



Media Release

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Growing dairy demand in Asia could encourage Australia's milk production to almost double

Australia's dairy industry is being presented with a significant opportunity to increase production from 9.2 billion to 15 billion litres of milk per year to meet the growing demand from countries such as China, Indonesia, The Philippines and Vietnam, according to a new research report released today by ANZ.

The dairy-focused report, 'Looking for a Sign', says that while Australia currently only accounts for around two per cent of the world's milk production, there is the potential for dairy exports as a whole, including liquid milk, powdered milk, cheese and yoghurt, to lift due to the rapid growth of the Asian middle class and their increasing dietary preference for dairy.

Christine Linden, ANZ General Manager of Regional Business Banking said: "Australia's agricultural sector is crucial for the future prosperity of our economy and its growth offers significant employment opportunities on farms, in processing and in the services sectors.

"As we benefit from Asia's growing population and expanding middle class, we need a renewed focus on agriculture and the dairy sector in particular, to help underpin a stronger and more profitable regional Australia," Ms Linden said.

Key findings from 'Looking for a Sign':

- Current estimates anticipate milk production growth of 2.5%, with a total in range of 9.45 to 9.50 billion litres. However, the industry could increase milk production from 9.2 billion to 15 billion litres per year if key farming variables can be adjusted.
- The investment required to increase Australia's productive output to 15 billion litres is estimated at \$8.6 billion over the next 10 years.
- Australian dairy exports have grown from \$969 million in 1980 to \$3.2 billion in 2014, a growth rate of 3.6%. While Australia accounts for an estimated 2% of the world's milk production, it accounts for 7% of the world's dairy trade.
- Most of Australia's dairy exports are destined for Asian countries. Greater China is now the most important export market, accounting for 19% of exports in volume and value.
- Australia has seen a 31% increase in export volume to The Philippines in the past 12 months to March 2015. Additionally, over the next 10 years, predicted growth in dairy imports of Indonesia and Vietnam are 3.3% and 3.2% respectively. Imports of Australian cheese are expected to almost double between 2013 to 2023 from 7,100 tonnes to 13,000 tonnes.
- The recent wave of acquisitions and large scale investments from multinationals has shown institutions are recognising Australia as a reliable and profitable destination for dairy investment.

Commenting on the release of the report, ANZ's Head of Agribusiness Mark Bennett said: "The report shows that domestic dairy consumption has barely changed in the past decade. We believe this can be offset with the significant opportunity the Asian market presents – for example, in the past year, Australia saw a 31 per cent increase in dairy export volume to The Philippines.

"The emerging Asian market opportunity is significant and the added impact of the China-Australia Free Trade Agreement, especially when China's milk demand is supported by 70 per cent imports, means Australia is now even better positioned to capitalise on meeting China's increased demand.

"Assuming a scenario where dairy producers can adjust key variables such as herd numbers or calving cycles to quickly scale production up, this could lead to milk production increases of closer to 15 per cent, which would see production of 15 billion litres achieved much more quickly than current trend.

"Unfortunately key issues do plague the industry, such as a fragmented dairy supply chain, milk supply constraints, ageing farmer population, and a reluctance to invest capital.

"Despite this, Australian capital holders and Australian dairy farmers must invest strongly in the industry if we are to take our share of increased global consumption. Our willingness to innovate and embrace new approaches is critical to this," Mr Bennett said.

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