



PERSPECTIVE

August 2019



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.





Welcome back to Perspective!

August 2019

The sense of step-change is in the air as our hardworking farmers prepare for the beginning of the 2019/20 New Zealand milking season. In the spirit of new beginnings, it was hard to miss the heavily publicized election of the UK's new prime minister, Boris Johnson. The ripple effect was felt widely, especially through cabinet as many changes were made.

It is well known that Boris went into the election with a strong 'do or die' stance on Brexit, and now that he is in the driver's seat, the run up to October 31st is accelerating. The world has been observing the moving target of Brexit for so many years, it's almost hard to believe that the actual 'exit' is nearly upon us.

But what can those of us outside of the political debates expect? It is these questions that prompted us to reach out to respected Brexit commentator, Andrew Kuyk, to be our feature writer this month. Andrew is the Director General of the Provision Trade Federation and shares his thoughts on what Boris Johnson's recent election could mean for Brexit, and the future of the UK/EU trade relationship and beyond.

Four key movements for the month:

-  Production – Australia's production continues to decline. The EU growth begins to ease, and the US declines slightly. New Zealand's new milking season has begun.
-  Exports – Australia, New Zealand and EU export growth endures, whilst US exports continue to show a large decline.
-  Imports – Latin America and Middle East & Africa continue to decline. China imports have also begun to decline, however the rest of Asia's growth continues.
-  Prices – GDT auction event 241 decreases across the board, resulting in the GDT price index dropping -2.6% to USD \$3,253/MT. The biggest drop came from Lactose, down -11.5% to USD \$737/MT.

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,

Alex Turnbull
Director, NZMP Marketing

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Brexit – who will be the winners and losers?



Andrew Kuyk
Director General,
Provision Trade Federation



Andrew Kuyk heads the Provision Trade Federation, a leading UK food trade association representing processors and traders in dairy, meat and fish.

He has extensive experience of European Union and international negotiations from a distinguished UK civil service career, including diplomatic postings to the UK Permanent Representation in Brussels (UKREP) and as Counsellor (Agriculture and Economic) at the British Embassy in Paris and a range of other food, farming, fisheries and trade roles.

Prior to taking up the PTF appointment, Andrew worked as Director of Sustainability at the Food and Drink Federation (FDF) and as a consultant on food security and climate change policy.

PTF has over 130 member companies of all shapes and sizes, a number of which are EU based.

His background is particularly suited to unravelling and communicating to members the complexities of Brexit, which he considers to be the biggest challenge to face the UK he has ever known.

We like to think we don't do revolutions in the UK. But the events set in train by the 2016 Brexit referendum could soon trigger the biggest set of changes ever seen in peacetime - to our economy, our trading relationships, our politics and even our national identity.

Boris Johnson, who replaced Theresa May as Prime Minister on 23 July, is committed to leaving the EU – 'do or die' – by 31 October, whatever the circumstances.

He says he would prefer to leave with a deal. But he insists the one on the table will have to be renegotiated to achieve this.

Brussels is currently refusing to budge, setting up an almighty game of poker for the autumn.

Up to now, the debate has largely been about what is needed to ensure an "orderly" exit. But that is the tip of the much bigger iceberg of deciding what we want our future relationship to be.

The EU has consistently said that a country which does not share the obligations of membership cannot enjoy the benefits that membership brings. The more we diverge from Customs Union and Single Market rules, the harder it will be to maintain free and frictionless trade with the EU. But, for many Brexit supporters, taking back control of our own affairs is the whole object of the exercise.

Theresa May spent 3 years avoiding this dilemma, by simply repeating that 'Brexit means Brexit', without ever spelling out her vision of what this would look like.

For Boris, vision is everything. He wants the UK to be 'the greatest and most prosperous economy in Europe,

at the centre of a new network of trade deals, which we have pioneered' and to be 'liberated' from rules like EU restrictions on GM, so we can produce 'blight resistant

crops that will feed the world', while still retaining preferential access to the EU market. In his own words - 'pro cake and pro eating it' – having the best of both worlds.

But, if we leave without a deal, it is our food and farming industries that are going to be most vulnerable.

While industrial tariffs are generally in low single figures, EU tariffs for agriculture are set at deterrent levels to protect the EU's Common Agricultural Policy. Facing those tariffs from the outside - on so-called WTO terms – would stop most UK agri-food exports to the EU in their tracks. And, in addition to tariffs, they would also be subject to the full range of regulatory checks applied to all third countries.

The EU is by far our largest trading partner. It takes 97% of our lamb exports. And it supplies over a third of all the food we eat. We export more cheese to France alone than to all non-EU countries put together. Freedom of movement across the Irish border is essential for the meat and dairy industries on both sides. And the livestock sector as a whole depends on the Single Market for 'carcase balance', being able to sell different products into different markets to maximise returns.

