



PERSPECTIVE

April 2021

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.

Ingredients by 
Dairy for life



Welcome back to Perspective!

April 2021

In NZMP Perspective we often share expertise and insights on a range of trends, from Carbon-Zero through to Immunity. Understanding what drives consumer purchasing decisions is crucial for those of us in the food & beverage industry. This ensures we are investing effort and resources into producing nutritional products that best serve the needs of our customers.

These trends are primarily present in adult nutrition categories; however, they are starting to appear in the infant nutrition segment as parents are looking to reflect their own nutritional values within their children's diets. This poses the question, what are the upcoming trends to look for in the infant nutrition category? Further to that, how do the dietary values we have as parents, influence what we choose to feed our children?

This month we invited our own [Shikha Pundir](#) (PhD, MSc), The Senior Nutrition Research Scientist at Fonterra Research & Development Centre, to share her expertise. Shikha shares with us five of the latest trends in infant nutrition, and where she sees areas of opportunity for infant nutrition brands.

Four key movements for the month:



Production – Monthly production in New Zealand and Australia up, EU and US down.



Exports – New Zealand monthly exports up. Australia and EU exports show strong monthly growth. US monthly exports down.



Imports – China monthly imports show strong increase. Latin America, Middle East and Africa and Asia monthly imports up.



Prices – **GDT Event 281** resulted in the GDT price index increasing +0.3% to USD \$4,081/MT. The largest movements came from BMP, Lactose and Butter which moved +17.6%, -6.5% and +2% 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 or through your account manager.

Kind Regards,

Gillian Munnik

Director of Sales and Marketing Services

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Latest Trends in Infant Nutrition: From organic to personalisation.



Shikha Pundir
PhD, MSc

Senior Nutrition Research Scientist
Fonterra Research & Development Centre



Currently Senior Nutrition Research Scientist at Fonterra Research & Development Centre, Shikha is responsible for exploring the best nutritional solutions for mothers and babies. For the past 7 years, she has been investigating the mysteries of human breast milk and is particularly interested in how this impacts the paediatric nutrition space. She is fascinated by human milk research and how different environmental, social and biological factors can change the composition of mothers' milk.

We have seen trends such as personalisation, natural and immunity growing increasingly popular in the global food & beverage market for adult consumers. However, leading experts are acknowledging that these "adult-nutrition-trends" are starting to present in the infant nutrition segment as well.

Parents are highly motivated about what they feed their children, and their children's nutrition may also be influenced by the same global trends they value in their own diets.

We at NZMP recognise that breast milk is the best nutrition for a young baby. It's full of everything a baby needs to grow and develop in a healthy way and gives children the very best start in life. This article discusses five of the latest trends for infant nutrition that relate to products that are used if/when breast feeding is not possible or in complementary feeding scenarios.

1. Gut health to aid overall wellness

Often dubbed a 'mega trend' in the everyday nutrition category, [digestive function and gut health](#) is increasingly popular across the Western Hemisphere.¹ A primary influence on gut health is of course our diet. As consumers' understanding is increasing, we see a growing demand for a range of products to address digestive concerns. Babies in particular can be highly sensitive to anything they eat because they have [less mature digestive systems](#).



Over the last decade, the US 'digestive-health' market has tripled in size and is forecasted to reach \$5.7B USD by 2024.²

Digestive discomfort has always been a key concern for parents and is often one of the most discussed topics online.³ More recently, a global focus on "gut health" has started to encapsulate the infant nutrition market as we start to understand the role of the gut microbiome for healthy digestion and development of the immune system, especially during the early years.⁴

As a result, infant formulas featuring 'gut health' claims have rapidly begun to appear, with nearly 70% of the global share of infant formula patent inventions centred around gut-related issues.⁵ This means infant nutrition brands have an opportunity to improve market share by offering solutions that not only support digestive comfort but broader gut health too.

2. COVID-19 accelerates immunity demand

The focus on digestive health also helped fuel the awareness of building infant immunity. Last year saw a strong increase in online searches for "immunity", but these numbers tripled within the first two months of the COVID-19 outbreak.⁶ This has had a huge impact on parents' appetites for solutions and products which could provide enhanced protection for the entire family.

New-born babies have inexperienced immune systems and their diet plays a key role in building strong immunity foundations.⁷ Although breast milk is the ideal nutrition for infants, in cases where breastfeeding is not possible, parents want a quality paediatric nutrition solution to support the infant immune system. Parents are becoming aware of the benefits of advanced nutritional ingredients, which is reflected in the growing demand for probiotics for infants and children.⁸



3. Natural and organic claims

Another 'adult-nutrition' trend increasingly appearing in the infant nutrition market is a growing demand for products featuring natural or organic claims. This is appealing to the rising health-conscious consumer who wants to know how their food was made.

In Europe, innovation in organic baby food and drink has increased by 38% in the last five years.⁹

When we think 'organic', we often think of products that have been produced sustainably. However, amongst today's consumers the idea of 'organic' goes beyond the environmental aspect, coming to encompass quality, traceability, and the feeling of 'naturalness'.¹⁰ Brands are moving to promote 'natural' claims that aren't category-specific, and in the paediatric nutrition area these include strong provenance (including traceability), grass-fed and organic positioning.

It seems that sustainability and health concerns are driving a lot of this growth in organic demand. 47% of global consumers seek organic food and drinks because of environmental concerns. Also 58% of global consumers seek organic food and drinks because it "makes them feel healthier".¹¹ So it is not a far stretch to assume these connotations extend to parents wanting to provide organic products for their children.



4. Personalisation of diet

Rising 'adult' trends aren't the only shift predicted in the infant nutrition area, with a focus on personalised formulas according to region. Consumers have a growing belief that diet cannot be "one size fits all" and are looking for products that meet their specific regional and personal needs.

With a much broader range of infant formulas available, parents can now select a formula based on their infants needs and preferences including a specific health benefit, preferred format, country of origin and "natural" features. More personalised infant formulas are now available to manage children's health concerns such as reducing the risk of developing allergies or to promote digestive comfort.

