

# WESTPAC DAIRY UPDATE

## GlobalDairyTrade auction results.

17 May 2023

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## Mixed messages.

- Dairy auction prices posted a small fall overnight.
- However, the result was more mixed by product, with key whole milk powder prices rising a touch.
- Meanwhile, with the 2022/23 production season ending on 31 May, we anticipate a production fall of circa 0.5% compared to the 2021/22 season.
- We expect this production weakness will continue into next season.

### GlobalDairyTrade auction results

	Change since last auction	Prices USD/tonne
Whole Milk Powder (WMP)	0.3%	\$3,244
Skim Milk Powder (SMP)	-1.6%	\$2,766
Anhydrous Milk Fat (AMF)	-4.5%	\$4,600
Butter	2.2%	\$5,068
GDT Price Index	-0.9%	1011

## Auction Results, 17 May.

Dairy auction prices fell a touch overnight. Overall prices fell 0.9%, although key whole milk powder (WMP) prices rose 0.3%.

By product, the result was mixed. Out of the five products that we monitor, there were three price falls against two price rises. Anhydrous milk fat prices led the price falls (down 4.5%) while cheddar and skim powder prices also fell. Butter prices bucked the trend, rising 2.2%.

The result was in line with our expectations. We had pencilled in flat WMP prices. However, the result was below market expectations, with futures pricing pointing to a circa 2% rise prior to the auction.

Coming late in the season, the result also doesn't change the outlook for this season's milk price. Thus, we reaffirm our milk price forecast of \$8.30/kg.

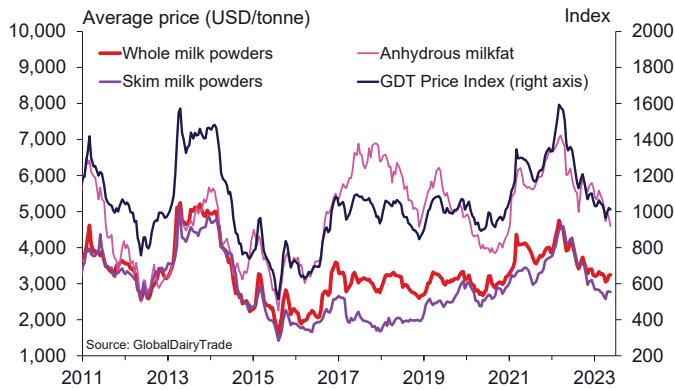
We also retain our positive outlook for next season, albeit it is still very early days. We anticipate that as the Chinese economy gains momentum over the course of the year, improved Chinese demand will lift global dairy prices. Very subdued global milk supply will provide additional support for prices. On this basis, our 2023/24 milk price forecast stands at \$10.00/kg.

Looking to next season, we expect production to remain weak. First up, we expect cow numbers to continue to decline. In addition, we expect the squeeze on farm profits will crimp production as farmers look for savings where possible, including on things such as fertiliser, farm maintenance and animal health. With this in mind, we have pencilled in a 1% fall in production over the 2023/24 season compared to 2022/23 at this early stage.

**Farmgate milk price forecasts**

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

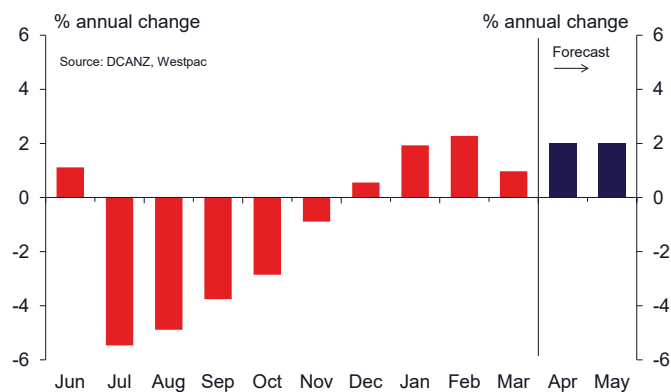
**Global dairy prices**



**Double down.**

We expect 2022/23 season production to end the season down 0.5% on the 2021/22 season. The season started very weak after cold and/or wet weather over winter and spring. As at the end of November 2022, production for the season to date was running 2.8% behind the same stage of the season earlier. Since then, production has improved, with each month posting production above the same month year ago. Besides the weather there has been another fall in dairy cow numbers this season and this helps to explain the overall fall in production.

**Dairy production growth, 2022/23 season (all NZ suppliers)**



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