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Report Highlights:

New Zealand fluid milk production is forecasted to be 21.2 million metric tons (MMT) in the 2024 market year (MY). This is a decrease on the previous 5-year average of ~21.6 MMT, reflecting the decreasing herd numbers and the short-term effects of the following: El Niño weather pattern, softening revenue, high cost of debt servicing, and challenging feed and fertilizer prices. Notably, New Zealand milk processing companies have strategically redirected their investments in recent years. They have shifted their processing capabilities from drying milk powder to more fresh products such as butter, cheeses, and creams. FAS/Wellington forecasts export growth in New Zealand Butter/AMF, Skim Milk Powder (SMP), and Cream products in 2024. Whole Milk Powder (WMP) will continue to be the primary dairy export to overseas markets. In the first quarter of 2024, global export volumes of dairy products from New Zealand were up 19 percent at the same time last year.

Executive Summary:

New Zealand fluid milk production is forecasted to be 21.2 million metric tons (MMT) in the 2024 market year (MY). This is a decrease on the previous 5-year average of ~21.6 MMT, reflecting the decreasing herd numbers and the short-term effects of the following:

- El Niño weather pattern
- Softening Revenue.
- Continued high cost of debt servicing.
- Challenging feed and fertilizer prices

FAS/Wellington forecasts export growth in New Zealand Butter/AMF, Skim Milk Powder (SMP), and Cream products in 2024. Whole Milk Powder (WMP) will continue to be the primary dairy export to overseas markets. In the first quarter of 2024, global export volumes of dairy products from New Zealand were up 19 percent at the same time last year.

In recent years, large investment by New Zealand milk processing companies have shifted their processing capabilities from drying milk powder to more fresh products such as butter, cheeses, and creams. This recently observed trend is in exports, where WMP has decreased from 45 percent of the total volume of dairy exports in 2018 to 41 percent in 2023. There has been an increased capability for more specialty products such as infant formula (IMF), protein concentrates, lactoferrin, caseinates, creams, butter, and cheeses.

The national government changed after the October 14 general election. The new three-party coalition government entered office on November 27, 2023. In the lead-up to the election, the main parties openly stated that their objective would be to look after farmers and remove the ‘red tape’ impacting operations. Currently there have been no major legislation changes effecting the agricultural sector.

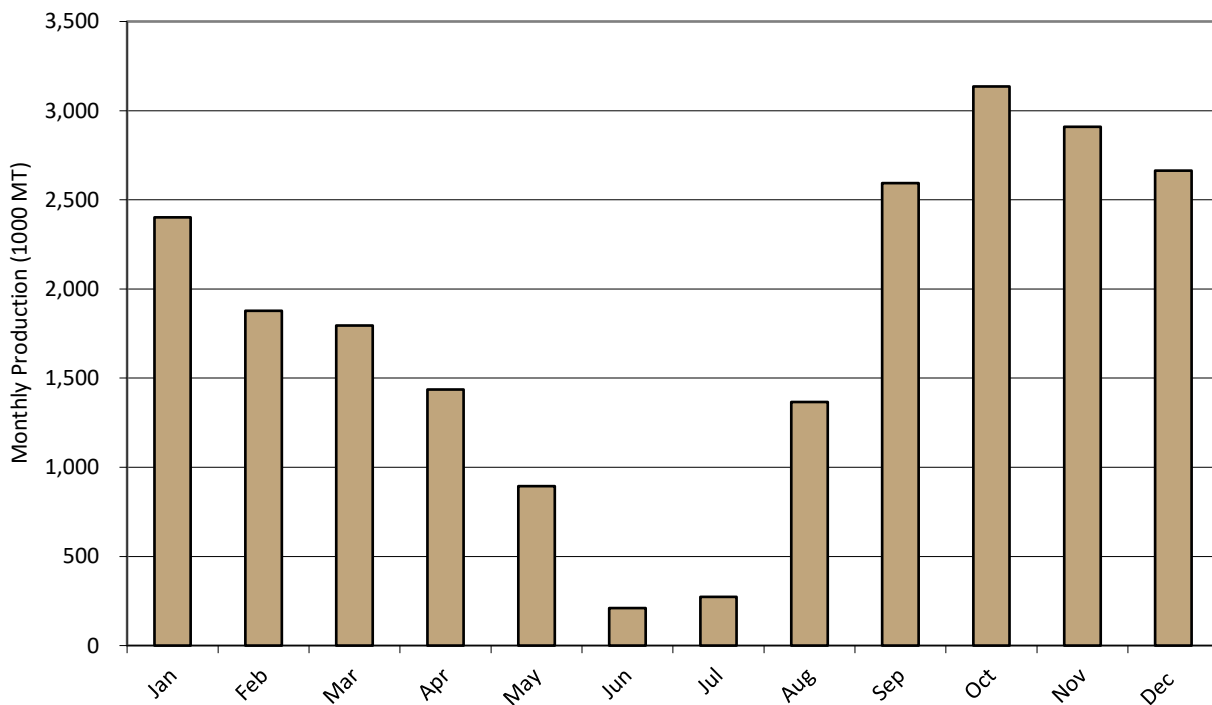
Domestic consumption will continue to be a small growth driver of the New Zealand economy, with the population only just over 5.1 million. As a result, the nation’s dairy processors are constantly investing and targeting overseas markets for dairy products. China continues to be New Zealand’s largest dairy customer for all dairy products.

Note: The GAIN Marketing Year (MY) is the same as the calendar year (CY), January 1 to December 31. For the purpose of this report always refer to MY unless otherwise stated. For foreign exchange rate between New Zealand Dollar and United States Dollar, the rate used in this report is NZ\$ 1.00 = US\$ 0.60. PS&D data for fluid milk is reported in 1,000 metric tons and not in liters. Calculation is based on one liter of cows' milk weighing 1.032 kg.

Background

New Zealand is ranked the world's 7th largest producer of dairy milk. Annually, New Zealand exports 95 percent of all dairy milk, as milk or dairy products, with export revenues of NZ\$22.4 billion in 2023 (US\$13.4 billion). Dairy accounts for 35 percent of New Zealand's total merchandise exports and around 5.3 percent of gross domestic product (GDP). The industry employs approximately 49,000 people. The majority of New Zealand dairy relies on pasture-fed diets, although most herds utilize purchased/imported feeds and other forage crops. Most of the supplemental feeding is done either through in-shed feeding systems or on feed pads to improve milk yields or animal conditions. Due to the seasonality of New Zealand's pasture growth, the majority of calving takes place between late July and September. As a result, milk production is highly seasonal, with 40 percent of the milk produced in the fourth quarter of each year (Figure 1).

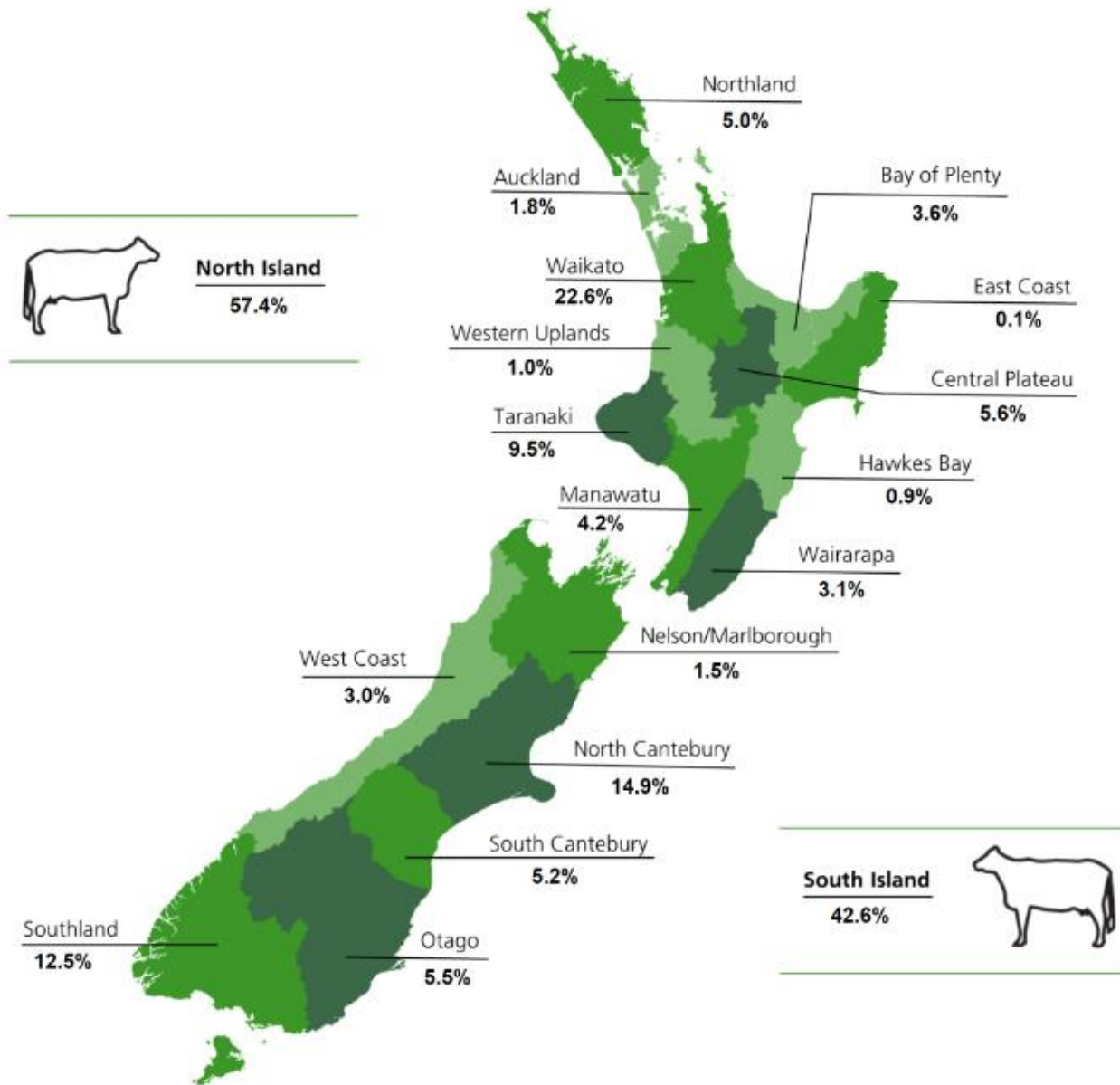
Figure 1: New Zealand Average Monthly Milk Production



