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Un nouveau monde laitier
We are in a New Dairy World

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Forum Irlando-Marocain des produits laitiers,

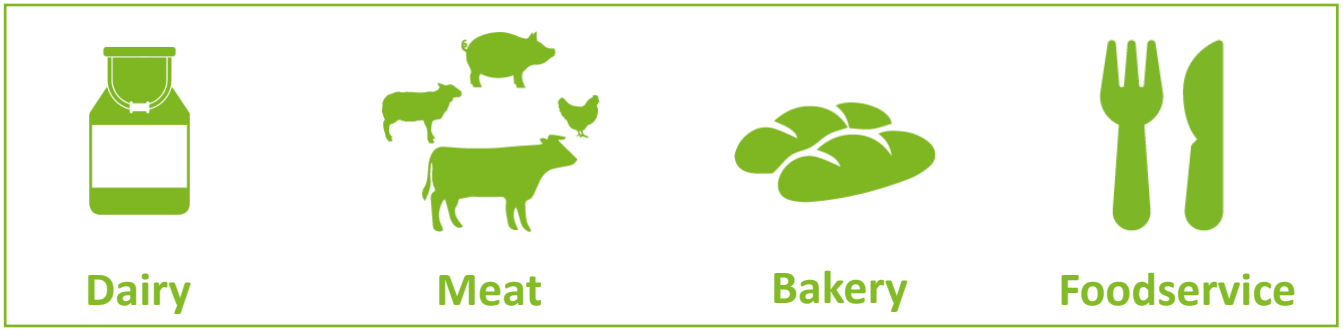
29 Septembre 2022

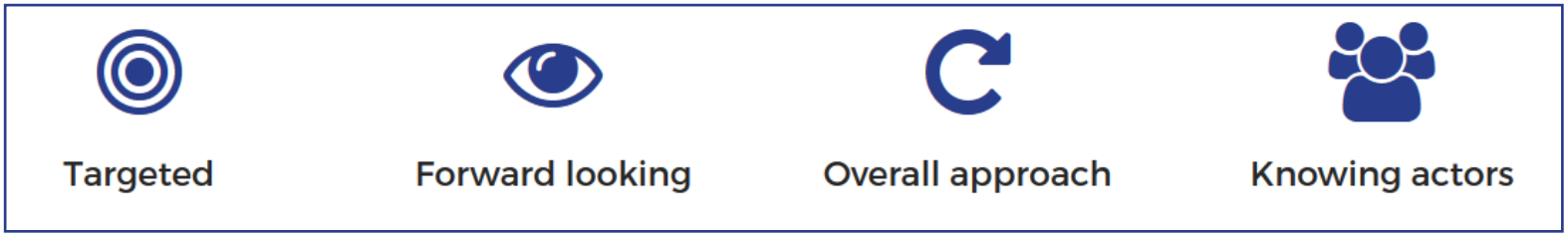
Who is Gira?

A food & drink industry specialist, from the field to the consumer

Since 1970, Gira has provided strategic market consultancy and forecasting at every level of the food supply chain.

- Gira operates globally, with a core 28-person team based through Europe & the US, and with strategic partners in other key markets.
- Professional expertise & vast food chain experience.





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We are in a new world

Nous sommes dans un nouveau monde

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Producing milk will continue to be expensive

In every country

Produire du lait continuera à être coûteux

Dans tous les pays

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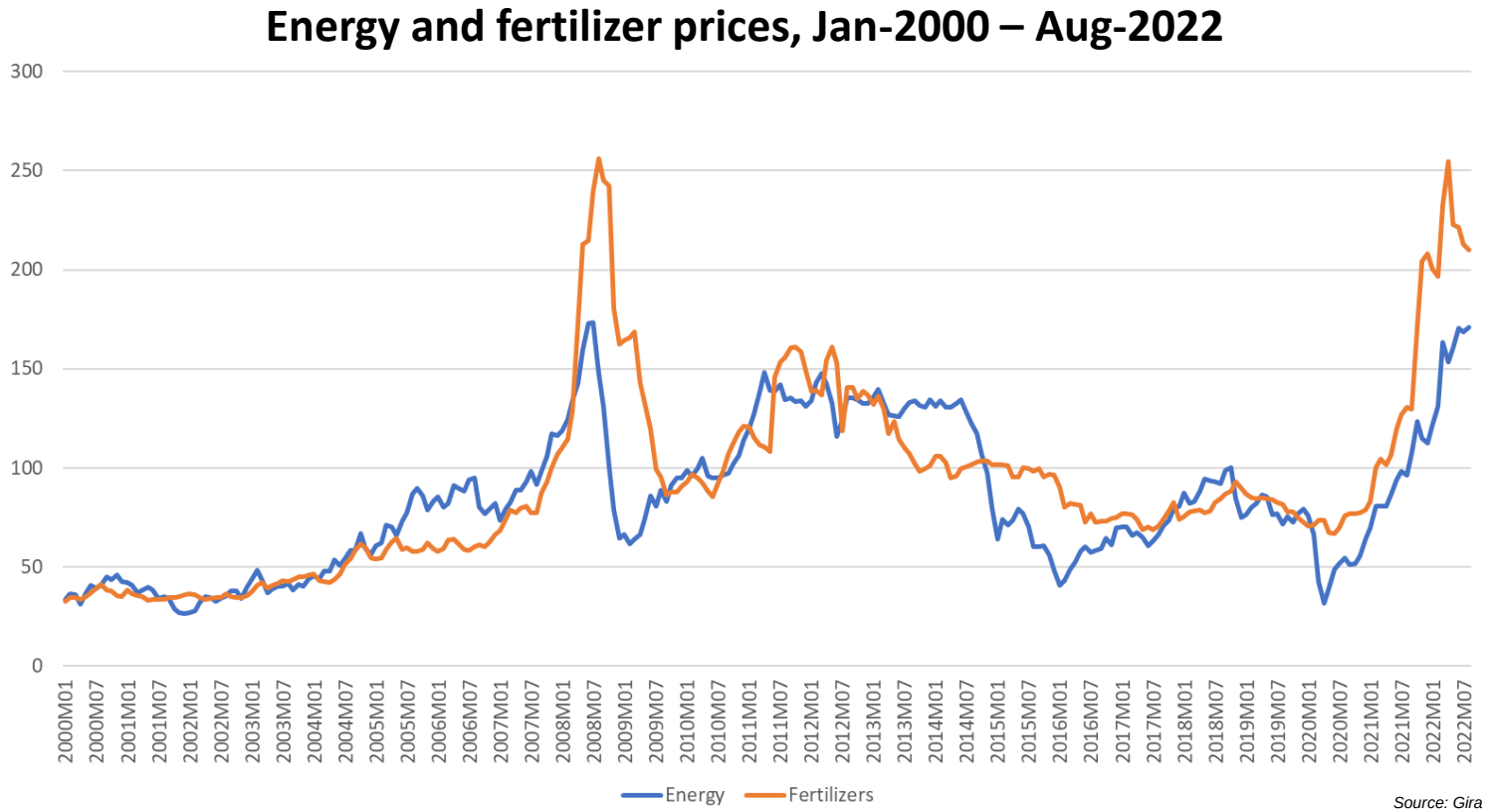
Energy and fertilizer prices

