



INTERNATIONAL DAIRY FEDERATION

GLOBAL DAIRY EXPERTISE SINCE 1903



IDF Technical Webinar Series

Future Markets for Dairy Products:
What impact does COVID-19 have



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IFCN



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Dairy Australia



SPEAKER

SPEAKER

MODERATOR



Covid-19's Impact on the Global Dairy Product Markets

A Delicate Rebalancing

September 22, 2020

Mary Keough Ledman
Global Dairy Strategist
RaboResearch Food & Agribusiness



Rabobank

Rabobank has significant commitments to major dairy players



17/20

17 of the **Top 20** Global Dairy players are Rabobank clients

87%

87% of the Dutch dairy farmers financed by Rabobank



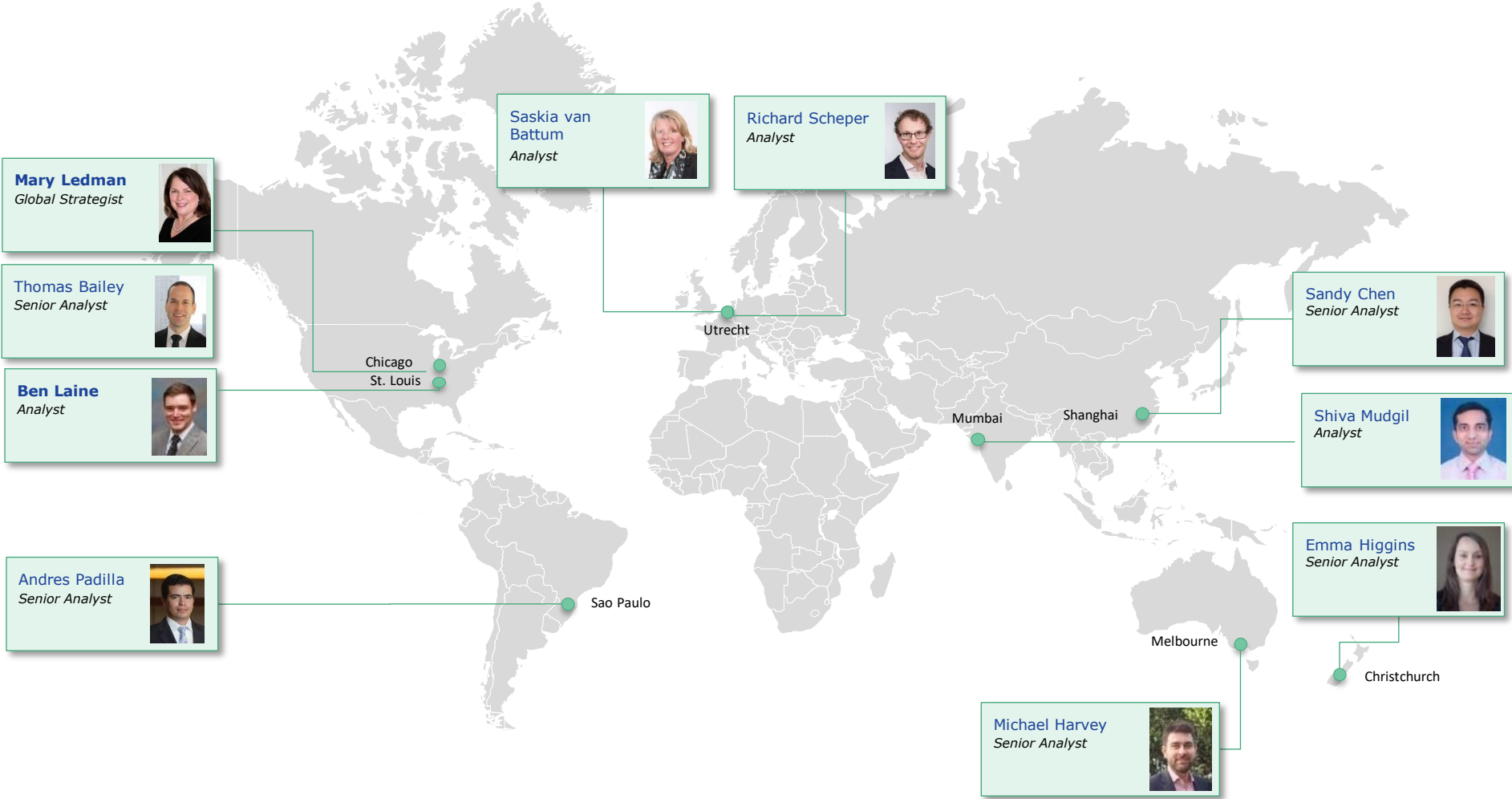
16%

of Rabobank's total loan portfolio is committed to the Dairy sector

€21 billion

outstanding in Dairy (rural & wholesale)

The RaboResearch dairy team spans the globe

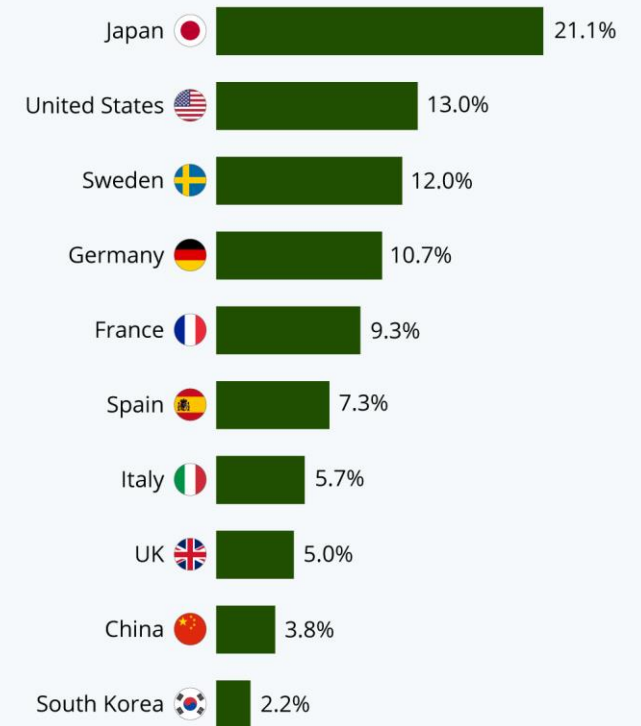


2020: Ushering in a new decade with great uncertainty



Global Coronavirus Stimulus Packages Compared

Financial response to the COVID-19 pandemic as a share of GDP (selected countries)*



* As of May 10, 2020
Source: Ceyhun Elgin



Warning signs ahead: Rabobank economic forecasts

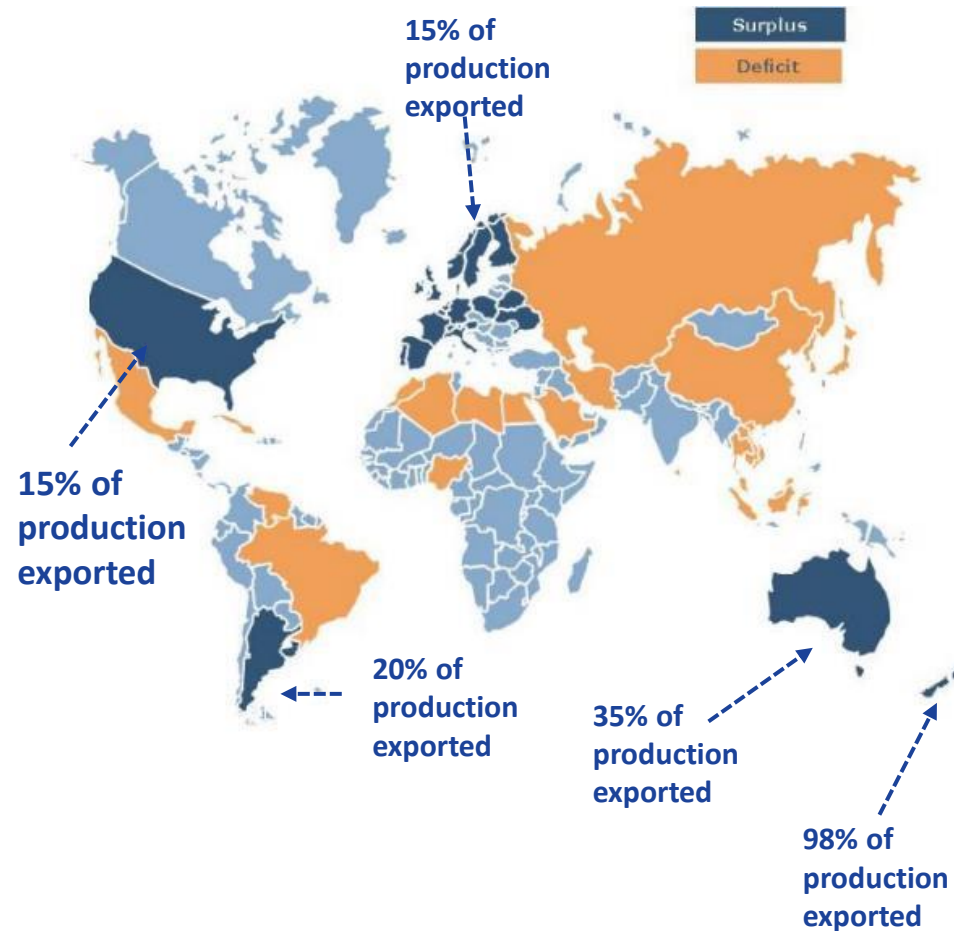


Economic Outlook for Major Economies, Real y-o-y growth (%) in GDP

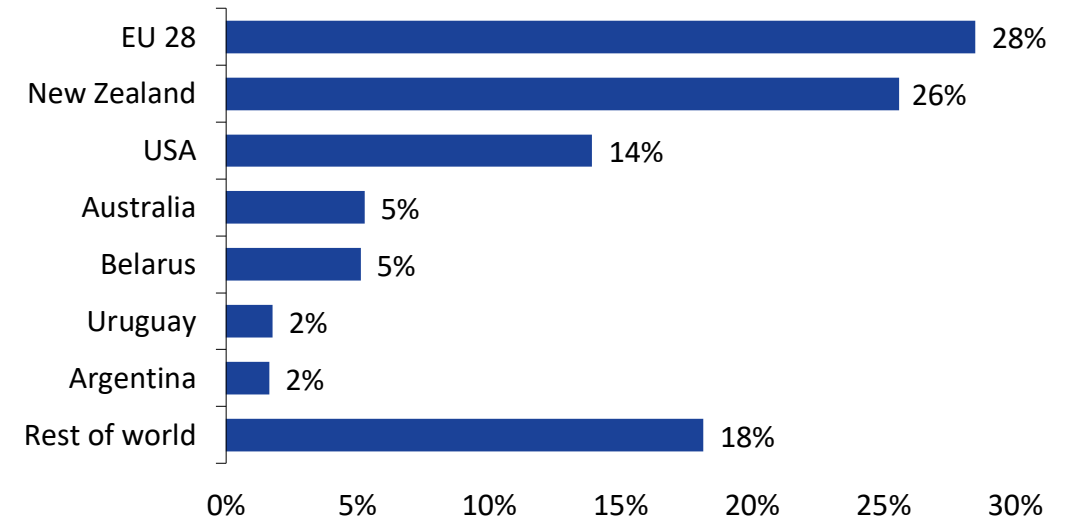
	2019	2020	2021
World	2.9	-4.4	4.0
US	2.2	-5.9	1.5
Eurozone	1.3	-8.9	4.3
-Germany	0.6	-5.8	3.7
-France	1.5	-11.0	6.6
-Italy	0.3	-10.8	4.6
-Spain	2.0	13.8	5.3
-Netherlands	1.6	-5.2	2.1
United Kingdom	1.5	-10.5	4.4
China	6.1	1.2	4.7
Japan	0.7	-4.9	2.9
Brazil	1.1	-5.9	3.6
India	4.8	-4.8	9.0
Australia	1.8	-5.5	3.2

