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2014

# Bulletin

of the International Dairy Federation

## The World Dairy Situation 2014



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## Bulletin of the International Dairy Federation 476/2014

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Send any comments or inquiries to:  
International Dairy Federation (I.N.P.A.)  
Boulevard Auguste Reyers 70/B  
1030 Brussels  
Belgium  
Phone: + 32 2 325 67 40  
Fax: + 32 2 325 67 41  
E-mail: [info@fil-idf.org](mailto:info@fil-idf.org)  
Web: [www.fil-idf.org](http://www.fil-idf.org)

**Bulletin of the International Dairy Federation 476/2014**

Price for the full report (electronic version): 125 Euro

ISSN 0250-5118

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The report is available from November 2014 at <http://www.fil-idf.org>

Subscription Price for the electronic version of the 2014 Bulletins: 335 Euro for all issues.

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Boulevard Auguste Reyers, 70/B - 1030 Brussels (Belgium)

Telephone : +32 2 325 67 40 - Fax : +32 2 325 67 41 - E-mail : [info@fil-idf.org](mailto:info@fil-idf.org) - <http://www.fil-idf.org>

# Foreword

Global demand for dairy products continues to grow, underpinned by increasing levels of dairy consumption within emerging markets. Urbanization, increased incomes, and changes to social demographics have been key trends in these markets driving strong demand for nutritious foods, and in particular protein.

The start of 2013 produced unfavourable weather conditions in the Northern Hemisphere, with an unusually long and cold winter. This coupled with a drought in New Zealand created severe restrictions in supply, resulting in sharp price increases in the international dairy market. The later part of 2013 saw strong milk production growth for many of the major suppliers to the world market, due to favourable weather conditions and feed costs. These favourable supply conditions have continued into 2014. A positive long term demand growth outlook for dairy continues to drive global investment in dairy production and processing capacity.

While there is good reason to be optimistic about the long term prospects for dairy, price volatility will remain an issue for industry and policy makers to grapple with. 2013 was a period of historically high international dairy prices, but the first half of 2014 has seen a weakening in prices due to

factors such as stronger than expected milk production globally and a muted level of demand.

Policy positions in areas such as market access, domestic industry reform, food safety and sustainability continue to influence the overall global dairy supply and demand picture. The impacts of geopolitical developments, such as the recent trade restrictions imposed by Russia, are also being felt in the international dairy market.

This World Dairy Situation Report is produced annually as part of the IDF's mission to represent and support the dairy industry globally.

We hope that you will find this comprehensive publication valuable in furthering your understanding of macro dairy demand and supply trends, and the wide range of policy and economic factors that influence them.

We would like to thank all organizations, members and experts who have contributed their time and expertise to this report. We extend a special thanks to the team of Productschap Zuivel (PZ) and the Centre National Interprofessionnel de l'Economie Laitière (CNIEL) who has led the development of this publication.



Sarah Paterson  
Chair of the IDF Standing Committee  
on Dairy Policies and Economics  
(until 10<sup>th</sup> September 2014)



Nico van Belzen  
IDF Director General

# Summary

This year broke records, mainly due to weather conditions at the beginning of 2013. As a consequence lagging milk production generated a lower availability of milk for exports and, given the continuous strong global demand, led to exceptionally high average prices. Milk production amounted to 782 million tonnes, an increase of 1.3% in comparison with 2012.

World output increased for most dairy commodities in 2013, though in most cases at a slower pace than in the previous year. Most dairy companies experienced an increase in their turnover expressed in USD, on account of the rise of dairy product prices on the world market. Mergers and acquisitions are stepping up and becoming more and more global.

With an estimated population amounting to 7.1 billion people, the average global per capita availability of dairy products, expressed in milk equivalents, was 109.6 kg in 2013, or +0.2% in comparison with 2012.

In 2013, world dairy trade development slowed down. World trade reached a volume of about 62.9 million tonnes in milk equivalents, stepping up by less than 2%, a rate well below the average of previous years.