Not unseen levels (2008) but should not go down soon



Source: Gira based on WB
Monthly indices based on nominal US dollars, 2010=100

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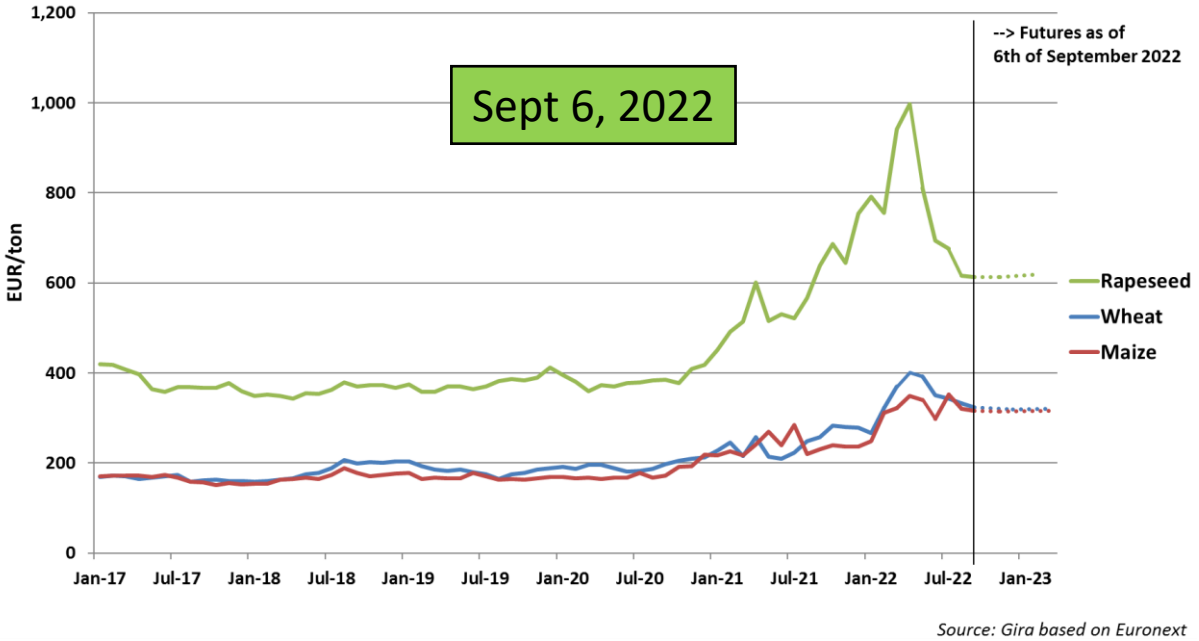
Grain/feed prices

Stabilization after the recent correction. Could go up again during winter

Maize, Wheat, Rapeseed Prices (and futures as of 6th of September 2022)



Source: Gira based on Euronext

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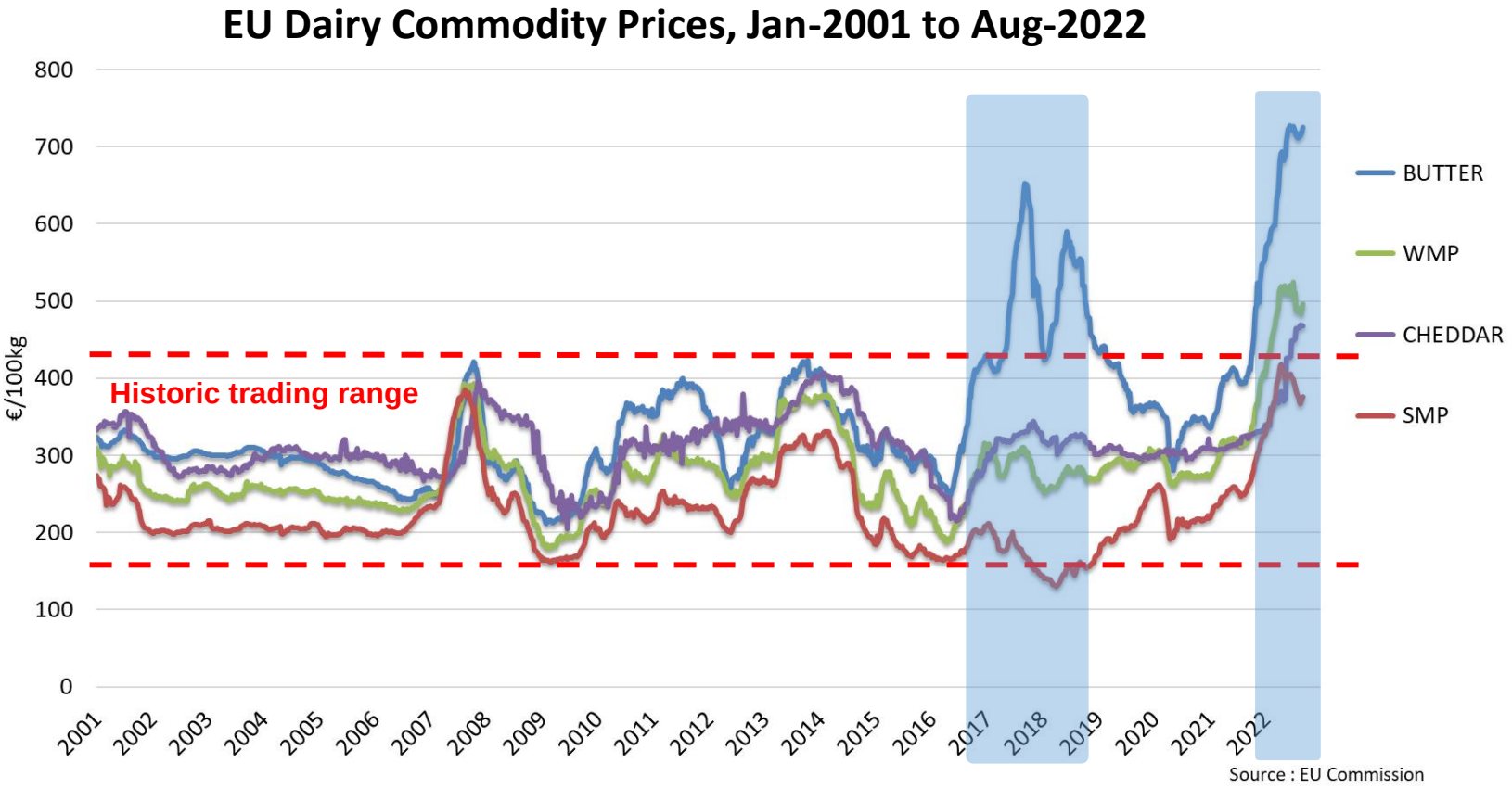
European Dairy Commodity Prices

