



EU dairy market situation

EDA TEC

25th May 2023

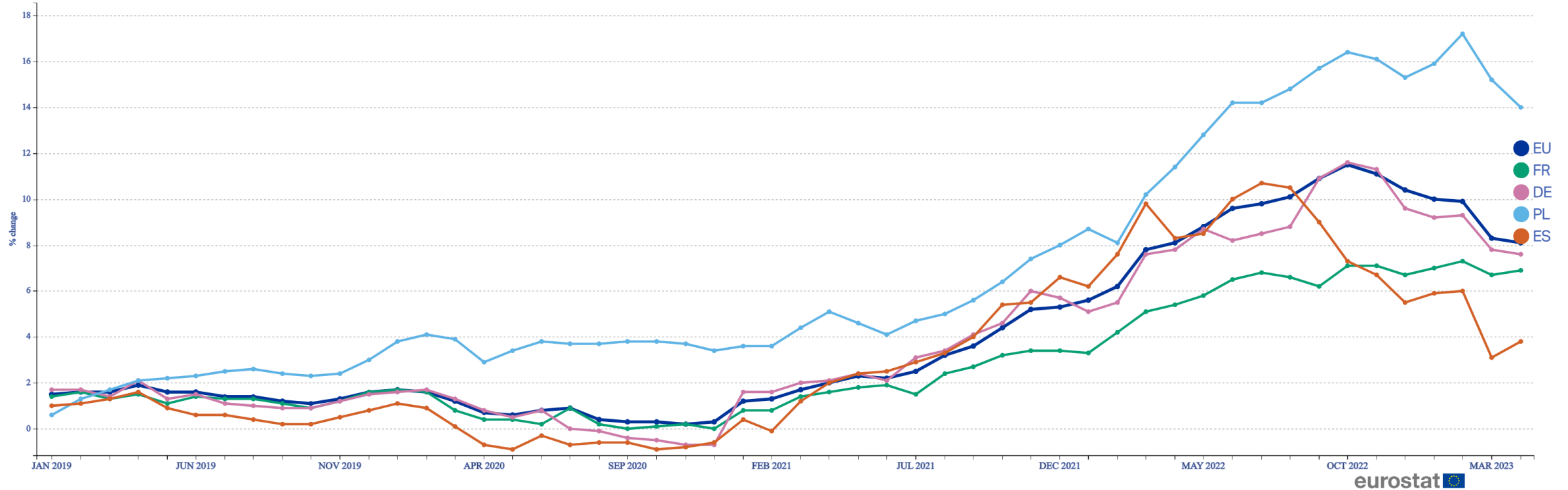
Monika Wohlfarth

Zentrale Milchmarkt Berichterstattung GmbH
Berlin

Demand in general is suffering from inflation

EUROPEAN STATISTICAL
Recovery Dashboard

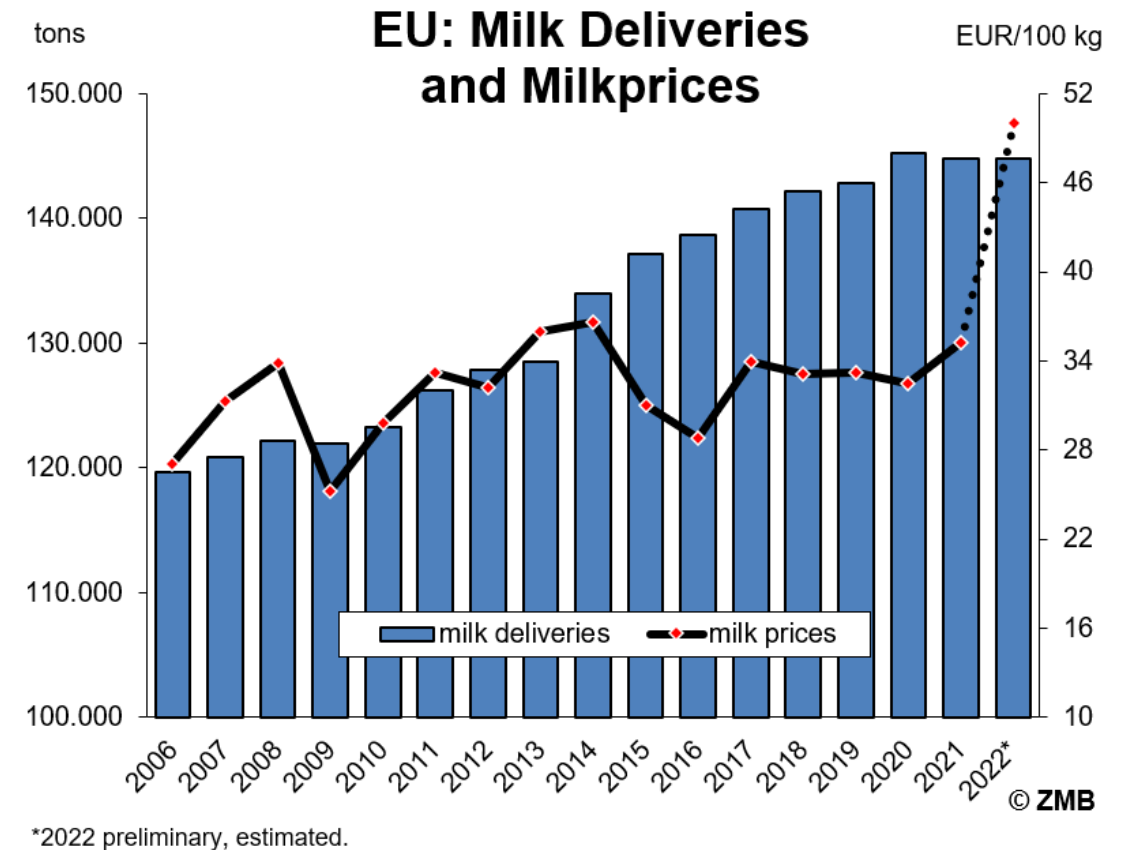
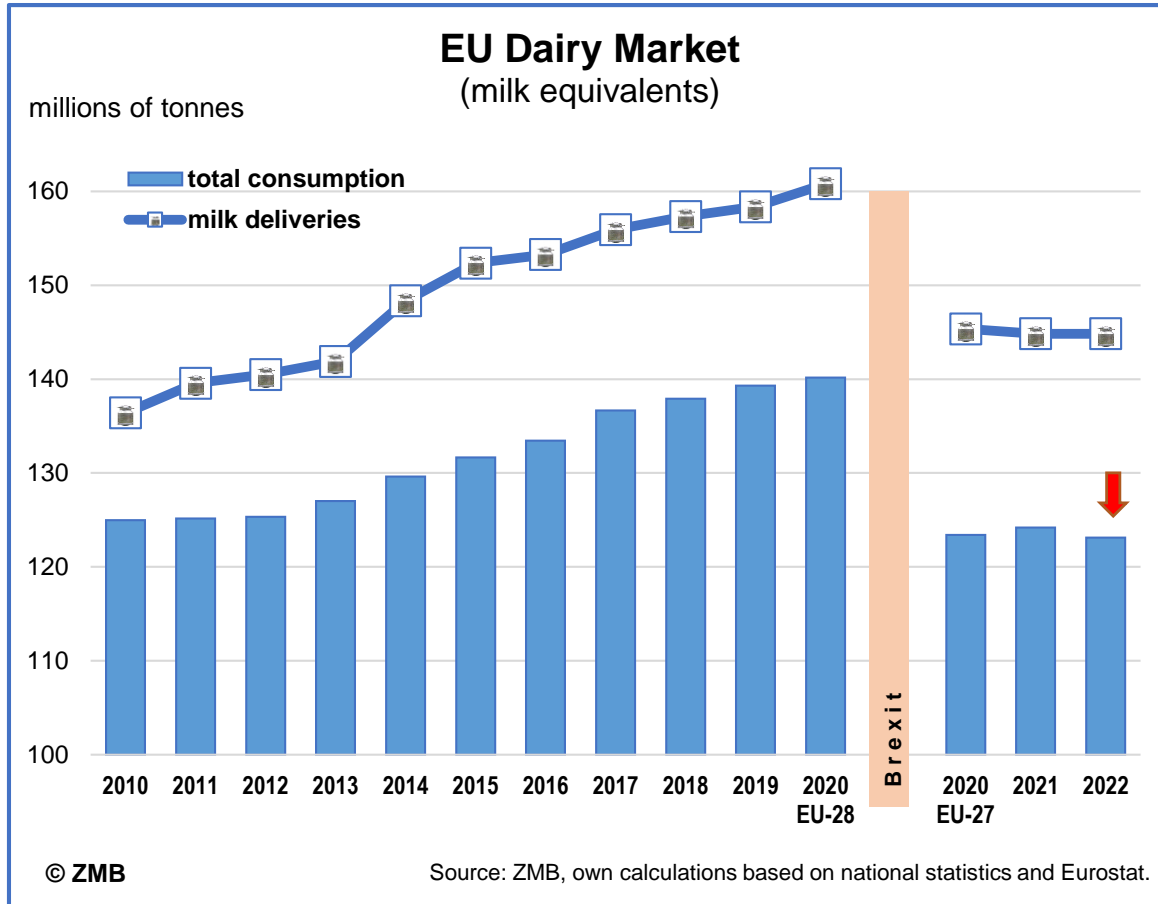
Annual inflation rate 
annual rate of change



Source: <https://ec.europa.eu/eurostat/cache/recovery-dashboard/>

Inflation is high everywhere, but rates are very different from country to country

The long-term growth of the European dairy market is stopped by inflation, but 2022 was a good year for dairy farmers

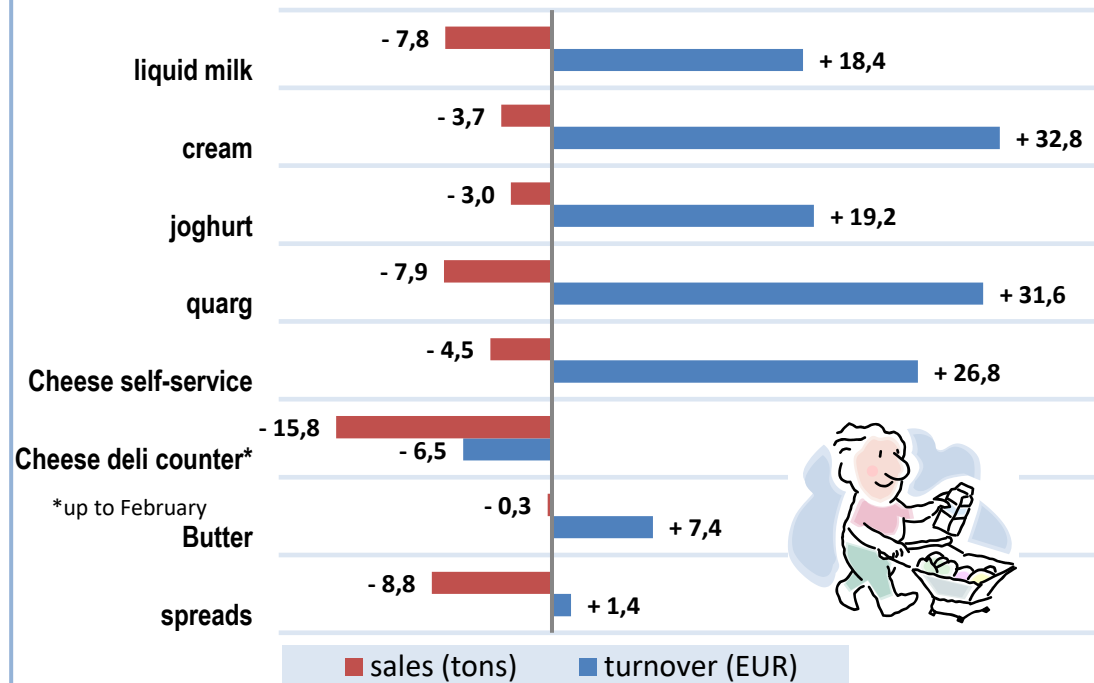


Milk prices increased to a higher extent than inflation and food-inflation!

Lower retail sales and higher turnover in Q1 2023

Germany: Retail sales of dairy products

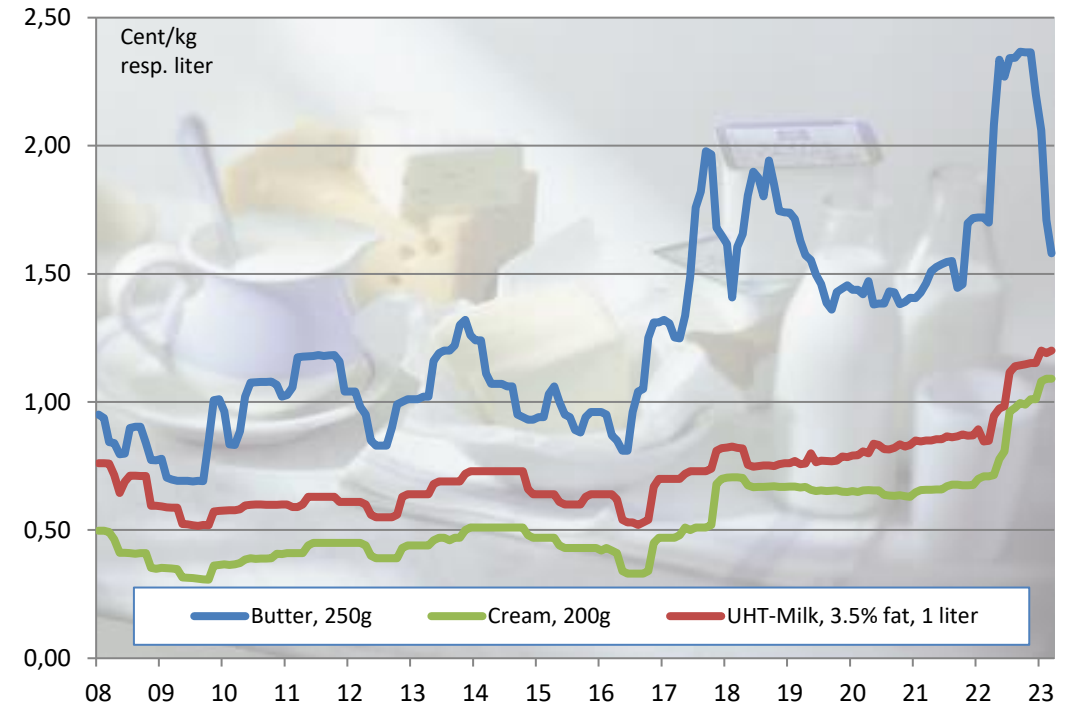
Jan. - March 2023, percentual change vs. previous year



© ZMB

Source: ZMB, Nielsen Handelspanel/Market Track.

