



Euroopa Maaelu Arengu
Põllumajandusfond:
Euroopa investeeringud
maapiirkondadesse

Gira

What about dairy markets?

Christophe Lafougere

Estonia, 11th November 2020

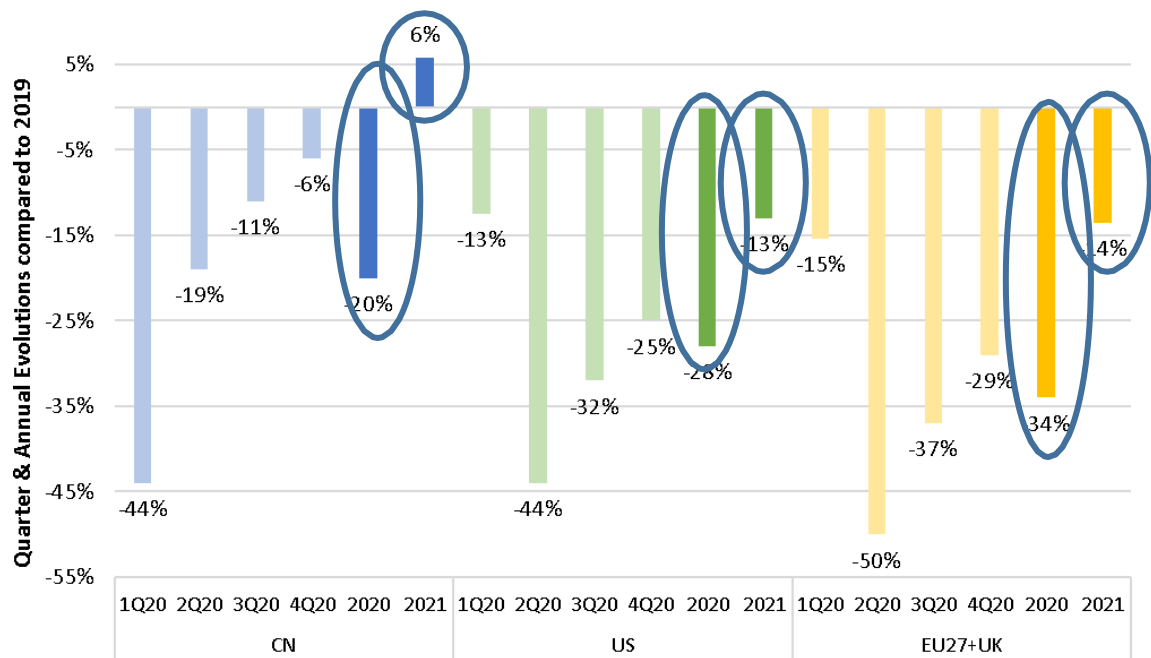
What has happened?

What could happen?

Foodservice recovery

Albeit slower than anticipated

Total FS Sales, 2020/19 and 2021/2019, CN, US, EU27+UK



Source: Gira compilations and forecasts

- **-30% in 2020** at a worldwide level
 - Largest loss in commercial FS – Full service restaurants
 - **70-90%** of total FS sales
- **Total FS recovery will take time**, different for each segment
- **QSR expected to recover first**, long lag for full service

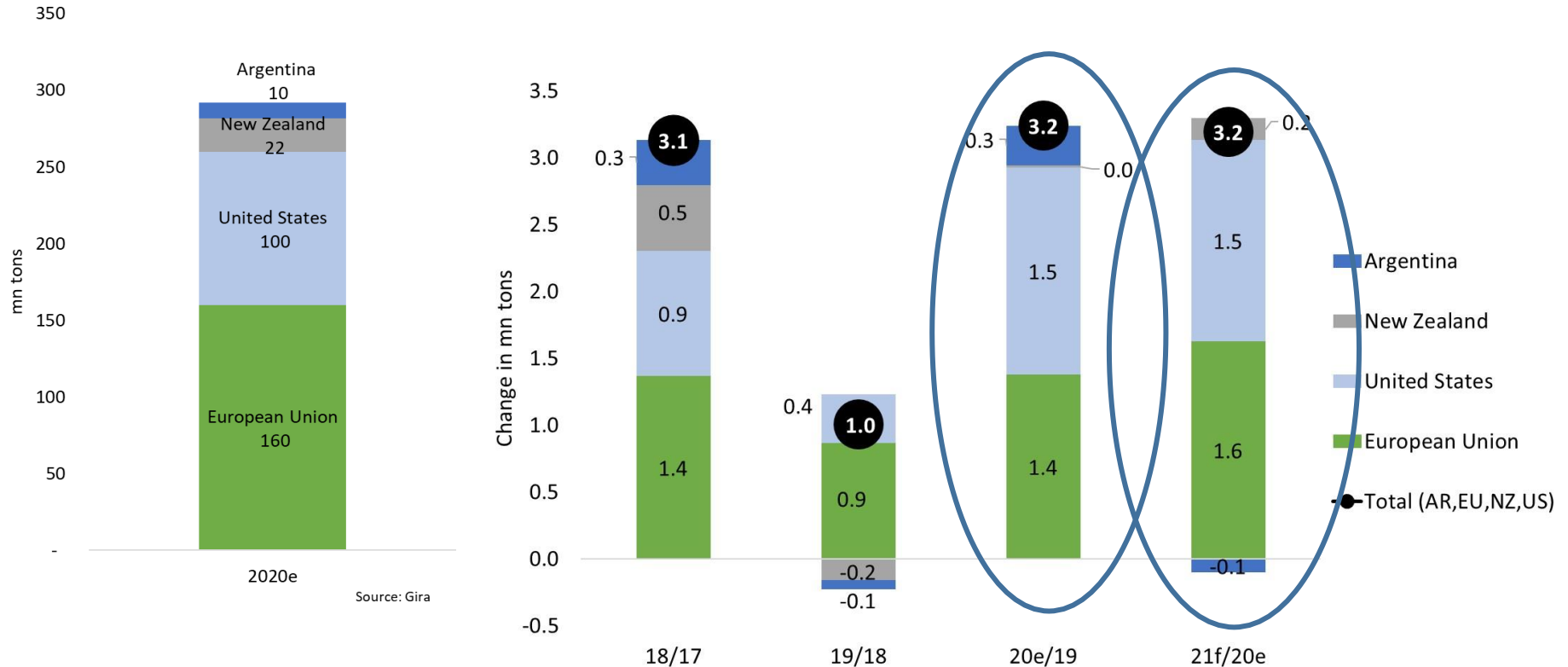
What about milk collection?

