

# **WORLD DAIRY OUTLOOK**

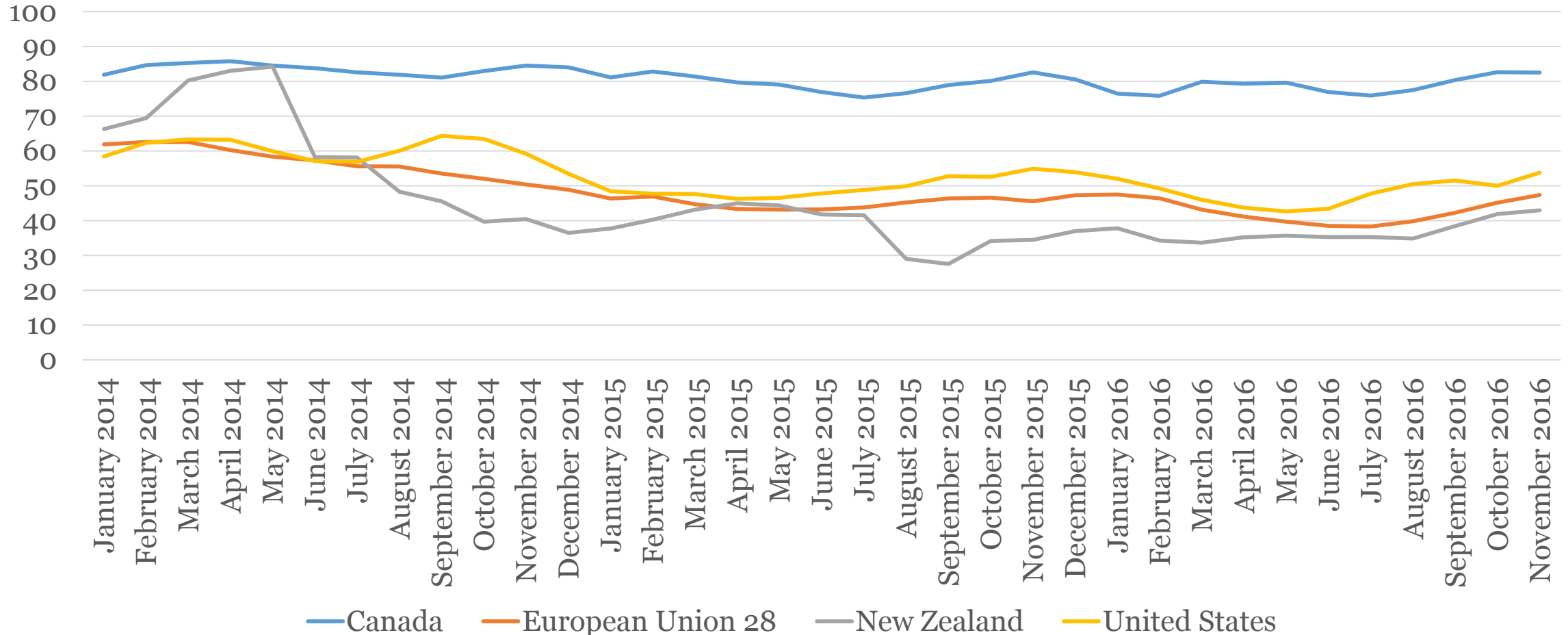
**Annual Policy Conference  
February 8<sup>th</sup>, 2017**

