DECEMBER 2016

DAIRY

AG ANSWERS
GROW WHAT YOU KNOW

Skim milk powder hits AUD $3,457/t the highest price since April 2015.

World cheese prices are trading in the 94th percentile

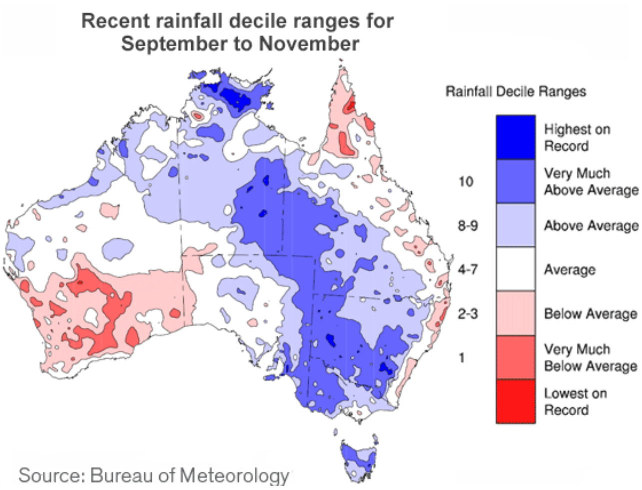
The total value of dairy exports is down 8.7% for the calendar year to date

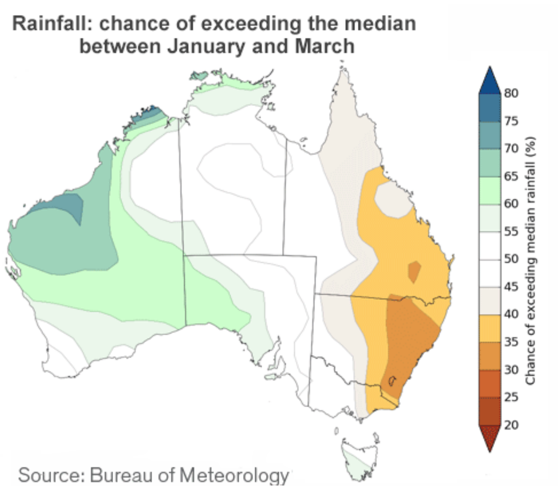
Good news for dairy markets this month as the Global Dairy Trade Index reached a two year high. Skim milk powder averaged $3,457/tonne at the first December auction, the highest average price since April 2015 and above the five-year average. Cheese prices are following a similar trend to milk powder, recording $5,048/tonne which is the highest average price since August 2014.

A key issue in 2017 may be the trade relationship between the United States and Mexico, the world's largest milk producer and the largest importer of US dairy products respectively, if the relationship degrades under the new US administration it may lead to extra US dairy products on the world market.

Rainfall between September and November was very much above average for southern and eastern states, while the dairying area of WA was below average. The forecast for much of the country is a dry summer particularly on the east coast.

The chopper cow market remains strong across the country, with prices trading around the 80th percentile in most states. Throughput remains high historically however there are less cows going through the yard compared to this time last year.





