

# NZ Dairy Export Volume, Production Analysis & Climate Outlook

## Q3 & September 2017



# New Zealand Milk Production Outlook

As I continue to wrap my head around the drastic change in environment from the North to the South Island, there was one consistent observation made on both of them: New Zealand dairy farmers are going beyond the pasture at an increasing rate. And while the rain fell as soon as I returned to the North Island, farmers in the Waikato remain optimistic about things turning around rather quickly. But that might only be due to the highest forecast farmgate milk price for NZ farmers since 2014.

Every producer has formed a technique unique to their farm and we applaud them for doing so. In a country where 'pasture-based feed' is not just expected but enforced, these farm families are discovering that adding to the cows' nutritional intake will result in increased milksolids. With a milk price at four-year highs, palm kernel expeller, dried distillers grains and other feed mixes have become easier to obtain and are being added to daily milking schedules.

There has also been a strong trend in producers investing in barns or other systems in order to milk during the winter months. As it turns out, Fonterra's premiums during this winter made it all the more attractive to continue doing so into next year and at an increased rate. Though there still remains a large group of producers that will continue to take time off instead.

October should be on-par with last year's unimpressive peak with the possibility for volumes to be slightly lower. As a reminder, Oct '16 milk production was DOWN 8.3% year-on-year for Fonterra suppliers and DOWN 6.1% for the whole country from 2015. Unlike this year, PKE imports did not pick up until after October last year so there was little preparation or inventories to offset weak pasture growth.

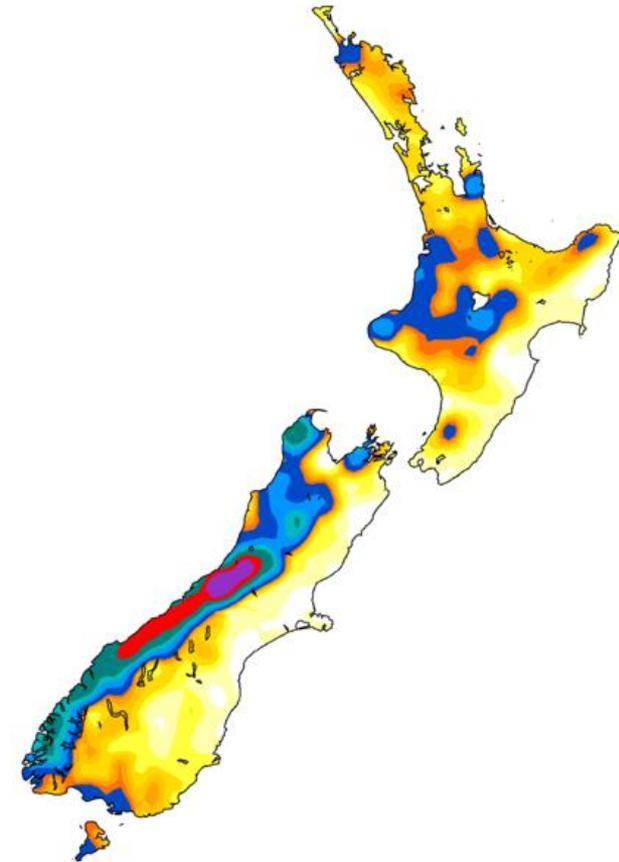


# New Zealand Milk Production Outlook

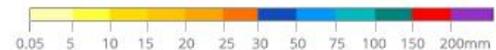
Plenty of rain fell in Auckland as well as the Bay of Plenty and portions of the Waikato region over the past two weeks. Even driving through Hamilton two times throughout the week, the rain was rather unforgiving with sitting water visible from the road across multiple paddocks. Opinions rang true to existing expectations for weak October milk collections as a result of the wet conditions. However, whether they had KiwiCross or Holsteins on their land, the production outlook leans favorable in the South, so long as they get enough rain. As shown on the image to the right, the much-needed rain in the South mentioned last week did not add up to expectations but there was some moisture nonetheless.



Cumulative rainfall for 7 days up to 9:00am Monday 6 Nov 2017  
Issued at: 11:05am Monday 6 Nov 2017



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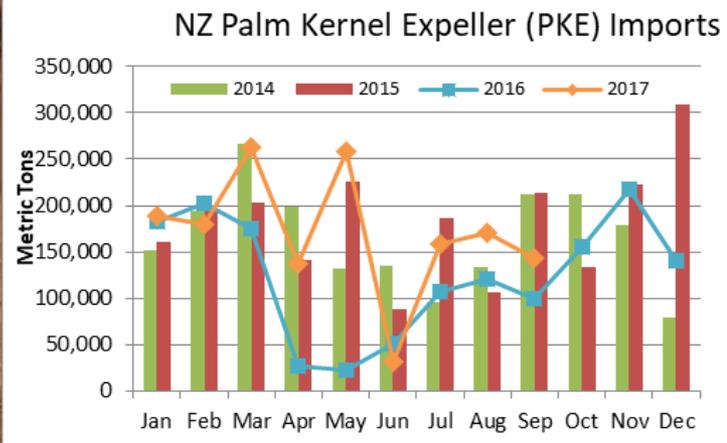
# New Zealand Milk Production Outlook



Have you ever seen a wall of PKE? Now you have and it is a really strong representation of the current demand for higher energy feed on top of their grass-based diets. In the South, the heat has had a negative effect on the cows while the wet grass in the North has left the ground soft underfoot with less paddocks available for utilization.

From Jan to Sept, NZ has imported 1.53 million MT of PKE, which is more than what was imported during the entire 2016 calendar year, UP 55% or 545,286MT from prior year. This may very well be a record year for imports.

Aside from higher prices, procuring feed has become difficult due to tightening supplies of DDGs and other grains. Australia has experienced a [difficult](#) growing season for wheat so DDG's from the US are being used instead. There was a shipment of grains heading to NZ borders last month but was halted due to biosecurity reasons. Domestic grain availability within NZ remains tight due to the wet weather across much of the North Island all year.



# Excessive Use of PKE to Be Penalised

Fonterra has begun talks with its farmers about finalising penalties for excessive use of palm kernel.

Meetings are being held over the next two weeks and penalty options are being floated for palm kernel expeller, known as PKE, as well as for gaining farmer feedback.

Fonterra's Bay of Plenty Farm Source regional head Lisa Payne said there were two options that were being put in front of farmers. She could not provide further details about the options, saying that the co-operative wanted to talk to farmers first.

Payne said Fonterra hoped to finalise a decision on its preferred option by the end of the year for new rules beginning in September next year. She said feedback had been positive during meetings she had attended.

"What it shows me is that farmers really want to produce milk at the levels we need. They want the co-op to be doing its job of maximising the returns on the milk."

In 2015 Fonterra announced a voluntary guideline of a maximum of three kilograms per cow per day. [Source](#)

## Are DDG's Next?...



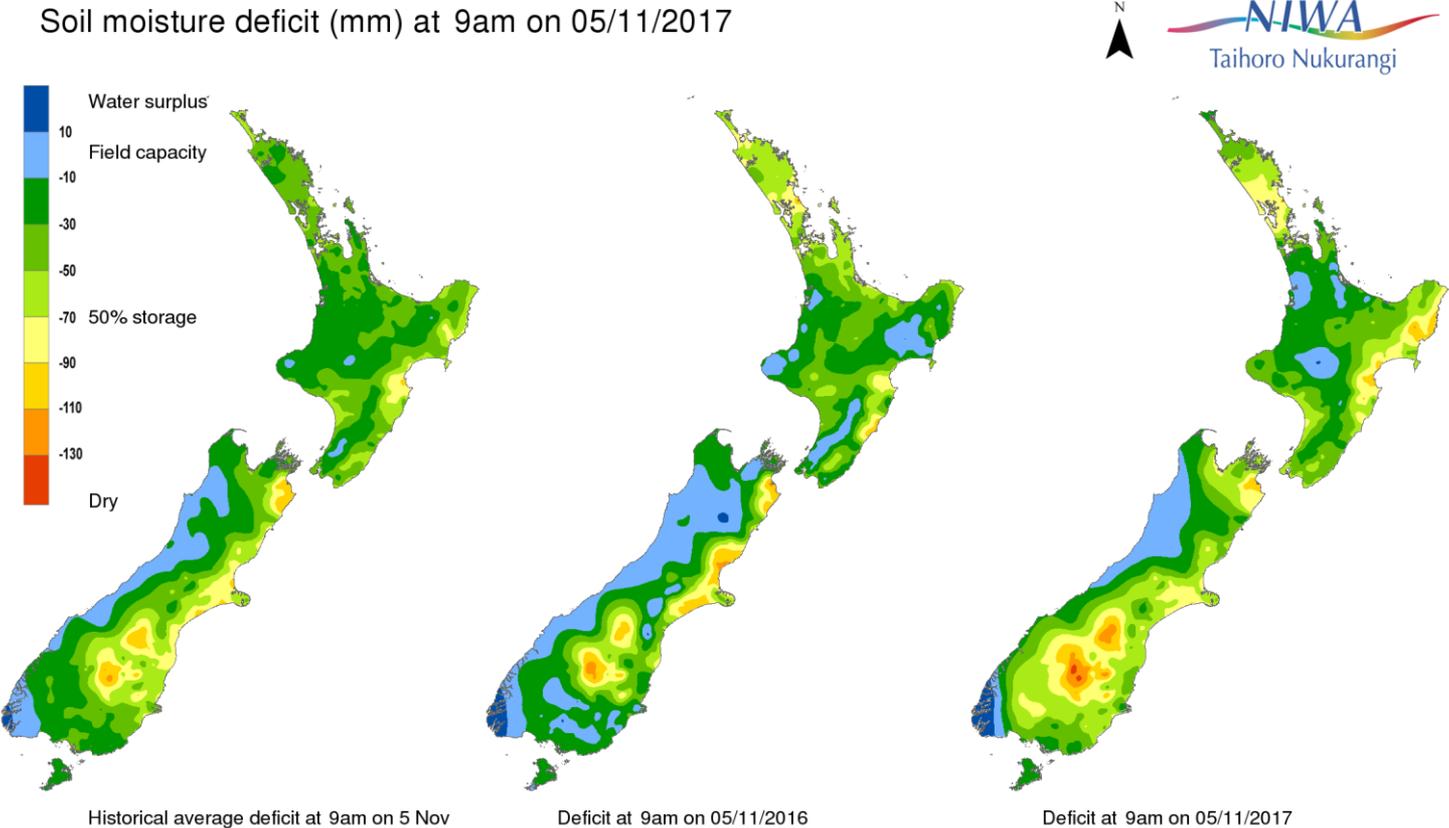
US DDG exports to NZ lifted further into September and were UP 19% YoY to 26,360MT.



# Excess Moisture Lessens but Waikato Remains too wet

While wet conditions have been dominant for the past two weeks on the North Island, the transition into summer has meant that fields dried out rather quickly. It remains the wettest in the Waikato and the Bay of Plenty regions as well as the West Coast.

