



# AGRI UPDATE

## GlobalDairyTrade auction results.



8 May 2024 | Kelly Eckhold, Chief Economist | +64 21 786 758 | kelly.eckhold@westpac.co.nz | X: @kellyenz

### GDT trumps the futures market!

- Dairy prices rose by 1.8% in today’s auction – totally wrong-footing futures markets.
- Whole milk powder rose 2.4%, Skim Milk Powder rose 0.4%, Cheddar soared 8.0%.
- Futures markets totally missed this move and had anticipated a 3-4% fall in WMP prices. Our \$7.90 current season and \$8.40 2025 season milk payout forecasts still look good.
- Chinese buyers didn’t show up but middle eastern buyers did. Europeans are picking up more Skim Milk Powder.
- The outlook for sheep and beef farmers is tough right now but we look at the medium-term demand drivers for meat in global markets ahead of our soon to be published sheep and beef “deep dive”.

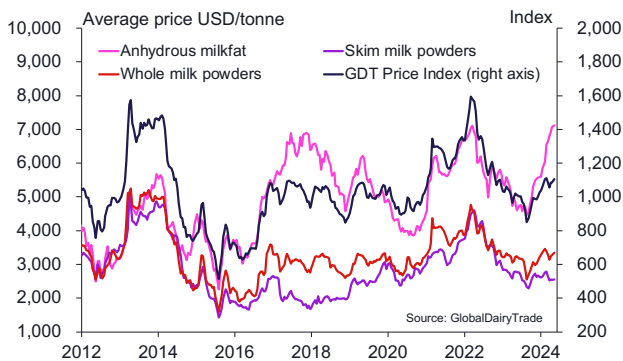
GlobalDairyTrade auction results

	Change since last auction	Prices USD/tonne
Whole Milk Powder (WMP)	2.4%	\$3,350
Skim Milk Powder (SMP)	0.4%	\$2,551
Anhydrous Milk Fat (AMF)	1.2%	\$7,124
Butter	2.1%	\$6,593
Cheddar	8.0%	\$4,257
GDT Price Index	1.8%	1,106

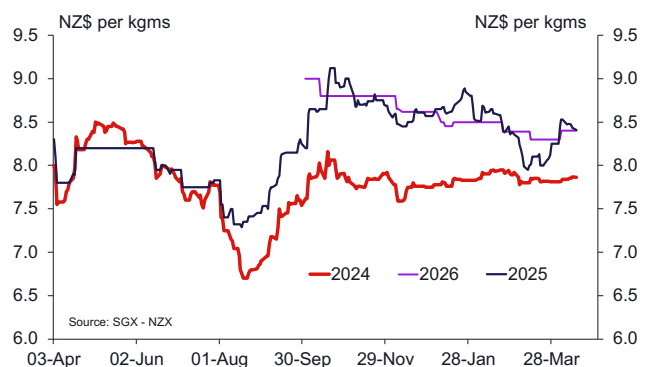
### Auction Results, 8 May 2024.

This week’s dairy auction outperformed fears. Almost all categories posted decent gains. This was despite weakness in futures prices in the lead up to the auction – perhaps reflecting concerns on the implications of the weak Chinese demand which we did see in the auction. Fortunately, that weakness was offset by strength elsewhere. Middle eastern accounts picked up WMP and the Europeans SMP. It should be noted that global food prices are back on a gently rising trend now. The FAO World Food Price index is up 1.2% for the year to date and is tentatively reversing the very negative trend seen in 2022 and 2023.

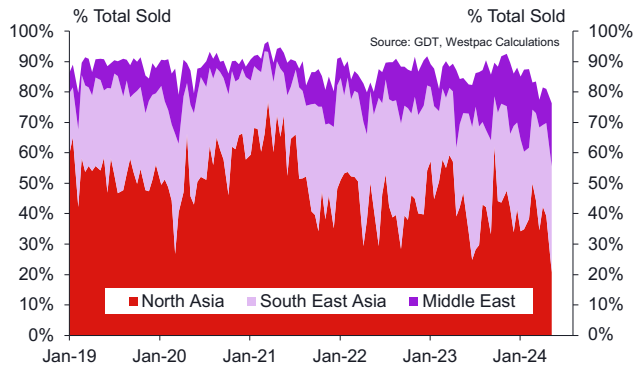
GlobalDairyTrade auction prices



Futures prices – SGX Milk Prices



### Proportion of total volumes sold – top 3 regions



### Farmgate milk price forecasts

	2023/24		2024/25
	Westpac	Fonterra	Westpac
Milk price	\$7.90	\$7.30-\$8.30	\$8.40

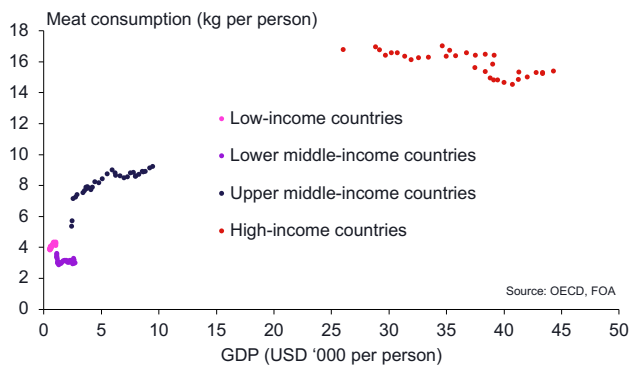
### Sheep and beef outlook is fairly grim – better days ahead hopefully.

Commentary has increased on the outlook for sheep and beef farmers who are doing it much tougher than their dairy comrades. Data from Beef and Lamb NZ shows that inflation adjusted farm profits before taxes are around the levels seen in the terrible 1980's. A saving grace is that profitability was higher in the last 10 years but nevertheless its hardly a comforting picture. A key issue is weakness in global demand from the key Chinese market and supply from Australia (Lamb) and Brazil (Beef). Costs have also been a key issue but are abating now as inflation falls. Interest rates remain a key bugbear but will hopefully fall in 2025.

Westpac analysis of meat market drivers illustrates that importance of rising incomes in foreign markets in driving prices and export revenues. Richer countries consume more meat and poorer countries do some catch up as their incomes improve. NZ exporters will do well to try and diversify into those countries where per capita incomes are rising more strongly (eg ASEAN countries).

We will have a more in-depth analysis of sheep and beef markets in coming weeks after we release our new forecasts on 15 May.

### Per capita consumption of sheep and beef vs income per capita



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