

---

7 January 2018

---

## Issue

### Australian dairy industry losing world competitiveness

#### Background

J The Australian dairy industry is often quoted as a major export earner for the agriculture sector – this now is incorrect.

J In 2002 Australia produced 11.27 Billion litres of milk - this was its peak production. In 2016 the production dropped to 9.02 billion litres, at the same time Australia's population has increased by approximately 27% at approximately 1.8% per year. So domestic consumption has increased.

J Deregulation of the dairy industry focused on lowest prices to the domestic consumer and did not focus on global competitiveness. – In 2002 Australia was the 3<sup>rd</sup> largest exporter of dairy products in the world. Australia has lost this title to the USA

J In 2016 Australia imported 100,000 tonnes of cheese and 20,000 tonnes of butter – a new phenomenon. Export volumes have also dropped.

#### Current Situation

J The ACCC is reviewing the Australian dairy industry and has identified that market power is not equal between the dairy farm sector, the processing sector and the distribution sector.

J Between the years of 2002 and 2016, world production increased by an average of 1.8% per year or 10.2 billion litres per year. Australia dropped production by 2.25 billion litres in this period.

J The following figures have been derived from the FAO's global production statistics. <http://www.fao.org/faostat/en/#data/QL> (1 tonne of milk is slightly less than 1,000 litres)

J New Zealand's dairy industry used to be similar in size to Australia's now it is almost 3 times as large! Why? Policy differences are the only answer.

#### Recommendation / Action

J Investigate the policy decisions that have caused Australia to drop milk production levels since deregulation in 2000. Australia ranks 194th for the period between 2002 to 2016 and ranks 169th in the 5 years between 2011 2016 – NZ ranks 6th. & 3rd!

J Investigate why countries such as India, USA, New Zealand, Turkey and Uzbekistan have significantly increased their milk production volumes in the same period.

J Confirm if the policy of getting the lowest prices possible for domestic dairy consumers OR  
If a strong international export industry is better in the long-term?

## Comments

There have been significant changes in milk production volumes since Australian deregulation in the year 2000. The tables below have been derived from Freely available statistics from the FAO. The calculations are simple - production volume in 2016 minus production volume in 2002 or 2011. They were then sorted – the results are interesting. Australia's media and reporting agencies are inward looking and do not look at changes in developing areas or countries. Turkey has increased by a full Australia's volume, Uzbekistan by ½ Australia and Myanmar by 4.5 times Western Australia's production volume.

Rank	Countries	2002 to 2016 Change in tonnes of milk produced
1	India	12,803,850
2	China, mainland	23,777,000
3	United States of America	19,219,376
4	Brazil	11,309,953
5	Turkey	9,295,633
6	New Zealand	7,805,581
7	Germany	4,797,900
8	Pakistan	4,792,619
9	Uzbekistan	4,226,922
10	Netherlands	3,647,294
11	Algeria	2,462,017
12	Belarus	2,350,600
13	Mexico	1,950,118
14	Myanmar	1,677,768
15	Saudi Arabia	1,652,644

Milk volume increase by country since Australia's peak production in 2002

Rank	Countries	2011 to 2016 Tonnes of milk increase.
1	India	23,915,850
2	United States of America	7,344,141
3	New Zealand	3,777,672
4	Turkey	2,983,835
5	Netherlands	2,682,576
6	Germany	2,348,875
7	Brazil	1,528,439
8	Ireland	1,314,780
9	Algeria	1,210,017
10	Uzbekistan	1,145,722
11	United Kingdom	1,097,000
12	Mexico	884,112
13	Chad	858,714
14	Myanmar	847,887
15	Poland	830,373