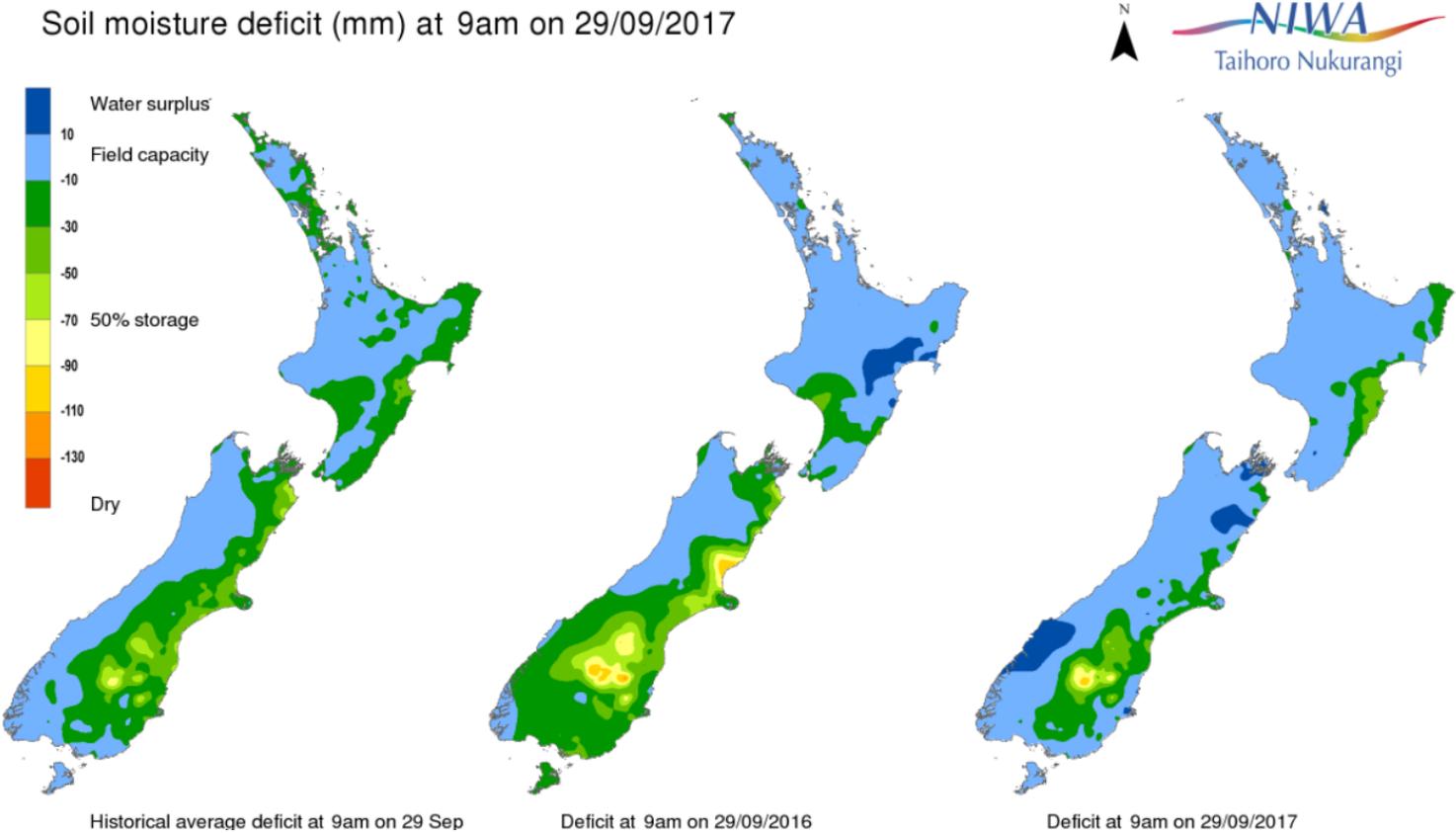
Soil moisture deficit (mm) at 9am on 05/11/2017



# Soil Moisture Heading Into October

A quick reminder of what the soil moisture deficit looked like heading into the month of October – high winds and warm weather helped fields dry out quickly:

Soil moisture deficit (mm) at 9am on 29/09/2017

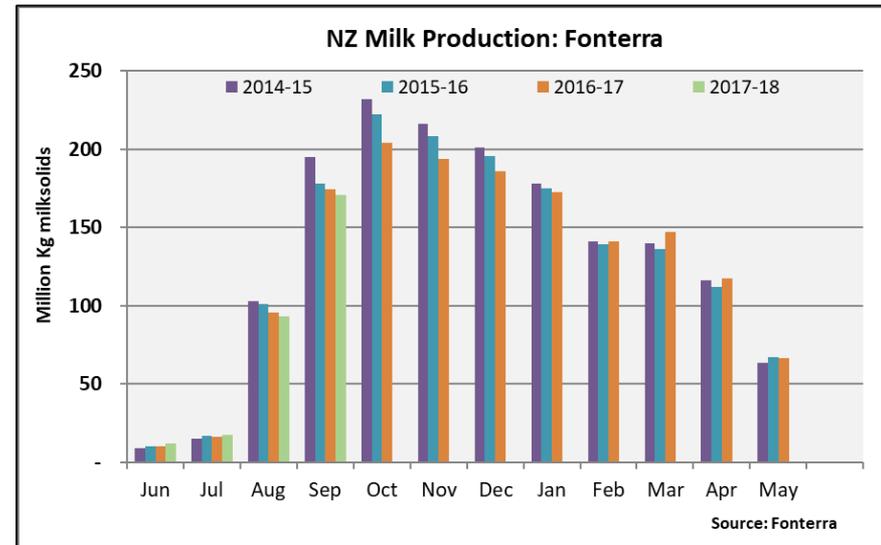
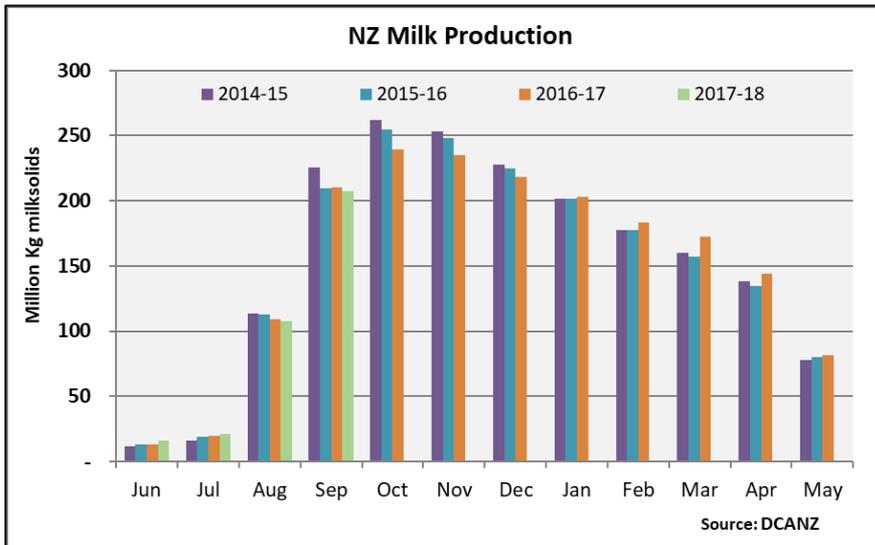


# New Zealand Milk Production Outlook

There are many farmers I met with that are very hesitant to top-feed as they believe it interrupts New Zealand's unique position in the world as it relates to pasture/grass-fed products, but the variability in the grass's nutritional value due to such volatile weather will mean that they need to make some changes in order to capture decent milk solids. Very consistently, one of the first statements that echoed from each dairyman I met was 'this is the craziest season I have ever witnessed,' and they were almost always speaking of the wet weather.

Dairy NZ will be releasing a new Dairy Industry Strategy in Wellington this month and it will likely focus around environmental impacts. Dairy NZ wants to produce more from less, and to do so sustainably. Furthermore, the new coalition government made up of the Greens, NZ First and Labour will be hard on the dairy industry, pushing for farmers to convert to other forms of farming. Prior to the election, the [Green Party](#) said it would pay more than \$136 million for farmers to move to more sustainable practices and if it were in government it would invest in a Sustainable Farming Fund.

<b>New Zealand Milk Production (kgms) - '17/18</b>		
Source: Fonterra/DCANZ, YoY %		
kg/MS	Fonterra	DCANZ*
June	18.6%	20.4%
July	5.4%	7.9%
August	-2.5%	-1.5%
September	-2.1%	-1.3%
Cumulative Season to date YoY**	-1.1%	-0.1%
*All New Zealand **calc on daily avg basis		



# Conclusion

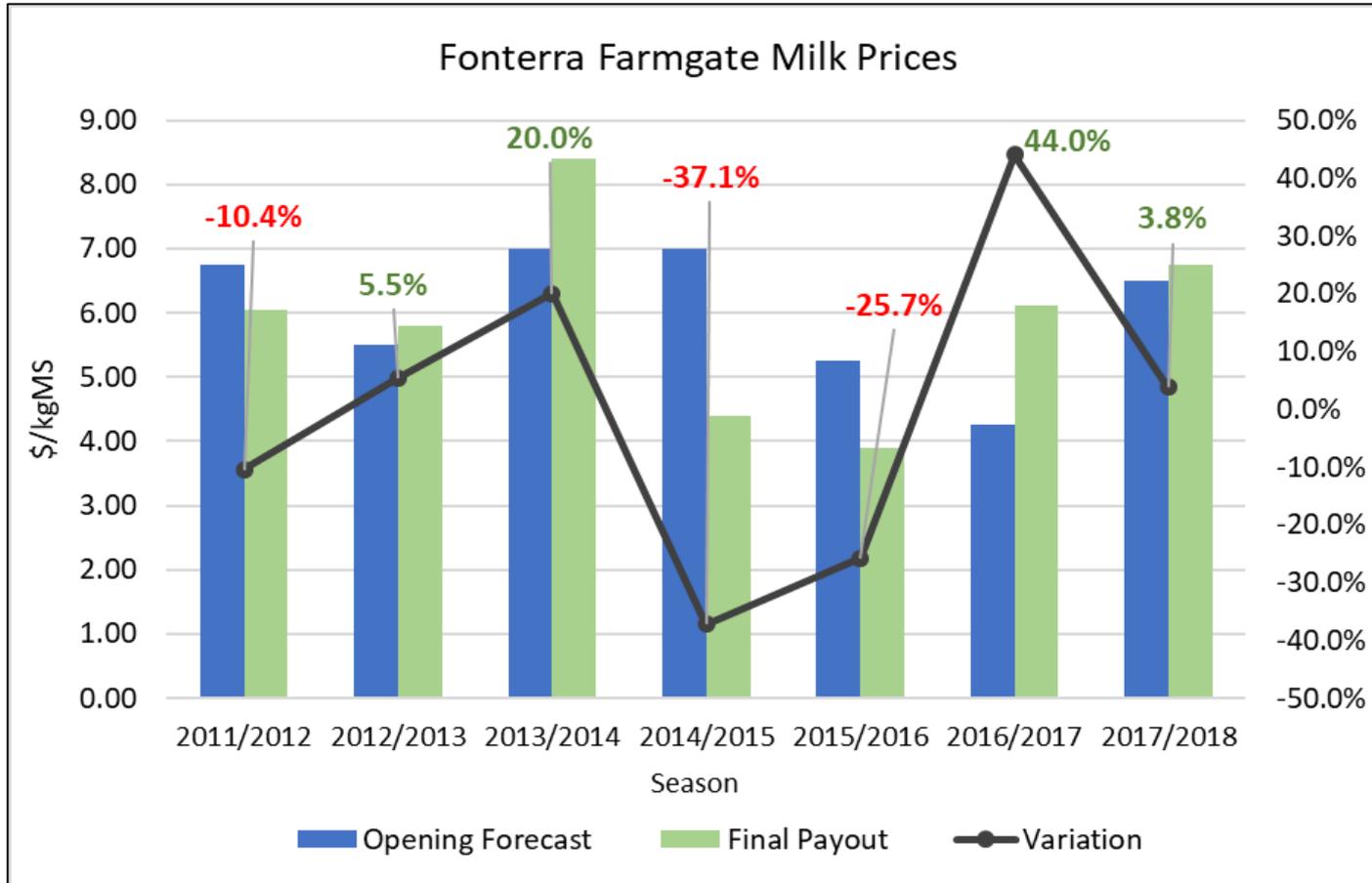
HighGround had the privilege of speaking with dozens of dairy farmers while traveling throughout the country as Alyssa Badger spoke alongside Howard de Klerk (Director at Dairy Nutrition & Management Solutions Ltd) at events on both islands. Together they shared a broader view of global dairy practices and fundamentals. The idea of utilizing futures was also shared with producers' interest in learning higher-than-expected. Otherwise, farmers seem happy to ride the preverbal wave in milk prices for several years to come.

