

# Dairy Update.

20 November 2019



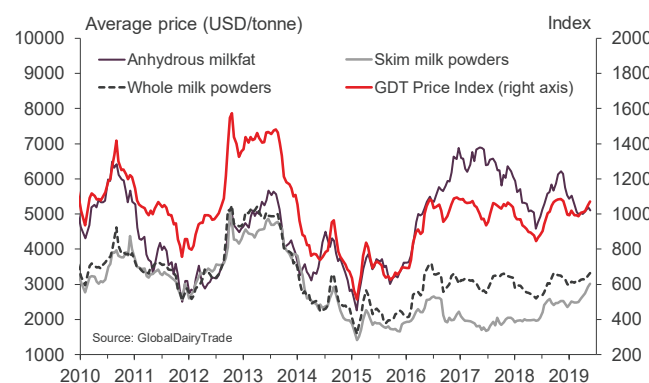
## GlobalDairyTrade Auction Results, 20 November 2019

	Change since last auction	Prices USD/Tonne
Anhydrous Milk Fat (AMF)	-1.5%	\$5,108
Butter	-1.3%	\$4,061
Butter Milk Powder (BMP)	-	-
Cheddar	2.5%	\$3,701
Lactose	1.3%	\$775
Rennet Casein	5.6%	\$7,668
Skim Milk Powder (SMP)	3.3%	\$3,017
Whole Milk Powder (WMP)	2.2%	\$3,321
GDT Price Index	1.7%	1,071

## Farmgate milk price forecasts

	2019/20		2020/21
	Westpac	Fonterra	Westpac
Milk Price	\$7.10	\$6.55-\$7.55	\$7.30

## Dairy prices



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Last night's GlobalDairyTrade auction extended a multi-month rebound in prices. The headline index rose 1.7% and is now at a level last seen in May.

The key export product, whole milk powder, rose 2.2% (in line with yesterday's futures market predictions of a 3% rise) to US\$3321 – the highest level since December 2016. Whole milk powder price momentum remains clearly upwards, having risen a total of 12% since this sequence of auction price gains started in early July. It is up 28% from the low in November 2018.

The other major product, skim milk powder, rose 3.3%, while butter fell 1.3% (auction volume for butter was more front-loaded this time), anhydrous milk fats fell 1.5%, and cheddar cheese rose 2.5% (auction volume was reduced this time).

Chinese auction share (proxied by the North Asian buyer category) was similar to that in the previous auction at 48%, having fallen back to mid-2018 levels. The slight pullback in participation doesn't appear to have affected prices. Demand from China has remained solid so far this year, and indeed has been almost the sole source of growth for New Zealand's dairy exports.

NZ milk collections in October were 1.5% lower than in October 2018, according to the latest DCANZ data. For the season to date, total collections are just 0.5% above the 2018 equivalent. This update is unsurprising, given spring has been cooler than average in many regions. October is the largest milk production month, closely followed by November and December, which means there's little chance of domestic supply rising significantly in the near term given lagged weather impacts.

Global supply remains constrained, with the US and EU flat over the past year. The implication from a supply perspective is that prices should remain firm.

As detailed in our latest quarterly Economic Overview, we have revised up our farmgate milk price forecasts to \$7.10/kg for the current season and \$7.30/kg for the following season. We've maintained our cautious view on the strength of the Chinese consumer going forward, and these forecasts allow for a modest pullback in world dairy prices over the first half of 2020.



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