Proponents of Brexit argue that the ability to do our own trade deals would give us new export opportunities elsewhere and that we could transform UK agriculture to meet more of our own needs, reducing our reliance on imports.

But this ignores the reciprocal nature of trade. If we want others to open their markets to us, we will have to take more from them in return. That would expose UK farmers to much greater international competition and potentially shrink our agricultural base rather than promote expansion.

Leaving without a deal could result in even deeper cuts in tariffs to keep shelves full and prices down, making it even more difficult to fund the investment needed for growth.

So we could end up importing even more than we do at the moment and from a wider range of origins – a genuine opportunity for some.

The reality is that our whole industry has been shaped by 40 years of EU membership – and supply chains and production facilities are often fully integrated with European partners. Changing our terms of trade overnight could destroy many existing business models – though that would make room for others to take their place.

The effects of Brexit, for good or bad, are not going to be confined to the UK, or even to the EU. But the consensus of Provision Trade Federation members is that an unmitigated no deal would be an unmitigated disaster. Let's hope both sides see sense in time to avoid a truly horrific Halloween and ensure that there are some positives to be shared.



Disclaimer: The views expressed above are the opinion of the author, not those of Fonterra, and Fonterra is not responsible for any decisions taken in reliance on the same.

Australia monthly production continues decline, growth softening in the EU and small decline in the US. New Season starting in New Zealand.



New Zealand milk production for the 12 months to June was 2.3% higher than last year.

New Zealand milk production was up 13.9% in June compared to the same period last year, on relatively small winter volumes and as a result of better weather conditions this season than last season.

Production for the 12 months to May was down 7.6% on the previous 12 months.

Australia milk production decreased 13.6% in May compared to the same period last year.

Dairy Australia forecasts annual milk production to decline by 7% to 9% for the 2018/19 season.

Dairy Australia are forecasting a further decline in the 2019/20 season of 3% to 5% in total milk production on the back of reduced herd sizes and strained farmer finances.

EU milk production for the 12 months to May was up 0.3% compared to the same period last year.

EU milk production increased 0.1% in May compared to the same period last year.

Growth continues in Ireland, though at a slightly slower pace, up 10.8% in May.

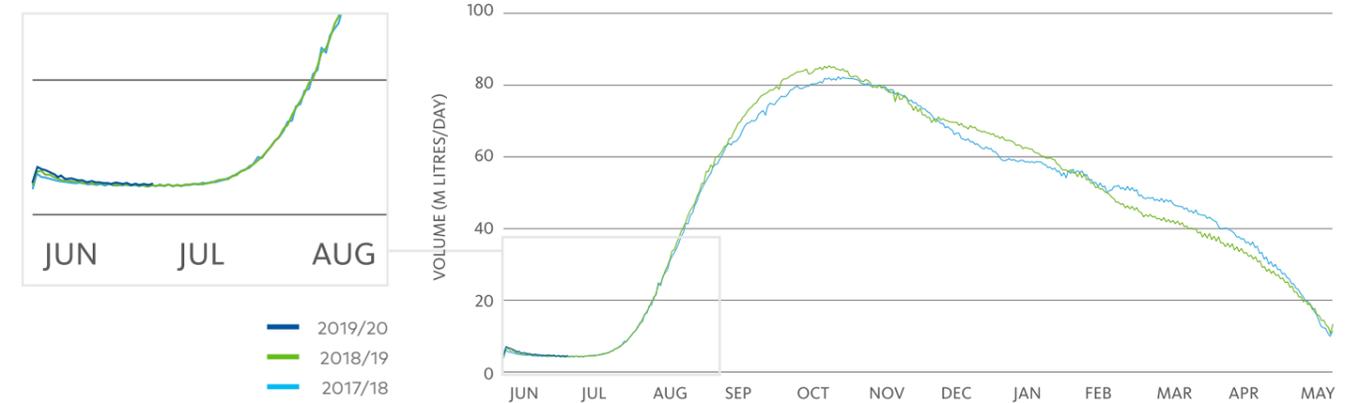
The recent heatwave has slowed down production in Germany (1.5%), France (1.6%) and The Netherlands (2.5%) and led to abnormally dry conditions that could have a lasting effect on milk production for the quarter.

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

US milk production decreased 0.3% in June, compared to the same period last year.

Poor on-farm profitability is leading to an increase in culling which is likely to continue to impact growth over the next few months.

FONTERRA MILK COLLECTION 2019/20 SEASON



Fonterra's collection for the first month of the 2019/20 season, was 14.4 million kgMS, up 8% on the same month last season. These volumes represent less than 1% of the full season forecast.

