

# THE STANDARD

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HD **DAIRY** farmers are making 25 per cent more money than  
WC 474 words  
PD 13 February 2014  
SN The Warrnambool Standard  
SC FWARST  
PG 19  
LA English  
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**DAIRY** farmers are making 25 per cent more money than they were last year, but the increased cashflow is going to pay creditors or reduce debt, **Dairy** Australia says.

The organisation's Situation and Outlook update, released yesterday, reports that farm gate **milk** prices are up about 25 per cent on last season and the outlook for global demand for **dairy**, particularly in **China**, remains robust.

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Global **dairy** demand remains on a steady footing despite pricing at near record levels and production shortfalls in **China** and Russia have boosted demand in those markets.

South-east Asia is showing steady growth despite localised challenges, and exports to South Korea should benefit from the yet to be ratified Korea-Australia free trade agreement.

Australia's **milk** production so far this season is down on the same period in 2012/13 and is expected to finish the year the same or slightly lower than 2012/13. The shortfall is due largely to ongoing issues from the challenging second half of 2013.

**Dairy** Australia is forecasting **milk** production of 9.0-9.2 **billion** litres for the 2013/14 season.

"Poor weather has been a constraining factor, particularly in northern regions, as have lower in-calf rates and pasture damage," **Dairy** Australia commercial and research analysis manager Norman Repacholi said.

"But as the season progresses, confidence will likely **firm** with the farm gate price and this will provide the latitude to capture some production opportunities," Mr Repacholi said.

"Processors will attempt to adjust product mix to maximise returns where contractual arrangements permit, still, lower than expected production could mean delays in fulfilling orders.

"At the same time, producers focused on Australia's domestic market have not seen the same, if any jump in **milk** price as those experienced by **dairy** producers in export focused regions. They are also still facing cost pressures as a result of unfavourable weather or tight regional hay and grain supplies," he said.

Mr Repacholi said Australian **dairy** heifer exports were still in high demand, with live cattle exports up 12 per cent to about 85,000 head in the year to November 2013, with **China** the major buyer (79 per cent) followed by Pakistan (10 per cent) and Russia (4 per cent).

On global currency movements, the weaker Australian dollar is likely to place upward price pressure on imports such as fertiliser, fuel and grain prices.

"Despite last season's challenges, Australian **dairy** has scored international headlines with the competition to **acquire** Warrnambool **Cheese** and **Butter** (WCB) and a rush of other major transactions," Mr Repacholi said.

"The intense **business** interest in the potential of Australian **dairy** in the region reinforces how well regarded our sector is for its quality produce."

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