Milk Supply 2020e and 21f

Uninterrupted milk supply in 20e and should continue growing in 21f



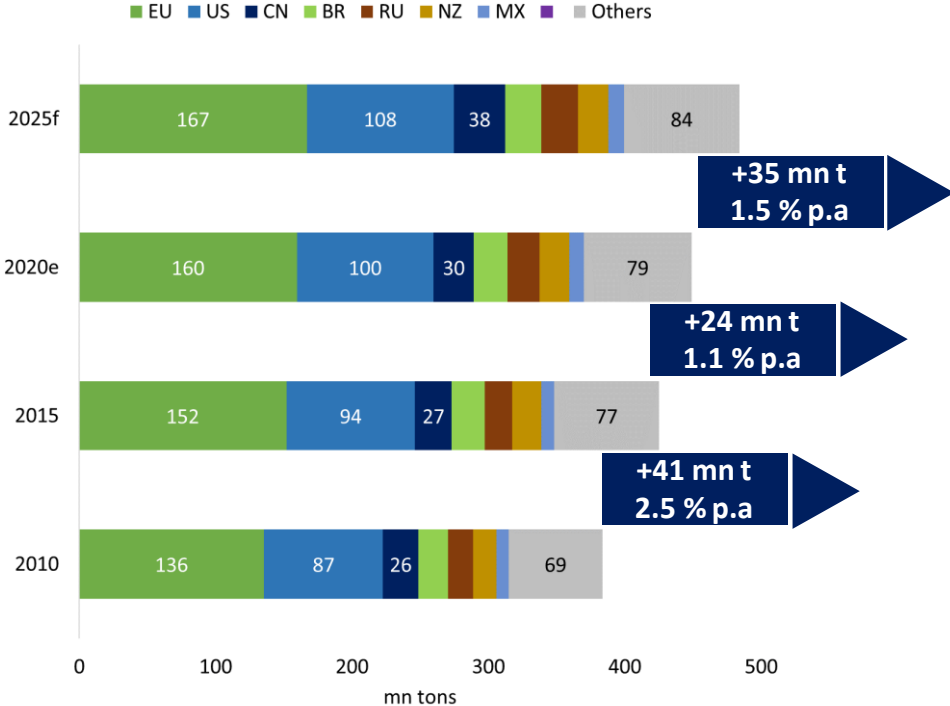
Milk Collection: EU, US, NZ and AR



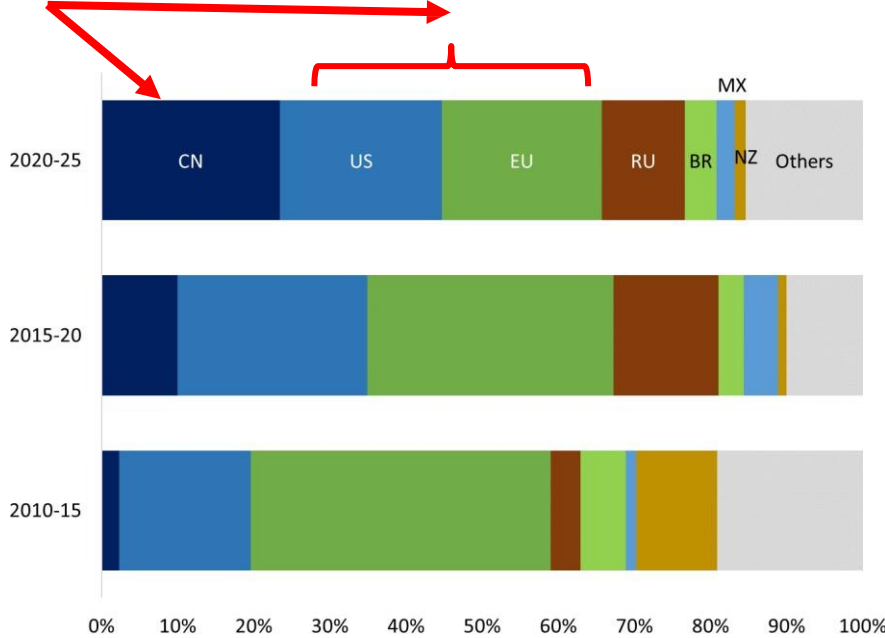
Source: Gira

Source: Gira

Milk Collection, 2010-25f



Countries Contribution to the Vol Changes

