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Dairy and Products

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Prepared by:

Randolph H. Zeitner

U.S. Embassy

Drafted by:

Mike Darby

Report Highlights:

Australian milk production fell three percent to 10,685 TMT in 2000/01 due to below average seasonal conditions. Milk production is forecast to rebound nearly two percent in 2001/02, reaching 11,038 TMT. Cheese production is forecast to increase three percent in 2001/02 to 361 TMT with exports down only slightly. Butter production is forecast to rise slightly in 2001/02 with exports forecast to increase eight percent. SMP production is forecast to remain flat in 2001/02 with exports forecast to fall eight percent. WMP production is forecast to rise slightly in 2001/02 with exports forecast to rise four percent.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
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Executive Summary

Steady growth in milk production in recent years was interrupted with the deterioration of seasonal conditions in the latter half of 2000/01 and into 2001/02. Post puts Australian milk production at 10,865 TMT in 2000/01 in line with Australian Dairy Corporation (ADC) figures and representing a fall in production of around three percent. This decrease was primarily driven by lower national yield per cow due to drier than average seasonal conditions in many dairying regions of Australia. According to ADC figures, production was down in all states with Queensland, NSW, and WA showing falls of 10.4, 4.7, and 4.5 percent respectively. Victoria, the largest producing state with around 62 percent of production suffered a fall of 1.4 percent, while Tasmania's production fell 3.1 percent.

Milk production for 2001/02 is forecast by post at 11,038 TMT and is in line with ABARE's forecast production increase of 1.6 percent. This puts production for 2001/02 just under the level achieved in 1999/2000. While drier conditions have persisted into 2001/02, recent falls of rain and the improving feed supply outlook suggest production levels similar to 1999/2000.

The longer term outlook, as reported by ABARE in February 2001, is for milk production to continue increasing at around two percent per annum out to 2005/06, driven by continued increases in productivity as well as steadily increasing cow numbers. Since this forecast was issued, drier than average seasonal conditions across much of Australia has seen a reversal of this trend for 2000/01 and only modest growth for 2001/02. Post anticipates a return to normal seasonal conditions in 2002/03, and generally supports ABARE's long term projection of steady growth in production from 2002/03 out to 2005/06.

Overall cheese production in 2000/01 is estimated by post at 350 TMT, down three percent from the 361 TMT reported by ADC for 1999/2000. Production is forecast by post to rebound three percent in 2001/02 as supplies of manufacturing milk increase with a return to normal weather conditions. Post's forecast of increased cheese production in 2001/02 is in line with the 3.1 percent increase forecast by ABARE. Australian cheese exports increased 31 percent in CY 2000 over the level reached in 1999. Asia remains the most important market with Japan by far the largest market. Japan imported 90,335 MT of Australian cheese or over 39 percent of all exports. Exports to the US fell 24 percent to 7,907 MT, similar to the level reached in CY 1998. Total exports are likely to fall slightly in CY 2001 with drier than average climatic conditions reducing the level of milk available for cheese manufacturing.

Butter production is estimated to have decreased three percent in 2000/01 to 175 TMT. Butter production is forecast to rise slightly to 177 TMT in 2001/02 while domestic consumption continues to stagnate and exports increase. Australian butter exports decreased three percent in CY 2000 driven by a 46 percent increase in exports to Egypt. However, exports to Thailand, Singapore and Malaysia fell significantly.

Skim milk powder (SMP) production is expected to remain flat at around 256 TMT for 2000/01 and remain at around that level for 2001/02. According to ABARE, despite high prices in October 2000, reduced export demand and slower economic growth are expected to keep production flat into 2001/02.

Whole milk powder (WMP) production is estimated to have risen 12 percent to 213 TMT in 2000/01 and is forecast to remain flat for 2001/02. High SMP prices have reportedly caused buyers to shift away from SMP to WMP. However, this is not expected to continue due to the recent easing in SMP world prices.

