



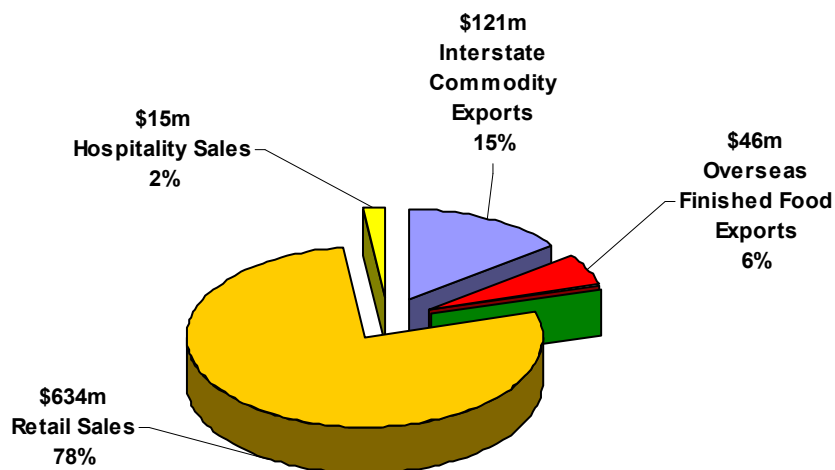
## SOUTH AUSTRALIAN DAIRY INDUSTRY OVERVIEW 2008-09

### 1. Introduction

Primary Industry and Resources of SA (PIRSA) conduct detailed value chain analyses for each food area. This information is used to create the South Australian Food Industry ScoreCard, which measures the commercial value of each industry sector. The ScoreCard measures all of the value adding components of food revenue – in the case of the dairy industry, we measure how the value of milk increases from the ‘paddock to the plate’ (“or glass”). This involves looking at each stage of the food chain from production to finished food and through to consumption. From this economic analysis, the following are identified: the farm gate value of production; exports; imports; inter-state trade; retail sales; and the contribution made by the food services (hospitality and tourism) sector <sup>1</sup>.

In 2008-09 the South Australian dairy industry contributed \$817 million or 7 per cent of South Australia’s gross food revenue. The net food revenue for the same period was \$565 million indicating that \$252 million worth of dairy products were imported from overseas and interstate. Figure 1 shows the percentage and value that the different levels of the value chain contributed to the dairy industry’s gross food revenue.

**Figure 1: South Australian Dairy Industry Gross Food Revenue, 2008-09**



Source: ScoreCard 2009

<sup>1</sup> The SA Food Industry ScoreCard calculates the value of Food Revenue as the sum of the value of overseas exports (free on board value), interstate exports (at wholesale prices), retail sales and food service sales.

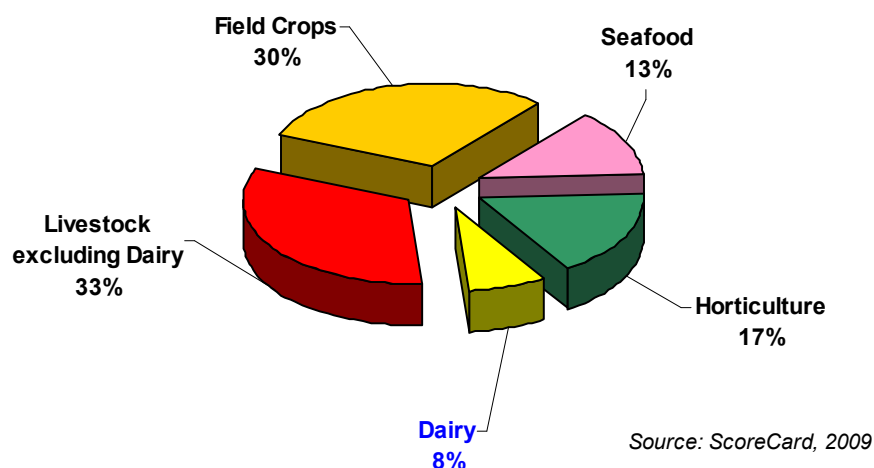


## 2. South Australian Dairy Industry Value Chain

### 2.1 Production

In 2008-09 it is estimated that 628 million litres of milk were produced in South Australia. This is valued at \$251 million<sup>2</sup> (measured at farm gate prices<sup>3</sup>). Figure 2 shows the 2008-09 farm gate value and share for each of the major food producing industries of South Australia. Dairy makes up 8 per cent of South Australia's food production value.

**Figure 2 South Australian Industry Sector Production, 2008-09**



### Finished Food

It is estimated that 325 million litres of South Australian produced milk is processed in South Australia. Of this, 165 million litres are processed into milk ready for human consumption and 127 million litres are used for the manufacture of cheese.

Approximately 2,000 tonnes of butter is also manufactured using the by-products of other manufactured dairy products. There are small quantities of milk used in the manufacture of other products such as Le Rice, ice cream and yoghurt. The wholesale value of dairy products processed in South Australia is estimated to be \$291 million.

