



The Economic Importance of Dairying

IDF Factsheet – February 2013

Dairy is a universal agricultural production: people milk dairy animals in almost every country across the world, and up to one billion people live on dairy farms.¹ It is a vital part of the global food system and it plays a key role in the sustainability of rural areas in particular.

It is a well-known fact that the dairy industry actively contributes to the economies of a number of communities, regions and countries. An increasing demand worldwide is noticeably emerging at present, and the industry is globalizing, thus increasing the scope and intensity of the global dairy trade. However, the question of how and on what criteria we can objectively assess the economic benefits of the dairy sector still remains.

The following factsheet aims to summarize the different aspects of dairy economy, as attested by multiple existing, comprehensive data sources. Economic dairy benefits can be assessed from the point of view of: production of milk and dairy products, trade and employment.

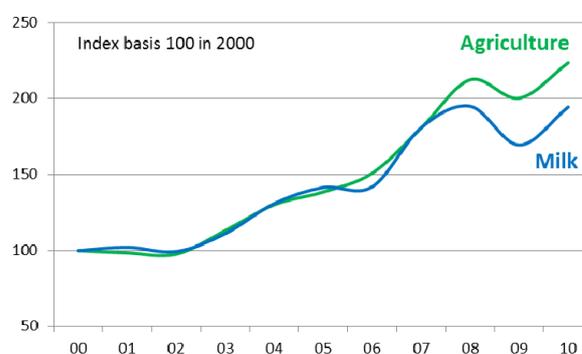
Production

In 2011, milk production was estimated at 748.7 million tonnes, of which 620.7 million tonnes was cow's milk, produced by 260 million cows. The number of dairy farms greatly depends on the countries and on the farming systems, but it can reach up to 78 million in India.²

Most recent data available from the FAO shows that the gross production value of agriculture equals 3282 billion USD, whereas that of raw milk produced across the world equals 292 billion USD. On a global scale, the value of milk represented 8.9% of the value of all agricultural products in 2010.

In the last decade, the value of milk as well as that of all agricultural products has shown an increasing trend.

Fig. 1: Evolution of the value of milk and agricultural products



Source FAO

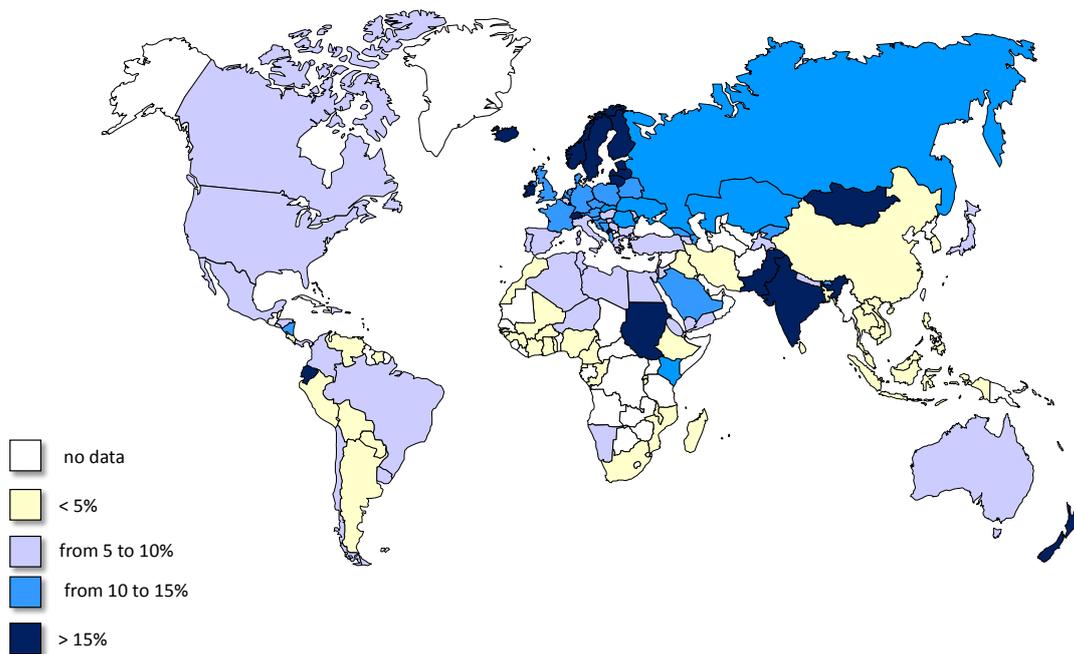
Milk production value, out of total agricultural production, represents between 8.5 and 10.5% depending on the year. For certain parts of the world, milk production value accounts for more than 20% of the total agricultural value; namely in the following countries:³

- New Zealand (35%)
- Finland (26%)
- India (24%)
- Luxembourg (23%)
- Estonia (23%)
- Switzerland (21%)
- Latvia (20%)

Dairy is particularly important to the agricultural economies of such countries.



