

Adisseo Ruminant Conference 13-14 Nov. Paris



DAIRY MARKETS 2020 OUTLOOK AND BEYOND

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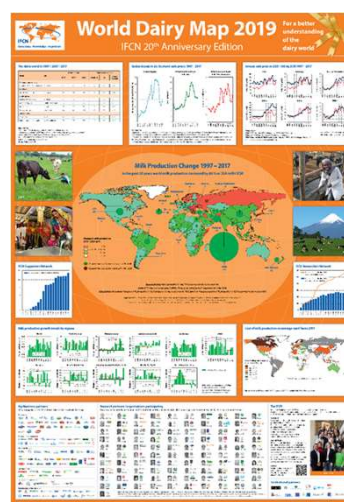
Agenda

1. Introduction of IFCN

2. Dairy trends

3. Dairy outlook

4. Summary



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IFCN Identity and Mission



The IFCN Identity

**IFCN is a Global Network
for Dairy Economic Research and
Consultancy
in the Supply Chain,**

IFCN is a company which has been
founded by T. Hemme in 1999,
now based in Kiel, Germany

The IFCN Mission:

**We help people
in the dairy world with
dairy data, knowledge
and inspiration
to make better decisions.**



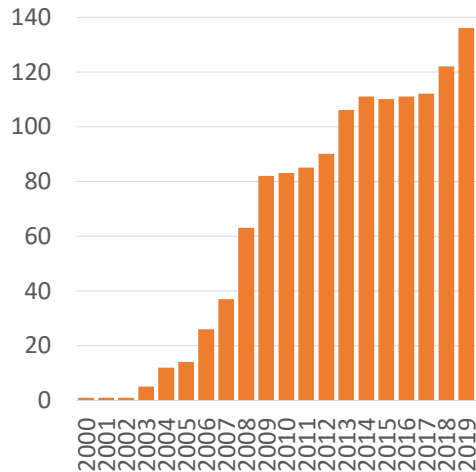
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The IFCN and its Three Pillars



4

The IFCN Network 2019 - Supporters



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**Complexity and speed
of change
in dairy is raising**

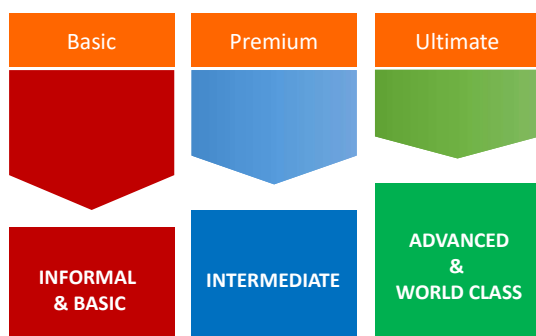
6



Key improvements how IFCN will serve you



Three IFCN service packages
connected to your business intelligence



Levels in your business intelligence

Biggest benefit we offer

Global the holistic picture of dairy
Network with players in the dairy chain
Don't waste time for datamining

Better business / market intelligence

=> Better strategy to win the future

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IFCN Partnership Packages f. 2020 - overview



