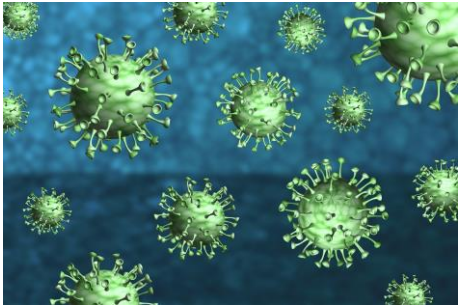




# Market situation at the beginning of 2021

EDA-TEC-Meeting  
24 February 2021

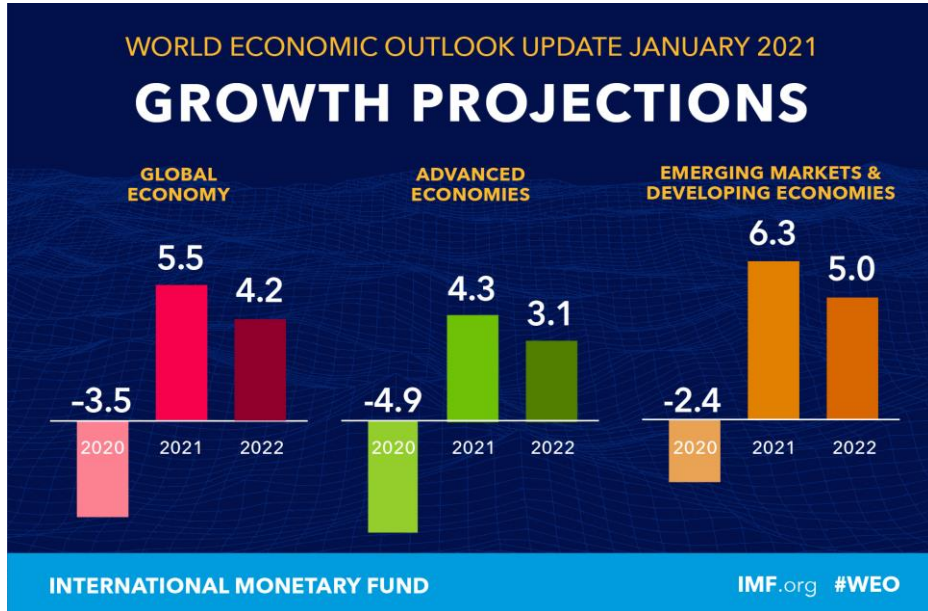


Monika Wohlfarth

Zentrale Milchmarkt Berichterstattung GmbH  
Tel. +49 30/4060799720 | [info@milch.de](mailto:info@milch.de)

---

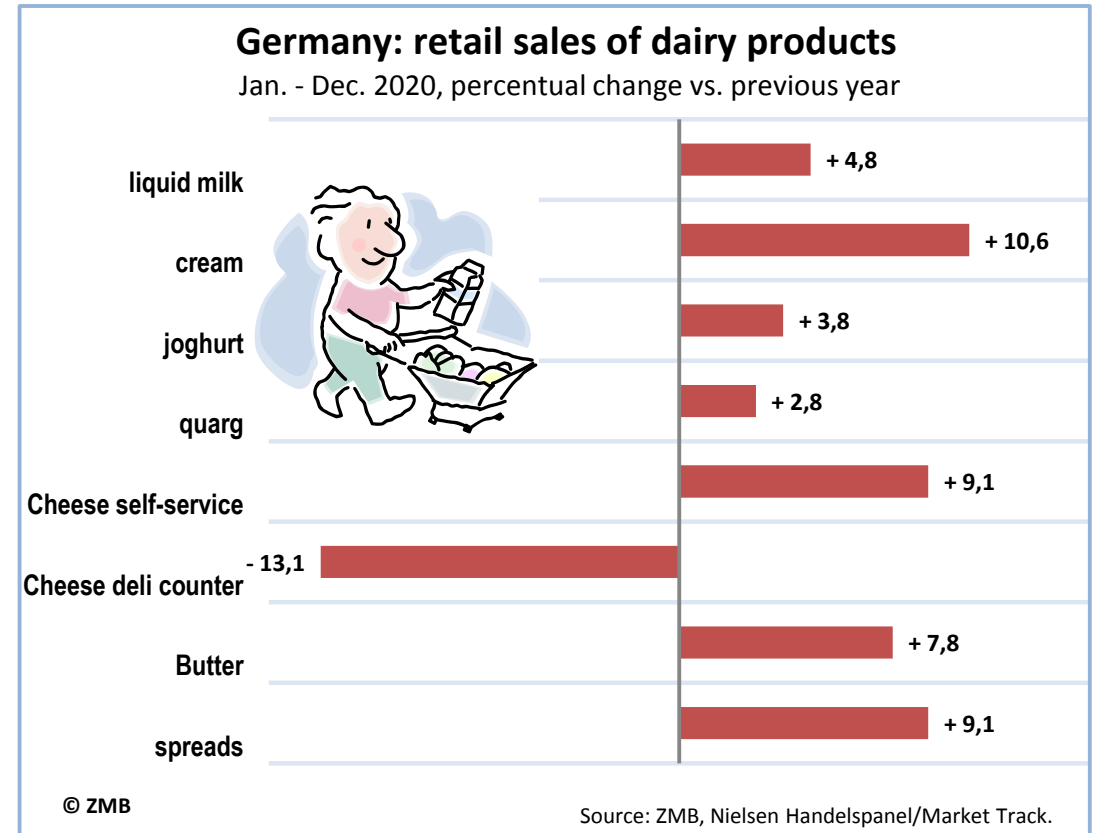
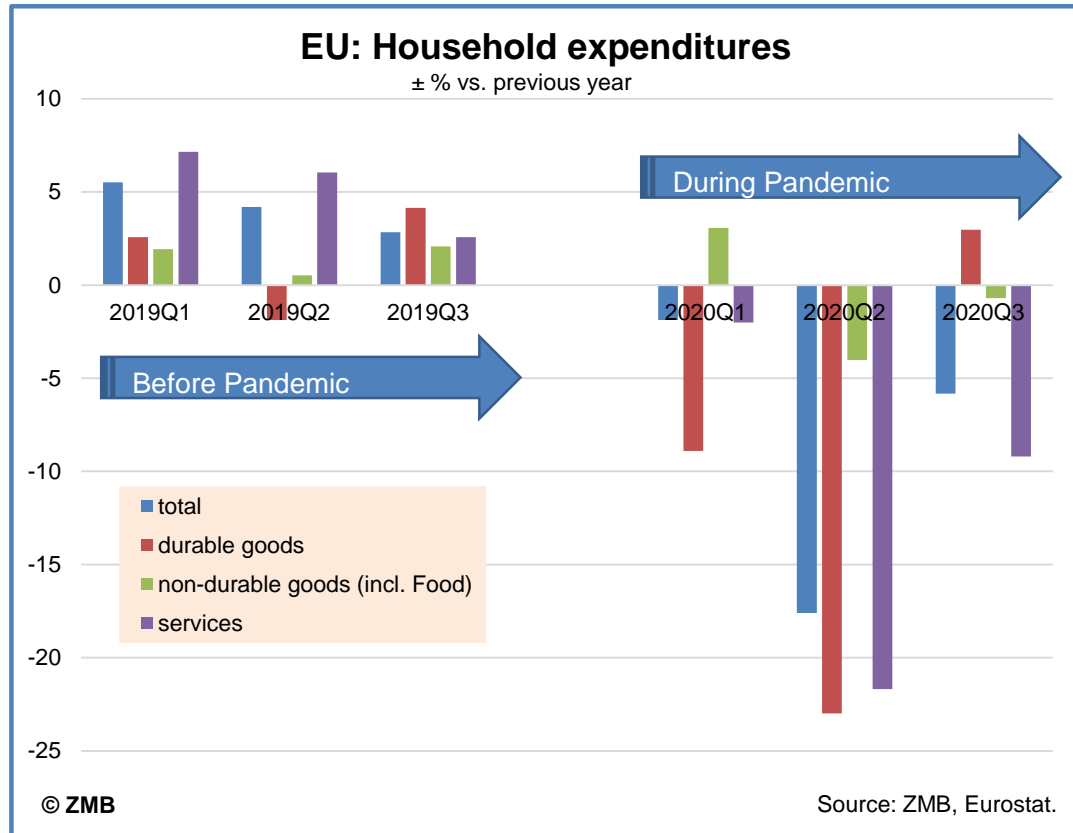
# Corona-Pandemic with global economic impact



But, economy shrank less than originally forecast  
Chinese GDP increased despite Corona

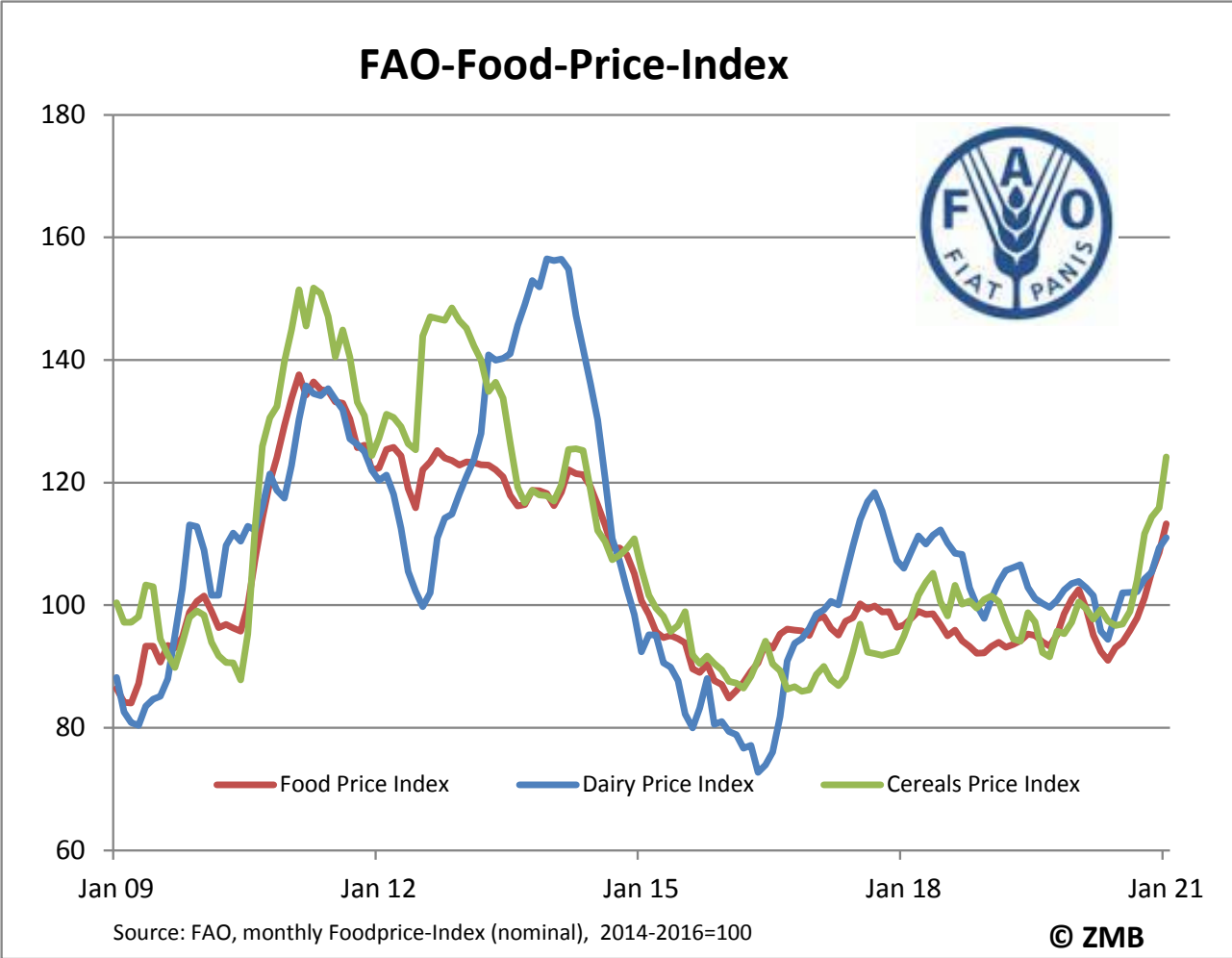
- Impact on purchasing-power softened by state-aid, f.e. short-time work allowance in Germany and other EU-countries, higher than usual payments for unemployed in USA, support in Brazil
- Food demand in USA supported by food-box-programme (5 rounds, budget > 4 Bill. USD, ~ 20 % for dairy products)
- Short-term private storage scheme for butter, SMP and cheese in EU

