

NZ Dairy Export Volume & Production Analysis September & Q3 2019



NZ Dairy Exports: Executive Summary

September 2019 New Zealand EXPORT Volumes

Source: GTIS/Statistics NZ

Commodity	Actual (metric tons)	Actual (million pounds)	vs last yr	vs last mo**	Calendar YTD vs prev yr**	YTD vs. prev year (in MT)**	vs two years ago
Whole Milk Powder*	77,501	170.9	+ 44.7%	+ 132.1%	+ 15.2%	132,665	+ 23.9%
Skim Milk Powder*	15,481	34.1	+ 17.0%	+ 44.4%	+ 13.4%	30,158	- 23.6%
Combined WMP/SMP*	92,982	205.0	+ 39.2%	+ 110.8%	+ 14.8%	162,823	+ 12.3%
Anhydrous Milkfat	9,941	21.9	+ 2.2%	+ 70.7%	+ 5.8%	7,620	- 2.8%
Butter	12,718	28.0	- 1.0%	+ 82.9%	- 7.5%	(14,849)	- 7.8%
Buttermilk Powder	1,501	3.3	- 12.6%	+ 94.1%	- 4.3%	(1,173)	- 32.9%
Fluid Milk & Cream	32,631	71.9	+ 10.3%	- 1.3%	+ 24.6%	56,234	+ 5.9%
Cheese	20,512	45.2	+ 26.4%	+ 44.2%	+ 4.7%	10,988	+ 4.9%
Caseinates	1,574	3.5	- 12.1%	+ 23.9%	+ 4.7%	961	- 25.2%
Casein	2,983	6.6	- 15.2%	+ 43.9%	+ 3.5%	1,359	- 25.6%
Infant Formula***	10,449	23.0	+ 56.6%	- 0.5%	+ 40.1%	26,373	+ 44.4%
Lactose	1,252	2.8	- 30.3%	- 25.3%	- 7.8%	(1,251)	- 21.7%
WPC 80%+	783	1.7	+ 11.2%	+ 21.1%	- 7.6%	(1,182)	+ 3.2%

September 2019 New Zealand IMPORT Volumes

Palm Kernel Expeller (PKE)	137,603	303.4	- 36.9%	+ 15.3%	- 10.6%	(159,749)	- 4.1%
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*not sweetened **calculated on daily avg basis *** finished product for retail sale

Key Takeaways:

- WMP exports moved seasonally higher and set an all-time record high for the month of September. Volumes moving to China, Vietnam, and Australia were each more than double prior year levels. On a year to date basis, volumes remain at a record level for the first nine months of the year.
- SMP shipments were stronger versus prior year for the sixth consecutive month. However, volumes to China dropped lower as the country replace volumes that would traditionally be sourced from NZ with product from the EU. However, Southeast Asia stepped in to procure NZ product in the month, with shipments to Malaysia, Taiwan, Philippines, and Singapore all moving higher to round out the top five NZ SMP destinations in the month.
- Fat volumes were close to prior year levels, with both AMF and butter shipments DOWN on a year to date basis. China has been the primary driver of this decline as the country works through product in storage from strong 2018 imports.

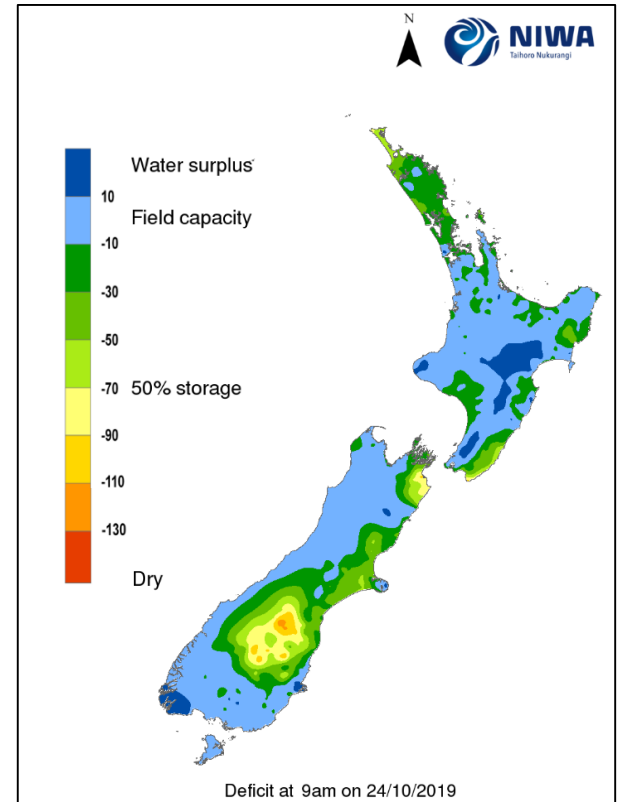
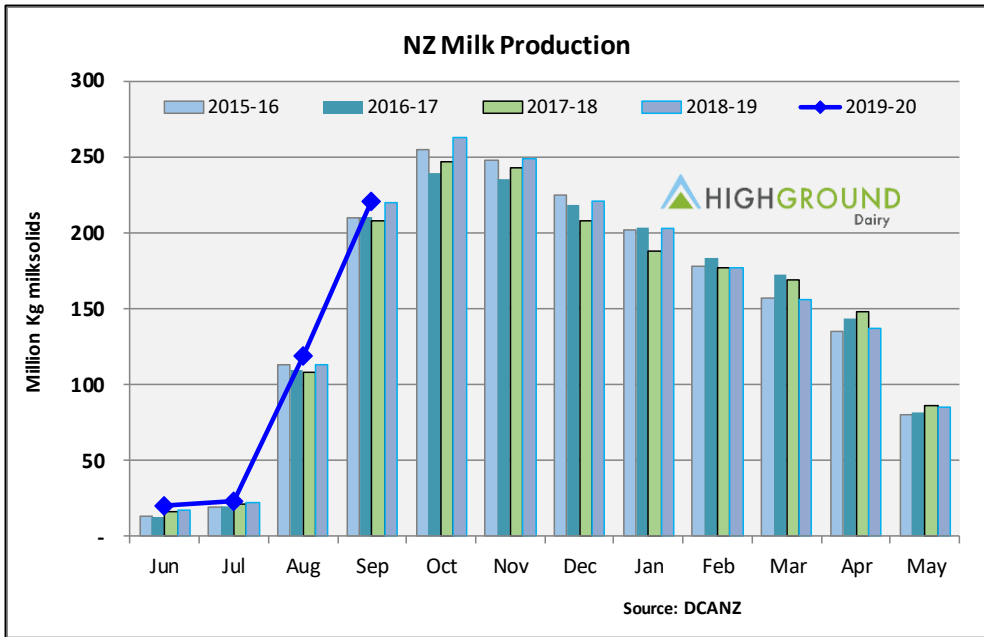
September exports were positive for most products as the milk production season ramped up seasonally. Milksolids slightly exceeded prior year levels, overcoming strong 2018 volumes as Kiwi farmers raced to produce milksolids to capitalize on what is expected to be a strong milk price this season.

HighGround will monitor milk output closely and opines that milksolids will trend in line with prior year levels throughout Q4 with growth limited. Exports will remain healthy as global buying continues at levels stronger than prior year, especially from China and Southeast Asia. As the US and EU continue to slowly move back into milk production expansion mode, global buyers continue to pay up for product with no region posting strong milk production gains and excess product tight. Looking into 2020, anecdotal conversations show that Kiwi farmers have plenty of silage on hand; a caution for the NZ industry is environmental regulations that will arrive soon.

HighGround Opinion: Demand remains healthy around the globe in a good balance to Kiwi milk volumes that so far have exceeded prior season. HighGround expects global demand, especially in powders, to remain strong throughout the year end as earlier than usual buying from China (due to an early Chinese New Year) keeps the market supported. With weather turning colder and wet, coupled with strong prior year milkflows, milksolids content will likely move to in-line or lower versus prior year throughout Q4. Overall, prices are expected to maintain strength at current levels, in line with processor expectations for the highest milk price since the 2013/14 season.

Heavy rain and cold [continues](#) to pelt the Northern Island throughout the peak of milking season, with some areas receiving more than [double](#) the average amount of rainfall over the past 15 days. The rain through September had improved the pasture growth index, but good pasture growth and milk productivity have been overtaken by flooding, causing longer term concerns for milk production throughout the next several weeks as soils saturate.

DCANZ reported September milk production was DOWN 0.7% versus prior year on a liquid milk basis but UP 0.7% versus prior year on a milksolids basis. This September growth pushes season to date output UP 2.0% on a milksolids basis. The September growth was smaller versus the gains seen since June, as expected due to strong prior year comparisons. HighGround expects further growth to be muted, with any growth exceeding last year's strong performance leaning bearish. The cold and wet weather in recent weeks is expected to continue throughout December, a key factor in HighGround's reduced expectations for production growth.

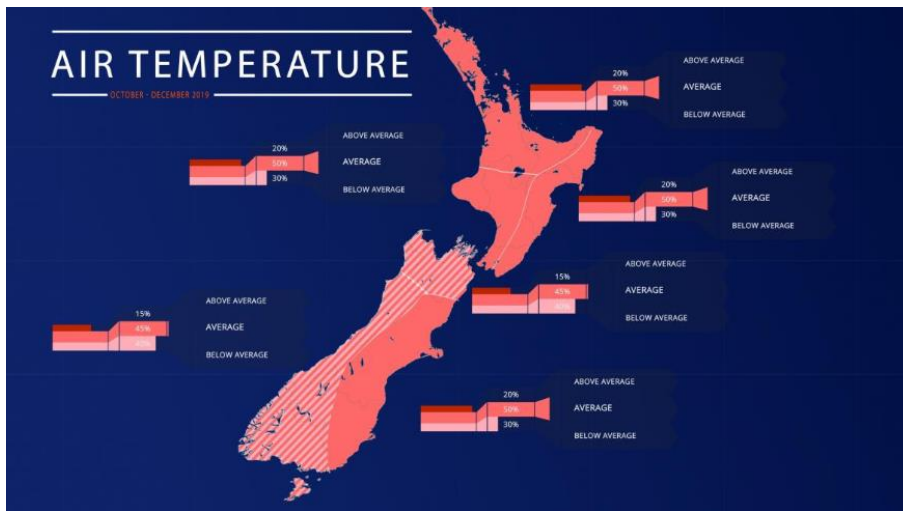


For October to December, air pressure is forecast to be lower than normal in the New Zealand region, especially south of the country. This is expected to be associated with a westerly quarter air flow anomaly, particularly during November and December. Occasional easterly quarter winds are possible during October.

