

Dairy Update.

17 March 2021



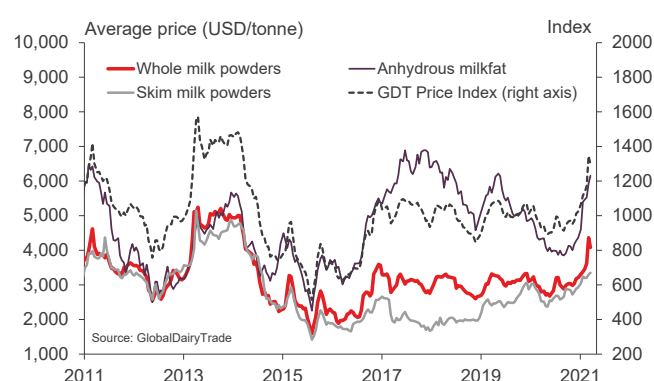
Catching breath.

- Dairy auction prices moderated overnight, after the whopping gains a fortnight ago.
- In the short term, we expect dairy prices to remain high, albeit volatile.
- Heading into the 2021/22 season, we expect prices to moderate gradually, but to remain firm by historical standards.

GlobalDairyTrade Auction Results, 17 March 2021

| | Change since last auction | Prices USD/tonne |
|--------------------------|---------------------------|------------------|
| Whole Milk Powder (WMP) | -6.2% | \$4,083 |
| Skim Milk Powder (SMP) | 0.7% | \$3,350 |
| Anhydrous Milk Fat (AMF) | 3.7% | \$6,155 |
| Butter | -2.8% | \$5,659 |
| GDT Price Index | -3.8% | 1,295 |

Global dairy prices



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Auction Results, 17 March.

Dairy auction prices took a breather overnight. After last auction's whopping result, WMP prices dipped 6.2%, while overall prices declined 3.8%.

Nonetheless, the price gains over the full March month remain impressive. WMP prices jumped 13.5% over the month, while overall prices lifted 10.7%. And since the start of the year, WMP and overall prices have posted gains of 25% or better.

By product the auction result was more mixed. Milk fat prices were split, with anhydrous milk fat prices up 3.7%. In contrast, butter prices fell 2.8%. Cheddar prices bucked the overall trend, surging 11.8%. Meanwhile, skim milk powder prices rose 0.7%.

The result was weaker than our and market expectations. The futures market was pointing to a WMP decline of around 4% immediately prior to the auction, while last week, we had pencilled in a circa 3% fall.

All up, the result does little to change the overall dairy market picture. Dairy markets remain tight, with high prices a function of demand outstripping supply. Also, global supply chain disruptions and the approaching seasonal lull in NZ production continue to add to the upward price pressure.

Over the next few months, we expect prices to remain around current levels, albeit with some volatility. As we near the NZ spring and as NZ production kicks into gear, we expect global dairy prices to gradually moderate. However, with the global supply response likely to be moderate and ongoing solid global demand, we expect global dairy prices to remain firm over the 2021/22 season as a whole.

Farmgate milk price forecasts

| | 2020/21 | | 2021/22 |
|------------|---------|---------------|---------|
| | Westpac | Fonterra | Westpac |
| Milk price | \$7.90 | \$7.30-\$7.90 | \$7.25 |



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