Market situation spring 2022

EDA TEC-Meeting
Brussels, 15 March 2022

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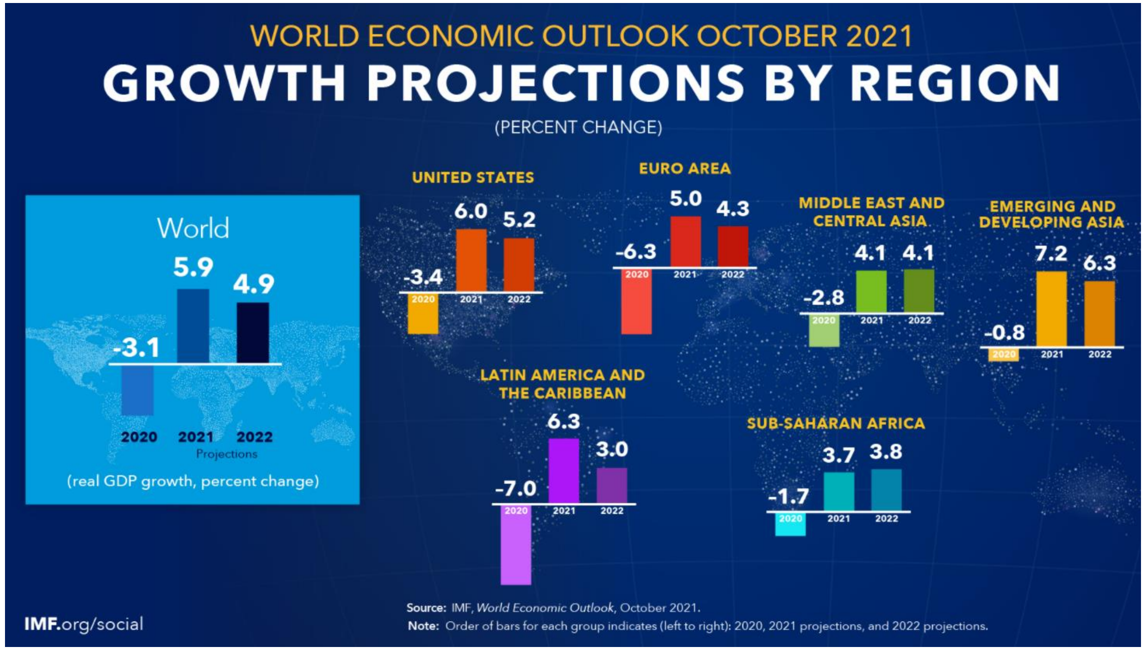
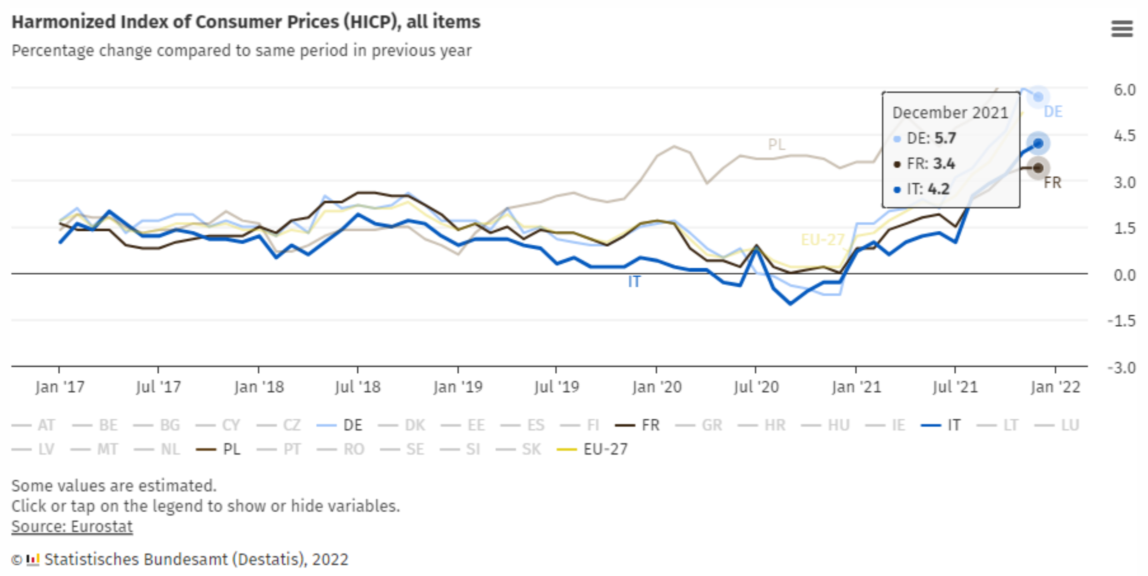
Economy still influenced by Covid-19





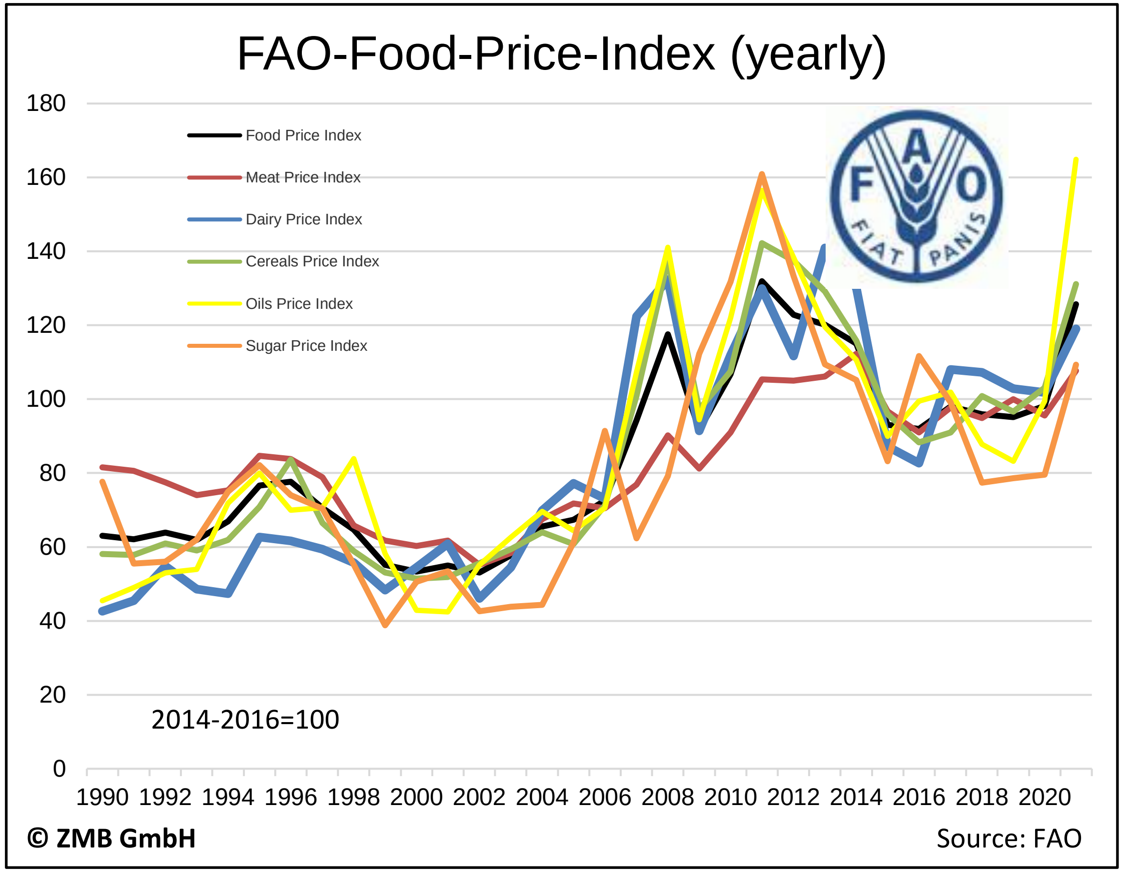
Economy recovered 2021 from the Corona-dip

- in Europe not to full extent.
- Forecast for 2022 revised down in January

Inflation increased to highest levels since decades:

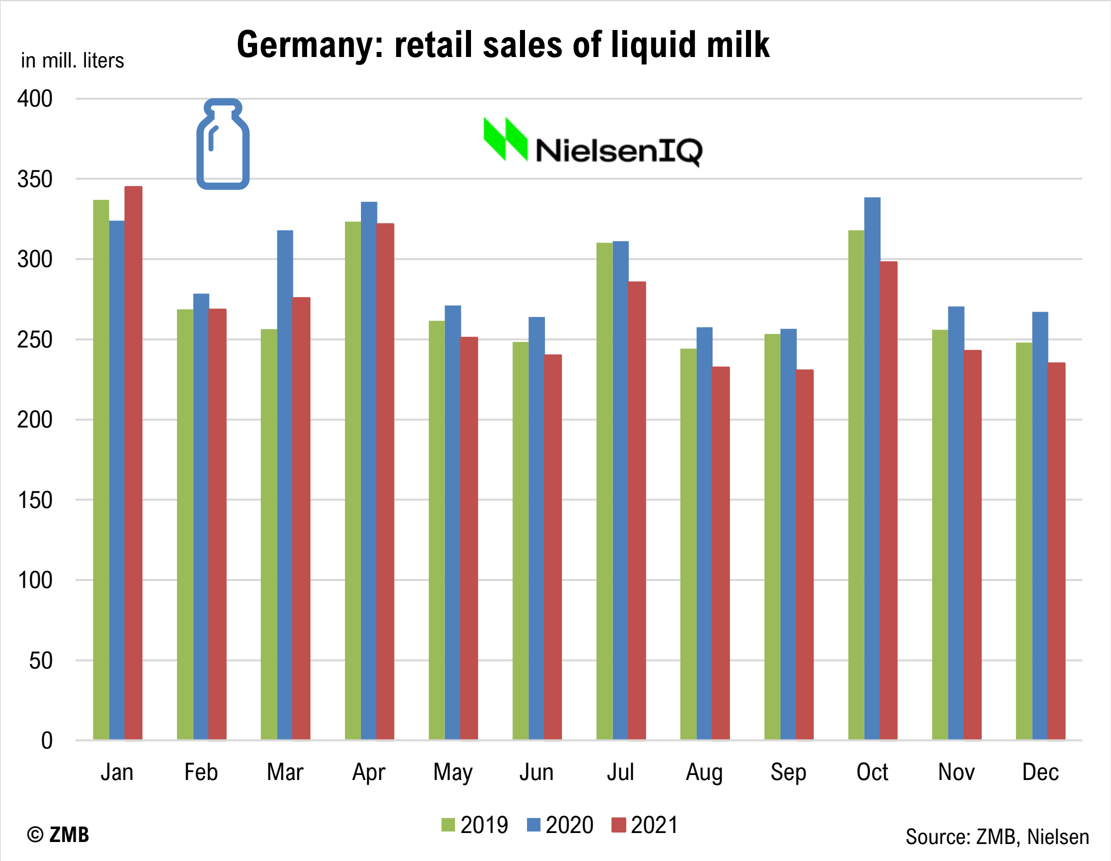
- partly due to Covid-19 (interruption of supply-chains, faster than expected recovery)
- „greenflation“

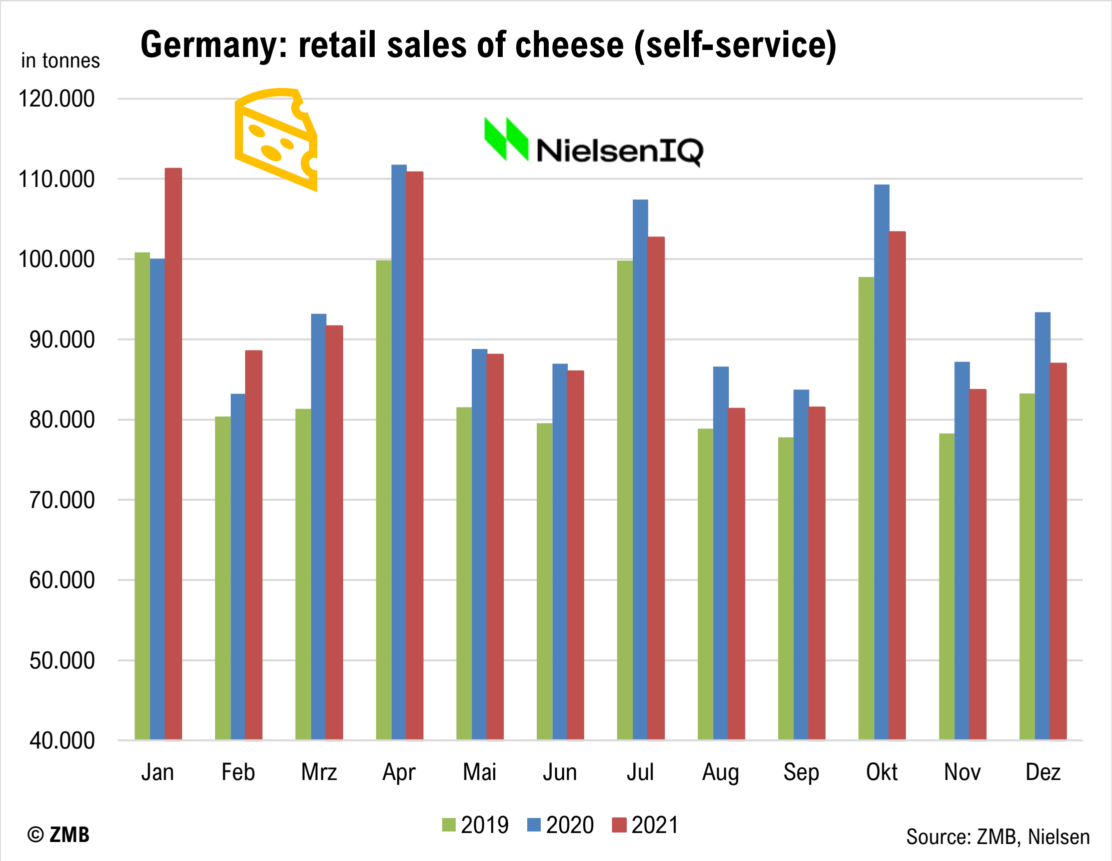
Prices of all agricultural commodities increased in 2021



