October 2018 Dairy Bulletin

Commodity milk price index (CMPI\(^1\))

Index. July 2008 = 100

- **CMPI increased by 6% to 109** between July and August 2018
- **Estimated to have declined 5% in the two months since August 2018**
- **Forecast is for a 2% fall in the year to October 2019**

### August export prices

- **SMP**
  - ↑ 4% from July 18
  - ↑ 2% from Aug 17
- **WMP**
  - ↑ 12% from July 18
  - ↑ 30% from Aug 17
- **Butter**
  - ↑ 13% from July 18
  - ↑ 7% from Aug 17
- **Cheese**
  - ↑ 5% from July 18
  - ↑ 14% from Aug 17

### Future prices

- Deloitte Access Economics forecasts lower prices for Australia’s exports overall, including rural export prices. This, despite the recent history of CMPI increases, leads to the 12-month forecast for the CMPI gradually declining moving forward. Forecasts have been revised slightly upwards since the September update, reflecting a stronger-than-expected August CMPI.
- ABARES forecasts for 2018-19 prices: SMP -11.0%, WMP -10.3%, butter +0.9%, cheese +1.9%.
- USDA forecasts higher cheese, whey & SMP prices for 2019, and lower butter prices.
- Dairy Australia has a neutral outlook for global supply and demand.
- Rabobank 2018-19 annual average southern Australia farmgate price $5.90/kgMS.
- 2018-19 season prices – Fonterra $5.98-$6.10/kgMS, Saputo $5.95/kgMS, Bega Cheese $5.85/kgMS, ADFC $5.60-$6.00/kgMS, Burra Foods $5.60-$5.90/kgMS, Lion $5.82, ACM $6.00/kgMS, Parmalat $6.10/kgMS, Bulla Dairy Foods $5.80-$6.20/kgMS.

1. Other acronyms are defined on page 4.

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Subtropical
Milk production in August was 7% lower than the corresponding period last year. September rainfall was 11% below the 10-year September average. There is a 25-45% chance of exceeding median November-January rainfall.
Feed prices increased 5% between August 2018 and September 2018.
A West Australian grain farmer has delivered 78 hay bales to a dairy farm 4,300 km away in Queensland – Read more

New South Wales
Milk production in August was 2% higher than the corresponding period last year. September rainfall was 14% above the 10-year September average. There is a 35-45% chance of exceeding median November-January rainfall.
Feed prices increased 6% between August 2018 and September 2018.
Dairy Australia appears set to revise milk production forecasts downwards, reflecting widespread forced destocking in NSW and other eastern states – Read more

Murray
Milk production in August was 6% lower than the corresponding period last year. September rainfall was 67% below the 10-year September average. There is a 30-45% chance of exceeding median November-January rainfall.
Feed prices increased 6% between August 2018 and September 2018.
Water prices in September 2018 are 202% higher in Northern VIC and 179% higher in Murray Irrigation System, relative to the corresponding period last year.

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Gippsland

Milk production in August 2018 was unchanged from the corresponding period last year.
September rainfall was 16% below the 10-year September average. There is a 30-40% chance of exceeding median November-January rainfall.
Feed prices increased 9% between August 2018 and September 2018.
GippsDairy and Dairy Australia are urging Gippsland dairy farmers to access industry support programs, as dry conditions impact feed availability – Read more

Western Victoria

Milk production in August was 11% lower than the corresponding period last year.
September rainfall was 55% below the 10-year September average. There is a 30-40% chance of exceeding median November-January rainfall.
Feed prices increased 8% between August 2018 and September 2018.
Bega Cheese plan to raise up to $250 million from investors, as they look to reduce debt from the purchase of Saputo Dairy Australia’s dairy processing facility in Koroit – Read more

Tasmania

Milk production in August 2018 was 3% higher than the corresponding period last year.
September rainfall was 35% below the 10-year September average. There is a 30-45% chance of exceeding median November-January rainfall.
Feed prices increased 3% between August 2018 and September 2018.
Lion has announced that they are putting their Dairy & Drinks division on the market, which includes factories in Burnie and Hobart – Read more

South Australia

Milk production in August 2018 was 11% higher than the corresponding period last year.
September rainfall was 65% below the 10-year September average. There is a 30-40% chance of exceeding median November-January rainfall.
Feed prices increased 6% between August 2018 and September 2018.
South Australian consumers are opting for local, boutique milk brands – Read more

Western Australia

Milk production in August 2018 was 4% higher than the corresponding period last year.
September rainfall was 60% below the 10-year September average. There is a 35-50% chance of exceeding median November-January rainfall.
Feed prices were unchanged between August 2018 and September 2018.
Although many are not in drought themselves, West Australian dairy farmers are facing increased production costs due to high feed prices – Read more

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<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full name</th>
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<tbody>
<tr>
<td>$/kgMS</td>
<td>Dollars per kilogram milk solids</td>
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<tr>
<td>ABARES</td>
<td>Australian Bureau of Agricultural and Resource Economics and Sciences</td>
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<tr>
<td>ACM</td>
<td>Australian Consolidated Milk</td>
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<tr>
<td>ADFC</td>
<td>Australian Dairy Farmers Corporation</td>
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<tr>
<td>CMPI</td>
<td>Commodity Milk Price Index</td>
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<td>EU MMO</td>
<td>European Union Milk Market Observatory</td>
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<tr>
<td>n/c</td>
<td>No change</td>
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<tr>
<td>SMP</td>
<td>Skim milk powder</td>
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<tr>
<td>USA</td>
<td>United States of America</td>
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<tr>
<td>USDA</td>
<td>United States Department of Agriculture</td>
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<tr>
<td>WMP</td>
<td>Whole milk powder</td>
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For information on the methods and used to calculate the numbers presented in the Dairy Bulletin visit [www.agriculture.gov.au/milkpriceindex](http://www.agriculture.gov.au/milkpriceindex)