Prices really up (at unseen level) but slowly coming down



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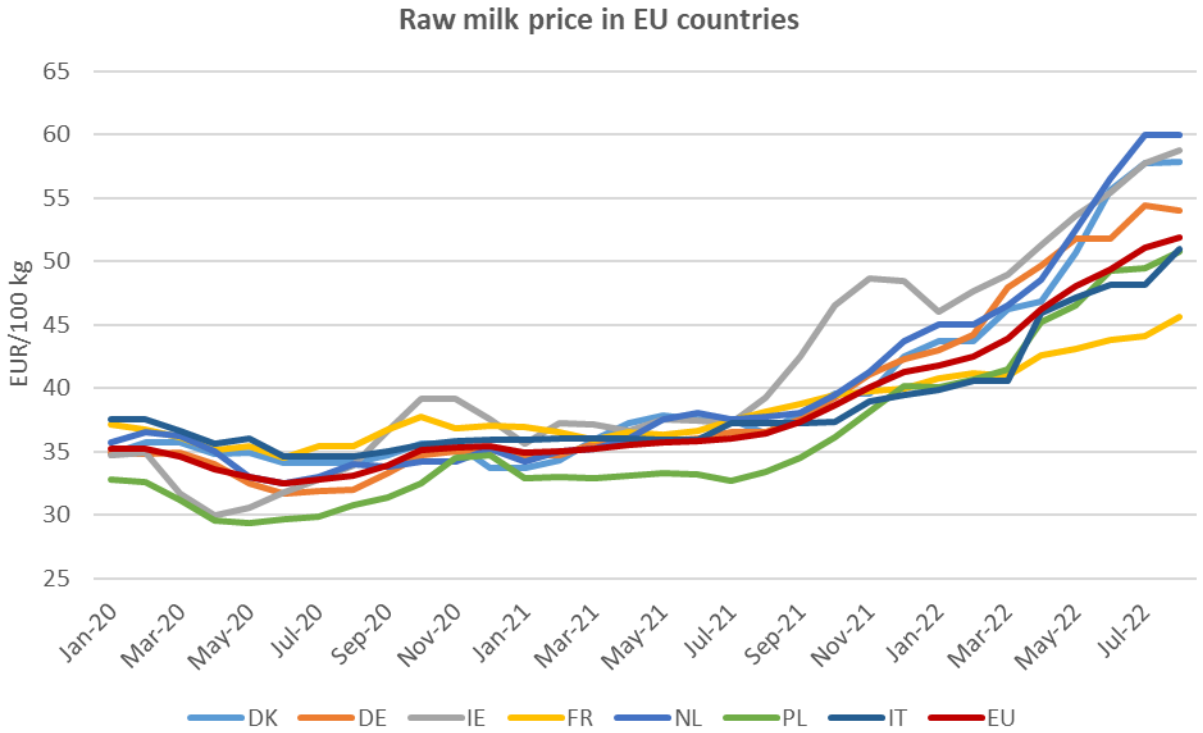
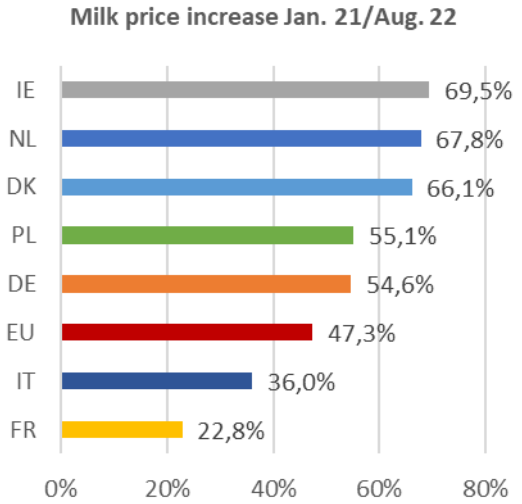
EU milk price: > 40€/100Kg seems the new norm for tomorrow

Prices will continue to grow in Q3/Q4? (50€/100Kg in average in August)





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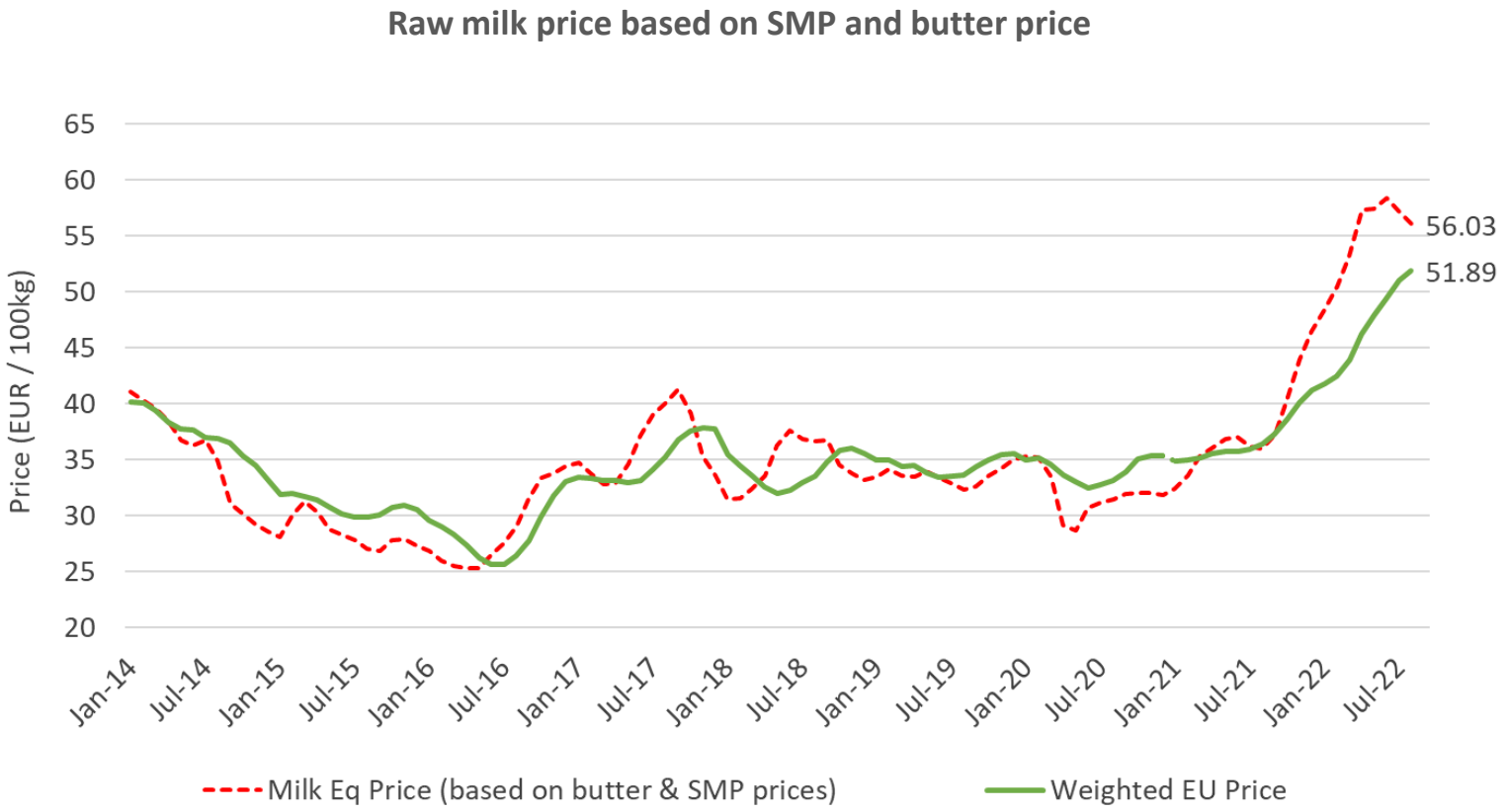
Milk price – SMP/butter

Decline of milk price from October?