Milk volume increase by country in the last 5 years

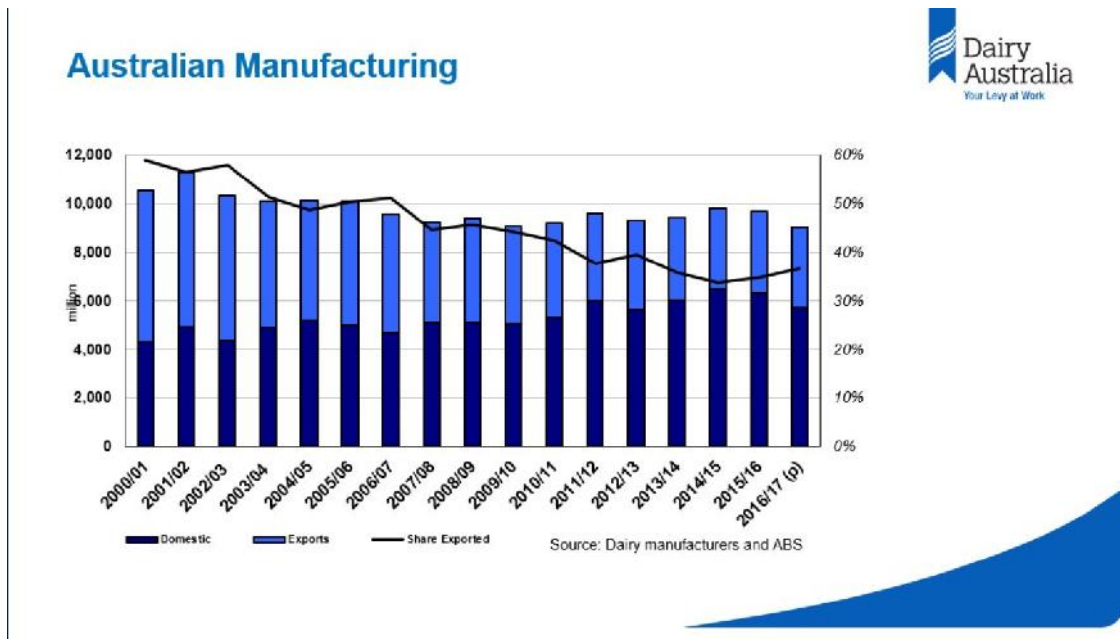
Rank	Countries	2002 to 2016 Change in tonnes of milk produced
182	Afghanistan	- 311,729
183	Sweden	- 412,000
184	Canada	- 447,366
185	Italy	- 526,942
186	Romania	- 683,107
187	France	- 714,837
188	Hungary	- 780,763
189	Republic of Korea	- 830,990
190	Japan	- 991,585
191	Colombia	- 1,156,854
192	Spain	- 1,848,803
193	Sudan (former)	- 2,135,009
194	Australia	- 2,255,676
195	Ecuador	- 2,488,444
196	Russian Federation	- 2,713,599
197	Ukraine	- 3,710,000

Australia ranks 194<sup>th</sup> in change of milk volume since its peak in 2002.

