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Retail alliance, private labels and their impact on producers – experiences from the dairy sector

Alexander Anton, EDA Secretary General

EDA members

CONNECT TO THE WORLD OF DAIRY

- Association of national dairy industry associations of **21 EU Member States**
- **Cooperative** and **private** milk processors

President & Presidium

Michel Nalet, Lactalis

Ingo Müller, DMK

Jan Teplý, Madeta

Attilio Zanetti, Zanetti

Kasper Thormod Nielsen, Arla

EDA Antitrust Statement

- The caution statement has to be read at the start of each meeting.
- The aim of this is to serve as a reminder to all participants of the antitrust law requirements.

  Antitrust caution statement:
  Participants are reminded that they cannot and should not enter into any discussion or engage in any conduct that may amount to an infringement of any relevant competition law. In particular and by way of example, the participants will not disclose or discuss any commercially sensitive information on prices, on customers and or investments.

- Message to new participants/partners or people taking part for the first time:

  Please take note that taking part in the association is subject to having read and understood the antitrust guidelines of the association. If you have not yet done so, please do so now. All new members are requested to certify that they have read and understood the antitrust guidelines of the association and commit to comply with all applicable competition law rules.

- The full papers – respectively the EDA and EWPA codes of conduct – have been sent to all participants before a meeting / handed out at the very beginning of a meeting. Signing the attendance sheet for a meeting is a declaration acknowledging an understanding of these rules.

Retailer alliances & Private Labels

- \- what type of dairy processors are international retail alliances negotiating with? Does it cover only the large ones, or also smaller SMEs? Does the share of dairy negotiated via alliances differ across countries?
- \- since private label is important in dairy, we'd like to know a bit more on what type of arrangements are made with retail alliances on private label sourcing?
- \- do your members see an increase in private label contracts negotiated via alliances vs. direct relations with retailers? Since when, how fast is this growing or not?
- \- what are the negative and positive experiences ?
- \- is there a difference in private dairies vs. cooperatives' experience with RAs?
- \- potential effects pass on (or do not pass on) through to farmers?

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The World of EU Dairy

Article 39

(ex Article 33 TEC)

1. The objectives of the common agricultural policy shall be:

(a) to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour;

(b) thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;

(c) to stabilise markets;

(d) to assure the availability of supplies;

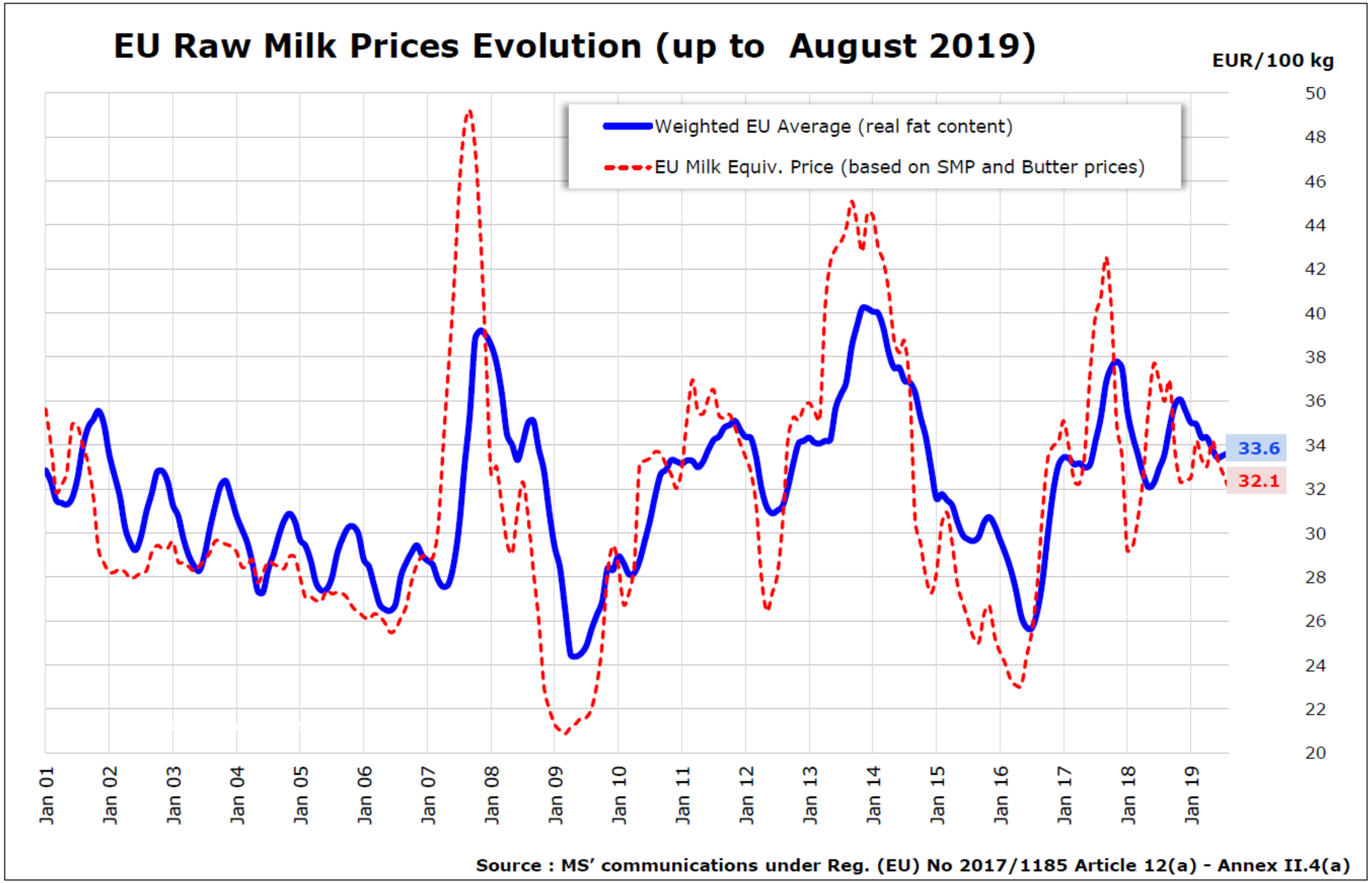
(e) to ensure that supplies reach consumers at reasonable prices.