HighGround would caution such thinking as Fonterra's milk prices can swing rather aggressively from the beginning, into the end of the season. In 2014/15, the milk price dropped 37% from their first announcements, -26% during 2015/16 and +44% last season.

It was fascinating to discuss genetics with many of them and meet several daughters of Wisconsin-based Holsteins. There is a very real criticism within the NZ dairy industry when it comes to using certain feed (which they use very little of in the grand scheme of things) but we can't help but be on board with the 'produce more with less' discussion. Now it becomes a sustainability strategy to balance their diets to a degree at which it still complies with the country's moral obligations environmentally.

DairyNZ has recently shared that the 2016-17 national cow numbers fell to 4.86m from 5m previously, with the average herd size dropping five cows to 414. Yet production per cow set a new record – increasing by 9kg per cow (381kgMS/cow). It is our understanding that this has a lot to do with improved feeding schedules and education on the importance of cow nutrition.

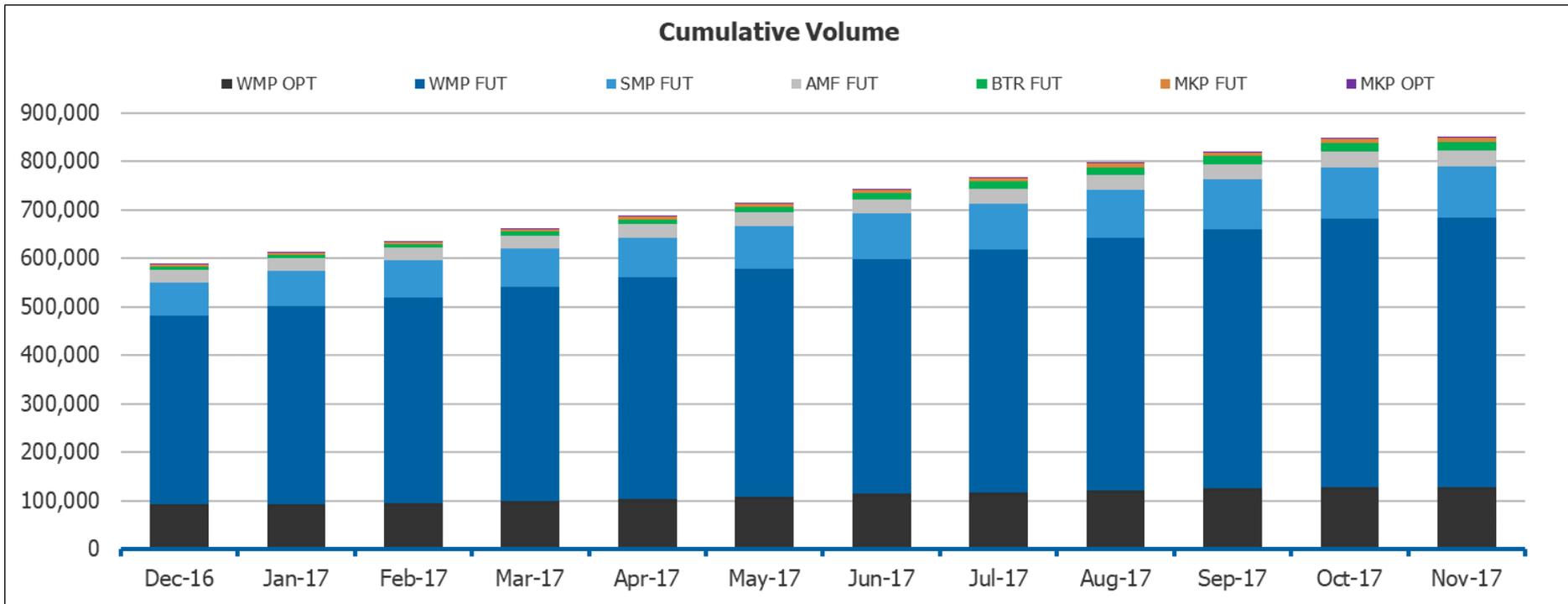




**Note:** "2017/18 final payout" is actually just the last estimate



With volumes increasing for both milk futures and dairy derivatives on NZX, HighGround is hopeful that NZ farmers will increase their participation in the futures markets available to them to secure their milk price. In Q3 2017, trading volumes in NZX dairy derivatives reached new highs surpassing 2016 and 2015 full year volumes, making 2017 NZX's largest trading year to date. Growing volumes traded of dairy derivatives futures & options across each exchange (NZX, EEX, CME) is a good reminder that these tools are not going anywhere, but hopefully become more accessible.



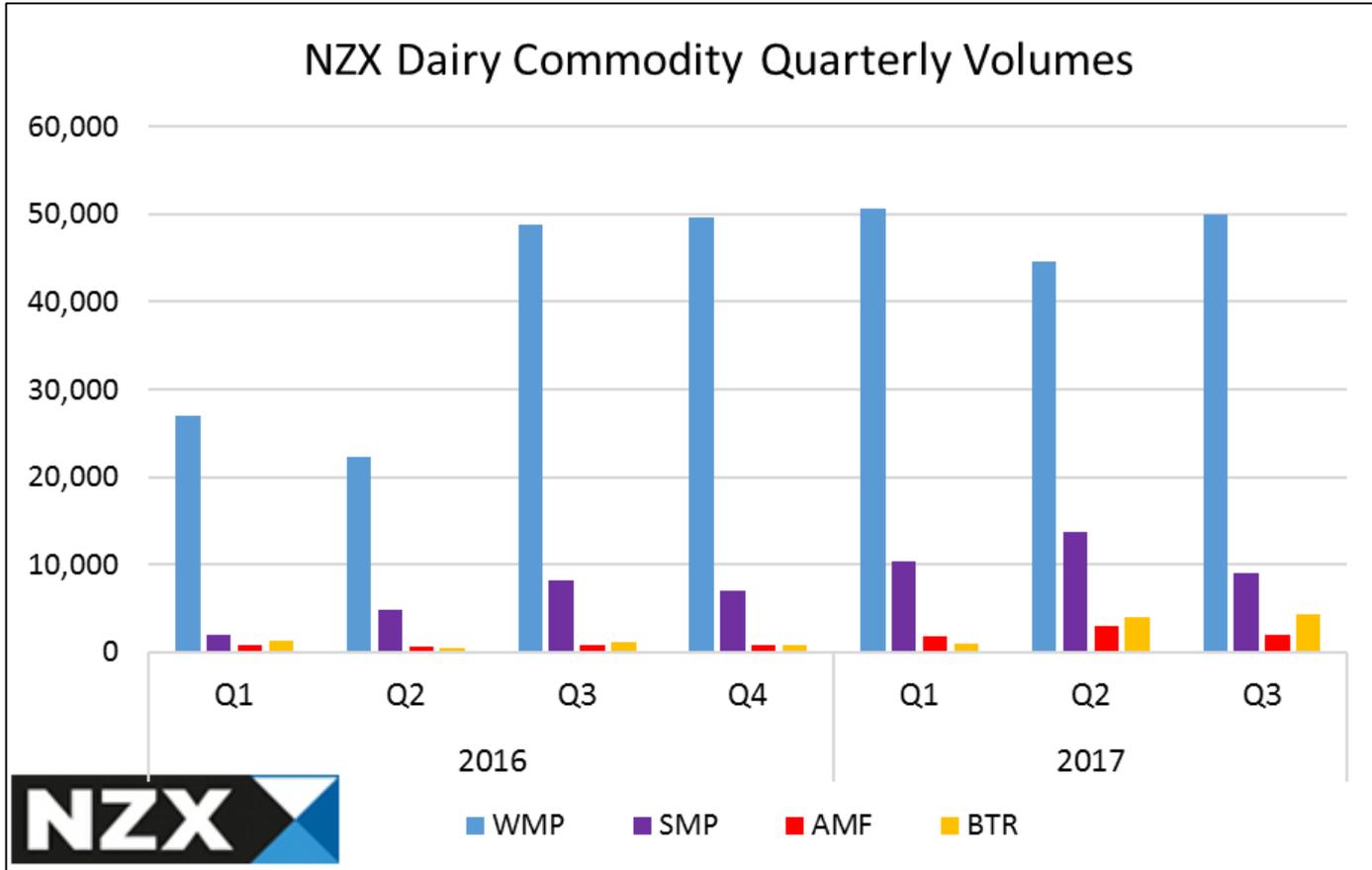


## NZX Milk Price Derivatives Milk Highlights



- Total Volume for 2016 (May launch) was 3,992 lots traded which is the equivalent of 24m kgs of milks solids. To date 52.4m kgs of milks solids have traded.
- 362 options have traded in 2017 with the market seeing interest and trading in structured options such as zero cost collars.
- Current Open Interest\* – 5,819 – 34.9m kgs/MS
- NZ Milk Price Futures and options traded over 2% of New Zealand’s underlying milk supply in their first year to June 2017.
- Mainly corporate farmers and processors entering the market, but Interest has been wide-ranging including speculative financial firms and offshore interest

\*31 August 2017







Hamilton

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Papatotara

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# Does A2 Milk Popularity Mean a Transition in Dairying?

Photo: New Goat Dairy Farm in Taranaki



Environmental concerns are on the radar but there are two other primary changes that may be coming to NZ. First and foremost, increased demand for A2 milk means goat dairymen are seeing better milk prices. The following statement is from an NZ Farmer article and may mean a rise in goat farms are on their way: 'The protein A1 beta-casein that's found in cows' milk could trigger Type 1 diabetes in people with [genetic](#) risk factors, a new report warns.' This is being deemed as 'new evidence' and has caused quite the stir.

As a side note, goats, sheep, Asian cattle, buffalo, camels and humans produce A2 milk. The researchers that discovered the link between A1 beta-casein protein and Type 1 diabetes said all dairy herds could be changed to produce milk free of the A1 beta-casein, but it would take at least 10 years.

There is another industry that seems to be creating a buzz around New Zealand as well during Q3 and that has been synthetic foods. In a keynote at the recent NZBio Conference, chief science advisor Sir Peter Gluckman said that the rise of synthetic foods produced without animals – especially staple proteins like meat, milk and dairy – is an existential [threat](#) to the agricultural sector, and poses a very real risk to the future of New Zealand's economy. Fonterra has said that they are confident that dairy will [trump](#) synthetic alternatives but it is certainly on the radar within NZ.

