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# New Zealand and Australia Dairy Industry Update

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Big  
differences  
in scale



## Dairy commodity market prices

	NZ	Australia	Russia
Land area (thousand km <sup>2</sup> )	262	7,634	17,100
Population (millions)	4.7	25	144
Dairy cows (millions)	5	1.6	8
Exports portion of dairy production	95%	30%	nil



Big  
differences  
in scale

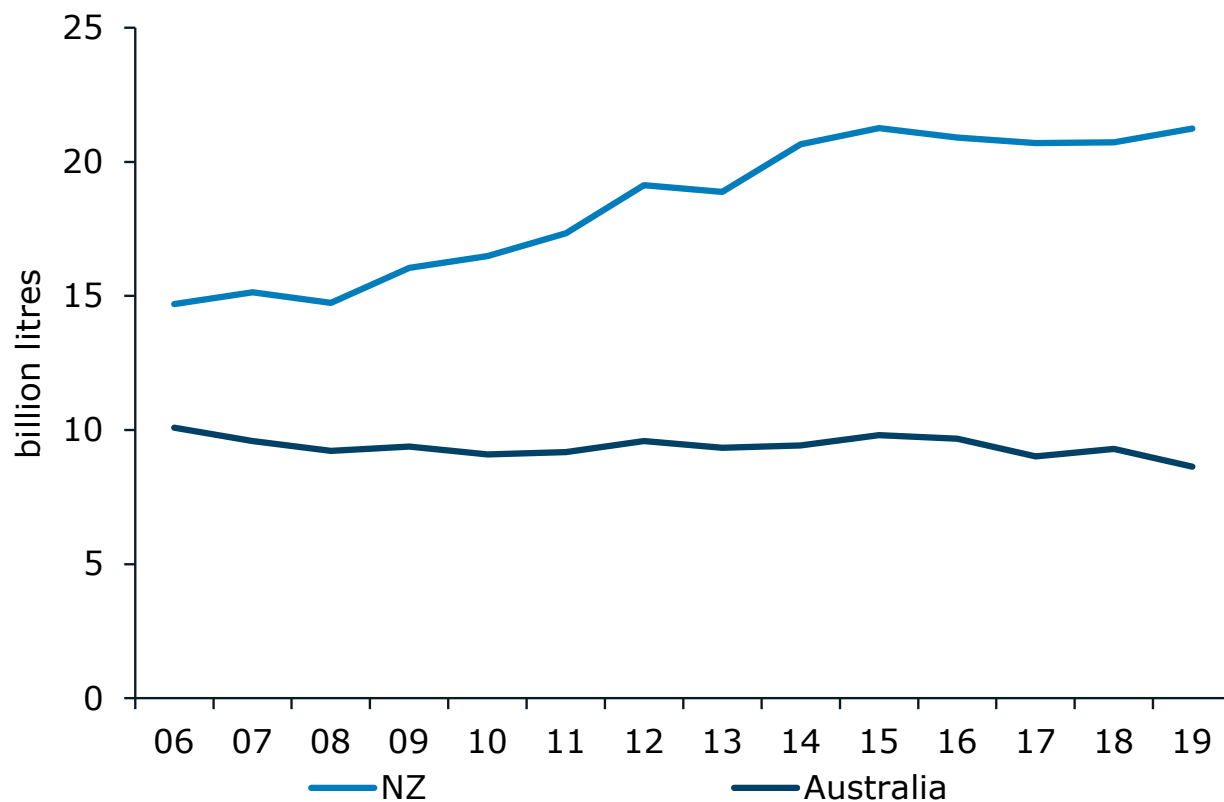


## Dairy industry facts

	NZ	Australia
Milk production (million litres)	20,700	9,289
Dairy cows (milking age)	4,990,000	1,600,000
Dairy farms (number)	11,590	5,700
Average farm size (hectares)	151	368
Average herd size (cows)	431	273
Litres per cow per year	4150	6070
Number employees (farm and processing)	46,000	42,600
Area used for dairying (million ha)	1,750,000	2,100,000

Growth in  
output has  
stalled

## Milk production trend



Source: DCANZ, Dairy Australia

# Australia dairy industry

1 Milk production steadily falling due to higher returns from alternative land use

2 Milk prices moderate

- Domestic market accounts for 70% of milk ~ returns are low
- Australia has faced increased competition in export markets