Dairy, 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	2200	2206	2206	0	2210
Cows Milk Production	11172	11172	11398	10865	0	11038
Other Milk Production	0	0	0	0	0	0
TOTAL Production	11172	11172	11398	10865	0	11038
Intra EC Imports	0	0	0	0	0	0
Other Imports	4	4	4	4	0	4
TOTAL Imports	4	4	4	4	0	4
TOTAL SUPPLY	11176	11176	11402	10869	0	11042
Intra EC Exports	0	0	0	0	0	0
Other Exports	86	86	87	87	0	88
TOTAL Exports	86	86	87	87	0	88
Fluid Use Dom. Consum.	1987	1992	2041	1975	0	1990
Factory Use Consum.	9103	9098	9274	8807	0	8964
Feed Use Dom. Consum.	0	0	0	0	0	0
TOTAL Dom. Consumption	11090	11090	11315	10782	0	10954
TOTAL DISTRIBUTION	11176	11176	11402	10869	0	11042
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

Steady growth in milk production in recent years was interrupted with the deterioration of seasonal conditions in the latter half of 2000/01 and into 2001/02.

Post puts Australian milk production at 10,865 TMT in 2000/01 in line with Australian Dairy Corporation (ADC) figures and representing a fall in production of around three percent. This decrease was primarily driven by lower national yield per cow due to drier than average seasonal conditions in many dairying regions of Australia. According to ADC figures, production was down in all states with Queensland, NSW, and WA showing falls of 10.4, 4.7, and 4.5 percent respectively. Victoria, the largest producing state with around 62 percent of production suffered a fall of 1.4 percent, while Tasmania's production fell 3.1 percent.

Milk production for 2001/02 is forecast by post at 11,038 TMT and is in line with ABARE's forecast production increase of 1.6 percent. This puts production for 2001/02 just under the level achieved in 1999/2000. While drier conditions have persisted into 2001/02, recent falls of rain and the improving feed supply outlook suggest production levels similar to 1999/2000.

The longer term outlook, as reported by ABARE in February 2001, is for milk production to continue increasing at around two percent per annum out to 2005/06, driven by continued increases in productivity as well as steadily increasing cow numbers. Since this forecast was issued, drier than average seasonal conditions across much of Australia has seen a reversal of this trend for 2000/01 and only modest growth for 2001/02. Post anticipates a return to normal seasonal conditions in 2002/03, and generally supports ABARE's long term projection of steady growth in production from 2002/03 out to 2005/06.

The uncertainty caused by deregulation on July 1, 2000, lower market milk prices, and drier seasonal conditions combined with higher beef prices has seen cow numbers remain relatively flat in 2000/01 and cow numbers should remain flat for 2001/02. A return to normal weather conditions combined with recent falls in beef prices and recent increases in milk prices should support increases in production over the near term.

According to ABARE, feeding of grain and concentrates has risen dramatically over the past decade. The proportion of farms feeding concentrates or grain has increased from 80.5 percent in 1990/91 to 91.3 percent in 1999/2000, but the average amount of concentrates fed per farm has doubled from 80.3 MT in 1991/92 to 169.8 MT in 1999/2000.

Industry sources have indicated that the price paid for feed grain during 2000/01 was up around 40 percent. This increase has been driven by a lower dollar, and the subsequent higher returns for export grain together with tighter supply due to less favorable seasonal conditions. Post expects feed usage in dairies to continue to grow for the foreseeable future despite recent increases in feed costs.

Irrigation is used in several areas to improve feed supply reliability. Both Victoria and NSW suffered periodic reductions in irrigation water allocations during 2000/01 due to dry conditions in the catchment areas. Victoria accounts for over 62 percent of milk production, with New South Wales a distant second at about 13 percent of production.

There have only been very slight increases in the production of market milk in recent times with almost the entire increase in milk production entering manufacturing use. Market milk consumption is forecast by ABARE to increase by just under one percent in 2000/01 and continue growing at that rate to 2005/06.