Global dairy trade is dominated by a few key players

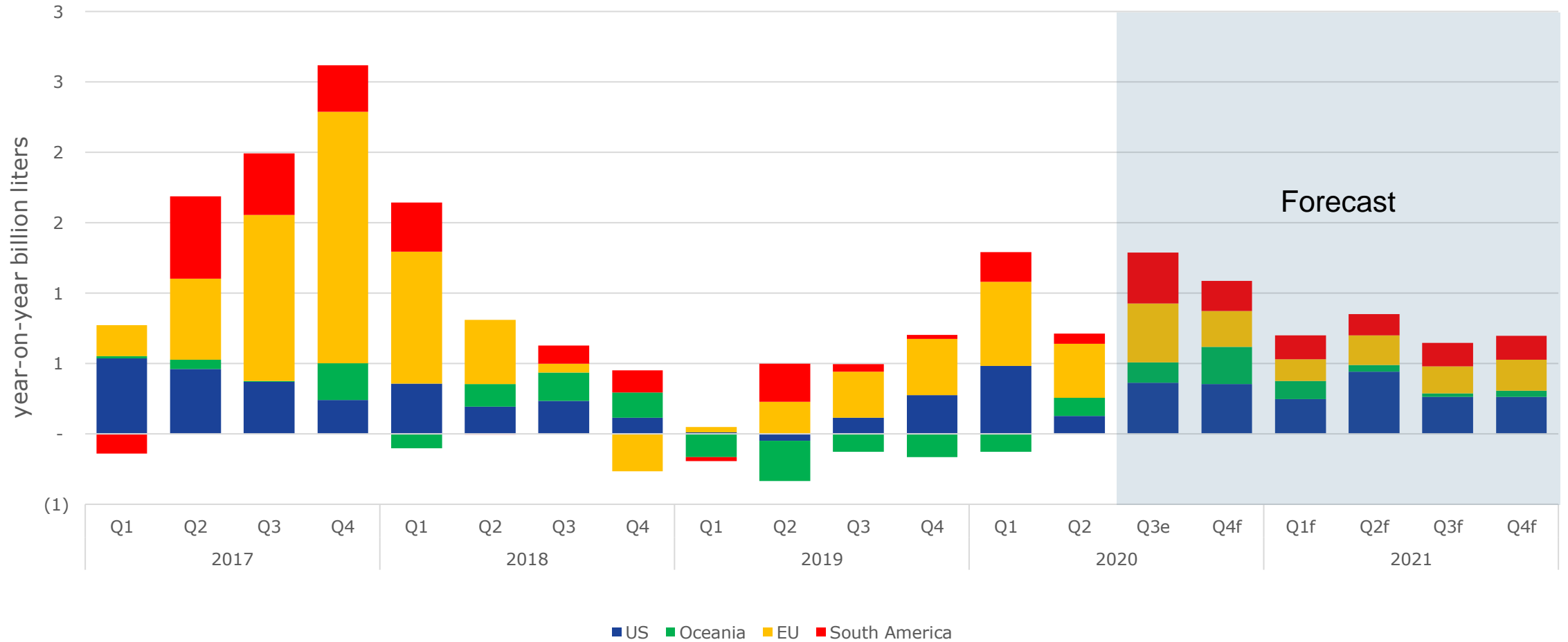
World's main milk surplus and deficit regions



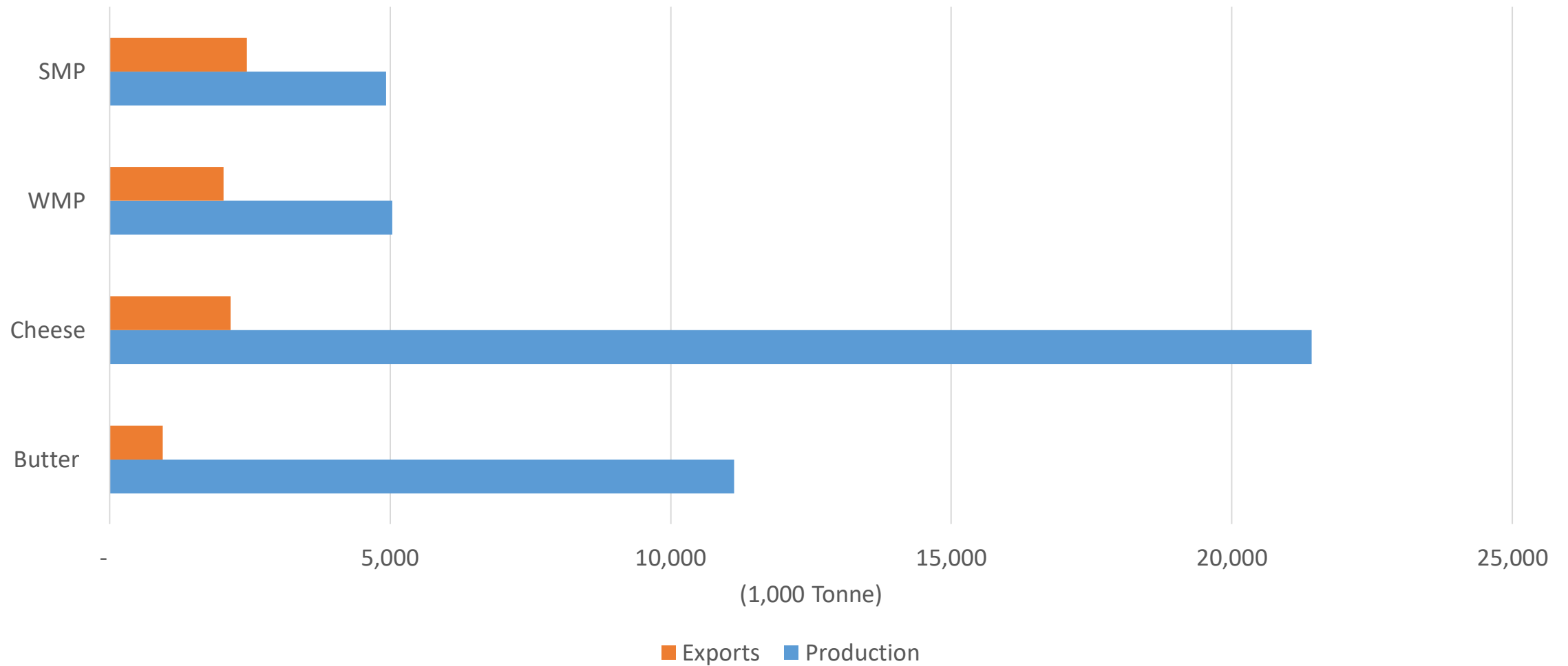
World dairy trade, % share, 2019



Global milk supply growth modest but rising in near term



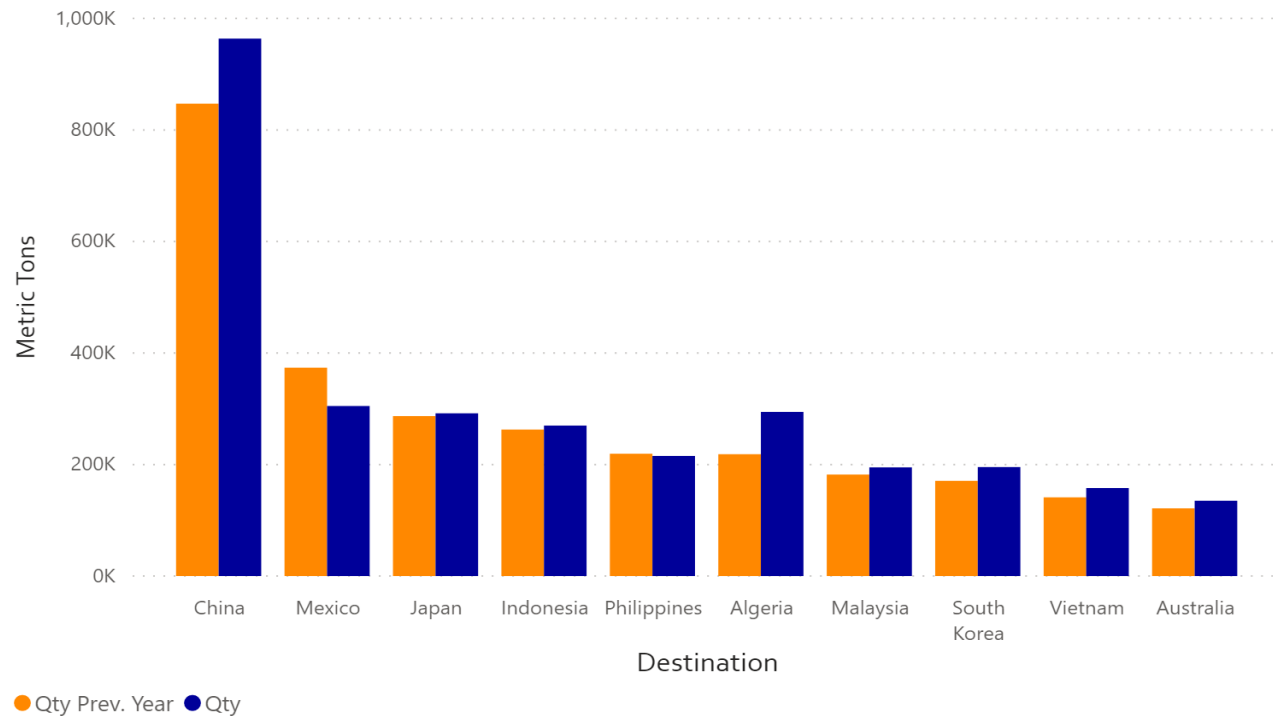
Global dairy product trade is a small percentage of production



Source: Rabobank, USDA/FAS based on 2020 forecasts

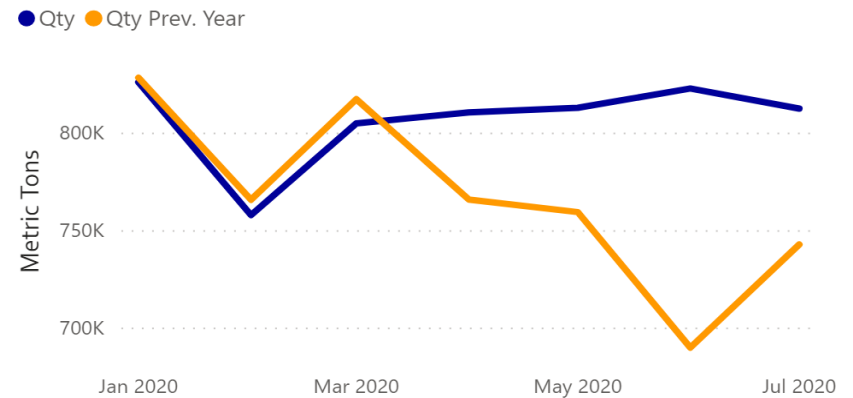
YOY Q2 Imports were much better than feared

Global Dairy Import Demand



1/1/2020 7/31/2020

Product Group	Qty	YOY % Change
Butter and Fat	482,031	5%
Cheese	1,169,184	2%
WMP	1,272,287	4%
SMP	1,347,857	1%
Whey	1,377,762	15%
Total	5,649,121	5%



