Developments of farmers income all over the world

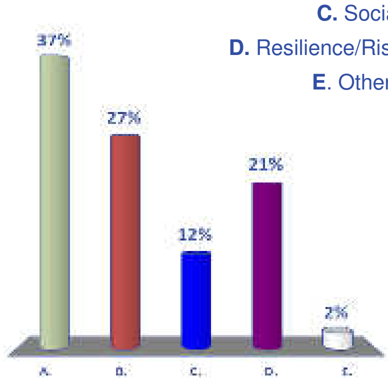
Torsten Hemme,
torsten.hemme@ifcndairy.org
IFCN Dairy Research Network, Germany

Dairy farmers income - matters for whom?

1. Dairy farmers their families
2. Policy makers
3. Consumers
4. Retailers
5. Milk processors
6. Farm input suppliers
7. Rural communities
8. ….

Major constraint for a future dairy farm?

A. Economic
B. Environmental
C. Social
D. Resilience/Risk
E. Others



Agenda

1. The IFCN Network Concept

2. Milk prices

3. Dairy farmers income 2015

4. Monthly income trends

5. Sum up

IFCN - The Dairy Research Network

Mission:
We create a better understanding of the dairy world by providing comparable data, knowledge and inspiration.

The IFCN Network approach – consisting of three pillars
- the IFCN Research Network of researchers
- the IFCN Supporter Partner Network of companies/institutions
- the IFCN Research Center with > 15 dairy economists.



Status of the IFCN Network in 2016

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Research partners in > 100 countries

Supporting partners (> 100)

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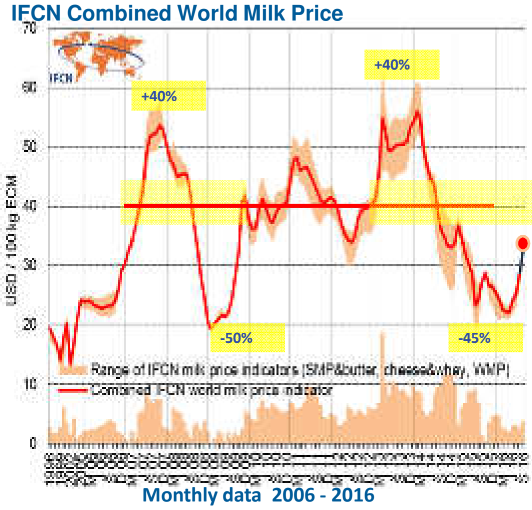
The world milk price a key driver for income

IFCN Combined World Milk Price



Monthly data 2006 - 2016

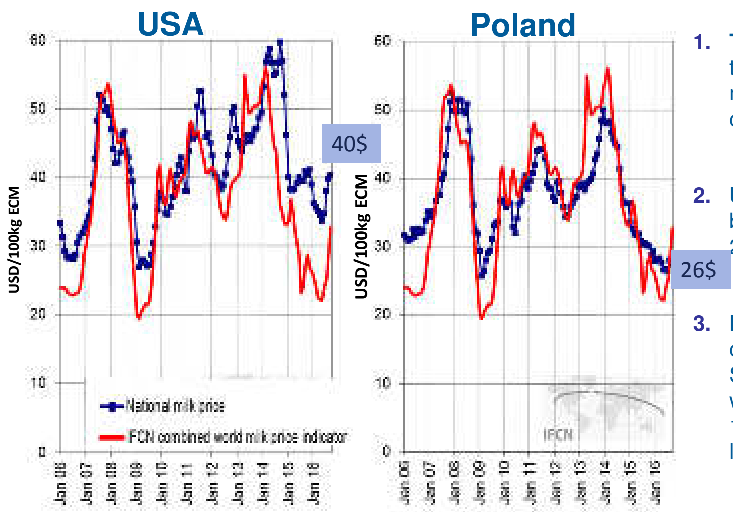
World milk price US$ per 100 kg milk
Based on the dairy commodity prices traded globally.