Productive Factors

The most recent ADC figures put the number of dairies in Australia at 11,876 in 2000/01, representing a fall of around 1,012 farms or eight percent from the 12,888 in 1999/2000. Although the number of dairy farms has fallen from 30,630 in 1975, this most recent fall represents the most dairy farmers to exit the industry in one year since 1981. It is not known at this stage exactly how many of the exiting dairy farmers did so with government assistance although the assumption is that the vast majority did so under the Dairy Adjustment Program. This program was offered by the GOA (as part of deregulation in July 2000) and allows for producers to be paid exit assistance provided they meet specific criteria.

While the total number of dairy farmers in Australia has been falling for some time, the total dairy herd has been increasing steadily since 1989/90 and post anticipates this trend to continue.

Milk production per cow has been increasing through genetic improvement, pasture improvement, increased grain feeding and livestock management. This trend is reflected in the following table.

Year	Yield (l/cow)
1998/99	4723
1999/00	4996
2000/2001 (e)	4862
2001/02 (f)	4932

Source: ABARE

Australia still has a predominantly pasture-based production system, but supplemental feeding is increasingly practiced throughout the country. ABARE surveys indicate that the average quantities purchased of both concentrates and grain doubled between 1990/91 and 1999/2000.

The percentage of farmers conducting soil tests increased from 61.1 percent in 1991-92 to 84.8 percent of farmers in 1999/2000. Nearly two thirds of farmers indicated that they changed their fertilizer management after conducting a soil test.

Production Mix

On-farm costs and income structures have traditionally varied considerably between states. Much of this variability can be explained by the historical regulation of market milk. In New South Wales, Queensland and Western Australia, most farms held a drinking milk quota which, while providing them with a fixed price for milk, required them to produce milk all year round. As a result, income and input costs were generally higher. In Victoria and Tasmania, drinking milk is less significant and milk production is more seasonal.

Now that deregulation has occurred, industry restructuring has accelerated. Prior to deregulation, the two major processors, Murray-Goulburn and Bonlac argued that regulation distorted investment decisions at both the farm and manufacturing levels and increased the cost of production. Now that the milk market is deregulated, there will be additional competition for the fresh milk market and production will migrate to low cost producing regions.

Consumption

The domestic market for dairy products is a mature one with little room for significant growth. Expectations are that overall consumption of dairy products will only increase about one percent per year.

Between 1985/86 and 1999/2000, per capita milk consumption has remained within a relatively narrow range of 102 to 106 liters per year. The composition of fluid milk consumption has changed substantially with plain white milk consumption falling and low and reduced fat milk consumption increasing. Deregulation of the drinking milk market is expected to encourage further product differentiation and innovation. UHT (long life) milk consumption has more than doubled in recent times. Increased consumption of yogurt and fresh dairy desserts has been one of the bright spots in the fresh category.

Trade

Import Trade Matrix			
Country	Australia		
Commodity	Dairy, Milk, Fluid		
Time period	Jan - Dec	Units:	MT
Imports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
New Zealand	3474	New Zealand	3867
		Singapore	73
		United Kingdom	5
		Thailand	1
Total for Others	3474		3946
Others not Listed	197		13
Grand Total	3671		3959

Export Trade Matrix			
Country	Australia		
Commodity	Dairy, Milk, Fluid		
Time period	Jan - Dec	Units:	MT
Exports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Hong Kong	24433	Singapore	23560
Singapore	19262	Hong Kong	23298
The Philippines	7629	The Philippines	9549
China	4534	China	4808
American Samoa	3471	Malaysia	3965
Papua New Guinea	2941	American Samoa	3253
Vietnam	2487	Papua New Guinea	2875
Malaysia	1687	Vietnam	2554
Indonesia	1421	Indonesia	2318
Mauritius	856	Mauritius	1745
Total for Others	68721		77925
Others not Listed	5074		6392
Grand Total	73795		84317

Australia exports about 50 percent of annual milk production in fresh milk and in the milk-equivalent of manufactured products. In recent years, increasing volumes of milk and short shelf-life products have been exported to the growing retail markets in Asia. Almost 70 percent of milk exports are UHT.

