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Dairy and Products

Annual

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Report Highlights:
Australian milk production reached 11,216 TMT in 1999/2000 and is forecast to reach 11,621 TMT in 2000/2001. Overall cheese production is forecast to increase about seven percent in 2000/2001 and cheese exports by about six percent. Butter production is forecast to increase around 5 percent in 2000/2001 and exports are forecast to increase about seven percent. Skim milk powder production was up about four percent in 1999/2000 to 265 TMT and whole milk powder (WMP) was up 31 percent in 1999/2000 to 190 TMT.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Australian milk production reached 11,216 TMT in 1999/2000. This seven percent production increase reflects excellent seasonal conditions in many dairying regions and four percent more cows in milk and a four percent increase in yield per cow. Continued strong supplemental feeding as a result of low grain prices will keep milk yields at near record levels.

Milk production for 2000/2001 is forecast by ABARE to reach 11.3 billion liters and is in line with post's forecast of 11,621 TMT. This represents an increase of 3.6 percent or around half the increase achieved the previous year. This is in line with a forecast increase of 2.8 percent in milk cow numbers.

The longer term outlook, as reported by ABARE, is for milk production to continue increasing to around 11,926 TMT by 2004/2005. This production increase is expected to be driven by continued increases in productivity as well as steadily increasing cow numbers.

Overall cheese production in 1999/2000 is estimated at 367 TMT, up 6 percent from the 320 TMT produced in 1998/99. Strong production growth was achieved in the round, shredding and hard grating types. Production is forecast to increase about seven percent in 2000/01 as abundant supplies of manufacturing milk are available at reduced prices. Over the medium term, ABARE projects cheese production to continue increasing to 414 TMT in 2004/05.

Australian cheese exports increased 6 percent in CY 1999 over the level reached in 1998. Asia remains the most important market with Japan by far the largest market. Australian cheese imports increased 13 percent in CY 1999 to 28,765 MT. New Zealand supplied 73 percent of imports with European countries supplying the remainder.

Butter production is estimated to have increased seven percent in 1999/2000 to 189 TMT. Butter production is forecast to increase around five percent in 2000/2001 while domestic consumption continues to stagnate and exports increase steadily.

Skim milk powder (SMP) production was up about four percent in 1999/2000 to 265 TMT. Large supplies of manufacturing milk and adequate export markets accounted for the increase. Production is expected to increase a further two percent in 2000/01 as large milk supplies continue and manufacturing milk prices remain weak. SMP exports increased about seven percent in CY 1999 to 219,744 MT. Asian markets make up the bulk of exports with the Philippines, Malaysia, Thailand and Japan taking over two thirds of exports.

Whole milk powder (WMP) production was up 31 percent in 1999/2000 to 190 TMT. WMP exports in CY 1998 were up 16 percent from the 1998 level, to a record 134,466 MT.

Dairy, Milk, Fluid

Production

PSD Table						
Country	Australia					
Commodity	Dairy, Milk, Fluid				(1000 HEAD)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Cows In Milk	2121	2155	2179	2238	0	2301
Cows Milk Production	10483	10483	11103	11216	0	11621
Other Milk Production	0	0	0	0	0	0
TOTAL Production	10483	10483	11103	11216	0	11621
Intra EC Imports	0	0	0	0	0	0
Other Imports	4	4	3	4	0	4
TOTAL Imports	4	4	3	4	0	4
TOTAL SUPPLY	10487	10487	11106	11220	0	11625
Intra EC Exports	0	0	0	0	0	0
Other Exports	83	83	85	86	0	87
TOTAL Exports	83	83	85	86	0	87
Fluid Use Dom. Consum.	1912	1989	1934	1987	0	2019
Factory Use Consum.	8492	8415	9087	9147	0	9519
Feed Use Dom. Consum.	0	0	0	0	0	0
TOTAL Dom. Consumption	10404	10404	11021	11134	0	11538
TOTAL DISTRIBUTION	10487	10487	11106	11220	0	11625
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

General

Australian milk production reached 11,216 TMT in 1999/2000. This seven percent production increase reflects excellent seasonal conditions in many dairying regions and four percent more cows in milk and a four percent increase in yield per cow. Continued strong supplemental feeding as a result of low grain prices will keep milk yields at near record levels.

