

SE Lifestyle
HD Demand boosts milk prices

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Robust global demand has pushed up farmgate milk prices by about 25 per cent compared to last season.

This is one of the key messages in the latest Dairy Australia Situation and Outlook Update report released this week.

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The report says the overall outlook for global demand for dairy, particularly in China, remains strong.

However, despite the overall positive trends, the report says increased cash flow for dairy farmers is now being directed to creditor payment and debt retirement.

Global dairy demand remains on a steady footing, despite pricing at near record levels.

Production shortfalls in China and Russia have boosted import demand in those markets.

Southeast Asia is showing steady growth, despite localised challenges, and exports to South Korea should benefit from the new Korea-Australia Free Trade Agreement, once it is implemented.

Across the country, milk production this season is so far lagging behind 2012-2013 levels.

However, once the full year results are in, production is expected to be at similar levels, or slightly lower than the 2012-2013 season.

Dairy Australia is forecasting milk production of 9-9.2 billion litres for the 2013-2014 season, which is down by between 0-2 per cent.

Dairy Australia commercial and research analysis manager Norman Repacholi said poor weather had been a factor, particularly in northern regions, as well as lower in-calf rates and pasture damage.

"But as the season progresses, confidence will likely firm with the farmgate 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, however, still lower-than-expected production could mean delays in fulfilling orders." Producers focused on Australia's domestic market have not seen the same milk-price increases.

Mr Repacholi said they were also still facing cost pressures as a result of unfavourable weather, or tight, regional hay and grain supplies.

Dairy heifer exports are still in high demand, with live cattle exports up 12 per cent to about 85,000 head in the year to November 2013.

China is a major buyer with 79 per cent, followed by Pakistan with 10 per cent and Russia with four per cent.

The weaker Australian dollar is likely to place upward price pressure on imports such as fertiliser and fuel.

"Australia's supermarket **milk** and **dairy** spreads, volumes and values are remaining stable, **cheese** volumes are up, but discounting of chilled, block cheeses has shown a slight decline in the total category value," Mr Repacholi said.

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