Throughout the year dairy market prices remained at elevated levels. As a result producer prices for raw milk were exceptionally high. In Europe as well as in New Zealand, dairy farmers had never received such a high milk price as they did throughout the course of this year. Similarly, the milk price in the US was relatively high, even if it remained below the record level of 2011.

The turning point in the market was reached at the beginning of 2014. Since February 2014 prices

have started to fall. In spite of that, the EU has noted an impressive 5.1% growth in milk production over the first 6 months; growth in the US is showing at 1.7% in the same period and production forecasts for the new season in Oceania are good. Based on this trend, total production in 2014 is estimated at around 805 million tonnes, which means an increase of 3% compared to 2013. We expect that dairy farmers will meanwhile start responding to lower producer prices and that the resulting lower milk production will have its full effect on prices in the second quarter of 2015. Therefore for 2015 we estimate a 2% milk production increase, supposing that weather conditions are normal and that there are no severe disruptions in demand.

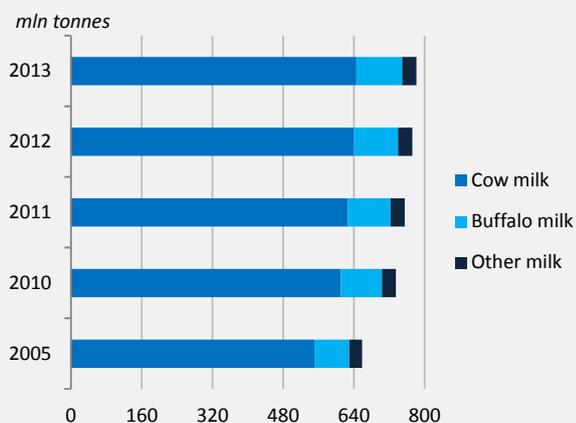
Overall trade volume in 2014 is expected to show an above average growth pattern. However, the growth will be lower than may be expected on the basis of developments up until June. The reason for this is that in the second half of 2014 the growth in trade will be curbed, given current international political uncertainties. In 2015, trade should be expected to regain its normal, long-term average growth pattern, provided that key trade relations have more or less normalized by then. This means trade volume may grow by another 4% to exceed the 70 million tonne milk equivalent mark for the first time.

International projections expect a population of 9 billion inhabitants in 2050, and thus an increased need for food in the coming decades. According to the OECD/FAO Agricultural Outlook 2014-2023, the global average per capita dairy consumption should increase by 13.7% between 2011-13 and 2023. Driven by rising population, income levels and urbanization, consumption should increase all the more in developing countries.

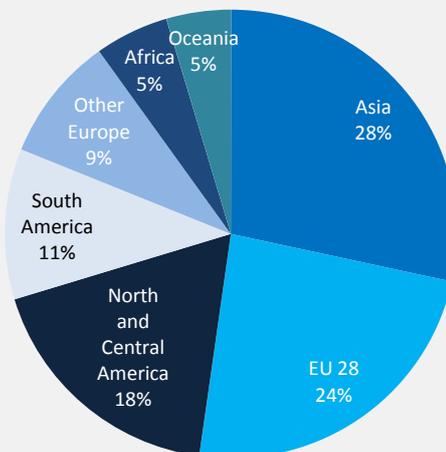
# World Dairy Situation at a Glance

## MILK PRODUCTION

World: milk production by species

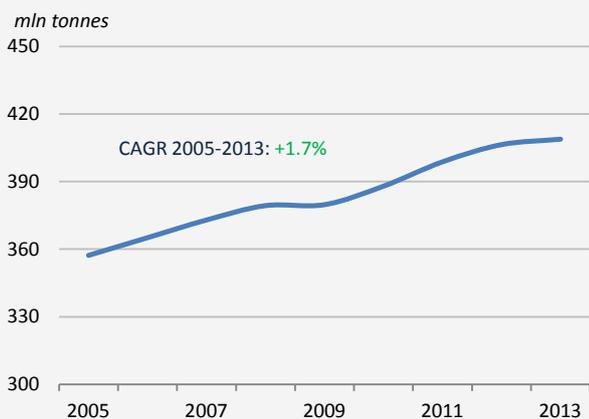


World: cow's milk production (share per region)



