Overview

The Commodity Milk Price Index (CMPI) is an index based on Australia’s dairy commodity exports. It shows historical trends, as well as a forecast. The CMPI will help dairy farmers see trends in export markets and understand factors influencing milk prices.

Export prices have a differing effect on individual processors. However, export prices will flow through to the domestic market and farmgate milk prices.

The CMPI is one of many sources of market information that farmers can use. It complements information provided by processors and other independent commentators on dairy markets. Deloitte Access Economics have developed the CMPI, hosted on the Department of Agriculture and Water Resources Milk Price Index site.

How the index is calculated

Australia exports around one third of its dairy production. This means global dairy prices affect farmgate prices in Australia. This includes farmers who supply the domestic fresh milk market, although for these farmers, farmgate prices will be more stable.

The CMPI has been calculated from Australian export prices for cheese, butter, skim milk powder and whole milk powder. These four products make up around three quarters of Australian dairy exports.

The index combines the prices and volumes for these products into an index. The index is not expressed in dollars, but a number that started at 100 in July 2008. Changes in the index show price changes in the four export commodities over time. If the price of these commodities moves up then the index will also move up.

For instance, if the index is at 100, and export prices increase 5%, then the index will increase to 105. The Consumer Price Index works in the same way.

Key points

- The Commodity Milk Price Index will help dairy farmers see trends in export markets and understand factors influencing milk prices.
- It has been calculated from Australian export prices for cheese, butter, skim milk powder and whole milk powder.
- The index combines the prices and volumes for these products into an index—starting at 100 in July 2008.
- Farmers can use the index to get a feel for current and future trends.
- The index is only one source of information available on global dairy markets. Dairy Australia, banks and independent commentators also provide useful information.

<table>
<thead>
<tr>
<th>Product</th>
<th>Change</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skim Milk</td>
<td>3% from March 2018</td>
<td>11% from March 2017</td>
</tr>
<tr>
<td>Whole Milk</td>
<td>15% from April 2017</td>
<td>11% from April 2017</td>
</tr>
<tr>
<td>Butter</td>
<td>6% from March 2018</td>
<td>25% from April 2017</td>
</tr>
<tr>
<td>Cheese</td>
<td>3% from March 2018</td>
<td>4% from April 2017</td>
</tr>
</tbody>
</table>
The index is updated every month. The data for the index is sourced from the Australian Bureau of Statistics and Global Dairy Trade (GDT).

**How you can use the CMPI**

Export dairy prices influence Australian farmgate prices. Because of this farmgate prices and the CMPI will move in similar directions.

**Figure 1 CMPI versus the Australian farmgate milk price**

Farmers can use the CMPI to get a feel for current and future trends.

A range of factors influence the final farmgate milk price for an individual farm (refer to the Factsheet ‘What influences farmgate milk prices?’ in this series for more information). Farmers need to consider these other factors when making farm management decisions.

Export markets will affect processors differently due to differences in product mix and export market exposure. It is processors who hold the detailed information about their product mix, markets and financial position that determines the final farmgate price. The CMPI can be used in addition to the information provided by the processors.

As it takes several months for export prices to flow through to Australian farmgate prices, the CMPI provides an insight into future prices.

**Forecasts of the CMPI**

The CMPI also forecasts 12 months into the future. The forecast uses historical data from the CMPI, as well as Deloitte’s forecasts of Australian rural commodity exports.

This information gives farmers an insight into the likely direction of export prices and farmgate prices.

It is impossible to accurately predict the future. Forecasts are uncertain and farmers should use them with caution and seek advice from other professionals.

For more information about the accuracy of the forecast refer to Deloitte Access Economics’ Methodology Paper available on the Milk Price Index site.

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1 Farmgate milk price sourced from Dairy Australia. CMPI calculated by Deloitte Access Economics.
Other information sources

The CMPI is only one source of information available on global dairy markets. Dairy Australia, banks and independent commentators also provide useful information.

A source of information that many farmers use is the GDT Price Index. The CMPI and the GDT Price Index will have similar trends over time. Differences will show because:

• GDT Price Index is expressed in US dollars, while the CMPI is in Australian dollars
• the product mix being exported from Australia will differ from global trade
• prices received by Australian exporters will mostly be contracted, while the GDT is received through auctions.

Further information and references

See agriculture.gov.au/milkpriceindex

This factsheet has been prepared by: RM Consulting Group Pty Ltd trading as RMCG.