The World Dairy Situation 2019[1]

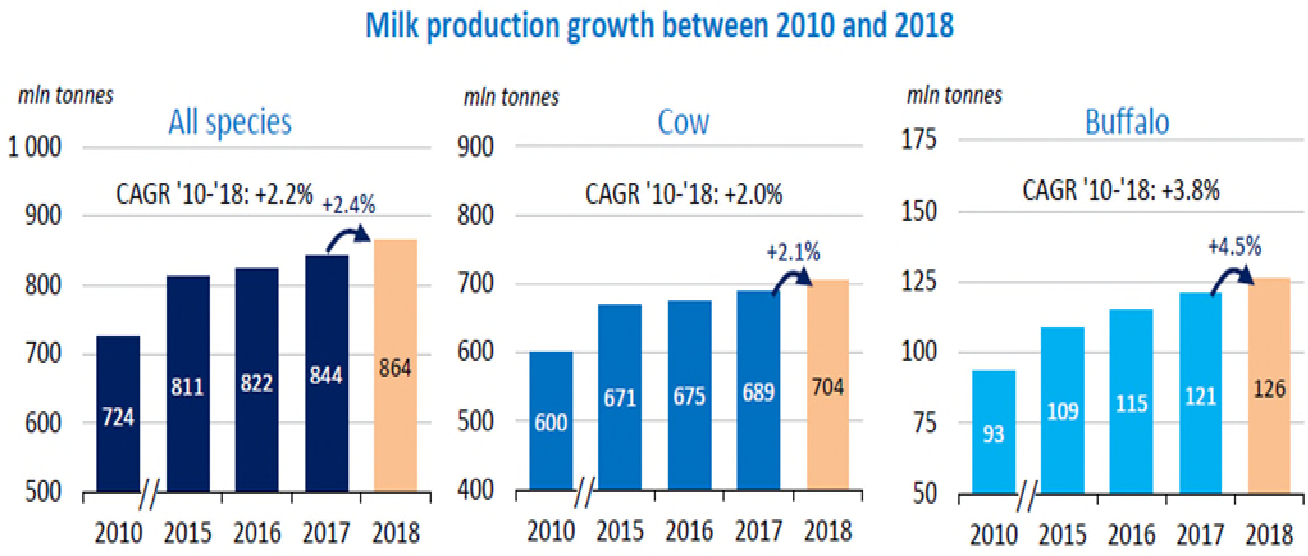
[1] Summary report on IDF Bull. 501/2019 World Dairy Situation. The complete document is available from IDF www.fil.idf.org

Introduction

The 2019 World Dairy Situation report was published in September 2019. 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

Total milk production (all species) increased by 2,4%, which is higher than the historical rate of 2,2% over the last eight years. The growth rates of buffalo milk and goat's milk exceeded the growth rate of cow's milk, indicating a growing appetite for milk from other animals.



Cows' milk production represents 81,5% of total milk production. It grew by 2,1% to 704 million tonnes in 2018, very similar to the growth experienced in 2017. The major milk-producing continents are listed in Table 1 and milk production growth in selected countries is shown in Table 2.

Table 1: Cow's milk production per continent, 2018

Continent	Milk production 2018 (mil. tonnes)	Share in total cows' milk production (%)	Annual growth 2017 – 2018 (%)
Asia	218	31%	4,8
EU-28	167	24%	0,7
North and Central America	127	18%	1,3
South America	65	9%	1,7
Other Europe	58	8%	0,3
Africa	39	6%	1,5
Oceania	31	4%	0,4
World	704	100,0%	2,1

