

WESTPAC DAIRY UPDATE

GlobalDairyTrade auction results.

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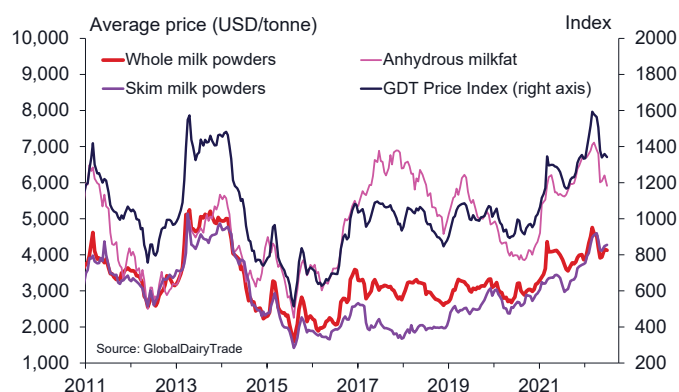
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Holding pattern.

- Dairy auction prices dipped a touch overnight.
- Despite the fall, prices remain very high.
- From here, we expect prices to remain strong on the fact that global dairy supply remains very tight. Easing Covid restrictions in China could give prices a further boost at some stage.

Global dairy prices



GlobalDairyTrade auction results

	Change since last auction	Prices USD/tonne
Whole Milk Powder (WMP)	-0.6%	\$4,125
Skim Milk Powder (SMP)	1.0%	\$4,276
Anhydrous Milk Fat (AMF)	-4.7%	\$5,913
Butter	2.4%	\$6,213
GDT Price Index	-1.3%	1342

Dairy auction prices dipped a touch overnight. Overall prices declined 1.3%, while key whole milk powder (WMP) prices were down 0.6%.

Looking at the auction by product, the results were mixed. Three out of the five products on offer fell, with cheddar prices posting the largest fall (down 9%). Anhydrous milk fat prices also fell 4.7%. Heading in the other direction were butter (up 2.4%) and skim milk powder prices (up 1.0%).

This result was weaker than expectations. We had expected a 1% rise in WMP prices, while the futures market pointed to a similar rise.

The mixed nature of the result suggests prices are in a holding pattern. At the last auction the market factored in better Covid news in terms of easing restrictions in China. But with no fresh news to digest on that front, the price moves reflected changes in product mix rather than any underlying factors.

From here, we expect prices to remain elevated as global supply remains very tight. At some stage, we anticipate that

Covid restrictions in China will ease further and take dairy demand higher as a result. At that time, global dairy prices are likely to get a further boost.

Today’s result is consistent with our farmgate milk price forecasts. For the record, our forecasts stand at \$9.30/kg and \$9.25/kg for 2021/22 and 2022/23, respectively.

Farmgate milk price forecasts

	2021/22		2022/23	
	Westpac	Fonterra	Westpac	Fonterra
Milk price	\$9.30	\$9.10-\$9.50	\$9.25	\$8.25-\$9.75

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