

Required Report: Required - Public Distribution

Date: May 15, 2020

Report Number: NZ2020-0007

Report Name: Dairy and Products Semi-annual

Country: New Zealand

Post: Wellington

Report Category: Dairy and Products

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Report Highlights:

Drought conditions in the North Island are impacting milk supply in New Zealand, with milk production now forecast in 2020 at 21.7 million metric tons (MMT), down a little under 1 percent from 2019. So far COVID-19 has not impacted milk supply but is likely to disrupt export supply chains during the year. Total combined 2020 exports for whole milk powder, cheese, skim milk powder, and butter/AMF are now forecast at 2.68 MMT, a 2.7 percent reduction on the 2.75 MMT recorded in 2019.

Executive Summary

FAS/Wellington forecasts New Zealand total milk production in 2020 at 21.7 million metric tons (MMT), which is 1.2 percent less than the USDA official forecast and 0.7 percent less than 2019. The reason for the decline is that drought conditions over the whole of the North Island has reduced pasture growth significantly. Many farmers in the North Island are drying off their herds up to 40 days earlier than normal because of the lack of pasture. In addition, farmers have already used up a large proportion of the supplementary feed they had purchased or conserved to last them through the winter. This is expected to impact on milk supply during the second half of the year. The advent of the COVID-19 pandemic early in 2020 has not impacted milk supply yet.

Actual milk production for 2019 was 21.85 MMT, which was 0.7 percent less than 2018. This result was better than expected as a dry period in early 2019 impacted production during the first half of the year. Production in the second half of the year, however, was the third highest on record, with daily per-cow production averages close to historical highs.

As 2020 milk supply is only forecast to be marginally below 2019, the combined total of whole milk powder, cheese, skim milk powder, and butter/AMF (Anhydrous Milk Fat) production is only forecast to be 0.4 percent below 2019, at 2.78 MMT. Whole Milk Powder (WMP) will remain the go-to product for New Zealand processors and is now forecast to reach 1.53 MMT, up 1.7 percent on 2019. The revised estimate for 2019 WMP production is 1.5 MMT, 3.4 percent above 2018.

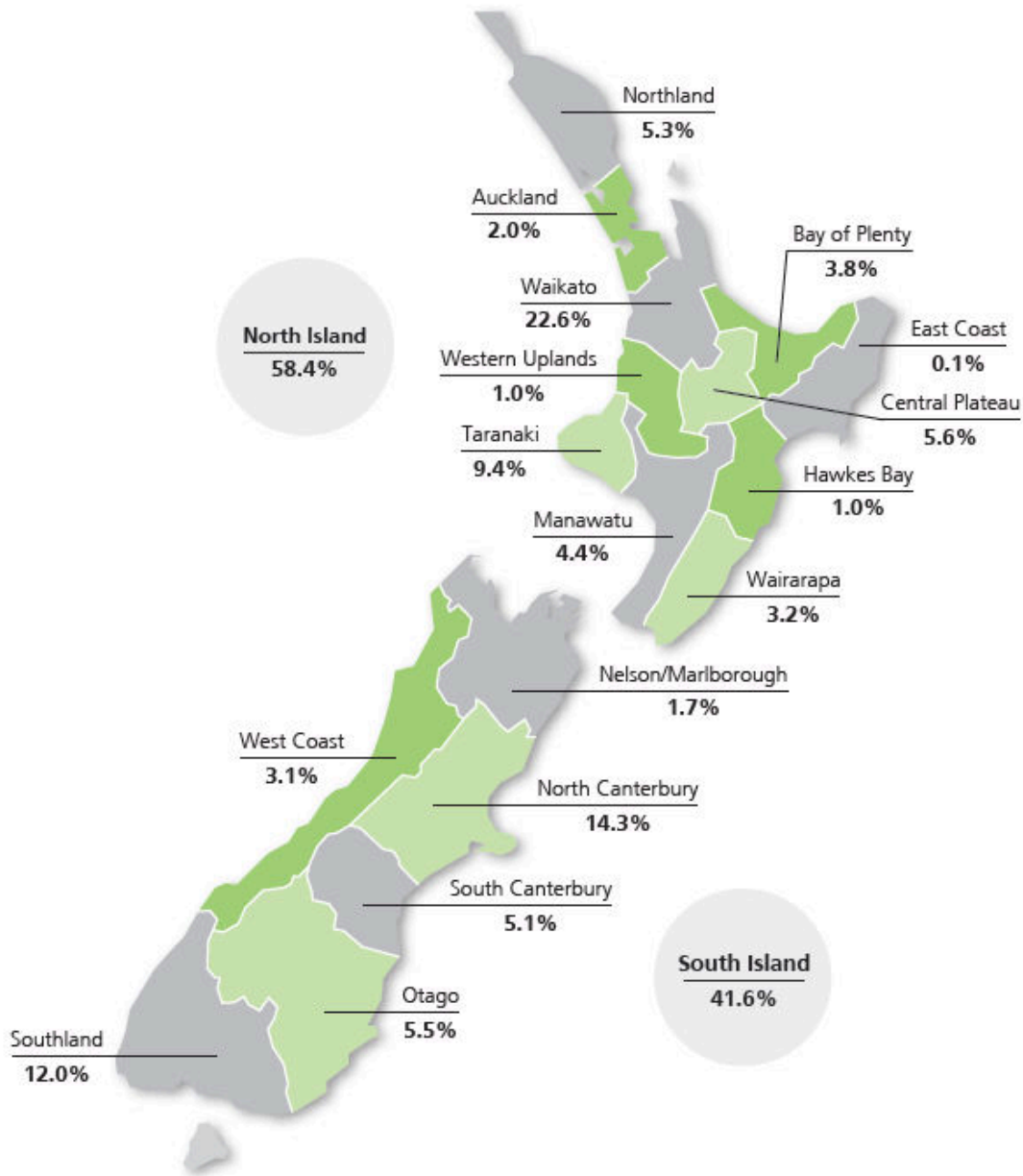
While the COVID-19 pandemic has not affected dairy processing in New Zealand yet, it is expected to cause disruption to export supply chains into destination countries especially for food service products and ingredients. This is expected to impact sales for nearly all dairy products, except perhaps Infant Milk Formula (IMF). Most IMF is consumer-ready when shipped from New Zealand or is further processed in Australia and is unlikely to suffer the same supply chain disruptions as products destined for the food service sector.

Total combined 2020 exports for whole milk powder, cheese, skim milk powder, and butter/AMF are now forecast at 2.68 MMT, a 2.7 percent reduction on the 2.75 MMT recorded in 2019. In addition to some impact to export demand as a result of COVID-19, the other major reason for the year-on-year decline is that 2019 exports were inflated by a sell down of inventory. This inventory had been built up in late 2018 and then shipped in early 2019.

For 2020, nearly all the product categories are forecast to have reduced export volumes except for a marginal 1.5 percent increase for cheese.

1/ Note: The GAIN Dairy Marketing Year (MY) is the same as the calendar year (CY), January 1 to December 31.