Other trends in infant nutrition include a growing interest in new types of formula such as A2 protein-based formula, goat and sheep milk-based formulas. Parents' purchase motivators vary from interest in where the formula comes from and its safety, to a more natural propositions, and for specific health benefits.

5. The sprouting plant-based trend

There is a growing drive from dietary guidelines worldwide to incorporate more fruit and vegetables into our diets. Whilst some choose to be 100% plant-based, many are adopting diets that combine both plant and animal-derived foods like dairy to achieve a more holistic outcome.¹²

We now see a bubbling interest in plant-based infant nutrition being flagged by industry experts.

Currently, there is only a 4% penetration for vegan claims in the infant nutrition market.¹⁰

Industry commentators are quick to point out that the aim of infant formulations should be to provide optimal nutrition and get as close to breast milk as possible. As breast-milk is clearly not plant-based, it is a bigger challenge to provide vegan infant formula with high enough nutritional quality to meet infants' needs.¹³ However, new developments in upcoming ingredients may enable progress in vegan products and provide a broader range of plant-based foods for all consumers wishing to incorporate more plant-based choices.



Final thoughts

Sustainable and personalised infant nutrition are driving trends and providing consumers with more choices and greater transparency. Provenance and natural positioning, along with increased demand for more premium products focussed on digestion and immunity, will continue to play an important role in addressing parents' needs in the future.



Read more from our experts at
nzmp.com/newsfeed

References

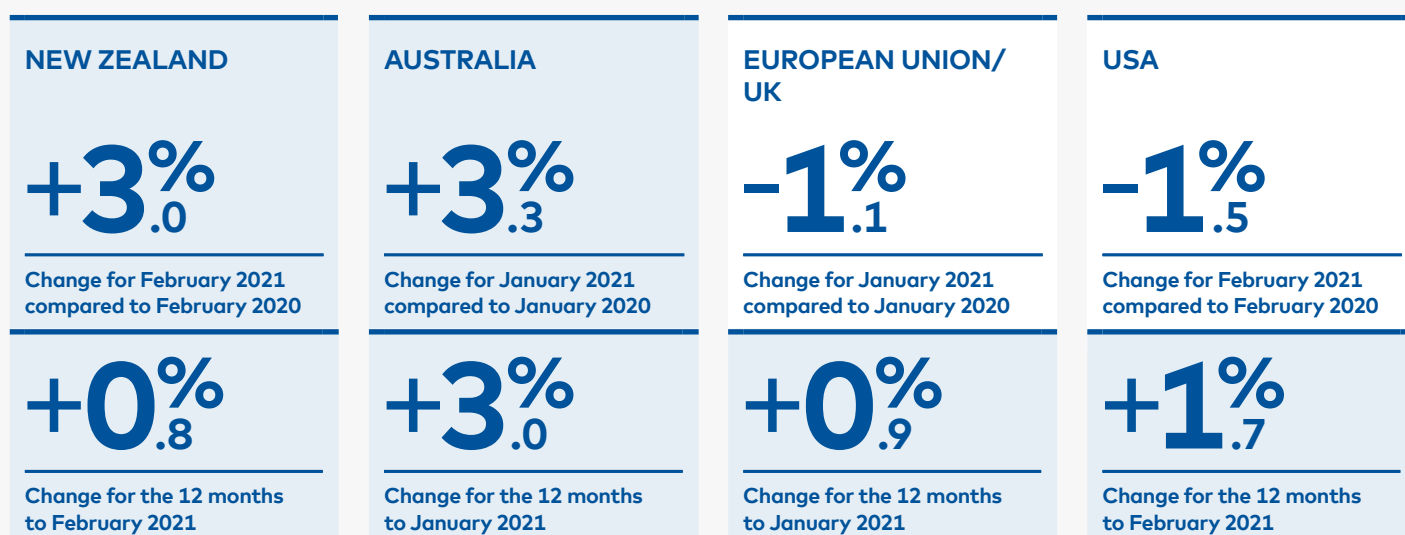
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Disclaimer

The views expressed above are general opinions only, and Fonterra is not responsible for any decisions taken in reliance on the same.



Monthly production in New Zealand and Australia up, EU and US down.



New Zealand milk production¹ for the 12 months to February was 0.8% higher than last year.

New Zealand milk production increased 3.0% on a litres basis in February compared to February last year despite dry conditions across most of the country. This resulted in lower soil moisture levels particularly in the North Island.

Australia milk production for the 12 months to January was 3.0% higher than last year.

Australia milk production was up 3.3% in January compared to last January as a result of favourable milk production conditions across dairy farming regions. Growth was constrained, however, by reduced herd sizes, farm exits, and labour challenges related to COVID-19. Dairy Australia expects milk production to track towards the lower end of the current 1 to 3% growth range for 2020/21.

EU milk production² for the 12 months to January was up 0.9% compared to the same period last year, driven by higher volumes from Ireland, Poland and Spain.

EU milk production decreased 1.1% in January compared to the same period last year and represents the weakest growth in the last two years.

This was driven by decreases observed in key milk producing countries and in particular in France (down 3.4%), Germany (1.7%) and Netherlands (1.4%).

Milk production for the 12 months to February was 1.7% higher compared to the same period last year.

US milk production decreased 1.5% in February, compared to the same period last year. However, after adjusting for 2020 leap year, production increased by 2.0%, driven by continued herd size expansion and higher milk yield per cow.