Fig. 2: Share of milk in total agricultural production - situation in 2010 according to countries



Source FAO

Trade

In 2011, world trade of dairy products, namely butter and butter oil, skim milk powder, whole milk powder, condensed milk and cheese, amounted to 58.2 million tonnes in milk equivalents (excluding trade within the European Union). This represents 7.8% of world milk production.

In terms of value, FAO estimates the trade of milk products (aggregate containing milk, cream, butter, cheese, whey, buttermilk, milk powder, yoghurt and casein) to be at 64 billion USD, that is to say 5.9% of all of the agricultural products trade. The figures climb up to 69 billion USD, or 6.4% of the agricultural products trade, if lactose and infant formula were to be included.

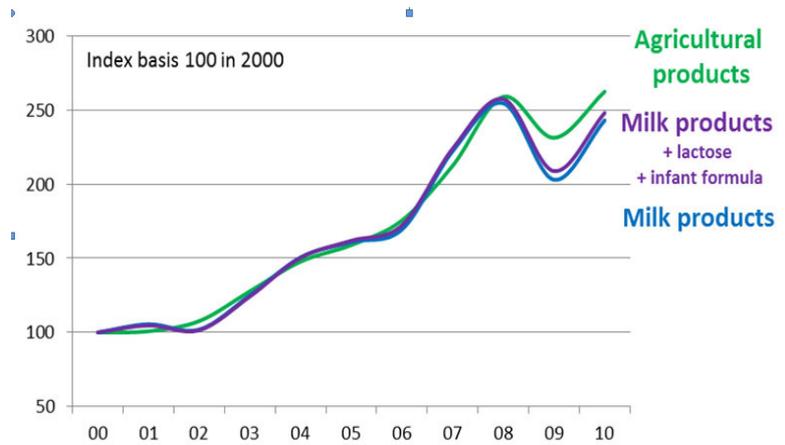


Since 2000, trade value of dairy products had tended to increase, whereas the share in global agricultural trade has been fluctuating. Trade plays a role in many countries in helping improve the variety of affordable dairy products available in a country.

In addition, traded products play a role in helping support a country’s dairy processing sector, particularly in countries without sufficient domestic milk production.

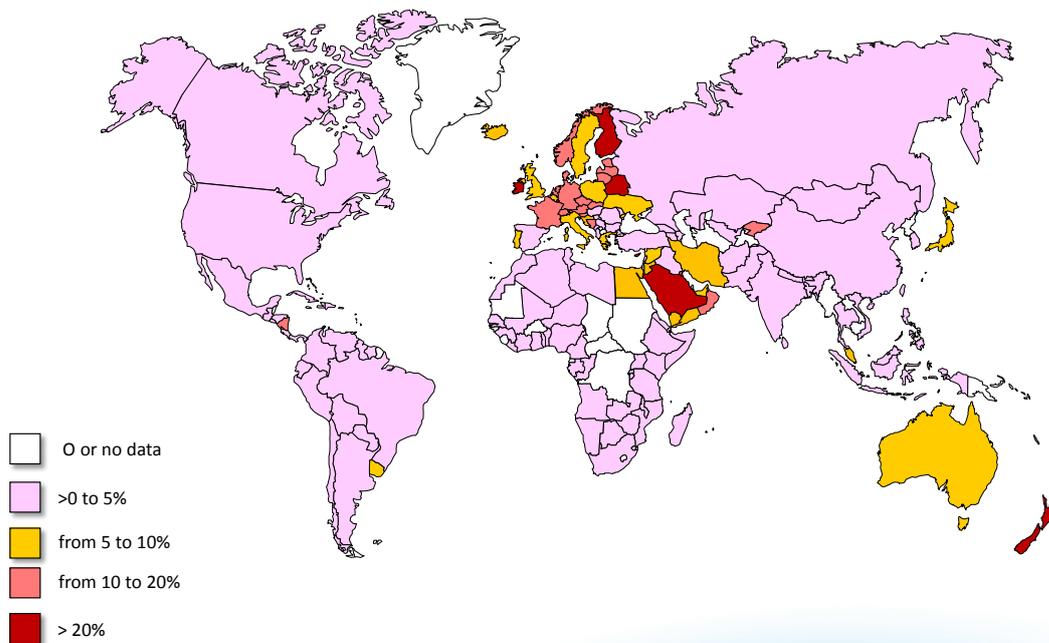
Dairy is necessary to the trade balance of many countries, but then again, some countries are more dependent than others when it comes to the exchange of dairy products, as the map below clearly shows.

