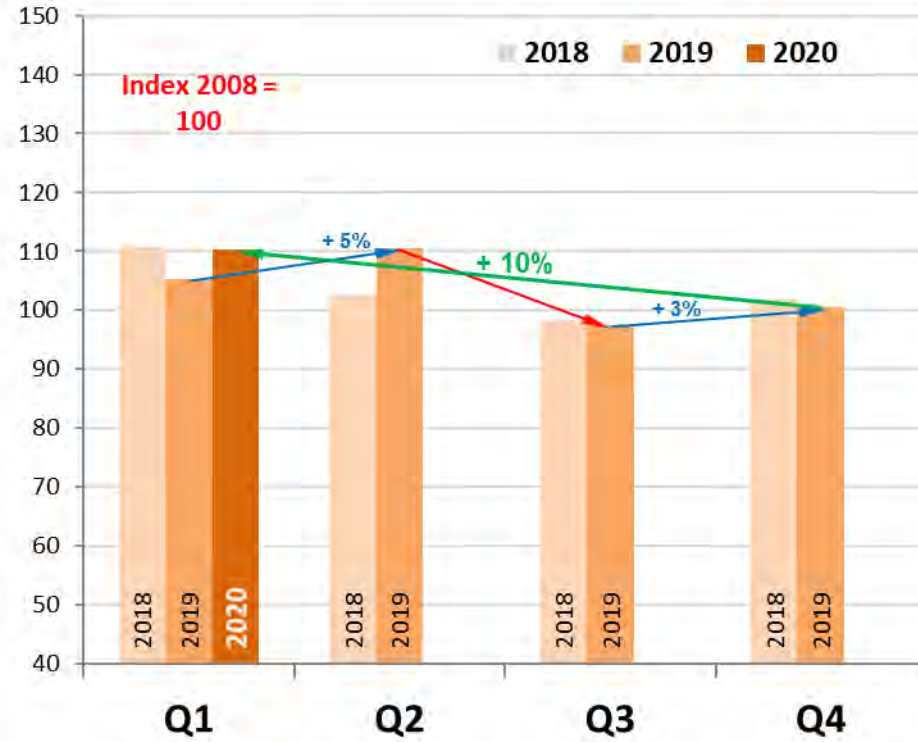


EU indexes for milk price, operating costs and gross margin



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

Estimation of EU Gross margin

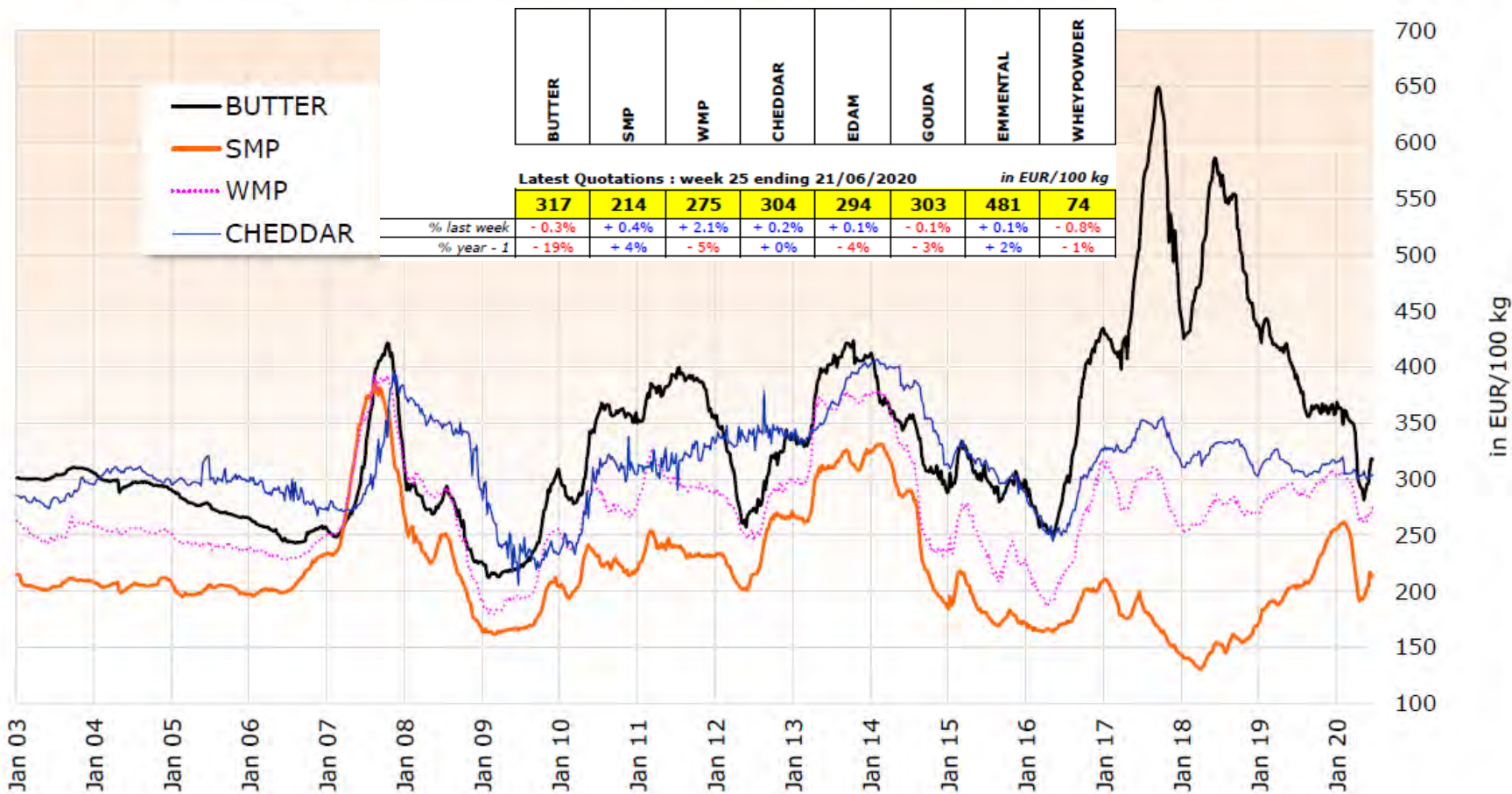


Source : FADN (base year 2016) + indexes (Eurostat, DG AGRI)

EU dairy quotations

EU evolutive* dairy Quotations

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



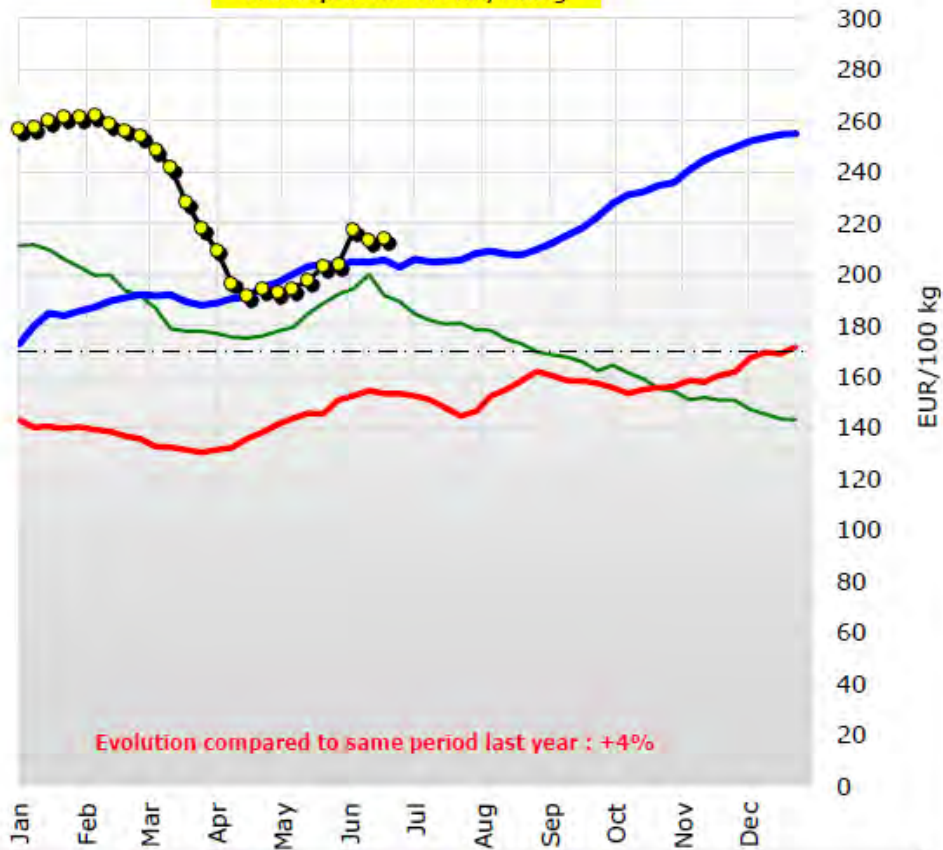
Source: Regulation (EU) No 2017/1185 Article 11 - Annex I.7



* 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)

Weekly EU* SMP Prices

Latest price : 214 EUR/100kg

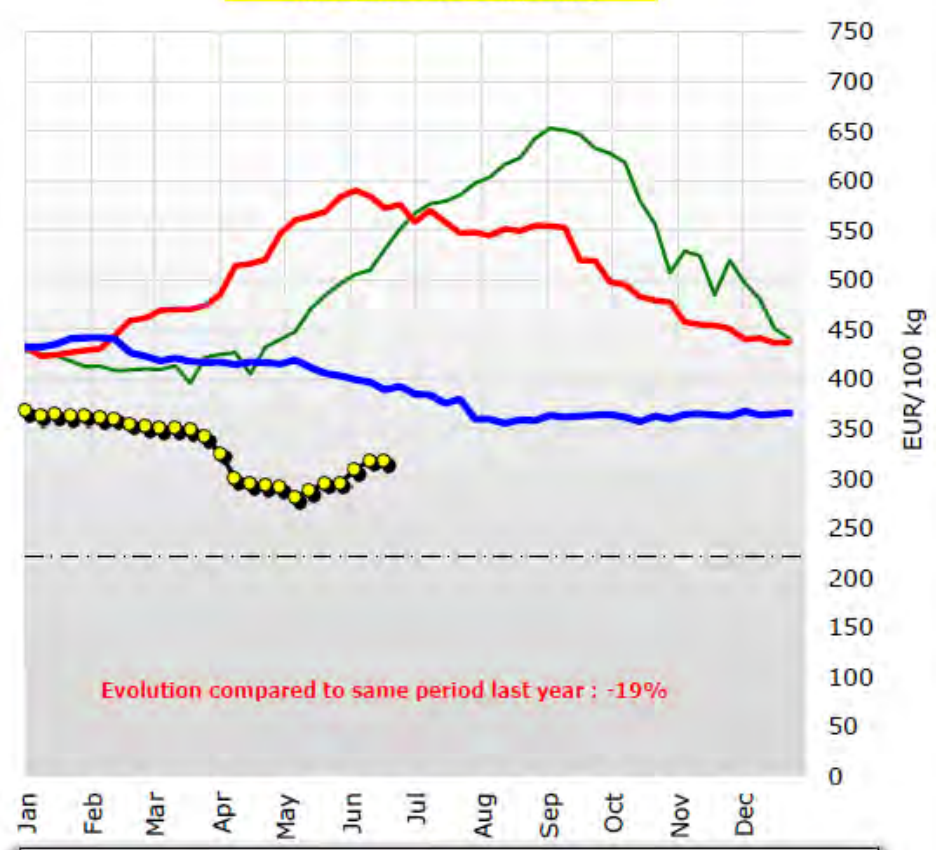


Evolution compared to same period last year : +4%

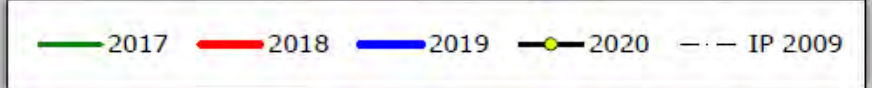


Weekly EU* BUTTER Prices

Latest price : 317 EUR/100kg



Evolution compared to same period last year : -19%



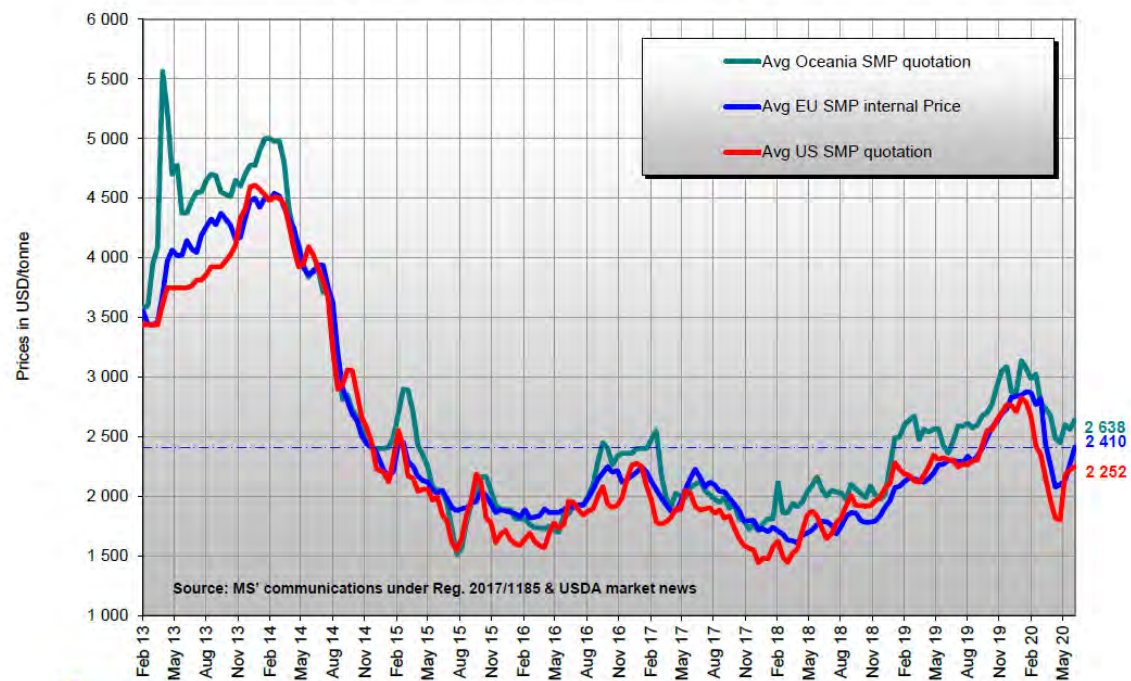
* As of 1 February 2020, the calculated EU average refers to EU (without UK). For comparison purposes, EU (without UK) averages have also been recalculated for the previous years. The weighting coefficients and the list of Member States included in the calculation of the EU averages have also been updated.

Latest world dairy quotations

In US\$/t	Latest Quotations			Week - 2						Year - 1					
	21/06/2020			07/06/2020			% change (previous quotation)			23 June 2019			% change (1 year)		
	EU*	Oceania	USA	EU*	Oceania	USA	EU*	Oceania	USA	EU*	Oceania	USA	EU*	Oceania	USA
Butter	3 597	3 638	4 025	3 292	3 638	3 990	+ 9.3%	nc	+ 0.9%	4 473	4 588	5 244	- 20%	- 21%	- 23%
SMP	2 410	2 638	2 252	2 271	2 563	2 220	+ 6.1%	+ 2.9%	+ 1.4%	2 307	2 363	2 307	+ 4%	+ 12%	- 2%
WMP	3 046	2 788	3 693	2 982	2 800	3 748	+ 2.2%	- 0.4%	- 1.5%	3 275	3 000	3 704	- 7%	- 7%	- 0%
Cheddar	3 425	3 788	5 578	3 349	3 963	5 506	+ 2.3%	- 4.4%	+ 1.3%	3 405	3 838	3 958	+ 1%	- 1%	+ 41%

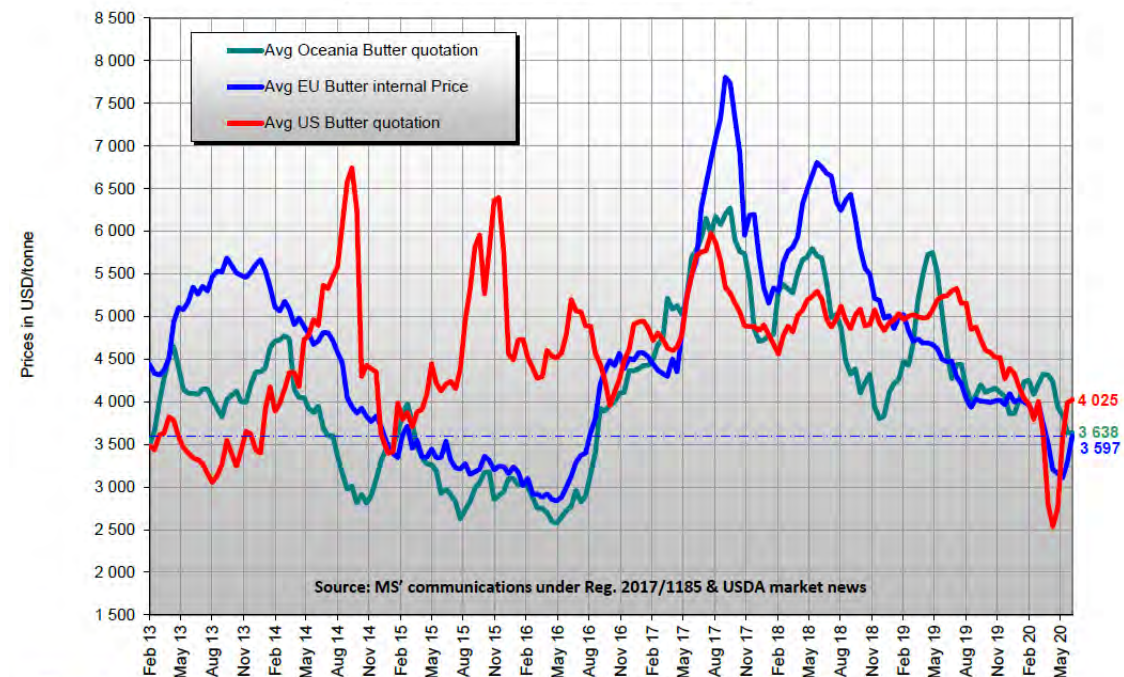
Source

EU*/US/Oceania Quotations of SMP



* EU evolutive

EU*/US/Oceania Quotations of Butter



* EU evolutive

Agri-food Data Portal

Data on national and European agriculture and common agricultural policy (CAP), provided by the European Commission's agricultural and rural development department.

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.



Agri-food Markets

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



[Explore >](#)



CAP Indicators

These indicators help measure the Common Agricultural Policy performance. The EU policy provides financial support to farmers in member states, develops the rural community and ensures an environmentally sustainable farming.

[Explore >](#)



Farm Economics

Economic reports on EU farming, based on sample data from the Farm Accountancy Data Network (FADN). Learn about productivity, profitability, subsidies, economic structure and finances of European farms.

[Explore >](#)



General Dashboards and Reports

Information on imports, exports, prices, production and consumption, organized by theme while covering all agricultural sectors. Dashboards provide an overview of the current situation in one sector.

- Monthly Average Prices
- Trade and Quotas
- EU School fruit, vegetables and milk scheme

Browse by Market Sector



Beef

Price and production reports offer a refined view into animal categories and meat quality classes.



Pigmeat

Statistics regarding live piglets as well as different categories and qualities of pork.



Eggs and Poultry

A weekly 16-page PDF file with the latest information on prices, production and trade.



Sheep and Goat Meat

Detailed monthly trade data as well as a weekly PDF dashboard with the latest market info.



NEW



Milk and Dairy Products

Dedicated apps for prices of milk and dairy products, and a weekly sectoral PDF file.



Fruit and Vegetables

Currently the portal offers monthly data on trade in tomatoes, apples and citrus fruit.



Cereals

Market data on production, price and trade for wheat, barley, maize, oats, rye and other cereals.



Rice

Market data for different rice types and stages of production (paddy, husked, semi-milled and milled).



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

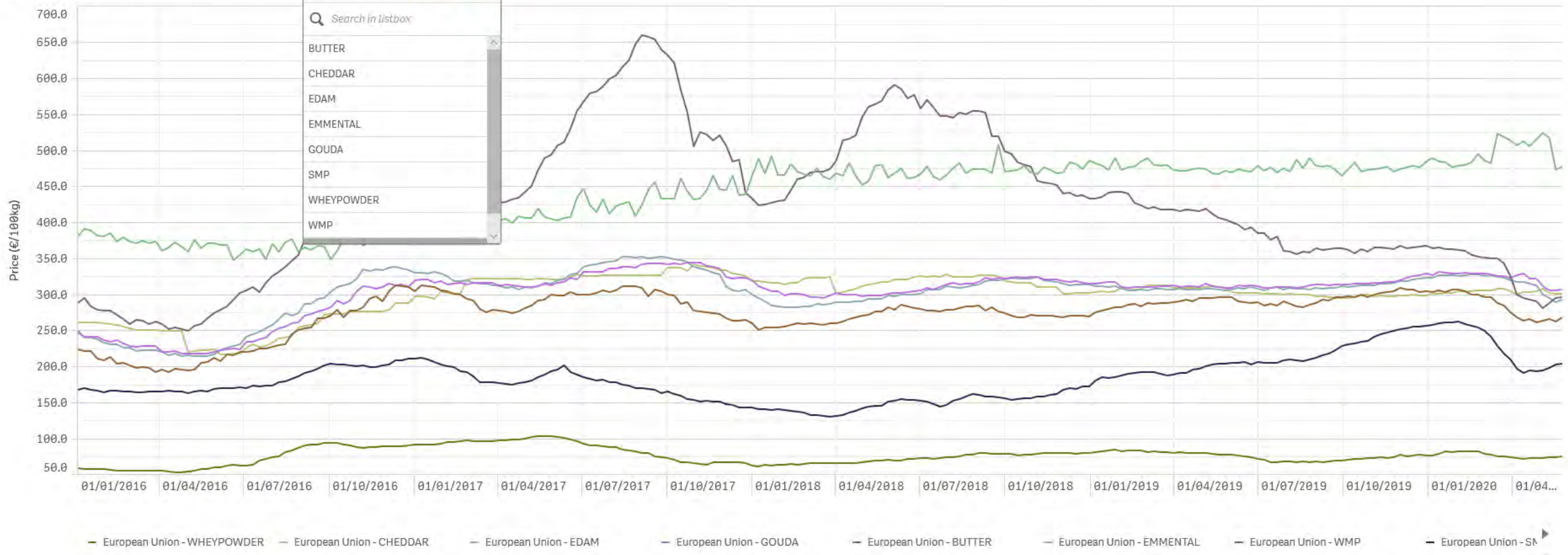
-  **Dairy Prices** new
Weekly prices of eight representative dairy products per Member State and weighted averages over the Union. Prices can be viewed over an extended period or in a year-to-year comparison. The source of the most recent data are Member State notifications through the ISAMM system. 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.