YTD July exports in the key categories all positive YOY

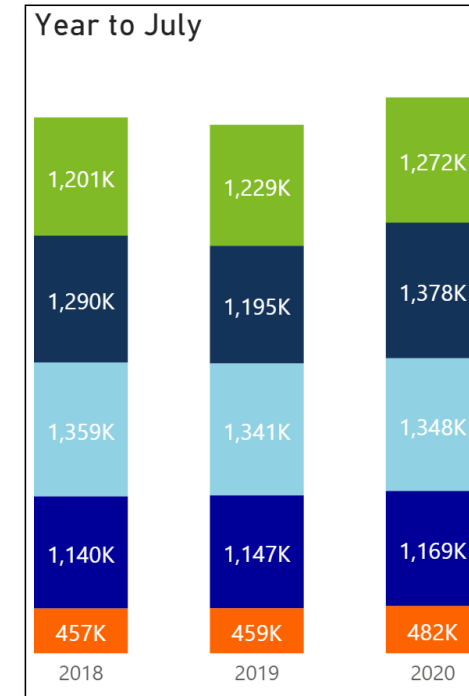
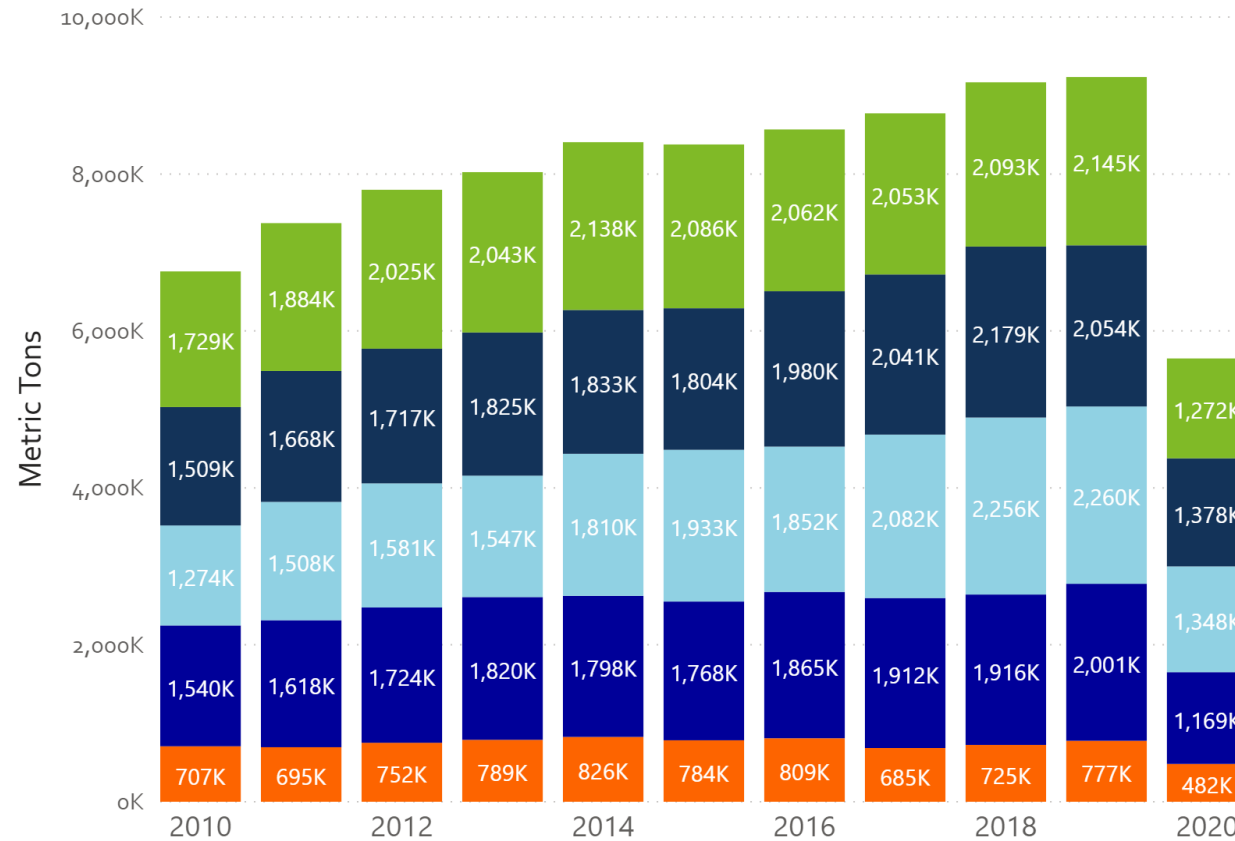


PARTNER

All

Global Exports to Major Import Partners

● Butter and Fat ● Cheese ● SMP ● Whey ● WMP



Date

1/1/2010 7/31/2020

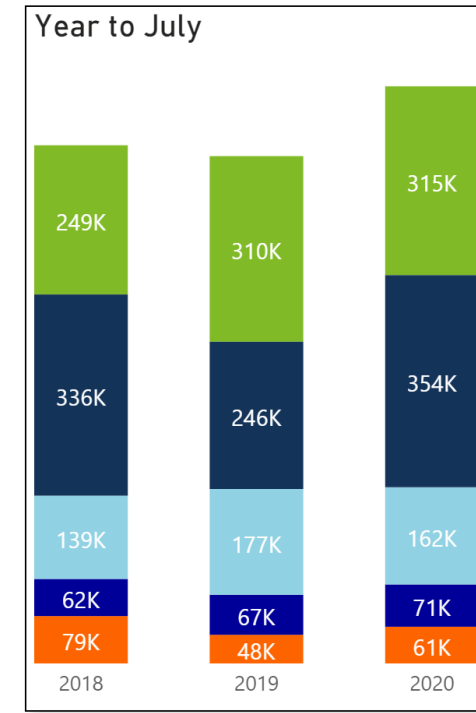
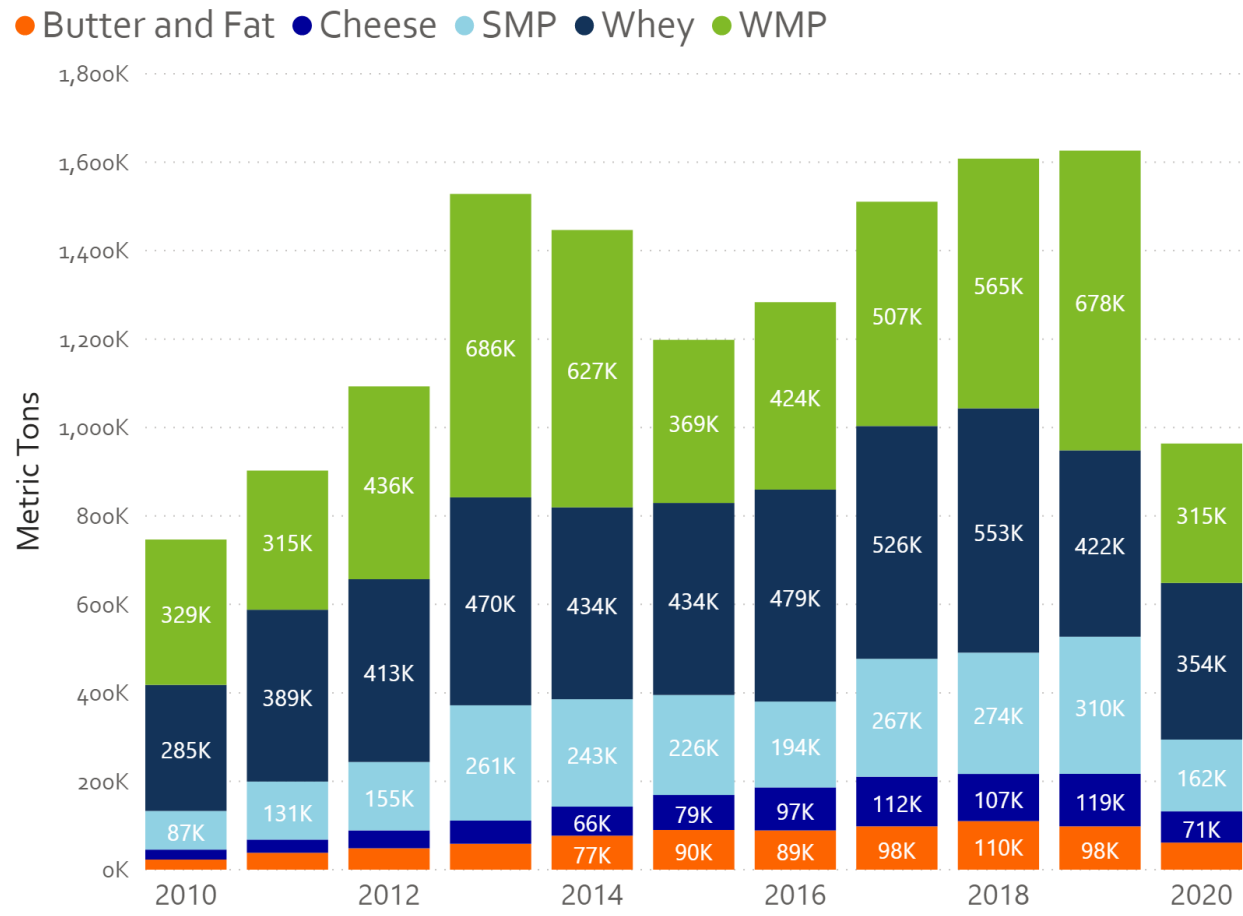