Milk production for 2000/2001 is forecast by ABARE to reach 11.3 billion liters and is in line with post's forecast of 11,621 TMT. This represents an increase of 3.6 percent or around half the increase achieved the previous year. This is in line with a forecast increase of 2.8 percent in milk cow numbers.

The longer term outlook, as reported by ABARE, is for milk production to continue increasing to around 11,926 TMT by 2004/2005. This production increase is expected to be driven by continued increases in productivity as well as steadily increasing cow numbers.

Market milk arrangements prior to deregulation required producers in regulated states to meet certain production levels out of season, requiring larger herds to be maintained. The uncertainty caused by deregulation and falling market milk prices should see cow numbers relatively stable in 2000/01, before returning to a steady increase for the rest of the projection period ending 2004/05.

Supplemental feed use has been traditionally popular mainly in states that produce primarily for the fresh market, i.e., New South Wales, Queensland, and Western Australia. These states use supplemental feeding to boost production in the colder months when pasture growth has decreased. Victoria and Tasmania have seasonal-based production systems and therefore use less supplemental feeding. However, recent media reports have identified plans for specialist feedlot dairies located in the Riverina district of NSW. Increased efficiencies associated with intensive feeding of dairy cattle together with the current availability of feed grain is encouraging a continuation of the trend toward larger and more intensive dairies.

Irrigation is used in several areas to improve feed supply reliability. Much of the variability in production comes from Victoria and Tasmania with variation less pronounced in other states. Victoria accounts for over 63 percent of milk production, with New South Wales a distant second at about 13 percent of production.

The market milk sector is dominated by three companies accounting for about 80 percent of packaged milk sales (Pauls/Parmalat, National Foods, and Dairy Farmers Cooperative). Two Victorian cooperatives (Murray-Goulburn and Bonlac) account for about 45 percent of all milk intake and about 50 percent of all milk used in manufacturing.

There have only been very slight increases in the production of market milk in recent times with almost the entire increase in milk production entering manufacturing use. While market milk consumption is forecast by ABARE to increase by 1.6 percent in 2000/01, the long term projection is for an increase of around one percent per year to 2004/05.

About 75 percent of milk production is processed by dairy farmer owned cooperatives. There are 18 major milk manufacturing/processing firms in Australia, with the five largest cooperatives controlling around 70 percent of milk processing.

Productive Factors

The most recent Australian Dairy Corporation (ADC) figures put the number of dairies in Australia at 12,888 in 1999/2000, down from 30,630 in 1974/1975. Over approximately the same time according to the ADC, the average herd size has increased from 77 milking cows per dairy in 1975 to 161 in 1998/1999.

The Dairy Adjustment Program offered by the GOA (as part of deregulation) allows for producers to be paid exit assistance provided they meet specific criteria. It is not known at this stage how many producers are eligible for exit assistance and how many will choose to leave the industry should they be eligible. While some sources report that this figure could be as high as 5,000, Government sources suggest this figure is likely to be around 650 or five percent of all Australian dairies.

Milk production per cow has been increasing through genetic improvement, pasture improvement, increased grain feeding and livestock management. This trend is reflected in the following table.

Year	Yield (l/cow)
1997/98	4682
1998/99	4723
1999/00 (e)	4866
2000/2001 (f)	4904

Source: ABARE

Australia still has a predominantly pasture based production system, but supplemental feeding is increasingly practiced throughout the country. ABARE surveys indicate that the average quantities purchased of both concentrates and grain more than doubled in the 1990s to 56 and 83 tons per farm respectively in 1997-98.

The percentage of farmers that have had a soil test increased from 60 percent in 1991-92 to over 80 percent of farmers in 1997-98. Over half of farmers indicated that they changed their fertilizer management after having a soil test. These improved practices are reflected in the following indicators of productivity.

Productivity	unit	1991/92	1995/96	1997/98	1999/2000 (e)
milk per cow	liters	4096	4705	4682	4866
per dairy hectare	liters	4995	6043	6997	8203
milk per week labor	liters	3950	4909	5298	7021

Production Mix

On farm cost and income structures vary considerably between states. Much of this variability can be explained by the historical regulation of market milk. In New South Wales, Queensland and Western Australia, most farms held a drinking milk quota which while providing them with a fixed price for milk, required them to produce milk all year round. As a result, income and input costs were generally higher. In Victoria and Tasmania, drinking milk is less significant and milk production is more seasonal.