DG AGRI - Dairy Prices

Year: [dropdown] Member State: [dropdown] Product: [dropdown]

Dairy Price Evolution for European Union
Year Selection: 2016, 2017, 2018, 2019, 2020



Prices for the European Union are calculated as a weighted average of price data from all Member States.

DG AGRI - Dairy Prices

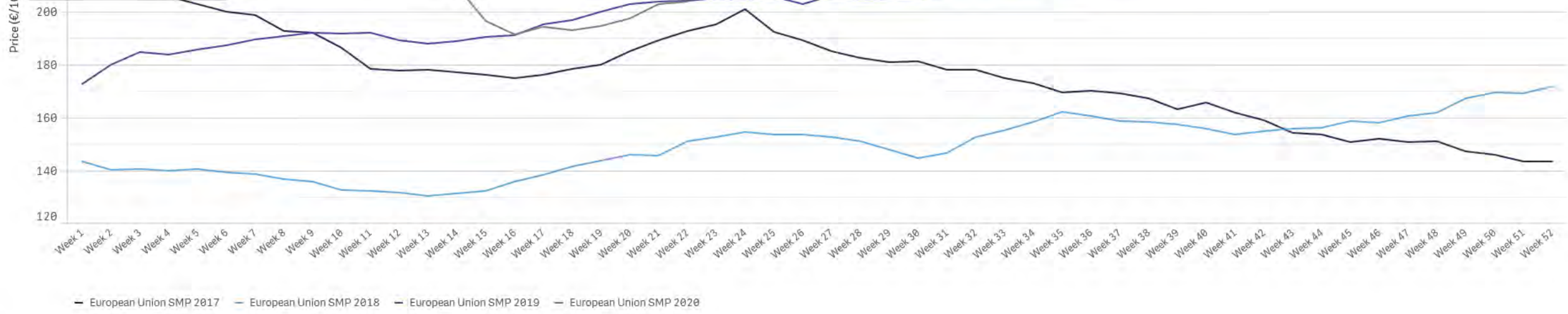
Info Evolution Comparison **Data Explorer**

Year: Member State: Product:

Reset Selections Print to PDF App update: 15/06/2020

Search in listbox

- 2020 ✓
- 2019 ✓
- 2018 ✓
- 2017 ✓
- 2016
- 2015
- 2014
- 2013



Prices for the European Union are calculated as a weighted average of price data from all Member States.

Keep in touch and thank you!



ec.europa.eu/agriculture



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ANNEX 3

Milk Market Situation

LTO Nederland

Milk market situation



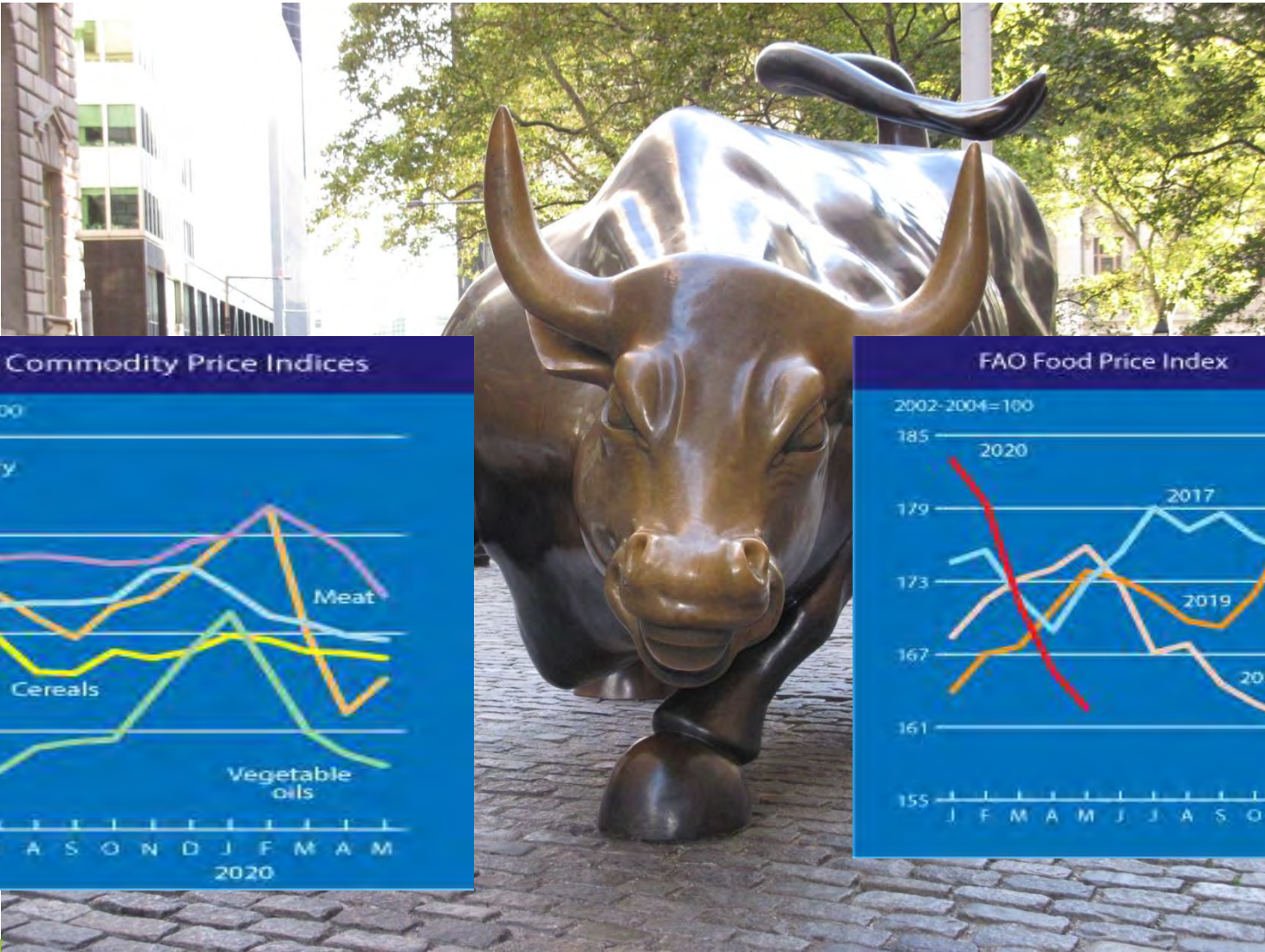
1. Milk Prices
2. Production figures
3. Futures, indices
4. Conclusions
5. Farmers' sentiment

25 June 2020

[Klaas Johan Osinga](#)

kjosinga@lto.nl, [@KJOsinga](#)

1. FAO Food Price Index



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

2019



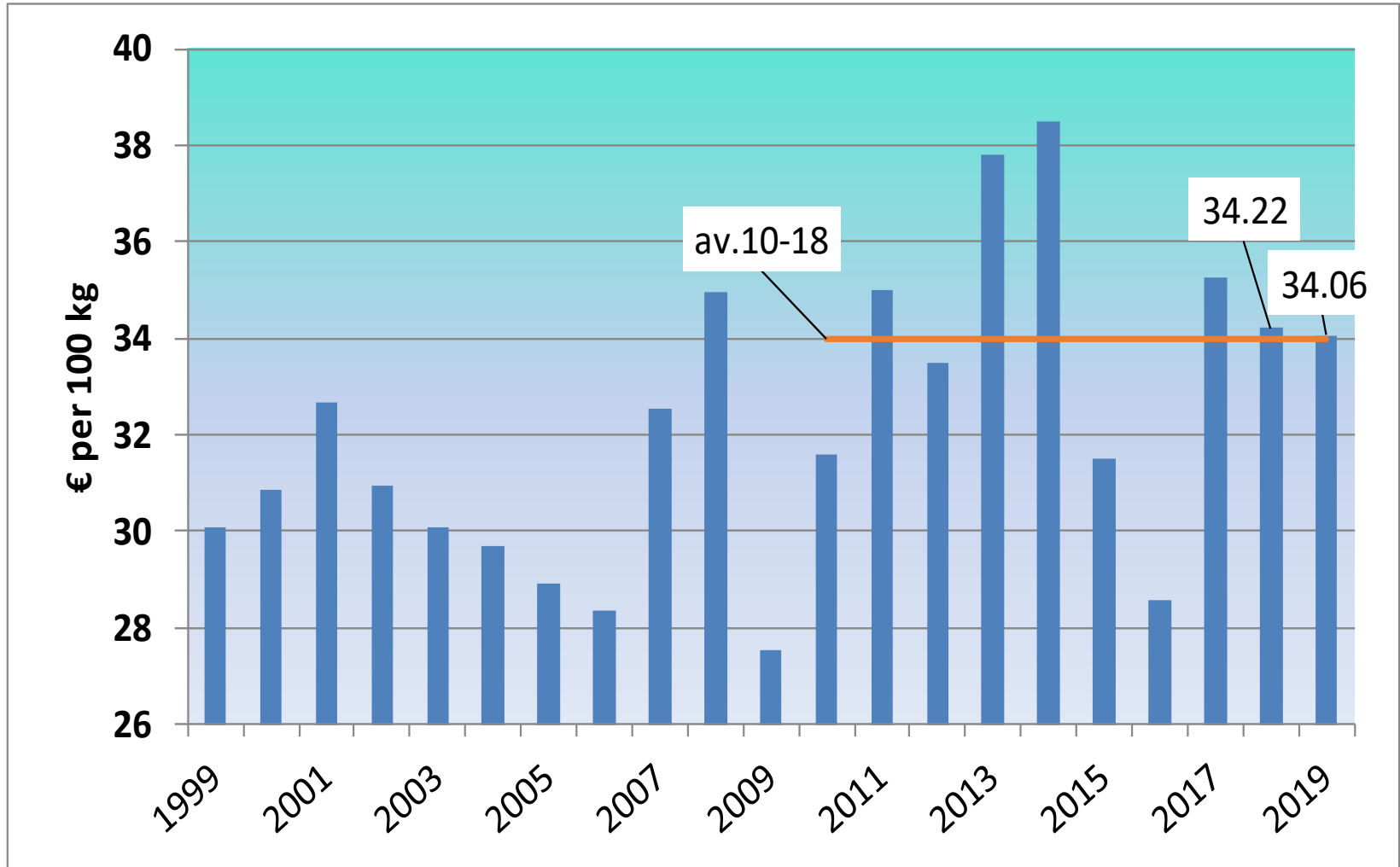
*prezzi di latte • melkprijzen • prix du lait • molkeprizen
milch preise • milk prices • maelke priser • maidon hinnat*



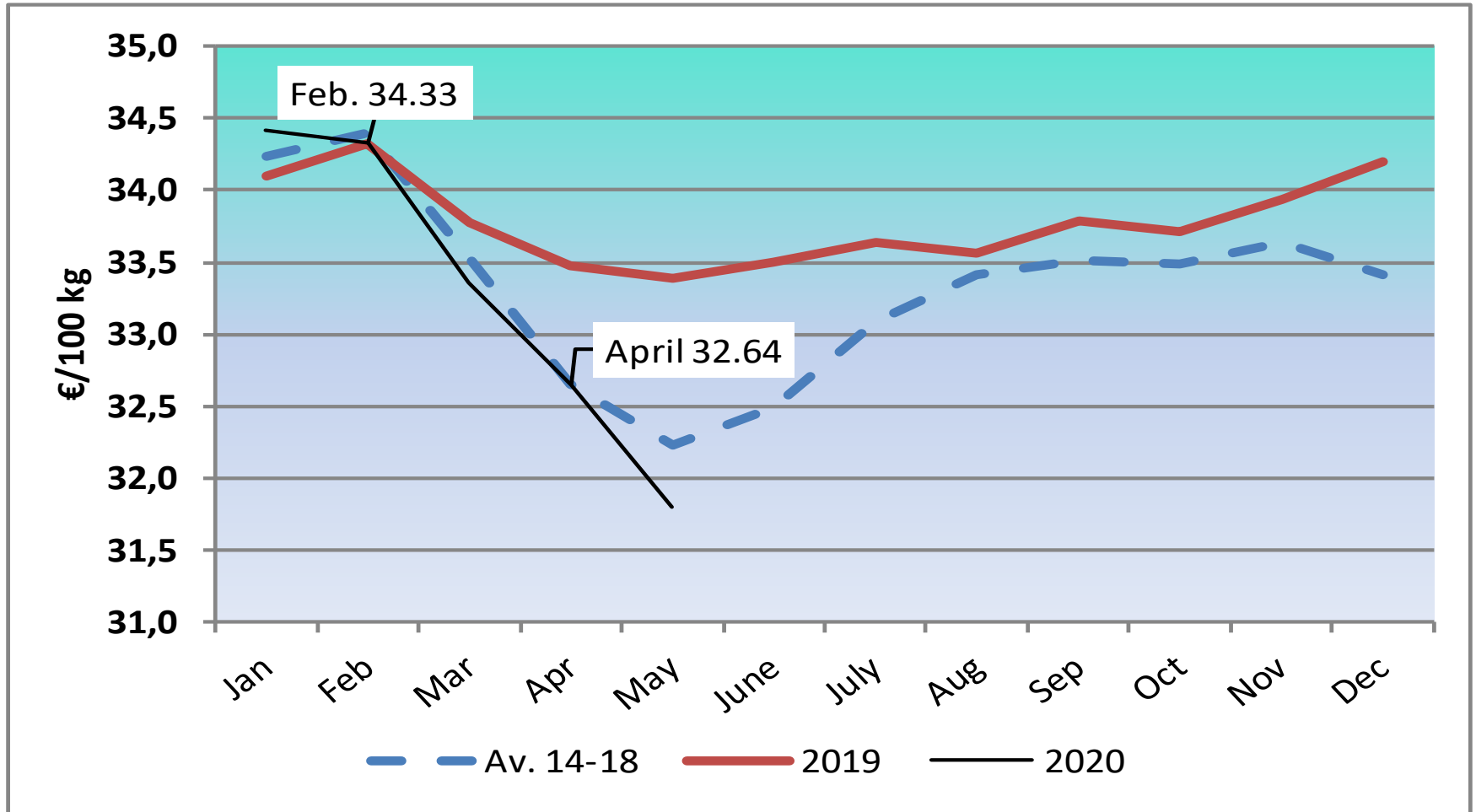
<http://milkprices.nl/>

Dairy		2019		2018		2019-2018 (€)	2019/2018 (%)	Currency
Granarolo (North)	IT	39.24	1	38.37	1	0.87	2.3%	
FrieslandCampina	NL	36.49	2	36.07	3	0.42	1.2%	
Valio	FI	36.46	3	36.74	2	-0.29	-0.8%	
Sodiaal (Pas de Calais)	FR	35.50	4	34.89	5	0.62	1.8%	
Savencia (Basse Normandy)	FR	35.17	5	33.69	9	1.48	4.4%	
Danone (Pas de Calais)	FR	35.04	6	34.55	6	0.48	1.4%	
Lactalis (Pays de la Loire)	FR	34.89	7	33.98	8	0.91	2.7%	
Hochwald Milch eG	DE	34.37	8	34.41	7	-0.04	-0.1%	
Arla Foods DK	DK	34.02	9	35.50	4	-1.47	-4.2%	-4.0%
Müller (Leppersdorf)	DE	33.46	10	33.02	10	0.44	1.3%	
Saputo Dairy UK	UK	32.92	11	32.66	14	0.26	0.8%	-0.1%
Milcobel	BE	32.36	12	32.75	13	-0.40	-1.2%	
DMK Deutsches Milchkontor eG	DE	32.33	13	32.96	11	-0.63	-1.9%	
Kerry Agribusiness	IE	31.04	14	32.51	16	-1.47	-4.5%	
Dairygold	IE	30.89	15	32.76	12	-1.87	-5.7%	
Glanbia	IE	30.76	16	32.59	15	-1.83	-5.6%	
<i>Average milk price</i>		34.06		34.22		-0.16	-0.5%	
Capsa Food	ES	31.14						
Emmi	CH	51.60		48.23		3.36	7.0%	3.2%
Fonterra	NZ	31.19		29.01		2.12	7.5%	7.1%
USA class III	US	38.16		31.49		6.67	21.2%	15.6%

2019 was an 'average' year in terms of milk prices



Milk price average down >2 cents per kg in 3 months



April farm gate milk price

€ per 100 kg standard milk



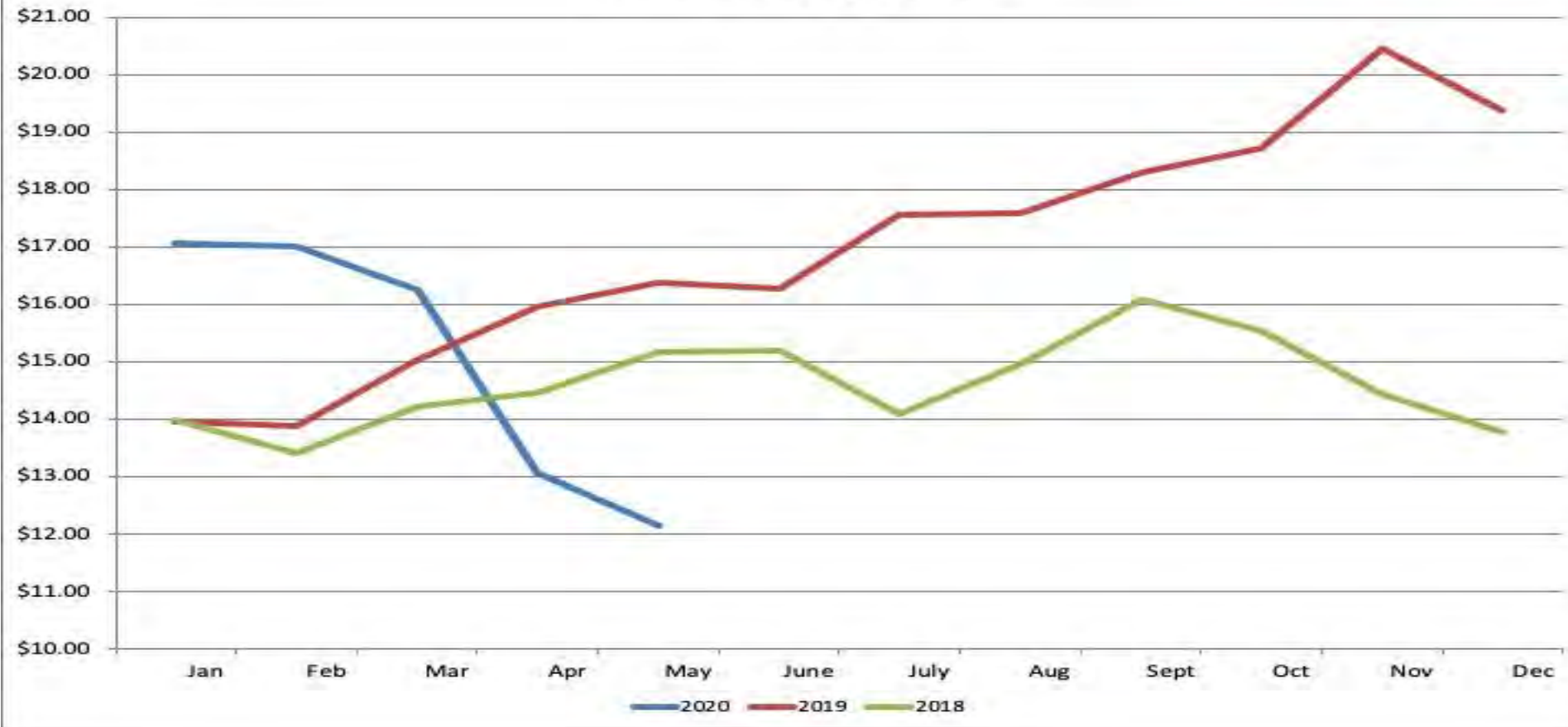
Dairy Company		April 2020	nr	Average 12 months	nr	Recent changes May/June/July	Last profit payment
GRANAROLO (North)	ITA	38.35	1	39.58	1	May -0.50	
VALIO	FIN	35.88	2	35.72	2		1.07
LACTALIS (PAYS DE LA LOIRE)	FRA	34.50	3	35.04	5	May no change, June -1.00	
DANONE (PAYS DE CALAIS)	FRA	34.25	4	34.97	6	No change in May and June	
FRIESLAND CAMPINA	NL	33.91	5	34.82	7	May -1.90, June -0.50	1,31
SODIAAL (PAYS DE CALAIS)	FRA	33.87	6	35.17	3	May -0.90, June +0.50	0.19
ARLA FOODS DK	DK	33.50	7	32.69	8	-1.00, June no change, July -0.75	1.43
SAVENCIA (BASSE NORMANDIE)	FRA	33.19	8	35.06	4	+0.30 in May, +0.50 in June	
DMK DEUTSCHES MILCHKONTOR eG	DEU	32.86	9	31.93	12	May -1.60	
HOCHWALT MILCH eG	DEU	32,53	10	32.53	10	No change in May	0,69
CAPSA FOOD	ESP	31.27	11	31.38	14		
MULLER (LEPPERSDORF)	DEU	30.88	12	31.56	13	May -1.50	
KERRY AGRIBUSINESS	IRL	30.49	13	30.94	15	May no change	
SAPUTO DAIRY UK (DAIRY CREST)	UK	29.11	14	32.58	9	No changes in May/June	
MILCOBEL	BEL	28.81	15	31.96	11	May no change	0.24
DAIRYGOLD	IRL	28.81	16	30.51	16	May +0.50	
GLANBIA	IRL	28.62	17	30.10	17	May +0.20	0.36
Average		32.47		33.45			
EMMI	CH	50.46		52.83			
FONTERRA	NZ	31.06		32.19			
USA Class III (USDA)	USA	29.75		39.11			