Regional Distribution Dairy Cows 2018/2019 Season



Source: LIC, DairyNZ

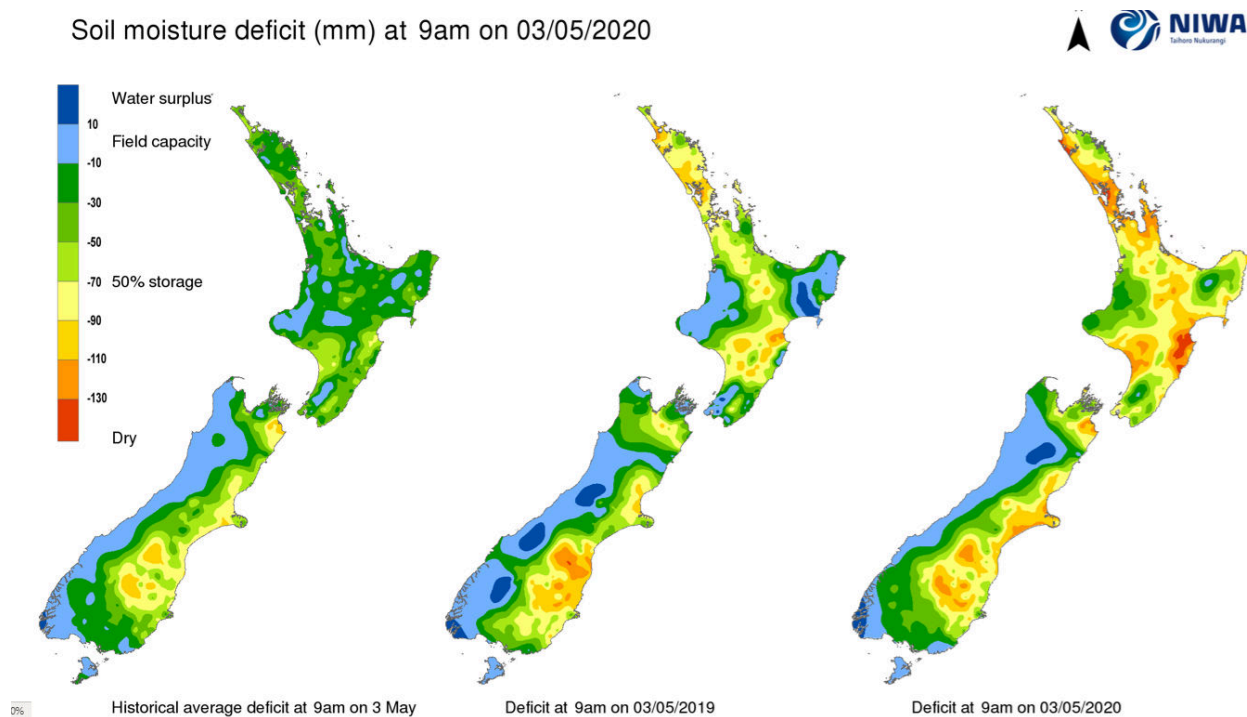
Seasonal Weather and Pasture Production

Normal seasonal dryness over the North Island during January 2020 deepened into a drought, which even in late April was still affecting around 50 percent of the dairying areas in the North Island. In contrast to the same point in 2019, North Island pasture levels are low and the volume of bulk supplementary feed such as conserved pasture or forage crops on hand is also low. Anecdotal reporting suggests cows in the North Island are perhaps in lower body condition than optimum. This will increase

cow winter feed intake demand if cows are to milk optimally in the spring or run the risk of reduced milk production in the new season.

The National Institute for Water and Atmospheric Research's (NIWA) three month climate outlook forecast for April to June 2020 is for there to be normal rainfall over the western North Island as well as the South Island, but a stronger probability for below-normal rainfall in the north and east of the North Island. NIWA is forecasting air temperatures to be average to warmer than average over the dairy areas for April to June.

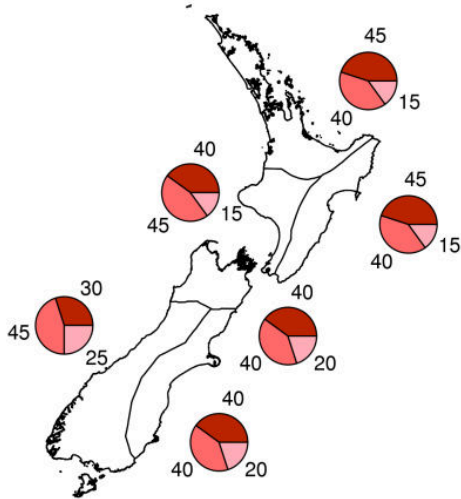
There are no public long-range weather forecasts for the second half of 2020, so this report is assuming normal weather conditions for the period. However, any widespread deviations to colder than normal conditions in the spring will negatively affect milk production.



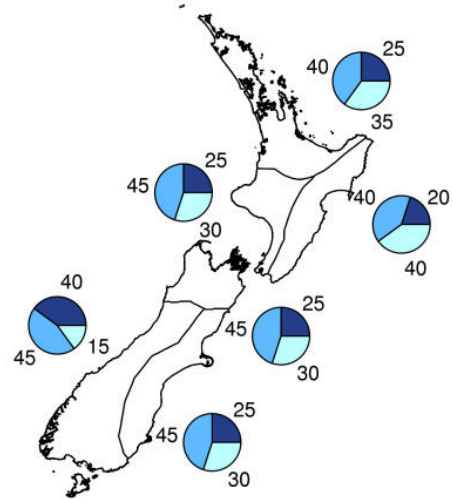
Outlook for April - June 2020



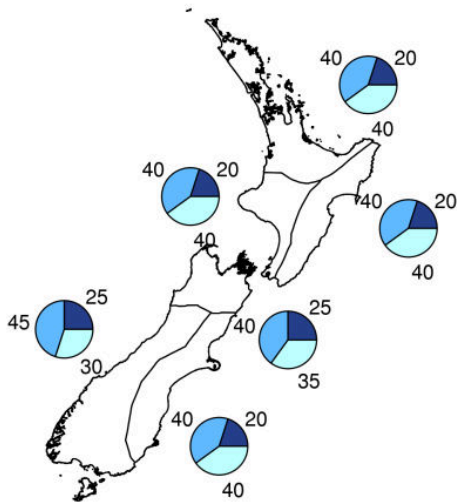
Air Temperature



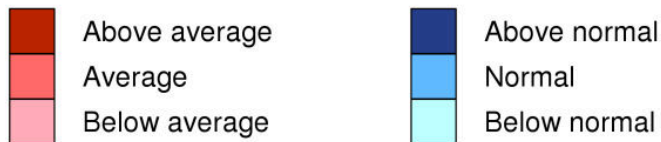
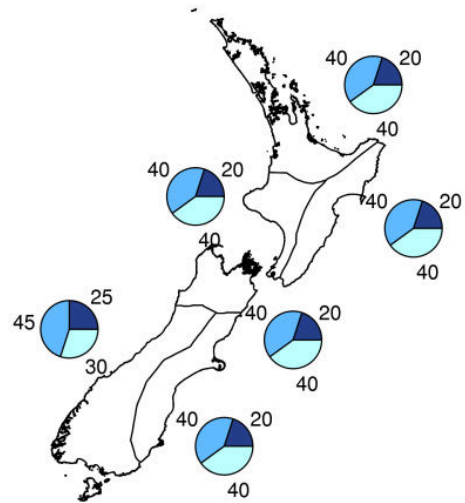
Rainfall



