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Gira

Dairy Market situation and key trends

General economic environment and bio-economy

By

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Milk Forum, 12th of May, 2021

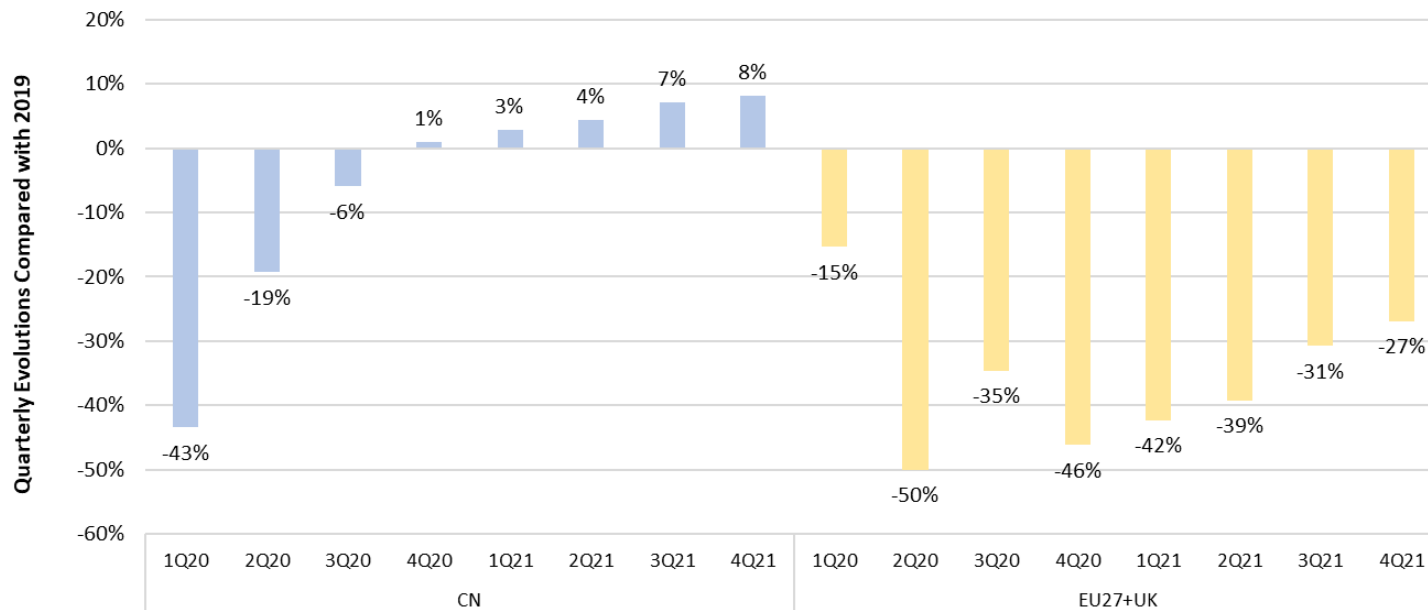
Some key trends for 2021

Foodservice Recovery

“in the EU, 2021 will be better than 2020” but...

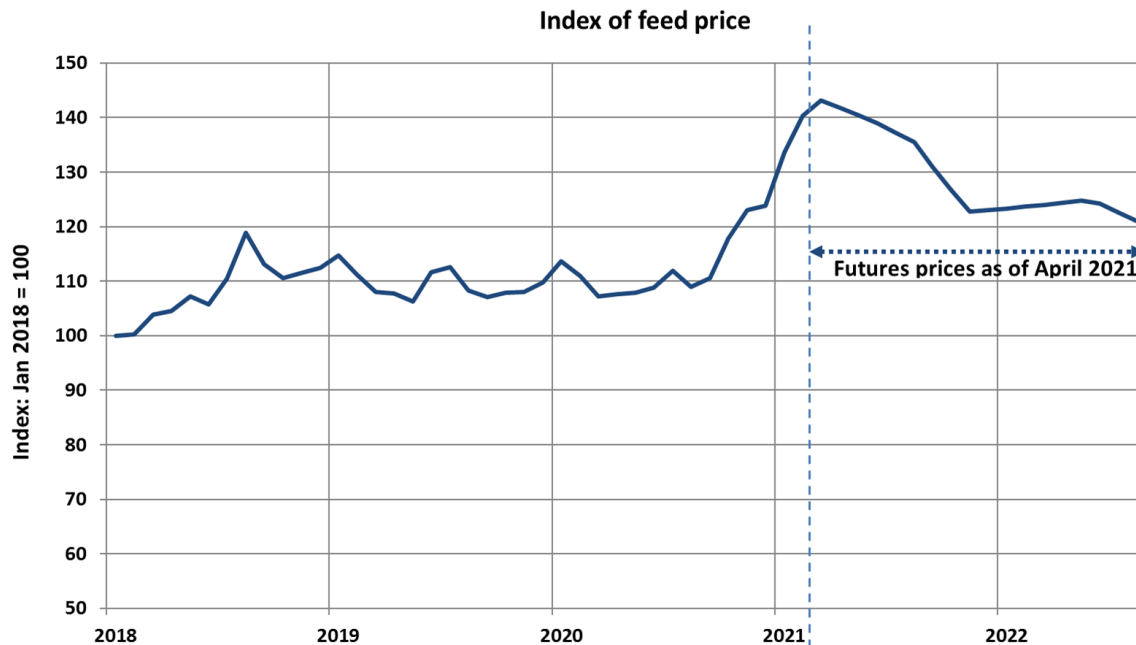


Total FS Sales, 2020/19 and 2021/2019, CN, EU27+UK



Source: Gira compilations based on industry feedback

Gira Index Feed price - April 2021



Source: Gira based on MATIF

Index is assuming maize price impact of 80%; Rapeseed impact of 15% and wheat impact of 5% on dairy ration cost.