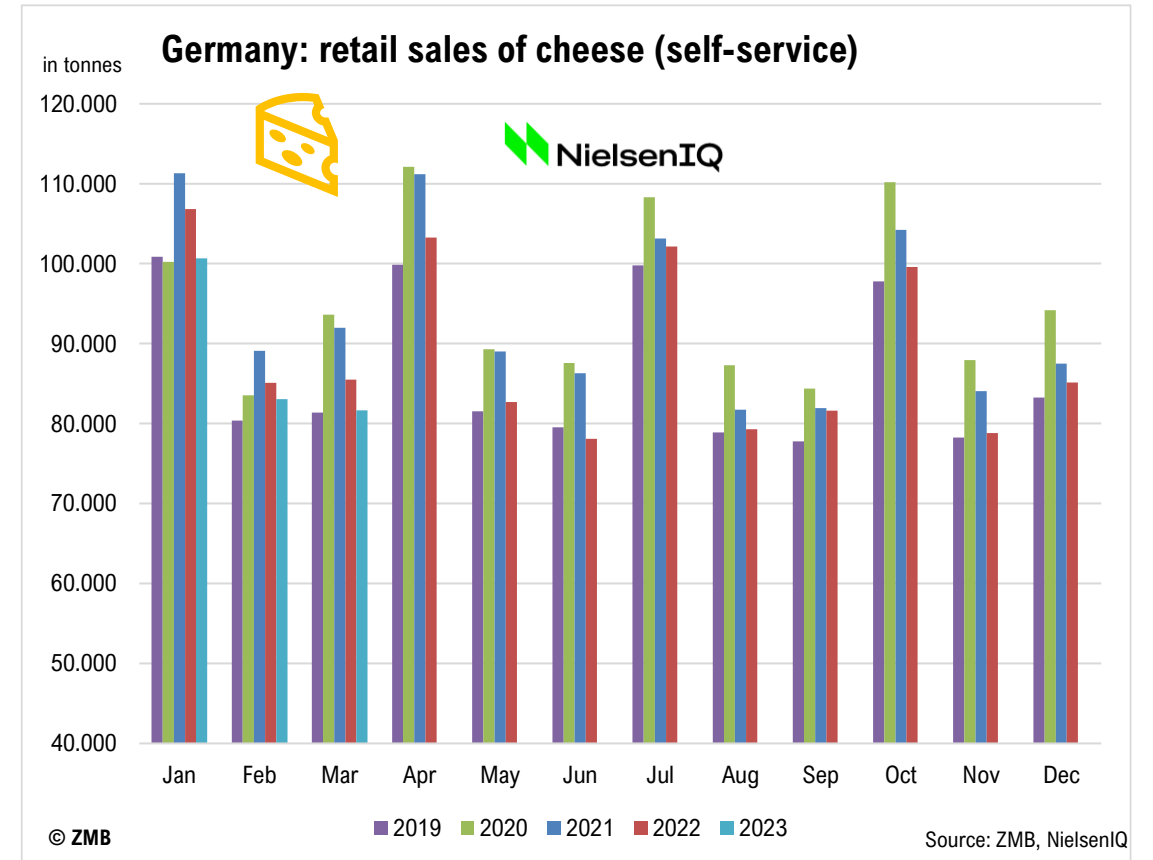
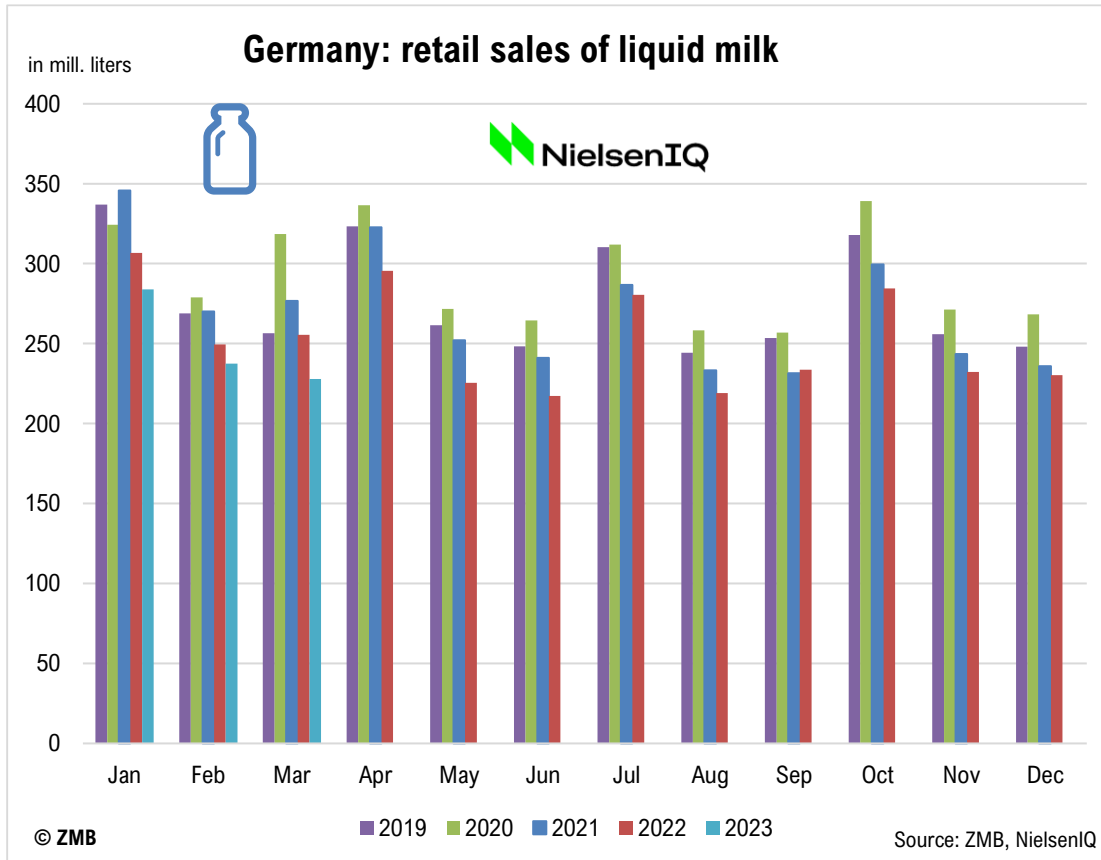
Retail Prices of Butter, Cream and Milk



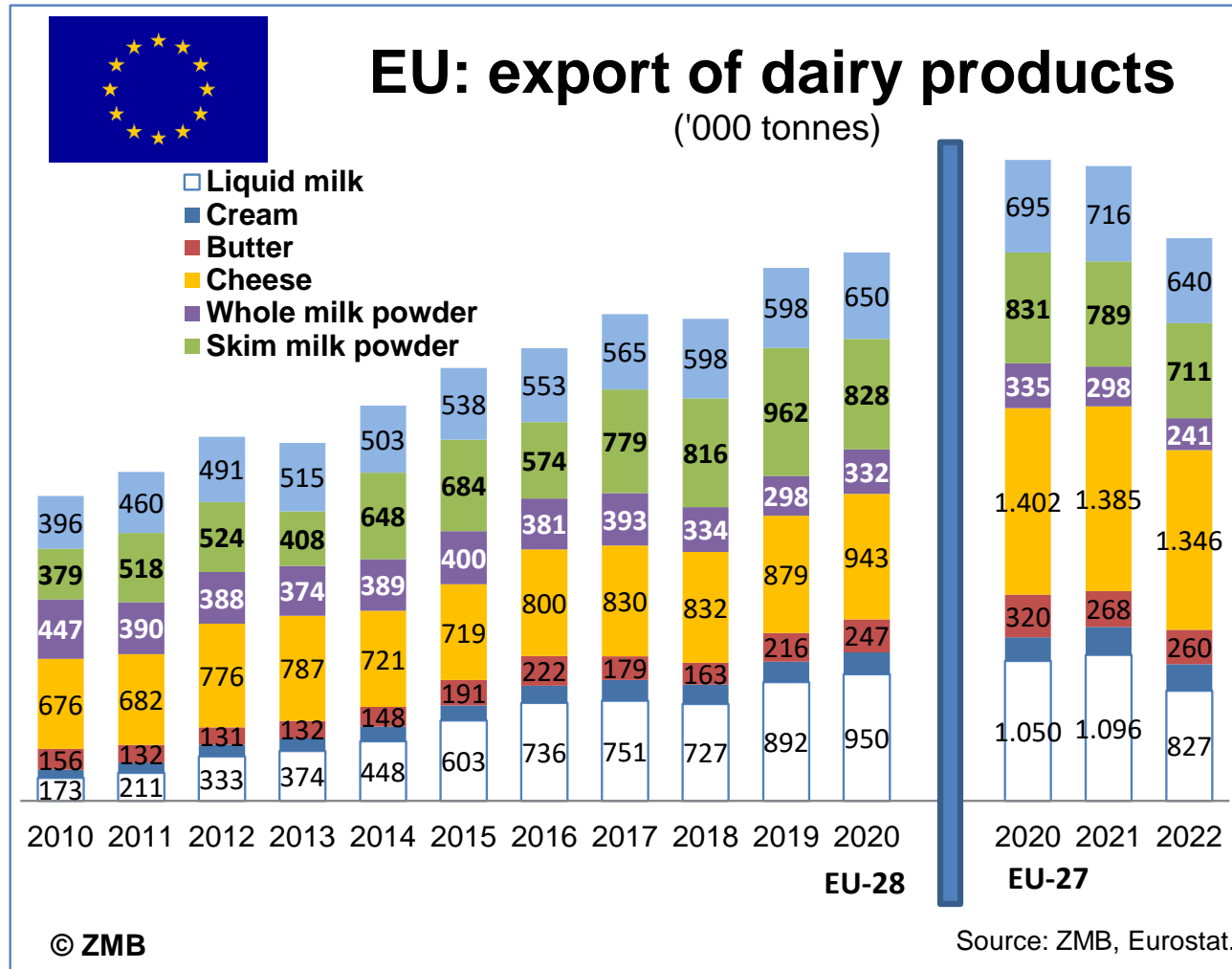
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Source: ZMB, NielsenIQ

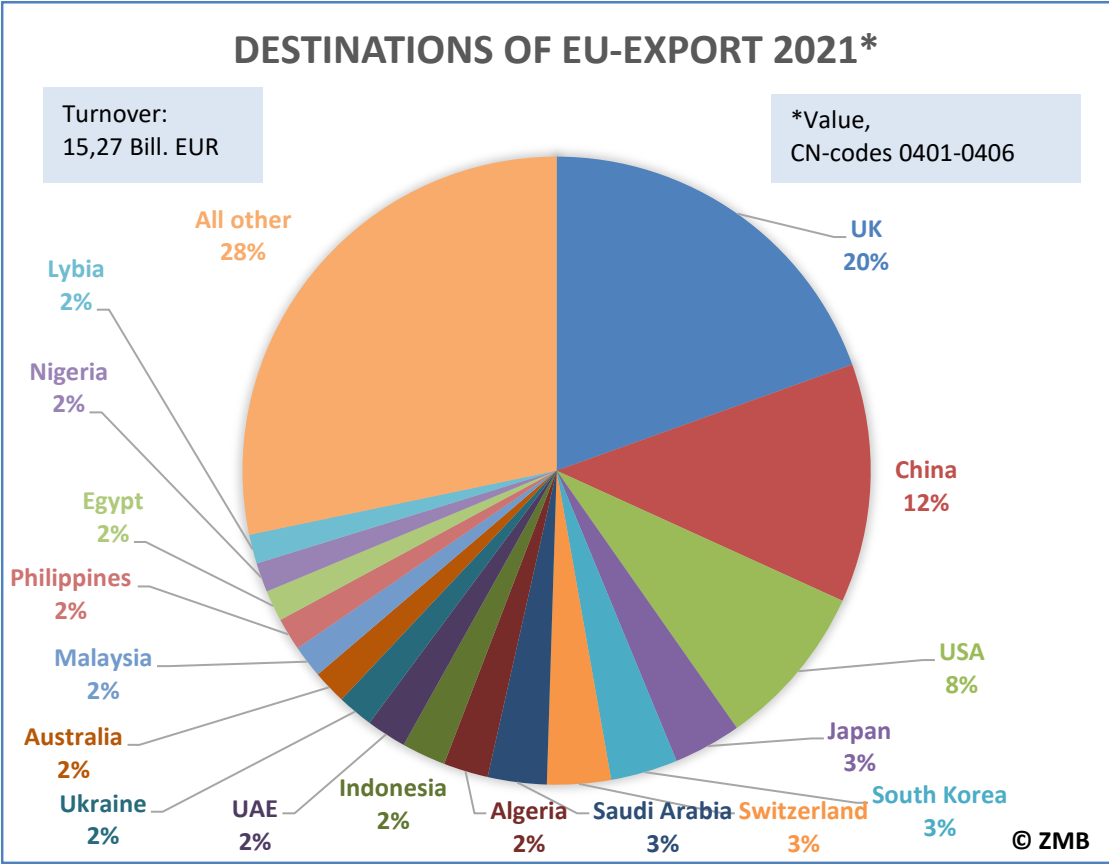
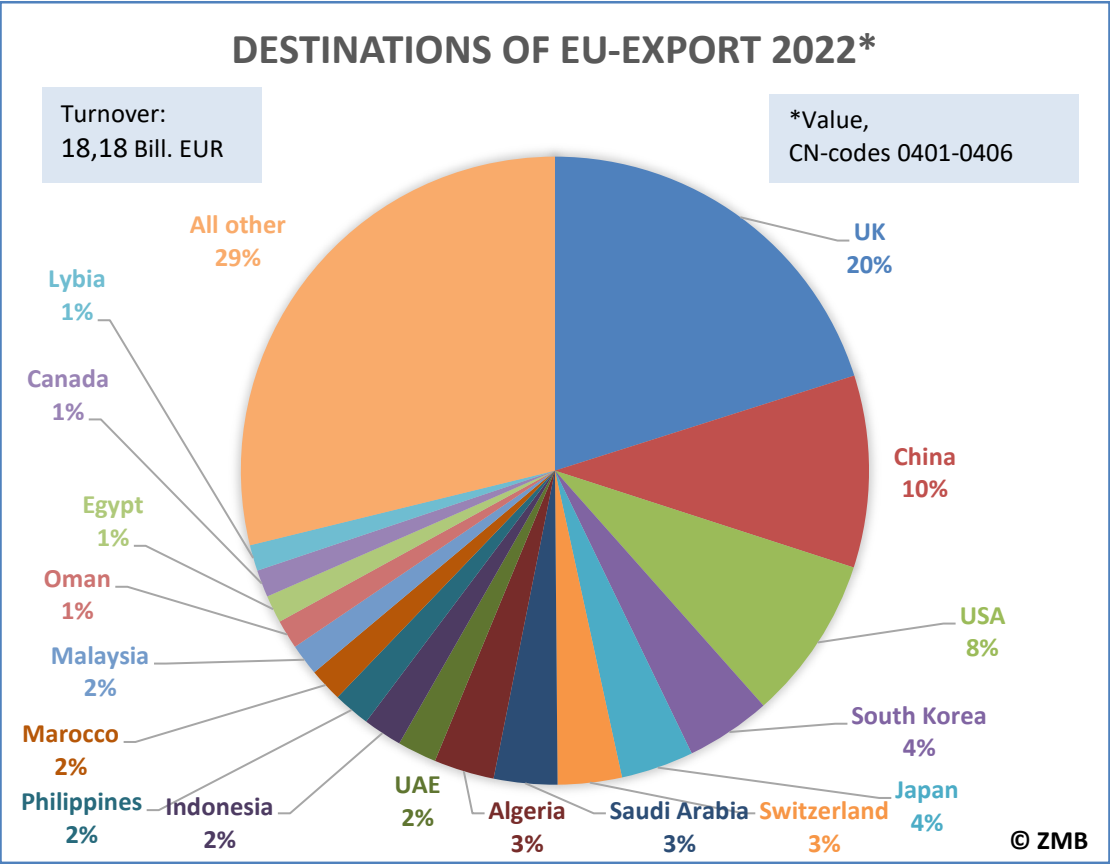
Retail-consumption developed in different ways since 2019



