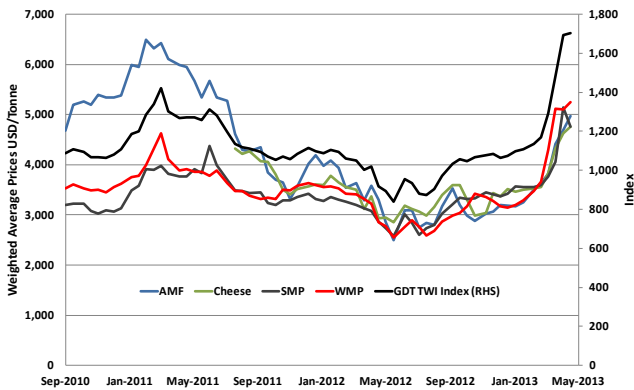




# Fortnightly Dairy Update

17 April 2013

## GlobalDairyTrade Dairy Auction Prices



### Summary

Dairy prices consolidated at record levels in Tuesday night's GlobalDairyTrade auction, as the New Zealand drought and accompanying hit to world dairy supply continue to reverberate through dairy markets. However as we detailed in yesterday's bulletin titled "Drought, Chinese Mums, and the price of milk", these rising world dairy prices could now offset the costs of lost production due to drought.

Overall, dairy prices rose 0.6% on a trade-weighted basis in the Tuesday night auction. Prices have now set new records for two weeks in a row and stand 86% higher than a year ago.

Prices for this season's product (contracts for delivery out to four months) continue to trade at a large premium to product for the new season. Increasingly, new season's product will replace this season's drought-hit offerings and prices should begin to drop overall.

From here, we expect world dairy prices to come off the boil, but to remain at elevated levels. Overall world dairy supply remains relatively tight. Coupled with strong Asian demand, particularly from China, these factors should underpin dairy prices over 2013.

**Nathan Penny**, Economist

	Change since last auction	Price index USD/Tonne
Anhydrous Milk Fat (AMF)	5.9%	\$4,964
Butter Milk Power (BMP)	1.3%	\$3,982
Cheddar	3.4%	\$4,753
Skim Milk Powder (SMP)	-3.2%	\$4,757
Whole Milk Powder (WMP)	2.4%	\$5,245
TWI (All Products)	0.6%	

### Westpac forecasts of Fonterra payout\*

	2012/13	2013/14	2014/15
<b>Total Payout*</b>	<b>\$6.60</b>	<b>\$6.70</b>	<b>\$6.70</b>
Including:			
Milk Price	\$6.10	\$6.20	\$6.20
Earnings per share	\$0.50	\$0.50	\$0.50

\* Before retentions for a fully shared-up farmer.

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