# PRESENTATION OUTLINE

- 1. INTERNATIONAL MARKET OVERVIEW**
- 2. PRICE TRENDS - DAIRY PRODUCTS**
- 3. 2017 OUTLOOK**

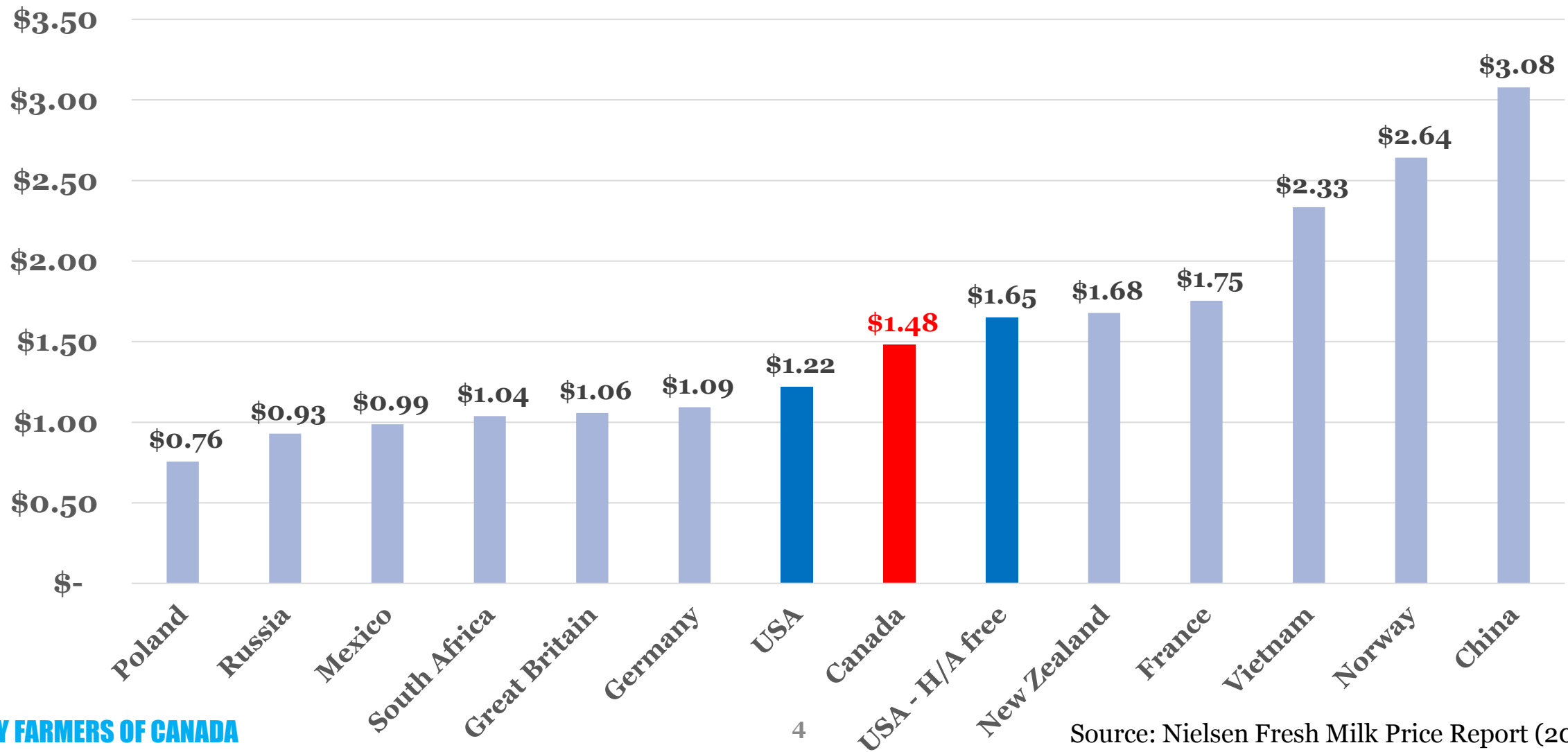
# 1. INTERNATIONAL MARKET OVERVIEW

**Farm Gate Price by Region (CAD/HL)**



# 1. INTERNATIONAL MARKET OVERVIEW

Global Retail Milk Price (12-months ending November 2016)



# 1. INTERNATIONAL MARKET OVERVIEW

Region	2016 Highlights	Impact
<b>USA</b>	<ul style="list-style-type: none"> <li>- Strong production, high levels of stocks</li> <li>- Strong demand</li> <li>- State purchase of 5000 tonnes of cheese</li> </ul>	<ul style="list-style-type: none"> <li>- Downward pressure on prices (early 2017)</li> </ul>
<b>Oceania</b>	<ul style="list-style-type: none"> <li>- Earthquake in NZ affecting dairy producing regions</li> </ul>	<ul style="list-style-type: none"> <li>- Reduced production/output</li> </ul>
<b>Europe</b>	<ul style="list-style-type: none"> <li>- Payments for reduced production</li> <li>- Policies to reduced phosphate levels</li> <li>- Purchase of stocks of SMP</li> </ul>	<ul style="list-style-type: none"> <li>- Reduced # of dairy cattle</li> </ul>
<b>Argentina</b>	<ul style="list-style-type: none"> <li>- Flooding impacting dairy producing regions</li> <li>- Currency devaluation – higher cost of feed</li> </ul>	<ul style="list-style-type: none"> <li>- Reduced production/output</li> </ul>
<b>China</b>	<ul style="list-style-type: none"> <li>- Fluctuating demand for dairy imports</li> </ul>	