2. In working out the common agricultural policy and the special methods for its application, account shall be taken of:

(a) the particular nature of agricultural activity, which results from the social structure of agriculture and from structural and natural disparities between the various agricultural regions;

(b) the need to effect the appropriate adjustments by degrees;

(c) the fact that in the Member States agriculture constitutes a sector closely linked with the economy as a whole.


EU Raw Milk Prices Evolution (up to August 2019)
EUR/100 kg
Weighted EU Average (real fat content)
EU Milk Equiv. Price (based on SMP and Butter prices)
50
48
46
44
42
40
38
36
34
32
30
28
26
24
22
20
33.6
32.1
Jan 01
Jan 02
Jan 03
Jan 04
Jan 05
Jan 06
Jan 07
Jan 08
Jan 09
Jan 10
Jan 11
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Jan 13
Jan 14
Jan 15
Jan 16
Jan 17
Jan 18
Jan 19
Source : MS' communications under Reg. (EU) No 2017/1185 Article 12(a) - Annex II.4(a)

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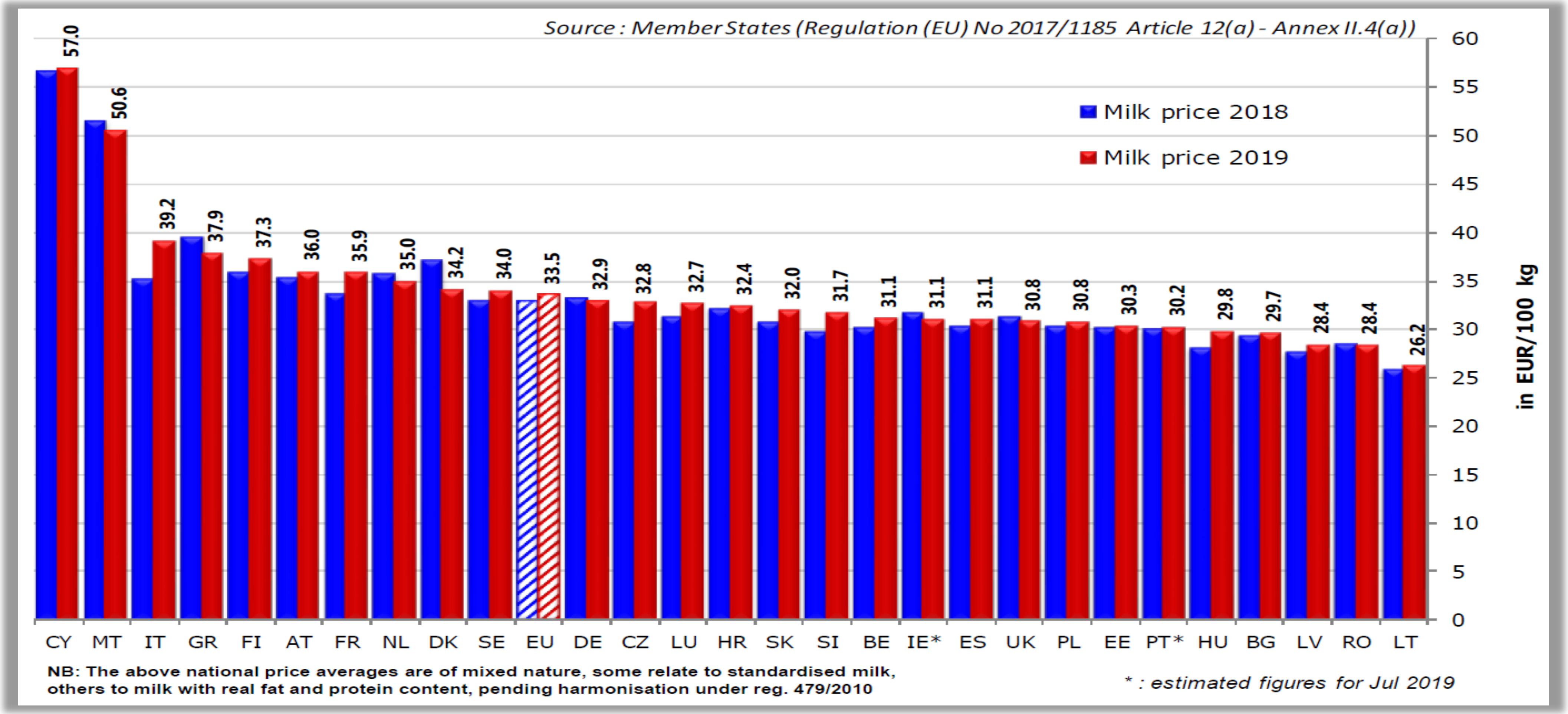
European Commission

