

# AUSTRALIAN MILK PRICING

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# THE AUSTRALIAN DAIRY INDUSTRY



DAIRY IS AUSTRALIA'S THIRD  
LARGEST RURAL INDUSTRY

**3<sup>rd</sup>**

AVERAGE ANNUAL MILK  
PRODUCTION PER COW

**6,203**  
litres

TOTAL ANNUAL  
MILK PRODUCTION

**8,554**  
million litres

MILK PRODUCTION  
EXPORTED

**36%**

NUMBER OF  
DAIRY FARMS

**4,420**

AVERAGE  
HERD SIZE

**303**  
cows

AUSTRALIAN  
DAIRY HERD

**1.34**  
million cows

VALUE OF FARMGATE  
PRODUCTION

**\$4.9**  
billion



# THE AUSTRALIAN DAIRY INDUSTRY



DAIRY IS AUSTRALIA'S THIRD  
LARGEST RURAL INDUSTRY

**3<sup>rd</sup>**

**13,675 lb milk**  
**1,108 lbs MS**

million litres

MILK PRODUCTION  
EXPORTED

**36%**

NUMBER OF  
DAIRY FARMS

**4,420**

AVERAGE  
HERD SIZE

**303**  
COWS

AUSTRALIAN  
DAIRY HERD

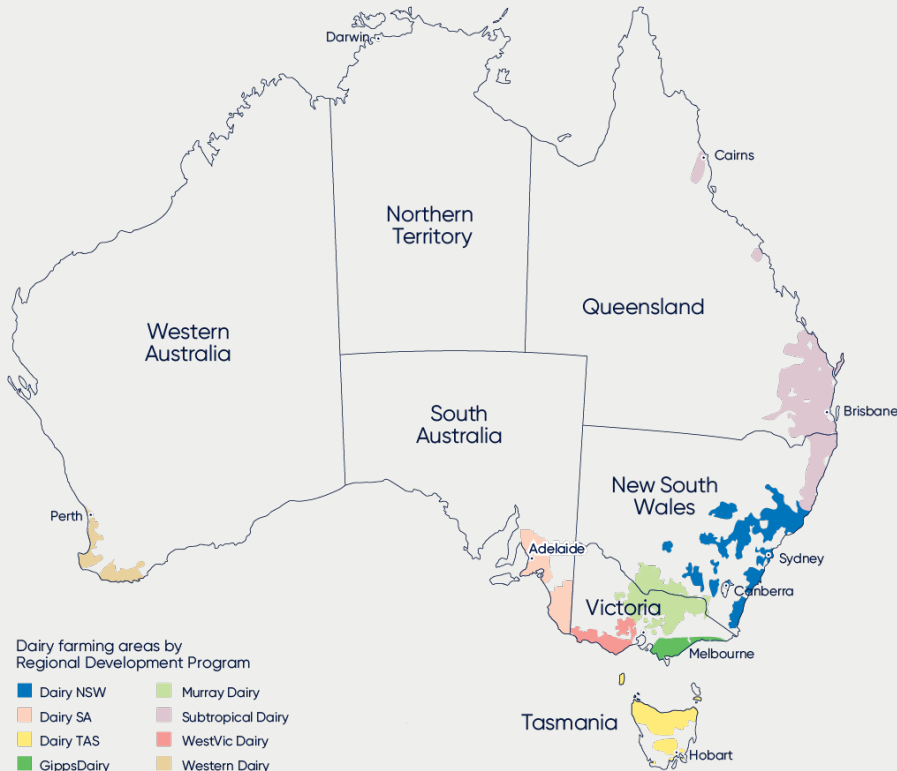
**1.34**  
million cows

VALUE OF FARMGATE  
PRODUCTION

**\$4.9**  
billion

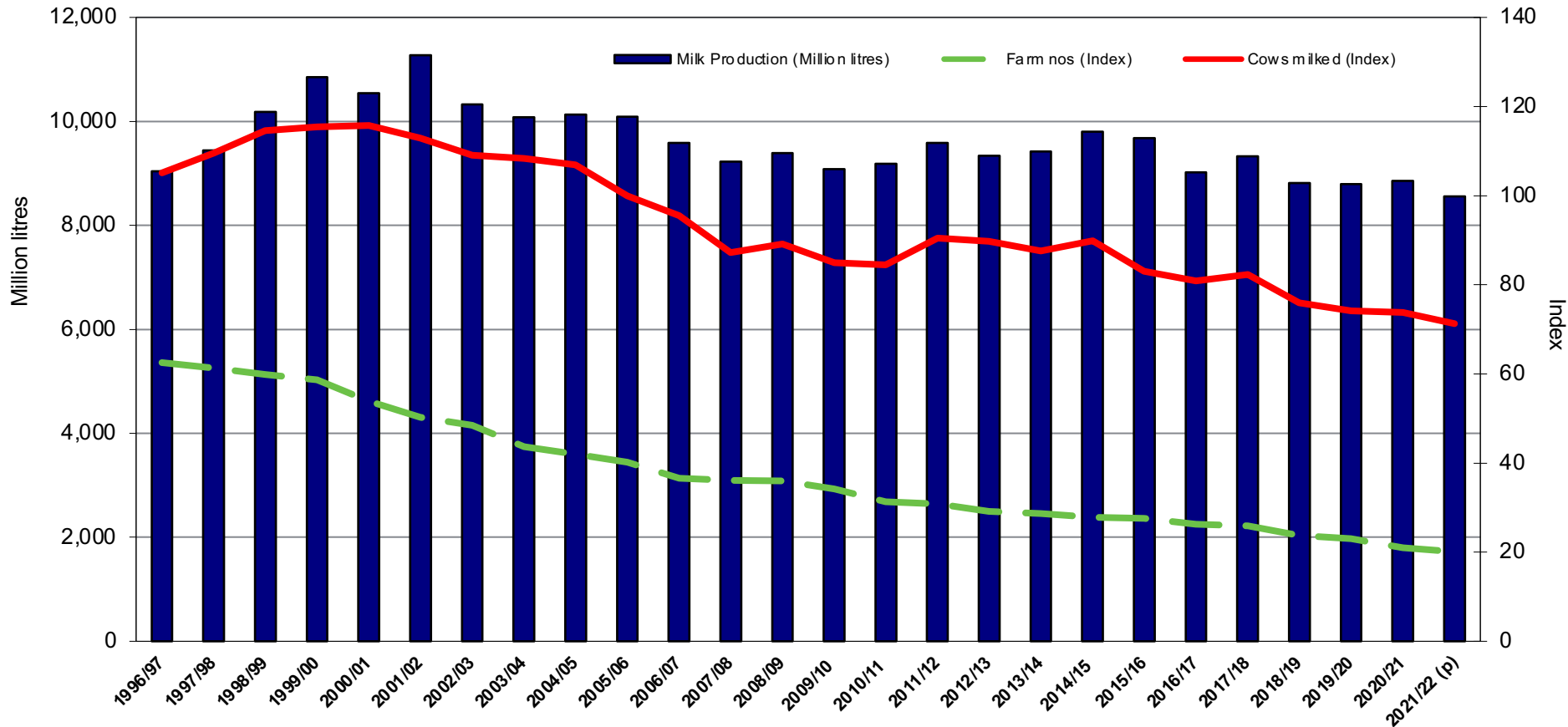


# WHERE IS DAIRYING?

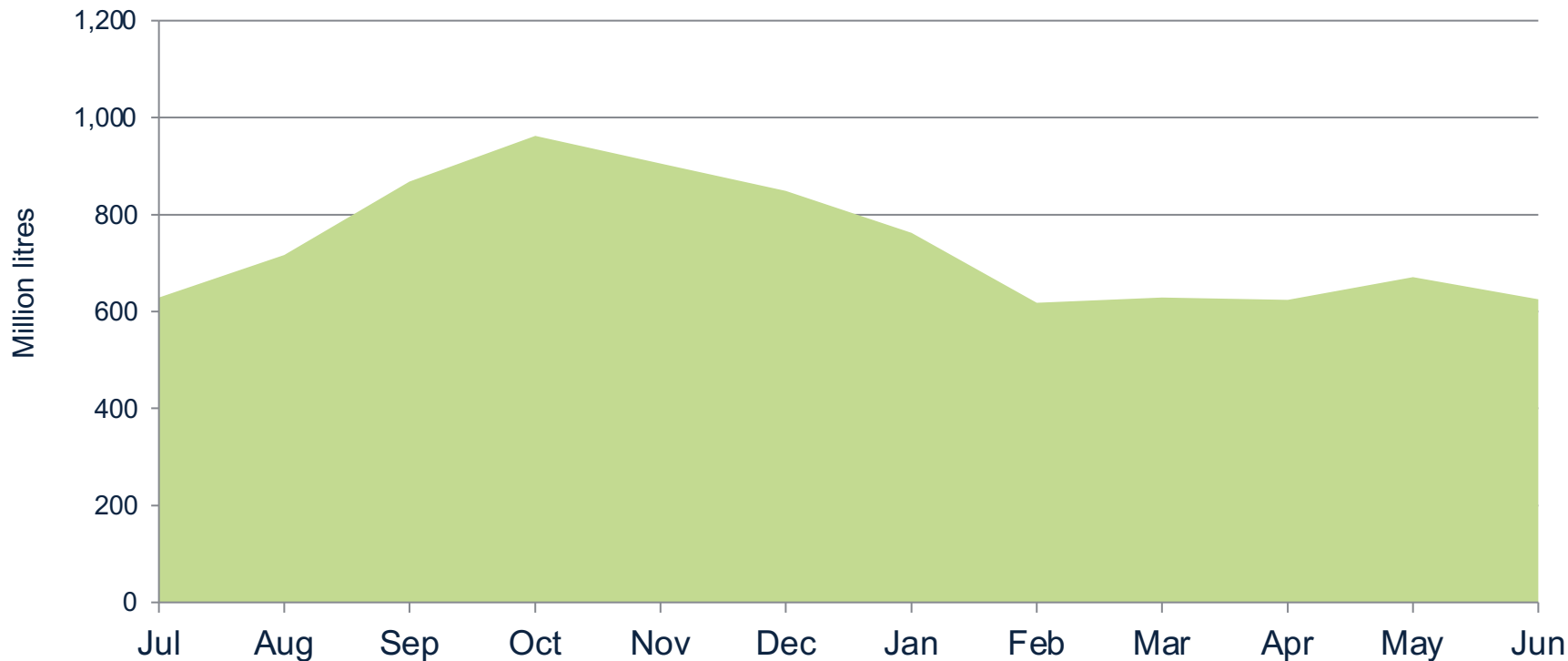


- Dairying in all states,
- Most dairy production in SE Aust
- Most exported products from Sth Aust