In recent years there has been profound change in the dairy processing sector. Mergers, acquisitions, and alliances have been numerous. The process of rationalization has been facilitated by improvements in transport, storage and handling processes which have reduced the need for the production and processing of milk close to markets. The number of factories, the number of people employed and the number of farmers have all declined substantially. Between 1992 and 1998, 15 factories taking milk off farms in NSW and eight taking milk off farms in Queensland closed. The remaining factories were larger and better capitalized. The scale of rationalization is illustrated by the fact that the five largest firms now account for approximately 75 percent of milk processed. Ten years ago the largest five firms accounted for about 50 percent of milk processed. At the same time, there has also been an increase in the number of small niche market producers of specialty products such as cheese and yogurt.

Now that deregulation has occurred, the industry restructuring process will accelerate. The two major processors, Murray-Goulburn and Bonlac argue that regulation distorted investment decisions at both the farm and manufacturing levels and increased the cost of production. Now that the milk market is deregulated, there will be additional competition for the fresh milk market and production will migrate to low cost producing regions.

The average price of manufacturing milk in 1999/2000 is estimated by ABARE to have been 20.8 Australian cents/liter and the average price of market milk was around 52.5 Australian cents/liter. The price of manufacturing milk is forecast to increase to 22 Australian cents/liter in 2000/2001 while the contracted price for drinking milk (market milk) is expected to range between 25 and 28 Australian cents/liter.

Consumption

The domestic market for dairy products is a mature one with little room for significant growth. Expectations are that overall consumption of dairy products will only increase about one percent per year.

Between 1985/86 and 1998/1999, per capita milk consumption has remained within a relatively narrow range of 102 to 106 liters per year. The composition of fluid milk consumption has changed substantially with plain white milk consumption falling from 88 liters per capita in 1985/86 to 59 liters per capita in 1998/99. Low and reduced fat consumption has increased from six liters per year in 1985/86 to an estimated 26 liters per year in 1998/99. UHT (long life) milk consumption has more than doubled in recent times. Deregulation of the drinking milk market is expected to encourage further product differentiation and innovation.

During 1998/99 modified milks increased their market share to just over 25 percent. Plain white milk's share of the fluid market was only 57.8 percent in 1998/99. Sales of milk offering various fat, calcium and lactose contents have continued to increase and make up a small but growing proportion of the total milk market. Aggressive marketing campaigns and new product launches have led to a growth, albeit from a low base, in sales of flavored milk.

Increased consumption of yogurt and fresh dairy desserts has been one of the bright spots in the fresh category. In 1998/99 consumption of these two products increased 9.6 percent and 4.8 percent, respectively. Retail sales of yogurt were estimated at 101 TMT in 1998/99 with eating yogurt estimated at 98 TMT and drinking yogurt at 3,265 tons.

Trade

Import Trade Matrix			
Country	Australia		
Commodity	Dairy, Milk, Fluid		
Time period	Jan - Dec	Units:	MT
Imports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
New Zealand	3126	New Zealand	3474
Thailand	1		
Total for Others	3127		3474
Others not Listed	1		197
Grand Total	3128		3671

Export Trade Matrix			
Country	Australia		
Commodity	Dairy, Milk, Fluid		
Time period	Jan - Dec	Units:	MT
Exports for:	1998		1999
U.S.	57	U.S.	0
Others		Others	
Hong Kong	23981	Hong Kong	24448
Singapore	17354	Singapore	19416
The Philippines	7161	The Philippines	8375
Papua New Guinea	3562	China	4539
China	2999	American Samoa	3471
Vietnam	2855	Papua New Guinea	2950
American Samoa	2826	Vietnam	2490
Russian Federation	2218	Rep. of Korea	1995
Malaysia	1266	Malaysia	1703
Western Samoa	1106	Indonesia	1421
Total for Others	65328		70808
Others not Listed	6226		8244
Grand Total	71611		79052

Australia exports about 50 percent of annual milk production in fresh milk and in the milk-equivalent of manufactured products. In recent years, increasing volumes of milk and short shelf-life products have been exported to the growing retail markets in Asia. Almost 70 percent of milk exports are UHT. Hong Kong, Singapore and the Philippines accounted for exactly two-thirds of fluid milk exports in 1999. Fluid milk exports increased by over 10 percent CY 1999 to 79,052 MT. This increase in exports reflects economic recovery in Asian markets and the low value of the Australian currency. Imports of fluid milk increased from 3,128 MT in CY 1997 to 3,671 MT in CY 1999, an increase of 17 percent on the previous year. Imports from New Zealand represent 95 percent of total imports.

