

GLOBAL DAIRY UPDATE AUSTRALIA



Dairy for life



CONTACT US



• Production in New Zealand to January up on last year. US production growth remains steady, EU growth is easing and Australia is declining.



• Exports from the US, Australia and New Zealand continue to grow. European exports steady.



• Imports into Asia and China continue to grow. Latin America increased but the Middle East and Africa region is declining.

Farm Source Service Centre

+1800 266 674



Global production

AUSTRALIA

2% ↑

Production change for the 12 months to December 2018

Australia milk production decreased 7% in December compared to December last year. High input costs, increased cow cull rates, and farm exits continue to severely impact milk production. Dairy Australia has forecast a milk production decline of 5% to 7% for the season.

NEW ZEALAND

4% ↑

Production change for the 12 months to January 2019

New Zealand milk production increased 8% in January compared to last January. Weather and pasture conditions supported a return to a more usual production after the previous season was impacted by poor on-farm conditions. Weather risk has increased with an extended period of dryness in the first two weeks of February.

EUROPEAN UNION

1% ↑

Production change for the 12 months to December 2018

EU milk production decreased 1% in the month of December compared to December last year. The Netherlands, France and Germany continue to see a year-on-year production decline, with The Netherlands experiencing the largest decline. This was offset by continuing strong growth in Ireland, and solid growth in Poland and Denmark.

USA

1% ↑

Production change for the 12 months to December 2018

US milk production was up less than 1% in December compared to last December. Cow numbers have continued to decline with growth driven by increased yield per cow. Margins continue to be squeezed and in many cases have been negative for the last quarter of 2018. Growth is likely to remain constrained until margins improve.

Global exports

AUSTRALIA

5% ↑

Export change for the 12 months to December 2018

Australia dairy exports increased 3% in December compared to December last year. Infant formula and whey powder were up a combined 5,000 MT, offsetting a decline in WMP of 2,000 MT.

For the 12 months to December, infant formula, liquid milk and whey powder made up most of the growth, up a combined 34,000 MT.

NEW ZEALAND

2% ↑

Export change for the 12 months to December 2018

New Zealand dairy exports increased by 10%, or 40,000 MT, in December compared to December last year. Exports hit a record of 449,000 MT, the highest volume recorded. This was driven by WMP, up 26,000 MT. Liquid milk, AMF, and infant formula were up a combined 18,000 MT, butter declined 8,000 MT.

EUROPEAN UNION

1% ↑

Export change for the 12 months to November 2018

EU dairy exports increased by 5% in November compared to November last year, driven by lactose, SMP, whey powder, and butter up a combined 27,000 MT.

Exports for the 12 months to November continued growth in a broad range of products, led by infant formula, SMP, and lactose but offset by declines in liquid milk products and WMP.

USA

12% ↑

Export change for the 12 months to November 2018

US dairy exports declined by 11%, or 21,000 MT, in November compared to last November. There was a decline in most products including SMP, whey powder, lactose, cheese, and WPC.

The increase in exports for the 12 months to November was notably in SMP, lactose, WPC and WMP, up a combined 217,000 MT.

Global imports

China dairy imports increased 17% in December across a broad range of products. For the 12 months to December, strong demand out of China continued across all key categories in particular, WMP and SMP which are up a combined 82,000 MT.

CHINA

8% ↑

Import change for the 12 months to December 2018

ASIA

5% ↑

Import change for the 12 months to November 2018

MIDDLE EAST & AFRICA

5% ↓

Import change for the 12 months to November 2018

OUR MARKETS

DAIRY COMMODITY PRICES



Global pricing

GDT Event 230, held 19 February resulted in an index increase of 0.9 per cent.

SMP

24.7% ↑

Change vs. 12-month Rolling Average of USD 2,051/MT

USD **2,557**

February Average Price (USD/MT, FAS)

SOURCE: Global Dairy Trade

WMP

2.5% ↑

Change vs. 12-month Rolling Average of USD 2,951/MT

USD **3,024**

February Average Price (USD/MT, FAS)

BUTTER

11.2% ↓

Change vs. 12-month Rolling Average of USD 5,404/MT

USD **4,800**

January Average Price (USD/MT)

SOURCE: Dairy Australia, January Pricing

CHEDDAR

2.3% ↓

Change vs. 12-month Rolling Average of USD 3,992/MT

USD **3,900**

January Average Price (USD/MT)

Australian dollar trend

The Australian dollar traded between US\$.70 and US\$.72 for most of January. This narrow range continues due to the Federal Reserve and Reserve Bank of Australia both maintaining a watch and see approach to monetary policy, while progress in the US-China trade and tariff negotiations has been uncertain.



SOURCE: news.com.au

SOURCE: Reserve Bank of Australia

Local factors affecting farming conditions



Hay

Hay demand is starting to ease from its summer peak as reports suggest many are holding onto homegrown and purchased stocks and balancing their requirements to make it through to the autumn break. Prices have eased slightly but still remain well above historical averages. Tasmanian demand has dropped substantially due to a very good spring and fodder harvest. Overall demand is expected to decrease this year although still exceed supply continuing to support prices in the short term. The market will be heavily influenced by eastern states' feed requirements, reduced summer crop and autumn seasonal conditions

SOURCE: Dairy Australia

Grain

Australia's 2018/19 summer crop production is forecast to decrease by 33% versus 2017/18. Whilst partially offset by reduced livestock numbers this, along with seasonal conditions, will continue to place pressure on the supply chain. Demand from eastern states is expected to be the biggest influence on domestic supply short term and above average autumn conditions will be required to see some price relief. US and China have commenced fresh trade negotiations which, combined with the US Government re-opening, is increasing price volatility and firming CBOT wheat futures. Locally, ASX wheat futures were down \$95, to \$342/tonne, while barley was up \$6, to \$286/tonne month on month.

SOURCE: Dairy Australia

Weather

Nationally, January 2019 was the hottest month on record and very dry with a majority of the country recording well below average rainfall. The south-eastern states experienced below to very much below average rainfall, in particular Tasmania which received its lowest on record and south-western Victoria in the lowest 10% of historical data. Temperatures across the country were exceptionally hot with prolonged heatwaves as all states and territories recorded the warmest or second warmest January on record. The February to April outlook for Victoria and Tasmania forecasts median rainfall and above-average to well-above temperatures.

SOURCE: Bureau of Meteorology