

IFCN Dairy Research Network

World Milk Price Update webinar 27.7.2020



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Crisis Management – 3 Phases

We see three phases:

1. The way in
2. The way out
3. The time after the crisis



We can handle this using the uniqueness of IFCN

Your Partner Benefits in 2020

In COVID times:

- weekly dairy market webinars
- additional dairy analysis
- trainings on market intelligence



IFCN Mission: We help people in the dairy world to make better decisions

IFCN partner services Q3 + Q4 2020:

1. 27.7 Milk Price Outlook webinar
2. 31.8 Milk Price Outlook webinar

3.



Sponsor possibilities available

4. 28.9 Milk Price Outlook webinar
5. Mid Oct IFCN Dairy Report + database
6. 30.11 Milk Price Outlook webinar
7. 21.12 Milk Price Outlook webinar



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13th World Milk Price Webinar July 2020

- Dairy Market Outlook
- USA - COVID Epicenter 1
- India - COVID Epicenter 2
- FAO - OECD Outlook 2030

IFCN Dairy Research Network

Contact: Veit.Becker@ifcndairy.org

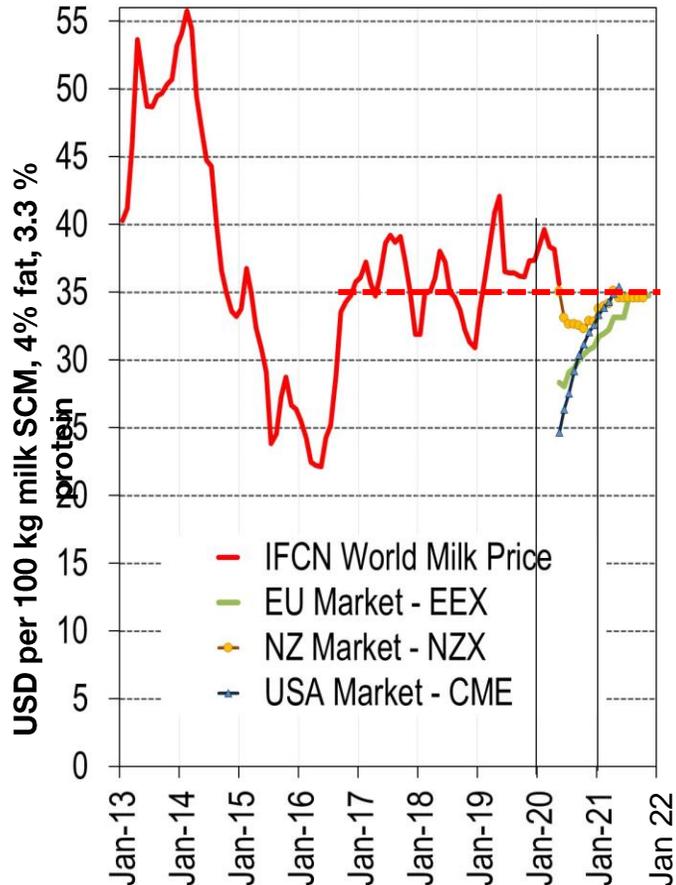




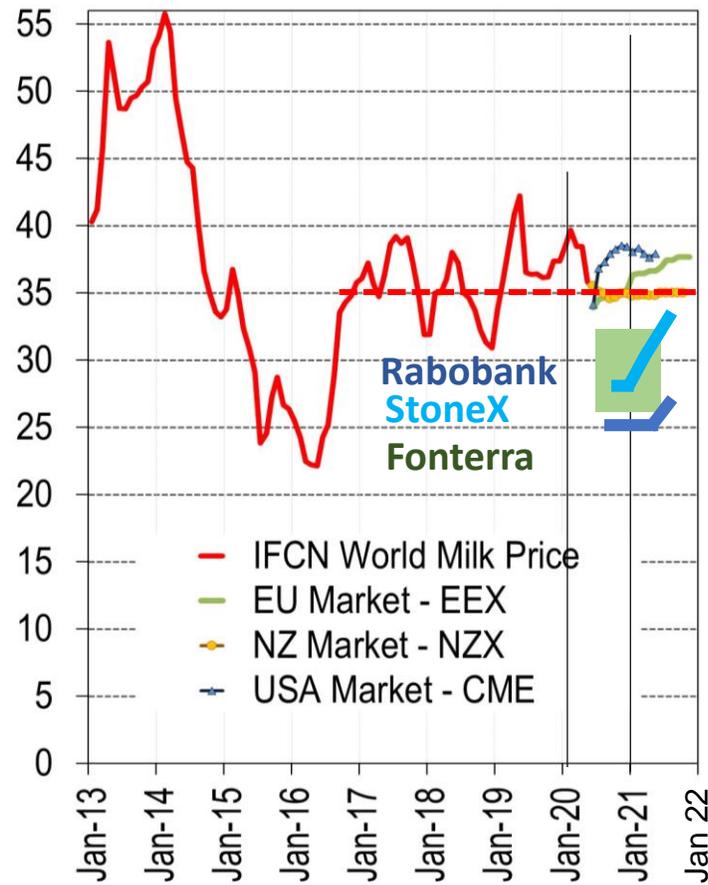
World Milk Price Outlooks in 2020

IFCN world milk price, dairy futures and analysts view

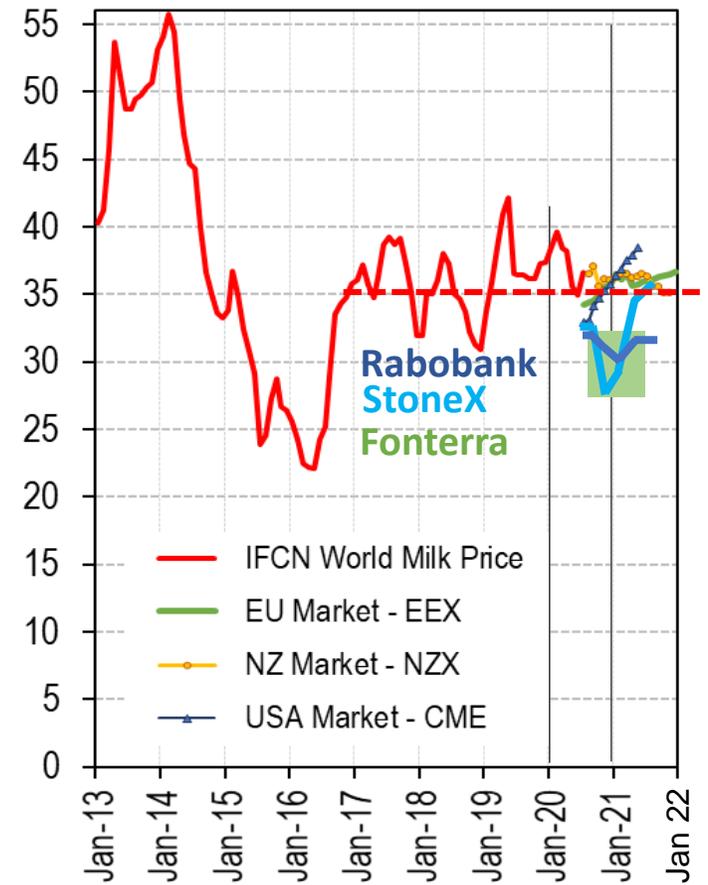
May 07.05.2020



June 5.6.2020



July 23.07.2020



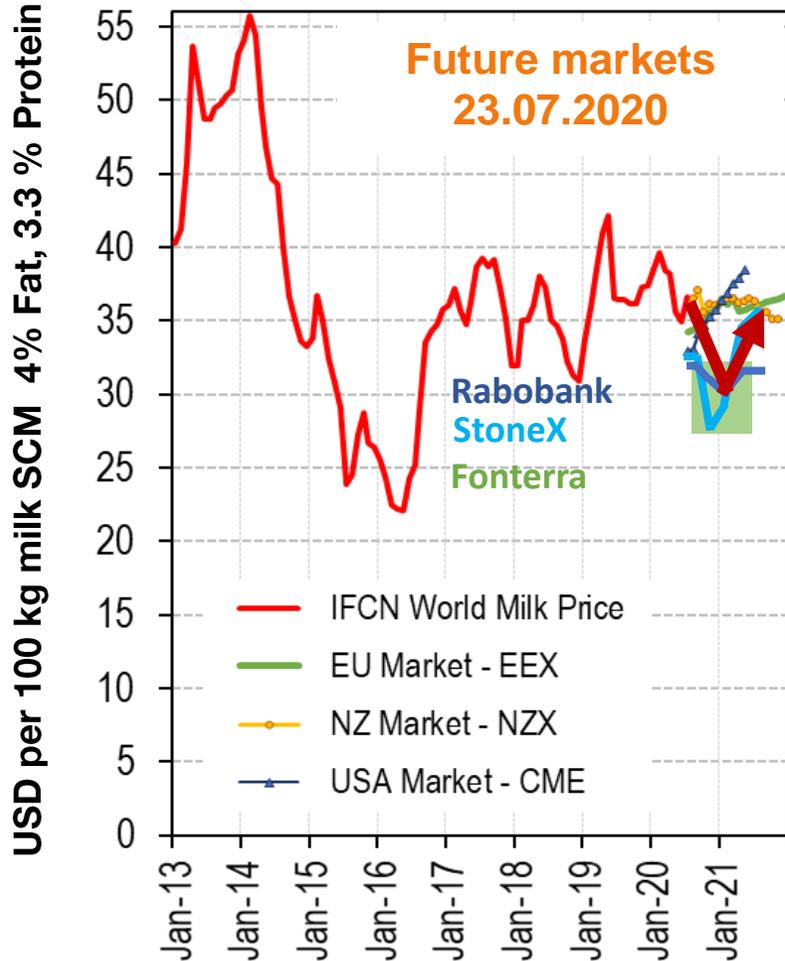
IFCN world milk price is based on the dairy commodity prices of butter/SMP, cheese/whey and whole milk powder, futures on butter and SMP only.



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World Milk Price Outlook 2020



1. Current Dairy Futures: 36 - 38 USD / 100 kg milk
 GDT Auction -0.7% 21st of July, + 8.3% 7th of July
 Futures: Price from August back on normal levels
 Alignment: of world market, EU, USA

2. Futures & analysts still not aligned
 Rabobank: 30-32 USD for next 12 months
 StoneX: 28 USD in Q4; move to 35 USD
 Fonterra: 28-33 USD for season 2020/21

3. Now what:
 If we are very lucky, the dairy futures are right.
 High chance of a period with low dairy prices in 2020.

Futures: Milk price average in Q3-Q4 2020

NZ 36.2 USD/100 kg – 16.4 \$/CWT, 31.2€, 7.3 NZ\$/kg solids

EU 34.9 USD/100 kg – 15.8 \$/CWT, 30.1€, 7.0 NZ\$/kg solids

US 34.3 USD/100 kg – 15.6 \$/CWT, 39.6€, 7.0 NZ\$/kg solids

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Dairy Price Drivers in 2020

1	Retail demand: Panic-buying of products for 1 st and also for 2 nd wave	
2	Food-service demand drop (+ recovery from June onwards)	
3	Supply chain disruptions (e.g. farm inputs, container availability, etc.)	
4	Building of stocks in milk processing or food companies	
5	Increased formal milk demand in developing countries; imports increase	
6	New: China pig population recovery Imports Jan – May + 3%	
7	Recession , lower oil prices, lower income => lower milk demand growth	
8	Policies for supply reduction, stocks, stimulating the demand, etc.	
9	Milk supply drops due to lower milk prices	
10	Others to be identified	