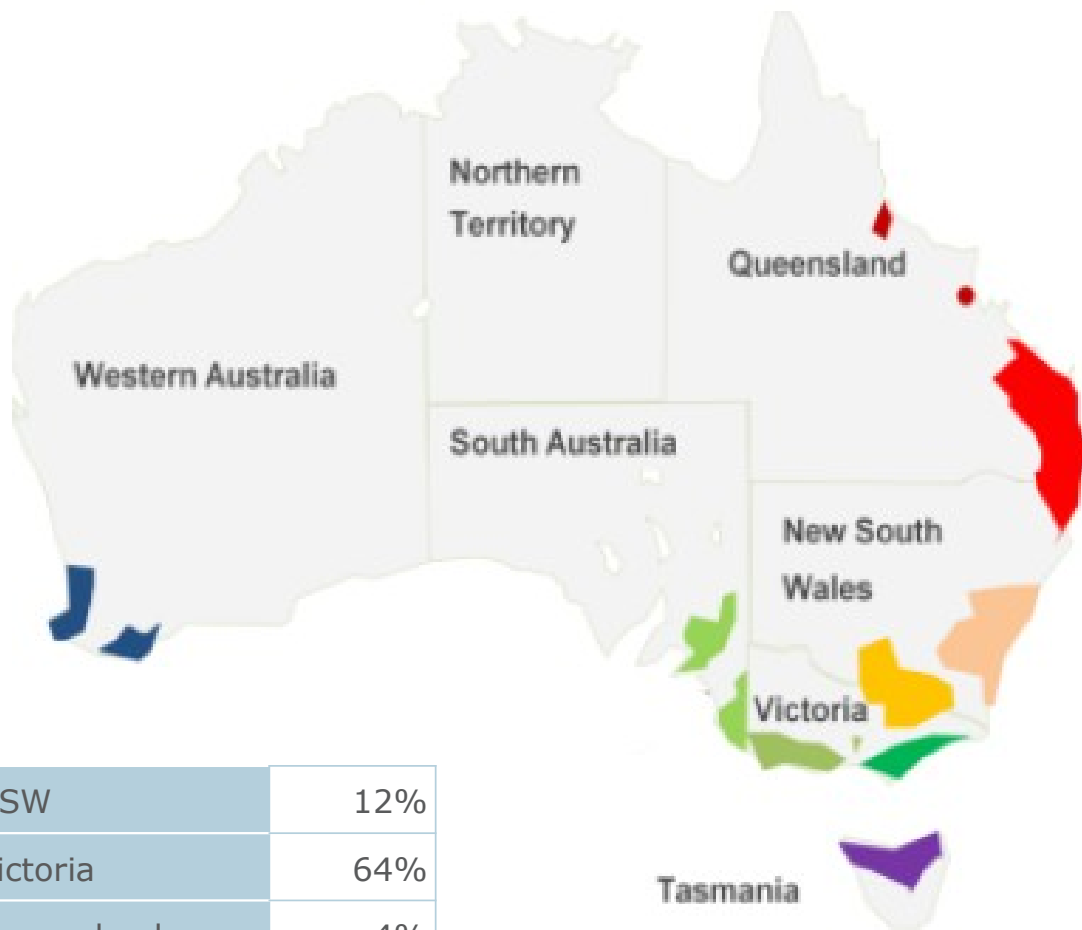
3 Farm operating costs rising

- Water / feed / labour

Victoria is  
main dairy  
region



## Distribution of Australia's milk production

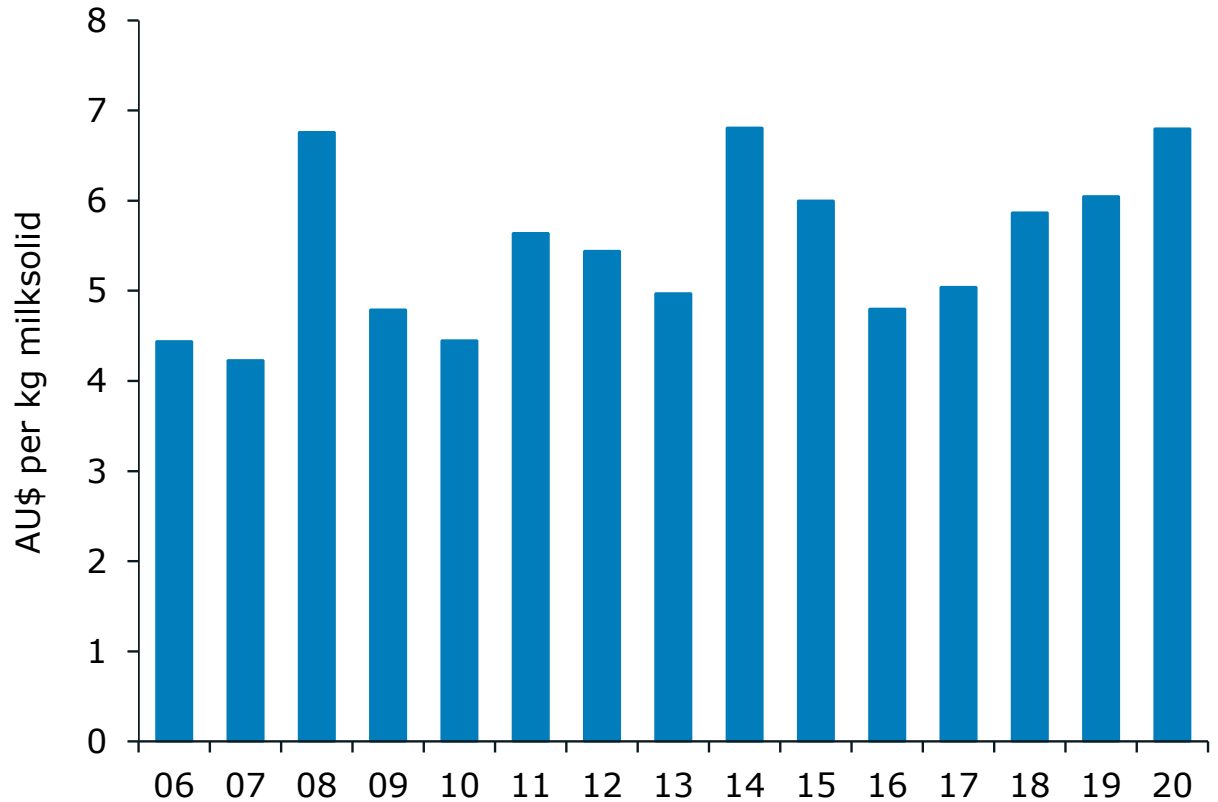


NSW	12%
Victoria	64%