More than two years ago, a research firm announced that alternative proteins will claim a third of the market by 2054. Impossible Foods' burger that actually bleeds is being debuted all around the United States (from [PNW](#) to [Chicago](#)). And in NZ, it has been [confirmed](#) that dairy-free alternatives are on the rise as more consumers turn to plant-based milks, yoghurts and cheeses. Stay tuned!



*Impossible Foods' burger*

# Surge in Dairy Farms For Sale?

Of the many NZ farmers that HighGround met with over the past two weeks, there were multiple reports of increasing dairy farms for sale on both islands. Dairy farmers have built up a lot of debt and are presumably attempting to sell their farms at an elevated price due to a four year high in the milk price potentially attracting buyers. The Real Estate Institute says it is expecting a surge of dairy farms to hit the market in Waikato and Southland because of problems with succession plans and workers.

Federated Farmers Dairy chair Chris Lewis said another factor behind the amount of farms being put on the market was the strength in the sector. "We've seen the commodity prices from sheep, beef, and especially dairy stabilise in the past couple of months ... so there's an opportunity for a few sellers to think it's a good time to sell their farm.

However, the most likely buyer of these farms would come from foreign investment and unlucky for land owners wanting to get a sale: the new Government is going to make it tougher to 'foreigners' to buy New Zealand farmland. Trade Minister David Parker told Radio New Zealand on Wednesday the government would tighten the discretion around farm sales.

"At the moment they are virtually all waved through, we think the ministerial discretion should be narrowed. Our reasons for that are that young farmers graduating from sharemilker to farmer shouldn't be priced out by foreign buyers."

"Foreign buyers of New Zealand land don't generally increase farm output, they use New Zealand farm systems and New Zealand managers so we don't think there should be any economic cost in saying they should be New Zealand owned as well," Parker said. [Source](#)



# Soil Moisture Anomaly and Outlook (NIWA)

Active weather is likely across New Zealand over the next week, with abundant rainfall expected in the west and north of both islands.

For the North Island, high pressure will give way to rainfall associated with a front on Friday, totalling 5 to 10 mm in the western and northern part of the island but less than 5 mm in the east. On Saturday, isolated showers are forecast to bring 5 mm or less to the west and north. On Sunday, another front will move across the central North Island, bringing another 5 to 10 mm of rain. After generally dry conditions on Monday and Tuesday, a stronger front may move across the island on Wednesday, bringing locally heavy rainfall. At this point, 10 to 25 mm looks most likely, especially in western and northern parts. Lingering showers (up to 5 mm) are possible on Thursday before dry conditions occur under high pressure on Friday.

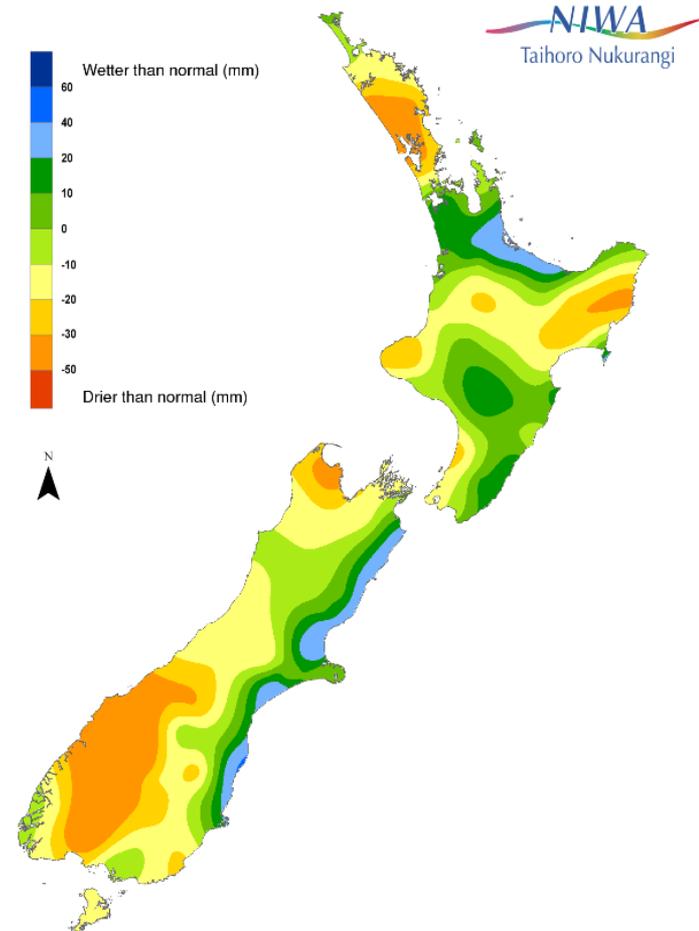
With abundant rainfall amounts generally expected across the North Island, no new hotspots are expected to form. Most dry areas will see noticeable improvement, however Hotspot conditions in Gisborne may remain the same or improve slightly.

On Friday, areas of heavy rainfall are expected across the western and upper South Island with 10 to 25 mm of rain expected, though locally higher amounts are possible in Westland. Hit and miss showers and thunderstorms are forecast across Otago and Southland, with some locations receiving as much as 10 mm while others may see very little. On Saturday and Sunday, rain will continue from Fiordland through the West Coast with another 10 to 25 mm expected each day. Passing showers may bring up to 5 mm in Otago and Southland on Saturday and Sunday, then a few millimetres in southern Canterbury later Sunday. On Monday, periodic showers may bring 5 to 10 mm of rain to Fiordland and the West Coast and no more than 5 mm to Southland and Otago.

On Tuesday, a potent low pressure system and front may move up the island, bringing heavy rainfall to those in the west and north possibly totaling 25 to 50 mm with local amounts to 75 mm. Eastern areas may receive 5 mm of rain with the heaviest totals remaining in or west of the Southern Alps. From Wednesday into Thursday, showers will continue across the island, totaling about 10 mm each day in the west and less than 5 mm in the east. Isolated showers are likely to persist on Friday, though forecast amounts are minimal with high pressure building in from the west.

Due to widespread rainfall, soil moisture levels are likely to increase almost everywhere in the South Island during the next week. The hotspot in Central Otago, Waitaki, and Queenstown-Lakes will likely improve, but may not be entirely alleviated. No new hotspots are expected to develop over the next week. ([NIWA](#))

Soil moisture anomaly (mm) at 9am on 02/11/2017



# NZ Dairy Exports: Executive Summary

## September 2017 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*	62,661	138.1	-11.4%	81.6%	1.6%	13,596	-45.9%
Skim Milk Powder*	20,218	44.6	-25.7%	159.5%	-13.9%	(41,686)	-57.0%
Combined WMP/SMP*	82,879	182.7	-15.4%	95.9%	-2.4%	(28,089)	-48.4%
Anhydrous Milkfat	10,224	22.5	-30.5%	166.0%	-13.4%	(18,703)	-77.3%
Butter	13,786	30.4	-11.8%	80.8%	-11.1%	(21,950)	-49.9%
Buttermilk Powder	2,238	4.9	102.4%	65.8%	15.1%	4,587	11.2%
Fluid Milk & Cream	29,785	65.7	42.3%	28.2%	31.4%	50,563	128.8%
Cheese	19,524	43.0	-6.7%	26.9%	-0.2%	(493)	-23.8%
Caseinates	2,105	4.6	-3.5%	72.8%	-7.0%	(1,689)	-40.9%
Casein	4,008	8.8	45.4%	102.4%	-10.3%	(4,782)	-54.9%
Infant Formula***	7,425	16.4	58.8%	6.0%	7.6%	3,559	187.7%
Lactose	1,598	3.5	-34.2%	22.0%	-12.5%	(2,247)	-40.9%
WPC 80%+	759	1.7	-50.0%	8.6%	-0.6%	(106)	-42.2%

September 2017 New Zealand IMPORT Volumes							
Palm Kernel Expeller (PKE)	143,487	316.3	44.8%	-16.0%	55.1%	545,286	-32.8%

\*not sweetened \*\*calculated on daily avg basis \*\*\* finished product for retail sale

## Key Takeaways:

- Skim milk powder to China was high (7,479MT, +2,878MT YoY) for the month of September but losses to Southeast Asia and the Middle East/North Africa region were far too aggressive otherwise. The EU and Canada have cut into NZ's market share within Algeria while Indonesia has been procuring SMP from both the US and EU.
- Butter exports were the weakest reported in September since 2010. Quarterly volumes fell 20% YoY, driven by a fall in exports to Iran that were DOWN 5,610MT from prior year to just 98MT July-Sept '17.
- Against seasonal trends, fluid milk & cream pushed to fresh record highs in September and infant formula volumes recorded the strongest quarter on record during Q3 2017 (75,769MT, +26% YoY) with China accounting for 66% market share (49,914MT, +46% YoY).

Weaker export volumes for the second consecutive month is not sending the best signal to the market, especially since Fonterra has made it clear they have enough product on hand to increase offer volumes for the next GDT event despite the negative milk collections that continue to be reported. The lift over prior month is supported by seasonal trends with a majority of the products above well below prior year Jan-Sept.

There is a common theme with many of the weaker export figures, which is strong volumes to China. WMP exports are UP just 1.6% calendar YTD but are UP 28% to China. Cheese exports are DOWN on the year but have reached record highs to China, UP 16% YTD. Infant Formula exports are UP 8% on the year but UP 80% to China! Similarly, fluid milk & cream to China is UP 60% YTD. While NZ has established a strong reputation within China, North America is beginning to materially cut into NZ share within Asia, which may only get worse as EU milk production continues to recover strongly which will result in more product available for the world market.

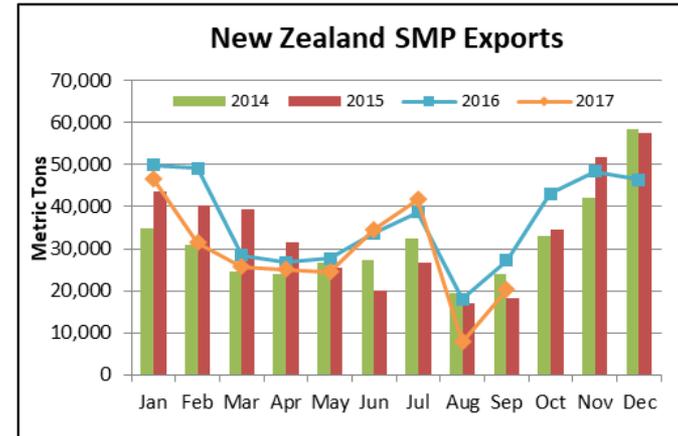
**HighGround's Take: Q3 certainly was not a favorable quarter for NZ exports but it is not necessarily a negative development to report growth to the largest buyer of dairy products in the world. With the exception of cheese and caseinates, Q3 volumes rose across the board from prior year to China, which provides some support to NZ dairy prices. As China's middle class continues to grow, this will be an increasingly important market to capture demand from and NZ has had little issue doing so this year. However, it is supply that is in focus into the end of the year and it remains clear that European dairy farmers have not yet been given a signal to make less.**

## Skim Milk Powder (HS Code: 040210)

- July-Sept '17 export volume: 71,005MT (156 million lbs)
- YOY growth rate: -17% (-14,879MT, 33 million lbs)

Top 5 Destinations [million lbs] (vs 2016, market share):

1. **China** – 24,072MT [53] (+26%, 34% share)
  2. **Malaysia** – 8,049MT [18] (-35%, 11% share)
  3. **Philippines** – 4,965MT [11] (-17%, 7% share)
  4. **Indonesia** – 4,463MT [10] (-40%, 6% share)
  5. **Singapore** – 3,882MT [8.6] (-51%, 5.5% share)
- Other important countries (% change vs. 2016): Vietnam (+698%, UP 2,928MT), Japan (+153%, UP 2,196MT), **Algeria** (0MT vs. 4,494MT prior yr), **Yemen** (-77%, DOWN 2,772MT).

