

WESTPAC DAIRY UPDATE

GlobalDairyTrade auction results.

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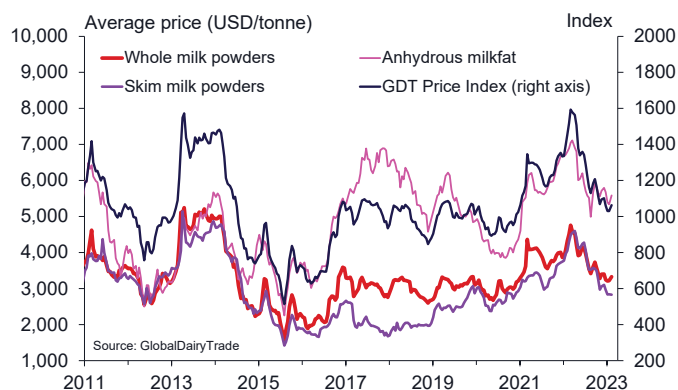
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On the rebound.

- Dairy prices are on the rebound.
- Rebounding Chinese demand is the likely catalyst for the dairy price rises.
- We expect ongoing price rises over coming months as the Chinese economic recovery gains further momentum.

Global dairy prices



GlobalDairyTrade auction results

	Change since last auction	Prices USD/tonne
Whole Milk Powder (WMP)	3.8%	\$3,329
Skim Milk Powder (SMP)	0.0%	\$2,829
Anhydrous Milk Fat (AMF)	4.8%	\$5,586
Butter	6.6%	\$4,745
GDT Price Index	3.2%	1063

Dairy auction prices posted a solid lift overnight. Overall prices lifted 3.2%, while key whole milk powder (WMP) prices were up 3.8%. Dairy prices are now marginally higher than as at the end of 2022, with the rises overnight wiping out the small falls experienced over January.

The price increase was also broad-based. Of the six products we monitor, five products posted price gains, and the other, skim milk powder, was unchanged. Milk fats led the way, with butter and anhydrous milk fat prices jumping 6.6% and 4.8%, respectively.

The result was, however, a little below our expectations. We had pencilled in a 5% WMP price lift ahead of the auction.

As we have mentioned previously the likely catalyst for the price rise is rebounding Chinese demand. This rebound stems from the lifting of China's Covid Zero policy. With Chinese consumers now largely free to move about and return to restaurants, cafes and bakeries, we anticipated that products like butter would benefit most from looser Covid restrictions.

Indeed, that was the case overnight, with butter posting the largest price rise.

Over coming months, we expect prices to gain further momentum as Chinese demand continues to rebound. For example, we forecast the Chinese economy to grow by 6% over calendar 2023 from 3.5% in 2022 and for strengthening household spending to be a key driver of economic growth over the year.

While it's early days in the demand recovery, the price rise overnight is consistent with our 2022/23 milk price forecast of \$8.75/kg.

Farmgate milk price forecasts

	2022/23		2023/24
	Westpac	Fonterra	Westpac
Milk price	\$8.75	\$8.50-\$9.50	\$10.00

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