



APRIL 2020

# Global Dairy UPDATE AUSTRALIA



• New Zealand monthly production down. Australia, EU and US production up.



• Our people and our farmers are working hard to keep milk flowing and factories running to make sure dairy foods are making it to supermarket shelves – they're doing their bit for Australia during COVID-19.



• New Zealand and Australia monthly exports decline. Increase in monthly exports from the US and EU.



• China records decline for first two months of 2020. Asia, Middle East and Africa monthly imports down.

**Farm Source Service Centre**

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## Global production

### AUSTRALIA

4%↓

Production change for the 12 months to February 2020

Australia milk production increased 8.1% in February compared to the same period last year.

With rainfall across eastern Australia relieving the impact of 2019 drought conditions, milk production is showing signs of recovery, driven by growth in output from regions in Victoria and Tasmania.

### NEW ZEALAND

1%↓

Production change for the 12 months to March 2020

New Zealand milk production was down 1.9% on a litres basis (up 0.1% on a milk solids basis) in March compared to March last year.

Continued drought conditions for many locations, particularly the upper North Island, affected production in March. This prompted some farmers to dry-off herds earlier than usual.

### EUROPEAN UNION

1%↑

Production change for the 12 months to February 2020

EU milk production grew 4.4% in February compared to last February. The largest growth was in Spain (9.2%), France (5.3%), The Netherlands (5.1%) and Germany (4.5%). Milk production is beginning to improve at a time when global demand uncertainty and supply chain bottle-necks are weighing on the market.

### USA

1%↑

Production change for the 12 months to March 2020

US milk production grew 2.2% in March compared to March 2019. Growth continued as spring volumes ramp up and the impact of increased herd sizes and milk per cow becomes apparent. Some dairy producers have been dumping milk as they struggle with a lack of demand amid restaurant and school closures due to COVID-19.

## Global exports

### AUSTRALIA

8%↓

Export change for the 12 months to February 2020

Australia dairy exports declined 16.0%, or 10,448 MT, in February compared to February last year. This was primarily fluid milk products, WMP, SMP and whey, down a combined 8,756 MT. Exports for the 12 months to January were down 59,868 MT. Declines were recorded across a range of products with SMP, whey, cheese and WMP down 78,966 MT, partially offset by increased fluid milk products up 29,955 MT.

### NEW ZEALAND

4%↑

Export change for the 12 months to February 2020

New Zealand dairy exports decreased by 5.9%, or 18,713 MT, in February compared to last February, driven by decreased demand for butter from Iran and for fluid milk products from China, down a combined 19,132 MT.

Exports for the 12 months to February were up 3.7%, or 124,237 MT, primarily driven by WMP, fluid milk products, cheese and infant formula, up a combined 129,269 MT.

### EUROPEAN UNION

7%↑

Export change for the 12 months to January 2020

EU dairy exports increased by 0.8% in January compared to last January. There were increases in cheese and butter to the US, butter to the Middle East, fluid milk products to China and AMF to Saudi Arabia, up a combined 28,212 MT, offset by a decrease in SMP to Asia of 25,167 MT. Fluid milk products, SMP, butter and cheese were the main drivers of growth for the 12 months to January, up a combined 348,635 MT.

### USA

2%↓

Export change for the 12 months to February 2020

US dairy exports increased 5.4%, or 9,621 MT, in February compared to February last year, albeit at a slower pace than prior months. WPC and lactose drove the increase, up a combined 8,997 MT. Whey exports to China also continued to grow after months of sustained declines, up 2,569 MT while cheese exports to Mexico slowed, down 1,868 MT.

## Global imports

China dairy imports decreased 1.4% in the January-February period compared to the same period 2019. Based on updated aggregated data, the decrease was due to lower volumes of SMP, WMP and lactose (36,728 MT) and increased butter, fluid milk products and whey (26,153 MT).

### CHINA

8%↑

Import change for the 12 months to February 2020

### ASIA

0%↑

Import change for the 12 months to January 2020

### MIDDLE EAST & AFRICA

3%↓

Import change for the 12 months to January 2020

# Dairy Commodity Prices



## Global pricing

GDT Event 258, held 21 April resulted in an index decrease of 4.2 per cent.