Cereals (feed) increased stronger than milk and meat

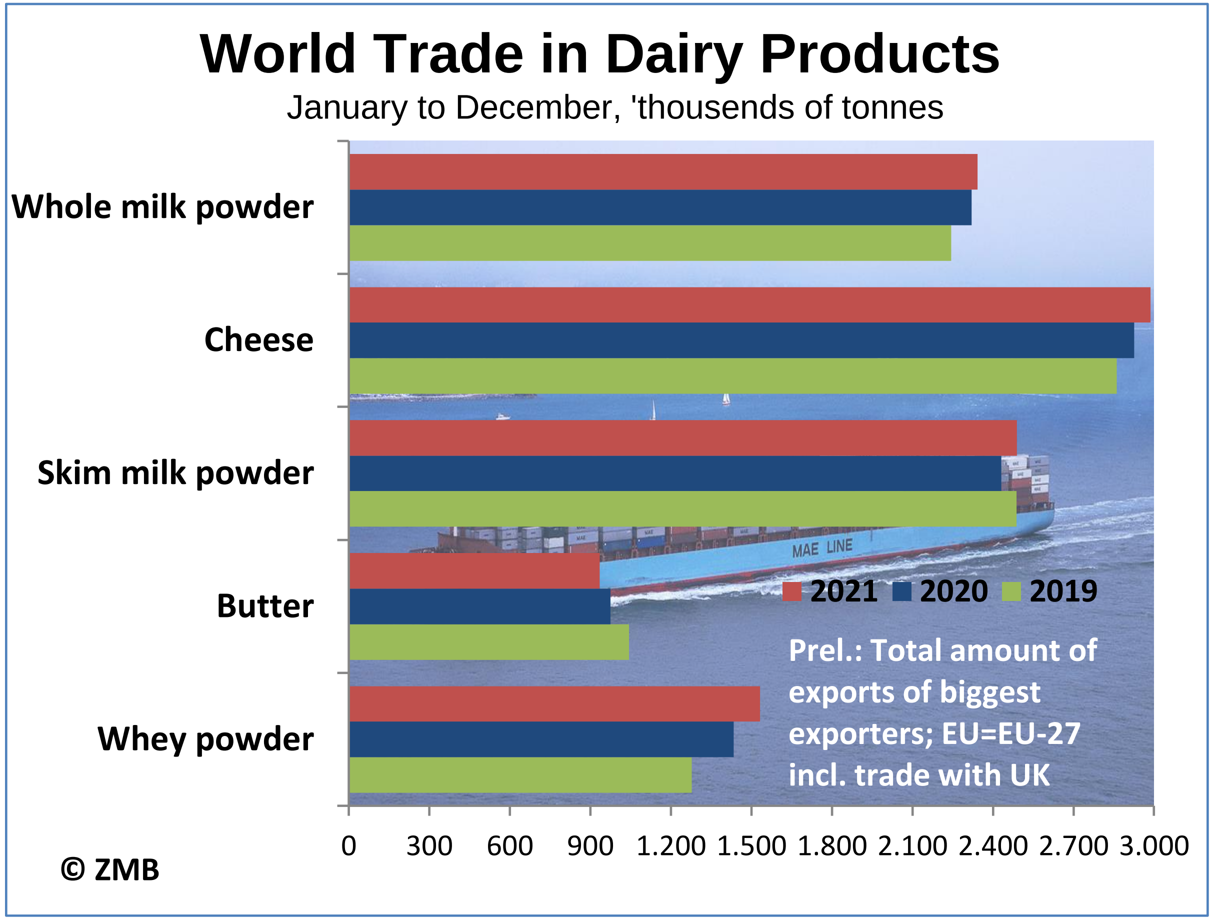
Consumption pattern changed since the outbreak of Covid-19

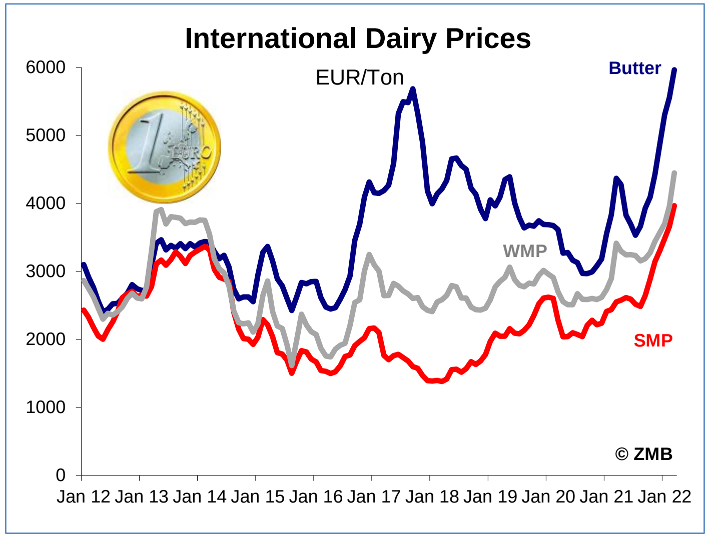


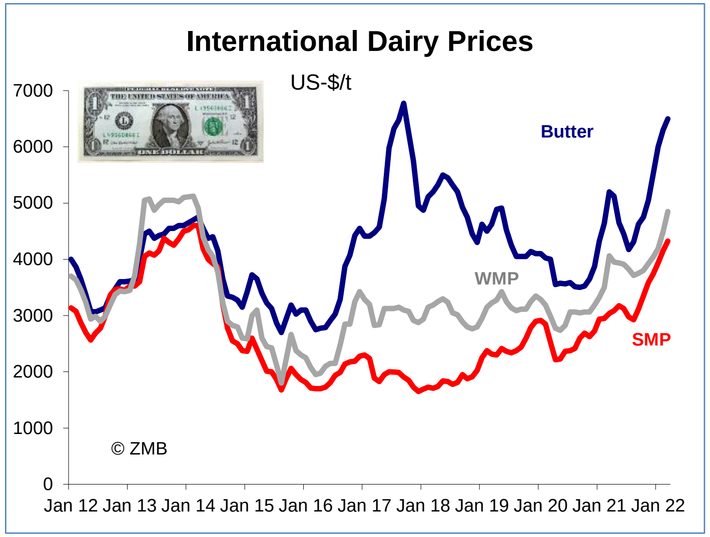


Retail sales of dairy products normalised in 2021
cheese sales still higher than pre-pandemic (Influence of veggy?)

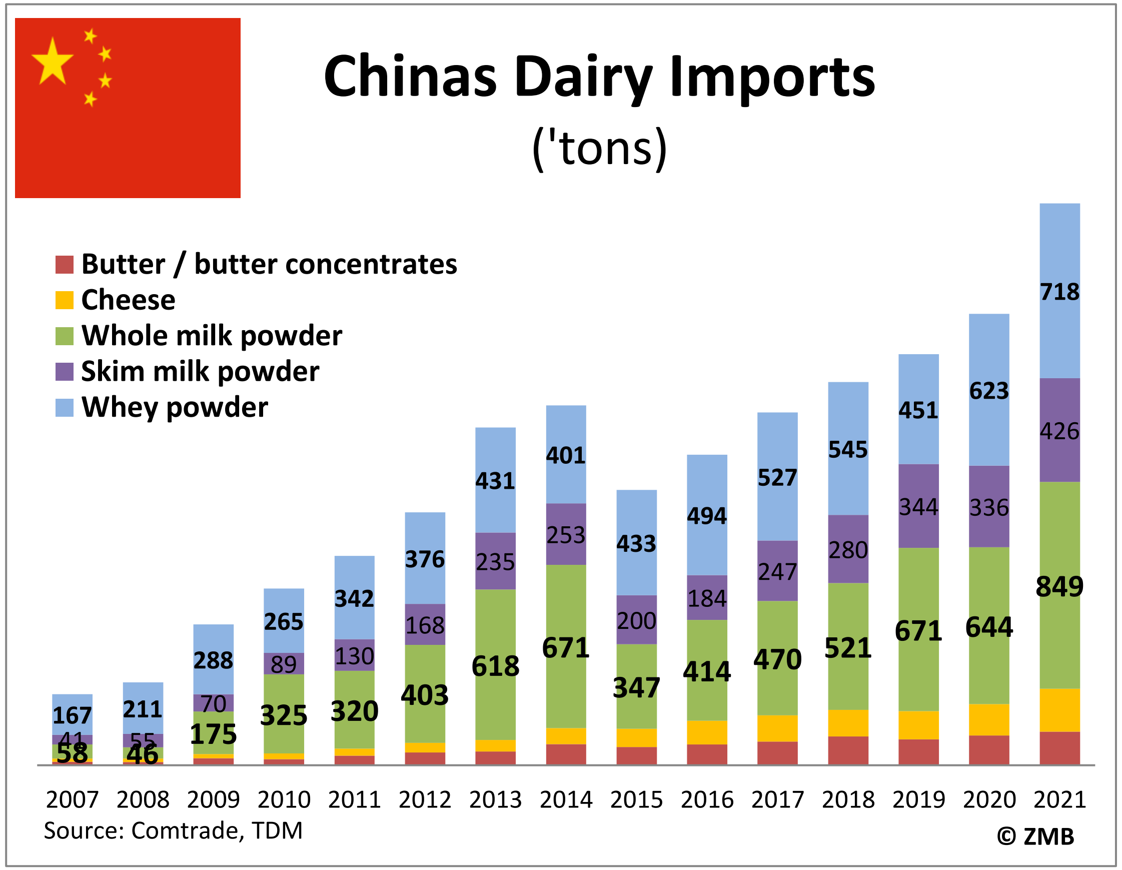
International trade increased in 2021 – despite of delays in logistics







Will strong demand from China continue?



