

Dairy Update

17 April 2019



Dairy prices edged 0.5% higher in last night's GlobalDairyTrade auction, with mixed outturns for individual products on offer. The GlobalDairyTrade price index has now risen in ten consecutive auctions and is up 23% since the start of the year.

A feature of recent months has been renewed strength in fats prices and this continued in last night's auction. AMF prices are now up 19% since the start of the year and 34% from their November lows, while butter prices have risen an even more impressive 36% this year and are 52% above their November 2018 lows. While prices for both are below the record levels they reached in 2017, demand appears to be remaining robust even at these levels. Over time, we would expect the relative prices of milk fat and protein to return to average levels, as manufacturers increase production of whichever products generate better returns (whole milk powder or skim milk powder and fats). That increased supply will put downward pressure on prices, however divergence can persist for an extended period.

Whole milk powder prices eased 0.7% in last night's auction, their second consecutive fall. We think this is some of the supply premium coming out of prices as concern about the impact of dry weather on NZ milk production eases. While soil moisture deficits in parts of the country remain worse than average for this time of the year, they are not as acute as we saw a few weeks ago.

With not long to go until the end of the New Zealand dairy season at the end of May, we continue to see a little update risk to our current season milk price forecast of \$6.40.

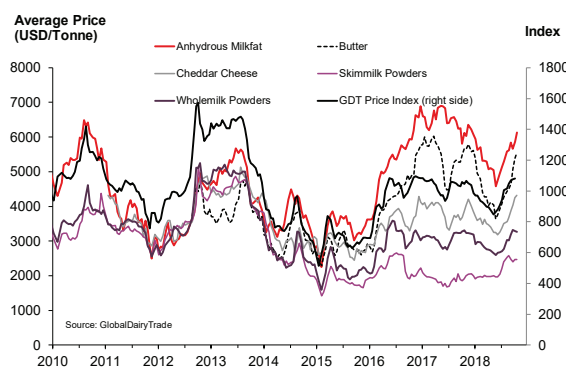
Anne Boniface
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GlobalDairyTrade Auction Results, 17 April 2019

	Change since last auction	Price index USD/Tonne
Anhydrous Milk Fat (AMF)	4.2%	\$6,126
Butter	3.5%	\$5,544
Butter Milk Power (BMP)	-	-
Cheddar	1.4%	\$4,319
Lactose	-3.4%	\$912
Rennet Casein	-2.4%	\$6,460
Skim Milk Powder (SMP)	0.2%	\$2,462
Whole Milk Powder (WMP)	-0.7%	\$3,269
GDT Price Index	0.5%	1,082

Farmgate milk price forecasts

	2018/19		2019/20
	Westpac	Fonterra	Westpac
Milk Price	\$6.40	\$6.30-\$6.60	\$7.00



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