Possible drivers July dairy price increase

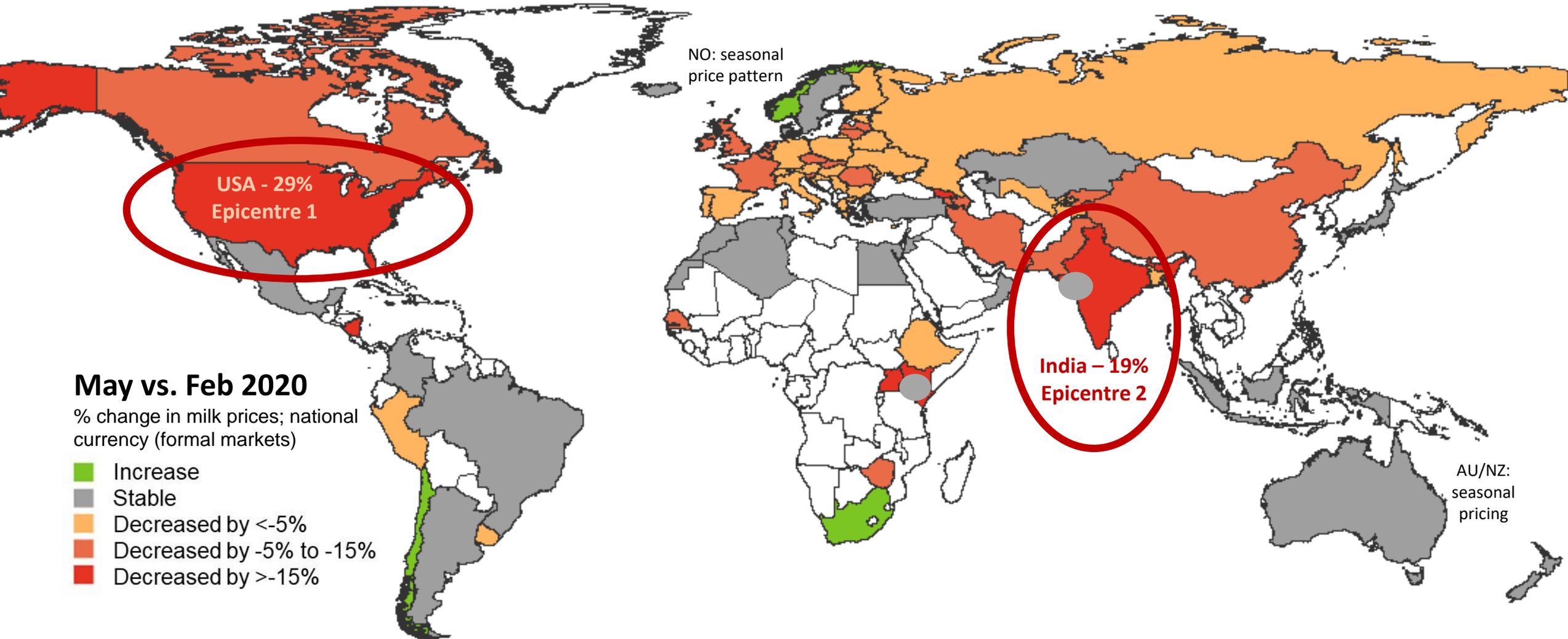


Key drivers for milk price increase July 2020 (GDT + 8%)