Chinese imports reached new records in 2022, but decrease of infant formula

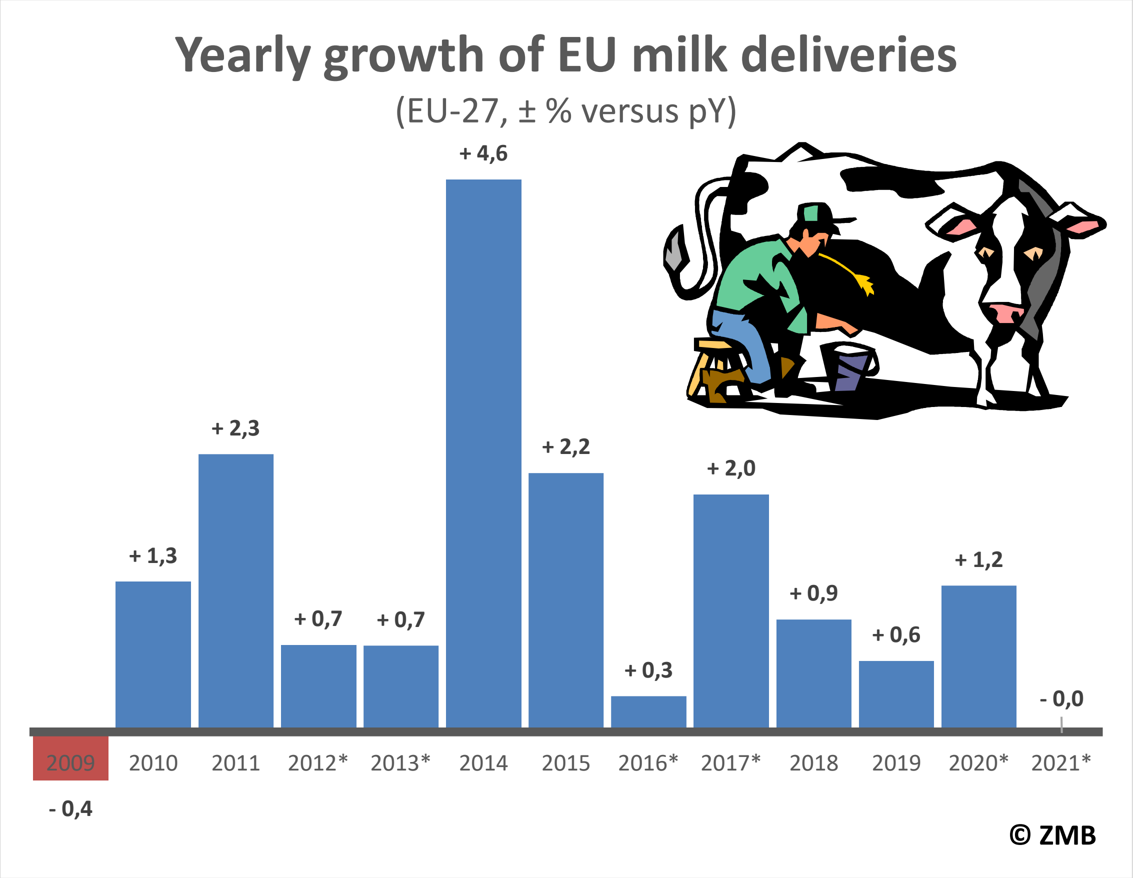
No big changes in

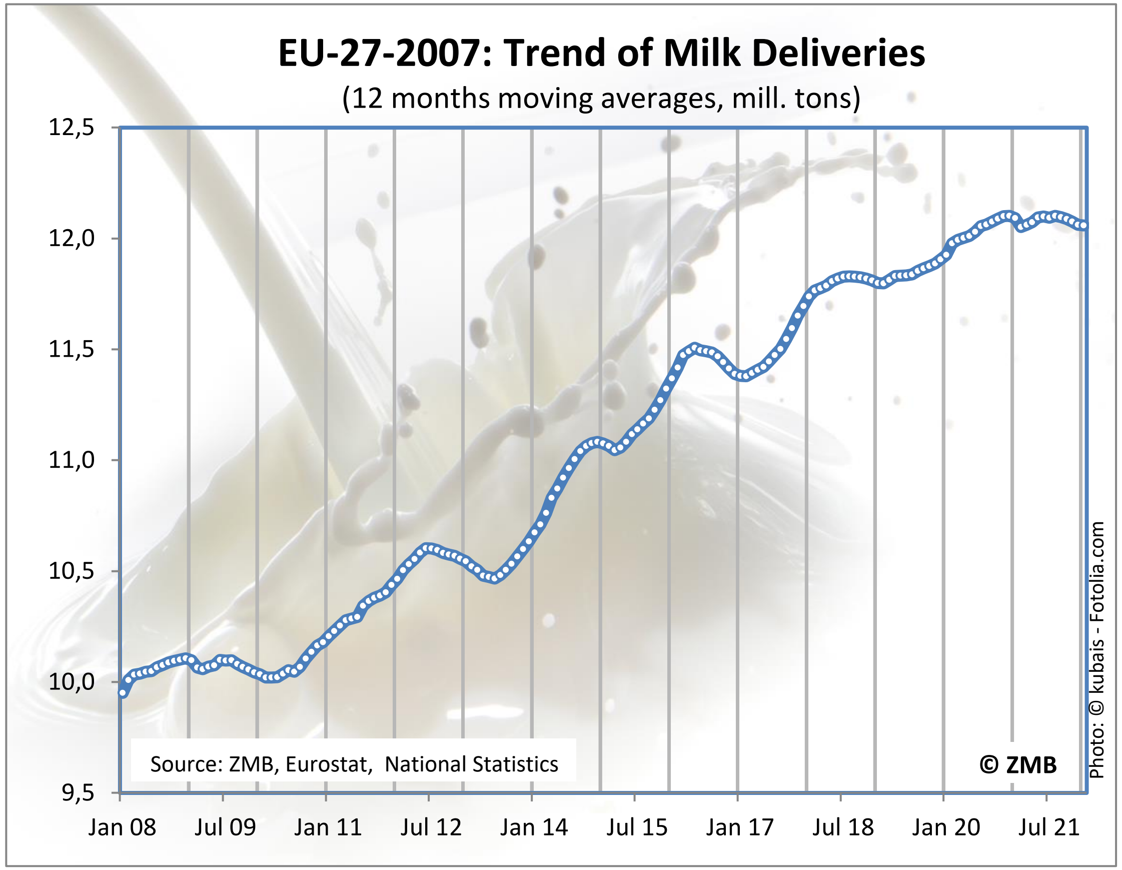
- **Russia**
- **USA**
- **Japan**
- **Mexico (depending from product)**

… but lower imports of

- **UK**
- **Brazil**

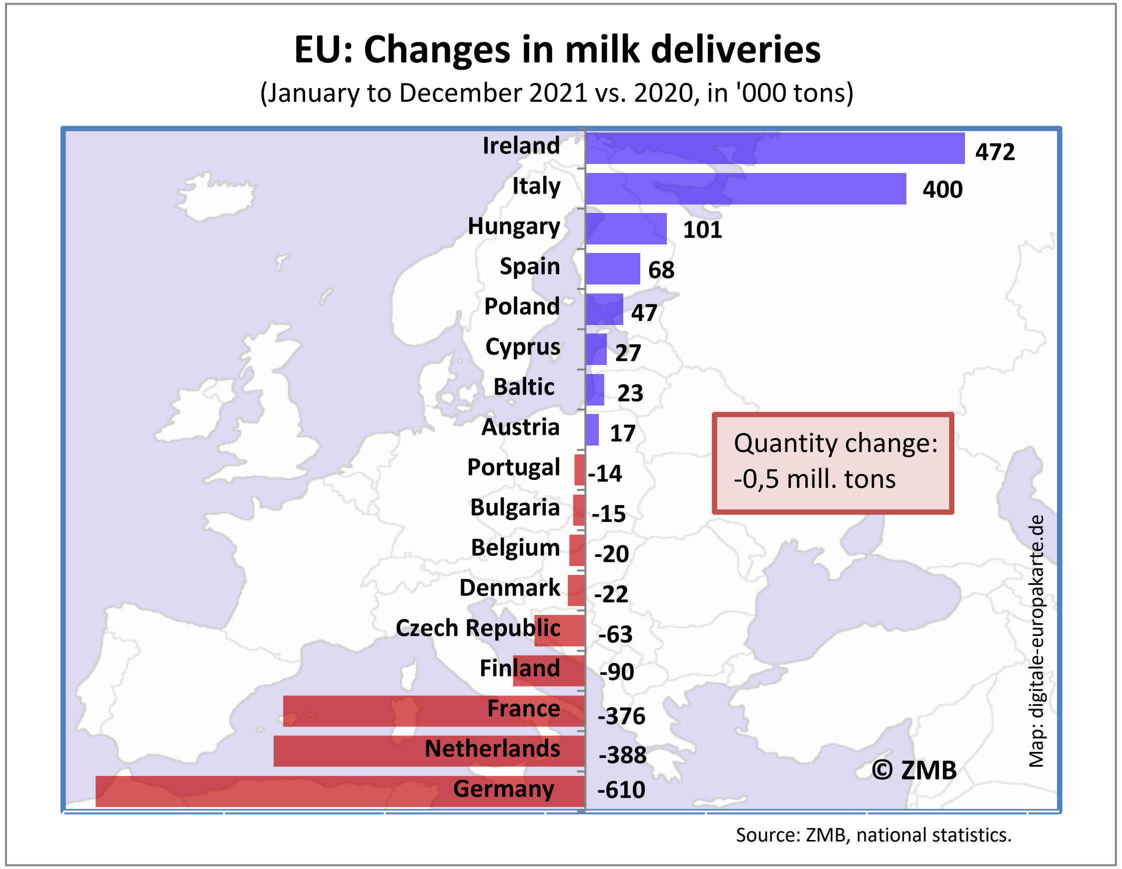
Growth of milk deliveries stopped for the first time since 2009

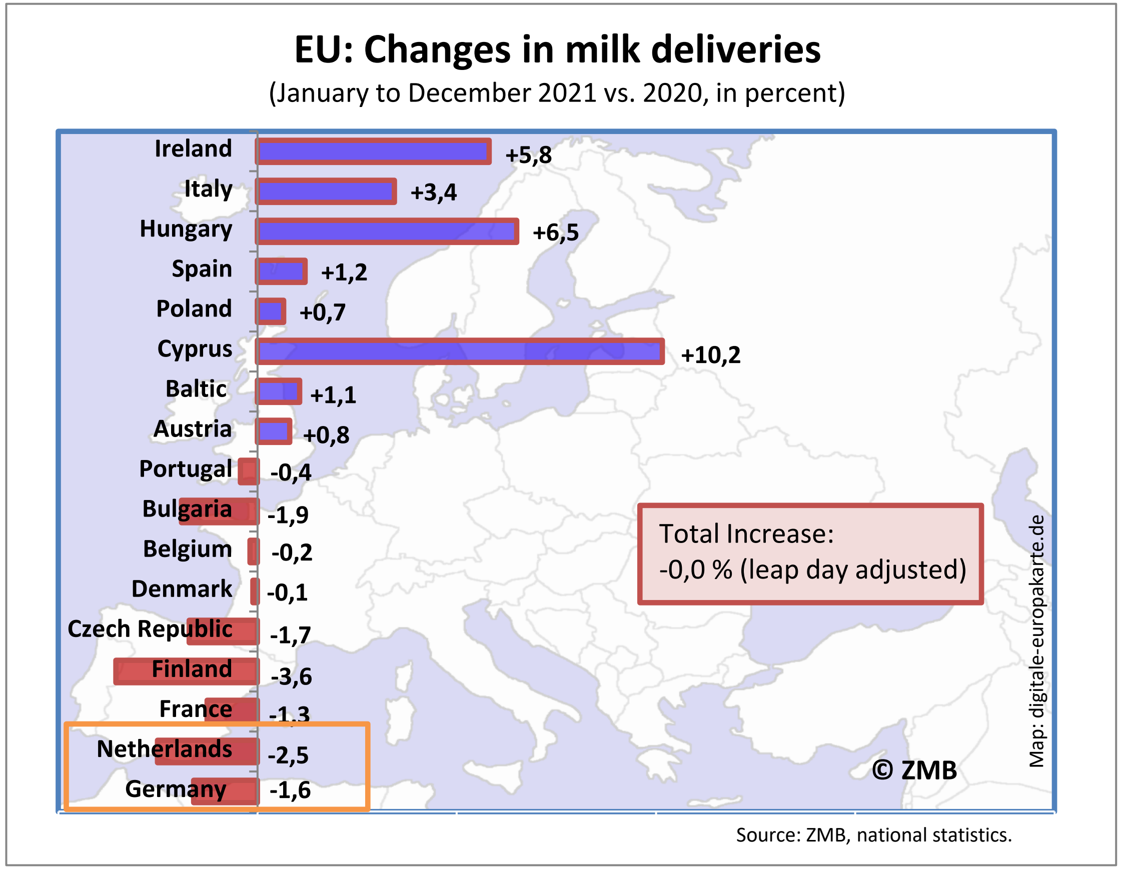




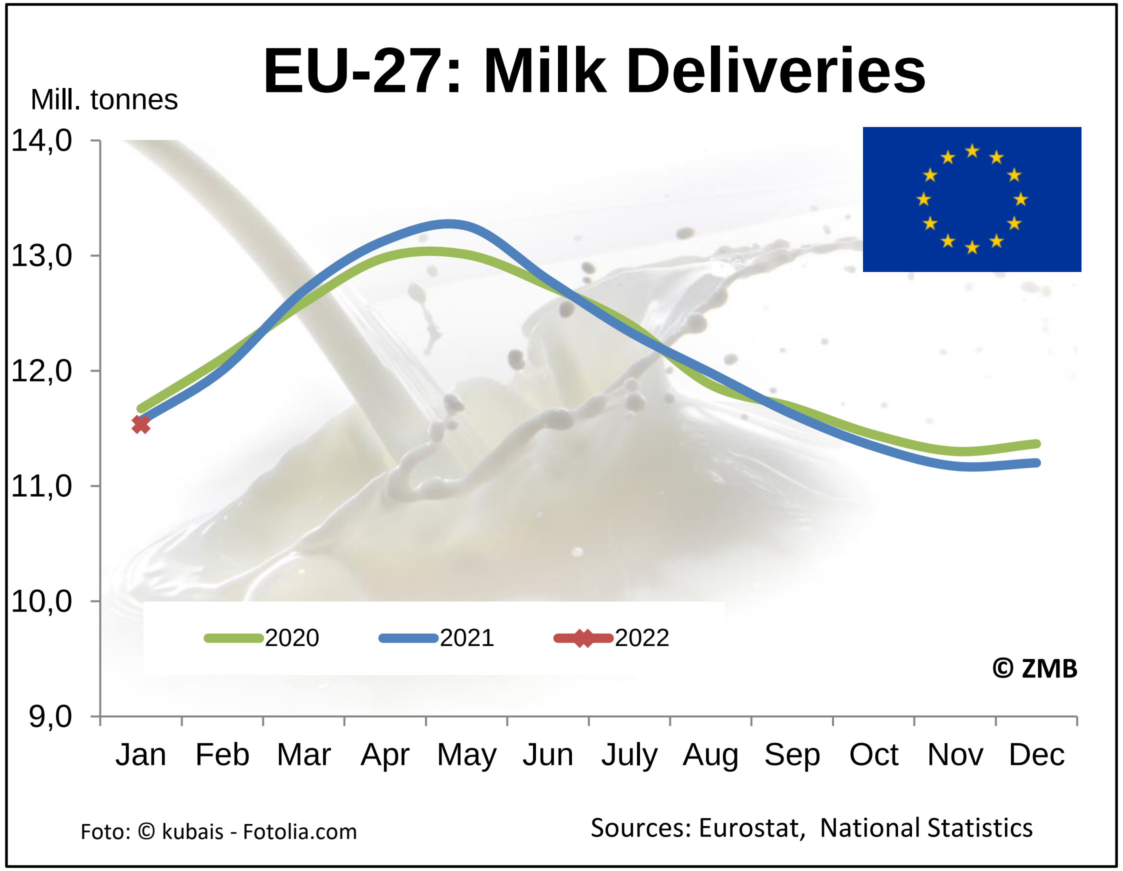
Initial forecast for 2022: +0,5 % - Ukraine-conflict could have negative impact