Source: Dairy Companies of New Zealand

Figure 2 shows the regional distribution of the national dairy herd, which is situated largely in areas with easier topography and higher agricultural land, such as Waikato, Taranaki, Canterbury, and Southland.

Figure 2: Regional Distribution of Dairy Cows 2022/2023



Source: New Zealand Dairy Statistics 2022-23, LIC and Dairy NZ

Liquid Milk production

Table 1: Production, Supply and Distribution – Dairy, Milk, Fluid

Dairy, Milk, Fluid Market Year Begins New Zealand	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk (1000 HEAD)	4875	4842	4800	4675	4750	4650
Cows Milk Production (1000 MT)	21051	21051	21300	21246	21200	21200
Other Milk Production (1000 MT)	0	0	0	0	0	0
Total Production (1000 MT)	21051	21051	21300	21246	21200	21200
Other Imports (1000 MT)	5	5	5	3	5	3
Total Imports (1000 MT)	5	5	5	3	5	3
Total Supply (1000 MT)	21056	21056	21305	21249	21205	21203
Other Exports (1000 MT)	279	279	280	241	280	260
Total Exports (1000 MT)	279	279	280	241	280	260
Fluid Use Dom. Consum. (1000 MT)	535	535	535	535	535	535
Factory Use Consum. (1000 MT)	20132	20132	20380	20363	20280	20298
Feed Use Dom. Consum. (1000 MT)	110	110	110	110	110	110
Total Dom. Consumption (1000 MT)	20777	20777	21025	21009	20925	20943
Total Distribution (1000 MT)	21056	21056	21305	21249	21205	21203

(1000 HEAD) ,(1000 MT)

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2024

FAS/Wellington has maintained the forecast for the 2024 milk production at 21.2 million metric tons (MMT), consistent with the USDA official. This forecast is down on the previous 5-year average of ~21.6 MMT, reflecting the following factors effecting the 2024 market year, which are:

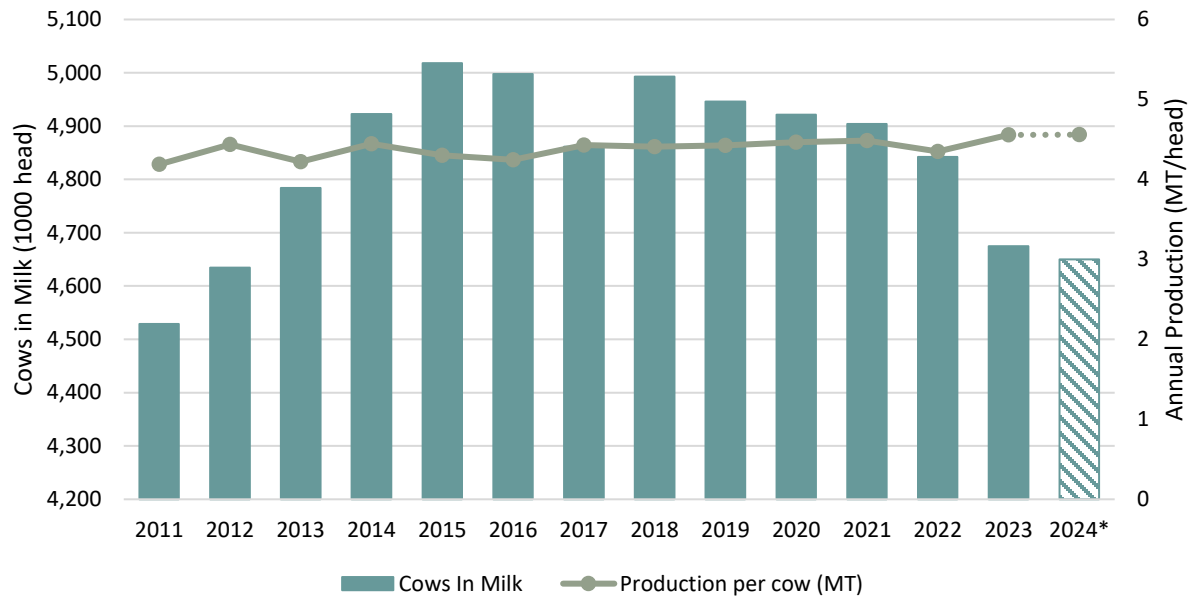
- Shrinking national herd.
- El Niño weather pattern.
- Softening Revenue.
- Continued high-cost debt servicing.
- Challenging feed and fertilizer prices.

Explained in further detail as follows:

--Shrinking National Herd

FAS/Wellington forecasts a continued decline in the national herd, consistent with the outlook from the industry funded organization – DairyNZ. The national herd of cows in milk grew rapidly from 1990 to 2015, increasing by 3.2 percent per year over this period. In 2023, the national herd experienced its most significant annual drop in numbers ever to 4.67 million head, lowest since 2012 (figure 3). Commentary from industry is that this is a result of land-use changes to horticulture and property developments. The biggest decreases in cow numbers year-on-year have been, in the regions of Bay of Plenty (-19 percent), Tasman (-9 percent), Otago (-6 percent), and Northland (-4 percent). However, Canterbury has seen an increase in dairy cow numbers by 9 percent since 2022.

Figure 3: National Herd and Production



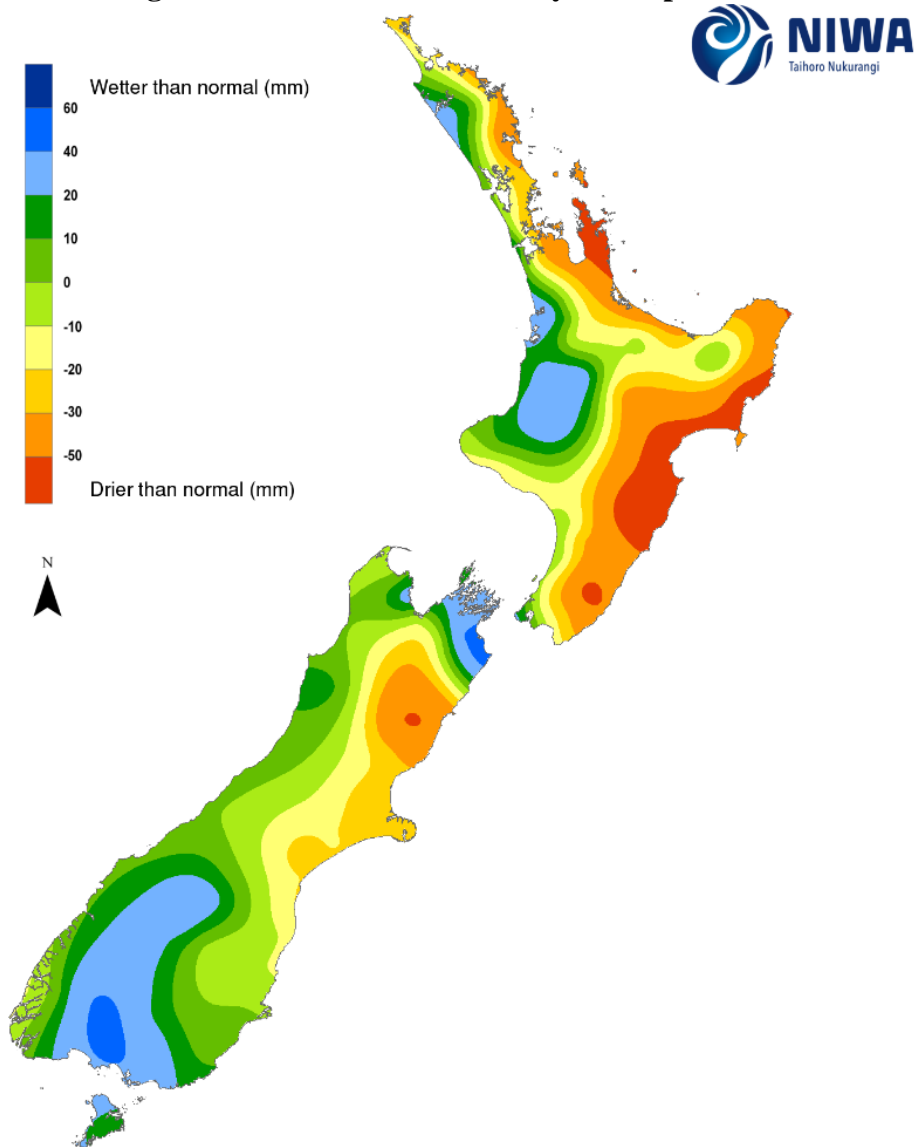
Source: New Zealand Dairy Statistics 2022/23, *FAS/Wellington Forecast