EU milk prices

(Jul 2019 vs. Jul 2018)



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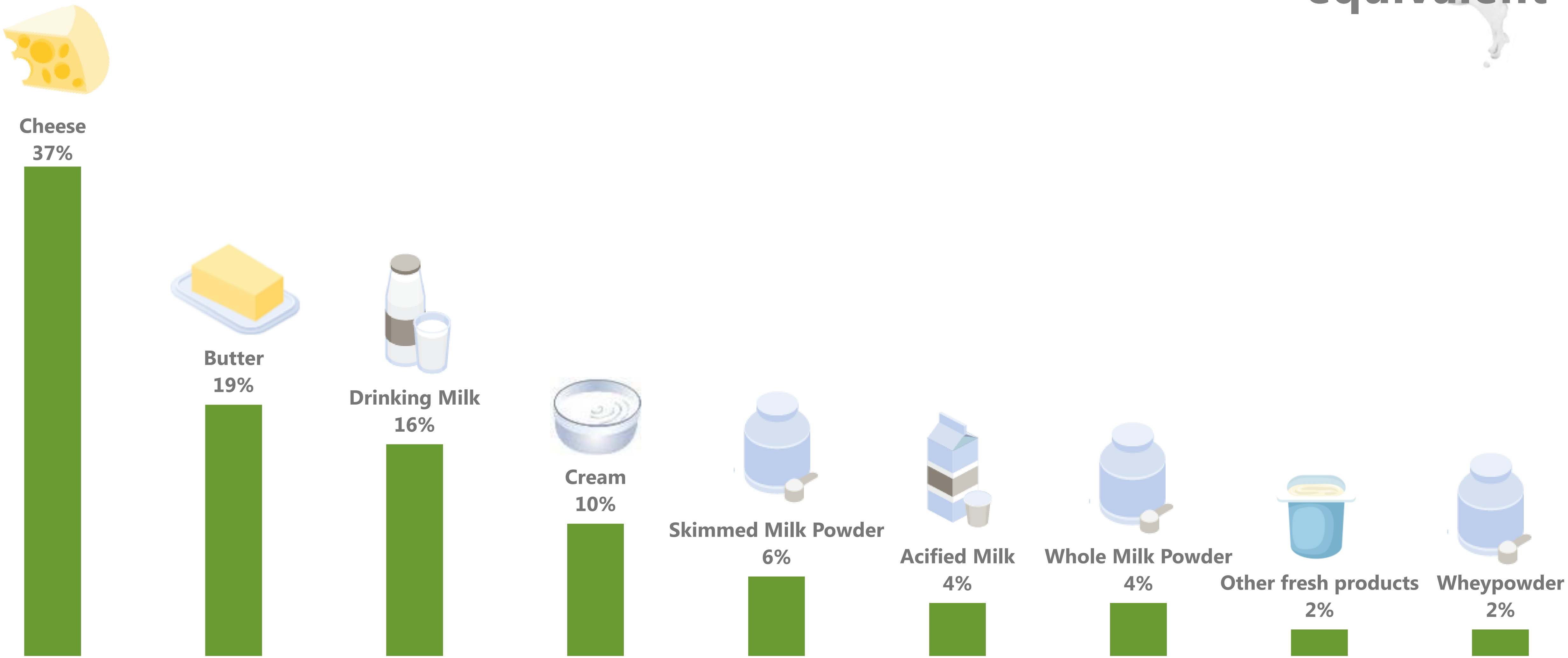
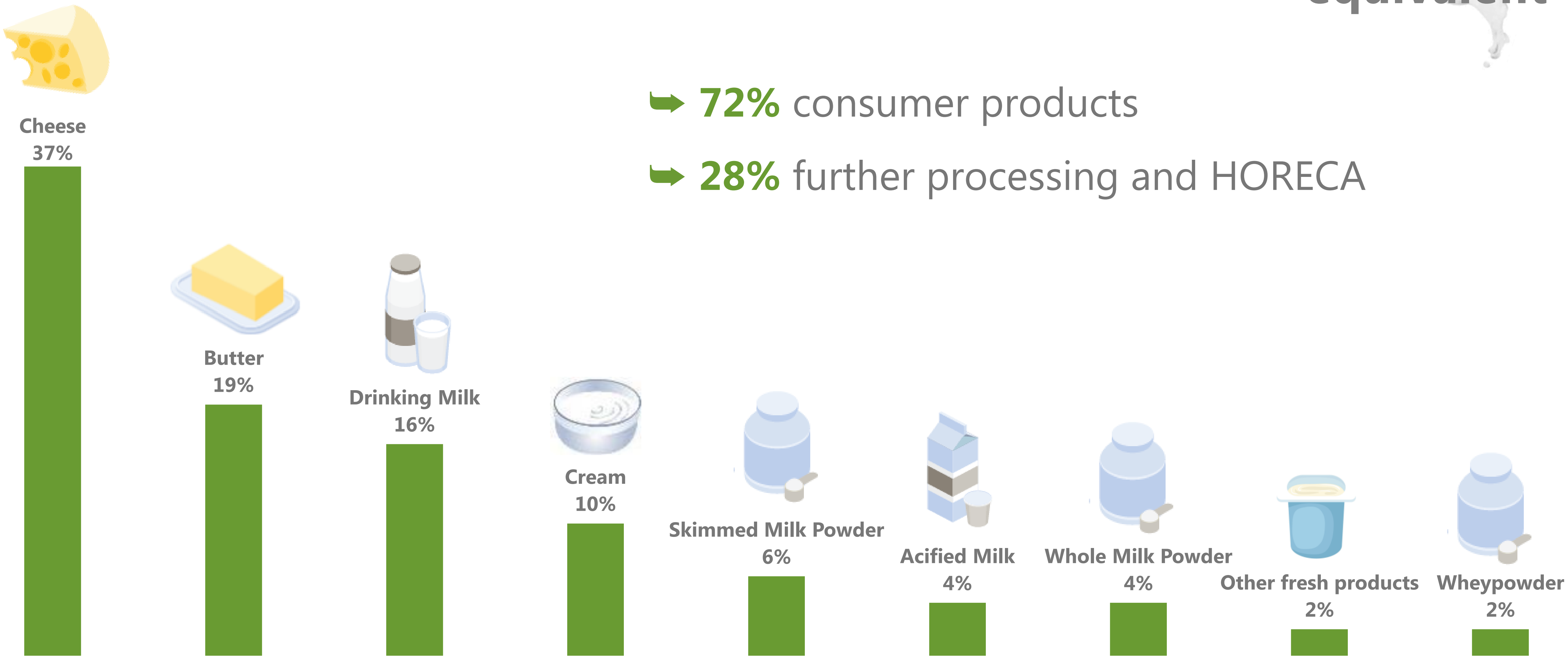
EU production in milk equivalent



