Fonterra revises its 2019/20 and 2020/21 forecast Farmgate Milk Price ranges

Fonterra Co-operative Group Limited today revised both its 2019/20 and 2020/21 forecast Farmgate Milk Price ranges.

- The 2019/20 forecast Farmgate Milk Price range has narrowed from $7.10 - $7.30 per kgMS to $7.10 - $7.20 per kgMS. The mid-point, off which farmers are paid, has reduced to $7.15 per kgMS, down from $7.20 per kgMS

- The 2020/21 forecast Farmgate Milk Price range has narrowed from $5.40 - $6.90 per kgMS to $5.90 - $6.90 per kgMS. The mid-point, off which farmers are paid, has increased to $6.40 per kgMS, up from $6.15 per kgMS

Fonterra Chairman John Monaghan says the narrowing of the 2019/20 milk price toward the lower end of the previous range is the result of a strengthening New Zealand dollar versus the US dollar over the past two months.

The Co-operative will announce the final 2019/20 Farmgate Milk Price as part of its Annual Result in September.

Commenting on the 2020/21 forecast Farmgate Milk Price range, Mr Monaghan says the lift to the bottom end of the range was being predominantly driven by improved market conditions in China.

“After an initial shock due to COVID-19, dairy consumption in China is recovering with more people spending on food. We’re seeing customers ramp up promotional activity as they look to catch up on the sales losses incurred over lockdown.

“Elsewhere, the EU and US Governments’ support measures for farmers are holding up milk production and dairy commodity prices despite the disruption they have experienced so far from COVID-19. While we expect these support measures to end at some point, it is likely they will continue through the peak of the New Zealand season.

“While there is still a high level of uncertainty in our global markets, we do see a lowering level of risk and this supports a decision to lift the bottom end of the price range.

“It’s very early in the new season and we are keeping a close eye on consumer demand and production from the key milk producing regions. Milk supply from the EU, US and Latin America is increasing despite
the impact of COVID-19, and there continues to be uncertainty around how the global recession and the potential for a second wave of COVID-19 globally could impact demand.”

The Co-operative is advising its farmers to continue budgeting with caution.

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