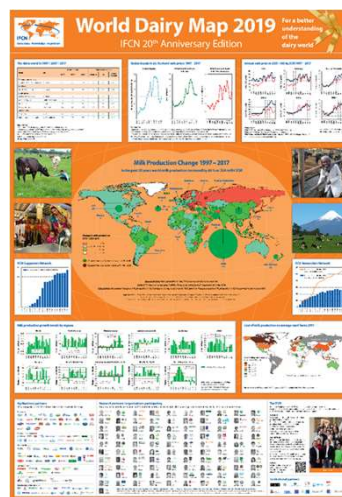
Your benefit	Basic	Premium	Ultimate
IFCN Dairy Report Coverage of 120+ countries on macro and micro dairy economic indicators (5 hard & pdf copies)	✓	✓	✓
IFCN Insight Slides Annual holistic picture of the dairy world	✓	✓	✓
IFCN Monthly Newsletter Latest happening on the sector on your finger tips	✓	✓	✓
Logo positioning Be visible on the IFCN Dairy Report, IFCN World Dairy Map and on the IFCN Website	✓	✓	✓
IFCN Hotline Remarks and first suggestions for urgent questions	Email	Email	Email
Global Dairy Think Tank Be part of annual IFCN Supporter Conference with more than 120 agribusiness companies	One seat	Two seat	Three seat
Annual 101 Exclusive IFCN Partner company feedback meeting on existing data usage and future needs		✓	✓
IFCN Milk Production Outlook Webinar Join quarterly webinar on latest milk supply trends & drivers		✓	✓
IFCN special events Be part of such event defined – more information to be shared, envisaged locations are in Europe, India		✓	✓
Global Dairy Sector Database Get data from county pages in IFCN Dairy Report (key variables)	✓	✓	✓
Access to IFCN Data Products Get access to the IFCN Standard Data (Excel formats)	Data Purchase Possible	Data Purchase Possible	✓ Access All Data



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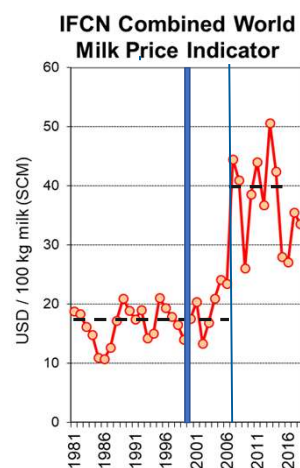
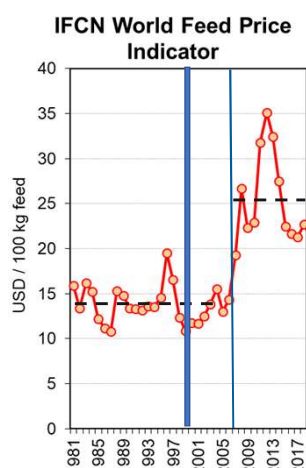
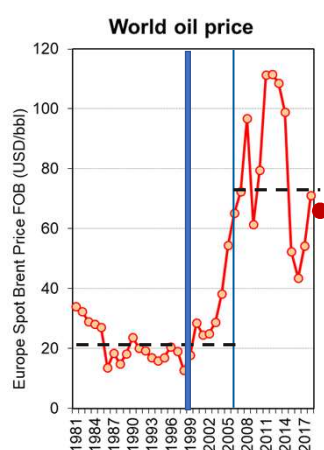
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Economic Indicators – Oil, Feed, Milk 1981 - 2018



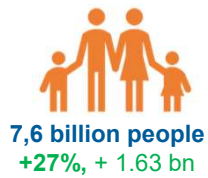
● 2019 level

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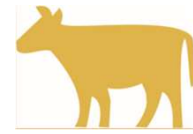


