

Dairy Update.

6 November 2019



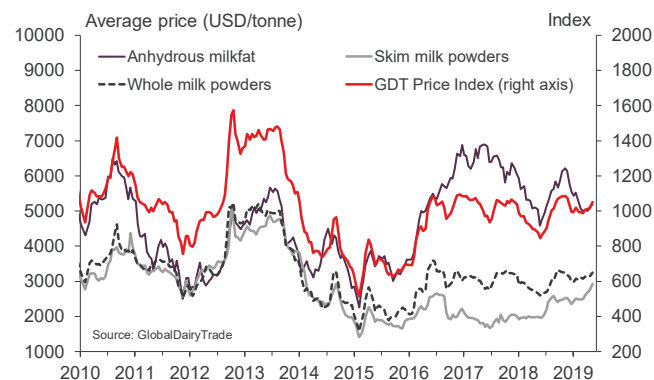
GlobalDairyTrade Auction Results, 6 November 2019

	Change since last auction	Prices USD/Tonne
Anhydrous Milk Fat (AMF)	2.6%	\$5,191
Butter	0.2%	\$4,117
Butter Milk Powder (BMP)	-	\$2,786
Cheddar	-0.6%	\$3,609
Lactose	-1.9%	\$768
Rennet Casein	5.1%	\$7,274
Skim Milk Powder (SMP)	6.7%	\$2,924
Whole Milk Powder (WMP)	3.6%	\$3,254
GDT Price Index	3.7%	1,052

Farmgate milk price forecasts

	2019/20		2020/21
	Westpac	Fonterra	Westpac
Milk Price	\$6.80	\$6.55-\$7.55	\$7.00

Dairy prices



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Last night's GlobalDairyTrade auction saw healthy gains, the recent modest slowdown in production one possible explanation.

The headline index rose 3.7%, with prices for the key export product, whole milk powder, up 3.6% at US\$3254 – in line with yesterday's futures market predictions of a 2%-3% rise. Whole milk powder price momentum is clearly upwards: it has risen a total of 9.6% since this sequence of auction price gains started in early July, and is near the top of the past two-year price range.

The other major export product, skimmed milk powder, rose 6.7%, while butter rose just 0.2%, anhydrous milk fats rose 2.6%, and cheddar cheese fell 0.6%.

Chinese auction share (proxied by the North Asian buyer category) fell from 55% to 48% - the lowest share since July, and South East Asia/Oceania share was slightly lower. However, demand factors appear to have been dominated by supply ones.

NZ milk collections, which showed promise over the mild winter, have slowed slightly according to the latest DCANZ data. Season-to-date collections to August were 2.2% higher than in 2018, but to September are only 0.7% higher. A cooler than usual spring means that October – the largest production month – will probably fail to match the pace seen last year. Meanwhile, global supply remains constrained. The implication from a supply perspective is that prices should at least remain firm.



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