



OCTOBER 2019

Global Dairy UPDATE AUSTRALIA



• Early season production in New Zealand in line with last season. US and EU production flat 12 months.



• Exports from New Zealand and the EU show strong growth. US and Australia monthly exports continue to decline.



• China, Asia and Latin America imports increase. Middle East & Africa monthly imports down.



• Our farm milk collection team is a fundamental part of our supply chain – they're the core connection between our farmers and our factories, collecting, testing, and transporting milk.



• When people from our Spreyton and Wynyard sites heard about the chance to help families across Tasmania's north-east be better connected to their community and to mental health support services – they rallied together.

Contact Us



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Global production

AUSTRALIA

6%↓

Production change for the 12 months to August 2019

Australia milk production decreased 5.9% in August compared to August last year. BOM spring/summer forecasts for well-below-average rainfall and well-above-average temperatures across the majority of Australia will continue to pressure on milk production if the seasonal forecast materialises.

NEW ZEALAND

1%↑

Production change for the 12 months to September 2019

New Zealand milk production was down 0.7% on a litre basis but up 0.7% on a milk solids basis in September compared to last September, the variance indicating improved pasture quality. Despite several cold snaps in parts of the South Island, temperatures were average across much of the country and on-farm pasture conditions remain good.

EUROPEAN UNION

0%↑

Production change for the 12 months to August 2019

EU milk production increased by 1% in August compared to August last year. EU milk production for the 12 months to August was flat. Significant increases in Ireland, United Kingdom and Poland's yearly production were offset by large declines in production in the Netherlands, France and Italy.

USA

0%↑

Production change for the 12 months to September 2019

US milk production increased by 1.3% in September compared to the same period last year. Despite a continued decline in cow numbers, an increase in milk per cow in September drove production higher and may support a return to production growth in the coming months.

Global exports

AUSTRALIA

4%↑

Export change for the 12 months to August 2019

Australia dairy exports decreased by 6% in August compared to last August, driven by SMP, cheese, infant formula and whey, down a combined 8,591 MT. This was offset by an increase in fluid milk products of 6,896 MT. Fluid milk products, infant formula and butter drove growth for the 12 months to August, up a combined 63,131 MT, while WMP, cheese and SMP declined by 33,349 MT.

NEW ZEALAND

7%↑

Export change for the 12 months to August 2019

New Zealand dairy exports increased by 11.9% in August compared to August last year. This was driven by fluid milk products, SMP and infant formula, up a combined 18,500 MT and partially offset by a decrease in butter and AMF exports, down a combined 4,515 MT. Growth for the 12 months to August was driven by WMP and fluid milk products, up a combined 206,348 MT.

EUROPEAN UNION

6%↑

Export change for the 12 months to July 2019

EU dairy exports increased by 9.3% in July compared to last July. This was driven by primarily by SMP, butter, cheese and casein, up 30,990 MT. Exports for the 12 months to July were up, 5.9%, or 314,183 MT. SMP fluid milk products, lactose and cheese were up a combined 345,172 MT, while WMP declined by 62,720 MT.

USA

9%↓

Export change for the 12 months to August 2019

US dairy exports decreased 11.3%, or 23,723 MT, in August compared to last August. SMP, whey, lactose and WPC were the main drivers, down a combined 24,910 MT. African swine fever in China continues to have a negative impact on whey exports for feed use. The decrease for the 12 months to August was driven by whey, SMP, WPC and lactose, down a combined 241,593 MT.

Global imports

China dairy import volumes increased 4.7%, in August with increases in fluid milk products, SMP and infant formula and decreases in WMP and butter. For the 12 months to August, fluid milk products, WMP, SMP and infant formula rose a combined 382,293 MT.

CHINA

10%↑

Import change for the 12 months to August 2019

ASIA

5%↑

Import change for the 12 months to July 2019

MIDDLE EAST & AFRICA

6%↓

Import change for the 12 months to July 2019

OUR MARKETS

Dairy Commodity Prices



Global pricing

GDT Event 246, held 15 October resulted in an index increase of 0.5 per cent.