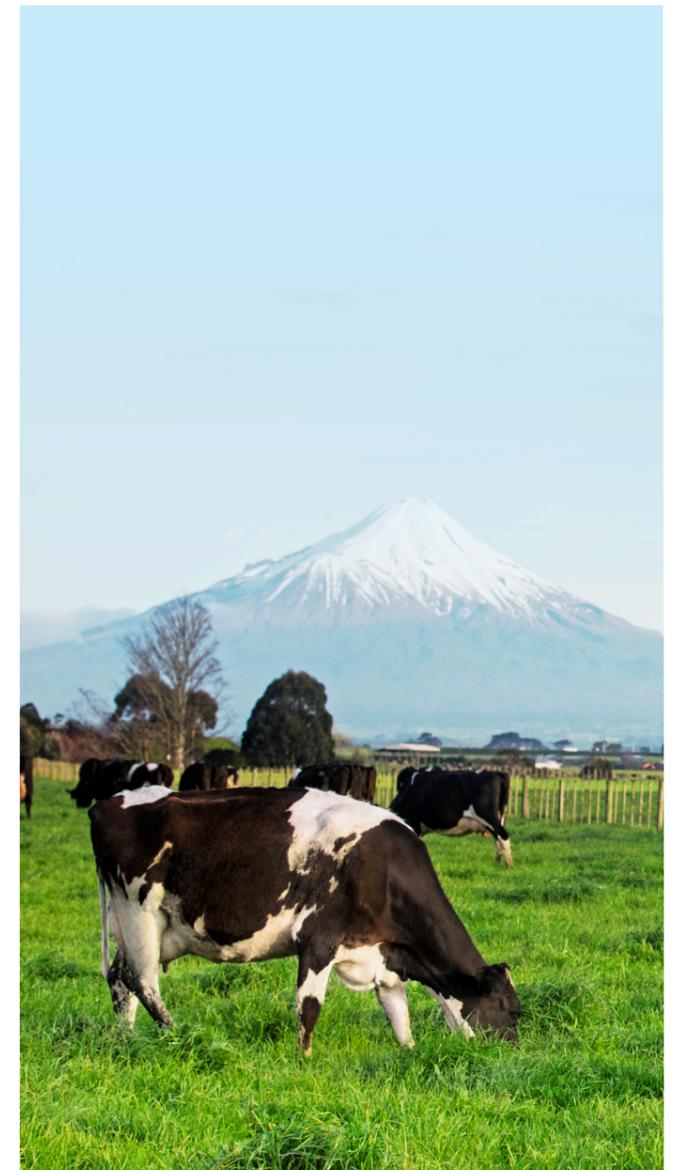
The start to the season across both islands has been led by a relatively mild winter so far and good pasture cover for this time of year. Cow condition is also good across the country.



Fonterra's milk collection across Australia for the 2018/19 season was 122 million kgMS, down 20% on last season. Fonterra collections in June were 7 million kgMS, down 30% on June last season.

Fonterra's milk collection has reduced due to poor seasonal conditions, high input costs, increased cow cull rates, farm retirements and milk collection movement in a highly competitive market.

Dairy Australia forecasts annual milk production to decline by 7% to 9% for the 2018/19 season, with production for the 12 months to May down 7.7% on the previous 12 months.



Sources: 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

Sources: Fonterra Global Dairy Update, November 2018

Exports from New Zealand, the EU and Australia continue to grow. Large decline in monthly US exports



Exports for the 12 months to May were up 7.0%, or 229,800 MT, on the previous comparable period. This was primarily driven by WMP, fluid milk products, AMF, and infant formula, up a combined 270,500 MT. SMP was down 36,000 MT.

Total New Zealand dairy exports increased by 17.1%, or 42,203 MT, in May compared to the same period last year. This was primarily driven by WMP and fluid milk products, up 34,200 MT. Butter had the largest decline in volume, down 3,400 MT for the month.

Exports for the 12 months to May were up 3.8%, or 29,000 MT, on the previous comparable period.

Infant formula, fluid milk products, and whey powder made up most of the growth in Australian exports, up a combined 50,500 MT but partly offset by a decline in WMP and SMP, down 14,500 MT and 8,900 MT respectively.

Australia dairy exports increased by 1.7%, or 1,150 MT, in May compared to the same period last year. This was primarily driven by fluid milk products and infant formula, up 7,400 MT. This was offset by declines in SMP, whey and cheese, down a combined 6,800 MT.

Exports for the 12 months to April were up 2.7%, or 144,200 MT, on the previous comparable period. SMP, lactose, WPC, fluid milk products, MPC and cheese were up a combined 240,100 MT. This was offset by a 100,000 MT decline in WMP, butter, AMF, and cultured products.