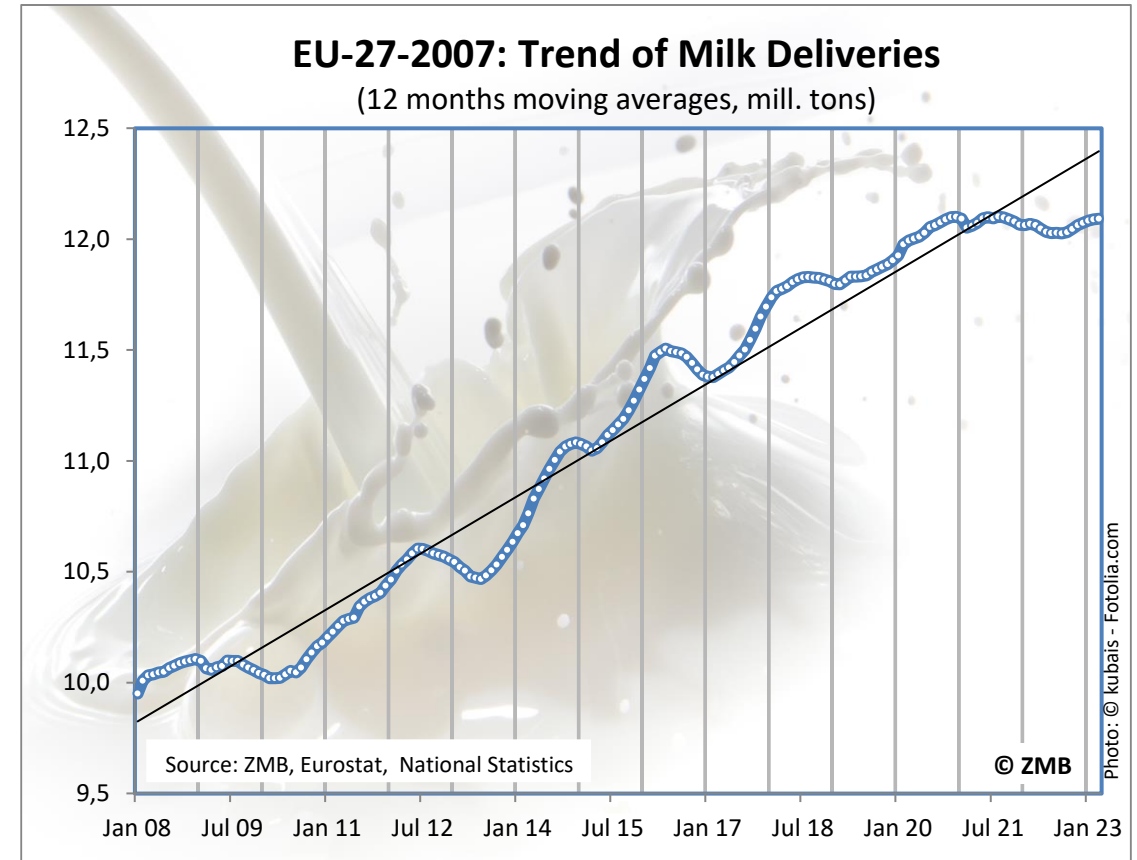
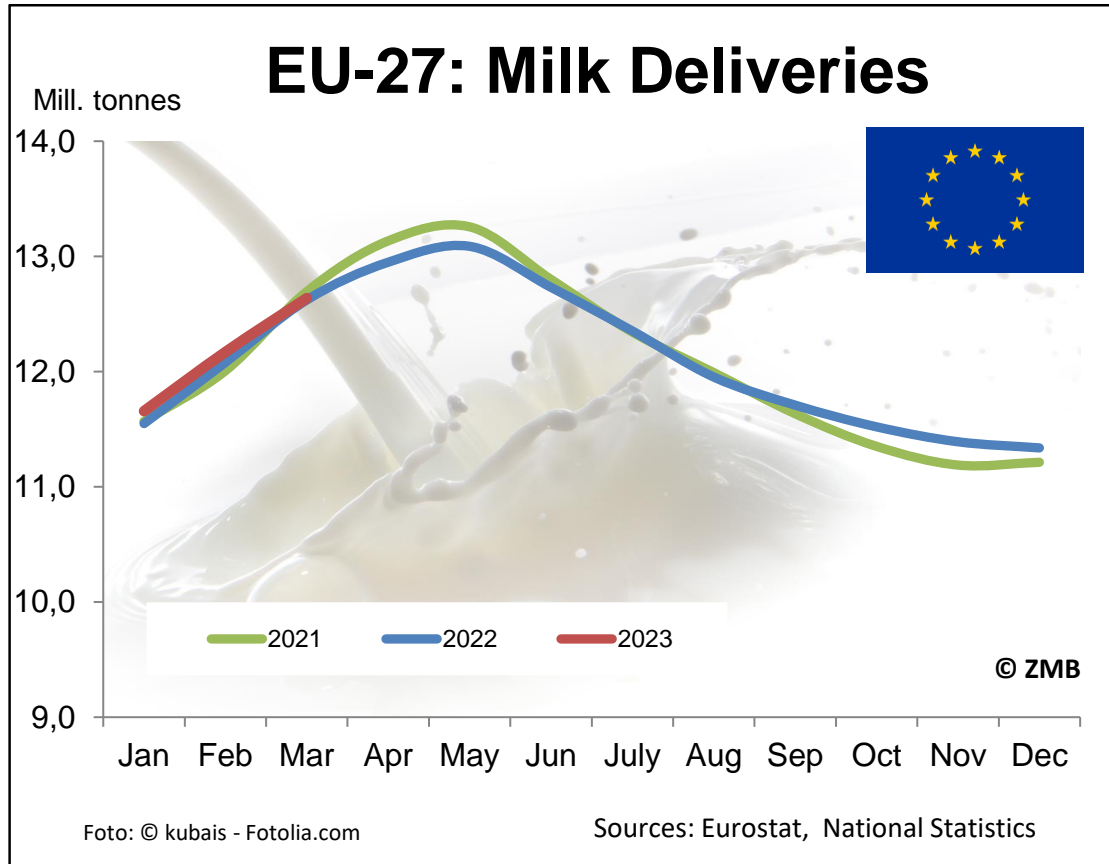
EU-Export 2022: decreases in all product-categories



2022: losses in China, South Korea has overtaken Japan

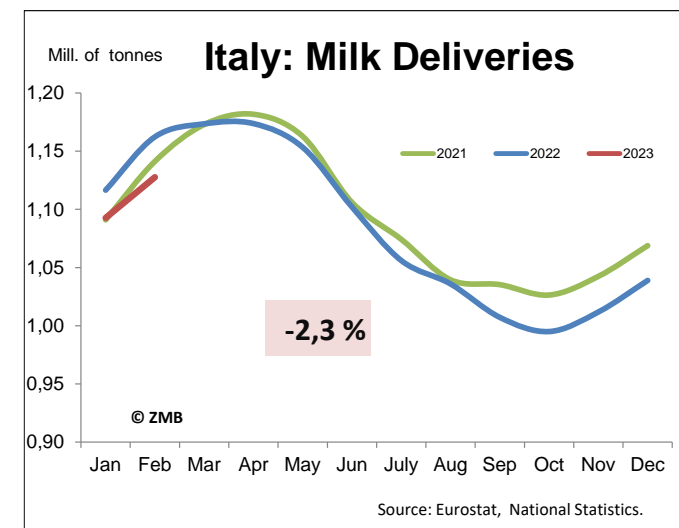
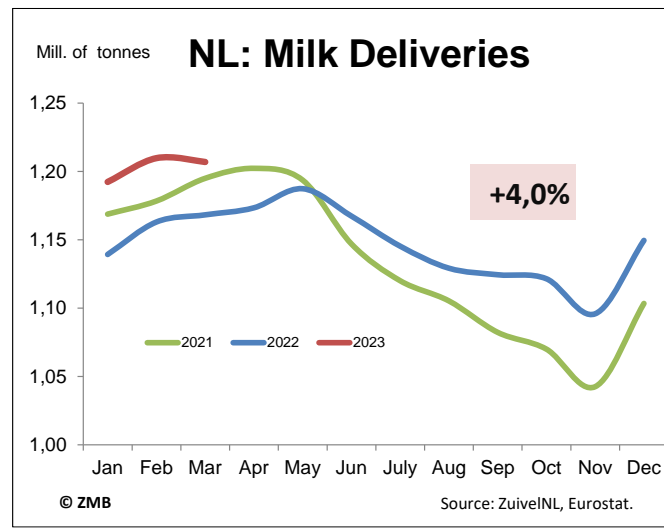
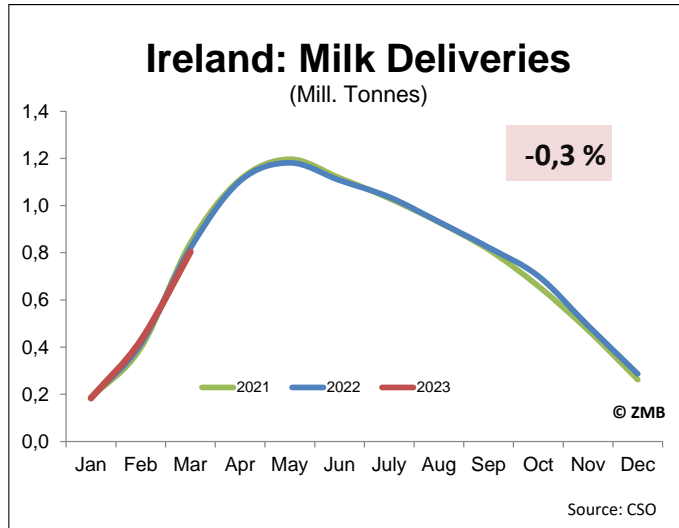
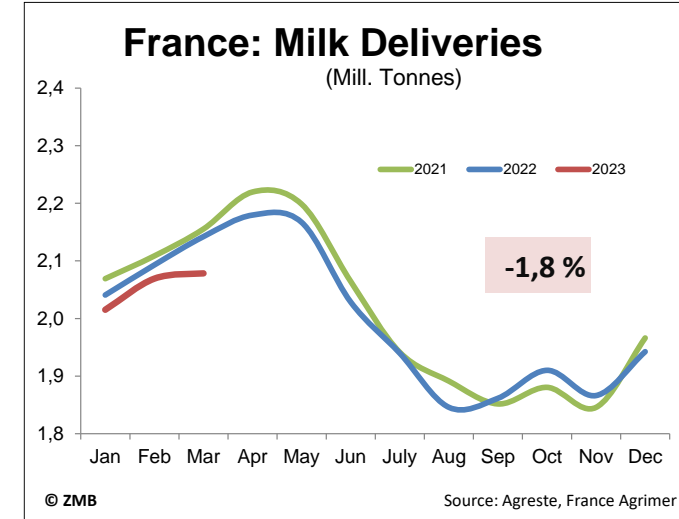
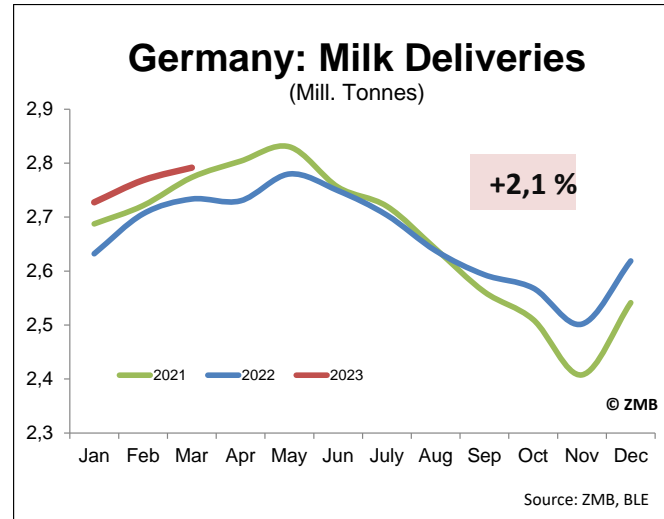
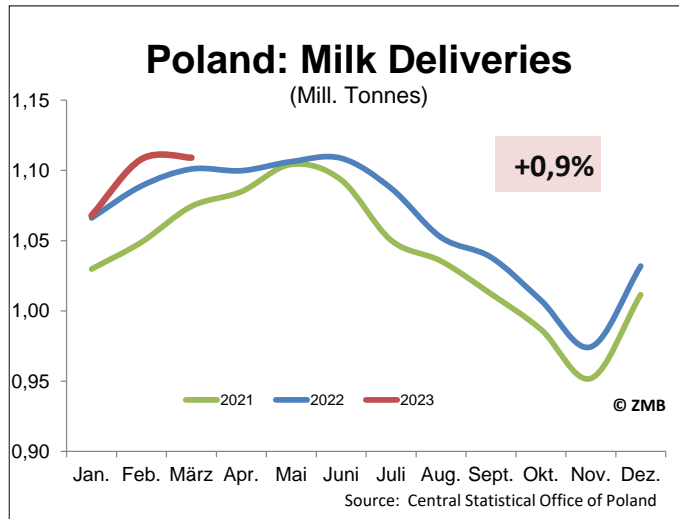


EU-milk deliveries increased by 0,6 % in Q1



Growing trend of EU-milk deliveries stopped!