Since 2011, annual production per cow has increased at 0.6 percent per year, from 3.9 MT per cow per year to 4.9 MT per cow. This increase in production per cow has cushioned the national milk production, despite the shrinking national herd numbers.

--Dry start to season

Due to New Zealand’s already mentioned predominant pastoral nature of the dairy sector, production is heavily variable and dependent on climate and pasture production. National Institute of Water and Atmospheric Research (NIWA) scientists forecasted an El Niño weather pattern after the previous three years of La Niña. During El Niño, New Zealand tends to experience stronger or more frequent winds from the west in summer, which can encourage dryness in eastern areas and more rain in the west. Figure 4 shows the variance of the nation’s soil moisture on historical averages in April 2024. A dry autumn (February to April) in New Zealand leads to less pasture and feed heading into the winter, impacting spring production. This is important because 60 percent of milk is produced in the last 5 months of the year (Figure 1).

Figure 4: Soil Moisture Anomaly mid-April 2024

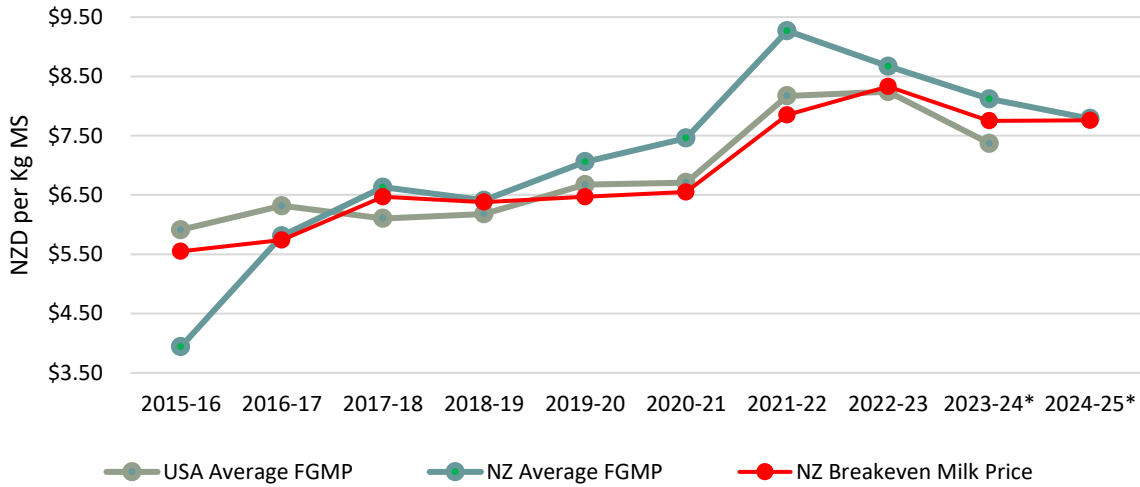


Source: National Institute of Water and Atmospheric Research (NIWA)

--Softening Revenue

In DairyNZ's most recent economic outlook, softening revenue over the next 18 months is going to severely challenge profit margins on farm (Figure 5). Over recent years, the New Zealand Average FGMP has followed a similar trend to the United States average. In February 2024, New Zealand's largest processor increased their recent farmgate milk price (FGMP) for the 2024/25 season forecast to a mid-point of NZ\$7.80 per Kilogram of milk solids (KgMS) from as low as NZ\$6.75 KgMS in August 2023. Over the same period with this latest forecast, DairyNZ are estimating an industry average breakeven milk price of NZ\$7.76 KgMS. These breakeven cost estimates include the increased costs of all inputs and debt servicing.

Figure 5: Farm Gate Milk Price and Breakeven Milk Price

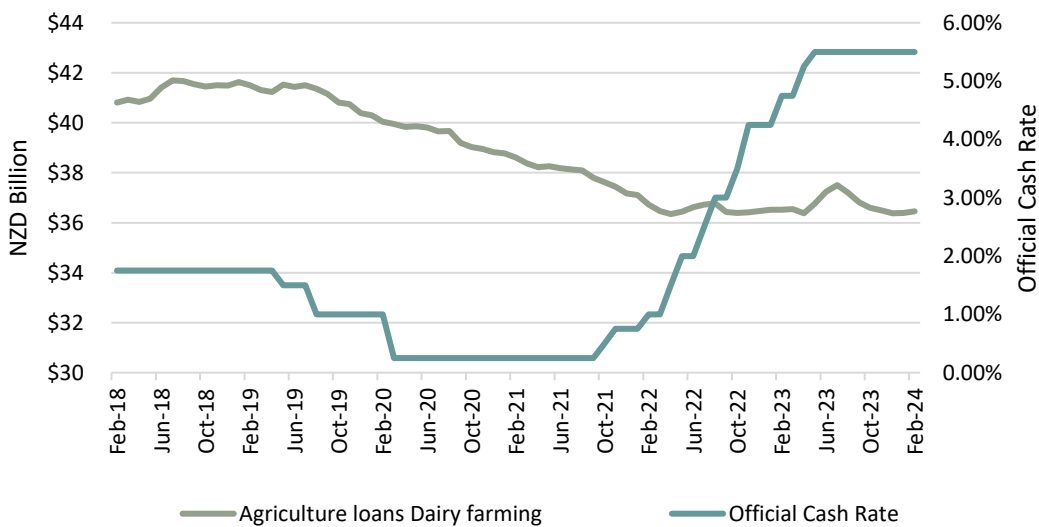


Source: DairyNZ and USDA/National Agriculture Statistics Service. *DairyNZ Forecast

--Continued High Interest on Debt Servicing

Dairy farmers anticipate that interest on farm debt will continue as a significant challenge. The New Zealand Reserve Bank (RBNZ) sets the nation’s commercial bank interest rates – Official Cash Rate (OCR), similar to the federal fund rate in the United States (Figure 6). This has contributed substantially to the overall increase in on-farm inflation because it comprises almost 19 percent of the breakeven milk price per KgMS. Two years prior it was just 10 percent of the breakeven cost. Industry feedback has been that with the rise in on-farm inflation, interest rates, industry debt, and reduced revenue, the availability of capital to fund debt servicing costs alone is proving a challenge for the year ahead.

