

# WESTPAC DAIRY UPDATE

## GlobalDairyTrade auction results.

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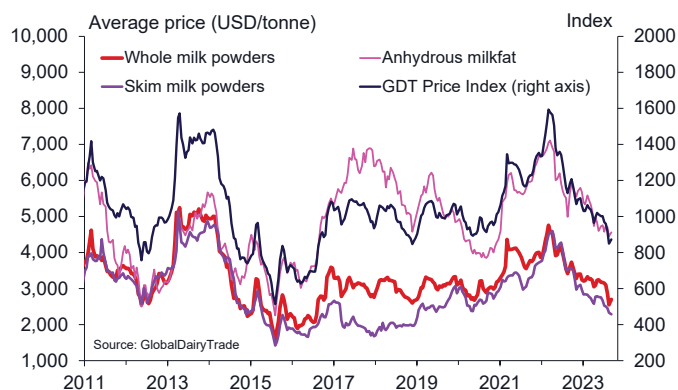
## Better (but not) by far.

- Global dairy prices lifted overnight.
- However, the price rise only partially reverses some of the recent steep price declines.
- All up, we maintain our 2023/24 milk price forecast of \$6.75/kg and continue to note the tough road ahead this season.

### GlobalDairyTrade auction results

	Change since last auction	Prices USD/tonne
Whole Milk Powder (WMP)	5.3%	\$2,702
Skim Milk Powder (SMP)	-1.6%	\$2,286
Anhydrous Milk Fat (AMF)	2.7%	\$4,561
Butter	1.1%	\$4,588
Cheddar	-0.6%	\$4,102
GDT Price Index	2.7%	873

### GlobalDairyTrade auction prices



## Auction Results, 6 September.

Dairy auction prices rose overnight. Overall prices increased 2.7%, while key whole milk powder (WMP) prices jumped 5.3%.

Looking by product, the price falls were more mixed. Three product price rises were matched by three product falls. As well as the WMP price rise, milk fat prices were also firm, with anhydrous milk fat and butter prices up 2.7% and 1.1%, respectively. Heading in the opposite direction were butter milk powder (down 6.5%), skim milk powder (down 1.6%) and cheddar (down 0.6%).

The WMP price rise was significantly stronger than expectations. We had pencilled in a 1% WMP price fall late last week, while the futures market, immediately ahead of the auction, had expected WMP prices to fall by around 0.5%.

While the positive result is welcome, global dairy prices remain low. In annual terms, WMP and overall prices are still down by

25% and 26%, respectively. Recall also that WMP prices fell 18% over August, so the result only partially reverses some of those losses.

With that in mind, we maintain our 2023/24 milk price forecast at \$6.75/kg. We also continue to note that this level is likely to be below the break-even point for many farmers. Indeed, even after taking account of the cost-cutting measures that farmers are likely to take, DairyNZ's updated breakeven milk price estimate is around \$7.50/kg. Note that break-even estimates vary widely by farm (and also in the calculation method), so that some farms may have larger deficits, while some may still even be in surplus. All up, the road ahead this season is likely to remain tough for most farmers.

#### Farmgate milk price forecasts

	2022/23		2023/24	
	Westpac	Fonterra	Westpac	Fonterra
Milk price	\$8.20	\$8.10-\$8.30	\$6.75	\$6.00-\$7.50

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