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33rd World Milk Price Webinar – June 2022

June 27th 2022, online



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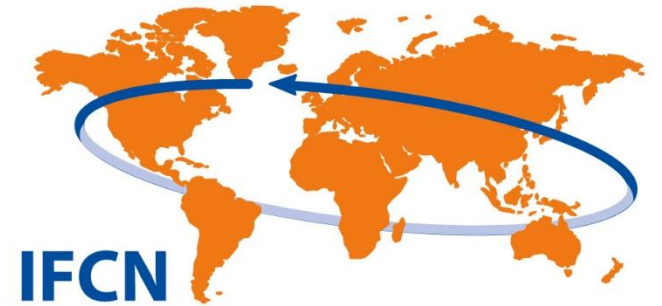
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TODAY WITH YOU

Monday, June 27th, 2022

World Milk Price Update Webinar

01

World milk price update & drivers

02

Dairy and feed future prices

03

Impact of cost-of-living crisis on demand

04

Milk price driver: From tight supply to low demand?

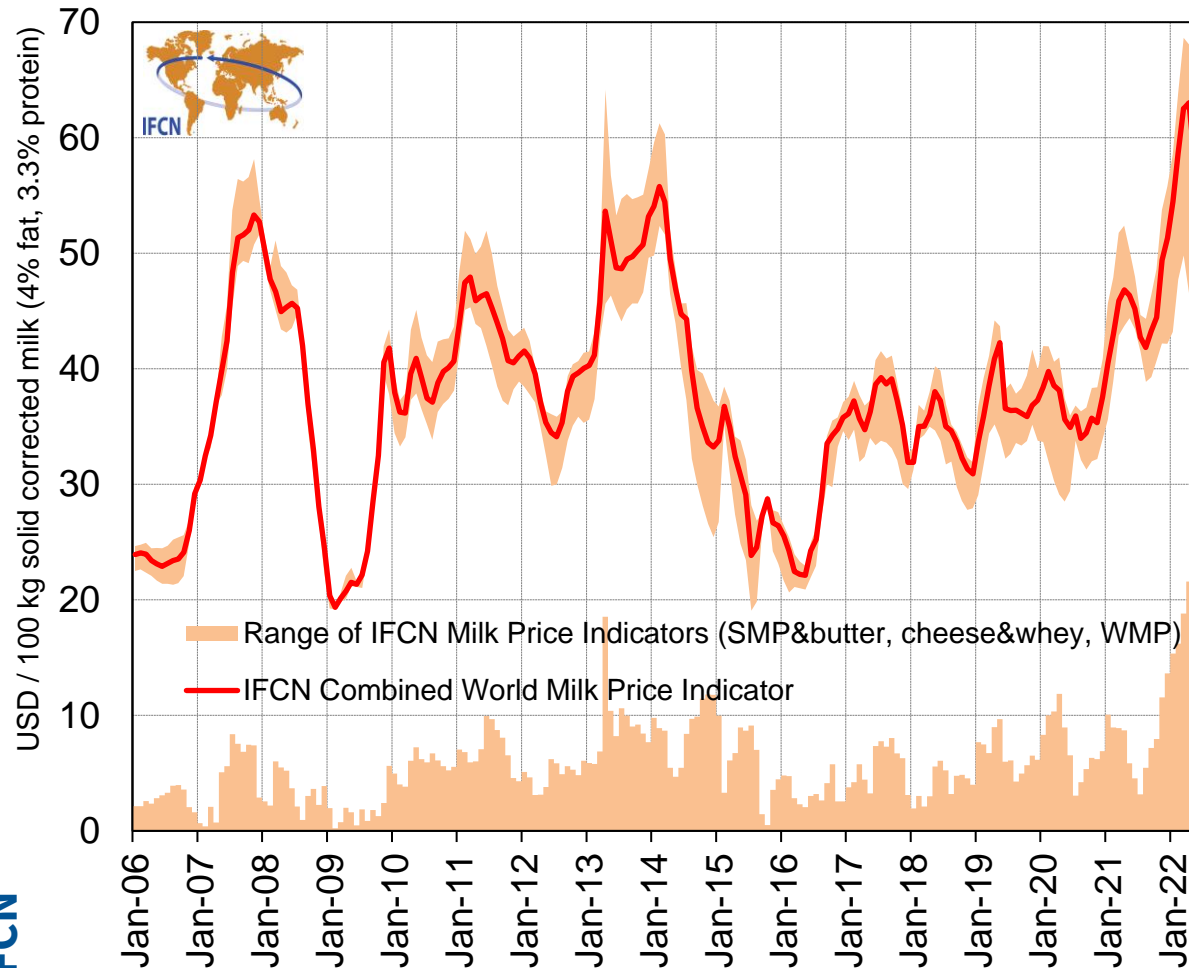


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World Milk Price continue its downward trend, but with high spread between commodities

IFCN Combined World Milk Price Indicator

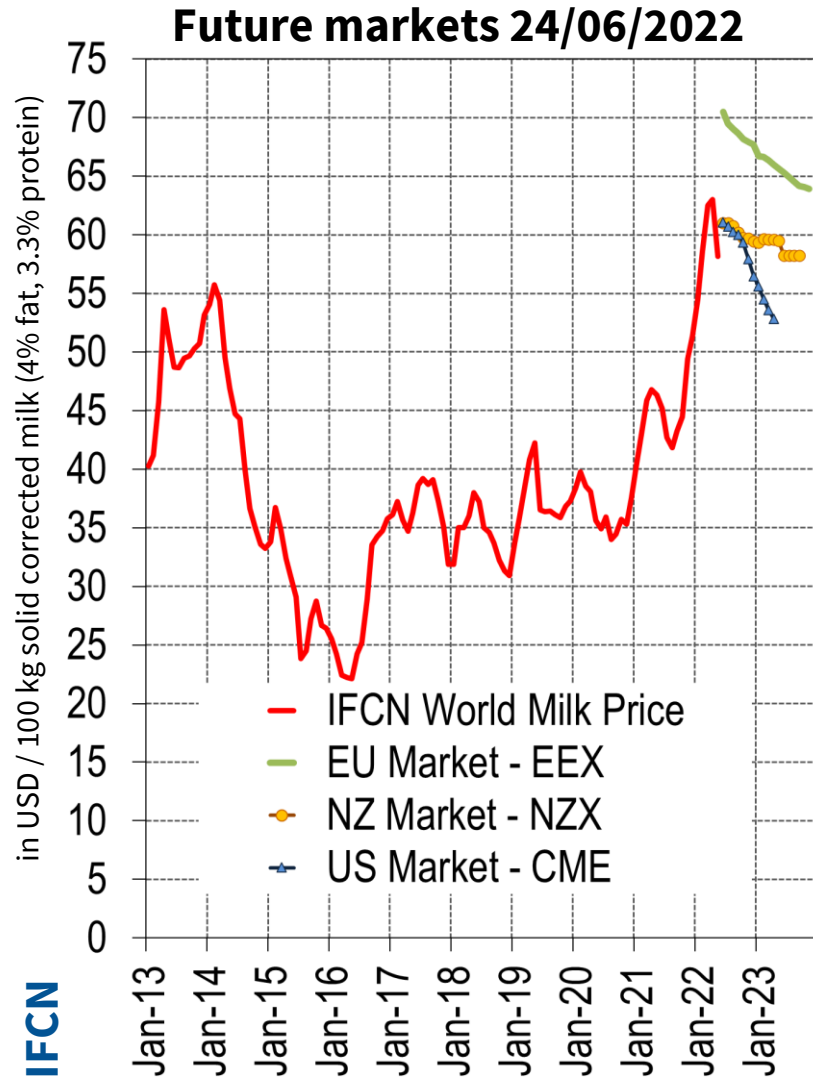


Forecasted **June** world milk price **-3.3% MoM**

56.2 USD/100 kg SCM

- Mainly driven by lower fat prices and high premium levels of prices in Oceania
- High inflation is hitting consumers purchasing power and leading to lower demand
- Milk production is still contracting, due to high production costs and weather constrains

Dairy future prices impacted by tight supply and slow down in demand



Current future price range 57-68 USD until the End of the year:

- All futures show an increase compared to the previous month

2022 price average: NZ: 60 USD; EU: 68 USD; US: 57 USD

vs. previous month: NZ: +4.3%; EU: +3.0%; US: +5.4%

Analysts estimate a world price level around 55-60 USD for 2022:

Aligned view of future developments mainly driven and impacted by low supply globally, as well as expected impact on demand due to rising inflation.