Over 80 percent of Australian dairy exports are sold in Asia, mostly as bulk powders and bulk cheese for further processing by manufacturers and the food service industry. The weakness in the Australian dollar has been one of the key factors behind the continuing strong export showing over the past year.

Policy

The Australian dairy market was largely deregulated on July 1, 2000. Prior to that date, the Australian domestic market milk was regulated by state arrangements and manufacturing milk was supported by the Domestic Market Support Fund (See AS0017, AS9052 for further details). In recognition of the fact that deregulation could have major impacts on producers and communities, the Commonwealth responded with an $A1.78 billion restructuring package. Of this, $A1.63 billion was allocated to the Dairy Structural Adjustment Program (DSAP) administered by the newly created Dairy Adjustment Authority (DAA). Also included in the package was a $A 30 million Dairy Exit Program (DEP) and a $A45 million Dairy Regional Assistance Package (DRAP).

Australia's 12,888 dairy farmers were required to undertake a Farm Business Assessment and to have a qualified financial advisor sign the declaration that accompanied the application form. Individual producer entitlements are based on 1998-99 milk deliveries at the rate of 46.23 cents a liter for market milk and 8.96 cents a liter for manufacturing milk. Payments would be paid quarterly over eight years. Exit payments of up to $45,000 would also be available for farmers who choose to leave dairying. The program is financed by a Commonwealth levy of 11 cents per liter on retail sales of drinking milk.

Marketing

The Australian Dairy Corporation (ADC) is a statutory marketing authority that operates under the Dairy Produce Act 1986. The major responsibilities of the ADC include generic promotion, trade access, market intelligence, and the administration of the domestic market support scheme.

The ADC uses the "Australian Dairy Mark", introduced in 1989, to differentiate Australian products from competitors. The mark offers brand marketers using the logo on the product the opportunity of direct association with the positive images of the ADC's advertising and promotional material.

The removal of the guaranteed producer price for fresh milk is being felt from the supermarket to the corner store to the dairy shed. The first major action was initiated by Woolworths with a national tender to supply it with fresh milk. The tender was awarded at prices far below those prior to deregulation. The reduced cost for milk allowed Woolworth to slash the price of its own brand of milk by a reported 27 cents a liter in Victoria and 7 cents a liter in NSW. Coles and Franklins, the second and third largest supermarkets in Australia, quickly followed by reducing prices for their own brand milk. It should be noted that the reduced price included 11 cents mandated to pay for the restructuring program. Thus in some cases over 35 cents per liter has been cut from margins somewhere along the marketing chain-retail, processing and farm. ABARE reports have indicated that the prices paid to farmers by processors are averaging between 26 and 35 cents a liter.

The battle is clearly on for market dominance in the fluid milk market. Expectations are that retailers will gain market share at the expense of convenience stores and processors branded milk. Supermarkets want to maximize sales of their own brands as this would give them greater control of input pricing and sourcing of milk e.g., only the co-operative National Foods Ltd can supply the Pura Milk brand.

While supermarkets have agreed to source milk in the state they are supplying, this could change if prices begin to diverge between states. One of the likely consequences of deregulation is the further concentration of the industry to help them offset some of the market power of the retail giants. Thus it is likely that the big three-National Foods, Dairy Farmers and Parmalat will eventually become only two. Recently New Zealand's largest dairy company, New Zealand Dairy Group, has made a foray into the Australian market by purchasing significant shares of National Foods, which is listed on the Australian Stock Exchange. This has lead to some speculation that the continuing rationalization might include alliances between major New Zealand and Australian dairy interests. The fallout from deregulation has clearly not run its course and significant developments are expected over the coming year.

Prices

In the June quarter of 2000, the price of a one liter carton of milk in supermarkets ranged from $A1.23 in Canberra to $A1.50 in Melbourne.

Returns to dairy farmers (Aust. cents/liter) for market and manufacturing milk and retail prices for market milk (Aust. cents/liter) are presented in the following table.

