



# AGRI UPDATE

GlobalDairyTrade auction results and milk price forecast update.



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## \$8.40 for the farmgate milk price in 2024/25

- Dairy prices posted a more modest 0.5% rise.
- The auction was more mixed – whole milk down 1.8%, anhydrous milk fat up 8.6%.
- Chinese buyers returned despite the recently ended holiday – Chinese demand is creeping up to long term averages.
- We estimate the 2024/25 milk price will be \$8.40/kg – this year’s estimate remains at \$7.90.
- This should see farmers doing slightly better than break-even given that cost pressures are reducing.

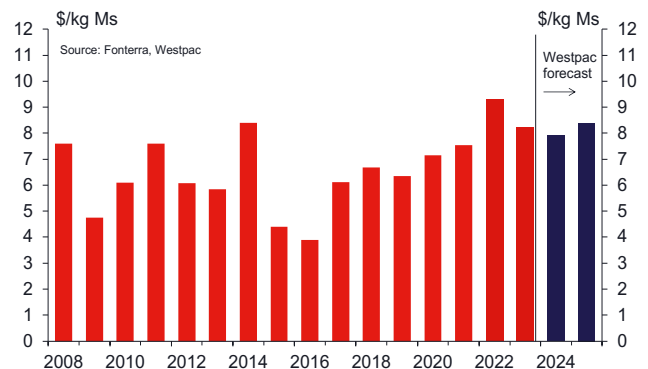
Farmgate milk price forecasts

	2023/24		2024/25
	Westpac	Fonterra	Westpac
Milk price	\$7.90	\$7.30-\$8.30	\$8.40

### 2024/25 outlook.

We released our initial forecast for the 2024/25 season in our **Economic Overview** this morning. As we previously noted, based on current trends it looks like next year should be a touch better than this year – albeit not especially stellar.

Milk price forecast



We forecast a 2024/25 farmgate milk price of \$8.40/kg. Combined with an easing in prices for some on-farm inputs, this should leave farmers modestly above breakeven on average.

Near-term, world dairy prices are expected to remain relatively steady. Growth in the Chinese economy is expected to remain subdued, though we have seen this counterbalanced more recently by stronger demand from other regions.

Global milk supply is expected to grow modestly this year, with New Zealand production likely to be slightly up on last year. In contrast, environmental regulations have driven a substantial drop in European milk production recently.

### Auction Results, 21 February 2024.

Dairy auction prices posted modest gains overnight. Overall prices were up 0.5%, while key whole milk powder (WMP) prices fell 1.8%.

The result was a bit more mixed than recent auctions. Two products posted relatively large price falls while another 3 rose. Cheese prices continued recent volatility, falling 7.6% after a large 6.3% rise last time.

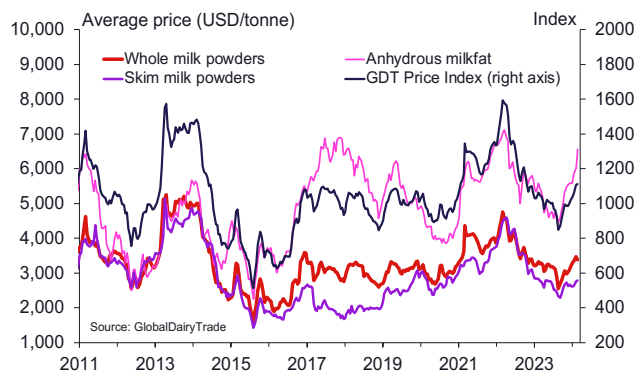
This outcome was broadly in line with expectations. We had forecast a 1% fall in whole milk powder prices which was in line with the futures market. We noticed that Chinese buyers picked up around half of total products sold even though the Chinese New Year holiday period ended just a day or two ago. Chinese demand is creeping up and is now around the 10-year average.

Overall prices continue to sit near their highest since June 2023. On a longer horizon, prices are modestly above long-term averages. Increases in on-farm costs though mean that these are hardly great times for dairy farmers.

#### GlobalDairyTrade auction results

	Change since last auction	Prices USD/tonne
Whole Milk Powder (WMP)	-1.8%	\$3,388
Skim Milk Powder (SMP)	1.3%	\$2,788
Anhydrous Milk Fat (AMF)	8.6%	\$6,552
Butter	0.1%	\$6,526
Cheddar	-7.6%	\$4,143
GDT Price Index	0.5%	1112

#### GlobalDairyTrade auction prices



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