Source: Gira

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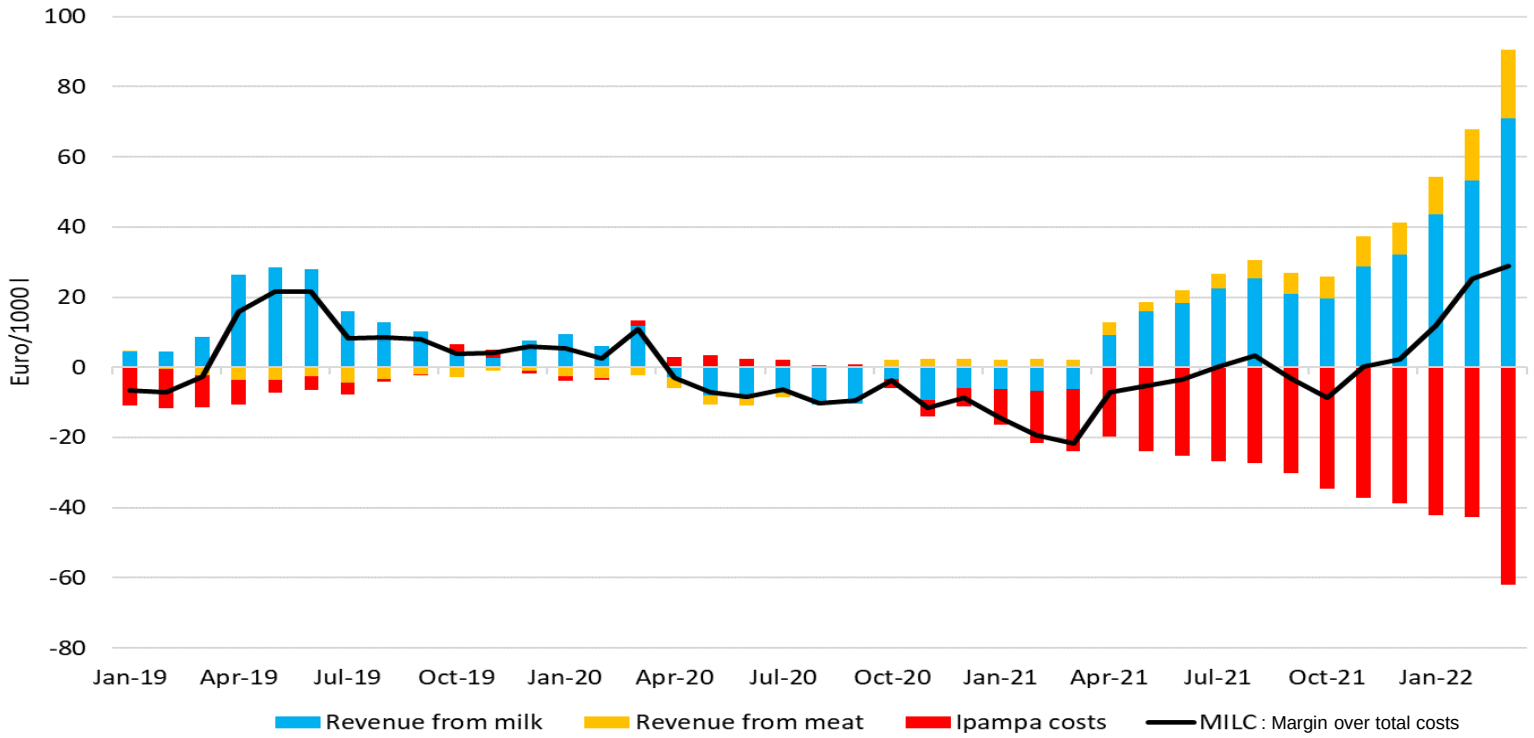
Producer margin shows recovery from the end of 2021 in France

Milk price should now be high enough to compensate increased costs

Monthly variation (N/N-1) of *MILC* margin and its components



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Huge inflation

But it seems that dairy products are resilient

Enorme inflation

mais il semble que les produits laitiers soient résistants

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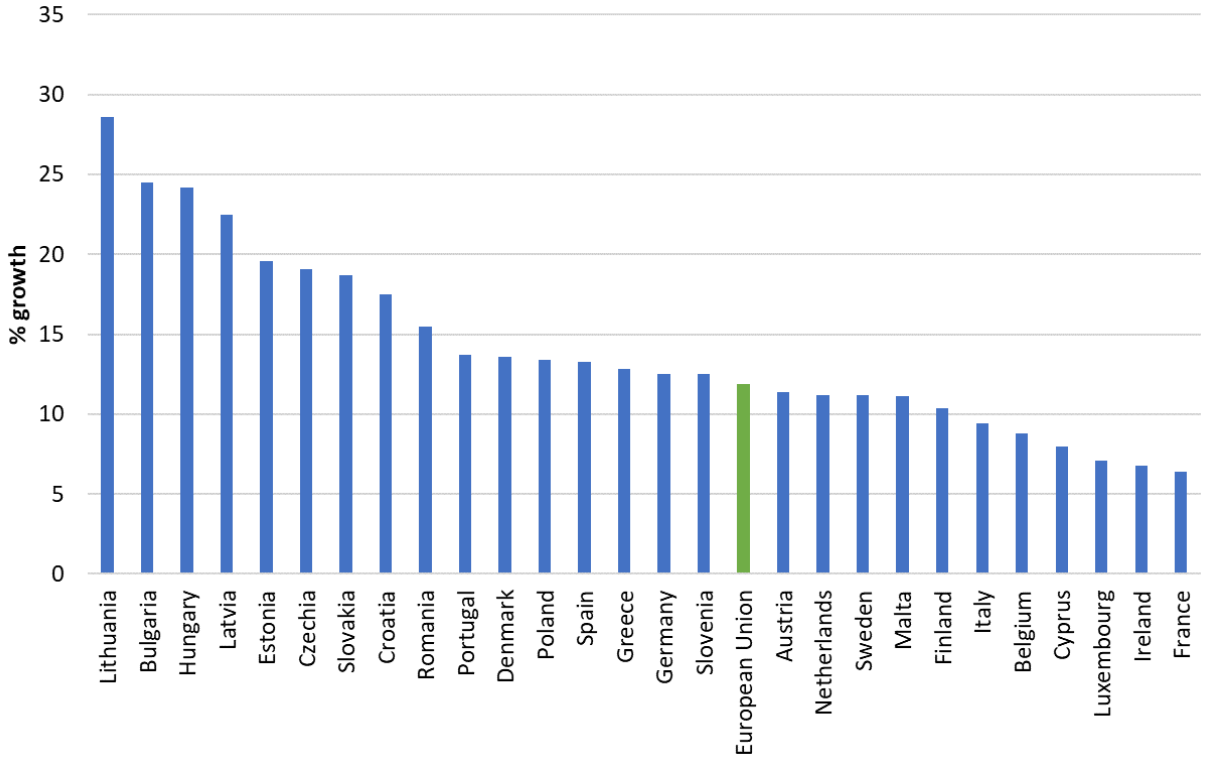
Will domestic consumption resist?

