



# PERSPECTIVE

March 2020



## The latest insights into global dairy markets

Your regular global overview of the dairy industry along with trends in milk production, commodity prices and dairy trade.

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# Welcome back to Perspective!

March 2020

One of the things that I truly love about dairy is its quality nutrition helps people across all stages of their lives. One of the most crucial times in our lives is when we are recovering from illness, injury, or being treated in hospital.

The dietary requirements of patients are unique and require expert knowledge, recipes and planning, and food and beverage manufacturers have an opportunity to target this market. There is a growing number of malnourished patients and an ageing population that is driving **medical nutrition** demand – providing food and beverage options that are appealing is a key goal for many fighting the stigma attached to 'hospital food'.

Spreading awareness and information is a great way to fuel the industry of medical nutrition and encourage innovative NPD in this space that will further benefit patients. This month our feature writer is Michele Szafranski, an Oncology Dietitian for the Levine Cancer Institute. Michele has dedicated her career to providing the best care to her patients, and she believes in sharing that knowledge.

#### Four key movements for the month:



**Production** – Monthly production in New Zealand down. EU and US in line with expectations.



**Exports** – Monthly exports from the US show strong growth. New Zealand, Australia and EU monthly exports decline.



**Imports** – December imports into China continued to grow. Latin America, Asia and Middle East & Africa monthly imports down in November.



**Prices** – **GDT event 255** had mixed movements, resulting in the GDT price index dropping -1.2% to USD \$3,112/MT. The largest changes came from BMP, SMP and Lactose, moving -4.8%, -3.2% and +5.7% respectively.

If you have suggestions for topics you would like to read about in Perspective, or any other general feedback, we would love to hear from you. You can contact us at [nzmpbrand@fonterra.com](mailto:nzmpbrand@fonterra.com) or through your account manager.

Kind Regards,

**Gillian Munnik**

**Director of Sales and Marketing Services**



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# The Unique Needs of Medical Nutrition

— A conversation with an Oncology Dietitian.



**Michele Szafranski**  
MS, RDN, LDN, CSO.

Oncology Dietitian for  
Levine Cancer Institute

Michele Szafranski initially studied and worked in Social Work, but always had a love for working with people in the hospital. Her passion for empowering vulnerable people is clear in the way she speaks about her lead role as Registered Dietitian at Levine Cancer Institute which she has held for seven years now. Michele is also a co-author of the first edition of the book, 'What to Eat During Cancer Treatment' and is very close to her family, especially her 9-year-old son.

Around the world, patients can find it difficult to get the nutrition they need to recover and stay comfortable. It is important that they have access to quality ingredients and qualified people who understand the nuances of medical nutrition, and how important it is in improving patient outcomes. The dietary requirements of patients are unique and require expert knowledge, recipes and planning. Passionate people like Michele dedicate their careers to this cause and sharing their knowledge.

## **Q** What does your typical day look like as an Oncology Dietitian?

In most of our clinics, the dietitians work closely with Social Workers and the Nurse Navigators to identify patient needs. In my role as manager, I work with the Supportive Oncology team to develop collaborative projects, work on research, and develop metrics to ensure we are meeting patient needs. As Levine Cancer Institute has grown in recent years, we have worked to develop strategic plans to ensure that when new sites or clinics are added we have the staffing to manage those patients ahead of time.

Most of my teammates aim to see roughly eight patients per day, but sometimes as many as 16 on a busy clinic day!

## **Q** What are the most common nutritional issues for your cancer patients?

**Poor appetite, taste changes, and changes in bowel habits are the most common problems we deal with. The dietitians can spend up to an hour with patients to really get to the source of the patient's problems.**

For instance, if we can tell dry mouth is causing their taste changes, we can provide them with very specific tricks and tips to address the root of



the problem. Often these problems start before diagnosis and patients lose significant weight before we see them. Early identification is key to helping our nutritional interventions work.

Many of our patients experience early satiety as well, and medications may change how well their stomachs empty. Chronic constipation is common and can make patients feel like they can't take another bite.

**Q Can you describe some of the nutritional therapies you use with your patients?**

We look at what side effects they are having and try to address them very specifically.

If someone has a poor appetite, we will give tips on increasing calorie and protein intake to help every bite count - often recommending Oral Nutrition Supplements or high-calorie snacks to replace the calories patients are missing at meals.

**We address hydration a lot as almost none of the patients are drinking enough fluids, so we discuss ways to increase fluid intake with high moisture foods and high calorie/protein drinks, as well as creative ways to make water more palatable.**

For patients with taste changes, we may look at the type of change (metallic, flat, salty) and then provide tips to overcome that particular flavour sensitivity. However, many of our surgical patients will require feeding tubes to get them through their treatments. We work closely with them to make sure they are tolerating these feedings and adjusting the formula, rate, and total volume as needed to make sure they get their full-calorie and protein needs met.





### **Q Why do you enjoy your role?**

What I have always enjoyed most about my role is being involved with patients at the most vulnerable part of their lives. I love developing trust with patients by helping them pick a few small goals that we can achieve together to show them they do have some control over their situation. As my role has changed over the years I enjoy being at the forefront of developing programs for our patients and marketing our services to new markets.

### **Q In your palliative care patients, what is most important from a nutritional, and holistic perspective?**

In our palliative clinic, patients are often struggling with pain management. This can lead to chronic constipation. Constipation can really become a quality of life issue for our patients, and sometimes an issue they are reluctant to discuss. We try to make it a safe space to talk to the dietitians about

all those digestive issues they might be embarrassed to talk about. For all of our patients, nutrition is a great way to empower them in their own care—often chemotherapy, radiation, and surgery feel very outside their control.

**Giving them tips to manage their own nutritional status gives them the power to be equal partners in their care and helps them feel like they are doing everything they can to take care of themselves.**

Seeing nutrition as part of their treatment plans really helps patients feel like they aren't just along for the ride.

