



**Rabobank**

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## ***Extreme weather takes toll on Australian dairy production – Tasmanian Dairy Conference***

Weather extremes of floods and hot dry conditions have taken their toll on Australia's milk season, with production taking a turn for the worse in recent months, according to the an industry expert presenting at this week's Tasmanian Dairy industry Conference held in Burnie.

Rabobank senior dairy analyst Michael Harvey says national dairy production was down 5.5 per cent year-on-year in January, 2013 as flooding impacted Australia's northern dairy regions and hot dry conditions hampered output in the southern export regions.

And looking ahead as the season winds down, milk volumes are likely to come under further pressure unless weather conditions improve, with dairy farmers in need of a strong early autumn break.

"We expect Australian milk production to come in just 0.7 per cent above prior-year levels for the first half 2013," he says.

"And while production is down, export demand has been up – from July to December 2012, Australian dairy exports were running 9.5 per cent higher than year-ago levels. With most export supply now sold, trading activity will be quiet until the new selling season," Mr Harvey says.

Looking internationally, the Rabobank analyst says, the global market tightened considerably in mid-March and looks set to remain tight through the next six months.

"As was anticipated, the back end of the southern hemisphere season has been poor, exacerbated by extreme weather in several regions, including Australia and particularly New Zealand, which has been impacted by drought," Mr Harvey says.

"March saw the upward phase of global dairy prices enter its ninth month and finally gain momentum."

Rabobank expects ongoing contraction of dairy supply in key surplus regions and incremental demand for production in import regions should prove enough to keep the international market tight through Q2 of 2013, despite the "lacklustre" global economic outlook.

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