In 9 EU countries, food product prices increased by > +15% in one year

Food consumer prices: % growth between June 2022 and June 2021 in EU countries



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How hard the inflation could hurt the food basket?

Estimated inflation impact: ***around +20 EUR/month/person***

Estimated per capita impact of food inflation for 2022

Country / region	Share of food and beverages in total household consumption (2019)	Estimated per capita food and beverage spending (2021, euros)	Estimated inflation impact on per capita food and beverage spending (euros)
Eurozone	12.5%	2,456	+233
EU27	13.0%	2,287	+243
France	13.1%	2,739	+224
Italy	14.3%	2,745	+229
Germany	10.8%	2,367	+254
Spain	12.5%	2,108	+200
Poland	16.4%	1,423	+152

Source: Eurostat, Allianz Research calculations

For a family of 4 persons = +80 EUR/household/month is not negligible!

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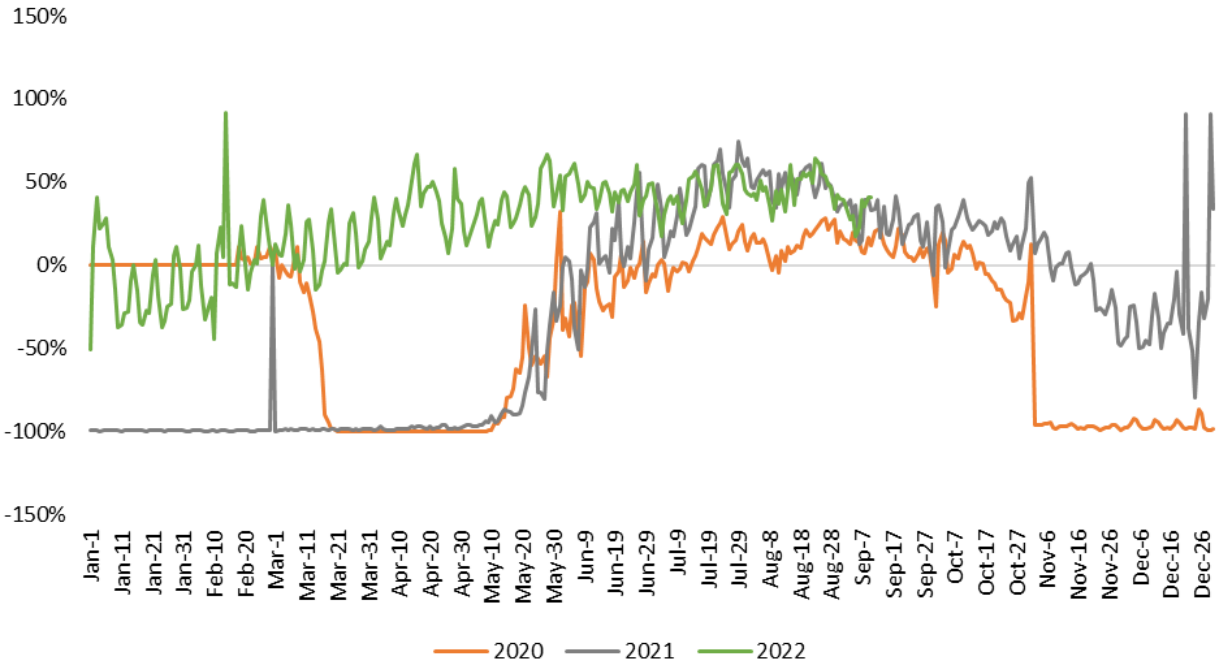
What about Foodservice?

Strong demand in 2022 but could slow down for rest of the year

DE: FS evaluation: seated diners' number (2020-22) vs 2019



Source: Gira based on Opentable

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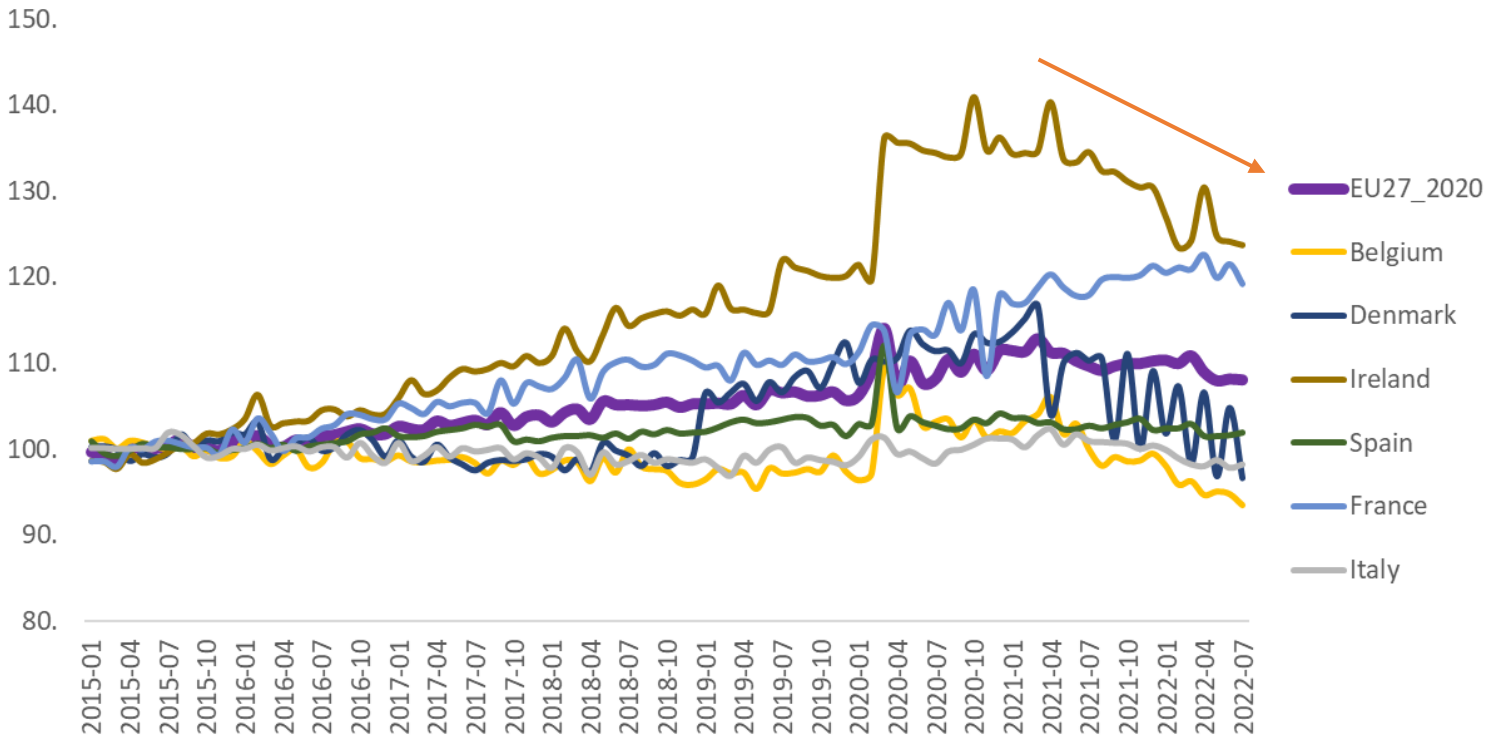
Current economic situation impact on dairy demand

EU: retail sales are trending down but from relative higher 2021 sales

EU retail sales volumes (food and drink) index, 2015=100



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Source: Gira based on Eurostat

And there will be less milk

2021 and 2022 are good proxy to understand the future

Et il y aura moins de lait.

