

GLOBAL DAIRY UPDATE AUSTRALIA



Dairy for life



• Australian production in April increased 4% compared to the same time last year.

• More cheese, please! Stanhope makes its mark with mozzarella.



• New Zealand production up 6% in May compared to previous year. Australia, Europe and the US also up low single-digit.



• Latin America, Asia and China show steady import growth. Growth in Middle East and Africa accelerates in February.

• Cobden Primary School kids visit the home of Western Star.

• US, New Zealand and Australian exports show double-digit growth for the month. European exports remain on the rise.

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Global production

AUSTRALIA

3% ↑

Production change for the 12 months to April 2018

Australia production in April increased 4% compared to April last year, largely due to favourable conditions in the four key dairy regions. For the 12 months to April, growth was driven by south east Australian production, in particular Victoria and Tasmania.

NEW ZEALAND

0%

Production change for the 12 months to May 2018

New Zealand production was up 6% in May compared to May last year on the back of favourable autumn conditions in both the North and South islands. For the 12 months to May, milk production was flat compared to the same period last year.

EUROPEAN UNION

3% ↑

Production change for the 12 months to April 2018

EU production rose 1% in April compared to last April driven by continued strong European dairy prices. Growth was driven by Germany and Poland up 3%, facilitated by good weather conditions, while delayed grass growth and feed shortages saw the UK and Ireland decline 3%

USA

2% ↑

Production change for the 12 months to March 2018

US production in March increased 1% compared to the same month last year. The US continues to grow production per cow with March seeing an average 10kg per cow increase, above March 2017 levels in the 23 major dairy-producing states.

Global exports

AUSTRALIA

5% ↑

Export change for the 12 months to April 2018

Australia dairy exports increased 16% in April compared to April the previous year, led by increases in most categories, particularly SMP and WMP, up a combined 7,000 MT. For the 12 months to April, liquid milk, SMP and infant formula increased a combined 64,000 MT, while butter, whey powder and WMP were down a combined 23,000 MT, or 19%.

NEW ZEALAND

1% ↑

Export change for the 12 months to April 2018

New Zealand dairy exports in April increased 9% compared last April, driven by WMP, up 12,000 MT. In addition, AMF, infant formula and butter were up a combined 25% for the month. For the 12 months to April, WMP and liquid milk increased a combined 122,000 MT offset by declines in AMF, MPC and MPI, and cheese down a combined 83,000 MT.

EUROPEAN UNION

7% ↑

Export change for the 12 months to February 2018

EU dairy exports increased 4%, or 14,000 MT, in February compared to February last year. Infant formula and SMP were up a combined 19% however the largest category, liquid milk, declined 11%. For the 12 months to February, SMP continues to be the primary driver, up 40% compared to the prior 12 months with caseinate and butter down a combined 53,000 MT.

USA

8% ↑

Export change for the 12 months to April 2018

US dairy exports increased 31% in April compared to last April. Exports were up for the sixth consecutive month led by SMP, WPC and WPI, lactose and cheese. For the year to April, liquid milk was down 8,000 MT, while cheese, SMP and whey powder added 54,000 MT, 37,000 MT and 31,000 MT respectively.

Global imports

China dairy imports increased 3% in March compared to March last year, driven by a combined 22% growth in liquid milk, butter and lactose imports. Declines in WMP of 6,000 MT partially offset the gains made. Strong demand out of China continues with infant formula, WMP and SMP up a combined 220,000 MT for the 12 months to March.

CHINA

17% ↑

Import change for the 12 months to March 2018

ASIA

1% ↑

Import change for the 12 months to February 2018

MIDDLE EAST & AFRICA

2% ↑

Import change for the 12 months to February 2018

OUR MARKETS

DAIRY COMMODITY PRICES



Global pricing

GDT Event 215, held 3 July resulted in a decrease of 5.0%. SMP and WMP prices reflect June results.

SMP

6.6% ↑

Change vs. 12-month Rolling Average of USD 1,902/MT

USD **2,027**

June Average Price (USD/MT, FAS)

SOURCE: Global Dairy Trade

WMP

3.3% ↑

Change vs. 12-month Rolling Average of USD 3,095/MT

USD **3,197**

June Average Price (USD/MT, FAS)

BUTTER

3.6% ↑

Change vs. 12-month Rolling Average of USD 5,792MT

USD **6,000**

May Average Price (USD/MT)

SOURCE: Dairy Australia, May Pricing

CHEDDAR

1.7% ↑

Change vs. 12-month Rolling Average of USD 4,033MT

USD **4,100**

May Average Price (USD/MT)

Australian dollar trend

The AUD lost value against the USD during June as the Federal Open Markets Committee raised domestic US interest rates, and maintained its positive outlook for the US economy forecasting further rate hikes through 2018. At the same time, the RBA continued to give no clear indication of the timing of any lift in domestic Australian interest rates. The net effect of this through June was to support a stronger USD.