According to official ABS statistics Hong Kong, Singapore and the Philippines accounted for two-thirds of fluid milk exports in CY2000. Fluid milk exports increased by over 14 percent in CY 2000 to 84,317 MT. This increase in exports reflects economic recovery in Asian markets and the low value of the Australian currency. Imports of fluid milk increased eight percent from 3,671 MT in CY 1999 to 3,959 MT in CY 2000. Imports from New Zealand represent 98 percent of fluid milk imports.

Around 80 percent of Australian dairy exports are sold in Asia, mostly as bulk powders and bulk cheese for further processing by manufacturers and the food service industry. The weakness in the Australian dollar has been one of the key factors behind the continuing strong export showing over the past year.

Policy

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 could have major impacts on producers and communities, the Commonwealth responded with a \$A1.78 billion restructuring package. Of this, \$A1.63 billion was allocated to the Dairy Structural Adjustment Program (DSAP) administered by the newly created Dairy Adjustment Authority (DAA). Also included in the package was a \$A30 million Dairy Exit Program (DEP) and a \$A45 million Dairy Regional Assistance Package (DRAP).

In 1999/2000 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. Individual producer entitlements are based on 1998-99 milk deliveries at the rate of 46.23 cents a liter for market milk and 8.96 cents a liter for manufacturing milk. Payments would be paid quarterly over eight years. Exit payments of up to \$45,000 would also be available for farmers who chose to leave dairying. The program is financed by a Commonwealth levy of 11 cents per liter on retail sales of drinking milk.

Since deregulation, incomes for dairy farmers in previously regulated states have fallen dramatically. The Australian Competition and Consumer Commission recently granted an interim ruling for dairy farmers to negotiate collectively with processors regarding the supply of raw milk. According to media reports, the first collectively bargained agreement has been reached in Queensland where farmers negotiated price, supply, quality and freight arrangements for CY 2002. Media reports put the negotiated supply price at 34.4 cents per liter, 10 percent above the price achieved the previous year. This interim ruling is due to expire on July 1, 2005.

Marketing

According to recent media reports, industry researchers have revealed a positive response to the ADC's new marketing campaign "Dairy, the food of life." Consumer research indicates significant improvement among consumers seeking to increase their intake of dairy products.

Shareholders of Bonlac Foods Ltd. voted to merge with the New Zealand Dairy Board (NZDB) in April 2001. This is believed to be the first time that a major Australian Dairy cooperative has sold a substantial share to a foreign investor. According to media reports, under this deal the NZDB is injecting A\$80 million into Bonlac for a 25 percent stake in the cooperative and a 50 percent share in the creation of a new consumer business to be named ConsumerCo. Media reports also state that prior to the vote to merge, shareholders had been warned that Bonlac had a debt of around A\$550 million and was facing a deadline of April 30 to restructure its debt.

In a later move, Bega shareholders voted unanimously to merge with Bonlac/NZDB. Under this deal which reportedly totals A\$73 million, Bonlac/NZDB will inject A\$35 million into the Bega Cooperative as well as tripling throughput using milk sourced interstate. This cash injection will be split equally into plant reinvestment and a cash payout for shareholders.

Prices

In the June quarter of 2001, the price of a one liter carton of milk in supermarkets ranged from \$A1.35 in Canberra to \$A1.45 in Melbourne.

Returns to dairy farmers (Aust. cents/liter) for market and manufacturing milk and retail prices for market milk (Aust. cents/liter) are presented in the following table.

Year	Price			
	Manufacturing	Market	Average	Retail
1995/96	26.0	50.4	31.1	113
1996/97	24.0	51.0	29.6	115
1997/98	23.9	52.0	29.4	116
1998/99	23.0	52.0	28.9	122
1999/00	22.0	52.3	26.3	135
2000/01 (f)	n/a	n/a	28.2	135

Exchange rate US\$ 1.00= A\$ 1.92 10/19/2000

SOURCE: ABARE/Australian Bureau of Statistics (retail price is for the June quarter of given year for Sydney, i.e., June 99 for 98/99 year)

According to government sources, ABARE and the ABS no longer deem it necessary to publish both manufacturing and market farm gate milk prices. This is due to deregulation creating one new price for both market and manufacturing milk. Post believes that there will continue to be some premium for the delivery of market milk. However, the prices received for both are now closely related.