# 2.1. SKIM MILK POWDER

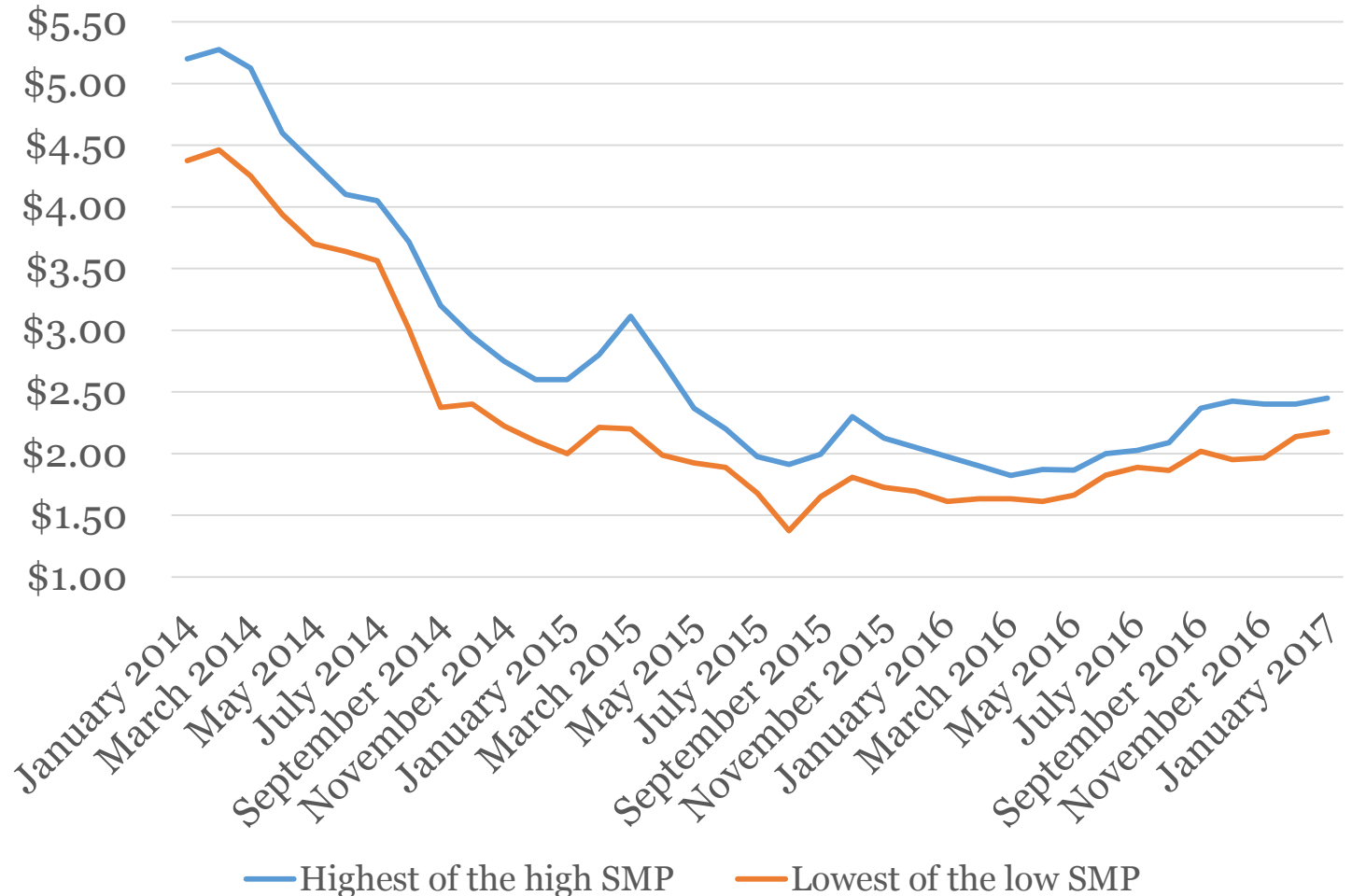
- EU – sale of 22,000 tonnes of intervention stocks of SMP
  - Protests in Europe– spraying of milk powder
- Surplus represents 1/2 of total Canadian production of SNF
- Oceania – milk being diverted from SMP & butter to WMP production