Prior to treatment (and during), we are really working to keep patients nourished to withstand the treatments and the side effects. After treatment we are working on that "new normal", helping

patients to maximize their nutrition and manage their risk through healthier eating, which may be challenging as taste changes or bowel habits can be slow to resolve. Sometimes the real work begins after treatment, helping patients find healthy choices they enjoy and can use to develop a new lifestyle.

**Q How can dietitians help patients feel more comfortable and compliant with their medical nutrition journey?**

I find cancer patients are open to trying just about anything once if they feel it will help. Consistency and frequent follow up is key to improving compliance with patients. If you can build on just a single improvement, they have made it gives them a pattern of success and makes them feel like they can take on bigger and more impactful changes.

Recipes that empower patients to create their own meals are also well received. Using familiar techniques and ingredients can feel like a safe choice until they gain the confidence to try more complicated recipes with new ingredients.

Many cookbooks for cancer patients and their care partners (including the one I co-authored) contain recipes organized according to the side effect they are designed to treat and using the healthy eating guidelines promoted by organizations like the AICR and ACS.

**Cookbooks for patients should have simple recipes with limited ingredients and steps as to not overwhelm patients who might already be fatigued.**

Caregivers should be prepared to freeze single portion containers of leftovers that are clearly labelled and easy to reheat.

**Q Are there any misconceptions in nutritional cancer care?**

I think the biggest misconception and challenge in nutrition for cancer patients right now is the perception that weight loss is good in our overweight patients. Often patients are pleased with their weight loss and don't fully disclose to their care team how much weight they have lost. Often patients do not realize that this weight loss impacts their ability to withstand treatment and can even impact how well the treatment works. Early intervention can help patients understand the importance of weight maintenance during treatment, so it gives us the chance to maximize how well the treatments work.

[Click here](#) to learn more about this topic



# Monthly production in New Zealand down. EU and US in line with expectations.

## NEW ZEALAND

**-1%  
.6**

Production change  
for the 12 months  
to January 2020

New Zealand milk production for the 12 months to January was 1.6% lower than last year.

New Zealand milk production<sup>1</sup> was down 0.7% on a litre basis in January (up 1.1% on a milk solids basis) compared to the same period in the prior year.

A combination of dry conditions across the North Island and heavy rain at the bottom of the South Island adversely affected milk production in January.

## AUSTRALIAN COLLECTION

**-6%  
.3**

Production change  
for the 12 months  
to December 2019

Production for the 12 months to December was down 6.3% on the previous 12 months.

Dairy Australia has reaffirmed its full season production forecast to decline by 3% to 5%.

Australia milk production was stable in December compared to the same period in the prior year.

## EUROPEAN UNION

**+0%  
.4**

Production change  
for the 12 months  
to December 2019

EU milk production for the 12 months to December was up by 0.4% compared to the same period last year.

EU milk production increased by 1.1% in December compared to the same period last year.

Production growth can be seen from key milk producing countries such as Germany (1.1%), France (1.1%) the Netherlands (2.8%) and Poland (1.8%).

## UNITED STATES

**+0%  
.4**

Production change  
for the 12 months  
to January 2020

Milk production for the 12 months to January was 0.4% higher compared to the same period last year.

US milk production<sup>2</sup> increased by 0.9% in January, compared to the same period last year.

January milk production continued to grow, driven by a large increase in herd sizes and greater milk yield per cow.

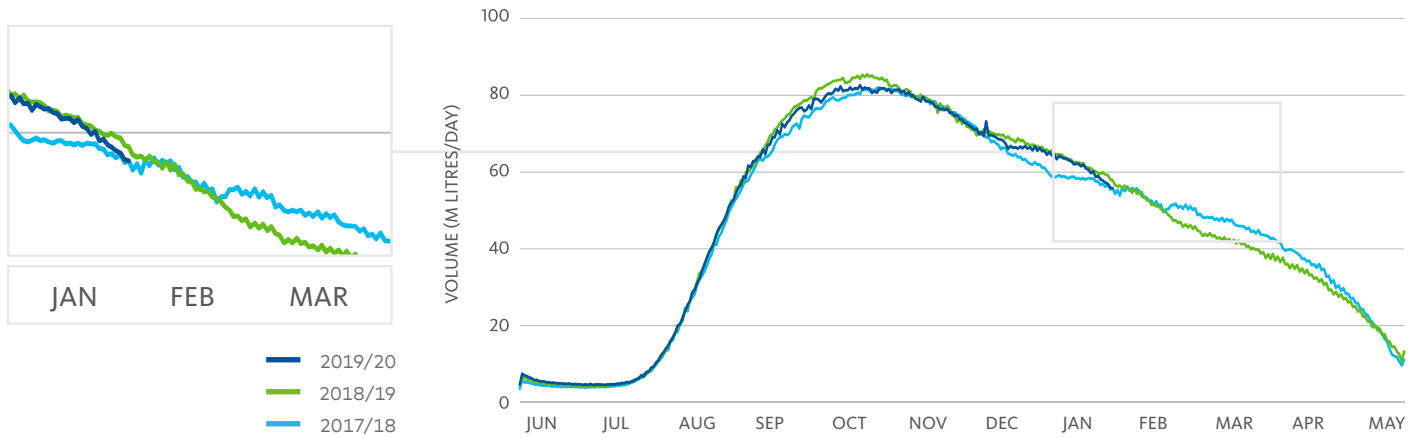
<sup>1</sup>: New Zealand production is measured in litres.

\* Source: Data from Global Trade Information Services and from government and industry websites, including USDA, Eurostat, High Ground Dairy, Dairy Australia and Dairy Companies Association of New Zealand





## FONTERRA MILK COLLECTION 2019/20 SEASON



## NEW ZEALAND COLLECTION

+0%.5

Change for January 2020 compared to January 2019

-0%.3

Season to date  
1 June to 31 January

Fonterra's New Zealand collection for January, was 169.8 million kgMS, 0.5% ahead of the same month last season.

Season-to-date collection was 1,079 million kgMS, down 0.3% on last season.