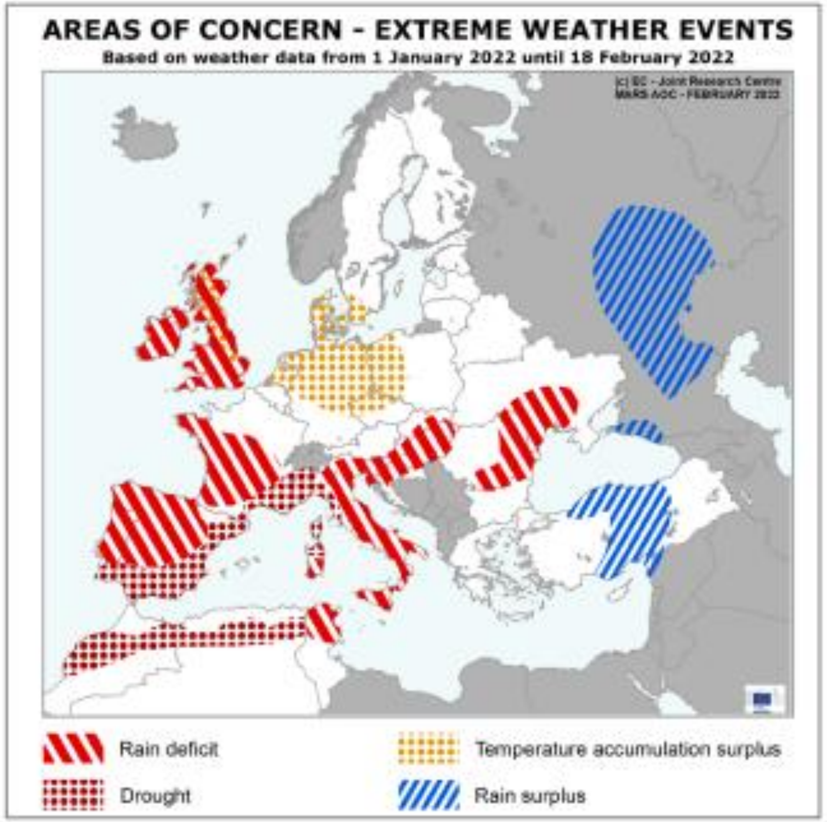
Mixed picture in Europe





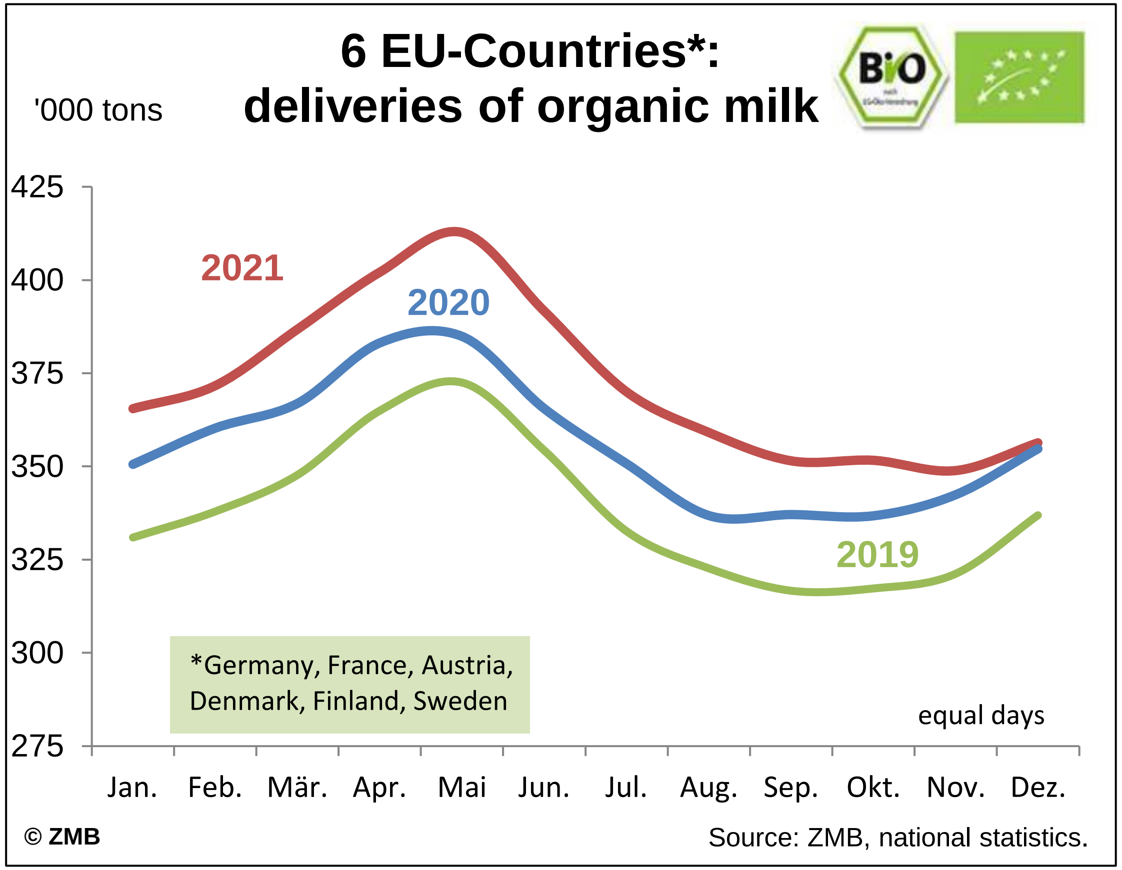
EU-milk deliveries decreased in January by 0,3 %

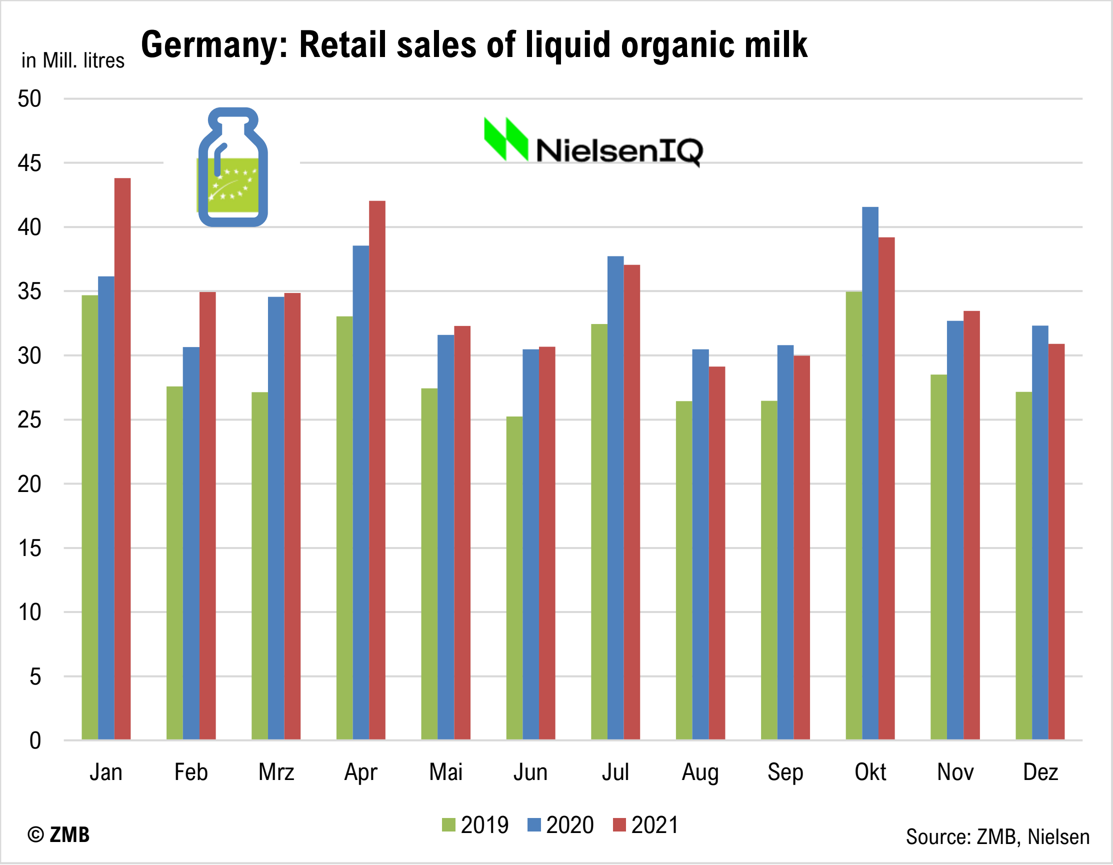




Source: JRC MARS Bulletin Feb. 2022

Further growth of organic milk – but decreasing growth rates





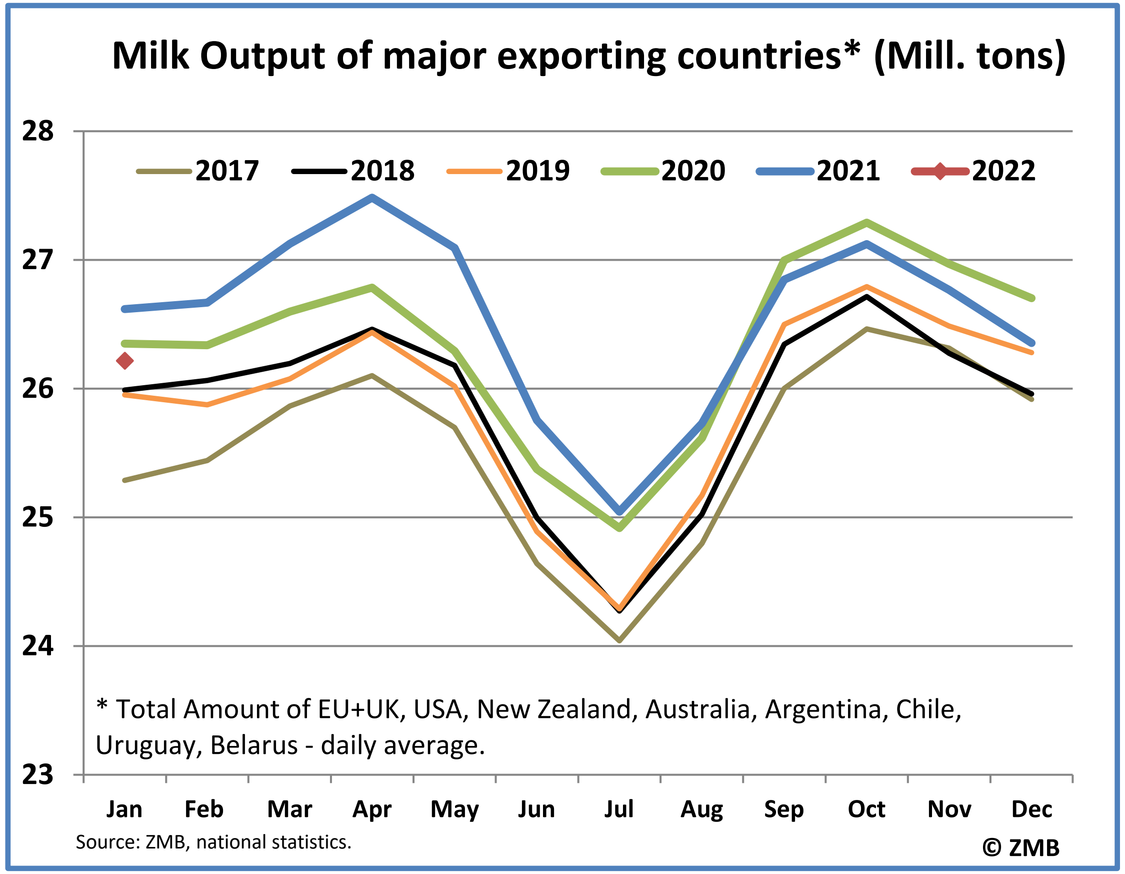
± PY +5,0 %

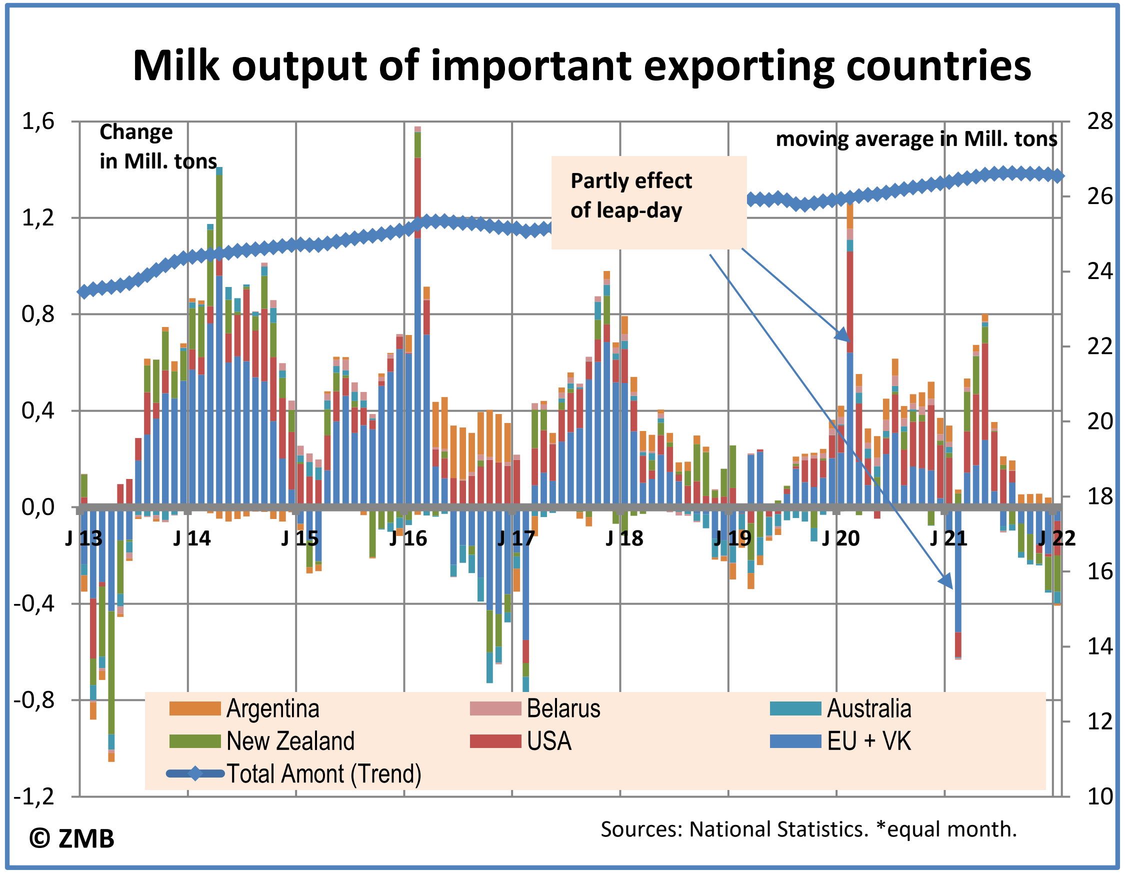
Average share of deliveries in 6 countries: 6,4 %,

In France 5,2 %, in Germany 4,1 %

Demand for organic products increased during the pandemic, 2021 growth of demand was slowing down