Deliveries 1 million kg / year, 4.2% fat

milkprices.nl

US milk price volatility setting a record in 2020

Class III price



US: extreme milk price volatility

CME:DCN2020, D 21.00 ▼ -0.56 (-2.6%) O:21.06 H:21.29 L:20.94 C:21.00



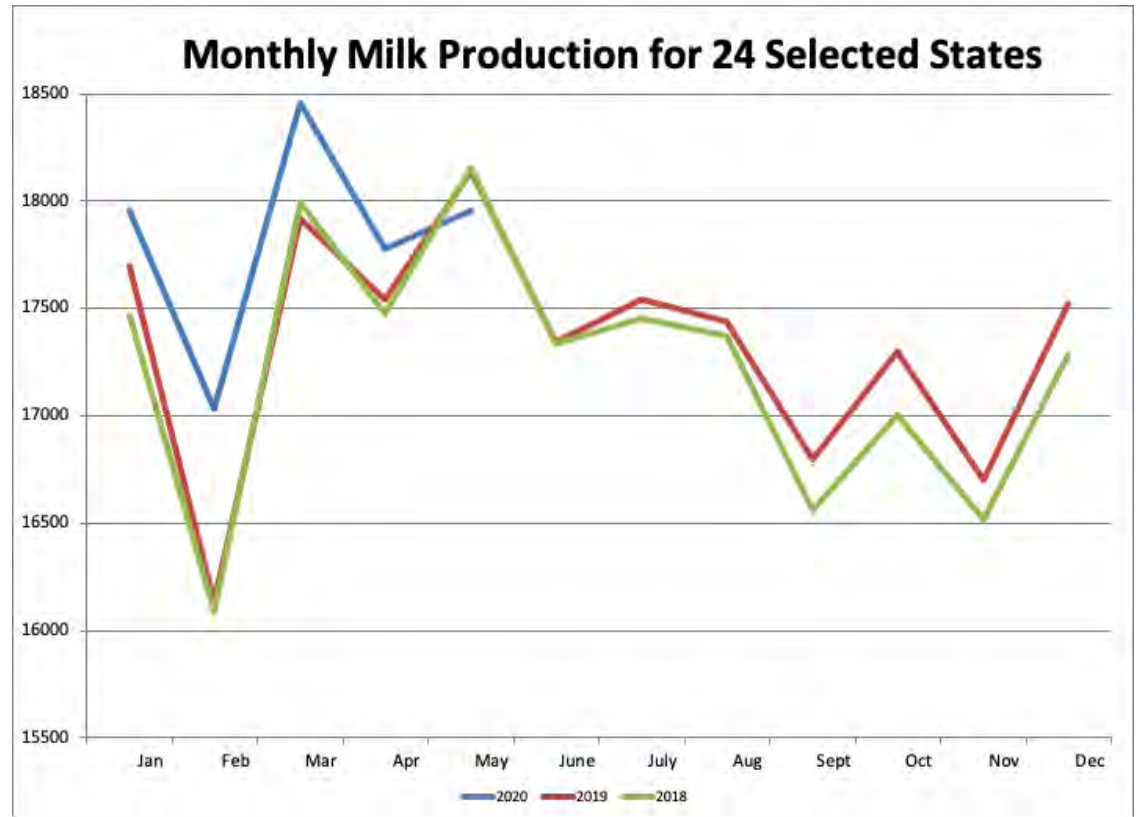
2. Milk production

United States production shifts into reverse in May:

USDA (y-o-y):

May: -1.1%

Year to date: +1.8%

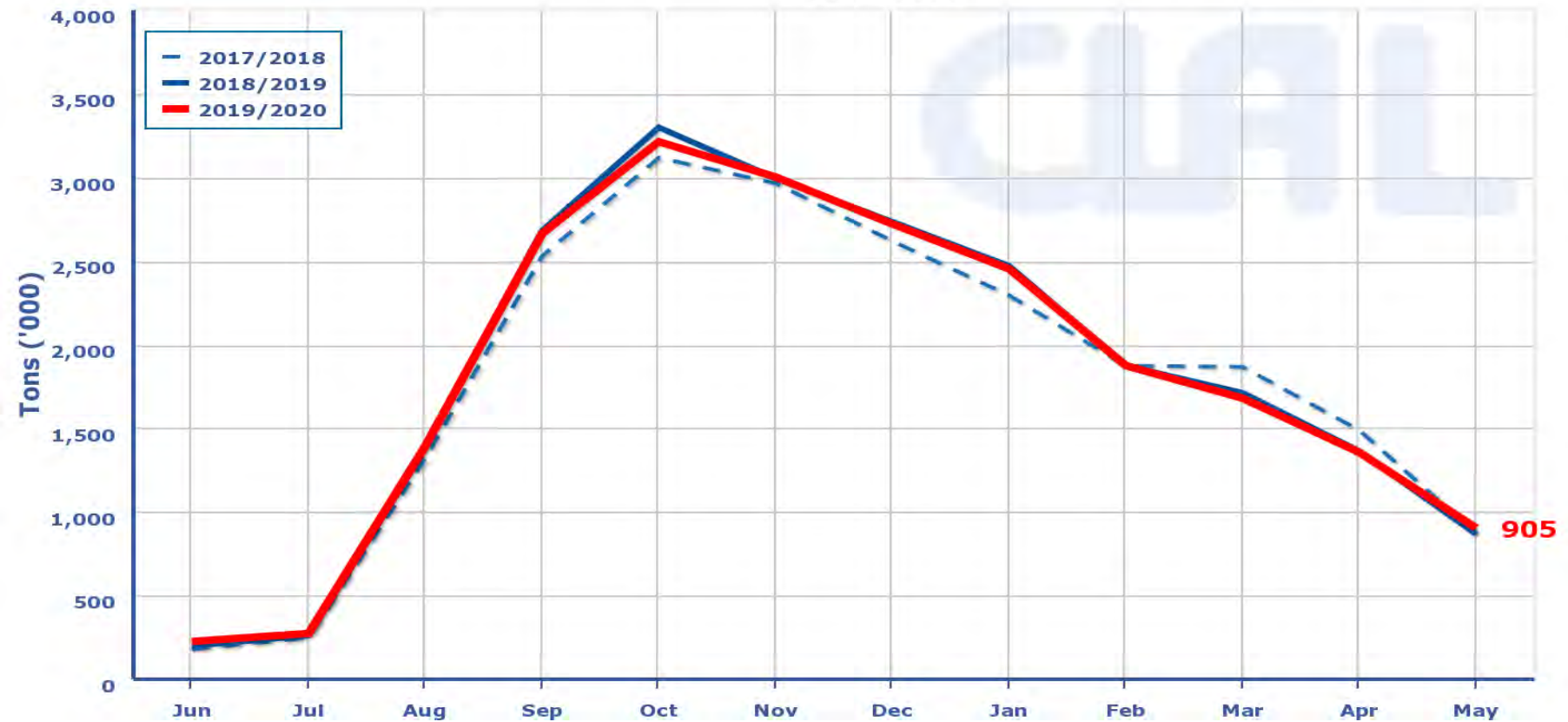


Milk production

New Zealand 2019/2020: -0.4%

New Zealand - Triennial overview of monthly Milk production

Source: DCANZ

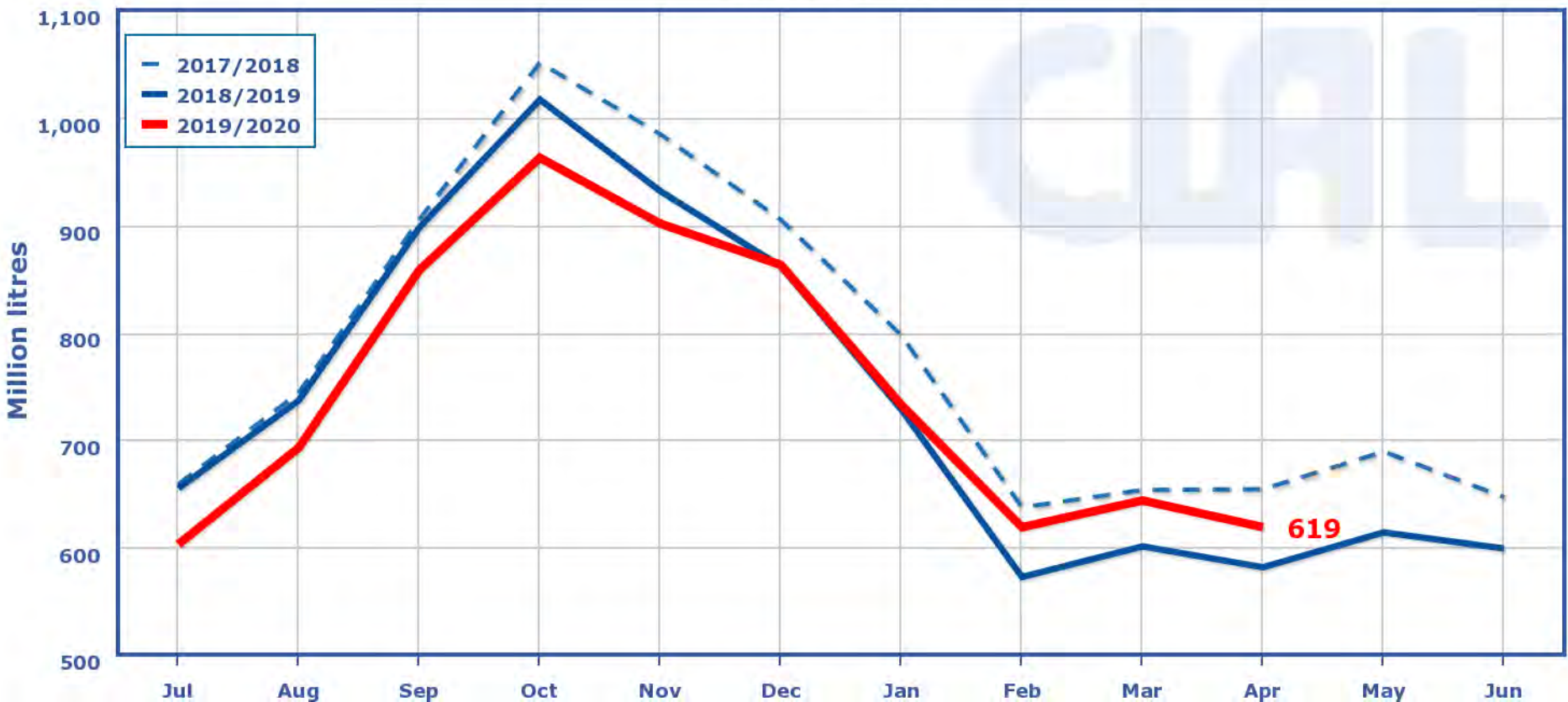


Milk production

Australia: +6.4% in April 2020

Australia - Triennial overview of monthly Milk production

Source: Dairy Australia



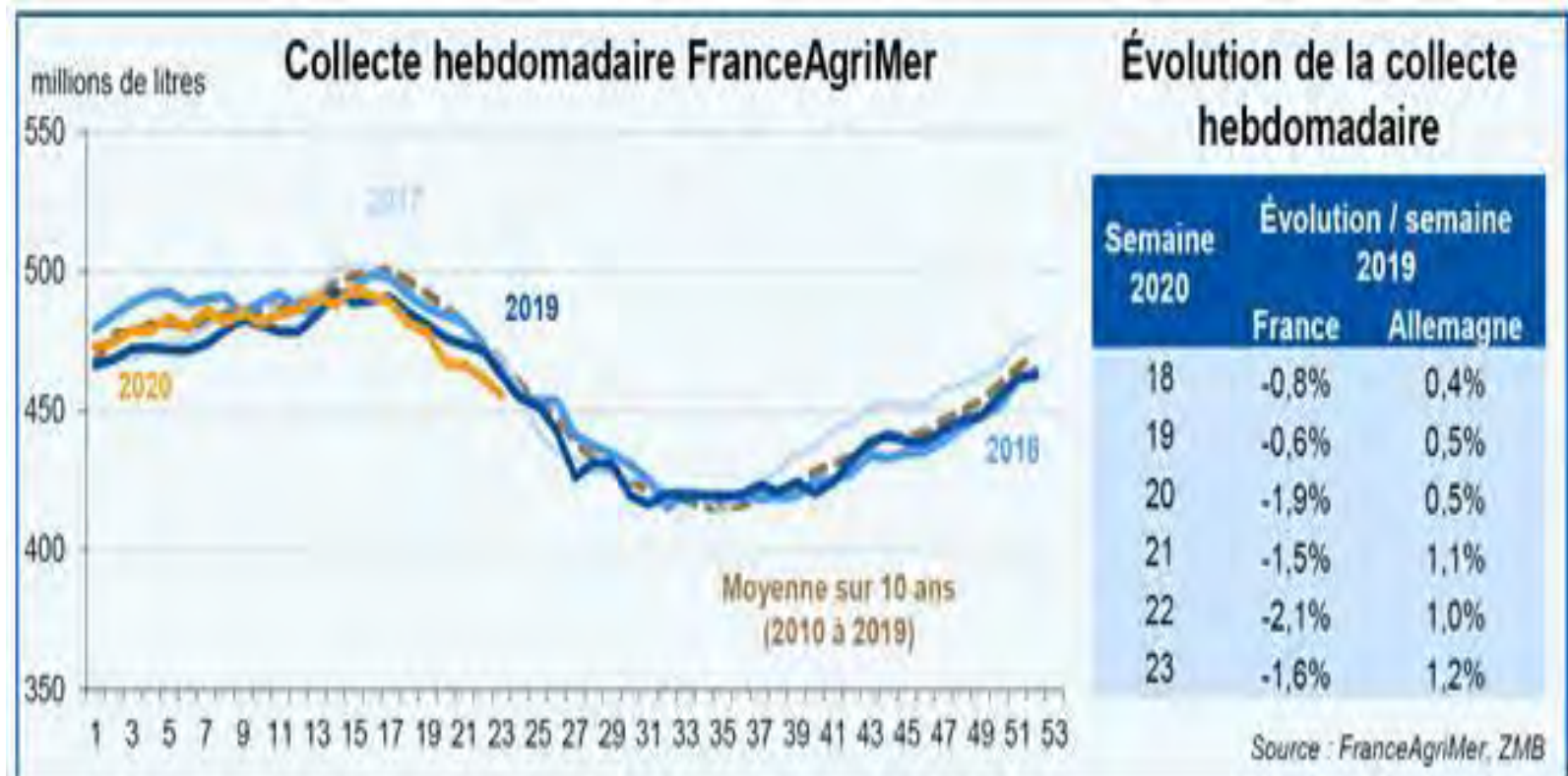
EU Milk production



Germany milk production (year-on-year)

Week	Germany
Week 24	+0.5%
Week 23	+1.2%
Week 22	+1.0%
Week 21	+1.1%
Week 20	+0.4%
Week 19	+0.5%

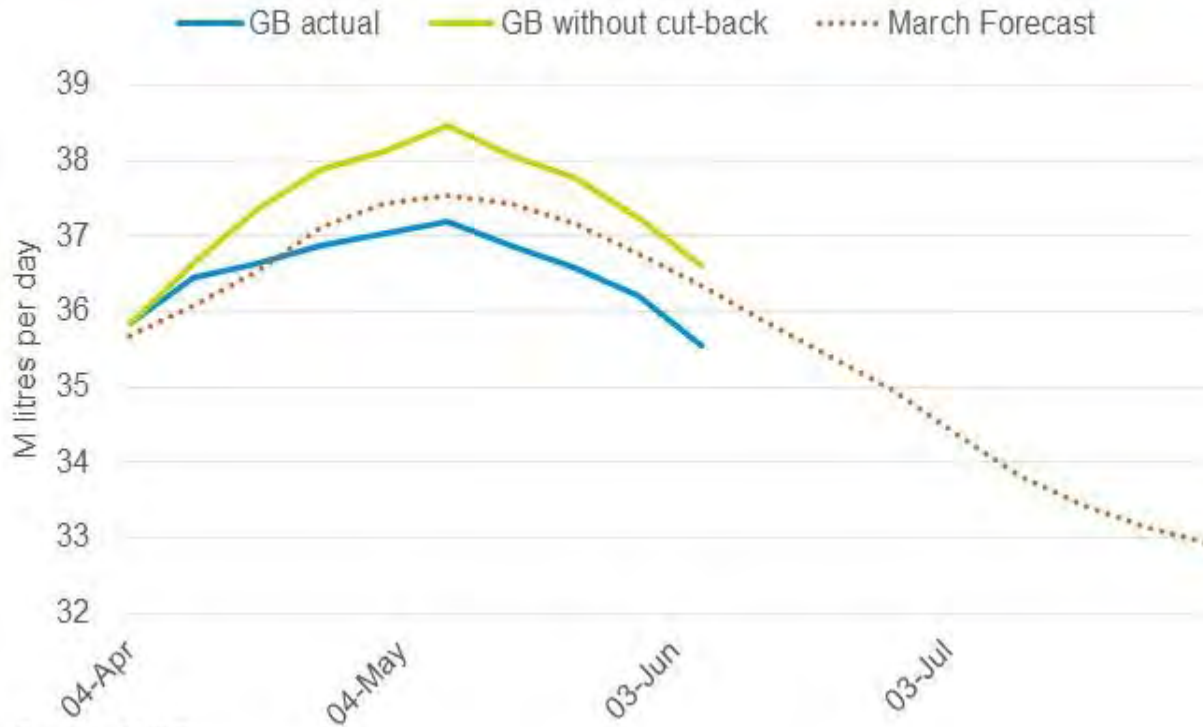
France



Great Britain (y-o-y)



GB daily milk deliveries with latest forecast
(7 day rolling average)

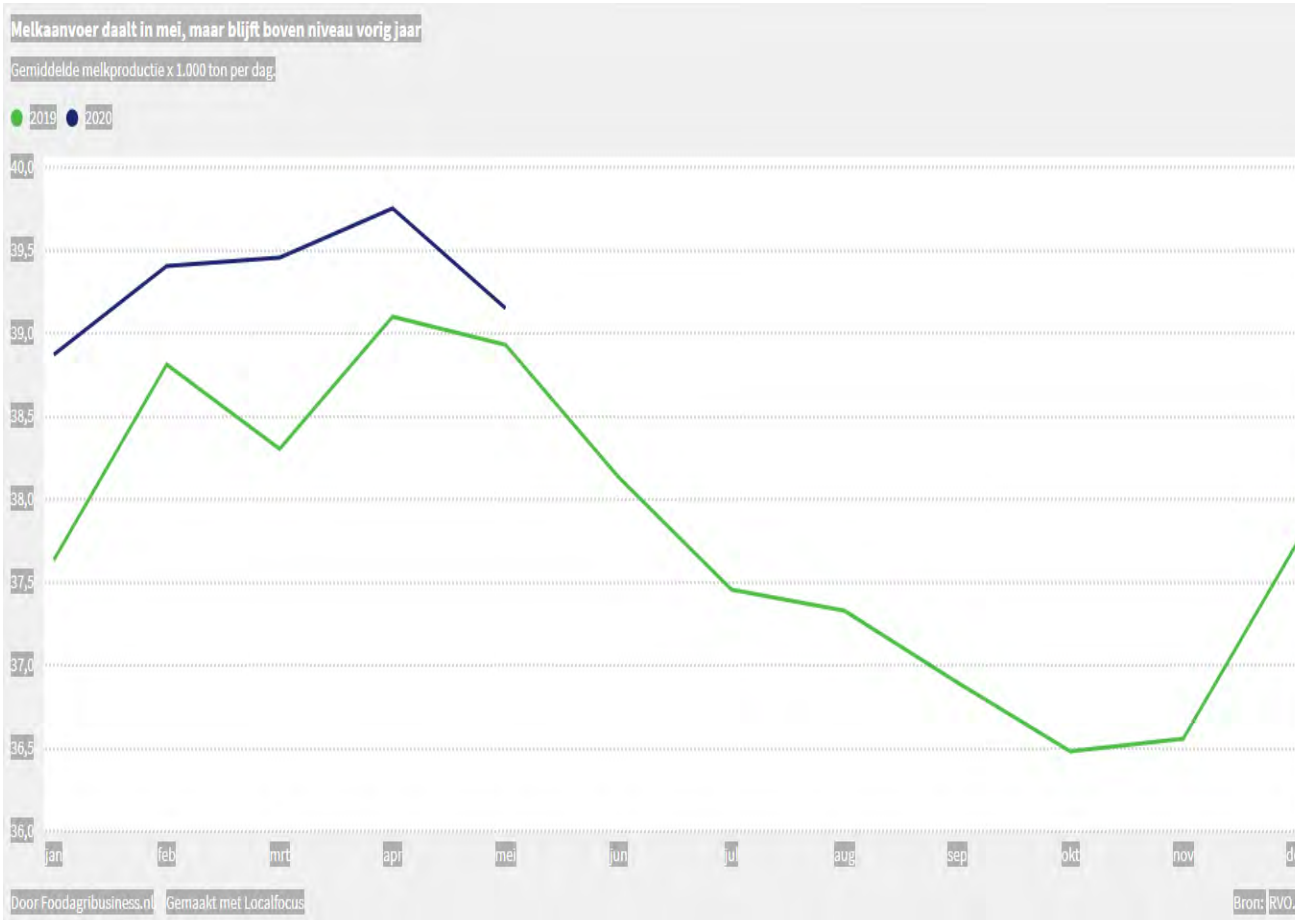


Source: AHDB

May: -1.9%
Year-on-year

Week 22: -2.5%
Week 23: -3.1%
Week 24: -2.1%

Netherlands milk production



Jan-May 2020:
 +2.7% (milk)
 +2.8% (fat)

May 2020:
 +0.6% (milk)
 +0.3% (fat)

Green = 2019
 Blue = 2020

COPA COGECA members



Country	Summary of comments received
Finland	Production is level with last year's, prices somewhat under pressure
Ireland	Production +1-3% for 2020, milk prices may be down 10% y-o-y
Slovenia	Production will be maintained since farmers need cash, contracts will remain on same level
UK	Production under pressure because of requests by dairies, price recovery will depend very much on foodservice and drought situation
Austria	2nd half of 2020 may see further normalisation with less price actions and price reductions
Latvia	June milk price 25.67 euro per 100 kg (forecast). Production was 69m kg of milk in May.