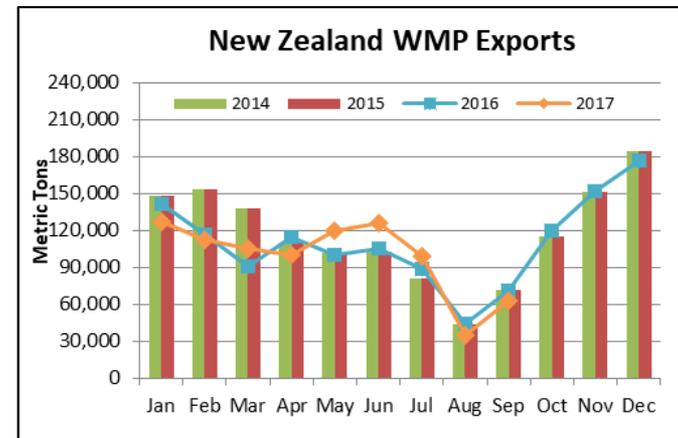


## Whole Milk Powder (HS Code: 040221)

- July-Sept '17 import volume: 200,048MT (441 million lbs)
- YOY growth rate: -4% (-7,314MT, 16 million lbs)

Top 5 Destinations [million lbs] (vs 2016, market share):

1. **China** – 64,878MT [143] (+114%, 32% share)
  2. **UAE** – 19,040MT [42] (+71%, 10% share)
  3. **Sri Lanka** – 17,243MT [38] (+4%, 9% share)
  4. **Malaysia** – 8,897MT [20] (-12%, 4.5% share)
  5. **Singapore** – 7,629MT [17] (-11%, 4% share)
- Other important countries (% change vs. 2016): Australia (+172%, UP 4,087MT), **Algeria** (-81%, DOWN 30,167MT), **Egypt** (-93%, DOWN 9,084MT), **Venezuela** (0MT vs. 5,519MT prior yr).



(all chart data calculated on a daily average basis)

## Anhydrous Milkfat (HS Code: 0405900001)

- July-Sept '17 import volume: 36,589MT (81 million lbs)
- YOY growth rate: **-12% (-4,774MT, 11 million lbs)**

Top 5 Destinations [million lbs] (vs 2016, market share):

1. **China** – 6,304MT [14] (+77%, 17% share)
2. **Philippines** – 6,244MT [14] (+14%, 17% share)
3. **Mexico** – 3,322MT [7] (-55%, 9% share)
4. **Saudi Arabia** – 2,333MT [5] (-22%, 6% share)
5. **Vietnam** – 2,042MT [4.5] (+8%, 5.6% share)

- Other important countries (% change vs. 2016): UAE (+156%, UP 1,235MT), Peru (1,092MT vs. 34MT), **Egypt (-60%, DOWN 1,498MT)**, **US (-89%, DOWN 1,155MT)**

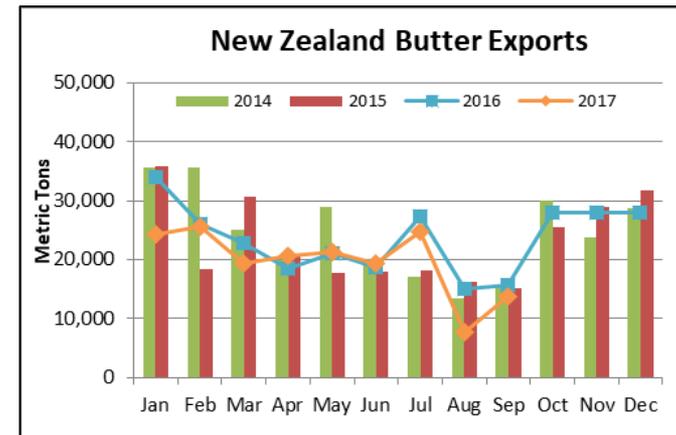
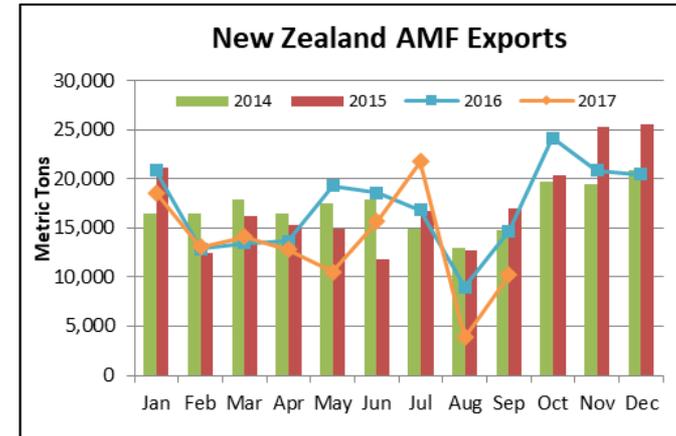
## Butter (HS Code: 040510)

- July-Sept '17 import volume: 47,185MT (104 million lbs)
- YOY growth rate: **-20% (-12,157MT, 27 million lbs)**

Top 5 Destinations [million lbs] (vs 2016, market share):

1. **China** – 13,056MT [29] (+30%, 28% share)
2. **Australia** – 3,923MT [9] (-28%, 8% share)
3. **Taiwan** – 2,884MT [6] (+32%, 6% share)
4. **Indonesia** – 2,643MT [6] (-11%, 6% share)
5. **UAE** – 1,8718MT [4] (+66%, 4% share)

- Other important countries (% change vs. 2016): **Iran (-98%, DOWN 5,610MT)**, **Turkey (-88%, DOWN 1,926MT)**, **Morocco (-59%, DOWN 1,992MT)**, **Chile (+497%, UP 1,267MT)**



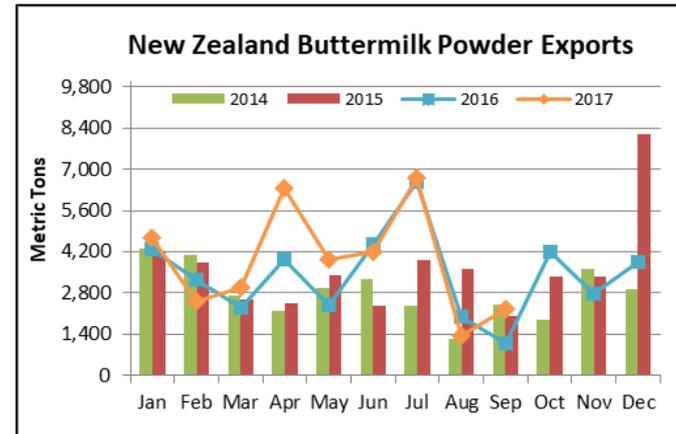
(all chart data calculated on a daily average basis)

## Buttermilk Powder (HS Code: 0403901901)

- July-Sept '17 import volume: 10,618MT (23 million lbs)
- YOY growth rate: +6% (+631MT, 1.4 million lbs)

Top 5 Destinations [million lbs] (vs 2016, market share):

1. **Philippines** – 4,359MT [10] (+13%, 41% share)
2. **Thailand** – 1,384MT [3] (-57%, 13% share)
3. **Malaysia** – 1,206T [2.6] (+355%, 11% share)
4. **Peru** – 543MT [1] (+17%, 5% share)
5. **Mexico** – 475MT [1] (+344%, 5% share)

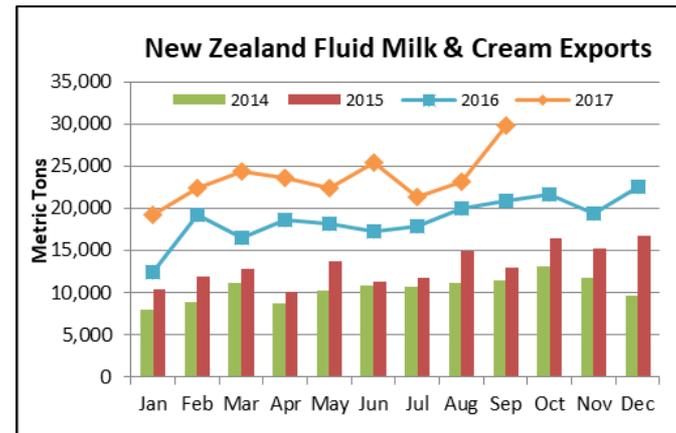


## Fluid Milk & Cream (HS Code: 0401)

- July-Sept '17 import volume: 75,769MT (167 million lbs)
- YOY growth rate: +26% (+15,721MT, 35 million lbs)

Top 5 Destinations [million lbs] (vs 2016, market share):

1. **China** – 49,914MT [110] (+46%, 66% share)
2. **Philippines** – 6,848MT [15] (-12%, 9% share)
3. **Taiwan** – 3,399MT [7.5] (+35%, 5% share)
4. **Fiji** – 2,256MT [5] (+14%, 3% share)
5. **Malaysia** – 1,629MT [3.6] (+2%, 2% share)



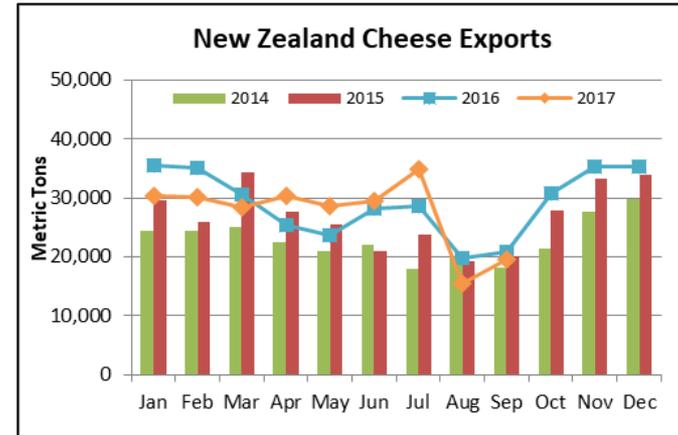
(all chart data calculated on a daily average basis)

## Cheese (HS Code: 0406)

- July-Sept '17 import volume: 71,457MT (158 million lbs)
- YOY growth rate: +0.8% (+556MT, 1.2 million lbs)

Top 5 Destinations [million lbs] (vs 2016, market share):

1. **Australia** – 14,158MT [31] (+2%, 20% share)
  2. **Japan** – 13,491MT [30] (+18%, 19% share)
  3. **China** – 11,887MT [26] (-8%, 17% share)
  4. **South Korea** – 4,345MT [10] (+25%, 6% share)
  5. **Indonesia** – 3,380MT [7.5] (+2%, 5% share)
- Other important countries (% change vs. 2016):  
Denmark (1,399MT vs. 0MT prior yr), **Philippines (-31%, DOWN 1,158MT)**

