

# GLOBAL DAIRY UPDATE AUSTRALIA



Dairy for life



- Increased production in the US and some recovery in the EU and New Zealand.
- Australian production continues to be down against last season.



- Continued growth in US exports with New Zealand steady, EU and Australia volumes remain soft.
- Volumes continue to strengthen in Asia and China while Middle East & Africa imports remain soft.



- First milk flows as new Stanhope cheese plant prepares to open.
- Creates positive sentiment in the Northern Victorian dairy industry and local community.



- Joining forces in 2007, this year marks a 10-year milestone for Fonterra's valued partnership with hunger relief organisation, Foodbank.
- Milk is a key staple sought by welfare agencies.

## FARMGATE MILK PRICE UPDATE



During June we announced our 2017/18 opening price of \$5.30 per kgMS. With this announcement we also increased our forecast closing price to \$5.40-\$5.80 per kgMS. As advised at our May supplier meetings, our additional payment of \$0.40 per kgMS will be paid on top of our opening price and forecast closing price range to all suppliers next season.

## YOUR LOCAL FONTERRA CONTACTS



**Farmer enquiries**  
+1800 266 674

**Gippsland**  
Transport Office  
+61 3 5624 2663

**Northern Victoria**  
Transport Office – North  
+61 3 5484 3529

**Tasmania**  
Transport Office – Spreyton  
+61 3 6421 2123  
Transport Office – Wynyard  
+61 3 6442 0230

**West**  
Transport Office  
+61 3 5595 1606



## Global production

### AUSTRALIA

**7%** ↓

**Production change for the 12 months to March 2017**

Australia production in March decreased 5% compared to the same month last year.

Production for the 12 months to March was down 7% compared to the same period the previous year.

### NEW ZEALAND

**1%** ↓

**Production change for the 12 months to April 2017**

New Zealand milk production in April was up 6% compared to the same month last year.

The monthly volume change reflects better weather conditions in the latter part of the season.

### EUROPEAN UNION

**2%** ↓

**Production change for the 12 months to March 2017**

EU production in March was flat relative to March last year. Ireland and Poland were up 4% and 5% respectively, while the UK and Germany were down 2%. Production for the 12 months to March, was down 2% compared to the same period the previous year, but there are signs of a slow recovery.

### USA

**2%** ↑

**Production change for the 12 months to April 2017**

US production in April increased 2% compared to the same month last year.

Monthly volumes have been increasing at 2% for the past eleven months and this growth trend is expected to continue.

## Global exports

### AUSTRALIA

**1%** ↑

**Export change for the 12 months to March 2017**

Australia dairy exports in March decreased 10%, or 7,000 MT, compared to the same month last year. This is the fourth consecutive month of decreasing volumes.

Cheese volumes were up 19% after a brief period of decline, while liquid milk, the largest export category, was down 1%.

### NEW ZEALAND

**4%** ↑

**Export change for the 12 months to March 2017**

Dairy exports in March increased 5%, or 13,000 MT, compared to March last year. The largest export category, WMP, increased 15% or 14,000 MT, while liquid milk increased 43%. Offsetting these large gains were cheese and SMP, down 8% and 9% respectively.

### EUROPEAN UNION

**4%** ↑

**Export change for the 12 months to February 2017**

EU dairy exports in February were down 1%, relative to the same month the previous year.

Declines in liquid milk and SMP, 5% and 3% respectively, were offset by growth in WMP, cheese and infant formula, up a combined 6% or 8,000 MT.

### USA

**8%** ↑

**Export change for the 12 months to March 2017**

US dairy exports increased 19%, or 29,000 MT, in March compared to the same month the previous year.

This was the tenth consecutive month of increasing exports and was led by whey powder, SMP and cheese, up a combined 75,000 MT or 6%.

## Global imports

China dairy imports increased 6%, or 10,000 MT, in April compared to the same month last year.

Gains in key categories whey powder and infant formula, up 24% and 34% respectively, were offset by a decline in liquid milk, down 19% or 11,000 MT.

### CHINA

**10%** ↑

**Import change for the 12 months to April 2017**

### ASIA

**7%** ↑

**Import change for the 12 months to February 2017**

### MIDDLE EAST & AFRICA

**3%** ↓

**Import change for the 12 months to February 2017**

# OUR MARKETS

## DAIRY COMMODITY PRICES



### Global pricing

GDT Event 190, held 20 June, resulted in a decrease of 0.8%.

#### SMP

**2.2%** ↓

Change vs. 12-month Rolling Average of USD 2,237/MT

USD **2,187**

June Average Price (USD/MT, FAS)

SOURCE: GlobalDairyTrade

#### WMP

**3.7%** ↑

Change vs. 12-month Rolling Average of USD 2,974/MT

USD **3,083**

June Average Price (USD/MT, FAS)

#### BUTTER

**23.8%** ↑

Change vs. 12-month Rolling Average of USD 4,242MT

USD **5,250**

May Average Price (USD/MT)

SOURCE: Dairy Australia, May Pricing

#### CHEDDAR

**5.6%** ↑

Change vs. 12-month Rolling Average of USD 3,646/MT

USD **3,850**

May Average Price (USD/MT)

### Australian dollar trend

In early June the value of the Australian Dollar lifted sharply after a disappointing US jobs report. Further gains were then seen due to falls in the price of oil and iron ore.