Queensland	4%
South Australia	5%
Western Australia	4%
Tasmania	10%



Milk  
price

## Australia farmgate milk price Victoria region



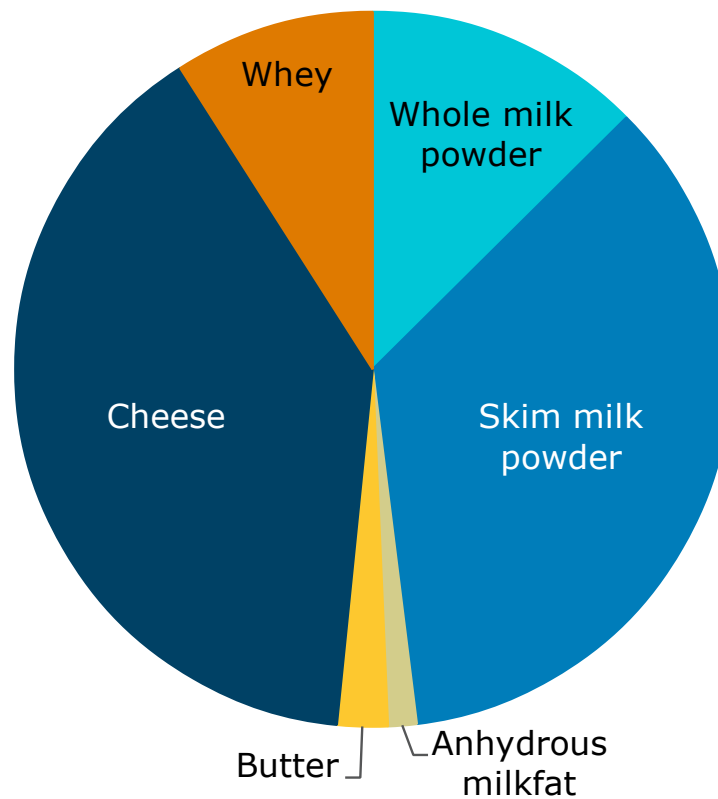
- Prices currently strong but industry still recovering from downturn

