

Indian dairy commodities markets pick up pace to global trends : May 2024 Fogs Global Report



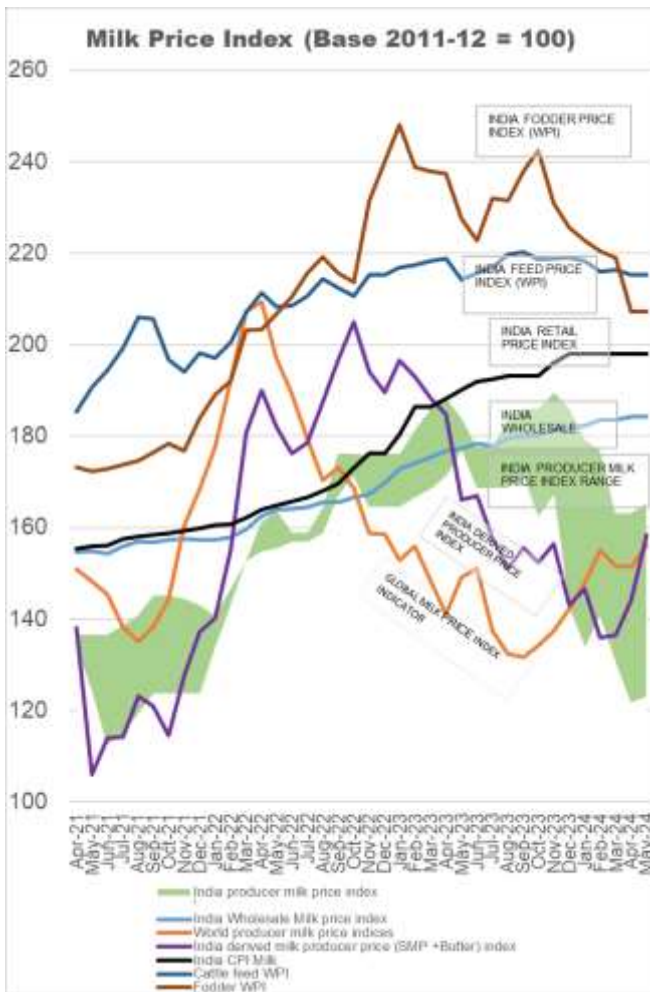
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Indian derived milk producer price indices saw a remarkable recovery by over 16%, driven by rise in milk powder and butter prices. Will milk supply keep pace with rising demand? This May edition for 2024/25 looks into these issues and trends.

KEY HIGHLIGHTS

- ✚ The **FG India producer milk price index**© has decreased by 9% at 144 basis points in May 2024 over last three months, mainly on account of high inventories amidst flush supply. However, there is wide variability in the prices by over 40 basis points across regions. With summers onset, producer prices likely to rise, as heat stress has its impact on cows. The relative strength of milk to feed price indices in figures 1, clearly indicates an increase by 10-15% in milk price indices to align with the feed price indices development.
- ✚ The **FG India derived producer price index**© at 158.4 basis points show a steep rise in forward auctions in May 24 by over 14 basis points in NCDFI e-market trends. Though, the markets are over 19% lower levels over previous year, it brings some relief to ease high inventory stocks of processors. Will this percolate to the farmer level is to be seen in near future.
- ✚ The **FG India whole sale milk price index**© at 184 basis points has seen a 4% increase this year over previous year. It needs to be seen how long can the prices remains stable enough to keep inflation tamed, after the new government is sworn in next month.
- ✚ The **FG India consumer milk price index**© at 198 basis points has also been stabilized largely in the last quarter and likely to rise in coming months, keeping in view the upbeat in commodity markets, declining supply with expected harsh summers and elections concluding. The yearly indices are up by over 5% over previous year.