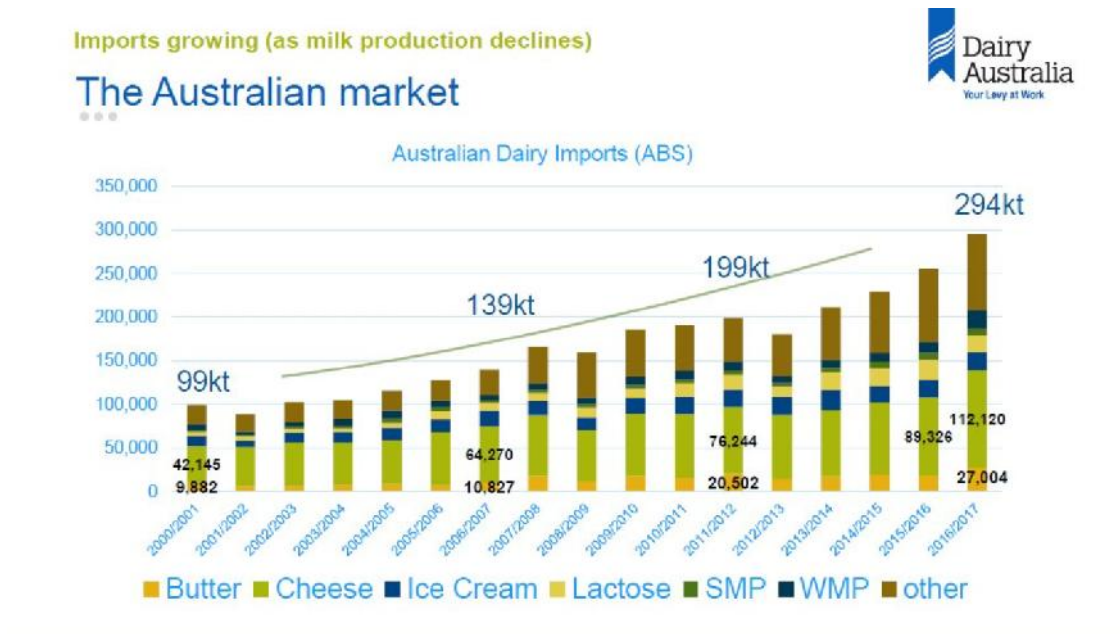
Rank	Countries	2011 to 2016 Tonnes of milk increase.
168	Japan	- 80,594
169	Australia	- 856,776
170	Bulgaria	- 107,257
171	Croatia	- 109,400
172	Afghanistan	- 114,729
173	Indonesia	- 121,679
174	Honduras	- 140,794
175	Lithuania	- 158,457
176	Switzerland	- 159,700
177	Republic of Korea	- 171,990
178	Nicaragua	- 173,578
179	Ethiopia	- 195,574
180	Syrian Arab Republic	- 268,770
181	Turkmenistan	- 280,128
182	Mali	- 294,100
183	United Republic of Tanzania	- 314,768

Australia lost 85.6 million litres of milk production in the last 5 years

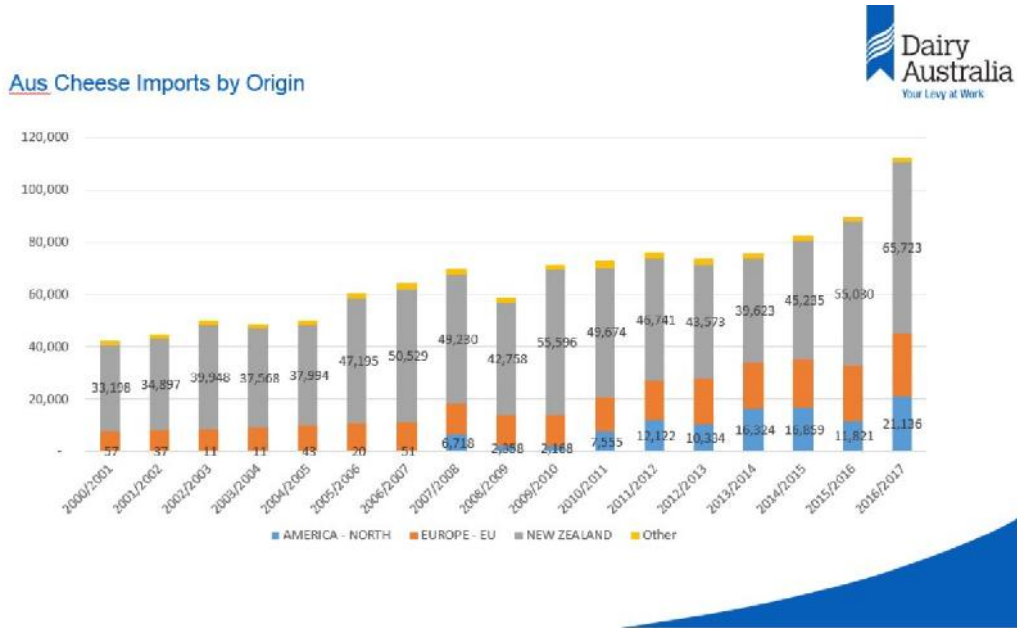
Australian milk flow (source Dairy Australia)