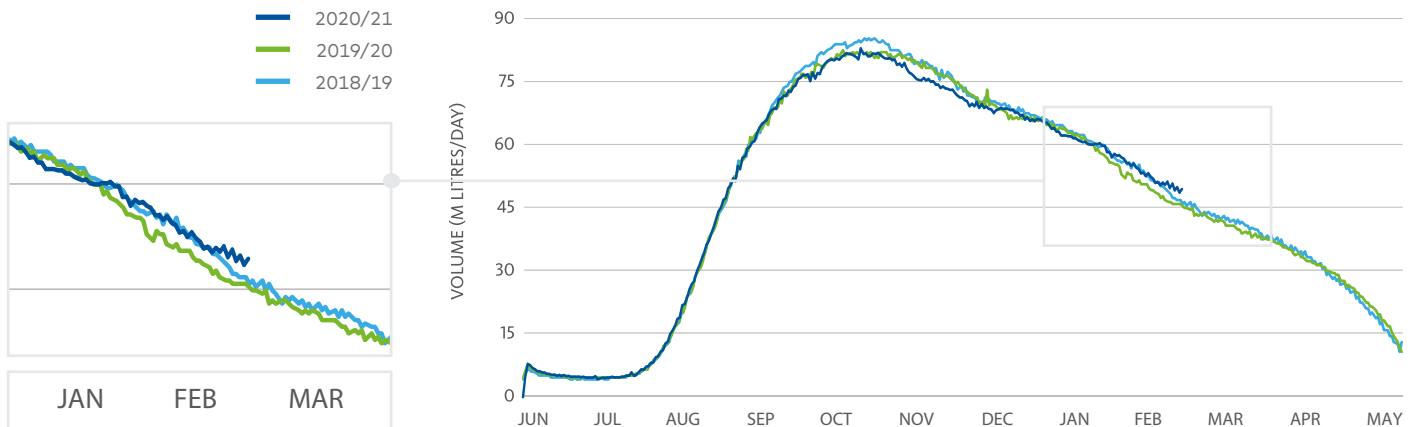
¹ New Zealand production is measured in litres. ² Excludes UK.

Note: 2020 production numbers include one extra day of production in February as 2020 is a leap year.

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 2020/21 SEASON



NEW ZEALAND COLLECTION

+2%.3

Change for February 2021 compared to February 2020

-0%.4

Season to date
1 June to 28 February

Fonterra's New Zealand collection for February was 136.5 million kgMS, 2.3% higher than the same month last season.

Season-to-date collection was 1,207.6 million kgMS, 0.4% behind last season.

February saw a generally settled end to summer across the country, but with some bouts of wet and windy weather. Other than the far north of the North Island and Fiordland in the South Island, the whole country was sunnier than average for the time of the year. In regions that had rainfall with that warm weather, good pasture growth resulted.

AUSTRALIAN COLLECTION

-5%.8

Change for February 2021 compared to February 2020

-1%.8

Season to date
1 July to 28 February

Fonterra's Australia collection in February were 7.2 million kgMS, a 5.8% decrease on February last season.

Lower herd numbers combined with increased consumption of lower quality home-grown fodder instead of supplementary feed are continuing to impact milk production growth across Australia.

Season-to-date collections are down 1.8% on last year.

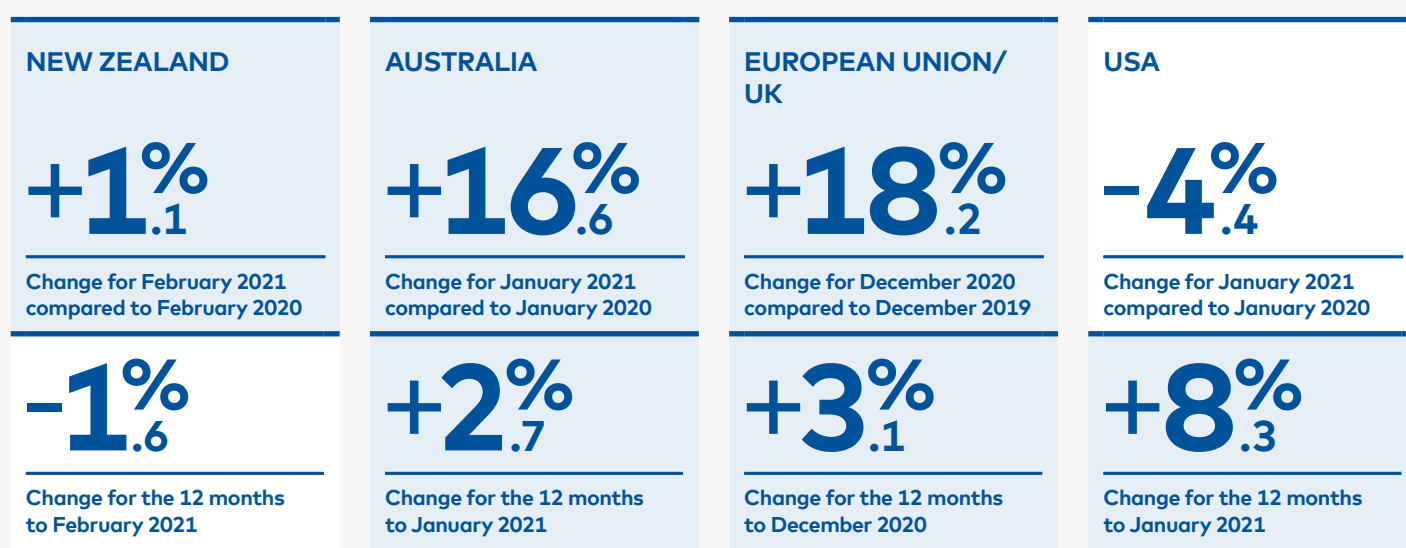


Note: The inclusion of off-GDT sales contributed 8 cents per kgMS to the Milk Price for the season to 31 January 2021.

Source: Fonterra Global Dairy Update, November 2020



New Zealand monthly exports up. Australia and EU exports show strong monthly growth. US monthly exports down.



Exports for the 12 months to February were down by 1.6%, or 54,734 MT, on the previous comparable period. This was primarily driven by SMP, butter, infant formula and casein but partially offset by increases in WMP.

Total New Zealand dairy exports increased by 1.1%, or 3,203 MT, in February compared to the same period last year.

