

Is New Zealand's Herd Past Peak?

New Zealand made global news in May after announcing it would attempt to eradicate *Mycoplasm*

bovis, a bacterial disease of cattle. The bacteria can spread from cow to cow or from infected wildlife to cows, causing mastitis, pneumonia, abortions,

and arthritis. Milk and meat from animals affected with the disease are safe to eat. If successful,

New Zealand would be the first country to eliminate *M. bovis* once introduced to the milking herd. As part of its plan, New Zealand's Ministry of Primary Industries (MPI) expects to spend hundreds of millions of dollars and slaughter 150,000 cows over the next two years in an effort to eliminate *M. bovis*.

The disease's estimated impact on milk production ranges from less than 1% to 3% of annual output. While eliminating *M. bovis* could cause an immediate reduction in New Zealand's milk supply, behind-the-scene environmental restrictions could have an even more significant

impact on cow numbers.

In 2013, data published in New Zealand indicated that 60% of the country's waterways were "un-swimmable," or unsafe for humans, according to a Nov. 17, 2017, article in *The Economist*. The blame for the pollution was put on dairy farming. Today, New Zealand cows outnumber people by 1.4 to 1. Both cows and the fertilizer used to improve fodder yields have contributed to dangerously high levels of nitrogen in the water and in some cases dangerous algae blooms. Canterbury, with 930,086 dairy cows, was one of the most polluted areas, according to the 2013 data. In fact, Canterbury had the most intensive dairy operations in the 2015-16 season, with 3.4 cows per hectare, compared to 2.9 in Waikato, the second highest density.



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Dairies have also depleted New Zealand's water reserves. Some data suggests that 2,000 New Zealand dairies consumed as much water as 60 million people—equivalent to the population of London, New York, Tokyo, Los Angeles and Rio de Janeiro combined, according to *The Economist*. Again, Canterbury topped the list of offending regions.

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by Ken Meyers
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Trying to eliminate *Mycoplasm*

bovis, is an admirable goal of New Zealand's, but successfully erradicating the disease could prove difficult as it has for other countries. *M. bovis* is found in most countries throughout the world.

Mycobacterium bovis, which is also called *M. bovis* is the more serious bovine tuberculosis. *Mycoplasm*

bovis, a separate strain of bacteria, can still have severe consequences for infected farms from lost milk production and animals. Calves can contract the disease through consuming unpasteurized milk, while adult cattle typically become infected from direct and repeated contact with infected animals as well as from contact with contaminated equipment, including milking machines and transport vehicles. Clinical symptoms of the disease can take a long time to develop, and some infected animals remain asymptomatic, making spread of the disease difficult to contain.

New Zealand has said it may not begin slaughtering cows immediately, which may or may not be a mistake. Historically, the country has not tracked movement of dairy animals, which means more cases are likely to develop. Waiting to slaughter infected cows could lead to even more farms becoming infected, but a mass slaughter would be painful for the industry. Either way, the disease is likely to take a toll on New Zealand's upcoming production season. **MCT**

Robust Demand Supports Prices

U.S. dairy product prices continued to move higher in May, lifted by strong exports and solid domestic

demand. Concerns that milk supplies from Europe and the United States will slow further are supporting

higher second-half 2018 futures. World skim milk prices have continued to move higher. Cheese markets in Europe and the United States are well supported and stronger demand is keeping cheese stocks in check. Global butter prices remain elevated, and high prices are expected to persist through the 2018 holiday season. **MCT**

MCT Forecast							
	Block*	Barrel*	Class III	Butter*	Class IV	Whey**	NFDM**
May	1.6450	1.5925	15.20	2.3725	14.56	0.2750	0.7975
Jun	1.6750	1.6125	15.77	2.4275	15.23	0.3000	0.8325
Jul	1.7800	1.7625	16.55	2.5525	15.74	0.3075	0.8425
Aug	1.7925	1.7500	17.24	2.5975	16.16	0.3075	0.8600
Sep	1.7975	1.7225	17.24	2.6625	16.46	0.3075	0.8775
Oct	1.7600	1.6650	17.01	2.6775	16.78	0.3175	0.8875

* CME prices.
**NASS prices.

...farming within environmental limits

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While dairy contributes 3.5% to New Zealand's gross domestic product (GDP) annually, tourism adds 5.6% directly and 4.3% indirectly each year. There are few groups that can overtake New Zealand's dairy lobby, but tourism and those affected by fouled water have proven to be a formidable force. In response, New Zealand's dairy industry has developed a 16-step strategic plan to help move it toward sustainability by 2020. In 2017, the industry extended the timeline to 2025. A primary goal of the plan is successful "farming within environmental limits." The plan clearly avoids setting a cap on the size of the dairy herd but states that "where communities identify environmental limits have been reached," increased pollution levels will not be acceptable. This is consistent with the slowdown in new permits issued for dairy farms in Canterbury. During the 2011-12 season Canterbury dairy permits peaked at 110, but only 20 permits were issued in the 2016-17 season.

New Zealand is committed to a pasture-based

system, but it appears the country is now running out of land. Hectares used for dairying peaked at 1.75 million in the 2015-16 season, up from 1.33 million in 2000-01. While land deployed to dairying increased 33%, cows increased 43% over the same period. More intensive dairy production has been a driver behind increased water consumption and pollution and is the precursor to anticipated upcoming land-use and irrigation regulations, and that will constrain milk supply growth into the future.

Water conservation and rehabilitation along with the effort to eliminate *M. bovis* suggest New Zealand's dairy herd could be past peak and significant gains like those seen in the early to mid-2000s are unlikely to reoccur. While *M. bovis* is leading the news today, causing concern about the prospects of New Zealand's milk supply, data suggest environmental restrictions and the country's commitment to a pasture-based feeding system could have a more significant impact on the country's ability to expand production to meet future demand. **MCT**



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