The upcoming dairy revolution

The industry needs to recognise the need for fundamental change to avoid a demise similar to that of wool, writes Keith Woodford

NZ Dairy dry whole milk production by year

China Dairy dry whole milk imports by year

cent, but whole-milk powder production has more than tripled. Its production fits perfectly with our seasonal production systems. The only producers of dairy powders in developing countries use big quantities of it.

For the past 20 years, our dairy world, we have been selling whole-milk powder, much of the time at very good prices, initially to the oil-rich countries and more recently to China. Go back about eight years, and Venezueula was our largest market. However, with lower oil prices, plus social and political dislocation, Venezuela is now no more than a blip on New Zealand’s whole-milk powder horizon. Other oil producing countries are also struggling to find the funds to purchase our powder.

The Chinese demand came just at the right time for New Zealand. China has been hugely important to the New Zealand dairy industry and will continue to be so. However, the evidence is that whereas overall Chinese demand for dairy products continues to increase, with infant formula being the standout, the demand for whole-milk powder has jumped up and down and is now no higher than it was five years ago.

The lack of growth in Chinese demand for whole-milk powder should come as no surprise. It is what happens in developing countries, as they get more sophisticated logistics and move to more sophisticated dairy products. So, if we are going to depend on whole-milk powder, we need to work out where we are going to sell it. Maybe it could be Iran -- after all we had some 40 or so years, and we did export a lot of pastoral products to Iran -- or somewhere in Africa where we need to focus? It won’t be India -- they can produce all they need and keep high barriers against New Zealand products.

Another big problem for the New Zealand industry is that it has chosen to ignore the threat posed by A2 milk, i.e. milk that is free of A1 beta-casein. I have been promoting the notion of milk free of A1 beta-casein for more than 10 years, and it has been a bruising experience.

However, the tide is now turning. I work with groups and companies in many countries who are quietly getting themselves organised, largely below the radar, for the coming A2 revolution.

In Australia, A2 milk is well above the radar. It is the largest selling brand nationally in supermarkets, at double the price of standard milk. The premium-priced ‘A2 Platinum’ infant formula has moved from a standing start just two years ago to now having more than a 30 per cent market share in Australia, with much of that on-sold to China.

Over the next few months, I expect to have a lot more to say about milk free of A1 beta-casein, given the amount of relevant research emerging from the scientific pipeline. It is ironic that the science about A1 and A2 beta-casein actually began in New Zealand.

Our current pickle is a consequence of history. Decisions which seemed justifiable at the time, now, with hindsight, look decidedly flawed.

There are many other parts of the dairy puzzle beyond what I have touched on here as to how the New Zealand dairy industry will transform itself. Some of the necessary steps will evolve over time, as new opportunities arise and new issues arise.

Emerging restrictions limiting the use of PKE to 3kg per cow per day are going to impact North Island production, particularly in drought. The potential for greenhouse gas leaves may add further complications.

The one clear starting point for New Zealand dairy is to recognise that the industry does indeed have to change. Some farmers and some operators along the value chain can see that future and will find the pathways to success.

But right now, there are still far too many who are focused on the past, and without the personal and financial resilience to find pathways forward. And there lies the nub.

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