



FEBRUARY 2020

Global Dairy UPDATE AUSTRALIA



• Monthly production in New Zealand down. EU and US in line with expectations.



• Western Star™ hits TV screens and wins gold all in one week.



• Monthly exports from the US show strong growth. New Zealand, Australia and EU monthly exports decline.



• December imports into China continued to grow. Latin America, Asia and Middle East & Africa monthly imports down in November.

Farm Source Service Centre +1800 266 674





Global production

AUSTRALIA

6%↓

Production change for the 12 months to December 2019

Australia milk production was stable in December compared to December 2018.

Production for the 12 months to December was down 6.3% on the previous 12 months.

Dairy Australia has reaffirmed its full season production forecast to decline by 3% to 5%.

NEW ZEALAND

2%↓

Production change for the 12 months to January 2020

New Zealand milk production was down 0.7% on a litre basis in January (up 1.1% on a milk solids basis) compared to the same period in the prior year.

A combination of dry conditions across the North Island and heavy rain at the bottom of the South Island adversely affected milk production in January.

EUROPEAN UNION

0%↑

Production change for the 12 months to December 2019

EU milk production increased by 1.1% in December compared to December 2018. Production growth was in key milk producing countries: Germany (1.1%), France (1.1%) the Netherlands (2.8%) and Poland (1.8%).

Production for the 12 months to December was up by 0.4%.

USA

0%↑

Production change for the 12 months to January 2020

US milk production increased by 0.9% in January, compared to January last year. January milk production continued to grow, driven by a large increase in herd sizes and greater milk yield per cow.

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

Global exports

AUSTRALIA

2%↓

Export change for the 12 months to December 2019

Australia dairy exports declined decreased 9.5%, or 6,873 MT, in December compared to December 2018. This was primarily driven by SMP, infant formula and cheese, down a combined 6,505 MT.

For the 12 months to December, declines were recorded across a broad product range with SMP, WMP, cheese and whey down 60,282 MT, partially offset by sustained increases in fluid milk products, up 42,158 MT.

NEW ZEALAND

8%↑

Export change for the 12 months to December 2019

New Zealand dairy exports decreased by 1.9%, or 8,235 MT, in December compared to December 2018. This was primarily driven by WMP, SMP and infant formula, down a combined 14,314 MT, and partly offset by an increase in butter, up 10,590 MT.

For the 12 months to December, the increase was primarily driven by WMP, fluid milk products, infant formula and SMP, up a combined 256,551 MT.

EUROPEAN UNION

8%↑

Export change for the 12 months to November 2019

EU dairy exports decreased 2.5%, or 11,345 MT, in November compared to November 2018. This was driven by decreases in fluid milk products and SMP, down a combined 17,687 MT, partially offset by an increase in butter exports of 7,661 MT.

For the 12 months to November, SMP, fluid milk products, butter, cheese and lactose were the main growth drivers, up a combined 425,887 MT.

USA

5%↓

Export change for the 12 months to November 2019

US dairy exports increased 16.8%, or 28,404 MT, in December compared to December 2018 marking the third consecutive month of growth. The increase was driven by SMP, up 18,880 MT and WPC and WMP, up a combined 9,991 MT. The decline in whey exports of prior months has stabilised. For the 12 months to December, whey, WPC, lactose and AMF drove the decline, down a combined 126,474 MT.

Global imports

China dairy imports rose 13.8%, or 33,326 MT, in December driven by increases in WMP from New Zealand, and in SMP, up a combined 32,220 MT. Imports for the year to December rose 11.2%, as strong demand continued across key categories.

CHINA

11%↑

Import change for the 12 months to December 2019

ASIA

3%↑

Import change for the 12 months to November 2019

MIDDLE EAST & AFRICA

3%↓

Import change for the 12 months to November 2019

Dairy Commodity Prices



Global pricing

GDT Event 254, held 18 February resulted in an index decrease of 2.9 per cent.

SMP

8.2%↑

Change vs. 12-month Rolling Average of USD 2,656/MT

USD **2,873**

February Average Price (USD/MT, FAS)

SOURCE: Global Dairy Trade

WMP

4.8%↓

Change vs. 12-month Rolling Average of USD 3,154/MT

USD **3,003**

February Average Price (USD/MT, FAS)

BUTTER

6.0%↓

Change vs. 12-month Rolling Average of USD 5,054/MT

USD **4,750**

January Average Price (USD/MT)