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Dairy World – 2018 vs 1998



+ 63% more milk
produced and consumed
+321 mill t milk



372 mill dairy „cows“
+26%, +78 mill



116.5 kg „milk“ consumed / capita
+26%, + 25 kg ME/ capita



57 mill t milk equivalent milk
traded (excl. EU-intra trade)
+100%

+24 million dairy farms



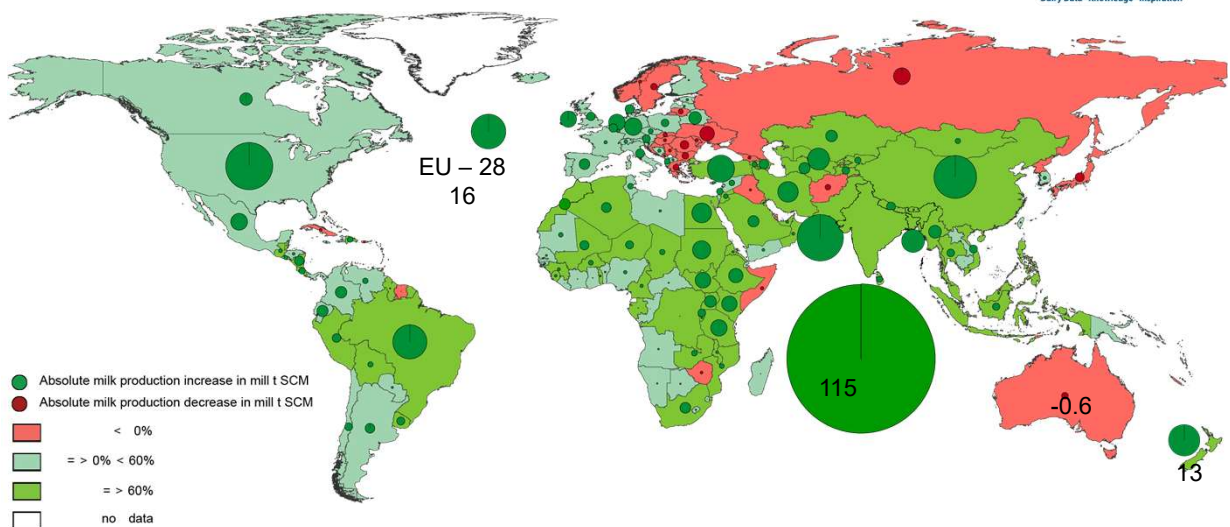
2.3 t / milk/ animal/ year
+29%, + 0.5t

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Global Milk Supply 2018 vs 1998



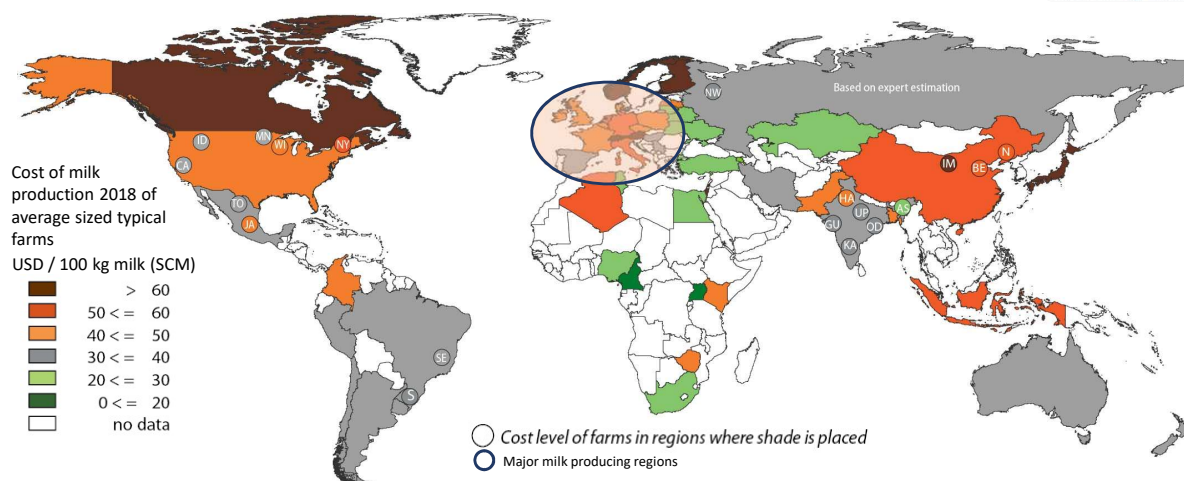
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Driver 1: Cost milk production worldwide

Database 5.1: Dairy farm economic database annually update, + time services



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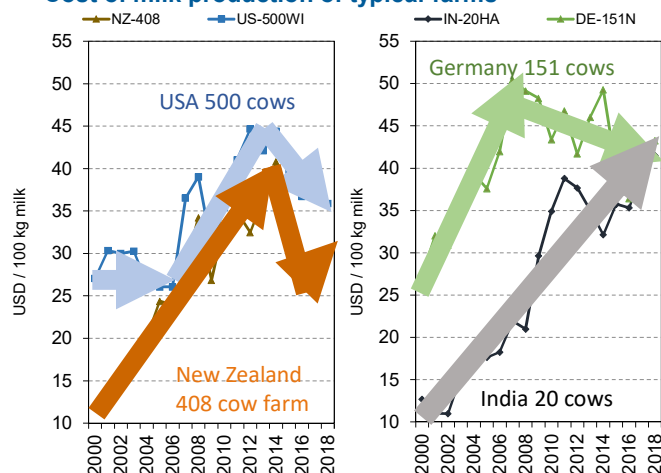