Figure 6: Farm Debt and Interest Rates



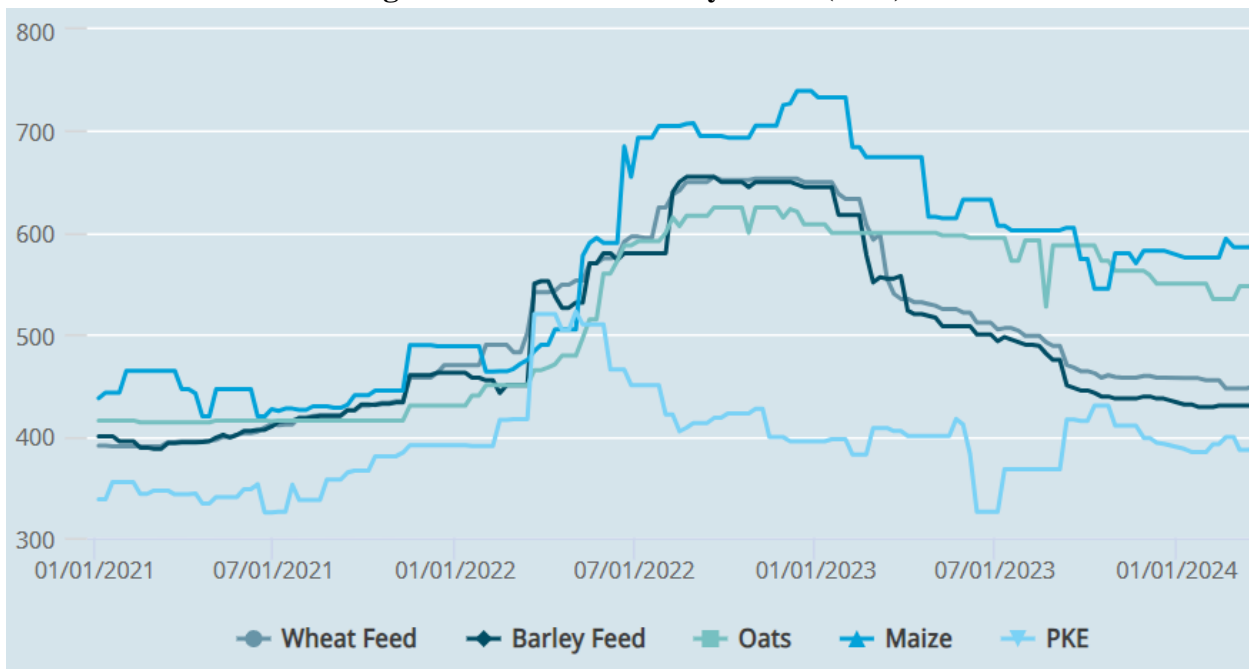
Source: Reserve Bank of New Zealand

Currently, RBNZ reports that loans to dairy farmers have reduced and stabilized in recent years to NZ\$36.5 billion (US\$21.9 billion). Of these loans, 54 percent are classed as interest only, 30 percent are revolving credit, and the remaining amount is principal and interest. This situation has exacerbated the pressure on the sector, due to the impact of the increase in OCR over the last two years.

--Challenging Feed and Fertilizer Prices

Industry commentary is that the price for bulk imported commodities such as feed and fertilizer is forecasted not to drop significantly in 2024 (Figure 7). Combined feed and fertilizer comprise almost 33 percent of costs for New Zealand Dairy farms. Forecasts suggest these costs will decrease, although not to levels seen pre-covid. The geopolitical tensions in the Red Sea and the low levels of the Gatun Lake in the Panama Canal have added an extra two weeks to shipping to and from New Zealand and global markets. However, the indirect impacts may need be fully accounted for as vessels in the incoming year may be re-routed from New Zealand to other markets or become backlogged due to the additional travel and delays.

Figure 7: Feed Commodity Prices (NZ\$)



Source: DairyNZ Econ Tracker, NZX

2023

FAS/Wellington concludes milk production for 2023 at 21.2 MMT, a slight decrease from the USDA official of 21.3 MMT. Despite production in the first half of 2023 being 3 percent up on the year prior, farmers were unable to capture more production in the second half of the year, which, mentioned earlier, is typically when 60 percent of the national milk production occurs.

Halfway through the year, the early warnings of the incoming El Nino weather pattern had dairy farmers on edge, with many anticipating this would affect pasture production and milk production at the end of the 2023 MY. The late-season rainfall in November and December helped hold up production and lower the demand for purchased supplement feed on farm. However, with the rising cost of production, lowered FGMP forecast, and shrinking national herd, the opportunity was not fully seized to increase on production over this period.

Liquid Milk Exports

FAS/Wellington forecasts fluid milk exports in 2024 at 260,000 MT, less than the USDA official. This follows 2023 exports that reached 240,685 MT, displaying a shift from available milk to further processed dairy products. China continues to be the largest importer of fluid milk, taking three-quarters of total exports.

Liquid Milk Domestic Consumption

FAS/Wellington forecasts domestic fluid milk consumption in 2024 to be consistent with 2023 at 535,000 MT. Domestic consumption accounts for just over two percent of milk produced. Meanwhile, Australia consumes 28 percent, and the United States consumes 20 percent of its production as fluid milk. New Zealand channels the remaining amount into processing and exports. Factory use is forecasted at 20.298 MMT, down slightly from the previous year due to lower milk production.

Industry and Policy

-- Change in Government:

The coalition government has highlighted the following agriculture-specific objectives, which would directly change key factors referenced in previous FAS/Wellington reports, these policies are:

- Agricultural emissions pricing.
- Ban on live cattle export.
- Environmental restrictions on winter grazing.
- Ban on the commercial use of biotechnology.

These policies are all currently under review by the current government, with the intension to loosen the current restrictions and approach of the previous government.

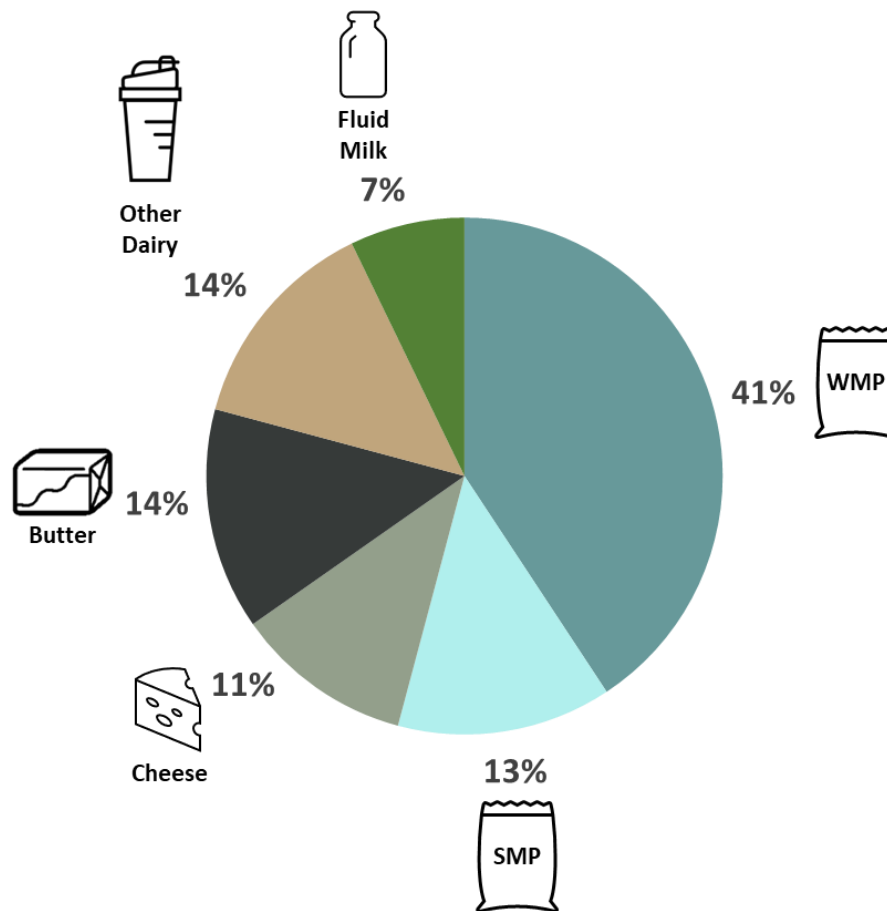
--Conclusion on European Union Free Trade Agreement (EU-FTA):

The New Zealand Government concluded negotiations on their EU-FTA, with entry into force as of May 1st, 2024. From day one, duties will be removed on 91% of New Zealand's goods exports to the EU, rising to 97% after seven years. The protection of geographical indications (GI) was an essential outcome for the EU in the FTA, particularly for types of cheese. The Ministry of Foreign Affairs and Trade (MFAT) conducted public consultations on GIs. Consultations concluded that the FTA would provide GI protection but not prevent prior users of certain types of cheeses, such as Gruyère or Parmesan, from continuing use. For volume in 2023, the EU represented less than 1 percent of New Zealand's dairy trade by volume and value.

Processing and Exports

In recent years, New Zealand processors have invested heavily in more energy-efficient plant upgrades, away from coal fired heat to other solid energies such as wood chips, gas, and electricity. In addition, milk companies are shifting processing capabilities away from milk drying to more fresh products such as butter, cheeses, and creams. This has been seen in exports where dry whole milk powder (WMP) has decreased from 45 percent of the total volume of dairy exports in 2018 to 41 percent in 2023 (Figure 8). There has been an increased capability for more specialty products such as infant formula (IMF), protein concentrates (WPC, WPI, MPC), lactoferrin, caseinates, creams, butter, and cheeses.

