The World Dairy Situation 2020[1]

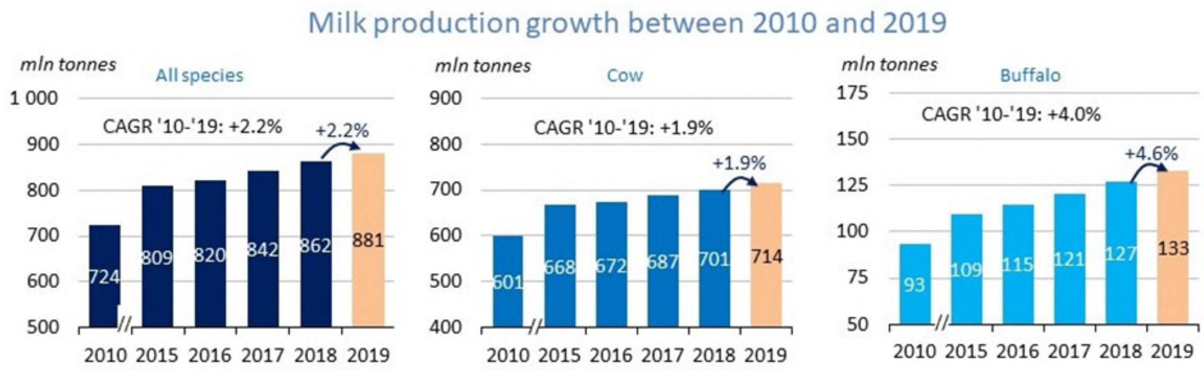
[1] Summary report on IDF Bull. 506/2020 World Dairy Situation. The complete document is available from IDF www.fil.idf.org

Introduction

The 2020 World Dairy Situation report was published in October 2020. 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.

Production of unprocessed (raw) milk

Total production of unprocessed milk (all species) increased by 2,2% from 2018 to 2019, which is on par with the historical rate of 2,2% over the last ten 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 81,0% of total milk production internationally. It grew by 1,9% to 714 million tonnes in 2019, very similar to the growth experienced in 2018. 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, 2019

Continent	Milk production 2019 (mil. tonnes)	Share in total cows' milk production (%)	Annual growth 2018 – 2019 (%)
Asia	225	31%	4,8
EU-28	168	23%	0,4
North and Central America	127	18%	0,5
South America	67	9%	1,8
Other Europe	58	8%	0,2
Africa	39	5%	0,7
Oceania	31	4%	1,0
World	714	100,0%	1,9

Source: IDF World Dairy Situation 2020

Table 2: Production of cow's milk in selected countries, 2019

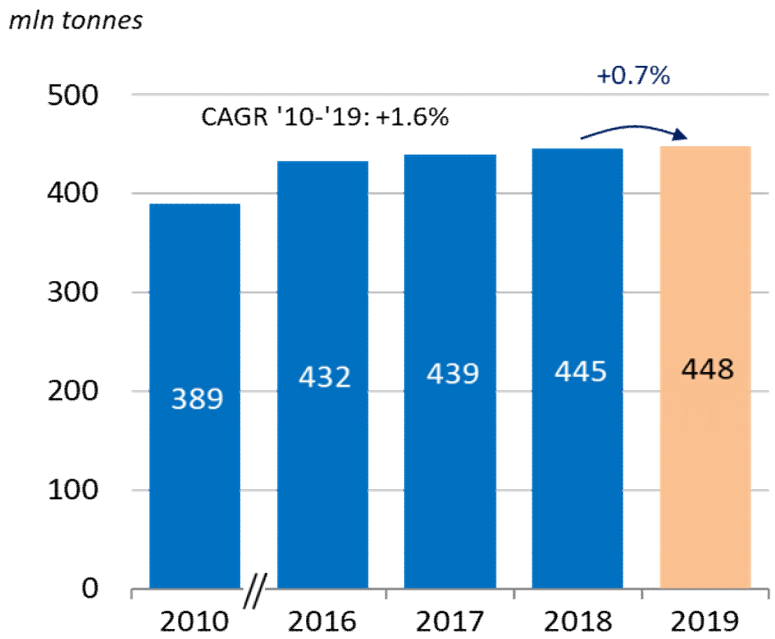
Country	' 000 Tonnes	Growth 2018 – 2019 (%)
Argentina	10 653	-1,7
Australia	9 039	-0,2
Belarus	7 379	0,7
Brazil	35 642	2,3
Canada	10 100	-0,7
Chile	2 601	1,0
EU-28	167 553	0,4
Japan	7 314	0,3
Kazakhstan	5 820	3,2
Mexico	12 644	2,3
New Zealand	21 860	-1,3
Russia	31 338	2,4
Switzerland	3 792	-3,1
Ukraine	9 663	-4,0
Uruguay	2 211	-4,0
USA	99 056	0,4
South Africa	3 582	1,0

Source: IDF World Dairy Situation 2020

Dairy processing

Cow's milk deliveries to the industry increased by 0,7% from 2018 to 2019, a noticeable slowdown from the eight year average of 1,7%. Four hundred and forty eight million tonnes of cow's milk (62,7% of total production) were delivered to dairies for further processing. The EU processes the largest quantity of milk, followed by the United States, China, Brazil, Russia and New Zealand, with India not ranked.