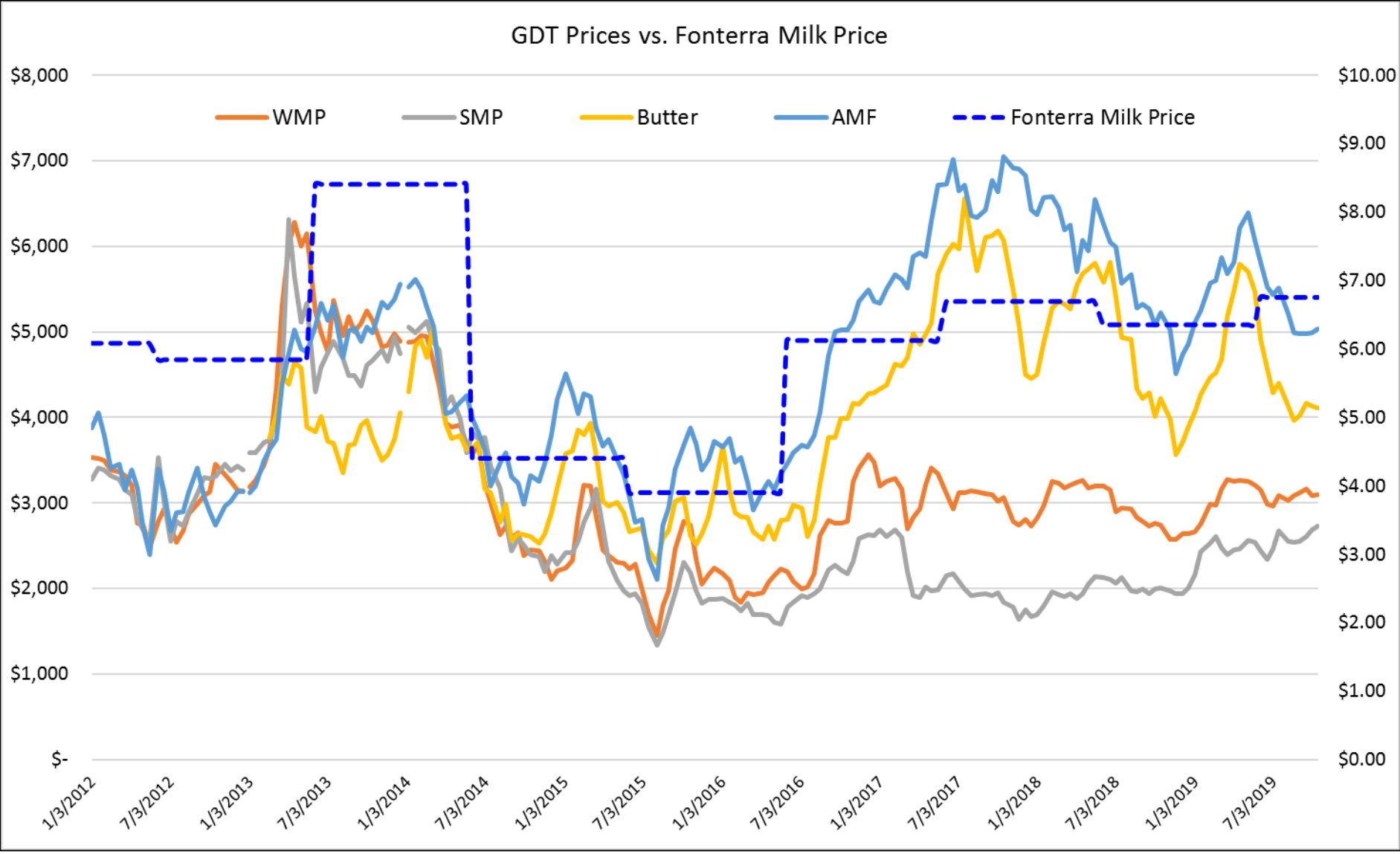
Temperatures are most likely to be near average for much of New Zealand, except the west and north of the South Island where there is about equal chances for near average or below average temperatures. Several sharp cold snaps are forecast during the first half of October.

Rainfall is most likely to be near normal for much of New Zealand, except the east of the South Island where near normal or above normal rainfall is about equally likely and the north of the North and South Island where near normal or below normal rainfall is about equally likely. An increase in westerly winds is possible later in October and November, which may lead to periods of unusually wet conditions, particularly in western areas.

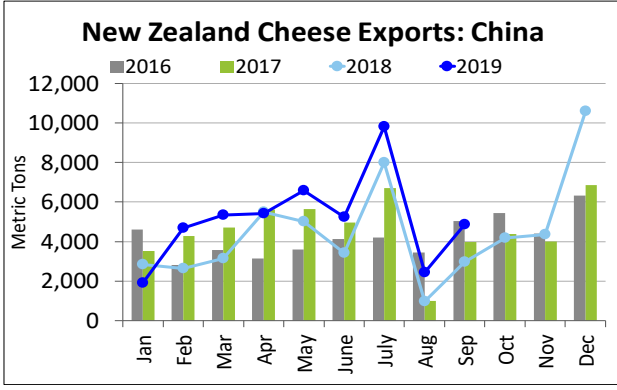
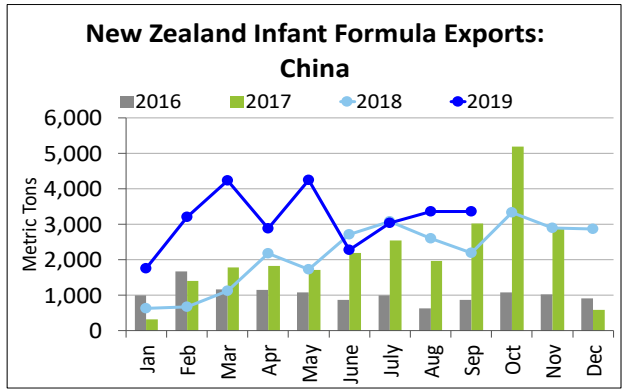
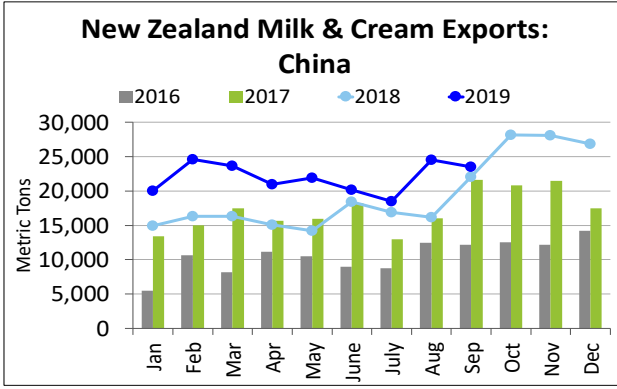
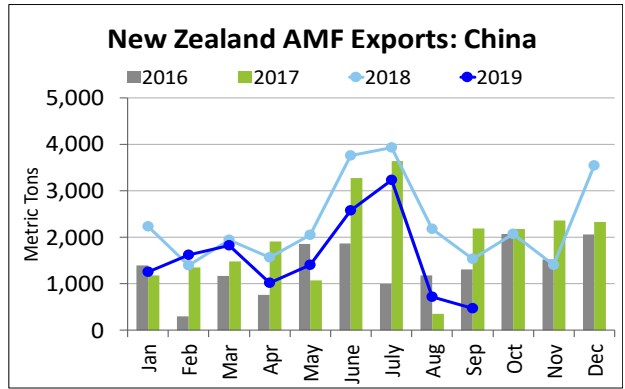
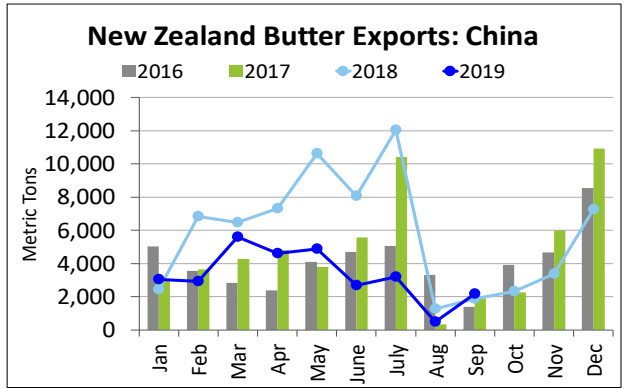
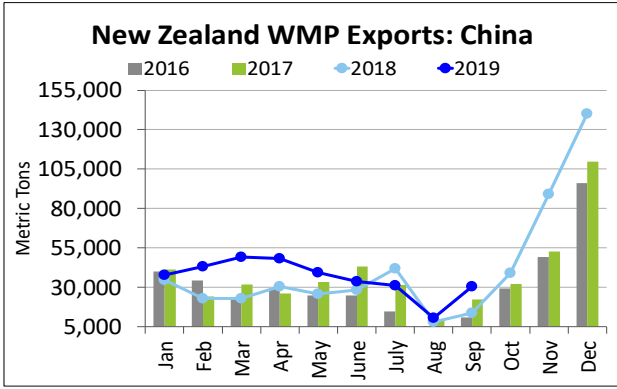
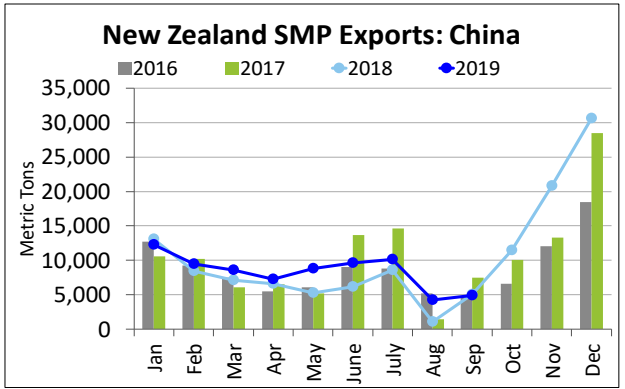
[NIWA](#)