The impact of heavy rain and flooding across parts of the lower South Island in early February and the recent drought declaration in Northland is still being assessed.

## AUSTRALIAN COLLECTION

-13%.5

Change for January 2020 compared to January 2019

-16%.0

Season to date  
1 July to 31 January

Fonterra's Australia collection in January was 9.2 million kgMS, down 13.5% on January last season.

Season-to-date collection reached 69.7 million kgMS, down 16.0% on last season.

Fonterra milk collections continue to be impacted by challenging on-farm conditions and a highly competitive milk supply market which has seen losses primarily to milk brokers.





# Monthly exports from the US show strong growth. New Zealand, Australia and EU monthly exports decline.

## NEW ZEALAND

**+8%<sub>.3</sub>**

Export change  
for the 12 months to  
December 2019

Exports for the 12 months to December were up 8.3%, or 271,761 MT, on the previous comparable period. This was primarily driven by WMP, fluid milk products, infant formula and SMP, up a combined 256,551 MT.

Total New Zealand dairy exports decreased by 1.9%, or 8,235 MT, in December compared to the same period last year. This was primarily driven by WMP, SMP and infant formula, down a combined 14,314 MT, and partly offset by an increase in butter, up 10,590 MT.

## AUSTRALIA

**-2%<sub>.2</sub>**

Export change  
for the 12 months to  
December 2019

Exports for the 12 months to December were down 2.2%, or 16,635 MT, on the previous comparable period.

Declines were recorded across a broad range of products with SMP, WMP, cheese and whey, down 60,282 MT but partially offset by sustained increases in fluid milk products, up 42,158 MT.

Australia dairy exports decreased 9.5%, or 6,873 MT, in December compared to the same period last year. This was primarily driven by SMP, infant formula and cheese, down a combined 6,505 MT.

## EUROPEAN UNION

**+7%<sub>.7</sub>**

Export change  
for the 12 months to  
November 2019

Exports for the 12 months to November were up 7.7%, or 410,147 MT, on the previous comparable period. SMP, fluid milk products, butter, cheese and lactose were the main drivers of this growth, up a combined 425,887 MT.

EU dairy exports decreased 2.5%, or 11,345 MT, in November compared to the same period last year. This was mainly driven by decreases in fluid milk products and SMP, down a combined 17,687 MT and partially offset by an increase in butter exports of 7,661 MT.

## UNITED STATES

**-5%<sub>.1</sub>**

Export change  
for the 12 months to  
December 2019

Exports for the 12 months to December 2019 were down 5.1%, or 123,882 MT, on the previous comparable period. The decrease was driven by whey, WPC, lactose and AMF, down a combined 126,474 MT.

US dairy exports increased 16.8%, or 28,404 MT, in December compared to the same period last year, marking the third consecutive month of export growth. The increase was driven primarily by SMP, up 18,880 MT in addition to WPC and WMP, up a combined 9,991 MT. The decline in whey exports of prior months has stabilised.





# December imports into China continued to grow. Latin America, Asia and Middle East & Africa monthly imports down in November.

## LATIN AMERICA

**+0.3%**

Import change for the 12 months to November 2019

Imports for the 12 months to November 2019 were up 0.3%, or 5,863 MT, compared to the same period the previous year. Increases were driven primarily by fluid milk products, WPC and SMP, up by a combined 55,483 MT and largely offset by decreases in whey, infant formula and cultured products, down a combined 52,474 MT.

Latin America dairy import volumes<sup>1</sup> decreased 11.6%, or 19,336 MT, in November compared to the same period last year. This was driven by decreases in SMP, infant formula, WMP and AMF, down a combined 19,461 MT.

## ASIA

**+2.7%**

Import change for the 12 months to November 2019

Imports for the 12 months to November 2019 were up 2.7%, or 129,724 MT, compared to the same period the previous year. Growth was recorded across SMP, fluid milk products, cheese and butter, up a combined 131,279 MT.

Asia (excluding China) dairy import volumes<sup>1</sup> decreased 0.7%, or 2,860 MT, in November compared to the same period last year. Decreases were recorded in WMP and fluid products, down 15,685 MT, partially offset by an increase in SMP and ice cream imports, up a combined 7,948 MT.

## MIDDLE EAST & AFRICA

**-3.2%**

Import change for the 12 months to November 2019

Imports for the 12 months to November 2019 were down 3.2%, or 133,762 MT, compared to the same period last year. This was driven by cheese, WMP, butter and fluid milk products, down a combined 200,812 MT, and partly offset by a large increase in infant formula of 110,259 MT.

Middle East and Africa dairy import volumes<sup>1</sup> decreased 3.6%, or 12,409 MT, in November compared to November 2018. Decreases were recorded principally in fluid milk products and WMP, down a combined 22,396 MT. This was partially offset by an increase in SMP, whey and infant formula, up a combined 10,624 MT.

## CHINA

**+11.2%**

Import change for the 12 months to December 2019

Imports for the 12 months to December 2019 were up 11.2%, or 318,219 MT, compared to the same period last year.

Strong demand out of China continued across all key categories.

China dairy import volumes continued to increase, up 13.8%, or 33,326 MT, in December compared to the same period last year. This is driven primarily by increases in WMP from New Zealand and SMP, up a combined 32,220 MT.

## RUSSIA

**+4.4%**

Import change for the 12 months to December 2019

Imports for the 12 months to November 2019 were up +4.4% or +45,689 MT compared to the same period the previous year. This was mainly driven by AMF, Butter, Casein, Cheese, Ice cream, Whey and WMP being up a combined +84,545 MT. Offset by Fluid and Fresh Dairy, Infant Formula, Cultured Products, Lactose, SMP, MPC and WPC being down a combined -39,523 MT.

Russia import volumes were down -15.8% or -14,017 MT for December 2019 compared to the same month the previous year.

<sup>1</sup>. Estimates are included for those countries that have not reported data.