World: cow's milk deliveries (2010-2019)



The total production of liquid and concentrated dairy products logically follows the trend in unprocessed milk deliveries. Growth in the production of packaged milk (liquid milk) was -0,3% from 2018 to 2019 while the production of fermented dairy products increased by 0,3%. The production of packaged milk in most Western countries declined, in the EU production reduced by 2,6% (historically the top producer of packaged milk), Russia declined with 1,7%, while the production growth of packaged milk in India reduced from the usual 6% growth to 3,8% growth. China's production was on the rise again (1,3%) after a sharp drop in 2018. These products are less traded than the concentrated products and consumption tends to follow population and income trends. Global cheese production increased by 1.4% to 24 million tonnes, significantly less than the annual growth rate of 2,2% over the last 10 years.

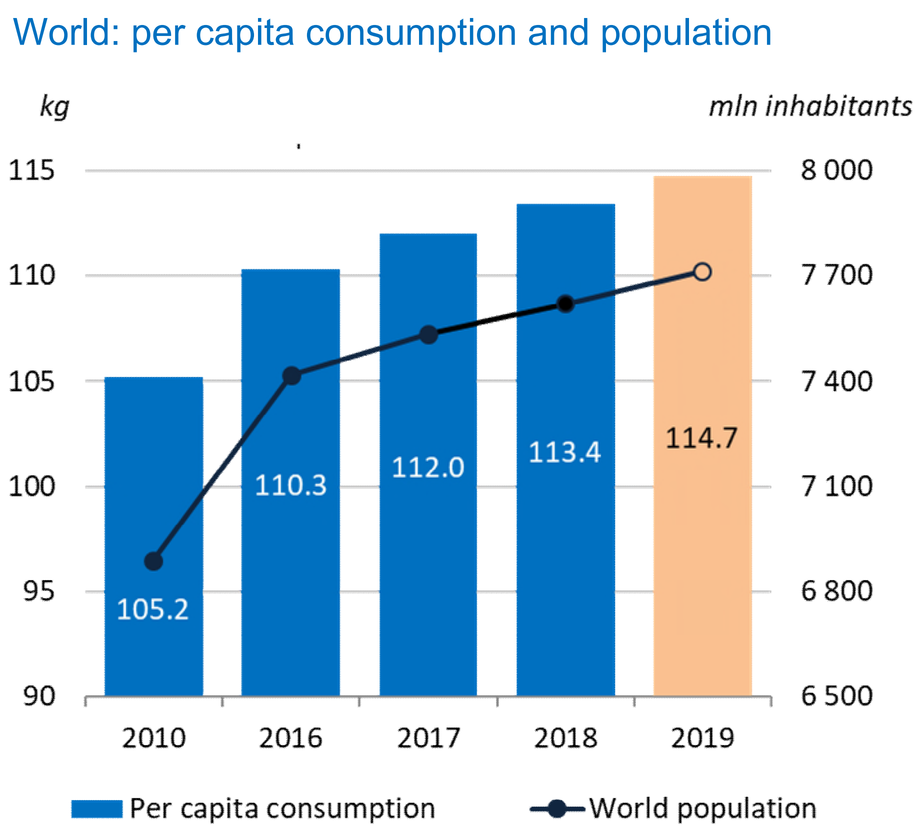
Butter and other milk fat production increased by 3,0% in line with the 10 year average of 2,9%, full-cream and semi-skimmed milk powder decreased by 2,2% while skimmed milk powder production remained steady at 4,8 million tonnes in 2019 (0,1%).

Global production of condensed and evaporated milk stagnated on 4,1 million tonnes over the last four years. Production from 2018 to 2019 reduced by 0,2%.

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 69% of whey produced (2,2 million tonnes). Whey ingredients are a growing market worldwide due to usage in infant formula, nutrition foods and medical use. However, African Swine Fever in China reduced the swine population in China significantly impacting negatively on whey exports for animal feed.

Dairy consumption

On average the global per capita consumption of dairy products was 114,7 kg in milk equivalent in 2019, an increase of 1,2% on 2018.



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 42kg per year, in Europe and North America it is 275kg per year while Asia comes in at 87kg per year. The EU has finally disposed of the skimmed milk powder stocks accumulated in 2016 and 2017, helped by a recovery in prices.