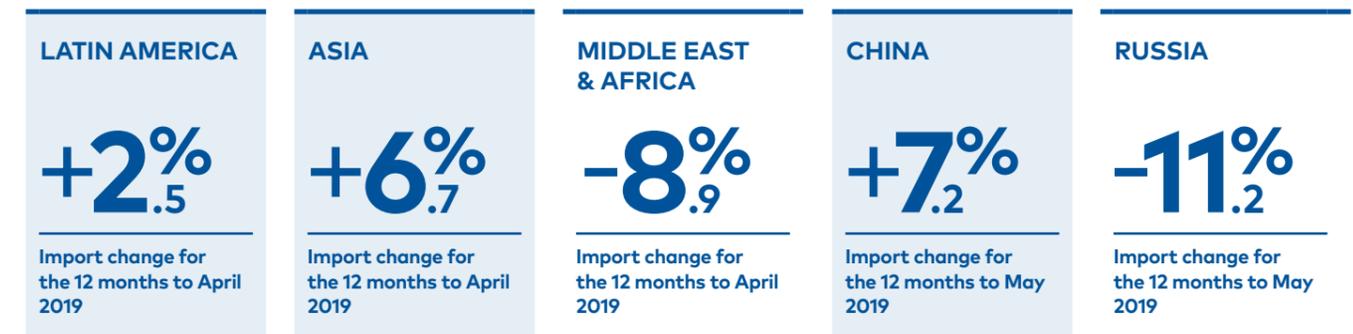
EU dairy exports increased by 11.5%, or 52,200 MT, in April compared to the same period last year. This was primarily driven by fluid milk products, SMP, butter, cheese and lactose, up a combined 57,300 MT. This was partially offset by declines in WMP and whey powder, of a combined 8,900 MT.

Exports for the 12 months to May 2019 were down 4.1%, or 98,000 MT, on the previous comparable period.

This was primarily driven by a decline in whey, WPC and lactose, down more than 137,000 MT. This was partially offset by increases in fluid milk products and cheese.

US dairy exports declined 10.3%, or 23,300 MT, in May compared to the same period last year, driven by declining imports of whey powder by China due to African Swine Fever, and by declines in SMP, lactose, WPC, butter and WMP, down a combined 29,800 MT. This was slightly offset by an increase in cheese and fluid milk products of 6,300 MT.

Monthly imports into Asia show strong growth. Latin America, China and Middle East & Africa down



Imports for the 12 months to April 2019 were up 2.5%, or 48,300 MT, compared to the same period the previous year. Increases were recorded across a broad range of products with fluid milk products, SMP, WMP and MPC up a combined 60,600 MT. This was partially offset by whey powder, down by 12,200 MT.

Latin America dairy import volumes¹ decreased 13.6%, or 23,700 MT, in April compared to the same period last year. This was driven by declines in SMP, WMP, fluid milk products, infant formula and whey powder, down a combined 21,300 MT.

Imports for the 12 months to April were up 6.7%, or 309,000 MT, compared to the same period the previous year. Growth continues across a broad range of products, with fluid milk products, SMP, WMP and lactose up a combined 254,900 MT.

Asia (excluding China) dairy import volumes¹ increased 11.2% or 44,700 MT, in April compared to the same period last year. Increases were recorded across a broad range of products with cheese, WMP, SMP and fluid milk products making up the bulk of the increase, up 41,800 MT.

Imports for the 12 months to April 2019 were down 8.9%, or 373,200 MT, compared to the same period the previous year. The reduction has been driven by cheese, fluid milk products, WMP, SMP, butter and other powders, down a combined 362,200 MT.

Middle East and Africa dairy import volumes¹ decreased 4.8%, or 17,900 MT, in April 2019 compared to the same period last year. Declines were recorded principally in WMP, cheese, other powders, AMF and ice cream down a combined 35,200 MT.

Imports for the 12 months to May were up 7.2%, or 202,500 MT, compared to the same period last year. Strong demand continued across WMP, fluid products SMP, infant formula, and lactose, up a combined 270,100 MT.

China dairy import volumes decreased 4.5%, or 11,400 MT, in May compared to the same period last year driven by decreases in whey powder, down 27,900 MT. African Swine Fever has impacted hog numbers in China reducing demand for whey as a feed. Lactose, butter and infant formula also contributed to the decline by 13,800 MT. This was partly offset by fluid milk products, up 28,900 MT.

Imports for the 12 months to May 2019 were down -11.2% or -132,830 MT compared to the same period the previous year. This was mainly driven by Fluid and fresh dairy, Whey Powder, SMP, and Cultured Products being down a combined -209,703 MT. Offset by Cheese, AMF and Butter being up 77,688 MT.

Russia import volumes were down -9% or -10,053 MT for May 2019 compared to the same month the previous year.