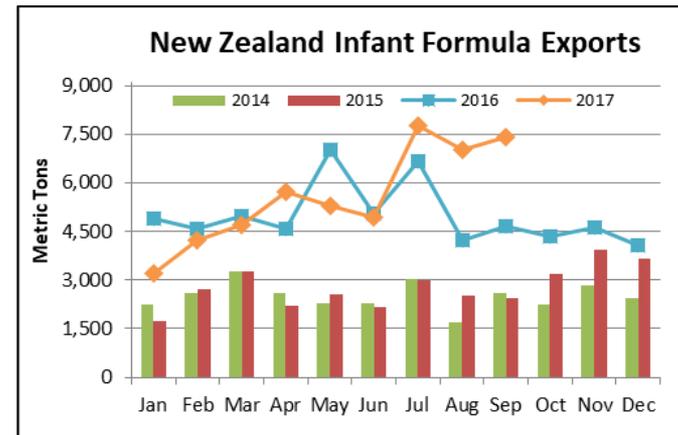


## Infant Formula (HS Code: 190110)

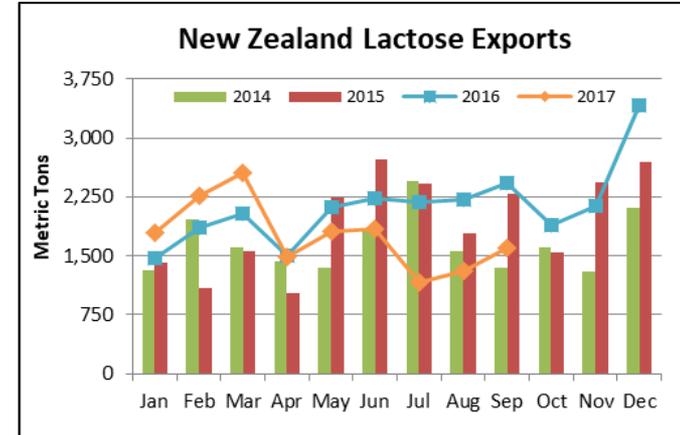
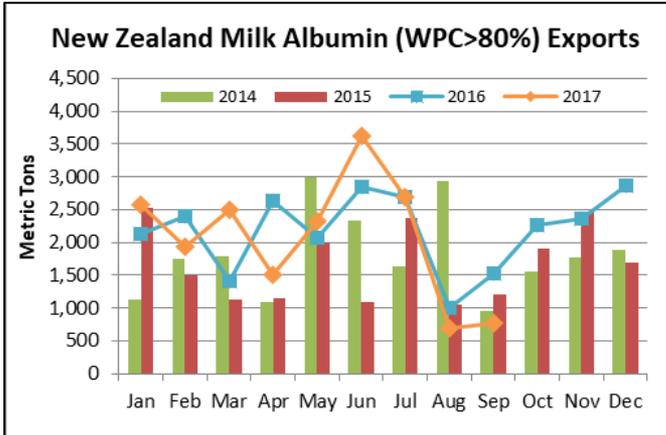
- July-Sept '17 import volume: 22,648MT (50 million lbs)
- YOY growth rate: +42% (+6,716MT, 15 million lbs)

Top 5 Destinations [million lbs] (vs 2016, market share):

1. **Australia** – 7,966MT [18] (+7%, 35% share)
2. **China** – 7,870MT [17] (+208%, 35% share)
3. **Hong Kong** – 2,980MT [6.6] (+62%, 13% share)
4. **Algeria** – 864MT [2] (-36%, 4% share)
5. **Taiwan** – 622MT [1.4] (-28%, 3% share)



(all chart data calculated on a daily average basis)



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

- July-Sept '17 import volume: 4,262MT (9 million lbs)
- YOY growth rate: -20% (-1,075MT, 2.4 million lbs)

Top 5 Destinations [million lbs] (vs 2016, market share):

1. **Japan** – 1,298MT [2.9] (-5%, 30% share)
2. **United States** – 1,019MT [2] (-51%, 24% share)
3. **China** – 533MT [1.2] (+25%, 13% share)
4. **India** – 437MT [1] (+810%, 10% share)
5. **Singapore** – 357MT [0.8] (-63%, 8% share)

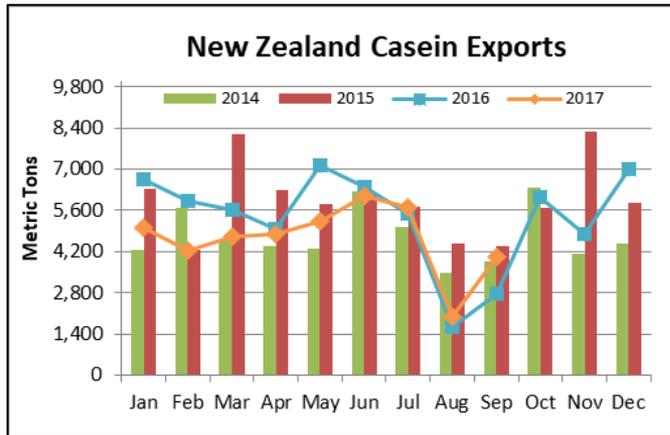
**Lactose** (HS Code: 170211)

- July-Sept '17 import volume: 4,158MT (9 million lbs)
- YOY growth rate: -40% (-2,820MT, 6.2 million lbs)

Top 5 Destinations [million lbs] (vs 2016, market share):

1. **Australia** – 953MT [2.1] (+43%, 23% share)
2. **Japan** – 845MT [1.8] (-11%, 20% share)
3. **India** – 520MT [1.1] (-62%, 13% share)
4. **Indonesia** – 489MT [1] (-24%, 12% share)
5. **Thailand** – 270MT [0.6] (-21%, 6% share)

(all chart data calculated on a daily average basis)

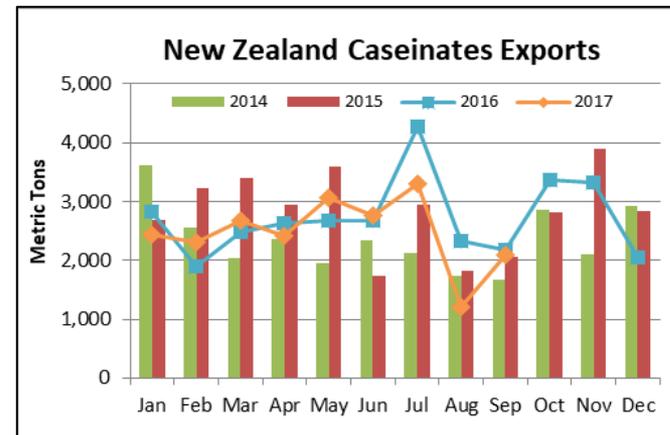


## Casein (HS Code: 350110)

- July-Sept '17 import volume: 11,938MT (26 million lbs)
- YOY growth rate: +18% (+1,802MT, 4 million lbs)

Top 5 Destinations [million lbs] (vs 2016, market share):

1. **United States** – 3,829MT [8] (+40%, 32% share)
2. **Mexico** – 2,106MT [5] (+53%, 18% share)
3. **China** – 1,266MT [3] (+73%, 11% share)
4. **Japan** – 752MT [1.7] (+7%, 6% share)
5. **South Korea** – 494MT [1] (+15%, 4% share)



## Caseinates (HS Code: 3501900010)

- July-Sept '17 import volume: 6,782MT (15 million lbs)
- YOY growth rate: -25% (-2,236MT, 5 million lbs)

Top 5 Destinations [million lbs] (vs 2016, market share):

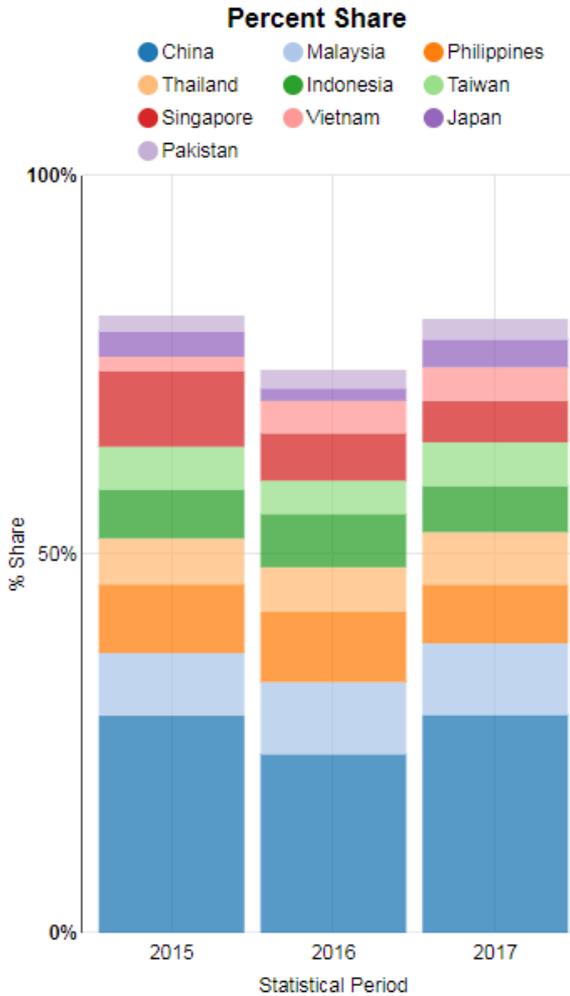
1. **United States** – 1,212MT [2.7] (-17%, 18% share)
2. **Japan** – 1,173MT [2.6] (-6%, 17% share)
3. **China** – 1,110MT [2.4] (-58%, 16% share)
4. **Netherlands** – 933MT [2] (+17%, 14% share)
5. **Indonesia** – 811MT [1.8] (-3%, 12% share)

(all chart data calculated on a daily average basis)