40$ average level 2007 – 2015

Two rollercoaster phases 4- 4 years
2007-2009
2013 – 2016

Prices now on 34$/ 100 kg milk or 30 €/ 100 kg milk (+60% since may)

Transmission from world to national milk price



1. **The world milk price** is the key driver for national milk prices in all countries.
2. **USA** – follows normally but not that much 2014; 2015 & 2016.
3. **Poland** - follows quite close the world price. In September price below wolrd price and 14$ or 13 € / 100 kg milk lower than USA

Deviation of national milk price from world milk price September 2016 (real time estimation)

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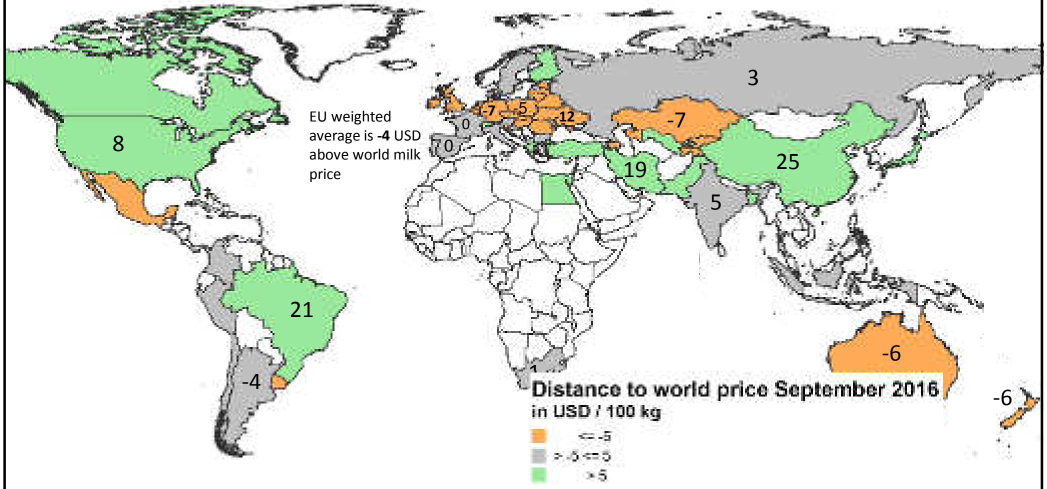

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IFCN Farm comparison analysis

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Why? To benchmark dairy regions perspectives related to dairy farming (income & competiveness)

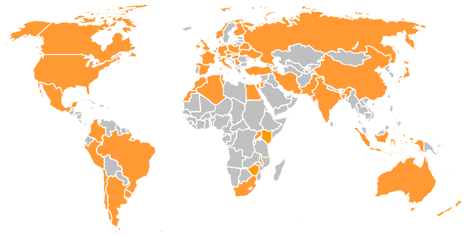
What? Annual work of IFCN since the year 2000. Based on the concept of typical farms and a standardised model TIPICAL.

How to use?

Monitor competitiveness of local milk

- Dairy farmers
- Milk processors
- Farm input companies
- Policy makers

Participating countries 2016 work



Details of analysis

No. of typical farm types: 146

Example cases : NZ-349= 349 cows farm

Time period: Calendar year 2015

Coverage: 52 countries; 89 % production

Dairy farm profitability 2015 versus 2014

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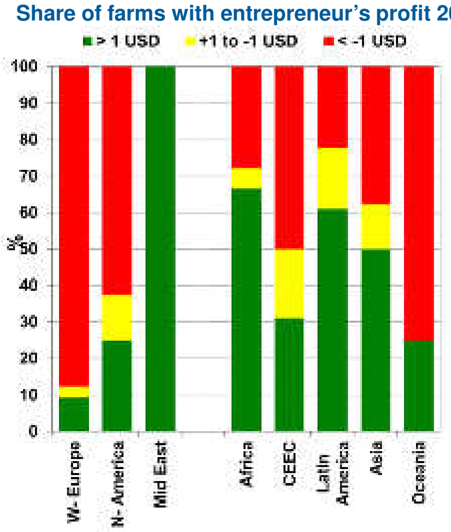
Share of farms with entrepreneur's profit 2015



Profitability 2015:

Western Europe, North America, Oceania: >75% farms do not cover full their full economic costs.

Other regions look better: 30% farm do not cover their costs

Driver for profitability:

World average picture 2015 vs. 2014:

Milk price milk	-10.0 USD
Cost	- 5.9 USD
Income	- 4.1 USD

2014: Top year in history for many

2015: The worst year in history so far

2016: ?