Source: IDF World Dairy Situation 2019

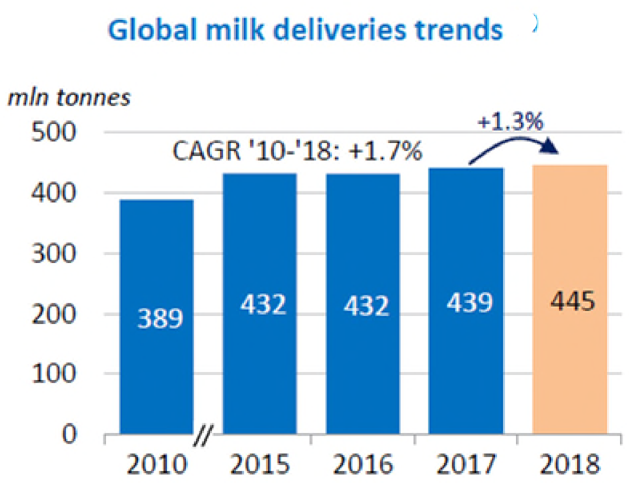
Table 2: Production of cow's milk in selected countries, 2018

Country	' 000 Tonnes	Growth 2017 – 2018 (%)
Argentina	10 843	4,3
Australia	8 802	-8,0
Belarus	7 330	0,3
Brazil	34 661	0,5
Canada	10 176	2,8
Chile	2 620	1,1
EU-28	166 608	0,7
Japan	7 289	0,2
Kazakhstan	5 640	3,3
Mexico	12 368	2,0
New Zealand	22 155	3,0
Russia	30 611	1,4
Switzerland	3 912	0,5
Ukraine	10 064	2,1
Uruguay	2 431	12,0
USA	98 690	1,0
South Africa	3 410	4,8

Source: IDF World Dairy Situation 2019 and Milk SA

Dairy processing

Cow's milk deliveries to the industry increased by 1,3% from 2017 to 2018, a noticeable slowdown from the eight year average of 1,7%. Four hundred and forty five million tonnes of cow's milk (63,2% 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 dairy products logically follows the trend in milk deliveries. Growth for the different dairy products differ widely. Growth in the production of packaged milk (liquid milk) was zero from 2017 to 2018 while the production of fermented dairy products increased by 2,1%. The production of packaged milk in the EU reduced by 2,6%, historically the top producer of packaged milk while the production of packaged milk in India reduced from the usual 6% growth to only 1,2% growth. These products are less traded than the concentrated products and consumption tends to follow population and income trends. Global cheese production increased by 2,1% to 21,3 million tonnes, in line with the 2,2% average increase over the last 10 years.

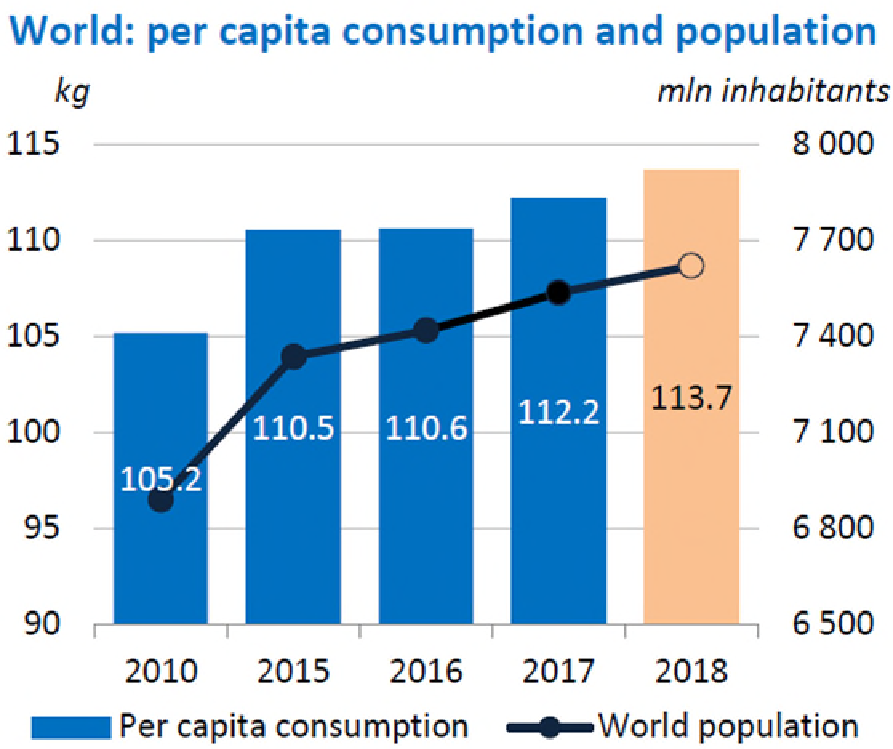
Butter and other milk fat production increased by 2,5% slightly down form the 10 year average of 2,9%, full-cream and semi-skimmed milk powder increased by 0,4% while skimmed milk powder production decreased by 0,7%.

