

# WORLD DAIRY DIGEST

## Global milk production forecast

According to one of the world's largest milk processors, global milk production is expected to rise this year but not all markets will see a rise in demand.

Roelof Joosten, chief executive officer of FrieslandCampina, says 2016 was a bumpy year politically and for the European dairy sector.

This year, FrieslandCampina predicts Europe will see a marginal rise in milk production, despite the decrease in Dutch supplies. But FrieslandCampina says demand for dairy products in European countries will be stable or remain on a slightly declining trend. Meanwhile,

demand will decline in Africa, Middle East and South America.

The Dutch dairy predicts demand in China will increase slightly, but prices will fluctuate.

In 2016, the company processed 10.8 billion kilograms of milk from 13,300 suppliers. FrieslandCampina reported a slight increase in profits last year at C\$530.8 million (€362 million), and the processor says it will boost its research and development to improve its competitive position, as well as focus its spending on advertising and promotion to help grow its brands. [www.independent.ie](http://www.independent.ie)

## Milking more taxes from Pakistan's dairy sector

The Pakistan government is proposing charging a 10 per cent sales tax on tea whiteners in 2017-18 fiscal year.

Tea whiteners are used as an additive to coffee or tea. The Pakistan Standard Quality Control Authority defines liquid tea whiteners as having a minimum of 6.5 per cent milk fat or vegetable fat and a minimum of three per cent milk solids non-fat.

If the proposal passes, this will be the third year in a row the government is taxing more on the dairy sector. In the last two budgets, the government imposed a 25 per cent regulatory duty on imported powdered

milk, as well as a 10 per cent sales tax on various dairy products, including powdered milk, cream, yogurt, cheese, butter, whey, ultra-heat treatment milk and fat-filled milk.

The dairy industry is complaining about adverse impacts taxation has on its revenues and sales, and the Pakistan Dairy Association says the changes are increasing costs for the milk processing industry as well. The dairy industry wants the government to abolish these sales tax and regulatory duty, and restore the dairy sector's zero-rating regime where any tax paid by the sector was refundable. [www.tribune.com.pk](http://www.tribune.com.pk)

## Number of South African dairy farmers decline

The number of dairy farmers in South Africa has declined over the last two decades.

Melt Loubser, chief executive officer of Fair Cape Dairies near Cape Town and a director of Milk SA, says the European Union's oversupply of milk flooding the world markets and hurting global prices is to blame for dairy farmers leaving the industry.

"The Irish made many claims of how they were going to increase their production once the quota system ended and that is what they did," Loubser says. "There was a lot of oversupply, which had nowhere to go. In the end, this was just

dumped into EU intervention, which depleted world prices."

He says while South Africa also exports dairy, it is a net importer. With low imported dairy coming into the country, Loubser says it's hard for dairy producers to compete nationally, leading to many farmers exiting the industry.

Today, there are around 1,600 dairy farmers in South Africa, compared with 50,000 in 1997.

"Our prices fell and with so many farmers leaving the dairy industry it is concerning to see where it will end up," Loubser says. [www.independent.ie](http://www.independent.ie)



## Mexico seeking trade deal with Argentina

With United States President Donald Trump promising to end the North American Free Trade Agreement, Mexico is looking to secure other trading partners, including Latin America.

According to Mexico's deputy minister for foreign trade Juan Carlos Baker, the country expects to wrap up negotiations on a trade deal with Argentina involving automobiles and agricultural products by the end of the year.

"The potential is there," Baker says. "Argentine exporters could find attractive conditions in Mexico."

Argentina's President Mauricio Macri also pledges to open the South American nation's economy and trade to Mexico by the end of 2017. [www.dairyherd.com](http://www.dairyherd.com)

## Organic milk market on the rise in South Korea

South Korea's organic milk market is expanding rapidly, reaching C\$77.4 million (65 billion won) at the end of 2016, compared with C\$6 million (5 billion won) in 2008, according to local dairy industry data.

Despite organic milk being sold at about 30 to 40 per cent higher than conventional milk, sales for organic milk have spiked in recent years.

This is because younger parents in their late 20s to early 40s are willing to spend money on organic food and beverages, which they believe are healthier for their kids. This consumer mindset, as well as rising income levels, is a key factor driving the demand for organic dairy.

Maeil Dairy Industry Co. tops the South Korean organic milk market with more than 85 per cent share, followed by Ildong Food's Co., Paster Milk Co. and Namyang Dairy Products Co.

The organic milk market is expected to reach C\$101.2 million (85 billion won) by 2020. [www.koreaherald.com](http://www.koreaherald.com)