# Year-to-Date 2015-2017 Market Share (Top 10)

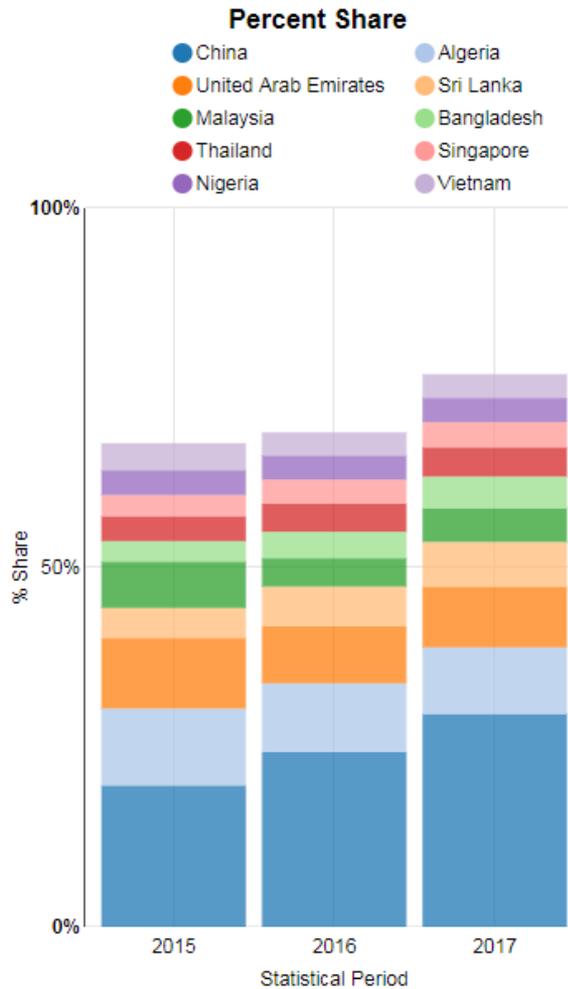
## Skim Milk Powder

No Changes

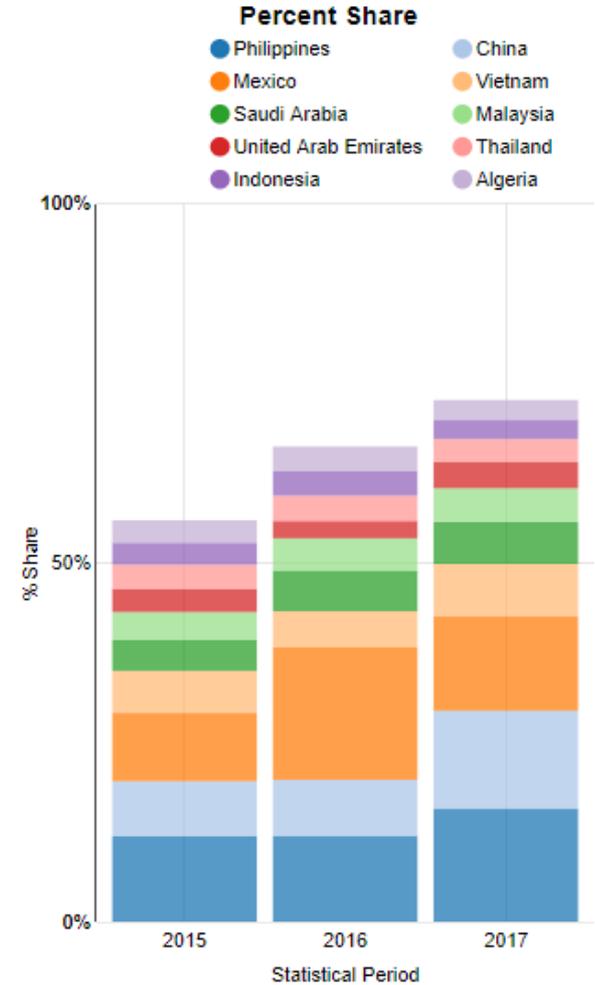


## Whole Milk Powder

No Changes



## Anhydrous Milkfat

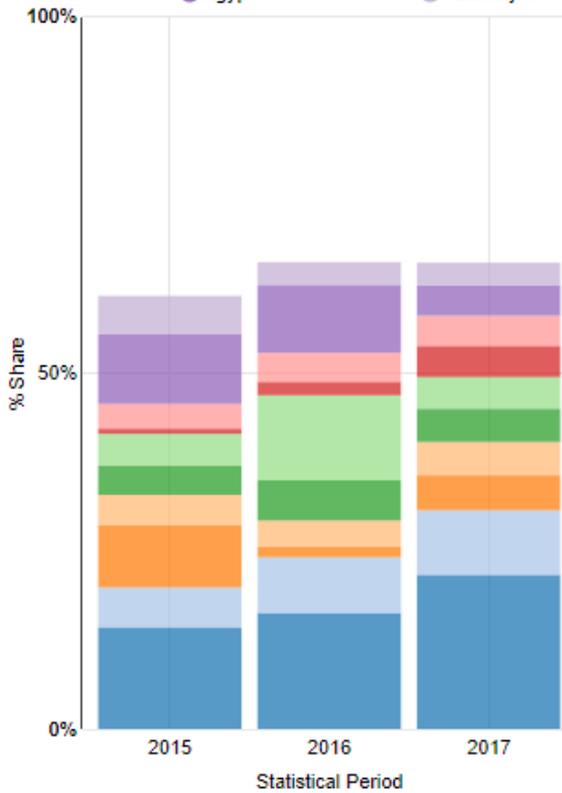


# Year-to-Date 2015-2017 Market Share (Top 10)

## Butter

### Percent Share

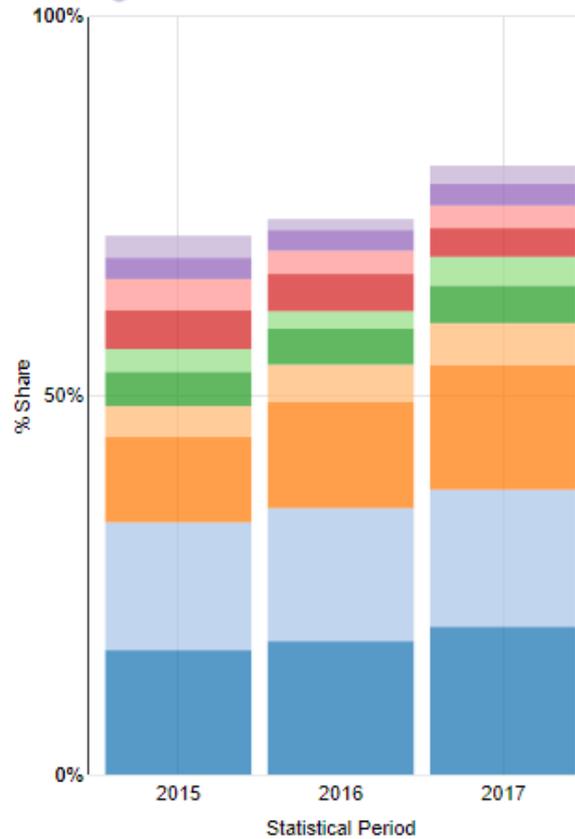
- China
- United Arab Emirates
- Saudi Arabia
- Russia
- Egypt
- Australia
- Taiwan
- Iran
- Indonesia
- Azerbaijan



## Cheese

### Percent Share

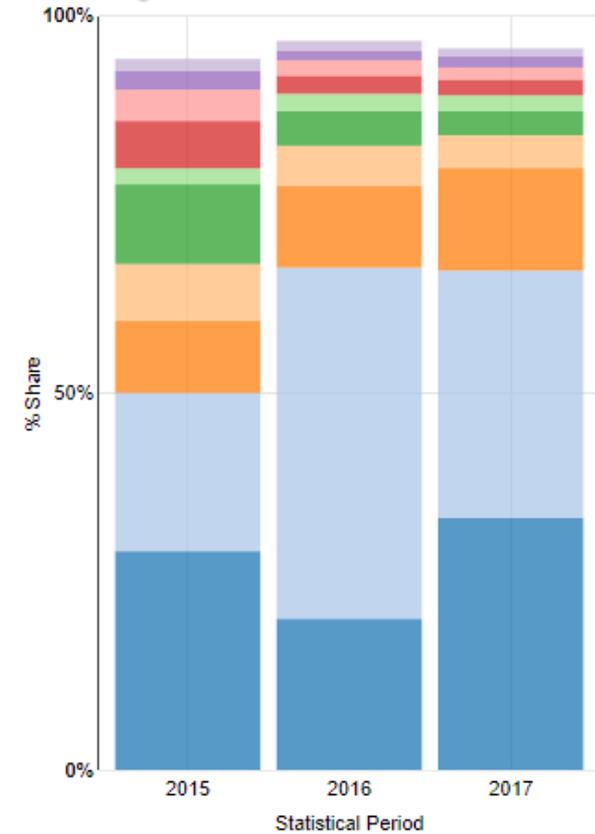
- Australia
- Korea, South
- Philippines
- Chile
- Japan
- Indonesia
- Saudi Arabia
- China
- Malaysia
- Taiwan



## Infant Formula

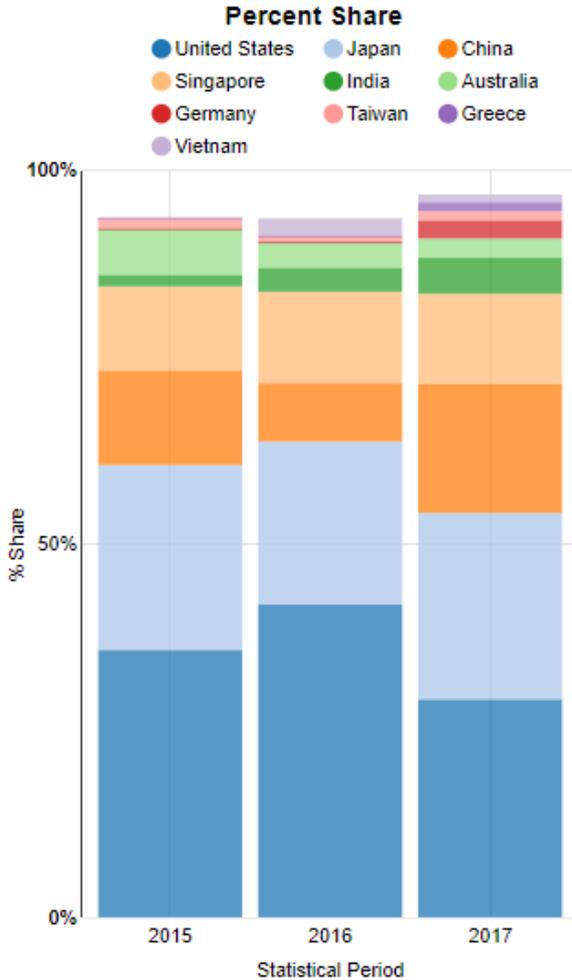
### Percent Share

- China
- Algeria
- Malaysia
- Russia
- Australia
- Taiwan
- Korea, South
- Hong Kong
- Syria
- Thailand