Figure 1. The Fogs Global Dairy and Feed Price indices 2021-24 and relative milk to feed price strength developments



✚ The **FG global milk price index©** at 156 basis points sees a 3% market recovery in producer price indicator primarily driven by rise in global demand in GDT auctions. The recovery is primarily driven by lower milk supplies with season changes and increase in global demand for butter and milk powder. With consumer becoming more conscious for nutritious, functional and labelled dairy foods, companies are making changes to catch up with the demands upturn. However, global markets are to go a long way for a complete recovery to last year trends of 2023.

✚ **Table 1: FG Milk and Feed price indices trends India vs Global in May 2024**

| Index | FG Indices- May 2024 | 1-3month% (March / May 24) | 3-month cumulative% Mar - May 24) | YTD% (Apr 24-) | 1-Year% (Jan-May 24) |
|--------------|-------------------------|----------------------------------|---|-------------------|-------------------------|
| FG Producer | 144.1 | -9% | -10% | -20% | -15% |
| FG Derived | 158.4 | 16.5% | 3% | -14% | -22% |
| FG Wholesale | 184.3 | 0.4% | 1% | 4% | 5% |
| FG Consumer | 198.0 | 0.0% | 0% | 5% | 6% |
| FG Global | 156.0 | 3.0% | 3% | 6% | 2% |
| FG Feed | 215.2 | -0.3% | -1% | -1% | 0% |
| FG Fodder | 207.2 | -6.0% | -5% | -11% | -9% |

✚ **The FG Feed wholesale price index** @ at 215 basis points has declined marginally by 0.3% over previous 2 months. However, prices remain unchanged in the year 2024 over previous year. We have been tracking the price developments of the major feed ingredients and will be discussed in next section.

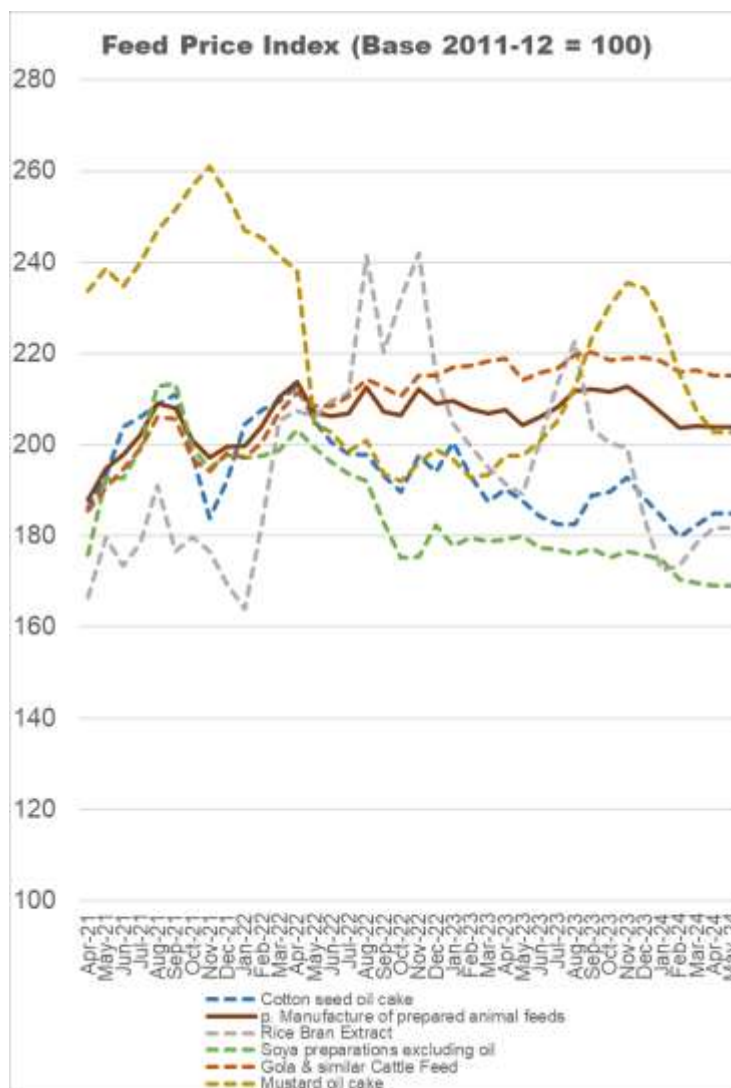
✚ **The FG Fodder wholesale price index** @ at 207 basis points in May 2024 has decreased by 6% in last 2 months. This provides some relief to dairy farmers in meeting their costs amidst fall in milk prices significantly in some regions, especially in the draught affected regions. Overall, for the year 2024-25, fodder prices indices are lower by 11% over previous year.