# HOW MUCH MILK IS MADE?



# SEASONAL MILK PRODUCTION?



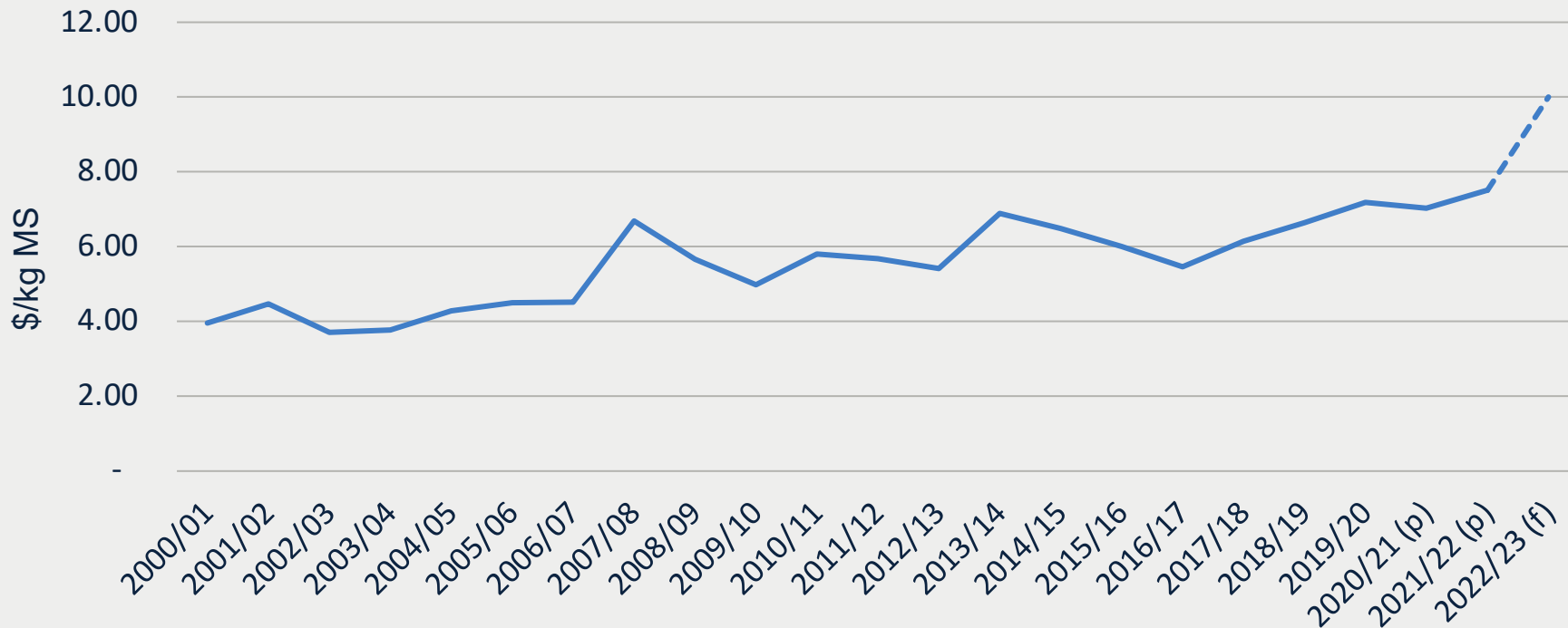
Source: Dairy manufacturers

**F + P – V (0.361 c/l)**

(US 0.105 c/lb)