SMP

12.6%↑

Change vs. 12-month Rolling Average of USD 2,406/MT

USD **2,708**

October Average Price (USD/MT, FAS)

SOURCE: Global Dairy Trade

WMP

4.0%↑

Change vs. 12-month Rolling Average of USD 3,018/MT

USD **3,137**

October Average Price (USD/MT, FAS)

BUTTER

3.3%↓

Change vs. 12-month Rolling Average of USD 5,067/MT

USD **4,900**

September Average Price (USD/MT)

SOURCE: Dairy Australia, September Pricing

CHEDDAR

2.6%↑

Change vs. 12-month Rolling Average of USD 4,092/MT

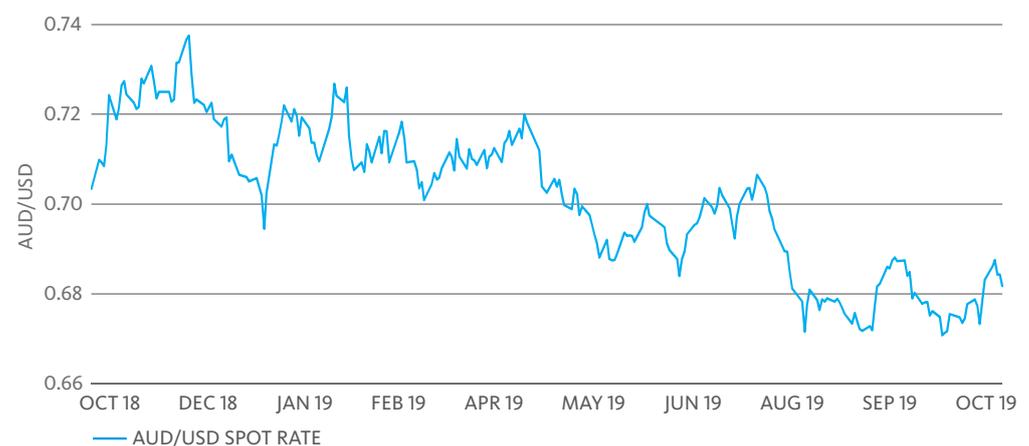
USD **4,200**

September Average Price (USD/MT)

Australian dollar trend

The Australian dollar traded within a 1 cent range of US\$0.68 after gaining half a cent on stronger than expected domestic employment data. The RBA indicated labour data will be a focus area for monetary policy setting. Sino-US trade negotiations continued with the US declaring progress was being made towards agreeing phase one of a trade deal.

SOURCE: news.com.au



SOURCE: Reserve Bank of Australia

Local factors affecting farming conditions



Hay

Hay prices have continued to ease across the country as new season supply enters the market. Hay is currently being made in the north eastern states of Australia, Western Australia and more recently commenced in northern Victoria and throughout South Australia. In southern Victoria and Tasmania silage has commenced. Pasture hay has dropped \$64 in central Victoria and further fodder price reductions are expected as more hay is made from cereal crops that won't make harvest. Canola meal and lucerne hay prices have eased, but at a lesser rate. Demand remains firm.

SOURCE: Dairy Australia

Grain

The grain harvest has begun across most regions, but a reduction in forecast tonnage has seen grain prices remain relatively steady with wheat increasing by \$6/tonne over the course of September, while barley eased \$3/tonne. Lack of rainfall in WA, SA, NSW and QLD has worsened the production outlook, slightly firming the local market which is offsetting some softness and trade tensions globally. As harvest heats up, some localised price relief may eventuate but due to the crop outlook and larger volumes of fodder production any price relief is expected to be minimal. Wheat and barley ASX futures firmed throughout September, up \$4 and \$13 respectively.

SOURCE: Dairy Australia

Weather

September was extremely dry across Australia and registered as the 10th warmest on record out of 120 years. Below average rainfall was reported for much of southern and eastern halves of Australia. It was especially dry in NSW, eastern QLD and southern WA where much of the state recorded very much below average rainfall. The BOM is indicating the dry and warm start to spring is likely to continue with temperatures expected to be higher than average for nearly all the country. Rainfall in November has a high chance of being below average for most of the country, with average to below average rainfall forecast for the rest of the year.

