Asia stands in the forefront of global milk production market

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Milk and dairy products are vital sources of nutrition and provide livelihoods for millions of people in dairy value chains across the world. As income and population increase, more dairy products are expected to be consumed over the medium term. The key locations of this strong demand growth are India, Pakistan, and several African countries. Overall, per capita consumption is projected to increase 0.8% p.a. to 15.7 kg (milk solids equivalent, excluding the water content of milk or dairy products) by 2032.

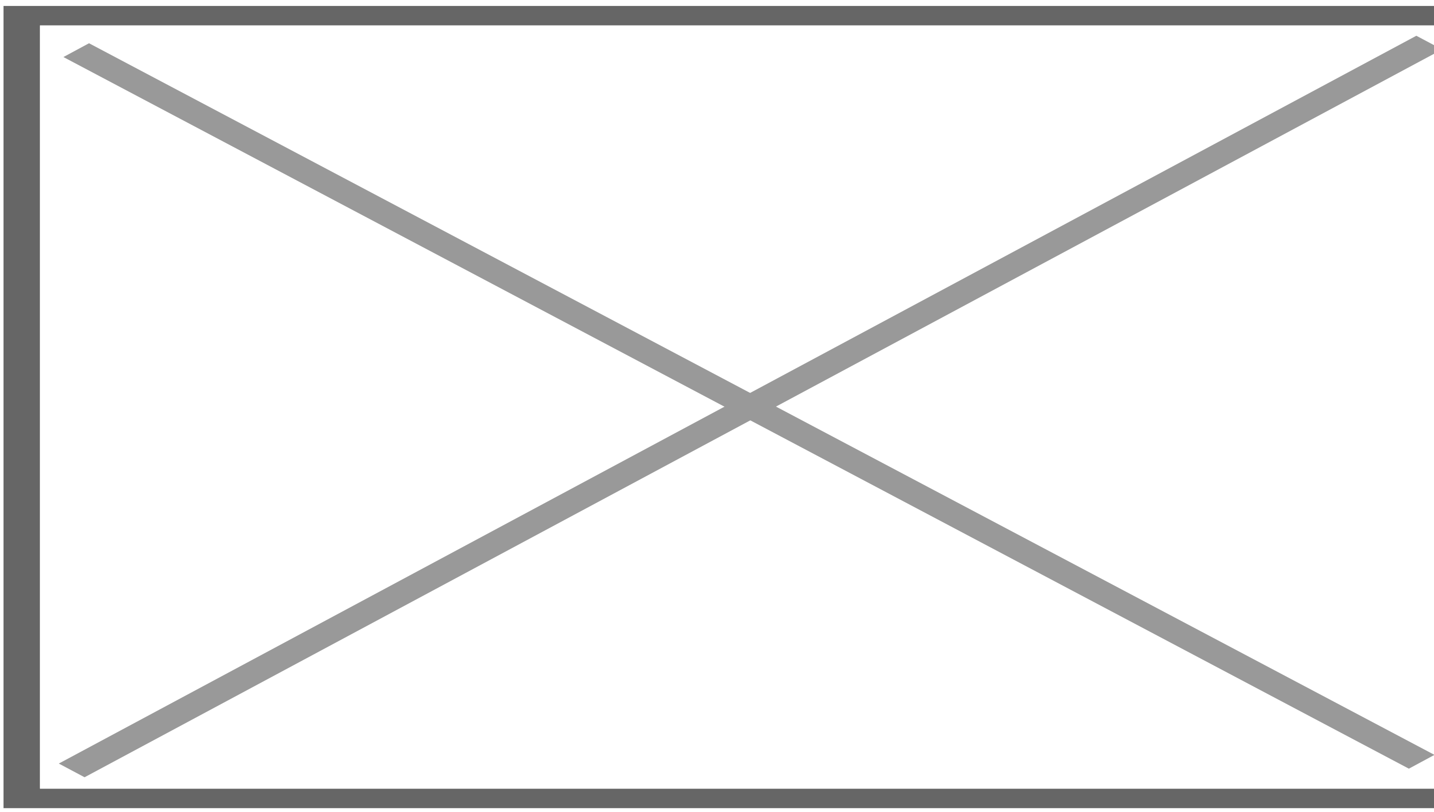
Most dairy production is consumed in the form of fresh dairy products, which are unprocessed or only slightly processed (i.e. pasteurised or fermented) and their share in world consumption is expected to increase over the next decade. In low- and middle-income countries, fresh dairy products comprise over two-thirds of the average per capita dairy consumption (milk solids), while consumers in high-income countries tend to consume more processed products. In Asia, butter is not only the most consumed processed dairy product, accounting for almost half of all processed dairy consumption in terms of milk solids, but it also has the strongest projected growth.