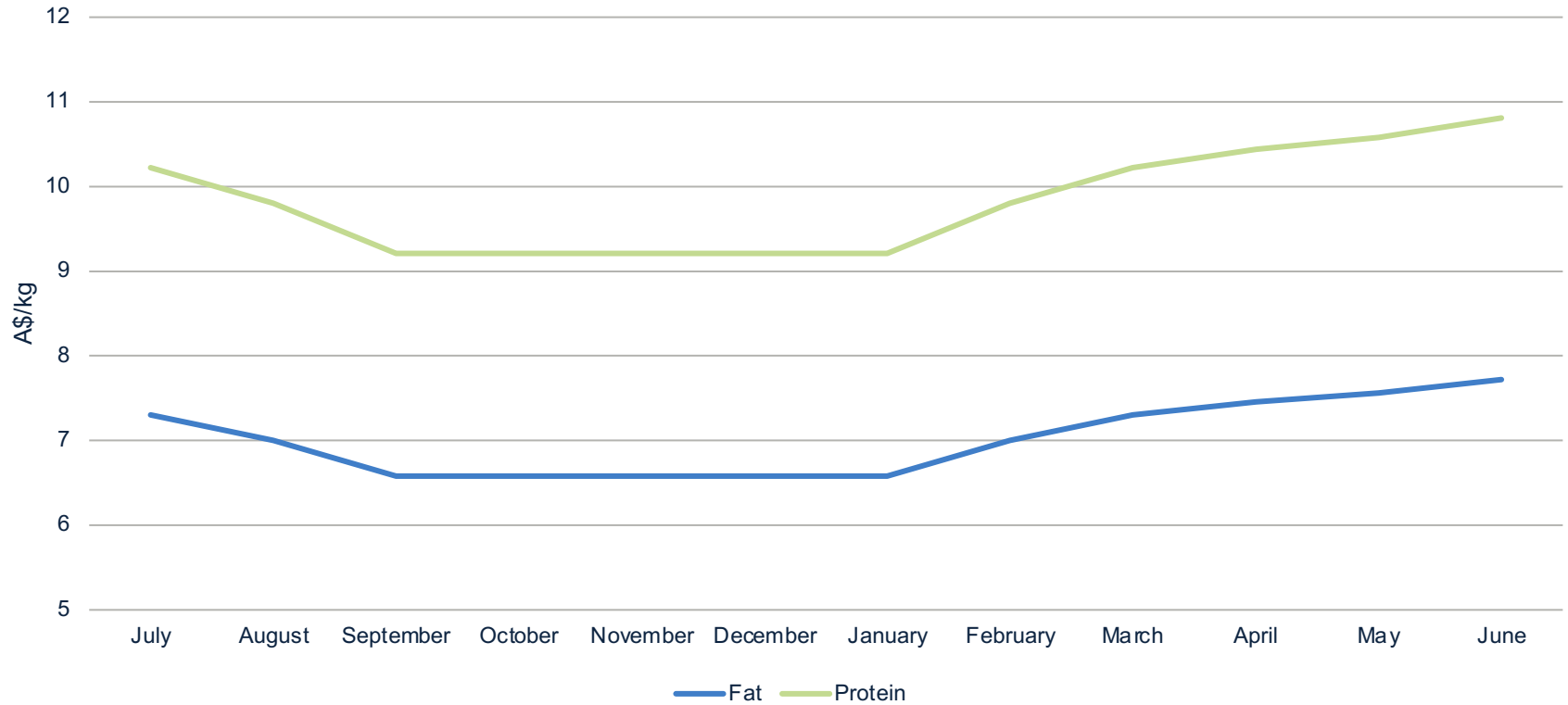
# FARMGATE MILK PRICE SINCE 2000

Indicative national milk price

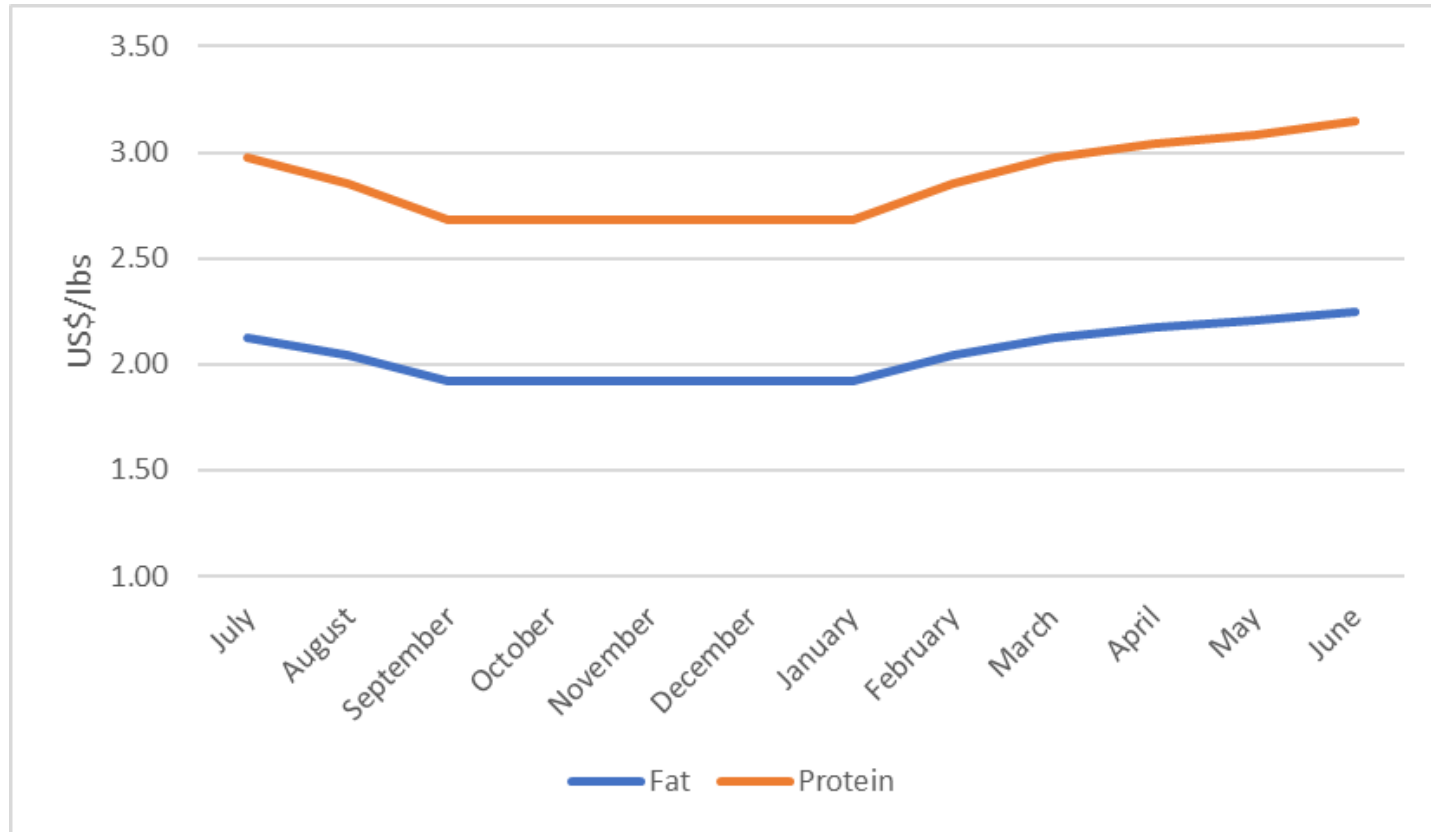




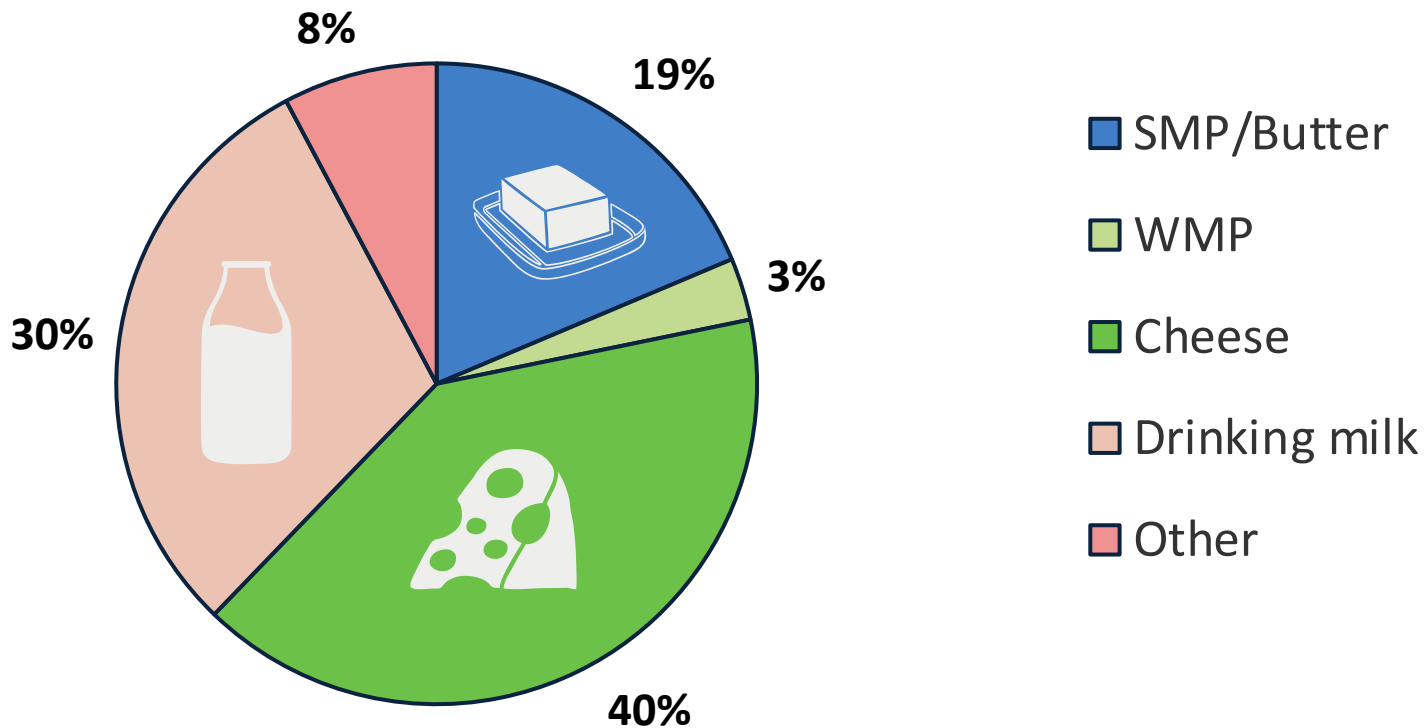
# AUSTRALIAN MILK PRICES – AUD/KG



# AUSTRALIAN MILK PRICES – USD/LBS



# WHAT IS THE MILK MADE INTO?

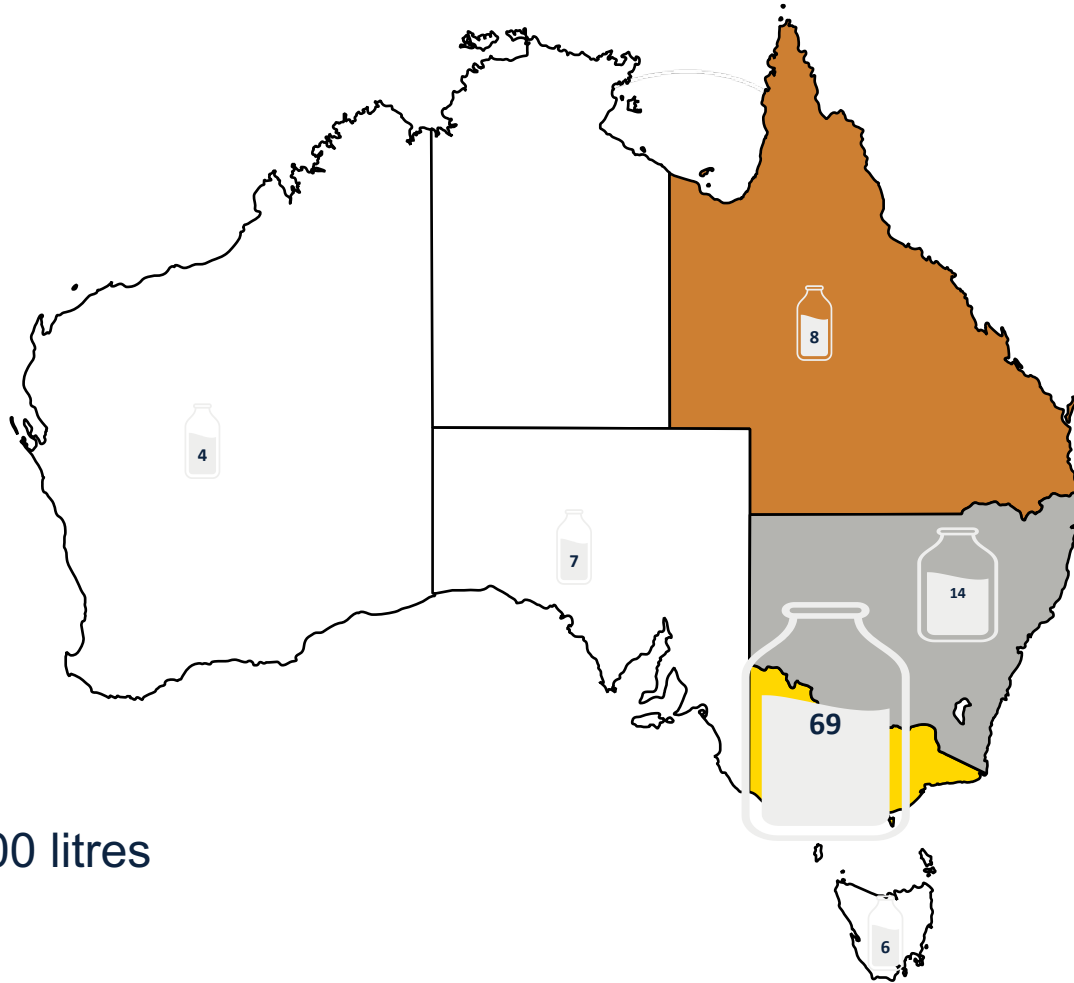


# EXPORTING AUSTRALIAN DAIRY PRODUCE 1960



 = 100,000,000 litres

2000



 = 100,000,000 litres

# DEMISE OF THE CO-OPS

2000 Cooperatives – 75% of milk



2022 Cooperatives – 6% of milk



# DAIRY CODE OF CONDUCT



AUSTRALIAN  
COMPETITION  
& CONSUMER  
COMMISSION



**SUPPLY AGREEMENT FOR THE SALE AND PURCHASE OF MILK**  
(EXCLUSIVE SUPPLY – TASMANIA CAPACITY ADJUSTMENT)  
EFFECTIVE 1 JULY 2022

**IMPORTANT NOTICE**  
READ THIS BEFORE YOU MAKE A DECISION OR AGREE TO SUPPLY TO US  
THIS IS A STATEMENT OF CONCISE FACTS (UNDER WHICH WE WILL BUY MILK IN THE SUPPLY PERIOD)

- This agreement is supported according to the Competition and Consumer Industry Code – Dairy Regulations 2019 (CICDI) (Dairy Code). The Dairy Code affects all agreements for the buying and selling of milk between farmers and processors. If any part of the agreement is not allowed under the Dairy Code, that part only is automatically deleted.
- You have rights and obligations under the Dairy Code. If you are unsure about anything in this agreement, or the Dairy Code itself, talk to your lawyer first before agreeing to anything. If you have a query, you can also talk to us.
