

MMO Economic Board

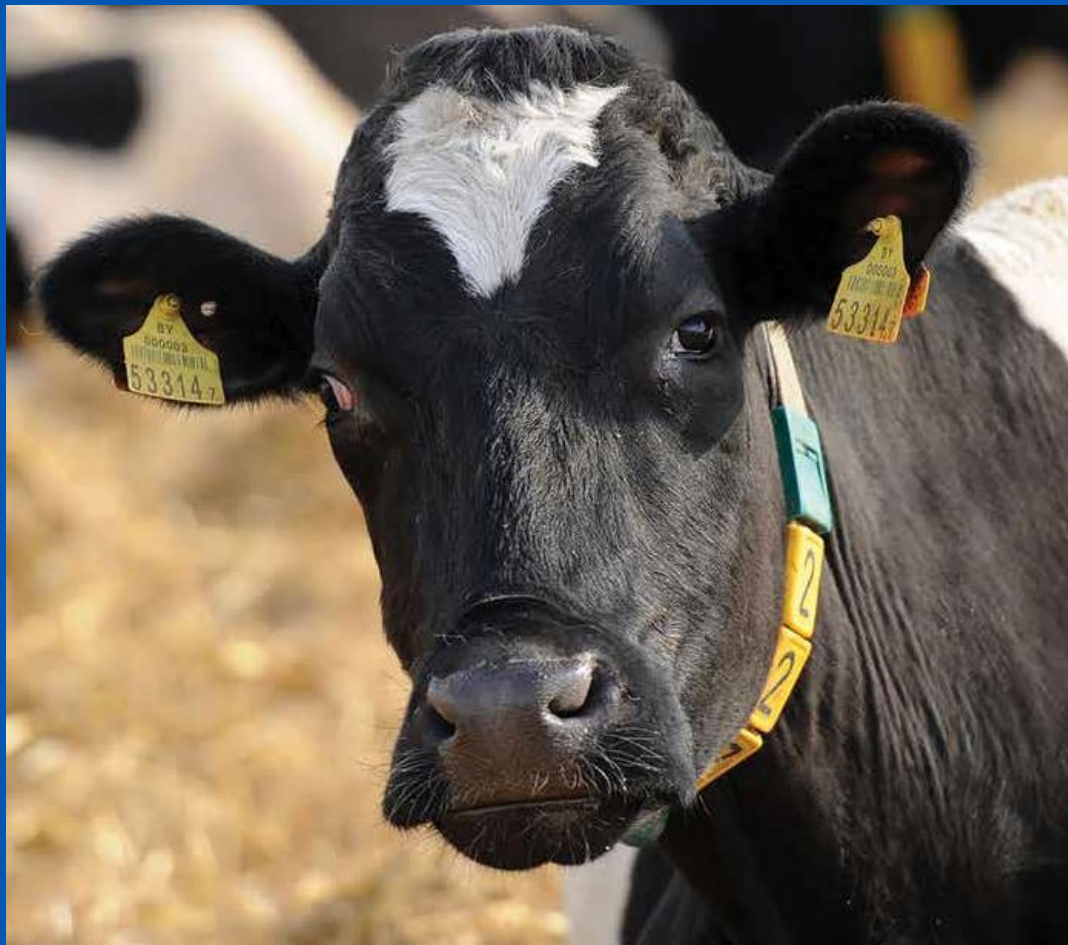
Meeting of 23 June 2021

- o The 38th meeting of the MMO Economic Board took place on 23/06/2021 by video-conference, with the participation of experts from the milk supply chain: COPA-COGECA (producers and cooperatives), CEJA (young farmers), EMB (European Milk Board), ECVC (Via Campesina), EDA (dairy industry), Eucolait (dairy trade) and Eurocommerce (retail). Presentations and information exchanged during the meeting highlighted the following:
 - o EU cow's milk collection increased in April 2021 by 1% (+133 000 t) compared to the same month of 2020. 18 Member States reported production growth, including IE, IT, PL and FR. Cumulated milk collection in the first four months of 2021 decreased by 0.7% (which with leap year adjustment would result in a slight growth of +0.1%). 4.4% of total raw milk collected was organic (based on notifications from 20 EU MS). The highest share of organic milk was reported in AT, SE and DK and the lowest in PL, PT and EE. In 6 EU MS the share of organic raw milk was below 1% of total raw milk collected.
 - o The decrease of milk collection in the first four months of 2021 translates into production decline for most dairy products: WMP (-11.9%), SMP (-6.3%), butter (-2%), fermented milk (-2.2%), drinking milk (+1.1%). Cheese production increased by 3%, cream by 1.4% and concentrated milk by 4.6%.
 - o EU average farm gate milk prices continue moving against seasonal trends. The EU average was reported at 35.44 c/kg in April 2021 which is 6% higher than a year ago and 9.5% above the last 5 years' average. MS' estimates for May 2021 point to a further slight increase to 35.57 c/kg (+0.4% compared to April).
 - o EU average dairy prices, especially for SMP, WMP, butter and whey powder, have continuously increased since the beginning of the year. EU whey powder prices have reached their highest level since March 2014 and WMP prices since July 2014. Butter prices have increased by 22% since the start of 2021 and SMP prices by 18%. Cheese prices are above last year's levels, except for emmental (-0.2%). All dairy prices are above their 5 years' average but butter (-1.6%).
 - o Cold weather in the spring affected EU milk deliveries negatively but rainfall in May could contribute to their recovery. As a result, an annual 0.8% growth is projected for 2021. In upcoming months, more milk may be channelled to butter and SMP production, which could help prices stabilize and EU gain competitiveness in world markets.
- o The assessment of EU stock levels based on a residual approach (EU production + EU imports – EU internal consumption – EU exports) shows that private SMP stocks have decreased since July 2020 while 2021 started with the lowest stock levels for years (stocks in March below 50000 t). At the end of March 2021, butter stocks were at a normal level for that time of the year (150 000 t). Cheese stocks at the beginning of the year were modest (350 000 t) but have gone up to 450 000 t due to higher production and reduced exports to the UK and the USA. Further stock developments will depend on milk output and internal and external demand for dairy products.
- o Milk production increased in the main exporting countries/regions (EU-27, UK, USA, NZ, AU) by 2.5% in April 2021, and by 0.7% in Jan-April. Impressive milk collection growth in March and April in NZ, +9.8% and +11.7% respectively. US milk collection continued to expand in the first 4 months of 2021 (+1.6%).
- o Global trade growth has been very solid so far this year. Growth has taken place in all main categories except for butterfat. China, South Korea and South East Asia have contributed to the additional demand. China was responsible for 1/3 of global imports in Q1 2021 and became the first destination of EU dairy exports, replacing the UK. EU exports to the US should recover as a result of the suspension of additional tariffs. Lack of containers availability and soaring freight prices are still affecting export activities.
- o China is progressively increasing milk production, while moving from scale to quality growth in order to cope with rising and changing domestic consumption. However, milk prices remain high, and imports still cover around 32% of total needs. EU market share is growing. Yogurt shows high growth rates and outpaced drinking milk sales last year.
- o On the retail side, European consumers are looking for healthy food and are willing to pay for more sustainable alternatives and fresh food. The demand for organic dairy products in FR has diminished during the Covid19 pandemic.
- o Market sentiment is positive, with EU raw milk and dairy prices on an increasing trend. Demand for dairy products has shown extraordinary resilience but there are concerns about the overreliance on exceptionally strong Chinese imports, the rise of feed costs and weather conditions in coming weeks.

ANNEX 1

Milk Market Situation

European Commission



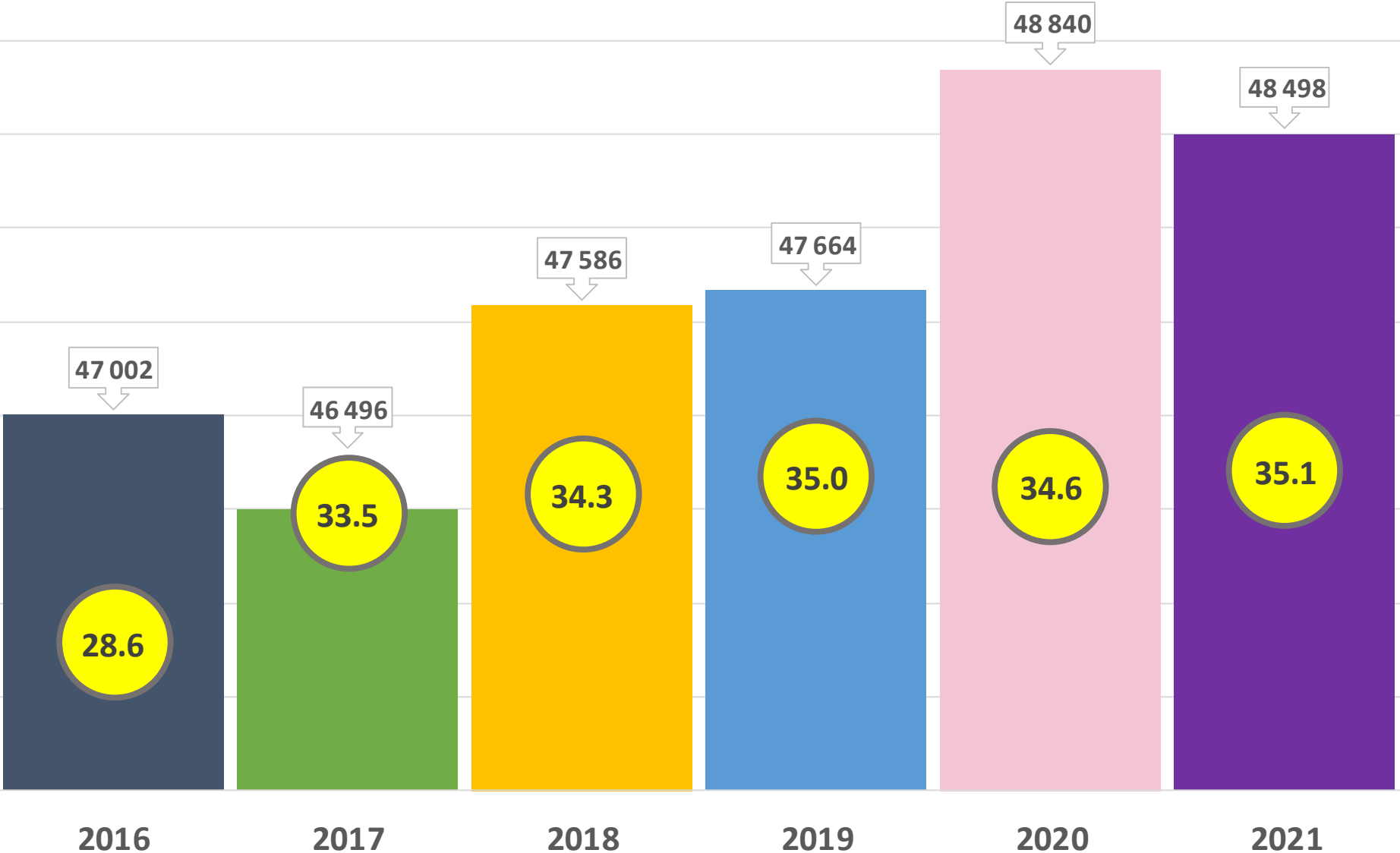
Milk Market Situation

MMO meeting

Brussels, 23 June 2021

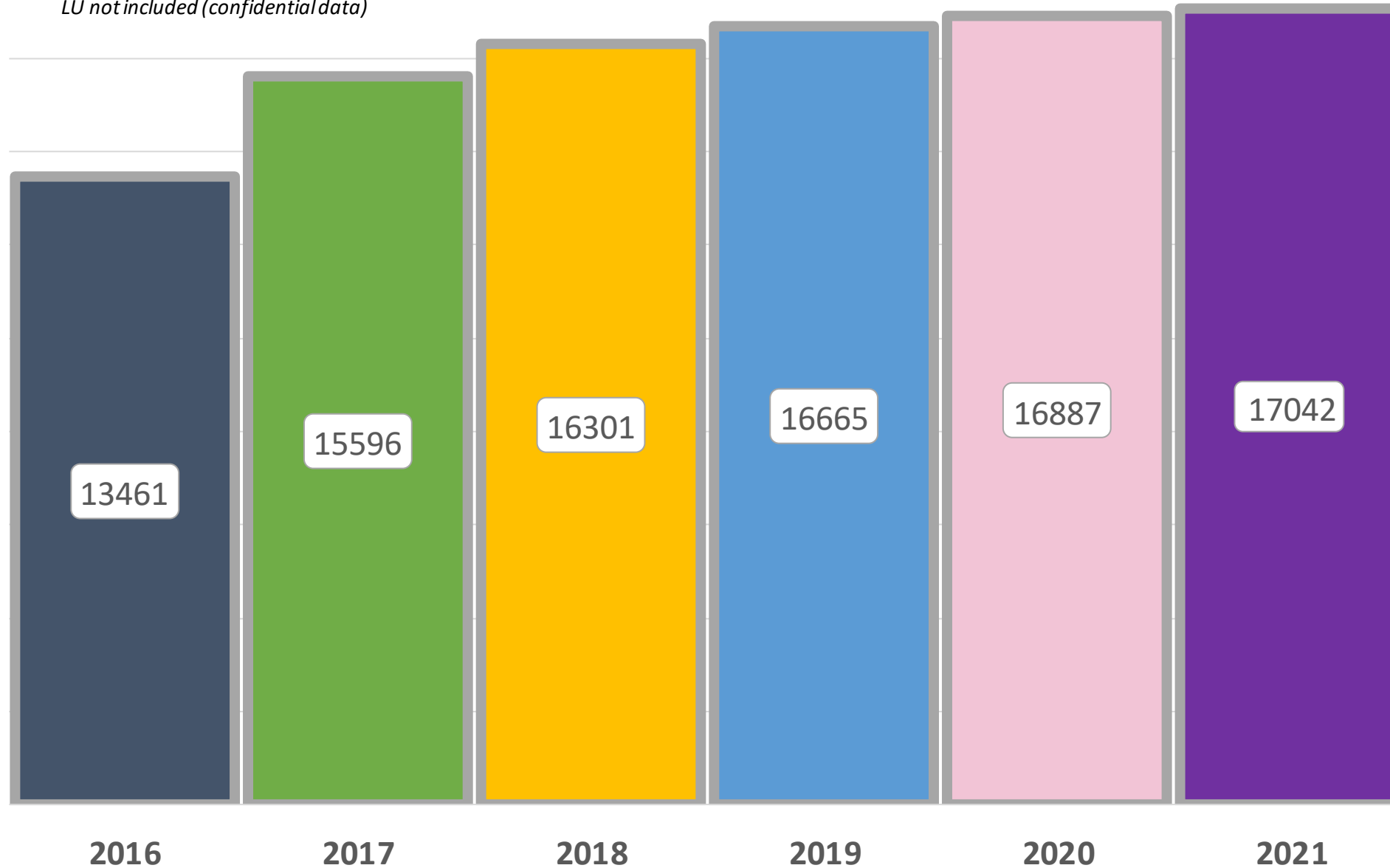
EU-27 milk deliveries and price
Jan-Apr 2016-21 (x1000 t, c/kg)

LU not included (confidential data)



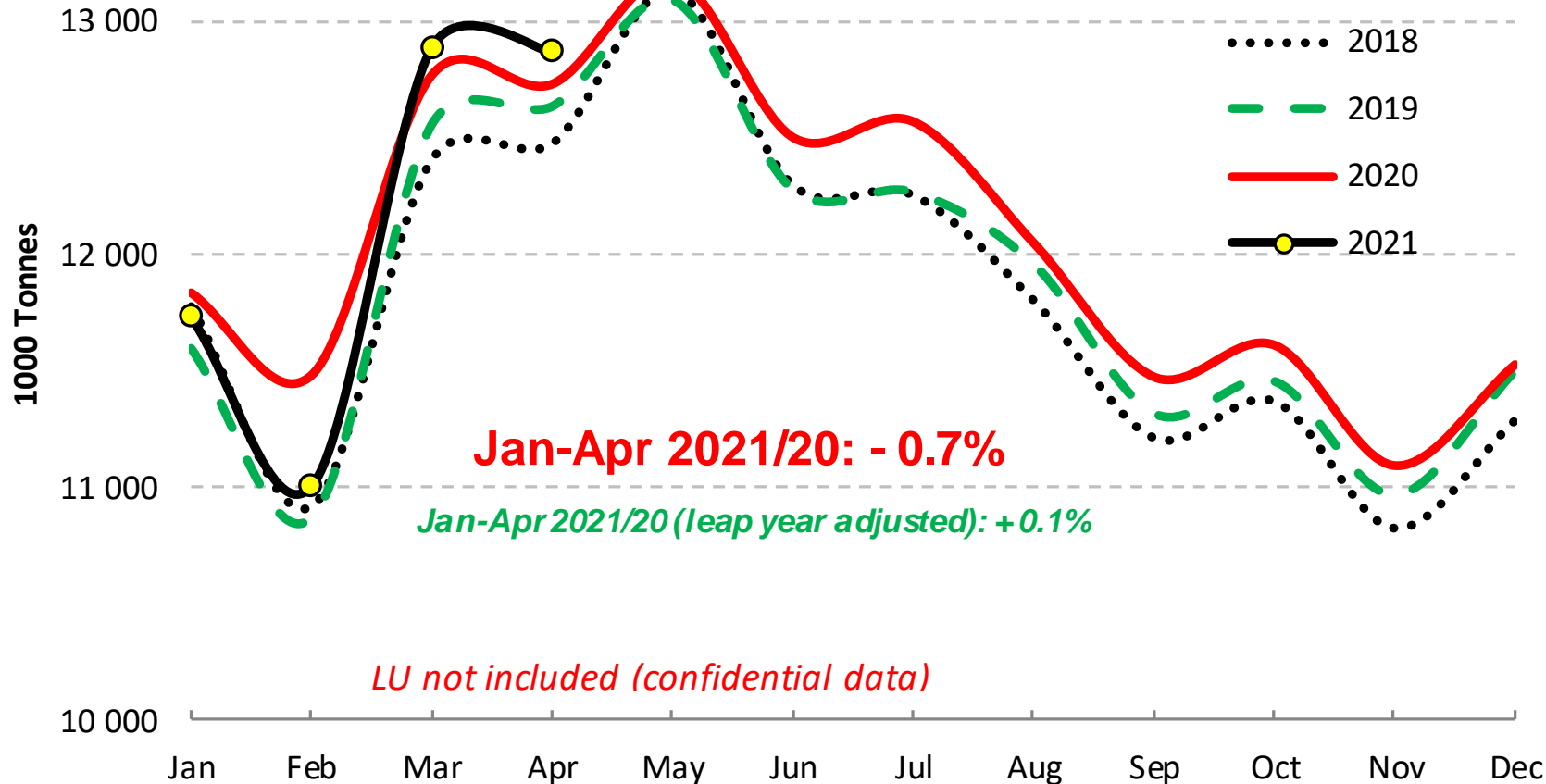
EU-27 value milk production Jan-Apr 2016-21 (x million €)

LU not included (confidential data)



EU milk production

EU - Cows' milk collected



Source: Estat (Newcronos) - MS notifications - CLAL(IT)

Apr 21 compared to Apr 20

Rank	evolution in %		evolution in 1000 Tons	
	MS	%	MS	Tons
1.	CY	+ 13.6%	IE	+ 61
2.	HU	+ 6.7%	IT	+ 39
3.	IE	+ 6.1%	PL	+ 20
4.	LV	+ 5.8%	FR	+ 15
5.	BG	+ 5.2%	HU	+ 9
6.	EL	+ 5.1%	SE	+ 7
7.	SI	+ 4.1%	ES	+ 4
8.	IT	+ 3.5%	LV	+ 3
9.	SE	+ 2.8%	BG	+ 3
10.	PL	+ 1.9%	CY	+ 3
11.	HR	+ 1.8%	EL	+ 3
12.	RO	+ 1.4%	SI	+ 2
13.	EE	+ 1.1%	RO	+ 1
14.	FR	+ 0.7%	DK	+ 1
15.	ES	+ 0.6%	EE	+ 1
16.	DK	+ 0.2%	HR	+ 1
17.	PT	+ 0.1%	PT	+ 0
18.	BE	+ 0.0%	BE	+ 0
19.	LT	- 0.1%	LT	- 0
20.	CZ	- 0.6%	MT	- 0
21.	DE	- 0.7%	SK	- 1
22.	SK	- 0.8%	CZ	- 1
23.	NL	- 0.8%	AT	- 3
24.	AT	- 1.0%	FI	- 6
25.	FI	- 3.1%	NL	- 10
26.	MT	- 4.1%	DE	- 19
EU		+ 1.0%	EU	+ 133

°: estimates

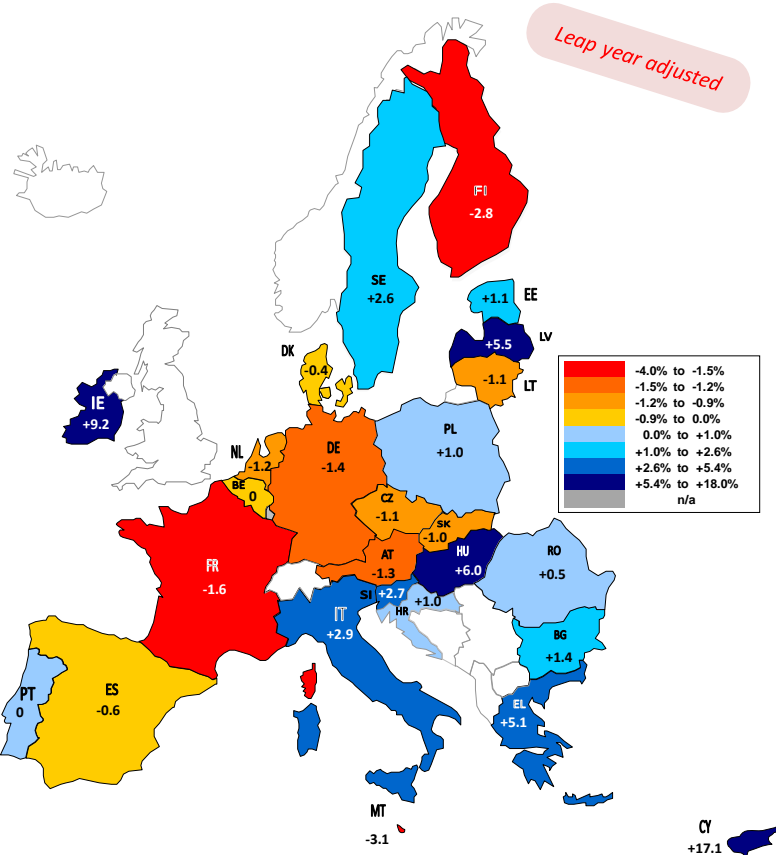
rem: LU not included (confidential data)



EU milk deliveries compared to last period (in %)

EU Milk Deliveries compared to last period (in %)

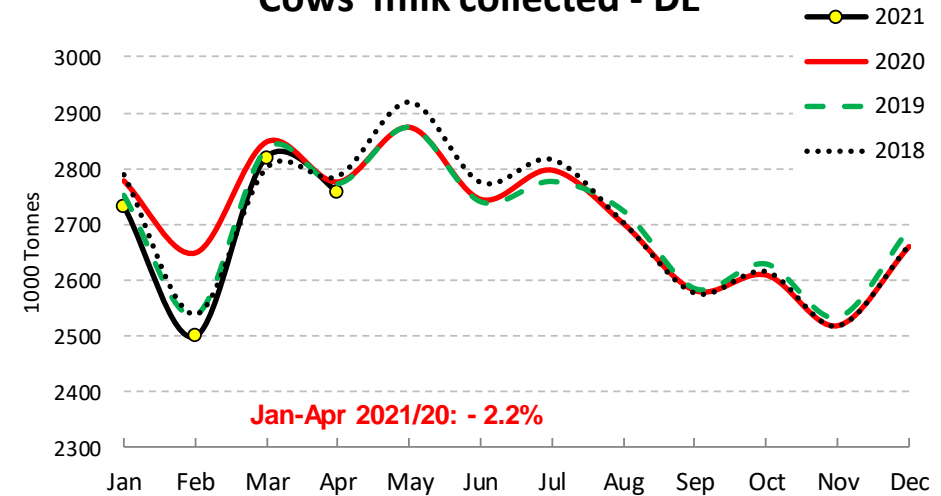
(Jan - Apr 2021 / Jan - Apr 2020)



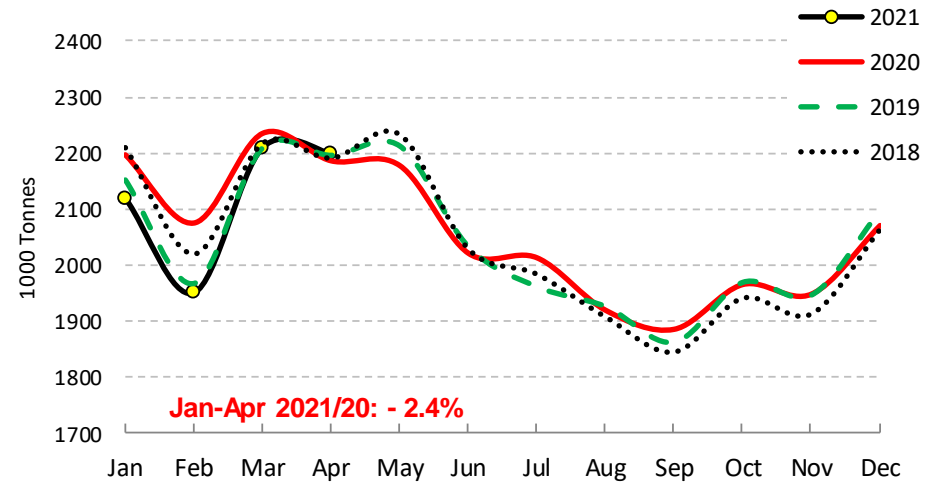
Source : MS' Communications to Eurostat, FEQA, AGEA, Reg.479/2010.1(a)1