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	47	47	9	24	16	10
Production	361	361	420	350	0	361
Intra EC Imports	0	0	0	0	0	0
Other Imports	38	38	40	43	0	43
TOTAL Imports	38	38	40	43	0	43
TOTAL SUPPLY	446	446	469	417	16	414
Intra EC Exports	0	0	0	0	0	0
Other Exports	222	222	235	222	0	221
TOTAL Exports	222	222	235	222	0	221
Human Dom. Consumption	215	200	218	185	0	185
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	215	200	218	185	0	185
TOTAL Use	437	422	453	407	0	406
Ending Stocks	9	24	16	10	0	8
TOTAL DISTRIBUTION	446	446	469	417	0	414
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	10	8	11	10	0	0

Overall cheese production in 2000/01 is estimated by post at 350 TMT, down three percent from the 361 TMT reported by ADC for 1999/2000. Production is forecast by post to rebound three percent in 2001/02 as supplies of manufacturing milk increase with a return to normal weather conditions. Post's forecast of increased cheese production in 2001/02 is in line with the 3.1 percent increase forecast by ABARE.

While cheddar production (both natural and processed) continues to dominate Australian cheese production, other cheese categories have shown considerable growth. The major growth categories include fresh (e.g., cream, cottage, ricotta) pizza (e.g., mozzarella) and hard grating (Parmesan, Romano) types. The increased sales of pizza and hard grating types reflect increased in-home consumption of Italian style meals.

Sales of generic lines of cheese are an important sector of the domestic cheese market. Generic cheese sales accounted for around 25 percent of total cheese sales and around 30 percent of the natural cheddar cheese in recent times. The price differential between branded and generic continues to narrow.

Trade

Import Trade Matrix			
Country	Australia		
Commodity	Dairy, Cheese		
Time period	Jan - Dec	Units:	MT
Imports for:	1999		2000
U.S.	14	U.S.	51
Others		Others	
New Zealand	20953	New Zealand	28756
Italy	1712	Italy	1823
Norway	1351	Denmark	1547
The Netherlands	966	Greece	1196
Greece	918	Norway	1191
Bulgaria	862	The Netherlands	991
Denmark	768	France	780
France	338	Bulgaria	716
Germany	301	Germany	561
Romania	109	United Kingdom	387
Total for Others	28278		37948
Others not Listed	473		830
Grand Total	28765		38829

Export Trade Matrix			
Country	Australia		
Commodity	Dairy, Cheese		
Time period	Jan - Dec	Units:	MT
Exports for:	1999		2000
U.S.	10401	U.S.	7907
Others		Others	
Japan	67472	Japan	90335
The Netherlands	16523	The Netherlands	26361
Saudi Arabia	12485	Saudi Arabia	16180
Rep of Korea	10978	Rep of Korea	15996
Algeria	6323	United Kingdom	8676
The Philippines	5425	The Philippines	5290
United Kingdom	5419	Algeria	4539
Egypt	3646	Indonesia	3934
Mexico	2924	Trinidad & Tobago	3324
Taiwan	2363	France	3216
Total for Others	133558		177851
Others not Listed	32997		46796
Grand Total	176956		232554

Australian cheese exports increased 31 percent in CY 2000 over the level reached in 1999. Asia remains the most important market with Japan by far the largest market. Japan imported 90,335 MT of Australian cheese or over 39 percent of all exports. Exports to the US fell 24 percent to 7,907 MT, similar to the level reached in CY 1998. Total exports are likely to fall slightly in CY 2001 with drier than average climatic conditions reducing the level of milk available for cheese manufacturing.

Australian cheese imports increased 35 percent in CY 2000 to 38,829 MT. New Zealand supplied 74 percent of imports with European countries supplying the remainder.