Global production of condensed and evaporated milk is on a downward trend over the last three years. Production from 2017 to 2018 reduced by 2,2%.

Liquid whey is mostly a cheese manufacturing by-product (more than 80%, the rest derived from casein production). The EU is by far the world's top producer of whey powder, representing 70% of whey produced. Whey ingredients are a growing market worldwide due to usage in infant formula, nutrition foods and medical use.

Dairy consumption

On average the global per capita consumption of dairy products was 113,7 kg in milk equivalent in 2018, an increase of 1,3% on 2017.



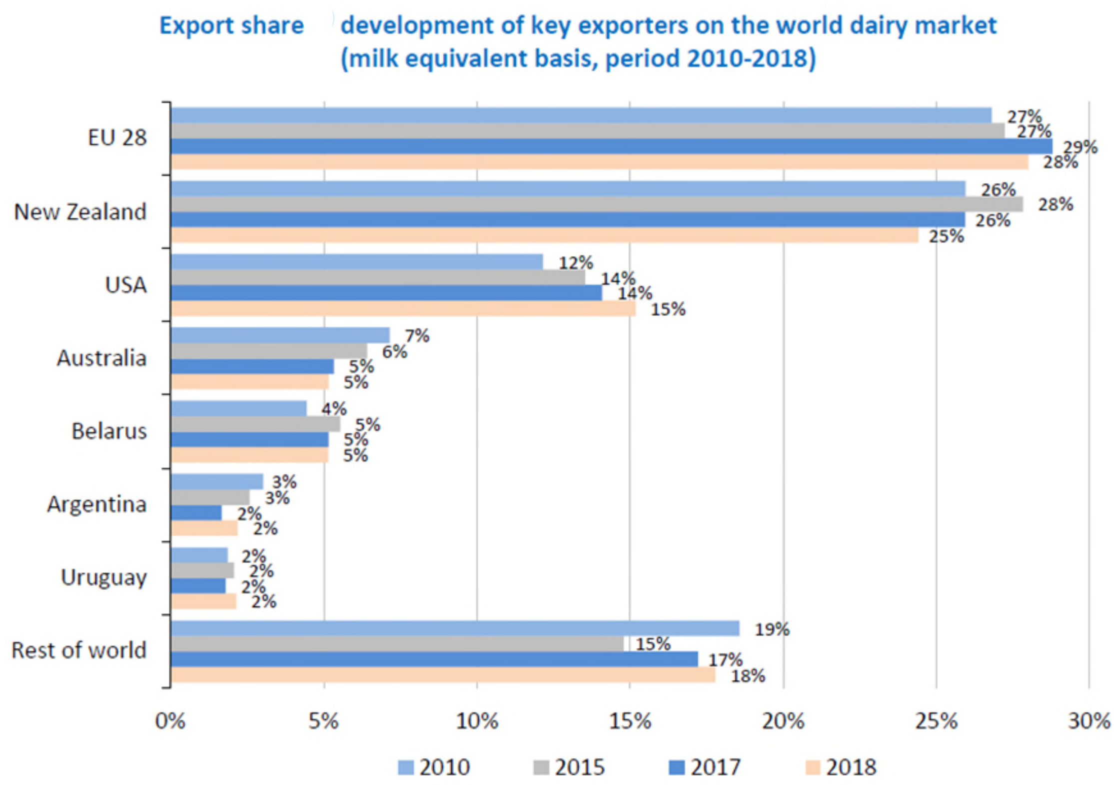
The increase in per capita consumption is mainly driven by per capita income and consumer preference. Regional differences in consumption patterns are very prominent. In Africa dairy per capita consumption is 45kg per year, in Europe and North America it is 270kg per year while Asia comes in at 85kg per year. The EU has finally disposed of most of the skimmed milk powder stocks accumulated in 2016 and 2017, helped by a recovery in prices. The stock reduction accentuated the growth in consumption.

