

# Dairy Update.

3 June 2020



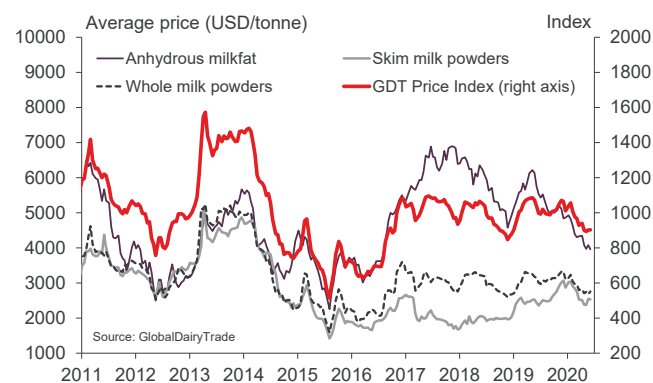
## GlobalDairyTrade Auction Results, 3 June 2020

	Change since last auction	Prices USD/tonne
Anhydrous Milk Fat (AMF)	-2.9%	\$3,960
Butter	-4.4%	\$3,631
Butter Milk Powder (BMP)	-	\$2,344
Cheddar	-5.3%	\$3,520
Lactose	-4.1%	\$1,279
Skim Milk Powder (SMP)	-0.5%	\$2,530
Whole Milk Powder (WMP)	2.1%	\$2,761
GDT Price Index	0.1%	903

## Farmgate milk price forecasts

	2019/20		2020/21	
	Westpac	Fonterra	Westpac	Fonterra
Milk price	\$7.00	\$7.10-\$7.30	\$6.30	\$5.40-\$6.90

## Dairy prices



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Last night's GlobalDairyTrade auction resulted in little change in the headline price index (+0.1%) - a slightly better outcome than we or the market had expected.

Our key export product, whole milk powder, rose 2.1%, a better outcome than that predicted by yesterday's futures market which had pointed to a 1% fall. At US\$2761/MT it is 15% below the year's peak in January, and 9% below the average of the past three years (\$3040).

Other products were less well bid. Skim milk powder prices fell slightly, down 0.5%. Butter fell 4.4%, anhydrous milk fats fell 2.9%, and cheddar cheese fell 5.3%.

Looking at the regional breakdown for last night's auction, it was noteworthy that North Asian share (a proxy for China demand) rebounded to a level slightly above average for the past 12 months. Moreover, Europe, the Middle East, and Southeast Asia bought more volume than at the previous few auctions.

We won't infer too much from this one auction, except to say it is consistent with the rebound in economic activity seen in many countries since the contraction low in April. Activity levels remain extremely weak, but possibly past the worst.

Production remains a drag on prices though, with the Northern Hemisphere and South America remaining above the previous year's levels.

Our forecast of Fonterra's farmgate milk price for the 2020/21 season of \$6.30 assumes further weakness in global dairy prices. The futures market is broadly in agreement, pricing it at \$6.20 currently, slightly more upbeat than the \$6.13 two weeks ago, and \$5.93 at the end of April. Fonterra's opening forecast, announced on 21 May, is a range of \$5.40-\$6.90, which has a midpoint of \$6.15.



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