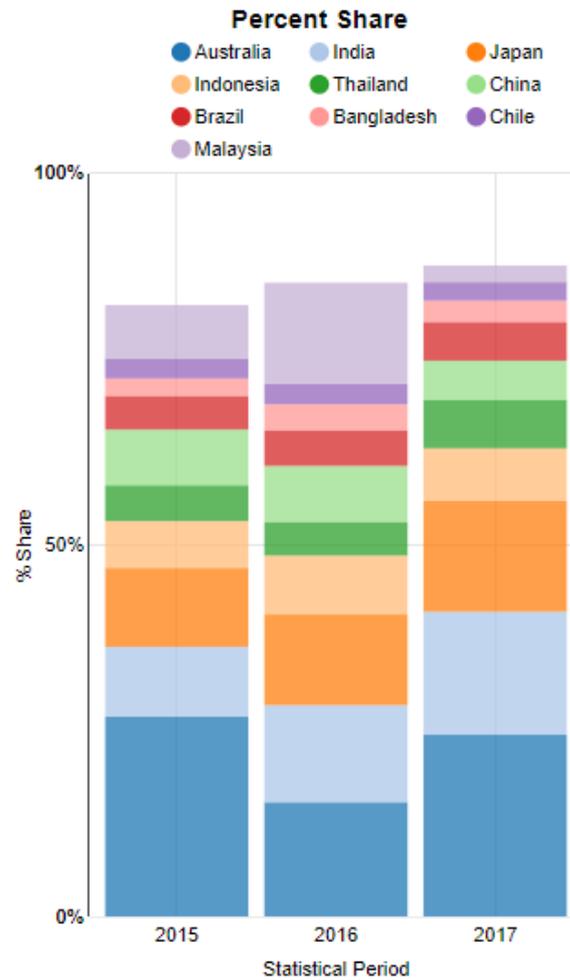


# Year-to-Date 2015-2017 Market Share (Top 10)

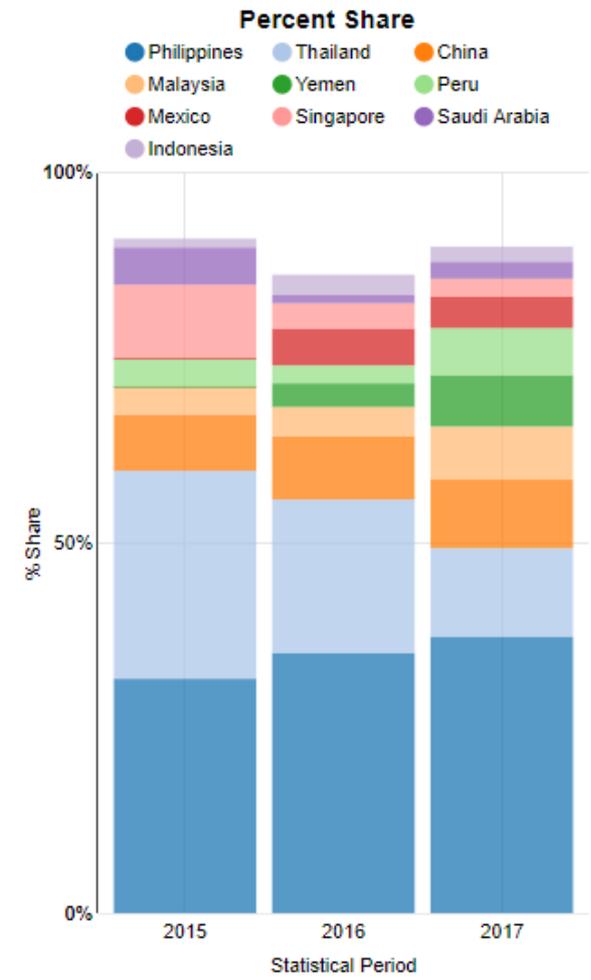
WPC>80%



Lactose



Buttermilk Powder



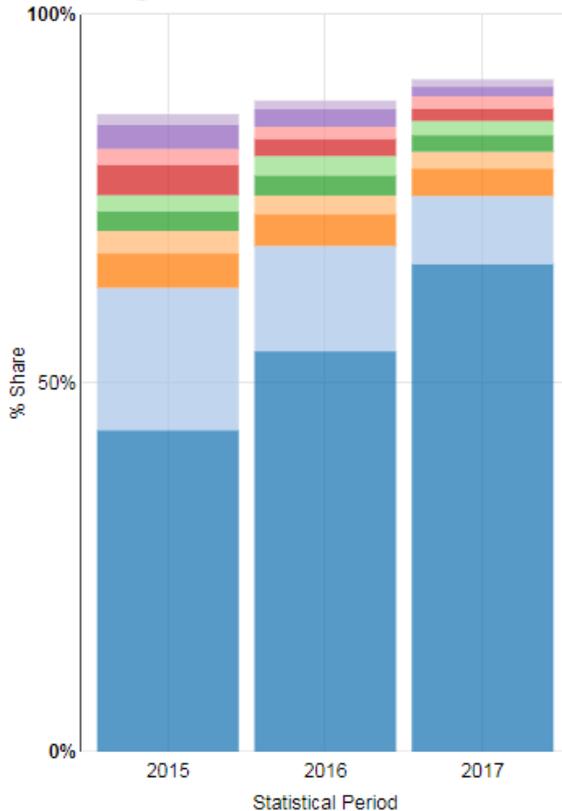
# Year-to-Date 2015-2017 Market Share (Top 10)

## Fluid Milk & Cream

No Changes

### Percent Share

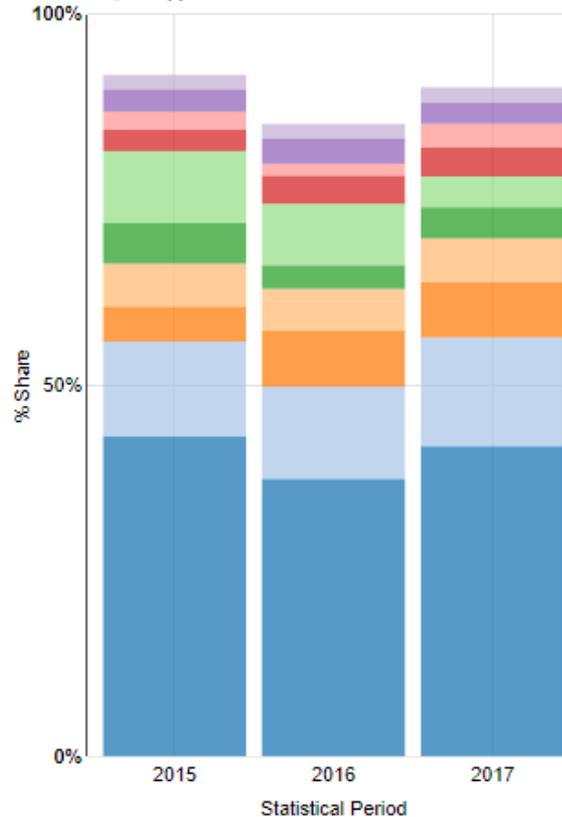
- China
- Philippines
- Taiwan
- Malaysia
- Vietnam
- Fiji
- Australia
- Hong Kong
- Singapore
- Indonesia



## Casein

### Percent Share

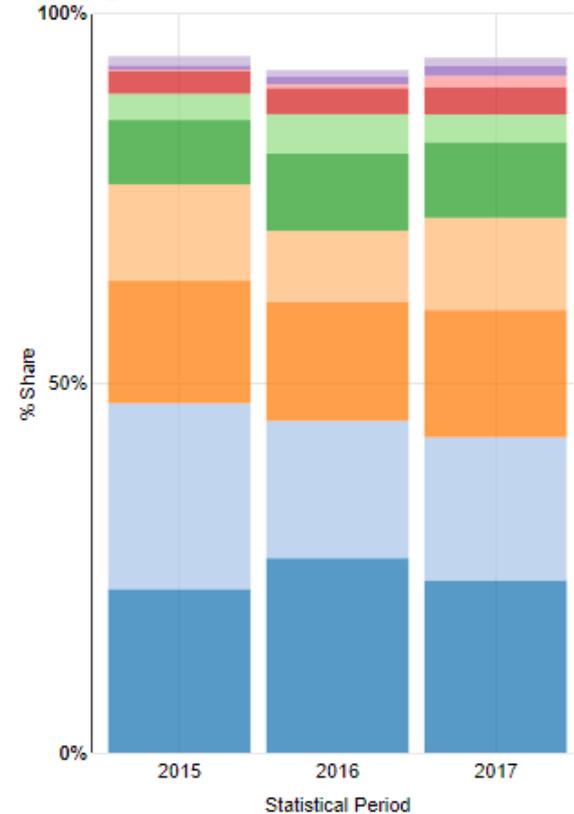
- United States
- Mexico
- China
- Japan
- Germany
- Netherlands
- Korea, South
- Malaysia
- Thailand
- Philippines



## Caseinates

### Percent Share

- China
- United States
- Japan
- Netherlands
- Indonesia
- Singapore
- Australia
- Vietnam
- Brazil
- South Africa



## **Fonterra Global Dairy Update: October 2017**

In September, Fonterra New Zealand milk collection was 2% behind September last season. Fonterra Australia collection increased 23% on September last year. [Read More](#)

## **Will Labour-NZ First coalition bring a new era in regional development?**

It's a political touchstone because it suggests no-one will be left behind or miss out and acknowledges the importance of the land industries. [Read More](#)

## **Government to make it tougher for foreigners to buy New Zealand farmland**

Farm properties have always been regarded as "sensitive" assets and have required a minister to allow them to be sold, on the advice of the Overseas Investment Office (OIO). [Read More](#)

## **Greens Sticking to Plan to Reduce Dairy Farming**

Green MPs will hold some ministerial jobs outside Cabinet under their supply and confidence agreement with Labour, and although exact portfolios have yet to be announced, the party says it will have responsibilities for cleaning up waterways. [Read More](#)

## **Dairy industry's next decade to focus on environmental practice**

The dairy industry's 2016/17 season's economic success and the need to produce more milk sustainably were key themes at DairyNZ's Annual General Meeting (AGM) in Rotorua today. [Read More](#)

## **Westpac NZ's Annual Earnings Buoyed By Turnaround in Bad Dairy Debt**

Westpac Banking Corp's New Zealand division boosted annual earnings 9.5 percent as the recovery in global milk prices eased stress on farmers and saw a turnaround in the lender's provisioning for bad dairy debt. [Read More](#)

## **NZ commodity prices fall in October on weaker dairy prices**

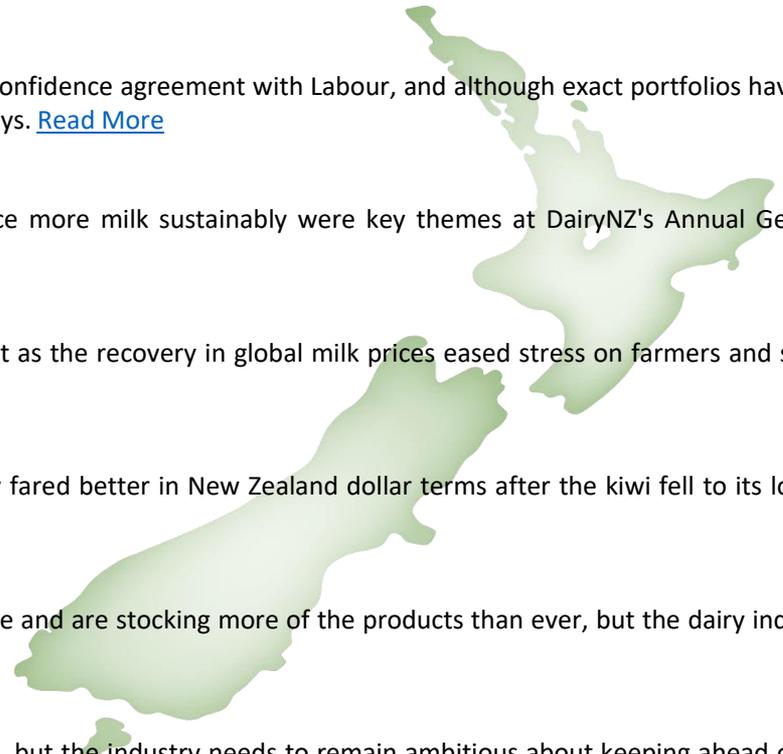
New Zealand commodity prices fell in October as dairy prices eased although they fared better in New Zealand dollar terms after the kiwi fell to its lowest level in more than a year on a trade-weighted index basis. [Read More](#)

## **Dairy stays above churn of plant-based substitutes**

The country's two supermarket chains Progressive and Foodstuffs have taken notice and are stocking more of the products than ever, but the dairy industry said it was not worried. [Read More](#)

## **NZ Dairy Farmers Need to Keep Their Edge**

New Zealand dairy farmers have a global edge in milk productivity and profitability, but the industry needs to remain ambitious about keeping ahead of the best in the world. [Read More](#)



## ***About HighGround Dairy***

HighGround Dairy launched in 2012 by industry veteran, Eric Meyer. Affiliated with HighGround Trading LLC, Eric is the President of its newly-created 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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