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## **Australia**

### **Dairy and Products**

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#### **Report Highlights:**

**Milk production for the 2001/02 season is forecast to reach 11,404 TMT, an increase of 5 percent on the previous year. Post forecasts production of cheese in 2001/02 to increase 10 percent, butter and WMP to remain flat and SMP to fall 5 percent.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
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Executive Summary .....	1
Milk, Fluid .....	2
Production .....	2
General .....	2
Policy .....	3
General .....	3
Trade .....	4
General .....	4
Dairy, Cheese .....	6
Production .....	6
General .....	6
Trade .....	7
General .....	7
Dairy, Butter .....	9
Production .....	9
General .....	9
Trade .....	10
General .....	10
Milk Nonfat Dry Milk Powder .....	12
Production .....	12
General .....	12
Trade .....	13
General .....	13
Dry Whole Milk Powder .....	15
Production .....	15
General .....	15
Trade .....	16
General .....	16

## **Executive Summary**

Milk production for the 2001/02 season is forecast by post to increase five percent to 11,404 TMT due to improved seasonal conditions in Victoria and Tasmania. If this level of production is achieved, it will eclipse the previous record of 1999/2000 by around two percent. Seasonal conditions were described by industry sources as "the complete opposite" of the previous year. While ABARE's March forecast has a decrease of around one percent, year-to-date data published by ADC shows a 6.1 percent increase in milk production for the period July 2001 to February 2002. Post believes that deteriorating conditions at the time of writing this report will slow the overall production increase to around five percent for 2001/02.

Cheese production is forecast by post to increase 10 percent to 411 TMT in 2001/02, in line with ABARE's forecast. ADC year-to-date information shows larger increases in production, but with seasonal conditions deteriorating at the time of this report, post expects an annual increase of 10 percent.

Post forecasts cheese exports to fall slightly to 210 TMT for 2001/02. Despite increased production, weakening global trade conditions for cheese are expected to reduce total cheese exports. Anecdotal evidence suggests domestic stocks of cheese (year-to-date) have increased significantly.

Butter production is forecast by post to remain flat during 2001/02 at 164 TMT. ABARE has forecast an eight percent fall in production. However, ADC figures for the first eight months of 2001/02 show a one percent increase in production. Post expects that deteriorating seasonal conditions will slow production in the last three months of 2001/02, constraining any increase in overall production.

Post forecasts exports of butter to decrease a further six percent for 2001/02 to 114 TMT. This figure is consistent with ABARE's forecast and in line with a 6 percent decrease in ABS year-to-date figures.

SMP production for 2001/02 is forecast by post to decrease 5 percent to 252 TMT, lower than the three percent fall forecast by ABARE and the one percent fall forecast by ADC. However, post's forecast is consistent with the significant reduction in prices received for SMP in more recent times. Furthermore, year-to-date export figures show a ten percent decrease in exports. This, combined with industry's reluctance to store SMP, indicates production is well down on these forecasts.

Post forecasts exports of SMP to fall ten percent to 201 TMT during 2001/02, in line with official ABS figures for the first nine months of 2000/01.

WMP production is forecast by post to remain flat during 2001/02 at 205 TMT in line with ADC year-to-date figures. ABARE has forecast an 11 percent rise in production. Post considers this unlikely given year-to-date export figures and declining prospects for SMP on the world market.

Exports of WMP are forecast by post to decrease 16 percent during 2001/02, due to lower production and lower demand. This is in line with year-to-date figures showing a 16 percent decrease compared with the same period for the previous year. Post anticipates significant increases in stocks of WMP.

## Milk, Fluid

### Production

PSD Table						
Country	Australia					
Commodity	Dairy, Milk, Fluid				(1000 HEAD)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Cows In Milk	2200	2171	2206	2281	2210	2289
Cows Milk Production	11172	11172	10865	10864	11038	11404
Other Milk Production	0	0	0	0	0	0
TOTAL Production	11172	11172	10865	10864	11038	11404
Intra EC Imports	0	0	0	0	0	0
Other Imports	4	4	4	4	4	4
TOTAL Imports	4	4	4	4	4	4
TOTAL SUPPLY	11176	11176	10869	10868	11042	11408
Intra EC Exports	0	0	0	0	0	0
Other Exports	86	86	87	77	88	74
TOTAL Exports	86	86	87	77	88	74
Fluid Use Dom. Consum.	1992	1992	1975	1976	1990	1986
Factory Use Consum.	9098	9098	8807	8815	8964	9348
Feed Use Dom. Consum.	0	0	0	0	0	0
TOTAL Dom. Consumption	11090	11090	10782	10791	10954	11334
TOTAL DISTRIBUTION	11176	11176	10869	10868	11042	11408
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