Main exporters milk production in Q1 2020

Milk production in Q1 2020 compared to Q1 2019		
	%	volume (million kg)
EU	+1.4%	+540
USA	+1.7%	+420
New Zealand	-3.1%	-180
Australia	+2.6%	+50
Argentina	+7.7%	+170
Uruguay	+3.0%	+10
Brazil	-2.4%	-145
Total		+865

Milk production in 2020 (est)

Milk production in 2020 compared to 2019

	%	volume (bn kg)
EU	+1.0%	+1.6
USA	+1.0%	+1.0
New Zealand (2020/21)	+1.5%	+0.3
Australia	+2.0%	+0.2
Argentina	+2.5%	+0.2
Uruguay		
Brazil		
Total		+3.3

3. Future & indices

CME: Class III Jan 2021 contracts

CME:DCX2020, D 16.36 ▼ -0.13 (-0.79%) O:16.40 H:16.40 L:16.23 C:16.36



Dutch dairy quotations

ZuivelNL quotations June 24, 2020:

Butter, 25 kg cartons:	+ € 3.00	€ 315.00
WMP, 26% fat:	+ € 5.00	€ 268.00
SMP extra quality:	- € 2.00	€ 218.00
SMP feed quality:	+/-€ 0.00	€ 202.00
Whey powder:	+/-€ 0.00	€ 73.00

Cheese Edam/Gouda: Hannover € 2.85-3.10 (June 24)

Kieler IFE Börsenmilchwert

LTO Nederland

24 June 2020

June 20	30,1
July 20	31,5
Aug 20	31,7
Sep 20	31,9
Oct 20	32,5
Nov 20	32,7
Dec 20	33,1
Jan 21	33,3

4% fat, 3.4% protein

Based on SMP and butter

durchschnittl. Kieler Börsenmilchwert: Juli - Dezember 2020

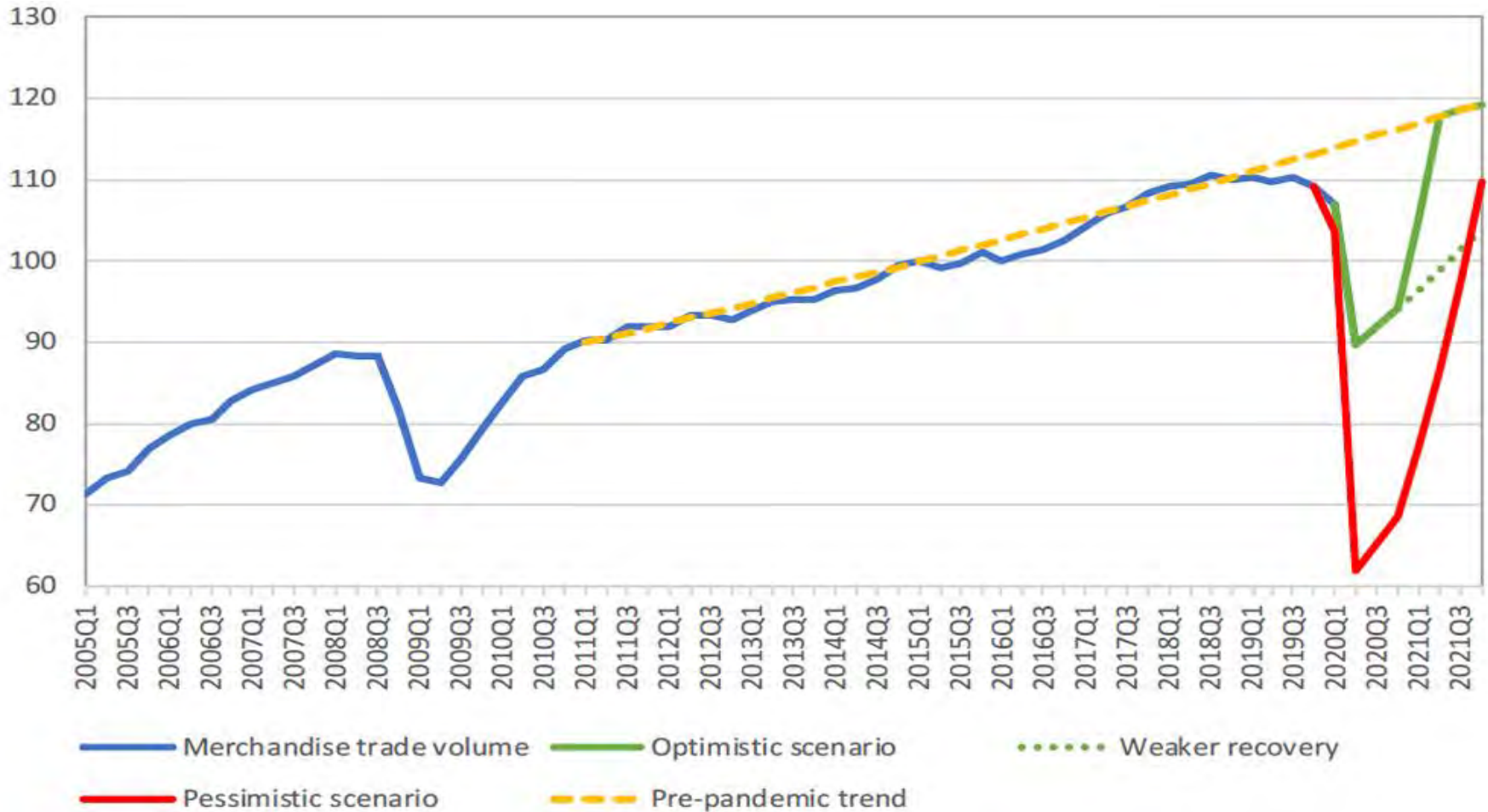


Dutch spot milk quotations (DCA): 32.50



World merchandise trade volume, 2005Q1-2021Q4 (Index, 2015=100)

Source: WTO



4. Conclusion: uncertainty

1. Uncertainty re Covid-19.
Economic depression:
consumers lacking
confidence going back to
shopping & dining as
before
2. Uncertainty in trade:
Brexit, China, US, ...)
3. Asia's protein deficit
(African Swine Fever)
4. Sustainability drive
(Green Deal)

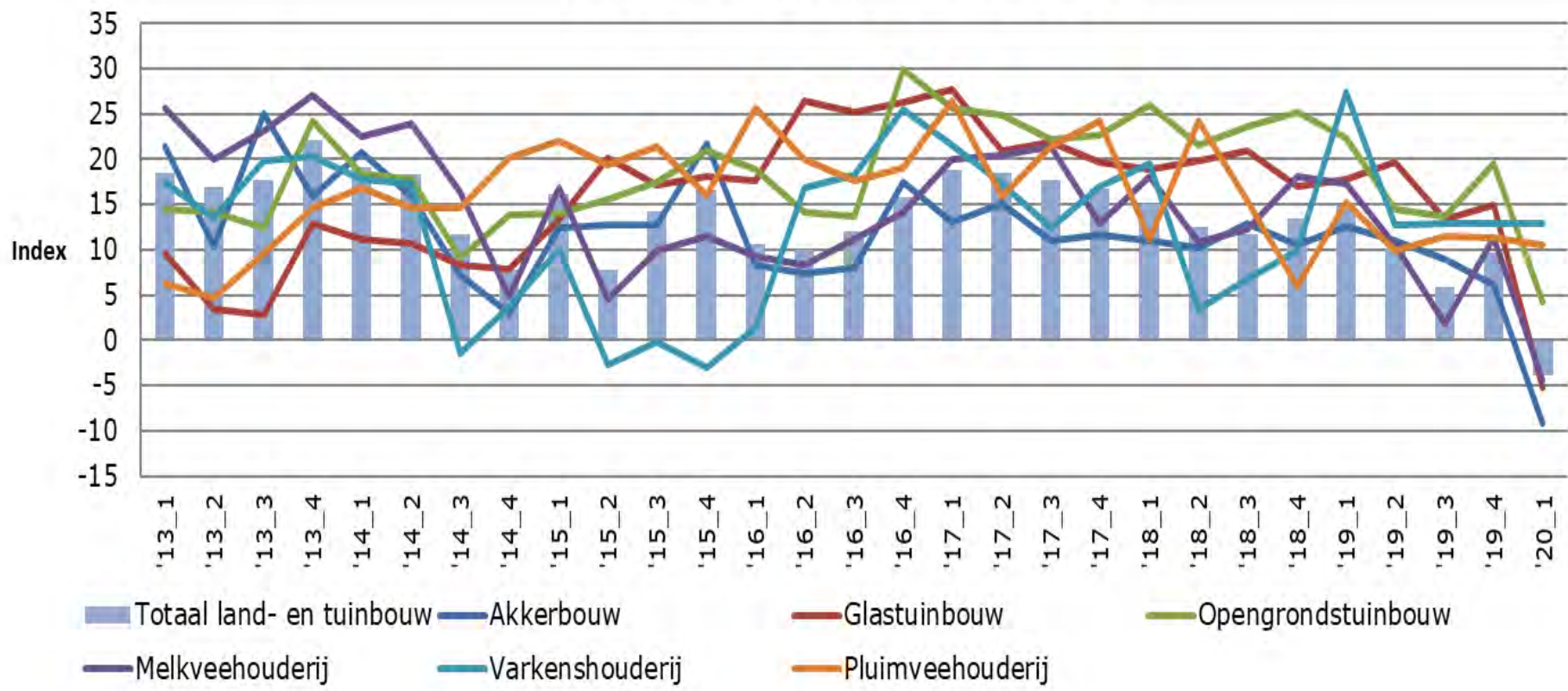


Plenty of uncertainty! Market direction will hinge on production response & foodservice demand. 2nd wave of COVID-19 is a threat.

5. Dutch farmers' confidence



Agro Vertrouwensindex



First week of April 2020



**Thank you
for your
attention!**

**@KJOsinga
kjosinga@lto.nl**

ANNEX 4

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

EDA



**EU dairy products
monthly stock estimates
at the end of April 2020**

**Milk Market Observatory
Economic Board**

June 26th, 2020

Methodology

- For each dairy product and each month, the stock estimates are based on the equation:
 - $\text{Stock variation} = \text{EU production} + \text{EU import} - \text{EU internal consumption} - \text{EU exports}$
- ZMB balance sheets and forecasts have been used as references for :
 - End of year stock levels
 - Yearly consumption levels
- Monthly production statistics are based on ZMB Dairy World publications.
- Exports and imports figures are based on MMO website figures and Eurostat. 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.

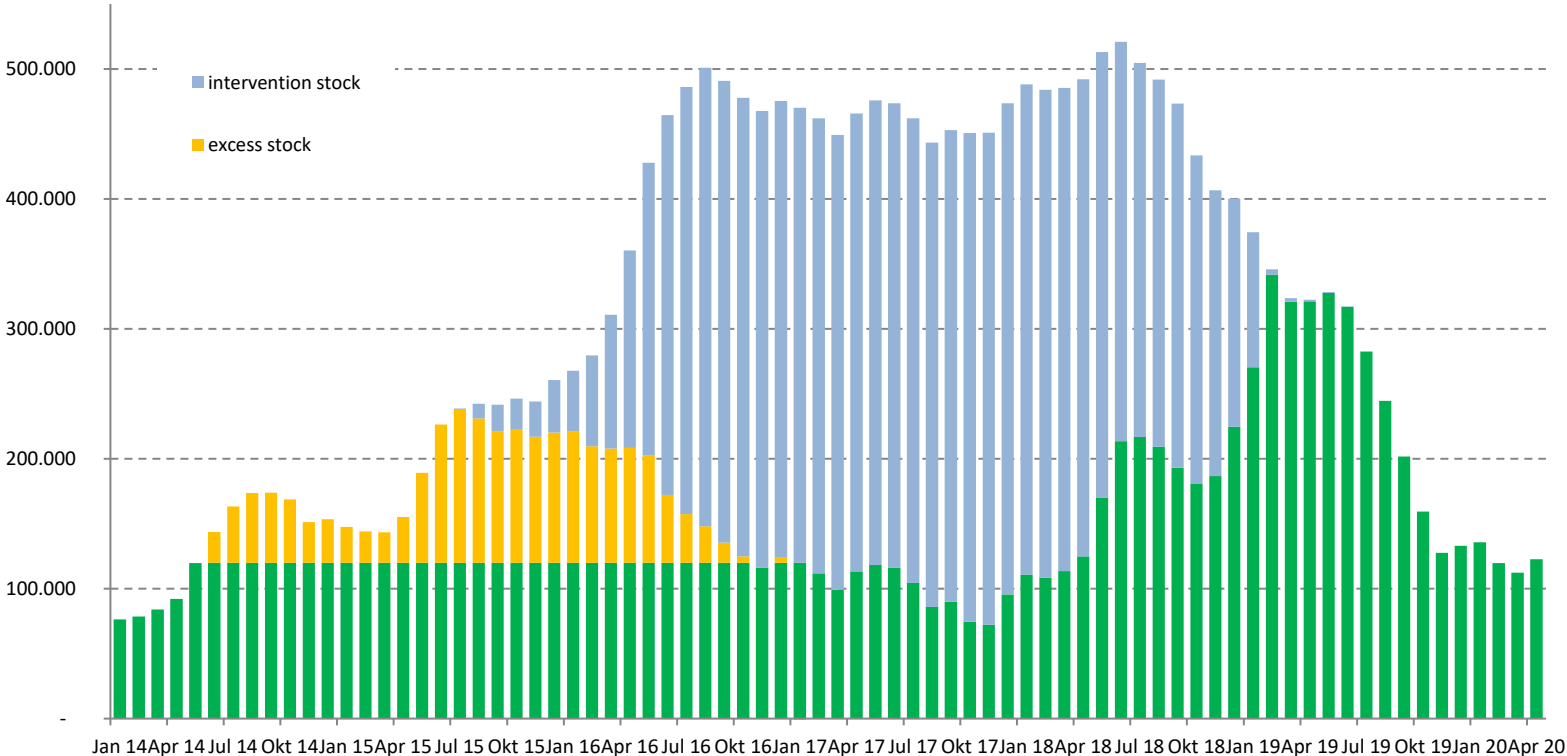
Since the end of November 2019, the European SMP stocks are fluctuating around a normal level of around 120 000 tons, thanks to continuous volumes exported to third countries and a modest production.



European stock level estimates - SMP - April 2020

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

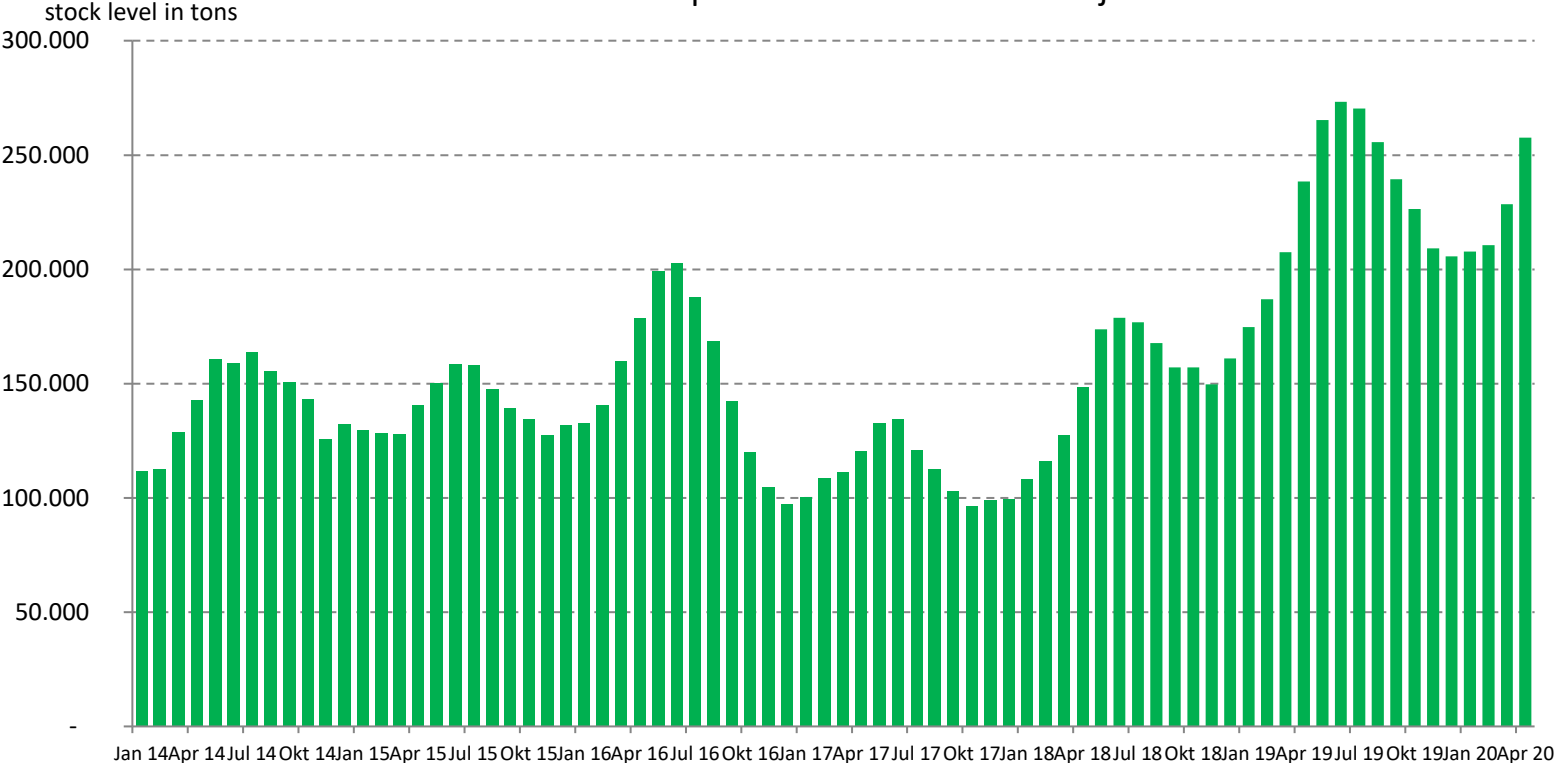
stock level
in tons



End of April 2020 , the European butter stocks are slightly higher than a year before due to higher initial stocks and stronger production. High exports to 3rd countries helped to improve the market-balance.

European stock level estimates - Butter - April 2020

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

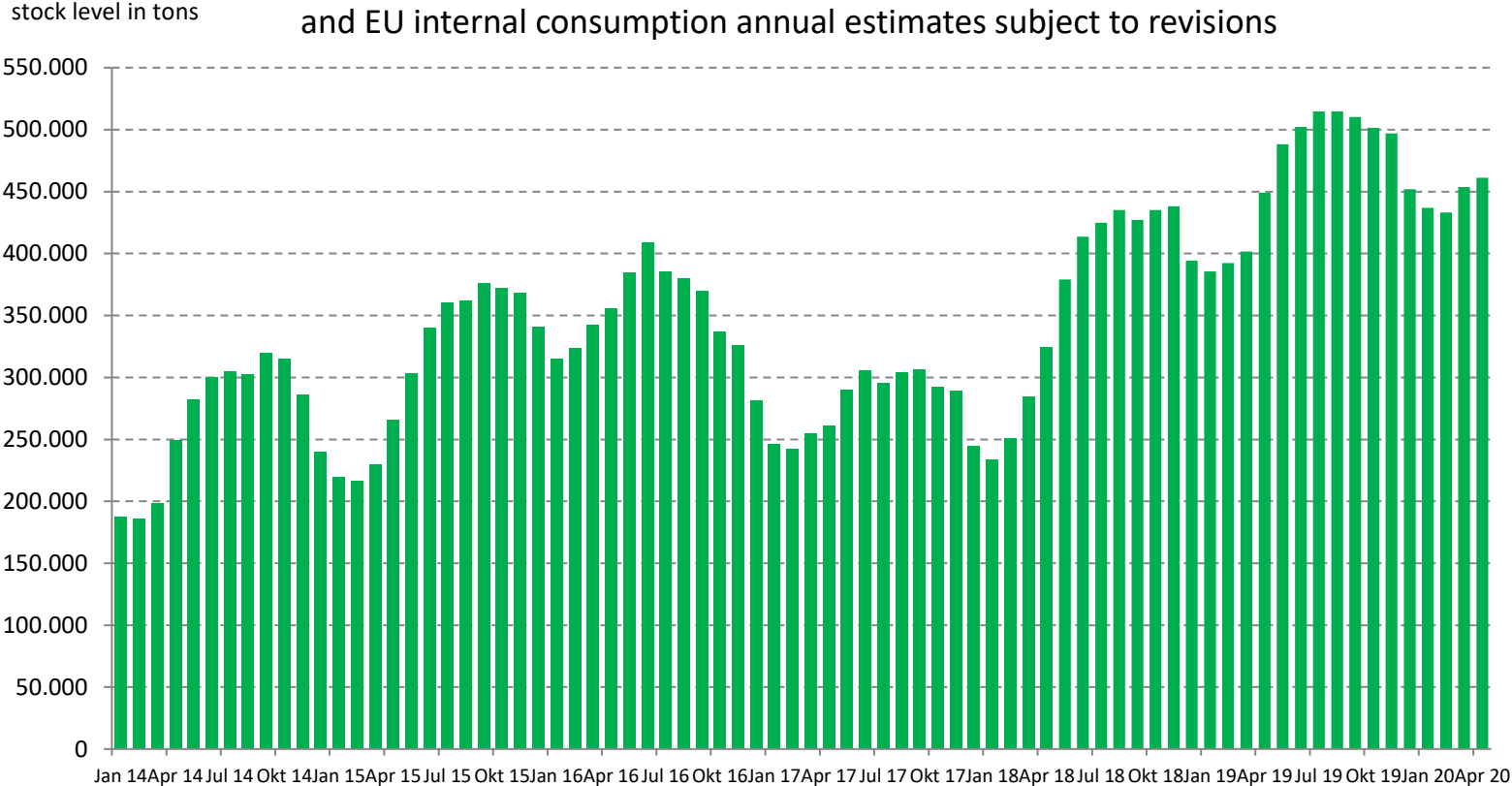


End of April 2020 , the European cheese stocks in total are on a normal level for the time of the year. Strong exports to 3rd countries helped to improve the market-balance. However, the collapse of food-service demand due to the lockdown and unusual strong retail-demand caused distortions.