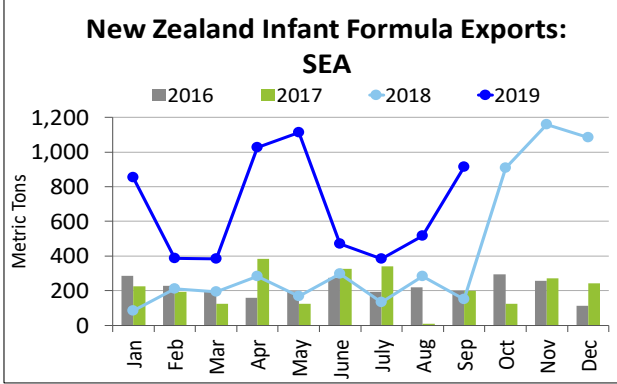
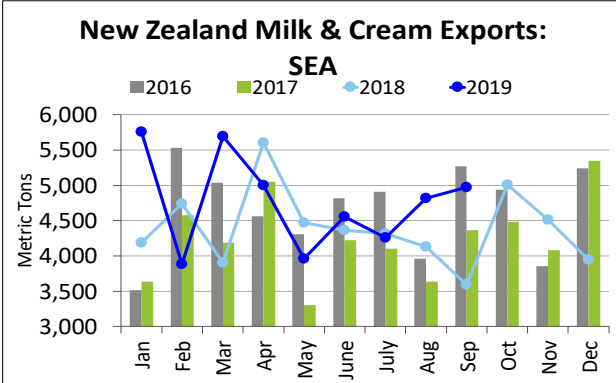
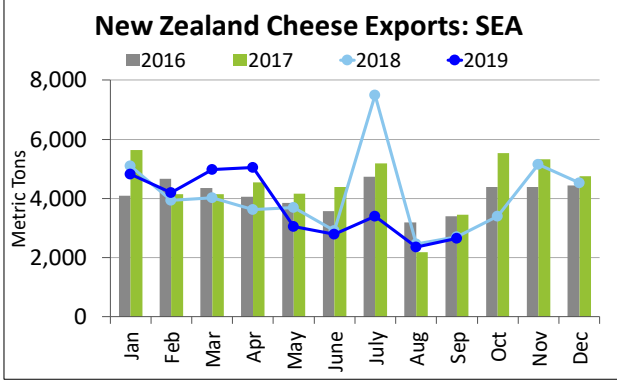
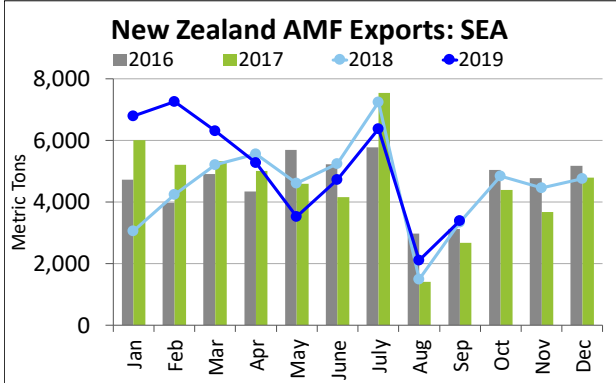
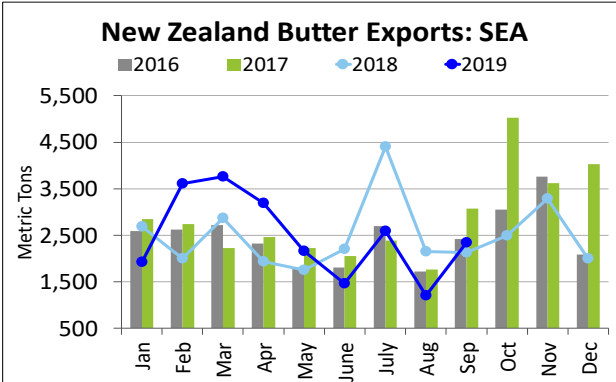
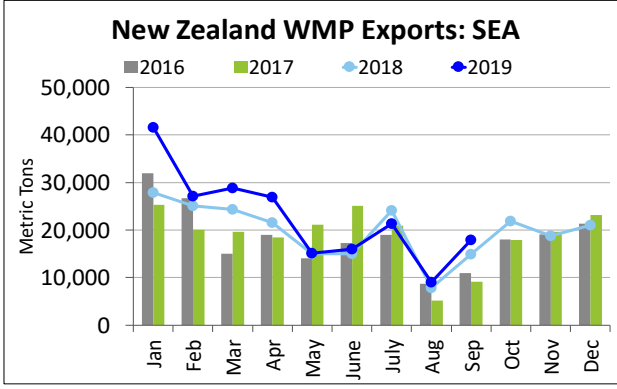
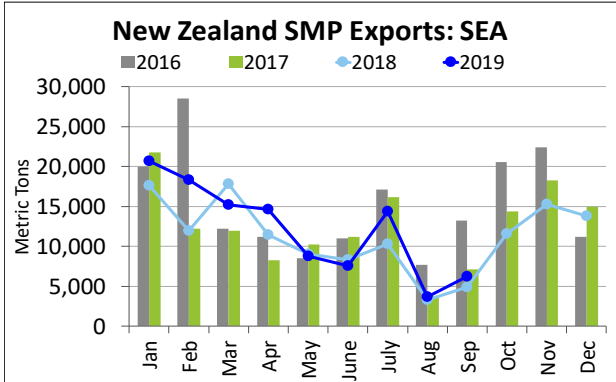
Elevated Fat Prices, Protein Continue to Aid Milk Price



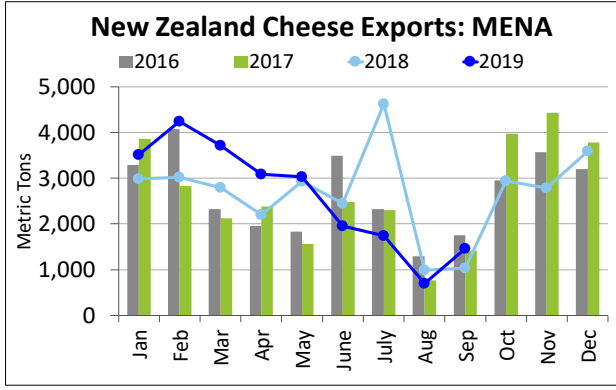
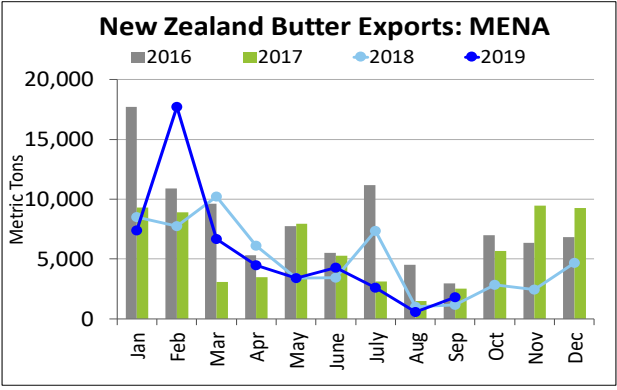
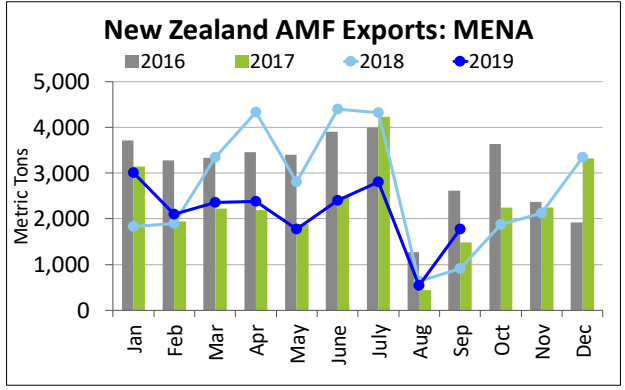
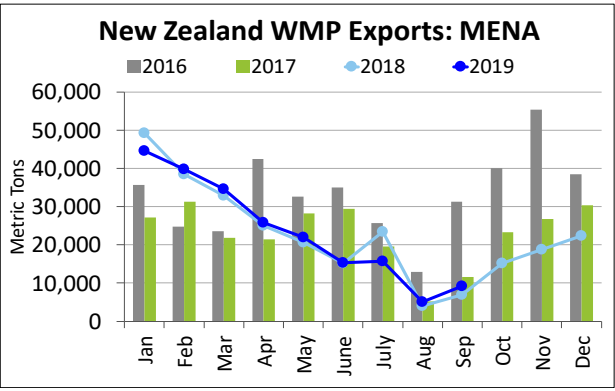
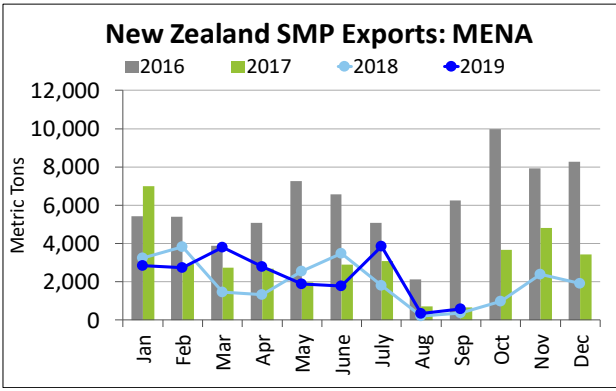
WMP, Cheese, IF All Stronger Into China



Volumes to Southeast Asia Move Higher YoY



Volumes to MENA Region Improve Modestly



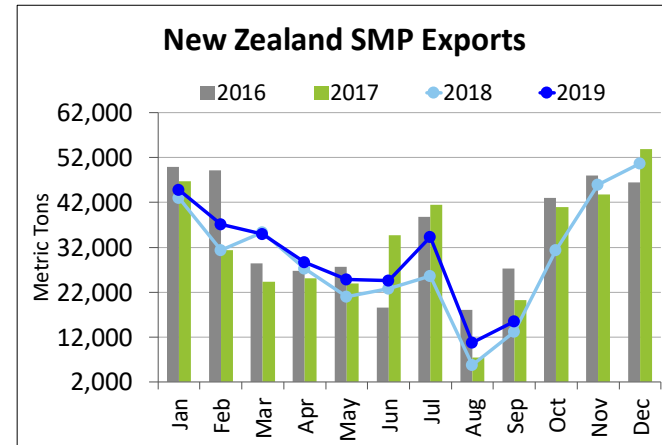
Skim Milk Powder (HS Code: 040210)

- Jul-Sept '19 export volume: 61,993MT (137 million lbs)
- YoY growth rate: +36% (+16,396MT, +36 million lbs)

Top 5 Suppliers [million lbs] (vs 2018, market share):

1. **China** – 19,671MT [43] (+31%, 32% share)
2. **Malaysia** – 6,096MT [13] (+10%, 10% share)
3. **Taiwan** – 5,460MT [12] (+44%, 9% share)
4. **Indonesia** – 4,545MT [10] (+5%, 7% share)
5. **Philippines** – 4,315MT [10] (+17%, 17% share)

- Other important countries (% , MT change vs. 2018): Singapore (+63%, UP 1,582MT), Thailand (+70%, UP 1,224MT)



