



AGRI UPDATE

GlobalDairyTrade auction results and milk price forecast update.

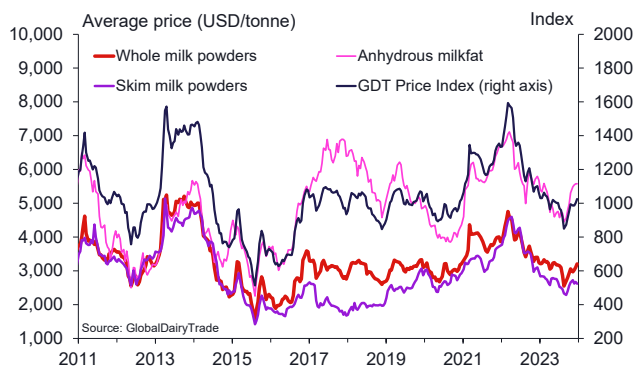


20 Dec 2023 | Kelly Eckhold, Chief Economist | +64 21 786 758 | kelly.eckhold@westpac.co.nz | X: @kellyenz

Santa rally

- We have revised up our 2023/24 milk price forecast from \$7.25/kg to \$7.50/kg.
- Dairy auction prices posted a 2.3% increase.
- This good result was fairly broad-based – only Skim Milk powder registered a price fall.

GlobalDairyTrade auction prices



Farmgate milk price forecasts

	2023/24	
	Westpac	Fonterra
Milk price	\$7.50	\$7.00-\$8.00

Auction Results, 20 December.

Dairy auction prices posted solid gains overnight. Overall prices were up 2.3%, while key whole milk powder (WMP) prices lifted 2.9%.

The positive result was also broad based. All products aside from skim milk powder posted price rises. Butter and cheese prices led the way, surging 9.9% and 6.9% respectively. Cheese prices built on another large price increase in the previous auction.

The WMP price result was in line with our expectations. The futures market had pointed to a WMP price rise of around 3% ahead of the auction, and we had also pencilled in a 2.3% rise last week.

Overall prices now sit at their highest since June. Prices have lifted by around 21% since this year’s low in August. Overall prices are now down just 3% on a year ago, 7% below their 5-year average levels and broadly in line with the 10-year average.

We continue to think that expectations of reduced production data in NZ and offshore may still be supporting prices. On the demand side, this auction saw improved demand from China and solid support from Southeast Asian buyers. We remain cautious on prospects for the Chinese economy and associated Chinese dairy demand (recent data confirms ongoing deflation in consumer and producer prices in China).

Previously, we had seen some upside risks for the milk price outlook given the stronger run of auction outcomes since August. Today we are revising up our milk price

forecast for this season to \$7.50/kg, in line with the mid-point of Fonterra's guidance.

GlobalDairyTrade auction results

	Change since last auction	Prices USD/tonne
Whole Milk Powder (WMP)	2.9%	\$3,207
Skim Milk Powder (SMP)	-1.3%	\$2,620
Anhydrous Milk Fat (AMF)	0.2%	\$5,578
Butter	9.9%	\$5,458
Cheddar	6.9%	\$4,265
GDT Price Index	2.3%	1025

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