- One important part of this agreement says that we will not lower the **minimum** price during the agreed supply period. This means no reductions. They will be permitted outside the Dairy Code, unless in exceptional circumstances and only that with the regulator's approval. The prices/terms from any scheme, especially retrospective ones, do not apply unless stated.
- The terms in this agreement cannot be negotiated. If the agreement does not suit you, there may be one which will. Please talk to your lawyer (Milklog or not) or contact us.
- Cooling Off Period: The Dairy Code provides a cooling off period, even if you have signed this agreement. You can 14 days from the day you sign, to change your mind without consequence. If you have agreed verbally, but signed nothing yet, then the 14-day cooling off period starts from the time you receive the written terms of the agreement. If you wish to cancel this agreement within the cooling off period you must notify us in writing before the end of the cooling off period.
- This is an exclusive contract. This means you agree to supply all your milk from the farm listed in the Terms, and we agree to buy all your milk during the supply period on the same terms, including **minimum price**, unless this agreement allows otherwise.
- If you do not supply all your milk to us, do not supply at least the minimum volume or we do not buy all your milk during the supply period on the same terms, or either of us otherwise does not have to fill farms of the agreement. There are consequences, which may include payments which might be paid by the person who breaks the agreement, or the right to end this agreement. You should consider these consequences before you agree.
- Words that govern like Milk have a special meaning and may have a different meaning from what you are used to. The meanings of these words are defined in the Dictionary section of the Standard Terms, or when they are used for the first time.

**ELIGIBILITY REQUIREMENTS**

We will enter into this agreement with you if:

- You pass all legal and verification checks, including our reputational and policy requirements as set out in schedule 2 - Milk Supplybook.
- You agree to supply to us all your milk during the supply period.
- The milk is produced by you or the farm and collected to take to the region.
- You agree to take all reasonable steps to ensure the milk you supply meets our quality standards and other requirements in this agreement.

WHILE THE TERMS OF THIS AGREEMENT ARE APPLICABLE AS OF THE DATE OF PUBLICATION, WE MAY NOT ACCEPT ADDITIONAL SUPPLIERS ON THESE TERMS AFTER WE PROVIDE NOTICE ON OUR WEBSITE: WWW.FARMSIDE.COM.AU