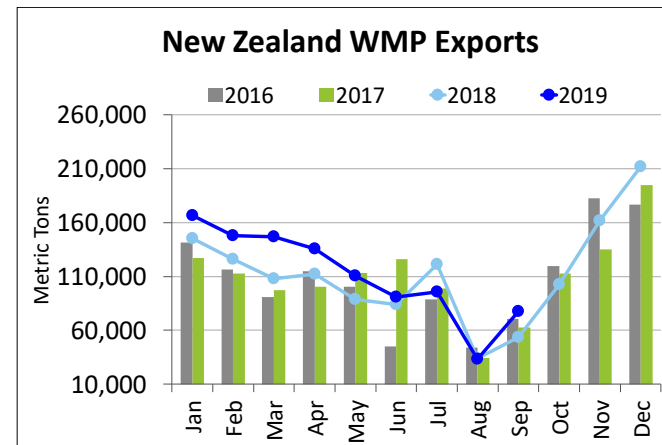
Whole Milk Powder (HS Code: 040221)

- Jul-Sept '19 export volume: 210,613MT (464 million lbs)
- YoY growth rate: -1% (-3,151MT, -7 million lbs)

Top 5 Suppliers [million lbs] (vs 2018, market share):

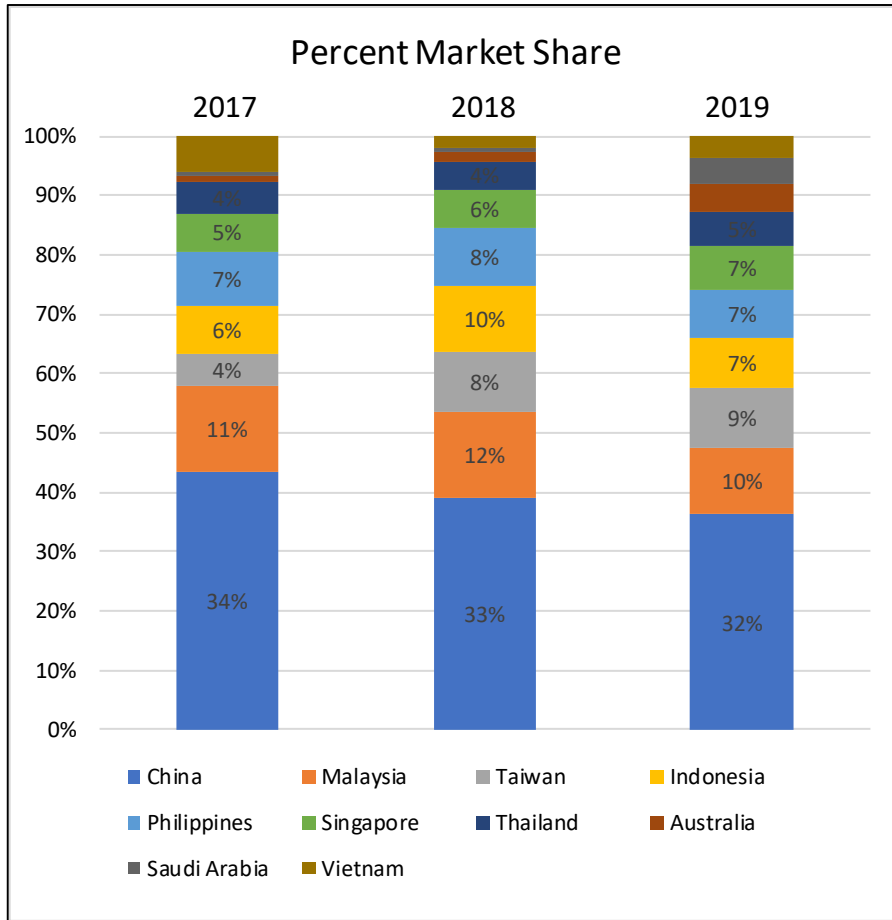
1. **China** – 73,575MT [162] (+12%, 35% share)
2. **Sri Lanka** – 18,745MT [41] (-10%, 9% share)
3. **United Arab Emirates** – 17,076MT [38] (+1%, 8% share)
4. **Indonesia** – 13,491MT [30] (+11%, 6% share)
5. **Vietnam** – 10,376MT [23] (+102%, 5% share)

- Other important countries (% , MT change vs. 2018): Australia (+50%, UP 2,908MT), **Malaysia (-25%, DOWN 2,897MT)**

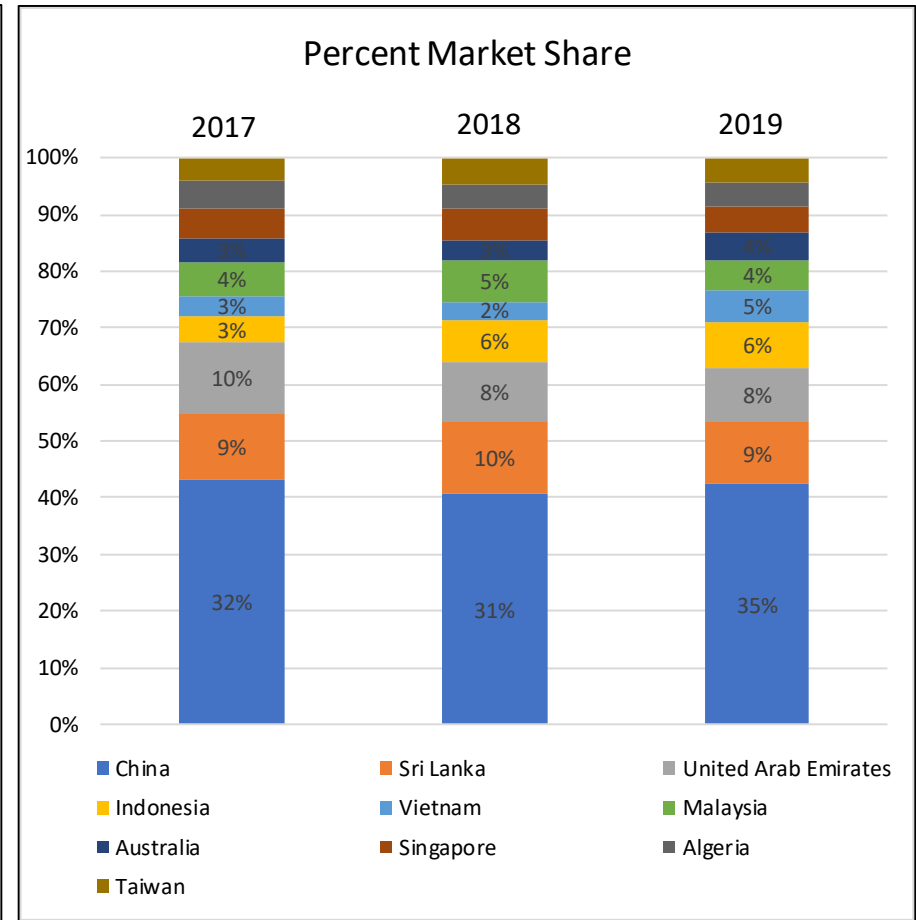


(all chart data calculated on a daily average basis)

Skim Milk Powder



Whole Milk Powder



Anhydrous Milkfat (HS Code: 0405900001)

- Jul-Sept '19 export volume: 36,129MT (80 million lbs)
- YoY growth rate: -11% (-4,583MT, -10 million lbs)

Top 5 Suppliers [million lbs] (vs 2018, market share):

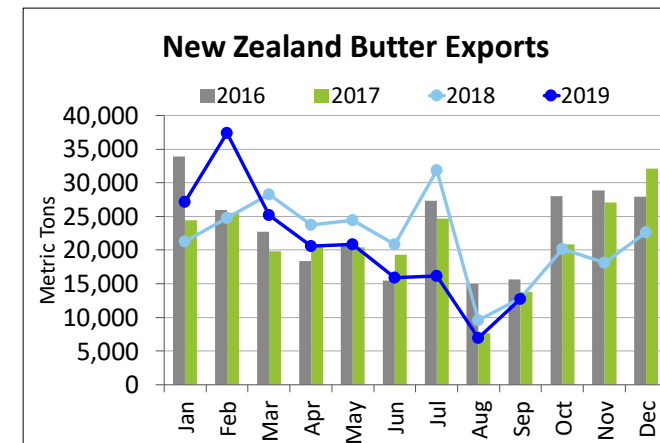
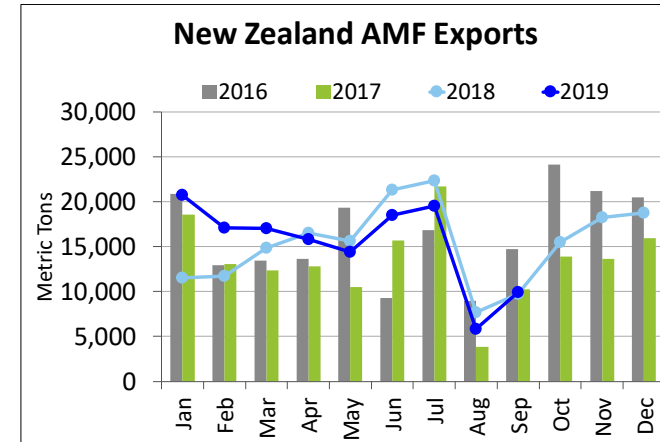
1. **Philippines** – 5,273MT [12] (-13%, 15% share)
 2. **Mexico** – 5,036MT [11] (+64%, 14% share)
 3. **China** – 4,537MT [10] (-39%, 13% share)
 4. **Vietnam** – 2,684MT [6] (+48%, 7% share)
 5. **United States** – 2,377MT [5] (+296%, 7% share)
- Other important countries (% change vs. 2018): **Saudi Arabia** (-15%, DOWN 365MT), **Malaysia** (-9%, DOWN 159MT)

Butter (HS Code: 040510)

- Jul-Sept '19 export volume: 36,551MT (81 million lbs)
- YoY growth rate: -34% (-19,148MT, -42 million lbs)