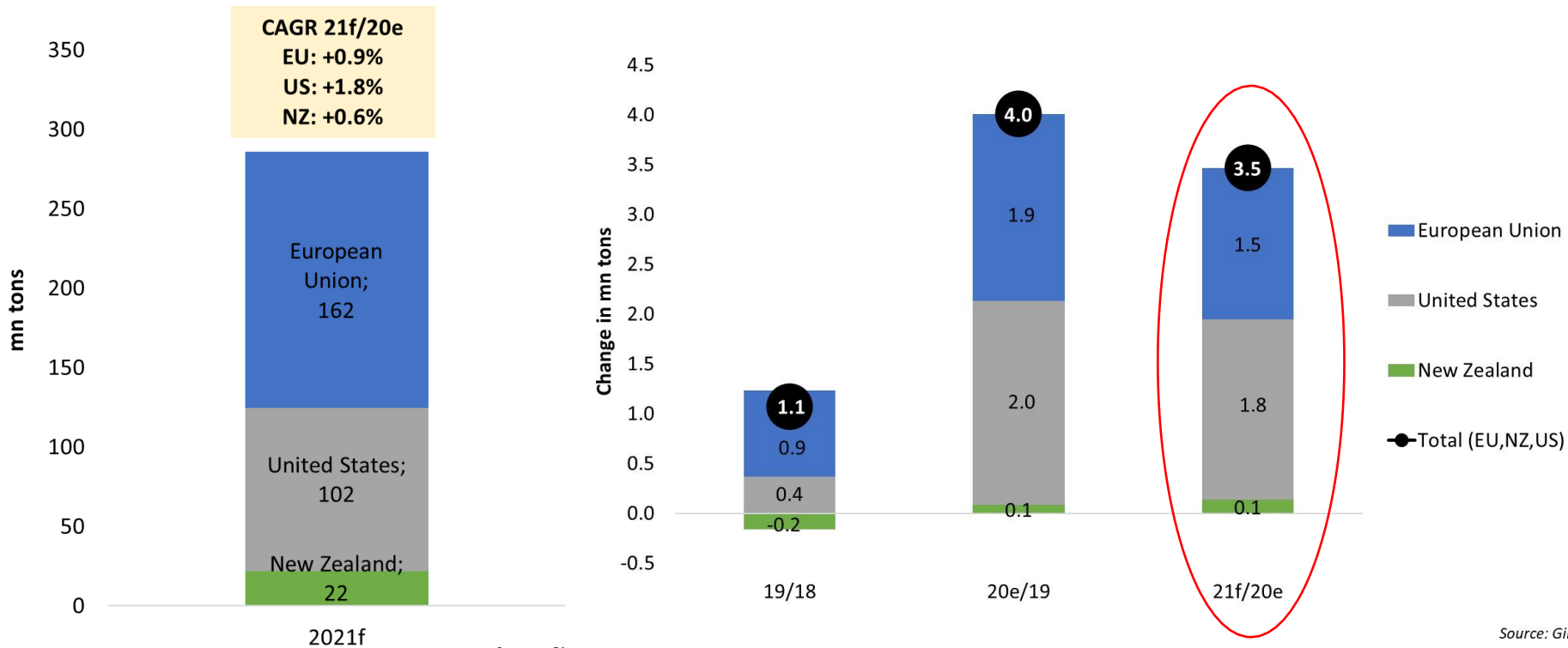
What is happening at world level?

Milk Supply 2019, 2020 and 2021

Slight slowdown compared to 2020, but still sustained milk supply



Milk Collection: EU, US, NZ

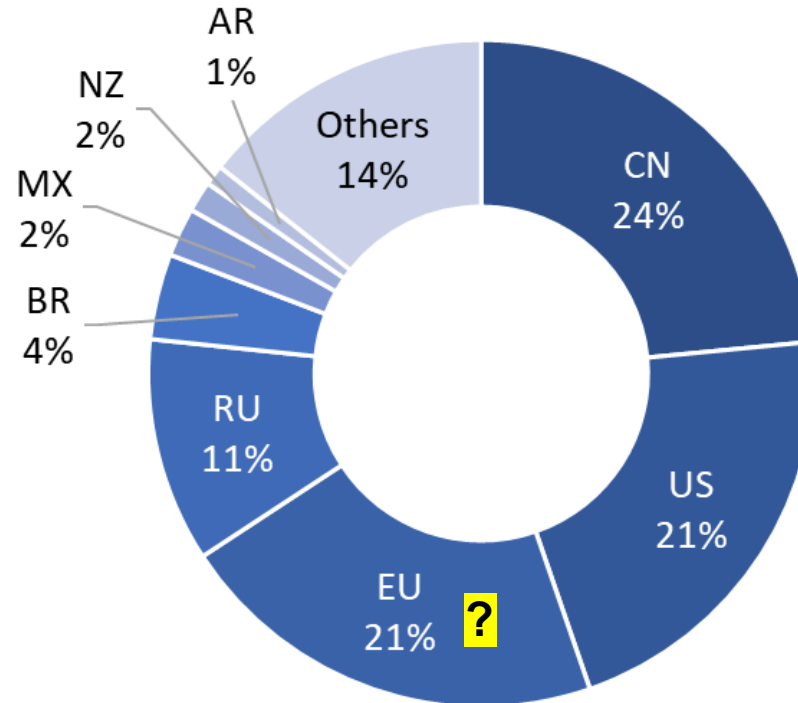


Source: Gira

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

China will be the largest contributor but what about the EU?

Countries Contribution to the Vol Changes, 2020/2025



But what is happening in the EU?

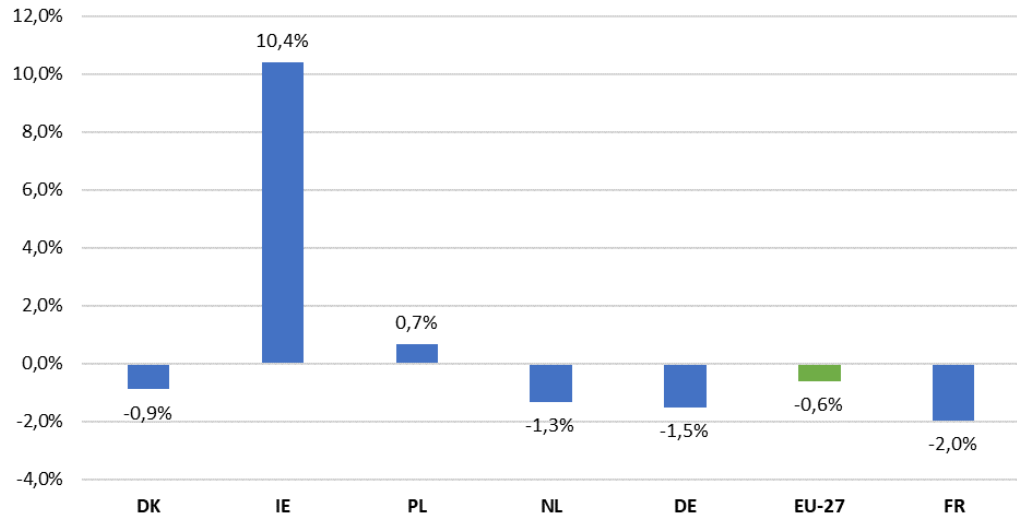
EU27 milk collection still below 2020 by 0,6% for the first 3 months