2021 et 2022 sont de bons indicateurs pour comprendre le futur

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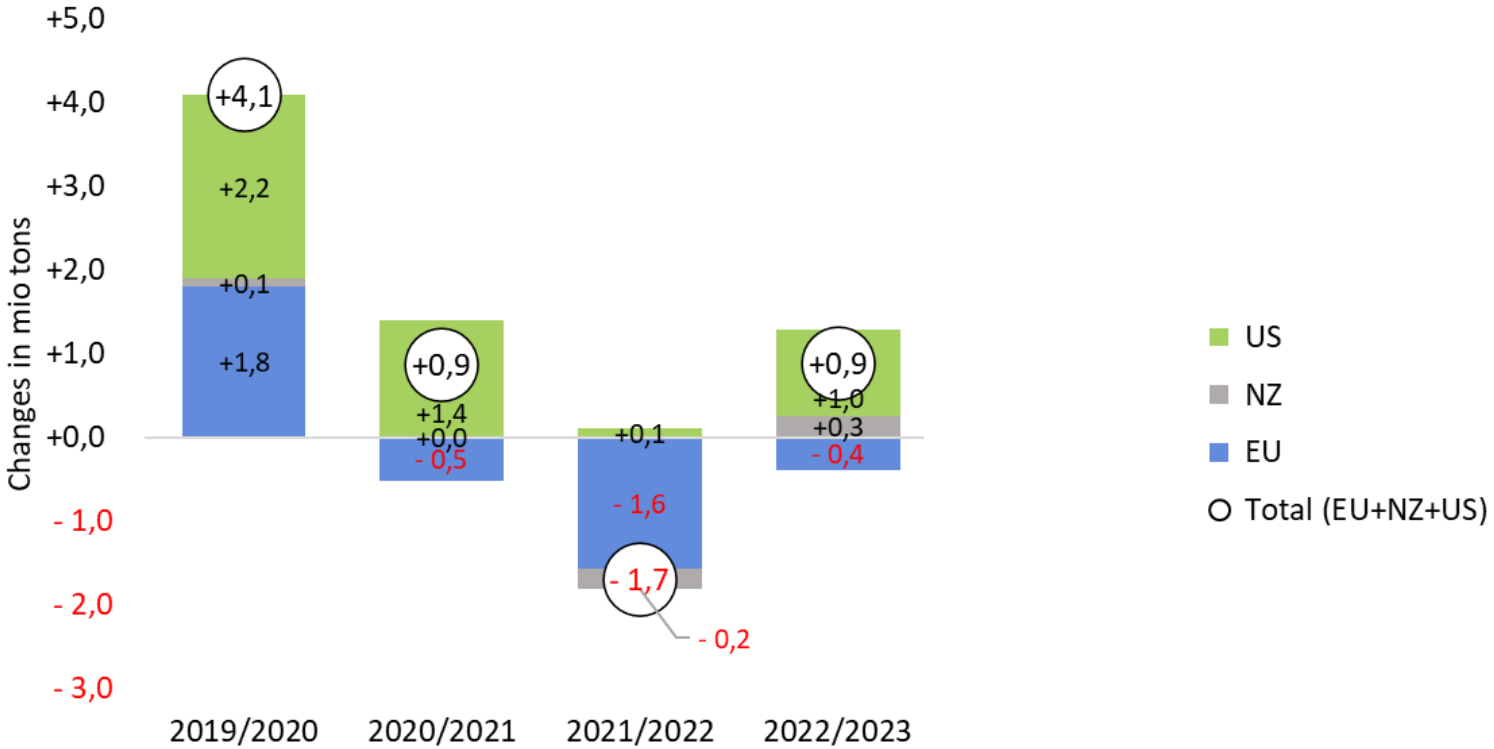
Milk collection EU, US and NZ: less and less milk

2020/22 should be used as a proxy to understand the future of milk



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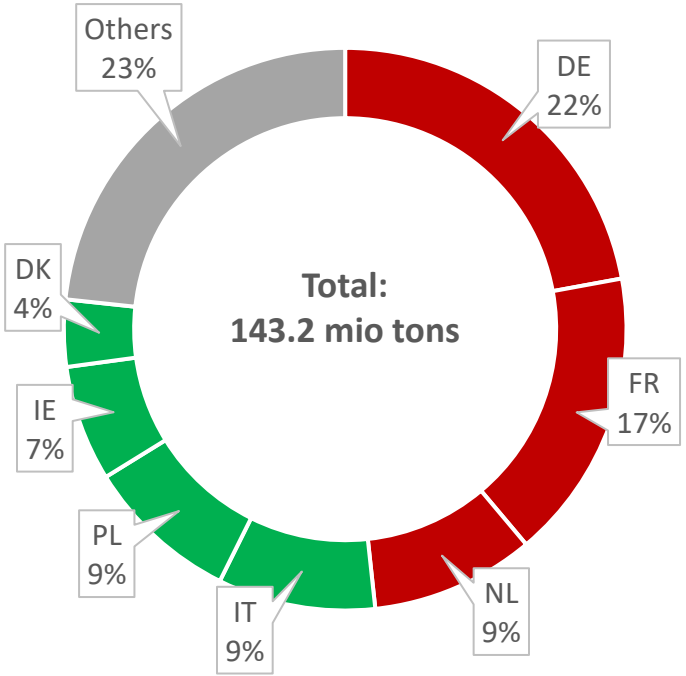
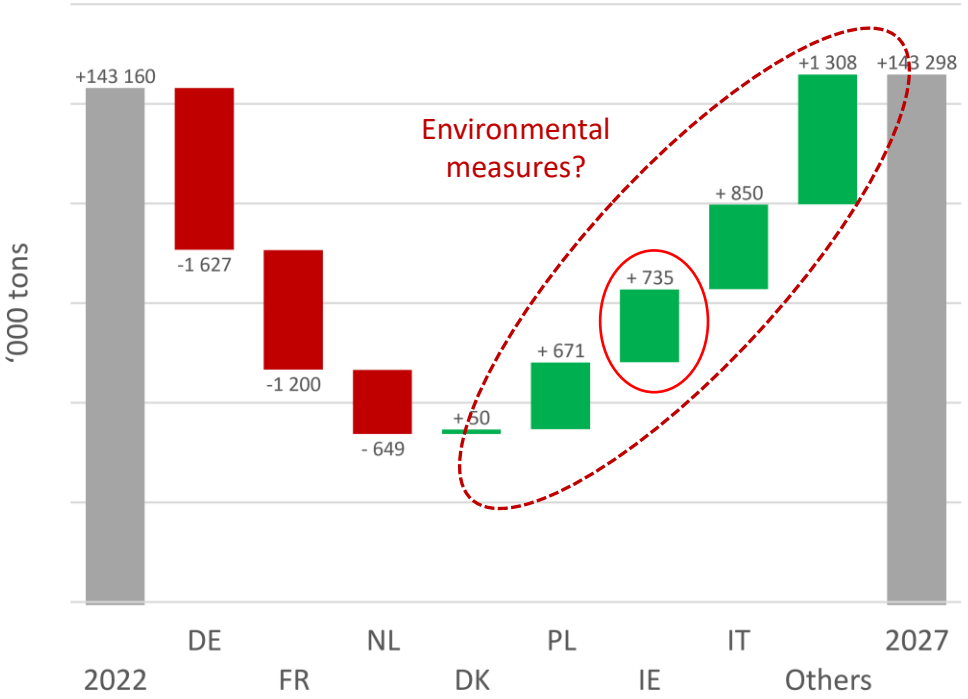
No Growth in the EU in the future = Average of Diverging Trends

