

IFCN summarizes: low milk production in 2016 was base for the price peak in 2017

Freshly published results show that the world production growth rate in 2016 was the lowest since 1997. This low milk supply influenced the world milk price level and now the cycle 2013-2016 has ended. In 2018 a new cycle is about to start. Since 2013 also costs of milk production decreased from 47.2 to 38.4 USD/100 kg milk on average of all farms analysed.

Latest IFCN Analysis show that a price recovery started in mid 2016, which indicated the end of the milk price crisis. With a clear continuation of the milk price recovery a new zig-zag scenario started in 2017.

Dr. Torsten Hemme, Managing Director of the IFCN: *'After two years of crisis the milk price has recovered. But already now, we expect a new price cycle to start. Increase in production is a logical consequence and so, the price cycle will start with a downward trend'*

IFCN estimates that the world all milk production reached a level of 845 t Energy Corrected Milk (4.0% fat and 3.3% protein) in 2016. With an increase of 1.1% versus 2015 this is below the long-term average production growth rate of 2.3% and the lowest growth rate since 1997.

According to Dr. Amit Saha leading farm analysis at IFCN: *'The decrease in production is grounded in poor farm economics due to low world milk prices and local adverse weather events.'*

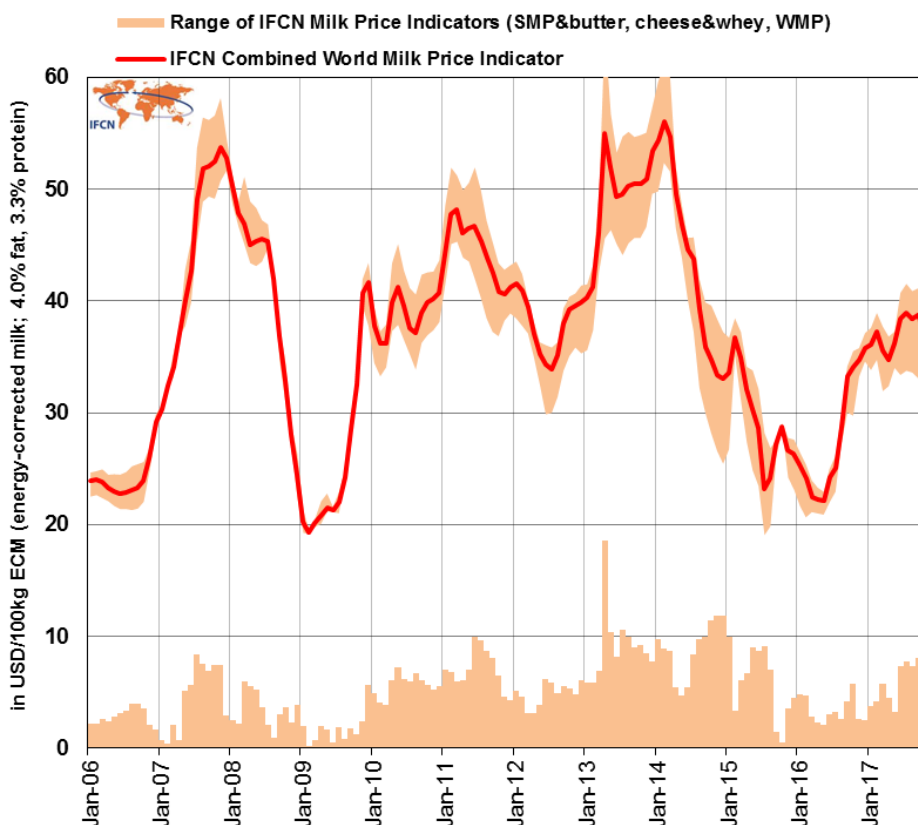
The data indicate high variability in farm gate milk prices from 18.1 to 95.5 USD/100 kg ECM in 2016. The average world farm gate milk price last year was 37.7 USD/100 kg ECM based on 124 typical farms analysed in 52 countries. On the production side, IFCN observes a significant and continuous reduction of average milk production costs since 2013. The average costs in 2016 were 38.4 USD/100 kg ECM, 3.0 USD/100 kg ECM below the level of 2015.