The increase was due to higher volumes of fluid milk product and WMP to China, up a combined 15,141 MT in February. This was partially offset by a decrease in SMP and butter, down 12,760 MT.

Exports for the 12 months to January were up 2.7%, or 20,273 MT, on the previous comparable period.

This was led by increases in fluid milk products, SMP, lactose and whey but partially offset by declines in infant formula and WMP.

Australia dairy exports increased 16.6%, or 8,547 MT, in January compared to the same period last year.

The increase was driven by continuing demand from China in fluid milk products, up 8,505 MT.

Exports for the 12 months to December were up 3.1%, or 212,808 MT, on the previous comparable period. Fluid milk products, cheese, whey, lactose and WMP were the main drivers of this growth, up a combined 325,891 MT. It was partially offset by a large decline in SMP down 115,447 MT.

EU dairy exports¹ increased 18.2%, or 91,972 MT, in December compared to the same period last year.

December saw increased shipments of fluid milk product to China and cheese to Japan, Switzerland, South Korea and Ukraine.

Exports for the 12 months to January 2021 were up 8.3%, or 191,544 MT on the previous comparable period, driven by SMP, whey and WPC combined 196,593 MT.

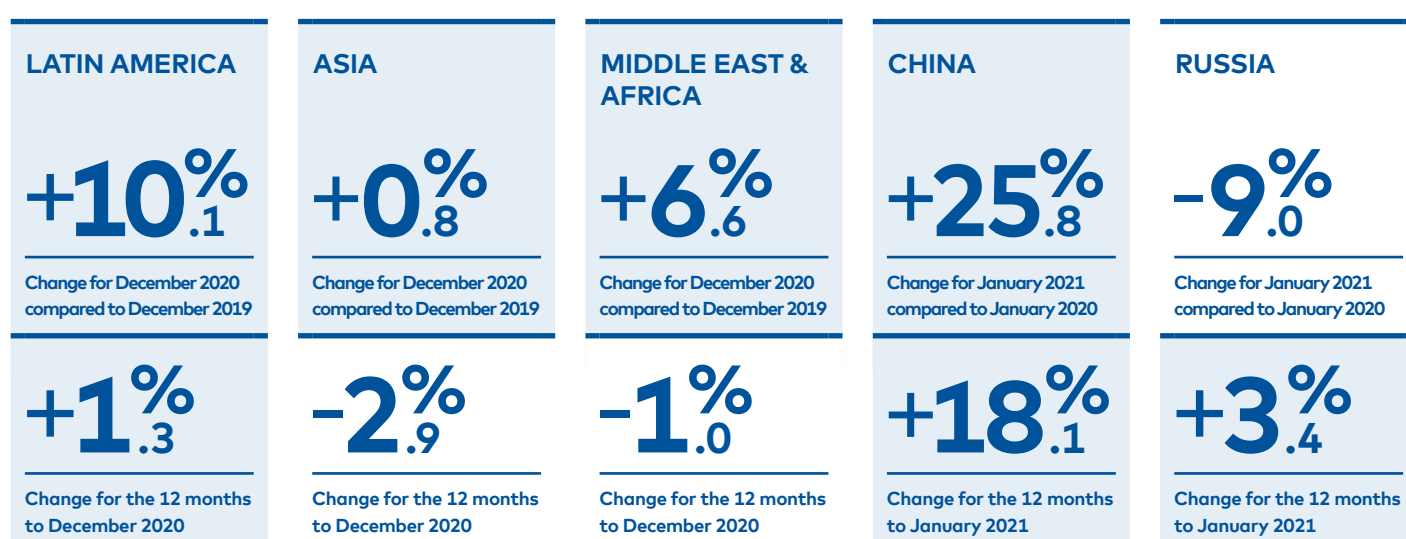
US dairy exports decreased 4.4%, or 8,911 MT, in January compared to the same period last year.

The decrease was led by lower shipments of lactose across all regions and of SMP to South East Asia. Continued high demand for whey from China partially offset the decrease.

¹ Excludes UK.



China monthly imports show record increase. Latin America, Middle East and Africa and Asia monthly imports up.



Imports for the 12 months to December were up 1.3% compared to the same period the previous year.

Latin America dairy import volumes¹ increased 10.1%, or 14,681 MT, in December compared to the same period the previous year.

This increase was due to higher shipments of WMP to Brazil and fluid milk products to Mexico. This was partially offset by lower volumes of SMP and whey powder to Mexico.

Imports for the 12 months to December were down 2.9%, or 141,921 MT, compared to the same period the previous year.

Decreases were recorded across WMP, SMP, fluid products and whey, down a combined 191,561 MT, and offset partially by increased volumes in lactose, up 46,994 MT.

Asia (excluding China) dairy import volumes¹ increased 0.8% or 3,014 MT, in December compared to the same period the previous year.

Increases were recorded in cheese to Japan, ice cream to Indonesia and infant formula to Malaysia and were partially offset by lower volumes of whey to Indonesia.

Imports for the 12 months to December were down 1.0%, or 40,685 MT, compared to December the previous year, driven by decreases in fluid milk products and butter and partially offset by increases in SMP and WMP.

Middle East and Africa dairy import volumes¹ increased 6.6% or 20,535 MT, in December 2020 compared to the same period the previous year.

This increase was mainly driven by infant formula to Nigeria, up 43,996 MT, and partially offset by lower volumes of butter, WMP and fluid milk products.

Imports for the 12 months to January were up 18.1% or 549,248 MT, driven by whey, fluid milk products, WMP and SMP.

China dairy import volumes increased 25.8%, or 81,391 MT, in January compared to the same period the previous year.

This record monthly volume was due to increased fluid milk products from New Zealand and Europe, up 55%, SMP up 41% from New Zealand and whey from US and Europe, up 30%.

Imports for the 12 months to January 2021 have increased +3.4% or +37,285 MT compared to the same period the previous year.