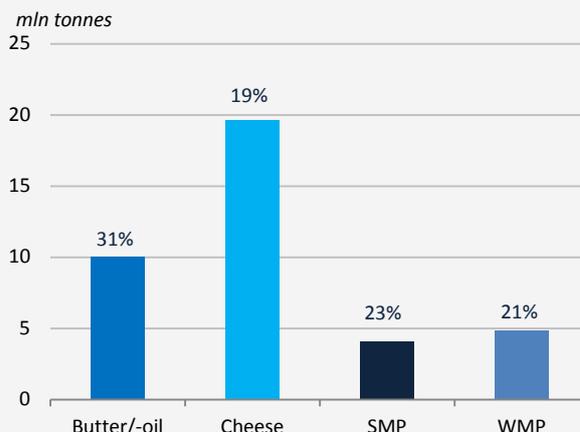
## MILK PROCESSING

World: cow's milk deliveries <sup>(A)</sup>



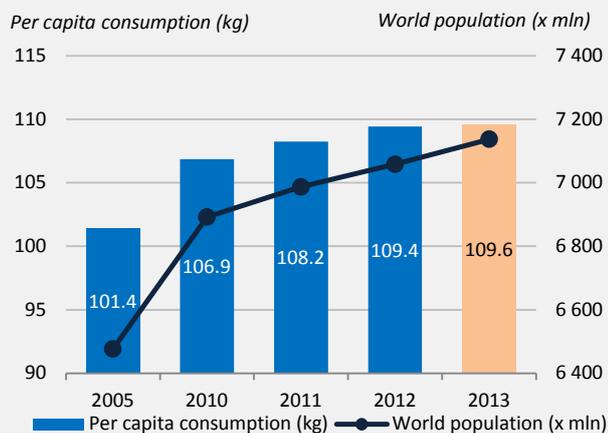
<sup>(A)</sup> In 50 selected countries.

World: dairy product output, growth 2005/13 <sup>(A)</sup>



## CONSUMPTION

World: per capita milk consumption and population

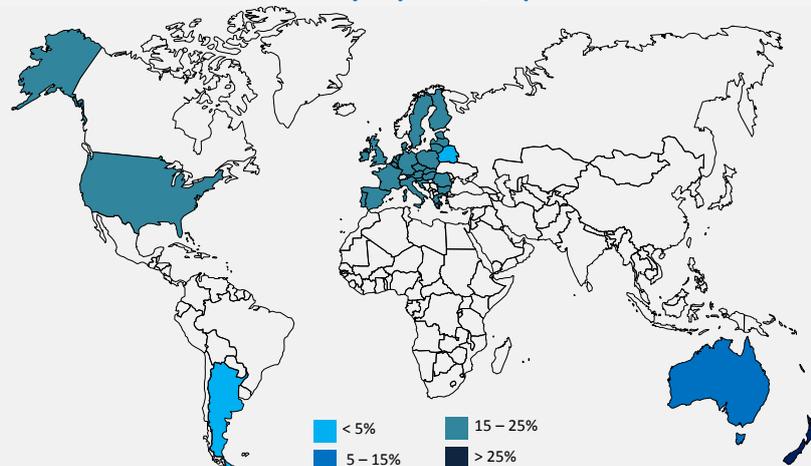


World: self-sufficiency rate (per region)