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

Cows' milk collected - DE

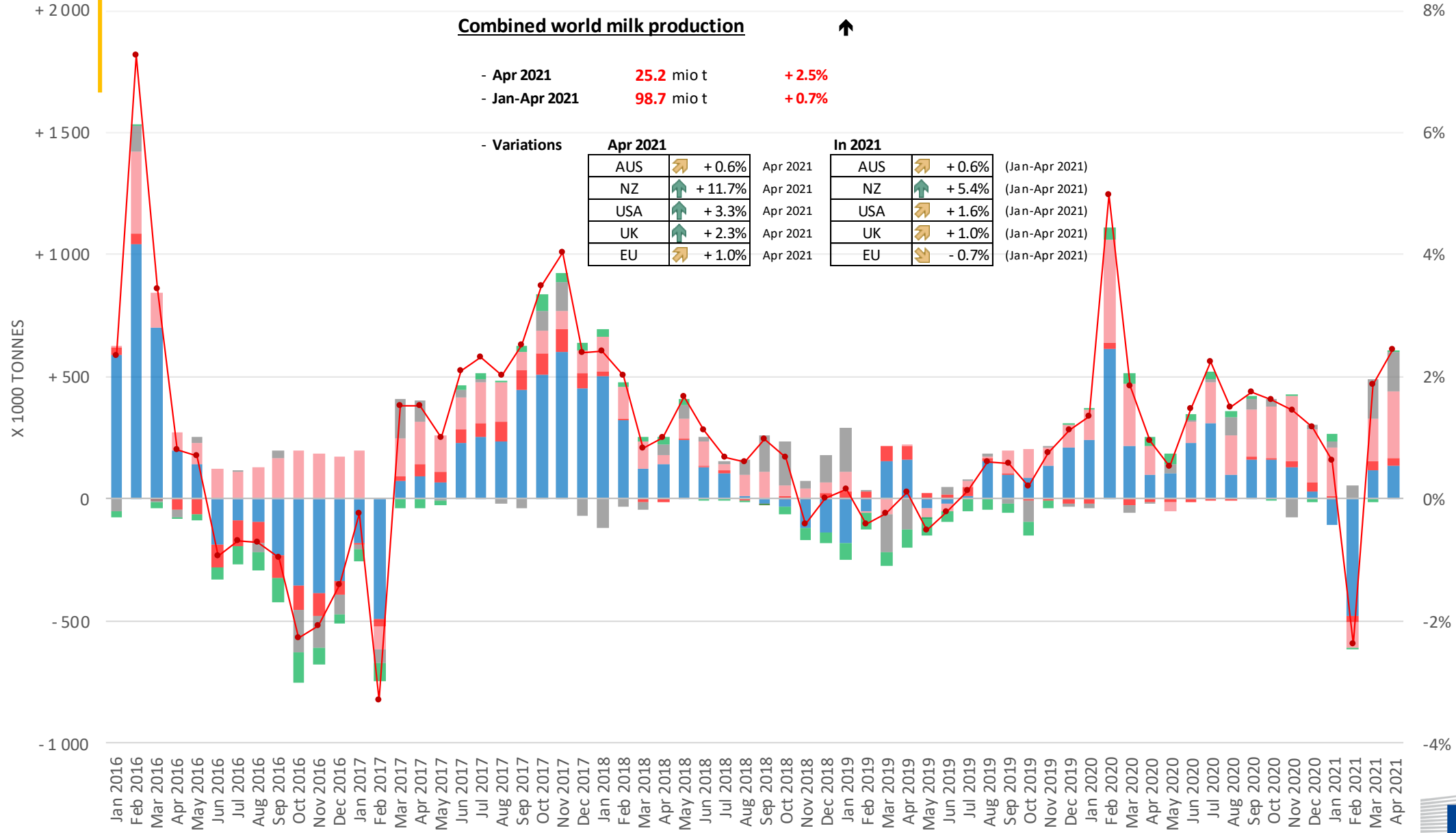


Cows' milk collected - FR



Source : Estat, Newcronos

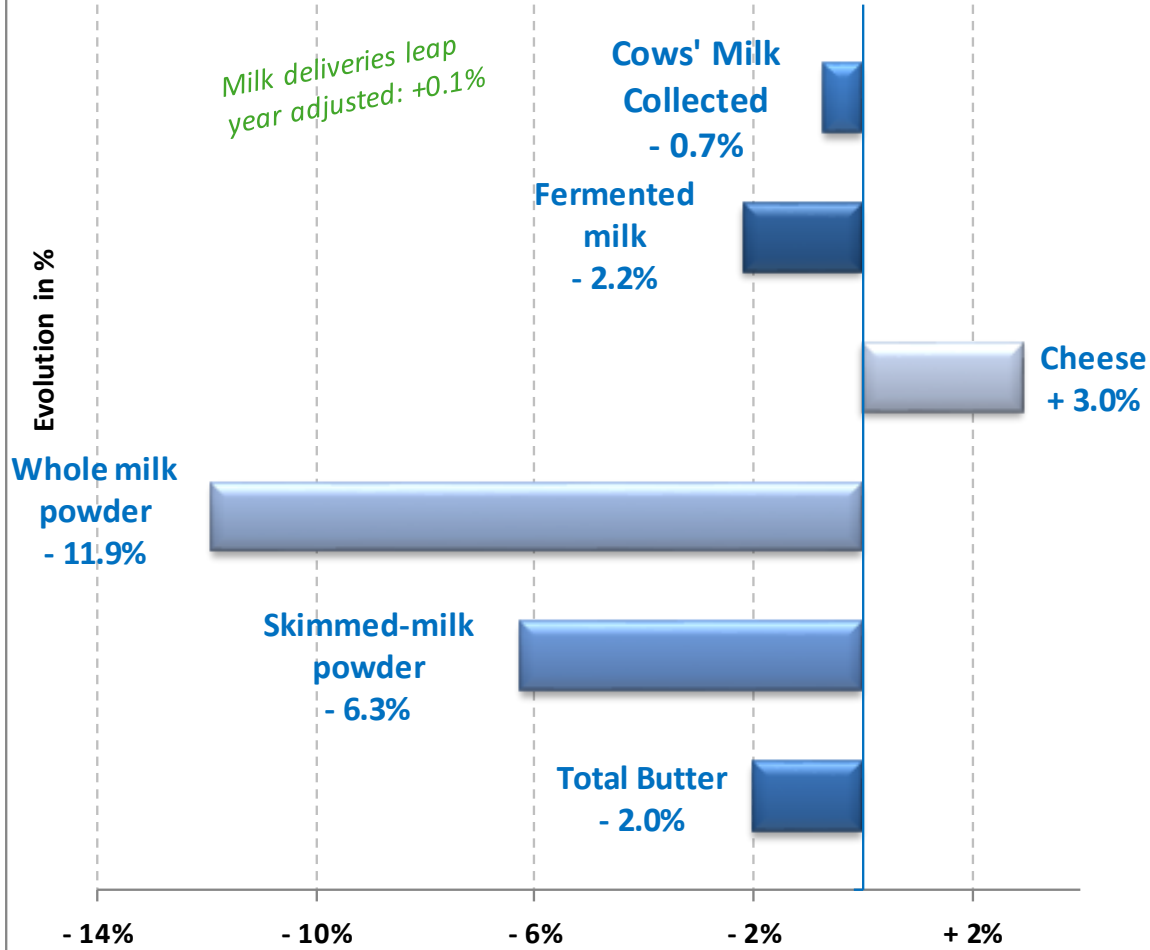
EU*+UK+US+NZ+AUS COMBINED MILK PRODUCTION GROWTH



* not including LU (confidential data)

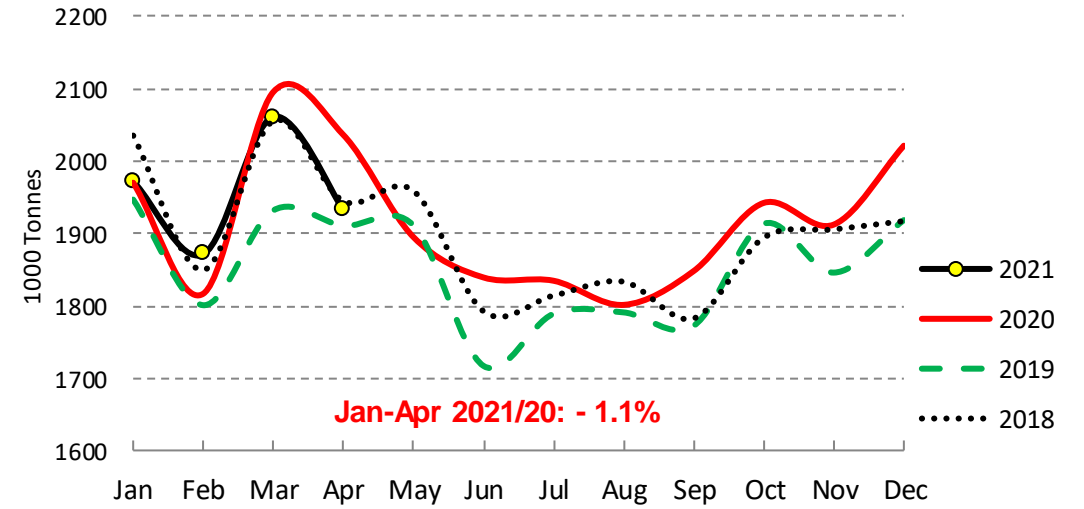
■ EU
 ■ UK
 ■ US
 ■ NZ
 ■ AUS
 —●— Combined increase

EU Deliveries/Productions development (Jan-Apr 2021 compared to Jan-Apr 2020)



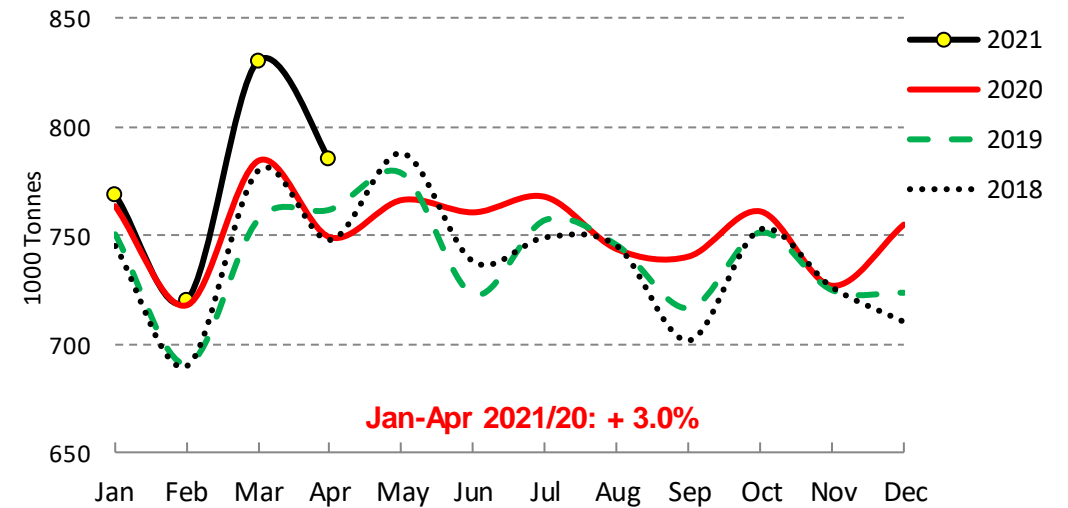
Source : MS' Communications to Eurostat, and, for milk : AGEA, FEQA, Reg. 2017/1185

EU - Drinking milk



Source : Estat - Newcronos

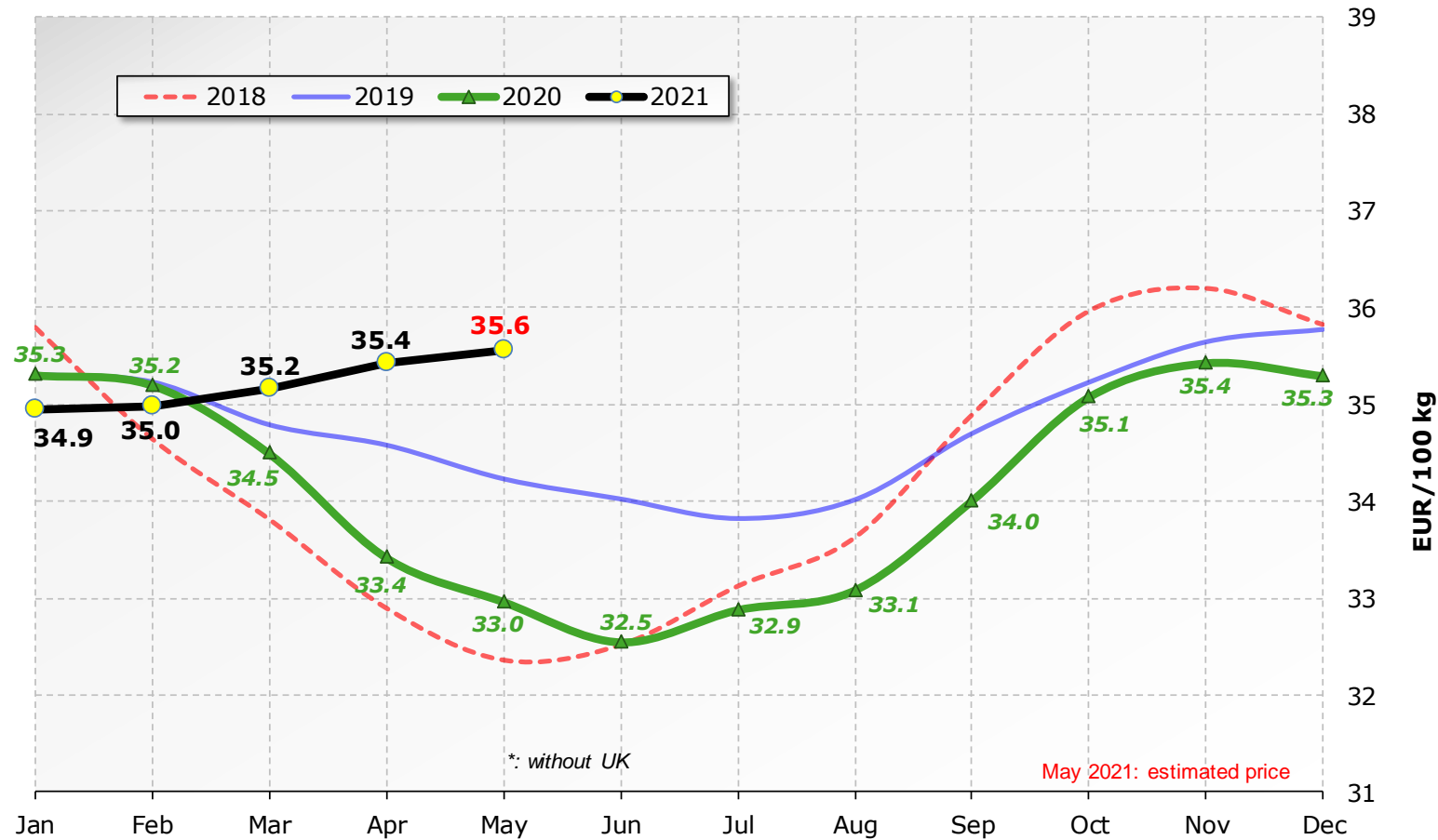
EU - Cheese



Source : Estat - Newcronos

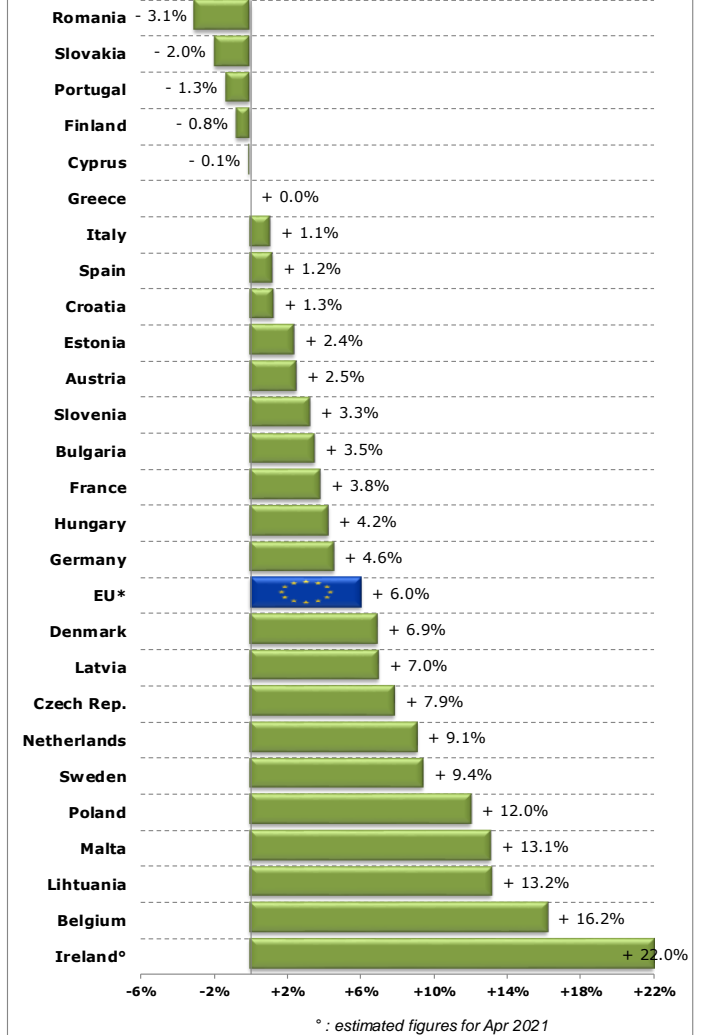
EU milk prices paid to the producers

Milk Prices paid to the Producers EU* (weight. avg.)



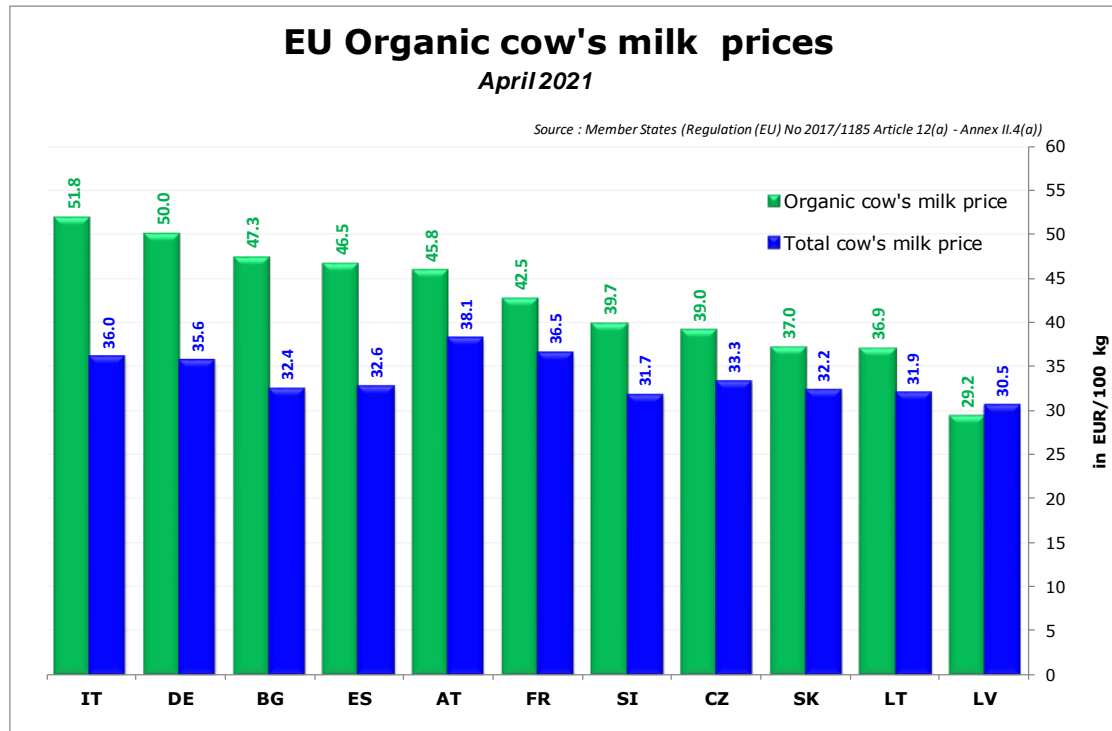
Source : Member States Reg. (EU) No 2017/1185 Article 12(a) - Annex II.4(a)

Raw Milk Price evolution in April 2021 compared to April 2020



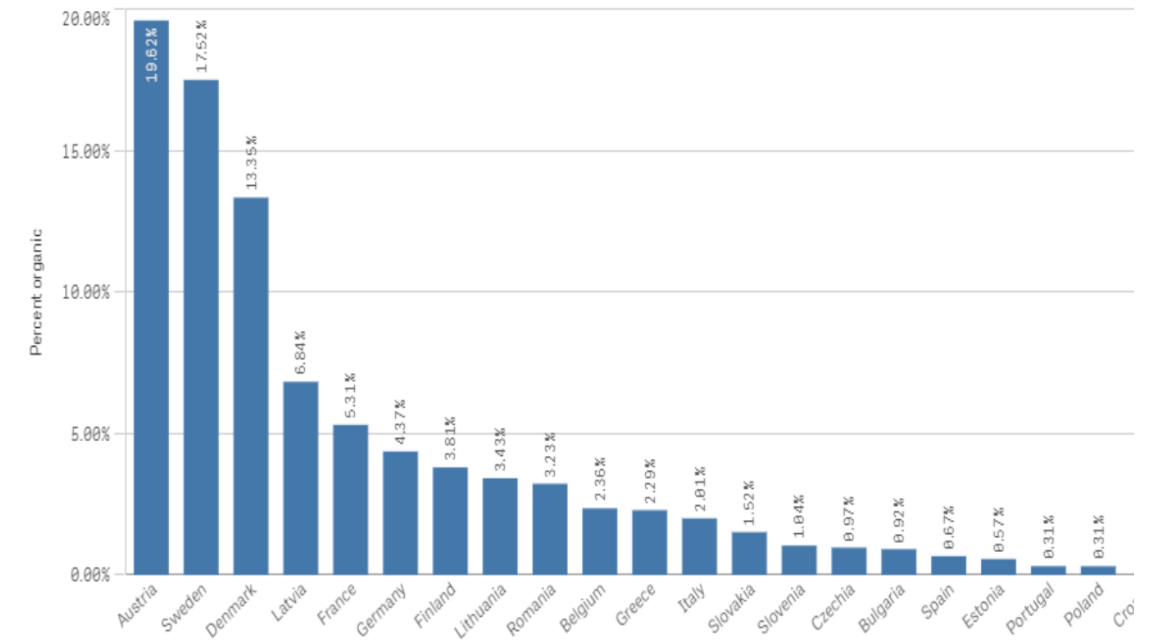
Source : Member States (Reg. (EU) No 2017/1185 Article 12(a) - Annex II.4(a))

EU organic raw milk production & prices



Organic raw cow's milk delivered to dairies as a percentage of total raw cow's milk

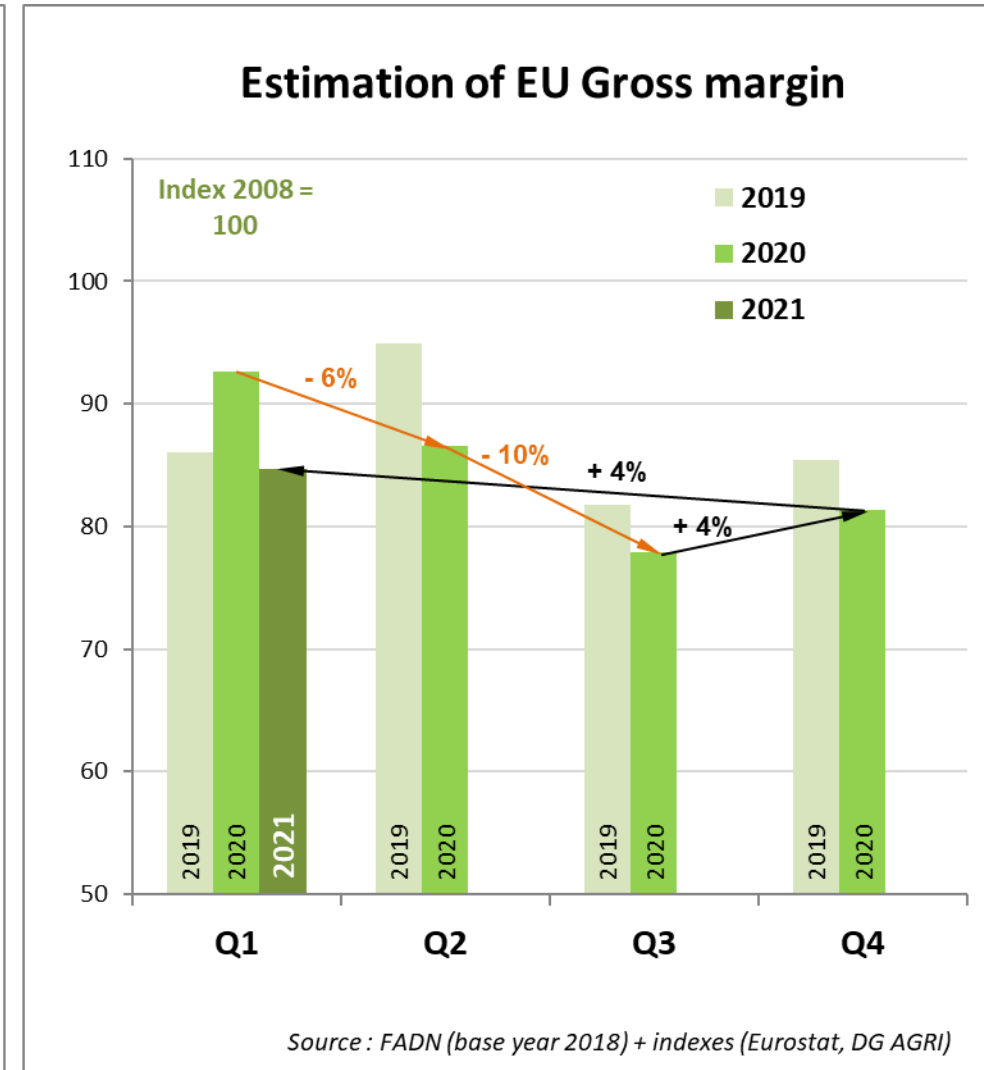
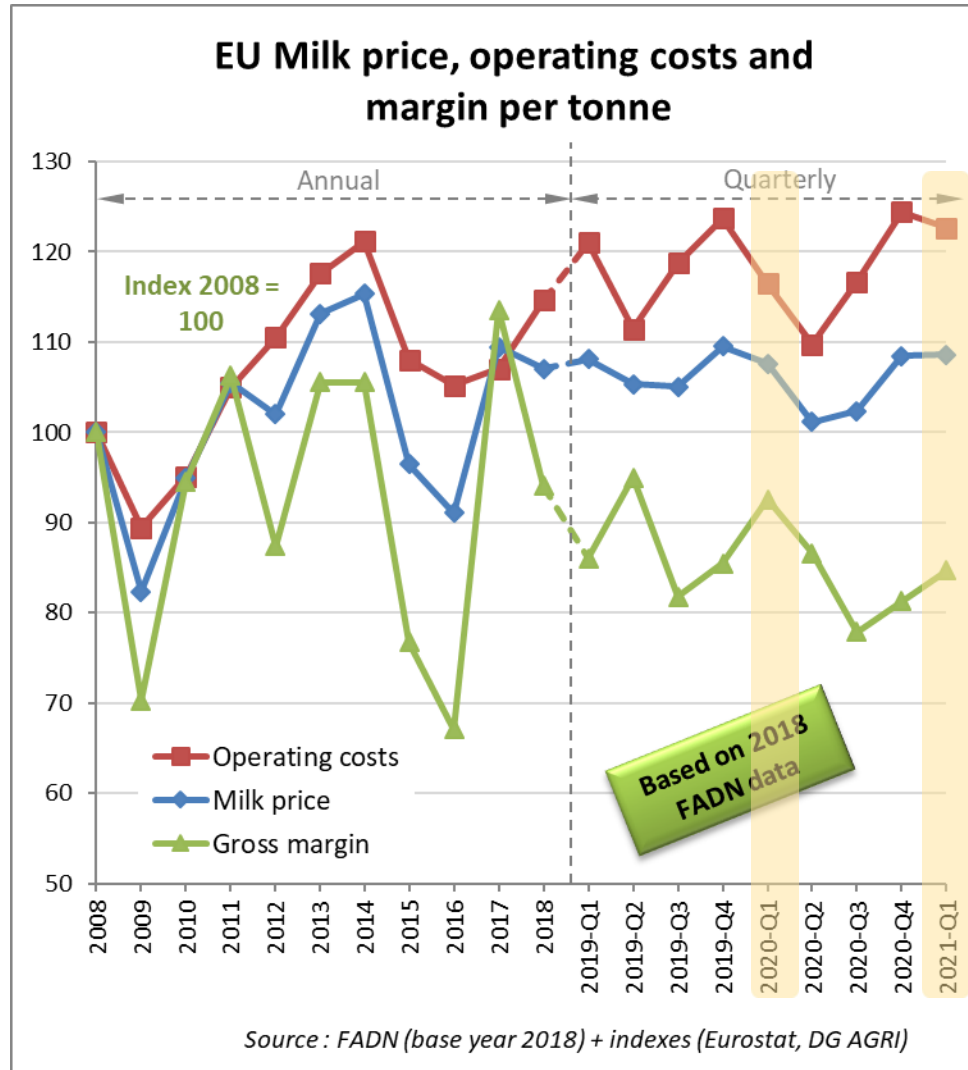
For years: 2021 > Months: 04 > All Member States and UK