### General

Milk production for the 2000/01 (Jul-Jun) season is estimated by the Australian Dairy Corporation (ADC) at 10,864 TMT, down about three percent on the previous years record production. Despite a five percent increase in cow numbers and an excellent start to the season, below average seasonal conditions, including a hot and dry summer, were the primary reasons for lower production. According to ADC figures, yield per cow fell five percent to 4,624 liters during this period.

Milk production for the 2001/02 season is forecast by post to increase five percent to 11,404 TMT due to improved seasonal conditions in Victoria and Tasmania. If this level of production is achieved, it will eclipse the previous record of 1999/2000 by around two percent. Seasonal conditions were described by industry sources as "the complete opposite" of the previous year. While ABARE's March forecast has a decrease of around one percent, year-to-date data published by ADC shows a 6.1 percent increase in milk production for the period July 2001 to February 2002. Post believes that deteriorating conditions at the time of writing this report will slow the overall production increase to around five percent for 2001/02.

The longer term outlook, as reported by ABARE is for milk production to increase at an average annual rate of between one and two percent per annum reaching 11,531 million liters (11,877 TMT) in 2006/07. ABARE reports that although milk production will continue to increase, domestic consumption of fresh milk (currently 18 percent of total production) will remain static. Industry sources believe that future increases in production will be manufactured into dairy products for export.

Post's forecast for the production of manufactured dairy products is based on the expectation that manufacturers will continue to favor cheese production over milk powders in order to take advantage of the relatively higher world cheese prices. Post anticipates a significant increase in cheese production while production of butter and WMP are expected to remain flat and SMP production is expected to fall.

## **Policy**

### **General**

The Australian dairy market was largely deregulated on July 1, 2000. Prior to that date, the Australian domestic market milk was regulated by state arrangements and manufacturing milk was supported by the Domestic Market Support Fund (See AS0017, AS9052 for further details). In recognition of the fact that deregulation would have major impacts on producers and communities, the Australian Commonwealth Government responded with a \$A1.78 billion restructuring package. In order to gain assistance from this package, Australia's 12,888 dairy farmers were required to undertake a Farm Business Assessment and to have a qualified financial advisor sign the declaration that accompanied the application form.

ABARE has conducted a study into the impact of deregulation titled "The Australian Dairy Industry: impact of an open market on fluid milk supply." This report can be sourced from ABARE's internet site ([www.abareconomics.com/pubcat/livestock.htm](http://www.abareconomics.com/pubcat/livestock.htm)).

A recent ABARE report stated that deregulation of the dairy industry had contributed to the steady long term decline in Australian dairy farm numbers. ADC figures suggest milk production however is steadily increasing due to increases in both yield per cow and herd sizes. Post anticipates this trend to continue at least over the medium term.

**Trade****General**

Import Trade Matrix			
Country	Australia		
Commodity	Dairy, Milk, Fluid		
Time period	Cal Yr	Units:	MT
Imports for:	2000		2001
U.S.	0	U.S.	0
Others		Others	
New Zealand	3867	New Zealand	3073
Singapore	73		
United Kingdom	5		
Thailand	1		
Total for Others	3946		3073
Others not Listed	13		64
Grand Total	3959		3137

Export Trade Matrix			
Country	Australia		
Commodity	Dairy, Milk, Fluid		
Time period	Cal Yr	Units:	MT
Exports for:	2000		2001
U.S.	0	U.S.	11
Others		Others	
Singapore	23560	Hong Kong	21364
Hong Kong	23298	Singapore	19901
The Philippines	9549	The Philippines	11339
China	4808	American Samoa	3776
Malaysia	3965	China	2892
American Samoa	3253	Papua New Guinea	2850
Papua New Guinea	2875	Vietnam	2670
Vietnam	2554	Malaysia	2347
Indonesia	2318	Mauritius	1834
Mauritius	1745	Indonesia	1754
Total for Others	77925		70727
Others not Listed	6392		5606
Grand Total	84317		76344