# Consumption pattern changed since the outbreak of Covid-19

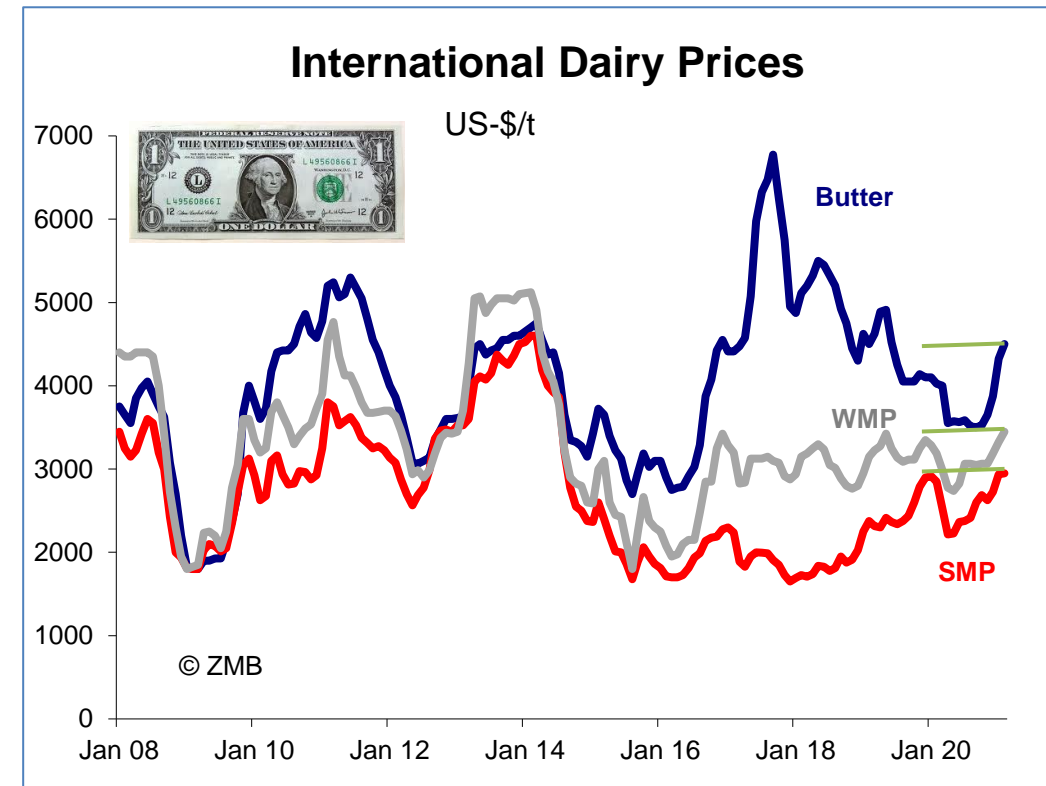
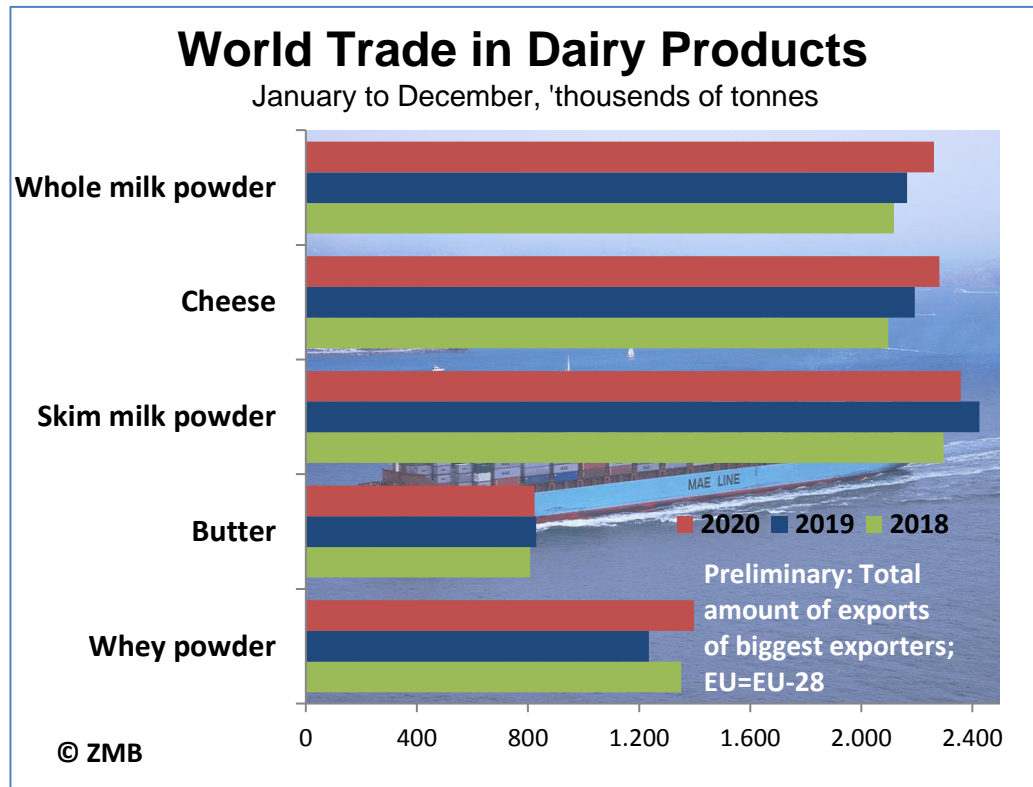


More dairy products sold in retail, but less via food-service

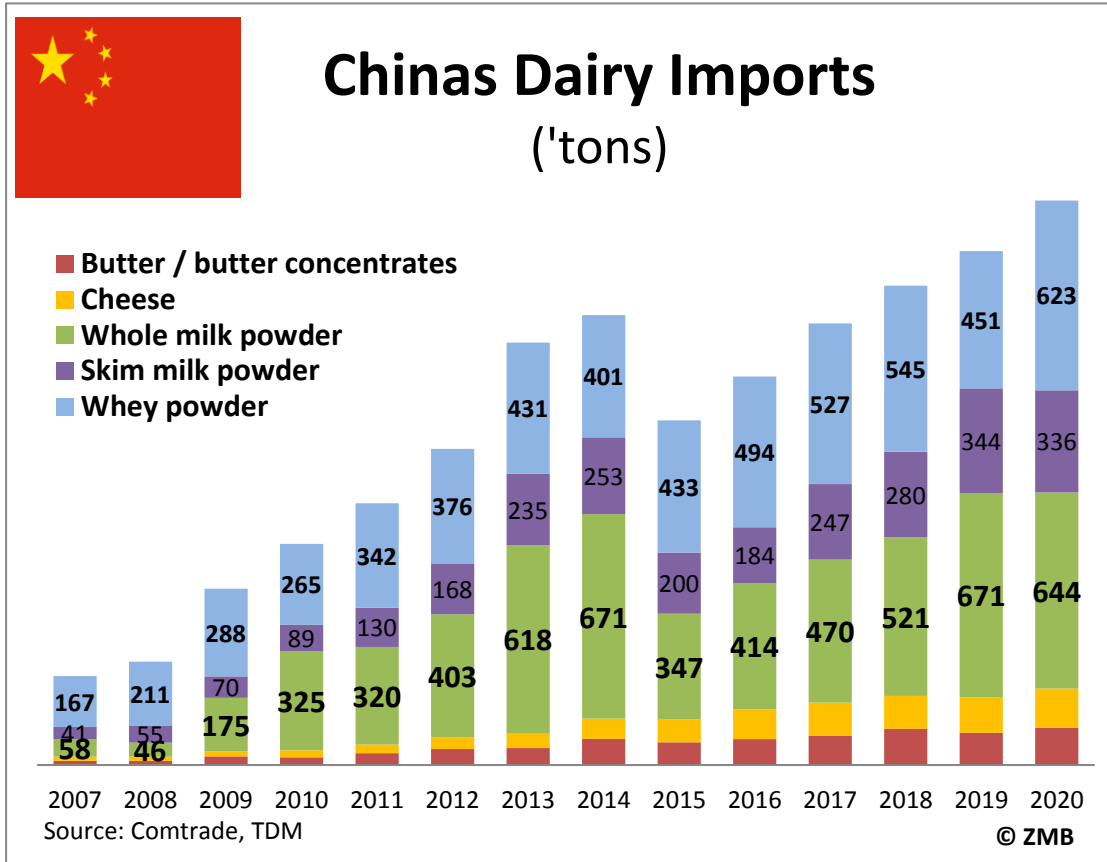
# Agricultural prices increased, feed stronger than milk



# International trade in dairy increased in 2020



# Strong demand from China



**Additionally higher imports of**  
Russia

Brazil

South-Corea

**... but lower of**

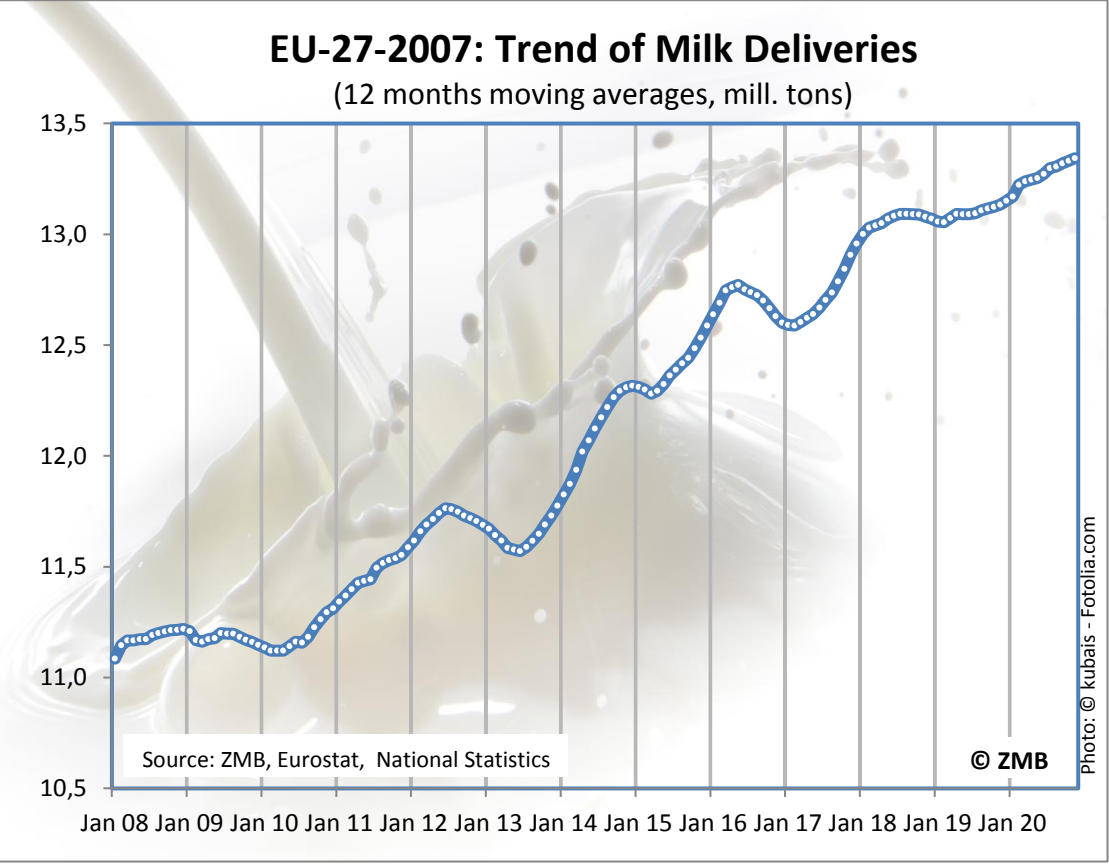
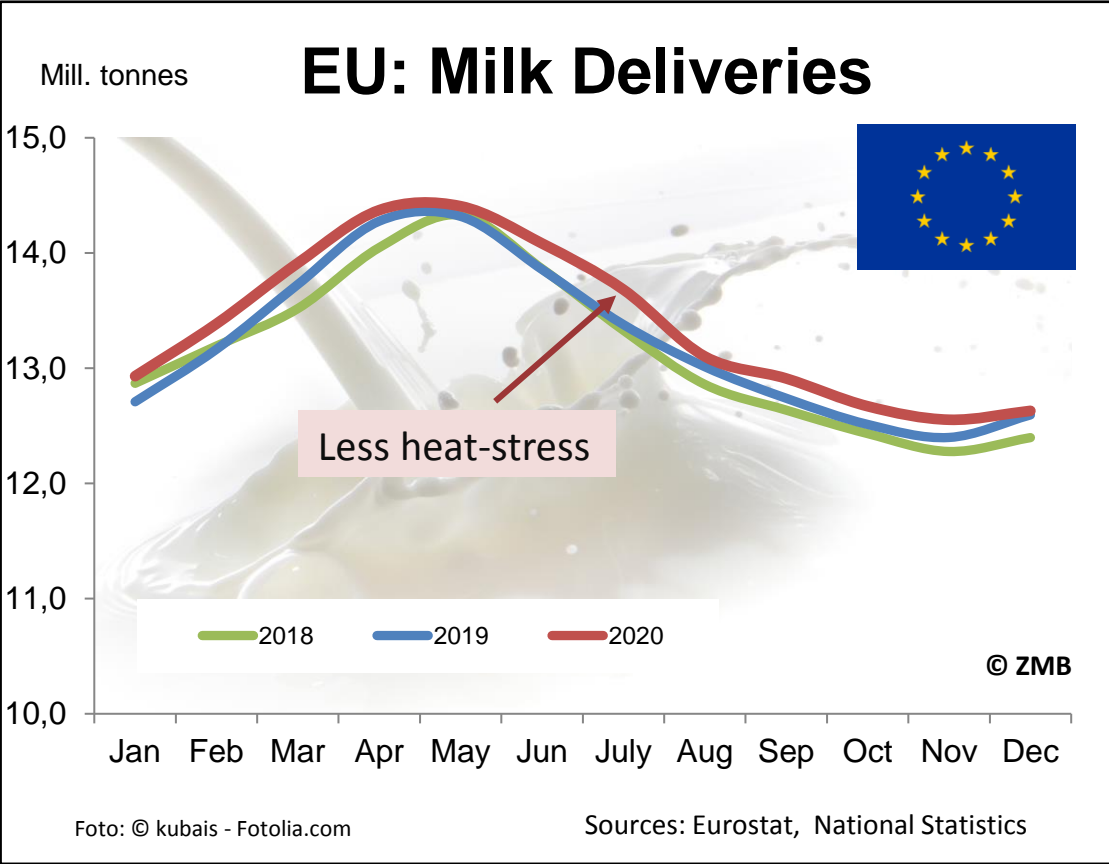
Mexico