Except IE, all other countries are below 2020



Milk collection 2021/2020*

Milk collection growth 2021/2020*

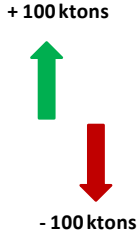
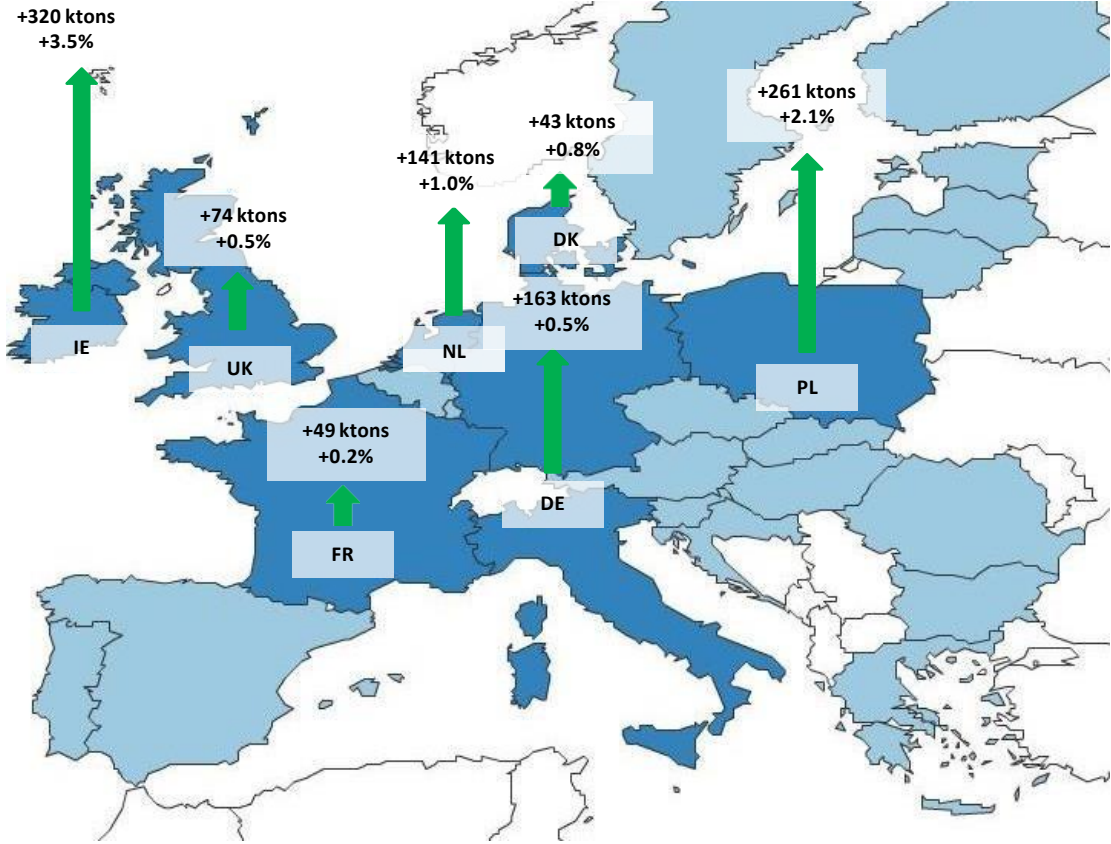


* end of February for DK, end of March for IE, PL, NL and EU; end of April for DE and FR

Source: Eurostat, FranceAgrimer and Milchland Niedersachsen





Milk Collection Growth in the EU-27+UK, 2021/2020

+1'521 ktons in EU27+UK (+0.9%); IE and PL still dynamic



What's next? 2021 Forecasts in the EU

The balance between SMP/butter and cheese will depend on foodservice

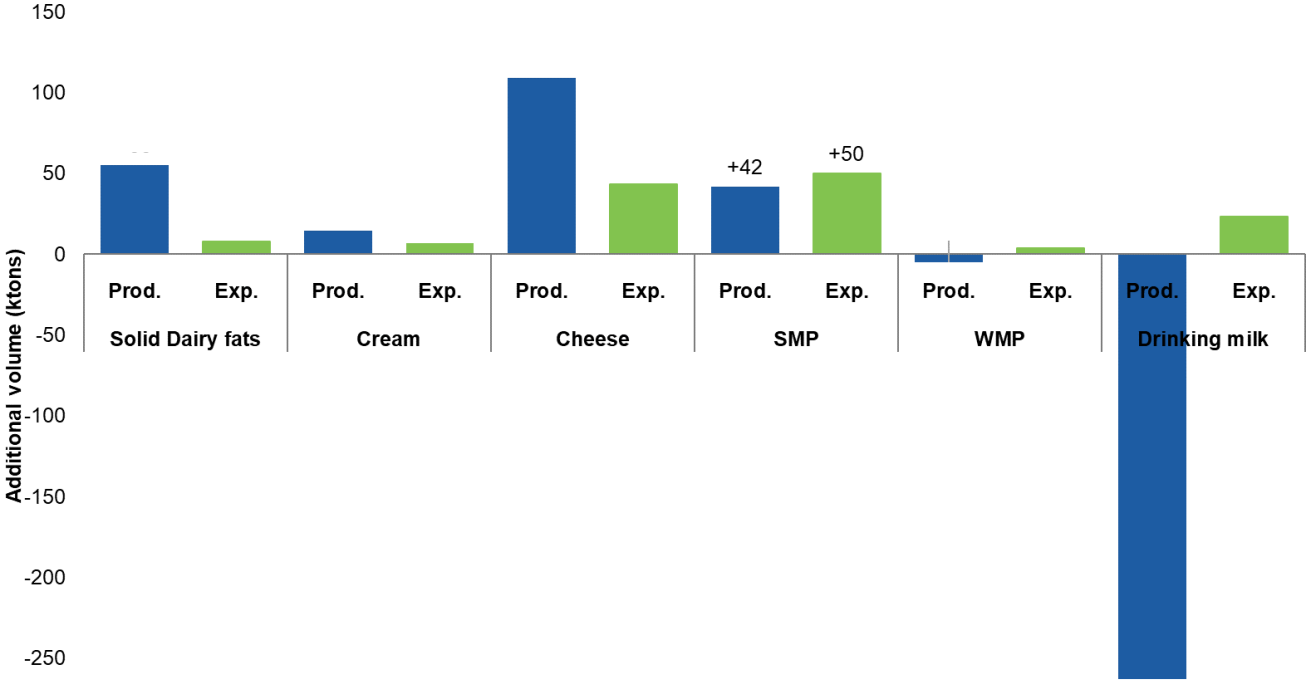
2021f/2020	Production	Stocks	Exports	Consumption
	↗ +0.9% ?			↘ Retail sales
	↗ +1%		↗ +4.6%	↗ +1.1%
	↗ +2.2%		↗ +3%	↗ +1.9%
	↗ +2.5%		↗ +6.1%	

Dairy Production and Exports 2021 in the EU 28

Production will be mainly driven by exports and by milk availability...