The highest per capita liquid milk consumption of over 100kg is registered in Australia, New Zealand and several northern European countries, followed by North America with 70kg per year. Europe is also home to the biggest butter consumers, 8kg per year with the leading cheese consumers in North America, Israel and Europe at 20kg per year.

According to the OECD-FAO Agricultural Outlook 2019, demand for dairy products will continue to grow, backed by the population upswing to 9,8 billion by 2050, increasing income and dietary changes. The growth rate between 2015 and 2028 for all dairy products are projected at 0,8% per year for developed countries and 2,3% for developing countries.

International dairy trade

In 2018 world trade stepped up by 5% to a volume of 77,8 million tonnes in milk equivalent. This is 9,0% of total milk production. The average growth from 2010 to 2018 was 4,4% per year, indicating an increasing trade volume in 2018. Dairy trade will continue as various areas do not produce enough to fulfil own demand. The EU remains the world's largest dairy exporter, representing 28% of world trade, with the big players in Europe being the Netherlands, Germany and France. New Zealand is in the second place with a share of 25%. Its share is slightly sliding downward reflecting the limitation in milk pool expansion. Number three is the USA with a share of 15% of world dairy trade. Export volumes in the USA increased in 2018 with 13% spurred by an expanding milk pool and a competitive position on international markets. The Australian export position keeps on slipping away due to a shrinking milk pool while Belarus maintained its export share. The overall picture of 2018 reconfirmed that the supply of the international dairy market is highly concentrated and thus vulnerable with the top 5 exporters supplying 80% of the world export volume.



Growth opportunities in the international dairy market are increasingly being determined by developments in China, the Middle East and Africa. Developments in China are of key importance while other destinations in Asia, the Middle East and Africa are becoming more important, spurred by economic development and a tendency towards lowering international prices levels.

Milk and dairy prices

In the beginning of 2018, milk supply increased significantly but growth gradually slowed down later in the year in the main exporting countries. Producer prices of unprocessed milk between different countries were a mixed bag of higher and lower prices when compared to 2017.

World: producer milk prices

	2018 (USD/100 kg)	2017/18
Argentina	25.40	-21.4%
Brazil	37.20	-8.0%
China	55.17	+3.3%
EU 28	40.29	+2.3%
France	*38.75*	*+5.8%*
Germany	*40.59*	*-0.7%*
Netherlands	*44.13*	*-2.3%*
Poland	*36.18*	*+1.3%*
India(D)	42.11	-4.7%
New Zealand	39.32	-3.5%
Russia	36.42	-13.3%
USA	35.71	-8.5%

(D) Mixed (cow and buffalo) milk; refers to cooperative dairies only.

Following two and half years of oversupply and falling prices, 2017 showed partial recovery focussed on dairy fats with 2018 showing a more balanced market. Dairy prices went up until May 2018, then eased until year end. The market situation in 2018 became healthier with an estimated reduction of global inventories by more than two million tonnes after a four year increase.

Annual average Oceania butter and cheddar prices reduced by respectively 9% at USD 4900 per tonne and 5% at USD 3650 per tonne. Annual average SMP and WMP prices showed a 2% and 3% decrease at USD 2000 and USD 3000 per tonne.

Conclusion

In 2018, global milk production, milk deliveries, trade volumes and consumption, all showed increased activity. Global milk production (all species) totals 864 million tonnes with the bulk being cow's milk at 704 million tonnes. The international dairy trade market is highly concentrated with the top five countries supplying 80% of the market while the most lucrative consumption growth is present in the developing regions of Southeast Asia, Africa and Middle East.