Japan

USA

Whey powder with biggest growth,  
butter and cheese reached new records

# EU-milk deliveries increased by 1,3 %\*, growth stopped in December



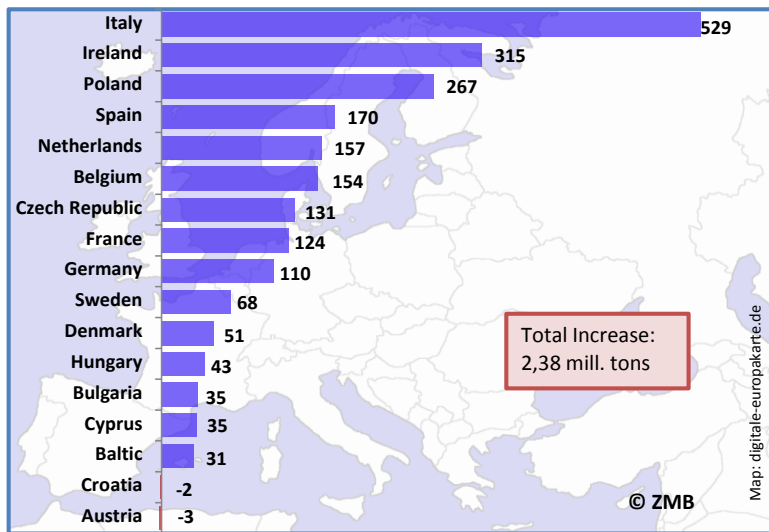
\*leap day adjusted

Biggest increase in 3 years

# Mixed picture in Europe

## EU: Changes in milk deliveries

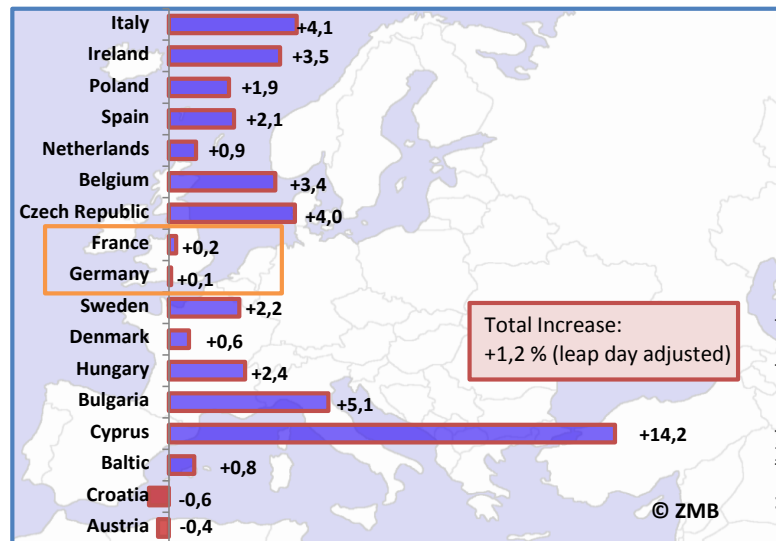
(January to December 2020 vs. 2019, in '000 tons)



Source: ZMB, national statistics.

## EU: Changes in milk deliveries

(January to December 2020 vs. 2019, in percent)

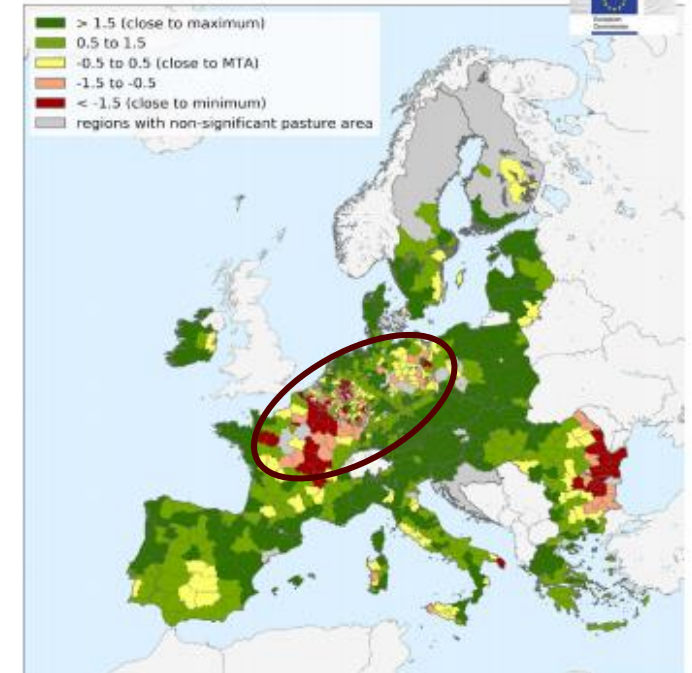


Source: ZMB, national statistics.

## Pasture Productivity Index

Period of analysis: 1 May - 30 September 2020

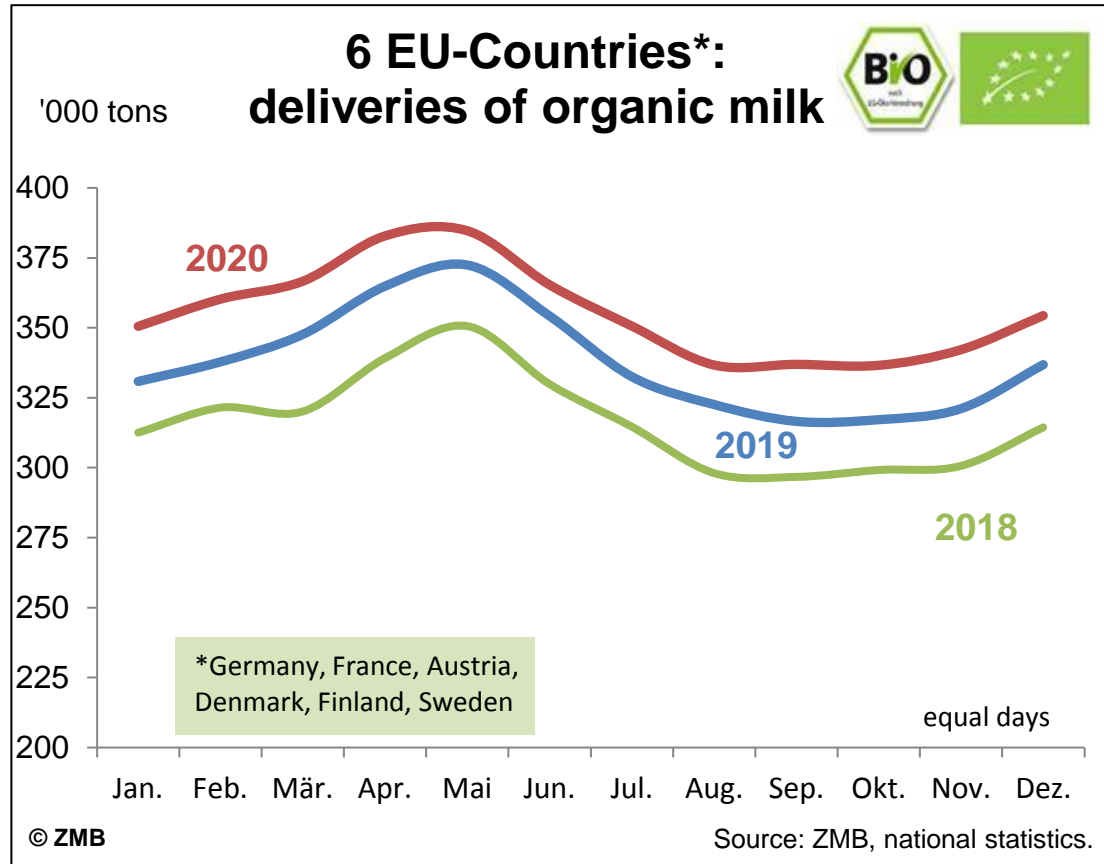
Index based on MetOP-AVHRR FAPAR 10-day product.  
Medium-term average (MTA) 2010-2019



Partly better conditions for grass growth



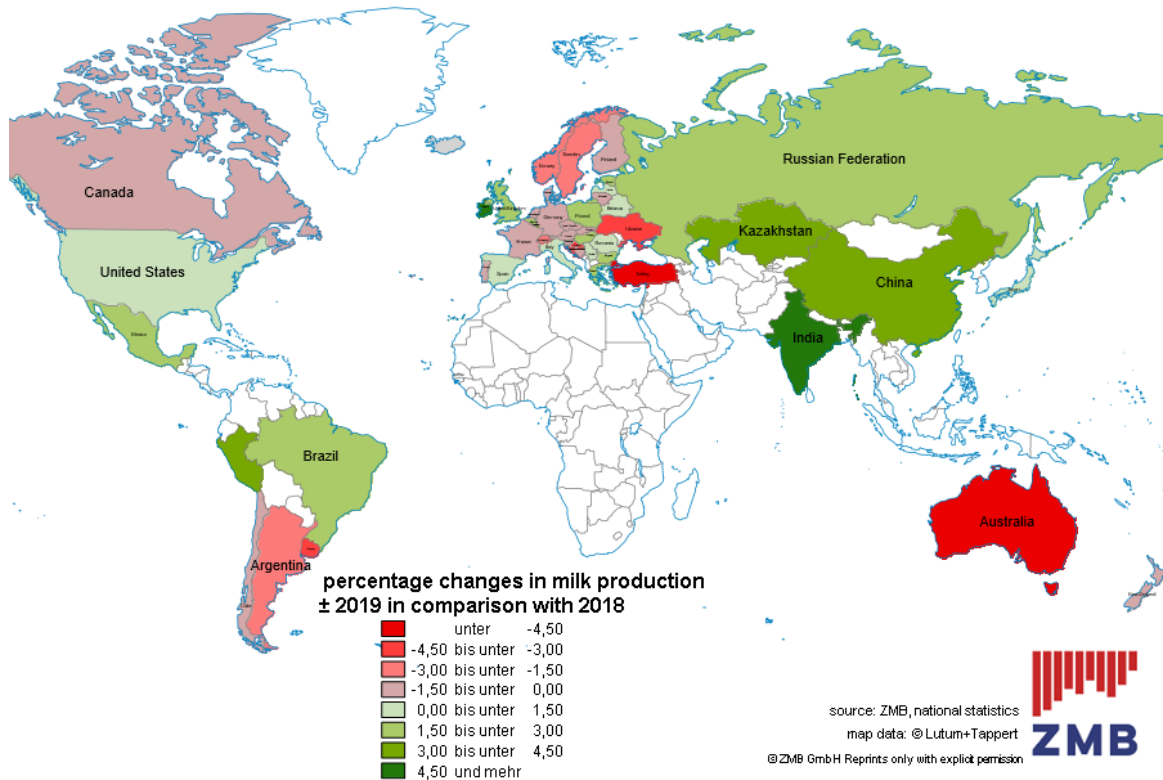
# Further growth of organic milk



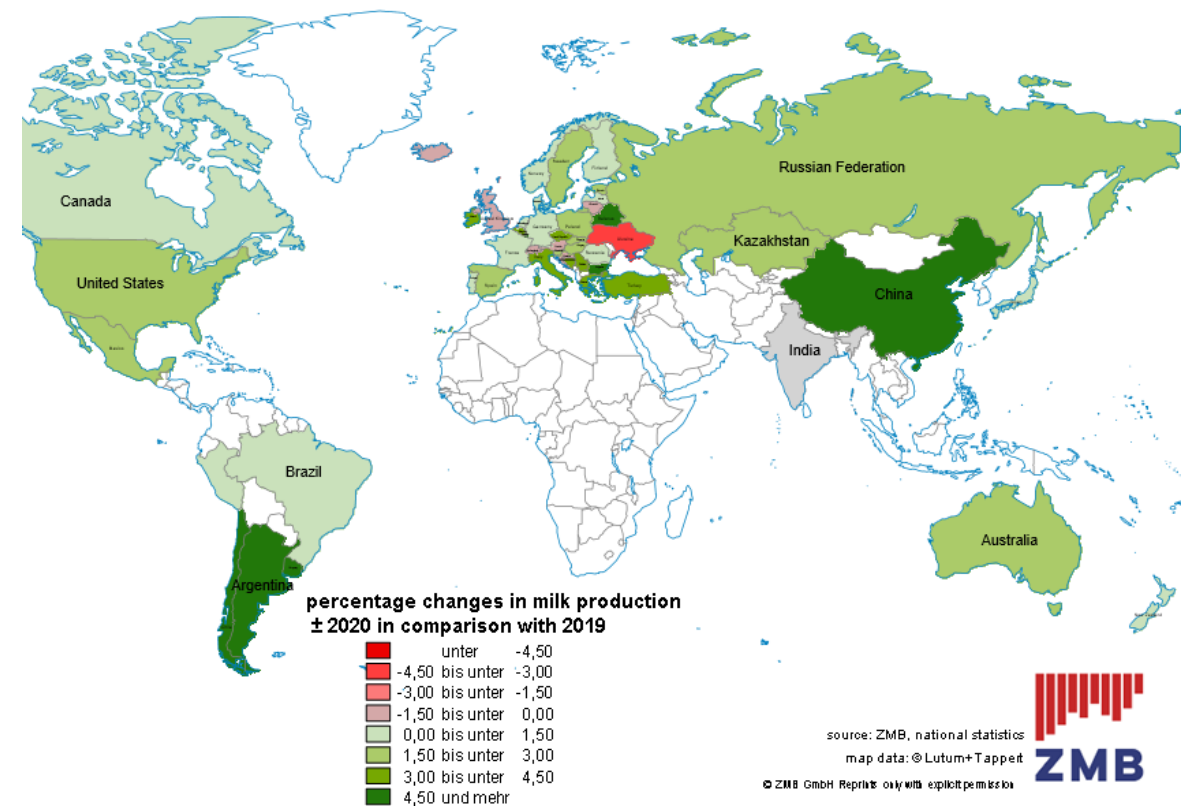
Demand for organic products increased during the pandemic