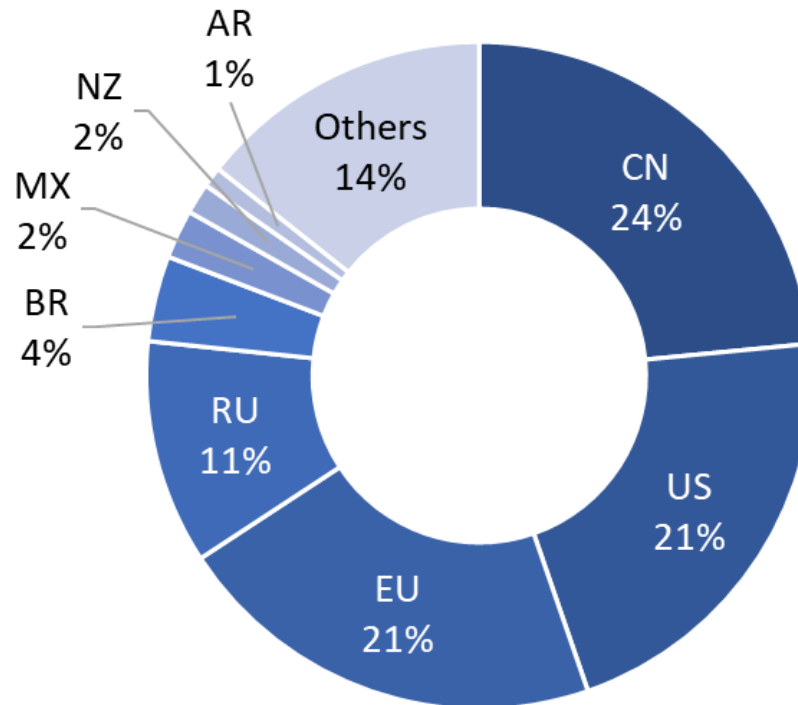


Source: Gira

Total (GDC countries) Milk Collection, excl. IN& PK

China will be the largest contributor

Countries Contribution to the Vol Changes, 2020/2025



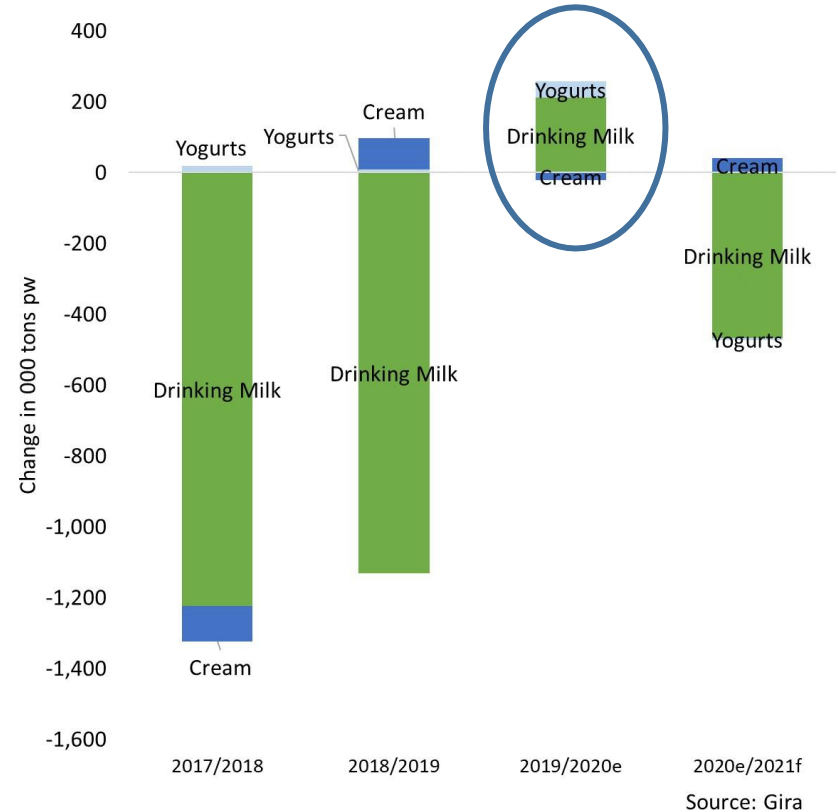
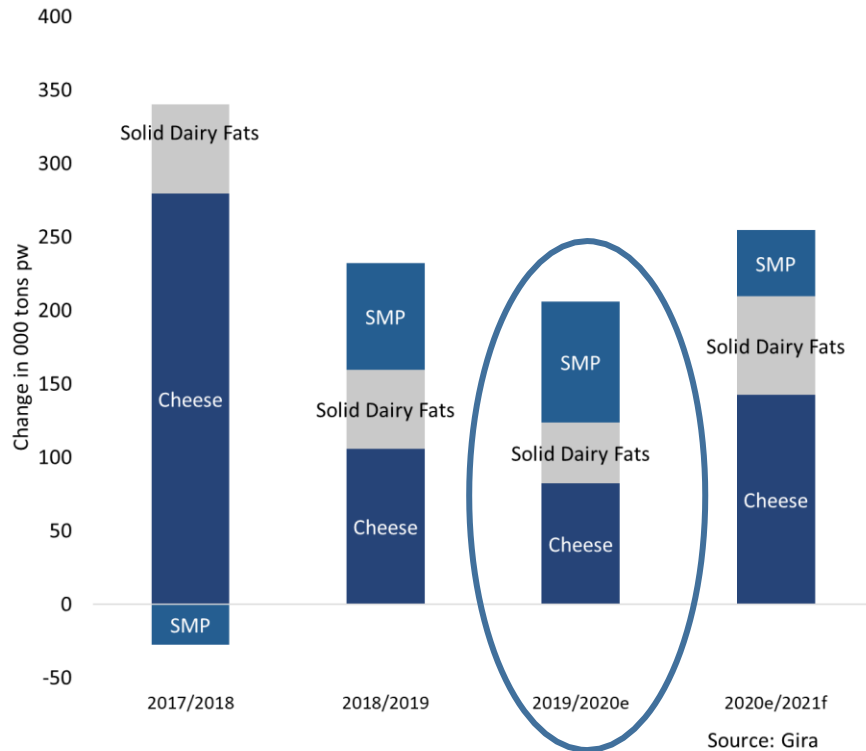
What are we going to do with that milk?