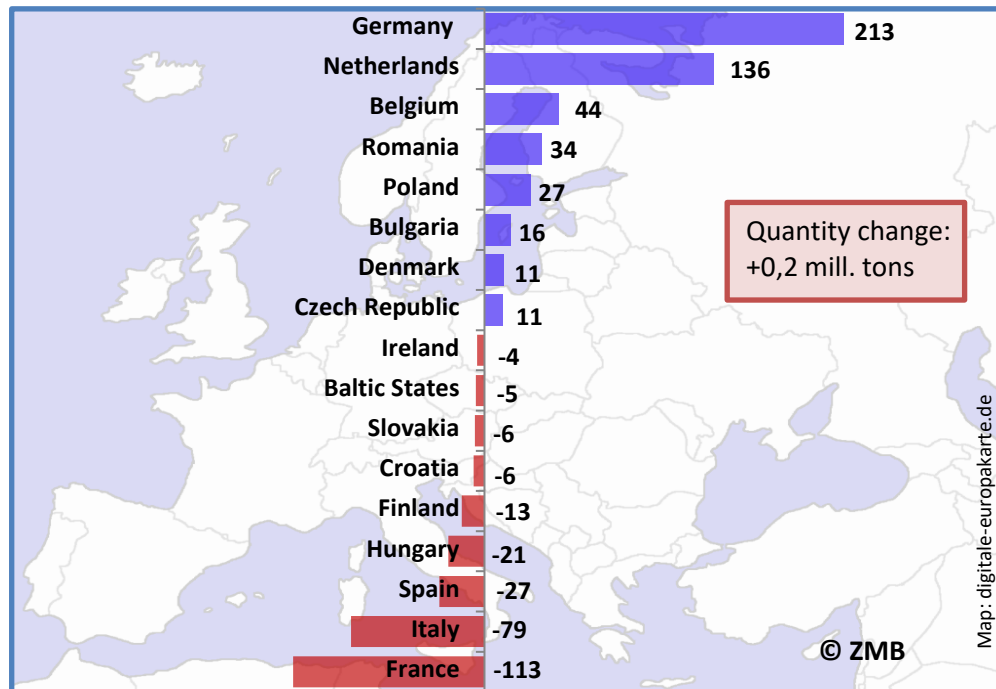
Mixed developments in Europe – milk output recently more modest in general



Increases in Germany, NL and Belgium – decreases in France and Southern-Europe

EU: Changes in milk deliveries

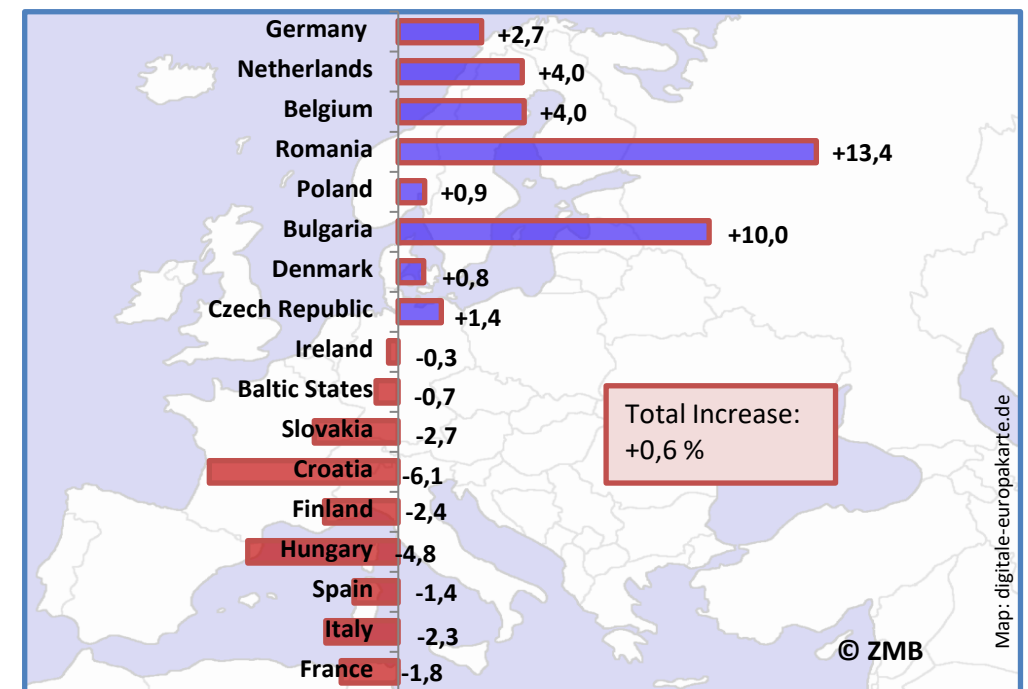
(January to March 2023 vs. 2022, in '000 tons)



Source: ZMB, national statistics.

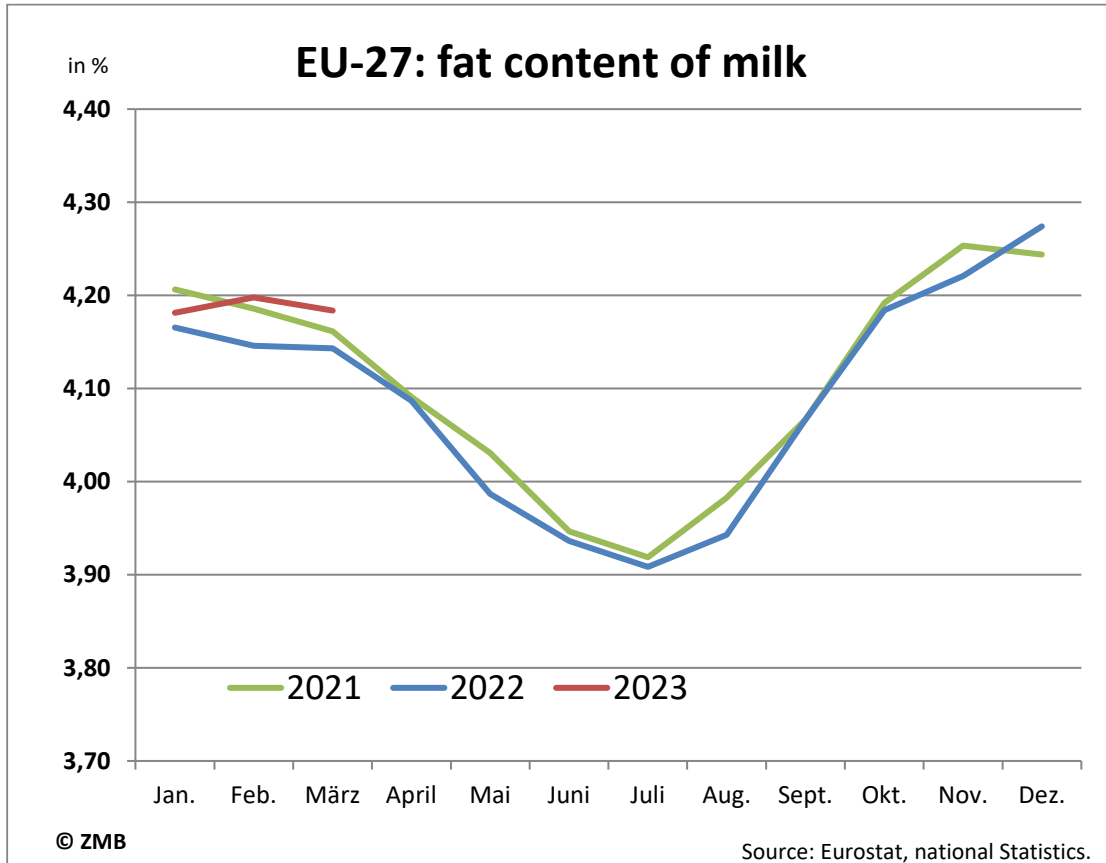
EU: Changes in milk deliveries

(January to March 2023 vs. 2022, in percent)

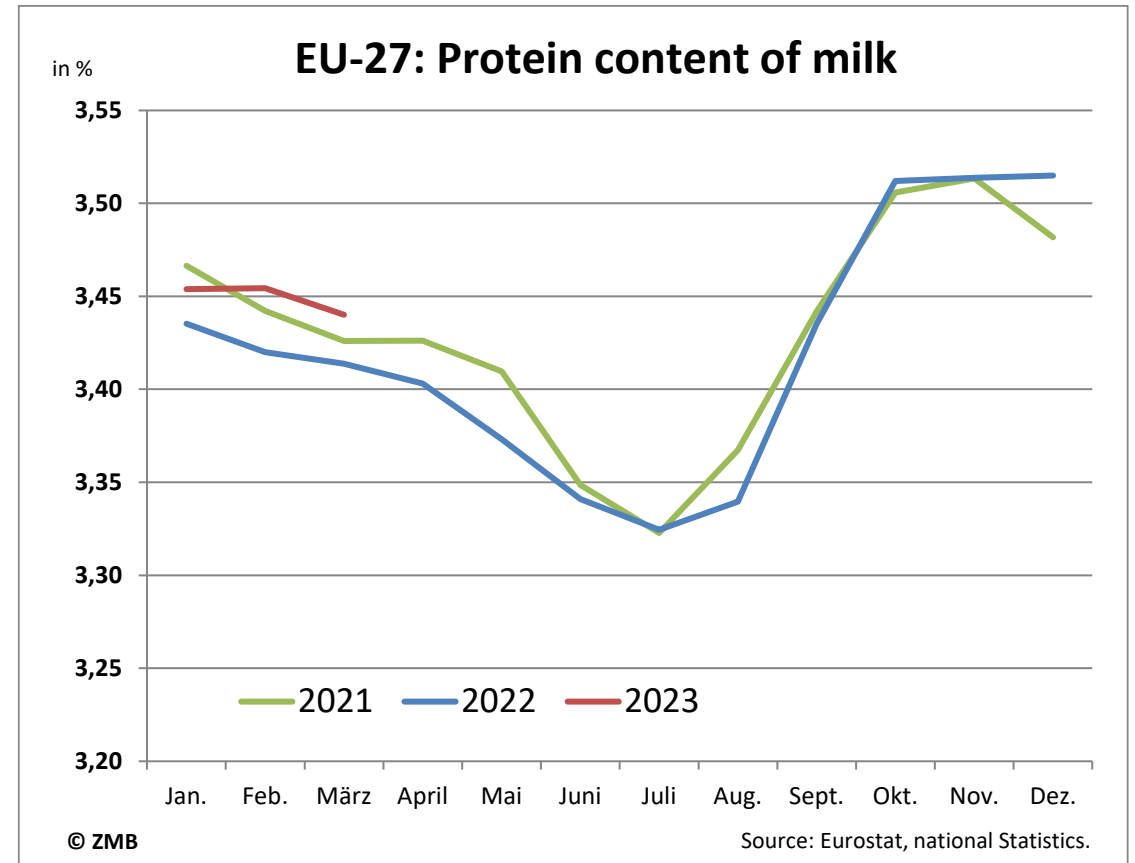


Source: ZMB, national statistics.

Additionally higher contents of fat and protein

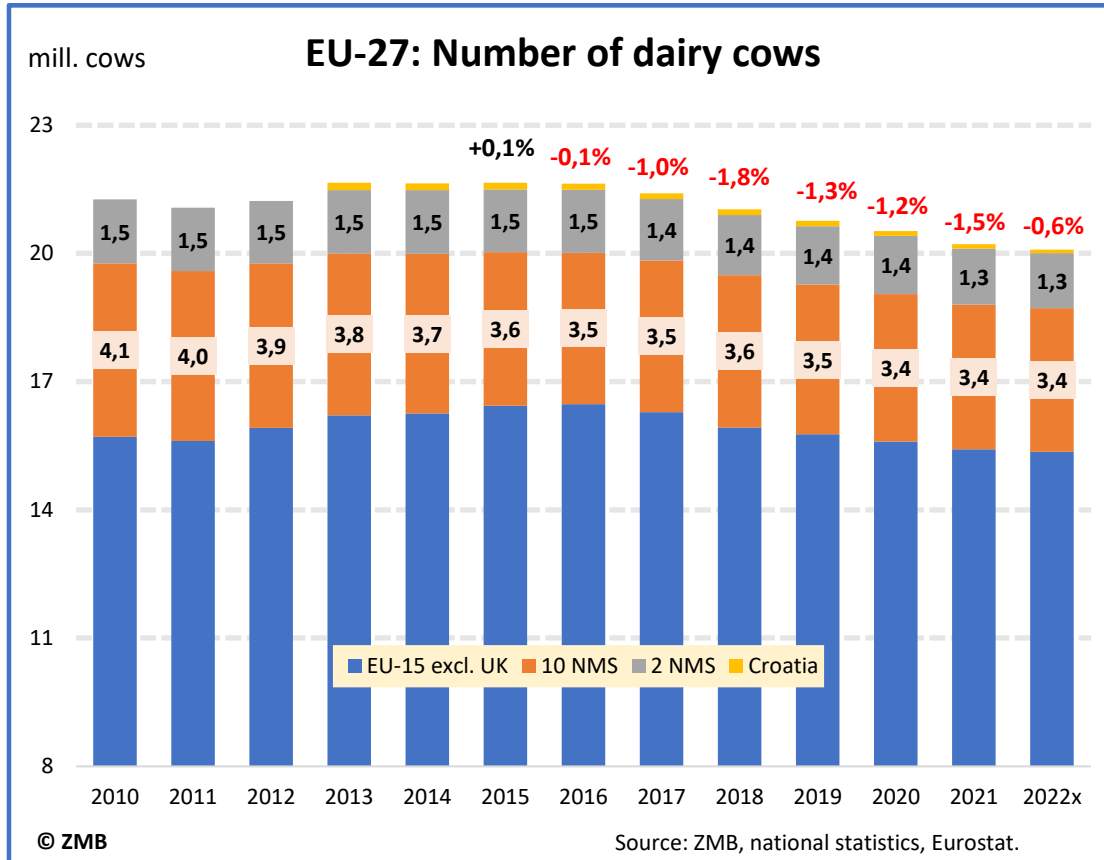


Supply of milk-fat increased by 1,5 % in Q1



Supply of milk-protein increased by 1,4 % in Q1

Decrease of dairy herd decelerated in 2022, weather-conditions in summer 2023 ?



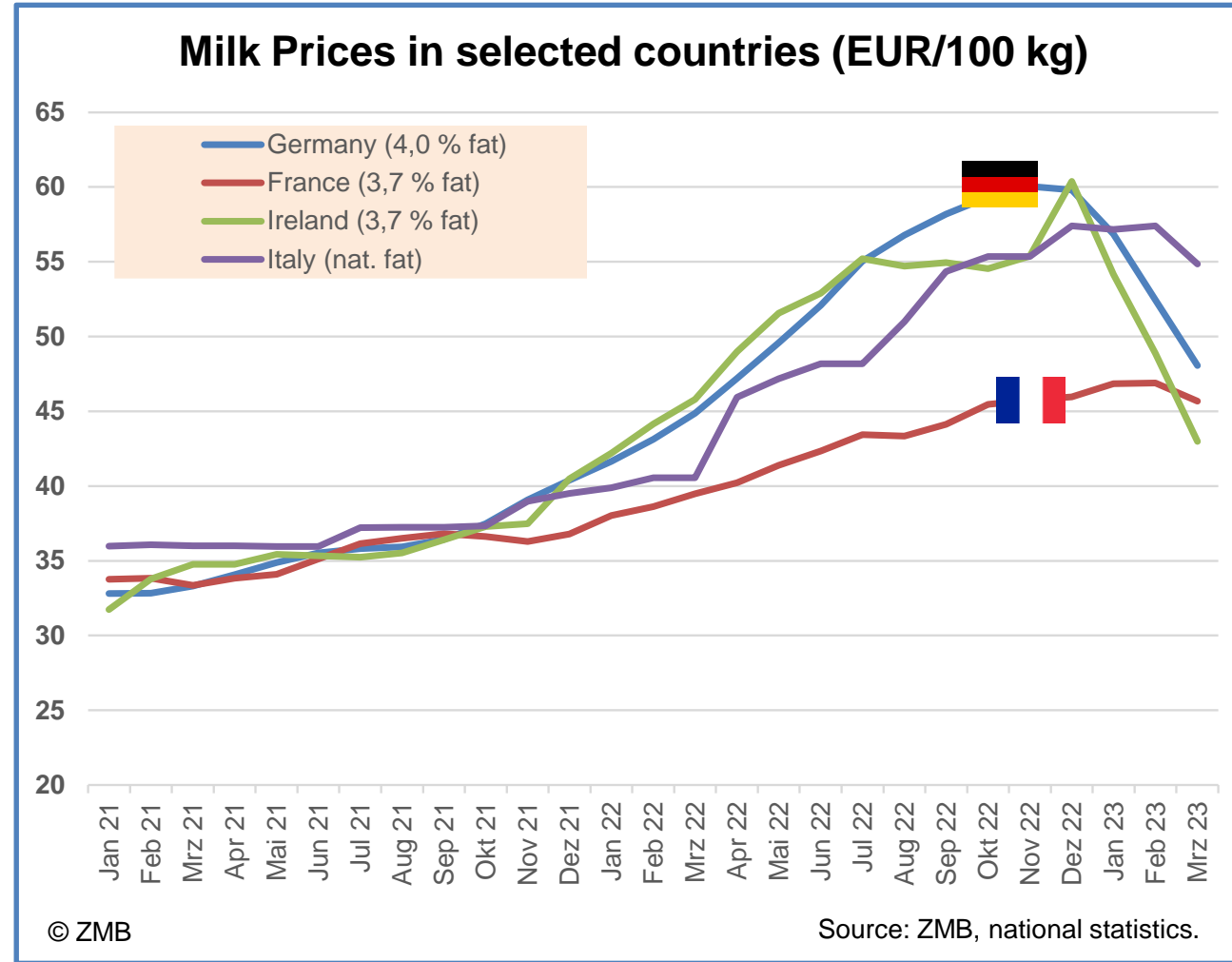
AREAS OF CONCERN - EXTREME WEATHER EVENTS

