

Top Dairy Processors commit to climate goals and show strong performance in challenging times

Participants from more than 60 countries listened to IFCN's latest findings on the Top 20 dairy processor ranking during the 2nd IFCN Dairy Processors, People, Planet and Profit Conference 2021.



Event sponsor

The Top 20 dairy processors are responsible for some 40% of the world's raw milk pool that is being processed in factories. These companies and cooperatives have increased their milk processing by 50 million tons during the past 10 years, which is half of the US' annual production. At the same time, they have an enormous impact on our societies and the planet. In order to monitor this, IFCN has created a comprehensive analysis to benchmark the processors with a focus on People, Planet and Profit parameters, which was published in the IFCN Dairy Processor Report 2021 on December 8, 2021.

The new top 20 dairy processor list

Since IFCN began this ranking in 2007, there have been many changes due to mergers, acquisitions, bankruptcies and organic growth. Developments over the past year though have been minor. Six processors improved their ranking in 2020, and interestingly all of them are based in Europe. At the same time, half of the top 20 have their headquarters based in Europe, six of them are located in North America, three in Asia, and one in Oceania. However, the top 3 dairy processors by milk intake are spread across all continents: Dairy Farmers of America (U.S.), Lactalis (F) and Fonterra (NZ). The full list can be found in the annex.

People, planet and profit of the top 20 dairy processors

What contribution do milk processors make to society? How strongly are processors involved in sustainability measures to reduce greenhouse gas emissions? And how was profitability affected in 2020? The latest analysis revealed quite a few changes:

People: The dairy processing sector provides nutritious food to society. However, with over 100 billion US dollars per year, it also contributes to the livelihood of dairy farmers, employees, shareholders and, through taxes, also governments. Despite challenges such as fluctuating milk prices, the industry is showing resilience and a steadily growing trend that is unlikely to end any time soon.

Planet: The topic of climate neutrality is on the agenda of almost all top 20 dairy processing companies. 90% of them plan to be carbon neutral by 2050 and thus contribute to the fulfilment of the UN Sustainable Development Goals. Within a year, 8 more companies decided to commit to reducing greenhouse gas emissions.

Profit: 2020 was a challenging year for all value chains. However, looking at dairy processors' profitability (EBITDA margin, net profit) and their drivers (15 comparable financial indicators),

IFCN found that the Covid-19 pandemic had no negative impact. Although there was a high degree of variability between companies, processors generally did a good job handling the uncertainty, achieving stable net sales and the highest free cash flow margin since 2014. The EBITDA margin of the Top-20 processors in 2020 was 8.5%.

Next steps for a strong industry

What does it take to keep the industry strong? According to panellist Desley Haas from Contec Group International it is less due to the size of the processing companies than to the availability of up-to-date and accurate data. She pointed out the importance of improved communication and intelligent milk supply solutions. With a digital transformation, even small processors will find their market opportunities.

Erika Elgersma from Strategic Analysis Services BV emphasized the significance of benchmarking and the use of the IFCN report to learn from the best in the industry to make informed decisions, while addressing the increased demands of society and economic challenges. Even companies that are not part of the Top 20 ranking can be compared at any time using the IFCN methodology.

Considering all areas of sustainability, the dairy processing industry is already on the right track. Accelerating the progress, improving the recognition of the work already being done and serving societies even better will be key in the future.

IFCN strives to create transparency and monitor trends in the industry by providing benchmarking solutions so that stakeholders can make better decisions based on validated data and 20 years of experience.

If you are interested in the full report with the analysis for each of the 20 milk processors, visit: <https://dairyreport.online/dairy-processor-report/>. If you have any further questions, please send an email to info@ifcndairy.org.

IFCN would like to thank Contec Group International for sponsoring the event and all panellists and participants for their interest and for being part of the event.