Apparent Production and Export Vol Changes (20/21e) in the EU



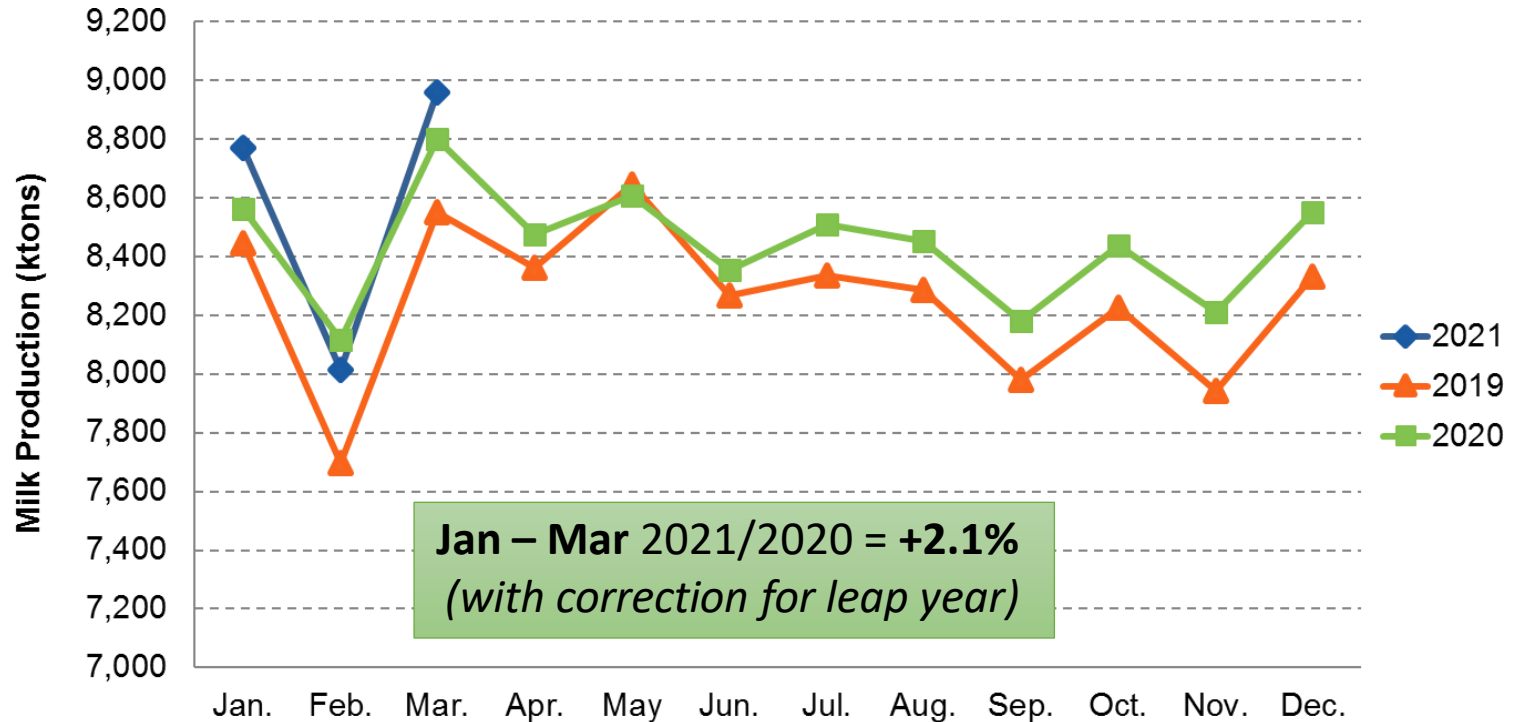
Source: Gira based on Eurostat and Comext

Focus on the US

Milk Production

Strong expansion in the first months of 2021: +2.1% 21f/20 (+2.2% 20/19)

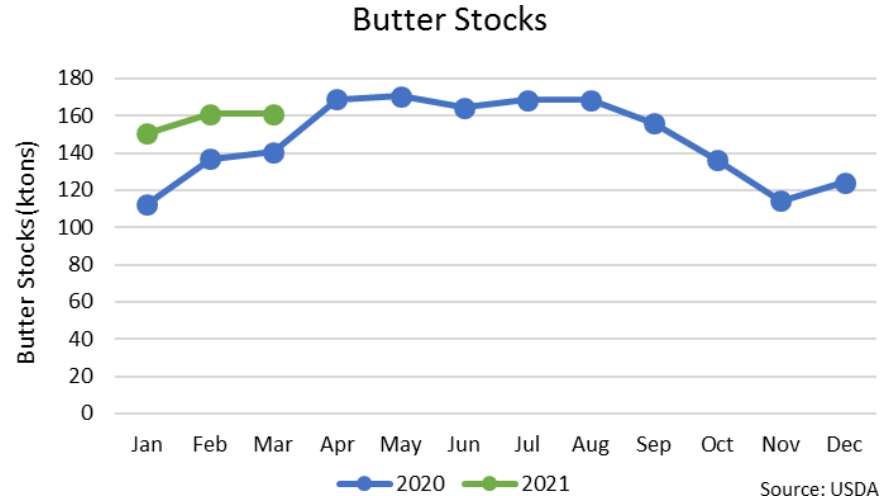
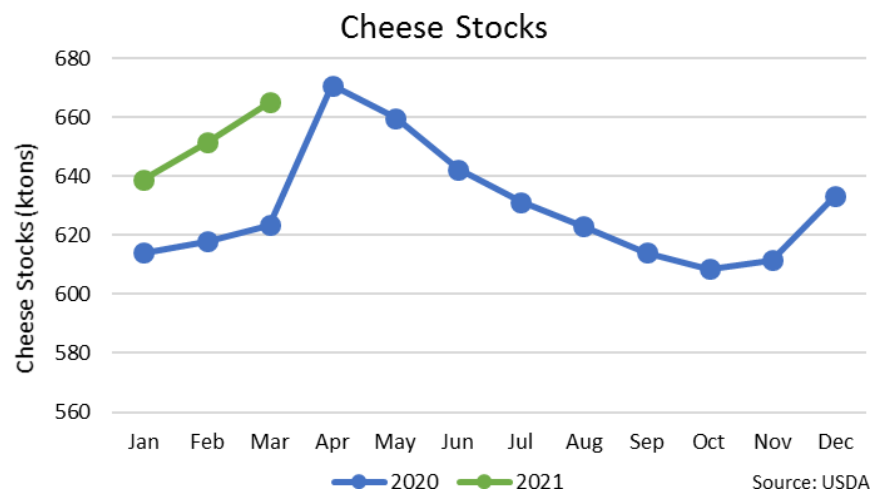
Milk Production, 2019-2021