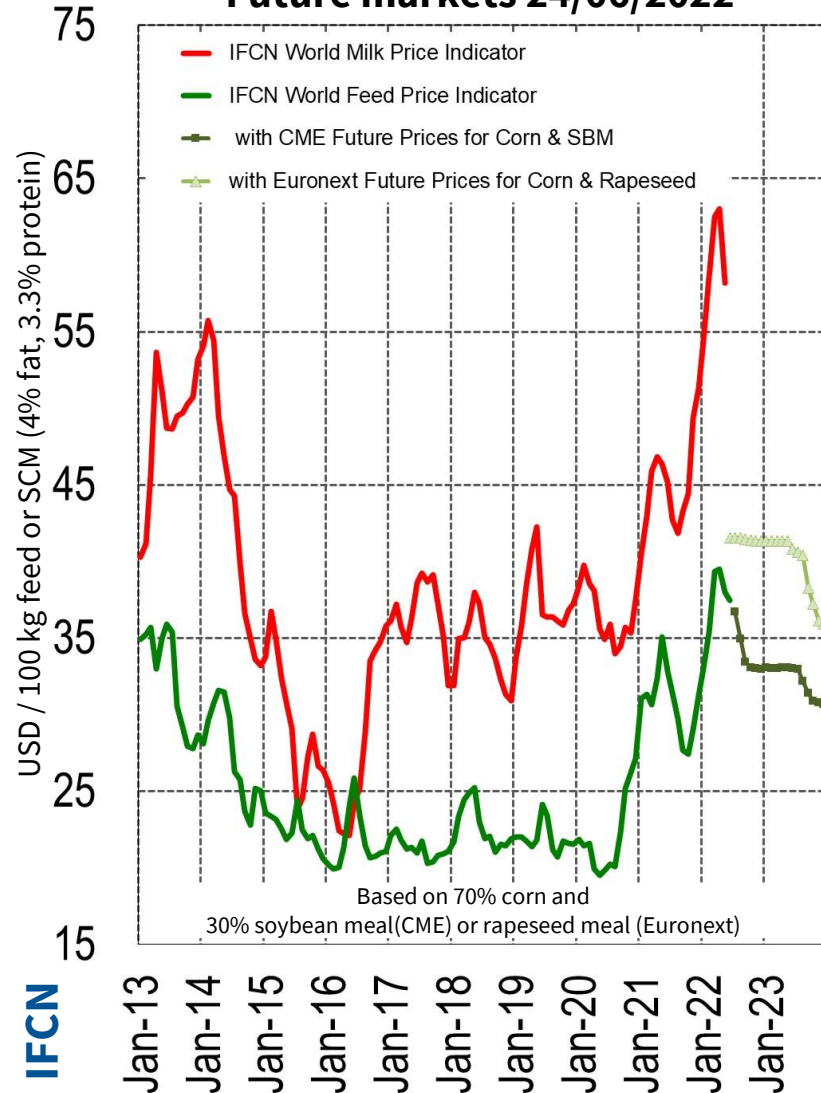
Future developments:

Expected balance between supply and demand is resulting in some fluctuation around the new price equilibrium of >50 USD.

Major price drivers: tight raw milk growth in combination with slow down in dairy demand

Global feed price driven by weather constraints and high input costs like fertilizer or energy

Future markets 24/06/2022



June's world feed price sees a further decrease:

- **US:** dealing with hot and dry weather conditions, which is pressuring future developments. Also, fertilizer, energy/oil and other feed costs are big price drivers.
- **LatAm:** AR and BR have raised soybean production, but BR will reduce exports
- **World:** corn production is expected to increase for 2022/23, but there will be less trade

Decrease of feed prices is not foreseen in the near future

- CME prices point to a slight decrease in prices to a level of 34.0 USD
- EU dairy farmers are facing the issue of scarcity of GMO-free feed

Future developments:

Market disruptions like the Russian-Ukrainian conflict and its direct and indirect implications e.g. high oil and energy prices, scarcity of fertilizers will impact the feed production negatively, especially in Europe. Additionally, weather constraints around the globe are limiting the feed production and there is a high competition for other sectors.

