

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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New Zealand Milk Production Update - February 2018

Report Categories:

Dairy and Products

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Report Highlights:

Despite abnormal weather patterns during October 2017 through January 2018, New Zealand milk production and exports are unlikely to be adversely affected. Current production is estimated at 21.42 million metric tons, which is less than one percent below 2017 production.

Market Year 2018 (January 1, 2018 to December 31, 2018)

In light of more accurate cow numbers and present weather conditions, 2018 milk production is now forecast at 21.42 MMT, which is one percent less than previously estimated in October 2017.

Two main factors affecting the forecast are:

1. Cow numbers are now estimated, for the beginning of 2018, at 4.889 million head. Although this number is 28,000 more than the same period in 2017, it is 36,000 head less than forecasted in October. Based on these new developments, Post revises its cow number estimates to 4.9 million head, down from initial estimates of 4.95 million head. This is likely to reduce potential milk production during August to December 2018.
2. After a cold and wet 2017 spring, weather conditions changed abruptly to very hot temperatures and limited rainfall during the start of summer. Consequently, pasture growth slowed down significantly. Although most regions experienced intermittent rainfall in January 2018, cow production has been affected and is unlikely to recover like it did in February through May 2017.

Other Factors

Palm Kernal Extract (PKE) Feed Supplement

Around two million tons of PKE is currently being imported on annual basis. These imports are almost totally used by the dairy sector as a cheap and easy-to-use feed. New Zealand cows are consuming 400 to 420 kgs PKE per year or 1.5 kilograms per day per cow for an average 270 day lactation. However, Fonterra has found high levels of PKE use (generally greater than 3 kgs per cow per day), causes vegetable fat in PKE to bypass the cow's normal metabolism process and remain as vegetable fat in the milk. This can affect dairy fat products when they are further processed or cooked. As a result, Fonterra has introduced a daily Fat Evaluation Index Test for each farm's milk. The test classifies milk from grades A through D. If the milk tests generates a grade of C/D; it's considered to contain too much vegetable fat and starting from September 2018, it will incur a price penalty for that day.

Post envisages PKE use will moderate, but this is not expected to have a major effect on national production as other feed supplements will be substituted in.

Mycoplasma Bovis

In July 2017, a detection of Mycoplasma Bovis (M. Bovis) was identified in New Zealand. M. Bovis is a viral pathogen that affects cattle. It is prevalent in most countries of the world where there is a dairy industry. It can cause severe mastitis, arthritis, and abortion in mature cows while younger animals can suffer respiratory issues, ear infections, and arthritis. MPI has stated it does not harm milk or affect humans. MPI is working on containing the disease and eventual eradication. At this stage 4,800 cows have been destroyed.

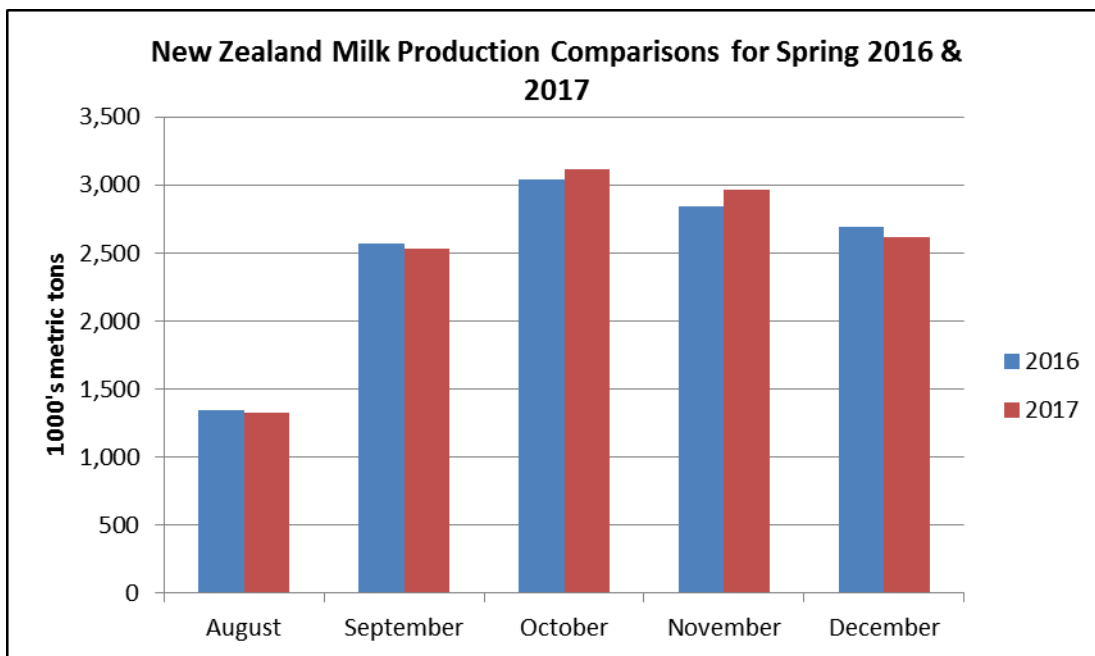
Post does not think this factor will have an overall negative effect on milk production in 2018.