The main reasons for this are farmers' cost saving measures and currency devaluation. The lowest costs (below 30 USD/100 kg ECM) were found in selected countries in Latin America, Africa, Central/Eastern Europe and in New Zealand.

IFCN – The Dairy Research Network – has been analysing and predicting dairy developments and trends since the year 2000. The annually published IFCN Dairy Report (<http://ifcndairy.org/ifcn-products-services/dairy-report>) summarises the results of research work done in collaboration with researchers from over 100 countries.

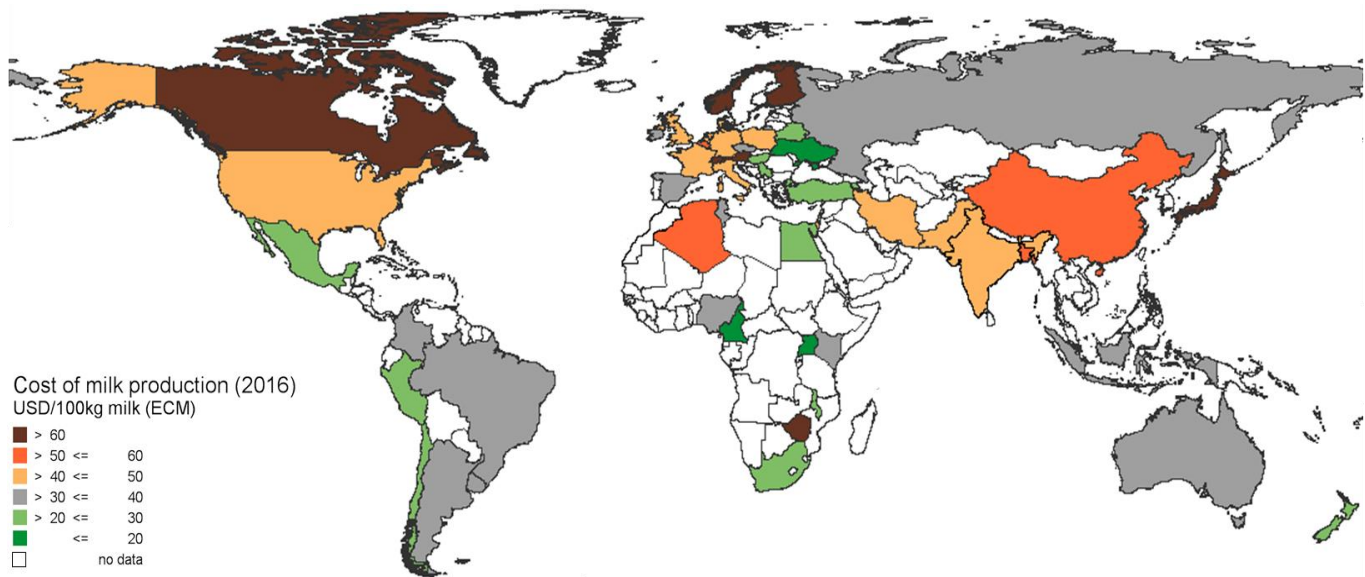
Source: IFCN Article 'The Global Dairy World 2016/17: Price cycle 2013-2016 has ended and a new one will start' can be downloaded at <http://ifcndairy.org/press/>

Chart 1: IFCN Combined World Milk Price Indicator



IFCN Dairy Research Network provides globally comparable dairy economic data and forecasts through IFCN Models and a Research partners network in 95 countries. Core competences lie in the field of milk production, milk prices and related economic topics. By providing the dairy data, knowledge and inspiration IFCN aims to create a better understanding of the dairy world.

Chart 2: Cost of milk production in 2016 of average size typical farms in 2016



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