More milk in Ireland, less in France, Germany but also the Netherlands

Milk collection by EU countries in 2022



Milk collection growth by EU countries



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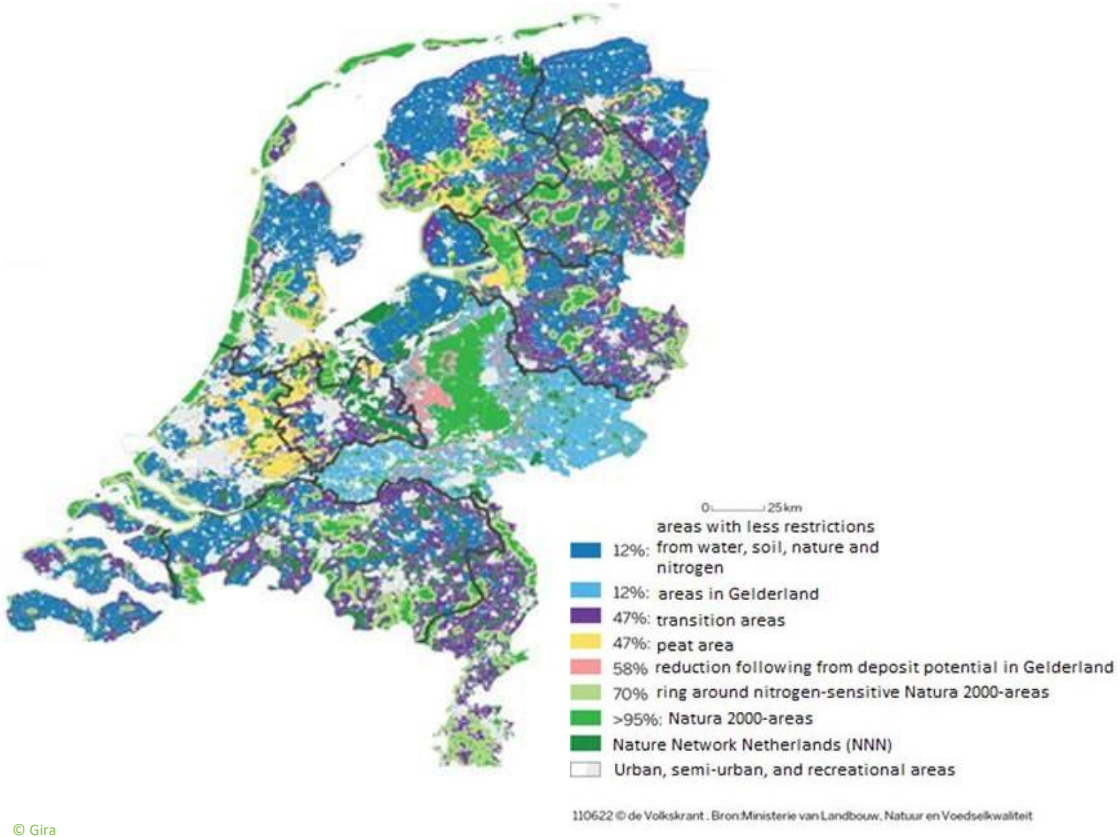
Regulation: the Urgency of Reducing Nitrogen Emissions

The Netherlands Case

Nitrogen Reduction Map of the Netherlands



- **Objective**: -30% of nitrogen emissions by 2030
- **Potential consequences as announced by NL government**:
  - -50,000 farms
  - -33% of the herd size
  - To maintain 2022 milk production:
    - Yield needs to increase to reach 13,123kg/cow/year (+5.2% p.a.)
- Aug. 22: "*Rabobank has said it is no longer putting money into farms which are close to protected Natura 2000 environments*"

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What about consumption?

Et la consommation?

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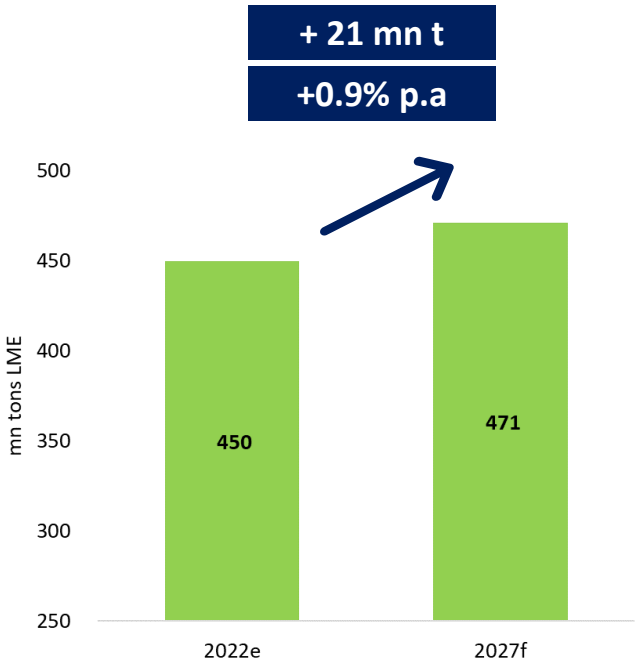
Dairy Consumption by Region will continue to grow

Milk deficit should continue to grow

Dairy consumption 2022-27f, excl. IN & PK



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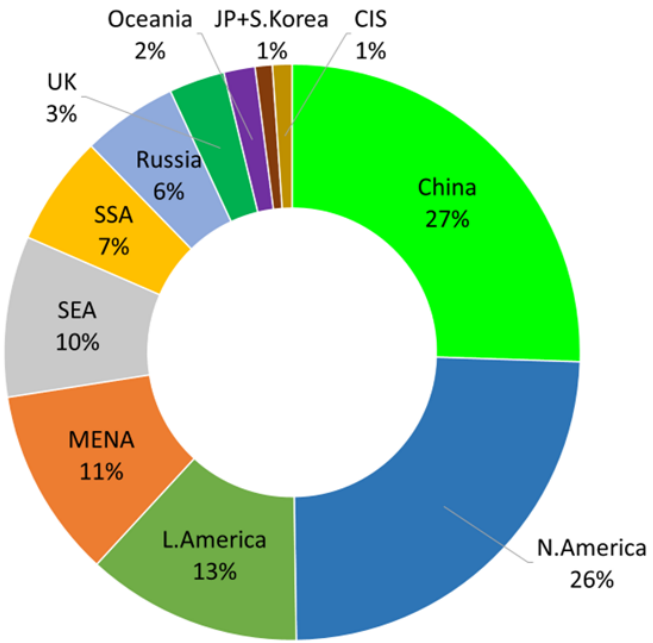
Region contribution to the midterm growth (2022-27f)



