

AUSTRALIAN DAIRY UPDATE



Volume of milk powder exports up

16.5%

for Jul-Sep 2017

Volume Australian milk production

1%

higher for 2017/18 YTD

Milk powder exports to China up

53%

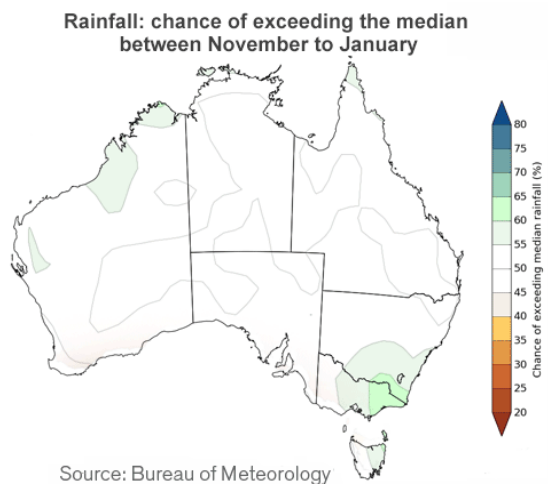
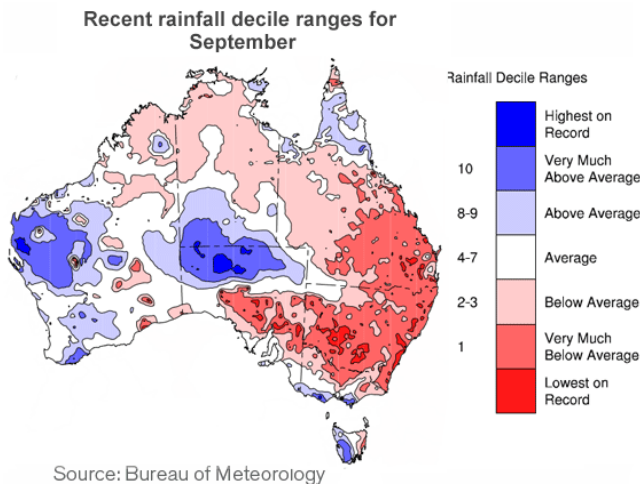
for January-August 2017 compared to 2016

Milk powder exports from Australia have started 2017/18 strongly despite weakening global prices. Global dairy prices have been slowly declining since June. Skim milk powder (SMP) price is currently below the five year 20th percentile and decreased by 5.6% in the last auction of October. Stockpiles of SMP in Europe are keeping a lid on global SMP prices. This is expected to continue throughout 2017/18. The cheese price was stable in October, continuing a flat trend since June and currently trading above the 80th percentile due to increased demand.

year at \$0.78 U.S cents. The dollar has been appreciating for most of 2017, trading between \$0.72 and \$0.81 U.S cents. Even so, the dollar has drifted lower since its September peak, assisting the competitiveness of Australian exports.

Welcome rain fell across most dairying regions in October after a very dry September. Pasture growth is expected to perform well over the next few months with an equal chance of exceeding median rainfall across the country forecast through to January.

The Australian dollar is just above this time last



PRICES

	Current (November)	Last Year	5 year average	80 th percentile	20 th percentile
Export prices					
SMP (\$/tonne)	\$2,298.00	\$2,873.00	\$3,345.00	\$4,287.00	\$2,564.00
Cheese (\$/tonne)	\$5,252.00	\$4,320.00	\$4,291.00	\$4,936.00	\$3,634.00
Australian dollar					
AUD/USD	\$0.78	\$0.76	\$0.84	\$0.94	\$0.75

Data: GTIS, GDT, RBA

CASE STUDY: Monthly percentage of total yearly volume in tonnes for Australian milk powder exports to China						
	2012	2013	2014	2015	2016	2017 YTD + forecast
Jan	9%	2%	29%	3%	8%	8%
Feb	12%	8%	15%	6%	8%	7%
Mar	4%	6%	10%	10%	12%	6%
Apr	7%	3%	11%	6%	10%	6%
May	4%	6%	6%	7%	15%	12%
Jun	10%	8%	7%	24%	9%	14%
Jul	5%	4%	2%	8%	4%	11%
Aug	4%	5%	2%	4%	4%	11%
Sep	9%	6%	3%	5%	4%	3%
Oct	10%	16%	5%	12%	8%	7%
Nov	15%	16%	4%	7%	6%	6%
Dec	11%	20%	6%	9%	12%	8%
Total	20,056	39,175	28,793	25,186	30,099	42,957 F