This was mainly driven by AMF, Cultured Products, Butter, Caseinate, Cheese, Dairy Spreads, Fresh, Ice cream, and MPC being up a combined +93,372 MT. Offset by Infant Formula, SMP, WMP, Whey, Lactose, Casein and WPC being down a combined -55,399 MT.

Russia import volumes were up -9% or -8,486 MT for January 2021 compared to the same month the previous year.

¹ 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



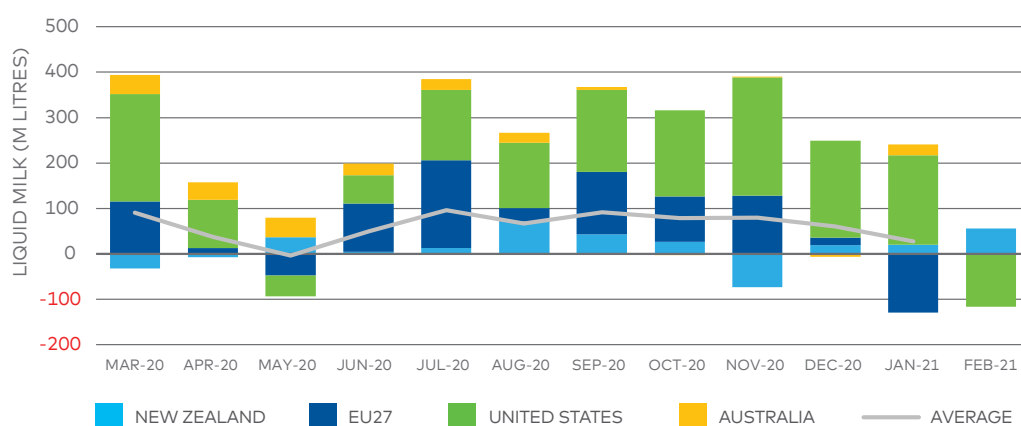
Global Dairy Market

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.

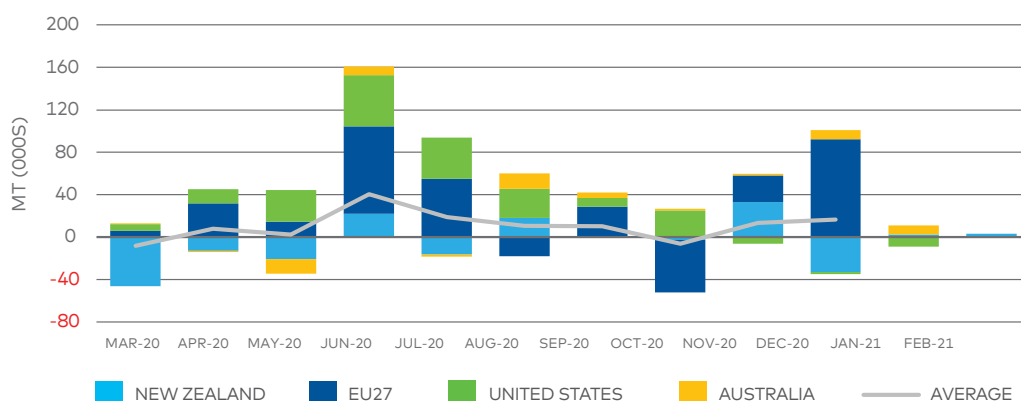
The absolute size of the bars represent the change in imports, exports or production, relative to the same period the previous year.

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

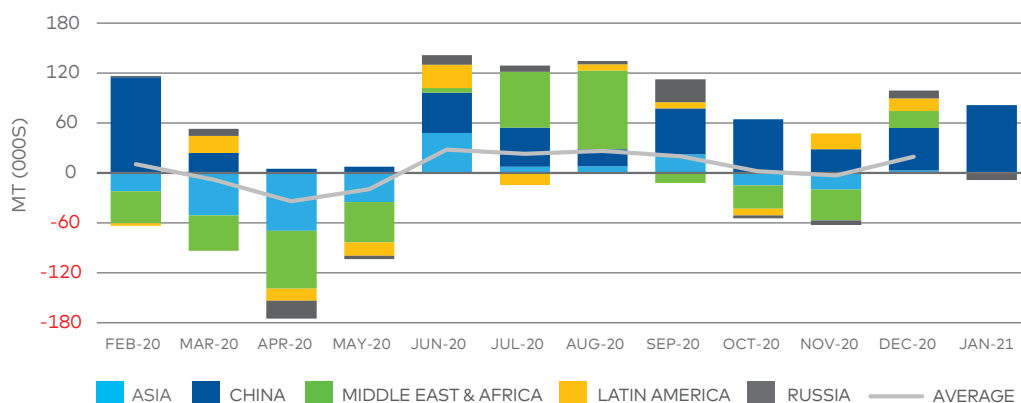
PRODUCTION



EXPORTS



IMPORTS





Food Price

The February 2021 FAO Food Price Index (FFPI) averaged 113.3 points in January 2021, up 4.7 points (4.3 percent) on December 2020, marking the eighth month of consecutive rise and its highest monthly average since July 2014. The latest increase reflected strong gains in the sugar, cereals and vegetable oils sub-indices, while meat and dairy values were also up, but to a lesser extent.

The Dairy Price Index averaged 111.0 points in January, up 1.7 points (1.6 percent) from December 2020, rising for the eighth consecutive month and 7.1 points (6.9 percent) above its January 2020 value. In January, butter and whole milk powder (WMP) price quotations increased, underpinned by China's high purchases in the wake of the country's upcoming New Year festivities amid seasonally lower exportable supplies in New Zealand. Price quotations for skim milk powder (SMP) also rose, pressured by high import demand for spot supplies and lagging production activities in Western Europe. Cheese prices fell slightly from the highs registered in December 2020 due to limited internal sales in Europe, coupled with stock build-up in the United States of America.