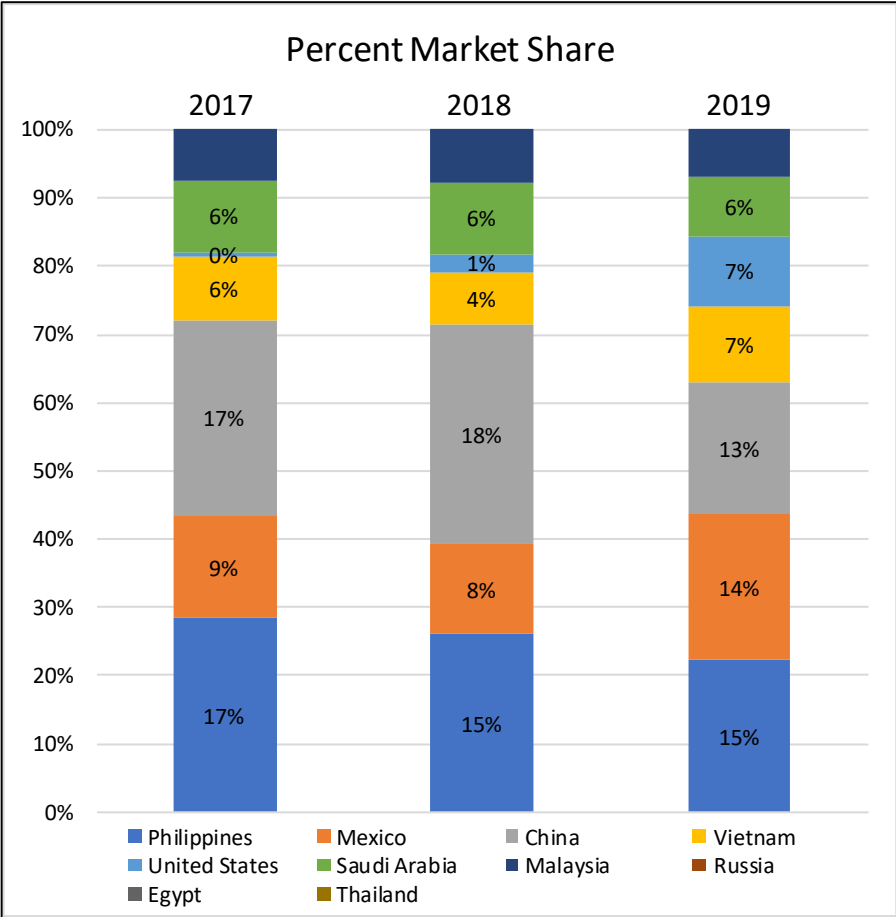
Top 5 Suppliers [million lbs] (vs 2018, market share):

1. **Australia** – 6,239MT [14] (+0.4%, 17% share)
 2. **China** – 5,985MT [13] (-61%, 16% share)
 3. **Indonesia** – 2,289MT [5] (-38%, 6% share)
 4. **Taiwan** – 2,229MT [5] (-8%, 6% share)
 5. **Saudi Arabia** – 1,678MT [4] (-31%, 5% share)
- Other important countries (% change vs. 2018): **Japan** (+16%, UP 197MT), **Russia** (+167%, UP 839MT)

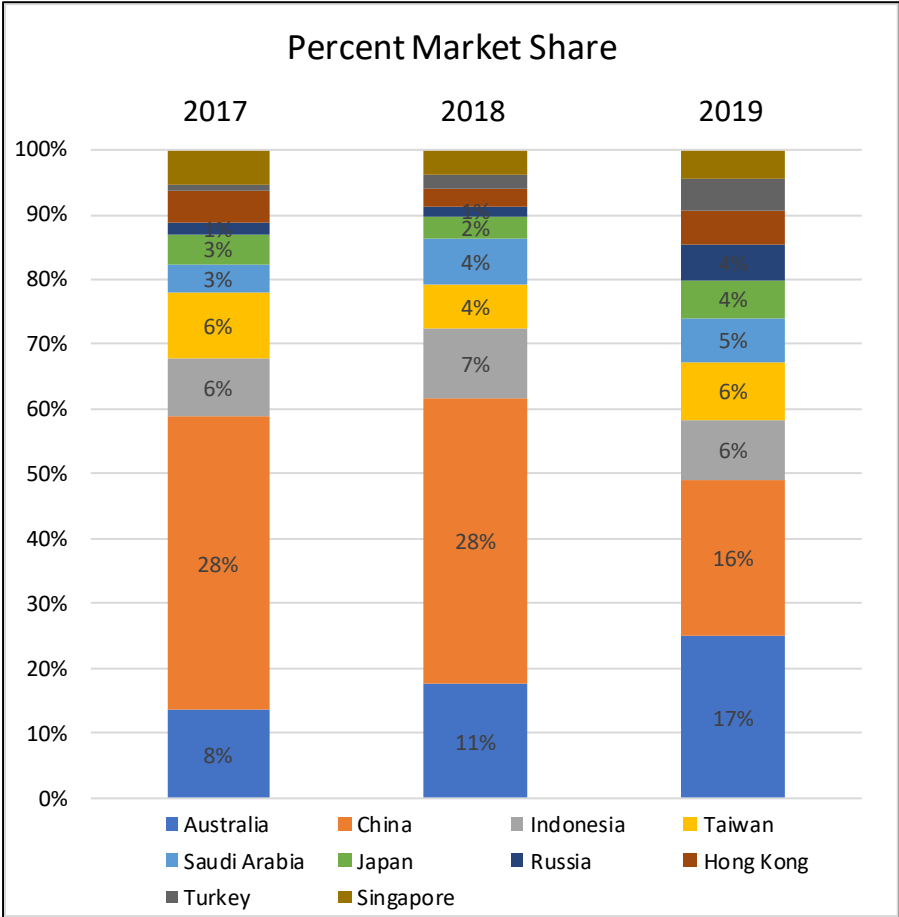


(all chart data calculated on a daily average basis)

AMF



Butter

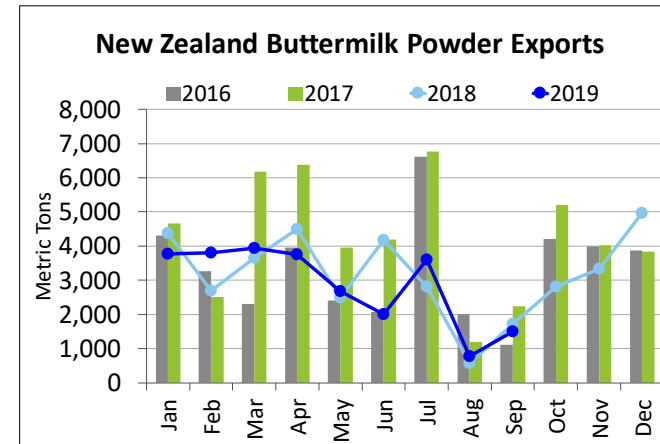


Buttermilk Powder (HS Code: 0403901901)

- Jul-Sept '19 export volume: 6,016MT (13 million lbs)
- YoY growth rate: +15% (+804MT, 2 million lbs)

Top 5 Suppliers [million lbs] (vs 2018, market share):

1. **Philippines** – 1,784MT [4] (-2%, 30% share)
 2. **Thailand** – 1,162MT [3] (+58%, 19% share)
 3. **Malaysia** – 751MT [2] (+104%, 12% share)
 4. **Yemen** – 508MT [1] (vs 0MT, 8% share)
 5. **Nigeria** – 303MT [1] (vs 0MT, 5% share)
- Other important countries (% change vs. 2018): Saudi Arabia (+337%, UP 227MT), **Peru (-14%, DOWN 42MT)**

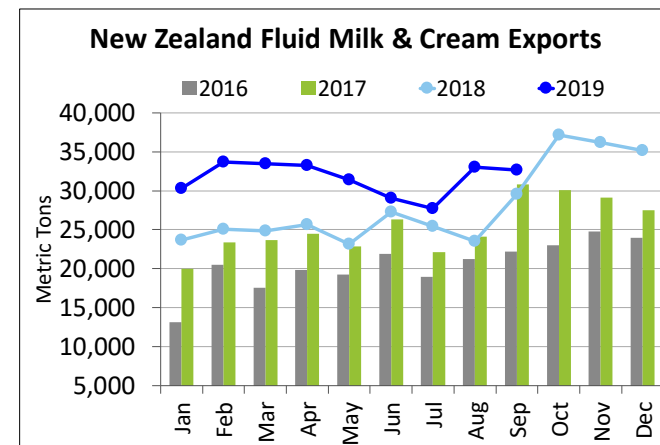


Fluid Milk & Cream (HS Code: 0401)

- Jul-Sept '19 export volume: 95,457MT (210 million lbs)
- YoY growth rate: +19% (+15,291MT, +32 million lbs)

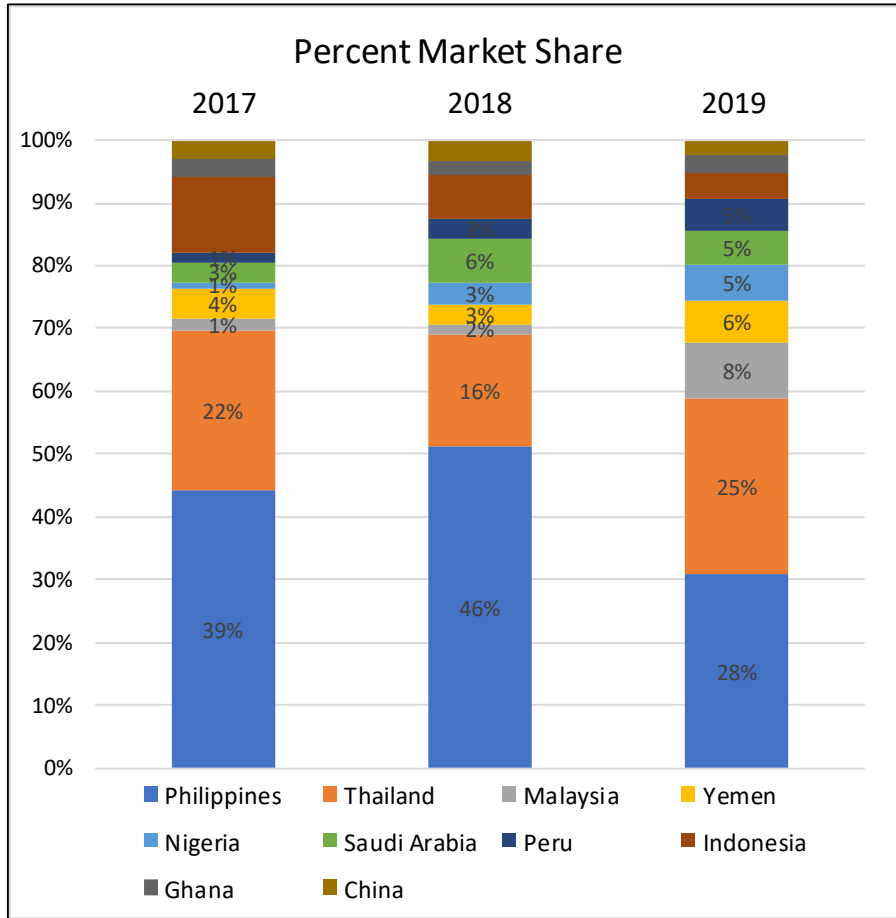
Top 5 Suppliers [million lbs] (vs 2018, market share):

