

WESTPAC DAIRY UPDATE

GlobalDairyTrade auction results.

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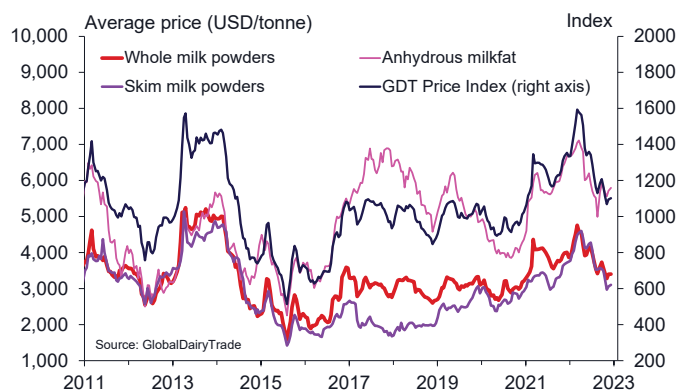
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Treading water.

- Overall dairy auction prices were up a touch overnight.
- At this juncture and with little fresh global dairy market news, prices appear to be treading water.
- The result is consistent with our 2022/23 milk price forecast of \$8.75/kg.

Global dairy prices



GlobalDairyTrade auction results

	Change since last auction	Prices USD/tonne
Whole Milk Powder (WMP)	0.1%	\$3,400
Skim Milk Powder (SMP)	1.7%	\$3,102
Anhydrous Milk Fat (AMF)	1.8%	\$5,797
Butter	-1.9%	\$4,725
GDT Price Index	0.6%	1101

Dairy auction prices rose a touch overnight. Overall prices lifted 0.6%, while key whole milk powder (WMP) prices were essentially flat (up 0.1%). Overall and WMP prices remain down 19% and 20% respectively on the same time a year ago.

Looking by product, price rises outnumbered falls by five to two. Butter milk powder prices led the pack, jumping 4.7%. Skim milk powder, cheddar and anhydrous milk fat prices all rose by either 1.7% or 1.8%. Butter prices bucked the trend, dipping 1.9%.

This result was in line with our expectations. We had expected WMP prices to be flat, while the market had priced in a modest rise of around 1%.

At this juncture, prices appear to be largely treading water. Indeed, there has been little in the way of fresh global dairy market news.

However, there has been some large currency movements over the last week or so. The US dollar has weakened significantly.

For example, the NZD/USD is trading at around 0.63, up from as low as 0.56 in October.

The weaker US dollar may help explain some of the price lift overnight. The dairy auctions are priced in US dollars, so for many buyers dairy prices will have become cheaper in their local currency terms. However, the higher NZD/USD does pose some downside risk for the milk price, particularly for next season (Fonterra will have hedged a large proportion of this season's sales already).

Overall, the result is consistent with our 2022/23 milk price forecast of \$8.75/kg. Looking to 2023/24, we had expected the NZD/USD to rise this year and into next, so this is largely factored into our forecast of \$10.00/kg. That said, at the margin the increase has come a little sooner than we had expected, so we will keep one eye on currency movements over coming months.

Farmgate milk price forecasts

	2022/23		2023/24
	Westpac	Fonterra	Westpac
Milk price	\$8.75	\$8.50-\$10.00	\$10.00

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