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Picture 1: From the IFCN Dairy Processor Report: Top 20 Dairy Processor List 2021

1.2 Ranking of the Top 20 processors

Rank 2020	Company name	Origin & main operation countries	Milk intake in mill t ME	Estimated turnover per kg milk, in USD	Market share in % of world milk production
1	Dairy Farmers of America	USA	28.6	0.6	3.2%
2	Groupe Lactalis	France / others	21.7	1.1*	2.4%
3	Fonterra	New Zealand / others	18.7*	0.7*	2.1%
4	Arla Foods	Denmark / Sweden / others	13.7	0.9	1.5%
5	Nestlé Dairy	Switzerland / others	13.6*	1.1*	1.5%
6	FrieslandCampina	The Netherlands / others	11.8*	1.1*	1.3%
7	Saputo	Canada / USA / others	10.5*	1.0*	1.2%
8	Amul	India	10.3*	0.5*	1.2%
9	Yili	China	9.6*	1.5*	1.1%
10	Mengniu	China	9.0*	1.2*	1.0%
11	Glanbia	USA / others	8.4	0.5	0.9%
12	California Dairies	USA	7.7	0.5	0.9%
13	Danone Dairy	France / others	7.5	2.0*	0.8%
14	Agropur	Canada / USA	6.6	0.9	0.7%
15	DMK	Germany / The Netherlands	6.6	1.0	0.7%
16	Müller	Germany / UK / others	6.5*	0.8*	0.7%
17	Leprino	USA	6.0	0.6	0.7%
18	Land O'Lakes	USA	5.7*	0.7*	0.6%
19	Savencia	France / others	4.8	1.2	0.5%
20	Sodiaal	France	4.5	1.1	0.5%
Sum of the top 20			212	0.9	24%

Remark: Due to continuously improving the methodology, the comparability between the IFCN Top 20 Processors published previously is not a given. For example: Milk intake from Amul was not fat corrected for 2016 data. This has been adjusted for data shown from 2018 onwards.

Source: IFCN data collection, analysis and estimates. The data represent in most cases the year 2020. *Data are estimated by IFCN Dairy Research Network.

Explanation of variables

Milk intake represents milk volume collected and dairy commodity purchases (in milk equivalent) for the main company and its subsidiaries. Milk intake figures in mill tons. In some cases recalculated from litre (1 litre = 1.033 kg). In the milk intake a double counting is possible for milk intake if a processor sources milk from a collecting cooperative (e.g. DFA) or if milk is sourced in form of already processed dairy products. This means that the total milk volume of the top 20 processors can be slightly overestimated. Content of milk intake (fat and protein level) can be underestimated in some countries such as New Zealand and The Netherlands.

Turnover per kg milk: Dairy turnover 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:

DFA: Milk intake represents all milk collection from coop members and others. A large amount of collected milk is delivered to various dairy processors. **Fonterra:** These indicators include milk intake and turnover from dairy activities in New Zealand and around the world (like DPA) for the season 2020/21. **Nestlé/Danone/Land O'Lakes/Müller:** Milk intake is based on energy corrected milk level for fresh milk and for all dairy derivatives. Turnover data is dairy sales only. **FrieslandCampina:** IFCN estimated milk intake figure based on import data for the following countries: Nigeria, Vietnam, Malaysia, Thailand, Indonesia & Philippines. **Amul:** Milk intake volume is adjusted to energy corrected milk with annual average 5.85% fat and 3.1% protein. **Yili/Mengniu:** Milk intake indicator is estimated based on dairy commodity production conversion to raw milk by IFCN due to no public data being available. **Glanbia:** Processed milk excluding Glanbia Ireland.

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About IFCN: IFCN is a global research and consultancy network for the dairy industry based in Kiel, Germany. Founded in 2000, IFCN now brings together more than 100 researchers and makes its unique knowledge available through data services to more than 140 companies in the global dairy supply chain. Customers use IFCN analyses to adapt to the rapidly changing industrial landscape and new requirements, as well as to connect with industry colleagues.

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