Sources: Data from Global Trade Information Services, US Dairy Export Council, EU Milk Market Observatory, Dairy Australia, High Ground Dairy and Eucolait

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

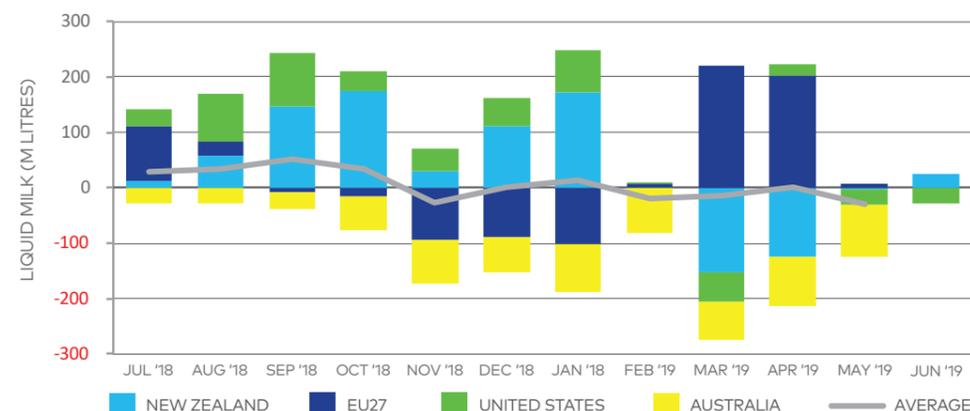
Global Dairy Market

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.

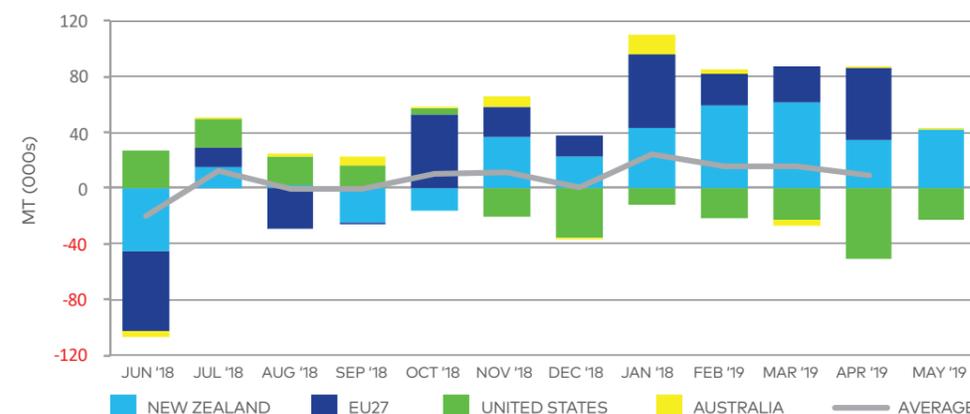
The absolute size of the bars represent the change in imports, exports or production, relative to the same period the previous year.

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

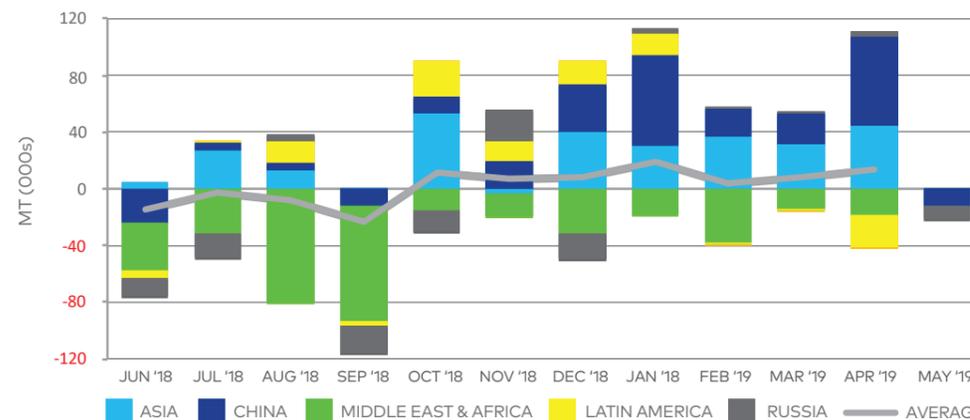
PRODUCTION



EXPORTS



IMPORTS



Food Price

The FAO Food Price Index (FFPI) averaged 170.9 points in July, down 1.1% from June, but 2.3% higher than the same time last year. While there were somewhat firmer prices for meat and oils, the FFPI's month-on-month decline was driven by lower prices for some cereals, dairy products and sugar.

Meanwhile, the FAO Dairy Price Index averaged 193.5 points in July, down 2.9% from June and representing a second consecutive month of decline. Quotations for butter declined the most in July, followed by cheese and Whole Milk Powder (WMP).

Source: [FAO](#)



Economic

Composite leading indicators (CLIs) are pointing to stabilising growth momentum in the OECD area as a whole.