Available Soil Moisture

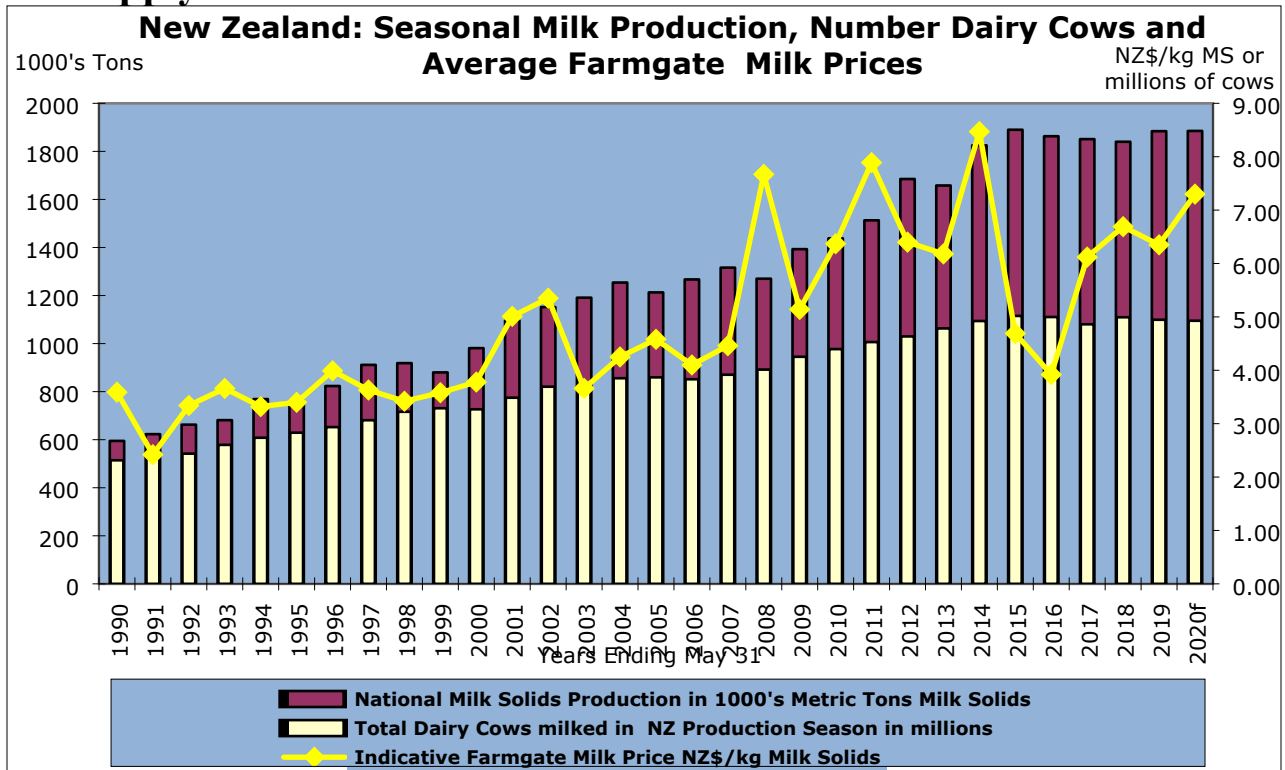


River Flows

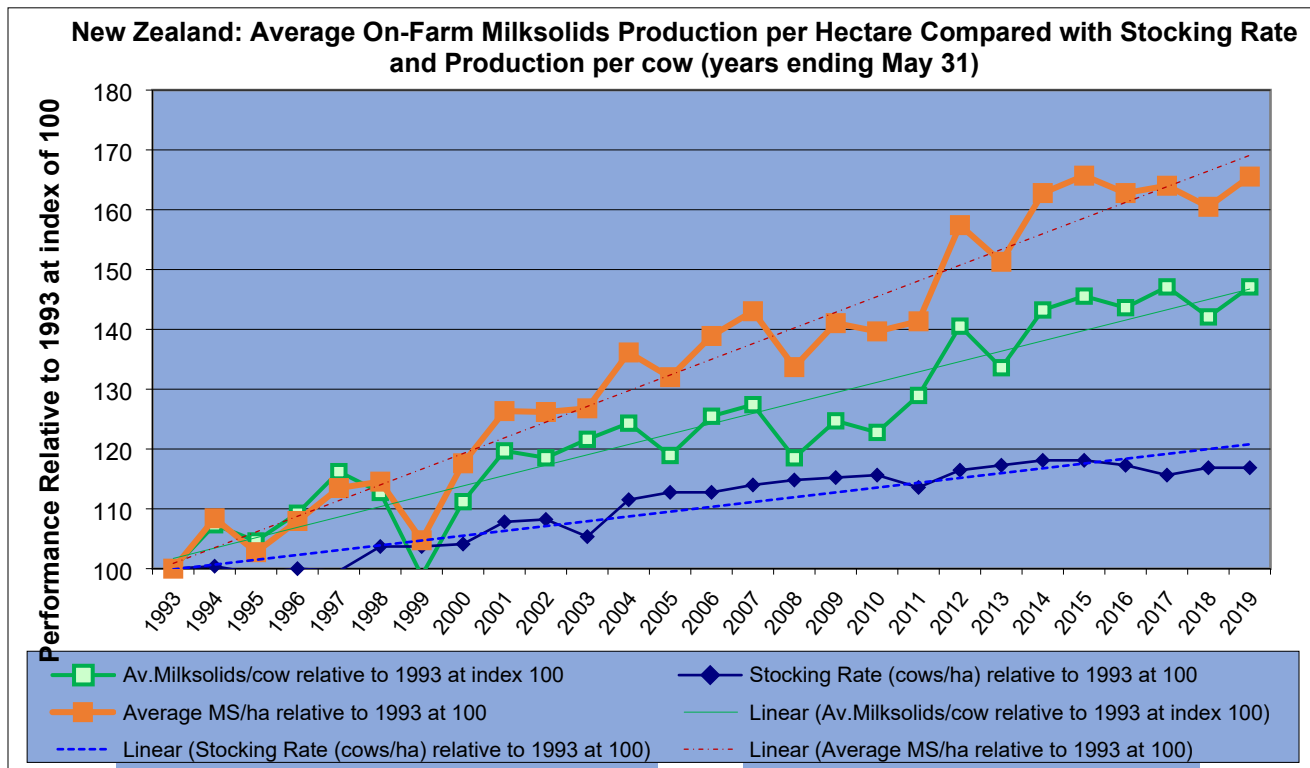


Source: NIWA NZ Seasonal Outlook April to June 2020

Milk Supply



Sources: MPI, LIC, DairyNZ, FAS/Wellington own estimates, StatsNZ



Sources: DairyNZ, FAS/Wellington analysis

2020

The revised forecast for 2020 milk production is now 21.7 million metric tons (MMT), 1.2 percent less than the USDA Official forecast and 0.7 percent less than 2019 production. The year started well with milk production in the first quarter being just marginally less than 2019 on a milk-volume basis, and marginally ahead on a milk-solids basis. However, as the drought conditions in the North Island intensified, farmers used a lot of supplementary feed, originally planned for winter and spring use, to maintain lactating cows. Many whole herds in the North Island are being dried off up to 40 days earlier than normal because of the low pasture growth. As a result, North Island milk production is slumping in the second quarter of the year. Even though the South Island is having a good season, being well ahead of 2019 so far, this increased production is not likely to be enough to offset the reduction in the North Island.

The milk industry has benefited from the strong growth of milk production in the South Island during recent decades (especially 2000 to 2014), and it now accounts for around 45 percent of total milk production. This has given the sector a geographical spread which buffers overall milk production against weather disruptions impacting part of the country, such is now occurring in the North Island.

For the second half of the year, even though climatic conditions are assumed to be normal, production is still forecast to be behind the same period in 2019 for the following reasons:

- Slightly lower cow numbers as a result of the drought in the North Island and the prospect of coming environmental regulations.
- Cow conditions, especially in the North Island, are lower than optimum going into winter and will be difficult to rectify before the onset of calving in the spring. This will likely have a negative effect on production.
- With pasture levels low going into winter, any period of poorer than anticipated weather over the next four to five months will especially have a downside risk to subsequent milk production.
- All dairy sector commentators and Fonterra are warning farmers the milk price will fall over the next twelve months. The banks especially are signaling a drop of between 10 to 25 percent. This will have a negative effect on farmer confidence and a reluctance or reduced capacity to spend on additional supplementary feed in the spring, putting negative pressure on potential production.

2019

Actual milk production for 2019 was 21.85 MMT, which was 0.7 percent less than 2018. This result was better than expected as a dry period in early 2019 impacted production during the first half of the year. Production in the second half of the year, however, was third highest on record, with daily per-cow production averages close to historical highs.