Dairy Production EU and US

Lower growth than last year for cheese but... drinking milk is now +ve



Dairy Product Production, 2020e and 21f



Source: Gira

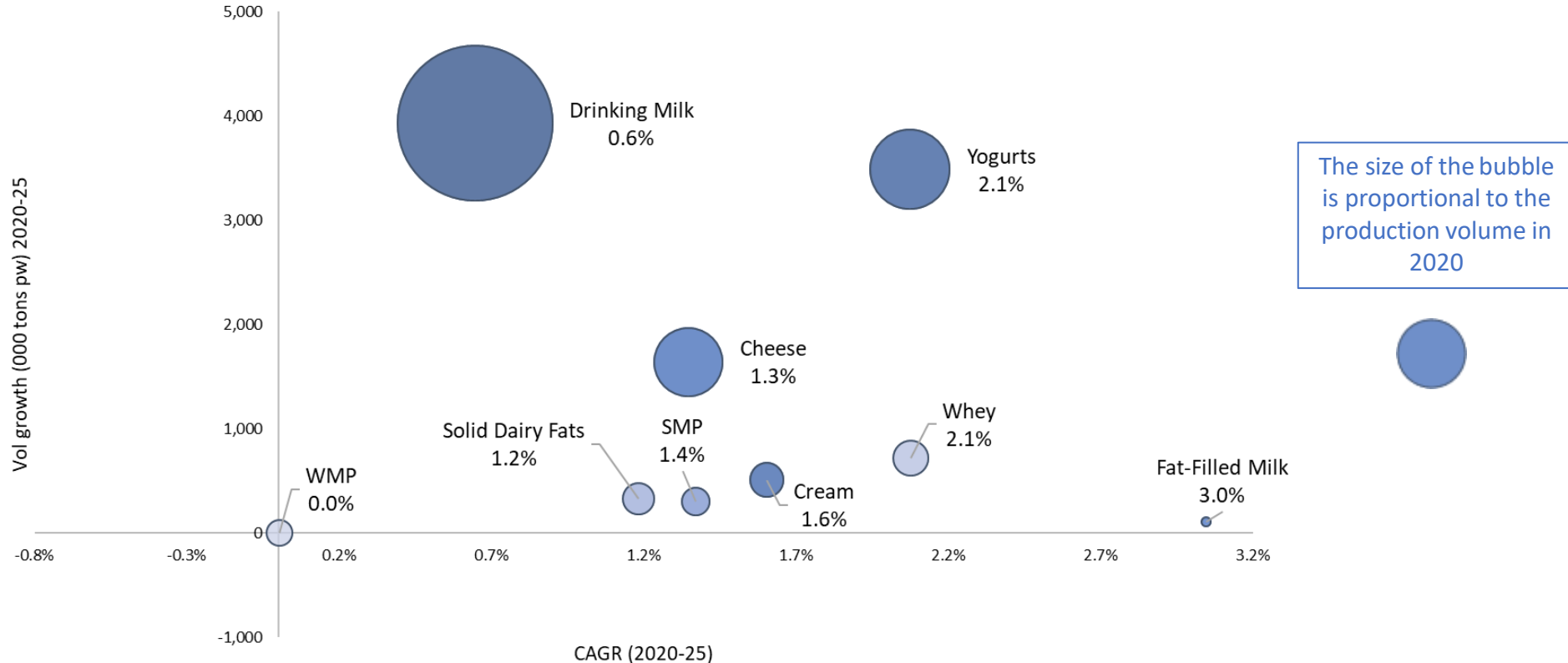
Source: Gira

Production growth by main product categories

Drinking milk is the only product with limited growth for the future