## Dairy, Cheese

### Production

PSD Table						
Country	Australia					
Commodity	Dairy, Cheese				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Beginning Stocks	77	77	60	65	43	62
Production	361	373	356	374	361	411
Intra EC Imports	0	0	0	0	0	0
Other Imports	38	38	43	43	43	40
TOTAL Imports	38	38	43	43	43	40
TOTAL SUPPLY	476	488	459	482	447	513
Intra EC Exports	0	0	0	0	0	0
Other Exports	222	223	219	215	221	210
TOTAL Exports	222	223	219	215	221	210
Human Dom. Consumption	194	200	197	205	195	215
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	194	200	197	205	195	215
TOTAL Use	416	423	416	420	416	425
Ending Stocks	60	65	43	62	31	88
TOTAL DISTRIBUTION	476	488	459	482	447	513
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	8	8	10	10	0	10

### General

The ADC revised cheese production for 1999/2000 upwards three percent to 373 TMT. ADC estimates cheese production to have increased only slightly to 374 TMT in 2000/01.

Post forecasts cheese production to increase 10 percent to 411 TMT in 2001/02, in line with ABARE's forecast. ADC year-to-date information shows larger increases in production, but with seasonal conditions deteriorating at the time of this report, post expects an annual increase of 10 percent.



## Trade

### General

Official ABS statistics show cheese exports fell by around 11 percent to 207 TMT in CY 2001. Weaker export demand and lower milk production combined to significantly reduce cheese exports.

Cheese exports fell around four percent to 215 TMT on a fiscal year basis for 2000/01.

Post forecasts cheese exports to fall two percent to 210 TMT for 2001/02. Despite increased production, deteriorating global trade conditions for cheese are expected to reduce total cheese exports. Anecdotal evidence suggests domestic stocks of cheese (year-to-date) have increased significantly.

Industry reports remain critical of EU and US subsidy programs. EU stocks of cheese have been specifically blamed for putting pressure on spot prices, reducing the need for imports into the EU and increasing competition between Australia and New Zealand in other markets.

Import Trade Matrix			
Country	Australia		
Commodity	Dairy, Cheese		
Time period	Cal Yr	Units:	MT
Imports for:	2000		2001
U.S.	51	U.S.	51
Others		Others	
New Zealand	28756	New Zealand	37023
Italy	1823	Italy	1702
Denmark	1547	Denmark	1420
Greece	1196	Norway	1235
Norway	1191	Greece	1012
The Netherlands	991	The Netherlands	927
France	780	Bulgaria	819
Bulgaria	716	France	771
Germany	561	Germany	509
United Kingdom	196	United Kingdom	130
Total for Others	37757		45548
Others not Listed	1021		1034
Grand Total	38829		46633

Export Trade Matrix			

Country	Australia		
Commodity	Dairy, Cheese		
Time period	Cal Yr	Units:	MT
Exports for:	2000		2001
U.S.	7907	U.S.	8891
Others		Others	
Japan	90335	Japan	89124
The Netherlands	26361	The Netherlands	16194
Saudi Arabia	16180	Saudi Arabia	15669
Rep of Korea	15996	Rep of Korea	14510
United Kingdom	8676	United Kingdom	7264
The Philippines	5290	The Philippines	5224
Algeria	4539	Mexico	4327
Indonesia	3934	Indonesia	3994
Trinidad and Tobago	3324	Algeria	3059
France	3216	Taiwan	3054
Total for Others	177851		162419
Others not Listed	46796		35750
Grand Total	232554		207060

## Dairy, Butter

### Production

PSD Table						
Country	Australia					
Commodity	Dairy, Butter					(1000 MT)
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Beginning Stocks	21	21	14	14	20	12
Production	180	180	175	164	177	164
Intra EC Imports	0	0	0	0	0	0
Other Imports	10	10	12	12	13	13
TOTAL Imports	10	10	12	12	13	13
TOTAL SUPPLY	211	211	201	190	210	189
Intra EC Exports	0	0	0	0	0	0
Other Exports	139	139	121	121	131	114
TOTAL Exports	139	139	121	121	131	114
Domestic Consumption	58	58	60	57	60	56
TOTAL Use	197	197	181	178	191	170
Ending Stocks	14	14	20	12	19	19
TOTAL DISTRIBUTION	211	211	201	190	210	189
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	4	4	2	2	0	6

### General

ADC figures put butter production for 2000/01 at 164 TMT, representing a nine percent fall on the previous years production.