In mid-June, further gains were seen as a result of lower than expected US housing and consumer sentiment data.



SOURCE: news.com.au

SOURCE: Reserve Bank of Australia

### Local factors affecting farming conditions



#### Hay

The hay market is almost at a standstill in southern regions. Little trading is taking place throughout the south. Little demand from farmers who have good volumes of feed in sheds and pasture available. The oversupply of feed throughout the south is likely to cause storage issues later in the year and may see further price reductions.

SOURCE: Dairy Australia

#### Grain

2016/17 is projected to be the fourth consecutive year with record breaking grain supply worldwide. Huge stockpiles of wheat remain globally, but as large amounts of these stockpiles are in China and India, some concerns regarding the accuracy of these figures have been noticed. The market is currently trading largely around weather stories until more fundamental information is known. Dry weather in Ukraine and Europe is affecting the yield potential. According to reports dry conditions are decreasing yields in Spain, France, Belgium, and the UK.

SOURCE: Dairy Australia

#### Weather

Below average rainfall was experienced during autumn for most of Australia. The BOM's climate outlook for June-August suggests a warm and dry winter with day and night temperatures above average for most parts of the country, especially in southern regions. Forecasts indicate rainfall will be below average for the southern part of the country following the increased likelihood of an Indian Ocean Dipole, IOD, forming during winter. As the Indian Ocean continues to cool, dry and warm weather should be expected, especially in south-east Australia.

SOURCE: Bureau of Meteorology

# OUR BUSINESS



## First milk flows as new Stanhope cheese plant prepares to open

Stanhope's new state-of-the-art cheese plant is a step closer to making cheese after the first milk flowed through the lines. The milk, collected from local dairy farms in Northern Victoria, will be made into cheese destined for the domestic and global markets.

Stanhope dairy farmer Rob Schloss says the new cheese plant will have a very positive impact on the local community, who are looking forward to seeing Stanhope cheese on supermarket shelves again.

"For the community, I think it's going to be a big plus to have the cheese plant operating again, and it will put some positivity back into the industry in the north," said Rob.

Fonterra commenced its A\$140 million dollar rebuild and expansion of its Stanhope site in Northern Victoria in 2015, after the

cheese plant was destroyed by fire in December 2014.

Fonterra Australia Managing Director René Dedoncker said this begins a new era at Stanhope.

"Today is an important milestone for our Australian business and a key pillar of our strategy. Our investment in the long-term future of the Stanhope cheese plant will help us meet growing global demand for cheese and have positive flow-on effects for the local community and our farmers," said René.

"The plant will process millions of litres of milk from farms across Northern Victoria each year to make cheese and whey. This means certainty for our farmers that they will have a home for their milk.

"Everyone involved in the Stanhope rebuild and expansion has done an exceptional job readying the site for first milk. Before long

we'll be making mozzarella at Stanhope for the first time, which will soon be topping delicious pizzas in China."

Over the next eight weeks, the new modern plant will ramp up production in readiness to supply Fonterra's full range of cheese for domestic and global markets.

The cheese plant will be officially opened at an event in mid-August.



To celebrate the milestone, Fonterra is sharing some special moments from the farmgate in a video released this month –

# OUR COMMUNITY



## Joining forces in 2007, this year marks a 10-year milestone for Fonterra's valued partnership with hunger relief organisation Foodbank.



To celebrate the decade-long friendship, Fonterra and Foodbank have re-affirmed their partnership, setting Fonterra as the exclusive supplier of fresh milk for Foodbank's Milk Program in Victoria.

The Milk Program distributes donated fresh milk to struggling Australian families and individuals through the help of Foodbank's network agencies and charities. Every month, 140,000 Victorians receive hunger relief from Foodbank-supported agencies, but 6,000 of

these struggling people are turned away from charities due to a shortage of food and resources.

Fonterra currently donates 100,000 litres of Anchor™ milk and other dairy foods to Foodbank Victoria, and in 2016 Fonterra contributed the equivalent of nearly 350,000 meals with a social return value of \$4.4 million.

Fonterra Australia's Managing Director René Dedoncker said Fonterra's relationship with Foodbank is a good example of how food businesses can make a

real, tangible difference to the communities in which they operate.

"Milk is one of the key staples much sought after by welfare agencies, and our partnership with Foodbank will help bring the goodness of dairy to vulnerable people.

"This partnership would not be possible without our farmer's high quality milk, so this partnership is also a credit to them. We look forward to continuing this partnership into the future," concludes René.