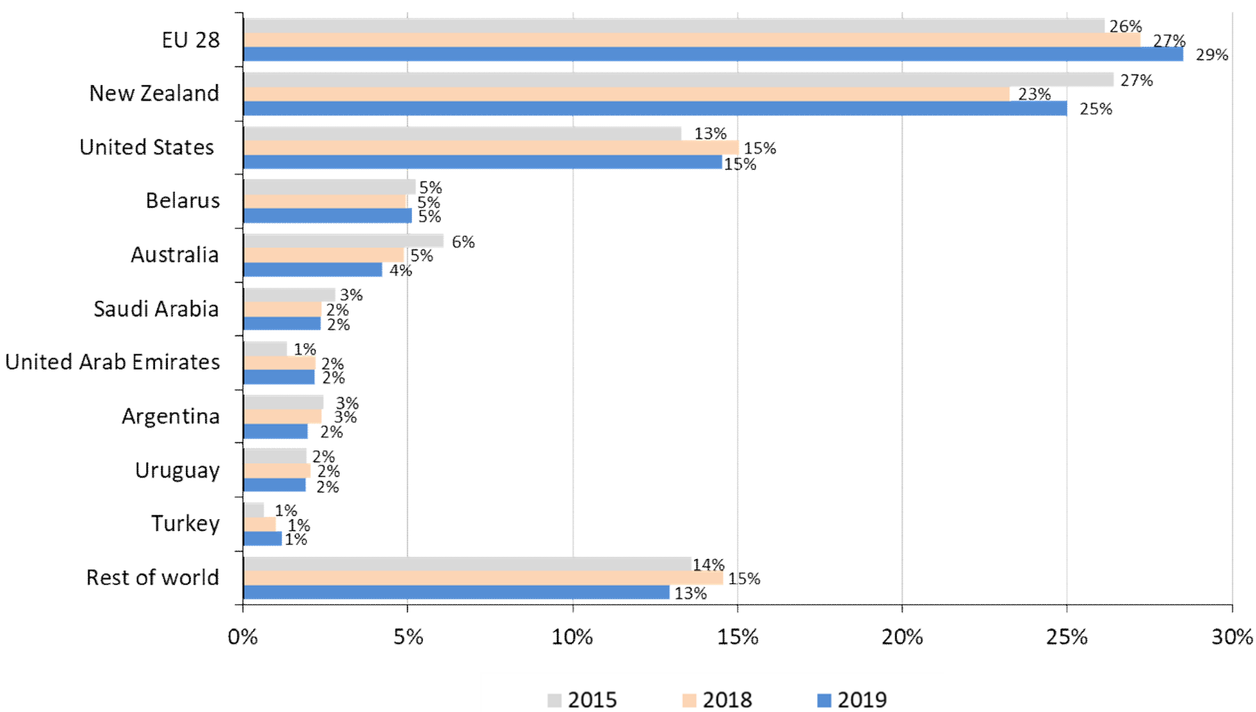
The highest per capita liquid milk consumption of over 100kg is registered in Australia, New Zealand and several northern European countries, followed by North America with 70kg per year. Europe is also home to the biggest butter consumers, 8kg per year with the leading cheese consumers in North America,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

According to the OECD-FAO Agricultural Outlook 2020-2029, demand for dairy products will continue to grow, backed by the population upswing to 9,9 billion by 2050, increasing income and dietary changes. An increase of 25% is expected in total dairy consumption between 2017 and 2029, with a higher pace for fresh products(30%) and butter(26%).

International dairy trade

In 2019 world trade grew modestly by 1% to a volume of 82,1 million tonnes in milk equivalent. This is 9,0% of total milk production. The average growth from 2015 to 2019 well exceeded 2,0% per year, indicating a continuous increasing trade volume. Dairy trade will continue as various countries/regions do not produce enough to fulfil own demand. The EU remains the world's largest dairy exporter, representing 29% 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%. Number three is the USA with a share of 15% of world dairy trade. The Australian export position keeps on slipping away due to a shrinking milk pool and Belarus has now surpassed Australia as number 4 in dairy trade (5%). The overall picture of 2019 reconfirmed that dairy products supply of the international dairy market is highly concentrated and thus vulnerable with the top 5 exporters supplying 78% of the world export volume.

Export share of key exporters on the global dairy market (milk equivalent basis)



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.

Unprocessed milk prices

During 2019, the supply of unprocessed milk increased in line with the average of the previous 10 years. Producer prices of unprocessed milk between different countries were a mixed bag of higher and lower prices when compared to 2018.

World: producer milk price		
	2019	2018/19
	(USD/100kg)	
Argentina	**29,68**	**16,9%**
Brazil	**37,81**	**1,6%**
China	**52,83**	**-4,2%**
EU 28	**38,64**	**-4,1%**
France	**38,14**	**-1,6%**
Germany	**37,73**	**-7,0%**
Netherlands	**42,29**	**-4,2%**
Poland	**34,21**	**-5,4%**
India (A)	**44,48**	**5,6%**
New Zealand	**34,67**	**-11,8%**
Russia	**38,42**	**5,5%**
USA	**41,01**	**14,8%**

A: Mixed (cow and buffalo) milk; refers to cooperative dairies only

Conclusion

In 2019, global production of unprocessed milk, deliveries of unprocessed milk, trade volumes and consumption, all showed increased activity. Global milk production (all species) totals 881 million tonnes with the bulk being cow's milk at 714 million tonnes. The international dairy trade market is highly concentrated with the top five countries supplying 78% of the market while the most lucrative consumption growth is present in the developing regions of Southeast Asia, Africa and Middle East.