

Dairy Update.

18 December 2019



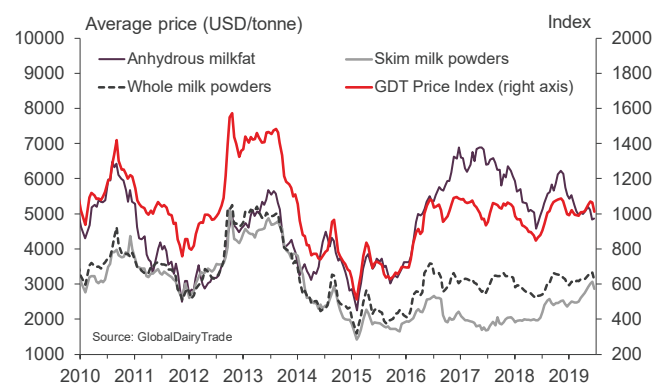
GlobalDairyTrade Auction Results, 18 December 2019

	Change since last auction	Prices USD/Tonne
Anhydrous Milk Fat (AMF)	-0.3%	\$4,866
Butter	-2.4%	\$3,886
Butter Milk Powder (BMP)	-	-
Cheddar	1.7%	\$3,869
Lactose	0.6%	\$787
Rennet Casein	2.6%	\$8,260
Skim Milk Powder (SMP)	-6.3%	\$2,867
Whole Milk Powder (WMP)	-6.7%	\$3,099
GDT Price Index	-5.1%	1,011

Farmgate milk price forecasts

	2019/20		2020/21
	Westpac	Fonterra	Westpac
Milk Price	\$7.10	\$7.00-\$7.60	\$7.30

Dairy prices



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Last night's GlobalDairyTrade auction saw most prices decline, with the headline index down 5.1%.

Whole milk powder performed the worst, falling 6.7%. That was much larger than the 1% drop that futures markets had predicted yesterday, and at US\$3099 brings it back to mid-September levels.

Skim milk powder fell 6.3%, while butter fell 2.4%, anhydrous milk fats fell 0.3%, and cheddar cheese rose 1.7%.

One possible explanation for the price falls could be that volumes were increased, both at last night's auction as well as the 12 months ahead. WMP volume for last night's auction was increased by around 5%, while the next 12 months were increased by 13,000MT.

Chinese auction share (proxied by the North Asian buyer category) rose to 56%, well above the next major buyer regions – South East Asia/Oceania at 23% and Middle East at 8%. Chinese demand remains strong, and has been the main source of growth for New Zealand's dairy exports this year.

Looking ahead, the outlook for Chinese demand for agricultural products in 2020 is somewhat clouded by last week's trade deal between the US and China, which will require China to increase agricultural purchases from the US. In addition, we expect economic growth in China to slow from 6.1% in 2019 to 5.8% in 2020.

Against that, NZ dairy production this season is likely to be slightly below the previous one, given the cooler-than-normal spring combined with a dry spell in some regions more recently.



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