Sources: Data from Global Trade Information Services; EU Milk Market Observatory; FAO; Highground Trading Group



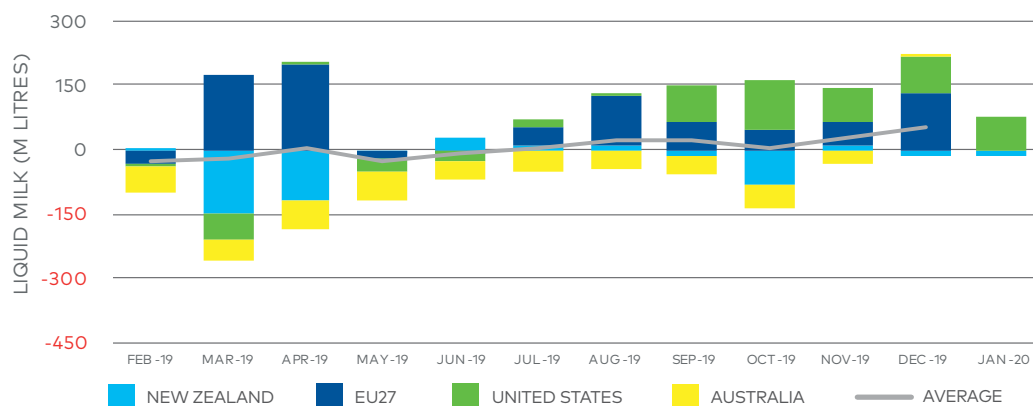
## Global Dairy Market

The charts on the right illustrate the year-on-year changes in imports, exports and production for a range of countries that are important players in global dairy trade.

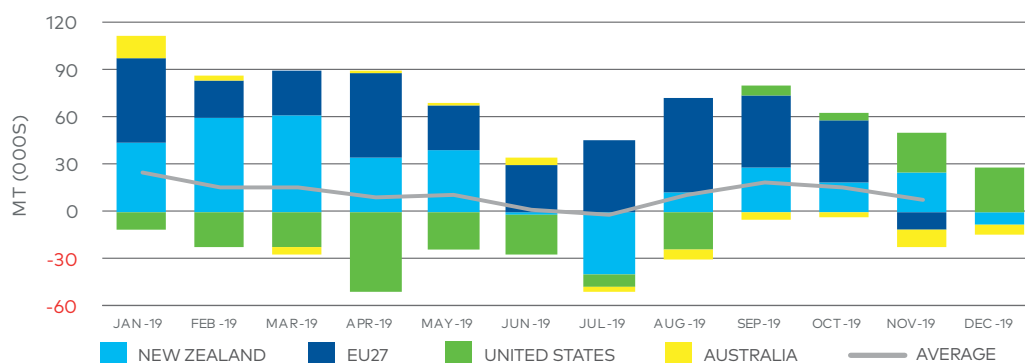
The absolute size of the bars represent the change in imports, exports or production, relative to the same period the previous year.

Averages are shown where data is complete for the regions presented.

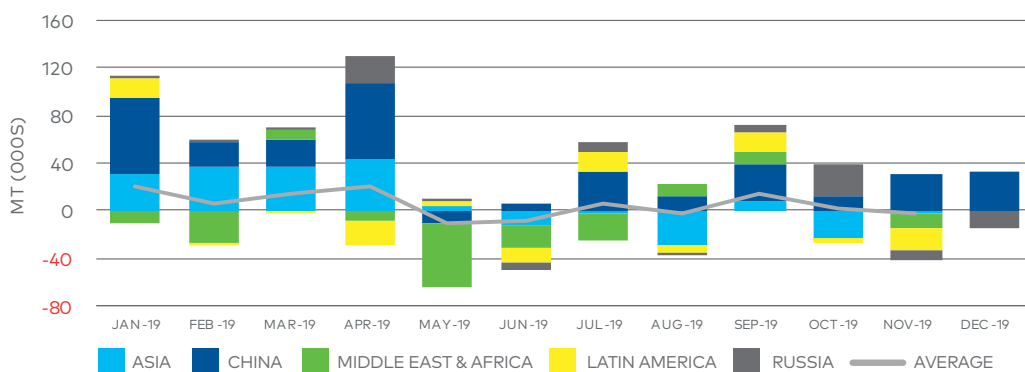
### PRODUCTION



### EXPORTS



### IMPORTS







## Food Price

The FAO Food Price Index (FFPI) averaged 180.5 points in February, down 1.9 points from January, but still up 13.5 points on the same time last year. The decline was the first month-on-month drop, following four months of increases, and was driven by a sharp drop in the export prices of vegetable oils.

Meanwhile, the FAO Dairy Price Index averaged 209.8 points in February, up 9.2 points from January. This represents a fourth consecutive month of increases and puts the index 17.4 points above its value in February last year. Price quotations for cheese surged by as much as 20 points, while quotations for skim powder (SMP) and whole milk powder (WMP) declined.

Source: FAO



## Economic

The latest composite leading indicators (CLIs) currently point to stable growth momentum in the OECD area as a whole. However, those CLIs are based on data collected before the emergence of the novel coronavirus outbreak.

Stable growth momentum remains the assessment for Japan, Canada and the euro area. CLIs are also pointing tentatively to growth gaining momentum from below-trend for both the US and the UK. Amongst the major emerging economies, the assessments expect growth to gain momentum in Brazil, remain stable in Russia, and decrease in India.

All of the above comes with the strong caveat that it's not yet possible to gauge the potential impact of the coronavirus on global activity. There is a high degree of uncertainty around China's industrial sector, however prior to the outbreak, there were tentative signs of growth gaining momentum there.

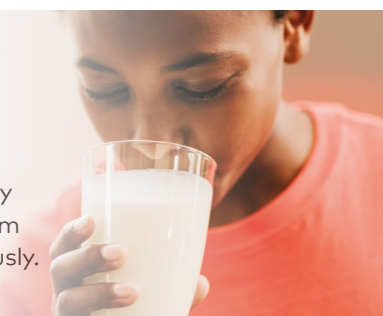
Source: OECD



## Consumer

The coronavirus also dominates the Economist Intelligence Unit's latest outlook. Their forecast in February was based on a scenario that China's public health emergency would be under control by the end of March. To that end, they lowered their real GDP forecast for China in 2020 to 5.4% from 5.9%. The EIU also revised their global growth forecast for 2020 to 2.2%, down from 2.3% previously.