Production Growth in GDC Countries (excl. India & Pakistan) 2020-2025



Source: Gira

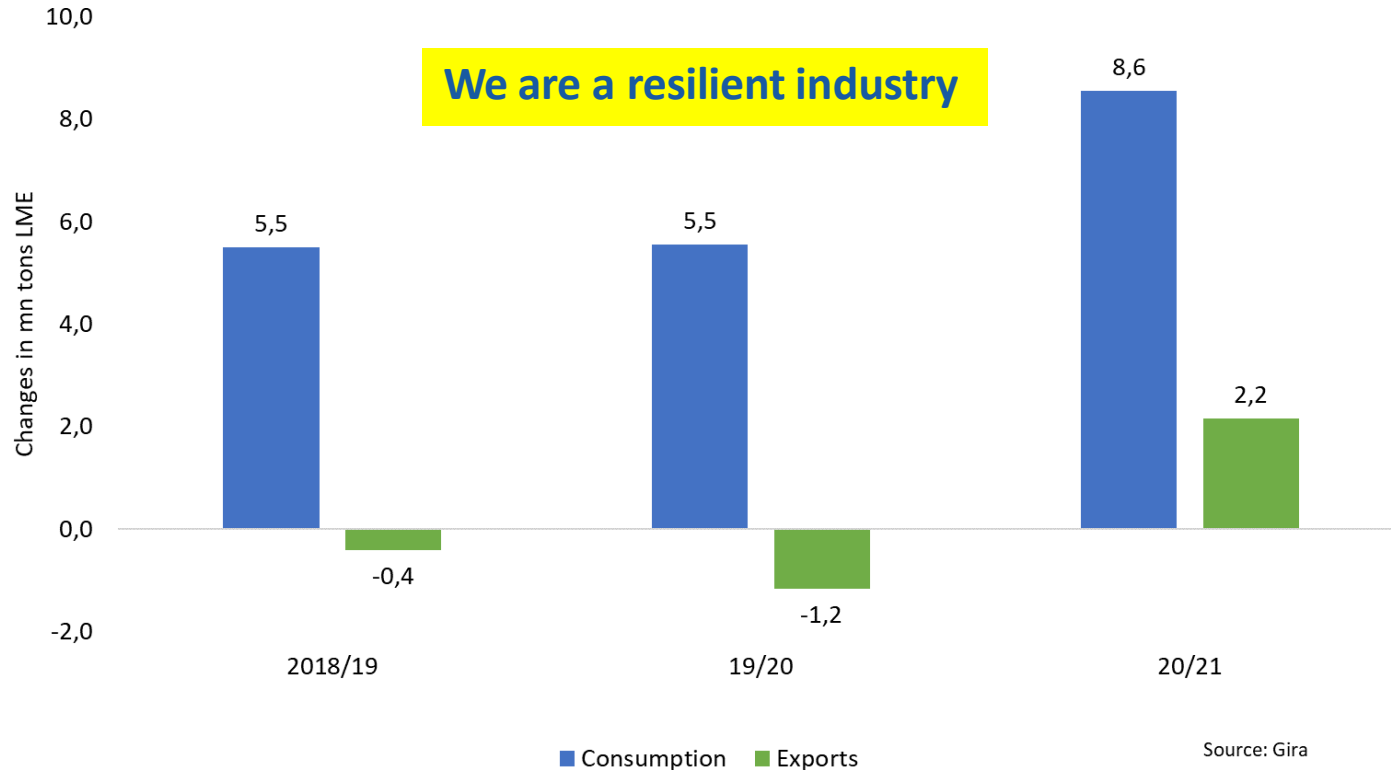
Consumption Growth by Product and region

Dairy Consumption 2020e and 21f

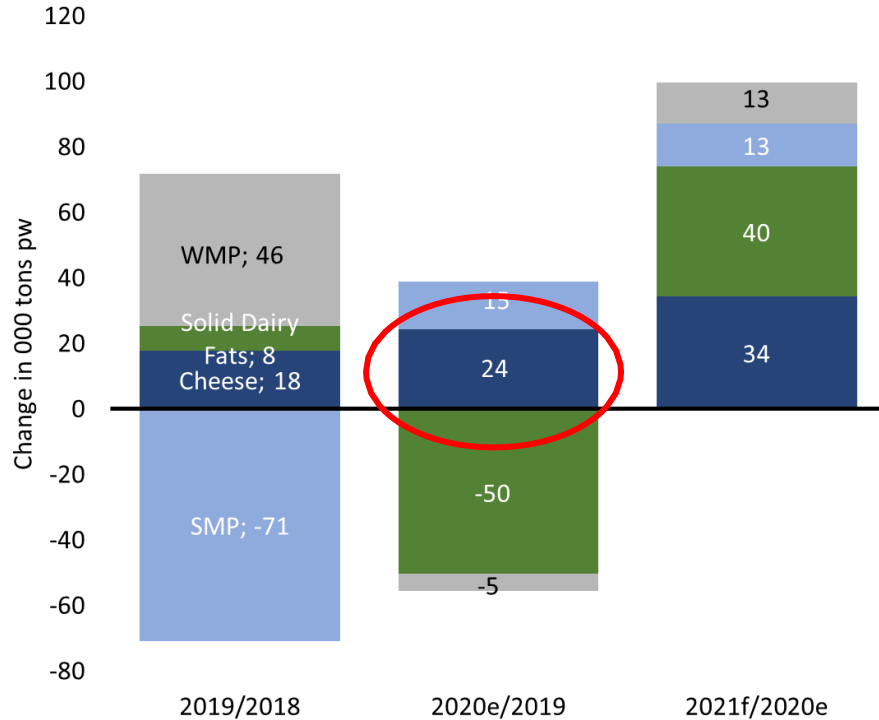
2020 apparent consumption: 434 mn t LME; exports: 76 mn t LME