Trade to China better than expected



PARTNER

Global Exports to Major Import Partners



Date

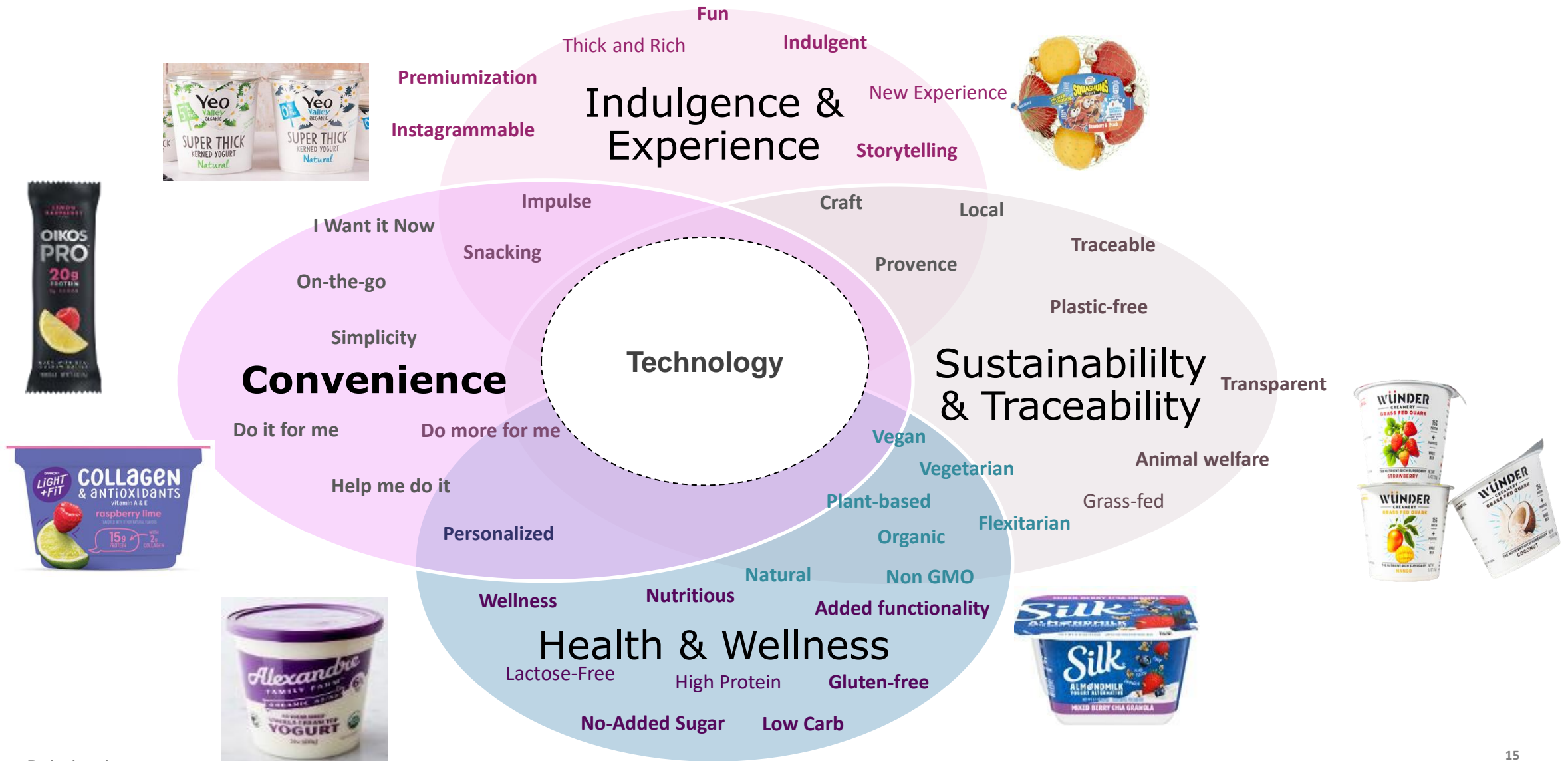


Consumer demand changes

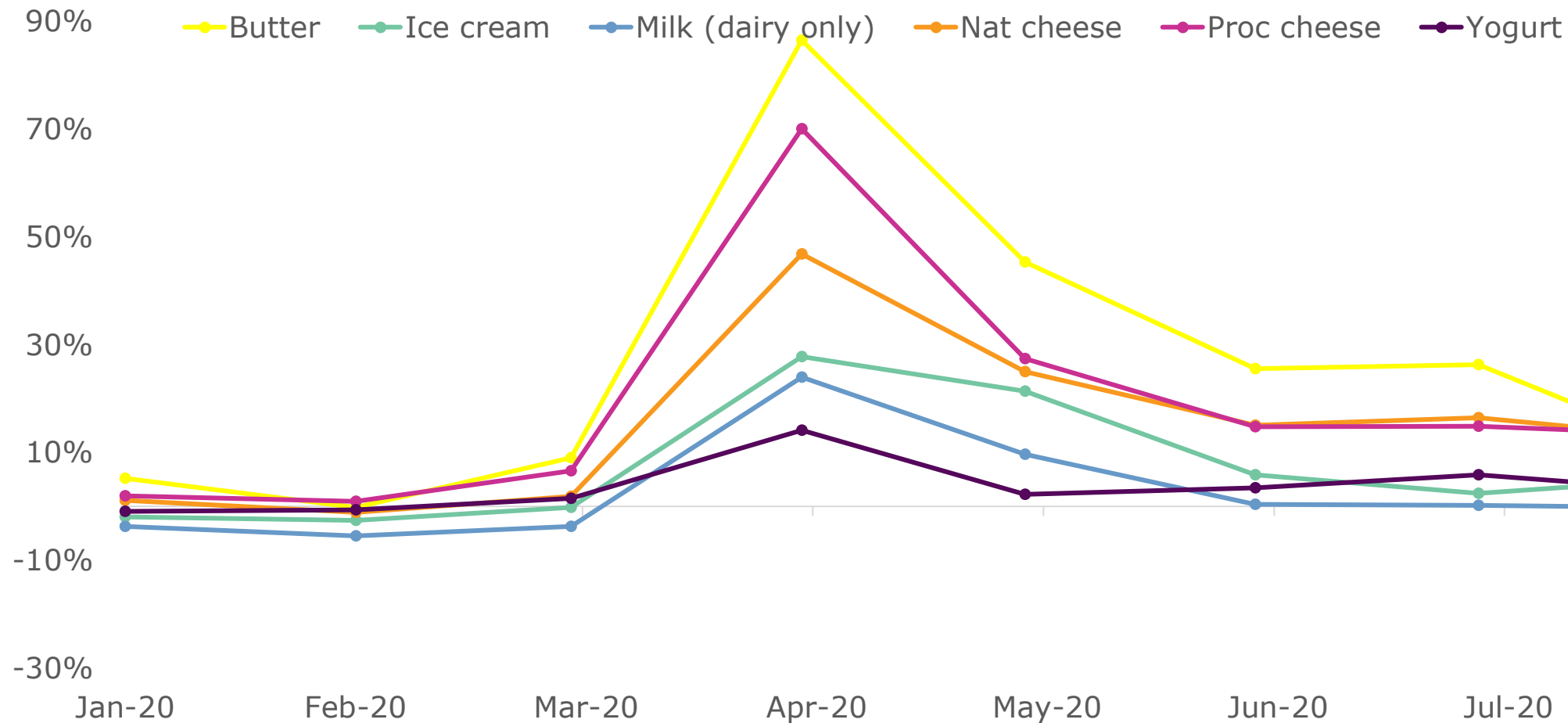


Rabobank

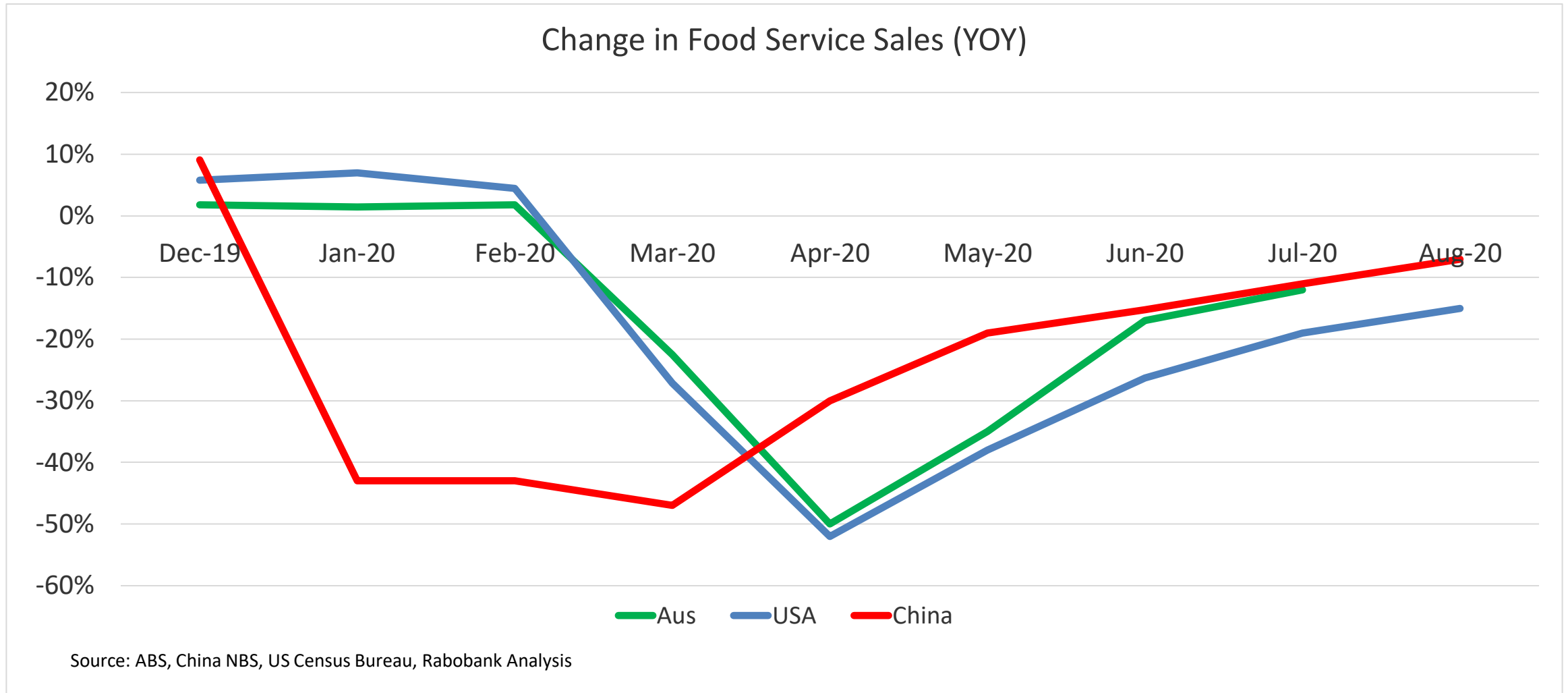
Convid-19 elevated current consumer trends