Based on weather data from 1 March 2023 until 17 April 2023

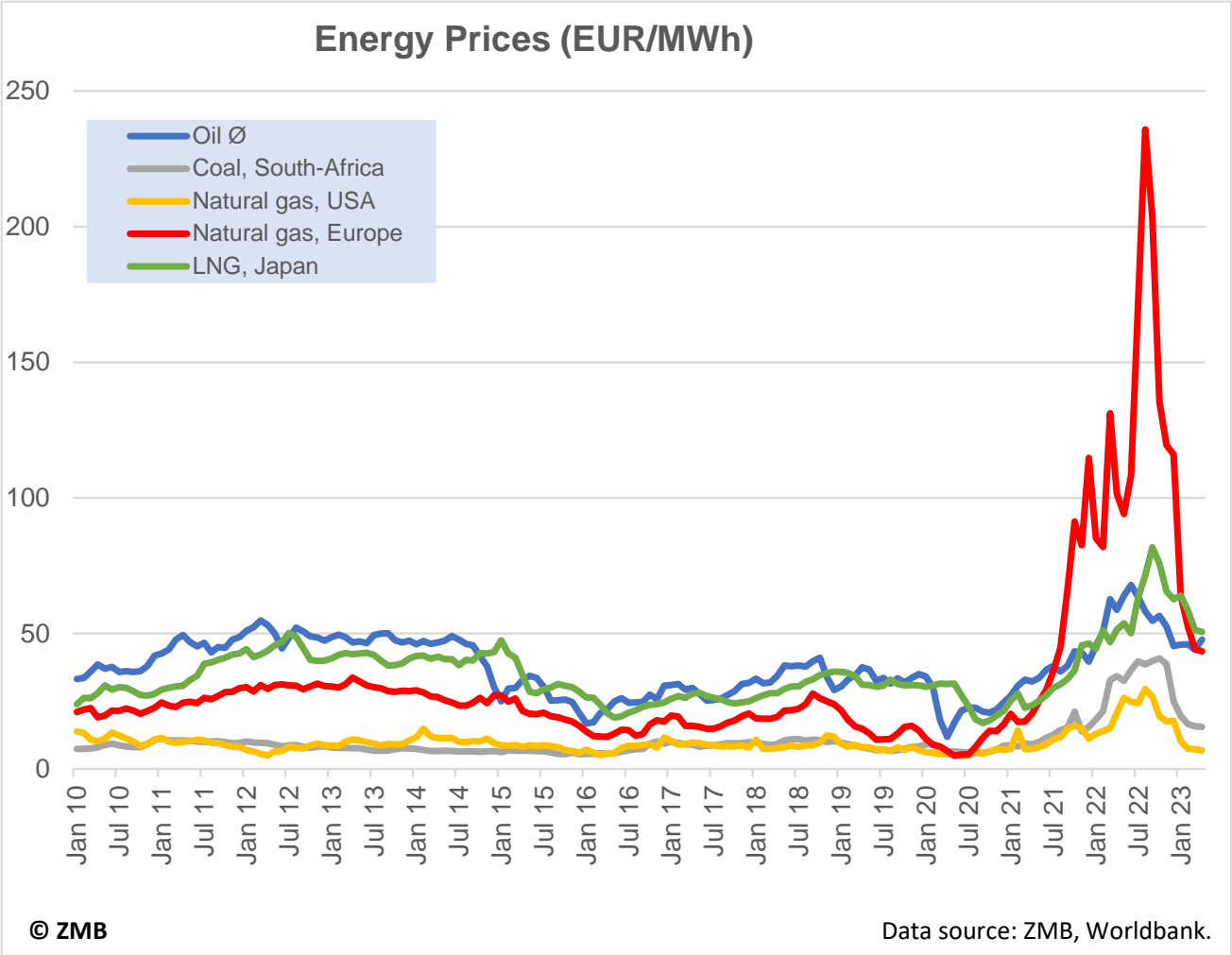


Source: JRC MARS Bulletin April 23

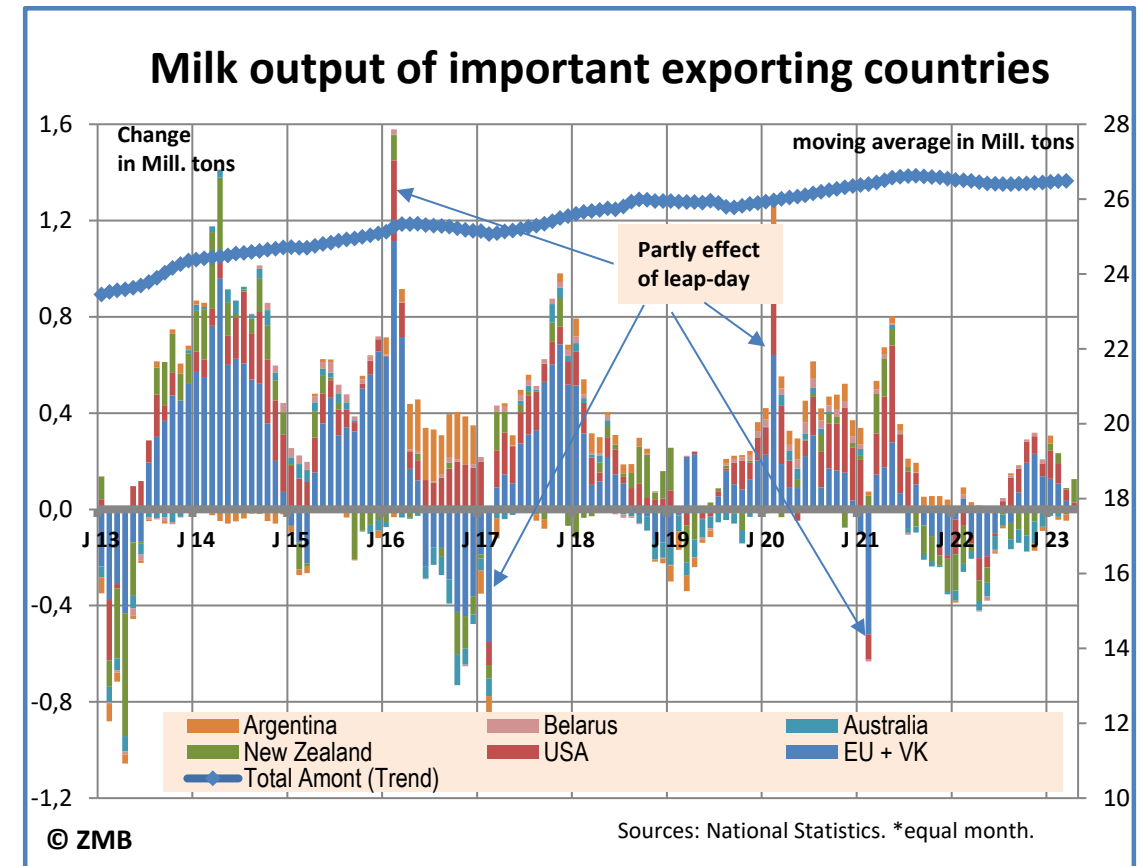
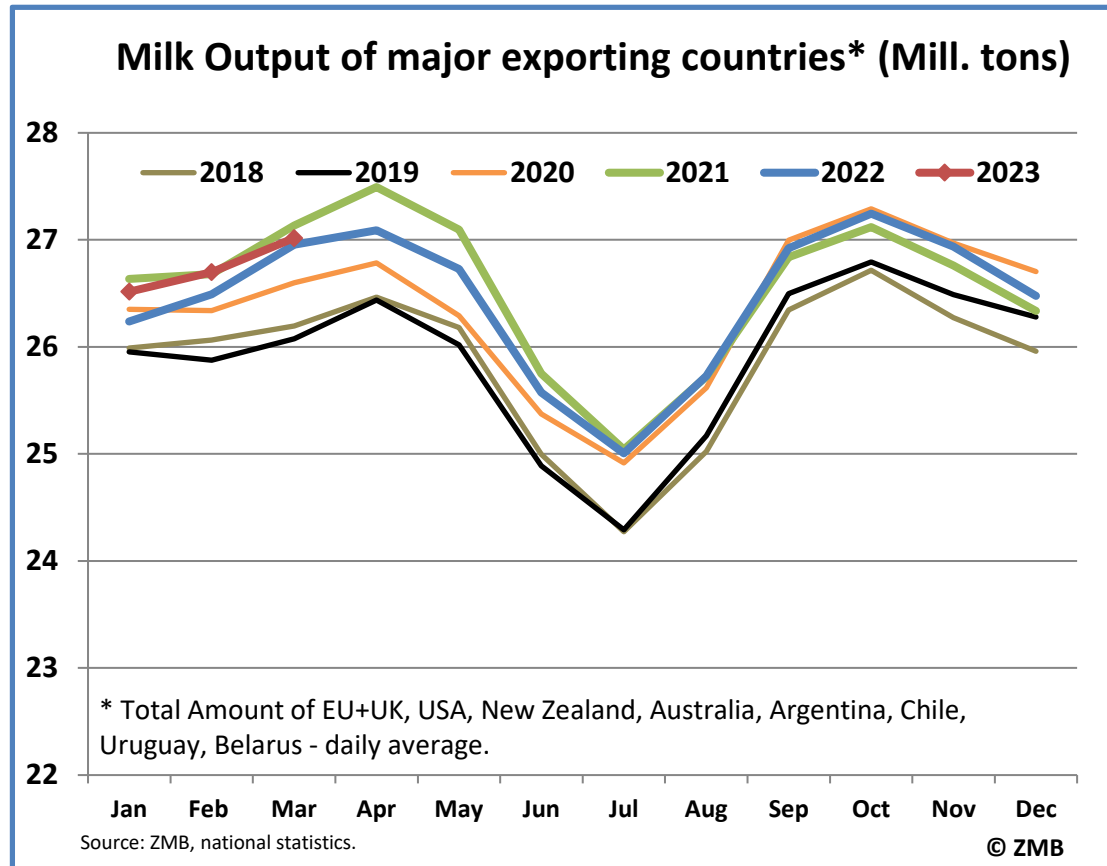
Milk prices different, but started to decline everywhere



Costs of energy etc. came down, but are still high

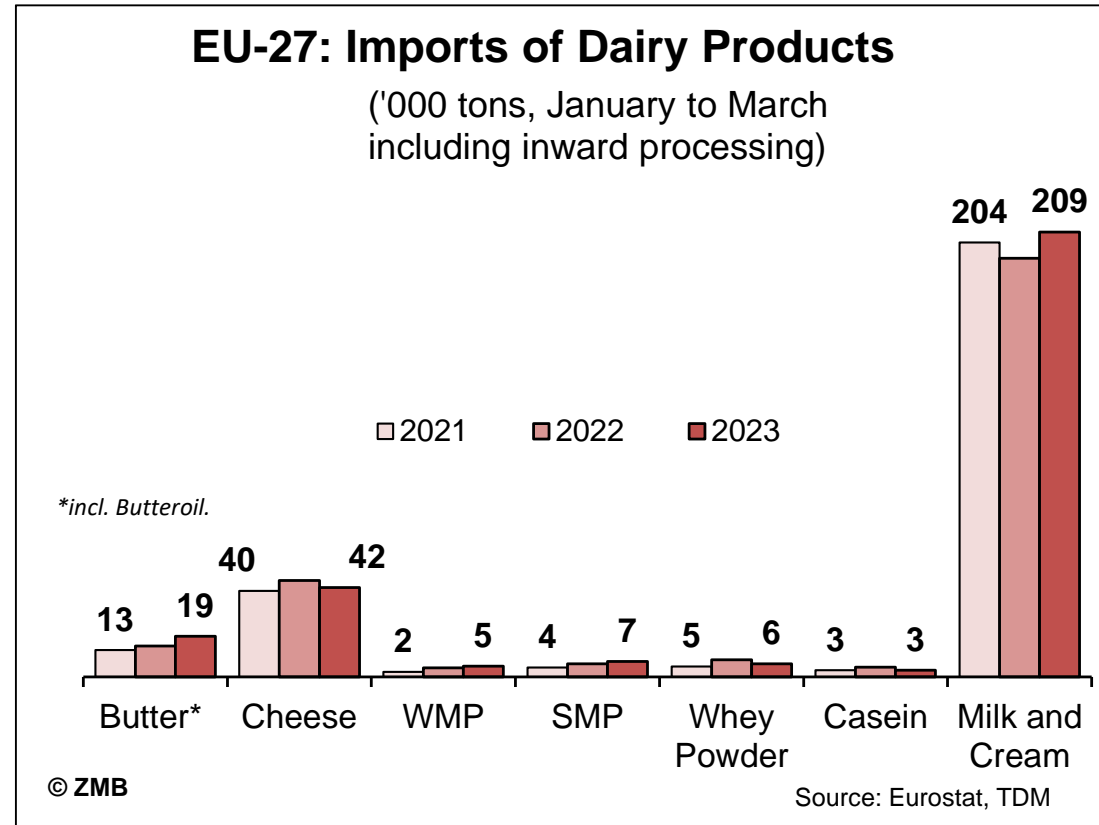
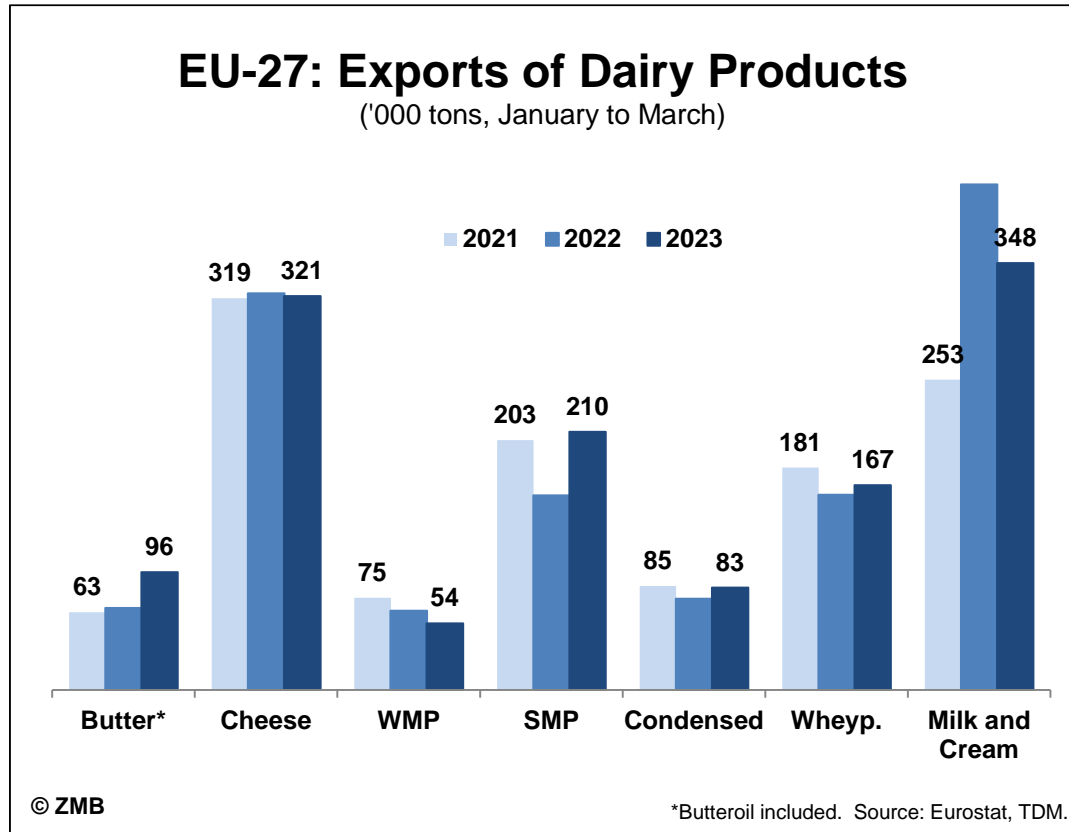


No growth in exporting countries compared to 2021



But strong end of season in New Zealand

EU: Exports in Q1 higher than expected



Milk processing: Back to old trends?

