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Report Highlights:

During the past six months there has been a dramatic turnaround in milk production in Australia. While production in 2018 and 2019 was impacted by drought, early 2020 rains have been plentiful in many key dairy producing areas. This has boosted pasture production, as well as resulted in reduced fodder and grain prices. As a result, milk production in the first quarter of 2020 was nearly 5 percent above the same period in 2019. FAS/Canberra forecasts overall milk production in 2020 at 9.2 million metric tons, up from 8.83 million in 2019. Cheese production is expected to have the greatest production increase of any of the major manufactured dairy products. Although the COVID-19 outbreak is not currently having a major impact on milk or dairy product production in Australia, it is expected to influence consumption and exports.

Executive Summary

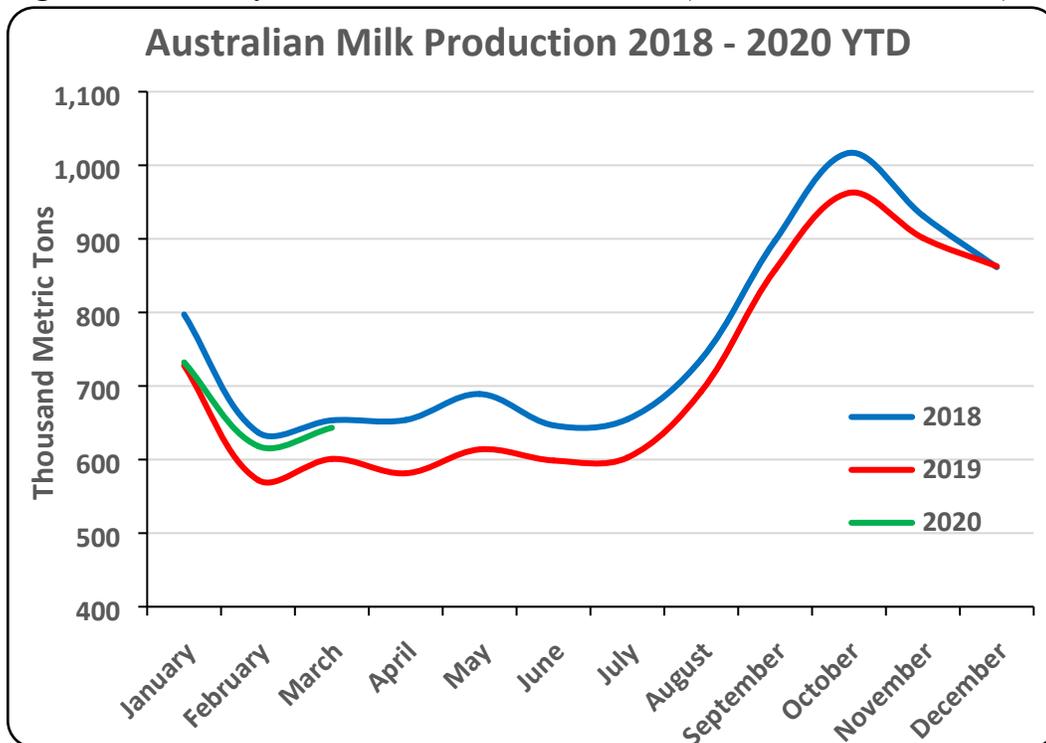
During the past six months there has been a dramatic turnaround in milk production in Australia. The dairy industry had faced a challenging period during 2018 and 2019 as drought affected most of the dairy farming regions in the eastern states of Australia. In addition to significantly reduced pasture production, fodder and grain prices spiked to record levels in 2019 as a result of poor crops and strong demand competition from other livestock industries. Fortunes have starkly changed, however, with well-above average rainfalls since early 2020 throughout most of the previously drought-affected dairy farming regions. Dairy farmers predominantly supplying milk for manufactured products had the advantage of record high prices and, in general, were able to maintain their herd size enabling milk production to rebound quickly in 2020.

FLUID MILK

Production:

Australia's milk production is forecast to rebound in 2020 with this trend already evident in milk production in recent months (Figure 1). Total milk production is forecast to increase to 9.2 million metric tons (MMT), an improvement of 4.1 percent from the 2019 result, although remaining 2.7 percent below the 2018 production total. Milk production in the first quarter of 2020 was 4.9 percent above the same period in 2019. The large increase in forecast production is due to much improved rainfall since early 2020 across the drought-affected eastern states of Australia.

Figure 1 – Monthly Milk Production in Australia (Thousand Metric Tons)



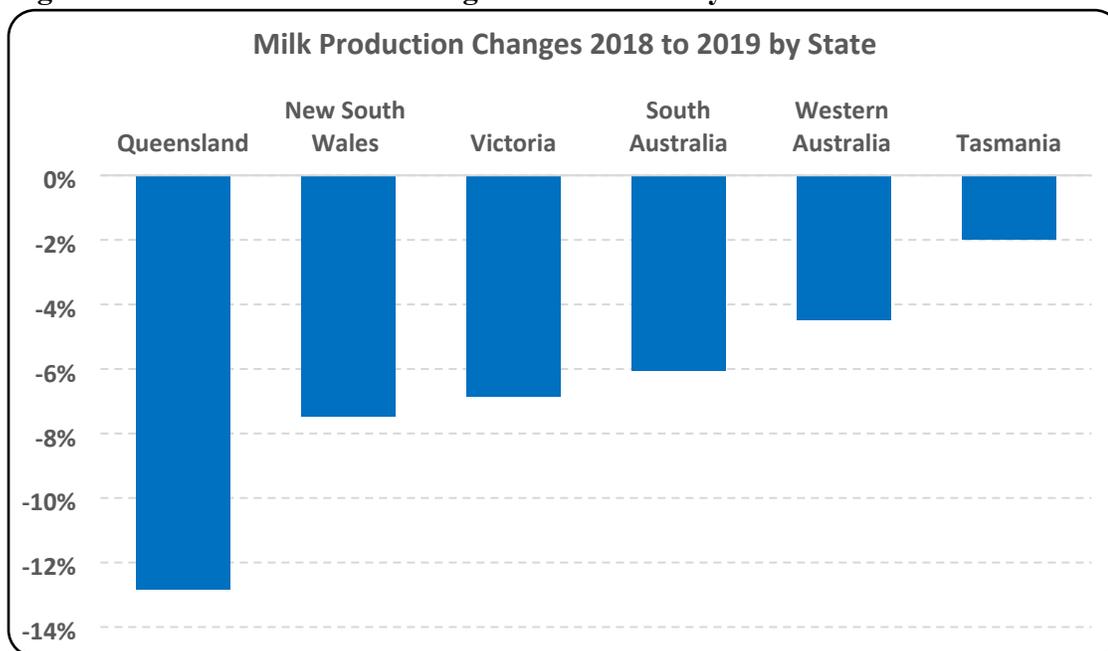
Source: Dairy Australia

The final 2019 production of 8.83 MMT is 2.7 percent above the previous estimate of 8.6 MMT. The reason for upward revision is that the Gippsland region in south-eastern Victoria, as well as Tasmania, had improved climatic conditions in the second half of 2019 and have been the main contributors to national production finishing 2019 higher than expected.

