

Dairy Update.

5 May 2021



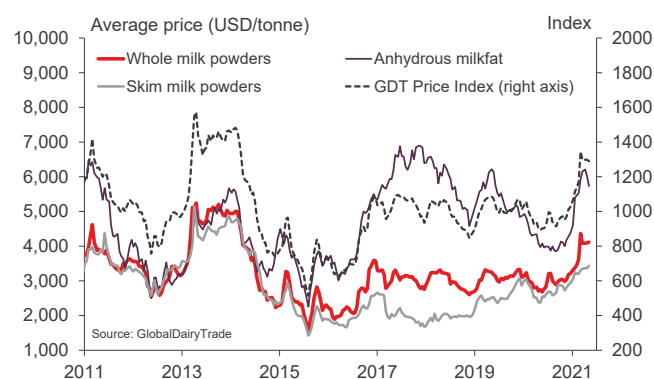
Bullish milk.

- Dairy prices overnight continued the sideways trend of the last few auctions.
- The result further cements the bumper gains from earlier in the year.
- All up, this result is consistent with our bullish milk price forecasts for this season and next.

GlobalDairyTrade Auction Results, 5 May 2021

	Change since last auction	Prices USD/tonne
Whole Milk Powder (WMP)	0.7%	\$4,115
Skim Milk Powder (SMP)	2.0%	\$3,433
Anhydrous Milk Fat (AMF)	-4.2%	\$5,730
Butter	-12.1%	\$5,035
GDT Price Index	-0.7%	1,290

Global dairy prices



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Auction Results, 5 May 2021.

Dairy auction prices were mixed overnight. Whole milk powder (WMP) prices rose a touch (up 0.7%), whereas overall prices dipped by the same amount (down 0.7%).

The result continues the sideways trend of the last few auctions. Both overall and WMP prices have recorded movements in either direction of less than 1% over the last three auctions. Accordingly, these results have cemented the bumper gains from early March.

The auction was also mixed by product. Four out of the seven products we monitor posted price falls. Notably, milk fat prices fell for the second successive auction, with butter prices sliding over 12%. Heading the other way, butter milk powder (BMP) prices jumped over 14% (note BMP is only offered in the first auction of the month), while skim milk powder also lifted 2.0%.

The result was largely in line with expectations. The futures market was pointing to a WMP rise of around 1% immediately prior to the auction, which was also what we had pencilled in last week.

All up, this result is consistent with our 2020/21 milk price forecast of \$7.90/kg. Similarly, the result means that global dairy prices remain on the front foot heading into the new dairy season. Recall that we lifted our 2021/22 milk price forecast to \$8.00/kg following the previous dairy auction.

Farmgate milk price forecasts

	2020/21		2021/22
	Westpac	Fonterra	Westpac
Milk price	\$7.90	\$7.30-\$7.90	\$8.00



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