Milk output in exporting countries below last years level recently



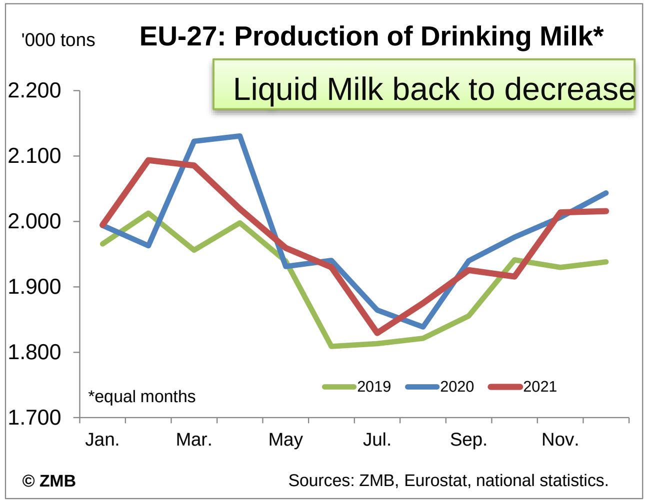


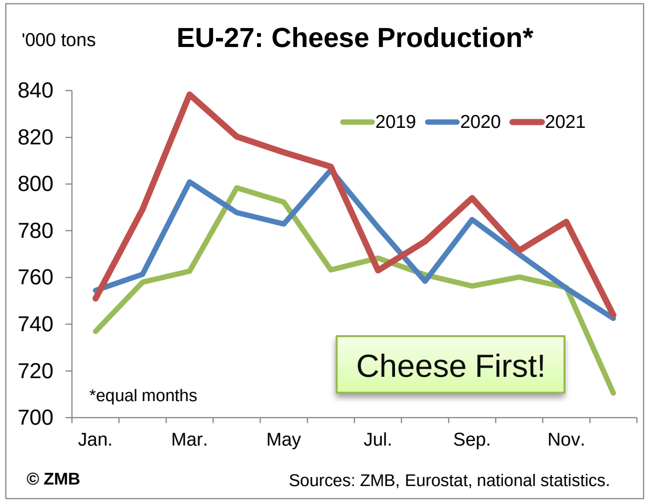
Milk processing: Cheese first

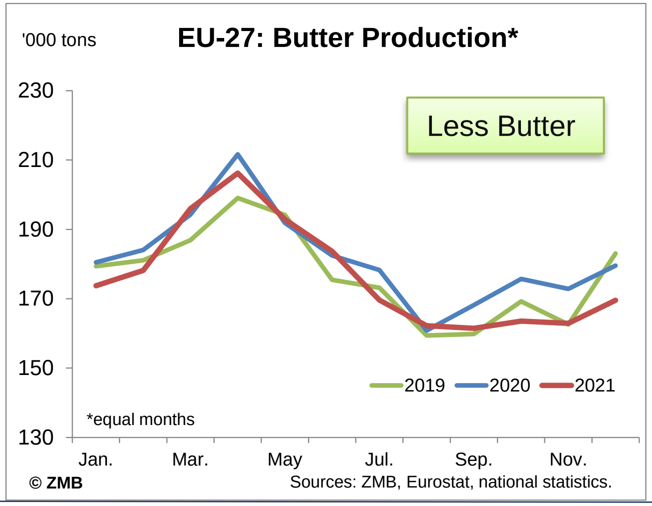
EU-27: Production of Dairy Products	January - December			Dec.
000 t	2020	2021*	21:20 *	21:20 *
Liquid milk	23.748	23.581	- 0,7%	- 1,4%
Cream	2.425	2.490	+ 2,7%	+ 4,3%
Fermented Products	8.666	8.626	- 0,5%	- 0,6%
Butter	2.180	2.114	- 3,0%	- 5,6%
Cheese	9.285	9.424	+ 1,5%	+ 0,2%
WMP etc.	720	643	- 10,7%	- 17,1%
SMP	1.580	1.488	- 5,8%	- 13,5%
Condensed milk	971	977	+ 0,6%	+ 12,8%

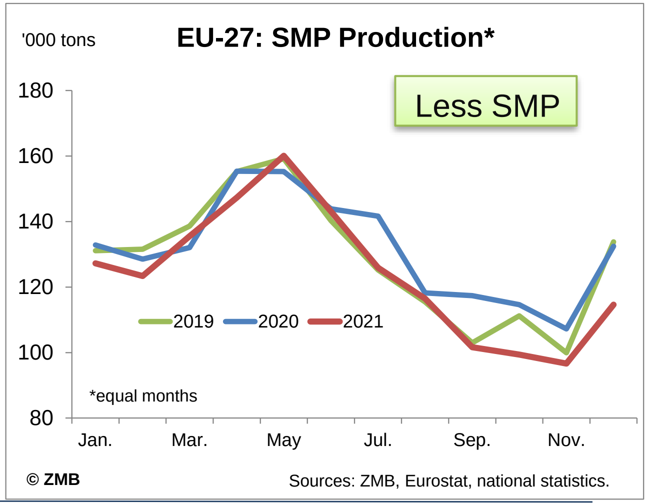
***) Provisional.**

Sources: ZMB, Eurostat, national statistics. **© ZMB**

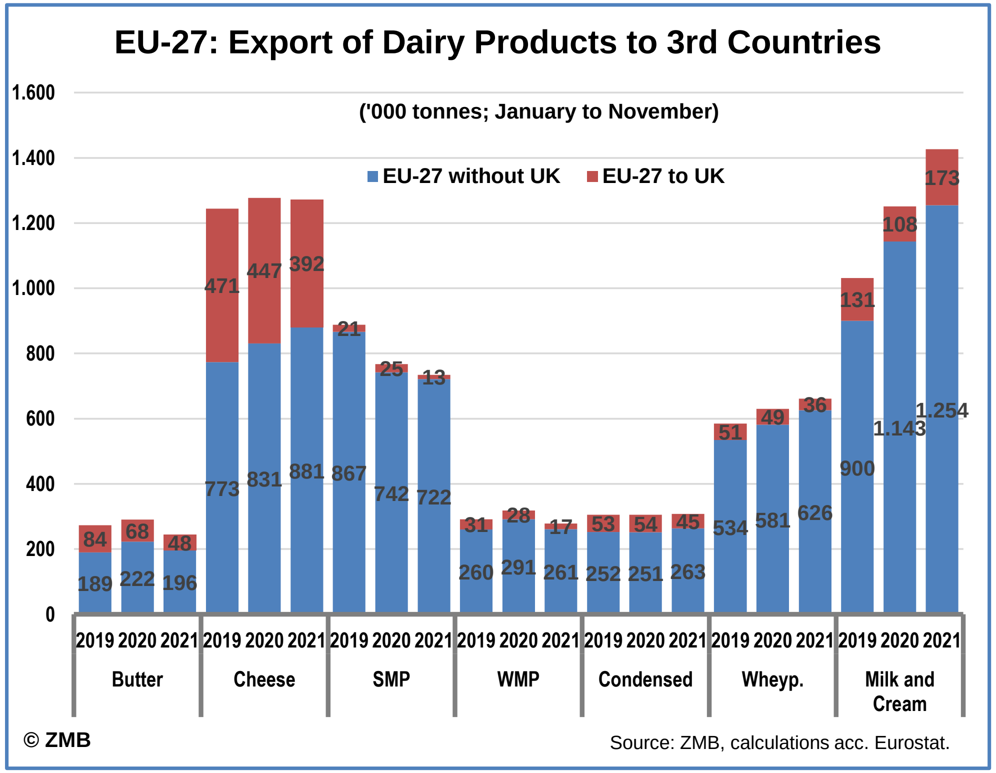


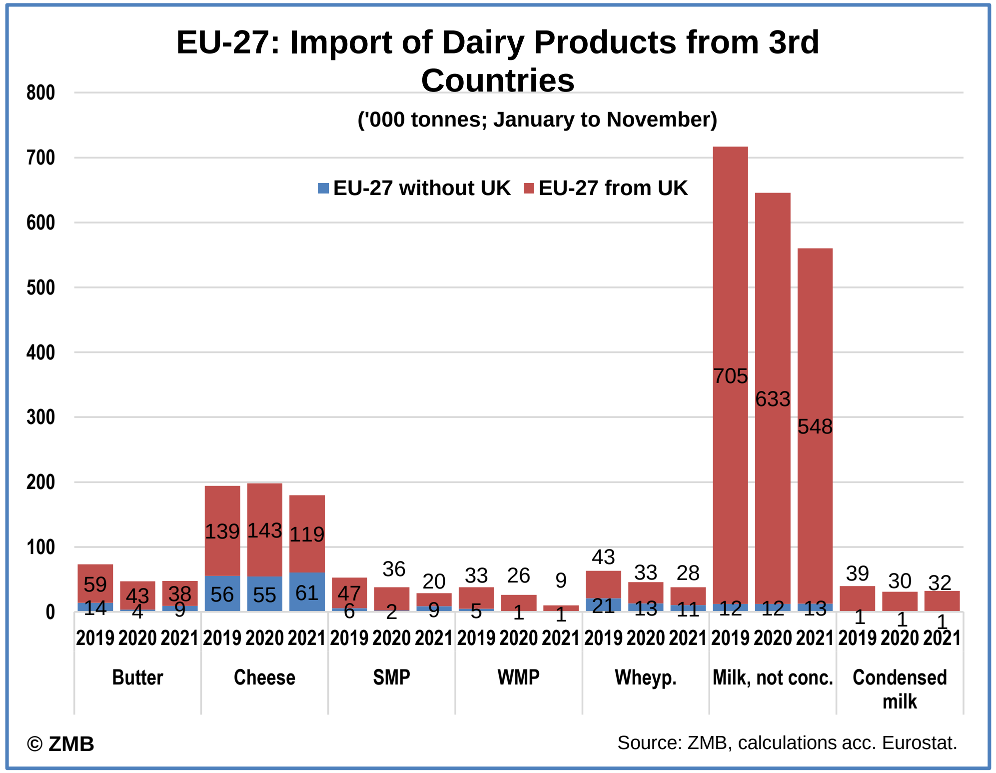






EU-27: export of dairy products mixed in 2021





Due to Brexit the single market shrank and the international market grew.
UK is the biggest trading partner among third countries – trade in both directions contracted.

The cheese demand is increasing in EU and outside

EU Cheese Balance Sheet

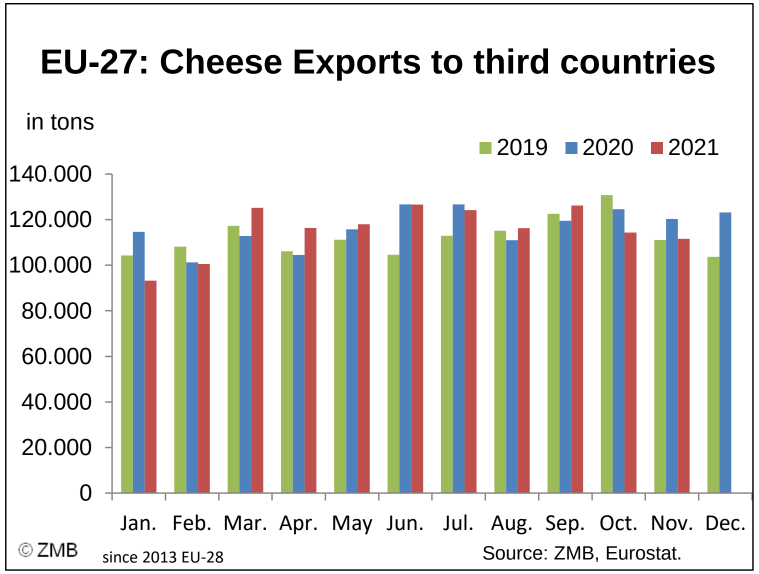
'000 t	2019 EU28	2020* EU 28	2020* EU-27	2021* EU-27	2022** EU-27
Production	**10.724**	**10.890**	**10.417**	**10.510**	**10.630**
- from cows' milk in dairies	9.744	9.910	9.437	9.520	9.640
- on farms	100	100	100	100	100
- from other milk	880	880	880	890	890
Imports	63	63	222	200	200
-thereof from UK	.	.	160	130	130
Processing addition[1)]	180	170	155	160	160
Available	10.967	11.123	10.793	10.870	10.990
Exports	**880**	**943**	**1.402**	**1.390**	**1.430**
-thereof to UK	.	.	493	430	440
Stock Change	-20	0	10	-20	0
Consumption	**10.107**	**10.180**	**9.382**	**9.500**	**9.560**
- per capita (kg)	**19,7**	**19,8**	**21,0**	**21,2**	**21,3**

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

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

Source: ZMB

Updated February 2022



EU EXPORTS of CHEESES - main destinations

Period : January-December

Qty Tons	2019	2020	2021	
USA	131 294	117 749	132 930	+ 13%
Japan	113 691	128 049	118 334	- 8%
Switzerland	62 079	69 216	72 644	+ 5%
Ukraine	23 665	46 670	53 120	+ 14%
South Korea	42 094	53 014	49 099	- 7%
Saudi Arabia	34 888	42 405	42 836	+ 1%
China	18 617	26 801	38 421	+ 43%
Australia	25 122	27 163	27 439	+ 1%
Canada	21 494	24 411	26 070	+ 7%
Morocco	17 090	21 046	22 359	+ 6%
Egypt	18 306	19 829	22 320	+ 13%
Other	333 318	332 132	354 238	+ 7%
Total *(without UK)*	**841 657**	**908 486**	**959 812**	+ 6%
United Kingdom°	*470 492*	*446 694*	*391 822*	- 12%