Depth of the “Dairy Crisis” 2020

% change of farm gate milk prices in national currency May vs. Feb

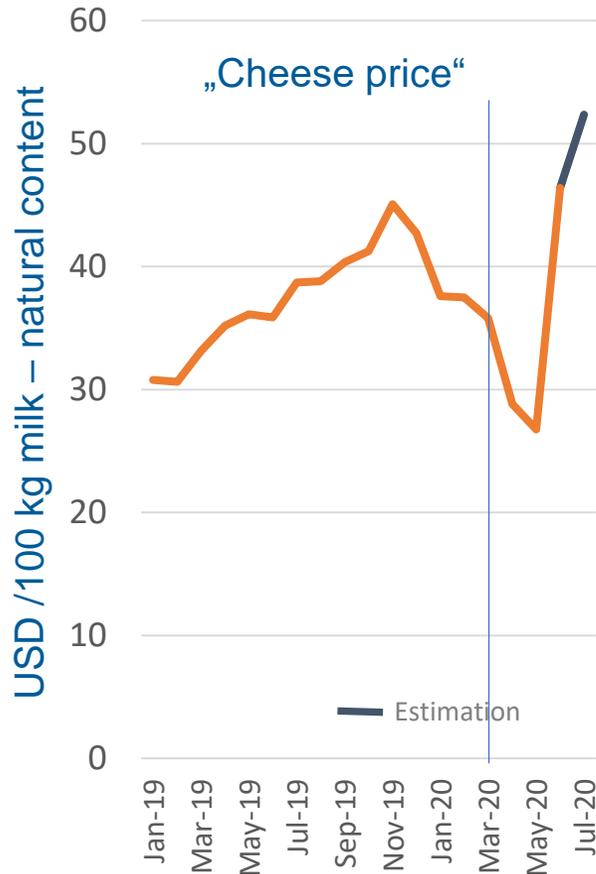




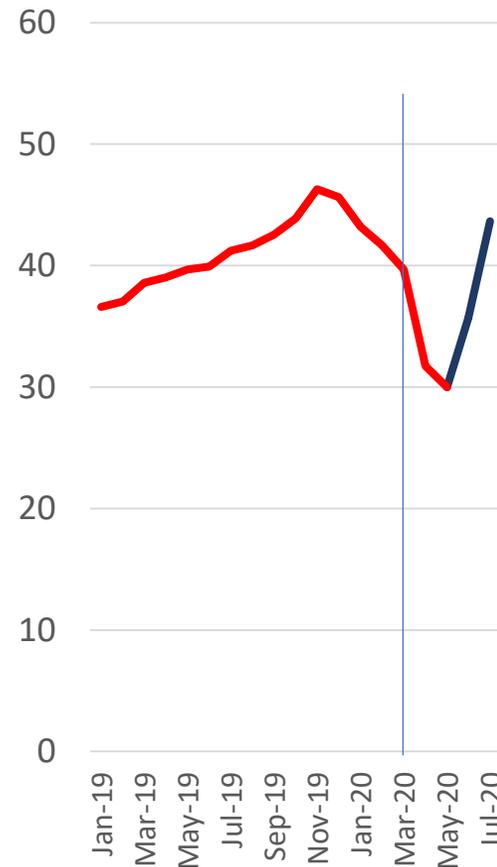
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USA Dairy Epicentre 1 in COVID Times

US Class III Milk Price



US all milk price



Way in the crisis - Milk price – 25%

Milk demand drop: Food service down, retail up

Milk supply unchanged

Milk surplus, stocks, milk dumping and price decrease

Way out of May - Milk price + 50%

Milk demand: Food service up (75% level); retail strong

Milk supply: slightly negative May and June, (+“stocks”?)

Stocks: By government purchases (0,5 mill t ME?)

Milk deficit, price increase

So What: US dairy prices in the future:

Prices likely to decline and highly volatility



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India Dairy Epicentre 2 in COVID times

India – Farmers dumping milk in protest

Protest: Dairy farmers in **India, Maharashtra** protests against the low prices dairies are paying them.

Milk price dropped 33% (from 30 rupees/kg (40.5 USD / 100kg) to below 20 rupees/kg (27 USD / 100kg).

Milk processors claim the pandemic has severely affected their capacity to pay.

Milk demand: Retails sales are up. However, the closure of institutional buyers like ice cream manufacturers, sweet shops etc. saw dairies reporting sharp dip in their milk sales.

