



# AGRI UPDATE

## GlobalDairyTrade auction results.

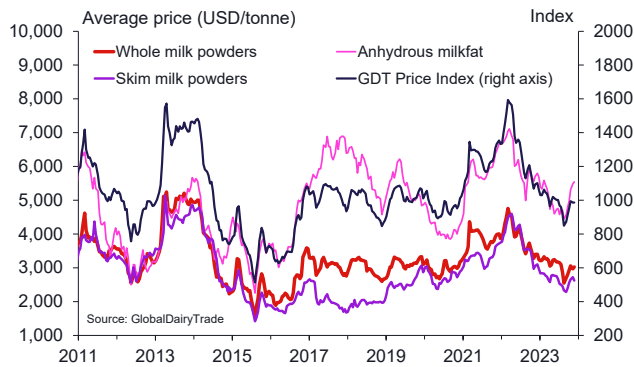


22 Nov 2023 | **Nathan Penny**, Senior Agri Economist | +64 21 743 579 | nathan.penny@westpac.co.nz

## Flat as a pancake

- Overall dairy prices were unchanged overnight.
- By product, the result was mixed.
- All up, we reaffirm our 2023/24 milk price forecast at \$7.25/kg.

GlobalDairyTrade auction prices



GlobalDairyTrade auction results

	Change since last auction	Prices USD/tonne
Whole Milk Powder (WMP)	1.9%	\$3,027
Skim Milk Powder (SMP)	-3.8%	\$2,622
Anhydrous Milk Fat (AMF)	0.9%	\$5,544
Butter	-1.1%	\$4,833
Cheddar	-9.7%	\$3,637
GDT Price Index	0.0%	986

### Auction Results, 22 November.

Overall dairy auction prices were unchanged overnight, with the GlobalDairyTrade Price Index flat. In contrast, key whole milk powder (WMP) prices lifted 1.9%.

By product, the result was mixed. Three price rises were matched by three price falls. Lactose prices led the way, jumping 6.4%, while anhydrous milk fat prices also rose (0.9%). Cheese prices headed the other way, slipping 9.7%. Skim milk powder and butter prices also dipped, 3.8% and 1.1%, respectively.

The WMP price result was weaker than market expectations. The futures market had pointed to a WMP price rise of around 5%, while we had pencilled in a 3% rise (back on Friday).

All up prices have softened a touch over November, after strong results over September and October. For example, WMP prices fell 0.9% over the month from the end of October.

Dairy markets previously had been factoring in drought risk on the back of the El Nino weather pattern. In our view, this has been overdone and may explain the pullback in prices over November. New Zealand water tables are generally very high and most farmers have ample feed on hand. This will help mitigate or dampen

any drought impact. Moreover, New Zealand spring production has started on a firm note, with September production up 1.3% compared to September 2022 and we expect a similar lift over October (data due later this week).

Meanwhile, Chinese demand is hinting at a pickup. Recent economic data have been more positive so this may translate into higher demand over time.

However, on balance, we remain cautious. There have been both positive and negative developments since we lifted our milk price forecast on 18 October, and these have largely cancelled each other out. With that in mind, we reaffirm our milk price forecast for this season at \$7.25/kg.

#### Farmgate milk price forecasts

	2023/24	
	Westpac	Fonterra
Milk price	\$7.25	\$6.50-\$8.00

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