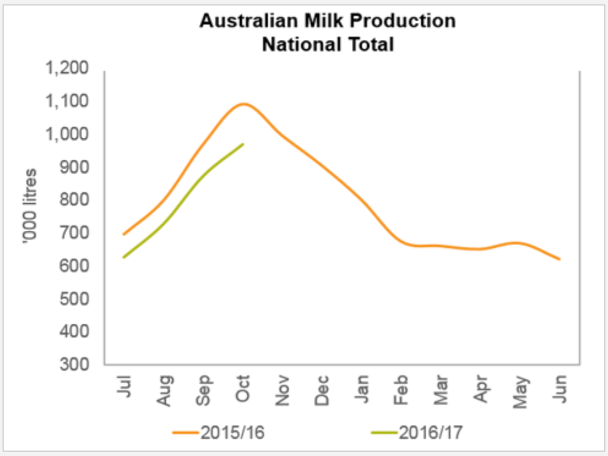
PRICE

	Current (20 Dec)	Dec-15	5 year average	80th percentile	20th percentile
Farm gate milk price ($/kg MS)					
Southern states*	5	5.78	5.95	6.82	5.26
NSW	6.48	7.06	6.91	7.27	6.48
WA	7.02	7.32	6.69	7.29	6.05
QLD	8.11	7.99	7.57	7.96	7.33
Chopper cow price (c/kg CWT)					
Southern states*	457	409	332	472	249
NSW	472	447	331	446	250
WA	370	358	308	392	236
QLD	470	460	326	443	233
Feed wheat prices $/tonne **					
VIC	146	220	204	227	173
NSW	177	234	208	232	180
TAS**	138	226	206	230	174
SA	177	223	205	223	181
WA	229	212	217	234	199
QLD	189	244	226	255	186
Pasture Hay prices $/tonne					
Southern states*	182	194	173	211	146
NSW	210	272	n/a	n/a	n/a
WA	190	225	n/a	n/a	n/a
QLD	220	335	n/a	n/a	n/a
Export prices					
SMP ($/tonne)	3457	2646	3374	4286	2590
Cheese($/tonne)	5048	3903	3972	4588	3385
Heifers ($/head)	1673	2431	2186	2475	1981
Input prices					
Fertiliser DAP ($/t)	437	612	522	582	476
Australian dollar					
AUD/USD	0.75	0.73	0.89	1.03	0.76

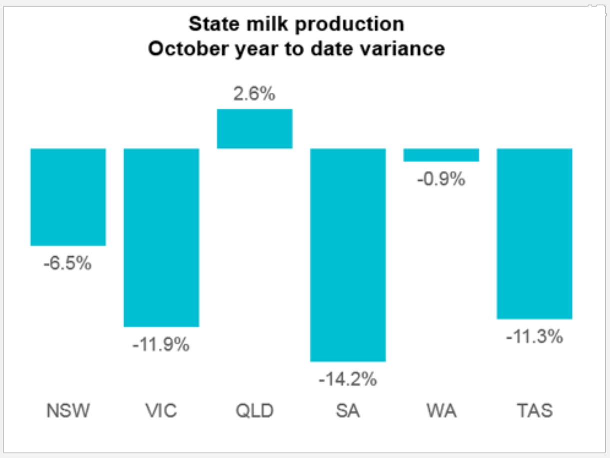
Data: Dairy Australia, MLA, RBA, AFIA, Index Mundi, GTIS, GDT, Profarmer
*Southern states includes VIC, SA and TAS.

** Melbourne contract FED1 12 months of data from September 2015.

PRODUCTION



Data: Dairy Australia



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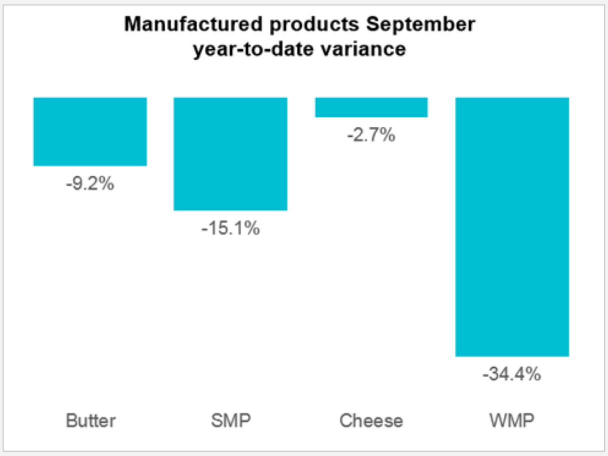