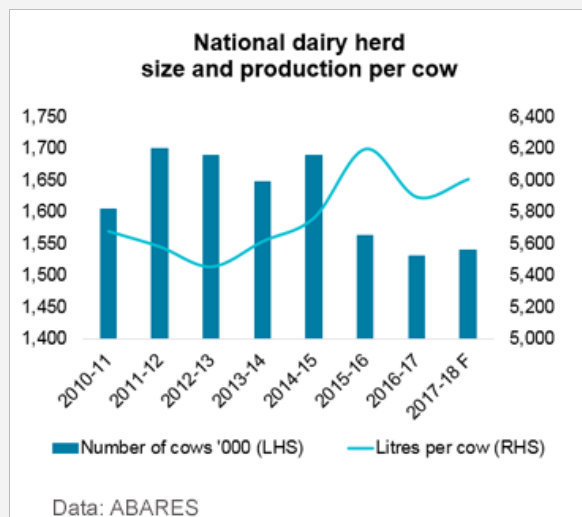
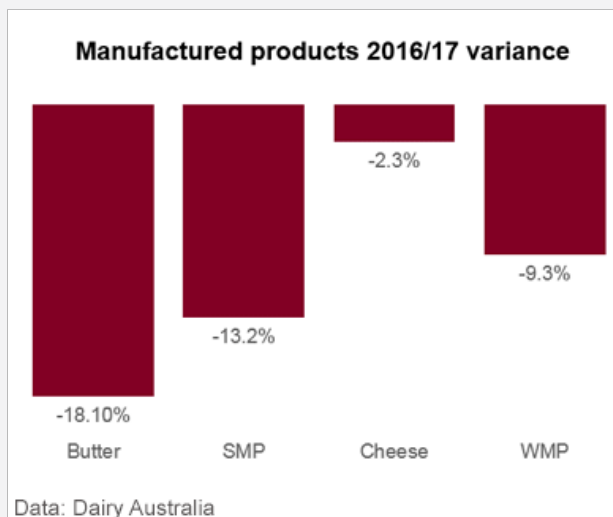
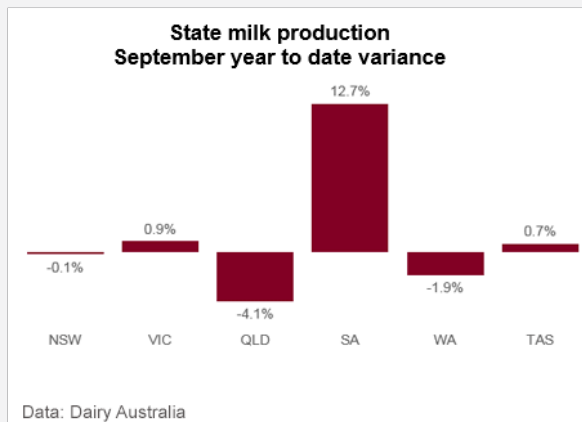
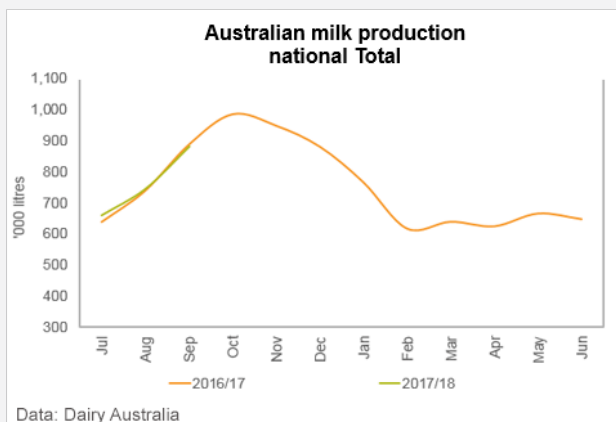
Data: GTIS, F denotes a forecast figure

China's import pattern has changed in the last few months compared to trends over the past five years. In July 2017, China imported 2.8 times more milk powder compared to July 2016. In August 2017, it imported 3.4 times the volume of August 2016. July to September has historically been China's lowest volume period for milk powder imports generally only importing between 7-18% of the yearly total. It remains to be seen if this out of cycle trend will continue but it's a great start to the 2017/18 year.

The result of the calendar year forecast (based on the monthly five year average from September to

December) for 2017 is an increase in volume of 42.7% compared to 2016. The forecast increase seems high but August 2017 year to date volume was already 53% higher than the same period in 2016. In fact, as at August 2017, China has imported 1% more milk powder than the total 2016 volume. This out of cycle volume increase indicates demand for Australian milk powder in China is increasing. This demand could help grow our market share in China, allowing processors and producers to capitalise on any upward movement in global prices.