Source: Dairy Australia, Saputo

Cheese  
highest  
value export

## Australia dairy exports

### Product mix by volume

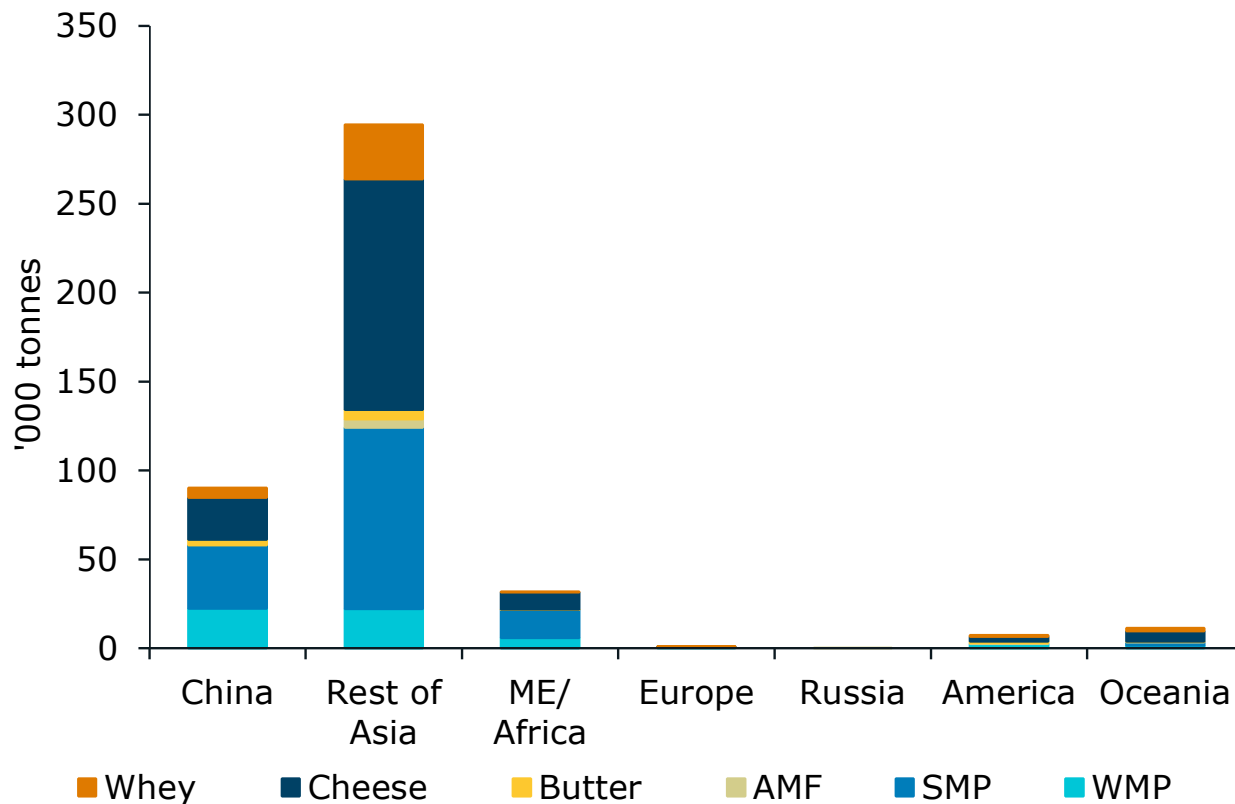


Source: GTIS



Japan major  
market for  
cheese

## Australia dairy export destinations By volume



Source: GTIS

# New Zealand dairy industry

1 Milk production now stabilising following rapid growth