Source: IFCN Farm Economic Data D5.1

Understanding costs of milk production

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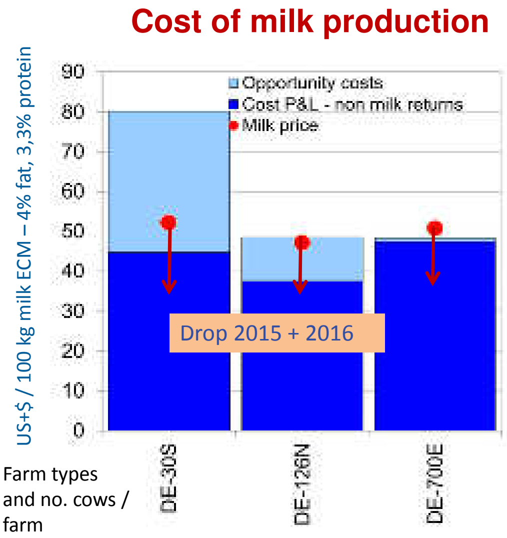
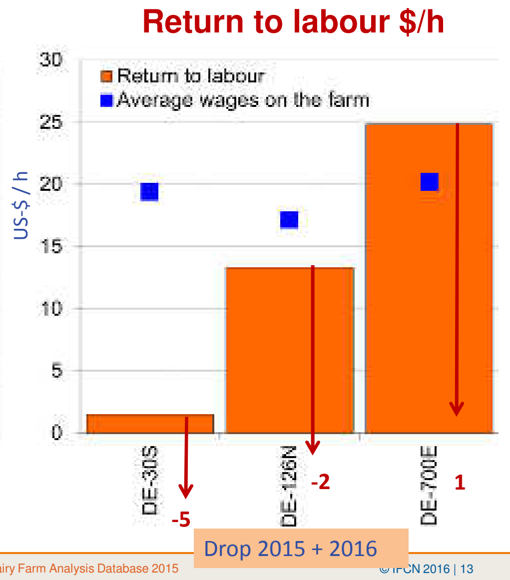
Germany–Comparison of 3 typical farm types in 2014





Source: IFCN database - D5.1 - Dairy Farm Analysis Database 2015

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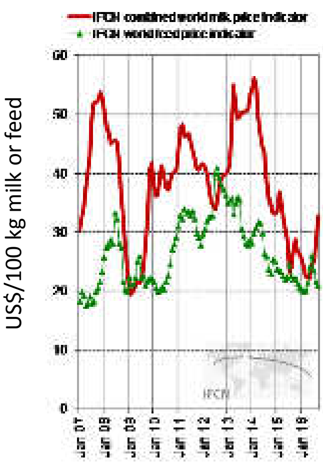
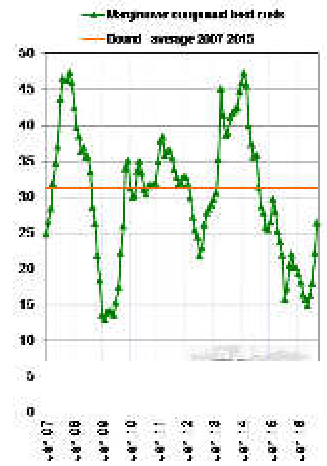
IFCN Monthly dairy farm economic

A monthly update database for 60 countries

World milk and feed price



Margin over compound feed costs



Indicator: Margin over compound feed cost combining milk & feed price developments

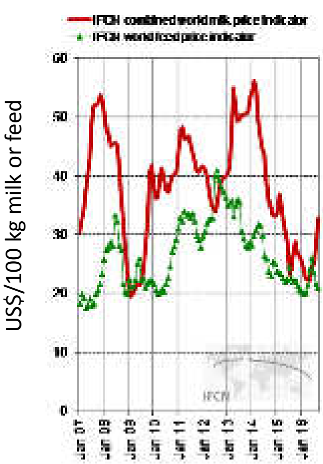
Bound: to measure the situation - how good or bad and how long.