Apr. 2021:

4.4% of total raw milk collected was organic (based on notifications from 20 MS)

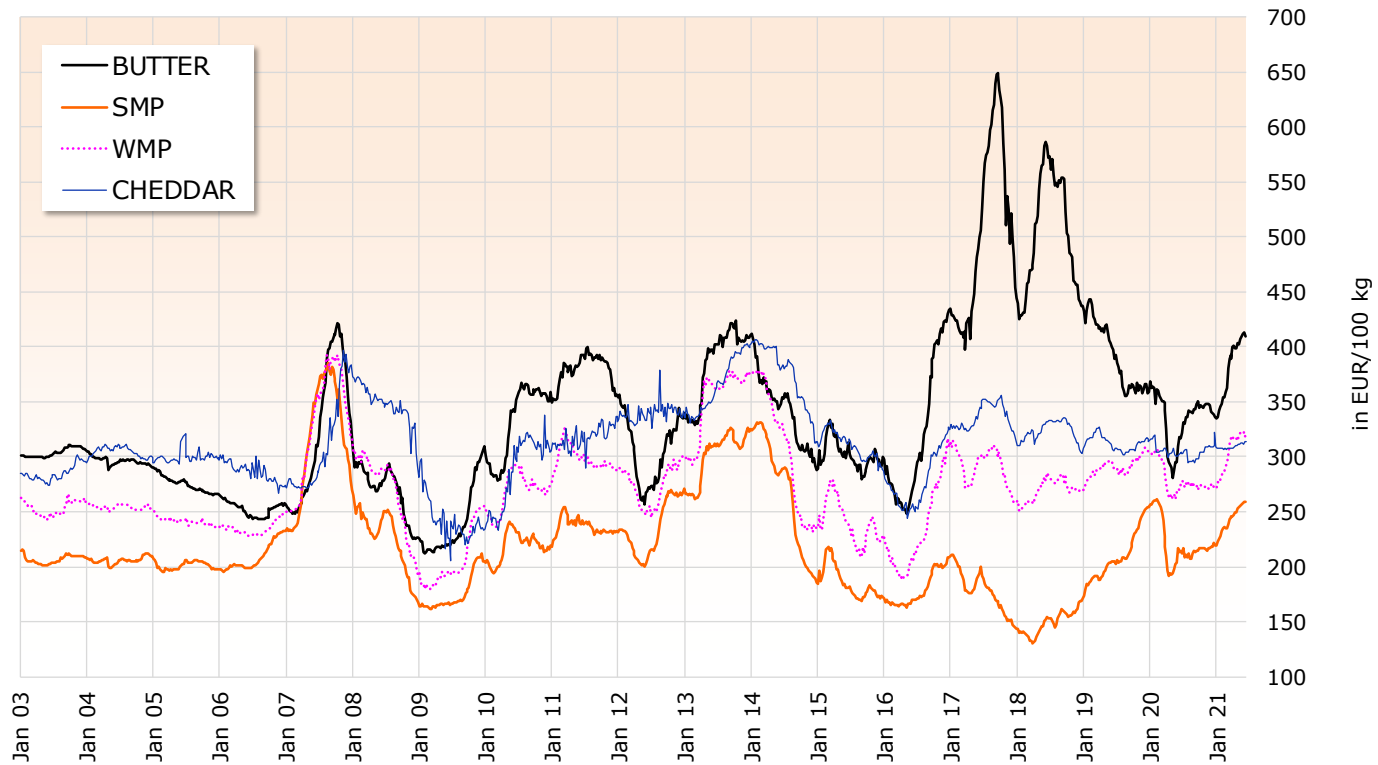
Margins



EU dairy quotations

EU evolutive* dairy Quotations

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



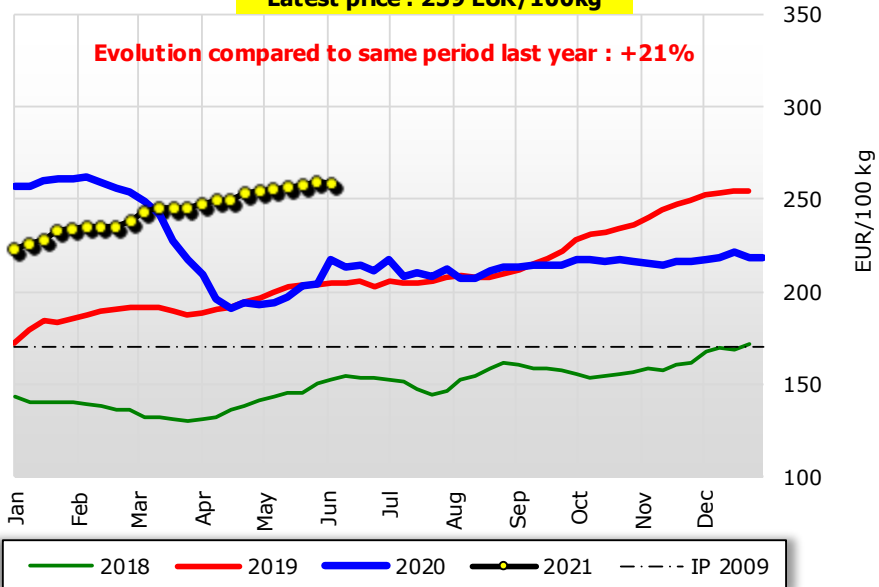
Source: Regulation (EU) No 2017/1185 Article 11 - Annex I.7

	BUTTER	SMP	WMP	CHEDDAR	EDAM	GOUDA	EMMENTAL	WHEY
Price €/100 kg	410	259	317	313	329	330	482	101
1 week	-0.8%	-0.3%	-1.6%	+0.1%	+0.9%	+0.5%	+0.2%	0.0%
4 weeks	+0.6%	+1.2%	-1.2%	+0.4%	+2.0%	+2.3%	+0.0%	+1.5%
Year-1	+28.8%	+21.4%	+17.7%	+3.5%	+11.9%	+9.0%	+0.4%	+34.8%
5-years avg.	-1.6%	+38.1%	+17.3%	+7.2%	+13.1%	+12.6%	+4.4%	+35.5%

Weekly EU SMP Prices

Latest price : 259 EUR/100kg

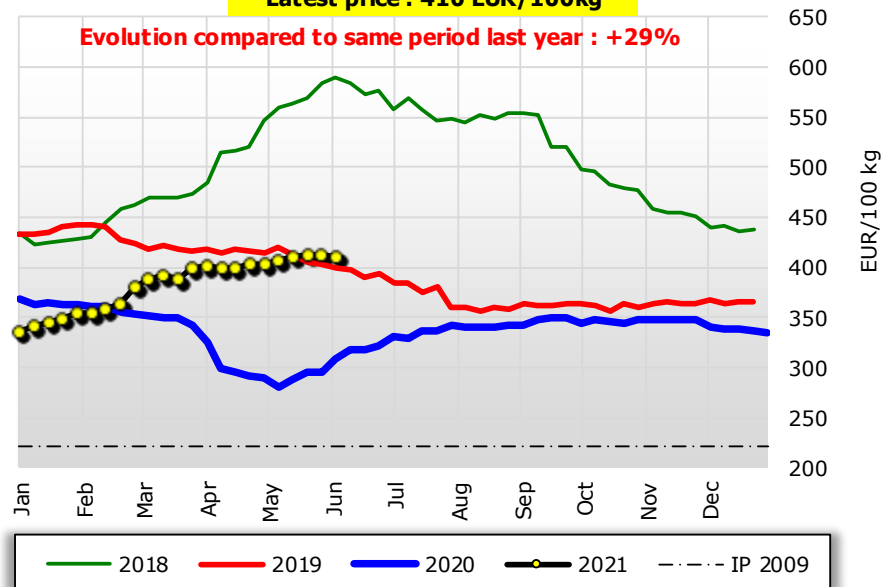
Evolution compared to same period last year : +21%



Weekly EU BUTTER Prices

Latest price : 410 EUR/100kg

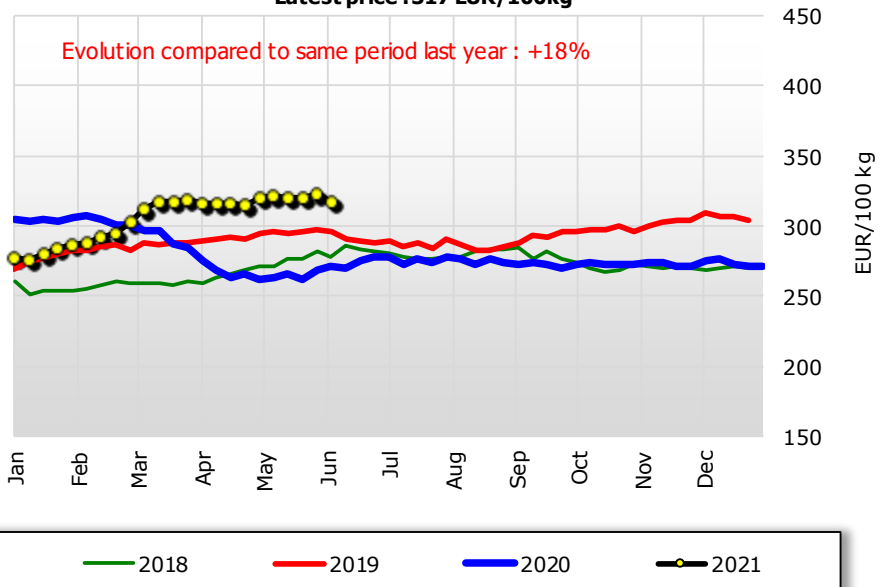
Evolution compared to same period last year : +29%



Weekly EU WMP Prices

Latest price : 317 EUR/100kg

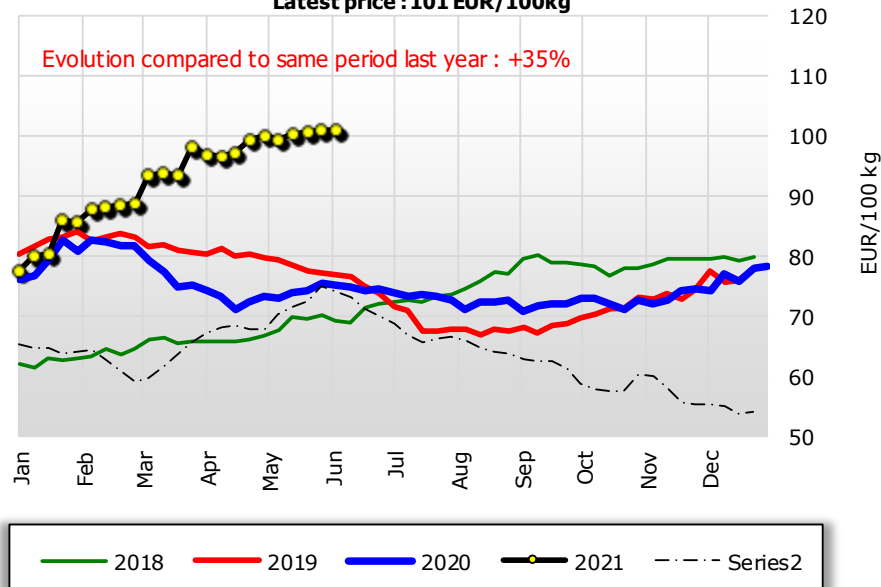
Evolution compared to same period last year : +18%



Weekly EU WheyPowder Prices

Latest price : 101 EUR/100kg

Evolution compared to same period last year : +35%



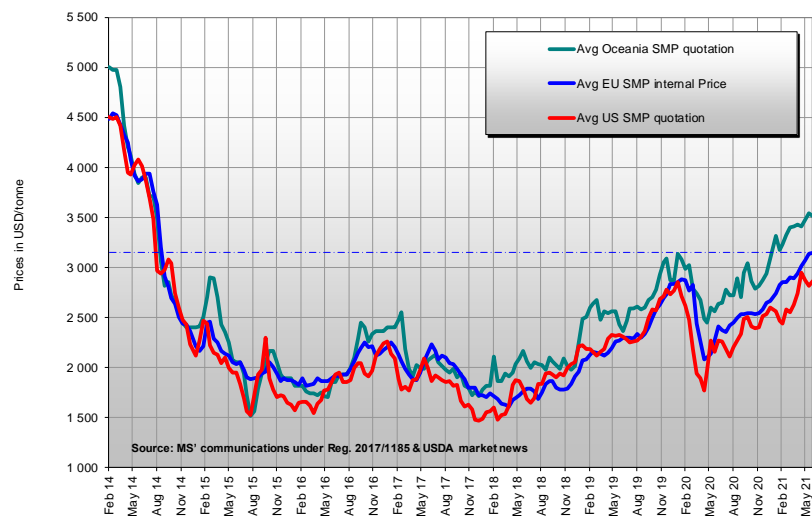
Latest world dairy quotations

Latest World Quotations of Dairy Products

In US\$/t	Latest Quotations			Week - 2						Year - 1					
	13/06/2021			30/05/2021			%change (previous quotation)			07 June 2020			%change (1 year)		
	EU*	Oceania	USA	EU*	Oceania	USA	EU*	Oceania	USA	EU*	Oceania	USA	EU*	Oceania	USA
Butter	5 006	4 725	3 931	4 996	5 125	3 946	↔ +0.2%	↓ -7.8%	↔ -0.4%	3 292	3 638	4 220	↑ +52%	↑ +30%	↓ -7%
SMP	3 146	3 513	2 859	3 131	3 538	2 816	↔ +0.5%	↔ -0.7%	↔ +1.5%	2 271	2 563	2 159	↑ +39%	↑ +37%	↑ +32%
WMP	3 908	4 075	3 996	3 907	4 150	3 974	↔ +0.0%	↓ -1.8%	↔ +0.6%	2 982	2 800	3 693	↑ +31%	↑ +46%	↑ +8%
Cheddar	3 796	4 363	3 264	3 808	4 425	3 318	↔ -0.3%	↓ -1.4%	↓ -1.6%	3 349	3 963	5 611	↑ +13%	↑ +10%	↓ -42%

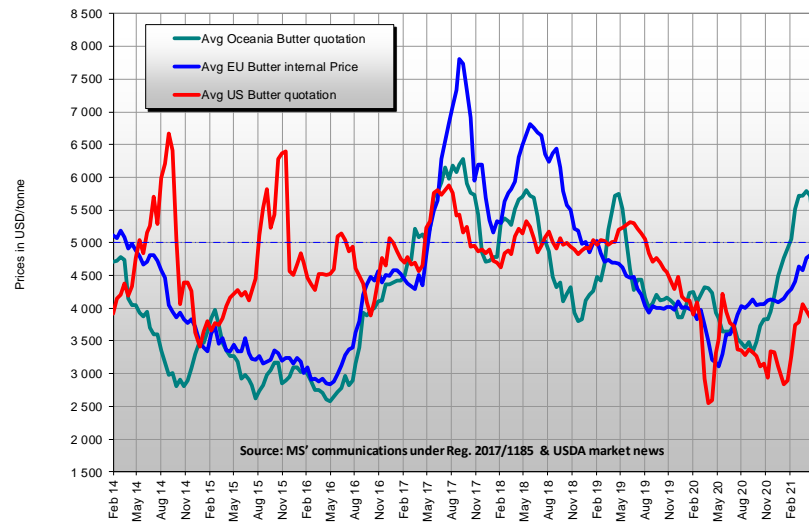
Source : Member States Notifications under Reg. 2017/1185, USDA

EU*/US/Oceania Quotations of SMP



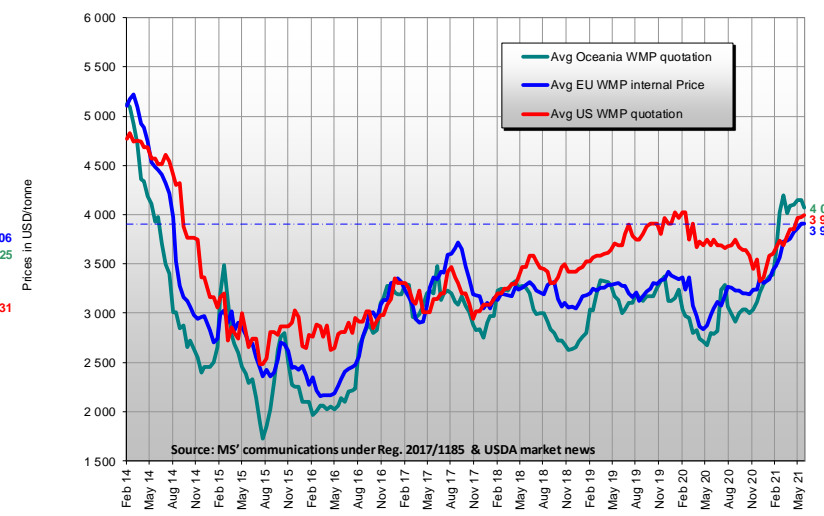
* EU evolutive

EU*/US/Oceania Quotations of Butter



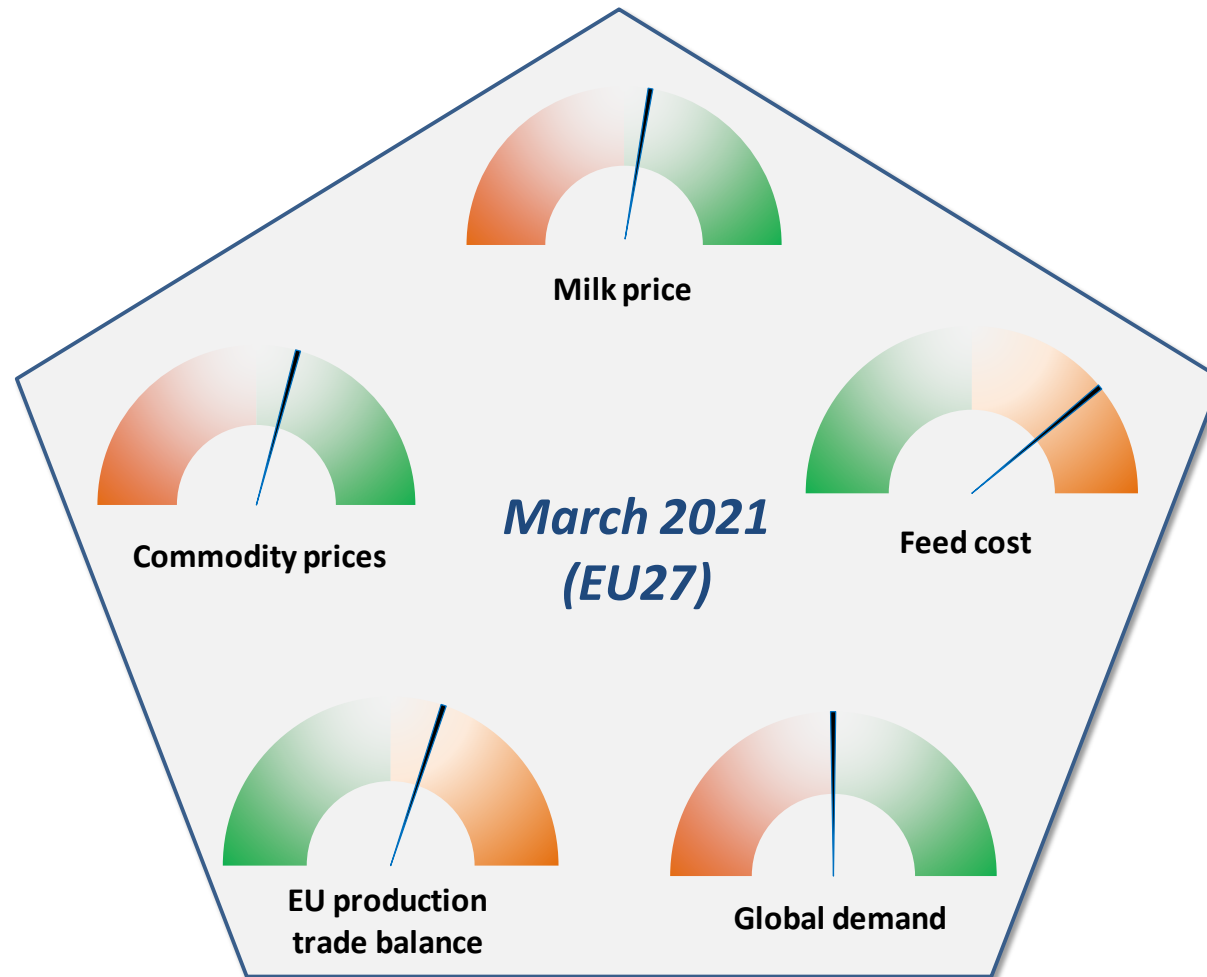
* EU evolutive

EU*/US/Oceania Quotations of WMP

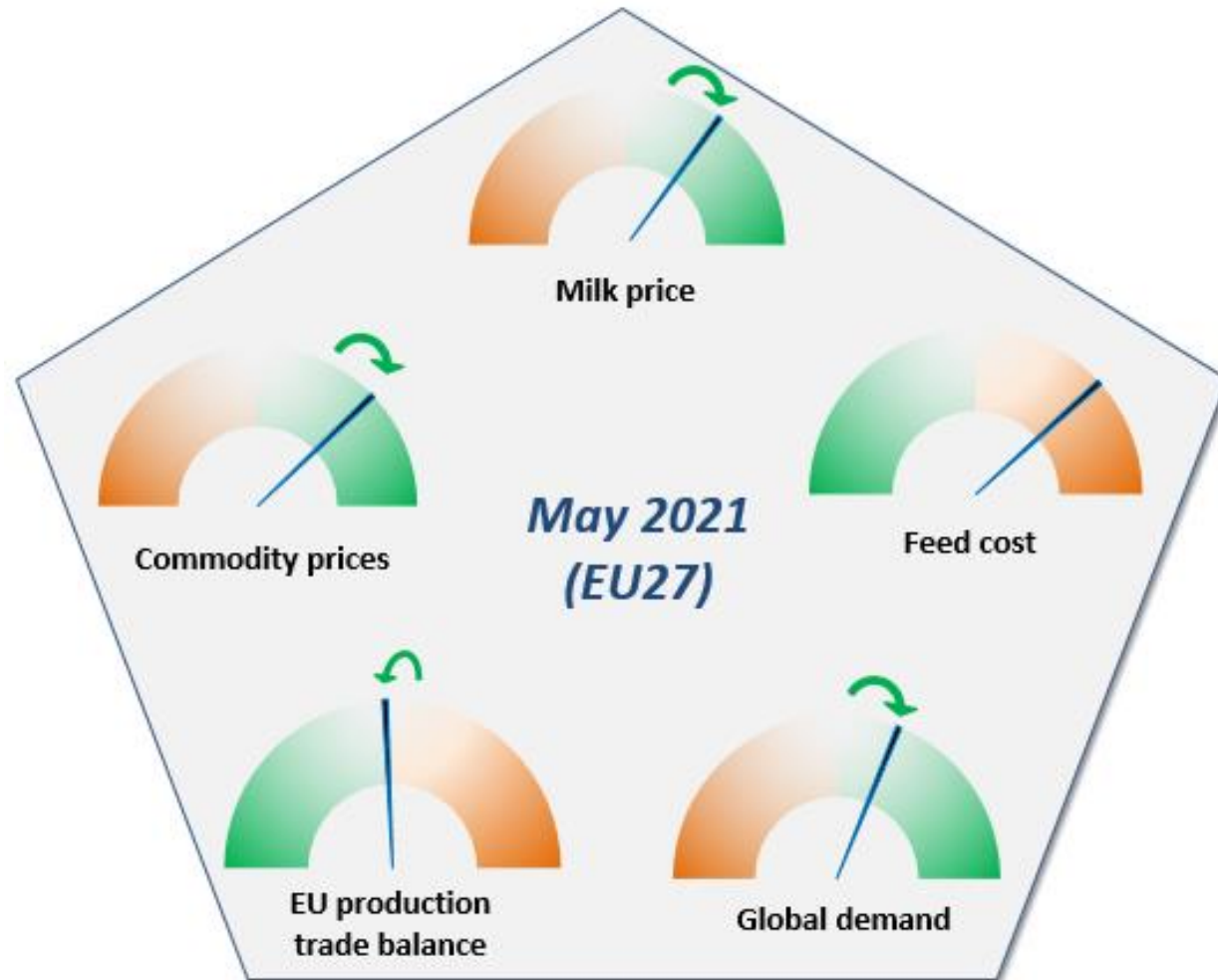


* EU evolutive

Indicators



Indicators



Keep in touch and thank you!



ec.europa.eu/agriculture



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



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



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



[EU agri-food Data portal](#)

ANNEX 2

EU dairy products monthly stock estimates at the end of March 2021

EDA



**EU dairy products
monthly stock estimates
at the end of March 2021**

**Milk Market Observatory
Economic Board**

June 23rd, 2021

Methodology

- For each dairy product and each month, the stock estimates are based on the equation:
 - $\text{Stock variation} = \text{EU production} + \text{EU import} - \text{EU internal consumption} - \text{EU exports}$
- ZMB balance sheets and forecasts have been used as references for :
 - End of year stock levels
 - Yearly consumption levels
- Monthly production statistics are based on ZMB Dairy World publications.
- Exports and imports figures are based on MMO website figures and Eurostat. From 2020 onwards, data refer to the EU-27 (coloured in red).
- The initial stocks entered in the model at the beginning of 2012 are :
 - SMP: 152 000 t
 - Butter: 80 000 t
 - Cheese: 200 000 t (arbitrary basis)
- The green/red parts in each graph mean that this stock level can be considered as normal for the month.
- Orange parts mean that this stock level can be considered as too high for the month; intervention stocks are coloured blue.
- These qualifications are based on the EDA analysts' personal views and past market observations.

