

## **New Zealand Forecasts 9.5% Milk Production Gain Through 2013**

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By Gavin Evans

New Zealand farmers, the world's largest dairy exporters, may lift milk production 9.5 percent during the next four years by stocking more cows and increasing the yield from each animal, according to a government forecast.

Production in the year ending May 31, 2010, may climb 3.9 percent to a record 1.45 billion kilograms of milk solids, and reach 1.53 billion kilograms by 2013, New Zealand's Ministry of Agriculture and Forestry said in an annual outlook today. Growth may slow later in the period as land and animal costs force farmers to focus on yield, the ministry said.

World dairy prices are near a five-year low after the global recession slashed demand and the U.S. and European Union reintroduced subsidies for their farmers. In France and Germany, farmers are seeking more government assistance and their U.S. counterparts are planning a second cow cull in three months to help restore incomes.

"The global recession will keep prices relatively flat over the next two years," the ministry said in its annual Situation and Outlook report today. Price gains after that will be limited as the European Union ends output quotas by 2015 and production expands in the U.S., eastern Europe, India, Latin America, New Zealand and Australia, the report said.

New Zealand accounts for about 40 percent of the global trade in butter, cheese and milk powder. It supplied about 41 percent of the global sheep meat trade in the year ended June 30, 2008, according to industry group Meat & Wool New Zealand, and is the third-largest meat exporter to the U.S.

Beef exports will likely decline 2 percent to 356,000 metric tons in the year ending March as recession in the U.S. reduces demand for prime cuts, the ministry said. The outlook in Japan and South Korea, New Zealand's largest markets after the U.S., is also "bleak" given the recovery of U.S. exports to those markets and reduced consumer demand.

Lamb prices are forecast to remain strong in the year through June, aided by sliding production in Australia and a forecast 2 percent decline in the European Union in 2009, the ministry said.

Exports of lamb will dip about 2 percent to 317,000 tons as farmers start re-stocking after droughts in 2008, before climbing toward 2007 levels through 2013, the ministry said.