Japan and Canada are the only two major OECD economies to experience a change in assessment this month (to stabilising growth momentum), while the major emerging economies with continued stable growth momentum include China (in the industrial sector), India, Russia and Brazil.

Last month's tentative signals of stable growth momentum in the UK have now been confirmed, although continued Brexit uncertainty means large margins of error exist.

Source: [OECD](#)



Consumer

The EIU has again lowered its forecast for global growth this year, from 2.5% to 2.4%, representing the lowest level in a decade. As expected, the US and China agreed to continue their trade talks, in a fragile truce the EIU expects will be maintained until after the 2020 US election, when a deal is more likely. However, trade policy continues to be a risk to the global growth outlook, with break downs in trade talks between the US-China and US-EU still possible, threatening disruptions to global supply chains.

Source: [Economist Intelligence Unit](#)

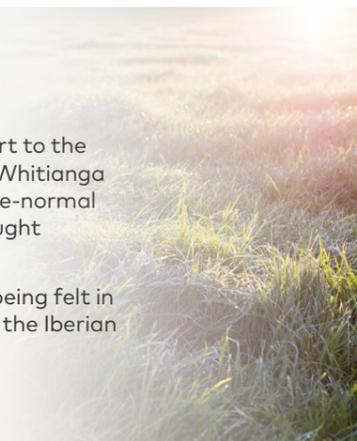


Weather

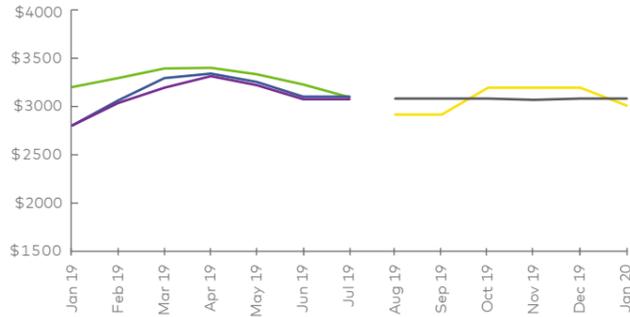
According to NIWA, data for January through June shows New Zealand had the fifth warmest start to the year on record. 2019 has also been the driest January to June for Auckland, Hamilton, Whangarei, Whitianga and Kaitia. Meanwhile, Western Australia, South Australia and Victoria experienced near- to above-normal rainfall in June. While southern New South Wales had some showers, more rain is needed, and drought continues in northern New South Wales and southern Queensland.

Europe saw record-setting heat and drier-than-normal conditions in June, with the effects of this being felt in north-eastern France, Poland and the Baltic states in particular. Drought is also affecting crops on the Iberian Peninsula..

Source: [World Agricultural Weather Highlights USDA oCOE, NIWA](#)



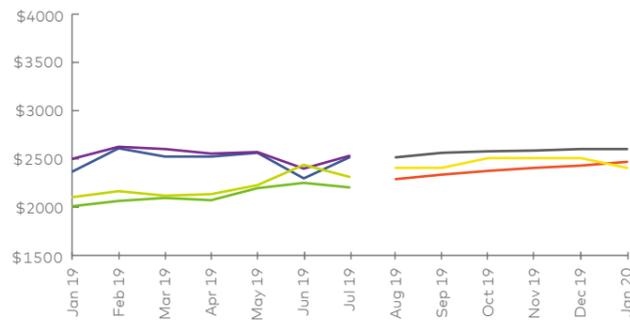
WMP



There were minor price changes in July for WMP with Dutch Dairy Board (DDB) down -4.5% to USD \$3,089/MT, and both USDA Oceania and GDT holding flat at USD \$3,068/MT and \$3,096/MT respectively.

Futures and forecasts for the next six-months are mixed. Rabobank Oceania holds its average 6-month forecast at USD \$3,067/MT. However, NZX Futures has revised its forecast up +4.2% to an average USD \$3,074/MT.

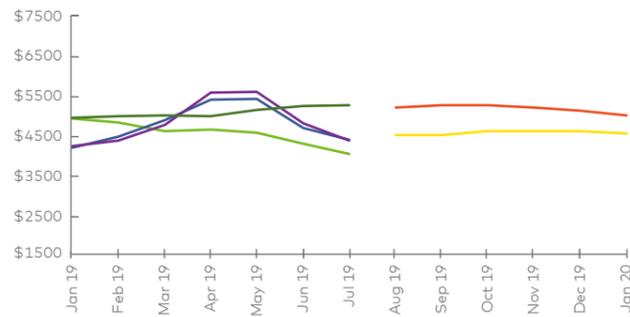
SMP



Prices for July are mixed following last month's drop in southern hemisphere prices. GDT had the biggest increase of +9.4% to USD \$2,508, followed by USDA Oceania's +5.5% rise to USD \$2,525. Dutch Dairy Board and USDA NASS showed their first decline in months, reporting USD \$2,201/MT and \$2,305/MT respectively.