**LACTALIS AUSTRALIA**

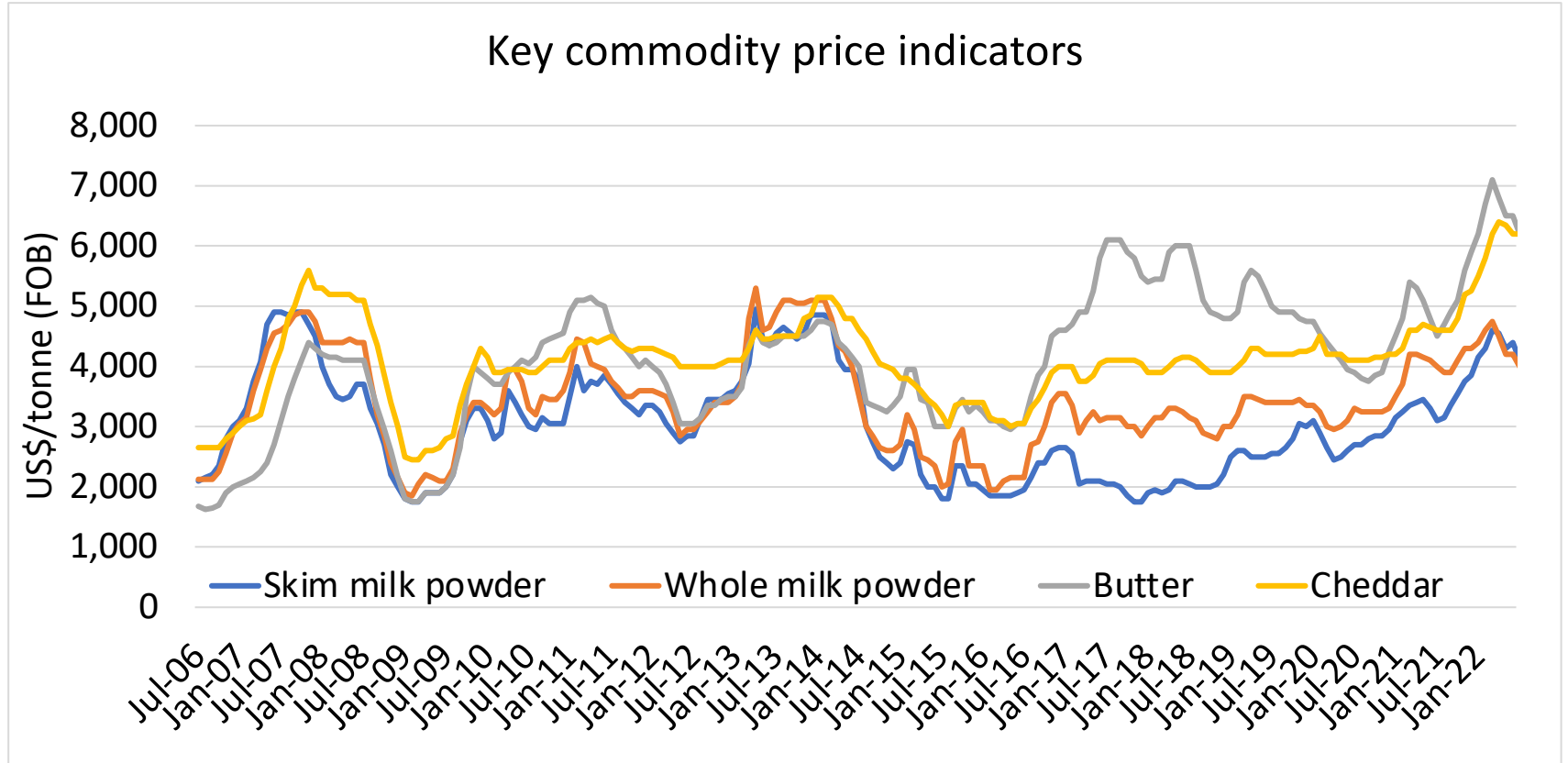
Victoria – Eastern and Western District  
Seasonal Milk Supply  
Milk Supply Agreement – Exclusive  
6 July 2022

**IMPORTANT INFORMATION**

A. The Milk Supply Agreement (MSA) contains the terms and conditions under which you agree to supply milk to Lactalis Australia Pty Ltd. You are responsible for ensuring that the MSA and its terms and conditions are read and understood by you and your employees. The MSA and its terms and conditions are available on our website at [www.farmside.com.au](http://www.farmside.com.au). If you do not agree to the MSA, you should not supply milk to us.

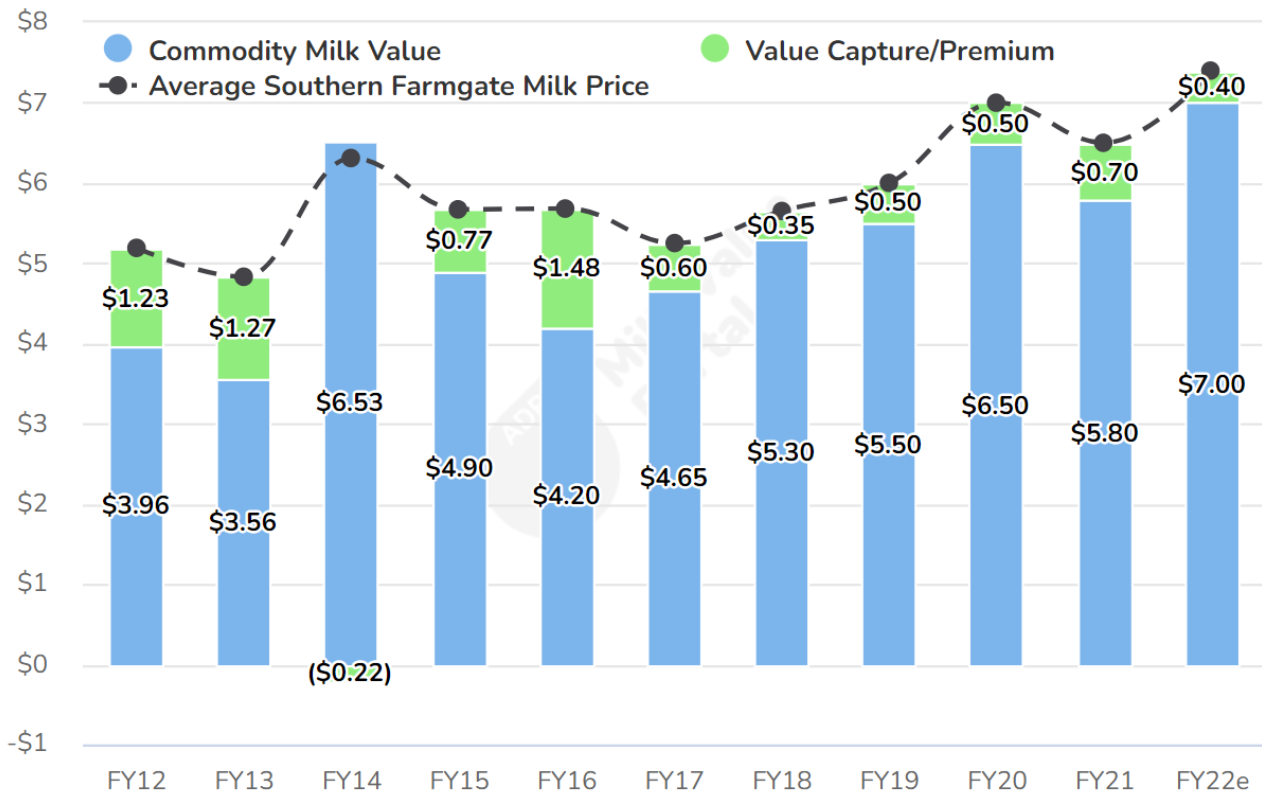
B. The MSA is a legal document and you should seek legal advice before you agree to it. It contains our legal rights and remedies. It changes our legal rights and remedies. It may affect your ability to sue, be sued or defend yourself.