PRODUCTION



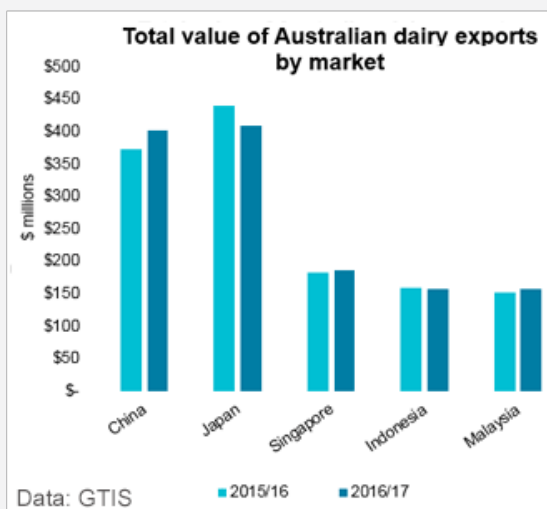
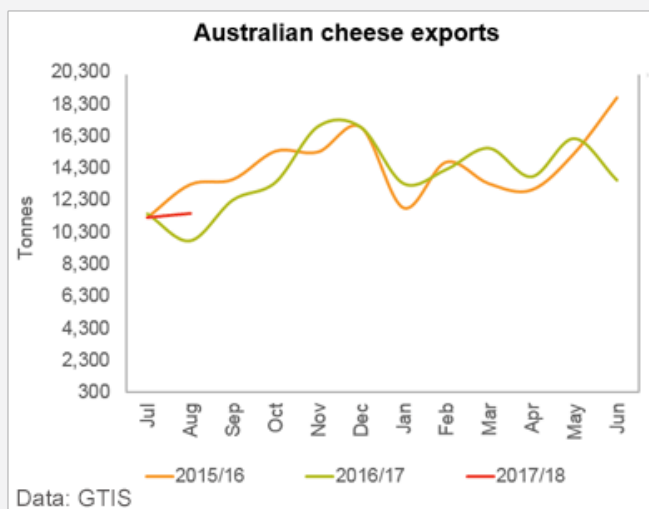
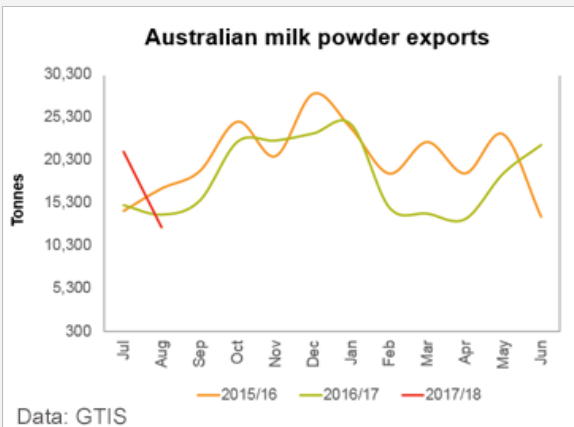
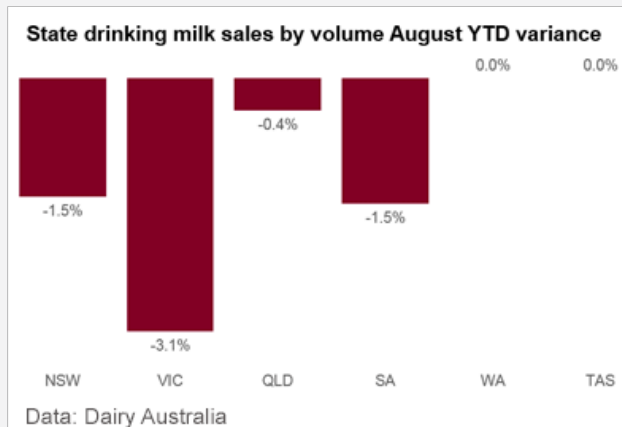
National milk production is tracking slightly above this time last year. South Australia, Victoria and Tasmania are up 12.7%, 0.9% and 0.7% respectively. Drier conditions in Queensland over the last few months are responsible for a -4.1% decline in supply.

Milk powder exports are up 16.5% for July-August year to date, driven by a 41.5% increase in volume for July 2017 compared to July 2016. The July increase in volume was mostly due to China and Malaysia; who imported 2.8 and 2.3 times as

much milk powder from Australia in July 2017 compared to July 2016.

The total value of Australian dairy exports in 2016/17 decreased by 3.8% due to lower commodity prices. However, three out of five of Australian main export markets posted increases, indicating strong demand for Australian product despite lower prices globally.

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