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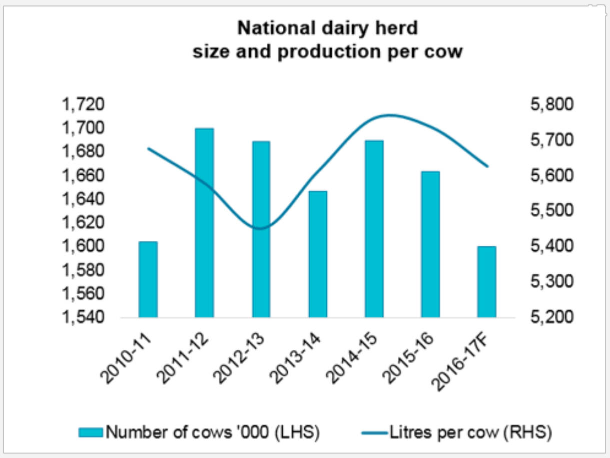
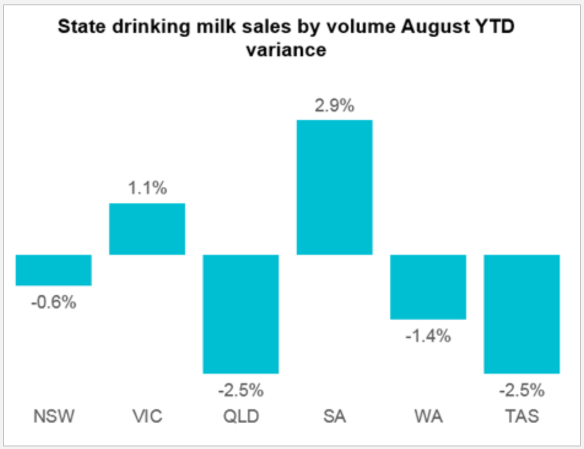


Data: ABARES

National milk production is down 10.3% year to date to October. Each month of the 2017 financial year has recorded a reduction in supply of around 10%. This is consistent with a worldwide trend in major milk producing nations such as NZ and the EU. Drinking milk sales overall are down 0.5% August year-to-date.

Milk powder exports are 9.1% lower for October year to date, due to the Indonesian market which is 23.5% down on quantity compared to this time last year. Cheese exports for July to October 2016 are down 11.5% year to date. The quantity exported to our largest market Japan is down 27.6% for the period of July to October. The total value of dairy exports for the third quarter of the 2016 calendar year was $443.5M which is down 11.1% on the third quarter of 2015. Year to date figures show an 8.7% decline in total value of dairy exports compared to 2015. China recorded 32.2% growth in value compared to the third quarter of 2015.

DEMAND



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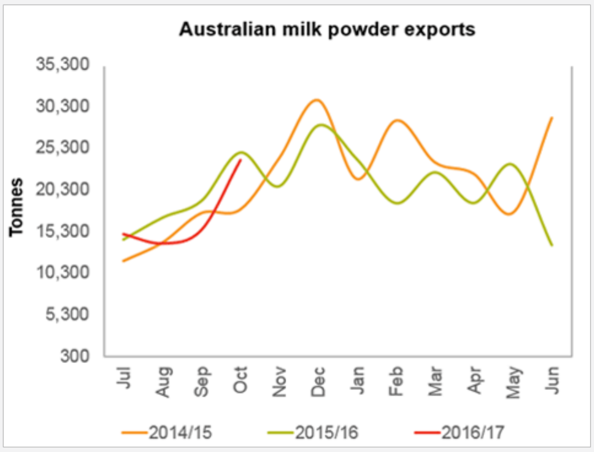
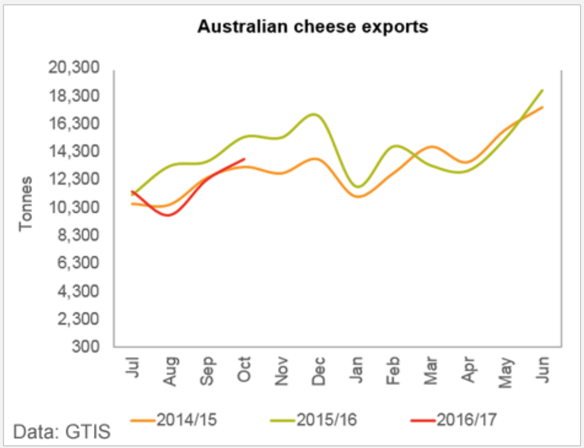


Data: GTIS



Data: GTIS

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