# Higher growth of global milk output again

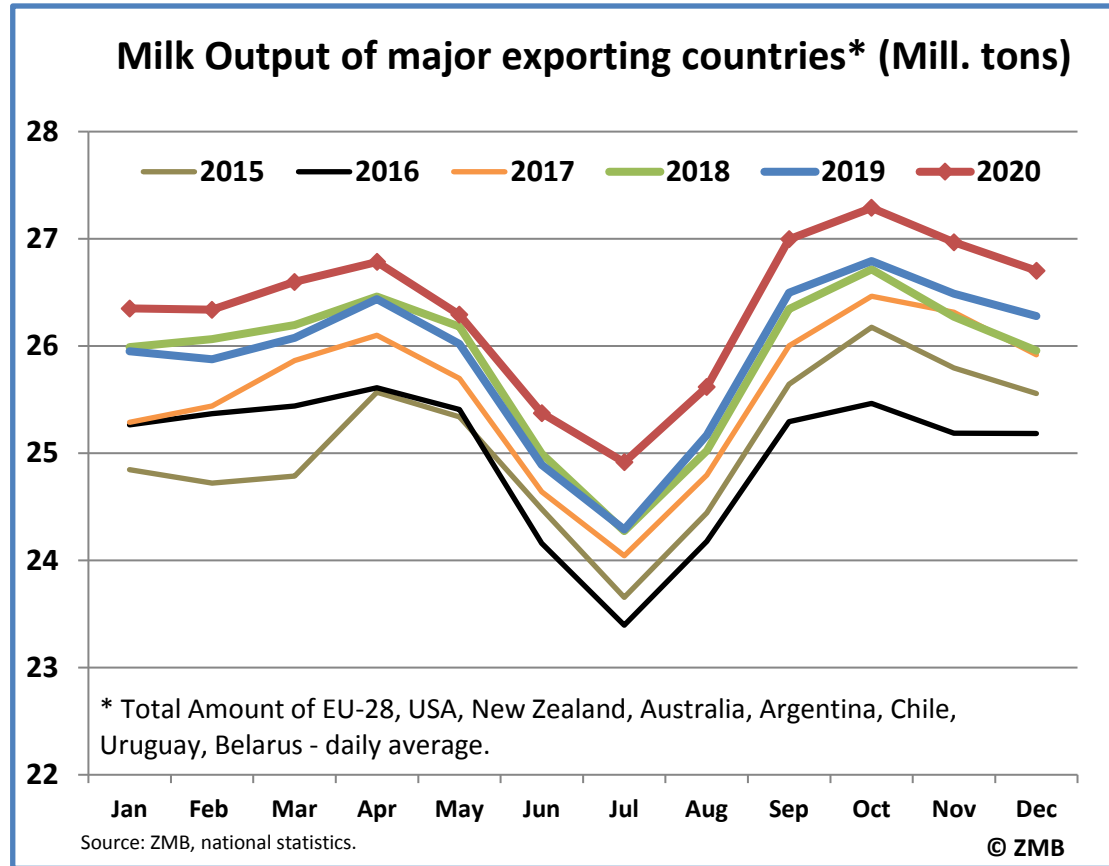
## Global milk production 2019



## Global milk production 2020



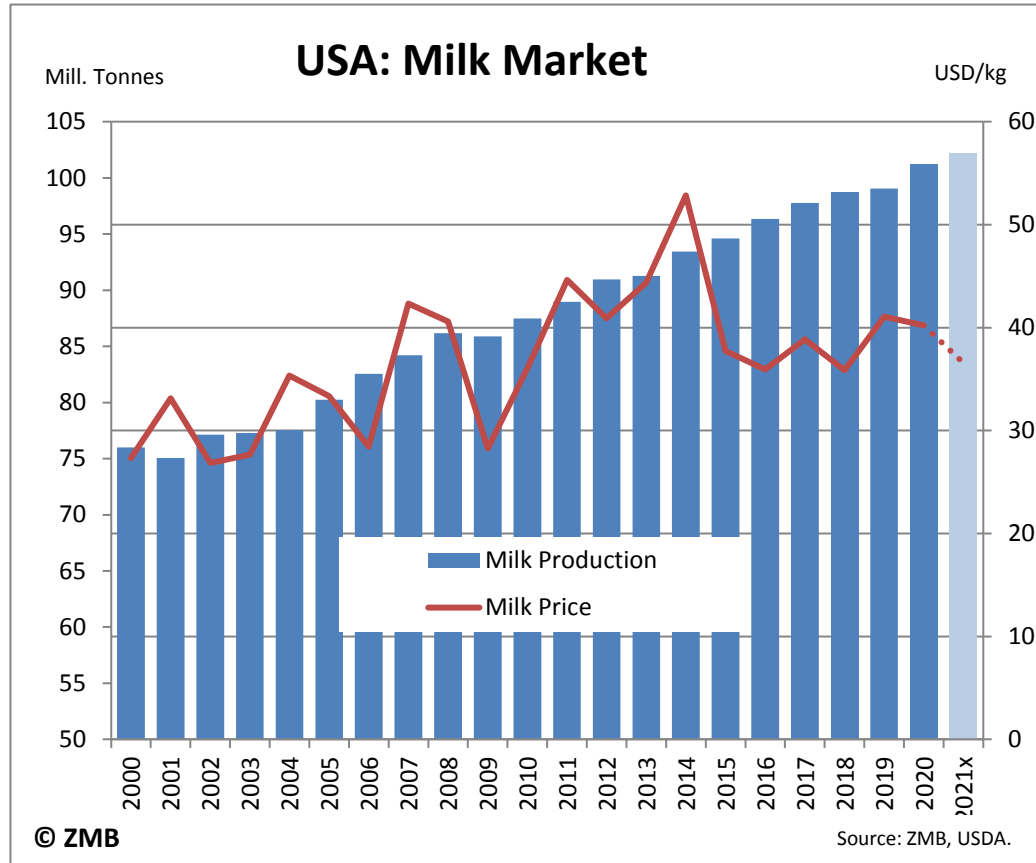
# 2020 more milk in exporting countries with the biggest increase in recent years



Changes in volume against PY (Mill. Tonnes)

Jan. -Dez.	2017	2018	2019	2020
EU	+ 2,9	+ 1,4	+ 0,7	+ 2,4
USA	+ 1,4	+ 1,0	+ 0,4	+ 2,2
NZ	+ 0,3	+ 0,5	- 0,2	+ 0,1
Aus	+ 0,0	- 0,0	- 0,6	+ 0,2
Arg	- 0,2	+ 0,4	- 0,2	+ 0,8
<b>Total</b>	<b>+ 4,4</b>	<b>+ 3,3</b>	<b>+ 0,1</b>	<b>+ 5,7</b>

# US-milk production increased stronger in 2020

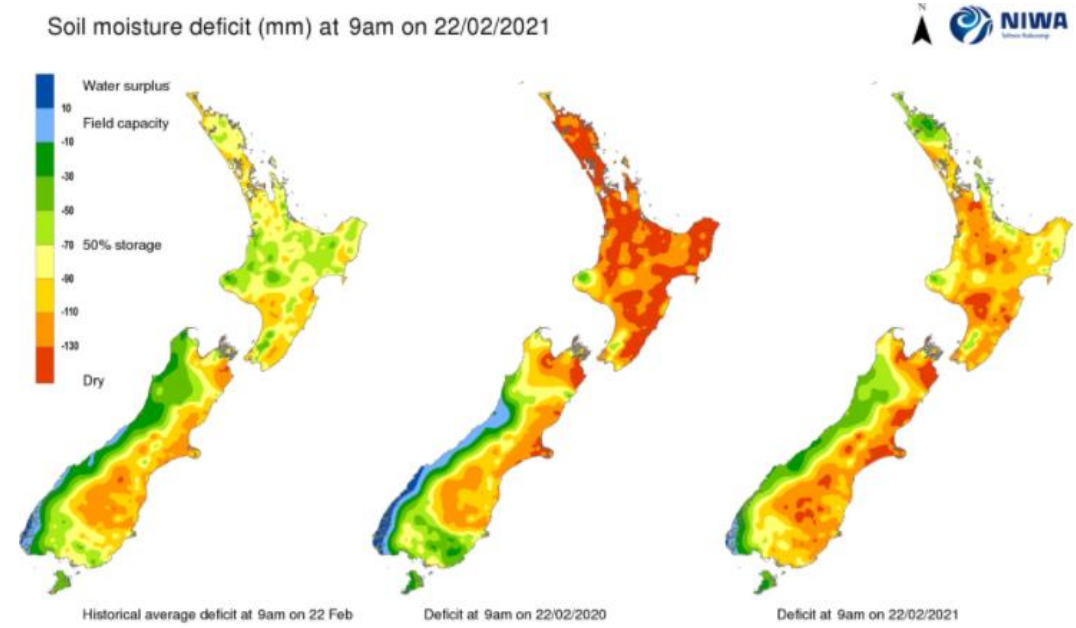
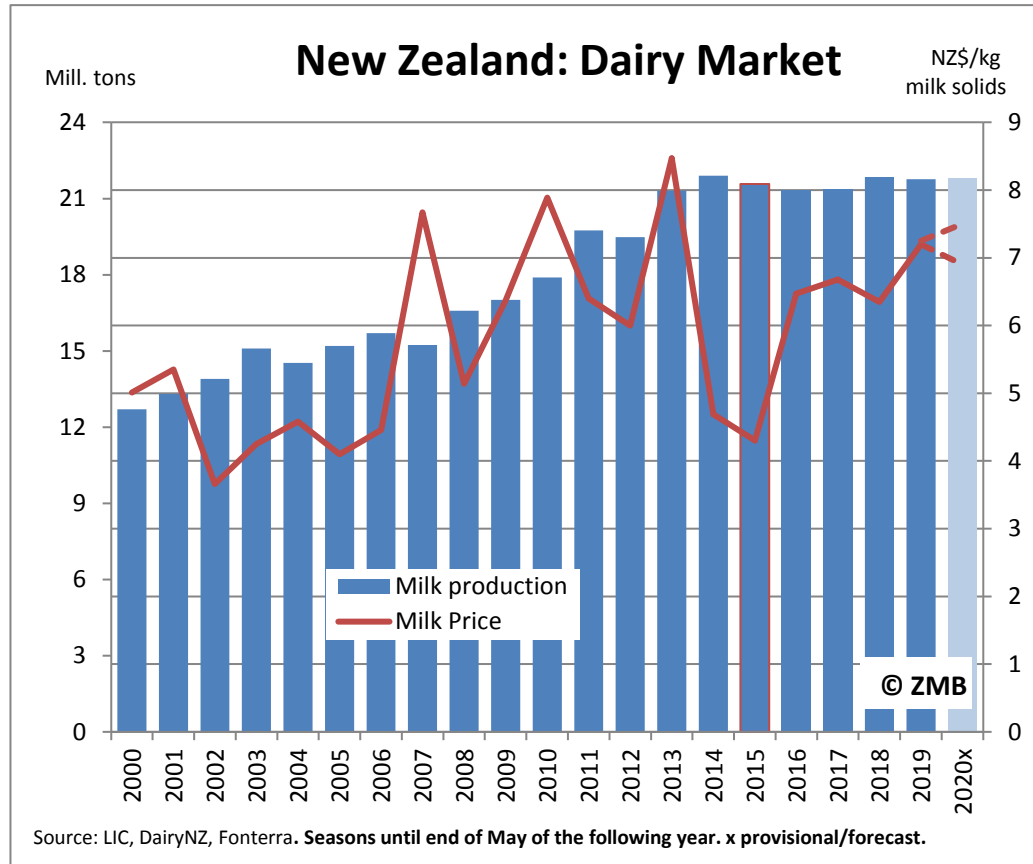


## High government-payments for US-Farmers in 2020

- Direct payments from Corona Food Assistance Program: 2,985 Bill. USD in 2 rounds
- Food Boxes: 4,029 Bill. USD (ca. 20 % for dairy products), continued in January 2021
- Additional public food-purchases due to other Corona-support-measures
- Dairy Margin Coverage Program 217,9 Mill. USD
- 455 Mill. USD from „Insurance“ Dairy Revenue Protection (premiums 247 Mill. USD, partly from farmers)