Australian dairy imports



Australian cheese Imports by volume and country

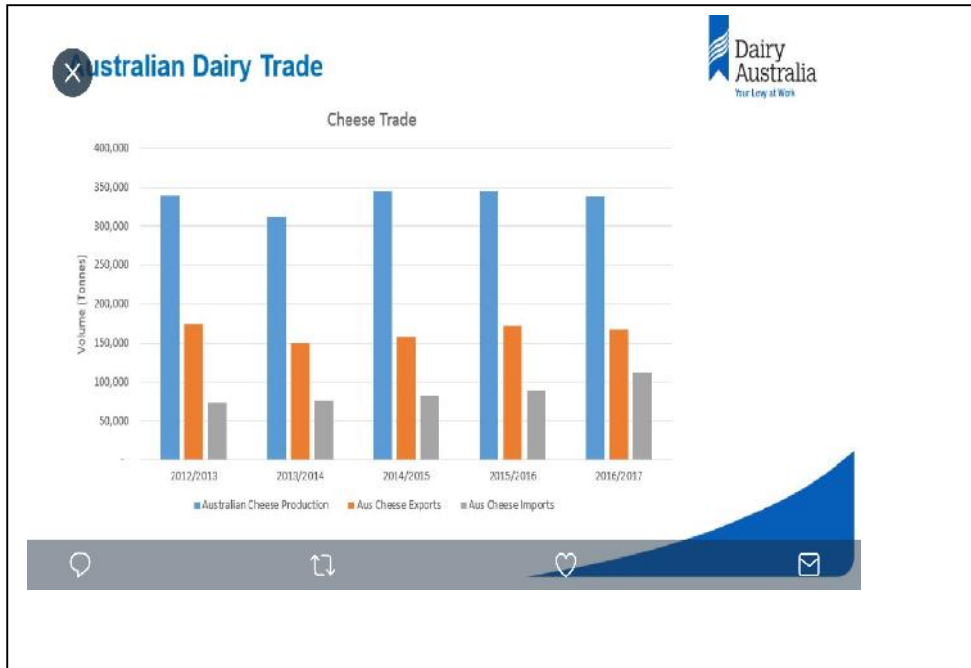


5

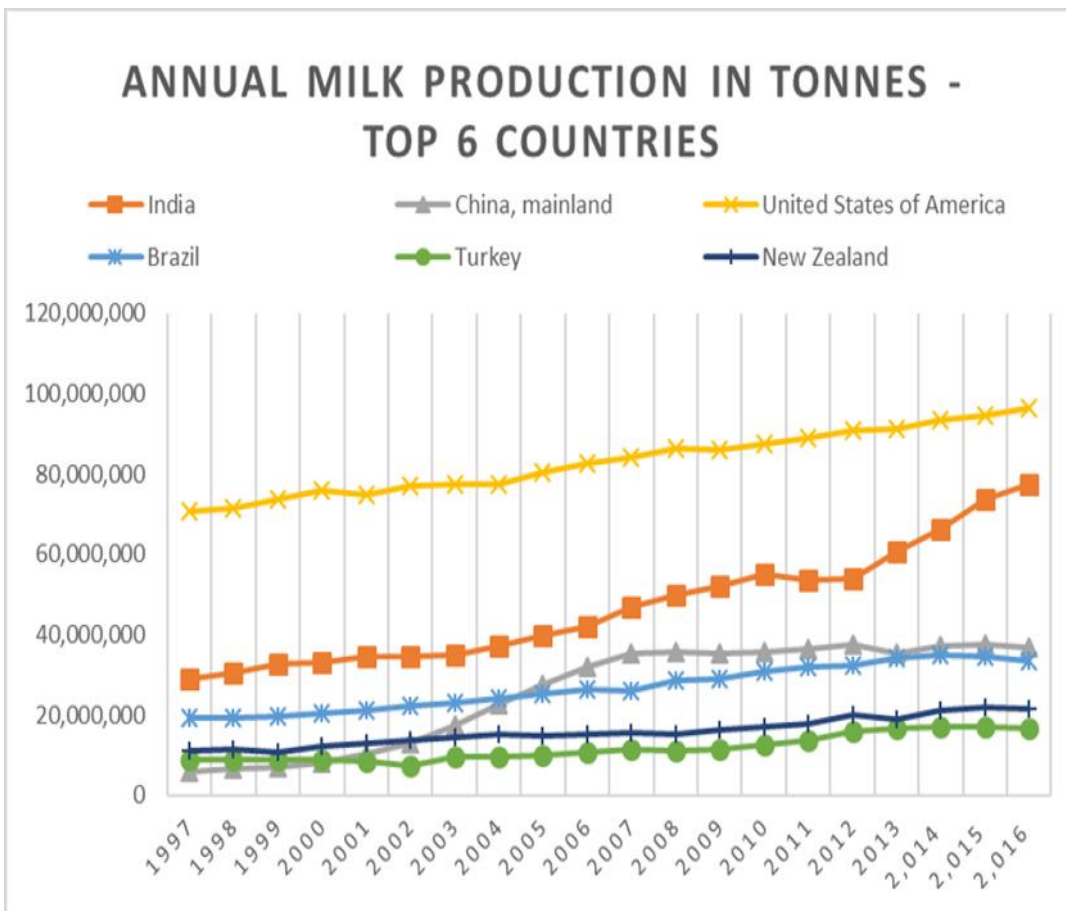
Australian Butter production, import and export