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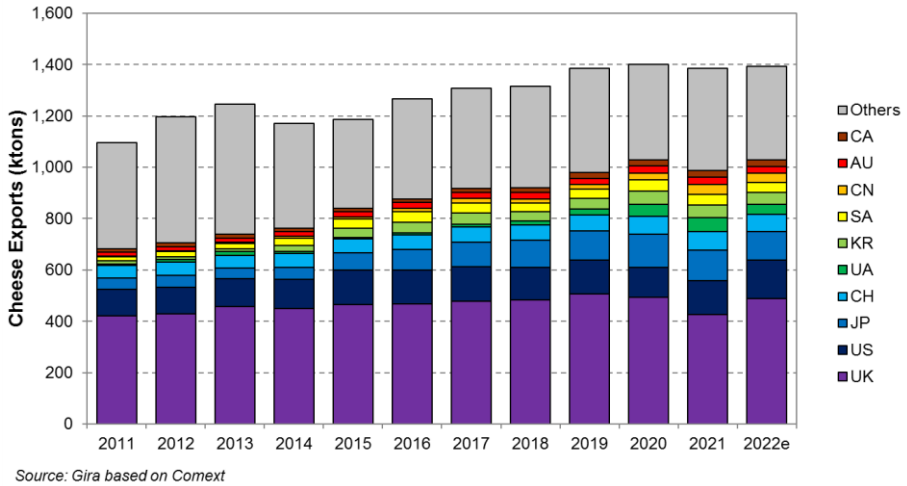
EU Cheese export destinations

A wide number of destinations

EU27 Cheese Exports, 2011-2022e



Source: Gira based on Comext

- **Cheese exports decreased sharply in 2021 and recovered in 2022e: +0.5%**
  - 1,385kt to 1,392kt in 2022e
- **Main destinations** :
  - **UK +15%** (after a sharp drop in 2021)
  - **US +13%**: 151kt in 2022e
  - **Japan -6%**: 111kt in 2022e
- EU27 cheese exports **to Morocco**:
  - 18kt in 2019
  - 23kt in 2020
  - 24kt in 2021

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Morocco

Growing Population, economic rebound expected in the coming years

Some economic indicators for Morocco, 2011-2027f

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022e	2023f	2027f
Real GDP change (% p.a.)	+ 5.2	+ 3.0	+ 4.5	+ 2.7	+ 4.5	+ 1.1	+ 4.2	+ 3.1	+ 2.6	- 6.3	+ 7.2	+ 1.1	+ 4.6	+ 3.4
PPP GDP (USD per cap.)	6,855	6,857	7,091	6,793	7,244	7,356	7,581	7,923	8,190	7,688	8,497	9,041	9,645	11,452
Inflation (% p.a.)	+ 0.7	+ 0.7	+ 1.6	+ 0.4	+ 1.4	+ 1.5	+ 0.7	+ 1.6	+ 0.2	+ 0.6	+ 1.4	+ 4.4	+ 2.3	+ 2.0
Unemployment Rate (%)	8.5	8.7	9.5	9.7	9.2	9.0	10.6	9.4	10.2	12.2	11.9	11.7	11.1	9.6
Population (mio head)	32.6	33.0	33.4	33.8	34.1	34.5	34.9	35.2	35.6	36.0	36.3	36.7	37.0	38.4

Source: Gira compilations, estimates and forecasts based on IMF

- **All of these were published by the IMF (in April 2022), far too optimistic?**
  - GDP growth is limited in 2022 but rebound is expected for next year
  - Purchasing power to increase by +4.8% per year for the next five years
  - **Population** planned to increase by **+0.9% per year**

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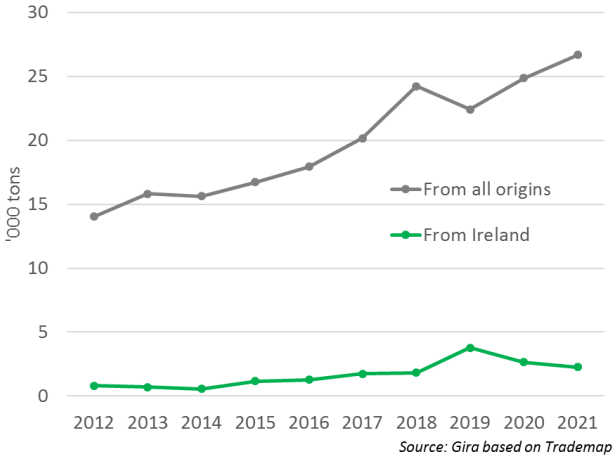
Dairy Imports of Morocco

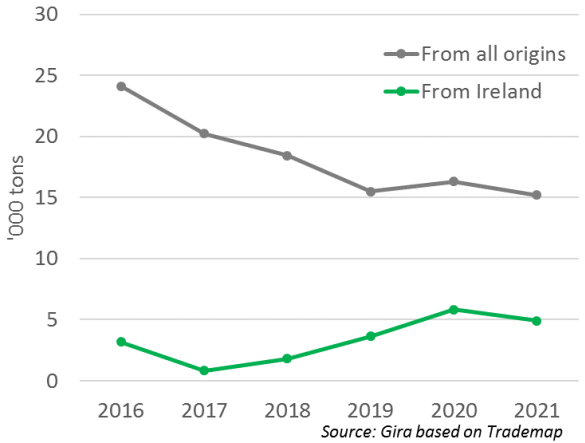
A positive long-term relationship with Ireland

Cheese Imports, 2012-2021



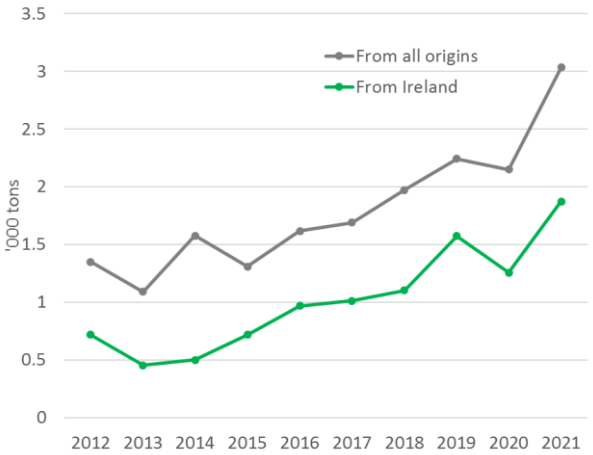
Source: Gira based on Trademap

Butter Imports, 2016-2021



Source: Gira based on Trademap

Casein Imports, 2012-2021



Source: Gira based on Trademap

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We are in a new world

What are the new rules?

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Conclusion: the new rules of the game

Adapting the strategy to the new «stagnant/decreasing» milk volume

- Lower milk collection → Higher competition for milk→ Higher milk prices
- **3 key strategic moves:**
  - **Secure milk imports to secure sales in your country**
    - Maybe more long term/indexed contract with key strategic BtoB suppliers
  - **Reposition to better valorise dairy products**
  - **There will be less room for traders**

Securing the supply of milk & dairy ingredients *will be paramount for the future!*

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Thank you for your attention!

Merci pour votre attention!

Should you require more information, please contact:

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