Source: Economist Intelligence Unit



## Weather

Very dry conditions across the North Island and heavy rain at the bottom of the South Island both adversely affected New Zealand's milk production in January.

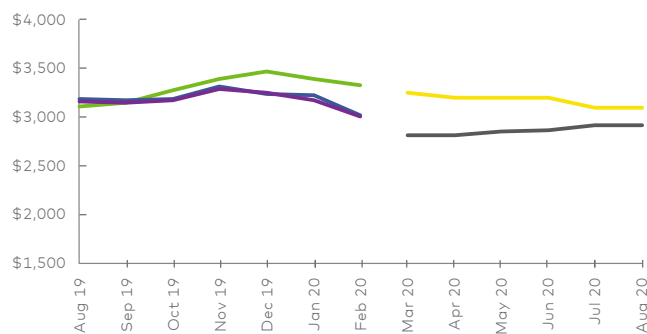
Hot, dry weather also persisted in eastern Australia in early January, however the second half of the month brought soaking rain and some cooler weather to the region. While that wet weather came much too late for dryland crop prospects, it did benefit irrigated crops.

Drier-than-normal conditions were experienced over much of central and southern Europe in January, contrasting with above-normal rainfall in north-eastern growing areas. Pockets of long-term dryness remain in Germany and the lower Balkans, with temperatures above normal across the continent.

Source: World Agricultural Weather Highlights USDA oCOE, Fonterra Ingredients Australia



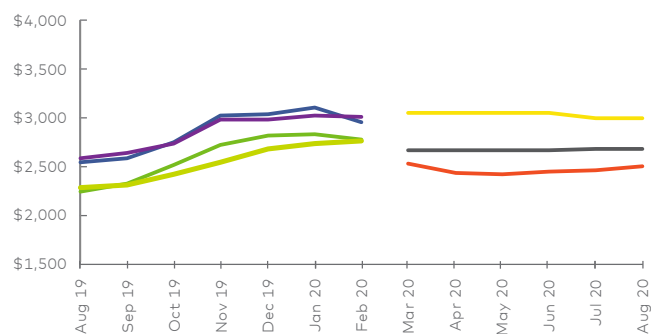
## WMP



WMP prices dropped across the board for February. The largest coming from USDA Oceania & GDT down -5.2% and -6.3% respectively. Dutch Dairy Board remains priced at the higher end of the market at USD \$3,333/MT.

Futures and forecasts for the next six-months are mixed. Rabobank Oceania is tracking similar to last month's reporting holding a steady average of USD \$3,175/MT. NZX Futures has decreased theirs a further -5.4% from last perspective to an average USD \$2,864 /MT.

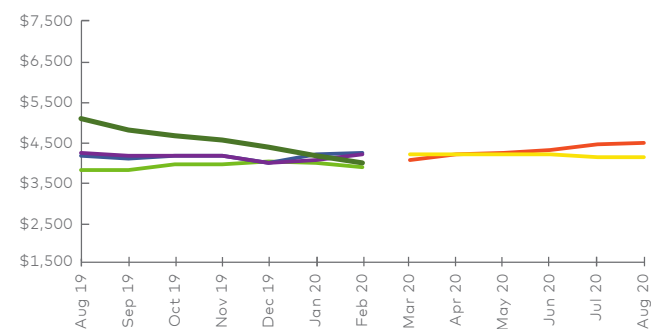
## SMP



SMP prices saw a drop for the first-time months, with USDA NASS the only exception, holding steady at USD \$2,768/MT. USDA Oceania dropped -0.8% to USD \$3,006/MT and Dutch Dairy Board showed a -2% drop to USD \$2,779/MT. GDT showed the largest decline of -4.8% to USD \$2,955 /MT

This has resulted in the Forecast and futures being revised down, Rabobank Oceania is the only one to hold steady on its outlook. CME Futures has dropped its 6-month average -11.3% to USD \$2,465/MT. NZX Futures has dropped theirs -9% to USD \$2,670/MT.

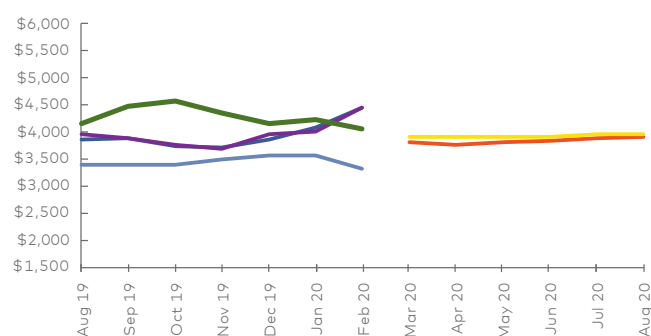
## BUTTER



Results are mixed this month as butter prices stay tight across the four key indexes in February, with only USD \$341/ MT between them. USDA Oceania increased +3.1% to USD \$4,169/MT and Dutch Dairy Board dipped a further -2.3% to USD \$3,862/MT. CME Spot dropped a further -4.8% to USD \$3,949/MT. GDT uplifted +1% to USD \$4,203/MT

Average futures and forecasts for the next six-month period are revised down as CME Futures drops their average another -4.7% to USD \$4,253/MT and Rabobank Oceania average prices stay steady at USD \$4,133/MT.

## CHEESE



February brings mixed results for cheddar cheese. GDT has continued its 4 month climb with a +8.8% increase to USD \$4,425/MT. USDA Oceania saw a further +10.6% increase to USD \$4,431/MT. CME Spot and EU Commission both saw declines to USD \$4,044/MT & \$3,323/MT respectively.

CME Futures 6-month average has dropped a further -4.9% to USD \$4,382/MT and Rabobank Oceania's average holds at USD \$3,917/MT.

