

WESTPAC DAIRY UPDATE

GlobalDairyTrade auction results.

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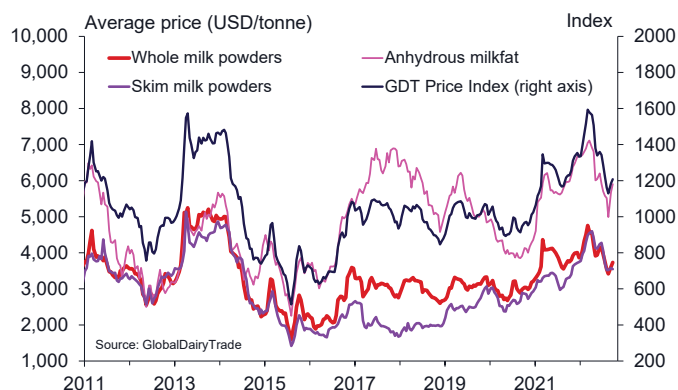
A spring in the step.

- Dairy auction prices posted solid gains overnight for the second auction in a row.
- Global dairy prices continue to rise against a backdrop of very weak global dairy supply.
- The result reaffirms our 2022/23 milk price forecast of \$9.25/kg.

GlobalDairyTrade auction results

	Change since last auction	Prices USD/tonne
Whole Milk Powder (WMP)	3.7%	\$3,733
Skim Milk Powder (SMP)	-0.7%	\$3,547
Anhydrous Milk Fat (AMF)	4.0%	\$5,901
Butter	-0.2%	\$5,356
GDT Price Index	1.9%	1208

Global dairy prices



Dairy auction prices posted solid gains overnight. Overall prices rose 2.0%, while key whole milk powder (WMP) prices lifted 3.7%. Over the two spring auctions so far, WMP prices have now bounced over 9%.

The result was a little more mixed by product. Out of the five products we monitor, three posted price gains against two price falls. Anhydrous milk powder prices led the gains, surging 4.0%. Cheddar prices also lifted 2.1%. Meanwhile, skim milk powder and butter prices fell 0.7% and 0.2%, respectively.

This result was in line with expectations. We had pencilled in a 4% lift in whole milk prices.

The positive result comes against a backdrop of very weak global dairy supply. For example, in July New Zealand dairy production was down 5.5% versus July 2021. And anecdotally, production has continued on this weak note over August and into September. For our part, we expect production to rebound this season, after the 4% drop over the 2021/22 season. But with the above in mind, there are now clear downside risks to our production forecast.

In contrast, the positive result firms up our 2022/23 milk price forecast of \$9.25/kg. If anything, the lift in prices has come earlier than we had anticipated. That coupled with the deteriorating New Zealand production outlook and the very supportive level of the New Zealand dollar does bring some upside risks to our forecast into play.

Farmgate milk price forecasts

	2021/22		2022/23	
	Westpac	Fonterra	Westpac	Fonterra
Milk price	\$9.30	\$9.10-\$9.50	\$9.25	\$8.50-\$10.00

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