EU-27: Production of Dairy Products

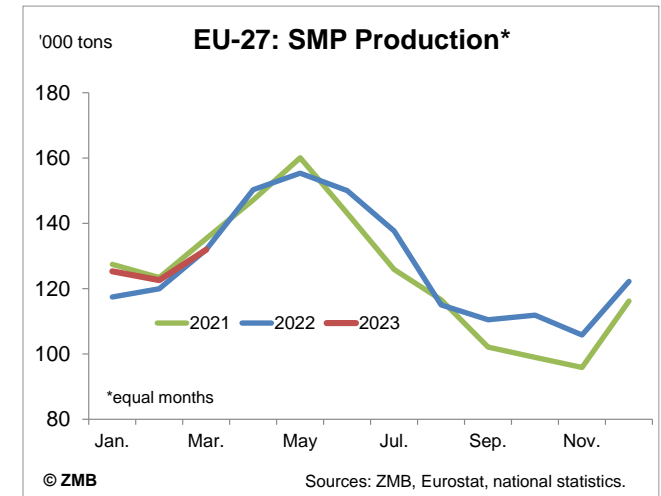
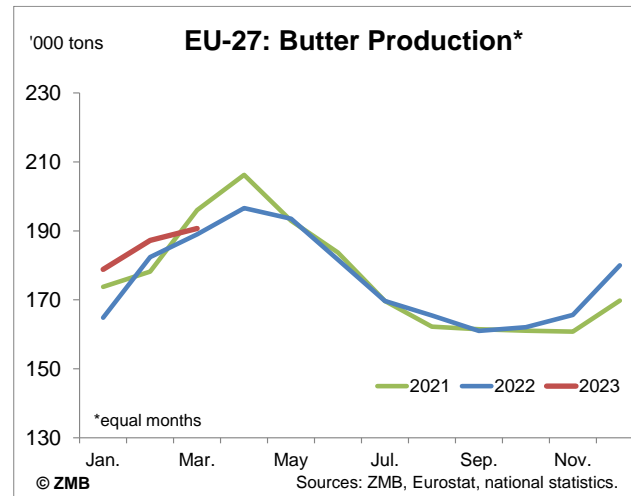
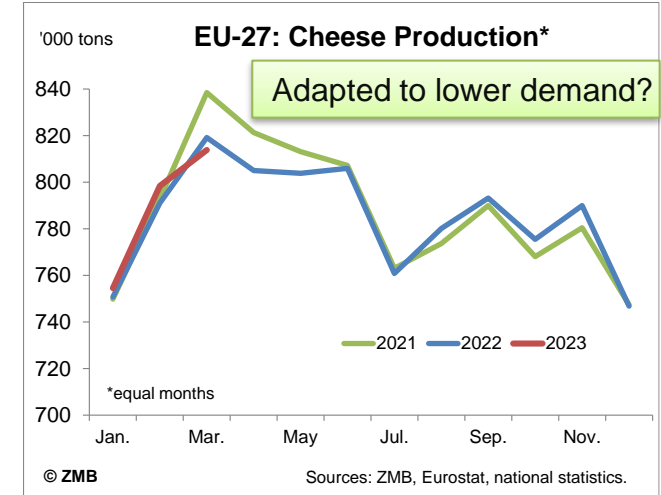
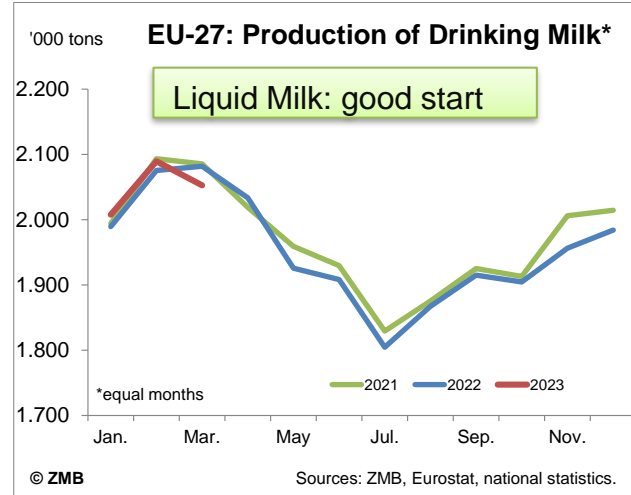
000 t	January to December			January - March			Mar.
	2021	2022	22:21	2022	2023*	23:22 *	23:22 *
Liquid milk	23.568	23.370	-0,8%	6.043	6.045	+0,0%	-1,4%
Cream	2.493	2.501	+0,3%	620	639	+3,1%	+1,6%
Fermented Products	8.631	8.740	+1,3%	1.402	1.398	-0,3%	-1,6%
Butter	2.110	2.106	-0,2%	527	548	+3,9%	+0,9%
Cheese	9.418	9.395	-0,2%	1.490	1.500	+0,6%	+0,8%
WMP etc.	636	604	-5,0%	151	147	-2,3%	+1,0%
SMP	1.488	1.525	+2,4%	364	374	+2,8%	-0,2%
Condensed milk	977	946	-3,2%	243	161	.	.

*) Provisional.

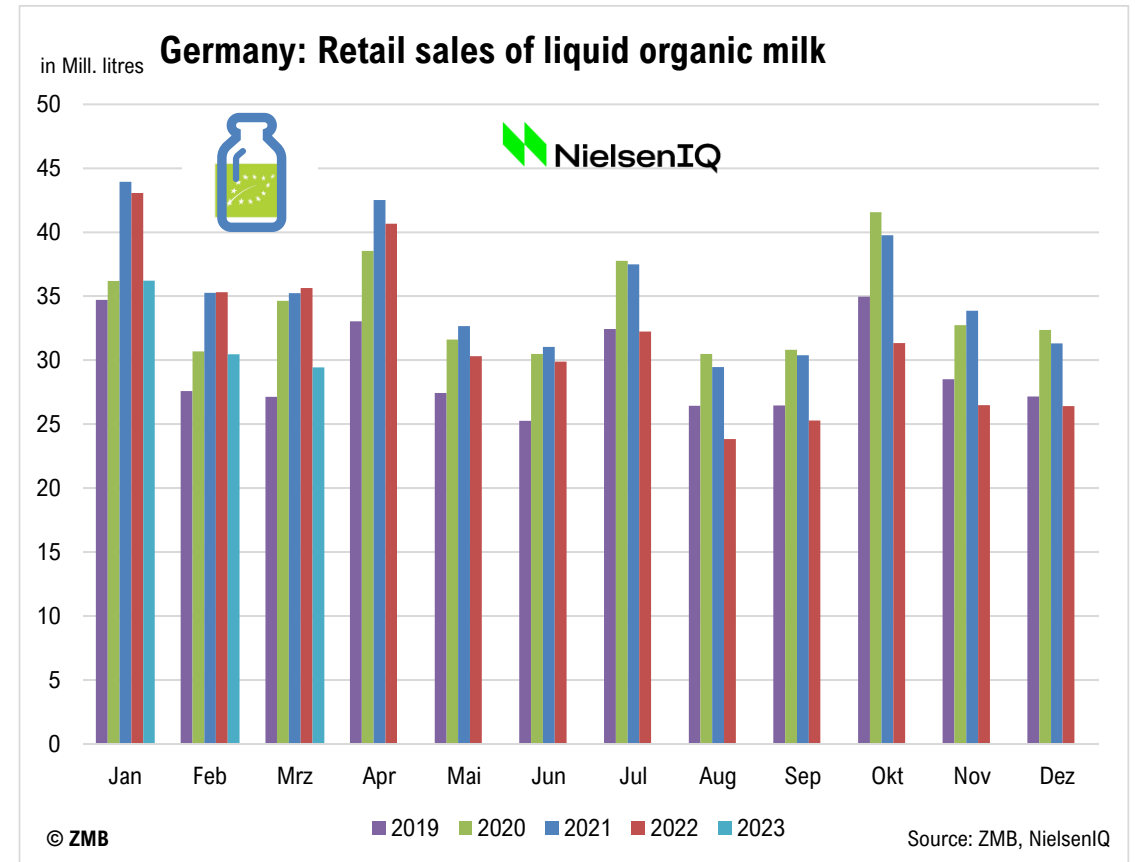
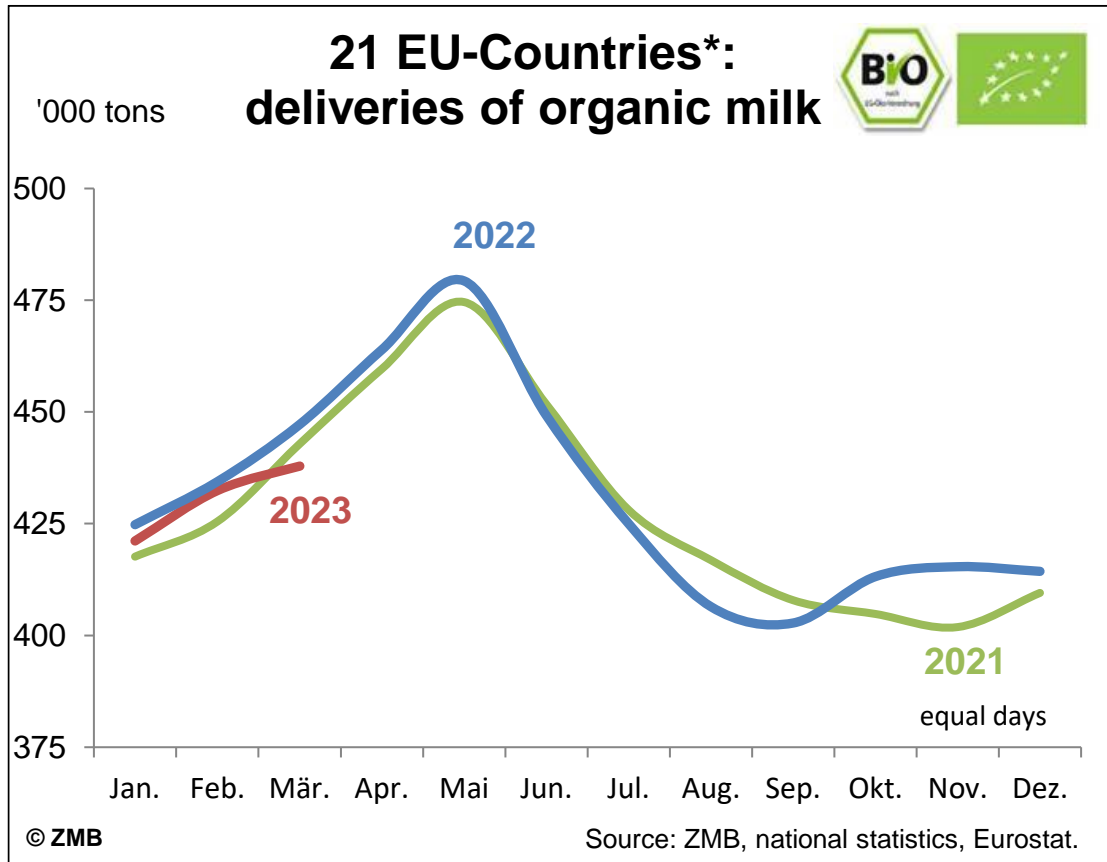
Sources: ZMB, Eurostat, national statistics.

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Share of cheese-milk could return to growth on expenses of butter and SMP



Organic milk is slowing down



Q1: -1,2 % vs. 2022, growth only in Germany, Belgium and Greece

Demand for organic products increased during the pandemic and went down again since mid 2022.

Growth of cheese was interrupted in 2022, recovery in 2023 likely with lower prices!