### Actuals

GDT Fonterra Dutch Dairy Board USDA Oceania  
USDA NASS CME Spot EU Commission

### Forecasts

NZX Futures CME Futures  
Rabobank Oceania



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# GDT Results

## TRADING EVENT 255

# -1.2%

Change in GDT Price Index from previous event

# USD 3,112

Average price (USD/MT, FAS)

WMP

## -0.5%

\$2,952

AMF

## -1.7%

\$4,302

SMP

## -3.2%

\$2,747

BUTTER

## +1.0%

\$4,131

RENNET CASEIN

## +0.5%

\$9,891

CHEDDAR

## -4.7%

\$4,285

LACTOSE

## +5.7%

\$871

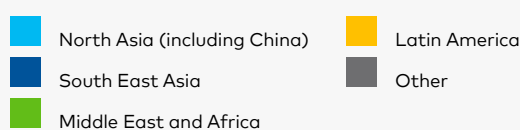
BMP

## -4.8%

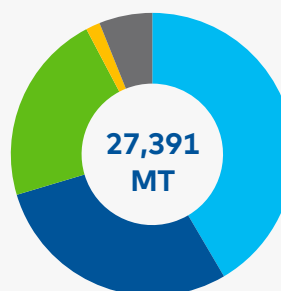
\$2,718

## GDT SALES BY DESTINATION

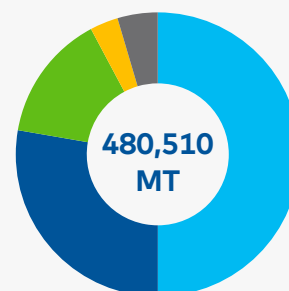
### TRADING EVENT 254



### Auction 254



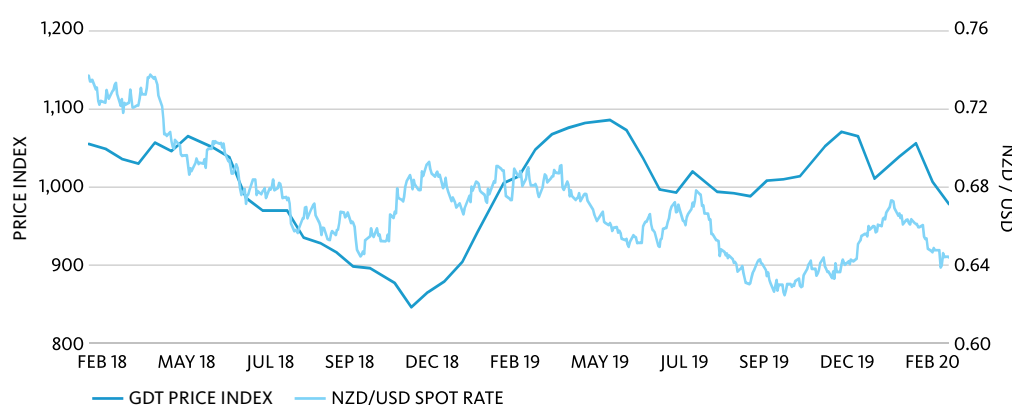
### Financial Year to Date



The next trading event will be held on 17 March 2020.  
Visit [www.globaldairytrade.info](http://www.globaldairytrade.info) for more information.

## Dairy commodity prices and New Zealand dollar trend

The dollar began 2020 with a period of inactivity however, as the month progressed geopolitical concerns surrounding US-Iran tensions, and the developing COVID-19 epidemic, pushed the dollar lower to end the month near 64.5 US cents.





# USDA, Dairy Outlook

Published February 2020



## A recap of dairy in 2019

In 2019, the supply and demand situation for the dairy industry was tighter than 2018. The simple average all-milk price was \$18.60 per hundredweight (cwt), up \$2.33 on the simple average all-milk price of \$16.27 in 2018. Average Class III and IV milk prices for 2019 were \$16.96 per cwt (up \$2.35) and \$16.30 per cwt (up \$2.07), respectively. Average prices for cheese, nonfat dry milk (NDM), and dry whey all increased to \$1.759 per pound (up 22.1 cents), \$1.042 (up 24.7 cents), and \$0.380 per pound (up 3.8 cents), respectively. However, the average butter price for 2019 was \$2.243 per pound, down 1.4 cents on 2018.

For the year, 2019 milk production was 218.3 billion pounds, up 0.3% on 2018. The average size of the milking herd was 9,332 million head, down 67,000 on 2018. Milk per cow in 2019 averaged 23,396 pounds, which was a 1.1% increase on 2018.

Commercial exports for dairy products in 2019 totalled 9.1 billion pounds on a milk-fat basis, down 1.3 billion on 2018. On a skim-solids basis, 2019 exports totalled 41.6 billion pounds, 3.1 billion below 2018. Cheese exports increased last year, however exports of butter, NDM/SMP, dry whey, whey protein concentrate, and lactose all decreased.

2019's dairy imports on a milk-fat basis totalled 7.0 billion, up 0.7 billion on 2018. On a skim-solids basis, 2019 dairy imports were also up on 2018, totalling 5.8 billion pounds. Notably, butter imports, supplied mostly by Ireland, totalled 84.5 million pounds – an increase of 5.7 million on 2018.

Ending stocks for 2019 were 13.6 billion pounds on a milk-fat basis, down 0.2 billion on 2018. Meanwhile, on a skim-solids basis, 2019 ending stocks totalled 10.2 billion pounds, down 0.5 billion.

## Recent dairy market developments

Movements of dairy product prices, as reported in the USDA National Dairy Products Sales Report (NDPSR), were mixed through January. From the week ending January 4 to the week ending February 8, the butter price declined by 12.3 cents to \$1.8561 per pound. Prices for NDM and dry whey increased to \$1.2542 per pound (up 1.9 cents) and \$0.3634 per pound (up 3.0 cents), respectively. The price spread between 40-pound blocks and 500-pound barrels of Cheddar cheese also widened, with blocks rising to \$1.9639 per pound (up 7.7 cents) and barrels falling to \$1.6242 per pound (down 12.7 cents)

USDA National Agricultural Statistics Service (NASS) estimated that US milk production in December totalled 18.277 billion pounds, representing an increase of 0.7% from December 2018. Milk cows totalled 9.339 million head in December, unchanged from the most recent estimate for November. Milk per cow was 1,957 pounds per head in December, up 0.8% on December 2018.