Stocks: India has built up by now up to ca. 200.000 t SMP.

Government: Decided for dairy development grants. Considers a export subsidy; some states pay farmers subsidy of 7 – 14 USD/ 100 kg milk.

India | 21 julio, 2020

DAIRY FARMERS | EXPLAINED: WHY DAIRY FARMERS IN MAHARASHTRA ARE DUMPING THEIR MILK



Farmers, under the banner of All India Kisan Sabha, protested on Monday by pouring milk on streets across the state.

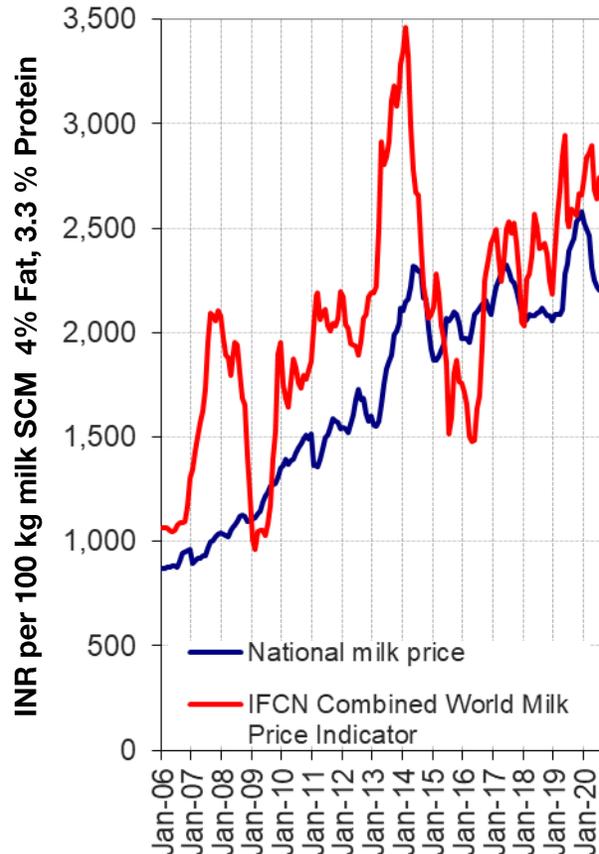
As farmers take to dumping their milk on roads and stopping milk supply to urban areas, dairies blame the COVID-19 pandemic and the frequent lockdowns as the reason behind the recent price corrections.



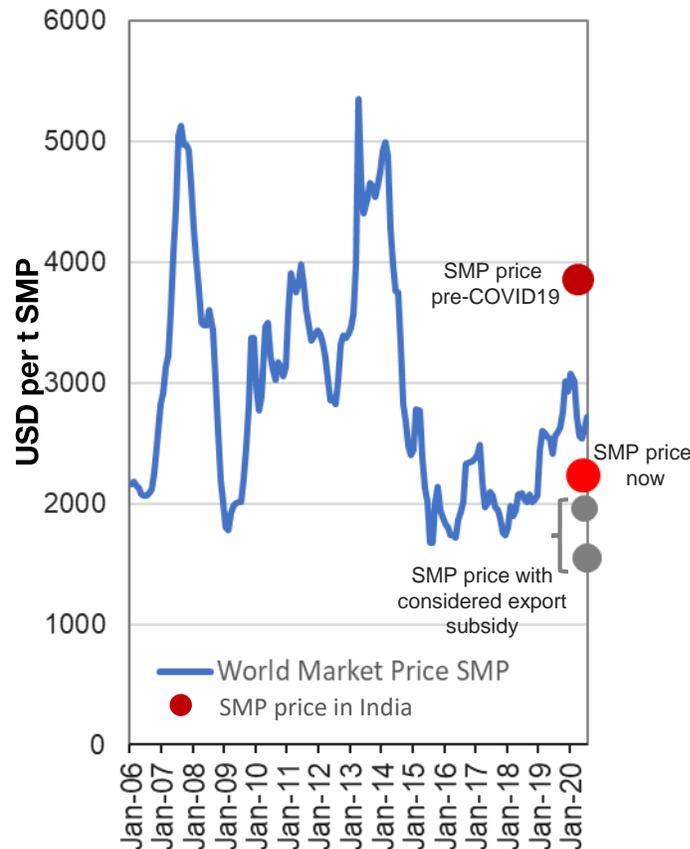
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India SMP and Farmers Milk Price