SOURCE: Dairy Australia, January Pricing

CHEDDAR

2.2%↑

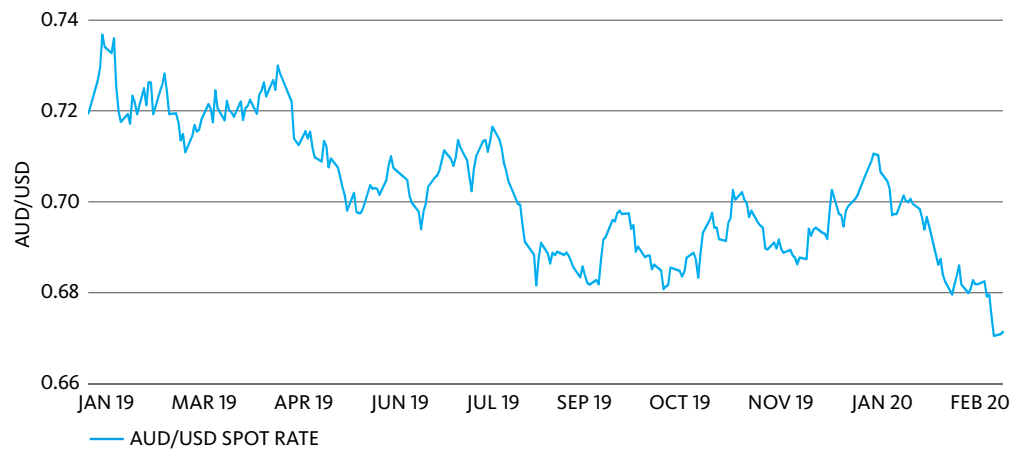
Change vs. 12-month Rolling Average of USD 4,208/MT

USD **4,300**

January Average Price (USD/MT)

Australian dollar trend

The Australian dollar fell 1 cent against the US dollar during February to be valued just below U\$0.66 at month end. Weaker than expected employment figures increased market expectations of further rate cuts by the Reserve Bank of Australia throughout 2020.



SOURCE: news.com.au

SOURCE: Reserve Bank of Australia

Local factors affecting farming conditions



Hay

January presented major challenges for many Australian farmers, with large scale fires and continuation of feed shortages on farm driving continued demand for hay to feed animals. Hay prices generally firmed across the country, by up to 29 per cent in northern Victoria to 13 per cent in northern Australia with stocks typically moving from southeast Australia. In response to the bushfires, large volumes of hay were donated in fodder drives to fire affected communities, which will also have an impact on supply. Rainfall in mid-late January was very welcome and further rainfall will be required in subsequent months to enable pasture and crop production heading into the new season.

SOURCE: Dairy Australia

Grain

Since December, grain prices have firmed from 3% to 9% in January across Australia driven by the same factors impacting the fodder market. Despite this price climb, all regions are trading at similar or lower prices compared to January 2019. But it should be noted that feed grain prices still remain well above historical averages. Both ASX wheat and barley futures are softer with wheat trading at \$340/tonne and barley at \$281/tonne in January. Rainfall throughout February and the outlook for summer crops and winter planting will play a pivotal role in the direction of the futures market this month.

SOURCE: Dairy Australia

Weather

The challenging weather conditions across Australia continued through January with bushfires, smoke, dust storms, heavy rainfall and severe hail. The eastern seaboard was most heavily impacted with fires and smoke haze followed by major storm systems that delivered average to above average rainfall across much of the country. The seasonal outlook is pointing to more favourable rainfall and temperature conditions, particularly in major dairy regions where a return to average seasonal conditions are forecast for the key Autumn period. Follow up rainfall will be critical for dairy and feed production regions.

SOURCE: Bureau of Meteorology



A STAR IS BORN IN COBDEN

Western Star™ hits TV screens and wins gold all in one week



Fonterra Cobden employees front and centre of new television campaign

Out there in the universe, stars are born every day. But, closer to home in Cobden, Western Victoria, a star is born every second – Australia’s favourite butter, Western Star™.

For over 93 years, Cobden has been the home of Western Star™, and now the south west Victorian town is on the map, starring in a new television campaign.

The campaign will run until the end of July, and if you’re lucky enough to catch a glimpse of it, some familiar community faces will be shining bright – Alma Macdonald, Andrea and John Carlin, and the Bailey family.

The famous butter is expertly crafted by Fonterra’s Cobden team, so it’s no surprise they are also front and centre.

Fonterra Cobden employees front and centre of new television campaign.

Matt Anderson has been a butter maker at the Cobden site for 10 years and says it was an awesome experience being involved.

“While the film crew were here, the site was a flurry of activity – the site was still fully operational, so a lot went into working around this.

“We’re all incredibly proud of the butter we make here, and I know it’s something the Cobden community is proud of as well.

“It’s great that the people behind the brand are showcased, and there’s no doubt everyone in the community will see someone they know,” says Matt.

Topping off a good week, Western Star™ was awarded Grand Dairy Champion at the Australian Grand Dairy Awards, and also took home Champion Butter – the tenth time it has received the accolade.

Samir Suri, Production Manager at Fonterra’s Cobden site, says the team is thrilled with the wins and there is a lot of celebrating going on.

“It’s been a really great week for our people, not only is our hard work showcased on national television, it’s again been recognised as the best butter in Australia.

“Winning these awards are a testament to the consistency of the butter we produce – it’s the simple ingredients, the expert craft of our team, and of course, the quality of our south west farmers’ milk, which makes it so great,” says Samir.

Western Star is an iconic Aussie favourite, with judges describing it as a classic, pure, creamy butter with a rich satisfying, five-star taste.