

WESTPAC DAIRY UPDATE

GlobalDairyTrade auction results and forecast update.

5 April 2023

Nathan Penny, Senior Agri Economist

+64 21 743 579

nathan.penny@westpac.co.nz



Limping into the end of the season.

- We align our 2022/23 milk price forecast with the \$8.30/kg midpoint of Fonterra's updated milk price forecast range.
- Global dairy prices are limping into the end of the season.
- However, we expect this price weakness will prove temporary. With this in mind, we are sticking with our healthy 2023/24 milk price forecast of \$10.00/kg.

Last week, Fonterra lowered its milk price forecast range from \$8.20/kg to \$8.80/kg to \$8.00/kg to \$8.60/kg. As a result, Fonterra lowered the midpoint of its range by 20 cents to \$8.30/kg.

At this late juncture of the season, we have moved to adopt the Fonterra midpoint as our own forecast. Fonterra now has the best information on the sales and costs for the season to date. In other words, there's not much to be gained from second guessing Fonterra's forecast.

The weak auction result overnight suggests, if anything, some downside risk to this forecast. Although given the end of the season is approaching, movements away from our forecast by season end are likely to prove modest.

Farmgate milk price forecasts

	2022/23		2023/24
	Westpac	Fonterra	Westpac
Milk price	\$8.30	\$8.00-\$8.60	\$10.00

Farmgate milk prices



Auction results, 5 April.

Dairy auction prices slumped further overnight. Overall prices fell 4.7%, while key whole milk powder (WMP) prices slid 5.2%.

By product, the price fall was broad-based. Five of the six products that we monitor posted price falls. Anhydrous milk fat prices led the falls, plunging 7.2%. The WMP price fall was the next biggest, while most other products declined by circa 3%. Cheddar prices bucked the trend, lifting 3.8%.

The result was below expectations. We had pencilled in a 3% WMP price fall ahead of the auction, while the futures market was pointing to a similar price decline.

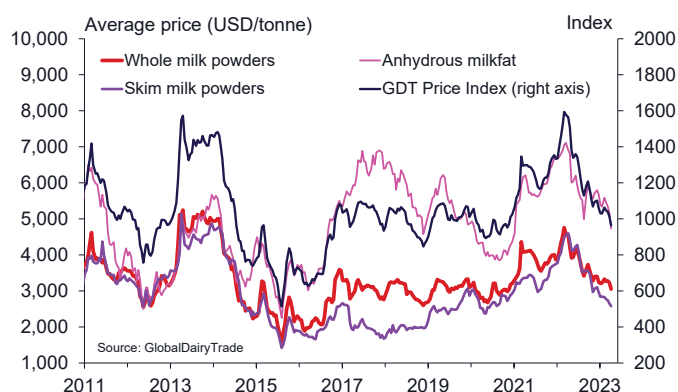
Dairy prices are limping into the end of the season. Overall prices have fallen at seven of the last eight auctions, with prices down by more than 12% over this period.

However, we expect this price weakness will prove temporary. Indeed, as the Chinese economy gains momentum over the course of the year, following its reopening, we expect improved Chinese demand will lift global dairy prices. While this lift will not be in time for this season, we are sticking with our healthy 2023/24 milk price forecast of \$10.00/kg.

GlobalDairyTrade auction results

	Change since last auction	Prices USD/tonne
Whole Milk Powder (WMP)	-5.2%	\$3,053
Skim Milk Powder (SMP)	-2.5%	\$2,579
Anhydrous Milk Fat (AMF)	-7.2%	\$4,736
Butter	-3.3%	\$4,595
GDT Price Index	-4.7%	964

Global dairy prices



Contact the Westpac economics team

Kelly Eckhold, Chief Economist

+64 21 786 758

Michael Gordon, Senior Economist

+64 9 336 5670

Satish Ranchhod, Senior Economist

+64 9 336 5668

Nathan Penny, Senior Agri Economist

+64 9 348 9114

Paul Clark, Industry Economist

+64 9 336 5656

Any questions email:

economics@westpac.co.nz

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