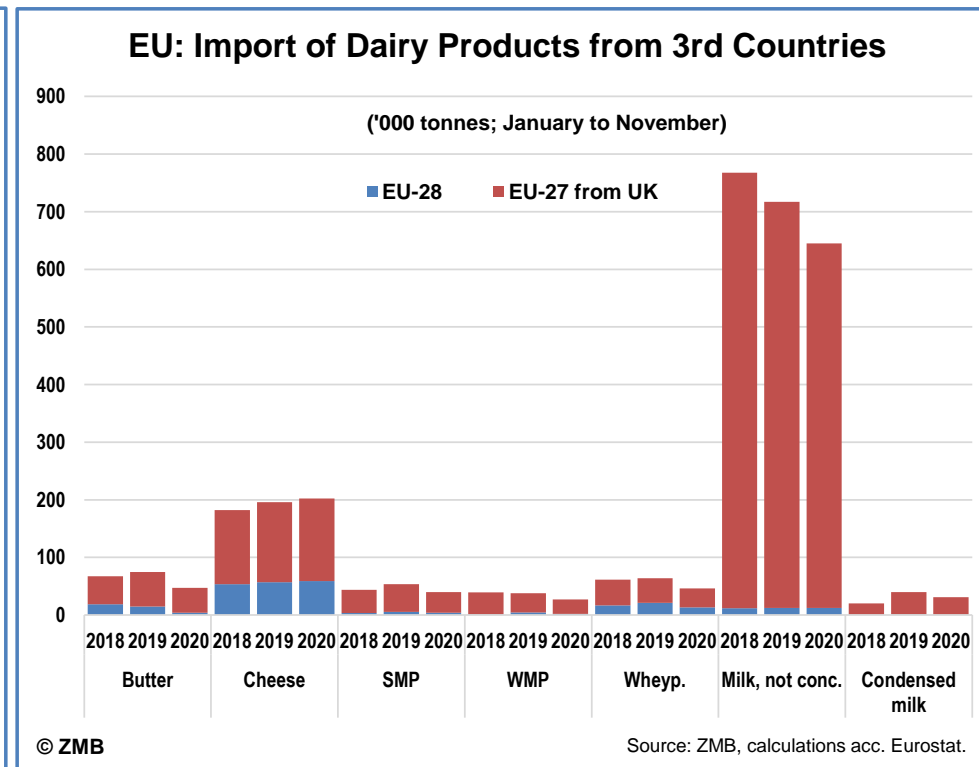
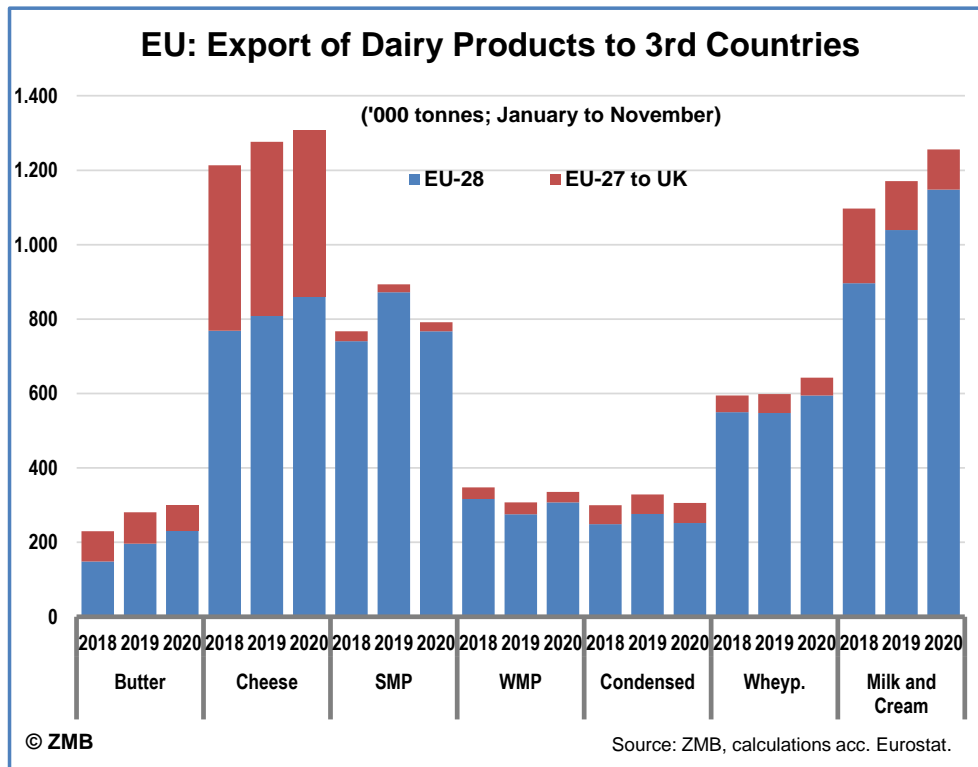
Milk price forecasts for 2021 around 30 EUR/100 kg

# Milk output in New Zealand is stagnating since several years



Milk price forecasts for 20-21 around 32 EUR/100 kg

# EU: higher exports of dairy products in 2020 – except for SMP, low imports



Due to Brexit the single market contracted and the international market grew. UK will become the biggest trading partner among third countries – Trade remains free from duty and quota, but more formalities are required.

# Covid-19 has influenced milk processing

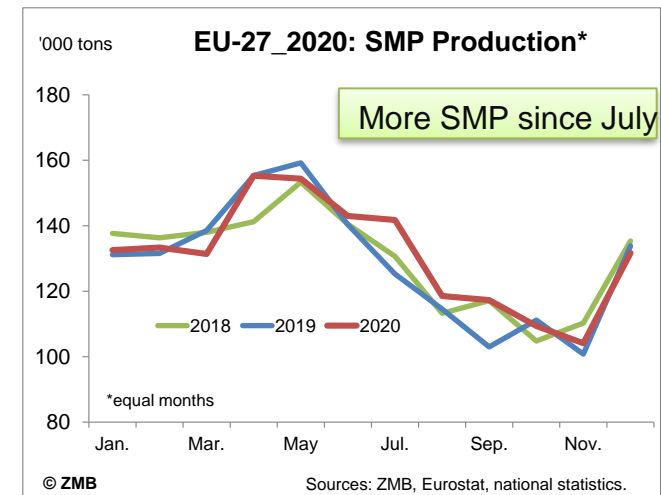
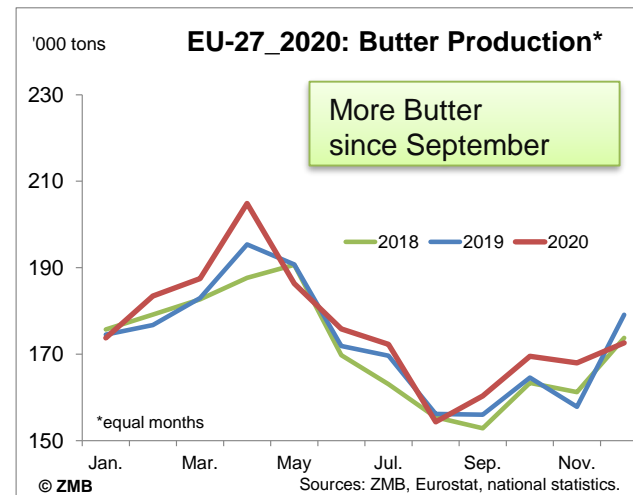
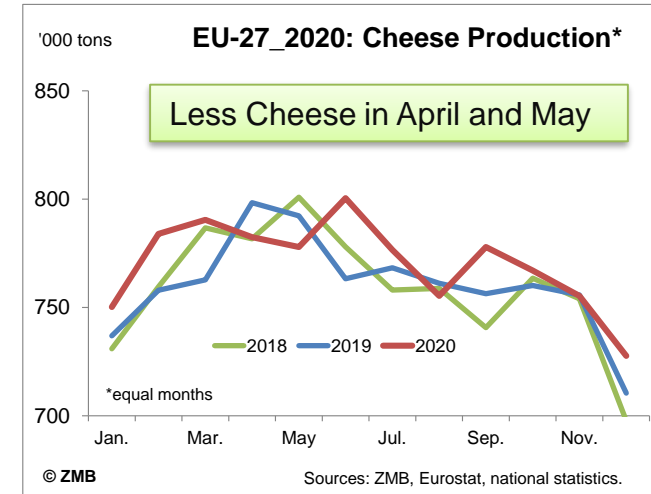
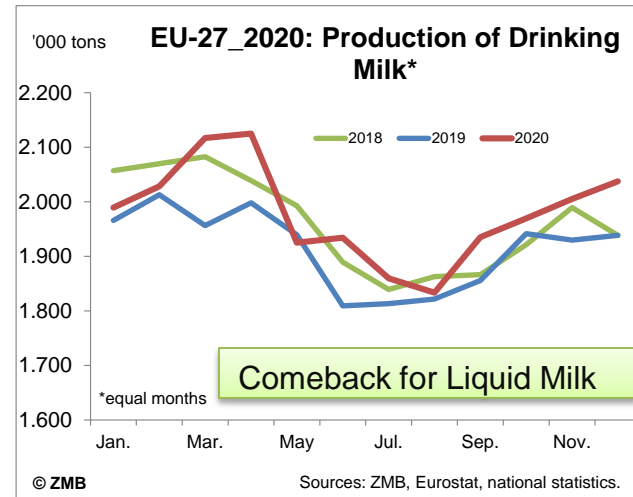
## EU-27: Production of Dairy Products

000 t	January - December			Dec.
	2019	2020*	20:19 *	20:19 *
Liquid milk	22.912	23.687	+ 3,4%	+ 5,1%
Cream	2.424	2.413	- 0,5%	- 0,0%
Fermented Products	8.018	8.000	- 0,2%	+ 0,1%
Butter	2.070	2.102	+ 1,5%	- 3,6%
Cheese	9.098	9.217	+ 1,3%	+ 2,4%
WMP etc.	710	721	+ 1,6%	+ 8,3%
SMP	1.541	1.568	+ 1,8%	- 1,6%
Condensed milk	914	886	- 3,0%	- 1,6%

\*) Provisional.

Sources: ZMB, Eurostat, national statistics.

© ZMB



# The cheese market is increasing – despite of the Corona-pandemic

EU Cheese Balance Sheet						
'000 t	2017	2018	2019	2020*	2020*	2021**
	EU 28	EU 28	EU28	EU 28	EU-27	EU-27
<b>Production</b>	<b>10.425</b>	<b>10.554</b>	<b>10.692</b>	<b>10.810</b>	<b>10.340</b>	<b>10.440</b>
- from cows' milk in dairies	9.445	9.534	9.712	9.830	9.360	9.450
- on farms	100	100	100	100	100	100
- from other milk	880	920	880	880	880	890
Imports	59	59	63	63	215	180
- thereof from UK	.	.	.	.	150	120
Processing addition <sup>1)</sup>	180	180	180	170	155	160
Available	10.664	10.793	10.935	11.043	10.710	10.780
<b>Exports</b>	<b>830</b>	<b>833</b>	<b>880</b>	<b>943</b>	<b>1.390</b>	<b>1.340</b>
- thereof from UK	.	.	.	.	480	420
Stock Change	-10	20	-20	0	10	10
<b>Consumption</b>	<b>9.845</b>	<b>9.940</b>	<b>10.076</b>	<b>10.100</b>	<b>9.310</b>	<b>9.430</b>
- per capita (kg)	<b>19,3</b>	<b>19,4</b>	<b>19,6</b>	<b>19,7</b>	<b>20,7</b>	<b>21,0</b>

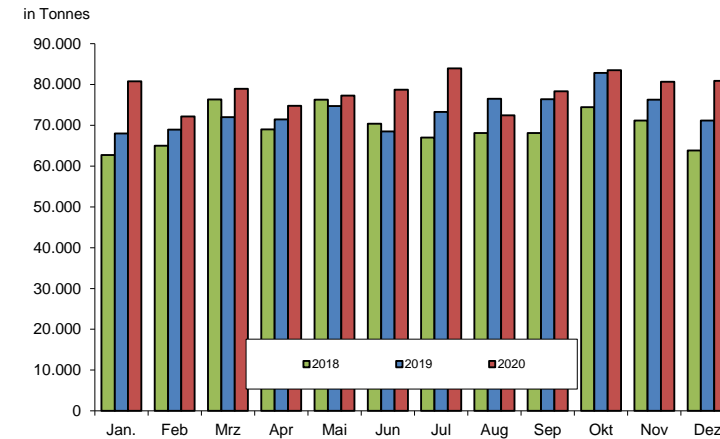
1) From processed cheese. \*)Provisional \*\*) Forecast.

Remark: UK was part of the single market during 2020.