Butter production is forecast by post to remain flat during 2001/02 at 164 TMT. ABARE has forecast an eight percent fall in production. However, ADC figures for the first eight months of 2001/02 show a one percent increase in production. Post expects that deteriorating seasonal conditions will slow production in the last three months of 2001/02, constraining any increase in overall production.

## Trade

### General

ABS statistics indicate that for the CY 2001 Australian butter exports decreased by 15 percent. Exports to nearly all markets fell with industry sources suggesting deteriorating trade conditions were responsible for the decline in exports.

Egypt remained Australia's largest export destination despite falling to 9,007 MT in CY 2001, about half of the previous years tonnage. This level is reflective of that achieved in CY 1999.

Post forecasts exports of butter to decrease a further six percent for 2001/02 to 114 TMT. This figure is consistent with ABARE's forecast and in line with a 6 percent decrease in ABS year-to-date figures.

Import Trade Matrix			
Country	Australia		
Commodity	Dairy, Butter		
Time period	Cal Yr	Units:	MT
Imports for:	2000		2001
U.S.	54	U.S.	56
Others		Others	
New Zealand	10562	New Zealand	9875
France	12	France	13
United Kingdom	1	Denmark	4
		Malaysia	4
		Lebanon	1
Total for Others	10575		9897
Others not Listed	59		40
Grand Total	10688		9993

Export Trade Matrix			
Country	Australia		
Commodity	Dairy, Butter		
Time period	Cal Yr	Units:	MT
Exports for:	2000		2001
U.S.	1575	U.S.	5573
Others		Others	
Egypt	16700	Egypt	9007
Thailand	8689	Thailand	7767
Singapore	6851	Singapore	6252
Malaysia	5156	Russia	5422
The Philippines	4908	Malaysia	5370
Rep of Korea	4900	Mexico	5107
Russia	4744	Saudi Arabia	4981
The Netherlands	4702	Taiwan	4508
Saudi Arabia	4605	Rep of Korea	4343
UAE	4195	UAE	4018
Total for Others	65450		56775
Others not Listed	47636		35085
Grand Total	114661		97433

## Milk Nonfat Dry Milk Powder

### Production

PSD Table						
Country	Australia					
Commodity	Dairy, Milk, Nonfat Dry				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Beginning Stocks	19	19	2	2	3	12
Production	255	264	256	265	254	252
Intra EC Imports	0	0	0	0	0	0
Other Imports	4	4	2	2	4	4
TOTAL Imports	4	4	2	2	4	4
TOTAL SUPPLY	278	287	260	269	261	268
Intra EC Exports	0	0	0	0	0	0
Other Exports	244	253	224	224	206	201
TOTAL Exports	244	253	224	224	206	201
Human Dom. Consumption	32	32	33	33	34	34
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	32	32	33	33	34	34
TOTAL Use	276	285	257	257	240	235
Ending Stocks	2	2	3	12	21	33
TOTAL DISTRIBUTION	278	287	260	269	261	268
Calendar Yr. Imp. from U.S.	1	1	0	0	0	0
Calendar Yr. Exp. to U.S.	1	1	1	1	0	0

### General

ADC figures put SMP production for 1999/2000 at 264 TMT, revised upward from its preliminary estimate of 255 TMT.

Post estimates production for 2000/01 at 265 TMT, only slightly higher than production for the previous year. Post forecasts production for 2001/02 to decrease 5 percent to 252 TMT, lower than the three percent fall forecast by ABARE and the one percent fall forecast by ADC. However, post's forecast is consistent with the significant reduction in prices received for SMP in more recent times. Furthermore, year-to-date export figures show a ten percent decrease in exports. This, combined with industry's reluctance to store SMP, indicates production is well down on these forecasts.

## Trade

### General

Exports of SMP fell 18 percent in CY 2001, according to official ABS statistics. This is consistent with industry reports of increased global stocks and weaker export demand.

Post forecasts exports of SMP to fall ten percent to 201 TMT during 2001/02, in line with official ABS figures for the first nine months of 2000/01.