Source: Gira based on USDA

Cheese & Butter Stocks

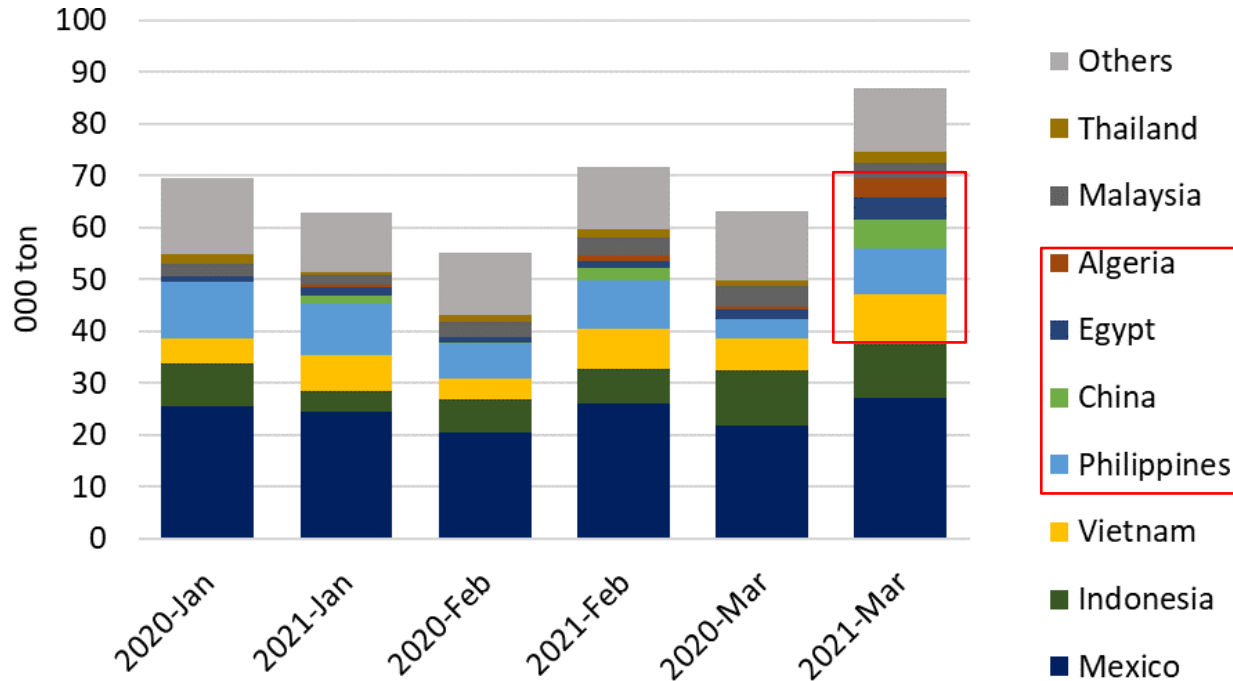
High again at the beginning of the year, difficult to balance the market