EU production in milk equivalent

➥ **72%** consumer products

➥ **28%** further processing and HORECA



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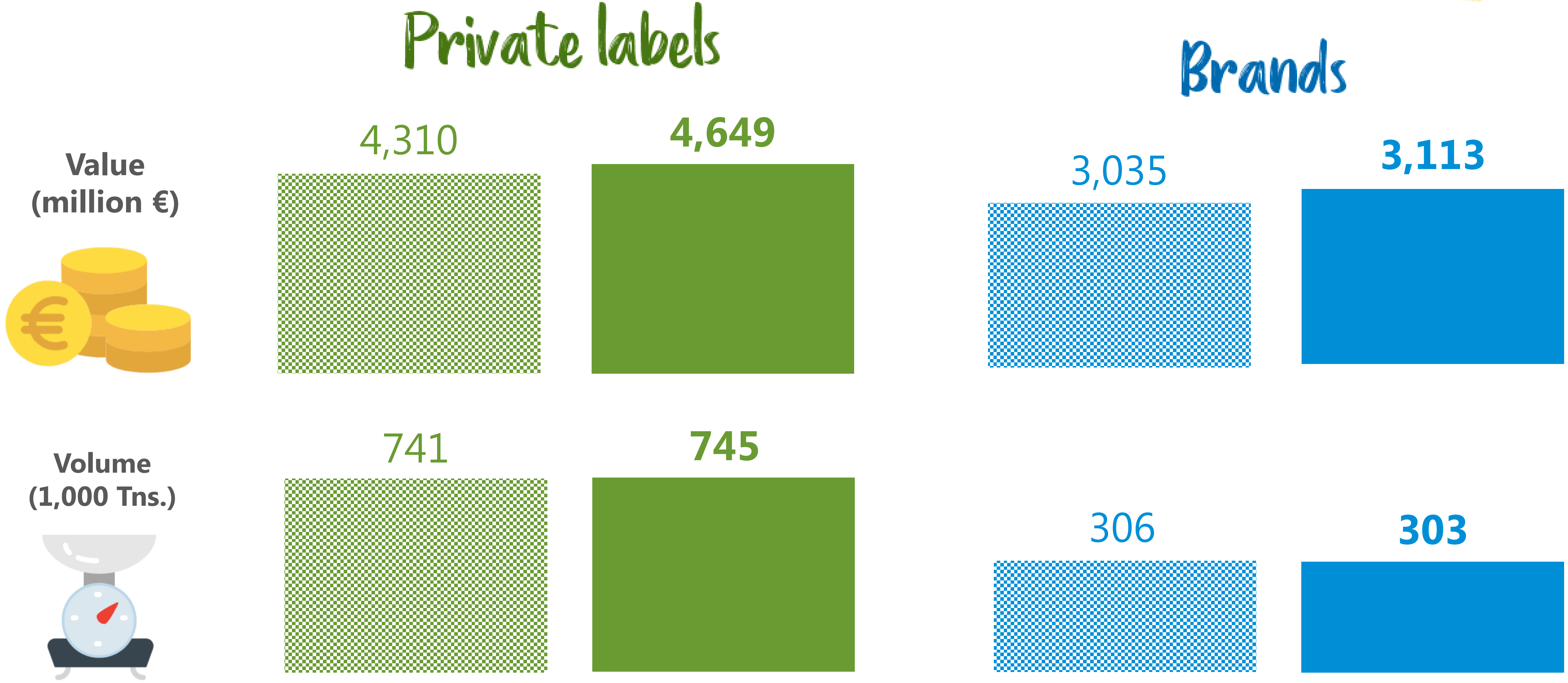
Cheese, Germany: 2017 - 2018

