

**MILK PRODUCTION TIPPED TO RISE 23% IN NEXT 5yrs**

A major new report\* on the South American dairy industry forecasts that the industry—"whose production potential has been recognised for many years"—will take a great leap forward in the next 5yrs. After average milk production gains of 10% between 2000

and 2005 and 15% between 2005 and 2009, the report predicts that production will increase by 23% in the period up to 2015, with the main contributors being Brazil (+30%) and Argentina (+22%). The report says in Brazil considerable areas of undeveloped land are suitable for milk production.

The report points out that there is a dramatic difference between dairy farming in Argentina and elsewhere on the continent. In Argentina, dairy herds average 200 cows whereas in the rest of Latin America dairy herds average between 10-18 cows. The average is less than five cows in Ecuador, Peru, Paraguay and Bolivia. In Argentina cow yields average over 4,800 litres while only in Uruguay, Paraguay, Peru and Ecuador do yields average more than 2,000 litres.

The report says milk production in Venezuela could fall if nationalisation of milk production continues.

Only Argentina is internationally competitive in respect of farmgate milk prices, with the average being between 24¢-26¢ (US) per litre; the average in Brazil is almost double this. The price of milk in Venezuela is at the extreme of 73¢-84¢.

**DAIRY PRODUCTS**

In terms of dairy product manufacture, production of drinking milk is tipped to rise by 22% by 2015 and yogurt production is expected to increase by 30% "depending on the rate of recovery from the economic recession." Cheese production is expected to increase by 23% and skimmed milk powder production is expected to grow by 40%, mainly for use in the domestic food industry and for export. Butter production is expected to remain a "marginal" dairy product in South America.

**SOUTH AMERICAN MILK PRODUCTION**

m tonnes	2000	2005	2009	2015	change '05 v. '09
Brazil	22.1	25.4	30.2	39.3	+30%
Argentina	9.8	9.8	10.7	13.0	+22%
Columbia	6.4	6.8	7.1	7.4	+4%
Chile	2.3	2.4	2.7	3.1	+15%
Ecuador	2.0	2.3	2.6	3.1	+18%
Peru	1.0	1.3	1.6	2.1	+13%
Uruguay	1.0	1.4	1.7	1.9	+11%
Venezuela	1.3	1.1	1.3	1.4	+9%
Paraguay	0.3	0.4	0.5	0.6	+39%
Bolivia	0.3	0.3	0.4	0.5	+39%
TOTAL	46.5	51.2	58.8	72.4	+23%

**SOUTH AMERICAN DAIRY STATISTICS**

	Deliv. to dairies	Avge herd size	Avge cow yield (kg/yr)	Milk price US¢/litre
Brazil	62%	10-15	1,777	44-48
Argentina	99%	200	4,838	24-26
Columbia	83%	5-10	1,520	53-55
Chile	80%	15-18	1,233	42-46
Ecuador	75%	3-5	2,150	-
Peru	85%	3-5	2,200	24-26
Uruguay	90%	12-15	3,350	44-46
Venezuela	93%	10-15	1,829	73-84
Paraguay	67%	3-5	2,375	20-25
Bolivia	82%	2-3	1,610	-

**SOUTH AMERICAN DAIRY PRODUCTION**

'000t	Drinking milk	Butter	Cheese	WMP	SMP
Brazil	6,200	94	674	644	160
Argentina	2,000	53	618	227	34
Columbia	4,700	30	66	96	13
Chile	300	13	57	66	10
Ecuador	1,500	-	29	-	-
Peru	-	3	5	8	8
Uruguay	400	80	34	25	20
Venezuela	200	1	69	29	4
Paraguay	200	-	10	-	-
Bolivia	300	1	5	-	10

**Market shares**

**DANONE PUSH YOGURT MARKET SHARE IN ARGENTINA TO 79%**

The new PM report includes full details of milk processing plants and market shares in the milk processing, drinking milk, yogurt and cheese segments in all ten South American countries. These figures show that French dairy company Danone now have 79% of the yogurt market in Argentina and 36% in Brazil and after acquiring Parmalat in Chile in 2004 they have already gained 13.6% of the yogurt market in that country. Dairy Partners America, a 50/50 joint venture between Fonterra of NZ and Nestlé, operate 13 manufacturing sites across Brazil, Argentina and elsewhere in Latin America, and they are the second biggest milk processor in Brazil. Brazilian dairy group Itambé are now engaged in protracted negotiations to merge with Centro Leche, Confepar, Mineras Cemil and Mines Milk; if the merger is successful, it would create a group with annual milk intake of more than 2.6m tonnes, which would make them substantially the biggest milk processor in Latin America and among the top 20 in the world. In Chile, Nestlé have 41.5% of the drinking milk market and Soprole (majority controlled by Fonterra of NZ) have 15.2%; Soprole have 43.3% of the yogurt market and Nestlé 17.7%. Uruguayan co-op Conoprole process 1.1m tonnes of milk at eight plants, accounting for over half of Uruguay's milk.

**BRAZIL MARKET SHARES**

	Milk intake (mt)	Drinking milk	Yog	Cheese
Perdigao	1.9	-	-	-
DPA	1.7	11.8%	21.6%	-
Itambé	1.6	5.7%	-	-
Parmalat	0.7	5.6%	-	-
Polenghi	0.7	-	-	9.5%
Danone	-	6.3%	35.7%	-
Eleva	-	7.5%	-	4.0%

**ARGENTINA MARKET SHARES**

	Milk intake (mt)	Drinking milk	Yog	Cheese
Sancor	1.8	17.5%	12.7%	27.8%
Mastellone	1.7	45.7%	-	13.0%
Milkaut	0.75	-	0.3%	3.6%
Danone	§	2.6%	79.1%	4.4%

§ Danone own majority of Mastellone who supply milk

\***SOUTH AMERICA DAIRY MARKET REPORT 2009-2015**, published in September 2010 by Preben Mikkelsen, PM Food & Dairy Consulting, Denmark, 220 pages. Copies are available via info@pmfood.dk, price €3,000 + Danish VAT for order within the EU. See www.pmfood.dk

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