Despite a stronger finish to the year, 2019 milk production was still 6.5 percent lower than 2018. Although the 2018 milk production was affected by drought in parts of the dairy producing areas, the impact of the drought was stronger and more widespread in 2019, causing the sharp decline in production.

The impact on milk production on a state by state basis in 2019 clearly shows that the eastern states of Australia (Queensland, New South Wales and Victoria) were most impacted by the drought. Tasmania was an anomaly with only a two percent reduction in production. Although the rainfall in the main dairy farming areas of Tasmania was below average in 2019, the rainfall totals in Tasmania are significantly higher than the northern temperate climate states of Victoria and New South Wales. As a result, although pasture production was lower than normal in Tasmania there was still substantial production and their main impact on milk production was as a result of elevated fodder and grain prices.

Figure 2 – Milk Production Changes 2018 to 2019 by State

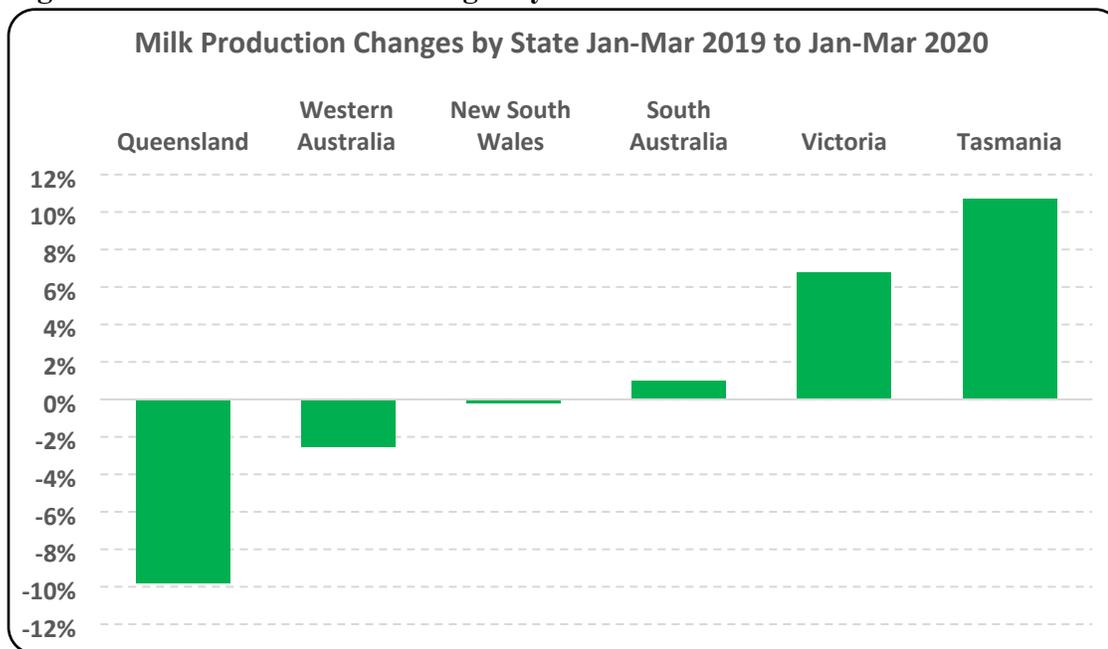


Source: Dairy Australia

While in 2019 production was down in every state, by contrast in the first quarter of 2020 there has been expansion in a number of key states. For example, milk production in Victoria and Tasmania are up 6.8 percent and 10.7 percent, respectively, compared to prior year production (see Figure 3 below). These

two states represent 74 percent of national production. Queensland production, however, continues to fall sharply, while Western Australia is slightly below the same period in 2019. Production in New South Wales and South Australian has been relatively unchanged. Overall, national milk production for the January to March period in 2020 is 4.9 percent ahead of the same time prior year. The improved early performance in 2020 in Victoria and Tasmania in particular, along with other positive influencing factors, has provided the impetus to forecast what is a large increase in milk production of 4.1 percent for the full 2020 year.

Figure 3 – Milk Production Changes by State from Jan-Mar 2019 to Jan-Mar 2020



Source: Dairy Australia

Three main factors that have influenced the rebound in 2020:

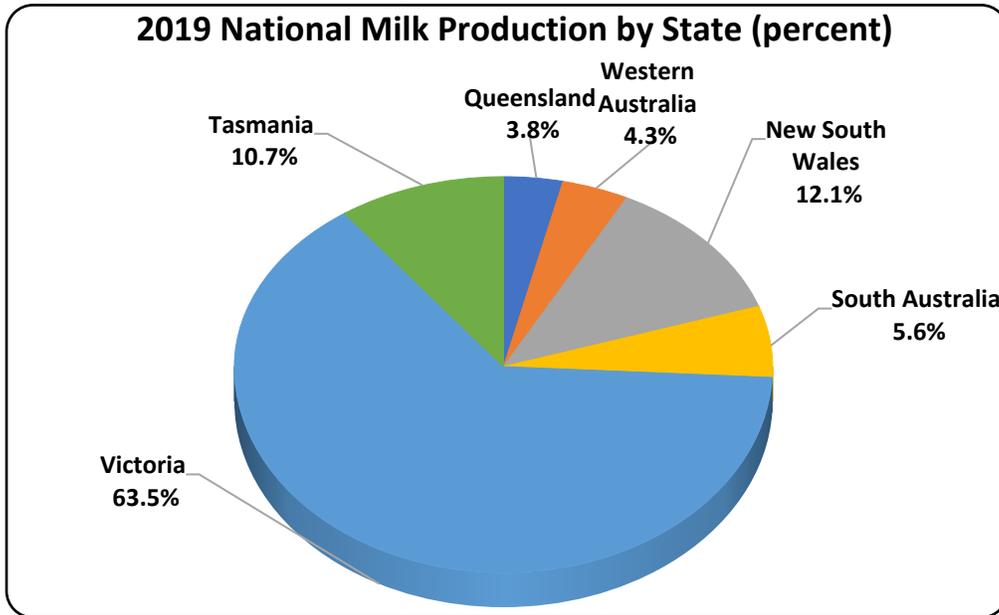
- 1) Improved rainfall across most of the dairy producing regions
- 2) High farmgate milk prices
- 3) Lower than expected cull cow rates during the drought period 2018 and 2019

1) Improved Rainfall

Nearly three-quarters of the total milk produced in Australia is in the states of Victoria and Tasmania (as shown in Figure 4) and a large part of these states has had much improved rainfall and pasture growth in early 2020. Figure 5 shows that the pasture growth across Victoria and Tasmania from January to March 2019 was very low relative to historical averages. Figure 6, however, demonstrates the remarkable turnaround for the same period in 2020 with much of these states at average to well above-average pasture growth. This rapid improvement in climatic conditions has already helped significantly boost milk production in these states. The well above-average rainfall in the east of Victoria is also likely to benefit northern Victorian dairy farmers with increased irrigation water availability and lower

water prices in the next irrigation season commencing in spring 2020. New South Wales dairy farming areas (which represent 12 percent of national production) have also received above-average rains and are starting to contribute to the improvement in national milk production.