EU Cheese Balance Sheet					
'000 t	2019	2020	2021	2022*	2023**
	EU28	EU-27	EU-27	EU27	EU27
Production	10.690	10.407	10.560	10.530	10.590
- from cows' milk in dairies	9.710	9.427	9.570	9.540	9.600
- on farms	100	100	100	100	100
- from other milk	880	880	890	890	890
Imports	63	222	196	186	190
- thereof from UK	.	161	129	116	110
Processing addition ¹⁾	180	155	160	150	150
Available	10.933	10.784	10.917	10.866	10.930
Exports	880	1.402	1.385	1.346	1.360
- thereof to UK	.	493	430	420	400
Stock Change	-20	10	-20	30	0
Consumption	10.074	9.372	9.551	9.491	9.570
- per capita (kg)	19,6	21,0	21,4	21,0	21,1

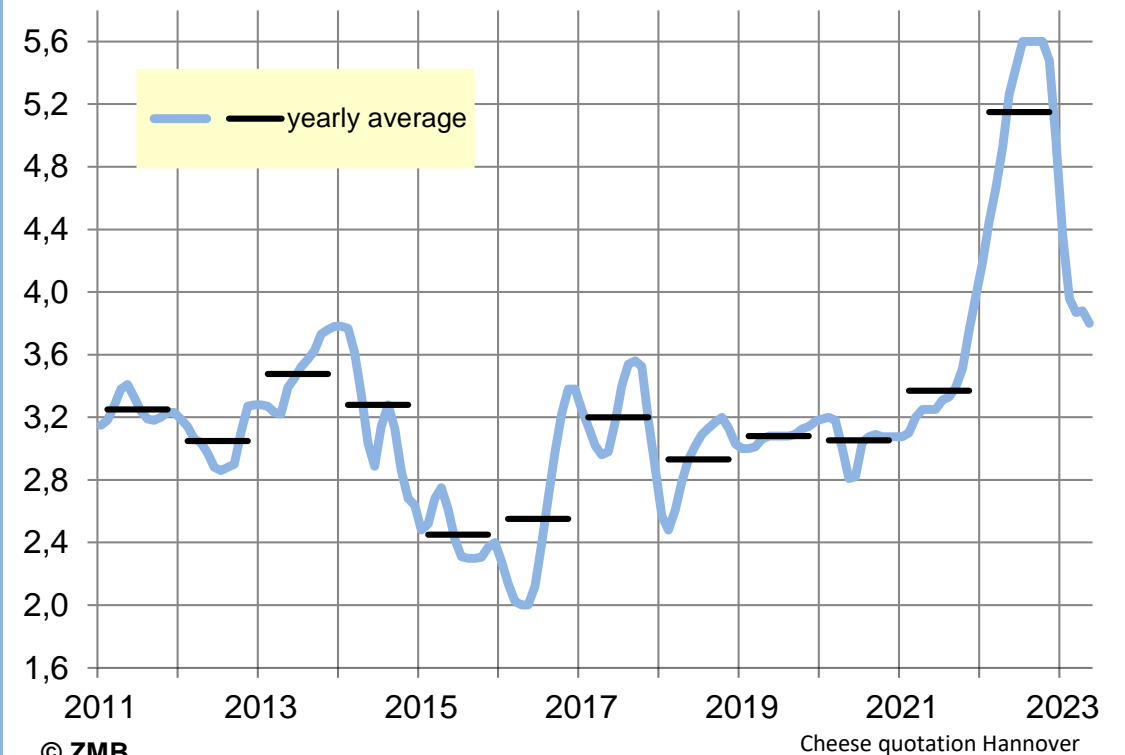
1) From processed cheese. *)Provisional **) Forecast.
 Remark: UK was part of the single market during 2020.

Source: ZMB

Updated May 2023

More cheese exported to the UK, but less to Japan, Saudi-Arabia, China, Ukraine

EUR/kg **Price of Cheese (Edam, Gouda loaf)**



More butter available

EU Butter Balance Sheet

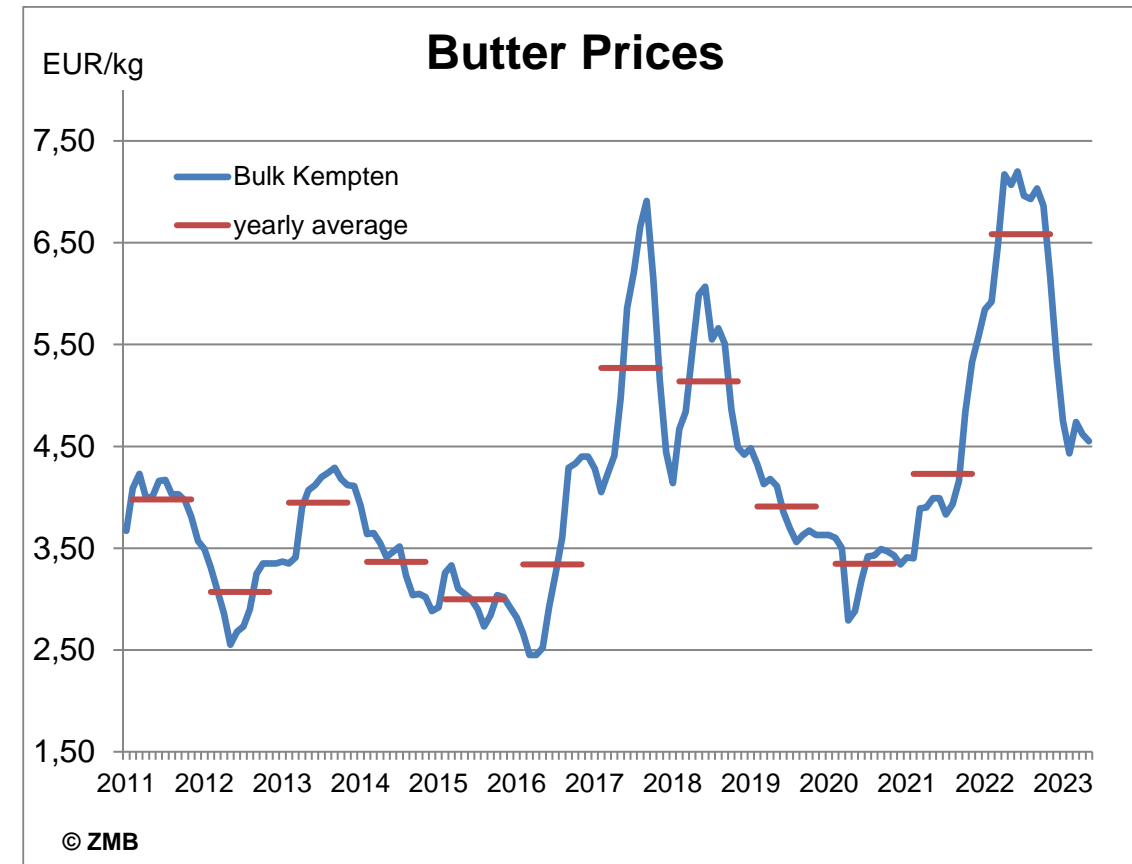
'000 t	2019 EU28	2020 EU-27	2021 EU-27	2022* EU27	2023** EU27
Initial stocks	140	146	135	110	140
Total production	2.402	2.254	2.210	2.205	2.200
- in dairies ¹⁾	2.382	2.234	2.190	2.185	2.180
- on farms	20	20	20	20	20
Imports	15	52	50	76	80
- thereof from UK	.	47	40	45	45
Exports	218	320	268	260	250
- thereof to UK	.	79	55	69	70
Final stocks	160	135	110	140	160
thereof public stocks	0	0	0	0	0
Disappearance	2.180	1.997	2.017	1.991	2.010
Per capita (kg)	4,2	4,5	4,5	4,4	4,4

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

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

Source: ZMB

Updated May 2023



More SMP available

EU SMP Balance Sheet

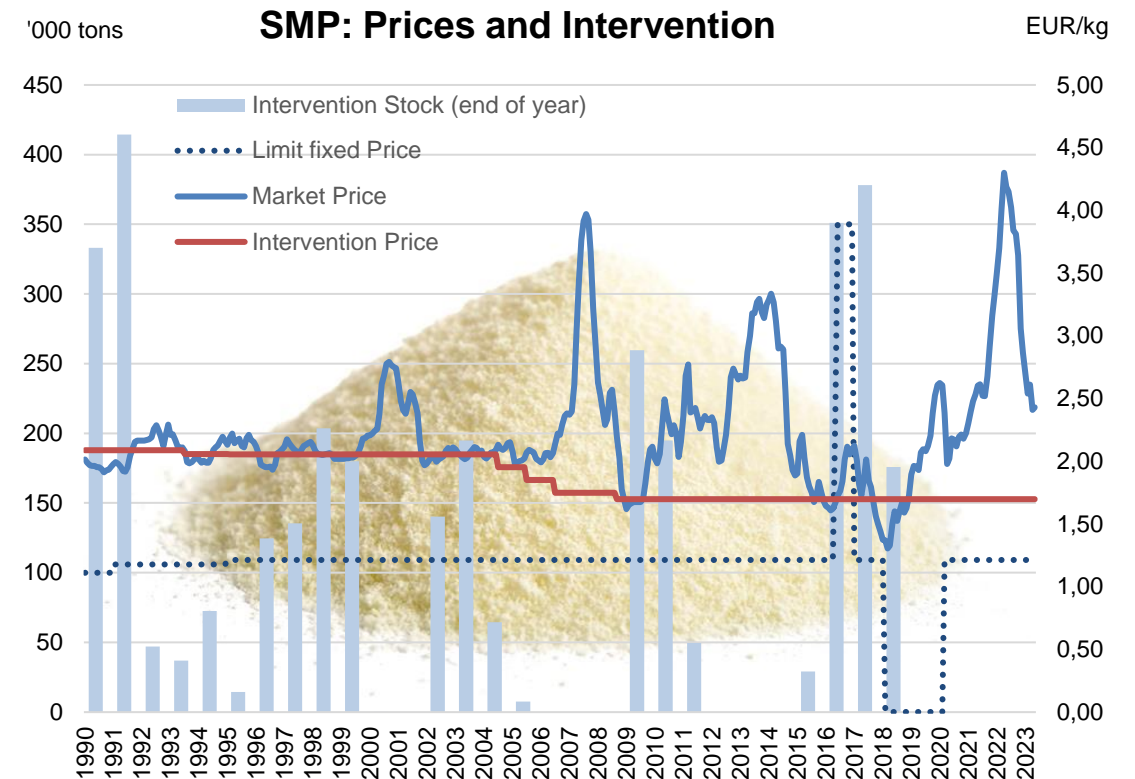
'000 t	2019	2020	2021	2022*	2023**
	EU28	EU-27	EU-27	EU-27	EU-28
Opening stocks	442	213	148	56	117
Production	1.672	1.630	1.525	1.565	1.540
Imports	6	36	33	37	40
-thereof from UK	.	34	23	17	25
Available	2.120	1.879	1.706	1.658	1.697
Consumption	940	900	860	830	810
- other than feed	800	790	780	760	740
- in feed	140	110	80	70	70
Exports	962	831	790	711	750
-thereof to UK	.	28	15	16	10
Ending stocks	217	148	56	117	137
- in intervention	0	0	0	0	0

*)Provisional **) Forecast.

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

Source: ZMB

Updated May 2023



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Sources: ZMB, EU-Commission, ZMP, Süddeutsche Butter- und Käsebörse;
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WMP: EU not competitive on international level -

EU Balance Sheet of Whole Milk Powder

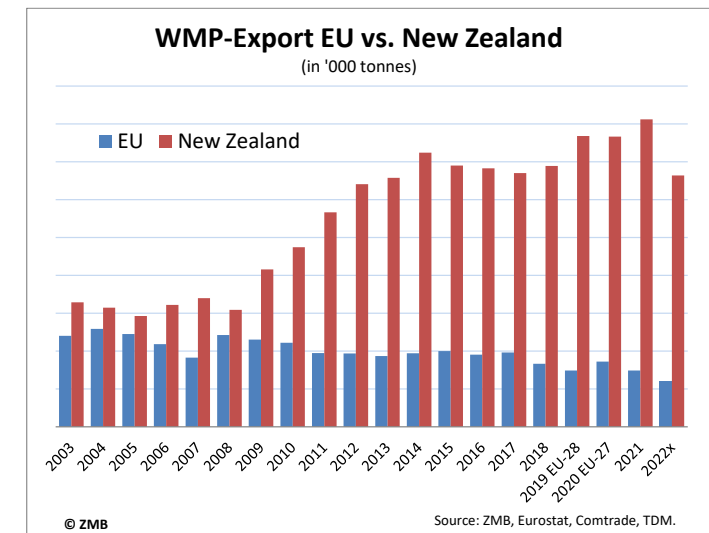
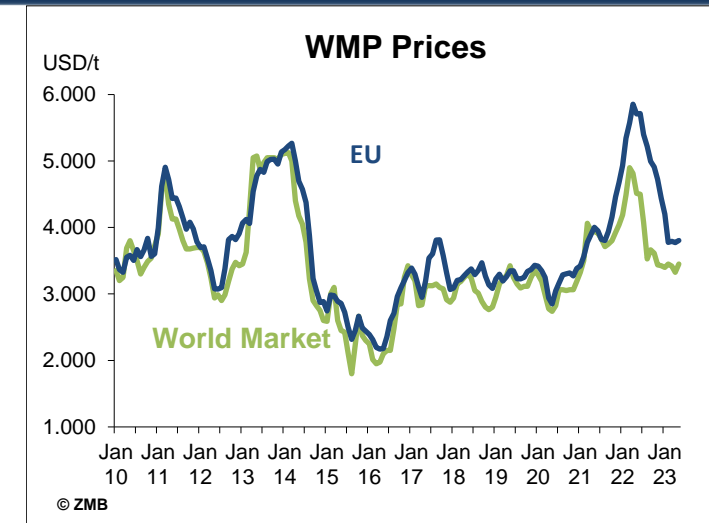
'000 t	2019	2020	2021	2022*	2023**
	EU28	EU-27	EU-27	EU27	EU27
Production	860	858	800	770	710
Imports	6	27	11	20	10
-thereof from UK	.	26	10	17	14
Exports	297	340	298	241	200
-thereof to UK	.	35	20	16	20
Change in stocks	50	20	0	35	20
Sales	518	525	513	514	500

*)Provisional **) Forecast.

