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New Zealand

Dairy

MILK PRICES RECEIVED AT FARMGATE

1999

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Report Highlights: N.Z. dairyfarmers expect to receive an average N.Z.\$3.35/kgMS for the 1998/99 season. This is equivalent to U.S.\$6.45/CWT in United States dairy terms. The payout represents a base payout by the New Zealand Dairy Board as well as "top-up" payments from individual companies. Prices presented replace those reported in NZ9010.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Wellington [NZ1], NZ

New Zealand dairy companies pay their suppliers for milk based on separate values for fat and protein. New Zealand milk can be broken down into the following components: fat (4.7 percent), protein (3.5 percent), minerals (0.8 percent), lactose (4.5 percent) and water (86.5 percent). The term “milksolids” includes both fat and protein, and payment is expressed as NZ\$ per kilogram of milksolids (NZ\$/kgMS). Minerals are excluded from the calculation. Both fat and protein levels are measured at farm level. The ratio of milksolids to milkfat in New Zealand does vary slightly from year to year but is presumed constant at 1.74.

To Convert NZ\$/kgMS to US\$/CWT:

NZ PRICE AT THE FARMGATE=		N.Z.\$3.35 per kilogram milk solids
MULTIPLY BY 1.74		
(Ratio of milksolids to milk fat in New Zealand milk)	=	N.Z.\$5.83 per kilogram milk fat
DIVIDE BY 2.204	=	N.Z.\$2.64 per pound milk fat
(1 kilogram = 2.204 pounds)		
MULTIPLY BY 4.7	=	N.Z.\$12.43 per 100 pounds of milk (cwt)
(standardise milk at 4.7 % fat)		
MULTIPLY BY EXCH RATE	=	U.S.\$6.45 per cwt at 4.7 percent fat
(1998/99 est. 0.5192)		

N.Z.\$3.35/kgMS is equivalent to U.S.\$6.45/cwt at 4.7 percent fat.

The 1998/99 season will be the first year of the Board’s new market driven payment system which will focus on a dairy product’s market value instead of its cost of production. The new system replaces a complicated engineering standard cost model which over the past few years has encouraged dairy companies to build larger plants and increase production of commodity-type products.

The Dairy Board base payment is “topped up” with additional payments from individual dairy cooperatives. In the past these payouts to farmers have not varied significantly between companies (top-up payments by the companies add roughly NZ\$0.00 to N.Z.\$0.50 per kgMS), but under the new payment system wider swings in company returns are expected, particularly for those companies with limited flexibility or a focus on a limited range of dairy products.

NEW ZEALAND DAIRY BOARD PAYOUT						
SEASON	NZ\$/KG MILK SOLIDS	NZ\$/KG MILK FAT	NZ\$/LB MILK FAT	NZ\$/ CWT @4.7% FAT	NZ\$:US\$ EXCH RATE	US\$/ CWT @4.7% FAT
91/92	2.43	4.23	1.92	9.02	0.5801	5.23
92/93	3.36	5.85	2.65	12.47	0.5325	6.64
93/94	3.67	6.39	2.90	13.62	0.5604	7.63
94/95	3.34	5.81	2.64	12.39	0.6292	7.80
95/96	3.60	6.26	2.84	13.36	0.6671	8.91
96/97	3.18	5.53	2.51	11.80	0.6970	8.22
97/98	3.00	5.22	2.37	11.13	0.6089	6.78
98/99 Est	3.00	5.22	2.37	11.13	0.5192	5.78

AVERAGE NEW ZEALAND DAIRY PRICES AT THE FARMGATE						
SEASON	NZ\$/KG MILK SOLIDS	NZ\$/KG MILK FAT	NZ\$/LB MILK FAT	NZ\$/ CWT @4.7% FAT	NZ\$:US\$ EXCH RATE	US\$/ CWT @4.7% FAT
91/92	3.36	5.85	2.65	12.47	0.5801	7.23
92/93	3.67	6.39	2.90	13.62	0.5325	7.25
93/94	3.33	5.79	2.63	12.36	0.5604	6.92
94/95	3.34	5.81	2.64	12.39	0.6292	7.80
95/96	3.91	6.80	3.09	14.51	0.6671	9.68
96/97	3.66	6.37	2.89	13.58	0.6970	9.47
97/98	3.40	5.92	2.68	12.62	0.6089	7.68
98/99 Est	3.35	5.83	2.64	12.43	0.5192	6.45

Exchange rates: Reserve Bank of New Zealand average monthly mid-rates, June years.