## World Price (January 20, 2017)

\$2.20 USD/Kg

**\$2.93 CAD/Kg**

**World Price of SMP (USD/kg)**



# 2.2. WHOLE MILK POWDER

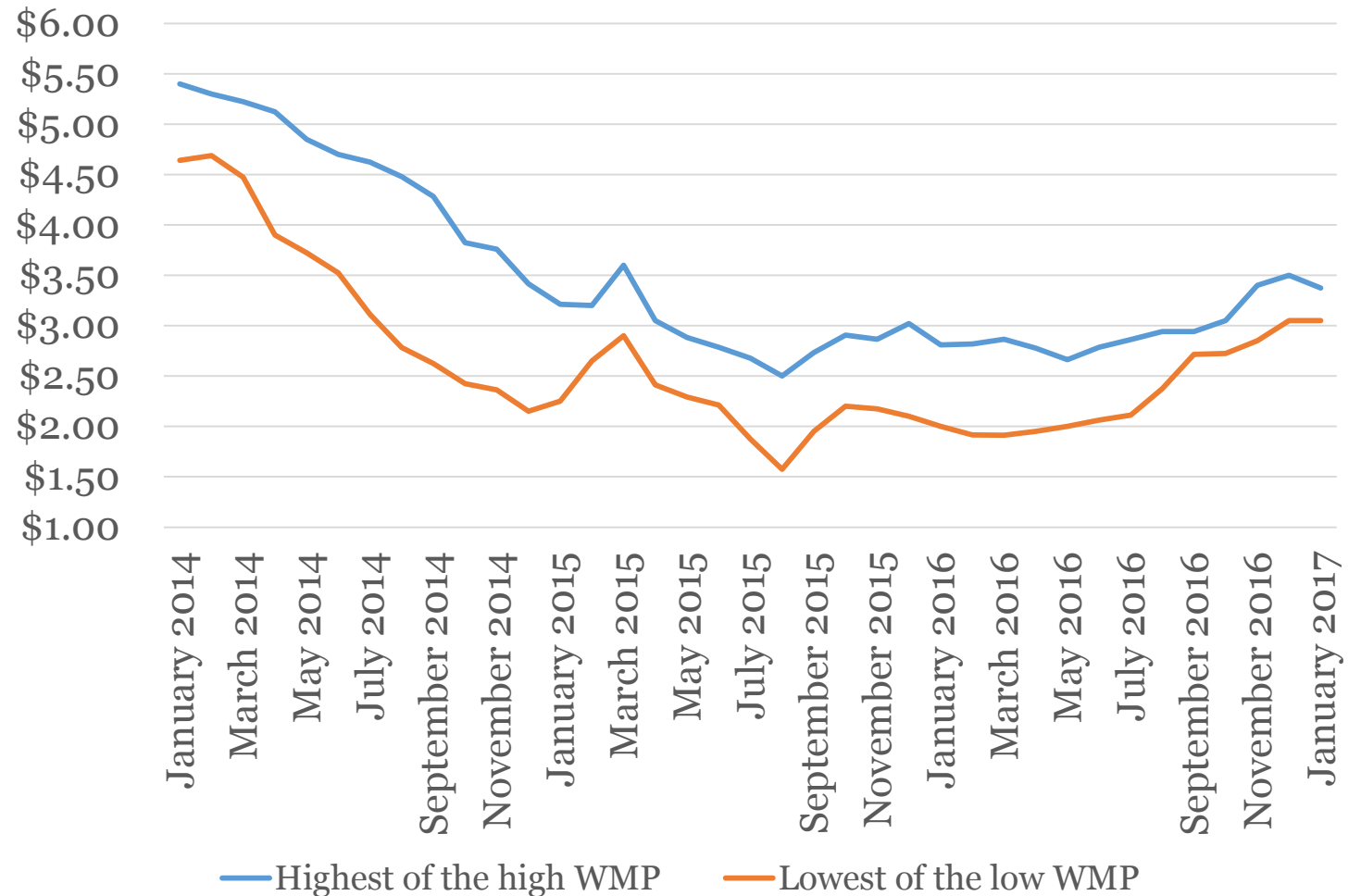
- Strong increase of prices in 2016 driven by higher international demand
- Early 2017 - greater production of WMP resulted in downward pressure on prices in Oceania