2 Milk prices currently strong but large variation from season to season

- Fully reliant on the export market

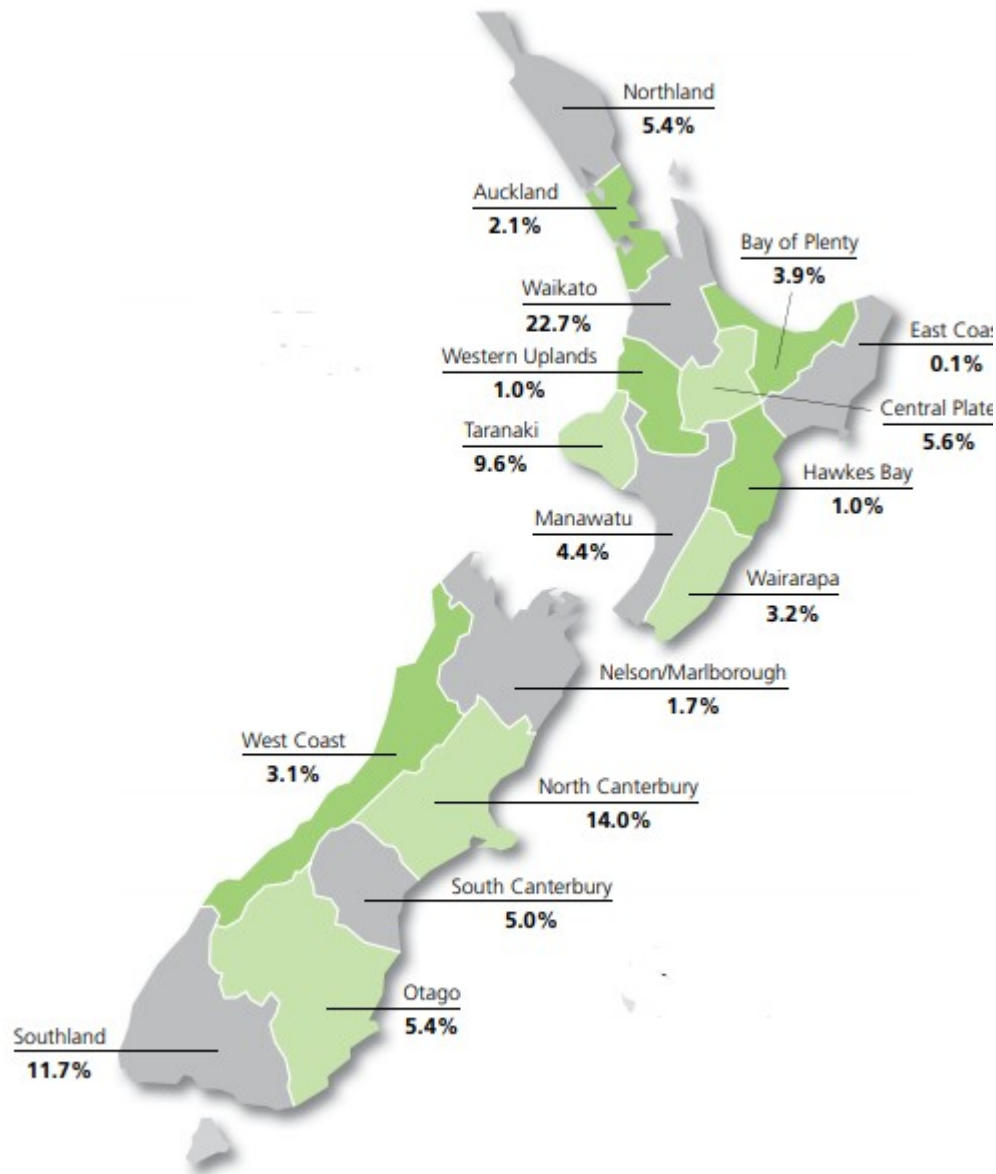
3 Farm operating costs rising

- Feed / labour / environmental costs
  - Nutrient and greenhouse gas emissions

North Island  
56% milk  
production

South Island  
44% milk  
production