### SMP

8.4%↓

Change vs. 12-month Rolling Average of USD 2,671/MT

USD **2,447**

April Average Price (USD/MT, FAS)

SOURCE: Global Dairy Trade

### WMP

10.3%↓

Change vs. 12-month Rolling Average of USD 3,079/MT

USD **2,764**

April Average Price (USD/MT, FAS)

### BUTTER

11.0%↓

Change vs. 12-month Rolling Average of USD 4,942/MT

USD **4,400**

March Average Price (USD/MT)

SOURCE: Dairy Australia, March Pricing

### CHEDDAR

1.4%↓

Change vs. 12-month Rolling Average of USD 4,258/MT

USD **4,200**

March Average Price (USD/MT)

## Australian dollar trend

The Australian dollar has gained in value from USD 58c to USD 65c over the last month. An improvement in the global risk sentiment informed by Chinese manufacturing indices and stronger industrial metal prices helped lift the Australian dollar against the US dollar.



SOURCE: news.com.au

SOURCE: Reserve Bank of Australia

## Local factors affecting farming conditions



### Feed

The hay market continued to trend downwards in March, with softening demand offsetting uncertainty and potential COVID-19-related logistics issues. Whilst a complete autumn break has not yet arrived, rainfall across the country continued to lower demand. Cereal hay prices eased in all regions except Tasmania, where prices remained steady. Grain prices have been impacted by COVID-19 due to Australia's exposure to international markets and the uncertainty of rapidly changing quarantine measures. Buyers fear the shut-down of ports and export restrictions could significantly limit supplies. The relatively weak AUD increased international appetites for Australian wheat and barley.

SOURCE: Dairy Australia

### Weather

Overall, rainfall across the country was 15 per cent below average in March, however the rain received was concentrated in heavily affected drought areas with much of the rain reported in NSW, northern Victoria, Gippsland and Tasmania. The Murray-Darling Basin recorded 50 per cent more rain than the average for this time of year and Fowlers Gap in western NSW reported 120mm in six hours, more rain than it received across 2018 and 2019 combined. These rain events improved soil moisture and are starting to ease long-term deficiencies across eastern Australia, but ongoing rain is required for a full recovery.

SOURCE: Dairy Australia

### Seasonal Outlook

With the exception of January, seasonal conditions this year have been relatively favourable across many regions, however, the outlook for the coming months remains critical for a recovery from years of drought. Currently, climate drivers are indicating a positive three-month outlook (April to June). Both the El Niño-Southern Oscillation and Indian Ocean Dipole are neutral and are expected to remain neutral through winter. Similarly, the three-month outlook indicates a 60-80 per cent chance that Australia will receive higher than average rainfall and overall, the autumn break is expected to be closer to average timing in most locations this year.

SOURCE: Bureau of Meteorology



## Doing our bit to get food in fridges during COVID-19

Right now, our people and our farmers are working hard to keep milk flowing and factories running to make sure dairy foods are making it to supermarket shelves – they're doing their bit for Australia during COVID-19.

But, for this to happen we've put in place stringent protocols and measures to keep our people, our farmers, and our communities safe.

We take our role as an essential service very seriously. It's a privilege and a responsibility that we don't take lightly. This means things look and feel a bit different at our sites, and our people are having to adapt.

Steve Taylor our Regional Operations Manager in the North says in his 33 years of working in dairy and food production he has never seen anything quite like it.

"For us, this is a first. We've acted quickly and have actioned our business continuity plans which set out the actions required by us to respond to situations such as this.

"Everything we do now has an extra couple of layers, but our people have fronted into this challenge head on. Everyone knows the important role they play in stopping the spread and protecting production.

"Our pandemic response is in place, and part of this is educating and implementing infection control.

"Things like practicing social distancing – making sure we're 1.5 metres apart, increasing the cleaning and sanitisation of our work areas, increasing our use of PPE, as well as limiting the number of people we have on site.

"We also have to plan ahead and ensure continuity, so we've made sure we have enough materials of not only gloves, sanitiser and wipes, but also things like our product packaging and ingredients," says Steve.

No one can predict how long this will last, but our processing, scheduling, logistics and delivery activities in all our markets are largely operating as normal.



Steve Taylor – Regional Operations Manager at Stanhope