Figure 4 - Milk Production by State – 2019



Source: Production Percentages from Dairy Australia.

Figure 5 - Pasture Growth Percentile Graph Victoria and Tasmania Jan – Mar 2019

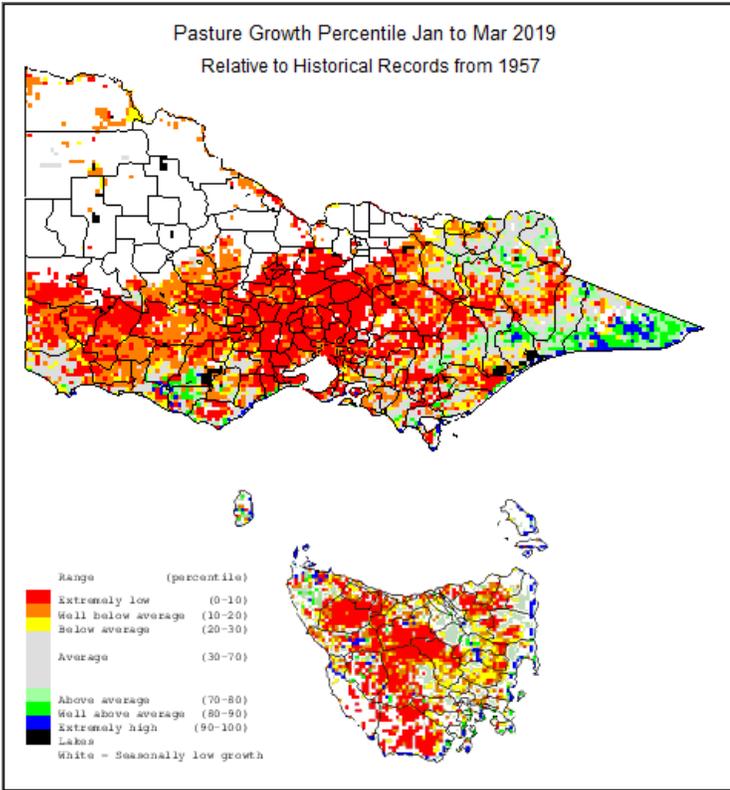
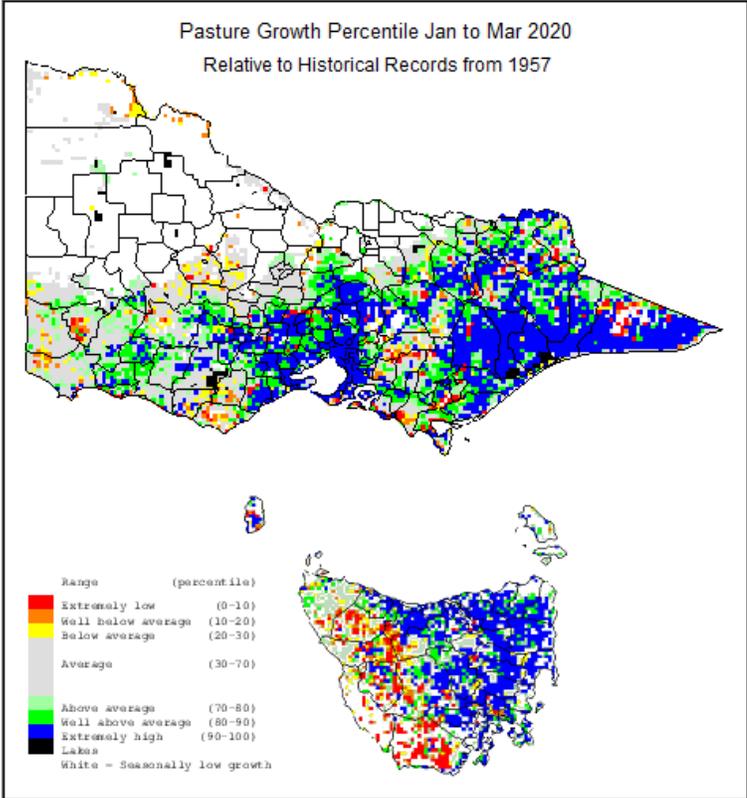


Figure 6 - Pasture Growth Percentile Graph Victoria and Tasmania Jan – Mar 2020

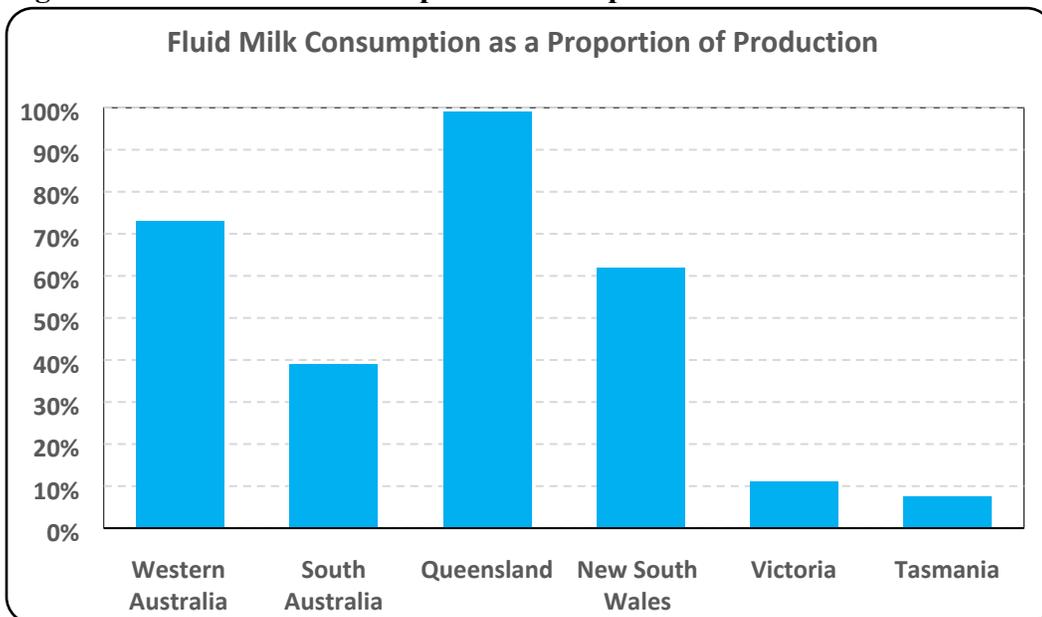


Source: www.LongPaddock.qld.gov.au

2) High Farmgate Milk Prices

The combination of falling domestic consumption, coupled with continued strong demand from processors, resulted in Australian farmgate milk prices reaching record levels last year. These record high milk prices during the drought-affected period enabled dairy farmers, particularly across Victoria and Tasmania, to better manage their businesses during the drought period and enabled them to recover and boost milk supply more rapidly, as evidenced by the early rebound in 2020. Victoria and Tasmania have a relatively low proportion of their milk which is sold into the domestic fluid milk market and their farmgate prices are driven by manufactured milk product prices (see Figure 7).