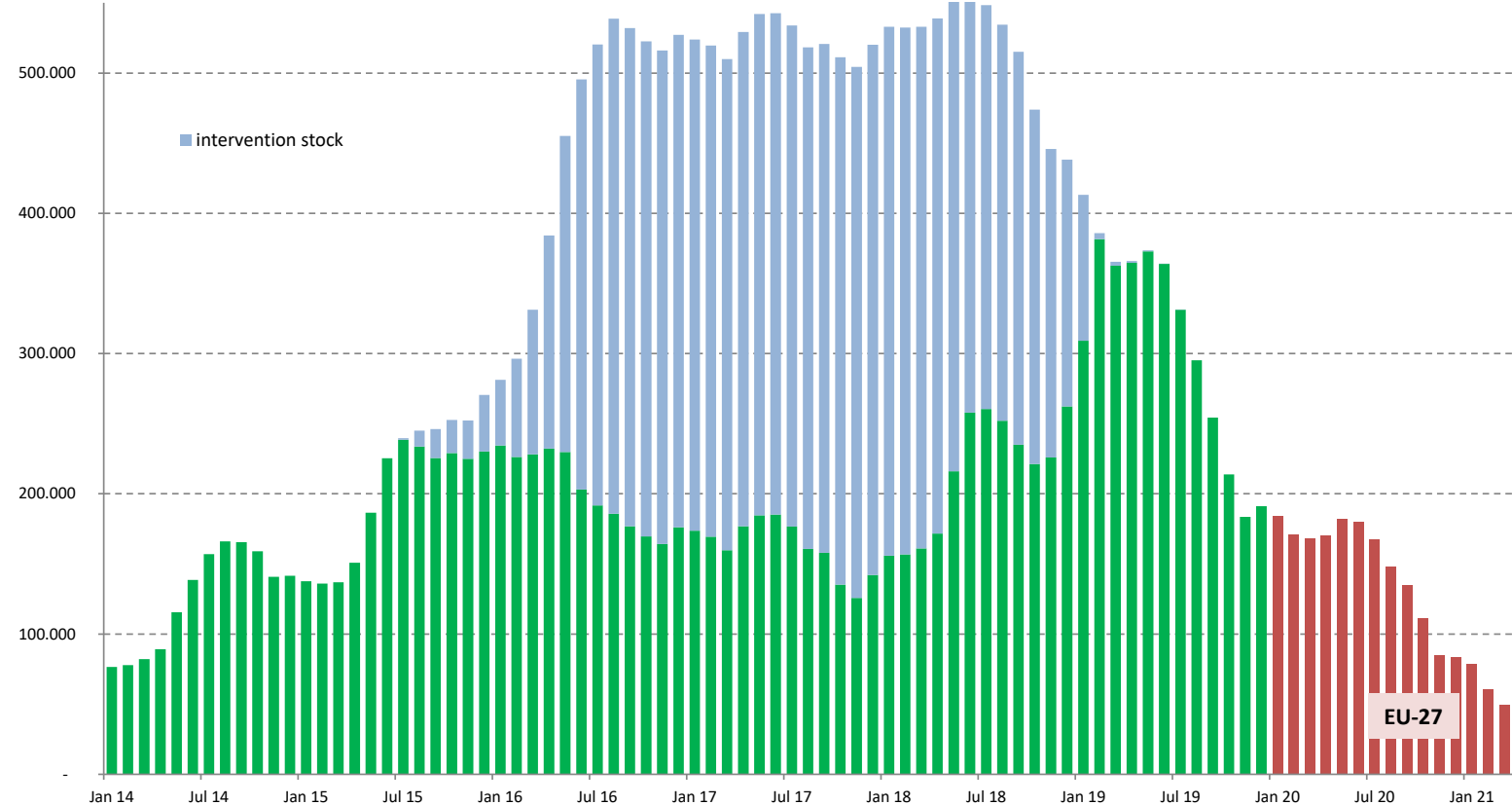
SMP: 2021 started with lowest stock since years. EU-production is behind previous year's level due to modest milk deliveries and strong cheese production. With healthy demand on the internal and world market stocks reduced further and prices firmed continuously.



European stock level estimates - SMP - March 2021

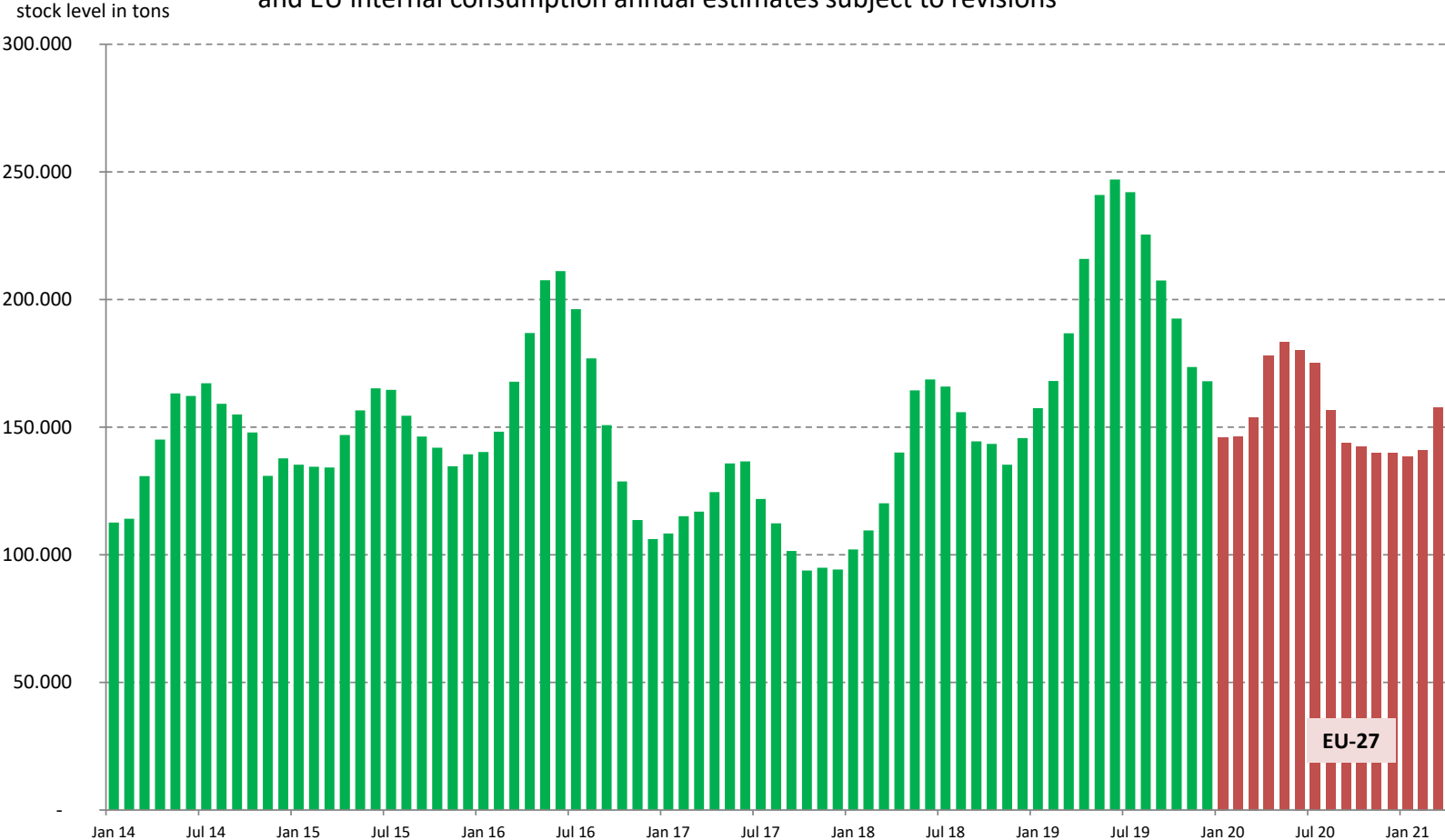
Calculations based on Eurostat production, export and import statistics and EU internal consumption annual estimates subject to revisions

stock level
in tons



Butter: 2021 started with modest stocks, strong retail-demand and slow production. Since March availability increased with a slowing down of retail demand and weaker export to international markets. Food-service demand recovered recently.

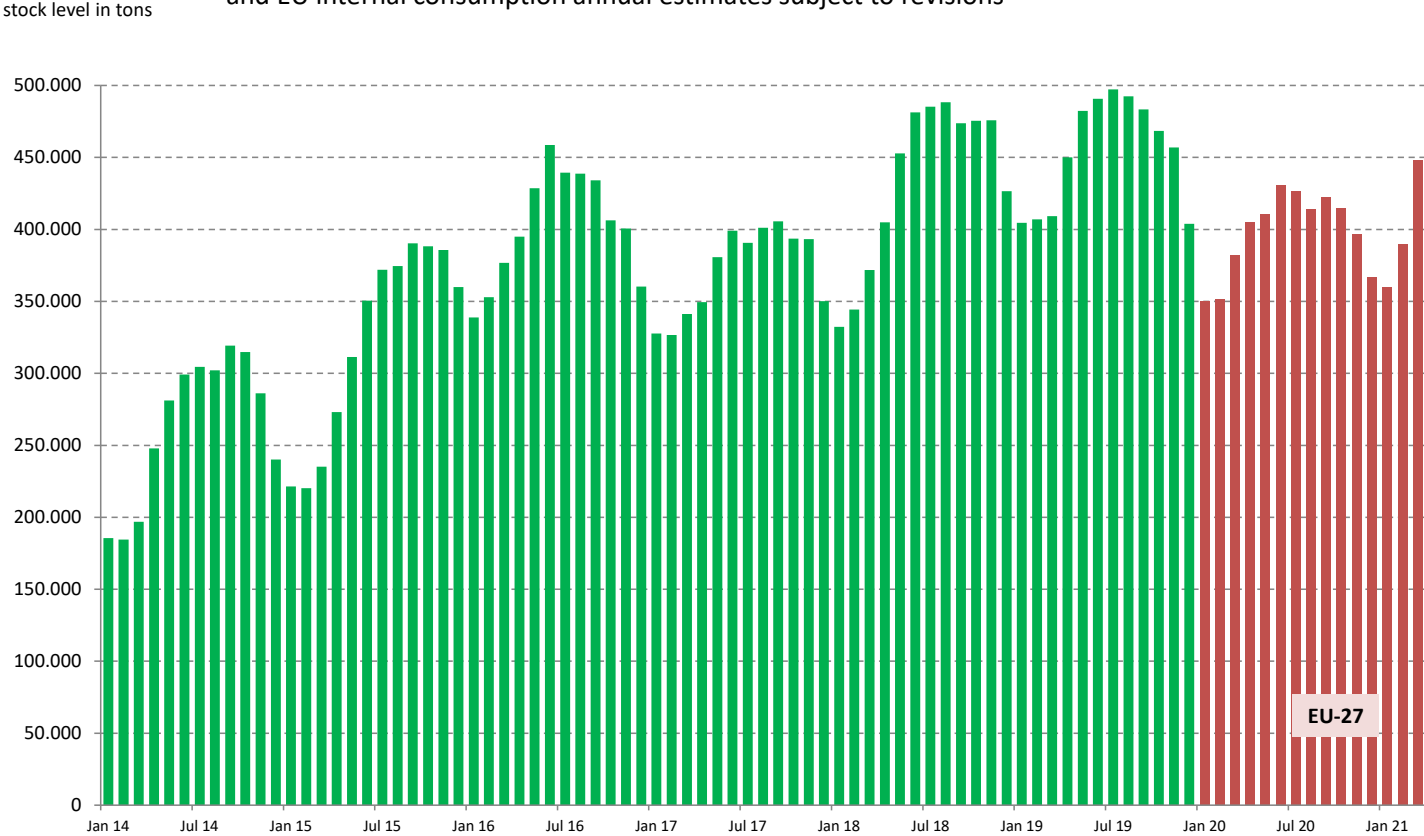
European stock level estimates - Butter - March 2021
Calculations based on Eurostat production, export and import statistics
and EU internal consumption annual estimates subject to revisions



2021 started with a strong cheese demand, modest stocks and rising prices. Due to higher production and reduced export from EU-27 to UK and USA stocks recovered quickly in March. Price increase stopped.

European stock level estimates - Cheese March 2021

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



Situation

- Dairy markets had been very firm in Q1 due to the strong Christmas business and lower milk deliveries in the first two months of the year.
- With picking up of milk deliveries since March, slower retail-demand after Easter, later than expected re-opening of food-service, lower exports of butter and cheese to 3rd countries incl. UK stocks partly went up. SMP/Protein is the strongest market segment actually with low stocks.
- Increase of prices came to an end for the time being. Milk output of competitors in America and Oceania is stronger than expected. Further development will depend on milk output and internal and external demand.

ANNEX 3

Global Dairy Trade Flows

Eucolait



eucolait

*European Dairy Trade
Association*

Global dairy trade flows

MMO EXPERT GROUP

23/06/2021

www.eucolait.eu

Outline

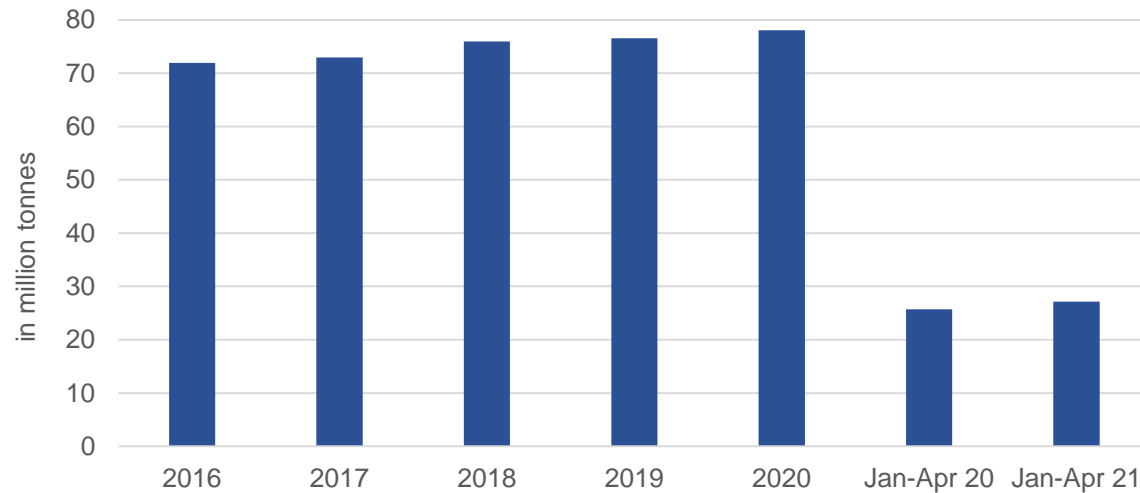
- Global exports & demand*
- Developments in key import markets
- Conclusions

* include estimates for Mexico, Saudi Arabia, Egypt & India

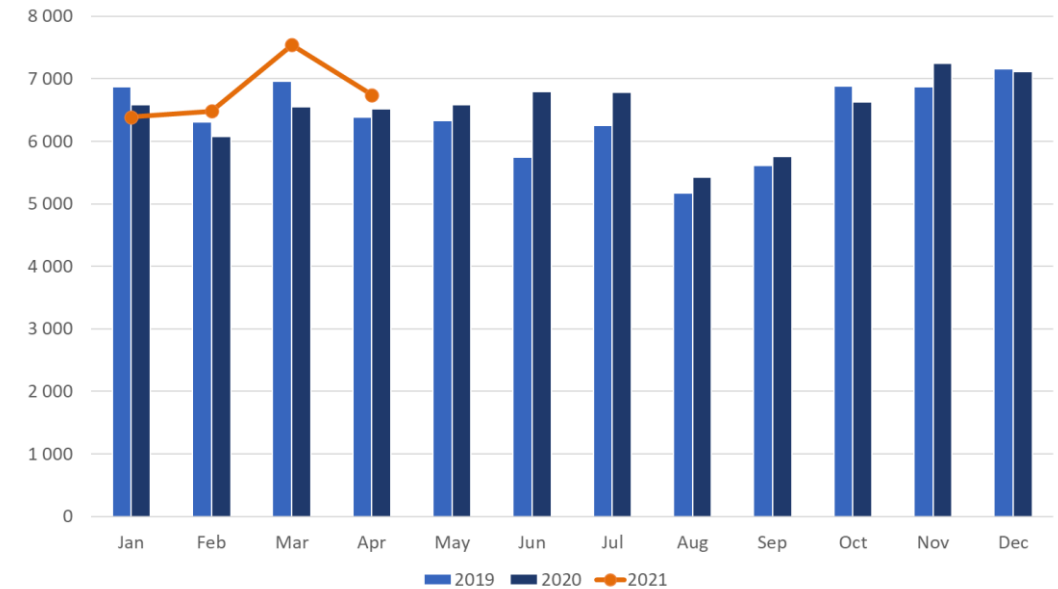
Global dairy exports in ME

Global dairy exports:
Growth rate Jan-Apr 21/20: +5%

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

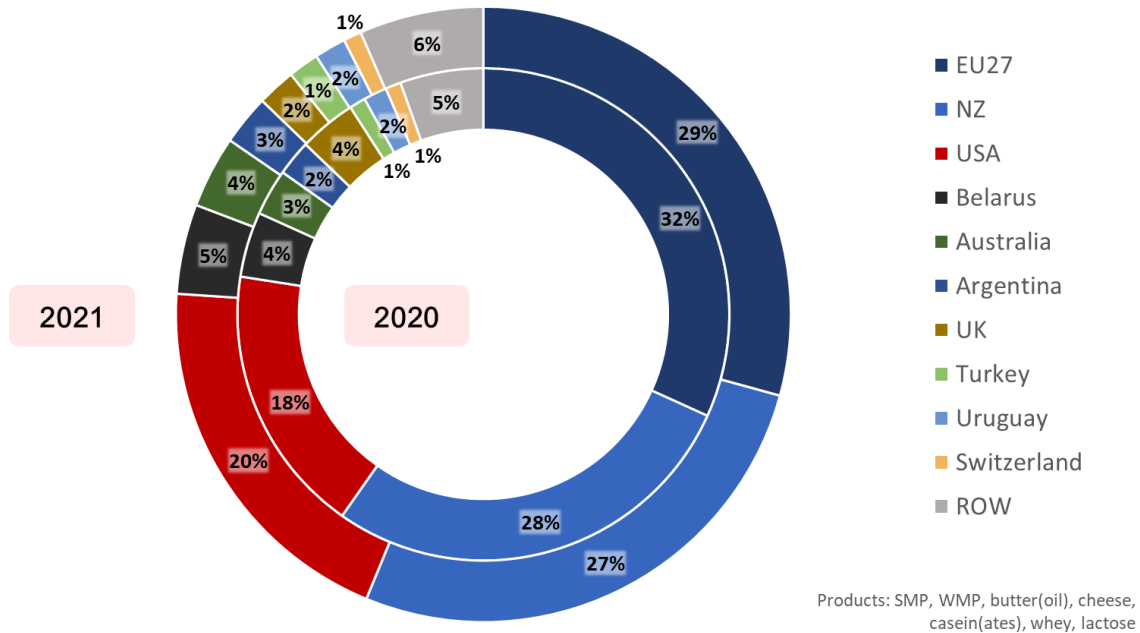


Monthly global exports - all dairy products
in milk equivalent (1000 tonnes)

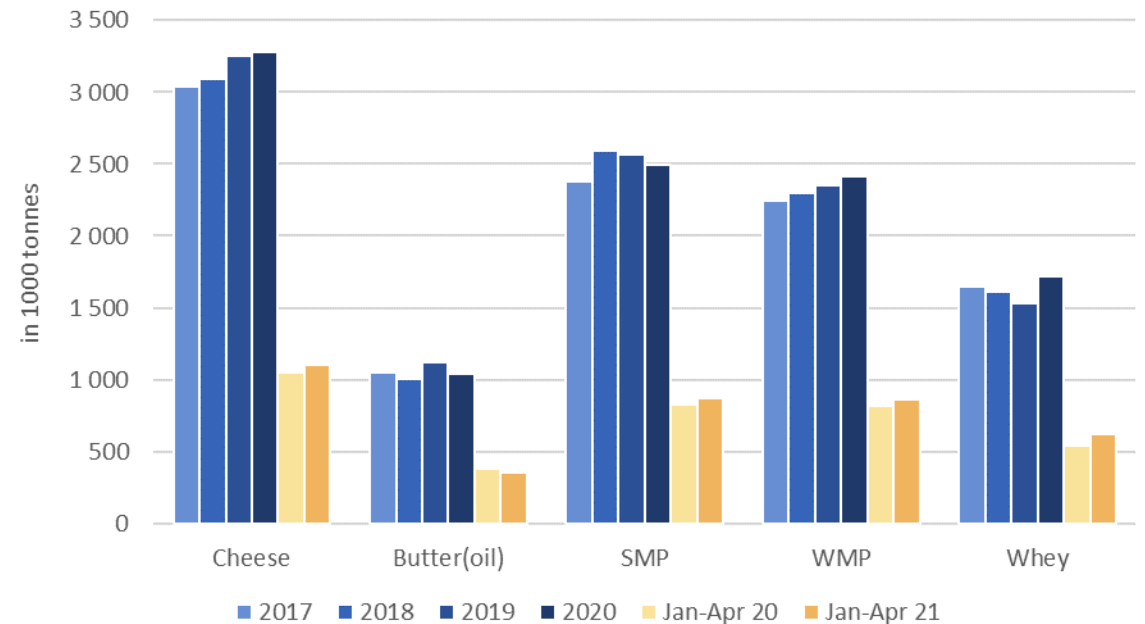


Dairy exports of main market players in ME

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

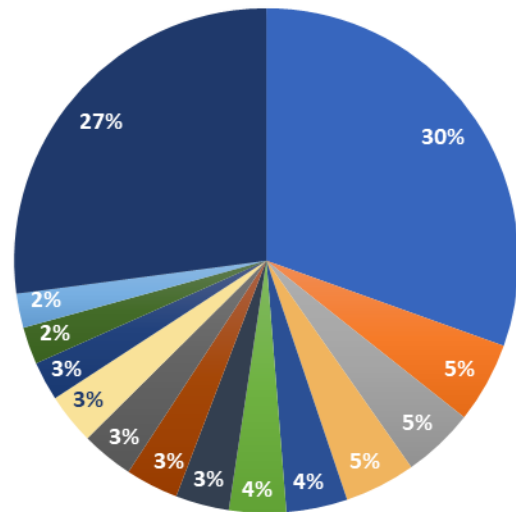


Global exports of main dairy commodities



Main import markets & EU export destinations

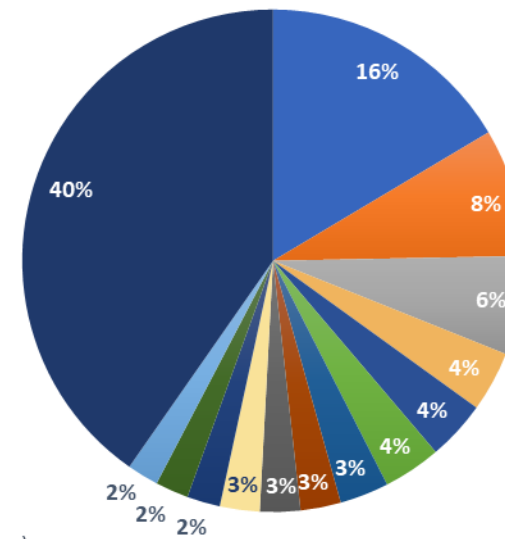
Main import markets in Q1 2021
(in milk equivalent)



- China
- Mexico
- Russia
- Indonesia
- Algeria
- Japan
- Philippines
- Saudi Arabia
- Malaysia
- UK
- United States
- EU27
- Thailand
- ROW

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

EU export destinations in Jan-Apr 2021
(in milk equivalent)



- China
- UK
- Indonesia
- Algeria
- United States
- Japan
- Malaysia
- Thailand
- Egypt
- Saudi Arabia
- Oman
- South Korea
- Vietnam
- ROW

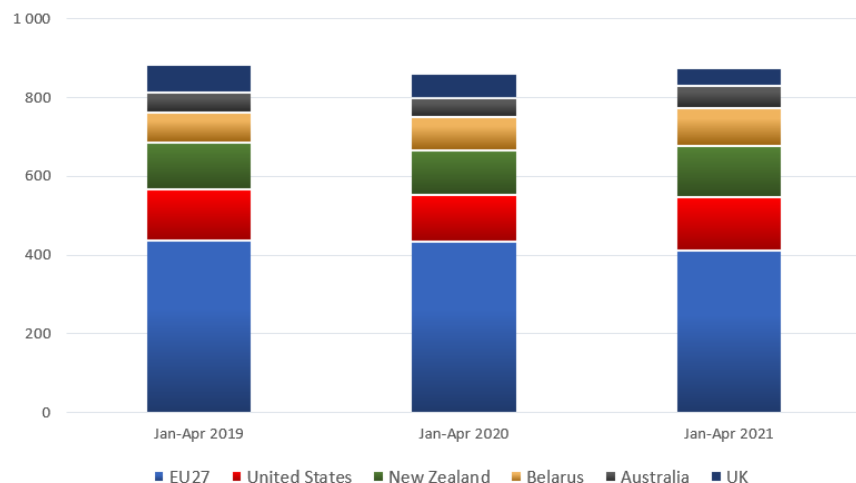
Products: cheese, butter(oil), SMP, WMP, whey, lactose, casein(ates)

Cheese trade

Global cheese exports:
Growth rate Jan-Apr 21/20: +3%

EU cheese exports:
Growth rate Jan-Apr 21/20: -5%

Cumulated cheese exports of major exporters
(in 1000 tonnes)



MAIN CHEESE IMPORTERS Q1 2021			
Importers	Volumes in tonnes	Market shares	Δ% 21/20
World	740 587	100%	↓ -1%
UK	88 741	12%	↓ -21%
Russia	82 936	11%	↑ +12%
Japan	64 688	9%	→ +0%
Saudi Arabia	51 838	7%	↑ +10%
China	51 008	7%	↑ +47%
South Korea	42 354	6%	↑ +17%
EU27	40 177	5%	↓ -24%
United States	39 090	5%	↓ -2%
Mexico	28 636	4%	↓ -13%
Australia	26 064	4%	↓ -3%
ROW	225 055	30%	↓ -1%