Production Supply, and Demand – Liquid Milk

Dairy, Milk, Fluid Market Begin Year New Zealand	2018		2019		2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk	4993	4993	4937	4946	4935	4928
Cows Milk Production	22017	22017	21855	21852	21950	21695
Other Milk Production	0	0	0	0	0	0
Total Production	22017	22017	21855	21852	21950	21695
Other Imports	3	3	3	4	0	3
Total Imports	3	3	3	4	0	3
Total Supply	22020	22020	21858	21856	21950	21698
Other Exports	245	245	290	269	300	240
Total Exports	245	245	290	269	300	240
Fluid Use Dom. Consum.	500	515	500	520	500	525
Factory Use Consum.	21205	21190	21003	21002	21085	20868
Feed Use Dom. Consum.	70	70	65	65	65	65
Total Dom. Consumption	21775	21775	21568	21587	21650	21458
Total Distribution	22020	22020	21858	21856	21950	21698

(1000 HEAD) ,(1000 MT)

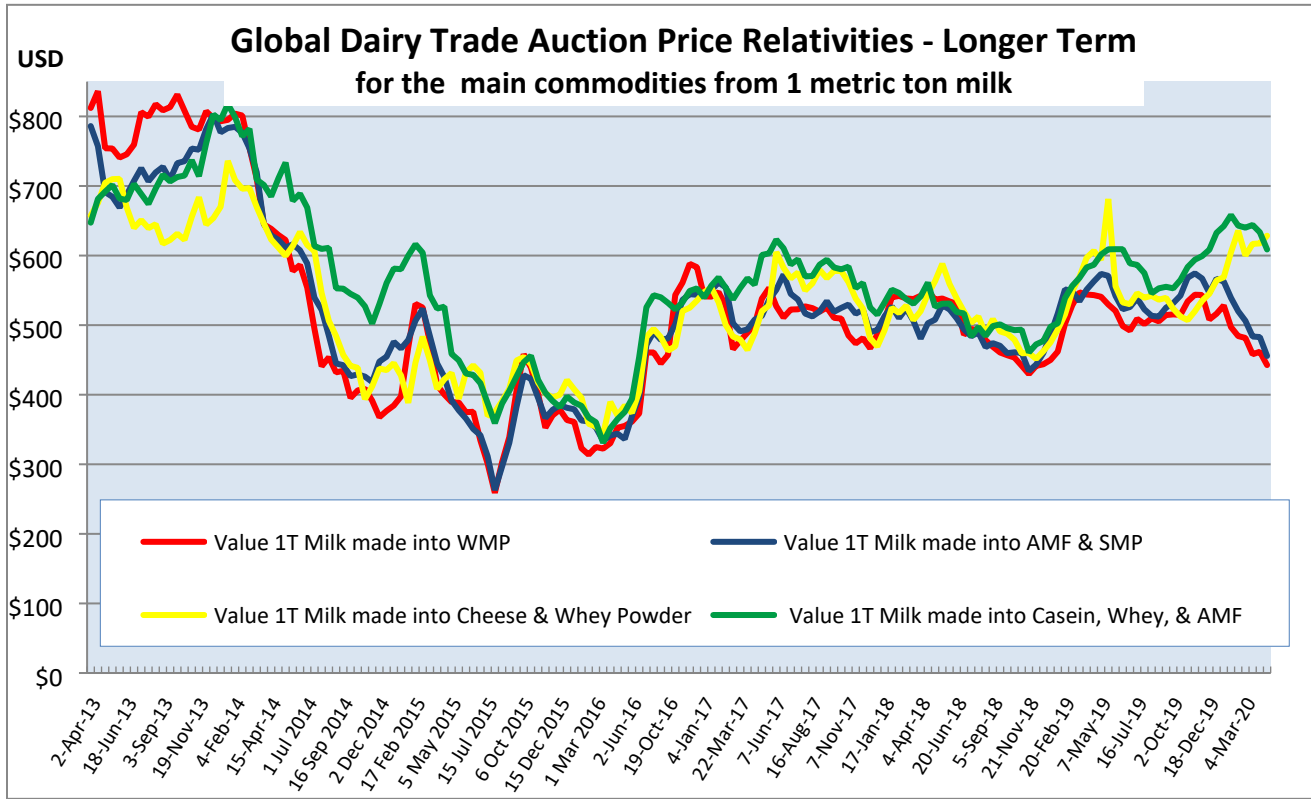
Not official USDA estimates

Production and Trade Overview

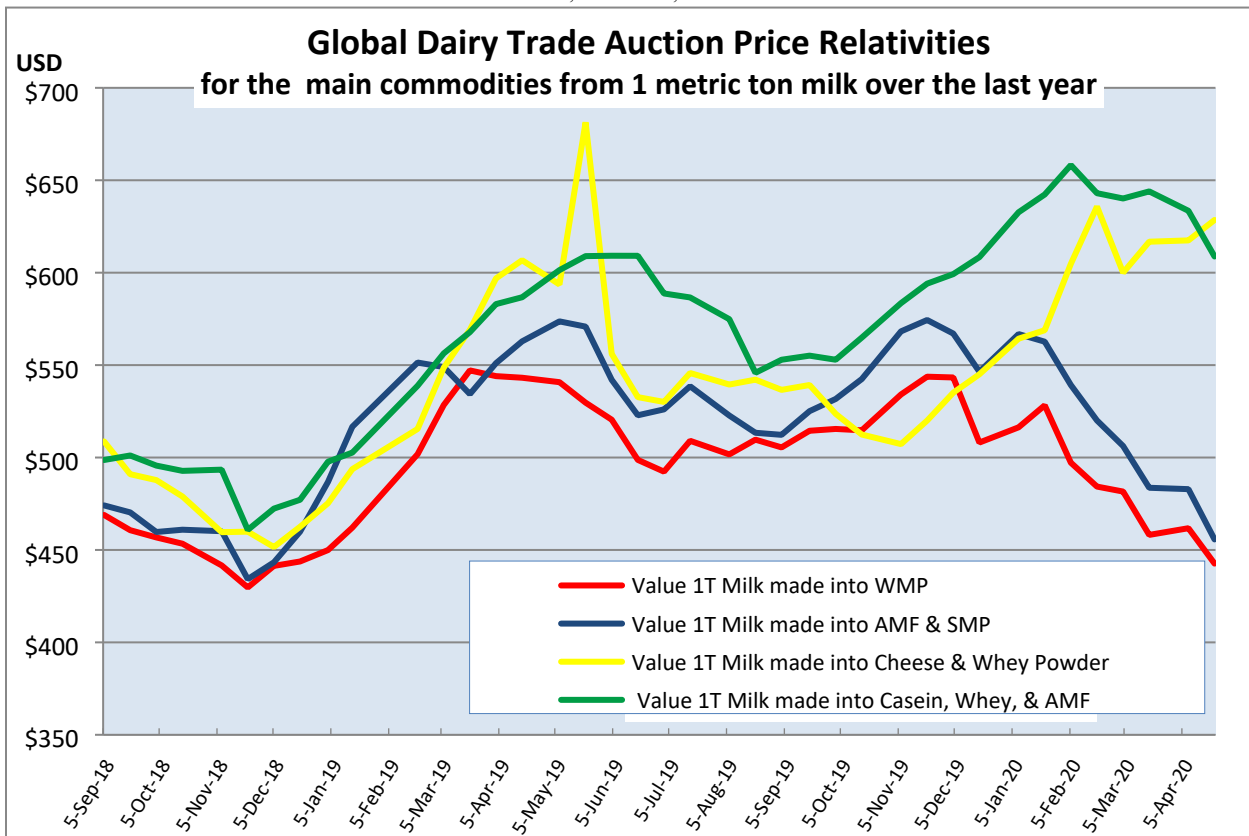
Dairy Production at a Glance

New Zealand Summary Table for Estimated Dairy Product Production					
Commodity Group (1000s Metric Tons)	2018	2019		2020	
	Firm Estimate	Firm Estimate	% change from prev. year	New Forecast	% change from prev. year
WMP	1,450	1,500	3.4%	1,525	1.7%
SMP	410	375	-8.5%	370	-1.3%
Butter/AMF	550	525	-4.5%	520	-1.0%
Cheese	370	365	-1.4%	360	-1.4%
Sub-Total PSD Commodities	2,780	2,765	-0.5%	2,775	0.4%
Casein & Caseinates	87	88	1.1%	80	-9.1%
Whey Products	37	32	-13.5%	30	-6.3%
Milk Protein Concentrates	79	78	-1.3%	70	-10.3%
Cream Products	97	126	29.9%	100	-20.6%
Other Products	54	51	-5.6%	50	-2.0%
Infant Milk Formula	97	117	20.6%	130	11.1%
Sub-Total Rest of Dairy	451	492	9.1%	460	-6.5%
Total Production	3,231	3,257	0.8%	3,235	-0.7%