US Retail sales returning to near pre-covid19 trend levels



A foodservice market recovery is critical for the sector





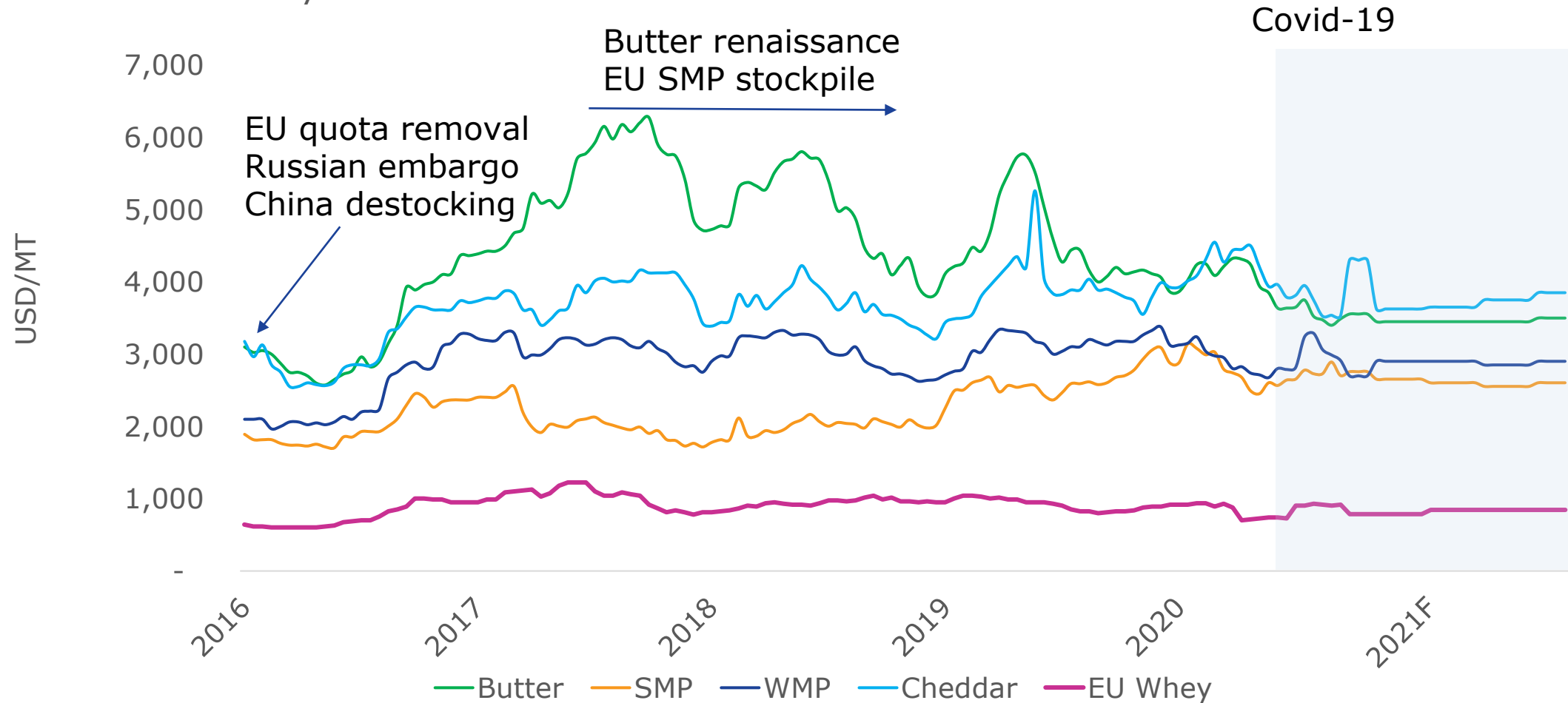
Global Dairy Markets Outlook



Rabobank

Global commodity dairy price outlook

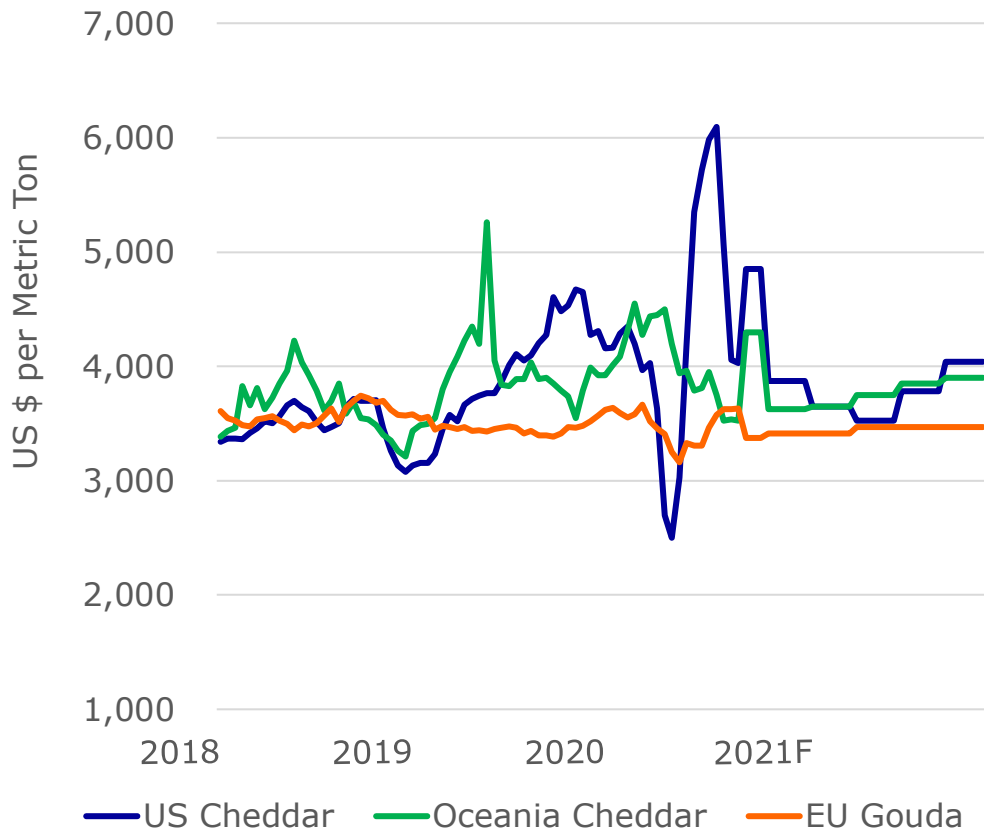
Oceania Commodity Prices



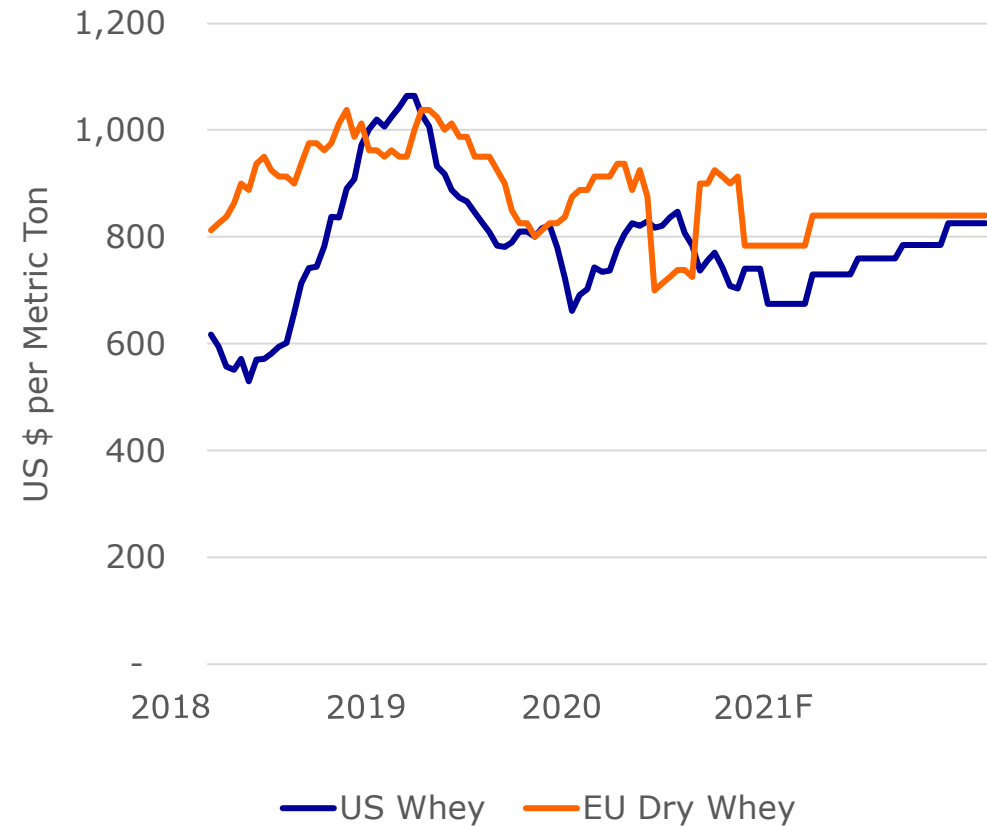
Individual commodity price forecasts



Global Cheese Prices



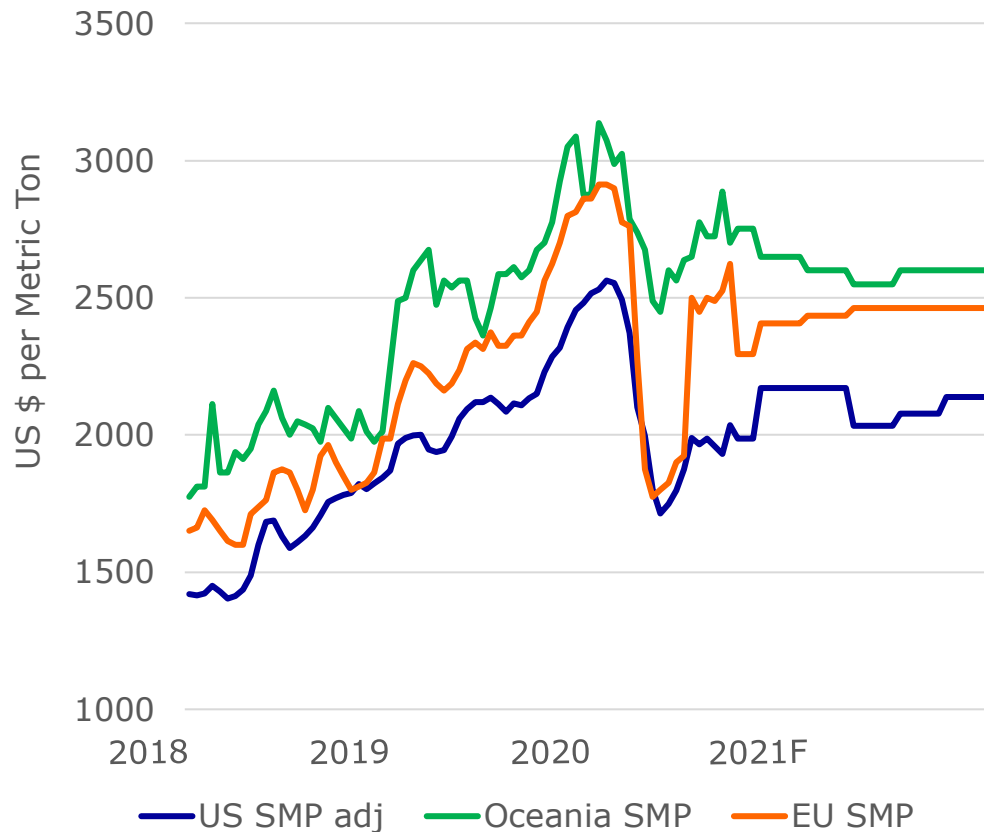
Dry Whey Prices



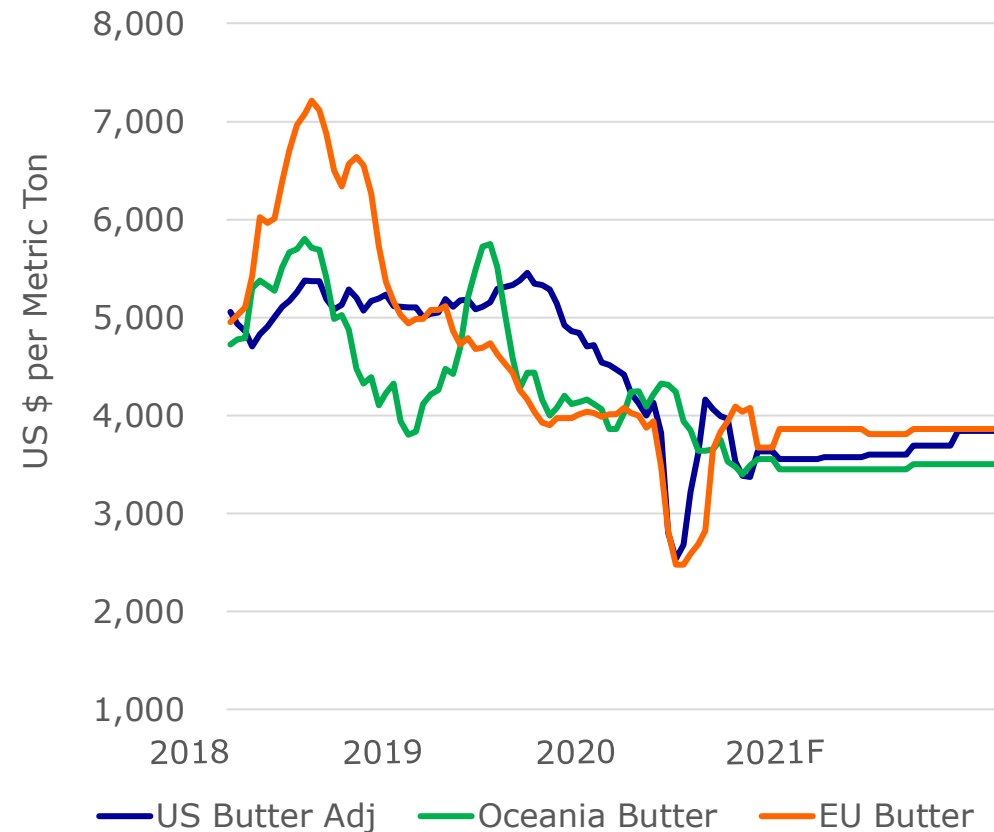
Individual commodity price forecasts



Global SMP Prices



Global Butter Prices



Covid-19's influence on the global dairy markets

Dairy is back: revitalization of the category as consumers returned to a trusted product. Dairy's position as a healthy product emerges

Dairy benefits from the renaissance in home cooking, expected rise in home entertainment

Dairy's reliance on foodservice channel is seen as a "weak link" for some but not so for all

Dairy becomes more mainstream in online channels

Longer term economic fall out contributing to evolving consumer purchasing habits

There is rising growth in protectionism and self-sufficiency in the name of food security

Thank you for your attention.



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THANK YOU!