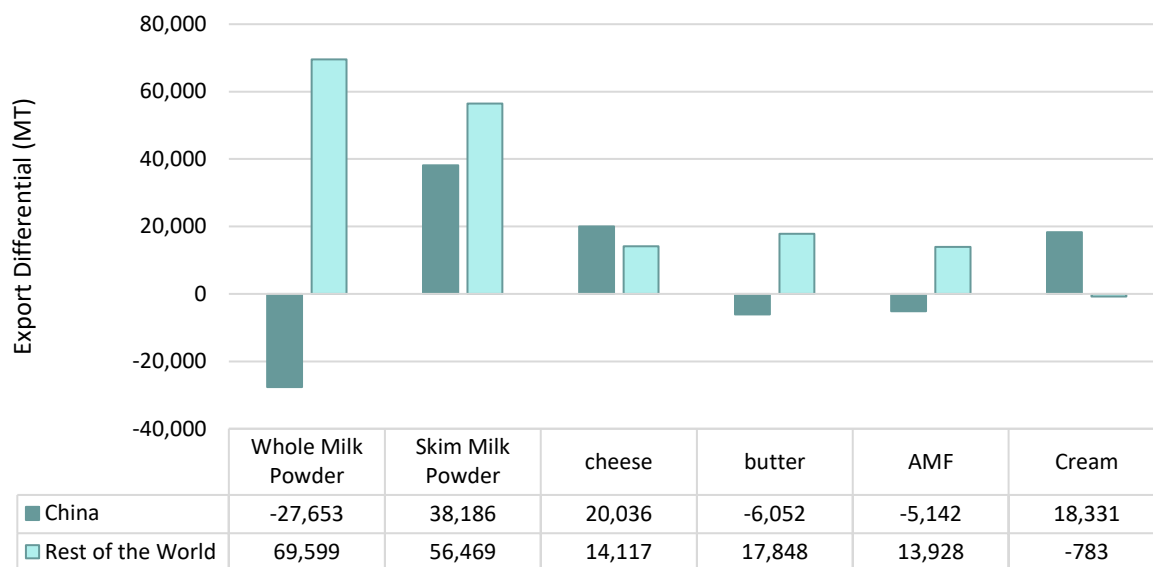
Figure 8: Proportion of New Zealand Total 2023 Dairy Export Volumes



Source: Trade Data Monitor

Figure 9 shows the differential of volumes exported between 2022 and 2023 MY, separating New Zealand's largest dairy trading partner – China (~30 percent), from the rest of the world. In 2023, all dairy product exports were 4.9 percent up on the previous year. These commodity shifts are further explained in the following sections.

Figure 9: New Zealand Dairy Exports 2022 vs 2023



Source: Trade Data Monitor LLC

Whole Milk Powder (WMP)

Table 2: Production, Supply and Distribution – Dairy, Dry Whole Milk Powder

Dairy, Dry Whole Milk Powder Market Year Begins	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
New Zealand						
Beginning Stocks (1000 MT)	148	148	203	204	236	221
Production (1000 MT)	1400	1400	1400	1400	1325	1325
Other Imports (1000 MT)	1	2	1	1	2	2
Total Imports (1000 MT)	1	2	1	1	2	2
Total Supply (1000 MT)	1549	1550	1604	1605	1563	1573
Other Exports (1000 MT)	1328	1328	1350	1366	1325	1400
Total Exports (1000 MT)	1328	1328	1350	1366	1325	1400
Human Dom. Consumption (1000 MT)	2	2	2	2	2	2
Other Use, Losses (1000 MT)	16	16	16	16	16	16
Total Dom. Consumption (1000 MT)	18	18	18	18	18	18
Total Use (1000 MT)	1346	1346	1368	1384	1343	1418
Ending Stocks (1000 MT)	203	204	236	221	220	130
Total Distribution (1000 MT)	1549	1550	1604	1605	1563	1573

(1000 MT)

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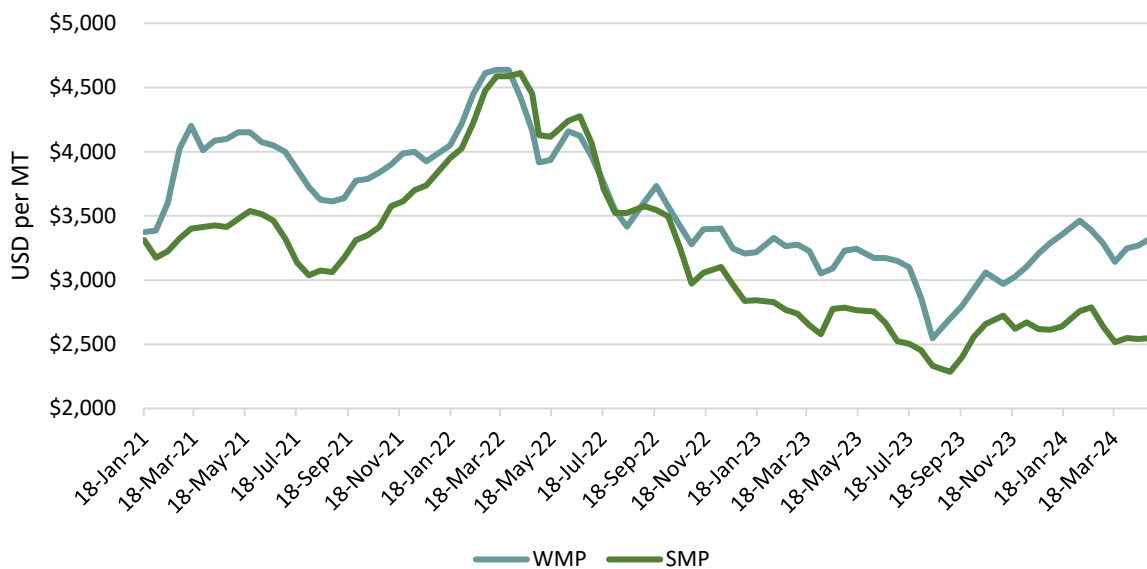
2024

FAS/Wellington maintains production with the USDA official for WMP at 1.325 MMT, as processors direct more fluid milk to other dairy products. FAS/Wellington has revised up the forecast for WMP exports to 1.4 MMT from the USDA official of 1.325 MMT. In the first quarter of the 2024 MY, WMP exports were 37 percent up on the same time last year. Over these first three months, exports were up to China and Algeria, representing 30 percent and 12 percent of total volumes exported respectively.

Historically, the first quarter of the year is the second largest quarter for WMP exports (27 percent), with the final quarter being the largest at 33.3 percent. Feedback from the industry is that with recent large investments into further processing in specialty products and the return to trade following COVID-19. Analysts anticipate WMP production will not return to levels previously experienced in the last 4 years.

Figure 10 shows that Global Dairy Trade (GDT) prices have recovered in 2024, following a low auction price in August 2023 (NZ\$4,247 MT or US\$2,548 MT). This strengthens the opportunity for New Zealand processors to clear in the new year, as the end of the calendar year is peak fluid milk production, where surplus milk is typically dried to handle volumes. The recent GDT prices are still recovering following the peak (NZ\$7,280 MT or US\$4,368 MT) and the decline experienced in 2022 MY.

Figure 10: Global Dairy Trade for WMP and SMP

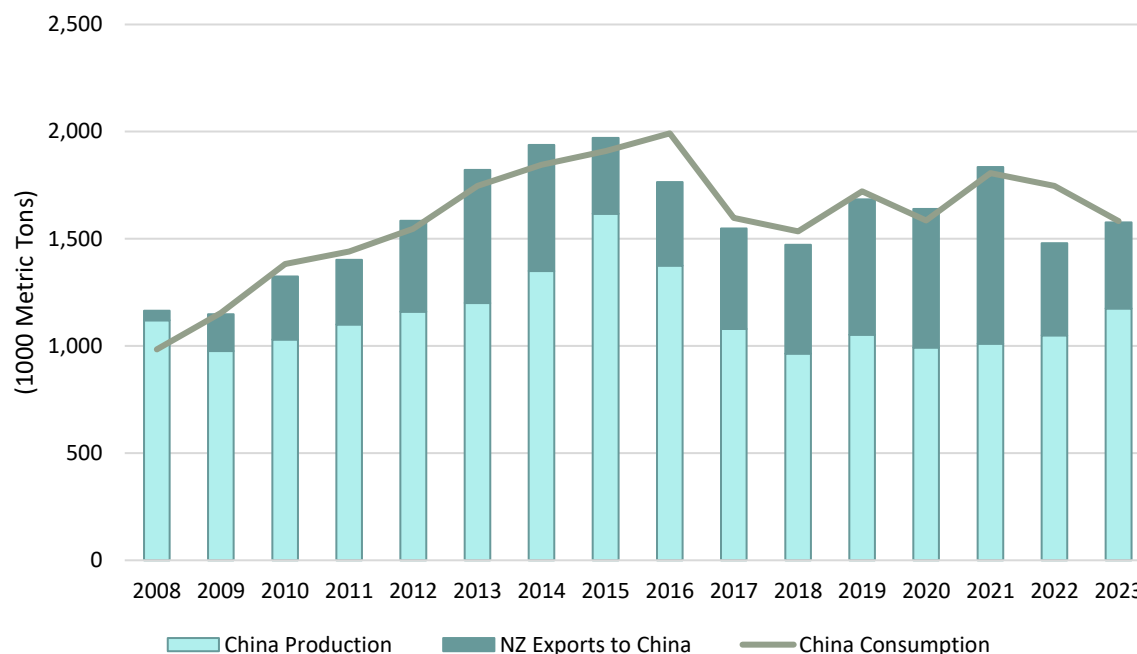


Source: NZX

2023

FAS/Wellington maintains production with the USDA official for WMP at 1.4 MMT. Post also concludes 2023 MY exports for WMP at 1.366 MMT, a slight increase on the USDA official of 1.35 MMT. The increase in forecast reflects the recovery at the end of the year for GDT pricing. Industry sources have highlighted that WMP in the bakery market remains firm for consumption in China for New Zealand products. In addition, following the increase in domestic raw milk production, it is being redirected into WMP production in China. New Zealand remains a key exporter to fill the gap between domestic production and consumption (Figure 11).