European stock level estimates - Cheese



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



ANNEX 5

Perspectives from the Dairy Trade

Eucolait



Perspectives from the Dairy Trade

MMO Economic Board

26 June 2020



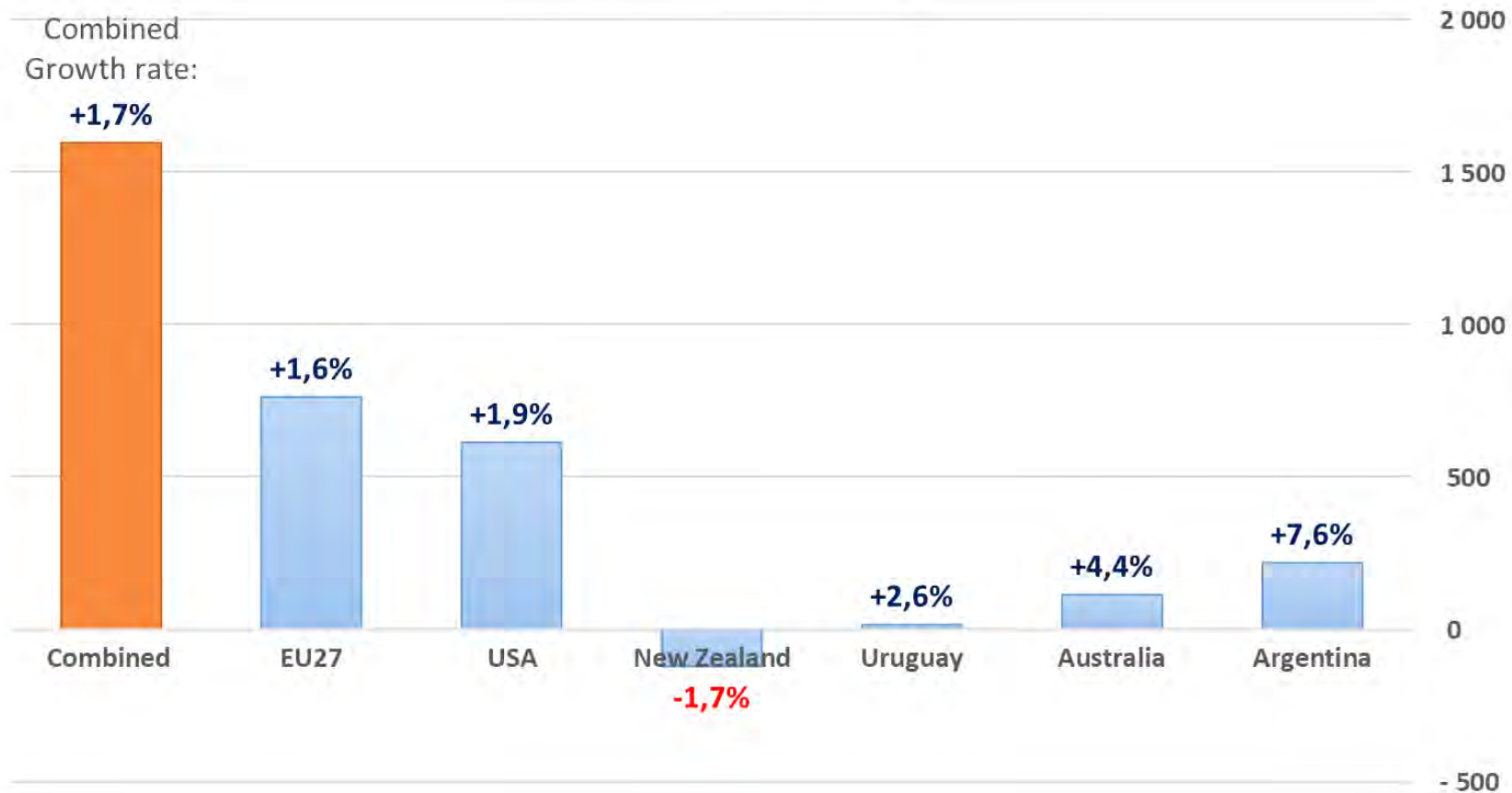
Outline

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



Milk production in key export regions

Comparing Jan-Apr 2020 milk production with Jan-Apr 2019
in main exporting countries/regions *
(in 1000 tonnes)



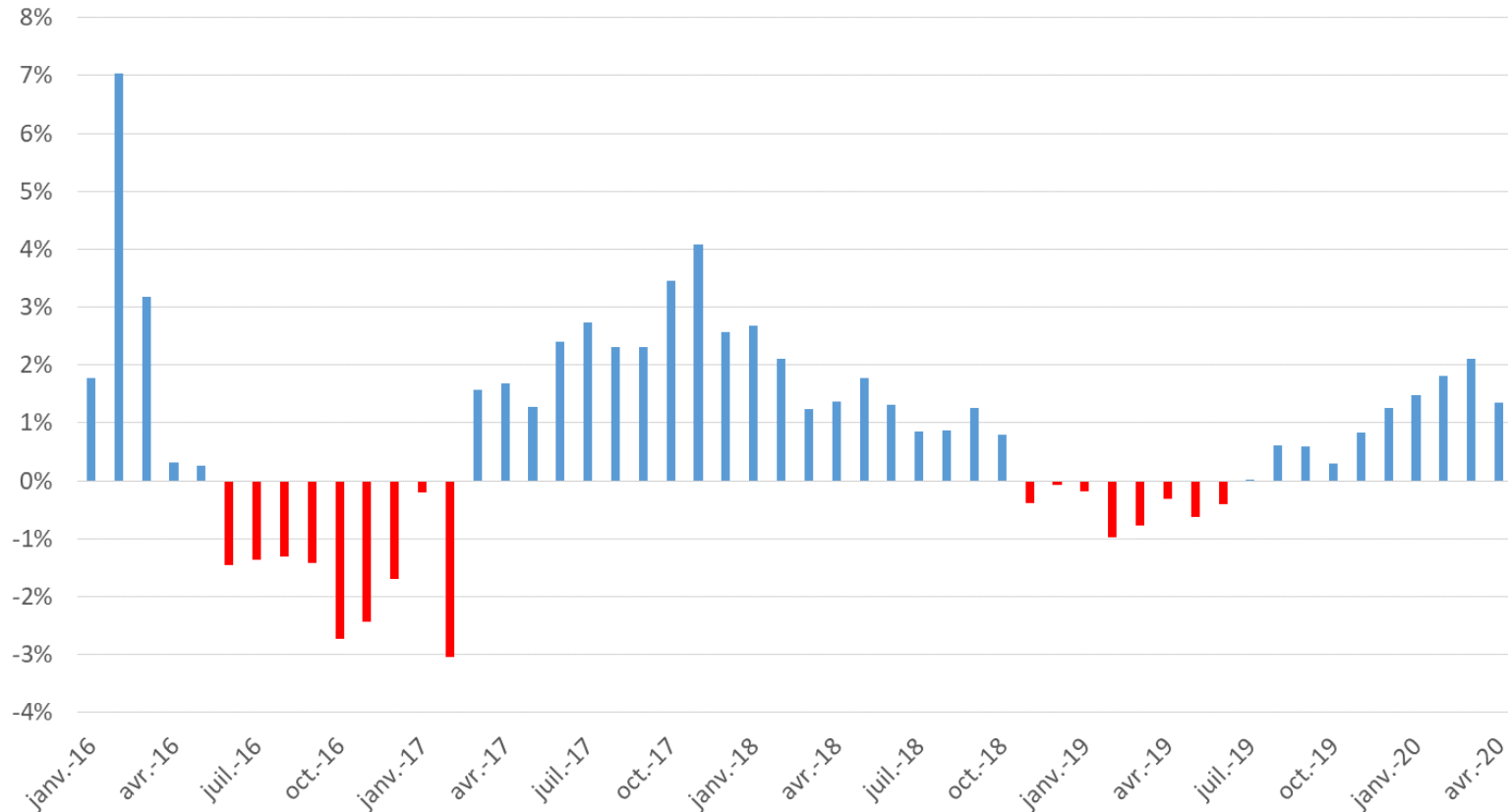
*adjusted for the leap year in 2020



Milk production in key export regions

World milk supply 2016-2020

(EU27, US, New Zealand, Australia, Argentina, Uruguay) -% change yoy*



* adjusted for the leap year in 2020



Production outlook

- **EU milk collections continue to increase** but the rate of growth is decreasing. Milk flows were up by 1,7% in March and 0,9% in April yoy. Outlook: dry weather conditions and efforts to reduce milk supply in some EU countries might lead to a further slowdown in the coming months and 2020 could end up on par with 2019.
- **US milk collections plunged into negative territory in May** (-1,1% yoy), reflecting efforts to lower production. Record milk dumping was reported in April but the volumes in question were still counted as deliveries. Volatility caused by Covid-19 has been particularly extreme in the US, enhancing uncertainty.
USDA 2020 outlook +1,9%, 2021 outlook +1,3%
- **NZ milk collections rebounded in May** (+4,3% yoy) after 5 months of decrease caused poor weather conditions. The full season 2019/20 ended up -0,4% behind last season but up +0,7% on a milk solids basis. Outlook: slight increase as weather conditions are expected to improve in the new season.
- **Australian milk production continues to recover** due to favourable weather conditions in the last few months (April yoy +6,4%, season to April -1,3%). Dairy Australia outlook: -1% to -3% for the season 2019/20
- **South America: milk production keeps recovering from 2019**, especially for Argentina due to improved profitability in Q1 (+7,7% in April, +7,6% ytd), however lower farm gate prices in Q2 and dry weather conditions might result in a production decline. Uruguay is improving but remains below 2018 levels (+5,4% yoy, +2,6% ytd)
- **Global milk supply:** around +1% more milk expected for the whole year



Global dairy exports in ME

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



Monthly global exports - all dairy products in milk equivalent (1000 tonnes)

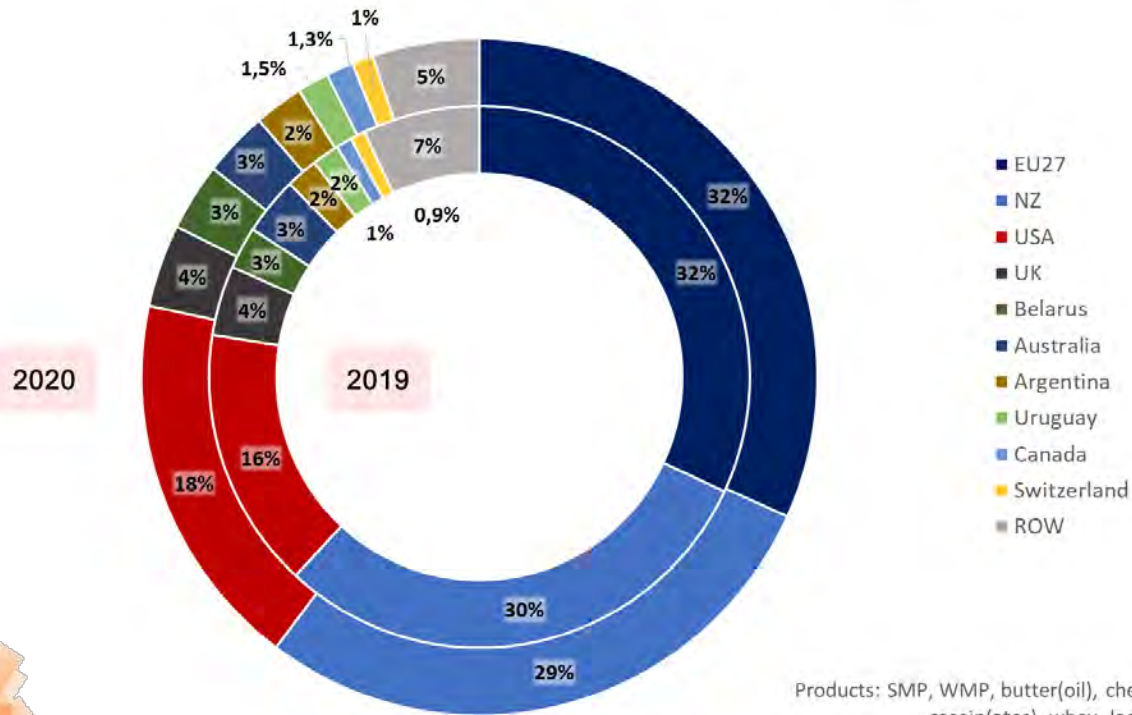




Dairy exports of main market players in ME

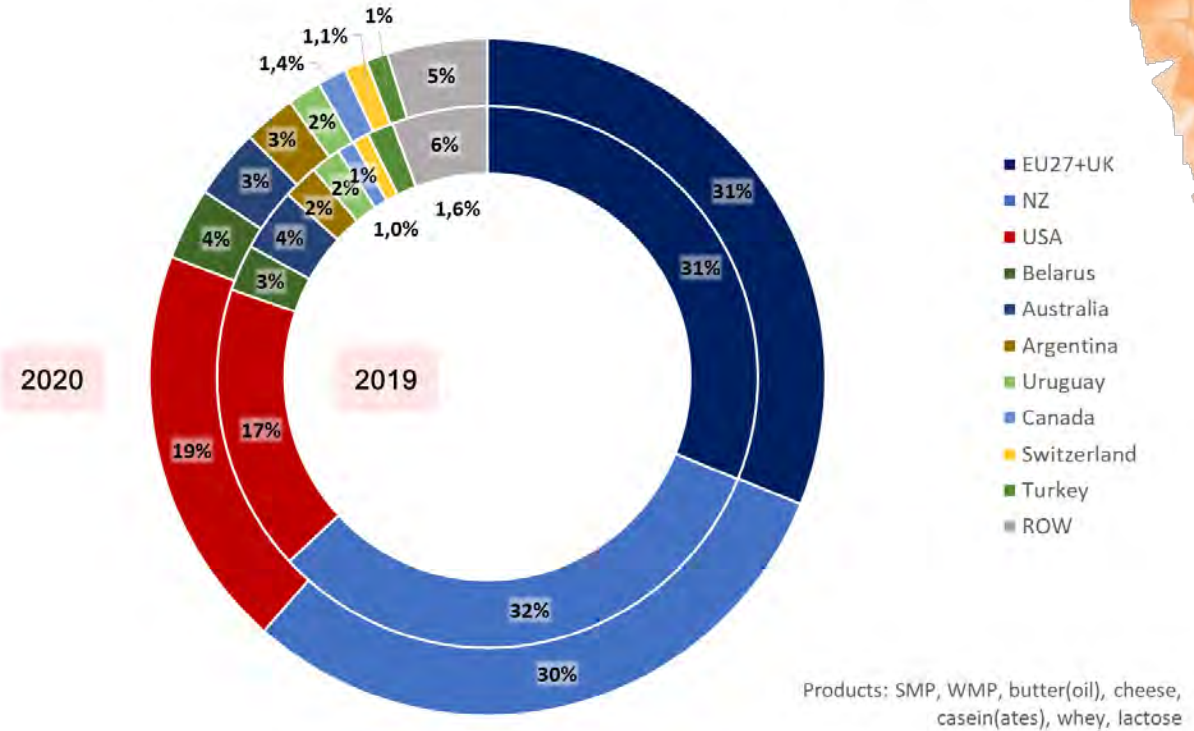
EU27

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



EU27+UK

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

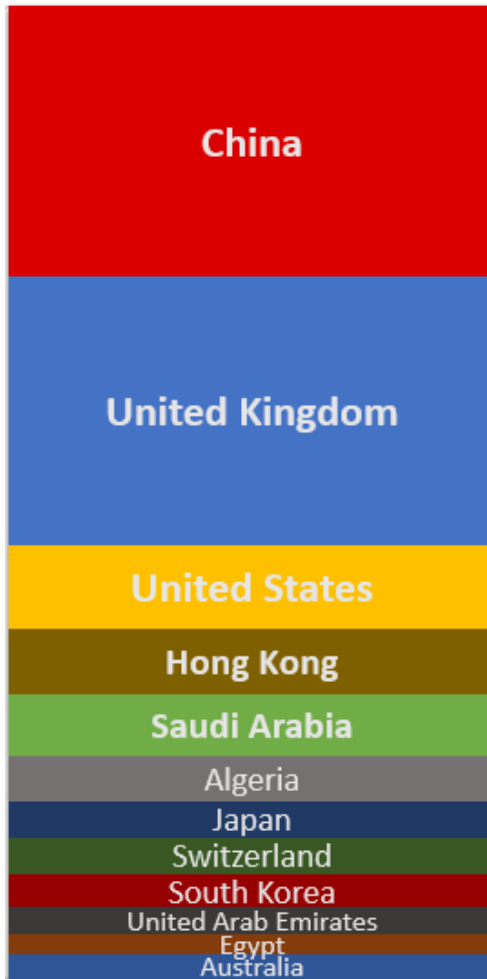




Main EU export markets for all dairy products

In value €

Jan-Mar 2018



Jan-Mar 2019



Jan-Mar 2020





Cheese trade

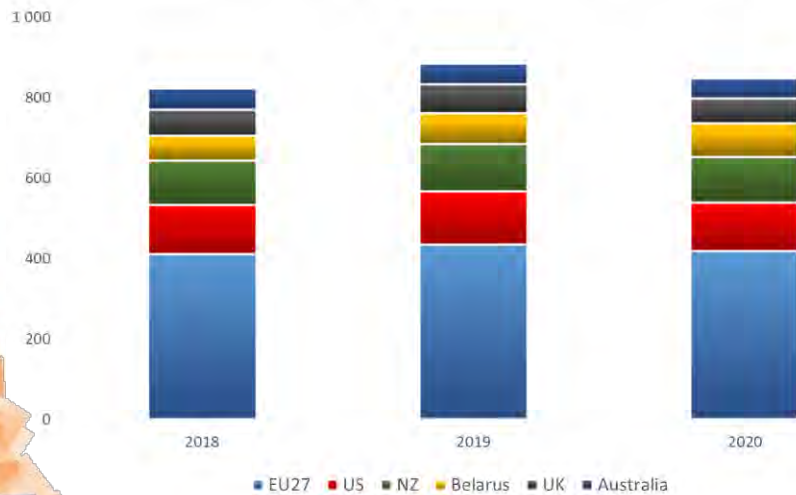
Combined cheese exports:

Growth rate Jan-Apr 20/19: **-3,8%**

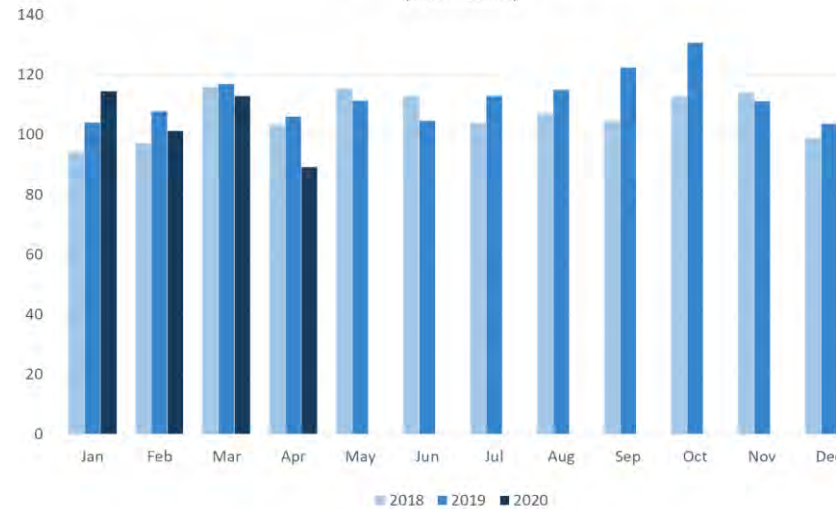
EU cheese exports:

Growth rate Jan-Apr 20/19: **-3,9%**

Cumulated cheese exports of major exporters Jan-Apr
(in 1000 tonnes)



EU27 cheese exports
(in 1000 tonnes)



EU27 CHEESE EXPORTS Q1 2020

	Volumes in tonnes	Market shares	Δ% 20/19
Total EU27 exports	328 724	100%	→ -0%
United Kingdom	105 789	32%	↓ -19%
United States	30 431	9%	↑ +8%
Japan	24 773	8%	↓ -9%
Switzerland	16 191	5%	↑ +8%
South Korea	14 348	4%	↑ +44%
Saudi Arabia	11 431	3%	↑ +6%
Ukraine	10 310	3%	↑ +146%
Australia	7 097	2%	↑ +9%
Algeria	6 507	2%	↑ +36%
Morocco	6 146	2%	↑ +56%
ROW	95 701	29%	↑ +8%



