

Dairy Update

3 July 2019



- Dairy prices were down 0.4% in the latest GlobalDairyTrade auction.
- We have lowered our farmgate milk price forecast for the 2019 / 2020 season to \$6.90/kg (down from \$7.20).

Dairy prices nudged down 0.4% in last night's GlobalDairyTrade auction. That was the fourth consecutive fall in prices and leaves the overall GDT price index at levels we last saw in January of this year.

The fall in the overall dairy price index related to lower prices for fats products, including butter, anhydrous milk fat and cheddar.

But while the overall price index was down, prices for whole milk powder actually were unchanged (breaking the run seen in the past six auctions). We also saw a 3.2% increase in prices for skim milk powder.

We were always expecting auction prices to fall over the course of this year. However, this has come through faster than we anticipated. We are therefore lowering our farmgate milk price forecast for the 2019 / 2020 season to \$6.90/kg (down from \$7.20). Fonterra's forecast range is \$6.25 to \$7.25.

Looking ahead, growth in overseas dairy supply is likely to be limited over the remainder of this year. That's in part related to dry conditions in Australia and the lingering impacts of last summer's drought conditions in Europe.

In contrast, New Zealand production is looking firmer: New Zealand milk production was up 2.4% last year, and NZX is forecasting milk solid levels to be up 0.4% over the 2019 / 2020 season.

Demand conditions appear to have remained firm, including demand from key markets like China. That's despite the broader softness seen in global economic activity in recent months.

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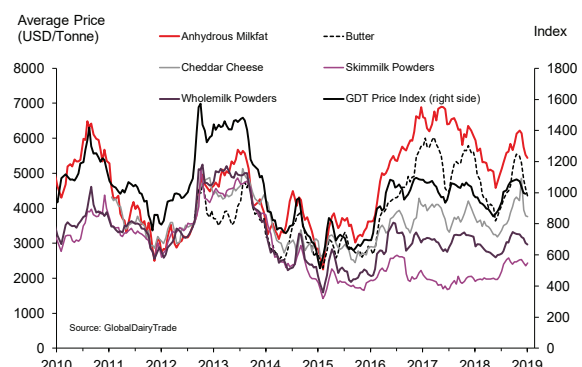
GlobalDairyTrade Auction Results, 3 July 2019

	Change since last auction	Price index USD/Tonne
Anhydrous Milk Fat (AMF)	-1.9%	\$5,433
Butter	-4.8%	\$4,339
Butter Milk Powder (BMP)	-	\$2,500
Cheddar	-1.5%	\$3,756
Lactose	-1.1%	\$866
Rennet Casein	-3.9%	\$7,221
Skim Milk Powder (SMP)	3.2%	\$2,430
Whole Milk Powder (WMP)	0.0%	\$2,969
GDT Price Index	-0.4%	993

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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