(Nielsen MarketTrack 2018)



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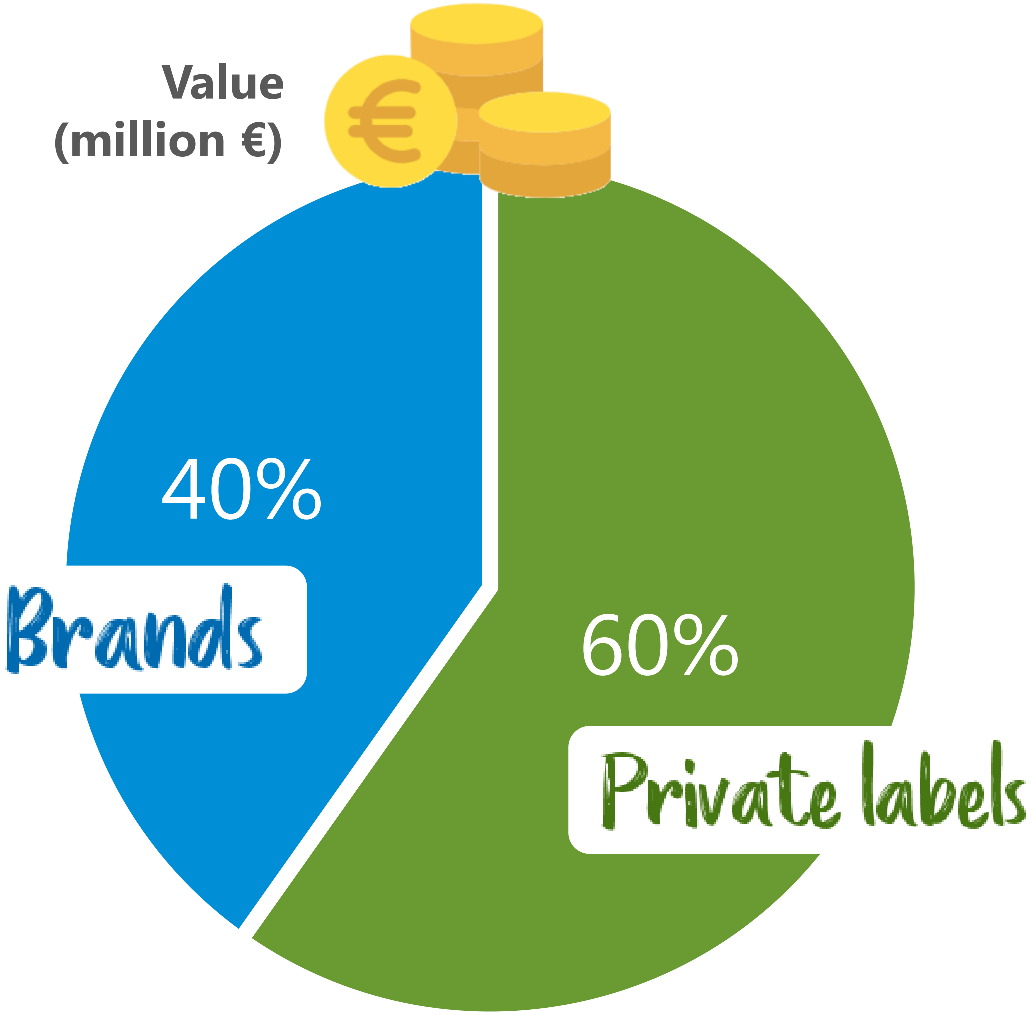
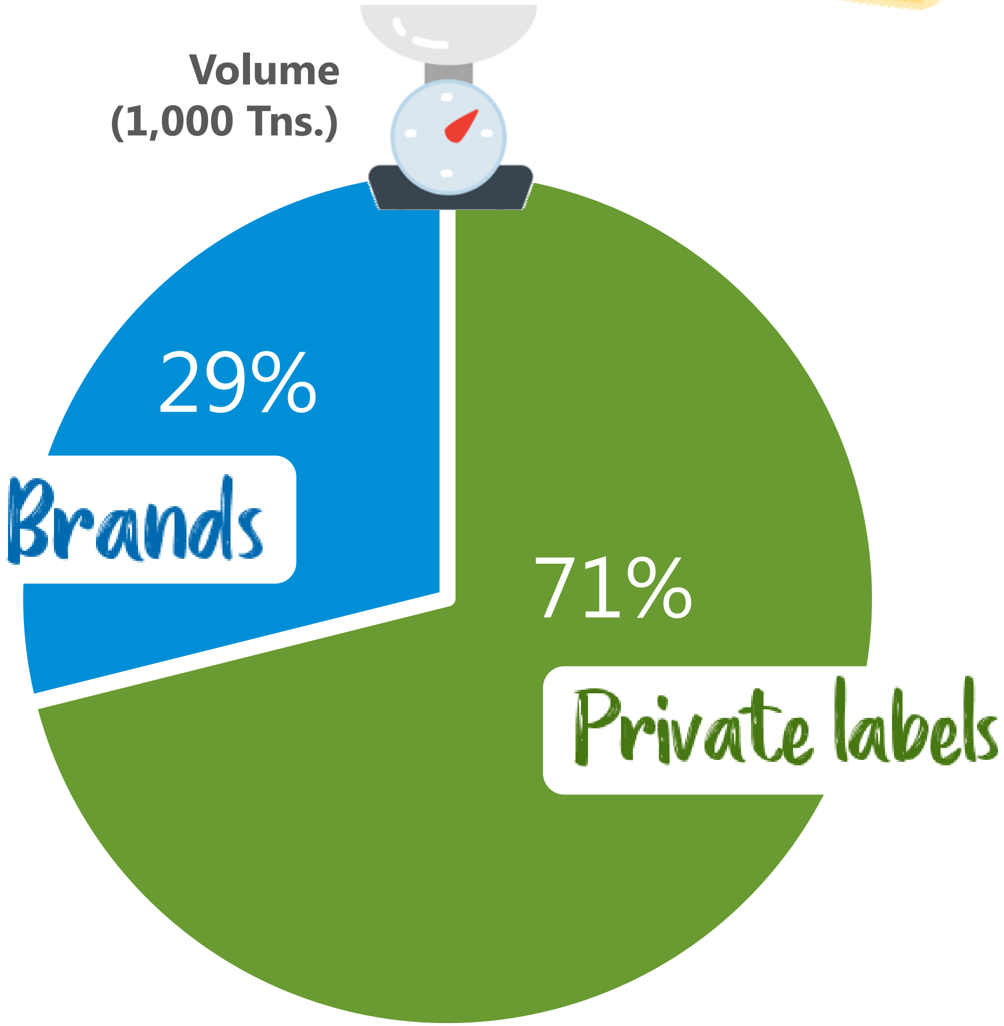
Cheese, Germany

