

# GLOBAL DAIRY UPDATE AUSTRALIA



• Fonterra Australia collection was up 32% to 11 million kgMS compared to March last year.

• Fonterra's state-of-the-art cheese facility in Stanhope is now back sending cheese to supermarkets and the foodservice industry across Australia.



• New Zealand production flat for the last twelve months. Increased production from the EU continues.



• Import demand for dairy softened across all regions for the month. China imports down for the first time since May last year.

• Fonterra's Grass Roots Fund gives a boost to more than 50 community groups – with primary schools, scout groups, sporting clubs, and volunteer fire brigades just some of the many local organisations that will benefit.

• Continued steady export growth from the EU and the US. New Zealand and Australia exports up for the month.

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## Global production

### AUSTRALIA

1% ↑

Production change for the 12 months to February 2018

Australia production in February increased 2% compared to February last year with steady milk production growth, particularly in south east Australia, where improved seasonal conditions and cost efficiencies have increased production.

### NEW ZEALAND

0% ↑

Production change for the 12 months to March 2018

New Zealand production was down 1% in March compared to March last year. Although weather conditions across most of the country have shown signs of improvement in recent weeks, overall production is down compared to March last year.

### EUROPEAN UNION

3% ↑

Production change for the 12 months to February 2018

EU production was up 3% in February compared to February last year. Production increased across most of the EU, with the UK, Ireland, Poland and Italy showing the most growth, up a combined 2%. Growth is primarily due to increased spring production and strong prices.

### USA

2% ↑

Production change for the 12 months to February 2018

US production in February increased 2% compared to February last year. The increase in production is once again driven by larger herd numbers and improved production per cow.

## Global exports

### AUSTRALIA

0%

Export change for the 12 months to February 2018

Australia dairy exports increased 16%, or 9,000 MT, in February compared to February last year, driven by SMP, liquid milk and WMP, up a combined 27%, or 9,000 MT.

For the 12 months to February, liquid milk and infant formula were up 38,000 MT and 7,000 MT respectively, while most other export categories declined for the period.

### NEW ZEALAND

0%

Export change for the 12 months to February 2018

New Zealand dairy exports in February increased 4%, or 11,000 MT, compared to February last year. Growth was again driven by WMP and liquid milk up a combined 16,000 MT.

For the 12 months to February, there was a substantial increase in exports of liquid milk and WMP, up a combined 117,000 MT, offset by declines across most other categories.

### EUROPEAN UNION

6% ↑

Export change for the 12 months to January 2018

EU dairy exports increased 10%, or 39,000 MT, in January compared to January last year. Growth was primarily in liquid milk, infant formula and whey powder, up a combined 33,000 MT, offset by WMP and caseinate, down a combined 9,000 MT.

For the 12 months to January exports of SMP increased 37%, and infant formula 15%.

### USA

6% ↑

Export change for the 12 months to February 2018

US dairy exports increased by 18% in February compared to February last year, with increases across all but three export categories. SMP, lactose and whey powder led the increase, up a combined 23,000 MT, or 22%. Exports for the 12 months to February were up 126,000 MT, on the previous comparable period with growth in cheese, whey powder and SMP.

## Global imports

China dairy imports were down 10% in February compared to February last year, on the back of declines in WMP, liquid milk and cheese.

This followed the significant increase in January, as the market is believed to have retained some of the additional product imported in January.

### CHINA

16% ↑

Import change for the 12 months to February 2018

### ASIA

1% ↑

Import change for the 12 months to December 2017

### MIDDLE EAST & AFRICA

2% ↓

Import change for the 12 months to December 2017

# OUR MARKETS

## DAIRY COMMODITY PRICES



### Global pricing

GDT Event 2T1, held 1 May resulted in a decrease of 1.1%. SMP and WMP prices reflect April results.

#### SMP

**1.7%** ↓

Change vs. 12-month Rolling Average of USD 1,913/MT

USD **1,881**

April Average Price (USD/MT, FAS)

SOURCE: Global Dairy Trade

#### WMP

**6.7%** ↑

Change vs. 12-month Rolling Average of USD 3,089/MT

USD **3,295**

April Average Price (USD/MT, FAS)

#### BUTTER

**3.5%** ↓

Change vs. 12-month Rolling Average of USD 5,646MT

USD **5,450**

March Average Price (USD/MT)

SOURCE: Dairy Australia, March Pricing

#### CHEDDAR

**2.3%** ↓

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

USD **3,900**

March Average Price (USD/MT)

### Australian dollar trend

The Australian dollar continued to weaken throughout April as strong US inflation numbers raised the likelihood of further increases in US interest rates.

While base commodity prices remained strong, continuing strength in the US economy translated into improved US bond yields and a stronger US dollar.



SOURCE: news.com.au

SOURCE: Reserve Bank of Australia

### Local factors affecting farming conditions



#### Hay

Demand for hay in northern parts of Australia continues to be low as favourable weather combined with persistent rainfall encourages grazing. Bush fires in southern parts of the country devastated two regions, south western Victoria and Bega, and fodder donations have been sent to these areas to relieve farmers. In southern regions demand is firming, especially in central-west New South Wales, central South Australia and Gippsland, and reports suggest prices will continue to firm leading up to winter. New season hay is selling quickly and carry-over stock from the 2016 record breaking harvest is depleting, which could result in higher prices.