Apparent Consumption and Export Vol Changes, excl. IN & PK

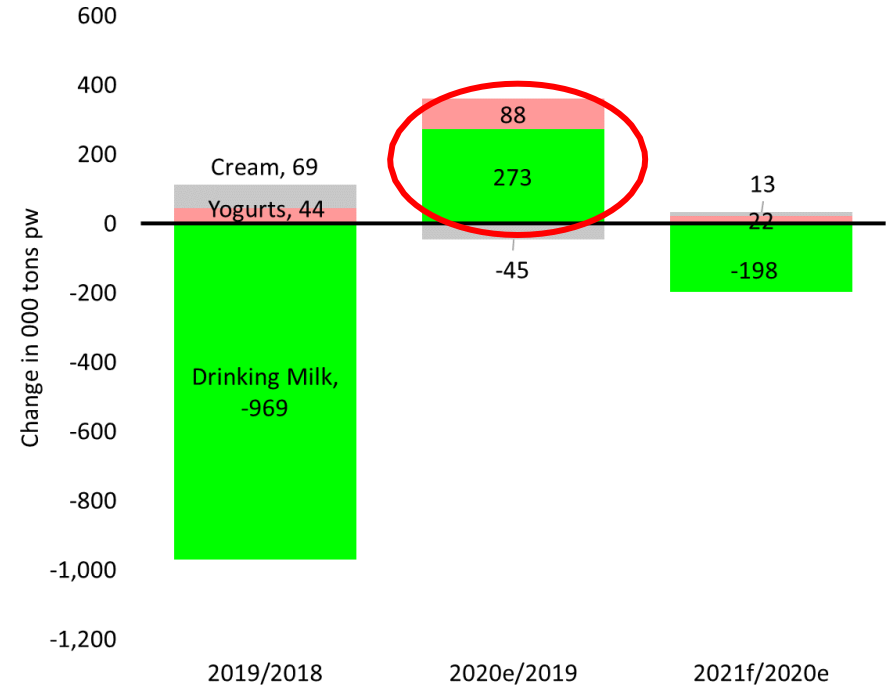


Dairy commodities consumption change



Source: Gira

Fresh dairy consumption change

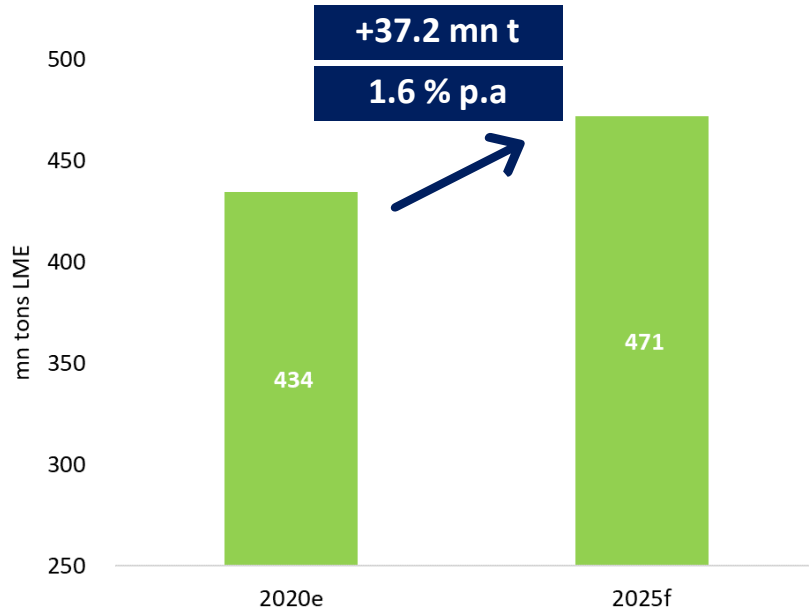


Source: Gira

Dairy Consumption by Region

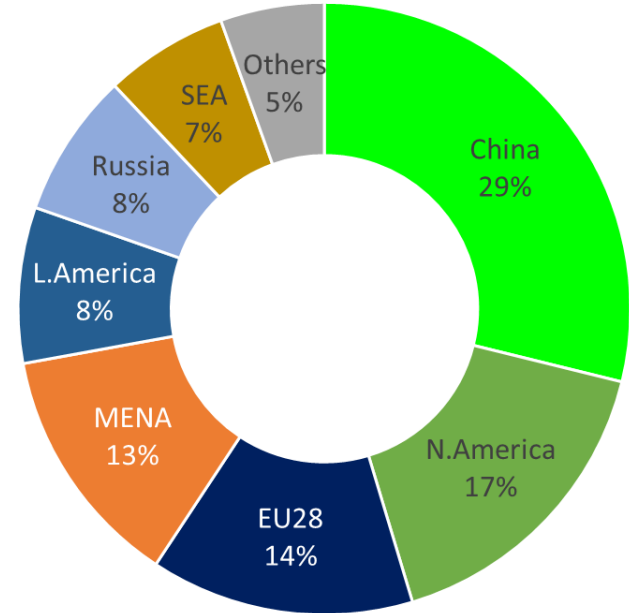
China should remain the fastest growing region in midterm

Dairy consumption 2020e-25f, excl. IN & PK



Source: Gira

Region contribution to the midterm growth



Source: Gira

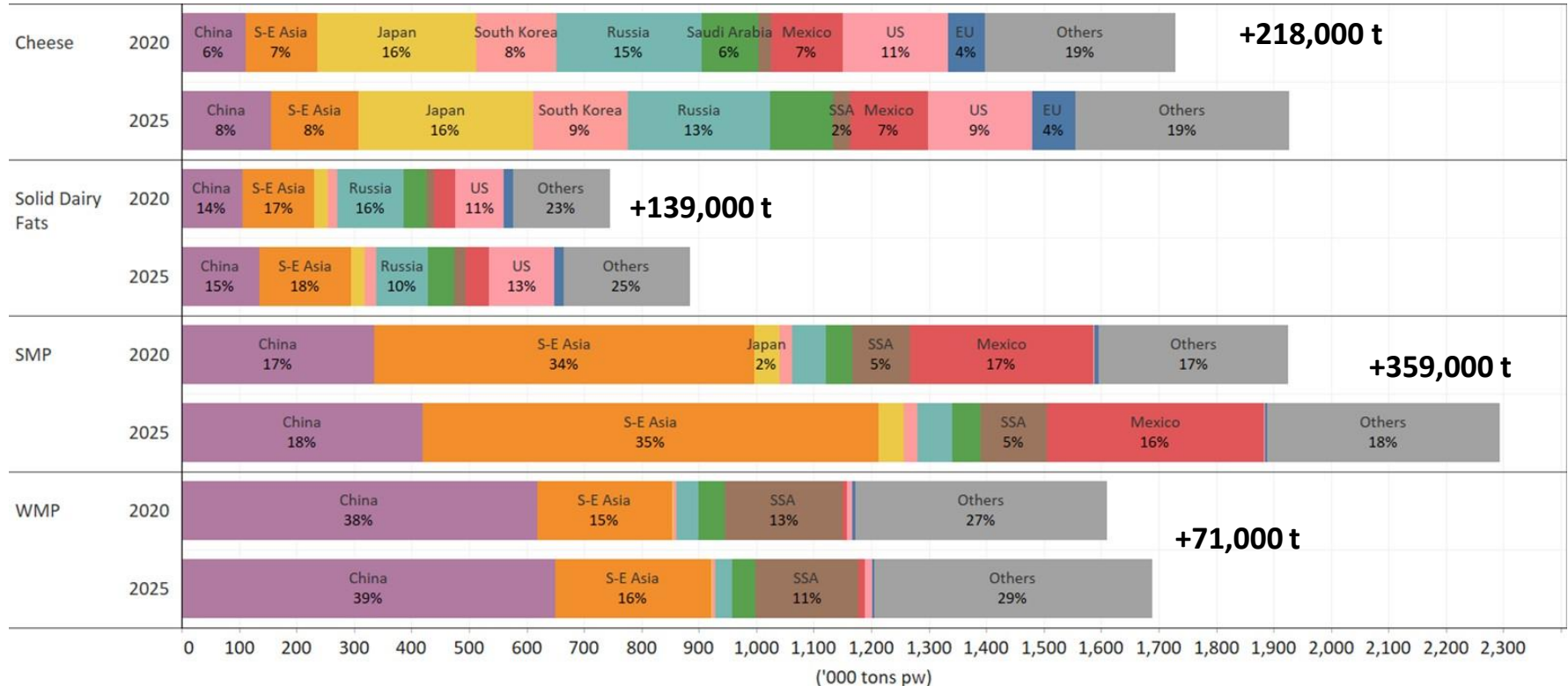
What about trade?