Year	Price			
	Manufacturing	Market	Average	Retail
1995/96	26.0	50.4	31.1	113
1996/97	24.0	51.0	29.6	115
1997/98	23.9	52.0	29.4	118
1998/99	23.0	52.0	28.9	116
1999/00	21.0	52.5	27.0	122
2000/01 (f)	22.0	30.6	23.8	115

Exchange rate US$ 1.00= A$ 1.92 10/19/2000

SOURCE: ABARE/Australian Bureau of Statistics (Sydney retail price is for the June quarter of given year i.e. June 99 for 98/99 year)

World dairy prices are expected to improve significantly in 2000/01 due to an improved outlook for world economic growth. Increased demand has provided a particularly favorable outlook for milk powders with the only constraint being increased production in most dairy producing countries.

Cheese

Production

PSD Table						
Country	Australia					
Commodity	Dairy, Cheese				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Beginning Stocks	73	73	32	47	22	20
Production	312	320	353	367	0	394
Intra EC Imports	0	0	0	0	0	0
Other Imports	26	33	29	38	0	40
TOTAL Imports	26	33	29	38	0	40
TOTAL SUPPLY	411	426	414	452	22	454
Intra EC Exports	0	0	0	0	0	0
Other Exports	172	172	182	222	0	230
TOTAL Exports	172	172	182	222	0	230
Human Dom. Consumption	207	207	210	210	0	213
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	207	207	210	210	0	213
TOTAL Use	379	379	392	432	0	443
Ending Stocks	32	47	22	20	0	11
TOTAL DISTRIBUTION	411	426	414	452	0	454
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	8	8	9	10	0	11

Overall cheese production in 1999/2000 is estimated at 367 TMT, up 6 percent from the 320 TMT produced in 1998/99. Strong production growth was achieved in the round, shredding and hard grating types. Production is forecast to increase about seven percent in 2000/01 as abundant supplies of manufacturing milk are available at reduced prices. Over the medium term, ABARE projects cheese production to continue increasing to 414 TMT in 2004/05.

While cheddar production (both natural and processed) continues to dominate Australian cheese production, other cheese categories have shown considerable growth. The major growth categories include fresh (e.g., cream, cottage, ricotta) pizza (e.g., mozzarella) and hard grating (Parmesan, Romano) types. The increased sales of pizza and hard grating types reflect increased in-home consumption of Italian style meals.

Sales of generic lines of cheese are an important sector of the domestic cheese market. Generic cheese sales account for around 25 percent of total cheese sales and around 30 percent of the natural cheddar cheese. The price differential between branded and generic continues to narrow.

Trade

Import Trade Matrix			
Country	Australia		
Commodity	Dairy, Cheese		
Time period	Jan - Dec	Units:	MT
Imports for:	1998		1999
U.S.	47	U.S.	14
Others		Others	
New Zealand	16711	New Zealand	20953
Italy	1609	Italy	1712
Norway	1462	Norway	1351
The Netherlands	1124	The Netherlands	966
Denmark	1056	Greece	918
Greece	914	Bulgaria	862
Bulgaria	833	Denmark	768
Germany	324	France	338
France	317	Germany	301
United Kingdom	115	Romania	109
Total for Others	24465		28278
Others not Listed	439		473
Grand Total	24951		28765

Export Trade Matrix			
Country	Australia		
Commodity	Dairy, Cheese		
Time period	Jan - Dec	Units:	MT
Exports for:	1998		1999
U.S.	8424	U.S.	10401
Others		Others	
Japan	72804	Japan	67472
Saudi Arabia	13077	The Netherlands	16523
The Netherlands	7117	Saudi Arabia	12485
The Philippines	6747	Rep. of Korea	10978
Rep. of Korea	6179	Algeria	6323
Algeria	5680	The Philippines	5425
United Kingdom	4638	United Kingdom	5419
Belgium	3570	Egypt	3646
Trinidad	3519	Mexico	2924
Mexico	2460	Taiwan	2363
Total for Others	125791		133558
Others not Listed	33400		32997
Grand Total	167615		176956

Australian cheese exports increased 6 percent in CY 1999 over the level reached in 1998. Asia remains the most important market with Japan by far the largest market. Japan imported 67,472 MT of Australian cheese or over 38 percent of all exports. Exports to the US were up 23 percent to 10,401 MT. Exports are likely to continue strong with large supplies of low priced manufacturing milk available to processors. ABARE projects total cheese exports of 220,000 MT in 2004/05.

Australian cheese imports increased 13 percent in CY 1999 to 28,765 MT. New Zealand supplied 73 percent of imports with European countries supplying the remainder.