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Development of costs of milk production 2000 - 2018



Cost of milk production of typical farms



Key findings:

- Costs of milk production in countries are changing and follow different patterns**
- Key drivers for change**
USA: Feed price and technology driven
Germany: Farm size change, €/€
NZ: Input prices, NZ\$/€; farm system/yield
India: Input prices, farming system
- Key recommendations for processors**
 Monitor the competitiveness of dairy farming systems in your region. to
 a) define farm development strategies/policies
 b) define processing strategy for the future

17/09/2019

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Driver 2: Milk supply by farm size groups



Why to segment farming systems ?

To better understand and predict the future
To better design fitting support and business strategies

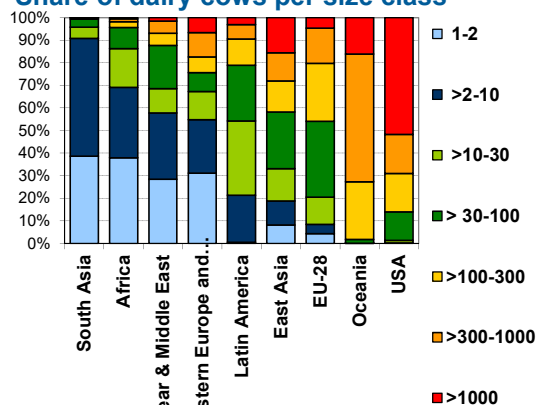
Very simple - 3 main segments

Blue: Household farms 1-10 cows / farm

Green: Family farms 10 – 100 cows/farm

Orange /Red: Business farms > 100/ 300 cows/farm

Share of dairy cows per size class



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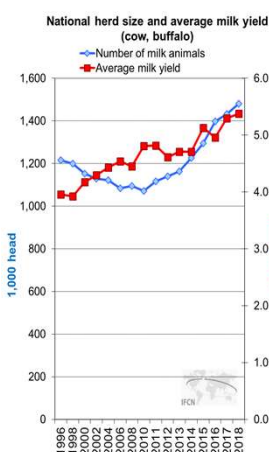


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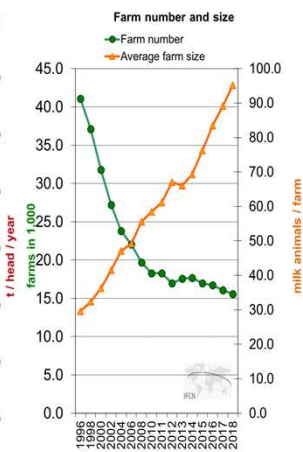
Ireland: Dairy dynamics and farm structural changes



