



MAY 2020

Global Dairy UPDATE AUSTRALIA



- Monthly New Zealand production flat. Australia production continues to improve. US and EU new season production up.



- New Zealand monthly exports decline. Increase in monthly exports from Australia, US and EU.



- China monthly imports up. Latin America, Asia and Middle East and Africa imports down.

Farmgate Milk Price Update



Following our May milk price review, we have increased our farmgate milk price for the 2019/20 season by 7 cents per kgMS comprising 5 cents per kg of butterfat and 10 cents per kg of protein. This takes our average farmgate milk price to \$7.05 per kgMS, with the payment backdated from 1 July 2019 and paid on 15 June.

Maintaining our manufacturing and supply chain from your farm to our customers has been a key focus during the pandemic and will continue to be a priority for the season ahead.

As we've navigated through these challenges, our integrated business model has stood up and enabled us to redirect your milk into product formats and markets where demand remains strong. While the foodservice industry has been hit with significant challenges due to lockdowns and restrictions, our strong consumer brands and value-add ingredients help offset some of this.

The Co-op's New Zealand F21 forecast milk price range of NZ\$5.40-\$6.90 is reflective of the softer market outlook as consumers globally are expected to have reduced purchasing power as the economic impacts of COVID-19 are realised. The wide range is also reflective of the increased uncertainty in market forecasts due to COVID-19.





Global production

AUSTRALIA

3% ↓

Production change for the 12 months to March 2020

Australia milk production increased 7.1% in March compared to March 2019. Milk production is continuing to increase in the second part of the season especially from Victoria and Tasmania as a result of more favourable weather conditions.

NEW ZEALAND

1% ↓

Production change for the 12 months to April 2020

New Zealand milk production was down 0.6% on a litres basis (down 0.8% on milk solids basis) in April compared to last April. Dry conditions continued across most of New Zealand and affected April milk production. The ongoing lack of rain resulted in soils remaining considerably drier than normal in many parts of the North Island

EUROPEAN UNION

1% ↑

Production change for the 12 months to March 2020

EU milk production increased by 0.9% in March compared to March 2019, with largest growth in Spain (7.1%), The Netherlands (3.0%) and Poland (1.9%). With demand slowing in response to COVID-19, milk is being redirected to powders, with the European Milk Board pushing for excess supply to be reduced via voluntary supply reduction.

USA

1% ↑

Production change for the 12 months to April 2020

US milk production increased by 1.5% in April compared to last April. Despite lower foodservice demand, production continued to grow year on year. Supply restrictions were put in place by some co-operatives given the lower demand and prior months' milk growth. Herd sizes fell for the first time since December as cow cull numbers ramped up.

Global exports

AUSTRALIA

7% ↓

Export change for the 12 months to March 2020

Australia dairy exports increased by 4.1% in March compared to last March driven by whey and cheese, up a combined 2,941 MT.

Exports for the year to March were down 6.9% on the previous comparable period. Declines were recorded across a broad product range with SMP, whey, infant formula and cheese down 70,606 MT, partially offset by increased fluid milk products, up 29,524 MT.

NEW ZEALAND

0% ↑

Export change for the 12 months to March 2020

New Zealand dairy exports decreased by 13.6%, or 46,715 MT, in March compared to March last year. However, it is worth noting that March 2019 was a comparatively strong month. The decrease was driven by lower demand for WMP from Thailand (down 5,000 MT), China (2,700 MT), and Saudi Arabia (2,600 MT). Exports for the year to March rose 0.4%, primarily driven by WMP and fluid milk products.

EUROPEAN UNION

6% ↑

Export change for the 12 months to February 2020

EU dairy exports increased 0.4%, or 1,560 MT, in February compared to last February but at a slower pace than the past two months. This was driven by increased butter, cheese, and fluid milk products to China, up a combined 16,188 MT, offset by a decrease in SMP exports to Asia of 13,844 MT. For the 12 months to February, fluid milk products, SMP, butter and cheese were the main growth drivers, up 313,937 MT.