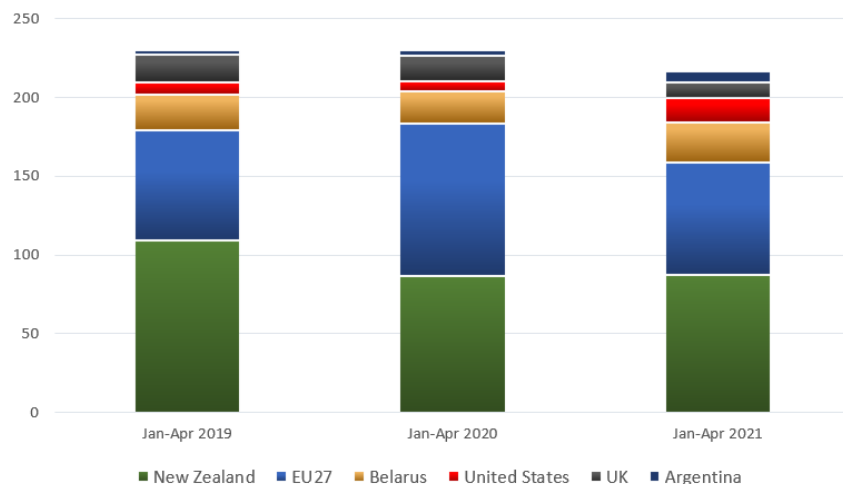
EU27 CHEESE EXPORTS JAN-APR 2021			
	Volumes in tonnes	Share of EU exports	Δ% 21/20
Total EU27 exports	412 881	100%	↓ -5%
United Kingdom	98 072	24%	↓ -29%
Japan	38 096	9%	↑ +9%
United States	36 190	9%	↓ -5%
Switzerland	25 475	6%	↑ +14%
South Korea	17 652	4%	↓ -8%
Ukraine	16 727	4%	↑ +27%
Saudi Arabia	16 287	4%	↑ +12%
China	14 238	3%	↑ +119%
Libya	9 957	2%	↑ +51%
Australia	9 160	2%	↑ +1%
ROW	131 027	32%	→ +1%

Butter trade

Global butter exports:
Growth rate Jan-Apr 21/20: -2%

EU butter exports:
Growth rate Jan-Apr 21/20: -26%

Cumulated butter exports of major exporters
(in 1000 tonnes)



MAIN BUTTER IMPORTERS Q1 2021			
Importers	Volumes in tonnes	Market shares	Δ% 21/20
World	167 690	100%	↓ -7%
China	32 551	19%	↓ -4%
Russia	32 302	19%	↑ +3%
Saudi Arabia	12 538	7%	↑ +22%
United States	9 167	5%	↑ +41%
UK	8 128	5%	↓ -54%
Australia	8 069	5%	↓ -14%
EU27	7 103	4%	↓ -13%
Canada	5 150	3%	↑ +6%
Taiwan	4 741	3%	↑ +11%
Japan	4 408	3%	↓ -18%
ROW	43 533	26%	↓ -12%

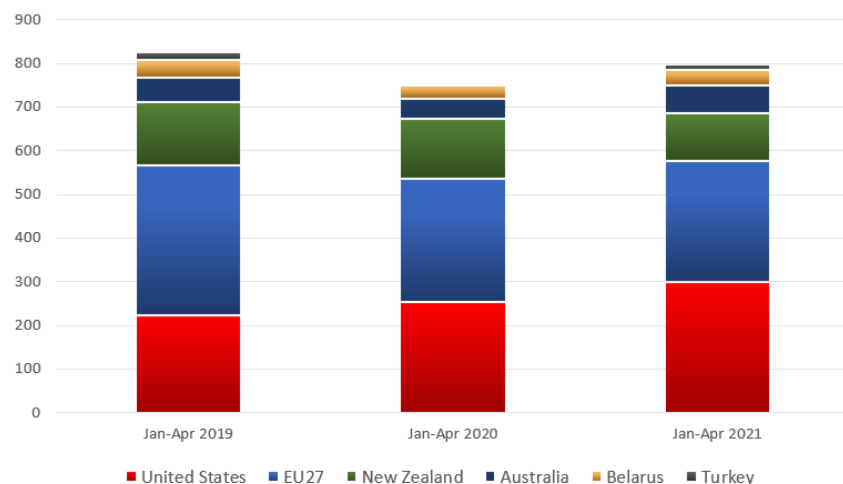
EU27 BUTTER EXPORTS JAN-APR 2021			
	Volumes in tonnes	Share of EU exports	Δ% 21/20
Total EU27 exports	71 554	100%	↓ -26%
United States	11 986	17%	↓ -8%
United Kingdom	8 382	12%	↓ -56%
China	7 717	11%	↑ +114%
Saudi Arabia	3 158	4%	↓ -60%
South Korea	2 667	4%	↑ +30%
Morocco	2 548	4%	↓ -52%
Taiwan	2 270	3%	↑ +14%
Singapore	2 047	3%	↓ -9%
Egypt	1 849	3%	↓ -56%
United Arab Emirates	1 573	2%	↓ -43%
ROW	27 357	38%	↓ -20%

SMP trade

Global SMP exports:
Growth rate Jan-Apr 21/20: +6%

EU SMP exports:
Growth rate Jan-Apr 21/20: -2%

Cumulated SMP exports of major exporters
(in 1000 tonnes)



MAIN SMP IMPORTERS Q1 2021			
Importers	Volumes in tonnes	Market shares	Δ% 21/20
World	522 070	100%	↑ +3%
China	118 921	23%	↑ +34%
Mexico	75 659	14%	↑ +12%
Indonesia	46 447	9%	↑ +5%
Philippines	37 478	7%	↑ +5%
Malaysia	30 517	6%	↑ +24%
Algeria	30 070	6%	↓ -22%
Singapore	14 925	3%	↑ +15%
Colombia	14 018	3%	↓ -16%
Russia	12 613	2%	↓ -15%
Egypt*	11 572	2%	↓ -41%
ROW	129 850	25%	↓ -8%

* Estimates for Mar 21

EU27 SMP EXPORTS JAN-APR 2021

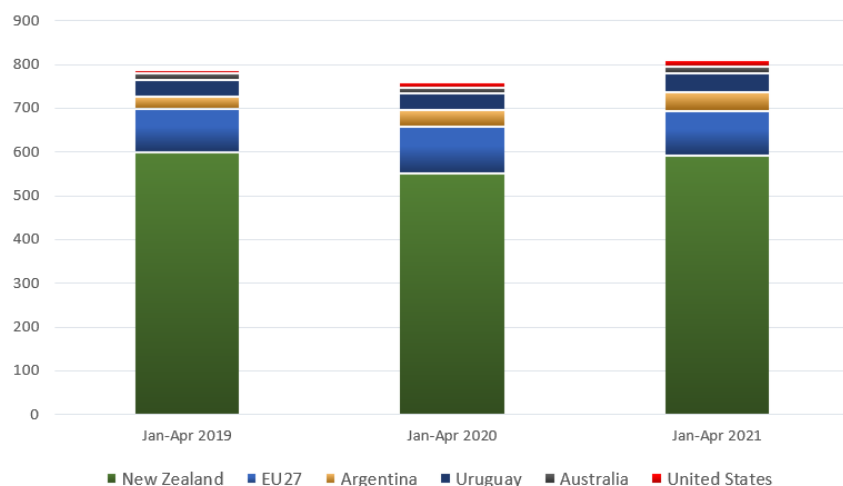
	Volumes in tonnes	Share of EU exports	Δ% 21/20
Total EU27 exports	275 430	100%	↓ -2%
China	37 875	14%	↑ +18%
Algeria	31 737	12%	↓ -40%
Indonesia	26 413	10%	↑ +84%
Egypt	16 597	6%	↓ -14%
Philippines	15 141	5%	↑ +97%
Yemen	14 540	5%	↑ +47%
Nigeria	11 751	4%	↑ +4%
Malaysia	11 396	4%	↓ -25%
Vietnam	9 709	4%	↑ +59%
Thailand	8 415	3%	↑ +2%
ROW	91 856	33%	↓ -11%

WMP trade

Global WMP exports:
Growth rate Jan-Apr 21/20: +6%

EU WMP exports:
Growth rate Jan-Apr 21/20: -7%

Cumulated WMP exports of major exporters
(in 1000 tonnes)



MAIN WMP IMPORTERS Q1 2021			
Importers	Volumes in tonnes	Market shares	Δ% 21/20
World	656 932	100%	↑ +2%
China	326 050	50%	↑ +21%
Algeria	57 544	9%	↓ -14%
Saudi Arabia	32 804	5%	↓ -30%
Sri Lanka	24 639	4%	↓ -5%
Brazil	22 264	3%	↑ +87%
Oman	21 083	3%	↑ +25%
Thailand	18 299	3%	↓ -30%
Nigeria	17 554	3%	↑ +14%
Singapore	15 370	2%	↓ -2%
Indonesia	14 431	2%	↑ +12%
ROW	106 894	16%	↓ -22%

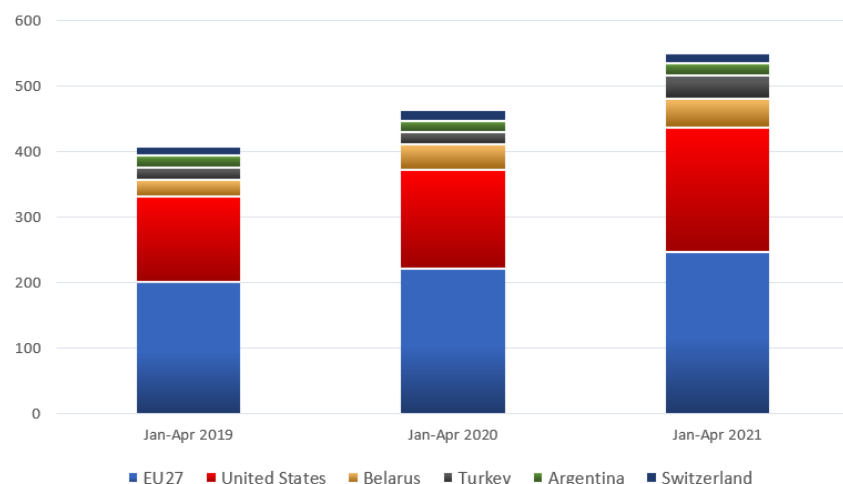
EU27 WMP EXPORTS JAN-APR 2021			
	Volumes in tonnes	Share of EU exports	Δ% 21/20
Total EU27 exports	100 624	100%	↓ -7%
Oman	19 606	19%	↑ +19%
Nigeria	6 583	7%	↓ -2%
China	5 682	6%	↑ +30%
United Kingdom	4 531	5%	↓ -54%
Kuwait	3 992	4%	↓ -31%
United Arab Emirates	3 677	4%	↑ +18%
Senegal	3 034	3%	↑ +6%
Algeria	2 926	3%	↓ -46%
Lebanon	2 713	3%	↓ -9%
Saudi Arabia	2 637	3%	↓ -24%
ROW	45 243	45%	↓ -3%

Whey powder trade

Global whey powder exports:
Growth rate Jan-Apr 21/20: **+15%**

EU whey powder exports:
Growth rate Jan-Apr 21/20: **+11%**

Cumulated whey exports of major exporters
(in 1000 tonnes)



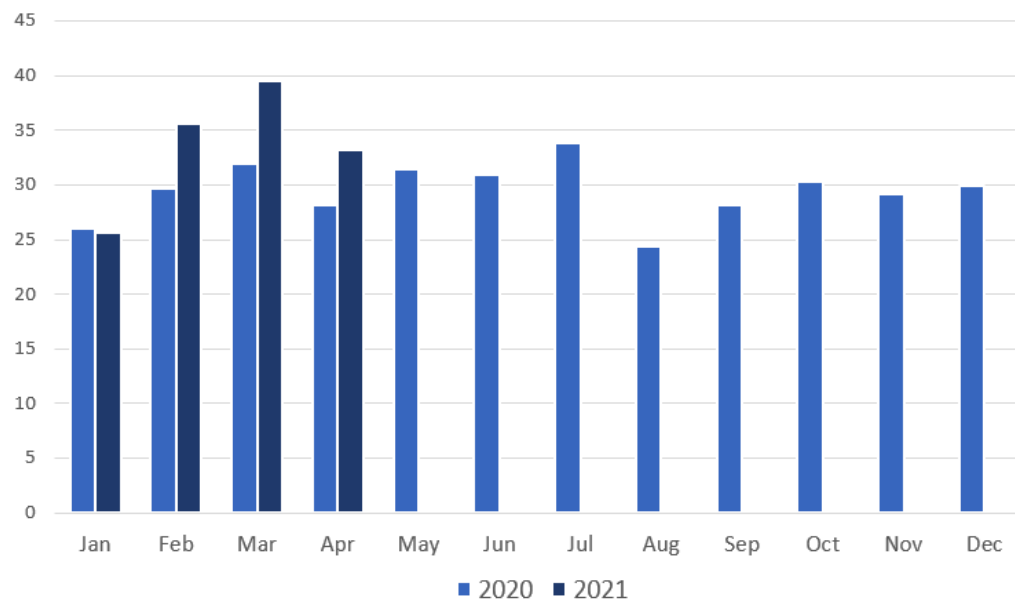
MAIN WHEY POWDER IMPORTERS Q1 2021			
Importers	Volumes in tonnes	Market shares	Δ% 21/20
World	413 549	100%	↑ +15%
China	201 409	49%	↑ +59%
Indonesia	27 297	7%	↑ +42%
Malaysia	24 959	6%	↑ +6%
Japan	15 681	4%	↓ -8%
Philippines	15 423	4%	↑ +19%
Mexico	12 386	3%	↓ -6%
Thailand	12 042	3%	↓ -29%
Russia	9 070	2%	↓ -38%
UK	8 560	2%	↓ -25%
South Korea	7 917	2%	↑ +10%
ROW	78 805	19%	↓ -18%

EU27 WHEY POWDER EXPORTS JAN-APR 2021			
	Volumes in tonnes	Share of EU exports	Δ% 21/20
Total EU27 exports	247 640	100%	↑ +11%
China	97 700	39%	↑ +39%
Indonesia	31 484	13%	↑ +40%
Malaysia	19 164	8%	↓ -17%
Thailand	14 074	6%	→ -0%
United Kingdom	9 057	4%	↓ -41%
Vietnam	9 051	4%	↑ +1%
Japan	6 268	3%	↑ +17%
South Korea	4 973	2%	→ -1%
India	4 207	2%	↑ +14%
Singapore	4 002	2%	↑ +21%
ROW	47 660	19%	↓ -6%

Fat-filled powder trade

EU fat-filled powder exports:
Growth rate Jan-Apr 21/20: +16%

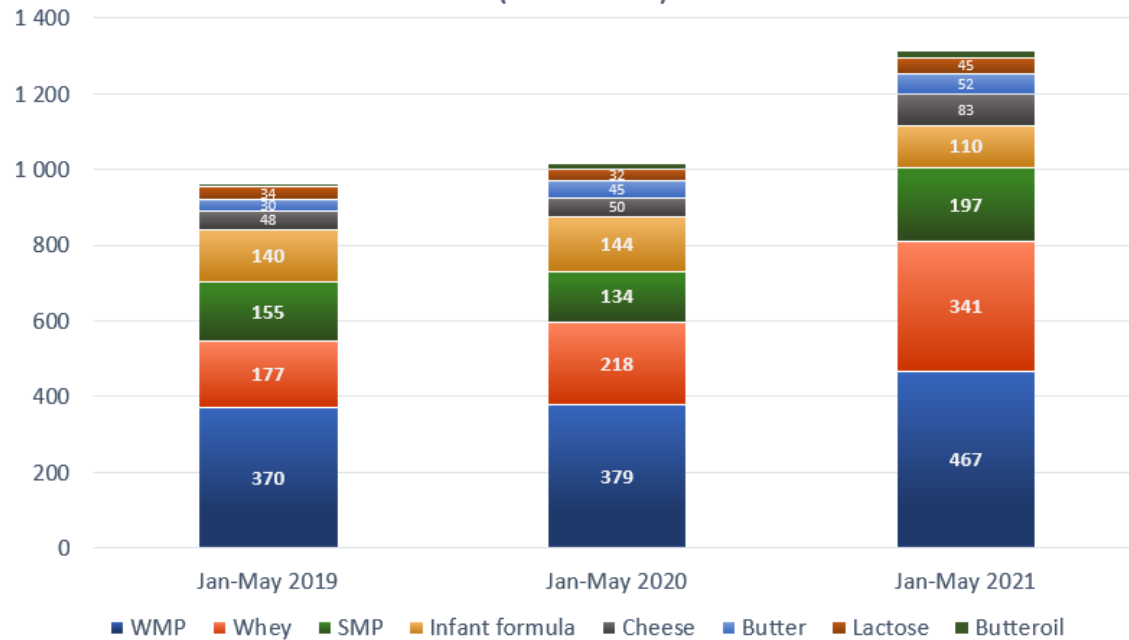
EU27 fat-filled powder exports
(in 1000 tonnes)



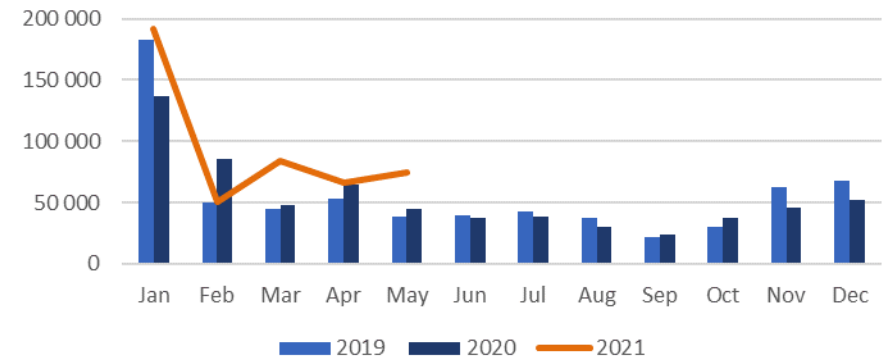
EU27 FFP EXPORTS JAN-APR 2021			
	Volumes in tonnes	Share of EU exports	Δ% 21/20
Total EU27 exports	133 851	100%	↑ +16%
Nigeria	24 510	18%	↑ +14%
Senegal	19 363	14%	↑ +35%
Iraq	11 823	9%	↑ +32%
United Arab Emirates	11 471	9%	↓ -12%
Bangladesh	6 352	5%	↑ +39%
Cote d'Ivoire	6 320	5%	↑ +55%
Egypt	5 265	4%	↑ +87%
Guinea	4 884	4%	↑ +61%
Niger	3 344	2%	↑ +26%
Benin	2 781	2%	↑ +118%
ROW	37 738	28%	↓ -5%

China imports

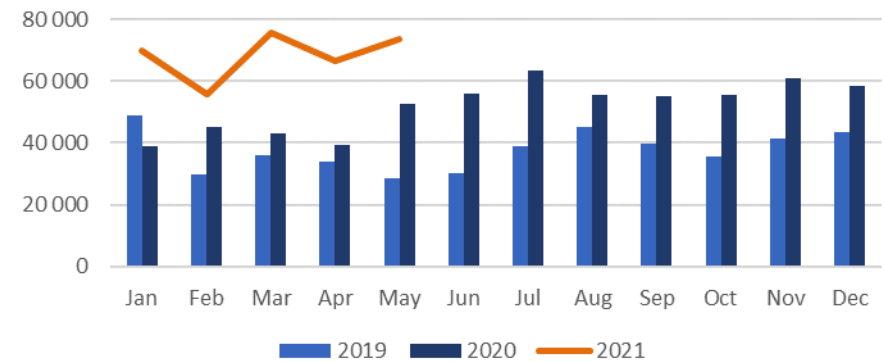
Cumulated China imports
(in 1000 tonnes)



China WMP imports (040221+040229)
(in tonnes)

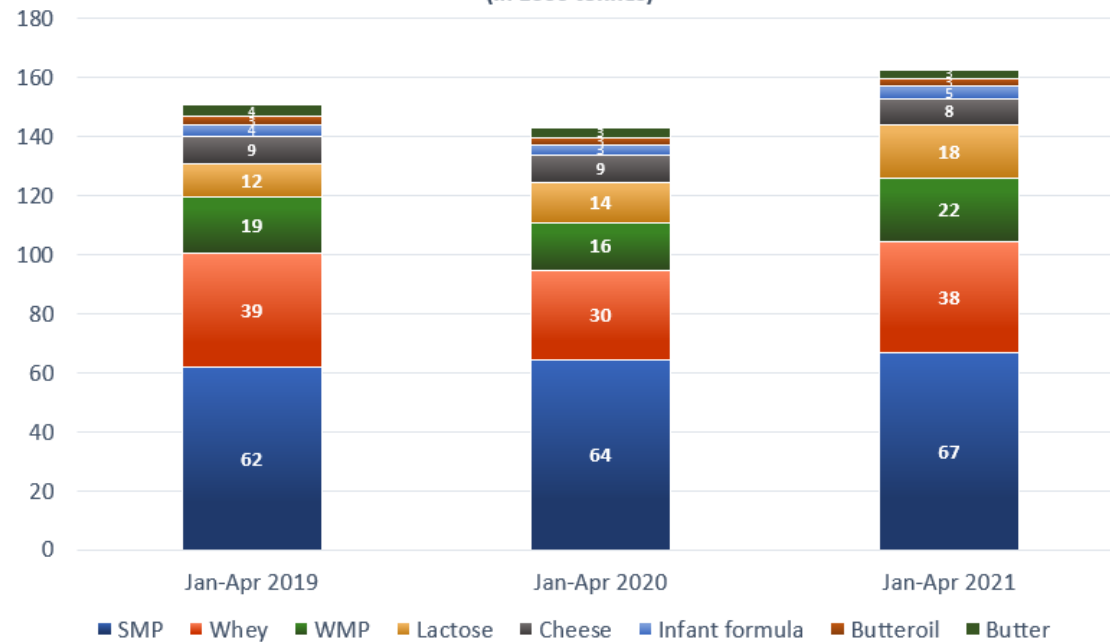


China whey powder imports
(in tonnes)

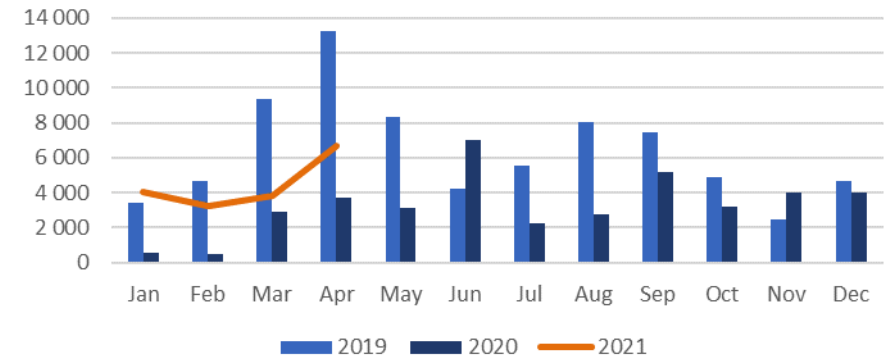


Indonesia imports

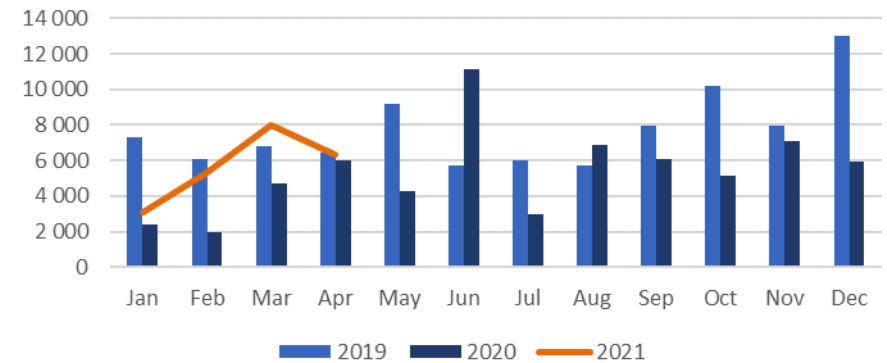
Cumulated Indonesia imports
(in 1000 tonnes)



Indonesia SMP imports from the EU27
(in tonnes)

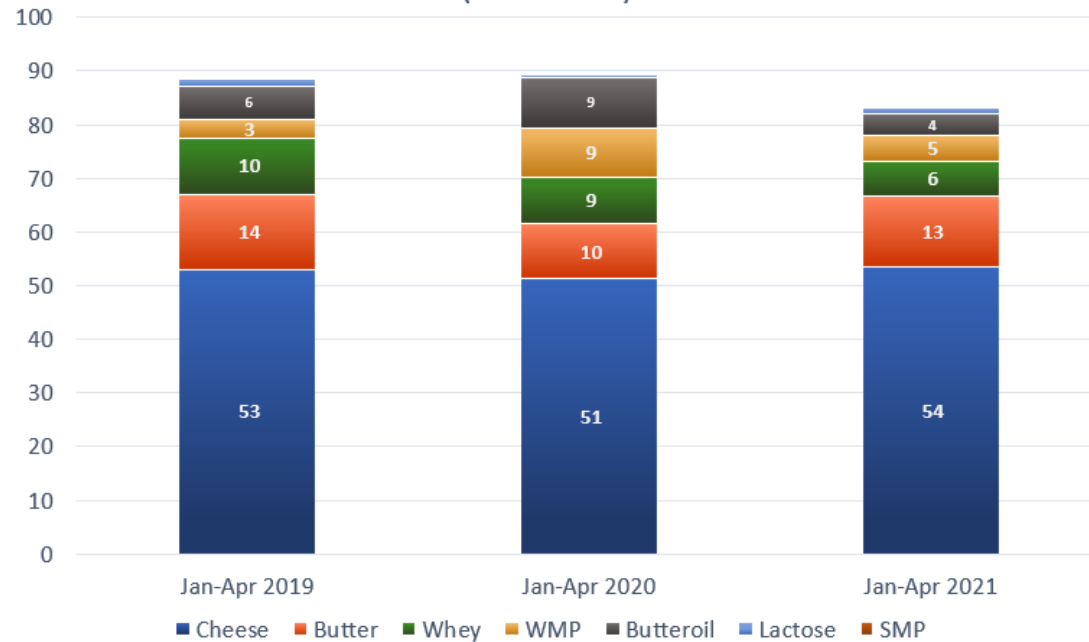


Indonesia whey imports from the EU27
(in tonnes)

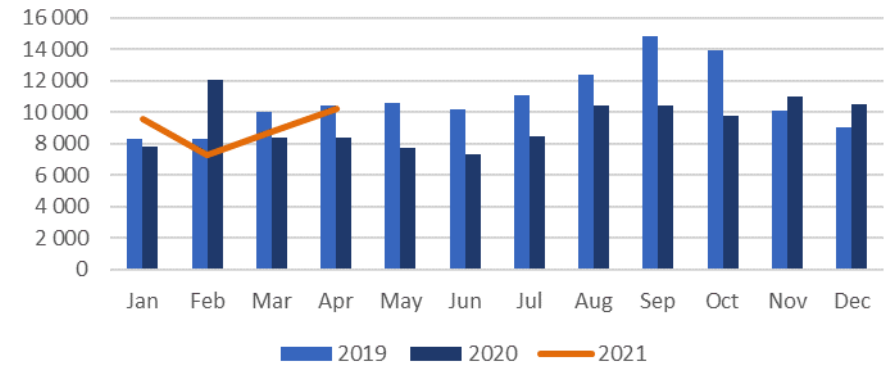


US imports

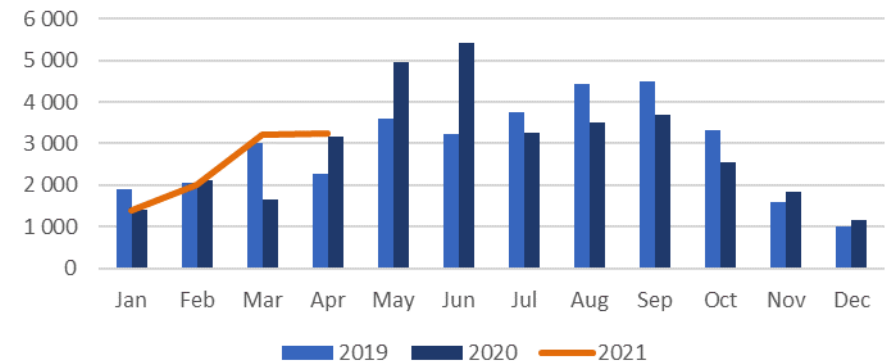
Cumulated US imports
(in 1000 tonnes)