° Trade with U.K. only available up to November 2021

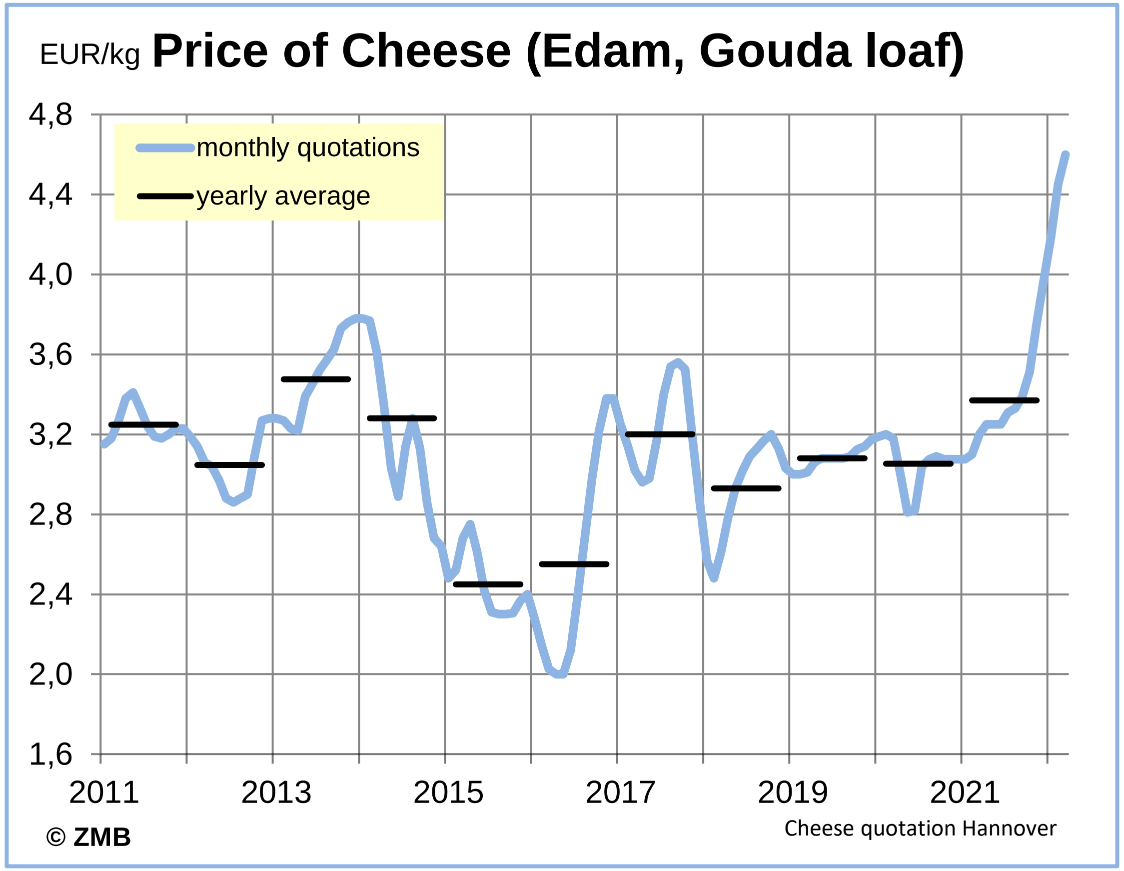
EU-Export strong, but losses in UK

More competition from USA, Oceania and Argentina

Exports of Cheese					
1.000 tonnes	Mon.	2019	2020	2021	± %
EU - 27*	I - XII	841,7	908,5	959,8	+ 5,6
United Kingdom	I - XII	205,5	189,6	152,3	- 19,7
- of which to EU-27	I - XII	168,0	155,5	116,3	- 25,2
Switzerland	I - XII	75,9	77,1	82,5	+ 6,9
New Zealand	I - XII	334,9	327,0	358,5	+ 9,6
Australia	I - XII	160,0	153,1	158,8	+ 3,8
USA	I - XII	356,5	355,4	404,7	+ 13,9
Belarus	I - XII	244,1	274,5	298,3	+ 8,7
Argentina	I - XII	61,4	69,8	77,7	+ 11,5
Uruguay	I - XII	25,6	27,5	26,0	- 5,3
Turkey	I - XII	55,1	53,5	41,1	- 23,2
Total amount*		2.192,5	2.280,4	2.443,4	+ 7,1

*** Excluding trade between EU-27 and United Kingdom.**

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



Butter-market balanced

EU Butter Balance Sheet					
'000 t	2019 EU28	2020* EU 28	2020* EU-27	2021* EU-27	2022** EU-28
Initial stocks	140	160	146	135	120
Total production	**2.402**	**2.448**	**2.254**	**2.220**	**2.200**
- in dairies[1)]	2.382	2.428	2.234	2.200	2.180
- on farms	20	20	20	20	20
Imports	15	4	52	50	50
-thereof from UK	.	.	47	40	30
Exports	**218**	**247**	**320**	**260**	**230**
-thereof to UK	**.**	**.**	**79**	**50**	**50**
Final stocks	160	150	135	120	100
thereof public stocks	0	0	0	0	0
Disappearance	**2.180**	**2.215**	**1.997**	**2.025**	**2.040**
Per capita (kg)	**4,2**	**4,3**	**4,5**	**4,5**	**4,5**

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

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

Source: ZMB

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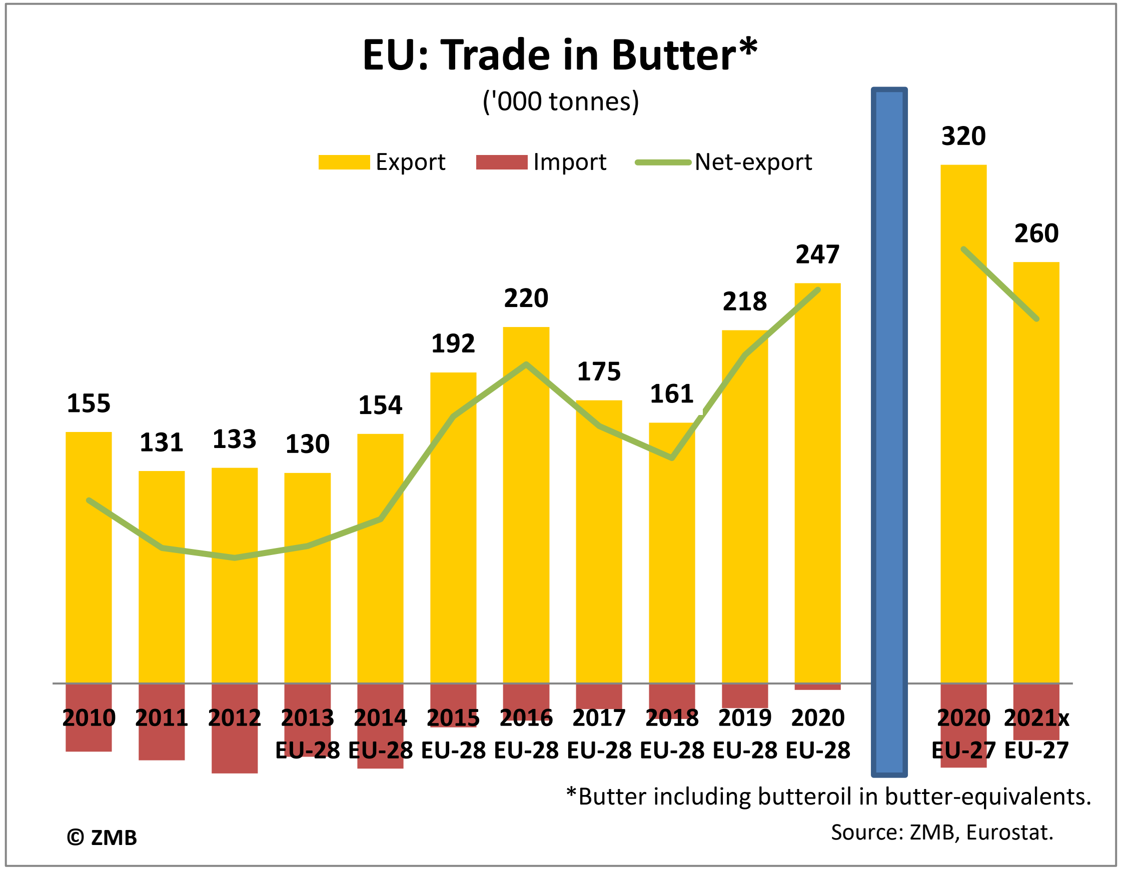
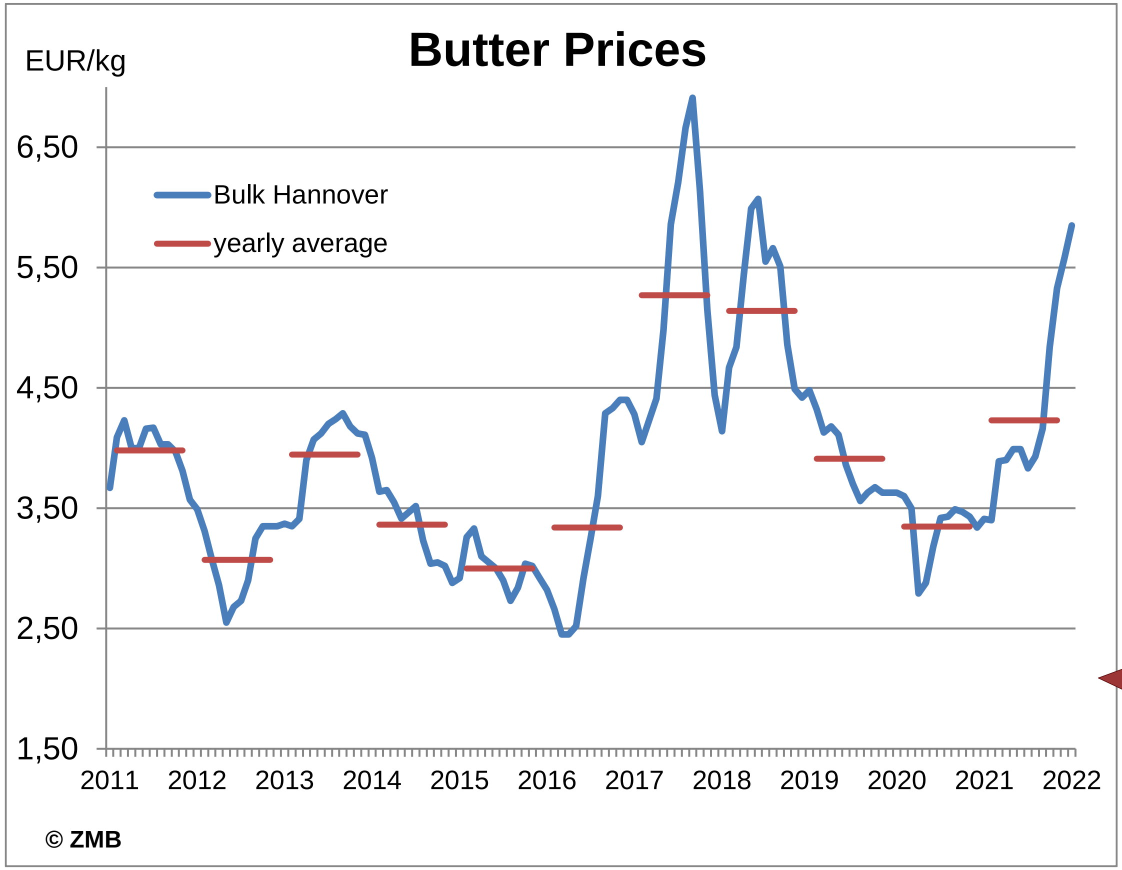


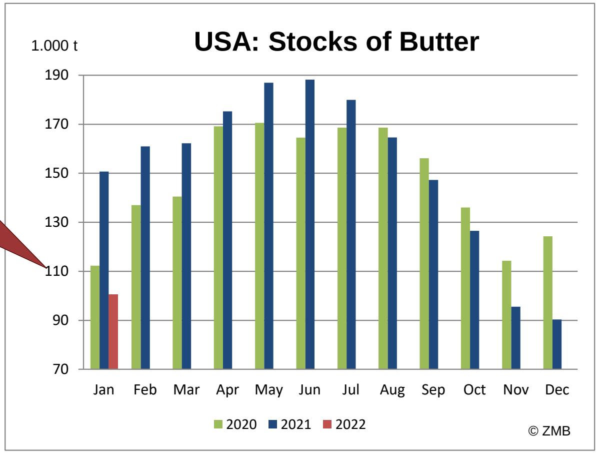
Strong start for butter



Exports of Butter and Butteroil					
1.000 tonnes	Mon.	2019	2020	2021	± %
*EU - 27**	*I - XII*	*208,3*	*236,5*	*211,3*	*- 10,7*
United Kingdom	*I - XII*	*72,2*	*64,2*	*55,1*	*- 14,1*
- of which to EU-27	*I - XII*	*64,9*	*53,9*	*48,3*	*- 10,3*
New Zealand	I - XII	461,2	423,3	394,4	- 6,8
Australia	I - XII	16,8	15,2	20,7	+ 36,1
USA	I - XII	25,4	26,9	60,1	+ 123,3
Switzerland	I - XII	0,2	0,3	0,1	- 63,6
Belarus	I - XII	78,3	68,8	77,8	+ 13,2
Ukraine	I - XI	15,2	8,5	8,0	- 6,1
Argentina	I - XII	15,0	20,7	30,4	+ 46,9
Uruguay	I - XII	13,1	13,7	12,4	- 9,1
India	I - XI	41,5	15,9	17,8	+ 12,4
Total amount*		882,3	840,1	839,9	- 0,0

