

Dairy Update.

20 October 2021



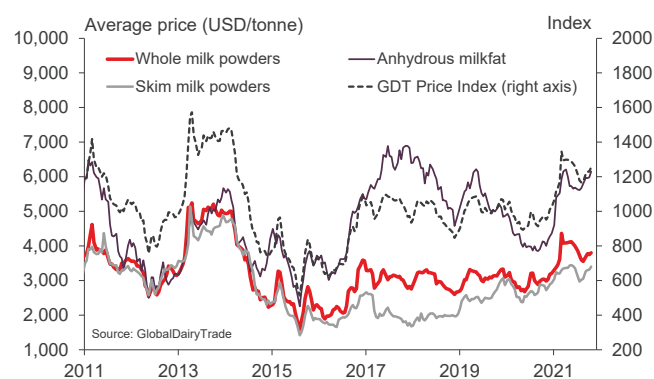
Solid as a rock.

- Dairy prices posted solid gains overnight.
- The result further cements global dairy prices at very healthy levels.
- Moreover, the solid result reinforces our 2021/22 farmgate milk price forecast of \$8.50/kg. If achieved, that would be a record high.

GlobalDairyTrade auction results

	Change since last auction	Prices USD/tonne
Whole Milk Powder (WMP)	1.5%	\$3,803
Skim Milk Powder (SMP)	2.5%	\$3,401
Anhydrous Milk Fat (AMF)	2.5%	\$6,151
Butter	4.7%	\$5,111
GDT Price Index	2.2%	1,256

Global dairy prices



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Dairy auction prices posted solid gains overnight. Overall prices lifted 2.2%, while key whole milk powder (WMP) prices lifted by 1.5%.

The result cements global dairy prices at very healthy levels. WMP prices have lifted a combined 6.7% over September and October, and now sit 25% above year ago levels. Taking a longer-term perspective, prices are around 20% above their five-year average.

Price strength was broad based. All six products that we monitor posted price gains. Lactose and butter prices led the gains, lifting 5.9% and 4.7%, respectively. Notably, butter and anhydrous milk fat prices lifted back above US\$5,000 and US\$6,000/MT, respectively, for the first time since autumn.

The result was in line with expectations. Prior to the auction, the futures market had indicated a circa 2% lift in WMP prices, while we pencilled in a 1% rise back on Friday.

From here, we expect that ongoing weakness in global dairy production will continue to underpin global dairy prices. New Zealand dairy production over August was down 4.2% compared to August 2020. In addition, anecdotes suggest that this production weakness has continued through September and into October.

All up, the solid result and outlook reinforces our 2021/22 farmgate milk price forecast of \$8.50/kg. If achieved, that would be a record high, beating the previous record of \$8.40/kg set back in the 2013/14 season.

Farmgate milk price forecasts

	2021/22	
	Westpac	Fonterra
Milk price	\$8.50	\$7.25-\$8.75



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