# DAIRY COMMODITY MARKETS: A BUMPY RIDE

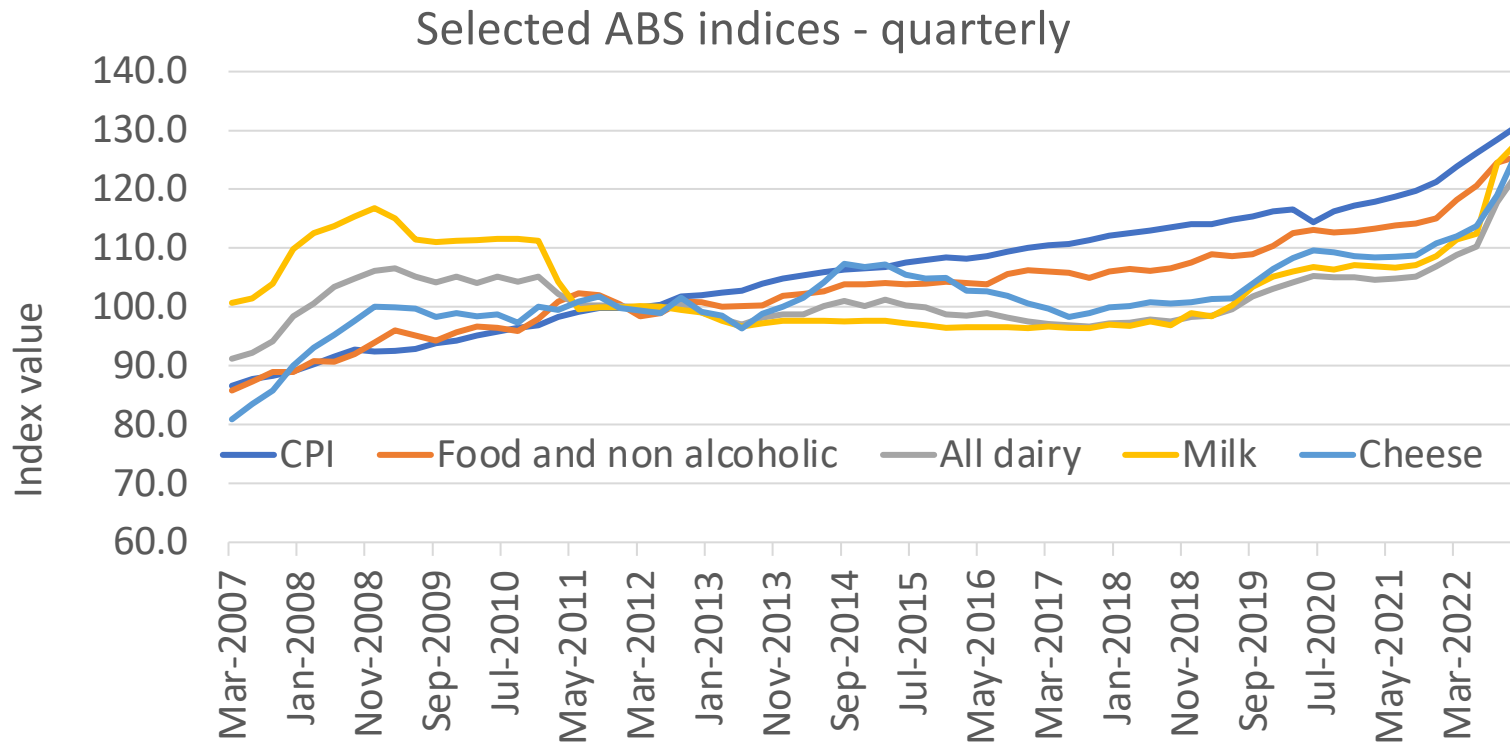




# MORE TO THE STORY: FARMGATE PRICES = CMV + VC



# VC FOR MANUFACTURERS: THE STABLE DOMESTIC MARKET...



## IN SHORT

- Dairy is thinly traded globally; supply drives price cycles
- Australian pricing is heavily influenced by global factors
  - Imports and exports are an important part of the industry
- Milk price is more than just commodity value



## UNITED STATES OF AMERICA

- **Mandatory reporting of wholesale milk prices to USDA under Federal Milk Market Orders**
- **USDA uses this information to set the monthly farmgate milk price**
- **Price Volatility managed by the ‘Dairy Revenue Protection Program’**
- **Access to the Chicago Mercantile Exchange to hedge inputs and output**
- **‘Dairy Margin Coverage Program’ - USDA help for margin protection.**





**THANK YOU**

*<https://www.dairyaustralia.com.au/industry-statistics/industry-reports/australian-dairy-industry-in-focus>*

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