Approximately 303 million litres of milk is also sold to interstate processors in bulk form for processing. This interstate sale of bulk milk is valued at \$121 million (as shown on figure 1). Figure 3 shows the revenue that is derived

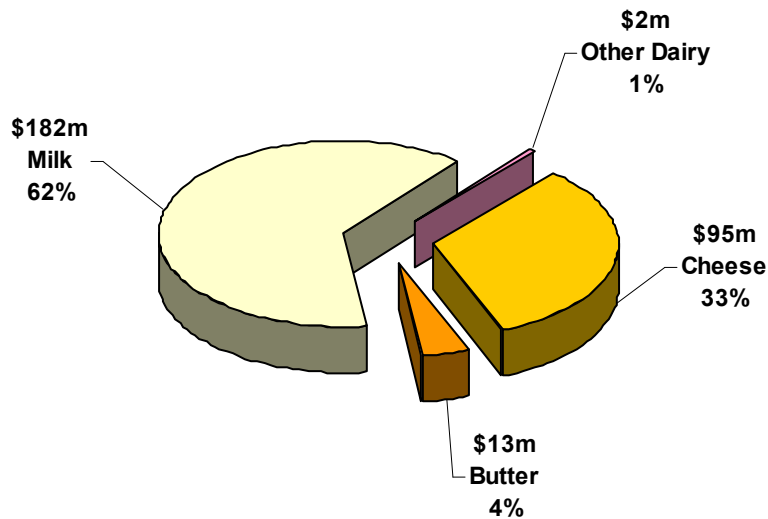
<sup>2</sup> Farm gate value was calculated using an average farm gate price of 40 cents / litre.

<sup>3</sup> A measure of the value of a commodity at the local level of production (ie, farm gate). Farm value is calculated by multiplying the volume of production by the price received and, therefore, represents the value of production to the farmer. This measure can also be used as a benchmark for estimating the additions to the price of a product (and through this, its value) as it moves through the value chain from production to consumption.



from the dairy products that are manufactured in South Australia from locally produced milk.

**Figure 3: Value of dairy products manufactured in South Australia (wholesale prices), 2008-09**

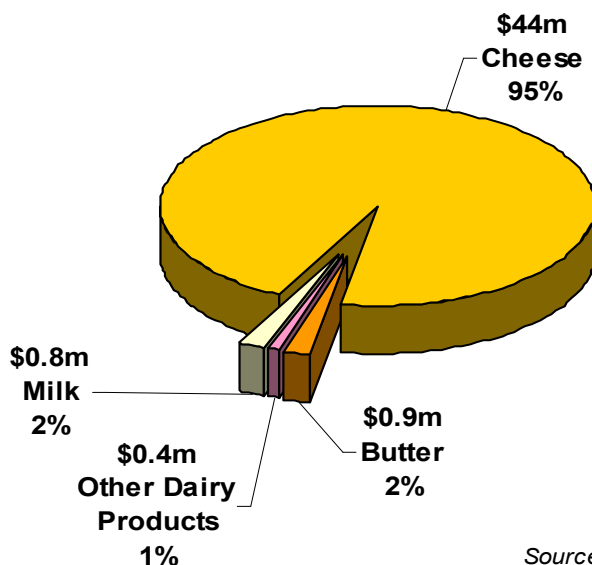


Source: ScoreCard, 2009

### 2.3 Finished Food Exports

In 2008-09 South Australia exported \$46 million worth of dairy products to overseas countries. These overseas sales included 397 thousand litres of processed milk, 9,371 tonnes of processed cheese, 351 tonnes of butter, and 399 tonnes of other dairy products. Figure 4 shows the share each product contributed to the value of South Australian overseas dairy product exports.

**Figure 4: South Australian overseas dairy finished food exports of \$46 million, 2008-09**



Source: ScoreCard, 2009



## 2.4 Finished Food Imports

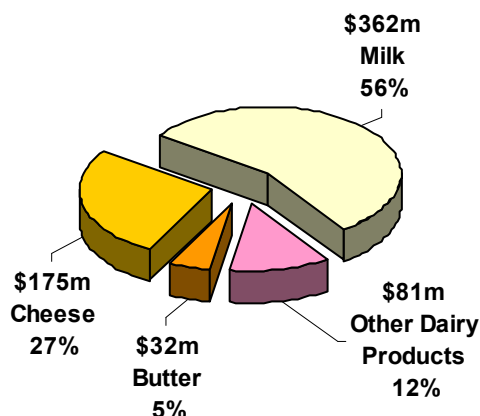
South Australia imported \$40 million worth of dairy products from overseas during 2008-09<sup>4</sup>. These overseas imports included 1.3 million litres of processed milk, 4,376 tonnes of cheese<sup>5</sup>, 903 tonnes of butter<sup>6</sup> and 1,453 tonnes of other dairy products<sup>7</sup>.

It is estimated that an additional \$212 million worth of other dairy products were imported from interstate<sup>8</sup>.

## 2.5 Consumption

Retail and service sales of dairy products in South Australia were worth \$649 million in 2008-09. It is estimated that South Australians consumed 205 million litres of processed milk, 186,000 tonnes of cheese, 99,000 tonnes of butter and 111,000 tonnes of other dairy products. Figure 5 illustrates the amount of revenue that was derived from each category of dairy product sales in South Australia.

**Figure 5 Value of consumption of dairy products in South Australian, 2008-09**



Source: ScoreCard, 2009

## Conclusion

The gross food revenue in 2008-09 for the South Australian dairy industry is estimated to be \$817 million. This is \$57 million (7%) increase on the previous year's figure.

<sup>4</sup> Overseas imports to South Australia are calculated using a pro-rata by population proportion of Australian imports.

<sup>5</sup> A large percentage of cheese imported is specialty cheese.

<sup>6</sup> Butter includes all butter spreads, oils and fats derived from milk.

<sup>7</sup> Other Dairy Products include yoghurt, buttermilk and whey.

<sup>8</sup> Interstate imports are the difference between the amount of dairy products consumed and the amount processed, taking overseas trade into consideration.



Although the volume of milk produced in 2008-09 was higher than 2007-08, lower prices caused the overall decrease in the value of milk production.

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