Butter

Production

PSD Table						
Country	Australia					
Commodity	Dairy, Butter				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Beginning Stocks	16	16	34	21	46	20
Production	175	176	184	189	0	199
Intra EC Imports	0	0	0	0	0	0
Other Imports	7	6	10	10	0	11
TOTAL Imports	7	6	10	10	0	11
TOTAL SUPPLY	198	198	228	220	46	230
Intra EC Exports	0	0	0	0	0	0
Other Exports	104	117	121	139	0	149
TOTAL Exports	104	117	121	139	0	149
Domestic Consumption	60	60	61	61	0	61
TOTAL Use	164	177	182	200	0	210
Ending Stocks	34	21	46	20	0	20
TOTAL DISTRIBUTION	198	198	228	220	0	230
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	5	5	3	3	0	0

Butter production is estimated to have increased seven percent in 1999/2000 to 189 TMT. Butter production is forecast to increase around five percent in 2000/2001 while domestic consumption continues to stagnate and exports increase steadily.

Consumption

Per capita consumption of butter has stabilized around three kilograms per year after declining for a number of years. The introduction of butter and vegetable oil based dairy blends, which are lower in saturated fat and easier to spread, has been a major factor in this trend. The overall table spread market reportedly fell from 135 TMT in 1993/94 to 119 TMT in 1998/99. The margarine retail market also reportedly fell from 98 TMT to 84 TMT over that same period of time. Butter also suffers from a price disadvantage as margarine remains substantially cheaper. Promotion has involved highlighting the natural attributes of butter compared to margarine and other spreads. Branded products have increased their market share at the expense of generic lines in all segments which has been attributed to the narrowing of the price differential between branded and generic lines.

Butter production in 1999/00 is estimated to have increased around seven percent to 189 TMT, however, ABARE's long term projection is for slight growth in butter production.

Trade

Import Trade Matrix			
Country	Australia		
Commodity	Dairy, Butter		
Time period	Jan - Dec	Units:	MT
Imports for:	1998		1999
U.S.	39	U.S.	38
Others		Others	
New Zealand	6463	New Zealand	7809
France	6	France	11
		The Philippines	4
Total for Others	6469		7824
Others not Listed	1		461
Grand Total	6509		8323

Export Trade Matrix			
Country	Australia		
Commodity	Dairy, Butter		
Time period	Jan - Dec	Units:	MT
Exports for:	1998		1999
U.S.	3864	U.S.	3680
Others		Others	
Egypt	12163	Egypt	11457
Singapore	7328	Thailand	9142
Thailand	7174	Singapore	8760
Mexico	6776	Russian Federation	5511
Saudi Arabia	4868	Malaysia	5475
Iran	4097	The Philippines	4409
Russian Federation	3820	Saudi Arabia	4326
Morocco	3662	Mexico	4267
The Philippines	3556	India	4015
Taiwan	3396	Taiwan	3897
Total for Others	56840		61259
Others not Listed	32971		53244
Grand Total	93675		118183

Australian butter exports increased 26 percent in CY 1999 as Asian markets began to recover. Russia imported 1,691 MT more than it imported in CY 1998. Egypt was the largest importer in 1999, accounting for 10 percent of all exports. ABARE projects butter exports of around 128 TMT in 2004/5.

Imports increased from 6,509 MT in CY 1998 to 8,323 MT in CY 1999. Almost all butter imports come from New Zealand and are primarily destined for further processing into processed foods and butter sheets for baking.

Milk Nonfat Dry Milk Powder

Production

PSD Table						
Country	Australia					
Commodity	Dairy, Milk, Nonfat Dry				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Beginning Stocks	29	29	9	9	9	4
Production	255	255	267	265	0	270
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	284	284	276	274	9	274
Intra EC Exports	0	0	0	0	0	0
Other Exports	238	240	230	240	0	245
TOTAL Exports	238	240	230	240	0	245
Human Dom. Consumption	37	35	37	30	0	28
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	37	35	37	30	0	28
TOTAL Use	275	275	267	270	0	273
Ending Stocks	9	9	9	4	0	1
TOTAL DISTRIBUTION	284	284	276	274	0	274
Calendar Yr. Imp. from U.S.	1	1	1	1	0	0
Calendar Yr. Exp. to U.S.	1	1	1	1	0	0

Skim milk powder (SMP) production was up about four percent in 1999/2000 to 265 TMT. Large supplies of manufacturing milk and adequate export markets accounted for the increase. Production is expected to increase a further two percent in 2000/01 as large milk supplies continue and manufacturing milk prices remain weak. The depreciation of the Australian dollar has helped keep Australian dairy products competitive on world markets. Less than 20 percent of production is consumed domestically.