Source: Post estimates Note: Butter/AMF line has the AMF adjusted to butter equivalents



Source: GDT, TDM LLB, Post estimates

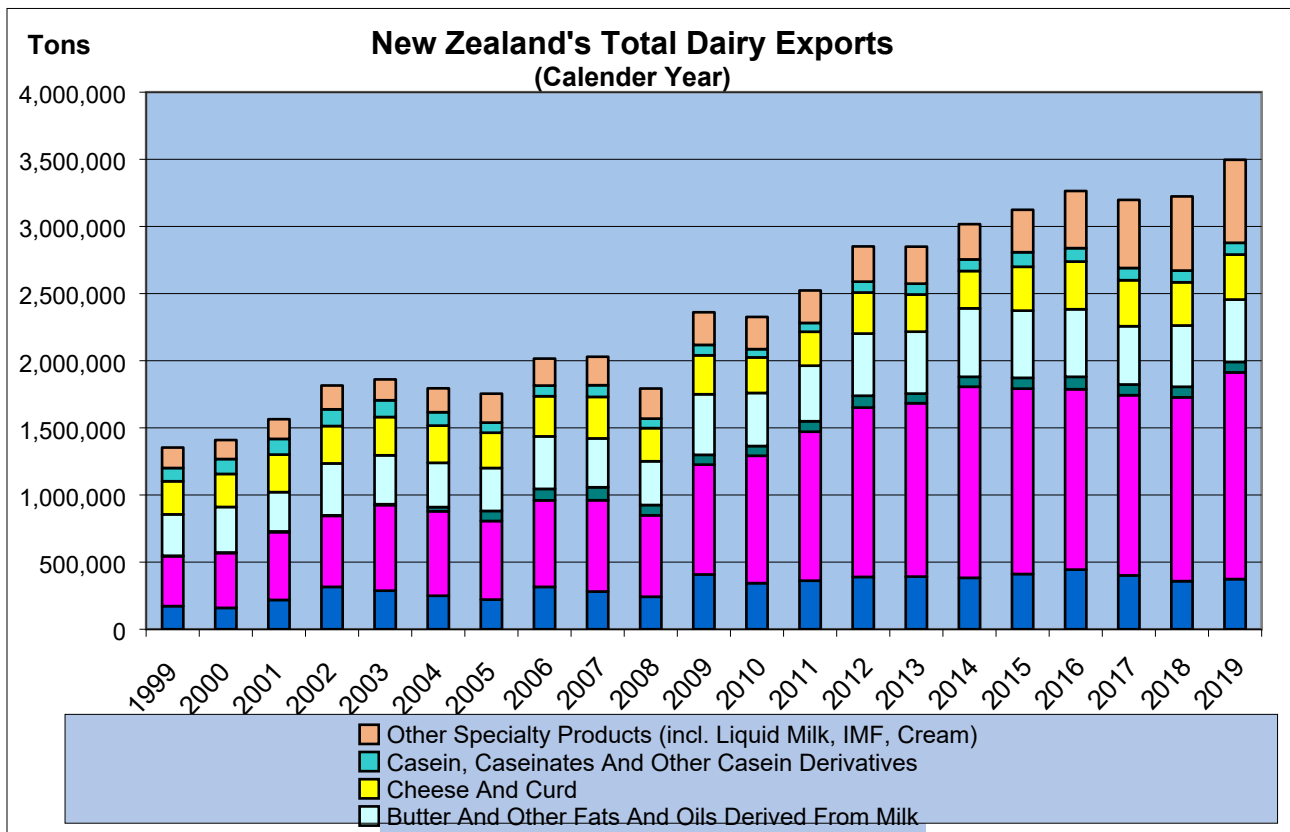


Source: GDT, TDM LLB, Post estimates

Dairy Exports at a Glance

New Zealand Summary Table for Dairy Product Export Quantities					
Commodity Group (1000s Metric Tons)	2018	2019		2020	
	Actual	Actuals	% change from prev. year	New Forecast	% change from prev. year
WMP	1,369	1,536	12.2%	1,500	-2.3%
SMP	358	373	4.2%	350	-6.2%
Butter/AMF	501	509	1.6%	490	-3.7%
Cheese	322	335	4.0%	340	1.5%
Sub-Total PSD Exports	2,550	2,753	8.0%	2,680	-2.7%
Casein	87	88	1.1%	80	-9.1%
Whey Products	37	32	-13.5%	30	-6.3%
Milk Protein Concentrates	79	78	-1.3%	70	-10.3%
Cream Products-Food Service	97	126	29.9%	100	-20.6%
Other Products	54	51	-5.6%	50	-2.0%
Infant Milk Formula	97	117	20.6%	130	11.1%
Sub-Total Non PSD Exports	451	492	9.1%	460	-6.5%
Total Exports	3,001	3,245	8.1%	3,140	-3.2%

Source: TDM LLB, Post estimates. Note: Butter/AMF line has the AMF adjusted to butter equivalents



Source: TDM LLB

New Zealand Dairy Product Export Destinations by Value (USD)								
Destination Country	Annual Total Value (USD) for Calendar Year					Year-To-Date January-March		
	2015	2016	2017	2018	2019	2019	2020	%Δ 2020/19
China	1,900,091,762	2,108,383,836	3,312,050,750	3,451,462,536	4,096,291,689	794,314,879	1,010,305,497	27.2%
Australia	427,959,475	571,573,031	740,882,989	841,584,835	832,347,827	210,065,005	210,091,067	0.0%
United States	797,433,359	663,641,805	583,773,270	485,884,800	568,207,991	132,258,520	169,176,103	27.9%
Japan	440,304,138	399,511,906	497,607,672	521,293,537	517,013,837	116,643,421	140,828,261	20.7%
Malaysia	403,756,425	310,468,541	452,834,830	422,380,610	424,818,226	121,719,313	125,692,408	3.3%
Philippines	334,334,927	316,810,672	377,226,348	393,330,378	420,355,323	139,181,787	112,228,101	-19.4%
Indonesia	282,525,214	300,250,692	374,890,492	357,662,844	379,777,131	107,849,883	140,893,213	30.6%
U.A.E.	438,488,335	287,003,146	474,237,149	403,178,974	359,558,993	105,858,526	121,997,523	15.2%
Hong Kong	118,419,073	168,240,417	233,492,591	281,279,677	355,991,697	86,354,085	70,055,630	-18.9%
Thailand	280,683,498	242,970,732	311,809,609	321,797,009	331,158,590	121,004,299	112,476,897	-7.0%
Rest of World	4,084,089,597	3,830,519,830	4,209,640,377	4,157,247,215	4,115,876,051	1,373,772,164	1,250,980,728	-8.9%
World Total	9,508,085,803	9,199,374,608	11,568,446,077	11,637,102,415	12,401,397,355	3,309,021,882	3,464,725,428	4.7%

Source: TDM LLB

Product Specific Production and Trade

Production, Supply, and Demand –Whole Milk Powder (WMP)

2020

WMP remains New Zealand dairy processors go-to product and by far the largest product manufactured by volume (47 percent of total). For 2020, it is forecast that 1.53 MMT of WMP will be made, which is 1.7 percent ahead of 2019.