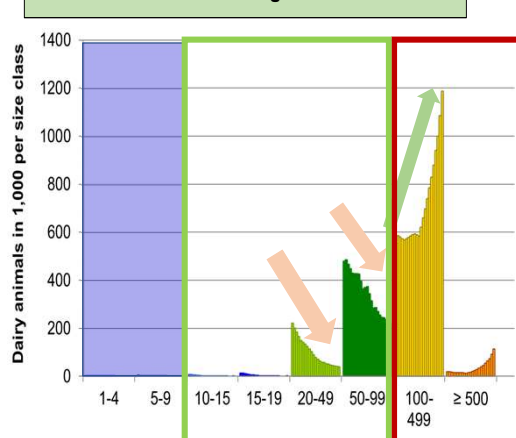
No. cows/ yield



No. farms & farm size



No. cows in farm size segments 1996 - 2018



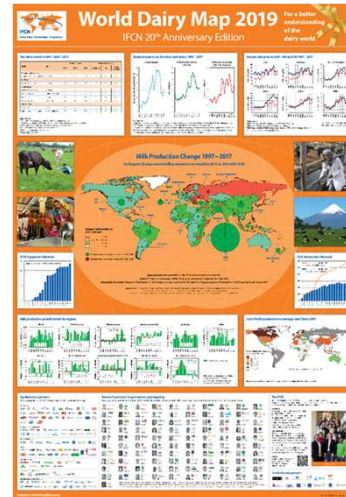
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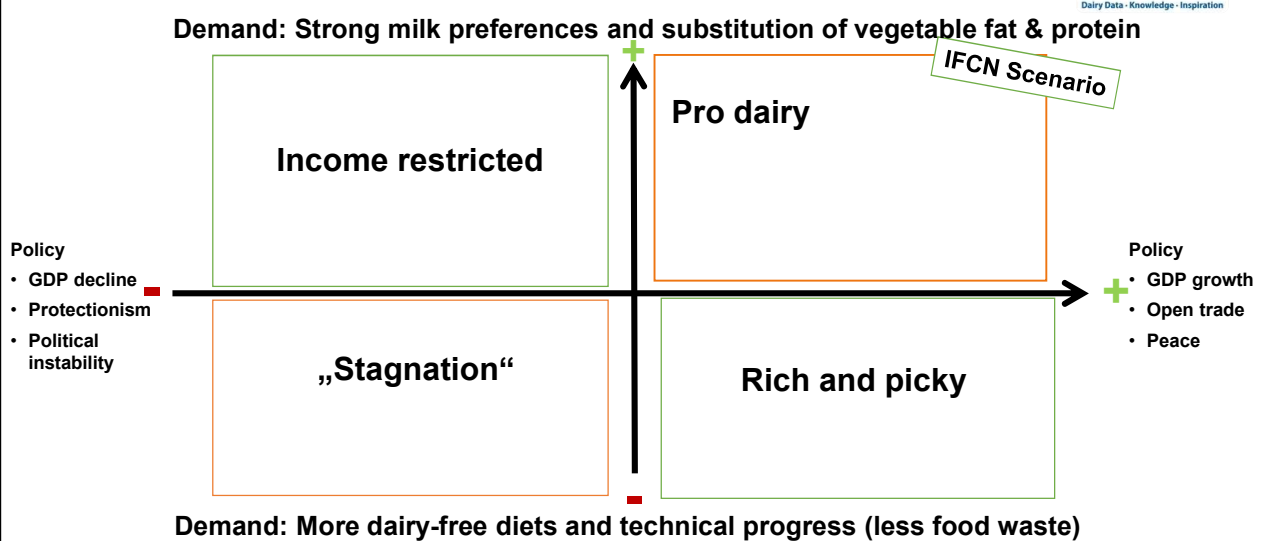
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IFCN Long-term Dairy Outlook scenario



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Dairy World – 2040 vs 2018 – Pro Dairy Scenario



