

HD **Dairy Price Plunge Will Hurt Rural Economy**

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Dairy farm income could fall by as much as \$4bn in the coming season, with economists cutting their forecasts for farm-gate **milk** returns after an unexpectedly sharp drop in **dairy** prices in the latest Fonterra Global **Dairy** Trade auction. Prices fell another 8.9% and are now down by a third since January. Whole **milk** powder led the decline, down 10.9% while **butter** prices fared better, down only 1.1%. While major-bank economists are revising forecasted farmer payouts, Fonterra is expected to wait for a **board** meeting, with the next update likely to be in August, as scheduled.

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At the last review Fonterra reduced its farm-gate **milk** price to \$7kg **M/S** for this season, and cut the projected \$8.65 for the season ended May 31 to \$8.40. Now some predictions are for as much as a dollar being sliced off the projected price this season. The volatility in **dairy** commodity prices is attributed in part to **China** buying up strongly at the start of the year, and holding inventories which have been slower to shrink than expected. The GDT exchange indicates prices are now the lowest since the end of 2012. Volumes traded were also down with 36,656 tonnes **sold**, down from 41,513 tonnes in the previous auction.

CO foncop : Fonterra Co-operative Group Limited

IN i4131 : Non-frozen Dairy Products | i010010502 : Dairy Cattle Farming | i0 : Agriculture | i01001 : Farming | i0100105 : Cattle Farming | i41 : Food/Beverages/Tobacco | i413 : Dairy Products | icnp : Consumer Goods | ifood : Food Products | ilsfarm : Livestock Farming

RE austr : Australia | nz : New Zealand | apacz : Asia Pacific | ausnz : Australia/Oceania

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