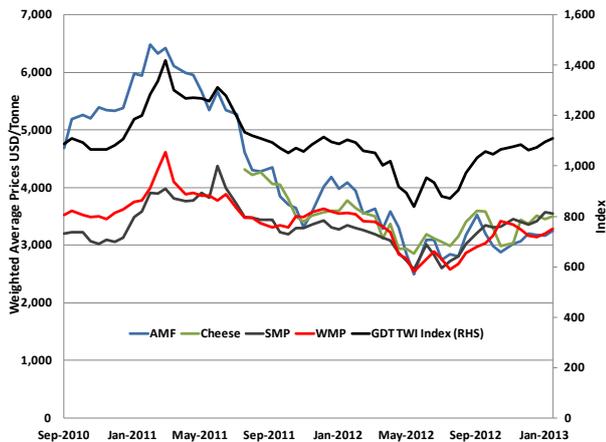




Fortnightly Dairy Update

17 January 2013

GDT Dairy Auction Prices



Dairy prices continued their good start to 2013 in last night's GlobalDairyTrade auction, increasing 1.1% on a trade-weighted basis. The increase came on top of the 2.0% rise that kicked off the year a fortnight ago.

We see the general trend for dairy prices heading up for the first half of 2013. The effects of the northern hemisphere drought continue to linger. Coupled with improving Asian growth, particularly in China, we expect this will support dairy prices. As we expect the NZD to average US\$0.85 over 2013 (from the US\$0.84 currently), prices should also improve in NZD terms, albeit more modestly.

Details

The trade-weighted index now stands higher than in the whole of 2012. Compared to the May low point, dairy prices are around 32% higher.

Benchmark WMP prices led the way in last night's auction, increasing 2.8%, while AMF and cheddar also posted solid gains. SMP recorded a 0.3% fall, although the fall followed a 6% jump over the previous two auctions.

	Change since last auction	Price index USD/Tonne
Anhydrous Milk Fat	2.4%	\$3,253
Butter Milk Power	-6.5%	\$3,405
Cheddar	0.9%	\$3,496
Skim Milk Powder	-0.3%	\$3,552
Whole Milk Powder	2.8%	\$3,228
TWI (All Products)	1.1%	

Westpac Payout Forecasts

	2012/13	2013/14	2014/15
Payout (before retentions)	\$6.00	\$6.20	\$6.70

However, the high NZD continues to take some of the gloss off rising dairy prices. The NZD rose by around 0.8% since the previous auction. After averaging around US\$0.81 over 2012, the NZD has averaged around US\$0.84 to date in 2013.

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