Butter trade

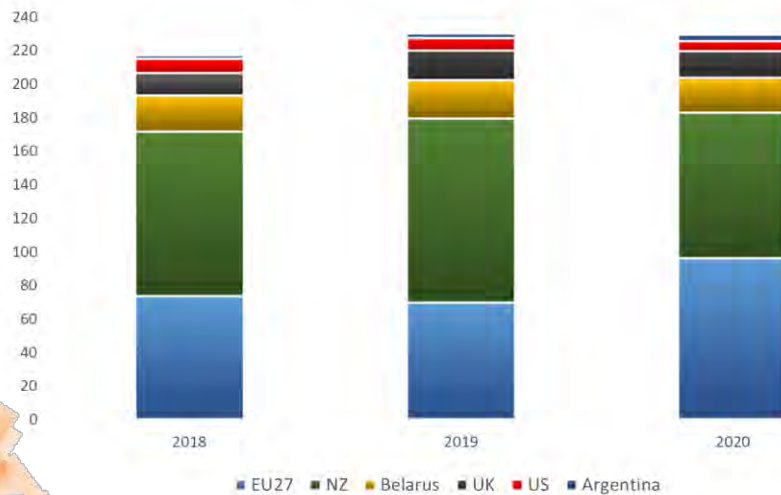
Combined butter exports:

Growth rate Jan-Apr 20/19: **-10,4%**

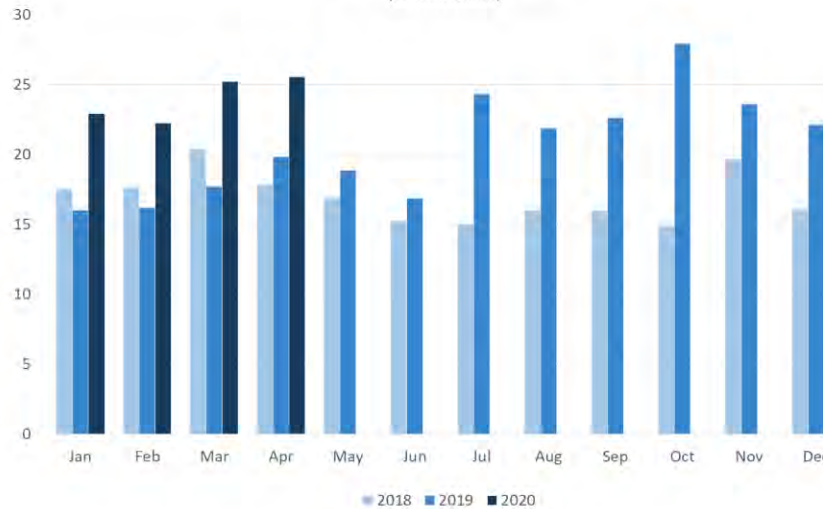
EU butter exports:

Growth rate Jan-Apr 20/19: **+37,5%**

Cumulated butter exports of major exporters Jan-Apr
(in 1000 tonnes)



EU27 butter exports
(in 1000 tonnes)



EU27 BUTTER EXPORTS Q1 2020			
	Volumes in tonnes	Market shares	Δ% 20/19
Total EU27 exports	70 349	100%	↑ +41%
United Kingdom	16 031	23%	↓ -11%
United States	8 117	12%	↑ +17%
Saudi Arabia	5 714	8%	↑ +188%
Morocco	4 493	6%	↑ +515%
Egypt	2 705	4%	↑ +1287%
China	2 372	3%	↑ +13%
Ukraine	2 368	3%	↑ +2155%
Turkey	2 193	3%	↑ +166%
United Arab Emirates	2 192	3%	↑ +57%
Japan	1 870	3%	↑ +33%
ROW	22 294	32%	↑ +37%



SMP trade

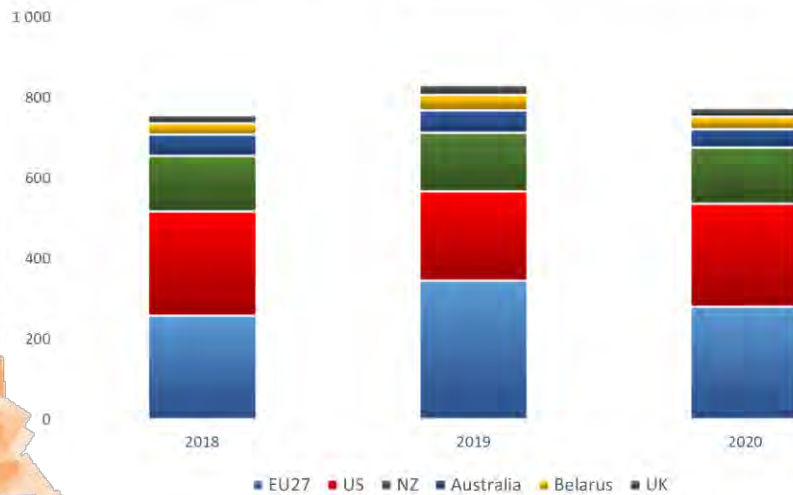
Combined SMP exports:

Growth rate Jan-Apr 20/19: **-9,1%**

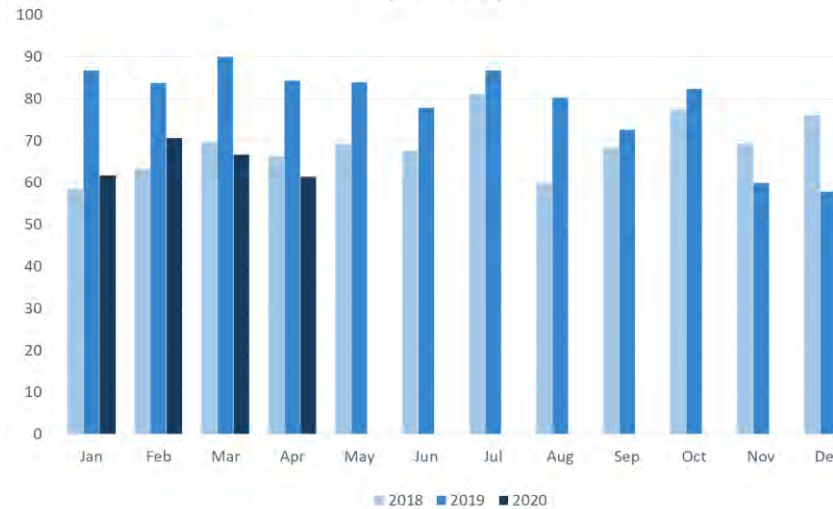
EU SMP exports:

Growth rate Jan-Apr 20/19: **-18,7%**

Cumulated SMP exports of major exporters Jan-Apr
(in 1000 tonnes)



EU27 SMP exports
(in 1000 tonnes)



EU27 SMP EXPORTS Q1 2020

	Volumes in tonnes	Market shares	Δ% 20/19
Total EU27 exports	199 134	100%	↓ -24%
Algeria	33 478	17%	↑ +21%
China	24 865	11%	↓ -10%
Egypt	15 078	8%	↓ -19%
Malaysia	11 323	6%	↓ -8%
Indonesia	9 442	5%	↓ -68%
Saudi Arabia	8 677	4%	↓ -17%
Nigeria	8 623	4%	↓ -7%
Yemen	8 229	4%	↓ -4%
United Kingdom	6 651	3%	↑ +14%
Thailand	5 728	3%	↓ -17%
ROW	67 040	34%	↓ -35%



WMP trade

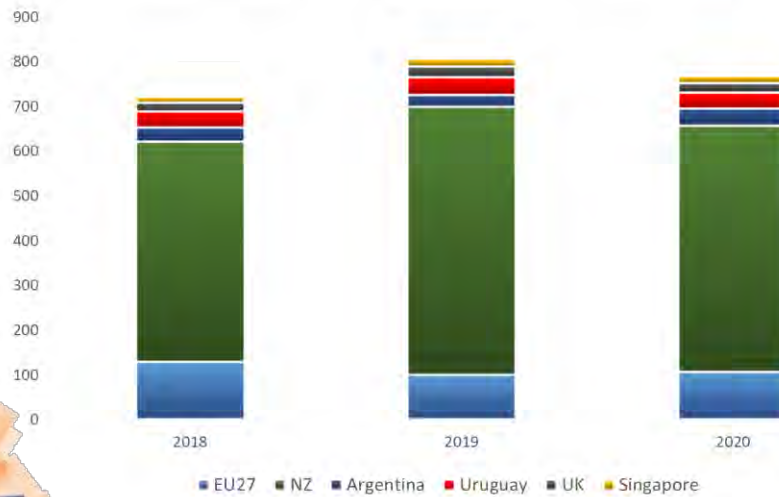
Combined WMP exports:

Growth rate Jan-Apr 20/19: **-6,2%**

EU WMP exports:

Growth rate Jan-Apr 20/19: **+7%**

Cumulated WMP exports of major exporters Jan-Apr
(in 1000 tonnes)



EU27 WMP exports
(in 1000 tonnes)



EU27 WMP EXPORTS Q1 2020			
	Volumes in tonnes	Market shares	Δ% 20/19
Total EU27 exports	78 352	100%	↑ +5%
Oman	10 523	13%	↓ -11%
United Kingdom	7 443	9%	↓ -4%
Nigeria	4 656	6%	↑ +80%
Kuwait	4 062	5%	↓ -21%
Algeria	3 831	5%	↑ +370%
China	3 433	4%	↓ -7%
Saudi Arabia	2 612	3%	↔ +0,7%
United Arab Emirates	2 555	3%	↑ +59%
Dominican Republic	2 517	3%	↑ +51%
Lebanon	2 454	3%	↓ -26%
ROW	34 266	44%	↑ +2%



Whey trade

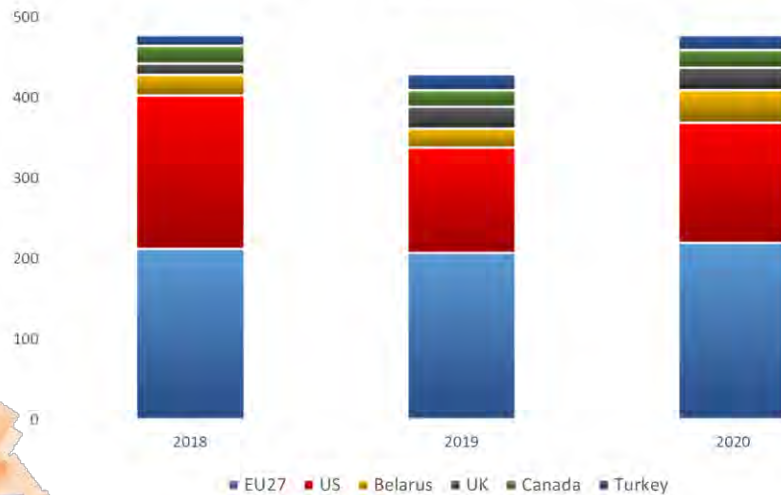
Combined whey exports:

Growth rate Jan-Apr 20/19: +9,5%

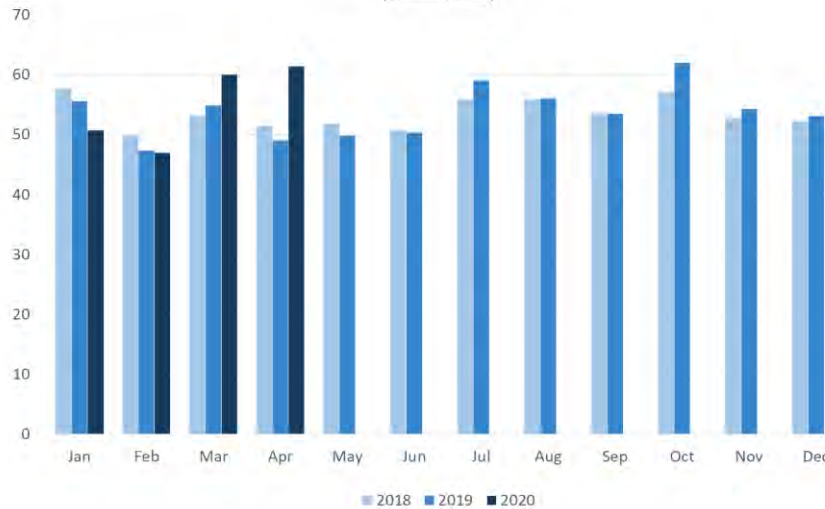
EU whey exports:

Growth rate Jan-Apr 20/19: +6%

Cumulated whey exports of major exporters Jan-Apr
(in 1000 tonnes)



EU27 whey exports
(in 1000 tonnes)



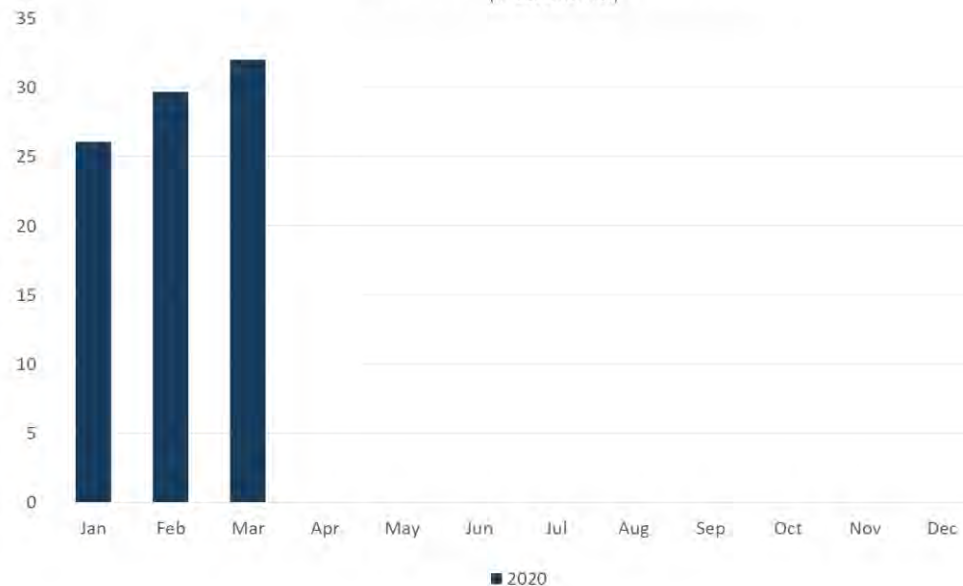
EU27 WHEY EXPORTS Q1 2020

	Volumes in tonnes	Market shares	Δ% 20/19
Total EU27 exports	157 852	100%	+0%
China	47 050	30%	+10%
Malaysia	17 565	13%	+31%
Indonesia	15 719	10%	-26%
United Kingdom	10 199	6%	-47%
Thailand	9 677	6%	+1%
Vietnam	6 293	4%	+58%
South Korea	4 140	3%	+41%
New Zealand	3 671	2%	+17%
Philippines	3 593	2%	-5%
India	3 344	2%	+182%
ROW	36 601	23%	+1%



Fat-filled powder trade

EU27 fat-filled powder exports
(in 1000 tonnes)



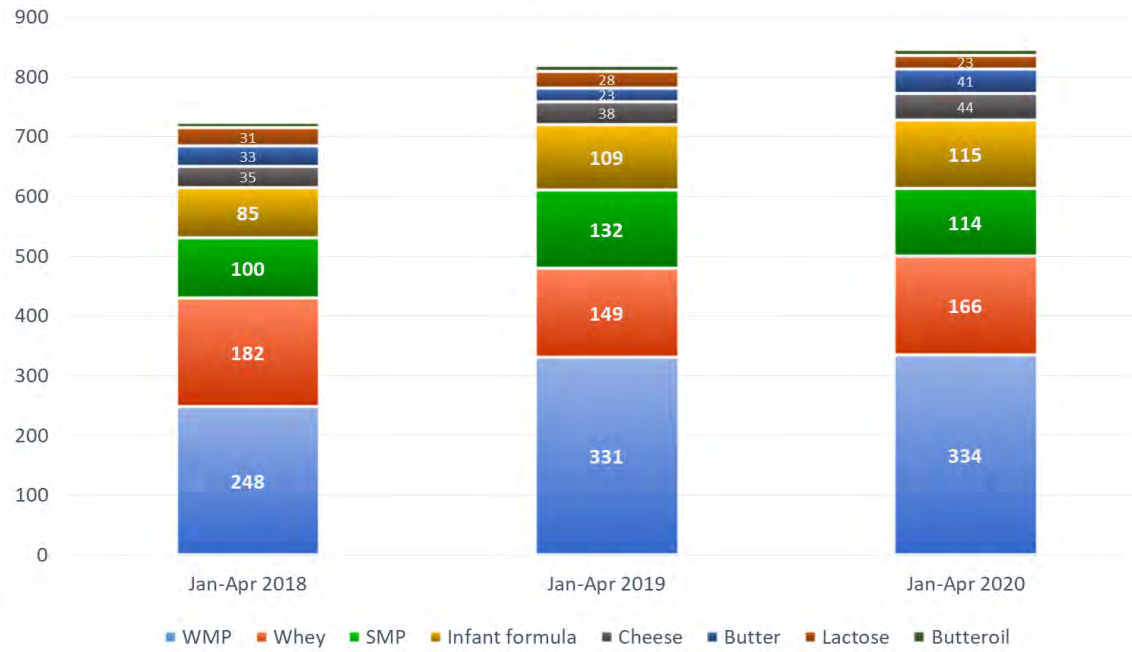
EU27 FAT-FILLED POWDER EXPORTS Q1 2020

	Volumes in tonnes	Market shares
Total EU27 exports	87 755	100%
Nigeria	17 751	20%
United Arab Emirates	10 340	12%
Senegal	8 689	10%
Iraq	7 421	8%
Bangladesh	3 640	4%
Cote d'Ivoire	2 764	3%
Mali	2 644	3%
Egypt	2 552	3%
Guinea	2 367	3%
Togo	2 318	3%
ROW	27 269	31%

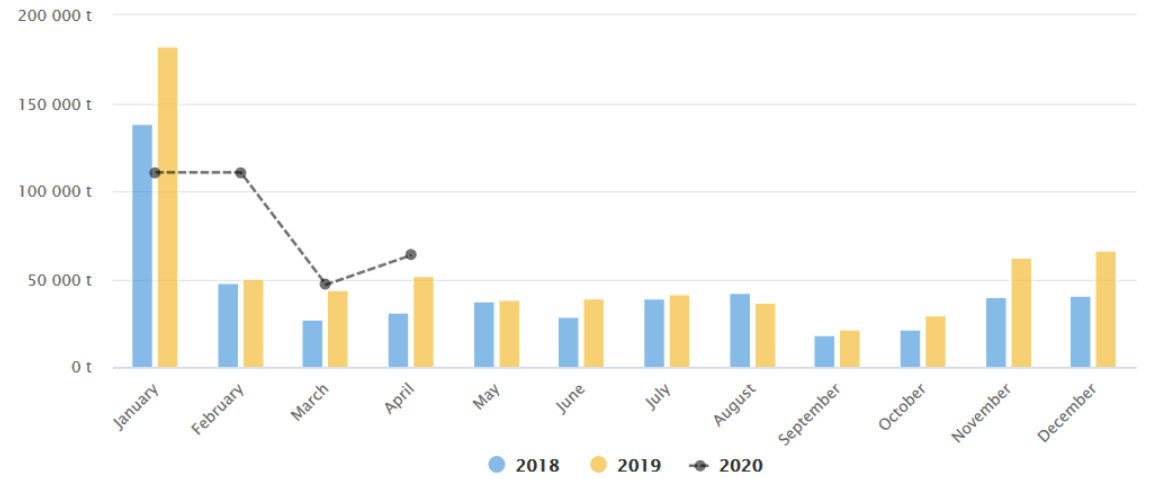


China imports

Cumulated China imports
(in 1000 tonnes)