US cheese imports from the EU27
(in tonnes)

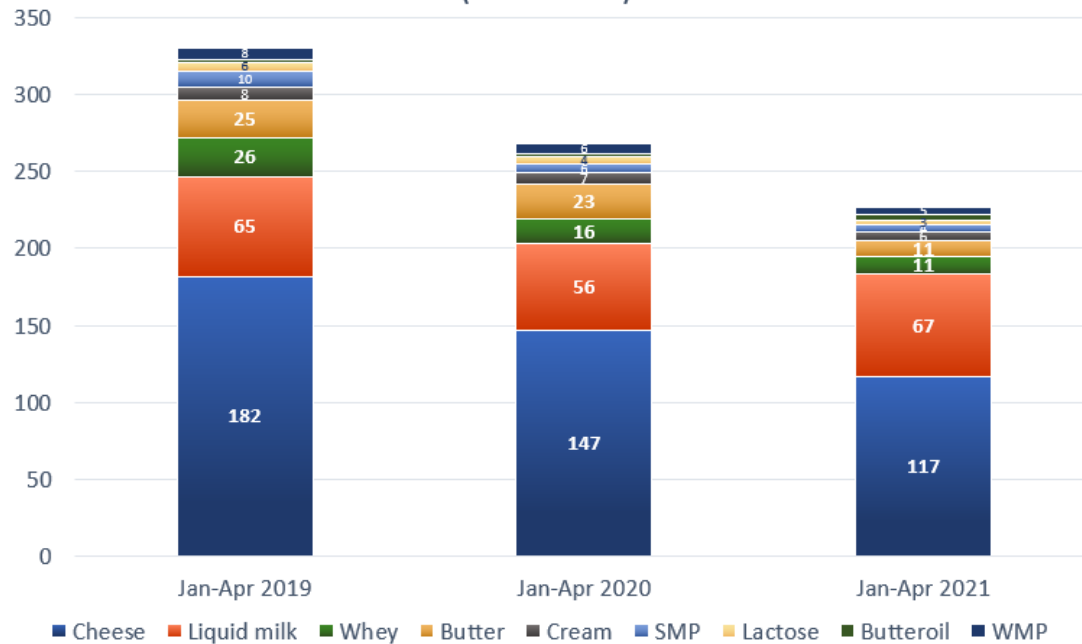


US butter imports from the EU27
(in tonnes)

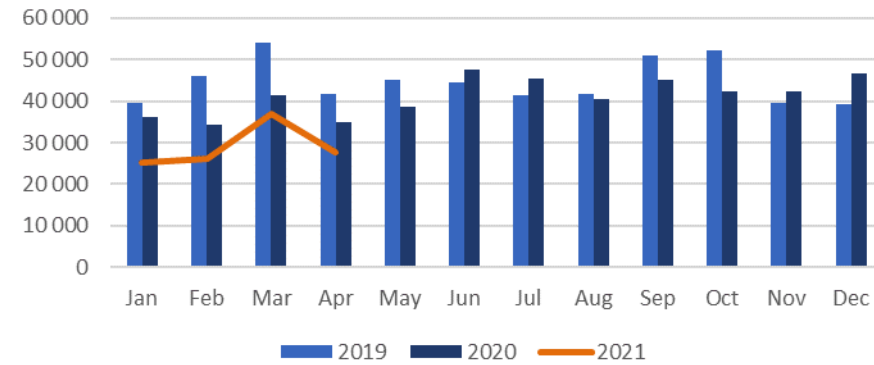


UK imports

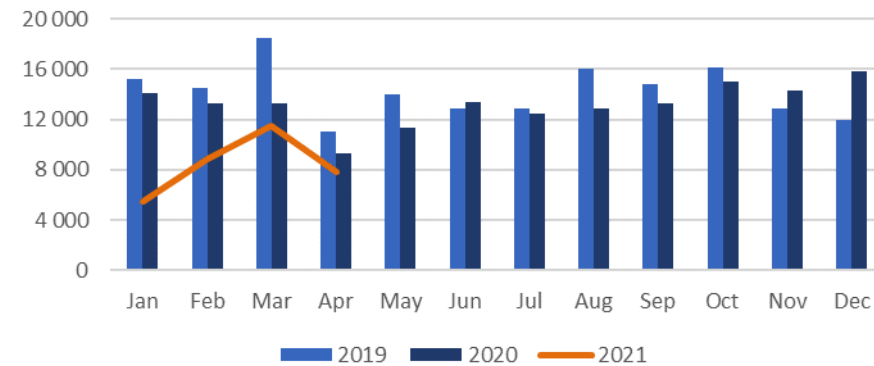
Cumulated UK imports
(in 1000 tonnes)



UK cheese imports from the EU27
(in tonnes)



UK cheese exports to the EU27
(in tonnes)



Conclusions

- **Global trade growth** has been very solid so far this year, in spite of the tremendous decline in EU-UK trade. Growth has taken place in all main categories except butterfat.
- **Strong Chinese buying** was the most important feature on the demand side in the 5 first months of 2021. South East Asia and South Korea have also contributed to the additional demand.
- On the **export side**, US was the main beneficiary by far, followed by Australia, Belarus, Argentina and Turkey.
- **European exports** suffered from the Brexit aftermath and the aircraft dispute with the US, offsetting good performances in other destinations. Exports to the US should recover as result of the tariff truce recently extended to 5 years.
- **Lack of container availability** and **soaring freight prices** are severely affecting export operations and leading to shipment delays. So far these challenges have not translated into lower total dairy trade volumes.
- Even as vaccinations progress and the food service sector reopens, **market actors remain very cautious as the situation is unprecedented** and the global pandemic far from over.
- **Dairy demand** has shown remarkable resilience but the overreliance on exceptionally strong Chinese imports is a source of concern. If demand weakens, dairy markets might come under pressure in H2 as a result of the increasing milk flows in the main exporting countries.

Thank You

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ANNEX 4

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

EuroCommerce



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

Milk Market Observatory
23 JUNE 2021

General trends in retail in 2021

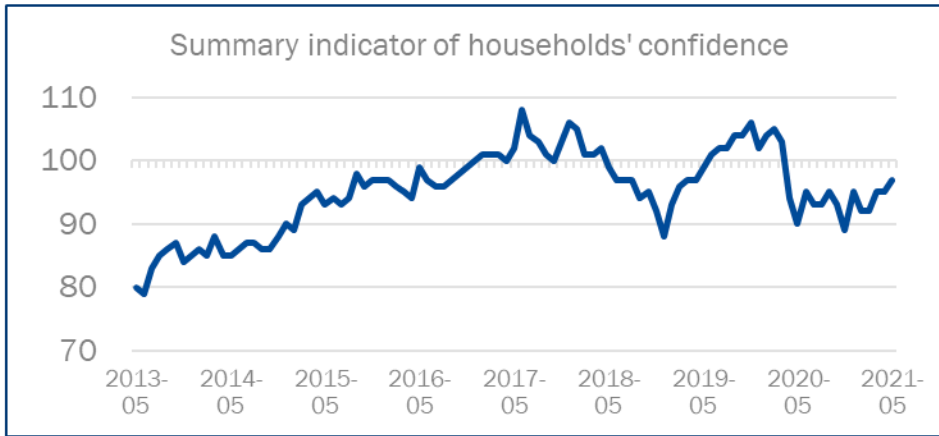
- grocery spending at an all time high (due to HoReCa closures, lockdowns)
- going towards a 'new normal' - retail will once again need to rebalance its role within the broader ecosystems with Horeca
- Impact of the pandemic: consumers both uptrading and downtrading
- In 2020-21, significant shift towards healthy/sustainable/local product:
 - ✓ 30% of European consumers will focus on **healthy** eating in 2021
 - ✓ 60% of European consumers are willing to pay more for **sustainable alternatives** - 70% for fresh food (fruit, vegetables, and meat)
- Increased demand for organically certified products

Source: McKinsey 2021

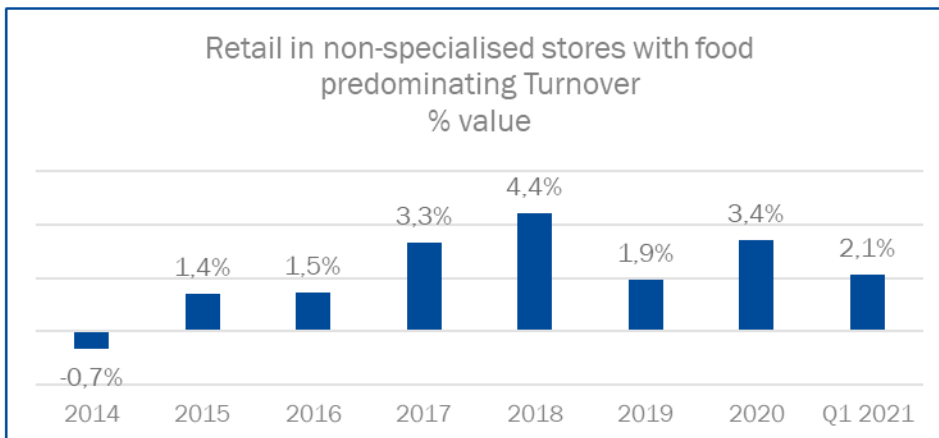
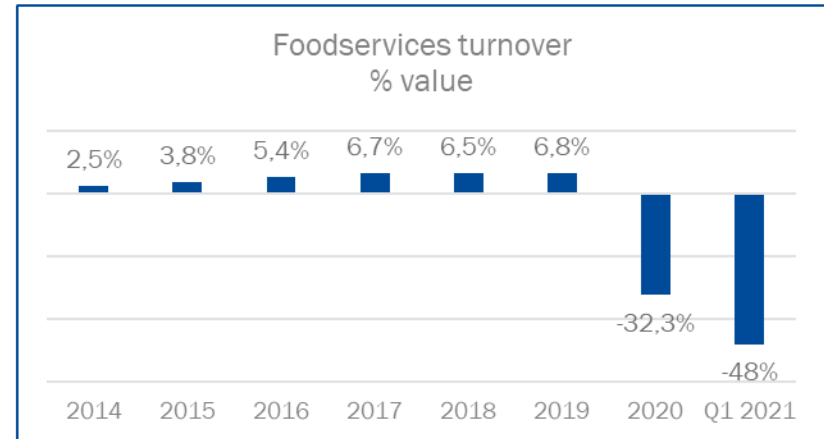
France

Economic context

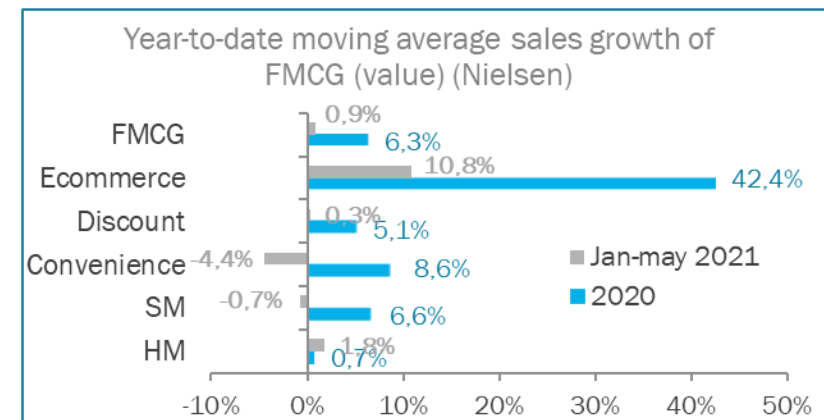
- ① In May 2021, households' confidence in the economic situation has increased. At 97, the synthetic index has gained 2 points but remains below its long-term average
- ② Q1 2021 was marked by a new sharp decline in restaurant sales (-48%), FMCG sales slowed sharply in the first 5 months of 2021



Source : Eurostat



Source : INSEE



France

Home consumption - Period ending 30 April 2021

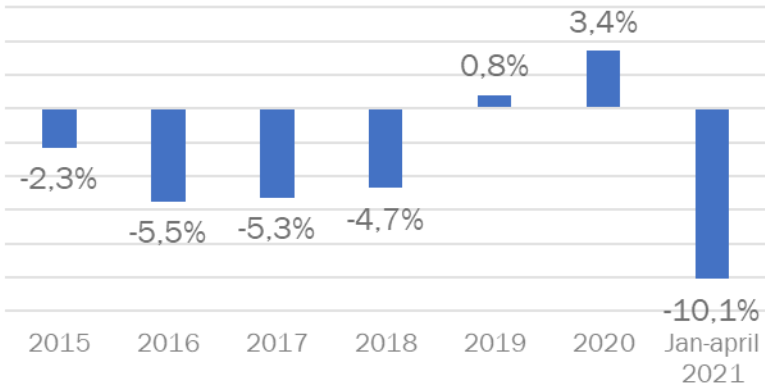
Product category	Volume (% change) 4 months period (P01'21-P04'21)	Volume (% change) Year on year (P04'19-P04'20 / P04'20 -P04'21)	Price (% change) 4 months period (P01'21-P04'21)	Price (% change) Year on year (P04'19-P04'20 / P04'20 -P04'21)
Total liquid milk	-7,8%	-1,7%	+0,2%	+0,6%
Of which UHT semi-skimmed milk	-10,1%	-4,1%	-0,1%	+0,4%
Yoghurt & fresh cheese	-2,9%	0,0%	+2,8%	+1,6%
Butter	-4,3%	+2,2%	-1,2%	-1,0%
Cream	-2,8%	+5,3%	-0,1%	+0,6%
Cheese	0,0%	+4,3%	+2,3%	+1,3%

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

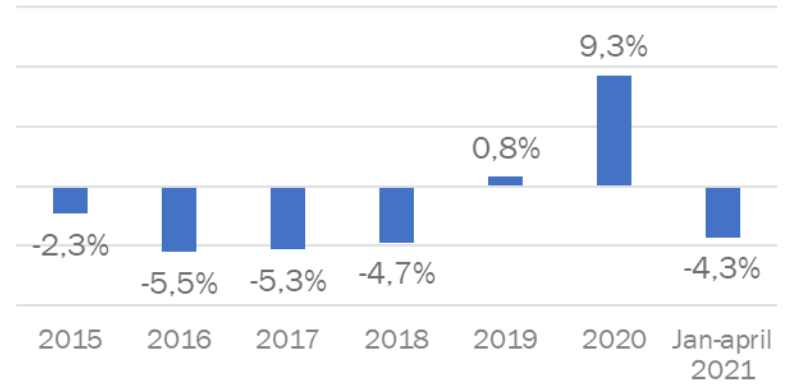
France

Home Consumption (vol.) - Period ending 30 April 2021

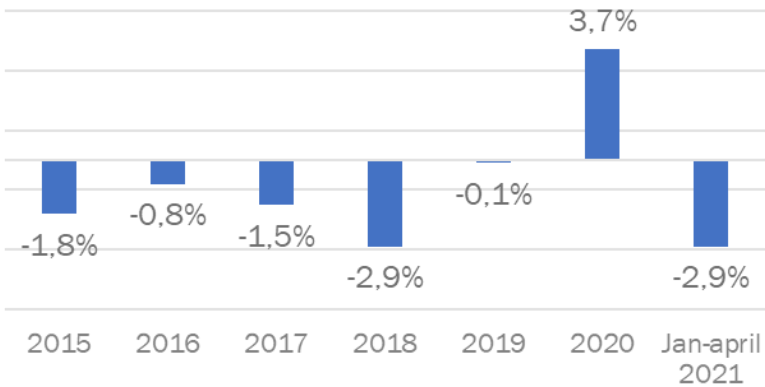
Milk UHT Semi skimmed (% vol)



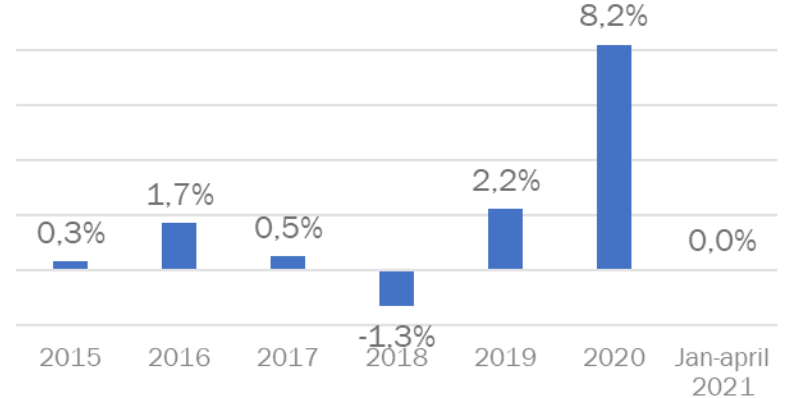
Butter (% vol)



Yoghurt & fresh cheese (% vol)



Cheese (% vol)



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

France

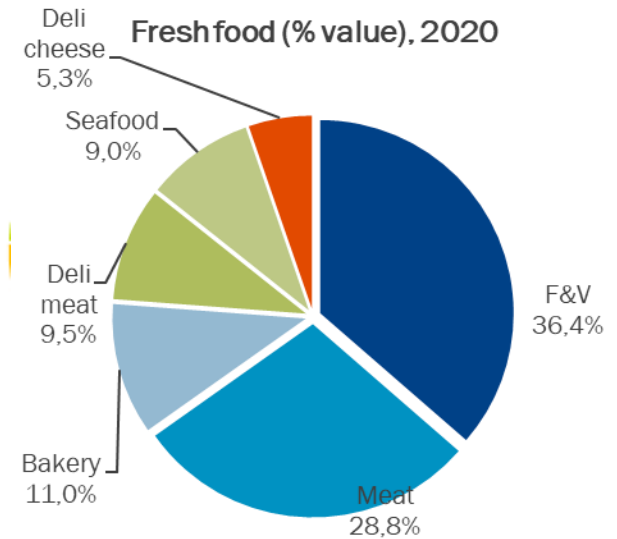
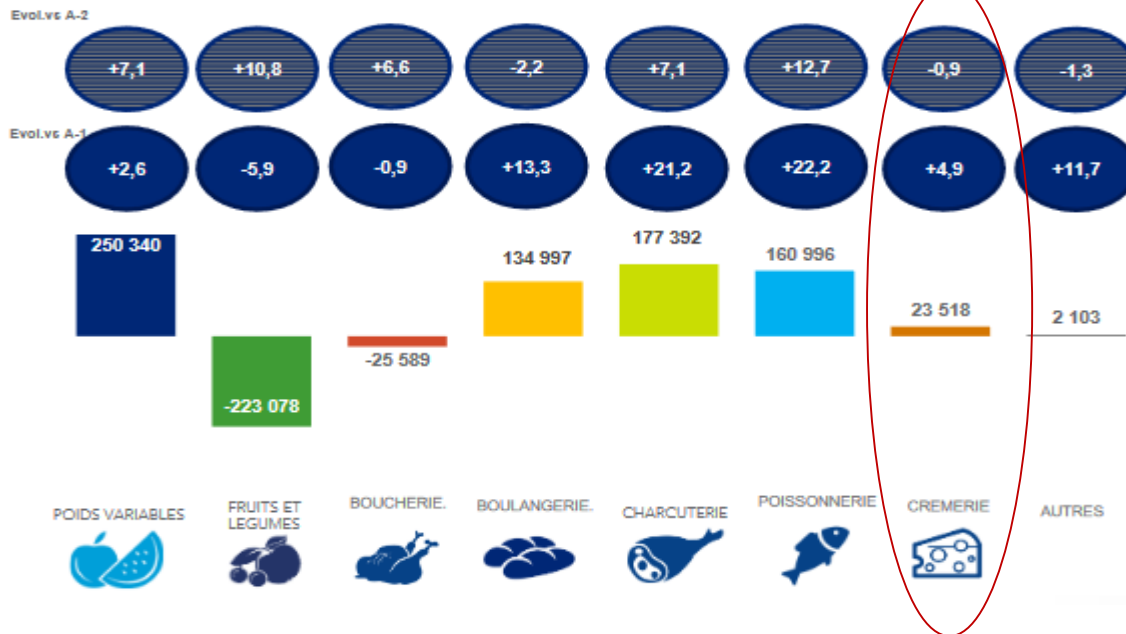
Focus on fresh food in hypermarkets and supermarkets

The sales of fresh food products (unpacked products) increased by 2,6% during the first 5 months of 2021 compared to the same period in 2020 (+7,1% // same period in 2019). The sales of **cheese** increased by 4,9% during the first 5 months of 2021 compared to the same period in 2020.

Décomposition évolution poids variable – cumul courant -

CONCEPT HM + CONCEPT SM + E-Commerce GSA

GAINS CA (K€) ET EVOL. (%) – CC P05 2021



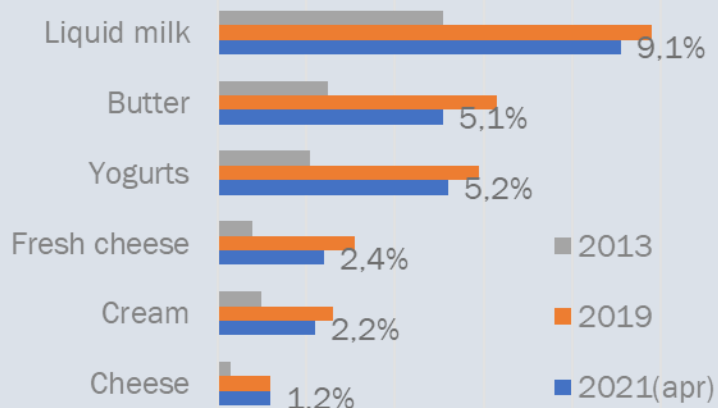
France

Sales of organic versus conventional milk & dairy products

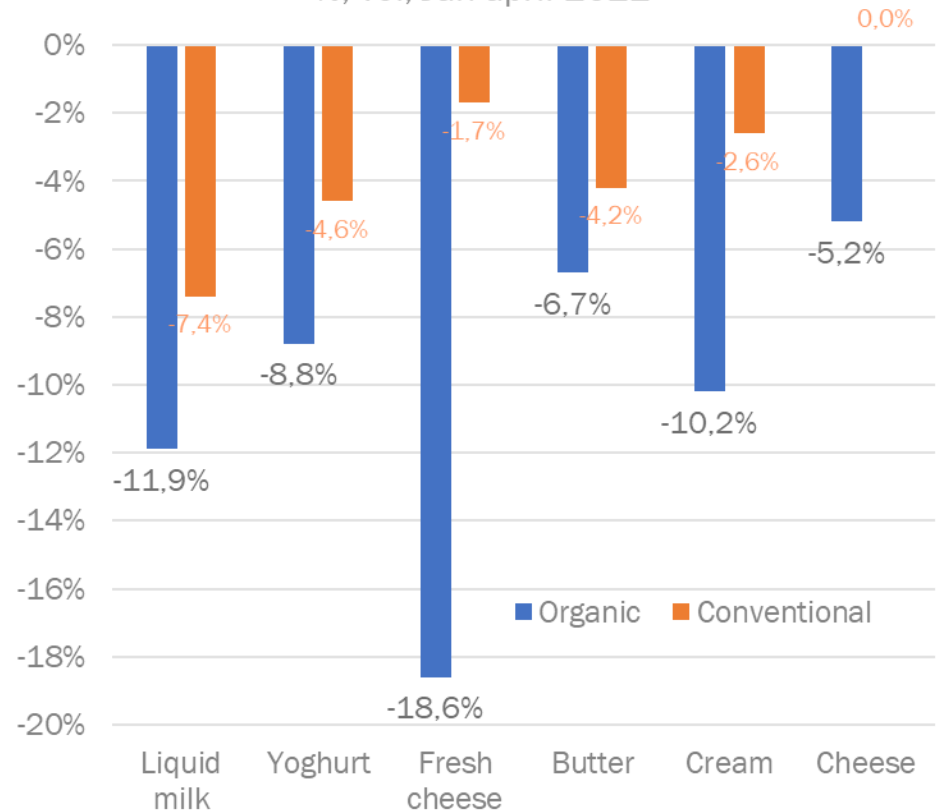
Organic milk & dairy products

- ❖ Organic dairy products sales decreased during the first 4 months in 2021. Their decline was stronger than that of conventional products

Organic market shares (% vol. 30/04/2021)



Consumption of organic vs conventional milk & dairy products %, vol, Jan-april 2021



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

France

Plant-based options in 2021

Plant-based options (desserts, beverages) represented 301,5 M€ in 2020, i.e. nearly 7% of the global dairy market + plant-based options.