World Milk Price vs. National Milk Price in INR



World Market Price SMP vs. India's SMP price in USD



Time before the crisis 2017 – 2019

2017: High milk prices, good supply, milk surplus,

2018: Low milk prices, stocks, export subsidies

2019: Low milk supply, no stocks, record milk prices

Way in the crisis - Prices  **up to -30%**

Milk supply strong based on high milk prices end 2019

Milk demand drop: Food service down, retail up

Milk surplus, stocks in companies, dumping and price decrease

Situation July 2020

Milk supply: Lower?; Monsoon flush to come?

Milk demand: Still weak?

Milk surplus and less possibilities for stocks

So what: Cheap dairy exports f. India:

=> pressure on world milk prices unless 200.000 t SMP are sold



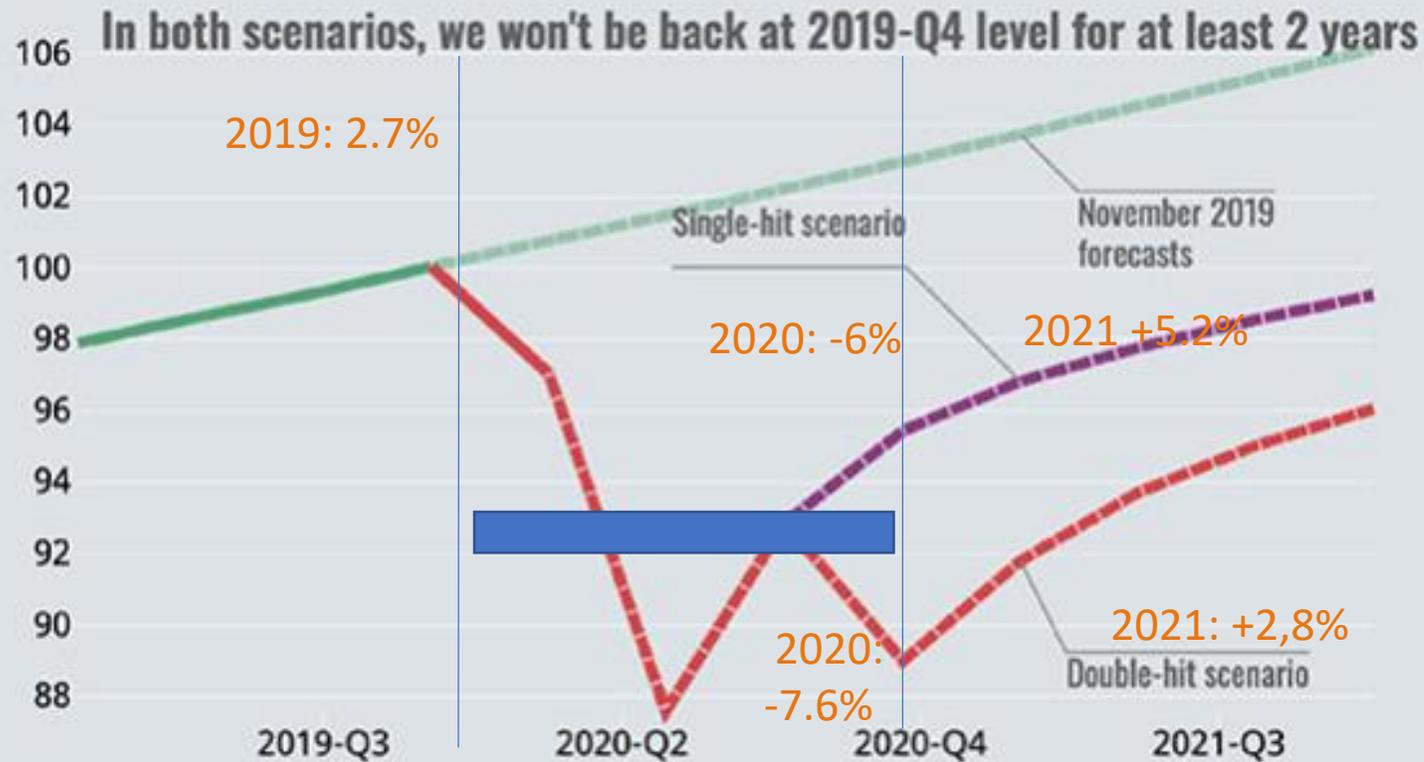
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OECD- FAO Outlook June 2020

