



December 2021



Executive Summary of IDF Country Update – December 2021

Scientific excellence
Industry applicability
Strategic networking
Global influence

Series summary

Members of the IDF Standing Committee on Dairy Policy and Economics and the Standing Committee on Marketing updated market results and conditions in 18 countries during the previous six months (1). Spanning the globe, these countries represent over half of the world's milk production, and an even larger share of its world trade in dairy products.

Now in the second year of the Covid-19 pandemic, the dairy industry around the world has proven to be quite resilient despite numerous challenges to production, supply chains and consumer access. With each country on a somewhat different timetable but mostly similar path, markets are moving in the direction of pre-pandemic patterns, but pandemic effects remain. Other factors that have been shaping dairy markets for some time continue to impact milk production and consumer choice.

Milk Production

The median growth rate was a sluggish 0.5 %, but within a wide range of -2.4 % to +6 %. Growth has been subdued to declining in most of Europe but also South Africa and India. In contrast, it has been strong in North America, New Zealand, and Ireland.

Common factors influencing production growth have been low milk prices relative to higher production costs. Requirements to achieve better environmental outcomes, either by regulation or market preference, are also adding costs to milk production in many countries.

Dairy product markets

A general theme in the evolution of the pandemic has been reductions in meals eaten outside the home, whether by government restrictions or choice. In 2021, most countries saw an easing or elimination of restrictions and consumers moving towards pre-pandemic consumption patterns.

(1) Australia, Belgium, Brazil, Canada, Denmark, France, Germany, India, Ireland, Israel, Japan, Netherlands, New Zealand, Norway, Russia, South Africa, Switzerland, United States.

Generally, this moved sales positively towards dairy products such as cheeses that are popular in restaurant sales but away from products, such as beverage milk, which is prominent in home usage.

Increases in retail prices combined with mixed volume results across all dairy products often netted in higher sales. Total consumption of dairy products worldwide remains steady but with various ups and downs by specific types. Many countries are seeing consumption patterns beginning to shift back towards pre-pandemic volumes, but it is widely anticipated that returning to normal trends is not imminent.

Cheeses and creams enjoyed growth in most countries. More common decreases were seen in beverage milks and powders.

Each country reported sectors that were up and others that were down. A more generally negative tone was evident in France, Israel, and Canada. A more buoyant tone was heard from Australia and New Zealand, which experienced the pandemic quite differently from other parts of the world. Global trade in dairy products grew despite challenges to supply chains.

Marketing Dairy Products

Dairy product marketing efforts continue to promote familiar themes, such as the health benefits of dairy products and a balanced diet. Positive messaging has also focused on lifestyle and stage of life connections. Lifestyle messages tend to highlight the versatility of or pleasure from dairy products. Stage of life connections bolster the value of dairy products for infants and children.

Increasingly, marketers are focusing on how dairy products address larger, social concerns, such as environmental and economic sustainability and community trust or social values. Also, the focus on the quality standards of dairy production is increasingly being highlighted in marketing because of the focus on food security and trust during the COVID-19 crisis.

Farm Gate Milk Prices

Farm milk prices have settled down compared to the turbulence and uncertainty of 2020. Despite some gains in the large milk producing countries of Australia and Brazil, the general market tone has been prices that are historically above average but still insufficient to support long term milk production due to higher costs.

Dairy Product Prices

If a primary worry in 2020 was availability, many countries have growing concerns about higher prices. Actual wholesale and consumer prices for dairy products are largely in line with historical patterns, but it seems that increases in production, marketing, labor, transportation, and other supply chain costs are resulting in food price inflation. Generally, dairy product pricing has not been leading this trend.

Market Conditions and Prospects

Last year, there was widespread hope that things would return to something more normal in 2021. As the virus has evolved, the mirror challenges of making vaccines available to everyone and people choosing to use them has led to a situation where normal is a reach that just exceeds our grasp. Although marketing patterns have clearly turned back towards pre-pandemic patterns, the pandemic, along with other factors such as climate change, continue to impact production and consumption.

Despite all this, there is an optimism for a continuing evolution towards markets that feel more normal. It is generally felt that the last two years have shown the resilience of dairy farmers and dairy processors in the face of extraordinary challenges, while also demonstrating that dairy products are a bedrock selection in most consumer diets.

As the dairy sector looks to 2022, it is with a recognition that the pandemic is not quite yet done with us but that there are other important factors that require more attention.

Environment

Developed countries, in particular, are at the forefront of developing and implementing strategies and practices to reduce the environmental impact of dairy farming. This message was delivered strongly at the UN Food Systems Summit (UNFSS) in September and was positively received by world leaders. This highlights both the need for and value of communicating this important commitment.

Nutrition and Health

The pandemic reminded many, if not most consumers of the centrality and goodness of familiar dairy products in a family diet. As life and work began to return more to pre-pandemic styles, the many benefits of dairy products to family health became a common theme in dairy product marketing.

Dairy Farming Systems

Animal care and handling continues to resonate with many consumers, but dairy industry communication efforts are broadening to communicate how milk production systems can be harmonious across a natural and social landscape. This builds on United Nation's goals for sustainability in diets, communities, and the environment.

Summary

In general, all responding countries reported a lingering of pandemic effects and after-shocks blending into a more familiar pre-pandemic pattern of societal and economic challenges and opportunities. The enduring lesson of 2020 is that the dairy community worldwide is resilient in the face of an extraordinary challenge. The over-arching message of 2021 is that the global dairy industry is adaptive and responsive to new situations and needs.