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	13	14	10	20
Production	179	180	166	175	0	177
Intra EC Imports	0	0	0	0	0	0
Other Imports	10	10	6	12	0	13
TOTAL Imports	10	10	6	12	0	13
TOTAL SUPPLY	210	211	185	201	10	210
Intra EC Exports	0	0	0	0	0	0
Other Exports	139	139	118	121	0	131
TOTAL Exports	139	139	118	121	0	131
Domestic Consumption	58	58	57	60	0	60
TOTAL Use	197	197	175	181	0	191
Ending Stocks	13	14	10	20	0	19
TOTAL DISTRIBUTION	210	211	185	201	0	210
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	4	4	2	2	0	0

Butter production is estimated to have decreased three percent in 2000/01 to 175 TMT. Butter production is forecast to rise slightly to 177 TMT in 2001/02 while domestic consumption continues to stagnate and exports increase.

Trade

Import Trade Matrix			
Country	Australia		
Commodity	Dairy, Butter		
Time period	Jan - Dec	Units:	MT
Imports for:	1999		2000
U.S.	38	U.S.	54
Others		Others	
New Zealand	7809	New Zealand	10562
France	11	France	12
The Philippines	4	United Kingdom	1
Total for Others	7824		10575
Others not Listed	461		59
Grand Total	8323		10688

Export Trade Matrix			
Country	Australia		
Commodity	Dairy, Butter		
Time period	Jan - Dec	Units:	MT
Exports for:	1999		2000
U.S.	3680	U.S.	1575
Others		Others	
Egypt	11457	Egypt	16700
Thailand	9142	Thailand	8689
Singapore	8760	Singapore	6851
Russia	5511	Malaysia	5156
Malaysia	5475	The Philippines	4908
The Philippines	4409	Rep. of Korea	4900
Saudi Arabia	4326	Russia	4744
Mexico	4267	The Netherlands	4702
India	4015	Saudi Arabia	4605
Taiwan	3897	U.A.E.	4195
Total for Others	61259		65450
Others not Listed	53244		47636
Grand Total	118183		114661

Australian butter exports decreased three percent in CY 2000 driven by a 46 percent increase in exports to Egypt. However, exports to Thailand, Singapore and Malaysia fell significantly.

Imports increased from 8,323 MT in CY 1999 to 10,688 MT in CY 2000. Almost all butter imports come from New Zealand and are primarily destined for further processing into processed foods and butter sheets for baking.

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	6	2	10	3
Production	255	255	250	256	0	254
Intra EC Imports	0	0	0	0	0	0
Other Imports	4	4	4	2	0	4
TOTAL Imports	4	4	4	2	0	4
TOTAL SUPPLY	278	278	260	260	10	261
Intra EC Exports	0	0	0	0	0	0
Other Exports	244	244	225	224	0	206
TOTAL Exports	244	244	225	224	0	206
Human Dom. Consumption	28	32	25	33	0	34
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	28	32	25	33	0	34
TOTAL Use	272	276	250	257	0	240
Ending Stocks	6	2	10	3	0	21
TOTAL DISTRIBUTION	278	278	260	260	0	261
Calendar Yr. Imp. from U.S.	1	1	0	0	0	0
Calendar Yr. Exp. to U.S.	1	1	1	1	0	0

Skim milk powder (SMP) production is expected to remain flat at around 256 TMT for 2000/01 and remain at around that level for 2001/02. According to ABARE, despite high prices in October 2000, reduced export demand and slower economic growth are expected to keep production flat into 2001/02.

Victoria is the largest producer of skim milk powder, accounting for over 90 percent of total production. The major uses of SMP are in confectionery, ice cream and baking products. Smaller amounts are used in yogurt manufacture. The underlying consumer trend toward reduced consumption of products that contain animal fats has been somewhat addressed by the development of many low-fat dairy products.