Import Trade Matrix			
Country	Australia		
Commodity	Dairy, Milk, Nonfat Dry		
Time period	Cal Yr	Units:	MT
Imports for:	2000		2001
U.S.	5	U.S.	0
Others		Others	
New Zealand	2861	New Zealand	1599
The Netherlands	33	The Netherlands	26
Rep of Korea	10	Rep of Korea	3
Austria	2		
Total for Others	2906		1628
Others not Listed	0		108
Grand Total	2911		1736

Export Trade Matrix			
Country	Australia		
Commodity	Dairy, Milk, Nonfat Dry		
Time period	Cal Yr	Units:	MT
Exports for:	2000		2001
U.S.	1671	U.S.	7
Others		Others	
The Philippines	53542	The Philippines	39573
Malaysia	33500	Japan	22968
Japan	28249	Malaysia	19806
Thailand	18783	Thailand	17356
Singapore	12791	Singapore	15349
Indonesia	10647	Indonesia	10846
Taiwan	9966	Saudi Arabia	10221
Mexico	7378	Taiwan	10025
Saudi Arabia	6882	China	5433
China	4879	Sri Lanka	5368
Total for Others	186617		156945
Others not Listed	30940		23569
Grand Total	219228		180521



## Dry Whole Milk Powder

### Production

PSD Table						
Country	Australia					
Commodity	Dairy, Dry Whole Milk Powder				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Beginning Stocks	3	3	9	6	21	10
Production	190	187	213	205	216	205
Intra EC Imports	0	0	0	0	0	0
Other Imports	5	5	7	7	5	7
TOTAL Imports	5	5	7	7	5	7
TOTAL SUPPLY	198	195	229	218	242	222
Intra EC Exports	0	0	0	0	0	0
Other Exports	169	169	183	183	190	154
TOTAL Exports	169	169	183	183	190	154
Human Dom. Consumption	20	20	25	25	26	27
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	20	20	25	25	26	27
TOTAL Use	189	189	208	208	216	181
Ending Stocks	9	6	21	10	26	41
TOTAL DISTRIBUTION	198	195	229	218	242	222
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

### General

Revised ADC figures put WMP production at 187 TMT. Post estimates WMP production to have increased nearly four percent in 2000/01 to 205 TMT.

Post forecasts that WMP production will remain flat during 2001/02 at 205 TMT in line with ADC year-to-date figures. ABARE has forecast an 11 percent rise in production. Post considers this unlikely given year-to-date export figures and worsening prospects for SMP on the world market.

## Trade

### General

Exports for CY 2001 fell by nearly 14 percent according to official ABS statistics. Although falls were experienced in all markets, Singapore experienced the largest fall, falling by over half of the figure achieved the previous year.

Exports of WMP are forecast by post to decrease 16 percent during 2001/02, due to lower production and lower demand. This is in line with year-to-date figures showing a 16 percent decrease compared with the same period for the previous year. Post anticipates significant increases in stocks of WMP.

Import Trade Matrix			
Country	Australia		
Commodity	Dairy, Dry Whole Milk Powder		
Time period	Cal Yr	Units:	MT
Imports for:	2000		2001
U.S.	15	U.S.	4
Others		Others	
New Zealand	4423	New Zealand	6159
Singapore	114	Finland	144
Finland	54	France	10
United Kingdom	33		
The Netherlands	32		
France	24		
Taiwan	1		
Total for Others	4681		6313
Others not Listed	25		177
Grand Total	4721		6494

Export Trade Matrix			
Country	Australia		
Commodity	Dairy, Dry Whole Milk Powder		
Time period	Cal Yr	Units:	MT
Exports for:	2000		2001
U.S.	527	U.S.	219
Others		Others	
The Philippines	27517	Taiwan	14318
Sri Lanka	17266	Sri Lanka	12958
Taiwan	16218	The Philippines	12575
Bangladesh	13446	Bangladesh	11999
Thailand	10182	Singapore	10717
Vietnam	8442	Malaysia	8868
Oman	8428	Mauritius	6275
Malaysia	8328	Vietnam	6239
Singapore	7257	Indonesia	5939
Canada	6397	China	5676
Total for Others	123481		95564
Others not Listed	43120		48782
Grand Total	167128		144565