*** Excluding trade between EU-27 and United Kingdom.**

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



Small players gained market-shares

SMP from oversupply to undersupply

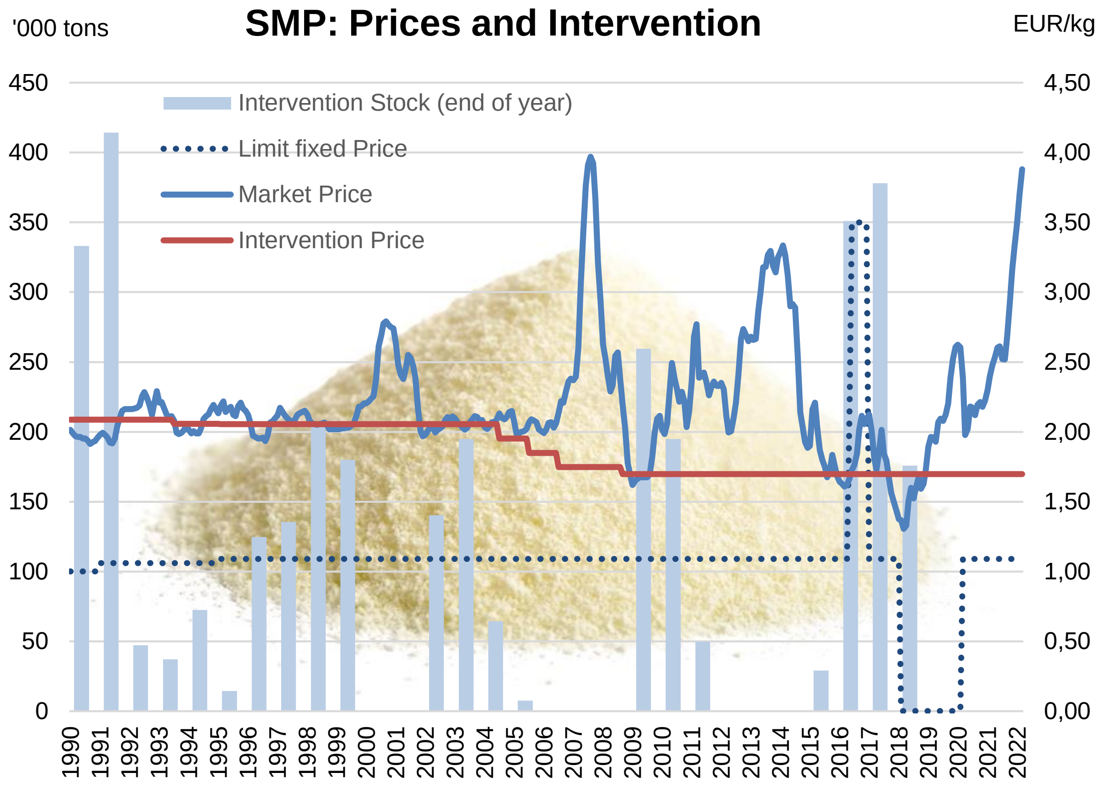
EU SMP Balance Sheet					
'000 t	2019	2020*	2020*	2021*	2022**
	EU28	EU 28	EU-27	EU-27	EU-27
Opening stocks	448	199	195	128	56
Production	**1.668**	**1.706**	**1.628**	**1.560**	**1.540**
Imports	6	2	36	33	20
-thereof from UK	.	.	34	23	18
Available	2.121	1.907	1.859	1.721	1.616
Consumption	**960**	**950**	**900**	**875**	**865**
- other than feed	800	810	770	765	765
- in feed	160	140	130	110	100
Exports	**962**	**828**	**831**	**790**	**700**
-thereof to UK	.	.	28	15	10
Ending stocks	199	129	128	56	51
- in intervention	0	0	0	0	0

*)Provisional **) Forecast.

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

Updated February 2022

Source: ZMB



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

WMP: Availability in EU decreased, prices reached record-levels

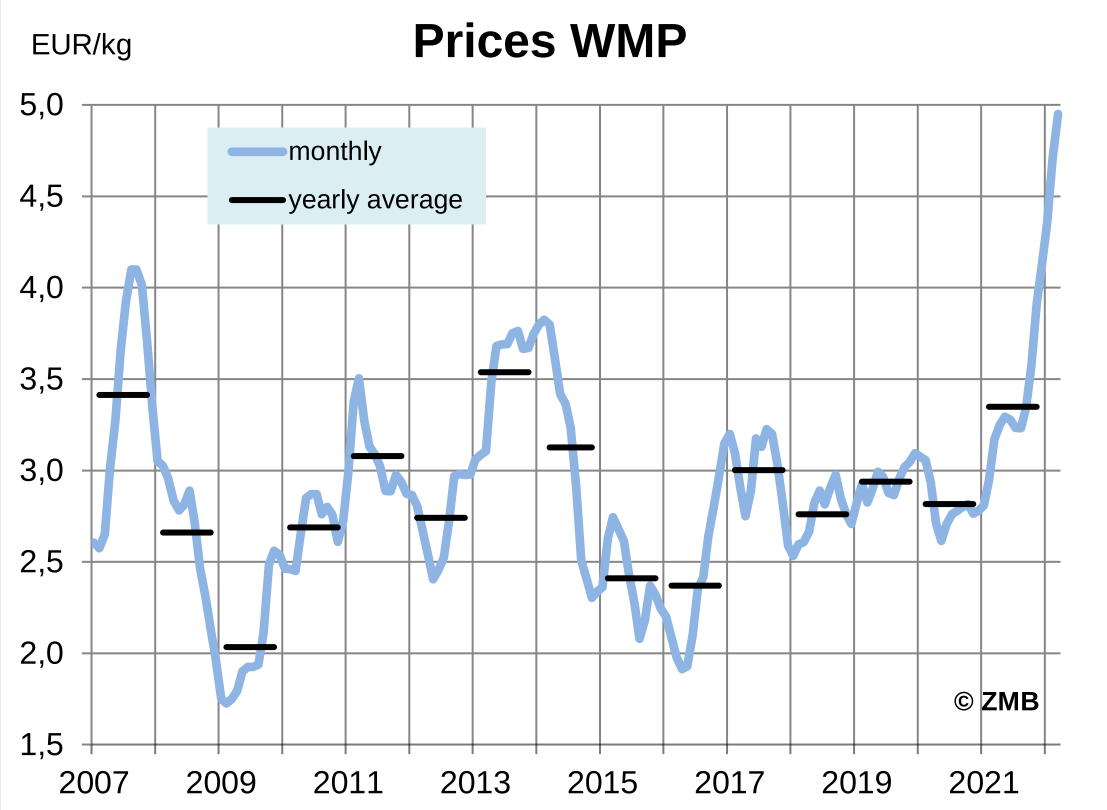
EU Balance Sheet of Whole Milk Powder					
'000 t	2019	2020*	2020*	2021**	2022**
	EU28	EU 28	EU-27	EU-27	EU27
Production	**860**	**870**	**858**	**810**	**830**
Imports	6	1	27	11	5
-thereof from UK	.	.	26	10	4
Exports	**297**	**331**	**340**	**300**	**280**
-thereof to UK	.	.	35	20	25
Change in stocks	50	0	20	-20	0
Sales	**518**	**540**	**525**	**541**	**555**

*)Provisional **) Forecast.