Forecast and futures show small changes to previous SMP prices predicted, with the average 6-month price forecast now between USD \$2,379/MT and USD \$2,571/MT.

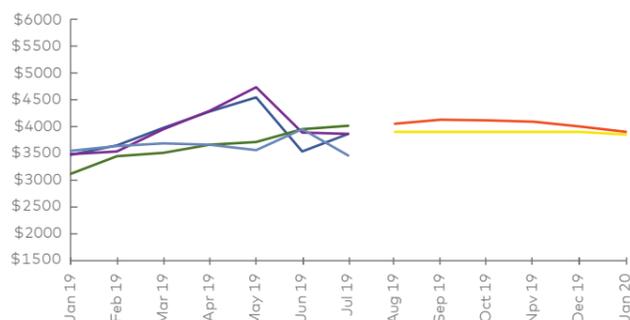
BUTTER



There were some continued decreases in the butter prices in July. The largest drop coming from USDA Oceania, declining a further -9.5% to USD \$4,356/MT, its lowest recorded price since January. Both GDT and Dutch Dairy Board dropped around -6% to USD \$4,377/MT and \$4,021/MT respectively. Bucking the trend, we saw a minor +0.3% lift on CME Spot to USD \$5,280/MT.

Average futures and forecasts for the next six-month period are mixed with CME Futures dropping their forecast average -3% to USD \$5,190/MT and Rabobank Oceania average prices holding steady at USD \$4,558/MT.

CHEESE



After a strong price lift last month, the EU commission dropped -12.4% to USD \$3,459/MT in July. CME spot price is up +1.6% to USD \$4,007/MT, averaging above \$4,000 for the first time since 2016. GDT increased +9.3% to USD \$3,854/MT, and USDA Oceania decreased a further -0.9% to USD \$3,856/MT.

Average futures and forecasts for the next six-month period reflect the market with CME Futures forecast average at USD \$4,042/MT and Rabobank Oceania average prices at USD \$3,892/MT.

Actuals

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

Forecasts

- NZX Futures
- Rabobank Oceania
- CME Futures

GDT Results

TRADING EVENT 241

-2.6%

Change in GDT Price Index from previous event

USD 3,253

Average price (USD/MT, FAS)

WMP
-1.7%
\$3,039

AMF
-5.1%
\$5,246

SMP
-1.6%
\$2,482

BUTTER
-5.5%
\$4,165

RENNET CASEIN
-1.3%
\$6,885

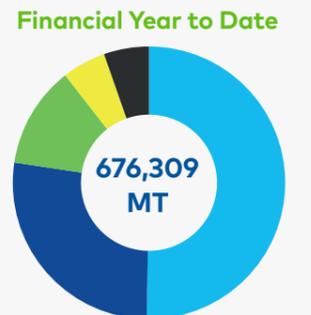
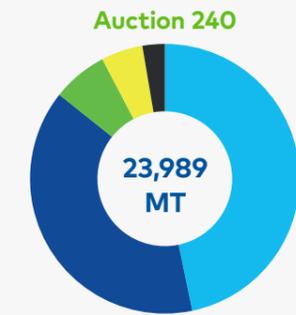
CHEDDAR
-2.0%
\$3,838

LACTOSE
-11.5%
\$767

GDT SALES BY DESTINATION

TRADING EVENT 240

- North Asia (including China)
- South East Asia
- Middle East and Africa
- Latin America
- Other



The next trading event will be held on 20 August 2019. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

The New Zealand dollar strengthened in June driven by general US dollar weakness – a result of increasing expectations that US interest rates will be lowered.





USDA, Dairy Outlook

Published July 2019



Recent developments

Export forecasts for 2019 and 2020 have been lowered on both the milk-fat and skim-solids milk-equivalent bases, while import forecasts have been raised on a milk-fat basis. Meanwhile, the overall milk production forecast for 2019 remains unchanged at 218.2 billion pounds. The all-milk price forecast for 2019 is now \$18.20 per cwt, 20 cents higher than last month's forecast. The all-milk price forecast for 2020 is sitting at \$18.85 per cwt, 5 cents lower than last month's forecast.

From the week ending June 8 to the week ending July 6, prices for most dairy products increased.

The biggest increases were for cheddar cheese, with 40-pound blocks increasing by 11.1 cents to \$1.8204 per pound and 500-pound barrels increasing 8.5 cents to \$1.7072 per pound. The non-fat dry milk (NDM) price increased 1.2 cents to \$1.0529 per pound, while butter also increased 2.8 cents to \$2.3798 per pound. (Oceania and Western Europe export prices for butter in June were substantially lower, at \$2.10 and \$2.00 per pound, respectively.) The dry whey price was the only price to decrease, falling 1.4 cents to \$0.3526 per pound.