Subsequent Effect on Dairy Exports

The one percent reduction in New Zealand's milk supply is unlikely to have a material effect on total dairy exports for 2018.

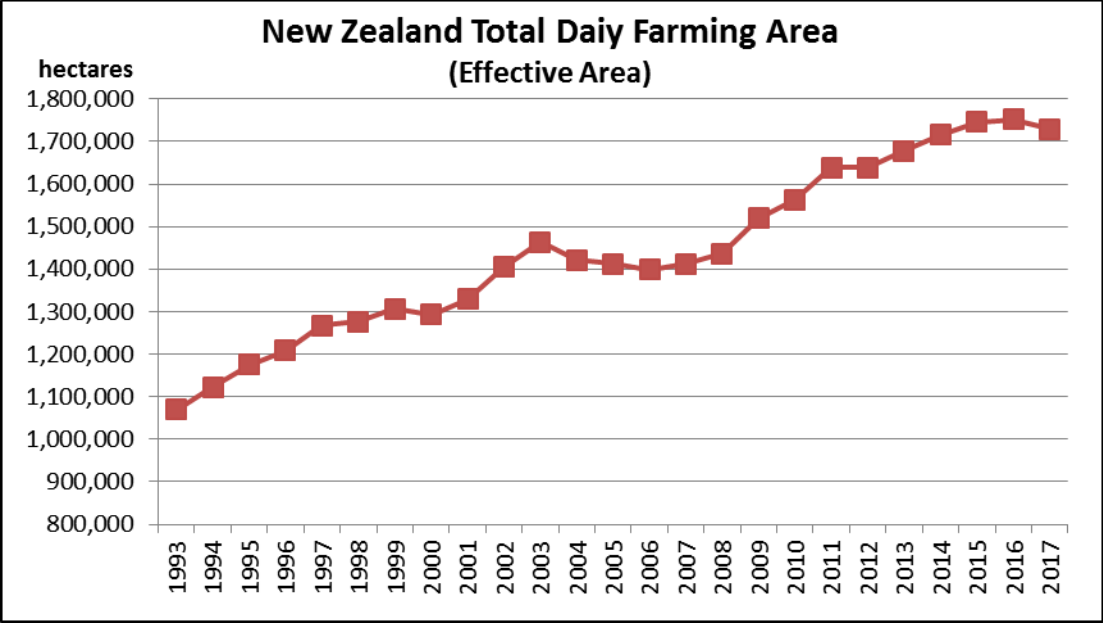
Market Year 2017 (January 1, 2017 to December 31, 2017)

Actual milk production for MY2017 reached 21.53 million metric tons (MMT) and is just 0.12% above Post's previous forecast of 21.51 MMT. The difficult spring (August to October) with cold and wet conditions over most of the country played out as expected. This reduced milk production is in line with Post's October 2017 forecast. Month to month milk production volatility, especially when compared with 2016, has been a feature of the spring in to summer period for 2017. Something of the volatility is shown in the chart below.



Source: DCANZ

Now that new industry data has been published it shows dairy cow numbers going into 2017 were 4.861 million head, 39,000 head less than previously estimated (0.8%). Interestingly in 2017 it was first time since 2006 that there was a significant reduction in the dairying land area. From 1.752 million hectares in 2016 it dropped to 1.729 million hectares in 2017.



Source: Dairy NZ/LIC