18/10/2016 Source: D3.4 - IFCN Monthly real time data © IFCN 2016 | 15

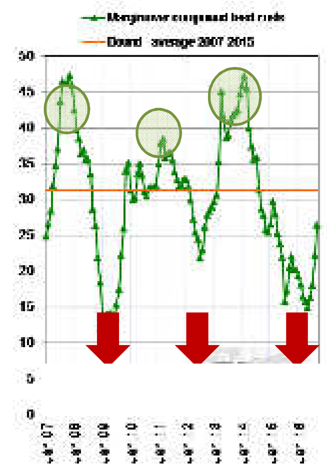
IFCN Monthly dairy farm economic

A monthly update database for 60 countries

World milk and feed price



Margin over compound feed costs



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IFCN Monthly dairy farm economic

A monthly update database for 60 countries

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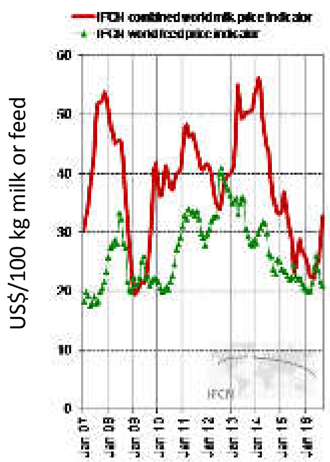

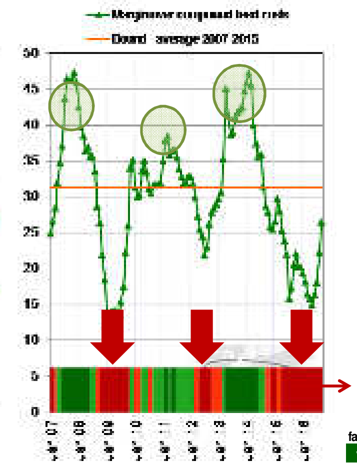

Indicator: Margin over compound feed cost combining milk & feed price developments

Bound: to measure the situation - how good or bad and how long.

Traffic lights: judgment on farm economics

Distance to bound
- ≥15% dark green
- +15% light green

farm economics:

very good	good	poor	very poor

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“Farmers income”- 5 countries since 2006

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Dairy farm economics based on margin over compound feed in national currency

Distance to bound
- ≥15% dark green
- +15% light green
- -15% light red
- ≤-15% dark red

farm economics:

very good	good	poor	very poor

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Q1 2016 – judgement on dairy farm econmics
46 countries facing challenging farm economics

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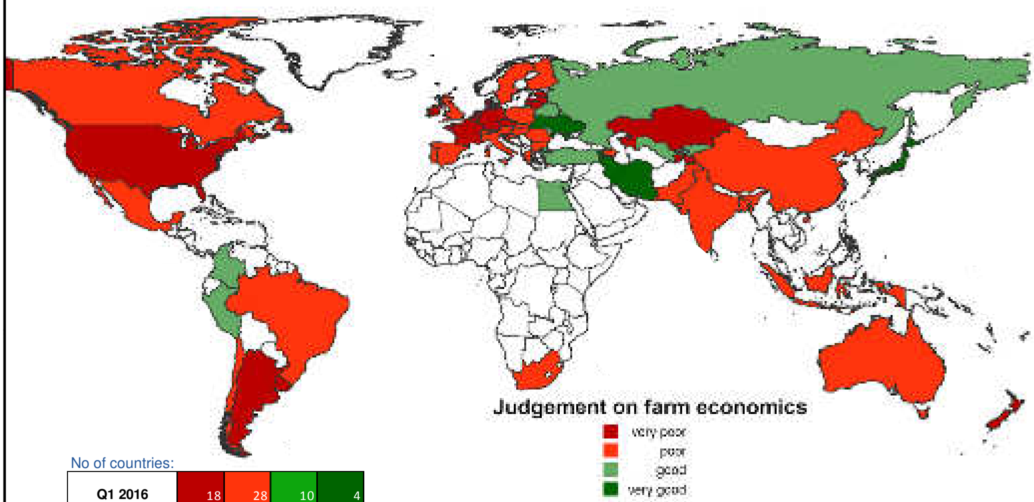

No of countries:

Q1 2016	18	28	10	4

Sept 2016 – judgement on dairy farm econmics
Improvements but most countries in red – EU China deap red

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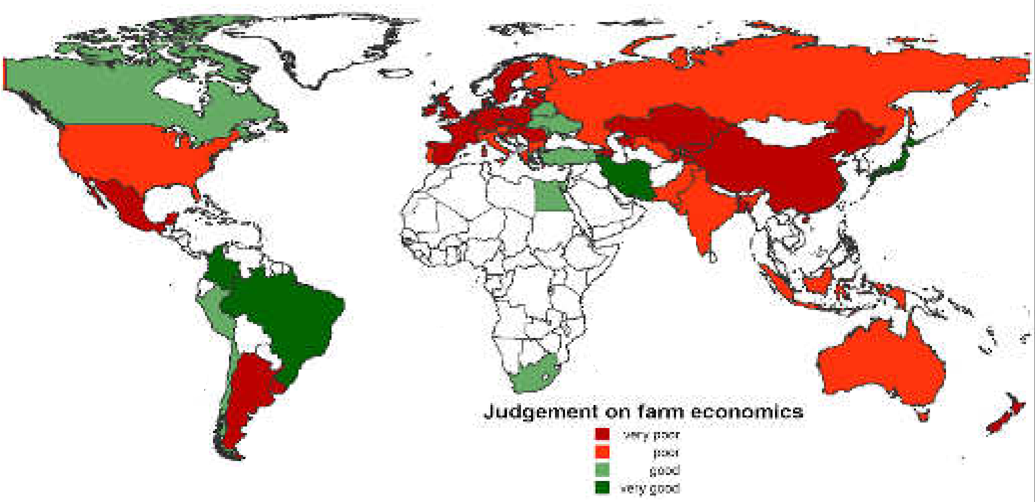

Dairy farm income and milk supply

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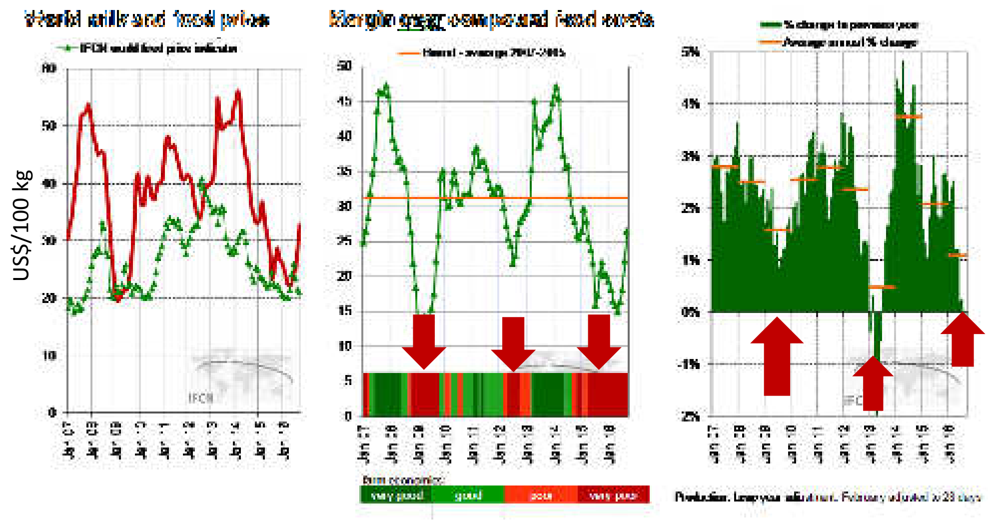

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Summing up

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1. We are in the third world dairy farm crisis since 2007: World milk price is in a rollercoaster mode which means +/- 40% around the mean level

2. Monthly milk price transmission
World milk price drives farmers milk prices in countries with a delay

3. Farm income 2015; 2016
two years with really bad / partly no incomes especially in EU

4. Monthly farm income developments
Despite world milk price recovery most countries income in red

5. Milk supply is responding to dairy farm economics but with delay!!!
Milk production decline globally this now drives prices up

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Thank you for your attention

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Network of IFCN Researchers

Network of IFCN Supporters

IFCN Dairy Research Center

This presentation is the result of a large number of people working together since 2000.