(Nielsen MarketTrack 2018)





Drinking milk

AIM®

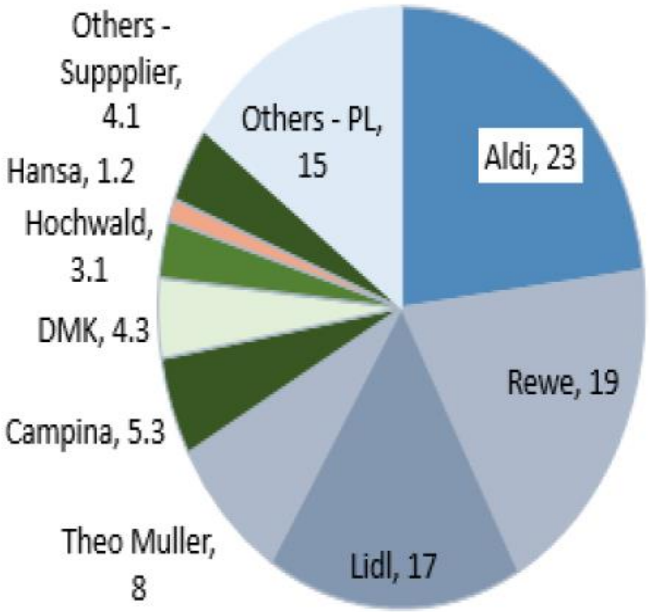
Top 5 Retail Market Share (2015): 76%

- Edeka: 23%
- Schwarz (Lidl+Kaufland) 18%
- Rewe: 16%
- Aldi:14%
- Metro(Real) 5%

