

Young Dairy Development Program

“Developing Dairy Communities”

FARMERS HEAR OF MILK PRICE OUTLOOK

A milk price workshop in Warrnambool has heard that strong demand and a slowdown in US production should lead to improved prices for farmers.

The Young Dairy Development Program (YDDP) hosted the workshop at the Flying Horse Inn on July 17 which heard from Warrnambool Cheese and Butter, Murray Goulburn and Fonterra representatives, UDV state president Kerry Callow and Dairy Australia manager strategy and knowledge Joanne Bills.

Ms Bills and the milk processor representatives explained how commodity prices, world supply and demand and the high Australian dollar have impacted on this year's opening price.

However, Ms Bills said there was light at the end of the tunnel and that the recent oversupply problem would start to correct itself over the next six to 12 months.

“Rebalancing the supply chain has started. The United States' increase in supply has been a killer for international markets but the good news is that US production growth is slowing,” she said.

“The US is more susceptible to rising grain prices, particularly for maize, and these are starting to bite.”

Ms Bills said this change would be matched by a “very robust demand”.

“The export market remains strong for the foreseeable future. There is a solid platform for price recovery, although some volatility will continue,” she said.

Milk processor representatives at the workshop said they were keen to continue pursuing growth markets in China.

“Imported product remains at a premium in China,” Ms Bills added.

She said the high but fluctuating Australian dollar continued to play a key role in influencing the market and that a 21 per cent fall in average commodity prices in \$A terms since June 2011 and the growth in global supply had led to this year's lower opening prices.

However, she said processing companies had bettered Dairy Australia's early opening price prediction and she hoped it would step up beyond \$5 this year.

“We are part of a global market which is very susceptible to supply-demand issues which leads to volatility but with significant population growth and an expanding middle class the 10-year outlook predicts a 40 per cent growth in demand for dairy exports.”

The event was supported by Dairy Australia, Fonterra Australia, Bonlac Supply Company, Warrnambool Cheese & Butter Factory Co Ltd, Murray Goulburn Co-operative, Department of Primary Industries, United Dairyfarmers of Victoria, National Centre for Dairy Education Australia, GOTAFE and Five Star Stockfeeds.

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