Figure 7 – Fluid Milk Consumption as a Proportion of State Production



Source: Dairy Australia

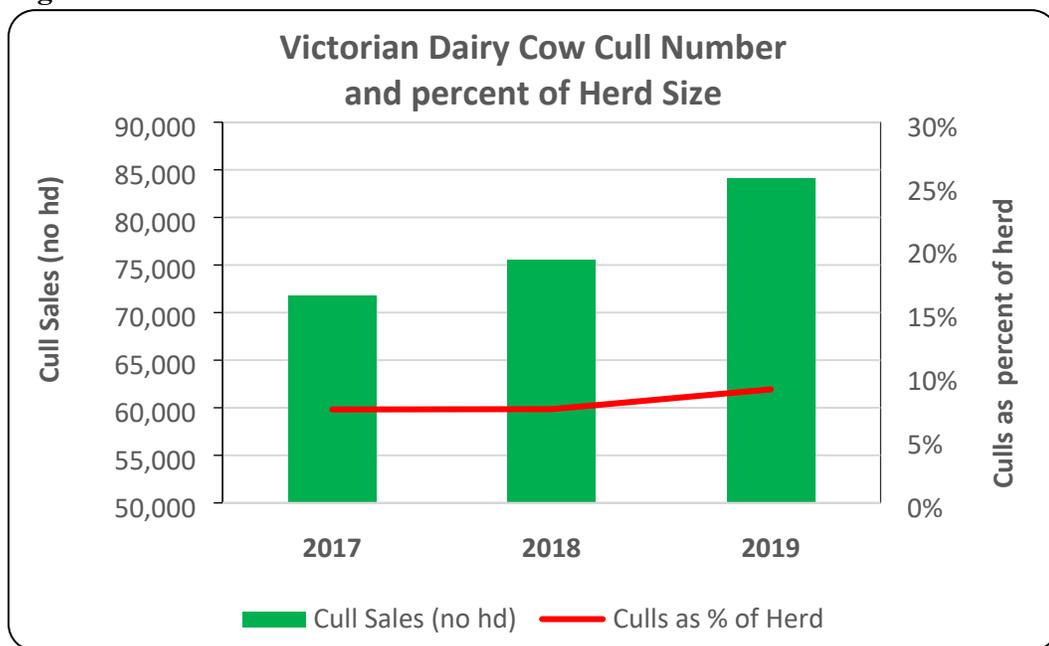
3) Lower than Expected Cow Cull Rates

During drought conditions, typical expectations are for significantly elevated cow cull rates as a strategy to remove the poorer producing cows from the herd and reduce feed requirements and minimise feed

costs. Cow cull data from Victoria (representing 62 percent of national production) shows that the Victorian dairy herd size had a cow cull rate of 8.9 percent in 2019, compared to 7.4 percent in 2017 (see Figure 8). This is actually a relatively low increase in cow cull rate considering the severity of the drought. This has enabled herd sizes to be maintained and a key reason for the capacity for milk production in January to March 2020 to be able to rebound.

Although there is no industry data available on dairy cow cull rates in other states it is broadly anticipated that they were relatively unchanged in South Australia and Western Australia, somewhat higher in New South Wales and very elevated in Queensland. Industry sources anticipate that there will be a permanent reduction in dairy farm and dairy cow numbers in Queensland. This is due to tropical and sub-tropical regions having higher costs of production, the financial impacts of the drought, as well as domestic competition for the fluid milk market from lower cost southern temperate climate-producing regions. Milk production in Queensland for the January to March 2020 period is 9.8 percent lower than the same period in 2019, while the overall national production has seen a 4.9 percent improvement in production.

Figure 8 – Cow Cull rates



Source: Dairy Australia

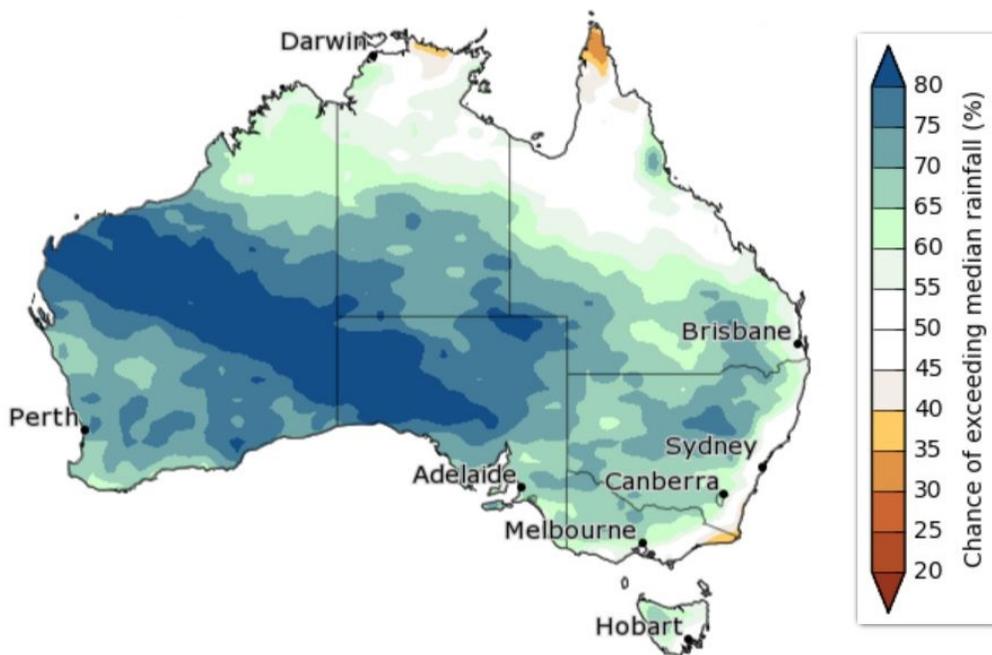
Two further key positive factors that influence the 2020 forecasted 4.1 percent increase in milk production from 2019 are:

- 1) Positive rainfall outlooks
- 2) Declining fodder and grain prices

1) Rainfall forecast

The rainfall outlook across much of Australia for May to July 2020 is for above-average rainfall as shown in Figure 9 below. The chance of exceeding median rainfall ranges from 50 percent to 70 percent in the dairy farming regions across Australia. If the forecasts prove to be near correct, and in combination with the above-average rainfall received in 2020 to date, pasture production is likely to remain high and continue to support a rebound in national milk production.