Source: ZMB

Updated February 2021

EU-28: Cheese Exports



© ZMB

Source: ZMB, Eurostat

EU-Export strong, but losses in USA

EU* EXPORTS of CHEESES - main destinations				
Period : January-December				
Qty Tons	2018	2019	2020	
Japan	106 359	113 691	128 086	↑ +13%
USA	126 423	131 294	117 709	↓ -10%
Switzerland	61 290	62 080	69 252	↑ +12%
South Korea	37 168	42 094	53 025	↑ +26%
Ukraine	13 948	23 665	46 697	↑ +97%
Saudi Arabia	32 904	34 888	42 476	↑ +22%
Australia	24 835	25 122	27 049	↑ +8%
Algeria	20 748	21 837	27 043	↑ +24%
China	15 686	18 617	26 801	↑ +44%
Canada	18 756	21 494	24 403	↑ +14%
Morocco	14 422	17 090	21 046	↑ +23%
Other	324 302	329 799	324 904	↔ -1%
<b>Total (without UK)</b>	<b>796 841</b>	<b>841 671</b>	<b>908 491</b>	<b>↑ +8%</b>
United Kingdom*	444 769	470 629	446 591	↓ -5%

\* Trade with U.K. not included for November and December (not available in 2020)



# EU is the main cheese supplier, but rising stocks in USA

## Exports of Cheese

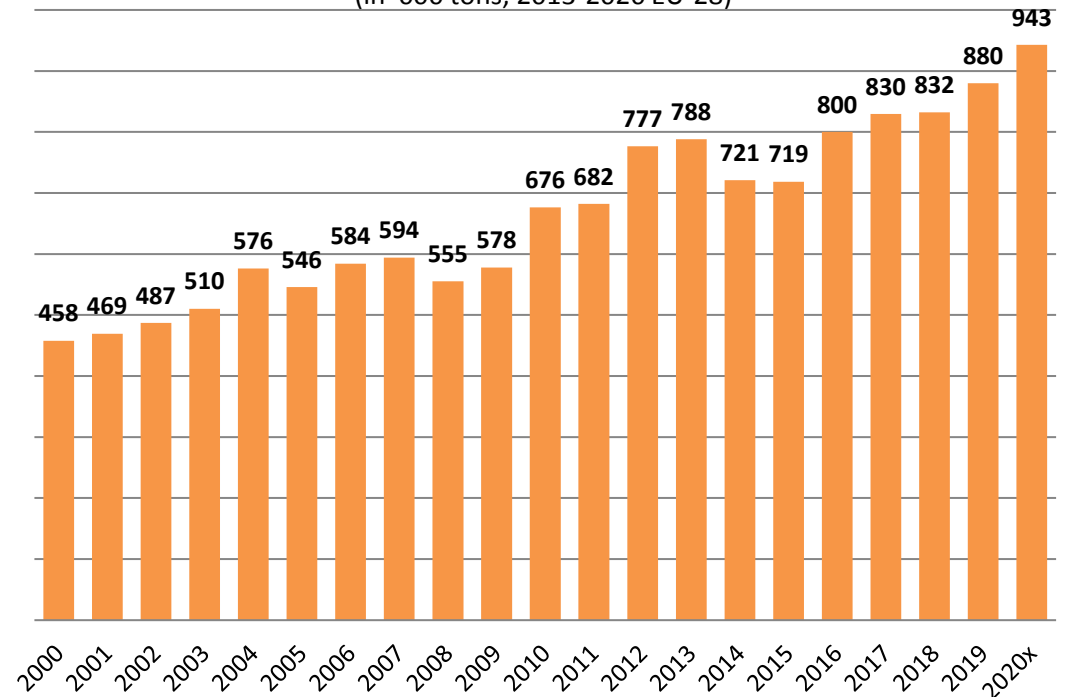
1.000 tonnes	Mon.	2018	2019	2020	± %
EU - 27	I - XI	1.180,4	1.241,6	1.277,5	+ 2,9
United Kingdom	I - X	155,4	175,0	153,4	- 12,4
<b>EU - 28</b>	<b>I - XII</b>	<b>832,6</b>	<b>879,2</b>	<b>942,6</b>	<b>+ 7,2</b>
Switzerland	I - XII	72,6	75,9	77,1	+ 1,6
New Zealand	I - XII	321,9	334,9	327,0	- 2,4
Australia	I - XII	172,0	160,0	154,2	- 3,6
USA	I - XII	347,5	356,5	356,2	- 0,1
Belarus	I - XII	210,3	244,1	274,5	+ 12,5
Argentina	I - XII	61,0	61,4	69,6	+ 13,4
Uruguay	I - XII	28,2	25,6	27,5	+ 7,4
Turkey	I - XII	50,7	55,1	53,3	- 3,2
<b>Total amount (EU=EU-28)</b>		<b>2.096,7</b>	<b>2.192,5</b>	<b>2.282,0</b>	<b>+ 4,1</b>

Sources: ZMB, EU-Comm., GTA, national statistics

© ZMB

## EU: Exports of Cheese

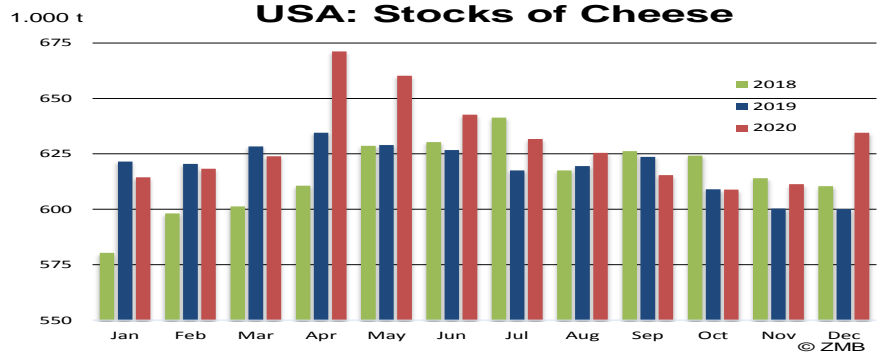
(in '000 tons; 2013-2020 EU-28)



© ZMB

Source: ZMB, Eurostat.

## USA: Stocks of Cheese



# Butter-market balanced by foreign trade and high retail sales

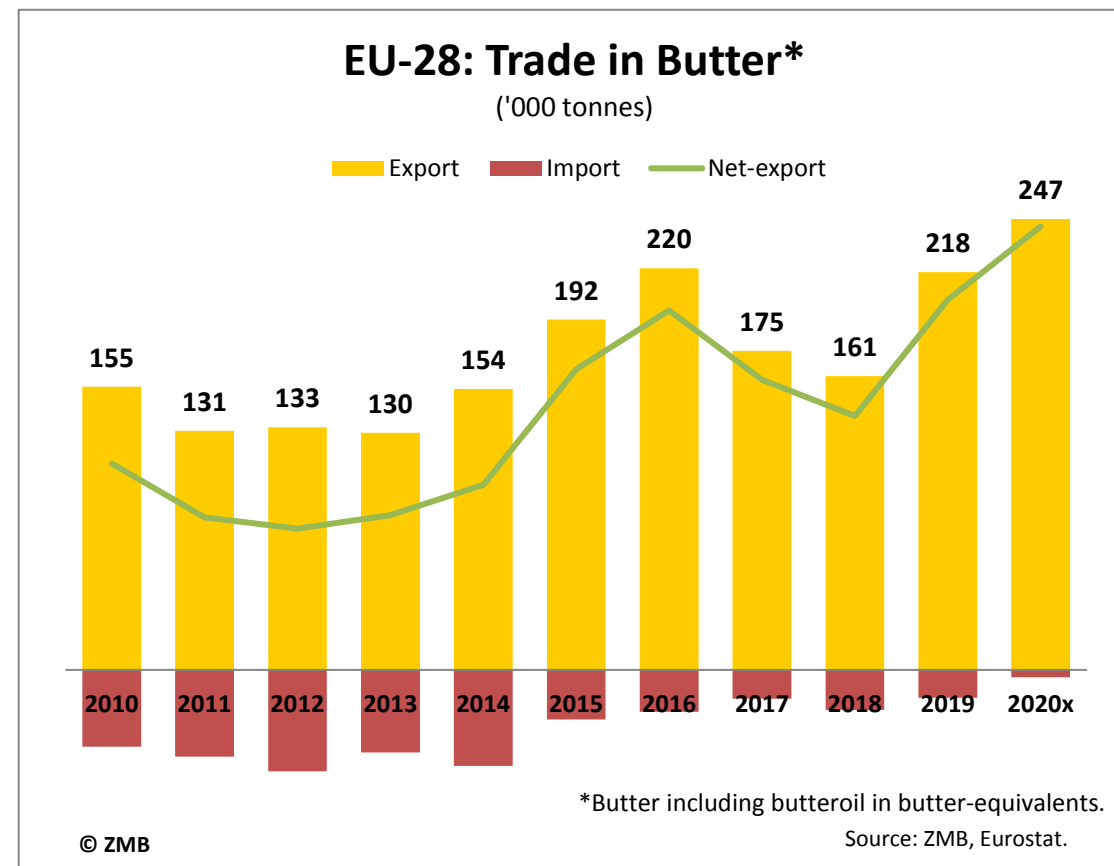
EU Butter Balance Sheet						
'000 t	2017	2018	2019	2020*	2020*	2021**
	EU 28	EU 28	EU28	EU 28	EU-27	EU-27
Initial stocks	100	90	150	180	166	160
<b>Total production</b>	<b>2.250</b>	<b>2.275</b>	<b>2.350</b>	<b>2.370</b>	<b>2.180</b>	<b>2.200</b>
- in dairies <sup>1)</sup>	2.230	2.255	2.330	2.350	2.160	2.180
- on farms	20	20	20	20	20	20
Imports	16	22	15	4	50	30
-thereof from UK	.	.	.	.	40	20
<b>Exports</b>	<b>179</b>	<b>163</b>	<b>218</b>	<b>247</b>	<b>330</b>	<b>300</b>
-thereof to UK	.	.	.	.	82	70
Final stocks	90	150	180	175	160	170
thereof public stocks	0	0	0	0	0	0
<b>Disappearance</b>	<b>2.097</b>	<b>2.074</b>	<b>2.118</b>	<b>2.132</b>	<b>1.906</b>	<b>1.920</b>
<b>Per capita (kg)</b>	<b>4,1</b>	<b>4,0</b>	<b>4,1</b>	<b>4,1</b>	<b>4,2</b>	<b>4,3</b>

\*)Provisional \*\*) Forecast. 1)incl. butteroil.

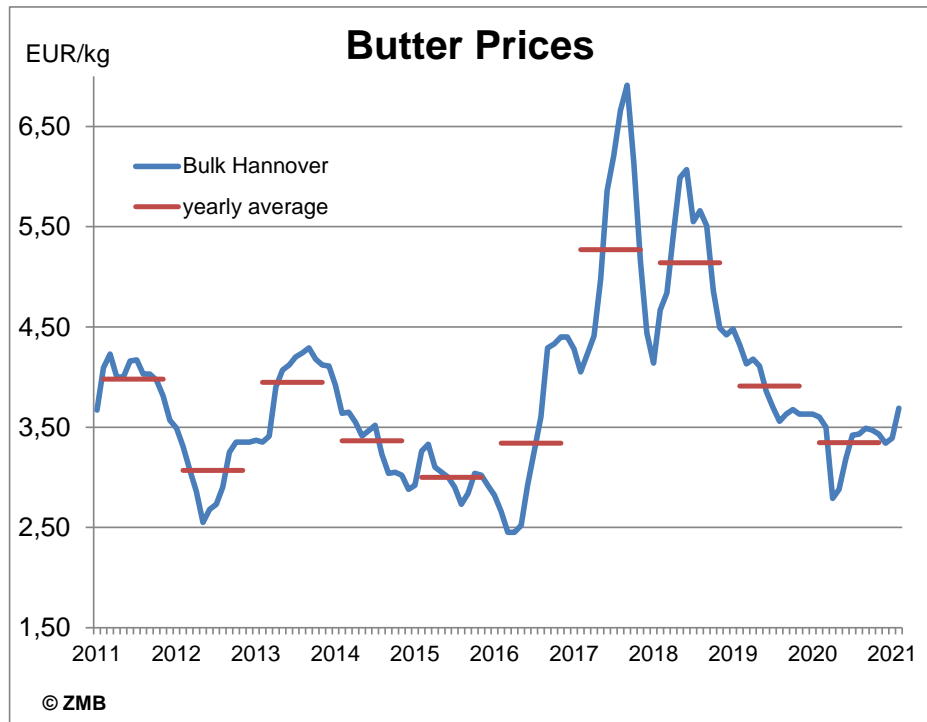
Remark: UK was part of the single market during 2020.

