

# Dairy Update.

22 January 2020



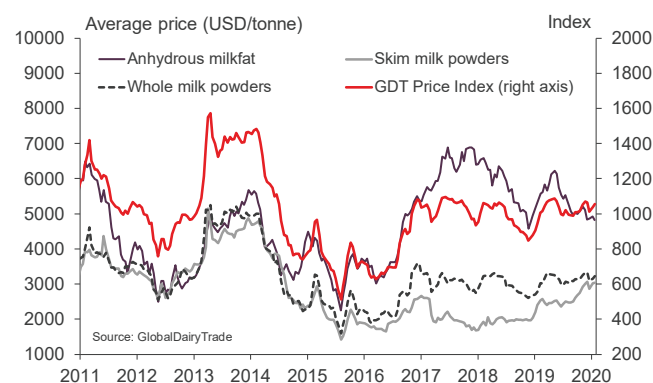
## GlobalDairyTrade Auction Results, 22 January 2020

	Change since last auction	Prices USD/Tonne
Anhydrous Milk Fat (AMF)	-2.6%	\$4,821
Butter	5.5%	\$4,250
Butter Milk Powder (BMP)	-	-
Cheddar	0.6%	\$4,048
Lactose	0.5%	\$806
Rennet Casein	4.7%	\$9,375
Skim Milk Powder (SMP)	0.7%	\$3,036
Whole Milk Powder (WMP)	2.4%	\$3,233
GDT Price Index	1.7%	1,056

## Farmgate milk price forecasts

	2019/20		2020/21
	Westpac	Fonterra	Westpac
Milk Price	\$7.40	\$7.00-\$7.60	\$7.30

## Dairy prices



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We have revised up our farmgate milk price forecast for the current season from \$7.10/kg to \$7.40/kg. Stronger than expected dairy prices so far this season have boosted the outlook for this year's payout, and dry weather is creating a risk that prices could go even higher in the short term. However, our forecast still allows for some easing in world prices over this year as China's economic growth slows and trade tensions remain high.

Last night's GlobalDairyTrade auction saw further price gains for most products, with the overall index up 1.7%. The rebound was led by a 2.4% rise in whole milk powder prices, with smaller gains for skim milk powder (up 0.7%) and cheese (up 0.6%). Butter rose by 5.5%, but anhydrous milkfat fell 2.6%. Dairy prices have now recovered most of the sharp drop that we saw in the last auction of 2019.

There's a risk that world prices could be squeezed higher in the near term, as dry weather restricts the global milk supply. That's especially the case for New Zealand. DCANZ data shows that milk collections in November were up slightly on the previous year, and are up 0.5% for the season to date. But a lack of rain over the summer period has seen a rapid drying-out across many regions, which means that milk production could fall short over the tail end of the season.

It's not clear to what extent the Australian bushfires will also impact the global milk supply. The Australian dairy industry has already been hit hard by drought in recent times – milk collections over 2019 were down 7% on the previous year.



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