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**Future Markets for Dairy Products -
what impact does COVID-19 have?**

Milk Production after the re-emergence of COVID"



IFCN

Dairy Data · Knowledge · Inspiration

Presenters:



Torsten Hemme
Torsten.Hemme@ifcndairy.org



Milk Production after COVID"

Agenda

2 Insights slides

IFCN Method

Milk Prices

Milk Production



IFCN

Dairy Data · Knowledge · Inspiration

80% Rule in Dairy

80% of the costs to produce a dairy product is to produce the milk

80% of the emissions in dairy chain are on farm

80% of the social impact - employment is related to milk production

> 80% of the policy issues are farm related





5 Dairy Insights

2019: Record low growth of milk production

2020: COVID 19, fear > than dairy impact so far

Outlook 2021: Lower milk prices in Q1 expected

Outlook 2025: Technologies will drive the future

Outlook 2050: +60% dairy demand growth possible



**From the IFCN
supporter
conference 8 – 9
Sept 2020**

The IFCN Dairy Network

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

IFCN Approach: 3 Knowledge Pillars



IFCN Supporter Conference 2020



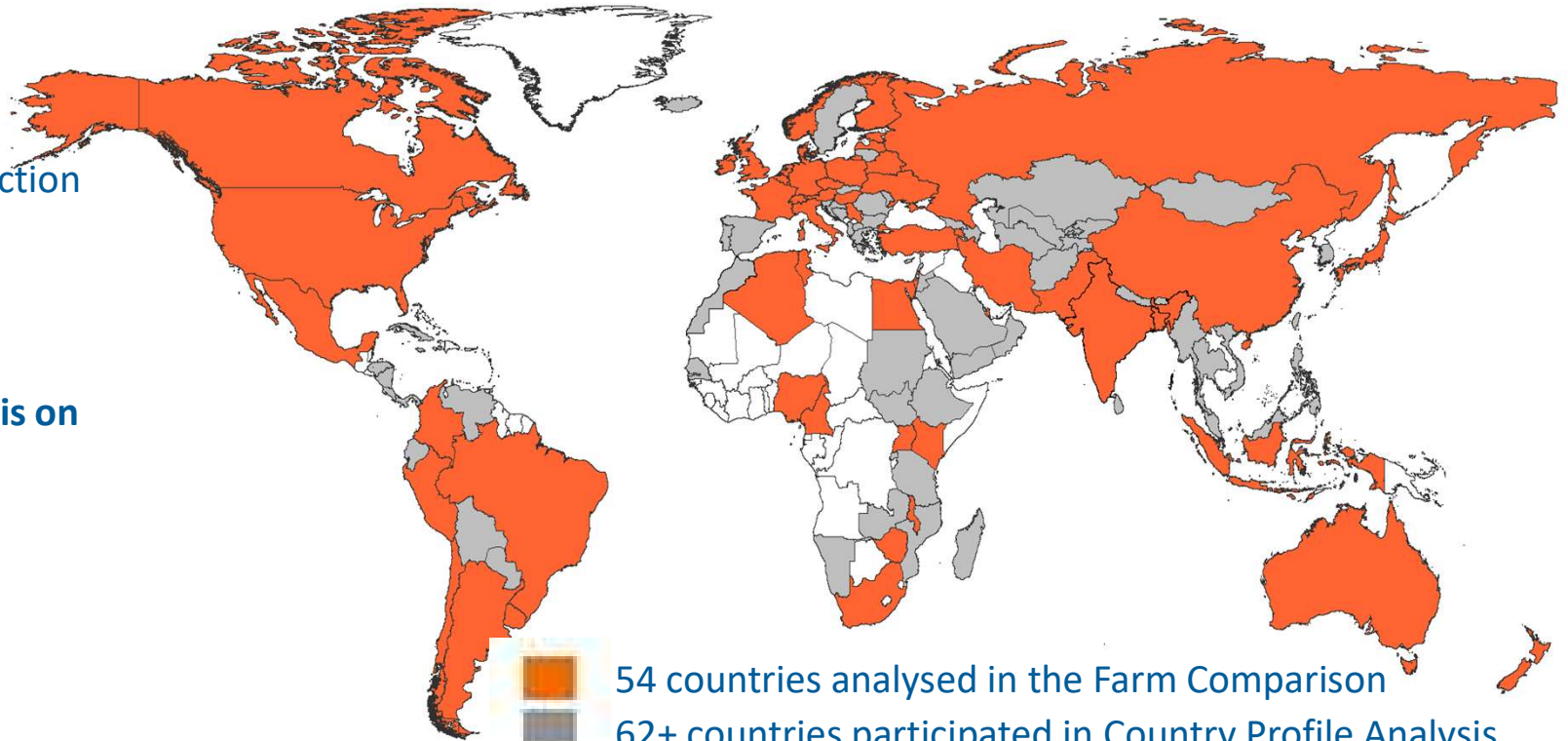


IFCN

Dairy Data · Knowledge · Inspiration

The Research Network 2020

- **123** countries captured
- **99%** of world milk production
- **54** countries - dairy farm analysis done in 2020
- **Farm comparison analysis on**
 - Costs competitiveness
 - Farm efficiency
 - Farmers income
 - Carbon emissions
 - Water footprint
 - Animal health
 - Resilience
 - etc.





Milk Production after COVID"

Agenda

2 Insights slides

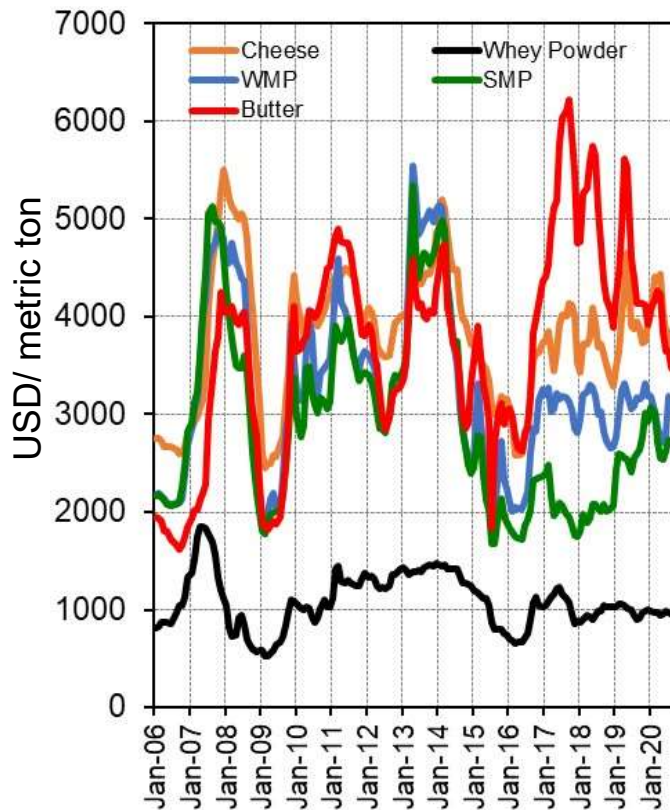
IFCN Method

Milk Prices

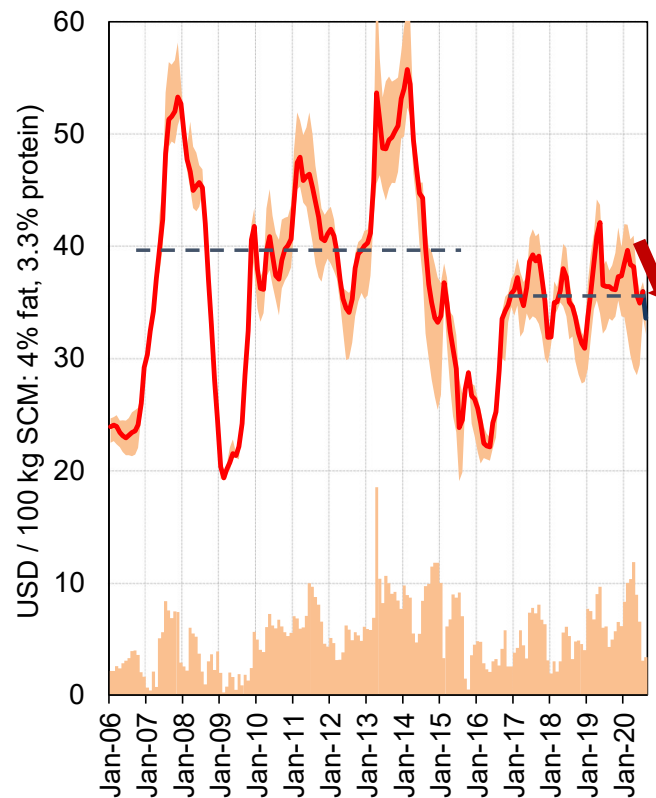
Milk Production

World milk price so far -1.9% in 2020

World Market Price* for Dairy Products



IFCN World Milk Price Indicator



Indicator: IFCN world milk price is condensing dairy commodity prices in a price for "farm gate and per kg milk"

Price level 2017 – 2019
35 US\$/100 kg milk

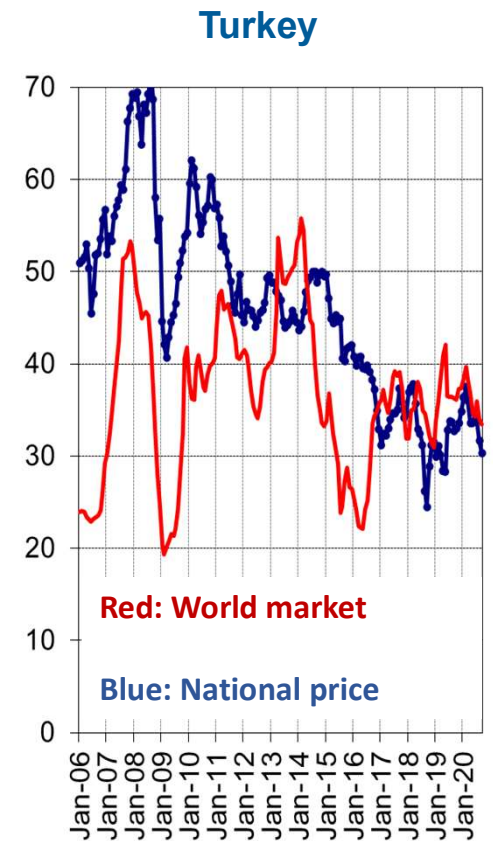
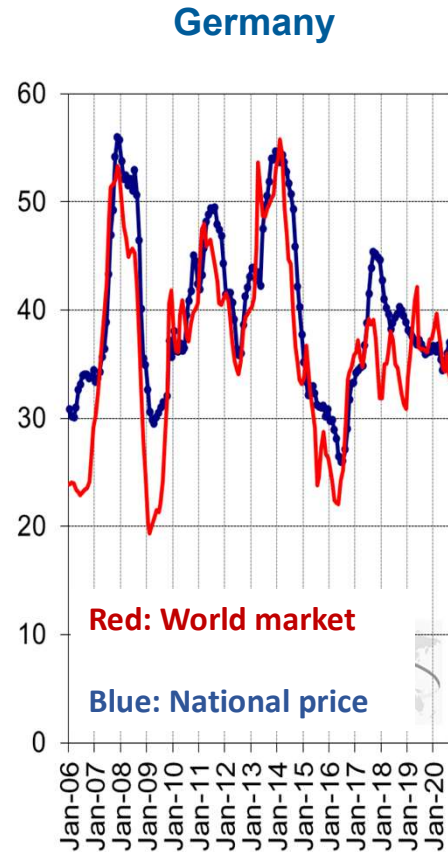
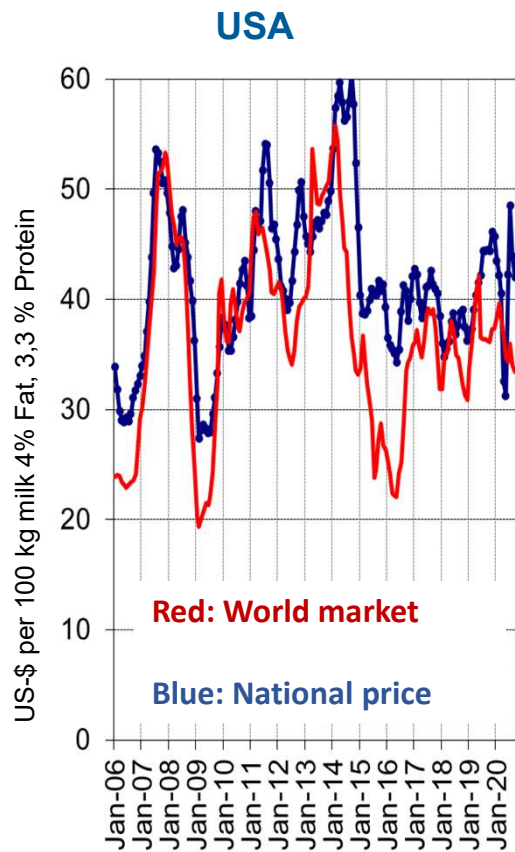
2020 Jan – August = 36,5
US\$/100 kg milk