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

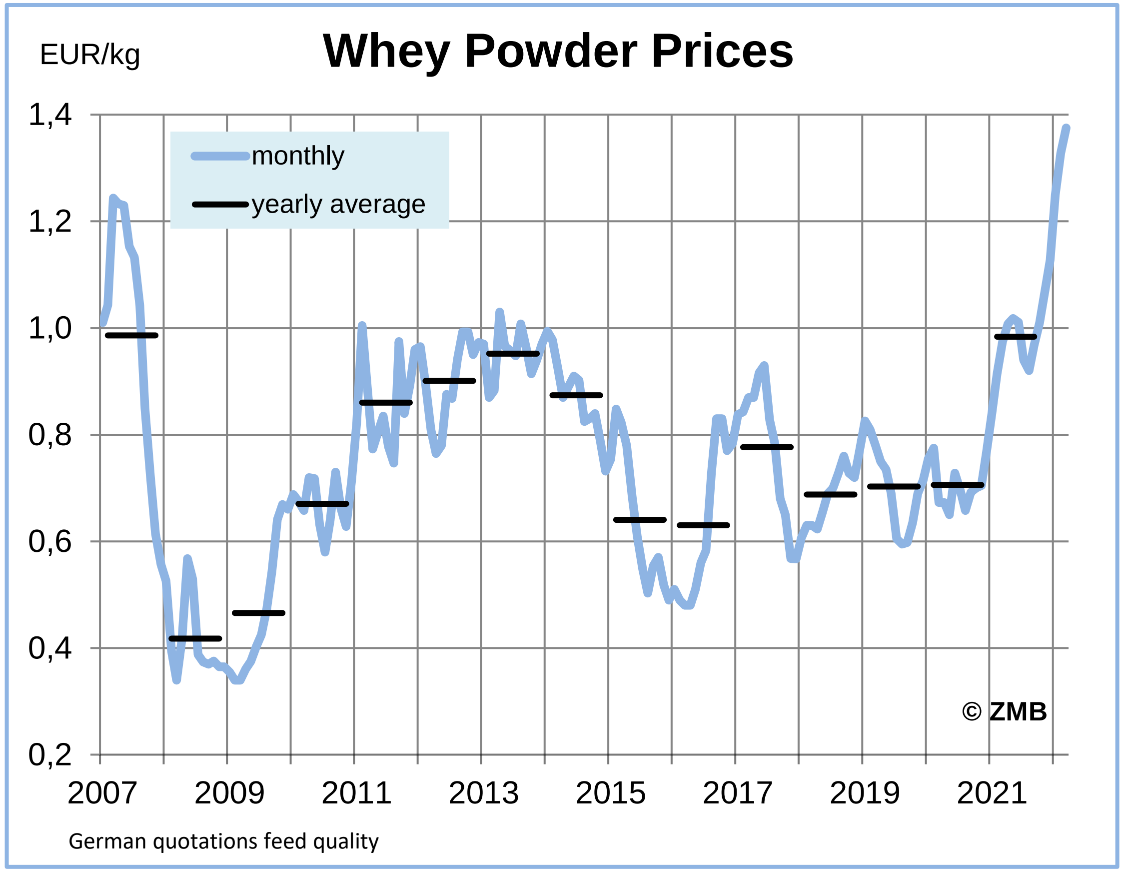
Source: ZMB

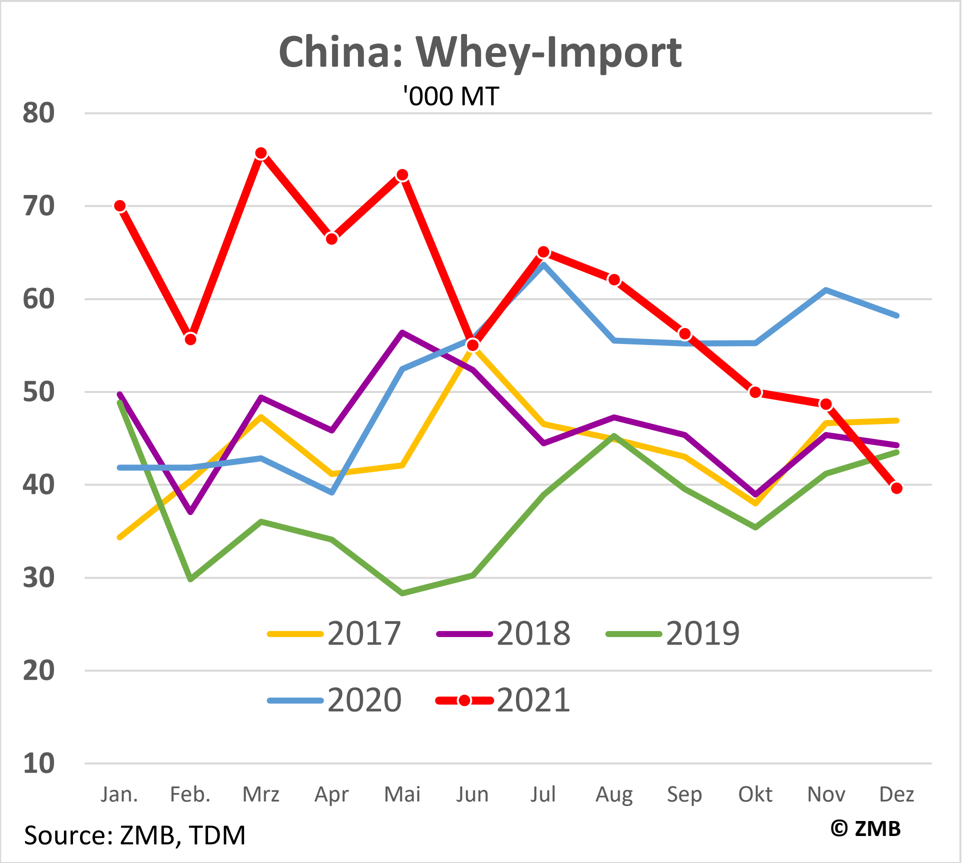
Updated February 2022



Source: ZMP, since May 2009 Kempten

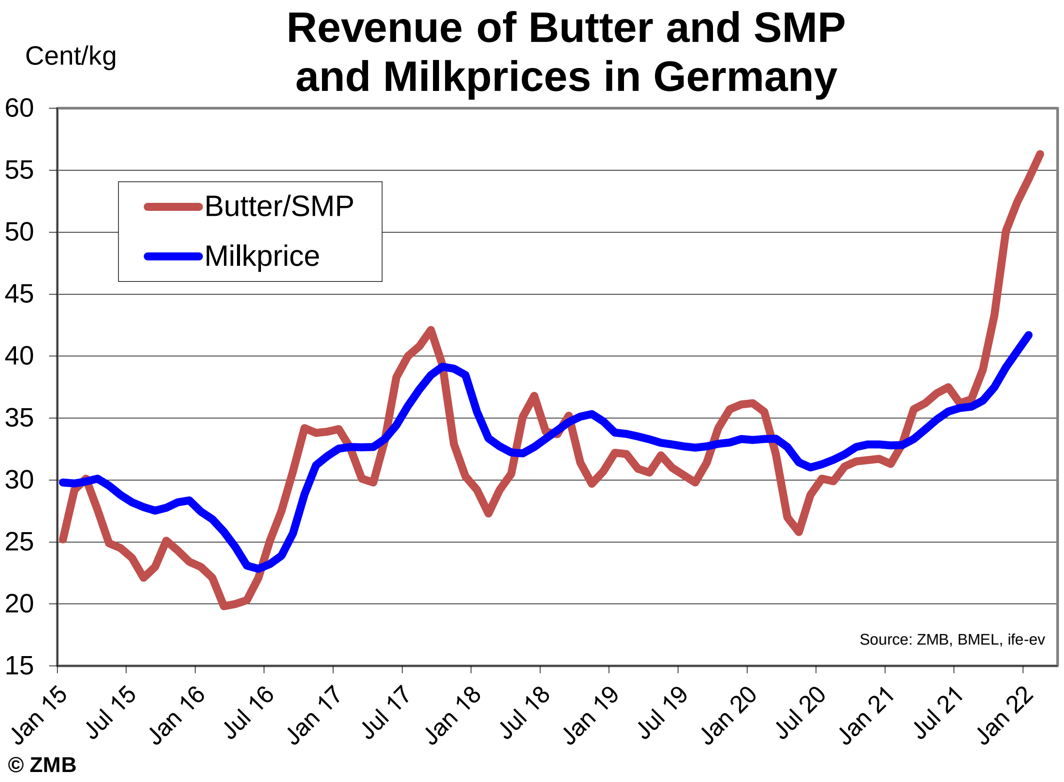
Whey-products increased strongly

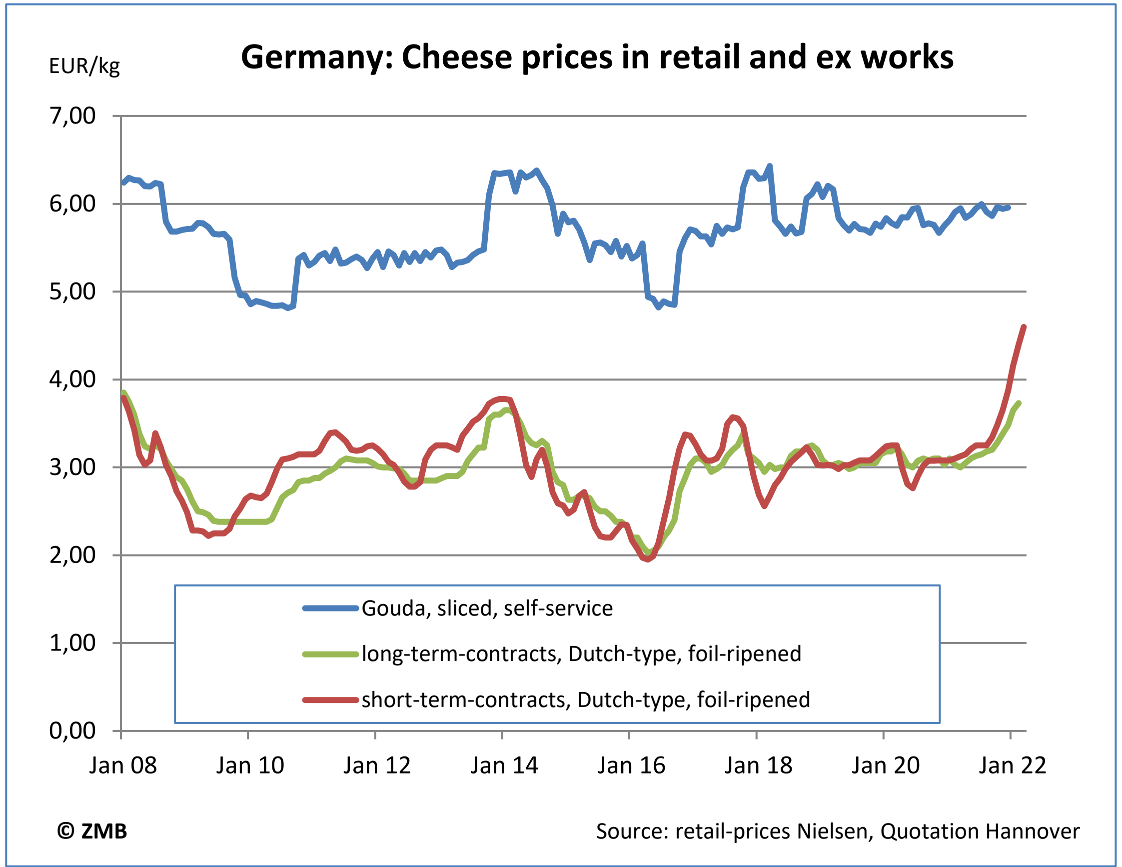




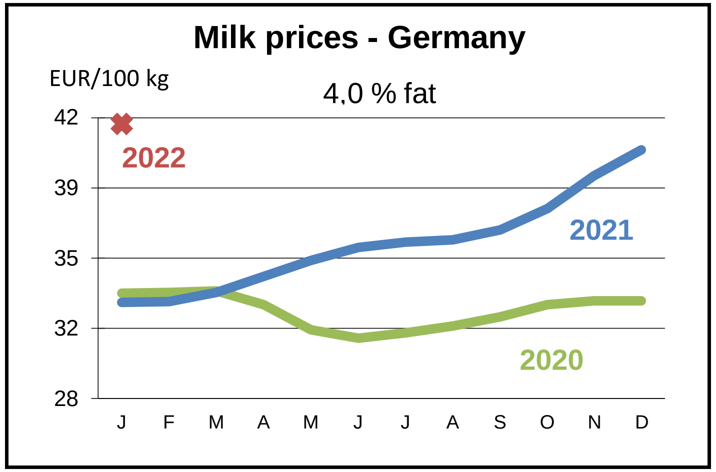
Chinese import volatile

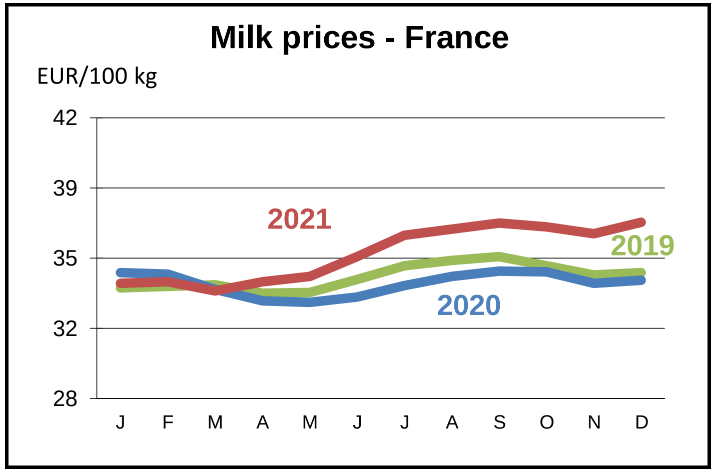
2022: strongest start of a year ever, but not for consumer prices

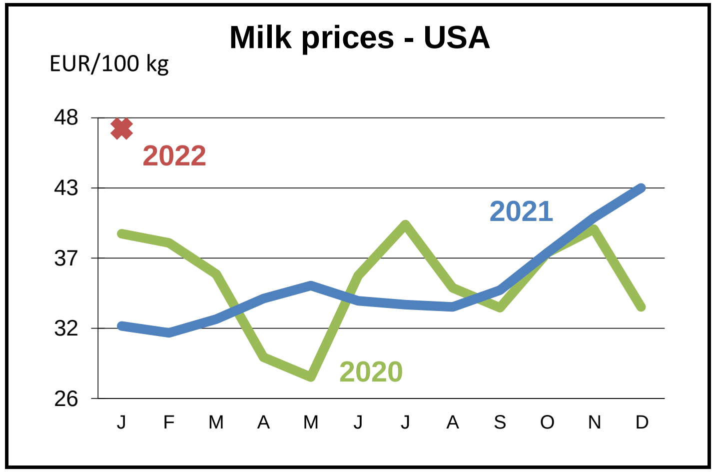




Milk prices are increasing strongly world-wide





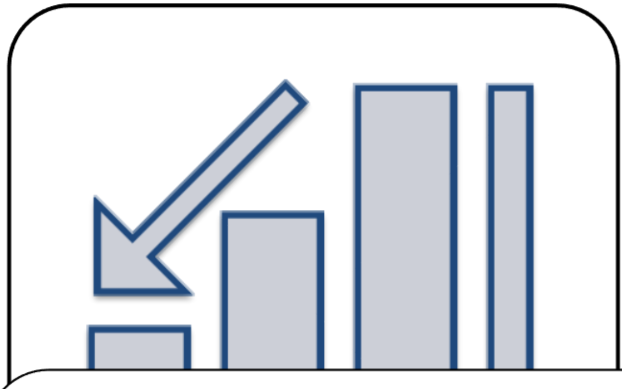


Milk prices in 2021 higher than in two recent years in Europe
US-prices very strong actually
milk price forecast in New Zealand on record level (44 EUR)

Milk production will a key factor - outlook

stimulating

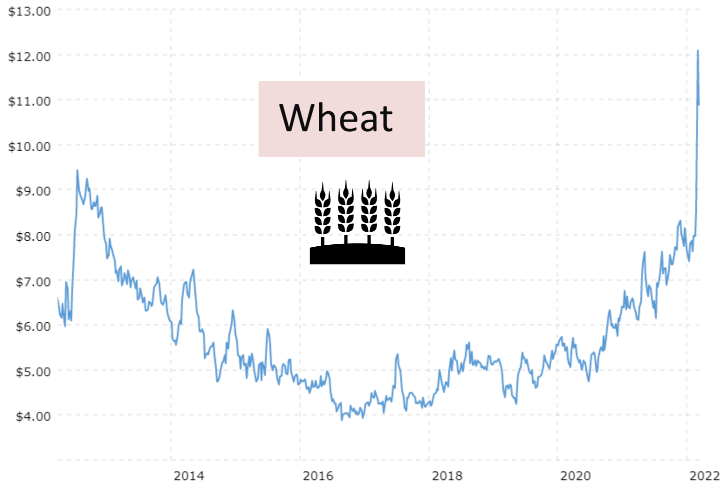
- High milk prices



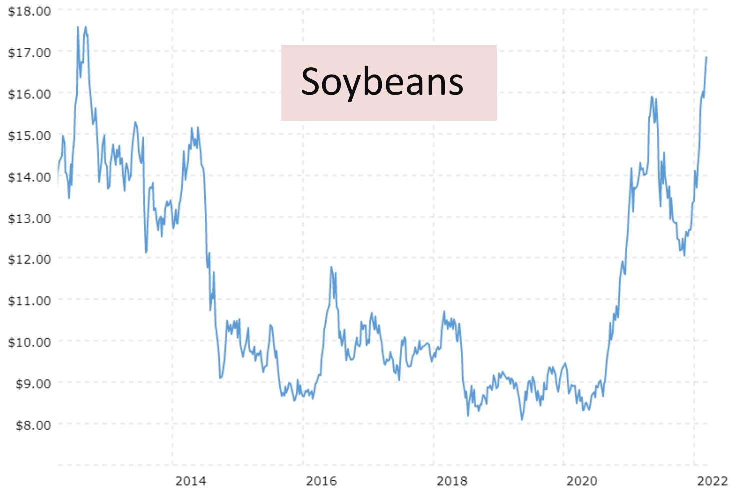
dampening

- Cow numbers reduced (-1,5 % Dec. 2021 vs. Dec. 2020)
- Low quality of silages from last year
- High costs for feed-concentrates, fertilizer, energy etc.
- EU Fertiliser Regulation and other environmental requirements
- Shortage of fertilizer
- Shortage of staff
- Issue of animal welfare (Germany)
  - Structural change will accelerate
  - Uncertainty for investments
- **Ukraine-Conflict**
- ….

Commodity-prices acutally pushed by the war in Ukraine and sanctions



Source: macrotrends.net; 11.03.2022



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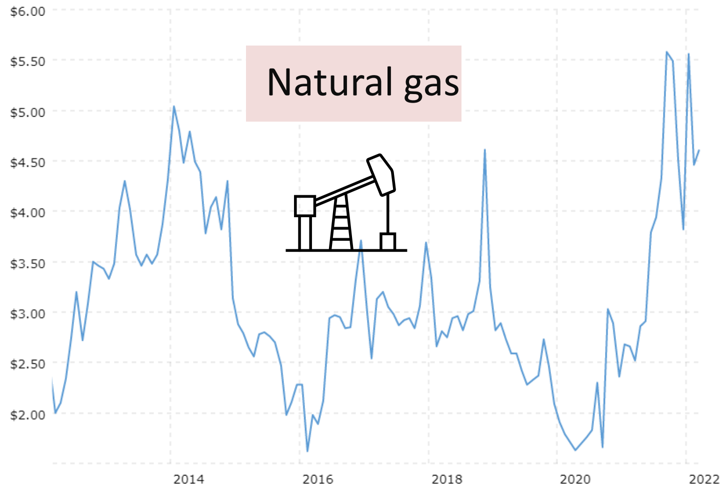

Source: macrotrends.net; 11.03.2022

Impact on milk production:

Increase of feed-costs

Increase of energy-costs on farm

Increase of fertilizer-costs (and shortage)

➔ Decrease of yields and strong increase of costs

➔ Uncertainty about development of milk deliveries

Impact on milk processing:

Increase of transport-costs

Increase of energy-costs in dairies

Increase of costs of packaging (and shortage)

Shortage of natural gas possible???

➔ Uncertainty about availability of dairy products

Impact on buyers:

Increase of prices

More focus on security of supply

More competition between buyers

Higher inflation-rates for consumers

➔ Change of consumers‘ behaviour?

Summary and outlook

- 2022 started with reduced milk production in all exporting regions and low stocks of dairy products
- Ukraine-crisis could dampen milk output in EU additionally to increasing production requirements and already high costs
- competition for the raw material will increase
- Prices of dairy products reached all-time-highs (and are expected to increase further)
- Milk prices will rise in the first half of the year – unusual development
- Higher prices for dairy products will reach consumers with a time-lag - in times of high inflation rates
- Ukraine-crises will have bigger impact on markets than Covid-19

Lots of uncertainties

- further development of the pandemic
- demand from China
- Future trade with the United Kingdom
- Consumers reaction on highest inflation-rates since decades

Since two weeks:

- Global supply of cereals, vegetable oils and fertilizer (High share of Ukraine, Russia and Belarus)
- Reactions of dairy farmers on further increases of costs of feed, fertilizers and energy and shortages of these factors of production
- Availability of natural gas and packaging material for milk processing in dairies
- Increase of demand in EU for food for millions of refugees from Ukraine???
- Impact on global economy

Thank you for your attention!

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