US SMP/NFDM Export: really growing

The US exports are replacing EU. Watch out

SMP export, Jan-Mar,2020 - Jan-Mar,2021

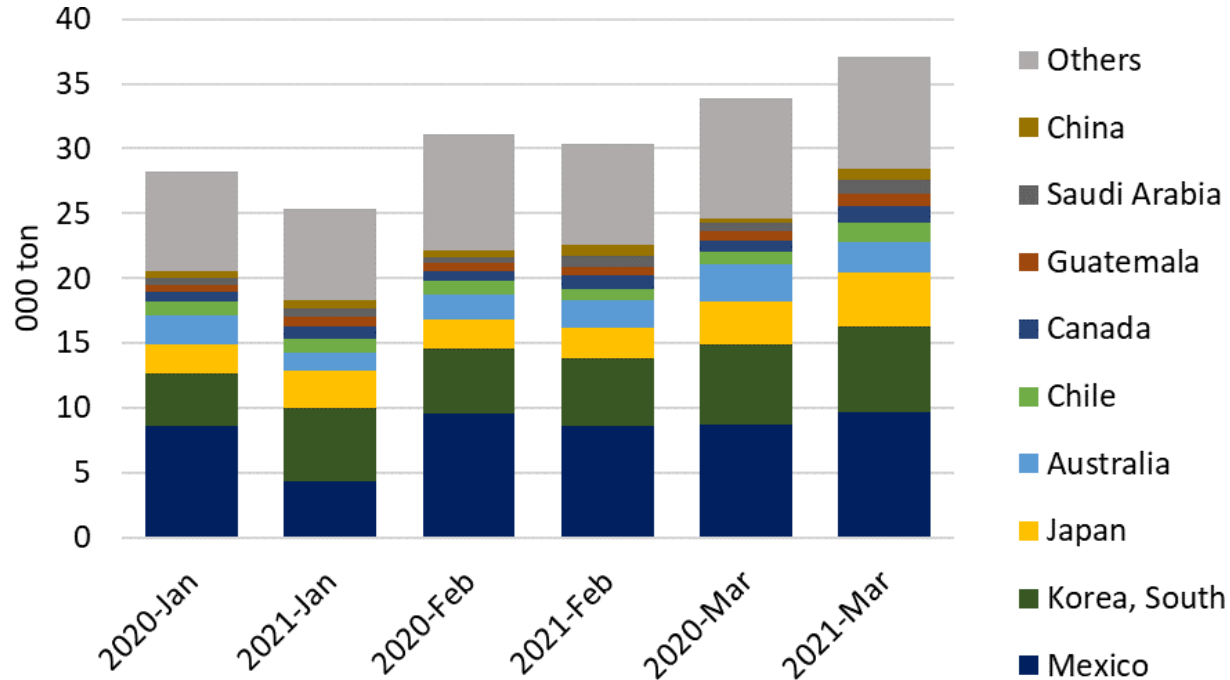


Source: Gira based on IHS markit

US Cheese Export: also growing

Mexico is starting to get back from March

Cheese export, Jan-Mar,2020 - Jan-Mar,2021



Source: Gira based on IHS markit

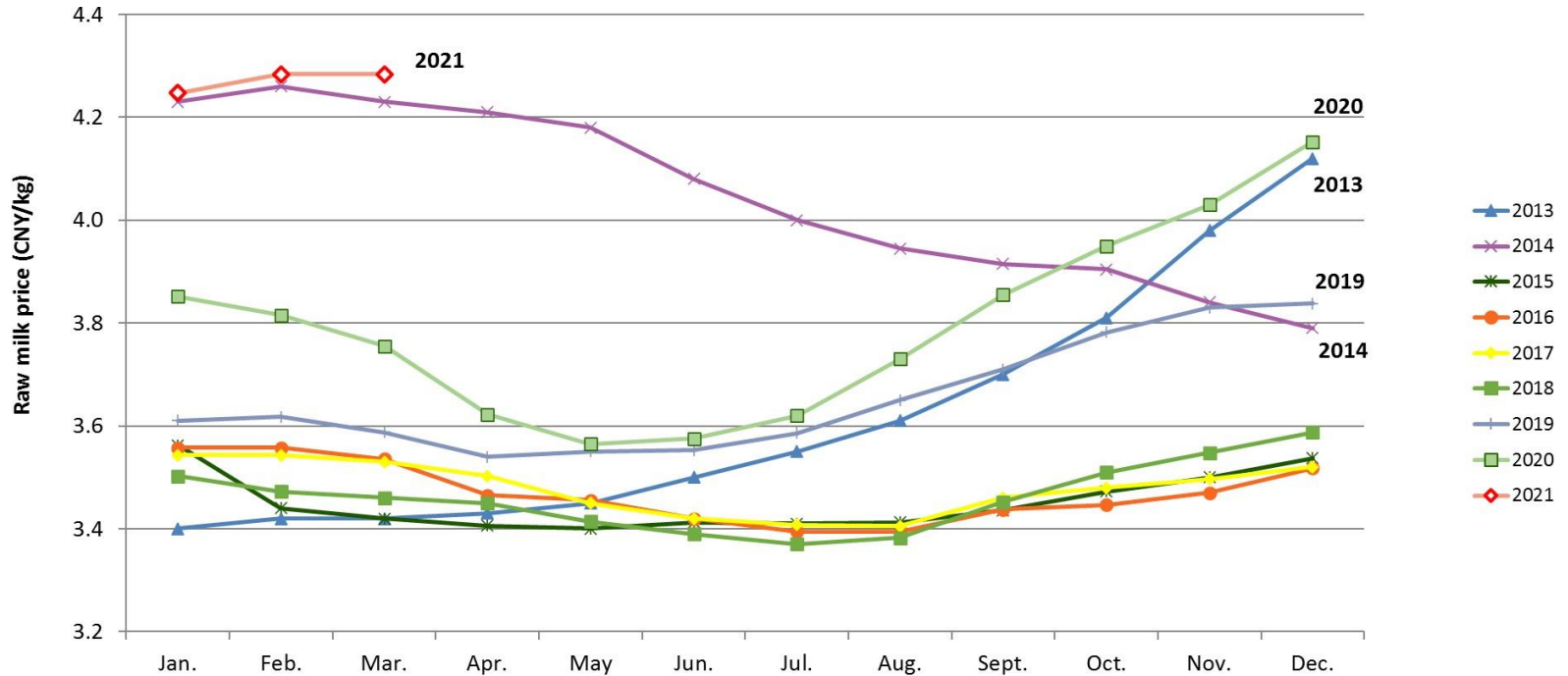
Focus on China

Soaring milk prices in China since 2019

Driven by rising costs and solid demand



Chinese raw milk monthly average producer prices (without deflation), 2013-2021



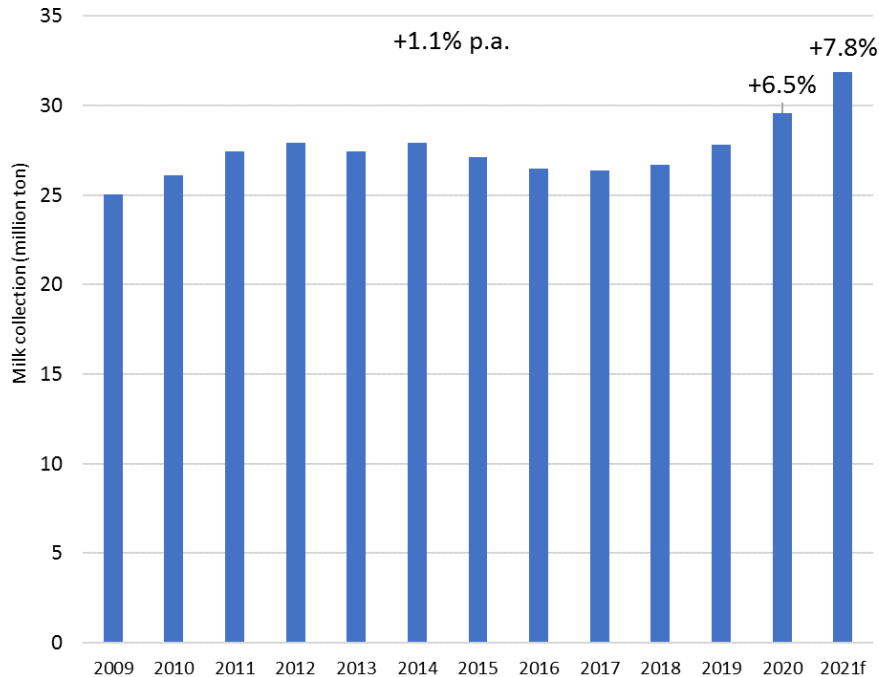
Source: Gira from Ministry of Agriculture of China