World milk production (roughly 81% cow, 15% buffalo, and 4% for goat, sheep and camels combined) is projected to grow at 1.5% p.a. over the next decade (to 1 039 Mt in 2032), faster than most other main gricultural commodities. Over half of the increase in total milk production is anticipated to come from India and Pakistan, which will jointly account for over 32% of world production in 2032. Production in the second largest global milk producer, the European Union, is expected to decline slightly in response to stagnating domestic demand due to low population growth and declining per capita consumption of fresh dairy products, policies targeted to a transition to sustainable production, the expansion of organic production, and pasture-based production systems.

Globally, the projected growth in the number of milk-producing animals is expected to be strong, especially in regions with low yields such as Sub-Saharan Africa and in major milk-producing countries such as India and Pakistan. Over the projection period, yields across the world are expected to grow steadily with the strongest growth expected in Southeast Asian countries.

Milk is traded internationally mainly in the form of processed dairy products. The Peopleâ??s Republic of China (hereafter â??Chinaâ?•) is expected to remain the most important importer of milk products despite a stronger increase in domestic milk production relative to the past decade.

The projected increase in import demand for dairy products in Southeast Asian countries will be driven by population as well as income growth, which favours more livestock products in diets. However, their per capita consumption is projected to remain low relative to traditional dairy consumer markets.



Over the medium term, the European Union, New Zealand, and the United States will remain the key exporters of processed dairy product and are projected to jointly account for around 65% of cheese, 70% of WMP, 70% of butter, and 80% of SMP exports in 2032.

The introduction of new sustainable production policies or consumer acceptance issues of dairy products will impact the projections for the dairy sector. In some countries, dairy production accounts for a substantial share of overall greenhouse gas emissions (GHG), resulting in considerations of how adjustments to dairy production scale and technology could contribute to reducing such emissions. Only a relatively small share of global milk production is traded internationally in the form of processed products, mainly powders and cheese. In addition, trade in dairy products is often covered specifically in regional trade agreements. Consequently, new or changed trade agreements tend to alter the global dairy trade. Any entry of India, the worldâ??s largest dairy producer and consumer, into the international market could have a strong impact. Currently, some Indian dairy companies are showing interest in exporting to neighbouring countries.

Current market trends

Dairy prices reached record highs in 2022 but then started to decline In 2022 the FAO Dairy Price Index value increased by 20% across all dairy products, reaching a new record high. International dairy prices reached their peak around mid-2022 and have started to decline slowly since. Nevertheless, domestic milk prices peaked later and only started to decline towards the end of 2022. The main drivers of prices were energy and feed costs, both showing a similar pattern, but with larger swings compared to those for dairy and milk.

World milk production grew by 0.7% in 2022 to about 897 Mt. In India, production increased by 2.2% to 194 Mt., but with little impact on the world dairy market as they trade only marginal quantities of milk and dairy products. Focusing on the three major exporters, the production of the European Union remained unchanged during 2022 but declined in New Zealand and increased in the United States.

The world dairy trade in 2022 declined due to considerably smaller import demand from China, especially for whole milk powder (WMP). On the other hand, other major importers of dairy products â?? Saudi Arabia, Indonesia and Mexico - increased their imports. Of the large exporters, the United States would be a strong beneficiary of any additional exports

Market projections

Milk consumption per capita (in terms of milk solids) will vary largely worldwide (Figure 7.1), driven by varying growth in incomes and regional preferences. In low- and lower middle-income countries most of the production is consumed in the form of fresh dairy products. The consumption of fresh dairy products per capita is expected to be high in India and Pakistan, but low in China.

The dominant use of SMP and WMP will continue to be in the manufacturing sector, notably in confectionery, infant formula, and bakery products. A small share of dairy products, especially SMP and whey powder, are used in animal feed. Whey powders are gaining prominence globally because of their use in the processing of nutritional products, especially of clinical, infant, and elderly preparations.