9.3 billion people
+29%, + 1.7 billion



140 kg milk consumed / capita
+20%, + 23 kg/ capita

+ 45% more milk
produced and consumed
+400 mill t



108 mill t milk equivalent milk
traded (excl. EU-intra trade)
+90%



427 mill dairy „cows“
+14%, +54 mill

-20 million dairy farms



2.9 t / milk/ animal/ year
+27%, + 0.5t

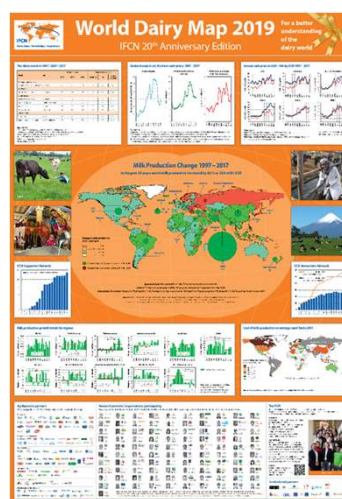
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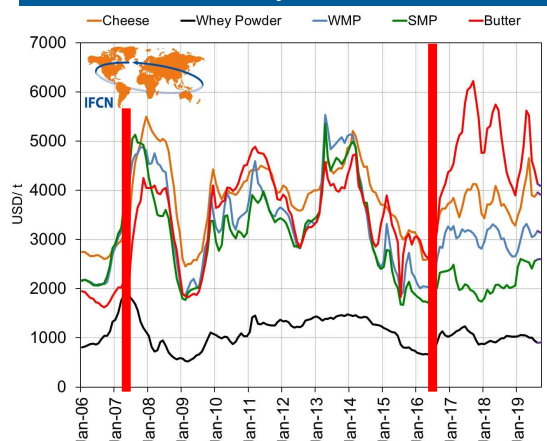


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World market prices of dairy products and “milk”

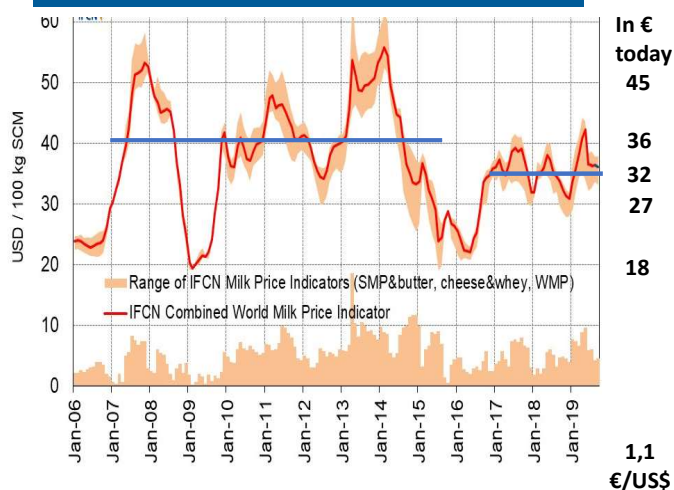


World Market Price* for Dairy Products



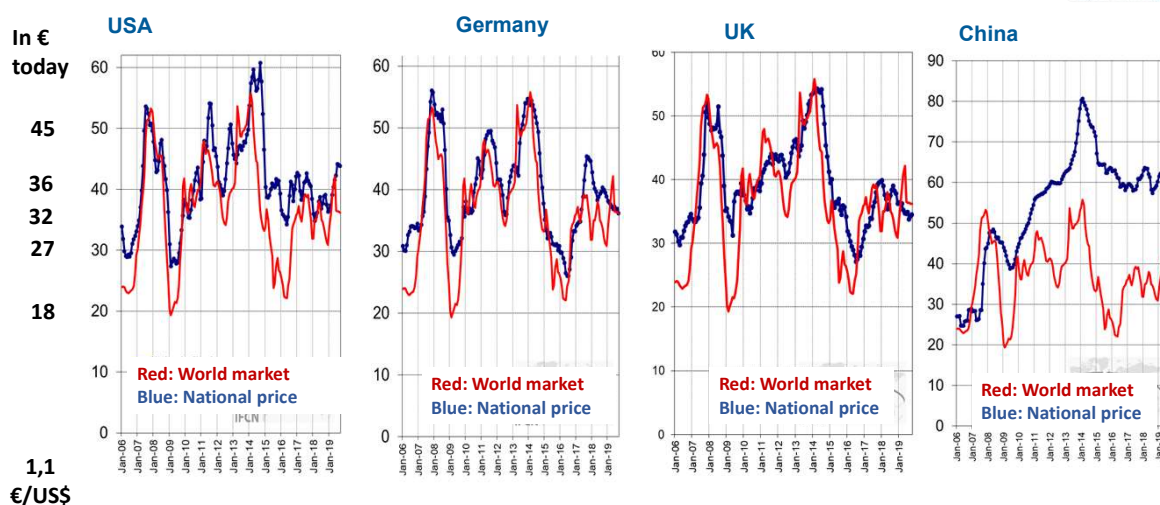
SMP/WMP/Butter/Cheese: monthly weighted average of biweekly Oceania export prices;
Whey Powder: monthly average of weekly German Whey powder prices

IFCN Combined World Milk Price Indicator



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Relation of World Milk Price to National Milk Price



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Milk supply is key to analyze – but how to measure



What type of milk?

