



Consumers, trade, weather sway **dairy feed volumes**

While uncertainty defined global dairy production for much of 2019, stability may be on the horizon in 2020.

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Though the global dairy industry has faced significant challenges in 2019, the outlook for 2020 is relatively bright, at least according to the dairy and feed industry stakeholders interviewed for Feed Strategy's 2020 Dairy Outlook report.

The following aims to identify the macro trends and conditions impacting dairy production — and in turn, dairy cattle feed volumes over the next 12 months and beyond.

Dairy consumption trends

The consensus is that, globally, consumers are drinking less milk, but the demand for dairy products overall remains high.

“Per capita consumption of milk in all forms, like cheese, yogurt and butter, is still going up when converted back to raw milk equivalents — and that’s a good thing for producers,” reports Ben Laine, dairy analyst with Rabo AgriFinance, a U.S. subsidiary of Rabobank.

In 2018, the global dairy industry increased

milk production by 2.2%, totaling 843 million tons (FAO), and saw sales over US\$500 billion, according to Euromonitor International.

A growing global population will likely support the market for high-quality dietary protein, including milk and dairy products. However, to achieve sustainable growth, much of this demand will have to come from developing countries, where populations and incomes are on the rise.

Over the next five years, the global dairy market is expected to experience a 5% compounded annual growth rate (CAGR), reaching a value of US\$703.5 billion, according to Mordor Intelligence.

Plant-based alternatives claim market

As plant-based dairy alternatives continue to gain popularity and market share, traditional dairy will continue to struggle to maintain its position.

According to Grand View Research, the global dairy alternative market is expected to reach US\$41.06 billion by 2025, growing at a 16.7% CAGR.



In 2019, global dairy producers have dealt with trade uncertainty, inclement weather and shift of market share toward plant-based alternatives.

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Today, in the U.S. for example, plant-based dairy alternatives account for more than 13% of total retail milk sales, worth US\$1.86 billion, the Good Food Institute reports. According to its 2019 study conducted by Nielsen, other dairy alternative categories such as plant-based creamer (+62%), yogurt (+54%), cheese (+41%) and ice cream (+40%) also saw significant growth from April 2018 to 2019.

Much of the popularity of plant-based alternatives is rooted in the belief that they are “healthier” and “more environmentally friendly” than traditional dairy products.

“Price, taste and convenience are now supplemented by new [consumer] concerns, such as health, sustainability and social impact,” says Constantin Sebastian, Pancosma’s bioactives product manager.

Interest in animal welfare and “foodism” also threaten to further decrease milk and dairy product consumption in the future, says Jerry McDowell, Zinpro

Corporation district manager, citing popular diets requiring the elimination of dairy.

In turn, the rise of plant-based dairy alternatives have spurred innovation and the development of niche products in the dairy industry to garner higher milk prices, such as high-protein, ultra-filtered milk, the development of the “clean label” and lactose-free products, like A2 milk, notes Ben Towns, global business director, Arm & Hammer Animal and Food Production.

Impact of trade uncertainty

Trade disputes have — and will continue to — influence global dairy markets.

“Any individual tariff or dispute doesn’t occur in a vacuum, and the effects are rarely limited to its intended aim,” Laine explains. “Instead, it tends to lead to a



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DAIRY FEED VOLUMES

2019 Top 20 Global Dairy Companies

2019 ranking		2018 ranking	Company	Headquarters	2018 dairy turnover* (USD billions)
1	▶	1	Nestlé	Switzerland	24.3
2	▶	2	Lactalis	France	20.8
3	▶	3	Danone	France	18
4	▲	5	Fonterra	New Zealand	14.3
5	▲	6	FrieslandCampina	Netherlands	13.8
6	▼	4	Dairy Farmers of America	United States	13.6
7	▶	7	Arla Foods	Denmark/Sweden	12.4
8	▲	9	Yili	China	11.2
9	▼	8	Saputo	Canada	11
10	▶	10	Mengniu	China	10.3
11	▶	11	Dean Foods	United States	7.5
12	▶	12	Unilever	Netherlands/United Kingdom	6.7 [†]
13	▶	13	DMK	Germany	6.7
14	▶	14	Kraft Heinz	United States	6
15	▲	16	Sodiaal	France	6
16	▼	15	Meiji	Japan	5.8
17	▼	16	Savencia	France	5.7
18	▲	19	Agropur	Canada	5.2
19	▲	20	Schreiber Foods	United States	5.1 [†]
20	▼	18	Müller	Germany	5.1 [†]

*Turnover data based on dairy sales only, 2018 financials and M&A transactions completed between January 1 and June 30, 2019.

[†]Estimate

Source: Rabobank, 2019

Rabobank reports a 2.5% increase in revenue across the world's top 20 dairy companies in 2019.

reshuffling of trade partners, some markets closing and a search for other opportunities, other voids that need filling. The net result is higher transaction costs, more market uncertainty and greater volatility. There is also the risk of a global economic downturn, which could have an impact on the demand for dairy products.”

This has stalled the dairy industry’s long-term decision making and its ability to manage risk.

“Global trade in dairy has been growing, and the various trade disputes have had a major impact that will

be felt for years,” Laine says. “There are winners and losers in many of these disputes, which put up barriers for some and open opportunities for others. But in general, they have added friction to the process of moving dairy products around the world. Ultimately, that pressure makes its way back to the producer.”

U.S. dairy exports, for example, have been greatly impacted by unsettled geopolitical issues.

“In the first half of 2019, U.S. shipments were down 14% compared to the first half of 2018,” Blaine