Question: Do we over or underestimate the economic crisis we will have?

A collapse in output followed by a slow recovery

World GDP, index 2019-Q4=100



Source: OECD (2020), "OECD Economic Outlook No. 107 (Edition 2020/1)", OECD Economic Outlook: Statistics and Projections (database).

Single-hit scenario:

No second wave

-6% 2020 in world GDP growth

9,2% Unemployment in OECD

5 years of income growth lost

Double-hit scenario:

A second wave hits before year end

Return to lock-downs.

-7,6% 2020 in world GDP growth

10% Unemployment OECD, little recovery in jobs 2021

So what: I assume we underestimate the economic crisis ahead of us.



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OECD-FAO Agricultural Outlook 2029

	OECD-FAO	IFCN
Milk price level to expect	ca. 39 USD/100 kg*	ca.41 USD/100 kg SCM
Milk supply /demand growth	1.6% / year	2.1% / year
Growth number of cows	0.8%	1.0%
Growth of milk yield	0.7%	1.4%
Population growth	0.9%	1.2%
Milk demand / capita	1.0%	1.1%
Validating 2019 dairy data		
Milk supply growth 2019	1.3%	1.3%
India 2019 growth	4.2%	1.6%
Rest of the world 2019growth	0.5%	1.2%

Notes: IFCN data in SCM (solid corrected milk). Data for milk yield and animal population refer to cows/buffalos, milk supply refers to all milk animals.

*OECD milk price uses a lower base since 2017-19 average is referenced

Method: OECD from July covers whole agriculture products, IFCN from March covers dairy only. Both forecast are a kind of “Baseline”. Impact of Covid-19 **not** included in forecast OECD and IFCN Outlook

Milk price levels: ca. 40\$/100 kg milk

Milk demand and production growth

OECD: 1,6%- quite low, **IFCN** higher at 2,1%

Supply drivers: OECD more via more cows, IFCN more by yields

Demand drivers: OECD &IFCN by people and per capita demands

2019 Dairy Data – IFCN vie on OECD

OECD: uses low growth on India which is not right
OECD underestimates growth outside India



IFCN Supporter conference 2020

IFCN partner services Q3 + Q4 2020:

1. 27.7 Milk Price Outlook webinar
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3. The banner for the IFCN Supporter Conference 2020 features a blue and white gear-like background. It includes the text 'New Opportunities: The Dairy World after COVID-19', 'IFCN Supporter Conference 2020', 'ONLINE CONFERENCE 8th and 9th Sept. 2020', and the IFCN logo with the tagline 'Dairy Data · Knowledge · Inspiration'. A yellow box on the right side of the banner contains the text 'Sponsor possibilities available'.

Sponsor possibilities available
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Panel of Dairy Leaders:

Amul, RS Sodhi, CEO

Nestle, H. Jöhr Head of Agriculture

Royal Friesland Campina;
F. Keurentjes; Chairman

Land O'Lakes, Tim Leviny; SVP Asia

Leading Dairy farmer:

Dairy world after COVID-19: What's new; what less and what more important?