USA

1% ↓

Export change for the 12 months to March 2020

US dairy exports increased 2.6%, or 5,278 MT, in March compared to March last year, although the pace continues to slow compared to prior months. The increase was driven by SMP to Indonesia, whey to China and WMP to Peru, up a combined 8,050 MT. Exports for the 12 months to March were down 0.8%, or 19,775 MT, driven by declines in whey and AMF, down a combined 65,122 MT.

Global imports

China dairy imports increased by 10.1% in March compared to March last year, with higher volumes across most products.

As the peak of the pandemic passes and the economy begins to reopen, the increase in imports may not be sustained once inventory levels are rebuilt.

CHINA

8% ↑

Import change for the 12 months to March 2020

ASIA

1% ↓

Import change for the 12 months to February 2020

MIDDLE EAST & AFRICA

3% ↓

Import change for the 12 months to February 2020

Dairy Commodity Prices



Global pricing

GDT Event 260, held 19 May resulted in an index increase of one per cent.

SMP

7.7%↓

Change vs. 12-month Rolling Average of USD 2,666/MT

USD **2,461**

May Average Price (USD/MT, FAS)

SOURCE: Global Dairy Trade

WMP

10.8%↓

Change vs. 12-month Rolling Average of USD 3,038/MT

USD **2,711**

May Average Price (USD/MT, FAS)

BUTTER

12.0%↓

Change vs. 12-month Rolling Average of USD 4,829/MT

USD **4,250**

April Average Price (USD/MT)

SOURCE: Dairy Australia, April Pricing

CHEDDAR

1.2%↓

Change vs. 12-month Rolling Average of USD 4,250/MT

USD **4,200**

April Average Price (USD/MT)

Australian dollar trend

The Australian dollar ended the month trading above US\$0.66, and higher than where it was at the start of May. The RBA Board minutes released during May confirmed that its baseline economic modelling assumed existing fiscal and monetary policy stimulus supported an Australian economic recovery in the second half of 2020.



SOURCE: news.com.au

SOURCE: Reserve Bank of Australia

Local factors affecting farming conditions



Feed

The hay market has continued to soften across the country on the back on strong rainfall events, with April marking the third consecutive month of declining cereal hay prices in south-eastern regions. In WA, the market hasn't experienced the same downward pressure, as the region is yet to receive a substantial autumn break. Sowing of Australia's winter crop has commenced and the season is shaping up well following a very favourable start, particularly in SA and Victoria. Lower international prices and a firmer Australian dollar have combined to push wheat prices lower in the back half of April with ASX wheat and barley futures both trended downwards.

SOURCE: Dairy Australia

Weather

Key agricultural regions in the south-eastern states continue to experience a favourable autumn break as more rain arrived in April. Victoria recorded the highest April rainfall total since 1960, with average rainfall 68% above the average. Tasmania and NSW also received considerably higher monthly rainfall totals at +68% and +40% respectively. Despite these significant rain events, QLD, WA and NT received lower than average rainfall, particularly WA which still awaits the Autumn break. Overall, this month was a tale of two climates; widespread rain focused in the southeast and warm/dry conditions elsewhere.

SOURCE: Dairy Australia

Seasonal Outlook

Summer and autumn rainfall combined with a wet outlook for winter is improving sentiment for the year ahead. Recent rain, particularly in the southeast, increased soil moisture and stream flows, providing a very favourable start to the winter cropping season. The exception is WA which is yet to receive a reasonable break, however early indications suggest this will begin to arrive over much of the western wheat-belt this month. Australia is forecast a wet winter, with BOM's outlook for June to August suggesting widespread rain. There is some indication that a La Niña event could develop throughout winter and spring, generating increased rainfall across Australia.

SOURCE: Bureau of Meteorology