Figure 11: China Whole Milk Powder Market



Source: Trade Data Monitor LLC, USDA Official PSD

Skim Milk Powder (SMP)

Table 3: Production, Supply and Distribution – Dairy, Milk, Nonfat Dry

Dairy, Milk, Nonfat Dry Market Year Begins New Zealand	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	117	117	138	138	51	65
Production (1000 MT)	390	390	390	390	425	425
Other Imports (1000 MT)	3	3	3	3	3	3
Total Imports (1000 MT)	3	3	3	3	3	3
Total Supply (1000 MT)	510	510	531	531	479	493
Other Exports (1000 MT)	357	357	465	451	440	450
Total Exports (1000 MT)	357	357	465	451	440	450
Human Dom. Consumption (1000 MT)	15	15	15	15	15	15
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	15	15	15	15	15	15
Total Use (1000 MT)	372	372	480	466	455	465
Ending Stocks (1000 MT)	138	138	51	65	24	28
Total Distribution (1000 MT)	510	510	531	531	479	493

(1000 MT)

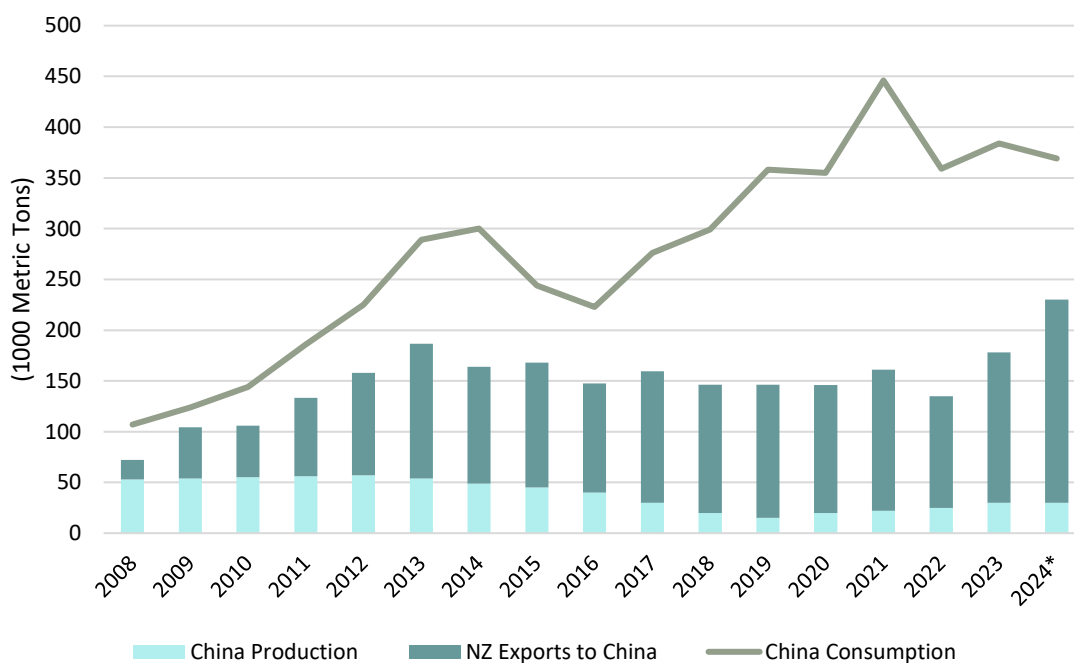
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2024

FAS/Wellington maintains SMP production at 425,000 MT in the 2024 MY, consistent with the USDA official. This reflects an increase for cream products processing, which SMP is a byproduct.

Forecast for exports is increased on the USDA official to 450,000 MT- reflecting the increase in production in cream and fats which SMP is a byproduct. Another factor is the strong demand from global markets, where SMP in the first quarter of 2024 is tracking 13 percent up on the same time last year. China and Indonesia are the largest consumers of New Zealand SMP exports. So far, SMP exports to China (i.e., 36 percent of export volumes) are ahead of last year’s volumes by 20 percent. In addition, export volumes to Indonesia (i.e., 16 percent of export volumes to date) are also ahead of last year’s volumes by 10 percent. In Figure 12, the demand for SMP in China has far outstripped domestic production and imports from New Zealand in recent years. China also imports SMP from Australia, Belarus, Finland, Switzerland, and the United States.

Figure 12: China Skim Milk Powder Market

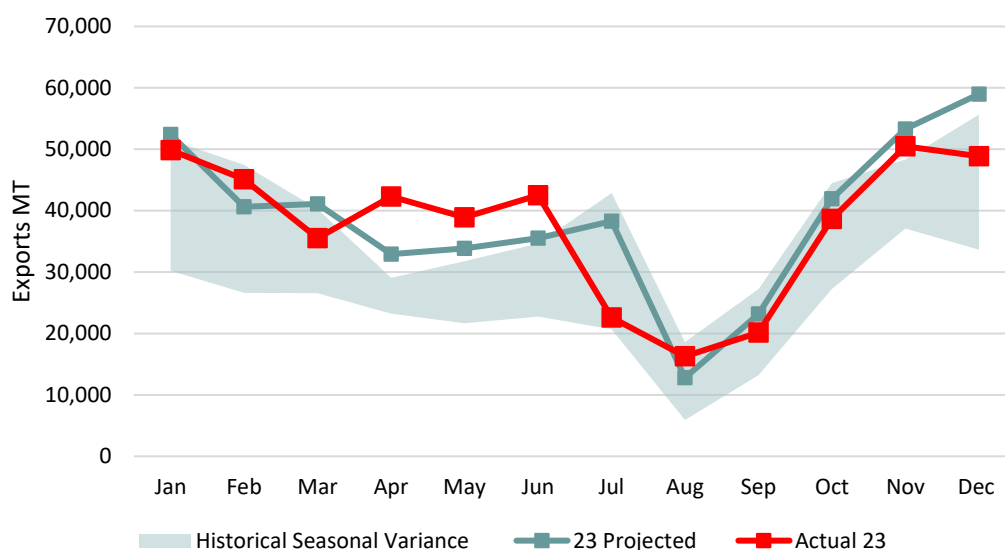


Source: Trade Data Monitor, *USDA Official PSD Forecast

2023

FAS/Wellington has maintained the estimate for SMP production with the USDA official at 390,000 MT. As seen in figure 13, SMP exports in 2023 were on track to meet the USDA official of 465,000 MT. However, with a drop in forecast for December, SMP exports concluded in the 2023 MY at 451,212 MT. At the end of the MY, global SMP exports were 26 percent more than the previous year. China was the largest importer at 33 percent, followed by Indonesia (14 percent).

Figure 13: 2023 Monthly SMP Exports from New Zealand



Source: Trade Data Monitor LLC

Cheese

Table 4: Production, Supply and Distribution – Dairy, Cheese

Dairy, Cheese Market Year Begins New Zealand	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	64	64	70	70	54	70
Production (1000 MT)	375	375	400	400	400	400
Other Imports (1000 MT)	10	10	15	14	15	15
Total Imports (1000 MT)	10	10	15	14	15	15
Total Supply (1000 MT)	449	449	485	484	469	485
Other Exports (1000 MT)	340	340	391	374	370	370
Total Exports (1000 MT)	340	340	391	374	370	370
Human Dom. Consumption (1000 MT)	39	39	40	40	40	40
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	39	39	40	40	40	40
Total Use (1000 MT)	379	379	431	414	410	410
Ending Stocks (1000 MT)	70	70	54	70	59	75
Total Distribution (1000 MT)	449	449	485	484	469	485

(1000 MT)

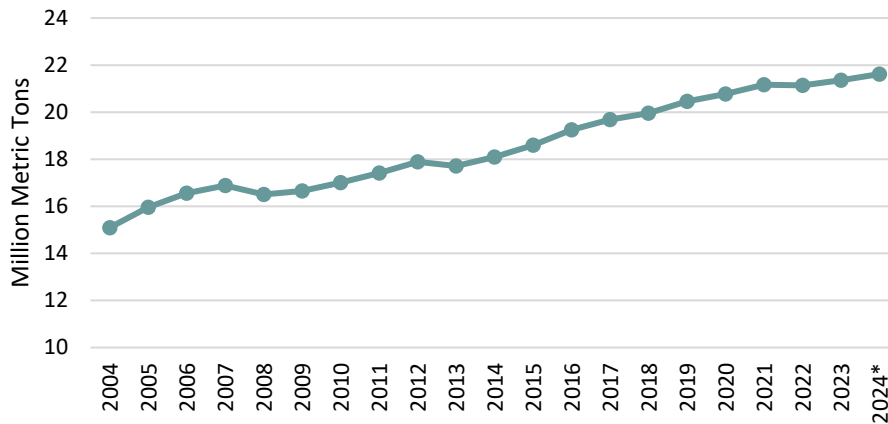
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2024

FAS/Wellington’s forecast for cheese production in 2024 is 400,000 MT, and exports of 370,000 MT, consistent with the USDA official. This results from returning demand by New Zealand’s major markets following the pandemic and processors investing in upgrading cheese manufacturing capabilities in recent years to meet global demand. According to the USDA official, global demand for cheese continues to grow at 1.7 percent per year (Figure 14). In the first quarter of the 2024 MY, New Zealand’s four largest cheese markets by volume were China (28 percent), Japan (14 percent), Australia (15 percent), and South Korea (5 percent). Year-to-date exports are 7 percent behind last year, although

the second quarter has been the most significant period for cheese exports in recent years. For global cheese consumption, China is ranked 12th, Japan 10th, Australia 9th and South Korea 11th, highlighting the focus by New Zealand with the recent Free Trade Agreements with both the European Union and the United Kingdom as they represent the 1st and 5th largest cheese consumers respectively.