- 1,9% below 2019
- above the average 2017 – 2019

Trend in 2020 downwards

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

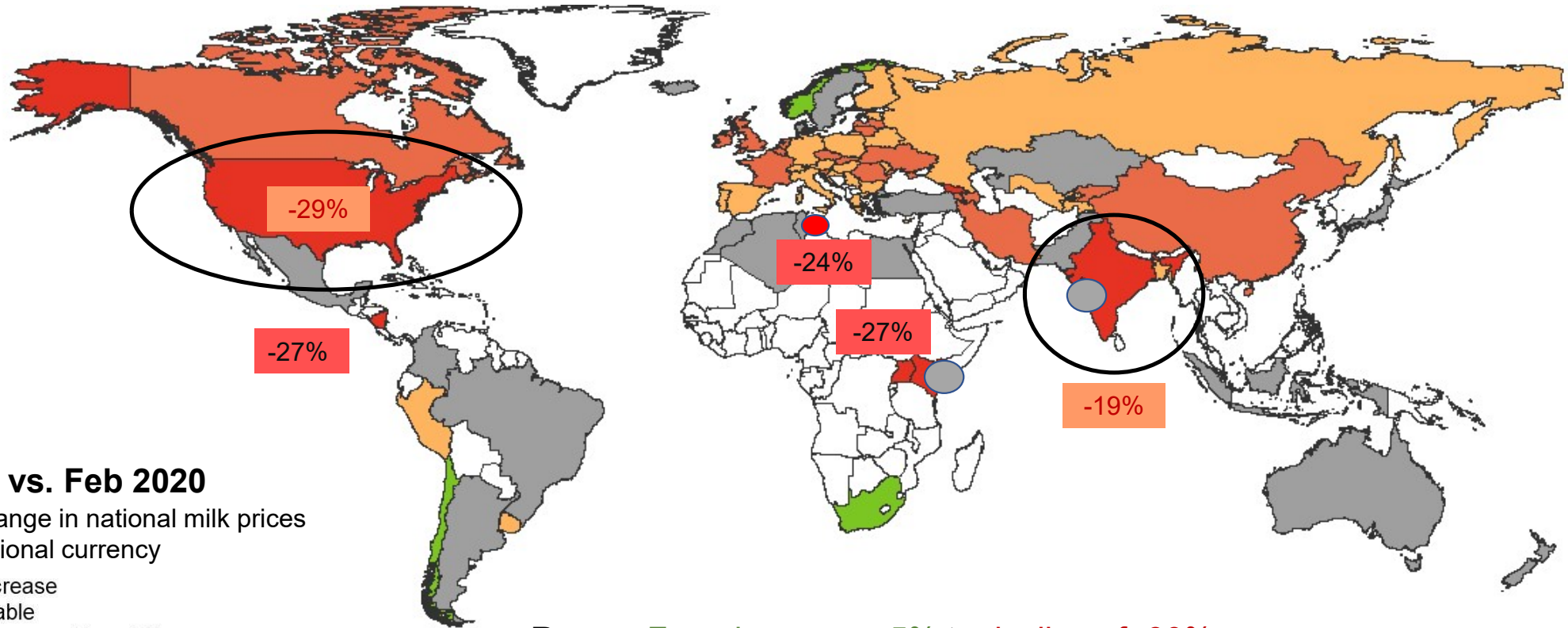
World milk price drives national prices



Source: Database 3.4: Monthly real-time database for 65 countries 2006 – Sept 2020

Depth of the crisis during the lockdown

Dairy Conference in June 2020



May vs. Feb 2020

% change in national milk prices in national currency

- Increase
- Stable
- Decreased by <math><-5\%</math>
- Decreased by -5% to -15%
- Decreased by $>-15\%$

Range: From increase +5% to decline of -30% by measuring the milk prices in the formal markets



Milk Production after COVID"

Agenda

2 Insights slides

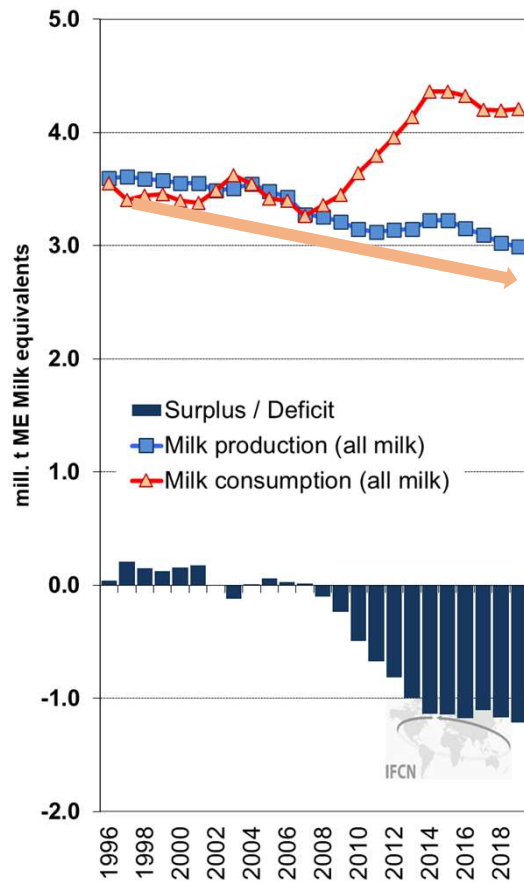
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Milk Prices

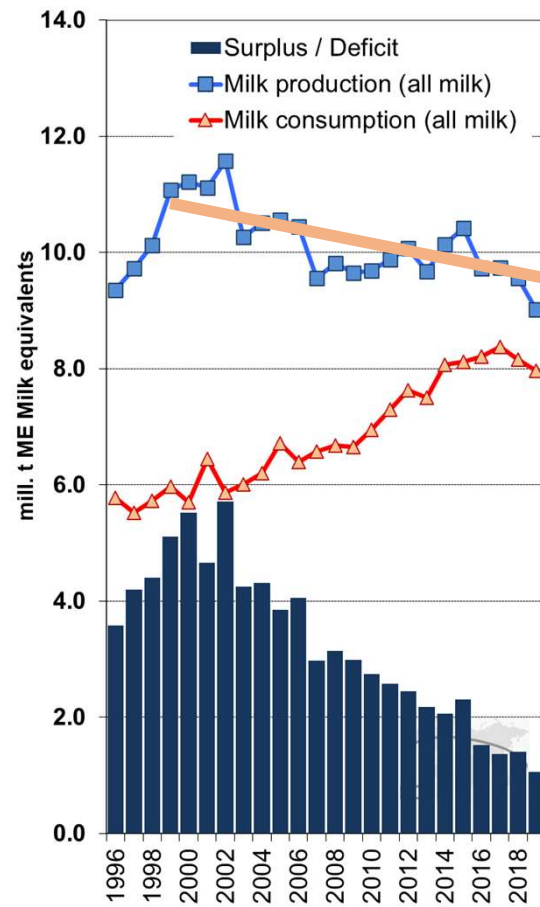
Milk Production

Trends milk supply, demand & trade

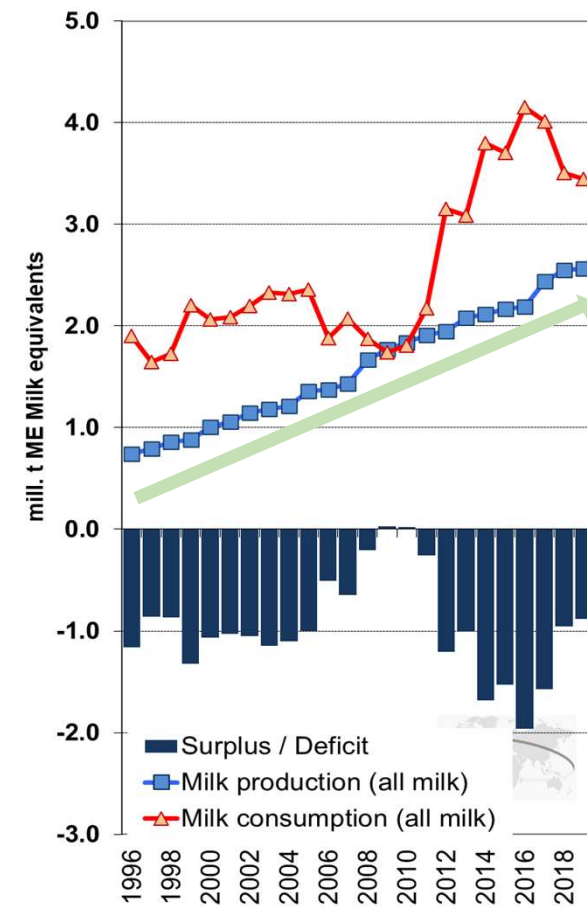
Sweden



Australia

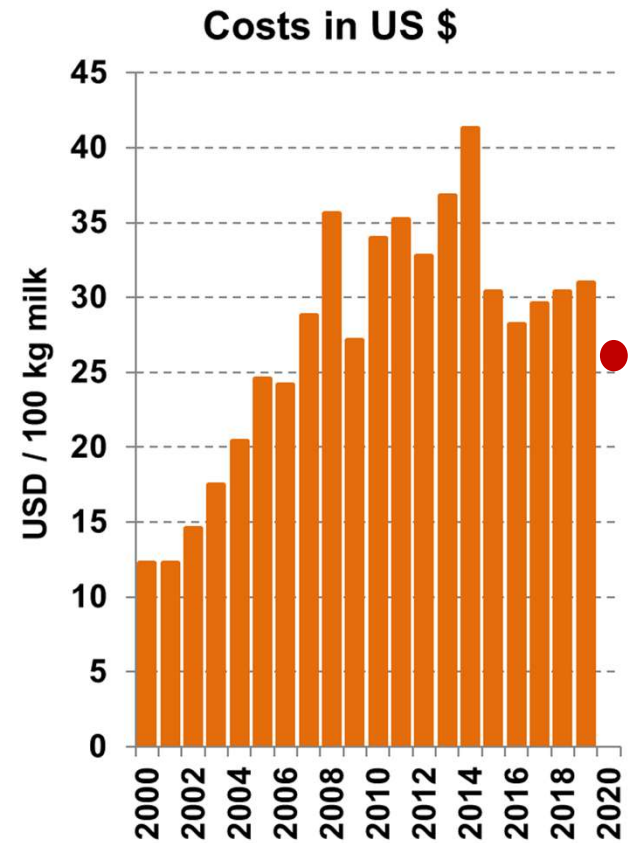
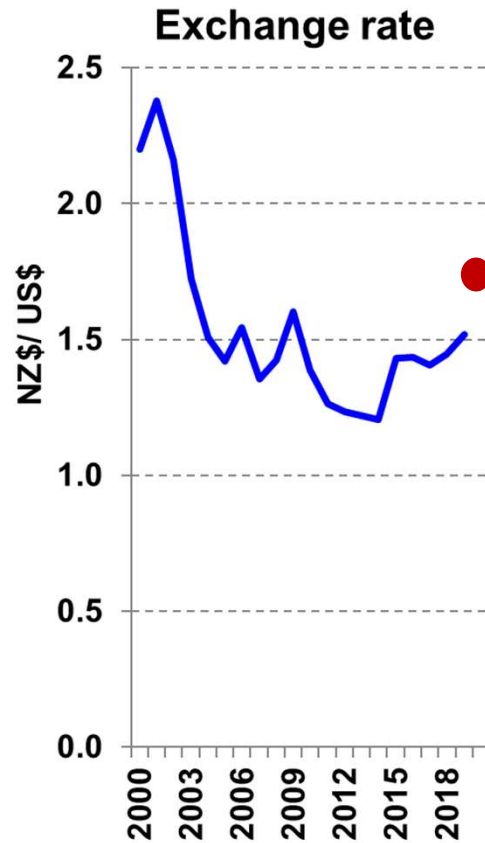
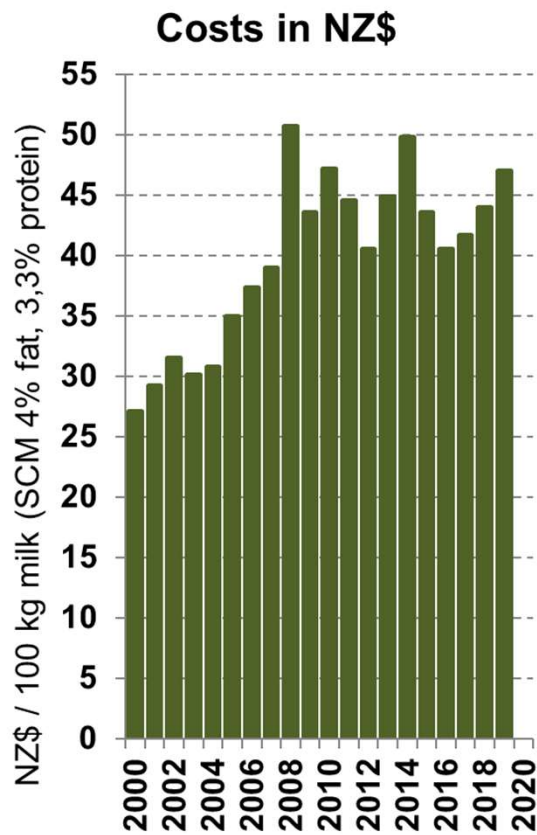


