November 2020

Executive Summary of IDF Country Update – November

Scientific excellence
Industry applicability
Strategic networking
Global influence

Summary

Members of the IDF Standing Committee on Dairy Policy and Economics and the IDF Standing Committee on Marketing updated market results and conditions in 19 countries during the previous six months, a period spanning the early stage of the pandemic for most countries (1). These countries represent a majority of the world's milk production and an even larger share of its world trade in dairy products.

Milk Production

The ability of farmers to maintain milk production has been of particular concern given the stresses of the pandemic and impacts on the supply chains both leading from and to farms. The global dairy industry has proved to be resilient despite these manifest challenges. Milk production dipped in the early stages of the pandemic in many countries, but production is up in almost all reporting countries. The median annual growthrate was around 1%, with a range of -3.9% to 5.4%.

Dairy Product Markets

A critical and common impact of the pandemic has been disruption to the foodservice sector, including restaurants, hotels, businesses, and school cafeterias. This was the result of formal government restrictions but also consumer and business decisions to lower exposure. On the other hand, most countries saw increases in retail sales, online shopping and local food markets. Results varied across countries, generally, cheese, milk, yogurt, cream and butter sales, in various combinations, saw increases in retail sales. The net effect on overall dairy categories was slightly negative to slightly positive.

Global trade in dairy products grew despite, or perhaps because of, these various disruptions. Reductions in foodservice sales refocused attention on exports. Similarly, importers often rebalanced their purchases away from intermediate dairy ingredients, such as skim milk powder, to more consumer-oriented products, such as cheese or shelf-stable milks. Global supply chains were challenged but generally continued to perform.

Marketing Dairy Products

Dairy product marketing efforts continue to promote familiar themes, including the health benefits of dairy products (including probiotic effects), the complementary benefits of dairy products as a combination of natural macro and micronutrients (the Dairy Matrix) and the adaptability of dairy to lifestyles (especially for active young people). Several respondents reported campaigns targeting social concerns, in particular environmental sustainability. And, of course, there was attention devoted to COVID-19 related concerns emphasizing support for farmers, getting dairy nutrition to food-insecure households, and the general safety of dairy foods.

Farm Gate Milk Prices

As the pandemic unfolded, uncertainty led to unusual levels of price volatility. Most countries report a drop in year over year farm prices, but the specifics vary greatly. Price changes ranged from -10% to 12%, with a median of about 0% or no change.

Dairy Product Prices

Panic buying in many countries, particularly for dairy product staples, led to early increases in prices paid by consumers as well as intermediate buyers in food service or food manufacturing. Although prices of dairy ingredients, such as skim milk or whey powders, often dropped as producers sought to move supplies, consumers often faced higher prices on dairy products in keen demand. The fact that retailers and other upstream components in the supply chain faced higher marketing costs also contributed to the increases in consumer prices. Overall price increases ranged from 0.1% to 6.9%.

Market Conditions and Prospects

There is optimism for a return to more normal conditions in 2021. In the meantime, new government restrictions, as well as consumer choices to restrict indoor dining will continue to have impacts into early 2021. Again, there are nuances particular to each country, but the general consensus might be described as cautious optimism. Markets and firms have developed compensating strategies that have tempered price volatility. It is expected that 2021 will be a slow climb to more normal conditions. When one can say the pandemic behind us is hard to predict, perhaps more importantly is the longer term effects on milk production, processing, and dairy purchases.

Environment

Several countries around the world report specific industry initiatives to assure consumers that their dairy industry is acting to reduce environmental impacts. Climate change is an ongoing focal point but food waste and microbial resistance to antibiotics are also of growing interest.

Nutrition and Health

Even as 2020 proved to be a reminder for many people that dairy products are nutritious and versatile products that are great for home consumption, there is continued pressure to discourage consumption using government-issued or promoted dietary guidelines. Increasing competition from plant-based products derives in no small part from these public guidelines.

Animal Welfare

Despite widespread recognition among producers in major milk producing countries that cow comfort and animal health and nutrition are key to farm profitability, there remains a public desire for assurances about animal welfare. Reported responses range from working with governments to issue responsible guidelines for animal care to industry initiatives to certify proper animal handling and assure consumers.

Conclusion

In general, all responding countries reported unusual disruptions due to the pandemic, on top of the ongoing implications from a consumer and public body that is increasingly interested in how milk and dairy products are produced, and the healthfulness of dairy foods. While conditions and opportunities varied considerably across responding countries, the general market picture is that the industry found or created new opportunities under trying conditions.

Despite the severe disruptions from lockdowns and other restrictions, higher costs along the supply chain to protect workers and safeguard products and the need to restructure production and distribution systems, the most basic outcome of 2020 is that the dairy industry proved resilient and adapted and consumers rediscovered milk and dairy products as a versatile and fundamental food for home consumption.

Although there is a general feeling that we are on the downside of the pandemic, it is recognized that it is not quite done with us. Perhaps more importantly, we are still sorting out the longer lasting implications for how milk is produced and where it is consumed.

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Endnotes

(1) Australia, Belgium, Canada, Denmark, Finland, France, Germany, India, Israel, Japan, Korea, Netherlands, New Zealand, Norway, Poland, South Africa, Switzerland, United Kingdom, United States.