Figure 9 – Chance of Exceeding Median Rainfall for May to July 2020



Source: Bureau of Meteorology

2) Declining fodder and grain prices

Above-average rainfall across the drought-affected eastern states in early 2020 has increased pasture production and reduced fodder and grain demand not only from the dairy industry but also from the large beef cattle and feedlot industry sector. Although fodder costs remain well above average levels, they have fallen significantly since 2019.

For example:

- a. Feed wheat prices in March 2020 were down \$20 AUD per MT from March 2019, but still \$178 AUD higher than in March 2017.
- b. Pasture hay in March 2020 is \$140 AUD lower than prices in March 2019, but still \$60 AUD higher than in March 2017.
- c. Alfalfa hay prices in March 2020 have similarly declined \$116 AUD per MT from March 2019 but remain \$135 AUD per MT higher than March 2017.

(Source: Dairy Australia production inputs monitor. Note: As of mid-March, the exchange rate was approximately \$1.60 AUD to \$1 USD)

In addition to less fodder and grain demand, expectations are also for a recovery in fodder and grain production, especially if forecasts for above-average rainfall for May to July materialize. Prospects for much better wheat and barley crops would likely result in a substantial decrease in feed grain prices at the time of harvest, typically commencing in November 2020.

Despite these positive factors impacting milk production, the COVID-19 pandemic will have a negative impact on the dairy sector. For example, there has been a significant decline in dairy sales to the food services sector, which is only partially offset by increased retail sales. Data availability at this point is limited to analyse and forecast the impacts of COVID-19 on world demand of dairy products. Industry sources do expect that there will be a significant decline in world prices of manufactured milk products, which will flow through to a decline in farmgate milk prices (predominantly in Victoria and Tasmania) starting in July 2020 when the new season milk price cycle commences. This dampening effect on milk production has been taken into consideration in the 2020 forecast.

Milk production in Australia has gradually declined from 2002, when it peaked at 11.6 MMT. The 2020 forecast of 9.2 MMT is a 21 percent decline from this peak. The industry has been concerned about this trend which has led to the Australia Dairy Plan being instigated. Dairy Australia is collaborating with Australian Dairy Farmers, the Australian Dairy Products Federation and Gardiner Dairy Foundation to create a five-year plan to improve the dairy sector. This has included consultations with farmers across Australia. A draft plan was published on December 6, 2019 (<https://www.dairyplan.com.au/>). The plan is was open to feedback submissions to March 2, 2020 and is reported to have been finalised in April 2020. The industry considers that the current industry institutional arrangements are no longer fit for purpose and is seeking to establish a “world class model that will perform and create significant value for dairy businesses along the entire supply chain”. The plan has a range of goals to support the long-term future of the industry but with one key target of achieving a 0.97 MMT increase in milk production

by 2024/25. This represents an 11 percent increase in production from the 2018/19 drought-impacted year over a six-year period and would still be 13 percent below the peak production in 2002.

Consumption

Milk consumption is forecast to decline marginally in 2020 to 2.5 MMT, from the 2019 outcome of 2.55 MMT. Domestic fluid milk consumption is forecast to account for 27 percent of all milk produced in Australia in 2020, which is in-line with the 2018 result but slightly below 2019 due to low national milk production that year. Domestic consumption of fluid milk per capita has been gradually declining over recent years. This trend will be amplified by the impacts of COVID-19 on the food services sector, leading to the forecast of a two percent decline in overall fluid milk consumption.

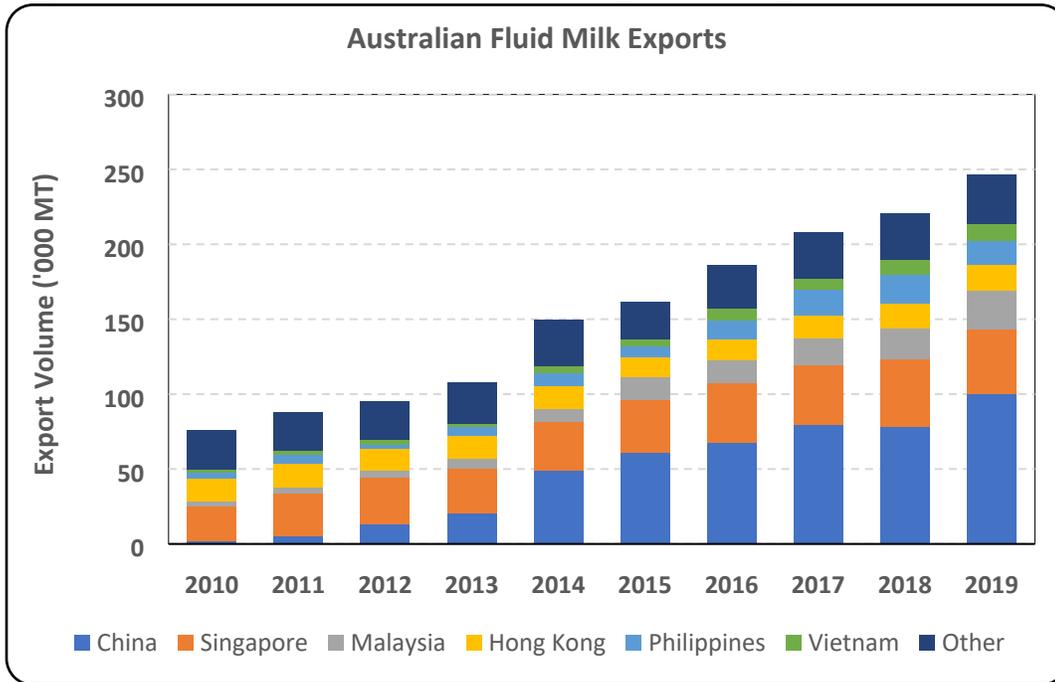
Fluid milk consumption in 2019 is estimated to have been 2.55 MMT, a decline from 2.62 MMT in 2018, with the major reason for this dip in consumption being the rise in retail milk prices. While for a number of years many of the top retailers have maintained the price of fresh milk at \$1 AUD per liter (approximately \$US 0.65), these prices have increased because of the drought and pressure from farming groups to support them through drought conditions, with key supermarket prices currently around \$1.20-\$1.29 AUD (\$US 0.78-0.84) per liter. The full additional margin is paid back to the manufacturer to be passed on to dairy farmers.

Overall drinking milk consumption in Australia remains high compared to world levels. Consumers have shifted their milk preference towards regular milk and away from reduced/skim milk over the last decade. According to Dairy Australia statistics, a decade ago regular milk made up 50 percent of milk sales with reduced/non-fat at 31 percent. However, last year regular milk had grown to 57 percent and reduced/non-fat had fallen to 24 percent (the remainder consists of flavoured and UHT milk, whose proportions have remained relatively steady). The slight decline in consumption in 2019 is also predominately in reduced/non-fat milk. This trend is expected to continue into 2020.