1. **China** – 68,004MT [150] (+21%, 71% share)
 2. **Philippines** – 7,609MT [17] (+10%, 8% share)
 3. **Malaysia** – 2,592MT [6] (+52%, 3% share)
 4. **Fiji** – 2,574MT [6] (+24%, 3% share)
 5. **Taiwan** – 2,216MT [5] (+11%, 2% share)
- Other important countries (% change vs. 2018): Vietnam (+11%, UP 159MT), **Australia (-22%, DOWN 341MT)**, Thailand (+52%, UP 329MT)

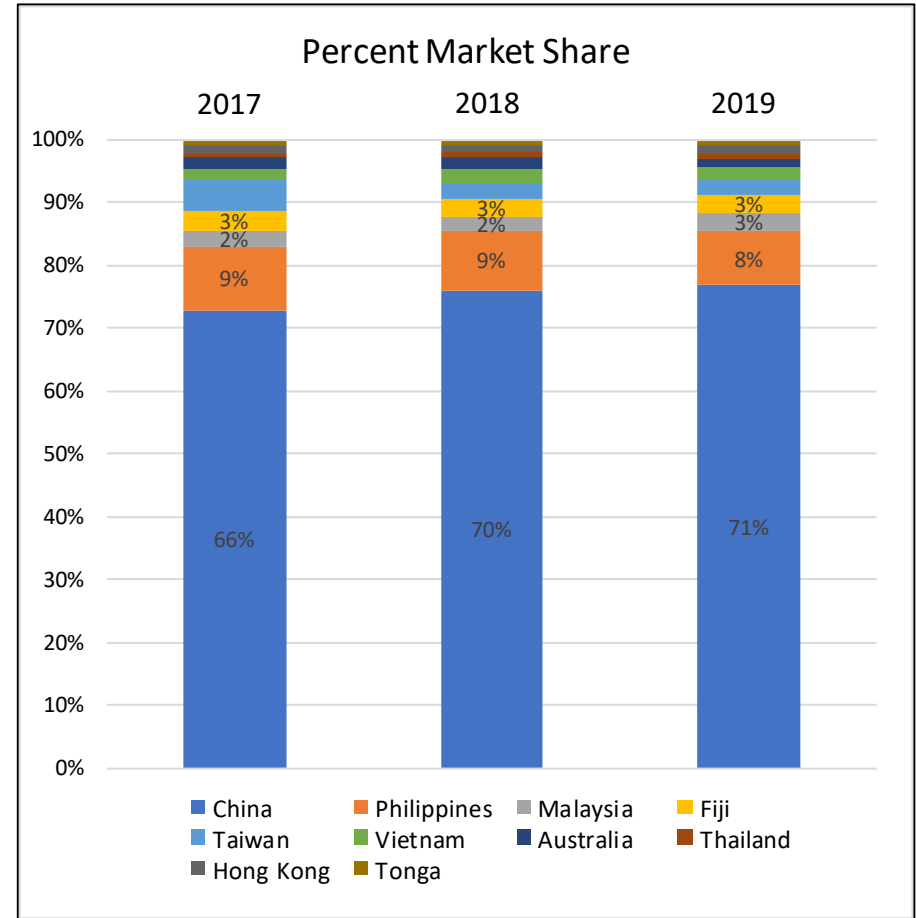


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Buttermilk Powder



Fluid Milk & Cream



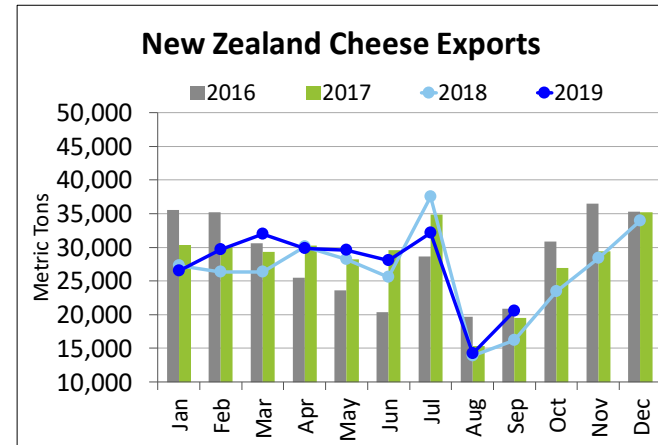
Cheese (HS Code: 0406)

- Jul-Sept '19 export volume: 68,443MT (151 million lbs)
- YoY growth rate: -1% (-904MT, -2 million lbs)

Top 5 Suppliers [million lbs] (vs 2018, market share):

1. **China** – 17,520MT [39] (+43%, 26% share)
2. **Japan** – 15,072MT [33] (+22%, 22% share)
3. **Australia** – 9,492MT [21] (+2%, 14% share)
4. **South Korea** – 4,320MT [10] (-2%, 6% share)
5. **Philippines** – 2,831MT [6] (-19%, 4% share)

- Other important countries (% , MT change vs. 2018): Taiwan (+5%, UP 103MT), Malaysia (+6%, UP 116MT)



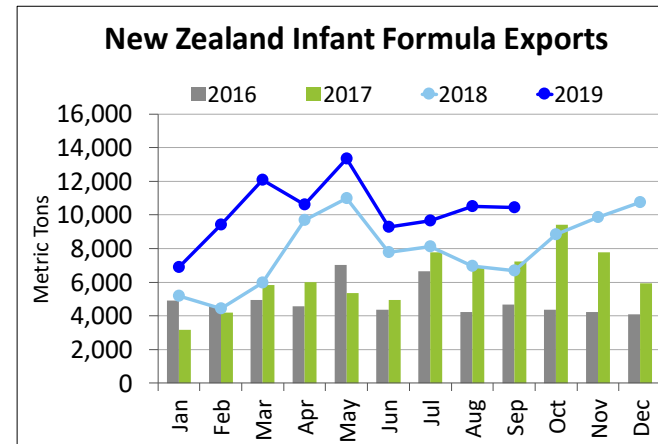
Infant Formula (HS Code: 190110)

- Jul-Sept '19 export volume: 31,263MT (69 million lbs)
- YoY growth rate: +40% (+8,992MT, +20 million lbs)

Top 5 Suppliers [million lbs] (vs 2018, market share):

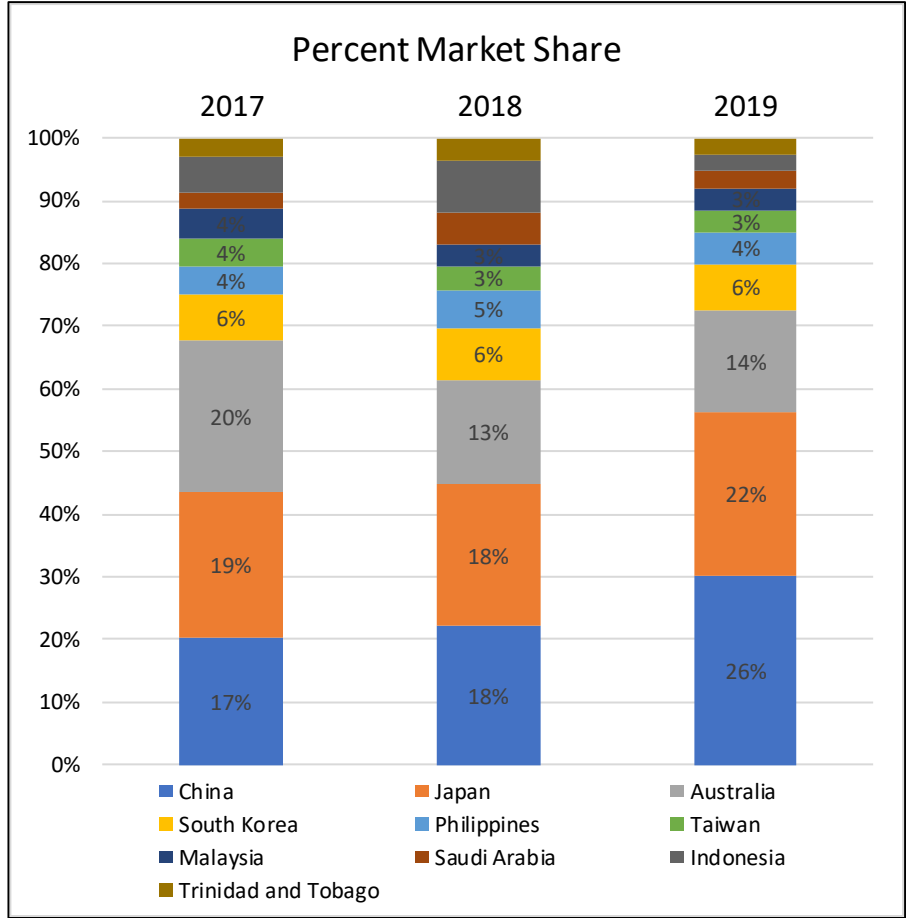
1. **Australia** – 12,819MT [28] (+72%, 41% share)
2. **China** – 10,414MT [23] (+29%, 33% share)
3. **Hong Kong** – 4,492MT [10] (+4%, 14% share)
4. **Thailand** – 952MT [2] (+295%, 3% share)
5. **Taiwan** – 567MT [1] (-5%, 2% share)

- Other important countries (% , MT change vs. 2018): Turkey (+52%, UP 98MT), Malaysia (+61%, UP 163MT)