Victoria is the largest producer of skim milk powder, accounting for over 90 percent of total production. The major uses of SMP are in confectionery, ice cream and baking products. Smaller amounts are used in yogurt manufacture. The underlying consumer trend toward reduced consumption of products that contain animal fats has been somewhat addressed by the development of many low-fat dairy products.

Trade

Import Trade Matrix			
Country	Australia		
Commodity	Dairy, Milk, Nonfat Dry		
Time period	Jan - Dec	Units:	MT
Imports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
Total for Others	0		0
Others not Listed	0		0
Grand Total	0		0

Export Trade Matrix			
Country	Australia		
Commodity	Dairy, Milk, Nonfat Dry		
Time period	Jan - Dec	Units:	MT
Exports for:	1998		1999
U.S.	1058	U.S.	1329
Others		Others	
The Philippines	51050	The Philippines	55384
Malaysia	30704	Malaysia	34947
Thailand	24806	Thailand	25889
Japan	18397	Japan	14080
Singapore	14169	Singapore	13844
Indonesia	10095	Indonesia	11821
Taiwan	10013	Taiwan	11207
Egypt	6979	Saudi Arabia	7893
Saudi Arabia	5823	Nigeria	4465
Vietnam	4967	Sri Lanka	4105
Total for Others	177003		183635
Others not Listed	27634		34780
Grand Total	205695		219744

SMP exports increased about seven percent in CY 1999 to 219,744 MT. Asian markets make up the bulk of exports with the Philippines, Malaysia, Thailand and Japan taking over two thirds of exports. These markets grew steadily in 1999. Exports have increased substantially over recent years due to increased availability of manufacturing milk and good international markets. ABARE projects that SMP exports will increase to 245 TMT in 2004/05. Imports are nil.

Dry Whole Milk Powder

Production

PSD Table						
Country	Australia					
Commodity	Dairy, Dry Whole Milk Powder				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Beginning Stocks	18	18	3	3	2	4
Production	145	145	162	190	0	195
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	163	163	165	193	2	199
Intra EC Exports	0	0	0	0	0	0
Other Exports	139	139	140	169	0	175
TOTAL Exports	139	139	140	169	0	175
Human Dom. Consumption	21	21	23	20	0	20
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	21	21	23	20	0	20
TOTAL Use	160	160	163	189	0	195
Ending Stocks	3	3	2	4	0	4
TOTAL DISTRIBUTION	163	163	165	193	0	199
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Whole milk powder (WMP) production was up 31 percent in 1999/2000 to 190 TMT. Production was driven by recent investments in production facilities, an abundance of manufacturing milk, and good export markets. The continued high levels of manufacturing milk production is expected to maintain high levels of whole milk powder production. ABARE projects only moderate production growth through 2004/05.

Trade

Import Trade Matrix			
Country	Australia		
Commodity	Dairy, Dry Whole Milk Powder		
Time period	Jan - Dec	Units:	MT
Imports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
Total for Others	0		0
Others not Listed	0		0
Grand Total	0		0

Export Trade Matrix			
Country	Australia		
Commodity	Dairy, Dry Whole Milk Powder		
Time period	Jan -Dec	Units:	MT
Exports for:	1998		1999
U.S.	0	U.S.	350
Others		Others	
The Philippines	23407	The Philippines	26438
Sri Lanka	11248	Taiwan	16003
Bangladesh	10811	Bangladesh	11588
Malaysia	10646	Thailand	11479
Taiwan	10469	Sri Lanka	11463
Thailand	9735	Malaysia	11021
Singapore	4238	Singapore	6723
Saudi Arabia	4099	Oman	6169
Mauritius	3406	Vietnam	5678
Algeria	3000	Mauritius	4715
Total for Others	91059		111277
Others not Listed	24585		22839
Grand Total	115644		134466

WMP exports in CY 1998 were up 16 percent from the 1998 level, to a record 134,466 MT. With WMP exports expected to keep pace with production in 2000/01, exports are expected to reach about 175,000 MT in 2000/2001.