Fig. 3: Evolution of trade value of agricultural and dairy products



Source FAO

Fig. 4: Share of dairy products in total agricultural exports (% based on value)



Source FAO

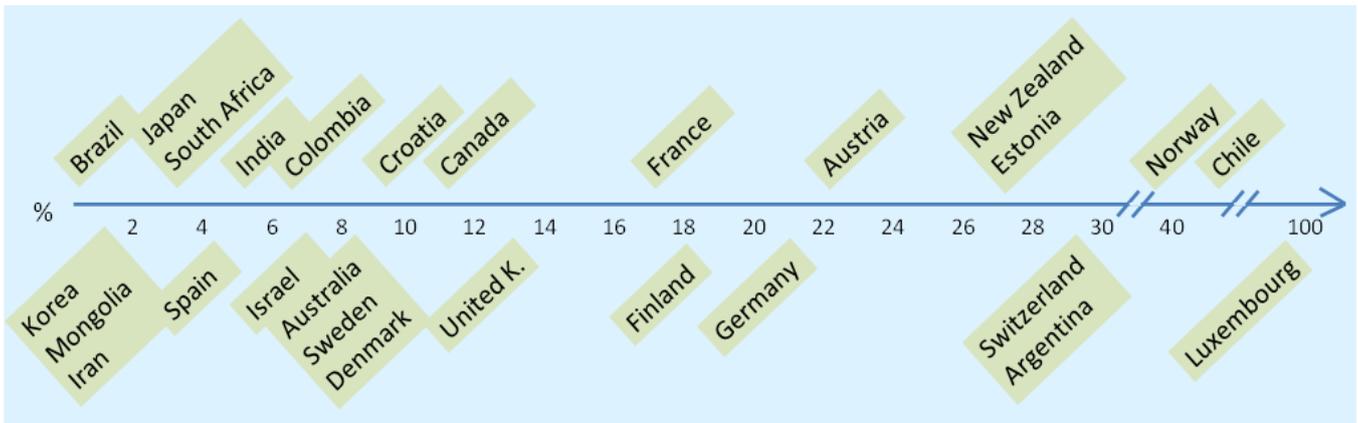


Employment

The dairy sector can play an important role in providing jobs for rural communities. Dairy production and processing provide employment, not only to people who work on dairy farms or in dairy plants, but also to the whole sector, from upstream (inputs and services providers...) to downstream (marketing of finished products...).

At farm level, it is possible to account for the number of people working on dairy farms in comparison with the total agricultural labour force, as was done recently for 27 countries.⁴ On average, dairy labour force represented 3% of all agricultural employment, but this figure covers a wide range of situations.

Fig.5: Share of labour force on dairy farms out of total agricultural labour force (%)



Source IDF World Dairy Situation report, 2012, World Bank, national sources

It is difficult to estimate the number of people working in the dairy processing industry on a global scale, but some national sources show that there could be up to 200 000 (in Russia), 230 000 (in China), and 500 000 (in Egypt) workers in dairies, which equates to 8% of the industrial labour force in the case of Egypt.



Assessing the benefits of dairying in terms of employment is especially relevant in developing countries. Globally, around 150 million small-scale dairy households, equivalent to 750 million people, are engaged in milk production⁵. To these millions of jobs, employment linked with transporting, processing and marketing the milk can be added. For example, FAO also estimates that in East Africa and the Near East, for every 100 litres of milk produced locally, up to five jobs are created in related industries.



Final statement

The dairy sector is a dynamic global industry, with steadily growing production trends (+2.2% annually on average since 2000) which are forecast to continue in the long-term. These trends are driven by an increasing demand for animal proteins that goes along with the population growth and income growth in emerging economies. Consumption of dairy products is consequently expected to increase by 20% or more before 2021, according to FAO and OECD. In this context, dairy production and dairy processing clearly appear as industries of utmost importance in contributing to the global challenge of food security today and for decades to come.



International Dairy Federation www.fil-idf.org

Sources

1. IFCN
2. IDF World Dairy Situation report, 2012
3. FAO, 2010, Indian IDF NC, 2012
4. IDF World Dairy Situation report, 2012, World Bank, national sources
5. FAO, IFCN, 2010

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