The World Dairy Situation 2017[1]

[1] Summary report on IDF Bull. 489/2017 World Dairy Situation. The complete document is available from IDF www.fil.idf.org

Introduction

The 2016 World Dairy Situation report was published in October 2017. As always, it provides a general survey of the global dairy industry in the previous year. The complete report is available from the International Dairy Federation. In this article a general overview of the report is provided.

Milk Production

Cows' milk production represents 82,2% of total milk production. It grew by 0,5% to 678 million tonnes in 2016, much slower than the 2,2% growth experienced in 2015. The major milk-producing countries are listed in Table 1.

Table 1: Cows milk production per country, 2016

Country	Milk production 2016 (mil. tonnes)	Share in total cows' milk production (%)	Annual growth 2015 – 2016 (%)
Asia	202	29,8%	1,9
EU-28	164	24,2%	0,8
North and Central America	123	18,1%	1,7
South America	63	9,3%	2,0
Other Europe	58	8,6%	-0,3
Africa	37	5,5%	3,0
Oceania	31	4,6%	1,6
World	678	100,0%	0,5

Source: IDF World Dairy Situation 2017

Milk production growth in selected countries is shown in Table 2.

Table 2: Production of cow's milk in selected countries, 2016

Country	' 000 Tonnes	Growth 2015 – 2016 (%)
Argentina	10 192	-3,5
Australia	9 286	-6,9
Belarus	7 123	1,3
Brazil	34 781	-3,5
Canada	9 336	3,6
Chile	2 604	-2,1
EU-28	164 332	0,5
Japan	7 394	0,2
Kazakhstan	5 300	+3,1
Mexico	11 955	1,9
New Zealand	21 229	-1,7
Russia	3 495	-0,1
Switzerland	3 993	-1,2
Ukraine	10 137	-2,1
Uruguay	2 154	-6,9
USA	96 359	1,8

Source: IDF World Dairy Situation 2017

Dairy processing

Cow’s milk deliveries to the industry decreased by 0,1% from 2015 to 2016, the first decrease in the history of the World Dairy Situation report. Four hundred and thirty-six million tonnes of cow’s milk (64,3% of total production) was delivered to dairies for further processing. The EU processes the largest quantity of milk, followed by the United States, China, Brazil, New Zealand and Russia, with India not ranked.

The total production of liquid and concentrated airy products logically follows the trend in milk deliveries. Most dairy products exhibited very modest growth rates in 2016. Production of packaged milk and fermented dairy products increased by 1% and 3,2% respectively. These products are less traded than the concentrated products and consumption tends to follow population and income trends. Global cheese production increased by 1,8% to 20,5 million tonnes.

Liquid milk production increased by 1,0%, butter production by 1,7 %, cheese by 1,8%, full-cream and semi-skimmed milk powder decreased by 5,7% while skimmed milk production decreased marginally by 0,7%. Global butter production did increase by 1,7%, much lower than the average of 3,0% since 2010. This increase was not enough to fulfil the increased demand. Full cream milk powder production decreased by 5,7% while the product ion of skimmed milk powder decreased by 0,7%.

Dairy consumption

On average per capita consumption of dairy products was 111,1 kg in milk equivalent in 2016, a decrease of 0,2% on 2015 (Figure 1). The decrease in per capita consumption as caused by reduced purchasing power in oil exporting countries, the Russian ban on dairy imports and the economic downturn in South America. This reduced demand resulted in the stockpiling especially in the EU. The percentage distribution of dairy consumption in 2016 is shown in Figure 2. Nearly half the total consumption is regarded as informal while liquid and fermented products are the main forms of dairy product consumed globally.

Dairy consumption varies widely between different countries with higher consumption in mature markets and lower consumption in Africa and other developing countries.

International dairy trade

In 2016, 70,8 million tonnes in milk equivalent was traded between countries. This is 8,6% of total milk production. Trade growth has accelerated in recent years but decreased slightly from 2015 to 2016. Average growth from 2010 to 2016 still remains at 4,3% per y% year. Dairy trade will continue as various areas do not produce enough to fulfil own demand. Asia supply 91% of their own requirements. In Africa the self-sufficiency rate has decreased from 88% to 84% and in Central America from 82% to 78%. Major dairy trading countries are shown in Figure 3. The share of the EU in total dairy trade continues to decrease while the shares of New Zealand and the USA increase.