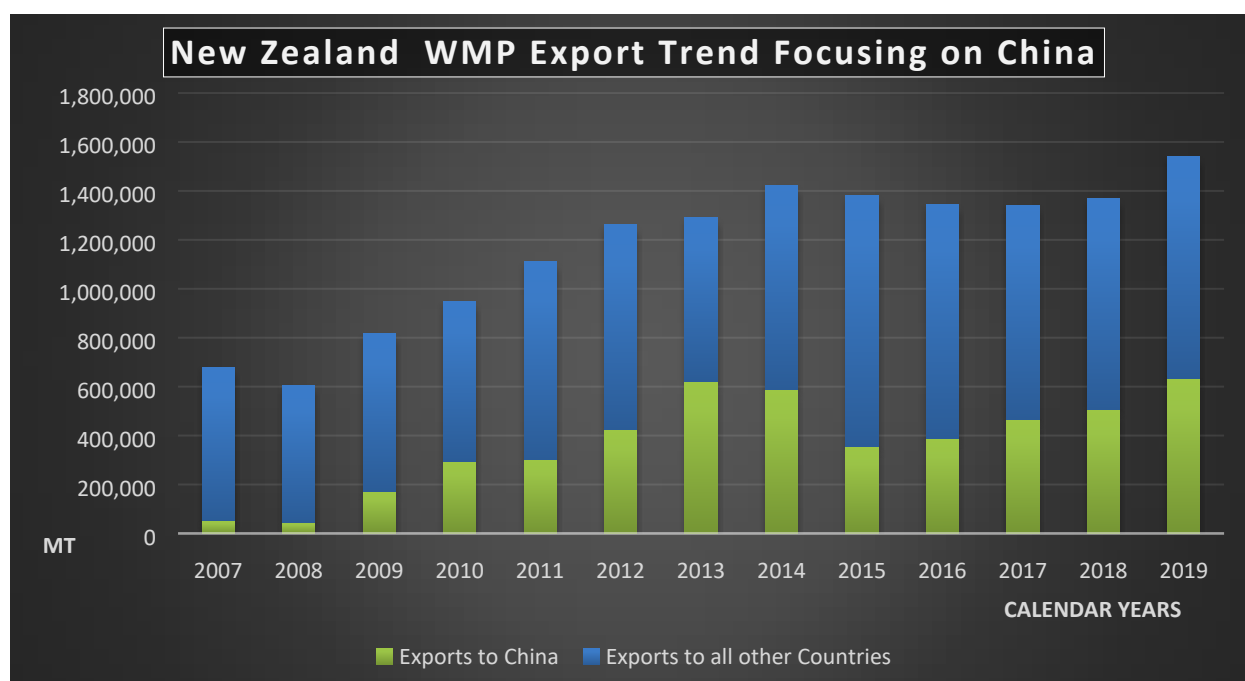
While prices for WMP will not be immune to what is likely to be a general downturn in internationally traded dairy commodity prices over the next twelve months, New Zealand's comparative advantages in the WMP category probably means it will still be able to sell whatever it produces. If pricing for all the commodities trend downward, WMP will remain the most profitable for New Zealand processors for large volumes. It seems likely dairy ingredients for food service or dairy ingredients used in complex processing supply chains will be subject to disruption due the Covid-19 lockdowns around the globe. For New Zealand this may include: UHT cream, fresh cheeses, mozzarella, processed cheese, casein, whey proteins, and milk protein concentrate. Even if total sales of these products are not impacted, there will likely be interruptions to individual supply chains to different countries. If sales in any category drop significantly then any surplus milk is likely to be diverted to the manufacture of WMP.

FAS/Wellington expects this level of WMP production to translate into an export volume of 1.5 MMT, which is 2.6 percent less than the USDA official forecast, and 2.3 percent less than 2019. A slightly

lower export volume than 2019 is expected because of market/supply chain disruptions caused by the Covid-19 pandemic. This is likely to mean year-end inventories will increase because of the slightly larger production volume.

2019

For 2019, WMP production is now estimated at 1.5 MMT, 3.5 percent greater than 2018. Exports reached 1.54 MMT, 12.2 percent above 2018 and an all-time high. New Zealand has carved out a niche as the world's largest exporter of WMP, contributing close to 64 percent of internationally traded WMP. Undoubtedly this is profitable for the processors who now have world-leading scale and expertise in this field. In addition, because WMP has been focused on since the 1980s, there are reliable supply chains into the markets.



Source: TDM LLB

New Zealand Whole Milk Powder Export Destinations by Quantity (MT)								
Destination Country	Annual Total Quantity (MT) for Calendar Year					YTD Jan-Mar by Qty (MT)		
	2015	2016	2017	2018	2019	2019	2020	%Δ 2020/19
China	354,291	389,079	467,620	506,707	632,131	131,319	137,208	4.5%
Algeria	121,129	166,570	96,403	96,595	91,419	53,941	28,464	-47.2%
Sri Lanka	57,764	67,137	85,027	83,893	84,831	23,091	24,258	5.1%
United Arab Emirates	125,488	96,769	108,503	91,979	84,624	22,752	32,113	41.1%
Bangladesh	39,039	42,876	59,599	66,506	76,153	30,778	24,666	-19.9%
Indonesia	32,242	36,392	35,768	42,856	52,526	15,595	13,135	-15.8%

Thailand	44,921	42,522	43,082	49,874	52,526	26,395	17,262	-34.6%
Malaysia	82,358	51,111	57,798	49,748	50,383	17,138	13,487	-21.3%
Vietnam	49,340	38,708	37,248	40,585	44,000	17,495	12,898	-26.3%
Singapore	40,031	38,438	41,627	38,309	37,695	9,677	10,292	6.4%
Rest of World	433,811	374,055	309,432	301,989	329,421	115,091	102,663	-10.8%
Total for World	1,380,414	1,343,657	1,342,107	1,369,041	1,535,709	463,272	416,446	-10.1%
Average FOB price US\$/T	\$2,551	\$2,361	\$3,143	\$3,096	\$3,082	\$2,817	\$3,282	16.5%

Source: TDM LLB

Dairy, Dry Whole Milk Powder Market Begin Year New Zealand	2018		2019		2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	149	149	212	212	102	160
Production	1450	1450	1460	1500	1525	1525
Other Imports	2	2	3	4	3	3
Total Imports	2	2	3	4	3	3
Total Supply	1601	1601	1675	1716	1630	1688
Other Exports	1369	1369	1550	1536	1540	1500
Total Exports	1369	1369	1550	1536	1540	1500
Human Dom. Consumption	2	2	3	2	3	2
Other Use, Losses	18	18	20	18	18	18
Total Dom. Consumption	20	20	23	20	21	20
Total Use	1389	1389	1573	1556	1561	1520
Ending Stocks	212	212	102	160	69	168
Total Distribution	1601	1601	1675	1716	1630	1688

(1000 MT)

Not official USDA PSD estimates

Production, Supply, and Demand – Cheese

2020

The production forecast for cheese in 2020 has been revised to 360,000 MT, 5,000 MT or 1.4 percent less than the USDA official forecast and 1.4 percent lower than 2019. Approximately 50 percent of cheese produced still consists of hard natural cheese such as cheddar. Cheese is primarily only produced during the peak milk supply months (October to December) when all other processing is at full capacity. As milk supply wanes slightly in 2020, cheese production is likely to follow suit.

Exports are now forecast at 340,000 MT, 2.9 percent less than the USDA official forecast but 1.5 percent above 2019. Exports for the first three months of 2020 are 2 percent above the same period in 2019 and this pace of shipping is not expected to increase as the year progresses. Around 50 percent of New Zealand's cheese production is fresh or mozzarella cheese and is most likely destined for food service. It is food service industries which are being the most affected by the Covid-19 lockdowns around the world, which is expected to limit any further rise in the final volume of exports.

On a positive note, although exports to China (which is a big purchaser of cheese for the food service sector) plummeted in February, by March they had substantially recovered and were tracking well in April. In addition, the GDT auction prices for cheddar are still relatively high compared with milk powders. If there is a swift recovery in food service markets in Asia it could help support exports.