Everything has gone up Everywhere: Cost of living crisis



- Covid-19 + Russia's invasion of Ukraine + supply chain disruptions + unfavorable weather conditions impacting production
- Consumer prices index is increasing worldwide
 - Main increases are being seen in food, housing and energy
- Rising production costs not always been passed on to customers yet
- Trend is expected to continue (even higher inflation rates)
- Developing countries are hurting the most

Implications for the dairy sector:

- Higher input cost for farmers, such as feed, energy and fertilizers
- Lower consumer purchasing power to buy dairy products. Especially in countries where dairy consumption is a luxury
- High input costs for industries

Shift from tight milk supply to tight milk demand?

Tight milk supply:

- Due to high input costs, labour shortages, unfavourable weather conditions among others

Tight milk demand:

- High inflation is affecting consumers' purchasing power
- Lower demand in China, Brazil, Sri Lanka already observed
- Possible recession and domestic demand may decrease

A very fine balance between weak supply and weak demand that can go either way.

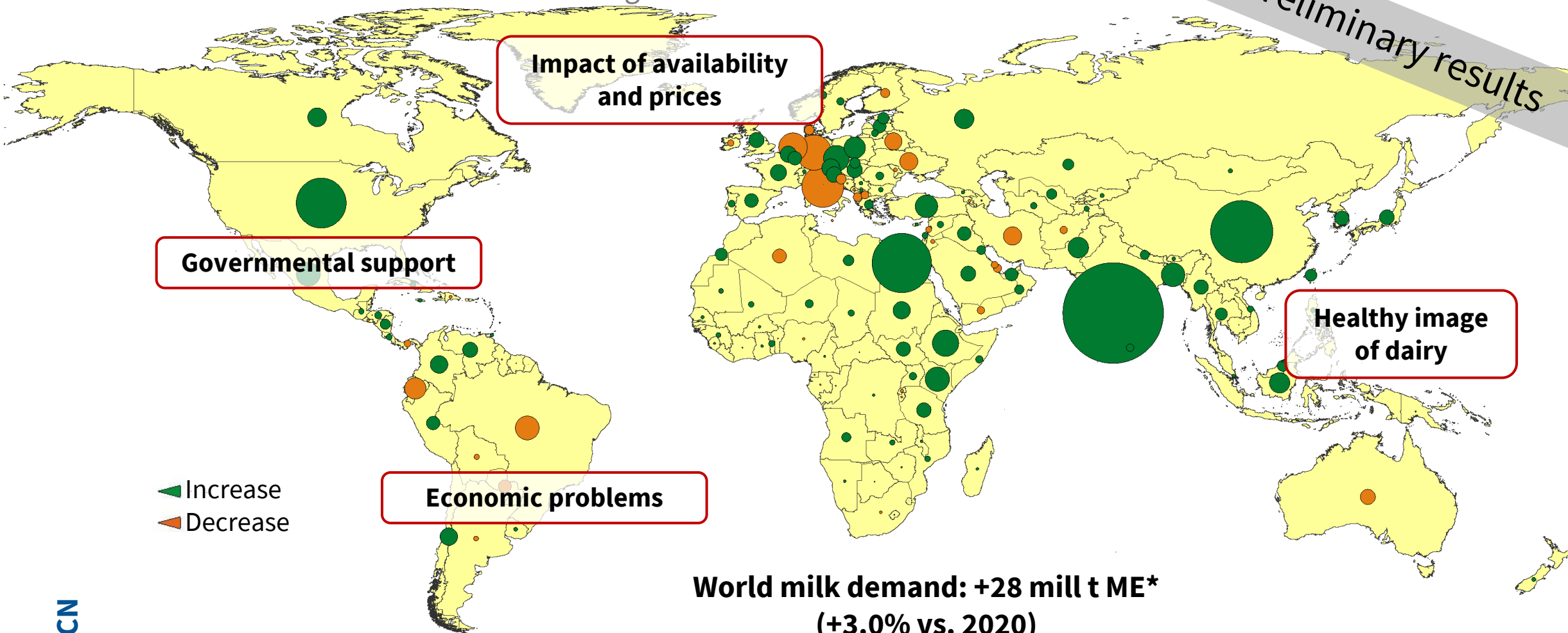
Will this imply a continuity of decreasing world milk price and lower dairy commodity prices?