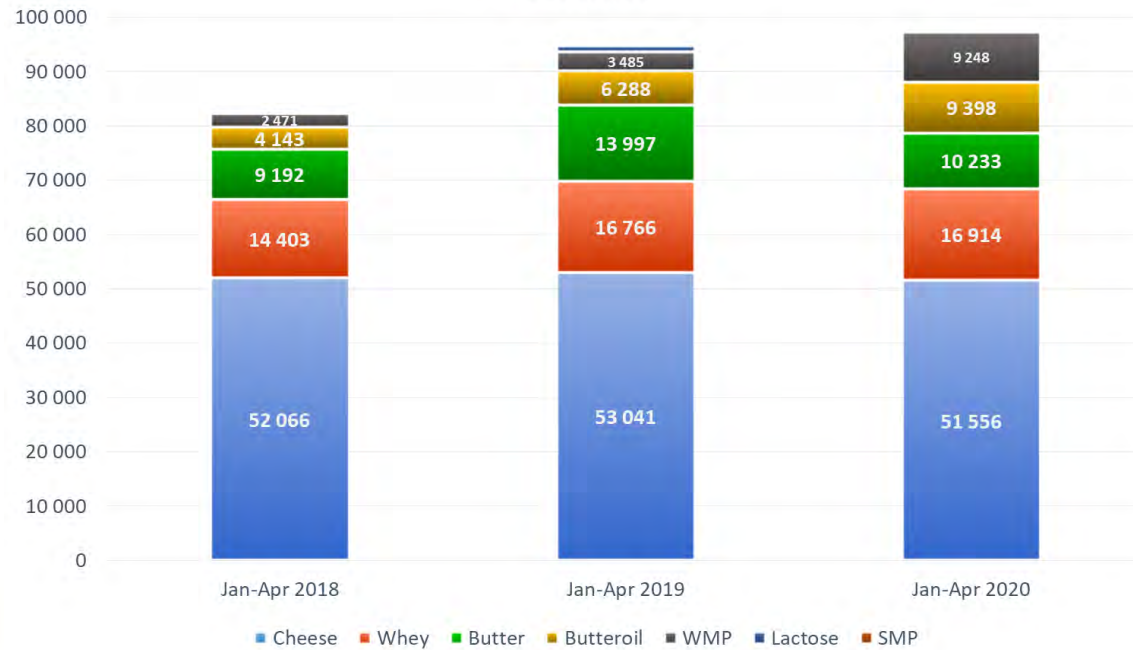
CHINA imports of WMP



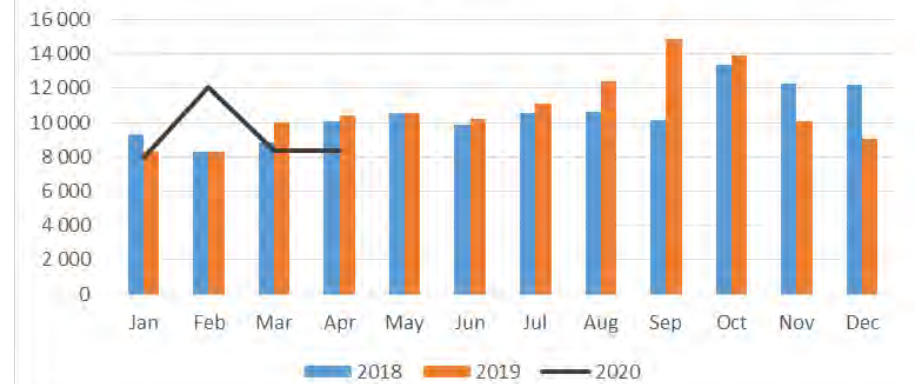


US imports

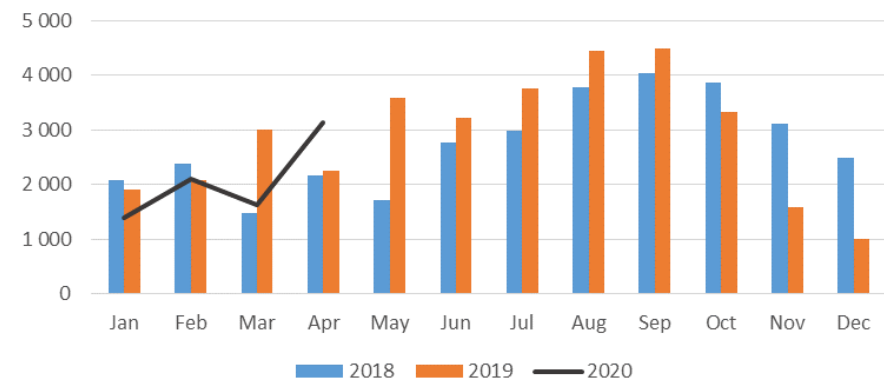
Cumulated US imports
(in 1000 tonnes)



US cheese imports from the EU27
(in tonnes)



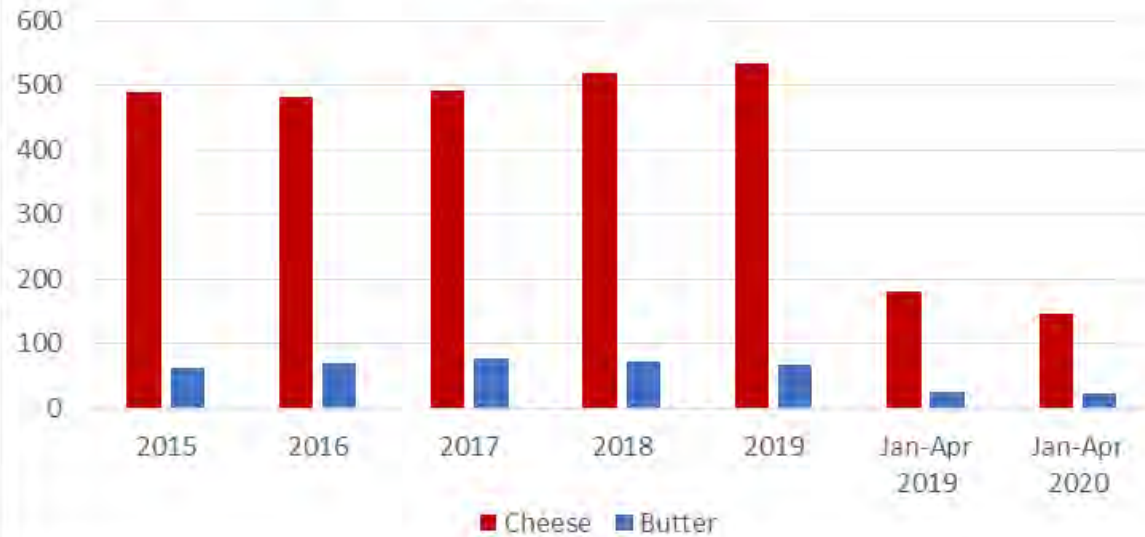
US butter imports from the EU27
(in tonnes)





Trade between EU27 and UK

UK imports from the EU
(in 1000 tonnes)



UK exports to the EU
(in 1000 tonnes)





Conclusions (1)

- Dairy product prices fell rapidly when the seriousness of the pandemic became clear, dropping almost to the intervention level for SMP. **Price recovery has taken place since Easter, followed by stabilisation** at somewhat below pre-covid levels.
- **Market sentiment has improved** on the back of lower milk flows and economic activity picking up again but **how sustainable is this recovery?**
- **Food service reopening combined with still strong retail buying has sustained demand.** Restaurants will however not reach normal sales before sometime in 2021 at the earliest and households will have less available income.
- **The impact of covid-19 starts to be visible in trade figures** and as March/April volumes were contracted prior to the outbreak, a more significant slow down could be expected from June onwards.
- **All macroeconomic indicators are in the red:** GDP growth, global trade volumes, employment, oil price...



Conclusions (2)

- **Cheese and butter are the product categories hit hardest by covid-19** with food service accounting for 30% to 40% of the total demand in the EU. Retail demand has increased by around 20% but cannot fully compensate for the losses.
- **Uptake of PSA has not been spectacular but has helped sentiment.** The US food box programme has also offered considerable support to the market.
- In addition to the corona virus, **US tariffs and Brexit remain major concerns.**
- **The current balance seems fragile** as the fact remains that **supply will outweigh demand in 2020.** Further reduction of milk output is required.
- Are dairy markets ignoring the Covid-19 impact and the likely severe recession? **Continuous uncertainty and volatility to be expected.**
- To end on a positive note: people still have to eat and health and sustainability conscious consumers will opt for European dairy products.



- Thank you for your attention -

ANNEX 6

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

EuroCommerce



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

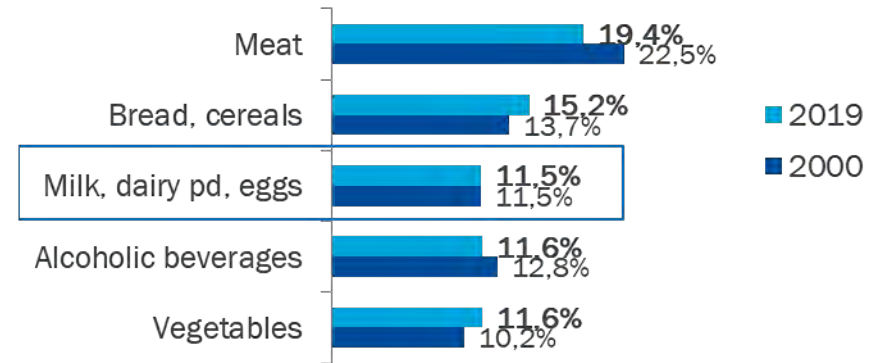
Milk Market Observatory
26 JUNE 2020

France

Key Figures

- The consumption of dairy products and eggs represents 21,5 billion euros in 2019 (11,5% of food expenditures) vs 11,5% in 2000 (+55%). In volume, consumption increased by 26,9% during this period.
- Long-term trends show a decline in the consumption of liquid milk and butter and an increase in demand for cheese and yoghurts.

Breakdown of households consumption : food
(home consumption , % value)



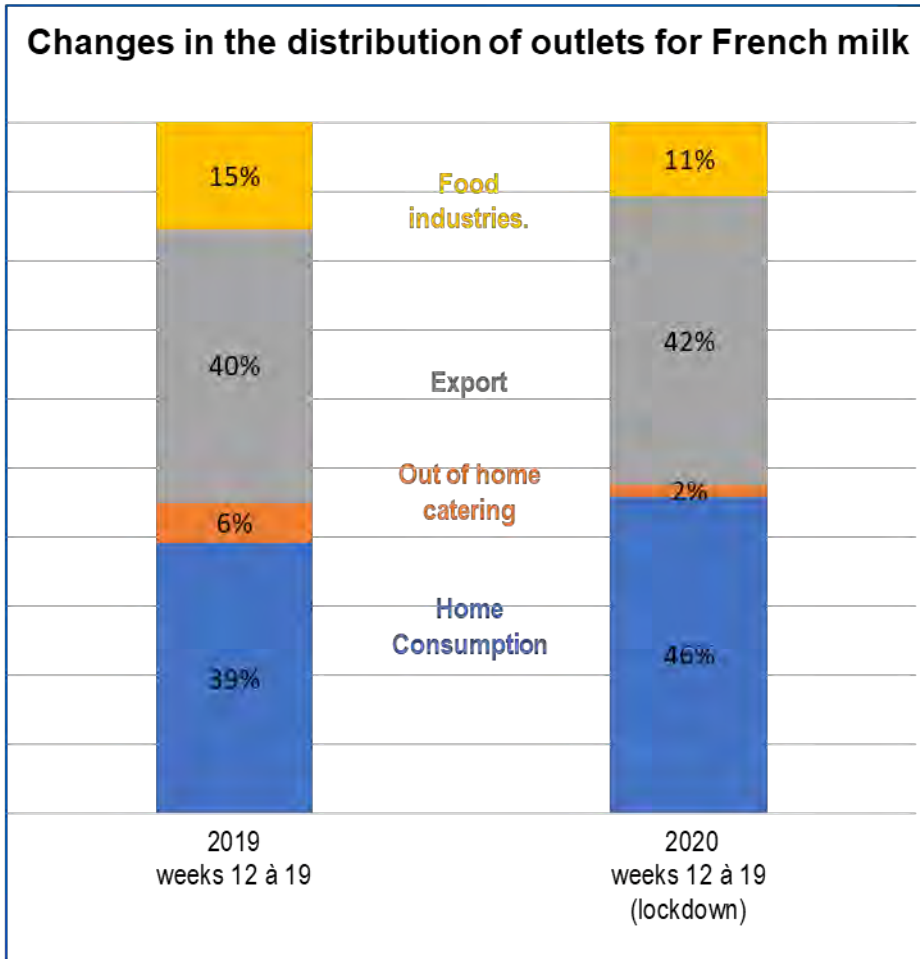
Consumption : milk, dairy products, eggs

	2019 M€	2018-2019 value	2018-2019 volume	2000-2019 value	2000-2019 volume
Milk, dairy products, eggs	21 466	2,5%	+0,1%	+55,1%	+26,9%
Cheese	11 698	+3,1%	+0,3%	+68,3%	+34,9%
Yoghurt & fresh cheese	4 200	+2,0%	0,0%	+37,3%	+31,5%
Liquid milk	2 552	-2,0%	-3,3%	+15,2%	-18,0%
Butter	1 706	+7,2%	-0,6%	+52,6%	-5,5%

Source : INSEE

France

Key Figures



The lockdown period had an impact on the breakdown of milk outlets.

The weight of home consumption increased to 46% of the volumes of milk produced in France.

The weight of out-of-home catering contracted to 2%.

Source : CNIEL

France

Home consumption - Period ending 30 april 2020

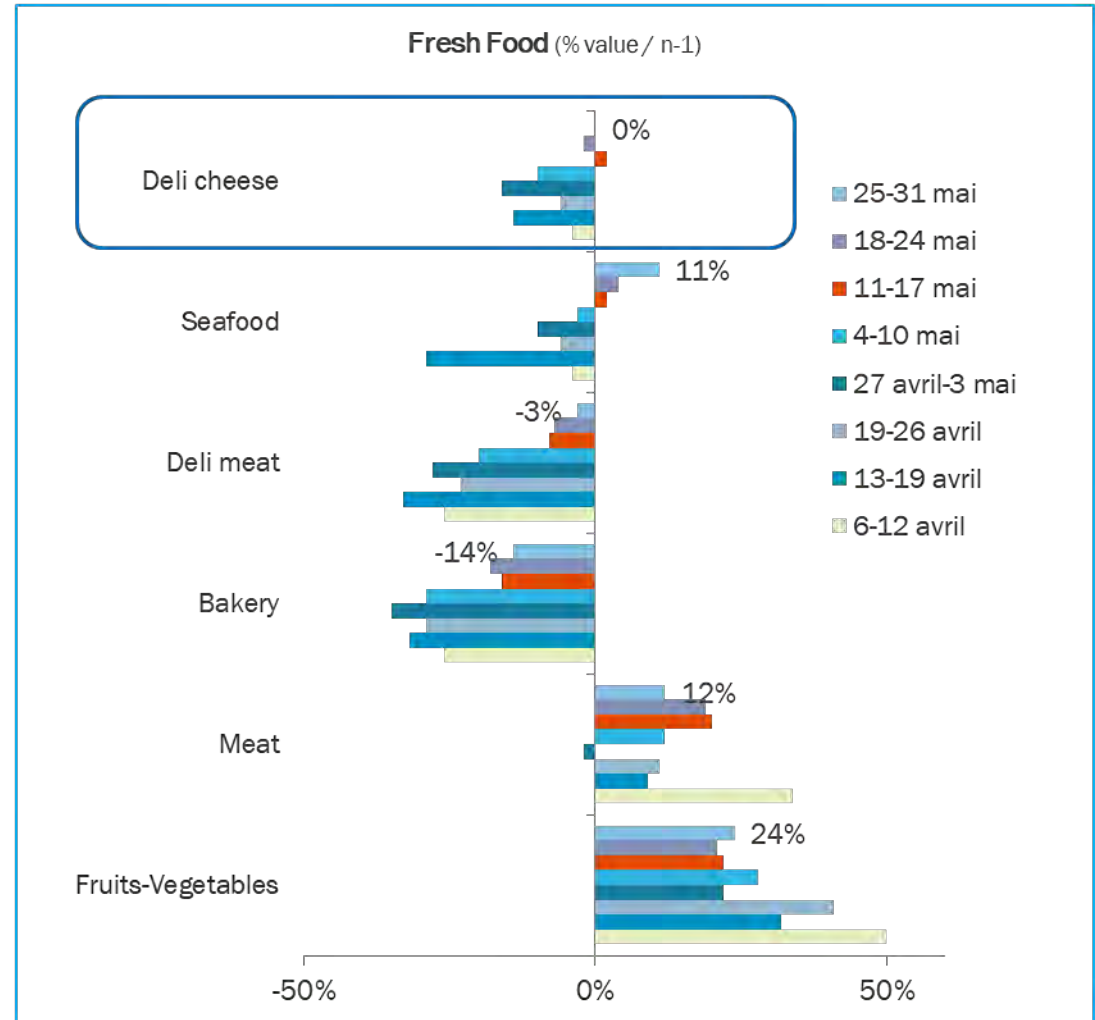
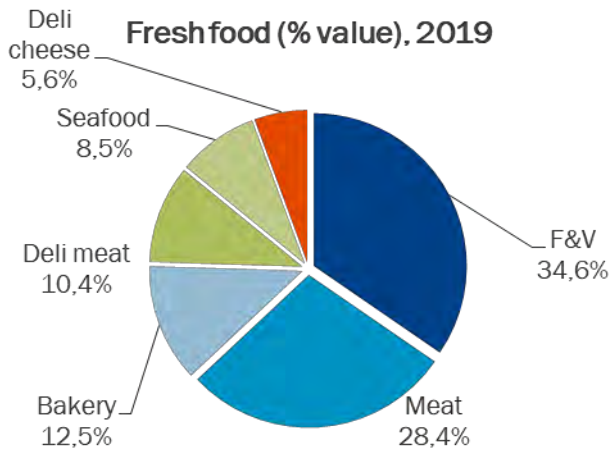
Product category	Volume (% change) 4 weeks period (P04'19/P04'20)	Volume (% change) Year on year (P04'18-P04'19 / P04'19 -P04'20)	Price (% change) 4 weeks period (P04'19/P04'20)	Price (% change) Year on year (P04'18-P04'19 / P04'19 -P04'20)
Total liquid milk	+9,3%	2,5%	+1,2%	+1,7%
Of which UHT semi-skimmed milk	+10,6%	+4,4%	+0,3%	+1,1%
Yoghurt & fresh cheese	+15,7%	+2,7%	-1,4%	+2,5%
Butter	+28,1%	+6,4%	+0,1%	+4,3%
Cream	+40,0%	+8,0%	+1,4%	+3,6%
Cheese	+25,5%	+5,6%	-2,8%	+1,5%

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

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)

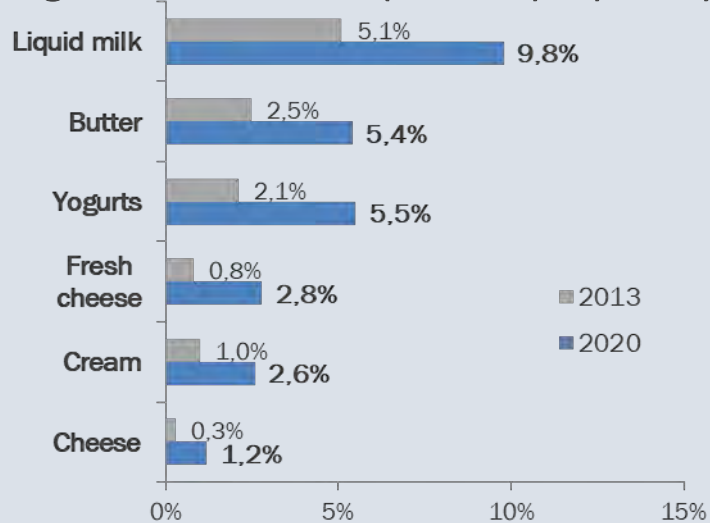
France

Sales of organic versus conventional milk & dairy products

Organic milk & dairy products

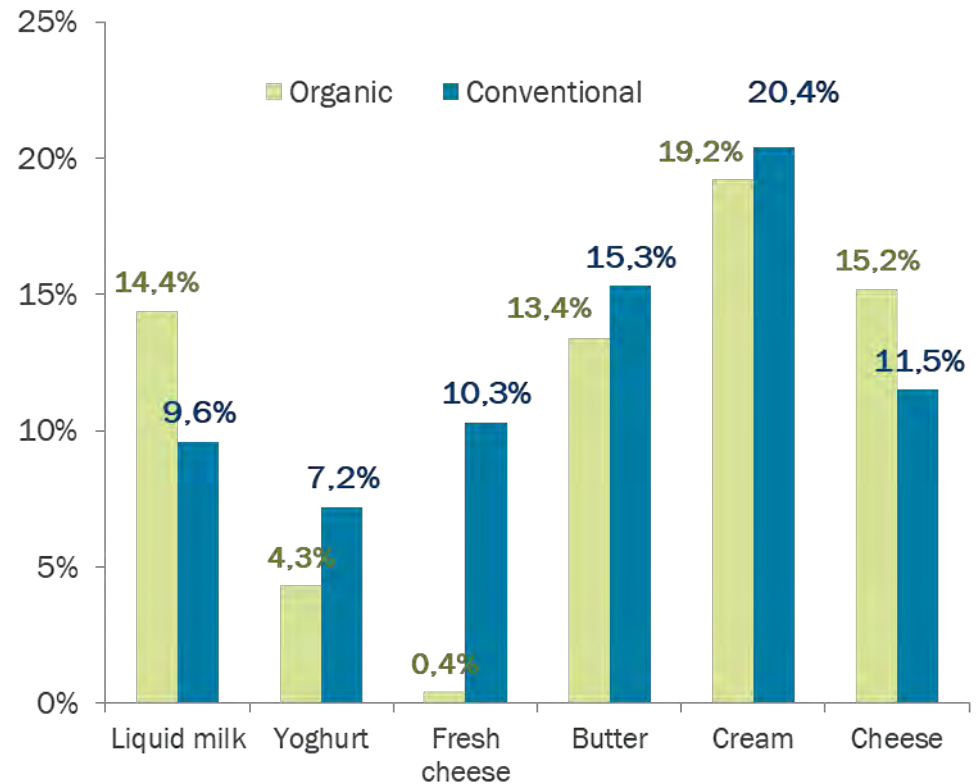
- ❖ Organic dairy products sales have continued to increase, but the growth rhythm was slower during the lockdown period.

Organic market shares (% vol. 30/04/2020)



Consumption of organic versus conventional milk and dairy products

% in volume Year on Year Jan-avril 2020



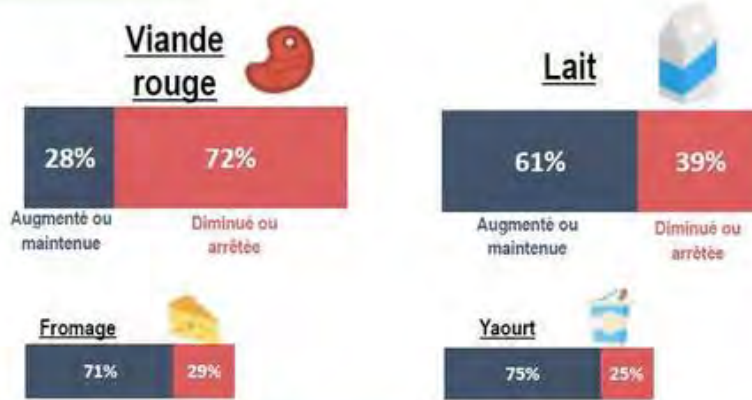
Source: Kantar World Panel via FranceAgriMer (Min. de l'Agriculture)

France

Opinion polls : Red meat is less resistant than dairy products in flexitarian households



Base : enfants dont au moins un parent du foyer déconsomme les produits d'origine animale



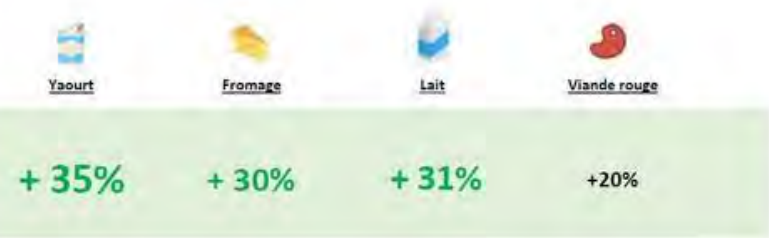
In a household with at least one flexitarian parent, 61% of children have increased or maintained their milk consumption over the last 5 years (only 7% drink substitutes such as vegetable juices), 71% for cheese and 75% for yoghurt. On the other hand, for red meat, 72% of children have stopped or decreased their consumption

Base enfant: Total (N = 3383) / Enfants dont au moins un des parents déconsomme les produits d'origine animale (N = 1713)
 Q4. Nous allons maintenant parler de la consommation de vos enfants. Pour chacun des produits suivants diriez-vous que leur consommation s'est maintenue, a augmenté, a un peu diminué, a beaucoup diminué, s'est totalement arrêtée - au cours des 5 dernières années ?