Figure 14: World Cheese Consumption

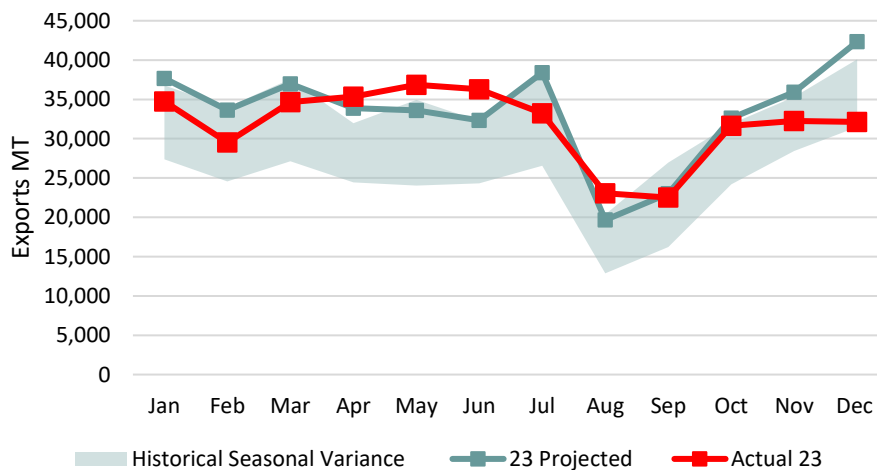


Source: USDA Official PSD, *USDA Forecast

2023

FAS/Wellington has maintained the estimate for 2023 production with the USDA official at 400,000 MT. Exports concluded at 373,922 MT in the 2023 MY. A reduction in the USDA official reflected slow exports in the last two months of the MY (Figure 15). However, this was an increase on the previous MY, with exports increasing, particularly with fresh cheeses, whey cheeses, Cheddar, and Colby.

Figure 15: 2023 Monthly Cheese Exports from New Zealand



Source: Trade Data Monitor LLC

Butter and Anhydrous Milk Fat (AMF)

Table 5: Production, Supply and Distribution – Dairy, Butter

Dairy, Butter Market Year Begins New Zealand	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	99	99	75	123	34	136
Production (1000 MT)	500	500	510	510	525	525
Other Imports (1000 MT)	2	2	1	1	1	1
Total Imports (1000 MT)	2	2	1	1	1	1
Total Supply (1000 MT)	601	601	586	634	560	662
Other Exports (1000 MT)	494	446	520	466	480	480
Total Exports (1000 MT)	494	446	520	466	480	480
Domestic Consumption (1000 MT)	32	32	32	32	32	32
Total Use (1000 MT)	526	478	552	498	512	512
Ending Stocks (1000 MT)	75	123	34	136	48	145
Total Distribution (1000 MT)	601	601	586	634	560	657

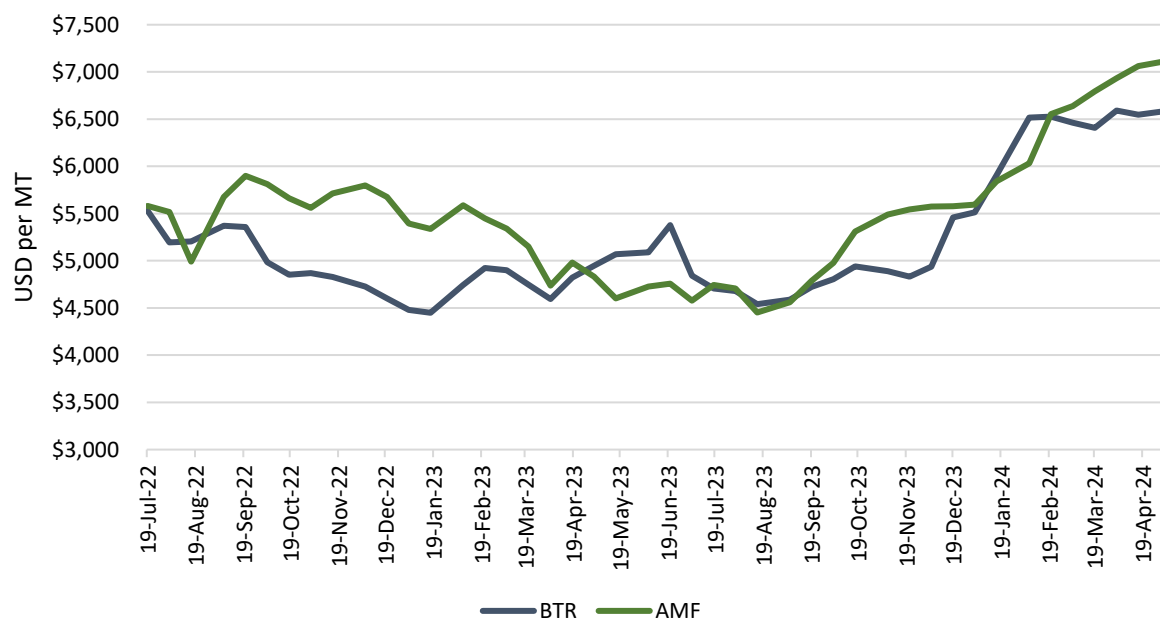
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2024

FAS/Wellington forecasts butter and AMF production to maintain the USDA official of 510,000 MT and exports at 480,000 MT. Year-to-date exports of AMF are up 24 percent at the same time last year, and butter exports are backless 3 percent. This demonstrates a strong demand for AMF, as reflected in recent GDT auctions so far in 2024 (Figure 16). The biggest markets for AMF exports in the first quarter of the market year continue to be China (21 percent), Mexico (12 percent), and the United States (10 percent).

Figure 16: Global Dairy Trade for Butter and AMF



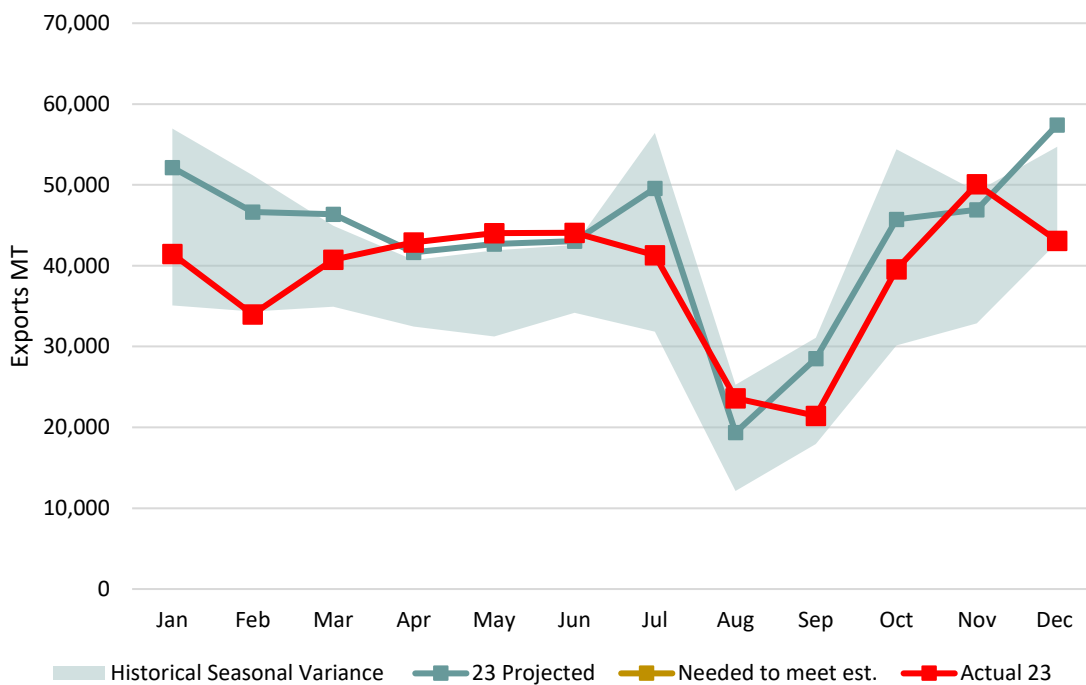
Source: NZX

Consistently, butter products account for 56 percent of the reported milk fat exports. Regarding butter products, 80 percent of exports are unsalted products. In recent years, large investment in grass-fed butter processing facilities in New Zealand, upgrading facilities and responding to market demands. As a result, the industry processors are responding as feasible to the strengthening GDT prices to focus on specialty product processing like milk fats.

