

# Dairy Update

17 July 2019



Dairy prices halted their recent slide in last night's GlobalDairyTrade auction, lifting 2.7%.

Prices rose for most products on offer, including a solid 3.6% increase in whole milk powder prices. This was the first lift in whole milk powder prices we've seen since March. There were smaller improvements in fats prices.

Global growth in milk supply is still expected to be relatively modest over the second half of this year. While much will depend on pasture conditions in New Zealand, it's unlikely that last year's exceptionally strong growth in milk production during spring will be repeated. And with the national herd likely to be static, or even contract a little, further growth in the national milk supply will hinge on incremental productivity improvements.

One crucial development we will be keeping a close eye on is how Chinese demand evolves in the coming months. Buying from the North Asian region (dominated by China) has been strong through the first half of the year. Most recently, the proportion of GlobalDairyTrade sales to the North Asian region has been notably higher than usual through June and July. This suggests that consumer demand for dairy products in China seems to be holding up well, despite growing headwinds for the Chinese economy and trade tensions.

While last night's GlobalDairyTrade auction was a little stronger than we had pencilled in, we remain comfortable with our \$6.90 milk price forecast for the current season.

**Anne Boniface**  
Senior Economist

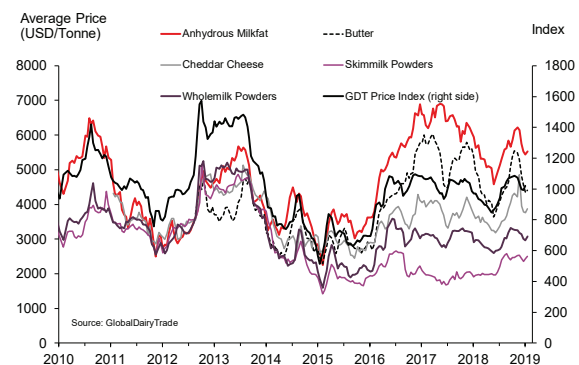
## GlobalDairyTrade Auction Results, 17 July 2019

	Change since last auction	Price index USD/Tonne
Anhydrous Milk Fat (AMF)	1.7%	\$5,523
Butter	1.7%	\$4,406
Butter Milk Powder (BMP)	-	-
Cheddar	3.3%	\$3,869
Lactose	-	-
Rennet Casein	-3.4%	\$7,044
Skim Milk Powder (SMP)	3.8%	\$2,505
Whole Milk Powder (WMP)	3.6%	\$3,074
GDT Price Index	2.7%	1,020

## Farmgate milk price forecasts

	2018/19		2019/20	
	Westpac	Fonterra	Westpac	Fonterra
Milk Price	\$6.40	\$6.30-\$6.40	\$6.90	\$6.25-\$7.25

## Dairy prices



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