	Sales in value (€) % Evol vs Y-1						
	2020	04-01-2021 to 30-05-2021 (5 months)	P1 04-01-2021 to 31-01-2021	P2 01-02-2021 to 28-02-2021	P3 01-03-2021 to 04-04-2021	P4 05-04-2021 to 02-05-2021	P5 03-05-2021 to 30-05-2021
TOTAL FMCG (food)	6,9%	0,1%	9,4%	4,2%	-7,0%	1,4%	-3,5%
TOTAL YOGHURTS	4,9%	0,9%	8,1%	2,3%	-4,5%	-0,8%	1,9%
Soy desserts	-1,5%	-1,6%	0,5%	3,9%	-1,4%	1,4%	1,0%
Other plant-based desserts	19,4%	19,3%	22,5%	14,5%	10,8%	21,7%	35,5%
UHT MILK	6,1%	-5,2%	8,6%	-1,5%	-22,5%	-2,6%	2,3%
Plant-Based Beverages	11,7%	0,8%	17,3%	5,8%	-8,1%	-2,1%	-3,6%

	Sales in value (000 €)						
	2020	04-01-2021 to 30-05-2021 (5 months)	P1 04-01-2021 to 31-01-2021	P2 01-02-2021 to 28-02-2021	P3 01-03-2021 to 04-04-2021	P4 05-04-2021 to 02-05-2021	P5 03-05-2021 to 30-05-2021
TOTAL FMCG	116 449 640,2	47 160 510,9	9 037 278,9	8 699 895,3	11 312 188,4	8 958 850,5	9 152 297,9
TOTAL YOGHURTS	2 278 415,8	967 444,0	186 879,4	179 614,1	234 870,7	181 645,0	184 434,9
Soy desserts	54 672,1	23 071,7	4 367,0	4 263,9	5 762,8	4 344,7	4 333,4
Other plant-based desserts	28 601,0	14 266,3	2 472,1	2 600,9	3 357,0	2 835,3	3 001,1
UHT MILK	2 145 687,2	883 750,0	189 113,7	166 324,4	209 016,6	159 986,0	159 309,3
Plant-Based Beverages	218 234,3	92 635,8	18 604,2	17 313,2	21 933,0	17 466,5	17 319,0

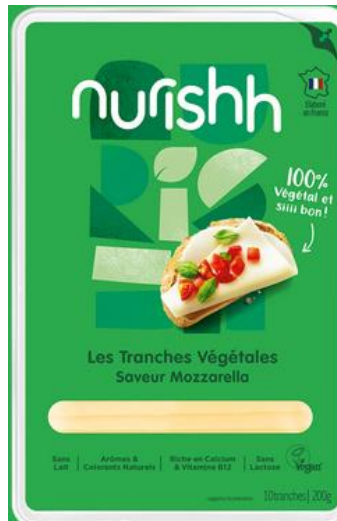
Source: IRI

France

Plant-based options



WITH THE LAUNCH OF NURISHH, ITS FIRST 100% PLANT-BASED BRAND, THE BEL GROUP ACCELERATES ITS TRANSFORMATION AND CONFIRMS ITS AMBITION TO CONTRIBUTE TO MAKING PLANT-BASED FOOD ACCESSIBLE TO ALL



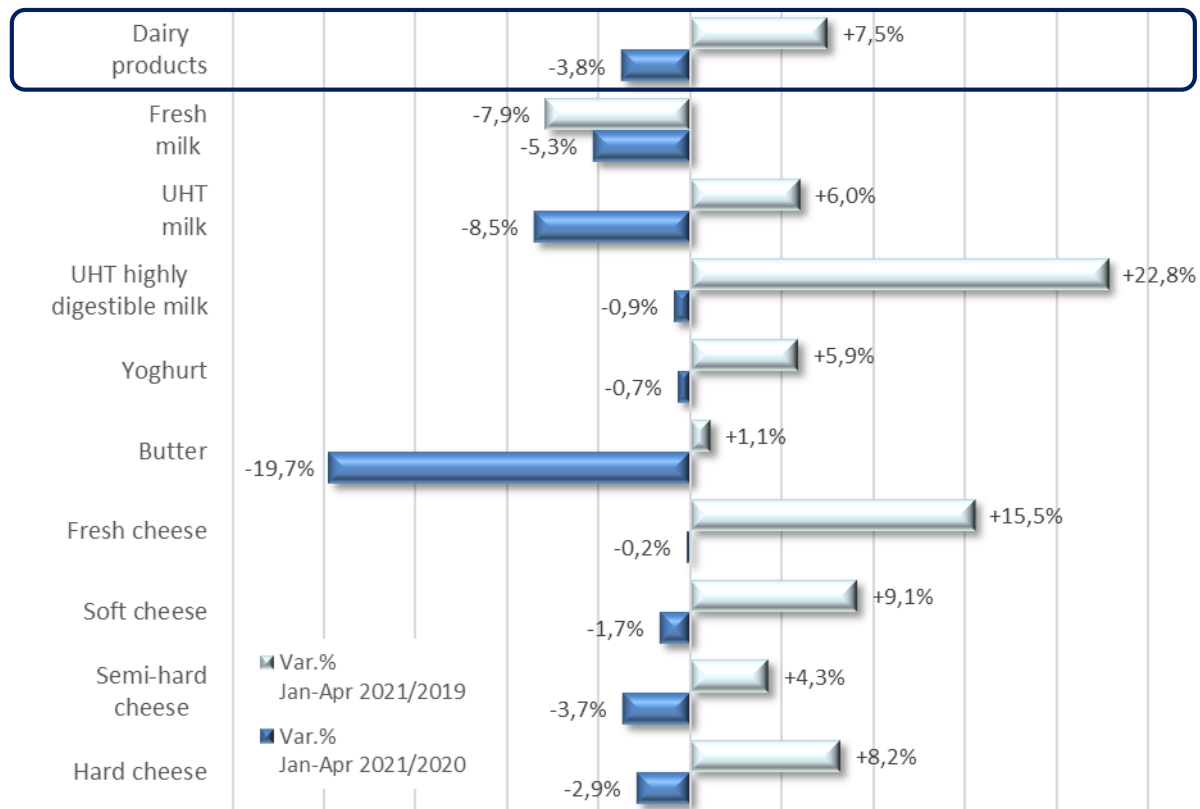
Nestlé Good food, Good life

Nestlé launched WUNDA® in May 2021, a new brand of vegetable drinks made from yellow peas,



Italy

Milk and dairy products – Household purchases (Value)



Source: Ismea on Nielsen Consumer Panel data

Italy

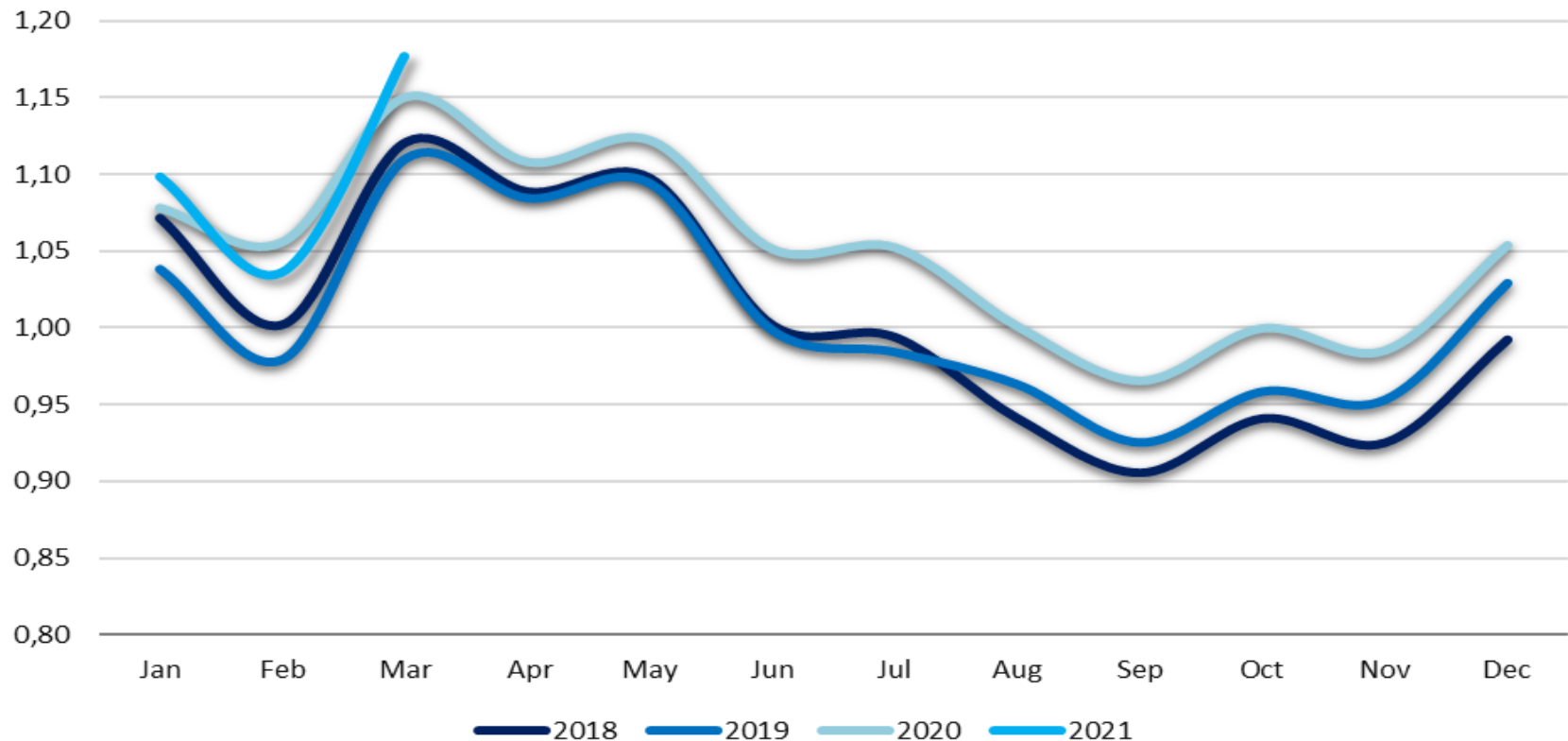
Milk and dairy products – Average prices at source (euro/kg excluding VAT.)

	<u>2019</u>	<u>2020</u>	<u>Var % 2020/19</u>	<u>Jan-Apr 2021</u>	<u>Var % 2021/20</u>
Grana Padano (9-10 mesi)	7,8	6,7	-14,6%	7,4	5,9%
Parmigiano Reggiano (12 mesi)	10,9	8,7	-20,2%	10,5	19,0%
Gorgonzola (maturo dolce)	5,8	5,9	1,9%	5,9	-0,2%
Provolone Valpadana (fresco)	5,8	6,0	3,4%	6,0	0,0%
Mozzarella vaccina (125 g)	5,2	5,5	6,8%	5,4	-2,7%
Butter (zangolato)	1,6	1,1	-27,8%	1,5	29,2%
Spot milk (Lodi)	0,4	0,4	-18,1%	0,3	-4,8%

Source: Ismea

Italy

Milk and dairy products – Monthly deliveries of cow's milk (mln tons)



Source: Assolatte

Italy – Modern retail

Milk and dairy products – 1Q 2021 and Year 2020

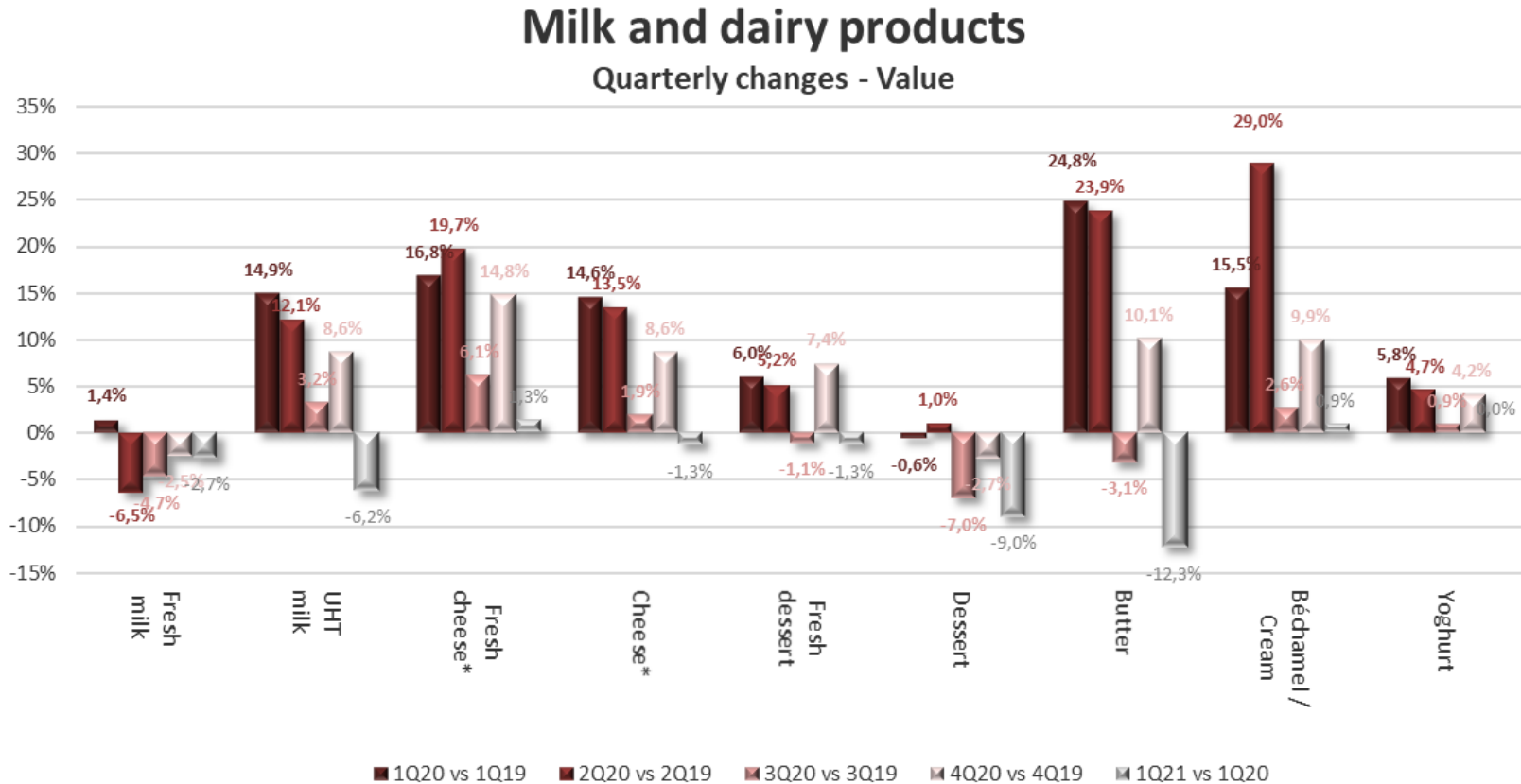
Product category	<u>VOLUME</u> (2020 vs. 2019) % change)	<u>VALUE</u> (2020 vs. 2019) % change)	<u>VOLUME</u> (1Q2021 vs 1Q 2020 % change)	<u>VALUE</u> (1Q2021 vs 1Q 2020 % change)
Fresh milk	-4,8	-3,0	-3,1	-2,7
UHT milk	7,1	9,8	-4,9	-6,2
Fresh cheese*	13,1	14,2	3,3	1,3
Cheese*	8,7	9,7	-0,2	-1,3
Fresh dessert	2,3	4,2	-1,0	-1,3
Dessert	-6,4	-2,2	-9,0	-9,0
Butter	17,7	14,3	-8,1	-12,3
Béchamel / Cream	15,0	14,6	2,7	0,9
Yoghurt	2,5	3,8	-1,6	0,0

Source: Market Track Nielsen

* Peso imposto

Italy – Modern retail

Milk and dairy products – Quarterly changes (value)



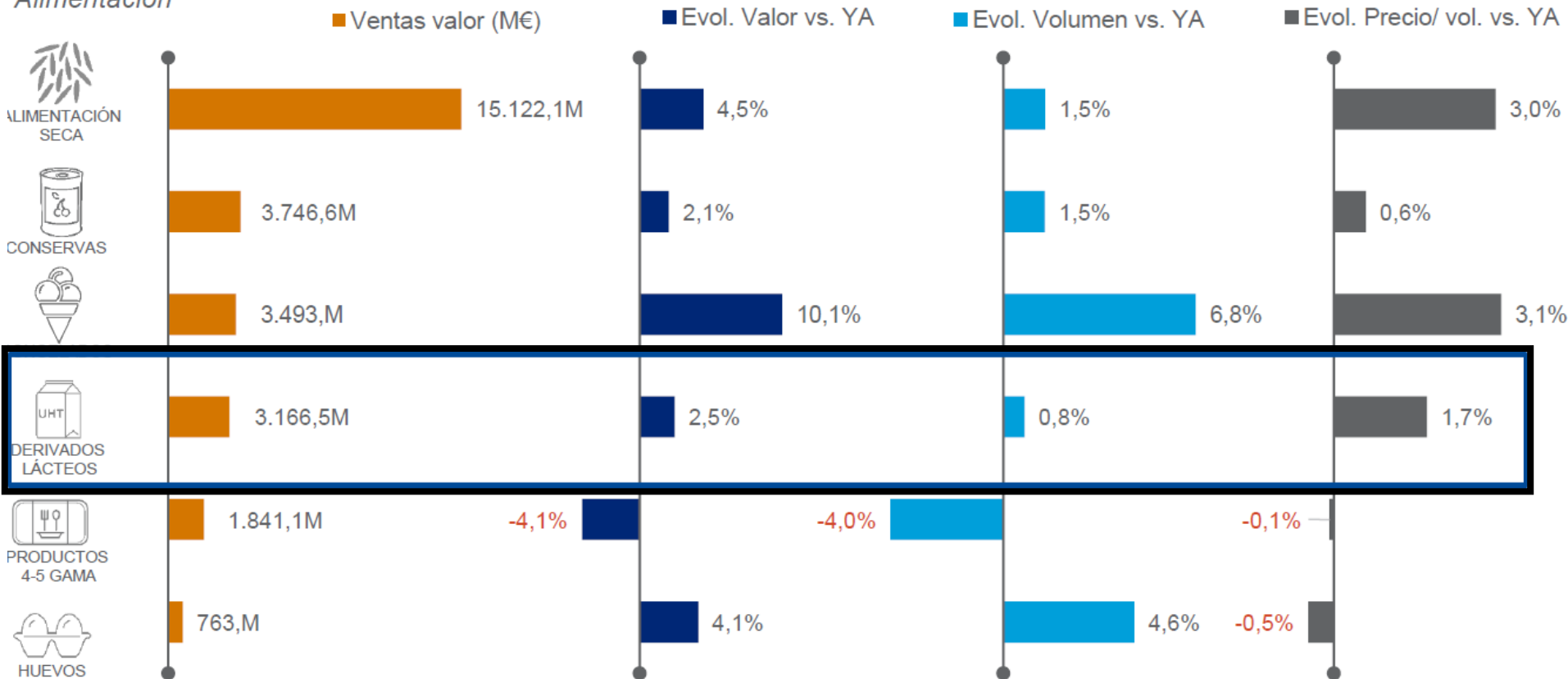
Source: Market Track Nielsen

* Peso imposto

Spain: evolution in value, volume and price

Visión general del Gran Consumo: Evolución de los principales KPI's por sección

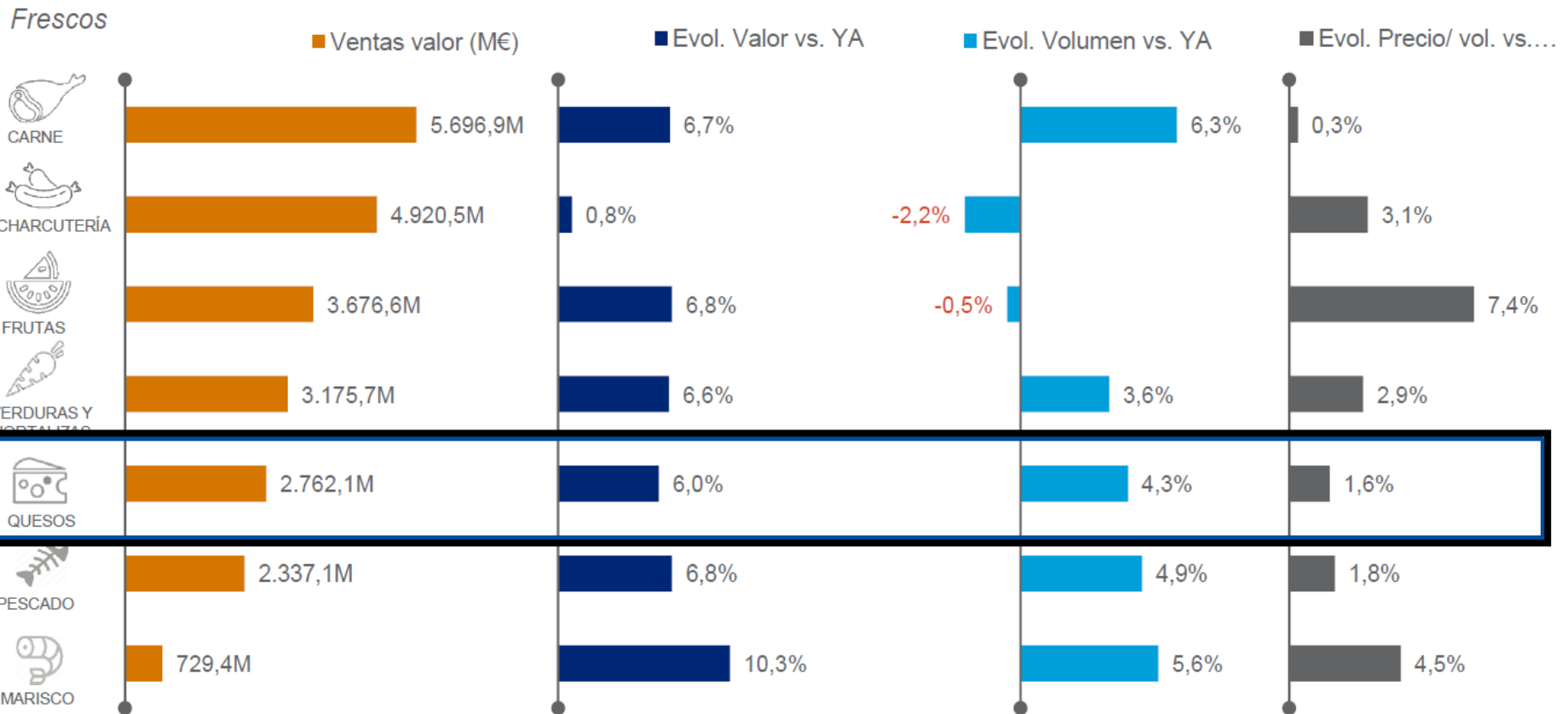
Alimentación



Source: IRI

Spain: evolution in value, volume and price

Visión general del Gran Consumo: Evolución de los principales KPI's por sección



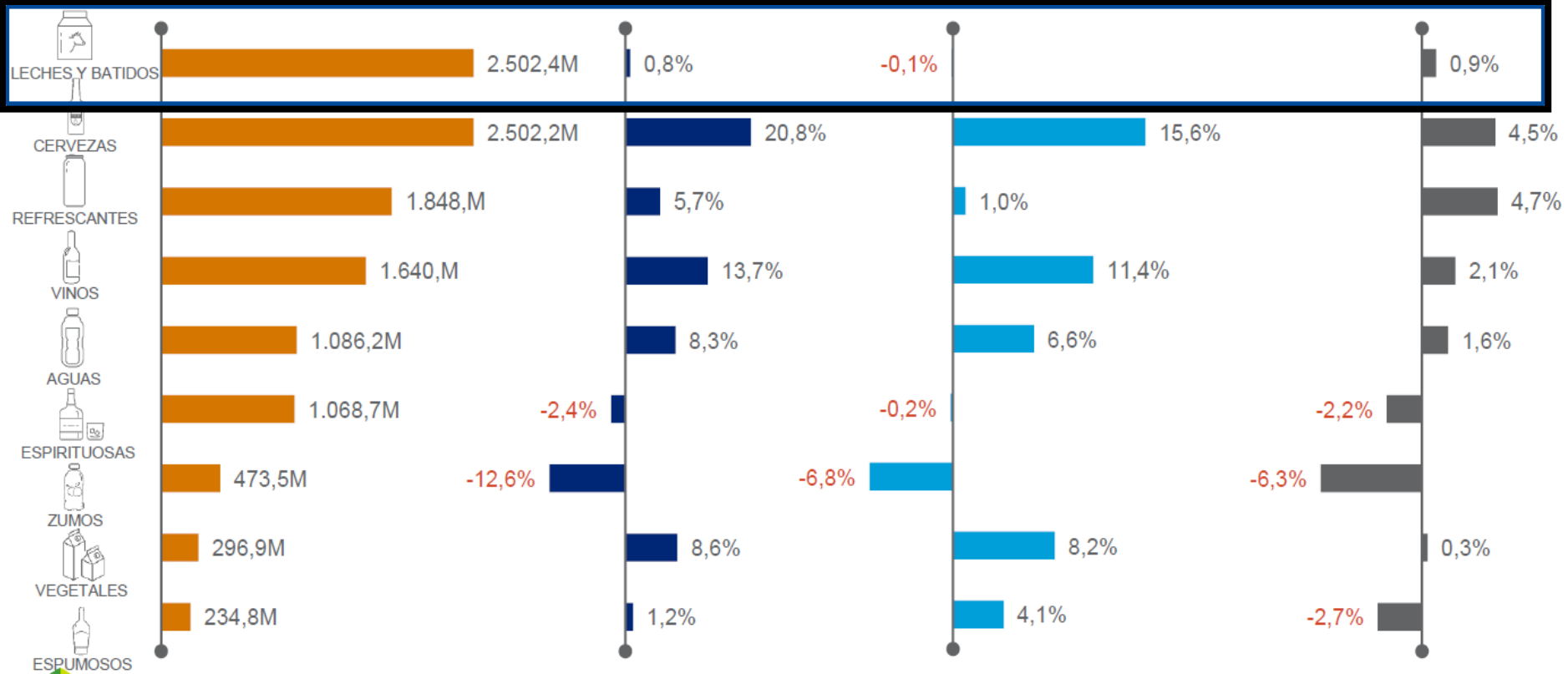
Source: IRI

Spain: evolution in value, volume and price

Visión general del Gran Consumo: Evolución de los principales KPI's por sección

Bebidas

■ Ventas valor (M€)
 ■ Evol. Valor vs. YA
 ■ Evol. Volumen vs. YA
 ■ Evol. Precio/ vol. vs. YA



Source: IRI

Spain: evolution in value

Evolución por sección: alimentación, frescos y bebidas

Evolución en valor vs. YA y vs. 2YA



ALIMENTACIÓN

	TAM 21 vs. 20	TAM 21 vs. 19
ALIMENTACIÓN	+4,0%	+9,7%
ALIMENTACION SECA	4,5%	10,1%
CONGELADOS	10,1%	18,1%
CONSERVAS	2,1%	8,3%
DERIVADOS LACTEOS	2,5%	4,9%
HUEVOS	4,1%	12,0%
PRODUCTOS 4-5 GAMA	-4,1%	3,1%



FRESCOS

	TAM 21 vs. 20	TAM 21 vs. 19
FRESCOS	+5,4%	+14,0%
CARNE	6,7%	14,3%
CHARCUTERIA	0,8%	9,1%
FRUTAS	6,8%	15,7%
VERDURAS Y HORTALIZAS	6,6%	21,7%
QUESOS	6,0%	14,2%
PESCADO	6,8%	12,5%
MARISCO	10,3%	11,3%



BEBIDAS

	TAM 21 vs. 20	TAM 21 vs. 19
BEBIDAS	+7,0%	+10,4%
LECHES Y BATIDOS	0,8%	3,9%
CERVEZAS	20,8%	29,2%
BEBIDAS REFRESCANTES	5,7%	8,8%
VINOS	13,7%	16,4%
BEBIDAS ESPIRITUOSAS	8,3%	10,0%
AGUAS	-2,4%	-0,6%
ZUMOS	-12,6%	-14,8%
BEBIDAS VEGETALES	8,6%	15,5%
ESPUMOSOS	1,2%	4,0%