Source: Kantar Worldpanel, GFk, Europanel

Share of Milk Sales - Germany

74% Retailer Brands



Data source: © Euromonitor International

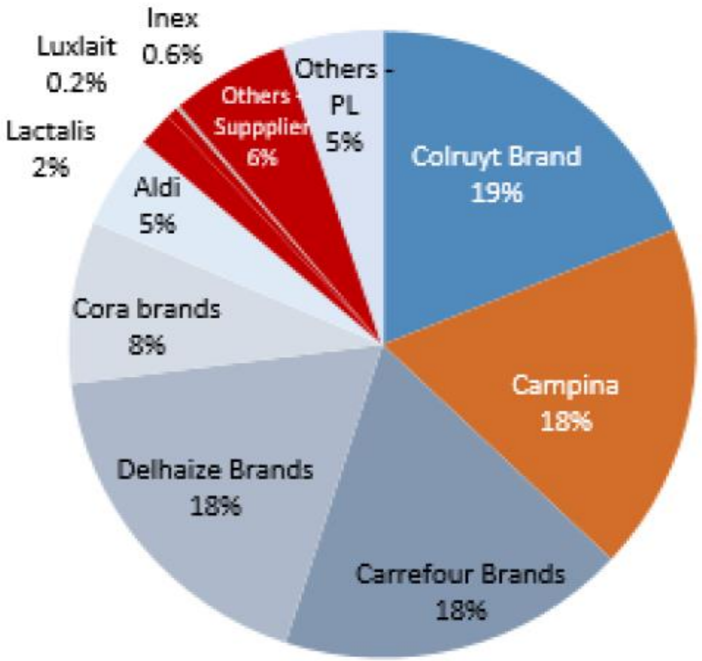
Top 5 Retail Market Share (2015): 79%

- Colruyt: 27%
- Delhaize: 15.4%
- Carrefour: 15%
- Aldi:14%
- Lidl: 8%

Source: Kantar Worldpanel, GFk, Europanel

Share of Milk Sales - Belgium

73% Retailer Brands



Data source: © Euromonitor International

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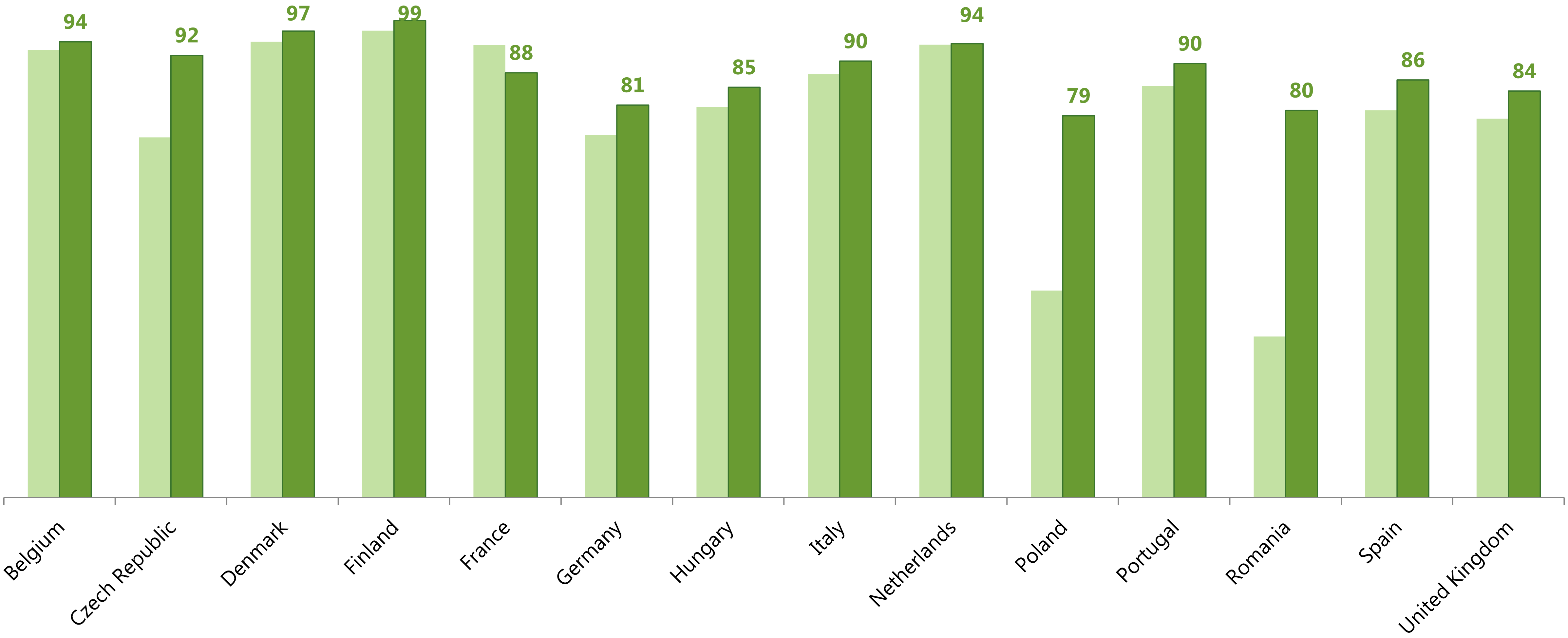
Drinking milk

