

Dairy researcher and analysts agree: Milk price recovery in 2016 possible

When exactly prices will rise, depends on the factors of demand growth and stock depletion. World milk supply started to react already now to the low prices.

During the IFCN Dairy Conference, an annual think tank of researchers and analysts in the sector farm economics, the low milk prices on the market were discussed. The mechanism of the market let the national milk prices follow the world market price. A drop of the local milk market price happens quicker in open markets than in regulated markets. 'Since more than 14 month the world faces a dairy economic crisis, where farm economics is 10% or more percentage below the average margin. This arose among others from the dairy crisis in 2012 and the dairy price boom phase 2013/2014.' summarised Torsten Hemme, Managing Director of IFCN the question, how the dairy crisis happened. Now the farms are surviving by adjusting the cash flow and hedging with the inventories, such as cattle and feed. Very often maintenance and investments are postponed to buffer the negative income on the farms. 'Farms are small operations. Also they start now to look for risk management tools, to diversify the risks. And we have to follow and support this development' stated Anders Fagerberg, chairman of the IFCN Board during a conference workshop.

With about 70 dairy experts of the global IFCN Researcher Network from over 40 countries, the question, what will happen in the future

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with the dairy market was elucidated. The analysis of the world milk supply based on IFCN Researchers estimates shows that this supply will grow by 1,5% in 2016. This is substantially lower than 2015 (+1,8%) and 2014 (+3,2%).

Also the milk demand is an influencing factor. Milk demand growth in 2015 is estimated by IFCN at a level of 1,8% - 2%. This growth was lower than the long-term average of 2,4%/year from 2006 - 2015. For the years 2016 IFCN estimated milk demand growth at a level of 2%.

What does this mean for the market balance? In 2014 and 2015 milk supply exceeds demand and dairy stocks have been built. For 2016 IFCN estimates now that on an annual basis milk demand will exceed milk supply. This was not the case in the first 5 month but is expected to arise later in 2016.

And the milk price? Torsten Hemme, founder of the Dairy Researcher Network IFCN comment on the milk prices perspectives 'This depends heavily on the action of the current dairy stock holders. If those keep stocks for longer time a substantial recover until the end of 2016 is possible. Once stock holder act differently, price recovery will be delayed. But milk price recovery is possible'.