SOURCE: Dairy Australia

#### Grain

Global grain markets appear driven by weather forecasts with no major trade news reported in March. During the start of the month dry weather in the US created crop concerns and resulted in sharp price rises, since then rainfall has eased prices. The Australian market has mimicked this with prices rising in the beginning of the month following strong US prices, but since easing. Many growers are still reluctant to sell grain, contributing to relatively quiet domestic markets. As a result, ASX Jan 2019 wheat futures remain unchanged from last month. ASX Jan 2019 barley futures dropped 1% despite being well supported by ongoing Chinese demand.

SOURCE: Dairy Australia

#### Weather

National rainfall tracked close to average in March despite extreme weather in several regions. Queensland, Tasmania and parts of New South Wales were well above average, and cyclones brought heavy rains to northern and western Australia. Victorian regions received below to well-below average rainfalls. BOM's seasonal outlook for May-July indicates an increased chance of exceeding the median across parts of south-east Victoria, Tasmania and northern Australia, with no strong tendency towards either wetter or drier-than-average conditions for the rest of Australia. Daytime temperatures are forecast to be warmer than average in the south-east and in Tasmania.

SOURCE: Bureau of Meteorology

# OUR BUSINESS



## Fonterra brings Australian cheese back to foodservice kitchens

Fonterra's state-of-the-art cheese facility in Stanhope is now back sending cheese to supermarkets and the foodservice industry across Australia. Following the fire that destroyed Fonterra Australia's primary cheese plant in 2014, much of the company's cheese production moved to New Zealand while the plant was rebuilt.

With the full commissioning complete, and the maturation of the first batches of cheese, it means

Fonterra has commercialised Australian-made cheese for all of its business channels – Ingredients, Consumer, and Foodservice.

Twice the size of the former plant, the new facility is packed with state-of-the-art technology used to make a range of cheeses including mozzarella, cheddar, gouda, parmesan, pecorino, romano and ricotta.

The new plant specialises in the production of mozzarella marketed under the Perfect Italiano™ brand, which is in

high demand by foodservice professionals in Australian and export markets.

High-quality cheese has been manufactured in the thriving community of Stanhope since the early 1920s. Since its commissioning commenced last August, the new plant has seen the introduction of new product formats, including replacing the 10kg block of mozzarella with a 5kg format – the lower weight is preferred by foodservice professionals as

it is easier to handle, shred and store.

Fonterra's world-class Stanhope facility will supply both domestic and export markets, supporting Australian jobs, reducing the food miles between farm, factory and delivery, and ensuring consistency of both quality and supply.

Fonterra announced an additional significant investment in January, which will again double the size of the plant, and is due for completion next year.

# OUR COMMUNITY



## Fonterra Grass Roots Fund gives a boost to 50 community groups

Fonterra's Grass Roots Fund has wrapped up for another year, supporting over 50 initiatives across Victoria and Tasmania – with primary schools, scout groups, sporting clubs, and volunteer fire brigades just some of the many local organisations that will benefit.

Fonterra has supported almost 400 initiatives since the programme kicked off in 2011, and applications for support have continued to grow with over 150 applications this year – up nearly 40% from last year's

requests for funding.

Fonterra Australia Managing Director René Dedoncker says that the growth in applications is a testament to the value that the Grass Roots Fund brings to local communities.

"The Fonterra Grass Roots Fund aims to give a helping hand to the community groups that help create the vibrant communities in which we operate.

"The dairy industry is built from the ground up, and the Fonterra Grass Roots Fund is our way of making a positive

difference to peoples' lives and saying thank you to our communities who've supported us for many years," says René.

Among the recipients was Redpa Primary School, a small school of around 40 kids located in Circular Head in Tassie, which will build a new playground jointly funded by the Tasmanian Community Fund.

Dairy farmer and Fonterra supplier, Anthony Grey, says that it was great to see the school receive funding for their new playground,

because small rural schools often get overlooked.

"The kids love their playground, but it's been around for a long time and needs to be replaced because of safety concerns around the old equipment. It's great that the kids will now have a fun and safe environment to play," says Anthony.

See below for a snapshot of some of this year's lucky recipients around Victoria and Tassie.



DEVONPORT SURF LIFE SAVING CLUB IN TASSIE USED THE MONEY TO BUY NEW RADIO TRANSMITTER HELMETS FOR ITS PATROL TEAM.



ECHUCA SPECIALIST SCHOOL IS EXPANDING ITS "TEEN CAFÉ" PROGRAM TO INCLUDE A PIZZA OVEN AND KITCHEN GARDEN.



PUFFING BILLY TOY LIBRARY VOLUNTEERS AND FONTERRA'S BAYSWATER TEAM CELEBRATE THE OPENING OF THE NEW TOY LIBRARY IN MELBOURNE.



THE 1ST DROUIN SCOUTS IN GIPPSLAND, VICTORIA, WILL USE THEIR GRANT TO PURCHASE NINE NEW TENTS.