USDA, National Agricultural Statistics Service (NASS) estimated US milk production to be 19.055 billion pounds in May, down 0.4% from May 2018. Milk cow numbers for May were 9.333 million, up 5,000 head from April. Milk per cow averaged 2,042 pounds in May, 0.6% higher than the same time last year.

May's dairy exports were generally weaker than May 2018. On a milk-fat milk-equivalent basis, exports were 859 million pounds – 83 million more than April, but 63 million less than May 2018. Of note, exports of butterfat products for May totalled 5.3 million pounds – 3.5 million pounds less than

the same time last year. This was likely affected by price competition from major competitors.

On a skim-solids milk-equivalent basis, exports were 3.604 billion pounds – 177 million more than the previous month, but 658 million less than May 2018. Exports of whey products and lactose were both down year-on-year, with retaliatory tariffs and African Swine Fever likely contributing to lower exports of those products to China.

Dairy imports generally strengthened in May. Imports on a milk-fat basis were 654 million pounds, up 93 million on April and 110 million higher than May 2018. On a skim-solids basis, imports were 558 million pounds – 58 million higher than the previous month and 76 million higher year-on-year.

May ending stocks on a milk-fat basis were 17.823 billion pounds, 736 million pounds lower than May 2018. May ending stocks on a skim-solids basis were 11.191 billion pounds, 79 million lower than a year ago. Notably, for the first time since 2012, ending stocks for cheese declined from April to May. Strong domestic use on both the milk-fat and skim-solids bases contributed to these relatively low stock numbers at the end of the month.



Source: [USDA](#)



Dairy forecasts for 2019

The forecast for the size of the milking herd for the year is now 9.340 million, up 5,000 head. Based on recent milk yields, higher than expected milk cow numbers and higher feed price forecasts, the milk per cow forecast for 2019 has been lowered 10 pounds to 23,365. The overall milk production forecast remains unchanged at 218.2 billion pounds.

On a milk-fat basis, the import forecast has lifted by 0.4 billion pounds to 6.9 billion pounds, due to the recent strength in butterfat product imports. However, the export forecast on a milk-fat basis has been lowered by 0.2 billion pounds to 9.5 billion pounds, with butterfat product exports slowing.

While forecast imports on a skim-solids basis remains unchanged for 2019 at 5.4 billion pounds, the export forecast has been lowered 0.7 billion pounds to 41.3 billion pounds, due to relatively low exports of lactose and whey products to China.

Forecast ending stocks on a milk-fat basis for 2019 are also unchanged at 13.1 billion pounds, while ending stocks on a skim-solids basis are down 0.2 billion to 10.0 billion pounds.

With the cheddar cheese price rising faster than expected recently and demand appearing relative strong, the cheese price forecast for the year has risen 2 cents to \$1.660 per pound. The dry whey price forecast has decreased to \$0.375 per pound, while the butter price forecast for 2019 has dropped 1 cent to \$2.315 per pound. The NDM price forecast for the year is now sitting half a cent higher than last month's forecast, at \$1.020 per pound.

The Class III milk price forecast for 2019 is up 15 cents to \$16.05 per cwt, with the higher expected cheese price offsetting the lower expected whey price. The Class IV price forecast has also gone up 5 cents to \$16.45 per cwt, with the higher expected NDM price offsetting the lower expected butter price. The all-milk price forecast for 2019 is now \$18.20 per cwt – up 20 cents on last month's forecast.

Blimling, Forecast Update

Published July 3, 2019

Blimling's latest forecast predicts increases in cheese, butter and NDM price estimates in the first quarter of 2020. This is for several reasons. Firstly, forage/feed availability will be short in 2019 and early 2020. Reduced availability of high-quality feed puts milk output at risk, meaning less product. Blimling says these new highs are bullish, with buyers still likely to pay up for coverage in the near term. With the market rallying on the cusp of budget season, prices will continue to find support at values that work with budgets, limiting downside potential. However, Blimling notes that US cheese demand is not great, while trade uncertainty and uncompetitive prices will weaken US export positions.

Blimling says concerns around supply availability will continue to drive cheese prices higher, however uncertainty in trade and domestic demand could limit that bullish momentum.

The butter market is predicted to remain on edge, given snug cream supplies and lighter stocks, however bullish news could yield dramatic results.

Tighter milk availability continues to limit fresh NDM/SMP production and drive domestic demand, with prices likely to press higher into year-end.

Meanwhile, prices for dry whey remain under pressure as trade continues to be stifled by African Swine Fever and trade policy uncertainty in China.



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 – 11)

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.