Animals: Cow, buffalo, goat, sheep, camel, yak, donkey, horses, etc.

Produced or delivered?

Dairy products or just milk?



Technical challenges

1. No. countries covered
2. Data quality once high informal market or political issues
3. Fat / protein content change
4. Annual or monthly
5. Time lag in statistics
5. Backward updates in statistics

IFCN solutions

1. **Annually** all countries covered, validation by expert estimations e.g. Russia, China
2. **Monthly** data: 62 countries covering 92% of milk supply
3. **Realtime data** estimations and continuous validation
4. **Fat / protein:** Using milk solid (fat/protein) standardisation
5. **Backward updates:** Monthly review of current and former timeseries

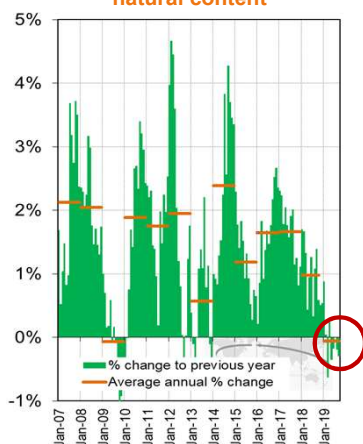


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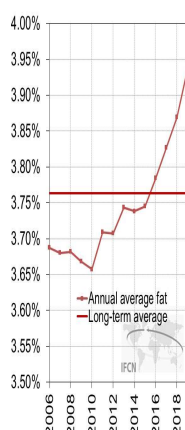
USA and why Fat/Protein standardisation important ?



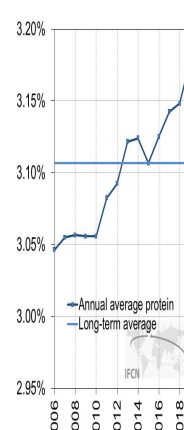
Change in milk production in natural content



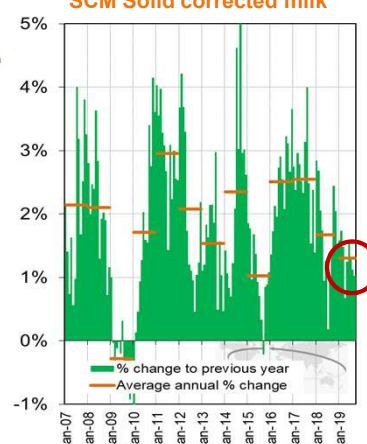
Fat Content



Protein content



Change in milk production in SCM Solid corrected milk



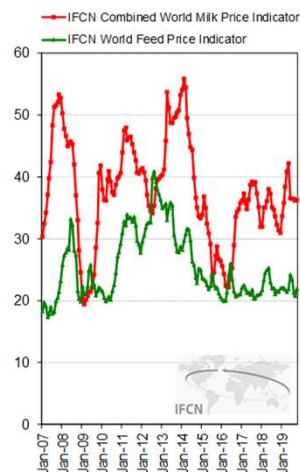
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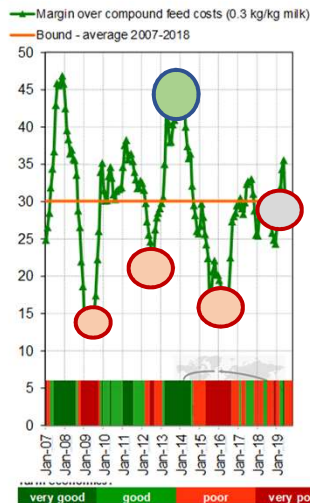
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Milk/feed prices, farmers margins and milk production