Source: ZMB

Updated February 2021



# Butter-prices increasing actually

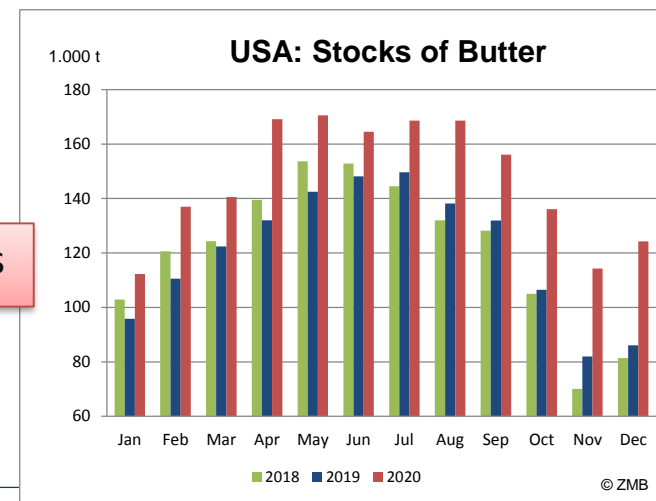


Exports of Butter and Butteroil					
1.000 tonnes	Mon.	2018	2019	2020	± %
EU - 27	I - XI	226,2	274,2	290,1	+ 5,8
United Kingdom	I - X	53,4	64,0	53,9	- 15,8
<b>EU - 28</b>	<b>I - XII</b>	<b>159,4</b>	<b>215,6</b>	<b>246,8</b>	<b>+ 14,4</b>
New Zealand	I - XII	453,1	461,2	423,2	- 8,2
Australia	I - XII	15,6	16,8	15,2	- 9,5
USA	I - XII	48,3	25,4	26,9	+ 5,9
Switzerland	I - XII	0,7	0,2	0,3	+ 38,1
Belarus	I - XII	.	67,2	68,6	+ 2,1
Ukraine	I - XI	26,9	15,2	8,5	- 43,7
Argentina	I - XII	11,8	15,0	20,7	+ 37,9
Uruguay	I - XII	13,6	13,1	13,7	+ 4,3
<b>Total amount (EU=EU-28)</b>		<b>807,7</b>	<b>829,7</b>	<b>823,9</b>	<b>- 0,7</b>

Sources: ZMB, EU-Comm., GTA, national statistics © ZMB

EU gained market-shares, NZ-export lower

High US-stocks



# SMP balanced and prices went up in first weeks of 2021

## EU SMP Balance Sheet

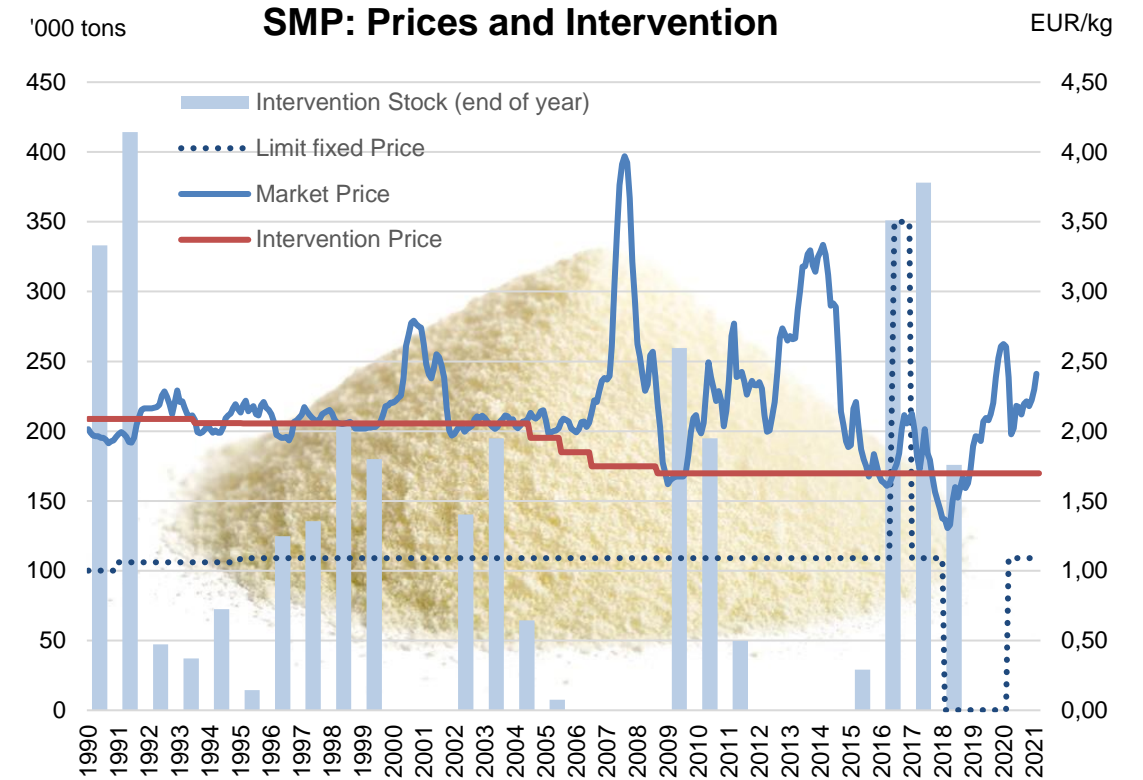
'000 t	2017	2018	2019	2020*	2020*	2021**
	EU 28	EU 28	EU28	EU 28	EU-27	EU-27
Opening stocks	527	520	438	191	184	82
<b>Production</b>	<b>1.680</b>	<b>1.680</b>	<b>1.670</b>	<b>1.680</b>	<b>1.590</b>	<b>1.600</b>
Imports	3	4	6	2	45	30
-thereof from UK	.	.	.	.	40	25
Available	2.209	2.204	2.113	1.873	1.819	1.712
<b>Consumption</b>	<b>910</b>	<b>950</b>	<b>960</b>	<b>950</b>	<b>907</b>	<b>890</b>
- other than feed	770	790	800	810	772	770
- in feed	140	160	160	140	135	120
<b>Exports</b>	<b>779</b>	<b>816</b>	<b>962</b>	<b>828</b>	<b>830</b>	<b>750</b>
-thereof to UK	.	.	.	.	30	10
Ending stocks	520	438	191	95	82	72
- in intervention	375	176	0	0	0	0

\*)Provisional \*\*) Forecast.

Remark: UK was part of the single market during 2020.

Source: ZMB

Updated February 2021



© ZMB GmbH

Sources: ZMB, EU-Commission, ZMP, Süddeutsche Butter- und Käsebörsen;  
© emuck - fotolia.com

# WMP: World market is dominated by New Zealand, South-America gained market-share

EU Balance Sheet of Whole Milk Powder						
'000 t	2017	2018	2019	2020*	2020*	2021**
	EU 28	EU 28	EU28	EU 28	EU-27	EU-27
<b>Production</b>	<b>835</b>	<b>840</b>	<b>860</b>	<b>870</b>	<b>850</b>	<b>850</b>
Imports	2	2	6	1	32	20
-thereof from UK	.	.	.	.	30	18
<b>Exports</b>	<b>393</b>	<b>334</b>	<b>297</b>	<b>331</b>	<b>340</b>	<b>300</b>
-thereof to UK	.	.	.	.	35	25
Change in stocks	-20	10	30	-20	-20	0
<b>Sales</b>	<b>464</b>	<b>498</b>	<b>538</b>	<b>560</b>	<b>562</b>	<b>570</b>

\*)Provisional \*\*) Forecast.

Remark: UK was part of the single market during 2020.

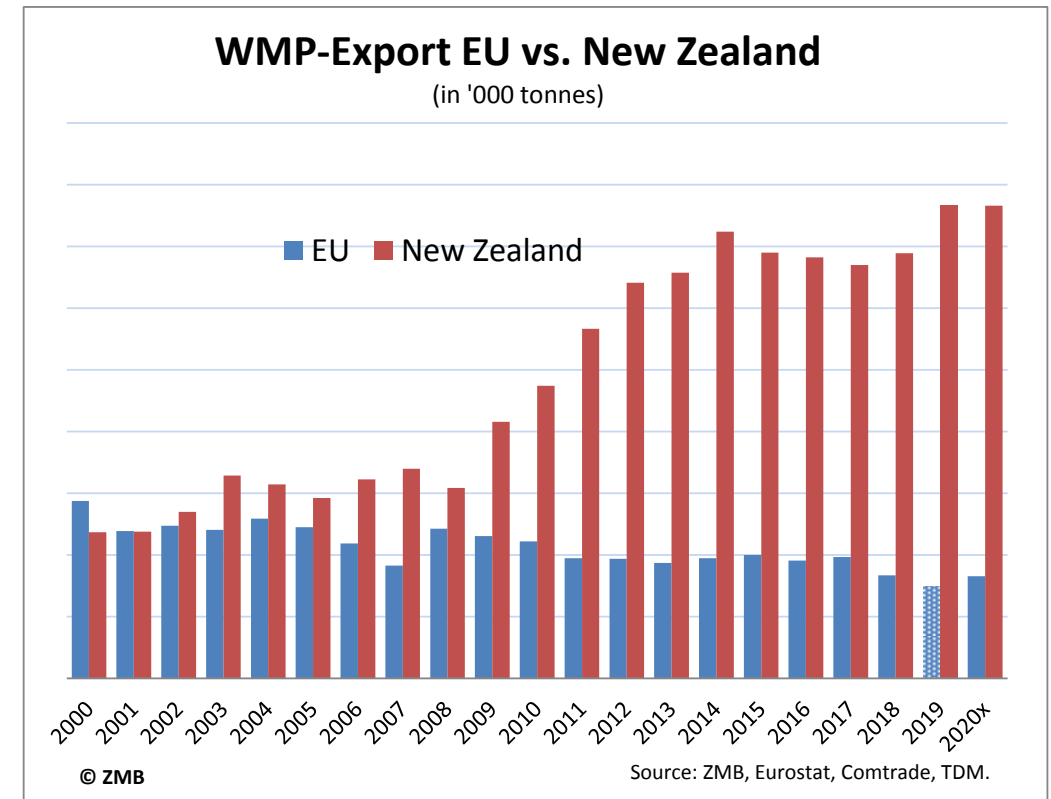
Source: ZMB

Updated February 2021

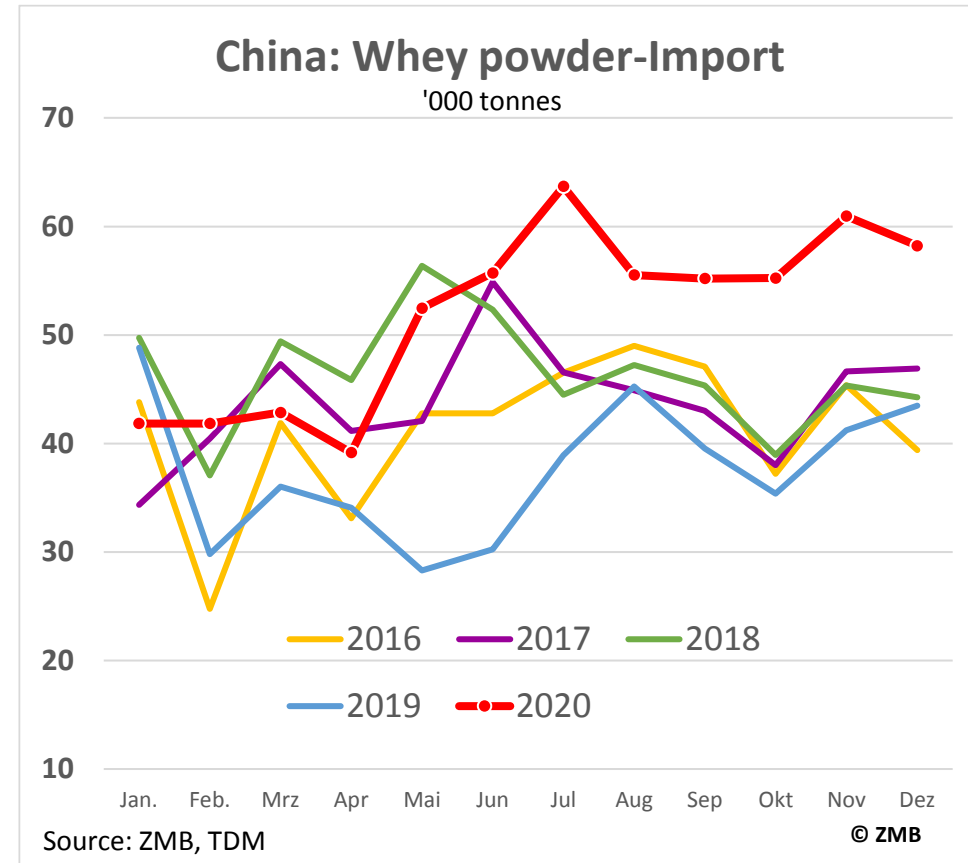
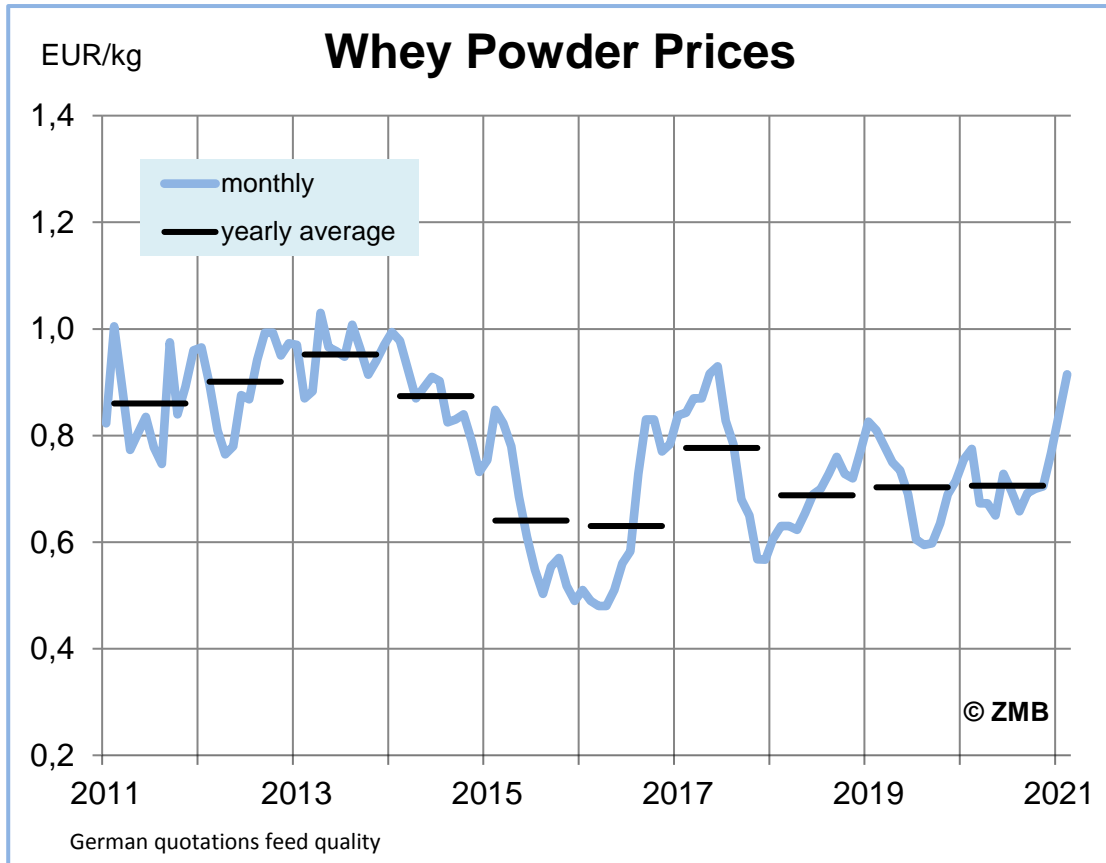
Exports of Whole Milk Powder					
1.000 tonnes	Mon.	2018	2019	2020	± %
EU - 27	I - XI	327,4	291,4	318,6	+ 9,3
United Kingdom	I - X	57,4	58,7	45,8	- 21,9
<b>EU - 28</b>	<b>I - XII</b>	<b>334,2</b>	<b>297,6</b>	<b>331,8</b>	<b>+ 11,5</b>
New Zealand	I - XII	1.369,0	1.535,7	1.532,8	- 0,2
Australia	I - XII	54,9	41,7	36,9	- 11,7
USA	I - XII	48,0	39,2	38,6	- 1,7
Belarus	I - XII	.	22,7	27,2	+ 19,7
Argentina	I - XII	135,4	96,6	148,3	+ 53,5
Uruguay	I - XII	142,9	131,5	146,7	+ 11,6
<b>Total amount (EU=EU-28)</b>		<b>2.117,5</b>	<b>2.165,1</b>	<b>2.262,1</b>	<b>+ 4,5</b>