Commodity Imports: Continued Growth

Cheese and SMP imports to be key growth products



Dairy Imports by Commodity and by GDC Country , 2020e-2025f

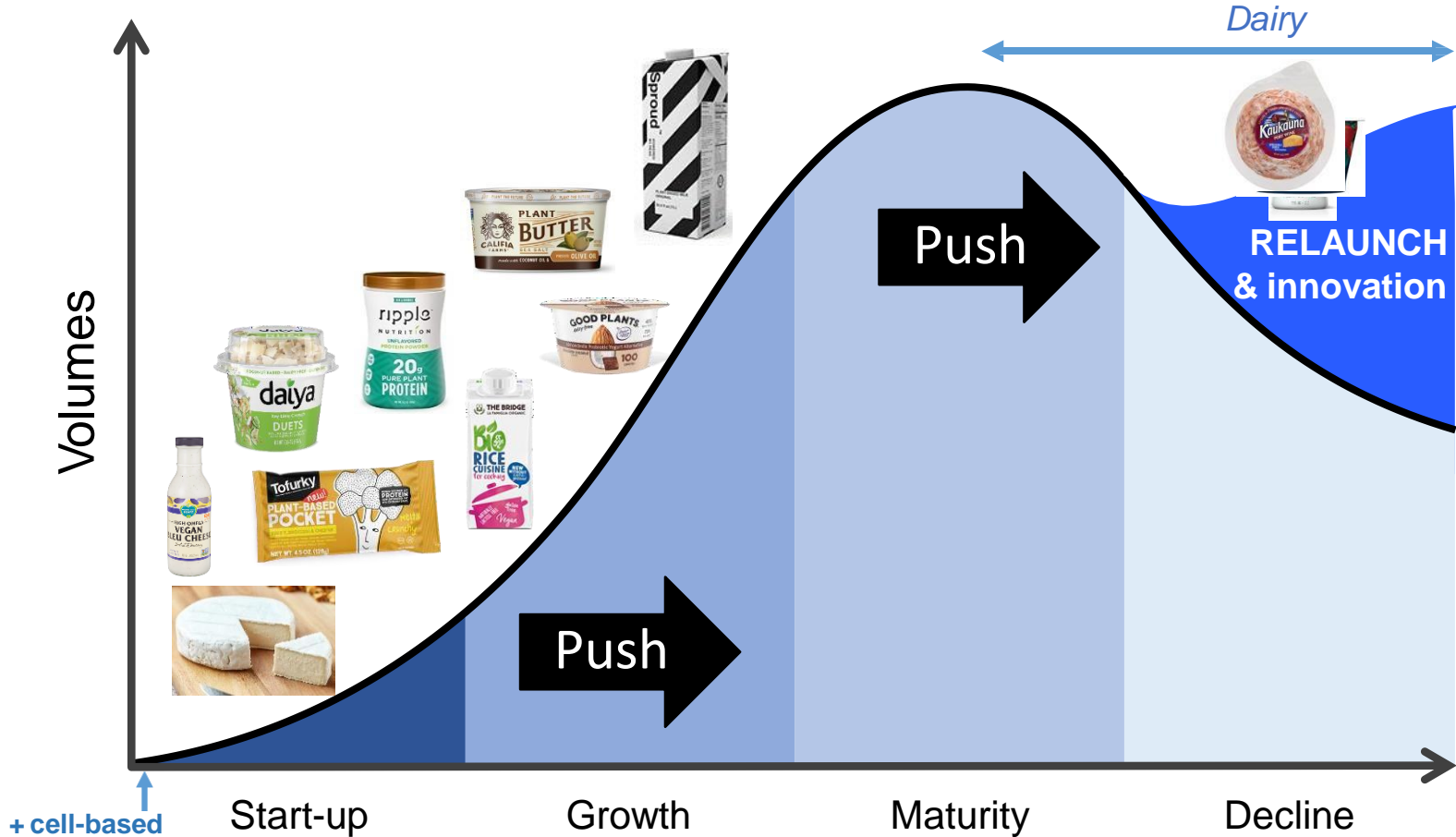


Source: Gira

What are the Key Dairy & Plant-Based Trends ?

