12th IFCN Supporter Conference

The global dairy value chain ahead of infinite opportunities

IFCN Top 20 milk processor list 2014 – ranked by milk intake

This event was hosted by

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International Farm Comparison Network

The IFCN Supporter Conference 2014

This year for the 12th time, leading dairy related companies came together at the IFCN Supporter Conference, held September 16th to 18th 2014 in Oslo, Norway. The event was focussing on the question “EU quota abolition and worldwide structural change – blessing or curse?”.

The event, sponsored by the Norwegian milk processor TINE, was bringing together 107 participants representing all stages of the dairy chain such as milk processing, milking equipment, feeding, farm machinery, animal health and hygiene, genetics, consulting and milk packaging.

IFCN provided once more latest global information on milk production, milk prices and production costs as well as trends and drivers of the overall sector’s development.

Key content points

1. 2014: a year of new records in world milk prices, production growth & price adjustments

In February 2014, world milk prices reached a new all-time high level of 57 USD per 100 kg milk (43 EUR; 24 USD/cwt)*. Milk production growth in the first 6 months of 2014 globally and especially in the EU have been on record level. World milk price dropped sharply and is right now (Sept 2014) on a level of 35 USD (27 EUR; 15.7 USD/cwt).

* Note: IFCN world milk price indicator is based on spot market quotation on traded dairy products

2. The dairy world until 2024 will be driven by an average demand growth of > 20 mill t / year

Based on this demand growth - opportunities will arise in milk processing, marketing and also consolidation of the dairy industry. Moreover, tremendous growth opportunities arise in milk production overall, and especially in the growth by region, by different dairy farm size/ farming system segments. It should be noted that the current world market price level of 35 USD; 27 EUR; 15.7 USD/cwt is substantially below the milk price level which is needed to fulfil the milk demand growth until 2024.

3. The key criteria to be a winning dairy region until 2024

A prospering dairy region from the milk supply perspective will be built in general on three pillars

a) Framework: An overall economic and reliable political framework.

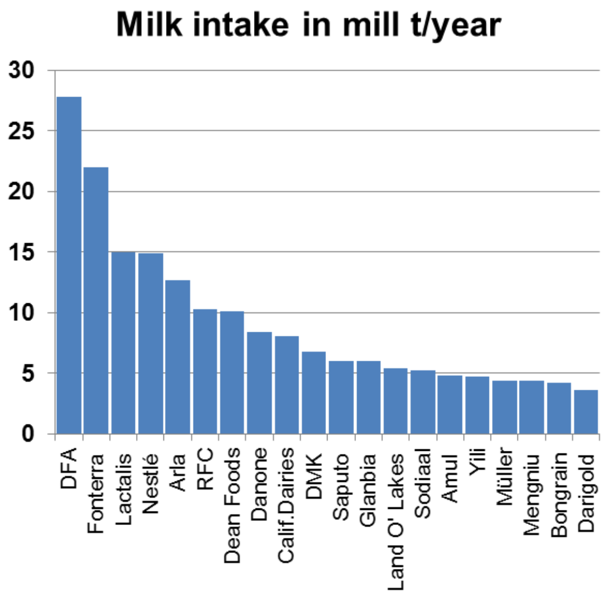
b) Dairy chain: A structural concept how to organize and to create value in the dairy chain.

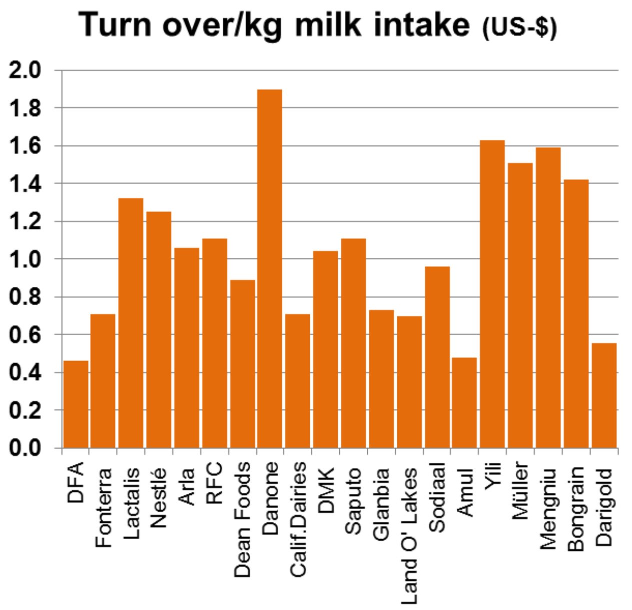
c) Farming system: A sustainable, resilient and consumer accepted dairy farming system.

A winning dairy region has developed a concept in which the actors of the dairy chain and consumers **trust** in. Moreover the winning dairy region is able to **adapt** its dairy policy, dairy chain concept and its farming system. Dairy regions which will achieve this will be ahead of infinite opportunities.

IFCN Top 20 milk processor list 2014 – ranked by milk intake

In 2009, the IFCN started to compare milk processors by milk intake. You find the next 2 pages the results of the work done in 2014. Besides the company size ranking you find also the turn over per kg for the different companies. This indicator – estimated by IFCN – can give an indication of value creation per kg of milk processed.