New Zealand Cheese Export Destinations by Quantity (MT)								
Destination Country	Annual Total Quantity (MT) for Calendar Year					Year-To-Date January-March (MT)		
	2015	2016	2017	2018	2019	2019	2020	%Δ 2020/19
China	39,550	51,668	56,409	54,572	71,702	11,855	15,882	34.0%
Japan	55,045	61,345	63,552	64,630	66,087	16,347	15,950	-2.4%
Australia	51,294	61,959	61,618	47,983	47,805	14,065	12,178	-13.4%
South Korea	14,929	19,730	18,957	19,402	22,871	5,732	10,100	76.2%
Saudi Arabia	12,122	11,190	12,754	12,189	14,741	4,257	3,658	-14.1%
Philippines	15,654	15,805	13,807	13,410	13,834	4,380	4,660	6.4%
Indonesia	14,122	15,935	17,738	15,572	13,368	5,272	4,937	-6.4%
Taiwan	8,883	9,208	9,551	7,950	8,719	1,968	2,628	33.5%
Malaysia	9,044	8,607	12,389	8,745	7,949	1,955	3,093	58.2%
Trinidad and Tobago	5,990	5,998	6,136	6,573	7,105	1,686	1,584	-6.0%
Rest of World	100,137	93,660	69,799	70,872	60,717	20,600	15,169	-26.4%
World Total	326,770	355,105	342,710	321,898	334,898	88,117	89,839	2.0%

Source: TDM LLB

Dairy, Cheese Market Begin Year New Zealand	2018		2019		2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	46	46	51	68	47	73
Production	355	370	360	365	365	360
Other Imports	12	12	14	13	14	13
Total Imports	12	12	14	13	14	13
Total Supply	413	428	425	446	426	446
Other Exports	322	322	340	335	350	340
Total Exports	322	322	340	335	350	340
Human Dom. Consumption	40	38	38	38	40	38
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	40	38	38	38	40	38
Total Use	362	360	378	373	390	378
Ending Stocks	51	68	47	73	36	68
Total Distribution	413	428	425	446	426	446

(1000 MT)

Not official USDA PSD estimates

2019

Cheese production for 2019 is now estimated at 365,000 MT, 1.4 percent below 2018. Exports for 2019 totaled 335,000 MT, four percent above 2018. With record milk production in 2018 it is likely that more cheese was made in the peak of the milk flush and the 2018 production has been revised upward to 370,000 MT. The extra production in 2018 and 2019 has increased year end inventories which are likely to have peaked at around 73,000 MT at the end of 2019.

Production, Supply, and Demand – Skim Milk Powder (SMP)

2020

Production of SMP in 2020 is now forecast at 370,000 MT, 1.3 percent less than the 2019 estimate. The dynamics at play with regards to SMP production and exports are listed below. It is expected that the negative influences will be greater than the positive influences, and that exports will be reduced to 350,000 MT. This is 10.3 percent below the USDA Official forecast and would be 6.2 percent less than 2019 exports.

Negative factors:

- Total protein supply in milk production is likely to be slightly down as the milk supply is likely to contract slightly.
- It is expected the European Union may increase SMP production to cope with the surplus of milk that would have gone into food service products now disrupted by the Covid-19 lockdowns. This is likely to disrupt current international trade flows of SMP.
- While New Zealand processors have long standing customers for a reasonably reliable volume of SMP, there are always a group of potential customers who are very cost conscious and are likely to switch origins as pricing options change.
- SMP is mainly the co-product of the manufacture of butter or AMF. If demand in the short term for fat-based products drops, or if WMP becomes significantly more profitable as a result of the Covid-19 disruptions for other products, then SMP production will trend down.
- January-March exports are already running at 6.4 percent less than the same period 2019.

Positive factors:

- Production of SMP is a precursor to production of many other protein products including the food ingredients, casein and whey protein products, milk protein concentrate. If sales of these protein products are disrupted by Covid-19, milk processing of the protein stream will likely end at the SMP stage. Also, SMP can be stored for longer than WMP because of the lower fat content.

- At the peak milk flow in October, November some SMP/ butter or AMF has to be made to be able to process all the milk being received each day.

2019

The 2019 production estimate has been revised to 375,000 MT, eight percent less than 2018.

The marginally lower milk supply and the increase in production of higher value products that use protein or have SMP as a precursor or ingredient limited SMP production as a final product. Actual exports of SMP in 2019 rose by 4.2 percent over 2018 to reach 373,000 MT.

New Zealand Skim Milk Powder Export Destinations by Quantity								
Destination Country	Annual Total Quantity (MT) for Calendar Year					Year-to-Date January-March Qty (MT)		
	2015	2016	2017	2018	2019	2019	2020	%Δ 2020/19
China	122,926	107,627	129,535	126,229	131,410	30,339	30,388	0.2%
Malaysia	31,272	39,439	34,168	31,727	29,547	8,594	8,117	-5.6%
Philippines	32,668	41,247	26,208	25,590	28,516	11,450	7,324	-36.0%
Thailand	25,838	27,078	23,952	23,525	24,009	9,686	9,911	2.3%
Singapore	35,266	24,038	23,975	19,405	22,256	6,090	5,674	-6.8%
Taiwan	20,655	18,476	18,658	17,612	20,755	5,545	4,963	-10.5%
Indonesia	24,021	32,470	19,815	20,600	19,977	6,476	12,156	87.7%
Vietnam	18,483	19,373	22,582	12,520	14,864	9,629	6,449	-33.0%
United Arab Emirates	7,622	10,574	6,654	5,294	9,503	2,728	3,169	16.2%
Australia	3,828	3,115	4,426	6,415	8,355	1,635	1,906	16.6%
Rest of World	88,735	120,620	91,029	69,295	63,717	24,872	19,476	-21.7%
World Total	411,314	444,057	401,002	358,212	372,909	117,044	109,533	-6.4%

Source: TDM LLB

Dairy, Milk, Nonfat Dry Market Begin Year New Zealand	2018		2019		2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	67	67	117	117	129	116
Production	410	410	385	375	370	370
Other Imports	3	3	3	4	3	2
Total Imports	3	3	3	4	3	2
Total Supply	480	480	505	496	502	487
Other Exports	358	358	370	373	390	350
Total Exports	358	358	370	373	390	350
Human Dom. Consumption	5	5	6	7	6	9
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	5	5	6	7	6	9
Total Use	363	363	376	381	396	359
Ending Stocks	117	117	129	116	106	129
Total Distribution	480	480	505	496	502	487

(1000 MT)

Not official USDA PSD estimates

Production, Supply, and Demand – Butter and Anhydrous Milk Fat (AMF)

Note: All the tonnages in the PSD table and the narrative below are expressed in butter equivalents.

2020

The production forecast for 2020 for the total AMF and butter in butter equivalents is now 520,000 MT, one percent less than the USDA official forecast and one percent down on the 2019 estimate. Exports in butter equivalents are now forecast at 490,000 MT, two percent less than the USDA official forecast and 3.7 percent below 2019. The factors influencing butter exports and production are listed below, with the negative impacts expected to outweigh the positive.

Negative factors:

- Exports for the period January to March 2020 are running at 15 percent below the same period in 2019, with butter down 21 percent.
- It is likely one of the Covid-19 effects in Europe will be more butter being produced surplus to domestic requirements, which will flow into the international trade.
- All around the globe Covid-19 lockdowns are disrupting food service. AMF is a major ingredient in many food service products and demand is likely to be disrupted. The extent to which this will occur cannot be determined at this point.
- The total milkfat supply is likely to be marginally down as the milk supply is also down slightly.
- The continued emphasis on WMP production will restrict the amount of butter/AMF that can be produced.