✚ **FEED PRICE INDICES DEVELOPMENT (2021-24)**

From last 6 month onwards, we are also tracking the development of feed price indices of the manufactured cattle feed and its ingredients.

As can be seen from the chart below, the manufactured cattle feed weighted indices has seen a drop by 1% in last 3 months at 215 basis points . This is mainly driven by the fall in mustard cake price indices by over 5%.

Figure 2. The Fogs Global Feed Price indices 2021-24



A comparative analysis of the various feed indices is done in table 2. Overall, it can be seen that in last 3 months, most of the feed ingredients have registered a fall in the wholesale price indices ranging from 1 to 10%. This could be a promising sign for India' milk supply to sustain to good growth in the year 2024-25. Added to this a significant fall in fodder price indices by over 5% in last 3 months and 11% in 2024-25 over previous year could suggest meeting national demands easily and also increase its export share in the future global markets if recovery continues. However, export statistics reveals lower volumes than previous year and needs a deeper probe on its drivers and corrective course action in near future.

Table 2: FG Feed and fodder price indices trends India in May 2024 over previous year same period

| Index | FG Indices- May 2024 | 1-3month% (Mar / May 24) | 3-month% Mar-May 24) | YTD% (Apr 24-) | 1-Year% (Jan-May 24) |
|--------------------------|-------------------------|-----------------------------|-------------------------|-------------------|-------------------------|
| FG Weighted Animal feeds | 203.8 | 0% | -1% | -1% | -1% |
| FG Cattle feed | 215.2 | -0.3% | -1% | -1% | 0% |
| FG Rice bran extract | 181.7 | 4.7% | 2% | -4% | -9% |
| FG Soya extract | 169.0 | -0.9% | -3% | -6% | -5% |
| FG Cotton extract | 185.0 | 0.0% | 0% | -2% | -4% |
| FG Mustard cake | 202.6 | -6.0% | -10% | 3% | 8% |
| FG Fodder | 207.2 | -6.0% | -5% | -11% | -9% |

Overall, we see indications for a stable Indian dairy markets this summer. As dairy commodities demand pick up, producer prices likely to recover and thereby sustain supply to meet rising domestic demands and surplus exports. Globally, a deficit supply with reviving demands, is making markets more dynamic. Dairy market corrections globally, reducing milk supply, could raise demand and prices long overdue for the benefit of dairy stakeholders.

Looking forward to your comments and feedback in these issues.

Note: Method used: The milk price index is developed with the base year as 2011-12 considering the year having similar national and global milk producer prices and to keep in tandem with the government published data referenced to this year. FOGS GLOBAL NETWORK brings a monthly preview of the dairy prices development. Since milk price in India has a wide range, we have developed a producer milk price index using the monthly weighted SMP and Butter prices from NCDFI.

Source: Global milk price indicator, IFCN Dairy research network, India data from Ministry of Commerce and Industry ,GOI, NCDFI and internal surveys of producer prices at dairy cooperatives. April 2024 values are based on estimates and reliable data sources like clal.it, dairynews7x7

The derived milk producer price index for India is based on the wholesale SMP and butter prices for the national markets and backward calculation for its processing, marketing and inflation considered.

The CPI for milk and milk product is taken from ceicdata.com for time series April 2011-December 2023 and latest from published reports and news media on retail milk prices of major stakeholders.

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