2



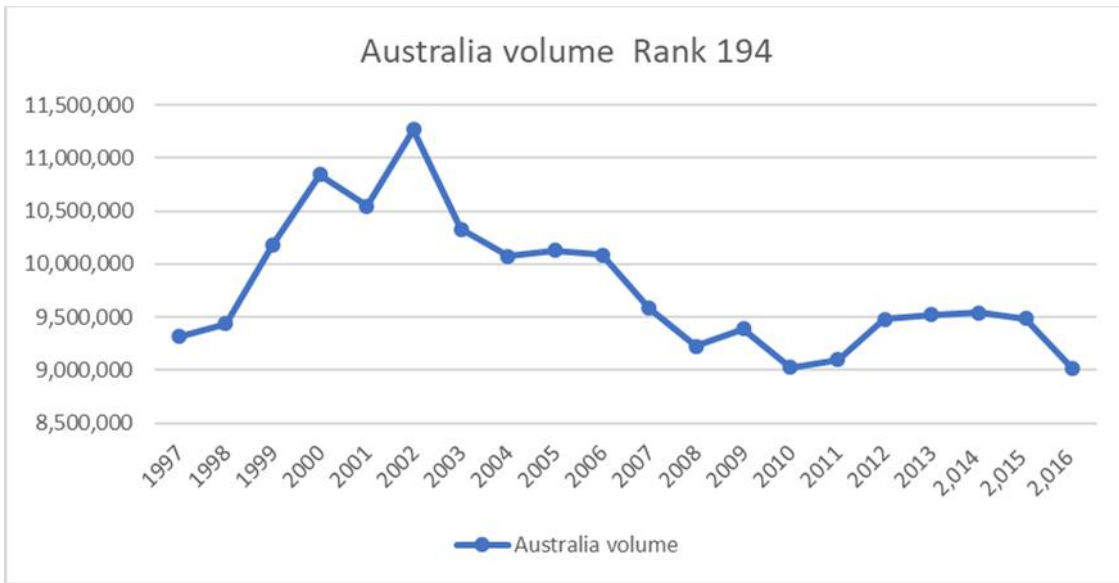
Maximum milk growth volume countries 1997 to 2016 - Source Data – FAO Stats.



Prepared by - Andrew Weinert – [andrew@nicheagribusiness.com](mailto:andrew@nicheagribusiness.com)

Copyright - Niche Agribusiness consulting – Busselton Western Australia

Since deregulation, Australia’s milk production has decreased while population has increased – Therefore exports have decreased and imports have increased.



Why has New Zealand grown, and Australia shrunk in milk production?

Note production volumes were almost equal in 1999?

The answer can only be policy!