OpinionWay carried out a focus from 24 April to 4 May 2020. With the increase in meals taken at home and in the preparation of dishes, we note a 35% increase in yoghurt consumption among children whose parents are going vegetarian, a 30% increase for cheese and a 31% increase for milk and 20% for red meat..

Aliments privilégiés pour les enfants pendant le confinement
 % Plus qu'avant le confinement

Enfants dont au moins un des parents déconsomme les produits d'origine animale (N = 614)



Source : OpinionWay – Lactel (2019 & 2020)

Italy

Milk and dairy products – Year 2019 and 1Q 2020

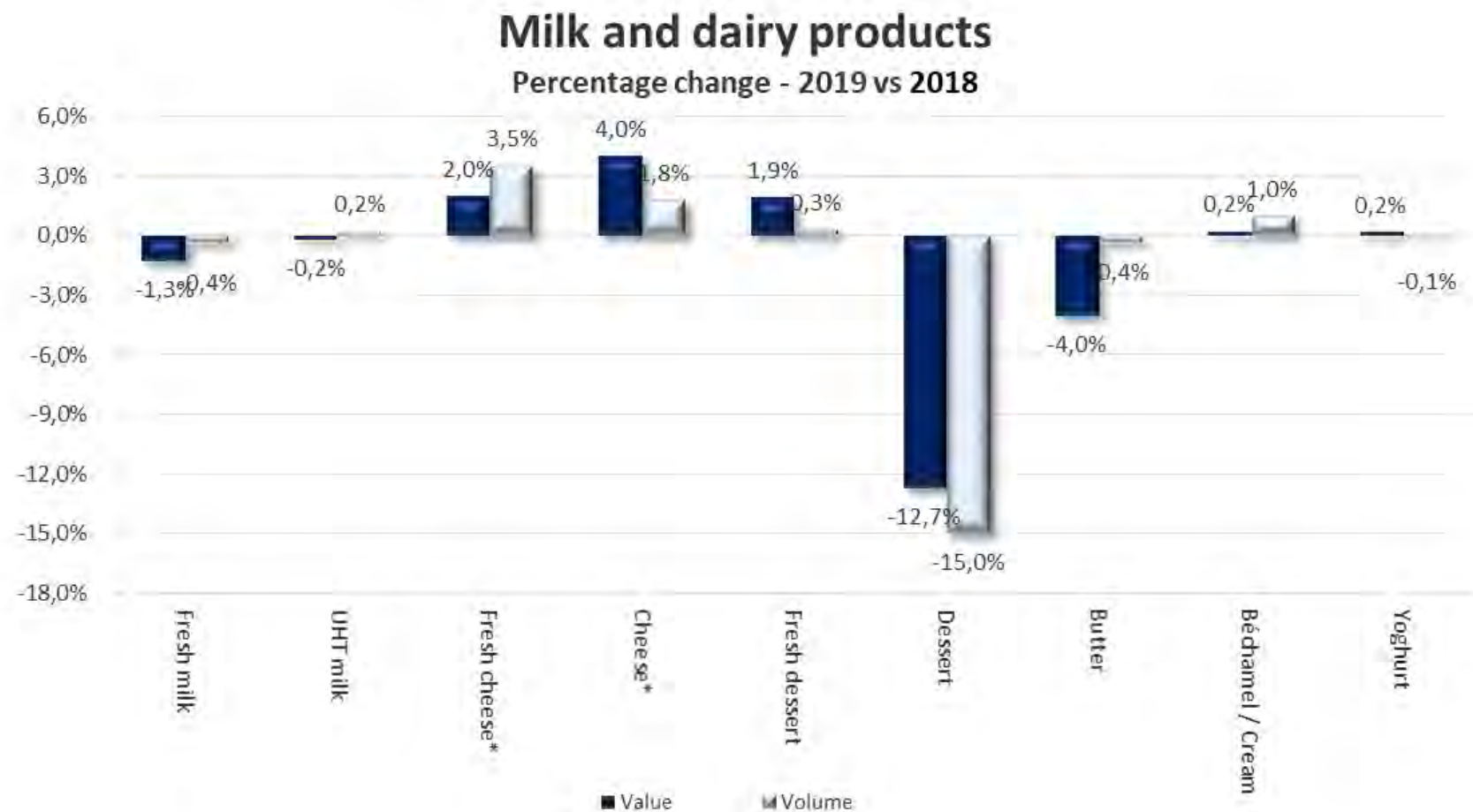
Product category	Year 2019 vs. Year 2018		1Q 2020 vs 1Q 2019	
	<u>VOLUME</u> (% change)	<u>VALUE</u> % change)	<u>VOLUME</u> % change)	<u>VALUE</u> % change)
Fresh milk	-0,4	-1,3	0,5	2,6
UHT milk	0,2	-0,2	10,9	13,8
Fresh cheese*	3,5	2,0	13,4	14,7
Cheese*	1,8	4,0	10,1	13,7
Fresh dessert	0,3	1,9	4,2	5,7
Dessert	-15,0	-12,7	-5,3	-0,7
Butter	-0,4	-4,0	25,0	20,2
Béchamel / Cream	1,0	0,2	15,0	14,3
Yoghurt	-0,1	0,2	5,4	6,0

Source: Market Track Nielsen

* Peso imposto

Italy

Milk and dairy products – Year 2019 versus Year 2018

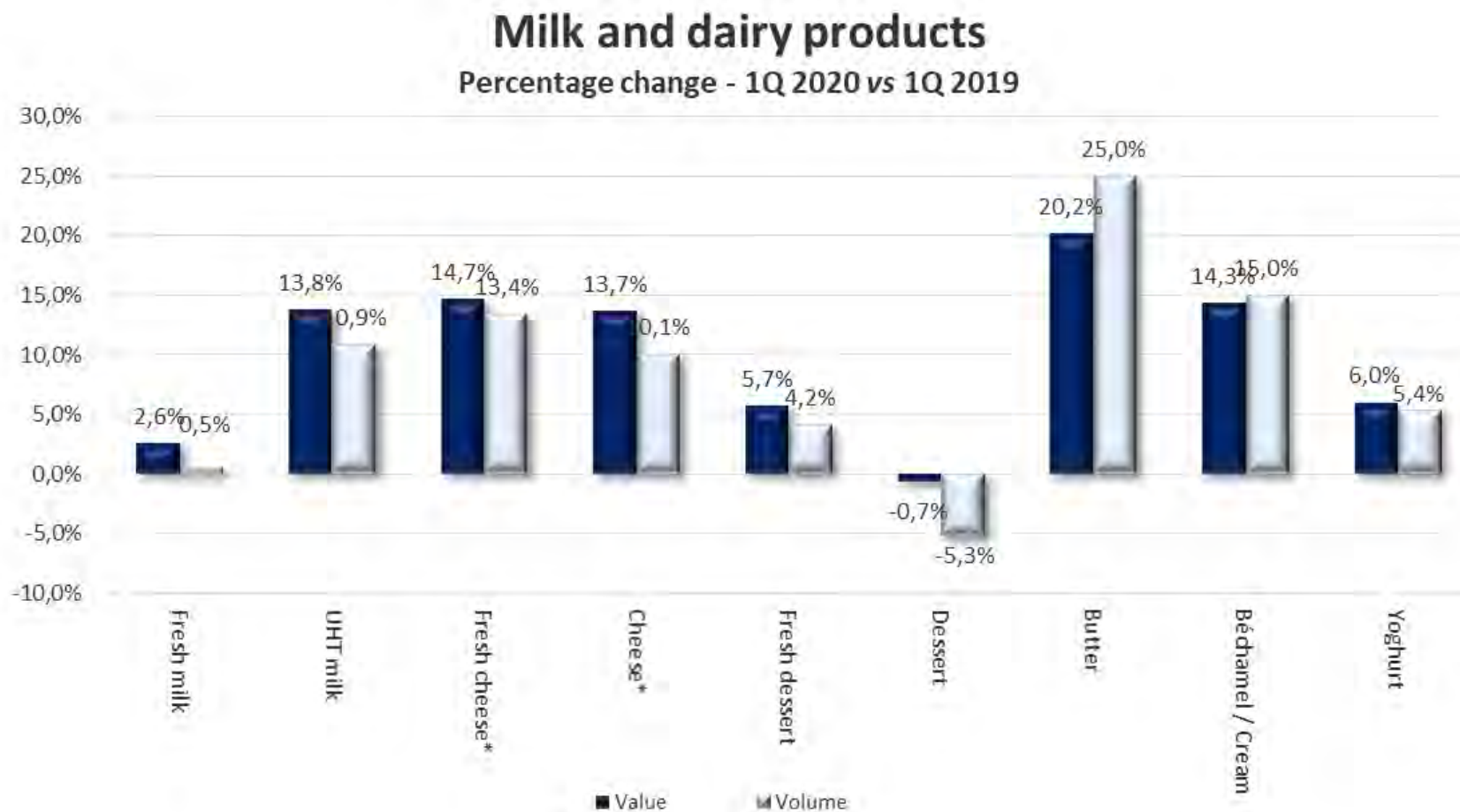


Source: Market Track Nielsen

* Peso imposto

Italy

Milk and dairy products – 1Q 2020 versus 1Q 2019



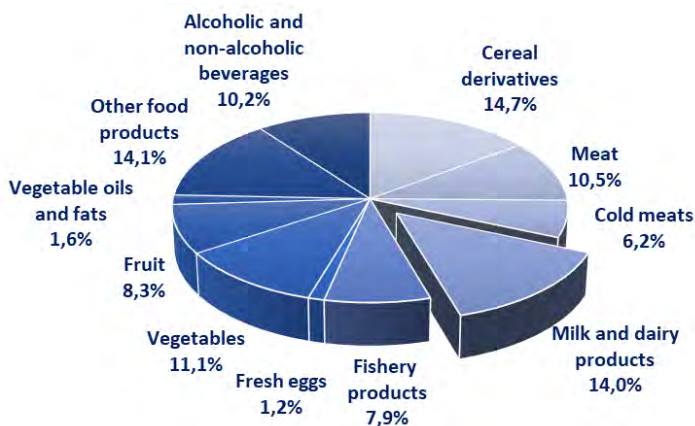
Source: Market Track Nielsen

* Peso imposto

Italy - Covid-19 Emergency

Food and drink consumption – Year 2019 and 1Q 2020

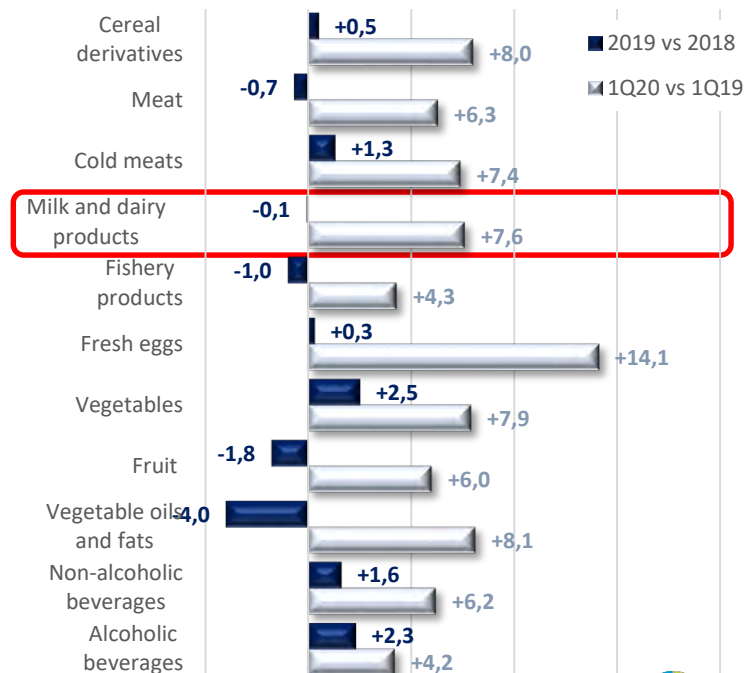
Product share 1Q 2020



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

Household purchases Percentage change

	Var. %	
	2019/18	1° trim 2020/1° trim 2019
Totale agroalimentare	0,4	7,0
Generi alimentari	0,2	7,2
Bevande analcoliche e alcoliche	1,7	5,2



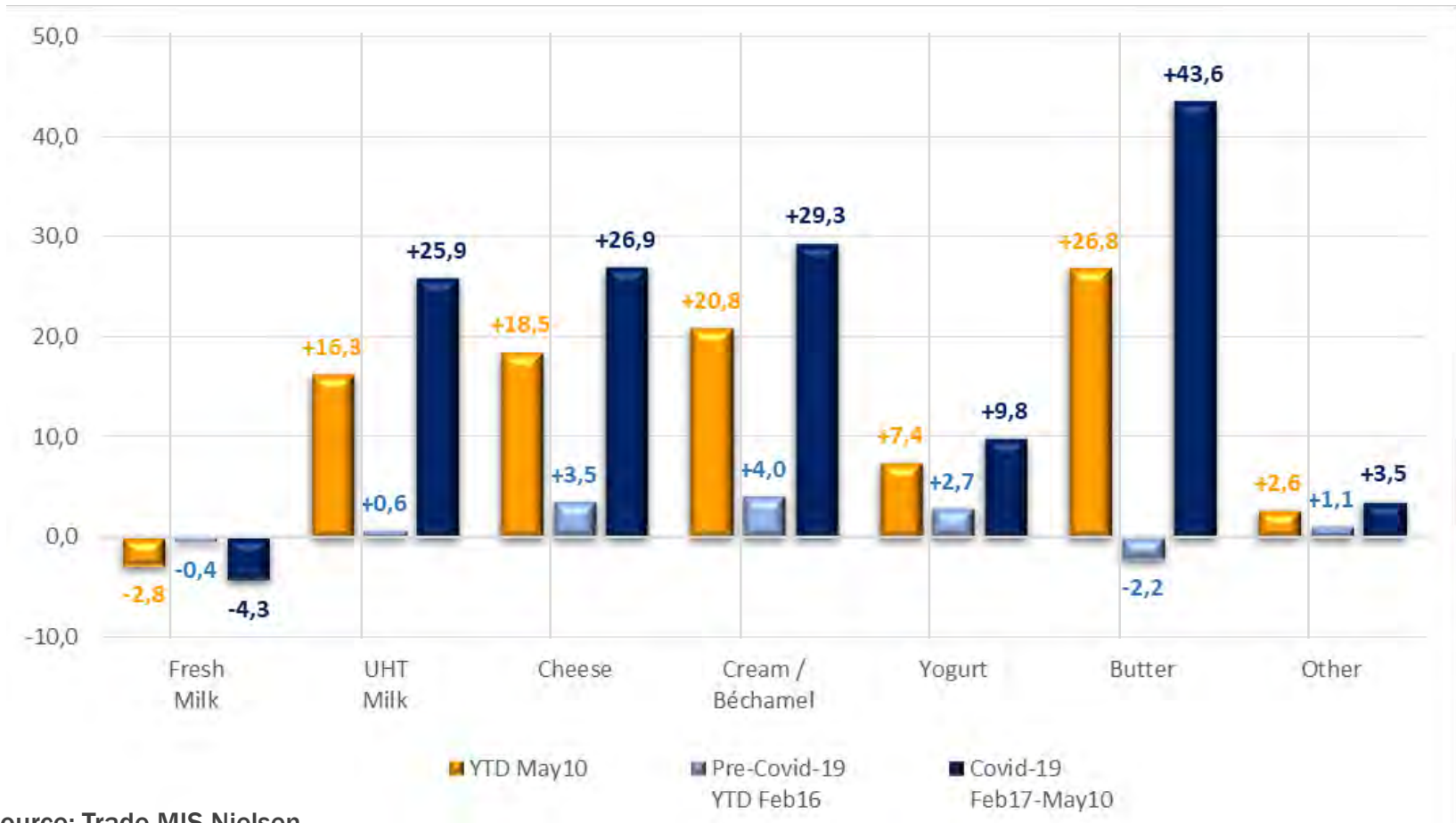
Source: Ismea – Nielsen Consumer Panel

Italy - Covid-19 - Emergency

Milk and dairy products – YTD May 10th

Sales

Percentage change compared with the same period a year earlier



Source: Trade MIS Nielsen

Spain

- During the lockdown period, household dairy purchases increased by 20.3% compared to the previous year, with peaks of 45% in some periods;
- This figure is an average of weekly reporting by the Ministry of Agriculture;
- Increases during weeks 14-20 (30 March- 17 May) – 11%, 24.2%, 45.6%, 13.7%, 16.1%, 22.7%
- However, the closure of horeca sector, combined with difficulties in exporting have had a negative impact on the sector;

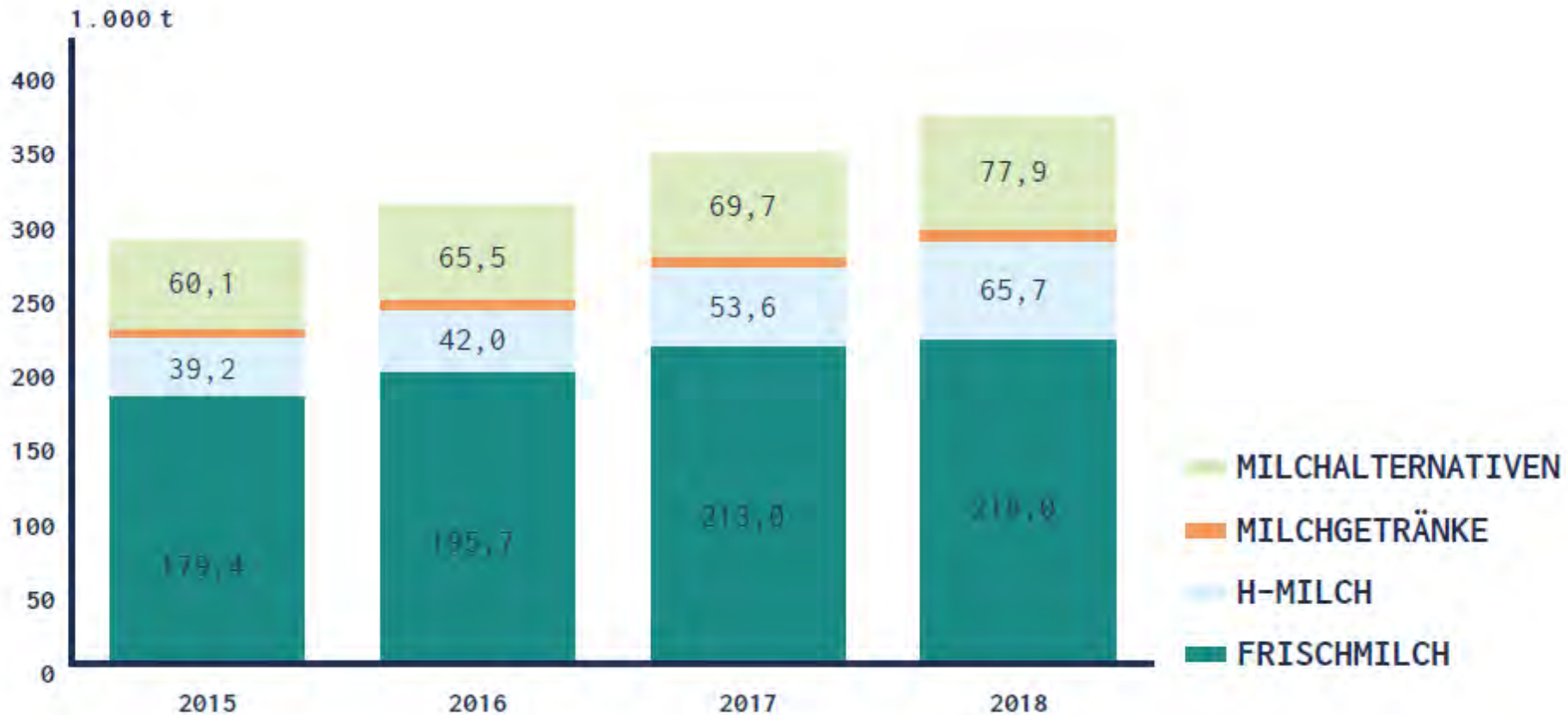
Source: FENIL

Poland

- 2019 saw a decrease in the consumption of milk (-2.4%);
- The consumption of cheese and curd increased (+2.3%);
- In 2018, the average consumption of drinking milk in households, per person, was 35.3 litres per year, i.e. decreased by 12% over a period of five years;
- A much deeper drop in consumption - milk with reduced fat content (below 3.2%) - compared to 2013, consumption dropped by 21% - while the consumption of whole milk dropped by 7%;
- In households, consumption of ripening and processed cheese increased, in the years 2014-2018 by 11% to 5.0 kg / person per year.

Source: www.wiadomoscihandlowe.pl and www.portalspozywczy.pl

Germany: household purchases of milk alternatives (in 1.000 kg)



© BÖLW, 2020 | Quellen: AMI-Analyse nach GfK-Haushaltspanel

Source: BRANCHEN REPORT 2020 – Ökologische Lebensmittelwirtschaft