Source: FAO

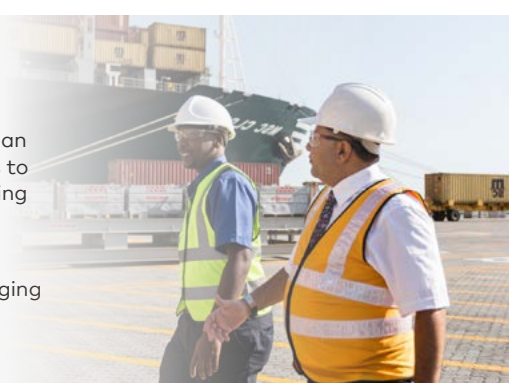


Economic

CLIs point to stable growth in most large OECD economies. These include the United States, Japan and the euro area as a whole, including Germany, France and Italy. In Canada, the CLI also points to stabilising growth. The CLI for the United Kingdom still signals a slowdown. Among major emerging economies, the CLIs for the manufacturing sector of China and for India and Brazil all point to a steady increase in growth. In Russia, the CLI continues to signal the same steady build.

The CLIs should continue to be interpreted with care, as fluctuations are likely influenced by changing measures to contain Covid-19 and the progress of vaccination campaigns.

Source: OECD



Consumer

Global output contracted by 3.9% in 2020, against earlier estimates of a 4% contraction. In 2021 The Economist Intelligence Unit expects global GDP to rebound by 5% (up from a previous forecast of 4.5%), with growth in OECD countries reaching record-high levels.

This sharp rebound will boost global GDP back to pre-coronavirus level in late 2021. However, the pace of recovery will vary greatly across regions.

Asia and North America will recover fastest, with real GDP back to pre-coronavirus levels as early as this year. The recovery will take longer in Europe, the Middle East and Africa region, stretching into 2022. Latin America will lag, with real GDP returning to pre-coronavirus levels only in 2023.

Despite the start of the rollout of several coronavirus vaccines in most developed economies, vaccines will not be available in large enough quantities in the coming months to be game-changing. Logistics and shipping will also be difficult. We therefore maintain our view that vaccines will not be widely available in most developed economies before late 2021 or early 2022.

Access to the vaccine will be difficult initially, as all developed countries race to acquire sufficient quantities, and poorer countries struggle to secure funding.

In middle-income and emerging countries we do not expect the rollout to take place on a large scale before at least end-2022, with low-income countries unlikely to have vaccine access before 2023, if at all. The slow pace of vaccine distribution will weigh on the global recovery.

Source: Economist Intelligence Unit



Weather

Low pressure systems are expected to be more common in the NZ region during April, as a tropical climate driver in the Pacific brings an elevated chance for heavy rain events in the middle of the month.

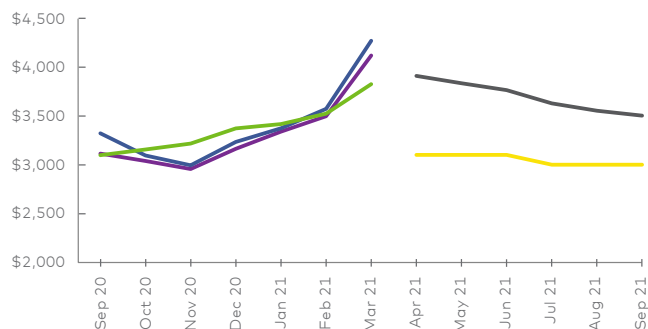
April-June rainfall is equally likely to be near normal or above normal in the North Island and equally likely to be near normal or below normal in the South Island. Temperatures are likely to be near average or above average for all regions of the country. While cold snaps and frosts will occur periodically, they aren't expected to define the season.

In Australia's east, recent heavy rain yielded to much drier weather, helping to dry excessively wet summer crops.

Europe experienced cool and mostly drier weather, while above-normal temperatures encouraged winter grain green up over northern growing areas.

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

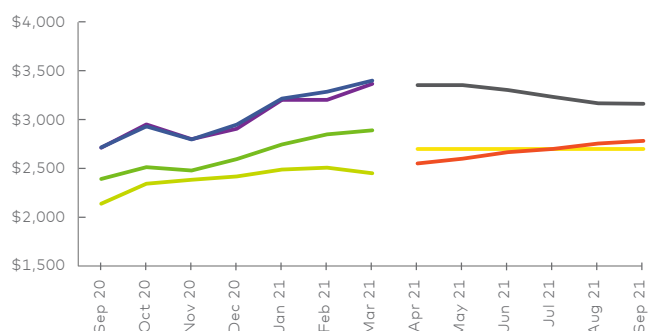
WMP



March WMP prices continue to climb across all the indexes. Dutch Dairy Board increased +8.6% to USD \$3,821/MT. USDA Oceania increased +17.7% to USD \$4,113/MT & GDT increased +19.4% to USD \$4,263/MT.

Futures and forecasts for the next six-months have remained consistent with last Perspective.

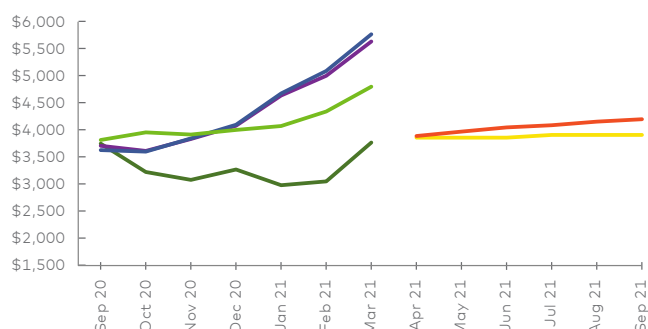
SMP



SMP prices have had mixed results across March, with USDA NASS -2.3% to USD \$2,453/MT and USDA Oceania having the highest increase of +5.1% to USD \$3,363/MT. Dutch Dairy Board increased a further +1.4% to USD \$2,890/MT. GDT increased again +3.4% to USD \$3,369/MT.