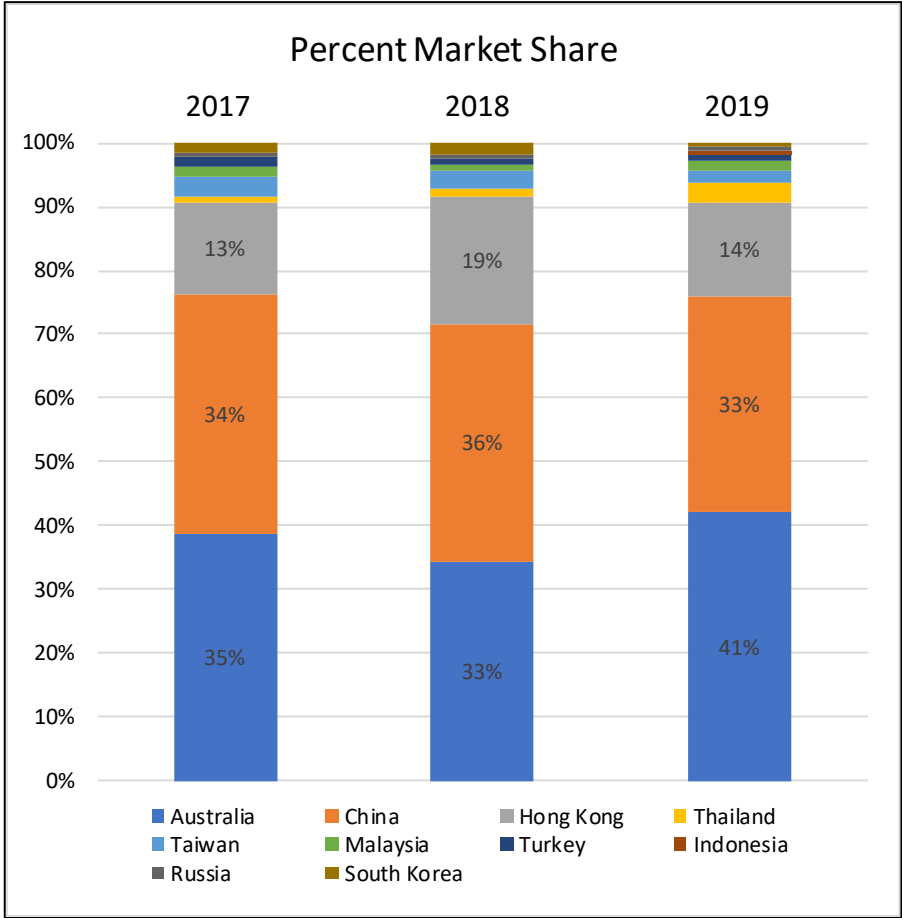


(all chart data calculated on a daily average basis)

Cheese



Infant Formula



WPC>80% - Milk Albumin (HS Code: 350220)

- Jul-Sept '19 export volume: 4,498MT (10 million lbs)
- YoY growth rate: -2% (-75MT, -0.2 million lbs)

Top 5 Suppliers [million lbs] (vs 2018, market share):

1. **Japan** – 1,053MT [2] (-24%, 23% share)
2. **China** – 1,038MT [2] (+65%, 23% share)
3. **United States** – 927MT [2] (+18%, 21% share)
4. **India** – 481MT [1] (-7%, 11% share)
5. **Singapore** – 360MT [0.8] (+6%, 8% share)

- Other important countries (MT change vs. 2018): Australia (+39%, UP 53MT)

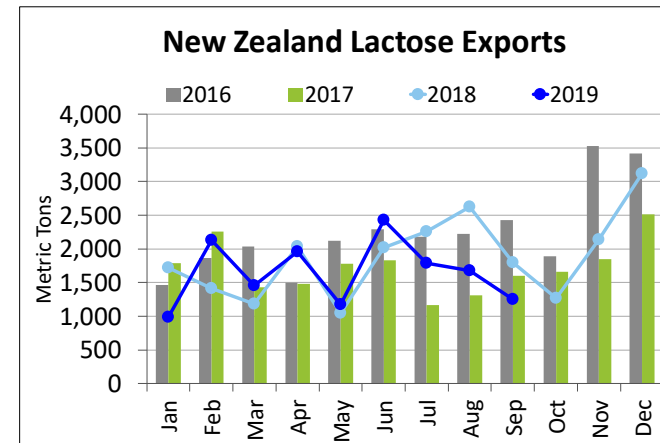
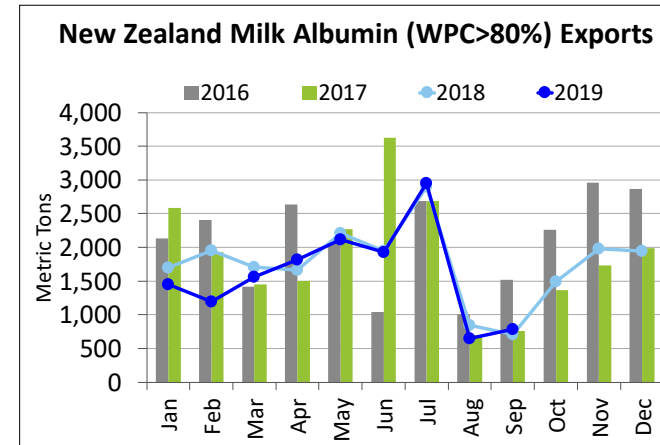
Lactose (HS Code: 170211)

- Jul-Sept '19 export volume: 4,833MT (11 million lbs)
- YoY growth rate: -29% (-2,004MT, -4 million lbs)

Top 5 Suppliers [million lbs] (vs 2018, market share):

1. **Japan** – 937MT [2] (+37%, 19% share)
2. **India** – 702MT [2] (-49%, 15% share)
3. **Thailand** – 422MT [0.9] (+50%, 9% share)
4. **Indonesia** – 342MT [0.8] (-16%, 7% share)
5. **Brazil** – 319MT [0.7] (-47%, 7% share)

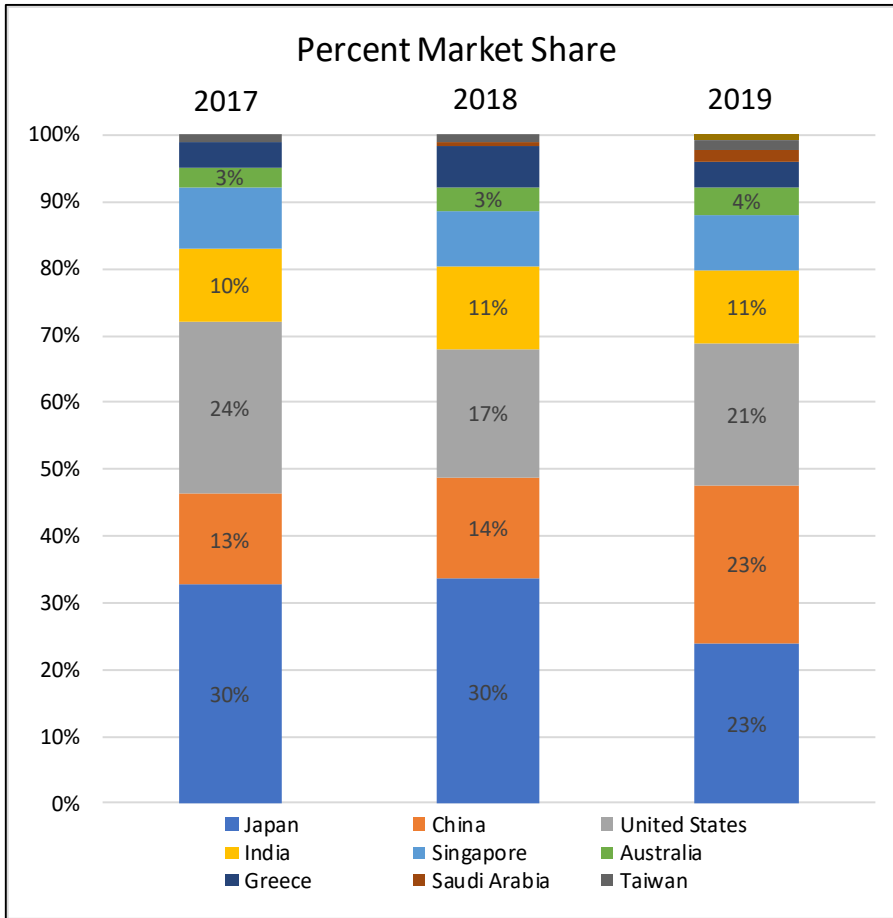
- Other important countries (% , MT change vs. 2018): Australia (+34%, UP 81MT), China (-68%, DOWN 500MT), Bangladesh (+41%, UP 85MT)



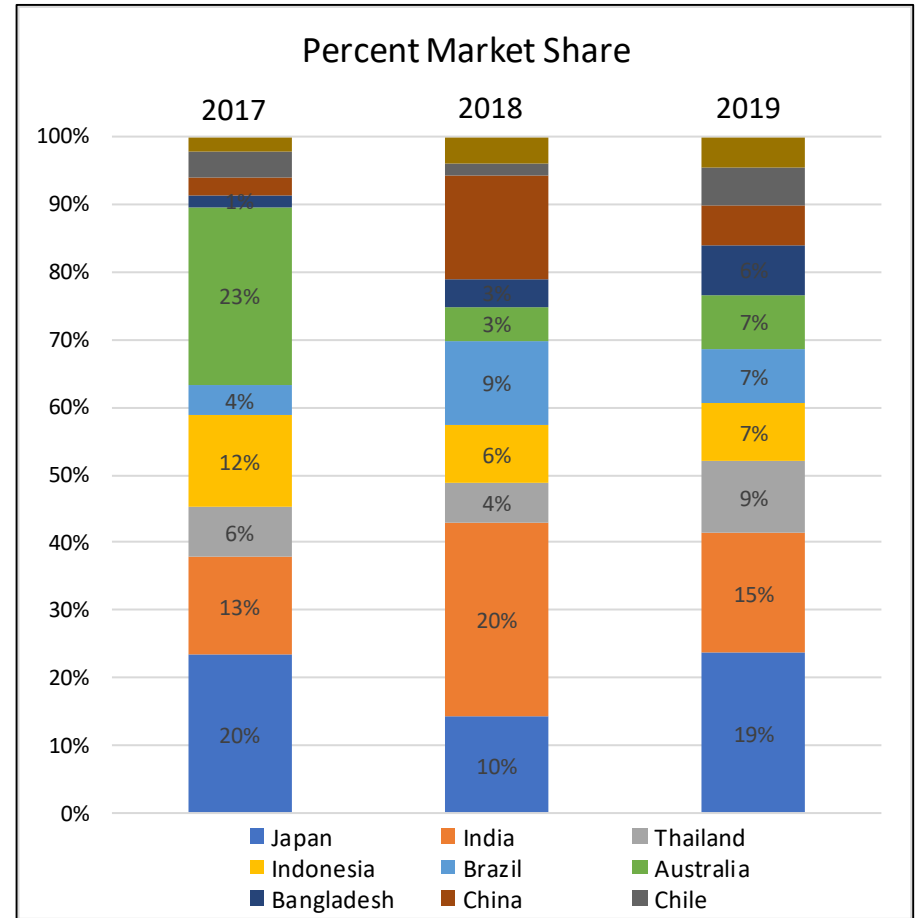
(all chart data calculated on a daily average basis)

2017-2019 Q3 Market Share (Top 10)

WPC>80%



Lactose



Casein (HS Code: 350110)

- Jul-Sept '19 export volume: 10,216MT (23 million lbs)
- YoY growth rate: +4% (+419MT, +0.9 million lbs)

Top 5 Suppliers [million lbs] (vs 2018, market share):

1. **United States** – 2,299MT [5] (+26%, 23% share)
2. **Mexico** – 1,613MT [4] (-27%, 16% share)
3. **Germany** – 1,599MT [4] (+269%, 16% share)
4. **China** – 1,163MT [3] (-23%, 11% share)
5. **Japan** – 1,733MT [2] (-24%, 8% share)