In December, dairy exports on a milk-fat milk-equivalent basis totalled 695 million pounds, down 4 million on November, but up 27 million on December 2018. December exports on a skim-solids milk-equivalent basis were 3.719 billion pounds, representing an increase of 49 million on November and an increase of 671 million on December 2018. However, the spread of coronavirus in China and other parts of the world has reportedly disrupted commerce to some extent. Those effects currently remain highly uncertain.

In December, dairy imports on a milk-fat basis totalled 515 million pounds, up 11 million on November, but down 144 million on December 2018. On a skim-solids basis, dairy imports totalled 519 million pounds, an increase of 35 million on November and an increase of 18 million on December 2018.







## Dairy forecasts for 2020

Published January 2020\*

Relatively minor changes have been made to supply and use forecasts for 2020. The annual forecast for milk production remains unchanged at 222.0 billion pounds, while the annual forecast for milk cow numbers and milk production per cow are also unchanged from last month.

Import forecasts for 2020 on both a milk-fat basis and skim-solids basis are unchanged at 6.3 billion and 5.5 billion pounds, respectively. The commercial export forecast on a milk-fat basis is unchanged at 9.4 billion pounds. However, the forecast for commercial exports on a skim-solids basis has been increased 0.2 billion pounds to 43.6 billion, due to recent strength in NDM/SMP exports.

The forecast for ending stocks on a milk-fat basis is unchanged at 13.4 billion pounds, while ending stocks on a skim-solids basis for 2020 have been lowered by 0.1 billion pounds to 10.3 billion.

The 2020 price forecasts for cheese and butter have been lowered to \$1.790 per pound (down 4.5 cents) and \$1.910 per pound (down 5.0 cents), respectively. This is based on recent price weakening and lower expectations for demand. However, with recent price strengthening for dry whey, its 2020 forecast has been revised to \$0.345 per pound, up 0.5 cents. The NDM price forecast for 2020 is unchanged at \$1.255 per pound.

With the lower expected cheese price more than offsetting the higher expected dry whey price, the Class III milk price forecast for 2020 has been lowered \$0.40 to \$16.95 per cwt. The lower butter price forecast means the Class IV milk price forecast has also been lowered by \$0.20 to \$16.70 per cwt. Finally, the all-milk forecast for 2020 has been lowered to \$18.85 per cwt, down \$0.40 on last month's forecast.

# Blimling, Forecast Update

Published January 30, 2020

Blimling reports the producer margin picture looks less robust than it did a few weeks ago. USDA's Dairy Margin Coverage model estimated producer margins for 2020 to be \$9.55 per hundredweight by the end of February, down \$1.15 over a month, and taking the margin estimate six cents below 2019.

Blimling says falling milk prices are to blame for the decline. The average Class III futures price fell to \$16.62 per hundredweight from March to December, down \$1.10 from the end of January. Class IV prices also declined over the same period by around \$1.95. They say further erosion of those prices is possible, given current market uncertainty.

Meanwhile, Blimling also predicts that CME spot cheese prices will continue to move lower, due to expanding supplies and demand uncertainty.

As far as butter goes, the lowest prices in five years will bring out value-shoppers, which should help build support and some upward momentum. They also report New Zealand's production setbacks as limiting the ability to deliver on late season export orders, while weaker US prices should help improve export opportunities.

Blimling predicts NDP/SMP prices will move lower if US milk supplies are heavy and buyers uneasy. They note the evolving impact of the coronavirus will ultimately impact the duration of that decline.

Finally, dry whey prices are expected to continue chopping around the 35-cent range, as weak export sales, increased milk production in the US, and bearish powder market fundamentals cap upside.



**Fonterra draws the information in this update from a variety of principally external sources listed below. Also included are defined acronyms for better understanding.**

**AMF** Anhydrous Milk Fat

**BMP** Butter Milk Powder

**CME** Chicago Mercantile Exchange

**DDB** Dutch Dairy Board

**EIU** Economist Intelligence Unit

**FAO** United Nations Food and Agriculture Organisation

**Farmgate Milk Price** The price for milk supplied in New Zealand to Fonterra by farmer shareholders

**Fluid and Fresh Dairy** The Fonterra grouping of fluid milk products (skim milk, whole milk and cream pasteurised or UHT processed), concentrated milk products (evaporated milk and sweetened condensed milk) and yoghurt

**FTA** Free Trade Agreement

**GDI** Global Dairy Intelligence group, Fonterra Cooperative Group Limited. GDI provides insights to Fonterra management based on a model of the global dairy market developed by GDI and populated with publicly available data. The model outputs referenced in this report do not reflect Fonterra's non-public production or sales data

**GDP** Gross Domestic Product

**GDT** Global Dairy Trade auction platform

**GDT Price Index** is an index that provides a measure of the weighted average percentage change in the movement in price of all products sold on GDT. This provides a simple measure of changes in dairy price between trading events

**IMF** International Monetary Fund

**Informa** Informa Economics Inc., Dairy Group, Global Dairy Market Report

**LME** Liquid Milk Equivalent

**MAT** Moving Annual Total (this is data averaged across the 12 month period)

**MEA** Middle East and Africa

**NDM** Non-fat Dry Milk

**NZX** NZ Stock Exchange

**OECD** Organisation for Economic Co-operation and Development

**Q[1]** [First] Quarter

**Reference Products** The dairy products used in the calculation of the Farmgate Milk Price, which are currently WMP, SMP, BMP, butter and AMF