The Forecast and futures have also reflected this trend. Rabobank Oceania has remained flat on previous projections. NZX Futures has averaged at USD \$3,259/MT and CME Futures at USD \$2,677/MT.

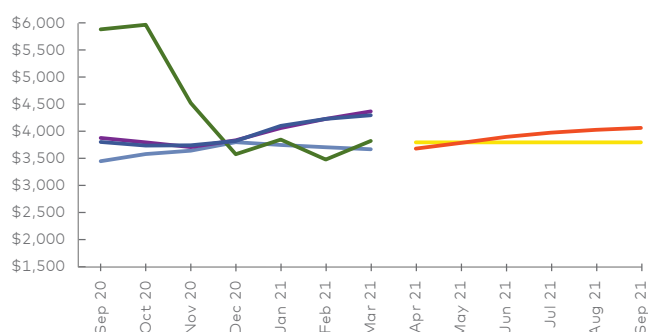
BUTTER



Butter prices are continuing to grow across the board again in March. USDA Oceania showed a further +12.7% increase to USD \$5,619/MT and GDT also increased another +13.3% to USD \$5,752/MT. CME Spot increased the most, up +23.5% to USD \$3,760/MT. Dutch Dairy Board had an uplift of +10.6% to USD \$4,788/MT

As a result, we see CME Futures increase its average over the next 6 months +7.5% to USD \$4,049/MT and Rabobank Oceania average prices stay consistent on last reports.

CHEESE



There are mixed movements for cheese over March. CME Spot increased +9.8% to USD \$3,826/MT. GDT increased a further +1.6% to USD \$4,298/MT and USDA Oceania increased +3.3% to USD \$4,369/MT. EU commission had a slight drop of -1% to USD \$3,673/MT

CME Futures 6-month average has been revised up +1.2% to USD \$3,908/MT and Rabobank Oceania's stays consistent with last reports.

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 281

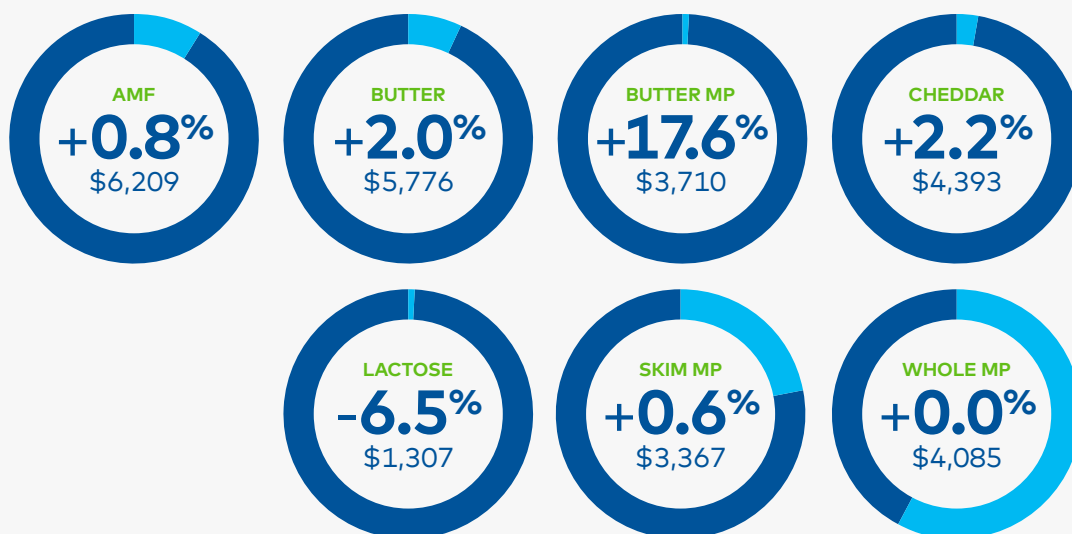
+0.3%

Change in GDT Price Index from previous event

USD 4,081

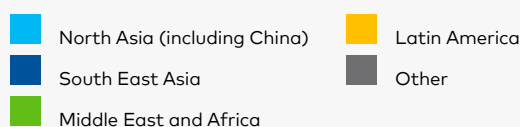
Average price (USD/MT, FAS)

The shaded dials indicate the proportion of each product group sold versus total quantity sold during the previous 12 months, with a 3 month lag. Figures within the dials represent the percentage change in GDT Price Index and the weighted average price. All information published on this page may be reproduced provided the user acknowledges Global Dairy Trade as the source.

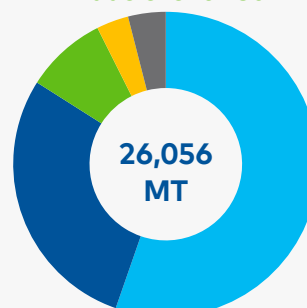


GDT SALES BY DESTINATION

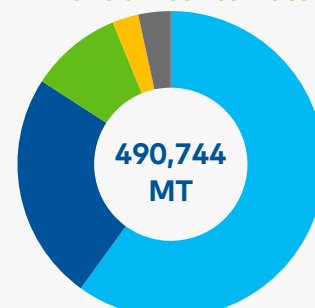
TRADING EVENT 280



Trade event 280



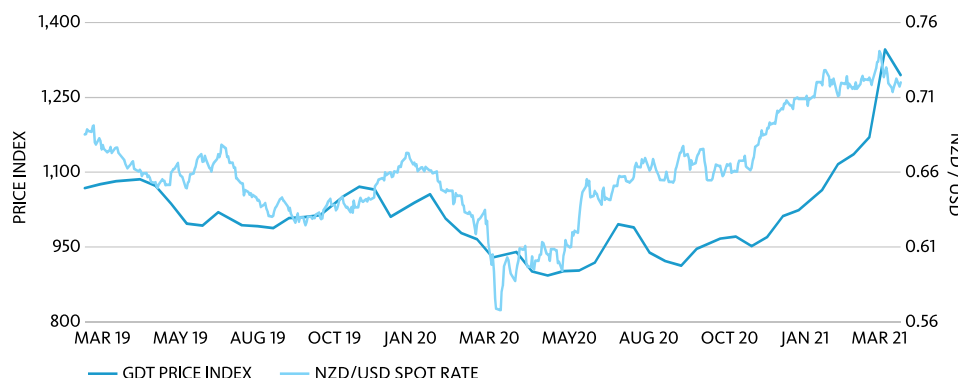
Financial Year to Date



The next trading event will be held on 20 April 2021. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

The NZD/USD exchange rate increased following a surge in global commodity prices however, growing expectations of a resurgent US economy, aided by a large fiscal stimulus package and expeditious vaccination programme putting downward pressure on the NZD.