- Other important countries (% change vs. 2018):
Thailand (-2%, DOWN 11MT), Malaysia (-46%, DOWN 281MT)

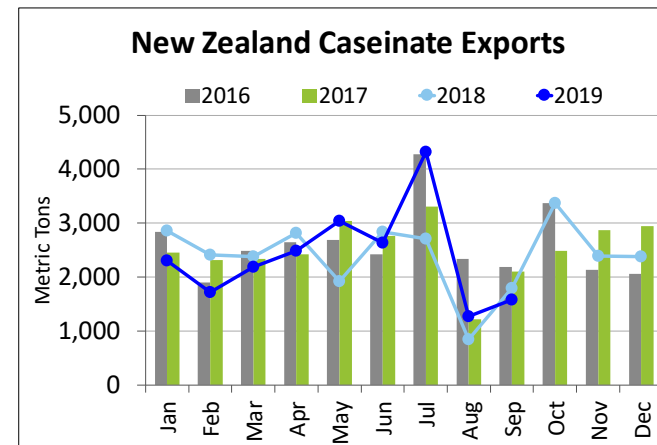
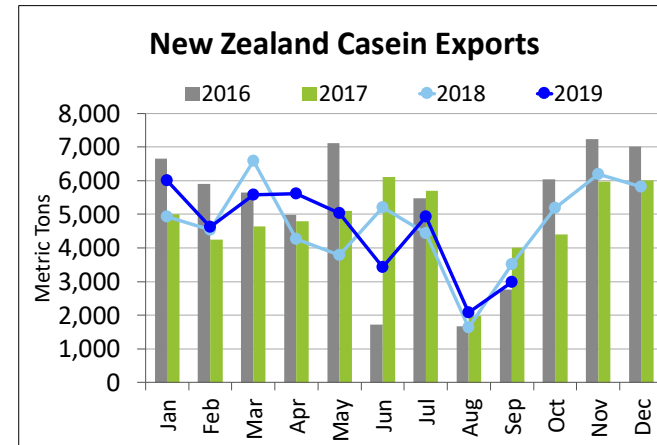
Caseinates (HS Code: 3501900010)

- Jul-Sept '19 export volume: 7,349MT (16 million lbs)
- YoY growth rate: +34% (+1,883MT, +4 million lbs)

Top 5 Suppliers [million lbs] (vs 2018, market share):

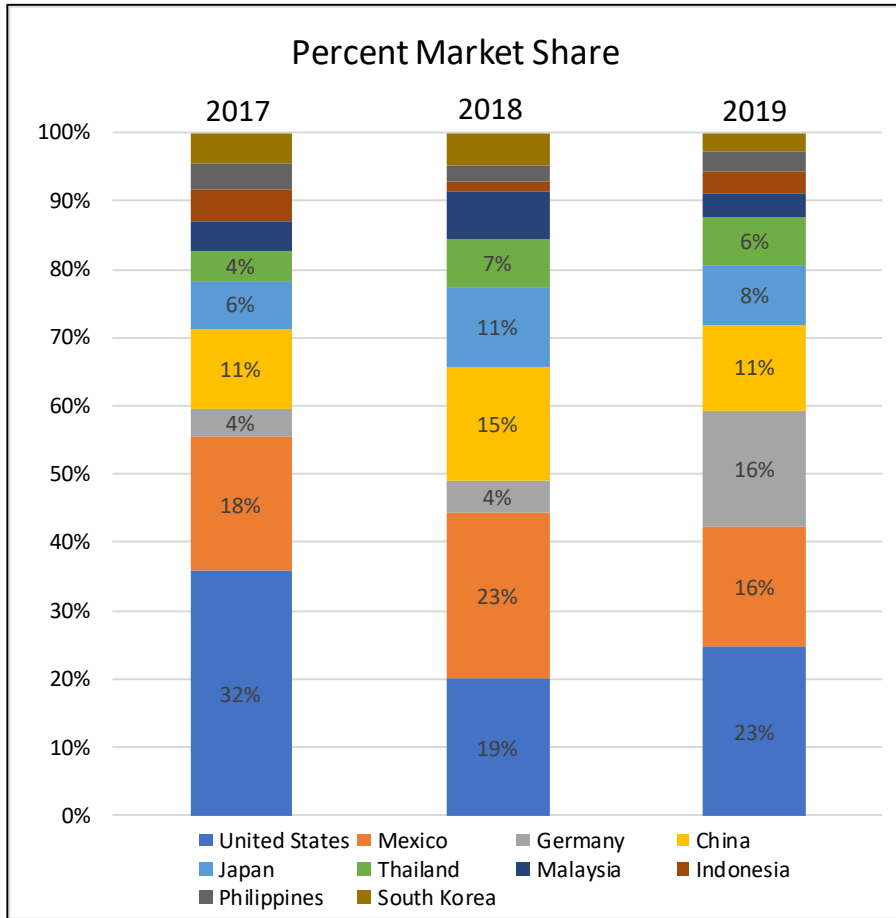
1. **China** – 3,153MT [7] (+117%, 43% share)
2. **Japan** – 1,211MT [3] (+16%, 16% share)
3. **United States** – 1,056MT [2] (+61%, 14% share)
4. **Indonesia** – 478MT [1] (-43%, 7% share)
5. **Australia** – 362MT [0.8] (+19%, 5% share)

- Other important countries (% change vs. 2018):
Singapore (-65%, DOWN 314MT), South Korea (+89%, UP 56MT)

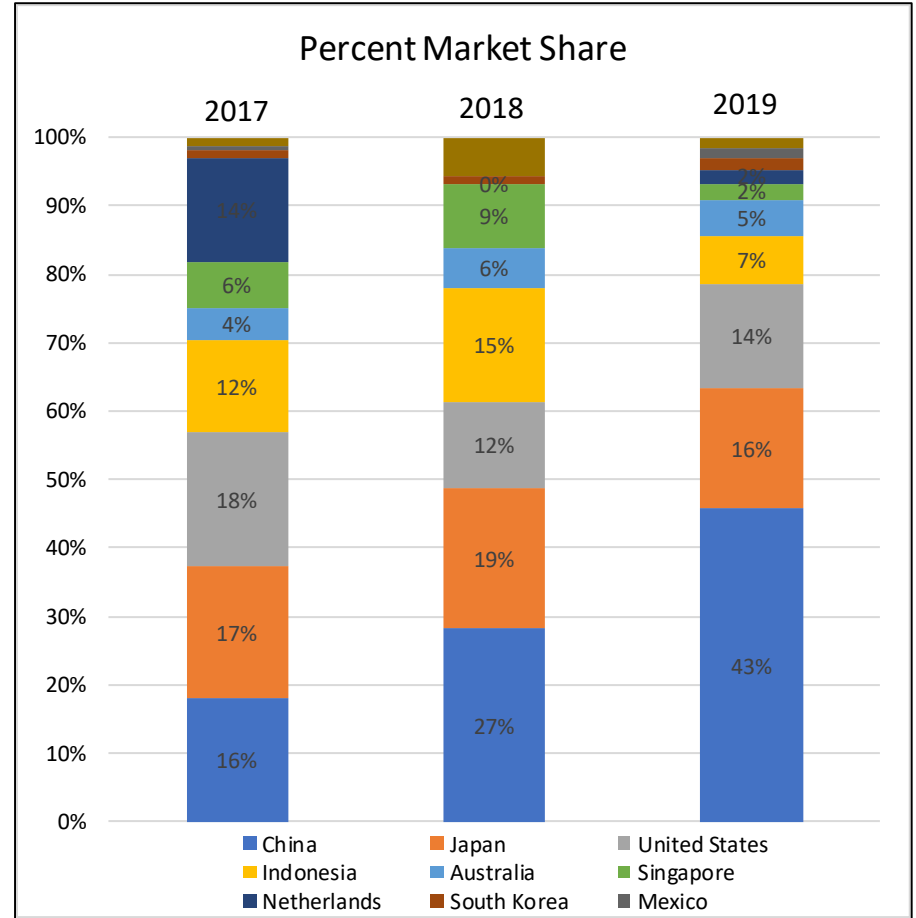


(all chart data calculated on a daily average basis)

Casein



Caseinates



S&P Global Launches Skim Milk Powder Index

S&P Dow Jones Indices said it had collaborated with the NZX to form a skim milk powder index to track the progress of the world's most actively traded dairy export. [NZ Herald](#)

More Dairy Needed to Achieve Sustainable Global Diet

Global dairy output will have to increase – not fall – if the dietary targets of an international study on sustainable food production are to be achieved, Fonterra says. [Scoop](#)

DIRA Legislation 'Past its Use-By Date' says Fonterra Chief

The Dairy Industry Restructuring Act (DIRA) was passed in 2001 to set rules to regulate Fonterra's dominant position after its formation and help foster a competitive market. [NZ Herald](#)

Fonterra Farmers Urge MPs to Unshackle Cooperative

Fonterra farmers say the current law governing the dairy sector has created perverse outcomes for the industry and that the cooperative needs to be free to act in shareholders' interests. [NZ Herald](#)

Outlook Positive for NZ in Global Cheese Market, Despite Trade Uncertainties

The cheese market offers compelling global growth opportunities for the New Zealand dairy sector over the medium to longer-term, despite some storm clouds brewing on the horizon, according to a new report. [Newshub](#)

Fonterra: Global Dairy Update

Still early in New Zealand. Monthly imports into China show strong growth. [Fonterra](#)

Severe Weather Knocks Down Trees, Powerlines, Causes Flooding in North Island

Bad weather is battering parts of the North Island, knocking down trees, affecting powerlines and causing flooding. [Stuff](#)

Better Access to the Huge Indian Market Important Focus for New Zealand in Regional Comprehensive Economic Partnership Negotiations with Dairy Exports an Important Part of the Equation

Gaining free market access to India remains a key goal behind New Zealand's involvement in the Regional Comprehensive Economic Partnership (RCEP) trade agreement negotiations. [Interest](#)



About HighGround Dairy

HighGround Dairy launched in 2012 by industry veteran, Eric Meyer. Affiliated with HighGround Trading LLC, Eric is the President of its Dairy Division which services all those interested in trading dairy futures and options markets. Through the brokerage division and its related consulting company, HighGround Advisory Group, it specializes in dairy hedging, risk management and market analysis services for farmers & cooperatives, processors, manufacturers, distributors, traders and end-users.

If you have questions or comments about our market analysis, have interest in signing up to receive our reports directly or have interest in trading dairy futures and options, please call or email below.

Sign up for a FREE 30 day trial today by Clicking [HERE](#).

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