Source: IRI

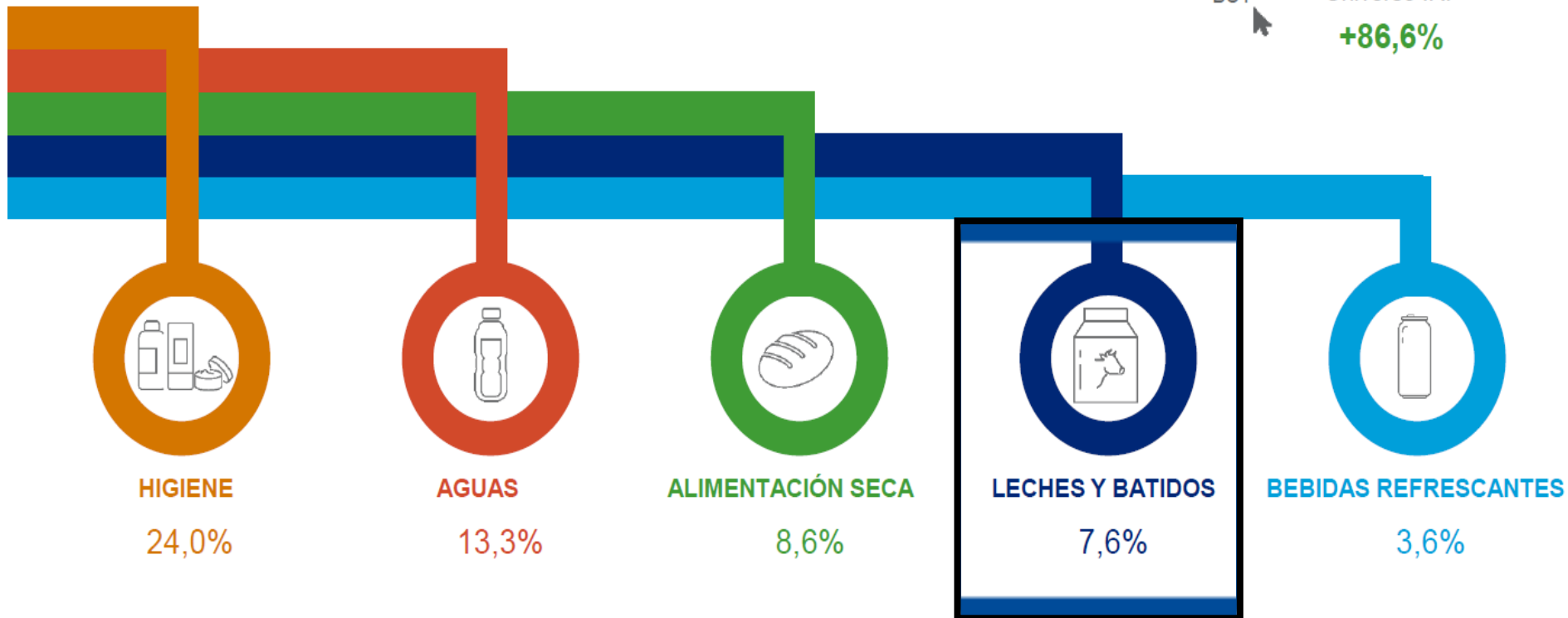
Spain: online vs instore sales

Análisis del canal online: contribución en volumen

Top 5 secciones con mayor contribución al crecimiento en volumen en el canal online



Evolución volumen
Total e-commerce
Universo IRI
+86,6%



Source: IRI

Spain: online vs instore sales

Análisis de la cesta de la compra física vs. online

TIENDA FÍSICA



PESO EN VENTAS
VOLUMEN

AGUA SIN GAS	14,0%
LECHE LARGA CONSERVA	8,7%
FRUTA	6,1%
CERVEZAS	5,7%
VERDURA Y HORTALIZAS	5,5%
REFRESCOS DE COLA	3,7%
CARNE	3,0%
PARAFARMACIA	2,3%
YOGURES FRESCOS SÓLIDOS	2,0%

LA CESTA DE LA COMPRA



Estas categorías suponen el **50%** para el TAM en volumen del **TOTAL FMCG**

TIENDA ONLINE



PESO EN VENTAS
VOLUMEN

AGUA SIN GAS	19,0%
LECHE LARGA CONSERVA	12,2%
CERVEZAS	4,4%
VERDURAS Y HORTALIZAS	4,1%
REFRESCOS DE COLA	3,7%
FRUTA	3,5%
CARNE	1,7%
YOGURES FRESCOS SÓLIDOS	1,5%

Source: IRI

Sweden: dairy output in 2021



DAIRY 4 WEEKLY REPORT

OUTPUT, DVH TOTALT, Period Ending: W 2021 20

Category: DAIRY



	Value trend		Value abs Chg YA		Volume trend		Volume abs Chg YA	
	Last 4 weeks	Last 52 weeks	Last 4 weeks	Last 52 weeks	Last 4 weeks	Last 52 weeks	Last 4 weeks	Last 52 weeks
MILK	↓ -1,3	↑ 4,0	↓ -7.805	↑ 289.455	↓ -2,8	↑ 3,3	↓ -1.361	↑ 20.159
HARD CHEESE	↓ -1,6	↑ 1,4	↓ -8.295	↑ 95.612	↓ -1,3	↑ 1,2	↓ -81	↑ 978
CREAM	↓ -3,3	↑ 5,5	↓ -12.443	↑ 266.098	↓ -4,2	↑ 5,9	↓ -369	↑ 6.592
YOGHURT	↓ -2,8	↓ -0,7	↓ -7.266	↓ -23.660	↓ -2,4	↓ -0,5	↓ -319	↓ -894
COTTAGE CHEESE, CURD CHEESE	↑ 17,5	↑ 14,3	↑ 17.647	↑ 172.692	↑ 19,5	↑ 13,9	↑ 487	↑ 4.198
COLD DESSERTS	↑ 8,7	↑ 1,1	↑ 4.486	↑ 8.031	↑ 10,2	↑ 0,5	↑ 94	↑ 61
BUTTER	↓ -8,3	↑ 5,7	↓ -290	↑ 2.124	↓ -8,7	↑ 8,6	↓ -2	↑ 17

Source: NielsenIQ Retail Panel, ©2021 Nielsen Consumer LLC

ANNEX 5

Developments on the Chinese dairy market

European Commission



DEVELOPMENTS ON THE CHINESE DAIRY MARKET



Andrea Čapkovičová

Unit of Analysis and Outlook, DG AGRI

MMO

23 June 2021



From milk rations to global dairy importer

Growth milestones:

- **Mao era (1949-1976)** -> milk was rationed to those of special needs
- **Olympic Games in Los Angeles (1984)** -> Chinese were exposed to an image of strong and tall foreigners (associated also with consumption of milk)
- **1990s** -> boost of economic growth
- **2000** -> introduction of school milk programme
- **Recent history** -> from scale growth to quality upgrading

Lactose-intolerance problem to be taken into account in growth strategies



Source: [National School Milk Programme | Peverelli on Chinese food and culture \(chinafoodingredients.com\)](#)

Walk at least 6000 steps/day

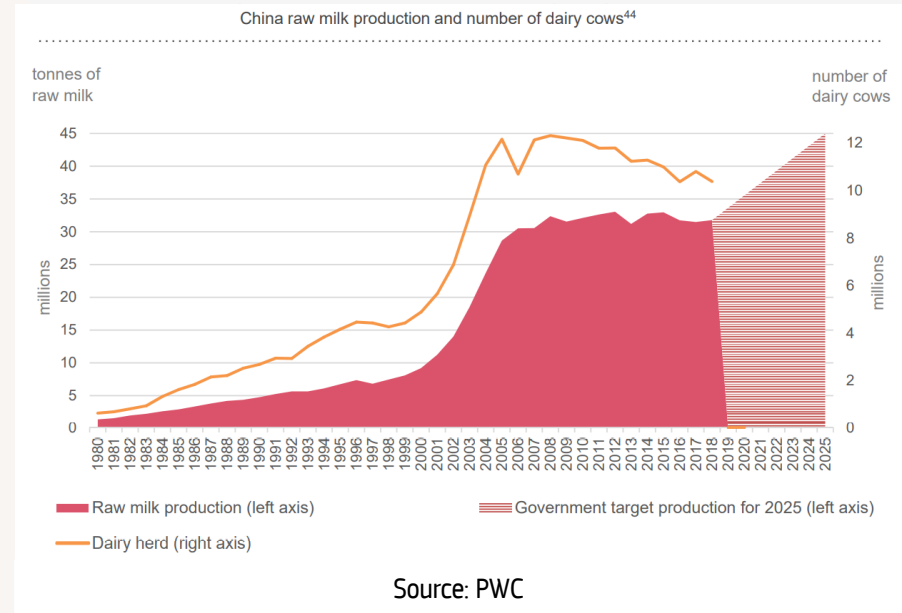
Chinese milk production development

- **Since 1990s** –investments to boost milk production (herd expansion, genetics, technology)
- **2002 – 1.4 million** farms (1.1 million with less than 5 cows) -> **660 000 farms in 2018** (60% with more than 100 cows)
- **Efficiency and yields growing** -> thanks to imported cows, also of high yields (more than 10 000 kg)
- **Large farms** also benefit from long-term purchasing agreements with dairy processors
- **High demand for imported feed**

-> high feed cost

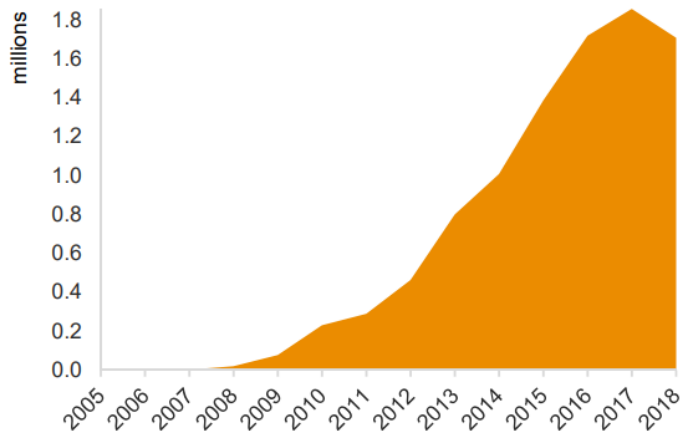
-> high milk price

Investments also into **food safety and quality**

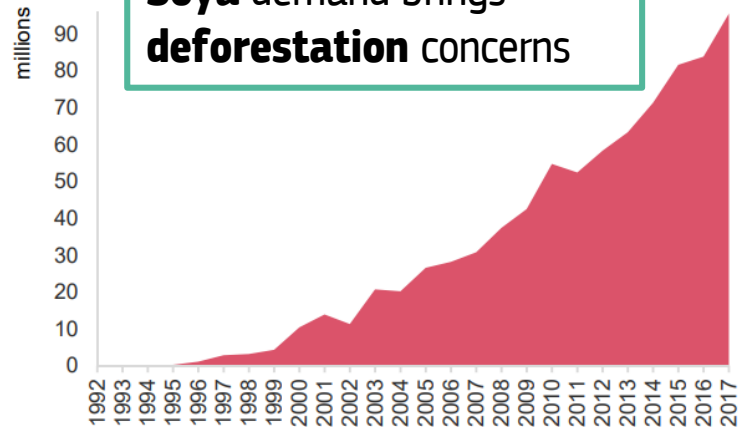


Feed imports

Alfalfa and other forage products imports
(tonnes)³⁶



Soy imports (tonnes)³⁷



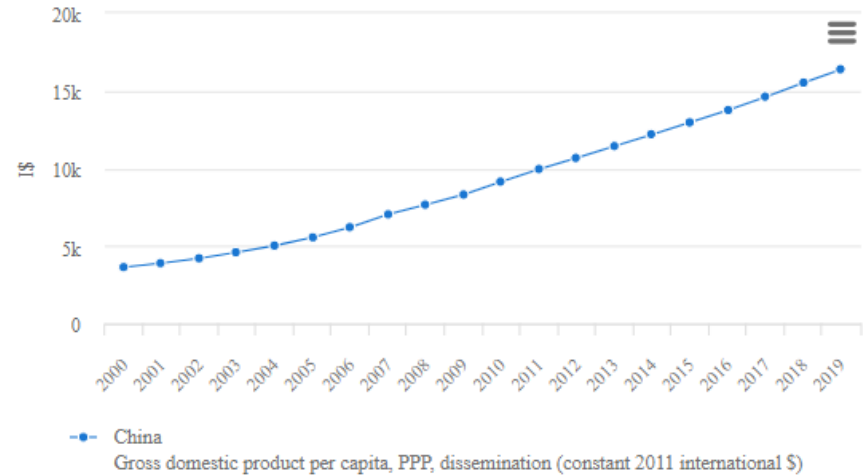
Source: PWC

Using current farming methods in a scenario of tripled consumption in China by 2050 and 75% additional milk coming from China (WUR, 2018) -> **+35% emissions** from dairy
+32% land to feed cows

Imbalance between production and consumption

- **Milk production** located in **Northern regions** (50% of national production) while **consumption** mostly in **Southern regions and coastal cities**
- **Production imbalance over the year** -> impact on products' mix
- Evident **urban-rural divide** while urbanisation increases (26% in 1990 -> 60% in 2017)
- Growth opportunities in **Tier 3 and 4** cities
- Rising **middle class and incomes**

Gross domestic product per capita, PPP (constant 2011 international \$)

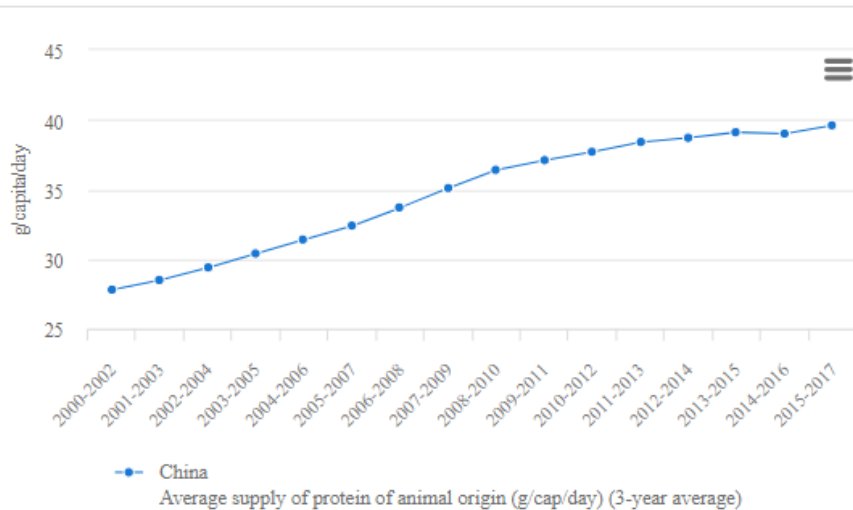


Source: FAOSTAT

Chinese diet – general trends

- **Globalised diet**
- **Food safety** concerns -> keep imports up
- **Health** and nutrition – dairy being a source of protein, calcium, and vitamins
- **Technology** – products' and processes' developments
- **Premiumisation**

Average supply of protein of animal origin (g/capita/day) (3-year average)



Source: FAOSTAT

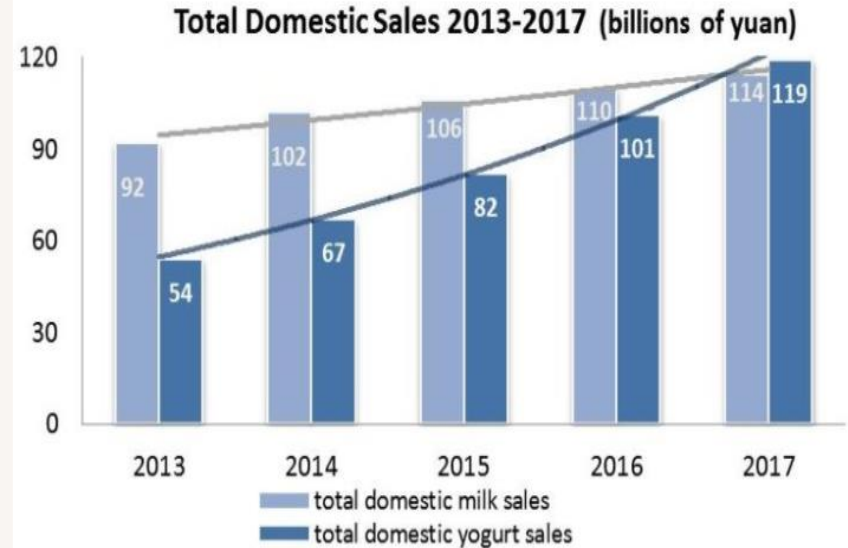


Dairy in Chinese diet – products' focus (1)

“Traditional” dairy products

- **Drinking milk:**
 - Pasteurized milk increasing (10-15% annually in future), UHT growing in Tier 3 and 4 cities
 - Fresh milk offers premium twice as high as UHT and has no competition from imports
- **Yoghurt:**
 - High growth rates (+109% between 2013-2017)
 - Better product differentiation and targeting
 - Ambient yoghurt category growing

China is also **the world largest ice-cream producer and consumer**



Source: Daxue Consulting (2020)

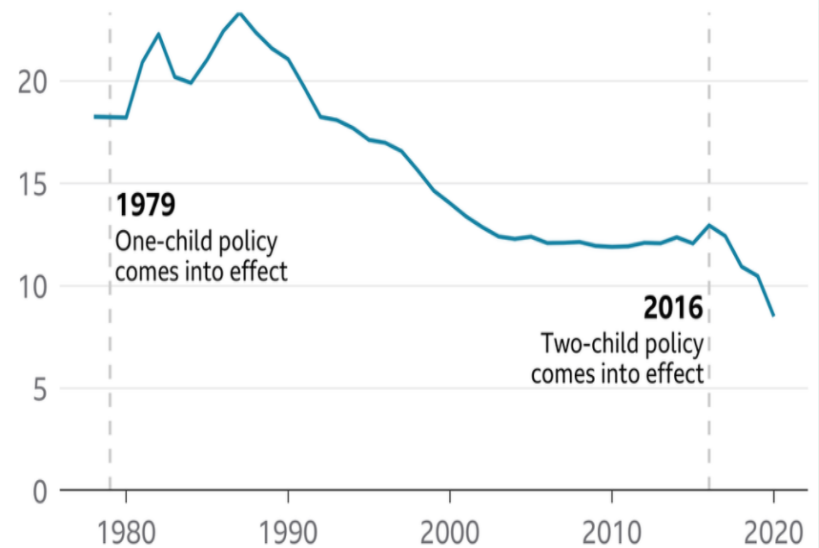
Dairy in Chinese diet – products' focus (2)

- **Infant formula:**

- The world largest market
- Driven by **2 opposing trends**: slowdown of birth rates and growing incomes (=purchasing power)
- **New premium** categories -> goat milk, organic milk
- Now **3 children are allowed** (but the cost of living remains an obstacle)

In general, demand will continue growing for **nutritional products** used at different stages of life as population is aging

Total number of births in China per 1,000 people (1978-2020)



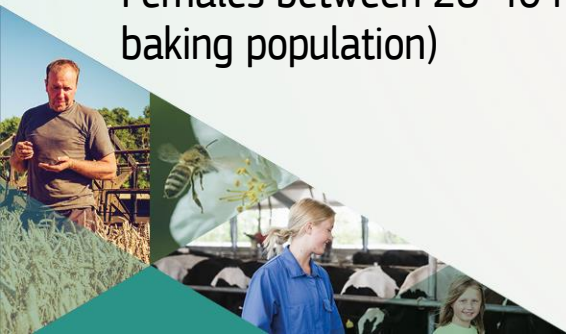
Source: China Statistical Yearbook



Dairy in Chinese diet – products' focus (3)

Emerging dairy products

- **Cheese:**
 - Produced mainly from an excess milk supply
 - Mainly processed cheese and snacks for children (e.g. lollipop cheese)
 - Cheese also incorporated into traditional Chinese recipes
- **Butter:**
 - Mainly used in bakery and home cooking
 - Females between 26-40 main users (90% of home baking population)

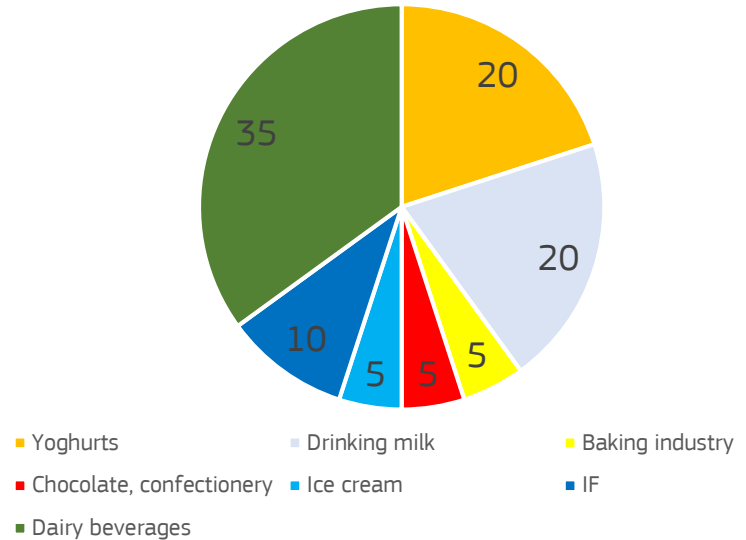


Dairy in Chinese diet – products' focus (4)

Milk powders

- **SMP:**
 - Small volume of domestic production
 - Interchangeable with WMP
- **WMP:**
 - Usually sprayed after Chinese New Year and before the arrival of hot season, during which supply is ample compared to consumption

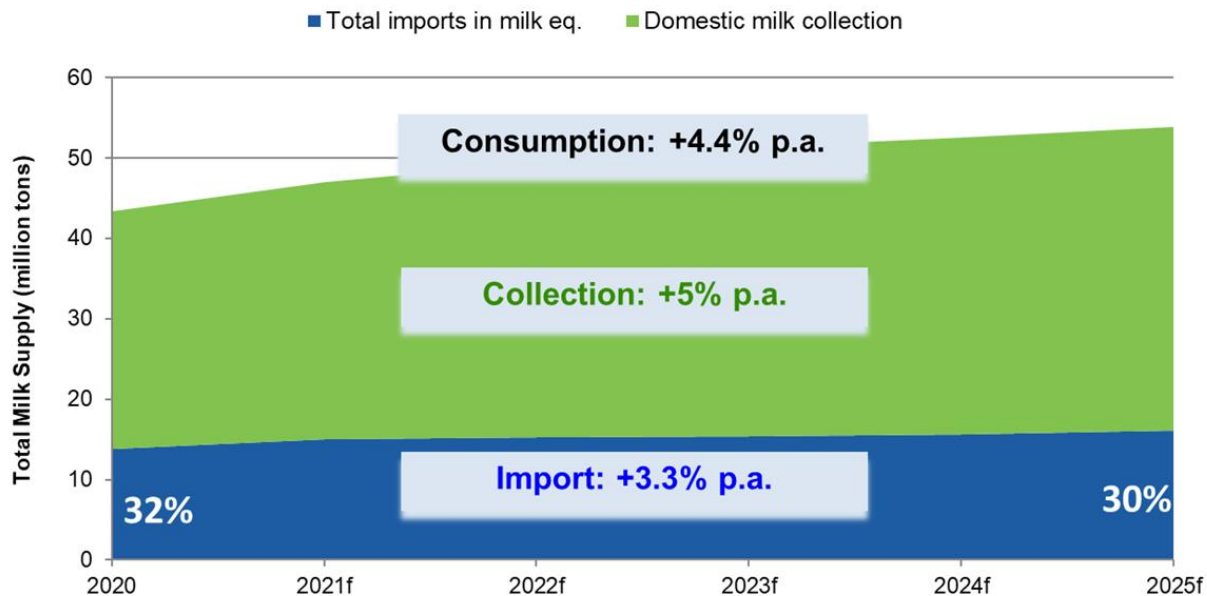
WMP End-User Segments (% , 2020e)



Source: Gira estimations

Self-sufficiency at 68% (2020)

Forecast of Chinese milk collection, dairy imports and consumption by 2025

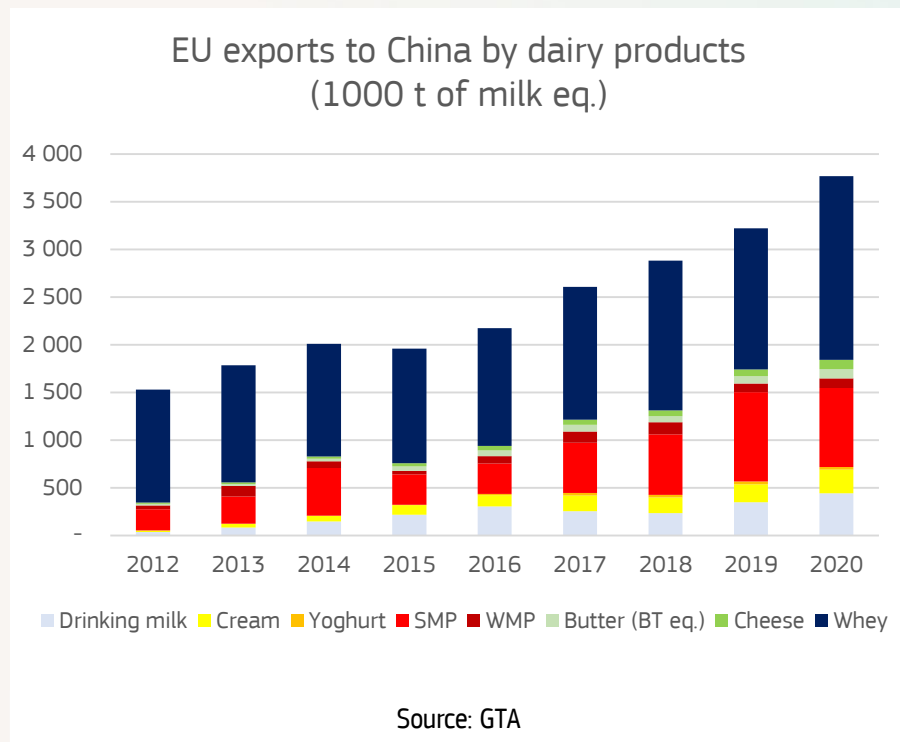


Source: Gira estimations based on Chinese dairy statistics, trade press and interviews.



Sources of imports – EU is gaining shares

- In 2012-2020, total **Chinese imports grew by 90%** (in milk eq.) – from the EU stronger (close to +150%) -> now 26% share
- In 2012, **EU exports dominated by whey** (77%) -> in 2020 down to 51%
- Whey also contributed the most to EU exports growth (+33%), followed by FDP (30%) and SMP (27%)



Belt and Road Initiative

- Road, rail, cable, pipe and port infrastructure to link China to resources and markets across the world
- Started in 2013, it is expected to cross more than 60 countries
- -> milk flows are a part of this as well: *“The Yili group has already acquired huge dairy processing capacity in New Zealand and talks enthusiastically of being part of a Belt and Road dairy alliance, a new China-led milk road across the continents.” (The Guardian, 2019)*

Land and Sea Corridors of the Belt and Road Initiative

— Silk Road Economic Belt - - 21st Century Maritime Silk Road



Sources

Reports:

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- GIRA
- PWC (2019) – <https://www.pwccn.com/en/industries/food-supply-and-integrity/publications/modernization-of-china-dairy-industry.html>
- USDA (October 2020) – <https://www.fas.usda.gov/data/china-dairy-and-products-annual-3>
- WUR (2018) – <https://www.wur.nl/en/newsarticle/Chinas-increasing-demand-for-milk-will-have-far-reaching-consequences-for-the-world.htm>

Other:

- <https://www.theguardian.com/environment/2019/mar/29/can-the-world-quench-chinas-bottomless-thirst-for-milk>
- <https://daxueconsulting.com/china-dairy-market/>
- <https://www.bbc.com/news/world-asia-china-57303592>