Milk and dairy prices

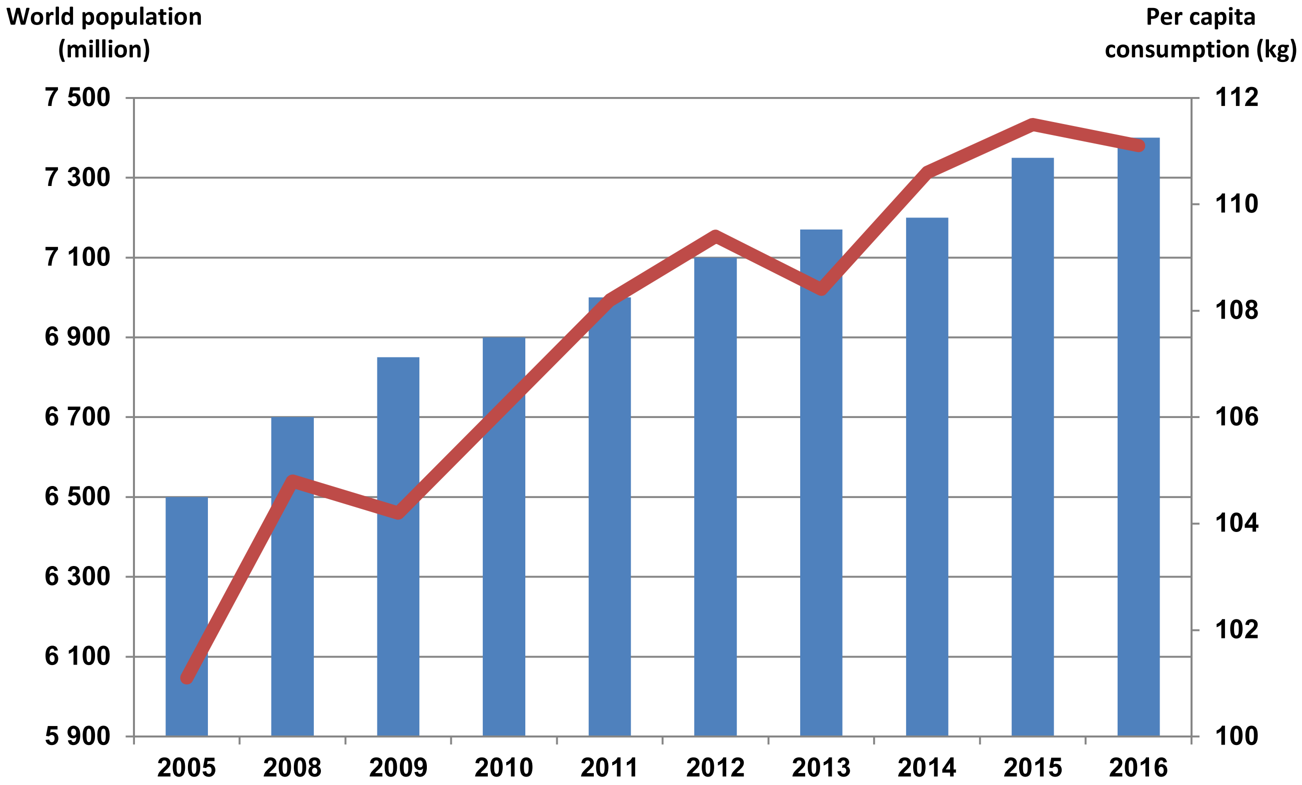
The oversupply of milk resulted in a decrease in farm-gate milk prices in 2015 and the beginning of 2016. Prices slowly recovered as dairy commodity prices increased. The most notable price trend in 2016 and 2017 is the extreme difference between fat and protein prices. Dairy product prices on international markets suffered from higher supply and weak demand from 2014 to early 2016.

Skimmed milk powder prices recovered slightly at the end of 2016 and grew very slowly during 2017, mainly as a result of the huge EU and other stockpiles of SMP. Butter prices increased from 2016 and into 2017 attaining historic records due to the global butter shortage, butter prices in Europe reached US$ 8 000 per tonne. Full cream milk powder price s followed this trend and nearly doubled in a year. Cheese prices recovered in the second half of 2016.