SOURCE: news.com.au



SOURCE: Reserve Bank of Australia

Local factors affecting farming conditions



Hay

Dry weather in May activated the hay market and demand surged. In several regions demand exceeded supply as farmers sought to secure winter hay. Supply has been diminishing rapidly and the large carry-over stocks from 2016 are disappearing quicker than anticipated. Prices increased in May as a result. Demand peaked towards the end of the month and began to plateau in New South Wales and Queensland. Farmers have been hesitant to seed new hay due to the dry weather and the planting season is off to a late start. Good rainfall is necessary to turn the current situation around this winter.

SOURCE: Dairy Australia

Grain

The International Grains Council is forecasting record-high global wheat production for 2017/18, up 0.4% on 2016/17. However, 2018/19 wheat production is expected to decline and combined with an increase in demand, stockpiles might contract for the first time in years, as a result global wheat prices remain strong. In Australia, dry weather worsened crop prospects and deteriorated planting opportunities in major cropping regions. Accordingly, wheat prices firmed and ASX Jan 19 wheat futures increased 2% in May. Australia's summer crop planting was completed in May with the summer crop projected to increase 12% on last year.

SOURCE: Dairy Australia

Weather

Following one of the driest and warmest autumns on record, Australia experienced its third driest May on record, the driest since 2008. Rainfall was well below average across most of the country with a record-low reported in regions of WA, NSW and southern QLD. Few places received much rain this month, but parts of southwest and south Victoria and Tasmania reported above-average rain. Temperatures started out unusually cold in Victoria but overall, were above average across Australia. BoM's outlook continues to suggest hotter, drier-than-average conditions. Rainfall is likely to be below average in southeast Australia, but above average in eastern Tasmania.

SOURCE: Bureau of Meteorology

OUR BUSINESS



More cheese, please! Stanhope makes its mark with mozzarella

Fonterra cheese technician Paul Triste has what some would consider to be the world's best job – to make and taste 60 pizzas a day.

His job is part of the Stanhope community's bid to become the industry leader in a traditional Italian cheese – mozzarella.

Four years ago, Stanhope's cheese production was moved to New Zealand while a \$140 million rebuild was underway, following the factory being destroyed by a fire in 2014.

Now, with a new cheese plant twice the size of the old one, Stanhope is mastering the art of mozzarella.

The site processes 1.3 million litres of milk each day from

260 dairy farms in the region, with the mozzarella sold to commercial kitchens and pizzerias domestically and exported to 25 countries, including Japan.

That's where Paul and his fellow cheese technicians come in. Their job is to make sure the giant blocks of mozzarella they produce are prime to top pizzas.

"None of us had ever made mozzarella before, we were all just basic cheddar, parmesan and gouda technicians, so this is all new to us," Paul said.

"I reckon it's great to have a role in something that's new to the region, because no-one else around here is making mozzarella."

Using the purpose-built pizza oven, which has its own special room in the quality control branch of the cheese plant, Paul

works through the checks and balances of the melted product.

He prods the cheese with a fork and inspects the topping for blisters and glisten. Then it's time for the all-important taste test.

"It's got to be like marshmallow," he said, chewing the cheese. "Then it can either stay at that level or drop to a jelly-bean consistency."

The new factory in Stanhope is currently undergoing another expansion, which will see the size of the plant double again – and will allow for the cheddar and mozzarella production lines to operate concurrently.

Paul, who lives two minutes down the road from the Stanhope factory, sees the big picture when analysing 60 pizzas a day.

"It means financial stability for farmers when they're driving past and see another building going up," he said.



CHEESE TECHNICIAN PAUL TRISTE CHECKS THE STRETCH OF MELTED MOZZARELLA. PHOTO COURTESY OF MEAGAN ROOTH, ABC RURAL

[See the original story which appeared on ABC Rural –](#)

OUR COMMUNITY



Cobden Primary School kids visit the home of Western Star

Around 65 Cobden Primary School kids donned on their safety glasses and high vis vests this month, for a tour of our Cobden factory.

Cobden is Fonterra's largest site in Australia, and produces Australia's number one selling butter, Western Star – which sells one pack every second. It can produce up to 110,000 tonnes of butter, milk, milk powders and cream each year, and ships around 100 million litres of fresh milk to Woolies.

The primary schoolers had the chance to see some of Fonterra's 270 factory staff

hard at work while touring the milk factory, and learning the ropes of factory safety.

The robots were a highlight, with some Grade Twos commenting on the tour:

"Today we went to the Fonterra factory. We saw robots and milk bottles, they were moving by themselves! The factory was amazing. The class had to wear safety glasses and a special vest, and we also saw some humongous silos, it was fantastic!"

"On Wednesday we went for a big walk to Fonterra to see milk. We got to see where Grace's dad works and we got to see robots, then the b-doubles, they were incredible. We saw the silo, it was big! They looked like they had lots of milk in them. We had so much fun!"

Fonterra Regional HR Manager, Freya Fidge, said that it was a great opportunity to teach the younger members of the

Cobden community where the region's farmers' milk goes.

