



AGRI UPDATE

GlobalDairyTrade auction results.



3 Jul 2024 | Kelly Eckhold, Chief Economist | +64 21 786 758 | kelly.eckhold@westpac.co.nz | X: @kellyenz

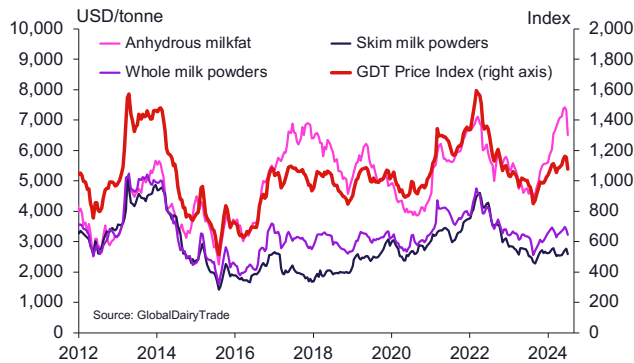
GDT prices sharply lower!

- Dairy prices fell significantly by 6.9% in today's auction.
- Weakness was across the board with the “fats” leading the fall.
- The significant rises in price for Anhydrous Milk Fat, Butter, and Cheese this year appear to have hit a ceiling in terms of demand.
- Futures markets signalled these lower prices.

GlobalDairyTrade auction results

	Change since last auction	Prices USD/tonne
Whole Milk Powder (WMP)	-4.3%	\$3,218
Skim Milk Powder (SMP)	-6.1%	\$2,586
Anhydrous Milk Fat (AMF)	-10.7%	\$6,517
Butter	-10.2%	\$6,546
Cheddar	-6.9%	\$3,980
GDT Price Index	-6.9%	1,077

GlobalDairyTrade auction prices



Farmgate milk price forecasts

	2023/24		2024/25	
	Westpac	Fonterra	Westpac	Fonterra
Milk price	\$7.80	\$7.70-\$7.90	\$8.40	\$7.25-\$8.75

Auction results, 3 July 2024.

This week's auction was very weak across the board. Overall prices fell significantly and reversed the gains seen since March this year. Overall prices fell 6.9% while the “fats” fell between 6.9 and 10.7% respectively. Overall prices still sit above long-term averages (3.6% over the 10-year average) although the key Whole Milk Powder price is now just below the 10-year average and almost 6% below its 5-year average.

Futures markets had suggested a significant move down in prices were in the offing following the fall in prices at the GDT “Pulse” auction. There is a growing view that the significant run up in “fats” prices – especially Anhydrous Milk Fat – may have run their course and that the current higher price levels are encountering buyer resistance.

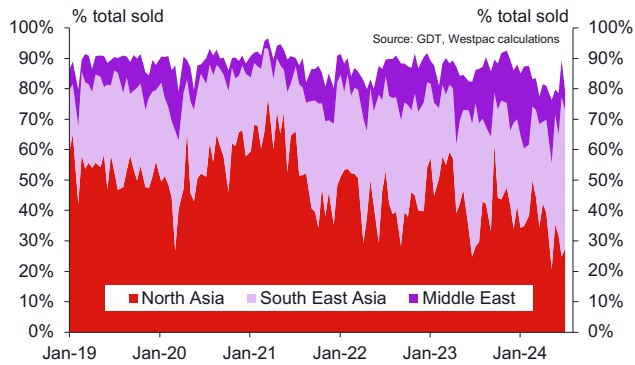
Southeast Asian buyers took up a higher proportion of product and Middle Eastern buyers stepped back. Demand from China/North Asia appears relatively stable in this auction.

Such a large fall in prices naturally increases uncertainty on future auction developments. The fall in prices balances up our previous upside risks on our 2025 Milk price forecast of \$8.40. Futures market prices still look consistent with that kind of outcome.

Futures pricing for farmgate milk prices



Proportion of total volumes sold – top 3 regions



Future reports.

Westpac Economics is changing the periodicity over which we write about the GDT auctions. From August we plan to move to a monthly reporting frequency where we will review developments in the GDT auctions as well as provide a fuller roundup of topical issues in the Primary more generally. Look out for this report shortly after the second auction of each month. We will have a full update of our external and primary sector outlook in the upcoming August *Economic Overview* in a few weeks. Any feedback on these proposals will be gratefully accepted.

CONTACT

Westpac Economics Team | westpac.co.nz/economics | economics@westpac.co.nz

Kelly Eckhold, Chief Economist | +64 9 348 9382 | +64 21 786 758 | kelly.eckhold@westpac.co.nz

Satish Ranchhod, Senior Economist | +64 9 336 5668 | +64 21 710 852 | satish.ranchhod@westpac.co.nz

Darren Gibbs, Senior Economist | +64 9 367 3368 | +64 21 794 292 | darren.gibbs@westpac.co.nz

Michael Gordon, Senior Economist | +64 9 336 5670 | +64 21 749 506 | michael.gordon@westpac.co.nz

Paul Clark, Industry Economist | +64 9 336 5656 | +64 21 713 704 | paul.clark@westpac.co.nz

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