

# WESTPAC DAIRY UPDATE

## GlobalDairyTrade auction results.

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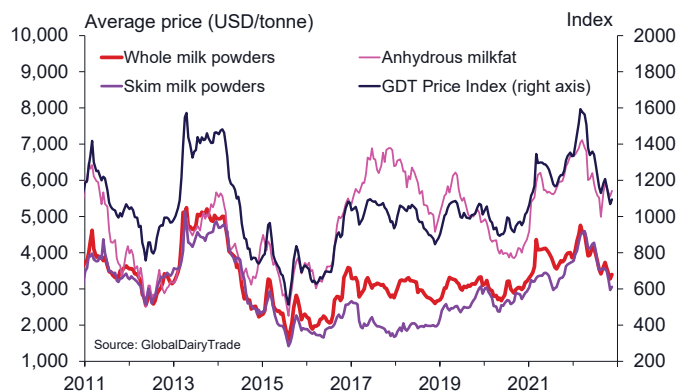
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## Relaxation.

- Dairy auction prices posted gains overnight, breaking a run of three consecutive price declines.
- The price rise follows a relaxation of Covid restrictions in New Zealand's key market of China.
- All up, the result reaffirms our 2022/23 milk price forecast of \$8.75/kg, while the relaxation in Chinese Covid restrictions bodes well for our 2023/24 forecast of \$10.00/kg.

Global dairy prices



GlobalDairyTrade auction results

	Change since last auction	Prices USD/tonne
Whole Milk Powder (WMP)	3.1%	\$3,397
Skim Milk Powder (SMP)	3.1%	\$3,057
Anhydrous Milk Fat (AMF)	2.7%	\$5,711
Butter	-0.8%	\$4,829
GDT Price Index	2.4%	1095

Dairy auction prices rose overnight, breaking a run of three consecutive price falls. Overall prices lifted 2.4%, while key whole milk powder (WMP) prices posted a 3.1% rise. Overall and WMP prices remain down 18% and 19% respectively on the same time a year ago.

Prices were mixed by product, with three products posting price rises and three posting falls. Skim milk powder (SMP) prices matched WMP's 3.1% price lift, while anhydrous milk fat (AMF) prices rose by 2.7%. Together SMP, WMP and AMF accounted for 87% of the product sold, hence the overall price lift of 2.4%.

This result was better than our expectations (from last Friday) and the market expectation for roughly a flat result.

The positive result follows an easing in Covid restrictions in China. Chinese dairy demand had been progressively weakening over the year on the back of the soft Chinese economy.

However, the loosening of Covid restrictions this week may signal a more pragmatic approach to Covid being adopted by

Chinese officials. We had anticipated that this would be the case at some stage, and on that basis, we expect the Chinese economy to grow by 6% over 2023 from a soft 3.5% over 2022. This pickup in the Chinese economy and looser Covid restrictions should translate into improved Chinese dairy demand over the year ahead.

The lift in global dairy prices has coincided with an offsetting lift in the NZD/USD. After trading as low as US\$0.55 over the last month, the NZD/USD has lifted to over US\$0.61 during the last week.

All up, the price and currency moves reaffirm our 2022/23 milk price forecast at \$8.75/kg. At the same time, the relaxation in the Chinese Covid restrictions and the pickup in prices overnight bodes well for our 2023/24 forecast of \$10.00/kg.

#### 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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