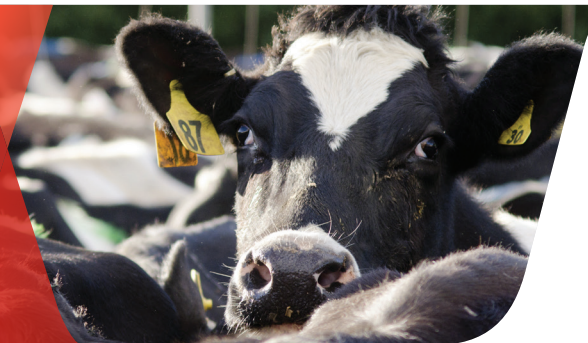


Dairy Update.

16 October 2019



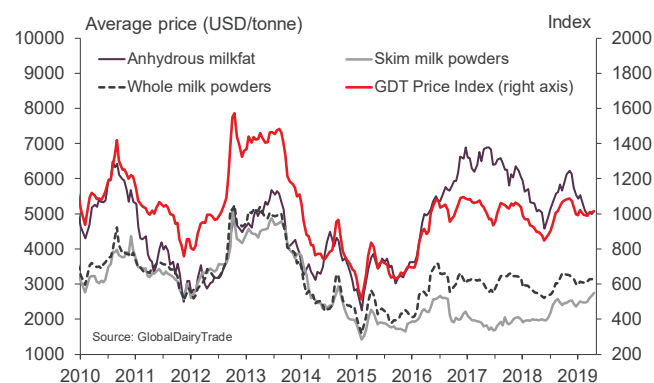
GlobalDairyTrade Auction Results, 16 October 2019

| | Change since last auction | Prices USD/Tonne |
|--------------------------|---------------------------|------------------|
| Anhydrous Milk Fat (AMF) | 0.8% | \$5,065 |
| Butter | -0.4% | \$4,105 |
| Butter Milk Powder (BMP) | - | - |
| Cheddar | -2.2% | \$3,636 |
| Lactose | 0.0% | \$785 |
| Rennet Casein | 3.6% | \$6,916 |
| Skim Milk Powder (SMP) | 2.4% | \$2,743 |
| Whole Milk Powder (WMP) | 0.0% | \$3,133 |
| GDT Price Index | 0.5% | 1,015 |

Farmgate milk price forecasts

| | 2018/19 | | 2019/20 | |
|------------|----------|---------|---------|----------|
| | Fonterra | Westpac | Westpac | Fonterra |
| Milk Price | \$6.35 | \$6.50 | \$6.25 | \$7.25 |

Dairy prices



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Last night's GlobalDairyTrade auction again resulted in little change to prices overall, the headline index up 0.5%.

NZ's key export product, whole milk powder, was unchanged at US\$3133 - slightly disappointing for the futures market which yesterday had predicted a 1% gain. However, the price remains above the three-year average of \$3060, and more recently, the trend remains positive, with prices since July up 6%.

Other major products were mixed, with skimmed milk powder up 2.4%, butter down 0.4%, anhydrous milk fats up 0.8%, and cheddar cheese down 2.2%.

Chinese auction demand (proxied by the North Asian buyer category) rose slightly to around 55% of the total volume, with South East Asia/Oceania buyers steady at a 27% share.

Dairy supply globally remains constrained, while in NZ milk collections in August were around 2% higher than in August 2018. However, NZ growing conditions in September and October have been mixed, with soil moisture around average but temperatures in the South Island below average. Constrained supply is one possible explanation for futures markets consistently predicting moderate gains in GDT auction prices.



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