

SE DairyPage
 HD **Milk** demand is booming
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 WC 491 words
 PD 18 February 2014
 SN Country News
 SC MPCOUN
 PG M060
 LA English
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Australia's farm gate **milk** prices are up around 25 per cent on last season and the outlook for global demand for **dairy**, particularly in **China**, remains robust, according to **Dairy** Australia's Situation and Outlook Update report released last Wednesday in Moama.

The report finds despite the overall positive trends, increased cash flow for **dairy** farmers is being directed to creditor payment and debt retirement.

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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 import demand in those markets.

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

Australia's **milk** production trails 2012-13 in year-to-date data and is expected to finish the year at levels the same or slightly lower than those recorded in 2012-13, due largely to ongoing issues from the challenging second half of the year.

Dairy Australia is forecasting **milk** production of 9.0-9.2 **billion** litres for the 2013-14 season, a contraction of between 0-2 per cent.

"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.

"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."

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 (four 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.

“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** (WCB) 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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AN Document MPCOUN0020140217ea2i0000m