**World Price (January 20, 2017)**

**\$3.05 USD/Kg**

**\$4.07 CAD/Kg**

**World Price of WMP (USD/kg)**



# 2.3. BUTTER

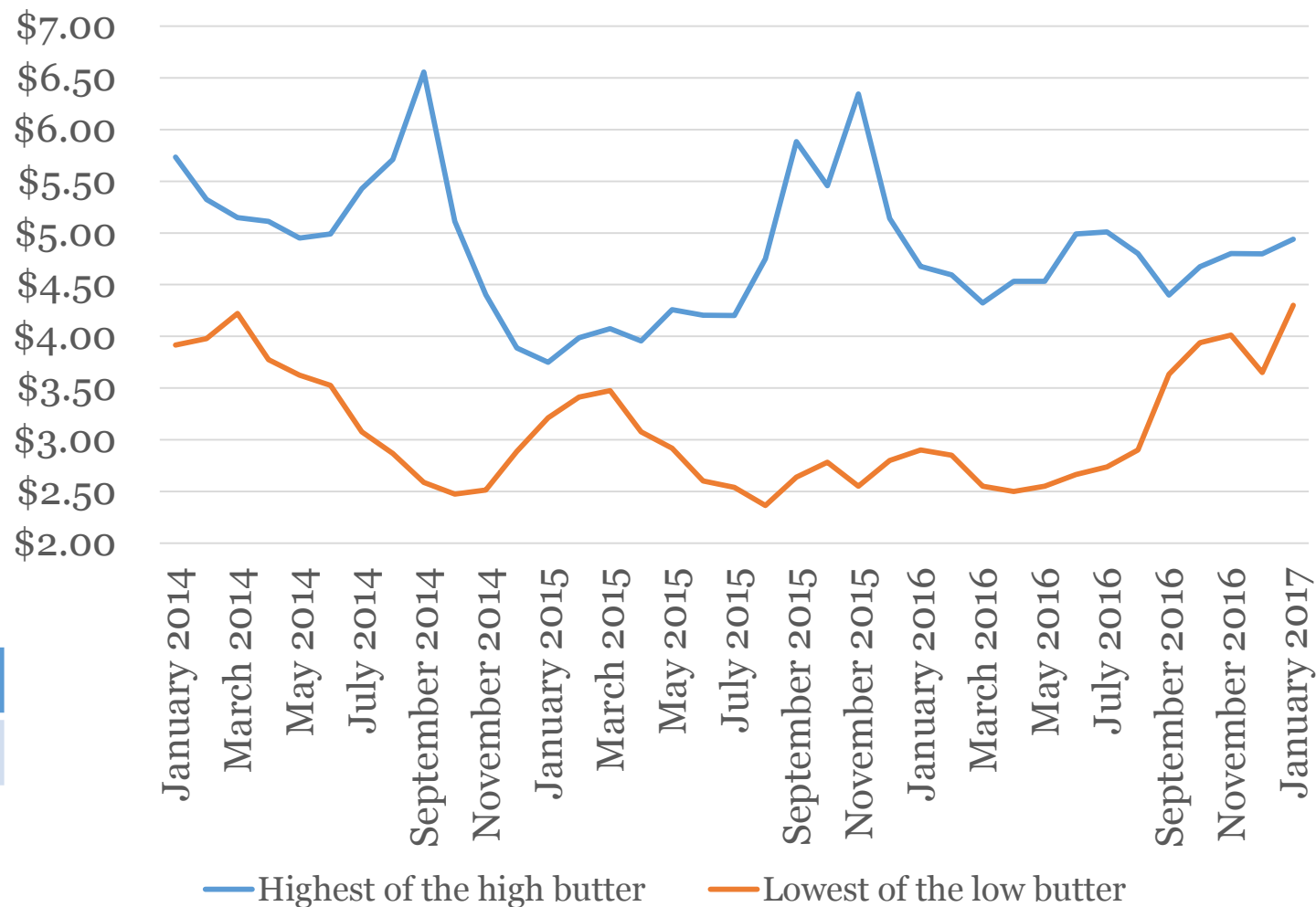
- US and EU prices converging
- Strong consumer demand driven by holiday season
- Oceania – milk being diverted from SMP & butter to WMP production

## World Price (January 20, 2017)

\$4.38 USD/Kg

**\$5.84 CAD/Kg**

World Price of Butter (USD/kg)