## Distribution of New Zealand's dairy cows

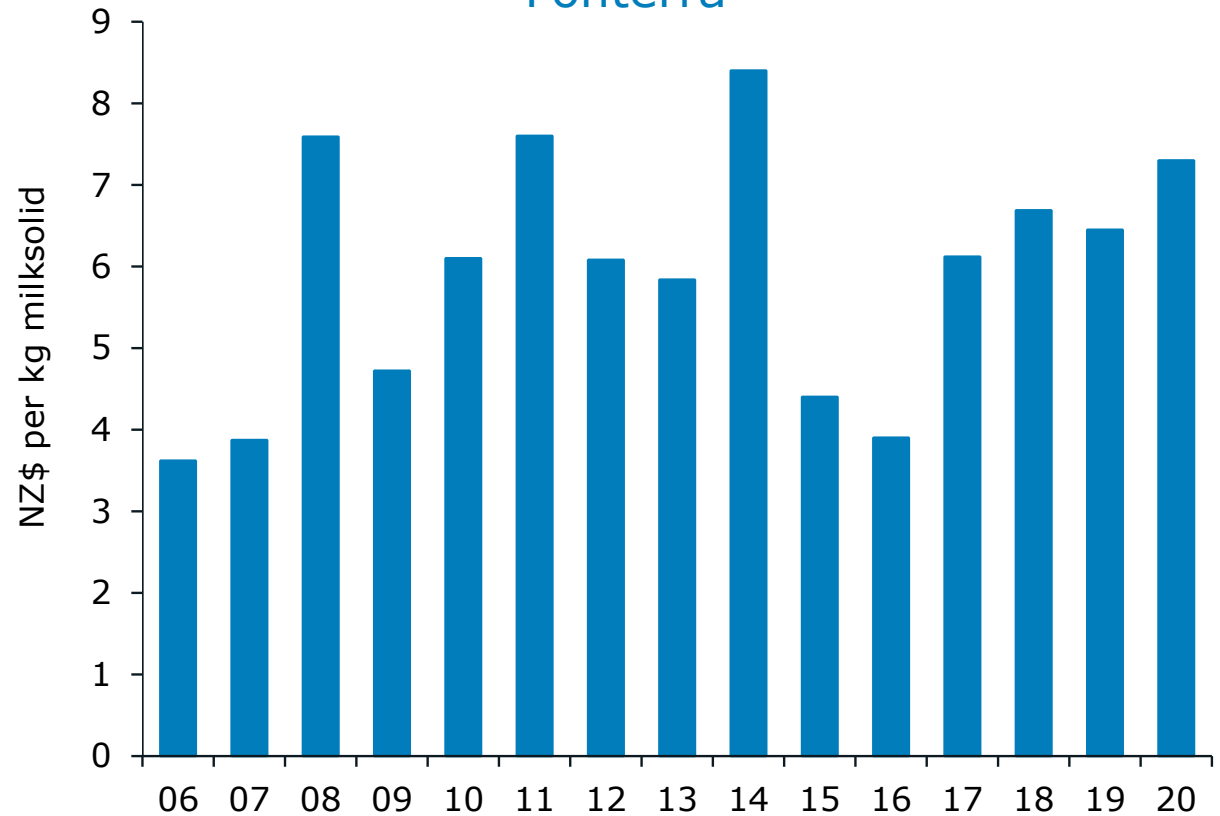




Global  
market  
drives milk  
price



## New Zealand farmgate milk price Fonterra



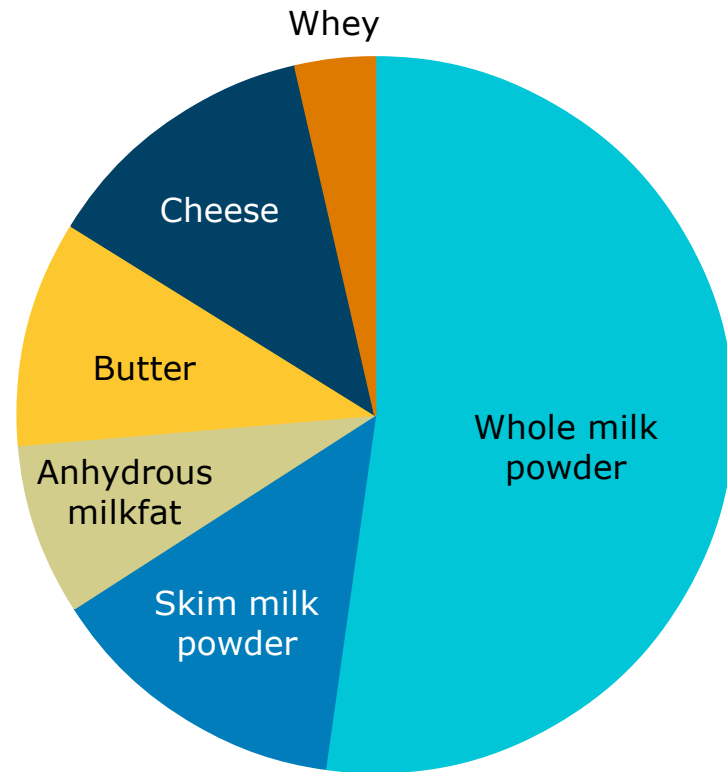
- Prices currently strong
- Large variation from season to season due to high exposure to global markets
- Cost of production ~ \$5/kg MS but large variation from farm to farm