Key messages on IFCN top 20 dairy companies

- **DFA, Fonterra and Lactalis are the top 1-3 dairy companies:** The largest milk processor is now DFA – Dairy Farmers of America, no.2 Fonterra and no.3 Lactalis. DFA has become no. 1 as this year we have considered all milk collected and not just milk processed in dairy products like in the past. This method change has affected mainly DFA and also California dairies. Amul, the Indian dairy company, has moved within 2 year from rank 20 to rank 15.

- **Turnover per kg of processed milk ranges from 0.5 – 1.9 US-$/kg milk**. This indicator gives an indication in what category the processors are active in: a) milk collector, b) commodity products c) branded consumer products of d) a mix of a-c. Most private companies which are more active in branded consumer products have higher turn-over per kg milk than cooperatives.

- **Concentration in milk processing slightly increased since 2007 but still on low level:** The top 20 companies processed in 2013 approx. 25% of the milk produced and ca. 40% of the milk collected in the world. In the year 2007, the top 20 companies processed ca. 22% of milk produced which means that there was on global level only a minor increase in concentration of milk processing.

- **Top 20 dairy companies process in 2013 30 mill t more milk than in 2007**
A number companies have increased their milk intake by more than 40% since 2007 (>7%%year). This is the case for the following companies: Arla, RFC, DMK, Soodial, Amul, Yili, Mengniu, Lactalis and Saputo. A larger number of dairy companies in the USA like DFA, Dean, California Dairies or Land O'Lakes show stable or declining milk intake.

IFCN Top 20 milk processor list 2014 – measured by milk intake

Rank	Company name	Orgin & main operation countries	Milk intake, in mill. t milk equivalants	Estimated turnover per kg milk, in US-$	Market share in % of world milk production
1	Dairy Farmers of America	USA	27,8	0,5	3,7%
2	Fonterra Co-operative Group	New Zealand/ others	22,0	0,7	2,9%
3	Groupe Lactalis (incl. Parmalat)	France/others	15,0	1,3	2,0%
4	Nestlé	Switzerland/others	14-15*	1,25*	2,0%
5	Arla Foods	Denmark/Sweden/others	12,7	1,1	1,7%
6	FrieslandCampina	Netherlands/others	10,3	1,1	1,4%
7	Dean Foods	USA	10,1	0,9	1,4%
8	Danone	France/others	8-9*	1,9*	1,1%
9	California Dairies	USA	8,1	0,7	1,1%
10	DMK Deutsches Milchkontor	Germany	6,8	1,0	0,8%
11	Saputo	Canada/USA/others	6,0	1,1	0,8%
12	Glanbia Group	Ireland/USA/others	6,0	0,7	0,8%
13	Land O' Lakes	USA	5.4*	0,7*	0,7%
14	Groupe Sodiaal	France	5,2	1,0	0,7%
15	Amul (GCMMF)	India	4,8	0,5	0,6%
16	Yili Group	China	4,5 - 5*	1,6*	0,6%
17	Unternehmensgruppe Theo Müller	Germany/UK, others	4,4	1,5	0,6%
18	Mengniu Dairy Company	China	4 - 4.5*	1,6*	0,6%
19	Bongrain	France/others	4,2	1,4	0,6%
20	Darigold (Northwest Dairy Association)	USA	3,6	0,6	0,5%
Sum of Top 20			**184,2**	**1,0**	**25%**

Source: IFCN data collection, analysis and estimates. Data represents in most cases the year 2013. *been estimated by IFCN.

Explanation of variables:

1. Milk intake represents milk volume collected and dairy commodity purchases (in milk equivalent) for the main company and its subsidiaries. Milk intake figures are shown in mill tons and in some cases are recalculated from litre (1litre = 1.033 kg). In the milk intake a double counting is possible once a processor sources milk from a collecting cooperative (e.g. DFA) or is sourcing milk in form of dairy products. This means that the total milk volume of the top 20 processors can be overestimated.

2. Dairy turnover represents turnover which belongs only to processed milk and not to other activities. Turnover figures in US-$ bill, in some cases converted to US-$ by using the annual average exchange rate.

3. Turn over per kg milk: Dairy turn over divided by milk intake. This indicator gives an indication of value creation per kg of milk processed. This figure shall be interpreted with care as the precise number is difficult to define and a direct comparability between companies is limited.

Comments on specific cases: 1. DFA: Figures include all milk collected, unlike before only members milk. DFA is processing only a small share of milk in dairy products. The major share of milk collected is sold to other processors. **2. Fonterra**: The numbers represent group activities as defined on Fonterra annual reports. This means the numbers include milk intake and turn-over from dairy activities in other countries than New Zealand. **3. Amul** (India): The milk processed has much higher fat content than other processors. **4. Nestlé/ Danone**: Turn over taken from annual report – segment dairy products. Milk intake figure is estimated by IFCN as public information is not available. **5. California Dairies**: Estimation on turn-over was done by IFCN as public information is not available. **6. Mengniu and Yili**: Milk intake figures have been estimated by IFCN and include fresh milk collected and milk sources in form of dairy products which mainly have been imported.

For further information or comments please contact info@ifcndairy.org.