# 2.4. CHEESE

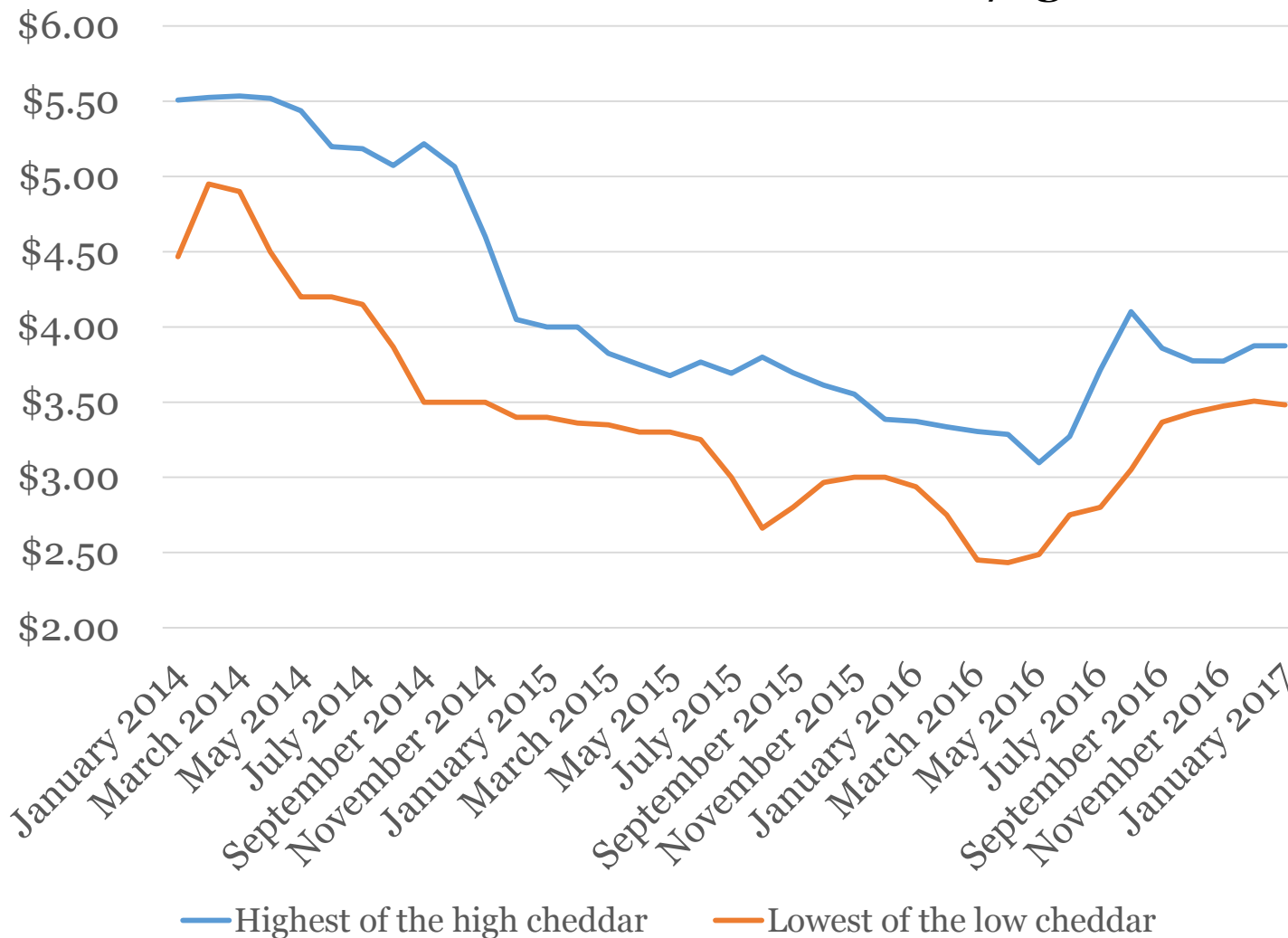
- Price decrease early 2016 possibly offset by U.S. intervention policies
- Seasonal events have an impact to cheese demand and prices
  - Halloween (highest pizza sales every year), Thanksgiving, Christmas, Super Bowl