Source: Fonterra

Product  
mix heavily  
weighted to  
WMP

## New Zealand dairy exports

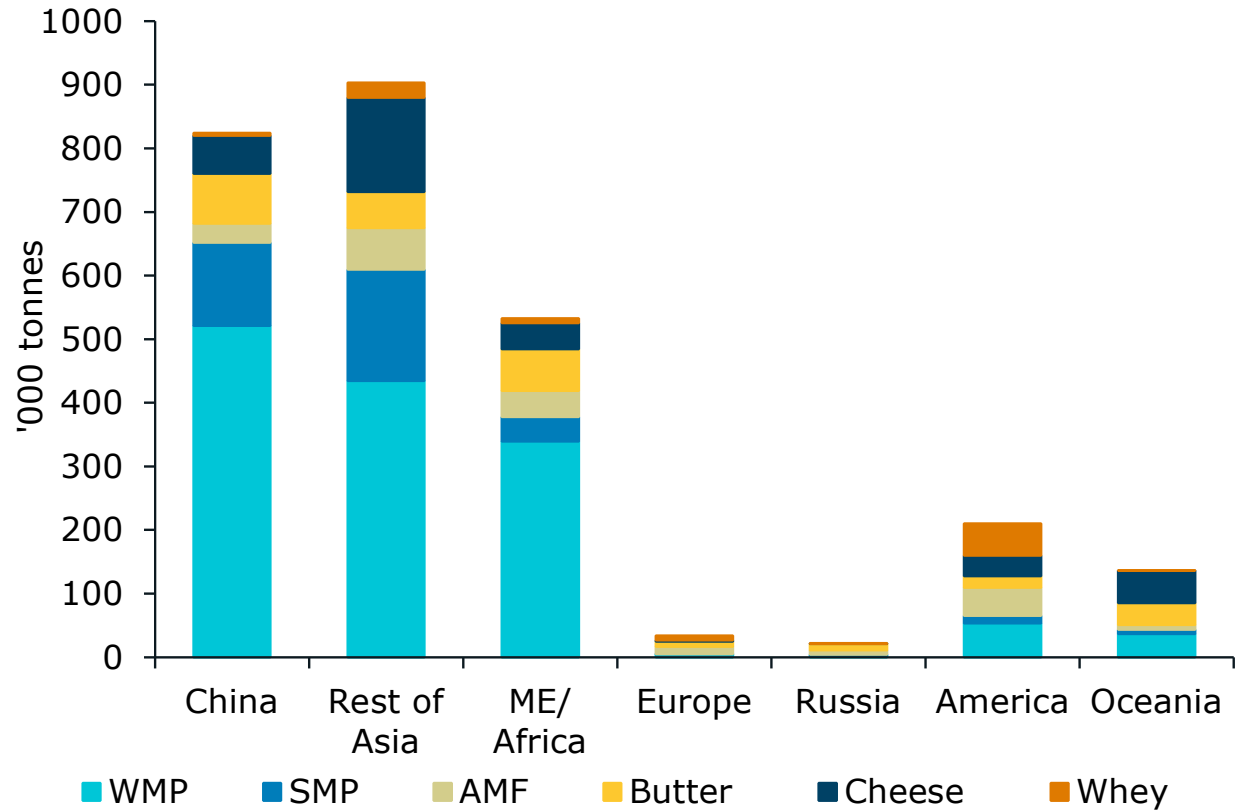
Product mix by volume



Source: GTIS

Asia main  
market

## New Zealand dairy export destinations By volume



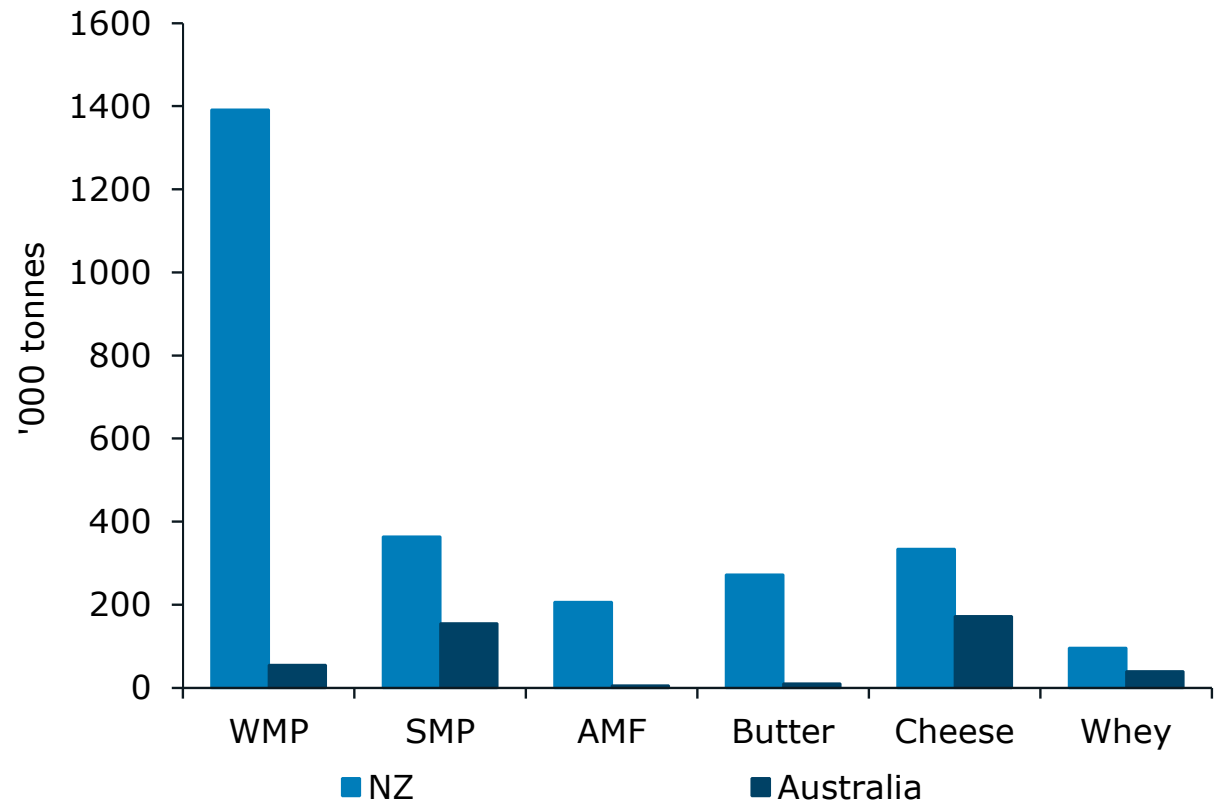
Source: GTIS



Asia main  
market

## New Zealand and Australia dairy exports

### Comparison of volumes



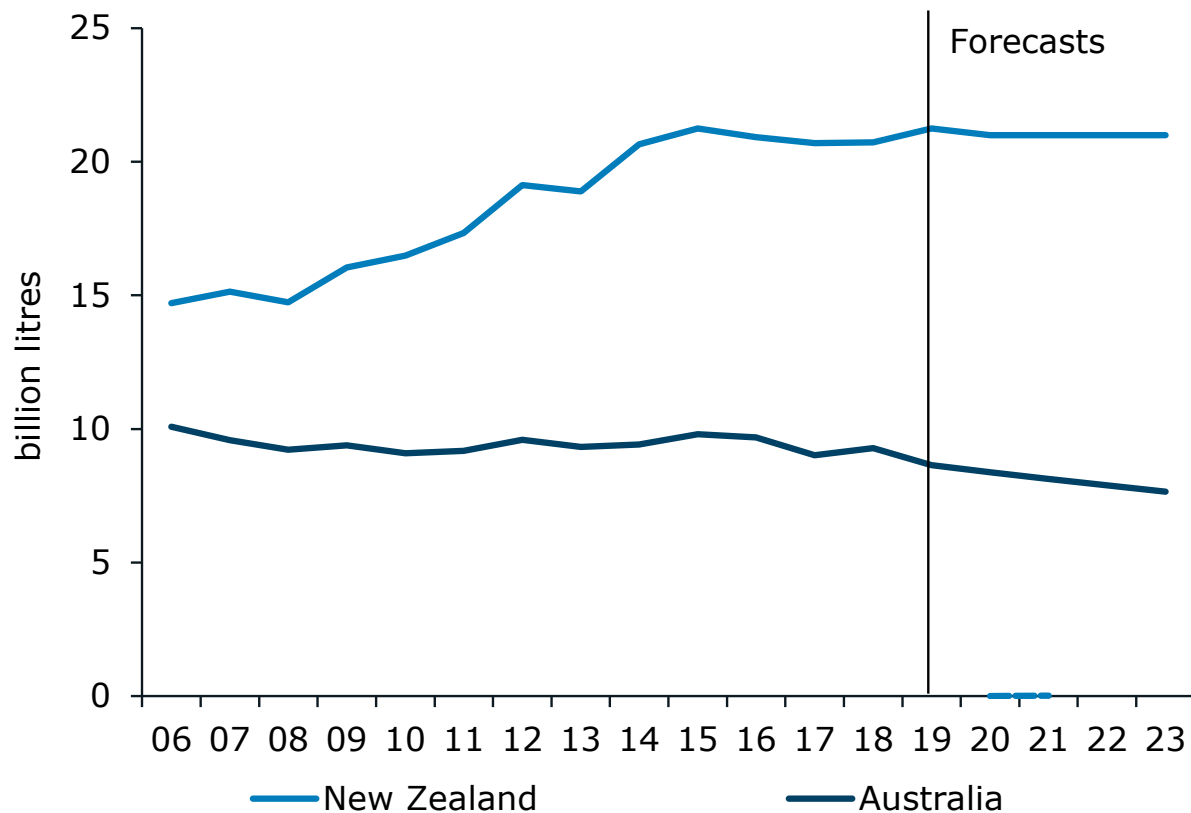
Source: GTIS

NZ  
production  
stable



Australia  
output to  
fall

## Milk production forecast




- NZ milk production stable – can't rely on NZ to continue to meet growing global demand
- Australia production to continue to trend down but Australia will remain self sufficient


## In summary...



Milk prices are strong but milk supply isn't growing.



Increasing costs of production are impacting farmer confidence.



Uncertainty associated with environmental changes is having the largest impact in New Zealand



In Australia regular droughts and rising costs are the biggest challenges.



# THANK YOU

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Presented by Susan Kilsby



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