Positive factors:

- Since 2017, production of butter and AMF has been limited by higher profit UHT cream production. This UHT cream goes primarily to the food service sector in Asia (especially China) and sales are being disrupted during 2020. As a result, any milkfat saved from producing this cream could be processed into butter or AMF.
- At the peak milk flow in October and November some butter or AMF and SMP has to be made to be able to process all the milk being received each day.
- There are some long standing customers who New Zealand processors will be committed to supply regardless of price declines.

2019

Butter and AMF production for 2019 is estimated at 525,000 MT (butter equivalent), 4.6 percent less than 2018. UHT cream exports for food service in Asia continued to grow quickly, which limited

milkfat being processed to butter or AMF. Exports for 2019 reached 509,000 MT, 1.6 percent higher than the 2018 volume.

New Zealand Butter & AMF Export Destinations by Quantity (MT Butter Equivalents)								
Destination Country	Annual Total Quantity (MT Butter Eq.) for Calendar Year					Year-to-Date January-March Qty (MT But.Eq)		
	2015	2016	2017	2018	2019	2019	2020	%Δ 2020/19
China	71,886	72,056	87,849	104,584	89,671	17,126	22,666	32.3%
Philippines	30,334	31,589	33,031	33,529	36,314	14,003	9,541	-31.9%
Australia	20,370	29,443	30,017	36,940	36,050	9,514	11,390	19.7%
United States	20,122	12,111	7,287	14,324	32,668	10,679	9,247	-13.4%
Mexico	36,271	59,482	25,757	23,191	26,214	7,472	7,305	-2.2%
Russia	8,766	22,971	15,018	8,926	26,171	7,195	9,133	26.9%
Saudi Arabia	23,760	26,837	23,058	22,766	22,568	6,747	5,805	-14.0%
Vietnam	16,570	14,803	18,039	16,515	20,587	5,802	4,506	-22.3%
Egypt	42,853	40,050	16,254	19,642	19,095	5,105	7,545	47.8%
Malaysia	16,079	16,509	16,581	16,352	17,500	5,050	5,225	3.5%
Rest of World	264,862	228,586	203,026	204,118	182,005	70,298	43,628	-37.9%
World Total	551,873	554,437	475,917	500,887	508,843	158,991	135,991	-14.5%

Source: TDM LLB

Dairy, Butter Market Begin Year	2018		2019		2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
New Zealand						
Beginning Stocks	84	84	86	105	93	93
Production	530	550	530	525	525	520
Other Imports	1	1	1	1	1	1
Total Imports	1	1	1	1	1	1
Total Supply	615	635	617	631	619	614
Other Exports	501	501	495	509	500	490
Total Exports	501	501	495	509	500	490
Domestic Consumption	28	29	29	29	30	29
Total Use	529	530	524	538	530	519
Ending Stocks	86	105	93	93	89	95
Total Distribution	615	635	617	631	619	614

(1000 MT)

Not official USDA PSD estimates

Imports

New Zealand imported a total of US\$411 million worth of dairy products in 2019, up 29 percent on the total for 2018. The leading import was lactose used in the manufacture of WMP. The volume imported reached 117,976 MT of lactose, up 37 percent from 2018.

New Zealand Import Statistics For All Dairy Products								
Description	Unit	Annual Total by Qty for Calendar Years				Year-to-Date Jan-Mar Qty		
		2016	2017	2018	2019	2019	2020	%Δ 20/19
Milk And Cream, Nt Concndrd, Nt Sweetd, Nov 1% Fat	T	271	205	200	259	43	43	0.0%
Milk/Cream Nt Cncndr/Swt, Fat Content Ov 1% Nov-6%	L	769,161	1,350,124	1,817,541	2,910,768	468,968	258,145	-45.0%
Milk/Cream Nt Cncndr/Swt, Fat Content Ov 1% Nov-6%	T	1	16	1	47	0	0	
Milk & Cream Fat Cont 6-10% Not Concent Or Sweeten	T	0	0	0	0	0	0	
Milk & Cream Fat Cont Gt 10%, Not Concent Or Sweet	L	0	0	0	170	0	0	
Milk & Cream Fat Cont Gt 10%, Not Concent Or Sweet	T	935	1,114	1,205	1,179	139	156	12.2%
Mlk & Crm,Cntd,Swt,Powdr,Gran/Solids,Nov 1.5% Fat - SMP	T	2,730	1,992	2,704	3,990	444	994	123.9%
Mlk/Cream Cncndrd Nt Swtn Pwd/Oth Solids Ov 1.5% Fat - WMP	T	3,799	1,690	1,551	3,621	168	194	15.5%
Mlk & Crm,Cntd,Swtnd,Powdr/Solids, Over 1.5% Fat - WMP	T	199	35	201	38	1	119	11800.0%
Milk And Cream, Concentrated, Not Sweetened, Nesoi	T	92	108	150	184	40	32	-20.0%
Milk And Cream, Sweetened, Concen Or Not Nesoi	L	2,756	14,314	114,743	138,371	0	96	
Milk And Cream, Sweetened, Concen Or Not Nesoi	T	3,329	3,723	3,175	3,741	448	595	32.8%
Yogurt, W/N Sweetened, Flavored Or Cntg Fruit/Coco	T	427	252	209	84	7	10	42.9%
Buttermilk/Kephir/Curdled Fermntd Acidfd Mlk & Crm	T	107	310	481	533	81	87	7.4%
Whey & Modfd Whey Whet/Nt Cncndrtd Cntg Add Sweetn	T	16,449	23,489	31,219	20,861	5,741	3,523	-38.6%
Products Of Natural Milk Constituents, Nesoi - MPC	T	3,468	3,037	4,614	5,844	1,658	270	-83.7%
Butter	T	1,877	578	311	713	153	16	-89.5%
Dairy Spreads	T	16	2	4	24	0	1	
Fats And Oils Derived From Milk, N.E.S.O.I. - AMF	T	301	228	406	241	17	11	-35.3%
Cheese, (Unripened Or Uncured) Fresh (Including Whey Cheese), And Curd	T	2,410	2,250	1,819	1,759	150	207	38.0%
Cheese Of All Kinds, Grated Or Powdered	T	504	514	432	434	112	449	300.9%
Cheese, Processed, Not Grated Or Powdered	T	1,314	1,354	1,389	1,111	220	148	-32.7%
Cheese, Blue-Veined, Nesoi	T	221	222	201	230	45	26	-42.2%
Cheese, Nesoi, Including Cheddar And Colby, incl Mozzarella	T	6,016	7,088	7,842	9,202	1,360	510	-62.5%
Lactose & Lactose Syrup Cont 99% More Lactse By Wt	T	74,692	90,470	85,916	117,976	22,785	18,160	-20.3%
Lactose In Solid Form And Lactose Syrup, Nesoi	T	1,881	98	1,352	410	0	0	
Ice Cream And Other Edible Ice, With Cocoa Or Not	L	693	9,078	369,861	189,907	19,422	43,988	126.5%
Ice Cream And Other Edible Ice, With Cocoa Or Not	T	4,301	4,976	7,817	7,189	1,258	1,204	-4.3%
Casein	LPA	0	0	0	0	0	0	

Caseinates & Other Casein Derivatives; Casein Glue	T	1	1	4	1	0	0	
Caseinates And Other Casein Derivatives; Casein Glues	T	38	10	21	37	32	1	-96.9%
Milk Albumin,Inc Concen Of 2 Or More Whey Proteins	T	1,407	166	2,530	1,948	464	183	-60.6%
Albumins, Albuminates And Other Albumin Derivatives, Nesoi	T	7	35	18	29	0	1	
Peptones And Derivatives; Other Proteins And Derivatives, Nesoi; Hide Powder, Chromed Or Not	T	667	930	834	924	139	206	48.2%
Rennet And Concentrates Thereof	T	11	27	14	9	0	2	
Enzymes And Prepared Enzymes, Nesoi	T	436	407	451	432	80	96	20.0%
IMF	T	1,000	1,099	1,193	1,351	242	226	-6.6%

Attachments:

No Attachments