USDA, Dairy Outlook

Published March 15, 2021



Recent Developments

In January, U.S. milk production totalled 19.170 billion pounds, 1.6 percent higher than January 2020. January year-over-year growth was less than the 3.5-percent increase in November and the 2.5-percent increase in December.

In January, milk cows numbered 9.450 million head, 85,000 head more than the previous January and 8,000 more than December 2020. Milk per cow averaged 2,029 pounds, 13 pounds above January 2020. On a milk-fat milk-equivalent basis, January's dairy exports totalled 701 million pounds, 62 million lower than December, but 21 million higher than January the year before. On a skim-solids milk-equivalent basis, exports were 3.593 billion pounds, 19 million lower than December and 263 million lower than January 2020. Notably, exports of lactose were 58 million pounds in January, 1 million lower than the month before and 16 million lower than January 2020.

Dairy imports in aggregate were relatively low in January. On a milk-fat basis, they totalled 374 million pounds, 202 million lower than December and 170 million pounds lower than January 2020.

On a skim-solids basis, dairy imports added up to 451 million pounds in January, 52 million lower than December and 25 million lower than the year before. Notably, January's butter imports totalled 2.9 million pounds, 1.0 million pounds less than December and 0.6 million less than January 2020. Imports of anhydrous milk fat and butteroil were 2.5 million pounds, 5.0 million less than December and 3.1 million less than January one year ago.

Domestic use was relatively strong compared for the three months from November 2020 to January 2021, up by 1.3 percent on a milk-fat basis and 2.0 percent on a skim-solids basis, compared to November 2019 - January 2020. This likely reflects higher demand due to increased foodservice use and a strengthening economy.





Dairy forecasts for 2021

The milk production forecast for 2021 is 227.3 billion pounds, 0.1 billion pounds lower than the February forecast. Lower expected yields per cow more than offset higher expected milk cow numbers.

The dairy herd size projection has been raised to 9.445 million head, 10,000 higher than last month. This is based on the reported average number of milk cows in January and recent slaughter rates close to those of last year. Based on yield per cow in January and lower expected cull rates, the forecast yield per cow has been lowered to 24,065 pounds per head, 35 pounds below the previous estimate.

The forecast for 2021 dairy exports on a milk-fat basis has been raised to 10.4 billion pounds, 0.3 billion above previous, as higher expected exports of butterfat products are likely to more than offset lower expected exports of cheese. On a skim-solids basis, the 2021 dairy export projection has decreased to 48.7 billion pounds, 0.2 billion lower than last month. Lower exports of lactose are expected to more than offset higher exports of dry skim milk products.

Based on lower expected imports of butterfat products (butter, anhydrous milk fat, and butteroil), the 2021 dairy import projection on a milk-fat basis is 6.5 billion pounds, 0.2 million lower than last month. On a skim-solids basis, the dairy import forecast is unchanged from last month at 5.5 billion pounds.

The outlook for 2021 domestic use on a milk-fat basis is 222.5 billion pounds, 0.1 billion pounds lower than last month. On a skim-solids basis, the forecast for domestic use is 183.5 billion pounds, 0.3 billion higher than the previous forecast. With lower expected milk production and higher total disappearance (domestic use plus exports), ending stock projections for 2021 have been lowered to 15.5 billion pounds on a milk-fat basis (-0.5 billion) and 10.5 billion pounds on a skim-solids basis (-0.1 billion).

Based on recent price data, improving domestic demand, and higher expected exports, the 2021 price forecast for butter has been raised to \$1.615 per pound (+16.0 cents). Based on strength in international prices, the price forecast for NDM has been raised by 1.5 cents to \$1.140 per pound. The dry whey price forecast has been raised by 2.0 cents to \$0.500 per pound. The 2021 price forecast for Cheddar cheese is unchanged from the previous report at \$1.695 per pound.

With higher expected butter and NDM prices, the Class IV price projection for 2021 has been increased by \$0.75 to \$14.45 per hundredweight (cwt). Since the price forecast has been raised for dry whey, the Class III price projection for 2021 has been raised by \$0.15 to \$16.75 per cwt. The all-milk price forecast for 2021 has been raised to \$17.75 per cwt, \$0.60 higher than last month's forecast.

Blimling, Forecast Update

Published March 3, 2021

Cheese prices are still finding support due to improving demand, particularly in the restaurant space. Expanding milk supplies will keep cheese vats topped up, with fresh supply expanding in the near to medium term.

Butter values are likely to face pressure as inventories build seasonally, as Easter and Passover demand comes and goes, and as new crop transition fervour passes. Cream is available as churns stay active due in part to rising milk output. USDA purchases will provide some support.

U.S. dryers continue to work hard to pump out a lot of powder, specifically low-heat NDM, with more to come as flush season ramps up.

Despite rising global powder values, U.S. prices will likely remain at a steep discount due to ample supply and snarled logistics. However, Mexico demand recovery may chip away at available U.S. supply.

Dry whey demand is reportedly firm – however some buyers are pushing back at latest elevated price levels. There are also reports of feed buyers considering cheaper milk solids in the form of SMP. Domestic supply remains tight while most available whey solids continue to feed WPC/WPI plants. Meanwhile, ASF is rearing its head in Asia once more, potentially stifling future export demand.



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.