Dairy & Plant Based on the Product Lifecycle Curve

Sitting at different ends of the spectrum; more need for dairy innovation



6 Major Drivers of Change in the food Sector

Health through food is accentuate by the current crisis



Six Global Game Changers

Source: Healthy marketing team



PEOPLE

Are getting more, Older & Wealthier



PRODUCTION

With Natural & Transparent Processes



FOOD

For Health & Wellbeing



RESOURCE

Are getting Scarce



TECHNOLOGY

Empower Consumers



SCIENCE

For a Smarter Future

Dairy Health benefits



Bones health

Calcium



Obesity

Low fat
Low sugar



LACTOSE FREE

Lactose intolerance

Lactose free



Digestive health

Prebiotic
Probiotic
Fibers



High protein

Weight management
Muscle maintenance
Better nutrition

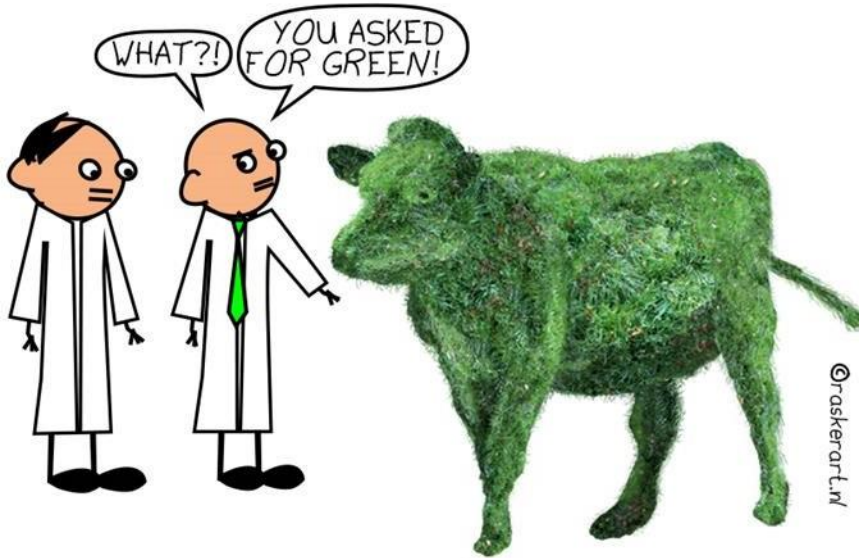


Immunity boosting

Lactoferrin & vitamins

Increasing Preoccupations Concerning Sustainability

Consumers looking for eco-conscious and sustainable consumption



- 55% of consumer are **willing to pay more** for goods and services sustainably produce
- 41% say environmental concerns have become **more important since the Covid**
- Regularly attacked for its **environmental impact** and accused of **greenwashing**
 - Dairy must **gain its spurs**

Increasing Preoccupations Around Sustainability

Will have impacts on the EU dairy sector

1) Increasing number of initiatives

Best practise guides



BE- The Dairy Sustainability Solution



FR - Low Carbon Dairy Farm initiative



NL - The Environment & Climate Dashboard

2) Around a wide pallet of commitments



Carbon footprint



Water use



Waste



Energy



Animal welfare



Nutrition



Responsible sourcing



Farmer incomes

3) Movement toward quality

Quality and added-value instead of quantity



Organic

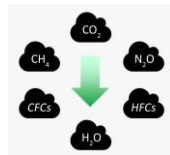
Pasture based



COV-WELFARE
healthy cows are profitable cows

High animal welfare standards

Environmental pressures



a) Lower growing volumes

EU-27: **+0.9% p.a.** in milk collection between 2020e and 2025f

Compared to **+1.7% p.a.** over the last decade



But:



High-quality standards

Higher costs



Dairy Companies Multiplies Commitments

But environmental impact remain a source of opposition and worries

➤ The Institute for Agriculture & Trade Policy:

- Increasing GHGs of the top 13 global dairy companies between 2015 and 2017

➤ The Institute for European Environmental Policy:

- Urgent need for further cross-sector collaboration for the dairy industry to develop sustainably and ethically

➤ The Dairy Sustainability Framework & FAO:

- “Dairy farmers are already **part of the solution to limit climate change**, but there is an **urgent need to accelerate and intensify** the sector’s response to avoid climate tipping points”.

IATP Report; June 2020



Main Conclusions

Fundamental Global Industry & Consumer Attitude Shifts

Several existing and new themes to be accelerated by COVID-19



✔ **C-19 emphasised fallibility of supply chains**

- Increased scrutiny of the entire food supply chain
- Integrated supply chain model to gain more weight?

✔ **Channel shift and e-commerce; retail and FS**

✔ **Health link with food**; to be accelerated by C-19, albeit with initial bifurcation of the population

✔ **ESG / Sustainability**: impacts supply chain and consumer behaviour

✔ **Protein alternatives**... further momentum from COVID-19, with investment to increase further

✔ **Lowered valuations; M&A opportunities**; which growth avenues could you pursue?

✔ **Corporate structure changes to favour agility**

- Flexibility in the business becomes more important
- Technology implementation through the chain
- NPD + time to market, + reduced supplier alignment

These largely add cost through the value chain; companies must be proactive in addressing these

As a conclusion:

The only thing guaranteed is uncertainty!



Covid-19 Issues:

- 2nd wave of infection
- Medical treatment
- Vaccine
- Further movement restrictions

Economics:

- Variations to GDP outlook
- Unemployment levels
- Food service recovery
- And Brexit
- And

Thanks for your attention
Any questions?

Should you require more information, please contact:

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