Sources: ZMB, EU-Comm., GTA, national statistics

© ZMB

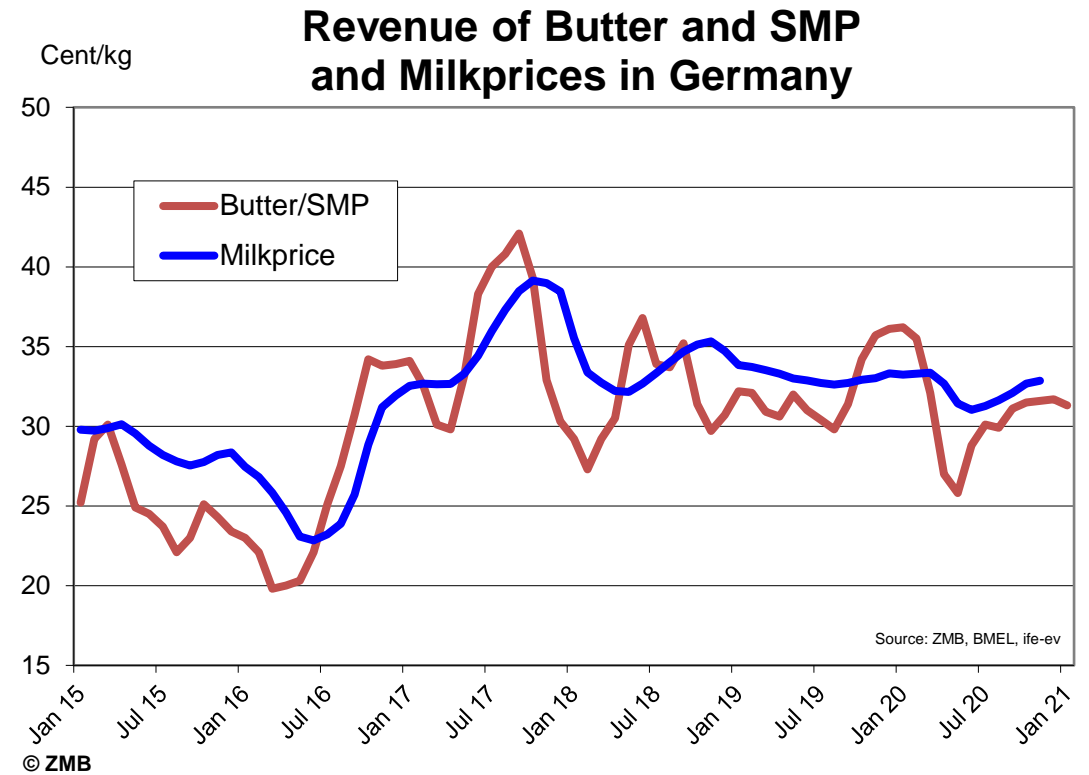
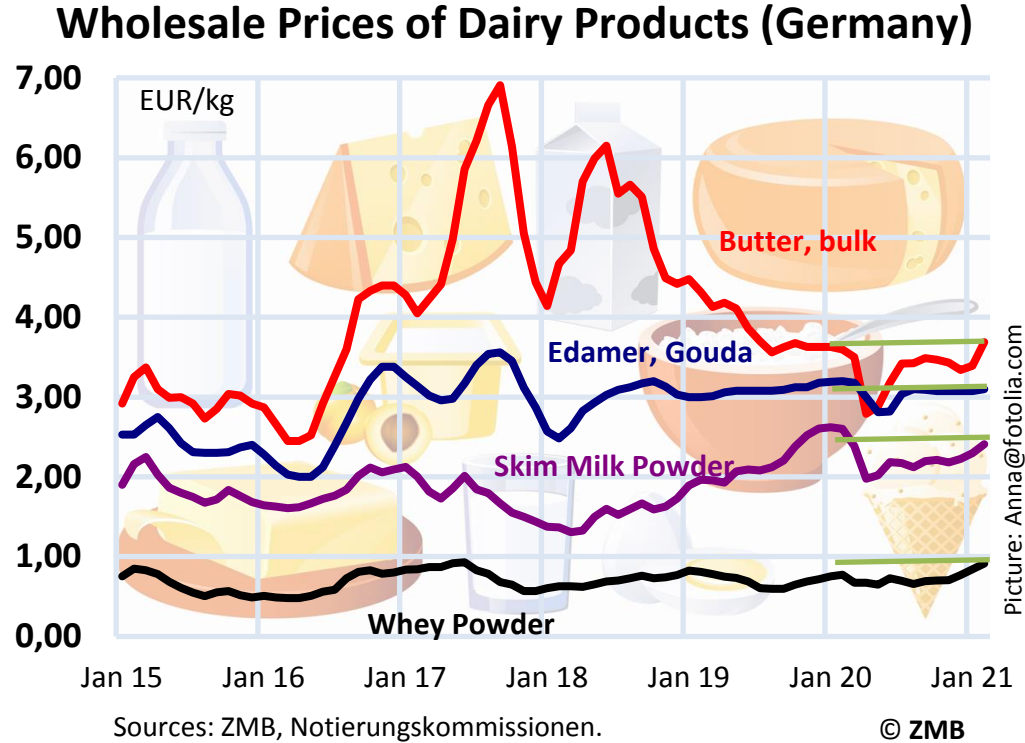


# Whey-powder is increasing

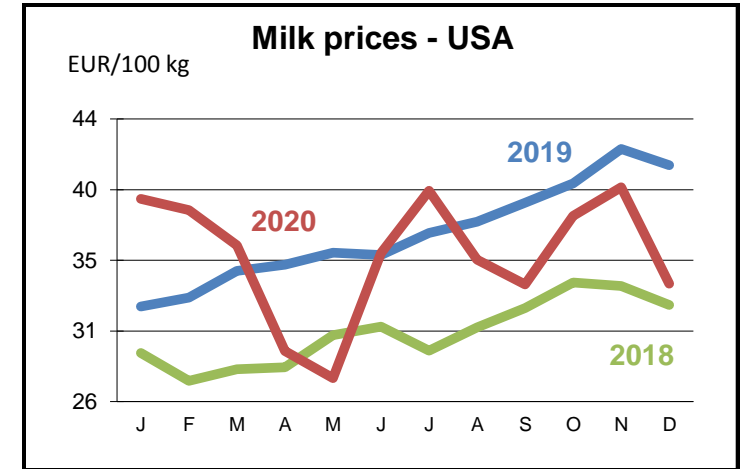
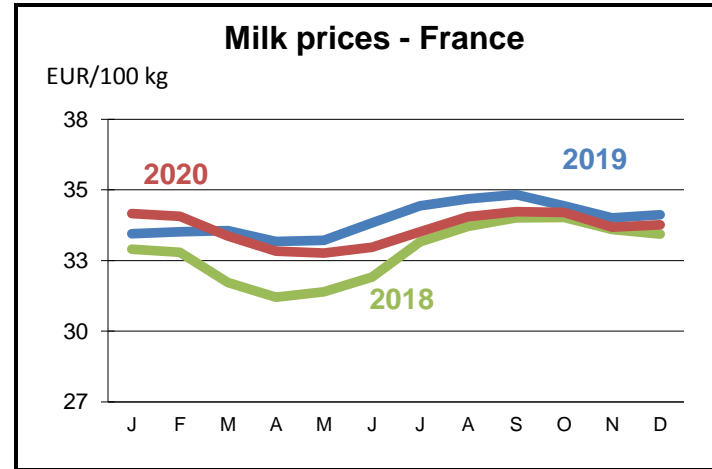
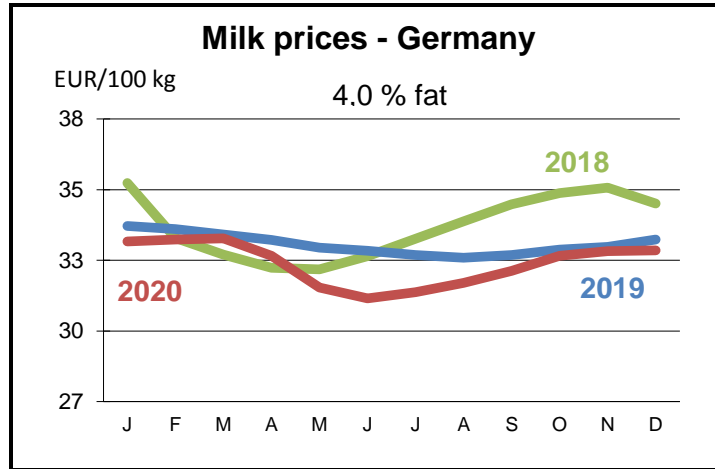


Pig-stocks-recovery after the massive ASF-outbreak is stimulating whey-demand

# Markets firm at the beginning of 2021 and on the way back to pre-pandemic-levels



# Milk prices lower than 2019



German farmers take actions against lower prices since several months



# 2020 – influenced by the corona pandemic

## Milk output

- Increased more than initially expected, low impact of corona



## Demand

- Resilient despite economic impact of Covid-19, but shifted to retail on expenses of food-service

## EU-Trade

- Intra-Trade: nearly stable 
- Extra-Trade mixed: more butter and cheese, but less SMP

## Stocks

- Low stocks of dairy products at the end of 2020



## Milk prices

- Decreased in Europe

# Determinants for EU-Dairy Market

## Pros

- Resilience of dairy demand during the corona-pandemic
- High milk supply in 2020 was absorbed by demand
- Stagnation of milk supply in Oceania
- Low stocks at the beginning of 2021 – except for butter and cheese in USA
- Corona affected world-economy to lower extend than expected
- Brexit softened by the trade-agreement

## Uncertainties

- Production
  - La Nina could cause a long winter in Europe
  - High feed costs
  - environmental and animal welfare issues
  - Frustrated farmers
- Duration of the Corona-Pandemic and longer-term economic impact
- Trade wars (USA)
- Climate debate
- Changing consumption habits and vegan trend

# Summary and outlook

---

- Dairy market very firm at the beginning of 2021 with more modest milk deliveries since December 2020
- Economic impact of the Corona-Pandemic was lower than initial fears and forecasts
- Dairy demand -in Europe and international- was resilient during the Corona-crisis so far – partly due to state-aid and a change in pattern of consumer expenses
- Strong demand from China despite of growing domestic production supported international trade
- Prices of dairy products recovered quickly after the beginning of the corona-crises, but not back to the initial levels before February 2021. Farmgate milk prices declined.
- Trade between between UK and EU-27 will suffer from Brexit, but no disruption thanks to the (last-minute) trade agreement
- **Food is always eaten, but there are a lot of uncertainties:**
  - **How long will the pandemic last?**
  - **Consumers income and consumption behaviour in the Post-Corona-Era?**

# Thank you for your attention!

Monika Wohlfarth, Geschäftsführerin

ZMB Zentrale Milchmarkt Berichterstattung GmbH

[www.milk.de](http://www.milk.de)

[Monika.Wohlfarth@milk.de](mailto:Monika.Wohlfarth@milk.de)