2023

FAS/Wellington has maintained the estimate for 2023 production with the USDA official at 510,000 MT due to the recent investment by processors in increasing production capacity. Exports concluded at 466,193 MT in the 2023 MY. A reduction IN the USDA official reflected slow exports in the half of the MY (Figure 17). However, this was an increase on the previous MY of 20,000 MT. New Zealand’s largest customer in 2023 was China (23 percent), followed by Australia (9 percent), then Saudi Arabia (7.5 percent).

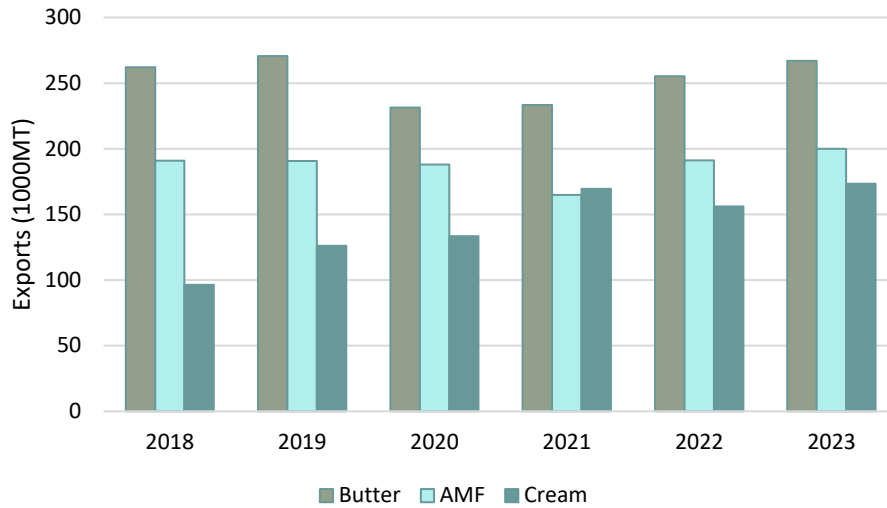
Figure 17: 2023 Monthly Butter and AMF Exports from New Zealand



Source: Trade Data Monitor LLC

UHT cream exports from New Zealand to global markets have continued to climb, resulting in more SMP production as a byproduct (Figure 18). In 2023, butter and AMF exports increased year-on-year, demonstrating the shift away from WMP production by processors.

Figure 18: New Zealand Annual Milk Fat Exports

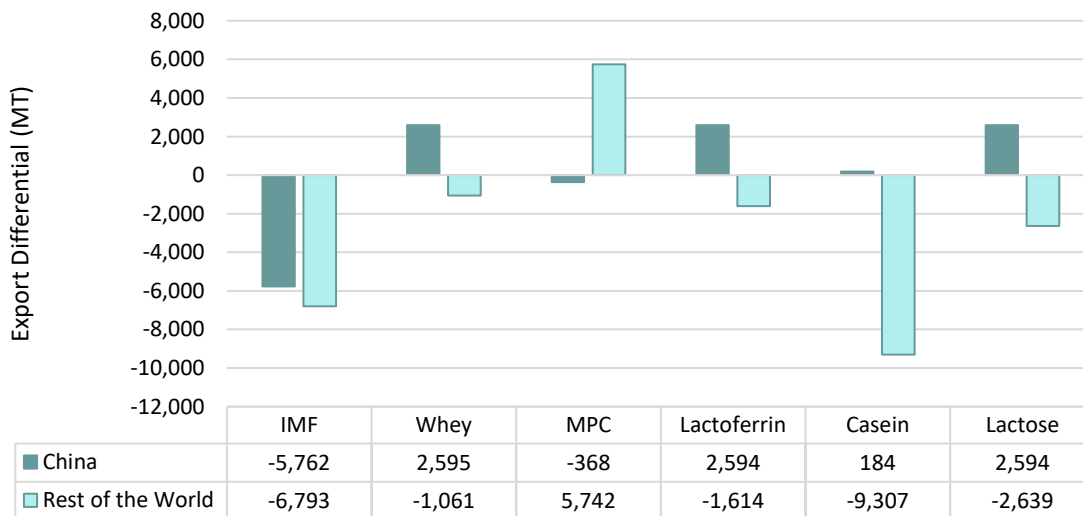


Source: Trade Data Monitor LLC

Other Dairy Products

New Zealand milk processors have commented that with global demand and recent investments in specialty plant facilities, there will be some increase in milk volumes shifted from WMP production. Processors will direct this milk to more specialty products. Compared to the previous year, in 2023, the largest increase was the export volumes of lactoferrin, which was increased by 35 percent as more invested was directed toward processing by one of the country’s milk companies. Exports for whey and milk protein concentrates increased 9.9 percent and 7.9 percent, respectively. At the same time, infant milk formula (IMF) was down 13.6 percent, resulting in downturn in China and other global markets. Casein exports to the United States and the European Union were down substantially in 2023.

Figure 19: Specialty Product Exports 2022 vs 2023.

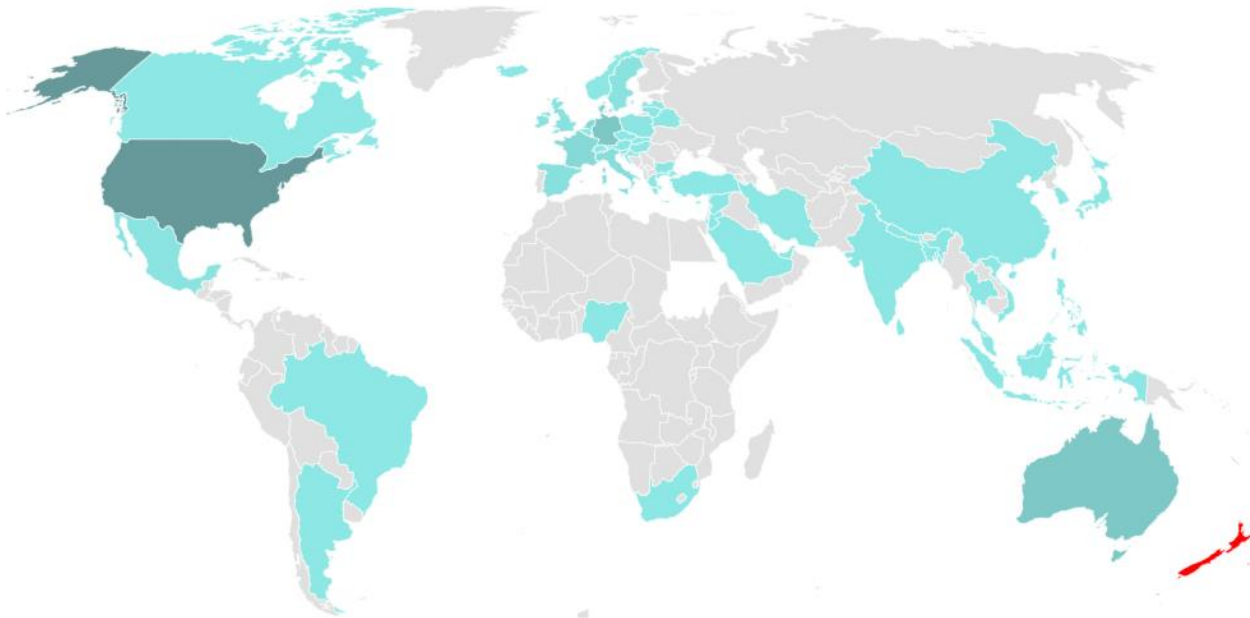


Source: Trade Data Monitor LLC

Imports

New Zealand imported NZ\$442 million (US\$262 million) worth of dairy products in 2023, 1.5 percent less than the previous year. The leading import was lactose, which was used in the manufacturing of WMP. New Zealand primarily imported lactose from the United States (65 percent), followed by Germany (24 percent) and Denmark (5 percent). In 2023, New Zealand had a 28 percent increase in expenditure on cheese and curd imports, a 36 percent increase on volumes compared to the previous year. This growth in export was from the European Union; it doubled the previous year's volume from 3,862 MT to 7,910 MT of combined specialty products.

Figure 20: 2023 Dairy Product Import Nations to New Zealand



Source: Trade Data Monitor LLC

Attachments:

No Attachments