Conclusion

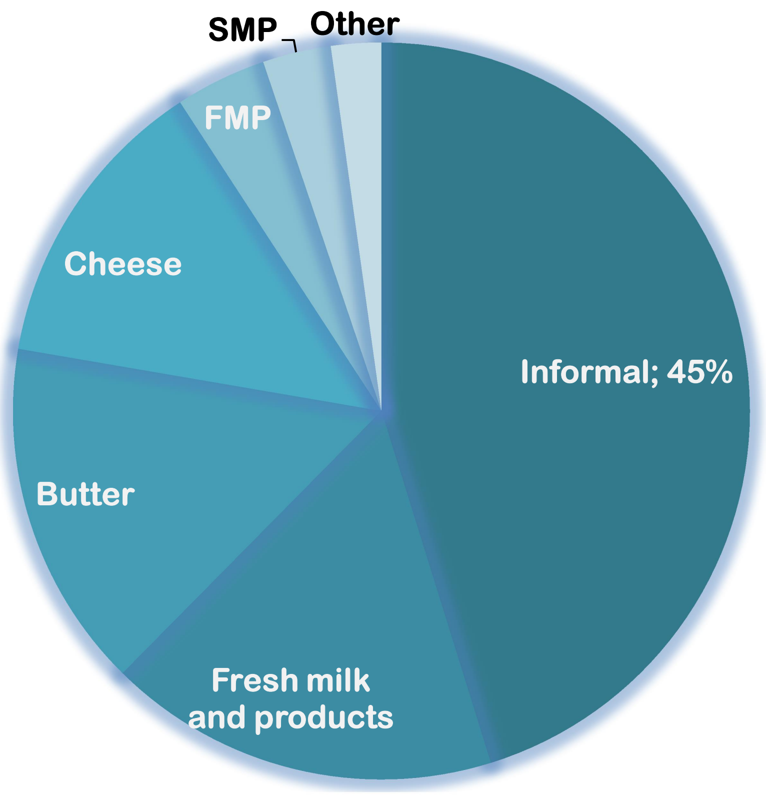
Global milk production growth slowed down in 2016. This resulted in slower growth of dairy production and a marginal decrease in global per capita consumption. The major consumer countries will not be able to produce enough milk for their own use in the next decade. The global market for dairy products will thus continue to grow.

Figure 1: Population and per capita consumption of dairy products, 2005, 2008 -2016



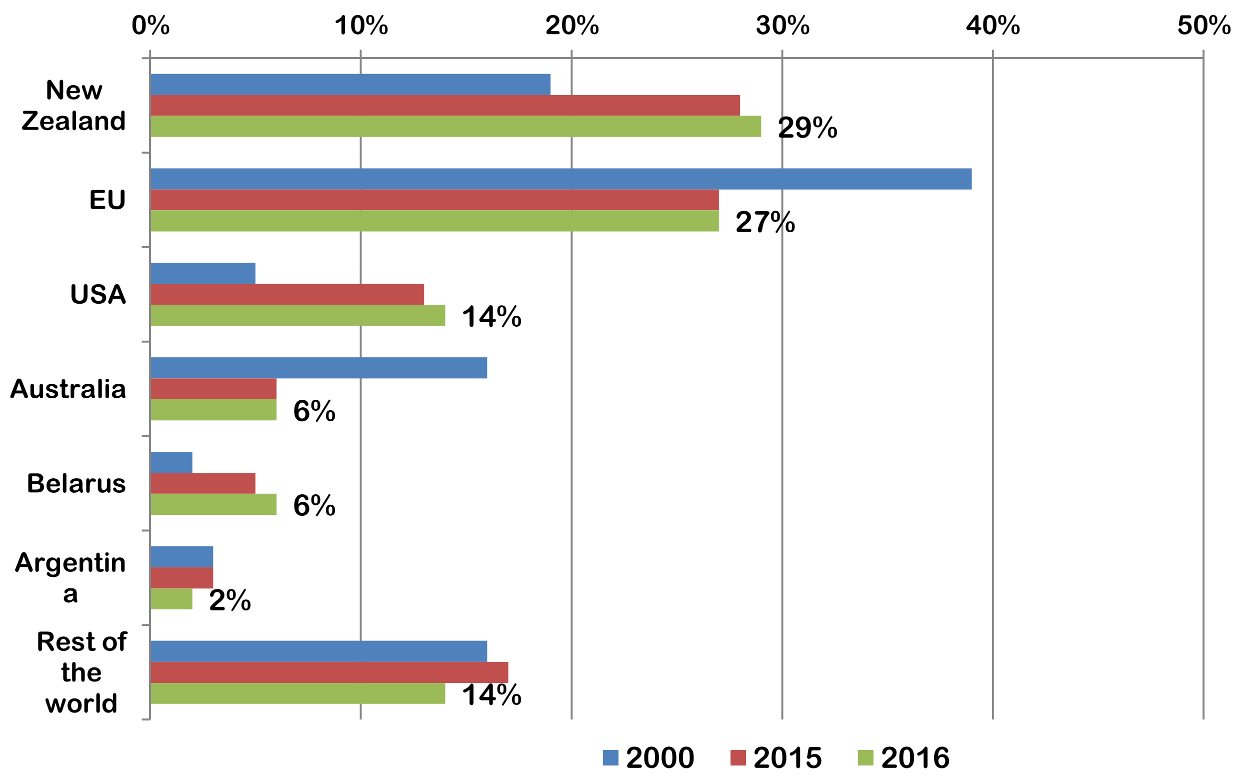
Source: IDF Bull 489/2017

Figure 1: Product breakdown of dairy consumption, 2016



Source: IDF Bull 489/2017

Figure 2: Major international dairy exporters, 2000, 2015 - 2016



Source: IDF Bull 489/2017