SOURCE: Bureau of Meteorology

Our Business



2019 Tasmanian Professional Driver of the Year

Our Farm Milk Collection team is a fundamental part of our supply chain – they're the core connection between our farmers and our factories, collecting, testing, and transporting milk.

Sarah Borsnan is enthusiastic about her job as a milk tanker operator with our FMC South team in Tasmania, which she joined in 2018, and is a great advocate for the industry. Her commitment to the job was recognised recently when she was named the 2019 Tasmanian

Professional Driver of the Year.

Sarah's individual award win follows our FMC South team receiving the 2018 Tasmanian Transport Industry Workforce Diversity Award, in recognition of its innovative program designed to increase diversity and create a strong succession plan for farm milk collection tanker operators.

Sarah initiated the Women in Transport and the Women Behind the Wheel programs, run in Tasmania in 2016. Following a stint as a truck driver in the Pilbara, Sarah was a guest at the Tasmanian Transport and Logistics Workforce Advisory Group

(TTLWAG) and addressed the group on her experiences.

As a group committed to advancing the Tasmanian transport and logistics industry, members of the TTLWAG were inspired by Sarah's story and have continued their work to improve career and driver engagement outcomes across the region.

As a business, we're passionate about diversity, and about ensuring we have the right people for the job. There's no one-size-fits-all employee, so where we can we look to adapt the role to fit the individual and seek to create an inclusive culture that brings the best



Milk Tanker Operator Sarah Borsnan and Operations Supervisor Jan Pedley on site at Spreyton

in our people. Sarah is one of these talented individuals and is one of the many people helping us make high-quality dairy foods.

Our Community



Helping families get out and about in Tassie's north-east

When people from our Spreyton and Wynyard sites heard about the chance to help families across Tasmania's north-east be better connected to their community and to mental health support services – they rallied together.

Over 60 hampers of essential personal-care items like shampoo and sanitary products, together with funds raised from Fonterra Grass Roots Fund and Farm Source, have been donated to the **Out and About** program.

The Out and About program – a partnership between the Dorset Suicide Prevention Network and Dorset Community House – travels to local townships to support rural families and young people in Tassie's Dorset region who might be feeling socially isolated. The program

provides a 'sympathetic ear' and information about housing, mental health and other local support services, as well as simply connecting people through activities like cooking and crafts.

One of our farmers from Ringarooma in Tassie, Cheryl McCartie – who's also Chair of the Dorset Suicide Prevention Network – says the program's an important support service for families who live and work locally.

"Isolation plays a huge impact on rural families' mental health and wellbeing. For young children this might be because parents are working early mornings and late evenings in the dairy, and for single parents, they can find it difficult getting into town to the shop to get everyday items like deodorant or toothpaste," says Cheryl.

"We want all young people to have the same start in life and for families to feel supported

to care for their children. If we can help them make a new friendship or give children basics like deodorant so they can go to school feeling confident – it all makes a huge difference."

Fonterra Farm Source Area Manager Deb Morice works with many farming families across the region and knows first-hand how important it is for farmers to feel connected to their local community.

"As a former dairy farmer myself, I know that running a dairy can be stressful and is often made worse by the remoteness that comes with being on a big property – some way from your nearest neighbour and it's not as easy as nipping out to the shop when you're out of coffee," says Deb.

"When we heard about the Out and About program through one of our farmers, everyone from our Farm Source team to our factories recognised what



Farm Source Area Manager Deb Morice works with many farming families across the region and knows first-hand how important it is for farmers to feel connected to their local community.

a fantastic initiative it is for our community, so we jumped at the chance to help."

The Dorset Suicide Prevention Network is an open group of community members and health service providers seeking to raise awareness about mental health wellbeing and the factors that can lead to suicide. Through its contact with families and young people in the region, it also advocates for the range and level of support services people in the region need.