Trade

Import Trade Matrix			
Country	Australia		
Commodity	Dairy, Milk, Nonfat Dry		
Time period	Jan - Dec	Units:	MT
Imports for:	1999		2000
U.S.	0	U.S.	5
Others		Others	
New Zealand	3780	New Zealand	2860
The Netherlands	50	The Netherlands	33
Denmark	4	Rep of Korea	10
France	2	Austria	2
Rep of Korea	2	Malaysia	1
Total for Others	3838		2906
Others not Listed	23		
Grand Total	3861		2911

Export Trade Matrix			
Country	Australia		
Commodity	Dairy, Milk, Nonfat Dry		
Time period	Jan - Dec	Units:	MT
Exports for:	1999		2000
U.S.	1329	U.S.	1671
Others		Others	
The Philippines	55384	The Philippines	53542
Malaysia	34947	Malaysia	33500
Thailand	25889	Japan	28249
Japan	14080	Thailand	18783
Singapore	13844	Singapore	12791
Indonesia	11821	Indonesia	10647
Taiwan	11207	Taiwan	9966
Saudi Arabia	7893	Mexico	7378
Nigeria	4465	Saudi Arabia	6882
Sri Lanka	4105	China	4879
Total for Others	183635		186617
Others not Listed	34780		30940
Grand Total	219744		219228

SMP exports remained flat in CY 2000 at 219,228 MT. Asian markets make up the bulk of exports with the Philippines, Malaysia, Thailand and Japan taking over two thirds of exports. Exports to these countries fell in CY 2000, with the exception of Japan which doubled.

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	9	5	21
Production	190	190	190	213	0	216
Intra EC Imports	0	0	0	0	0	0
Other Imports	5	5	0	7	0	5
TOTAL Imports	5	5	0	7	0	5
TOTAL SUPPLY	198	198	199	229	5	242
Intra EC Exports	0	0	0	0	0	0
Other Exports	169	169	174	183	0	190
TOTAL Exports	169	169	174	183	0	190
Human Dom. Consumption	20	20	20	25	0	26
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	20	20	20	25	0	26
TOTAL Use	189	189	194	208	0	216
Ending Stocks	9	9	5	21	0	26
TOTAL DISTRIBUTION	198	198	199	229	0	242
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Whole milk powder (WMP) production is estimated to have risen 12 percent to 213 TMT in 2000/01 and is forecast to remain flat for 2001/02. High SMP prices have reportedly caused buyers to shift away from SMP to WMP. However, this is not expected to continue due to the recent easing in SMP world prices.

Trade

Import Trade Matrix			
Country	Australia		
Commodity	Dairy, Dry Whole Milk Powder		
Time period	Jan - Dec	Units:	MT
Imports for:	1999		2000
U.S.	5	U.S.	15
Others		Others	
New Zealand	5617	New Zealand	4423
The Netherlands	103	Singapore	114
Ireland	32	Finland	54
France	15	United Kingdom	33
Malaysia	11	The Netherlands	32
Finland	2	France	24
Indonesia	1	Taiwan	1
Total for Others	5781		4681
Others not Listed	495		25
Grand Total	6281		4721

Export Trade Matrix			
Country	Australia		
Commodity	Dairy, Dry Whole Milk Powder		
Time period	Jan - Dec	Units:	MT
Exports for:	1999		2000
U.S.	350	U.S.	527
Others		Others	
The Philippines	26438	The Philippines	27517
Taiwan	16003	Sri Lanka	17266
Bangladesh	11588	Taiwan	16218
Thailand	11479	Bangladesh	13446
Sri Lanka	11463	Thailand	10182
Malaysia	11021	Vietnam	8442
Singapore	6723	Oman	8428
Oman	6169	Malaysia	8328
Vietnam	5678	Singapore	7257
Mauritius	4715	Canada	6397
Total for Others	111277		123481
Others not Listed	22839		43120
Grand Total	134466		167128

WMP exports in CY 2000 were up 24 percent from the CY 1999 level, reaching a record 167,128 MT. Improved export demand for WMP in markets previously dominated by SMP is reported to be driving this increase.