**World Price (January 20, 2017)**

**\$3.68 USD/Kg**

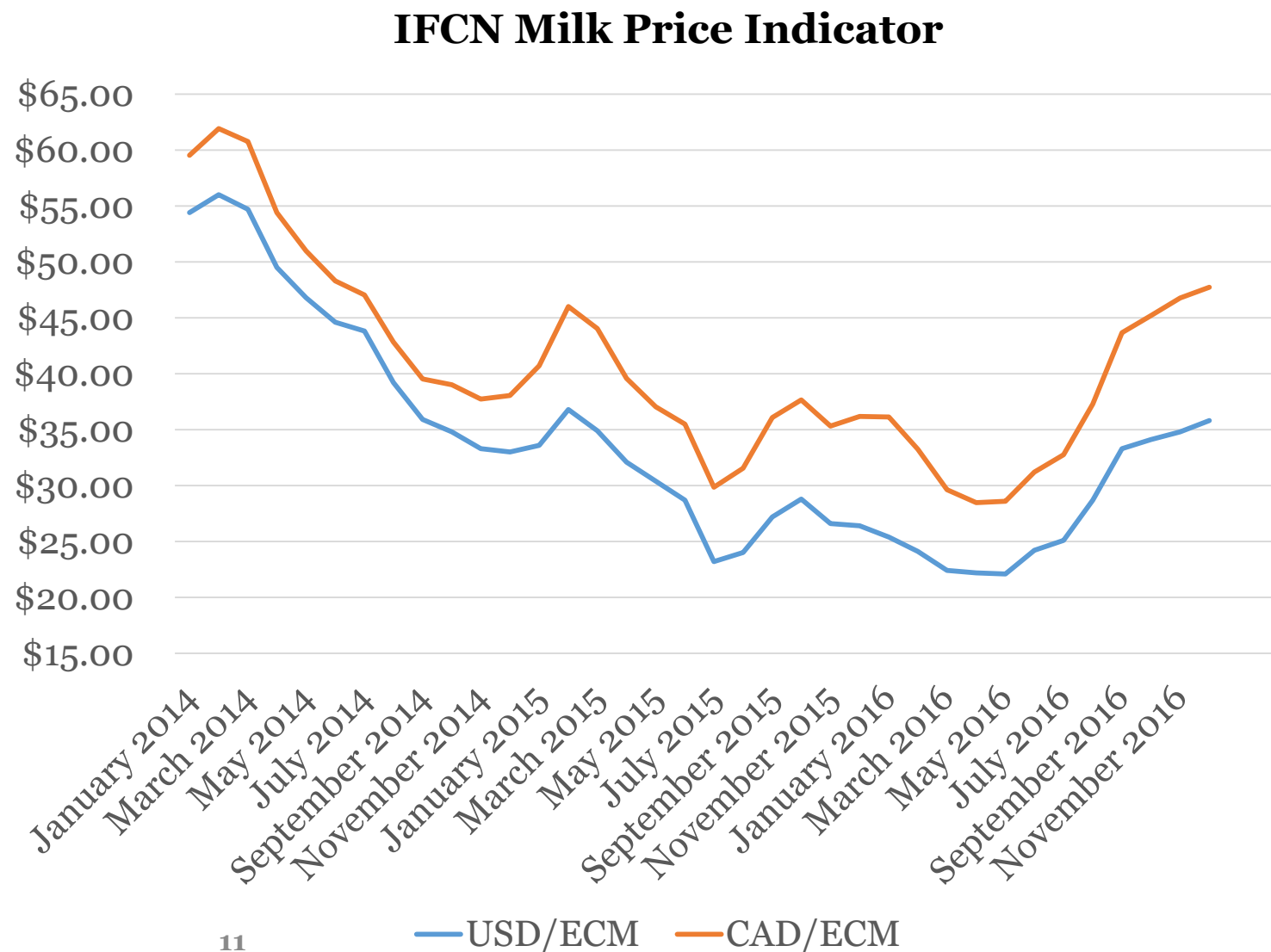
**\$4.90 CAD/Kg**

**World Price of Cheese (USD/kg)**



# 2.5. IFCN MILK PRICE INDICATOR

- International Farm Comparison Network (IFCN)
- Increases in world milk price overall since the summer of 2016
- December 2016: **\$46.19** (CAD/ECM)
  - Approx. +68% since April 2016



# 3. 2017 OUTLOOK

## **Domestic**

- Continued growth in Canadian demand
  - Market growth

## **International**

- Production in major dairy producing regions expected to remain low
  - Southern hemisphere approaching low production period
- Production in the US expected to continue
  - End of California Drought
  - High quantities in inventories
- European intervention and recovery strategies to continue