Trade

Fluid milk exports have seen consistent year-on-year increases over the last decade. However, this growth is expected to stagnate in 2020, with exports forecast at 255,000 MT, nearly the same as 2019. This is due to disruption in trade caused by COVID-19. The fluid milk export is via air freight on passenger planes. With the large reduction in passenger flights due to COVID-19 there would be an expectation that export volumes would decline. However the Australian government has announced a support package to supplement the cost of air freight of perishable goods which was primarily targeted to the seafood industry but the dairy industry fluid milk and yoghurt products are also eligible and will support this trade. The majority of the growth of fluid milk exports is due to the growth in demand from China which now accounts for over 40 percent, with Singapore, Malaysia and Hong Kong the other key markets as shown in Figure 10 below. A number of Australian milk producers have formed joint-ventures to help expansion into China and are also using online-marketing. Fluid exports have increased by 226 percent over the last 10 years.

Figure 10 – Australian Annual Fluid Milk Exports to Major Destinations



Source: Trade Data Monitor

Table 1 - Dairy, Milk, Fluid

Dairy, Milk, Fluid Market Begin Year Australia	2018		2019		2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk	1525	1525	1475	1440	1450	1435
Cows Milk Production	9451	9451	8750	8832	8550	9200
Other Milk Production	0	0	0	0	0	0
Total Production	9451	9451	8750	8832	8550	9200
Other Imports	6	6	6	6	5	5
Total Imports	6	6	6	6	5	5
Total Supply	9457	9457	8756	8838	8555	9205
Other Exports	228	228	245	254	255	255
Total Exports	228	228	245	254	255	255
Fluid Use Dom. Consum.	2620	2620	2600	2550	2600	2500
Factory Use Consum.	6609	6609	5911	6034	5700	6450
Feed Use Dom. Consum.	0	0	0	0	0	0
Total Dom. Consumption	9229	9229	8511	8584	8300	8950
Total Distribution	9457	9457	8756	8838	8555	9205

(1000 HEAD) ,(1000 MT)

CHEESE

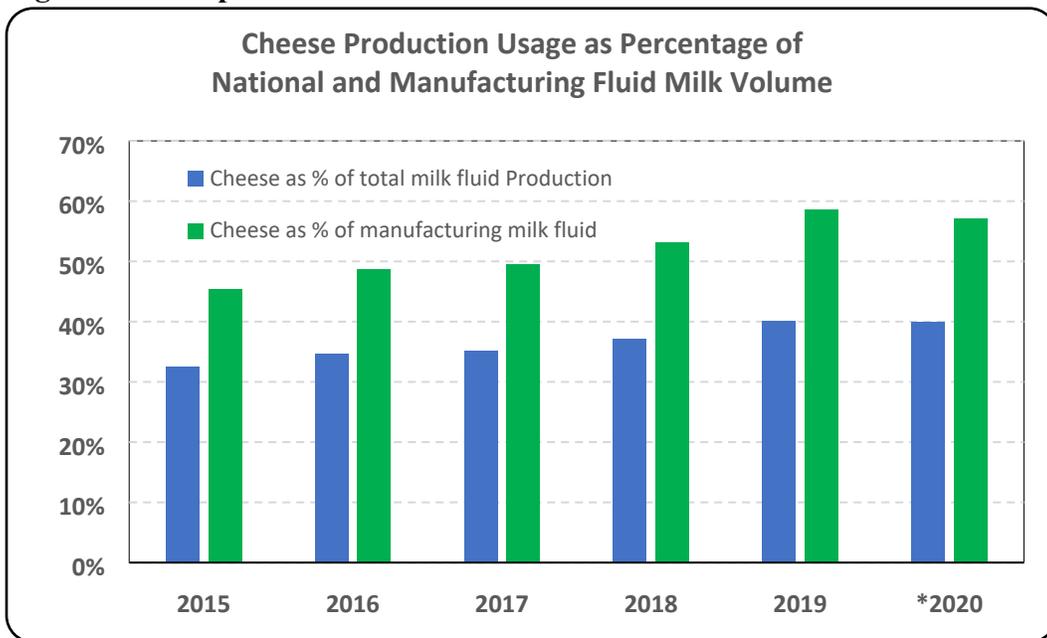
Production:

Cheese production is forecast to increase to 385,000 MT in 2020, which is a four percent increase from 2019, and in-line with the overall 2020 forecasted fluid milk production increase. If realized this would be the highest production since 2004. This is reflective of a trend by manufacturers in Australia over recent years to focus on cheese production at the expense of whole milk powder (WMP), butter and to a lesser extent skim milk powder (SMP).

Cheese production is forecast to account for 40 percent of total fluid milk production and, after accounting for forecast domestic fluid milk consumption and fluid milk exports, this represents 57 percent of fluid milk available for manufacturing products. Since 2015 there has been a clear trend of cheese becoming of increasing importance from 34 percent of national fluid milk production and 46 percent of fluid milk used for manufacturing products as shown in Figure 11 below. Cheese accounts for more milk usage in Australia than any other product.

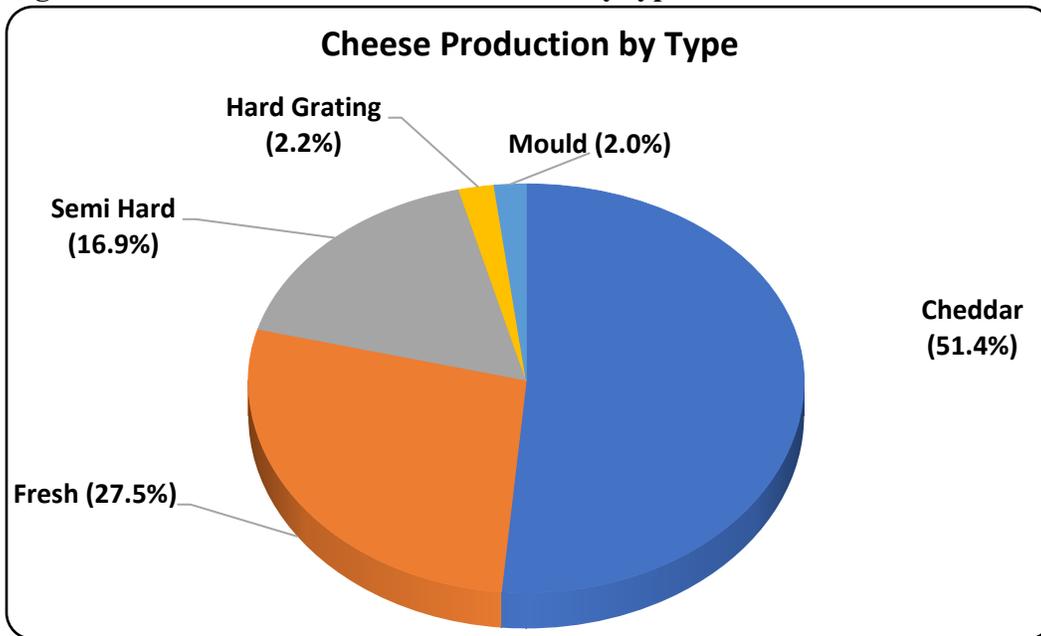
Approximately 80 percent of Australian cheese is produced in Victoria. Over half of Australia’s cheese production is cheddar cheese, with fresh cheese representing over a quarter of production as shown in Figure 12. Semi-hard cheese types represent a further 16.9 percent of production, while hard grating and mould type cheeses each account for two percent of total cheese production. Industry sources anticipate a trend towards an increased proportion of non-cheddar varieties.

