What is Dairy Australia?

– A farmer owned service organisation for the Australia dairy industry.
– Funded by farmer levies and Federal Government funding.
– Objective is to grow an internationally competitive, innovative and sustainable dairy industry.
Australian Dairy Industry - overview

- 6,102 dairy farms
- 1,663,000 dairy cows
- Average dairy herd 273 cows
- Average production per cow 5,669 litres p/a
- Raw milk production: 9,539 m litres
- Milk powders: 321,900 tonnes
- Cheese production: 344,300 tonnes
- Butter production: 118,600 tonnes
Australian Dairy Industry - overview

• Australia’s third largest rural industry
• A $13.5 billion ($US9.5 billion) farm, manufacturing and export industry
• 9.7 billion litres of milk produced in 2014/15
• About 34% of Australia’s milk is exported
• Around A$3 billion (US$2.1 billion) in exports annually
• Australia produces 2% of global dairy production
• and supplies 6% of global traded dairy
Australian Dairy Industry – situation review

- 2015/16 was a tough season for Australian dairy farmers
- Persistent low prices in international dairy commodity markets
- Late season farm-gate price step downs impacted many farmers in April 2016
- Followed by low opening farm gate prices announced in July 2016 for this season
- Margins are tight (or even negative) for many Australian dairy farmers
- Farmer confidence has been hit
- Production volumes are being impacted,
- Total milk production is forecast to be down 6% to 8% for this season (to June 2017)
- Some dairy manufacturing sites to be closed
How have farmers reacted?

• by seeking to reduce operating and input costs
• some farmers have reduced their herd size
• some have moved to new supply agreements
• some have even left the industry
• but most farmers are continuing to produce high quality dairy
Australian Dairy Industry - outlook

- Production decline partially moderated by more favorable conditions this season
- Global markets are recovering
- A period of consolidation is likely
- Better returns gradually reaching the farm gate
- Farmer margins gradually recovering into 2017/18
- Production volume will partially recover in 2017/18
- Short term confidence has improved
- But full recovery will take more time
- Securing milk supply will continue to be a key challenge for processors
Global dairy situation – supply and demand
World dairy production: cow’s milk

mln tonnes

CAGR '00-'15: +2.2%

+2.0%

490 548 606 661 674
Top producers of cow’s milk

Cow’s milk production growth in 2015

<table>
<thead>
<tr>
<th>Country</th>
<th>2015</th>
<th>Growth '14-'15</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU 28</td>
<td>163.3</td>
<td>+2.0%</td>
</tr>
<tr>
<td>Germany</td>
<td>32.7</td>
<td>+0.9%</td>
</tr>
<tr>
<td>France</td>
<td>25.8</td>
<td>+0.5%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>15.4</td>
<td>+2.6%</td>
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<tr>
<td>Netherlands</td>
<td>13.5</td>
<td>+6.8%</td>
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<tr>
<td>Poland</td>
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<tr>
<td>USA</td>
<td>94.6</td>
<td>+1.3%</td>
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<tr>
<td>India</td>
<td>73.7</td>
<td>+10.9%</td>
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<tr>
<td>China</td>
<td>37.5</td>
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<tr>
<td>Brazil</td>
<td>35.3</td>
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<tr>
<td>Russia</td>
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<tr>
<td>New Zealand</td>
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<tr>
<td>Turkey</td>
<td>16.9</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>15.5</td>
<td>+3.8%</td>
</tr>
<tr>
<td>Mexico</td>
<td>11.7</td>
<td>+2.4%</td>
</tr>
<tr>
<td>Argentina</td>
<td>11.7</td>
<td>+2.8%</td>
</tr>
<tr>
<td>Ukraine</td>
<td>10.4</td>
<td>-4.6%</td>
</tr>
</tbody>
</table>

World dairy trade: only 8% of total production
World dairy consumption

Source: IDF 2016
Global dairy demand – who is buying?

Modest recovery in volumes; varies by market

Source: Dairy Australia, GTIS
International dairy commodity prices

US$/tonne FOB

- Butter
- SMP
- WMP
- Cheddar
Australia – a dairy supplier
Australian dairy - consumption and utilisation

Australian consumption and exports (milk equivalents)
- Domestic consumption: 66%
- Exported: 34%

Utilisation of Australian milk in 2014/15
- SMP/Butter: 27%
- WMP: 25%
- Cheese: 9%
- Drinking milk: 8%
- Other: 31%
Australian dairy exports 2015/16 (tonnes)

- South East Asia: 296,510 (36%)
- North Asia: 325,539 (40%)
- South Asia: 33,826 (4%)
- Middle East: 58,825 (7%)
- Africa: 19,774 (2%)
- Americas: 22,340 (3%)
- Europe: 2,287 (0%)
- NŽ & Pacific: 57,842 (7%)
- Indonesia: 60,727
- Malaysia: 58,147
- Philippines: 40,246
- Thailand: 27,047
- Vietnam: 24,552
Australia – a dairy supplier

- Quality assurance
- Food safety systems and standards
- Halal certified capability
- Pasture based farming systems
- Year round milk supply
Australia – a dairy supplier

Range, diversity & flexibility of manufacturing & production
Who makes what

Visit dairyaustralia.com.au > Industry information > Who makes what

Here you can search for information on:

- manufacturers
- products
- exporters
- traders
- Halal accreditation
Thank you