AIM®

No real alternative channels beyond Modern Grocery Retailers - share in % drinking milk distribution (2004-2012)



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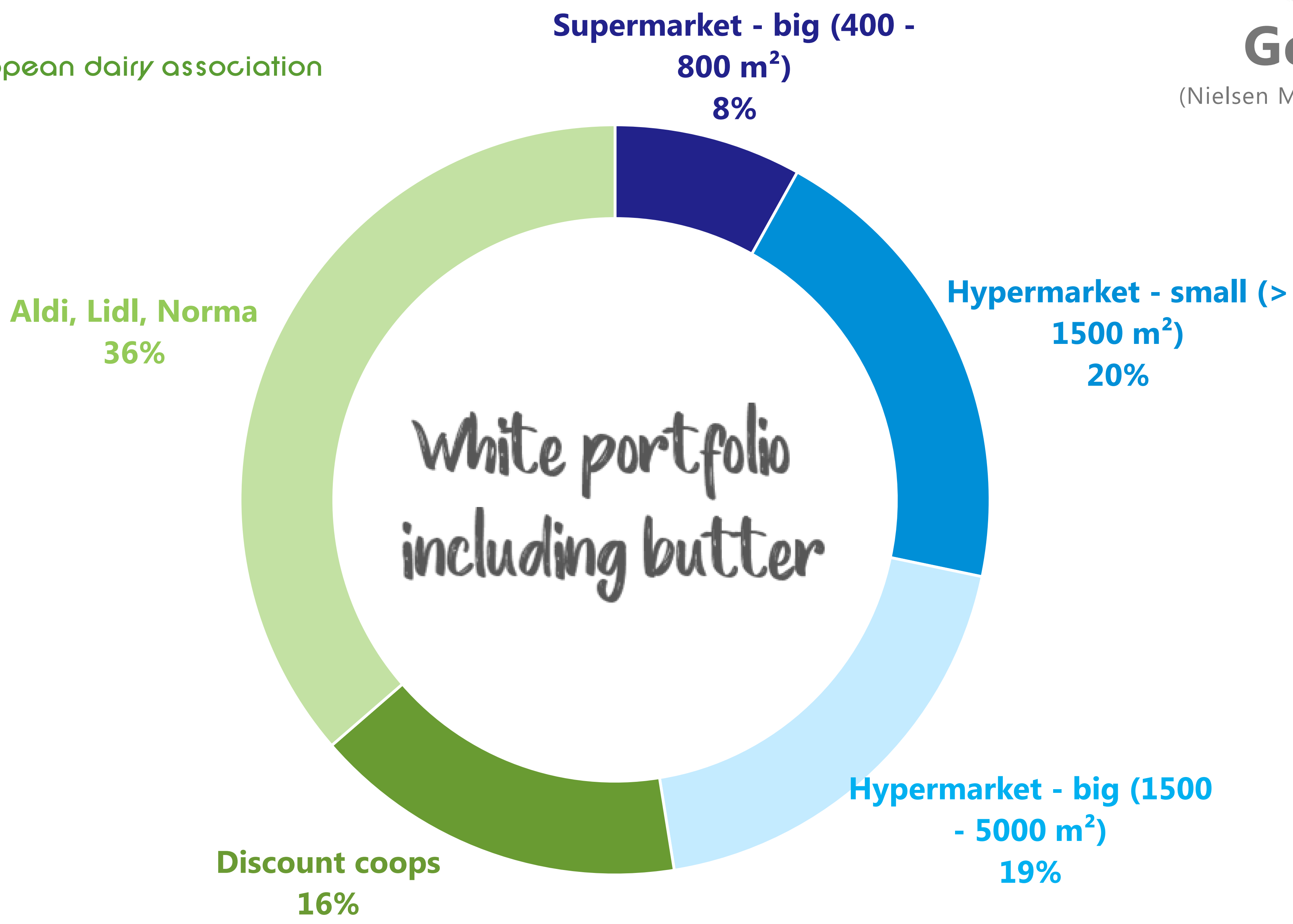
Germany

(Nielsen MarketTrack 2018)




Ranking der größten Lebensmittel-Discounter in Deutschland (2017)
Nettoumsatz in Milliarden Euro
Lidl* 19,18
Aldi Süd* 15,30
Netto Marken-Discount (Edeka) 13,10
Aldi Nord* 11,73
Penny 7,40
Norma* 3,15
Netto (Dansk Supermarked)* 1,12
Niedrigpreis (NP)* 0,80
Treff3000* 0,25
Diska* 0,24
Discounter
* Diese Unternehmen veröffentlichen keine Zahlen; alle Angaben sind Schätzwerte.
Quelle: EHI Retail Institute
EHI handelsdaten.de
EHI Retail Institute

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"Milk and dairy products are a vital source of nutrition"

FAO FIAT PANIS