Figure 11 – Proportion of Milk Fluid used for Cheese Production



Source: Dairy Australia / FAS Canberra *forecast

Figure 12 – Australian Cheese Production by type in 2018/19



Source: Dairy Australia

As part of Australia-EU FTA negotiations, the Australian Government collected public comments on a list of EU-proposed Geographical Indicators (GI), with the comment period closing on November 13, 2019. The Government also held consultation forums around Australia during August-October. The EU-proposed list contains 56 cheese names from 10 different EU countries (see link: [Aust - EU FTA - GI Issues](#)). Industry estimates that the impact on manufacturers from loss of sales and marketing by the strict enforcement of the GI's could initially cost \$46 - \$59 million per annum.

Consumption

Cheese consumption in 2020 is forecast to decrease by three percent to 288,000 MT after a one percent increase in consumption from 2018 to 2019 to 297,000 MT. The forecast decline in consumption directly relates to the impacts of COVID-19 on the food services sector. During March 2020, in the lead up to the federal and state governments introducing COVID-19 related restrictions, retail sales of food products including cheese increased significantly. Industry sources indicate that since March 2020 food services sector sales decreased substantially along with, to a lesser extent, retail sales. The COVID-19 restrictions have commenced being partially lifted across Australia's states and territories to varying degrees in early May 2020, with further restrictions expected to be lifted progressively during late May and June. The extent and duration before restrictions being fully lifted are unknown at this point but will have a significant bearing on the degree of consumption decline in 2020.

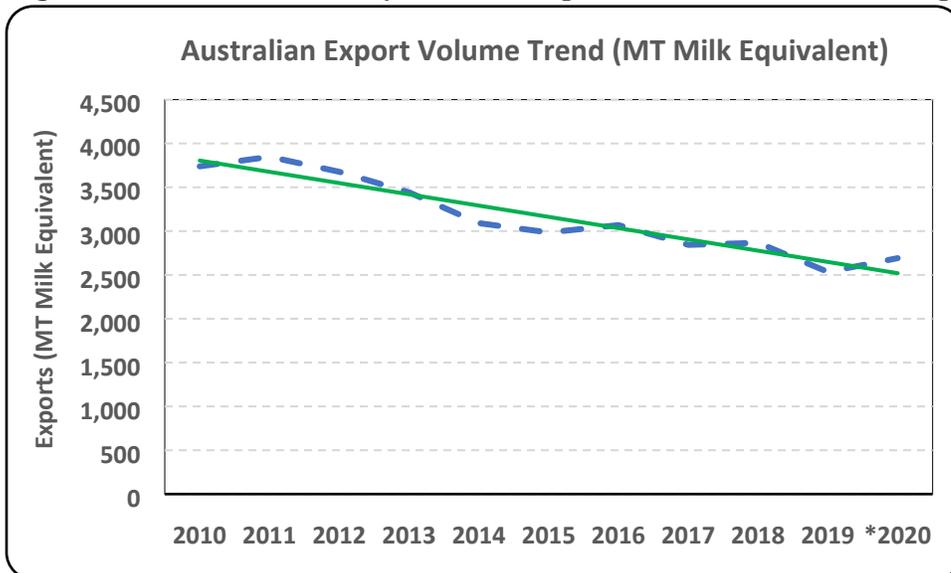
Cheese consumption in Australia expanded rapidly during the 1990s and 2000s, but in recent years overall growth has slowed. During this period there has also been a shift in consumer preferences from processed towards natural cheeses, and from cheddar to non-cheddar varieties.

Trade

Australia is a net exporter of cheese, and it is the largest dairy product export. Nearly half of all cheese produced in Australia is exported. Cheese exports in 2020 are forecast to increase to 175,000 MT from 160,000 MT in 2019. Exports for the January to March 2020 period are 2.2 percent higher than the same period in 2019. The increase in milk production in early 2020 was not anticipated late in 2019, so manufacturers’ commitment to forward export orders would have been conservative. The additional cheese production which will result from the increased milk produced also has a further lag due to the maturity period required for cheese prior to being available for sale. Now that there is a higher degree of certainty of increased milk production in 2020, an increased rate of cheese export growth is expected.

Despite the current disruptions to world trade due to the impacts of COVID-19, a forecast for increased cheese exports is in-line with the expectations of industry sources. The primary reason is that demand for Australian cheese is strong from Asian importers, but because of supply limitations and strong domestic consumption, Australia has not been able to meet this demand (see Figure 13). With milk and cheese production expanding in 2020, this will allow greater volumes to be exported to satisfy this demand.

Figure 13 – Australian Dairy Product Export Trend in Fluid Milk Equivalent



Source: PS&D / FAS Canberra forecast

Japan remains by far the largest market for Australian cheese, accounting for half of all exports, while China accounts for 11 percent. The top five cheese export countries for Australia (Japan, China, South

Korea, Malaysia and Philippines) account for 74 percent of total exports. Exports have also largely shifted away from cheddar, with more than 75 percent estimated to be non-cheddar varieties.

Imports are forecast to decline in 2020 to 85,000 MT from 97,000 MT in 2019 as a result of reduced demand from the food service sector. New Zealand is the largest supplier to Australia, with the United States being the second largest supplier.

Table 2 - Dairy, Cheese

Dairy, Cheese Market Begin Year Australia	2018		2019		2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	51	51	50	50	50	60
Production	367	366	370	370	375	385
Other Imports	98	98	100	97	105	85
Total Imports	98	98	100	97	105	85
Total Supply	516	515	520	517	530	530
Other Exports	172	172	165	160	170	175
Total Exports	172	172	165	160	170	175
Human Dom. Consumption	294	293	305	297	310	288
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	294	293	305	297	310	288
Total Use	466	465	470	457	480	463
Ending Stocks	50	50	50	60	50	67
Total Distribution	516	515	520	517	530	530

(1000 MT)

BUTTER

Production

Butter production in 2020 is forecast to increase to 75,000 MT, from 2019 production of 70,000 MT (Note: butter oil production is included in the butter production statistics after being converted to butter equivalents) as a result of the boost in milk supply. It is important to note that production in 2019 fell dramatically from 93,000 MT in 2018. The butter production in 2019 was the lowest butter production in at least half a century.