2021's global dairy demand was boosted by health image as well as governmental support

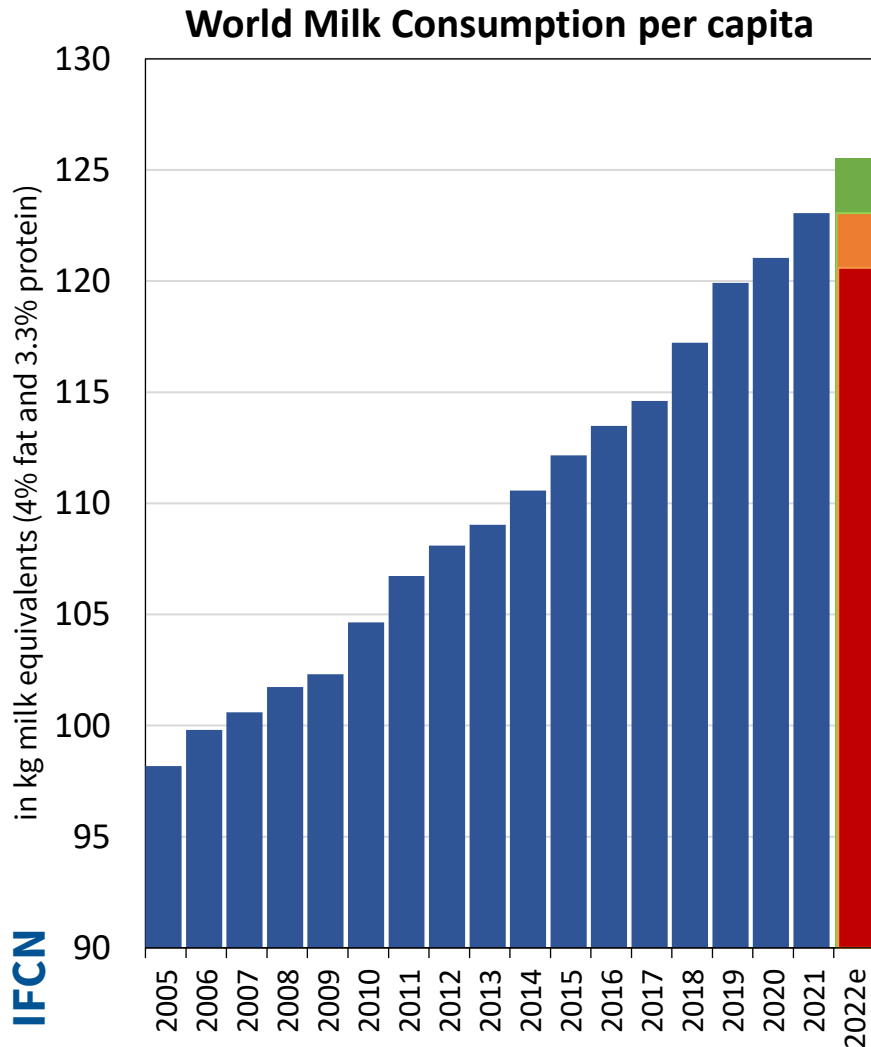
Absolute changes in milk demand vs. 2020 in mill t ME*

Preliminary results



*ME = Milk Equivalent with 4% fat and 3.3% protein

Milk price developments are driven by dairy demand impacts as milk supply will stay tight



Scenario 1: “Back to Normal”





- +2% increase in per capita consumption
- Due to health benefits and less expensive substitutes

Scenario 2: “Balanced”

- No change in per capita consumption
- Due to balance between low purchasing power and health benefits

Scenario 3: “Global Recession”

- -2% decrease in per capita consumption
- Due to high inflation and lower purchasing power

Scenario	Global Demand	Global Supply	World Milk Price
“Back to Normal”	+3%	 Below average growth of +2.3%	
“Balanced”	+1%		
“Global Recession”	-1%		

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Q & A TIME





HOW TO CONTACT US

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