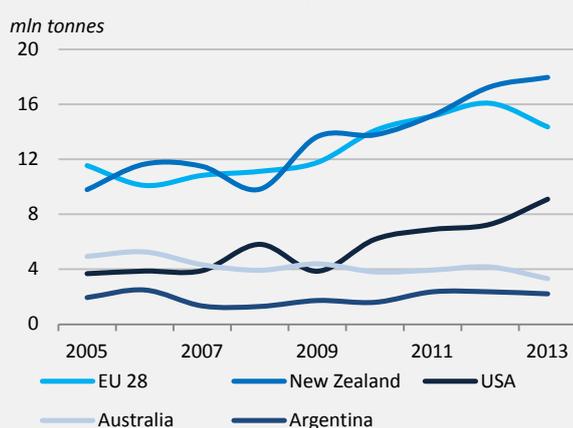
Region	2005	2013
Asia	92%	90%
Europe	106%	108%
EU	109%	110%
Non-EU	101%	102%
North America	102%	110%
South America	102%	102%
Africa	84%	87%
Central America	75%	80%
Oceania	245%	345%
<b>World</b>	<b>100%</b>	<b>100%</b>

WORLD DAIRY TRADE

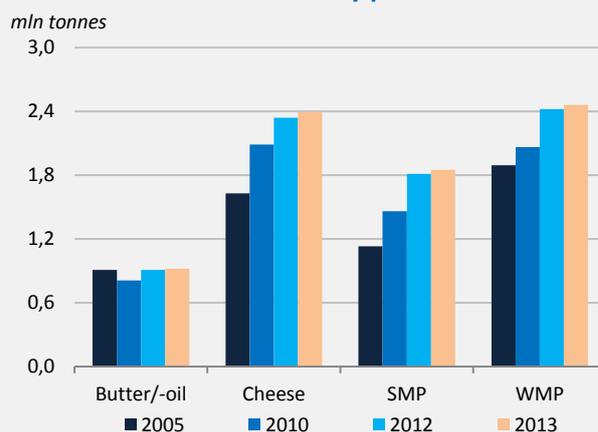
World trade: key exporters, export share <sup>(B)</sup>



World trade: top 5 exporters <sup>(B)</sup>



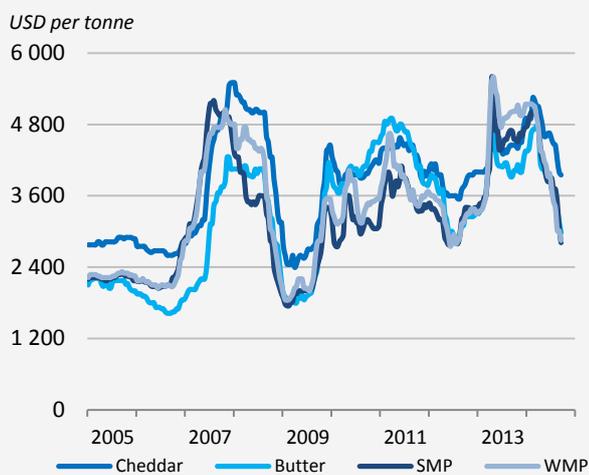
World trade: dairy products



<sup>(B)</sup> In milk equivalents.

PRICES

World: dairy product prices



World: producer prices for milk

	2013 (USD/100kg)	2012/13 (%)
Argentina	36.98	+5.5%
Australia	46.33	+14.6%
Brazil	45.42	+6.0%
China	70.00	+22.3%
EU 28	48.49	+15.5%
France	44.36	+13.0%
Germany	49.82	+21.2%
Netherlands	56.25	+21.2%
Poland	40.97	+14.8%
India <sup>(C)</sup>	38.21	+0.5%
New Zealand <sup>(D)</sup>	60.41	+30.3%
Russia	47.43	-2.7%
USA	44.09	+8.1%

<sup>(C)</sup> Mixed (cow and buffalo) milk; refers to cooperative dairies only.

<sup>(D)</sup> Includes advance and retrospective payments plus dividend.

The report is available from November 2014 at  
[www.fil-idf.org](http://www.fil-idf.org)

We thank our 2014 partners:



**AGROPUR**  
Dairy Cooperative

 **Tetra Laval**

INTERNATIONAL DAIRY FEDERATION / FEDERATION INTERNATIONALE DU LAIT  
Boulevard Auguste Reyers, 70/B - 1030 Brussels (Belgium) - <http://www.fil-idf.org>