**SEA** South East Asia

**Season** New Zealand: A period of 12 months to 31 May in each year. Australia: A period of 12 months to 30 June in each year

**SMP** Skim Milk Powder

**TE** GDT Trading Event

**USDA NASS** US Department of Agriculture National Agricultural Statistics Service

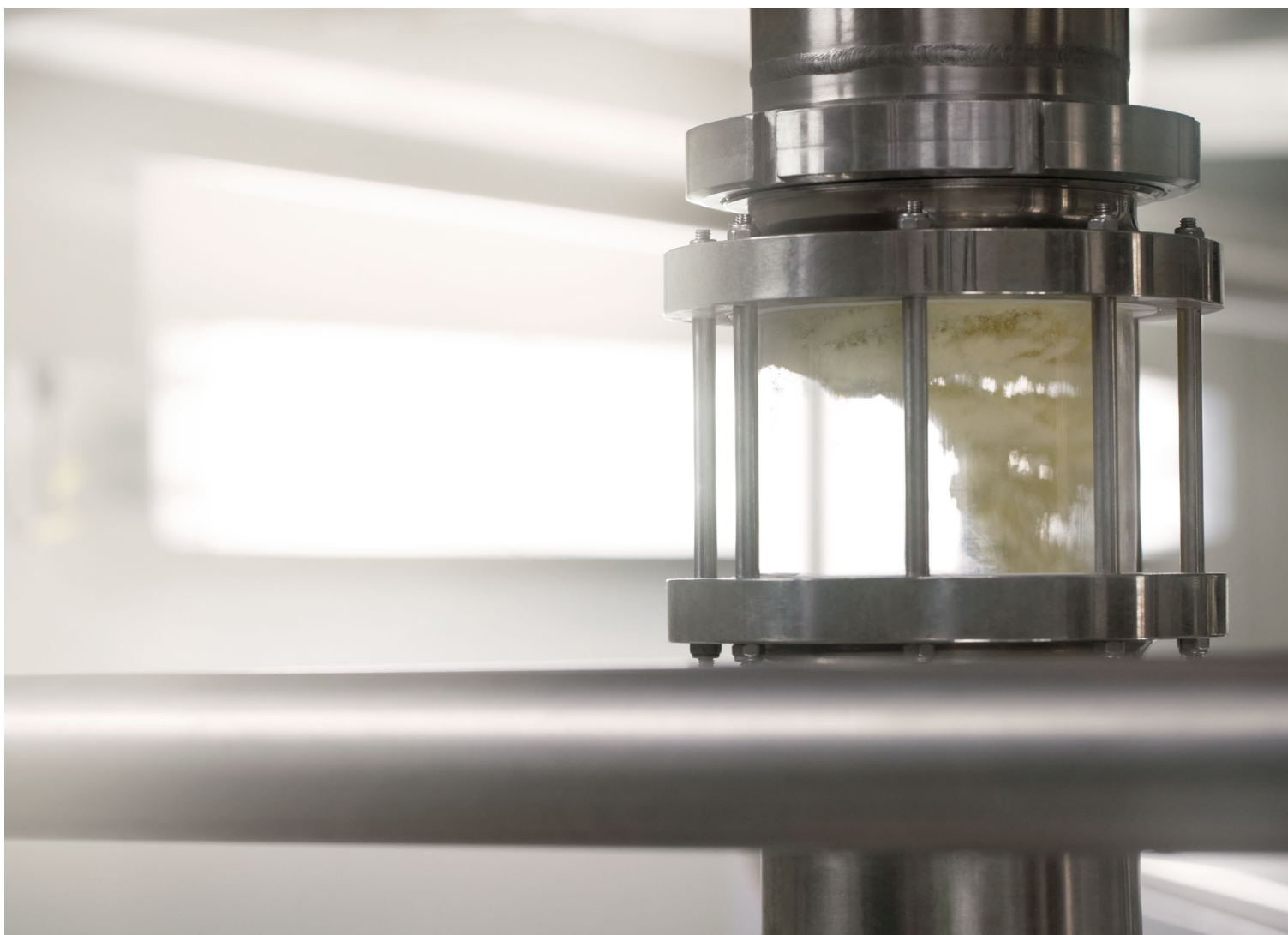
**USDA Oceania** US Department of Agriculture Agricultural marketing service price series for specific products in the Oceania region

**WMP** Whole Milk Powder

**YOY** Year-on-year

**YTD** Year to date





## Tracking the global dairy market Production, Export and Import charts

The production, export and import charts illustrate year-on-year changes in production, exports and imports for a range of countries that are important players in global dairy trade.

The absolute size of the bars represents the change in production, exports or imports compared to the same month the previous year. The portion of the bar below zero represents a year-on-year decrease and the portion above the line shows the year increase for that country. Where countries are not shown this is likely due to the data not yet being available.

## Weather Source (Page reference – 13)

Comments on weather are obtained from various government weather sites as well as independent reports including Martell Crop Projections. Global milk production data is sourced from government and industry websites including US Department of Agriculture (USDA), EuroStat, Dairy Australia, Dairy Companies Association of New Zealand (DCANZ) and others.



Important note: The information and commentary contained in this 'Perspective from NZMP' is based on publicly available official government statistics; industry association reports; other published industry reports together with data and insights developed by Fonterra's Global Dairy Intelligence group ('GDI'). These sources are identified as appropriate in this 'Perspective from NZMP'. GDI insights and data are derived from a global dairy market model populated by publicly available data. The model inputs and outputs do not reflect Fonterra's non-public production, pricing or sales data. Fonterra Co-operative Group Limited and its group members involved in the manufacture or sale of NZMP branded products ('Fonterra') has provided this 'Perspective from NZMP' for informational purposes only. It does not constitute recommendations or advice for the purposes of making financial decisions regarding trading in dairy products or commodities, or dealing in financial instruments relating to dairy commodities. Although every effort is made to ensure the accuracy of reproducing and interpreting such information, no warranty or representation of such is made and Fonterra shall have no liability in respect of any reliance placed on such information in the formulation of any business decision.