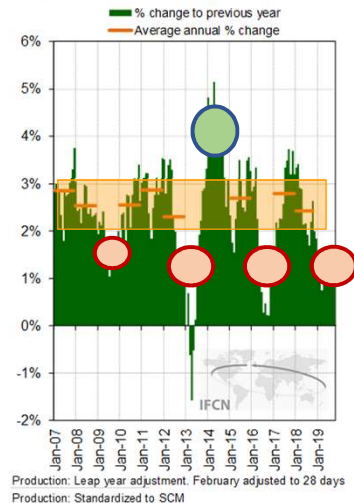
Prices in USD/100 kg (SCM)



Margin over compound feed costs in USD/100kg



Change in milk production on monthly basis



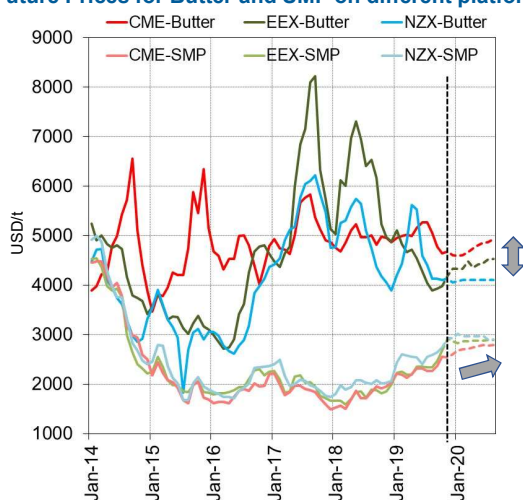
2019 + 1.2% yoy: EU +1.7%; US +1.2%; Oceania -1.6%; Decline: UA; AR, UY, CO, TR, NO, DZ; SE, JP, CN



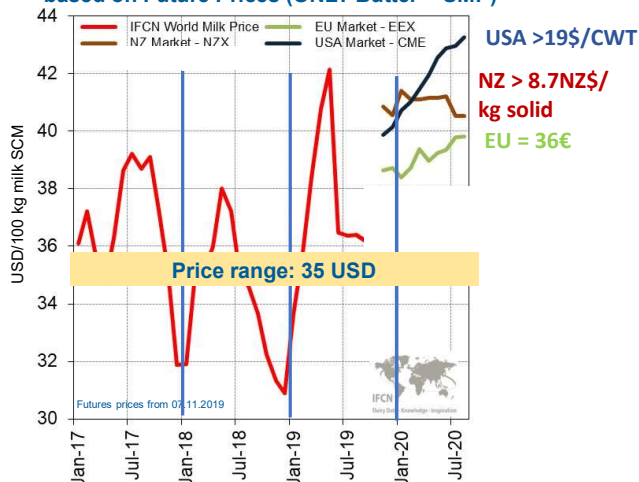
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Milk Price Developments & Future Markets (07.11.2019)

Future Prices for Butter and SMP on different platforms



IFCN World Milk Price Indicator based on Future Prices (ONLY Butter + SMP)



Source: Global Dairy Trade (GDT), European Energy Exchange (EEX), Chicago Mercantile Exchange (CME), New Zealand Stock Exchange (NZX), IFCN calculations
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Summary



Dairy the Last 20 Years

- Milk supply + demand grew by **63% or 321 mill t** = 2* the EU; 13*NZ **>60%**
- More farms, cows, people, trade - Main growth regions have been the emerging markets

Dairy Outlook 2040

- **Key driver to observe:** Politic/Economy and consumer preference for milk
- **Scenario:** Pro dairy: 45% or +400 mill t

Dairy market outlook 2020

- **Two key moments in the past-** 2017 as level shift and 2016 as fat/protein price split
- **2019** supply volume growth very low – like 2009, 2013, 2016 **>40\$**
- **2020** future markets indicate prices > 40\$ or 36 Euro/ 100 kg milk

Disclaimer: IFCN is very happy to ideas and feedback for the update of research and databases

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Acknowledgement



The cooperation of these people and companies made this presentation possible



**Network of IFCN
Researchers**



**Network of IFCN
Supporters**



**People in the IFCN
Center**



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