

India's Dairy Demand Takes Off

This year, India will become the most populated country in the world. Milk and dairy products are staples in India, especially ghee and yogurts, both common in daily diets. India is also the world's largest milk-producing country when buffalo and cow milk production are combined. India's milk production expanded more than 6% on a compound annual growth basis from 2000 through 2020, according to the Indian government. That's been enough to fulfill expanding domestic demand for dairy products. Since 2010, India has largely been self-sufficient in dairy. India's government protects its dairy industry by prohibiting most imports. Occasionally the country exports excess skim milk powder (SMP), which can compete with product from Oceania, the European Union, and the United States. Last season, from April 2022 through March 2023, India exported an estimated 120 million pounds of SMP. India's government occasionally curtails exports when product is needed domestically. As a result of this self-sufficiency, India has a limited impact on the global market.



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Similar to other countries, India also had challenges during the pandemic. India's dairy demand dropped initially, sparking dairy producers to slow breeding to meet the lower demand requirements. In addition, last year's fodder prices soared as global feed prices reacted to Russia's invasion of Ukraine. That put additional pressure on farm margins, which in turn reduced output per cow. To a lesser degree, an outbreak of lumpy skin disease increased the mortality rate in some herds. More recently, consumer demand has been rising, and India's population is expanding, driving increased consumption. With dairy demand outpacing India's current supply, dairy product

stockpiles are being depleted. USDA's Foreign Agricultural Service (FAS) reported that India's year-over-year milk production growth in 2022 slowed to 1.8% vs. 2021 levels. This year, FAS estimates that India's year-over-year milk production growth will be closer to 2%, but some internal estimates are as low as 0.5%. However, forecasts also

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Ken's Corner



*by Ken Meyers
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In time, India could indeed offer vast opportunities for U.S. dairy companies if they can provide the products Indian consumers want. Dairy consumption in India continues to grow, and recent studies have shown that 30–50% of children in India consume dairy, which has been linked to taller heights and lower risk of undernutrition. However, child malnutrition has remained high in India, with 35.5% of kids under the age of 5 and 67% of infants to toddlers stunted. Over the past 20 years, India has made great strides in reducing extreme poverty. From 2011 to 2019, the country halved the share of its population living in extreme poverty, defined as below \$2.15 per person per day by the World Bank. While poverty reduction slowed during the pandemic, the country appears to be recovering from the slump. In fiscal year 2022-23, India's real GDP expanded at an estimated 6.9%.

By 2047, India hopes to achieve high-income status, but that will require that the bottom half of India's population make broad-based economic gains through the creation of good jobs that keep pace with the number of young people entering the labor market. As quality of life continues to improve in India, dairy consumption should climb, too. **MCT**

Heavy Trading Pressures Barrels

This month's most engrossing dairy price movement was in the CME Cheddar barrel market. During the first

three weeks of April, barrels traded 170 times. With a week left in the month, that is the most barrels traded in any month since August 2018. Despite lower spot markets, dairy futures remain elevated, providing participants with tremendous carry opportunities. A catastrophic dairy failure and higher skim milk powder prices at the Global Dairy Trade auction helped lift nonfat dry milk prices from recent lows. **MCT**

MCT Forecast

	Block*	Barrel*	Class III	Butter*	Class IV	Whey**	NFDM**
Apr	1.8025	1.6375	17.05	2.3600	17.98	0.4525	1.1750
May	1.8075	1.6300	16.95	2.3525	17.82	0.4400	1.1600
Jun	1.8650	1.7500	17.76	2.3700	18.04	0.4300	1.1775
Jul	1.9675	1.9150	19.00	2.4075	18.45	0.4200	1.2050
Aug	2.0200	1.8975	19.18	2.4425	18.96	0.4175	1.2500
Sep	1.9585	1.8525	18.75	2.4275	19.39	0.4125	1.3050

* CME prices.

**NASS prices.

...retail dairy price inflation at 12%

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indicate that demand will be 6-8% higher than last year.

Scarcity is driving dairy product inflation in India, with reports showing that retail prices are 12% higher than last year. That compares to U.S. dairy product inflation closer to 8% in March. Unlike in the United States, where dairy accounts for about 1% of gross domestic product (GDP), dairy in India accounts for approximately 6% of GDP. While inflation is expected to continue, it is an election year in India and sharply higher dairy prices are not good for incumbents. To curb rising costs, the government is permitting dairy cooperatives to import butterfat and SMP if necessary to meet demand. Through February, there was no evidence that India was importing dairy products, but given that the country's decision to open imports was just made in early April, it could take until June before markets are able to confirm whether India is actually importing dairy products.

The 2023 monsoon season, which started this

month, will be critical to how much milk the country can produce as well as the magnitude of potential imports. Butterfat appears to be the candidate most likely to be imported, and reports indicate that stocks are dwindling quickly. While India may not necessarily import SMP, the government could easily prohibit exports. If that happens, given last year's exports, a large volume of product would be absent from the world market, which could help rebalance global supply with demand.

India not only has the largest population of any country, but it is also characterized as young. A third of India's population is 14 years of age or younger, a group known to consume high levels of dairy. Although India was able to achieve self-sufficiency more than a decade ago, the country could face challenges and growing pains similar to those China faced in the early 2000s, when urbanization, growing incomes, and two-income families sparked a rapid increase in dairy demand. That should make India an interesting country to watch going forward. **MCT**



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