2021 Supply Projections

Consumption growth may not keep up with supply growth

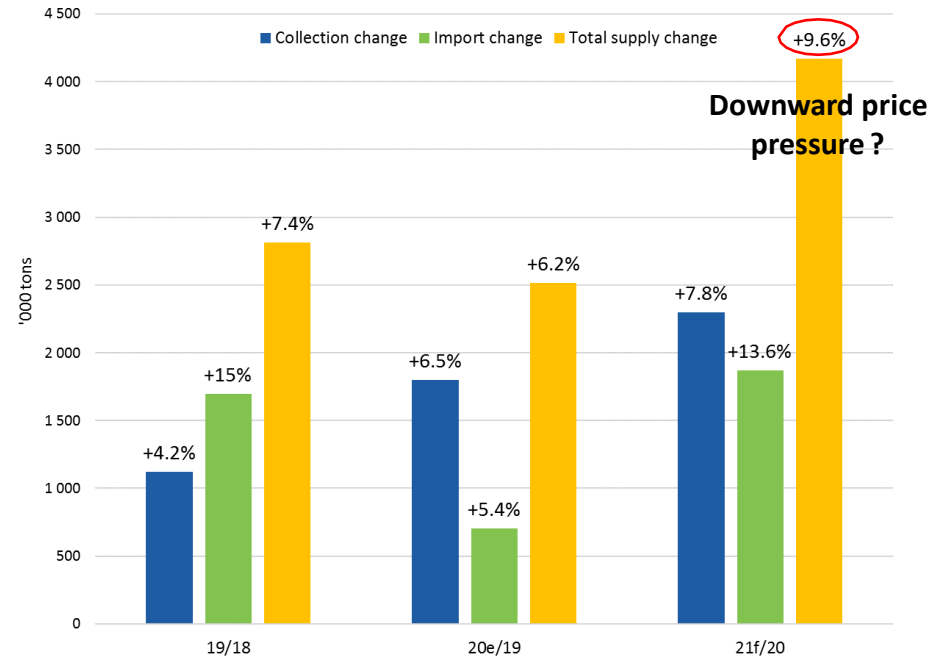


Milk Collection, 2009-21f



Source: Gira estimation & forecast based on NBS & MOA

Milk Collection, Imports & Total Supply



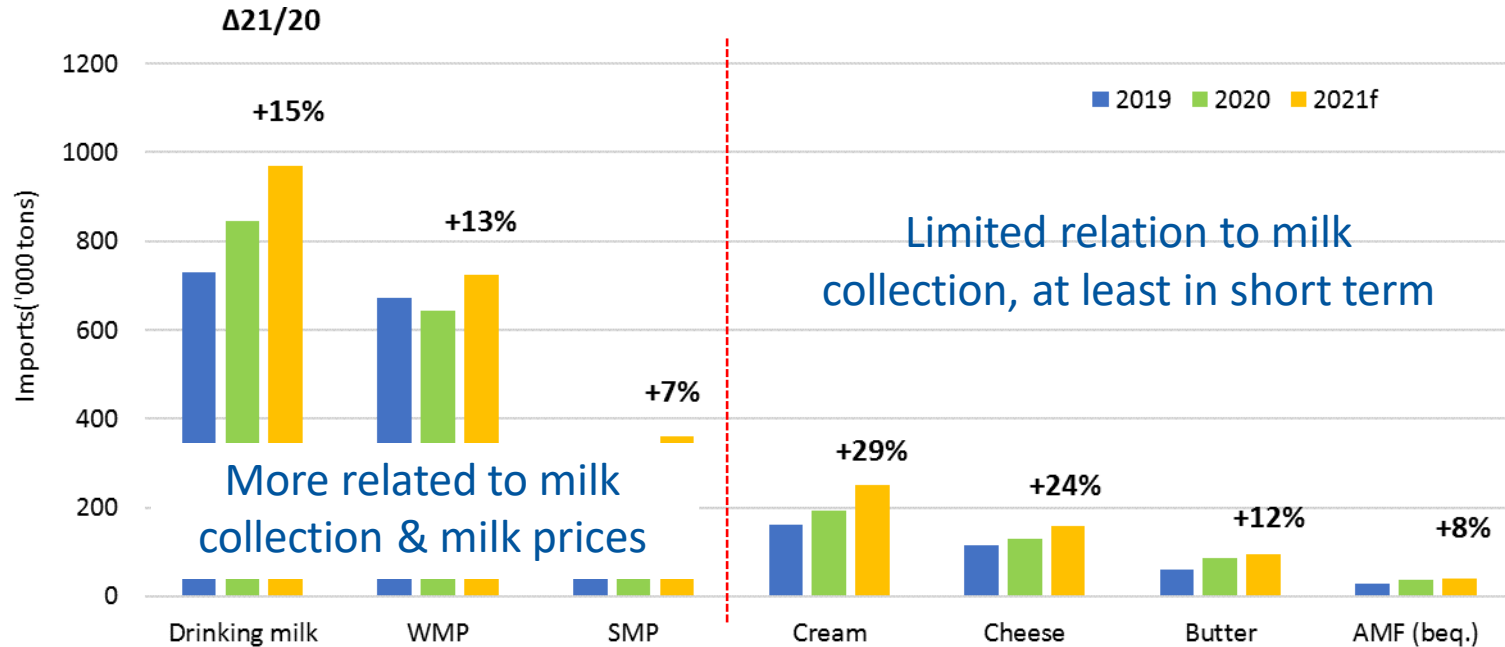
Source: Gira estimations

2021 China main dairy commodities imports forecast

Driven by optimistic demand expectation/cost gap



Main Dairy Commodity Imports, 2019-21f

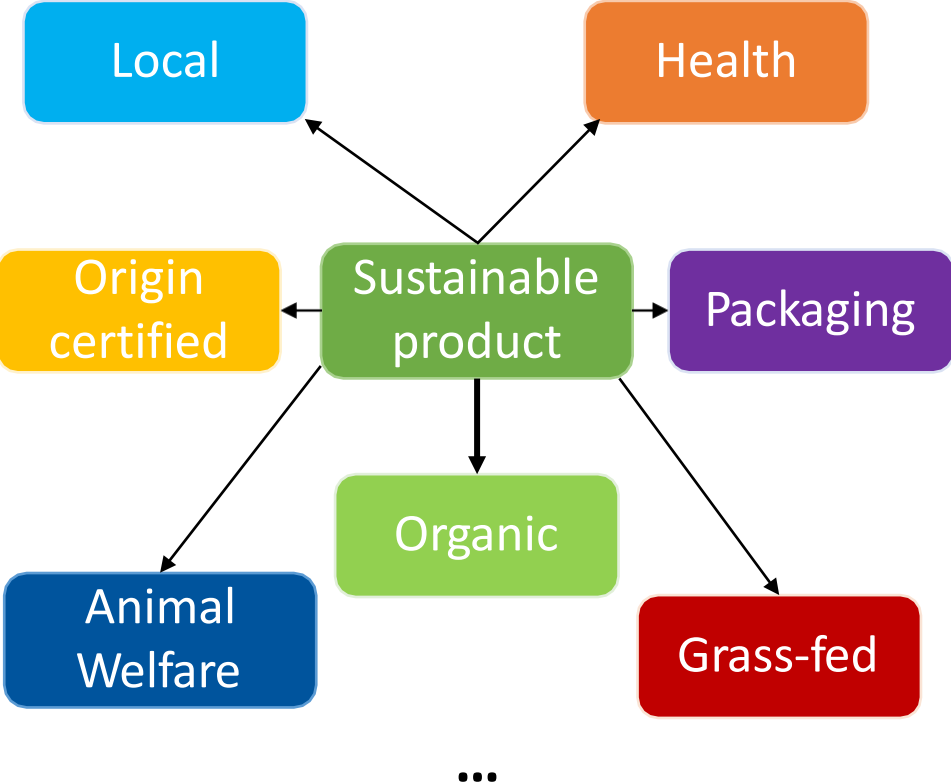


Source: Trademap, Gira forecast

What about sustainability?

Organic is Not Anymore the Central Criteria for Sustainability

Is Organic alone already out of fashion?



Protein Alternative Development Drivers

Intangibles factors driving the demand of protein alternatives



**Health &
wellness**



Animal welfare



Sustainability

Is Plant-based the Good Solution for Dairy Companies ?

Flexitarians: at least 25% of EU population

1 Global Dairy Alternatives Sales

2017: USD 12 bio



2025: USD 41 bio

+16% p.a.

Main growth: Dairy-free **fresh** and “cheeze”

Main innovations in **Clean Label** and **Natural Functionality**

But, a market that remains a niche market with high prices



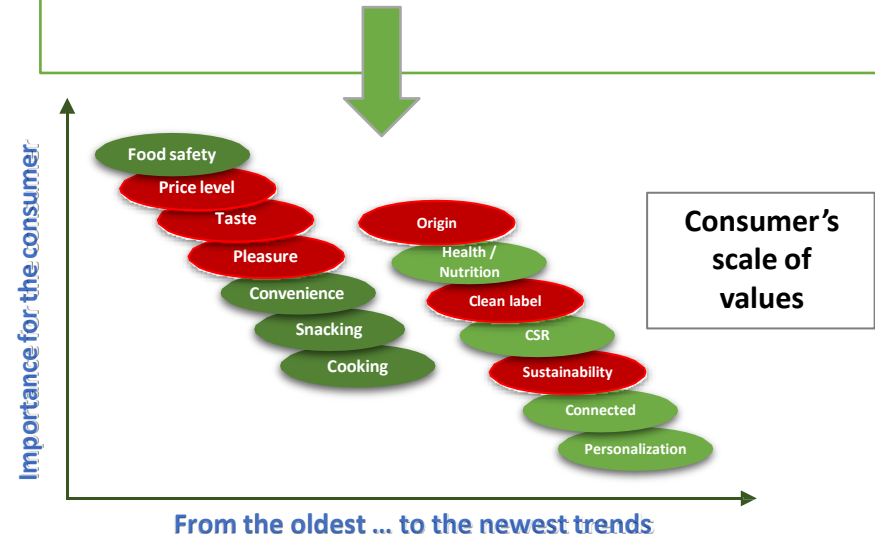
3 Limits of plant-based:

- **Mass-market reachability** (trial purchase)
- **Scaling issues**
- Real sustainability of plant-based ?
 - Water, transport, nutrition...
- Share of use ?
 - By-product = animal feed
- Future definition of “natural” and future regulations



2 Conditions to reach the mass market ?

- Better **taste & texture**
- Lower **prices**
- Prove to the consumer that the **products correlate with their scale of value** to lead to the act of **re-purchase**



2021 launches

Busy industry surfing on trends



New ingredient



Highly nutritious & tailored products

For kids



New entrant



New format

Family size

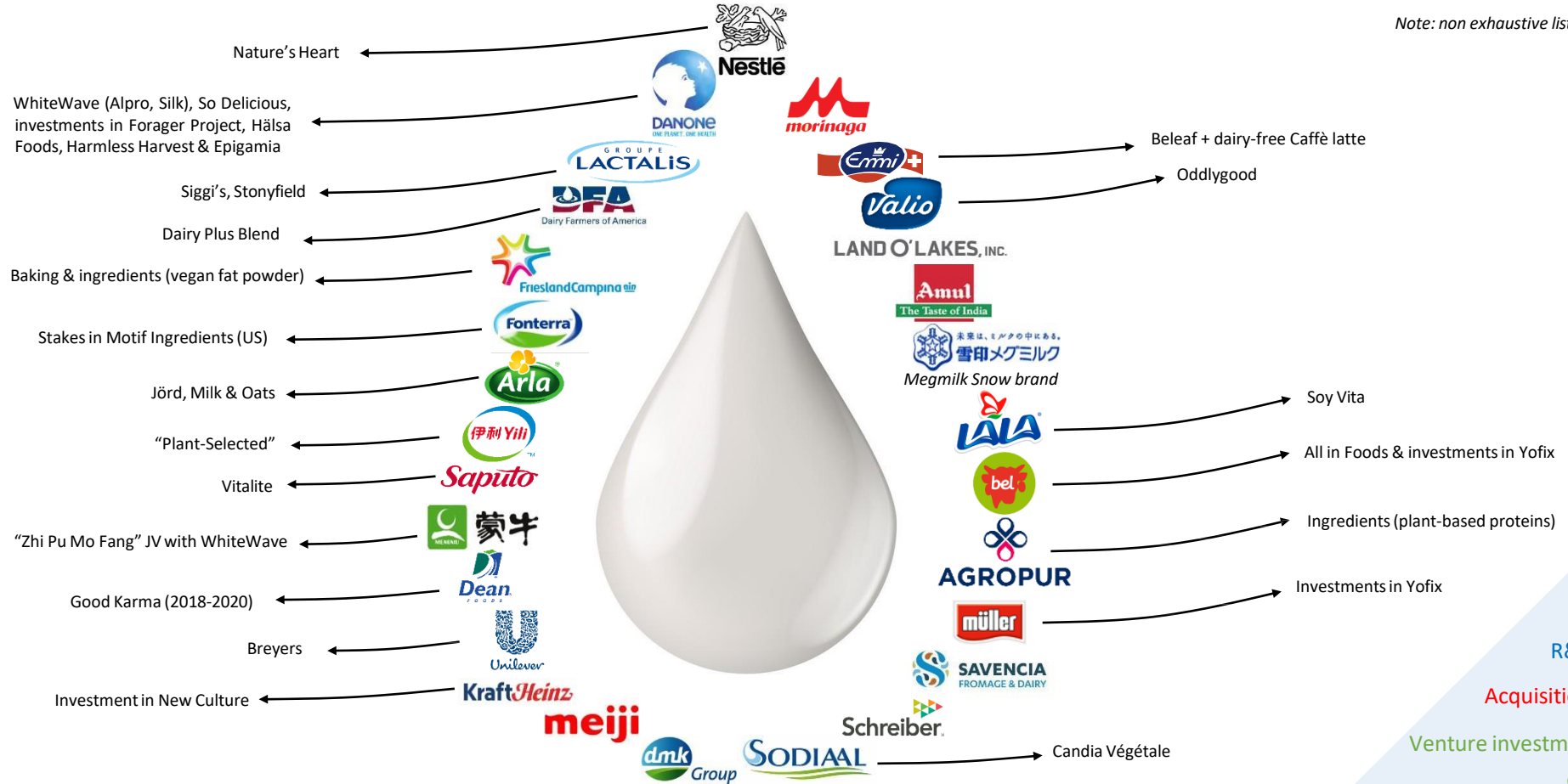
Say Cheeze!



Traditional Dairies Forced to Extend to Vegetable Alternatives

Many global dairy companies are moving outside of their core business

Note: non exhaustive list



R&D

Acquisition

Venture investment

Conclusion

Main Conclusions

2020 was a severe storm but the industry appeared as resilient



Supply growth could be constraint in the EU in 2021 but should increase

- Lower growth expected from some key countries like France and Germany
- More milk will continue to come from Ireland, Poland and surprisingly from Italy

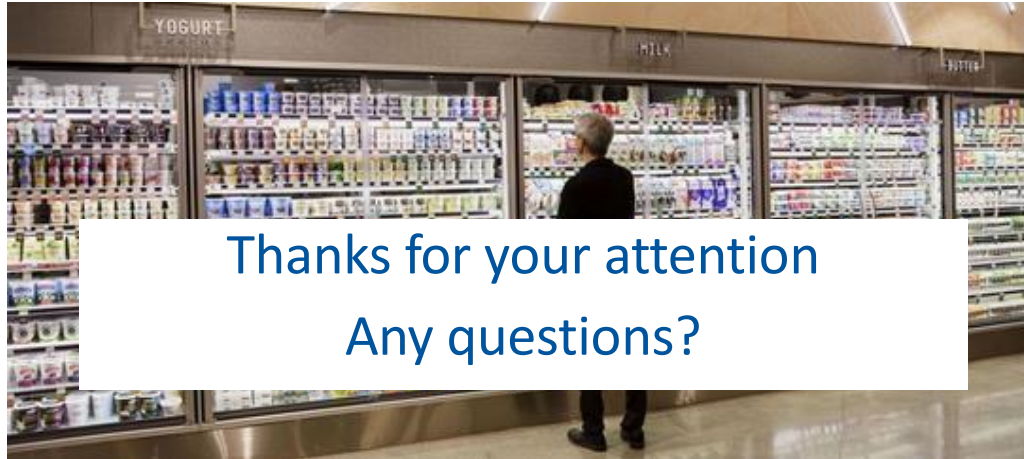
More SMP and Cheese will continue to be produced

- Geared towards more exports

Foodservice consumption remains suppressed but will soon shift from retail

In the LT major consumer market of EU could come under greater pressure

- Demand growth of last decade will certainly not materialise... potential even for a reversal in the 10 year horizon due in part to the growth of plant based alternatives growth
- Demand will come more and more from milk deficit countries
- Competition in global markets could increase



Thanks for your attention
Any questions?

Should you require more information, please contact:

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