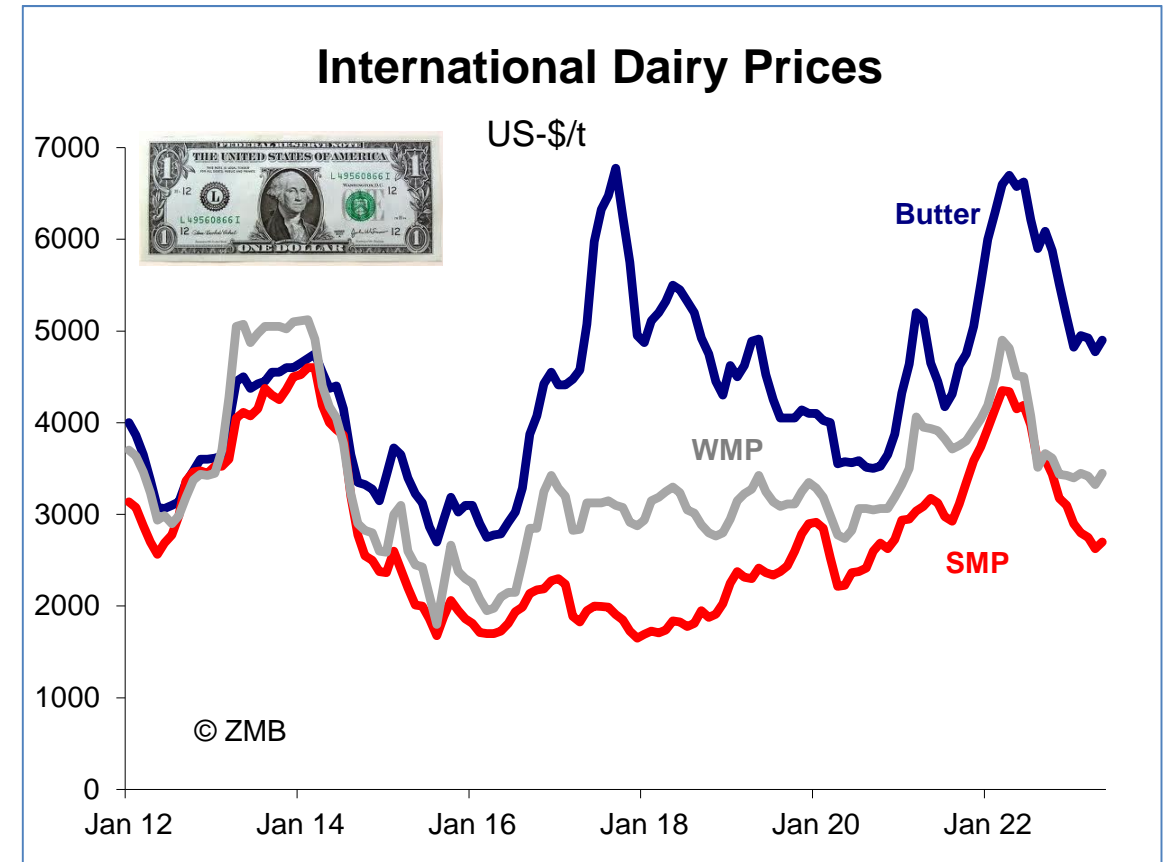
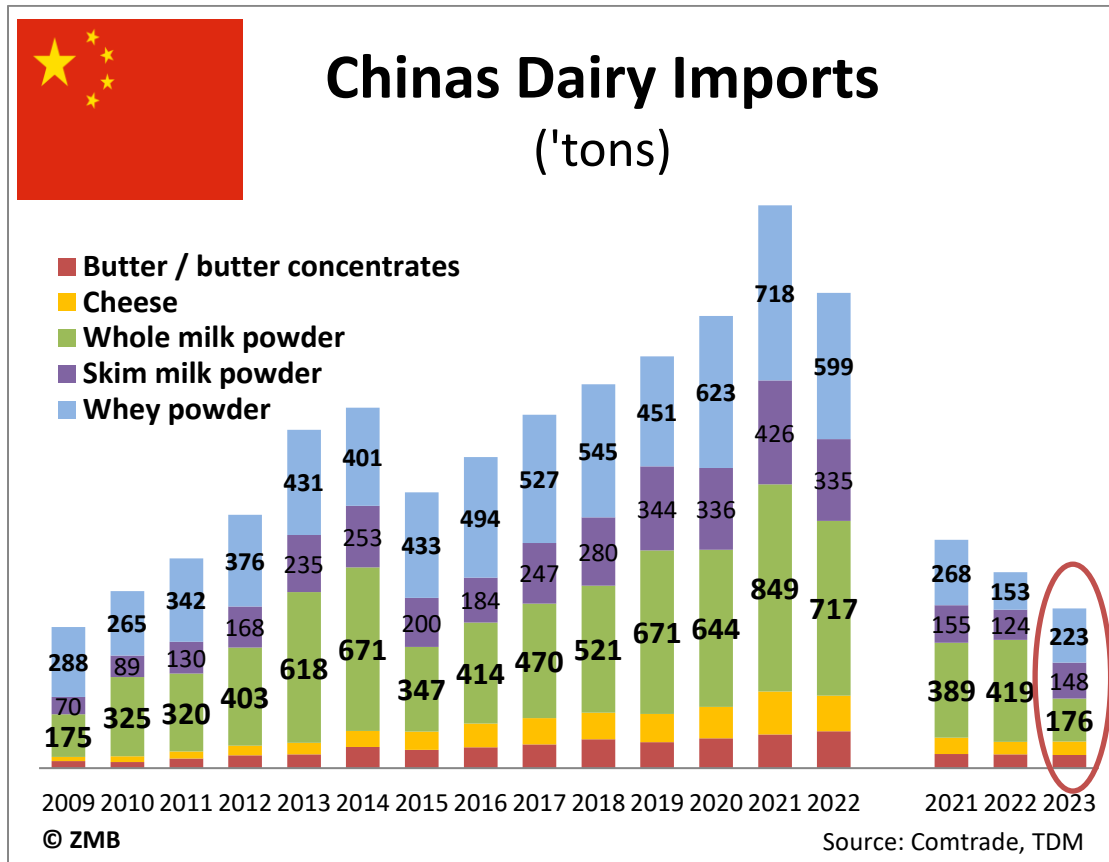
Remark: UK was part of the single market during 2020.

Source: ZMB

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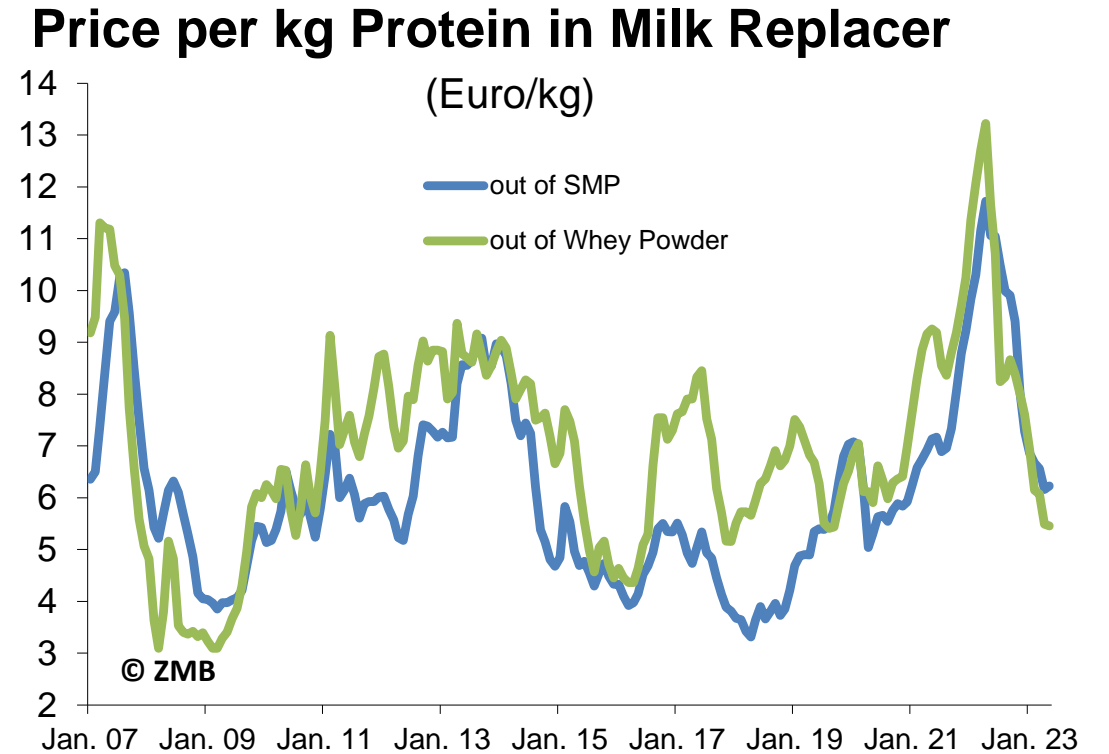
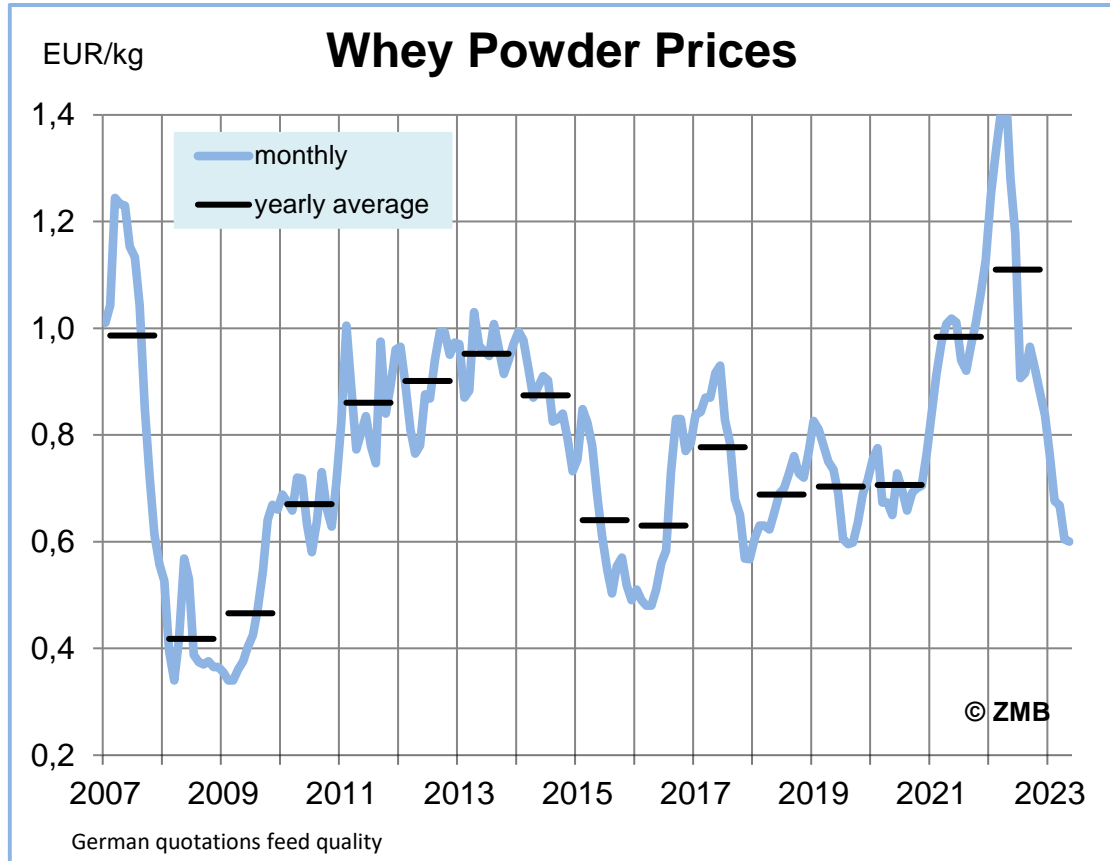


Demand from China for WMP is missing



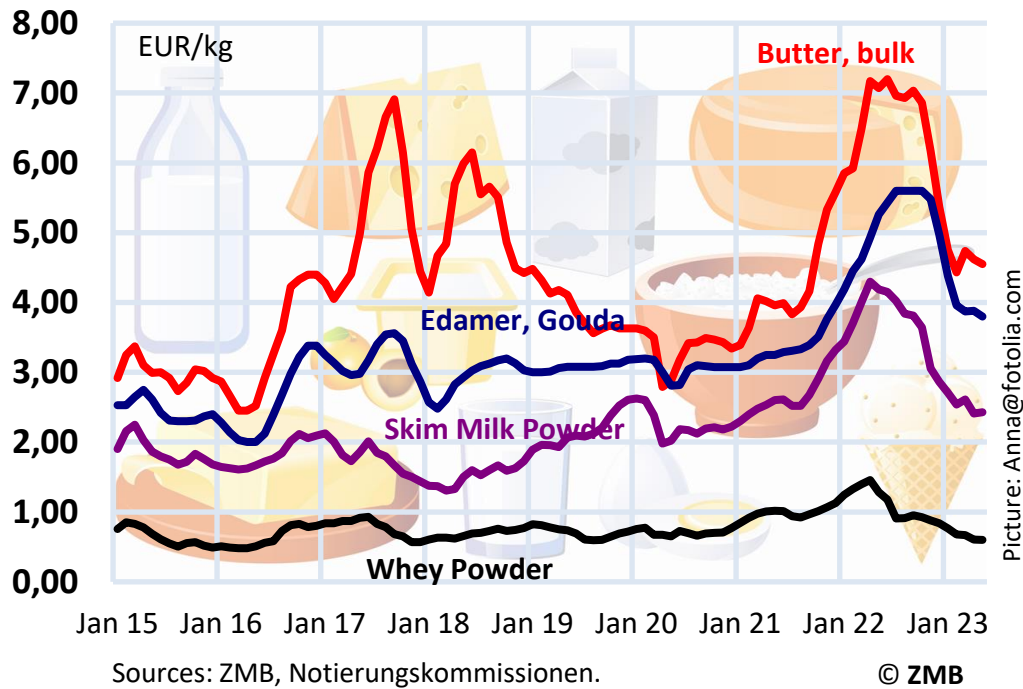
Prices of WMP are underperforming compared with butter and SMP

Whey-powder actually the weakest segment in the market

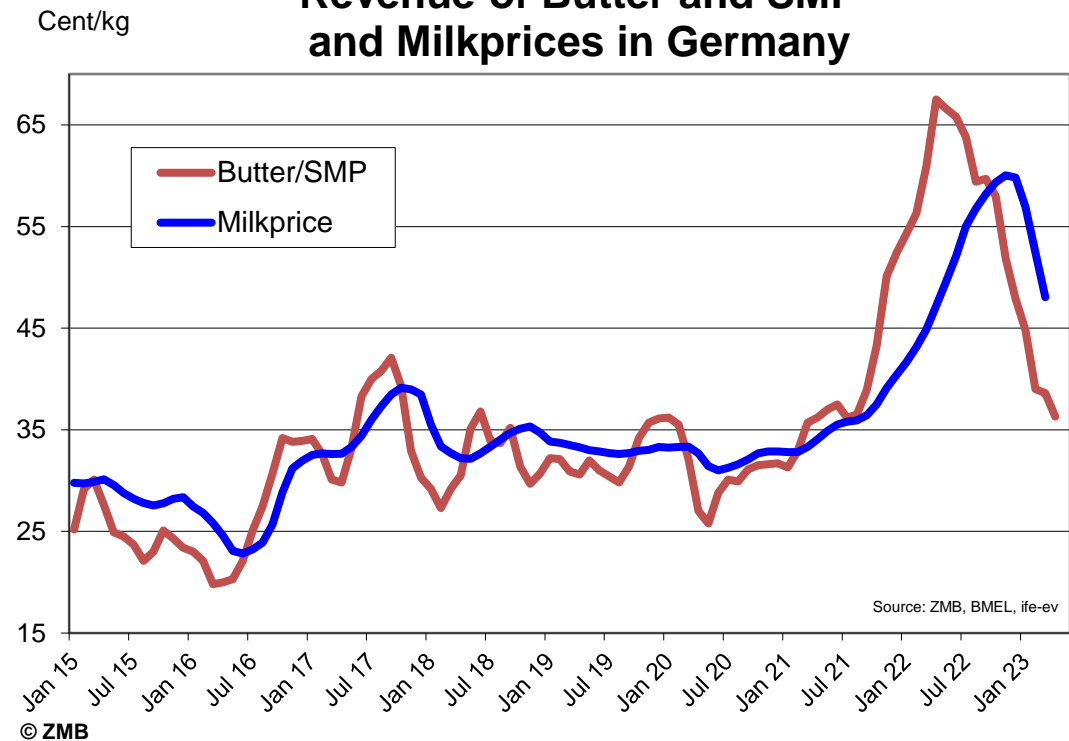


Have prices found their bottom?

Wholesale Prices of Dairy Products (Germany)



Revenue of Butter and SMP and Milkprices in Germany



Summary and outlook

- Prices of all dairy products corrected strongly after unknown records in 2022
- Prices are still higher than long-term averages except for whey
- Farmers in parts of Europe reacted on high milk prices with modest increases of milk production, while total supply of exporting countries didn't increase
- Demand reacted on high prices much stronger than supply:
 - Domestic: Retail-sales contracted, additionally consumers made cheaper choices. Food-service recovered from Corona-restrictions, but not to full extent
 - External: international demand and EU-export contracted
- **Weakness of recent months is a demand issue, not a supply issue**
- Actually signs of stabilization, export partly improved in the first months of 2023
- High uncertainties about supply and demand in the coming months

Thank you for your attention!

Monika Wohlfarth, Geschäftsführerin
ZMB Zentrale Milchmarkt Berichterstattung GmbH

www.milk.de

Monika.Wohlfarth@milk.de