As mentioned, with the shrinking milk pool along with lower world market prices for butter, processors are prioritizing cheese production over butter, WMP and SMP to a lesser degree. Industry sources anticipate this trend to continue as milk processors have changed their processing infrastructure balance in recent years.

Consumption

Butter consumption is forecast to decline by around four percent in 2020 to 100,000 MT due to the impact of COVID-19 on the food services sector demand. As mentioned, partial restrictions have commenced being lifted to varying degrees in differing states and territories. Further easing of restrictions are anticipated during May and June which is anticipated to support the food services sector demand.

The overall consumption of butter decreases sharply in 2019. This is in part due to the reducing domestic supply as processors favour the production of cheese. The flow on affect has been that butter prices have also increased over the last two years by around 40 percent (according to industry sources) which has also contributed to the decline in domestic consumption of butter.

Trade

Butter exports, although already at a low level in 2019, are forecast to decline further in 2020 to 15,000 MT, from 18,000 MT in 2019. The main export destination is Thailand, representing a quarter of total butter exports. Exports to the United States have increased significantly from near zero in 2017 to 2,235 MT in 2019 (12 percent of total exports). All other export destinations for butter each represent less than 10 percent of total exports. The profile of exporting countries is diverse, minimising trade risk for Australian processors.

Since 2017, Australia has been a net importer of butter and this is forecast to continue into 2020 as a result of still very low butter production. Imports are forecast to increase to a record 45,000 MT in 2020, from 40,000 MT in 2019. The primary source of butter imports is from New Zealand, representing around 88 percent of total imports from 2017 to 2019.

Table 3 - Dairy, Butter

Dairy, Butter Market Begin Year Australia	2018		2019		2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	92	92	93	93	63	81
Production	93	93	65	70	60	75
Other Imports	42	42	40	40	45	45
Total Imports	42	42	40	40	45	45
Total Supply	227	227	198	203	168	201
Other Exports	17	17	20	18	20	15
Total Exports	17	17	20	18	20	15
Domestic Consumption	117	117	115	104	110	100
Total Use	134	134	135	122	130	115
Ending Stocks	93	93	63	81	38	86
Total Distribution	227	227	198	203	168	201

(1000 MT)

SKIM MILK POWDER

Production

Production of SMP in 2020 is set to increase by 6.7 percent to 160,000 MT from 150,000 MT in 2019. The driver of the increase in production is the forecasted increase in milk production in 2020. This is a similar increase to the butter production forecast. SMP and butter production are part of the same production process. The fat content of milk is initially reduced enabling SMP to be produced. Of the

milk fat available from the production of SMP, approximately one-fourth is used to produce cream and three-fourths is further processed to produce butter.

Consumption

SMP consumption is forecast to decline slightly (four percent) in 2020 to 43,000 MT from 45,000 MT in 2019. This product is primarily used as a food ingredient and to manufacture infant formula. As mentioned, as with other manufactured products the forecasted decline relates to the impact of COVID-19 on the food services sector. However, infant formula demand is unlikely to be impacted by COVID-19.

Trade

Approximately 80 percent of Australian SMP production is exported. SMP exports are forecast to be 125,000 MT in 2020, a moderate decline from 128,000 MT in 2019. The major export destinations are China and Indonesia which represent 33 and 20 percent, respectively, of total exports in 2019. The volume of SMP exports to China have rapidly increased from only 10 percent in 2016, with less going to other Asian countries. The moderate decline in forecasted exports for 2020 is a result of the disruption to trade caused by COVID-19.

Imports of SMP are low by comparison to export volumes. Imports are forecast to remain stable at 15,000 MT in 2020. The primary source of SMP imports is from New Zealand and was equivalent to 78 percent of total imports in 2019.

Table 4 - Dairy, Milk, Nonfat Dry

Dairy, Milk, Nonfat Dry Market Begin Year	2018		2019		2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Australia						
Beginning Stocks	52	52	63	63	53	55
Production	201	201	150	150	140	160
Other Imports	13	13	15	15	15	15
Total Imports	13	13	15	15	15	15
Total Supply	266	266	228	228	208	230
Other Exports	155	155	130	128	120	125
Total Exports	155	155	130	128	120	125
Human Dom. Consumption	48	48	45	45	48	43
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	48	48	45	45	48	43
Total Use	203	203	175	173	168	168
Ending Stocks	63	63	53	55	40	62
Total Distribution	266	266	228	228	208	230

(1000 MT)

WHOLE MILK POWDER

Production

2020 WMP production is forecast to increase to 45,000 MT from a record low 40,000 MT in 2019 as a result of more milk production. However, WMP production has followed a similar trend to butter production with manufacturers opting to focus on increased cheese production. WMP production

peaked in 2002 at 239,000 MT, 530 percent higher than the 2020 forecast production, and production has generally been declining since that time.

Consumption

WMP domestic consumption is forecast to fall slightly in 2020 to 30,000 MT. Similarly to other manufactured products, a decline has been forecasted accounting for the impact of COVID-19 on the food services sector.

WMP is primarily used in the food processing sector. It can be reconstituted to produce fluid milk in regions where the logistics of fresh milk supply are not viable, and also to produce yoghurts and ice cream. WMP is extensively used as a food additive in baby foods, bakery products, confectionary milk chocolate and processed meats.

Trade

Australia now exports as much WMP as it produces, and also imports WMP to meet domestic consumption demands. Forecast exports of WMP in 2020 is 45,000 MT, a decline of 3,000 MT from prior year. Imports of WMP are forecast to decline to 35,000 MT from 37,000 MT in 2019.

Approximately 50 percent of Australian WMP exports (20,744 MT) in 2019 was to China, an increase of 80 percent since 2016, a similar trend to the increase in SMP exports to China.

Similarly to SMP, imports of WMP are almost entirely from New Zealand, representing 88 percent of total imports in 2019.

Table 5 - Dairy, Dry Whole Milk Powder

Dairy, Dry Whole Milk Powder Market Begin Year	2018		2019		2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Australia						
Beginning Stocks	24	24	25	25	23	27
Production	63	63	40	40	40	45
Other Imports	28	28	35	37	35	35
Total Imports	28	28	35	37	35	35
Total Supply	115	115	100	102	98	107
Other Exports	55	55	40	42	40	45
Total Exports	55	55	40	42	40	45
Human Dom. Consumption	35	35	37	33	35	30
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	35	35	37	33	35	30
Total Use	90	90	77	75	75	75
Ending Stocks	25	25	23	27	23	32
Total Distribution	115	115	100	102	98	107

(1000 MT)

Attachments:

No Attachments