Saudi-Arabia



NZ Costs of milk production 2000-2020

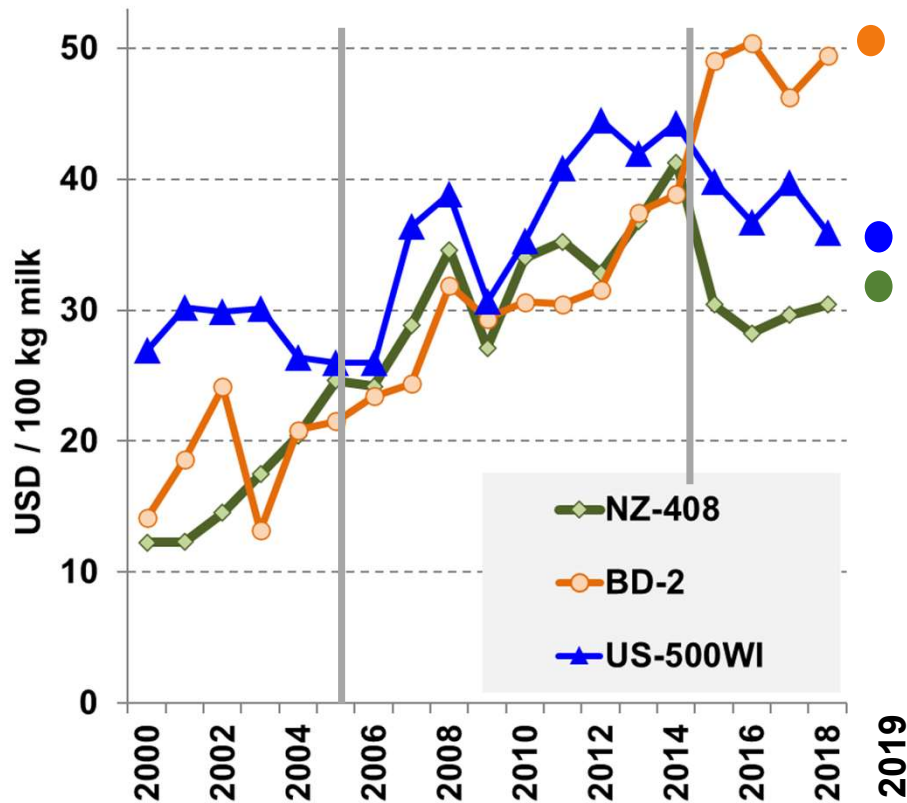
Typical average farm size 2000 220 cows; 2019 408 cows/farm



● Mid of COVID time

Dynamics in Costs of milk production

Typical farm types from NZ, USA and Bangladesh 2000 - 2020



Dairy farm types chosen

NZ: Farm 408 cows in 12020

USA: Farm 500 cows Wisconsin

BD: 2 cow farm type

Interesting time

Overall: Costs rise with different speed/pattern

2000 – 2005 – Cost alignment

2006 – 2014 – US costs slightly higher

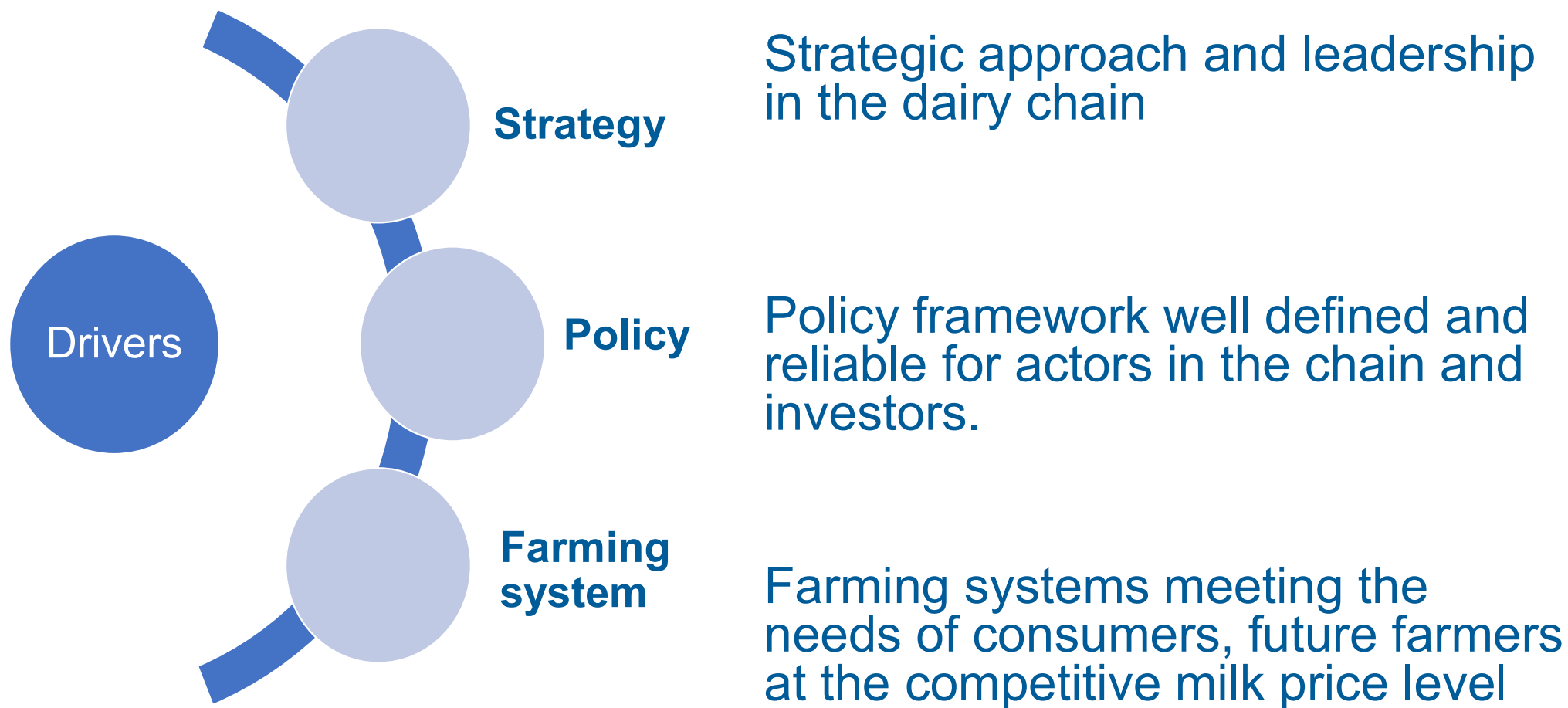
2015 – 2020 – Costs NZ - 27%, USA - 20%, BD + 28

Costs in COVID times

Data available in Dairy report 2021

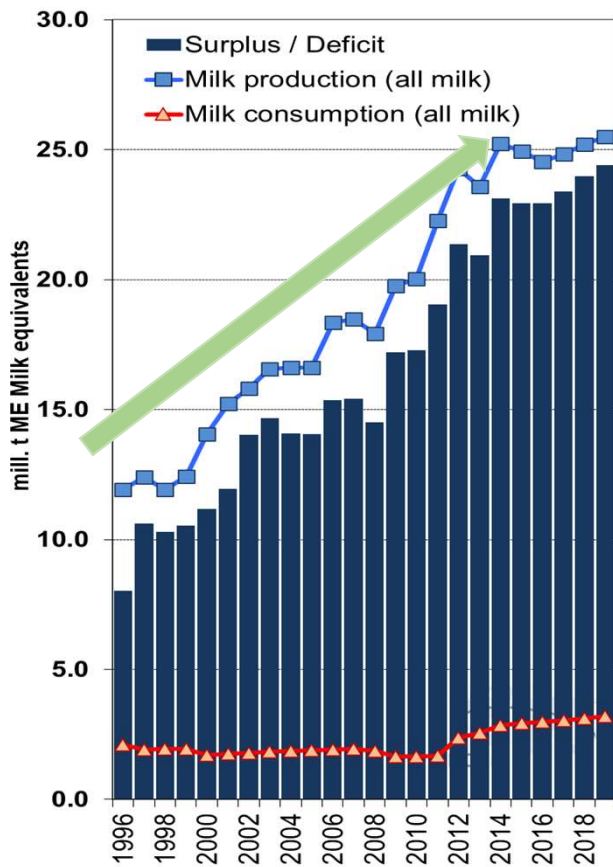
Higher costs in BD, lower costs in Latin America

Key drivers for successful dairy regions

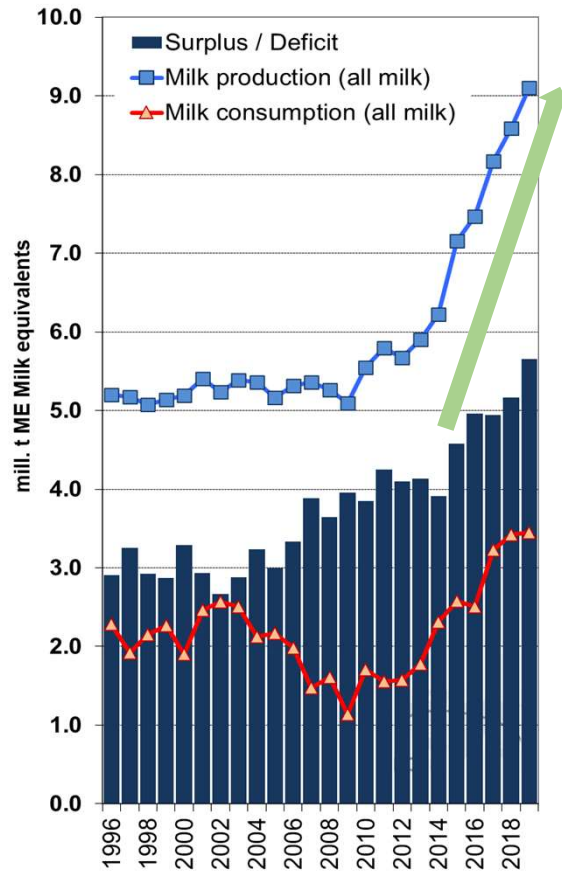


Congratulations to 2 countries

New Zealand



Ireland



New Zealand
1996 - 2014
+ 100% more
milk production



Ireland
2010 - 2019
+ 71% more
milk production

